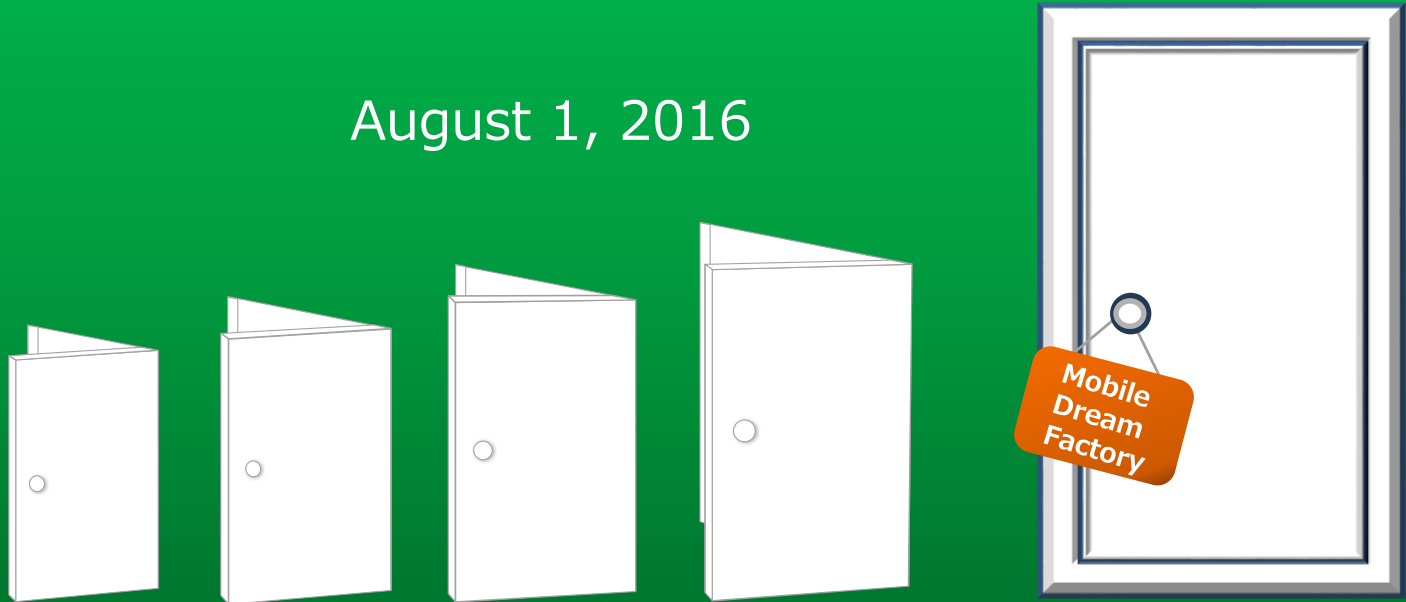


## Financial Results Briefing for Q3/FY2016

August 1, 2016



Securities Code :9438

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## See Appendix

# Financial Results Overview for Q3 FY2016





## **1 Operating income increased significantly.**

Net sales ¥24,919M (Up ¥37M, Up 0.2%, YoY)

Operating income ¥4,385M (Up ¥857M, Up 24.3%, YoY)

## **2 The number of paying subscribers on smartphones declined.**

5.74 million subscribers

(Down 0.34 million subscribers compared to March 31, 2016)

## **3 The earnings forecast for FY2016 has been revised.**

Sales ¥32,500M, Operating income ¥5,000M



## Sales remained flat and earnings soared.

(Millions of yen)

	FY2016 Q3	FY2015 Q3	Change	
			Amount	Percentage
<b>Net sales</b>	24,919	24,881	+37	+0.2%
<b>Cost of sales</b>	3,929	3,947	(18)	(0.5%)
<b>Gross profit</b>	20,990	20,933	+56	+0.3%
(Ratio)	84.2%	84.1%		
<b>SG&amp;A</b>	16,604	17,405	(800)	(4.6%)
(Ratio)	66.6%	70.0%		
<b>Operating income</b>	4,385	3,528	+857	+24.3%
(Ratio)	17.6%	14.2%		
<b>Ordinary income</b>	4,329	3,439	+889	+25.9%
(Ratio)	17.4%	13.8%		
<b>Profit attributable to owners of parent</b>	2,621	1,944	+677	+34.8%
(Ratio)	10.5%	7.8%		

# Consolidated SG&A



(Millions of yen)

	FY2016 Q3	FY2015 Q3	Change	
			Amount	Percentage
<b>SG&amp;A</b>	16,604	17,405	(800)	(4.6%)
<b>Advertising expenses</b>	5,959	6,497	(537)	(8.3%)
<b>Personnel expenses</b>	4,112	4,211	(99)	(2.4%)
<b>Commission fee</b>	2,832	2,758	+73	+2.7%
<b>Subcontract expenses</b>	1,073	1,027	+45	+4.4%
<b>Depreciation</b>	918	1,009	(91)	(9.1%)
<b>Other</b>	1,708	1,900	(192)	(10.1%)



# Subscriptions by way of cellphone shops failed to grow.

## External conditions

From February

~~“Virtually free of charge”~~

**“Cellphones virtually free of charge” Abolished**

in April

Ministry of Internal Affairs and Communications

**Guidelines Applied**

(Guidelines for adjustment of smartphones purchase support)

Sales of cellphones failed to grow



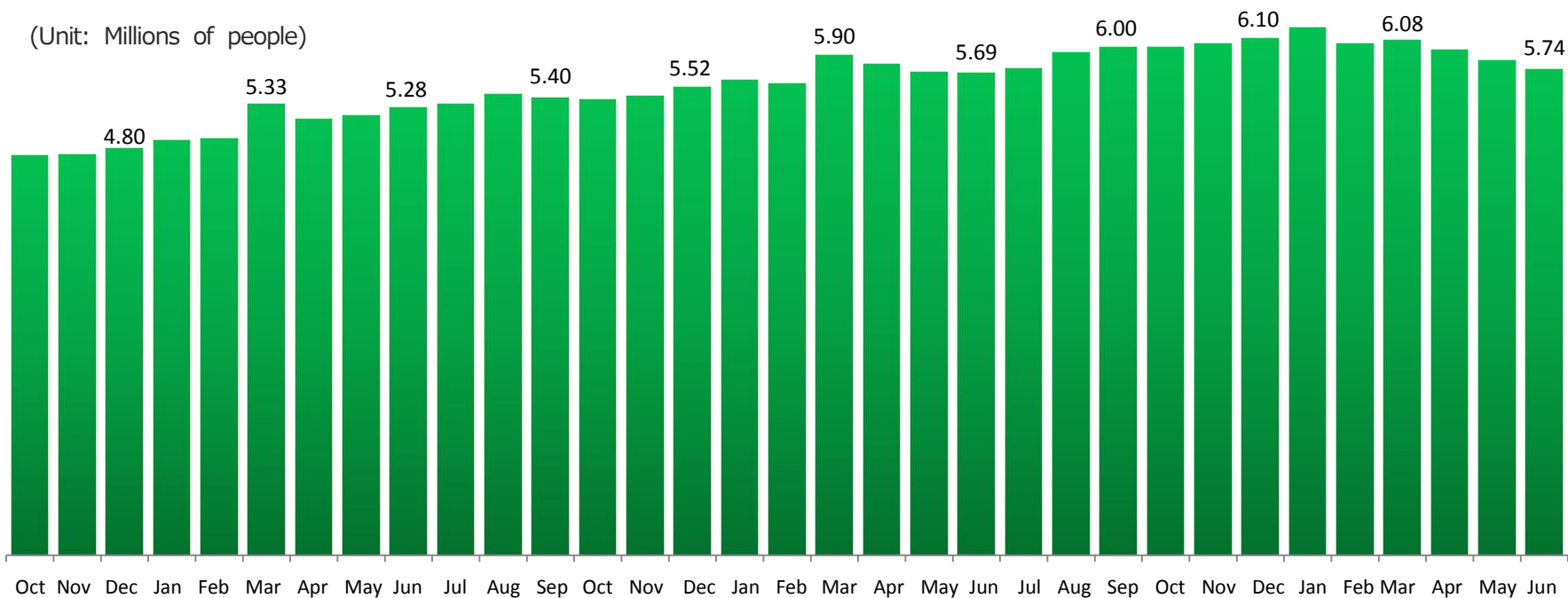


## The number of paying subscribers of the smartphone

# 5.74 million subscribers

(Down 0.34M compared to March 31, 2016)

(Unit: Millions of people)



FY2014

FY2015

FY2016



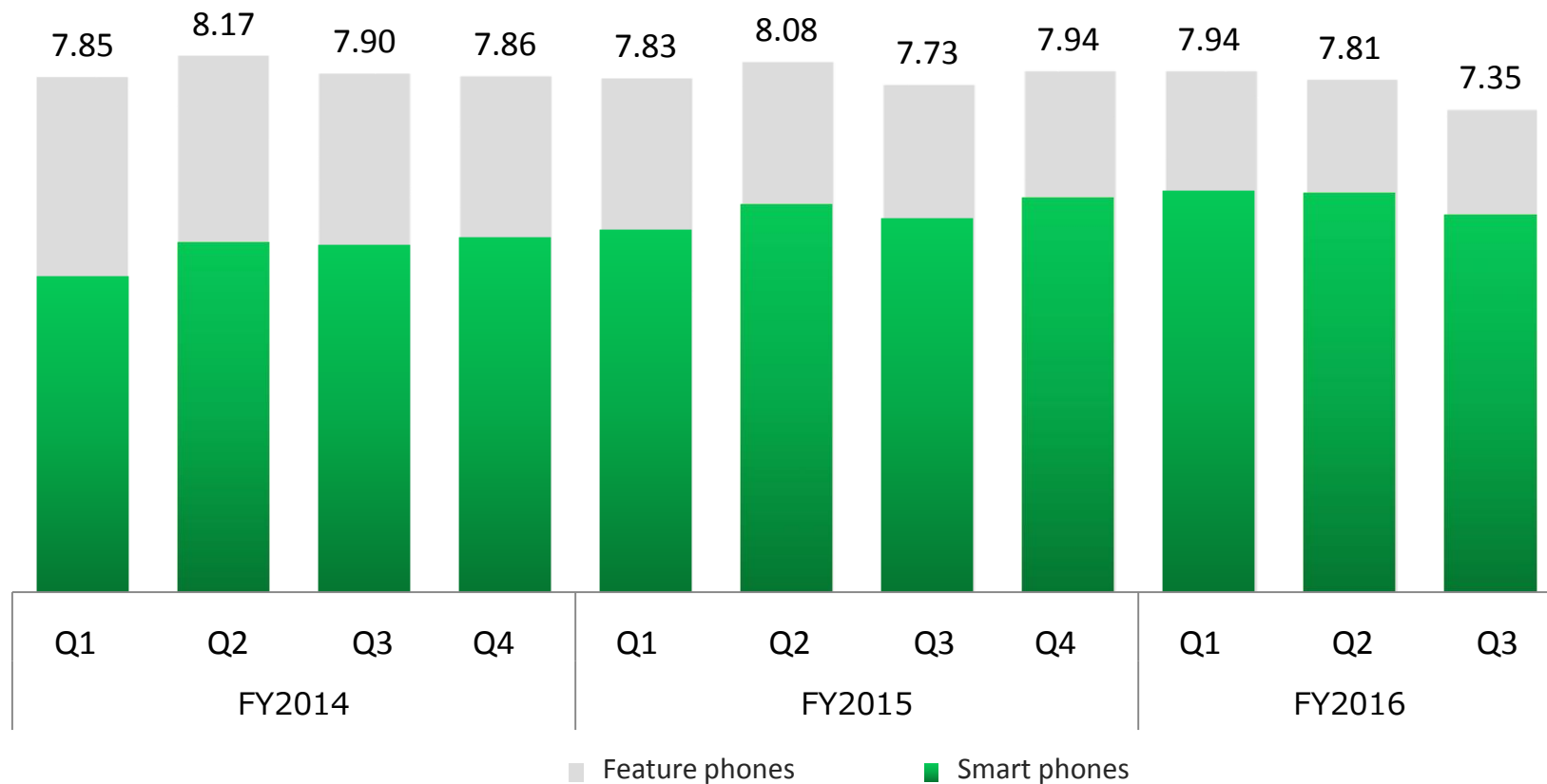


## The total number of paying subscribers

# 7.35 million subscribers

(Down 0.46M compared to March 31, 2016)

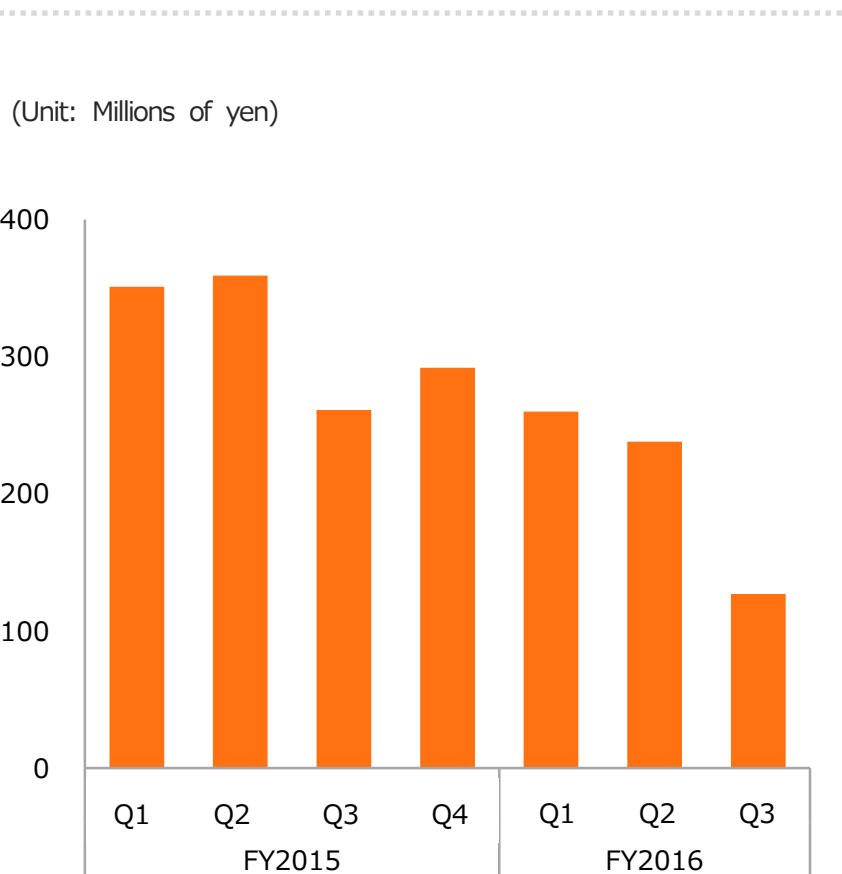
(Unit: Millions of people)



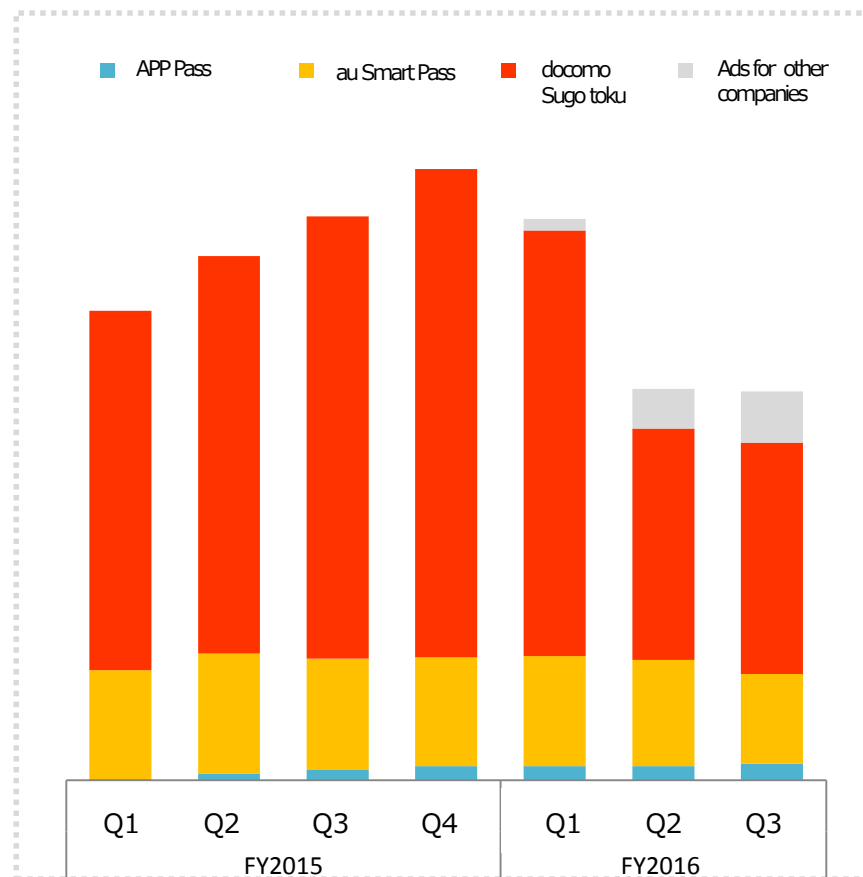
# Business Overview



## Non-virtual Affiliate Advertising Sales



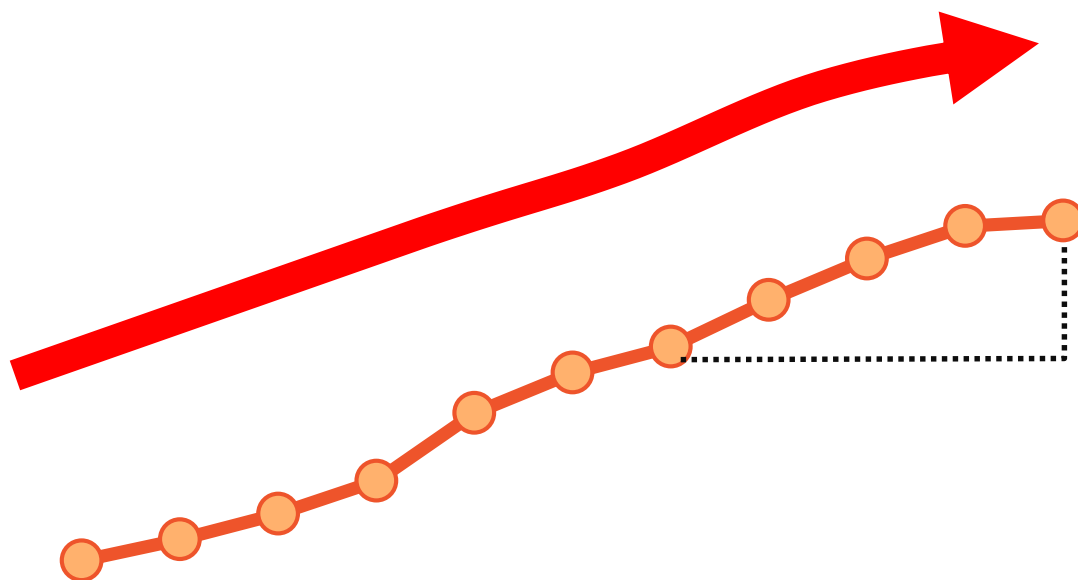
## Sales from Sugo toku-related





## Average revenue per user (ARPU) failed to rise.

Trends in ARPU of the paying subscribers for smartphones



YOY Change  
Up **¥11.4**

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
FY2014				FY2015				FY2016		

# Revision of the Consolidated Earnings Forecast for FY2016





## ■ Net Sales

Signs of a net decline in the overall number of paying subscribers.

## ■ Operating income

Unused advertising expenses.

(Millions of yen)	FY2016 Full-year		Change	
	After revision	Before revision	Amount	Percentage
<b>Net Sales</b>	32,500	35,000	(2,500)	(7.1%)
<b>Operating income</b> (Ratio)	5,000 15.4%	4,700 13.4%	+300	+6.4%
<b>Ordinary income</b> (Ratio)	4,940 15.2%	4,660 13.3%	+280	+6.0%
<b>Profit attributable to owners of parent</b> (Ratio)	3,000 9.2%	2,700 7.7%	+300	+11.1%

# New approach in Q4 FY2016





## 1. Further expansion in the number of paying subscribers for smartphone service

- Enhancement in the Non-virtual Affiliate Network

## 2. Improvement in average revenue per user (ARPU)

- Enlargement of contents service

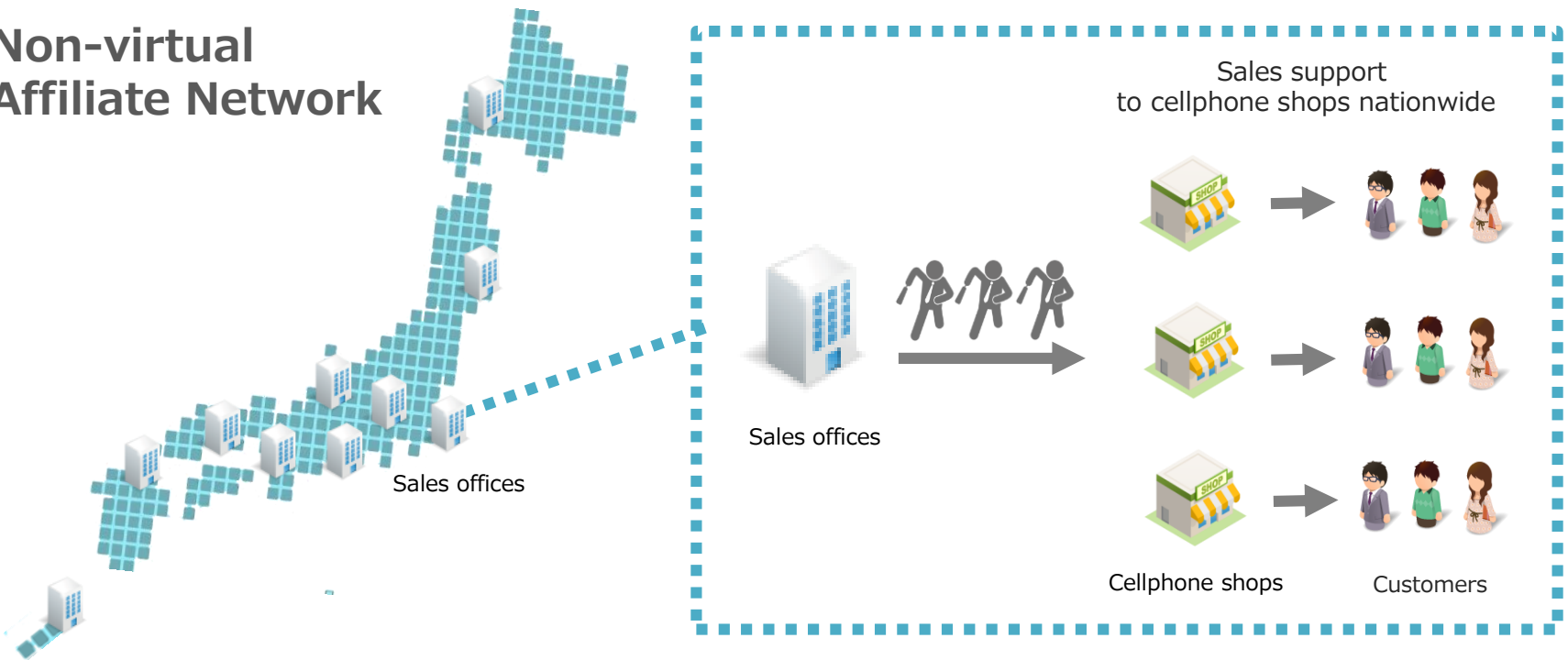
## 3. Mid-to-long-term approach

- Phase to achieve sales for the Healthcare-related service



## Sales promotion for high ARPU services and commitment to control the turnover rate.

### Non-virtual Affiliate Network







## Expansion of tie-ups with MVNO operators.









Made by JAPAN

\* MVNO is an abbreviation for mobile virtual network operator. An MVNO provides mobile network services, such as cellphones and PHS, through its own brands. It does not develop or manage wireless communication link facilities.



## Ratios for service of higher fees increased in each category.

### Value added service line up

Music, Books, Video & DVD	Healthcare-related information	Weather information and Maps & Navigation
 <b>¥400</b> per month (excluding tax)  To an integrated service ¥300	 <b>¥400</b> per month (excluding tax)  To a high added value service ¥300	 <b>¥380</b> per month (excluding tax)  To a integrated service ¥300

# Enlargement of Contents Service ii)



Music, Books, Videos & DVD service



## Enlargement of the lineup of movies from the six major Hollywood studios.

Sony Pictures Entertainment (Japan) Inc.

Warner Bros. Entertainment, Inc.

The Walt Disney Company (Japan) Ltd.

Twenty-First Century Fox, Inc

Paramount Pictures

Universal Pictures

**NEW !**

**PRE-RELEASE distribution of DVDs !**

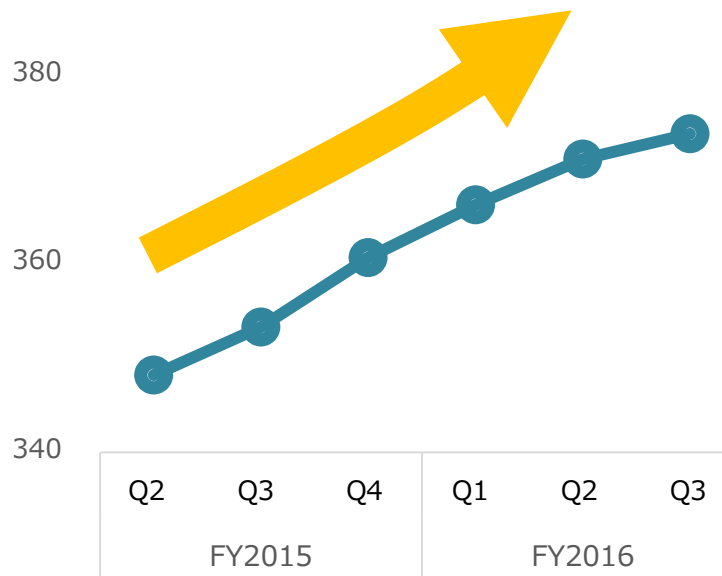


(C) 2015 Twentieth Century Fox Film Corporation. All rights reserved.



© 2016 Paramount Pictures.

Quarterly change in ARPU music.jp



# Phase to Achieve Sales for the Healthcare-related Service i )



Medical information service cooperated with doctors etc.

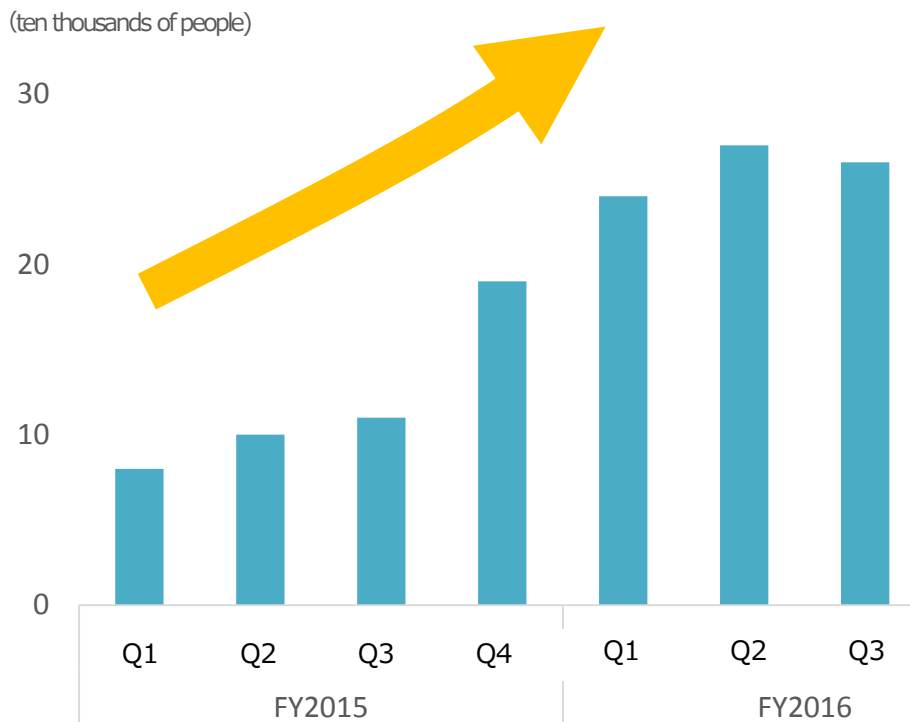


## A 400-yen Course has been steadily.

The number of paying monthly subscribers of KARADAmédica



The answers over the phones made by healthcare providers, not doctors.





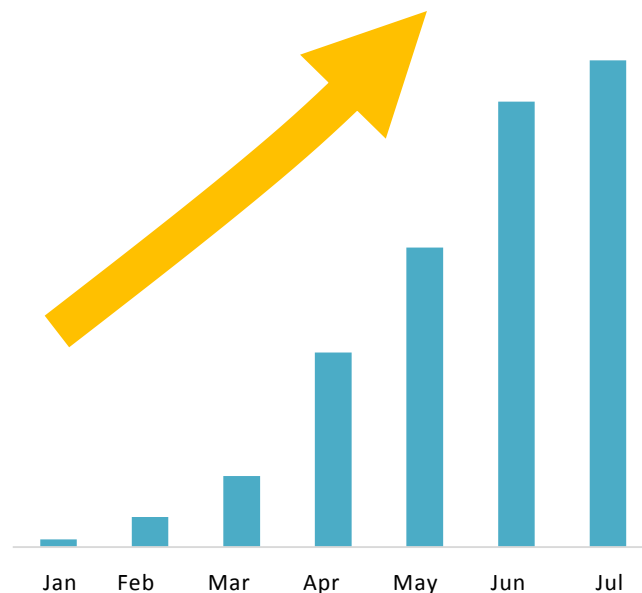
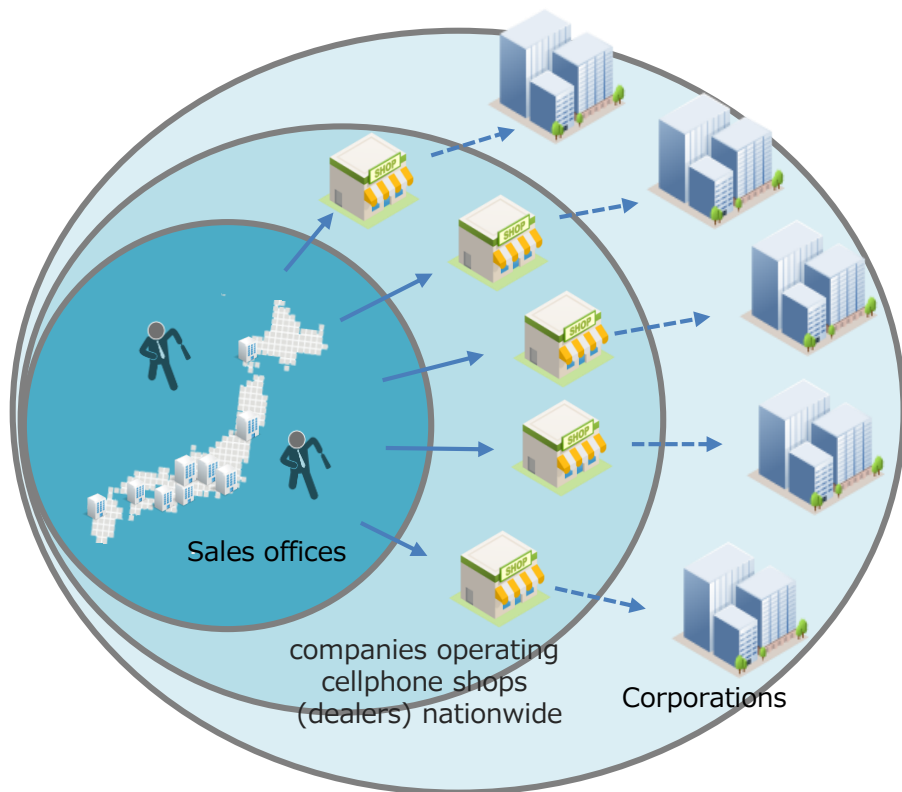
## Checkup packaged service

# ÇARADA

The number of contracts has been increasing steadily.

Sales expansion to corporate customers making the most of the RAF network

Trends in the number of received orders from companies for CARADA package service





## Checkup packaged service

# CARADA

¥500 per employee per month

## Basic Package

- Stress checks
- Health data browsing system
- Checkup notebook application



Checkup notebook application



Browsing system on the corporate side



### Stress care package



### Full health management package



Collaboration between applications and devices



### Nutrition consulting



"MY Nutrition Advisor"

\* CARADA and ●ARADA (● denotes C with · · attached above) are the trademarks of MTI Ltd., which owns the right to use them.

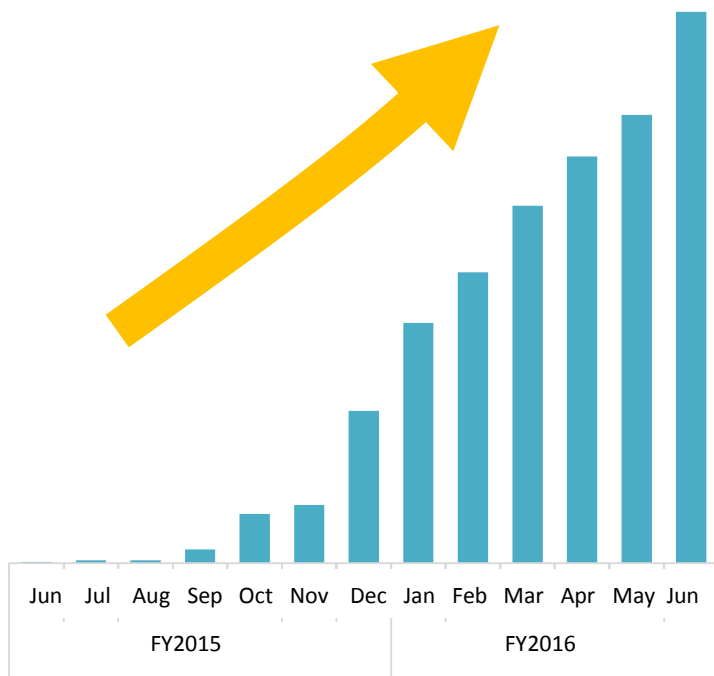


## Sports management service



# Expansion of the number of contracts with sports gyms and incorporated schools.

The number of service contracts



Sports gyms



Incorporated schools



Orthopedic clinics



Nursing facilities





## Capital tie-up with Medipal Holdings Corporation.



MEDIPAL HOLDINGS CORPORATION



MTI Ltd.

in  
June

Disposal of treasury stock by third-party

- Recipient: Medipal Holdings Corporation
- Number of shares disposed : 1.15 million shares
- Amount of funds procured : 876 million yen

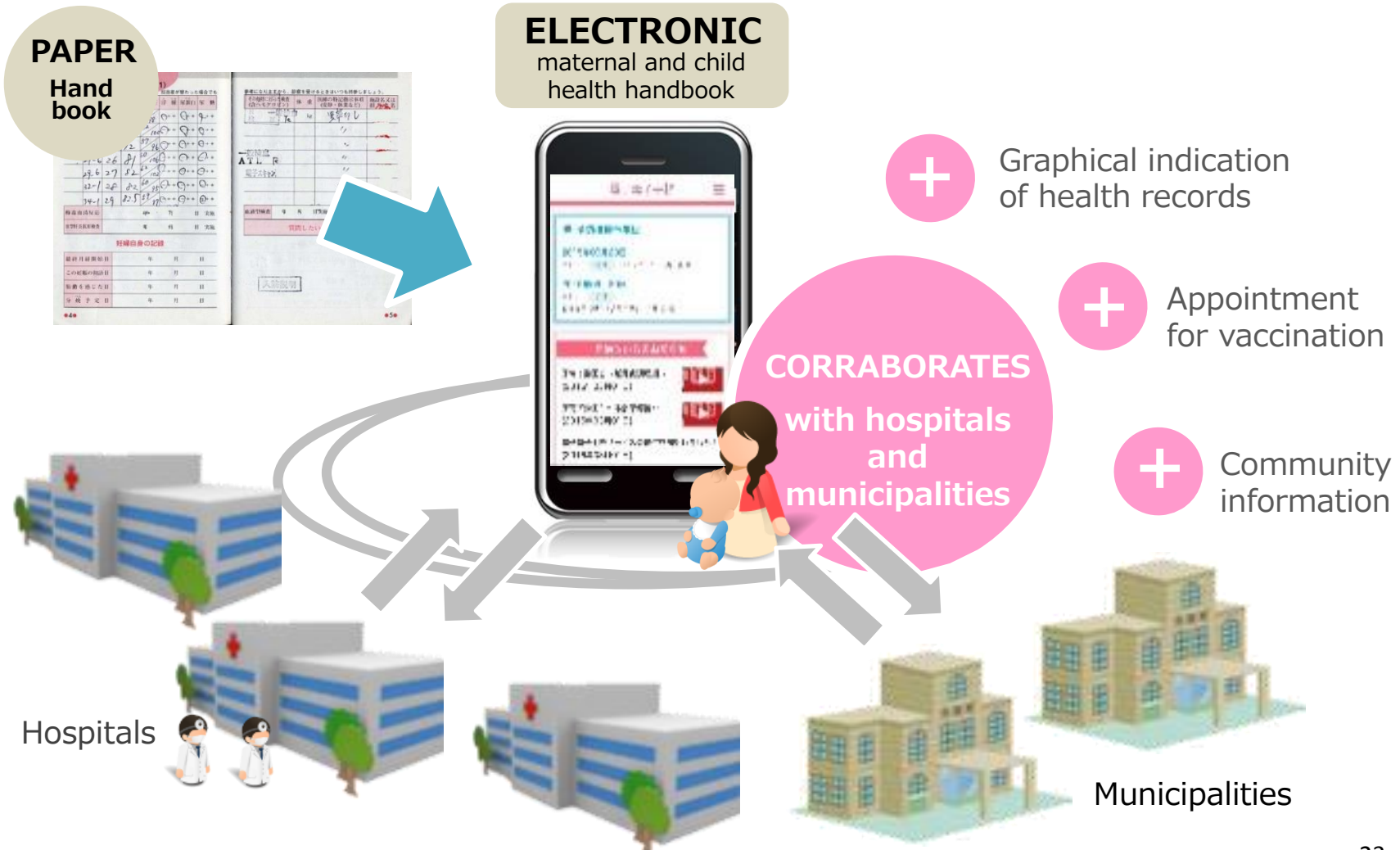
**LARGEST**  
wholesaler of  
pharmaceutical  
products







## Expansion of the number of contracts with local governments for the electronic maternal and child health handbook.





# Initiatives implemented in Okinawa.

Okinawa City Medical Association

**MTI Ltd.**

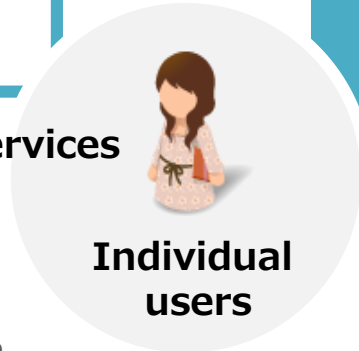
**CARADA**



**LHR SYSTEM**  
LIFELONG HEALTH RECORD SYSTEM



- + Access to the data of the association's medical institutions
- + Access to the data of other medical institutions



**Individual users**

**Use of services**

**Issuance of IDs**

+ Action records

+ Monitoring of lifestyles

+ Health insurance registration ID

※LHR(Lifelong Health Record)



## Examples of the Company's activities were presented in the Digital Health lecture.

in  
May

“Digital Health for Healthy Lives and Wellbeing for All”



A presentation was made to members of the World Health Organization (WHO) and ministers of different countries at a conference organized by ITU.

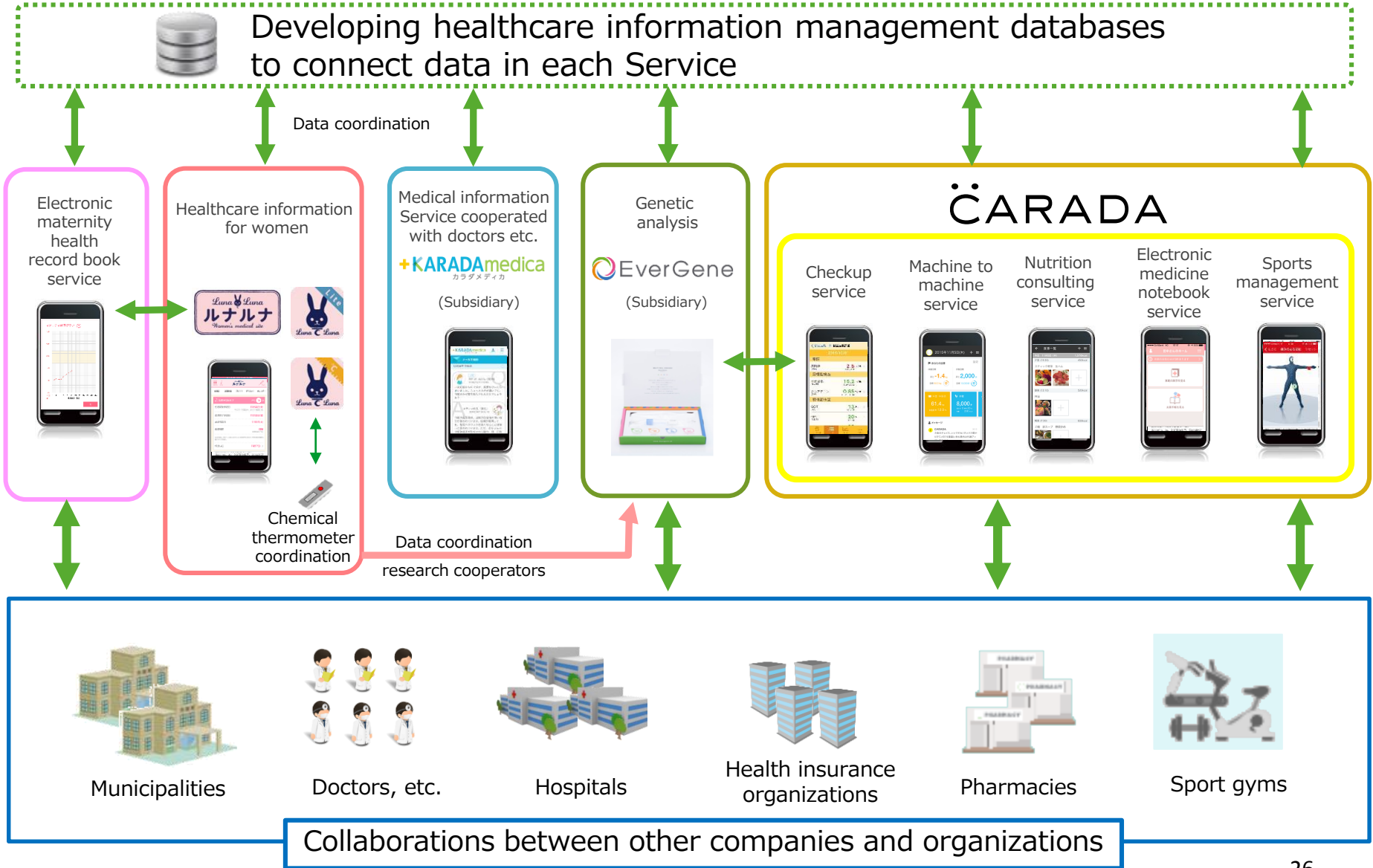
in  
June

“APEC HIGH LEVEL URBANIZATION FORUM 2016”



A presentation on initiatives for digital health was made at an APEC ministerial meeting

# [Reference] Overview of Healthcare-related to Service



# Consolidated Earnings Forecast for FY2016



(Millions of yen)	FY2016 (Forecast)			FY2015 (Actual)			Change	
	Full-year	1 <sup>st</sup> half	2 <sup>nd</sup> half	Full-year	1 <sup>st</sup> half	2 <sup>nd</sup> half	Amount (Full-year)	Percentage (Full-year)
Net sales	32,500	16,994	15,505	33,461	16,620	16,841	(961)	(2.9%)
Cost of sales	5,180	2,635	2,544	5,439	2,666	2,772	(259)	(4.8%)
Selling, general and administrative expenses	22,320	11,870	12,960	23,776	11,845	11,930	(1,456)	(6.1%)
Operating income	5,000	2,489	2,510	4,245	2,108	2,137	+754	+17.8%
(Ratio)	15.4%	14.6%	16.2%	12.7%	12.7%	12.7%		
Ordinary income	4,940	2,434	2,505	4,144	2,034	2,109	+795	+19.2%
(Ratio)	15.2%	14.3%	16.2%	12.4%	12.2%	12.5%		
Profit attributable to owners of parent	3,000	1,425	1,574	2,607	1,088	1,518	+392	+15.1%
(Ratio)	9.2%	8.4%	10.2%	7.8%	6.6%	9.0%		



Thank you very much for today.

**MTI Ltd.**

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