

# Financial Results Briefing for Q2/2020

**May 1, 2020**



This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ materially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events.

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# **Financial Results Overview for Q2 FY2020**

## Financial highlight:

### 1 Q2 Results

Net sales **¥12,946** million (Down **¥985**million, Down **7.1%**, YoY)

Operating income **¥1,446** million (Down **¥188**million, Down **11.5%**, YoY)

### 2 H1 Results: Profits exceeded,

Earnings forecast of FY2020: Revised Profits upward

- Unused advertising expenses in the 2Q
- Extraordinary income **¥519** million in the 2Q

### 3

Response to changes in the operating environment caused by the COVID-19 coronavirus (H2 of FY2020)

- Sluggish growth in new subscribers through mobile carrier agent store affiliates
- Focused on online medical examination and medical instruction

# Consolidated P/L :

## Decreased sales and profit COVID-19 coronavirus impact limited

(Unit : Mil yen)

	FY2020 Q2	FY2019 Q2	YoY		
			Amount	Percentage	
Net sales	<b>12,946</b>	13,932	(985)	(7.1%)	Separation between telecommunication and smartphones (regulation implication)
Cost of sales (ratio)	<b>3,531</b> 27.3%	3,515 25.2%	+15	+0.5%	
Gross profit (ratio)	<b>9,414</b> 72.7%	10,416 74.8%	(1,001)	(9.6%)	
SG&A (ratio)	<b>7,968</b> 61.5%	8,781 63.0%	(813)	(9.3%)	Decreased in advertising expenses
Operating income (ratio)	<b>1,446</b> 11.2%	1,635 11.7%	(188)	(11.5%)	
Ordinary income (ratio)	<b>1,310</b> 10.1%	1,577 11.3%	(267)	(17.0%)	
Profit attributable to owners of parent (ratio)	<b>1,246</b> 9.6%	860 6.2%	+385	+44.7%	

## Consolidated SG&A :

## Decreased in Advertising expenses

(Unit : Mil yen)

	FY2020 Q2	FY2019 Q2	YoY	
			Amount	Percentage
SG&A	7,968	8,781	(813)	(9.3%)
Advertising expenses	490	1,486	(995)	(67.0%)
Personnel expenses	3,112	3,067	+45	+1.5%
Commission fee	1,674	1,725	(50)	(3.0%)
Subcontract expenses	624	464	+159	+34.3%
Depreciation	757	676	+80	+12.0%
Other	1,308	1,361	(53)	(3.9%)

Separation between telecommunication and smartphones (regulation implication)

## Difference between earnings forecast and the actual for Q2:

## Exceeded profits

(Unit : Mil yen)

	FY2020 Q2		Difference
	The latest earnings forecast	Actual	
Net sales	13,000	12,946	(53)
Operating income	1,200	1,446	+246
Ordinary income	1,000	1,310	+310
Profit attributable to owners of parent	700	1,246	+546

## Revised earnings forecast for FY2020

## Revised profits upward

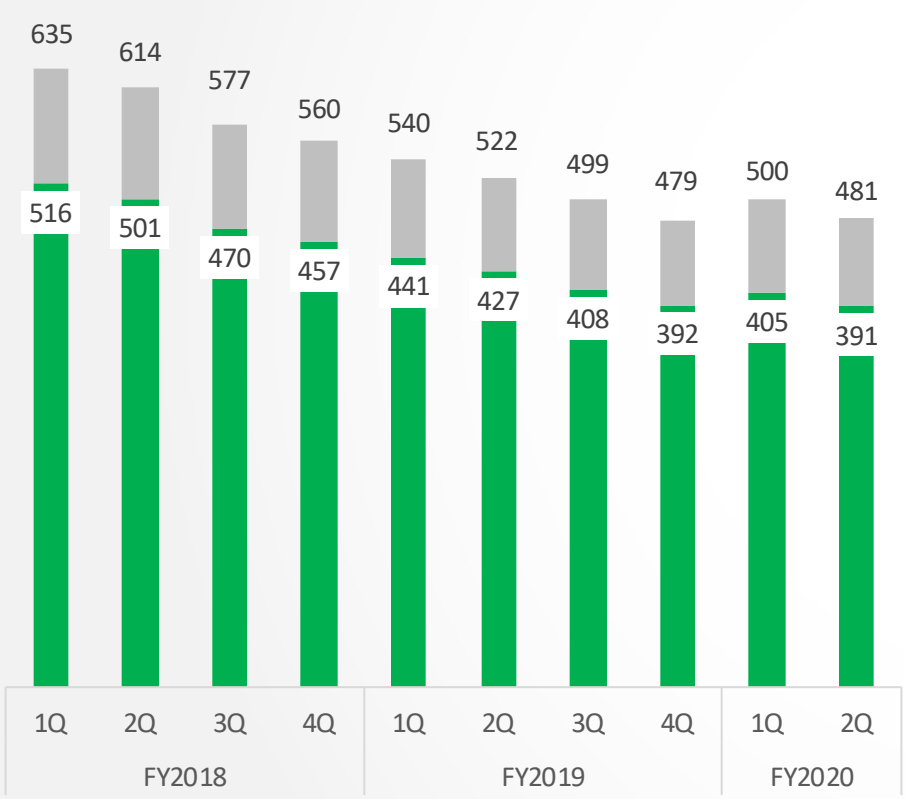
(Unit : Mil yen)

	FY2020		Difference
	The latest forecast	Revised forecast	
Net sales	26,000	26,000	-
Operating income	2,000	2,500	+500
Ordinary income	1,920	2,400	+480
Profit attributable to owners of parent	1,200	1,700	+500



# Contents business :

# The number of paying subscribers

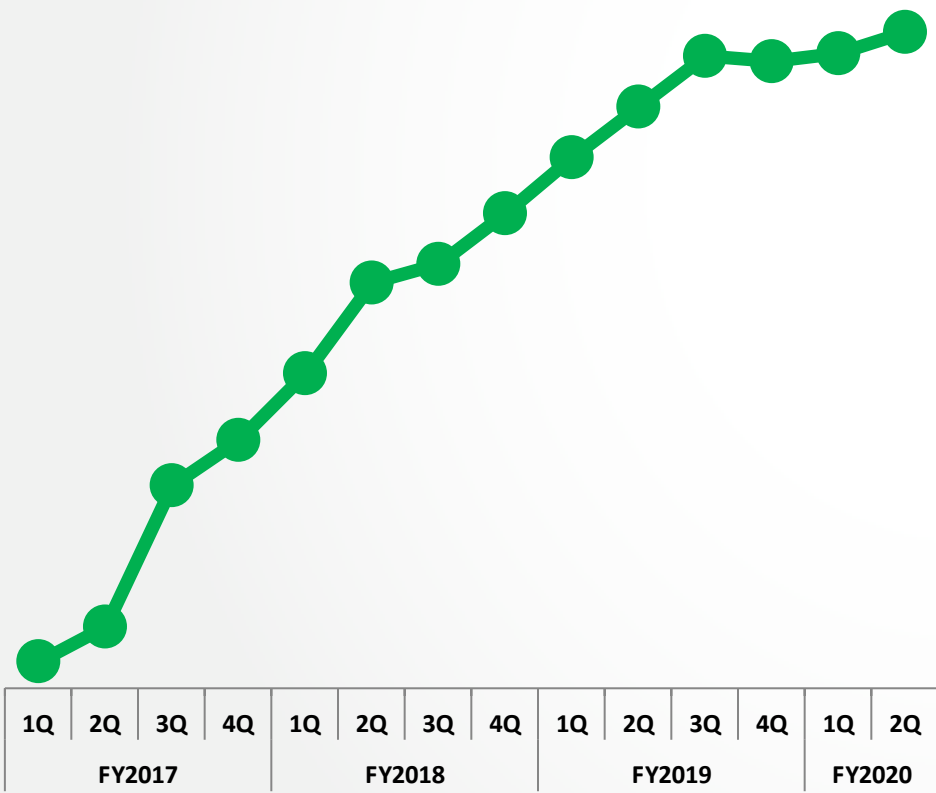


**Total paying subscribers**  
**4.81 million subscribers**

- Q1 : The effect of accepting the transfer of "musico"
- Separation between telecommunication and smartphones (regulation implication)

Smartphone      Feature phone

\* The number of paying subscribers are including healthcare business 'Luna-luna and 'Caradamedica' whose business model are monthly paid business above.



ARPU flat because of regulation implication of separation between telecommunication and smartphones

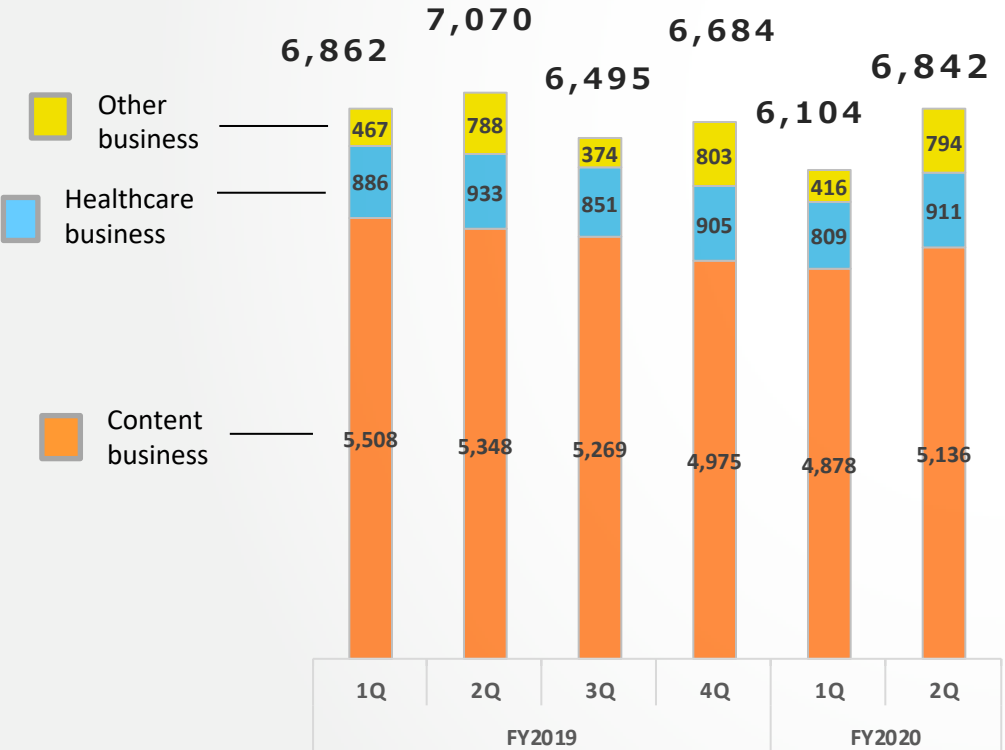
ARPU of paying subscribers of smartphones contents

YoY + ¥6.5

# Business unit performance:

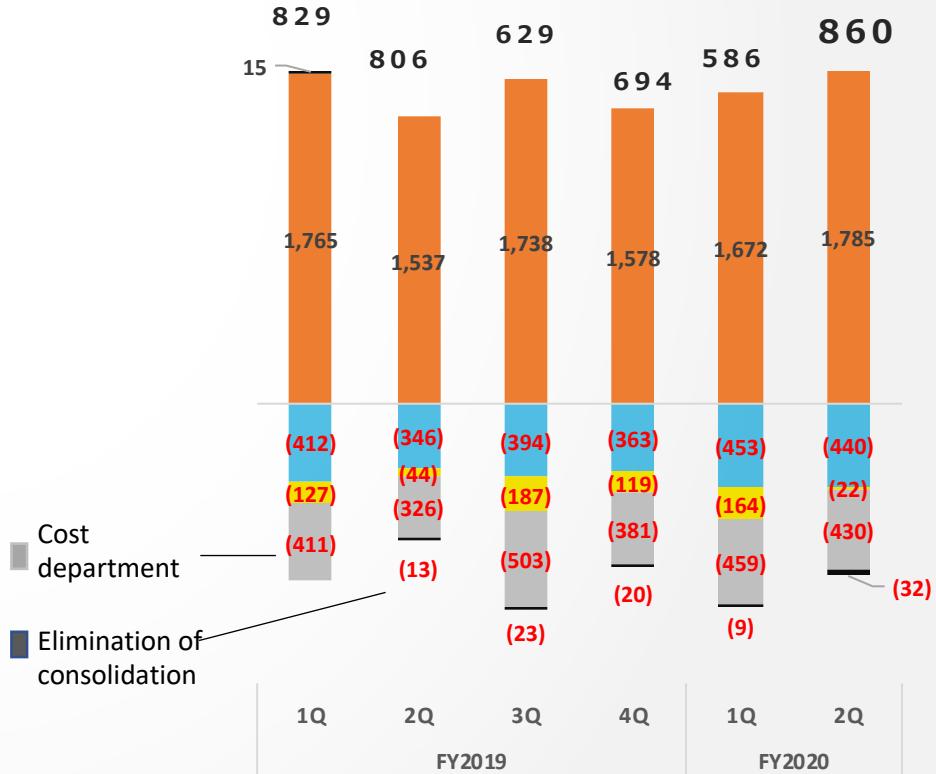
## Net sales

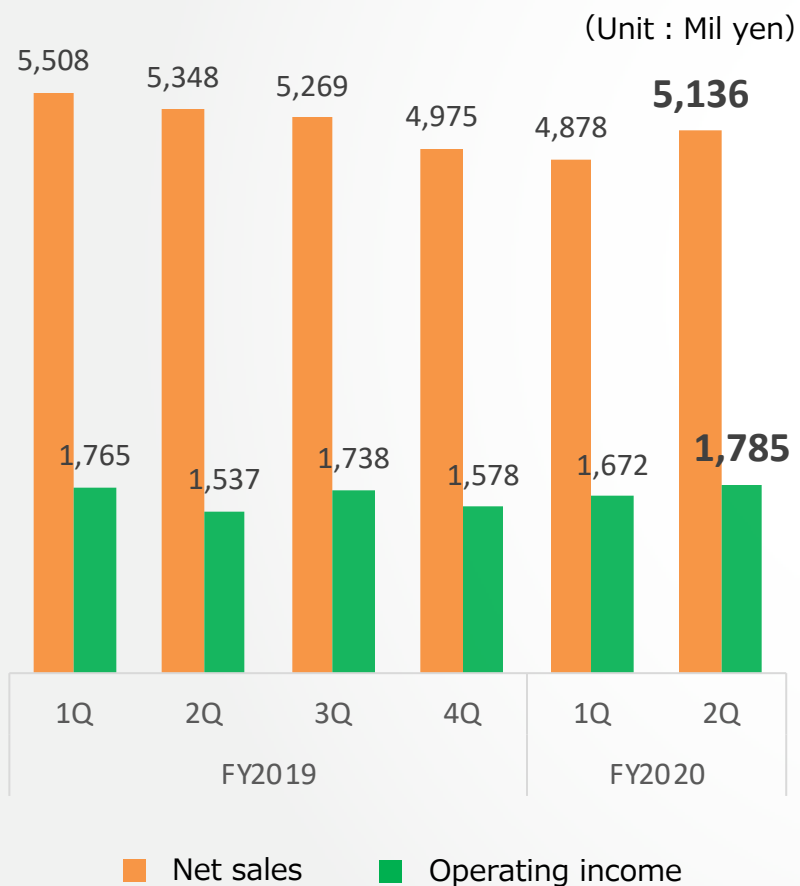
(Unit : Mil yen)



## Operating income

(Unit : Mil yen)





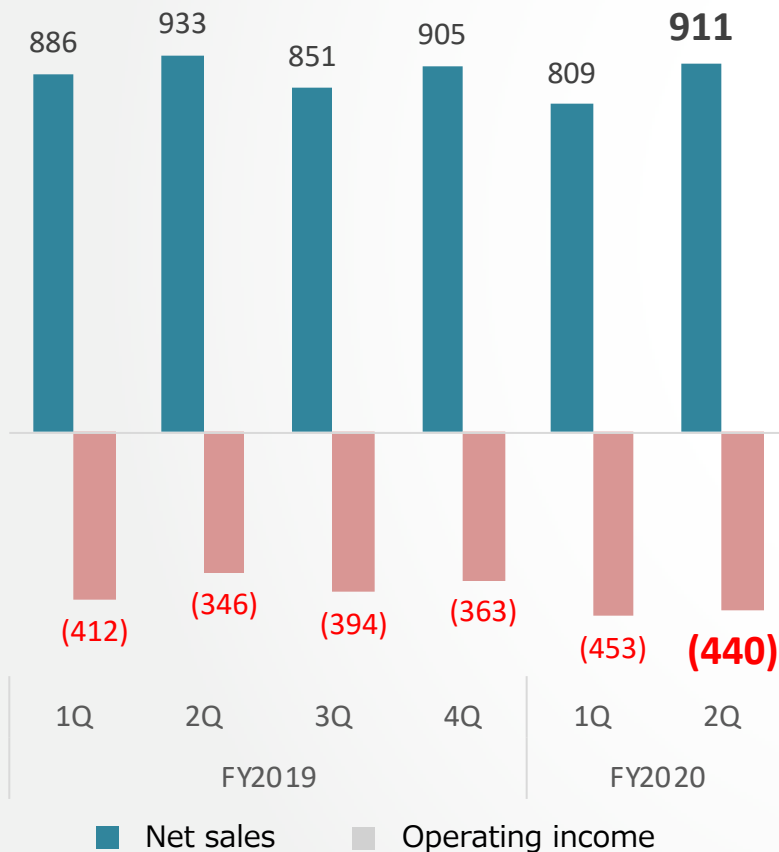
## Net sales levelled off, but operating income increased

- Net sales  
The effect of accepting the transfer of "musico".
- Operating profit  
despite lower advertising expenses.  
The effect of accepting the transfer of "musico".

## Healthcare service :

# Net sales and operating income

(Unit : Mil yen)

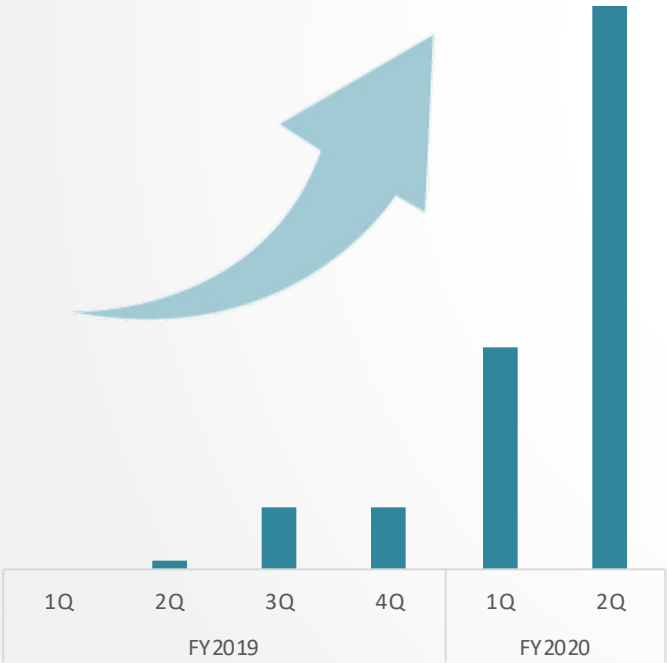


## Net sales levelled off, but investment was maintained

- Net sales  
Sales expanded for the initial introduction of cloud drug administration record service.
- Operating loss  
Aggressive sales efforts for each service.

# Healthcare service :

**170**  
Pharmacies  
introduced



## Sales expanded for the initial introduction of cloud drug administration record service

Favorable recognition of the service bundled with medical history notebook application

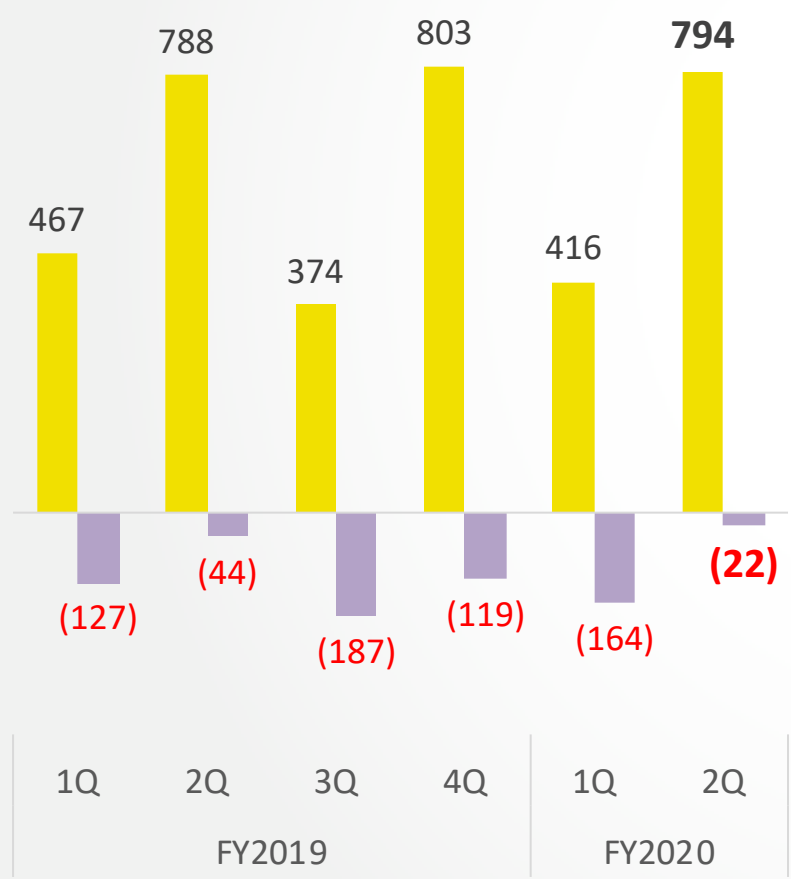


**CARADA**  
Data linkage with  
Drug record app

**Other business(AI Business) :**  
 System development for financial institutions and other solution business

# Net sales and Operating income

(Unit : Mil yen)



- Net sales  
 Seasonal factors in AI Business
- Operating loss  
 Operating loss was on par YoY.

# Approaches in Q3 and beyond



## **Basic policy in FY2020 :**

- 1. Expand sales for healthcare services**
- 2. Maintenance of the total number of paying subscribers**
- 3. Improvement in ARPU**

**Response to changes in the  
operating environment caused  
by the COVID-19 coronavirus ①**

**Switching of sales method**

**Face-to-face sales → Online sales**

# Response to changes in the operating environment caused by the COVID-19 coronavirus ②

Focused on  
online medical examination and medical instruction

CHARADA medica

- online medical examination
- online medical instruction

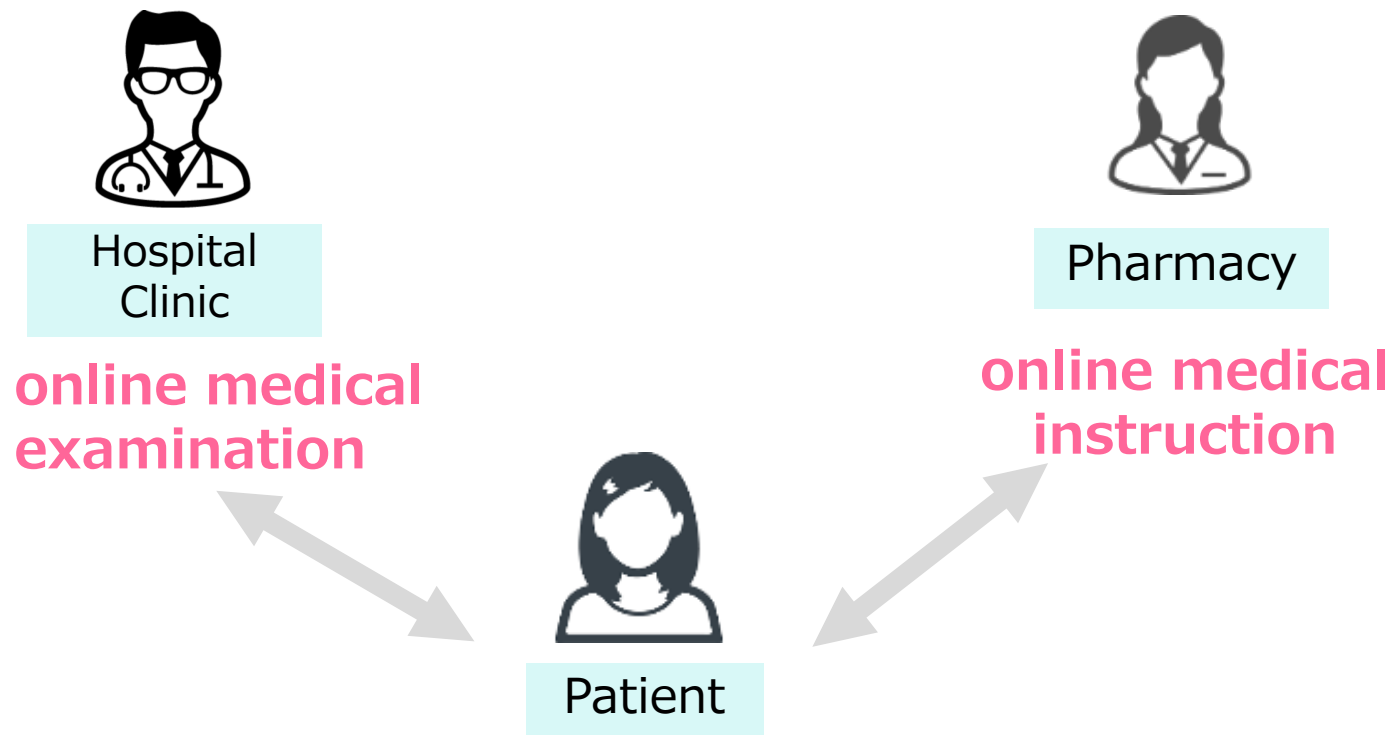


- LunaLuna online medical examination

## Response to changes in the operating environment caused by the COVID-19 coronavirus ②

# ÇARADA medica

Both medical examinations typically done at hospitals and clinics and medical instructions received at pharmacies are offered as online services







## Response to changes in the operating environment caused by the COVID-19 coronavirus ②

### ĀARADA medica

A full spec online system that handles every step from reservation, to video call, settlement and drug delivery.

Full spec

Reservation	Video call	Settlement	Delivery of drugs and prescriptions
 <p>By allowing patients to make reservations for date and hour of medical examination in advance, wasted time can be avoided in medical practice.</p>	 <p>An online medical consultation and examination are conducted through a video call, easing the burden on healthcare professionals because they can speak to the patient while checking his/her facial expressions.</p>	 <p>Settlement is made automatically after online medical consultation and examination, using the credit card registered by the patient in advance.</p>	 <p>A delivery firm collects the drugs and prescriptions from medical institutions and delivers them to patients.</p>

# Response to changes in the operating environment caused by the COVID-19 coronavirus ②

## ÇARADA medica

The service will be provided free of charge until the end of September 2020.



Screenshot as seen by patient

Screenshot as seen by hospital or clinic

Response to changes in the operating environment caused by the COVID-19 coronavirus ②

# LunaLuna online medical examination

will be provided free of charge until the end of September 2020.

Able to obtain prescription contraceptive pills without visiting hospitals



Screenshot as seen by patient



Screenshot as seen by hospital or clinic

# Response to changes in the operating environment caused by the COVID-19 coronavirus ③

Capture demand for content services from people in lockdown



An on-demand video distribution service providing sneak peeks of major title movies from key license holding Companies in the US

View the videos free of charge for 30 days after new subscription

Currently, only the video distribution service is available for rent.

### "Star wars : The rise of skywalker"

Special viewing of digital videos prior to public viewing in April 8 (TVOD・EST)

### "Frozen II"

Special viewing of digital videos prior to public viewing in April 22 (TVOD・EST)



TVOD : 「Transactional Video On Demand」 EST : 「Electronic Sell Through」



# Consolidated earnings forecast

(Unit : Mil yen)

	FY2020			FY2019 (Actual)			YoY	
	Full year (Forecast)	H1 (Actual)	H2 (Forecast)	Full year	H1	H2	Amount Full year	Ratio Full year
Net sales	26,000	12,946	13,053	27,112	13,932	13,179	(1,112)	(4.1%)
Cost of sales	7,200	3,531	3,668	7,517	3,515	3,641	+42	+0.6%
Gross profit	18,800	9,414	9,385	19,955	10,416	9,538	(1,155)	(5.8%)
SG&A	16,800	7,968	8,331	16,996	8,781	8,214	(696)	(4.1%)
Operating income	2,500	1,446	1,053	2,959	1,635	1,323	(459)	(15.5%)
(Ratio)	9.6%	11.2%	8.1%	10.9%	11.7%	10.0%		
Ordinary income	2,400	1,310	1,089	3,134	1,577	1,556	(734)	(23.4%)
(Ratio)	9.2%	10.1%	8.3%	11.6%	11.3%	11.8%		
Profit attributable to owners of parent	1,700	1,246	453	1,508	860	647	+191	+12.7%
(Ratio)	6.5%	9.6%	3.5%	5.6%	6.2%	4.9%		

# Appendix

# Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2020-2Q	FY2019	Change		FY2020-2Q	FY2019	Change
Current assets	19,377	18,469	+908	Current liabilities	4,476	4,315	+161
Cash and deposit	12,677	12,421	+256	Accounts payable-trade	1,290	1,308	(17)
Notes and accounts receivable-trade	5,328	4,667	+661	Current portion of long-term borrowings	451	14	+437
Other	1,418	1,427	(9)	Account payable-other	1,105	1,150	(44)
Allowance for doubtful accounts	(47)	(47)	+0	Income taxes payable	615	730	(115)
Non-current assets	12,467	9,010	+3,457	Allowance for coin usage	132	143	(11)
Property, plant and equipment	222	258	(36)	Other	881	968	(87)
Intangible fixed assets (Include) software goodwill	5,499	2,062	+3,436	Non-current liabilities	4,510	1,370	+3,140
Customer-related assets	1,967	-	+1,967	Long-term borrowings	3,137	52	+3,085
Investments and other assets (Include) investment securities	6,746	6,689	+56	Retirement benefit liability	1,366	1,306	+59
Deferred tax assets	4,639	4,977	(337)	Other	7	11	(3)
Total assets	31,845	27,479	+4,365	Total liabilities	8,987	5,685	+3,302
				Shareholders' equity	20,397	19,598	+799
				Capital stock	5,135	5,135	-
				Capital surplus	6,620	6,706	(85)
				Retained earning	11,880	10,989	+891
				Treasury shares	(3,239)	(3,233)	(6)
				Accumulated other comprehensive income	(15)	268	(283)
				Subscription rights to shares	364	343	+21
				Non-controlling interests	2,110	1,584	+526
				Total net assets	22,857	21,794	+1,063
				Total liabilities and net assets	31,845	27,479	+4,365

## Trends in consolidated P/L

(Unit : Mil yen)

	FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net sales</b>	<b>7,517</b>	<b>7,645</b>	<b>7,036</b>	<b>6,876</b>	<b>6,862</b>	<b>7,070</b>	<b>6,495</b>	<b>6,684</b>	<b>6,104</b>	<b>6,842</b>
Cost of sales	1,590	1,734	1,499	1,580	1,632	1,883	1,652	1,989	1,627	1,904
Gross profit	5,926	5,910	5,537	5,295	5,229	5,186	4,843	4,695	4,477	4,937
(Ratio)	78.8%	77.3%	78.7%	77.0%	76.2%	73.4%	74.6%	70.2%	73.3%	72.2%
SG&A	5,265	5,200	4,444	4,542	4,400	4,380	4,213	4,001	3,891	4,076
<b>Operating income</b>	<b>661</b>	<b>710</b>	<b>1,092</b>	<b>753</b>	<b>829</b>	<b>806</b>	<b>629</b>	<b>694</b>	<b>586</b>	<b>860</b>
(ratio)	8.8%	9.3%	15.5%	11.0%	12.1%	11.4%	9.7%	10.4%	9.6%	12.6%
Ordinary income	619	706	1,085	705	868	709	1,373	183	404	905
(Ratio)	8.2%	9.2%	15.4%	10.3%	12.7%	10.0%	21.1%	2.7%	6.6%	13.2%
<b>Profit attributable to owners of parent</b>	<b>801</b>	<b>352</b>	<b>740</b>	<b>(266)</b>	<b>543</b>	<b>317</b>	<b>1,285</b>	<b>(638)</b>	<b>231</b>	<b>1,014</b>
(Ratio)	10.7%	4.6%	10.5%	-	7.9%	4.5%	19.8%	-	3.8%	14.8%

## Trends in consolidated SG&A

(Unit : Mil yen)

	FY2018				FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>SG&amp;A</b>	<b>5,265</b>	<b>5,200</b>	<b>4,444</b>	<b>4,542</b>	<b>4,400</b>	<b>4,380</b>	<b>4,213</b>	<b>4,001</b>	<b>3,891</b>	<b>4,076</b>
Advertising expense	1,369	1,487	721	822	722	763	504	414	248	241
Personnel expenses	1,534	1,456	1,500	1,324	1,550	1,516	1,584	1,496	1,550	1,561
Commission fee	886	938	884	913	880	844	869	805	829	844
Subcontract expenses	282	240	240	361	216	248	274	328	278	345
Depreciation	430	422	412	373	343	332	326	323	307	450
Other	761	654	685	746	687	673	654	632	675	632

## Trends in performance by business units (Net sales)

(Unit : Mil yen)

	FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net sales</b>	<b>6,862</b>	<b>7,070</b>	<b>6,495</b>	<b>6,684</b>	<b>6,104</b>	<b>6,842</b>
Content business	5,508	5,348	5,269	4,975	4,878	5,136
Healthcare business	886	933	851	905	809	911
Otere business	467	788	374	803	416	794
Cost department	-	-	-	-	-	-
Elimination of consolidation	-	-	-	-	-	-







## Trends in performance by business units (Operating income)

(Unit : Mil yen)

	FY2019				FY2020	
	1Q	2Q	3Q	4Q	1Q	2Q
<b>Operating income</b>	<b>829</b>	<b>806</b>	<b>629</b>	<b>694</b>	<b>586</b>	<b>860</b>
Content business	1,765	1,537	1,738	1,578	1,672	1,785
Healthcare business	(412)	(346)	(394)	(363)	(453)	(440)
Otere business	(127)	(44)	(187)	(119)	(164)	(22)
Cost department	(411)	(326)	(503)	(381)	(459)	(430)
Elimination of consolidation	15	(13)	(23)	(20)	(9)	(32)

# The list of main healthcare services

Figures are the actual as of end of Mar 2020. 

Name of service	Service of function	Business model
	Maternal and Child Health Handbook service app. Vaccine scheduling function and information provided by local governments.	The app is provided at no additional charge for those of childbearing age including mothers. Collects monthly usage fees from contracted local governments nationwide. The service has been adopted by 273 of 1,740 local governments nationwide.
	Healthcare info service for women. Forecasting menstrual day & ovulation day.	Free app (Over 15 million DL cumulative) Three hundred yen fee or higher for fertility mode and other modes
'Luna luna medico'	LunaLuna linkage function for gynecologists. Daily health information for female patients is shown on hospital computers. The service is for fertility treatment.	The service is currently provided at no additional charge. Efforts will be made to increase the number of users among gynecologists. (Patients are LunaLuna users [free/additional charge])
LunaLuna online medical examination	Complete online service provided in a single system, from making reservations for gynecological examinations to delivery of drugs from pharmacies	Under the influence of COVID-19 coronavirus, The service will be provided free of charge until the end of September 2020.
	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	¥400/month
	the system offers full features that are necessary for online medical examination, from reservations to delivery of drugs and prescriptions . (online medical examination + online medical instruction )	Under the influence of COVID-19 coronavirus, The service will be provided free of charge until the end of September 2020.
	Service for medical examination institutions. Results of health checkups, including previous records, are sent to relevant smartphones as a graphic. The service, which enhances users' convenience, contributes to increasing the rate of checkups at health examination institutions.	Collects monthly usage fees from health examination institutions.
	Cloud drug administration record service for pharmacies The drug administration record navigation function is highly rated. Links with the CARADA medical history notebook app.	Initial cost for introduction + monthly usage fee 170 orders have been received. Full-scale deliveries started in December 2019.

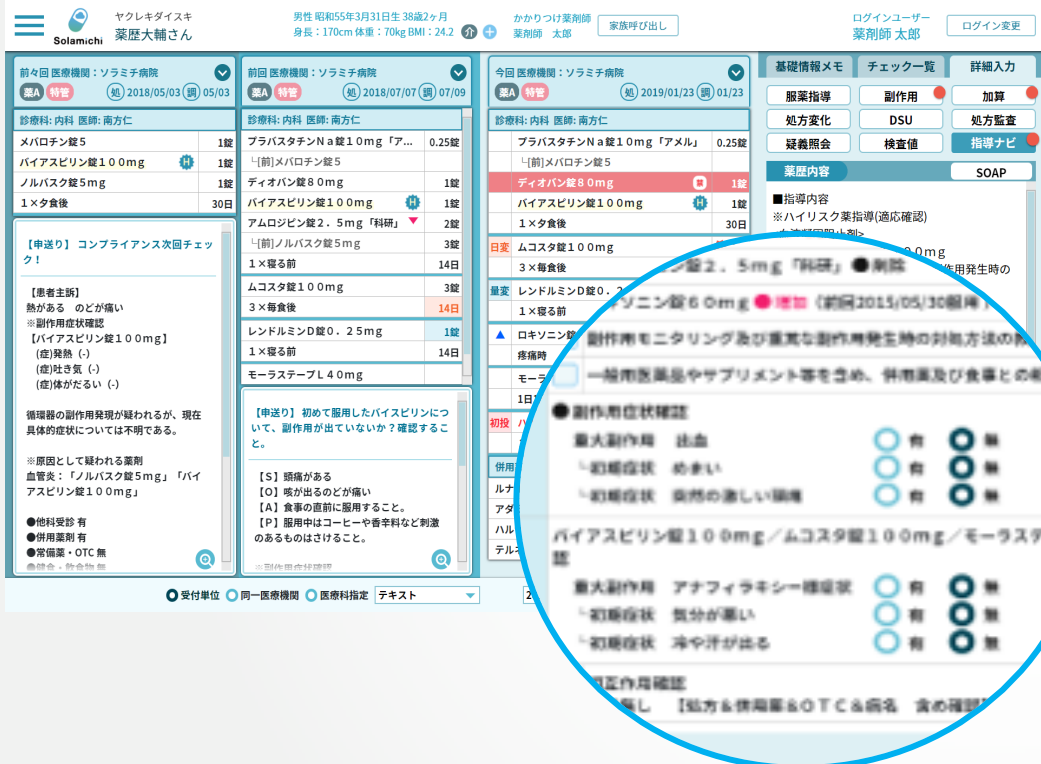


# Healthcare business :

# Cloud drug records system 'Solamichi'

A system facilitating efficient operations for pharmacists in preparing medication histories

# Solamichi



With medication instructions

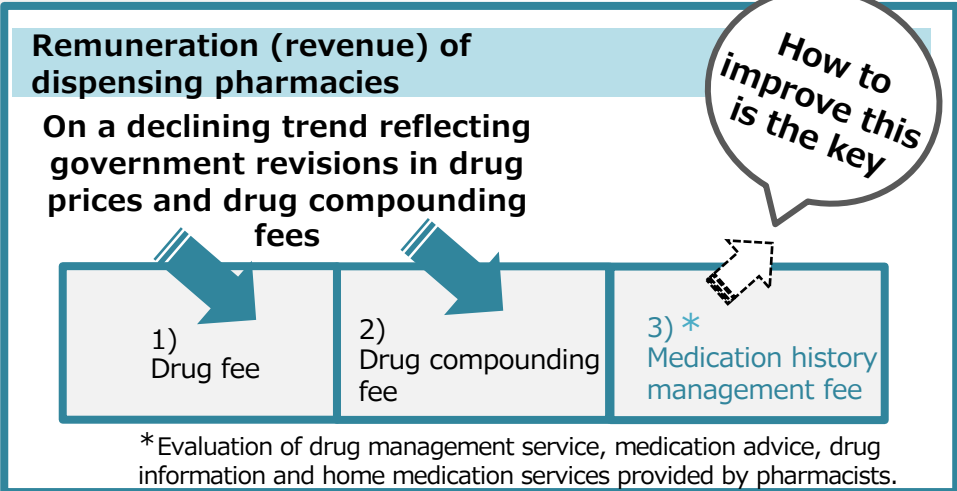
A user-friendly operation screen

Accessible even outside pharmacies

# Healthcare business :

# Cloud drug records system 'Solamichi'

## Declining revenues for dispensing pharmacies



## 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.

Familiar pharmacy      Home medication services      24-hour support      Online-medication

## What is 'medication history'?

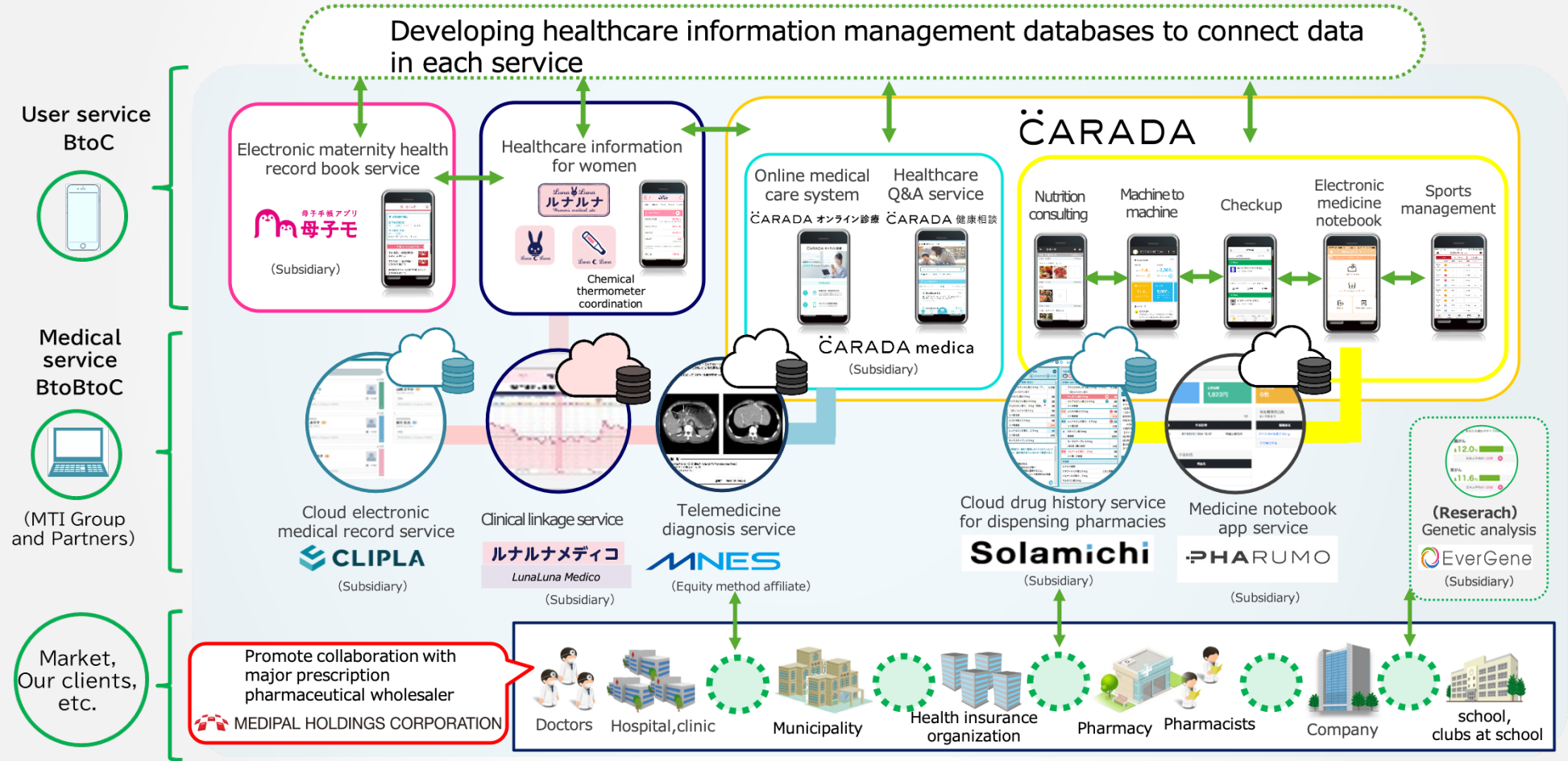
Patient's drug prescription records  
Pharmacists at pharmacies dispense drugs based on doctor's prescriptions. After the drugs are administered, they monitor the effects and possible adverse effects through direct interaction with patients to prepare a drug administration history for each patient.

**A system facilitating efficient operations for pharmacists in preparing medication histories**

**Solamichi** solves the problem!

# Healthcare business :

# Overview of Healthcare 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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