

MTI Ltd.

Financial Results Briefing for Q1/FY2016

February 1, 2016













Business Overview: docomo "d-menu" Ranking



Ranked No.1 in 8 contents!

							
Music	E-book	Healthcare-related	pregnancy, childbirth, childcare	Weather info	Multi-dictionary	Decoration e-mail Unlimited distribution	Western Fortune-telling
							

				
Diet & beauty	Eastern Fortune-telling	Puzzle game	Comic	Point at phrases
				



* Source: Ranking data from "d-menu", a portal site for smartphone services, by NTT docomo Co., Ltd. as of January 18, 2016

Consolidated B/S



(Millions of yen)

	As of December 30, 2015	As of September 30, 2015	Change		As of December 30, 2015	As of September 30, 2015	Change
Current assets	19,115	20,211	(1,095)	Liabilities	6,027	7,193	(1,166)
Cash and deposit	11,196	11,608	(411)	Accounts payable-trade	1,369	1,179	190
Notes and accounts receivable-trade	6,870	6,885	(14)	Current portion of long-term loans payable	518	518	(0)
Other	1,129	1,788	(658)	Account payable-other	2,403	2,571	(168)
Allowance for doubtful accounts	(81)	(71)	(10)	Income taxes payable	464	1,354	(889)
				Allowance for coin usage	228	234	(5)
				Other	1,042	1,334	(291)
Noncurrent assets	4,769	4,526	242	Noncurrent liabilities	981	953	28
Property, plant and equipment	146	146	0	Long-term loans payable	75	79	(4)
Intangible fixed assets	2,138	2,277	(138)	Net defined benefit liability	867	832	34
Include software	2,114	2,254	(140)	Other	38	40	(2)
Investments and other assets	2,483	2,103	380	Total liabilities	7,008	8,147	(1,138)
Include investment securities	1,045	796	249	Capital stock	4,957	4,947	9
				Capital surplus	5,478	5,469	9
				Retained earning	6,542	6,300	242
				Treasury stock	(695)	(695)	-
				Other comprehensive income	47	12	34
				Subscription rights to shares	133	127	6
				Minority interest	412	429	(16)
				Net assets	16,876	16,591	284
Total Assets	23,884	24,738	(853)	Total liabilities and net assets	23,884	24,738	(853)

Trends in Consolidated P/L



(Millions of yen)	FY2014				FY2015				FY2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	7,498	7,780	7,730	7,974	8,209	8,410	8,261	8,579	8,547
Cost of sales	1,219	1,256	1,238	1,273	1,343	1,322	1,281	1,491	1,362
Gross profit	6,279	6,523	6,492	6,700	6,865	7,088	6,979	7,088	7,184
(Ratio)	83.7%	83.8%	84.0%	84.0%	83.6%	84.3%	84.5%	82.6%	84.1%
Selling, general and administrative expenses	5,370	6,127	5,866	6,074	5,532	6,313	5,559	6,371	6,062
Operating income	909	395	626	626	1,333	774	1,420	717	1,121
(Ratio)	12.1%	5.1%	8.1%	7.9%	16.2%	9.2%	17.2%	8.4%	13.1%
Ordinary income	870	439	614	594	1,315	719	1,405	704	1,117
(Ratio)	11.6%	5.7%	8.0%	7.5%	16.0%	8.5%	17.0%	8.2%	13.1%
Profit attributable to owners of parent	425	364	218	328	761	327	855	663	697
(Ratio)	5.7%	4.7%	2.8%	4.1%	9.3%	3.9%	10.4%	7.7%	8.2%

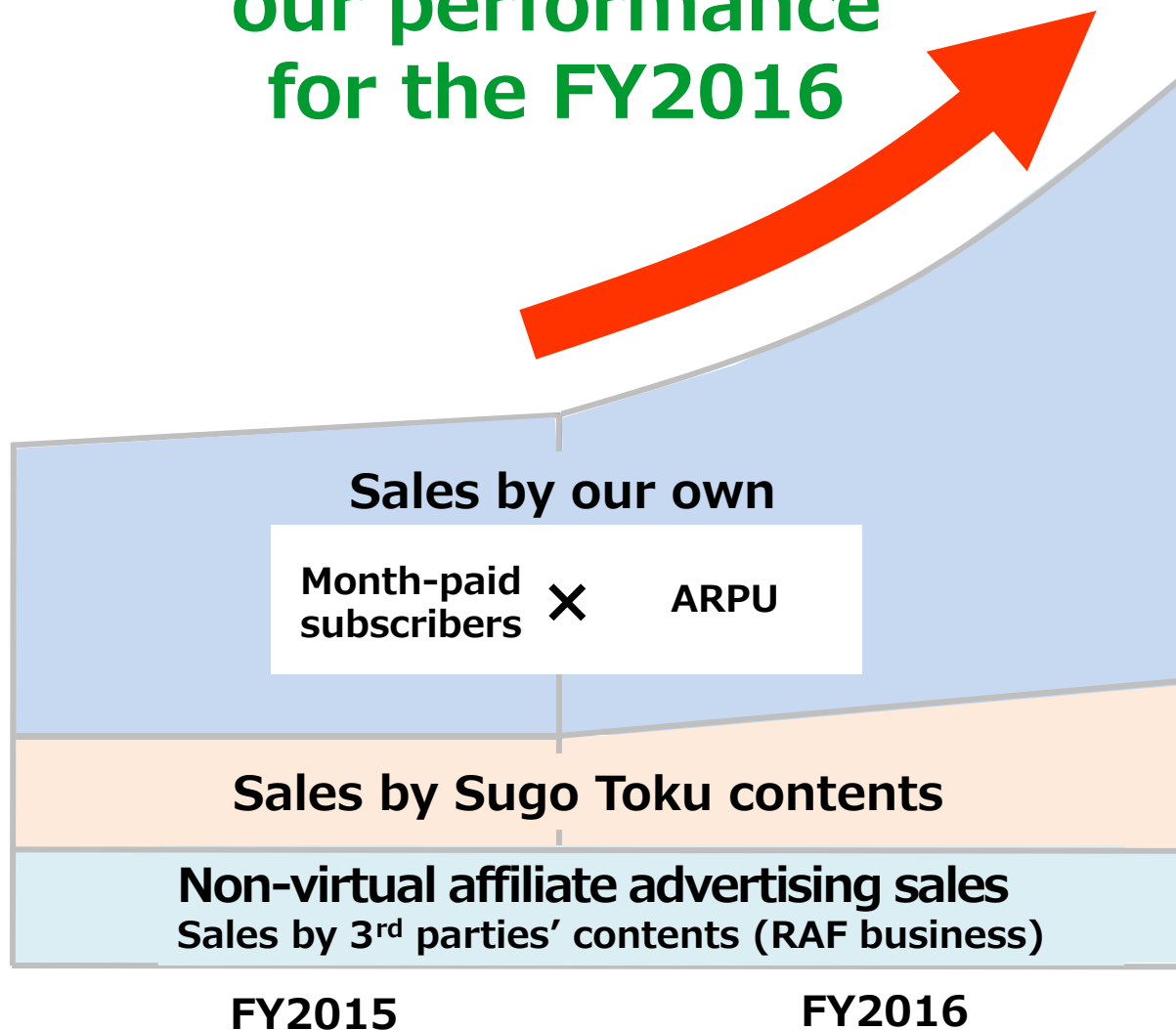
Trends in Consolidated SG&A



(Millions of yen)	FY2014				FY2015				FY2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total	5,370	6,127	5,866	6,074	5,532	6,313	5,559	6,371	6,062
Advertising expenses	1,685	2,392	1,963	2,225	2,021	2,680	1,795	2,580	2,532
Personnel expenses	1,403	1,422	1,424	1,564	1,374	1,382	1,454	1,558	1,341
Commission fee	806	835	884	918	896	938	923	968	954
Subcontract expenses	438	459	484	421	350	331	344	299	374
Depreciation	444	442	454	365	353	341	314	309	298
Other	592	575	655	580	535	638	726	654	561



Image of expansion of our performance for the FY2016



Consolidated Earnings Forecast for FY2016

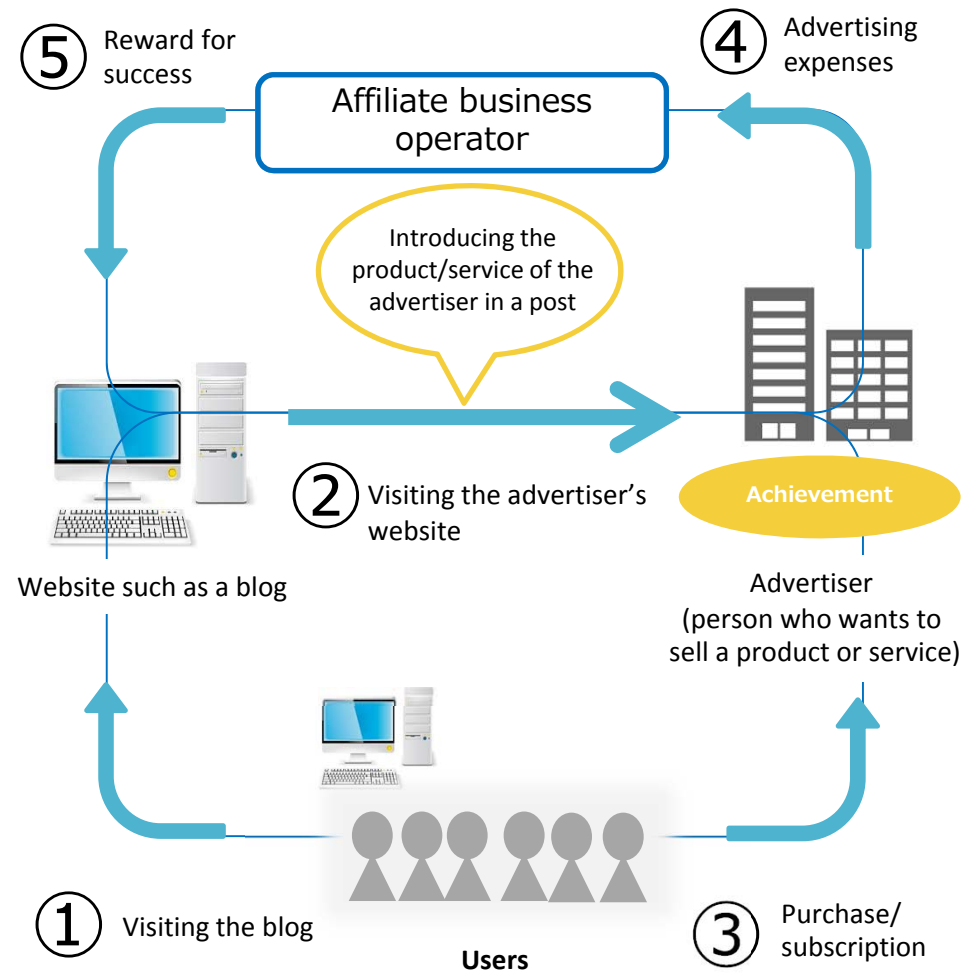


(Millions of yen)	FY2016 (Forecast)			FY2015 (Actual)			Change	
	Full-year	1 st half	2 nd half	Full-year	1 st half	2 nd half	Amount (Full-year)	Percentage (Full-year)
Net sales	35,000	17,200	17,800	33,461	16,620	16,841	+1,538	+4.6%
Cost of sales	5,950	2,920	3,030	5,439	2,666	2,772	+510	+9.4%
Selling, general and administrative expenses	24,350	12,280	12,070	23,776	11,845	11,930	+573	+2.4%
Operating income	4,700	2,000	2,700	4,245	2,108	2,137	+454	+10.7%
(Ratio)	13.4%	11.6%	15.2%	12.7%	12.7%	12.7%		
Ordinary income	4,660	1,980	2,680	4,144	2,034	2,109	+515	+12.4%
(Ratio)	13.3%	11.5%	15.1%	12.4%	12.2%	12.5%		
Profit attributable to owners of parent	2,700	1,130	1,570	2,607	1,088	1,518	+92	+3.6%
(Ratio)	7.7%	6.6%	8.8%	7.8%	6.6%	9.0%		

What's "Affiliate"?



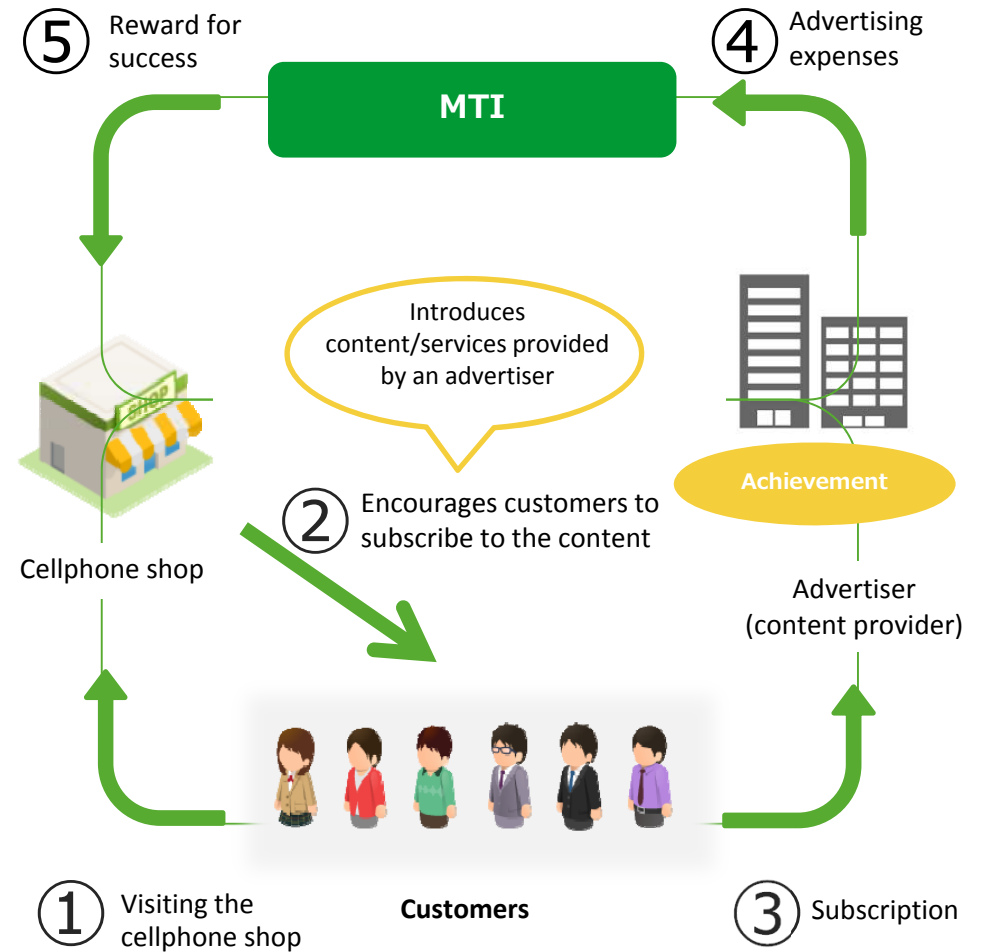
The term "affiliate" is a frequently used term in internet advertising. It is a system whereby if the introduction of a product or service on a website, such as a blog, is successful (e.g. a user purchases the product), the operator of the website receives a reward.



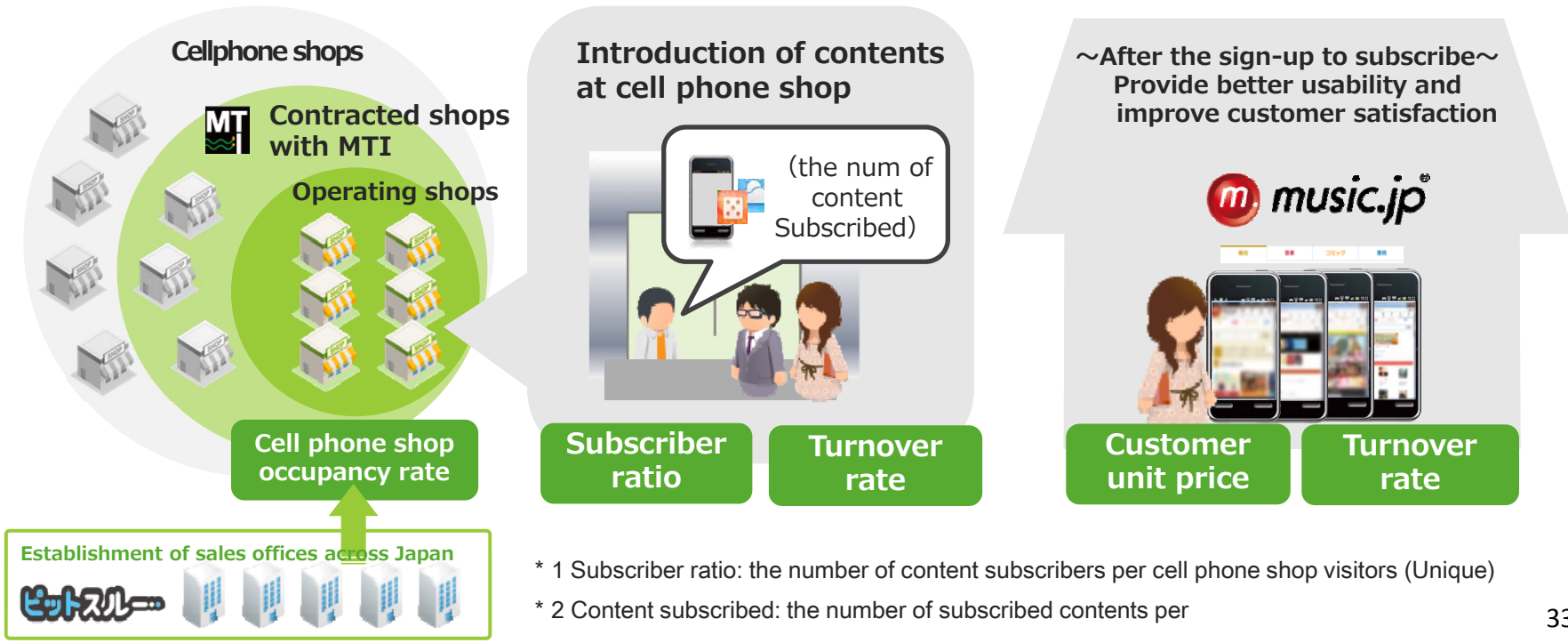
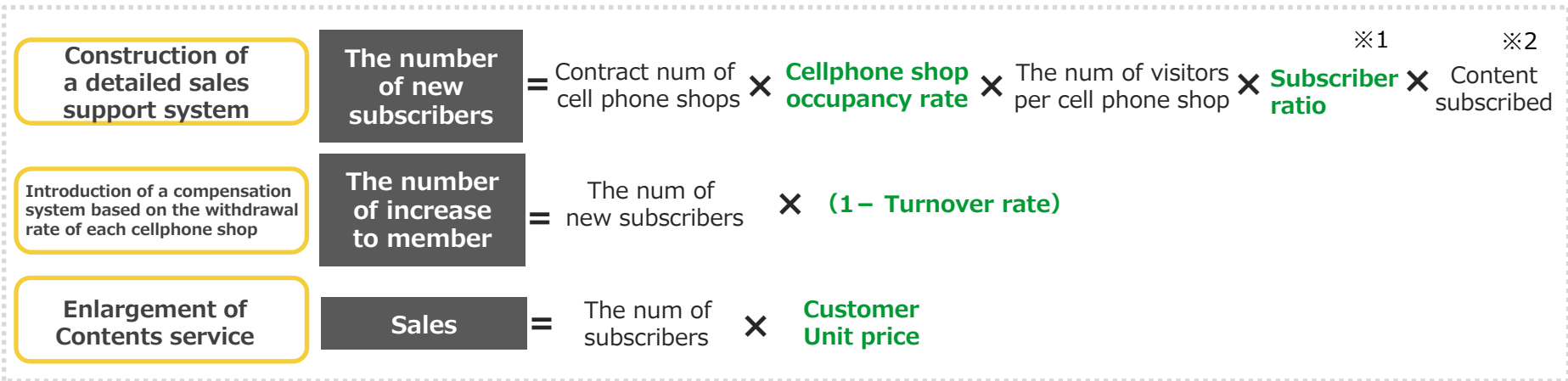
What's "Non-virtual Affiliate"?



Non-virtual affiliate is an internet advertising system as applied to cellphone shops as physical locations. Under this system, cellphone shops encourage customers visiting them to subscribe to particular content, and if a customer actually subscribes to the content, the cellphone shop receives a reward.



Improvement of Index for Contents Business



* 1 Subscriber ratio: the number of content subscribers per cell phone shop visitors (Unique)
 * 2 Content subscribed: the number of subscribed contents per

Improvement of Index for Non-virtual Affiliate Business



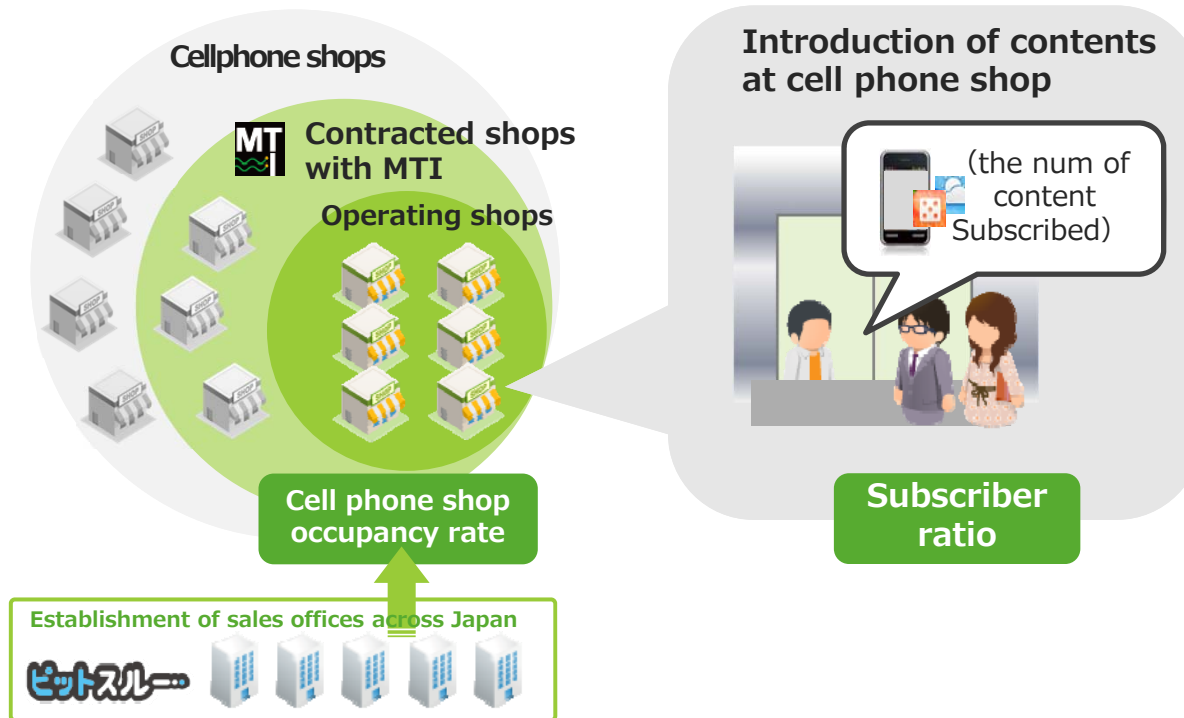
Construction of a detailed sales support system

The number of new subscribers

$$= \text{Contract num of cell phone shops} \times \text{Cellphone shop occupancy rate} \times \text{The num of visitors per cell phone shop} \times \text{Subscriber ratio}^{\times 1} \times \text{Content subscribed}^{\times 2}$$

Sales

$$= \text{The num of subscribers} \times \text{Customer Unit price}$$



* 1 Subscriber ratio: the number of content subscribers per cell phone shop visitors (Unique)

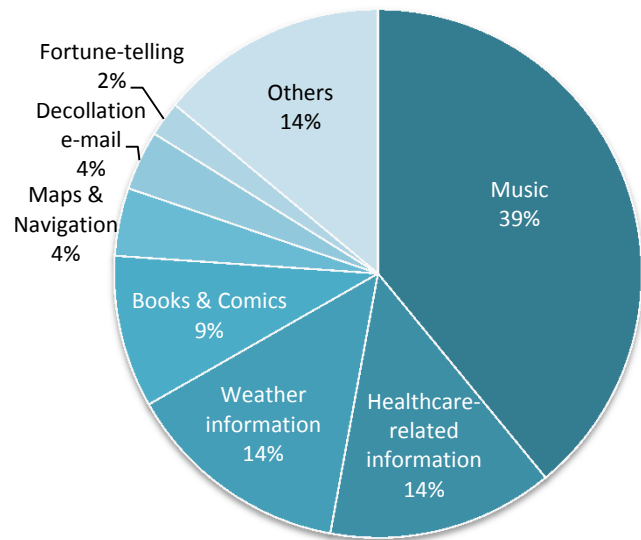
* 2 Content subscribed: the number of subscribed contents per

Major Service -Content Distribution Business-



Line-up our own contents service provided mainly moth-paid

MTI monthly paying subscribers
(As the end of December, 2015)



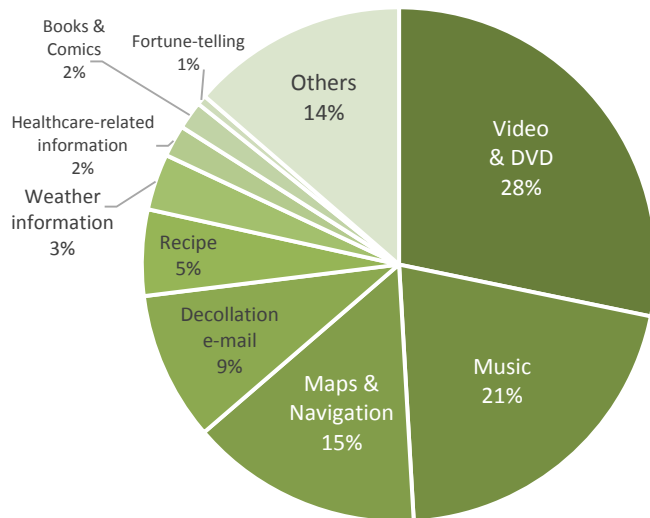
<p>Music</p>	<p>Healthcare-related information</p> <p>+KARADAMEDICA</p>	<p>Weather information</p>	<p>Books & Comics</p> <p>PhotoBook</p> <p>GettyImages</p>	<p>Maps & Navigation</p>	<p>Fortune-telling</p>
				<p>Decollation e-mail</p>	<p>Others</p>

Major Service -Non-virtual Affiliate Business-



Other companies' content service proposed at mobile phone shops

Total number of new paying subscribers by categories (October, 2015 – December, 2015)



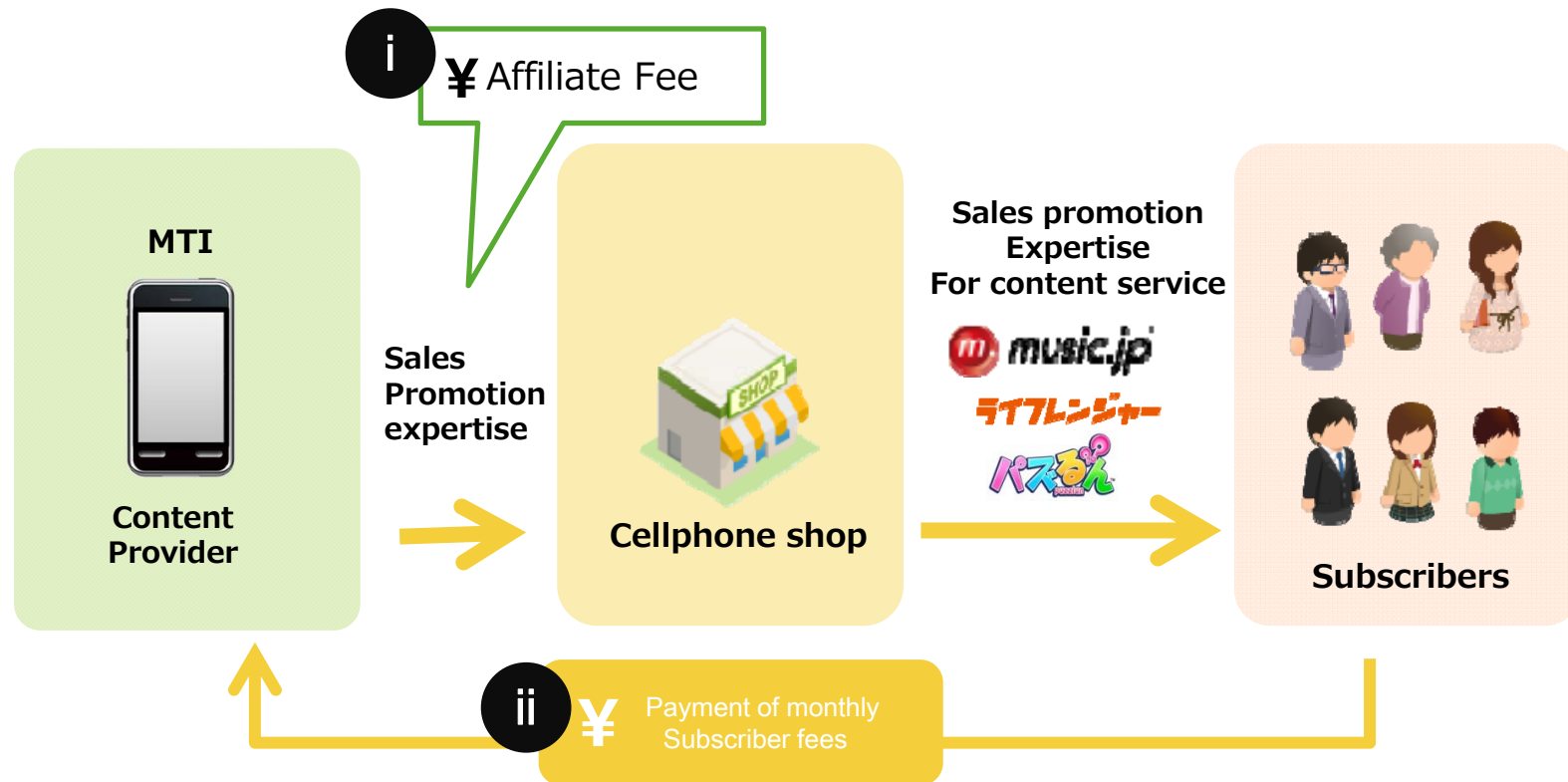
<p>Video & DVD</p>  <p>Video Market, Inc. (Our affiliated Company)</p> 	<p>Music</p> 	<p>Maps & Navigation</p> 	<p>Decollation e-mail</p> 
	<p>Recipe</p> 	<p>Books & Comics</p> 	<p>Weather info</p> 

※Other companies' content pictures are only images. These are differs from their actual service.

Business Model -Content Distribution Business-



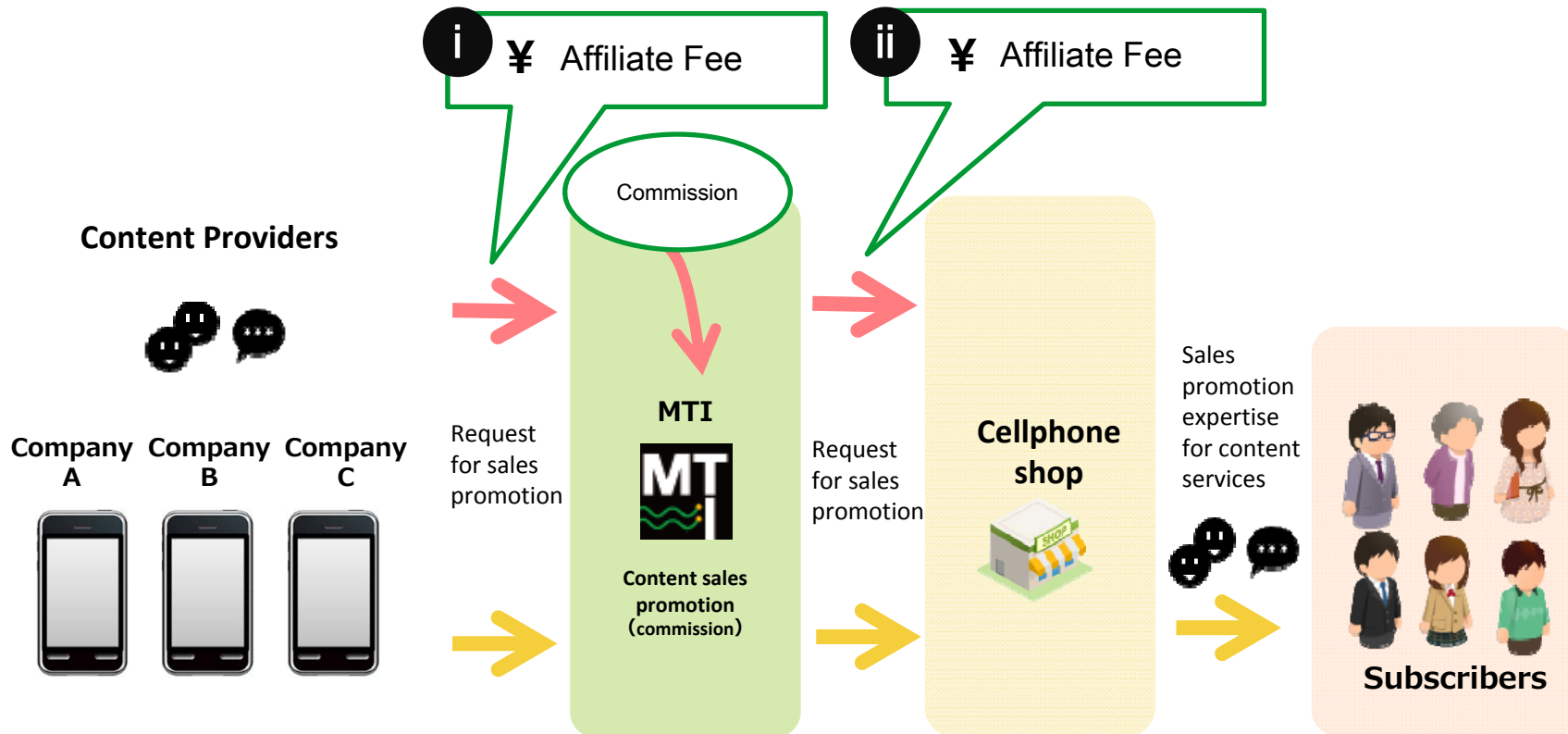
- ▶ B to C
- ▶ Stock-type business
- ▶ Num of monthly paying subscribers × ARPU = Sales



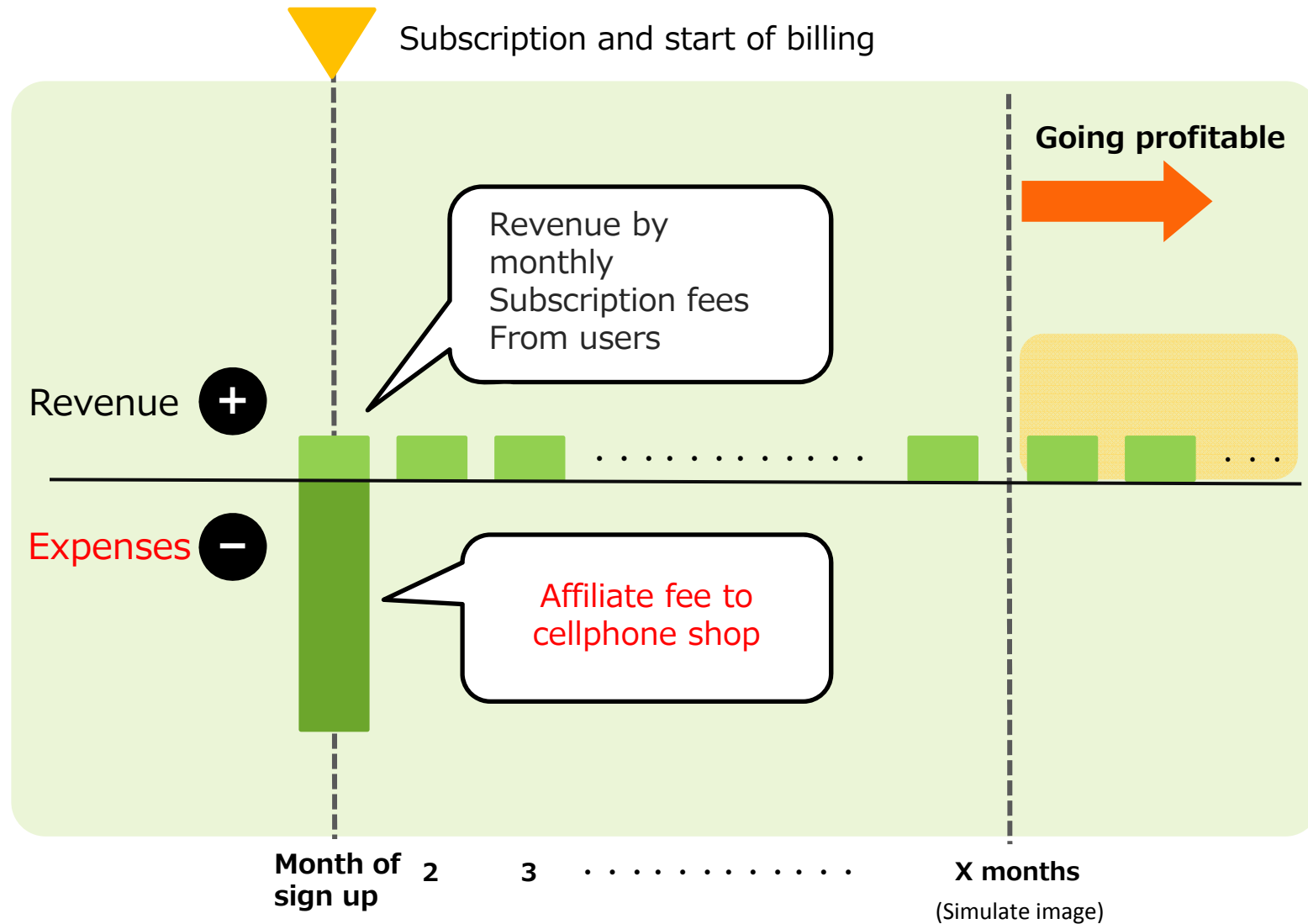
Business Model -Non-virtual Affiliate Business-



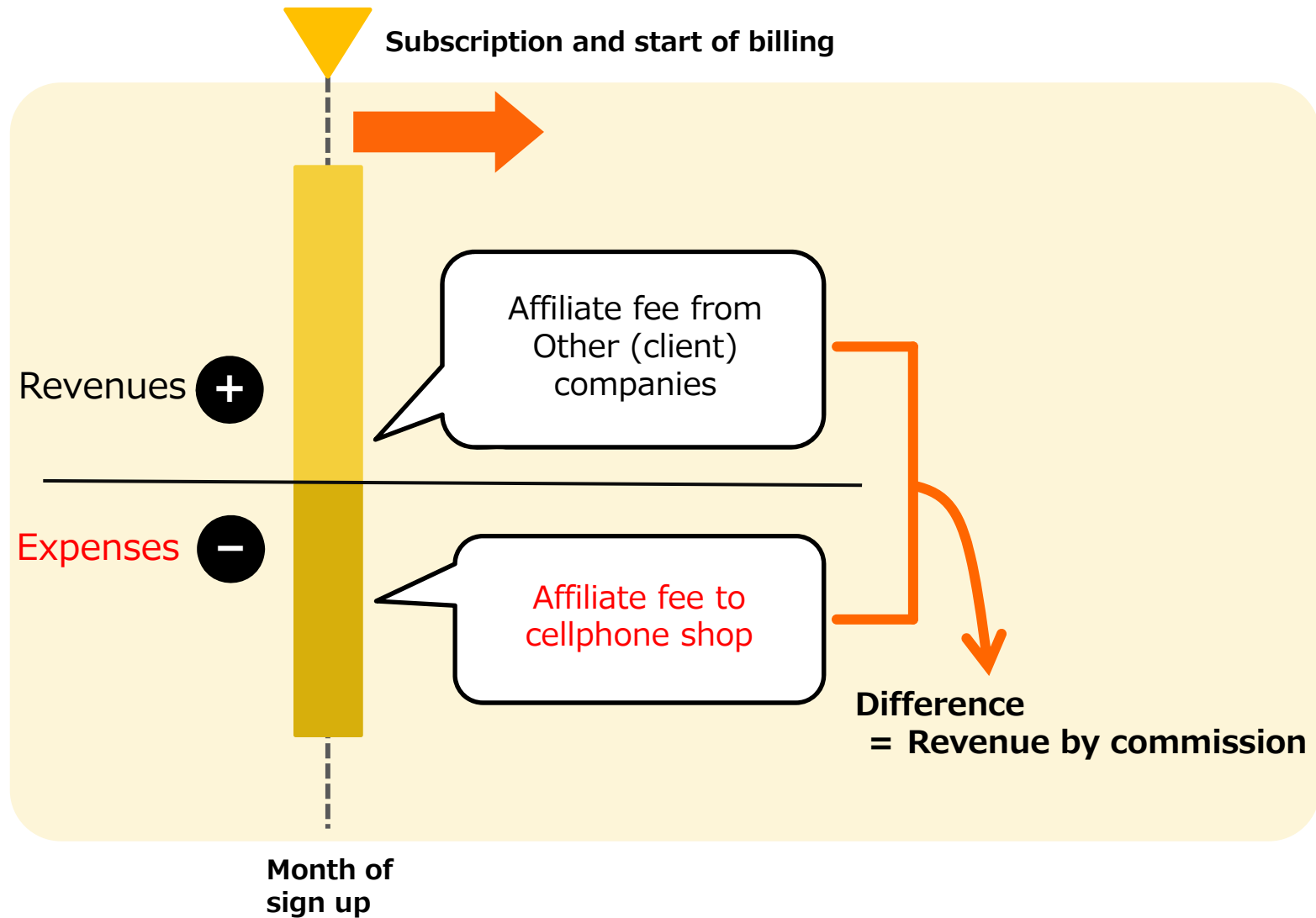
- ▶ B to B
- ▶ Flow-type business
- ▶ Num of new subscribers × Revenue by commission = Sales
(Other companies' content)



Profit and Loss Model -Content Distribution Business-



Profit and Loss Model -Non-virtual Affiliate Business-





Thank you very much for today.

MTI Ltd

〈Contact us〉

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