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Summary of Consolidated Financial Results for the First Three Quarters of
Fiscal Year ending September 30, 2016 (Japanese Accounting Standards)

July 28, 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): August 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 nine months ended June 30, 2017

(October 1, 2016 – June 30, 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 three quarters of fiscal year ending September 30, 2017 | 23,096 | (7.3) | 3,214 | (26.7) | 3,176 | (26.6) | 1,144 | (56.3) |
| First three quarters of fiscal year ended September 30, 2016 | 24,919 | 0.2 | 4,385 | 24.3 | 4,329 | 25.9 | 2,621 | 34.8 |

(Note) Comprehensive income: Nine months ended June 30, 2017: 1,074 millions of yen (57.1%)
 Nine months ended June 30, 2016: 2,504 millions of yen 16.8%

| | Net income per share | Net income per share/diluted |
|---|----------------------|------------------------------|
| | Yen | Yen |
| First three quarters of fiscal year ending September 30, 2017 | 20.95 | 20.82 |
| First three quarters of fiscal year ended September 30, 2016 | 46.99 | 46.48 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2017 | 23,228 | 17,650 | 71.8 |
| As of September 30, 2016 | 25,154 | 17,852 | 68.8 |

(Reference) Shareholders' equity: As of June 30, 2017: 16,676 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)..... | 4 |
| (1) Changes in important subsidiaries during the period | 4 |
| (2) Adoption of specific accounting methods for producing quarterly consolidated financial statements | 4 |
| (3) Changes in accounting policies, changes in accounting estimates, restatements | 4 |
| (4) Additional information | 4 |
| 3. Quarterly consolidated financial statements | 5 |
| (1) Quarterly consolidated balance sheet | 5 |
| (2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income .. | 7 |
| (3) Notes concerning quarterly consolidated financial statements | 9 |
| (Notes concerning going concern assumption) | 9 |
| (Notes on significant changes in shareholders' equity) | 9 |
| (Significant subsequent events) | 9 |

1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Overview of the first half ended June 30, 2017 (From October 1, 2016 to June 30, 2017)

During the first three quarters under review, smartphone unit sales remained sluggish, and the Company had a hard time acquiring paying subscribers on smartphones at cellphone shops across Japan. Despite an increase in the number of new paying subscribers associated with Video Market Corporation being added to the consolidated accounts, the number of paying subscribers on smartphones came to 5.43 million at the end of June 2017 (down 0.26 million from the end of September 2016). As a result, the total number of paying subscribers has decreased by 0.48 million, to 6.74 million.

While average revenue per user (ARPU) on smartphones remained on an upward trend along with the added revenue associated with Video Market Corporation being newly reflected in the consolidated accounts, the Company suffered declines in both net sales and gross profit, to ¥23,096 million (down 7.3% year on year) and ¥19,057 million (down 9.2% year on year), respectively, as a result of the year-on-year reduction in the overall number of paying subscribers.

Selling, general and administrative expenses fell due to a decrease in advertising expenses associated with the lower acquisition of paying subscribers on smartphones, which eventually failed to make up for the decrease in gross profit. As a result, operating income declined to ¥3,214 million (down 26.7% year on year) and ordinary income fell to ¥3,176 million (down 26.6% year on year).

Profit attributable to owners of parent declined to ¥1,144 million (down 56.3% year on year), primarily due to the posting of the amortization of goodwill as an extraordinary loss associated with the conversion of Video Market Corporation to a consolidated subsidiary in the second quarter.

Consolidated business results

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

| | First three quarters of the fiscal year ending September 30, 2017 | First three quarters of the fiscal year ended September 30, 2016 | Change | |
|---|---|--|-----------------|-------------------|
| | | | Amount | Percentage change |
| | Millions of yen | Millions of yen | Millions of yen | % |
| Net sales | 23,096 | 24,919 | (1,822) | (7.3) |
| Cost of sales | 4,039 | 3,929 | +110 | +2.8 |
| Gross profit | 19,057 | 20,990 | (1,932) | (9.2) |
| SG&A | 15,843 | 16,604 | (760) | (4.6) |
| Operating income | 3,214 | 4,385 | (1,171) | (26.7) |
| Ordinary income | 3,176 | 4,329 | (1,153) | (26.6) |
| Profit attributable to owners of parent | 1,144 | 2,621 | (1,476) | (56.3) |

Breakdown of SG&A

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

| | First three quarters of the fiscal year ending September 30, 2017 | First three quarters of the fiscal year ended September 30, 2016 | Change | |
|----------------------|---|--|-----------------|-------------------|
| | | | Amount | Percentage change |
| | Millions of yen | Millions of yen | Millions of yen | % |
| Total | 15,843 | 16,604 | (760) | (4.6) |
| Advertising expenses | 4,438 | 5,959 | (1,520) | (25.5) |
| Personnel expenses | 4,355 | 4,112 | +243 | +5.9 |
| Commission fee | 2,766 | 2,832 | (66) | (2.3) |
| Subcontract expenses | 1,178 | 1,073 | +105 | +9.8 |
| Depreciation | 1,234 | 918 | +315 | +34.4 |
| Other | 1,869 | 1,708 | +161 | +9.4 |

(2) Explanation on financial position

1) Assets, Liabilities and Net assets

At the end of the third quarter under review, total assets fell ¥1,926 million from the end of September 2016, to ¥23,228 million.

Current assets decreased ¥3,657 million, mainly due to a fall in cash and deposits. Non-current grew ¥1,731 million, Owing mostly to increases in investment securities.

Current liabilities declined by ¥1,875 million, primarily reflecting a fall in income taxes payable. Meanwhile, non-current liabilities increased by ¥151 million, largely due to an increase in net defined benefit liability.

Net assets dropped ¥202 million, due to the acquisition of treasury stock and cash dividends paid, in spite of ¥1,144 Million posted as profit attributable to owners of parent.

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of June 30, 2017 | 23,228 | 17,650 | 71.8 |
| As of September 30, 2016 | 25,154 | 17,852 | 68.8 |

(3) Explanation of future forecast information including consolidated forecast

Smartphone unit sales are expected to grow at a sluggish pace in the fourth quarter. Given this situation, the Company will focus on promoting sales of its content offering high ARPU at cellphone shops throughout Japan to maintain the improved APPU.

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

Our forecasts for consolidated business results for the full fiscal year ending September 30, 2017 remain unchanged from the previously announced forecasts dated April 27, 2017.

Forecasts for consolidated business results for the fiscal year ending September 30, 2017 (From October 1, 2016 to September 30, 2017)

| Consolidated | | |
|---|------------------------|---------------------------|
| 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 first three quarters of ending September 30, 2017

(Unit: thousands of yen)

| | Previous fiscal year (As of September 30, 2016) | Current fiscal year (As of June 30, 2017) |
|-------------------------------------|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,613,012 | 9,292,503 |
| Notes and accounts receivable-trade | 6,163,789 | 6,118,038 |
| Deferred tax assets | 316,742 | 154,355 |
| Other | 1,023,195 | 888,321 |
| Allowance for doubtful accounts | (65,095) | (58,659) |
| Total current assets | 20,051,644 | 16,394,559 |
| Non-current assets | | |
| Property, plant and equipment | 179,023 | 252,556 |
| Intangible assets | | |
| Software | 2,462,449 | 2,461,051 |
| Goodwill | 14,898 | 53,102 |
| Other | 26,837 | 35,863 |
| Total intangible assets | 2,504,185 | 2,550,017 |
| Investments and other assets | | |
| Investment securities | 1,054,687 | 2,483,721 |
| Lease and guarantee deposits | 494,963 | 520,701 |
| Deferred tax assets | 853,155 | 1,007,134 |
| Other | 34,048 | 30,126 |
| Allowance for doubtful accounts | (17,519) | (10,704) |
| Total investment and other assets | 2,419,334 | 4,030,978 |
| Total non-current assets | 5,102,543 | 6,833,552 |
| Total assets | 25,154,188 | 23,228,112 |

(Unit: thousands of yen)

| | Previous fiscal year (As of September 30, 2016) | Current fiscal year (As of June 30, 2017) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Account payable-trade | 1,177,351 | 1,249,431 |
| Current portion of long-term loans payable | — | 36,528 |
| Accounts payable-other | 2,290,594 | 1,800,139 |
| Income taxes payable | 1,343,684 | 181,182 |
| Provision for bonuses | — | 173,407 |
| Allowance for coin usage | 188,361 | 159,129 |
| Other | 1,148,832 | 673,825 |
| Total current liabilities | 6,148,824 | 4,273,645 |
| Non-current liabilities | | |
| Long-term loans payable | — | 46,694 |
| Net defined benefit liability | 1,099,402 | 1,215,112 |
| Negative goodwill | 31,423 | 24,584 |
| Other | 21,587 | 17,480 |
| Total non-current liabilities | 1,152,413 | 1,303,872 |
| Total liabilities | 7,301,237 | 5,577,517 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,012,181 | 5,057,633 |
| Capital surplus | 5,834,419 | 5,879,456 |
| Retained earning | 8,727,679 | 9,029,310 |
| Treasury shares | (2,148,888) | (3,148,848) |
| Total shareholders' equity | 17,425,392 | 16,817,552 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 65,027 | 13,338 |
| Foreign currency translation adjustment | (42,706) | (26,499) |
| Remeasurements of defined benefit plans | (141,548) | (127,853) |
| Total accumulated other comprehensive income | (119,227) | (141,014) |
| Subscription rights to shares | 132,236 | 289,460 |
| Non-controlling interests | 414,550 | 684,595 |
| Total net assets | 17,852,951 | 17,650,594 |
| Total liabilities and assets | 25,154,188 | 23,228,112 |

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

Quarterly consolidated statement of income

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

(Unit: thousands of yen)

| | First three quarters of the previous fiscal year (from October 1, 2015 to June 30, 2016) | First three quarters of the current fiscal year (from October 1, 2016 to June 30, 2017) |
|---|---|--|
| Net sales | 24,919,315 | 23,096,853 |
| Cost of sales | 3,929,215 | 4,039,308 |
| Gross profit | 20,990,099 | 19,057,544 |
| Selling, general and administrative expenses | 16,604,288 | 15,843,475 |
| Operating income | 4,385,810 | 3,214,069 |
| Non-operating income | | |
| Interest income | 168 | 451 |
| Dividend income | 6,206 | 43,860 |
| Amortization of negative goodwill | 6,838 | 6,838 |
| Other | 7,658 | 28,931 |
| Total non-operating income | 20,871 | 80,082 |
| Non-operating expenses | | |
| Interest expenses | 2,178 | 390 |
| Share of loss of entities accounted for using equity method | 53,834 | 99,983 |
| Share issuance cost | 2,240 | — |
| Foreign exchange losses | 10,400 | 6,836 |
| Commission for purchase of treasury shares | 4,736 | 2,764 |
| Other | 3,916 | 7,863 |
| Total non-operating expenses | 77,307 | 117,837 |
| Ordinary income | 4,329,374 | 3,176,313 |
| Extraordinary income | | |
| Gain on step acquisitions | — | 693,816 |
| Gain on sales of non-current assets | 4,592 | — |
| Gain on sales of investment securities | — | 154,911 |
| Total extraordinary income | 4,592 | 848,727 |
| Extraordinary losses | | |
| Amortization of goodwill | — | 1,399,033 |
| Loss on retirement of non-current assets | 16,218 | 83,739 |
| Loss on valuation of investment securities | 100,000 | 190,650 |
| Settlement package | — | 108,817 |
| Total extraordinary losses | 116,218 | 1,782,241 |
| Income before income taxes | 4,217,749 | 2,242,799 |
| Income taxes-current | 1,564,291 | 1,129,217 |
| Income taxes-deferred | 104,127 | 26,138 |
| Total income taxes | 1,668,419 | 1,155,356 |
| Profit | 2,549,330 | 1,087,443 |
| Profit (loss) attributable to non-controlling interests | (71,859) | (57,234) |
| Profit attributable to owners of parent | 2,621,189 | 1,144,677 |

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

(Unit: thousands of yen)

| | First three quarters of the previous fiscal year (from October 1, 2015 to June 30, 2016) | First three quarters of the current fiscal year (from October 1, 2016 to June 30, 2017) |
|---|---|--|
| Net income | 2,549,330 | 1,087,443 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (20,805) | (50,474) |
| Foreign currency translation adjustment | (28,875) | 22,734 |
| Remeasurements of defined benefit plans, net of tax | 6,755 | 13,695 |
| Share of other comprehensive income of entities accounted for using equity method | (1,811) | 650 |
| Total other comprehensive income | (44,737) | (13,392) |
| Comprehensive income | 2,504,592 | 1,074,050 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of the parent | 2,587,318 | 1,122,891 |
| Comprehensive income attributable to non-controlling interests | (82,725) | (48,840) |

(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)

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 by 999,959 thousand yen during the first three quarters under review to 3,148,848 thousand yen at the end of the third quarter.

(Significant subsequent events)

(Merger of consolidated subsidiary)

A meeting of the Board of Directors of MTI Ltd. was held on July 28, 2017 and approved the merger of Climb Factory Co., Ltd., a consolidated subsidiary of the Company, effective October 1, 2017. The Company concluded the merger agreement as of the same date.

1. Transaction outline

- (1) Name of party to the business combination and line of business at the time of the merger
Company name: Climb Factory Co., Ltd.
Line of business: Delivering IT solutions specializing in sport
- (2) Date of the business combination
October 1, 2017 (planned)
- (3) Legal form of the business combination
MTI Ltd. will remain as a going concern following the merger. As a result, Climb Factory Co., Ltd. will be liquidated.
- (4) Names of parties after the business combination
There will be no change.
- (5) Other matters related to the business combination
Climb Factory Co., Ltd. is engaged in system development, delivering services related to information analysis and offering solutions for sport settings. Climb Factory has been merged in pursuit of greater business operation efficiency.

2. Outline of accounting policy to be adopted

The merger will be treated as a common control transaction pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No.21 issued on September 13, 2013), as well as the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 issued on September 13, 2013).