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

January 30, 2018

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 9, 2018
 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, 2017
(October 1, 2017 – December 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 quarter of fiscal year ending September 30, 2017	7,517	(1.6)	661	(42.4)	619	(45.0)	801	18.4
First quarter of fiscal year ended September 30, 2016	7,637	(10.6)	1,149	2.4	1,125	0.7	677	(3.0)

(Note) Comprehensive income: Three months ended December 31, 2017: 955 millions of yen 28.6%
 Three months ended December 31, 2016: 743 millions of yen 4.4%

	Net income per share	Net income per share/diluted
	Yen	Yen
First quarter of fiscal year ending September 30, 2017	14.70	14.64
First quarter of fiscal year ended September 30, 2016	12.30	12.21

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	23,668	18,474	74.4
As of September 30, 2017	23,897	17,937	71.2

(Reference) Shareholders' equity: As of December 31, 2017: 17,608 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	–				
Fiscal year ending September 30, 2018 (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, 2018
(October 1, 2017 – September 30, 2018)

(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	15,000	(1.9)	1,000	(51.8)	960	(52.8)	870	97.1	15.96
Full year	30,000	(3.0)	2,800	(30.9)	2,800	(29.5)	2,000	39.4	36.68

(Note) Revisions to forecasts for consolidated business results published most recently: Yes

* 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: 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):

12/2017: 60,855,200 shares 9/2017: 60,854,400 shares

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

12/2017: 6,333,128 shares 9/2017: 6,333,128 shares

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

Three months ended 12/2017: 54,521,880 shares Three months ended 12/2016: 55,047,708 shares

* 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, 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. (A video is Japanese only.)

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1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

During the first quarter 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 5.16 million at the end of December 2017 (down 0.16 million from the end of September 2017). As a result, the total number of paying subscribers has decreased by 0.21 million, to 6.35 million.

While the total number of paying subscribers has decreased compared to the preceding fiscal period, 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), net sales remained almost flat, at ¥7,517 million (down 1.6% year on year).

On the other hand, gross profit declined to ¥5,926 million (down 6.8% 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 ¥661 million (down 42.4% year on year) and to ¥619 million (down 45.0% year on year), respectively, mainly due the decrease in gross profit.

Profit attributable to owners of parent increased to ¥801 million (up 18.4% year on year), primarily attributable to a decrease in tax expense 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).

Consolidated business results

(Period from October 1, 2017 to December 31, 2017)

	First quarter of the fiscal year ending September 30, 2018	First quarter of the fiscal year ended September 30, 2017	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	7,517	7,637	(120)	(1.6)
Cost of sales	1,590	1,275	+314	+24.7
Gross profit	5,926	6,362	(435)	(6.8)
SG&A	5,265	5,213	+51	+1.0
Operating income	661	1,149	(487)	(42.4)
Ordinary income	619	1,125	(506)	(45.0)
Profit attributable to owners of parent	801	677	+124	+18.4

Breakdown of SG&A

(Period from October 1, 2017 to December 31, 2017)

	First quarter of the fiscal year ending September 30, 2018	First quarter of the fiscal year ended September 30, 2017	Change	
			Amount	Percentage change
	Millions of yen	Millions of yen	Millions of yen	%
Total	5,265	5,213	+51	+1.0
Advertising expenses	1,369	1,542	(172)	(11.2)
Personnel expenses	1,534	1,395	+138	+9.9
Commission fee	886	926	(39)	(4.3)
Subcontract expenses	282	402	(120)	(29.9)
Depreciation	430	374	+56	+15.1
Other	761	572	+189	+33.2

(2) Explanation on financial position

Assets, liabilities and net assets

At the end of the first quarter under review, total assets declined ¥228 million from the end of September 2017, to ¥23,668 million.

Current assets decreased ¥667 million, mainly due to a fall in cash and deposits. Non-current assets increased ¥438 million, largely as a result of an increase in investment securities.

Current liabilities dropped ¥794 million, primarily reflecting a decline in income taxes payable. Non-current liabilities increased ¥28 million, chiefly due to a rise in net defined benefit liability.

Current assets increased ¥536 million, mainly due to the posting of profit attributable to owners of parent of ¥801 million, which offset the payment of cash dividends.

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2017	23,668	18,474	74.4
As of September 30, 2017	23,897	17,937	71.2

(3) Explanation of future forecast information including consolidated forecast

In the second 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.

The Company's business results forecasts for the current six-month period and the full fiscal year ending September 30, 2018 are as stated in the "Notice of Revision of Business Results Forecasts for the First Half and Full Year of the Fiscal Year Ending September 30, 2018" which was announced today.

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

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

Consolidated profit and loss		
Net sales	15,000 millions of yen	(an decrease of 1.9% y-o-y)
Operating income	1,000 millions of yen	(an decrease of 51.8% y-o-y)
Ordinary income	960 millions of yen	(an decrease of 52.8% y-o-y)
Profit attributable to owners of parent	870 millions of yen	(an increase of 97.1% y-o-y)

Earnings forecast for the fiscal year ending September 30, 2018

(Period from October 1, 2017 to September 30, 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 December 31, 2017)
Assets		
Current assets		
Cash and deposits	10,133,961	9,569,907
Notes and accounts receivable-trade	6,187,768	5,806,594
Deferred tax assets	237,802	395,049
Other	871,609	1,006,762
Allowance for doubtful accounts	(64,541)	(79,158)
Total current assets	17,366,600	16,699,155
Non-current assets		
Property, plant and equipment	276,891	295,446
Intangible assets		
Software	2,078,726	1,923,385
Goodwill	46,401	48,879
Other	73,803	72,755
Total intangible assets	2,198,932	2,045,019
Investments and other assets		
Investment securities	2,437,544	3,026,598
Lease and guarantee deposits	526,887	510,868
Deferred tax assets	1,018,159	1,067,438
Other	136,387	135,933
Allowance for doubtful accounts	(63,532)	(111,523)
Total investment and other assets	4,055,446	4,629,314
Total non-current assets	6,531,270	6,969,780
Total assets	23,897,871	23,668,935

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2017)	Current fiscal year (As of December 31, 2017)
Liabilities		
Current liabilities		
Account payable-trade	1,276,051	1,205,290
Accounts payable-other	1,974,346	1,779,062
Income taxes payable	668,727	95,087
Provision for bonuses	-	176,461
Allowance for coin usage	148,536	146,635
Other	816,069	686,474
Total current liabilities	4,883,730	4,089,011
Non-current liabilities		
Net defined benefit liability	1,020,346	1,053,187
Negative goodwill	22,305	20,026
Other	34,111	32,503
Total non-current liabilities	1,076,764	1,105,716
Total liabilities	5,960,494	5,194,728
Net assets		
Shareholders' equity		
Capital stock	5,069,848	5,070,075
Capital surplus	5,790,072	5,790,298
Retained earning	9,311,231	9,694,053
Treasury shares	(3,148,848)	(3,148,848)
Total shareholders' equity	17,022,303	17,405,578
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,646)	183,566
Foreign currency translation adjustment	(22,912)	(20,189)
Remeasurements of defined benefit plans	39,256	39,769
Total accumulated other comprehensive income	3,697	203,145
Subscription rights to shares	297,991	313,653
Non-controlling interests	613,383	551,830
Total net assets	17,937,376	18,474,207
Total liabilities and net assets	23,897,871	23,668,935

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

Quarterly consolidated statement of income
For the first quarter

(Unit: thousands of yen)

	First quarter of the previous fiscal year (from October 1, 2016 to December 31, 2016)	First quarter of the current fiscal year (from October 1, 2017 to December 31, 2017)
Net sales	7,637,825	7,517,108
Cost of sales	1,275,444	1,590,156
Gross profit	6,362,380	5,926,951
Selling, general and administrative expenses	5,213,222	5,265,147
Operating income	1,149,157	661,803
Non-operating income		
Interest income	25	25
Dividend income	2,517	7,517
Amortization of negative goodwill	2,279	2,279
Other	15,009	6,918
Total non-operating income	19,831	16,741
Non-operating expenses		
Share of loss of entities accounted for using equity method	39,017	14,413
Foreign exchange losses	1,036	1,556
Other	3,172	43,072
Total non-operating expenses	43,226	59,042
Ordinary income	1,125,762	619,502
Extraordinary income		
Gain on sales of non-current assets	-	169
Gain on change in equity	-	32,968
Total extraordinary income	-	33,138
Extraordinary losses		
Loss on retirement of non-current assets	19,922	19,917
Loss on sales of shares of subsidiaries and associates	-	1,870
Settlement package	-	42,990
Total extraordinary losses	19,922	64,778
Income before income taxes	1,105,840	587,862
Income taxes-current	437,794	130,942
Income taxes-deferred	3,171	(298,276)
Total income taxes	440,965	(167,334)
Profit	664,874	755,196
Profit (loss) attributable to non-controlling interests	(12,359)	(46,317)
Profit attributable to owners of parent	677,233	801,513

Quarterly consolidated statement of comprehensive income

(Unit: thousands of yen)

	First quarter of the previous fiscal year (from October 1, 2016 to December 31, 2016)	First quarter of the current fiscal year (from October 1, 2017 to December 31, 2017)
Profit	664,874	755,196
Other comprehensive income		
Valuation difference on available-for-sale securities	45,693	196,212
Foreign currency translation adjustment	27,409	3,879
Remeasurements of defined benefit plans, net of tax	4,568	512
Share of other comprehensive income of entities accounted for using equity method	643	133
Total other comprehensive income	78,314	200,738
Comprehensive income	743,188	955,934
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	745,299	1,000,962
Comprehensive income attributable to non-controlling interests	(2,110)	(45,027)

(2) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.