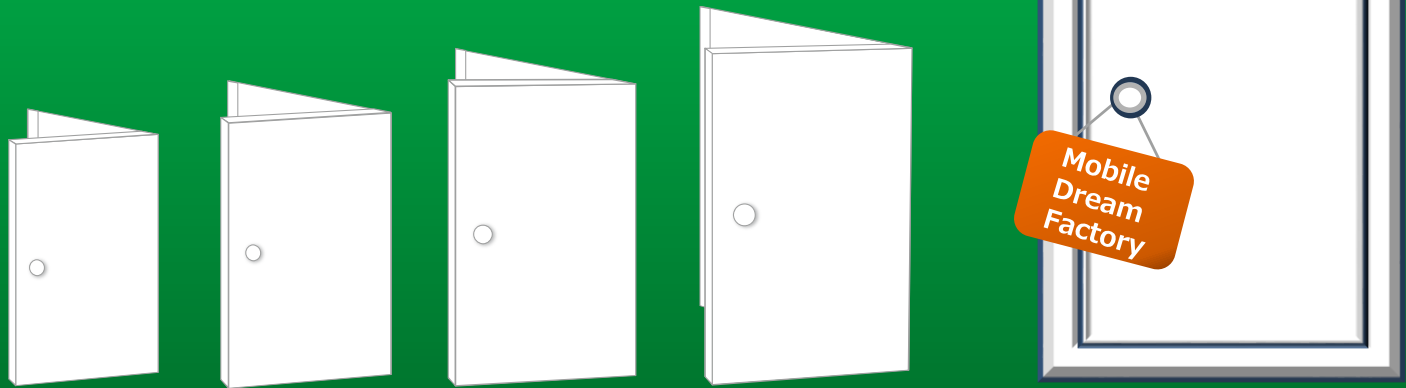


Reporting Session For shareholders FY2016

December 23, 2016



Securities Code :9438

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(See Appendix)

Financial Results Overview for FY2016





1 In FY2016, operating income hit a record high !

Net sales ¥32,844 million (Down ¥617 million, YoY)

Operating income ¥5,355 million (Up ¥1,110 million, YoY)

2 The number of paying subscribers on smartphones declined.

5.69 million subscribers

(Down 0.05 million subscribers compared to June 30, 2016)

3 In FY2017, operating income is expected to decline.

Sales ¥32,000 million (Down ¥844 million, YoY)

Operating income ¥4,060 million (Down ¥1,295 million, YoY)



Net sales declined slightly, and profits increased significantly.

(Millions of yen)

	FY2016	FY2015	Change	
			Amount	Percentage
Net sales	32,844	33,461	(617)	(1.8%)
Cost of sales	5,353	5,439	(85)	(1.6%)
Gross profit	27,490	28,022	(531)	(1.9%)
(Ratio)	83.7%	83.7%		
SG&A	22,135	23,776	(1,641)	(6.9%)
(Ratio)	67.4%	71.1%		
Operating income	5,355	4,245	+1,110	+26.1%
(Ratio)	16.3%	12.7%		
Ordinary income	5,310	4,144	+1,166	+28.2%
(Ratio)	16.2%	12.4%		
Profit attributable to owners of parent	3,317	2,607	+710	+27.2%
(Ratio)	10.1%	7.8%		

Consolidated SG&A



(Millions of yen)

	FY2016	FY2015	Change	
			Amount	Percentage
SG&A	22,135	23,776	(1,641)	(6.9%)
Advertising expenses	7,607	9,077	(1,469)	(16.2%)
Personnel expenses	5,637	5,770	(132)	(2.3%)
Commission fee	3,741	3,727	+13	+0.4%
Subcontract expenses	1,456	1,326	+129	+9.8%
Depreciation	1,272	1,318	(46)	(3.5%)
Other	2,420	2,555	(135)	(5.3%)



Subscriptions by way of cellphone shops failed to grow.

External conditions

From February

~~“Virtually free of charge”~~

“Cellphones virtually free of charge” Abolished

in April

Ministry of Internal Affairs and Communications

Guidelines Applied

(Guidelines for adjustment of smartphones purchase support)

Sales of cellphones failed to grow

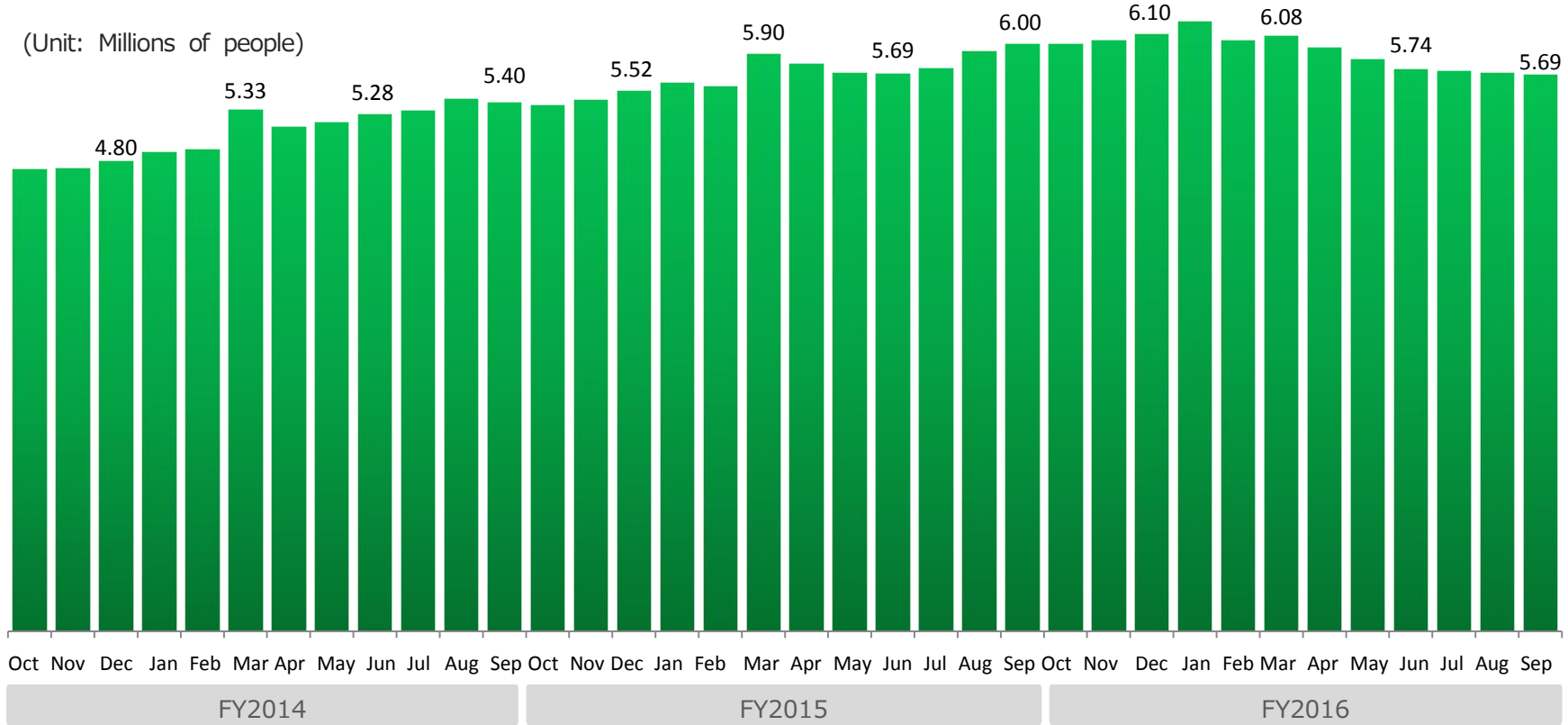




The number of paying subscribers of the smartphone

5.69 million subscribers

(Down 0.05 million compared to June 30, 2016)



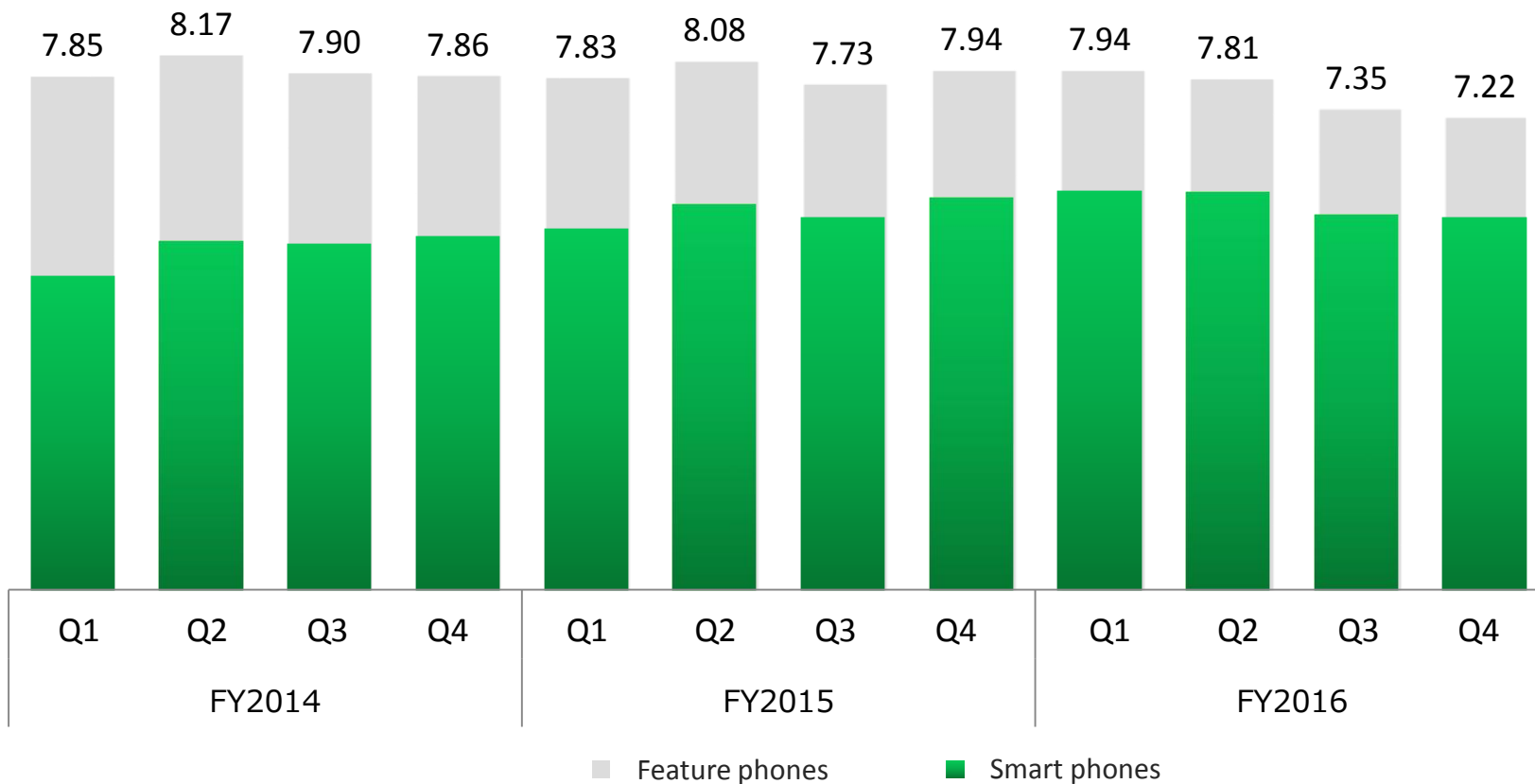


The total number of paying subscribers

7.22 million subscribers

(Down 0.13 million compared to June 30, 2016)

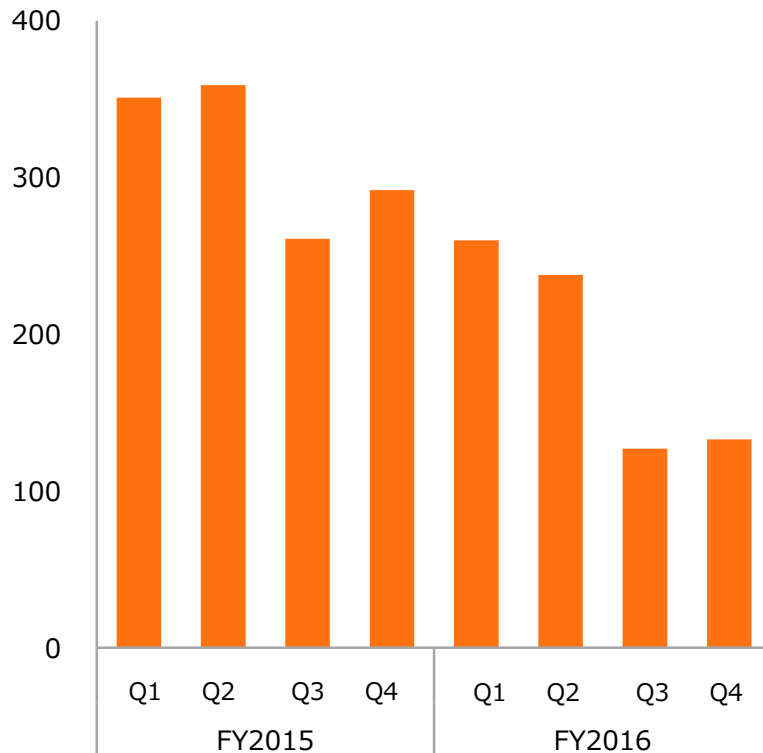
(Unit: Millions of people)





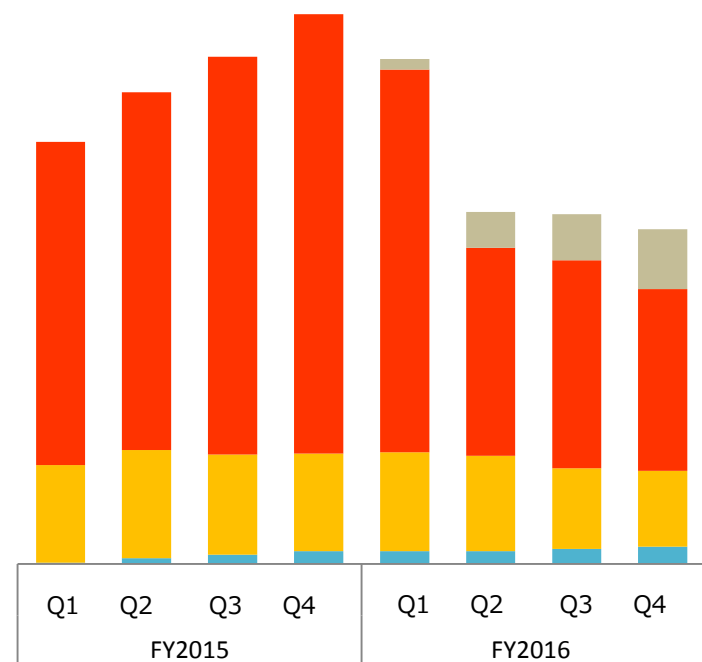
Non-virtual Affiliate Advertising Sales

(Unit: Millions of yen)



Sales from Sugo toku-related

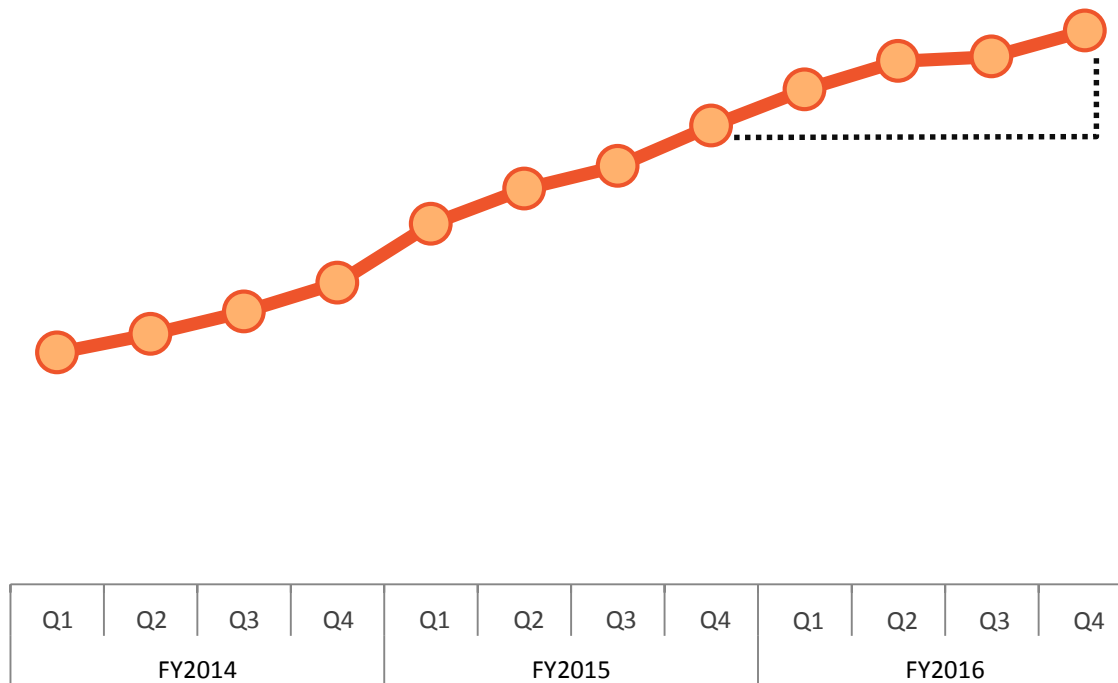
■ APP Pass
 ■ au Smart Pass
 ■ docomo Sugo toku
 ■ Ads for other companies





The average revenue per user (ARPU) has been on the rise.

Trends in ARPU of the paying subscribers for smartphones



YoY Change
UP
¥9.9

New Approach in FY2017





1. Maintaining of the total number of paying subscribers

- Enhancement in the Non-virtual Affiliate Network

2. Improvement in average revenue per user (ARPU)

- Enlargement of contents service

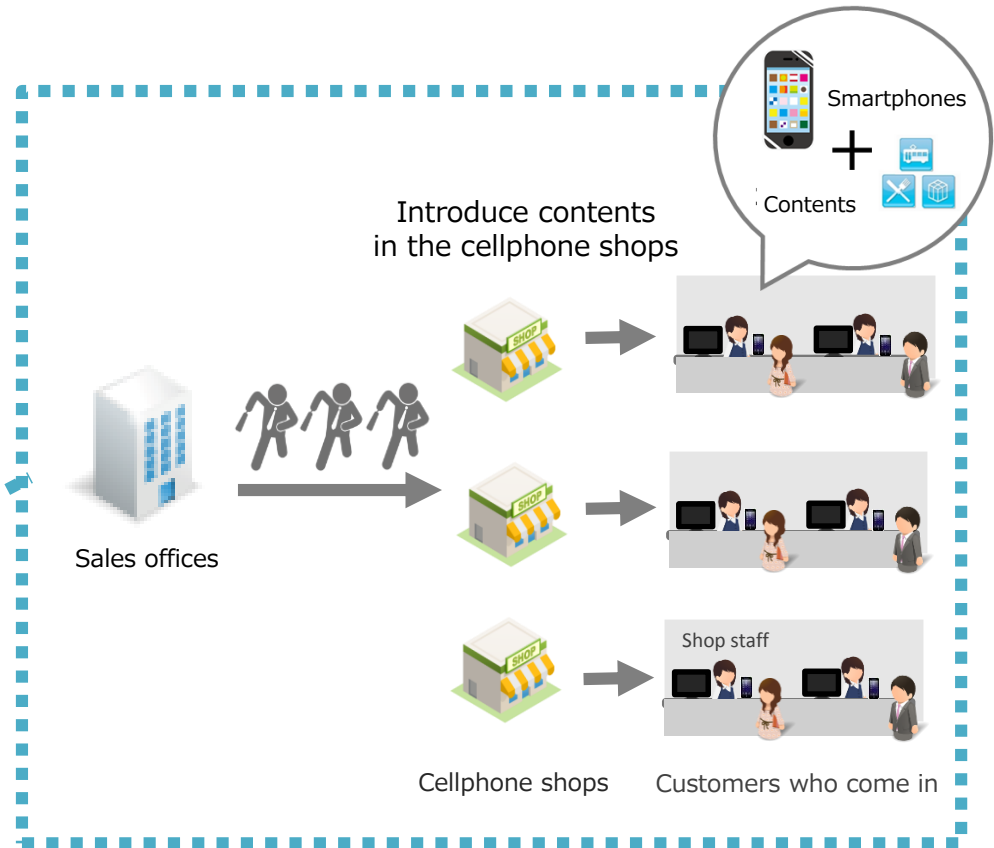
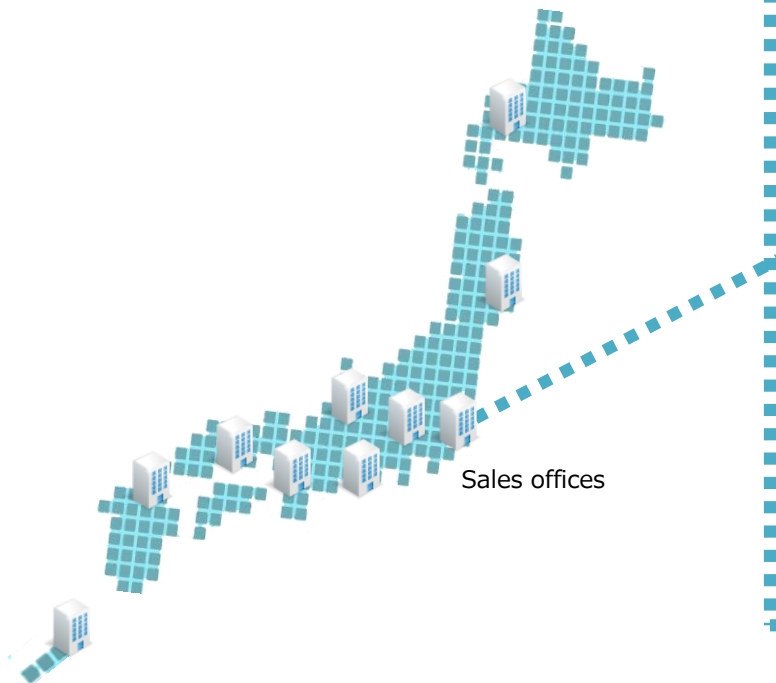
3. Medium-term approach

- Phase to achieve sales for the Healthcare-related service



Sales promotion for high ARPU services

Non-virtual Affiliate Network





Expansion of tie-ups with MVNO operators



Made by JAPAN










* MVNO is an abbreviation for mobile virtual network operator. An MVNO provides mobile network services, such as cellphones and PHS, through its own brands. It does not develop or manage wireless communication link facilities.



Ratios for service of higher fees increased in each category.

Value added service line up

Music, Books, Videos & DVD	Healthcare-related Service	Weather information and Maps & Navigation
 ¥500 ¥ 1,000 per month (excluding tax)	 ¥ 400 per month (excluding tax)	 ¥ 380 per month (excluding tax)
 ¥ 400 per month (excluding tax)	 ¥ 300 per month (excluding tax)	 ¥ 300 per month (excluding tax)
 ¥ 300 per month (excluding tax)		



m. music.jp Music, Books, Videos & DVD service

Expanding the number of users with high ARPU



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BATMAN V SUPERMAN: DAWN OF JUSTICE and all related characters and elements are trademarks of and (C) DC Comics. (C) 2016 Warner Bros. Entertainment Inc. and Raptac-Dune Entertainment Inc. All Rights Reserved.

Quarterly change in ARPU music.jp



Phase to Achieve Sales for the Healthcare-related Service (i)



Medical information service cooperated with doctors etc.

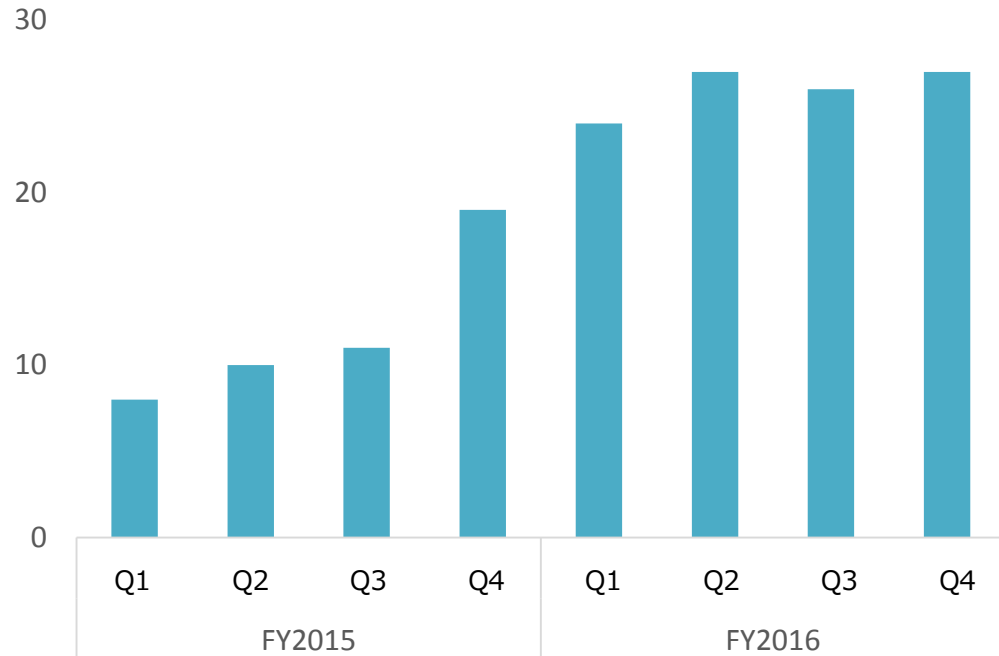
A 400-yen course has been getting popular.

The number of paying monthly subscribers of KARADAMEDICA



The answers over the phones made by healthcare providers, not doctors.

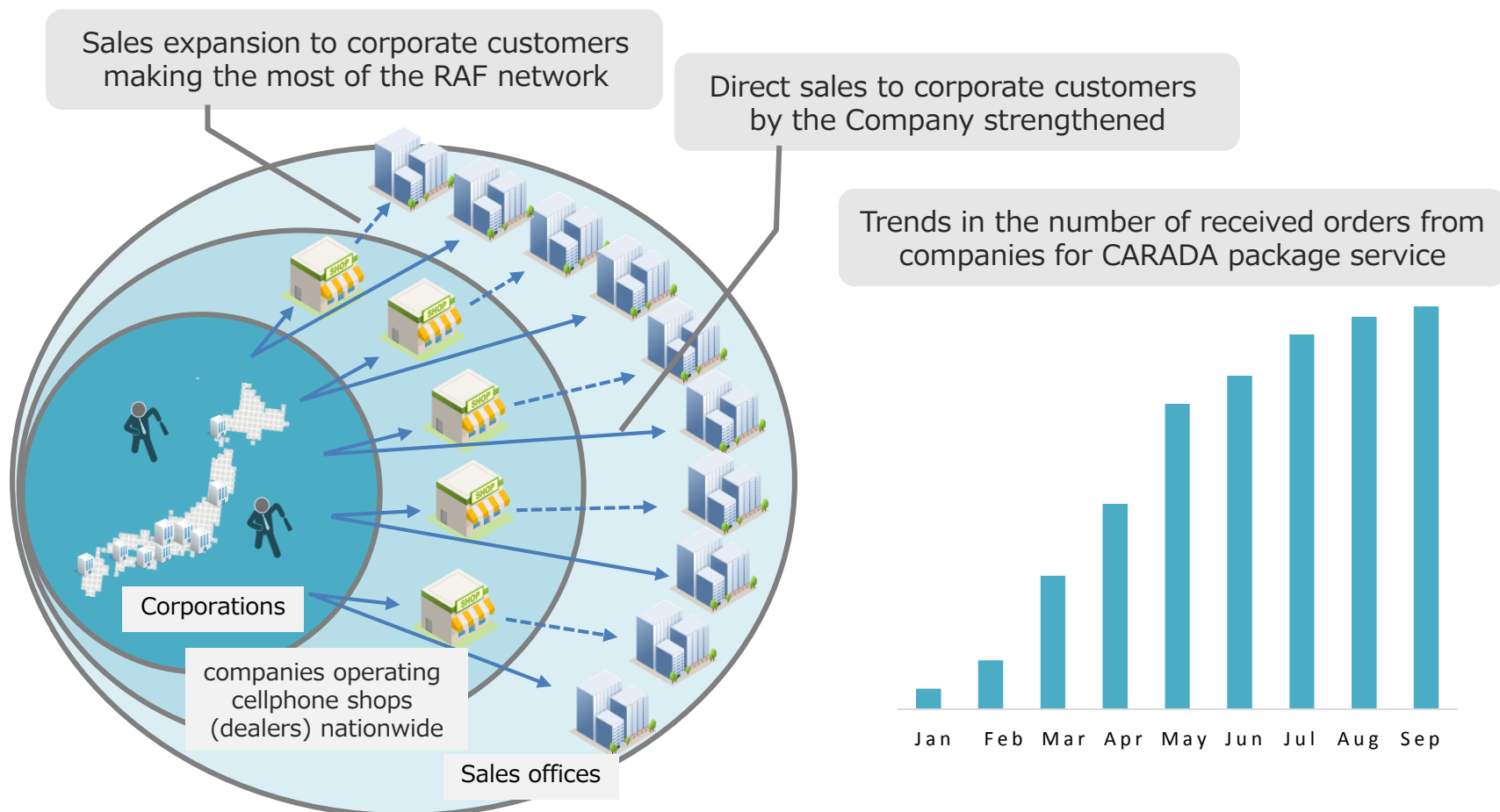
(ten thousands of people)





●ARADA Checkup packaged service

The number of received orders from companies has been increasing steadily.

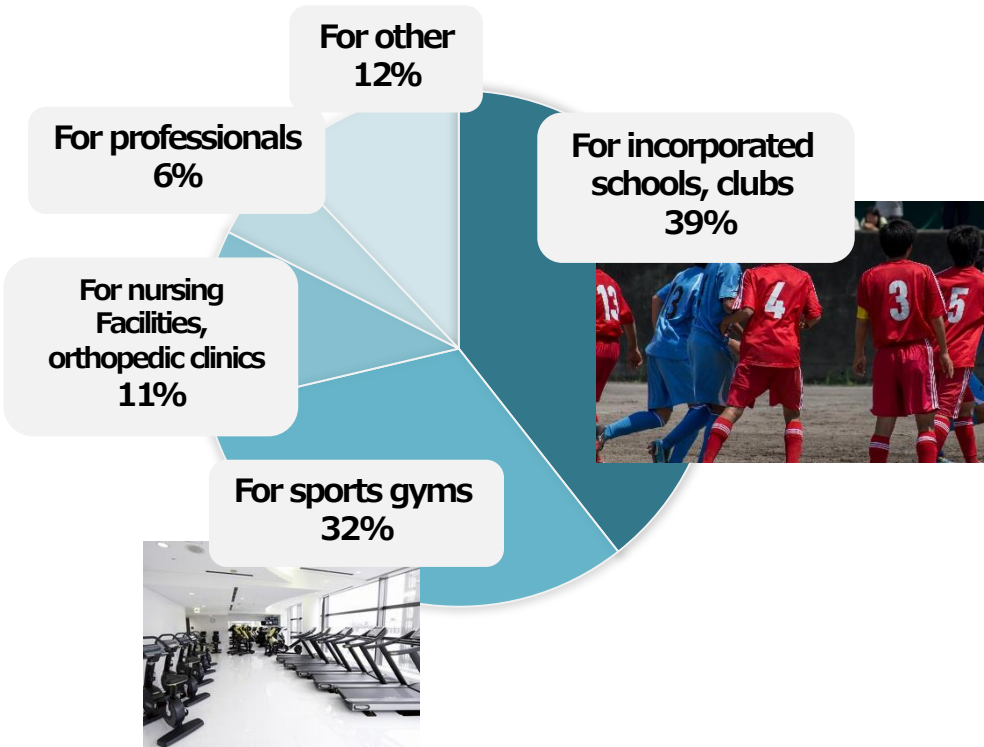


* CARADA and ●ARADA (● denotes C with · · attached above) are the trademarks of MTI Ltd., which owns the right to use them.

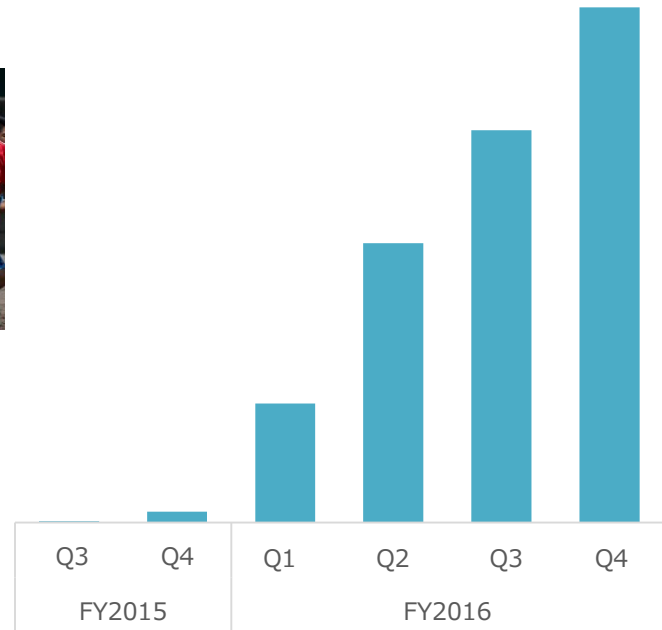


Sports management service

Expanding the number of orders received from schools, clubs at schools, and sports gyms.



The number of service contracts

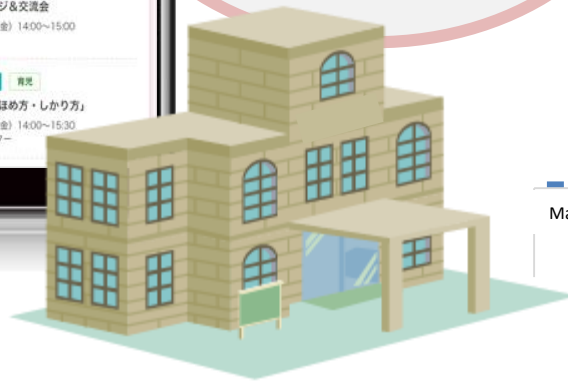




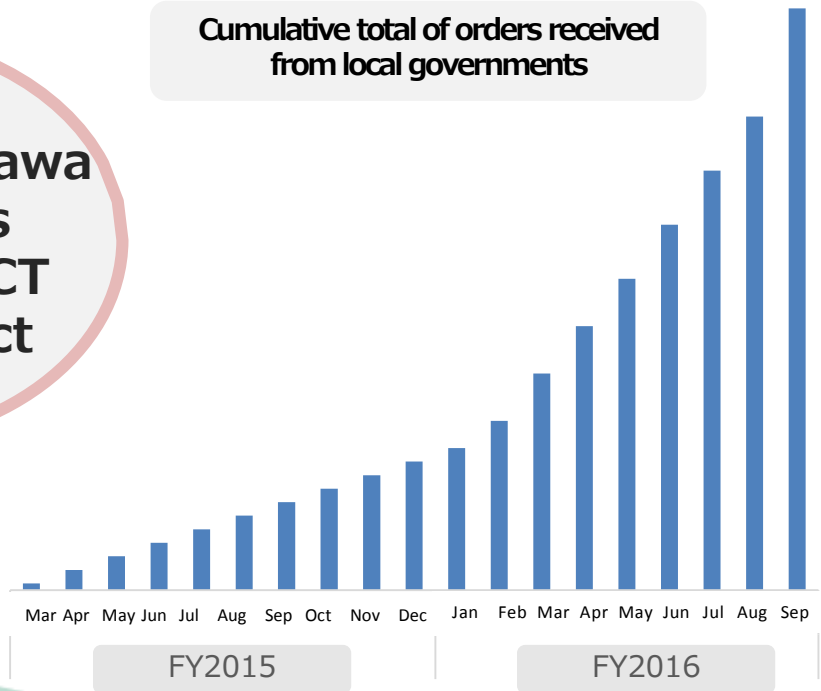
Expanding of the number of orders from local governments for the electronic maternal and child health handbook.



Used in Kanagawa Prefecture's Healthcare ICT Model Project



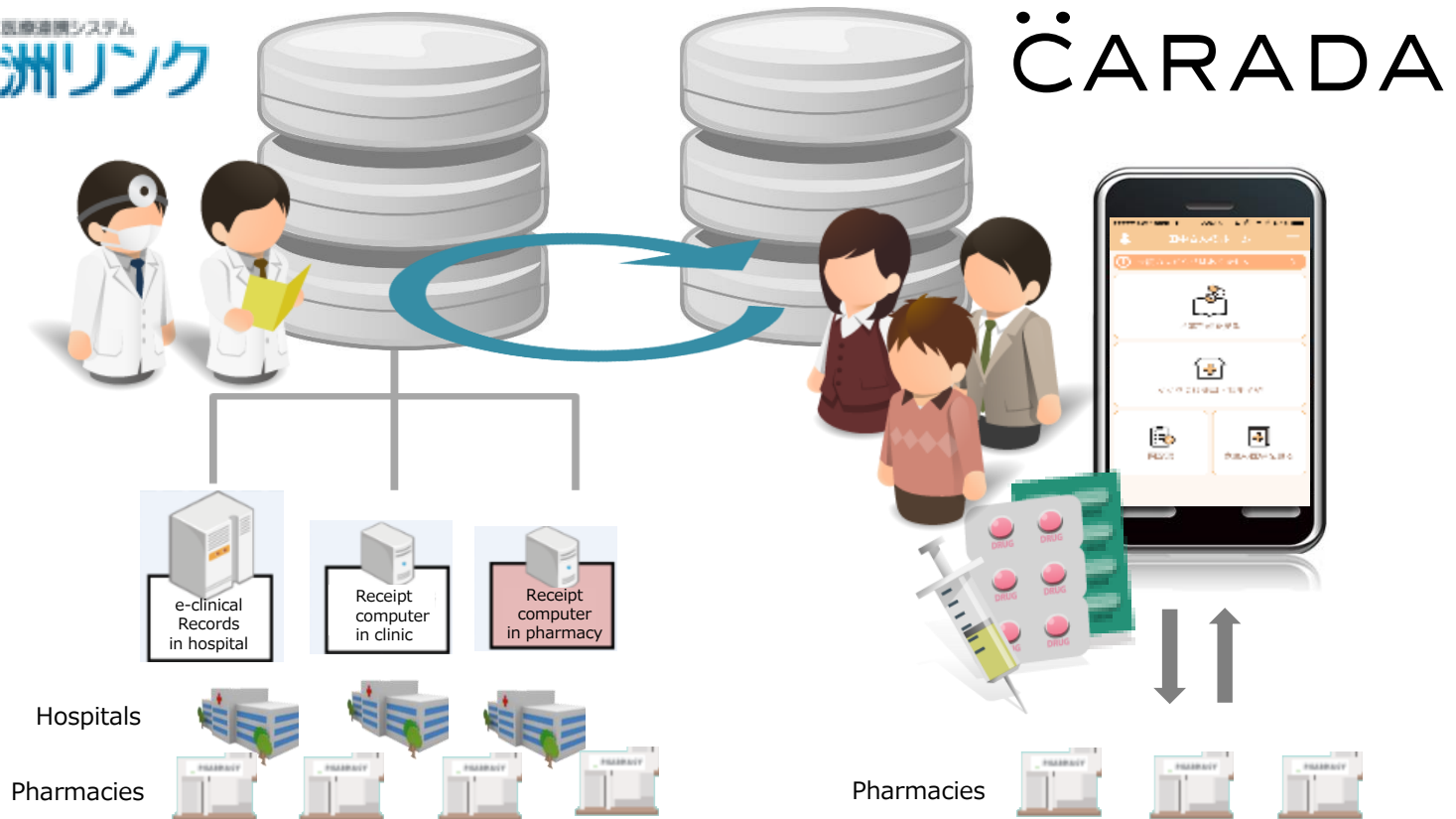
Cumulative total of orders received from local governments



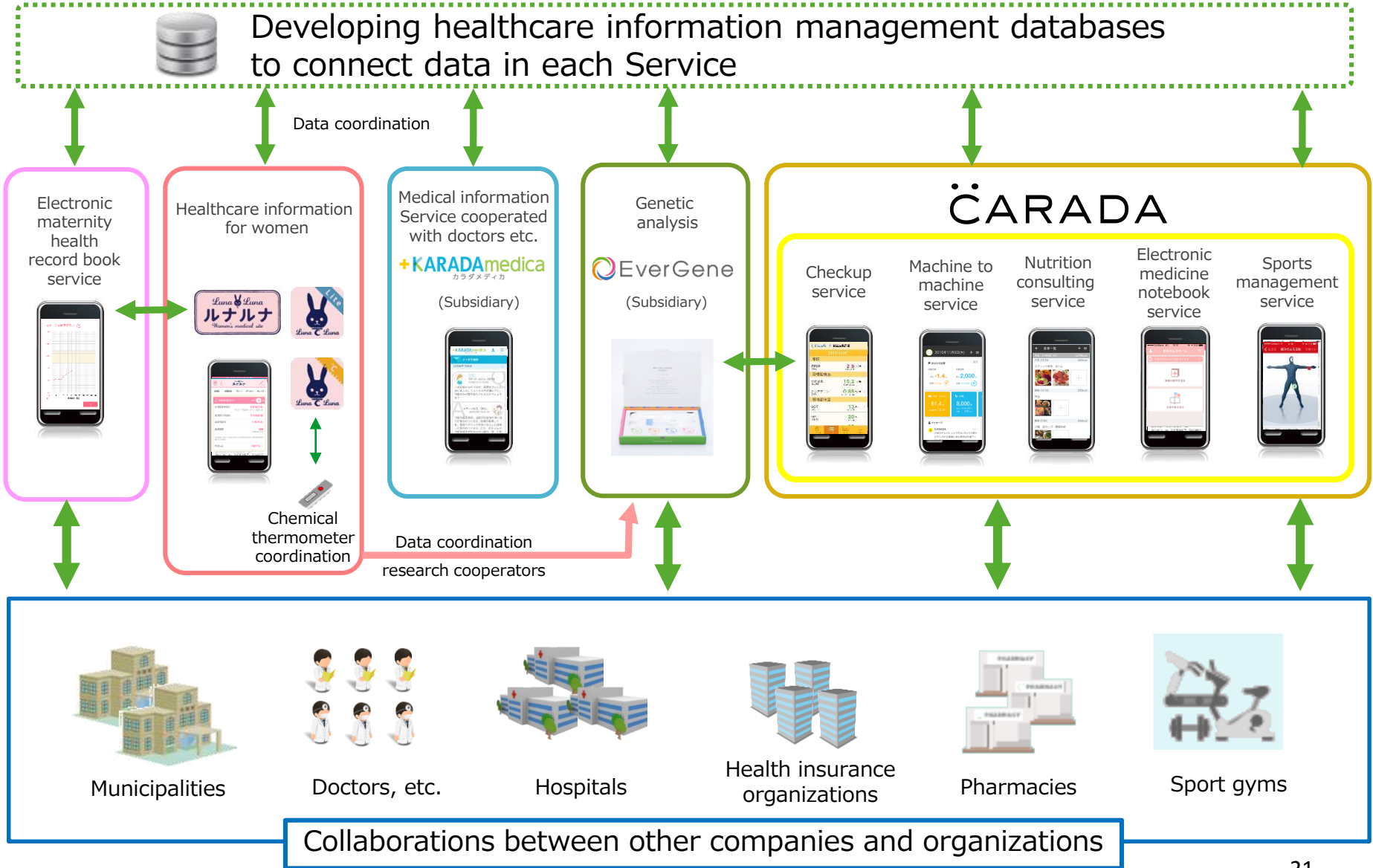


Electronic medicine notebook service

Collaboration with Seishu Link (Kinokuni medical cooperation network)



[Reference] Overview of Healthcare-related to Service



Consolidated Earnings Forecast for FY2017





Decrease in sales and profits

- Decrease in the total number of paying subscribers from the previous fiscal year
- Decreases in sales and profits in the Non-virtual Affiliate business

Net sales **¥32,000 millions**

(Down ¥844 millions, down ¥2.6%, YoY)

Operating income **¥4,060 millions**

(Down ¥1,295 millions, down ¥24.2%, YoY)

Profit attributable to owners of parent **¥2,500 millions**

(Down ¥817 millions, down ¥24.6%, YoY)

Consolidated Earnings Forecast ii)



(Millions of yen)	FY2017 (Forecast)			FY2016 (Actual)			Change	
	Full-year	1 st half	2 nd half	Full-year	1 st half	2 nd half	Amount (Full-year)	Percentage (Full-year)
Net sales	32,000	15,500	16,500	32,844	16,994	15,849	(844)	(2.6%)
Cost of sales	5,800	2,800	3,000	5,353	2,635	2,718	+446	+8.3%
Selling, general and administrative expenses	22,140	10,970	11,170	22,135	11,870	10,265	+4	+0.0%
Operating income	4,060	1,730	2,330	5,355	2,489	2,866	(1,295)	(24.2%)
(Ratio)	12.7%	11.2%	14.1%	16.3%	14.6%	18.1%		
Ordinary income	4,000	1,700	2,300	5,310	2,434	2,876	(1,310)	(24.7%)
(Ratio)	12.5%	11.0%	13.9%	16.2%	14.3%	18.1%		
Profit attributable to owners of parent	2,500	1,100	1,400	3,317	1,425	1,892	(817)	(24.6%)
(Ratio)	7.8%	7.1%	8.5%	10.1%	8.4%	11.9%		

Capital Policy





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

In FY2017

Annual dividends per share ¥16

	Interim dividend	Year-end dividend	Annual dividend
FY2016	¥8	¥8	¥8
FY2017 (Forecast)	¥8	¥8	¥16

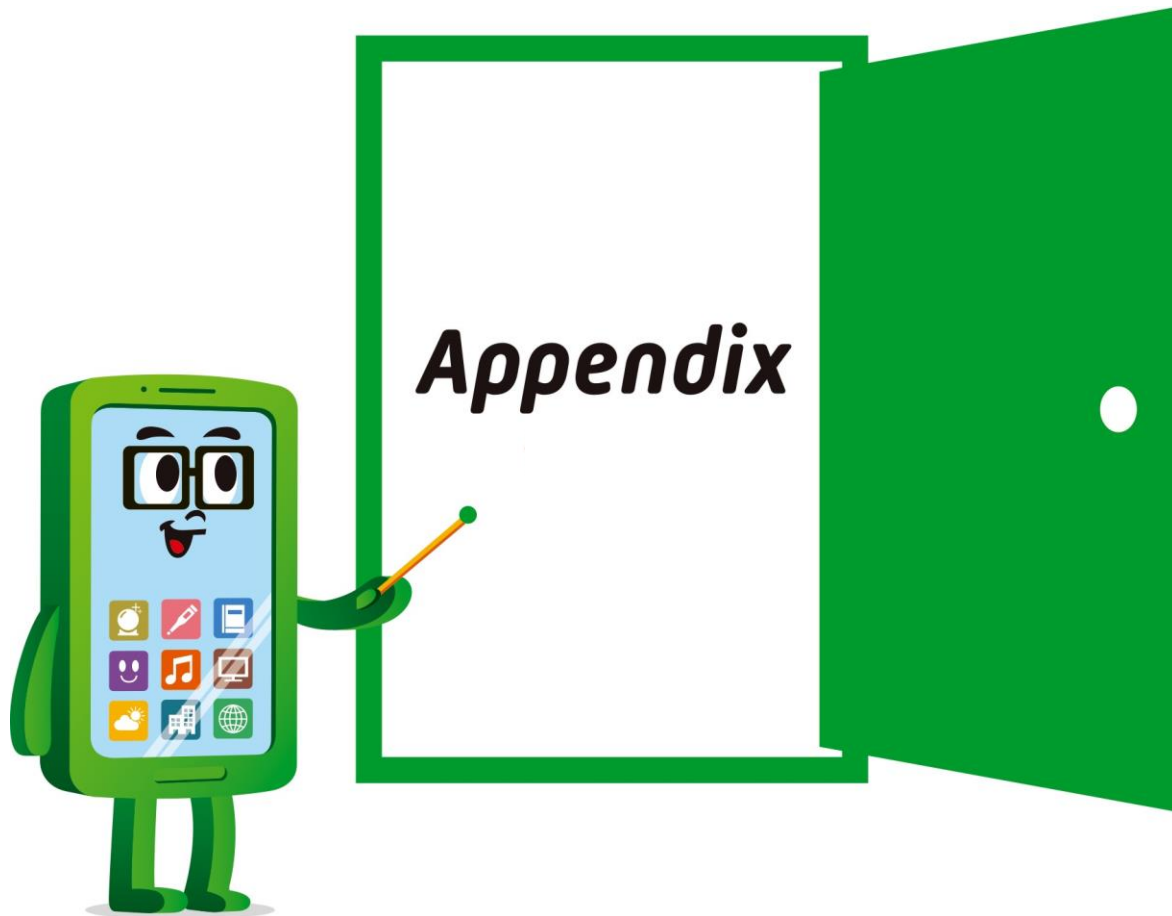


Acquisition of Own Shares by Stock Company

- 1** Amount of shares to be repurchased: Maximum of 1,000 millions of yen^{*1}
- 2** Number of shares to be repurchased: Maximum of 1,600,000 shares
2.9% of outstanding shares
(excluding treasury shares)^{*2}
- 3** Repurchase period: From November 2 to December 22, 2016

*1 All or part of the transactions may not be carried out depending on market trends.

*2 Total number of shares issued (excluding treasury shares)
as of September 30, 2016: 55,623,972 shares, Treasury shares: 4,925,228

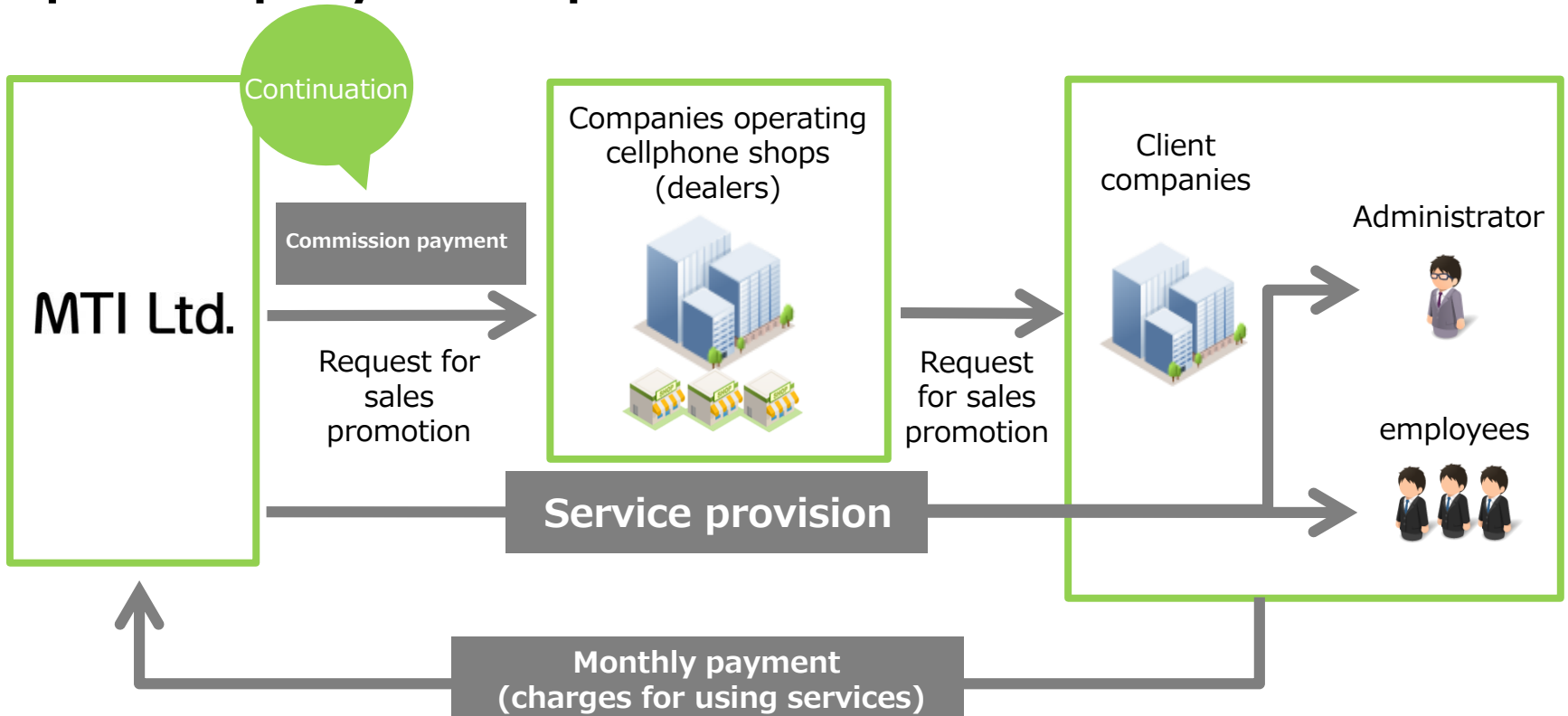


Appendix

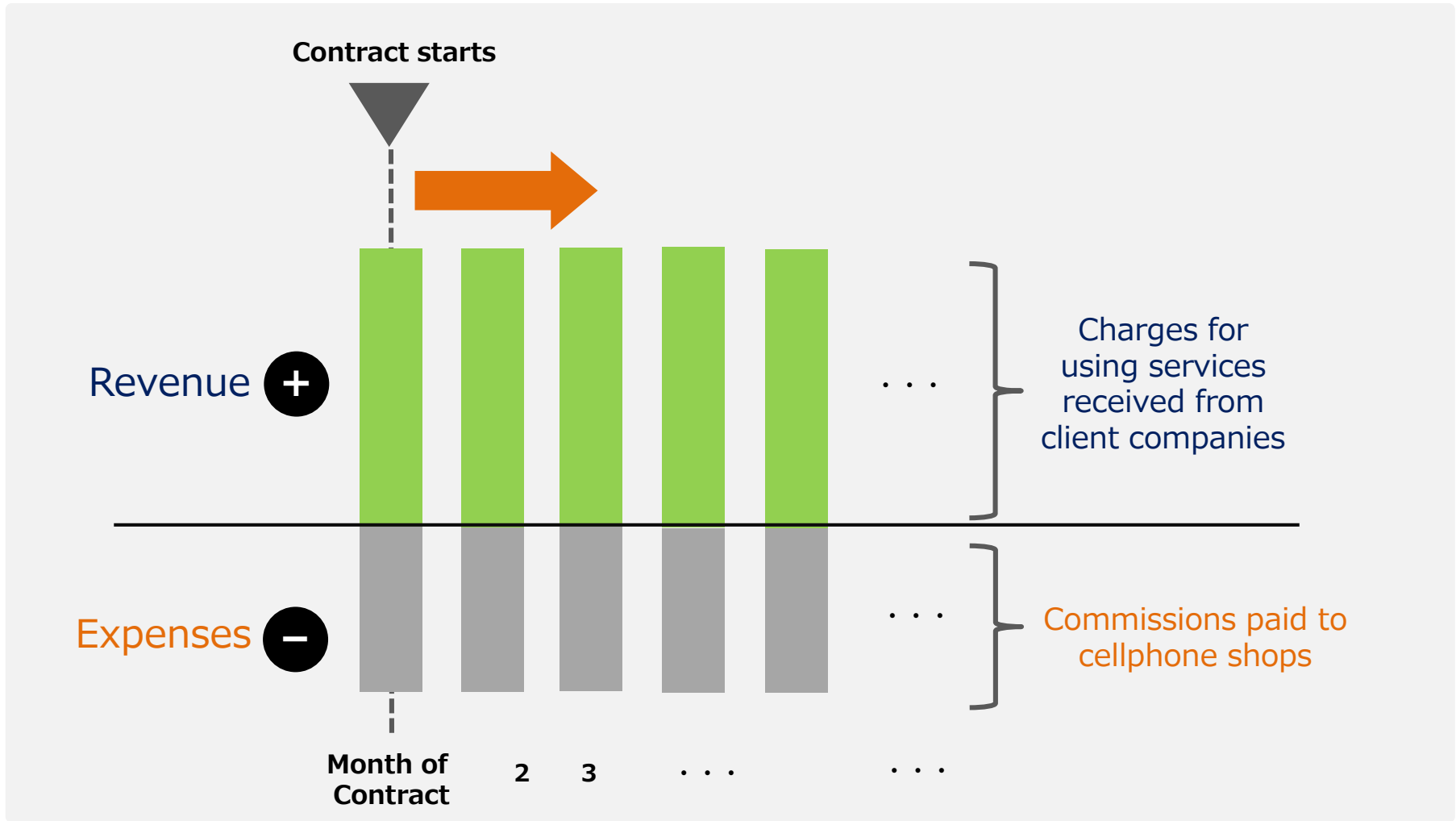
["CARADA" packaged service] Business Model



- ▶ **B to B to E** ※E: Employee
- ▶ **Stock-type business**
- ▶ **Number of contracts × Number of employees using per company × unit price × 12months = Sales**



["CARADA" packaged service] Revenue Model



【“CARADA” packaged service】 Service Overview



QR code-compatible checkup results available for accessing at any time !

1 Bring your smartphone closer



2 Enter it into your smartphone



3 Know your health status





Option 「“CARADA MY Nutrition Advisor”」

Effects continue securely for ¥20,000 a month !

1 Take a photo
before you eat



2 Send the photo
to a nutritionist



3 Receive coaching



A nutritionist
provides
instructions
by way of chats

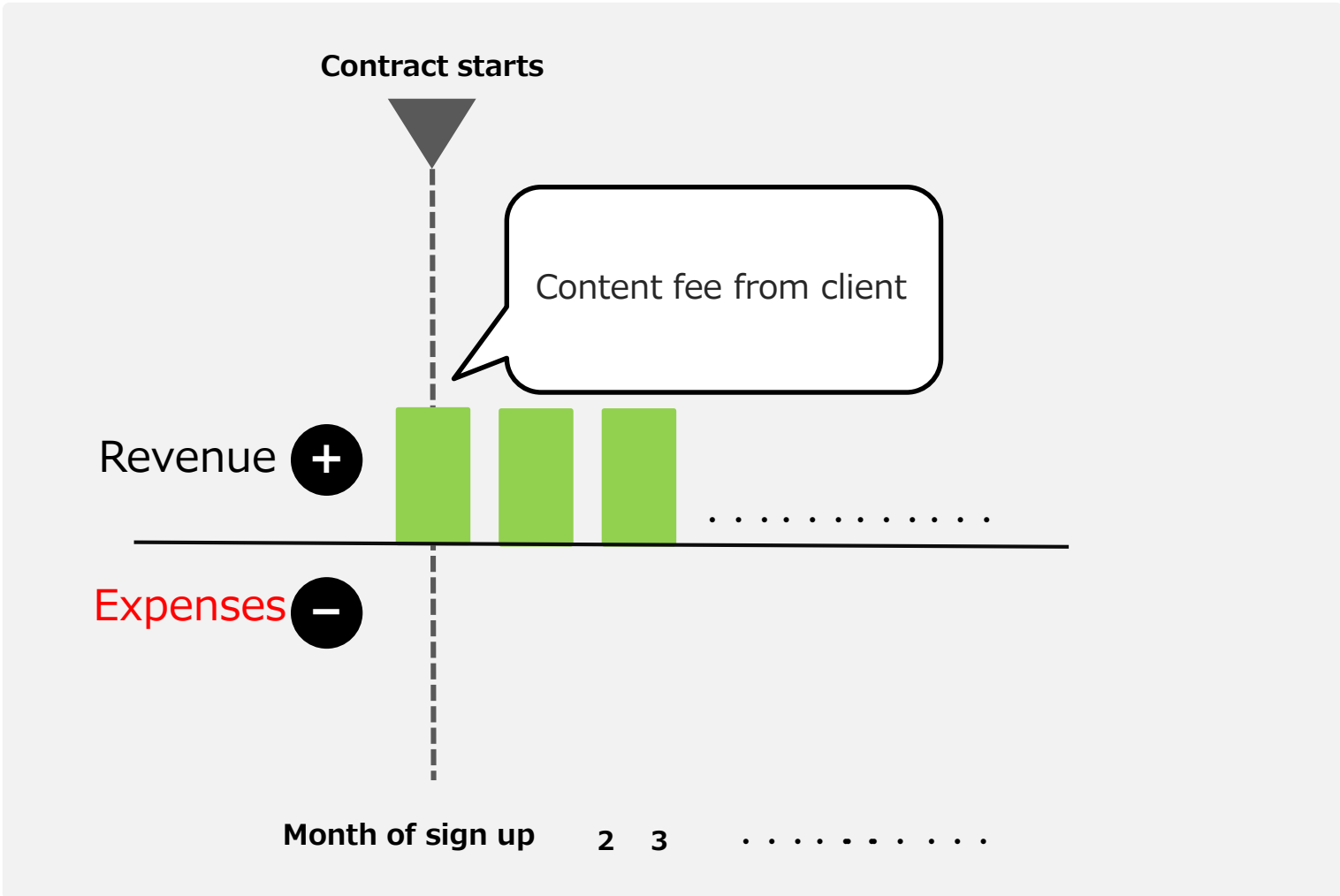
【Sports management service】 Business Model



- ▶ **B to B to C**
- ▶ **Stock-type business**
- ▶ **Number of contracts × Number of employees using per company × unit price × 12months = Sales**

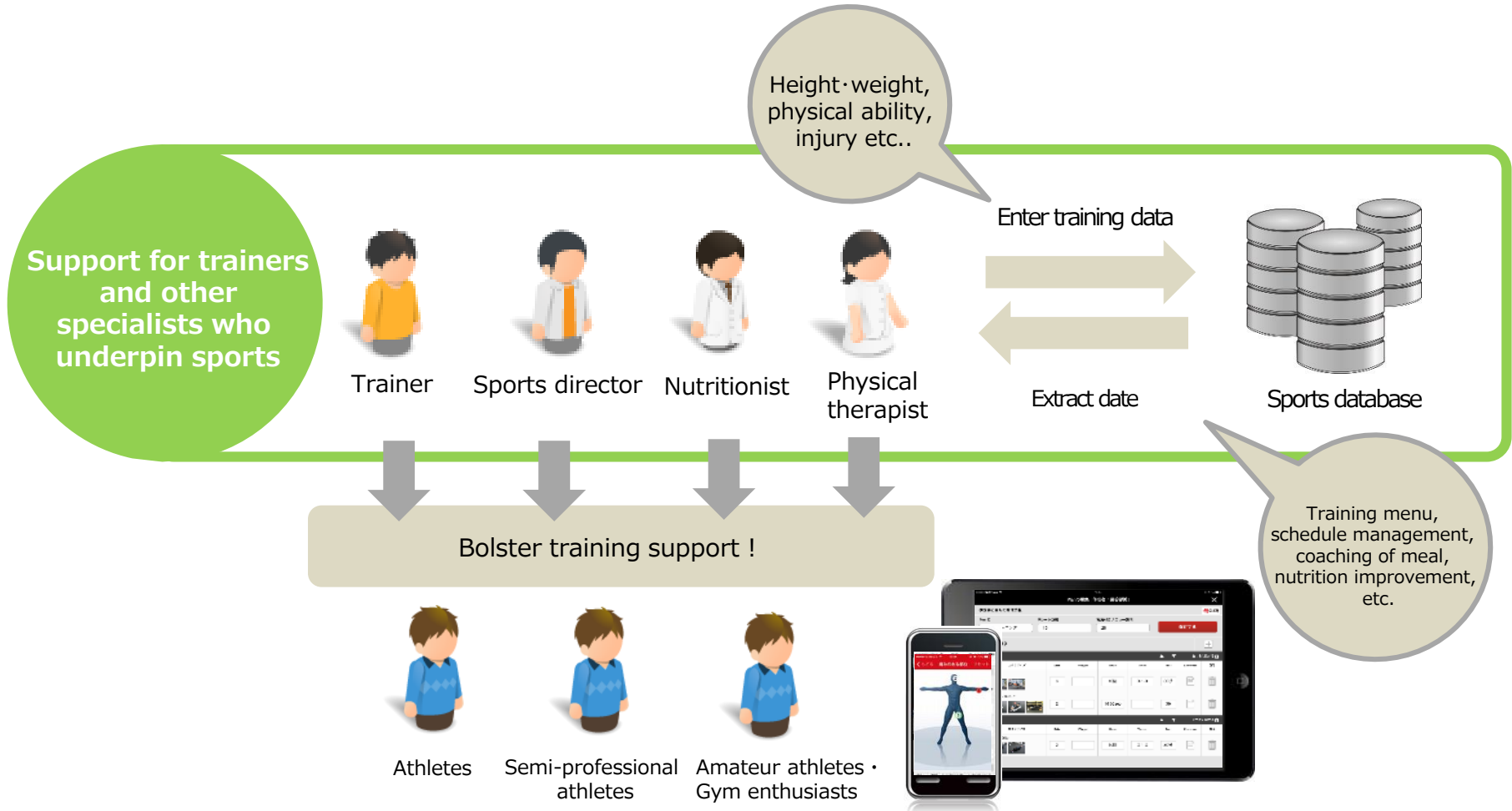


【Sports management service】 Revenue Model





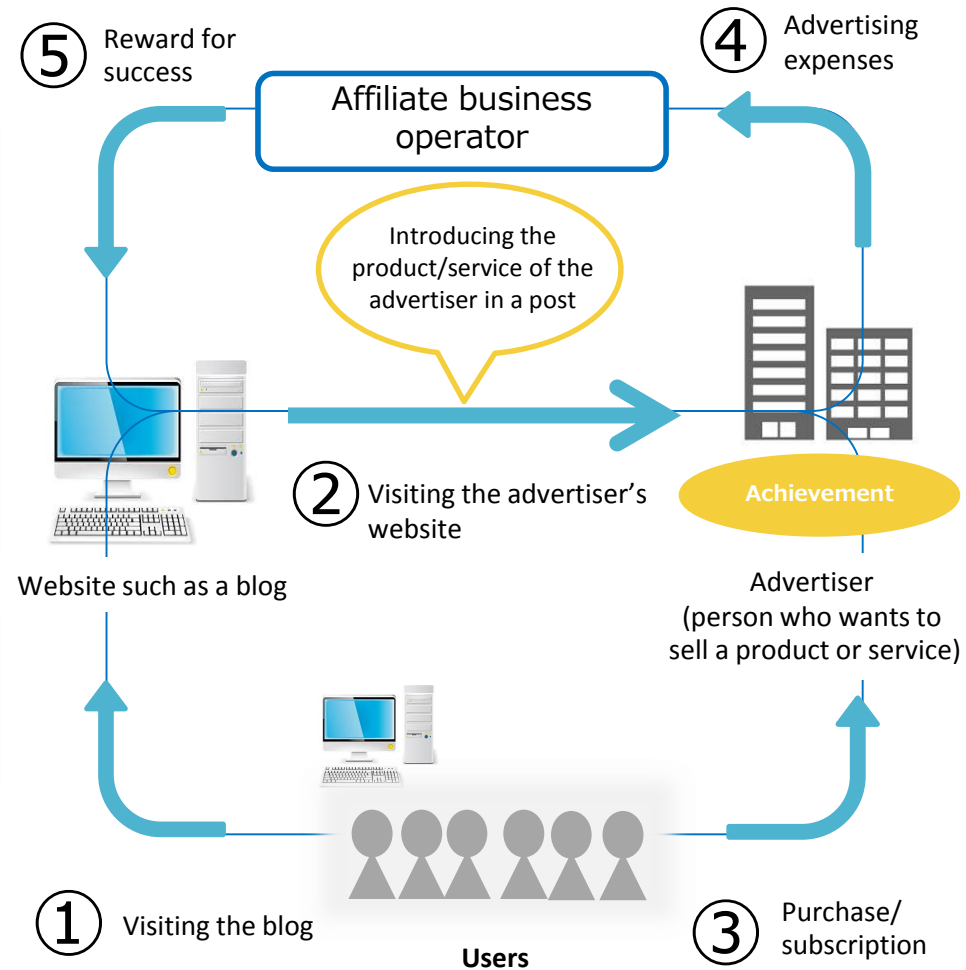
Expansion of trainer support services



What's "Affiliate"?



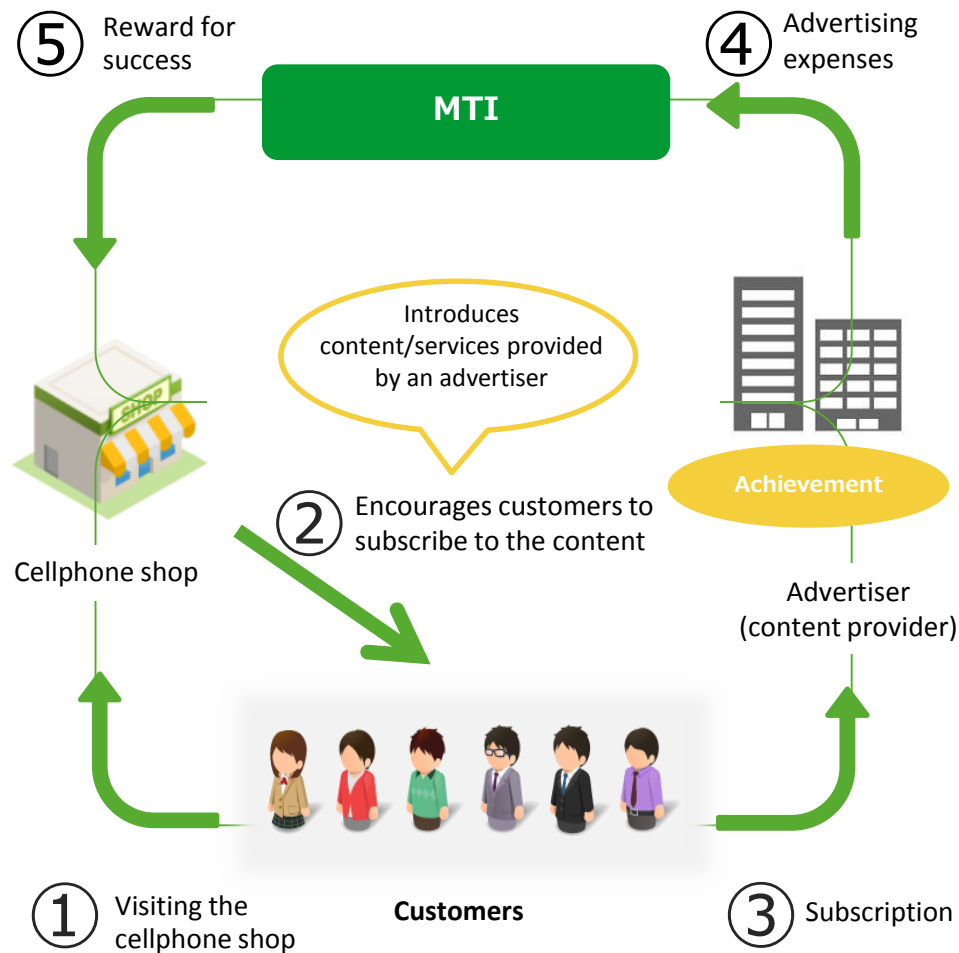
The term "affiliate" is a frequently used term in internet advertising. It is a system whereby if the introduction of a product or service on a website, such as a blog, is successful (e.g. a user purchases the product), the operator of the website receives a reward.



What's "Non-virtual Affiliate"?



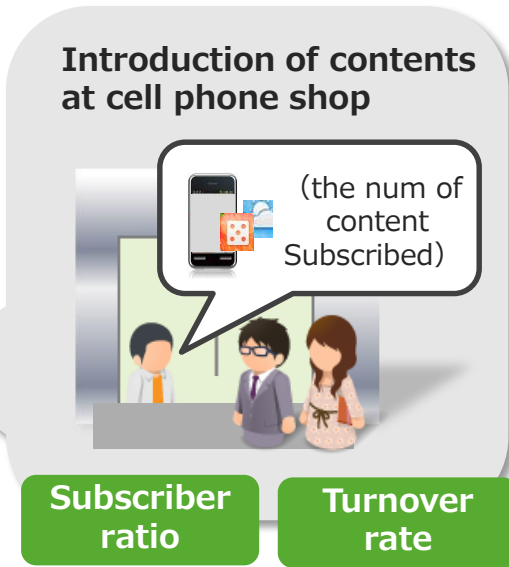
Non-virtual affiliate is an internet advertising system as applied to cellphone shops as physical locations. Under this system, cellphone shops encourage customers visiting them to subscribe to particular content, and if a customer actually subscribes to the content, the cellphone shop receives a reward.



【 Content Distribution Business 】 Improvement of Index



Construction of a detailed sales support system	The number of new subscribers	=	Contract num of cell phone shops	×	Cellphone shop occupancy rate	×	The num of visitors per cell phone shop	×	Subscriber ratio ^{※1}	×	Content subscribed ^{※2}
Introduction of a compensation system based on the withdrawal rate of each cellphone shop	The number of increase to member	=	The num of new subscribers	×	(1 - Turnover rate)						
Enlargement of Contents service	Sales	=	The num of subscribers	×	Customer Unit price						

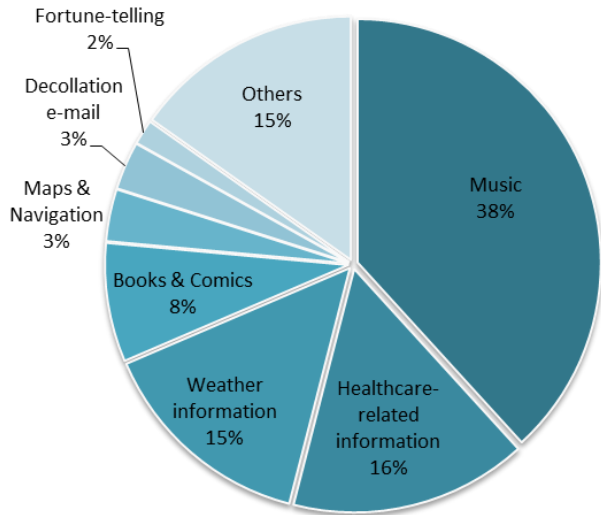


* 1 Subscriber ratio: the number of content subscribers per cell phone shop visitors (Unique)
 * 2 Content subscribed: the number of subscribed contents per



Line-up our own contents service provided mainly moth-paid

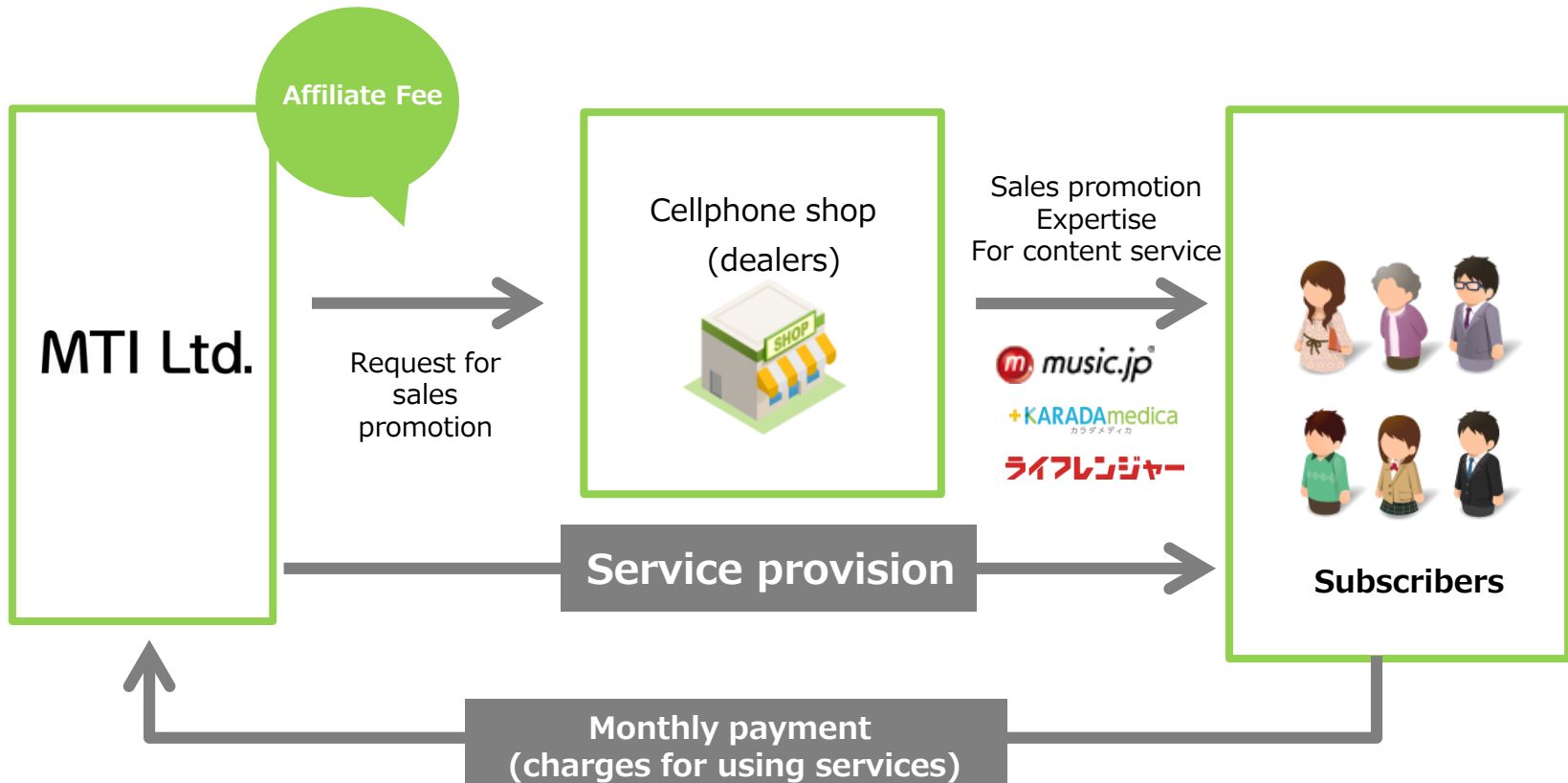
MTI monthly paying subscribers
(As of the end of September, 2016)



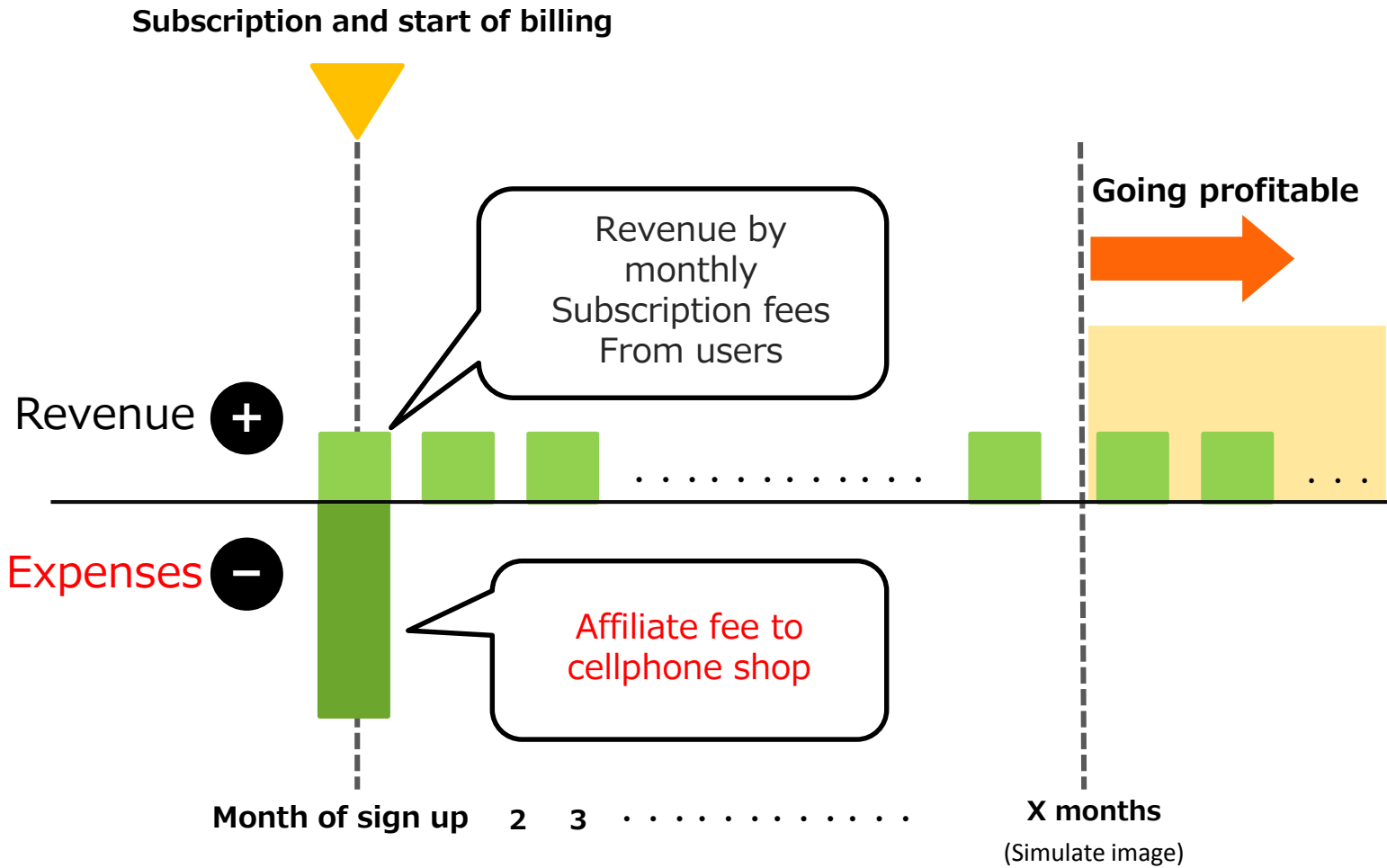
<p>Music</p>	<p>Healthcare-related information</p> <p>+KARADAMEDICA カラメディカ</p>	<p>Weather information</p>	<p>Books & Comics</p> <p>Photo Book cafe</p> <p>GettyImages</p>	<p>Maps & Navigation</p>	<p>Fortune-telling</p>
				<p>Decollation e-mail</p>	<p>Others</p>



- ▶ B to C
- ▶ Stock-type business
- ▶ Num of monthly paying subscribers × ARPU = Sales



【Content Distribution Business】 Profit and Loss Model



【Non-virtual Affiliate Business】 Improvement of Index



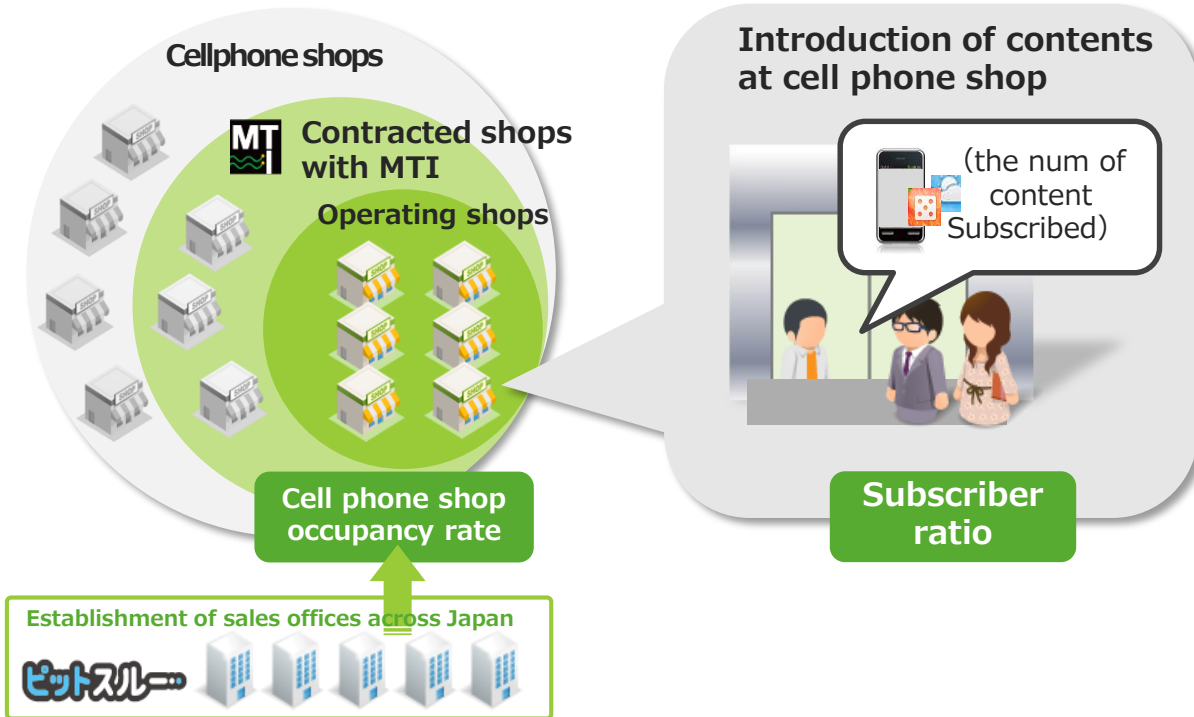
Construction of a detailed sales support system

The number of new subscribers

$$= \text{Contract num of cell phone shops} \times \text{Cellphone shop occupancy rate} \times \text{The num of visitors per cell phone shop} \times \text{Subscriber ratio}^{\times 1} \times \text{Content subscribed}^{\times 2}$$

Sales

$$= \text{The num of subscribers} \times \text{Customer Unit price}$$



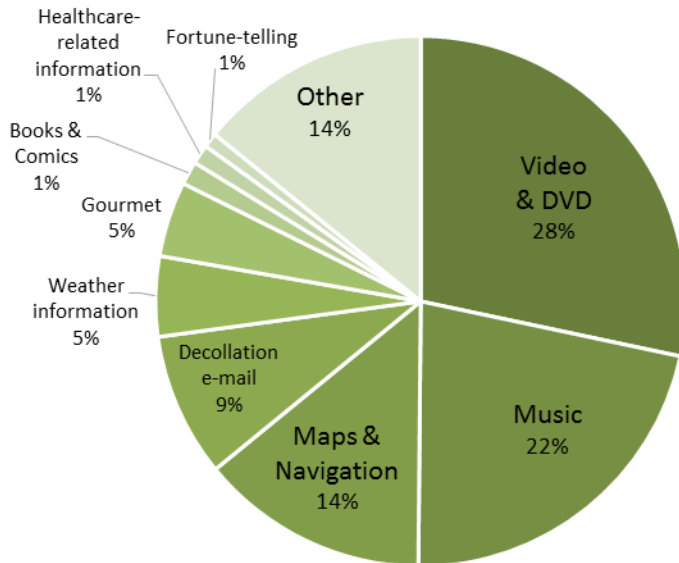
* 1 Subscriber ratio: the number of content subscribers per cell phone shop visitors (Unique)

* 2 Content subscribed: the number of subscribed contents per



Other companies' content service proposed at mobile phone shops

Total number of new paying subscribers by categories (October, 2015 – September, 2016)



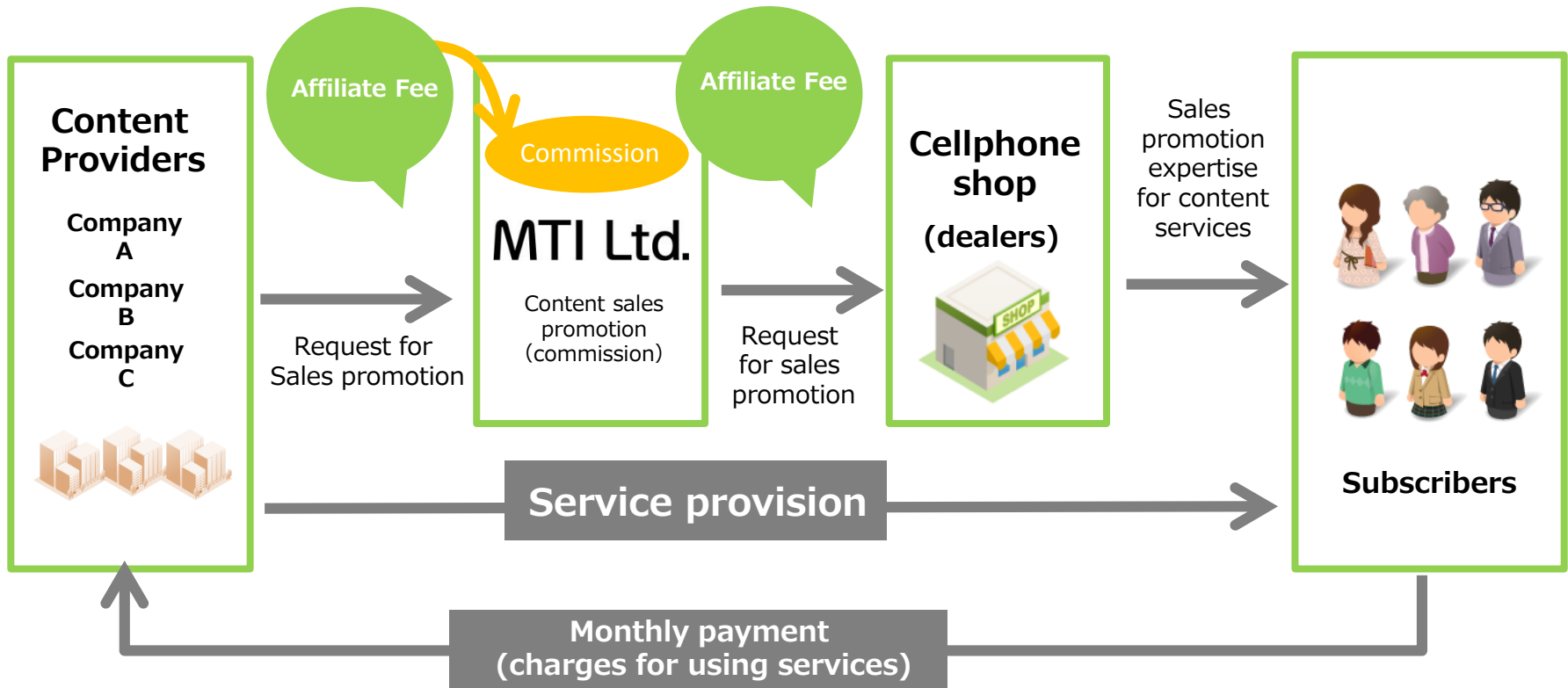
<p>Video & DVD</p>  <p><i>Video Market, Inc.</i> (Our affiliated Company)</p> 	<p>Music</p> 	<p>Maps & Navigation</p> 	<p>Decollation e-mail</p> 
	<p>Gourmet</p> 	<p>Books & Comics</p> 	<p>Weather info</p> 

※Other companies' content pictures are only images. These are differs from their actual service.

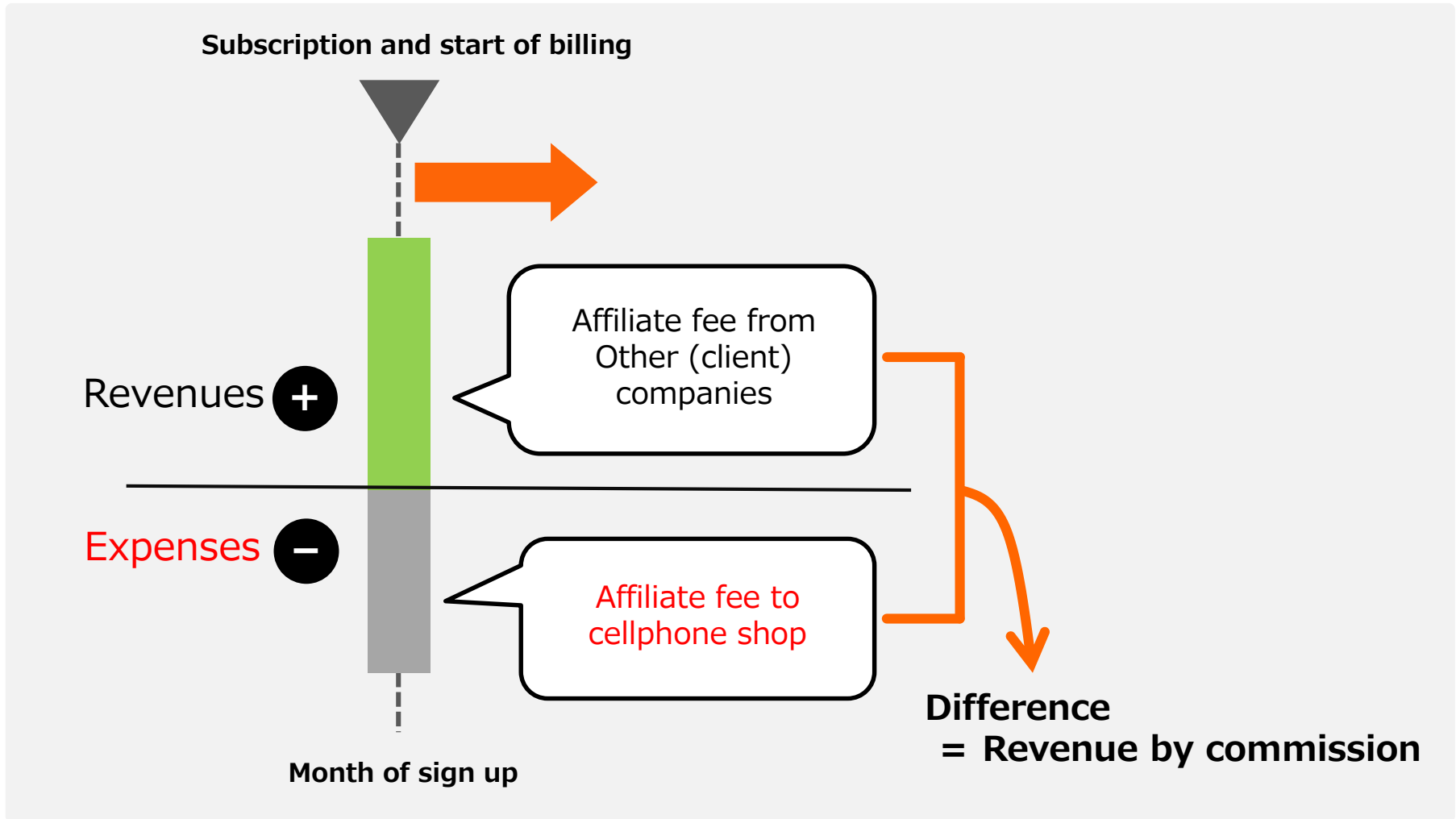
【Non-virtual Affiliate Business】 Business Model



- ▶ **B to B**
- ▶ **Flow-type business**
- ▶ **Num of new subscribers × Revenue by commission = Sales**
(Other companies' content)



【Non-virtual Affiliate Business】 Profit and Loss Model



Consolidated B/S



(Millions of yen)

	FY2016	FY2015	Change		FY2016	FY2015	Change
Current assets	20,051	20,211	(159)	Liabilities	6,148	7,193	(1,044)
Cash and deposit	12,613	11,608	1,004	Accounts payable-trade	1,177	1,179	(2)
Notes and accounts receivable-trade	6,163	6,885	(721)	Current portion of long-term loans payable	-	518	(518)
Other	1,339	1,788	(448)	Account payable-other	2,290	2,571	(281)
Allowance for doubtful accounts	(65)	(71)	5	Income taxes payable	1,343	1,354	(10)
				Allowance for coin usage	188	234	(46)
				Other	1,148	1,334	(185)
Non-current assets	5,102	4,526	575	Non-current liabilities	1,152	953	199
Property, plant and equipment	179	146	32	Long-term loans payable	-	79	(79)
Intangible fixed assets	2,504	2,277	226	Net defined benefit liability	1,099	832	266
Include software	2,462	2,254	207	Other	53	40	12
Investments and other assets	2,419	2,103	316	Total liabilities	7,301	8,147	(845)
Include investment securities	1,054	796	258	Capital stock	5,012	4,947	64
				Capital surplus	5,834	5,469	365
				Retained earning	8,727	6,300	2,427
				Treasury shares	(2,148)	(695)	(1,453)
				Accumulated other comprehensive income	(119)	12	(132)
				Subscription rights to shares	132	127	5
				Non-controlling interests	414	429	(14)
				Net assets	17,852	16,591	1,261
Total Assets	25,154	24,738	415	Total liabilities and net assets	25,154	24,738	415

Trends in Consolidated P/L



(Millions of yen)	FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	8,209	8,410	8,261	8,579	8,547	8,447	7,924	7,924
Cost of sales	1,343	1,322	1,281	1,491	1,362	1,272	1,294	1,424
Gross profit	6,865	7,088	6,979	7,088	7,184	7,175	6,630	6,500
(Ratio)	83.6%	84.3%	84.5%	82.6%	84.1%	84.9%	83.7%	82.0%
Selling, general and administrative expenses	5,532	6,313	5,559	6,371	6,062	5,807	4,734	5,530
Operating income	1,333	774	1,420	717	1,121	1,367	1,896	969
(Ratio)	16.2%	9.2%	17.2%	8.4%	13.1%	16.2%	23.9%	12.2%
Ordinary income	1,315	719	1,405	704	1,117	1,317	1,894	981
(Ratio)	16.0%	8.5%	17.0%	8.2%	13.1%	15.6%	23.9%	12.4%
Profit attributable to owners of parent	761	327	855	663	697	727	1,195	696
(Ratio)	9.3%	3.9%	10.4%	7.7%	8.2%	8.6%	15.1%	8.8%

Trends in Consolidated SG&A



(Millions of yen)	FY2015				FY2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	5,532	6,313	5,559	6,371	6,062	5,807	4,734	5,530
Advertising expenses	2,021	2,680	1,795	2,580	2,532	2,246	1,180	1,648
Personnel expenses	1,374	1,382	1,454	1,558	1,341	1,368	1,402	1,525
Commission fee	896	938	923	968	954	955	923	908
Subcontract expenses	350	331	344	299	374	384	314	382
Depreciation	353	341	314	309	298	303	316	354
Other	535	638	726	654	561	549	597	711



Thank you very much for today.

MTI Ltd.

〈Contact us〉

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