

UNOFFICIAL TRANSLATION
The formal official document is in Japanese



Summary of Consolidated Financial Results for the First Three Quarters of
Fiscal Year ending September 30, 2015 (Japanese Accounting Standards)

July 31, 2015

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
 Securities Code: 9438 URL: <http://www.mti.co.jp>
 Representative: Toshihiro Maeta, President and Chief Executive Officer
 Contact: Hiroshi Matsumoto, Director Phone: +81-3-5333-6323
 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): August 12, 2015
 Scheduled date of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one million yen are omitted)

1. Consolidated business results for the nine months ended June 30, 2015
(October 1, 2014 – June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three quarters of fiscal year ending September 30, 2015	24,881	8.1	3,528	82.7	3,439	78.7	1,944	92.6
First three quarters of fiscal year ended September 30, 2014	23,010	1.9	1,931	165.6	1,925	161.7	1,009	212.9

(Note) Comprehensive income: Nine months ended June 30, 2015: 2,145 million yen (122.4%)
 Nine months ended June 30, 2014: 964 million yen (124.6%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First three quarters of fiscal year ending September 30, 2015	36.90	36.21
First three quarters of fiscal year ended September 30, 2014	20.10	19.97

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. Net income per share and net income per share diluted are based on the number of shares after the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2015	22,831	15,932	67.1
As of September 30, 2014	16,768	9,722	55.4

(Reference) Shareholders' equity: As of June 30, 2015: 15,325 millions of yen
 As of September 30, 2014: 9,291 millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2014	–	10.00	–	12.00	–
Fiscal year ending September 30, 2015	–	12.00	–		
Fiscal year ending September 30, 2015 (forecast)				6.00	–

(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, 2015. The dividend per share at the end of the second period of the fiscal year ending September 30, 2015 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."

The dividend per share at the end of the interim period of the fiscal year ending September 30, 2015, 12 yen, is the sum of a common dividend of 10 yen and a dividend of 2 yen in commemoration of the change in the market where the stock is listed.

3. Forecast for consolidated business results for the fiscal year ending September 30, 2015
(October 1, 2014 – September 30, 2015)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	34,000	9.7	4,200	64.2	4,120	63.5	2,270	69.7	40.01

(Note) Revisions to forecasts for consolidated business results published most recently: No

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. The net income per share above is a figure after the stock split. Net income per share before the stock split was ¥80.03

* 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: | Yes |
| (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): | |
| 6/15: 59,990,400 shares | 9/14: 53,621,200 shares |
| (ii) Number of treasury shares at the end of period | |
| 6/15: 3,260,928 shares | 9/14: 3,260,928 shares |
| (iii) Average number of shares during the period (quarterly consolidated cumulative period) | |
| Nine months ended 6/15: 52,690,540 shares | Nine months ended 6/14: 50,222,471 shares |

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2014 and a 2-for-1 common stock split that became effective on April 1, 2015. 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 the 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 3~4 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 securities analysts and institutional investors on Monday, August 3, 2015. 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, 2015.

Accompanying materials – Contents

1. Qualitative information on financial results for the current settlement	2
(1) Explanation on operating results	2
(2) Explanation on financial position	3
(3) Explanation of future forecast information including consolidated forecast	3
2. Matters relating to summary information (Notes).....	5
(1) Changes in important subsidiaries during the period	5
(2) Adoption of specific accounting methods for producing quarterly consolidated financial statements	5
(3) Changes in accounting policies, changes in accounting estimates, restatements	5
3. Quarterly consolidated financial statements	6
(1) Quarterly consolidated balance sheet	6
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income	8
(3) Notes concerning quarterly consolidated financial statements	10
(Notes concerning going concern assumption)	10
(Notes on significant changes in shareholders' equity)	10

1 Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Overview of the first three quarters ended June 30, 2015 (From October 1, 2014 to June 30, 2015)

During the first three quarters under review, smartphone unit sales slowed because the smartphone penetration rate has already exceeded 50%. However, the penetration and expansion of smartphones continued, backed by the strong demand to replace conventional cellphones with smartphones.

In this environment, the Company aggressively conducted promotions during the busiest shopping season (March), and as a result the number of paying subscribers on smartphones increased until the second quarter. In the third quarter, however, the number of paying subscribers declined from that at the end of March 2015 because the said quarter is a low season for smartphone sales and the effect of releasing new smartphone models is limited. As a result, the number of paying subscribers stood at 5.69 million at the end of June 2015 (up 0.29 million from the end of September 2014).

As the shift to smartphones progressed, the number of paying subscribers on feature phones has been declining, albeit at a slower pace, with the number falling to 2.04 million at the end of June 2015 (down 0.42 million).

As a result, the total number of paying subscribers decreased to 7.73 million at the end of June 2015 (down 0.13 million).

Net sales increased to ¥24,881 million (up 8.1% year on year), despite the largely unchanged number of paying subscribers, chiefly due to a rise in the average revenue per user (ARPU) of major services and an increase in sales of the unmetered plan with flat-rate monthly charges for cellphone carriers. Gross profit also rose to ¥20,933 million (rising 8.5% year on year).

Operating income, ordinary income, and net income came to ¥3,528 million (up 82.7%), ¥3,439 million (up 78.7%), and ¥1,944 million (up 92.6%) respectively, reflecting an increase in gross profit and the appropriate control of selling, general, and administrative expenses (SG&A) through meaningful use.

Consolidated business results

(From October 1, 2014 to June 30, 2015)

	First three quarters of the fiscal year ending September 30, 2015	First three quarters of the fiscal year ended September 30, 2014	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	24,881	23,010	+1,871	+8.1
Cost of sales	3,947	3,714	+233	+6.3
Gross profit	20,933	19,295	+1,638	+8.5
SG&A	17,405	17,364	+40	+0.2
Operating income	3,528	1,931	+1,597	+82.7
Ordinary income	3,439	1,925	+1,514	+78.7
Net income	1,944	1,009	+934	+92.6

Breakdown of SG&A

(From October 1, 2014 to June 30, 2015)

	First three quarters of the fiscal year ending September 30, 2015	First three quarters of the fiscal year ended September 30, 2014	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	17,405	17,364	+40	+0.2
Advertising expenses	6,497	6,042	+454	+7.5
Personnel expenses	4,211	4,250	-39	-0.9
Commission fee	2,758	2,525	+233	+9.2
Subcontract expenses	1,027	1,382	-354	-25.7
Depreciation	1,009	1,341	-331	-24.7
Other	1,900	1,822	+78	+4.3

(2) Explanation on financial position

Assets, Liabilities and Net assets

At the end of the first three quarters under review, total assets rose ¥6,063 million from the end of September 2014 to ¥22,831 million.

Current assets increased ¥5,874 million mainly due to increases in cash and deposits and notes and accounts receivable-trade. Non-current assets increased ¥188 million as a result of growth in goodwill, offsetting a decrease in deferred tax assets.

Current liabilities rose ¥245 million, primarily reflecting increases in the current portion of long-term loans payable. Non-current liabilities fell ¥391 million, chiefly due to a decrease in long-term loans payable.

Net assets increased ¥6,209 million, largely as a result of an increase in capital through a public offering and the posting of ¥1,944 million in net income, even though cash dividends were paid.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
First three quarters of the fiscal year ending September 30, 2015	22,831	15,932	67.1
Fiscal year ended September 30, 2014	16,768	9,722	55.4

(3) Explanation of future forecast information including consolidated forecast

In the fourth quarter, the Company will continue to focus on boosting the number of paying subscribers on smartphones and work to increase the average revenue per user (ARPU).

Taking advantage of the strength the Company has developed, which is having the largest sales channel by far for promoting sales of its own content and that of other companies to customers at cellphone shops across Japan, the Company will strive to expand the number of paying subscribers on smartphones of its own content, and bolster sales commissions for the content of other companies.

The number of paying subscribers for the general store “music.jp” (400 yen/month excl. tax) that distributes music, books, and videos has been steadily growing, and the Company will continue to promote its growth to increase the ARPU. In July, the Company launched a service integrating weather information and map navigation.

In healthcare-related information services, the Company will expand the number of paying subscribers on a Q&A website on health where healthcare-related professionals respond to questions 24 hours a day. This site was provided at a fixed rate of ¥300 per month (excl. tax), but a new service was also added in June at a rate of ¥400 per month (excl. tax).

As sales of the unmetered plan with flat-rate monthly charges for cellphone carries continue to increase, the

Company will aggressively take measures that will contribute to the sustainable expansion of sales.

Our forecast for consolidated business results for the fiscal year ending September 30, 2015 is as described in the notice of revisions to forecasts for consolidated business results and dividends that was announced on February 4, 2015.

**Forecast for consolidated business results for the fiscal year ending September 30, 2015
(From October 1, 2014 to September 30, 2015)**

Consolidated		
Net sales	34,000 millions of yen	(Up 9.7% year on year)
Operating income	4,200 millions of yen	(Up 64.2% year on year)
Ordinary income	4,120 millions of yen	(Up 63.5% year on year)
Net income	2,270 millions of yen	(Up 69.7% 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.

(Adoption for accounting policies concerning provision for retirement benefits)

Effective from the first quarter of the current fiscal year under review, the Company adopted the provisions set forth in the main clauses of paragraph 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; “the Accounting Standard for Retirement Benefits”) and paragraph 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; “the Guidance on Accounting Standard for Retirement Benefits”). Consequently, the Company has reviewed the method of calculating retirement benefit obligations and service costs and changed the method of determining the discount rate from the method of using a discount rate based on the number of years that approximates the average remaining service lives of employees to the method of using a single weighted average discount rate that reflects the expected payment period of retirement benefits and the amount for each expected payment period.

With respect to the application of the Accounting Standard for Retirement Benefits, etc., the amount of impact associated with the change of the calculation method of retirement benefit obligations and service costs is added to or subtracted from retained earnings at the beginning of the first three quarters under review in accordance with the transitional treatment as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, at the end of the first three quarters under review, the defined benefit liability declined ¥61,720 thousand while retained earnings increased ¥39,723 thousand. The impact on operating income, ordinary income and income before income taxes in the first three quarters under review is minor.

3 Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

Fiscal year ended September 30, 2014 and first three quarters of ending September 30, 2015

(Thousands of yen)

	As of September 30, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	4,782,677	10,302,344
Notes and accounts receivable-trade	6,294,778	6,687,122
Deferred tax assets	378,136	253,933
Other	836,262	902,337
Allowance for doubtful accounts	-108,691	-87,938
Total current assets	12,183,163	18,057,799
Noncurrent assets		
Property, plant and equipment	143,032	142,700
Intangible assets		
Software	2,150,300	2,182,922
Goodwill	2,355	262,834
Other	25,034	24,213
Total intangible assets	2,177,690	2,469,970
Investments and other assets		
Investment securities	813,082	847,192
Lease and guarantee deposits	489,586	503,825
Deferred tax assets	883,432	741,282
Other	99,694	86,715
Allowance for doubtful accounts	-21,317	-17,589
Total investment and other assets	2,264,478	2,161,426
Total noncurrent assets	4,585,200	4,774,097
Total assets	16,768,363	22,831,897

(Thousands of yen)

	As of September 30, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Account payable-trade	976,524	1,009,781
Current portion of long-term loans payable	—	518,662
Accounts payable-other	2,317,692	2,292,568
Income taxes payable	674,912	784,324
Provision for bonuses	—	156,927
Allowance for coin usage	277,447	233,438
Other	1,480,847	977,007
Total current liabilities	5,727,424	5,972,711
Noncurrent liabilities		
Long-term loans payable	500,000	84,602
Net defined benefit liability	768,368	799,337
Negative goodwill	49,659	42,820
Other	141	319
Total noncurrent liabilities	1,318,168	927,079
Total liabilities	7,045,593	6,899,790
Net assets		
Shareholders' equity		
Capital stock	2,596,342	4,890,801
Capital surplus	3,111,863	5,406,321
Retained earning	4,305,998	5,648,357
Treasury stock	-695,491	-695,491
Total shareholders' equity	9,318,712	15,249,988
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,198	144,131
Foreign currency translation adjustment	-31,735	-4,916
Remeasurements of defined benefit plans	-69,979	-63,721
Total accumulated other comprehensive income	-27,516	75,493
Subscription rights to shares	206,905	161,520
Minority interests	224,667	445,103
Total net assets	9,722,770	15,932,106
Total liabilities and net assets	16,768,363	22,831,897

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income

For the first three quarters of the fiscal year ended September 30, 2014 and fiscal year ending September 30, 2015

(Thousands of yen)

	First three quarters of the fiscal year ended September 30, 2014	First three quarters of the fiscal year ending September 30, 2015
Net sales	23,010,383	24,881,485
Cost of sales	3,714,711	3,947,714
Gross profits	19,295,672	20,933,771
Selling, general and administrative expenses	17,364,623	17,405,260
Operating income	1,931,049	3,528,511
Non-operating income		
Interest income	163	138
Dividend income	4,559	6,059
Amortization of negative goodwill	8,254	6,838
Gain on reversal of subscription rights to shares	4,868	4,558
Compensation income	7,416	12,375
Other	8,120	36,707
Total non-operating income	33,383	66,676
Non-operating expenses		
Interest expenses	7,373	3,617
Share of loss of entities accounted for using equity method	24,857	97,268
Share issuance cost	—	24,815
Other	7,005	29,548
Total non-operating expenses	39,236	155,249
Ordinary income	1,925,196	3,439,938
Extraordinary income		
Gain on step acquisitions	—	33,509
Gain on sales of shares of subsidiaries and associates	38,550	—
Total extraordinary income	38,550	33,509
Extraordinary loss		
Loss on retirement of noncurrent assets	—	5,183
Impairment loss	69,172	20,820
Loss on retirement of noncurrent assets	101,126	64,153
Loss on sales of investment securities	1,087	—
Loss on valuation of investment securities	137,756	—
Settlement package	—	15,468
Total extraordinary loss	309,141	105,626
Income before income taxes and minority interests	1,654,605	3,367,821
Income taxes-current	574,434	1,113,322
Income taxes-deferred	77,029	206,638
Total income taxes	651,463	1,319,960
Income before minority interests	1,003,141	2,047,860
Minority interests in income (loss)	-6,254	103,710
Net income	1,009,396	1,944,150

Quarterly consolidated statements of comprehensive income

For the first three quarters of the fiscal year ended September 30, 2014 and fiscal year ending September 30, 2015

(Thousands of yen)

	First three quarters of the fiscal year ended September 30, 2014	First three quarters of the fiscal year ending September 30, 2015
Income before minority interests	1,003,141	2,047,860
Other comprehensive income		
Valuation difference on available-for-sale securities	16,873	70,080
Foreign currency translation adjustment	-55,536	17,799
Remeasurements of defined benefit plans, net of tax	—	6,258
Share of other comprehensive income of entities accounted for using equity method	175	3,155
Total other comprehensive income	-38,487	97,293
Comprehensive income	964,653	2,145,154
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	979,649	2,047,160
Comprehensive income attributable to minority interests	-14,995	97,993

(3) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company carried out a capital increase through a public offering in which the due date of payment was March 23, 2015 and a capital increase through a private placement associated with overallotment in which the due date of payment was March 27, 2015. Following the capital increases, capital stock and legal capital surplus each increased 2,166,450,000 yen.

In the first three quarters under review, the Company issued new shares in association with the exercise of subscription rights to shares. Consequently, capital stock and legal capital surplus each rose 128,008,000 yen.

As a result, in the first three quarters under review, capital stock and legal capital surplus each increased 2,294,458,000 yen, and at the end of the first three quarters, capital stock and capital surplus came to 4,890,801,000 yen and 5,406,321,000 yen, respectively.