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

April 28, 2016

Listed Company Name: MTI Ltd.

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 9438

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 12, 2016

Scheduled date of dividend payment: June 13, 2016

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, 2016

(October 1, 2015 – March 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 half of fiscal year ending September 30, 2016	16,994	2.3	2,489	18.1	2,434	19.7	1,425	30.9
First half of fiscal year ended September 30, 2015	16,620	8.8	2,108	61.6	2,034	55.3	1,088	37.7

(Note) Comprehensive income: Six months ended March 31, 2016: 1,354 millions of yen (8.9%)
Six months ended March 31, 2015: 1,243 millions of yen (51.9%)

	Net income per share		Net income per share/diluted	
	Yen	Yen	Yen	Yen
First half of fiscal year ending September 30, 2016	25.26		24.97	
First half of fiscal year ended September 30, 2015	21.46		21.19	

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. Net income per share and net income per share diluted are based on the number of shares after the stock split.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2016	23,045	15,623	65.6
As of September 30, 2015	24,738	16,591	64.8

(Reference) Shareholders' equity: As of March 31, 2016: 15,113 millions of yen
As of September 30, 2015: 16,034 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, 2015	–	12.00	–	8.00	20.00
Fiscal year ending September 30, 2016	–	8.00			
Fiscal year ending September 30, 2016 (forecast)			–	8.00	16.00

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

The Company conducted a 2-for-1 common stock split that became effective on April 1, 2015. The dividend per share at the end of the second period of the fiscal year ended September 30, 2015 is calculated based on the number of shares before the stock split, but the year-end dividend per share is calculated based on the number of shares after the stock split.

3. Forecast for consolidated business results for the fiscal year ending September 30, 2016
(October 1, 2015 – September 30, 2016)

(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	35,000	4.6	4,700	10.7	4,660	12.4	2,700	3.6	49.68

(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: | 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): | |
| 3/16: 60,426,800 shares | 9/15: 60,226,800 shares |
| (ii) Number of treasury shares at the end of period | |
| 3/16: 6,075,228 shares | 9/15: 3,260,928 shares |
| (iii) Average number of shares during the period (quarterly consolidated cumulative period) | |
| Six months ended 3/16: 56,424,007 shares | Six months ended 3/15: 50,729,001 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 3-4 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 Monday, May 2, 2016. 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.

Accompanying materials – Contents

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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, 2016 (From October 1, 2015 to March 31, 2016)

During the first half under review, smartphone unit sales grew temporarily due to a cash refund campaign launched by cellphone carriers with the abolition of their practice of offering cellphones virtually free of charge. However, smartphone unit sales remained low in the period from February 2016 when the biggest sales battle takes place annually.

In this environment, the Company focused on efforts to acquire paying subscribers on smartphones to its content offering high average revenue per user (ARPU) at cellphone shops across Japan and other business locations. The number of paying subscribers on smartphones came to 6.08 million at the end of March 2016 (up 0.08 million from the end of September 2015), reflecting the low pace of their acquisition in the first half under review. As a result, the total number of paying subscribers decreased 0.13 million, to 7.81 million at the end of March 2016.

Net sales increased to ¥16,994 million (up 2.3% year on year), attributable to a sustained uptrend for ARPU supported by the steady acquisition of paying subscribers on smartphones to the Company's main services offering high ARPU. Gross profit also rose to ¥14,359 million (up 2.9% year on year).

Operating income, ordinary income and profit attributable to owners of parent amounted to ¥2,489 million (up 18.1% year on year), ¥2,434 million (up 19.7% year on year) and ¥1,425 million (up 30.9% year on year), respectively, reflecting the gross profit rise and selling, general and administrative expenses (SG&A) kept at the previous year's level with advertising expense controls.

Consolidated business results

(From October 1, 2015 to March 31, 2016)

	First half of the fiscal year ending September 30, 2016	First half of the fiscal year ended September 30, 2015	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	16,994	16,620	+374	+2.3
Cost of sales	2,635	2,666	(31)	(1.2)
Gross profit	14,359	13,953	+405	+2.9
SG&A	11,870	11,845	+24	+0.2
Operating income	2,489	2,108	+381	+18.1
Ordinary income	2,434	2,034	+400	+19.7
Profit attributable to owners of parent	1,425	1,088	+336	+30.9

Breakdown of SG&A

(From October 1, 2015 to March 31, 2016)

	First half of the fiscal year ending September 30, 2016	First half of the fiscal year ended September 30, 2015	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	11,870	11,845	+24	+0.2
Advertising expenses	4,779	4,702	+77	+1.6
Personnel expenses	2,709	2,756	(46)	(1.7)
Commission fee	1,909	1,835	+74	+4.0
Subcontract expenses	758	682	+75	+11.1
Depreciation	601	694	(92)	(13.4)
Other	1,110	1,174	(63)	(5.4)

(2) Explanation on financial position

1) Assets, liabilities and net assets

At the end of the first half under review, total assets fell ¥1,692 million from the end of September 2015, to ¥23,045 million.

Current assets decreased ¥1,823 million, mainly due to falls in cash and deposits and accounts receivable-other. Non-current assets increased ¥131 million, chiefly reflecting rises in investment securities and deferred tax assets that offset a fall in software.

Current liabilities shrank ¥785 million as a result of factors such as falls in accounts payable-other and income taxes payable. Non-current liabilities grew ¥60 million, primarily owing to an increase in net defined benefit liability.

Net assets dropped ¥967 million yen, mainly attributable to the acquisition of treasury stock and cash dividends paid, in spite of ¥1,425 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, 2016	23,045	15,623	65.6
As of September 30, 2015	24,738	16,591	64.8

2) Consolidated cash flows

At the end of the first half under review, cash and cash equivalents were ¥10,650 million, down ¥957 million from the end of September 2015. The cash flows by activities and principal factors in the first half under review are as follows:

Net cash provided by operating activities was ¥1,473 million (inflow of ¥1,919 million for the first half of the previous fiscal year). Principal factors included income taxes paid, income before income taxes, and depreciation and amortization.

Net cash used in investing activities stood at ¥47 million (outflow of ¥725 million for the first half of the previous fiscal year). Major factors included proceeds from the sale of investment securities and expenditure for the purchase of intangible assets (consisting mainly of software).

Net cash used in financing activities came to ¥2,364 million (inflow of ¥4,118 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, 2016	1,473	(47)	(2,364)	10,650
First half of the fiscal year ended September 30, 2015	1,919	(725)	4,118	10,116
For the fiscal year ended September 30, 2015	4,587	(1,707)	3,921	11,608

(3) Explanation of future forecast information including consolidated forecast

Smartphone unit sales are anticipated to remain low in the third quarter and the immediately subsequent periods under the adverse effects of the abolition of the widespread practice of offering cellphones virtually free of charge. In this situation, the Company aims to achieve its targets for consolidated operating results by maintaining its focus on expanding the number of paying subscribers on smartphones and working to increase average revenue per user (ARPU).

The Company will work to promote the sales of its content offering high ARPU and to increase the number of paying subscribers on smartphones, making the most of its strong sales channels consisting of cellphone shops throughout Japan that promote the sales of its own content and the content offered by other companies to customers, in addition to expanding its lineup of high value-added services capable of increasing the level of customer satisfaction.

In the healthcare-related service business, which the Company is approaching with a medium- to long-term perspective, the Company will pursue a number of strategies to increase sales. This business has tremendous potential for future growth and is expected to shift to a stock-type business with long-term support for stages in the lives of customers.

Specifically, the Company will aggressively promote the sales of CARADA package services to corporate customers through companies operating cellphone shops nationwide (dealers). At the same time, the Company will increase the number of contracts for training management services provided by a group company with fitness clubs, incorporated schools and the like.

The Company is keeping its forecasts for consolidated business results for the fiscal year ending September 30, 2016 unchanged from the figures it announced on November 4, 2015.

Forecasts for consolidated business results for the fiscal year ending September 30, 2016 (From October 1, 2015 to September 30, 2016)

Consolidated		
Net sales	35,000 millions of yen	(Up 4.6% year on year)
Operating income	4,700 millions of yen	(Up 10.7% year on year)
Ordinary income	4,660 millions of yen	(Up 12.4% year on year)
Profit attributable to owners of parent	2,700 millions of yen	(Up 3.6% 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

Changes in accounting policies

(Application of the Accounting Standard for Business Combinations, etc.)

From the first quarter of the fiscal year under review, the Company applied the “Accounting Standard for Business Combinations” (ASBJ statement No. 21, September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ statement No. 22, September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”) and the “Accounting Standard for Business Divestitures” (ASBJ statement No. 7, September 13, 2013; hereinafter the “Accounting Standard for Business Divestitures”). The purpose of applying these standards was to change the method for recording the difference from changes in the Company’s equity in its subsidiaries that remain controlled by the Company as capital surplus and the expenses related to acquisition as an expense in the consolidated fiscal year in which the expenses are incurred. For business combinations implemented after the beginning of the first quarter of the fiscal year under review, the method will be changed to one that reflects the revision of the distributed amounts of acquisition costs by determining provisional accounting treatment in the quarterly consolidated financial statements for the quarterly consolidated accounting period to which the date of the relevant business combination belongs. In addition, the Company has changed the presentation of net income and other items and the presentation of minority interests to non-controlling interests. To reflect these changes, the Company rearranged the interim consolidated financial statements for the first half of the previous fiscal year and the consolidated financial statements for the previous fiscal year.

In the Consolidated Statement of Cash Flows for the first half under review, the Company changed its recording methods to state cash flows associated with the acquisition or sale of shares in subsidiaries that do not accompany changes in the scope of consolidation in the category of cash flows from financing activities and record cash flows that arose in connection with expenses for the acquisition of shares in subsidiaries that accompany changes in the scope of consolidation or with the acquisition or sale of shares in subsidiaries that do not accompany changes in the scope of consolidation in the category of cash flows from operating activities.

The Accounting Standard for Business Combinations and other standards are applied in accordance with the transitional treatment prescribed in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures. These standards have been applied since the beginning of the first quarter of the fiscal year under review. Their application will continue going forward.

The changes explained above have no effect on the consolidated financial statements for the first half under review.

3. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

Fiscal year ended September 30, 2015 and the first half of fiscal year ending September 30, 2016

(Thousands of yen)

	As of September 30, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	11,608,562	10,650,872
Notes and accounts receivable-trade	6,885,765	6,808,379
Deferred tax assets	358,149	293,736
Other	1,430,037	708,584
Allowance for doubtful accounts	(71,095)	(73,946)
Total current assets	20,211,420	18,387,624
Noncurrent assets		
Property, plant and equipment	146,488	145,307
Intangible assets		
Software	2,254,746	2,179,439
Goodwill	336	—
Other	22,168	25,188
Total intangible assets	2,277,251	2,204,628
Investments and other assets		
Investment securities	796,241	908,364
Lease and guarantee deposits	501,636	494,460
Deferred tax assets	792,649	893,889
Other	30,145	29,024
Allowance for doubtful accounts	(17,589)	(17,590)
Total investment and other assets	2,103,083	2,308,148
Total noncurrent assets	4,526,824	4,658,084
Total assets	24,738,244	23,045,708

(Thousands of yen)

	As of September 30, 2015	As of March 31, 2016
Liabilities		
Current liabilities		
Account payable-trade	1,179,484	1,118,516
Current portion of long-term loans payable	518,679	516,571
Accounts payable-other	2,571,997	2,367,768
Income taxes payable	1,354,619	1,206,888
Allowance for coin usage	234,836	221,169
Other	1,334,097	977,355
Total current liabilities	7,193,715	6,408,270
Noncurrent liabilities		
Long-term loans payable	79,925	72,703
Net defined benefit liability	832,740	902,647
Negative goodwill	40,541	35,982
Other	141	2,808
Total noncurrent liabilities	953,349	1,014,142
Total liabilities	8,147,064	7,422,412
Net assets		
Shareholders' equity		
Capital stock	4,947,984	4,987,212
Capital surplus	5,469,051	5,508,279
Retained earning	6,300,484	7,270,012
Treasury stock	(695,491)	(2,650,636)
Total shareholders' equity	16,022,029	15,114,867
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83,691	81,684
Foreign currency translation adjustment	(7,837)	(24,038)
Remeasurements of defined benefit plans	(62,969)	(58,863)
Total accumulated other comprehensive income	12,884	(1,217)
Subscription rights to shares	127,100	133,278
Non-controlling interests	429,165	376,367
Total net assets	16,591,180	15,623,296
Total liabilities and assets	24,738,244	23,045,708

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

Quarterly consolidated statements of income

For the first half of the fiscal year ended September 30, 2015 and fiscal year ending September 30, 2016

(Thousands of yen)

	First half of the fiscal year ended September 30, 2015	First half of the fiscal year ending September 30, 2016
Net sales	16,620,130	16,994,423
Cost of sales	2,666,199	2,635,016
Gross profit	13,953,930	14,359,407
Selling, general and administrative expenses	11,845,760	11,870,075
Operating income	2,108,170	2,489,332
Non-operating income		
Interest income	130	158
Dividend income	2,196	2,267
Amortization of negative goodwill	4,558	4,558
Gain on reversal of subscription rights to shares	4,094	—
Compensation income	11,925	—
Other	15,587	5,544
Total non-operating income	38,493	12,529
Non-operating expenses		
Interest expenses	2,695	2,018
Share of loss of entities accounted for using equity method	55,473	44,983
Share issuance cost	24,815	—
Other	29,079	20,157
Total non-operating expenses	112,063	67,159
Ordinary income	2,034,600	2,434,702
Extraordinary income		
Extraordinary loss		
Loss on sales of non-current assets	4,328	—
Loss on retirement of non-current assets	55,470	9,108
Loss on valuation of investment securities	—	50,000
Settlement package	14,907	—
Total extraordinary loss	74,705	59,108
Income before income taxes and minority interests	1,959,894	2,375,593
Income taxes-current	656,212	1,036,639
Income taxes-deferred	126,662	△37,539
Total income taxes	782,874	999,100
Net income	1,177,019	1,376,493
Profit (loss) attributable to non-controlling interests	88,184	△48,761
Profit attributable to owners of parent	1,088,834	1,425,254

Quarterly consolidated statements of comprehensive income**For the first half of the fiscal year ended September 30, 2015 and fiscal year ending September 30, 2016**

(Thousands of yen)

	First half of the fiscal year ended September 30, 2015	First half of the fiscal year ending September 30, 2016
Net income	1,177,019	1,376,493
Other comprehensive income		
Valuation difference on available-for-sale securities	47,386	(2,840)
Foreign currency translation adjustment	13,889	(21,461)
Remeasurements of defined benefit plans, net of tax	3,268	4,106
Share of other comprehensive income of entities accounted for using equity method	2,172	(1,321)
Total other comprehensive income	66,716	(21,517)
Comprehensive income	1,243,736	1,354,975
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,162,783	1,411,153
Comprehensive income attributable to non-controlling interests	80,953	(56,177)

(3) Quarterly consolidated statements of cash flows

For the first half of the fiscal year ended September 30, 2015 and fiscal year ending September 30, 2016

(Thousands of yen)

	First half of the fiscal year ended September 30, 2015	First half of the fiscal year ending September 30, 2016
Cash flows from operating activities		
Income (loss) before minority interest	1,959,894	2,375,593
Depreciation and amortization	698,411	651,463
Increase (decrease) in allowance for coin usage	(42,756)	(13,666)
Increase (decrease) in net defined benefit liability	61,753	69,907
Interest and dividends income	(2,326)	(2,425)
Interest expenses	2,695	2,018
Share issuance cost	24,815	—
Settlement package	14,907	—
Loss on retirement of noncurrent assets	55,470	9,108
Loss (gain) on sales of property, plant and equipment	4,328	—
Loss (gain) on valuation of investment securities	—	50,000
Decrease (increase) in notes and accounts receivable-trade	(648,653)	72,336
Increase (decrease) in notes and accounts payable-trade	64,870	(60,968)
Increase (decrease) in accounts payable-other	877,826	(199,289)
Other, net	(585,268)	(308,141)
Subtotal	2,485,967	2,645,936
Interest and dividends income received	2,326	2,425
Interest expenses paid	(1,218)	(2,018)
Income taxes (paid) refund	(567,735)	(1,173,120)
Net cash provided by (used in) operating activities	1,919,340	1,473,223
Cash flows from investing activities		
Purchase of property, plant and equipment	(11,231)	(20,170)
Purchase of intangible assets	(592,603)	(746,911)
Proceeds from sales of intangible assets	—	197,377
Purchase of investment securities	(56,159)	(863)
Proceeds from sales of investment securities	—	734,287
Purchase of shares of subsidiaries and associates	(60,867)	(213,500)
Other, net	(4,740)	1,870
Net cash provided by (used in) investing activities	(725,601)	(47,910)
Cash flows from financing activities		
Repayments of long-term loans payable	—	(9,331)
Proceeds from issuance of common stock	4,431,513	60,452
Purchase of treasury stock	—	(1,959,881)
Cash dividends paid	(302,161)	(455,726)
Other, net	(11,000)	—
Net cash provided by (used in) financing activities	4,118,351	(2,364,486)
Effect of exchange rate change on cash and cash equivalents	21,817	(18,516)
Net increase (decrease) in cash and cash equivalents	5,333,908	(957,690)
Cash and cash equivalents at beginning of period	4,782,677	11,608,562
Cash and cash equivalents at end of period	10,116,585	10,650,872

(4) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

The Company acquired treasury stock totaling 2,814,300 shares during the period from February 2, 2016 to March 31, 2016 based on resolutions made at meetings of the Board of Directors held on January 29 and February 18, 2016. As a result, treasury stock increased 1,955,144 thousand yen in the first half under review and came to 2,650,636 thousand yen at the end of the first half.