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Summary of Consolidated Financial Results for the First Half of
Fiscal Year ending September 30, 2014 (Japanese Accounting Standards)

May 7, 2014

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
Securities Code: 9438 URL: <http://www.mti.co.jp>
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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 13, 2014
Scheduled date of dividend payment: June 16, 2014
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors)

(Figures less than one million yen are omitted)

1. Consolidated Business Results for the Six Months Ended March 31, 2014
(October 1, 2013 – March 31, 2014)

(1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half of FY2014	15,279	3.1	1,304	–	1,310	–	790	–
First half of FY2013	14,822	0.8	-107	–	-96	–	-121	–

(Note) Comprehensive income: Six months ended March 31, 2014: 818 million yen (–)
Six months ended March 31, 2013: -57 million yen (–)

	Net income per share	Net income per share/diluted
	Yen	Yen
First half of FY2014	31.49	31.27
First half of FY2013	-4.79	–

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. Net income per share is based on the number of shares after the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
Year ending 9/14 (as of March 31, 2014)	16,806	9,408	53.1
Year ended 9/13	15,646	8,869	53.7

(Reference) Shareholders' equity: Year ending 9/14(as of March 31, 2014): 8,926 million yen
Year ended September 2013: 8,402 million yen

2. Dividends

	Dividend per share				
	End of first quarter	End of interim period	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended 9/13	–	0.00	–	25.00	25.00
Year ending 9/14	–	10.00			
Year ending 9/14 (forecast)				10.00	–

(Note) Revisions to dividend forecasts published most recently: No

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. The dividend per share at the end of the interim period of the fiscal year ending September 30, 2014 is calculated based on the number of shares before the stock split, but the year-end dividend per share (forecast) is calculated based on the number of shares after the stock split. For more information, please refer to "Cautionary statement with respect to forward-looking statements, special note."

3. Forecast for Consolidated Business Results for the Fiscal Year Ending September 30, 2014
(October 1, 2013 – September 30, 2014)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	31,500	4.4	1,800	56.6	1,750	56.3	990	91.6	39.42

(Note) Revisions to forecasts for consolidated business results published most recently: Yes

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014. The net income per share above is a figure after the stock split. Net income per share before the stock split was ¥78.84

(1) Important changes of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: –

Exception: –

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to the modification in accounting methods: Not applicable

(ii) Changes in accounting policies other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(4) Number of outstanding shares (common shares)

(i) Number of shares outstanding at the end of period (including treasury shares):

3/14: 26,744,000 shares 9/13: 26,737,600 shares

(ii) Number of treasury shares at the end of period

3/14: 1,630,464 shares 9/13: 1,630,200 shares

(iii) Average number of shares during the period (quarterly consolidated cumulative period)

Six months ended 3/14: 25,109,558 shares Six months ended 3/13: 25,312,300 shares

The Company conducted a 100-for-1 common stock split that became effective on April 1, 2013 and a 2-for-1 common stock split that became effective on April 1, 2014. The number of shares issued at the end of the period (including treasury stock), the number of treasury stock shares at the end of the period, and the average number of shares during the period are numbers after these stock splits.

* Status of a quarterly review

A quarterly review under the Financial Instruments and Exchange Act was being conducted at the publication of this summary of consolidated financial results.

* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. The information on consolidated earnings forecasts and other future forecasts on page 4 of the Accompanying Materials describes notes on the assumptions of the earnings forecasts and the use of the earnings forecasts.

The Company will hold a briefing on earnings in the first three quarters chiefly for institutional investors on Friday, May 9, 2014. A video of the briefing and a document to be used at the briefing will be posted on the Company's website as soon as the briefing ends.

Special note

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014.

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1 Qualitative Information on Financial Results or the First Half Ended March 31, 2014

(1) Explanation on operating results

Overview of the first half ended March 31, 2014 (from October 1, 2013 to March 31, 2014)

During the second quarter under review, the business environment in which we operate saw expansion in the volume of smartphone sales, bolstered by the start of iPhone sales by all cellphone carriers, as well as a last-minute surge in demand before the consumption tax hike and cash-back campaigns by cellphone carriers in the biggest selling season in March.

Under such circumstances, we conducted aggressive promotions in the biggest selling season (March) and focused on increasing the number of paying subscribers for smartphone services. As a result, the number of paying subscribers for the services increased to 5.33 million as of March 31, 2014 (an increase of approximately 570,000 subscribers compared to September 30, 2013).

Meanwhile, the net number of paying subscribers for feature phones continued to decline, albeit at a slowing pace, amid the migration to smartphones, and the number of paying subscribers for the services stood at 2.84 million as of March 31, 2014 (a decrease of approximately 440,000 subscribers compared to September 30, 2013).

As a result of the above, the total number of paying subscribers as of March 31, 2014 was 8.17 million (an increase of approximately 130,000 subscribers compared to September 30, 2013).

Net sales increased slightly to ¥15,279 million (an increase of 3.1% year on year) due to growth in real affiliate business, which promotes sales of the content of other companies at cellphone shops around Japan. Gross profit also increased slightly to ¥12,803 million (an increase of 4.0% year on year).

Operating income increased to ¥1,304 million (an increase of ¥1,412 million year on year) and ordinary income to ¥1,310 million (an increase of ¥1,407 million year on year), while net income climbed to ¥790 million (an increase of ¥911 million). This growth was brought about by the fact that selling, general and administrative expenses decreased largely due to less spending on advertising year on year.

Consolidated Business Results

(October 1, 2013 to March 31, 2014)

(Unit: million yen)

	First half of the fiscal year ending September 30, 2014	First half of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Net sales	15,279	14,822	+456	+3.1%
Cost of sales	2,476	2,517	-41	-1.7%
Gross profit	12,803	12,305	+498	+4.0%
Selling, general and administrative expenses	11,498	12,412	-913	-7.4%
Operating income	1,304	-107	+1,412	—
Ordinary income	1,310	-96	+1,407	—
Net income	790	-121	+911	—

Breakdown of selling, general and administrative expenses

(October 1, 2013 to March 31, 2014)

(Unit: million yen)

	First half of the fiscal year ending September 30, 2014	First half of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Total	11,498	12,412	-913	-7.4%
Advertising expenses	4,078	4,901	-822	-16.8%
Personnel expenses	2,826	2,833	-7	-0.3%
Commission fee	1,641	1,635	+6	+0.4%
Subcontract expenses	898	916	-18	-2.0%
Depreciation	886	865	+20	+2.4%
Other	1,167	1,259	-92	-7.3%

(2) Explanation on consolidated financial position

Assets, Liabilities and Net Assets

Total assets as of March 31, 2014 were 16.806 billions of yen, an increase of 1,159 millions of yen from September 30, 2013.

In the assets section, current assets increased by ¥1,083 million, mainly due to an increase in cash and deposits. Noncurrent assets rose by ¥76 million largely owing to expansion in deferred tax assets.

In the liabilities section, current liabilities climbed ¥470 million, primarily due to an increase in accounts-payable other. Noncurrent liabilities rose by ¥149 million yen, due mainly to an increase in long-term loans payable and an increase in provision for retirement benefits.

Net assets increased by ¥539 million due to the recording of ¥790 million in net income, despite the payment of cash dividends.

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half of the fiscal year ending September 30, 2014	16,806	9,408	53.1%	710.87
Fiscal year ended September 30, 2013	15,646	8,869	53.7%	669.30

Cash Flows

As at the end of the second quarter under review, the balance of cash and cash equivalents totalled ¥4,235 million, up ¥818 million from September 30, 2013. The status of each cash flow and the primary reasons for increases/decreases as of the end of the first half under review are as follows:

Net cash provided by operating activities was ¥2,027 million (compared with net cash provided of ¥1,132 million in the same period of the previous year), mainly reflecting the recording of income before income taxes and increases in depreciation and amortization and accounts payable-other.

Net cash provided by investing activities was ¥923 million (compared with net cash used of ¥890 million in the same period of the previous year), mainly due to purchase of intangible fixed assets (mainly software).

Net cash provided by financing activities was ¥291 million (compared with net cash used of ¥914 million in the same period of the previous year), mainly due to the cash dividends paid.

	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 year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2014	2,027	-923	-291	4,235
As of March 31, 2013	1,132	-890	-914	1,927
As of September 30, 2013	3,483	-2,389	-414	3,416

(3) Explanation of future forecast information including consolidated forecast for the fiscal year 2014

From the third quarter, we plan to continue leveraging our unique advantage, which lies in having by far the largest sales channel (real affiliate business network) to promote sales of our own content and content of other companies at cellphone shops across Japan, and to expand the number of paying subscribers for smartphone services.

From April, we will gradually establish more sales offices across Japan so that each office provides more conscientious sales promotion support to cellphone shops, and we will increase the number of cellphone shops that handle our content and that of other companies and work to increase the number of visitors to shops who subscribe to content.

In the medium term, we will prepare to launch integrated download services combining music distribution, book (and comic) distribution and video distribution services, to provide more customers with more user-friendly, convenient services. As a first step, we plan to launch an integrated download service for music distribution and book distribution, which are our core strengths, this summer.

In addition, we will step up initiatives in the health services market, where there is strong potential

demand, including sales of the cancer genetic testing kit (launched in April 2014) sold by our consolidated subsidiary EverGene Ltd. and strengthening of the maternity field in health information for women.

The consolidated forecast for the fiscal year ending September 30, 2014 is as shown in “Notice regarding revision to full-year consolidated forecast for the fiscal year ending September 30, 2014” released today.

Forecast for consolidated business results for the fiscal year ending September 30, 2014
(October 1, 2013 to September 30, 2014)

Forecast for consolidated business results		
Net sales	31,500 million yen	(Up 4.4% year on year)
Operating income	1,800 million yen	(Up 56.6% year on year)
Ordinary income	1,750 million yen	(Up 56.3% year on year)
Net income	990 million yen	(Up 91.6% year on year)

2 Matters Relating to Summary Information (Notes)

(1) Changes in important subsidiaries during the period

Not applicable.

(2) Adoption of specific accounting methods for producing quarterly consolidated financial statement

Not applicable.

(3) Changes in accounting policies, changes in accounting estimates, restatements

Not applicable.

(4) Additional information

Not applicable.

3 Consolidated Financial Statements

(1) Consolidated balance sheets

Fiscal year ended September 30, 2013 and first half of fiscal year ending September 30, 2014

(Thousands of yen)

	As of September 30, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	3,416,219	4,235,197
Notes and accounts receivable-trade	6,376,865	6,544,215
Deferred tax assets	414,019	342,355
Other	727,834	863,800
Allowance for doubtful accounts	-166,904	-134,067
Total current assets	10,768,035	11,851,501
Noncurrent assets		
Property, plant and equipment	175,991	162,405
Intangible assets		
Software	2,346,612	2,275,466
Goodwill	133,175	92,990
Other	110,351	124,067
Total intangible assets	2,590,140	2,492,524
Investments and other assets		
Investment securities	714,781	753,664
Lease and guarantee deposits	469,740	481,019
Deferred tax assets	854,250	1,007,160
Other	87,752	72,022
Allowance for doubtful accounts	-14,008	-14,090
Total investment and other assets	2,112,517	2,299,776
Total noncurrent assets	4,878,649	4,954,707
Total assets	15,646,685	16,806,208

(Thousands of yen)

	As of September 30, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Account payable-trade	942,610	937,765
Current portion of bonds	78,688	—
Accounts payable-other	2,334,501	3,172,625
Income taxes payable	637,177	585,099
Allowance for coin usage	382,891	315,545
Other	1,311,735	1,146,720
Total current liabilities	5,687,604	6,157,756
Noncurrent liabilities		
Long-term loans payable	500,000	599,440
Provision for retirement benefits	509,636	585,981
Negative goodwill	58,776	54,218
Other	21,657	141
Total noncurrent liabilities	1,090,070	1,239,781
Total liabilities	6,777,675	7,397,538
Net assets		
Shareholders' equity		
Capital stock	2,562,740	2,566,592
Capital surplus	3,078,260	3,082,112
Retained earning	3,393,859	3,983,644
Treasury stock	-695,269	-695,491
Total shareholders' equity	8,339,591	8,836,857
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,434	57,077
Foreign currency translation adjustment	22,150	32,306
Total accumulated other comprehensive income	62,584	89,384
Subscription rights to shares	227,004	240,656
Minority interests	239,830	241,771
Total net assets	8,869,010	9,408,669
Total liabilities and assets	15,646,685	16,806,208

(2) Consolidated statements of income and consolidated statement of comprehensive income
 Consolidated statements of income
 For the first half of the fiscal year ended September 30, 2013 and fiscal year ending September 30, 2014

(Thousands of yen)

	First half of the fiscal year ended September 30, 2013	First half of the fiscal year ending September 30, 2014
Net sales	14,822,933	15,279,641
Cost of sales	2,517,728	2,476,132
Gross profits	12,305,205	12,803,508
Selling, general and administrative expenses	12,412,546	11,498,618
Operating income (loss)	-107,341	1,304,889
Non-operating income		
Interest income	93	156
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	2,219	4,104
Compensation income	—	7,416
Other	5,456	8,029
Total non-operating income	20,450	24,264
Non-operating expenses		
Interest expenses	4,097	5,963
Share of loss of entities accounted for using equity method	—	7,243
Commission for purchase of treasury stock	2,388	—
Other	3,587	5,636
Total non-operating expenses	10,073	18,843
Ordinary income (loss)	-96,964	1,310,311
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	44,036	—
Total extraordinary income	44,036	—
Extraordinary loss		
Loss on retirement of noncurrent assets	24,818	19,196
Loss on valuation of investment securities	86,939	37,376
Total extraordinary loss	111,758	56,572
Income (loss) before income taxes and minority interests	-164,686	1,253,738
Income taxes-current	49,401	554,496
Income taxes-deferred	-114,414	-90,197
Total income taxes	-65,013	464,299
Income before minority interests	-99,673	789,438
Minority interests in income (loss)	21,504	-1,260
Net income (loss)	-121,178	790,699

Consolidated statement of comprehensive income

For the first half of the fiscal year ended September 30, 2013 and fiscal year ending September 30, 2014

(Thousands of yen)

	First half of the fiscal year ended September 30, 2013	First half of the fiscal year ending September 30, 2014
Income (loss) before minority interests	-99,673	789,438
Other comprehensive income		
Valuation difference on available-for-sale securities	27,649	16,643
Foreign currency translation adjustment	12,085	12,075
Share of other comprehensive income of entities accounted for using equity method	2,526	563
Total other comprehensive income	42,261	29,282
Comprehensive income	-57,412	818,721
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	-84,442	818,729
Comprehensive income attributable to minority interests	27,030	-8

(3) Consolidated statement of cash flows

For the first half of the fiscal year ended September 30, 2013 and fiscal year ending September 30, 2014

(Thousands of yen)

	First half of the fiscal year ended September 30, 2013	First half of the fiscal year ending September 30, 2014
Net cash provided by operating activities		
Income (loss) before income taxes and minority interests	-164,686	1,253,738
Depreciation and amortization	876,399	905,971
Increase (decrease) in allowance for coin usage	-31,830	-67,346
Increase (decrease) in provision for retirement benefits	73,135	76,345
Interest and dividends income	-332	-837
Interest expenses	4,097	5,963
Loss on retirement of noncurrent assets	24,818	19,196
Loss (gain) on valuation of investment securities	86,939	37,376
Decrease (increase) in notes and accounts receivable-trade	-220,915	-165,050
Increase (decrease) in notes and accounts payable-trade	-218,539	-5,079
Increase (decrease) in accounts payable-other	792,632	834,169
Other	-262,441	-259,452
Subtotal	959,276	2,634,994
Interest and dividends income received	332	837
Interest expenses paid	-4,097	-4,471
Income taxes (paid) refund	176,724	-603,401
Net cash provided by operating activities	1,132,236	2,027,960
Net cash provided by investing activities		
Purchase of intangible assets	-1,013,642	-825,237
Purchase of investment securities	-800	-46,224
Proceeds from sales of investment securities	—	800
Purchase of stocks of subsidiaries and affiliates	-90,600	—
Proceeds from sales of stocks of subsidiaries and affiliates	226,500	1,950
Payments for investments in capital	—	-33,863
Other	-11,470	-20,737
Net cash provided by investing activities	-890,012	-923,312
Net cash provided by financing activities		
Repayment of long-term loans payable	-99,118	—
Proceeds from long-term loans payable	—	99,440
Redemption of bonds	—	-81,520
Proceeds from issuance of common stock	—	4,902
Purchase of treasury stock	-297,860	-222
Cash dividends paid	-517,148	-313,842
Net cash provided by financing activities	-914,126	-291,241
Effect of exchange rate change on cash and cash equivalents	35,872	5,571
Net increase (decrease) in cash and cash equivalents	-636,029	818,977
Cash and cash equivalents at beginning of period	2,563,283	3,416,219
Cash and cash equivalents at end of period	1,927,253	4,235,197

(4) Notes concerning going concern assumption

Not applicable.

(5) Notes on significant changes in shareholders' equity

Not applicable.