

Consolidated Financial Results for the Nine Months Ended June 30, 2011

July 27, 2011

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 Quarterly Report:	August 9, 2011
Scheduled date of start of dividend payment:	—

(Figures less than one million yen are omitted)

1. Consolidated Financial Results for the Nine Months Ended June 30, 2011 (From October 1, 2010 to June 30, 2011)

(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 nine months ended June 30, 2011	24,486 (6.9%)	2,843 (46.1%)	2,833 (45.4%)	1,506 (34.7%)
For the nine months ended June 30, 2010	22,908 (22.1%)	1,946 (12.8%)	1,948 (15.2%)	1,117 (-18.2%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
For the nine months ended June 30, 2011	11,266.19	—
For the nine months ended June 30, 2010	8,337.63	8,295.82

(2) Consolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Net assets	Equity ratio	Net assets per share (Yen)
As of June 30, 2011	14,901	9,382	61.7%	68,763.95
As of September 30, 2010	15,091	8,259	54.0%	60,929.15

(Reference) Shareholders' equity

As of June 30, 2011: 9,192 million yen As of September 30, 2010: 8,145 million yen

2. Dividends

(Yen)

	Cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
For the year ended September 30, 2010	—	0.00	—	3,500.00	3,500.00
For the year ending September 30, 2011	—	0.00	—		
For the year ending September 30, 2011(Forecast)				3,500.00	3,500.00

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

3. Consolidated Forecast for the Fiscal Year Ending September, 2011 (From October 1, 2010 to September 30, 2011)

(Millions of yen except for per share amounts)
(Percentages are shown as year-on-year changes)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (Yen)
For the year ending September 30, 2011	33,500 (8.6%)	3,600 (14.9%)	3,560 (13.6%)	2,100 (15.1%)	15,708.22

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

4. Others

Please refer to page P.6 Others.

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

Newly consolidated: None

Excluded: None

(Note) This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the period under review.

(2) Adoption of simplified accounting methods and specified accounting methods: Yes

(Note) This item indicates whether there was adoption of simplified accounting methods and special accounting methods for the preparation of quarterly consolidated financial statements

(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: Yes

(ii) Other changes: None

(Note) This item indicates whether there were changes in accounting principles, procedures, presentation methods, and other factors with respect to the preparation of quarterly consolidated financial statements, described in "Changes of Material Matters that are the Basis of Presenting Quarterly Consolidated Financial Statements".

(4) Number of shares issued (common stock)

(i) Number of shares issued at end of year
(including treasury stock)

As of June 30, 2011	133,688 shares	As of September 30, 2010	134,388 shares
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(ii) Number of treasury stock at end of year

As of June 30, 2011	— shares	As of September 30, 2010	700 shares
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(iii) Weighted average number of shares

For the nine months ended June 30, 2011	133,688 shares	For the nine months ended June 30, 2010	134,070 shares
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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 judgements, 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.5“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 Third Quarter under Review

(1) Qualitative Information on Consolidated Operating Results

Overview of the three months ended June 30, 2011

(From April 1, 2011 to June 30, 2011)

In the third quarter ended June 30, 2011, in services for feature phones¹, although we engaged in highly efficient promotions, the number of paying subscribers fell due to an increase in cancelling subscribers resulting from migration to smartphones². The number of paying subscribers for feature phone services was 9.06 million (a decrease of 0.56 million compared to March 31, 2011).

In smartphone services, the number of paying subscribers steadily increased, primarily for music distribution and health-related information, due in part to an increase in the number of smartphone users. The number of paying subscribers for smartphone services reached 0.30 million (an increase of 0.19 million compared to March 31, 2011) as of June 30, 2011.

Consequently, since the increase in the number of paying subscribers for smartphone services failed to compensate for the decrease in the number of paying subscribers for feature phone services, the total number of paying subscribers on June 30, 2011 was 9.36 million (a decrease of 0.37 million compared to March 31, 2011).

To establish new growth businesses, for “*jibe*”, the social networking address book application for au users provided by subsidiary Jibe Mobile K.K., we worked to expand the subscriber base by undertaking operability improvement through expansion of linked services and design renewal. In addition, in June we launched “*milibro*”, a social news viewer, as a service for NTT DoCoMo users.

Furthermore, in June we launched “*mopita market*”, an app market for smartphones, providing smartphone users with an environment to easily search for applications.

Net sales for the third quarter rose by 3.4% year on year to ¥8,146 million, supported by an increase in the number of paying subscribers from the previous third quarter. Gross profit rose by 8.3% year on year to ¥6,239 million, as a result of the impact of revenue increase and a decrease in the cost of sales ratio (a decrease to 23.4% from 26.9% in the previous third quarter) accompanying a decline in the number of music content downloads and higher contributions from health-related information and other services with low cost of sales ratios.

Operating income fell by 16.7% to ¥1,065 million, and ordinary income decreased by 16.9% to ¥1,066 million. The decreases are attributable to higher selling, general and administrative expenses, principally personnel expenses and outsourcing expenses, despite the increase in gross profit. Third quarter net income was ¥583 million, a decrease of 19.8% compared with the previous year.

For qualitative information on consolidated operating results for the first quarter and second quarter of the year ending September 30, 2011, please refer to “Consolidated Financial Results for the Three Months Ended December 31, 2010” (disclosed January 27, 2011) and “Consolidated Financial Results for the Six Months Ended March 31, 2011” (disclosed April 27, 2011).

¹ Feature phones are conventional mobile phones which its basic function is telephony, but are also equipped with cameras, one-segment broadcast reception, and other functions.

² Smartphones, such as iPhone and Android, are multifunctional terminals that have functions equivalent to a personal computer.

Consolidated operating results (From April 1, 2011 to June 30, 2011)

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2010	Change	
			Amount	Percentage change
Net sales	8,146	7,882	264	3.4%
Gross profit	6,239	5,762	477	8.3%
Operating income	1,065	1,279	(213)	-16.7%
Ordinary income	1,066	1,282	(216)	-16.9%
Net income	583	727	(143)	-19.8%

Note: Figures are rounded down to the nearest million yen.

Consolidated operating results (From October 1, 2010 to June 30, 2011)

(Millions of yen)

	Nine months ended June 30, 2011	Nine months ended June 30, 2010	Change	
			Amount	Percentage change
Net sales	24,486	22,908	1,578	6.9%
Gross profit	18,588	16,615	1,972	11.9%
Operating income	2,843	1,946	896	46.1%
Ordinary income	2,833	1,948	884	45.4%
Net income	1,506	1,117	388	34.7%

Note: Figures are rounded down to the nearest million yen.

(2) Qualitative Information on Consolidated Financial Position

1) Assets, liabilities, and net assets

Total assets as of June 30, 2011 were ¥14,901 million, a decrease of ¥190 million from September 30, 2010.

Current assets fell by ¥1,242 million, mainly due to a decrease in cash and deposits, despite an increase in accounts receivable-trade. Non-current assets rose by ¥1,052 million, mainly due to increases in goodwill, software, and investment securities.

Current liabilities fell by ¥1,398 million, primarily due to decreases in accrued income taxes and allowance for coin usage. Non-current liabilities rose by ¥85 million, mainly due to an increase in other non-current liabilities (long-term accounts payable-other), despite a decrease in long-term borrowings.

Net assets increased by ¥1,122 million due to the recording of ¥1,506 million in net income, despite the payment of cash dividends.

	Total assets (Millions of yen)	Net assets (Millions of yen)	Equity ratio	Net assets per share (Yen)
As of June 30, 2011	14,901	9,382	61.7%	68,763.95
As of September 30, 2010	15,091	8,259	54.0%	60,929.15

2) Consolidated cash flows

Cash and cash equivalents as of June 30, 2011 totaled ¥2,049 million, a decrease of ¥356 million from March 31, 2011. Cash flows and factors affecting cash flows in the third quarter are as follows.

Net cash provided by operating activities was ¥466 million, compared with ¥1,021 million in the third quarter of the previous year. The principal cash inflow items were income before income taxes and depreciation and amortization, which offset cash outflows due to income taxes paid and accounts payable-trade.

Net cash used in investing activities was ¥830 million, compared with ¥367 million in the third quarter of the previous year, principally due to payments for the purchase of intangible fixed assets (mainly software) and the purchase of investment securities.

Net cash provided by financing activities was ¥5 million, compared with ¥135 million in net cash used in the third quarter of the previous year, due to factors including proceeds from the issuance of convertible note by a subsidiary, despite repayment of long-term borrowings.

	(Millions of yen)			
	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Three months ended June 30, 2011	466	(830)	5	2,049
Three months ended June 30, 2010	1,021	(367)	(135)	1,896
Year ended September 30, 2010	3,175	(1,004)	(604)	3,099

(3) Qualitative Information on Forecast for Consolidated Financial Results

The Company's policy is to continue to focus maximum effort on expansion on the number of paying subscribers for smartphone services while minimizing the decrease in the number of paying subscribers for feature phone services. In addition, we will actively work to establish new growth businesses in preparation for medium- to long-term growth.

In feature phone services, to minimize the net decrease in the number of paying subscribers, we will conduct highly efficient, carefully selected promotions for services including health-related information, weather information, and fortune telling.

In smartphone services, with the aim of further increasing the number of paying subscribers, we will introduce new services, implement subscriber transfer measures to accommodate current users who upgrade to smartphones, and work to increase user convenience by diversifying payment methods using mopita, our original payment system. We will also promote subscriptions to our services by upgrading content for mopita market, an app market for smartphones.

To establish new growth businesses, we will work to disseminate and expand Jibe Mobile K.K.'s "jibe" and "milibro" services in Japan and reinforce linkage with our services. We will also utilize the two services as vehicles for promoting subscriptions to our smartphone services.

Consolidated earnings forecast figures for the fiscal year ending September 30, 2011 are unchanged from those announced on November 4, 2010.

Earnings forecast for the year ending September 30, 2011 (Announced November 4, 2010)

(From October 1, 2010 to September 30, 2011)

Consolidated basis		
Net sales	¥33,500 million	(Increase of 8.6% YoY)
Operating income	¥3,600 million	(Increase of 14.9% YoY)
Ordinary income	¥3,560 million	(Increase of 13.6% YoY)
Net income	¥2,100 million	(Increase of 15.1% YoY)

2 Others

(1) Changes in Significant Subsidiaries (Change in Scope of Consolidation of Specified Subsidiaries)

None

(2) Adoption of Simplified Accounting Methods and Specified Accounting Methods

(Simplified Accounting Methods)

Calculation Method of the Allowance for Doubtful Accounts for Ordinary Receivables

Since it is deemed that there is no significant difference between the loan loss ratio, etc. as of June 30, 2011 and those calculated as of September 30, 2010, the allowance for doubtful accounts has been calculated using the loan loss ratio, etc. as of September 30, 2010.

(Specified Accounting Methods Used in Preparing the Quarterly Consolidated Financial Statements)

None

(3) Changes in Accounting Principles, Procedures, and Disclosures Methods

(Changes in Accounting Standards)

1) Application of “Accounting Standard for Asset Retirement Obligations”

Beginning in the first quarter of the fiscal year ending September 30, 2011, the Company has applied “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result, operating income and ordinary income decreased by ¥5,184 thousand, and income before income taxes decreased by ¥33,006 thousand during nine months ended June 30, 2011.

2) Application of “Accounting Standard for Business Combinations” and others

Beginning in the first quarter of the fiscal year ending September 30, 2011, the Company has applied “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

(Change in Disclosures Methods)

(Consolidated Statements of Income)

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 December 26, 2008), the Company applies the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated financial statements for the nine months ended June 30, 2011.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	As of June 30, 2011	As of September 30, 2010
ASSETS		
Current assets		
Cash and deposits	2,049,579	3,099,008
Accounts receivable-trade	7,892,722	7,669,115
Deferred tax assets	440,605	789,718
Other	570,334	647,752
Allowance for doubtful accounts	(323,810)	(333,355)
Total current assets	10,629,431	11,872,239
Non-current assets		
Tangible fixed assets	268,679	229,093
Intangible fixed assets		
Software	1,812,982	1,511,065
Goodwill	368,218	—
Other	18,122	11,439
Total intangible assets	2,199,324	1,522,504
Investments and other assets		
Investment securities	655,397	324,413
Leasehold deposits	464,704	594,264
Deferred tax assets	633,537	508,979
Other	60,599	50,298
Allowance for doubtful accounts	(10,406)	(10,402)
Total investments and other assets	1,803,831	1,467,553
Total non-current assets	4,271,835	3,219,151
Total assets	14,901,266	15,091,391

	(Thousands of yen)	
	As of June 30, 2011	As of September 30, 2010
LIABILITIES		
Current liabilities		
Accounts payable-trade	1,882,521	1,979,920
Long-term borrowings due within one year	200,196	200,196
Accounts payable-other	1,419,224	1,359,546
Accrued income taxes	395,818	1,248,988
Provision for bonuses	218,052	—
Allowance for coin usage	398,874	869,627
Other	374,331	629,230
Total current liabilities	4,889,018	6,287,509
Non-current liabilities		
Long-term borrowings	149,167	299,314
Reserve for retirement benefits	230,625	158,934
Negative goodwill	79,292	86,130
Other	171,000	141
Total non-current liabilities	630,085	544,520
Total liabilities	5,519,103	6,832,029
NET ASSETS		
Shareholders' equity		
Common stock	2,562,740	2,562,740
Capital surplus	3,072,920	3,072,920
Retained earnings	3,528,107	2,580,485
Treasury stock	—	(90,624)
Total shareholders' equity	9,163,768	8,125,522
Unrealized gain and translation adjustment		
Unrealized gain on available-for-sale securities	29,543	21,564
Translation adjustment	(396)	(1,590)
Total unrealized gain and translation adjustment	29,146	19,973
Stock acquisition rights	155,357	113,865
Minority interests	33,890	—
Total net assets	9,382,162	8,259,361
Total liabilities and net assets	14,901,266	15,091,391

(2) Consolidated Statements of Income

For the nine months ended June 30, 2010 and 2011

	(Thousands of yen)	
	Nine months ended June 30, 2010	Nine months ended June 30, 2011
Net sales	22,908,376	24,486,941
Cost of sales	6,292,943	5,898,644
Gross profit	16,615,432	18,588,296
Selling, general and administrative expenses	14,668,541	15,744,763
Operating income	1,946,891	2,843,533
Non-operating income		
Interest income	67	145
Dividends income	3,683	4,125
Amortization of negative goodwill	6,838	7,108
Equity in gain of affiliates	427	—
Gain on reversal of stock acquisition rights	—	2,247
Other	8,938	6,610
Total non-operating income	19,954	20,236
Non-operating expenses		
Interest expenses	13,263	10,611
Equity in loss of affiliates	—	8,367
Recovery expenses	—	7,644
Other	5,431	4,010
Total non-operating expenses	18,695	30,633
Ordinary income	1,948,151	2,833,136
Extraordinary gain		
Reversal of allowance for coin usage	—	355,205
Total extraordinary gain	—	355,205
Extraordinary losses		
Loss on retirement of non-current assets	50,498	41,059
Loss on cancellation of lease contracts	55,768	—
Loss on devaluation of investment securities	—	75,413
Goodwill impairment loss	—	182,400
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	27,821
Total extraordinary losses	106,266	326,695
Income before income taxes	1,841,884	2,861,646
Income taxes-current	801,352	1,155,507
Income taxes-deferred	(77,299)	219,078
Total income taxes	724,053	1,374,586
Income before minority interests	—	1,487,059
Minority interests in net income	—	(19,094)
Net income	1,117,831	1,506,153

For the three months ended June 30, 2010 and 2011

	(Thousands of yen)	
	Three months ended June 30, 2010	Three months ended June 30, 2011
Net sales	7,882,195	8,146,383
Cost of sales	2,120,076	1,906,760
Gross profit	5,762,119	6,239,622
Selling, general and administrative expenses	4,482,961	5,173,788
Operating income	1,279,157	1,065,834
Non-operating income		
Interest income	10	26
Dividends income	3,677	3,983
Amortization of negative goodwill	2,279	2,279
Other	3,018	1,115
Total non-operating income	8,986	7,403
Non-operating expenses		
Interest expenses	4,255	2,958
Equity in loss of affiliates	—	3,036
Other	1,194	1,055
Total non-operating expenses	5,449	7,051
Ordinary income	1,282,694	1,066,187
Extraordinary losses		
Loss on retirement of non-current assets	20,117	821
Loss on cancellation of lease contracts	55,768	—
Total extraordinary losses	75,885	821
Income before income taxes	1,206,808	1,065,365
Income taxes-current	499,437	465,527
Income taxes-deferred	(19,871)	28,478
Total income taxes	479,565	494,006
Income before minority interests	—	571,359
Minority interests in net income	—	(12,247)
Net income	727,242	583,606

(3) Consolidated Statements of Cash Flows

For the nine months ended June 30, 2010 and 2011

	(Thousands of yen)	
	Nine months ended June 30, 2010	Nine months ended June 30, 2011
Cash flows from operating activities		
Income before income taxes	1,841,884	2,861,646
Depreciation and amortization	690,097	845,491
Allowance for coin usage	72,763	(470,753)
Increase in reserve for retirement benefits	29,200	71,691
Interest and dividends income	(3,750)	(4,270)
Interest expenses	13,263	10,611
Loss on retirement of non-current assets	—	41,059
Loss on devaluation of investment securities	—	75,413
Goodwill impairment loss	—	182,400
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	27,821
Increase in accounts receivable-trade	(904,551)	(171,926)
Increase (decrease) in accounts payable-trade	201,296	(101,236)
Increase (decrease) in accounts payable-other	156,361	(111,337)
Other	320,889	127,215
Subtotal	2,417,456	3,383,826
Interest and dividends income received	3,750	4,270
Interest paid	(13,263)	(10,611)
Income taxes paid	(611,097)	(2,000,798)
Net cash provided by (used in) operating activities	1,796,845	1,376,687
Cash flows from investing activities		
Purchase of intangible fixed assets	(793,546)	(1,148,646)
Purchase of investment securities	—	(409,477)
Purchase of investment in subsidiaries resulting in change in the scope of consolidation	—	(414,829)
Proceeds from collection of leasehold deposits	—	140,745
Other	(43,097)	(84,060)
Net cash provided by (used in) investing activities	(836,643)	(1,916,269)
Cash flows from financing activities		
Repayment of long-term borrowings	(150,147)	(150,147)
Payment for acquisition of treasury stock	(190,211)	—
Dividends paid	(268,684)	(467,908)
Other	12,531	56,127
Net cash provided by (used in) financing activities	(596,510)	(561,927)
Effect of exchange rate change on cash and cash equivalents	—	1,362
Net increase (decrease) in cash and cash equivalents	363,690	(1,100,147)
Cash and cash equivalents at beginning of period	1,532,367	3,099,008
Increase in cash and cash equivalents from newly consolidated subsidiary	—	50,717
Cash and cash equivalents at end of period	1,896,058	2,049,579

For the three months ended June 30, 2010 and 2011

(Thousands of yen)

	Three months ended June 30, 2010	Three months ended June 30, 2011
Cash flows from operating activities		
Income before income taxes	1,206,808	1,065,365
Depreciation and amortization	222,116	305,969
Allowance for coin usage	(27,464)	(16,188)
Increase in reserve for retirement benefits	8,400	23,897
Interest and dividends income	(3,687)	(4,009)
Interest expenses	4,255	2,958
Loss on retirement of non-current assets	—	821
Decrease (increase) in accounts receivable-trade	(18,562)	151,894
Decrease in accounts payable-trade	(24,357)	(332,575)
Decrease in accounts payable-other	(111,291)	(9,271)
Other	(8,439)	33,099
Subtotal	1,247,776	1,221,962
Interest and dividends income received	3,687	4,009
Interest paid	(4,255)	(2,958)
Income taxes paid	(226,187)	(756,977)
Net cash provided by (used in) operating activities	1,021,021	466,034
Cash flows from investing activities		
Purchase of intangible fixed assets	(333,572)	(471,071)
Purchase of investment securities	—	(324,880)
Other	(34,038)	(34,111)
Net cash provided by (used in) investing activities	(367,610)	(830,062)
Cash flows from financing activities		
Repayment of long-term borrowings	(50,049)	(50,049)
Payment for acquisition of treasury stock	(90,624)	—
Other	4,980	55,857
Net cash provided by (used in) financing activities	(135,693)	5,808
Effect of exchange rate change on cash and cash equivalents	—	1,855
Net increase (decrease) in cash and cash equivalents	517,716	(356,364)
Cash and cash equivalents at beginning of period	1,378,341	2,405,943
Cash and cash equivalents at end of period	1,896,058	2,049,579

(4) Notes Concerning Going Concern Assumption

None

(5) Segment Information

Segment information by business category

For the three months ended June 30, 2010

(Thousands of yen)

	Content distribution business	Mobile advertising business	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	7,801,001	81,193	7,882,195	—	7,882,195
(2) Inter-segment sales and transfers	4,492	45,325	49,817	(49,817)	—
Total	7,805,494	126,518	7,932,013	(49,817)	7,882,195
Operating income (loss)	1,380,688	(64,004)	1,316,684	(37,526)	1,279,157

Notes: Classification of business segments and principal products and services of each segment

1. Classification of business segments: Business segments have been classified based on contents and characteristics of services.

2. Major products and services of each business segment

Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency

Mobile advertising business: Mobile content distribution (operation of public sites), advertisement agency

For the nine months ended June 30, 2010

(Thousands of yen)

	Content distribution business	Mobile advertising business	Total	Eliminations and corporate	Consolidated
Net sales					
(1) Sales to external customers	22,628,024	280,351	22,908,376	—	22,908,376
(2) Inter-segment sales and transfers	4,496	127,678	132,175	(132,175)	—
Total	22,632,521	408,029	23,040,551	(132,175)	22,908,376
Operating income (loss)	2,311,179	(249,361)	2,061,818	(114,927)	1,946,891

Notes: Classification of business segments and principal products and services of each segment

1. Classification of business segments: Business segments have been classified based on contents and characteristics of services.

2. Major products and services of each business segment

Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency

Mobile advertising business: Mobile content distribution (operation of public sites), advertisement agency

Geographical segment information

For the three months and nine months ended June 30, 2010

There is no applicable information because the Company has no major subsidiaries or branches in countries or regions outside Japan.

Overseas sales

For the three months and nine months ended June 30, 2010

There is no applicable information because the Company has no overseas sales.

Segment Information

For the three months and nine months ended June 30, 2011

The MTI provides mobile phone content distribution (site operation) and related services. Although previously the Company disclosed information by classifying operations into two segments, the content distribution business and the mobile advertising business, our major objective is not to independently operate the mobile advertising business as an advertising revenue-driven business, but for the mobile advertising business to perform the function of sending customers to the content distribution business (pay-per-use site). Since the two businesses are in a mutually complementary relationship, the Company allocates enterprise resources and evaluates business performance on a groupwide basis. Accordingly, only one business segment exists, and, as a result, such segment information has been omitted.

(Additional Information)

Beginning in the first quarter of the fiscal year ending September 30, 2011, the Company has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

(6) Notes on Significant Changes in Shareholders' Equity

None