Mobilephone
Telecommunications
International

ANNUAL REPORT 2008

Year ended September 30, 2008

>>A Future of Growth

Music

Entertainment

Lifestyle

MTI Ltd.

Quality Mobile Content
>> Our Focus for Growth

By always being at the customers' side and realizing their dreams through innovative, high-quality services, we aim to become a

Mobile Dream Factory

MTI Ltd. is dedicated to fulfilling the potential of mobile phone content for 3G, 3.5G and future handsets. Recognizing the benefits of mobile technology for the society of the future, we work to realize that potential by consistently implementing the following three basic principles:

Understanding the wishes and expectations of a wide range of customers as fully as possible

Capitalizing on new technologies to create convenient services

Providing quality and product ranges that ensure customer satisfaction

By realizing customers' dreams through high-quality services that are innovative, highly user-friendly and constantly bring new excitement, and by striving to be a lifelong friend to our customers, we aspire to be a Mobile Dream Factory.

CONTENTS

Market Environment

In today's evolving rich content environment, mobile phone users are able to enjoy an expanding range of enhanced content, including decorative e-mails and comics. In the music content segment, the spotlight is shifting from song ringtones to full-length song tracks.

Evolving Mobile Technology >> Continued Market Growth

The core activities of the MTI Group are closely linked to the mobile telecommunications industry. According to a survey by the Telecommunications Carriers Association, at the end of September 2008, there were 93.65 million mobile phone subscribers with 3G or better services supporting high-speed data communications. This represents almost 90% of total mobile phone subscriptions, with an increase of 14.33 million compared with the total at the end of September 2007. Particularly significant is the growing use of 3.5G telephone handsets. This trend is expected to generate expanding demand for music, movies and other rich content.

These factors are driving an expansionary trend in mobile content-related markets, including mobile e-commerce markets, which in 2007 were worth in excess of ¥1 trillion (¥1,146.4 billion).

Mobile Content Market

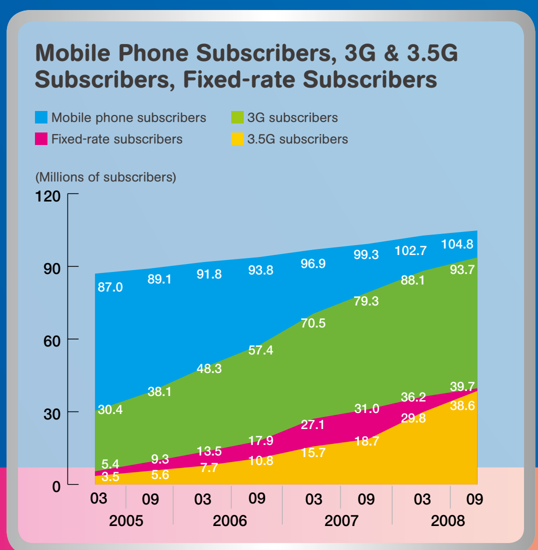
The ringtone melody (Chaku-mello)*1 market, which used to be the biggest segment, is now shrinking. While the song ringtone (Chaku-uta)*2 market shows signs of maturation with slower growth, the focus of the music content business is shifting from song ringtones to full-length song tracks (Chaku-uta Full)*3.

Though still small, the markets for decorative e-mails*4, digital books and dress-up services*5 have maintained extremely high growth rates. Comics are the most important segment in the digital book category. Together with full-length song tracks, they represent rich content typically accessed by 3.5G and flat-rate users. The present high-growth trend for rich content services is expected to continue in the future as the technology evolves to expand and solidify infrastructure supporting rich content.

Mobile Advertising Market

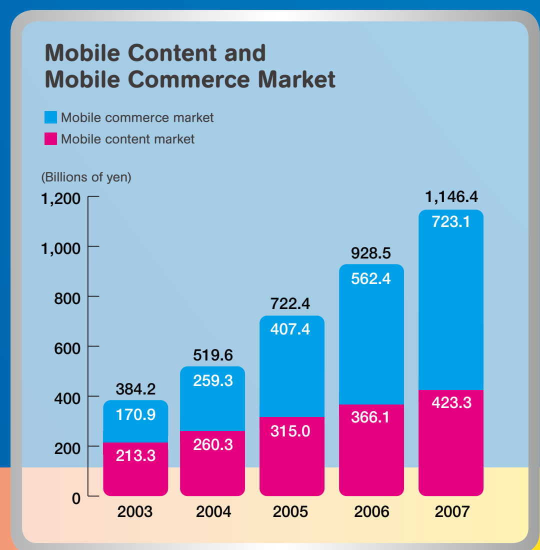
Mobile phones now have built-in search engines that allow users to access public sites easily. Use of this feature is expanding, especially among younger people. The mobile advertising market is growing rapidly, in step with the proliferation of public sites that can be used to generate advertising revenues. In 2007, mobile advertising expenditure increased by 59.2% over the previous year's level to ¥62.1 billion. Growth in the number of visitors to public sites and the emergence of unique advertising methods enabled by mobile phone technology is expected to drive substantial growth in the mobile advertising market.

Mobile Phone Subscribers, 3G & 3.5G Subscribers, Fixed-rate Subscribers



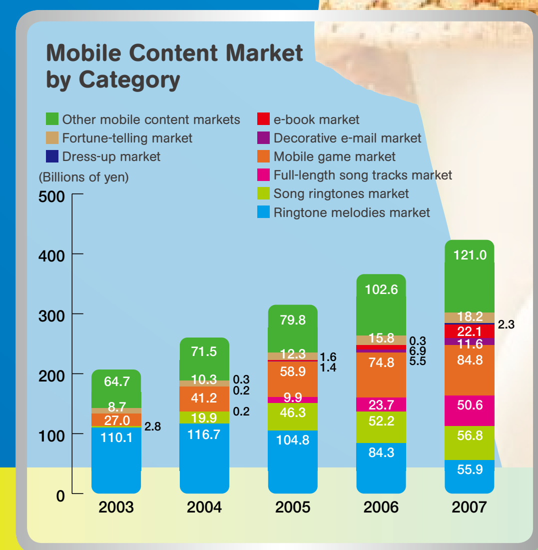
Source: The Telecommunications Carriers Association

Mobile Content and Mobile Commerce Market



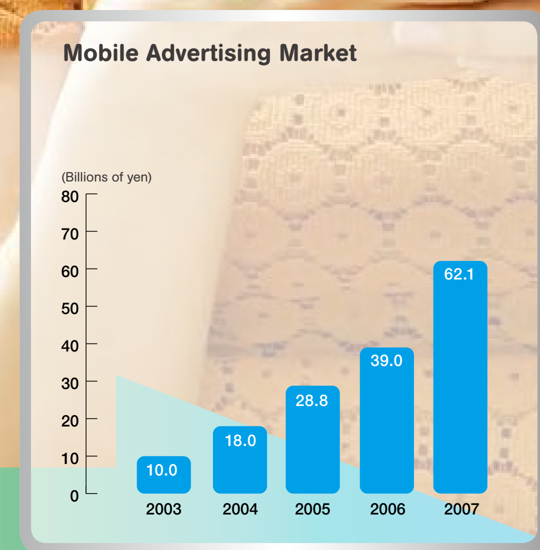
Source: Mobile Content Forum (MCF) survey

Mobile Content Market by Category



Source: Mobile Content Forum (MCF) survey

Mobile Advertising Market



Source: Advertising expenditures in Japan, based on data announced by Dentsu, Inc.

***1 Ringtone melodies (Chaku-mello)**
Through this service, users can download electronic melodies that play on a mobile phone when a call is received. Many of the melodies are polyphonic.

***2 Song ringtones (Chaku-uta)**
Users of this service can download short clips (15–45 seconds) of songs from CD releases for use as mobile phone ringtones and alarms.

***3 Full-length song tracks (Chaku-uta Full)**
This service allows users to download entire songs from CD releases, and play them on their mobile phones. The songs can be enjoyed as music player tracks or used as ringtones.

***4 Decorative e-mails**
With this service, users can decorate their e-mails to create highly expressive messages. Options include background colors, different font sizes and colors, flashing text and animations.

***5 Dress-up**
Users of this service can download and configure character images and other content through menus on their mobile phones. Handsets can be customized in various ways to match personal preferences, for instance by selecting images on the standby screen, ringtones and voices for alarms.

Business Evolution

MTI was established in 1996 in anticipation of future growth potential in mobile content markets. In the early years, we provided various services, not only in mobile content but also other mobile phone-related services, to capture changing market needs. However, in response to the subsequent evolution of high-speed mobile handsets that propelled the rapid expansion of mobile content markets, we shifted from spot-type businesses toward a stock-based business approach, and started to concentrate on building our customer bases in mobile content markets. Today, we specialize solely in mobile content services. We will continue to grow through timely and rigorous investments in growth segments, while further strengthening our analytical, technical and production capabilities in the rapidly evolving mobile content markets.

1st Stage (To FY 2003)

Multiple development of spot-based businesses

Creation of wide domain of business around mobile services

1. Telecommunications-related businesses
   - Sales of mobile phone handsets
   - Sales of ADSL, MyLine*, etc. services through telemarketing
2. Network-related businesses
   - Distribution of content to mobile phones
   - Operation of Internet settlement systems and web sites, etc.

2nd Stage (From FY 2004 to FY 2006)

Transformation to a stock-based business

Concentration on two core businesses that focus on building customer bases

1. Content distribution business
   - Expansion of subscribers to lucrative ringtone melodies service
   - Focus on and heavy investment in promising song ringtone services in response to the proliferation of high-speed 3G handsets
   - Creation of organic link between ringtone melodies and song ringtone services by unifying the service brand names into "*music.jp*"
2. Telemarketing business (selling medical insurance)
   - Securing of long-term, stable revenue and earnings based on sales commission

3rd Stage (From FY 2007)

Specialization in mobile content business

Further expansion of revenue and earnings by concentrating resources in mobile content services

1. Content distribution business
   - Implementation of long-term growth strategy in response to proliferation of 3.5G and later handsets
2. Mobile advertising business
   - Creation of multiple free mobile sites with high added value as advertising media in anticipation of full-fledged expansion of the mobile advertising market

***MyLine**

This service allows general fixed-line telephone subscribers in Japan to register with their preferred telephone company. After registration, they can use that company to make calls without the need to dial an identification prefix.

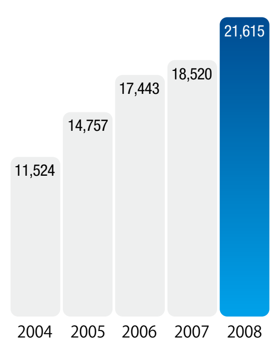
Consolidated Financial Highlights

MTI Ltd. and Consolidated Subsidiaries
Years ended September 30

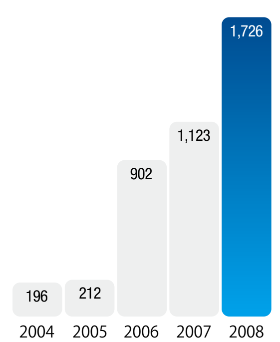
	Millions of yen					Thousands of U.S. dollars (Note 1)
	2004	2005	2006	2007	2008	2008
Net sales	11,524	14,757	17,443	18,520	**21,615**	**207,837**
Cost of sales	6,077	6,625	6,090	5,874	**6,286**	**60,443**
Selling, general and administrative expenses	5,249	7,918	10,450	11,523	**13,602**	**130,794**
Operating income	196	212	902	1,123	**1,726**	**16,601**
Income before income taxes and minority interests	2,156	84	1,037	1,522	**1,371**	**13,184**
Net income (loss)	1,634	(125)	884	1,053	**563**	**5,416**
Total assets	10,836	9,379	9,930	9,459	**10,758**	**103,452**
Total net assets (Note 2)	3,672	5,675	6,313	5,529	**5,385**	**51,784**
Net income (loss) per share						
: Primary (yen, U.S. dollars)	25,315.72	(1,763.31)	10,986.63	14,490.62	**4,086.52**	**39.29**
: Fully diluted (yen, U.S. dollars)	21,233.35	–	10,789.08	14,401.79	**4,048.63**	**38.93**
Cash dividends per share (yen, U.S. dollars)	340	340	1,000	1,500	**1,000**	**9.62**
Total net assets per share (Note 3) (yen, U.S. dollars)	55,557.43	70,507.03	78,729.89	79,021.25	**39,567.06**	**380.45**
Equity ratio (%)	33.9	60.5	63.6	58.5	**49.9**	**49.9**
Return on equity (%) (Note 4)	61.7	(2.7)	14.8	17.8	**10.3**	**10.3**
Return on assets (%) (Note 4)	0.3	1.3	8.7	10.6	**16.6**	**16.6**
Number of employees	162	223	302	354	**449**	**449**

Notes 1: Yen figures have been translated into U.S. dollars at the rate of ¥104.0 to US$1, solely for the convenience of readers.
2: The amount of total net assets at September 30, 2004 and 2005 represents the value of total shareholders' equity.
3: The amount of total net assets per share at September 30, 2004 and 2005 represents the value of total shareholders' equity per share.
4: ROE = Net income/[(equity* at beginning of the period + equity* at the end of the period)/2]
ROA = Ordinary income/[(total assets at beginning of the period + total assets at the end of the period)/2]
(*) Equity = Total net assets – stock acquisition rights – minority interests
5: The Company carried out a 2-for-1 stock split on April 1, 2008. Therefore, net income (loss) per share (primary and fully diluted), cash dividends per share and total net assets per share for the year prior to fiscal 2007 are calculated based on the pre-split number of shares.

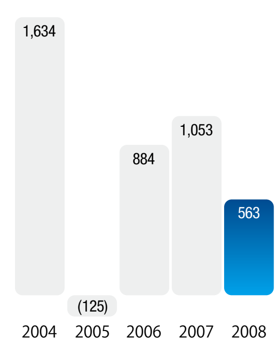
Net Sales
(Millions of yen)



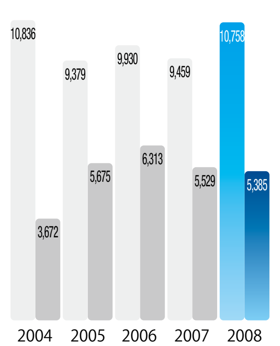
Operating Income
(Millions of yen)



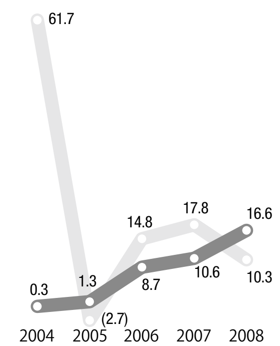
Net Income (Loss)
(Millions of yen)



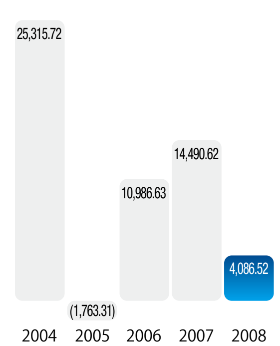
Total Assets / Total Net Assets (Millions of yen)



ROE / ROA
(%)



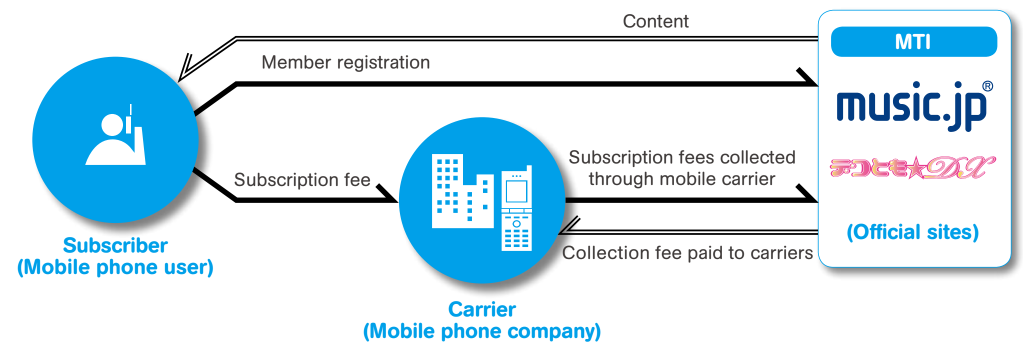
Net Income (Loss) Per Share (Yen)



Business Models

Content Distribution Business

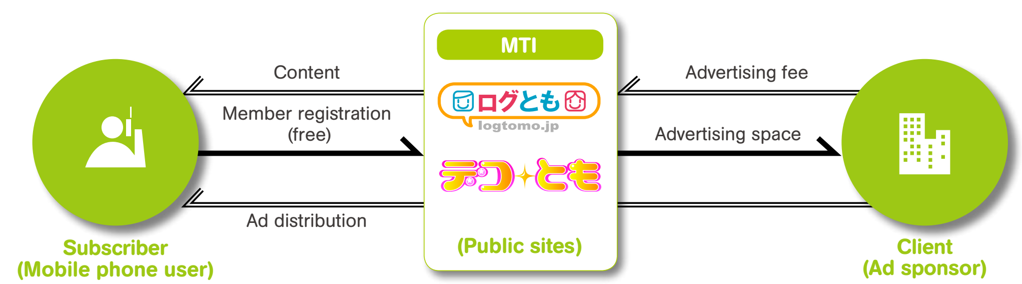
MTI operates official sites* that generate income in the form of monthly subscription charges paid by users. The charges, which range from ¥100 to around ¥500 per month, are collected through mobile phone companies to whom MTI pays a commission equivalent to about 10% of the collected charges.



*Official site: These are mobile phone-format websites that have been inspected and approved by carriers, such as DoCoMo, au and Softbank, and are featured on their portal sites. Mobile content service providers, such as MTI, earn income by charging for information supplied to these sites.

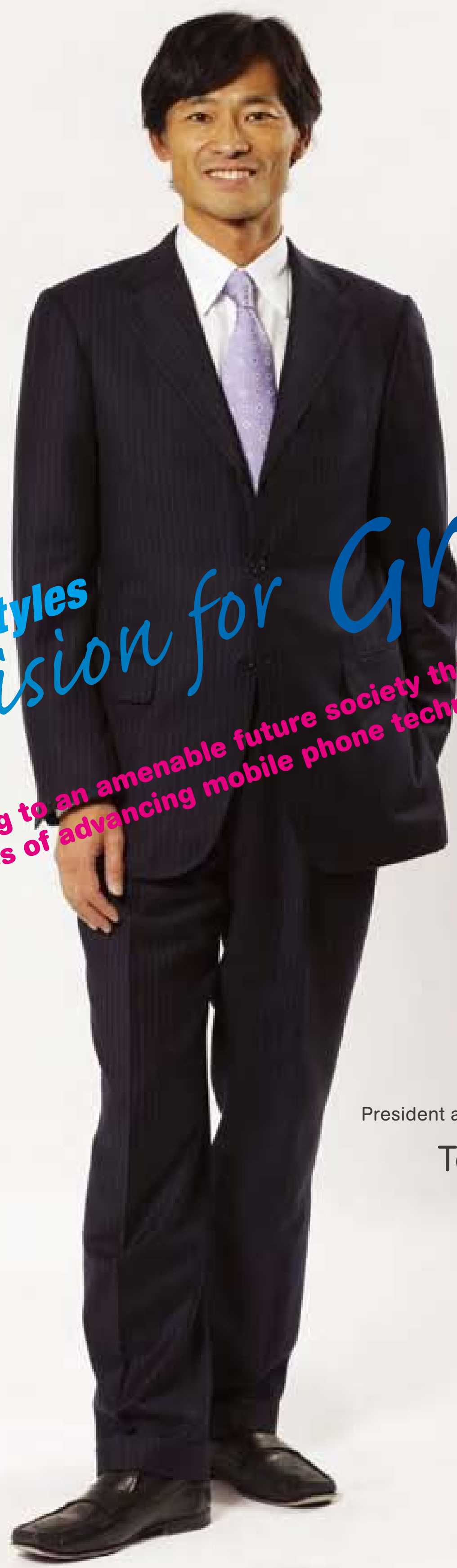
Mobile Advertising Business

MTI operates public sites* that users can access free of charge, and earns advertising revenues by selling advertising space on these sites to client companies (advertisers). Recently, there has been an increase in opportunities for service providers to also earn non-advertising revenues, such as income from sales of avatars and games, through such sites.



*Public site: These are websites other than official sites that can be browsed on a mobile phone. Because there are no carrier-imposed restrictions on sales of advertising space, these sites commonly provide free content and generate income from advertising.

Interview with the President



Mobile Phone Lifestyles >> Our Vision for Growth

Contributing to an amenable future society through the possibilities of advancing mobile phone technologies

President and Chief Executive Officer

Toshihiro Maeta

6.1 Million Paying Subscribers as of September 30, 2008, an Increase of 740,000 Year on Year

Q1: Please tell us about MTI's performance results for the year ended September 30, 2008?

In the year ended September 30, 2008, we aggressively promoted our products using TV commercials, mobile advertising and other means. We focused in particular on full-length song tracks, which are a promising growth market. These efforts helped to increase our subscriber base for full-length song tracks to over one million, and we also saw major growth in the number of subscribers for decorative e-mails and health-related information services. As a result, the total subscriber base for our core content distribution business reached 6.1 million as of September 30, 2008, a year-on-year increase of 740,000. Although there was a small drop in mobile advertising revenues, net sales set a new record at ¥21,615 million.

Higher gross profit and tighter controls on expenditure, especially advertising, pushed operating income to a new record for the third successive year at ¥1,726 million. This result was achieved despite relocation costs and rent increases resulting from the expansion of our office space.

Q2: What are MTI's strategies for the year ending September 30, 2009?

Our priority in the year to September 30, 2009 will be to further expand the number of subscribers for *music.jp* and other potential growth segments. We are determined to set a new profit record for the fourth straight year, and to strengthen our business foundation for sustainable growth.

We believe that the MTI Group can achieve sustainable growth by maintaining and further accelerating the growth of *music.jp*. We will therefore continue to focus on expanding the total subscriber base for music content as a whole. Strategies include acquiring distribution rights for popular music tracks, developing effective promotional activities, and launching campaigns to encourage existing users to prolong subscriptions. We will also implement active promotional campaigns to attract more subscribers for other potential growth areas, such as decorative e-mails, health-related information and weather forecasts.

Our goals for our new business segments—comics and mobile advertising—are to build solid foundations in readiness for future market expansion, while minimizing losses. Strategies for the comics segment include the continuing acquisition of popular content, and measures to reduce subscription cancellations. Our priority for mobile advertising is to increase the percentage of active subscribers, and thereby increase the media value for these sites.

Through these initiatives, we strive to achieve high sales growth and continued growth in earnings.

Q3: What are MTI's thoughts regarding new business areas, specifically comics and mobile advertising?

Over the medium term, we anticipate major market growth in the areas of comics and mobile advertising. However, the transition to a major expansionary phase is likely to take a little more time.

Mobile phones have evolved significantly over the past few years. Today, they are used not only for e-mail and Internet browsing, but also for entertainment, including music, games and television. Use of mobile phones for leisure has increased dramatically, especially among younger people. We expect this trend to continue, and there is likely to be a proliferation of new content designed for leisure-time consumption.

We have identified comics as an area in which mobile phone use can be expected to expand. A significant percentage of Japan's ¥500 billion comic publishing market is likely to shift to digital formats, and we see the potential for a digital comics market similar in scale to the music distribution market. We want to be the top company in this segment when this market starts to expand in earnest. Our priority at present is to maintain our position in the market by reducing subscription cancellations and acquiring popular content.

As the time that users spend connected to mobile content increases, the value of that mobile content as an advertising medium will also increase. We are

confident mobile content will evolve into a medium that will attract many advertisers in the future, and are preparing for that time by promoting increased subscriber activity as a way of enhancing the media value of our mobile sites. Through these efforts we also try to monetize in the mobile advertising operations by strengthening the framework to channel public-site users toward official MTI content. We will use these strategies to build mobile advertising into our next core business segment alongside content distribution.

Our goal is to steadily increase sales and income by driving further growth in existing business areas, and by investing part of the income from those areas in the promising new business segments.

Q4: What are MTI's priorities in terms of achieving continued growth?

We need to strengthen our total capabilities in three key areas: our ability to plan content that accurately reflects user needs; our ability to deploy technology in step with continuing advances in mobile phone technology; and, our ability to produce a wide range of high-quality content at lower cost.

Regarding content planning, we will strengthen our ability to capture user needs by enhancing our marketing activities. User trends are continually

Aiming for Sustainable High Growth Driven by Growth in Existing Business Segments and Investment in New Businesses

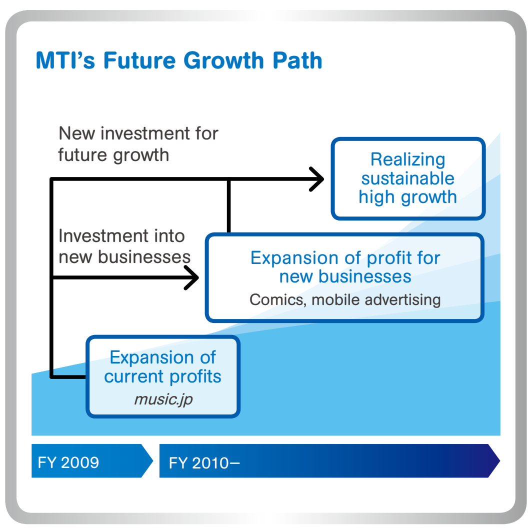
changing and becoming more complex, and we will adapt promotional activities accordingly. We will also continue to improve our ability to analyze trends and identify the most effective approach to content development.

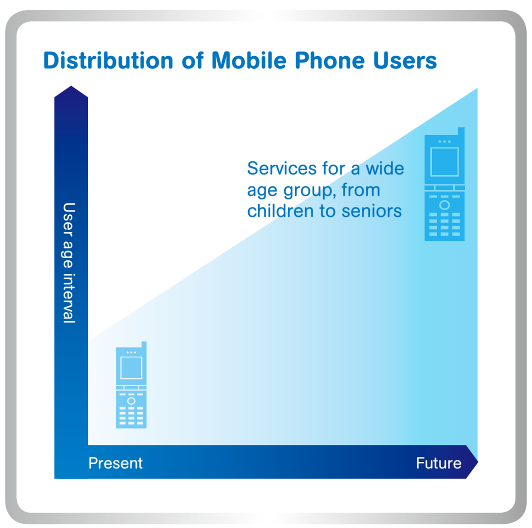
To create mobile content that really reflects user demand, we must also strengthen technology development and content creation. Because of the continuing evolution of mobile phones toward higher data transmission speeds, priority areas for technology development will include the ability to develop sites to distribute rich content requiring high image resolution and bandwidth. Our focus in relation to content production will be to further enhance the systems enabling us to create and supply high-quality content efficiently.

A balanced focus on these three areas will allow us to achieve sustainable high growth by providing mobile content that is fresh and exciting, and encourages continued access by users.

Q5: What is your vision for the future of MTI and the market?

Mobile content users are mainly in younger age groups. However, we expect their use of mobile content to continue as they grow older. Meanwhile,





Strengthening Our Planning, Technology Development and Content Creation Capabilities

more younger users will start to access mobile content, meaning that the age interval is likely to expand. This trend will inevitably be accompanied by the emergence of an expanding range of services targeted toward all age groups, from children to seniors. Advances in mobile phone technology will meanwhile drive further diversification of content and expand the scope of what can be achieved via handsets. Both mobile phones and mobile content are likely to play an increasingly indispensable role in our lives.

MTI will continue to monitor and analyze these trends accurately, so that we can provide a diverse range of content to meet the needs of an expanding user base encompassing a variety of lifestyles and age groups. By utilizing advances in mobile phone technology to provide content that enhances the comfort of daily life, we can also help to raise the quality of life in society overall.

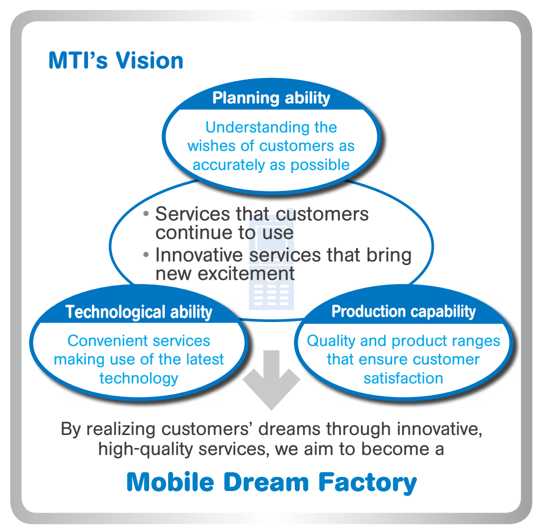
Our vision is to provide services that allow us to be a lifelong friend to our customers, and become a "mobile dream factory" dedicated to fulfilling the dreams of both existing and future customers with consistently fresh and exciting services. In this way, we hope to contribute to the creation of an amenable future society that will be brought forth through evolution of mobile phone technologies.

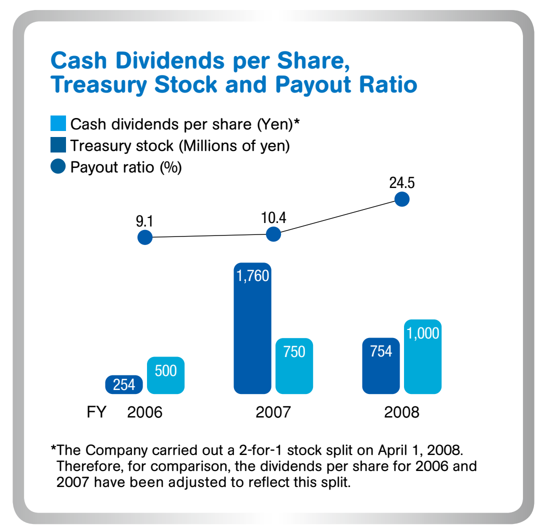
Q6: In conclusion, please tell us about MTI's capital policy.

The Group's basic capital policy is to achieve a harmonious balance between high sales and income growth and the provision of returns to our shareholders over the medium and long term. Under this policy, we will provide returns to our shareholders by steadily increasing dividends, and by implementing flexible share buy-back programs.

In the year ended September 30, 2008, we expanded dividend returns to shareholders by increasing our final dividend by ¥250 to ¥1,000 per share, reflecting our new records for operating income and ordinary income. We also bought back shares worth a total of ¥754 million. These measures brought our total payout ratio to 158.0%. Shares bought back from shareholders are canceled in principle.

We will continue our efforts to improve our market equity value by expanding our enterprise value through sustained sales and income growth. We are also determined to deliver stable returns to our shareholders.





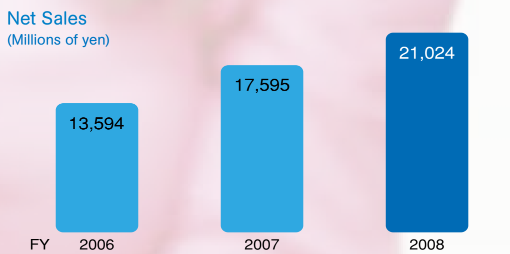
Content Distribution Business

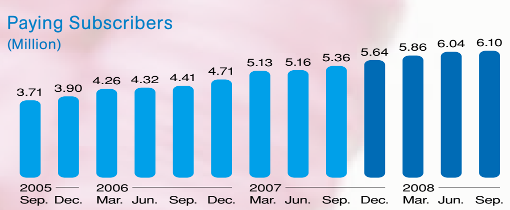
Operating Results for the Fiscal Year Ended September 30, 2008

Our priority in the area of music content was to achieve sustained growth in the number of subscribers paying to download full-length song tracks by promoting popular tracks. Our high-profile brand, *music.jp*, played a key role in this process. We were also able to minimize declines in the number of subscribers buying song ringtones and ring melodies.

In the lifestyle information content category, MTI continued to provide convenient services tailored to user needs. We also implemented campaigns and distributed special features designed to stimulate seasonal demand. These strategies brought significant growth in the number of paying subscribers. We also dramatically increased our paying subscriber base for decorative e-mails by stimulating demand for Christmas and New Year greeting e-mails, and by implementing highly successful promotional campaigns.

These strategies helped to lift the number of paying subscribers to 6.1 million as of September 30, 2008, an increase of 740,000 compared with the total a year earlier. Net sales increased by 19.5% to ¥21,024 million, and operating income by 59.7% to ¥3,079 million.





Music Content

Music download site
music.jp Full

Our music site, *music.jp*, is the number one independent music distribution site. It offers approximately 40,000 full-length Japanese song ringtones and around 30,000 foreign tracks. Popular features include exclusive music distribution and the distribution of tracks before their release on CD.

Access to Favorite Songs, Anywhere, Anytime

Japan has the world's highest take-up ratio for 3.5G mobile phones. With the growth of the user base, full-length song tracks, song ringtones and ringtone melodies have become established features of the mobile phone environment. Growth in the range of telephone models supporting full-length song tracks has been paralleled by a rapid increase in the number of users downloading full-length song tracks, especially users in their teens and twenties. The reason for this popularity is the ability to enjoy music anywhere and anytime without a special music player. Wherever they are, users can simply access their preferred songs and play them back at high quality on their mobile phones.

MTI operates the *music.jp* mobile phone music distribution websites, which offer full-length song tracks, song ringtones, ringtone melodies and other musical content. *music.jp* is the market leader among independent music sites not affiliated with particular record companies. In addition to music downloads, these comprehensive sites also offer ringtone voice clips (Chaku-voice)* and lyrics, as well as a wide range of information, including music and movie news, video commentaries by artists and promotional videos.

The *music.jp Full* (full-length songs by Japanese artists) offers approximately 40,000 Japanese tracks, ranging from the latest hits to golden oldies. Popular downloads include theme tunes from hit dramas, films and animations, and songs from TV commercials.

Around 30,000 popular foreign songs are available through the *music.jp Yogaku Full* (full-length songs by foreign artists) service. There is also an extensive range of free downloads, including message videos from artists and wallpaper images.

Other popular sites in the MTI lineup include *music.jp Cho-Koonshitsu* (song ringtones by Japanese artists), *music.jp Yogaku* (song ringtones by foreign artists), *music.jp Torihodai* (ringtone melodies), *music.jp Anime&Game* (song ringtones from animations and games) and *music.jp Anime&Game F* (full-length song tracks from animations and games).

MTI implements unique promotional activities designed to attract new subscribers as well as to minimize cancellations by existing users. Promotions include the exclusive distribution of tracks ahead of CD launches; these tracks can be downloaded only from MTI sites.

***Ringtone voice clips (Chaku-voice)**
This service provides sound recordings that can be used as ringtones. Examples include sound effects and voice recordings by show-business personalities.

Lifestyle Information Content

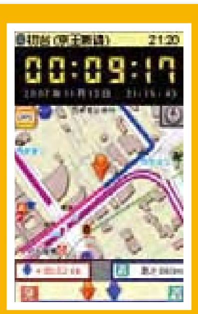
Our sites offer a wide range of information, including weather information for 850 locations throughout Japan, as well as traffic information, maps and guides linked to GPS functions. This content category also includes dictionaries and health and lifestyle-related information.

Consistently High Menu Rankings* with Three Mobile Phone Carriers

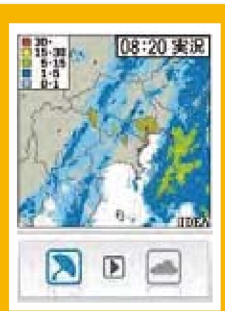
We provide three-hourly pinpoint weather forecasts for 850 locations throughout Japan. Other services include an enhanced traffic information site that enables users to search for the best driving directions and avoid possible traffic jams, and navigation for driving and walking. We also offer a map and information guide site optimized for trip planning.

MTI maintains its top position in the category menus provided by Japan's three mobile phone companies by continually enhancing the usability of its sites through the use of the latest technology, and through in-depth monitoring of user needs.

Sites with topical lifestyle information are also very popular. These include sites dedicated to health information for women, and dictionary sites featuring dictionaries and other reference works by Obunsha, a highly respected Japanese publishing company.



Map and information site
Mapple Chizu-navi Norikae



Weather forecast site
Otenki Yohou

*Menu ranking
This is a site's ranking in the category menus on the official sites of mobile phone carriers. A site's menu ranking has a major influence on the number of accesses.

Entertainment Content

MTI offers a wide range of entertainment sites. Popular content includes decorative e-mails, comics, horoscopes and animations.

Comics–A Promising Growth Market

Demand for downloads from our decorative e-mail site expands dramatically during festive seasons, especially Christmas and New Year, when many people send e-mail greetings. MTI offers a wide range of seasonal downloads, including popular illustrations, and is actively promoting this content.

Growth is also predicted for comics distribution, as a large portion of the Japanese comic publishing market, now worth around ¥500 billion, is expected to shift to digital formats. In addition to the spread of 3.5G mobile phones, demand is also expanding in step with the emergence of new lifestyle concepts that include reading comics on mobile phones. MTI's emphasis is on acquisition of distribution rights for popular works from comic publishers, as well as cost-effective promotional campaigns.

Our lineup of sites also includes fortune-telling sites with the emphasis on love and romance, as well as sites for fans of baseball, anime and other areas.

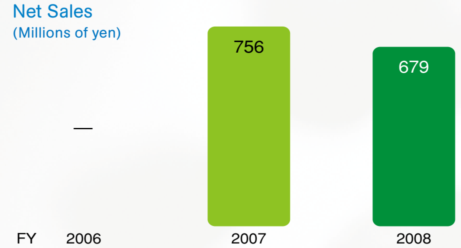
The decorative e-mail site
Deco Tomo★DX

Operating Results for the Fiscal Year Ended September 30, 2008

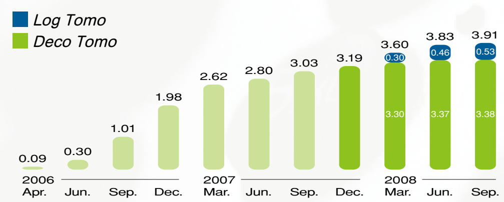
MTI operates sites that users can access free of charge. We earn revenues by selling advertising space on these sites to corporate customers (advertisers). Two public sites that carry advertising are the decorative e-mail site *Deco Tomo* and the SNS* site *Log Tomo*, where users can enjoy blog decoration. In the period under review, we worked to activate the registered user base for both sites by establishing new corners, including fortune-telling and dress-up services, on *Deco Tomo* by linking it with *Log Tomo*, and by implementing collaboration programs with music artists from *music.jp*. As of September 30, 2008, 3.38 million users had registered on *Deco Tomo*, an increase of 350,000 from the number a year earlier, while registrations for *Log Tomo* reached 530,000.

However, sales were 10.2% lower year on year at ¥679 million because of a slowdown in advertising revenues. Forward investment, including promotional costs associated with the start-up of *Log Tomo*, resulted in an operating loss of ¥1,258 million.

Net Sales
(Millions of yen)



Registered Users
(Million)



*Social networking service (SNS)
This service supports interaction among members with shared interests. Internet users register as members and publish partial profiles that include age, gender and other information.

Free Content

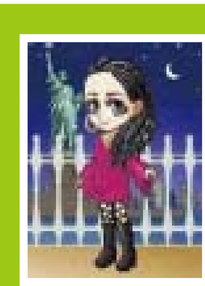
MTI provides free access to several sites, including a decorative e-mail site with over 30,000 downloadable items, and a social networking service (SNS) site with over 10,000 avatar* items.

Two Popular Public Sites Offering Free Access

Both qualitatively and quantitatively, our *Deco Tomo* site is one of Japan's leading decorative e-mail sites. With 3.38 million registered users, it offers over 30,000 free downloadable items that can be used to add decorative appeal to e-mails.

Blog decoration is a popular activity on our SNS site, *Log Tomo*. Social activities include messaging between members with common hobbies and interests, and the sharing of diary content. We are working to stimulate activity on the site by enhancing the avatar items used by members as online alter egos.

The SNS site
Log Tomo



Avatar

*Avatar
Avatars are screen characters used as alter-egos for various communication tools, such as chats and SNS sites.

Corporate Governance

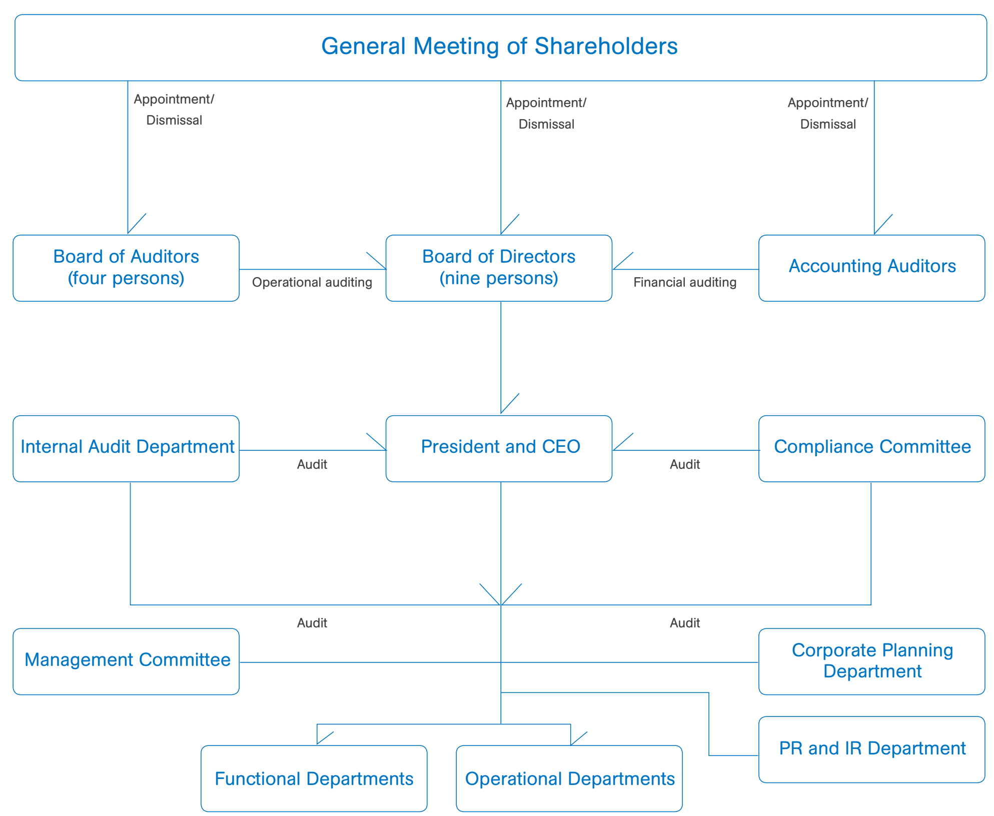
Management Transparency and Prompt, Effective Decision-Making

1. Basic Approach

The establishment of a sound and highly transparent management structure and the development of systems to support prompt, effective decision-making in a changing business environment are key management priorities for the MTI Group. One of the policies that we have implemented to achieve these goals is the appointment of board directors to one-year terms. This introduces a sense of urgency into the management environment, since directors' positions must be reconfirmed by shareholders every year. We are also working to strengthen and consolidate compliance.

Our IR policy requires timely and appropriate disclosure of information, including financial results and other key management data. We emphasize two-way communication with stakeholders to enhance management transparency and build relationships of trust with market participants. An overview of our corporate governance structure is provided below.

Corporate Governance Structure



2. Implementation of Corporate Governance Policies

(1) The Board of Directors consists of eight internal directors and one external director. Regular meetings are held each month, and extraordinary meetings are convened as required. The tasks of the Board of Directors are to make important management decisions and supervise the performance of directors' duties. There are four auditors, including three external auditors, one of whom is a standing auditor. Their task is to strengthen supervision of management, including attendance at board meetings and other important management meetings.

(2) The MTI Group has adopted an operating officer system as the basis for clear chains of responsibility and prompt decision-making in relation to performance of business operations. In addition, a Management Committee consisting of directors and operating officers meets two or three times each month to deliberate on important operational matters. The President and CEO make decisions based on the deliberations of the Management Committee.

(3) Presidents of key subsidiaries are regularly invited to attend Management Committee meetings, and the management performance of those companies is carefully monitored. Checks and balances have been further strengthened by centralizing control functions for group companies within the control structure of the parent company, MTI Ltd.

(4) The Company has appointed Ernst & Young ShinNihon LLC as its independent auditor. In addition to regular audits, the independent auditor also provides advice and verification on specific accounting issues and helps to maintain a high standard of transparency and accuracy in the Company's accounts. The Company has retained outside experts to provide advice as required on taxation and legal matters.

Corporate Social Responsibility (CSR)

MTI operates mobile content sites that everyone can use with confidence. It also implements a variety of social contribution activities through these sites.

Maintaining Safe Online Environments on Mobile Sites

Mobile phones are today used increasingly by children and young people, and the younger generations are in the forefront of a growing trend toward Internet access via mobile phones. There have been situations in which young people have become involved in criminal activities through the use of mobile phones to access communication sites and other areas of the Internet. There are also many harmful and illegal sites, including those that impose unfair charges or allow illegal music downloads in violation of copyrights. MTI has implemented the following initiatives to ensure that users can access mobile content sites with confidence and peace of mind.

Mobile Media Liaison Group

In December 2007, 12 mobile media operators, including MTI established the Mobile Media Liaison Group. Its mission is to contribute to the sound development of the mobile media market by formulating and sharing voluntary guidelines, including mobile media administration guidelines and a compliance philosophy. The aim is to promote sound operations and contribute to further market expansion through self-regulation.

Ensuring Safety on *Log Tomo*

MTI has established rules to ensure that its blog and SNS site, *Log Tomo*, can be enjoyed safely by its users. Currently there is a ban on site access by newly registered members under the age of 18. In addition, the site is patrolled around the clock 365 days a year. We delete any inappropriate uploads or material that violates copyrights and revoke the membership of the person responsible. We also help to prevent incidents by referring any messages containing threats of suicides or criminal activities to the police.

Disaster Relief Donations

Part of the revenues from our weather forecast site is used to assist those affected by disasters, with relief funds donated through humanitarian organizations. In 2008, donations were made to assist victims of the following disasters:

Date of Donation	Disaster
September 25	Heavy rainfall in the Tokai and Kanto regions of Japan in late August (through Japan Red Cross)
June 23	Iwate-Miyagi Inland Earthquake, Japan (through Japan Red Cross)
May 19	Sichuan Earthquake, China (through Japan Red Cross)
May 13	Cyclone Nargis, Myanmar (through Japan National Committee for UNICEF)

Support of Environmental Events

Through its *music.jp* site, MTI sponsors Earth Day Tokyo, which is one of the environmental events held throughout the world on or around April 22 each year. We also contribute to the operation of the Earth Day Tokyo mobile site, which can be accessed free of charge. Through these initiatives, we aim to foster interest in environmental problems and encourage as many people as possible to participate in the events.

Charitable Downloads

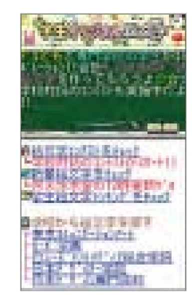
We have introduced a new type of social contribution activity based on the donation of part of revenues from downloads of full-length song tracks and other items from *music.jp*. In the summer of 2007*, we distributed a song ringtone consisting of the recorded songs of six cicada species. Part of the revenues from downloads of this item were donated to the Nature Conservation Society of Japan (NACS-J), a non-governmental environmental protection organization that has been active for six decades. The recordings were distributed with the cooperation of the Oto no Hane ("wings of sound") organization.

*This activity ended on August 31, 2007.

Industry-Academia Collaboration —Working with Educational Institutions

In June 2008, MTI launched a competition for decorative e-mails created by design students. The aim of this program, which is run in cooperation with five design schools, is to give students aiming to become creative designers opportunities to publish their work on our *Deco Tomo* site. Around 70% of the items submitted are selected for distribution through *Deco Tomo*.

Through *music.jp*, we also work with music schools to support live events. Initiatives that help to launch the careers of artists include the posting of special pages on the site, and the distribution of music by participating artists.



Board of Directors and Corporate Auditors (As of February 1, 2009)

6 4 2 1 3 5 7

12 10 8 9 11 13

1.	President and Chief Executive Officer	**Toshihiro Maeta**		
2.	Director and Senior Executive Vice President	**Hiroshi Izumi**		
3.	Director and Executive Vice President	**Tsuguo Takahashi**		
4.	Director and Executive Vice President	**Tadahisa Saito**		
5.	Director and Senior Vice President	**Katsunori Osawa**		
6.	Director and Senior Vice President	**Toru Narita**		
7.	Director and Vice President	**Yoshihiro Shimizu**		
8.	Director	**Ryuichi Sasaki**		
9.	Director	**Masaya Onagi**		
10.	Statutory Auditor (Standing Auditor)	**Tsutomu Minoura**		
11.	Statutory Auditor	**Kazuhiro Wada**		
12.	Statutory Auditor	**Kunihiko Yamamoto**		
13.	Statutory Auditor	**Yoshinobu Nakamura**		

Financial Section

CONTENTS

Overview

According to a survey by the Telecommunication Carriers Association on the mobile communications industry, the core business area of the Group, the subscription number of 3G or later-generation mobile phones as of September 30, 2008 totaled 93.65 million units, which accounts for 89.3% of total market subscriptions. As 3.5G mobile phones with higher functionality have gained more acceptance in the market, it is expected that the demand for mobile content, especially rich content such as music and video, will continue to grow.

In this environment, the Group took proactive steps to raise the number of paying subscribers in growing service categories, primarily through promotions such as TV commercials and mobile advertisement. As a result, the number of paying subscribers of full-length song tracks grew steadily, and that of other content, including lifestyle information services, also showed a substantial increase.

Net Sales

Consolidated net sales increased by 16.7% from the previous fiscal year to ¥21,615 million, again reaching a record high. The number of paying subscribers as of September 30, 2008 for the Group's mainstay content distribution business expanded by 740,000 year on year to 6.1 million.

Segment Information

Content distribution business

For music content distribution, the Group worked to increase the number of paying subscribers of full-length song tracks by concentrating on acquiring popular songs from major music labels and developing various promotions. The Group also took measures to minimize the decrease in the paying subscriber bases for song ringtone services, for which the market has matured, and ringtone melody services, for which the market is shrinking.

Regarding lifestyle information services, such as weather forecasts, traffic information and map services, the Group successfully expanded its paying subscriber base as a result of measures including free-service campaigns, special content distribution to meet seasonal demand and promotion developments customized by content.

The number of paying subscribers for decorative e-mail services was drastically increased through aggressive promotions and efforts to meet seasonal demand.

For the comics distribution services, which are expected to grow further in the future, the Group worked to acquire comics distribution rights from publishing companies to broaden its content offering, while launching promotion initiatives to acquire new subscribers.

As a result of the above initiatives, the number of paying subscribers as of September 30, 2008 totaled 6.1 million, marking a 740,000 year-on-year increase. Net sales for the segment rose by 19.5% from the previous fiscal year to ¥21,024 million. Operating income also marked a substantial 59.7% increase over the previous fiscal year to ¥3,079 million.

Mobile advertising business

As the needs of advertisers for advertising products diversify, with advertising income from the *Deco Tomo* site slowing, the Group aimed at improving overall profitability for all Group companies, including in the content distribution business, by guiding free-site members to fee-based official sites in order to expand charge income.

The Group took measures to stimulate use of services by registered members. For the *Deco Tomo* site, such measures included adding new areas for fortune-telling contents and tools for dress-up. For the *Log Tomo* site, measures included collaborations with various artists under a tie-up with *music.jp*, expansion of the avatar services and a cross-link with *Deco Tomo*.

As a result, the number of registered members of *Deco Tomo* as of September 30, 2008 totaled 3.38 million, marking a year-on-year increase of 350,000. *Log Tomo* successfully reached 530,000 registered members. However, net sales of the segment declined by 10.2% from the previous fiscal year to ¥679 million.

Regarding the operating loss of the segment, the deficit amount continues to decrease as a result of efforts to control promotion expenses. However, due to start-up investments, mainly for promotion relating to the launch of the new site *Log Tomo*, the segment recorded an operating loss of ¥1,258 million.

Gross Profit

Gross profit rose by 21.2% from the previous fiscal year to ¥15,329 million, raising the gross profit ratio by 2.6 percentage points to 70.9%. This achievement is mainly due to the net sales increase brought by the growth in the number of paying subscribers for the content distribution business, as well as to an improved cost of sales ratio accompanied by a lower ratio of withdrawal from music content distribution services.

Operating Income

Operating income soared to ¥1,726 million, a 53.7% increase over the previous fiscal year, reaching a record high for the third consecutive year. The ratio of operating income to net sales also improved by 1.9 percentage points to 8.0%. Although the Group posted relocation expenses and increased rent expenses as a result of an expansion of office space, such downward effects were outweighed by the increase in gross profit and efforts to manage selling, general and administrative expenses, such as advertising and public relations expenses.

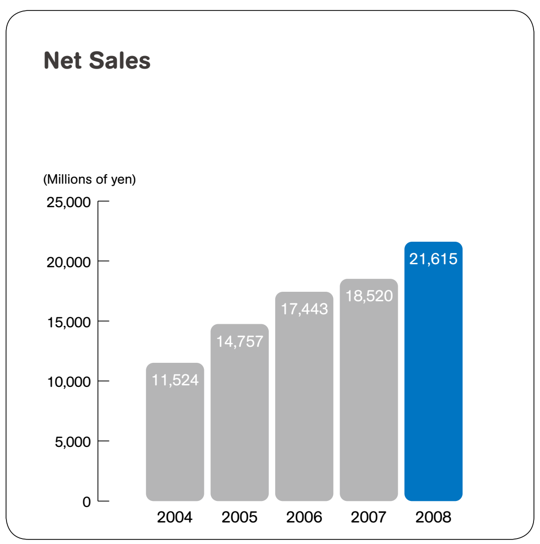
Extraordinary Gains and Losses

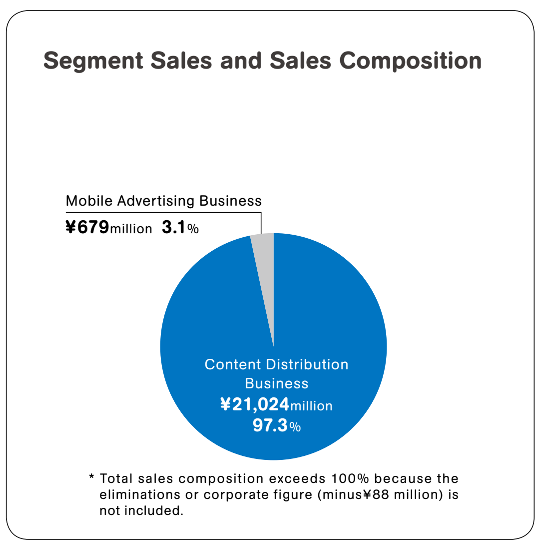
Extraordinary gains for the fiscal year under review amounted to ¥32 million, down by ¥770 million from the previous fiscal year. ¥740 million of gain on sales of insurance sales business was included in the previous fiscal year's extraordinary gains, which was posted upon the sales of the medical insurance telemarketing business.

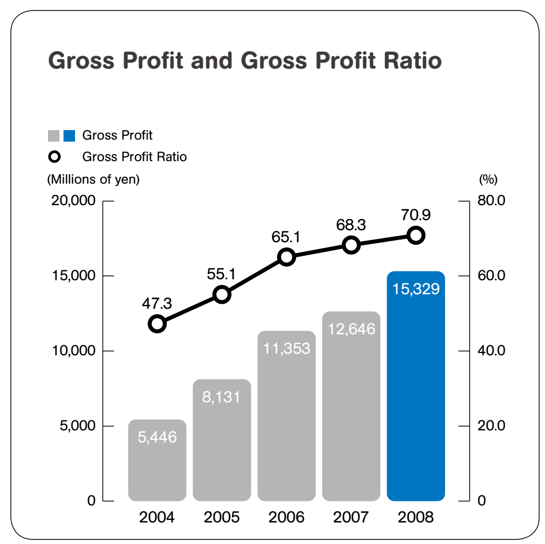
Extraordinary losses increased by ¥27 million to ¥336 million. This increase was mainly due to a ¥261 million loss on devaluation of investment securities brought by a decline in the market value of listed securities.

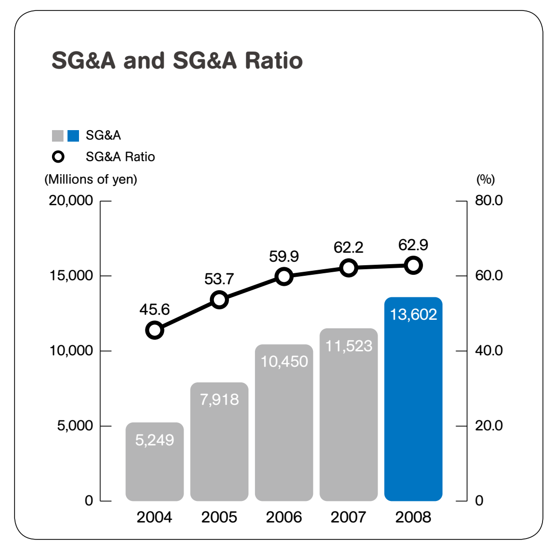
Net Income

Reflecting the absence of extraordinary gains recorded in the previous fiscal year, income before income taxes declined by 9.9% to ¥1,371 million. Net income as well resulted in a 46.5% year-on-year decrease to ¥563 million. The ratio of net income to net sales and the return on equity ratio (ROE) also dropped from the









previous fiscal year by 3.1 and 7.5 percentage points, respectively, to 2.6% and 10.3%, respectively. Fully diluted net income per share amounted to ¥4,048.63.

Assets, Liabilities and Net Assets

Assets

Total assets as of September 30, 2008 amounted to ¥10,758 million, an increase of ¥1,299 million from the previous fiscal year-end.

Current assets

Current assets increased by ¥693 million year on year to ¥7,744 million, mainly due to an increase in accounts receivable-trade of ¥561 million.

Non-current assets

Non-current assets as of September 30, 2008 amounted to ¥3,014 million, an increase of ¥606 million from the previous fiscal year-end. Although there was a ¥156 million decrease in investment securities due to the devaluation loss posted, a ¥422 million increase in software and a ¥280 million increase in leasehold deposits brought by the office space expansion contributed to the overall increase in total non-current assets.

Liabilities

Total liabilities as of September 30, 2008 stood at ¥5,373 million, rising ¥1,443 million from the previous fiscal year-end.

Current liabilities

Current liabilities amounted to ¥4,525 million, an increase of ¥842 million year on year. This increase was mainly due to increases in long-term borrowings due within one year, accrued income taxes and allowance for coin usage of ¥200 million, ¥324 million and ¥286 million, respectively.

Long-term liabilities

Long-term liabilities increased by ¥600 million to ¥848 million, reflecting a ¥699 million increase in long-term borrowings.

Interest-bearing debt

Total interest-bearing debt, comprising long-term borrowings and corporate bonds, including those due or redeemable within one year, rose by ¥799 million from the previous fiscal year-end to ¥949 million.

Net assets

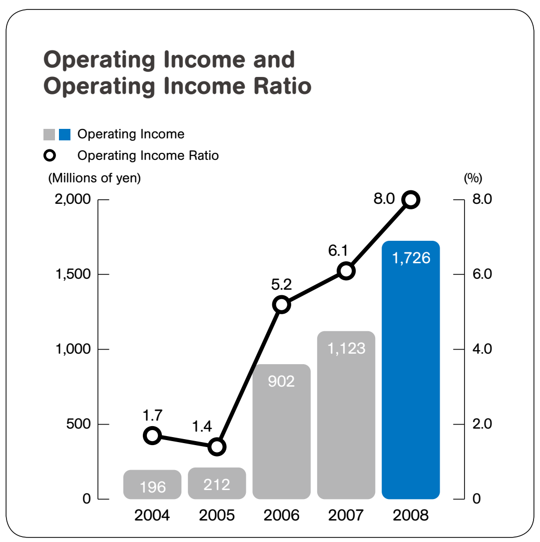
Net assets totaled ¥5,385 million, dropping ¥143 million from the previous fiscal year-end. Major fluctuation items include net income for the year added to net assets, and an increase in treasury stock due to acquisition.

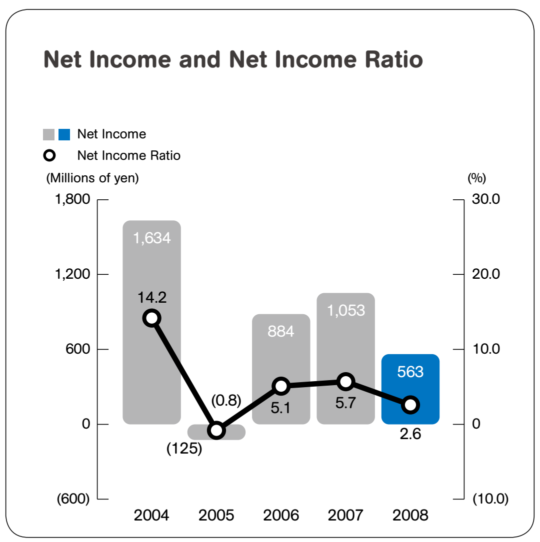
The Company acquired a total of ¥754 million in treasury stock during the fiscal year under review, while cancellation of treasury stock totaled ¥2,793 million.

The equity ratio for the year ended September 30, 2008 dropped by 8.6 percentage points from the previous fiscal year to 49.9%.

Cash Flow

Cash and cash equivalents as of September 30, 2008 amounted to ¥1,442 million, down by ¥32 million from the previous fiscal year-end. Cash flows by activities and factors involved for the fiscal year under review are as follows:





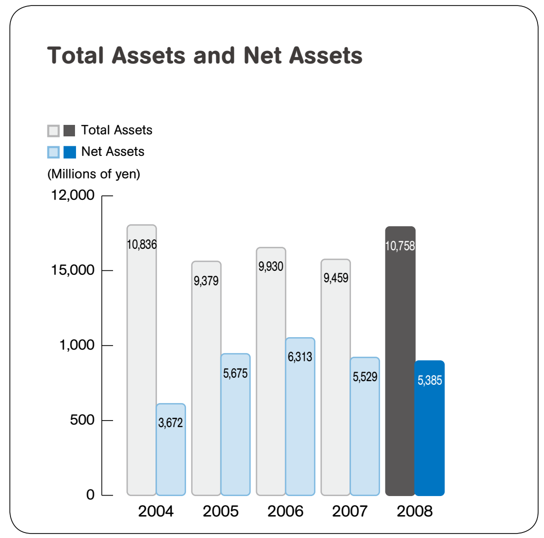
Net cash provided by operating activities resulted in ¥1,449 million, compared with ¥694 million for the previous fiscal year. Although there were major cash out-flow factors such as an increase in accounts receivable-trade and income taxes paid, these were exceeded by cash in-flows including ¥1,371 million in income before income taxes, as well as depreciation and other factors.

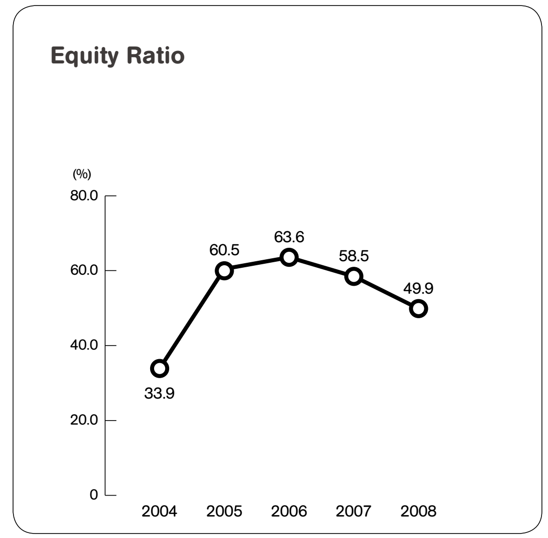
Net cash used in investing activities amounted to ¥1,470 million, in contrast to ¥147 million provided in the previous fiscal year. Major cash out-flow factors include ¥1,038 million in payments for purchases of intangible assets (mainly of software) and a ¥280 million increase in leasehold deposits.

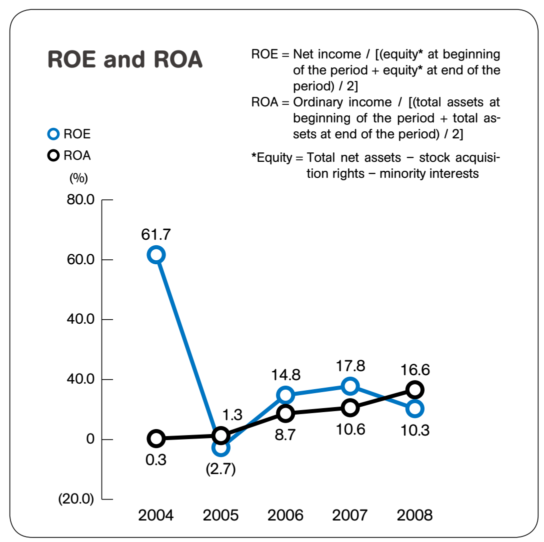
Net cash used in financing activities decreased to ¥11 million, from ¥1,917 million in the previous fiscal year. Despite proceeds of ¥1,000 million from long-term borrowings and other in-flows, out-flow factors, such as payment for acquisition of treasury stock, dividends paid, repayments of long-term borrowings and redemption of corporate bonds, offset the in-flow effect.

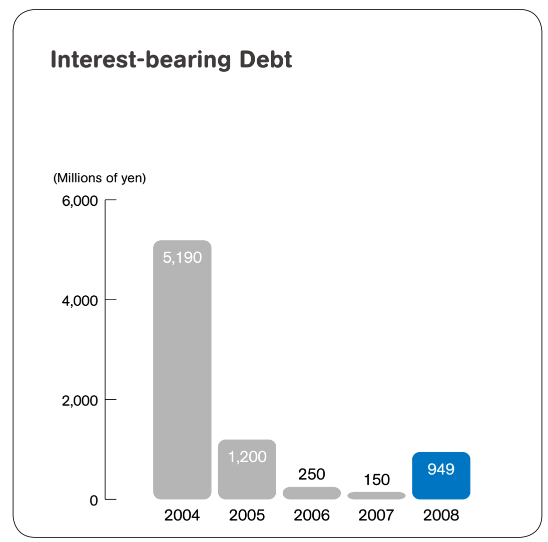
Returning Profits to Shareholders

Regarding returning profits to shareholders, the Company takes into account its basic capital strategy of achieving a well-thought balance between high growth rates for sales and profits in the medium to









long-term and returning profits to shareholders. In line with this strategy, the Company builds up internal reserves to provide for aggressive business development while aiming to achieve a payout ratio of 35% of consolidated net income.

Toward these goals, the Company plans to maintain stable growth in dividend payments in combination with flexible and timely purchases of treasury stock. The Company also intends to cancel acquired treasury stock in principle.

For the fiscal year under review, the Company increased the dividend per share by ¥250 to ¥1,000 following a 1: 2 share-split on April 1, 2008. The decision to increase the dividend was taken from the point of view of increasing the return of profits to shareholders following the improved business performance, which marked a record high for consolidated operating income for the third consecutive year.

The total payout ratio (the ratio of total dividends paid and the purchase of treasury stock to consolidated net income) for the fiscal year under review was 158.0%.

Business and Other Risk Factors

The major risk factors that the Group encounters in the operations of its business are listed below. As part of its information disclosure for investors, the Group also proactively discloses factors that may not necessary be equivalent to risk factors, but are considered important or beneficial to making investment decisions or for understanding the Group's business activities.

The Group is aware of the possibility of the actual occurrence of events underlying these business risks, and takes actions to prevent their occurrence and is prepared to respond rapidly should those conditions occur. Nevertheless, the Group believes that any investment decision regarding its stock should be carefully considered weighting both the risk factors and other information which may not be stated here.

Readers are cautioned that the factors stated below do not cover every conceivable risk factor regarding investment in the Company's stock.

Reliance on key individuals

Toshihiro Maeta, the Company's president and chief executive officer, serves a pivotal role in the creation of business models and accumulation of know-how in data analysis techniques, which are essential strengths of the Group. He also plays an important role in driving daily business activities. The Group has taken steps to develop and reinforce its human resources to establish a business structure that is not excessively reliant on Mr. Maeta. Notwithstanding these efforts, if a situation were to arise in which for any reason Mr. Maeta was unable to carry out his duties, it could have a significant impact on the business performance of the Group.

Content distribution business

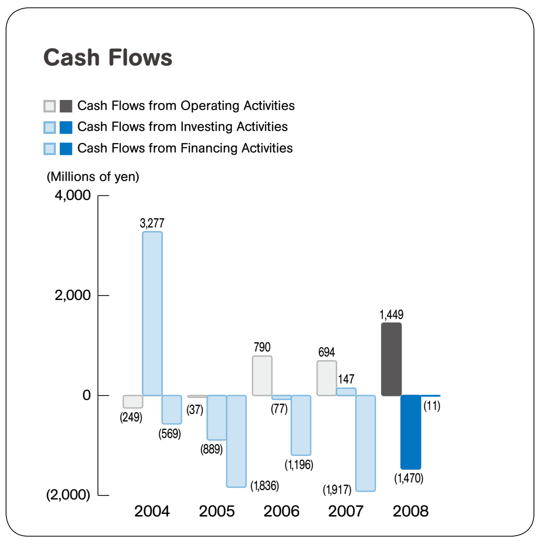
The overall market for the Group's content distribution services, including full-length song tracks and decorative e-mails, continues to expand. However, in the event of the following possible situations, future conditions could differ from the outlook for net sales or operating expenses currently envisaged by the Group. As a result, the Group might be forced to make changes in its management policies, business strategies or other aspects that could impact negatively on the Group's business performance.

(1) The emergence of indeterminate factors beyond those envisaged at the time projections were made as a result of the rapid progress of technical innovation. These factors could include a sharp erosion of the competitive superiority of mobile phones, deceleration in the spread of 3.5G mobile phones and major changes in user preferences.

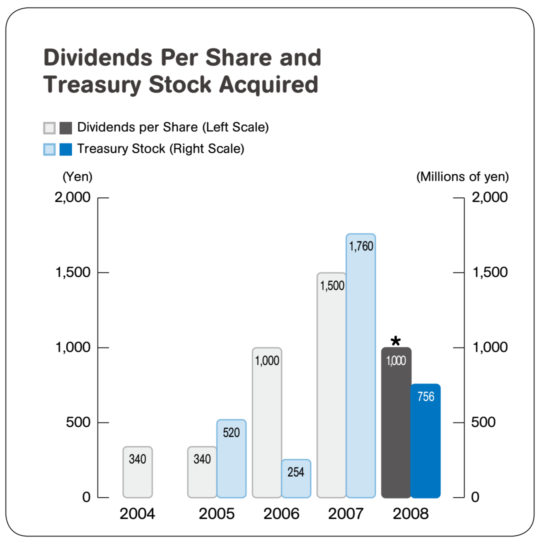
(2) A loss of the Group's ability to differentiate itself from its industry competitors in such aspects as the nature, quality or price of contents, resulting in the Group being unable to achieve its targeted number of paying subscribers. Other possible situations include the intensifying competition in the industry in acquiring subscribers and the increasingly severe price competition destroying the Group's cost competitiveness, preventing it from maintaining subscriber bases.

(3) Services or technologies become out of date because of such factors as delays in the development or provision of services to meet user needs or in addressing state-of-the-art technologies. In addition, situations in which content production costs rise more rapidly than expected, making it impossible to maintain an efficient development structure for the creation of content and driving operations into the red.

(4) The market for mobile content distribution suddenly declines or becomes saturated, or advertising and other publicity do not achieve the expected sales impact, rendering the targeted goal for the number of paying subscribers impossible. Other situations include the cost of procuring content rising more rapidly than expected, making it difficult to secure a profit.



Cash Flows



Dividends Per Share and Treasury Stock Acquired

*1: 2 share split on April 1, 2008

Mobile advertising business

The market for mobile advertising continues to expand. However, there could be some major divergence from the projected sales and operating expenses currently envisaged by the Group due to such factors as delays in building a pool of nonpaying subscribers for public sites, increases in costs to obtain nonpaying subscribers, and delays in establishing an efficient structure for media advertising sales. The consequences of such events could be unavoidable changes in the management policies, business strategies or other aspects of the Group's business. These changes might have a negative influence on the Group's business performance.

Inoperability of information network

The Group engages in business activities that use communications and information systems, and therefore it is susceptible to the long-term inoperability of its information network as a result of the severance of communications by such events as natural disasters and accidents, system failure caused by an unanticipated surge in the number of users accessing the system, loss of important data resulting from viruses or unauthorized access to its computers by third parties, or other factors. Under these circumstances there may be no alternative but to suspend business activities, which could impact negatively on the Group's business performance.

Changes in laws or regulations

Revisions to existing laws and regulations, and/or enactment of new laws and regulations that regulate the Group's business activities, may give rise to changes in the content of services or to other factors such as increases in the cost of operating and maintaining services, restrictions of business development, or possibly discontinuation of certain operations according to circumstances, for the purpose of satisfying the requirements of the relevant regulations. These changes could have an adverse effect on the Group's business performance.

Leakage of personal information

The Group enforces a strict policy to completely protect the personal information obtained in the course of its operation. Protection measures include establishment of strict control systems for personal information, maintenance of information security, establishment and enhancement of internal regulations regarding personal information handling, and education and training of employees and other business partners. However, should a leakage of personal information occur despite the Group's thorough precautions, the Group's business performance could be negatively affected.

Intellectual property rights

The Group operates and develops its business while being cautious not to infringe on the intellectual property rights of third parties. However, it is possible that it could do so without knowing, and the third party concerned may initiate litigation to demand compensation, cessation or some other remedy. These actions could impact negatively on the Group's business performance.

Consolidated Balance Sheets

MTI Ltd. and Consolidated Subsidiaries

As of September 30, 2007 and 2008

	Thousands of Yen 2007	2008
ASSETS		
Current assets		
Cash and deposits	¥1,474,997	¥ 1,442,113
Accounts receivable—trade	4,879,686	5,441,371
Merchandise	697	1,154
Supplies	227	8,855
Advances	200,452	151,402
Prepaid expenses	143,886	210,863
Consumption taxes receivable	82,882	28,145
Deferred tax assets	398,079	554,452
Other current assets	149,220	238,845
Allowance for doubtful accounts	(278,512)	(332,258)
Total current assets	7,051,617	7,744,946
Non-current assets		
Tangible fixed assets:		
Leasehold improvements	168,652	271,657
Accumulated depreciation	(45,130)	(75,529)
Tools, furniture and fixtures	127,825	154,426
Accumulated depreciation	(86,655)	(102,866)
Total tangible fixed assets	164,692	247,688
Intangible assets:		
Trademark rights	2,132	1,736
Software	626,625	1,049,195
Telephone rights	298	349
Other intangible assets	6,240	5,283
Total intangible assets	635,295	1,056,564
Investments and other assets:		
Investment securities (Note 1)	938,041	781,698
Investments in partnerships	1	–
Long-term loans	37,960	444
Guarantee deposits	8,608	–
Leasehold deposits	282,411	562,791
Long-term prepaid expenses	10,192	6,725
Deferred tax assets	251,593	330,760
Other	84,492	57,577
Allowance for doubtful accounts	(5,459)	(17,032)
Allowance for loss on investments	–	(13,182)
Total investments and other assets	1,607,841	1,709,783
Total non-current assets	2,407,829	3,014,035
Total assets	¥9,459,447	¥10,758,982

See accompanying notes to consolidated financial statements.

	Thousands of Yen 2007	2008
LIABILITIES		
Current liabilities		
Accounts payable—trade (Note 2)	¥ 1,491,665	¥ 1,577,043
Long-term borrowings due within one year	–	200,196
Corporate bonds redeemable within one year	100,000	50,000
Accounts payable—other	854,315	766,760
Accrued expenses	269,711	338,845
Accrued income taxes	475,176	799,924
Accrued consumption taxes	83,700	113,047
Advances received	19,646	12,014
Deposits received	33,707	35,786
Allowance for coin usage	341,642	628,547
Reserve for director bonuses	11,590	2,611
Other current liabilities	1,180	537
Total current liabilities	3,682,337	4,525,313
Non-current liabilities		
Corporate bonds	50,000	–
Long-term borrowings	–	699,706
Reserve for retirement benefits	–	2,021
Negative goodwill	113,484	104,366
Other	84,492	42,037
Total non-current liabilities	247,976	848,131
Total liabilities	3,930,314	5,373,444
NET ASSETS		
Shareholders' equity		
Common stock	2,481,243	2,506,071
Capital surplus	4,691,424	3,016,252
Retained earnings	913,003	335,459
Treasury stock	(2,536,284)	(499,372)
Total shareholders' equity	5,549,388	5,358,411
Unrealized gain (loss) and translation adjustment		
Unrealized gain (loss) on available-for-sale securities	(20,255)	10,323
Total unrealized gain (loss) and translation adjustment	(20,255)	10,323
Stock acquisition rights	–	16,802
Total net assets	5,529,132	5,385,537
Total liabilities and net assets	¥ 9,459,447	¥10,758,982

Consolidated Statements of Operations

MTI Ltd. and Consolidated Subsidiaries

For the years ended September 30, 2007 and 2008	Thousands of Yen 2007	2008
Net sales	¥18,520,999	¥21,615,089
Cost of sales	5,874,550	6,286,022
Gross profit	12,646,449	15,329,066
Selling, general and administrative expenses (Notes 1 and 2)	11,523,066	13,602,546
Operating income	1,123,383	1,726,519
Non-operating income		
Interest income	645	3,140
Dividend income	4,272	3,673
Amortization of negative goodwill	9,117	9,117
Income from settlement of claims	2,362	–
Gain on investments in limited partnerships	–	19,589
Other	4,898	6,654
	21,297	42,176
Non-operating expenses		
Interest expense	15,666	21,766
Loss on investments in limited partnerships	17,890	–
Foreign exchange loss	95	363
Loss on equity investments in affiliates	67,244	60,180
Other	14,662	10,821
	115,559	93,132
Ordinary income	1,029,120	1,675,564
Extraordinary gains		
Gain from the prior year adjustment (Note 3)	35,565	–
Gain on sales of fixed assets (Note 4)	109	–
Gain on sales of investment securities	12,937	–
Gain on change in equity interests	84	–
Gain on sales of insurance sales business (Note 5)	740,284	–
Gain on sales of mobile terminal business (Note 6)	13,719	–
Gain on receipt of donated of fixed assets (Note 7)	–	32,543
	802,700	32,543
Extraordinary losses		
Loss on disposal of inventories	1,329	–
Loss on disposal of tangible fixed assets (Note 8)	1,499	–
Loss on disposal of intangible fixed assets (Note 9)	18,784	–
Loss on devaluation of investment securities	28,520	261,207
Allowance for loss on investments	–	13,182
Allowance for doubtful accounts	–	54,689
Allowance for coin usage	151,957	–
Loss of settlement of lawsuit	107,439	–
Other (Note 10)	–	7,901
	309,530	336,981
Income before income taxes	1,522,290	1,371,126
Income taxes – current	612,423	1,061,640
Income taxes – deferred	(143,907)	(253,811)
	468,515	807,828
Net income	¥ 1,053,774	¥ 563,297

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

MTI Ltd. and Consolidated Subsidiaries

Thousands of Yen

For the year ended September 30, 2007	Shareholders' equity					Unrealized gain (loss) and translation adjustment	Stock acquisition rights	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Stock acquisition rights	
Balance at September 30, 2006	¥2,469,593	¥4,679,774	¥ (60,582)	¥ (775,906)	¥ 6,312,878	¥ 329	¥ –	¥ 6,313,208
Changes during the fiscal year								
New share issues	11,650	11,650			23,301			23,301
Cash dividends			(80,188)		(80,188)			(80,188)
Net income			1,053,774		1,053,774			1,053,774
Acquisition of treasury stock				(1,760,378)	(1,760,378)			(1,760,378)
Net change in items other than shareholders' equity					–	(20,584)		(20,584)
Total changes during the fiscal year	11,650	11,650	973,586	(1,760,378)	(763,490)	(20,584)	–	(784,075)
Balance at September 30, 2007	¥2,481,243	¥4,691,424	¥ 913,003	¥(2,536,284)	¥ 5,549,388	¥(20,255)	¥ –	¥ 5,529,132

Thousands of Yen

For the year ended September 30, 2008	Shareholders' equity					Unrealized gain (loss) and translation adjustment	Stock acquisition rights	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Stock acquisition rights	
Balance at September 30, 2007	¥2,481,243	¥ 4,691,424	¥ 913,003	¥(2,536,284)	¥5,549,388	¥(20,255)	¥ –	¥5,529,132
Changes during the fiscal year								
New share issues	24,828	24,828			49,656			49,656
Cash dividends			(104,955)		(104,955)			(104,955)
Net income			563,297		563,297			563,297
Increase due to decrease of affiliates accounted for by the equity method			57,350		57,350			57,350
Acquisition of treasury stock				(756,325)	(756,325)			(756,325)
Cancellation of treasury stock		(1,700,000)	(1,093,237)	2,793,237	–			–
Net change in items other than shareholders' equity					–	30,578	16,802	47,380
Total changes during the fiscal year	24,828	(1,675,171)	(577,544)	2,036,912	(190,976)	30,578	16,802	(143,595)
Balance at September 30, 2008	¥2,506,071	¥ 3,016,252	¥ 335,459	¥ (499,372)	¥5,358,411	¥ 10,323	¥16,802	¥5,385,537

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended September 30, 2007 and 2008	Thousands of Yen 2007	2008
Cash flows from operating activities		
Income before income taxes	¥ 1,522,290	¥ 1,371,126
Depreciation	454,156	660,303
Amortization of negative goodwill	(9,117)	(9,117)
Allowance for doubtful accounts	232,562	65,319
Interest and dividend income	(4,917)	(6,814)
Interest expense	15,666	21,766
Loss on equity investments in affiliates	67,244	60,180
Gain on change in equity interests in affiliates	(84)	–
Loss on disposal of intangible fixed assets	18,784	–
Gain on sales of insurance sales business	(740,284)	–
Gain on receipt of donated of fixed assets	–	(32,543)
Gain on sales of investment securities	(12,937)	–
Loss on devaluation of investment securities	28,520	261,207
Loss (gain) on investments in limited partnerships	17,890	(19,589)
Allowance for coin usage	341,642	286,904
Increase in accounts receivable – trade	(1,013,628)	(561,685)
Decrease (increase) in merchandise	21,934	(457)
Decrease (increase) in supplies	650	(8,627)
Decrease in advances	242,831	49,050
Decrease (increase) in prepaid expenses	72,301	(66,977)
Increase in accounts receivable – other	(58,681)	(39,978)
Decrease (increase) in payments for other	1,009	(5,010)
Increase in notes and accounts payable – trade	182,347	85,378
Decrease in accounts payable – other	(271,062)	(86,580)
Increase in consumption taxes payable	50,960	29,347
Increase in accrued expenses	93,441	69,133
Decrease in advances received	(9,956)	(7,632)
Increase (decrease) in deposits received	(45,722)	2,079
Decrease in guarantee deposits	500	–
Other	(64,922)	91,351
Subtotal	1,133,420	2,208,133
Interest and dividends received	4,917	6,814
Interest paid	(14,691)	(22,742)
Income taxes paid	(429,530)	(742,747)
Net cash provided by operating activities	694,116	1,449,459
Cash flows from investing activities		
Proceeds from refunds on time deposits	10,000	–
Payment for purchases of tangible fixed assets	(78,345)	(97,062)
Payment for purchases of intangible fixed assets	(671,105)	(1,038,448)
Payment for purchases of investment securities	(20,401)	–
Proceeds from sales of investment securities	45,400	–
Payment for acquisition of shares in affiliated companies	(6,600)	–
Proceeds from distribution of capital of investment partnership	71,997	–
Proceeds from sales of insurance sales business (Note 2)	865,608	–
Proceeds from sales of mobile terminal businesses (Note 3)	69,656	–
Increase in loans	–	(42,750)
Collection of loans	506	5,265
Increase in leasehold deposits	(93,586)	(280,380)
Other	(45,430)	(17,244)
Net cash provided by (used in) investing activities	147,699	(1,470,620)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	1,000,000
Repayments of long-term borrowings	–	(100,098)
Redemption of corporate bonds	(100,000)	(100,000)
Proceeds from issuance of shares	23,301	49,656
Payment for acquisition of treasury stock	(1,760,378)	(756,325)
Dividends paid	(80,188)	(104,955)
Net cash used in financing activities	(1,917,264)	(11,722)
Decrease in cash and cash equivalents	(1,075,448)	(32,883)
Cash and cash equivalents at beginning of year	2,550,446	1,474,997
Cash and cash equivalents at end of year (Note 1)	¥ 1,474,997	¥ 1,442,113

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of MTI Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

2. SCOPE OF CONSOLIDATION

For the year ended September 30, 2007.

The Company had following ten subsidiaries, all of which were consolidated.

- comic.jp., inc.
- TeraMobile, Inc.
- MGM Holding Ltd.
- CH Ltd. (previously cycle Hit Ltd.)
- PicoSoft,Inc.
- PicoSoft Holding,Inc.
- FIL Corporation
- majiok, inc
- music.jp, inc. (new)
- MegaMobile, Inc.

majiok, inc was newly established during fiscal 2007, and therefore included in the scope of consolidation.

CH Ltd. changed its name from cycle Hit Ltd. on March 1, 2007.

All shares of a former consolidated subsidiary ITSUMO International Ltd. were transferred to third parties during fiscal 2007. Thus ITSUMO International Ltd. was not included in the consolidated subsidiaries given above, but was included as part of the consolidated statements of operations up to the point where it was removed from the scope of consolidation.

Two former consolidated subsidiaries, TELECOM SYSTEM INTERNATIONAL Co., Ltd. and TM Ltd. (previously ITSUMO Ltd.) were merged with the Company during fiscal 2007. These companies were not included in the consolidated subsidiaries given above, but were included as part of the consolidated statements of operations up to the point where they were removed from the scope of consolidation.

The Board of Directors' Meeting held on June 21, 2007 approved dissolution and special liquidation of CH Ltd. CH Ltd. was under the process of the dissolution and special liquidation as of September 30, 2007.

For the year ended September 30, 2008

The Company had following nine subsidiaries, all of which were consolidated.

- comic.jp., inc.
- TeraMobile, Inc.
- MGM Holding Ltd.
- PicoSoft,Inc.
- PicoSoft Holding, Inc.
- FIL Corporation
- majiok, inc
- music.jp, inc. (new)
- MegaMobile, Inc.

Based on the resolution of the Board of Directors' Meeting held on June 21, 2007 to approve dissolution and special liquidation of the former consolidated subsidiary, CH Ltd., it completed the process of special liquidation on January 16, 2008. It is included as part of the consolidated statements of operations up to the point where it was removed from the scope of consolidation.

The Board of Directors' Meeting held on August 21, 2008 approved dissolution and special liquidation of PicoSoft Holding, Inc. PicoSoft Holding, Inc. was under the process of the dissolution and special liquidation as of September 30, 2008.

3. AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

(1) There are no non-consolidated subsidiaries accounted for by the equity method.

(2) Names and number of affiliates accounted for by the equity method:

For the year ended September 30, 2007

Number of affiliates: 4

Names of affiliates: BEQONE CAPITAL INC.
i2ts, inc.
mobilebook.jp, inc.
movile, inc.

For the year ended September 30, 2008

Number of affiliates: 3

Names of affiliates: BEQONE CAPITAL INC.
i2ts, inc.
movile, inc.

The former affiliate mobilebook.jp, inc. was excluded from the scope of the equity method, as the percentage of interests in mobilebook.jp, inc. held by the Company dropped as a result of a private placement of new shares made on February 27, 2008. It was included as part of the consolidated statements of operations up to the point where it was removed from the scope of the equity method.

(3) Other affiliates outside the scope of the equity method:

Number of affiliates: 1

Name of affiliate: Mobbie.com inc.

It has been excluded from the application of the equity method given the fact that it has only a minor effect on consolidated income and retained earnings (accumulated deficits) and is of relatively little significance in the context of the consolidated financial statements.

(4) For equity-method affiliates whose balance sheet dates are different from the consolidated balance sheet date, provisional financial statements as of the consolidated balance sheet date are used.

4. FISCAL YEAR OF CONSOLIDATED SUBSIDIARIES

The fiscal year-end of all the consolidated subsidiaries of the Company is the same date as the consolidated balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES

1) Valuation of assets

(1) Securities

Debt securities to be held to maturity are valued by the amortized cost method. Available-for-sale securities with determinable market value are stated at fair value based on the market prices on the balance sheet date (unrealized gains/ losses are directly charged to equity, and cost of sales is calculated in principle by the moving-average method). Securities without determinable market value other than held-to-maturity securities are stated at cost by the moving average method. Investments in limited partnerships for investment business are valued based on the Company's ownership ratio of net assets of the limited partnership in the most recent fiscal year.

(2) Inventories
Merchandise is stated at the lower-of-cost-or-market by the moving average method. Supplies are stated at the last purchase price.

2) Depreciation and amortization

(1) Tangible fixed assets
The Company and its consolidated subsidiaries have adopted the declining balance method for the depreciation of tangible fixed assets.
The principal useful lives of the assets are as follows:
Leasehold improvements: 15 to 18 years
Tools, furniture and fixtures: 3 to 10 years

(2) Intangible assets
Trademark rights:
The Company and its consolidated subsidiaries have adopted the straight-line method.
Software:
Software for in-house use is amortized by the straight-line method over estimated useful life of 2 to 5 years.

(3) Long-term prepaid expenses
The Company and its consolidated subsidiaries have adopted the straight-line method.

3) Reserves

(1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided for possible losses on collection consisting of specific uncollectible receivables and general expected losses based on its experience.

(2) Allowance for loss on investments
Allowance for loss on investments is provided for the possible losses on investments at estimation.

(3) Allowance for coin usage
Allowance for coin usage is provided for the possible cost of sales for the coin distributed to the members of *music.jp* for song ringtones and full-length song tracks services, based on the future usage estimated at the end of fiscal year.
(Additional information for fiscal 2007)
Up to the fiscal year ended September 30, 2006, coin usage was recorded as cost of sales at the time when coins were used. However, such cost of sales has become material as the number of members has increased, and the system has been developed, which accumulates the number of coins used and also calculates the cost of sales by estimating coins to be used in the future. Therefore, from fiscal 2007, the Company started to record cost of sales for the coins actually used and also estimated to be used in the future. Accordingly, allowance for coin usage granted during fiscal 2007 was recorded as cost of sales and allowance for coin usage granted during the previous fiscal years were recorded as extraordinary loss. As a result, compared with the method employed up to the fiscal year ended September 30, 2006, operating income, ordinary income and income before income taxes for fiscal 2007 were decreased by ¥189,685 thousand, ¥189,685 thousand and ¥341,642 thousand, respectively.

(4) Reserve for director bonuses
Reserve for director bonuses is provided at an amount accrued during the fiscal year, to provide for the future payment to directors.

(5) Reserve for retirement benefits
Reserve for the retirement benefit is provided at the amount to be paid if all eligible employees retired at the balance sheet date.

4) Foreign exchange translation on assets and liabilities

Foreign currency-denominated monetary claims and obligations are translated into Japanese yen at the prevailing exchange rates in effect at the balance sheet date and translation adjustments are charged directly to income.

5) Leases

Finance leases, except for those under which ownership of the leased assets is to be transferred to the lessee, are treated as operating leases.

6) Hedge accounting

For the year ended September 30, 2007

(1) Methods of hedge accounting
The Company has adopted authorized accounting treatment for interest-rate swaps.

(2) Hedging instruments, assets and liabilities being hedged and hedging policy
The Company uses hedging transactions to minimize its exposure to interest-rate fluctuation in accordance with internal rules. Hedge accounting has been applied to the following financial instruments and assets and liabilities being hedged.
Hedging instruments: Interest-rate swaps
Assets and liabilities being hedged: Borrowings

(3) Assessment of hedging effectiveness
The effectiveness of hedging has been assessed by a comparison of the accumulated market value or cash flow fluctuation of assets and liabilities being hedged against the corresponding of the hedging instruments.

For the year ended September 30, 2008
Not applicable

7) Shareholders' equity

Under the Corporate Law of Japan, an amount equal to 10% of the amount to be distributed as distribution of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by the resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor legal reserve is available for distributions.

8) Other significant accounting practices

Consumption taxes
Consumption taxes levied by the governments are excluded from the income or expenses.

6. ASSETS AND LIABILITIES VALUATION

Assets and liabilities of consolidated subsidiaries if being acquired are valued at market upon acquisition.

7. AMORTIZATION FOR GOODWILL AND NEGATIVE GOODWILL

Goodwill and negative goodwill are evenly amortized over the period which is individually determined based on when the effect of such goodwill comes out.

8. SCOPE OF CASH AND CASH EQUIVALENTS FOR THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents include cash on hand, deposits at demand, and short-term investments with a maturity of three months or less carrying insignificant risk of any fluctuation in market value.

Accounting Changes

For the year ended September 30, 2007

Accounting standard for business combination

Effective October 1, 2006, the Company has adopted "Accounting Standard for Business Combinations" (issued by the Business Accounting Deliberation Council on October 31, 2003), "Accounting Standard for Business Divestitures (Accounting Standards Board Statement No. 7 issued by the Accounting Standards Board of Japan on December 27, 2005) " and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standard Board Guidance No. 10 issued by the Accounting Standards Board of Japan on December 22, 2006)".

Accounting standard for director bonuses

Effective October 1, 2006, in accordance with the revisions of the Corporate Tax Law (Partial Amendment of the Income Tax Law, Law No.6, March 30, 2007 and Partial Amendment of the Corporate Tax Law Enforcement Orders, Law Enforcement Order No.83, March 30, 2007), the Company has changed its depreciation method for tangible fixes assets acquired on and after April 1, 2007. The effect of this change was not material.

Changes in Presentation

For the year ended September 30, 2008
"Guarantee deposits", which was separately shown in the consolidated balance sheet as of September 30, 2007, is included in "other" of investments and other assets in the consolidated balance sheet as of September 30, 2008, since its amount does not exceed 5% of total assets. The balance of guarantee deposits as of September 30, 2008 was ¥8,608 thousand.

Additional Information

For the year ended September 30, 2008

Depreciation method of depreciable assets

In accordance with the revisions of the Corporate Tax Law, if tangible fixed assets acquired before April1, 2007 are being depreciated until 5% of acquisition cost as stipulated in the former Corporate Tax Law, such 5% portion (excluding minimal amount), is systematically depreciated over 5 years from the following fiscal year in which the carrying value of the tangible fixed assets reaches 5% of the acquisition cost. The related expense is included in depreciation. The effect of this treatment was not material.

Notes to Consolidated Balance Sheets

(1) Investments in non-consolidated subsidiaries and affiliates

As of September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Investment securities	¥475,211	¥423,495

(2) The Company has concluded agreements on overdrafts and commitments with 7 banks for the purpose of efficient financing of working capital. The unused balances at September 30, 2007 and 2008 were as follows:

As of September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Available overdrafts and commitments	¥5,500,000	¥5,100,000
Used	–	–
Unused balance	¥5,500,000	¥5,100,000

(3) Contingent liabilities

As of September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Guarantee liabilities		
Mizuho Bank, Ltd.	¥24,570	¥ –
Trust beneficiary certificate		

Notes to Consolidated Statements of Operations

(1) Major items of selling, general and administrative expenses are as follows:

For the years ended September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Depreciation and amortization	¥ 426,258	¥ 636,902
Directors' salaries	60,946	100,835
Reserve for director bonuses	11,590	2,611
Wages and benefits	1,811,478	2,170,442
Retirement benefit expenses	–	2,439
Expenses for dispatched staff	768,035	562,525
Transportation	18,690	9,763
Payment of commission	1,954,658	2,410,039
Rent	345,663	584,887
Outsourcing expenses	–	738,699
Advertising and public relations	4,341,159	4,753,362
Provision of allowance for doubtful accounts	232,562	255,072

(2) Selling, general and administrative expenses include R&D expenses of ¥23,079 thousand and ¥20,731 thousand for the years ended September 30, 2007 and 2008, respectively.

(3) Reversal of overstatement of prior year's accounts payable

(4) Breakdown of gain on sales of fixed assets:

As of September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Trademark rights	¥109	¥ –

(5) The Company recorded gain and loss on sales of insurance sales business of TM Ltd., a consolidated subsidiary for the year ended September 30, 2007.
Details are as follows:

Gain on sales of shares in affiliated companies	¥1,785,117 thousand
Loss on liquidation of business support	¥1,044,832 thousand
Net gain	¥ 740,284 thousand

(6) The Company has recorded gain on sales of the mobile terminal business of TELECOM SYSTEM INTERNATIONAL Co. Ltd., a consolidated subsidiary for the year ended September 30, 2007.

(7) Breakdown of gain on receipt of donated fixed assets:

For the years ended September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Leasehold improvements	¥ –	¥22,934
Tools, furniture and fixtures	–	9,609
Total	¥ –	¥32,543

(8) Breakdown of loss on disposal of tangible fixed assets:

For the years ended September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Leasehold improvements	¥1,499	¥ –

(9) Breakdown of loss on disposal of intangible fixed assets:

For the years ended September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Software	¥18,784	¥ –

(10) Breakdown of other extraordinary losses:

For the years ended September 30, 2007 and 2008	2007 (Thousands of Yen)	2008 (Thousands of Yen)
Expenses incurred for cancellation of license agreements	¥ –	¥2,649
Compensation for system breakdown	–	5,252
Total	¥ –	¥7,901

Notes to Consolidated Statements of Changes in Net Assets

For the year ended September 30, 2007

1. Shares issued

Share type	At September 30, 2006	Increase	Decrease	At September 30, 2007
Common stock	84,117.91 shares	161.00 shares	–	84,278.91 shares

Overview of causes of change

Breakdown of causes of increase is as follows:
Increase due to exercise of subscription rights: 18.00 shares
Increase due to exercise of stock acquisition rights: 143.00 shares

2. Treasury stock

Share type	At September 30, 2006	Increase	Decrease	At September 30, 2007
Common stock	3,929.71 shares	10,379.00 shares	–	14,308.71 shares

Overview of causes of change

Breakdown of causes of increase is as follows:
Acquisition based on a resolution by the Board of Directors in accordance with Article 211-3, Clause 1, Number 2 of the Commercial Code: 1,599.00 shares
Acquisition based on a resolution by the Board of Directors in accordance with Article 165 Clause 2 of the Corporate Law: 8,780.00 shares

3. Dividends

(1) Dividend payment amounts

Resolution	Share type	Total dividend amount	Dividend per share	Record date	Effective date
General Meeting of Shareholders on December 23, 2006	Common stock	¥80,188 thousand	¥1,000.0	September 30, 2006	December 25, 2006

(2) Dividends with a record date in the subject fiscal year and with an effective date in the following fiscal year

Resolution	Share type	Source of dividend funds	Total dividend amount	Dividend per share	Record date	Effective date
General Meeting of Shareholders on December 22, 2007	Common stock	Retained earnings	¥104,955 thousand	¥1,500.0	September 30, 2007	December 25, 2007

For the year ended September 30, 2008

1. Shares issued

Share type	At September 30, 2007	Increase	Decrease	At September 30, 2008
Common stock	84,278.91 shares	70,708.20 shares	16,107.11 shares	138,880.00 shares

Overview of causes of change

Breakdown of causes of increase is as follows:
Increase due to exercise of subscription rights: 39.00 shares
Increase due to exercise of stock acquisition rights: 402.00 shares
Increase due to two-for-one stock split effective on April 1, 2008: 70,267.20 shares
Breakdown of causes of decrease is as follows:
Decrease due to cancellation of treasury stock in accordance with Article 178 of the Corporate Law: 16,106.71 shares
Decrease due to purchase of odd-lot shares: 0.40 shares

2. Treasury stock

Share type	At September 30, 2007	Increase	Decrease	At September 30, 2008
Common stock	14,308.71 shares	4,991.00 shares	16,106.71 shares	3,193.00 shares

Overview of causes of change

Breakdown of causes of increase is as follows:
Acquisition based on a resolution by the Board of Directors in accordance with Article 165, Clause 2 of the Corporate Law: 4,087.00 shares
Increase due to two-for-one stock split effective on April 1, 2008: 894.00 shares
Increase due to purchase of odd-lot shares: 10.00 shares
Breakdown of causes of decrease is as follows:
Decrease due to cancellation of treasury stock in accordance with Article 178 of the Corporate Law: 16,106.71 shares

3. Stock acquisition rights

Company name	Details	Type of shares to be issued for stock acquisition rights	Number of shares to be issued for stock acquisition rights: At Sept. 30, 2007	Increase	Decrease	At Sept. 30, 2008	Balance at Sept. 30, 2008
MTI Ltd.	Stock acquisition rights No. 11 issued as stock options (issued on March 10, 2008)	–	–	–	–	–	¥16,802 thousand

4. Dividends

(1) Dividend payment amounts

Resolution	Share type	Total dividend amount	Dividend per share	Record date	Effective date
General Meeting of Shareholders on December 22, 2007	Common stock	¥104,955 thousand	¥1,500.0	September 30, 2007	December 25, 2007

(2) Dividends with a record date in the subject fiscal year and with an effective date in the following fiscal year

Resolution	Share type	Source of dividend funds	Total dividend amount	Dividend per share	Record date	Effective date
General Meeting of Shareholders on December 20, 2008	Common stock	Retained earnings	¥135,687 thousand	¥1,000.0	September 30, 2008	December 22, 2008

Notes to Consolidated Statements of Cash Flows

(1) Balance of cash and cash equivalents at the end of the year and the reconciliation to cash and deposits in the consolidated balance sheets

Thousands of Yen

As of September 30, 2007 and 2008	2007	2008
Cash and deposits	¥1,474,997	**¥1,442,113**
Time deposits with maturities longer than 3 months	–	**–**
Cash and cash equivalents	¥1,474,997	**¥1,442,113**

(2) Breakdown of decrease of major assets and liabilities due to sales of insurance sales business during fiscal 2007
ITSUMO Ltd. (former ITSUMO International)
(As of November 1, 2006)

Current assets	¥ 92,619 thousand
Non-current assets	127,121 thousand
Current liabilities	(84,414) thousand
Gain on sales of insurance sales business	740,284 thousand
Consideration received from sales of business	875,608 thousand
Cash and cash equivalents of ITSUMO Ltd. (former ITSUMO International)	(10,000) thousand
Net: Proceeds from sales of business	865,608 thousand

(3) Breakdown of decrease in major assets and liabilities of companies due to sales of mobile terminal businesses during fiscal 2007

1) TELECOM SYSTEM INTERNATIONAL Co., Ltd.

(As of November 1, 2006)

Current assets	¥ 1,845 thousand
Non-current assets	35,682 thousand
Gain on sales of mobile terminal business	13,719 thousand
Consideration received from sales of business	51,247 thousand
Cash and cash equivalents of TELECOM SYSTEM INTERNATIONAL Co., Ltd.	(100) thousand
Net: Proceeds from sales of business	51,147 thousand

2) CH Ltd. (former cycle Hit Ltd.)

(As of March 1, 2007)

Current assets	¥17,499 thousand
Non-current assets	4,160 thousand
Current liabilities	(3,151) thousand
Consideration received from sales of business	18,509 thousand
Net: Proceeds from sales of business	18,509 thousand

Leases

Finance lease transactions except for those under which the ownership of the leased assets are to be transferred to the lessee

As a lessee

(1) Equivalents of acquisition cost, accumulated depreciation and net book value of leased assets at fiscal year-end

Thousands of Yen

As of September 30, 2007	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	¥502,888	¥222,543	¥280,344
Software	47,525	23,448	24,077
Total	¥550,414	¥245,991	¥304,422

Thousands of Yen

As of September 30, 2008	Acquisition cost	Accumulated depreciation	Net book value
Tools, furniture and fixtures	**¥434,195**	**¥285,637**	**¥148,557**
Software	**35,122**	**16,974**	**18,147**
Total	**¥469,317**	**¥302,611**	**¥166,705**

(2) Outstanding lease commitments at fiscal year-end

Thousands of Yen

As of September 30, 2007 and 2008	2007	2008
Due within 1 year	¥160,139	**¥121,444**
Due over 1 year	150,080	**49,649**
Total	¥310,220	**¥171,093**

(3) Lease expenses, depreciation equivalent and interest expense-equivalent

Thousands of Yen

For the years ended September 30, 2007 and 2008	2007	2008
Lease expenses	¥177,626	**¥168,654**
Depreciation equivalent	168,841	**160,415**
Interest expense-equivalent	10,142	**7,165**

(4) Method of computing depreciation equivalents

The straight-line method is applied, assuming the lease period is the same as the useful life and residual value is zero.

(5) Method of computing interest expense-equivalents

The interest method is applied in allocating the interest expenses equivalents over the lease period, assuming that the difference between the total lease expenses and the acquisition cost-equivalents of the leased assets is equivalent to interest expenses.

Impairment losses

There were no impairment losses allocated to leased assets for the years ended September 30, 2007 and 2008.

Securities

1. Available-for-sale securities with determinable market value

Thousands of Yen

As of September 30, 2007 and 2008	2007			2008		
Securities whose carrying value exceeds their acquisition cost	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Equity securities	¥8,267	¥35,572	¥27,304	**¥ 8,267**	**¥27,259**	**¥18,991**
Bonds						
Government bonds	–	–	–	**–**	**–**	**–**
Corporate bonds	–	–	–	**–**	**–**	**–**
Other bonds	–	–	–	**–**	**–**	**–**
Other	–	–	–	**–**	**–**	**–**
Subtotal	¥8,267	¥35,572	¥27,304	**¥ 8,267**	**¥27,259**	**¥18,991**
Securities whose carrying value does not exceed their acquisition cost	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Equity securities	¥248,472	¥187,746	¥(60,726)	**¥82,302**	**¥ 82,302**	**¥ –**
Bonds						
Government bonds	–	–	–	**–**	**–**	**–**
Corporate bonds	–	–	–	**–**	**–**	**–**
Other bonds	–	–	–	**–**	**–**	**–**
Other	–	–	–	**–**	**–**	**–**
Subtotal	¥248,472	¥187,746	¥(60,726)	**¥82,302**	**¥ 82,302**	**¥ –**
Total	¥256,739	¥223,318	¥(33,421)	**¥90,569**	**¥109,561**	**¥18,991**

Note: The “Acquisition cost” in the table for “Securities whose carrying value does not exceed their acquisition cost” is the book value after application of accounting for impairment.
In accounting for impairment, securities with determinable market value at the fiscal year end that had declined by more than 50% from their acquisition cost were impaired by the full amount of the decline, while those that fell at a rate of between 30% and 50% were impaired by an amount recognized as necessary in consideration of the significance of the declined amount, the possibility of recovery, and other factors.

2. Available-for-sale securities sold

For the years ended September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Sales amount	¥45,400	¥ –
Gain on sales	12,937	–
Loss on sales	–	–

3. Securities without determinable market value

As of September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Carrying value		
Available-for-sale securities		
Non-listed equity shares	¥219,048	¥248,641
Corporate bonds	–	–
Other	20,452	–
Total	¥239,501	¥248,641

Note : Impairment losses recorded for securities for the years ended September 30, 2007 and 2008 were as follows:

As of September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Available-for-sale securities		
Equity shares with determinable market value	¥ –	¥166,170
Equity shares without determinable market value	28,520	95,037
Total	¥28,520	¥261,207

Derivatives Transactions

For the year ended September 30, 2007
The Company and its subsidiaries used interest-rate swap transactions, for which authorized accounting treatment was adopted.

For the year ended September 30, 2008
The Company and its subsidiaries did not engage in derivative transactions.

Retirement Benefits

1. Outline of current retirement benefit systems
The Company and its consolidated subsidiaries have adopted a lump sum retirement payment system as their defined benefit plan.

2. Retirement benefit obligation

As of September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Retirement benefit obligation	¥ –	¥2,021
Reserve for retirement benefit	¥ –	¥2,021

3. Retirement benefit expenses

For the years ended September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Service expense	¥ –	¥2,439
Expense on retirement benefit obligations	¥ –	¥2,439

4. The Company has adopted a simplified method for the calculation of the retirement benefit obligation and for retirement benefit expenses.

Tax-effect Accounting

1. Breakdown of deferred tax assets and deferred tax liabilities by item

As of September 30, 2007 and 2008 (Thousands of Yen)	2007	2008
Deferred tax assets		
Allowance for doubtful account	¥ 114,469	¥ 214,566
Accrued bonuses	99,390	123,871
Accrued enterprise taxes	53,447	61,325
Accounts receivable—trade	6,642	–
Allowance for coin usage	139,048	255,818
Other	9,788	25,325
Deferred tax assets (subtotal)	422,786	680,907
Valuation allowance	(24,707)	(126,455)
Total deferred tax assets (current)	398,079	554,452
Loss carried forward	167,887	490,743
Software	238,004	287,719
Loss on devaluation of investment securities	107,729	83,430
Unrealized loss on available-for-sale securities	13,602	–
Other	3,704	127,373
Deferred tax assets (subtotal)	530,928	989,267
Valuation allowance	(279,334)	(653,837)
Total deferred tax assets (non-current)	251,593	335,429
Total deferred tax assets	¥ 649,672	¥ 889,881
Deferred tax liabilities		
Unrealized gain on available-for-sale securities	–	(4,668)
Total deferred tax liabilities	–	(4,668)
Net deferred tax assets	¥ 649,672	¥ 885,213

2. Differences between the statutory tax rate and the effective tax rate

	2007	2008
Statutory tax rate	40.7%	**40.7%**
Adjustment		
Entertainment expenses and other items not deductible permanently	0.2	**1.5**
Inhabitants' per capita taxes	0.3	**0.2**
Increase (decrease) in valuation reserve	20.5	**13.0**
Amortization of negative goodwill	(0.2)	**(0.3)**
Loss on investments in equity-method affiliates	1.8	**1.8**
Reserve for director bonuses	0.3	**–**
Loss carried forward	(29.7)	**–**
Software tax credit and other credits	(2.8)	**–**
Other	(0.3)	**2.0**
Effective tax rate	30.8%	**58.9%**

Stock Options

For the year ended September 30, 2007

1. Description, size and changes in stock options

(1) Description of stock options

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Number and qualifications of individuals to be granted	The Company's directors (4) The Company's employees (15)	The Company's directors (3) The Company's employees (78)	The Company's directors (5) The Company's employees (19) Subsidiaries' directors (4) Subsidiaries' employees (14)	External partner (1)
Type and number of shares	Common stock: (465)	Common stock: (690)	Common stock: (914)	Common stock: (86)
Grant date	January 7, 1999	January 30, 2001	January 30, 2004	September 30, 2004
Vesting terms	–	–	–	–
Period of service for eligibility	–	–	–	–
Exercise period	December 29, 2000– September 30, 2008	February 1, 2001– September 30, 2010	February 1, 2004– September 30, 2009 or February 1, 2006– September 30, 2009 (Note 1)	October 1, 2004– September 30, 2009

Note 1: The exercise period depends on whether tax-qualified stock options or non-qualified stock options are chosen.

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	January 21, 2005	September 15, 2005	September 15, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 5-2	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2
Number and qualifications of individuals to be granted	The Company's directors (6) The Company's employees (61) Subsidiaries' directors (2) Subsidiaries' employees (9)	External partner (1)	The Company's employees (1) Subsidiaries' directors (1)	External partner (2)
Type and number of shares	Common stock: (1,199)	Common stock: (70)	Common stock: (30)	Common stock: (20)
Grant date	January 31, 2005	January 31, 2005	September 30, 2005	September 30, 2005
Vesting terms	–	–	–	–
Period of service for eligibility	–	–	–	–
Exercise period	February 1, 2007– September 30, 2010	February 1, 2006– September 30, 2010	February 1, 2007– September 30, 2010	October 1, 2006– September 30, 2010

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 23, 2005	December 23, 2005	December 23, 2005
Resolution of Board of Directors	November 21, 2005	February 17, 2006	February 17, 2006	March 16, 2006
Name of stock option	Stock acquisition right No. 8	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10
Number and qualifications of individuals to be granted	The Company's employees (34) Subsidiaries' directors (1) Subsidiaries' employees (14)	The Company's directors (2) The Company's employees (209) Subsidiaries' employees (8)	External partner (1)	External partner (1)
Type and number of shares	Common stock: (131)	Common stock: (725)	Common stock: (5)	Common stock: (100)
Grant date	November 30, 2005	February 28, 2006	February 28, 2006	March 31, 2006
Vesting terms	–	–	–	–
Period of service for eligibility	–	–	–	–
Exercise period	December 1, 2007– September 30, 2010	March 1, 2008– September 30, 2011	March 1, 2007– September 30, 2011	April 1, 2007– September 30, 2011

(2) Size and changes in stock options

a. Number of stock options

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Before rights vested				
At beginning of fiscal year	–	–	–	–
Granted	–	–	–	–
Invalidated	–	–	–	–
Rights vested	–	–	–	–
Balance of unvested rights	–	–	–	–
After rights vested				
At beginning of fiscal year	45	148	465	86
Rights vested	–	–	–	–
Rights exercised	18	–	20	–
Invalidated	–	31	–	–
Balance of unexercised rights	27	117	445	86

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	January 21, 2005	September 15, 2005	September 15, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 5-2	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2
Before rights vested				
At beginning of fiscal year	996	–	30	–
Granted	–	–	–	–
Invalidated	25	–	–	–
Rights vested	971	–	30	–
Balance of unvested rights	–	–	–	–
After rights vested				
At beginning of fiscal year	–	35	–	20
Rights vested	971	–	30	–
Rights exercised	88	35	–	–
Invalidated	20	–	20	–
Balance of unexercised rights	863	–	10	20

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 23, 2005	December 23, 2005	December 23, 2005
Resolution of Board of Directors	November 21, 2005	February 17, 2006	February 17, 2006	March 16, 2006
Name of stock option	Stock acquisition right No. 8	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10
Before rights vested				
At beginning of fiscal year	107	605	5	100
Granted	–	–	–	–
Invalidated	–	101	–	–
Rights vested	–	–	5	100
Balance of unvested rights	107	504	–	–
After rights vested				
At beginning of fiscal year	–	–	–	–
Rights vested	–	–	5	100
Rights exercised	–	–	–	–
Invalidated	–	–	–	–
Balance of unexercised rights	–	–	5	100

Note: One (1) stock acquisition right is intended for one (1) share of stock.

b. Unit costs

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Exercise price	¥35,556	¥373,000	¥112,160	¥169,289
Average share price at time of exercise	¥233,555.55	–	¥228,500.00	–
Fair value of unit price on date of grant	–	–	–	–

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	January 21, 2005	September 15, 2005	September 15, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 5-2	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2
Exercise price	¥166,000	¥166,000	¥290,394	¥290,394
Average share price at time of exercise	¥237,090.90	¥228,428.57	–	–
Fair value of unit price on date of grant	–	–	–	–

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 23, 2005	December 23, 2005	December 23, 2005
Resolution of Board of Directors	November 21, 2005	February 17, 2006	February 17, 2006	March 16, 2006
Name of stock option	Stock acquisition right No. 8	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10
Exercise price	¥443,000	¥457,414	¥457,414	¥467,000
Average share price at time of exercise	–	–	–	–
Fair value of unit price on date of grant	–	–	–	–

For the year ended September 30, 2008

1. Stock option expenses incurred during fiscal 2008

¥16,802 thousand in stock option expenses are included as “share-based compensation” in selling, general and administrative expenses.

2. Description, size and changes in stock options

(1) Description of stock options

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Number and qualifications of individuals to be granted	The Company's directors (4) The Company's employees (15)	The Company's directors (3) The Company's employees (78)	The Company's directors (5) The Company's employees (19) Subsidiaries' directors (4) Subsidiaries' employees (14)	External partner (1)
Type and number of shares	Common stock: (930)	Common stock: (1,380)	Common stock: (1,828)	Common stock: (172)
Grant date	January 7, 1999	January 30, 2001	January 30, 2004	September 30, 2004
Vesting terms	–	–	–	–
Period of service for eligibility	–	–	–	–
Exercise period	December 29, 2000– September 30, 2008	February 1, 2001– September 30, 2010	February 1, 2004– September 30, 2009 or February 1, 2006– September 30, 2009 (Note 1)	October 1, 2004– September 30, 2009

Note 1: The exercise period depends on whether tax-qualified stock options or non-qualified stock options are chosen.

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	September 15, 2005	September 15, 2005	November 21, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2	Stock acquisition right No. 8
Number and qualifications of individuals to be granted	The Company's directors (6) The Company's employees (61) Subsidiaries' directors (2) Subsidiaries' employees (9)	The Company's employees (1) Subsidiaries' directors (1)	External partner (2)	The Company's employees (34) Subsidiaries' directors (1) Subsidiaries' employees (14)
Type and number of shares	Common stock: (2,398)	Common stock: (60)	Common stock: (40)	Common stock: (262)
Grant date	January 31, 2005	September 30, 2005	September 30, 2005	November 30, 2005
Vesting terms	–	–	–	–
Period of service for eligibility	–	–	–	–
Exercise period	February 1, 2007– September 30, 2010	February 1, 2007– September 30, 2010	October 1, 2006– September 30, 2010	December 1, 2007– September 30, 2010

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 23, 2005	December 23, 2005	December 23, 2005	–
Resolution of Board of Directors	February 17, 2006	February 17, 2006	March 16, 2006	February 21, 2008
Name of stock option	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10	Stock acquisition right No. 11
Number and qualifications of individuals to be granted	The Company's directors (2) The Company's employees (209) Subsidiaries' employees (8)	External partner (1)	External partner (1)	The Company's employees (63)
Type and number of shares	Common stock: (1,450)	Common stock: (10)	Common stock: (200)	Common stock: (786)
Grant date	February 28, 2006	February 28, 2006	March 31, 2006	March 10, 2008
Vesting terms	–	–	–	Service rendered continuously from the grant date (March 10, 2008) to the rights-vesting date (March 31, 2010)
Period of service for eligibility	–	–	–	March 10, 2008– March 31, 2010
Exercise period	March 1, 2008– September 30, 2011	March 1, 2007– September 30, 2011	April 1, 2007– September 30, 2011	April 1, 2010– September 30, 2013

Note: A two-for-one stock split was implemented to common stock held by the shareholders listed on the final registers of shareholders and beneficial shareholders as of March 31, 2008. Accordingly, the number of shares to be issued for subscription rights and stock acquisition rights in the table above is those after adjustment for the said stock split.

(2) Size and changes in stock options

a. Number of stock options

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Before rights vested				
At beginning of fiscal year	–	–	–	–
Granted	–	–	–	–
Invalidated	–	–	–	–
Rights vested	–	–	–	–
Balance of unvested rights	–	–	–	–
After rights vested				
At beginning of fiscal year	54	234	890	172
Rights vested	–	–	–	–
Rights exercised	54	–	300	–
Invalidated	–	–	–	–
Balance of unexercised rights	–	234	590	172

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	September 15, 2005	September 15, 2005	November 21, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2	Stock acquisition right No. 8
Before rights vested				
At beginning of fiscal year	–	–	–	214
Granted	–	–	–	–
Invalidated	–	–	–	–
Rights vested	–	–	–	214
Balance of unvested rights	–	–	–	–
After rights vested				
At beginning of fiscal year	1,726	20	40	–
Rights vested	–	–	–	214
Rights exercised	384	–	–	–
Invalidated	–	–	–	4
Balance of unexercised rights	1,342	20	40	210

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 23, 2005	December 23, 2005	December 23, 2005	–
Resolution of Board of Directors	February 17, 2006	February 17, 2006	March 16, 2006	February 21, 2008
Name of stock option	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10	Stock acquisition right No. 11
Before rights vested				
At beginning of fiscal year	1,008	–	–	786
Granted	–	–	–	–
Invalidated	–	–	–	18
Rights vested	1,008	–	–	–
Balance of unvested rights	–	–	–	768
After rights vested				
At beginning of fiscal year	–	10	200	–
Rights vested	1,008	–	–	–
Rights exercised	–	–	–	–
Invalidated	24	–	–	–
Balance of unexercised rights	984	10	200	–

Note: One (1) Stock acquisition right is intended for two (2) shares of stock.
Two-for-one stock split was implemented to common stock held by the shareholders listed on the final registers of shareholders and beneficial shareholders as of March 31, 2008. Accordingly, the number of shares for stock options in the table above is those after adjustment for the said stock split.

b. Unit costs

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 28, 1998	December 22, 2000	December 19, 2003	December 19, 2003
Resolution of Board of Directors	December 28, 1998	January 26, 2001	January 26, 2004	September 16, 2004
Name of stock option	Subscription right No. 1	Subscription right No. 3	Stock acquisition right No. 3	Stock acquisition right No. 4
Exercise price	¥17,778	¥186,500	¥56,080	¥84,645
Average share price at time of exercise	¥238,230.77	–	¥305,103.45	–
Fair value of unit price on date of grant	–	–	–	–

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 18, 2004	December 18, 2004	December 18, 2004	December 18, 2004
Resolution of Board of Directors	January 21, 2005	September 15, 2005	September 15, 2005	November 21, 2005
Name of stock option	Stock acquisition right No. 5-1	Stock acquisition right No. 7-1	Stock acquisition right No. 7-2	Stock acquisition right No. 8
Exercise price	¥83,000	¥145,197	¥145,197	¥221,500
Average share price at time of exercise	¥272,894.74	–	–	–
Fair value of unit price on date of grant	–	–	–	–

Company name	MTI Ltd.	MTI Ltd.	MTI Ltd.	MTI Ltd.
Resolution of General Meeting of Shareholders	December 23, 2005	December 23, 2005	December 23, 2005	–
Resolution of Board of Directors	February 17, 2006	February 17, 2006	March 16, 2006	February 21, 2008
Name of stock option	Stock acquisition right No. 9-1	Stock acquisition right No. 9-2	Stock acquisition right No. 10	Stock acquisition right No. 11
Exercise price	¥228,707	¥228,707	¥233,500	¥222,627
Average share price at time of exercise	–	–	–	–
Fair value of unit price on date of grant	–	–	–	¥160,512

Note: A two-for-one stock split was implemented to common stock held by the shareholders listed on the final registers of shareholders and beneficial shareholders as of March 31, 2008. Accordingly, the exercise prices per share in the table above are those after adjustment for the said stock split.

3. Estimation method for fair value of unit price of stock options granted during fiscal 2008
(1) Calculation model applied
The Black-Sholes model
(2) Assumptions used and estimation method applied for assumptions
Volatility: 63.352%
The volatility was calculated based on actual stock prices marked during the period from May 10, 2004 to March 3, 2008.
Expected residual period: 3 years and 10 months
Since it was difficult to reasonably estimate the residual period as sufficient data have not been accumulated yet, it was assumed that all stock options would be exercised at the middle point of their exercise periods.
Expected dividend: ¥1,500 per share
The expected dividend is based on the actual dividend paid for the fiscal year ended September 30, 2007.
Risk-free interest rate: 0.6525%
The yield of government bonds with the maturity which corresponds to the expected residual period was used as the risk-free interest rate.

4. Estimation method for number of stock options vested
Since it was difficult in principle to estimate the number of stock options invalidated in future, the actual number of invalidated stock options is reflected in the estimation.

Segment Information

a. Segment information by business category

Thousands of Yen

	2007					
	Content distribution business	Mobile advertising business	Other	Total	Eliminations and corporate	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to external customers	¥17,595,588	¥ 650,392	¥ 275,019	¥18,520,999	¥ –	¥18,520,999
(2) Inter-segment sales and transfers	69	105,799	–	105,868	(105,868)	–
Total	17,595,657	756,192	275,019	18,626,868	(105,868)	18,520,999
Operating expenses	15,666,627	1,476,424	318,040	17,461,092	(63,475)	17,397,616
Operating income (loss)	¥ 1,929,029	¥ (720,232)	¥ (43,021)	¥ 1,165,776	¥ (42,393)	¥ 1,123,383
II. Total assets, depreciation and amortization and capital expenditures						
Total assets	¥ 6,397,729	¥ 257,223	¥ 543,930	¥ 7,198,883	¥ 2,260,563	¥ 9,459,447
Depreciation and amortization	339,514	63,167	1,939	404,621	49,535	454,156
Capital expenditures	388,679	243,228	607	632,516	124,620	757,137

Notes: Classification of business segments and principal products and services of each segment
1. Classification of business segments: Business segments have been classified based on the nature and type of products, manufacturing methods, markets and industries.
2. Major products and services of each business segment
Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency
Mobile advertising business: Mobile content distribution (operation of public sites)
Other businesses: Purchases and sales of reusable merchandise
3. Operating expenses not allocable to any business segment and included in eliminations and corporate totaled ¥42,393 thousand and mainly consisted of depreciation in the administration divisions.
4. Assets under eliminations and corporate included ¥2,260,563 thousand of corporate assets, consisting mainly of surplus funds (cash, deposits and marketable securities), long-term investment funds (investment securities), and assets related to the administration divisions.

	Thousands of Yen				
	2008				
	Content distribution business	Mobile advertising business	Total	Eliminations and corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to external customers	¥ 21,024,060	¥ 591,028	¥ 21,615,089	¥ –	¥ 21,615,089
(2) Inter-segment sales and transfers	–	88,327	88,327	(88,327)	–
Total	21,024,060	679,355	21,703,416	(88,327)	21,615,089
Operating expenses	17,944,187	1,937,356	19,881,543	7,025	19,888,569
Operating income (loss)	3,079,873	(1,258,000)	1,821,872	(95,353)	1,726,519
II. Total assets, depreciation and amortization and capital expenditures					
Total assets	¥ 7,517,218	¥ 249,615	¥ 7,766,834	¥ 2,992,148	¥ 10,758,982
Depreciation and amortization	398,795	189,920	588,716	71,587	660,303
Capital expenditures	687,160	232,536	919,696	215,814	1,135,511

Notes: Classification of business segments and principal products and services of each segment
1. Classification of business segments: Business segments have been classified based on the nature and type of services.
2. Major products and services of each business segment
Content distribution business: Mobile content distribution (operation of official web sites), advertisement agency
Mobile advertising business: Mobile content distribution (operation of public sites), advertisement agency
3. Operating expenses not allocable to any business segment and included in eliminations and corporate totaled ¥95,353 thousand and mainly consisted of depreciation in the administration divisions.
4. Assets under eliminations and corporate included ¥2,992,148 thousand of corporate assets, consisting mainly of surplus funds (cash and deposits), long-term investment funds (investment securities and leasehold deposits), and assets related to the administration divisions.

b. Geographical segment information
Geographical segment information for the years ended September 30, 2007 and 2008 is not disclosed because the Company has no major subsidiaries or branches in countries or regions outside Japan and net sales and total assets in Japan represented more than 90% of total segment sales and assets.

c. Overseas sales
Overseas sales for the years ended September 30, 2007 and 2008 are not disclosed because they are not material (less than 10% of total sales).

d. Related-party transactions
For the year ended September 30, 2007
There were no related-party transactions.

For the year ended September 30, 2008
There were no material related-party transactions to be reported.

Corporate Mergers
For the year ended September 30, 2007
(Demerger and share transfer of consolidated subsidiaries)

Business combination of TM Ltd. (former ITSUMO Ltd.)

1. Name of the demerged company, content of separated business, legal form of business combination, new name of the company after business combination, and overview of transaction including principal reasons:
   (1) Name of the demerged company and content of its business
   TM Ltd. (former ITSUMO Ltd.)
   Medical insurance telemarketing sales business
   (2) Legal form of business combination
   Medical insurance telemarketing sales business of TM Ltd. (former ITSUMO Ltd.) was separated and consolidated by ITSUMO Ltd. (former ITSUMO International Ltd.), a succeeding company of a physical (company split) absorption-type division without approval at the General Meeting of Shareholders as per Article 796 Clause 1 of the Company Law.
   (3) New name of the company after business combination
   ITSUMO Ltd. (former ITSUMO International Ltd.)
   (4) Overview of transaction including principal reasons
   a. Principal purposes of demerger
   The MTI Group previously focused on medical insurance telemarketing sales as one of its core businesses. The business was launched in October 2003, and in three years experience in its operation, the MTI Group has started to recognize that a fundamental improvement in profitability of business is difficult.
   Under such circumstances, the Company, while exploring the possibility of a business transfer of the medical insurance sales business in order to concentrate management resources in the Company's another core business of content distribution, reached the decision that transfer of the business to the Aflac Group, which was strengthening its agency support through telemarketing, would benefit both parties.
   b. Date of demerger
   November 1, 2006

2. Estimated amounts of profit and loss attributable to the separated business recorded in the consolidated statement of operations for fiscal 2007:

Net sales	¥80 million
Operating income (loss)	¥(33) million
Ordinary income (loss)	¥(33) million

3. Overview of the accounting procedures applied:
   Assets and liabilities separated from TM Ltd. (former ITSUMO Ltd.) and transferred to ITSUMO Ltd. (former ITSUMO International Ltd.) were recorded at appropriate book value as of the previous day of demerger.

Transfer of shares of ITSUMO Ltd. (former ITSUMO International Ltd.)

1. Name of the combined company including the subsidiary, content of its business, principal reasons for the business combination, date of combination, and overview of the business combination including its legal form:
   (1) Name of the combined company including the subsidiary and content of its business:
   ITSUMO Ltd. (former ITSUMO International Ltd.)
   Medical insurance telemarketing sales business:
   (2) Principal reasons for the business combination:
   Same as that given for the business combination of TM Ltd. (former ITSUMO Ltd.) in 1., (4) above
   (3) Date of combination:
   November 1, 2006
   (4) Overview of the business combination, including its legal form:
   All shares of ITSUMO Ltd., which was wholly owned subsidiary of TM Ltd., were transferred to Aflac International Incorporated.

2. Overview of the accounting procedures applied:
   Transfer of shares

Per Share Data

For the years ended September 30, 2007 and 2008	2007	2008
Net assets per share:	¥79,021.25	¥39,597.06
Net income per share:	¥14,490.62	¥ 4,086.52
Diluted net income per share:	¥14,401.79	¥ 4,048.63

The Company implemented a two-for-one common stock split effective on April 1, 2008. Pro forma information of per share data for fiscal 2007 on the assumption that the said stock split had been implemented on October 1, 2006 is as follows:

For the year ended September 30, 2007	2007
Net assets per share:	¥39,510.74
Net income per share:	¥ 7,245.33
Diluted net income per share:	¥ 7,200.91

Note: The following is the calculation basis of basic net income per share and diluted net income per share.

For the year ended September 30, 2007 and 2008	2007	2008
Basic net income per share		
Net income	¥1,053,774 thousand	¥563,297 thousand
Net income not available to common shareholders	–	–
Net income available to common stock	1,053,774 thousand	563,297 thousand
Weighted-average number of outstanding shares of common stock	72,721.13 shares	137,843.05 shares
Diluted net income per share		
Amount of net income adjustment	–	–
Increase in number of common stock	448.57 shares	1,290.04 shares
(of which, subscription rights)	(25.29 shares)	(–)
(of which, stock acquisition rights)	(423.28 shares)	(1,290.04 shares)

Summary of potential shares not included in the calculation of diluted net income per share since there was no dilutive effect for the years ended September 30, 2007 and 2008:

(1) Stock acquisition rights

Pursuant to a special resolution of the general meeting of the shareholders held on the following dates:

For the year ended September 30, 2007

December 22, 2000: Stock acquisition rights: 117
December 18, 2004: Stock acquisition rights: 137
December 23, 2005: Stock acquisition rights: 609

For the year ended September 30, 2008

December 22, 2000: Stock acquisition rights: 117
December 18, 2004: Stock acquisition rights: 105
December 23, 2005: Stock acquisition rights: 597

Pursuant to a resolution of the Board of Directors' meeting held on the following date:

February 21, 2008: Stock acquisition rights: 384

Significant Subsequent Events

For the year ended September 30, 2007

Cancellation of all treasury stock

On November 6, 2007, the Board of Directors of the Company adopted a resolution to cancel its all treasury stocks as of the same day. The details are as follows:

• The reason to cancel treasury stocks

The MTI Group regards continuous profit distribution as well as aggregate market value improvement by creation and expansion of corporate value as crucial issues. The Company distributes profit for about 35% of net consolidated income by cash dividends from the retained earnings or acquisition of treasury stocks, taking into account the improvement for financial conditions and retained earnings for business evolution.

As the Company has acquired treasury stocks for the reason stated as above, the Board of Directors decided to cancel its all treasury stocks in the view of the Company's policy of profit distribution to its shareholders. In the future, the Company will issue new stocks to provide for M&A by exchange of shares, financing, and others.

• Details of the cancellation

Class of shares to be cancelled:	Common stock
Number of shares to be cancelled:	14,308.71 shares
Scheduled date of cancellation:	November 19, 2007

For the year ended September 30, 2008

Merger with a consolidated subsidiary

The Company merged with its consolidated subsidiary PicoSoft, Inc. effective on November 1, 2008.

(Transaction under common control)

1) Name and content of business combination, legal form of business combination, new name of the company after business combination, and overview of transactions including principal purposes:

(1) Name and content of business combination
PicoSoft, Inc.
Business temporarily suspended

(2) Legal form of business combination
A transaction under common control (absorption-type merger in which the Company shall be the surviving company, and PicoSoft, Inc. shall be dissolved)

(3) New name of the company after business combination
MTI Ltd.

(4) Overview of transactions including principal purposes
The Company merged with PicoSoft, Inc., since it concluded that under current circumstances there would be no opportunity to utilize PicoSoft, Inc., temporarily suspended company, even in the process of future reorganization of operations.

2) Overview of the accounting procedures applied:

This merger is accounted for as a transaction under common control in accordance with "Accounting for Business Combinations" (issued by the Business Accounting Council, October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Implementation Guidance No. 10, with the latest revision on November 15, 2007).

Transfer of business

The auction business for mobile phones operated by a consolidated subsidiary, majiok, inc was transferred to the Company effective on November 1, 2008

(Transaction under common control)

1) Name and content of business combination, legal form of business combination, new name of the company after business combination, and overview of transactions including principal purposes:

(1) Name and content of business combination
majiok, inc
Auction business for mobile phones

(2) Legal form of business combination
A transaction under common control (transfer of business)

(3) New name of the company after business combination
MTI Ltd.

(4) Overview of transactions including principal purposes
The auction business for mobile phones operated by majiok,inc was transferred to the Company, since the Company concluded that the mobile service business under the direct control of the Company would result in more efficient development of all of these business.

2) Overview of the accounting procedures applied:

This merger is accounted for as a transaction under common control in accordance with "Accounting for Business Combinations" (issued by the Business Accounting Council, October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Implementation Guidance No. 10, with the latest revision on November 15, 2007).

Transfer of business

The video contents streaming business for mobile phones operated by an equity-method affiliate, movile, inc. was transferred to the Company effective on December 1, 2008.

(Transaction under common control)

1) Name and content of business combination, legal form of business combination, new name of the company after business combination, and overview of transactions including principal purposes:

(1) Name and content of business combination
movile, inc.
Video contents streaming business for mobile phones

(2) Legal form of business combination
A transaction under common control (transfer of business)

(3) New name of the company after business combination
MTI Ltd.

(4) Overview of transactions including principal purposes
The video contents streaming business for mobile phones operated by movile, inc. was transferred to the Company, since the Company concluded that the

mobile service business under the direct control of the Company would result in more efficient development of the entire business.

2) Overview of the accounting procedures applied

This merger is accounted for as a transaction under common control in accordance with "Accounting for Business Combinations" (issued by the Business Accounting Council, October 31, 2003) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Implementation Guidance No. 10, with the latest revision on November 15, 2007).

Cancellation of treasury stocks

On November 17, 2008, the Company cancelled all treasury stocks held by the Company as of the said date. Details are as follows:

(1) Reasons for treasury stock cancellation
In line with its basic policy for acquired treasury stocks, the Company cancelled all of its treasury stock.

(2) Type of stocks cancelled
Common stocks of the Company

(3) Aggregate number of stocks cancelled
3,193 stocks

(4) Date of cancellation
November 17, 2008

Merger with a consolidated subsidiary

At the Board of Directors' meeting held on November 4, 2008 and the 13th general shareholders' meeting held on December 20, 2008, the Company resolved a merger with consolidated subsidiary, comic.jp., inc. effective on February 1, 2009. Details are as follows:

1) Purpose of the merger

The subsidiary currently only operates the comic distribution business, for which the market is expected to expand in the future due to the popularization of 3.5G mobile phones. However, since the Company concluded that the contents distribution business under the direct control of the Company would result in more flexible development of all of these business, it resolved the merger with comic.jp., inc.

2) Overview of the merger

(1) Merger schedule

Board of Directors' meeting to approve merger contract:	November 4, 2008
Closing of merger contract:	November 4, 2008
Shareholders' meeting to approve merger:	December 20, 2008
Date of merger (effective date):	Scheduled as February 1, 2009
Registration of merger:	Scheduled as February 2, 2009

* In accordance with Article 784, Clause 1 of the Japanese Corporate Law, this merger will be effective without approval of the shareholders' meeting of comic.jp., inc.

(2) Method of merger and company name after merger
Absorption-type merger
MTI Ltd.

(3) Merger ratio and merger payments
There will be no shares issued, no increase in common stock and no payment upon this merger, due to all shares of comic.jp., inc. being held by the Company.

3) Overview of comic.jp., inc.

Major business:	Distribution of contents
Sales for the recent fiscal year:	¥959,882 thousand
Net loss:	¥626,515 thousand
Total assets:	¥318,905 thousand
Equity (deficit):	¥970,243 thousand
Number of employees:	10

Decision regarding amounts and details of stock option compensation to directors

At the Board of Directors' meeting held on November 4, 2008, the Company resolved to propose amounts and details of stock option compensation to be granted to directors to the 13th general shareholders' meeting held on December 20, 2008 for their approval. The proposal was approved at the said general shareholders' meeting.

1) Reasons for issuance of stock acquisition rights

Stock acquisition rights will be issued to directors of the Company as their stock options, for the purpose of giving them an incentive to enhance their motivation and morale to raise operating results and corporate value of the MTI Group.

2) Details of proposal

It was proposed to issue stock acquisition rights in the form of stock options as a part of compensation to directors, to a total amount of ¥40 million or less. It was approved at the shareholders' meeting held on December 28, 1998 that the aggregate annual amount of directors' compensation should be ¥200 million or less (excluding the salary portion of the compensation for the directors who have dual status as employees). The proposed stock option compensation shall not consist of the aforementioned aggregate annual compensation.

The amount of compensation provided in the form of stock options shall be calculated as the fair value per stock acquisition right calculated as of the date of stock acquisition right allotment, multiplied by the aggregate number of stock acquisition rights allotted.

3) Overview of stock acquisition right issuance

(1) Allottee of stock acquisition rights
Directors of the Company (except outside directors)

(2) Type and number of shares issued for stock acquisition rights
200 shares of common stocks will be the upper limit for shares that can be issued in exchange of stock acquisition rights issued within one year after the date of the general shareholders' meeting of each fiscal year.
Necessary adjustment shall be made to the aforementioned upper limit in case of stock split, reverse stock split, or other cases where the number of shares shall be altered.

(3) Aggregate number of stock acquisition rights to be issued
200 stock acquisition rights shall be the upper limit for stock acquisition rights that can be issued within one year after the date of the general shareholders' meeting of each fiscal year. (One share shall be issued for one stock acquisition right.)
When the number of shares is adjusted as described in (2), the number of shares to be issued for one stock acquisition right shall also be adjusted.

(4) Issue price of stock acquisition rights
The issue price of stock acquisition rights shall be null.
Since these stock acquisition rights are granted as incentive compensation, the issuance of such stock acquisition rights does not constitute a favorable issuance.

(5) Amount to be paid in upon exercise of stock acquisition rights (exercise price)
The amount to be paid in upon exercise of stock acquisition rights shall be calculated as the subscription amount per share issued or transferred upon exercise ("exercise price"), multiplied by the number of shares to be issued for a stock acquisition right.
The exercise price shall be calculated as the average of the closing price of the Company's common stock at Jasdaq Securities Exchange, Inc. marked each day (excluding days untraded) of the previous month of the allotment date multiplied by 1.05, rounded up to the nearest yen. When the price calculated as above does not equal or exceed the closing price of the previous day of the allotment date (or the latest closing price if the Company's common stock is untraded on the said day), the exercise price shall be the said closing price.
Necessary adjustment shall be made to the aforementioned exercise price in case of issuance of Company common stock at the issue price under its market price, as well as stock splits, reverse stock splits or other cases where the exercise price shall be altered.

(6) Exercise period of stock acquisition rights
The exercise period shall be determined at a Board of Director's meeting, and shall be within the period between the day after the Board of Directors' meeting resolves details of the stock acquisition rights offering, and the day after six years from the aforementioned resolution.

(7) Conditions for exercise of stock acquisition rights
Holders of stock acquisition rights shall hold the position of a director, a statutory auditor or an employee of the Company or subsidiaries and affiliates of the Company at the time of exercise of their stock acquisition rights.

(8) Conditions of offering of other stock acquisition rights
Conditions of offering of other stock acquisition rights shall be determined and resolved at a separately held Board of Directors' meeting.

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
MTI Ltd.

We have audited the accompanying consolidated balance sheets of MTI Ltd. and consolidated subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MTI Ltd. and consolidated subsidiaries at September 30, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

December 15, 2008 Ernst & Young ShinNihon LLC

CORPORATE DATA (As of December 31, 2008)

Corporate name	MTI Ltd.
Founded	August 12, 1996
Capital	¥2,509 million
Number of employees	455 (consolidated)
Main businesses	Content distribution business Mobile advertising business
Head office	35th Floor, Tokyo Opera City Tower 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-1435, Japan
MTI Group	comic.jp., inc. TeraMobile, Inc.
URL	http://www.mti.co.jp/

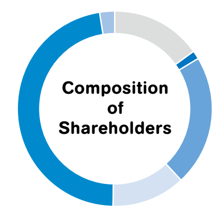
BOARD OF DIRECTORS AND CORPORATE AUDITORS (As of February 1, 2009)

President and Chief Executive Officer	Toshihiro Maeta
Director and Senior Executive Vice President	Hiroshi Izumi
Director and Executive Vice President	Tsuguo Takahashi
Director and Executive Vice President	Tadahisa Saito
Director and Senior Vice President	Katsunori Osawa
Director and Senior Vice President	Toru Narita
Director and Vice President	Yoshihiro Shimizu
Director	Ryuichi Sasaki
Director	Masaya Onagi
Statutory Auditor (Standing Auditor)	Tsutomu Minoura
Statutory Auditor	Kazuhiro Wada
Statutory Auditor	Kunihiko Yamamoto
Statutory Auditor	Yoshinobu Nakamura

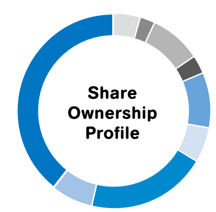
COMMON STOCK (As of September 30, 2008)

Stock code	9438
Listing	Jasdaq Securities Exchange
Number of shares authorized	447,600 shares
Number of shares outstanding	138,880 shares
Number of shareholders	4,024 shareholders

BREAKDOWN OF SHAREHOLDING BY INVESTOR TYPE (As of September 30, 2008)



Financial Institutes	15.08%
Securities Firms	1.53%
Other Corporations	21.65%
Foreign Corporations	12.04%
Individuals and Other	47.40%
Treasury Stock	2.30%



1–5	4.61%
5–10	2.41%
10–50	8.66%
50–100	3.13%
100–500	9.23%
500–1,000	5.59%
1,000–5,000	20.08%
5,000–10,000	7.00%
10,000–	39.28%

MAJOR SHAREHOLDERS (As of September 30, 2008)

Name of shareholder	Number of shares held	Controlling share
Toshihiro Maeta	29,314	21.61%
KMC, Inc.	25,240	18.60%
Japan Trustee Service Bank, Ltd. (Trust Account)	9,721	7.16%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,453	2.55%
MTI Ltd.	3,193	–
Trust & Custody Services Bank, Ltd.	2,925	2.16%
Morgan Stanley & Co. International PLC.	2,391	1.76%
Banque de Luxembourg S.A.470004	2,197	1.62%
SOZO Kobo, Inc.	2,142	1.58%
Meiji Yasuda Life Insurance Company (Account No. 51)	2,098	1.55%

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Mobilephone
Telecommunications
International

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