Consolidated Financial Results for the Year Ended September 30, 2013 (Japanese standards)

November 6, 2013

Company Name:	MTI Ltd.
Stock code:	9438
Shares listed:	Tokyo Stock Exchange (JASDAQ)
URL:	http://www.mti.co.jp
Representative:	Toshihiro Maeta, President and Chief Exective Officer
For further information please contact:	Hiroshi Matsumoto, Director TEL: +81-3-5333-6323
Scheduled date of ordinary general meeting of shareholders:	December 21, 2013
Scheduled date of start of dividend payment:	December 24, 2013
Scheduled date of filing of securities report:	December 24, 2013

(Figures less than one millions of yen are omitted)

1. Consolidated Financial Results for the Year Ended September 30, 2013 (From October 1, 2012 to September 30, 2013)

(1) Consolidated Operating Results (Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2013	30,160	2.7	1,149	-32.6	1,119	-34.0	516	372.0
For the year ended September 30, 2012	29,382	-9.2	1,704	-54.0	1,697	-54.0	109	-93.9

(Note) Comprehensive Income Year ended September 30, 2013: 617 millions of yen (570.1%) Year ended September 30, 2012: 92 millions of yen (-94.8%)

	Net income per share	Fully diluted net income per share	Return on Equity	Return on Assets	Operating income ratio
	Yen	Yen	%	%	%
For the year ended September 30, 2013	40.99	—	6.1	7.6	3.8
For the year ended September 30, 2012	8.43	—	1.2	11.4	5.8

(Reference) Equity in earnings of affiliates Year ended September 30, 2013: -30 millions of yen Year ended September 30, 2012: -16 millions of yen

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net income per share is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
For the year ended September 30, 2013	15,646	8,869	53.7	669.30
For the year ended September 30, 2012	13,971	8,922	61.9	668.69

(Reference) Shareholders' equity As of September 30, 2013: 8,402 millions of yen, As of September 30, 2012: 8,645 millions of yen

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net assets per share is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the year ended September 30, 2013	3,483	-2,389	-414	3,416
For the year ended September 30, 2012	2,682	-2,062	-1,167	2,563

2. Dividends

	Cash dividends per share					Total annual dividend amount	Payout ratio (consolidated)	Dividends on equity ratio (consolidated)
	End of Q1	End of Q2	End of Q3	End of the year	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
For the year ended September 30, 2012	—	0.00	—	4,000.00	4,000.00	517	474.5	5.7
For the year ended September 30, 2013	—	0.00	—	25.00	25.00	313	61.0	3.7
For the year ended September 30, 2014 (Forecast)	—	10.00	—	20.00	30.00		50.2	

(Note) Revision from most recent dividend forecast: Yes

We conducted a 100-for-1 share split which became effective as of April 1, 2013. The dividend of the year ended September 30, 2013 is for the dividend after this share split. Please refer to "Explanation for Appropriate Use of Forecasts and Other Notes" for more information.

3. Consolidated Forecast for the Year Ended September 30, 2014 (From October 1, 2013 to September 30, 2014)

(Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share (yen)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the six months ended September 30, 2014	15,500	4.6	700	—	680	—	320	—	25.49
For the year ended September 30, 2014	31,500	4.4	1,800	56.6	1,750	56.3	750	45.2	59.74

Others

(1) Changes of significant subsidiaries during the fiscal year (including changes of specified subsidiaries resulting in change in scope of consolidation): No

Newly consolidated — (company name) Excluded — (company name)

(2) Changes in accounting principles, procedures, and disclosures for consolidated financial statements

① Changes pursuant to revision of accounting principles : Yes
② Other changes : None
③ Changes to accounting estimates : Yes
④ Corrected restatements : None

(3) Number of issued shares (common stock)

① Number of shares issued at end of year (including treasury stock)	Fiscal year ended September 30, 2013	13,368,800 shares	Fiscal year ended September 30, 2012	13,368,800 shares
② Number of treasury stock at end of year	Fiscal year ended September 30, 2013	815,100 shares	Fiscal year ended September 30, 2012	440,100 shares
③ Weighted average number of shares	Fiscal year ended September 30, 2013	12,604,784 shares	Fiscal year ended September 30, 2012	12,982,473 shares

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Number of shares issued at end of year,Number of treasury stock at end of year and Weighted average number of shares is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

(Reference) Summary of Financial Results

Nonconsolidated Financial Results for the Year Ended September 30, 2013 (From October 1, 2012 to September 30, 2013)

(1) Nonconsolidated Operating Results (Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2013	27,821	-1.7	937	-48.8	940	-48.7	622	—
For the year ended September 30, 2012	28,313	-11.6	1,831	-54.3	1,834	-54.1	-201	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2013	49.35	—
For the year ended September 30, 2012	-15.52	—

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net income per share is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

(2) Nonconsolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
For the year ended September 30, 2013	14,538	8,563	57.4	664.43
For the year ended September 30, 2012	13,133	8,706	64.7	657.04

(Reference) Shareholders' equity As of September 30, 2013: 8,341 millions of yen As of September 30, 2012: 8,494 millions of yen

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net assets per share is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

Indication of audit procedure implementation status

At the time of disclosure of the financial results, audit procedures based upon the Financial Instruments and Exchange Act had not been completed.

Explanation for Appropriate Use of Forecasts and Other Notes

This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ substantially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events. Please refer to page 3 "Outlook for the year ended September 30, 2014" of the attachment for the assumptions used and other notes.

Other Notes

The board of directors decided on October 31, 2012 to conduct a share split and adopt a unit share system. Accordingly, a 100-for-1 share split will take effect from April 1, 2013 and the trading unit number will be set at 100 shares. Please refer to the dividend forecast and relevant items of the consolidated forecast for the fiscal year ended September 30, 2013.

●Attached Document – Contents

1. Operating Results and Financial Conditions

(1) Analysis of Operating Results

1) Operating Results (from October 1, 2012 to September 30, 2013)

The market continues to shift towards smartphones and with the emergence of various kinds of services related to smartphones, rapid growth is expected in the market for smartphone services, including hardware and software.

Under these circumstances, during the selling season we have aggressively promoted new smartphone models and worked towards improving efficiency in the promotion and quality of our contents in order to continue to satisfy our customers.

As a result, the number of paying subscribers for our smartphone services had reached 4.76 million as of September 30, 2013 (an increase of 1.63 million subscribers compared to September 30, 2012). Meanwhile, the number of paying subscribers for feature phone services was 3.28 million (a decrease of 1.72 million subscribers compared to September 30, 2012), though the rate of decrease is slowing down.

The total number of paying service subscribers as of September 30, 2013 was 8.04 million (a decrease of 90,000 subscribers compared to September 30, 2012), but the transition to smartphone-based services is proceeding, as subscribers to smartphone services now account for 59.2% of our overall subscriber base. This means that we have almost reached our goal of maintaining our total number of paying subscribers on a quarterly basis.

Net sales had reached 30.16 billions of yen (an increase of 2.7% compared to September 30, 2012) due to steady orders for systems for carriers from a subsidiary Jibe Mobile, K.K. and the establishment of real affiliate business to promote other companies' contents at mobile shops across the country, even though the total number of paying subscribers had decreased compared to the previous term.

Gross profit increased 4.7% on-year to 24.824 billions of yen due to increases in net sales and decreases in cost of sales ratios mainly attributed to a decline in the number of music content downloads (to 17.7% from 19.3% during the previous term).

Operating income declined 32.6% to 1.149 billions of yen, and ordinary income also fell 34.0% to 1.119 billions of yen on-year. Even though there was an increase in gross profit, there was a large increase in selling, general and administrative expenses due to the aggressive introduction of advertising expenses during the selling season.

Net income increased 372.0% on-year to 516 millions of yen due to the steep drop in extraordinary loss and decreases in income taxes on year.

Consolidated Operating Results

(Unit: millions of yen)

	Fiscal year ended September 30, 2013	Fiscal year ended September 30, 2012	Change	
			Amount	Percentage
Net sales	**30,160**	29,382	+778	+2.7%
Gross profit	**24,824**	23,716	+1,107	+4.7%
Operating income	**1,149**	1,704	-555	-32.6%
Ordinary income	**1,119**	1,697	-577	-34.0%
Current net income	**516**	109	+407	+372.0%

Note: Figures are rounded down to the nearest millions of yen.

2) Outlook for Year Ended September 30, 2014 (from October 1, 2013 to September 30, 2014)

An emphasis will be placed on increasing the number of paying subscribers for smartphone services during the new term. Our strength is that we have a sales channel to promote registrations to our content services at mobile shops across the country, and we will strive to expand this sales channel in order to enhance our strength.

We established the real affiliate business this term to earn sales commissions by way of dealing with other companies' contents using the sales channel above. Our goal is to expand the market and increase revenue by enhancing our product line-up and widening the sales channel.

We will continue to work to improve the quality of our contents and the efficiency in promotion, and also work towards developing easier access to registration, other than just gaining customers at mobile shops across the country.

These strategies for easier access to registration are explained below.

Regarding music contents, we will strive to increase non-paying users of our simulcast radio broadcast *Listen Radio*, which distributes various types of music to listeners according to their mood and situations, and our information collection site *minp!* to enable us to link those users to our main service *music.jp*®.

Regarding our health information services, we leveraged our *Luna-Luna* brand and are providing a free service *Luna-Luna Lite,* which already has 4.5 million users. We will encourage those users to shift to our pay service *Luna-Luna* by adding a higher value of health care support.

Furthermore, services targeting smartphones such as power saving functions and security functions are going strong, so we will try to increase the number of paying subscribers in those areas and also continue to enhance services targeting smartphones to respond to customer needs.

In addition, Machine-to-Machine market, where smartphones can be connected with health-related equipment such as body composition meters and pedometers, gene-related business and indoor positioning systems are business fields with the potential for medium-to long-term growth, so we will work to create business opportunities in those fields.

As a result of these strategies above, we will lose special demand for systems for carriers provided by a subsidiary Jibe Mobile, K.K., but the total number of paying subscribers is expected to increase through the year. The real affiliate business should also expand. As such, net sales are expected to increase 4.4% on-year to 31.5 billions of yen.

In terms of profit and loss, we will have the profit above, and we expect that improvement of efficiency in promotion will raise the effectiveness of our advertising expenses. As such, operating income is expected to increase 56.6% on-year to 1.8 billions of yen and ordinary income is expected to grow 56.3% on-year to 1.75 billions of yen and net income is expected to grow 45.2% on-year to 750 millions of yen.

Earnings forecast for the six months of the fiscal year ended September 30, 2014

(Period from October 1, 2013 to March 31, 2014)

Consolidated Profit and Loss		
Net sales	15,500 millions of yen	(an increase of 4.6% y-o-y)
Operating income	700 millions of yen	(-)
Ordinary income	680 millions of yen	(-)
Net income	320 millions of yen	(-)

Earnings forecast for fiscal year ended September 30, 2014

(Period from October 1, 2013 to September 30, 2014)

Consolidated Profit and Loss		
Net sales	31,500 millions of yen	(an increase of 4.4% y-o-y)
Operating income	1,800 millions of yen	(an increase of 56.6% y-o-y)
Ordinary income	1,750 millions of yen	(an increase of 56.3% y-o-y)
Net income	750 millions of yen	(an increase of 45.2% y-o-y)

(2) Analysis of Financial Conditions

1) Analysis of Financial Conditions in the Year Ended September 30, 2013

a) Assets, Liabilities and Net Assets

Total assets as of September 30, 2013 were 15.646 billions of yen, up 1.674 billions of yen compared to September 30, 2012.

In the assets section, current assets increased 1.137 billions of yen, mainly due to increases in cash and deposits and accounts receivable-trade. Noncurrent assets increased by 537 millions of yen. There were increases mainly in investment securities, software and deferred tax assets.

In the liabilities section, current liabilities increased by 1.12 billions of yen. Accounts payable-trade decreased, while income taxes payable and accounts payable-other increased. Noncurrent liabilities increased by 607 millions of yen, mainly due to increases in long-term loans payable and reserves for retirement benefits.

In the net assets section, even though there was a net income of 516 millions of yen, net assets still decreased by 53 millions of yen, mainly due to the dividend payment and acquisition of treasury stock.

b) Cash Flows

Cash and cash equivalents stood at 3.416 billions of yen as of September 30, 2013, an increase of 852 millions of yen as compared to September 30, 2012. Cash flows and factors affecting cash flows during the fiscal year under review are as follows.

Net cash provided by operating activities was 3.483 billions of yen, compared to 2.682 billions of yen for the previous year, principally due to income before income taxes and depreciation costs, while there were fund outflows due to increases in receivables and reductions in procurement liabilities.

Net cash provided by investing activities was 2.389 billions of yen, compared to 2.062 billions of yen for the previous year, principally due to purchases of intangible assets (mainly software) and purchases of stocks of affiliates, while there were fund inflows due to sales of stocks of affiliates.

Net cash provided by financing activities was 414 millions of yen, compared to 1.167 billions of yen for the previous year, due to dividend payments, the acquisition of treasury stock and repayment of long-term loans payable, while there were fund inflows due to long-term loans.

(Reference) Cash Flow Indicators

	Fiscal year ended September 30, 2009	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012	Fiscal year ended September 30, 2013
Equity ratio (%)	53.7	54.0	59.7	61.9	53.7
Equity ratio based on market value (%)	260.0	94.0	84.1	69.5	73.0
Ratio of cash flow to interest-bearing liabilities (%)	40.2	15.7	12.1	6.0	16.6
Interest coverage ratio (times)	84.8	182.7	219.0	273.6	570.6

Equity ratio: equity / total assets

Equity ratio based on market value: market capitalization / total assets

Ratio of cash flow to interest-bearing liabilities: interest-bearing liabilities / net cash provided by operating activities

Interest coverage ratio: net cash provided by operating activities / interest payments

Notes:

1. These indicators are calculated based on consolidated financial results.
2. Cash flow refers to net cash provided by operating activities in the consolidated statements of cash flows.
3. Interest-bearing liabilities refer to all liabilities in the consolidated balance sheet for which interest is paid. interest payment refers to the interest payment amount in the consolidated cash flow statement.

2) Financial Outlook for Year Ended September 30, 2014

a) Assets, Liabilities and Net Assets

Assets, liabilities and net assets as of September 30, 2014 are expected to increase as compared to the end of the fiscal year under review.

Assets are expected to increase due mainly to increases in accounts receivable-trade.

Liabilities are expected to increase due mainly to increases in accounts payable-trade and income taxes payable.

Net assets are expected to increase by recording net income of this term.

b) Cash Flows

We expect that cash and cash equivalents as of September 30, 2014 will increase compared to the end of the fiscal year under review.

For net cash provided by operating activities, there will be cash outflows due to increases in receivables and the payment of income taxes, but also ever larger cash inflows mainly from income before income taxes and from depreciation.

As for net cash provided by investing activities, cash outflows are expected mainly due to the acquisition of intangible assets.

As for net cash provided by financing activities, cash outflows are expected mainly due to dividend payments and the repayment of long-term loans payable.

(3) Basic Policy regarding Profit Distribution to Shareholders and Dividends for the Year ended September 30, 2013 and the Year Ended September 30, 2014

We regard continuously increasing total market value through the creation and expansion of corporate value and distributing profits to shareholders as important priorities.

Regarding profit distribution to shareholders, we take into account our basic capital strategy of achieving a balance between sustainable growth in sales and profits in the medium to long term and the return of profits to shareholders. In the light of this strategy and internal reserves to provide for aggressive business development, we are aiming to achieve a total payout ratio of 35%.*

For the fiscal year under review, we plan to pay a per share dividend of 25 yen. We were planning to pay a share dividend of 20 yen, but the actual income exceeded by far the forecast for the fiscal year as of September 30, 2013. As a result, the total payout ratio for the fiscal year under review will come to 118.4%.

From the viewpoint of enhancing opportunities to return profits to our shareholders, we decided to pay dividends twice a year in the next term, and therefore plan to pay an interim dividend of 10 yen per share and a year-end dividend of 20 yen per share i.e. a full-year dividend of 30 yen per share.

* The ratio of total dividends paid and purchase of treasury stock to consolidated net income

Total dividends paid (1)	Acquisition of treasury stock (2)	Net income (3)	Total payout ratio [(1) + (2)] / (3)
313 millions of yen	297 millions of yen	516 millions of yen	118.4%

(4) Business Risks

We are providing the main items viewed as potential risk factors for our business development. Even items that are not necessarily risk factors but are important and useful for making investment assessments, as well as items important in terms of understanding our business activities, are actively disclosed from the perspective of thorough information disclosure for investors.

With a clear awareness of the potential for these risks to arise, our policy is to work to prevent these risks from occurring and make prompt responses in the event they do occur. However, when assessing an investment in our shares, these items as well as items contained in financial statements need to be carefully considered. Furthermore, please keep in mind that the items mentioned below do not cover all possible risks associated with investing in our shares.

Items regarding the future are based on assessments we have made as of the time of releasing our financial statement (November 6, 2013).

1) Over-reliance on Certain Individuals

Our President and Chief Executive Officer Toshiro Maeta has fulfilled the core role of amassing expertise in business model creation, data analysis technologies and other areas of strength for the company. He has also fulfilled the key role of actually driving our business. We are working to create a management structure that does not rely so heavily on Mr. Maeta and efforts are being made to develop and bolster personnel. However, there is still the possibility that our business results could be seriously impacted if for some reason Mr. Maeta became unable to perform his duties.

2) Unexpected Changes to Business Environment

The following factors involving our main mobile contents business could result in a serious divergence from our current sales and expenditure forecasts. Such cases could leave us with no alternative but to alter management policies and strategies, which could seriously impact our results.

a) Changes in the market environment result in factors of uncertainty that could not be foreseen when making business plans. Such changes could include the increase in paid subscribers for smartphone services falling well below our targets, or the decrease in paid subscribers for feature phone services being much bigger than expected, or the utilization of paid contents declining and user preferences changing rapidly due to the emergence of free contents.

b) We are unable to differentiate ourselves with competing companies in terms of content materials, quality and price, and therefore are unable to acquire the target number of paid subscribers. Either that, or the competition for new subscribers with competing firms becomes sharper and price competition intensifies making it harder to maintain cost competitiveness and secure the target number of subscribers.

c) Technical innovations proceed at a rapid pace and there are changes to the development/provision of services that meet the needs of smartphone users. The form of income and services/technologies become obsolete due to delays in responding to the advancing technologies. Content production costs increase more than expected, an efficient development system for content development cannot be maintained and earnings cannot be secured.

d) Cannot obtain the target number of paid subscribers due to a sudden saturation/reduction of the mobile contents market, or because advertising could not produce the desired impact on sales, or obtaining profit becomes difficult due to a bigger-than-expected increase in cost for acquiring contents.

e) Amended or newly established laws regulating our industry result in increased costs associated with changes to service particulars and the management/maintenance of service, or the restriction of business development and cancelation of projects in order to satisfy the relevant laws.

3) Information Networks become Inoperable

We have developed businesses that utilize communication lines and information systems. If information networks were to become inoperable for a prolonged period due to communication line interruptions caused by natural disasters or accidents, or if systems crashed due to an unexpected surge in access or a virus / external unauthorized computer access, we could be forced to suspend business, which would seriously impact our results.

4) Personal Information Leaks

We are extremely thorough in the safeguarding of personal information. We have built a strict information management system, implemented information security, prepared and strengthened various regulations regarding the handling of information and have educated/trained/enlightened our employees and business partners regarding the handling of such information. If, despite these efforts, personal information were to be leaked and problem arose, our results could be seriously impacted.

5) Intellectual Property Right Infringement

We always conduct our business development in a manner that is careful to never infringe upon the intellectual property rights of third parties. However, there is the possibility that we may unintentionally infringe upon such intellectual property rights. In such cases the third party could file a lawsuit demanding the payment of damages and the suspension of operations involving the rights in question. The payment of such damages could seriously impact our results.

2. Business Group

As of September 30, 2013 our business group consisted of 21 companies made up of MTI and affiliated companies, is primarily involved in the contents business. A general overview of the group is provided below.

(1) Business

Contents distribution	MTI, TeraMobile, Jibe Mobile

(2) Main Group Companies

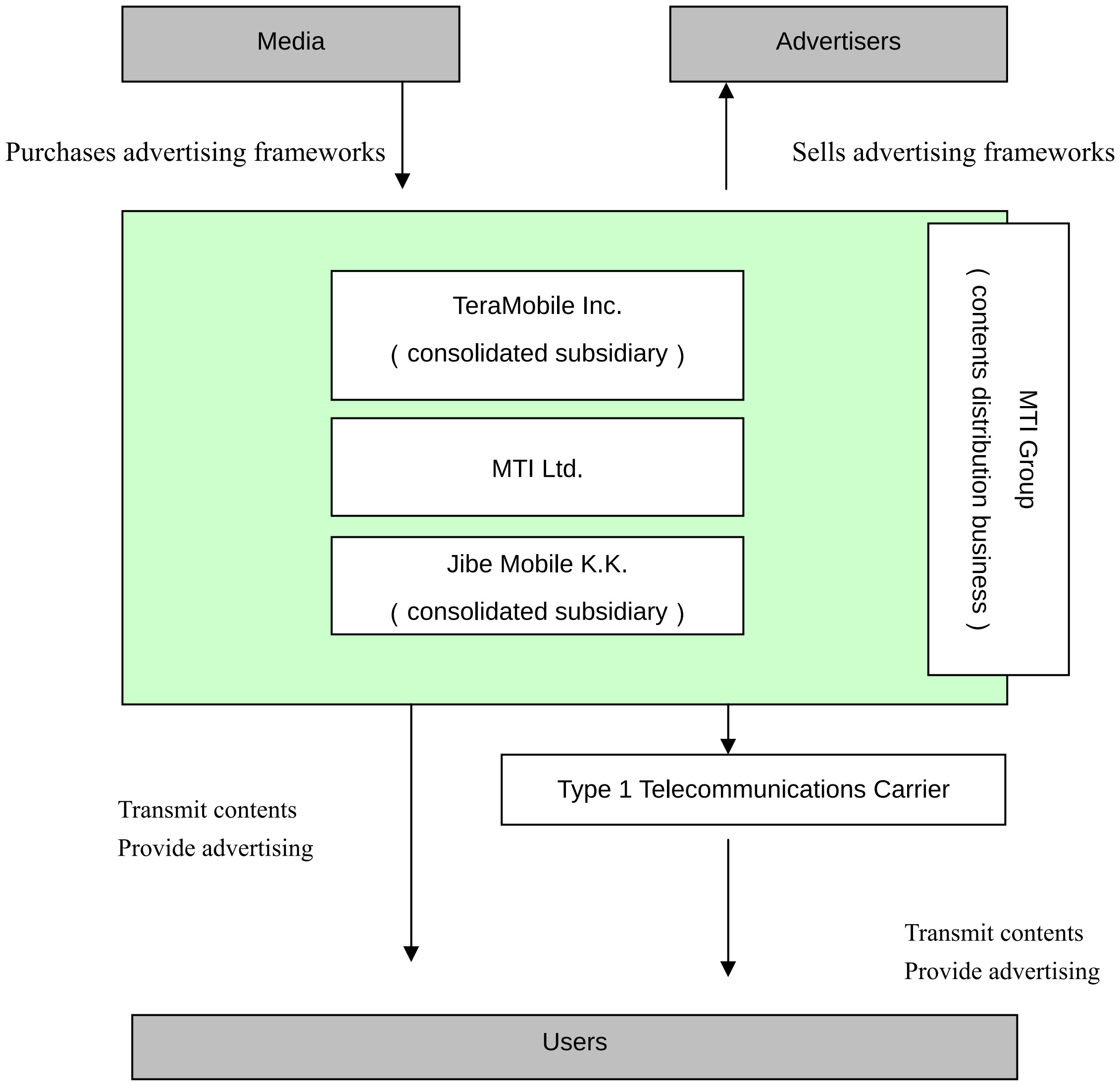
MTI

MTI Ltd.	Engaged in the distribution of content for mobile phones and the like

Main Affiliate Companies

TeraMobile Inc.	Engaged in advertising agency activities and the like
Jibe Mobile K.K.	Engaged in software development and the like

(3) Business Distribution Diagram



3. Management Policy

(1) Basic Management Policy

MTI is dedicated to understanding customer needs and expectations. We offer easy-to-use services making full use of the latest technologies and provide the quality and product line up needed to satisfy customers with the aim of realizing a brighter society made possible by future mobile handsets. Our goal is to become a "Mobile Dream Factory" creating exciting mobile content and services that continue to delight our customers.

(2) Target Management Indexes

The rate of sales growth and the degree of improvement in operating income ratio are important management indexes for us here at MTI. We aim to continuously raise corporate value by always improving these indexes. Continuous improvement of our marketing, quality control, development and design capacity will be essential for supporting the business expansion needed to realize medium- to long-term quantitative growth. Continuous improvement of these capacities will allows us to flexibly respond to changes in customer needs and the market environment.

(3) Medium- to Long-term Management Strategy

Our strategy is to use a portion of the stable earnings generated by our music content distribution and healthcare information services, our main earnings pillars, to invest in fields with high growth potential with the aim of fostering new fields capable of generating steady earnings. At the same time, we will invest in fields expected to have large markets and high growth.

We will also strive to increase the number of subscribers in new fields amid the rapid growth in the market for smartphone services. Additionally, we will aggressively work to create business opportunities by developing new services targeting smartphones and we will work to realize sustained sales and continuous growth of profits.

Medium- to long-term management strategies for each contents category are explained below.

a) Music Contents

music.jp® is the main pillar of our business accounting for large percentages of overall sales and profits. This business fulfils the important role of a steady earnings source supporting new businesses with good future prospects. There are plans to continue focusing on increasing the number of paying subscribers among smartphone users.

In addition to acquiring popular songs, service functions will be enhanced to raise user convenience. In particular, by achieving compatibility with any device and OS, we are developing services that will allow for songs “to be encountered and enjoyed anywhere, anytime”.

We will also expand the situations where users can enjoy music and improve the level of convenience by providing various point and other settlement methods, implementing social networking functions. These steps are intended to increase the number of users and reduce membership cancelations by further increasing customer satisfaction.

b) Healthcare Contents

Luna-Luna is the next main pillar of our business after *music.jp*® and likewise accounts for a large percentage of sales and profits. Since *Luna-Luna* also fulfils the important role of a steady earnings source supporting new businesses with good future prospects, we intend to continue focusing on increasing the number of paying subscribers among smartphone users for this business as well.

With *Luna-Luna* functioning as the core site, we offer healthcare support in step with the lifestyles of women, covering from menstrual period and ovulation forecasts to services related to beauty, diet, pregnancy, childcare and aging. In this manner, we provide support services for women covering a whole lifetime.

We also plan to develop general healthcare care support services for both men and women of all ages.

We consider that the fields of Machine to Machine, which connects smartphones with health-related equipment (such as body composition meters and pedometers), and genetic testing are promising business areas, with good prospects for future growth.

c) Lifestyle Information and Entertainment Contents

Lifestyle information and entertainment contents consist of weather, traffic reports, map guides, e-books, games, horoscopes and others. We are intending to establish this field as a revenue source along with music content distribution and healthcare information. It is also being used to uncover new growth fields.

We intend to develop and provide new services after accurately comprehending changes in technical trends and user lifestyles/needs. We are striving to increase the number of paying subscribers by verifying hypotheses about effective promotional methods and by aggressively investing in promising fields with high cost-effectiveness.

In addition, indoor positioning systems are a promising field, with good prospects for future growth. We will seek business opportunities for such venues as shopping malls and event sites, exploiting our high accuracy in measuring locations with an error margin of just 30cm.

(4) Issues to Address

1) Enhancing Marketing Capacity

Customer needs are continuously changing and becoming more varied due to the evolution of mobile devices and the expanding base of mobile content users. We realize the importance of constructing a system for continuously improving our marketing capacity by accurately grasping these trends and delivering contents with a high degree of customer satisfaction.

To this end we have strengthened organizational systems for our marketing divisions, bolstered personnel with specialized capacity and promoted the education and training of personnel by enhancing in-house training systems. These steps are allowing us to make marketing capacity, one of our strengths, even stronger.

2) Enhancing Quality Control Capacity

We are aware that in order to encourage customers to use mobile contents on a continuing basis, customer needs obtained from marketing research must of course be reflected in the actual sites. We are also aware of the importance of building a strong quality control system in order to provide a product line up and a level of quality that will satisfy these customers.

To this end we have clarified the procedures and quality standards for each step in the production of our content materials, while conducting thorough management of these steps. At the same time we have made continuous improvements through the training and education of personnel as well as through PDCA activities, while building a system for the efficient production of high-quality content materials.

3) Enhancing Development Capacity

We will be able to provide mobile content services with even higher added value as mobile handsets become even more advanced and as the speed and capacity of communication infrastructures increase. Building a high quality technical development system will be essential for continuing to win the support of customers well into the future.

To promote development methods that can quickly and flexibly respond to changes in the technological environment, we are working to acquire and develop skilled personnel, while raising the technical skill levels of all development personnel. We will also promote offshore development to realize a high-quality and efficient system.

4) Enhancing Design Capacity

Services for smartphones allow for improved contents operability and greater expression. We realize that it is important to have a system in place for providing high quality designs, an extremely important point when customers select which services they will use.

Therefore, we are researching user interfaces and customer preferences, while working to acquire and develop highly skilled personnel. In this manner we are building a system capable of providing high quality designs.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	2,563,283	3,416,219
Accounts receivable-trade	6,188,642	6,376,865
Advances payments-trade	51,988	178,283
Prepaid expenses	322,454	278,757
Accounts receivable-other	84,416	135,951
Income taxes receivable	170,359	—
Deferred tax assets	377,178	414,019
Other	140,659	134,843
Allowance for doubtful accounts	(268,158)	(166,904)
Total current assets	9,630,823	10,768,035
Noncurrent assets		
Property, plant and equipment		
Buildings and accompanying facilities	329,045	318,801
Accumulated depreciation	(189,890)	(201,356)
Buildings and accompanying facilities, net	139,154	117,445
Tools, furniture and fixtures	307,571	253,701
Accumulated depreciation	(228,629)	(195,155)
Tools, furniture and fixtures, net	78,941	58,546
Total property, plant and equipment	218,095	175,991
Intangible assets		
Software	2,255,082	2,346,612
Goodwill	171,126	133,175
Other	57,546	110,351
Total intangible assets	2,483,755	2,590,140
Investments and other assets		
Investment securities	376,039	714,781
Lease and guarantee deposits	467,695	469,740
Deferred tax assets	751,034	854,250
Other	54,529	87,752
Allowance for doubtful accounts	(10,283)	(14,008)
Total investments and other assets	1,639,014	2,112,517
Total noncurrent assets	4,340,866	4,878,649
Total assets	13,971,689	15,646,685

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
Liabilities		
Current liabilities		
Accounts payable-trade	1,233,354	942,610
Current portion of convertible bonds	62,880	78,688
Current portion of long-term loans payable	99,118	—
Accounts payable-other	1,964,994	2,334,501
Accrued expenses	329,481	359,075
Income taxes payable	7,941	637,177
Accrued consumption taxes	53,814	83,183
Deferred tax liabilities	—	1,424
Allowance for coin usage	420,925	382,891
Provision for directors' bonuses	12,974	14,511
Other	381,159	853,540
Total current liabilities	4,566,643	5,687,604
Noncurrent liabilities		
Long-term loans payables	—	500,000
Long-term accounts payable	51,581	21,516
Provision for retirement benefits	363,365	509,636
Negative goodwill	67,894	58,776
Other	141	141
Total noncurrent liabilities	482,983	1,090,070
Total liabilities	5,049,626	6,777,675
Net assets		
Shareholders' equity		
Capital stock	2,562,740	2,562,740
Capital surplus	3,078,260	3,078,260
Retained earnings	3,394,389	3,393,859
Treasury stock	(397,409)	(695,269)
Total shareholders' equity	8,637,981	8,339,591
Other comprehensive income		
Valuation difference on available-for-sale securities	1,881	40,434
Foreign currency translation adjustment	5,427	22,150
Total other comprehensive income	7,308	62,584
Subscription rights to shares	211,940	227,004
Minority interests	64,832	239,830
Total net assets	8,922,062	8,869,010
Total liabilities and net assets	13,971,689	15,646,685

（2）Consolidated Statements of Income and Consolidated Comprehensive Income

Consolidated Statements of Income

（Thousands of yen）

	For the year ended September 30, 2012	For the year ended September 30, 2013
Net sales	29,382,297	30,160,974
Cost of sales	5,665,445	5,336,496
Gross profits	23,716,851	24,824,478
Selling, general and administrative expenses	22,012,063	23,675,243
Operating income	1,704,788	1,149,234
Non-operating income		
Interest income	156	214
Dividends income	4,105	3,958
Amortization of negative goodwill	9,117	9,117
Gain on reversal of subscription rights to shares	9,009	―
Interest on refund	―	6,169
Other	8,033	7,020
Total non-operating income	30,422	26,480
Non-operating expenses		
Interest expenses	9,806	9,340
Equity in loss of affiliates	16,502	30,052
Foreign exchange losses	1,638	6,252
Other	9,570	10,268
Total non-operating expenses	37,518	55,913
Ordinary income	1,697,692	1,119,801
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	―	44,036
Gain on reversal of subscription rights to shares	―	49,390
Total extraordinary income	―	93,426
Extraordinary loss		
Loss on retirement of noncurrent assets	128,100	118,225
Loss on valuation of investment securities	291,421	86,939
Goodwill impairment loss	278,768	―
Settlement package	41,095	―
Total extraordinary loss	739,385	205,165
Income before income taxes	958,307	1,008,062
Income taxes-current	686,334	603,757
Income taxes-deferred	154,465	(149,268)
Total income taxes	840,799	454,488
Income before minority interests	117,507	553,574
Minority interests in net income	8,065	36,956
Net income	109,441	516,617

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the year ended September 30, 2012	For the year ended September 30, 2013
Income before minority interests	117,507	553,574
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,042)	38,553
Foreign currency translation adjustment	(2,154)	21,503
Share of other comprehensive income of associate accounted for using equity method	820	3,748
Total other comprehensive income (loss)	(25,376)	63,805
Comprehensive income	92,130	617,379
(Break down)		
Comprehensive income attributable to owners of parent	83,854	571,893
Comprehensive income attributable to minority shareholders	8,275	45,486

（3） Consolidated Statements of Changes in Net Assets

（Thousands of yen）

	For the year ended September 30, 2012	For the year ended September 30, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	2,562,740	2,562,740
Balance at the end of current period	2,562,740	2,562,740
Capital surplus		
Balance at the beginning of current period	3,072,920	3,078,260
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	97	—
Disposal of treasury stock	5,242	—
Total changes of items during the period	5,339	—
Balance at the end of current period	3,078,260	3,078,260
Retained earnings		
Balance at the beginning of current period	3,819,710	3,394,389
Changes of items during the period		
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	—
Total changes of items during the period	(425,320)	(530)
Balance at the end of current period	3,394,389	3,393,859
Treasury stock		
Balance at the beginning of current period	—	(397,409)
Changes of items during the period		
Acquisition of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	25,283	—
Total changes of items during the period	(397,409)	(297,860)
Balance at the end of current period	(397,409)	(695,269)
Total shareholders' equity		
Balance at the beginning of current period	9,455,371	8,637,981
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	97	—
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	—
Acquisition of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	30,526	—
Total changes of items during the period	(817,390)	(298,390)
Balance at the end of current period	8,637,981	8,339,591

（Thousands of yen）

	For the year ended September 30, 2012	For the year ended September 30, 2013
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	25,923	1,881
Changes of items during the period		
Net changes of items other than shareholders’ equity	(24,042)	38,553
Total changes of items during the period	(24,042)	38,553
Balance at the end of current period	1,881	40,434
Foreign currency translation adjustments		
Balance at the beginning of current period	6,971	5,427
Changes of items during the period		
Net changes of items other than shareholders’ equity	(1,544)	16,722
Total changes of items during the period	(1,544)	16,722
Balance at the end of current period	5,427	22,150
Total other accumulated comprehensive income		
Balance at the beginning of current period	32,895	7,308
Changes of items during the period		
Net changes of items other than shareholders’ equity	(25,586)	55,275
Total changes of items during the period	(25,586)	55,275
Balance at the end of current period	7,308	62,584
Subscription rights to shares		
Balance at the beginning of current period	163,897	211,940
Changes of items during the period		
Net changes of items other than shareholders’ equity	48,043	15,063
Total changes of items during the period	48,043	15,063
Balance at the end of current period	211,940	227,004
Minority interests		
Balance at the beginning of current period	18,771	64,832
Changes of items during the period		
Net changes of items other than shareholders’ equity	46,060	174,998
Total changes of items during the period	46,060	174,998
Balance at the end of current period	64,832	239,830
Total net assets		
Balance at the beginning of current period	9,670,935	8,922,062
Changes of items during the period		
Issuance of new shares-exercise of subscription rights to shares	97	―
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	―
Acquisition of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	30,526	―
Net changes of items other than shareholder’s equity	68,517	245,338
Total changes of items during the period	(748,873)	(53,052)
Balance at the end of current period	8,922,062	8,869,010

（4） Consolidated Statements of Cash Flows

（Thousands of yen）

	For the year ended September 30, 2012	For the year ended September 30, 2013
Net cash provided by operating activities		
Income before income taxes	958,307	1,008,062
Depreciation and amortization	1,434,529	1,822,997
Amortization of goodwill	82,421	79,147
Amortization of negative goodwill	(9,117)	(9,117)
Increase (decrease) allowance for doubtful accounts	(102,755)	(98,221)
Increase (decrease) allowance for coin usage	(76,216)	(38,033)
Increase (decrease) in provision for retirement benefits	108,843	146,270
Interest and dividends income	(4,261)	(4,172)
Interest expenses	9,806	9,340
Equity in loss (income) of affiliates	16,502	30,052
Loss (gain) on retirement of noncurrent assets	128,100	118,225
Loss (gain) on valuation of investment securities	291,421	86,939
Loss on sales of stocks of subsidiaries and affiliates	―	(44,036)
Impairment loss of goodwill	278,768	―
Gain on reversal of subscription rights to shares	(9,009)	(49,390)
Decrease (increase) in notes and accounts receivable-trade	1,445,405	(176,151)
Decrease (increase) in advance payments	40,333	(126,087)
Decrease (increase) in prepaid expenses	(91,115)	44,793
Decrease (increase) in accounts receivable-other	25,975	(51,534)
Increase (decrease) in notes and accounts payable-trade	(312,395)	(291,747)
Increase (decrease) in accounts payable-other	392,130	344,940
Increase (decrease) in accured expenses	(5,926)	26,663
Increase (decrease) in accured consumption taxes	(89,799)	29,368
Other	36,423	454,080
Subtotal	4,548,372	3,312,390
Interest and dividends income received	4,261	4,172
Interest paid	(9,806)	(6,104)
Income taxes (paid) refund	(1,860,215)	172,754
Net cash provided by operating activities	2,682,611	3,483,212
Net cash provided by investing activities		
Purchase of property, plant and equipment	(30,830)	(19,077)
Purchase of intangible assets	(1,772,392)	(2,112,891)
Purchase of investment securities	(74,920)	(3,140)
Purchase of investments in subsidiaries resulting in charge in scope of consolidation	(170,893)	―
Purchase of stocks of subsidiaries and affiliates	―	(487,425)
Proceeds from sales of stocks of subsidiaries and affiliates	―	226,500
Proceeds from collection of lease and guarantee deposits	1,689	4,527
Other	(14,742)	1,898
Net cash provided by investing activities	(2,062,089)	(2,389,608)

(Thousands of yen)

	For the year ended September 30, 2012	For the year ended September 30, 2013
Net cash provided by financing activities		
Repayment of long-term loans payable	(200,196)	(99,118)
Proceeds from long-term loans payable	―	500,000
Proceeds from sales of tresury stock	30,526	―
Payment for acquisition of tresury stock	(422,693)	(297,860)
Cash dividends paid	(534,752)	(517,148)
Other	(40,746)	―
Net cash provided by financing activities	(1,167,861)	(414,126)
Effect of exchange rate change on cash and cash equivalents	1,863	173,458
Net increase (decrease) in cash and cash equivalents	(545,476)	852,936
Cash and cash equivalents at beginning of period	3,108,759	2,563,283
Cash and cash equivalents at end of period	2,563,283	3,416,219

(5) Notes Relating to Going Concern Assumptions

No relevant items.

(6) Notes Relating to Significant Items for Presentation of Consolidated Financial Statements

1. Items Concerning the Scope of Consolidation

Our consolidated subsidiaries are the following 18 companies, all of which are consolidated.

TeraMobile, Inc.
MGM Holdings Inc.
FIL Corporation
music.jp, inc.
Mega mobile Inc.
comic.jp., inc.
movile Ltd.
Jibe Mobile, K.K.
Jibe Solutions, Inc.
Mediano Ltd.
MShift, Inc.
MTI EMEA Ltd.
Mytrax Inc.
PLAYGROUND PUBLISHING HOLDINGS B.V.
miyoo, inc.
Ringit Ltd.
EverGene Ltd.
J Bridge Ventures, Inc.

miyoo, inc., Ringit Ltd., EverGene Ltd., J Bridge Ventures, Inc. have been included in the scope of consolidated subsidiaries due to their foundation this consolidated fiscal year.

2. Items Concerning the Application of Equity Method

(1) Number of equity method affiliates: 2

SHANGHAI HYRON MTI CO., LTD.
Video Market Corporation

Video Market Corporation has been included in the scope of equity method affiliates due to stock acquisition since this consolidated fiscal year.

(2) If an equity method affiliate has its closing date other than the consolidated closing date, the financial statements as of the end of the month preceding the consolidated closing date are used for preparation of the consolidated financial statements.

(3) Names of non-equity method affiliates

Reason for not applying the equity method

The company above is not accounted for under the equity method because its effect on such items as net income and retained earnings of this term is insignificant and also immaterial as a whole.

3. Items Concerning the Accounting Periods of the Consolidated Subsidiaries and the like

One of the consolidated subsidiaries, MShift, Inc. closes its books as of December 31 each year. With respect to MShift, Inc., financial statements prepared pursuant to the provisional closing of books conducted as of the end of the month preceding the consolidated closing date are used for preparation of the consolidated financial statements. The closing dates of other consolidated subsidiaries are the same as the consolidated closing date.

4. Items concerning Accounting Standards

(1) Valuation standards and methods for significant assets

Securities

Other securities

Other securities with market value

Market value method based on market prices and the like at the closing date is applied. (Unrealized holding gains and losses are accounted for as a component of net assets, and the costs of sold securities are mainly computed based on the moving average method.)

Other securities without market value

Historical cost method by moving average method is applied.

(2) Depreciation methods for significant depreciable assets

①Property, plant and equipment

Tangible fixed assets are depreciated by the declining-balance method. Their main useful lives are as follows:

Buildings and accompanying facilities 3-18 years

Tools, furniture and fixtures 3-20 years

Leased assets

Non-ownership-transfer finance leases entered into on or before September 30, 2008 are accounted for by a method similar to the method applicable to ordinary lease transactions.

②Intangible fixed assets

Software

Software used in the company

The straight-line method based on the useful lives within the company (2-5 years) is applied.

Leased assets

Non-ownership-transfer finance leases entered into on or before September 30, 2008 are accounted for by a method similar to the method applicable to ordinary lease transactions.

(3) Basis for significant allowances

①Allowance for doubtful accounts

To prepare for losses on the collection of receivables, the allowance for doubtful accounts provides an estimated amount of uncollectables. The amount of the allowance for general receivables is based on the historical loan loss ratio. As for certain receivables such as doubtful accounts receivables etc., the recoverability of each receivable is examined individually, and the estimated unrecoverable amounts are recognized as the allowance.

②Allowance for coin usage

With respect to the cost of sales arising from use of coins etc. provided to the subscribers of "*music.jp*" etc. through services provided by our group including *Chakuuta Full®* or *Chakuuta®*, the company provides an accrued amount of payment in a future period as of the end of the current consolidated fiscal year.

③Provision for directors' bonuses

To prepare for outlays for officers' bonuses, an amount applicable for the current consolidated fiscal year is provided based on the estimated amount of payment.

④ Reserves for retirement benefits

To prepare for the retirement benefits of employees, an actual amount at the end of the current consolidated fiscal year is provided based on the estimated amount of retirement benefit obligations as of the end of the current consolidated fiscal year.

Actuarial gains and losses are amortized from the following consolidated fiscal year of occurrence, using the straight-line method over the average remaining service period of employees at time of occurrence.

(4) Standards for conversion of significant foreign currency-denominated assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the fiscal year-end spot exchange rates with resulting gains or losses included in the current statements of income.

Assets, liabilities, income and expenses of overseas subsidiary and overseas equity method affiliates are translated into Japanese yen at the prior month-end spot exchange rate to the end of the consolidated fiscal year. The resulting gains or losses are included among foreign currency translation adjustments in net assets.

Assets, liabilities, income and expenses of PLAYGROUND PUBLISHING HOLDINGS B.V. are translated into Japanese yen at the consolidated fiscal year-end spot exchange rate. The resulting gains or losses are included among foreign currency translation adjustments and minority interests in net assets.

(5) Amortization method and period of goodwill

Positive goodwill and negative goodwill from the period on or before September 30, 2010 are amortized in accordance with the equal installment method over a period of time, which is estimated individually according to the effect of goodwill.

(6) Scope of cash and cash equivalents reported in consolidated statements of cash flows

Cash on hand, readily available deposits and short-term investments, which are highly liquid, only exposed to small risks for value changes and have maturities of terms not exceeding three months at the time of purchase, are considered to be cash and cash equivalents.

(7) Other important items

Transactions are recorded at amounts exclusive of taxes such as consumption taxes.

(Change in accounting policies and the like)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the revision of the corporate tax law of Japan, the depreciation method of the company and its domestic consolidated subsidiaries for property, plant and equipment acquired on or after October 1, 2012 has been changed to the method under the revised corporate tax law from this consolidated fiscal year.

The impact of this change on operating income, ordinary income and income before income taxes for this consolidated fiscal year is immaterial.

(Changes in display method)

(Note to statement related to consolidated statements of operations)

The “foreign currency transaction loss”, which was formerly included in “other” under “non-operating expenses” in the last consolidated fiscal year, is independently expressed from this consolidated year because it exceeded 10% of the total non-operating expenses. To reflect this change, the consolidated financial statements for the last consolidated fiscal year has been reclassified.

Consequently, 11.208 millions of yen in “other” under “non-operating expenses” in the consolidated statements of operations for the last consolidated fiscal year is given as 1.638 million yen in “foreign currency transaction loss”, and 9.570 millions of yen in “other”

(Note to statement related to consolidated statements of cash flows)

The “reversal of stock acquisition rights”, which was formerly included in “other” under “net cash provided by operating activities” in the last consolidated fiscal year, is independently expressed from this consolidated year because its importance has increased. To reflect this change, the consolidated financial statements for the last consolidated fiscal year has been reclassified.

Consequently, 27.414 millions of yen in “other” under “net cash provided by operating activities” in the consolidated statements of cash flows for the last consolidated fiscal year is presented as -9.009 millions of yen in “reversal of stock acquisition rights”, and 36.423 millions of yen in “other”.

(Segment information)

(Segment information)

Consolidated financial results for the year ended September 30, 2013

Segment information is omitted since our group consists of a single segment concerning contents distribution for mobile phones (operation of websites) and related services.

(Per share information)

	As of September 30, 2012 (From October 1, 2011 to September 30, 2012)	As of September 30, 2013 (From October 1, 2012 to September 30, 2013)
Net assets per share	Yen 668.69	Yen 669.30
Net income per share	Yen 8.43	Yen 40.99
Diluted net income per share	With respect to the amount of diluted net income per share, stock acquisition rights have been issued as stock options to our directors and employees, but the amount of diluted net income per share is not presented, since the average stock price during the term is lower than the exercise price of stock acquisition rights, and no material dilutive effect would result from the exercise of these rights.	With respect to the amount of diluted net income per share, stock acquisition rights have been issued as stock options to our directors and employees, but the amount of diluted net income per share is not presented, since the average stock price during the term is lower than the exercise price of stock acquisition rights, and no material dilutive effect would result from the exercise of these rights.

Net income per share is calculated on the following basis.

	As of September 30, 2012 (From October 1, 2011 to September 30, 2012)	As of September 30, 2013 (From October 1, 2012 to September 30, 2013)
Net income per share		
Net income	Thousand of yen 109,411	Thousand of yen 516,617
Amount not attributed to common stockholders	—	—
Income applicable to common stock	Thousand of yen 109,441	Thousand of yen 516,617
Average number of shares outstanding to common	12,982,473	12,604,784
Summary of potential stock not included in the calculation of amount of diluted net income per share since there was no dilutive effect.	Stock acquisition rights Dates of resolution by the board of directors February 21, 2008 (Number of the stock acquisition rights: 536 rights) January 30, 2009 (Number of the stock acquisition rights: 588 rights) January 28, 2010 (Number of the stock acquisition rights: 504 rights) February 18, 2010 (Number of the stock acquisition rights: 200 rights) January 27, 2011 (Number of the stock acquisition rights: 809 rights) January 30, 2012 (Number of the stock acquisition rights: 1,942 rights)	Stock acquisition rights Dates of resolution by the board of directors January 30, 2009 (Number of the stock acquisition rights: 554 rights) January 28, 2010 (Number of the stock acquisition rights: 480 rights) February 18, 2010 (Number of the stock acquisition rights: 200 rights) January 27, 2011 (Number of the stock acquisition rights: 776 rights) January 30, 2012 (Number of the stock acquisition rights: 1,858 rights) February 6, 2013 (Number of the stock acquisition rights: 1,935 rights)

(Note) We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net assets per share and net income per share are calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

(Events after the reporting period)

No relevant items.

(Omission of disclosure)

Notes are not presented related to consolidated balance sheets, consolidated statements of operations, consolidated statement of changes in shareholders' equity and the like, consolidated statements of cash flows, lease transactions, transactions between related parties, tax effect accounting, financial merchandise, securities, derivatives trading, retirement benefit, stock options and the like, business combination and the like, asset retirement obligation, real estate for rent and the like since the necessity to disclose those with these financial results is not considered significant.

5. Nonconsolidated Financial Statements

(1) Balance Sheets

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	1,733,359	2,178,645
Accounts receivable-trade	6,087,788	6,183,351
Supplies	8,403	25,246
Advances payments-trade	45,595	27,276
Prepaid expenses	317,846	274,599
Accounts receivable-other	84,203	135,112
Income taxes receivable	162,458	—
Deferred tax assets	377,942	405,928
Other	27,900	35,834
Allowance for doubtful accounts	(265,407)	(161,982)
Total current assets	8,580,091	9,104,012
Noncurrent assets		
Property, plant and equipment		
Buildings and accompanying facilities	328,340	308,279
Accumulated depreciation	(189,862)	(196,399)
Buildings and accompanying facilities, net	138,478	111,879
Tools, furniture and fixtures	239,472	164,642
Accumulated depreciation	(186,901)	(129,601)
Tools, furniture and fixtures, net	52,571	35,040
Total property, plant and equipment	191,049	146,920
Intangible assets		
Patent right	1,710	437
Right of trademark	20,102	20,371
Software	2,162,980	2,381,366
Other	1,849	1,849
Total intangible assets	2,186,642	2,404,024
Investments and other assets		
Investment securities	363,540	334,760
Stocks of subsidiaries and affiliates	571,531	1,062,044
Long-term loans receivable from employees	1,119	464
Long-term prepaid expenses	5,137	165,057
Lease and guarantee deposits	483,019	466,549
Deferred tax assets	751,034	854,250
Other	10,299	14,027
Allowance for doubtful accounts	(10,283)	(14,008)
Total investments and other assets	2,175,398	2,883,147
Total noncurrent assets	4,553,090	5,434,092
Total assets	13,133,182	14,538,105

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
Liabilities		
Current liabilities		
Accounts payable-trade	1,056,502	826,057
Current portion of long-term loans payable	99,118	—
Accounts payable-other	1,971,794	2,160,981
Accrued expenses	291,529	346,849
Income taxes payable	—	533,214
Accrued consumption taxes	33,479	58,606
Advances received	6,024	523,407
Deposits received	129,122	91,647
Allowance for coin usage	420,925	382,891
Provision for directors’ bonuses	12,974	13,662
Other	41,588	27,544
Total current liabilities	4,063,059	4,964,861
Noncurrent liabilities		
Long-term loans payable	—	500,000
Provision for retirement benefits	363,365	509,636
Other	141	141
Total noncurrent liabilities	363,507	1,009,777
Total liabilities	4,426,566	5,974,639
Net assets		
Shareholders’ equity		
Capital stock	2,562,740	2,562,740
Capital surplus		
Legal capital surplus	2,367,809	2,367,809
Other capital surplus	5,242	5,242
Total capital surplus	2,373,051	2,373,051
Retained earnings		
Legal retained earnings	7,462	7,462
Other retained earnings		
Retained earnings brought forward	3,947,823	4,052,692
Total retained earnings	3,955,286	4,060,155
Treasury stock	(397,409)	(695,269)
Total shareholders’ equity	8,493,669	8,300,677
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,005	40,434
Total valuation and translation adjustments	1,005	40,434
Subscription rights to shares	211,940	222,353
Total net assets	8,706,615	8,563,465
Total liabilities and net assets	13,133,182	14,538,105

（2） Statement of Income

（Thousands of yen）

	For the year ended September 30, 2012	For the year ended September 30, 2013
Net sales	28,313,617	27,821,545
Cost of sales	5,223,236	4,097,899
Gross profits	23,090,380	23,723,645
Selling, general and administrative expenses		
Promotion expenses	83,259	170,105
Advertising expenses	7,771,003	8,768,166
Directors' compensations	198,619	204,660
Salaries and allowances	3,359,949	3,523,572
Other salaries of dispatch cost	748,149	631,396
Provision for directors' bonuses	12,974	13,662
Welfare expenses	525,466	570,026
Subcontract expenses	1,517,863	1,827,922
Commission fee	3,346,502	3,264,881
Rents	597,404	626,142
Rent expenses	275,139	230,502
Depreciation	1,396,634	1,772,476
Provision of allowance for doubtful accounts	276,019	45,618
Other	1,150,233	1,137,125
Total selling, general and administrative expenses	21,259,222	22,786,259
Operating income	1,831,158	937,385
Non-operating income		
Interest income	529	42
Dividends income	4,105	3,958
Gain on reversal of subscription rights to shares	9,009	—
Interest on refund	—	5,862
Other	5,488	5,515
Total non-operating income	19,133	15,378
Non-operating expeses		
Interest expenses	6,662	5,406
Foreign exchange losses	391	1,437
Commission for purchase of treasury stock	2,690	2,388
Donations for disaster	3,110	2,530
Other	3,178	465
Total non-operating expenses	16,033	12,227
Ordinary income	1,834,257	940,536

(Thousands of yen)

	For the year ended September 30, 2012	For the year ended September 30, 2013
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	—	183,842
Gain on reversal of subscription rights to shares	—	49,390
Total extraordinary income	—	233,233
Extraordinary loss		
Loss on retirement of noncurrent assets	120,492	77,176
Loss on valuation of investment securities	291,421	86,939
Loss on valuation of stocks of affiliates	743,476	28,422
Settlement package	41,095	—
Total extraordinary loss	1,196,485	192,538
Income before income taxes	637,771	981,232
Income taxes-current	684,815	506,884
Income taxes-deferred	154,465	(147,669)
Total income taxes	839,280	359,215
Net income (loss)	(201,508)	622,017

(3) Statement of Changes in Equity

(Thousands of yen)

	For the year ended September 30, 2012	For the year ended September 30, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	2,562,740	2,562,740
Balance at the end of current period	2,562,740	2,562740
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	2,367,809	2,367,809
Balance at the end of current period	2,367,809	2,367,809
Other capital surplus		
Balance at the beginning of current period	—	5,242
Changes of items during the period		
Disposal of treasury stock	5,242	—
Total changes of items during the period	5,242	—
Balance at the end of current period	5,242	5,242
Total capital surplus		
Balance at the beginning of current period	2,367,809	2,373,051
Changes of items during the period		
Disposal of treasury stock	5,242	—
Total changes of items during the period	5,242	—
Balance at the end of current period	2,373,051	2,373,051
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	7,462	7,462
Balance at the end of current period	7,462	7,462
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of current period	4,684,084	3,947,823
Changes of items during the period		
Dividends from surplus	(534,752)	(517,148)
Net income (loss)	(201,508)	622,017
Total changes of items during the period	(736,260)	104,869
Balance at the end of current period	3,947,823	4,052,692
Total retained earnings		
Balance at the beginning of current period	4,691,546	3,955,286
Changes of items during the period		
Dividends from surplus	(534,752)	(517,148)
Net income (loss)	(201,508)	622,017
Total changes of items during the period	(736,260)	104,869
Balance at the end of current period	3,955,286	4,060,155

(Thousands of yen)

	For the year ended September 30, 2012	For the year ended September 30, 2013
Treasury stock		
Balance at the beginning of current period	—	(397,409)
Changes of items during the period		
Purchase of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	25,283	—
Total changes of items during the period	(397,409)	(297,860)
Balance at the end of current period	(397,409)	(695,269)
Total shareholders' equity		
Balance at the beginning of current period	9,622,096	8,493,669
Changes of items during the period		
Dividends from surplus	(534,752)	(517,148)
Net income (loss)	(201,508)	622,017
Purchase of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	30,526	—
Total changes of items during the period	(1,128,427)	(192,991)
Balance at the end of current period	8,493,669	8,300,677
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	25,923	1,005
Changes of items during the period		
Net changes of items other than shareholders' equity	(24,917)	39,428
Total changes of items during the period	(24,917)	39,428
Balance at the end of current period	1,005	40,434
Total valuation and translation adjustments		
Balance at the beginning of current period	25,923	1,005
Changes of items during the period		
Net changes of items other than shareholders' equity	(24,917)	39,428
Total changes of items during the period	(24,917)	39,428
Balance at the end of current period	1,005	40,434
Subscription rights to shares		
Balance at the beginning of current period	163,897	211,940
Changes of items during the period		
Net changes of items other than shareholders' equity	48,043	10,413
Total changes of items during the period	48,043	10,413
Balance at the end of current period	211,940	222,353
Total net assets		
Balance at the beginning of current period	9,811,917	8,706,615
Changes of items during the period		
Dividends from surplus	(534,752)	(517,148)
Net income (loss)	(201,508)	662,017
Purchase of treasury stock	(422,693)	(297,860)
Disposal of treasury stock	30,526	—
Net changes of items other than shareholders' equity	23,125	49,841
Total changes of items during the period	(1,105,302)	(143,149)
Balance at the end of current period	8,706,615	8,563,465

(4) Notes concerning going concern assumption

No relevant items.

(5) Changes in significant accounting policies

(Changes in accounting policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the revision of the corporate tax law of Japan, the depreciation method of the company for property, plant and equipment acquired on or after October 1, 2012 has been changed to the method under the revised corporate tax law from this fiscal year.

The impact of this change on operating income, ordinary income and income before income taxes for this fiscal year is immaterial.

(Change in indication method)

(Note to statement related to statements of operations)

The “foreign currency transaction loss”, which was formerly included in “other” under “non-operating expenses” in the last fiscal year, is independently expressed from this fiscal year because it exceeded 10% of the total non-operating expenses. To reflect this change, the financial statements for the last fiscal year has been reclassified.

Consequently, 3.57 millions of yen in “other” under “non-operating expenses” in the statements of operations for the last fiscal year is given as 0.391 million of yen in “foreign currency transaction loss”, and 3.178 millions of yen in “other”.

(6) Other

Changes in directors

No relevant items.