

**MTI Ltd.**

**Financial Results Briefing  
for Q2/FY2017**

**April 28, 2017**

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# **Financial Results Overview for Q2 FY2017**

# Financial Highlights

1

## Results in the Q2

Net sales **¥15,285**million (Down ¥1,708million, Down 10.1%, YoY)

Operating income **¥2,074**million  
(Down ¥415million, Down 16.7%, YoY)

2

## The number of paying subscribers of the smartphone

**5.49** million subscribers

(Down 0.11 million compared to December 31, 2016)

3

## Revision to Consolidated Full-Year Earnings Forecast (Profit attributable to owners of parent Only)

Revision associated with the conversion of Video Market Corporation into a consolidated subsidiary

Profit attributable to  
owners of parent

Before  
revision  
**¥2,500**  
million



After  
revision  
**¥1,600**  
million

# Consolidated P/L

(Unit: Millions of yen)

	FY2017 Q2	FY2016 Q2	Change	
			Amount	Percentage
<b>Net sales</b>	15,285	16,994	(1,708)	(10.1%)
<b>Cost of sales</b>	2,505	2,635	(129)	(4.9%)
<b>Gross profit</b>	12,780	14,359	(1,579)	(11.0%)
(Ratio)	83.6%	84.5%		
<b>SG&amp;A</b>	10,705	11,870	(1,164)	(9.8%)
(Ratio)	70.0%	69.8%		
<b>Operating income</b>	2,074	2,489	(415)	(16.7%)
(Ratio)	13.6%	14.6%		
<b>Ordinary income</b>	2,032	2,434	(401)	(16.5%)
(Ratio)	13.3%	14.3%		
<b>Profit attributable to owners of parent</b>	441	1,425	(983)	(69.0%)
(Ratio)	2.9%	8.4%		

# Consolidated SG&A

(Unit: Millions of yen)

	FY2017 Q2	FY2016 Q2	Change	
			Amount	Percentage
<b>SG&amp;A</b>	10,705	11,870	(1,164)	(9.8%)
<b>Advertising expenses</b>	3,121	4,779	(1,658)	(34.7%)
<b>Personnel expenses</b>	2,801	2,709	+91	+3.4%
<b>Commission fee</b>	1,862	1,909	(47)	(2.5%)
<b>Subcontract expenses</b>	922	758	+164	+21.6%
<b>Depreciation</b>	775	601	+173	+28.9%
<b>Other</b>	1,222	1,110	+111	+10.1%

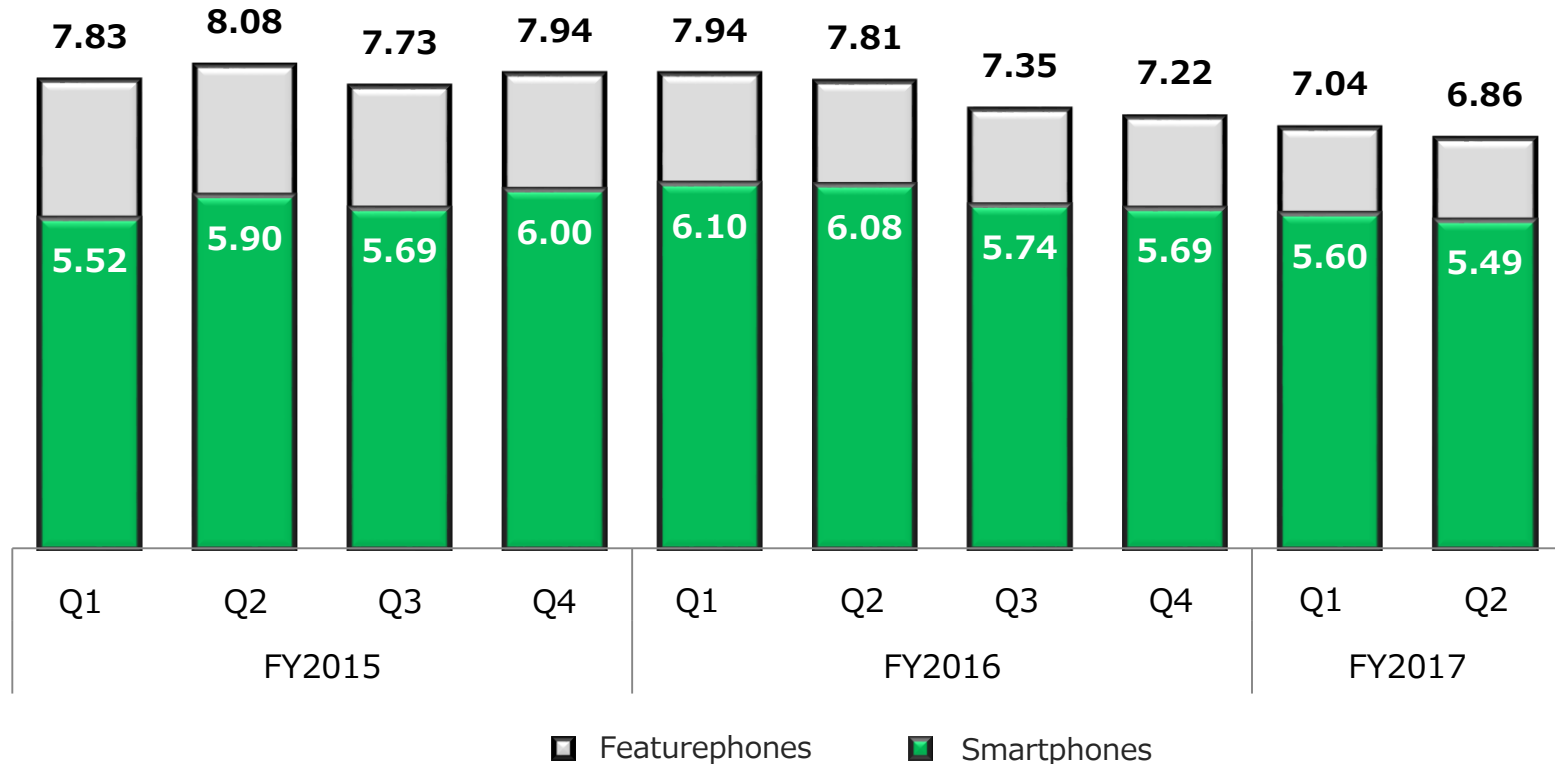
# Business Overview i )

The number of paying subscribers of the smartphone

**5.49** million subscribers

(Down 0.11 million compared to December 31, 2016)

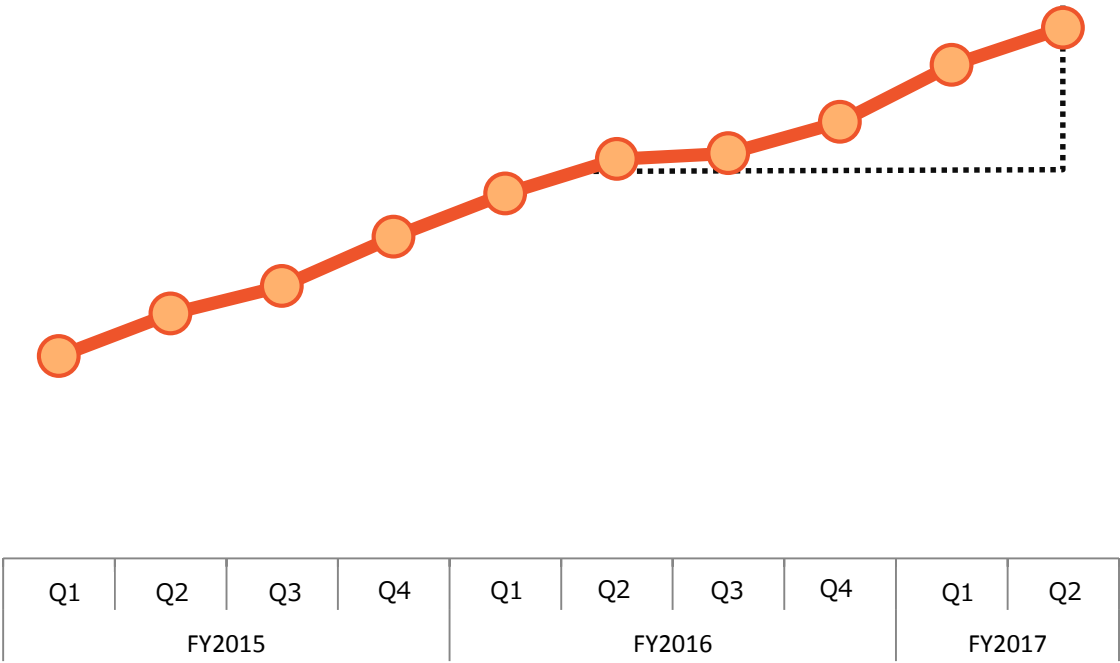
(Unit: Millions of yen)



# Business Overview ii )

The average revenue per user (ARPU) has been on the rise.

Trends in ARPU of the paying subscribers for smartphones



YoY Change  
**¥11.2**  
**UP!**



# Revision to Consolidated Full-Year Earnings Forecast

## Conversion of Video Market Corporation into a consolidated subsidiary

Extraordinary income : Gain on step acquisitions 693million

Extraordinary losses : Amortization of goodwill 1,399million

(Unit: Millions of yen)

	FY2017		Difference
	Beginning forecast	Revised forecast	
Net sales	32,000	32,000	±0
Operating income	4,060	4,060	±0
Ordinary income	4,000	4,000	±0
Profit attributable to owners of parent	2,500	1,600	(900)

**New Approach  
After  
Q3 FY2017**

# Basic Policy in FY2017

## 1. Maintaining of the total number of paying subscribers

- i ) Enhancement in the Non-virtual Affiliate Network
- ii ) M&A

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

- Enlargement of contents service

## 3. Medium-term approach

- Phase to achieve sales for the Healthcare-related service

# 1. - i Enhancement in the Non-virtual Affiliate Network

## Expansion of tie-ups with MVNO operators

- Videos & DVD
- Music
- Books
- Weather information
- Healthcare-related
- Security etc.



Made by JAPAN



# 1.- ii M&A



Anytime, Anywhere, Digital Entertainment

# VideoMarket

**Motion  
picture  
distribution**



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(Financial Results for fiscal year ended December, 2016)

Net sales ¥2,343million  
Operating income ¥177million

## On March

Conversion of  
Video Market Corporation  
into a consolidated subsidiary

# 2. Enlargement of Contents Service i )



## 160,000 titles videos distributed

TV drama

Anime

Movie

Korean/  
Asia etc.



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## 2. Enlargement of Contents Service ii)

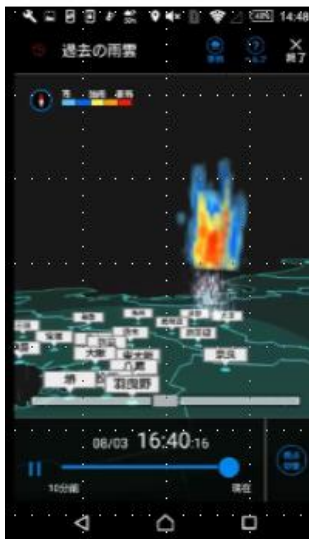
(Reference) Ranking of the number of contents by category

Rank	TV drama	Movie	Anime	Korean/Asia
No.1	TSUTAYA TV	AmazonVideo	<b>Video Market</b>	<b>Video Market</b>
No.2	AmazonVideo	<b>Video Market</b>	TSUTAYA TV	dTV
No.3	<b>Video Market</b>	iTune Store	U-NEXT	U-NEXT
No.4	U-NEXT	TSUTAYA TV	AmazonVideo	TSUTAYA TV
No.5	dTV	J:COM on-demand	dTV	Amazon Video

Source: The "Fact-Finding Survey of Major Video Distribution Services and the Number of Contents" by MM Research Institute, Inc. on February 8, 2016

# 2. Enlargement of Contents Service iii)

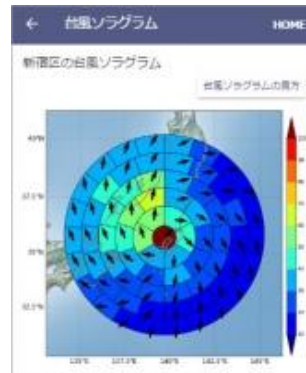
## Weather information service



3D rain cloud watch  
Phased Array Radar

Torrential  
rain forecast  
Joint study

## Yokohama National University



Joint study service  
of a hazard map  
“Typhoon Sora  
Gram” has begun.

＜新横浜の台風ソラグラム＞  
台風の中心位置が新横浜下  
風が強く吹くことがあります  
ると、避難時の要となる可  
能性が高くなる。

- 起こりうる主な被害、事故
  - ・電線断線、飛行機や船の欠
  - ・歩行時の転倒
  - ・物が飛ばれる
  - ・車の横転事故
  - ・飛来物により、窓ガラスが
  - ・屋外に置いてあるものが破
  - ・停電



日常生活に支障が出る恐れがあります。山雷への備えをする  
とともに下層の外は避け、安全確保を第一とした行動が必要  
です。

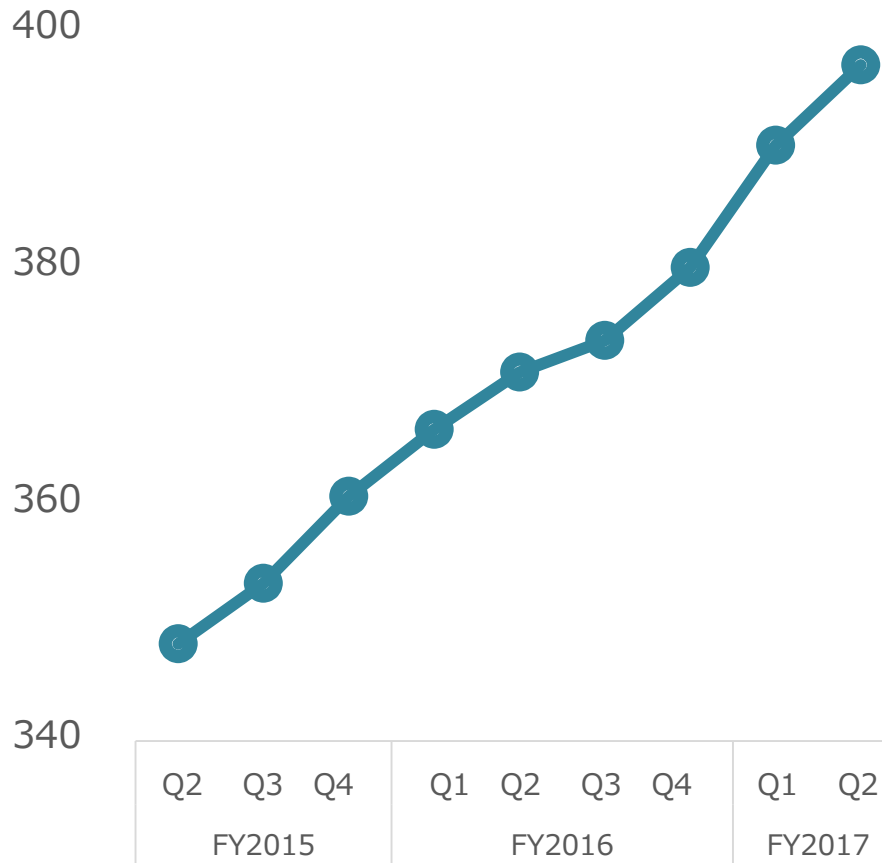
Visualization  
of the danger  
of a strong wind



## 2. Enlargement of Contents Service iv)

### Continuous rise in APRU

Quarterly change in ARPU of music.jp



**¥1,000** per month

**¥500** per month

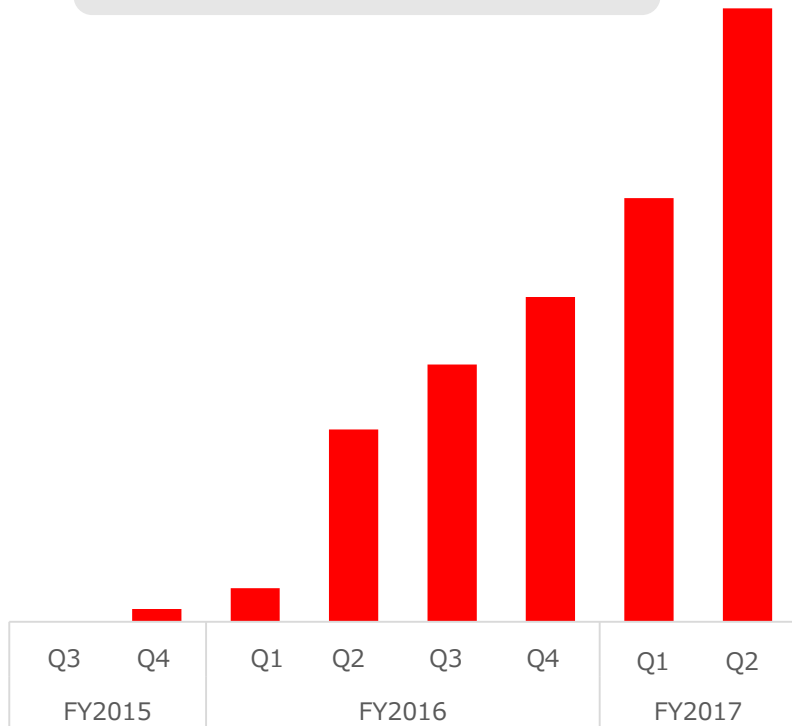
# 3. Phase to Achieve Sales for the Healthcare-related Service i)



## Sports management service

Expanding the number of orders received from schools, clubs at schools.

The number of service contracts



Conditioning and communication tool that connect athletes and coaches.



# 3. Phase to Achieve Sales for the Healthcare-related Service ii)

Electronic maternity health record book service

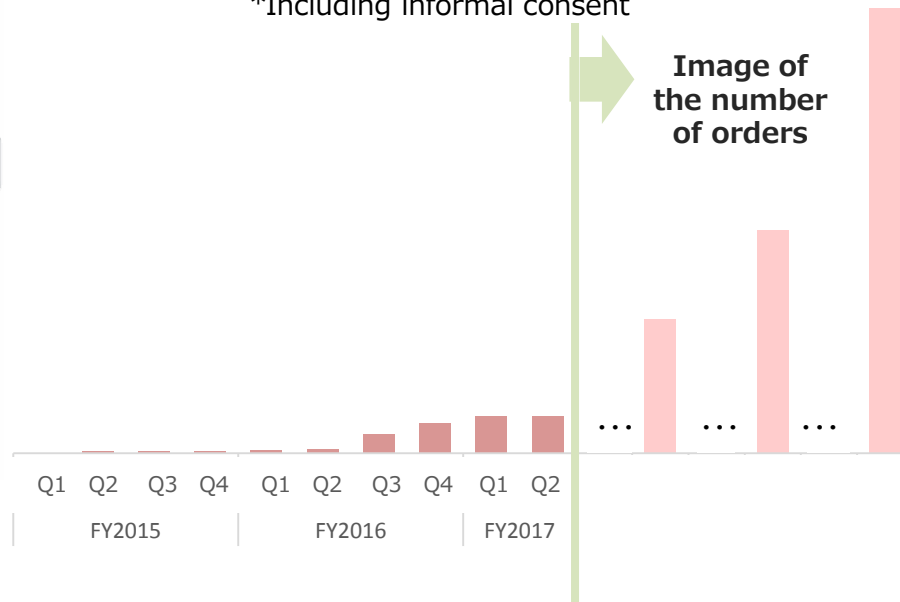
Introduction to municipalities make steady progress.

Target 1,000 orders

Cumulative total of orders received from local governments

\*Including informal consent

Image of the number of orders

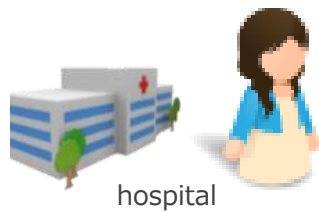


### 3. Phase to Achieve Sales for the Healthcare-related Service ii)

## Electronic medicine notebook service

ĈARADA

During a demonstration experiment with Yakuju Corporation



hospital

On the part of the user



Reading of the QR code



Entry of reservation of dispensing pharmacy

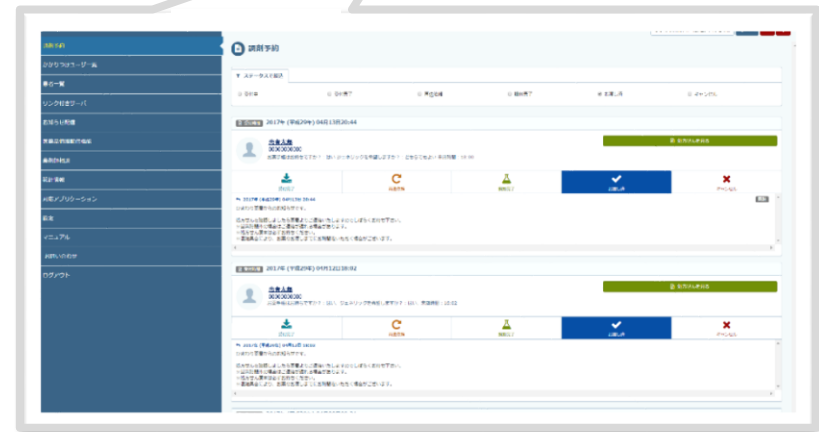


Medicine notebook

On the part of the dispensing pharmacy

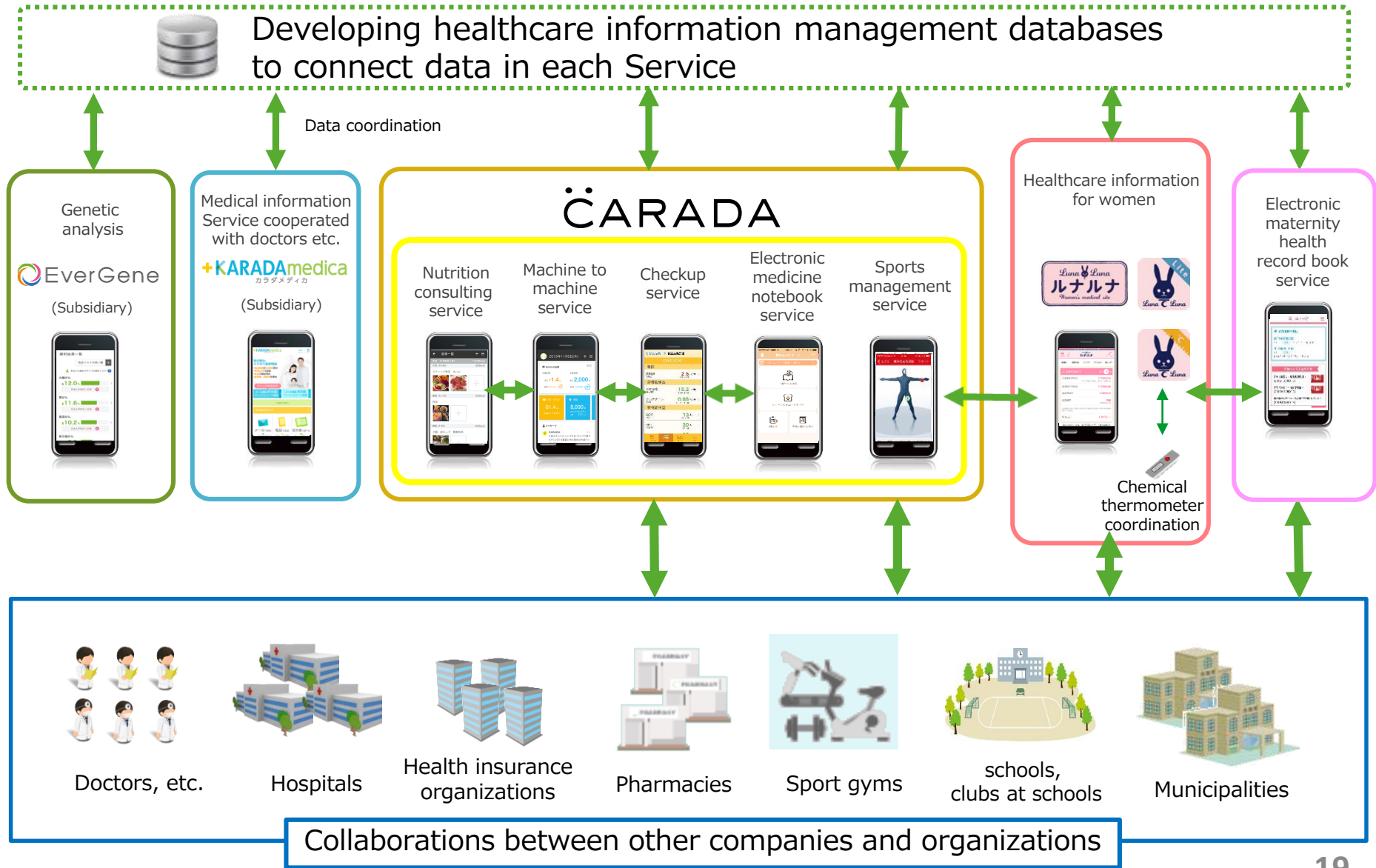


pharmacy



User information

# 【Reference】 Overview of Healthcare-related to Service



**Thank you for your attention.**

**MTI Ltd.**

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