

MTI Ltd.
Financial Results Briefing
for Q3/FY2019

July 31, 2019

09

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Financial Results Overview for Q3 FY2019

Financial Highlights

1 Q3 Cumulative Results

Net sales **¥ 20,427**million (Down **¥1,771**million, Down **8.0%**, YoY)

Operating income **¥ 2,265**million (Down **¥199**million, Down **8.1%**, YoY)

2 Revised earnings forecast for the full year

Net sales **¥ 27,000**million (Down **¥1,000M**, compared to initial forecast)

Operating income **¥ 2,900**million (Up **¥500M**, compared to initial forecast)

3 ARPU up **¥18.0** YoY

The number of paying subscribers of the smartphone

4.08million subscribers

(Down 0.19 million compared to the end of march, 2019)

Consolidated P/L

(Millions of yen)

	FY2019 Q3 Cumulative	FY2018 Q3 Cumulative	Change	
			Amount	Percentage
Net sales	20,427	22,199	(1,771)	(8.0%)
Cost of sales (Ratio)	5,168 25.3%	4,824 21.7%	+343	+7.1%
Gross profit (Ratio)	15,259 74.7%	17,374 78.3%	(2,114)	(12.2%)
SG&A (Ratio)	12,994 63.6%	14,910 67.2%	(1,915)	(12.8%)
Operating income (Ratio)	2,265 11.1%	2,464 11.1%	(199)	(8.1%)
Ordinary income (Ratio)	2,951 14.4%	2,411 10.9%	+539	+22.4%
Profit attributable to owners of parent (Ratio)	2,146 10.5%	1,895 8.5%	+251	+13.2%

Decreased in the number of paying subscribers

Strengthen the number of video product lines

Decreased in advertising expenses

Posted of non-operating income

(Reference) Non-operating income

	FY2019 Q3 Cumulative	FY2018 Q3 Cumulative
Non-operating income	721	47
(Mainly breakdown)		
Share of profit of entities accounted for using equity method	632	-
	59	9
Dividend income		

Primarily due to a gain on negative goodwill resulting from making *Shobunsha Publications, Inc.* an affiliate company using the equity method.

Negative goodwill Negative goodwill is recognized when the net asset value of an investee as a subsidiary or an equity-method affiliate is higher than the acquisition cost. When an affiliate is acquired using equity method, an investor company will recognize the share of loss (profit) of entities accounted for using equity method as a non-operating income or expense, pursuant to the Accounting Standard for Equity Method of Accounting for Investment (Accounting Standards Board of Japan Statement No.16).

Consolidated SG&A

(Millions of yen)

	FY2019 Q3 Cumulative	FY2018 Q3 Cumulative	Change	
			Amount	Percentage
SG&A	12,994	14,910	(1,915)	(12.8%)
Advertising expenses	1,990	3,578	(1,588)	(44.4%)
Personnel expenses	4,651	4,490	+160	+3.6%
Commission fee	2,594	2,708	(114)	(4.2%)
Subcontract expenses	739	764	(24)	(3.2%)
Depreciation	1,003	1,265	(261)	(20.7%)
Other	2,015	2,102	(86)	(4.1%)

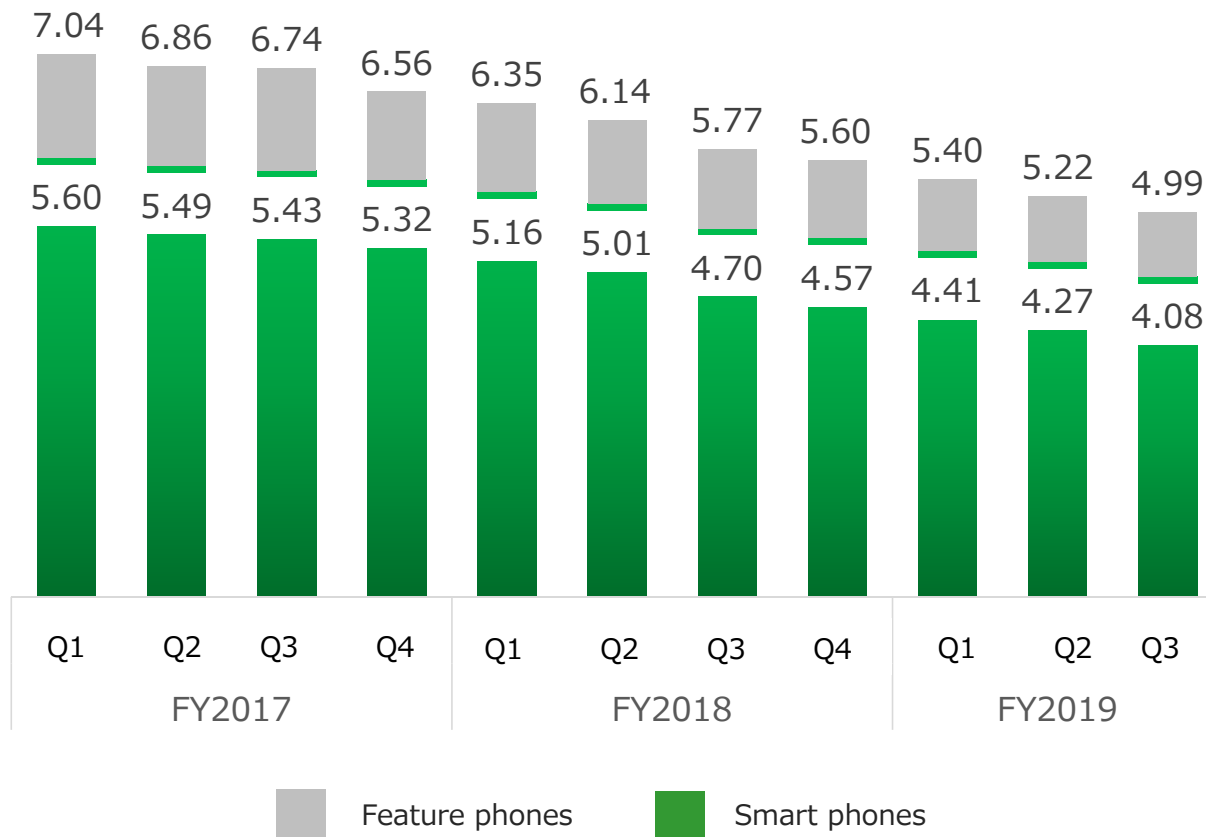
Decreased in the number of paying subscribers (Priority was placed on the efficiency of acquisition)

Revision of earnings forecast for FY2019

(Millions of yen)

	FY2019 Annual earnings forecast		Difference
	Before revision	After revision	
Net sales	28,000	27,000	(1,000)
Operating income	2,400	2,900	+500
Ordinary income	2,300	3,500	+1,200
Profit attributable to owners of parent	1,400	2,000	+600

Business Overview i)

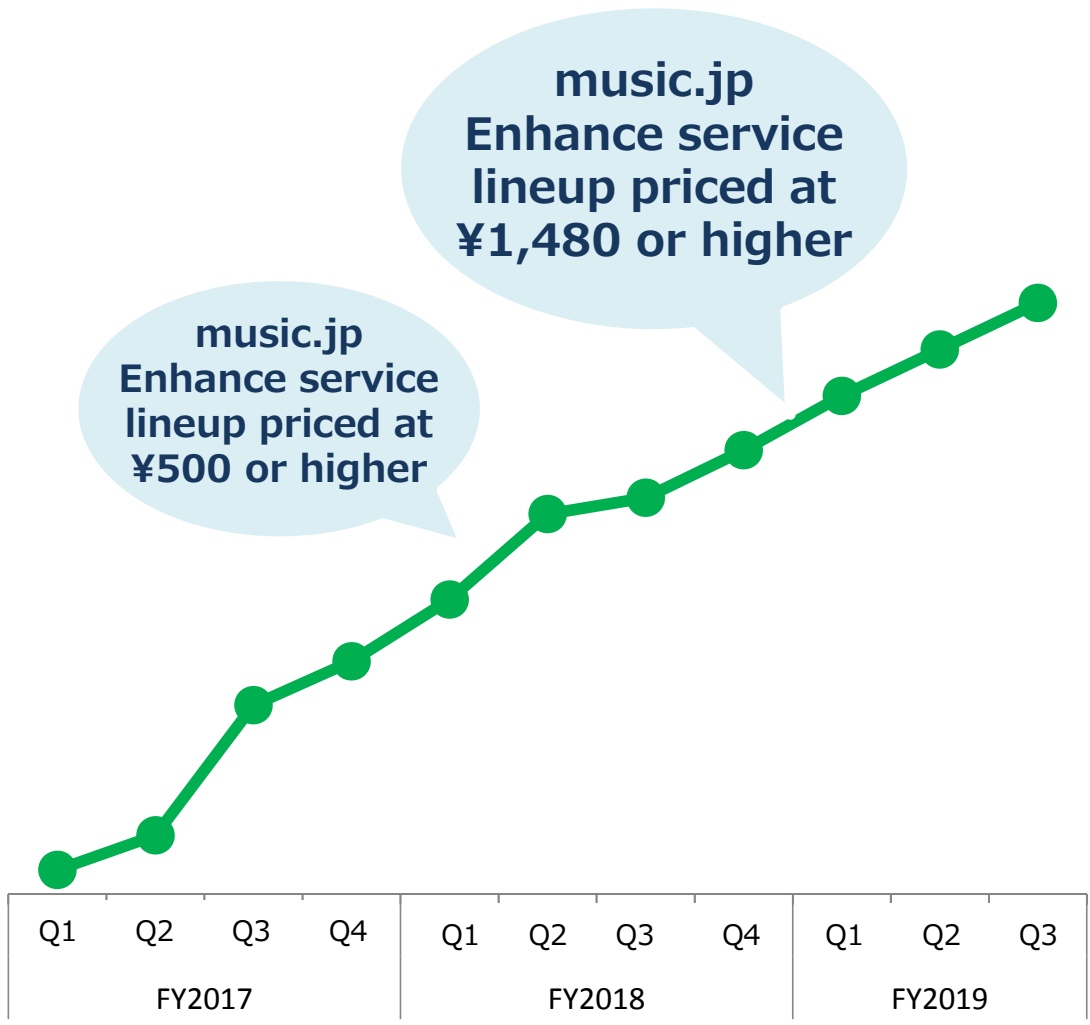


The number of paying subscribers

4.99 million subscribers

(Down 0.23 million compared to the end of March, 2019)

Business Overview ii)



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

YoY Change

¥18.0

UP!

New Approach in Q4 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**

Maintenance of the total number of paying subscribers

Excellent paying contents

Wave information for surfers



Golf course weather forecast



Acquisition of content providers

Seeking to achieve stable income, leveraging our expertise related to the monthly billing service business

Improvement in ARPU



General entertainment
Videos, music, books and comics



Enhanced video lineup

Continuous rise in ARPU

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
FY2017				FY2018				FY2019		

Healthcare-related Services Business

Health management service



Smartphone app connecting employees and a company

BtoB business
(For corporate use)

ĀARADA

The number of IDs has been increasing steadily.

Healthcare-related Services Business

Health management service

For
Pharmacy use



Smartphone app connecting patients and pharmacist

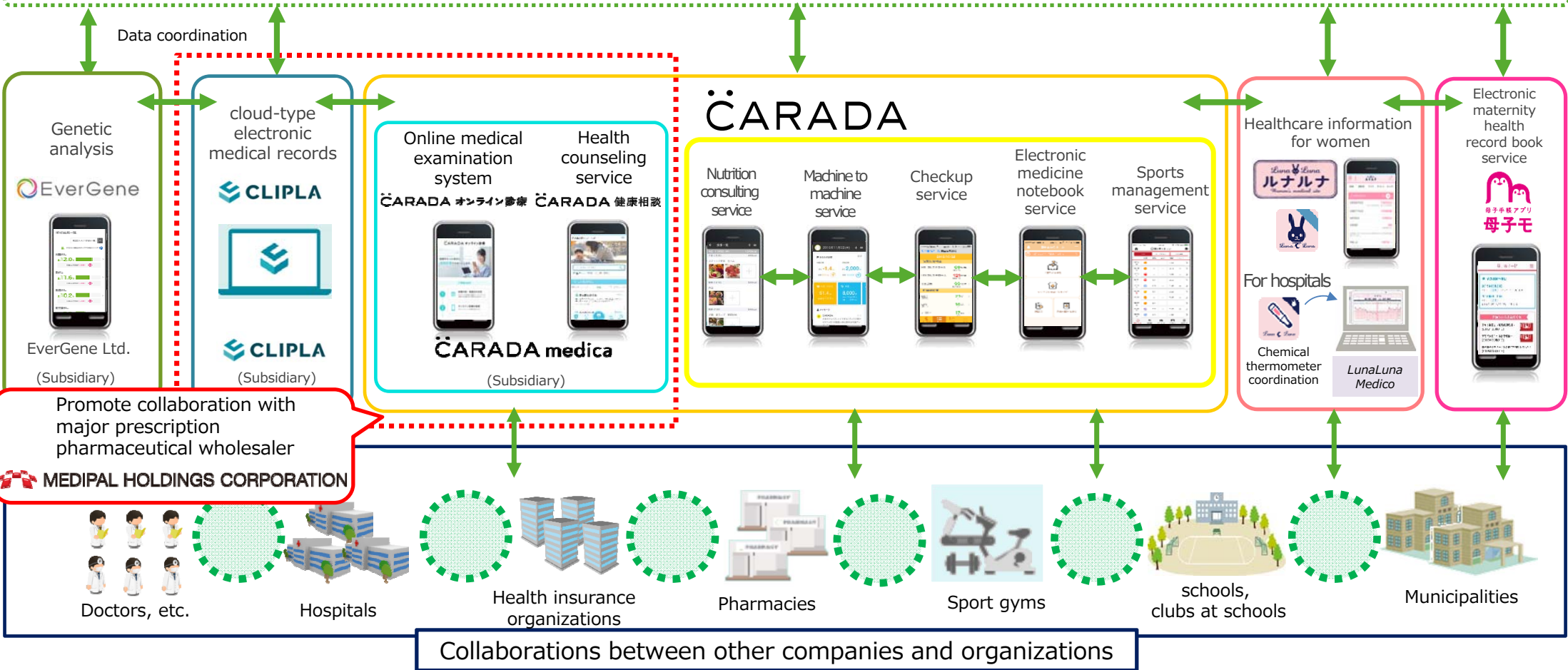
ĆARADA

Received
strong orders for
e-medicine notebook.

Overview of Healthcare-related Services



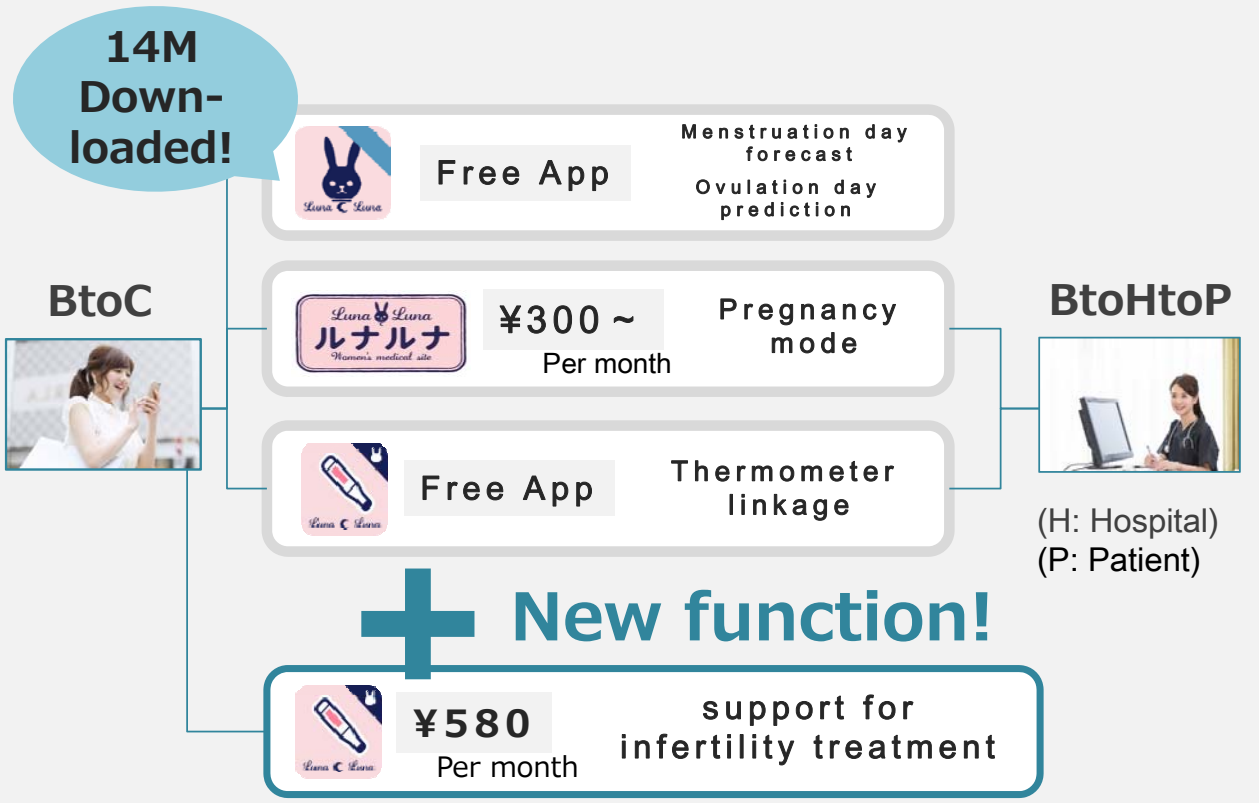
Developing healthcare information management databases to connect data in each Service



Topics

Tocpics : Healthcare-related Services Business

LunaLuna's primary service lineup



*The above amounts are all tax included.

Healthcare information for women

Full-fledged entry into the medical services

Launched support for infertility treatment



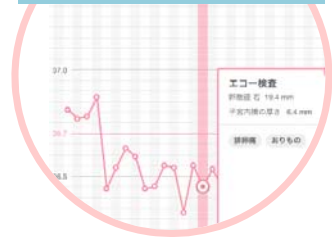
(Reference) Healthcare information for women; support service for infertility treatment

Supporting struggling infertility!

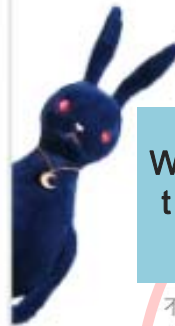
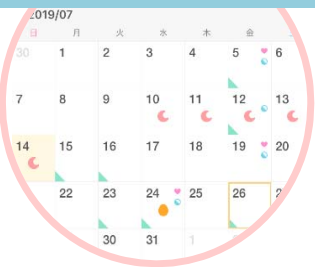


Treatment contents, record of inspection results, record of treatment results, and Column of basic knowledge

Graph of Basal body temperature



Calendar to see ovulation cycle and hospital days



With a column of advice by the supervising doctor for infertility patients

不妊治療では、妊娠率のアップを目指して、より高度な治療へと徐々に「ステップアップ」していきます。具体的にはどのように治療が進んでいくのでしょうか？
1番最初に行うのは不妊検査です。
次に、異常が見つからなければ、まずはタイミング法から。
タイミング法を行って、妊娠しなければ人工授精から。
人工授精を行ってもうまくいかない場合は、顕微鏡手術を検討します。一部

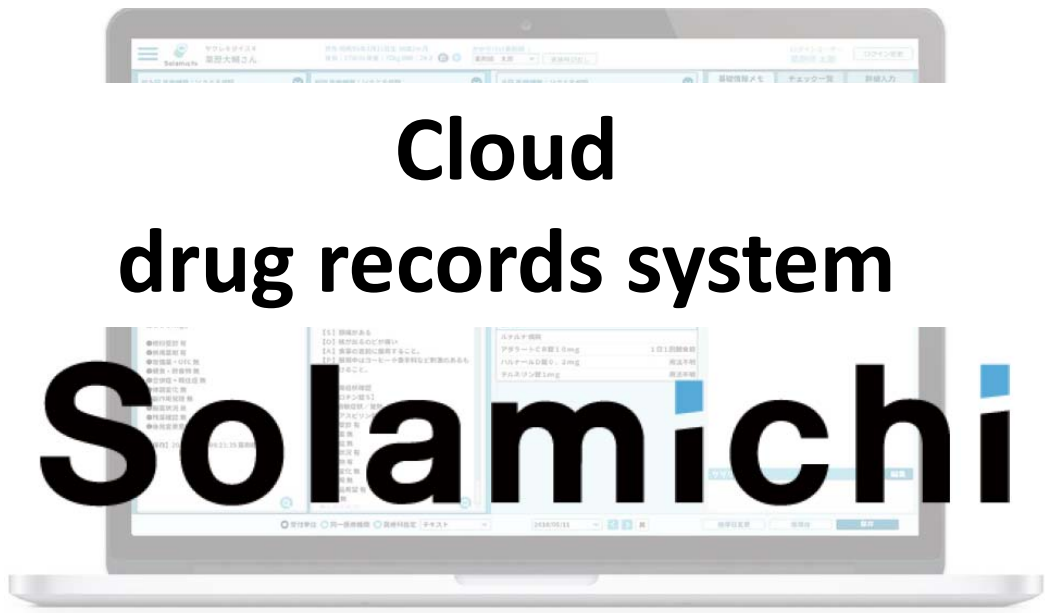


Manage Treatment contents for each visit

Topics : Healthcare-related Services Business

Monthly-paid cloud service
for Pharmacists

Marketing to be
launched in May
Strong orders



Cloud
drug records system

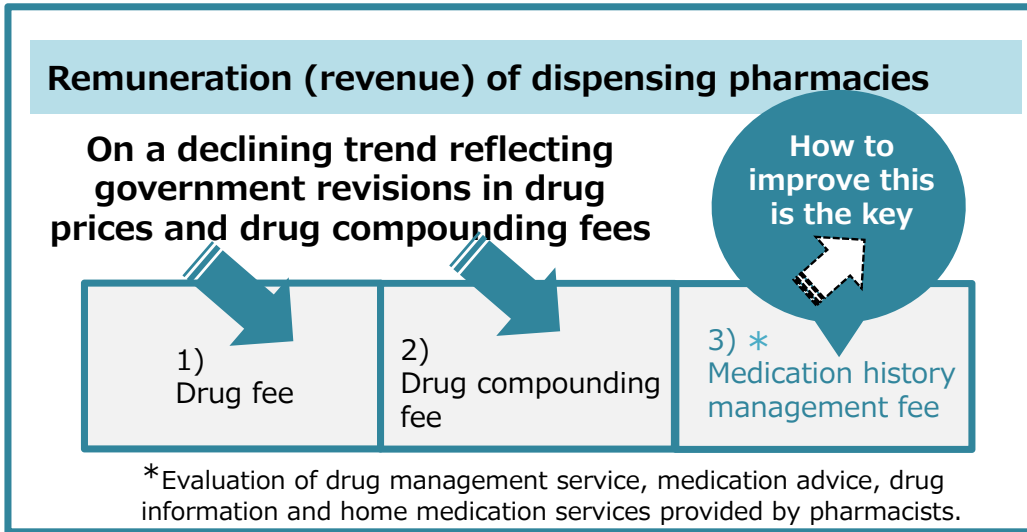
Solamichi



Move
pharmacy services
a step forward

(Reference) Growth potential for drug records system

Declining revenues for dispensing pharmacies



Challenges for pharmacies

Given the large number of input items for medication histories, the burden for pharmacists after business hours is heavy. If the input of medication histories is omitted, there have been cases fees had to be refunded since those were regarded as fraudulent billings for drug dispensing fees. Going forward, it will be necessary to establish a system capable of facilitating efficient operations for pharmacists who will face further increases in their workload.

Increasing workload for dispensing pharmacies and pharmacists

Familiar pharmacy Home medication services 24-hour support Online-medication

What is 'medication history'?

Patient's drug prescription records
Pharmacists at pharmacies dispense drugs based on doctor's prescriptions. After the drugs are administered, they monitor the effects and possible adverse effects through direct interaction with patients to prepare a drug administration history for each patient.

A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi solves the problem!

(Reference) Cloud drug records system

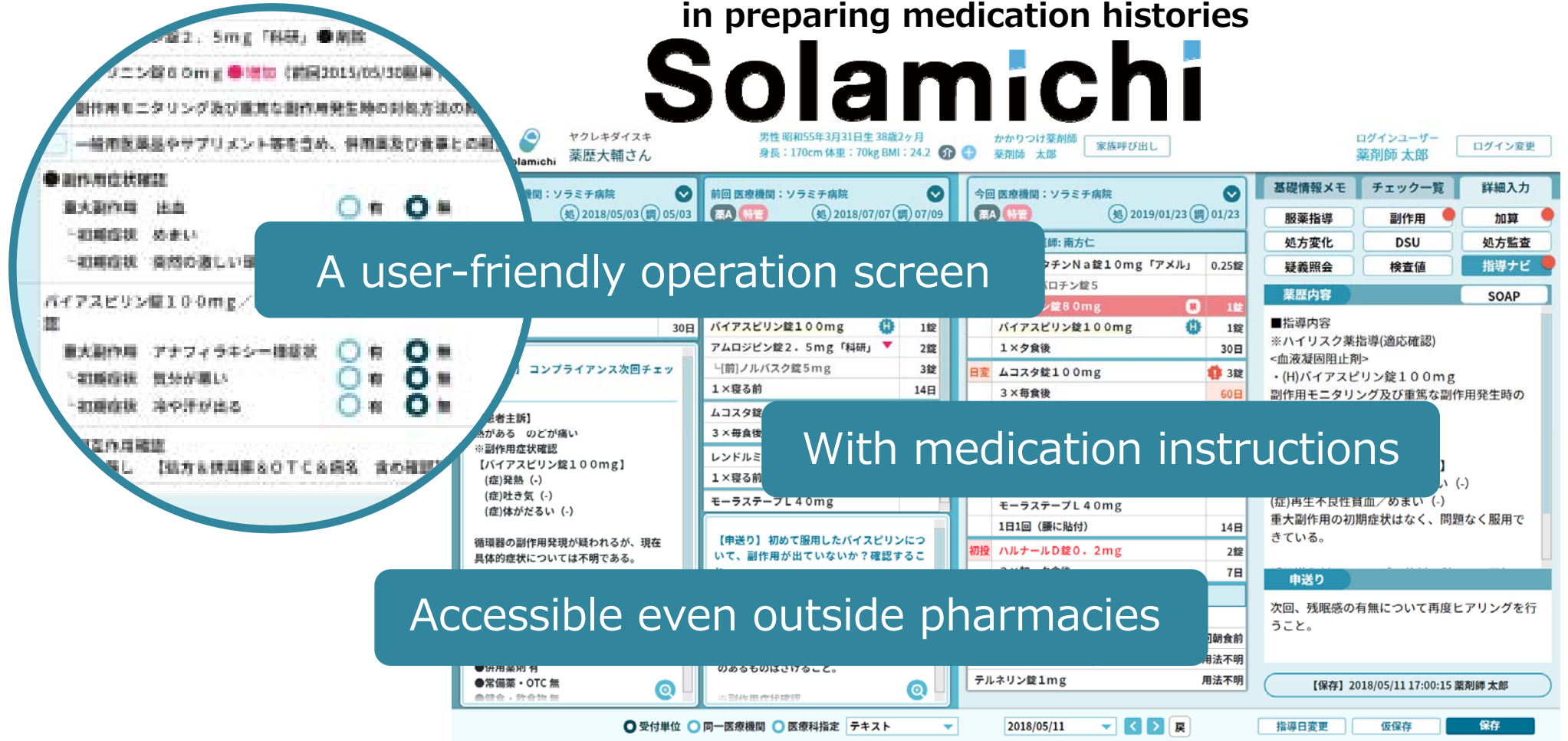
A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi

A user-friendly operation screen

With medication instructions

Accessible even outside pharmacies



AI Service Business (Automagi Inc.)



AMY AGENT



AMY INSIGHT

物流・検品	カメラ+エッジサーバ 荷姿分類	カメラ+エッジサーバ 商品認識	マルチカメラ+クラウド 無人コンビニ	カメラ+エッジサーバ 傾斜カウント	重要/AI-OCR	タワ・商品情報	賞味期限
	カメラ+エッジサーバ バーコード読取	カメラ+エッジサーバ 伝票読取	スマートフォン 一辺計測 (写真カメラ+センサー)	ステレオカメラ+エッジサーバ 一辺計測 (カメラ+カメラマッピング)		計器表示	領収書・診断書
	カメラ+エッジサーバ Over 50min 滞留物検知	カメラ+クラウド 顔認識	カメラ+クラウド 侵入・異常検知	カメラ+クラウド/スマホ+マップ 行動・居眠り検知		撮影手帳	検知対象
	カメラ+エッジサーバ 踏み監視	カメラ+エッジサーバ 中音認識	高精度画像の 小標造物抽出	ドバイレターダ 走行中の物体認識		カメラ+クラウド/ドローン ドローン監視	クラック・ひび割れ
安全衛生・防犯	カメラ+エッジサーバ 映像シーン分析	カメラ+エッジサーバ 空席検知	カメラ+エッジサーバ 通行車カウント	カメラ+エッジサーバ 歩行者カウント	老朽化検知・損傷検知	ドローン/監視映像	部位検知
	交通・移動体	カメラ+エッジサーバ 歩行者検知	カメラ+エッジサーバ 歩行者検知	カメラ+エッジサーバ 歩行者検知		歩行者検知	漏洩・漏水
計測・計数	カメラ+エッジサーバ 歩行者検知	カメラ+エッジサーバ 歩行者検知	カメラ+エッジサーバ 歩行者検知	カメラ+エッジサーバ 歩行者検知	歩行者検知	歩行者検知	歩行者検知

Introduced by
more than
100
companies

AI Service Business (Automagi Inc.) iii)

AI specializing
in image and video



Receive POs via
fax as before

Read information
with AI OCR and
image recognition
technology

A 70% reduction
in labor



AI image solution
Demonstrational experiment
conducted with *Fukuoka Unyu*
produced excellent results in
improving business efficiency

Appendix.

Consolidated B/S

(Millions of yen)

	FY2019 Q3	FY2018	Changes		FY2019 Q3	FY2018	Changes
Current assets	18,760	16,559	+2,200	Liabilities	4,106	3,954	+152
Cash and deposit	12,937	10,504	+2,433	Accounts payable-trade	1,198	1,284	(86)
Notes and accounts receivable-trade	4,657	5,203	(546)	Account payable-other	1,352	1,462	(109)
Other	1,216	897	+319	Income taxes payable	438	133	+305
Allowance for doubtful accounts	(50)	(45)	(5)	Allowance for coin usage	160	141	+19
				Other	955	932	+23
Non-current assets	9,242	7,336	+1,905	Non-current liabilities	1,235	1,133	+101
Property, plant and equipment	271	263	+7	Net defined benefit liability	1,200	1,108	+91
Intangible fixed assets	2,061	1,976	+85	Negative goodwill	6	13	(6)
(Include) software	1,849	1,757	+92	Other	28	12	+16
goodwill	173	179	(5)	Total liabilities	5,341	5,088	+253
Investments and other assets	6,909	5,096	+1,812	Shareholders' equity	20,397	17,852	+2,544
(Include) investment securities	5,293	3,309	+1,984	Capital stock	5,107	5,100	+6
Deferred tax assets	1,042	1,262	(219)	Capital surplus	6,895	5,820	+1,074
				Retained earning	11,627	10,080	+1,546
				Treasury shares	(3,231)	(3,148)	(83)
				Accumulated other comprehensive income	374	125	+248
				Subscription rights to shares	377	332	+44
				Non-controlling interests	1,512	496	+1,015
				Total net assets	22,661	18,808	+3,852
Total assets	28,003	23,896	+4,106	Total liabilities and net assets	28,003	23,896	+4,106

Trends in Consolidated P/L

	FY2017				FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	7,637	7,648	7,811	7,837	7,517	7,645	7,036	6,876	6,862	7,070	6,495
Cost of sales	1,275	1,230	1,533	1,606	1,590	1,734	1,499	1,580	1,632	1,883	1,652
Gross profit (Ratio)	6,362 83.3%	6,417 83.9%	6,277 80.4%	6,230 79.5%	5,926 78.8%	5,910 77.3%	5,537 78.7%	5,295 77.0%	5,229 76.2%	5,186 73.4%	4,843 74.6%
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	4,213
Operating income (Ratio)	1,149 15.0%	925 12.1%	1,139 14.6%	839 10.7%	661 8.8%	710 9.3%	1,092 15.5%	753 11.0%	829 12.1%	806 11.4%	629 9.7%
Ordinary income (Ratio)	1,125 14.7%	907 11.9%	1,143 14.6%	796 10.2%	619 8.2%	706 9.2%	1,085 15.4%	705 10.3%	868 12.7%	709 10.0%	1,373 21.1%
Profit attributable to owners of parent (Ratio)	677 8.9%	(235) -	703 9.0%	289 3.7%	801 10.7%	352 4.6%	740 10.5%	(266) -	543 7.9%	317 4.5%	1,285 19.8%

Trends in Consolidated SG&A

(Millions of yen)

	FY2017				FY2018				FY2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SG&A Total	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542	4,400	4,380	4,213
Advertising expenses	1,542	1,578	1,317	1,307	1,369	1,487	721	822	722	763	504
Personnel expenses	1,395	1,406	1,554	1,566	1,534	1,456	1,500	1,499	1,550	1,516	1,584
Commission fee	926	935	904	932	886	938	884	913	880	844	869
Subcontract expenses	402	519	255	253	282	240	240	186	216	248	274
Depreciation	374	401	458	456	430	422	412	373	343	332	326
Other	572	650	647	874	761	654	685	746	687	673	654

Consolidated Earnings Forecast for FY2019

(Millions of yen)

	FY2019			FY2018 (Actual)			Change	
	Full-year	H1	H2	Full-year	H1	H2	Amount (Full-year)	Percentage (Full-year)
Net sales	27,000	13,932	13,067	29,075	15,162	13,913	(2,075)	(7.1%)
Cost of sales	6,900	3,515	3,384	6,405	3,325	3,094	+494	+7.7%
Gross profit	20,100	10,416	9,683	22,670	11,837	10,819	(2,570)	(11.3%)
Selling, general and administrative expenses	17,200	8,781	8,418	19,452	10,465	8,961	(2,252)	(11.6%)
Operating income	2,900	1,635	1,264	3,218	1,372	1,858	(318)	(9.9%)
(Ratio)	10.7%	11.7%	9.7%	11.1%	9.1%	13.4%		
Ordinary income	3,500	1,577	1,922	3,116	1,325	1,802	+383	+12.3%
(Ratio)	13.0%	11.3%	14.7%	10.7%	8.7%	13.0%		
Profit attributable to owners of parent	2,000	860	1,139	1,629	1,154	487	+370	+22.8%
(Ratio)	7.4%	6.2%	8.7%	5.6%	7.6%	13.4		



〈Contact us〉

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