

# Consolidated Financial Results for the Three Months of the Fiscal Year Ended September 30, 2011

January 30, 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  
 For further information please contact: Hiroshi Matsumoto, Director, Corporate Support Division  
 TEL: +81-3-5333-6323  
 Scheduled date of filing of Quartely Report: February 9, 2012  
 Scheduled date of start of dividend payment: —

(Figures less than one million yen are omitted)

## 1. Consolidated Financial Results for the Three Months of the Fiscal Year Ended September 30, 2011 (From October 1, 2011 to December 31, 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 three months ended December 31, 2011	7,485 (-6.0 %)	970 (7.6%)	961 (7.4%)	183 (-33.6%)
For the three months ended December 31, 2010	7,961 (9.6 %)	902 (126.9%)	895 (126.0%)	276 (14.0%)

(Note) Comprehensive Income

For the three months ended December 31, 2011: 148 million yen (-48.0%)

For the three months ended December 31, 2010: 285 million yen (—%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
For the three months ended December 31, 2011	1,391.42	—
For the three months ended December 31, 2010	2,068.39	—

### (2) Consolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Net assets	Equity ratio
As of December 31, 2011	14,309	8,871	60.7%
As of September 30, 2011	15,881	9,670	59.7%

(Reference) Shareholders' equity

As of December 31, 2011: 8,682 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	—				
For the year ended September 30, 2012 (Forecast)		0.00	—	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 six months ended March 31, 2012	15,600 (-4.5%)	1,000 (-43.7%)	990 (-44.0%)	300 (-67.5%)	2,243.03
For the year ended September 30, 2012	32,500 (0.5%)	2,700 (-27.1%)	2,680 (-27.4%)	1,300 (-27.7%)	9,724.13

(Note) Revision of Consolidated forecast for during this period : Yes

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 December 31, 2011	133,688 shares	As of September 30, 2011	133,688 shares
(ii) Number of treasury stock at end of year	As of December 31, 2011	4,681 shares	As of September 30, 2011	— shares
(iii) Weighted average number of shares	For the three months ended December 31, 2011	131,867 shares	For the three months ended December 31, 2010	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 First Quarter under Review

## (1) Qualitative Information on Consolidated Operating Results

### Overview of the three months of the fiscal year ended September 30, 2011

#### (From October 1, 2011 to December 31, 2011)

In light of the completion of infrastructure development for smartphone services, a key task in the previous fiscal year, in the year ended September 30, 2012 our policy is to focus on expansion of the number of paying subscribers and implementation of service functional enhancements and to actively pursue business development.

During the first quarter, we actively engaged in promotional activities to acquire smartphone service subscribers for each service category. We also implemented initiatives to increase customer satisfaction, such as the addition of social networking features to music content and health-related information services. In addition, we smoothly launched new services, such as e-book and puzzle game services. As a result, the numbers of paid subscribers for each category increased, with the total reaching 1.15 million as of December 31, 2011 (an increase of 0.42 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 7.44 million as of December 31, 2011 (a decrease of 0.77 million compared to September 30, 2011).

Consequently, the total number of paying subscribers as of December 31, 2011 was 8.59 million (a decrease of 0.35 million compared to September 30, 2011). Although the paying subscriber base contracted compared to the end of the previous fiscal year, the number of paying subscribers in the month of December 2011 showed a net increase thanks to a sharp rise in the number of smartphone service subscribers.

As a result of the above developments, net sales fell by 6.0% year on year to ¥7,485 million on a decrease in the number of paying subscribers compared to the first quarter of the previous year.

Gross profit decreased by 0.6% year on year to ¥5,887 million owing to the impact of the decrease in revenue. The relatively small decrease in gross profit, the result of a decrease in the cost of sales ratio accompanying higher contributions from lifestyle information-related services with low cost of sales ratios, mitigated the impact of the revenue decrease.

Operating income rose by 7.6% year on year to ¥970 million, and ordinary income rose by 7.4% year on year to ¥961 million. The increases are attributable to a decrease in selling, general and administrative expenses achieved by controlling advertising and public relations expenses with an emphasis on cost-effectiveness, which offset increases in expenses in other areas, principally personnel expenses and outsourcing expenses.

Net income was ¥183 million (a decrease of 33.6% compared with year on year). The decrease is partly attributable to the recording of ¥283 million as extraordinary losses.

### Consolidated operating results (from October 1, 2011 to December 31, 2011) (Millions of yen)

	Three months ended December 31, 2011	Three months ended December 31, 2010	Change	
			Amount	Percentage change
Net sales	7,485	7,961	(475)	-6.0%
Gross profit	5,887	5,923	(36)	-0.6%
Operating income	970	902	68	7.6%
Ordinary income	961	895	66	7.4%
Net income	183	276	(93)	-33.6%

Note: Figures less than one million yen are omitted.

## (2) Qualitative Information on Consolidated Financial Position

### Assets, liabilities, and net assets

Total assets as of December 31, 2011 were ¥14,309 million, a decrease of ¥1,571 million from September 30, 2011.

Current assets fell by ¥1,185 million, mainly due to decreases in cash and deposits and accounts receivable-trade. Non-current assets fell by ¥386 million, mainly due to a decrease in goodwill.

Current liabilities fell by ¥741 million, mainly due to a decrease in accrued income taxes. Non-current liabilities fell by ¥30 million, mainly due to a decrease in long-term borrowings.

Net assets decreased by ¥799 million, mainly due to the purchase of treasury stock and the payment of cash dividends, despite the recording of ¥183 million in net income.

	Total assets (Millions of yen)	Net assets (Millions of yen)	Equity ratio	Net assets per share (Yen)
As of December 31, 2011	14,309	8,871	60.7%	67,302.10
As of September 30, 2011	15,881	9,670	59.7%	70,973.21

### (3) Qualitative Information on Forecast for Consolidated Financial Results

In the second quarter and beyond, the Company will continue to focus on expansion of the number of paying subscribers 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, we will continue to engage in efficient promotional activities and implement various subscriber acquisition measures. In addition, as an initiative to increase customer satisfaction with music content, we will integrate our download service and streaming distribution service and develop a mechanism to enable users to conveniently manage music.

To establish new growth businesses, we will pursue functional enhancement of *mopita*®, our subscriber authentication and payment platform for smartphones. We will further increase user convenience by adding new payment methods, simplifying procedures, and increasing 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 upward operating income and ordinary income in the earnings forecast for the six months of the year ended September 30, 2012 announced on November 1, 2011.

Full-year earnings forecast figures for the fiscal year ended September 30, 2012 are unchanged from those announced on November 1, 2011.

#### Earnings forecast for the first six months of the year ended September 30, 2012

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

Consolidated		
Net sales	¥15,600 million	(Decrease of 4.5% y-o-y)
Operating income	¥1,000 million	(Decrease of 43.7% y-o-y)
Ordinary income	¥990 million	(Decrease of 44.0% y-o-y)
Net income	¥300 million	(Decrease of 67.5% y-o-y)

#### Earnings forecast for the full-year term ended September 30, 2012

(From October 1, 2011 to September 30, 2012)

Consolidated		
Net sales	¥32,500 million	(Increase of 0.5% y-o-y)
Operating income	¥2,700 million	(Decrease of 27.1% y-o-y)
Ordinary income	¥2,680 million	(Decrease of 27.4% y-o-y)
Net income	¥1,300 million	(Decrease of 27.7% 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 December 31, 2011
<b>ASSETS</b>		
Current assets		
Cash and deposits	3,108,759	2,278,270
Accounts receivable-trade	7,633,523	7,290,365
Deferred tax assets	614,747	476,080
Other	484,335	665,844
Allowance for doubtful accounts	(370,934)	(425,200)
Total current assets	11,470,431	10,285,360
Non-current assets		
Tangible fixed assets	253,938	245,557
Intangible fixed assets		
Software	2,005,421	2,011,649
Goodwill	313,614	—
Other	19,743	21,283
Total intangible assets	2,338,779	2,032,933
Investments and other assets		
Investment securities	643,855	608,656
Leasehold deposits	462,769	460,404
Deferred tax assets	656,341	627,549
Other	66,468	60,514
Allowance for doubtful accounts	(10,826)	(10,987)
Total investments and other assets	1,818,608	1,746,137
Total non-current assets	4,411,326	4,024,627
Total assets	15,881,758	14,309,987

(Thousands of yen)

	As of September 30, 2011	As of December 31, 2011
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	1,541,416	1,548,438
Long-term borrowings due within one year	200,196	200,196
Accounts payable-other	1,555,498	1,649,788
Accrued income taxes	1,044,026	344,332
Provision for bonuses	—	170,612
Allowance for coin usage	497,141	482,276
Other	788,028	489,175
Total current liabilities	5,626,307	4,884,820
Non-current liabilities		
Long-term borrowings	99,118	49,069
Reserve for retirement benefits	254,522	281,733
Negative goodwill	77,012	74,733
Other	153,861	148,100
Total non-current liabilities	584,514	553,636
Total liabilities	6,210,822	5,438,456
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	2,562,740	2,562,740
Capital surplus	3,072,920	3,072,920
Retained earnings	3,819,710	3,467,781
Treasury stock	—	(422,693)
Total shareholders' equity	9,455,371	8,680,749
Unrealized gain and translation adjustment		
Unrealized gain on available-for-sale securities	25,923	(2,386)
Translation adjustment	6,971	4,079
Total accumulated other comprehensive income	32,895	1,692
Subscription rights to shares	163,897	174,012
Minority interests	18,771	15,077
Total net assets	9,670,935	8,871,531
Total liabilities and net assets	15,881,758	14,309,987

## (2) Consolidated Statements of income

For the three months of the fiscal year ended September 30, 2010 and 2011

(Thousands of yen)

	For the three months ended December 31, 2010	For the three months ended December 31, 2011
Net sales	7,961,105	7,485,440
Cost of sales	2,037,424	1,597,964
Gross profit	5,923,681	5,887,475
Selling, general and administrative expenses	5,021,360	4,916,658
Operating income	902,321	970,817
Non-operating income		
Interest income	60	172
Amortization of negative goodwill	2,279	2,279
Gain on reversal of stock acquisition rights	1,605	642
Other	3,418	3,069
Total non-operating income	7,363	6,163
Non-operating expenses		
Interest expenses	3,998	2,872
Equity in loss of affiliates	1,352	5,801
Recovery expenses	7,644	—
Other	866	6,482
Total non-operating expenses	13,861	15,156
Ordinary income	895,822	961,824
Extraordinary losses		
Loss on retirement of non-current assets	—	4,556
Loss on devaluation of investment securities	75,413	—
Goodwill impairment loss	161,096	278,768
Loss on adjustment for changes of accounting standard for asset retirement obligations	27,821	—
Total extraordinary losses	264,332	283,324
Income before income taxes	631,490	678,499
Income taxes-current	197,847	329,532
Income taxes-deferred	157,124	169,178
Total income taxes	354,972	498,711
Income before minority interests	276,518	179,788
Minority interests in net income	—	(3,694)
Net income	276,518	183,483

Consolidated Statements of comprehensive income  
For the three months of the fiscal year ended September 30, 2010 and 2011

(Thousands of yen)

	For the three months ended December 31, 2010	For the three months ended December 31, 2011
Income before minority interests	276,518	179,788
Other comprehensive income		
Unrealized gain on available-for-sale securities	9,054	(28,310)
Translation adjustment	—	(3,525)
Equity in affiliates accounted for by equity method	370	633
Total other comprehensive income	9,424	(31,203)
Comprehensive income	285,943	148,585
(Breakdown)		
Comprehensive income attributable to shareholders of parent company	285,943	152,279
Comprehensive income attributable to minority shareholders	—	(3,694)

**(3) Notes Concerning Going Concern Assumption**

None

**(4) Notes on Significant Changes in Shareholders' Equity**

None