MTI Ltd.

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For Immediate Release:

MTI Ltd.
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Notice Concerning Posting of Extraordinary Income and Extraordinary Loss, Differences between Forecasts and Actual Results for the First Half of the Fiscal Year Ending September 30, 2017, and Revisions to Full-Year Results Forecasts

MTI Ltd. (hereinafter the "Company") announces that the Company will post extraordinary income and extraordinary losses as stated below for the second quarter of the fiscal year ending September 30, 2017 (from January 1, 2017 to March 31, 2017). Details are as follows.

In addition, the Company announces that the Company will revise the results forecasts for the first half of the fiscal year ending September 30, 2017 and the entire fiscal year ending September 30, 2017 announced on October 31, 2016 as follows to reflect the extraordinary income and extraordinary losses posted.

1. Posting of Extraordinary Income and Extraordinary Losses

The Company will post an extraordinary income of 693 million yen and extraordinary losses of 1,594 million yen on a consolidated basis and extraordinary losses of 1,385 million yen on a non-consolidated basis, due mainly to the factors stated below.

(1) Posting of a consolidated gain on step acquisitions

The Company acquired additional shares in Video Market Corporation (hereinafter "Video Market"), its equity method affiliate, and converted Video Market into its consolidated subsidiary. With this step, the Company will post a gain on step acquisitions of 693 million yen under extraordinary income as a gain on revaluation of equity interests owned before the additional share acquisition using their market value at the time of the acquisition concerned.

(2) Posting of a non-consolidated loss on valuation of shares in subsidiaries

The Company will post a loss on valuation of shares in consolidated subsidiaries CLIMB Factory Co., Ltd. and Video Market of 1,187 million yen, taking factors such as the business conditions and future outlook of the two companies into consideration.

(3) Posting of consolidated goodwill amortization

The Company will post consolidated goodwill amortization of 1,399 million yen in full with the treatment of shares in Video Market in the manner described in section (2) above.

［Reference］

(Breakdown of consolidated extraordinary losses for the second quarter)

Amortization of goodwill	1,399 million yen
Settlement package	108 million yen
Loss on valuation of investment securities	50 million yen
Loss on retirement of non-current assets	37 million yen

(Breakdown of non-consolidated extraordinary losses for the second quarter)

Loss on valuation of shares of subsidiaries	1,187 million yen
Settlement package	108 million yen
Loss on valuation of investment securities	50 million yen
Loss on retirement of non-current assets	40 million yen

2. Revision of the consolidated results forecast

(1) Differences between forecast and actual results for the first half of the fiscal year ending September 30, 2017

(October 1, 2016 – March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous announced forecast (A)	Millions of yen 15,500	Millions of yen 1,730	Millions of yen 1,700	Millions of yen 1,100	Yen 20.25*
Current announced forecast (B)	15,285	2,074	2,032	441	8.06
Differences（B-A）	(214)	+344	+332	(658)	
Differences（%）	(1.4)%	+19.9%	+19.6%	(59.9)%	
（Reference） Actual results in the previous fiscal year (For the first half of the fiscal year ended September 30, 2016)	16,994	2,489	2,434	1,425	25.26

*The forecast for net income per share released on the previous occasion is a figure taken from the Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2017 (released on January 30, 2017) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of December 31, 2016 are stated.

[Reasons for the differences]

Sluggish growth of the number of smartphone units sold continued. The Company fought against heavy odds to gain paying subscribers on smartphones. As a result, the total number of paying subscribers continued falling on a net basis. In the meantime, net sales reached the level initially forecasted, attributable to factors including a sustained uptrend for average revenue per user (ARPU).

Operating income and ordinary income rose from their initial forecasts because advertising expenses became smaller than the initial forecast due to the sluggish growth in the number of paying subscribers on smartphones gained.

Profit attributable to owners of parent fell substantially from the initial forecast because the Company amortized goodwill relating to shares in Video Market in full with the conversion of the affiliate into a consolidated subsidiary.

(2) Revision of the consolidated financial forecast for the full fiscal year ending September 30, 2017 (October 1, 2016 – September 30, 2017)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous announced forecast (A)	Millions of yen 32,000	Millions of yen 4,060	Millions of yen 4,000	Millions of yen 2,500	Yen 46.02*
Current announced forecast (B)	32,000	4,060	4,000	1,600	29.39
Differences（B-A）	-	-	-	(900)	
Differences（%）	-	-	-	(36.0)%	
(Reference) For the fiscal year ended September 30, 2016	32,844	5,355	5,310	3,317	59.54

*The forecast for net income per share released on the previous occasion is a figure taken from the Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2017 (released on January 30, 2017) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of December 31, 2016 are stated.

[Reasons for the revisions]

The total number of paying subscribers is forecasted to keep falling on a net basis in the second half of the fiscal year ending September 30, 2017 because growth in the number of smartphone units sold is anticipated to remain sluggish. In the meantime, the uptrend for ARPU is predicted to continue. The Company will keep its forecast for net sales unchanged from the initial projection, taking the effects of the conversion of Video Market into a consolidated subsidiary into additional consideration.

The Company will also maintain its initial forecasts for operating income and ordinary income because operating income and ordinary income for the first half surpassed their initial forecasts, but the Company will advance investment in business development focused on health care services.

In the meantime, the Company will revise profit attributable to owners of parent downward from its initial forecast, giving consideration to a substantial downward swing in such profit for the first half from the initial forecast.

＜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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