

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
For further information please contact:	Hiroshi Matsumoto, Director, Corporate Support Division
	TEL: +81-3-5333-6323
Scheduled date of filing of Quarterly 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