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

August 6, 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): August 12, 2014  
Scheduled date of dividend payment: –  
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 Nine Months Ended June 30, 2014  
(October 1, 2013 – June 30, 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 three quarters of FY2014	23,010	1.9	1,931	165.6	1,925	161.7	1,009	212.9
First three quarters of FY2013	22,585	2.9	727	-56.1	735	-55.3	322	-21.5

(Note) Comprehensive income: Nine months ended June 30, 2014: 964 million yen (124.6%)  
Nine months ended June 30, 2013: 429 million yen (15.5%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First three quarters of FY2014	40.20	39.95
First three quarters of FY2013	12.78	–

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 June 30, 2014)	15,741	9,450	57.0
Year ended 9/13	15,646	8,869	53.7

(Reference) Shareholders' equity: Year ending 9/14(as of June 30, 2014): 8,967 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	30,800	2.1	2,400	108.8	2,370	111.6	1,200	132.3	47.77

(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 ¥95.55.

\* Notes

(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):

6/14: 26,748,800 shares                      9/13: 26,737,600 shares

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

6/14: 1,630,464 shares                      9/13: 1,630,200 shares

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

Nine months ended 6/14: 25,111,235 shares      Nine months ended 6/13: 25,244,000 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, August 8, 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 Three Quarters Ended June 30, 2014

## (1) Explanation on operating results

Overview of the first three quarters ended June 30, 2014 (from October 1, 2013 to June 30, 2014)

Looking at the business environment for the Company during the first three quarters under review, the smartphone penetration rate exceeded 50%, underscoring the continued shift from conventional cellphones to smartphones. In March, the busiest shopping season, unit sales of smartphones increased due partly to cellphone carriers' cashback campaigns. In April through June, however, unit sales slowed in reaction to the increase in March and the absence of a busy season.

In this environment, in the biggest shopping season (in March) the Company aggressively conducted promotions and sought to expand the number of paying subscribers on smartphones. From April, the Company established sales offices in major cities nationwide and has built a system for providing meticulous support to cellphone shops. At the end of June 2014, the number of paying subscribers stood at 5.28 million (up 0.52 million from the end of September 2013).

Although the pace of net decline in the number of paying subscribers on feature phones has been slowing, the number fell 0.66 million from the end of September, to 2.62 million at the end of June 2014, reflecting the continued shift from feature phones to smartphones.

As a result, at the end of June 2014, the total number of paying subscribers stood at 7.9 million (down 0.14 million from the end of September 2013).

Net sales rose slightly to ¥23,010 million (up 1.9% year on year) due to the expansion of the non-virtual affiliate business, which promotes sales of content of other companies at cellphone shops nationwide. Gross profit also increased slightly, to ¥19,295 million (rising 3.5%).

Operating income, ordinary income, and net income came to ¥1,931 million (up 165.6%), ¥1,925 million (increasing 161.7%), and ¥1,009 million (climbing 212.9%), respectively, reflecting an increase in gross profit and a decline in selling, general and administrative expenses chiefly due to a fall in advertising expenses from a year ago.

## Consolidated Business Results

(October 1, 2013 to June 30, 2014)

(Unit: million yen)

	First three quarters of the fiscal year ending September 30, 2014	First three quarters of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Net sales	23,010	22,585	+425	+1.9%
Cost of sales	3,714	3,945	-230	-5.8%
Gross profit	19,295	18,640	+655	+3.5%
Selling, general and administrative expenses	17,364	17,912	-548	-3.1%
Operating income	1,931	727	+1,203	+165.6%
Ordinary income	1,925	735	+1,189	+161.7%
Net income	1,009	322	+686	+212.9%

Breakdown of selling, general and administrative expenses  
(October 1, 2013 to June 30, 2014)  
(Unit: million yen)

	First three quarters of the fiscal year ending September 30, 2014	First three quarters of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Total	17,364	17,912	-548	-3.1%
Advertising expenses	6,042	6,682	-639	-9.6%
Personnel expenses	4,250	4,256	-6	-0.1%
Commission fee	2,525	2,420	+104	+4.3%
Subcontract expenses	1,382	1,330	+52	+3.9%
Depreciation	1,341	1,328	+12	+1.0%
Other	1,822	1,894	-72	-3.8%

Consolidated Business Results  
(April 1, 2014 to June 30, 2014)  
(Unit: million yen)

	Third quarters of the fiscal year ending September 30, 2014	Third quarters of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Net sales	7,730	7,762	-31	-0.4%
Cost of sales	1,238	1,427	-188	-13.2%
Gross profit	6,492	6,334	+157	+2.5%
Selling, general and administrative expenses	5,866	5,500	+365	+6.6%
Operating income	626	834	-208	-25.0%
Ordinary income	614	832	-217	-26.2%
Net income	218	443	-225	-50.7%

Breakdown of selling, general and administrative expenses  
(April 1, 2014 to June 30, 2014)  
(Unit: million yen)

	Third quarters of the fiscal year ending September 30, 2014	Third quarters of the fiscal year ended September 30, 2013	Change	
			Amount	Percentage change
Total	5,866	5,500	+365	+6.6%
Advertising expenses	1,963	1,780	+182	+10.3%
Personnel expenses	1,424	1,422	+1	+0.1%
Commission fee	884	785	+98	+12.5%
Subcontract expenses	484	413	+70	+17.1%
Depreciation	454	462	-8	-1.7%
Other	655	635	+20	+3.2%

(2) Explanation on consolidated financial position

Assets, Liabilities and Net Assets

At the end of the first three quarters under review, total assets rose ¥94 million from the end of September

2013, to ¥15,741 million.

Current assets rose ¥492 million yen, chiefly reflecting an increase in cash and deposits, while non-current assets fell ¥398 million, mainly due to a decrease in software.

Current liabilities declined ¥572 million, primarily due to a decrease in income taxes payable, but non-current liabilities increased ¥86 million, principally attributable to a rise in provision for retirement benefits.

Net assets climbed ¥581 million, despite cash dividends paid, due to the posting of net income of ¥1,009 million.

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
First three quarters of the fiscal year ending September 30, 2014	15,741	9,450	57.0
Fiscal year ended September 30, 2013	15,646	8,869	53.7

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

In the fourth quarter, the Company will continue to expand the number of paying subscribers on smartphones and will expand its non-virtual affiliate business, taking advantage of its strength in having by far the largest sales channel (non-virtual affiliate network) for promoting sales of its own and other companies' content at cellphone shops nationwide.

Since April, the Company has established new sales offices nationwide and will continue to develop a system for providing meticulous support for cellphone shops, expecting the support will help boost the number of subscribers to content. Meanwhile, the Company will strive to improve the quality of its content and services and will take steps to develop more convenient and comfortable services.

As a medium-term initiative, the Company is preparing to offer an integrated service that will combine music distribution, the distribution of electronic books (including comics), and motion picture distribution. As a first step, in September, the Company plans to commence an integrated service combining its mainstay music distribution service and electronic book distribution service.

Our forecast for consolidated business results for the fiscal year ending September 30, 2014 is described in a notice of a revision to the forecast of full-year consolidated business results announced on August 6.

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	30,800 million yen	(Up 2.1% year on year)
Operating income	2,400 million yen	(Up 108.8% year on year)
Ordinary income	2,370 million yen	(Up 111.6% year on year)
Net income	1,200 million yen	(Up 132.3% year on year)

2 Matters Relating to Summary Information (Notes)

(1) Important changes of subsidiaries during the term

Not applicable.

(2) Application of special accounting treatment to the preparation of quarterly consolidated financial statements

Not applicable.

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

Not applicable.

(4) Additional information

Not applicable.

### 3 Consolidated Financial Statements

#### (1) Consolidated balance sheets

Fiscal year ended September 30, 2013 and first three quarters of ending September 30, 2014

(Thousands of yen)

	As of September 30, 2013	As of June 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	3,416,219	3,766,892
Notes and accounts receivable-trade	6,376,865	6,499,299
Deferred tax assets	414,019	311,703
Other	727,834	811,767
Allowance for doubtful accounts	-166,904	-128,799
Total current assets	10,768,035	11,260,862
Noncurrent assets		
Property, plant and equipment	175,991	155,155
Intangible assets		
Software	2,346,612	2,059,752
Goodwill	133,175	74,561
Other	110,351	25,598
Total intangible assets	2,590,140	2,159,912
Investments and other assets		
Investment securities	714,781	741,305
Lease and guarantee deposits	469,740	488,052
Deferred tax assets	854,250	870,453
Other	87,752	86,629
Allowance for doubtful accounts	-14,008	-21,317
Total investment and other assets	2,112,517	2,165,124
Total noncurrent assets	4,878,649	4,480,192
Total assets	15,646,685	15,741,055



(Thousands of yen)

	As of September 30, 2013	As of June 30, 2014
<b>Liabilities</b>		
Current liabilities		
Account payable-trade	942,610	924,142
Current portion of bonds	78,688	—
Accounts payable-other	2,334,501	2,324,681
Income taxes payable	637,177	322,552
Provision for bonuses	—	145,556
Allowance for coin usage	382,891	290,019
Other	1,311,735	1,107,817
Total current liabilities	5,687,604	5,114,770
Noncurrent liabilities		
Long-term loans payable	500,000	500,000
Provision for retirement benefits	509,636	624,153
Negative goodwill	58,776	51,938
Other	21,657	141
Total noncurrent liabilities	1,090,070	1,176,233
Total liabilities	6,777,675	6,291,004
Net assets		
Shareholders' equity		
Capital stock	2,562,740	2,568,326
Capital surplus	3,078,260	3,083,846
Retained earning	3,393,859	3,977,556
Treasury stock	-695,269	-695,491
Total shareholders' equity	8,339,591	8,934,237
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,434	57,307
Foreign currency translation adjustment	22,150	-24,470
Total accumulated other comprehensive income	62,584	32,837
Subscription rights to shares	227,004	249,387
Minority interests	239,830	233,588
Total net assets	8,869,010	9,450,050
Total liabilities and net assets	15,646,685	15,741,055

(2) Consolidated statements of income and consolidated statement of comprehensive income  
 Consolidated statements of income

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

(Thousands of yen)

	First three quarters of the fiscal year ended September 30, 2013	First three quarters of the fiscal year ending September 30, 2014
Net sales	22,585,268	23,010,383
Cost of sales	3,945,234	3,714,711
Gross profits	18,640,033	19,295,672
Selling, general and administrative expenses	17,912,955	17,364,623
Operating income	727,078	1,931,049
Non-operating income		
Interest income	101	163
Dividend income	3,958	4,559
Amortization of negative goodwill	6,838	8,254
Gain on equity investments in affiliates	595	—
Interest on refund	6,169	—
Gain on reversal of subscription rights to shares	3,786	4,868
Compensation income	—	7,416
Other	6,063	8,120
Total non-operating income	27,512	33,383
Non-operating expenses		
Interest expenses	6,320	7,373
Share of loss of entities accounted for using equity method	—	24,857
Commission for purchase of treasury stock	2,388	—
Other	10,112	7,005
Total non-operating expenses	18,821	39,236
Ordinary income	735,768	1,925,196
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	44,036	38,550
Total extraordinary income	44,036	38,550
Extraordinary loss		
Loss on retirement of noncurrent assets	32,945	101,126
Loss on valuation of investment securities	86,939	137,756
Loss on sales of investment securities	—	1,087
Impairment loss	—	69,172
Total extraordinary loss	119,885	309,141
Income before income taxes and minority interests	659,919	1,654,605
Income taxes-current	340,195	574,434
Income taxes-deferred	-66,877	77,029
Total income taxes	273,317	651,463
Income before minority interests	386,601	1,003,141
Minority interests in income (loss)	64,026	-6,254
Net income	322,575	1,009,396

## Consolidated statement of comprehensive income

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

(Thousands of yen)

	First three quarters of the fiscal year ended September 30, 2013	First three quarters of the fiscal year ending September 30, 2014
Income before minority interests	386,601	1,003,141
Other comprehensive income		
Valuation difference on available-for-sale securities	28,809	16,873
Foreign currency translation adjustment	9,966	-55,536
Share of other comprehensive income of entities accounted for using equity method	4,183	175
Total other comprehensive income	42,959	-38,487
Comprehensive income	429,561	964,653
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	357,906	979,649
Comprehensive income attributable to minority interests	71,655	-14,995

(3) Notes concerning going concern assumption  
Not applicable.

(4) Notes on significant changes in shareholders' equity  
Not applicable.