

Financial Results Briefing for Q2/2022

May 13, 2022



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 FY2022

Financial highlight

1 Operating income declined and was below the forecast.

- Net sales ¥12,975 million (Down 0.5%, YoY, Progress against forecast 99.8%)
- Operating income ¥599 million (Down 51.4%, YoY , Progress against forecast 59.9%)

2 The full-year forecasts (profits) are revised downward.

- Net sales: ¥26,000 million (Previous forecast unchanged)
- Operating income: ¥1,200 million (Compared to the previous forecast (37.8)%)

3 Results in the healthcare business were as planned.

- Cloud drug record service
- "Boshimo" childcare DX services

Consolidated P/L

Net sales : levelled off

Operating income : decreased

(Unit : Mil yen)

	FY2021 Q2	FY2022 Q2	YoY		
			Amount	Percentage	
Net sales	13,046	12,975	(71)	(0.5)%	Expansion in DX support business for large companies
Cost of sales (ratio)	3,419 26.2%	3,814 29.4%	+395	+11.6%	Decline in profitability in part of the business above
Gross profit (ratio)	9,627 73.8%	9,160 70.6%	(466)	(4.9)%	
SG&A (ratio)	8,395 64.3%	8,561 66.0%	+166	+2.0%	Increase in personnel for development (particularly in school DX business)
Operating income (ratio)	1,232 9.4%	599 4.6%	(633)	(51.4)%	
Ordinary income (ratio)	840 6.4%	292 2.3%	(547)	(65.2)%	
Profit attributable to owners of parent (ratio)	(1,416) -	123 1.0%	+1,540	-%	

Consolidated SG&A :

Personnel expenses : increased

Other expenses : decreased

(Unit : Mil yen)

	FY2021 Q2	FY2022 Q2	YoY		
			Amount	Percentage	
SG&A	8,395	8,561	+166	+2.0%	
Advertising expenses	711	758	+46	+6.6%	
Personnel expenses	3,443	3,835	+392	+11.4%	Increase in personnel for development (particularly in school DX business)
Commission fee	1,574	1,538	(36)	(2.3)%	
Subcontract expenses	887	885	(1)	(0.2)%	
Depreciation	584	633	+48	+8.3%	Decrease in rents due to the shift to a teleworking system
Other	1,193	909	(284)	(23.8)%	

Difference between earnings forecast and the actual for Q2

- Decline in profitability in part of the DX support business for major companies
- Upfront investments in school DX business

(Unit : Mil yen)

	FY2022 Q2		Difference Amount
	The latest earnings forecast	Actual	
Net sales	13,000	12,975	(24)
Operating income	1,000	599	(400)
Ordinary income	800	292	(507)
Profit (loss) attributable to owners of parent	400	123	(276)

*For performance forecast figures for the fiscal year ending September 30, 2022, intermediate values in the range are shown for convenience.

Revision of earnings forecast of FY2022

- Results in the first half are taken into consideration
- Improvement of the structure of the DX support business for major companies
- Temporary upfront investments for strengthening the school DX business

(Unit : Mil yen)

	FY2022		Difference
	The latest earnings forecast	Forecast	Amount
Net sales	26,000	26,000	-
Operating income	2,000	1,200	(800)
Ordinary income	1,600	700	(900)
Profit (loss) attributable to owners of parent	800	300	(500)

*For performance forecast figures for the fiscal year ending September 30, 2022, compared with intermediate values in the range for convenience.

Performance by segment

Content Business

BtoC/BtoB

Content distribution service



Healthcare Business

BtoC/BtoB/BtoBtoC

Existing healthcare service
New healthcare service

LunaLuna

母子手帳アプリ
母子モ



CARADA CARADA 電子薬歴 CARADA オンライン診療
Solamichi

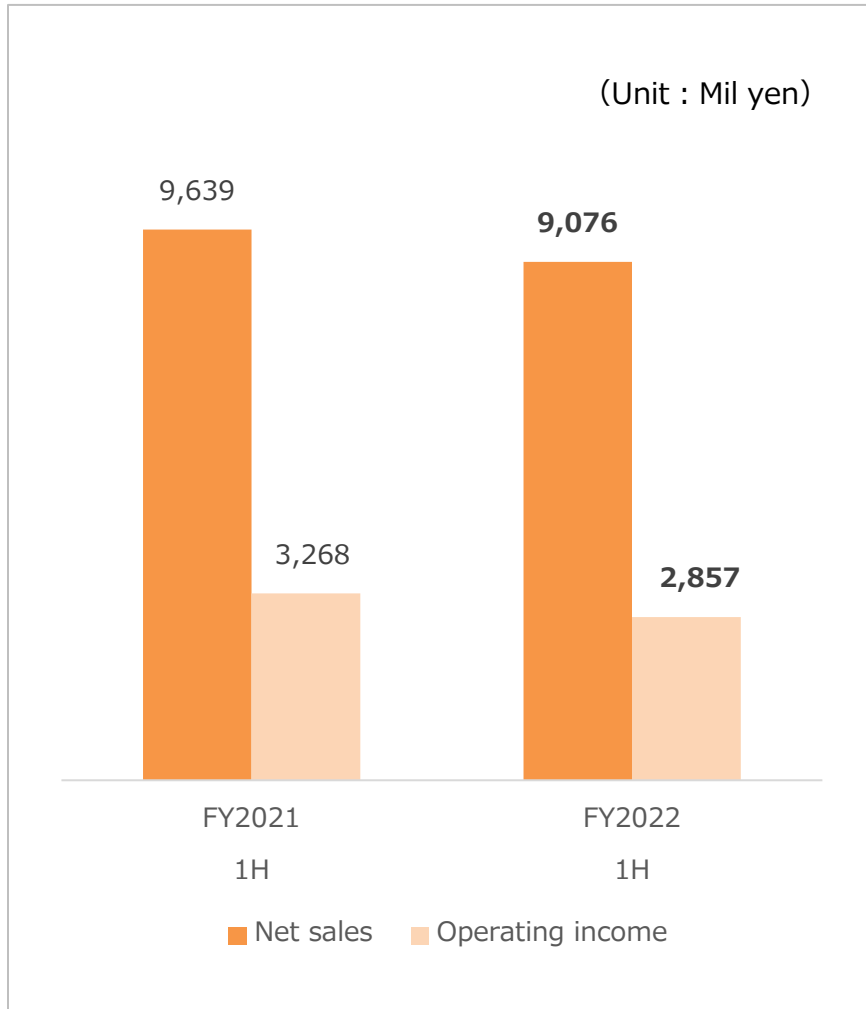
Other Business

BtoB

AI service , DX service ,
School DX service
For corporate solution service



Content business: Net sales and operating income

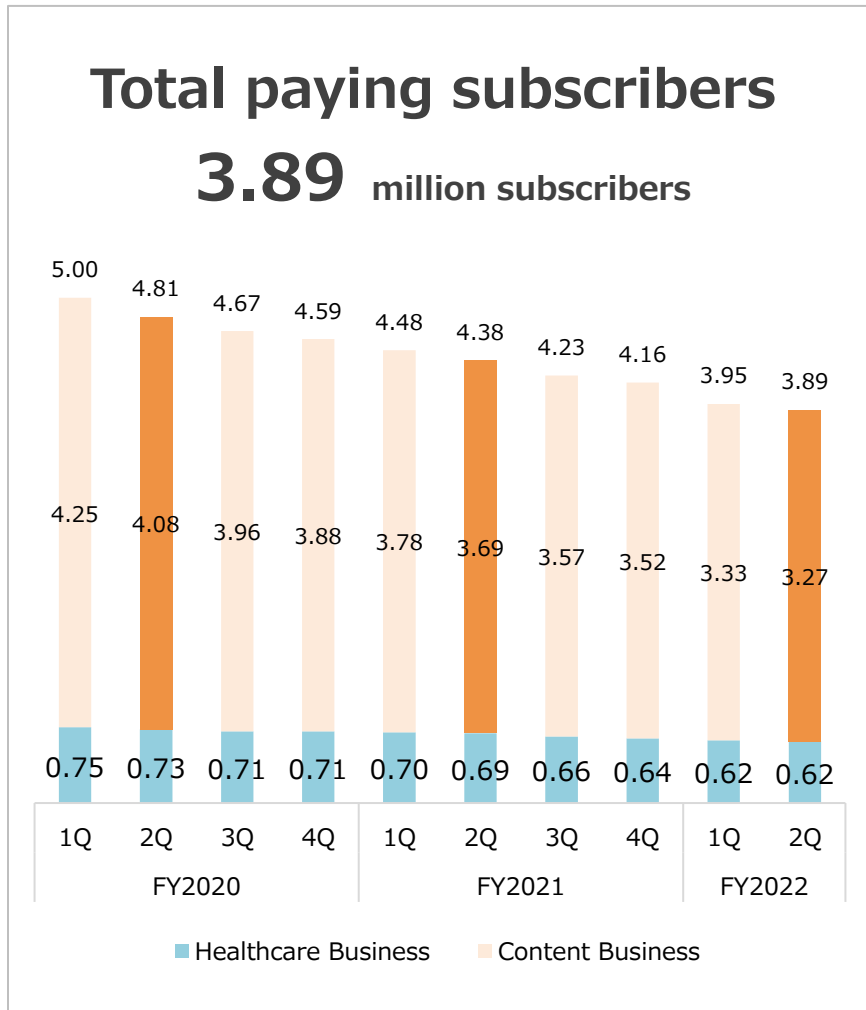


Decreased sales and profit

+ : Original comics are growing

- : The number of paying subscribers decreased

Content business: The number of paying subscribers

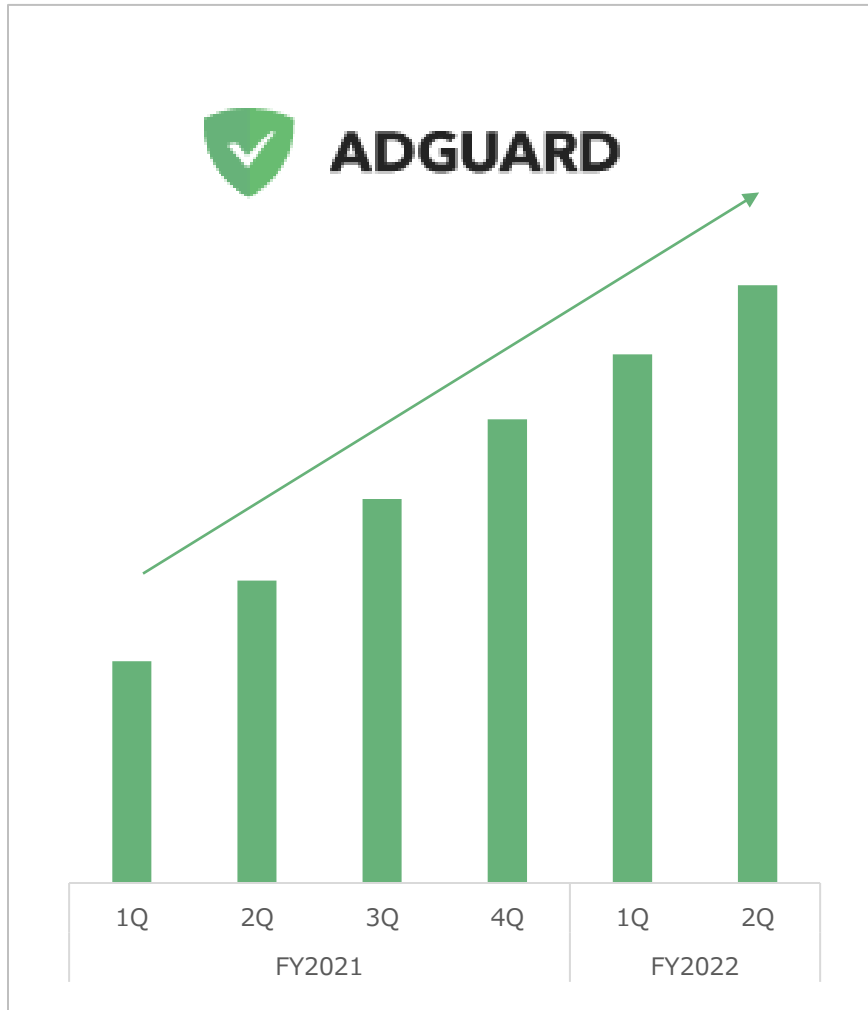


Degree of decrease is being reduced

- Brisk Security-related apps
- Feature phone service discontinued

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

Content business: Security-related app



Security-related apps are growing

Over 340 thousand people

Four functions



Ad blocking



Trace blocking

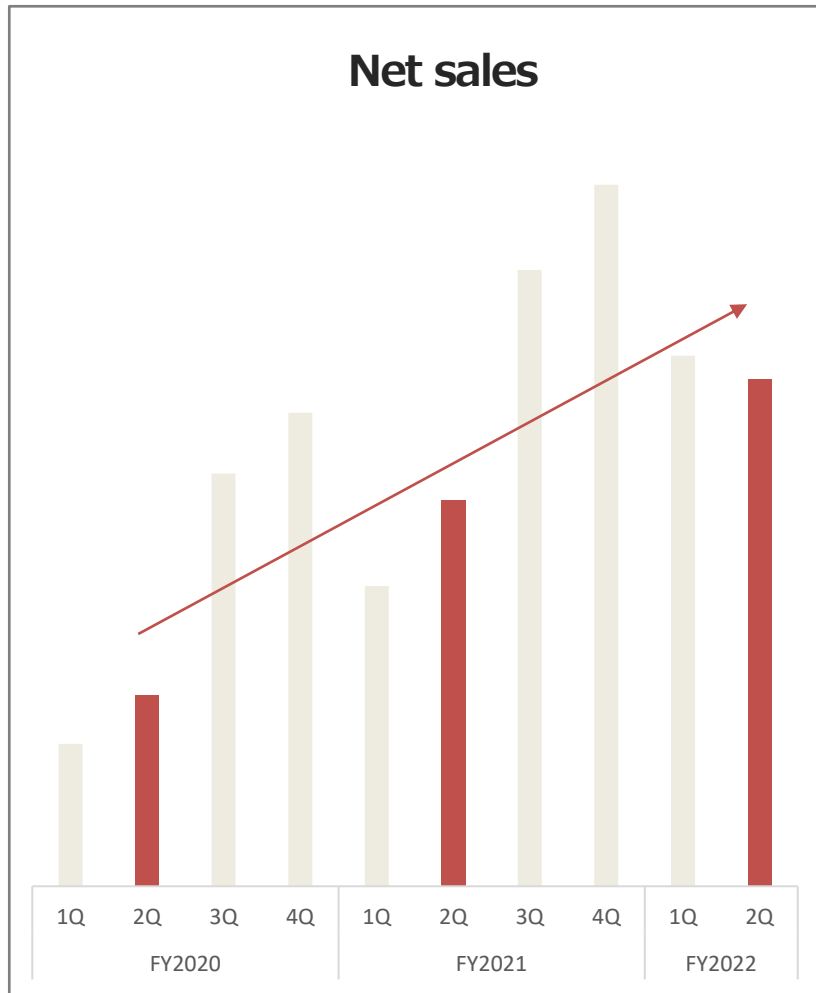


Threat blocking



Parent function
(Child protection function)

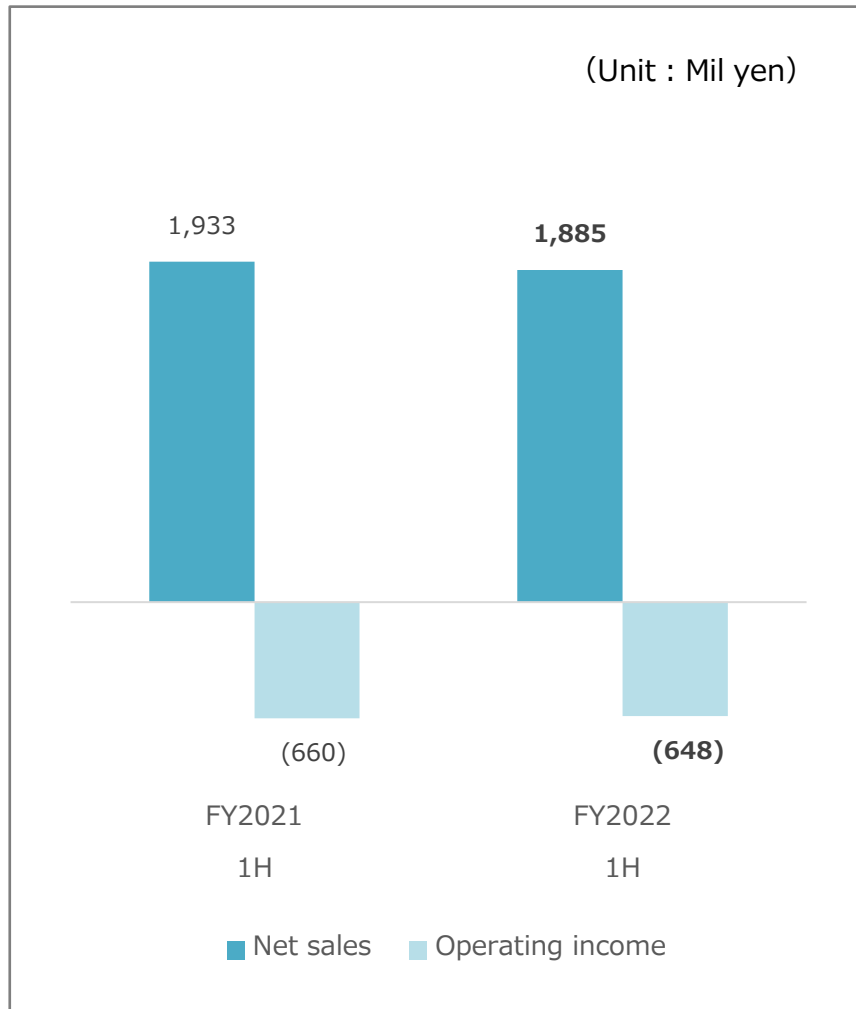
Content business: Original comics content business



The serialization of hit titles contributed Sales are rising

Keep in comic titles introduced

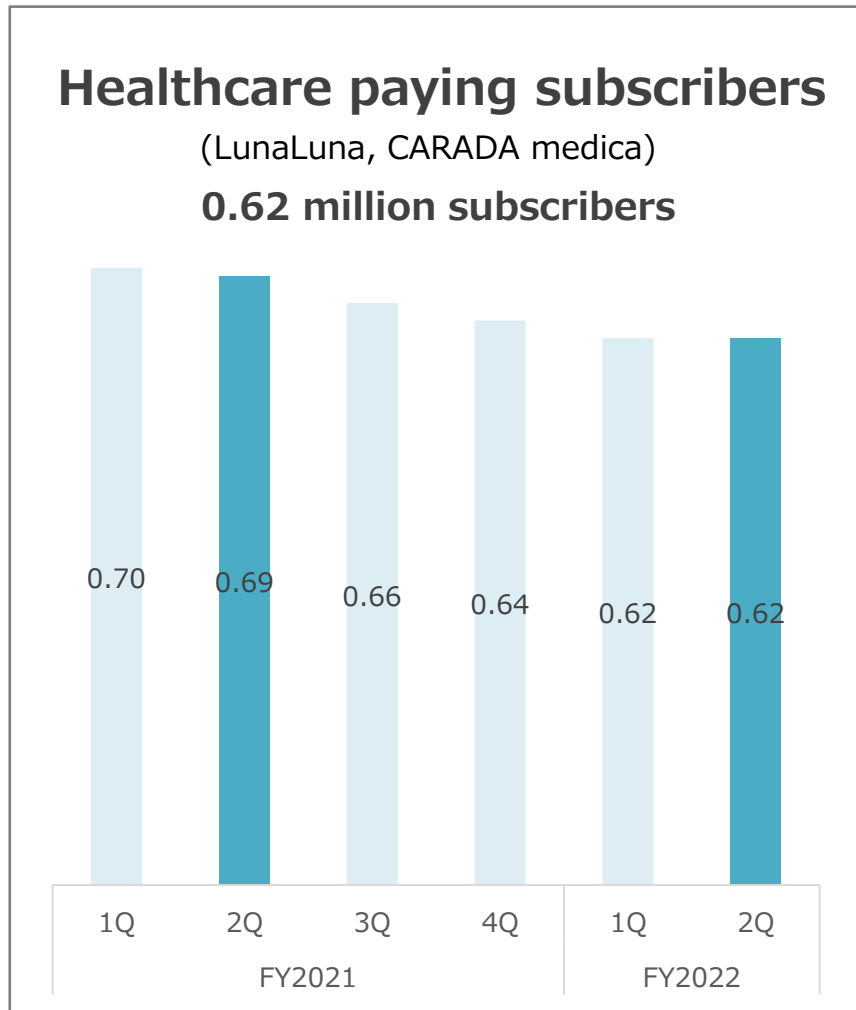
Healthcare business: Net sales and operating income



Net sales levelled off

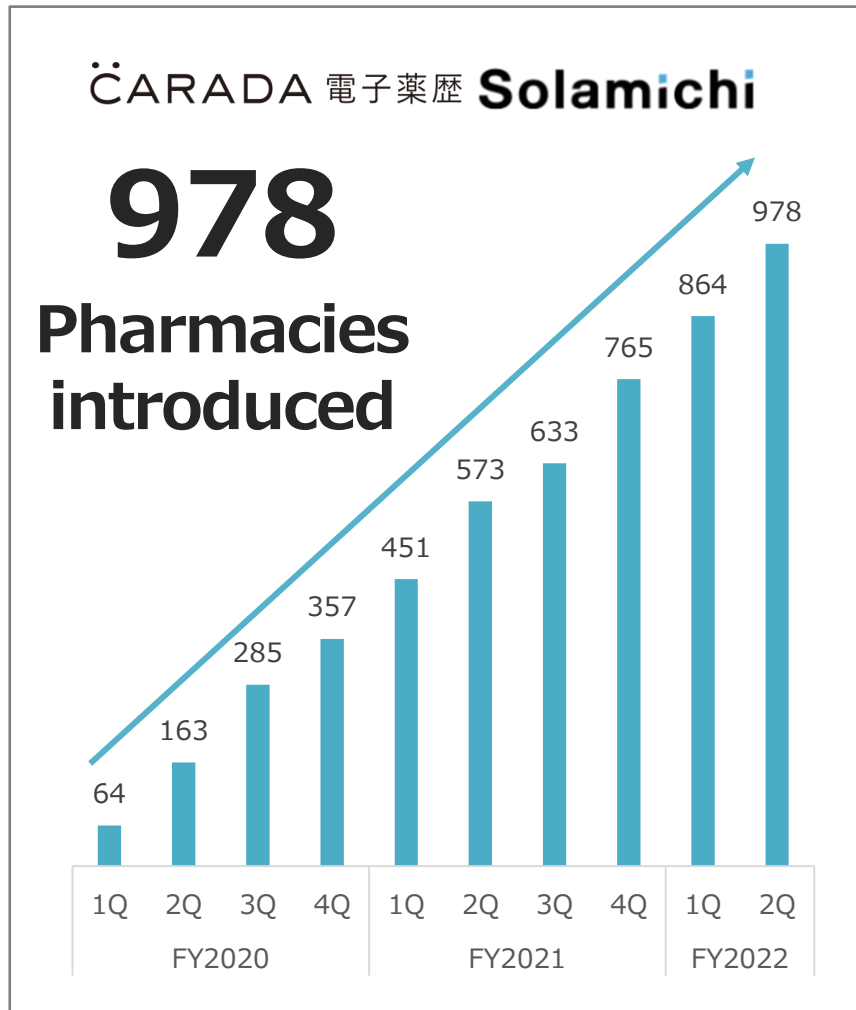
- + : Expansion of Cloud drug record service
- : The number of paying subscribers decreased

Healthcare business: The number of paying subscribers



Leveling off

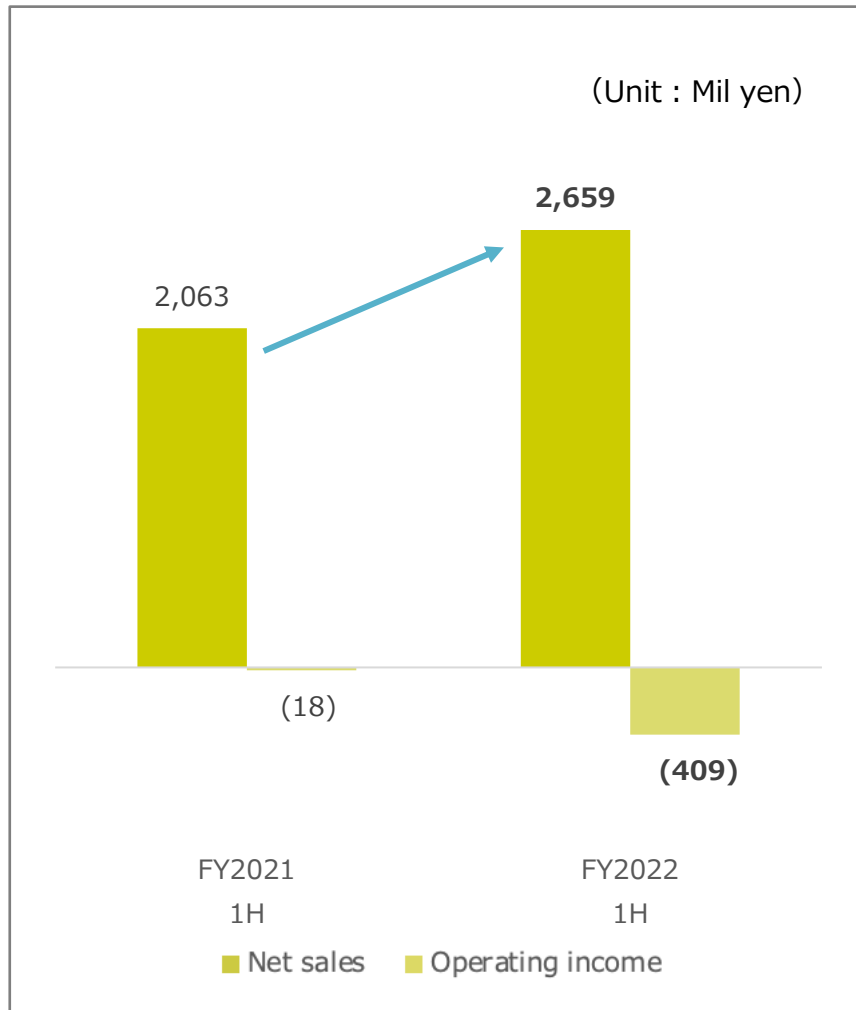
Healthcare business: Cloud drug record service



Extensive introduction

- Up 114 from the previous quarter

Other business (AI,DX business, etc.): Net sales and operating income



Sales expansion

- DX support business for large companies

Operating loss

- The cost of sales rose in the business above
- Upfront investments in school DX business

Approach in Q3 and beyond

Basic policies and priority issues for FY2022

**Healthcare business : Further sales growth,
Content business : Securing profit,
Other business: Sales growth**

1. Healthcare business

- ① Further expansion of the Cloud drug record service
- ② Promotion of the platform strategy of the childcare DX, "Boshimo"

2. Content business

- ① Original comics content business growth
- ② Security-related app growth

3. Other business

- ① AI business expansion
- ② DX support business expansion
- ③ School DX business expansion

Cloud drug record service

Connecting pharmacies and patients

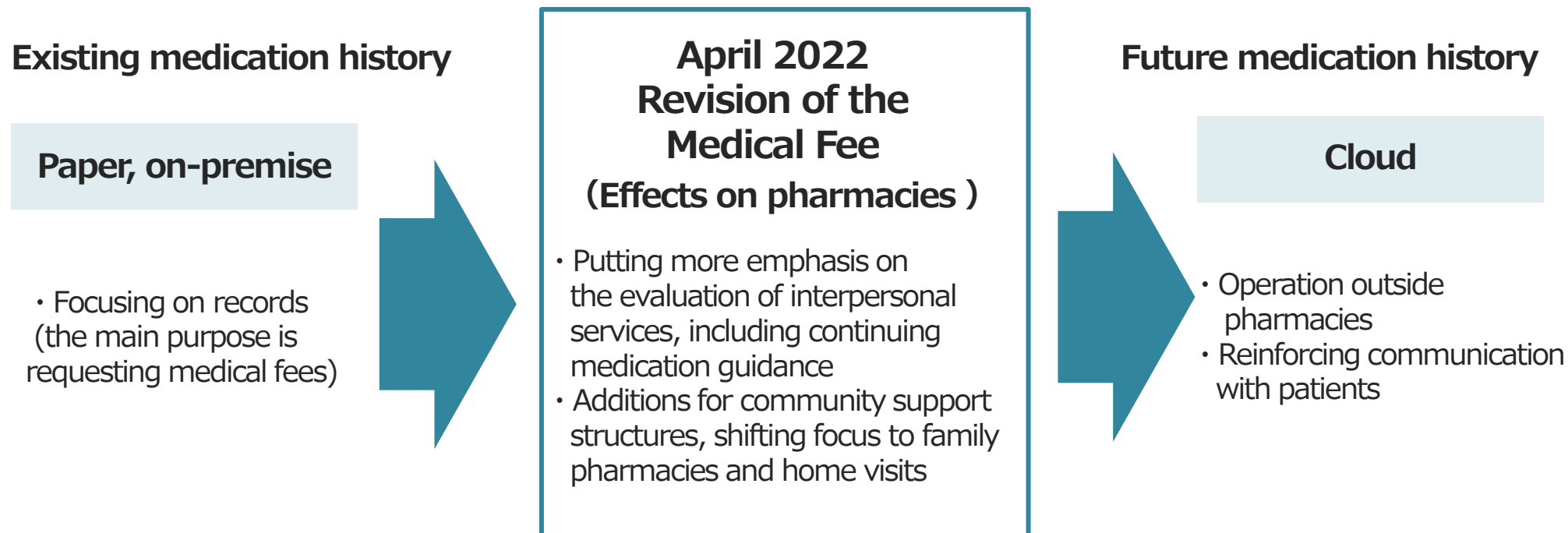
Cloud drug record service

CARADA 電子薬歴 Solamichi



Cloud drug record service

In response to the medical fee revision, the Company will promote a shift “from services handling materials to interpersonal services” at pharmacies and promote ICT at pharmacies as well.



Demand for cloud drug record that has a wealth of medication advice and medication follow-up functions will increase.

Cloud drug record service

Increasing the number of pharmacies that introduce cloud drug record by enhancing service functions and strengthening cooperation in sales

① Enhancing service functions

- Added “medication follow-up” in March



After drugs are delivered...

Are you taking medicine?

Proposing follow-up services automatically

Follow




Record



Answer



② strengthening cooperation in sales

- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler

⇒ Sharing more sales information and improving efficiency



- Collaboration with large system companies that provide services to pharmacies
 - Commenced partnership with Mitsubishi Electric IT Solutions Corporation
 - Commenced partnership with FUJIFILM Healthcare Systems Corporation

Maternal health record book app + Childcare DX services

Connecting parenting households and local governments

Maternal health record book app + Childcare DX services



Maternal health record book app + Childcare DX services

Development of the platform business starting with the maternal health record book app "Boshimo"

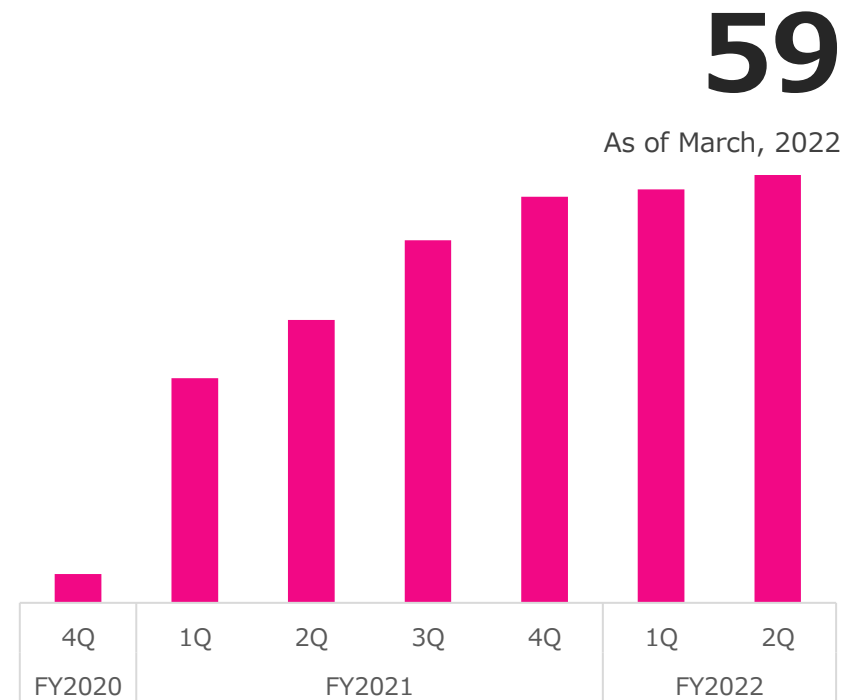
- Phase 1 : Introducing Maternal health record book app "Boshimo"**
- Phase 2 : Online consultation**
- Phase 3 : Childcare DX services**

Phase 1,2 : Maternal health record book app “Boshimo” & Online consultation

Making “Boshimo” a standard

Phase1 Maternal health record book app

Phase2 Online consultation



* The calculation is based on the assumption that there exist 1,741 local governments in Japan, according to the website of the Japan Agency for Local Authority Information Systems.



Phase 3 : Childcare DX services

Concluding a partnership agreement with Kitakyushu City for promoting childcare DX services

Comprehensive Contract



Pregnancy report

Accepting prior applications for issuance of a maternal health record book on an app



Launching one by one

Childhood immunization
Infant health check



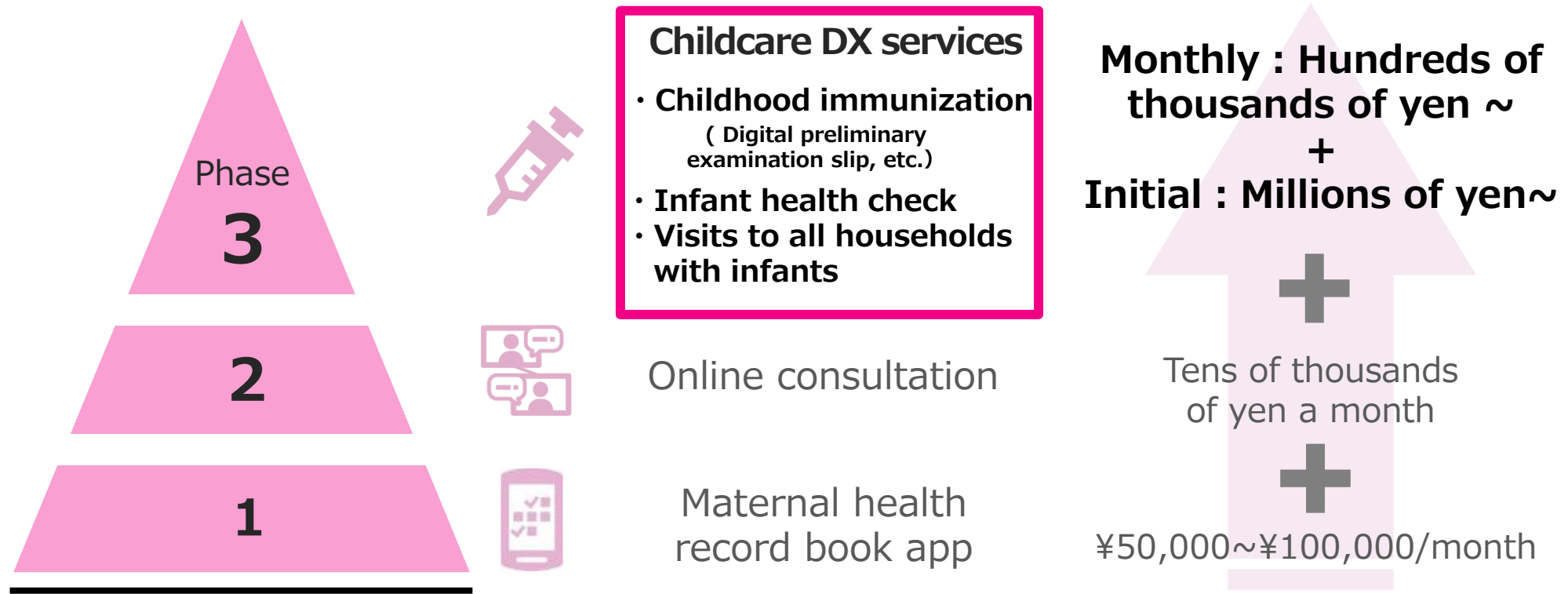
Maternal health record book app + Childcare DX services

Promotion of the introduction of childcare DX services for the digitalization of municipal government work

Number of local governments

Service functions

Expected price plan



Number of local governments nationwide **1,741**

*A pricing system is set for each local government depending on the number of babies born.

School DX business

Connecting students and teachers

Cloud-based school affairs support system

BLEND



School DX business

Following an online classes boom,
demand for the school DX business increased sharply

Started
online classes

Excessive
teacher overtime

Digitalization demand for
school administration
increased sharply



- Investment in cloud school administration (school DX) increased in response to a sharp increase in demand
- Digitalization is slow in this area, and the business is expected to grow

School DX business

Developing a new version to respond to a sharp increase in demand

Cloud-based school affairs support system

BLEND

Bringing together all school administration in a single system
and reducing teachers' workload significantly

Attendance
management



Grade
management



School DX business

Improving the quality of education
by improving efficiency in school administration
and promoting a change in the way teachers work

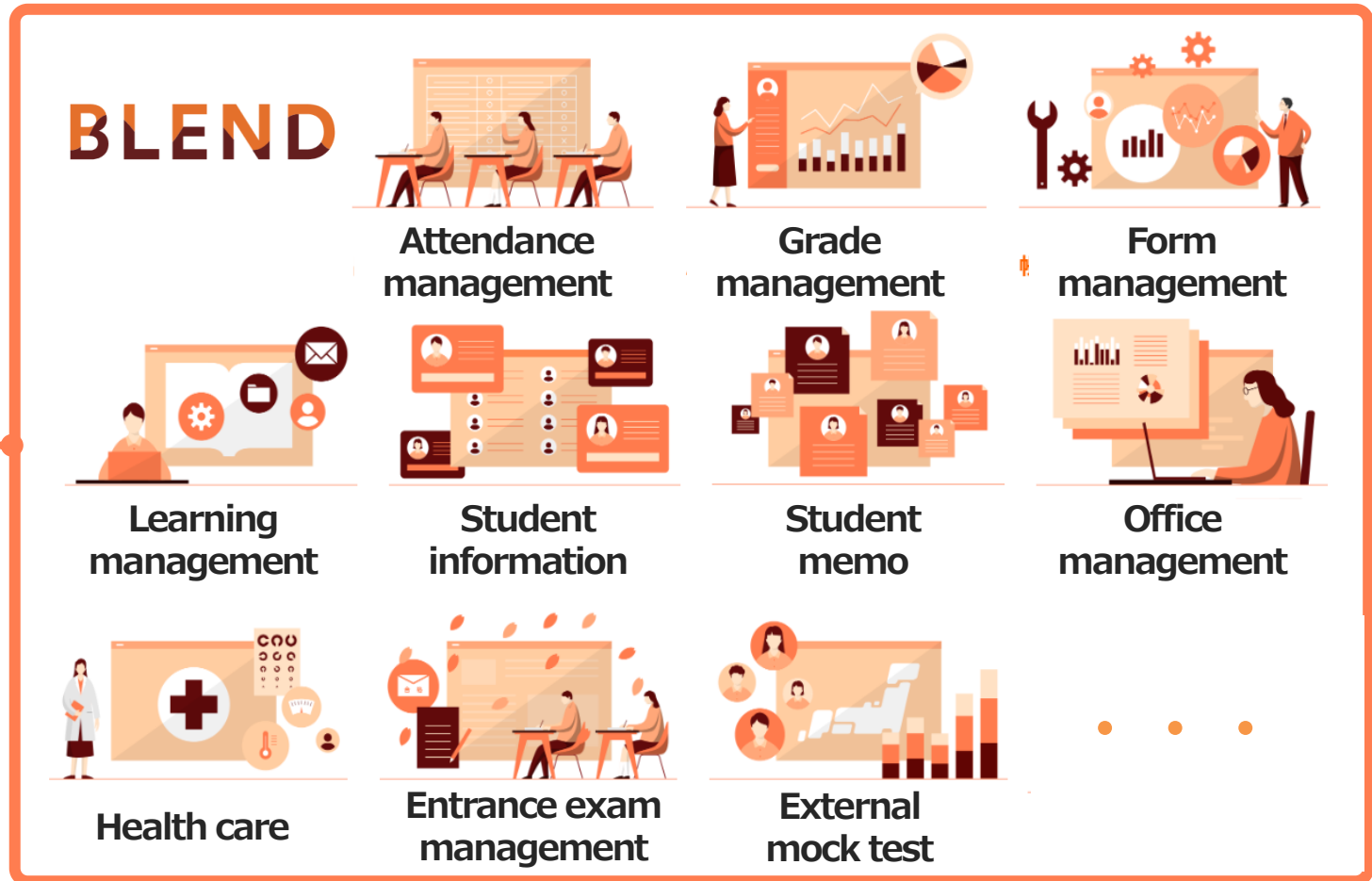


Image of medium-term profit (by segment)

Content business

Degree of decrease in the number of paying subscribers is reduced
Focus on highly in-demand contents

Other business (AI,DX business, etc.)

Grow steadily

Healthcare business

Focus on expansion of stock sales (=profit)



〈Contact us〉

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Appendix

Earnings forecast for FY2022

(Unit : Mil yen)

	FY2021 (Actual)			FY2022			YoY	
	Full year	H1	H2	Full year (Forecast)	H1 (Actual)	H2 (Forecast)	Amount Full year	Ratio Full year
Net sales	25,743	13,046	12,696	26,000	12,975	13,024	+256	+1.0%
Cost of sales	7,001	3,419	3,581	7,600	3,814	3,785	+598	+8.6%
Gross profit	18,741	9,627	9,114	18,400	9,160	9,239	(341)	(1.8)%
SG&A	16,811	8,395	8,416	17,200	8,561	8,638	+388	+2.3%
Operating income	1,929	1,232	697	1,200	599	600	(729)	(37.8)%
(Ratio)	7.5%	9.4%	5.5%	4.6%	4.6%	4.6%		
Ordinary income	1,370	840	530	700	292	407	(670)	(48.9)%
(Ratio)	5.3%	6.4%	4.2%	2.7%	2.3%	3.1%		
Profit attributable to owners of parent	(1,164)	(1,416)	252	300	123	176	+1,464	-
(Ratio)	-	-	2.0%	1.2%	1.0%	1.4%		

※For convenience, the middle points in the range of financial forecasts are shown for the fiscal year ending September 30, 2022.

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2021	FY2022-Q2	Change		FY2021	FY2022-Q2	Change
Current assets	21,262	18,136	(3,126)	Current liabilities	6,655	6,104	(551)
Cash and deposits	15,540	12,590	(2,949)	Account payable-trade	1,147	1,090	(56)
Notes and accounts receivable-trade	4,501	-	(4,501)	Current portion of long-term borrowings	451	451	+0
Notes and accounts receivable - trade, and contract assets	-	4,455	+4,455	Account payable-other	1,230	1,221	(8)
Other	1,254	1,125	(128)	Income taxes payable	2,156	91	(2,064)
Allowance for doubtful accounts	(33)	(35)	(2)	Contract liabilities	-	2,148	+2,148
				Other	1,670	1,099	(570)
Non-current assets	10,646	11,071	+425	Non-current liabilities	4,009	3,861	(148)
Property, plant and equipment	203	208	+5	Long-term borrowings	2,429	2,203	(225)
Intangible assets	3,711	4,488	+776	Retirement benefit liability	1,572	1,649	+76
Software	1,791	2,603	+811	Other	6	8	+1
Goodwill	556	658	+102	Total liabilities	10,665	9,965	(700)
Customer-related assets	1,333	1,123	(210)	Shareholders' equity	17,241	15,210	(2,031)
Investments and other assets	6,731	6,374	(356)	Share capital	5,197	5,212	+14
Investment securities	4,511	3,901	(610)	Capital surplus	6,660	6,536	(123)
Leasehold and guarantee deposits	318	311	(7)	Retained earning	8,665	6,718	(1,946)
Deferred tax assets	1,803	2,055	+251	Treasury shares	(3,281)	(3,257)	+24
				Accumulated other comprehensive income	184	228	+43
				Subscription rights to shares	161	162	+0
				Non-controlling interests	3,654	3,641	(13)
				Total net assets	21,243	19,241	(2,001)
Total assets	31,908	29,207	(2,701)	Total liabilities and net assets	31,908	29,207	(2,701)

Trends in consolidated P/L

(Unit : Mil yen)

	FY2020				FY2021				FY2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	6,118	6,855	6,519	6,589	6,304	6,742	6,457	6,238	6,551	6,424
Cost of sales	1,627	1,904	1,783	1,814	1,593	1,826	1,728	1,853	1,895	1,919
Gross profit	4,490	4,951	4,735	4,774	4,711	4,916	4,728	4,385	4,656	4,504
(Ratio)	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%	73.2%	70.3%	71.1%	70.1%
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356
Operating income	586	860	570	489	553	678	563	133	451	147
(ratio)	9.6%	12.6%	8.8%	7.4%	8.8%	10.1%	8.7%	2.1%	6.9%	2.3%
Ordinary income	404	905	651	121	495	345	428	101	395	(102)
(Ratio)	6.6%	13.2%	10.0%	1.8%	7.9%	5.1%	6.6%	1.6%	6.0%	-
Profit attributable to owners of parent	231	1,014	534	(1,273)	220	(1,637)	322	(69)	252	(129)
(Ratio)	3.8%	14.8%	8.2%	-	3.5%	-	5.0%	-	3.9%	-

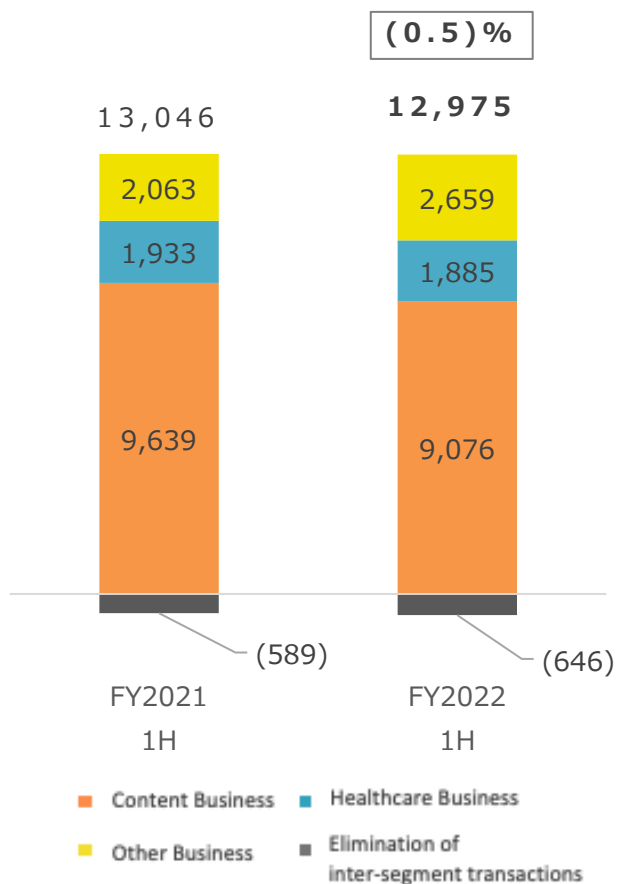
Trends in consolidated SG&A

(Unit : Mil yen)

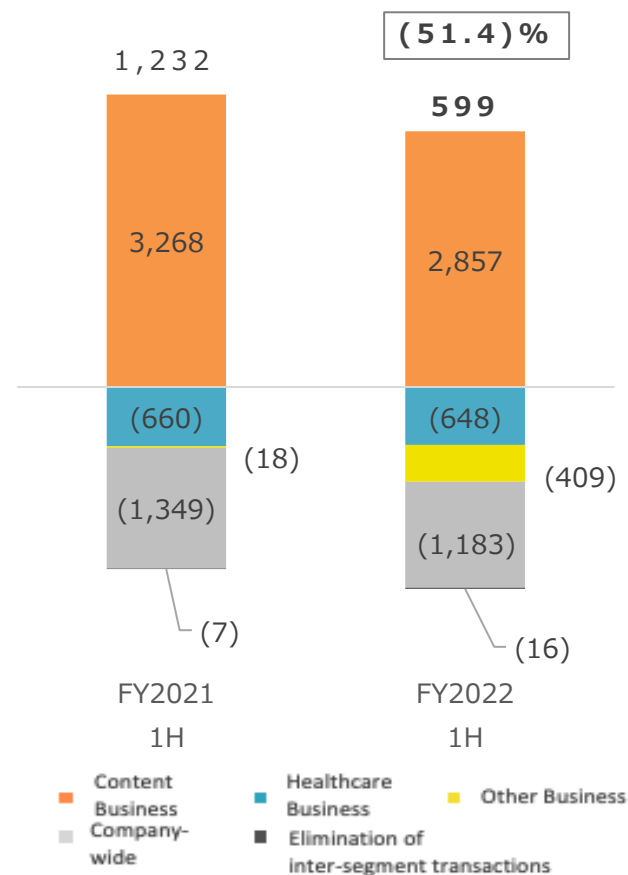
	FY2020				FY2021				FY2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356
Advertising expense	248	241	362	320	337	373	393	413	360	397
Personnel expenses	1,537	1,548	1,618	1,691	1,743	1,700	1,808	1,847	1,912	1,923
Commission fee	829	844	853	815	789	785	777	806	753	785
Subcontract expenses	305	372	342	406	441	445	452	464	440	445
Depreciation	307	450	425	437	272	312	261	286	303	330
Other	675	632	562	613	573	620	472	434	435	473

Performance by segment

Net sales



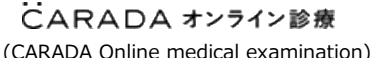



Operating income

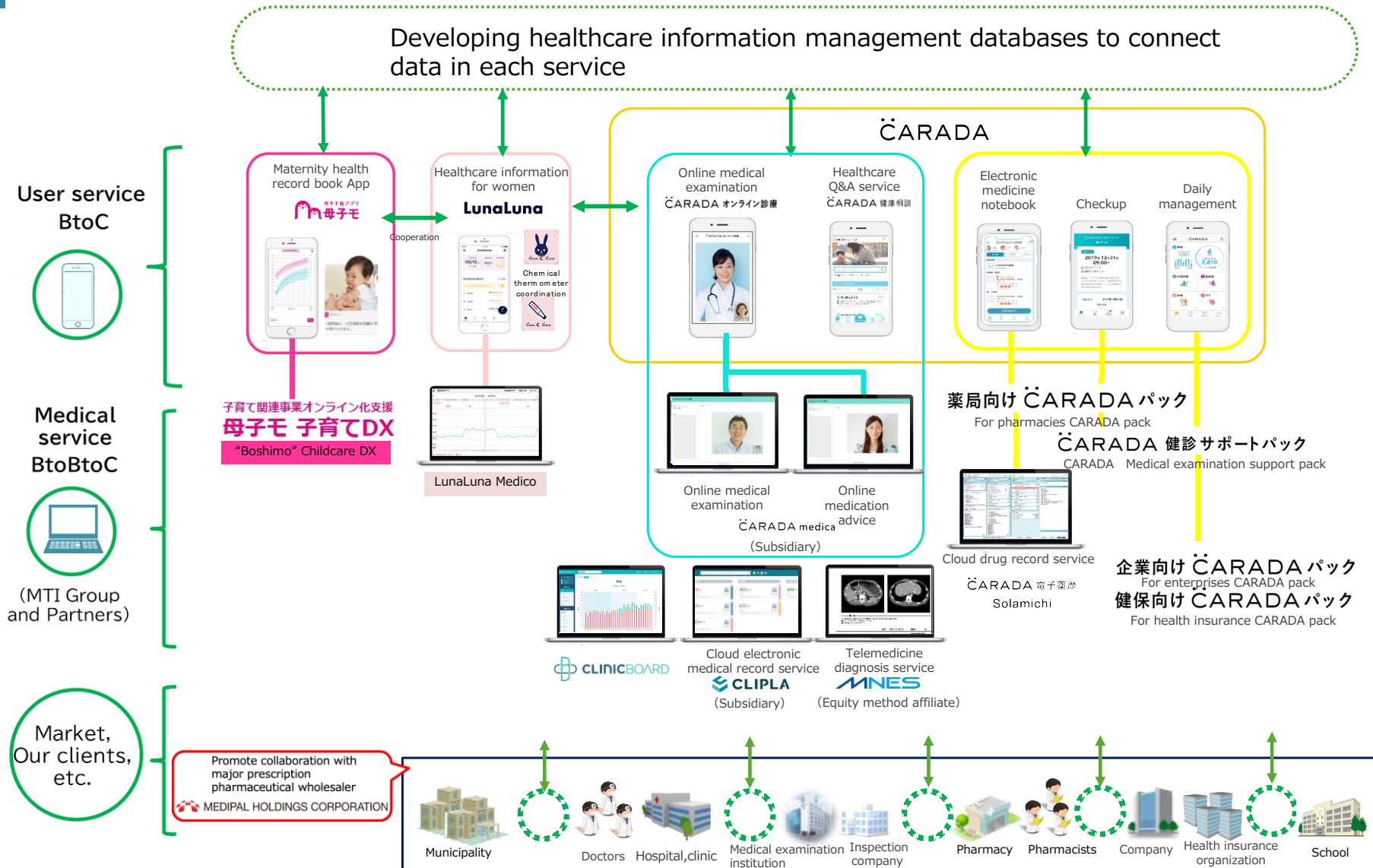


The list of main healthcare services

Figures are the actual as of end of March 2022.

Name of service	Service of function	Business model
	Maternal and Child Health Handbook service app. Vaccine scheduling function, parenting curve and information provided by local governments.	BtoBtoC. 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 442 of 1,741 local governments nationwide.
LunaLuna	Healthcare info service for women. Forecasting menstrual day & ovulation day.	BtoC. Over 18 million DL cumulative. 300 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.	BtoBtoC. The service is currently provided at no additional charge. The service has been adopted by 1,000 gynecologists (April). (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	BtoBtoC. The service charged from February 2021.
	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	BtoC. ¥400/month
	the system offers full features that are necessary for online medical examination, from reservations to delivery of drugs and prescriptions.	BtoBtoC. Contracts with clinics and pharmacies. The service charged from February 2021.
CARADA	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.	BtoBtoC. 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.	BtoB. Initial cost for introduction + monthly usage fee 978 orders have been received. Full-scale deliveries started in December 2019.
(CARADA Cloud drug history service)		

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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Cloud drug record service

ĀARADA 電子薬歴 Solamichi



978 pharmacies introduced March, 2022

Aim for more than **2,000** at an Early stage

Market development with cloud technologies



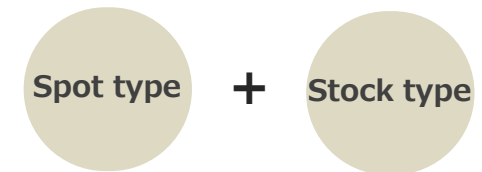
Pharmacy

Target **10,000** pharmacies
Number of pharmacies across the nation **60,000** pharmacies

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. Increasing interest in Cloud drug record due to the revision of the Medical Fee System.

revenue scheme



Initial cost for introduction

Monthly charge for system usage

Maternal health record book app "Boshimo"

"Boshimo" is a parenting support app that provides seamless support from pregnancy, childbirth and childcare.



Pregnancy health records

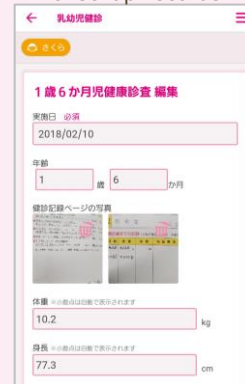
Weight graph during pregnancy

Vaccination management

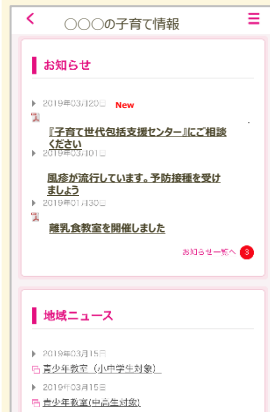
Infant health checkup records

Height and weight graphs

Growth records



Notice



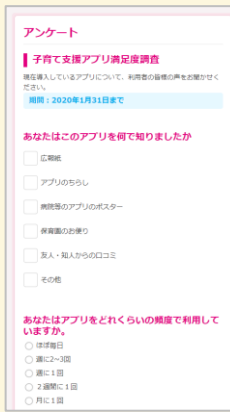
Childcare support facility search



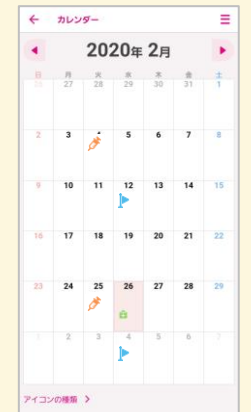
Local childcare events



Questionnaire



Schedule management





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