

MTI Ltd.

**Financial Results Briefing
for Q1/FY2018**

January 31, 2018

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Financial Results Overview for Q1 FY2018

Financial Highlights

1

Results for the Q1

Net sales **¥ 7,517**million (Down **¥120**million, Down **1.6%**, YoY)

Operating income **¥ 661**million (Down **¥487**million, Down **42.4%**, YoY)

2

Good performance

in line with earnings forecast for H1 FY2018

Progress ratio to the H1 forecast

Net sales: **50.1 %**

Operating income: **66.2 %**

3

The number of paying subscribers
of the smartphone

5.16million subscribers

(Down 0.16 million compared to September 30, 2017)

Consolidated P/L

Net sales remained at the same level. Income declined.

(Millions of yen)

	FY2018 Q1	FY2017 Q1	Change	
			Amount	Percentage
Net sales	7,517	7,637	(120)	(1.6%)
Cost of sales (Ratio)	1,590 21.2%	1,275 16.7%	+314	+24.7%
Gross profit (Ratio)	5,926 78.8%	6,362 83.3%	(435)	(6.8%)
SG&A (Ratio)	5,265 70.0%	5,213 68.3%	+51	+1.0%
Operating income (Ratio)	661 8.8%	1,149 15.0%	(487)	(42.4%)
Ordinary income (Ratio)	619 8.2%	1,125 14.7%	(506)	(45.0%)
Profit attributable to owners of parent (Ratio)	801 10.7%	677 8.9%	+124	+18.4%

Decrease in
number of paying
subscribers

Increase in
number of video
product lines

Consolidated SG&A

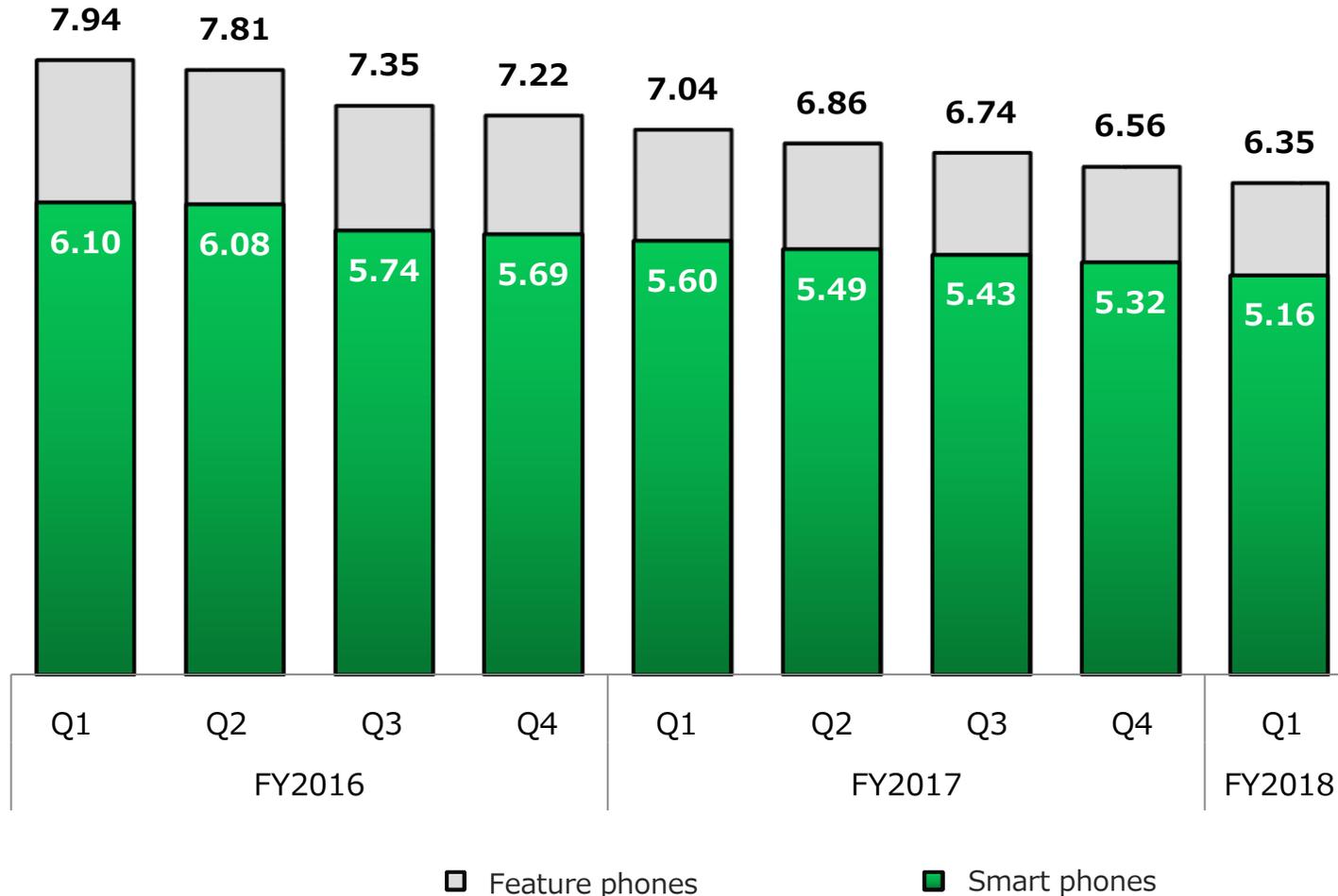
(Millions of yen)

	FY2018 Q1	FY2017 Q1	Change	
			Amount	Percentage
SG&A	5,265	5,213	+51	+1.0
Advertising expenses	1,369	1,542	(172)	(11.2)
Personnel expenses	1,534	1,395	138	+9.9
Commission fee	886	926	(39)	(4.3)
Subcontract expenses	282	402	(120)	(29.9)
Depreciation	430	374	+56	+15.1
Other	761	572	+189	+33.2

Decrease in new paying subscribers acquired

Business Overview i)

(Unit: Millions of people)



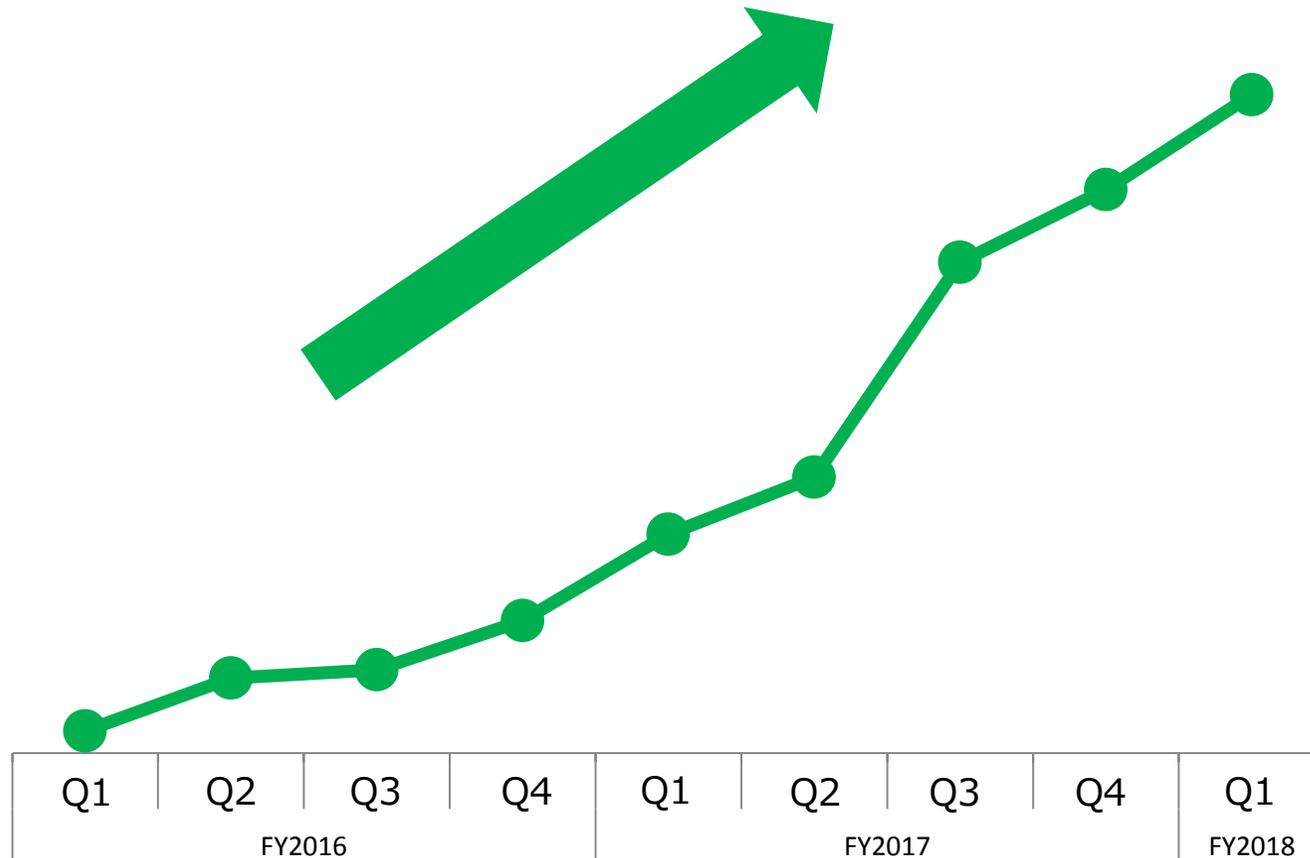
The number of
paying subscribers

6.35 million
subscribers

(Down 0.21 million compared to
September 30, 2017)

Business Overview ii)

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



YoY Change
¥25.0
UP!

Progress for Consolidated Earnings Forecast

(Millions of yen)

	FY2018 Q1	FY2018 H1 (At the beginning of fiscal year)	Progress ratio
	Actual	Forecast	
Net sales	7,517	15,000	50.1%
Operating income	661	1,000	66.2%
Ordinary income	619	960	64.5%
Profit attributable to owners of parent	801	670	119.6%

Revisions of Full-Year Results Forecasts

Revisions of Full-Year Results Forecasts

(Millions of yen)

	FY2018 H1		difference
	Forecast at the beginning of fiscal year	Forecast revised this time	
Net sales	15,000	15,000	±0
Operating income	1,000	1,000	±0
Ordinary income	960	960	±0
Profit attributable to owners of parent	670	870	+200
	FY2018		difference
	Forecast at the beginning of fiscal year	Forecast revised this time	
Net sales	30,000	30,000	±0
Operating income	2,800	2,800	±0
Ordinary income	2,800	2,800	±0
Profit attributable to owners of parent	1,800	2,000	+200

New Approach in Q2 and thereafter

Basic Policy in FY2018

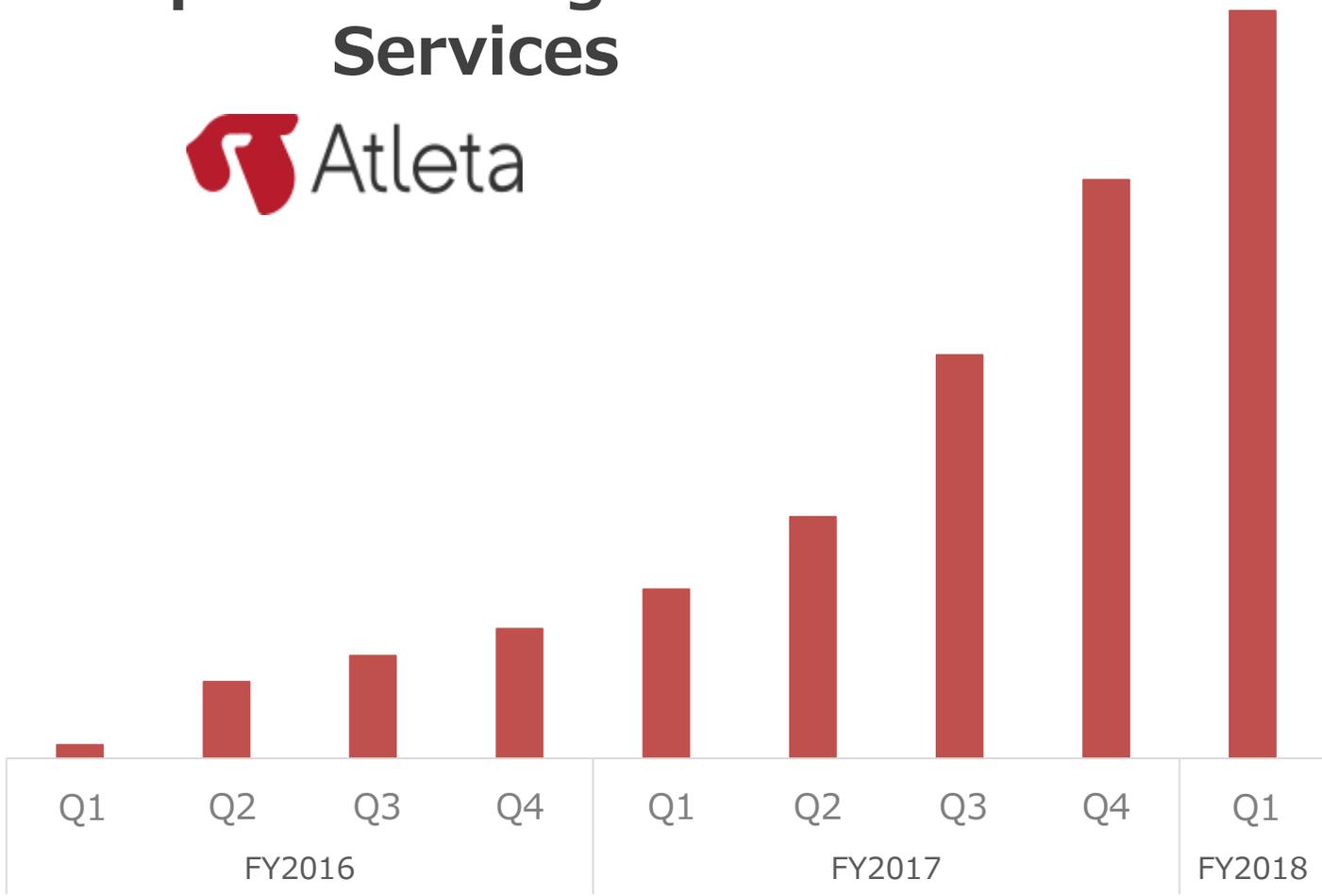
**1. Achievement of sales for
healthcare-related services**

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

**3. Improvement in average
revenue per user (ARPU)**

1. Achievement of sales for healthcare-related services i)

Sports management Services

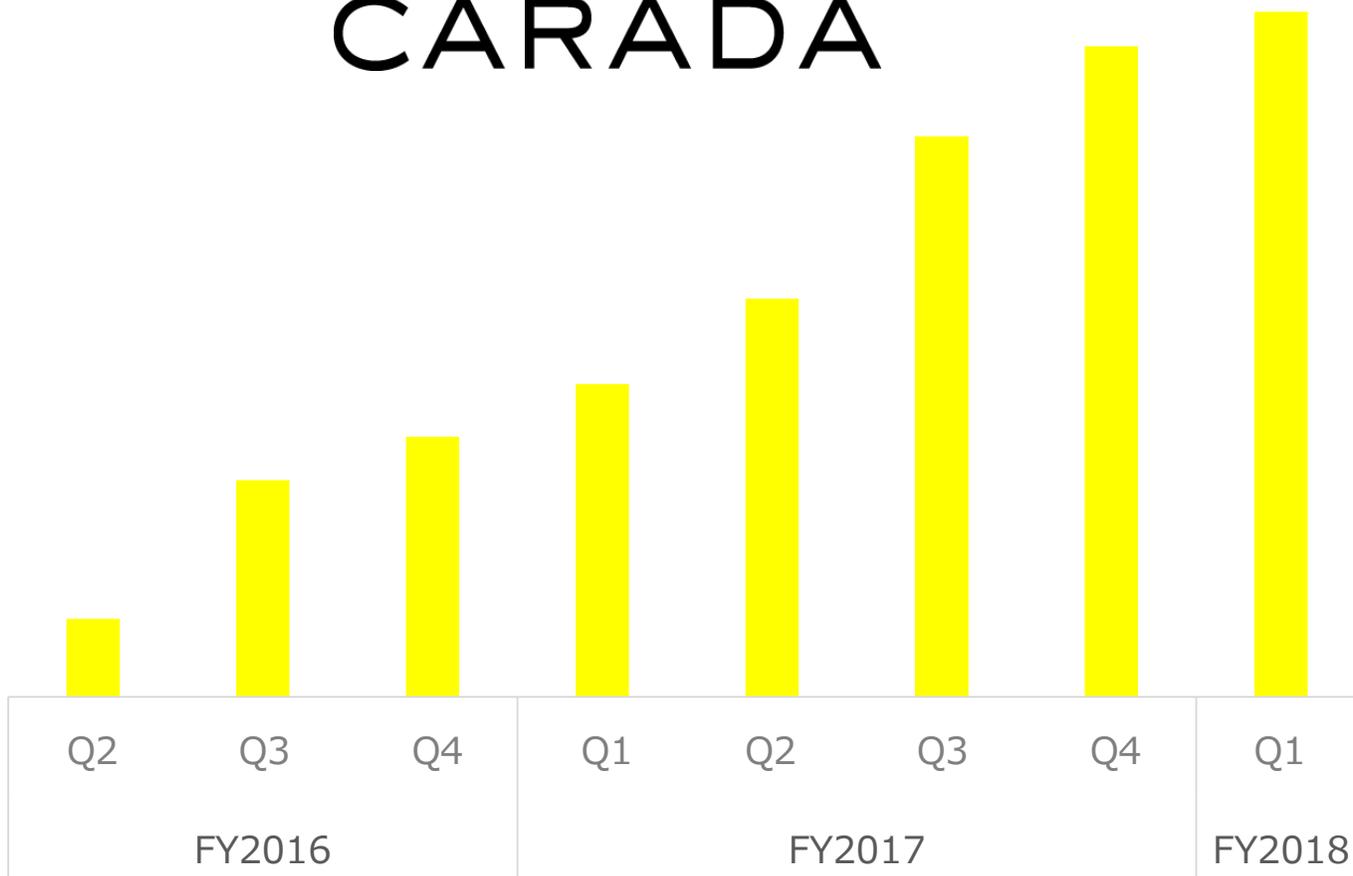


Increased the number of charged orders from schools and clubs

1. Achievement of sales for healthcare-related services ii)

Check-up service

ÇARADA



The number of IDs has been increasing steadily.

1. Achievement of sales for healthcare-related services iii)



Luna-Luna temperature note

Started Luna-Luna hospital partnership

1. healthcare-related services ~Other initiatives~

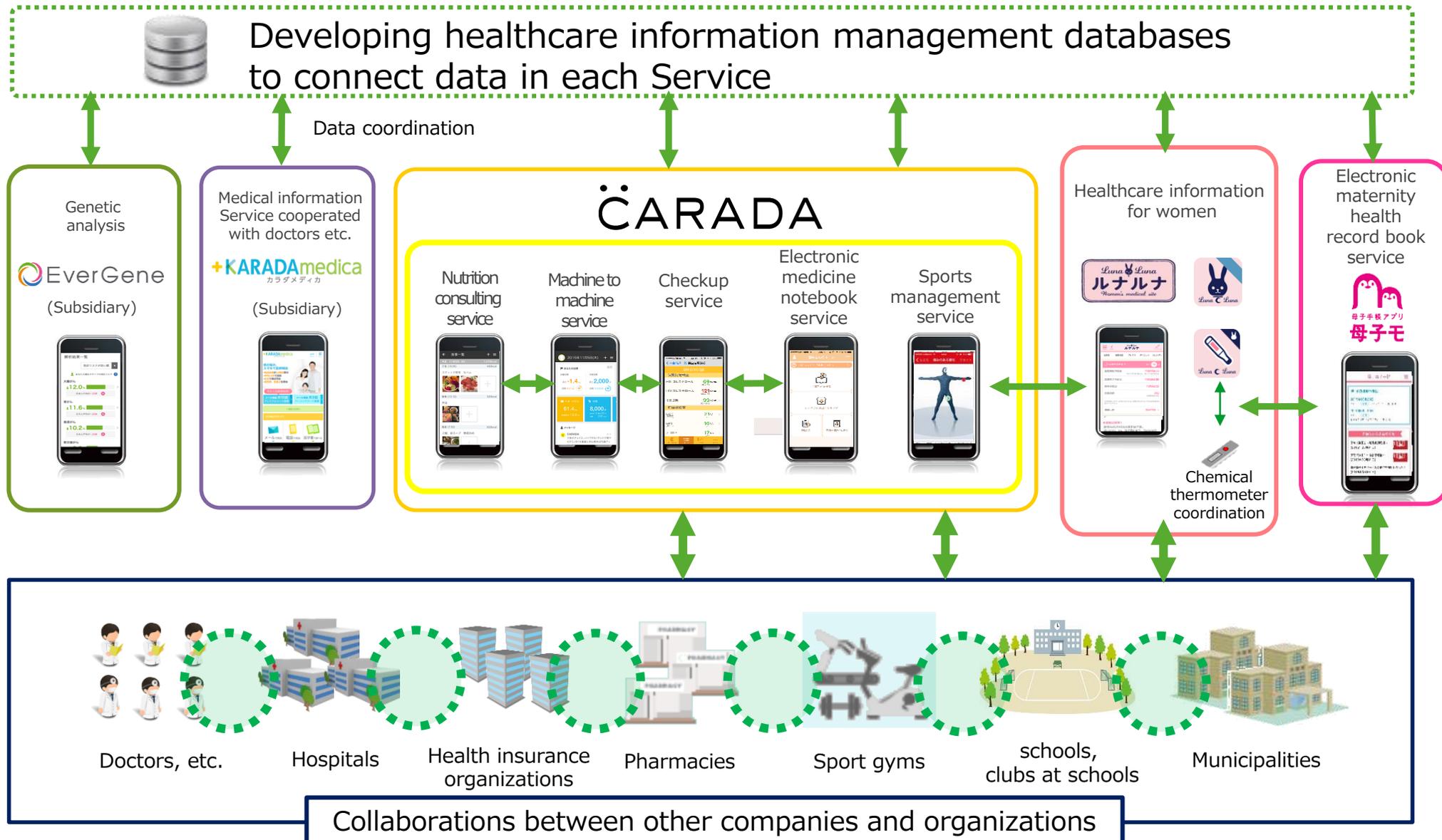


business partnership

Started Raku-raku
smartphone service
for elderly subscribers

(FUJITSU CONNECTED TECHNOLOGIES LIMITED)

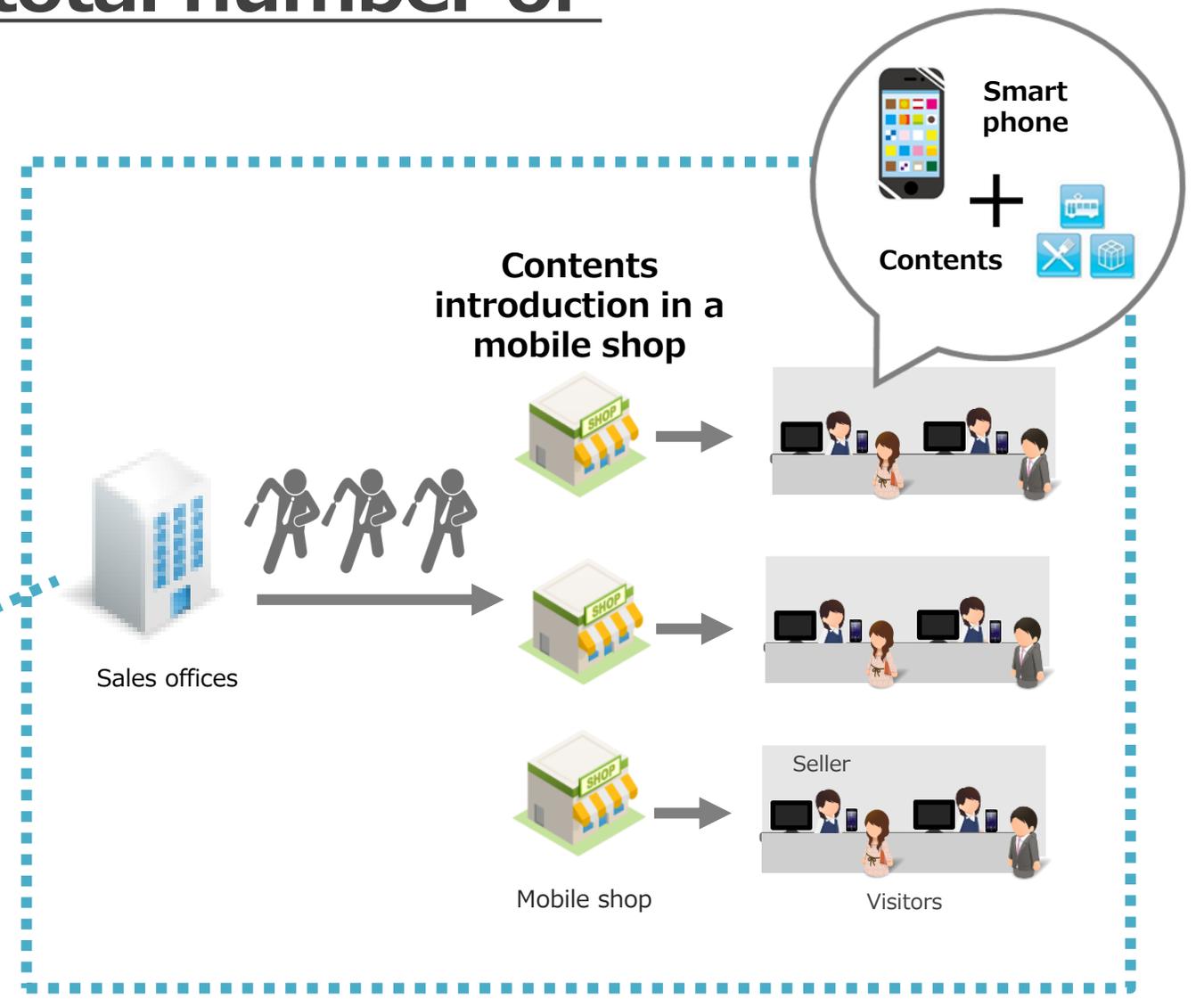
Overview of healthcare-related services



2. Maintenance of the total number of paying subscribers

RAF Network

Improve sales capabilities to develop new channels



3. Improvement in average revenue per user (ARPU) i)



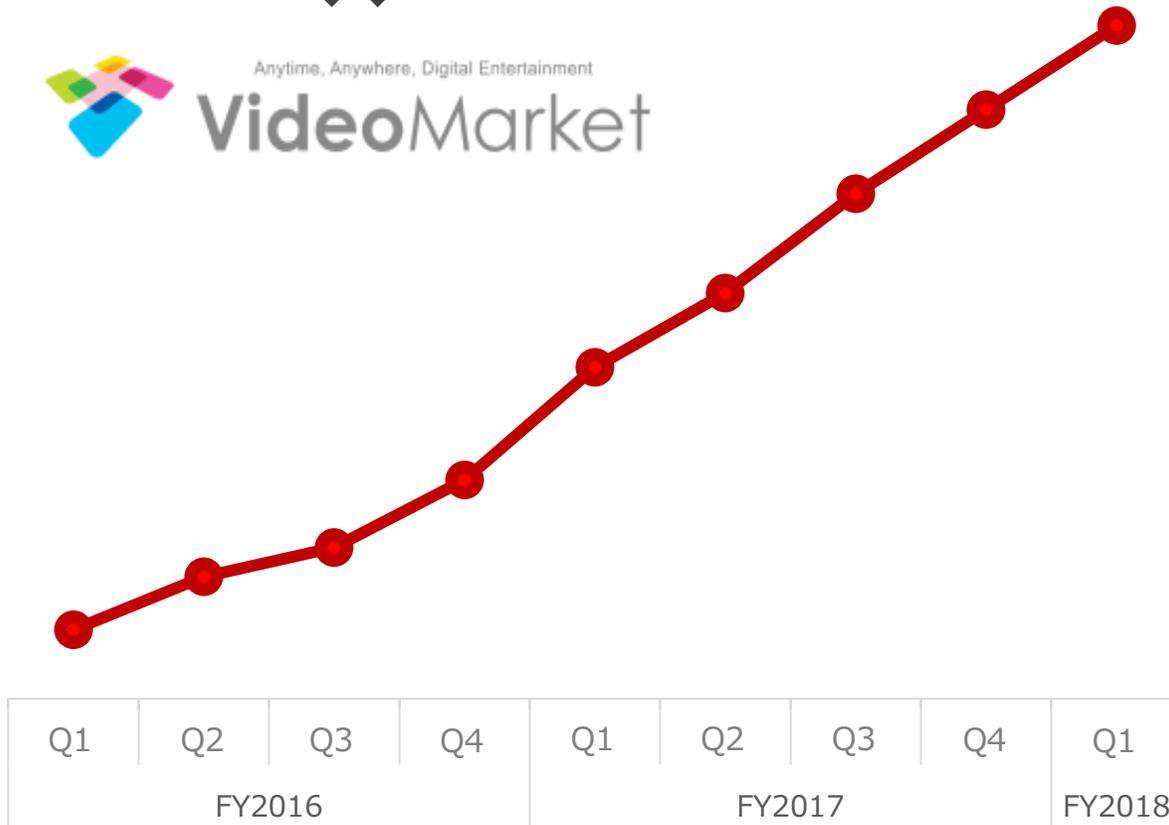
¥2,000 per month

**Aggressive
promotion**

3. Improvement in average revenue per user (ARPU) ii)



×



Enhanced video lineup

Continuous rise in APRU

AI (Artificial Intelligence) service business



Automagi

(A s u b s i d i a r y)

AI service business i) Track record of introduction

NTT DATA

SAGAWA



光をもっと、あなたのそばに。
K-OPTI.COM

NEW VALUE, REAL VALUE — N.R.E. Group
NOMURA REAL ESTATE URBAN NET

HIROSHIMA BANK

Juudankai
(Seven local banks joint)

Number of companies introducing the service

DNP

MTI Ltd. etc.

35 companies

AI service business ii) Chat-type Q&A service

2016
November

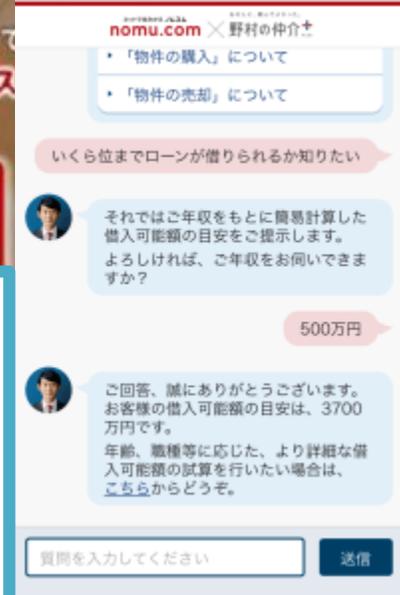


Interactive automatic response system for answering questions on opening of an account, ATM information, procedures, etc.

2017
June



Interactive automatic response system for answering credit line, recommended property, reasonable price for an apartment, information on sales, etc.



AI service business iii) Image/video analysis

2017
March

DNP

Trial demonstration

The 33rd Retail Tech Japan 2017

Robot
Concierge
Cart

When items such as vegetables and beverages are put into a shopping basket, an AI robot analyzes the images of the items. A voice response system recommends a serving idea and suggests another item that might go well with the purchase.



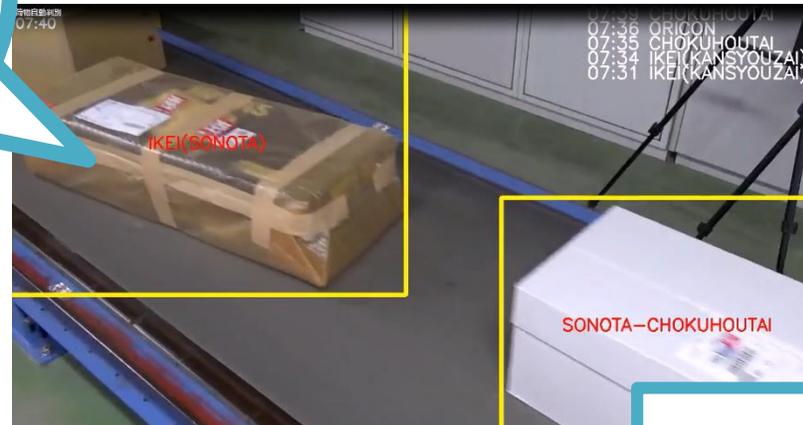
AI service business iv) Image/video analysis

2017
May

NTT DATA

Entrusted by NTT Data in the “Research project for improving efficiency of logistics by using IoT/AI technology” of the Ministry of Economy, Trade and Industry

Handwriting
can read text
(addresses)



Read information contained in bar code and three-dimensional size from image/video and improve efficiency of operations.

Topics

Topics i)

Introduced an authorization system in Seven Bank



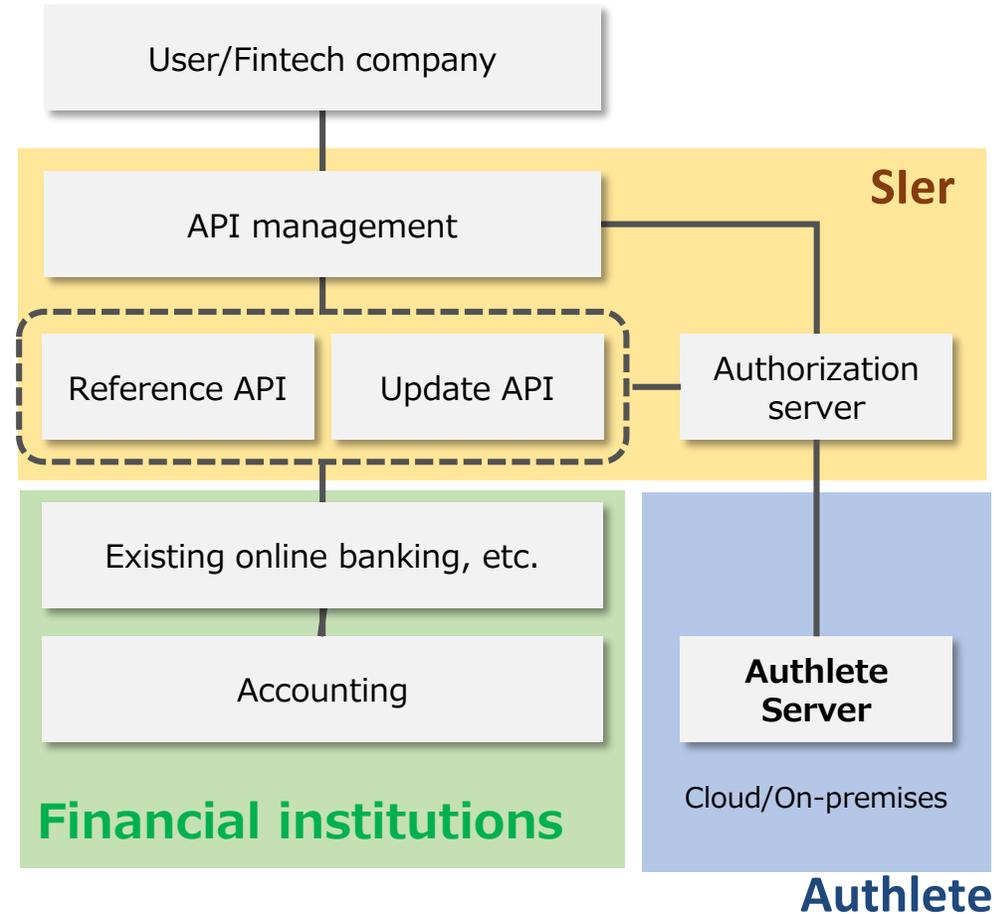
Introduced the authorization system of Authlete, Inc. for API opening



AUTHLETE

A pioneer of API authorization service

An example of architecture when the system of Authlete is utilized



Topics ii)

Linkage with AI reader app for receipts

Cloud expense-adjustment service for strengthening business!

staple



Invested 100 million yen in Crowd Cast, Ltd. , a VB company, that deploys expense-adjustment services

<https://staple.jp>

Thank you for your attention.

MTI Ltd.

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