



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

August 6, 2013

Company name: MTI Ltd.
 Stock code: 9438
 Shares listed: Tokyo Stock Exchange (JASDAQ)
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 Scheduled date of filing of quarterly report: August 13, 2013
 Scheduled date of start of dividend payment: —

(Figures less than one million yen are omitted)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ended September 30, 2013 (From October 1, 2012 to June 30, 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 June 30, 2013 | 22,585 (2.9%) | 727 (-56.1%) | 735 (-55.3%) | 322 (-21.5%) |
| For the six months ended June 30, 2012 | 21,952 (-10.4%) | 1,654 (-41.8%) | 1,646 (-41.9%) | 411 (-72.7%) |

(Note) Comprehensive Income

For the nine months ended June 30, 2013: 429 millions of yen (15.5%)
 For the nine months ended June 30, 2012: 371 millions of yen (-75.1%)

| | Net income per share (Yen) | Net income per share diluted (Yen) |
|--|-------------------------------|---------------------------------------|
| For the nine months ended June 30, 2013 | 25.56 | — |
| For the nine months ended June 30, 2012 | 31.61 | — |

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 June 30, 2013 | 15,086 | 8,714 | 54.3% |
| As of September 30, 2012 | 13,971 | 8,922 | 61.9% |

(Reference) Shareholders' equity

As of June 30, 2013: 8,188 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 : None

We conducted a 100-for-1 share split which became effective as of April 1, 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 : None

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 ¥1,194.87.

※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 June 30, 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 June 30, 2013 | 815,100 shares | As of September 30, 2012 | 440,100 shares |
| (iii) Weighted average number of shares | For the nine months ended June 30, 2013 | 12,622,000 shares | For the nine months ended June 30, 2012 | 13,000,528 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 August 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 was conducted and took effective date as of April 1, 2013 and shares was traded in units of 100.

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1 Qualitative Information on Results for the Third Quarter under Review

(1) Qualitative Information on Consolidated Operating Results

Overview of the nine months of the fiscal year ended September 30, 2013

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

In the third 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, 2012 and March, 2013). We also took steps to improve the efficiency at the same time.

The increase of the number of paying subscribers for smartphone services was moderate because of the changeover period (from April to June) of the release of new smartphone models, but we were able to increase the number of paying subscribers for the main services of music content and health information services as well as e-books in the selling season. The number of paying subscribers for smartphone services stood at 4.41 million as of June 30, 2013 (an increase of approximately 1.28 million subscribers compared to September 30, 2012).

On the other hand, looking at the number of paying subscribers for feature phones, the migration from feature phones to smartphones has been proceeding, but the overall pace of this migration has been slowing down compared to the same period last year. The number of paying subscribers for the services was 3.53 million as of June 30, 2013 (a decrease of approximately 1.47 million subscribers compared to September 30, 2012).

As a result of the above, the total number of paying subscribers as of June 30, 2013 was 7.94 million (a decrease of approximately 190,000 subscribers compared to September 30, 2012). In addition, the ratio of the paying subscribers for smartphones services rose to 55.5%.

Net sales increased to 22.585 billions of yen (an increase of 2.9% year on 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 18.64 billions of yen (an increase of 6.0% year on year) as net sales increased and the cost of sales ratio fell (to 17.5% from 19.9% 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 stood at 727 millions of yen (a decrease of 56.1% year on year), 735 millions of yen (a decrease of 55.3% year on year), and 322 millions of yen (a decrease of 21.5% year on year) respectively. These were the results of our action where selling, general and administrative expenses (mainly advertising expenses) increased substantially due to active promotions in order to capture paying subscribers in the first half.

Also, we marked increases both in sales and profit in the third quarter fiscal period compared to the same period last year.

Consolidated operating results (from October 1, 2012 to June 30, 2013)

(Millions of yen)

| | Nine months ended September 30, 2013 | Nine months ended September 30, 2012 | Change | |
|------------------|---|---|--------|----------------------|
| | | | Amount | Percentage change |
| Net sales | 22,585 | 21,952 | 632 | 2.9% |
| Gross profit | 18,640 | 17,591 | 1,048 | 6.0% |
| Operating income | 727 | 1,654 | (927) | (56.1%) |
| Ordinary income | 735 | 1,646 | (911) | (55.3%) |
| Net income | 322 | 411 | (88) | (21.5%) |

Note: Figures less than one million yen are omitted.

| Consolidated operating results (from April 1, 2013 to June 30, 2013) | | | (Millions of yen) | |
|--|-------------------------------------|-------------------------------------|-------------------|----------------------|
| | Three months ended June 30, 2013 | Three months ended June 30, 2012 | Change | |
| | | | Amount | Percentage change |
| Net sales | 7,762 | 7,251 | 510 | 7.0% |
| Gross profit | 6,334 | 5,896 | 438 | 7.4% |
| Operating income | 834 | 504 | 329 | 65.3% |
| Ordinary income | 832 | 506 | 325 | 64.3% |
| Net income | 443 | 234 | 209 | 89.6% |

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 June 30, 2013 were 15.086 billions of yen, a increase of 1,114 millions of yen from September 30, 2012.

In assets section, current assets rose by 461 millions of yen, mainly due to an increase in cash and deposits. Noncurrent assets rose by 653 millions of yen, mainly due to an increase in software and investment securities.

In liabilities section, current liabilities rose by 737 millions of yen mainly due to increases in accounts payable-other and income taxes payable despite due to a decrease in accounts payable-trade. Noncurrent liabilities rose by 584 millions of yen, due to mainly an increase in long-term loans payable.

Net assets decreased by 207 millions of yen mainly due to purchase of treasury stock and the payment of dividends despite due to a 322 millions of yen of net income and an increase in minority interest.

| | Total assets (Millions of yen) | Net assets (Millions of yen) | Equity ratio | Net assets per share (Yen) |
|--------------------------|-----------------------------------|---------------------------------|--------------|-------------------------------|
| As of June 30, 2013 | 15,086 | 8,714 | 54.3% | 652.29 |
| 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.

(3) Qualitative Information on Forecast for Consolidated Financial Results

In the fourth quarter, in order to increase the number of paying subscribers and to ensure profitability from September, 2014, we will continue to engage in increasing the number of paying subscribers for smartphone services and take steps to improve promotion efficiency at the same time.

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 not only for women but also men.

For the e-books 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 nine-million mark in July, 2013. We will continue to strive to enhance functions to improve user convenience.

In the earnings forecast for the full-year term ended September 30, 2013, operating income, ordinary income and net income are higher than the forecast in the third quarter. However, the figures are the same as the ones released on May 8, 2013, because we will take a step to improve promotion efficiency and actively carry out promotions for the selling season in the fourth quarter.

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 income and ordinary income and net income before income taxes for the third 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 June 30, 2013 |
|------------------------------------|--------------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 2,563,283 | 2,920,549 |
| Accounts receivable-trade | 6,188,642 | 6,276,998 |
| Income taxes receivable | 170,359 | — |
| Deferred tax assets | 377,178 | 321,023 |
| Other | 599,518 | 771,526 |
| Allowance for doubtful accounts | (268,158) | (197,980) |
| Total current assets | 9,630,823 | 10,092,117 |
| Noncurrent assets | | |
| Property, plant and equipment | 218,095 | 197,356 |
| Intangible assets | | |
| Software | 2,255,082 | 2,426,825 |
| Goodwill | 171,126 | 153,268 |
| Other | 57,546 | 86,588 |
| Total intangible assets | 2,483,755 | 2,666,682 |
| Investments and other assets | | |
| Investment securities | 376,039 | 728,450 |
| Lease and guarantee deposits | 467,695 | 465,030 |
| Deferred tax assets | 751,034 | 862,501 |
| Other | 54,529 | 84,419 |
| Allowance for doubtful accounts | (10,283) | (10,280) |
| Total investments and other assets | 1,639,014 | 2,130,121 |
| Total noncurrent assets | 4,340,866 | 4,994,159 |
| Total assets | 13,971,689 | 15,086,277 |

(Thousands of yen)

| | As of September 30, 2012 | As of June 30, 2013 |
|---|--------------------------|---------------------|
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable-trade | 1,233,354 | 926,129 |
| Current portion of convertible bonds | 62,880 | 80,944 |
| Current portion of long-term loans payable | 99,118 | — |
| Accounts payable-other | 1,964,994 | 2,404,801 |
| Income taxes payable | 7,941 | 364,313 |
| Provision for bonuses | — | 147,818 |
| Allowance for coin usage | 420,925 | 385,702 |
| Other | 777,430 | 994,545 |
| Total current liabilities | 4,566,643 | 5,304,255 |
| Noncurrent liabilities | | |
| Long-term loans payable | — | 500,000 |
| Provision for retirement benefits | 363,365 | 473,068 |
| Negative goodwill | 67,894 | 61,056 |
| Other | 51,722 | 33,341 |
| Total noncurrent liabilities | 482,983 | 1,067,466 |
| Total liabilities | 5,049,626 | 6,371,721 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 2,562,740 | 2,562,740 |
| Capital surplus | 3,078,260 | 3,078,260 |
| Retained earnings | 3,394,389 | 3,200,229 |
| Treasury stock | (397,409) | (695,269) |
| Total shareholders' equity | 8,637,981 | 8,145,961 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 1,881 | 30,690 |
| Foreign currency translation adjustment | 5,427 | 11,948 |
| Total valuation and translation adjustments | 7,308 | 42,639 |
| Subscription rights to shares | 211,940 | 258,455 |
| Minority interests | 64,832 | 267,500 |
| Total net assets | 8,922,062 | 8,714,555 |
| Total liabilities and net assets | 13,971,689 | 15,086,277 |

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

Quarterly consolidated Statements of Income and Loss

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

| | (Thousands of yen) | |
|---|--|--|
| | For the nine months ended June 30, 2012 | For the nine months ended June 30, 2013 |
| Net sales | 21,952,410 | 22,585,268 |
| Cost of sales | 4,360,991 | 3,945,234 |
| Gross profit | 17,591,418 | 18,640,033 |
| Selling, general and administrative expenses | 15,936,432 | 17,912,955 |
| Operating income | 1,654,985 | 727,078 |
| Non-operating income | | |
| Interest income | 100 | 101 |
| Dividends income | 4,105 | 3,958 |
| Amortization of negative goodwill | 6,838 | 6,838 |
| Gain on equity investments in affiliates | — | 595 |
| Interest on refund | — | 6,169 |
| Gain on reversal of subscription rights to shares | 6,148 | 3,786 |
| Other | 6,642 | 6,063 |
| Total non-operating income | 23,835 | 27,512 |
| Non-operating expenses | | |
| Interest expenses | 7,759 | 6,320 |
| Equity in losses of affiliates | 15,371 | — |
| Commission for purchase of treasury stock | 2,690 | 2,388 |
| Other | 6,106 | 10,112 |
| Total non-operating expenses | 31,927 | 18,821 |
| Ordinary income | 1,646,893 | 735,768 |
| 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 | 105,475 | 32,945 |
| Loss on valuation of investment securities | — | 86,939 |
| Goodwill impairment loss | 278,768 | — |
| Settlement package | 41,095 | — |
| Total extraordinary losses | 425,338 | 119,885 |
| Income before income taxes | 1,221,554 | 659,919 |
| Income taxes-current | 626,316 | 340,195 |
| Income taxes-deferred | 192,846 | (66,877) |
| Total income taxes | 819,163 | 273,317 |
| Income before minority interests | 402,391 | 386,601 |
| Minority interests in income (loss) | (8,615) | 64,026 |
| Net income | 411,007 | 322,575 |

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

| | (Thousands of yen) | |
|---|--|--|
| | For the nine months ended June 30, 2012 | For the nine months ended June 30, 2013 |
| Income before minority interests | 402,391 | 386,601 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (26,424) | 28,809 |
| Foreign currency translation adjustments | (5,068) | 9,966 |
| Share of other comprehensive income of associate accounted for using equity method | 1,055 | 4,183 |
| Total other comprehensive income (loss) | (30,437) | 42,959 |
| Comprehensive income | 371,954 | 429,561 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of the parent | 380,569 | 357,906 |
| Comprehensive income (loss) attributable to minority interests | (8,615) | 71,655 |

(3) Notes Concerning Going Concern Assumption

None

(4) Notes on Significant Changes in Shareholders' Equity

None