

Financial Results Briefing for Q3/2020

August 3, 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.

Measures to prevent the spread of COVID-19

SUSTAINABLE DEVELOPMENT GOALS



Measures to prevent the spread of COVID-19

For employees



Rate for remote work

Over 95% achieved since March

99% achieved for the March to June period. Rate of office work has remained at around 5% daily even after July .

Institutionalizing remote work

Subsidizing employees to raise children and enhancing mental healthcare system .

Measures to prevent the spread of COVID-19

For trade partners

Leveraging sales capabilities (face-to-face/online) x IT, adopt optimal marketing strategies in quick response to environmental changes



Sales method: **Face-to-face sales**

Online sales

Online sales main

Sales target: Cloud drug record service

Online medical examination
Online medication advice

Online medical examination
Online medication advice
Cloud drug records system

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Financial Results Overview for Q3 FY2020

Financial highlight

1

Q3 Results

- Net sales **¥19,452 million** (Down **¥975**million, Down **¥4.8%**, YoY)
- Operating income **¥2,017 million** (Down **¥247**million, Down **¥10.9%**, YoY)

2

Reasonable results achieved in terms of the full-year earnings forecast

Progress rate

Net sales 74.8% Operating income 80.7%

3

Q3 Achievements and initiatives

- Extensive introduction for online medical examination and Online medication advice
- Extensive introduction for cloud drug record service
- Brisk original comics content business

Consolidated P/L

Decreased sales and profit COVID-19 coronavirus impact limited

(Unit : Mil yen)

	FY2020 Q3 Cumulative total	FY2019 Q3 Cumulative total	YoY		
			Amount	Percentage	
Net sales	19,452	20,427	(975)	(4.8%)	Separation between telecommunication and smartphones (regulation implication)
Cost of sales (ratio)	5,315 27.3%	5,168 25.3%	+147	+2.9%	
Gross profit (ratio)	14,136 72.7%	15,259 74.7%	(1,123)	(7.4%)	Reduction of advertising expenses
SG&A (ratio)	12,119 62.3%	12,994 63.6%	(875)	(6.7%)	
Operating income (ratio)	2,017 10.4%	2,265 11.1%	(247)	(10.9%)	
Ordinary income (ratio)	1,961 10.1%	2,951 14.4%	(989)	(33.5%)	
Profit attributable to owners of parent (ratio)	1,780 9.2%	2,146 10.5%	(365)	(17.0%)	

Consolidated SG&A :

Significant reduction of Advertising expenses

(Unit : Mil yen)

	FY2020 Q3 Cumulative total	FY2019 Q3 Cumulative total	YoY	
			Amount	Percentage
SG&A	12,119	12,994	(875)	(6.7%)
Advertising expenses	853	1,990	(1,136)	(57.1%)
Personnel expenses	4,664	4,651	+12	+0.3%
Commission fee	2,527	2,594	(66)	(2.6%)
Subcontract expenses	1,020	739	+281	+38.1%
Depreciation	1,182	1,003	+179	+17.9%
Other	1,870	2,015	(145)	(7.2%)

Separation between telecommunication and smartphones (regulation implication)

Progress of full-year earnings forecast

Reasonable results achieved

(Unit : Mil yen)

	FY2020 Q3 Cumulative total	FY2020 Forecast	Progress rate
Net sales	19,452	26,000	74.8%
Operating income	2,017	2,500	80.7%
Ordinary income	1,961	2,400	81.7%
Profit attributable to owners of parent	1,780	1,700	104.7%

Performance by B/U

Content Business

BtoC/BtoB

Content distribution service



Healthcare Business

BtoC/BtoBtoC

Existing healthcare service
New healthcare service



ČARADA Solamichi ČARADA オンライン診療

Other Business

BtoB/BtoBtoC

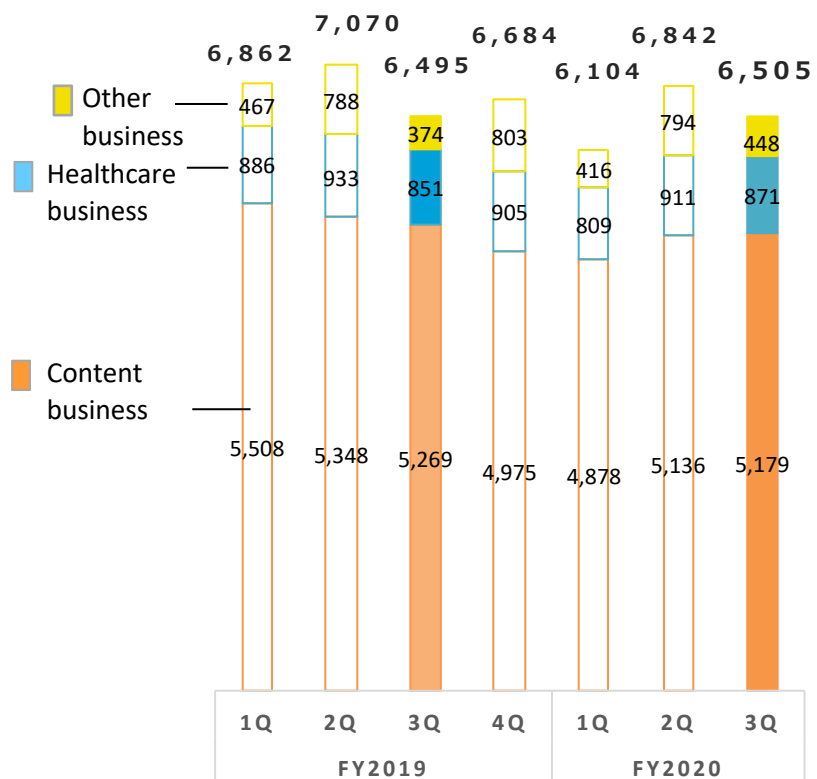
Fintech service
AI service



Performance by B/U

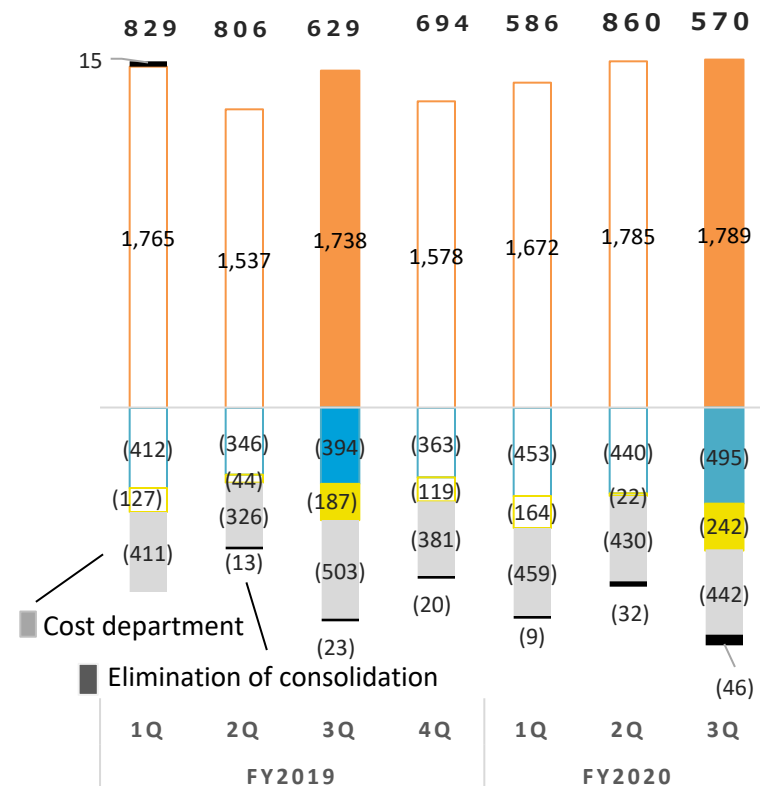
Net sales

(Unit : Mil yen)

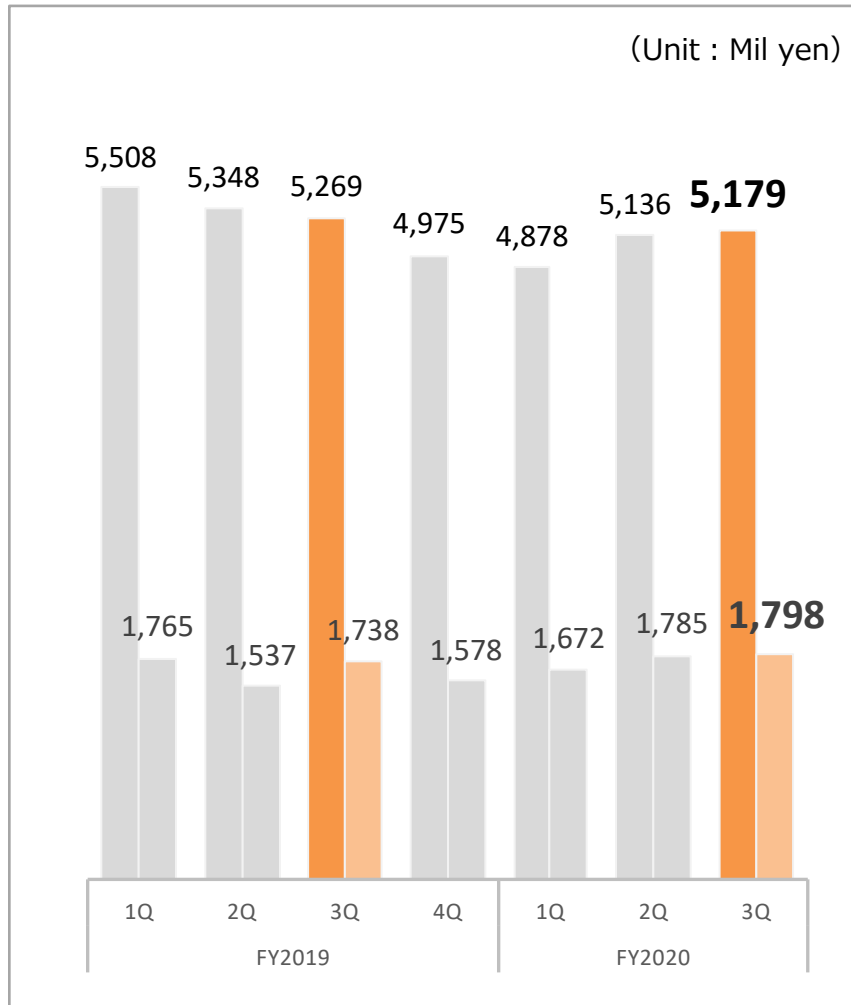


Operating income

(Unit : Mil yen)



Content business: Net sales and operating income



Net sales and operating income levelled off

- Net sales

Brisk original comics content business

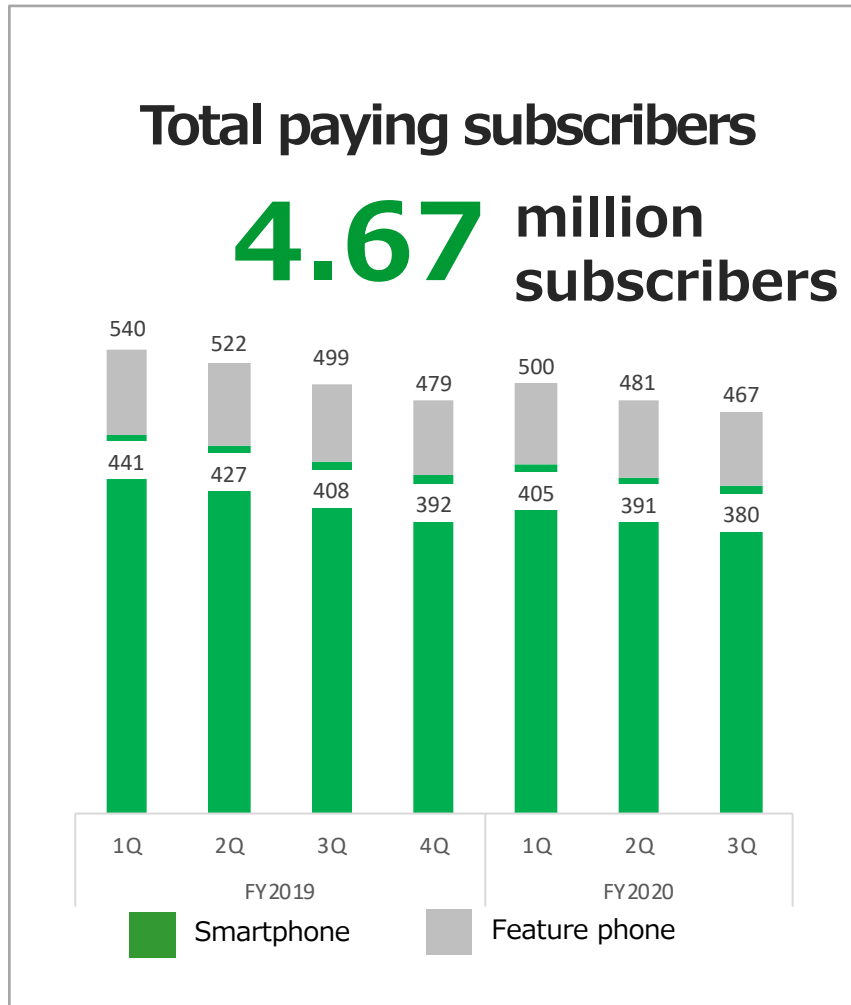
The effect of accepting the transfer of "musico"

- Operating income

Significant reduction of advertising expenses

The effect of accepting the transfer of "musico"

Content business: The number of paying subscribers



Declining trend

Separation between telecommunication and smartphones (regulation implication)

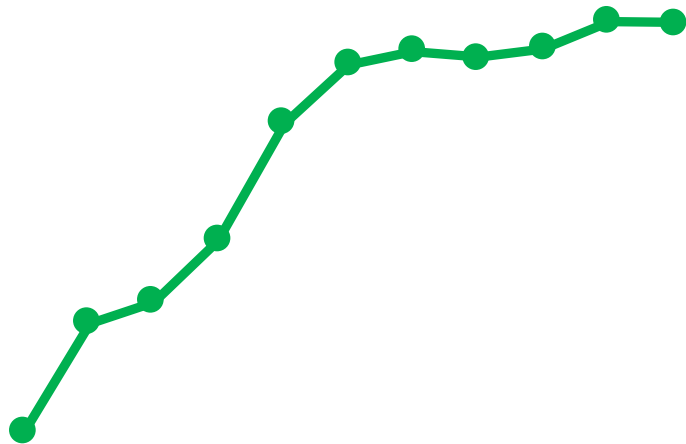
Q1 : The effect of accepting the transfer of "musico"

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

Content business: ARPU

ARPU of paying subscribers of smartphones contents

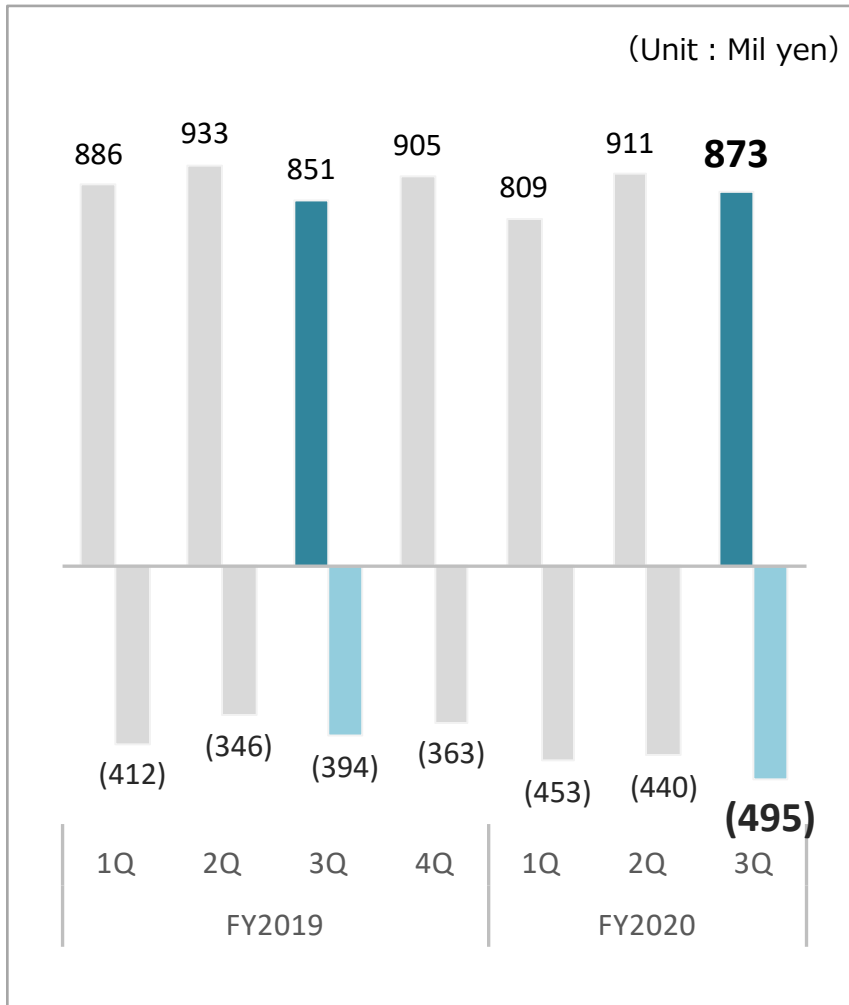
YoY +¥2.0



ARPU levelled off

Separation between telecommunication and smartphones (regulation implication)

Healthcare business: Net sales and operating income

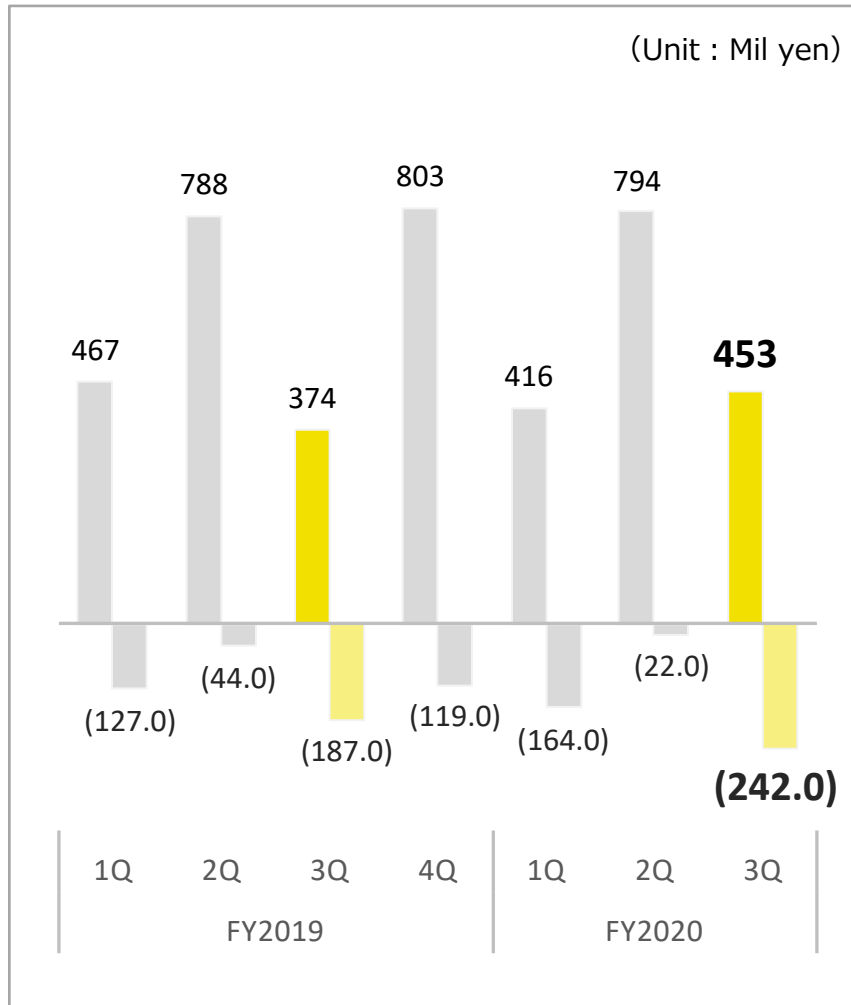


Net sales levelled off, but investment was maintained

- Net sales
Sales expanded for the initial introduction of cloud drug record service.
- Operating loss
Higher advertising expenses for online medical examination and medication advice.

Other business(AI business): Net sales and operating income

System development for financial institutions and other solution business



- Net sales
Seasonal factors in AI Business
- Operating loss
Seasonal factors in AI Business

Measures to be adopted

Basic policy in FY2020

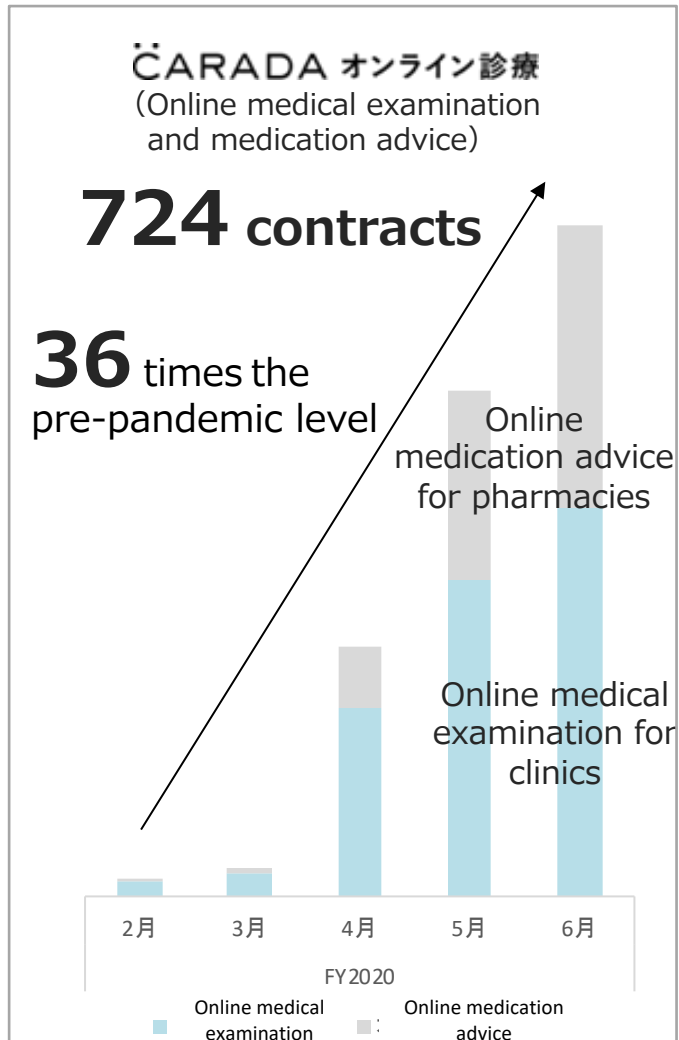
- 1. Expand sales for healthcare services**
- 2. Maintenance of the total number of paying subscribers**
- 3. Improvement in ARPU**

Linking medical institutions and patients

Online medical examination and Online medication advice



Online medical examination and online medication advice①: Achievements and initiatives



Surging demand with rapid growth in the number of service contracts

Q3 results

- Rapid growth in demand in the wake of COVID-19
- Using listing ads

Approaches in Q4 and beyond

- Paid services to start in the next term
- Collaboration with Medipal Holdings Corporation in Marketing

Online medical examination and online medication advice②:

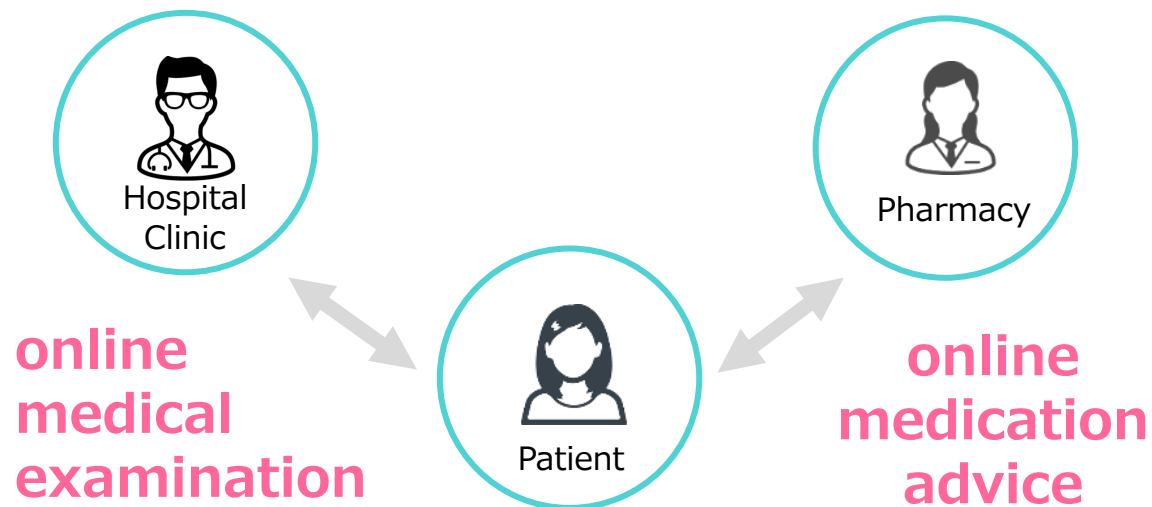
What is 'online medical examination'?

Internet-based medical services provided to non-hospitalized patients that are performed by healthcare professionals.

What is 'online medication advice'?

Internet-based medication advice for prescribed drugs usually performed by pharmacists. Patients receive drugs with internal prescription at home. They receive external prescriptions forwarded to their smartphones. This service replaces the process of drug purchases by patients at pharmacies with medication instructions.

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Online medical examination and online medication advice③: Operating environment

	Previously	Temporary measure After COVID-19 4/10~
First visit	<p>Online medical examination not appropriate</p> <p>Face-to-face medical examination required</p>	<p>Online medical examination allowed for new patients</p>
Target disease	<p>High blood pressure, diabetes, certain chronic diseases only</p>	<p>No limitation with doctor's discretion</p>

Deregulation underway for online medical examination and online medication advice





Online medical examination and online medication advice④:

Service introduction

CARADA 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>

Online medical examination and online medication advice⑤: Market

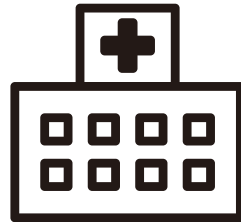
Rapid growth in demand in the wake of COVID-19

ĀARADA オンライン診療

(Online medical examination
and medication advice)

724
contracts

June 2020



Clinic



Pharmacy

Number of clinics across
the nation

100,000clinics

Number of pharmacies
across the nation

60,000pharmacies

Estimated to be
Interested in online services

20%

Future revenue scheme
(Currently provided for free)

Spot type

Initial cost for
introduction

+

Stock type

Monthly charge for
system usage

Online medical examination and online medication advice⑥: Topics



“LunaLuna online medical examination” Introduced by St. Marianna University School of Medicine for infertility treatment

Online consultation possible for infertility treatment

Linking medical institutions and patients

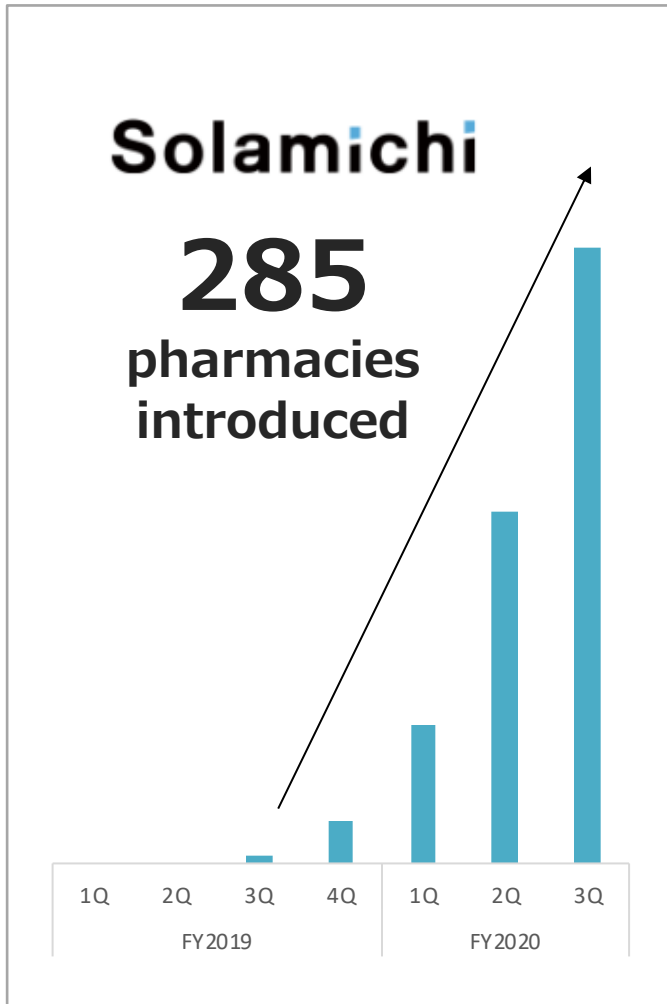


What is 'medication history'?

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.

Cloud drug record service①: Achievements and initiatives



Extensive introduction, Resumed sales activities

Q3 results

- A shift is underway toward online medication advice in terms of marketing priorities
- More introductions to pharmacies as existing customers

Approaches in Q4 and beyond

- IT subsidy program helps initial installation cost
- Collaboration with Medipal Holdings Corporation in Marketing

Cloud drug record service②: Operating environment

● Challenges in the healthcare industry

(primarily those closely related to pharmacies)

National health insurance budget: 42.6 trillion yen (2018)

Pharmacy errors (incorrect medication or prescription)

→ Stronger regulations underway for 60,000 pharmacies across the nation

● Revenue of dispensing pharmacies is declining

On a declining trend reflecting government revisions in drug prices and drug compounding fees



Remuneration (revenue) of dispensing pharmacies

*Evaluation of drug management service, medication advice, drug information and home medication services provided by pharmacists.

Management priority is to raise ③ revenue

● 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. Certain drug medications may be considered fraudulent unless they are provided in accordance with administrative guidelines requiring accurate statement of medication history. It will be necessary to establish a system capable of facilitating efficient operations for pharmacists who will face further increases in their workload.



A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi solves the problem!

Cloud drug record service③: Service introduction

A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi



CHARADA

Data linkage with Drug record app

With medication instructions

Providing comprehensive support for new drug medication instruction services added to the medical payment system!

A user-friendly operation screen

Well received by practicing pharmacists!

Accessible even outside pharmacies

Effective with familiar pharmacies!

Cloud drug record service④: Market

Market development with cloud technologies

Solamichi
285 pharmacies introduced
 June, 2020



Number of pharmacies
 across the nation

60,000 pharmacies

Estimated to be
 Interested in using cloud services

20%

Target

10,000 pharmacies

revenue scheme

Spot type

Initial cost for
 introduction

+

Stock type

Monthly charge for
 system usage

Healthcare business:

Promote collaboration with major prescription pharmaceutical wholesaler

Commodity (Service)

(Online medical examination and medication advice)



+



+

...

Sales system

MT エムティーアイ



Online sales

×



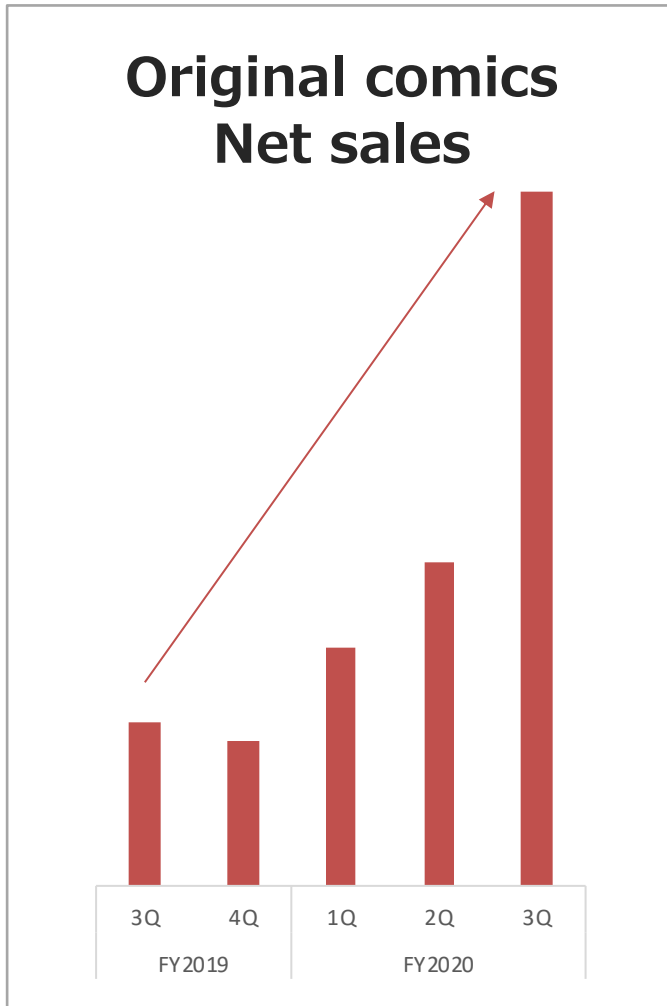
Face-to-face sales

×



Promote collaboration with major prescription pharmaceutical wholesaler

Content business: Achievements and initiatives



Brisk original comics content business

Q3 results

- Stay-at-home demand helped

Approaches in Q4 and beyond

- Growth in the number of popular original comic content

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	16,300	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)

	FY2020-3Q	FY2019	Change		FY2020-3Q	FY2019	Change
Current assets	19,217	18,469	+748	Current liabilities	4,421	4,315	+106
Cash and deposit	12,724	12,421	+303	Accounts payable-trade	1,178	1,308	(129)
Notes and accounts receivable-trade	4,909	4,667	+242	Current portion of long-term borrowings	451	14	+437
Other	1,632	1,427	+204	Account payable-other	1,320	1,150	+169
Allowance for doubtful accounts	(48)	(47)	(1)	Income taxes payable	359	730	(371)
Non-current assets	12,473	9,010	+3,463	Allowance for coin usage	124	143	(19)
Property, plant and equipment	213	258	(44)	Other	986	968	+18
Intangible fixed assets (Include) software goodwill	5,392	2,062	+3,330	Non-current liabilities	4,426	1,370	+3,056
Customer-related assets	1,860	-	+1,860	Long-term borrowings	3,024	52	+2,972
Investments and other assets (Include) investment securities	6,866	6,689	+176	Retirement benefit liability	1,395	1,306	+88
Deferred tax assets	4,856	4,977	(120)	Other	7	11	(3)
Total assets	31,691	27,479	+4,212	Total liabilities	8,848	5,685	+3,163
				Shareholders' equity	20,388	19,598	+790
				Capital stock	5,135	5,135	-
				Capital surplus	6,553	6,706	(153)
				Retained earning	11,978	10,989	+989
				Treasury shares	(3,278)	(3,233)	(45)
				Accumulated other comprehensive income	16	268	(252)
				Subscription rights to shares	375	343	+32
				Non-controlling interests	2,062	1,584	+478
				Total net assets	22,843	21,794	+1,048
				Total liabilities and net assets	31,691	27,479	+4,212

Trends in consolidated P/L

(Unit : Mil yen)

	FY2018				FY2019				FY2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	7,517	7,645	7,036	6,876	6,862	7,070	6,495	6,684	6,104	6,842	6,505
Cost of sales	1,590	1,734	1,499	1,580	1,632	1,883	1,652	1,989	1,627	1,904	1,783
Gross profit	5,926	5,910	5,537	5,295	5,229	5,186	4,843	4,695	4,477	4,937	4,722
(Ratio)	78.8%	77.3%	78.7%	77.0%	76.2%	73.4%	74.6%	70.2%	73.3%	72.2%	72.6%
SG&A	5,265	5,200	4,444	4,542	4,400	4,380	4,213	4,001	3,891	4,076	4,151
Operating income	661	710	1,092	753	829	806	629	694	586	860	570
(ratio)	8.8%	9.3%	15.5%	11.0%	12.1%	11.4%	9.7%	10.4%	9.6%	12.6%	8.8%
Ordinary income	619	706	1,085	705	868	709	1,373	183	404	905	651
(Ratio)	8.2%	9.2%	15.4%	10.3%	12.7%	10.0%	21.1%	2.7%	6.6%	13.2%	10.0%
Profit attributable to owners of parent	801	352	740	(266)	543	317	1,285	(638)	231	1,014	534
(Ratio)	10.7%	4.6%	10.5%	-	7.9%	4.5%	19.8%	-	3.8%	14.8%	8.2%

Trends in consolidated SG&A

(Unit : Mil yen)

	FY2018				FY2019				FY2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
SG&A	5,265	5,200	4,444	4,542	4,400	4,380	4,213	4,001	3,891	4,076	4,151
Advertising expense	1,369	1,487	721	822	722	763	504	414	248	241	362
Personnel expenses	1,534	1,456	1,500	1,324	1,550	1,516	1,584	1,496	1,550	1,561	1,551
Commission fee	886	938	884	913	880	844	869	805	829	844	853
Subcontract expenses	282	240	240	361	216	248	274	328	278	345	396
Depreciation	430	422	412	373	343	332	326	323	307	450	425
Other	761	654	685	746	687	673	654	632	675	632	562

Trends in performance by business units (Net sales)

(Unit : Mil yen)

	FY2019				FY2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net sales	6,862	7,070	6,495	6,684	6,104	6,842	6,505
Content business	5,508	5,348	5,269	4,975	4,878	5,136	5,179
Healthcare business	886	933	851	905	809	911	873
Other business	467	788	374	803	416	794	453
Cost department	-	-	-	-	-	-	-
Elimination of consolidation	-	-	-	-	-	-	-




Trends in performance by business units (Operating income)

(Unit : Mil yen)

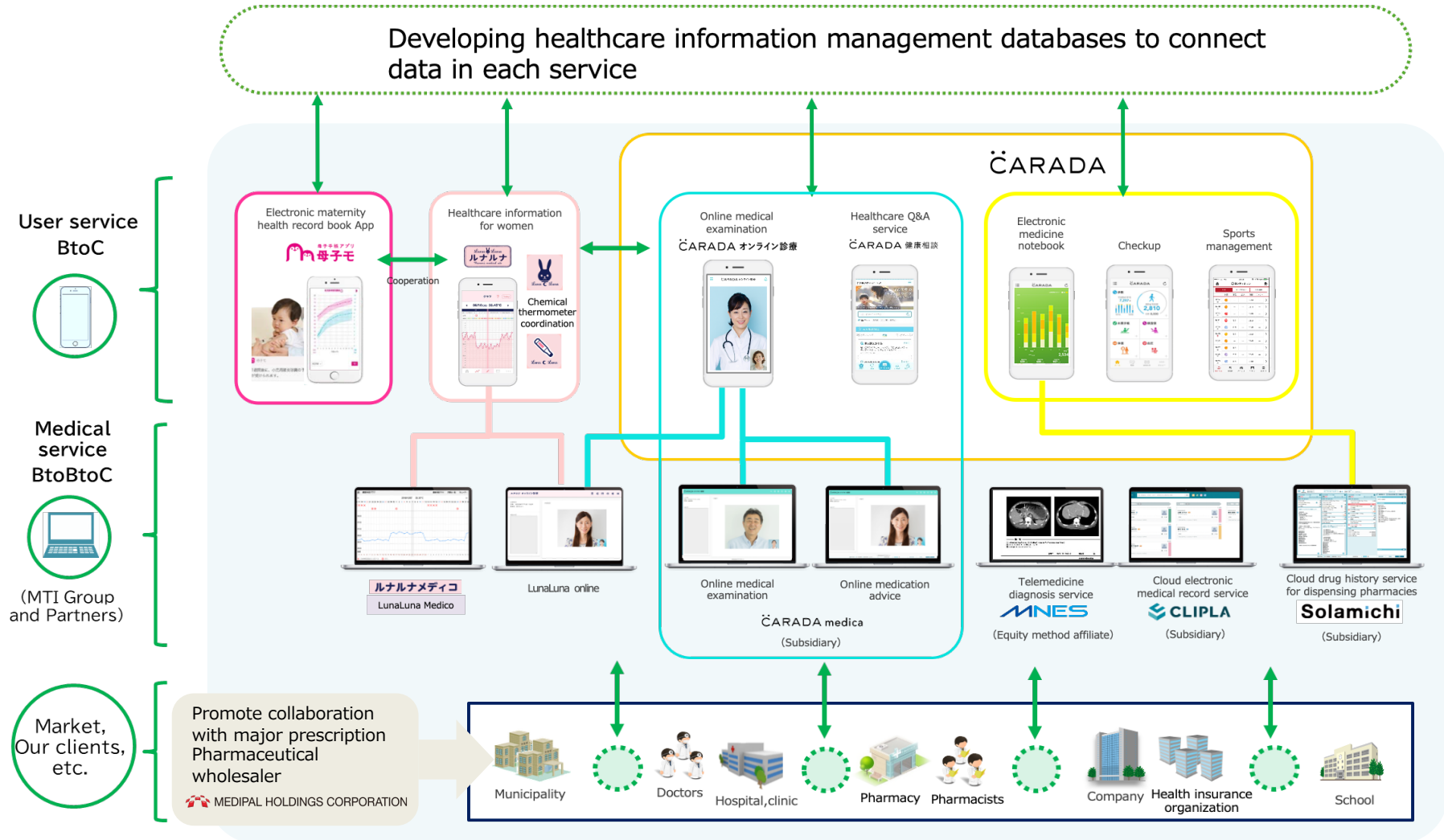
	FY2019				FY2020		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Operating income	829	806	629	694	586	860	570
Content business	1,765	1,537	1,738	1,578	1,672	1,785	1,798
Healthcare business	(412)	(346)	(394)	(363)	(453)	(440)	(495)
Other business	(127)	(44)	(187)	(119)	(164)	(22)	(242)
Cost department	(411)	(326)	(503)	(381)	(459)	(430)	(442)
Elimination of consolidation	15	(13)	(23)	(20)	(9)	(32)	(46)

The list of main healthcare services

Figures are the actual as of end of July 2020.

Name of service	Service of function	Business model
	<p>Maternal and Child Health Handbook service app. Vaccine scheduling function, parenting curve and information provided by local governments.</p>	<p>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 285 of 1,741 local governments nationwide.</p>
	<p>Healthcare info service for women. Forecasting menstrual day & ovulation day.</p>	<p>Free app (Over 15 million DL cumulative) Three hundred yen fee or higher for fertility mode and other modes</p>
<p>'Luna luna medico'</p>	<p>LunaLuna linkage function for gynecologists. Daily health information for female patients is shown on hospital computers. The service is for fertility treatment.</p>	<p>The service is currently provided at no additional charge. The service has been adopted by 780 gynecologists. (Patients are LunaLuna users [free/additional charge])</p>
<p>LunaLuna online medical examination</p>	<p>Complete online service provided in a single system, from making reservations for gynecological examinations to delivery of drugs from pharmacies</p>	<p>As a measure to prevent the spread of COVID-19, The service will be provided free of charge until the end of September 2020.</p>
<p>ÇARADA 健康相談</p>	<p>Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.</p>	<p>¥400/month</p>
<p>ÇARADA オンライン診療 Online medical examination Online medication advice</p>	<p>the system offers full features that are necessary for online medical examination, from reservations to delivery of drugs and prescriptions .</p>	<p>Contracts with 724 clinics and pharmacies. As a measure to prevent the spread of COVID-19, The service will be provided free of charge until the end of September 2020.</p>
<p>ÇARADA</p>	<p>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.</p>	<p>Collects monthly usage fees from health examination institutions.</p>
	<p>Cloud drug administration record service for pharmacies The drug administration record navigation function is highly rated. Links with the CARADA medical history notebook app.</p>	<p>Initial cost for introduction + monthly usage fee 285 orders have been received. Full-scale deliveries started in December 2019.</p>

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.



〈Contact us〉

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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.