



Financial Results Briefing for Q1/FY2019

January 31, 2019

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Financial Results Overview for Q1 FY2019

Financial Highlights

1

Results for the Q1

Net sales **¥ 6,862**million (Down **¥655**million, Down **8.7%**, YoY)

Operating income **¥ 829**million (Up **¥167**million, Up **25.3%**, YoY)

3

The number of paying subscribers of the smartphone

4.41million subscribers

(Down 0.16 million compared to September 30, 2018)

2

Good performance

in line with earnings forecast for H1 FY2018

Progress ratio to the H1 forecast

Net sales: **49.0 %**

Operating income: **82.9%**

Consolidated P/L

Net sales declined. Operating income increased.

(Millions of yen)

	FY2019 Q1	FY2018 Q1	Change		
			Amount	Percentage	
Net sales	6,862	7,517	(655)	(8.7%)	Decrease in number of paying subscribers
Cost of sales (Ratio)	1,632 23.8%	1,590 21.2%	+41	+2.6%	
Gross profit (Ratio)	5,229 76.2%	5,926 78.8%	(696)	(11.8%)	Decrease in advertising expenses
SG&A (Ratio)	4,400 64.1%	5,265 70.0%	(864)	(16.4%)	
Operating income (Ratio)	829 12.1%	661 8.8%	+167	+25.3%	Decrease in tax expenses due to the absorption-type merger of a subsidiary implemented in the previous year
Ordinary income (Ratio)	868 12.7%	619 8.2%	+248	+40.1%	
Profit attributable to owners of parent (Ratio)	543 7.9%	801 10.7%	(258)	(32.2%)	

Consolidated SG&A

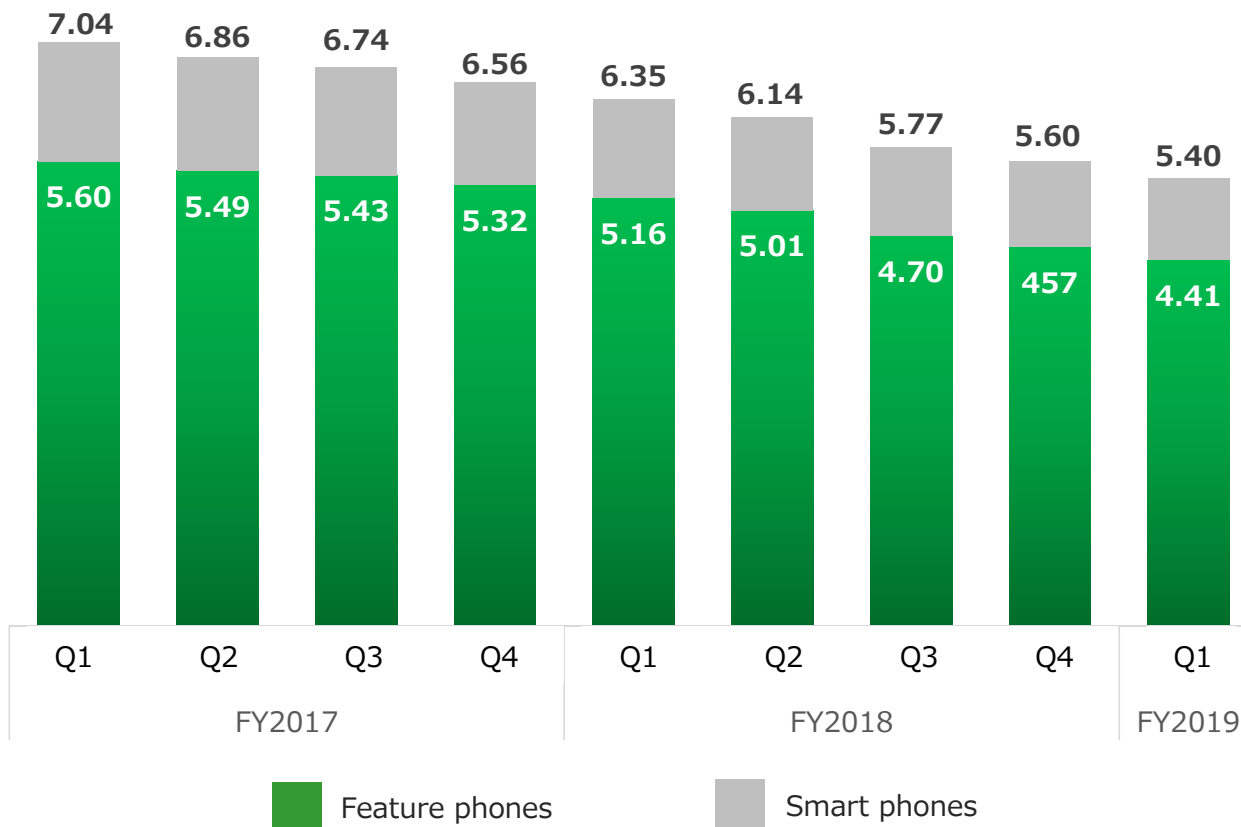
(Millions of yen)

	FY2019 Q1	FY2018 Q1	Change	
			Amount	Percentage
SG&A	4,400	5,265	(864)	(16.4%)
Advertising expenses	722	1,369	(647)	(47.3%)
Personnel expenses	1,550	1,534	+16	+1.1%
Commission fee	880	886	(6)	(0.7%)
Subcontract expenses	216	282	(65)	(23.3%)
Depreciation	343	430	(86)	(20.1%)
Other	687	761	(74)	(9.8%)

Decreased in the number of paying subscribers
(Priority was placed on the efficiency of acquisition)

Business Overview i)

(Unit: Millions of people)



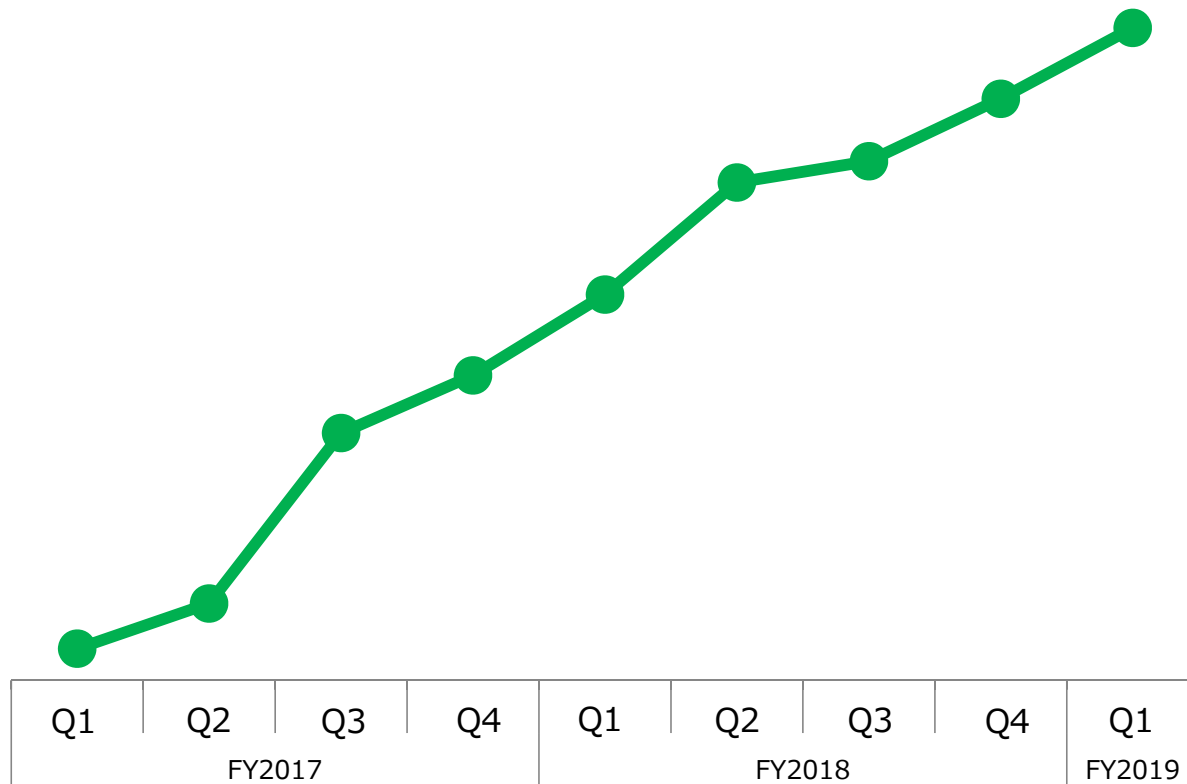
The number of paying subscribers

5.40 million subscribers

(Down 0.20 million compared to September 30, 2018)

Business Overview ii)

The average revenue per user (ARPU) for the smartphones paying subscribers



YoY Change
¥18.8
UP!

Progress for Consolidated Earnings Forecast

(Millions of yen)

	FY2019 Q1	FY2019 H1 (At the beginning of fiscal year)	Progress ratio
	Actual	Forecast	
Net sales	6,862	14,000	49.0%
Operating income	829	1,000	82.9%
Ordinary income	868	950	91.4%
Profit attributable to owners of parent	544	600	90.7%

New Approach in Q2 and thereafter

Basic Policy in FY2019

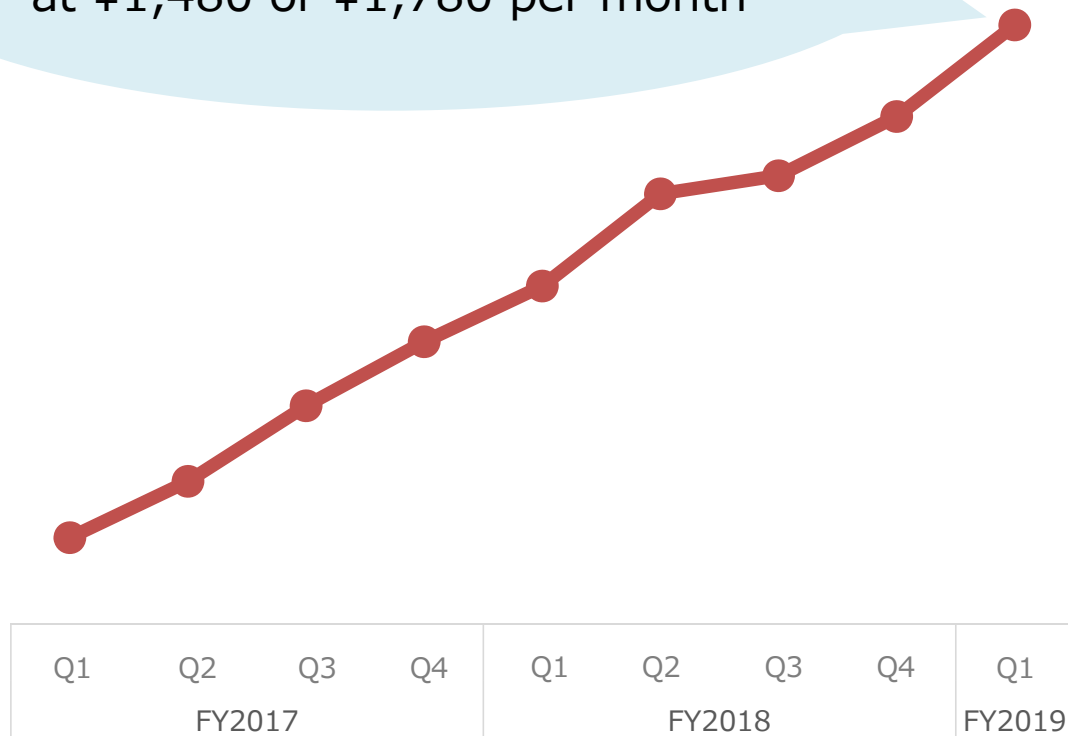
- 1. Expand sales for
healthcare-related services**

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

- 3. Improvement in ARPU**

Improvement in ARPU

Favorable responses to promotions for subscription to services at ¥1,480 or ¥1,780 per month

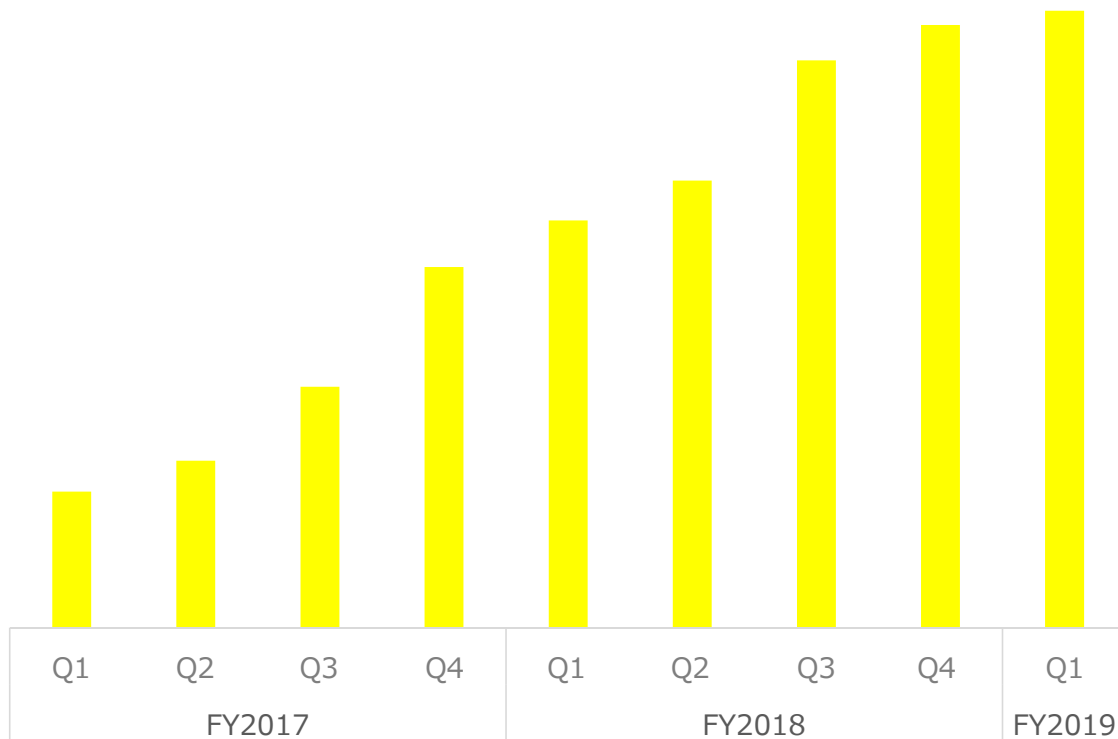


Enhanced video lineup

Continuous rise in APRU

Healthcare-related services business

Check-up service
CARADA



The number of IDs has been increasing steadily.

Healthcare-related services business

Sports management Services



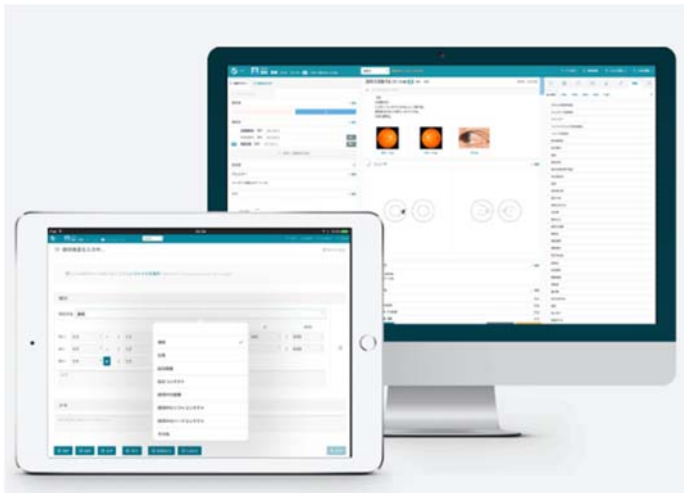
**Paid service
has been
increasing
steadily
from schools
and clubs**

Healthcare-related services: Collaboration with No. 1 prescription pharmaceutical wholesaler

Clinical Platform

Better Quality with Less

cloud-type electronic medical records



 MEDIPAL HOLDINGS CORPORATION

- Launch full-scale sales initiatives to promote cloud-type electronic medical records
- Accepted directors

Investment
for a **50.9%** stake

Clinical Platform
Better Quality with Less

Investment
for a **10.1%** stake

 **MTI Ltd.**

 MEDIPAL HOLDINGS CORPORATION

Healthcare-related services: Collaboration with No. 1 prescription pharmaceutical wholesaler

ČARADA medica

Online medical examination system



Health counseling service



- Capital increase (invested ¥2.1 billion)
- Accepted a director and an auditor

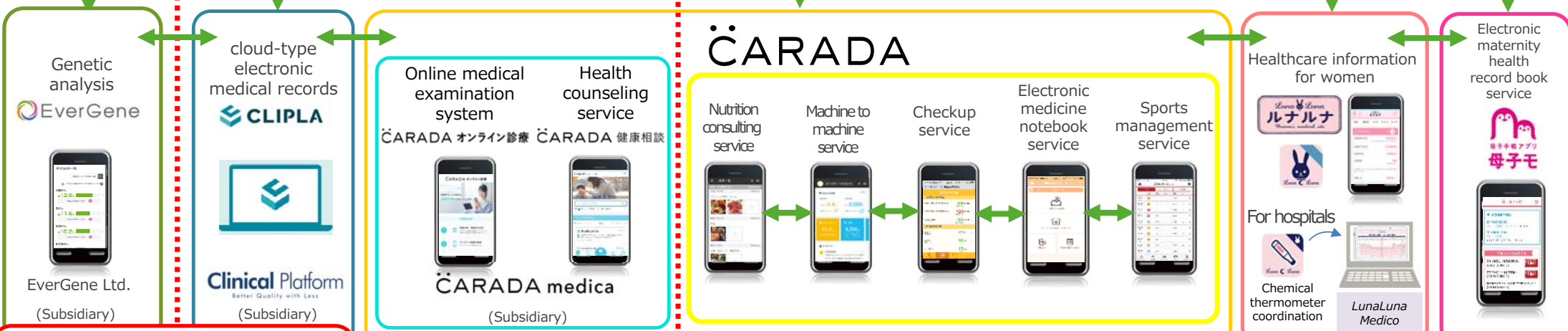


Overview of healthcare-related services



Developing healthcare information management databases to connect data in each Service

Data coordination

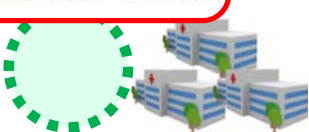


Promote collaboration with No.1 prescription pharmaceutical wholesaler

MEDIPAL HOLDINGS CORPORATION



Doctors, etc.



Hospitals



Health insurance organizations



Pharmacies



Sport gyms



schools, clubs at schools



Municipalities

Collaborations between other companies and organizations

Topics : Healthcare-related services business

Healthcare information
for women



Prediction of menstrual and ovulation dates
and recording of basal body temperatures



Concluded comprehensive agreements in conjunction with support for matchmaking efforts

with Hokkaido and
Oita Prefectures
in December,
following those with
Saitama and Osaka Prefectures

Topics : Fintech business



Started settlement services



Started a trial demonstration
Secoma Company, Ltd.
Ain Pharmaciez Inc.

Providing system to regional banks



QR code-based settlement services

Posted on the Newspapers!

(December 24, 2018)

Nikkei Inc.

THE YOMIURI SHIMBUN

THE IBARAKI SHIMBUN Co., Ltd.



Topics : AI services business (Automagi Inc.)

● chat bot

(Automatic answering)



Steadily increased the number of companies adopting the services in the financial industry

● Analysis of AI images and videos

Diversification of applications



Detection of abnormalities

Prevention of drowsy driving

Automatic identification of unoccupied seats

Automatic reading of bills and invoices

High-speed measurement of dimensions

Automatic reading of barcodes

Gum inspection

...

Number of companies introducing the service



Cumulative total exceeding **50** companies



Tsukuba Bank, Ltd.

The Awa Bank, Limited.

The Miyazaki Bank, Ltd.

The Musashino Bank, Ltd.

Mizuho Securities Co., Ltd.

A Demonstration experiment with Juudankai



NTT DATA Corporation

Nichirei Logistics Group Inc.

TEPCO Power Grid, Incorporated

NTT DOCOMO, INC.

Lion Corporation

...

Topics : Efforts in the MaaS service area

Build your trip with a smart phone including e-ticketing of LOCAL Buses in northern Japan!

Boost regional consumptions

Michinori Holdings, Inc.



Provide a bus fare ticketing and payment system

Establish a tourism-oriented MaaS model

*MaaS: A next-generation transportation system that improves convenience by allowing users to comprehensively access searching, booking, payment and ticketing services as a one-stop solution only with a smartphone, with respect to multiple transportation means including railways and buses.

Appendix.

Consolidated B/S

(Unit: millions of yen)

	As of December 31,2018	As of September 30,2018	Change		As of December 31,2018	As of September 30,2018	Change
Current assets	18,731	16,559	+2,171	Liabilities	4,147	3,954	+193
Cash and deposit	12,468	10,504	+1,964	Accounts payable-trade	1,241	1,284	(42)
Notes and accounts receivable-trade	5,118	5,203	△85	Account payable-other	1,444	1,462	(17)
Other	1,198	897	+300	Income taxes payable	355	133	+222
Allowance for doubtful accounts	(54)	(45)	(8)	Allowance for coin usage	147	141	+5
				Other	957	932	+25
Non-current assets	6,989	7,336	(347)	Non-current liabilities	1,161	1,133	+27
Property, plant and equipment	262	263	(0)	Net defined benefit liability	1,138	1,108	+29
Intangible fixed assets	2,082	1,976	+105	Other	23	25	(2)
Include software	1,797	1,757	+39	Total liabilities	5,309	5,088	+221
Investments and other assets	4,644	5,096	(452)	Capital stock	5,100	5,100	+0
Include investment securities	2,574	3,309	(735)	Capital surplus	6,885	5,820	1,064
				Retained earning	10,186	10,080	+105
				Treasury shares	(3,148)	(3,148)	(0)
				Accumulated other comprehensive income	(479)	125	(605)
				Subscription rights to shares	348	332	+15
				Non-controlling interests	1,519	496	+1,022
				Total net assets	20,411	18,808	+1,602
Total assets	25,720	23,896	+1,823	Total liabilities and net assets	25,720	23,896	+1,823

Trends in Consolidated P/L

(Unit: millions of yen)

	FY2017				FY2018				FY2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	7,637	7,648	7,811	7,837	7,517	7,645	7,036	6,876	6,862
Cost of sales	1,275	1,230	1,533	1,606	1,590	1,734	1,499	1,580	1,632
Gross profit	6,362	6,417	6,277	6,230	5,926	5,910	5,537	5,295	5,229
(Ratio)	83.3%	83.9%	80.4%	79.5%	78.8%	77.3%	78.7%	77.0%	76.2%
Selling, general and administrative expenses	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542	4,400
Operating income	1,149	925	1,139	839	661	710	1,092	753	829
(Ratio)	15.0%	12.1%	14.6%	10.7%	8.8%	9.3%	15.5%	11.0%	12.1%
Ordinary income	1,125	907	1,143	796	619	706	1,085	705	868
(Ratio)	14.7%	11.9%	14.6%	10.2%	8.2%	9.2%	15.4%	10.3%	12.7%
Profit attributable to owners of parent	677	(235)	703	289	801	352	740	(266)	543
(Ratio)	8.9%	-	9.0%	3.7%	10.7%	4.6%	10.5%	-	7.9%

Trends in Consolidated SG&A

(Unit: millions of yen)

	FY2017				FY2018				FY2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SG&A Total	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542	4,400
Advertising expenses	1,542	1,578	1,317	1,307	1,369	1,487	721	822	722
Personnel expenses	1,395	1,406	1,554	1,566	1,534	1,456	1,500	1,499	1,550
Commission fee	926	935	904	932	886	938	884	913	880
Subcontract expenses	402	519	255	253	282	240	240	186	216
Depreciation	374	401	458	456	430	422	412	373	343
Other	572	650	647	874	761	654	685	746	687

Consolidated Earnings Forecast for FY2019

(Unit: millions of yen)

	FY2019			FY2018 (Actual)			Change	
	Full-year	H1	H2	Full-year	H1	H2	Amount (Full-year)	Percentage (Full-year)
Net sales	28,000	14,000	14,000	29,075	15,162	13,913	(1,075)	(3.7%)
Cost of sales	6,400	3,200	3,200	6,405	3,325	3,094	(5)	(0.1%)
Gross profit	21,600	10,800	10,800	22,670	11,837	10,819	(1,070)	(4.7%)
Selling, general and administrative expenses	19,200	9,800	9,400	19,452	10,465	8,961	(252)	(1.3%)
Operating income	2,400	1,000	1,400	3,218	1,372	1,858	(818)	(25.4%)
(Ratio)	8.6%	7.1%	10.0%	11.1%	9.1%	13.4%		
Ordinary income	2,300	950	1,350	3,116	1,325	1,802	(816)	(26.2%)
(Ratio)	8.2%	6.8%	9.6%	10.7%	8.7%	13.0%		
Profit attributable to owners of parent	1,400	600	800	1,629	1,154	487	(229)	(14.1%)
(Ratio)	5.0%	4.3%	5.7%	5.6%	7.6%	13.4		

MTI Ltd.

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