



MTI Ltd.



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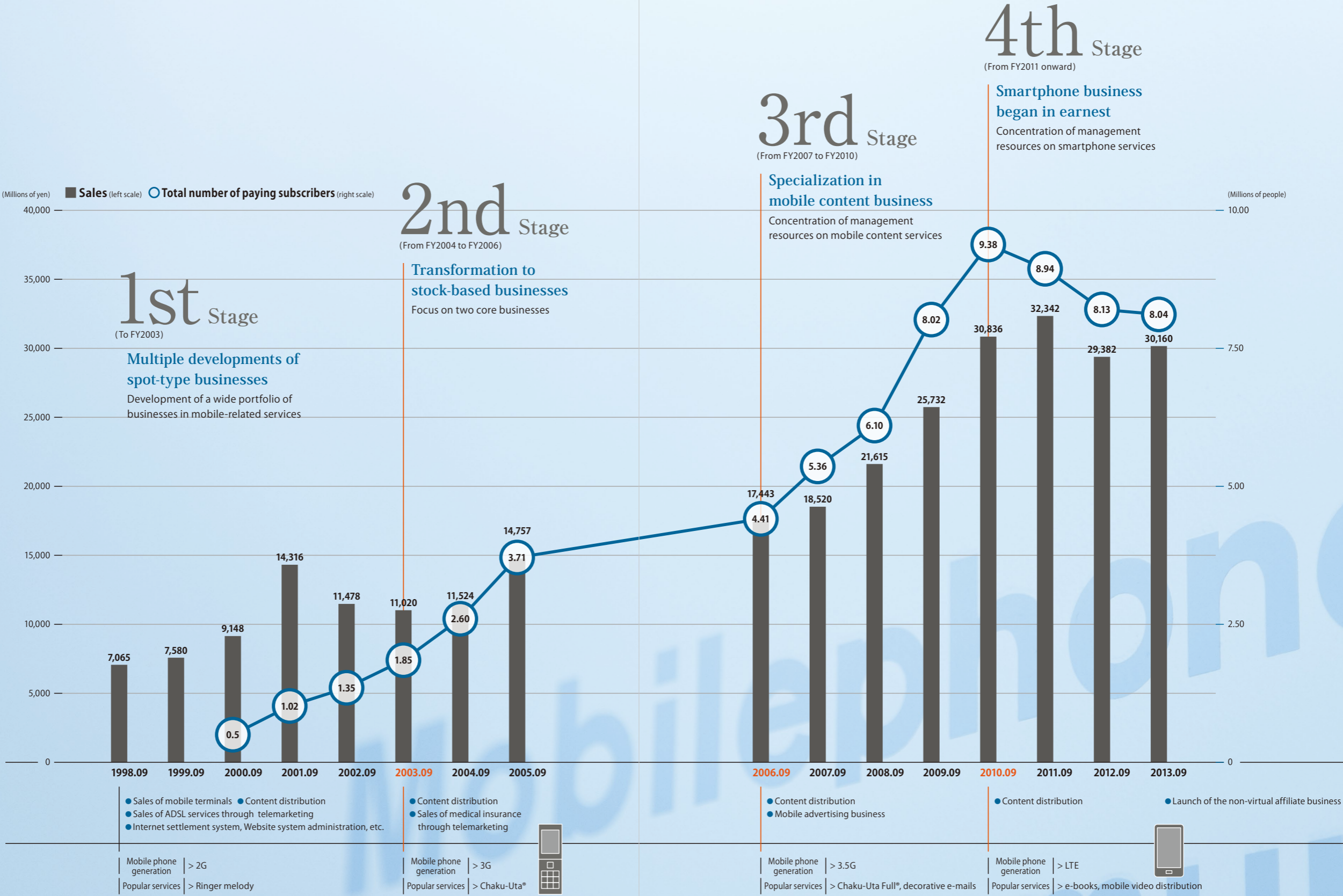
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# Targeting Renewed Growth



At MTI, we have grown our business by successfully responding to rapidly changing conditions in the smartphone industry, leveraging our strengths to adapt and build a strong presence in the market for smartphone services.

# MTI's History

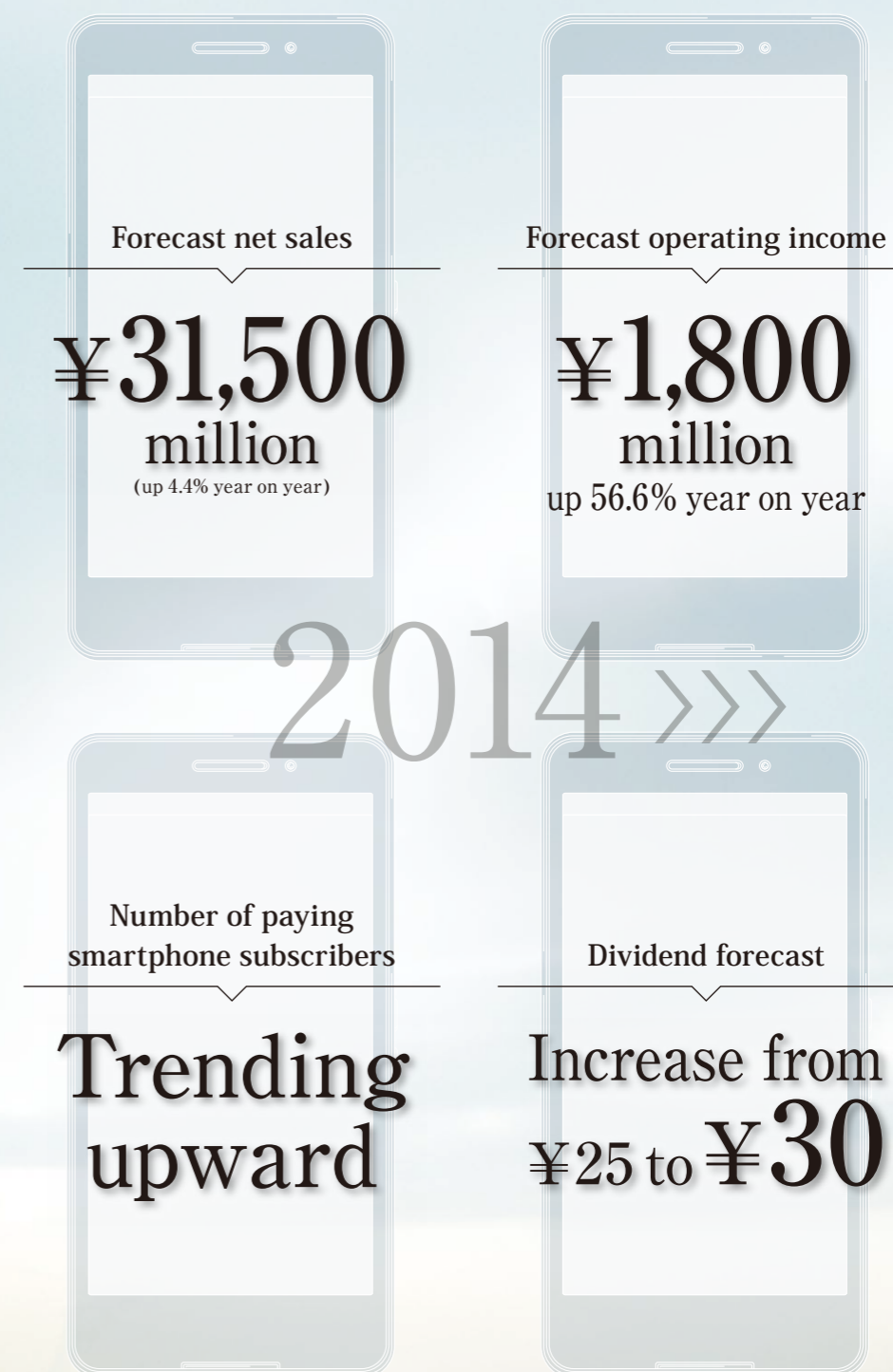


Consolidated Results of MTI Ltd.  
Fiscal Year  
ended September 30, 2013



Forecast Consolidated Results of MTI Ltd.  
Fiscal Year  
ending September 30, 2014

Targeting higher  
sales and profits



# Solid foundation laid for MTI's growth in the years to come



*Toshihiro Maeta*  
Toshihiro Maeta  
President and Chief Executive Officer

Consolidated results for the fiscal year ended September 30, 2013	Net sales :       ¥30,160 million Operating income : ¥1,149 million Net income :       ¥516 million
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**Largest non-virtual affiliate network for smartphone services**

In the fiscal year ended September 30, 2013, we aggressively promoted services in coordination with the release of new smartphone models, while also seeking to make promotional efforts more efficient and continuing to improve the quality of MTI-delivered content for smartphone users.

We were successful in expanding our subscriber base of smartphone users, which increased to 4.76 million (an increase of 1.63 million from September 30, 2012). Around 60% of these are paying subscribers.

Although we posted an operating loss in the first half of the year, MTI's sales and operating income substantially improved in the second half, as we focused on making promotional

efforts more efficient and began promoting sales of third-party smartphone content through our nationwide network of affiliated retail outlets (non-virtual affiliate business). Consolidated net sales for the year ended September 30, 2013 were ¥30,160 million, an increase of 2.7% in year-on-year terms. Operating income declined 32.6% to ¥1,149 million.

MTI has Japan's largest sales channel for in-house and third-party content for smartphones in the form of a nationwide network of affiliated retail outlets (non-virtual affiliate network). I am confident that taking maximum advantage of this network will support the growth of MTI in the years to come, since the effect on our performance is already tangible.

Forecast consolidated results for the fiscal year ending September 30, 2014	Net sales :       ¥31,500 million Operating income : ¥1,800 million Net income :       ¥750 million
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**Targeting higher sales and profits**

We plan to strengthen the non-virtual affiliate network further to drive continued growth. Specifically, we are establishing sales offices in all of Japan's major cities to provide more detailed sales promotional support to local retail outlets. In doing so, we aim to generate additional growth in our subscriber base while also increasing numbers of new subscribers for third-party content services.

We are continuing to expand and upgrade the services that MTI supplies. We are making preparations to launch a new integrated service in the second half of the fiscal year ending September 30, 2014, which will offer compelling value to users by meeting advanced requirements across the areas of music, books, comics and video. Our expectation is that this

service will drive continued growth in our subscriber base.

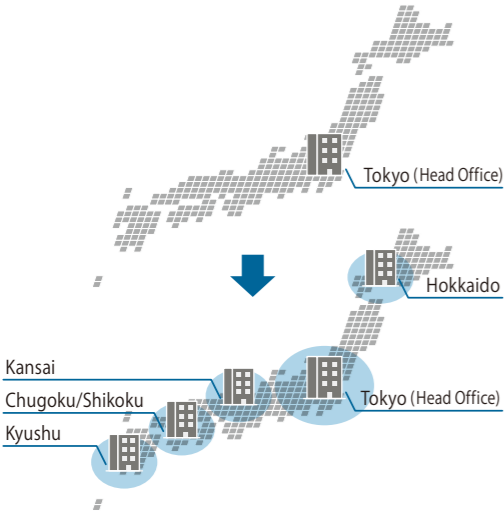
We are targeting 4.4% growth in net sales to ¥31,500 million and 56.6% growth in operating income to ¥1,800 million in the fiscal year ending September 30, 2014, based on further growth in our paying subscriber base and revenues generated through the non-virtual affiliate business.

# Targeting further business expansion

**1 Reinforcing the non-virtual affiliate network**  
One of MTI's key strengths is the set of relationships that we have developed with retail outlets nationwide. Through this sales channel, we can promote smartphone content supplied by MTI or other providers to customers directly. We plan to expand this channel further in the future to enhance our strength.

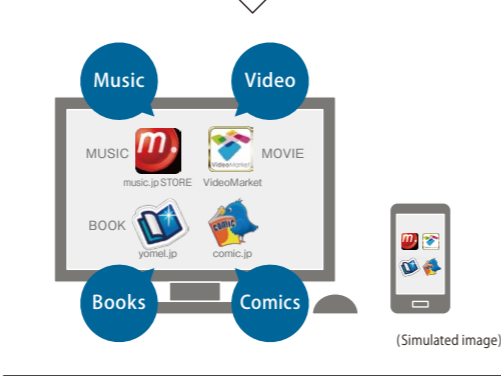
We plan to open new sales offices in Japan's major cities in the second half of the fiscal year ending September 30, 2014. This will enable us to give more detailed sales promotional support to mobile phone outlets around Japan. We aim to increase not only the number of stores in the network handling MTI and third-party content, but also to increase the number of customers who become paying subscribers after visiting one of these stores.

Reinforcing the non-virtual affiliate network will help us grow the subscriber bases for MTI-developed content services and third-party content, and in doing so help us expand our base of paying smartphone users while also expanding the non-virtual affiliate business.



**2 An integrated service platform**  
At MTI, we recognize that focusing on the development of attractive services is critical to the sustained growth of our paying smartphone user base. Our view is that customers' high-value needs are best served by services that are easy to use and understand, and that offer outstanding convenience.

The areas of highest service demand from Japanese smartphone users are music, books, comics and video. Since we expect these sectors to continue growing, we are working to develop an integrated service spanning these areas so that we can drive further growth in our paying subscriber base.



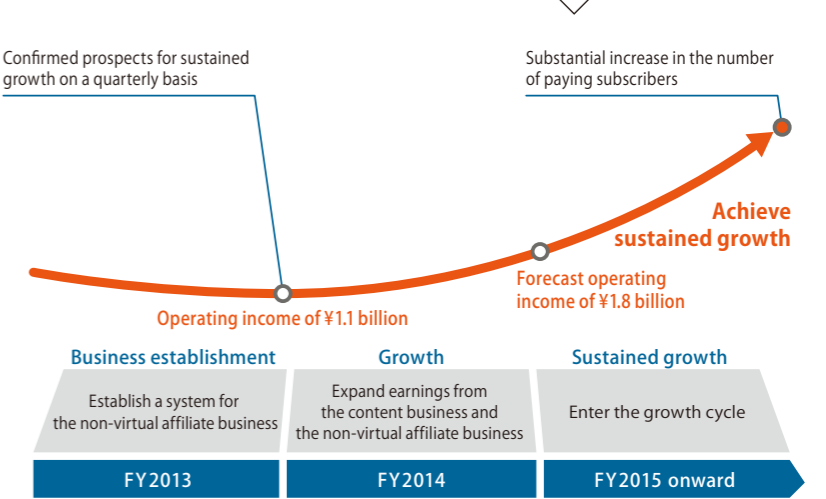
**3 Early entry into genetic analysis services**  
We are focusing on healthcare as a business sector with longer-term growth potential. In the first half of 2014, we plan to launch a genetic analysis service. This will help customers to identify medical conditions to which they might be genetically predisposed, based on the analysis of genetic information relating to cancer, lifestyle diseases and other conditions. We aim to build a presence for MTI in this business sector as quickly as possible.

Armed with the knowledge about the types of medical conditions to which they might be predisposed, customers will be more inclined to receive information linked to health management. Through such health information services, we also aim to provide ongoing support to customers who are endeavoring to improve their lifestyle habits. We see the provision of such services making a positive social contribution.



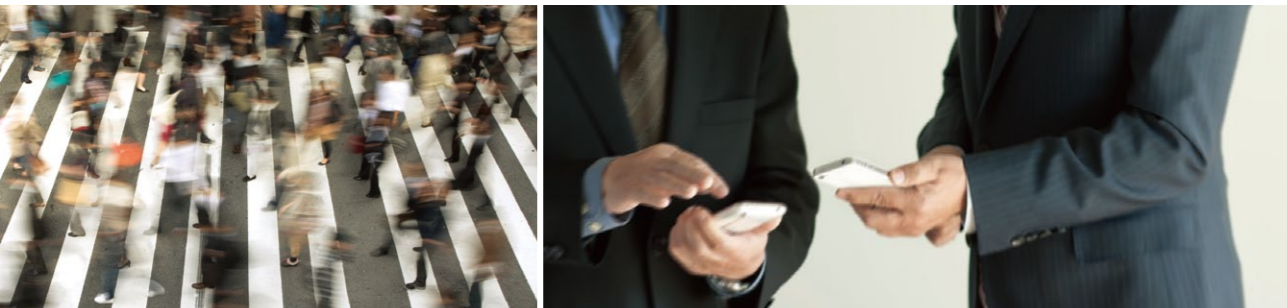
**4 A solid platform for future growth**  
The non-virtual affiliate business of promoting sale of third-party content services through our non-virtual affiliate network has the potential to be an engine of earnings growth in the short term for MTI. By leveraging these strengths, we aim to generate ¥1.8 billion in consolidated operating income in the fiscal year ending September 30, 2014.

Over the medium term, this strategy of reinforcing our strengths will enable us to generate sustained growth in the total subscriber base for MTI content. As we develop new and integrated services for smartphone users and start to develop business initiatives in new areas, we aim to maintain sustained profit growth in the fiscal year ending September 30, 2015 and beyond.



# MTI's Overwhelming Strength : Non-virtual Affiliate Network

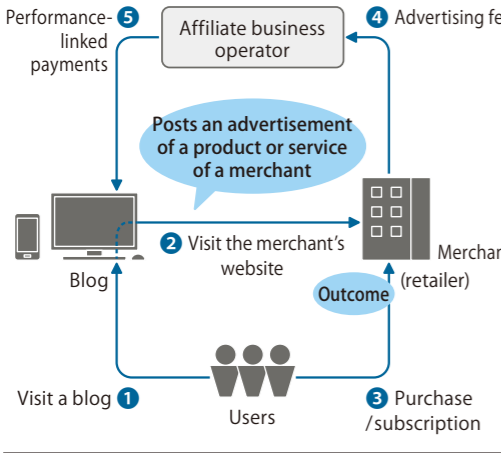
MTI's non-virtual affiliate network is an effective means for content providers to gain paying smartphone subscribers. In this section, we explain how it works.



What is a conventional affiliate?  
A performance-linked business

In conventional affiliate marketing, an affiliate posts an advertisement of a product or service of a merchant on its blog or other website and receives payments linked to a specified outcome (such as a user purchasing the advertised product).

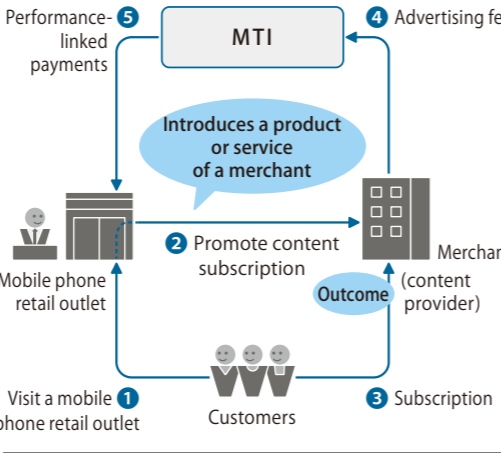
### Conventional affiliate (In the case of a blog)



What is MTI's non-virtual affiliate network?  
Content promotion by non-virtual affiliates

MTI's system translates the online ad into the non-virtual setting of an actual retail outlet. Customers visiting stores sign up for smartphone content, creating a performance-linked payment for the outlet.

### Non-virtual affiliate



Coverage of 80%  
of mobile phone retail outlets  
nationwide



Mobile phone retail outlets encourage customers to subscribe to internet services

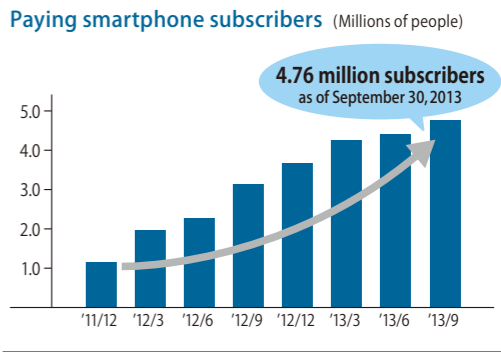


Q1. What is MTI's non-virtual affiliate network?  
A1. It consists of business relationships with 10,000 mobile phone stores across Japan.

MTI has built business relationships with discount chains, mobile phone agencies and other companies operating shops around Japan. The network comprises around 10,000 outlets nationwide promoting content and services to smartphone users. We call it a "non-virtual affiliate network."

Q2. How has the non-virtual affiliate network benefited MTI's subscriber base?  
A2. It has rapidly grown to 4.76 million smartphone subscribers.

The network is an effective means of directly promoting content supplied by MTI and other providers to smartphone users, despite restricted opportunities. With by far the largest non-virtual affiliate network, MTI has been able to rapidly grow its paying smartphone subscriber base to 4.76 million subscribers.

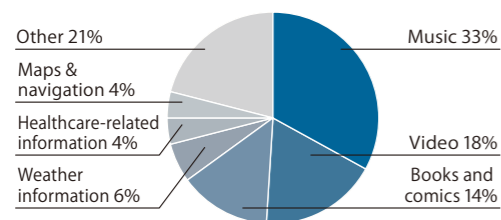


Q3. What content is available via the retail stores?

**A3. Content includes music, video, books and comics.**

MTI's non-virtual affiliate network of retail outlets offers users content across a range of categories, including music, video, books, comics and weather reports. This includes original MTI content (such as the music.jp site) and a wide range of third-party content.

#### Composition of categories of content offered

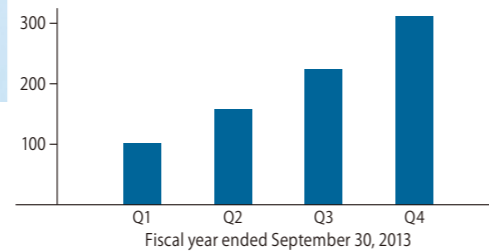


Q4. Why include access to third-party content?

**A4. It boosts consolidated income from sales commissions.**

The rapid adoption of smartphones in Japan left content providers with limited opportunities to build a subscriber base. Having received numerous inquiries, MTI began providing access to third-party content from the fiscal year ended September 30, 2013. Growth of this client base of third-party content providers has helped expand MTI's sales revenues from commissions, making a significant contribution to consolidated profits.

#### Impact of providing access to third-party content on sales revenues (Millions of yen)



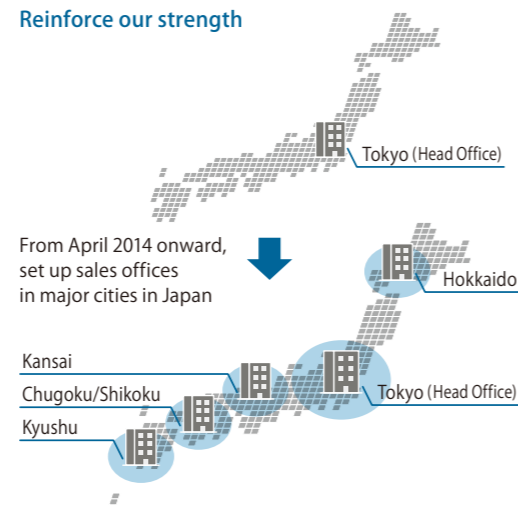
Q5. How is MTI developing the non-virtual affiliate network?

**A5. The next step is to set up sales offices in Japan's major cities.**

MTI plans to set up sales offices in Japan's major cities from the second half of the fiscal year ending September 30, 2014 to provide meticulous support to the affiliate network.

This move promises to help expand the number of retail outlets offering users content from MTI and third-party providers, while also increasing the rate at which users are signed up to content. This will help MTI to further expand its paying smartphone subscriber base at the same time as boosting the number of commission-generating new subscriptions for third-party content.

#### Reinforce our strength



Q6. How will new sales offices help the bottom line?

**A6. They will be an effective way of increasing new subscriptions for both MTI and third-party content.**

Simply having access to a network of 10,000 mobile phone retail outlets in Japan is not enough: ongoing follow-up is needed to ensure that content is promoted effectively to customers visiting each store so that subscriber bases continue to grow. Creating regional sales offices will increase opportunities to visit outlets and provide meticulous promotional support. This will increase the capacity of each outlet to generate business and increase sign-up rates for smartphone content subscriptions, helping to expand the subscriber base.

Since the outlets will be promoting content supplied by MTI and third-party providers, we expect this strategy to be effective for generating growth in subscriber bases on both sides.

#### Impact of opening sales offices



In-house content: More paying smartphone subscribers (Refer to A2.)  
Third-party content: More sales commissions (Refer to A4.)

#### Number of new subscribers =

$$\text{Number of contracted cellphone shops} \times \text{Capacity utilization rate of each shop} \times \text{Number of visitors per shop} \times \text{subscriber ratio}^*1 \times \text{Number of content subscriptions}^*2$$

\*1 Subscriber ratio: Number of content subscribers as % of the number of shop visitors (unique)  
\*2 Number of content subscriptions: Number of content subscriptions per content subscriber

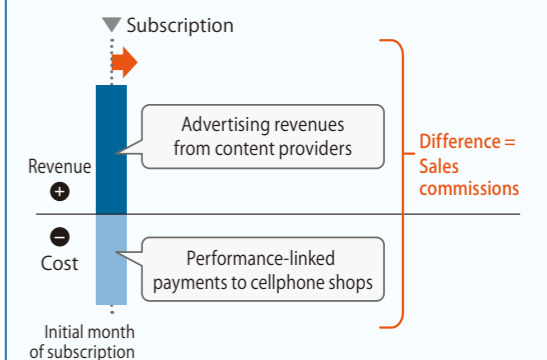
#### Income model

##### Difference between MTI and third-party content

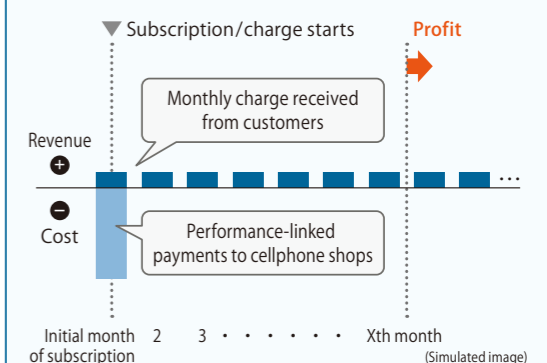
The difference between in-house content and third-party content is that the providers of the latter are clients generating advertising revenue for MTI. We book as commission sales revenue the net amount after the deduction of the performance-linked payments made to the cellphone shops.

Sales of in-house content also lead to a performance-linked payment (an advertising expense), but this is recouped from the monthly subscriptions paid by the new user (booked as content sales).

##### Third-party content (non-virtual affiliate business)



##### In-house content (content distribution business)



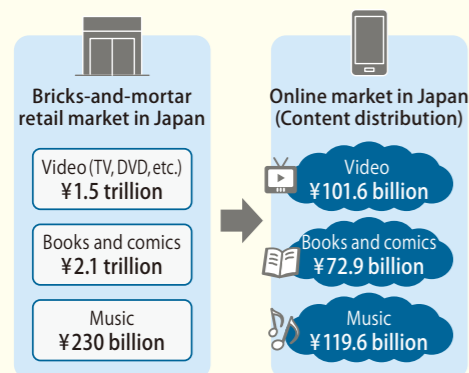
## Integration of Major Services

### Prospects for smartphone content market — Progressive shift online —

A major trend in the mobile content market is the ongoing shift online. Music is the classic exponent of this trend. In the pre-smartphone era, online music distribution grew at the expense of the retail market for CDs, which generated sales of around ¥500 billion annually through bricks-and-mortar retailers. Today, online music sales in Japan have grown to nearly ¥120 billion due to download services such as *Chaku-Uta*® and *Chaku-Uta Full*®.

Demand for online services supplying books, comics and video content is also expected to grow as smartphone technology advances, offering users larger screens and higher image resolution. Following the trail blazed by music, the markets for these forms of content are also shifting from retail stores to online channels, in the process growing rapidly.

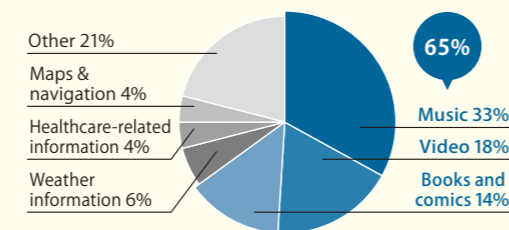
#### Online shift



\*Created by MTI based on the 2014 White Paper on Information and Media published by Dentsu Innovation Institute

The sign-up rates for MTI's non-virtual affiliate network suggest that music, video, books and comics are the most popular forms of smartphone content. In total, these categories account for 65% of the demand for content services.

#### Composition of categories of content offered



### Plans for integrated service covering categories of highest demand

As we aim for further growth in MTI's subscriber base, it is critical to focus on the development of content services that offer compelling value to smartphone users. We also recognize the need to supply customers with advanced services that are easy to understand and highly convenient.

MTI offers music, books and comics as content services using the dedicated sites *music.jp*, *yomel.jp* and *comic.jp*, respectively. MTI affiliate Video Market Corporation supplies video content via the *Video Market* site. In each of these markets, the MTI Group has a dominant, market-driving position. By starting to offer an integrated service combining these forms of content, we plan to engineer further growth in our subscriber base of smartphone users.

#### Integration of major services



### Charitable Downloads

*music.jp* is making a new type of social contribution through mobile music delivery. We donate a portion of revenues from download delivery services to support nature conservation projects and activities for deprived children worldwide, as well as to sponsor global environmental events.

### Support for Disaster Victims

*Soradas Weather Forecast* supports the victims of natural disasters by donating a portion of its revenues through the Japanese Red Cross Society.



Recent donations are listed below.  
(the most recent 10 donations)

November 29, 2013 : Relief for Izu Oshima and other areas affected by Typhoon Wipha  
November 29, 2013 : Relief for the Philippines affected by Typhoon Haiyan  
October 31, 2013 : Relief for Saitama Prefecture affected by Typhoon Man-yi  
October 31, 2013 : Relief for Kyoto Prefecture affected by Typhoon Man-yi in September 2013  
September 30, 2013 : Relief for the western part of Shimane Prefecture affected by heavy rain in summer 2013  
September 30, 2013 : Relief for Akita Prefecture affected by heavy rain  
September 30, 2013 : Relief for Yamaguchi Prefecture affected by heavy rain on July 28, 2013  
September 30, 2013 : Relief for Iwate Prefecture affected by heavy rain in 2013  
September 20, 2013 : Relief for flash floods in the northern India  
May 31, 2013 : Relief for Sichuan Ya'an Earthquake in China

### Cooperation to Pink Ribbon Festival

*Luna Luna*, our women's physical and mental healthcare-related information website, supported the Pink Ribbon Festival 2013 (hosted by the Japan Cancer Society) held to raise public awareness of the importance of early detection, diagnosis, and treatment of breast cancer.

Through this activity, we hope that as many women as possible will raise their awareness of the importance of self-care and screening by learning more about breast cancer.



*Luna Luna* supports the Pink Ribbon Campaign to raise public awareness of the importance of early detection, diagnosis, and treatment of breast cancer. This is the mark for the Pink Ribbon Festival (hosted by the Japan Cancer Society).

### Support for Children of the World

In order to support the healthy development of children worldwide, MTI is promoting activities that require a little effort and attention from each employee.

#### Collection of Ecocaps

Collecting caps of plastic bottles has become a company-wide campaign involving all employees. We collected and sold 140,200 caps in 2013 to a recycling company through the NPO Ecocap Movement. The proceeds were donated to the certified NPO, the Japan Committee for Vaccines for the World's Children (JCV), which provided vaccinations for 160 children.

#### Use of Red Cross Paper and Vaccine Paper

MTI actively uses Red Cross Paper to print its corporate brochure and Vaccine Paper for company envelopes. By using the paper, the Company donates to the Red Cross, which sponsors global humanitarian activities, and to campaigns that provide vaccinations to children around the world.



RED CROSS PAPER

Red Cross Paper and Vaccine Paper : Original printing paper jointly created by Taihei Printing Co., Ltd., and Japan Pulp and Paper Co., Ltd. By using these two types of paper, donations of two yen per kilogram will be made. Red Cross Paper is a paper that includes a donation to the Japanese Red Cross Society, and Vaccine Paper is a paper that includes a donation to the JCV.

Basic Approach to Corporate Governance

MTI's key management priorities include the establishment of a sound and highly transparent management structure, and the creation of systems to support timely, appropriate decision-making in response to the changing business environment.

One of the measures introduced with the aim of achieving these goals was the adoption of a one-year term of office for directors. This has added a sense of urgency to the management culture, since directors are required to earn the confidence of shareholders every year. We are also working to strengthen and consolidate our compliance systems.

In accordance with our IR policy, we provide timely and accurate disclosure of information including financial results and other key management data. We also emphasize two-way communication with all stakeholders to enhance management transparency and build relationships of trust with market participants.

Outline of Corporate Governance Policies

1. The tasks of the Board of Directors, which consists of eight internal directors and one external director, are to make important management decisions and supervise directors in the performance of their duties. In addition to its regular monthly meetings, the Board also convenes extraordinary meetings as required. There are four statutory auditors, including one standing statutory auditor. All four are currently external statutory auditors. Their task is to strengthen the supervisory functions of management through various activities, including attendance at Board meetings and other important management meetings.

2. By basing its executive organization on an operating officer system, MTI has created a structure that supports clear chains of accountability and timely decision-making. The Management Committee, consisting mainly of directors and operating officers, meets two or three times a month to discuss important operational matters. Decisions by the President and CEO are guided by these deliberations.

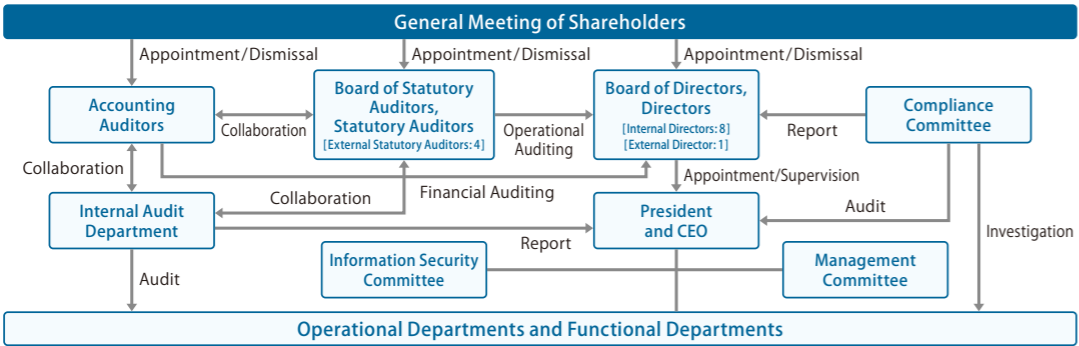
3. As a rule, MTI appoints its directors to serve concurrently as presidents of the key subsidiaries and receives regular reports on the status of business from them. Additionally, by centralizing the control functions of the subsidiaries under the parent company, MTI Ltd., MTI monitors their business performance, as necessary, and has further strengthened its checks and balances.

4. MTI has appointed Ernst & Young ShinNihon LLC as its independent auditor. The independent auditor helps to ensure a high standard of transparency and accuracy in the Company's accounts by conducting regular audits and providing advice and verification on accounting matters. We have also retained outside experts on taxation and legal matters to provide advice as required.

Amounts of remuneration for directors and statutory auditors		
(Thousands of yen)		
Position	Number of persons	Amount*
Directors	9	215,022
(of whom external director)	(1)	(4,200)
Statutory auditors	4	33,810
(of whom external statutory auditors)	(4)	(33,810)
Total	13	248,832
* Sum of basic compensation, stock options, and bonuses		

Amount of remuneration for the accounting auditor	
(Thousands of yen)	
Monetary or property benefits to be paid by the Company and its subsidiaries to the accounting auditor	38,500

Corporate Governance Structure



The resolution approved by MTI's Board of Directors on November 6, 2013, concerning the establishment of a system for ensuring the appropriate performance of the Company's business operations (internal control systems) is outlined below.

Policies for Performance of Duties

The corporate governance of MTI and its subsidiaries (hereinafter referred to as the "MTI Group") is based on the performance of duties in accordance with certain fundamental policies, specifically compliance with laws, regulations and social ethics (hereinafter referred to as "regulatory compliance, etc."), dealing in good faith with all stakeholders and appropriate disclosure of information, the maintenance of high standards of transparency and management soundness, and contribution to society through business activities that result in the creation of enterprise value.

In accordance with these fundamental policies, we maintain and enhance internal control systems designed to ensure that business operations of the MTI Group are carried out appropriately as stipulated in the Companies Act and the Companies Act Enforcement Regulations.

Compliance Policy

Compliance with laws and regulations is a fundamental policy for the Company. In addition to the formulation of compliance-related regulations, we have established a Compliance Committee, and we implement various initiatives relating to compliance throughout the MTI Group.

Compliance-related initiatives are implemented under the leadership of the Compliance Committee in cooperation with the relevant units of the MTI Group.

We have also established an internal reporting system through which employees can directly report matters of concern, such as doubts about the legality of activities. Any officer or employee of the MTI Group who becomes aware of matters of concern, such as actions of doubtful legality, can report such matters to the Compliance Committee and the Board of Statutory Auditors through a reporting line or the internal reporting system. Depending on the seriousness of the matter

reported, the Compliance Committee or the Board of Directors will formulate recurrence prevention measures in cooperation with the relevant units and take steps to disseminate information about these measures throughout the MTI Group.

Risk Management Systems

Individual organizational units and subsidiaries analyze risks relating to the performance of duties and devise countermeasures within the limits of their authority. Decisions on important matters that exceed the authority of individual business units are made after deliberations by the Management Committee or Board of Directors and are subject to continuous monitoring thereafter.

The Internal Audit Department audits risk management and related measures in relation to the performance of duties and the reliability of financial reporting and reports its findings to the President, the Board of Directors and the Board of Statutory Auditors. In terms of other risk management activities and countermeasures at the corporate level, the Compliance Committee deliberates and promotes the necessary action items and reports on the status of such actions to the Board of Directors.

We formulated rules concerning our risk management structure as a framework for the assessment of risk factors and the management of those risks throughout the MTI Group. We are continually improving and strengthening the systems used to provide comprehensive risk management for the entire MTI Group.

Steps have been taken to ensure and maintain information security by formulating regulations concerning the use and protection of information assets. We established the Information Security Committee to develop and strengthen systems for the utilization and protection of information assets so that they can contribute to the business activities of the MTI Group.

# IR Activities |||||

We are committed to transparent management. With the aim of communicating information about the Company fairly and appropriately in a timely manner as part of our efforts to strengthen corporate governance, we have formulated the IR policy. For details of the IR policy, please refer to MTI's IR site. [http://www.mti.co.jp/eng/?page\\_id=21](http://www.mti.co.jp/eng/?page_id=21)

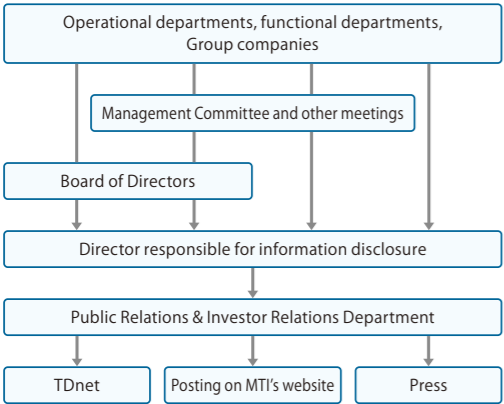
### Positioning of IR Activities

Based on our recognition that shareholders and investors are our valued partners in business development, we position IR activities as means of cultivating relationships of trust with them. We also view IR activities as a key management issue.

### Systems for Timely Disclosure

All material information is channeled to the director responsible for information disclosure. This includes information on material decisions made by the Board of Directors or by the Management Committee and on financial closing as well as information on material incidents reported to the director responsible for information disclosure by the departments concerned. The director responsible for information disclosure and the Public Relations & Investor Relations Department deliberate on whether it is desirable to disclose information on a certain matter and when they consider that disclosure is desirable, procedures are implemented without delay and the disclosure is made by means of posting on MTI's website and/or press releases.

### System for timely disclosure



### Enhancement of Communication

MTI is striving to enhance communication with shareholders and investors in order to help them deepen their understanding of MTI's management and business activities. The president & CEO, the director responsible for information disclosure, and the Public Relations & Investor Relations Department are spearheading initiatives in this regard.

MTI holds a quarterly results briefing for analysts and institutional investors in Japan where MTI's president & CEO makes a presentation. We also periodically have meetings with individual analysts and institutional investors to provide overall explanation about the status of MTI's operations.

The financial results presentation materials are posted on the "Investors" section of MTI's website on the day that the presentation is made. Our IR library contains IR releases & materials, reports on quarterly financial results, presentation materials, annual reports, fact books and various other IR materials.

We also participate in meetings for individual investors in Japan organized by securities firms etc.

Requests and comments of shareholders and investors gathered through IR activities are shared within MTI and reflected in our IR materials and activities for continuous improvement.

### External Evaluation of IR Activities

MTI's IR activities are highly regarded and we have won various IR awards.



# Board of Directors and Statutory Auditors |||||



**Toshihiro Maeta**  
President and  
Chief Executive Officer

MTI Ltd.  
株式会社エムティーアイ



**Hiroshi Izumi**  
Executive Vice President



**Haruo Taneno**  
Executive Vice President



**Tsuguo Takahashi**  
Senior Managing Director



**Yoshihiro Shimizu**  
Senior Managing Director



**Katsunori Osawa**  
Managing Director



**Hiroshi Matsumoto**  
Director



**Ryuichi Sasaki**  
Director



**Masaya Onagi**  
Director



**Tsutomu Minoura**  
Statutory Auditor (Standing Auditor)



**Yoshinobu Nakamura**  
Statutory Auditor



**Kazuhiko Sakishima**  
Statutory Auditor



**Kazuko Ohya**  
Statutory Auditor

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

The Company is aware of the possibility of the actual occurrence of events underlying these business risks, takes action to prevent their occurrence, and is prepared to respond rapidly should those conditions arise. Nevertheless, the Company believes that any investment decision regarding its stock should be carefully considered by weighing both the risk factors and other disclosed information that may not be stated here. Readers are cautioned that the factors stated below do not cover every conceivable risk factor regarding investments in the Company's stock.

Reliance on key individuals

Toshihiro Maeta, the Company's president and chief executive officer, has a pivotal role in the creation of business models and in the accumulation of expertise in data analysis techniques, which are the essential strengths of the Company. He also plays a key role in promoting the Company's business activities. The Company has been taking 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 would be unable to carry out his duties, it could have a significant impact on the business performance of the Company.

Unexpected changes in the business environment

Regarding mobile content distribution services, which is a core operation of the Company, 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 Company. As a result, the Company might be forced to make changes in its management policies, business strategies, or other aspects that could have a significant impact on the Company's business performance.

1. The emergence of indeterminate factors beyond those envisaged at the time projections were made, resulting from drastic changes in the market environment. These factors could include an increase in the number of paying subscribers to smartphone services significantly falling below the Company's forecast, a decrease in the number of paying subscribers to feature phone services significantly exceeding the Company's forecast, a decline in the utilization rate of content provided for a fee due to the emergence of content provided for free, and major changes in user preferences.

2. A loss of the Company's ability to differentiate itself from its industry competitors in such aspects as the nature, quality, or price of content that results in the Company being unable to achieve its targeted number of paying subscribers. Other possible situations include intensifying competition with rival companies for acquiring subscribers and increasingly severe price competition destroying the Company's cost competitiveness and preventing it from maintaining the number of paying subscribers.

3. Services or technologies become outdated because of such factors as delays in the development or provision of services to meet smartphone user needs or in accommodating changes in income structure and state-of-the-art technologies as a result of rapid progress in technical innovation. 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 to attain. Other situations include the cost of procuring content rising more rapidly than expected, making it difficult to secure a profit.

5. Revisions to existing laws and regulations and/or enactment of new laws and regulations that regulate the Company'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 on business development, or possibly discontinuation of certain operations according to circumstances that may be unavoidable to satisfy the requirements of the relevant regulations.

Inoperability of information network

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

Leakage of personal information

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

Infringement of intellectual property rights

The Company operates and develops its business while being cautious not to infringe the intellectual property rights of third parties. However, it is possible that the Company might unknowingly infringe the intellectual property rights of a third party, and the third party concerned may initiate litigation to demand compensation, cessation, or some other remedy. These actions could have a significant impact on the Company's business performance.

Annual Report

2013

# Financial Section

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## Consolidated Financial Highlights

	(Millions of yen)				
	2009/09	2010/09	2011/09	2012/09	2013/09
<b>Financial results</b>					
Net sales	25,732	30,836	32,342	29,382	30,160
Cost of sales	7,920	8,415	7,571	5,665	5,336
Gross profit	17,812	22,421	24,770	23,716	24,824
Selling, general and administrative expenses	15,599	19,289	21,067	22,012	23,675
Operating income	2,213	3,131	3,702	1,704	1,149
Ordinary income	2,177	3,132	3,692	1,697	1,119
Net income	1,669	1,824	1,797	109	516
<b>Financial position</b>					
Total assets	12,557	15,091	15,881	13,971	15,646
Net assets	6,807	8,259	9,670	8,922	8,869
<b>Cash flows</b>					
Cash flows from operating activities	1,740	3,175	2,986	2,682	3,483
Cash flows from investing activities	(1,081)	(1,004)	(2,417)	(2,062)	(2,389)
Cash flows from financing activities	(551)	(604)	(619)	(1,167)	(414)
<b>Per share information *1</b>					
Net income per share (yen)	124.47	136.30	134.47	8.43	40.99
Net assets per share (yen)	502.28	609.29	709.73	668.69	669.30
Cash dividend per share (yen)	20.00	35.00	40.00	40.00	25.00
<b>Financial performance indicators</b>					
Gross profit ratio (%)	69.2	72.7	76.6	80.7	82.3
Operating income ratio (%)	8.6	10.2	11.4	5.8	3.8
Ordinary income ratio (%)	8.5	10.2	11.4	5.8	3.7
Net income ratio (%)	6.5	5.9	5.6	0.4	1.7
Return on equity (ROE) (%) *2	27.6	24.5	20.4	1.2	6.1
Return on assets (ROA) (%) *3	18.7	22.7	23.8	11.4	7.6
Shareholders' equity ratio (%)	53.7	54.0	59.7	61.9	53.7
Equity ratio based on market value (%)	260.0	94.0	84.1	69.5	73.0
Ratio of cash flows to interest-bearing liabilities (%)	40.2	15.7	12.1	6.0	16.6
Dividend payout ratio (%) *4	16.1	25.7	29.7	474.5	61.0
Total payout ratio (%) *5	29.5	36.1	29.7	835.7	118.4
Interest coverage ratio (times)	84.8	182.7	219.0	273.6	570.6
<b>Business data</b>					
Total number of paying subscribers (million people )	802	938	894	813	804
<b>Other information</b>					
Number of employees at year-end (people)	489	554	699	815	785

\*1 The Company conducted a 100-for-1 common stock split that became effective as of April 1, 2013.

Net income per share stated takes this stock split into account.

\*2 ROE = Net income / Average shareholders' equity x 100

\*3 ROA = Ordinary income / Average total assets x 100

\*4 Dividend payout ratio = Cash dividend per share / net income per share x 100

\*5 Total payout ratio = (Total dividend payment + Total share buybacks) / Net income x 100

# Management Discussion and Analysis (Consolidated Basis)

## Operating Results

### Net Sales and Gross Profit

Net sales for the fiscal year under review increased 2.7% year on year to ¥30,160 million led by the brisk order-taking of consolidated subsidiary Jibe Mobile K.K. for systems for carriers and underpinned by the establishment of the Real Affiliate Business to promote other companies' content at mobile shops nationwide, despite a decline in the total number of paying subscribers compared with the previous fiscal year.

Gross profit increased 4.7% year on year to ¥24,824 million, reflecting a decrease in the cost-of-sales ratio (from 19.3% for the previous year to 17.7%) because the number of music content downloads decreased while net sales increased.

### Operating Income and Ordinary Income

Despite an increase in gross profit, operating income and ordinary income decreased 32.6% and 34.0% year on year to ¥1,149 million and ¥1,119 million, respectively, because of a large rise in selling, general and administrative expenses due to vigorous investment in advertising and sales promotion during the peak selling season.

### Net Income

Net income soared 372.0% year on year to ¥516 million as a result of a large decrease in extraordinary losses and lower income taxes.

## Financial Position

Total assets as of the end of the fiscal year under review amounted to ¥15,646 million, having increased ¥1,674 million from September 30, 2012.

### Assets

Current assets increased ¥1,137 million from the previous fiscal year-end. This increase was mainly due to increases in cash and deposits and accounts receivable-trade. Non-current assets increased ¥537 million mainly due to increases in investment securities, software, and deferred tax assets.

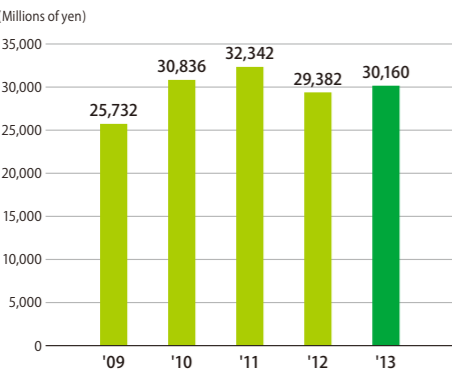
### Liabilities

Current liabilities increased ¥1,120 million from the previous fiscal year-end. This increase was mainly attributable to increases in income taxes payable and accrued expenses, while accounts payable-trade decreased. Non-current liabilities increased ¥607 million mainly due to increases in long-term loans payable and provision for retirement benefits.

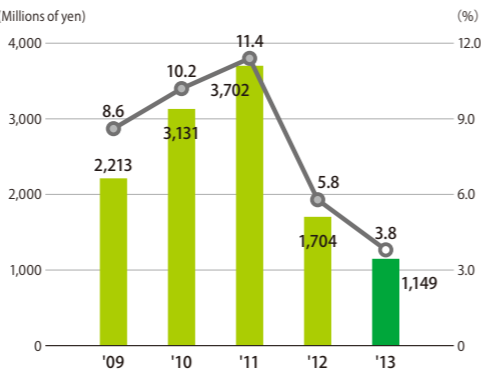
### Net Assets

Despite recording of net income amounting to ¥516 million, net assets decreased ¥53 million because of purchase of treasury shares and dividend payments.

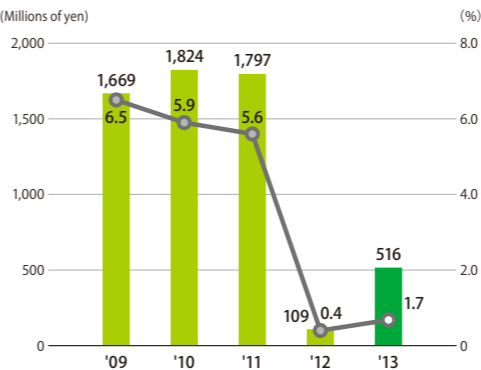
### Net Sales



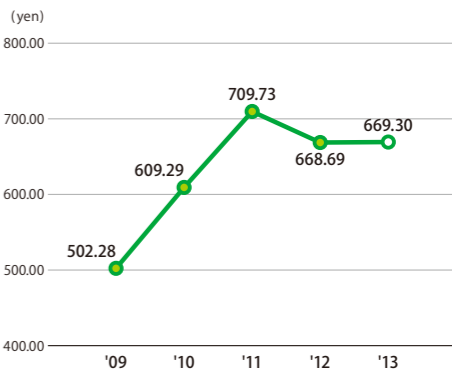
### Operating Income and Operating Income Ratio



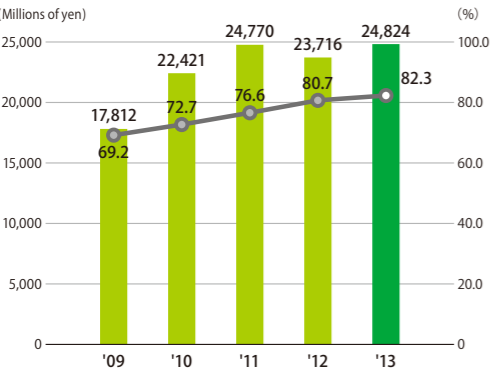
### Net Income and Net Income Ratio



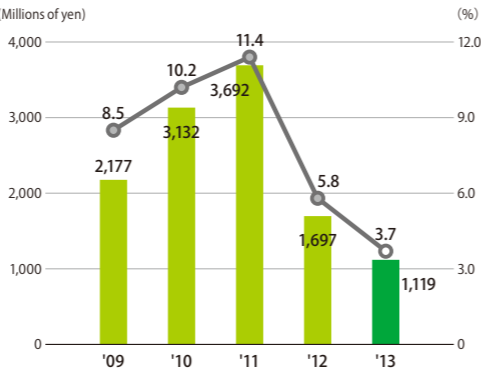
### Net Asset per Share



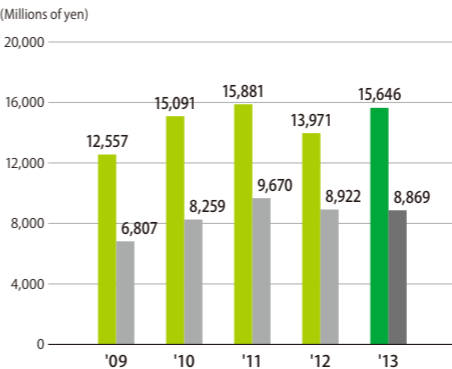
### Gross Profit and Gross Profit Ratio



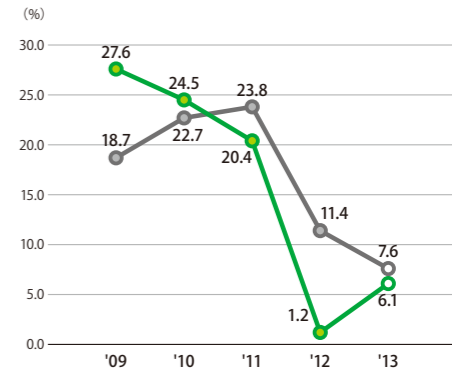
### Ordinary Income and Ordinary Income Ratio



### Total Assets and Net Assets



### Return on Equity (ROE) and Return on Assets (ROA)



## Cash Flows

Cash and cash equivalents at September 30, 2013 were ¥3,416 million, having increased ¥852 million from the figure at September 30, 2012. The situation regarding cash flows from each type of activities for the fiscal year ended September 30, 2013 and major factors are described below.

### Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥3,483 million, compared with ¥2,682 million for the previous year. The main factors were income before income taxes and depreciation.

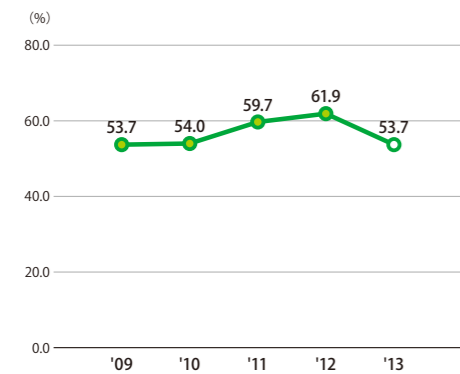
### Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥2,389 million, compared with ¥2,062 million for the previous year. The principal cash inflow item was proceeds from sales of shares of subsidiaries and associates. The main cash outflow items were purchase of intangible assets (principally software) and purchase of shares of subsidiaries and associates.

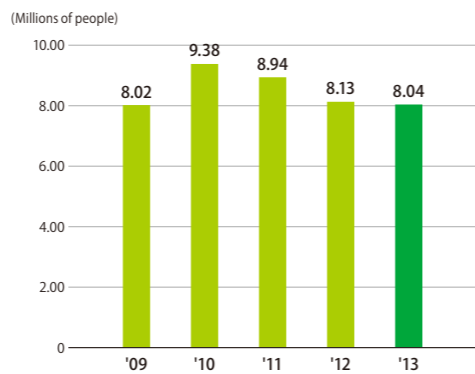
### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥414 million, compared ¥1,167 million for the previous year. Whereas there was cash inflow of proceeds from long-term loans payable, cash outflows included cash dividends paid, purchase of treasury shares, and repayments of long-term loans payable.

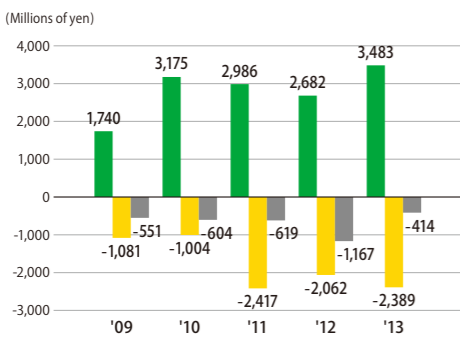
### Shareholders' Equity Ratio



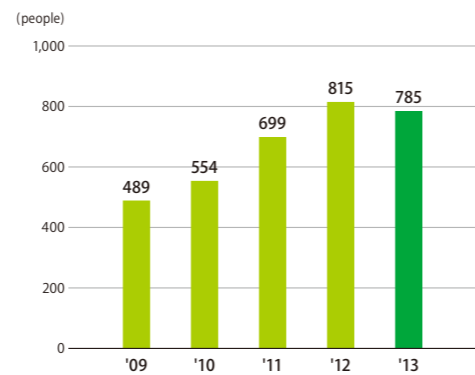
### Total Number of Paying Subscribers



### Cash Flows



### Number of Employees



## Policy on Returning Profits to Shareholders

The Company regards increasing market capitalization through the creation and enhancement of corporate value and distributing profits to shareholders as priorities.

Regarding profit distribution to shareholders, the Company takes into account its basic capital policy of achieving a balance between sustainable growth in sales and profits in the medium to long term and the return of profits to shareholders. In light of this strategy and the need for internal reserves to fund aggressive business development, the Company is aiming to achieve a total payout ratio\* of 35%.

To increase the opportunities for returning profits to shareholders, the Company changed the policy for payment of dividend from surplus. Previously, the Company paid a dividend once a year by means of payment of a year-end dividend. From

the year ending September 30, 2014, onward, the Company shall pay a dividend twice a year, namely, an interim dividend and a year-end dividend.

\*Total payout ratio = (Total cash dividends + Total amount of treasury shares purchased) / Net income x 100

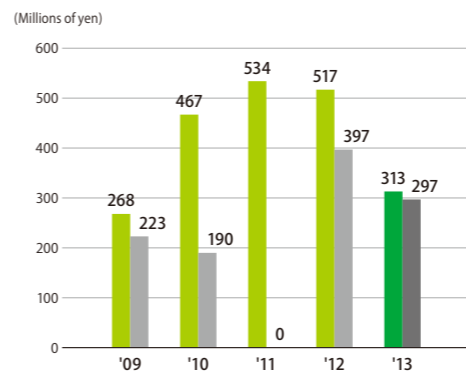
### Fiscal year to September 2013

Whereas a year-end cash dividend of ¥20 per share was forecast, the Company increased it to ¥25 because consolidated net income for the fiscal year to September 2013 greatly exceeded the forecast.

### Fiscal year to September 2014

The Company forecasts annual cash dividends of ¥30 per share, comprising an interim dividend of ¥10 and a year-end dividend of ¥20, an increase of ¥5 compared with the cash dividend paid for the fiscal year to September 2013.

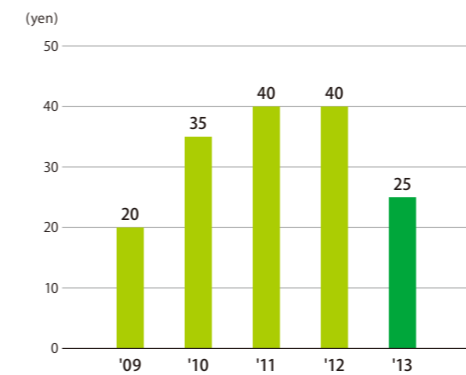
### Total Cash Dividends Purchase of Treasury Shares



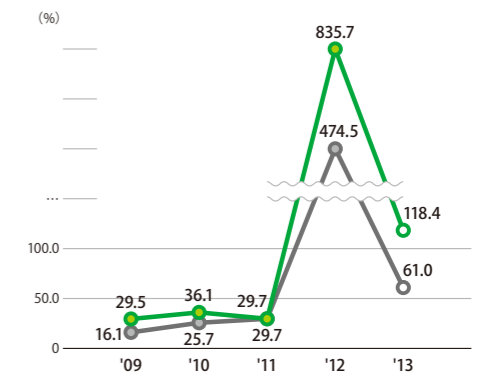
Cash Dividends	Interim	Year-end	Full year
Year ended September 30, 2013	—	¥25	¥25
Year ending September 30, 2014 (forecast)	¥10	¥20	¥30

The Company conducted a 100-for-1 common stock split that became effective as of April 1, 2013. Net income per share stated takes this stock split into account.

### Cash Dividends per Share



### Total Payout Ratio Dividend Payout Ratio



## Consolidated Balance Sheets

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	2,563,283	3,416,219
Accounts receivable-trade	6,188,642	6,376,865
Advance payments-trade	51,988	178,283
Prepaid expenses	322,454	278,757
Accounts receivable-other	84,416	135,951
Income taxes receivable	170,359	—
Deferred tax assets	377,178	414,019
Other	140,659	134,843
Allowance for doubtful accounts	(268,158)	(166,904)
Total current assets	9,630,823	10,768,035
<b>Non-current assets</b>		
Property, plant and equipment		
Facilities attached to buildings	329,045	318,801
Accumulated depreciation	(189,890)	(201,356)
Facilities attached to buildings, net	139,154	117,445
Tools, furniture and fixtures	307,571	253,701
Accumulated depreciation	(228,629)	(195,155)
Tools, furniture and fixtures, net	78,941	58,546
Total property, plant and equipment	218,095	175,991
Intangible assets		
Software	2,255,082	2,346,612
Goodwill	171,126	133,175
Other	57,546	110,351
Total intangible assets	2,483,755	2,590,140
Investments and other assets		
Investment securities	376,039	714,781
Lease and guarantee deposits	467,695	469,740
Deferred tax assets	751,034	854,250
Other	54,529	87,752
Allowance for doubtful accounts	(10,283)	(14,008)
Total investments and other assets	1,639,014	2,112,517
Total non-current assets	4,340,866	4,878,649
Total assets	13,971,689	15,646,685

(Thousands of yen)

	As of September 30, 2012	As of September 30, 2013
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable-trade	1,233,354	942,610
Current portion of convertible bonds	62,880	78,688
Current portion of long-term loans payable	99,118	—
Accounts payable-other	1,964,994	2,334,501
Accrued expenses	329,481	359,075
Income taxes payable	7,941	637,177
Accrued consumption taxes	53,814	83,183
Deferred tax liabilities	—	1,424
Allowance for coin usage	420,925	382,891
Provision for directors' bonuses	12,974	14,511
Other	381,159	853,540
Total current liabilities	4,566,643	5,687,604
<b>Non-current liabilities</b>		
Long-term loans payable	—	500,000
Long-term accounts payable-other	51,581	21,516
Provision for retirement benefits	363,365	509,636
Negative goodwill	67,894	58,776
Other	141	141
Total non-current liabilities	482,983	1,090,070
Total liabilities	5,049,626	6,777,675

### NET ASSETS

<b>Shareholders' equity</b>		
Capital stock	2,562,740	2,562,740
Capital surplus	3,078,260	3,078,260
Retained earnings	3,394,389	3,393,859
Treasury shares	(397,409)	(695,269)
Total shareholders' equity	8,637,981	8,339,591
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,881	40,434
Foreign currency translation adjustment	5,427	22,150
Total accumulated other comprehensive income	7,308	62,584
Subscription rights to shares	211,940	227,004
Minority interests	64,832	239,830
Total net assets	8,922,062	8,869,010
Total liabilities and net assets	13,971,689	15,646,685

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Thousands of yen)		
	Year ended September 30, 2012	Year ended September 30, 2013
<b>Consolidated Statements of Income</b>		
Net sales	29,382,297	30,160,974
Cost of sales	5,665,445	5,336,496
Gross profit	23,716,851	24,824,478
Selling, general and administrative expenses	22,012,063	23,675,243
Operating income	1,704,788	1,149,234
Non-operating income		
Interest income	156	214
Dividend income	4,105	3,958
Amortization of negative goodwill	9,117	9,117
Gain on reversal of subscription rights to shares	9,009	—
Interest on refund	—	6,169
Other	8,033	7,020
Total non-operating income	30,422	26,480
Non-operating expenses		
Interest expenses	9,806	9,340
Share of loss of entities accounted for using equity method	16,502	30,052
Foreign exchange losses	1,638	6,252
Other	9,570	10,268
Total non-operating expenses	37,518	55,913
Ordinary income	1,697,692	1,119,801
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	44,036
Gain on reversal of subscription rights to shares	—	49,390
Total extraordinary income	—	93,426
Extraordinary losses		
Loss on retirement of non-current assets	128,100	118,225
Loss on valuation of investment securities	291,421	86,939
Goodwill impairment loss	278,768	—
Settlement package	41,095	—
Total extraordinary losses	739,385	205,165
Income before income taxes	958,307	1,008,062
Income taxes-current	686,334	603,757
Income taxes-deferred	154,465	(149,268)
Total income taxes	840,799	454,488
Income before minority interests	117,507	553,574
Minority interests in net income	8,065	36,956
Net income	109,441	516,617

(Thousands of yen)		
	Year ended September 30, 2012	Year ended September 30, 2013
<b>Consolidated Statements of Comprehensive Income</b>		
Income before minority interests	117,507	553,574
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,042)	38,553
Foreign currency translation adjustment	(2,154)	21,503
Share of other comprehensive income of associates accounted for using equity method	820	3,748
Total other comprehensive income (loss)	(25,376)	63,805
Comprehensive income	92,130	617,379
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	83,854	571,893
Comprehensive income attributable to minority interests	8,275	45,486

## Consolidated Statements of Changes in Net Assets

(Thousands of yen)		
	Year ended September 30, 2012	Year ended September 30, 2013
<b>Shareholders' equity</b>		
Capital stock		
Balance at beginning of current period	2,562,740	2,562,740
Balance at end of current period	2,562,740	2,562,740
Capital surplus		
Balance at beginning of current period	3,072,920	3,078,260
Changes of items during period		
Issuance of new shares-exercise of subscription rights to shares	97	—
Disposal of treasury shares	5,242	—
Total changes of items during period	5,339	—
Balance at end of current period	3,078,260	3,078,260
Retained earnings		
Balance at beginning of current period	3,819,710	3,394,389
Changes of items during period		
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	—
Total changes of items during period	(425,320)	(530)
Balance at end of current period	3,394,389	3,393,859
Treasury shares		
Balance at beginning of current period	—	(397,409)
Changes of items during period		
Purchase of treasury shares	(422,693)	(297,860)
Disposal of treasury shares	25,283	—
Total changes of items during period	(397,409)	(297,860)
Balance at end of current period	(397,409)	(695,269)
Total shareholders' equity		
Balance at beginning of current period	9,455,371	8,637,981
Changes of items during period		
Issuance of new shares-exercise of subscription rights to shares	97	—
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	—
Purchase of treasury shares	(422,693)	(297,860)
Disposal of treasury shares	30,526	—
Total changes of items during period	(817,390)	(298,390)
Balance at end of current period	8,637,981	8,339,591

(Thousands of yen)		
	Year ended September 30, 2012	Year ended September 30, 2013
<b>Other accumulated comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at beginning of current period	25,923	1,881
Changes of items during period		
Net changes of items other than shareholders' equity	(24,042)	38,553
Total changes of items during period	(24,042)	38,553
Balance at end of current period	1,881	40,434
Foreign currency translation adjustment		
Balance at beginning of current period	6,971	5,427
Changes of items during period		
Net changes of items other than shareholders' equity	(1,544)	16,722
Total changes of items during period	(1,544)	16,722
Balance at end of current period	5,427	22,150
Total other accumulated comprehensive income		
Balance at beginning of current period	32,895	7,308
Changes of items during period		
Net changes of items other than shareholders' equity	(25,586)	55,275
Total changes of items during period	(25,586)	55,275
Balance at end of current period	7,308	62,584
Subscription rights to shares		
Balance at beginning of current period	163,897	211,940
Changes of items during period		
Net changes of items other than shareholders' equity	48,043	15,063
Total changes of items during period	48,043	15,063
Balance at end of current period	211,940	227,004
Minority interests		
Balance at beginning of current period	18,771	64,832
Changes of items during period		
Net changes of items other than shareholders' equity	46,060	174,998
Total changes of items during period	46,060	174,998
Balance at end of current period	64,832	239,830
Total net assets		
Balance at beginning of current period	9,670,935	8,922,062
Changes of items during period		
Issuance of new shares-exercise of subscription rights to shares	97	—
Dividends from surplus	(534,752)	(517,148)
Net income	109,441	516,617
Change of scope of consolidation	(9)	—
Purchase of treasury shares	(422,693)	(297,860)
Disposal of treasury shares	30,526	—
Net changes of items other than shareholders' equity	68,517	245,338
Total changes of items during period	(748,873)	(53,052)
Balance at end of current period	8,922,062	8,869,010

## Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Year ended September 30, 2012	Year ended September 30, 2013
<b>Cash flows from operating activities</b>		
Income before income taxes	958,307	1,008,062
Depreciation	1,434,529	1,822,997
Amortization of goodwill	82,421	79,147
Amortization of negative goodwill	(9,117)	(9,117)
Increase (decrease) in allowance for doubtful accounts	(102,755)	(98,221)
Increase (decrease) in allowance for coin usage	(76,216)	(38,033)
Increase (decrease) in provision for retirement benefits	108,843	146,270
Interest and dividend income	(4,261)	(4,172)
Interest expenses	9,806	9,340
Share of (profit) loss of entities accounted for using equity method	16,502	30,052
Loss on retirement of non-current assets	128,100	118,225
Loss (gain) on valuation of investment securities	291,421	86,939
Loss (gain) on sales of shares of subsidiaries and associates	—	(44,036)
Goodwill impairment loss	278,768	—
Gain on reversal of subscription rights to shares	(9,009)	(49,390)
Decrease (increase) in notes and accounts receivable-trade	1,445,405	(176,151)
Decrease (increase) in advance payments	40,333	(126,087)
Decrease (increase) in prepaid expenses	(91,115)	44,793
Decrease (increase) in accounts receivable-other	25,975	(51,534)
Increase (decrease) in notes and accounts payable-trade	(312,395)	(291,747)
Increase (decrease) in accounts payable-other	392,130	344,940
Increase (decrease) in accrued expenses	(5,926)	26,663
Increase (decrease) in accrued consumption taxes	(89,799)	29,368
Other, net	36,423	454,080
Subtotal	4,548,372	3,312,390
Interest and dividend income received	4,261	4,172
Interest expenses paid	(9,806)	(6,104)
Income taxes (paid) refund	(1,860,215)	172,754
Net cash provided by operating activities	2,682,611	3,483,212
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(30,830)	(19,077)
Purchase of intangible assets	(1,772,392)	(2,112,891)
Purchase of investment securities	(74,920)	(3,140)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(170,893)	—
Purchase of shares of subsidiaries and associates	—	(487,425)
Proceeds from sales of shares of subsidiaries and associates	—	226,500
Proceeds from collection of lease and guarantee deposits	1,689	4,527
Other, net	(14,742)	1,898
Net cash used in investing activities	(2,062,089)	(2,389,608)
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	(200,196)	(99,118)
Proceeds from long-term loans payable	—	500,000
Proceeds from sales of treasury shares	30,526	—
Purchase of treasury shares	(422,693)	(297,860)
Cash dividends paid	(534,752)	(517,148)
Other, net	(40,746)	—
Net cash used in financing activities	(1,167,861)	(414,126)
Effect of exchange rate change on cash and cash equivalents	1,863	173,458
Net increase (decrease) in cash and cash equivalents	(545,476)	852,936
Cash and cash equivalents at beginning of period	3,108,759	2,563,283
Cash and cash equivalents at end of period	2,563,283	3,416,219

## Corporate and Stock Information (As of September 30, 2013)

### Corporate Data

<b>Company Name</b>	MTI Ltd.
<b>Founded</b>	August 12, 1996
<b>Capital</b>	¥2,562 million
<b>Number of Employees</b>	785 (consolidated)
<b>Main Businesses</b>	Content distribution business
<b>Head Office</b>	35th Floor, Tokyo Opera City Tower 3-20-2 Nishi-shinjuku, Shinjuku-ku, Tokyo 163-1435, Japan
<b>URL</b>	http://www.mti.co.jp/eng/
<b>MTI Group Companies</b>	EverGene Ltd. TeraMobile, Inc. FIL Corporation Mytrax Inc. Mediano Ltd. MShift, Inc. Jibe Mobile, K.K. SHANGHAI HYRON MTI CO., LTD. . Video Market Corporation

### Common Stock

<b>Stock Code</b>	9438
<b>Listing</b>	Tokyo Stock Exchange (JASDAQ)
<b>Number of Shares Authorized</b>	44,760,000 shares
<b>Numbers of Shares Outstanding</b>	13,368,800 shares
<b>Number of Shareholders</b>	5,279 shareholders

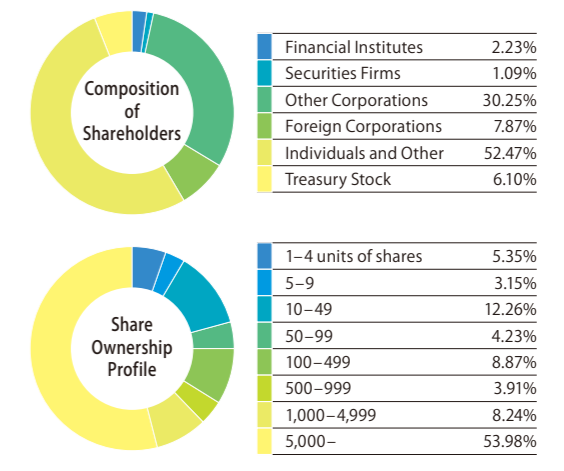
### Major Shareholders

	Number of shares held	Controlling share
Toshihiro Maeta	2,931,400	23.35%
KMC, Inc.	2,524,000	20.11%
Hikari Tsushin, Inc.	946,200	7.54%
MTI Ltd.	815,100	—
Goldman Sachs International (standing proxy: Goldman Sachs Japan Co., Ltd.)	494,908	3.94%
Shobunsha Publications, Inc.	168,000	1.34%
The Master Trust Bank of Japan, Ltd. (trust account)	162,500	1.29%
CMBL S.A. RE MUTUAL FUNDS (standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	155,200	1.24%
BAROWS Inc.	121,600	0.97%
Digimerce Inc.	91,900	0.73%

### Board of Directors and Statutory Auditors (As of January 1, 2014)

<b>President and Chief Executive Officer</b>	Toshihiro Maeta
<b>Executive Vice President</b>	Hiroshi Izumi
<b>Executive Vice President</b>	Haruo Taneno
<b>Senior Managing Director</b>	Tsuguo Takahashi
<b>Senior Managing Director</b>	Yoshihiro Shimizu
<b>Managing Director</b>	Katsunori Osawa
<b>Director</b>	Hiroshi Matsumoto
<b>Director</b>	Ryuichi Sasaki
<b>Director</b>	Masaya Onagi
<b>Statutory Auditor (Standing Auditor)</b>	Tsutomu Minoura
<b>Statutory Auditor</b>	Yoshinobu Nakamura
<b>Statutory Auditor</b>	Kazuhiko Sakishima
<b>Statutory Auditor</b>	Kazuko Ohya

### Breakdown of Shareholding by Investor Type



\* This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ substantially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events.

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