



Summary of Consolidated Financial Results
for the Fiscal Year ended September 30, 2019 (Japanese Accounting Standards)

October 30, 2019

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
 Securities Code: 9438 URL: <https://www.mti.co.jp>
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 Scheduled date of annual meeting of shareholders: December 21, 2019
 Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 23, 2019
 Scheduled date of dividend payment: December 23, 2019
 Supplementary documents for financial results: Yes
 Financial results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the year ended September 30, 2019
(October 1, 2018 – September 30, 2019)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2019	27,112	(6.8)	2,959	(8.0)	3,134	0.6	1,508	(7.4)
For the year ended September 30, 2018	29,075	(6.0)	3,218	(20.6)	3,116	(21.6)	1,629	13.6

(Note) Comprehensive income: Year ended September 30, 2019: 1,611 million yen, (10.0%)
 Year months ended September 30, 2018: 1,465 million yen, (2.0%)

	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, 2019	27.59	27.56	8.0	12.2	10.9
For the year ended September 30, 2018	29.85	29.75	9.3	13.0	11.1

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2019: 112 millions of yen
 Year ended September 30 2018: (100) millions of yen

(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, 2019	27,479	21,794	72.3	363.53
Year ended September 30, 2018	23,896	18,808	75.2	328.78

(Reference) Shareholders' equity: Year ended September 30 2019: 19,866 millions of yen
 Year ended September 30 2018: 17,978 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, 2019	4,007	(3,613)	1,532	12,421
For the year ended September 30, 2018	4,549	(3,322)	(855)	10,504

2. Dividends

	Dividend per share					Amount of dividends paid (Total)	Dividend ratio (Consolidated)	Dividends on equity (Consolidated)
	End of first quarter	End of second period	End of third quarter	Year end	Annual			
	Yen	Yen	Yen	Yen	Yen		%	%
For the year ended September 30, 2018	—	8.00	—	8.00	16.00	873	53.6	5.0
For the year ended September 30, 2019	—	8.00	—	8.00	16.00	875	58.0	4.6
For the year ending September 30, 2020 (forecast)	—	8.00	—	8.00	16.00		62.5	

(Note) Revisions to dividend forecasts published most recently: No

3. Forecast for consolidated business results for the fiscal year ending September 30, 2020
(October 1, 2019 – September 30, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit 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	13,000	(6.7)	800	(51.1)	760	(51.8)	500	(41.9)	9.15
Full year	26,000	(4.1)	2,000	(32.4)	1,920	(38.7)	1,200	(20.4)	21.96

* 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: | Not applicable |
| (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): | |
| 9/19: 61,139,000 shares | 9/18: 61,016,400 shares |
| (ii) Number of treasury shares at the end of period | |
| 9/19: 6,489,239 shares | 9/18: 6,333,128 shares |
| (iii) Average number of shares during the period | |
| 9/19: 54,708,635 shares | 9/18: 54,567,909 shares |

(Reference) Summary of financial results

1. Nonconsolidated financial results for the year ended September 30, 2019
(From October 1, 2018 - September 30, 2019)

(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, 2019	21,810	(12.3)	3,039	(11.7)	2,782	(20.6)	11	(99.1)
For the year ended September 30, 2018	24,859	(10.2)	3,442	(22.9)	3,505	(22.3)	1,308	38.6

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2019	0.21	0.21
For the year ended September 30, 2018	23.99	23.90

(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, 2019	21,541	16,751	76.8	301.78
For the year ended September 30, 2018	21,754	17,321	78.7	313.10

(Reference) Shareholders' equity

As of September 30, 2019: 16,539 millions of yen As of September 30, 2018: 17,121 millions of yen

* Status of review

Financial results is out of audit.

* 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 "(4) Outlook for the next fiscal year" on page 4 in the accompanying material.

The Company will hold a briefing on earnings chiefly for securities analysts and institutional investors on Thursday, October 31, 2019. 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.

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1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year ended September 30, 2019

The core business of MTI Ltd. (the “Company”) and its group companies (the “Group”) is content distribution, in which the Group operates B-to-C services whose primary revenue source is monthly service fees collected from end users. Using the knowledge and experience gained in this business, the Group is now focusing on establishing a healthcare-related service business with strong growth potential in order to make it the next core business of the Group.

The Group’s business is significantly affected by the trend in the number of smartphones sold in mobile phone stores across Japan, which are the sales channels for paid subscriptions of smartphone owners. During the fiscal year under review, the number of new subscribers remained low, mainly because the smartphone penetration rate was already high and given the new requirement for large mobile phone carriers to separate communication charges and handset prices.

Given this background, the Company worked continuously to raise the average revenue per user (ARPU) by improving the video lineup of “music.jp,” a one-stop online store offering music, videos, and books and comics, and further control advertising expenses by enhancing promotion strategies for subscriptions through mobile phone stores with a high ratio of acquiring efficiency of paying subscribers.

Net sales decreased to ¥27,112 million (down 6.8% year on year) as a result of a fall of 0.65 million in the number of smartphone-based paying subscribers from September 30, 2018, to 3.92 million as of September 30, 2019, and a decline of 0.81 million in the total number of paying subscribers to 4.79 million. Gross profit declined to ¥19,955 million (down 12.0% year on year), mostly reflecting the decrease in net sales.

Operating income fell to ¥2,959 million (down 8.0% year on year), chiefly due to the decrease in gross profit despite a decrease of 16,996 million yen (down 12.6%) in selling, general, and administrative expenses based on a reduction in advertising expenses achieved by prioritizing the efficiency of acquiring paying subscribers on smartphones in mobile phone stores, a fall in depreciation, and other factors.

While operating income fell, ordinary income rose to ¥3,134 million (up 0.6% year on year), which was chiefly attributable to a share of the profit of entities accounted for using the equity method due to a gain on bargain purchases associated with the acquisition of shares in Shobunsha Publications, Inc., which has become an equity method affiliate, despite the one-time amortization of goodwill due to the book value depreciation after making MNES Inc. an equity method company.

Profit attributable to owners of parent stood at ¥1,508 million (down 7.4% year on year), reflecting the absence of a decrease in tax expenses due to an absorption-type merger of a consolidated subsidiary that existed in the previous fiscal year and the posting of extraordinary losses such as a loss on valuation of investment securities, a loss on the sale of shares of an affiliate, and an impairment loss on intangible assets (mainly software).

Consolidated operating results

(Period from October 1, 2018 to September 30, 2019)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2018	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	27,112	29,075	(1,963)	(6.8)
Cost of sales	7,157	6,405	+751	+11.7
Gross profit	19,955	22,670	(2,714)	(12.0)
SG&A	16,996	19,452	(2,456)	(12.6)
Operating income	2,959	3,218	(258)	(8.0)
Ordinary income	3,134	3,116	+18	+0.6
Profit attributable to Owners of parent	1,508	1,629	(120)	(7.4)

Breakdown of SG&A

(Period from October 1, 2018 to September 30, 2019)

	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2018	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	16,996	19,452	(2,456)	(12.6)
Advertising expenses	2,404	4,401	(1,996)	(45.4)
Personnel expenses	6,147	5,990	+157	+2.6
Commission fee	3,400	3,622	(221)	(6.1)
Subcontract expenses	1,067	950	+117	+12.4
Depreciation	1,326	1,639	(312)	(19.0)
Other	2,648	2,848	(200)	(7.0)

(2) Overview of financial position during the fiscal year ended September 30, 2019

As of the end of the fiscal year under review, total assets increased ¥3,582 million from September 30, 2018, to ¥27,479 million.

Current assets increased ¥1,909 million, mainly reflecting a rise in cash and deposits that more than offset a decrease in notes and accounts receivable – trade. Non-current assets rose ¥1,673 million, chiefly due to an increase in investment securities.

Current liabilities increased ¥360 million, primarily reflecting an increase in income taxes payable despite a decrease in accounts payable-other. Non-current liabilities climbed ¥236 million, chiefly due to a rise in net defined benefit liability.

Net assets increased ¥2,985 million, attributable to a rise in capital surplus and non-controlling interests and ¥1,508 million posted as profit attributable to owners of parent, which offset cash dividends paid.

(3) Overview of cash flow position during the fiscal year ended September 30, 2019

As of the end of the fiscal year under review, cash and cash equivalents amounted to ¥12,421 million, an increase of ¥1,917 million from September 30, 2018. Cash flow by activity and principal factors in the fiscal year under review were as follows.

Net cash provided by operating activities was ¥4,007 million (inflow of ¥4,549 million in the previous fiscal year). This is mainly a reflection of income before income taxes and depreciation.

Net cash used in investing activities stood at ¥3,613 million (outflow of ¥3,322 million in the previous fiscal year). Principal factors included the acquisition of intangible assets (mainly the purchase of software), shares of subsidiaries and associates, and investment securities.

Net cash provided by financing activities came to ¥1,532 million (inflow of ¥855 million in the previous fiscal year). Principal factors included proceeds from non-controlling shareholders.

(Reference) Cash flows indicators

	Fiscal year ended September 30, 2015	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019
Equity ratio (%)	64.8	68.8	71.2	75.2	72.3
Equity ratio based on market value (%)	188.6	137.3	154.0	143.9	140.4
Ratio of cash flows to interest-bearing liabilities (%)	13.0	-	-	-	1.7
Interest coverage ratio (times)	1,414.4	2,223.9	5,646.4	25,971.6	8,912.8

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.

(4) Future outlook

In the next fiscal year, the Company will focus its efforts on increasing sales in the healthcare-related service business and will seek to boost the average revenue per user (ARPU) from smartphones in the content distribution business amid a further reduction predicted in the overall number of paying subscribers.

The healthcare-related service business has strong long-term growth potential and may become a stock-type business by providing long-term support according to customers' life stages. Accordingly, the Company is committed to implementing a range of measures in order to achieve sales growth.

Based on the above, the Company has prepared full-year forecasts for the fiscal year ending September 30, 2020, which include net sales of ¥26,000 million (down 4.1% year on year), operating income of ¥2,000 million (down 32.4%), ordinary income of ¥1,920 million (down 38.7% year on year), and profit attributable to owners of parent of ¥1,200 million (down 20.4% year on year).

Earnings forecast for the six months of the fiscal year ending September 30, 2020 (Period from October 1, 2019 to March 30, 2020)

Consolidated		
Net sales	13,000 millions of yen	(a decrease of 6.7% y-o-y)
Operating income	800 millions of yen	(a decrease of 51.1% y-o-y)
Ordinary income	760 millions of yen	(a decrease of 51.8% y-o-y)
Profit attributable to owners of parent	500 millions of yen	(a decrease of 41.9% y-o-y)

Earnings forecast for the fiscal year ending September 30, 2020 (Period from October 1, 2019 to September 30, 2020)

Consolidated		
Net sales	26,000 millions of yen	(a decrease of 4.1% y-o-y)
Operating income	2,000 millions of yen	(a decrease of 32.4% y-o-y)
Ordinary income	1,920 millions of yen	(a decrease of 38.7% y-o-y)
Profit attributable to owners of parent	1,200 millions of yen	(a decrease of 20.4% y-o-y)

2. 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.

3. Consolidated financial statements and important notes

(1) Consolidated balance sheet

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2018)	Current fiscal year (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	10,504,223	12,421,560
Allowance for doubtful accounts	5,203,810	4,667,149
Advance payments-trade	262,446	274,835
Prepaid expenses	343,635	367,654
Accounts receivable-other	111,205	109,900
Income taxes receivable	1,678	17,326
Other	178,239	658,274
Allowance for doubtful accounts	(45,477)	(47,613)
Total current assets	16,559,761	18,469,087
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	386,251	403,989
Accumulated depreciation	(284,293)	(296,938)
Facilities attached to buildings, net	101,958	107,051
Vehicles	—	416
Accumulated depreciation	—	(215)
Vehicles, net	—	200
Tools, furniture and fixtures	528,533	511,776
Accumulated depreciation	(367,170)	(360,777)
Tools, furniture and fixtures, net	161,363	150,998
Total property, plant and equipment	263,321	258,250
Intangible assets		
Software	1,757,366	1,870,772
Goodwill	179,624	153,609
Other	39,524	37,736
Total intangible assets	1,976,515	2,062,119
Investments and other assets		
Investment securities	3,309,236	4,977,219
Lease and guarantee deposits	498,282	511,987
Deferred tax assets	1,262,469	1,133,820
Other	52,808	92,734
Allowance for doubtful accounts	(25,829)	(25,824)
Total investments and other assets	5,096,967	6,689,936
Total non-current assets	7,336,804	9,010,306
Total assets	23,896,566	27,479,393

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2018)	Current fiscal year (As of September 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	1,284,742	1,308,159
Short-term loans payable	—	2,000
Current portion of long-term loans payable	—	14,280
Accounts payable-other	1,462,258	1,150,276
Accrued expenses	453,382	459,581
Income taxes payable	133,223	730,600
Accrued consumption taxes	173,050	160,913
Provision for point usage	141,777	143,377
Provision for directors' bonuses	24,222	16,110
Other	281,508	329,766
Total current liabilities	3,954,165	4,315,064
Non-current liabilities		
Long-term loans payable	—	52,100
Net defined benefit liability	1,108,745	1,306,642
Negative goodwill	13,187	4,069
Other	12,043	7,188
Total non-current liabilities	1,133,977	1,370,000
Total liabilities	5,088,142	5,685,065
Net assets		
Shareholders' equity		
Capital stock	5,100,464	5,135,680
Capital surplus	5,820,687	6,706,846
Retained earnings	10,080,581	10,989,009
Treasury shares	(3,148,848)	(3,233,136)
Total shareholders' equity	17,852,885	19,598,399
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	88,583	271,565
Foreign currency translation adjustment	(24,956)	(8,332)
Remeasurements of defined benefit plans	62,312	5,335
Total accumulated other comprehensive income	125,939	268,568
Subscription rights to shares	332,830	343,187
Non-controlling interests	496,768	1,584,173
Total net assets	18,808,423	21,794,328
Total liabilities and net assets	23,896,566	27,479,393

(2) Consolidated statement of income and consolidated comprehensive income

Consolidated statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2017 to September 30, 2018)	Current fiscal year (from October 1, 2018 to September 30, 2019)
Net sales	29,075,702	27,112,593
Cost of sales	6,405,494	7,157,326
Gross profits	22,670,207	19,955,267
Selling, general and administrative expenses	19,452,191	16,996,073
Operating income	3,218,016	2,959,193
Non-operating income		
Interest income	157	204
Dividend income	9,465	59,673
Amortization of negative goodwill	9,117	9,117
Share of profit of entities accounted for using equity method	—	112,509
Foreign exchange gains	3,025	—
Subsidy income	8,613	—
Other	23,559	22,911
Total non-operating income	53,939	204,416
Non-operating expenses		
Interest expenses	175	449
Share of loss of entities accounted for using equity method	100,741	—
Foreign exchange losses	—	8,763
Commission fee	—	8,121
Office transfer expenses	—	8,459
Other	54,722	3,538
Total non-operating expenses	155,639	29,332
Ordinary income	3,116,316	3,134,277
Extraordinary income		
Gain on step acquisitions	96,636	—
Gain on sales of non-current assets	734	—
Gain on sales of investment securities	60,002	267,143
Gain on change in equity	32,968	18,690
Gain on reversal of subscription rights to shares	10,632	35,422
Total extraordinary income	200,975	321,256
Extraordinary losses		
Impairment loss	100,190	157,912
Loss on retirement of noncurrent assets	147,825	28,564
Loss on valuation of investment securities	185,008	517,083
Loss on valuation of shares of subsidiaries and associates	—	11,108
Loss on sales of shares of subsidiaries and associates	1,870	102,986
Amortization of goodwill	730,513	74,569
Loss on transfer of business	—	2,388
Settlement package	55,827	—
Total extraordinary losses	1,221,236	894,613
Income before income taxes	2,096,055	2,560,921
Income taxes-current	817,667	1,042,909
Income taxes-deferred	(64,192)	64,801
Total income taxes	753,474	1,107,711
Profit	1,342,581	1,453,209
Profit (loss) attributable to non-controlling interests	(286,496)	(55,003)
Profit attributable to owners of parent	1,629,077	1,508,212

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2017 to September 30, 2018)	Current fiscal year (from October 1, 2018 to September 30, 2019)
Profit	1,342,581	1,453,209
Other comprehensive income		
Valuation difference on available-for-sale securities	101,230	195,222
Foreign currency translation adjustment	(1,124)	36,153
Remeasurements of defined benefit plans, net of tax	23,055	(56,977)
Share of other comprehensive income of entities accounted for using equity method	(419)	(15,864)
Total other comprehensive income	122,742	158,534
Comprehensive income	1,465,323	1,611,743
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	1,751,319	1,650,841
Comprehensive income attributable to non-controlling interests	(285,996)	(39,097)

(3) Consolidated statement of changes in equity

Previous fiscal year (from October 1, 2017 to September 30, 2018)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,069,848	5,790,072	9,311,231	(3,148,848)	17,022,303
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	30,615	30,615			61,231
Dividends of surplus			(872,650)		(872,650)
Profit attributable to owners of parent			1,629,077		1,629,077
Increase (decrease) consolidated subsidiaries			12,923		12,923
Net changes of items other than shareholders' equity					
Total changes of items during period	30,615	30,615	769,350	—	830,581
Balance at end of current period	5,100,464	5,820,687	10,080,581	(3,148,848)	17,852,885

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	(12,646)	(22,912)	39,256	3,697	297,991	613,383	17,937,376
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							61,231
Dividends of surplus							(872,650)
Profit attributable to owners of parent							1,629,077
Increase (decrease) consolidated subsidiaries							12,923
Net changes of items other than shareholders' equity	101,230	(2,044)	23,055	122,241	34,839	(116,615)	40,465
Total changes of items during period	101,230	(2,044)	23,055	122,241	34,839	(116,615)	871,047
Balance at end of current period	88,583	(24,956)	62,312	125,939	332,830	496,768	18,808,423

Current fiscal year (from October 1, 2018 to September 30, 2019)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital stock	Capital stock	Capital stock	Capital stock
Balance at beginning of current period	5,100,464	5,820,687	10,080,581	(3,148,848)	17,852,885
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	35,215	35,215			70,431
Dividends of surplus			(875,005)		(875,005)
Profit attributable to owners of parent			1,508,212		1,508,212
Purchase of treasury shares				(3)	(3)
Increase (decrease) consolidated subsidiaries		850,943			850,943
Net changes of items other than shareholders' equity			275,220	(84,283)	190,936
Net changes of items other than shareholders' equity					
Total changes of items during period	35,215	886,158	908,427	(84,287)	1,745,514
Balance at end of current period	5,135,680	6,706,846	10,989,009	(3,233,136)	19,598,399

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	88,583	(24,956)	62,312	125,939	332,830	496,768	18,808,423
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							70,431
Dividends of surplus							(875,005)
Profit attributable to owners of parent							1,508,212
Purchase of treasury shares							(3)
Increase (decrease) consolidated subsidiaries							850,943
Net changes of items other than shareholders' equity							190,936
Net changes of items other than shareholders' equity	182,981	16,623	(56,977)	142,628	10,356	1,087,405	1,240,390
Total changes of items during period	182,981	16,623	(56,977)	142,628	10,356	1,087,405	2,985,905
Balance at end of current period	271,565	(8,332)	5,335	268,568	343,187	1,584,173	21,794,328

(4) Consolidated statement of cash flows

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2017 to September 30, 2018)	Current fiscal year (from October 1, 2018 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes	2,096,055	2,560,921
Depreciation	1,700,400	1,406,827
Impairment loss	100,190	157,912
Loss (gain) on transfer of business	—	2,388
Amortization of goodwill	865,005	170,066
Amortization of negative goodwill	(9,117)	(9,117)
Increase (decrease) in allowance for doubtful accounts	(56,779)	4,351
Increase (decrease) in provision for point usage	(6,759)	1,600
Increase (decrease) in net defined benefit liability	118,674	115,835
Interest and dividend income	(9,623)	(59,877)
Interest expenses	175	449
Commission fee	—	8,121
Loss (gain) on step acquisitions	(96,636)	—
Share of (profit) loss of entities accounted for using equity method	100,741	(112,509)
Settlement package	55,827	—
Loss (gain) on change in equity	(32,968)	(18,690)
Loss on retirement of noncurrent assets	147,825	28,564
Loss (gain) on sales of non-current assets	(734)	—
Loss (gain) on valuation of investment securities	185,008	517,083
Loss (gain) on sales of investment securities	(60,002)	(267,143)
Loss on valuation of shares of subsidiaries and associates	—	11,108
Loss (gain) on sales of shares of subsidiaries and associates	1,870	102,986
Gain on reversal of subscription rights to shares	(10,632)	(35,422)
Decrease (increase) in notes and accounts receivable-trade	937,884	574,898
Decrease (increase) in advance payments	(27,008)	(12,416)
Decrease (increase) in prepaid expenses	16,122	(27,993)
Decrease (increase) in accounts receivable-other	(397)	1,305
Increase (decrease) in notes and accounts payable-trade	69,963	13,994
Increase (decrease) in accounts payable-other	(468,016)	(288,592)
Increase (decrease) in accrued expenses	20,162	29
Increase (decrease) in accrued consumption taxes	64,125	(16,897)
Other, net	186,493	(406,759)
Subtotal	5,887,847	4,423,024
Interest and dividend income received	59,722	59,877
Interest expenses paid	(175)	(449)
Income taxes (paid) refund	(1,314,352)	(475,145)
Settlement package paid	(83,990)	—
Net cash provided by (used in) operating activities	4,549,052	4,007,306

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2017 to September 30, 2018)	Current fiscal year (from October 1, 2018 to September 30, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(138,845)	(101,437)
Proceeds from sales of property, plant and equipment	1,700	202
Purchase of intangible assets	(1,444,293)	(1,454,126)
Purchase of investment securities	(887,763)	(950,638)
Proceeds from sales of investment securities	60,003	384,023
Purchase of shares of subsidiaries and associates	(190,609)	(1,082,409)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(680,265)	(96,957)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(118,541)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	(26,373)	—
Payments for transfer of business	(18,500)	(172,596)
Proceeds from collection of lease and guarantee deposits	4,466	4,199
Other, net	(2,357)	(24,940)
Net cash provided by (used in) investing activities	(3,322,839)	(3,613,220)
Cash flows from financing activities		
Increase in short-term loans payable	—	2,000
Repayments of long-term loans payable	(9,880)	(3,620)
Proceeds from long-term loans payable	—	70,000
Proceeds from issuance of common shares	48,662	56,564
Purchase of treasury shares	—	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	2,283,000
Cash dividends paid	(872,650)	(875,005)
Other, net	(21,446)	—
Net cash provided by (used in) financing activities	(855,314)	1,532,934
Effect of exchange rate change on cash and cash equivalents	(636)	(9,683)
Net increase (decrease) in cash and cash equivalents	370,261	1,917,336
Cash and cash equivalents at beginning of period	10,133,961	10,504,223
Cash and cash equivalents at end of period	10,504,223	12,421,560