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

April 27, 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): May 10, 2017
 Scheduled date of dividend payment: June 12, 2017
 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 six months ended March 31, 2017

(October 1, 2016 – March 31, 2017)

(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 half of fiscal year ending September 30, 2017	15,285	(10.1)	2,074	(16.7)	2,032	(16.5)	441	(69.0)
First half of fiscal year ended September 30, 2016	16,994	2.3	2,489	18.1	2,434	19.7	1,425	30.9

(Note) Comprehensive income: Six months ended March 31, 2017: 378 millions of yen (72.1%)
 Six months ended March 31, 2016: 1,354 millions of yen 8.9%

	Net income per share	Net income per share/diluted
	Yen	Yen
First half of fiscal year ending September 30, 2017	8.06	8.01
First half of fiscal year ended September 30, 2016	25.26	24.97

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2017	24,096	17,384	68.0
As of September 30, 2016	25,154	17,852	68.8

(Reference) Shareholders' equity: As of March 31, 2017: 16,385 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	—	8.00			
Fiscal year ending September 30, 2017 (forecast)			—	8.00	16.00

(Note) Revisions to dividend forecasts published most recently: No

Accompanying materials – Contents

1. Qualitative information on financial results for the current settlement	2
(1) Explanation on operating results	2
(2) Explanation on financial position	3
(3) Explanation of future forecast information including consolidated forecast	3
2. Matters relating to summary information (Notes).....	5
(1) Changes in important subsidiaries during the period	5
(2) Adoption of specific accounting methods for producing quarterly consolidated financial statements	5
(3) Changes in accounting policies, changes in accounting estimates, restatements	5
(4) Additional information	5
3. Quarterly consolidated financial statements	6
(1) Quarterly consolidated balance sheet	6
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income ..	8
(3) Quarterly consolidated statement of cash flows	10
(4) Notes concerning quarterly consolidated financial statements	11
(Notes concerning going concern assumption)	11
(Notes on significant changes in shareholders' equity)	11
(Significant subsequent events)	11

1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Overview of the first half ended March 31, 2017 (From October 1, 2016 to March 31, 2017)

During the first half under review, smartphone unit sales continued to see sluggish growth, and the Company had a hard time acquiring paying subscribers on smartphones at cellphone shops across Japan. As a result, the number of paying subscribers on smartphones came to 5.49 million at the end of March 2017 (down 0.2 million from the end of September 2016). The total number of paying subscribers decreased 0.36 million, to 6.86 million.

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 ¥15,285 million (down 10.1% year on year) and ¥12,780 million (down 11.0% year on year), respectively.

Gross profit declined and selling, general and administrative expenses (SG&A) fell mainly due to a decrease in advertising expenses; therefore, operating income and ordinary income came to ¥2,074 million (down 16.7% year on year) and ¥2,032 million (down 16.5% year on year), respectively.

Profit attributable to owners of parent declined to ¥441 million (down 69.0% year on year), mainly attributable to the posting of the amortization of goodwill (¥1,399 million) as extraordinary losses, despite a gain on step acquisitions (¥693 million) recorded as extraordinary income associated with the conversion of Video Market Corporation to a consolidated subsidiary.

Consolidated business results

(From October 1, 2016 to March 31, 2017)

	First half of the fiscal year ending September 30, 2017	First half of the fiscal year ended September 30, 2016	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	15,285	16,994	(1,708)	(10.1)
Cost of sales	2,505	2,635	(129)	(4.9)
Gross profit	12,780	14,359	(1,579)	(11.0)
SG&A	10,705	11,870	(1,164)	(9.8)
Operating income	2,074	2,489	(415)	(16.7)
Ordinary income	2,032	2,434	(401)	(16.5)
Profit attributable to owners of parent	441	1,425	(983)	(69.0)

Breakdown of SG&A

(From October 1, 2016 to March 31, 2017)

	First half of the fiscal year ending September 30, 2017	First half of the fiscal year ended September 30, 2016	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	10,705	11,870	(1,164)	(9.8)
Advertising expenses	3,121	4,779	(1,658)	(34.7)
Personnel expenses	2,801	2,709	+91	+3.4
Commission fee	1,862	1,909	(47)	(2.5)
Subcontract expenses	922	758	+164	+21.6
Depreciation	775	601	+173	+28.9
Other	1,222	1,110	+111	+10.1

(2) Explanation on financial position

1) Assets, liabilities and net assets

At the end of the second quarter under review, total assets fell ¥1,057 million from the end of September 2016, to ¥24,096 million.

Current assets decreased ¥2,778 million, mainly due to a fall in cash and deposits. Non-current assets increased ¥1,721 million, chiefly reflecting an increase in investment securities.

Current liabilities declined ¥767 million, primarily reflecting a fall in income taxes payable. Non-current liabilities grew ¥177 million, owing mostly to increases in long-term loans payable and net defined benefit liability.

Net assets dropped ¥468 million, mainly due to the acquisition of treasury stock and cash dividends paid, in spite of ¥441 million posted as profit attributable to owners of parent.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2017	24,096	17,384	68.0
As of September 30, 2016	25,154	17,852	68.8

2) Consolidated cash flows

At the end of the first half under review, cash and cash equivalents were ¥9,801 million, down ¥2,811 million from the end of September 2016. The cash flows by activities and principal factors in the first half under review are as follows:

Net cash provided by operating activities was ¥1,341 million (inflow of ¥1,473 million for the first half of the previous fiscal year). Principal factors included income taxes paid, a gain on step acquisitions, income before income taxes, the amortization of goodwill and depreciation and amortization.

Net cash used in investment activities stood at ¥2,797 million (outflow of ¥47 million for the first half of the previous fiscal year). Major factors included the purchase of investment securities, and expenditures for the purchase of intangible assets (consisting mainly of software), despite proceeds from the redemption of investment securities.

Net cash used in financing activities came to ¥1,382 million (outflow of ¥2,364 million for the first half of the previous fiscal year). Main factors included the acquisition of treasury stock and the payment of cash dividends.

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First half of the fiscal year ending September 30, 2017	1,341	(2,797)	(1,382)	9,801
First half of the fiscal year ended September 30, 2016	1,473	(47)	(2,364)	10,650
For the fiscal year ended September 30, 2016	4,845	(1,327)	(2,469)	12,613

(3) Explanation of future forecast information including consolidated forecast

Smartphone unit sales are expected to grow at a sluggish pace in the third quarter and immediately subsequent periods. In this situation, the Company will focus on promoting sales of its content offering high average revenue per user (ARPU) at cellphone shops across Japan to maintain the improved APPU.

In the healthcare-related service business, the Company will increase the number of contracts for CARADA package services to corporate customers and training management services provided by a group company and work to disseminate the electronic maternal and child health handbook service to local governments nationwide.

Our forecasts for consolidated business results for the full year of the fiscal year ending September 30, 2017 are as described in the “Notice Concerning Posting of Extraordinary Income and Extraordinary Losses, Differences between Forecasts and Actual Results for the First Half of the Fiscal Year Ending September 30, 2017, and Revisions to Full-Year Results Forecasts” announced today.

Forecasts for consolidated business results for the fiscal year ending September 30, 2017

(From October 1, 2016 to September 30, 2017)

Consolidated profit and loss		
Net sales	32,000 millions of yen	(Down 2.6% year on year)
Operating income	4,060 millions of yen	(Down 24.2% year on year)
Ordinary income	4,000 millions of yen	(Down 24.7% year on year)
Profit attributable to owners of parent	1,600 millions of yen	(Down 51.8% year on year)

2. Matters relating to summary information (Notes)

(1) Changes in important subsidiaries during the period

Not applicable.

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

Not applicable.

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

Not applicable.

(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 of the current fiscal year.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

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

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2016)	Current fiscal year (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	12,613,012	9,801,435
Notes and accounts receivable-trade	6,163,789	6,391,172
Deferred tax assets	316,742	249,646
Other	1,023,195	893,129
Allowance for doubtful accounts	(65,095)	(62,457)
Total current assets	20,051,644	17,272,926
Non-current assets		
Property, plant and equipment	179,023	265,742
Intangible assets		
Software	2,462,449	2,572,348
Goodwill	14,898	20,277
Other	26,837	32,828
Total intangible assets	2,504,185	2,625,455
Investments and other assets		
Investment securities	1,054,687	2,326,995
Lease and guarantee deposits	494,963	523,095
Deferred tax assets	853,155	1,061,786
Other	34,048	38,053
Allowance for doubtful accounts	(17,519)	(17,518)
Total investment and other assets	2,419,334	3,932,412
Total non-current assets	5,102,543	6,823,609
Total assets	25,154,188	24,096,536

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2016)	Current fiscal year (As of March 31, 2017)
Liabilities		
Current liabilities		
Account payable-trade	1,177,351	1,145,391
Current portion of long-term loans payable	—	60,993
Accounts payable-other	2,290,594	2,143,112
Income taxes payable	1,343,684	879,213
Allowance for coin usage	188,361	168,782
Other	1,148,832	983,974
Total current liabilities	6,148,824	5,381,469
Non-current liabilities		
Long-term loans payable	—	104,941
Net defined benefit liability	1,099,402	1,179,668
Negative goodwill	31,423	26,864
Other	21,587	18,849
Total non-current liabilities	1,152,413	1,330,323
Total liabilities	7,301,237	6,711,792
Net assets		
Shareholders' equity		
Capital stock	5,012,181	5,055,878
Capital surplus	5,834,419	5,878,116
Retained earning	8,727,679	8,775,852
Treasury shares	(2,148,888)	(3,148,848)
Total shareholders' equity	17,425,392	16,560,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,027	(18,446)
Foreign currency translation adjustment	(42,706)	(24,392)
Remeasurements of defined benefit plans	(141,548)	(132,416)
Total accumulated other comprehensive income	(119,227)	(175,255)
Subscription rights to shares	132,236	272,460
Non-controlling interests	414,550	726,539
Total net assets	17,852,951	17,384,743
Total liabilities and assets	25,154,188	24,096,536

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

Quarterly consolidated statement of income

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

(Unit: thousands of yen)

	First half of the previous fiscal year (from October 1, 2015 to March 31, 2016)	First half of the current fiscal year (from October 1, 2016 to March 31, 2017)
Net sales	16,994,423	15,285,829
Cost of sales	2,635,016	2,505,603
Gross profit	14,359,407	12,780,225
Selling, general and administrative expenses	11,870,075	10,705,900
Operating income	2,489,332	2,074,324
Non-operating income		
Interest income	158	416
Dividend income	2,267	2,562
Amortization of negative goodwill	4,558	4,558
Other	5,544	25,115
Total non-operating income	12,529	32,652
Non-operating expenses		
Interest expenses	2,018	363
Share of loss of entities accounted for using equity method	44,983	67,764
Foreign exchange losses	10,868	1,255
Commission for purchase of treasury shares	4,736	2,764
Other	4,551	1,852
Total non-operating expenses	67,159	74,000
Ordinary income	2,434,702	2,032,976
Extraordinary income		
Gain on step acquisitions	—	693,816
Total extraordinary income	—	693,816
Extraordinary losses		
Amortization of goodwill	—	1,399,033
Loss on retirement of non-current assets	9,108	56,994
Loss on valuation of investment securities	50,000	50,000
Settlement package	—	108,817
Total extraordinary losses	59,108	1,614,846
Income before income taxes	2,375,593	1,111,946
Income taxes-current	1,036,639	794,989
Income taxes-deferred	(37,539)	(107,676)
Total income taxes	999,100	687,312
Profit	1,376,493	424,633
Profit (loss) attributable to non-controlling interests	(48,761)	(16,765)
Profit attributable to owners of parent	1,425,254	441,399

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

	(Unit: thousands of yen)	
	First half of the previous fiscal year (from October 1, 2015 to March 31, 2016)	First half of the current fiscal year (from October 1, 2016 to March 31, 2017)
Profit	1,376,493	424,633
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,840)	(82,236)
Foreign currency translation adjustment	(21,461)	26,126
Remeasurements of defined benefit plans, net of tax	4,106	9,132
Share of other comprehensive income of entities accounted for using equity method	(1,321)	733
Total other comprehensive income	(21,517)	(46,243)
Comprehensive income	1,354,975	378,389
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,411,153	385,371
Comprehensive income attributable to non-controlling interests	(56,177)	(6,981)

(3) Quarterly consolidated statement of cash flows
For the first half of the fiscal year ended September 30, 2016 and fiscal year ending September 30, 2017

(Unit: thousands of yen)

	First half of the previous fiscal year (from October 1, 2015 to March 31, 2016)	First half of the current fiscal year (from October 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes	2,375,593	1,111,946
Depreciation	651,463	846,383
Amortization of goodwill	336	1,404,887
Increase (decrease) in allowance for coin usage	(13,666)	(19,578)
Increase (decrease) in net defined benefit liability	69,907	80,266
Interest and dividends income	(2,425)	(2,978)
Interest expenses	2,018	363
Loss (gain) on step acquisitions	—	(693,816)
Settlement package	—	108,817
Loss on retirement of noncurrent assets	9,108	56,994
Loss (gain) on valuation of investment securities	50,000	50,000
Decrease (increase) in notes and accounts receivable-trade	72,336	85,982
Increase (decrease) in notes and accounts payable-trade	(60,968)	(187,401)
Increase (decrease) in accounts payable-other	(199,289)	(261,529)
Other, net	(308,141)	(2,705)
Subtotal	2,645,936	2,577,632
Interest and dividends income received	2,425	2,978
Interest expenses paid	(2,018)	(363)
Income taxes (paid) refund	(1,173,120)	(1,238,369)
Net cash provided by (used in) operating activities	1,473,223	1,341,877
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,170)	(88,285)
Purchase of intangible assets	(746,911)	(949,572)
Proceeds from sales of intangible assets	197,377	—
Purchase of investment securities	(863)	(1,684,612)
Proceeds from sales of investment securities	734,287	—
Proceeds from redemption of investment securities	—	249,975
Purchase of shares of subsidiaries and associates	(213,500)	(100,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(209,149)
Other, net	1,870	(16,259)
Net cash provided by (used in) investing activities	(47,910)	(2,797,904)
Cash flows from financing activities		
Repayments of long-term loans payable	(9,331)	—
Proceeds from issuance of common shares	60,452	67,680
Purchase of treasury shares	(1,959,881)	(1,002,724)
Cash dividends paid	(455,726)	(444,991)
Other, net	—	(2,737)
Net cash provided by (used in) financing activities	(2,364,486)	(1,382,773)
Effect of exchange rate change on cash and cash equivalents	(18,516)	27,222
Net increase (decrease) in cash and cash equivalents	(957,690)	(2,811,577)
Cash and cash equivalents at beginning of period	11,608,562	12,613,012
Cash and cash equivalents at end of period	10,650,872	9,801,435

(4) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

(Purchase of treasury stock)

By 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 half under review.

(Significant subsequent events)

At a meeting of the Board of Directors held on April 27, 2017, the Company resolved to issue subscription rights to shares to the directors (excluding outside directors) and employees of the Company and the directors and employees of its subsidiaries pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act as a stock option. Details are as follows.

1. Persons to whom subscription rights to shares are allotted and their numbers

Directors of the Company	5
Employees of the Company	136
Directors of the Company's subsidiaries	11
Employees of the Company's subsidiaries	6
2. Class and the number of shares underlying subscription rights to shares

Common stock of the Company	394,700 shares
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3. Total number of subscription rights to shares
3,947 (The number of shares underlying one subscription right to shares is 100.)
4. Amount to be paid in for subscription rights to shares
Monetary payment is not required.
5. Date of allotment of subscription rights to shares
May 17, 2017
6. Value of property to be invested upon the exercise of subscription rights to shares
The value of property to be invested upon the exercise of one subscription right to shares will be an amount obtained by multiplying the amount to be paid in per share of shares delivery of which can be received by exercising subscription rights to shares by the number of shares to be granted.
7. Exercise period of subscription rights to shares
From June 1, 2019 to September 30, 2022
8. Amounts of stated capital stock and capital reserves to increase if shares are issued by the exercise of subscription rights to shares
 - (i) The amount of stated capital to increase if shares are issued by the exercise of subscription rights to shares will be a half of the maximum amount of increase in stated capital that is calculated in accordance with Article 17, Paragraph 1 of the Rules of Corporate Accounting, and fractions less than one yen arising from the calculation result will be rounded up.
 - (ii) The amount of capital reserves to increase if shares are issued by the exercise of subscription rights to shares will be an amount obtained by subtracting the amount of stated capital to increase stipulated in (i) above from the maximum amount of increase in stated capital written in (i) above.