



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

May 8, 2013

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 Stock code: 9438  
 Shares listed: Osaka Securities Exchange  
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 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, 2013 (From October 1, 2012 to March 31, 2013) (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, 2013	14,822 (0.8%)	-107 (-)	-96 (-)	-121 (-)
For the six months ended March 31, 2012	14,700 (-10.0 %)	1,150 (-35.3%)	1,140 (-35.5%)	176 (-80.8%)

#### (Note) Comprehensive Income

For the six months ended March 31, 2013: -57 millions of yen (-%)  
 For the six months ended March 31, 2012: 158 millions of yen (-83.0%)

	Net income per share (Yen)	Net income per share diluted (Yen)
For the six months ended March 31, 2013	-9.57	—
For the six months ended March 31, 2012	13.56	—

We conducted a 100-for-1 share split which became effective as of April 1, 2013. Net income per share is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year.

### (2) Consolidated Financial Position

(Millions of yen except for per share amounts)

	Total assets	Net assets	Equity ratio
As of March 31, 2013	13,771	8,214	56.2%
As of September 30, 2012	13,971	8,922	61.9%

#### (Reference) Shareholders' equity

As of March 31, 2013: 7,746 millions of yen  
 As of September 30, 2012: 8,645 millions of 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)				20.00	20.00

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

We plan to conduct a 100-for-1 share split on March 31, 2013. The dividend forecasts for the fiscal year ended 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	29,400 (0.1 %)	500 (-70.7 %)	470 (-72.3 %)	150 (37.1 %)	11.95

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

Net income per share in the consolidated forecast for the fiscal year ended September 30, 2013 takes 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.

## ※Notes

(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 to accounting principles, changes to accounting estimate and restatements

(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	13,368,800 shares	As of September 30, 2012	13,368,800 shares
(ii) Number of treasury stock at end of year	As of December 31, 2013	815,100 shares	As of September 30, 2012	440,100 shares
(iii) Weighted average number of shares	For the six months ended March 31, 2013	12,656,150 shares	For the six months ended March 31, 2012	13,044,509 shares

We conducted a 100-for-1 share split which became effective as of April 1, 2013. The numbers of shares in (i), (ii) and (iii) above have been calculated assuming that the stock split was instituted on at the beginning of the previous fiscal year.

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 May 10, 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.

**Table of Contents**

<b>1</b>	<b>Qualitative Information on Results for the Second Quarter under Review</b> .....	<b>2</b>
(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
<b>2</b>	<b>Summary Information (Other Information)</b> .....	<b>5</b>
(1)	Changes in Important Subsidiaries during the Period .....	5
(2)	Application of Specific Accounting Methods for Producing Quarterly Consolidated .....	5
(3)	Changes to Accounting Policies, Changes to Accounting Estimates and Restatements .....	5
(4)	Additional Information .....	5
<b>3</b>	<b>Quarterly Consolidated Financial Statements</b> .....	<b>6</b>
(1)	Consolidated Balance Sheets .....	6
(2)	Quarterly Consolidated Statements of Income and Loss and Comprehensive Income .....	8
(3)	Quarterly Consolidated Statements of Cash Flows.....	10
(4)	Notes Concerning Going Concern Assumption .....	11
(5)	Notes on Significant Changes in Shareholders' Equity .....	11

## 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, 2013

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

In the second quarter, we actively carried out promotions in order to further increase the number of paying subscribers for smartphone services at the timing of the release of new smartphone models in the selling season (December and March).

As a result, we were able to steadily increase the number of paying subscribers for the main categories of music content and health information services as well as e-books such as comics and novels. The number of paying subscribers for smartphone services stood at 4.26 million as of March 31, 2013 (an increase of approximately 1.13 million subscribers compared to September 30, 2012).

On the other hand, looking at services for feature phones, the migration from feature phones to smartphones has been proceeding, but the overall pace of this migration has been slowing down. The number of paying subscribers for the services was 4.0 million people as of March 31, 2013 (a decrease of approximately 1.0 million subscribers compared to September 30, 2012).

As a result of the above, the total number of paying subscribers as of March 31, 2013 was 8.26 million (an increase of approximately 130,000 subscribers compared to September 30, 2012). In addition, the number of paying subscribers slightly increased for three quarters in a row from September 30, 2012. The paying subscribers for smartphones services have now become the majority, standing at 51.6%.

Net sales increased to 14.822 billions of yen (an increase of 0.8% year on year), which is the same level as the same period last year. The overall number of paying subscribers has declined compared to the same period last year, but a consolidated subsidiary Jibe Mobile K.K. had steady orders for the development of carrier systems.

Gross profit increased to 12.305 millions of yen (an increase of 5.2% year on year) as the cost of sales ratio fell (to 17.0% from 20.4% year on year) due mainly to a decline in the number of music service downloads.

Though gross profit increased, operating income, ordinary income and net income showed losses 107 millions of yen, 96 millions of yen and 121 million of yen respectively. These were the results of our action where selling, general and administrative expenses (mainly advertising expenses) increased due to active spending in order to capture paying subscribers for the selling season, and we acquired a record high number of subscribers.

#### Consolidated operating results (from October 1, 2012 to March 31, 2013) (Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2012	Change	
			Amount	Percentage change
Net sales	14,822	14,700	122	0.8%
Gross profit	12,305	11,695	609	5.2%
Operating income	(107)	1,150	(1,257)	-
Ordinary income	(96)	1,140	(1,237)	-
Net income	(121)	176	(298)	-

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, 2013 were 13.771 billions of yen, a decrease of 199 millions of yen from September 30, 2012.

In assets section, current assets fell by 442 millions of yen, due to an increase in accounts receivable-trade despite a decrease in cash and deposits. Noncurrent assets rose by 242 millions of yen, mainly due to an increase in software and deferred tax assets.

In liabilities section, current liabilities rose by 433 millions of yen due to a decrease in accounts payable-trade despite mainly due to an increase in accounts payable-other. Noncurrent liabilities rose by 74 millions of yen mainly due to an increase in provision for retirement benefit.

Net assets decreased by 708 millions of yen, due to a 121 millions of yen of net loss, purchase of treasury stock and the payment of dividends.

	Total assets (Millions of yen)	Net assets (Millions of yen)	Equity ratio	Net assets per share (Yen)
As of March 31, 2013	13,771	8,214	56.2%	617.03
As of September 30, 2012	13,971	8,922	61.9%	668.69

Notes: We conducted a 100-for-1 share split as an effective date on April 1, 2013. Net assets per share as of September 30, 2012 were estimated in taking into account this share split.

**2) Consolidated cash flows**

Cash and cash equivalents as of March 31, 2013 totaled 1.927 billions of yen, a decrease of 636 millions of yen from March 31, 2012. Cash flows and factors affecting cash flows in the six months ended September 30, 2013 are as follows.

Net cash provided by operating activities was 1.132 billions of yen, principally due to an increase in depreciation and accounts payable-other, despite a net loss before taxes, depreciation costs and receivables, an increase in trade accounts receivable, and a decrease in trade payables (1.796 billions of yen in the same period of the last fiscal year.)

Net cash provided by investing activities was 890 millions of yen, compared with 869 millions of yen in the six months ended March 31, 2012 principally due to payments for the purchase of intangible fixed assets (mainly software).

Net cash provided by financing activities was 914 millions of yen, compared with 1,083 millions of yen in the six months ended March 31, 2012 principally due the purchase of treasury stock and the payment of cash dividends.

	(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 the end of period
Six months ended March 31, 2013	1,132	(890)	(914)	1,927
Six months ended March 31, 2012	1,796	(869)	(1,083)	2,945
Year ended September 30, 2012	2,682	(2,062)	(1,167)	2,563

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

As in the first half, we will continue to engage in increasing the number of paying subscribers for smartphone services in the second half. Though we had a good result in terms of acquiring paid subscribers in the first half, there are still some problems in terms of the efficiency of our promotions and so we will also take steps to improve this efficiency at the same time.

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 models while being aware of the efficiency of promotions 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 eight-million mark in April, 2013. We will strive to increase the number of registered IDs by further improving user convenience.

We will work on achieving our consolidated forecast through the steps above. In order to establish a successful model for our smartphone business we must solve a pressing issue of how to improve the efficiency of our promotions. We will do our utmost to increase the number of paying subscribers and to ensure profitability from the next fiscal year.

Regarding full year earnings forecast released as of October 31, 2012, we revised it as released today in “The notice of deference between the result and the earnings forecast in the second quarter of fiscal year ended September 30, 2013, revised full-year forecast, and revised full –year dividends.”

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

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

Consolidated		
Net sales	¥29,400 million	(an increase of 0.1%, year on year)
Operating income	¥500 million	(a decrease of 70.7%, year on year)
Ordinary income	¥470 million	(a decrease of 72.3%, year on year)
Net income	¥150 million	(an increase of 37.1%, year on year)

## **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 and Restatements**

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

From the first quarter of this consolidated 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 this on operating loss and ordinary loss and net loss before income taxes for the second quarter of the current fiscal year was negligible.

### **(4) Additional Information**

None

### 3 Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2012	As of March 31, 2013
<b>ASSETS</b>		
Current assets		
Cash and deposits	2,563,283	1,927,253
Accounts receivable-trade	6,188,642	6,418,056
Income taxes receivable	170,359	—
Deferred tax assets	377,178	424,534
Other	599,518	638,145
Allowance for doubtful accounts	(268,158)	(219,316)
Total current assets	9,630,823	9,188,672
Noncurrent assets		
Property, plant and equipment	218,095	205,436
Intangible assets		
Software	2,255,082	2,389,280
Goodwill	171,126	173,360
Other	57,546	74,383
Total intangible assets	2,483,755	2,637,025
Investments and other assets		
Investment securities	376,039	332,556
Lease and guarantee deposits	467,695	463,548
Deferred tax assets	751,034	824,295
Other	54,529	130,600
Allowance for doubtful accounts	(10,283)	(10,280)
Total investments and other assets	1,639,014	1,740,721
Total noncurrent assets	4,340,866	4,583,182
Total assets	13,971,689	13,771,855



(Thousands of yen)

	As of September 30, 2012	As of March 31, 2013
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	1,233,354	1,015,464
Current portion of convertible bonds	62,880	74,008
Current portion of long-term loans payable	99,118	—
Accounts payable-other	1,964,994	2,758,678
Income taxes payable	7,941	77,796
Allowance for coin usage	420,925	389,094
Other	777,430	685,588
Total current liabilities	4,566,643	5,000,631
Noncurrent liabilities		
Provision for retirement benefits	363,365	436,501
Negative goodwill	67,894	63,335
Other	51,722	57,345
Total noncurrent liabilities	482,983	557,182
Total liabilities	5,049,626	5,557,813
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	2,562,740	2,562,740
Capital surplus	3,078,260	3,078,260
Retained earnings	3,394,389	2,756,250
Treasury stock	(397,409)	(695,269)
Total shareholders' equity	8,637,981	7,701,981
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,881	29,530
Foreign currency translation adjustment	5,427	14,513
Total valuation and translation adjustments	7,308	44,043
Subscription rights to shares	211,940	245,140
Minority interests	64,832	222,875
Total net assets	8,922,062	8,214,041
Total liabilities and net assets	13,971,689	13,771,855

**(2) Quarterly Consolidated Statements of Income and Loss and Comprehensive Income**

Quarterly consolidated Statements of Income and Loss

[For the six months of the fiscal year ended September 30, 2012 and 2013]

	(Thousands of yen)	
	For the six months ended March 31, 2012	For the six months ended March 31, 2013
Net sales	14,700,620	14,822,933
Cost of sales	3,005,230	2,517,728
Gross profit	11,695,389	12,305,205
Selling, general and administrative expenses	10,545,236	12,412,546
Operating income (loss)	1,150,152	(107,341)
Non-operating income		
Interest income	86	93
Amortization of negative goodwill	4,558	4,558
Gain on equity investments in affiliates	—	1,953
Interest on refund	—	6,169
Gain on reversal of subscription rights to shares	4,513	2,219
Other	6,217	5,456
Total non-operating income	15,376	20,450
Non-operating expenses		
Interest expenses	5,564	4,097
Equity in losses of affiliates	12,090	—
Commission for purchase of treasury stock	2,690	2,388
Other	5,131	3,587
Total non-operating expenses	25,476	10,073
Ordinary income (loss)	1,140,051	(96,964)
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	61,809	24,818
Loss on valuation of investment securities	—	86,939
Goodwill impairment loss	278,768	—
Settlement package	41,095	—
Total extraordinary losses	381,672	111,758
Income (loss) before income taxes	758,378	(164,686)
Income taxes-current	507,082	49,401
Income taxes-deferred	87,114	(114,414)
Total income taxes	594,197	(65,013)
Income (loss) before minority interests	164,181	(99,673)
Minority interests in income (loss)	(12,762)	21,504
Net income (loss)	176,943	(121,178)

Quarterly Consolidated Statements of Comprehensive Income  
 [For the six months of the fiscal year ended September 30, 2012 and 2013]

	(Thousands of yen)	
	For the six months ended March 31, 2012	For the six months ended March 31, 2013
Income before minority interests (loss)	164,181	(99,673)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,084)	27,649
Foreign currency translation adjustments	(6,385)	12,085
Share of other comprehensive income of associate accounted for using equity method	1,852	2,526
Total other comprehensive income	(5,617)	42,261
Comprehensive income	158,563	(57,412)
(Breakdown)		
Comprehensive income attributable to owners of the parent	171,326	(84,442)
Comprehensive income attributable to minority interests	(12,762)	27,030

**(3) Quarterly Consolidated Statements of Cash Flows**

	(Thousands of yen)	
	For the six months ended March 31, 2012	For the six months ended March 31, 2013
Net cash provided by operating activities		
Income before income taxes	758,378	(164,686)
Depreciation and amortization	673,558	876,399
Increase (decrease) in allowance for coin usage	(26,787)	(31,830)
Increase (decrease) in reserve for retirement benefits	54,421	73,135
Interest and dividends income	(472)	(332)
Interest expenses	5,564	4,097
Loss on retirement of non-current assets	61,809	24,818
Loss (gain) on devaluation of investment securities	—	86,939
Goodwill impairment loss	278,768	—
Decrease (increase) in notes and accounts receivable-trade	697,308	(220,915)
Increase (decrease) in notes and accounts payable-trade	(127,922)	(218,539)
Increase (decrease) in accounts payable-other	491,968	792,632
Other,net	(81,388)	(262,441)
Subtotal	2,785,206	959,276
Interest and dividends income received	472	332
Interest expenses paid	(5,564)	(4,097)
Income taxes paid	(983,736)	176,724
Net cash provided by operating activities	1,796,377	1,132,236
Net cash provided by investing activities		
Purchase of intangible fixed assets	(799,012)	(1,013,642)
Purchase of investment securities	(45,000)	(800)
Purchase of stocks of subsidiaries and affiliates	(700)	(90,600)
Proceeds from sales of stocks of subsidiaries and affiliates	—	226,500
Proceeds from collection of lease and guarantee deposits	1,393	—
Other,net	(26,096)	(11,470)
Net cash provided by investing activities	(869,415)	(890,012)
Net cash provided by financing activities		
Repayment of long-term loans payable	(100,098)	(99,118)
Purchase of treasury stock	(422,693)	(297,860)
Cash dividends paid	(534,752)	(517,148)
Other,net	(26,093)	—
Net cash provided by financing activities	(1,083,636)	(914,126)
Effect of exchange rate change on cash and cash equivalents	(6,385)	35,872
Net increase (decrease) in cash and cash equivalents	(163,060)	(636,029)
Cash and cash equivalents at beginning of period	3,108,759	2,563,283
Cash and cash equivalents at end of period	2,945,699	1,927,253

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

None

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

None