

Consolidated Financial Results for the Three Months of the Fiscal Year Ended September 30, 2013 [Japanese Standards]

February 6, 2013

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
 TEL: +81-3-5333-6323
 Scheduled date of filing of Quarterly Report: February 14, 2013
 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, 2013 (From October 1, 2012 to December 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 three months ended December 31, 2013	7,331 (-2.1%)	214 (-77.9%)	216 (-77.5%)	185 (1.0%)
For the three months ended December 31, 2012	7,485 (-6.0%)	970 (7.6%)	961 (7.4%)	183 (-33.6%)

(Note) Comprehensive Income

For the three months ended December 31, 2013: 248 million yen (67.6%)
 For the nine months ended December 31, 2011: 148 million yen (-48.0%)

	Net income per share (Yen)	Net income per share-diluted (Yen)
For the three months ended December 31, 2013	1,453.12	—
For the three months ended December 31, 2012	1,391.42	—

(2) Consolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Net assets	Equity ratio
As of December 31, 2012	13,877	8,499	58.0%
As of September 30, 2012	13,971	8,922	61.9%

(Reference) Shareholders' equity

As of December 31, 2012: 8,053 million yen
 As of September 30, 2012: 8,645 million yen

2. Dividends

(Yen)

	Cash dividends per share				
	End of Q1	End of Q2	End of Q3	End of the year	Annual
For the year ended September 30, 2012	—	0.00	—	4,000.00	4,000.00
For the year ended September 30, 2013	—	0.00	—		
For the year ended September 30, 2013 (Forecast)				40.00	40.00

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

We plan to conduct a 100-for-1 share split on March 31, 2013. The dividend forecasts for the fiscal year ended in September 30, 2013 are for the dividend after this share split. For further details refer to "Explanation for Appropriate Use of Forecasts and Other Notes" on the following page.

3. Consolidated Forecast for the Fiscal Year Ended September 30, 2013 (From October 1, 2012 to September 30, 2013)

(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, 2013	30,000 (2.1%)	1,710 (0.3%)	1,700 (0.1%)	750 (585.3%)	58.01

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

Net income per share in the consolidated forecast for the fiscal year ended in September 30, 2013 take in account the 100-for-1 share split effective as of April 1, 2013. When not accounting for this share split, net income per share would be ¥386.74 for the first half and ¥5,801.05 for the full year.

(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, changes in accounting estimate-revision of an estimate because of new information or new experience.

- (i) Changes due to revision of accounting standards: Yes
- (ii) Other changes: None
- (iii) Changes to Accounting Estimates: Yes
- (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, 2013	133,688 shares	As of September 30, 2012	133,688 shares
(ii) Number of treasury stock at end of year	As of December 31, 2013	8,151 shares	As of September 30, 2012	4,401 shares
(iii) Weighted average number of shares	For the three months ended December 31, 2013	127,563 shares	For the three months ended September 30, 2012	131,867 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.3 "Qualitative Information on Forecast for Consolidated Financial Results" of the Attachment for the assumptions used and other notes.

The Company is planning to hold a quarterly briefing on these consolidated financial results for investors and analysts on February 8, 2013. The video of the briefing will be made available on the Company's website, along with supplementary explanatory documents regarding the briefing, soon after the briefing.

(other)

The Board of Directors decided at its October 31, 2012 meeting to conduct a share split and adopt the share unit trading method. A 100-for-1 share split will be conducted and take effect as of April 1, 2013 and shares will be traded in units of 100. Please refer to the related items in this release as to how these decisions are reflected in our dividend and the forecast for consolidated financial result for the fiscal year ended September 30, 2013.

○Table of Contents

1	Qualitative Information on Results for the First Quarter under Review.	2
(1)	Qualitative Information on Consolidated Operating Results	2
(2)	Qualitative Information on Consolidated Financial Position.	3
(3)	Qualitative Information on Forecast for Consolidated Financial Results	3
2	Summary Information (Other Information)	4
(1)	Changes in Important Subsidiaries during the Period.	4
(2)	Adoption of Specific Accounting Methods for Producing Quartely Consolidated Financial Statement.	4
(3)	Changes in Accounting Policies, Changes in Accounting Estimates, Restatemensts	4
(4)	Additional Information	4
3	Consolidated Financial Statements.	5
(1)	Consolidated Balance Sheets.	5
(2)	Consolidated Statements of Income	7
(3)	Notes concerning Going Concern Assumption	9
(4)	Notes on Significant Changes in Shareholders' Equity	9

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, 2013

(From October 1, 2012 to December 31, 2012)

The migration to smartphones continued in the first quarter with the release of the iPhone5 and new Android models. We actively developed advertising campaigns in step with the release of these new models and enhanced services for each content category with the aim of expanding the number of paying subscribers to our smartphone services.

In addition to the main categories of music content and health information services, our e-books lineup was bolstered with the addition of many new titles, including some very popular works. As a result, the number of paying subscribers steadily increased. Specifically, the number of subscribers to smartphone services reached 3.67 million as of December 31, 2012 (an increase of approximately 540,000 subscribers compared to September 30, 2012).

Meanwhile, the net number of paying subscribers for feature phone services continued to decline, albeit at a slowing pace, amid the migration to smartphones and stood at 4.49 million as of December 31, 2012 (a decrease of approximately 510,000 subscribers compared to September 30, 2012).

The total number of paying subscribers as of December 31, 2012 was 8.16 million (an increase of approximately 30,000 compared to September 30, 2012).

Net sales declined to ¥7.331 billion (a decrease of 2.1% year on year), which is the same level as the same quarter last year. The number of paying subscribers declined compared to the same quarter in the previous year, but a consolidated subsidiary Jibe Mobile K.K. began receiving steady orders for the development of carrier systems.

Gross profit increased to ¥6.099 billion (an increase of 3.6% year on year) as the cost of sales ratio fell (to 16.8% from 21.3% for the same quarter last year) due mainly to a decline in the number of music service downloads.

Operating income declined to ¥214 million (a decrease of 77.9% year on year) and ordinary income fell to ¥216 million (a decrease of 77.5% year on year). Selling, general and administrative expenses increased year on year due to active spending on advertising in order to capture paying smartphone service subscribers.

Net income was roughly unchanged from the same quarter last year at ¥185 million (an increase of 1.0% year on year). Despite the decline in ordinary income, net income grew slightly as extraordinary losses were much smaller and income taxes-current payments were all smaller.

Consolidated operating results (from October 1, 2012 to December 31, 2012)

(Millions of yen)

	Three months ended December 31, 2013	Three months ended December, 2012	Change	
			Amount	Percentage change
Net sales	7,331	7,485	(154)	(2.1%)
Gross profit	6,099	5,887	212	3.6%
Operating income	214	970	(756)	(77.9%)
Ordinary income	216	961	(745)	(77.5%)
Net income	185	183	1	1.0%

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, 2012 were ¥13.877 billion, a decrease of ¥93 million from September 30, 2012.

Current assets fell by ¥250 million, mainly due to decreases in cash and deposits and accounts receivable-trade. Noncurrent assets rose by ¥156 million, mainly due to an increase in software, which offset a decrease in goodwill.

Current liabilities rose by ¥301 million, mainly due to an increase in accounts payable-other despite an decrease in accounts payable-trade. Noncurrent liabilities rose by ¥27 million, mainly due to an increase in provision for retirement benefits.

Net assets decreased by ¥423 million, mainly due to the purchase of treasury stock and the payment of cash dividends, despite the recording of ¥185 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, 2012	13,877	8,499	58.0%	64,148.60
As of September 30, 2012	13,971	8,922	61.9%	66,868.98

(3) Qualitative Information on Forecast for Consolidated Financial Results

From the second quarter we will continue working to increase the number of paying subscribers for smartphone services and further enhance our service functions. We will also actively take steps to establish new growth businesses with an eye on medium-term growth.

We will take steps to increase the number of paying subscribers for iPhone services, continue to spend on active advertising in conjunction with the release of new smartphone models and bolster the service functions for each category.

For our music content services we are preparing a mechanism through which users can enjoy music in various settings. In the healthcare sector we plan to expand our *Luna-Luna* brand and develop healthcare-related businesses. For the e-book sector, a market with good growth prospects, we will continue to add popular titles and improve services with the aim of increasing the number of paying subscribers.

The number of registered IDs for our own *mopita* member authentication and payment platform for smartphones has been growing strongly and surpassed the seven-million mark as of January 31, 2013. We will strive to increase the number of registered IDs by further improving user convenience.

Earnings forecast for the half-year term ended September 30, 2013

(From October 1, 2012 to March 31, 2013)

Consolidated		
Net sales	¥14,500 million	(Decrease of 1.4% y-o-y)
Operating income	¥100 million	(Decrease of 91.3% y-o-y)
Ordinary income	¥100 million	(Decrease of 91.2% y-o-y)
Net income	¥50 million	(Decrease of 71.7% y-o-y)

Earnings forecast for the full-year term ended September 30, 2013

(From October 1, 2012 to September 30, 2013)

Consolidated		
Net sales	¥30,000 million	(Increase of 2.1% y-o-y)
Operating income	¥1,710 million	(Increase of 0.3% y-o-y)
Ordinary income	¥1,700 million	(Increase of 0.1% y-o-y)
Net income	¥750 million	(Increase of 585.3% y-o-y)

2 Summary Information (Other Information)

(1) Changes in Important Subsidiaries during the Period

None

(2) Adoption of Specific Accounting Methods for Producing Quartely Consolidated Financial Statement

None

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatementsts

(Changes to accounting policies which are difficult to distinguish from changes in accounting estimates)

From the first quarter of this fiscal year, we and our domestic consolidated subsidiaries changed the depreciation method for property, plant and equipment acquired on or after October 1, 2012 in accordance with the amended corporate tax law.

The effect of the above mentioned change on operating income, ordinary income and income before income taxes was negligible.

(4) Additional Information

None

3 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2012	As of December 31, 2012
ASSETS		
Current assets		
Cash and deposits	2,563,283	2,027,444
Accounts receivable-trade	6,188,642	6,245,494
Income taxes receivable	170,359	202,719
Deferred tax assets	377,178	358,318
Other	599,518	788,179
Allowance for doubtful accounts	(268,158)	(241,737)
Total current assets	9,630,823	9,380,419
Noncurrent assets		
Property, plant and equipment	218,095	213,705
Intangible assets		
Software	2,255,082	2,247,952
Goodwill	171,126	193,453
Other	57,546	71,110
Total intangible assets	2,483,755	2,512,517
Investments and other assets		
Investment securities	376,039	403,899
Lease and guarantee deposits	467,695	465,621
Deferred tax assets	751,034	773,302
Other	54,529	138,609
Allowance for doubtful accounts	(10,283)	(10,280)
Total investments and other assets	1,639,014	1,771,152
Total noncurrent assets	4,340,866	4,497,375
Total assets	13,971,689	13,877,795

(Thousands of yen)

	As of September 30, 2012	As of December 31, 2012
LIABILITIES		
Current liabilities		
Account payable-trade	1,233,354	1,044,499
Current portion of bonds	62,880	65,696
Current portion of long-term loans payable	99,118	49,069
Accounts payable-other	1,964,994	2,548,538
Income taxes payable	7,941	49,890
Provision for bonuses	—	145,886
Allowance for coin usage	420,925	430,197
Other	777,430	534,382
Total current liabilities	4,566,643	4,868,159
Noncurrent liabilities		
Provision for retirement benefits	363,365	399,933
Negative goodwill	67,894	65,615
Other	51,722	45,050
Total noncurrent liabilities	482,983	510,599
Total liabilities	5,049,626	5,378,758
NET ASSETS		
Shareholders' equity		
Capital stock	2,562,740	2,562,740
Capital surplus	3,078,260	3,078,260
Retained earning	3,394,389	3,062,607
Treasury stock	(397,409)	(695,269)
Total shareholders' equity	8,637,981	8,008,339
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,881	22,119
Foreign currency translation adjustment	5,427	22,564
Total valuation and translation adjustments	7,308	44,684
Subscription rights to shares	211,940	225,422
Minority interests	64,832	220,590
Total net assets	8,922,062	8,499,036
Total liabilities and net assets	13,971,689	13,877,795

(2) Consolidated Statements of Income

For the three months of the fiscal year ended September 30, 2012 and 2013

	(Thousands of yen)	
	For the three months ended March 31, 2012	For the three months ended March 31, 2013
Net sales	7,485,440	7,331,201
Cost of sales	1,597,964	1,231,402
Gross profits	5,887,475	6,099,798
Selling, general and administrative expenses	4,916,658	5,885,185
Operating income	970,817	214,613
Non-operating income		
Interest income	172	13
Amortization of negative goodwill	2,279	2,279
Gain on equity investments in affiliates	—	236
Gain on foreign exchange	—	163
Gain on reversal of subscription rights to shares	642	1,327
Other	3,069	3,569
Total non-operating income	6,163	7,590
Non-operating expenses		
Interest expenses	2,872	1,922
Equity in losses of affiliates	5,801	—
Other	6,482	4,262
Total non-operating expenses	15,156	6,185
Ordinary income	961,824	216,018
Extraordinary income		
Gain on sales of shares in affiliated companies	—	44,036
Total extraordinary income	—	44,036
Extraordinary loss		
Loss on retirement of noncurrent assets	4,556	16,109
Goodwill impairment loss	278,768	—
Total extraordinary losses	283,324	16,109
Income before income taxes	678,499	243,945
Income taxes-current	329,532	46,159
Income taxes-deferred	169,178	(9,923)
Total income taxes	498,711	36,236
Income before minority interests	179,788	207,709
Minority interests in income and loss	(3,694)	22,343
Net income	183,483	185,365

Consolidated statement of comprehensive income

For the three months of the fiscal year ended September 30, 2012 and 2013

	(Thousands of yen)	
	For the three months ended March 31, 2012	For the three months ended March 31, 2013
Income before minority interests	179,788	207,709
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,310)	20,238
Foreign currency translation adjustments	(3,525)	20,170
Share of other comprehensive income of associate accounted for using equity method	633	869
Total other comprehensive income	(31,203)	41,277
Comprehensive income	148,585	248,987
(Breakdown)		
Comprehensive income attributable to owners of the parent	152,279	222,741
Comprehensive income attributable to minority interests	(3,694)	26,245

(3) Notes concerning Going Concern Assumption

None

(4) Notes on Significant Changes in Shareholders' Equity

None