

SPECIAL
FEATURE



Toward Continuous Growth



BASIC POLICIES FOR FY2016

1

Further expansion in the number of paying subscribers for smartphone service

Enhancement in the Real Affiliate Network

2

Improvement in average revenue per user (ARPU)

Enlargement of contents service

3

Mid-to-long-term approach

Phase to achieve sales for the Healthcare-related service



In this section, we explain our three basic policies and the approaches we are taking in the fiscal year ending September 30, 2016 based on these policies.

What is MTI's strength?

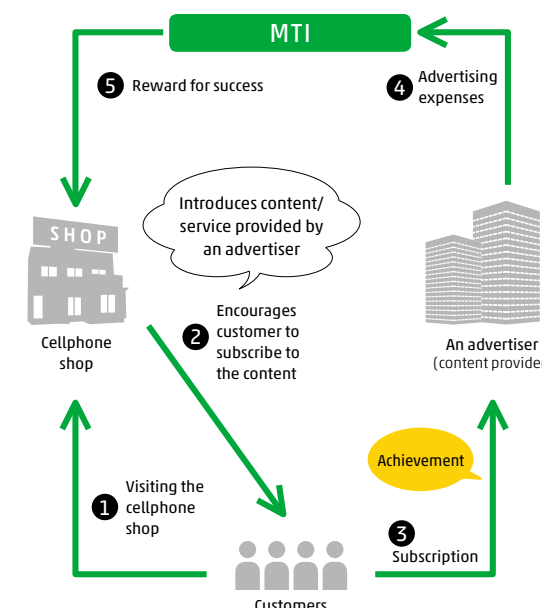
The Company has the advantage of a real affiliate (RAF) network that is the clear number one. The Company uses this network to promote subscriptions to content owned by itself or other companies to people who visit cell-phone shops throughout Japan.



Hokkaido, Tohoku, Kita-kanto, Hokuriku, Tokyo, Tokai, Kansai, Chugokushikoku, Kyushu, Okinawa

Keyword

What does "real affiliate" mean?



The Company introduces its own and other companies' content at physical locations that are cellphone shops throughout Japan. The Company calls these shops real affiliates because it pays them fees when they achieve results (when visitors to them choose to subscribe to the introduced content). Extending this practice, the Company calls its sales network of cellphone shops nationwide the real affiliate (RAF) network.

Enhancement in the Real Affiliate Network

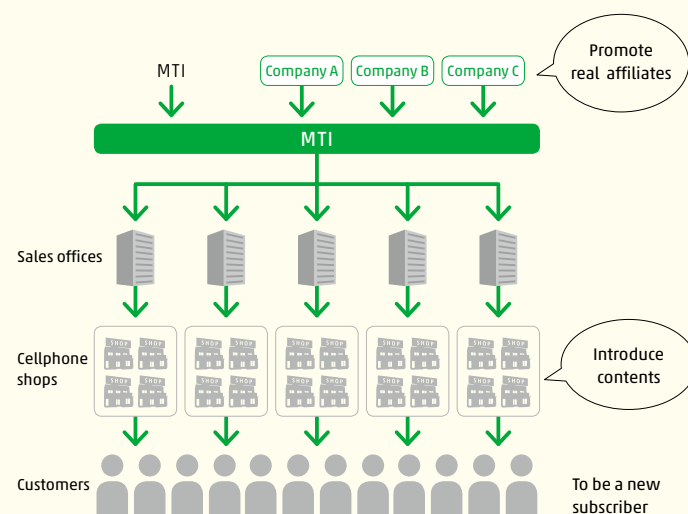
① What specific approaches has MTI adopted for strengthening its RAF network?

The Company is advancing the following measures to make its RAF network stronger:

The Company is aiming to increase the number of paying subscribers on smartphones through growth in the number of new paying subscribers and improvement of the turnover ratio achieved with the persistent implementation of the quantitative and qualitative approaches explained below.

● Sales offices establishment throughout Japan

The Company had previously supported cellphone shops throughout Japan by sending its employees to them from Tokyo on a business trip basis. In a departure from this practice, the Company established nine sales offices in major cities nationwide. These offices have enabled the Company to increase the number of visits to the cellphone shops and provide them with more in-depth support. The number of cellphone shops in operation has continued to increase as a result.



● Introduction of a compensation system based on the turnover rate by cellphone shop

The Company began advancing the introduction of a compensation system based on the withdrawal rate by cellphone shop in the fiscal year ended September 30, 2015. This system enables the Company to explain content more carefully to people who visit cellphone shops, and reduce the turnover ratio.

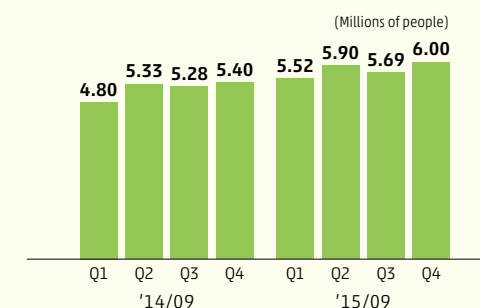


② What effects are produced with the strengthening of the RAF network?

The Company's initiatives for strengthening the RAF network have enabled the following three smartphone businesses to perform effectively. The consolidated results for the Company rose year on year as a result.

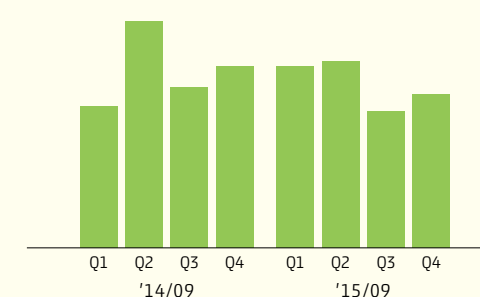
● The number of paying subscribers (to the Company's own content) on smartphones

The strengthened RAF network has enabled the Company to steadily increase the number of new paying subscribers on smartphones. The number of paying subscribers on smartphones grew to 6 million (as of September 30, 2015).



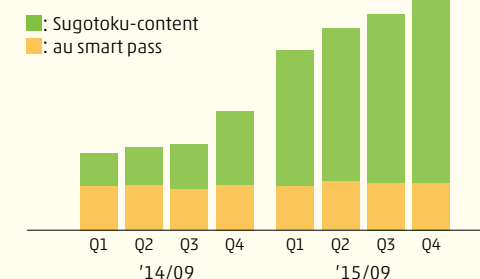
● Net sales for the RAF business (subscriptions to other companies' content)

The RAF business applying the mechanism of the RAF network to other companies' content (income from commissions) is making a significant contribution to consolidated operating income. The business has grown into a business with stable earnings.



● Net sales for the fixed monthly fee, unlimited use service for cellphone carriers

In particular, net sales for the Company's fixed monthly fee, unlimited use service for the Sugotoku content offered by NTT DOCOMO, INC. expanded sharply. The sales expansion made a significant contribution to consolidated operating income.



* Offered by NTT DOCOMO, INC., the Sugotoku content is a subscription service for using unlimited content in a wide variety of genres for a fixed fee of ¥380 per month (excluding tax).

* Offered by KDDI CORPORATION, the au Smart Pass is a subscription service for enjoying carefully selected content, coupons and entertainment programs for a fixed fee of ¥372 per month (excluding tax).

In the fiscal year ending September 30, 2016, the Company will further strengthen the RAF network by taking measures including the operation of cellphone shops left idle, and link the network reinforcement with the improvement of consolidated results through an increase in the number of new subscribers.

Enlargement of contents service

The Company is adding high value to its services in a bid to improve average revenue per user (ARPU).

Furthermore, the Company will increase the high billing rate among paying subscribers on smartphones, making the most of its sales channel called the RAF network as explained on page 12.

Why is MTI working to improve ARPU?

Sales in the content distribution business are calculated by using the following formula. In order to boost sales, we need to increase either the total number of paying subscribers or ARPU.

$$\text{Net sales} = \text{Total number of paying subscribers} \times \text{ARPU} \times 12 \text{ months}$$

Because the total number of paying subscribers stays around 8 million, a ¥10 increase in the average annual ARPU will lead to about a ¥1.0 billion increase in sales, as shown below.

$$8 \text{ millions of people} \times ¥10 \times 12 \text{ months} = ¥0.96 \text{ billion}$$

The Company will further improve ARPU by offering services with high added value in the following three specific categories.

Music, books and videos

The Company enabled subscribers to enjoy books, cartoons and videos, in addition to music services, on a single website called *music.jp*.

The Company began adding Hollywood movies to its video titles in 2015 to bolster its lineup. The Company will improve ARPU by bolstering the lineup on demand and enabling subscribers to enjoy a greater number of the latest titles.

m. music.jp



per month (excluding tax)
¥300
▼
¥400

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Weather information and Maps & Navigation

The Company enabled subscribers to access weather information, maps and navigational information on a single website at the same time from their homes and outside locations through the integration of its weather, map and navigation services in July 2015. The Company will improve ARPU by working to offer services that are able to provide applications that are more convenient for customers.

ライフレンジャー



per month (excluding tax)
¥300・¥380
▼
¥380

Healthcare-related

In view of growing questions about health asked on the *KARADamedica* website, the Company increased the number of questions subscribers could ask via email, adding in June 2015 an option of a maximum of ten per month in addition to the existing maximum of three per month. The number of paying subscribers to a maximum of ten questions per month has been increasing favorably. The Company will improve ARPU by working to expand services that eliminate concerns and doubts about health.

+KARADamedica
カラダメディカ



per month (excluding tax)
¥300
▼
¥400

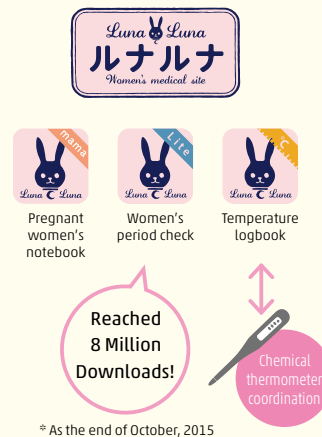
* The answers over the phones
made by healthcare providers,
not doctors.

Phase to achieve sales for the Healthcare-related

The Company is approaching the business of healthcare services on a medium- to long-term basis. Large in market size, these services, which are able to support the stages of customers' lives for a long time, are anticipated to achieve strong growth in the future.

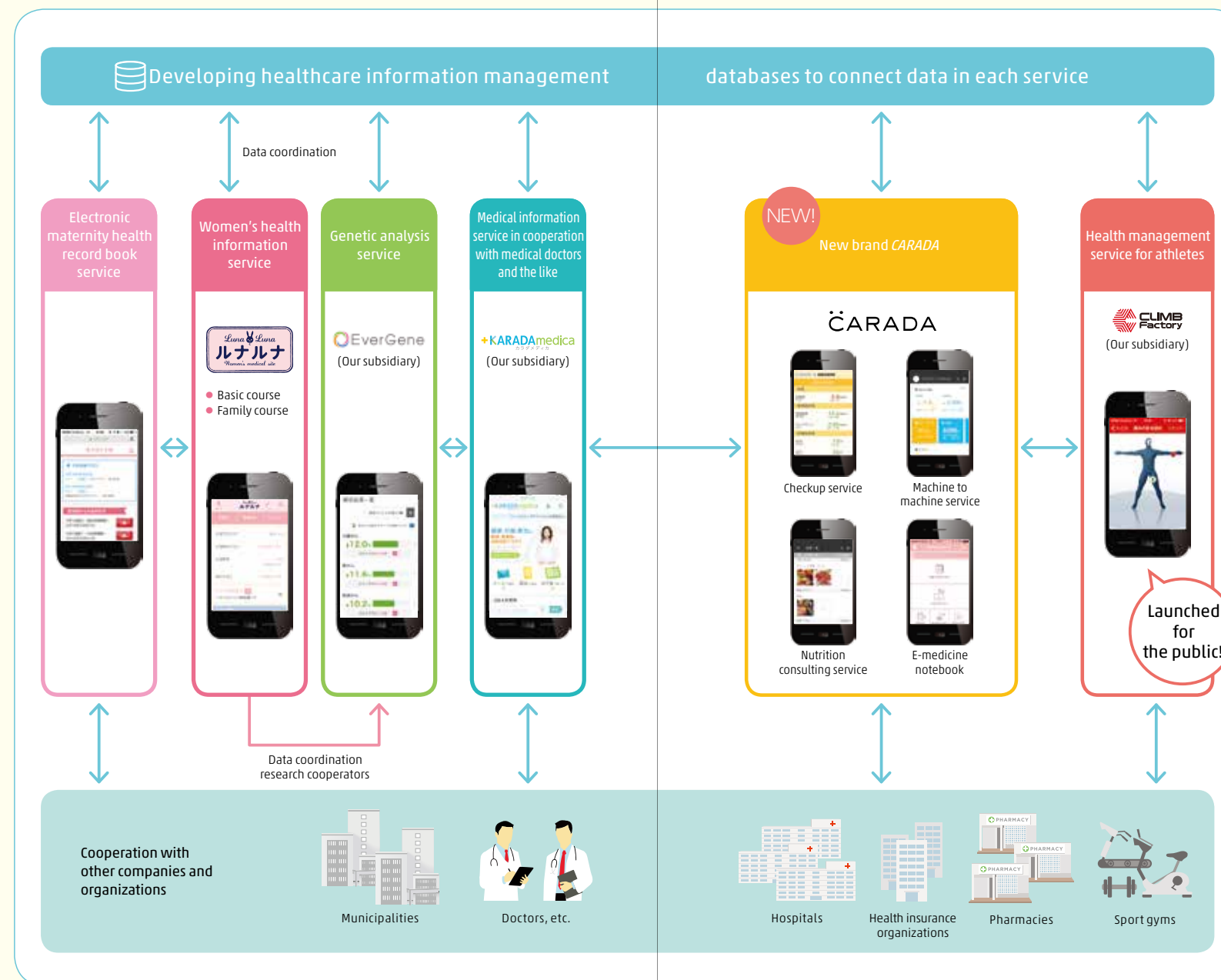
Women's health information service

Luna-Luna is a service that many women feel close to. Originally launched to predict menstrual periods and ovulation dates, *Luna-Luna* has evolved to cover support for activities for increasing the chance of pregnancy, pregnancy and childcare.



Genetic analysis service

In addition to offering standard genetic analysis, the Company is advancing studies on genes peculiar to women with the cooperation of *Luna-Luna* subscribers.

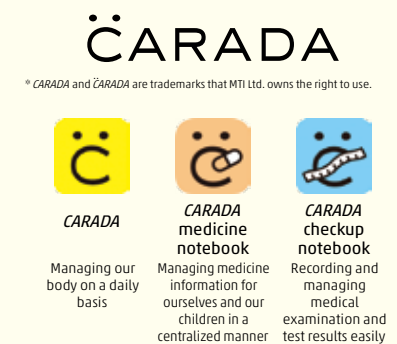


service

The Company will strive to support the health of its customers by linking each of its healthcare services so that it can offer services with high added value.

New brand CARADA

In November 2015, the Company launched *CARADA*, a new brand for the centralized management of all types of physical data on a smartphone.



Health management service for athletes

The Company offers a tool that enables athletic gym trainers to manage training programs for gym members more effectively.



Medical information service in cooperation with medical doctors and the like

KARADamedica is a service that offers consultations on matters including health, pregnancy and childcare. The fast, courteous support provided by experts in a wide range of fields through this service enjoys a good reputation.



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