UNOFFICIAL TRANSLATION
The formal official document is in Japanese.

Summary of Consolidated Financial Results for the Fiscal Year ended September 30, 2015 (Japanese Accounting Standards)

November 4, 2015

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 23, 2015
Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 24, 2015
Scheduled date of dividend payment: December 24, 2015
Supplementary documents for financial results: Yes
Quarterly results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one million of yen are omitted)

1. Consolidated business results for the year ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(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, 2015	33,461	8.0	4,245	66.0	4,144	64.5	2,607	94.9
For the year ended September 30, 2014	30,985	2.7	2,557	122.5	2,519	125.0	1,337	159.0

(Note) Comprehensive income: Year ended September 30, 2015: 2,728 million yen (110.9%)
Year months ended September 30, 2014: 1,293 million yen (109.6%)

	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, 2015	48.52	47.67	20.6	20.0	12.7
For the year ended September 30, 2014	26.63	26.49	15.1	15.5	8.3

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2015: -95 millions of yen
Year ended September 30 2014: -53 millions of yen

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. Net income per share and net income per share diluted are 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 ,2015	24,738	16,591	64.8	281.48
Year ended September 30 ,2014	16,768	9,722	55.4	184.49

(Reference) Shareholders' equity: Year ended September 30 2015: 16,034 millions of yen
Year ended September 30 2014: 9,291 millions of yen

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. Net income per share and net income per share diluted are based on the number of shares after the stock split.

(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, 2015	4,587	-1,707	3,921	11,608
For the year ended September 30, 2014	3,600	-1,867	-375	4,782

2. Dividends

	Dividend per share					Amount of dividends paid (Total)	Dividend ratio (Consolidated)	Dividends on equity (Consolidated)
	End of first quarter	End of 2nd period	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen		%	%
For the year ended September 30, 2014	–	10.00	–	12.00	–	427	31.9	4.6
For the year ended September 30, 2015	–	12.00	–	8.00	–	794	28.9	6.0
Year ending 9/16 (forecast)	–	8.00	–	8.00	16.00		33.8	

(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, 2015. The dividend per share at the end of the fiscal year

ended September 30, 2014 and at the interim end of the fiscal year ended September 30, 2015 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, 2016
(October 1, 2015 – September 30, 2016)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit (loss) attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the first half ending September 30, 2016	17,200	3.5	2,000	-5.1	1,980	-2.7	1,130	3.8	19.84
Full year	35,000	4.6	4,700	10.7	4,660	12.4	2,700	3.6	47.40

* 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):
9/15: 60,226,800 shares 9/14: 53,621,200 shares
(ii) Number of treasury shares at the end of period
9/15: 3,260,928 shares 9/14: 3,260,928 shares
(iii) Average number of shares during the period
9/15: 53,734,513 shares 9/14: 50,239,276 shares

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. 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 the numbers after these stock splits.

(Reference) Summary of financial results

1. Nonconsolidated financial results for the year ended September 30, 2015
(From October 1, 2014 - September 30, 2015)

(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, 2015	31,297	7.4	4,125	59.3	4,111	58.6	2,499	143.8
For the year ended September 30, 2014	29,149	4.8	2,589	176.2	2,591	175.6	1,025	64.8

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2015	46.52	45.70
For the year ended September 30, 2014	20.41	20.30

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. 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, 2015	23,256	15,765	67.2	274.52
For the year ended September 30, 2014	15,769	9,234	57.2	179.26

(Reference) Shareholders' equity
As of September 30, 2015: 15,638 millions of yen   As of September 30, 2014: 9,027 millions of yen

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. 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 chiefly for securities analysts and institutional investors on Thursday, November 5, 2015. 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, 2015
(Period from October 1, 2014 to September 30, 2015)

Although sales of smartphones slowed in terms of units, the penetration of smartphones continued to climb thanks to solid replacement demand, among other factors, during the release of new models.

In this environment, the Company aggressively conducted promotions, mainly during the shopping season for terminal units and the release of new models, and expanded the number of paying smartphone subscribers to 6.0 million at the end of September 2015 (up 0.6 million from the end of September 2014).

The number of paying subscribers on feature phones continued to decline to 1.94 million at the end of September (down 0.52 million from the end of September 2014). Despite this, the total number of paying subscribers at the end of September rose to 7.94 million (up 0.08 million from the end of September 2014), helped by the efforts of focusing on the expansion of the number of smartphone paying subscribers.

Net sales climbed to ¥33,461 million (up 8.0% year on year), mainly due to the improvement of average revenue per user (ARPU) in mainstay services, as well as an expansion in sales of the unmetered plan with flat-rate monthly charges for cellphone carriers. Gross profit also rose to ¥28,022 million (up 7.8% year on year).

Operating income came to ¥4,245 million (up 66.0%) and ordinary income was ¥4,144 million (increasing 64.5%), reflecting the effective and appropriate control of selling, general and administrative expenses, in addition to the increase in gross profit.

Net income also rose to ¥2,607 million (climbing 94.9%), reflecting the increase in ordinary income and the posting of extraordinary income associated with gains from the sale of investment securities, thereby offsetting the posting of extraordinary loss pertaining to the amortization of goodwill and the increase in income taxes.

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

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2014	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	33,461	30,985	+2,476	+8.0
Cost of sales	5,439	4,988	+450	+9.0
Gross profit	28,022	25,996	+2,025	+7.8
SG&A	23,776	23,439	+337	+1.4
Operating income	4,245	2,557	+1,688	+66.0
Ordinary income	4.144	2,519	+1,624	+64.5
Current net income	2,607	1,337	+1,269	+94.9

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

Breakdown of SG&A (Period from October 1, 2014 to September 30, 2015)

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2014	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	23,776	23,439	+337	+1.4
Advertising expenses	9,077	8,268	+809	+9.8
Personnel expenses	5,770	5,815	-44	-0.8
Commission fee	3,727	3,443	+283	+8.2
Subcontract expenses	1,326	1,803	-476	-26.4
Depreciation	1,318	1,706	-387	-22.7
Other	2,555	2,402	+153	+6.4

2) Outlook for the fiscal year ending September 2016
(Period from October 1, 2015 to September 30, 2016)

In the fiscal year ending September 2016, the Company will continue to focus on initiatives to expand the number of paying subscribers on smartphones and implement measures to improve the average revenue per user (ARPU), thereby achieving its consolidated earnings targets.

The Company's strength lies in the fact that it has developed the largest sales channel by far for promoting sales of its own and other companies' content to customers at cellphone shops throughout Japan. Leveraging this strength, it will strive to promote the sales of its own content that generates high ARPU and boost the number of paying subscribers on smartphones.

By responding to their needs, the Company will also work to enhance the lineup of high value-added services to enhance customer satisfaction, and by taking advantage of its strength, it will increase the ratio of customers who subscribe to services that generate high ARPU among paying smartphone subscribers.

In conjunction with a service integrating music, books and video, the Company will work to enhance video content in particular. Specifically, it will strengthen the lineup of video content by expanding the number of titles of Hollywood movies, with a view to expanding the number of paying subscribers to the integrated service and improving ARPU.

The Maps & Navigation service and the Weather Information service, which had been conducted separately, were integrated in July, allowing customers to subscribe to both services simultaneously. The Company will focus its efforts on the expansion of the number of paying subscribers to this integrated service as well.

In the Healthcare-related service, KARADAmedica, a service via our website where healthcare providers answer questions on health 24 hours a day for a monthly fee of 400 yen (excluding taxes), has been performing well since its launch in June. The Company will continue to expand the number of paying subscribers to this service as well.

Considering the strong growth potential of the Healthcare-related service in the future, the Company will undertake the service from a medium- to long-term perspective. During the fiscal year under review, it successfully expanded the service significantly beyond the business domain that it had engaged in. In the fiscal year ending September 2016, it will take a variety of measures to achieve sales growth.

Earnings forecast for the six months of the fiscal year ending September 30, 2016

(Period from October 1, 2015 to March 31, 2016)

Consolidated Profit and Loss		
Net sales	17,200 millions of yen	(an increase of 3.5% y-o-y)
Operating income	2,000 millions of yen	(an decrease of 5.1% y-o-y)
Ordinary income	1,980 millions of yen	(an decrease of 2.7% y-o-y)
Profit attributable to owners of parent	1,130 millions of yen	(an increase of 3.8% y-o-y)

Earnings forecast for the fiscal year ending September 30, 2016

(Period from October 1, 2015 to September 30, 2016)

Consolidated Profit and Loss		
Net sales	35,000 millions of yen	(an increase of 4.6% y-o-y)
Operating income	4,700 millions of yen	(an increase of 10.7% y-o-y)
Ordinary income	4,660 millions of yen	(an increase of 12.4% y-o-y)
Profit attributable to owners of parent	2,700 millions of yen	(an increase of 3.6% y-o-y)

(2) Analysis of financial conditions

1) Analysis of financial conditions in the year ended September 30, 2015

a) Assets, liabilities and net assets

At the end of the fiscal year under review, total assets rose ¥7,969 million from the end of September 2014, to ¥24,738 million. Current assets rose ¥8,028 million, reflecting the increase in cash and deposits, accounts receivable-other, and notes and accounts receivable-trade, while non-current assets fell ¥58 million yen, chiefly due to the decrease in deferred tax assets, although there was an increase in software.

Current liabilities increased ¥1,466 million, largely due to increases in income taxes payable and the current portion of long-term loans payable, while non-current liabilities declined ¥364 million, mainly reflecting the decrease in long-term loans payable.

Net assets climbed ¥6,868 million due to the implementation of a public offering for capital increase and the posting of ¥2,607 million in net income, even though cash dividends were paid.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	24,738	16,591	64.8
As of September 30, 2014	16,768	9,722	55.4

b) Cash flows

At the end of the fiscal year under review, cash and cash equivalents were ¥11,608 million, representing an increase of ¥6,825 million from the end of September 2014. Cash flows by activities and principal factors in the fiscal year under review were as follows.

Net cash provided by operating activities was ¥4,587 million (inflow of ¥3,600 million for the previous fiscal year). 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 used in investing activities stood at ¥1,707 million (outflow of ¥1,867 million for the previous fiscal year). Principal factors included the purchase of intangible assets (mainly software).

Net cash provided by financing activities came to ¥3,921 million (outflow of ¥375 million for the previous fiscal year). Principal factors included proceeds from issuance of common stock, which offset the payment of cash dividends.

(Reference) Cash flows indicators

	Fiscal year ended September 30, 2011	Fiscal year ended September 30, 2012	Fiscal year ended September 30, 2013	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2015
Equity ratio (%)	59.7	61.9	53.7	55.4	64.8
Equity ratio based on market value (%)	84.1	69.5	73.0	161.0	188.6
Ratio of cash flows to interest-bearing liabilities (%)	12.1	6.0	16.6	13.9	13.0
Interest coverage ratio (times)	219.0	273.6	570.6	616.6	1414.4

Equity ratio: Shareholders' equity / Total assets

Equity ratio based on market value: Market capitalization / Total assets

Ratio of cash flows 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 flows 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 flows statement.

2) Financial outlook for year ending September 30, 2016

a) Assets, liabilities and net assets

The Company expects assets, liabilities, and net assets at the end of the fiscal year ending September 2016 to be greater than those at the end of the fiscal year under review.

Total assets are expected to increase, mainly reflecting the increase in cash and deposits, as well as notes and accounts receivable-trade.

Total liabilities are expected to rise due to the increase in accounts payable-trade and income taxes payable, even though the current portion of long-term loans payable will decrease.

Total net assets are expected to climb due to the recording of net income, even though dividends will be paid.

b) Cash flows

The Company expects cash and cash equivalents at the end of the fiscal year ending September 2016 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 payable.

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 fiscal year ended September 30, 2015 and the fiscal year ending September 30, 2016

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 ¥6 per share, but considering the record high income for the consolidated full-year results that significantly exceeded the previous forecast, it now expects to pay ¥8 per share. As a result, annual dividends are expected to be ¥14 per share (an increase of ¥5.5 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 ¥16 per share, with interim dividends of ¥8 per share and year-end dividends of ¥8.

* 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)
794 millions of yen	-	2,607 millions of yen	30.5%

(4) Business risks

We are providing the main items viewed as potential risk factors for our business development. Items that are not necessarily risk factors for our business development but that are important and useful for making investment judgments and items important for understanding our business activities are actively disclosed to investors.

We are aware of the possibility of these risks occurring, and we will work to prevent them and will respond promptly if they should occur. However, decisions on investment in shares in the Company need to be made in careful consideration of these items and items contained in this report. 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 4, 2015).

1) Over-reliance on certain individuals

President and Chief Executive Officer Toshihiro Maeta plays a central role in creating new business models and plays an important role in promoting operations. To create a management structure that does not depend excessively on President Maeta, we are working to cultivate human resources. However if Mr. Maeta is ever unable to perform his duties for some reason, our results may be impacted significantly.

2) Unexpected changes in the business environment

In our core mobile content business, actual net sales, cost of sales, selling, general and administrative expenses, and other results may differ significantly from our current forecasts for the reasons below. In this case, we could be forced to change our management policy and strategy, which could have a significant impact on 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 from competing companies in terms of content material, quality or 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, which causes subscribers to our services to replace them with services of competitors or makes it harder to maintain cost competitiveness and secure the target number of paid 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 due to a drastic change in the way paid subscribers are gained, among other factors, 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) In the fee-based billing services provided by the Company or those the Company handles for other companies, the number of new subscribers tends to change when cellphone carriers launch new models of mobile devices (sales seasons are usually in March, July, August and December). As a result, it may become difficult to secure additional new subscribers if the effects of new model launches during sales seasons for mobile devices are less than expected or if no effects of new model launches are expected.

g) We engage in the healthcare-related information service business, the market for which is expected to expand in the future and which is believed to have high growth potential over the medium to long terms. However, it is difficult to forecast the impact of the business and an unexpected change may result in our failure to achieve the initial business plan or create the expected effect, with the result that earnings may not justify the prior investment.

h) Laws and regulation that could be relevant to our industry include the Act against Unjustifiable Premiums and Misleading Representations, Unfair Competition Prevention Act, Consumer Contract Act, Act on the Protection of Personal Information, Act on Specified Commercial Transactions, Medical Care Act, Pharmaceutical Affairs Act, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, Antimonopoly Act, and Act on Regulation on Soliciting Children by Using Opposite Sex Introducing Service on Internet.

3) Dependence on specific businesses

As below in the last two consolidated fiscal years, the Company depended heavily on cellphone carriers in terms of sales: The ratio of sales to cellphone carriers accounted for a high percentage of total sales. If cellphone carriers change their policies on Internet connection services, the Company’s results and future business development could be seriously impacted.

Client	Fiscal year ended September 30, 2014		Client	Fiscal year ended September 30, 2015	
	Amount (thousand yen)	Ratio(%)		Amount (thousand yen)	Ratio(%)
NTT DOCOMO, INC.	16,346,906	52.8	NTT DOCOMO, INC.	18,302,589	54.7
KDDI CORPORATION	8,515,951	27.5	KDDI CORPORATION	8,111,366	24.2
SoftBank Corp.	2,086,536	6.7	SoftBank Corp.	2,493,734	7.5

(Note) Consumption tax is not included in the above amounts.

4) Content provided by content holders

Copyright licenses for much digital content, including music, books, video and others, are held exclusively by content holders. If copyright license agreements with content holders are amended or terminated and we are no longer able to provide popular content, we will not be able to obtain the content from other sources and our results could be seriously impacted.

5) Hiring, retaining, and cultivating human resources

As described in Issues to address, the Company continues to enhance its marketing capacity, quality control capacity, development capacity, design capacity, and sales capacity to expand operations and achieve sustainable growth. If we cannot hire, retain, and cultivate human resources with high skills for enhancing those capacities, our results could be seriously impacted.

6) Information networks become inoperable

Our operations use communication lines and information systems. If they cannot be used for a long period due to the disconnection of communication lines caused by natural disasters or accidents, systems going down due to a greater-than-expected surge in access, viruses, or the hacking of computers, we could be forced to suspend operations, which could seriously impact our results.

7) Personal information leaks

We thoroughly protect personal information by building a tight control system to ensure information security, developing rules and regulations on the handling of information, and providing education and training for our employees and business partners. However, if a problem arises due to a personal information leak, our results could be seriously impacted.

8) Intellectual property right infringement

We are always careful not to infringe on a third party's intellectual property rights. However, we may infringe on a third party's intellectual property rights without realizing it. If we have to pay damages or suffer other losses as a result of a third party's claim for damages or filing an injunction or other lawsuits, our results could be seriously impacted.

9) Uncollected charges

We commission chiefly cellphone carriers to collect monthly charges from paid subscribers. If the continuance of agreements with carriers becomes difficult or fees for the collection of charges change due to changes in their business strategies, among other reasons, or if uncollected charges increase under some circumstances, our results could be impacted.

10) Ensuring the security and health of websites

We provide certain services that allow the general public to communicate with each other using the services' messaging functions. If any major trouble occurs due to a violation of the terms of use, among other reasons, the

Company could be held responsible or the credibility and image of the Company's services could decline, which could impact the Company's results.

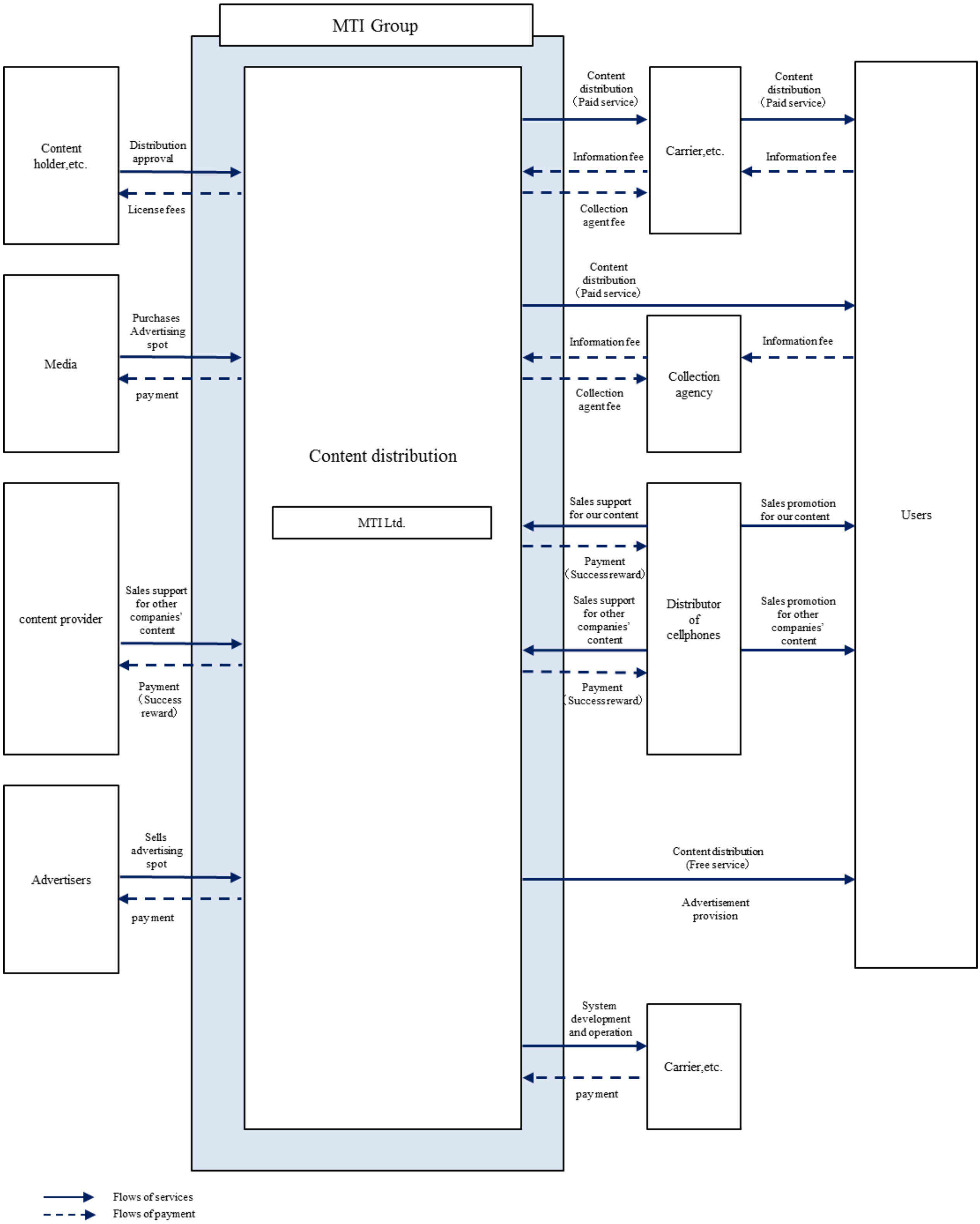
2. Business group

As of September 30, 2015 our business group consisted of 20 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 Ltd.

(2) 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 sustainable growth, the Company will enhance its capabilities in marketing, quality control, the development of products and services, design, and sales. By continuing to improve these capabilities that are essential for business expansion, it seeks to address changes in market environments and customer needs flexibly.

(3) Medium- to long-term management strategy

Our strategy is to use a portion of the stable earnings generated by our content distribution and Real Affiliate business, 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) Improvement in average revenue per user (ARPU) in the content business

With smartphones on the verge of surpassing the high level of 50% penetration, customers are expected to be increasingly demanding in search of services that are easier to use and understand, while at the same time requesting services that offer added value that is greater than that of the current services going forward.

Music, books, comics and video are uniquely popular among customers. That being said, the Company expects that the video-streaming market will continue to grow. To improve ARPU, it is therefore seeking to enhance the lineup of video content through an increase in the number of Hollywood movie titles.

In addition, it will facilitate the integration of individual services that have been conducted separately to date (integration of music, books, comics and video, integration of Weather Information and Maps & Navigation services, etc.), and continue to push forward with efforts to enhance the value of individual services, thereby improving ARPU.

b) Strengthening of the Real Affiliate (RAF) Network

The sales channel (RAF network), through which cellphone shops encourage customers visiting them to subscribe to MTI's own or other companies' content, enjoys the largest and most overwhelming operation scale among the same type of businesses owing to the expansion of transactions with cellphone shops nationwide.

Given the advantage of the established sales bases throughout Japan, the Company will expand the number of shops for the RAF network and strengthen its sales system to provide detailed support to cellphone shops nationwide. Through these efforts, it will focus its efforts on securing opportunities to deliver content that customers need most.

The RAF network was established to encourage customers to subscribe to MTI's content. The Company successfully launched the business by including other companies' content in the service after the penetration of smartphones. It will work on other uses of the service as well.

c) Initiatives in the Healthcare-related business

The Company seeks to conduct the Healthcare-related business from a medium- to long-term perspective, given its future growth potential and the possibility of becoming a service that will be used by customers as a "lifetime friend."

Currently, "Luna Luna" provides a healthcare service that aligns with the life stages of women, by enhancing services that comprehensively support them in terms of pregnancy, childbirth and child rearing, and the prediction of menstruation and ovulation dates. The Company will further enhance this service.

The number of paying subscribers to KARADAmedica, a service via our website where healthcare providers answer questions on health 24 hours a day, continues to rise. The Company will therefore enhance the service and

work to strengthen collaborations with other healthcare services.
It is also planning to develop a service covering all types of healthcare support. It will facilitate the collaboration between and the integration of services such as genetic analysis, electronic prescription records, health checkups, nutritional counseling, and the linkage of devices and work to establish a new business scheme.

(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. Basic policy for the selection of accounting standards

The Group intends to compile its consolidated financial statements based on the Japanese accounting standard for the time being, considering the possibility of comparing the terms of financial statements and performances between companies. It will adopt the International Financial Reporting Standards (IFRS), factoring in the situations in Japan and abroad.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	Previous fiscal year (As of September 30, 2014)	Current fiscal year (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	4,782,677	11,608,562
Notes and accounts receivable-trade	6,294,778	6,885,765
Advance payments-trade	139,778	101,422
Prepaid expenses	470,832	349,083
Accounts receivable-other	65,902	841,190
Income taxes receivable	38,554	—
Deferred tax assets	378,136	358,149
Other	121,194	138,341
Allowance for doubtful accounts	-108,691	-71,095
Total current assets	12,183,163	20,211,420
Non-current assets		
Property, plant and equipment		
Facilities attached to Buildings	321,505	331,197
Accumulated depreciation	-221,131	-239,325
Facilities attached to Buildings, net	100,373	91,871
Tools, furniture and fixtures	267,290	303,237
Accumulated depreciation	-224,631	-248,620
Tools, furniture and fixtures, net	42,658	54,617
Total property, plant and equipment	143,032	146,488
Intangible assets		
Software	2,150,300	2,254,746
Goodwill	2,355	336
Other	25,034	22,168
Total intangible assets	2,177,690	2,277,251
Investments and other assets		
Investment securities	813,082	796,241
Lease and guarantee deposits	489,586	501,636
Deferred tax assets	883,432	792,649
Other	99,694	30,145
Allowance for doubtful accounts	-21,317	-17,589
Total investments and other assets	2,264,478	2,103,083
Total non-current assets	4,585,200	4,526,824
Total assets	16,768,363	24,738,244

(Thousands of yen)

	Previous fiscal year (As of September 30, 2014)	Current fiscal year (As of September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	976,524	1,179,484
Current portion of long-term loans payable	—	518,679
Accounts payable-other	2,317,692	2,571,997
Accrued expenses	442,983	448,157
Income taxes payable	674,912	1,354,619
Accrued consumption taxes	321,253	368,952
Deferred tax liabilities	2,391	—
Allowance for coin usage	277,447	234,836
Provision for directors' bonuses	29,894	29,673
Other	684,324	487,313
Total current liabilities	5,727,424	7,193,715
Non-current liabilitie		
Long-term loans payables	500,000	79,925
Net defined benefit liability	768,368	832,740
Negative goodwill	49,659	40,541
Other	141	141
Total non-current liabilities	1,318,168	953,349
Total liabilities	7,045,593	8,147,064
Net assets		
Shareholders' equity		
Capital stock	2,596,342	4,947,984
Capital surplus	3,111,863	5,469,051
Retained earnings	4,305,998	6,300,484
Treasury stock	-695,491	-695,491
Total shareholders' equity	9,318,712	16,022,029
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,198	83,691
Foreign currency translation adjustment	-31,735	-7,837
Remeasurements of defined benefit plans	-69,979	-62,969
Total accumulated other comprehensive income	-27,516	12,884
Subscription rights to shares	206,905	127,100
Minority interests	224,667	429,165
Total net assets	9,722,770	16,591,180
Total liabilities and net assets	16,768,363	24,738,244

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

（Thousands of yen）

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Net sales	30,985,078	33,461,440
Cost of sales	4,988,462	5,439,149
Gross profits	25,996,616	28,022,291
Selling, general and administrative expenses	23,439,513	23,776,605
Operating income	2,557,102	4,245,685
Non-operating income		
Interest income	261	257
Dividends income	4,559	6,060
Amortization of negative goodwill	10,533	9,117
Compensation income	7,416	12,118
Subsidy income	378	8,983
Other	8,868	19,718
Total non-operating income	32,017	56,255
Non-operating expenses		
Interest expenses	8,784	4,689
Share of loss of entities accounted for using equity method	53,104	95,780
Share issuance cost	―	24,815
Foreign exchange losses	2,783	8,477
Other	5,016	23,912
Total non-operating expenses	69,688	157,674
Ordinary income	2,519,431	4,144,266
Extraordinary income		
Gain on step acquisitions	―	33,509
Gain on sales of non-current assets	―	15,011
Gain on sales of investment securities	―	734,287
Gain on sales of shares of subsidiaries and associates	38,550	7,106
Gain on reversal of subscription rights to shares	48,047	17,705
Total extraordinary income	86,598	807,621
Extraordinary loss		
Loss on retirement of noncurrent assets	―	5,183
Impairment loss	73,784	142,579
Loss on retirement of noncurrent assets	109,558	74,287
Loss on sales of investment securities	1,087	―
Loss on valuation of investment securities	137,756	39,999
Amortization of goodwill	52,391	227,551
Settlement package	―	15,147
Other	1,566	―
Total extraordinary loss	376,144	504,750
Income before income taxes	2,229,885	4,447,136
Income taxes-current	878,625	1,673,359
Income taxes-deferred	29,505	78,974
Total income taxes	908,131	1,752,334
Income before minority interests	1,321,753	2,694,801
Minority interests in net income (loss)	-16,085	87,370
Net income	1,337,838	2,607,431

Consolidated statement of comprehensive income

(Thousands of yen)

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Income before minority interests	1,321,753	2,694,801
Other comprehensive income		
Valuation difference on available-for-sale securities	33,764	9,450
Foreign currency translation adjustment	-62,455	15,067
Remeasurements of defined benefit plans, net of tax	—	7,010
Share of other comprehensive income of associate accounted for using equity method	739	1,957
Total other comprehensive income	-27,951	33,484
Comprehensive income	1,293,801	2,728,286
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,317,717	2,647,831
Comprehensive income attributable to minority shareholders	-23,915	80,454

（3） Consolidated statement of changes in shareholders' equity

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

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained 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
Cumulative effects of changes in accounting policies					―
Restated balance	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
Purchase of treasury stock				-222	-222
Changes in the scope of consolidation			13,709		13,709
Other					―
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
Cumulative effects of changes in accounting policies							―
Restated balance	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
Purchase of treasury stock							-222
Changes in the scope of consolidation							13,709
Other							―
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

Current fiscal year (from October 1, 2014 to September 30, 2015)

(Unit: Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	2,596,342	3,111,863	4,305,998	-695,491	9,318,712
Cumulative effects of changes in accounting policies			39,723		39,723
Restated balance	2,596,342	3,111,863	4,345,721	-695,491	9,358,436
Changes of items during the period					
Issuance of new shares exercise (Exercising share point)	2,351,641	2,351,641			4,703,282
Dividends from surplus			-641,261		-641,261
Net income			2,607,431		2,607,431
Purchase of treasury stock					―
Changes in the scope of consolidation			-11,406		-11,406
Other		5,547			5,547
Net changes of items other than shareholders' equity					
Total changes of items during the period	2,351,641	2,357,188	1,954,763	―	6,663,593
Balance at the end of the current period	4,947,984	5,469,051	6,300,484	-695,491	16,022,029

	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	74,198	-31,735	-69,979	-27,516	206,905	224,667	9,722,770
Cumulative effects of changes in accounting policies							39,723
Restated balance	74,198	-31,735	-69,979	-27,516	206,905	224,667	9,762,493
Changes of items during the period							
Issuance of new shares exercise (Exercising share point)							4,703,282
Dividends from surplus							-641,261
Net income							2,607,431
Purchase of treasury stock							―
Changes in the scope of consolidation							-11,406
Other							5,547
Net changes of items other than shareholders' equity	9,492	23,897	7,010	40,400	-79,805	204,497	165,093
Total changes of items during the period	9,492	23,897	7,010	40,400	-79,805	204,497	6,828,686
Balance at the end of the current period	83,691	-7,837	-62,969	12,884	127,100	429,165	16,591,180

(4) Consolidated statement of cash flows

(Thousands of yen)

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Cash flows from operating activities		
Income before income taxes	2,229,885	4,447,136
Depreciation and amortization	1,740,416	1,348,744
Impairment loss	73,784	142,579
Amortization of goodwill	134,664	286,973
Amortization of negative goodwill	-10,533	-9,117
Increase (decrease) allowance for doubtful accounts	-51,173	-42,221
Increase (decrease) allowance for coin usage	-105,443	-42,611
Increase (decrease) in provision for retirement benefits	-509,636	—
Increase (decrease) in net defined benefit liability	659,637	122,687
Interest and dividends income	-4,821	-6,318
Interest expenses	8,784	4,689
Loss (gain) on step acquisitions	—	-33,509
Equity in loss (income) of affiliates	53,104	95,780
Share issuance cost	—	24,815
Settlement package	—	15,147
Loss (gain) on retirement of noncurrent assets	109,558	74,287
Loss (gain) on sales of property, plant and equipment	—	-9,827
Loss (gain) on valuation of investment securities	137,756	39,999
Gain on sales of investment securities	1,087	-734,287
Loss on sales of stocks of subsidiaries and affiliates	-38,550	-7,106
Gain on reversal of subscription rights to shares	-48,047	-17,705
Decrease (increase) in notes and accounts receivable-trade	85,581	-604,616
Decrease (increase) in advance payments	38,504	38,356
Decrease (increase) in prepaid expenses	-191,844	122,376
Decrease (increase) in accounts receivable-other	70,049	-775,180
Increase (decrease) in notes and accounts payable-trade	34,720	202,106
Increase (decrease) in accounts payable-other	-22,818	206,900
Increase (decrease) in accured expenses	83,644	5,887
Increase (decrease) in accured consumption taxes	238,070	52,376
Other, net	-220,527	609,039
Subtotal	4,495,851	5,557,383
Interest and dividends income received	4,821	6,318
Interest paid	-5,839	-3,243
Income taxes (paid) refund	-894,253	-973,267
Net cash provided by (used in) operating activities	3,600,579	4,587,190

（Thousands of yen）

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Cash flows from investing activities		
Purchase of property, plant and equipment	-17,873	-34,741
Proceeds of sales property, plant and equipment	405	66
Purchase of intangible assets	-1,677,283	-1,394,157
Purchase of investment securities	-140,781	-106,690
Proceeds from sales of investment securities	15,675	—
Purchase of shares of subsidiaries and associates	—	-60,867
Proceeds from sales of shares of subsidiaries and associates	1,950	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-68,933
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	26,899	987
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-48,265	-21,998
Proceeds from collection of lease and guarantee deposits	2,993	511
Other, net	-30,860	-21,516
Net cash provided by (used in) investing activities	-1,867,140	-1,707,341
Cash flows from financing activities		
Repayments of long-term loans payable	—	-7,762
Proceeds from long-term loans payable	99,440	—
Redemption of bonds	-81,520	—
Proceeds from issuance of common shares	45,993	4,581,722
Purchase of treasury shares	-222	—
Cash dividends paid	-439,410	-641,261
Other, net	—	-11,000
Net cash provided by (used in) financing activities	-375,717	3,921,698
Effect of exchange rate change on cash and cash equivalents	8,736	24,337
Net increase (decrease) in cash and cash equivalents	1,366,457	6,825,885
Cash and cash equivalents at beginning of period	3,416,219	4,782,677
Cash and cash equivalents at end of period	4,782,677	11,608,562

(5) Notes on consolidated financial statements

(Notes relating to going concern assumptions)

Not applicable.

(Notes relating to significant items for preparation of consolidated financial statements)

1. Items concerning the scope of consolidation

Our consolidated subsidiaries are the following 17 companies, all of which are consolidated.

TeraMobile, Inc.
FIL Corporation
music.jp, Inc.
comic.jp, Inc.
movile Ltd.
Jibe Mobile, K.K.
Mediano Ltd.
MShift, Inc.
Mytrax Inc.
EverGene Ltd.
J Bridge Ventures, Inc.
Sonicnaut Co., Ltd.
ZERO-A Co., Ltd.
CLIMB Factory Co., Ltd.
PHARUMO, Inc.
KARADAmedica, Inc.
LHR Service, Inc.

The liquidation proceedings for MGM Holdings Inc. and Mega Mobile Inc., 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.

Hotarubi Co., Ltd., 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.

Social Appli Payment Service, Inc. miyoo, Inc., and Jibe Solutions, Inc., which were included in the Company's consolidated subsidiaries, were terminated due to the absorption-type merger, and they have thus been excluded from the scope of consolidation.

CLIMB Factory Co., Ltd. and PHARUMO, Inc. have been included in the Company's consolidated subsidiaries as a result of acquiring all the shares of these two companies in the consolidated fiscal year under review.

KARADAmedica, Inc. and LHR Service, Inc., two newly established companies, have been included in the Company's consolidated subsidiaries from the consolidated fiscal year under review.

2. Items concerning the application of equity method

(1) Number of equity method affiliates: 2

SHANGHAI HYRON MTI CO., LTD.
Video Market Corporation

CLIMB Factory Co., Ltd., which was to be treated as an equity method affiliate in the consolidated fiscal year under review, is not accounted for under the equity method because it has become a consolidated subsidiary due to the acquisition of additional shares.

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

(3) Names of non-equity method affiliates

livepass, 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 the 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

The 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

A historical cost method based on the moving average method is applied.

(2) Depreciation methods for significant depreciable assets

a）Property, plant and equipment

The declining-balance method is applied. Their main useful lives are as follows:

Buildings and accompanying facilities: 3 - 18 years

Tools, furniture and fixtures: 3 - 20 years

b）Intangible assets

Software

Software used in the company

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

(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 uncollectibles. The amount of the allowance for general receivables is based on the historical loan loss ratio. As for certain receivables such as doubtful accounts receivable 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 the use of coins etc. provided to the subscribers to "music.jp" etc. through services provided by the 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 the time of occurrence in each consolidated fiscal year.

(5) 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 the translation difference included in the current statements of income. The assets, liabilities, earnings, and expenses of overseas subsidiaries, as well as those of overseas equity method affiliates, have been translated into Japanese yen at the prevailing spot exchange rates at the end of the month preceding the consolidated settlement date, and the translation difference has been included in foreign currency translation adjustment under net assets.

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

Accounting for consumption taxes

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

(Change in accounting policies and the like)

Effective from 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, March 26, 2015; “the Guidance on Accounting Standard for Retirement Benefits”) in accordance with 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 revised the calculation method of its obligations for retirement benefits and service cost and changed the method of determining the discount rate from a method of using a discount rate based on a number of years close to the average remaining period of services of employees to the single weighted average discount rate, reflecting the estimated period of the payment of retirement benefits as well as the amount thereof in the estimated period.

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 amounts affected by changes in the calculation of retirement benefit obligations and service costs have been adjusted in the re-measurements of retained earnings at the beginning of the consolidated fiscal year under review.

As a result, at the beginning of the consolidated fiscal year under review, the net defined benefit liability declined 61,720 thousand yen, while the retained earnings increased 39,723 thousand yen. The impacts on operating income, ordinal income, and income before income taxes and minority interests are minimal.

(Segment information)

【Segment information】

Consolidated financial results for the year ended September 30, 2015.

Segment information is omitted since the Group consists of a single segment concerning content distribution for mobile phones (operation of websites) and related services.

(Per share information)

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Net assets per share	Yen 184.49	Yen 281.48
Net income per share	Yen 26.63	Yen 48.52
Diluted net income per share	Yen 26..49	Yen 47.67

Net income per share is calculated on the following basis.

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Net income per share		
Net income	Thousand of yen 1,337,838	Thousand of yen 2,607,431
Amount not attributed to common stockholders	―	―
Income applicable to common stock	Thousand of yen 1,337,838	Thousand of yen 2,607,431
Average number of shares outstanding to common stock	50,239,276	53,734,513
Diluted net income per share		
Net income adjustment	―	―
Increase in common stock	255,223	965,121
(Include subscription rights to shares)	255,223	965,121
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 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: 726 rights) February 5, 2014 (Number of the stock acquisition rights: 913 rights)	Stock acquisition rights Dates of resolution by the board of directors May 1, 2015 (Number of the stock acquisition rights: 1,531 rights)

(Note) We conducted a 2-for-1 share split which became effective as of April 1, 2014. And also we conducted a 2-for-1 effective as of April 1, 2015. Net assets per share and net income per share are calculated on the assumption that these share splits were carried out at the beginning of the previous fiscal year.

(Events after the reporting period)

Not applicable.

(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.

6. Nonconsolidated Financial Statement

(1) Balance sheet

(Thousands of yen)

	Previous fiscal year (As of September 30, 2014)	Current fiscal year (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	3,643,825	10,160,400
Notes receivable-trade	122	—
Accounts receivable-trade	6,148,960	6,615,782
Merchandise	—	22,353
Supplies	17,770	12,272
Advance payments-trade	36,619	28,950
Prepaid expenses	404,436	307,052
Accounts receivable-other	65,497	827,652
Deferred tax assets	368,091	345,932
Other	66,879	49,968
Allowance for doubtful accounts	-103,416	-64,942
Total current assets	10,648,787	18,305,423
Noncurrent assets		
Property, plant and equipment		
Buildings and accompanying facilities	310,666	310,666
Accumulated depreciation	-214,239	-229,941
Buildings and accompanying facilities, net	96,427	80,725
Tools, furniture and fixtures	176,538	179,488
Accumulated depreciation	-150,348	-152,530
Tools, furniture and fixtures, net	26,189	26,958
Total property, plant and equipment	122,617	107,683
Intangible assets		
Patent right	508	611
Right of trademark	19,381	17,305
Software	2,175,930	2,064,099
Other	1,849	1,849
Total intangible assets	2,197,669	2,083,865
Investments and other assets		
Investment securities	473,506	472,908
Shares of subsidiaries and affiliates	816,871	957,344
Long-term loans receivable from employees	233	351
Long-term prepaid expenses	67,825	9,660
Lease and guarantee deposits	486,440	477,648
Deferred tax assets	843,036	760,619
Other	134,129	98,177
Allowance for doubtful accounts	-21,234	-17,507
Total investments and other assets	2,800,808	2,759,202
Total noncurrent assets	5,121,095	4,950,752
Total assets	15,769,882	23,256,175

(Thousands of yen)

	Previous fiscal year (As of September 30, 2014)	Current fiscal year (As of September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	808,071	938,172
Current portion of long-term loans payable	—	500,000
Accounts payable-other	2,273,494	2,548,848
Accrued expenses	427,474	416,332
Income taxes payable	657,696	1,311,022
Accrued consumption taxes	303,200	337,159
Advances received	474,235	347,685
Deposits received	121,193	79,472
Allowance for coin usage	277,447	234,836
Provision for directors' bonuses	28,662	28,443
Other	4,138	8,914
Total current liabilities	5,375,614	6,750,888
Noncurrent liabilities		
Long-term loans payable	500,000	—
Provision for retirement benefits	659,637	739,595
Other	141	141
Total noncurrent liabilities	1,159,778	739,737
Total liabilities	6,535,392	7,490,626
Net assets		
Shareholders' equity		
Capital stock	2,596,342	4,947,984
Capital surplus		
Legal capital surplus	2,401,412	4,753,053
Other capital surplus	5,242	5,242
Total capital surplus	2,406,654	4,758,295
Retained earnings		
Legal retained earnings	7,462	7,462
Other retained earnings		
Retained earnings brought forward	4,638,416	6,536,434
Total retained earnings	4,645,879	6,543,897
Treasury stock	-695,491	-695,491
Total shareholders' equity	8,953,385	15,554,686
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	74,198	83,762
Total valuation and translation adjustments	74,198	83,762
Subscription rights to shares	206,905	127,100
Total net assets	9,234,490	15,765,549
Total liabilities and net assets	15,769,882	23,256,175

（2）Statement of income

（Thousands of yen）

	Previous fiscal year (from October 1, 2013 to September 30, 2014)	Current fiscal year (from October 1, 2014 to September 30, 2015)
Net sales	29,149,330	31,297,953
Cost of sales	3,966,219	4,243,618
Gross profits	25,183,110	27,054,334
Selling, general and administrative expenses	22,593,697	22,928,352
Operating income	2,589,413	4,125,982
Non-operating income		
Interest income & dividend income	4,632	6,657
Other	8,041	24,951
Total non-operating income	12,674	31,609
Non-operating expeses		
Interest expenses	5,401	3,889
Other	4,956	42,033
Total non-operating expenses	10,357	45,922
Ordinary income	2,591,730	4,111,669
Extraordinary income		
Gain on extinguishment of tie-in shares	－	3,130
Gain on sales of investment securities	－	734,287
Gain on liquidation of subsidiaries	－	3,166
Gain on reversal of subscription rights to shares	40,633	17,705
Total extraordinary income	40,633	758,290
Extraordinary loss		
Loss on sales of non-current assets	－	5,183
Impairment loss	69,172	120,377
Loss on retirement of non-current assets	107,024	58,025
Loss on sales of investment securities	1,087	－
Loss on valuation of investment securities	137,756	39,999
Loss on valuation of shares of subsidiaries and associates	391,142	441,526
Loss on liquidation of subsidiaries	8,767	－
Total extraordinary loss	714,950	665,113
Income before income taxes	1,917,413	4,204,846
Income taxes-current	861,567	1,621,593
Income taxes-deferred	30,712	83,695
Total income taxes	892,279	1,705,289
Net income (loss)	1,025,134	2,499,556

（3） Statement of changes in shareholders' equity

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

(Unit: Thousands of yen)

	Shareholders' equity								
		Capital surplus			Retained 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	4,052,692	4,060,155	-695,269	8,300,677
Cumulative effects of changes in accounting policies									—
Restated balance	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
Cumulative effects of changes in accounting policies				—
Restated balance	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

Current fiscal year (from October 1, 2014 to September 30, 2015)

(Unit: Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained 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	2,596,342	2,401,412	5,242	2,406,654	7,462	4,638,416	4,645,879	-695,491	8,953,385
Cumulative effects of changes in accounting policies						39,723	39,723		39,723
Restated balance	2,596,342	2,401,412	5,242	2,406,654	7,462	4,678,139	4,685,602	-695,491	8,993,108
Changes of items during the period									
Issuance of new shares-exercise (Exercising share point)	2,351,641	2,351,641		2,351,641					4,703,282
Dividends from surplus						-641,261	-641,261		-641,261
Net income						2,499,556	2,499,556		2,499,556
Purchase of treasury stock									—
Net changes of items other than shareholders' equity									
Total changes of items during the period	2,351,641	2,351,641	—	2,351,641	—	1,858,294	1,858,294	—	6,561,577
Balance at the end of the current period	4,947,984	4,753,053	5,242	4,758,295	7,462	6,536,434	6,543,897	-695,491	15,554,686

	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	74,198	74,198	206,905	9,234,490
Cumulative effects of changes in accounting policies				39,723
Restated balance	74,198	74,198	206,905	9,274,213
Changes of items during the period				
Issuance of new shares-exercise (Exercising share point)				4,703,282
Dividends from surplus				-641,261
Net income				2,499,556
Purchase of treasury stock				—
Net changes of items other than shareholders' equity	9,563	9,563	-79,805	-70,241
Total changes of items during the period	9,563	9,563	-79,805	6,491,336
Balance at the end of the current period	83,762	83,762	127,100	15,765,549

(4) Notes on financial statements

(Notes on concerning going concern assumption)

Not applicable.

7. Other

(1) Changes in officers (tentative December 23, 2015)

① New director candidates

Director　Zhou Muzhi
Director　Hikaru Yamamoto

② Director expected to retire

Executive Vice President　Haruo Taneno
Senior Managing Director　Tsuguo Takahashi