



Financial Results Briefing for FY2019

October 31, 2019

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Financial Results Overview for FY2019

Financial Highlights

1 FY2019 Results

Net sales **¥27,112** million (Down ¥1,963 million, Down 6.8%, YoY)

Operating income **¥2,959** million (Down ¥258 million, Down 8.0%, YoY)

2 ARPU UP **¥13.1** YoY

The Number of paying subscribers of the smartphone

3.92 million subscribers

(Down 0.65 million compared to the end of September 2018)

3 Earnings forecast for FY2020

Net sales **¥26,000** million (Down ¥1,112 million, Down 4.1%, YoY)

Operating income **¥2,000** million (Down ¥959 million, Down 32.4%, YoY)

Consolidated P/L

(Millions of yen)

	FY2019	FY2018	Change	
			Amount	Percentage
Net sales	27,112	29,075	(1,963)	(6.8%)
Cost of sales (Ratio)	7,157 26.4%	6,405 22.0%	+751	+11.7%
Gross profit (Ratio)	19,955 73.6%	22,670 78.0%	(2,714)	(12.0%)
SG&A (Ratio)	16,996 62.7%	19,452 66.9%	(2,456)	(12.6%)
Operating income (Ratio)	2,959 10.9%	3,218 11.1%	(258)	(8.0%)
Ordinary income (Ratio)	3,134 11.6%	3,116 10.7%	+17	+0.6%
Profit attributable to owners of parent (Ratio)	1,508 5.6%	1,629 5.6%	(120)	(7.4%)

Decreased in the number of paying subscribers

Strengthen the number of video product lines

Decreased in advertising expenses

Consolidated SG&A

(Millions of yen)

	FY2019	FY2018	Change	
			Amount	Percentage
SG&A	16,996	19,452	(2,456)	(12.6%)
Advertising expenses	2,404	4,401	(1,996)	(45.4%)
Personnel expenses	6,147	5,990	+157	+2.6%
Commission fee	3,400	3,622	(221)	(6.1%)
Subcontract expenses	1,067	950	+117	+12.4%
Depreciation	1,326	1,639	(312)	(19.0%)
Other	2,648	2,848	(200)	(7.0%)

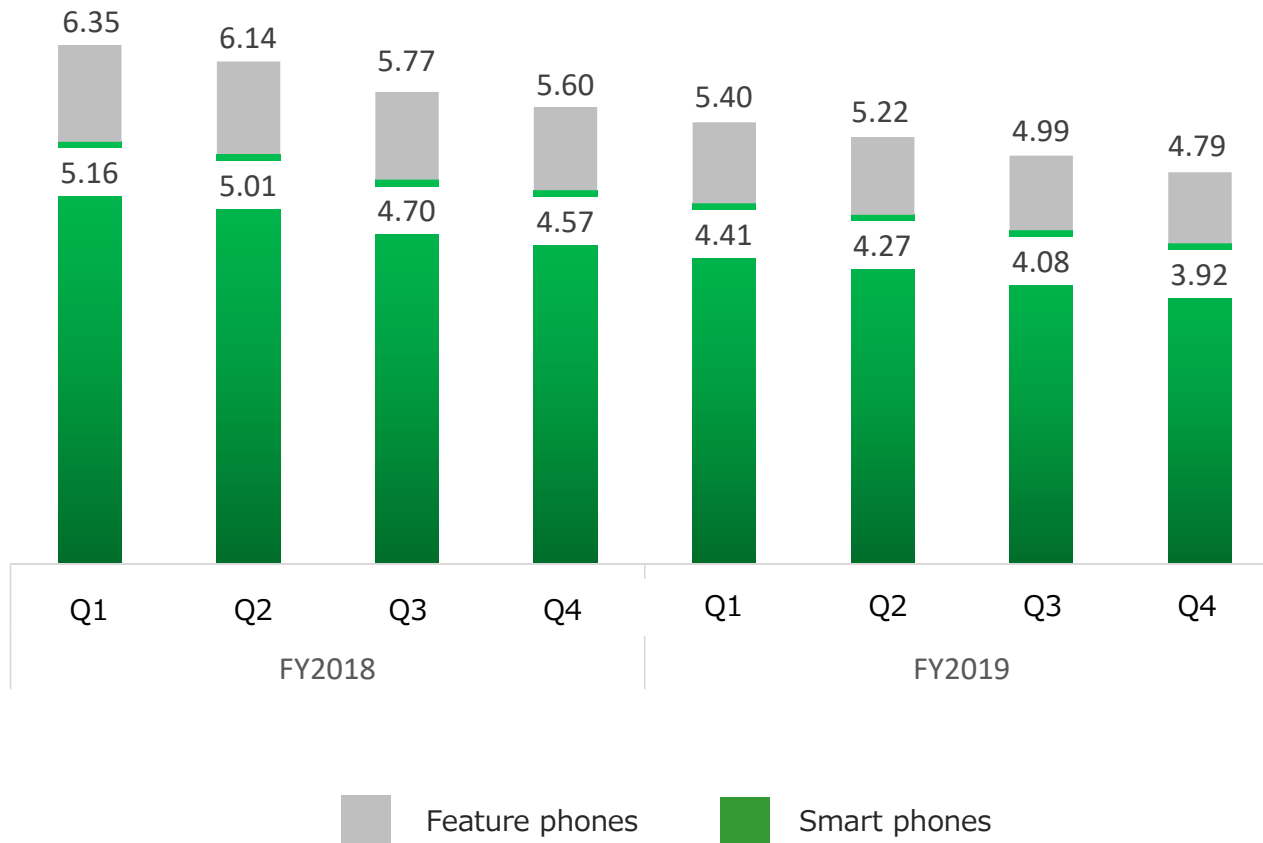
Decreased in the number of paying subscribers (Priority was placed on the efficiency of acquisition)

Achievement Ratio for Earnings Forecast

(Millions of yen)

	FY2019		Achievement ratio
	Actual	Forecast	
Net sales	27,112	27,000	100.4%
Operating income	2,959	2,900	102.0%
Ordinary income	3,134	3,500	89.6%
Profit attributable to owners of parent	1,508	2,000	75.4%

Business Overview i)

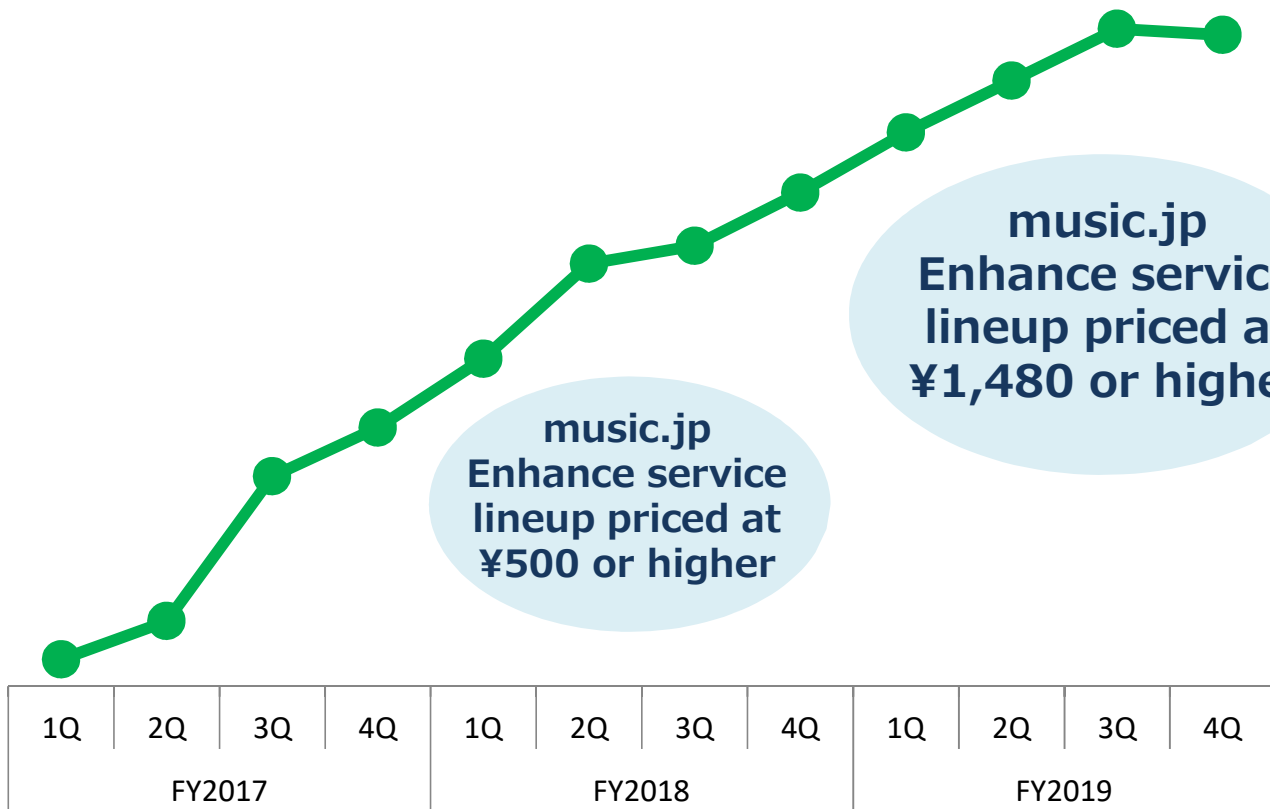


The number of paying subscribers

4.79 million subscribers

(Down 0.2 million compared to the end of June, 2019)

Business Overview ii)



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

YoY Change

¥13.1

UP!

New Approach in FY2020

Basic Policy in FY2020

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

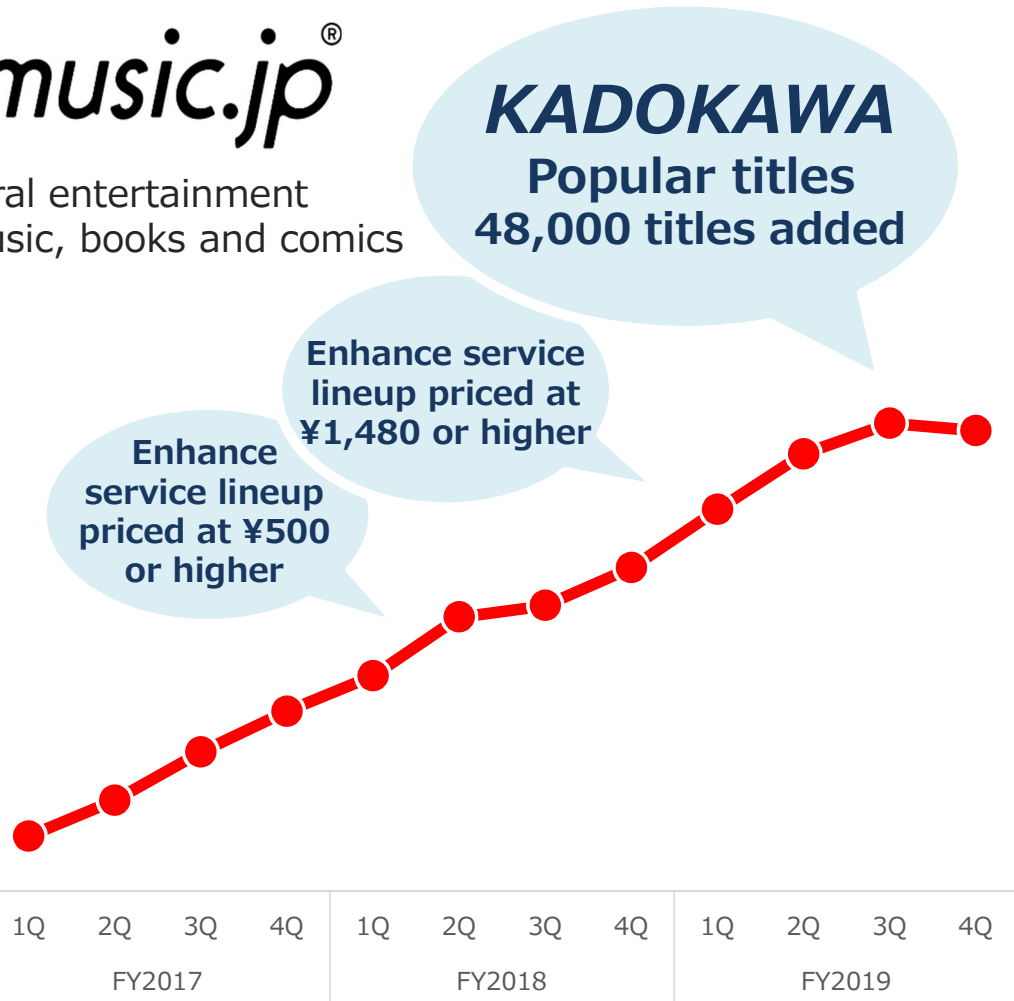
- 2. Maintenance of the total number of paying subscribers**

- 3. Improvement in ARPU**

Improvement in ARPU



General entertainment
Videos, music, books and comics



Enhanced video lineup

Continuous rise in ARPU

Linkage in Healthcare-related Services Business i) -1



×



Strengthening of hospital coordination through the enhancement of LunaLuna's service functions

Free app
Cumulative
14+M
downloaded



- Support for infertility treatment (medication management function)
- Pill mode
- Support for dysmenorrhea treatment

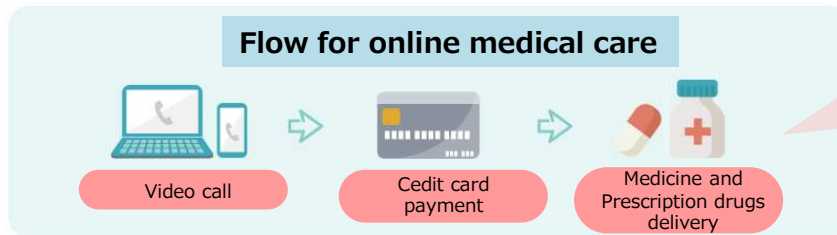
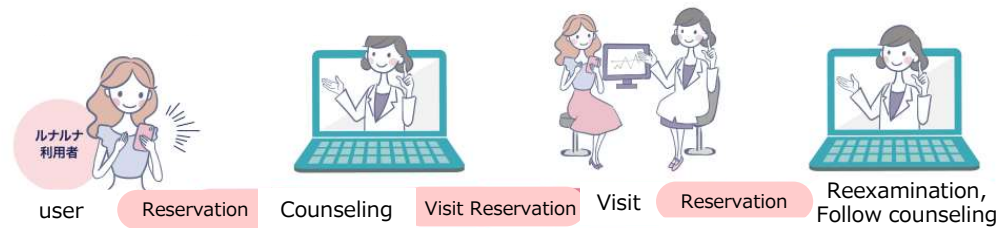
Linkage in Healthcare-related Services Business i) -2



× CARADA オンライン診療
Online medical care system

Commencement of linkage between LunaLuna and remote medical care service

Usage image

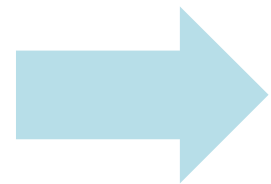


Pill prescription in online practice

Linkage in Healthcare-related Services Business i) -3



Referral to maternal health record book service app by LunaLuna



Linkage in Healthcare-related Services Business ii) -1

Solamichi

Increased orders for monthly cloud drug administration history service for pharmacists



Cloud drug records system

Solamichi



薬局を
一步先へ。

Linkage in Healthcare-related Services Business ii) -2

Solamichi × CARADA

Linkage with medicine notebook app

Cloud
drug records system



Solamichi



薬局を
一歩先へ。



(Reference) Service for pharmacies

Business model

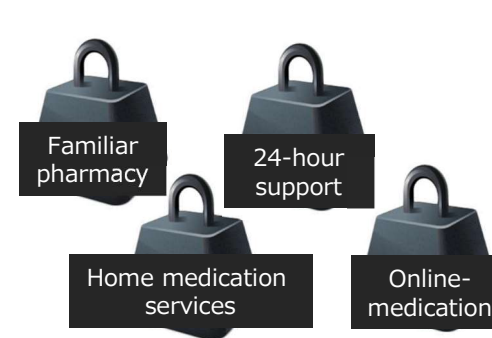
- BtoB (BtoBtoC ; Linkage with medicine notebook app)
- Initial cost + Monthly usage fee (Operating cost)



Challenges for pharmacies

Increasing workload for dispensing pharmacies and pharmacists

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.

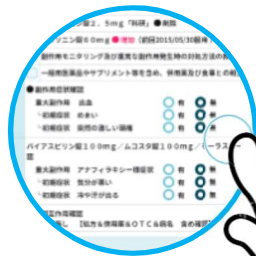


Response to audit (by Bureaus of Health and Welfare)

If the input of medication histories is omitted, there have been cases where fees had to be refunded since those were regarded as fraudulent billings for drug dispensing fees. Punishment is imposed monthly, ranging from several tens of millions of yen to more than 100 million yen.

Service overview

A system facilitating efficient operations for pharmacists in preparing medication histories



- Cloud system (Accessible even outside pharmacies)
- A user-friendly operation screen
- With medication instructions

Growth potential;

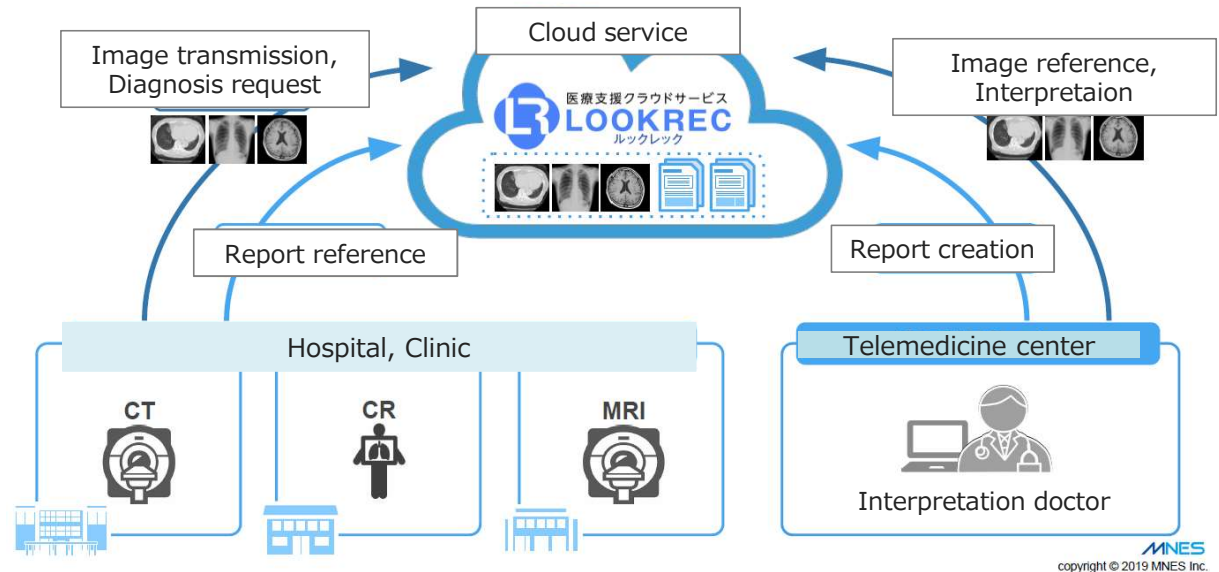
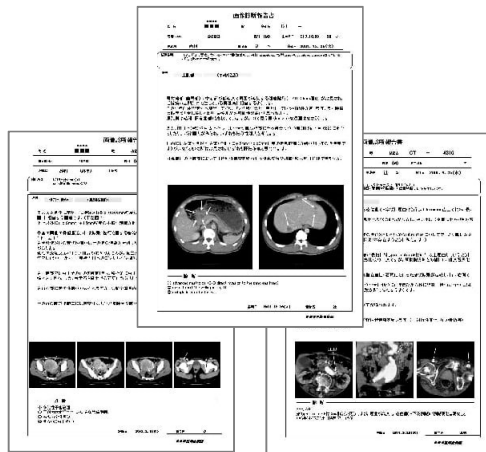
60,000 pharmacies nationwide

Aggressive sales activities for legacy system to small- to medium-sized pharmacies of about 60,000 pharmacies nationwide

Linkage in Healthcare-related Services Business iii)



Cloud management company for CT and MRI image cloud became an affiliate company using the equity method



【Company overview】

Address	Hiroshima city, Hiroshima prefecture
CEO	Naoyuki Kitamura
Nature of business	Remote diagnostic imaging business and Medical care system LOOKREC development business
Capital	100 million yen
Established	October 2000

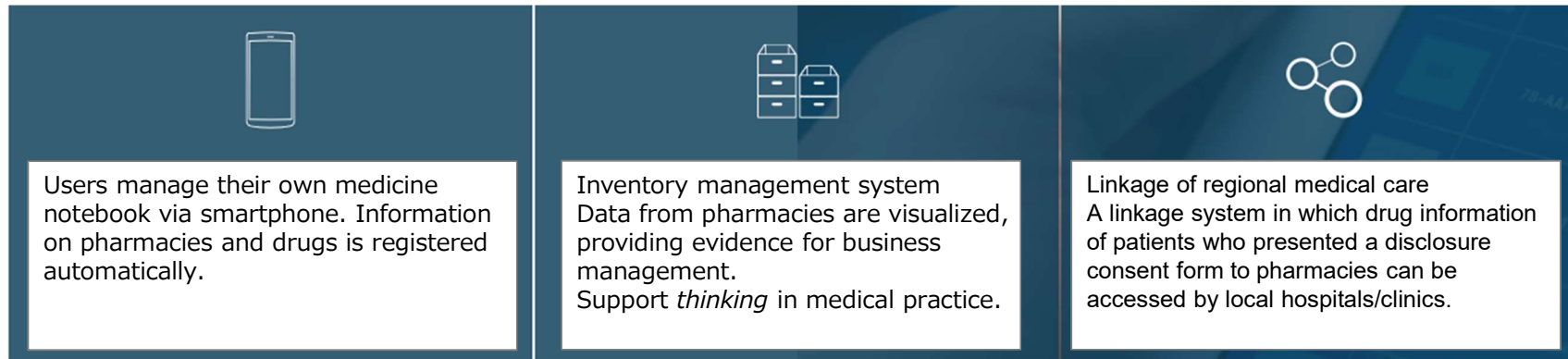
What is interpretation of a radiogram?

Carefully interpret images from CT and MRI examinations to make a diagnosis. A physician who interprets images is called a radiologist. Radiologist "reads" the images, and the results are reported to the attending physician.

Linkage in Healthcare-related Services Business iv)

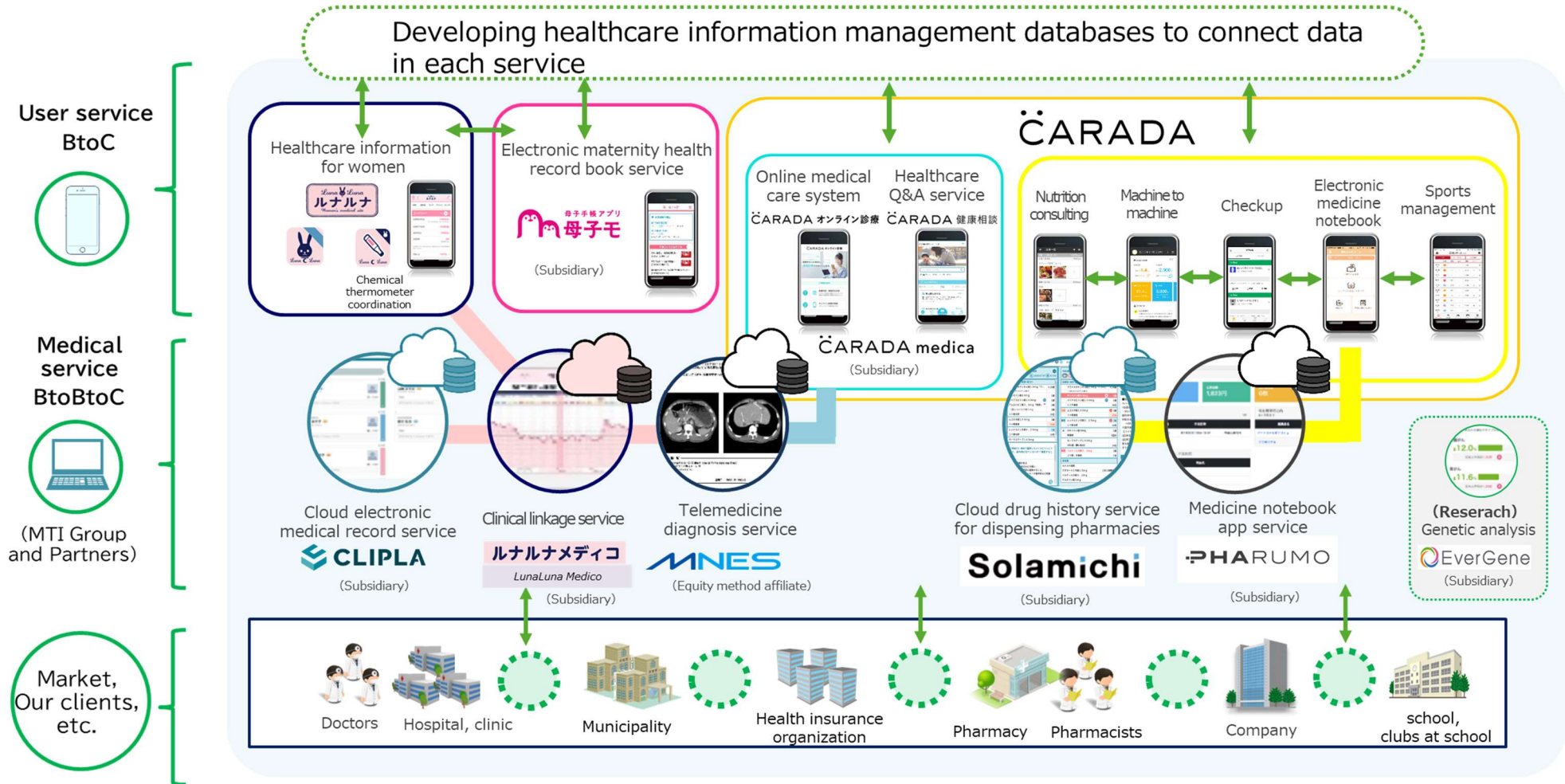
PHARUMO

Implemented third-party allocation of shares of a medicine notebook app subsidiary



Underwriting by Mitsubishi Corporation and MTI Ltd.

Overview of Healthcare-related Services



*Some images are under development and may differ from the actual ones.

*The services provided by the Group include some services that provide support for medical sites, but do not perform medical activities.

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Consolidated Earnings Forecast (i)

- Year-on-year decrease in the total number of paying subscribers
- Continue to focus on healthcare-related services

Net sales **26,000** million (Down ¥1,112million, Down 4.1%, YoY)

Operating income **2,000** million (Down ¥959million, Down 32.4%, YoY)

Profit attributable to owners of parent **1,200** million (Down ¥308million, Down 20.4%, YoY)

Consolidated Earnings Forecast ii)

(Millions of yen)

	FY2020			FY2019 (Actual)			Change	
	Full-year	H1	H2	Full-year	H1	H2	Amount (Full-year)	Percentage (Full-year)
Net sales	26,000	13,000	13,000	27,112	13,932	13,179	(1,112)	(4.1%)
Cost of sales	7,200	3,600	3,600	7,517	3,515	3,641	+42	+0.6%
Gross profit	18,800	9,400	9,400	19,955	10,416	9,538	(1,155)	(5.8%)
Selling, general and administrative expenses	16,800	8,600	8,200	16,996	8,781	8,214	(196)	(1.2%)
Operating income	2,000	800	1,200	2,959	1,635	1,323	(959)	(32.4%)
(Ratio)	7.7%	6.2%	9.2%	10.9%	11.7%	10.0%		
Ordinary income	1,920	760	1,160	3,134	1,577	1,556	(1,214)	(38.7%)
(Ratio)	7.4%	5.8%	8.9%	11.6%	11.3%	11.8%		
Profit attributable to owners of parent	1,200	500	700	1,508	860	647	(308)	(20.4%)
(Ratio)	4.6%	3.8%	5.4%	5.6%	6.2%	4.9%		

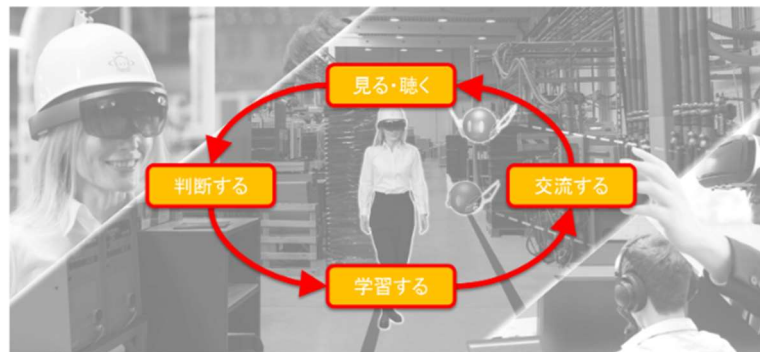
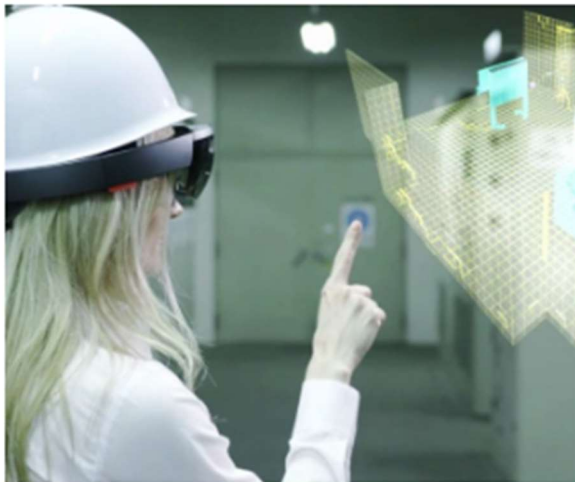
Topics

For 5G contents era... i)MR tech

MR (Mixed Reality) made into an affiliate company via the equity method



Logic of human behavior



(Image disclosed only at the venue)

(Reference) Art×ICT



For 5G contents era... ii)Life information contents

Enhancement of functions for 3D Rain Cloud Watcher (app that detects areas where unexpected torrential rainfall may occur)



- 3D drawing of lightning information/lightning push notification
- Delivery of disaster prevention column



Commencement of sales for the first corporate prepaid card in Japan by an affiliate

staple card



- Reduction of office work through integration with Staple expense adjustment service
- Available at member stores of VISA in and outside Japan
- Assume the use for traffic expenses, meeting expenses, entertainment and social expenses and travel expenses

【Company overview】

Address	Otemachi, Chiyoda-ku, Tokyo
CEO	Takashi Hoshikawa
Nature of business	Development and provision of Staple (expense adjustment app for business)
Capital	148 million yen
Established	November 2011

Fintech solution and Solution service

Expansion of each service in the business to regional banks



Expansion of each service in the business to regional banks

- Reduce business hours by allowing employees to enter data via smartphone

DX Solution

Commencement of consulting service at financial institutions

- Collaboration on rapid development with Chugoku Bank to promote digitalization

Capital Policy

Capital Policy

We aim for continuous growth in sales and profit, and for harmonizing them with returns to shareholders.

	Interim dividend	Year-end dividend	Annual dividend
FY2019	¥8	¥8 (Scheduled)	¥16 (Scheduled)
FY2020 (Forecast)	¥8	¥8	¥16

※ A Dividend at the end of FY2019 are to be referred to the 24th general shareholders' meeting on December 21, 2019.

Appendix.

Consolidated B/S

MTI Ltd.

(Millions of yen)

	FY2020	FY2019	Change		FY2020	FY2019	Change
Current assets	18,469	16,559	+1,909	Liabilities	4,315	3,954	+360
Cash and deposit	12,421	10,504	+1,917	Accounts payable-trade	1,308	1,284	+23
Notes and accounts receivable-trade	4,667	5,203	(536)	Account payable-other	1,150	1,462	(311)
Other	1,427	897	+530	Income taxes payable	730	133	+597
Allowance for doubtful accounts	(47)	(45)	(2)	Allowance for coin usage	143	141	+1
				Other	982	932	+50
Non-current assets	9,010	7,336	+1,673	Non-current liabilities	1,370	1,133	+236
Property, plant and equipment	258	263	(5)	Net defined benefit liability	1,306	1,108	+197
Intangible fixed assets	2,062	1,976	+85	Negative goodwill	4	13	(9)
(Include) software	1,870	1,757	+113	Other	59	12	+47
goodwill	153	179	(26)	Total liabilities	5,685	5,088	+596
Investments and other assets	6,689	5,096	+1,592	Shareholders' equity	19,598	17,852	+1,745
(Include) investment securities	4,977	3,309	+1,667	Capital stock	5,135	5,100	+35
Deferred tax assets	1,133	1,262	(128)	Capital surplus	6,706	5,820	+886
				Retained earning	10,989	10,080	+908
				Treasury shares	(3,233)	(3,148)	(84)
				Accumulated other comprehensive income	268	125	+142
				Subscription rights to shares	343	332	+10
				Non-controlling interests	1,584	496	+1,087
				Total net assets	21,794	18,808	+2,985
Total assets	27,479	23,896	+3,582	Total liabilities and net assets	27,479	23,896	+3,582

Trends in Consolidated P/L

(Millions of yen)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	7,637	7,648	7,811	7,837	7,517	7,645	7,036	6,876	6,862	7,070	6,495	6,684
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	1,989
Gross profit	6,362	6,417	6,277	6,230	5,926	5,910	5,537	5,295	5,229	5,186	4,843	4,695
(Ratio)	83.3%	83.9%	80.4%	79.5%	78.8%	77.3%	78.7%	77.0%	76.2%	73.4%	74.6%	70.2%
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	4,001
Operating income	1,149	925	1,139	839	661	710	1,092	753	829	806	629	694
(Ratio)	15.0%	12.1%	14.6%	10.7%	8.8%	9.3%	15.5%	11.0%	12.1%	11.4%	9.7%	10.4%
Ordinary income	1,125	907	1,143	796	619	706	1,085	705	868	709	1,373	183
(Ratio)	14.7%	11.9%	14.6%	10.2%	8.2%	9.2%	15.4%	10.3%	12.7%	10.0%	21.1%	2.7%
Profit attributable to owners of parent	677	(235)	703	289	801	352	740	(266)	543	317	1,285	(638)
(Ratio)	8.9%	–	9.0%	3.7%	10.7%	4.6%	10.5%	–	7.9%	4.5%	19.8%	–

Trends in Consolidated SG&A

(Millions of yen)

	FY2017				FY2018				FY2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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	4,001
Advertising expenses	1,542	1,578	1,317	1,307	1,369	1,487	721	822	722	763	504	414
Personnel expenses	1,395	1,406	1,554	1,566	1,534	1,456	1,500	1,499	1,550	1,516	1,584	1,496
Commission fee	926	935	904	932	886	938	884	913	880	844	869	805
Subcontract expenses	402	519	255	253	282	240	240	186	216	248	274	328
Depreciation	374	401	458	456	430	422	412	373	343	332	326	323
Other	572	650	647	874	761	654	685	746	687	673	654	632



〈Contact us〉

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