



# **Financial Results Briefing for FY2017**

**October 31, 2017**

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# **Financial Results Overview for FY2017**

# Financial Highlights

## **1** FY2017, Decrease in profits

Net sales ¥30,933M (Down ¥1,910M, (5.8%), YoY)

Operating income ¥4,053M (Down ¥1,302M, (24.3%), YoY)

## **2** 5.32 million subscribers

(Down 0.37 million subscribers compared to September 30, 2016)

## **3** ARPU increased by **¥24.1** YoY

## **4** FY2018, Forecast for decrease in profits

Net sales ¥30,000M (Down ¥933M, (3.0%), YoY)

Operating income ¥2,800M (Down ¥1,253M, (30.9%), YoY)

# Consolidated P/L

(Millions of yen)

	FY2017	FY2016	Change		
			Amount	Percentage	
<b>Net sales</b>	30,933	32,844	(1,910)	(5.8%)	Decrease in number of paying subscribers
<b>Cost of sales</b>	5,645	5,353	292	5.5%	Increase in number of video product lines
<b>Gross profit</b> (Ratio)	25,288 81.7%	27,490 83.7%	(2,202)	(8.0%)	
<b>SG&amp;A</b> (Ratio)	21,234 68.6%	22,135 67.4%	(900)	(4.1%)	
<b>Operating income</b> (Ratio)	4,053 13.1%	5,355 16.3%	(1,302)	(24.3%)	
<b>Ordinary income</b> (Ratio)	3,972 12.8%	5,310 16.2%	(1,338)	(25.2%)	
<b>Profit attributable to owners of parent</b> (Ratio)	1,434 4.6%	3,317 10.1%	(1,883)	(56.8%)	

# Consolidated SG&A

(Millions of yen)

	FY2017	FY2016	Change	
			Amount	Percentage
<b>SG&amp;A</b>	21,234	22,135	(900)	(4.1%)
<b>Advertising expenses</b>	5,746	7,607	(1,861)	(24.5%)
<b>Personnel expenses</b>	5,922	5,637	+285	+5.1%
<b>Commission fee</b>	3,698	3,741	(42)	(1.1%)
<b>Subcontract expenses</b>	1,432	1,456	(23)	(1.6%)
<b>Depreciation</b>	1,690	1,272	+417	+32.8%
<b>Other</b>	2,743	2,420	+323	+13.4%

Decrease in new paying subscribers acquired

Increase in development expenses

Traveling expenses (healthcare marketing)

# Achievement Ratio for Earnings Forecast

(Millions of yen)

	FY2017		Achievement ratio
	Actual	Forecast	
Net sales	30,933	32,000	96.7%
Operating income	4,053	4,060	99.8%
Ordinary income	3,972	4,000	99.3%
Profit attributable to owners of parent	1,434	1,600	89.6%

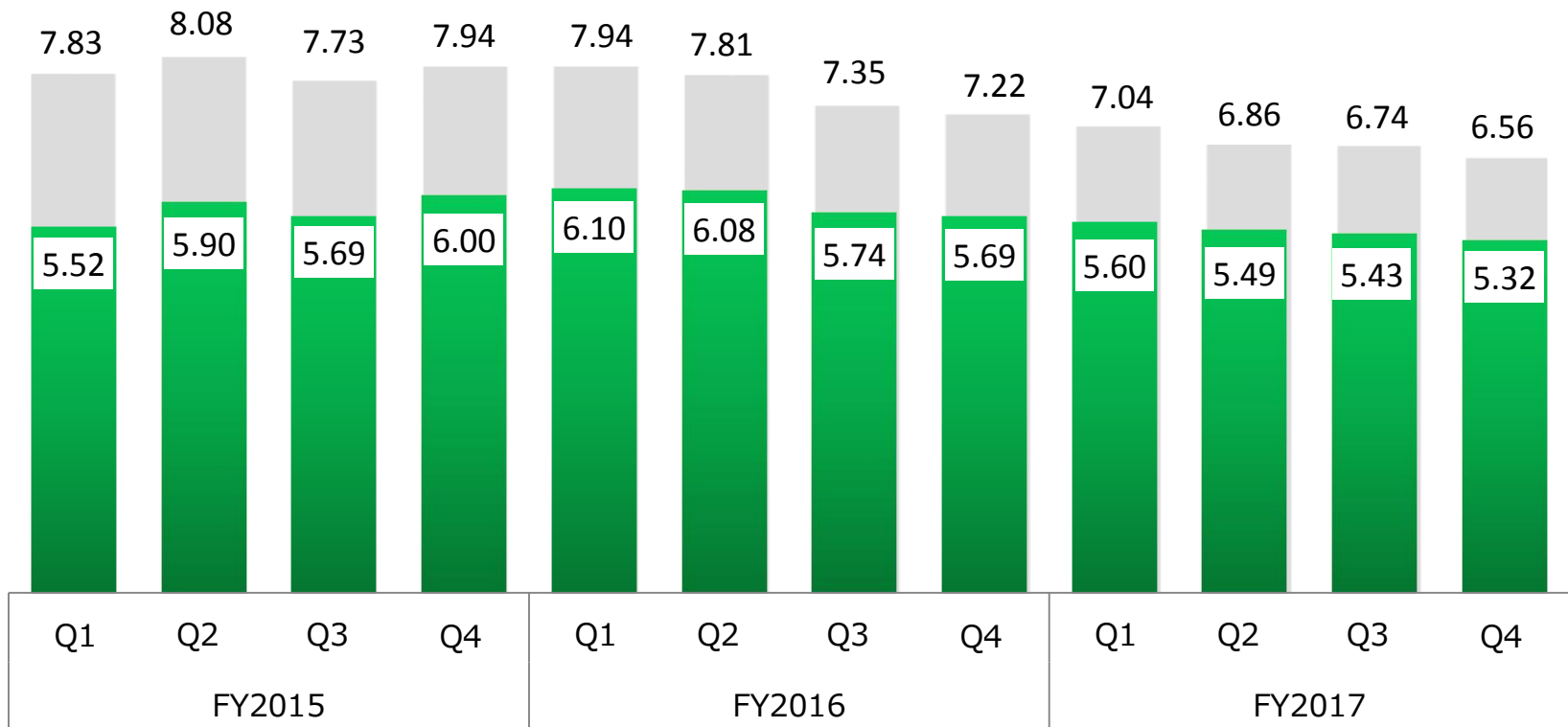
# Business Overview i )

The number of paying subscribers of the smartphone

**5.56** million subscribers

(Down 0.18 million compared to June 30, 2017)

(Unit: Millions of people)



■ Feature phones    ■ Smart phones



# 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  
**¥24.1**  
**UP!**



**New Approach  
in  
FY2018**

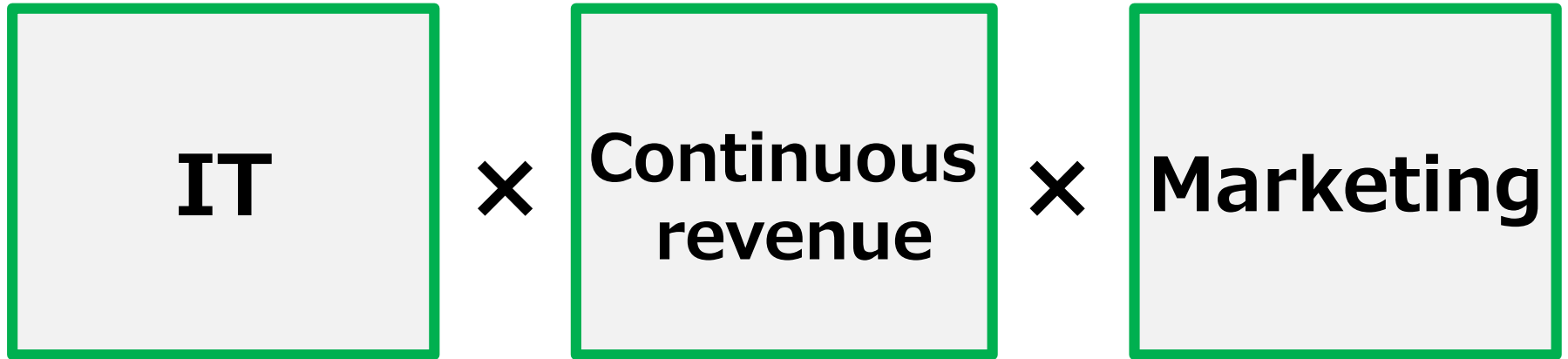
# Basic Policy in FY2018

**1. Achievement of sales for  
healthcare-related services**

**2. Maintenance of the total number  
of paying subscribers**

**3. Improvement in average  
revenue per user (ARPU)**

# Our Business Structure



# 1. Achievement of sales for healthcare-related services i )

Electronic maternity health record book Services



Aim to increase the number of local governments introducing the service



**IT**

×

**Continuous revenue**

×

**Marketing**

**Electronic maternity health record book** × **Use fee** × **Number of Local governments**



**¥50,000 / month**  
**Per local government**

**Number of local governments across Japan: 1,700**  
**Aim to sign contracts with 1,000 local governments**



**IT**

×

**Continuous revenue**

×

**Marketing**

**Sports management** × **Use fee** × **Number of schools and clubs**



**¥ 500 / month**  
**Per student**

**Improve marketing for high schools and clubs at schools across Japan**

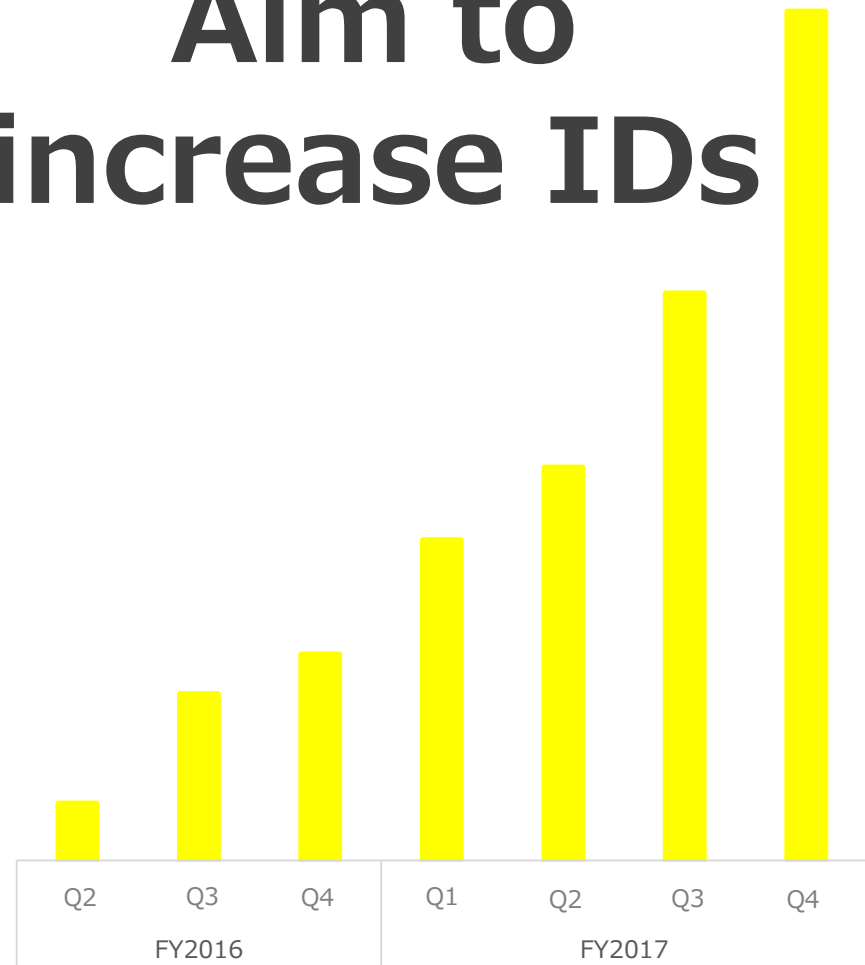


# 1. Achievement of sales for healthcare-related services iii)

## Check-up service CARADA



## Aim to increase IDs



**IT**

×

**Continuous revenue**

×

**Marketing**

**CARADA Check-up service** × **Use fee** × **Number of medical institutions for checkups and companies**



**Per Employees**

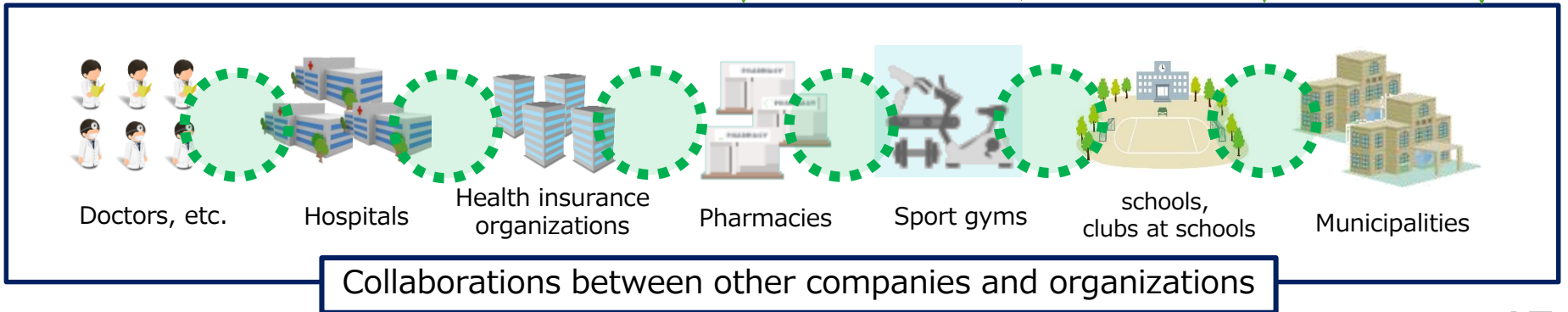
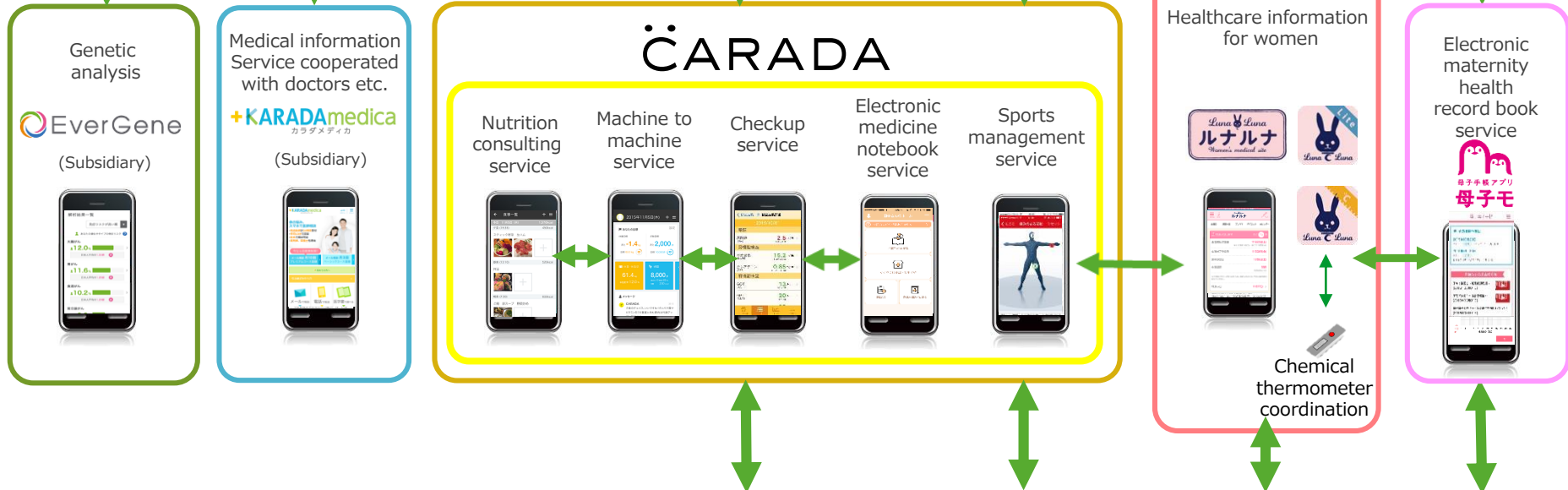
**Improve marketing for medical institutions for checkups and companies seeking health management across Japan**

# Overview of healthcare-related services i)



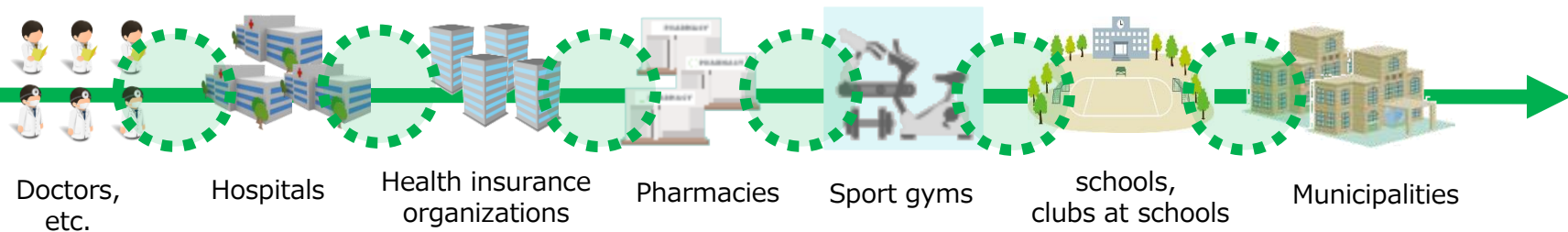
Developing healthcare information management databases to connect data in each Service

Data coordination



# Healthcare-related services

## Creating convenience in the gaps between groups/organizations

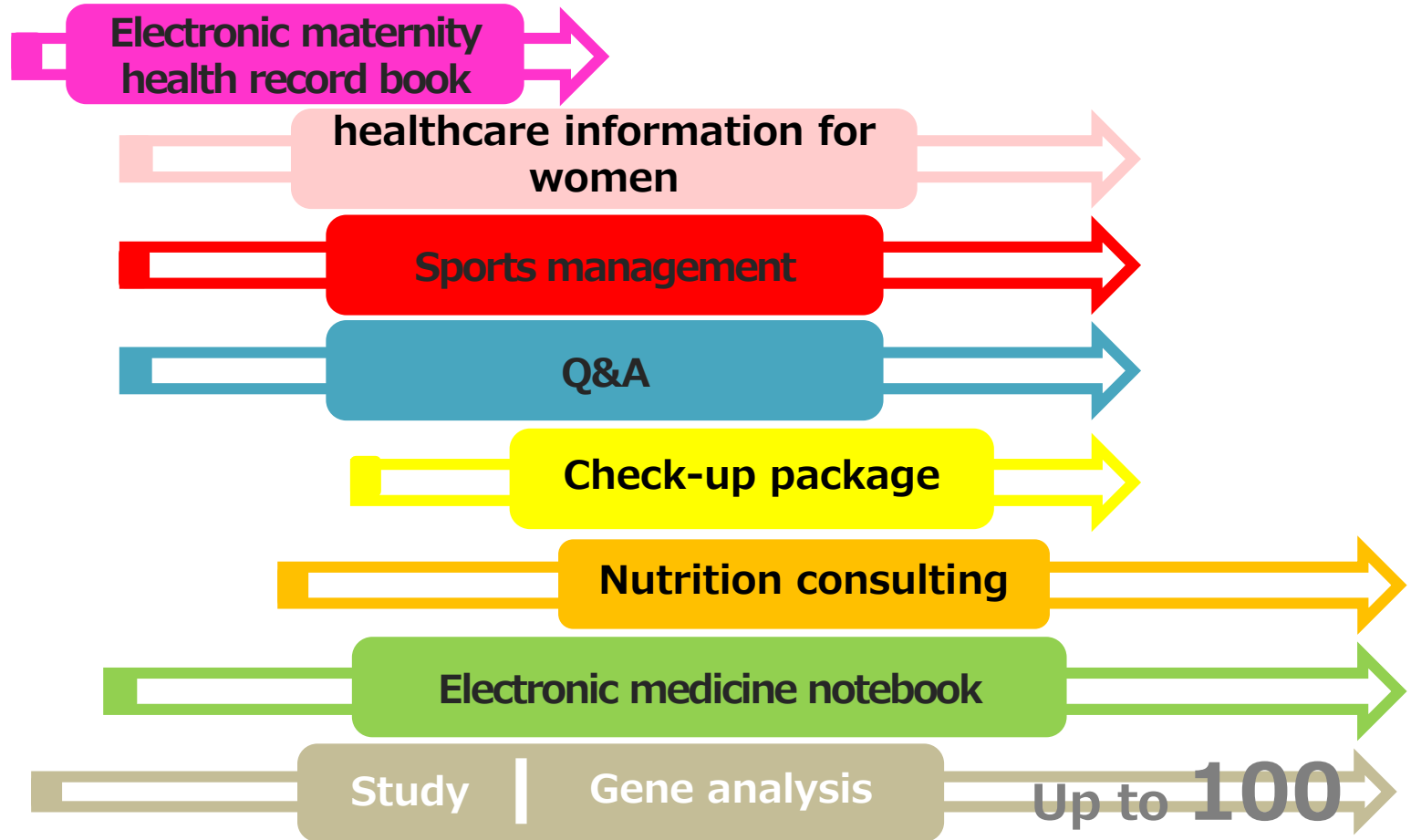


**Gap between user needs and existing services = Growth area**

# Overview of healthcare-related services ii )

From

**-1** years old



Up to **100**  
years old  
**Support**

## 2. Maintenance of the number of paying subscribers

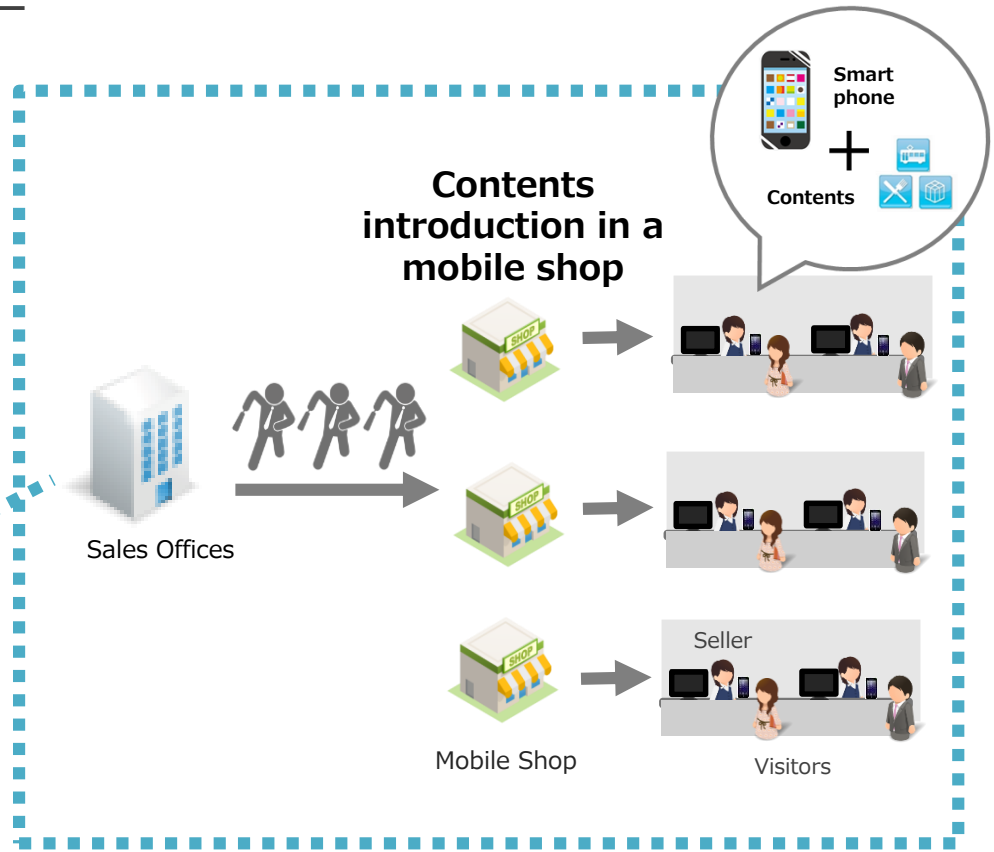
**Current: Contents Service**

**Aim to increase the  
number of long-  
term customers**

# 2. Maintenance of the number of paying subscribers

RAF Network

Improve sales capabilities to develop new channels



# 3. Improvement in ARPU i )



Anytime, Anywhere, Digital Entertainment

# VideoMarket

**Videos  
distribution**



(C)2016 Constantin Film Produktion GmbH. All Rights Reserved.

(Financial Results for fiscal year ended December, 2016)  
**Net sales ¥2,343million**  
**Operating income ¥177million**

Conversion of  
Video Market Corporation  
into a consolidated subsidiary  
**On March, 2017**



### 3. Improvement in ARPU i )



×



Anytime, Anywhere, Digital Entertainment

VideoMarket

1

**A large  
selection of  
new movies**

2

**Showing  
160,000  
videos**

3

**NHK VOD  
is available**

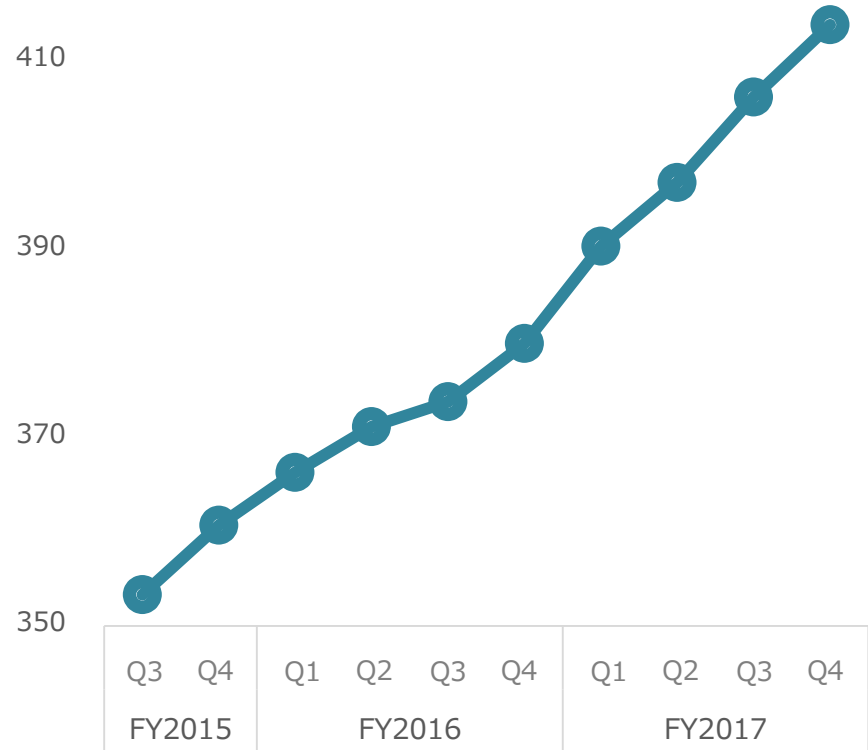
4

**A variety of  
anime and TV  
dramas**

### 3. Improvement in ARPU i )



## Continuous rise in APRU



# Other initiatives

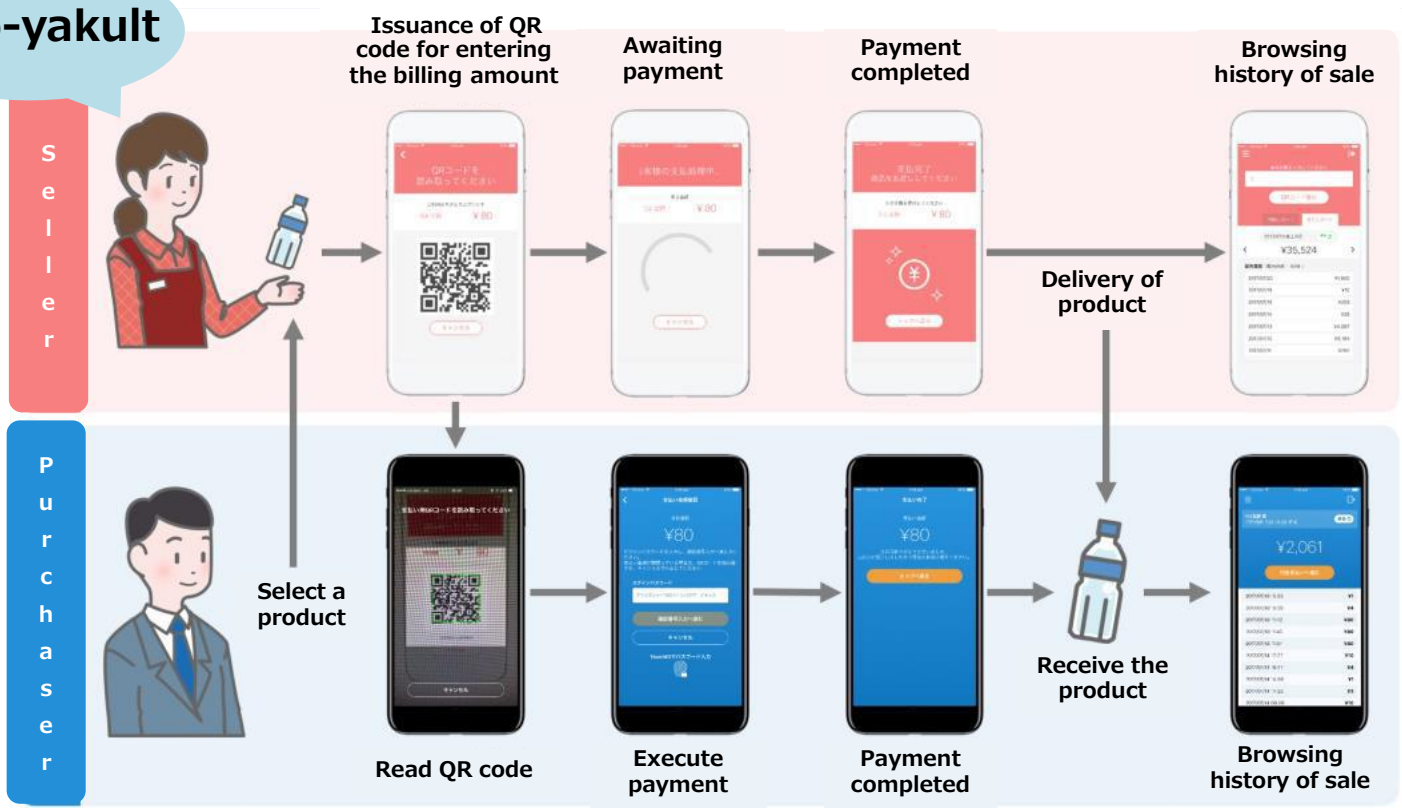
# Other initiatives i ) An initiative with Joyo Bank

## Fintech

## Part 1

### Trial demonstration of smartphone payment with direct connection to a bank account

mito-yakult



# Other initiatives i ) An initiative with Joyo Bank

## Fintech

## Part 2

### Trial demonstration of smartphone payment with direct connection to a bank account



The banner features the following text:

- 第2弾
- 口座直結型スマートフォン決済
- 割り勘・集金に対応
- 常陽銀行グループ全従業員と家族1万人を超える大規模実証実験を開始

At the bottom, three categories are listed with corresponding background images:

- 食事会・飲み会 (お会計の割り勘、会費の集金に)
- 社宅・寮 (毎月の光熱費の集金に)
- クラブ活動 (活動費の集金に)



# Other initiatives ii ) AI Service

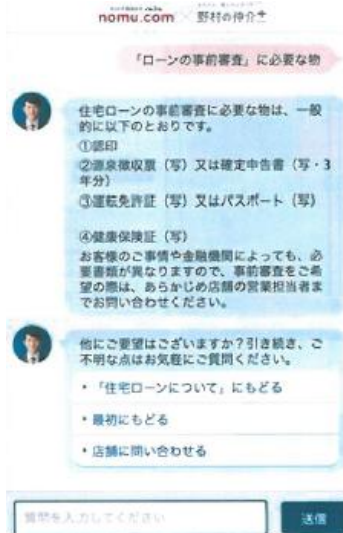


## Expanding the number of orders for AI service

Nomura Real Estate  
Urban Net Co., Ltd.

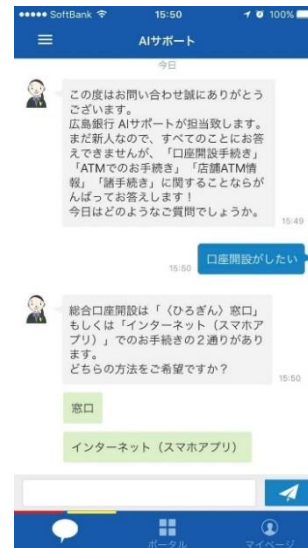
### “Sumai no AI ANSWER”

(AI ANSWER of residence)



Hiroshima Bank

### “HIROGIN App”



Suntory Holdings Ltd.  
(Carlsberg)

### “Carlsroid”





# Other initiatives ii) AI Service

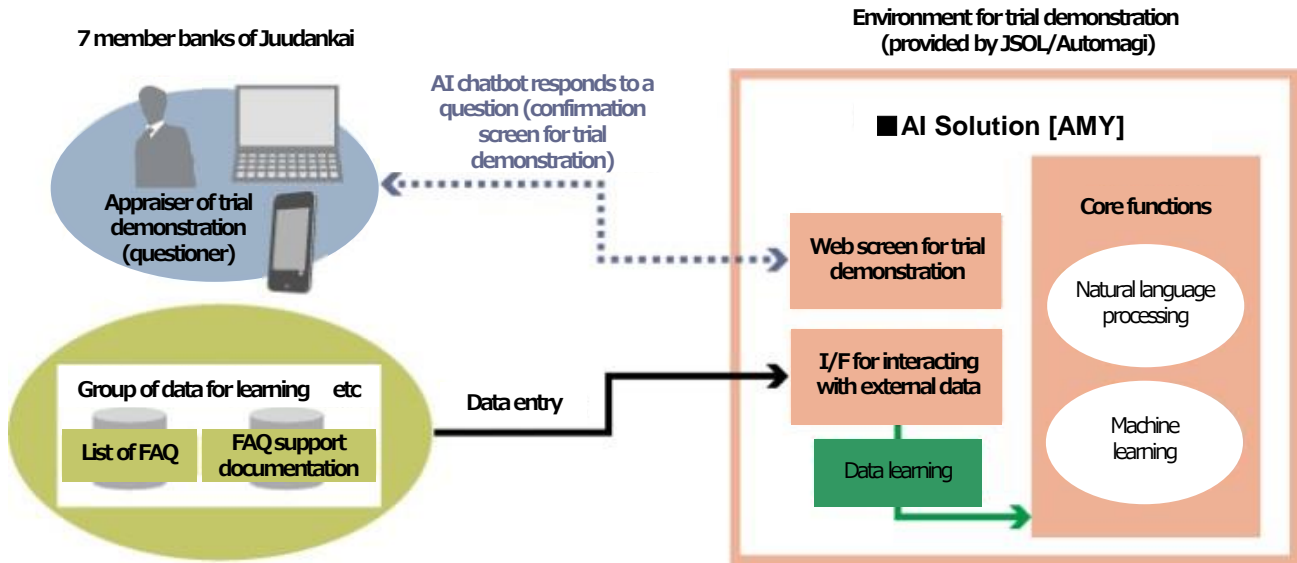


AI

## Expanding the number of orders for AI service

Subsidiary Automagi × Juudankai

# Automatic answering FAQ



About Juudankai  
Seven local banks that jointly use the core system for banks developed by Hachijuni Bank are members. The banks aim not only to jointly use the system, but also to expand the benefits of the joint use through the standardization of products/service, and clerical work operating procedures.

Member banks (in an order of regions in Japan)  
The Yamagata Bank, Ltd., Tsukuba Bank, Ltd., The Musashino Bank, Ltd., The Hachijuni Bank, Ltd., The Awa Bank, Ltd., The Miyazaki Bank Ltd., and Bank of The Ryukyus, Limited.

**B<sub>2</sub>C**  
**Evaluation of expertise**

- User friendliness
- Development speed





# **Consolidated Earnings Forecast for FY2018**

# Consolidated Earnings Forecast i )

- Year-on-year decrease in the total number of paying subscribers
- Increase in video product lines

**Net sales** **¥30,000M**

(Down ¥933 millions, down 3.0%,YoY)

**Operating income** **¥2,800M**

(Down ¥1,253 millions, down 30.9%,YoY)

**Profit attributable to owners of parent** **¥1,800M**

(Up ¥365 millions, up 25.5%,YoY)

# Consolidated Earnings Forecast ii)

(Millions of yen)	FY2018 (Forecast)			FY2017 (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)	Ratio (Full-year)
Net sales	30,000	15,000	15,000	30,933	15,285	15,648	(933)	(3.0%)
Cost of sales	6,400	3,200	3,200	5,645	2,505	3,140	+754	+13.4%
<b>Gross profit</b>	23,600	11,800	11,800	25,288	12,780	12,508	(1,688)	(6.7%)
<b>Selling, general and administrative expenses</b>	20,800	10,800	10,000	21,234	10,705	10,528	(434)	(2.0%)
<b>Operating income</b> (Ratio)	2,800 9.3%	1,000 6.7%	1,800 12.0%	4,053 13.1%	2,074 13.6%	1,979 12.6%	(1,253)	(30.9%)
<b>Ordinary income</b> (Ratio)	2,800 9.3%	960 6.4%	1,840 12.3%	3,972 12.8%	2,032 13.3%	1,939 12.4%	(1,172)	(29.5%)
<b>Profit attributable to owners of parent</b> (Ratio)	1,800 6.0%	670 4.5%	1,130 7.5%	1,434 4.6%	441 2.9%	992 6.3%	+365	+25.5%

有料会員数  
減少

動画品揃え  
強化

# Capital Policy

# Capital Policy

**We harmonize steadily increases our sales and income and share buybacks.**

	Interim dividend	Year-end dividend	Annual dividend
FY2017	¥8	¥8 (Planned)	¥16 (Planned)
FY2018 (Forecast)	¥8	¥8	¥16

※ A Dividend at the end of FY2017 are to be referred to the 22th general shareholders' meeting on December 23, 2017.

**Thank you for your attention.**

**MTI Ltd.**

〈Contact us〉

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