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Summary of Consolidated Financial Results for the First Quarter of
Fiscal Year ending September 30, 2017 (Japanese Accounting Standards)

January 30, 2017

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
 Securities Code: 9438 URL: <http://www.mti.co.jp>
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 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): February 10, 2017
 Scheduled date of dividend payment: –
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the three months ended December 31, 2016
(October 1, 2016 – December 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of fiscal year ending September 30, 2017	7,637	(10.6)	1,149	2.4	1,125	0.7	677	(3.0)
First quarter of fiscal year ended September 30, 2016	8,547	4.1	1,121	(15.9)	1,117	(15.0)	697	(8.3)

(Note) Comprehensive income: Three months ended December 31, 2016: 743 millions of yen 4.4%
 Three months ended December 31, 2015: 711 millions of yen (19.1%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First quarter of fiscal year ending September 30, 2017	12.30	12.21
First quarter of fiscal year ended September 30, 2016	12.25	12.10

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	23,043	17,195	72.2
As of September 30, 2016	25,154	17,852	68.8

(Reference) Shareholders' equity: As of December 31, 2016: 16,645 millions of yen
 As of September 30, 2016: 17,306 millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2016	–	8.00	–	8.00	16.00
Fiscal year ending September 30, 2017	–				
Fiscal year ending September 30, 2017 (forecast)		8.00	–	8.00	16.00

(Note) Revision of dividend forecast for during this period : No

3. Forecast for consolidated business results for the fiscal year ending September 30, 2017
(October 1, 2016 – September 30, 2017)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the first half	15,500	(8.8)	1,730	(30.5)	1,700	(30.2)	1,100	(22.8)	20.25
Full year	32,500	(2.6)	4,060	(24.2)	4,000	(24.7)	2,500	(24.6)	46.02

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

* Notes

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

New: –

Exception: –

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

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

- | | |
|---|----------------|
| (i) Changes in accounting policies due to the modification in accounting methods: | Yes |
| (ii) Changes in accounting policies other than (i): | Not applicable |
| (iii) Changes in accounting estimates: | Not applicable |
| (iv) Restatement: | Not applicable |

(4) Number of outstanding shares (common shares)

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

12/2016: 60,655,600 shares 9/2016: 60,549,200 shares

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

12/2016: 6,333,128 shares 9/2016: 4,925,228 shares

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

Three months ended 12/2016: 55,047,708 shares Three months ended 12/2015: 56,983,793 shares

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. The average number of shares during the period is calculated on the assumption that this share split was carried out at the beginning of the previous fiscal year after these stock splits.

* Status of a quarterly review

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

* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. The information on consolidated earnings forecasts and other future forecasts on page 3 of the Accompanying Materials describes notes on the assumptions of the earnings forecasts and the use of the earnings forecasts.

The Company will hold a briefing on earnings in the first three quarters chiefly for securities analysts and institutional investors on Tuesday, January 31, 2017. A video of the briefing and a document to be used at the briefing will be posted on the Company's website as soon as the briefing ends. (A video is Japanese only.)

Accompanying materials – Contents

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1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Since the abolition of the practice of offering cellphones virtually free of charge in February 2016, smartphone unit sales have seen sluggish growth. The Company worked to acquire paying subscribers on smartphones at cellphone shops across Japan, but the number of paying subscribers on smartphones came to 5.60 million at the end of December 2016 (down 0.09 million from the end of September 2016), reflecting sluggish smartphone unit sales. The total number of paying subscribers decreased 0.18 million, to 7.04 million.

Although the ARPU of paying subscribers on smartphones, primarily subscribers to music.jp, a video distribution service whose product lineup has expanded, maintained an upward trend, the total number of paying subscribers declined year on year. As a result, net sales and gross profit declined to ¥7,637 million (down 10.6% year on year) and ¥6,362 million (down 11.4% year on year).

Although gross profit has declined, selling, general and administrative expenses (SG&A) have also declined due to a decrease in advertising expenses; therefore, operating income, ordinary income and profit attributable to owners of parent stood at ¥1,149 million (up 2.4% year on year), ¥1,125 million (up 0.7% year on year), and ¥677 million (down 3.0% year on year), respectively.

Consolidated business results

(Period from October 1, 2016 to December 31, 2016)

	First quarter of the fiscal year ending September 30, 2017	First quarter of the fiscal year ended September 30, 2016	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	7,637	8,547	(909)	(10.6)
Cost of sales	1,275	1,362	(87)	(6.4)
Gross profit	6,362	7,184	(821)	(11.4)
SG&A	5,213	6,062	(849)	(14.0)
Operating income	1,149	1,121	+27	+2.4
Ordinary income	1,125	1,117	+8	+0.7
Profit attributable to owners of parent	677	697	(20)	(3.0)

Breakdown of SG&A

(Period from October 1, 2016 to December 31, 2016)

	First quarter of the fiscal year ending September 30, 2017	First quarter of the fiscal year ended September 30, 2016	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	5,213	6,062	(849)	(14.0)
Advertising expenses	1,542	2,532	(990)	(39.1)
Personnel expenses	1,395	1,341	+54	+4.0
Commission fee	926	954	(28)	(2.9)
Subcontract expenses	402	374	+28	+7.6
Depreciation	374	298	+75	+25.2
Other	572	561	+10	+1.9

(2) Explanation on financial position

1) Assets, liabilities and net assets

At the end of the first quarter under review, total assets declined ¥2,110 million from the end of September 2016, to ¥23,043 million.

Current assets decreased ¥3,910 million, mainly due to a fall in cash and deposits. Non-current assets increased ¥1,799 million, largely as a result of an increase in investment securities.

Current liabilities dropped ¥1,490 million, primarily reflecting a decline in income taxes payable. Non-current liabilities increased ¥37 million, chiefly due to a rise in net defined benefit liability.

Net assets decreased ¥657 million, chiefly due to the purchase of treasury stock and cash dividends paid although a profit attributable to owners of parent of ¥677 million was posted.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2016	23,043	17,195	72.2
As of September 30, 2016	25,154	17,852	68.8

(3) Explanation of future forecast information including consolidated forecast

The Company will continue to focus on acquiring paying subscribers on smartphones and will strive to increase average revenue per user (ARPU). Although unit sales of smartphones are stagnant, the Company will promote sales of its content offering high ARPU at cellphone shops nationwide.

In the healthcare-related service business, the Company will work to expand orders for CARADA package services for corporate customers and for training management services provided by a Group company. The Company will also take steps to boost the number of contracts with local governments nationwide for the electronic maternal and child health handbook service.

Our forecasts for consolidated business results for the first half and the full year of the fiscal year ending September 30, 2017 remain unchanged from the values announced on October 31, 2016.

Earnings forecast for the six months of the fiscal year ending September 30, 2017

(Period from October 1, 2016 to March 31, 2017)

Consolidated profit and loss		
Net sales	15,500 millions of yen	(an decrease of 8.8% y-o-y)
Operating income	1,730 millions of yen	(an decrease of 30.5% y-o-y)
Ordinary income	1,700 millions of yen	(an decrease of 30.2% y-o-y)
Profit attributable to owners of parent	1,100 millions of yen	(an decrease of 22.8% y-o-y)

Earnings forecast for the fiscal year ending September 30, 2017

(Period from October 1, 2016 to September 30, 2017)

Consolidated profit and loss		
Net sales	32,000 millions of yen	(an decrease of 2.6% y-o-y)
Operating income	4,060 millions of yen	(an decrease of 24.2% y-o-y)
Ordinary income	4,000 millions of yen	(an decrease of 24.7% y-o-y)
Profit attributable to owners of parent	2,500 millions of yen	(an decrease of 24.6% y-o-y)

2. Matters relating to summary information (Notes)

(1) Changes in important subsidiaries during the period

Not applicable.

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

Not applicable.

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

Not applicable.

(4) Additional information

(Adoption of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) is applied from the first quarter under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

Fiscal year ended September 30, 2016 and the first quarter of fiscal year ending September 30, 2017

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2016)	Current fiscal year (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	12,613,012	8,925,659
Notes and accounts receivable-trade	6,163,789	6,067,321
Deferred tax assets	316,742	178,998
Other	1,023,195	1,036,644
Allowance for doubtful accounts	(65,095)	(67,184)
Total current assets	20,051,644	16,141,439
Non-current assets		
Property, plant and equipment	179,023	179,221
Intangible assets		
Software	2,462,449	2,552,519
Goodwill	14,898	22,714
Other	26,837	32,196
Total intangible assets	2,504,185	2,607,430
Investments and other assets		
Investment securities	1,054,687	2,635,022
Lease and guarantee deposits	494,963	493,323
Deferred tax assets	853,155	967,668
Other	34,048	37,039
Allowance for doubtful accounts	(17,519)	(17,518)
Total investment and other assets	2,419,334	4,115,535
Total non-current assets	5,102,543	6,902,187
Total assets	25,154,188	23,043,627

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2016)	Current fiscal year (As of December 31, 2016)
Liabilities		
Current liabilities		
Account payable-trade	1,177,351	1,065,618
Accounts payable-other	2,290,594	2,256,252
Income taxes payable	1,343,684	461,545
Provision for bonuses	-	156,921
Allowance for coin usage	188,361	177,895
Other	1,148,832	539,757
Total current liabilities	6,148,824	4,657,991
Non-current liabilities		
Net defined benefit liability	1,099,402	1,140,412
Negative goodwill	31,423	29,143
Other	21,587	20,218
Total non-current liabilities	1,152,413	1,189,774
Total liabilities	7,301,237	5,847,766
Net assets		
Shareholders' equity		
Capital stock	5,012,181	5,031,512
Capital surplus	5,834,419	5,853,750
Retained earning	8,727,679	8,959,921
Treasury shares	(2,148,888)	(3,148,848)
Total shareholders' equity	17,425,392	16,696,336
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,027	108,999
Foreign currency translation adjustment	(42,706)	(23,181)
Remeasurements of defined benefit plans	(141,548)	(136,980)
Total accumulated other comprehensive income	(119,227)	(51,162)
Subscription rights to shares	132,236	138,246
Non-controlling interests	414,550	412,440
Total net assets	17,852,951	17,195,860
Total liabilities and net assets	25,154,188	23,043,627

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

Quarterly consolidated statement of income

For the first quarter of the fiscal year ended September 30, 2016 and fiscal year ending September 30, 2017

(Unit: thousands of yen)

	First quarter of the previous fiscal year (from October 1, 2015 to December 31, 2015)	First quarter of the current fiscal year (from October 1, 2016 to December 31, 2016)
Net sales	8,547,153	7,637,825
Cost of sales	1,362,805	1,275,444
Gross profit	7,184,348	6,362,380
Selling, general and administrative expenses	6,062,458	5,213,222
Operating income	1,121,889	1,149,157
Non-operating income		
Interest income	8	25
Dividend income	2,237	2,517
Amortization of negative goodwill	2,279	2,279
Foreign exchange gains	3,170	-
Other	2,240	15,009
Total non-operating income	9,937	19,831
Non-operating expenses		
Interest expenses	1,030	-
Share of loss of entities accounted for using equity method	10,052	39,017
Foreign exchange losses	-	1,036
Commission for purchase of treasury shares	-	2,764
Other	3,168	408
Total non-operating expenses	14,251	43,226
Ordinary income	1,117,575	1,125,762
Extraordinary income		
Extraordinary losses		
Loss on retirement of non-current assets	9,078	19,922
Total extraordinary losses	9,078	19,922
Income before income taxes	1,108,497	1,105,840
Income taxes-current	439,311	437,794
Income taxes-deferred	(6,935)	3,171
Total income taxes	432,375	440,965
Profit	676,121	664,874
Profit (loss) attributable to non-controlling interests	(21,817)	(12,359)
Profit attributable to owners of parent	697,939	677,233

Quarterly consolidated statement of comprehensive income**For the first quarter of the fiscal year ended September 30, 2016 and fiscal year ending September 30, 2017**

(Unit: thousands of yen)

	First quarter of the previous fiscal year (from October 1, 2015 to December 31, 2015)	First quarter of the current fiscal year (from October 1, 2016 to December 31, 2016)
Profit	676,121	664,874
Other comprehensive income		
Valuation difference on available-for-sale securities	31,070	45,693
Foreign currency translation adjustment	1,874	27,409
Remeasurements of defined benefit plans, net of tax	2,649	4,568
Share of other comprehensive income of entities accounted for using equity method	221	643
Total other comprehensive income	35,815	78,314
Comprehensive income	711,937	743,188
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	732,258	745,299
Comprehensive income attributable to non-controlling interests	(20,320)	(2,110)

(3) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

(Purchase of treasury stock)

Under a resolution made at a meeting of the Board of Directors held on October 31, 2016, the Company purchased 1,407,900 shares of treasury stock from November 2, 2016 to December 22, 2016. As a result, the value of treasury stock increased 999,959 thousand yen in the first quarter under review and stood at 3,148,848 thousand yen at the end of the first quarter.