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The formal official document is in Japanese

Summary of Consolidated Financial Results for the Fiscal Year ended September 30, 2014 (Japanese Accounting Standards)

November 5, 2014

Listed Company Name: MTI Ltd.   Listing Exchanges: Tokyo Stock Exchange
Securities Code: 9438   URL: http://www.mti.co.jp
Representative: Toshihiro Maeta, President and Chief Executive Officer
Contact: Hiroshi Matsumoto, Director   Phone: +81-3-5333-6323

Scheduled date of annual meeting of shareholders: December 20, 2014
Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 22, 2014
Scheduled date of dividend payment: December 22, 2014
Supplementary documents for financial results: Yes
Quarterly results briefing: Yes (for institutional investors)

(Figures less than one million of yen are omitted)

1. Consolidated business results for the year ended September 30, 2014 (October 1, 2013 – September 30, 2014)

(1) Consolidated operating results (Percentages represent 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, 2014	30,985	2.7	2,557	122.5	2,519	125.0	1,337	159.0
For the year ended September 30, 2013	30,160	2.7	1,149	-32.6	1,119	-34.0	516	372.0

(Note) Comprehensive income: Year ended September 30, 2014: 1,293 million yen (109.6%)
Year months ended September 30, 2013: 617 million yen (570.1%)

	Net income per share	Net income per share/diluted	Return on Equity	Return on Assets	Net income
	Yen	Yen	%	%	%
For the year ended September 30 ,2014	53.26	52.99	15.1	15.5	8.3
For the year ended September 30 ,2013	20.49	–	6.1	7.6	3.8

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. Net income per share is based on the number of shares after the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended September 30 ,2014	16,768	9,722	55.4	368.99
Year ended September 30 ,2013	15,646	8,869	53.7	334.65

(Reference) Shareholders' equity: Year ended September 30 2014: 9,291 millions of yen
Year ended September 30 2013: 8,402 millions of yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by(used in)financing activities	Cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the year ended September 30, 2014	3,600	-1,867	-375	4,782
For the year ended September 30, 2013	3,483	-2,389	-414	3,416

2. Dividends

	Dividend per share					Amount of dividends paid (Total)	Dividend ratio (Consolidated)	Dividends on equity (Consolidated)
	End of first quarter	End of interim period	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen		%	%
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	–	10.00	–	12.0	–	427	31.9	4.6
Year ending 9/15 (forecast)		8.0		10.00	18.0		28.3	

(Note) Revisions to dividend forecasts published most recently: Yes
The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. The dividend per share at the end of the fiscal year ended September 30, 2013 and at the interim end of the fiscal year ended September 30, 2014 are calculated based on the number of shares before the stock split, but the year-end dividend per share is calculated based on the number of shares after the stock split. For more information, please refer to "Cautionary statement with respect to forward-looking statements, special note."

3. Forecast for consolidated business results for the fiscal year ending September 30, 2015
(October 1, 2014 – September 30, 2015)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the first half ending September 30, 2015	16,000	4.7	1,300	-0.4	1,280	-2.3	660	-16.5	26.21
Full year	32,500	4.9	3,050	19.3	3,000	19.1	1,600	19.6	63.54

* Notes

(1) Important changes of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: – Exception: –

(2) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to the modification in accounting methods: Yes
(ii) Changes in accounting policies other than (i): Not applicable
(iii) Changes in accounting estimates: Not applicable
(iv) Restatement: Not applicable

(3) Number of outstanding shares (common shares)

(i) Number of outstanding shares at the end of period (including treasury shares):
9/14: 26,810,600 shares 9/13: 26,737,600 shares
(ii) Number of treasury shares at the end of period
9/14: 1,630,464 shares 9/13: 1,630,200 shares
(iii) Average number of shares during the period
9/14: 25,119,638 shares 9/13: 25,209,569 shares

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. The number of outstanding shares at the end of the period (including treasury shares), the number of treasury shares at the end of the period, and the average number of shares during the period are numbers after these stock splits.

(Reference) Summary of financial results

1. Nonconsolidated financial results for the year ended September 30, 2014
(From October 1, 2013 to September 30, 2014)

(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, 2014	29,149	4.8	2,589	176.2	2,591	175.6	1,025	64.8
For the year ended September 30, 2013	27,821	-1.7	937	-48.8	940	-48.7	622	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2014	40.81	40.60
For the year ended September 30, 2013	49.35	—

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. Net income per share is based on the number of shares after the stock split.

(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, 2014	15,769	9,234	57.2	358.52
For the year ended September 30, 2013	14,538	8,563	57.4	664.43

(Reference) Shareholders' equity
As of September 30, 2014: 9,027 millions of yen As of September 30, 2013: 8,341 millions of yen

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. Net assets per share are based on the number of shares after the stock split.

* Status of review

As of the date of disclosure of this earnings release, an audit of the financial statements is being carried out with the Financial Instruments and Exchange Act.

* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. For the assumptions underlying the forecasts and other notice on the use of earnings forecasts, please refer to "(2) Outlook for the fiscal year ending September 2015" on page 3 in the accompanying material.

The Company will hold a briefing on earnings in the first three quarters chiefly for institutional investors on Friday, November 7, 2014. A video of the briefing and a document to be used at the briefing will be posted on the Company's website as soon as the briefing ends.

Accompanying Materials – Contents

1 Operating results and financial conditions

(1) Analysis of operating results

1) Overview of the fiscal year ended September 30, 2014 (from October 1, 2013 to September 30, 2014)

Looking at the business environment for the Company during the fiscal year under review, there was a temporary increase in smartphone unit sales in March, the busiest shopping season. This increase was partially the result of cashback campaigns conducted by cellphone carriers. Since April, however, smartphone unit sales have slowed in response to the increase in March, and because of the fact that the smartphone penetration rate has already exceeded 50%.

In this environment, the Company aggressively conducted promotions primarily during the biggest shopping season (March), and sought to expand the number of paying smartphone subscribers. Beginning in April, the Company established sales offices in major cities across Japan and built a system for providing meticulous support to cellphone shops. The number of paying subscribers stood at 5.4 million at the end of September 2014 (up 0.64 million from the end of September 2013).

Although the number of paying subscribers on feature phones has been declining at a slower pace, from the end of September 2013 the number fell 0.82 million to 2.46 million by the end of September 2014, reflecting the continued shift from feature phones to smartphones. As a result, the total number of paying subscribers stood at 7.86 million at the end of September 2014 (down 0.18 million from the end of September 2013).

Despite the absence of special demand at Jibe Mobile K.K., a consolidated subsidiary, net sales rose slightly to ¥30,985 million (up 2.7% year on year). This increase was mainly due to the expansion of the real affiliate business that promotes the sales of content of other companies, and the increase in sales of the unmetered plan with flat-rate monthly charges for cellphone carriers. Gross profit also rose to ¥25,996 million (rising 4.7% year on year), reflecting a rise in the percentage of sales with low cost rates.

Operating income and ordinary income came to ¥2,557 million (up 122.5%) and ¥2,519 million (increasing 125.0%) respectively, reflecting an increase in gross profit and a decline in selling, general, and administrative expenses, chiefly due to the decline in advertising expenses from a year ago. Net income also rose to ¥1,337 million (climbing 159.0%), given higher ordinary income, thereby offsetting increases in extraordinary losses and income taxes.

Consolidated operating results

(Unit: millions of yen)

	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2013	Change	
			Amount	Percentage
Net sales	**30,985**	30,160	+824	+2.7%
Cost of sales	**4,988**	5,336	-348	-6.5%
Gross profit	**25,996**	24,824	+1,172	+4.7%
SG&A	**23,439**	23,675	-235	-1.0%
Operating income	**2,557**	1,149	＋1,407	＋122.5%
Ordinary income	**2,519**	1,119	＋1,399	＋125.0%
Current net income	**1,337**	516	+407	＋159.0%

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

Breakdown of selling, general and administrative expenses

(Unit: millions of yen)

	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2013	Change	
			Amount	Percentage
Total	**23,439**	23,675	-235	-1.0%
Advertising expenses	**8,268**	8,702	-433	-5.0%
Personnel expenses	**5,815**	5,722	＋92	＋1.6%
Commission fee	**3,443**	3,227	＋215	＋6.7%
Subcontract expenses	**1,803**	1,741	＋62	＋3.6%

Depreciation	**1,706**	1,802	-95	-5.3%
Other	**2,402**	2,479	-76	-3.1%

2) Outlook for the fiscal year ending September 2015 (from October 1, 2014 to September 30, 2015)

In the fiscal year ending September 2015, the Company will continue to focus on expanding the number of paying subscribers on smartphones, and implement measures to improve the average revenue per user (ARPU).

The Company's strength lies in the fact that it has developed the largest sales channel by far for promoting sales of its own content and that of other companies to customers at cellphone shops across Japan. Having established sales offices nationwide in the second half of the fiscal year under review, in the fiscal year ending September 2015 the Company will focus on boosting the number of new subscribers from cellphone shops by strengthening support for cellphone shops across the country. Moreover, the Company will strive to expand the number of paying subscribers on smartphones of its own content, and bolster sales commissions for the content of other companies.

As the smartphone penetration rate continues to grow, the Company recognizes there are a greater number of customers who want to receive services that are more user-friendly and easier to understand. In response to this trend, the Company has adopted a policy of providing integrated services for music, electronic books, comics, and videos in popular categories. In September 2014, the Company renewed the services for *music.jp*, its main form content, to create *music.jp: Music and Book Shop* (a fixed rate of ¥400 per month excluding tax) and give customers access to electronic books and comics in addition to other services. The Company is now planning to introduce videos by next spring.

In healthcare-related information services, in light of the growing *Ninkatsu* (information about activities for pregnancy) needs among *Luna-Luna* users, the Company will seek to improve *Luna-Luna Family* (a fixed rate of ¥300 per month excluding tax), services that provide comprehensive support for pregnancy, childbirth, childcare, and other areas. It will also take measures to improve the *Luna-Luna Lite* services, which are used by more than 6 million customers free of charge. Through these measures, and by developing as large a base as possible of *Luna-Luna* fans, the Company will work to expand the number of paying subscribers.

As a result of the measures described above, the Company expects to record higher sales and income, with net sales of ¥32,500 million (up 4.9% year on year), an operating income of ¥3,050 million (a 19.3% rise), an ordinary income of ¥3,000 million (a 19.1% rise), and a net income of 1,600 million (a rise of 19.6%).

Earnings forecast for the six months of the fiscal year ended September 30, 2015

(Period from October 1, 2014 to March 31, 2015)

Consolidated Profit and Loss		
Net sales	16,000 millions of yen	(an increase of 4.7% y-o-y)
Operating income	1,300 millions of yen	(an decrease of 0.4% y-o-y)
Ordinary income	1,280 millions of yen	(an decrease of 2.3% y-o-y)
Net income	660 millions of yen	(an decrease of 16.5% y-o-y)

Earnings forecast for fiscal year ended September 30, 2015

(Period from October 1, 2014 to September 30, 2015)

Consolidated Profit and Loss		
Net sales	32,500 millions of yen	(an increase of 4.9% y-o-y)
Operating income	3,050 millions of yen	(an increase of 19.3% y-o-y)
Ordinary income	3,000 millions of yen	(an increase of 19.1% y-o-y)
Net income	1,600 millions of yen	(an increase of 19.6% y-o-y)

(2) Analysis of financial conditions

1) Analysis of financial conditions in the year ended September 30, 2014

a) Assets, liabilities and net assets

At the end of the fiscal year under review, total assets rose ¥1,121 million from the end of September 2013 to ¥16,768 million.

Current assets rose ¥1,415 million, chiefly reflecting the increase in cash and deposits, while non-current assets fell ¥293 million, largely as a result of decreases in software and goodwill.

Current liabilities increased ¥39 million primarily because of increases in accrued expenses and accrued consumption taxes, offsetting declines in allowances for coin usage and the current portion of convertible bonds. At the same time, non-current liabilities increased ¥228 million, with the main cause being the rise in provision for retirement benefits.

Net assets climbed ¥853 million due to the posting of ¥1,337 million in net income, even though cash dividends were paid.

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Year ended 9/14	16,768	9,722	55.4
Year ended 9/13	15,646	8,869	53.7

b) Cash flows

At the end of the fiscal year under review, cash and cash equivalents were ¥4,782 million, representing an increase of ¥1,366 million from the end of September 2013. The cash flows by activities and principal factors in the fiscal year under review are as follows.

Net cash provided by operating activities was ¥3,600 million (inflow of ¥3,483 million for the previous fiscal year). Principal factors included income taxes paid and income before income taxes and minority interests and depreciation.

Net cash used in investing activities stood at ¥1,867 million (outflow of ¥2,389 million for the previous fiscal year). Principal factors included the purchase of intangible assets (mainly software).

Net cash used in financing activities came to ¥375 million (outflow of ¥414 million for the previous fiscal year). Principal factors included the payment of cash dividends.

(Reference) Cash flow indicators

	Fiscal year ended September 30, 2010	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012	Fiscal year ended September 30, 2013	Fiscal year ended September 30, 2014
Equity ratio (%)	54.0	59.7	61.9	53.7	55.4
Equity ratio based on market value (%)	94.0	84.1	69.5	73.0	161.0
Ratio of cash flow to interest-bearing liabilities (%)	15.7	12.1	6.0	16.6	13.9
Interest coverage ratio (times)	182.7	219.0	273.6	570.6	616.6

Equity ratio: Shareholders' 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 ending September 30, 2015

a) Assets, liabilities and net assets

The Company expects the assets, liabilities, and net assets at the end of the fiscal year ending September 30, 2015 to be greater than those at the end of the fiscal year under review.

Total assets are expected to increase, mainly reflecting an increase in accounts receivable.

Total liabilities are expected to rise as a result of predominantly increases in accounts payable-trade and income

taxes payable.
Net assets are expected to climb given the recording of net income.

b) Cash flows
The Company expects cash and cash equivalents at the end of fiscal year ending September 2015 to be greater than those at the end of the fiscal year under review.
Net cash is expected to be provided by operating activities. This is mainly a reflection of income before income taxes and minority interests and depreciation, thereby offsetting the increase in notes and accounts receivable-trade and income taxes paid.
Net cash is expected to be used by investing activities, largely because of the purchase of intangible assets (mainly software).
Net cash is expected to be used by financing activities, chiefly for the payment of cash dividends.

(3) Basic policy regarding profit distribution to shareholders and dividends for the year ended September 30, 2014 and the year ending September 30, 2015
The important issues identified by the Company include the enhancement of market capitalization through the creation and the expansion of corporate value, and the continual distribution of dividends.
In distributing profits, the Company aims to provide shareholder returns with a total target payout ratio (*) of 35% in the medium term. To achieve this goal, the Company will remain true to its basic capital policy of achieving sustainable medium to long-term growth in net sales and income while returning profits to the shareholders, and work to secure a sufficient amount of internal reserves to carry out aggressive business development in the future.
With respect to the year-end dividend payments for the fiscal year under review, the Company previously planned to pay ¥10 per share, but considering the fact that income for the consolidated full-year results has significantly exceeded the initial forecast, it now expects to pay ¥12 per share. As a result, annual dividends are expected to be ¥17 per share (an increase of ¥4.5 per share over the previous fiscal year).
As for the payment of dividends in the next fiscal year, the Company expects to pay annual dividends of ¥18 per share, with interim dividends of ¥8 per share and year-end dividends of ¥10.

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

Total dividends paid (1)	Acquisition of treasury stock (2)	Net income (3)	Total payout ratio [(1) + (2)] / (3)
427 millions of yen	-	1,337 millions of yen	32.0%

(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 5, 2014).

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) As for the fee-based billing services provided by the Company or those the Company handles for other companies, the percentage of subscribers obtained through cellphone shops across Japan, its mainstay sales channel for mobile devices, is extremely high. As a result, it may become difficult to secure additional new subscribers if the roles of the sales channel change dramatically for various reasons, such as the introduction of legal restrictions and administrative guidance, the imposition of restrictions by cellphone carriers, and changes in the business environment.

f) 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, 2014 our business group consisted of 22 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) Description of business

Contents distribution	MTI, TeraMobile, Jibe Mobile

(2) Main group companies

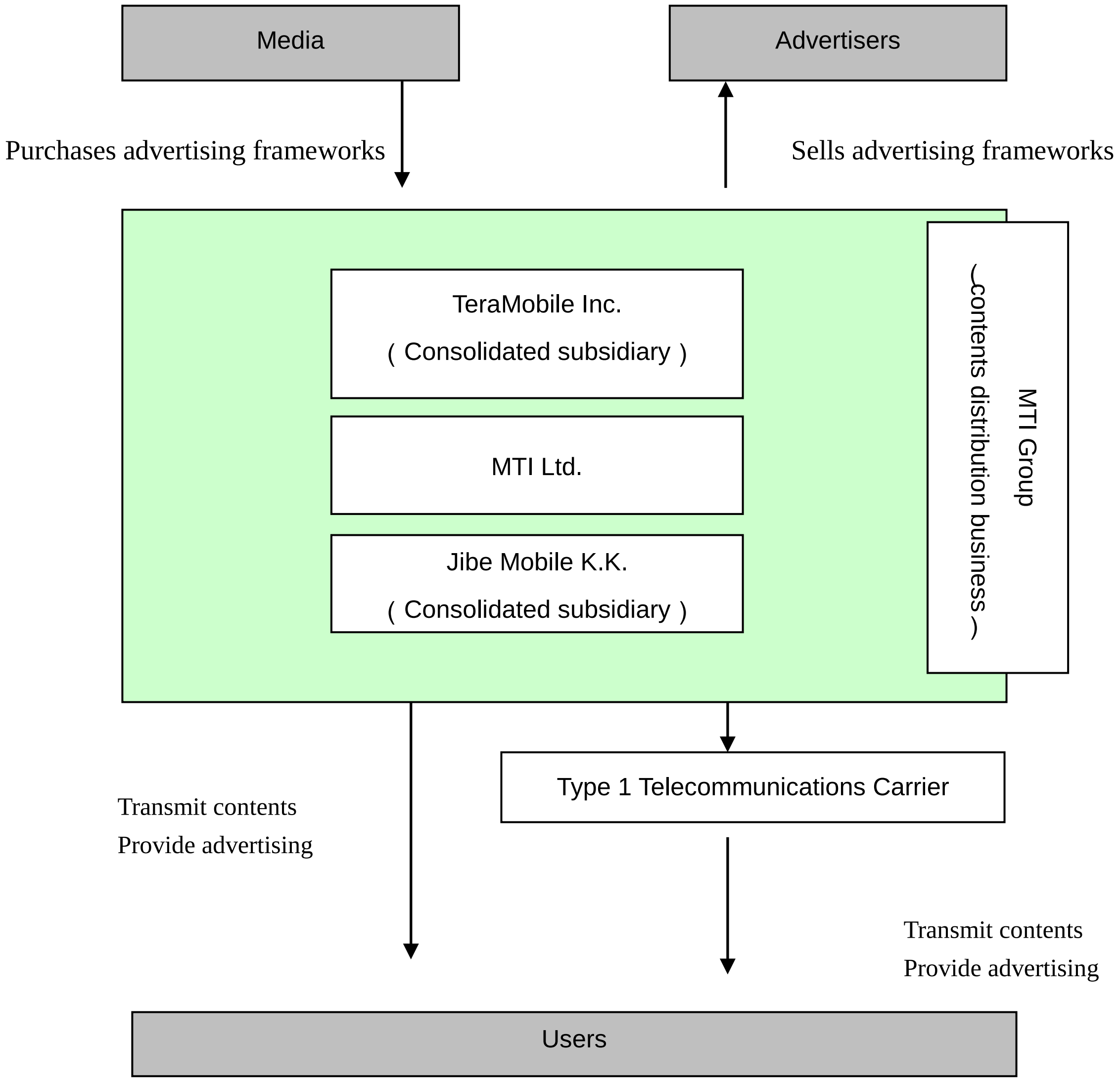
MTI

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

The Company aims to help realize the future society that will be brought about by mobile devices. To this end, it will continually provide customers with user-friendly services that employ cutting-edge technologies and offer satisfactory quality and product variety by extensively understanding their views and expectations. The Company also aims to position itself as lifelong friend that customers can continually call upon by offering emotionally-moving experiences, and become a “mobile dream factory” that produces a series of services which make customers’ dreams come true and their lives more convenient and enriching.

(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. To achieve medium-to long-term quantitative expansion, it is imperative to continually enhance the marketing capacity, quality control capacity, development capacity, design capacity, and sales capacity. These are all factors that support the expansion of the business. By continually improving these capacities, MTI will be able to flexibly respond to changes in the market environment and customers’ needs.

(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.

Considering the fact that the smartphone penetration rate has already exceeded 50%, customer needs for services that are more user-friendly and easier to understand are expected to increase in the future. In addition, their interest will become further concentrated on music, electronic books and comics, and videos in popular categories. In response to these changes, the Company has adopted a policy to provide not only its existing music service, but also services integrated with electronic books and comics and videos. It will provide convenient and user-friendly services in which customers can use a single account to enjoy contents in different categories.

By taking advantage of the strong brand power of *music.jp®*, and improving the convenience of users through the timely updates of service content, the Company will strive to enhance customer satisfaction and bolster the number of paying subscribers. These efforts will help secure higher average revenue per user (ARPU) and prevent subscription withdrawals.

b) Healthcare-related contents

Luna-Luna, the Company’s second largest mainstay business after *music.jp®*, commands large shares of the overall net sales and income, and plays an important role as a source of earnings that support the growth of businesses with strong future growth potential. For this reason, the Company has adopted a policy that calls for remaining focused on expanding the number of paying subscribers on smartphones.

Positioning *Luna-Luna* as the core website, the Company will provide services that support women throughout their entire lives. In addition to menstrual and ovulation date forecasts, it will also expand services that provide comprehensive support for areas ranging from pregnancy to childbirth and childcare, based on the provision of healthcare support in line with the different stages of women’s lives.

The Company will also improve service content to bolster the presence of *Luna-Luna Lite*, a series of services used by more than 6 million customers free of charge, as the website that helps support the health management of a wide range of women. Through this initiative, the Company will seek to expand the number of paying subscribers.

The Company also plans to develop services that provide comprehensive healthcare support to customers of ages and gender. Moreover, it has identified the genetic testing sector and the machine-to-machine sector, in which smartphones and health equipment (such as body composition meters and pedometers) are used interactively, as business categories in which growth is anticipated in the future.

c) Lifestyle information and entertainment contents

Lifestyle information and entertainment contents encompass a wide range of services. In addition to weather information, there are also traffic reports, map guides, electric books, and fortune telling services. As the Company works to develop new growth segments, it will also strive to grow this segment into the second-largest source of earnings after music and healthcare-related contents.

The Company will develop and provide new services by accurately understanding the trends of the new technological developments and the changes in the lifestyles and needs of customers. It will also aggressively invest in sectors with strong cost-benefit performance by provisionally developing and examining effective promotional methods. Based on these initiatives, the Company will seek to expand the number of paying subscribers.

The indoor positioning systems sector is a sector with future growth potential. Drawing upon the highly accurate positioning capacity to locate the current position with an approximately 30 cm margin of error, the Company aims to commercialize these systems in shopping malls and at event venues.

d) Non-virtual affiliate business

The sales channel (the real affiliate (RAF) network) that promotes the sales of the Company's own content and that of other companies to customers at cellphone shops is the largest in Japan, and boasts an overwhelming large scale of business in the same business category. The dominant position of this sales channel is the result of efforts to expand transactions with cellphone shops nationwide.

The Company has developed RAF network as one of the channels for attracting new subscribers to its own content. With the growing popularity of smartphones, the network has made the most effective contribution to the acquisition of new paying subscribers. The Company has transformed the network into a successful business by handling the content of other companies, and the business now strongly contributes to the Company's earnings.

While the Company will strive to further expand the number of operating shops of the RAF network by taking advantage of the sales offices established nationwide, it will also implement measures to strengthen the lineup of services that meet the needs of customers who visit shops and enhance its sales structure capable of offering meticulous support to cellphone shops in all prefectures across Japan.

(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.

5) Enhancing the sales capacity

The acquisition of subscribers through cellphone shops nationwide, the mainstay sales channel of mobile devices, has proved to be the most efficient method for acquiring paying subscribers on smartphones on a monthly billing basis. Thus, the Company believes that it is important to develop cellphone shops that promote the sales of the Company's own content and the content that it handles for other companies.
For these reasons, the Company will take initiatives to establish a business structure capable of providing more meticulous support to cellphone shops nationwide. These initiatives include establishing sales offices in major cities outside the Tokyo metropolitan area which have a large number of cellphone shops, and by focusing on securing, training, and developing human resources with superior sales skills.

4 Consolidated financial statement

(1) Consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (As of September 30, 2013)	Current fiscal year (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	3,416,219	4,782,677
Accounts receivable-trade	6,376,865	6,294,778
Advance payments-trade	178,283	139,778
Prepaid expenses	278,757	470,832
Accounts receivable-other	135,951	65,902
Income taxes receivable	—	38,554
Deferred tax assets	414,019	378,136
Other	134,843	121,194
Allowance for doubtful accounts	(166,904)	(108,691)
Total current assets	10,768,035	12,183,163
Non-current assets		
Property, plant and equipment		
Facilities attached to Buildings	318,801	321,505
Accumulated depreciation	(201,356)	(221,131)
Facilities attached to Buildings, net	117,445	100,373
Tools, furniture and fixtures	253,701	267,290
Accumulated depreciation	(195,155)	(224,631)
Tools, furniture and fixtures, net	58,546	42,658
Total property, plant and equipment	175,991	143,032
Intangible assets		
Software	2,346,612	2,150,300
Goodwill	133,175	2,355
Other	110,351	25,034
Total intangible assets	2,590,140	2,177,690
Investments and other assets		
Investment securities	714,781	813,082
Lease and guarantee deposits	469,740	489,586
Deferred tax assets	854,250	883,432
Other	87,752	99,694
Allowance for doubtful accounts	(14,008)	(21,317)
Total investments and other assets	2,112,517	2,264,478
Total non-current assets	4,878,649	4,585,200
Total assets	15,646,685	16,768,363

(Thousands of yen)

	Previous fiscal year (As of September 30, 2013)	Current fiscal year (As of September 30, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	942,610	976,524
Current portion of convertible bonds	78,688	—
Accounts payable-other	2,334,501	2,317,692
Accrued expenses	359,075	442,983
Income taxes payable	637,177	674,912
Accrued consumption taxes	83,183	321,253
Deferred tax liabilities	1,424	2,391
Allowance for coin usage	382,891	277,447
Provision for directors' bonuses	14,511	29,894
Other	853,540	684,324
Total current liabilities	5,687,604	5,727,424
Non-current liabilities		
Long-term loans payables	500,000	500,000
Long-term accounts payable-other	21,516	—
Provision for retirement benefits	509,636	—
Net defined benefit liability	—	768,368
Negative goodwill	58,776	49,659
Other	141	141
Total non-current liabilities	1,090,070	1,318,168
Total liabilities	6,777,675	7,045,593
Net assets		
Shareholders' equity		
Capital stock	2,562,740	2,596,342
Capital surplus	3,078,260	3,111,863
Retained earnings	3,393,859	4,305,998
Treasury shares	(695,269)	(695,491)
Total shareholders' equity	8,339,591	9,318,712
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,434	74,198
Foreign currency translation adjustment	22,150	(31,735)
Remeasurements of defined benefit plans	—	(69,979)
Total accumulated other comprehensive income	62,584	(27,516)
Subscription rights to shares	227,004	206,905
Minority interests	239,830	224,667
Total net assets	8,869,010	9,722,770
Total liabilities and net assets	15,646,685	16,768,363

(2) Consolidated statement of income and consolidated comprehensive income
Consolidated statement of income

(Thousands of yen)

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Net sales	30,160,974	30,985,078
Cost of sales	5,336,496	4,988,462
Gross profits	24,824,478	25,996,616
Selling, general and administrative expenses	23,675,243	23,439,513
Operating income	1,149,234	2,557,102
Non-operating income		
Interest income	214	261
Dividends income	3,958	4,559
Amortization of negative goodwill	9,117	10,533
Interest on refund	6,169	—
Compensation income	—	7,416
Other	7,020	9,246
Total non-operating income	26,480	32,017
Non-operating expenses		
Interest expenses	9,340	8,784
Equity in loss of affiliates	30,052	53,104
Foreign exchange losses	6,252	2,783
Other	10,268	5,016
Total non-operating expenses	55,913	69,688
Ordinary income	1,119,801	2,519,431
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	44,036	38,550
Gain on reversal of subscription rights to shares	49,390	48,047
Total extraordinary income	93,426	86,598
Extraordinary loss		
Loss on retirement of noncurrent assets	118,225	109,558
Loss on valuation of investment securities	86,939	137,756
Loss on sales of investment securities	—	1,087
Impairment loss	—	73,784
Amortization of goodwill	—	52,391
Other	—	1,566
Total extraordinary loss	205,165	376,144
Income before income taxes	1,008,062	2,229,885
Income taxes-current	603,757	878,625
Income taxes-deferred	(149,268)	29,505
Total income taxes	454,488	908,131
Income before minority interests	553,574	1,321,753
Minority interests in net income (loss)	36,956	(16,085)
Net income	516,617	1,337,838

Consolidated statement of comprehensive income

(Thousands of yen)

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Income before minority interests	553,574	1,321,753
Other comprehensive income		
Valuation difference on available-for-sale securities	38,553	33,764
Foreign currency translation adjustment	21,503	(62,455)
Share of other comprehensive income of associate accounted for using equity method	3,748	739
Total other comprehensive income (loss)	63,805	(27,951)
Comprehensive income	617,379	1,293,801
(Break down)		
Comprehensive income attributable to owners of parent	571,893	1,317,717
Comprehensive income attributable to minority shareholders	45,486	(23,915)

（3） Consolidated statement of changes in shareholders’ equity

Previous fiscal year (from October 1, 2012 to September 30, 2013)

(Unit: Thousands of yen)

	Shareholders’ equity				
	Capital stock	Capital surplus	Accumulated earnings	Treasury stock	Total shareholders’ equity
Balance at the beginning of current period	2,562,740	3,078,260	3,394,389	-397,409	8,637,981
Changes of items during the period					
Issuance of new shares-exercise (Exercising share point)					-
Dividends from surplus			-517,148		-517,148
Net income			516,617		516,617
Changes in the scope of consolidation					-
Purchase of treasury stock				-297,860	-297,860
Net changes of items other than shareholders’ equity					
Total changes of items during the period	-	-	-530	-297,860	-298,390
Balance at the end of the current period	2,562,740	3,078,260	3,393,859	-695,269	8,339,591

	Other accumulated comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	provision for retirement benefits	Total other accumulated comprehensive income			
Balance at the beginning of current period	1,881	5,427	-	7,308	211,940	64,832	8,922,062
Changes of items during the period							
Issuance of new shares-exercise (Exercising share point)							-
Dividends from surplus							-517,148
Net income							516,617
Changes in the scope of consolidation							-
Purchase of treasury stock							-297,860
Net changes of items other than shareholders’ equity	38,553	16,722	-	55,275	15,063	174,998	245,338
Total changes of items during the period	38,553	16,722	-	55,275	15,063	174,998	-53,052
Balance at the end of the current period	40,434	22,150	-	62,584	227,004	239,830	8,869,010

Current fiscal year (from October 1, 2013 to September 30, 2014)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Accumulated earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,562,740	3,078,260	3,393,859	-695,269	8,339,591
Changes of items during the period					
Issuance of new shares-exercise (Exercising share point)	33,602	33,602			67,205
Dividends from surplus			-439,410		-439,410
Net income			1,337,838		1,337,838
Changes in the scope of consolidation			13,709		13,709
Purchase of treasury stock				-222	-222
Net changes of items other than shareholders' equity					
Total changes of items during the period	33,602	33,602	912,138	-222	979,121
Balance at the end of the current period	2,596,342	3,111,863	4,305,998	-695,491	9,318,712

	Other accumulated comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	provision for retirement benefits	Total other accumulated comprehensive income			
Balance at the beginning of current period	40,434	22,150	-	62,584	227,004	239,830	8,869,010
Changes of items during the period							
Issuance of new shares-exercise (Exercising share point)							67,205
Dividends from surplus							-439,410
Net income							1,337,838
Changes in the scope of consolidation							13,709
Purchase of treasury stock							-222
Net changes of items other than shareholders' equity	33,764	-53,885	-69,979	-90,100	-20,098	-15,162	-125,361
Total changes of items during the period	33,764	-53,885	-69,979	-90,100	-20,098	-15,162	853,760
Balance at the end of the current period	74,198	-31,735	-69,979	-27,516	206,905	224,667	9,722,770

（4） Consolidated statement of cash flows

（Thousands of yen）

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes	1,008,062	2,229,885
Depreciation and amortization	1,822,997	1,740,416
Amortization of goodwill	79,147	134,664
Amortization of negative goodwill	(9,117)	(10,533)
Increase (decrease) allowance for doubtful accounts	(98,221)	(51,173)
Increase (decrease) allowance for coin usage	(38,033)	(105,443)
Increase (decrease) in provision for retirement benefits	146,270	(509,636)
Increase (decrease) in net defined benefit liability	—	659,637
Interest and dividends income	(4,172)	(4,821)
Interest expenses	9,340	8,784
Equity in loss (income) of affiliates	30,052	53,104
Loss (gain) on retirement of noncurrent assets	118,225	109,558
Loss (gain) on valuation of investment securities	86,939	137,756
Loss on sales of stocks of subsidiaries and affiliates	(44,036)	(38,550
Gain on sales of investment securities	—	1,087
Gain on reversal of subscription rights to shares	(49,390)	(48,047)
Decrease (increase) in notes and accounts receivable-trade	(176,151)	85,581
Decrease (increase) in advance payments	(126,087)	38,504
Decrease (increase) in prepaid expenses	44,793	(191,844)
Decrease (increase) in accounts receivable-other	(51,534)	70,049
Increase (decrease) in notes and accounts payable-trade	(291,747)	34,720
Increase (decrease) in accounts payable-other	344,940	(22,818)
Increase (decrease) in accured expenses	26,663	83,644
Increase (decrease) in accured consumption taxes	29,368	238,070
Other, net	454,080	(220,527)
Subtotal	3,312,390	4,495,851
Interest and dividends income received	4,172	4,821
Interest paid	(6,104)	(5,839)
Income taxes (paid) refund	172,754	(894,253)
Net cash provided by (used in) operating activities	3,483,212	3,600,579
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,077)	3,600,579
Proceeds of sales property, plant and equipment	—	405
Purchase of intangible assets	(2,112,891)	(1,677,283)
Purchase of investment securities	(3,140)	(140,781)
Purchase of investments in subsidiaries resulting in charge in scope of consolidation	—	15,675
Purchase of stocks of subsidiaries and affiliates	(487,425)	—
Proceeds from sales of stocks of subsidiaries and affiliates	226,500	1,950
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	26,899
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(48,265)
Proceeds from collection of lease and guarantee deposits	4,527	2,993
Other, net	1,898	(30,860)
Net cash provided by (used in) investing activities	(2,389,608)	(1,867,140)

(Thousands of yen)

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Cash flows from financing activities		
Repayment of long-term loans payable	(99,118)	―
Proceeds from long-term loans payable	500,000	99,440
Proceeds from issuance of common stock	―	45,993
Payment for acquisition of tresury stock	(297,860)	(222)
Cash dividends paid	(517,148)	(439,410)
Net cash provided by (used in) financing activities	(414,126)	(375,717)
Effect of exchange rate change on cash and cash equivalents	173,458	8,736
Net increase (decrease) in cash and cash equivalents	852,936	1,366,457
Cash and cash equivalents at beginning of period	2,563,283	3,416,219
Cash and cash equivalents at end of period	3,416,219	4,782,677

(5) Notes on consolidated financial Statements

(Notes Relating to Going Concern Assumptions)

No relevant items.

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

1. Items Concerning the Scope of Consolidation

Our consolidated subsidiaries are the following 9 companies, all of which are consolidated.

TeraMobile, Inc.
MGM Holdings Inc.
FIL Corporation
music.jp, inc.s
Mega mobile Inc.
comic.jp., inc.
movile Ltd.
Jibe Mobile, K.K.
Jibe Solutions, Inc.
Mediano Ltd.
MShift, Inc.
Mytrax Inc.
miyoo, inc.
EverGene Ltd.
J Bridge Ventures, Inc.
Sonicnaut Co., Ltd.
ZERO-A Co., Ltd.
Hotarubi Co., Ltd.

The liquidation proceedings for MTI EMEA Ltd. and Ringit Ltd., which were included in the Company's consolidated subsidiaries in the previous consolidated fiscal year, were completed, and they have thus been excluded from the scope of consolidation. In addition, Playground Publishing Holdings B.V., which was included in the Company's consolidated subsidiaries in the previous consolidated fiscal year, has been excluded from the scope of consolidation because the Company transferred its entire shareholding. As a result of the transfer, PLGND Finland Oy, the subsidiary of Playground Publishing Holdings B.V. that has been included in the Company's consolidated subsidiaries since the first quarter of the consolidated fiscal year under review, has been excluded from the scope of consolidation.

Sonicnaut Co., Ltd. and ZERO-A Co., Ltd., two newly established companies, have been included in the Company's consolidated subsidiaries from the consolidated fiscal year under review. Moreover, hotarubi Co., Ltd. and Social Appli Payment Service, Inc. have been included in the Company's consolidated subsidiaries since the from the consolidated fiscal year under review as a result of acquiring all the shares of these two companies.

2. Items Concerning the Application of Equity Method

(1) Number of equity method affiliates: 2
SHANGHAI HYRON MTI CO., LTD.
Video Market Corporation

(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
Jibe Mobile, Inc.
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

a) Property, 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.

b) Intangible 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

a) Allowance 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.

b) Allowance 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.

c) Provision 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

a) Period reversion method

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.

b) Expense processing method on actuarial difference

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.

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

The period attribution method for the estimated amount of retirement benefits The Company adopts fixed amount standards as a method for attributing the estimated amount of retirement benefits to the period up to the end of the consolidated fiscal year under review in calculating the retirement benefit obligations.

However, the assets, liabilities, earnings, and expenses of J Bridge Ventures, Inc., an overseas subsidiary, have been translated into Japanese yen at the prevailing spot exchange rates of the consolidated settlement date, and the translation difference has been included in foreign currency translation adjustment and minority interests under net assets.

(6) 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.

(7) 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.

(8) Other important items

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

(Change in accounting policies and the like)

Effective from the end of the consolidated fiscal year under review, the Company adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; "the Accounting Standard for Retirement Benefits") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; "the Guidance on Accounting Standard for Retirement Benefits") (excluding, however, the provisions set forth in the main clauses of paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). Consequently, the Company adopted a method to record the amount that is calculated by deducting the amount of pension assets from the retirement benefit obligations as the net defined benefit liability, and has recorded the unrecognized actuarial gains and losses and the unrecognized past service liabilities in the net defined benefit liability.

The Accounting Standard for Retirement Benefits, etc. has been adopted in accordance with the transitional treatment as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits. The amount affected by the changes described above has been adjusted in the re-measurements of the defined benefit plans in the accumulated other comprehensive income at the end of the consolidated fiscal year under review.

As a result, at the end of the consolidated fiscal year under review, the net defined benefit liability stood at 768,368,000 yen. In addition, the accumulated other comprehensive income declined by 69,979,000 yen.

Meanwhile, net assets per share declined 2.78 yen

(Segment information)

【Segment information】

Consolidated financial results for the year ended September 30, 2014

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)

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Net assets per share	Yen 334.65	Yen 368.99
Net income per share	Yen 20.49	Yen 53.26
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.	Yen 52.99

Net income per share is calculated on the following basis.

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Net income per share		
Net income	Thousand of yen 516,617	Thousand of yen 1,337,838
Amount not attributed to common stockholders	—	—
Income applicable to common stock	Thousand of yen 516,617	Thousand of yen 1,337,838
Average number of shares outstanding to common	25,209,569	25,119,638
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 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)	Stock acquisition rights Dates of resolution by the board of directors January 28, 2010 (Number of the stock acquisition rights: 460 rights) February 18, 2010 (Number of the stock acquisition rights: 200 rights) January 27, 2011 (Number of the stock acquisition rights: 776 rights) February 5, 2013 (Number of the stock acquisition rights: 913 rights)

(Note) We conducted a 100-for-1 share split which became effective as of April 1, 2014. And also we onducted a 2-for-1. 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 Statement

(1) Balance sheet

(Thousands of yen)

	Previous fiscal year (As of September 30, 2013)	Current fiscal year (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	2,178,645	3,643,825
Notes receivable-trade	—	122
Accounts receivable-trade	6,183,351	6,148,960
Supplies	25,246	17,770
Advance payments-trade	27,276	36,619
Prepaid expenses	274,599	404,436
Accounts receivable-other	135,112	65,497
Income taxes receivable	—	
Deferred tax assets	405,928	368,091
Other	35,834	66,879
Allowance for doubtful accounts	(161,982)	(103,416)
Total current assets	9,104,012	10,648,787
Noncurrent assets		
Property, plant and equipment		
Buildings and accompanying facilities	308,279	310,666
Accumulated depreciation	(196,399)	(214,239)
Buildings and accompanying facilities, net	111,879	96,427
Tools, furniture and fixtures	164,642	176,538
Accumulated depreciation	(129,601)	(150,348)
Tools, furniture and fixtures, net	35,040	26,189
Total property, plant and equipment	146,920	122,617
Intangible assets		
Patent right	437	508
Right of trademark	20,371	19,381
Software	2,381,366	2,175,930
Other	1,849	1,849
Total intangible assets	2,404,024	2,197,669
Investments and other assets		
Investment securities	334,760	473,506
Stocks of subsidiaries and affiliates	1,062,044	816,871
Long-term loans receivable from employees	464	233
Long-term prepaid expenses	165,057	67,825
Lease and guarantee deposits	466,549	486,440
Deferred tax assets	854,250	843,036
Other	14,027	134,129
Allowance for doubtful accounts	(14,008)	(21,234)
Total investments and other assets	2,883,147	2,800,808
Total noncurrent assets	5,434,092	5,121,095
Total assets	14,538,105	15,769,882

(Thousands of yen)

	Previous fiscal year (As of September 30, 2013)	Current fiscal year (As of September 30, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	826,057	808,071
Accounts payable-other	2,160,981	2,273,494
Accrued expenses	346,849	427,474
Income taxes payable	533,214	657,696
Accrued consumption taxes	58,606	303,200
Advances received	523,407	474,235
Deposits received	91,647	121,193
Allowance for coin usage	382,891	277,447
Provision for directors' bonuses	13,662	28,662
Other	27,544	4,138
Total current liabilities	4,964,861	5,375,614
Noncurrent liabilities		
Long-term loans payable	500,000	500,000
Provision for retirement benefits	509,636	659,637
Other	141	141
Total noncurrent liabilities	1,009,777	1,159,778
Total liabilities	5,974,639	6,535,392
Net assets		
Shareholders' equity		
Capital stock	2,562,740	2,596,342
Capital surplus		
Legal capital surplus	2,367,809	2,401,412
Other capital surplus	5,242	5,242
Total capital surplus	2,373,051	2,406,654
Retained earnings		
Legal retained earnings	7,462	7,462
Other retained earnings		
Retained earnings brought forward	4,052,692	4,638,416
Total retained earnings	4,060,155	4,645,879
Treasury stock	(695,269)	(695,491)
Total shareholders' equity	8,300,677	8,953,385
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	40,434	74,198
Total valuation and translation adjustments	40,434	74,198
Subscription rights to shares	222,353	206,905
Total net assets	8,563,465	9,234,490
Total liabilities and net assets	14,538,105	15,769,882

（2）Statement of income

（Thousands of yen）

	Previous fiscal year (from October 1, 2012 to September 30, 2013)	Current fiscal year (from October 1, 2013 to September 30, 2014)
Net sales	27,821,545	29,149,330
Cost of sales	4,097,899	3,966,219
Gross profits	23,723,645	25,183,110
Selling, general and administrative expenses	22,786,259	22,593,697
Operating income	937,385	2,589,413
Non-operating income		
Interest income & Dividend income	4,000	4,632
Other	11,378	8,041
Total non-operating income	15,378	12,674
Non-operating expeses		
Interest expenses	5,406	5,401
Other	6,821	4,956
Total non-operating expenses	12,227	10,357
Ordinary income	940,536	2,591,730
Extraordinary income		
Gain on sales of subsidiaries and affiliates' stocks	183,842	—
Gain on reversal of subscription rights to shares	49,390	40,633
Total extraordinary income	233,233	40,633
Extraordinary loss		
Loss on retirement of noncurrent assets	77,176	107,024
Loss on valuation of investment securities	86,939	137,756
Loss on valuation of stocks of affiliates	28,422	391,142
Loss on sales of securities	—	1,087
Impairment loss	—	69,172
Loss on cleaning off subsidiaries	—	8,767
Total extraordinary loss	192,538	714,950
Income before income taxes	981,232	1,917,413
Income taxes-current	506,884	861,567
Income taxes-deferred	(147,669)	30,712
Total income taxes	359,215	892,279
Net income (loss)	622,017	1,025,134

（3） Statement of changes in shareholders' equity

Previous fiscal year (from October 1, 2012 to September 30, 2013)

(Unit: Thousands of yen)

	Shareholders' equity								
		Capital surplus			Accumulated earnings				
	Capital stock	Capital surplus	Other capital surplus	Total capital surplus	Retained earnings	Other retained earnings Earned surplus	Total	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,562,740	2,367,809	5,242	2,373,051	7,462	3,947,823	3,955,286	-397,409	8,493,669
Changes of items during the period									
Issuance of new shares-exercise (Exercising share point)									-
Dividends from surplus						-517,148	-517,148		-517,148
Net income						622,017	622,017		622,017
Purchase of treasury stock								-297,860	-297,860
Net changes of items other than shareholders' equity									
Total changes of items during the period	-	-	-	-	-	104,869	104,869	-297,860	-192,991
Balance at the end of the current period	2,562,740	2,367,809	5,242	2,373,051	7,462	4,052,692	4,060,155	-695,269	8,300,677

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at the beginning of current period	1,005	1,005	211,940	8,706,615
Changes of items during the period				
Issuance of new shares-exercise (Exercising share point)				-
Dividends from surplus				-517,148
Net income				622,017
Purchase of treasury stock				-297,860
Net changes of items other than shareholders' equity	39,428	39,428	10,413	49,841
Total changes of items during the period	39,428	39,428	10,413	-143,149
Balance at the end of the current period	40,434	40,434	222,353	8,563,465

Current fiscal year (from October 1, 2013 to September 30, 2014)

(Unit: Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Accumulated earnings			Treasury stock	Total shareholders' equity
		Capital surplus	Other capital surplus	Total capital surplus	Retained earnings	Other retained earnings Earned surplus	Total		
Balance at the beginning of current period	2,562,740	2,367,809	5,242	2,373,051	7,462	4,052,692	4,060,155	-695,269	8,300,677
Changes of items during the period									
Issuance of new shares-exercise (Exercising share point)	33,602	33,602		33,602					67,205
Dividends from surplus						-439,410	-439,410		-439,410
Net income						1,025,134	1,025,134		1,025,134
Purchase of treasury stock								-222	-222
Net changes of items other than shareholders' equity									
Total changes of items during the period	33,602	33,602	-	33,602	-	585,723	585,723	-222	652,707
Balance at the end of the current period	2,596,342	2,401,412	5,242	2,406,654	7,462	4,638,416	4,645,879	-695,491	8,953,385

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments		
Balance at the beginning of current period	40,434	40,434	222,353	8,563,465
Changes of items during the period				
Issuance of new shares-exercise (Exercising share point)				67,205
Dividends from surplus				-439,410
Net income				1,025,134
Purchase of treasury stock				-222
Net changes of items other than shareholders' equity	33,764	33,764	-15,447	18,317
Total changes of items during the period	33,764	33,764	-15,447	671,024
Balance at the end of the current period	74,198	74,198	206,905	9,234,490

(4) Notes on financial statements

No relevant items.

(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

(1) Changes in officers

Director expected to retire (tentative December 20, 2014)

Director Ryuichi Sasaki