

March 16, 2017

For Immediate Release:

MTI Ltd.
 Toshihiro Maeta,
 President and Chief Executive Officer
 Listing: Tokyo Stock exchange
 (First Section) [9438]
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Notice Concerning Change in the Status of an Equity Method Affiliate to a Consolidated Subsidiary

MTI Ltd. (hereinafter the “Company”) announces that the Board of Directors of the Company resolved to acquire additional shares in Video Market Corporation (hereinafter “Video Market”), its equity method affiliate, at its meeting held on March 16, 2017. For your information, the Company’s investment ratio in Video Market will rise to 57.57% and Video Market will become a consolidated subsidiary of the Company through the additional share acquisition. Details are as follows.

1.Reasons for share acquisition

The Company formed a capital tie-up with Video Market, a company undertaking the video content distribution business, and converted Video Market into its equity method affiliate in May 2013. The Company has since advanced cooperation with Video Market in areas including joint sales promotion activities aimed at gaining paying subscribers to Video Market’s services and the supply of the affiliate’s popular video content to “music jp,” a mobile content distribution site of the Company.

On the latest occasion, the Board of Directors of the Company resolved to receive an allotment of new shares placed privately by Video Market and acquire additional shares from the subsidiary’s executives by means of share transfer to step up mutual cooperation with Video Market and strengthen cooperative relationships in the video content distribution business.

2. Overview of the subsidiary that will undergo the status change (Video Market) as of September 30, 2016

(1) Name	Video Market Corporation	
(2) Address	7F Sankaido Bldg., 9-13 Akasaka 1-chome, Minato-ku, Tokyo	
(3) Name and title of representative	Toshiki Takahashi, President and Chief Executive Officer	
(4) Business description	Video content distribution	
(5) Capital stock	90,000 thousand yen	
(6) Date of establishment	June 17, 2005	
(7) Major shareholders and their shareholding ratios	Toshiki Takahashi: 39.82% MTI Ltd.: 33.34%	
(8) Relationships between the Company and the listed company	Capital relationships	The Company owns 2,877 common shares (33.34% of such outstanding shares) and 3,333 Class A preferred shares of the company

		concerned.
	Personnel relationships	The Company dispatches one director and one corporate auditor to the company concerned. In addition, the Company loans several employees to the company concerned.
	Business relationships	There are business transactions between the company concerned and the Life Entertainment Business Division and the Pit Through Business Division of the Company.
	Correspondence to a related party	The company concerned is an equity method affiliate of the Company. As such, it corresponds to a related party.

(9) Consolidated operating results and financial position in the past 3 years

Fiscal year end	For the fiscal year ended December 31, 2014	For the fiscal year ended December 31, 2015	For the fiscal year ended December 31, 2016
Net assets	142 millions of yen,	177 millions of yen	352 millions of yen
Total asset	684 millions of yen	829 millions of yen	1,057 millions of yen
Net assets per share	16,545.26 yen	20,528.86 yen	40,858.94 yen
Net sales	1,656 millions of yen	2,146 millions of yen	2,343 millions of yen
Operating income	(125)millions of yen	39 millions of yen	177 millions of yen
Ordinary income	(126)millions of yen	36 millions of yen	178 millions of yen
Income Profit	(135)millions of yen	34 millions of yen	175 millions of yen
Income Profit per share	(16,484.22) yen	3,259.29 yen	19,605.77 yen

3. Number of shares to be acquired and state of owned shares before and after their acquisition

(1) Number of owned shares before the status change	2,877 shares (Number of voting rights: 2,877 rights) (Ratio of owned voting rights: 33.34%)
(2) Numbers of shares to be acquired	(1) Allotment of new shares to be placed privately for capital increase 3,000 common shares (Number of voting rights: 3,000 rights)
	(2) Share transfer 1,450 common shares (Number of voting rights: 1,450 rights)
(3) Number of owned shares after the status change	7,327 shares (Number of voting rights: 7,327 rights) (Ratio of owned voting rights: 57.57%)

* Acquisition value is not stated in this release based on consultations with the company concerned.

4. Schedule

(1) Date of resolution by the Board of Directors	March 16, 2017
(2) Payment for shares to be acquired through private placement for capital increase	March 27, 2017 (Planned)
(3) Share transfer execution date	March 29, 2017 (Planned)

5. Outlook for the future

The Company is currently closely examining the effects this status change may have on the consolidated results for the fiscal year ending September 30, 2017. The Company will promptly disclose any matters that should be disclosed when such matters arise.

(Reference) Consolidated financial results forecast for the current fiscal year (Announced on October 31, 2016) and Consolidated results for the previous fiscal year

	Consolidated Net sales	Consolidated Operating income	Consolidated Ordinary income	Consolidated Profit attributable to owners of parent
Forecasts for consolidated financial results (September 30, 2017)	32,000 millions of yen	4,060 millions of yen	4,000 millions of yen	2,500 millions of yen
Consolidated results for the Early (September 30, 2017)	32,844 millions of yen	5,355 millions of yen	5,310 millions of yen	3,317 millions of yen

<Points to consider concerning forecasts>

Matters stated in this material concerning results forecasts are based on assessments, assumptions and convictions derived from information available to the Company at the time when this material is published. They may differ significantly from actual results due to a variety of factors, including future economic conditions in Japan and overseas, changes in conditions for business operations in Japan and overseas, or uncertain factors and potential risks inherent in forecasts. Those risks and uncertain factors include unpredictable effects on results that may arise from future events.

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【Contact information for inquiries】

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