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Summary of Consolidated Financial Results for the First Half of
Fiscal Year ending September 30, 2018 (Japanese Accounting Standards)

April 27, 2018

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange
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 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 10, 2017
 Scheduled date of dividend payment: June 11, 2018
 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, 2018
(October 1, 2017 – March 31, 2018)

(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, 2018	15,162	(0.8)	1,372	(33.8)	1,325	(34.8)	1,154	161.5
First half of fiscal year ended September 30, 2017	15,285	10.1	2,074	(16.7)	2,032	(16.5)	441	(69.0)

(Note) Comprehensive income: Six months ended March 31, 2018: 1,316 millions of yen (247.8%)
 Six months ended March 31, 2017: 378 millions of yen (72.1%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First half of fiscal year ending September 30, 2018	21.17	21.08
First half of fiscal year ended September 30, 2017	8.06	8.01

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2018	24,724	19,047	72.9
As of September 30, 2017	23,897	17,937	71.2

(Reference) Shareholders' equity: As of March 31, 2018: 18,020 millions of yen
 As of September 30, 2017: 17,026 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, 2017	–	8.00	–	8.00	16.00
Fiscal year ending September 30, 2018	–	8.00			
Fiscal year ending September 30, 2018 (forecast)			–	8.00	16.00

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

3. Forecast for consolidated business results for the fiscal year ending September 30, 2018
(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
Full year	30,000	(3.0)	2,800	(30.9)	2,800	(29.5)	2,000	39.4	36.66

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

* Note:

(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: Not applicable

(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):

3/18: 60,893,200 shares

9/17: 60,854,400 shares

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

3/18: 6,333,128 shares

9/17: 6,333,128 shares

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

Six months ended 3/18: 54,534,452 shares

Six months ended 3/17: 54,730,732 shares

* Status of a quarterly review

This earnings release is not subject to an audit.

* 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 half chiefly for securities analysts and institutional investors on Friday, May 1, 2018. 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

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1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Overview of the first half ended March 31, 2018 (From October 1, 2017 to March 31, 2018)

During the first half of the fiscal year under review, smartphone unit sales remained sluggish, and the Company had difficulty acquiring paying subscribers on smartphones at cellphone shops. The number of paying subscribers on smartphones came to 5.01 million at the end of March 2018 (down 0.31 million from the end of September 2017). As a result, the total number of paying subscribers has decreased by 0.42 million, to 6.14 million.

While the total number of paying subscribers has decreased compared to the same period of the preceding fiscal year, average revenue per user (ARPU) remained on an upward trend along with the added revenue associated with the inclusion of Video Market Corporation in the consolidated accounts (implemented in March 2017). As a result, net sales remained virtually flat, at ¥15,162 million (down 0.8% year on year).

On the other hand, gross profit declined to ¥11,837 million (down 7.4% year on year), reflecting an increase in cost of sales as a result of boosting our lineup in video distribution.

Operating income and ordinary income also declined to ¥1,372 million (down 33.8% year on year) and to ¥1,325 million (down 34.8% year on year), respectively, mainly due the decrease in gross profit.

Profit attributable to owners of parent increased to ¥1,154 million (up 161.5% year on year), primarily attributable to a decrease in tax expenses as a result of having taken over the loss carried forward of Climb Factory Co., Ltd., a wholly owned subsidiary, concurrently with its absorption-type merger (October 1, 2017), and the posting of an extraordinary loss in the same period of the previous fiscal year associated with the conversion of Video Market Corporation into a consolidated subsidiary.

Consolidated business results

(Period from October 1, 2017 to March 31, 2018)

	First half of the fiscal year ending September 30, 2018	First half of the fiscal year ended September 30, 2017	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	15,162	15,285	(123)	(0.8)
Cost of sales	3,325	2,505	+819	+32.7
Gross profit	11,837	12,780	(942)	(7.4)
SG&A	10,465	10,705	(240)	(2.2)
Operating income	1,372	2,074	(702)	(33.8)
Ordinary income	1,325	2,032	(707)	(34.8)
Profit attributable to owners of parent	1,154	441	+712	+161.5

Breakdown of SG&A

(Period from October 1, 2017 to March 31, 2018)

	First half of the fiscal year ending September 30, 2018	First half of the fiscal year ended September 30, 2017	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	10,465	10,705	(240)	(2.2)
Advertising expenses	2,857	3,121	(263)	(8.5)
Personnel expenses	2,990	2,801	+188	+6.7
Commission fee	1,824	1,862	(37)	(2.0)
Subcontract expenses	523	922	(399)	(43.3)
Depreciation	852	775	+77	+10.0
Other	1,416	1,222	+193	+15.9

(2) Explanation on financial position

1) Assets, liabilities and net assets

At the end of the first half under review, total assets increased ¥826 million from the end of September 2017, to ¥24,724 million.

Current assets decreased ¥854 million, mainly due to a fall in cash and deposits. Non-current assets increased ¥1,681 million, largely as a result of an increase in investment securities and goodwill, despite a decrease in software.

Current liabilities dropped ¥347 million, primarily reflecting a decline in income taxes payable. Non-current liabilities increased ¥63 million, chiefly due to a rise in net defined benefit liability.

Net assets increased ¥1,110 million, mainly due to the posting of profit attributable to owners of parent of ¥1,154 million, which offset the payment of cash dividends.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2018	24,724	19,047	72.9
As of September 30, 2017	23,897	17,937	71.2

2) Consolidated cash flows

At the end of the first half under review, cash and cash equivalents were ¥9,413 million, down ¥720 million from the end of September 2017. The cash flows by activities and principal factors in the first half under review are as follows:

Net cash provided by operating activities was ¥2,022 million (inflow of ¥1,341 million for the first half of the previous fiscal year). Principal factors included income before income taxes and depreciation and amortization, despite income taxes paid.

Net cash used in investment activities stood at ¥2,304 million (outflow of ¥2,797 million for the first half of the previous fiscal year). Major factors included the purchase of investment securities, expenditure for the purchase of intangible assets (consisting mainly of software), and the purchase of shares of subsidiaries resulting in a change in the scope of consolidation.

Net cash used in financing activities came to ¥426 million (outflow of ¥1,382 million for the first half of the previous fiscal year). The main factors included 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, 2018	2,022	(2,304)	(426)	9,413
First half of the fiscal year ended September 30, 2017	1,341	(2,797)	(1,382)	9,801
For the fiscal year ended September 30, 2017	3,442	(3,874)	(2,068)	10,133

(3) Explanation of future forecast information including consolidated forecast

In the third quarter and thereafter, the Company will continue to focus its efforts on expanding sales in the healthcare-related service business and seek to boost average revenue per user (ARPU) from paying subscribers on smartphones in the content distribution business, in spite of a further reduction predicted in the overall number of paying subscribers.

The healthcare-related service business, which the Company is engaged in with a medium-term perspective, has strong growth potential over the longer term and may move toward a stock type business with the provision of long-term support according to customers' life stages. Accordingly, the Company is committed to implementing various measures in order to achieve sales growth.

Earnings forecast for the six months of the fiscal year ending September 30, 2018

(Period from October 1, 2017 to September 31, 2018)

Consolidated profit and loss		
Net sales	30,000 millions of yen	(an decrease of 3.0% y-o-y)
Operating income	2,800 millions of yen	(an decrease of 30.9% y-o-y)
Ordinary income	2,800 millions of yen	(an decrease of 29.5% y-o-y)
Profit attributable to owners of parent	2,000 millions of yen	(an increase of 39.4% y-o-y)

2. Matters relating to summary information (Notes)

(1) Important changes of subsidiaries during the term

Not applicable.

(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

Not applicable.

3. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	10,133,961	9,413,634
Notes and accounts receivable-trade	6,187,768	5,983,614
Deferred tax assets	237,802	327,270
Other	871,609	855,115
Allowance for doubtful accounts	(64,541)	(67,808)
Total current assets	17,366,600	16,511,827
Non-current assets		
Property, plant and equipment	276,891	303,077
Intangible assets		
Software	2,078,726	1,799,461
Goodwill	46,401	965,062
Other	73,803	73,639
Total intangible assets	2,198,932	2,838,164
Investments and other assets		
Investment securities	2,437,544	3,519,832
Lease and guarantee deposits	526,887	506,049
Deferred tax assets	1,018,159	1,031,103
Other	136,387	126,231
Allowance for doubtful accounts	(63,532)	(111,526)
Total investment and other assets	4,055,446	5,071,690
Total non-current assets	6,531,270	8,212,932
Total assets	23,897,871	24,724,760

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of March 31, 2018)
Liabilities		
Current liabilities		
Account payable-trade	1,276,051	1,362,630
Current portion of long-term loans payable	—	3,120
Accounts payable-other	1,974,346	1,788,006
Income taxes payable	668,727	345,033
Allowance for coin usage	148,536	148,488
Other	816,069	889,443
Total current liabilities	4,883,730	4,536,722
Non-current liabilities		
Long-term loans payable	—	6,760
Net defined benefit liability	1,020,346	1,084,775
Negative goodwill	22,305	17,746
Other	34,111	31,374
Total non-current liabilities	1,076,764	1,140,656
Total liabilities	5,960,494	5,677,378
Net assets		
Shareholders' equity		
Capital stock	5,069,848	5,077,928
Capital surplus	5,790,072	5,798,151
Retained earning	9,311,231	10,046,791
Treasury shares	(3,148,848)	(3,148,848)
Total shareholders' equity	17,022,303	17,774,023
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,646)	239,906
Foreign currency translation adjustment	(22,912)	(33,836)
Remeasurements of defined benefit plans	39,256	40,281
Total accumulated other comprehensive income	3,697	246,351
Subscription rights to shares	297,991	324,927
Non-controlling interests	613,383	702,079
Total net assets	17,937,376	19,047,381
Total liabilities and net assets	23,897,871	24,724,760

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

Quarterly consolidated statement of income
For the first half

	(Unit: thousands of yen)	
	First half of the previous fiscal year (from October 1, 2016 to March 31, 2017)	First half of the current fiscal year (from October 1, 2017 to March 31, 2018)
Net sales	15,285,829	15,162,759
Cost of sales	2,505,603	3,325,014
Gross profit	12,780,225	11,837,744
Selling, general and administrative expenses	10,705,900	10,465,510
Operating income	2,074,324	1,372,233
Non-operating income		
Interest income	416	75
Dividend income	2,562	8,737
Amortization of negative goodwill	4,558	4,558
Other	25,115	21,277
Total non-operating income	32,652	34,650
Non-operating expenses		
Interest expenses	363	158
Share of loss of entities accounted for using equity method	67,764	28,304
Foreign exchange losses	1,255	4,838
Other	4,616	47,897
Total non-operating expenses	74,000	81,198
Ordinary income	2,032,976	1,325,685
Extraordinary income		
Gain on step acquisitions	693,816	96,636
Gain on sales of non-current assets	—	169
Gain on sales of investment securities	—	2
Gain on change in equity	—	32,968
Total extraordinary income	693,816	129,778
Extraordinary losses		
Amortization of goodwill	1,399,033	—
Impairment loss	—	52,435
Loss on retirement of non-current assets	56,994	88,368
Loss on valuation of investment securities	50,000	156,636
Loss on sales of shares of subsidiaries and associates	—	1,870
Settlement package	108,817	42,990
Total extraordinary losses	1,614,846	342,302
Income before income taxes	1,111,946	1,113,161
Income taxes-current	794,989	257,005
Income taxes-deferred	(107,676)	(219,789)
Total income taxes	687,312	37,216
Profit	424,633	1,075,944
Profit (loss) attributable to non-controlling interests	(16,765)	(78,307)
Profit attributable to owners of parent	441,399	1,154,251

Quarterly consolidated statement of comprehensive income
For the first half

	(Unit: thousands of yen)	
	First half of the previous fiscal year (from October 1, 2016 to March 31, 2017)	First half of the current fiscal year (from October 1, 2017 to March 31, 2018)
Profit	424,633	1,075,944
Other comprehensive income		
Valuation difference on available-for-sale securities	(82,236)	252,553
Foreign currency translation adjustment	26,126	(13,461)
Remeasurements of defined benefit plans, net of tax	9,132	1,025
Share of other comprehensive income of entities accounted for using equity method	733	160
Total other comprehensive income	(46,243)	240,277
Comprehensive income	378,389	1,316,221
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	385,371	1,396,906
Comprehensive income attributable to non-controlling interests	(6,981)	(80,684)

(3) Quarterly consolidated statement of cash flows

(Unit: thousands of yen)

	First half of the previous fiscal year (from October 1, 2016 to March 31, 2017)	First half of the current fiscal year (from October 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	1,111,946	1,113,161
Depreciation	846,383	885,777
Impairment loss	—	52,435
Amortization of goodwill	1,404,887	16,991
Increase (decrease) in allowance for coin usage	(19,578)	(47)
Increase (decrease) in net defined benefit liability	80,266	64,428
Interest and dividends income	(2,978)	(8,813)
Interest expenses	363	158
Loss (gain) on step acquisitions	(693,816)	(96,636)
Settlement package	108,817	42,990
Loss (gain) on change in equity	—	(32,968)
Loss on retirement of noncurrent assets	56,994	88,368
Loss (gain) on sales of property, plant and equipment	—	(169)
Loss (gain) on valuation of investment securities	50,000	156,636
Loss (gain) on sales of investment securities	—	(2)
Loss (gain) on sales of shares of subsidiaries and associates	—	1,870
Decrease (increase) in notes and accounts receivable-trade	85,982	153,771
Increase (decrease) in notes and accounts payable-trade	(187,401)	148,124
Increase (decrease) in accounts payable-other	(261,529)	(152,600)
Other, net	(2,705)	190,436
Subtotal	2,577,632	2,623,911
Interest and dividends income received	2,978	8,813
Interest expenses paid	(363)	(158)
Income taxes (paid) refund	(1,238,369)	(542,942)
Settlement package paid	—	(66,990)
Net cash provided by (used in) operating activities	1,341,877	2,022,634
Cash flows from investing activities		
Purchase of property, plant and equipment	(88,285)	(62,458)
Proceeds from sales of property, plant and equipment	—	1,130
Purchase of intangible assets	(949,572)	(683,241)
Purchase of investment securities	(1,684,612)	(872,183)
Proceeds from sales of investment securities	—	3
Proceeds from redemption of investment securities	249,975	—
Purchase of shares of subsidiaries and associates	(100,000)	(40,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(209,149)	(612,653)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(26,373)
Other, net	(16,259)	(8,742)
Net cash provided by (used in) investing activities	(2,797,904)	(2,304,519)
Cash flows from financing activities		
Proceeds from issuance of common shares	67,680	12,886
Purchase of treasury shares	(1,002,724)	—
Cash dividends paid	(444,991)	(436,170)
Other, net	(2,737)	(2,737)
Net cash provided by (used in) financing activities	(1,382,773)	(426,021)
Effect of exchange rate change on cash and cash	27,222	(12,420)

	(Unit: thousands of yen)	
	First half of the previous fiscal year (from October 1, 2016 to March 31, 2017)	First half of the current fiscal year (from October 1, 2017 to March 31, 2018)
equivalents		
Net increase (decrease) in cash and cash equivalents	(2,811,577)	(720,326)
Cash and cash equivalents at beginning of period	12,613,012	10,133,961
Cash and cash equivalents at end of period	9,801,435	9,413,634

(4) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Significant subsequent events)

At a meeting of the Board of Directors held on April 27, 2018, the Company resolved to issue subscription rights to shares to the directors (excluding outside directors) and employees of the Company as well as the directors of its subsidiaries pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act as stock options. 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	143
Directors of the Company's subsidiaries	2
2. Class and the number of shares underlying subscription rights to shares

Common stock of the Company	377,400 shares
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3. Total number of subscription rights to shares
3,774 (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, 2018
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, 2020 to September 30, 2023
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.