

MTI Ltd.
Financial Results Briefing
for Q2/FY2019

April 26, 2019

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Financial Results Overview for H1 FY2019

Financial Highlights

1 H1 Results

Net sales **¥ 13,932**million (Down ¥1,230million, Down 8.1%, YoY)

Operating income **¥ 1,635**million (Up ¥263million, Up 19.2%, YoY)

2 Better performance than expected

Deference between forecast and the actual for H1 performance;

Net sales (¥67)million

Operating income +¥635 million

3 ARPU up ¥15.2 YoY

The number of paying subscribers of the smartphone

4.27million subscribers

(Down 0.14 million compared to the end of December, 2018)

Consolidated P/L

(Millions of yen)

	FY2019 H1	FY2018 H1	Change		
			Amount	Percentage	
Net sales	13,932	15,162	(1,230)	(8.1%)	Decreased in number of paying subscribers
Cost of sales (Ratio)	3,515 25.2%	3,325 21.9%	+190	+5.7%	
Gross profit (Ratio)	10,416 74.8%	11,837 78.1%	(1,421)	(12.0%)	
SG&A (Ratio)	8,781 63.0%	10,465 69.0%	(1,684)	(16.1%)	Decreased in advertising expenses
Operating income (Ratio)	1,635 11.7%	1,372 9.1%	+263	+19.2%	
Ordinary income (Ratio)	1,577 11.3%	1,325 8.7%	+251	+19.0%	Decreased in tax expenses due to the absorption-type merger of a subsidiary implemented in the previous year
Profit attributable to owners of parent (Ratio)	860 6.2%	1,154 7.6%	(293)	(25.4%)	

Consolidated SG&A

(Millions of yen)

	FY2019 H1	FY2018 H1	Change	
			Amount	Percentage
SG&A	8,781	10,465	(1,684)	(16.1%)
Advertising expenses	1,486	2,857	(1,371)	(48.0%)
Personnel expenses	3,067	2,990	+76	+2.6%
Commission fee	1,725	1,824	(99)	(5.4%)
Subcontract expenses	464	523	(58)	(11.2%)
Depreciation	676	852	(176)	(20.7%)
Other	1,361	1,416	(55)	(3.9%)

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

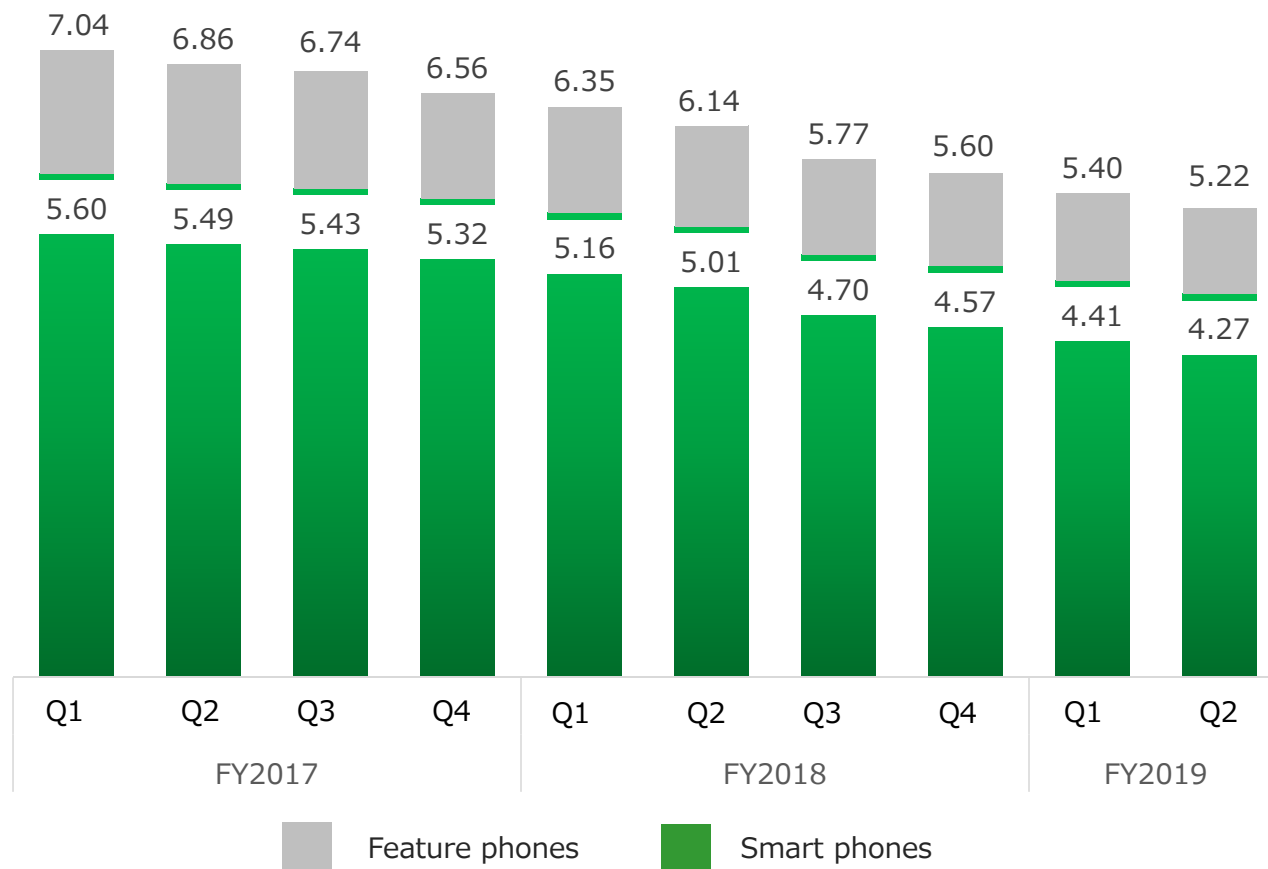
Difference between earnings forecast and the actual for H1

(Unit: Millions of yen)

	FY2019 H1		Difference
	Earning forecast at beginning of fiscal year	Actual	
Net sales	14,000	13,932	(67)
Operating income	1,000	1,635	+635
Ordinary income	950	1,577	+627
Profit attributable to owners of parent	600	860	+260

Business Overview i)

(Unit: Millions of people)



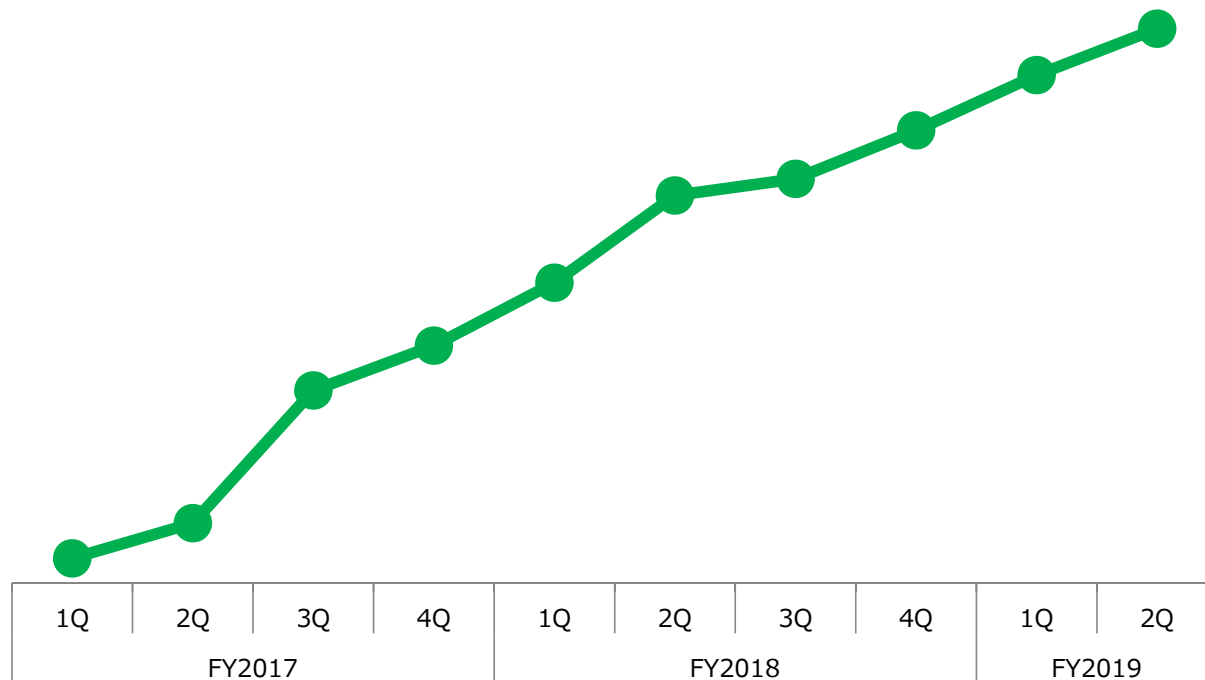
The number of paying subscribers

5.22 million subscribers

(Down 0.14 million compared to the end of December, 2018)

Business Overview ii)

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



YoY Change

¥15.2

UP!

New Approach in Q3 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**

MTI Designs services for BtoB and BtoBtoC from the performance of BtoC which has been developed with end-users' eyes.

Smart phone

App's Development

BtoC of mobile business

AI



End user marketing



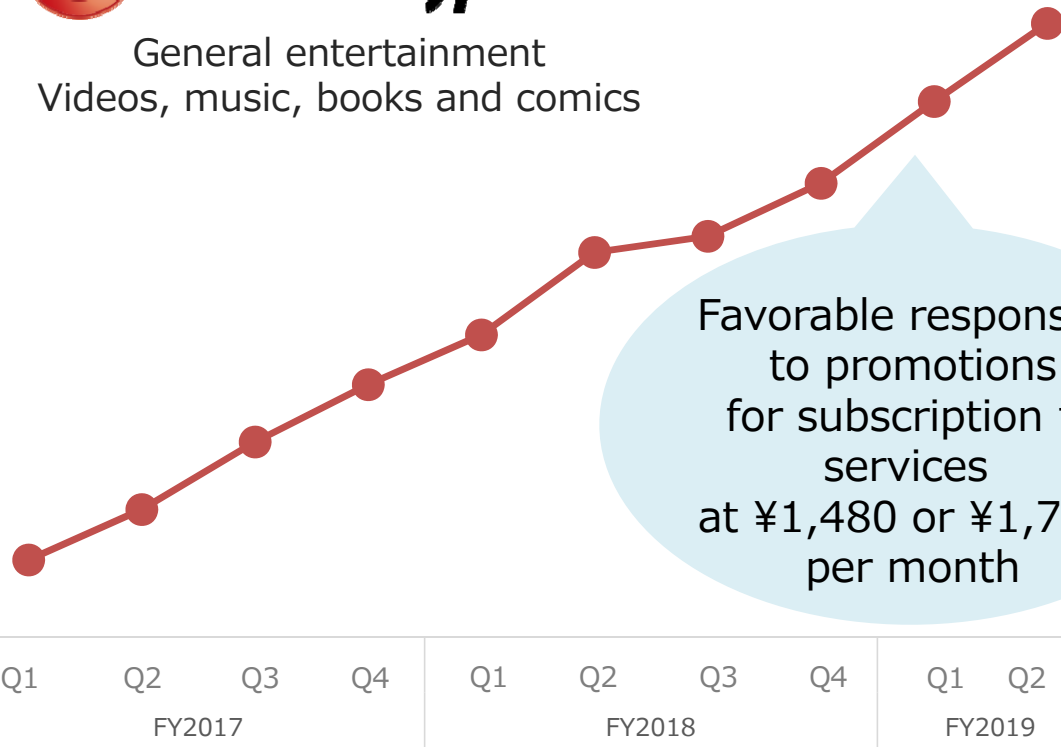
UI/UX



Improvement in ARPU



General entertainment
Videos, music, books and comics



Enhanced video lineup

Continuous rise in APRU

Healthcare-related Services Business i)

Health management service

Daily-use, Intuitive UI/UX

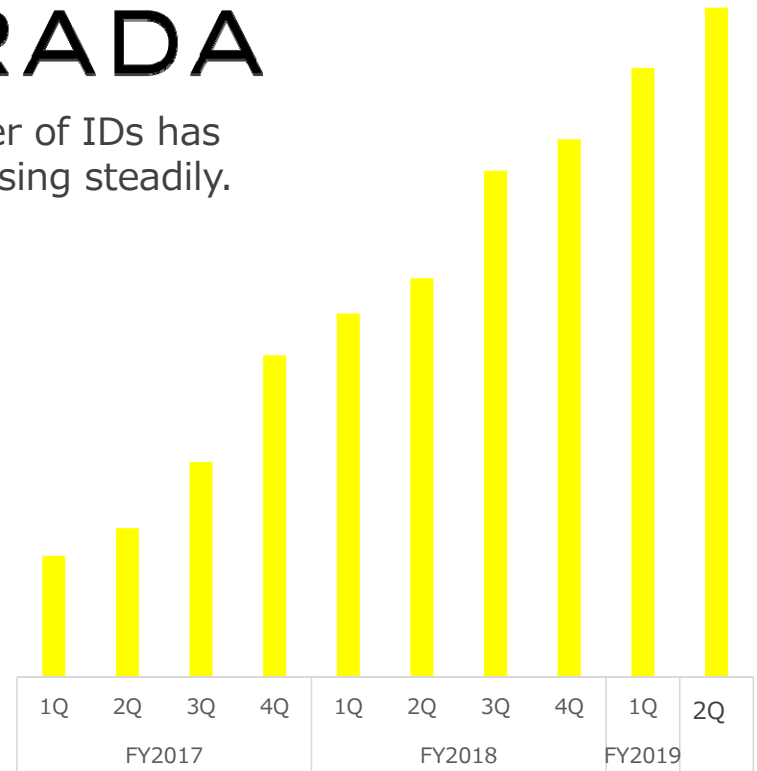


Smartphone app connecting employees and a company

BtoB business
(For corporate use)

CARADA

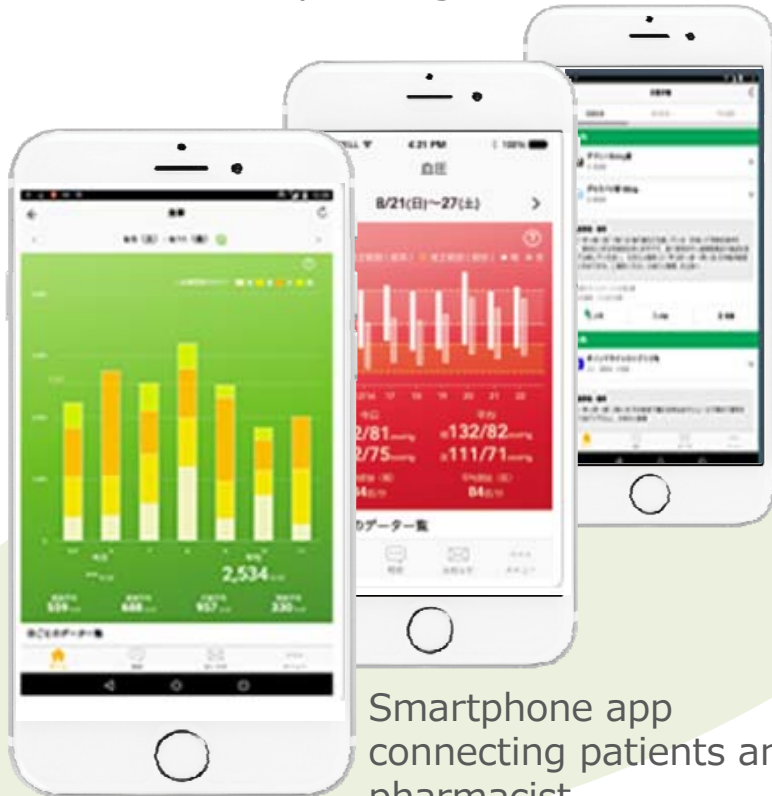
The number of IDs has been increasing steadily.



Healthcare-related Services Business i)

Health management service

User-friendly usability as well as function of medication history management



Smartphone app connecting patients and pharmacist

For Pharmacy use

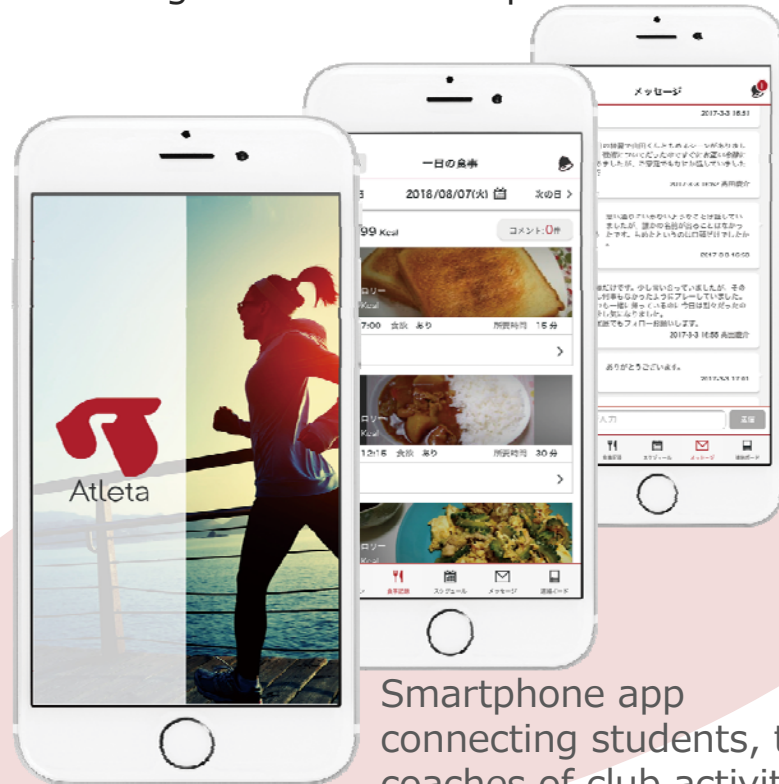
CARADA

Received strong orders for e-medicine notebook.

Healthcare-related Services Business ii)

Sports management service

Students participating club activities can enter data smoothly. Achieving the ideal user experience.

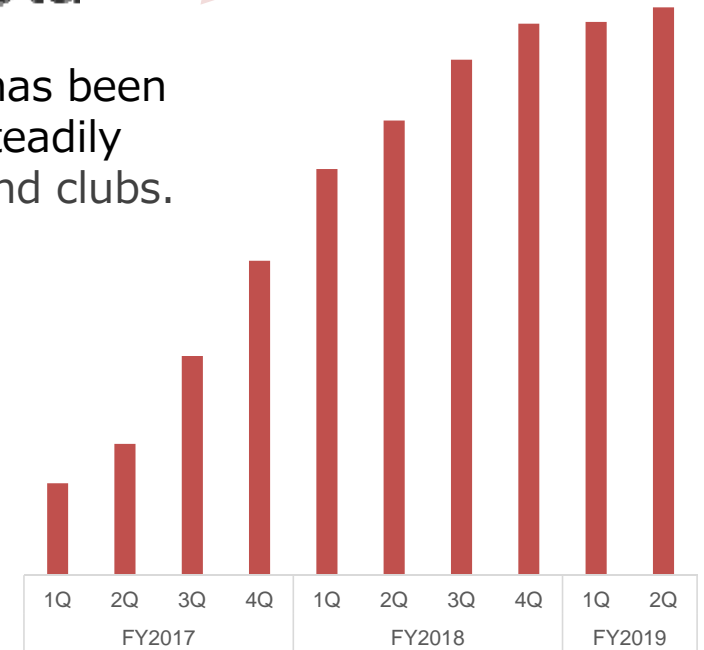


Smartphone app connecting students, teachers and coaches of club activities



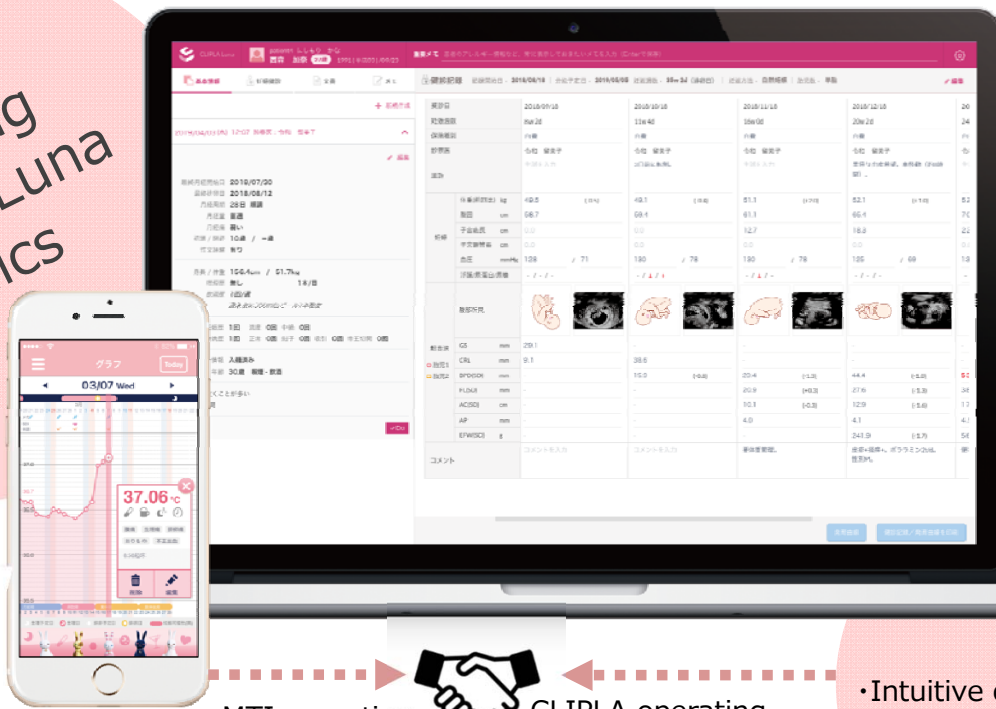
Paid service has been increasing steadily from schools and clubs.

BtoB business (For school and activity use)



Healthcare-related Services Business iii) Electronical medical record service

Connecting With LunaLuna at clinics



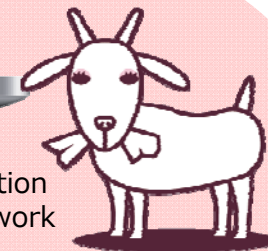
Cloud-electronical medical record
"CLIPLA LUNA"
For obstetrics and gynecology
Starts this summer

MTI operating
Mainly B to C business



CLIPLA operating
Mainly B to B business

- Intuitive operation
- Reduce office work

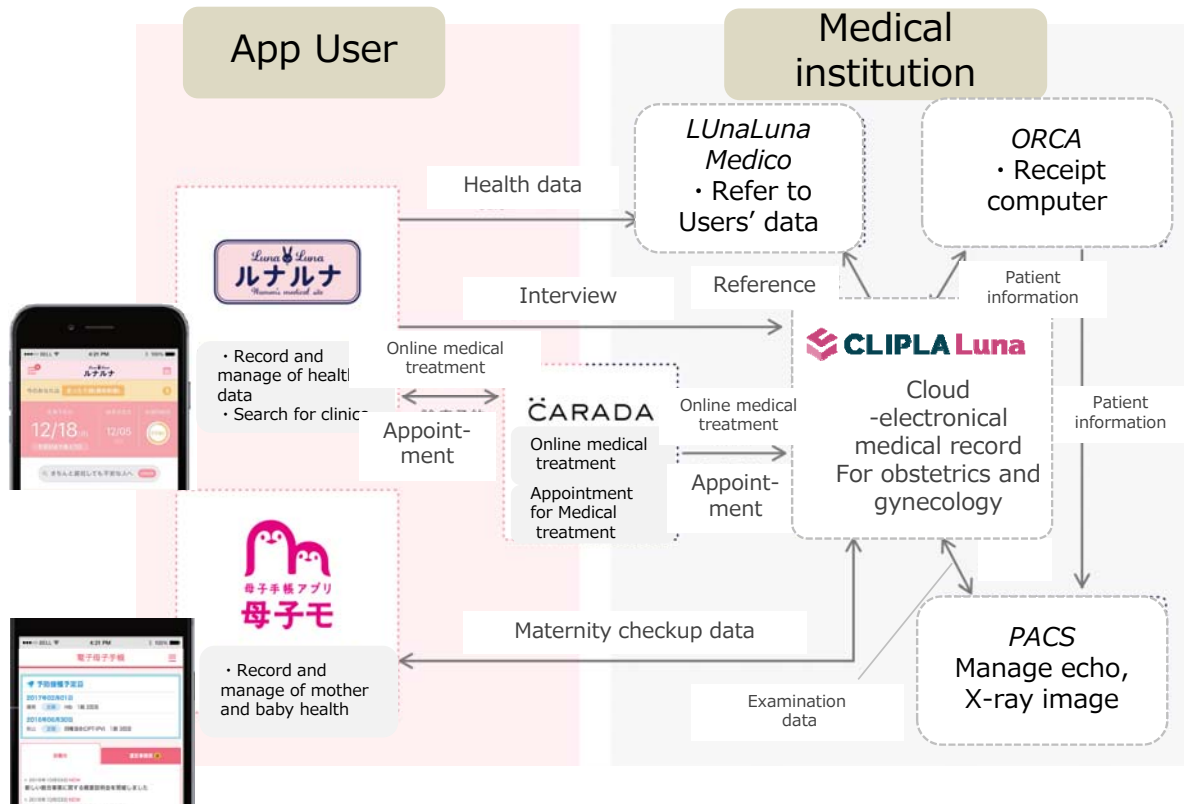


One year has passed since the conversion to a subsidiary by MTI.

Healthcare-related Services Business iii)

Electronical medical record service

Business collaboration diagram of "CLIPLA LUNA" and MTI's other healthcare-related services



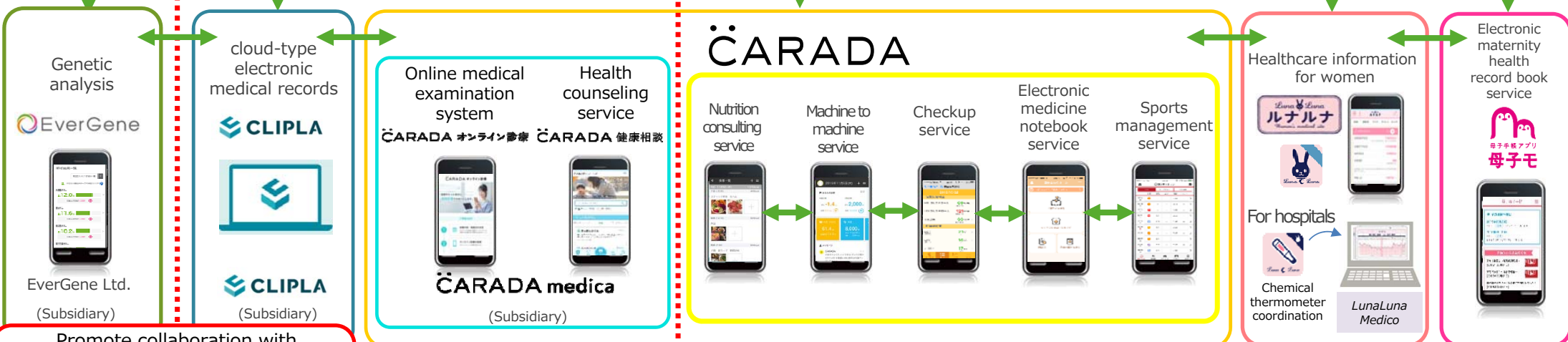
Expanding collaboration with other healthcare-related services

Overview of Healthcare-related Services



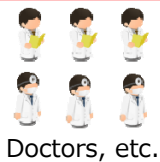
Developing healthcare information management databases to connect data in each Service

Data coordination



Promote collaboration with No.1 prescription pharmaceutical wholesaler

MEDIPAL HOLDINGS CORPORATION



Hospitals

Health insurance organizations

Pharmacies

Sport gyms

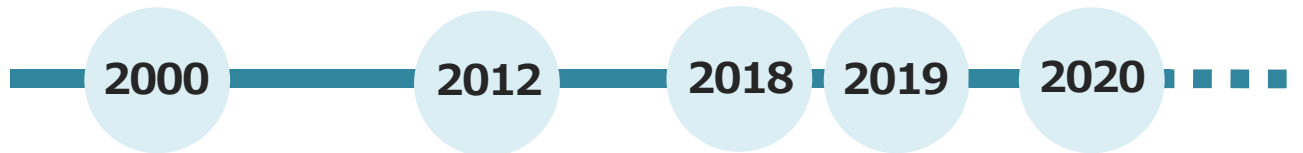
schools, clubs at schools

Municipalities

Collaborations between other companies and organizations

Topics

FinTech Business i) Solution service (Automagi Inc.)



Design services for BtoB and BtoBtoC from the performance of BtoC which have been developed with end-user eyes

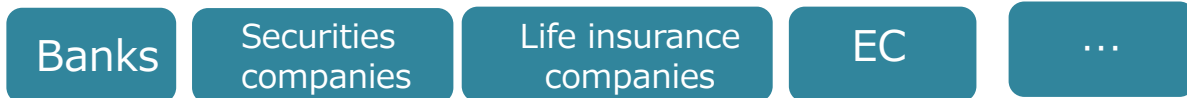
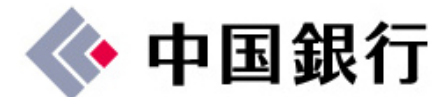
- Conversion from PC to feature phones
 - Conversion from PC to smart phones
- Contract development for App
- Deploy QR payment service for local bank

MOBILE CONVERT



Starts consulting service for financial institution

(Begins with a local bank of chugoku region)



FinTech Business ii) Bus payment service



The 2nd bullet
Bus payment service
starts
MaaS* App
“Bus commuter pass”



Design service based on the users' eyes

Bus Driver can check the moving two color code for valid on the screen visually.

*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.

AI Service Business (Automagi Inc.)



AMY AGENT

Chat bot
(Automatic answering)



AMY INSIGHT

**Analysis of AI images
and videos**



ICT
Financial institution

Infrastructure
Equipment company

Manufacturer,
Distribution industry

Logistics

We conducted a demonstration experiment with Fukuoka Transport Inc. which has results in a 70% staff reduction and a 70% reduction in labor.

**Stable orders in chat bot,
Focusing on
Analysis of AI images
and videos**

Appendix.

Consolidated B/S

(Unit: millions of yen)

	FY2019-H1	FY2018	Changes		FY2019-H1	FY2018	Changes
Current assets	19,576	16,559	+3,016	Liabilities	4,474	3,954	+520
Cash and deposit	13,557	10,504	+3,052	Accounts payable-trade	1,259	1,284	(24)
Notes and accounts receivable-trade	5,000	5,203	(203)	Account payable-other	1,510	1,462	+48
Other	1,064	897	+166	Income taxes payable	611	133	+477
Allowance for doubtful accounts	(44)	(45)	+0	Allowance for coin usage	163	141	+21
				Other	929	932	(2)
Non-current assets	7,146	7,336	(190)	Non-current liabilities	1,188	1,133	+54
Property, plant and equipment	264	263	+0	Net defined benefit liability	1,167	1,108	+59
Intangible fixed assets	2,040	1,976	+63	Other	20	25	(4)
Include software	1,853	1,757	+96	Total liabilities	5,663	5,088	575
Investments and other assets	4,841	5,096	(255)	Capital stock	5,103	5,100	+2
Include investment securities	3,008	3,309	(300)	Capital surplus	6,887	5,820	+1,066
				Retained earning	10,503	10,080	+423
				Treasury shares	(3,148)	(3,148)	(0)
				Accumulated other comprehensive income	(204)	125	(330)
				Subscription rights to shares	364	332	+31
				Non-controlling interests	1,553	496	+1,057
				Total net assets	21,059	18,808	+2,251
Total assets	26,722	23,896	+2,826	Total liabilities and net assets	26,722	23,896	+2,826

Trends in Consolidated P/L

(Unit: millions of yen)

	FY2017				FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	7,637	7,648	7,811	7,837	7,517	7,645	7,036	6,876	6,862	7,070
Cost of sales	1,275	1,230	1,533	1,606	1,590	1,734	1,499	1,580	1,632	1,883
Gross profit	6,362	6,417	6,277	6,230	5,926	5,910	5,537	5,295	5,229	5,186
(Ratio)	83.3%	83.9%	80.4%	79.5%	78.8%	77.3%	78.7%	77.0%	76.2%	73.4%
Selling, general and administrative expenses	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542	4,400	4,380
Operating income	1,149	925	1,139	839	661	710	1,092	753	829	806
(Ratio)	15.0%	12.1%	14.6%	10.7%	8.8%	9.3%	15.5%	11.0%	12.1%	11.4%
Ordinary income	1,125	907	1,143	796	619	706	1,085	705	868	709
(Ratio)	14.7%	11.9%	14.6%	10.2%	8.2%	9.2%	15.4%	10.3%	12.7%	10.0%
Profit attributable to owners of parent	677	(235)	703	289	801	352	740	(266)	543	317
(Ratio)	8.9%	-	9.0%	3.7%	10.7%	4.6%	10.5%	-	7.9%	4.5%

Trends in Consolidated SG&A

(Unit: millions of yen)

	FY2017				FY2018				FY2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SG&A Total	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542	4,400	4,380
Advertising expenses	1,542	1,578	1,317	1,307	1,369	1,487	721	822	722	763
Personnel expenses	1,395	1,406	1,554	1,566	1,534	1,456	1,500	1,499	1,550	1,516
Commission fee	926	935	904	932	886	938	884	913	880	844
Subcontract expenses	402	519	255	253	282	240	240	186	216	248
Depreciation	374	401	458	456	430	422	412	373	343	332
Other	572	650	647	874	761	654	685	746	687	673

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	13,932	14,067	29,075	15,162	13,913	(1,075)	(3.7%)
Cost of sales	7,100	3,515	3,584	6,405	3,325	3,094	+694	+10.8%
Gross profit	20,900	10,416	10,483	22,670	11,837	10,819	(1,770)	(7.8%)
Selling, general and administrative expenses	18,500	8,781	9,718	19,452	10,465	8,961	(952)	(4.9%)
Operating income	2,400	1,635	764	3,218	1,372	1,858	(818)	(25.4%)
(Ratio)	8.6%	11.7%	5.4%	11.1%	9.1%	13.4%		
Ordinary income	2,300	1,577	722	3,116	1,325	1,802	(816)	(26.2%)
(Ratio)	8.2%	11.3%	5.1%	10.7%	8.7%	13.0%		
Profit attributable to owners of parent	1,400	860	539	1,629	1,154	487	(229)	(14.1%)
(Ratio)	5.0%	6.2%	3.8%	5.6%	7.6%	13.4		



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