

Consolidated Financial Results for the Six Months of the Fiscal Year Ended September 30, 2012

April 26, 2012

| | |
|--|---|
| Company name: | MTI Ltd. |
| Stock code: | 9438 |
| Shares listed: | Osaka Securities Exchange |
| URL: | http://www.mti.co.jp |
| Representative: | Toshihiro Maeta, President and Chief Executive Officer |
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| Scheduled date of filing of Quartely Report: | May 11, 2012 |
| Scheduled date of start of dividend payment: | — |

(Figures less than one million yen are omitted)

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ended September 30, 2012 (From October 1, 2011 to March 31, 2012)

(1) Consolidated Operating Results

(Millions of yen except for per share amounts)

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

| | Net sales | Operating income | Ordinary income | Net income |
|---|-----------|------------------|-----------------|------------|
| For the six months ended March 31, 2012 | 14,700 | 1,150 | 1,140 | 176 |
| | (-10.0%) | (-35.3%) | (-35.5%) | (-80.8%) |
| For the six months ended March 31, 2011 | 16,340 | 1,777 | 1,766 | 922 |
| | (8.7%) | (166.2%) | (165.5%) | (136.2%) |

(Note) Comprehensive Income

| | |
|--|--------------------------|
| For the six months ended March 31, 2012: | 158 million yen (-83.0%) |
| For the six months ended March 31, 2011: | 931 million yen (—%) |

| | Net income per share (Yen) | Net income per share-diluted (Yen) |
|---|----------------------------|------------------------------------|
| For the six months ended March 31, 2012 | 1,356.46 | — |
| For the six months ended March 31, 2011 | 6,900.75 | — |

(2) Consolidated Financial Position

(Millions of yen except for per share amounts)

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|------------|--------------|
| As of March 31, 2012 | 14,868 | 8,898 | 58.5% |
| As of September 30, 2011 | 15,881 | 9,670 | 59.7% |

(Reference) Shareholders' equity

| | |
|---------------------------|-------------------|
| As of March 31, 2012: | 8,702 million yen |
| As of September 30, 2011: | 9,488 million yen |

2. Dividends

(Yen)

| | Cash dividends per share | | | | |
|--|--------------------------|-----------|-----------|-----------|----------|
| | End of Q1 | End of Q2 | End of Q3 | End of Q4 | Annual |
| For the year ended September 30, 2011 | — | 0.00 | — | 4,000.00 | 4,000.00 |
| For the year ended September 30, 2012 | — | 0.00 | | | |
| For the year ended September 30, 2012 (Forecast) | | | — | 4,000.00 | 4,000.00 |

(Note) Revision of dividend forecast for during this period : None

3. Consolidated Forecast for the Fiscal Year Ended September 30, 2012 (From October 1, 2011 to September 30, 2012)

(Millions of yen except for per share amounts)

(Percentages figures are presented in comparison with the same period of the previous fiscal year)

| | Net sales | Operating income | Ordinary income | Net income | Net income per share (Yen) |
|---------------------------------------|-----------|------------------|-----------------|------------|----------------------------|
| For the year ended September 30, 2012 | 30,000 | 1,800 | 1,780 | 500 | 3,875.76 |
| | (-7.2%) | (-51.4%) | (-51.8%) | (-72.2%) | |

(Note) Revision of Consolidated forecast for during this period : None

4. Others

(1) Changes in significant subsidiaries (Accompanying changes in scope of the consolidation) : None

Newly consolidated: None. Excluded: None

(2) Adoption of simplified accounting methods and specified accounting methods: None

(3) Changes in accounting principles, procedures, and disclosures methods

(which should be stated in Changes of Significant Items for Preparation of Quarterly Consolidated Financial Statements)

(i) Changes due to revision of accounting standards: None

(ii) Other changes: None

(iii) Changes to Accounting Estimates: None

(iv) Restatements: None

(4) Number of shares issued (common stock)

| | | | | |
|---|---|----------------|---|----------------|
| (i) Number of shares issued at end of year (including treasury stock) | As of March 31, 2012 | 133,688 shares | As of September 30, 2011 | 133,688 shares |
| (ii) Number of treasury stock at end of year | As of March 31, 2012 | 4,681 shares | As of September 30, 2011 | — shares |
| (iii) Weighted average number of shares | For the six months ended March 31, 2012 | 130,445 shares | For the six months ended March 31, 2011 | 133,688 shares |

Indication of quarterly review procedure implementation status

This quarterly earnings report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act. Thus, at the time of disclosure of the financial results, the quarterly financial statement review procedures based upon the Financial Instruments and Exchange Act, have not been completed.

Explanation for Appropriate Use of Forecasts and Other Notes

This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ substantially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events. Please refer to P.4 “Qualitative Information on Forecast for Consolidated Financial Results” of the Attachment for the assumptions used and other notes

1 Qualitative Information on Results for the Second Quarter under Review

(1) Qualitative Information on Consolidated Operating Results

Overview of the six months of the fiscal year ended September 30, 2012

(From October 1, 2011 to March 31, 2012)

During the first half, we focused on increasing the number of paying subscribers for smartphone services and on implementing service functional enhancements.

In services for smartphones, we actively engaged in promotional activities and introduced new services to increase the number of paying subscribers. As a result, the number of paying subscribers steadily increased not only for music content and health-related information services, but also for new categories such as e-book services, puzzle game services, and map guide and car navigation services. In service function enhancement, we increased user convenience by integrating the download service and streaming distribution service for music content and providing a music management tool. As a result, the number of paying subscribers reached 1.97 million as of March 31, 2012 (an increase of 1.24 million compared to September 30, 2011).

Meanwhile, in services for feature phones, the number of subscribers decreased due to the impact of continuing migration from feature phones to smartphones, resulting in a paying subscriber base of 6.61 million as of March 31, 2012 (a decrease of 1.60 million compared to September 30, 2011).

Consequently, the total number of paying subscribers as of March 31, 2012 was 8.58 million (a decrease of 0.36 million compared to September 30, 2011). The number of paying subscribers decreased by ten thousand compared to December 31, 2011, indication that the number of paying subscribers has stopped declining.

Net sales fell by 10.0% year on year to ¥14,700 million on a decrease in the total number of paying subscribers compared to the first half of the previous year.

Gross profit decreased by 5.3% year on year to ¥11,695 million. Although the cost of sales ratio fell from 24.4% in the first half of the previous year to 20.4% accompanying a decrease in the number of downloads in music services and higher sales contributions from lifestyle information-related services with low cost of sales ratios, this failed to fully offset the decline in revenue.

Operating income fell by 35.3% year on year to ¥1,150 million, and ordinary income fell by 35.5% year on year to ¥1,140 million. The decreases are attributable to the decline in gross profit, even though selling, general and administrative expenses were at the same level as the previous first half due to controlling advertising expenses for services for feature phones with an emphasis on cost-effectiveness, which offset increases in personnel expenses and outsourcing expenses.

Net income was ¥176 million (a decrease of 80.8% compared with year on year). The decreases are attributable to the recording of extraordinary losses for goodwill impairment loss and other items.

Consolidated operating results (from October 1, 2011 to March 31, 2012) (Millions of yen)

| | Six months ended March 31, 2012 | Six months ended March 31, 2011 | Change | |
|------------------|------------------------------------|------------------------------------|---------|----------------------|
| | | | Amount | Percentage change |
| Net sales | 14,700 | 16,340 | (1,639) | -10.0% |
| Gross profit | 11,695 | 12,348 | (653) | -5.3% |
| Operating income | 1,150 | 1,777 | (627) | -35.3% |
| Ordinary income | 1,140 | 1,766 | (626) | -35.5% |
| Net income | 176 | 922 | (745) | -80.8% |

Note: Figures less than one million yen are omitted.

(2) Qualitative Information on Consolidated Financial Position

1) Assets, liabilities, and net assets

Total assets as of March 31, 2012 were ¥14,868million, a decrease of ¥1,013 million from September 30, 2011.

Current assets fell by ¥799 million, mainly due to a decrease in accounts receivable-trade. Noncurrent assets fell by ¥213 million, mainly due to a decrease in goodwill.

Current liabilities fell by ¥173 million, mainly due to a decrease in income taxes payable, which offset increase in accounts payable-other. Noncurrent liabilities fell by ¥67 million, mainly due to a decrease in long-term loans payable.

Net assets decreased by ¥772 million, mainly due to the purchase of treasury stock and the cash dividends paid, despite the recording of ¥176 million in net income.

| | Total assets (Millions of yen) | Net assets (Millions of yen) | Equity ratio | Net assets per share (Yen) |
|--------------------------|-----------------------------------|---------------------------------|--------------|-------------------------------|
| As of March 31, 2012 | 14,868 | 8,898 | 58.5% | 67,455.53 |
| As of September 30, 2011 | 15,881 | 9,670 | 59.7% | 70,973.21 |

2) Consolidated cash flows

Cash and cash equivalents as of March 31, 2012 totaled ¥2,945 million, a decrease of ¥163 million from September 30, 2011. Cash flows and factors affecting cash flows in the six months ended September 30, 2012 are as follows.

Net cash provided by operating activities was ¥1,796 million, compared with ¥910 million for the previous first half. The principal cash inflow items were income before income taxes, depreciation and amortization, and a decrease in accounts receivable-trade, which offset cash outflows for income taxes paid and other items.

Net cash provided by investing activities was ¥869 million, compared with ¥1,086 million in the six months ended September 30, 2012 principally due to payments for the purchase of intangible fixed assets (mainly software).

Net cash provided by financing activities was ¥1,083 million, compared with ¥567 million in the six months ended March 31, 2011 principally due the purchase of treasury stock and the cash dividends paid.

(Millions of yen)

| | Net cash provided by operating activities | Net cash provided by investing activities | Net cash provided by financing activities | Cash and cash equivalents at end of period |
|---------------------------------|--|--|--|---|
| Six months ended March 31, 2012 | 1,796 | (869) | (1,083) | 2,945 |
| Six months ended March 31, 2011 | 910 | (1,086) | (567) | 2,405 |
| Year ended September 30, 2011 | 2,986 | (2,417) | (619) | 3,108 |

(3) Qualitative Information on Forecast for Consolidated Financial Results

To improve business performance in the fiscal year ended September 30, 2012 and beyond, we will continue to focus on expansion of the number of paying subscribers for services for smartphones and implementation of service functional enhancements. In addition, with a view to achieving medium-term growth, we will actively pursue activities to establish new growth businesses.

To increase the number of paying subscribers for services for smartphones, we will continue to actively engage in promotional activities and work to strengthen the development structure by means including expansion of the scale of offshore development, active recruitment of experienced personnel, and development of a training

system.

In music content, we will increase awareness of our service that enables users to manage their favorite music on a PC and enjoy it on a smartphone or tablet and will link this to expansion of the number of paying subscribers through effective promotions.

We will continue to focus on increasing the number of paying subscribers for e-book and puzzle game services as well as for map guide and car navigation services. In addition, we will actively increase the number of paying subscribers for comic services, for which we have obtained the distribution rights to leading comic works from major publishers.

To establish new growth businesses, we will continue to pursue functional enhancement of *mopita*®, our own subscriber authentication and payment platform for smartphones. The number of issued IDs surpassed the three-million mark in March 2012, and the number of registered users continues to increase steadily. We will add new payment methods and increase the number of services for which *mopita* is available and link this improvement to increases in the numbers of registered users and payments.

In addition, we have revised downward net sales, operating income, ordinary income, and net income in the full-year consolidated earnings forecast figures, announced on January 30, as stated in the Consolidated Financial Results for the Six Months Ended March 31, 2012 and Revision of the Forecast for Financial Results for the Year Ended September 30, 2012, announced on April 19.

Earnings forecast for the full-year term ended September 30, 2012
(From October 1, 2011 to September 30, 2012)

| Consolidated | | |
|------------------|-----------------|---------------------------|
| Net sales | ¥30,000 million | (Decrease of 7.2% y-o-y) |
| Operating income | ¥1,800 million | (Decrease of 51.4% y-o-y) |
| Ordinary income | ¥1,780 million | (Decrease of 51.8% y-o-y) |
| Net income | ¥500 million | (Decrease of 72.2% y-o-y) |

2 Summary Information (Other Information)

(1) Changes in Important Subsidiaries during the Period

None

(2) Application of Specific Accounting Methods for Producing Quarterly Consolidated

None

(3) Changes to Accounting Policies, Changes to Accounting Estimates, Restatements

None

(4) Additional Information

For accounting changes and error corrections carried out after the beginning of the first quarter of this fiscal year, the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24, December 4, 2009) are applied.

3 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

| | As of September 30, 2011 | As of March 31, 2012 |
|------------------------------------|-----------------------------|-------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 3,108,759 | 2,945,699 |
| Accounts receivable-trade | 7,633,523 | 6,936,214 |
| Deferred tax assets | 614,747 | 527,732 |
| Other | 484,335 | 654,683 |
| Allowance for doubtful accounts | (370,934) | (393,554) |
| Total current assets | 11,470,431 | 10,670,775 |
| Noncurrent assets | | |
| Property, plant and equipment | 253,938 | 241,451 |
| Intangible assets | | |
| Software | 2,005,421 | 2,084,454 |
| Goodwill | 313,614 | — |
| Other | 19,743 | 26,197 |
| Total intangible assets | 2,338,779 | 2,110,652 |
| Investments and other assets | | |
| Investment securities | 643,855 | 674,971 |
| Lease and guarantee deposits | 462,769 | 463,936 |
| Deferred tax assets | 656,341 | 658,803 |
| Other | 66,468 | 57,936 |
| Allowance for doubtful accounts | (10,826) | (10,285) |
| Total investments and other assets | 1,818,608 | 1,845,363 |
| Total noncurrent assets | 4,411,326 | 4,197,466 |
| Total assets | 15,881,758 | 14,868,242 |

(Thousands of yen)

| | As of September 30, 2011 | As of March 31, 2012 |
|---|-----------------------------|-------------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable-trade | 1,541,416 | 1,413,493 |
| Current portion of long-term loans payable | 200,196 | 199,216 |
| Accounts payable-other | 1,555,498 | 2,047,466 |
| Income taxes payable | 1,044,026 | 542,029 |
| Allowance for coin usage | 497,141 | 470,354 |
| Other | 788,028 | 780,450 |
| Total current liabilities | 5,626,307 | 5,453,010 |
| Noncurrent liabilities | | |
| Long-term loans payable | 99,118 | — |
| Provision for retirement benefits | 254,522 | 308,944 |
| Negative goodwill | 77,012 | 72,453 |
| Other | 153,861 | 135,280 |
| Total noncurrent liabilities | 584,514 | 516,678 |
| Total liabilities | 6,210,822 | 5,969,688 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 2,562,740 | 2,562,740 |
| Capital surplus | 3,072,920 | 3,073,018 |
| Retained earnings | 3,819,710 | 3,461,892 |
| Treasury stock | — | (422,693) |
| Total shareholders' equity | 9,455,371 | 8,674,957 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 25,923 | 24,839 |
| Foreign currency translation adjustment | 6,971 | 2,438 |
| Total valuation and translation adjustments | 32,895 | 27,277 |
| Subscription rights to shares | 163,897 | 185,957 |
| Minority interests | 18,771 | 10,360 |
| Total net assets | 9,670,935 | 8,898,553 |
| Total liabilities and net assets | 15,881,758 | 14,868,242 |

(2) Consolidated Statements of income

For the six months of the fiscal year ended September 30, 2011 and 2012

(Thousands of yen)

| | For the six months ended March 31, 2011 | For the six months ended March 31, 2012 |
|---|--|--|
| Net sales | 16,340,557 | 14,700,620 |
| Cost of sales | 3,991,883 | 3,005,230 |
| Gross profit | 12,348,673 | 11,695,389 |
| Selling, general and administrative expenses | 10,570,974 | 10,545,236 |
| Operating income | 1,777,699 | 1,150,152 |
| Non-operating income | | |
| Interest income | 119 | 86 |
| Amortization of negative goodwill | 4,828 | 4,558 |
| Gain on reversal of subscription rights to shares | 2,247 | 4,513 |
| Other | 5,636 | 6,217 |
| Total non-operating income | 12,832 | 15,376 |
| Non-operating expenses | | |
| Interest expenses | 7,652 | 5,564 |
| Equity in losses of affiliates | 5,330 | 12,090 |
| Recovery expenses | 7,644 | — |
| Other | 2,954 | 7,822 |
| Total non-operating expenses | 23,582 | 25,476 |
| Ordinary income | 1,766,949 | 1,140,051 |
| Extraordinary income | | |
| Reversal of allowance for coin usage | 355,205 | — |
| Total extraordinary income | 355,205 | — |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 40,238 | 61,809 |
| Loss on valuation of investment securities | 75,413 | — |
| Goodwill impairment loss | 182,400 | 278,768 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 27,821 | — |
| Settlement package | — | 41,095 |
| Total extraordinary losses | 325,874 | 381,672 |
| Income before income taxes | 1,796,280 | 758,378 |
| Income taxes-current | 689,980 | 507,082 |
| Income taxes-deferred | 190,599 | 87,114 |
| Total income taxes | 880,579 | 594,197 |
| Income before minority interests | 915,700 | 164,181 |
| Minority interests in income | (6,846) | (12,762) |
| Net income | 922,547 | 176,943 |

Consolidated Statements of comprehensive income
For the six months of the fiscal year ended September 30, 2011 and 2012

(Thousands of yen)

| | For the six months ended March 31, 2011 | For the six months ended March 31, 2012 |
|---|--|--|
| Income before minority interests | 915,700 | 164,181 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16,461 | (1,084) |
| Foreign currency translation adjustments | (492) | (6,385) |
| Share of other comprehensive income of associate accounted for using equity method | (303) | 1,852 |
| Total other comprehensive income | 15,665 | (5,617) |
| Comprehensive income | 931,366 | 158,563 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 938,212 | 171,326 |
| Comprehensive income attributable to minority interests | (6,846) | (12,762) |

(3) Consolidated Statements of Cash Flows

For the six months of the fiscal year ended September 30, 2011 and 2012

(Thousands of yen)

| | For the six months ended March 31, 2011 | For the six months ended March 31, 2012 |
|---|--|--|
| Net cash provided by operating activities | | |
| Income before income taxes | 1,796,280 | 758,378 |
| Depreciation and amortization | 539,521 | 673,558 |
| Increase(decrease) in allowance for coin usage | (454,564) | (26,787) |
| Increase(decrease) in reserve for retirement benefits | 47,794 | 54,421 |
| Interest and dividends income | (261) | (472) |
| Interest expenses | 7,652 | 5,564 |
| Loss on retirement of non-current assets | 40,238 | 61,809 |
| Loss(gain) on devaluation of investment securities | 75,413 | — |
| Goodwill impairment loss | 182,400 | 278,768 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 27,821 | — |
| Decrease (increase) in notes and accounts receivable-trade | (323,821) | 697,308 |
| Increase (decrease) in notes and accounts payable-trade | 231,338 | (127,922) |
| Increase(decrease) in accounts payable-other | (102,065) | 491,968 |
| Other,net | 94,115 | (81,388) |
| Subtotal | 2,161,864 | 2,785,206 |
| Interest and dividends income received | 261 | 472 |
| Interest expenses paid | (7,652) | (5,564) |
| Income taxes paid | (1,243,820) | (983,736) |
| Net cash provided by operating activities | 910,652 | 1,796,377 |
| Net cash provided by investing activities | | |
| Purchase of intangible fixed assets | (677,575) | (799,012) |
| Purchase of investment securities | (84,597) | (45,000) |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (414,829) | — |
| Proceeds from collection of lease and guarantee deposits | 140,744 | 1,393 |
| Other,net | (49,948) | (26,796) |
| Net cash provided by investing activities | (1,086,206) | (869,415) |
| Net cash provided by financing activities | | |
| Repayment of long-term loans payable | (100,098) | (100,098) |
| Purchase of treasury stock | — | (422,693) |
| Cash dividends paid | (467,908) | (534,752) |
| Other,net | 269 | (26,093) |
| Net cash provided by financing activities | (567,736) | (1,083,636) |
| Effect of exchange rate change on cash and cash equivalents | (492) | (6,385) |
| Net increase (decrease) in cash and cash equivalents | (743,782) | (163,060) |
| Cash and cash equivalents at beginning of period | 3,099,008 | 3,108,759 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 50,717 | — |
| Cash and cash equivalents at end of period | 2,405,943 | 2,945,699 |

(4) Notes Concerning Going Concern Assumption

None

(5) Notes on Significant Changes in Shareholders' Equity

None