



**Reporting Session For
Shareholders
for FY2018**

December 22, 2018

Securities Code : 9438

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Financial Results Overview for FY2018

Financial Results Highlights

1

Financial results for FY2018

Net sales **¥29,075** million (Down **¥1,858** million, Down **6.0%**, YoY)

Operating income **¥3,218**million (Down **¥835**million, Down **20.6%**, YoY)

2

ARPU increase by **19.5** yen
compared to the same period last year

4.57 million subscribers

(Down 0.75 million compared to September 30, 2017)

3

Earnings forecast for FY2019

Net sales **¥28,000** million (Down **¥1,075** million, Down **3.7%**, YoY)

Operating income **¥2,400**million (Down **¥818**million, Down **25.4%**, YoY)

Consolidated P/L

(Millions of yen)

	FY2018	FY2017	Change	
			Amount	Percentage
Net sales	29,075	30,933	(1,858)	(6.0%)
Cost of sales	6,405	5,645	+759	+13.5%
Gross profit	22,670	25,288	(2,618)	(10.4%)
(Ratio)	78.0%	81.7%		
SG&A	19,452	21,234	(1,782)	(8.4%)
(Ratio)	66.9%	68.6%		
Operating income	3,218	4,053	(835)	(20.6%)
(Ratio)	11.1%	13.1%		
Ordinary income	3,116	3,972	(856)	(21.6%)
(Ratio)	10.7%	12.8%		
Profit attributable to owners of parent	1,629	1,434	+194	+13.6%
(Ratio)	5.6%	4.6%		

Decreased in number of paying subscribers.

Strengthen the number of video product lines.

Consolidated SG&A

(Millions of yen)

	FY2018	FY2017	Change	
			Amount	Percentage
SG&A	19,452	21,234	(1,782)	(8.4%)
Advertising expenses	4,401	5,746	(1,345)	(23.4%)
Personnel expenses	5,815	5,922	(107)	(1.8%)
Commission fee	3,622	3,698	(76)	(2.1%)
Subcontract expenses	1,125	1,432	(307)	(21.5%)
Depreciation	1,639	1,690	(51)	(3.0%)
Other	2,848	2,743	+105	+3.8%

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

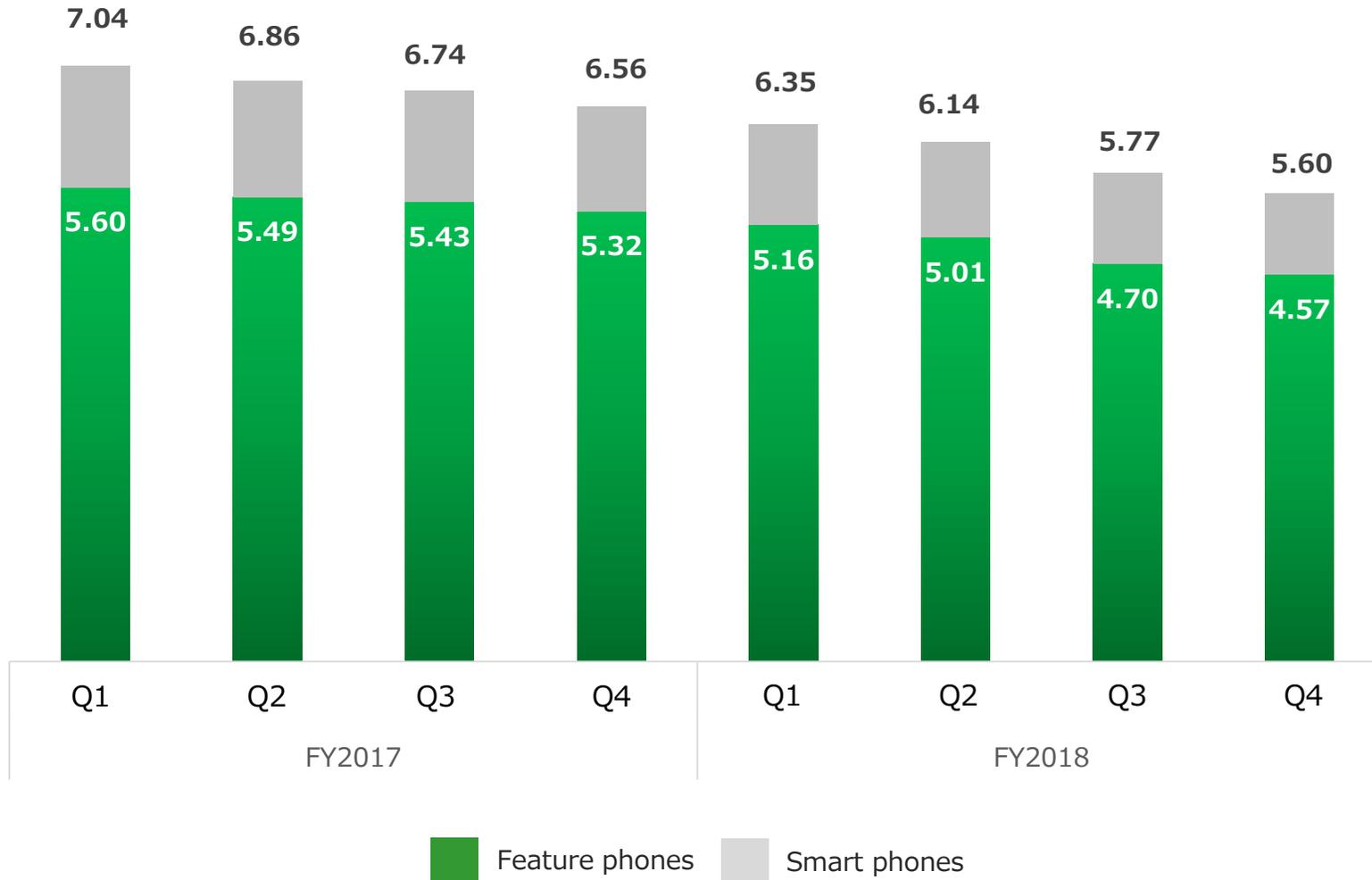
Achievement Ratio for Earnings Forecast

(Millions of yen)

	FY2018		Achievement ratio
	Actual	Forecast	
Net sales	29,075	30,000	96.9%
Operating income	3,218	2,800	114.9%
Ordinary income	3,116	2,800	111.3%
Profit attributable to owners of parent	1,629	2,000	81.5%

Business Overview i)

(Unit: Millions of people)

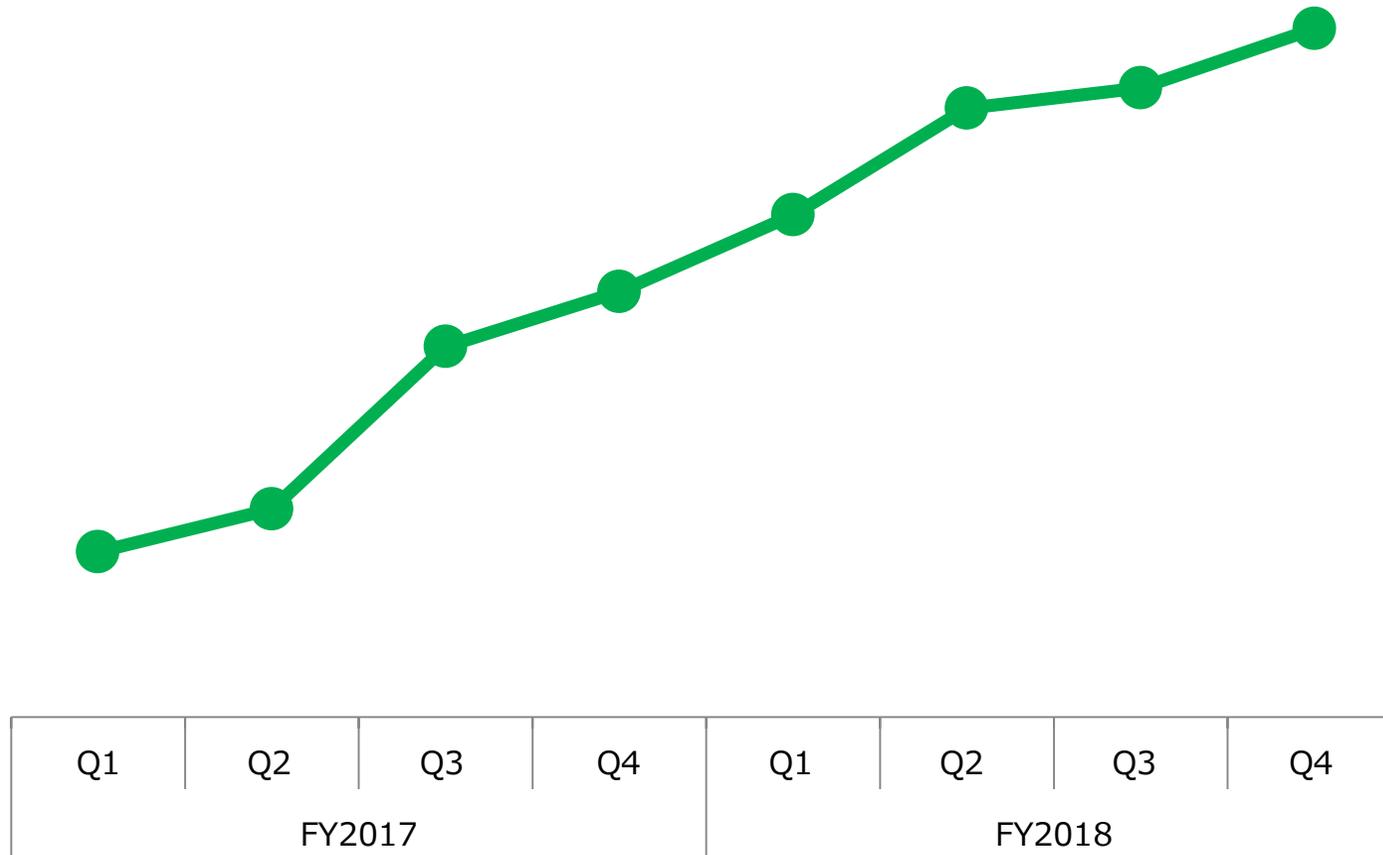


The total number of paying subscribers
5.60 million subscribers

(Down 0.96 million compared to September 30, 2017)

Business Overview ii)

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



YoY Change
¥19.5
UP!

Approach in FY2019

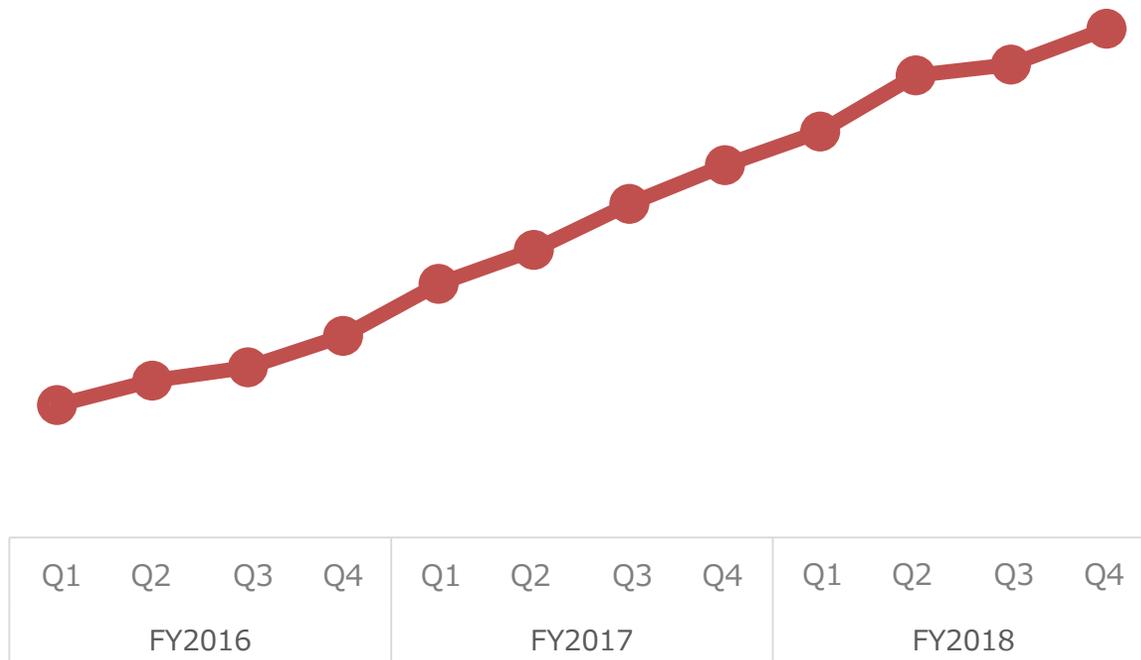
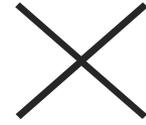
Basic Policy in FY2019

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

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

3. Improvement in ARPU

Improvement in ARPU



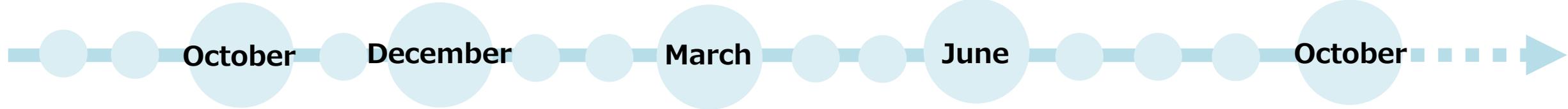
**Enhanced
video lineup**

**Continuous
rise in APRU**

[Reference] Progress of content services business

FY2018

FY2019



Increased in number of video product lines

Hollywood movies

TV-drama

Korean TV

and more

¥1,780 per month

Launched of a service that allows subscribers to watch As much as you want with specialty channels at a fixed price

Programs for children

Music

Sports

Provides high quality contents

Music·Video·Books distribution services



Weather information service



An app that detects areas where unexpected torrential rains may occur 3D Rain Cloud Watcher Expanded coverage nationwide



Healthcare-related services business

ĀARADA

Healthcare management
service for corporations

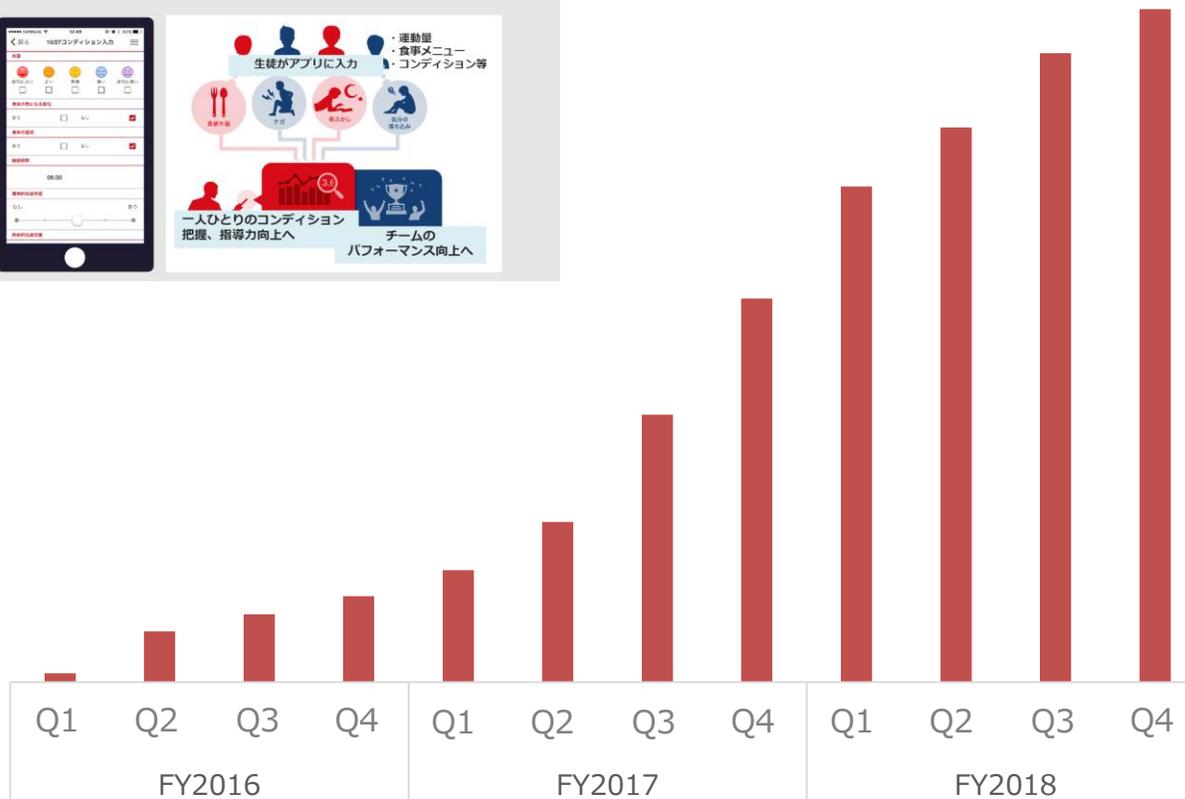


The number of
IDs has been
increasing
steadily.

Healthcare-related services business



Sports management service



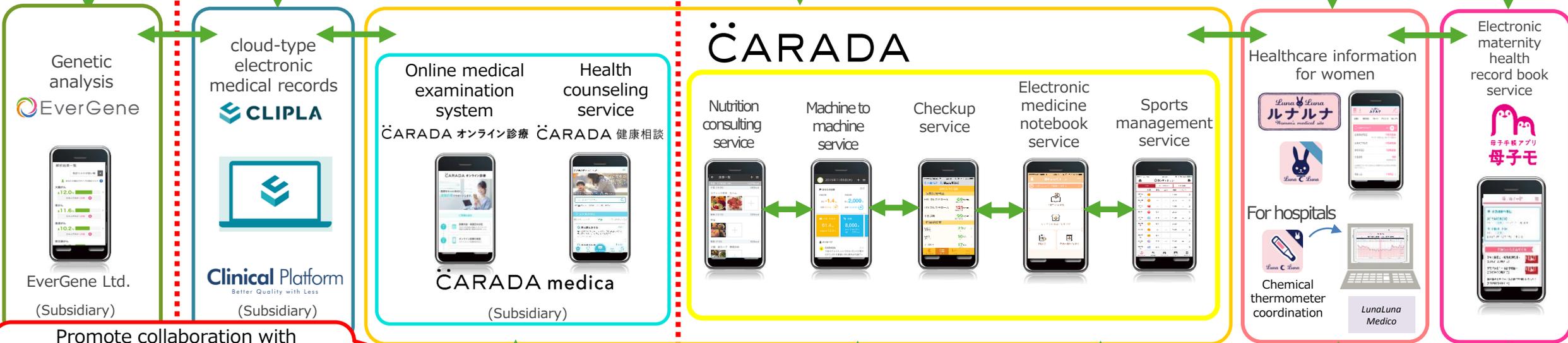
Paid service has been increasing steadily.

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

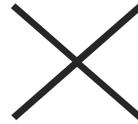


Collaborations between other companies and organizations

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

Content development strength

Medical industry network



MEDIPAL HOLDINGS CORPORATION



Clinical Platform
Better Quality with Less

Company of cloud-type
electronic medical records

ČARADA medica

**Make MTI's
subsidiary
a joint venture
company**

**Promote
collaboration**

Start of a
business
alliance
from

**Joint
investment**
in

in

June, 2016

March, 2018

Novembre, 2018

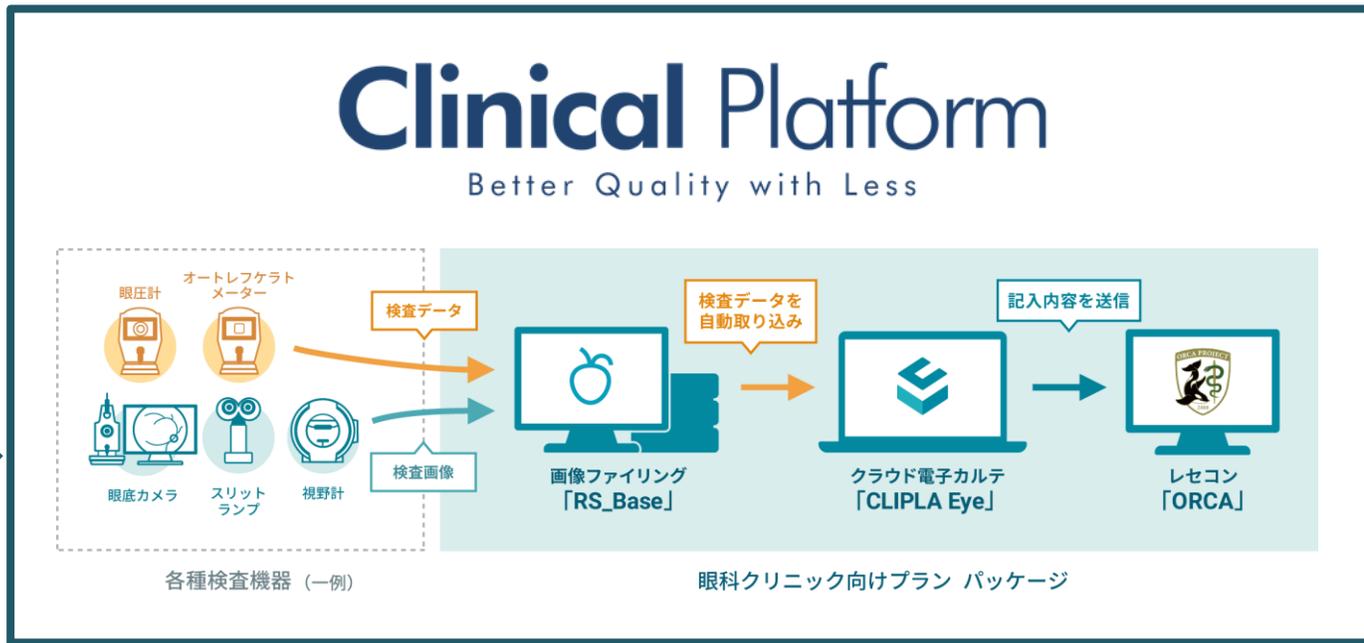
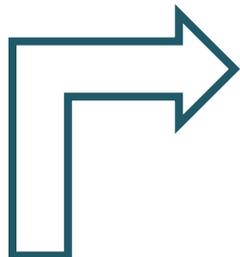
Healthcare-related services:

Collaboration with No. 1 prescription pharmaceutical wholesaler ii)

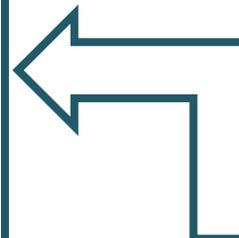
in
**March,
2018**

Company of cloud-type electronic medical records Joint investment

Investment ratio
50.9%



Investment ratio
10.1%



Content development strength

Health industry network



MEDIPAL HOLDINGS CORPORATION

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

in
November,
2018

Make MTI's subsidiary a joint venture company

ĀARADA medica

Start of online medical examination service

Amount of investment
2.1
billion yen

Investment ratio
65.6%

Investment ratio
34.4%

Content development strength

Health industry network



MEDIPAL HOLDINGS CORPORATION

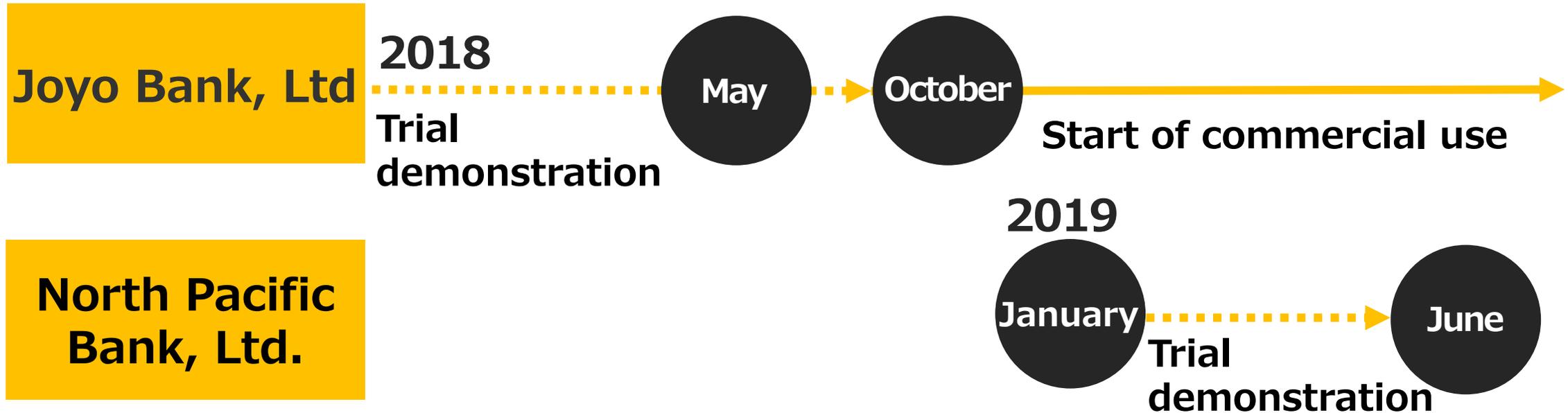
*CARADA medica Inc.'s online medical examination service is to provide an online medical examination system that is necessary for a medical service provider to conduct online medical examinations, and not to conduct medical practice.

Topics : Fintech business

smartphone payment with direct connection to a bank account



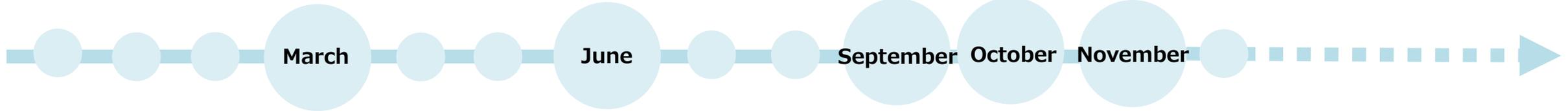
Coordination with local banks' update API



Topics : AI services business (Automagi Inc.)

FY2018

FY2019



chat bot
(Automatic answering)



Trial demonstration
Organization for Small & Medium Enterprises and Regional Innovation

Mizuho Securities Co. in-house inquiry



Logistics / Warehouse	Advertisement	
Real estate	communication	
Power	Gas	Architecture
Mail order	Finance	Maker

Expansion of customer's industry

Image/video analysis



Recognize by smartphone's camera
Start of AI service

- Product package
- Inspection of a tag

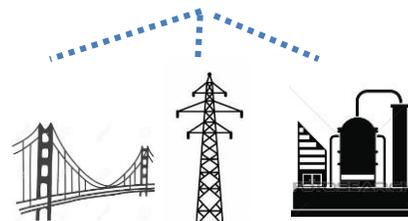
Nichirei Logistics Group Inc.



Trial demonstratio



Detection of rust



Lion Corporation Gum check-up



Topics : "FEEDER"



App that reads receipts using AI



Use AI to achieve a company's work-style reform

Expansion of this year's contract with a major company

Consolidated Earnings Forecast i)

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

Net sales **28,000** million (Down ¥1,075million, Down 3.7%, YoY)

Operating income **2,400** million (Down ¥818million, Down 25.4%, YoY)

Profit attributable to owners of parent **1,400** million (Down ¥229million, Down 14.1%, YoY)

Consolidated Earnings Forecast ii)

(Unit: millions of yen)

	FY2019 (Forecast)			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		

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
FY2018	¥8	¥8	¥16
FY2019	¥8	¥8	¥16

※ A Dividend at the end of FY2018 are to be referred to the 23th general shareholders' meeting on December 22, 2018.

Appendix

Consolidated B/S

(Unit: millions of yen)

	FY2018	FY2017	Change		FY2018	FY2017	Change
Current assets	16,764	17,366	(602)	Liabilities	3,954	4,883	(929)
Cash and deposit	10,504	10,133	+370	Accounts payable-trade	1,284	1,276	+8
Notes and accounts receivable-trade	5,203	6,187	(983)	Account payable-other	1,462	1,974	(512)
Other	1,101	1,109	(7)	Income taxes payable	133	668	(535)
Allowance for doubtful accounts	(45)	(64)	+19	Allowance for coin usage	141	148	(6)
				Other	932	816	+116
Non-current assets	7,132	6,531	+601	Non-current liabilities	1,133	1,076	+57
Property, plant and equipment	263	276	(13)	Net defined benefit liability	1,108	1,020	+88
Intangible fixed assets	1,976	2,198	(222)	Other	25	56	(31)
Include software	1,757	2,078	(321)	Total liabilities	5,088	5,960	(872)
Investments and other assets	4,892	4,055	+837	Capital stock	5,100	5,069	+30
Include investment securities	3,309	2,437	+871	Capital surplus	5,820	5,790	+30
				Retained earning	10,800	9,311	+769
				Treasury shares	(3,148)	(3,148)	-
				Accumulated other comprehensive income	125	3	+122
				Subscription rights to shares	332	297	+34
				Non-controlling interests	496	613	(116)
				Total net assets	18,808	17,937	+871
Total assets	23,896	23,897	(1)	Total liabilities and net assets	23,896	23,897	(1)

Trends in Consolidated P/L

(Unit: millions of yen)

	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	8,547	8,447	7,924	7,924	7,637	7,648	7,811	7,837	7,517	7,645	7,036	6,876
Cost of sales	1,362	1,272	1,294	1,424	1,275	1,230	1,533	1,606	1,590	1,734	1,499	1,580
Gross profit (Ratio)	7,184 84.1%	7,175 84.9%	6,630 83.7%	6,500 82.0%	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%
Selling, general and administrative expenses	6,062	5,807	4,734	5,530	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542
Operating income (Ratio)	1,121 13.1%	1,367 16.2%	1,896 23.9%	969 12.2%	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%
Ordinary income (Ratio)	1,117 13.1%	1,317 15.6%	1,894 23.9%	981 12.4%	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%
Profit attributable to owners of parent (Ratio)	697 8.2%	727 8.6%	1,195 15.1%	696 8.8%	677 8.9%	(235) -	703 9.0%	289 3.7%	801 10.7%	352 4.6%	740 10.5%	(266) -

Trends in Consolidated SG&A

(Unit: millions of yen)

	FY2016				FY2017				FY2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	6,062	5,807	4,734	5,530	5,213	5,492	5,137	5,391	5,265	5,200	4,444	4,542
Advertising expenses	2,532	2,246	1,180	1,648	1,542	1,578	1,317	1,307	1,369	1,487	721	822
Personnel expenses	1,341	1,368	1,402	1,525	1,395	1,406	1,554	1,566	1,534	1,456	1,500	1,324
Commission fee	954	955	923	908	926	935	904	932	886	938	884	913
Subcontract expenses	374	384	314	382	402	519	255	253	282	240	240	361
Depreciation	298	303	316	354	374	401	458	456	430	422	412	373
Other	561	549	597	711	572	650	647	874	761	654	685	746

Thank you for your attention.

MTI Ltd.

〈Contact us〉

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