

Financial Results Briefing for Q3/2022

August 8, 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 Q3 FY2022

Financial highlight

1 Operating income decreased significantly.

- Net sales ¥19,354 million (Down 0.8%, YoY)
- Operating income ¥422 million (Down 76.5%, YoY)

2 In light of the results for the first three quarters, the full-year financial forecast has been revised downward

- Net sales: ¥25,800 million (Compared to the previous forecast (middle value) down ¥200 million)
- Operating income: ¥300 million (Compared to the previous forecast (middle value) down ¥900 million)
Strict requirements for the posting of software assets in the school DX business (Down ¥600 million)

3 Healthcare business: Results were as planned.

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

4 School DX business: The number of schools that introduced DX systems rose sharply.

Consolidated P/L

Net sales : levelled off

Operating income : decreased

(Unit : Mil yen)

	FY2021 Q3	FY2022 Q3	YoY		
			Amount	Percentage	
Net sales	19,504	19,354	(149)	(0.8)%	Expansion in DX support business for large companies
Cost of sales (ratio)	5,147 26.4%	5,756 29.7%	+608	+11.8%	Decline in profitability in part of the business above
Gross profit (ratio)	14,356 73.6%	13,597 70.3%	(758)	(5.3)%	
SG&A (ratio)	12,560 64.4%	13,175 68.1%	+615	+4.9%	Increase in personnel for development. Increase in outsourcing expenses. (School DX business)
Operating income (ratio)	1,796 9.2%	422 2.2%	(1,373)	(76.5)%	
Ordinary income (ratio)	1,269 6.5%	87 0.5%	(1,181)	(93.1)%	
Loss attributable to owners of parent (ratio)	(1,094) -	(88) -	+1,006	-%	

Consolidated SG&A :

Personnel expenses : increased
Other expenses : decreased

(Unit : Mil yen)

	FY2021 Q3	FY2022 Q3	YoY		
			Amount	Percentage	
SG&A	12,560	13,175	+615	+4.9%	
Advertising expenses	1,104	1,137	+33	+3.0%	Increase in personnel for development (particularly in school DX business)
Personnel expenses	5,251	5,786	+534	+10.2%	
Commission fee	2,351	2,315	(35)	(1.5)%	Stricter requirements for the posting of software assets (School DX business)
Subcontract expenses	1,340	1,542	+202	+15.1%	
Depreciation	846	991	+145	+17.2%	
Other	1,666	1,400	(265)	(15.9)%	Decrease in rents due to the shift to a teleworking system

Revision of earnings forecast of FY2022

Strict requirements for the posting of software assets in the school DX business

(Unit : Mil yen)

	FY2022		Difference
	Previous earnings forecast (On May 12)	The revised earnings forecast (On August 5)	Amount
Net sales	26,000	25,800	(200)
Operating income	1,200	300	(900)
Ordinary income	700	(100)	(800)
Profit (loss) attributable to owners of parent	300	(190)	(490)

(200): Decreased in sales
 +100: Cost of sales
 (600): School DX: business Increase in outsourcing expenses due to stricter requirements for the posting of software assets

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

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	25,800	12,975	12,824	+56	+0.2%
Cost of sales	7,001	3,419	3,581	7,700	3,814	3,885	+698	+10.0%
Gross profit	18,741	9,627	9,114	18,100	9,160	8,939	(641)	(3.4)%
SG&A	16,811	8,395	8,416	17,800	8,561	9,238	+988	+5.9%
Operating income	1,929	1,232	697	300	599	(299)	(1,629)	(84.5)%
(Ratio)	7.5%	9.4%	5.5%	1.2%	4.6%	-%		
Ordinary income	1,370	840	530	(100)	292	(392)	(1,470)	-%
(Ratio)	5.3%	6.4%	4.2%	-%	2.3%	-%		
Profit attributable to owners of parent	(1,164)	(1,416)	252	(190)	123	(313)	(974)	-%
(Ratio)	-	-	2.0%	-%	1.0%	-%		

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



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

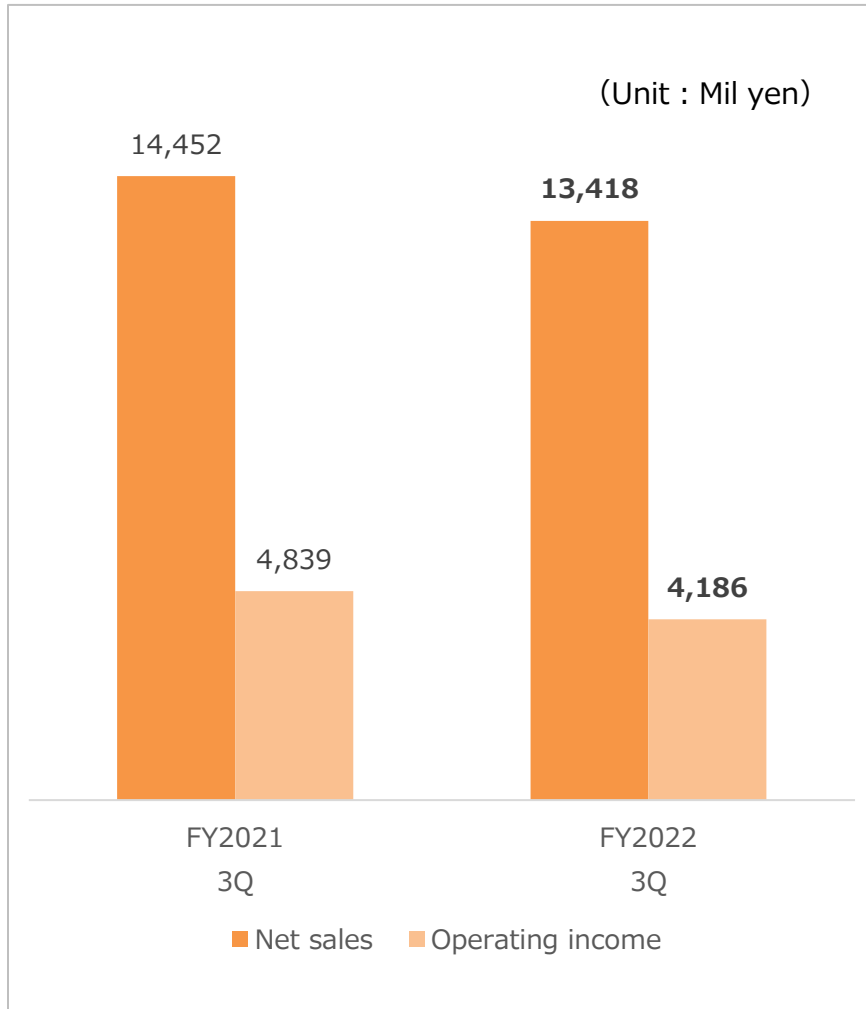
Other Business

BtoB

Includes DX support business for large companies, AI, School DX



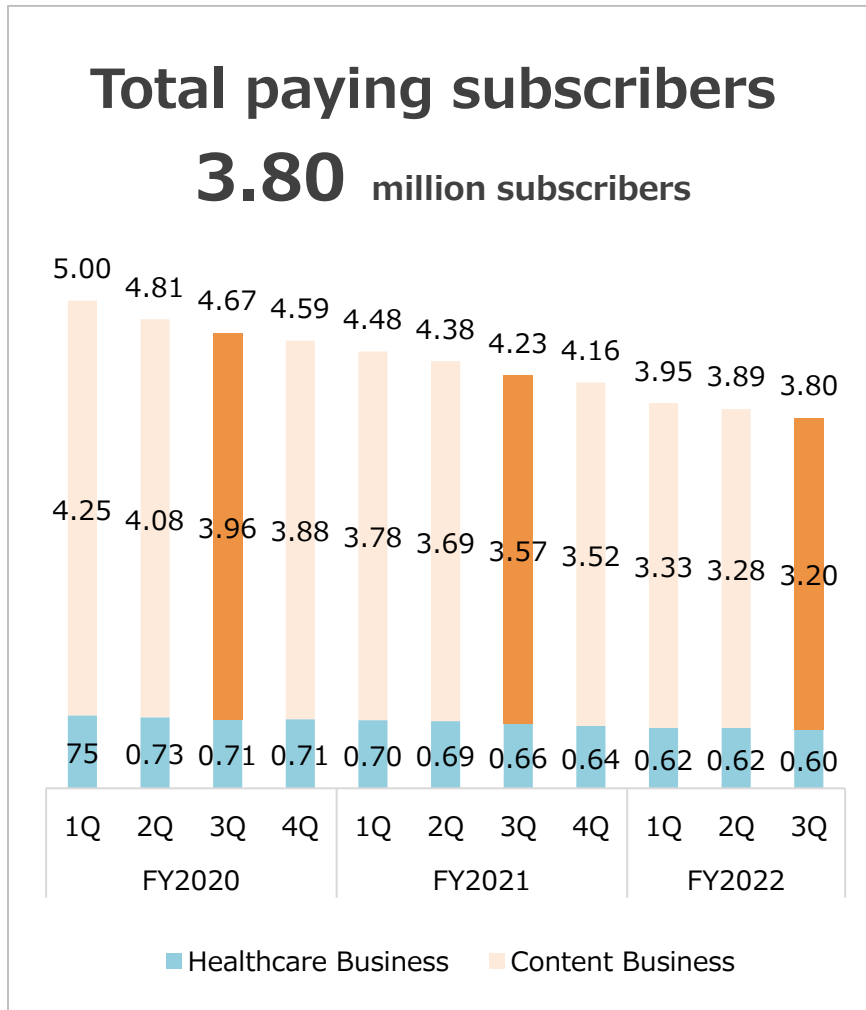
Content business: Net sales and operating income



Decreased sales and profit

- + : Original comics are growing
- : The number of paying subscribers decreased

Content business: The number of paying subscribers

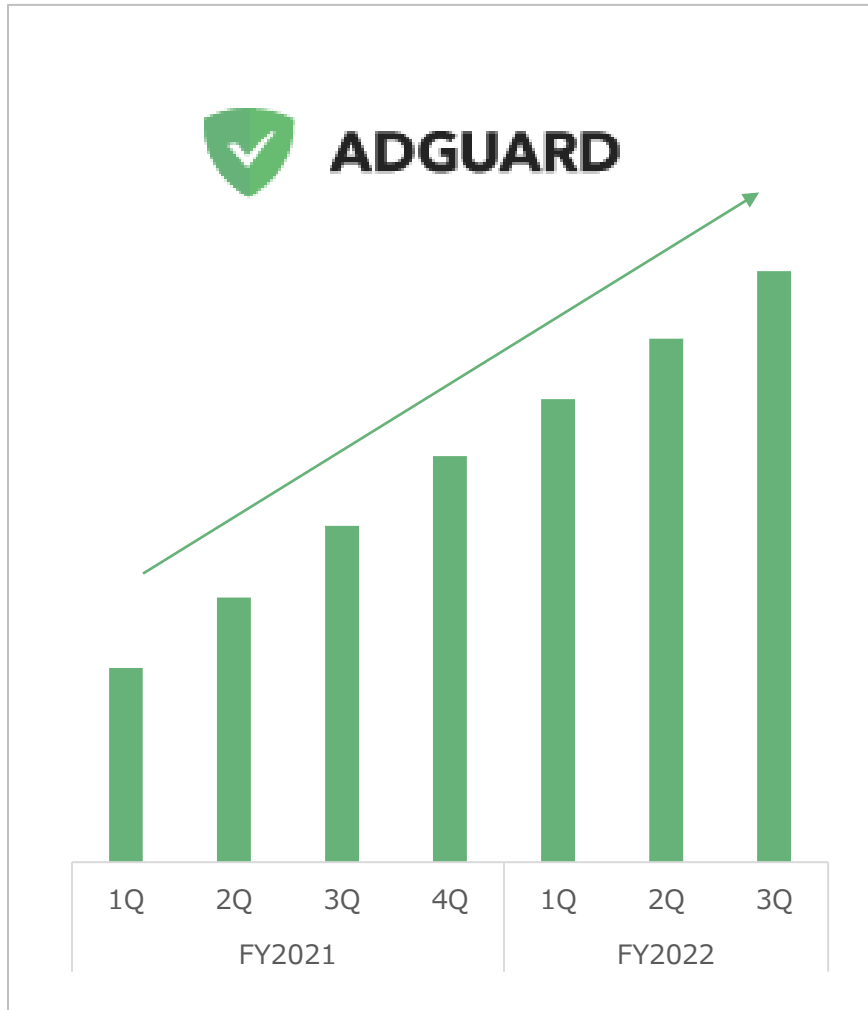


Degree of decrease is being reduced

- Brisk Security-related apps

* 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 380 thousand people

Four functions



Ad blocking



Trace blocking

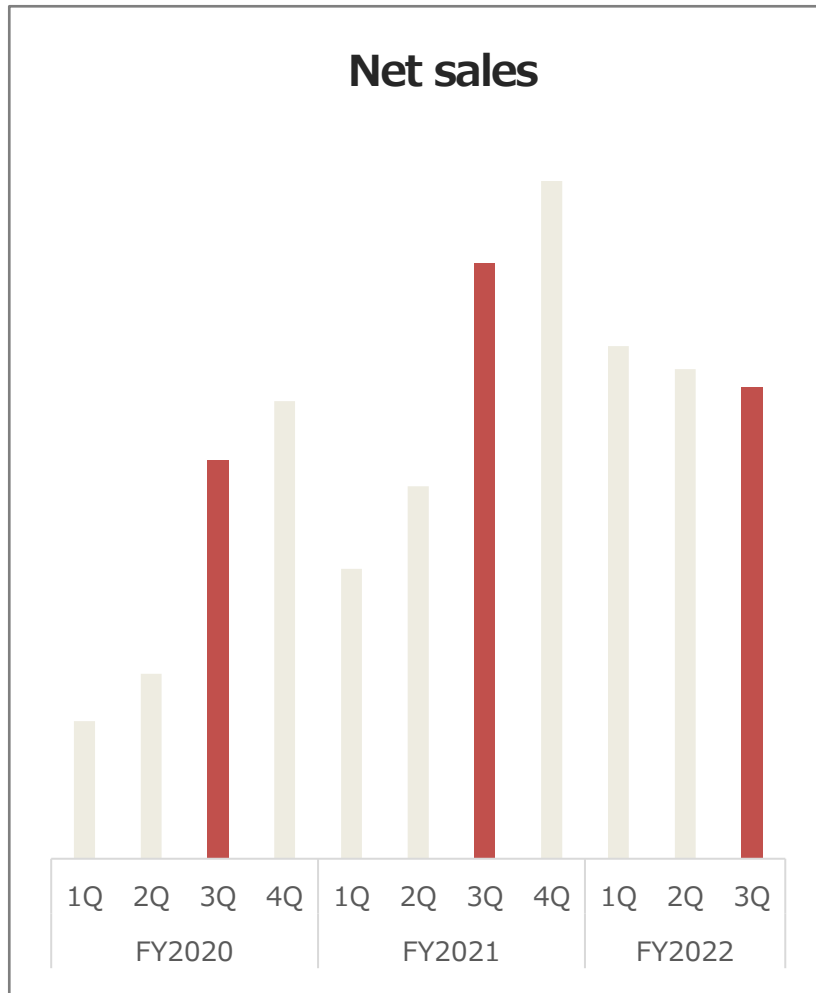


Threat blocking



Parent function
(Child protection function)

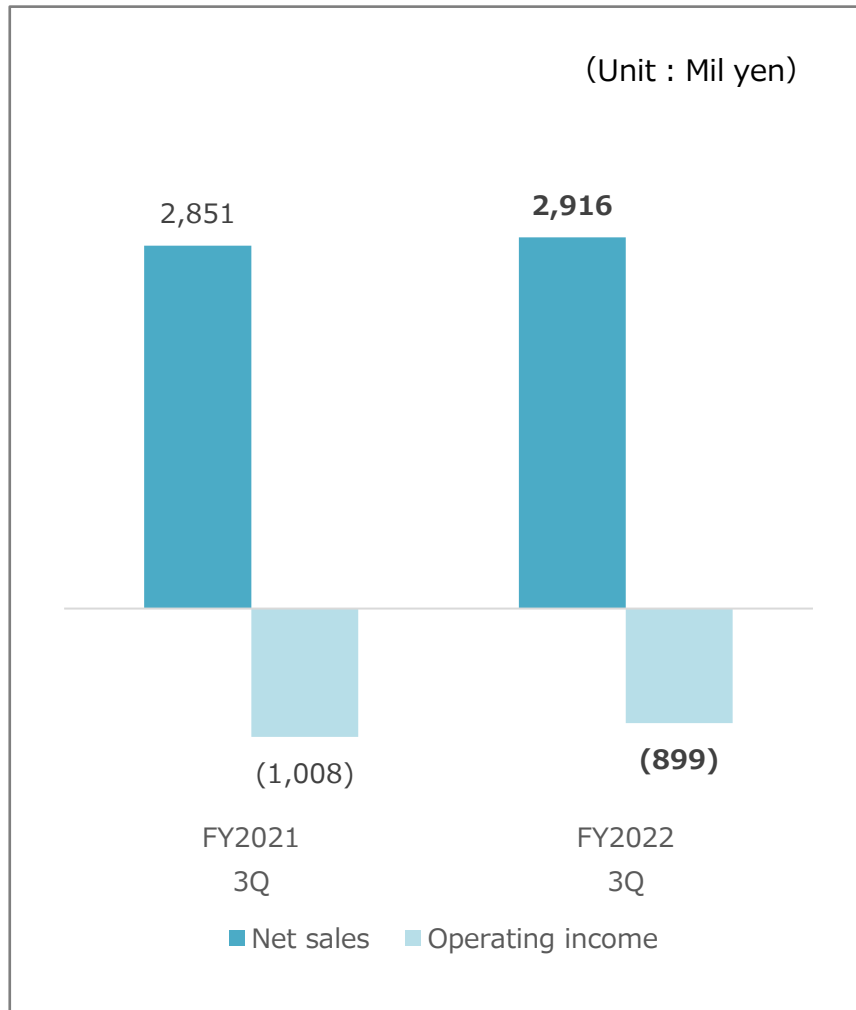
Content business: Original comics content business



Stable business growth

The serialization of hit titles contributed
Keep in comic titles introduced

Healthcare business: Net sales & operating income

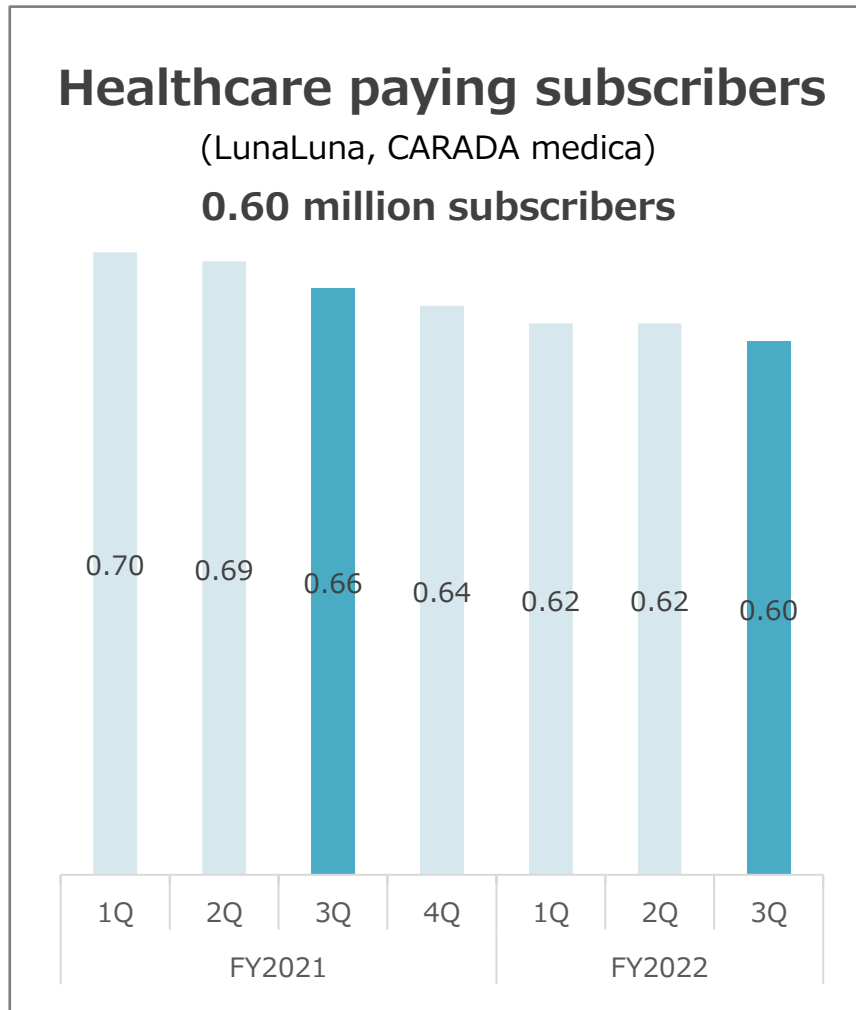


Net sales levelled off

+ : Expansion of Cloud drug record service

- : The number of paying subscribers decreased

Healthcare business: The number of paying subscribers

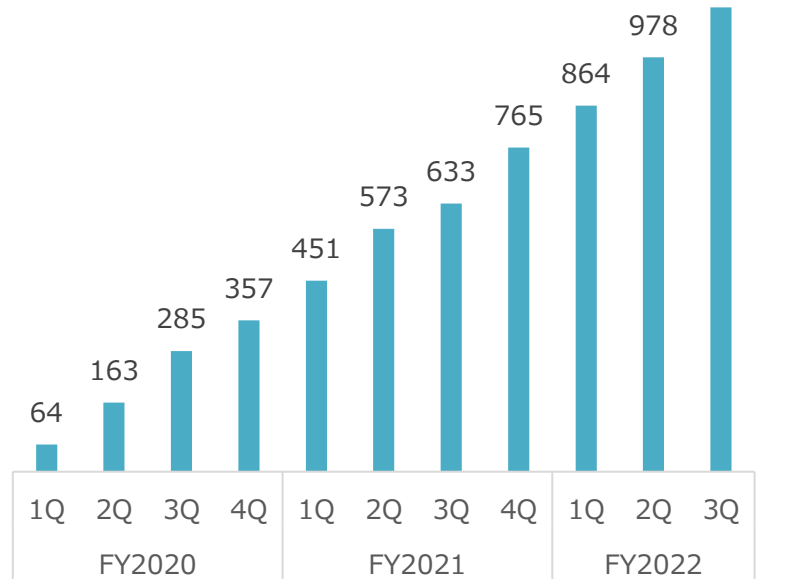


Leveling off

Healthcare business: Cloud drug record service

ĀARADA 電子藥歷 Solamichi

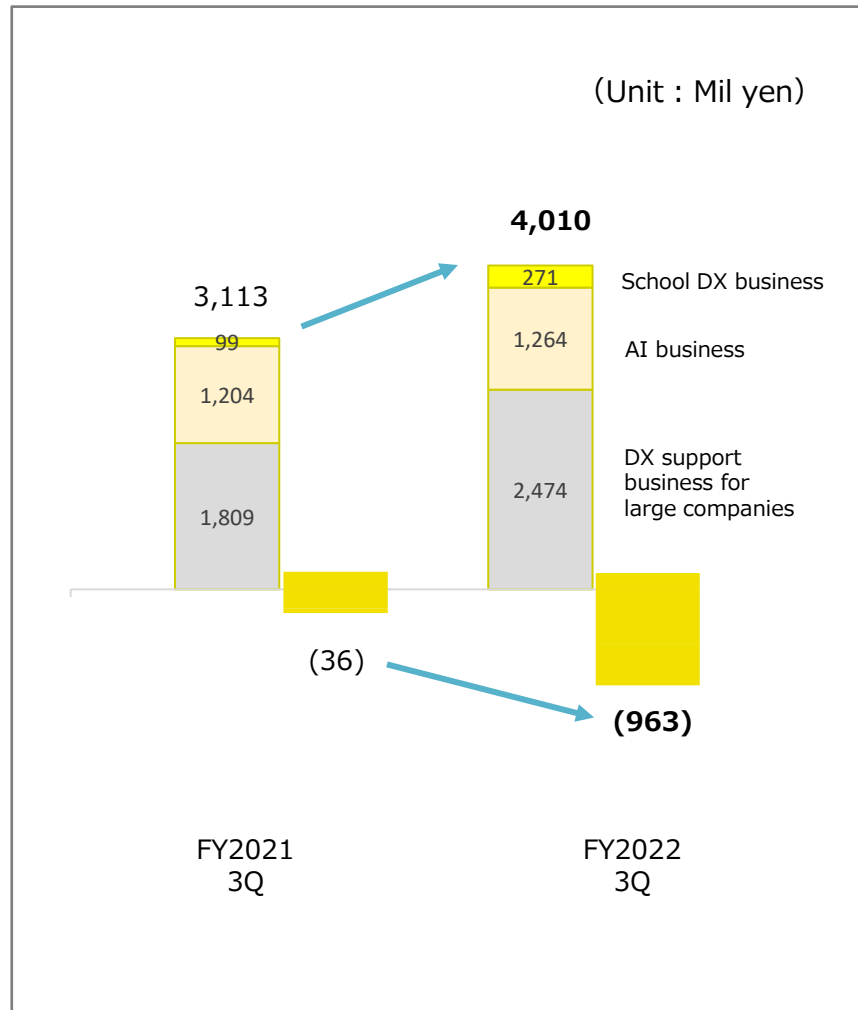
Over **1,000**
Pharmacies
introduced



Steady growth in the number of pharmacies that introduced the service

Maintained an increase at the pace of 100 per quarter

Other business (Includes DX support business for large companies, AI, School DX): Net sales and operating income



Sales expansion

- DX support business for large companies

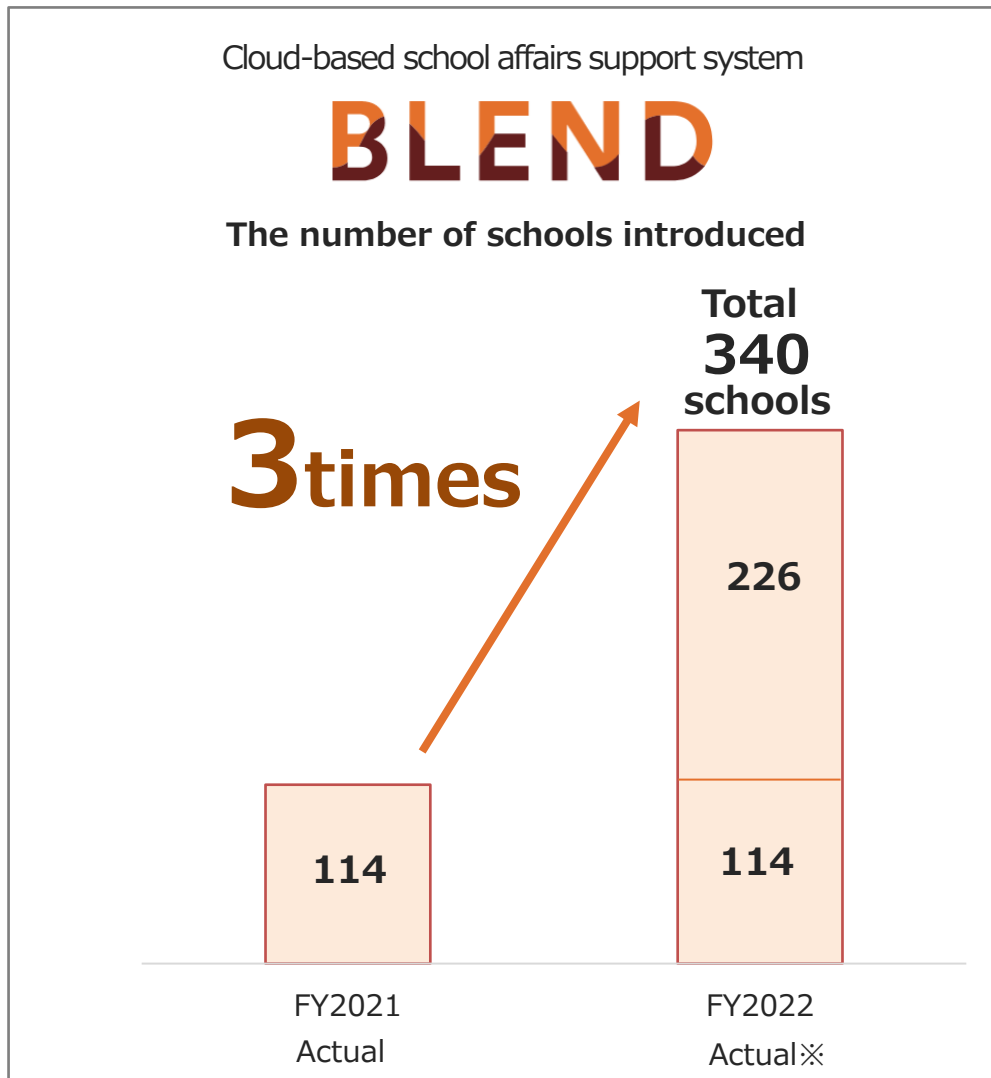
Operating loss

- The cost of sales rose in the DX support business for large companies
- Upfront investments in school DX business

Status of each business

- DX support business for large companies: Increase in cost of sales
- AI business: Continued to receive large orders from a large company
- School DX business: Large-scale upfront investments

Other business (Includes AI, DX business): School DX business



Sharp increase in the number of schools introducing the DX system

*The result for FY2022, reflects the actual number of schools that introduced the system as of June 30, 2022.

Measures to be adopted

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

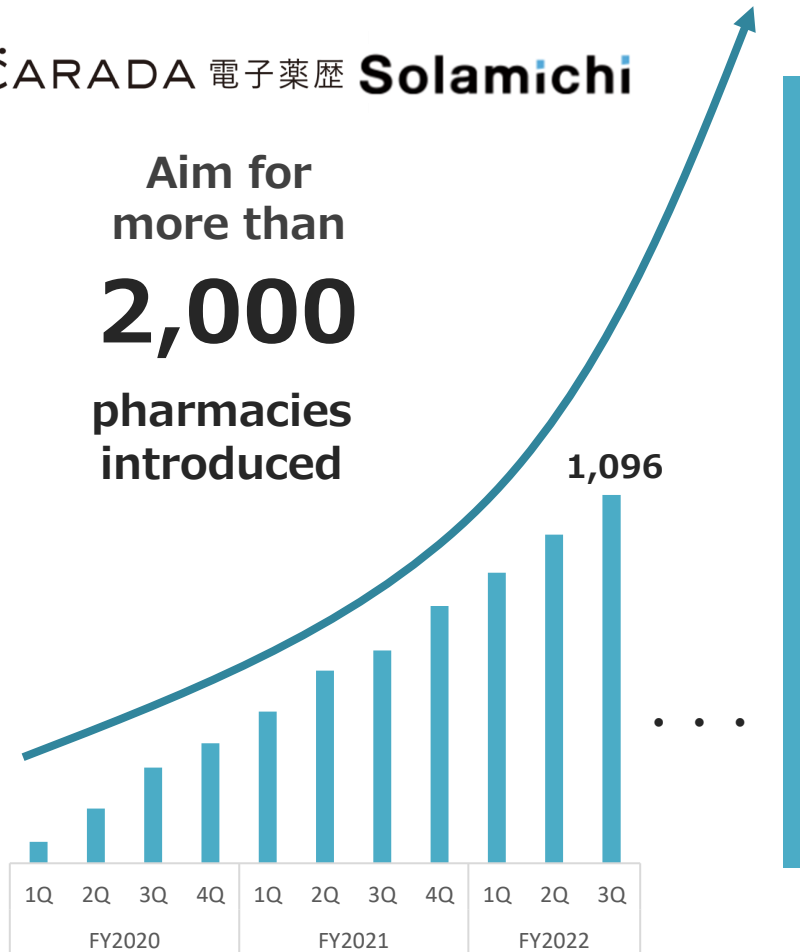


Cloud drug record service

Increasing the number of pharmacies that introduce cloud drug record by strengthening cooperation in sales

CARADA 電子薬歴 Solamichi

Aim for
more than
2,000
pharmacies
introduced



- Collaboration with a major prescription pharmaceutical wholesaler



MEDIPAL HOLDINGS CORPORATION

⇒ 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 municipalities

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

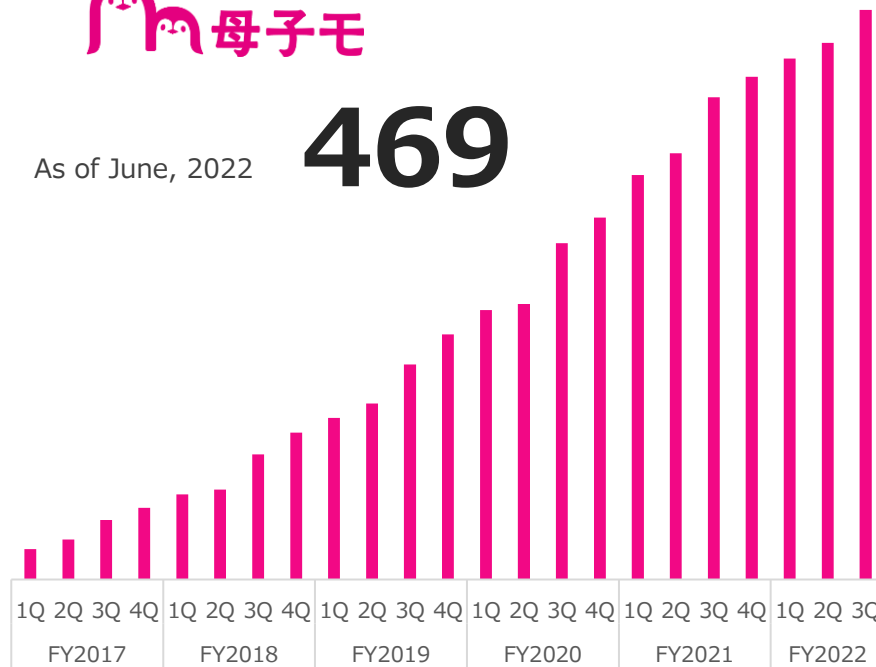
Making “Boshimo” a standard

Phase 1 Maternal health record book app

Phase 2 Online consultation



As of June, 2022 **469**



60

As of June, 2022

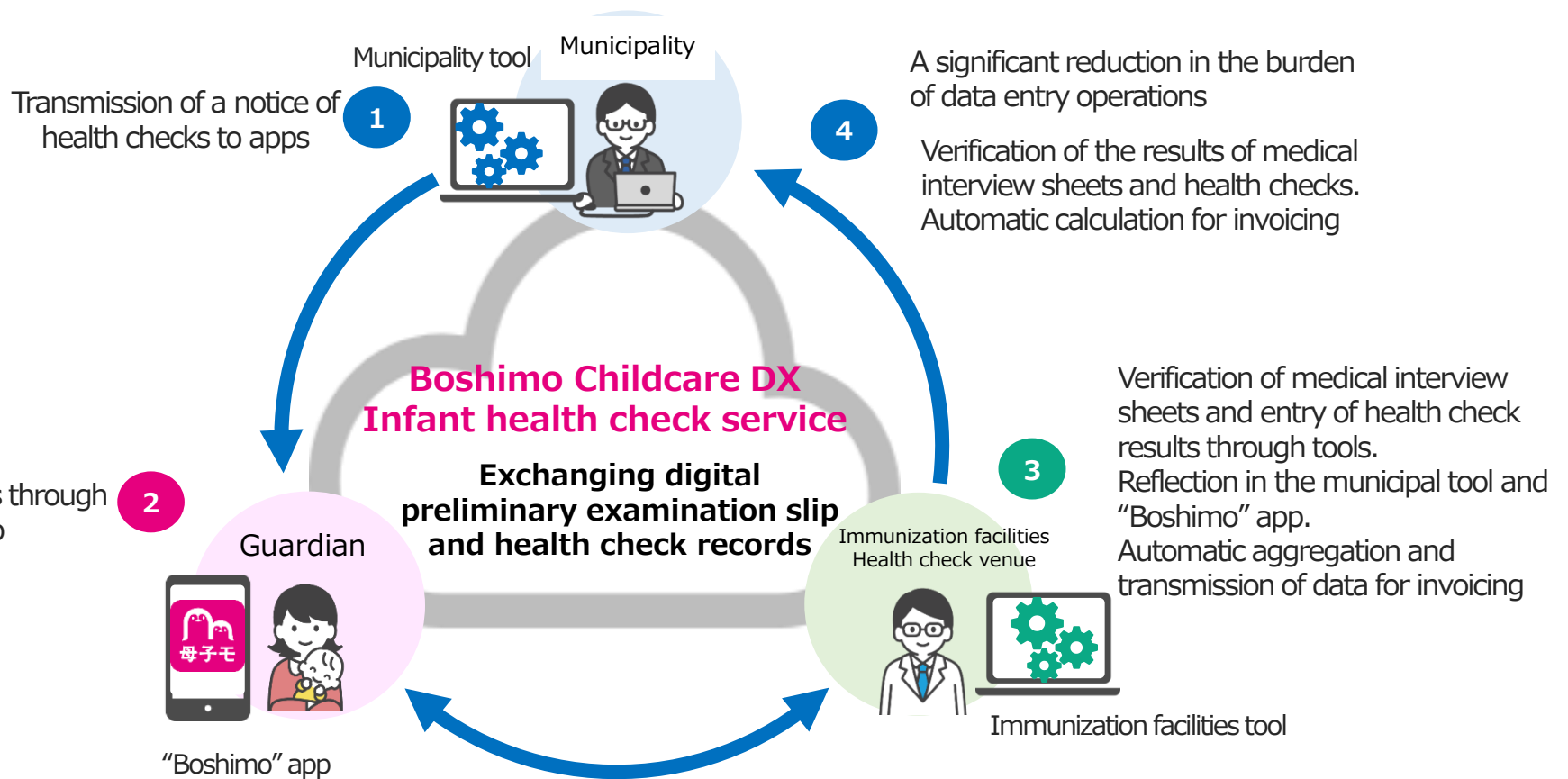


* The calculation is based on the assumption that there exist 1,741 municipalities in Japan, according to the website of the Japan Agency for Local Authority Information Systems.



Phase 3 : Childcare DX services

In addition to Kitakyushu City, Fukuoka City (both of Kyushu region) decided to introduce the infant health check service.



School DX business

Connecting students and teachers

Cloud-based school affairs support system

BLEND

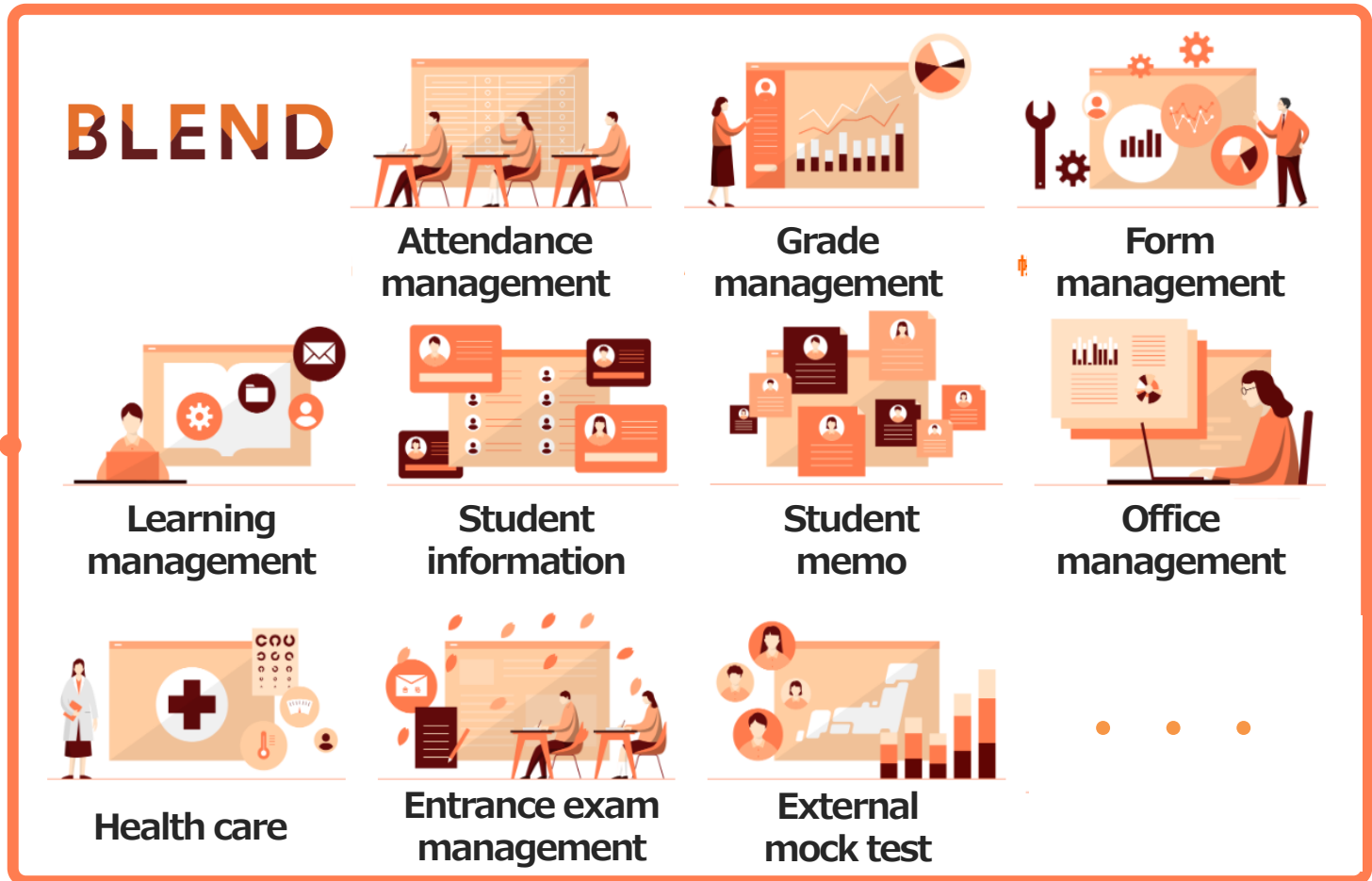


School DX business

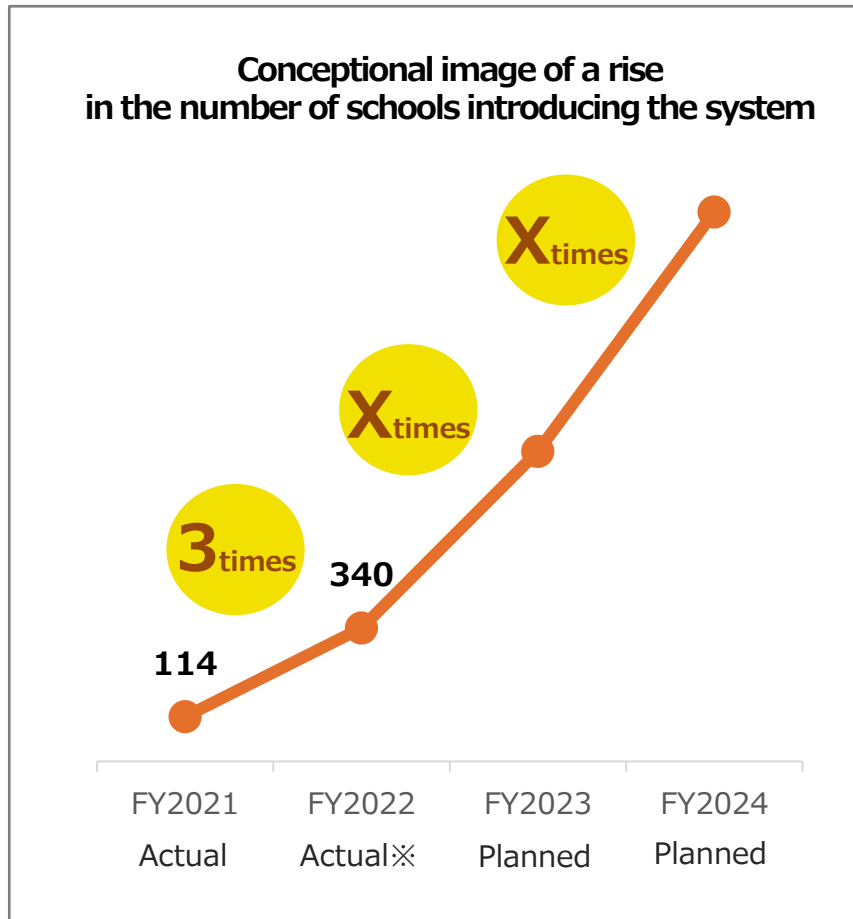
Improving efficiency in school administration and he quality of education

Cloud-based school affairs support system

BLEND



Number of new contracts exceeding the plan



The number of schools that introduced the system increased 3 times year on year. Steady progress in securing new orders for the next fiscal year.

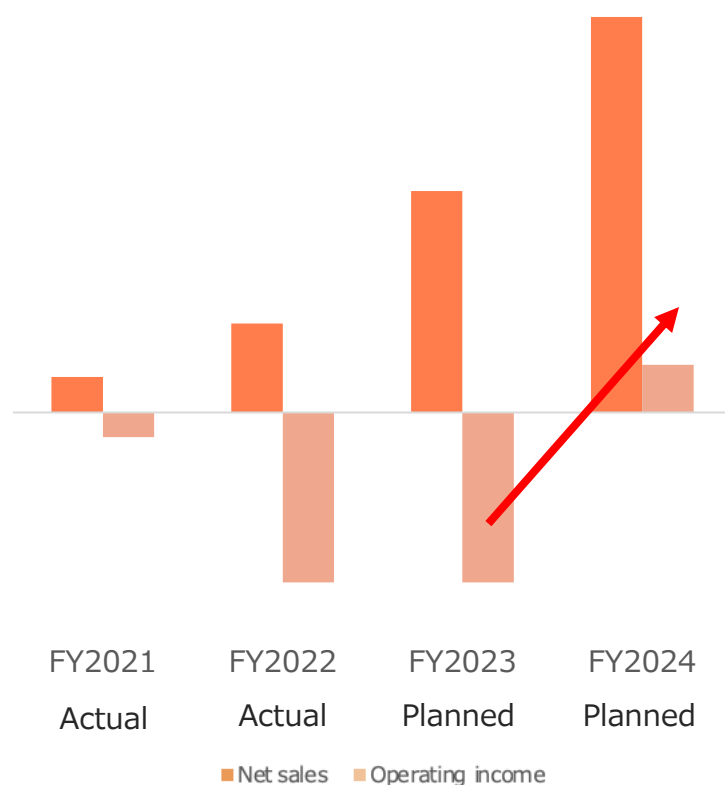
*The result for FY2022, reflects the actual number of schools that introduced the system as of June 30, 2022.

School DX business

BLEND

Aiming to achieve standardization (an educational IT platform)

Image of medium-term profit



Net sales : Reflects linkage to an increase in the number of schools introducing the system

operating income : Priority is given to upfront expenses.

- Development of a new version to respond to a sharp increase in demand
- Increase in the number of human resources through the enhancement of organizational systems

School DX business

BLEND

An SaaS model based on the assumption of prioritizing upfront expenses and long-term contracts

• **Business model**

Stock-type sales because the system is introduced mainly at the start of a new season.

Net sales

=

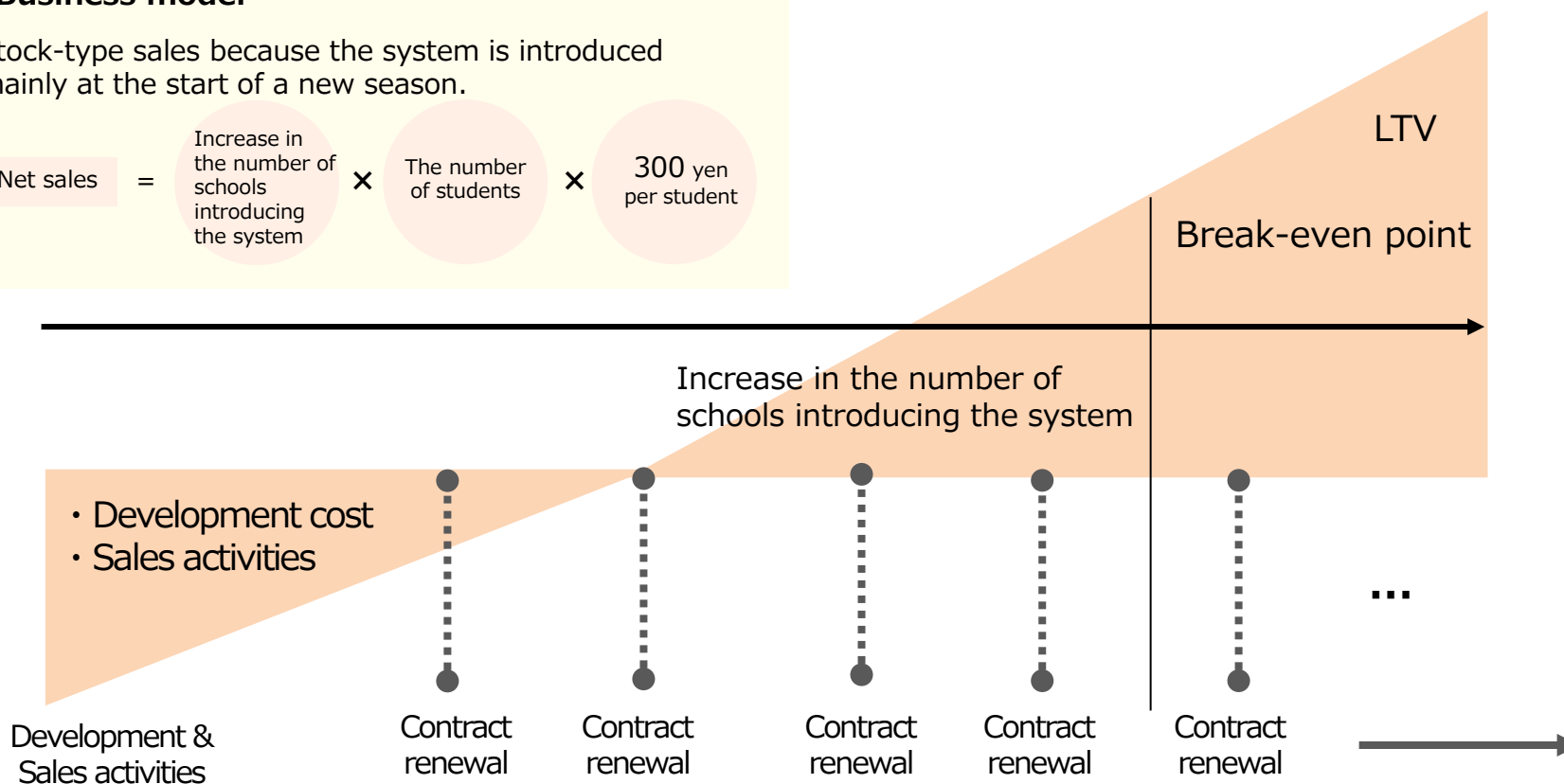
Increase in the number of schools introducing the system

×

The number of students

×

300 yen per student



Loss in the first fiscal year and recovery of investment starting from the second fiscal year.

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

(Includes DX support business for large companies,
AI, School DX)

Sharp growth in the school DX business

Healthcare business

Focus on expansion of stock sales (=profit)



〈Contact us〉

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Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2021	FY2022-Q3	Change		FY2021	FY2022-Q3	Change
Current assets	21,262	17,704	(3,558)	Current liabilities	6,655	6,268	(387)
Cash and deposits	15,540	11,055	(4,484)	Account payable-trade	1,147	998	(149)
Notes and accounts receivable-trade	4,501	-	(4,501)	Current portion of long-term borrowings	451	451	-
Notes and accounts receivable - trade, and contract assets	-	4,198	+4,198	Account payable-other	1,230	1,355	+125
Other	1,254	2,489	+1,235	Income taxes payable	2,156	8	(2,147)
Allowance for doubtful accounts	(33)	(38)	(4)	Contract liabilities	-	2,594	+2,594
				Provision for bonuses	-	206	+206
				Other	1,670	654	(1,016)
Non-current assets	10,646	10,911	+265	Non-current liabilities	4,009	3,781	(228)
Property, plant and equipment	203	196	(6)	Long-term borrowings	2,429	2,090	(338)
Intangible assets	3,711	4,545	+833	Retirement benefit liability	1,572	1,681	+108
Software	1,791	2,728	+937	Other	6	8	+1
Goodwill	556	664	+108	Total liabilities	10,665	10,049	(616)
Customer-related assets	1,333	1,017	(315)	Shareholders' equity	17,241	14,607	(2,633)
Investments and other assets	6,731	6,169	(561)	Share capital	5,197	5,212	+14
Investment securities	4,511	3,742	(769)	Capital surplus	6,660	6,586	(74)
Leasehold and guarantee deposits	318	315	(3)	Retained earning	8,665	6,066	(2,598)
Deferred tax assets	1,803	2,010	+207	Treasury shares	(3,281)	(3,257)	+24
				Accumulated other comprehensive income	184	178	(6)
				Subscription rights to shares	161	158	(2)
				Non-controlling interests	3,654	3,621	(32)
				Total net assets	21,243	18,567	(2,676)
Total assets	31,908	28,616	(3,292)	Total liabilities and net assets	31,908	28,616	(3,292)

Trends in consolidated P/L

(Unit : Mil yen)

	FY2020				FY2021				FY2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	6,118	6,855	6,519	6,589	6,304	6,742	6,457	6,238	6,551	6,424	6,378
Cost of sales	1,627	1,904	1,783	1,814	1,593	1,826	1,728	1,853	1,895	1,919	1,941
Gross profit	4,490	4,951	4,735	4,774	4,711	4,916	4,728	4,385	4,656	4,504	4,437
(Ratio)	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%	73.2%	70.3%	71.1%	70.1%	69.6%
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356	4,613
Operating income	586	860	570	489	553	678	563	133	451	147	(176)
(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)	(204)
(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)	(211)
(Ratio)	3.8%	14.8%	8.2%	-	3.5%	-	5.0%	-	3.9%	-	-

Trends in consolidated SG&A

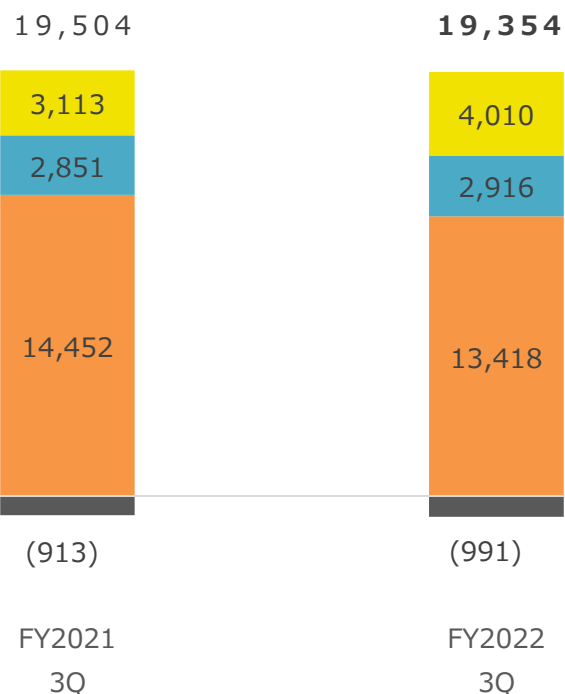
(Unit : Mil yen)

	FY2020				FY2021				FY2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356	4,613
Advertising expense	248	241	362	320	337	373	393	413	360	397	379
Personnel expenses	1,537	1,548	1,618	1,691	1,743	1,700	1,808	1,847	1,912	1,923	1,950
Commission fee	829	844	853	815	789	785	777	806	753	785	777
Subcontract expenses	305	372	342	406	441	445	452	464	440	445	657
Depreciation	307	450	425	437	272	312	261	286	303	330	358
Other	675	632	562	613	573	620	472	434	435	473	490

Performance by segment

Net sales

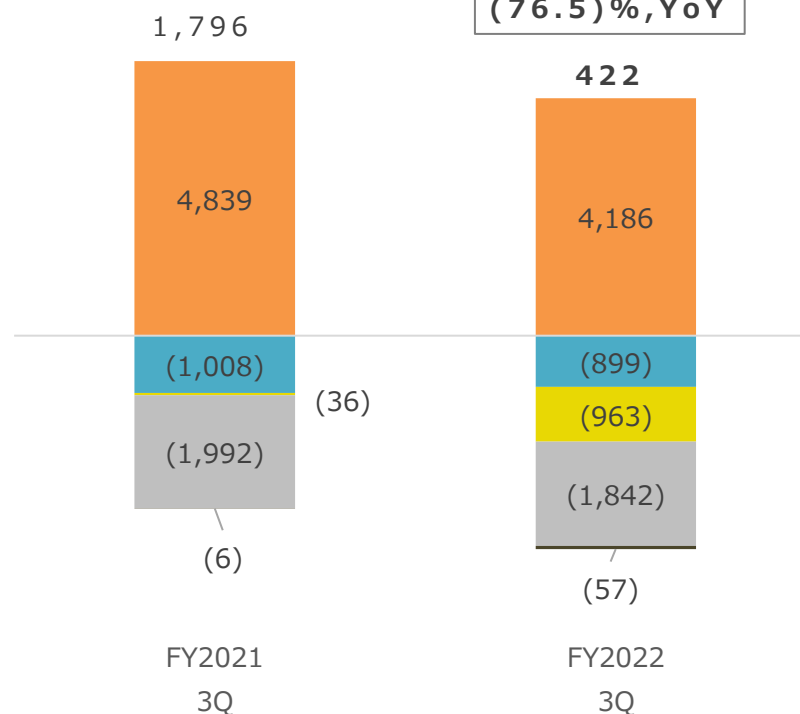
(0.8)% YoY



■ Content Business ■ Healthcare Business
■ Other Business ■ Elimination of inter-segment transactions

Operating income





(76.5)% YoY



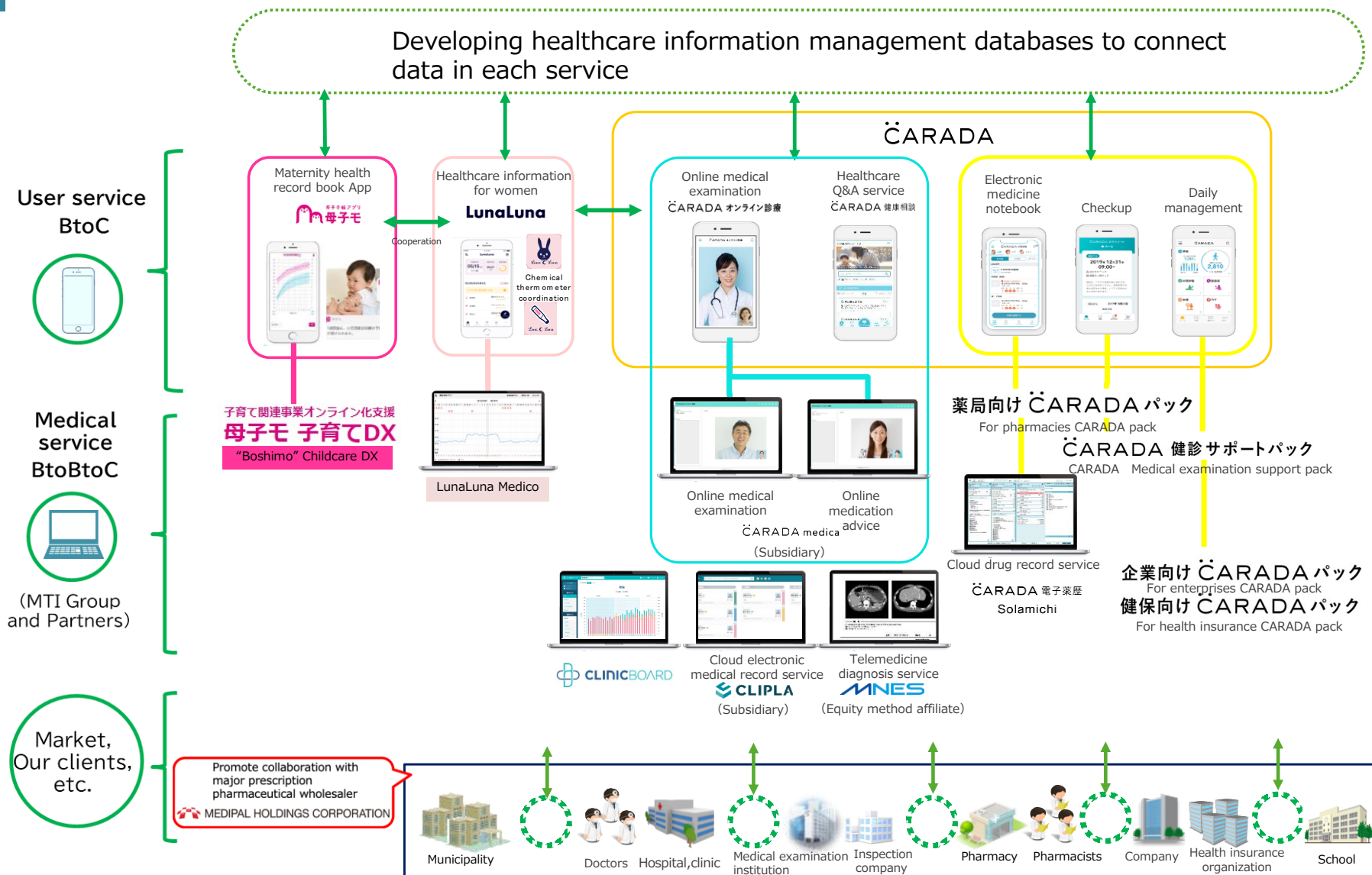
■ Content Business ■ Healthcare Business ■ Other Business
■ Company-wide ■ Elimination of inter-segment transactions

The list of main healthcare services

Figures are the actual as of end of June 2022.

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 municipalities.</p>	<p>BtoBtoC. The app is provided at no additional charge for those of childbearing age including mothers. Collects monthly usage fees from contracted municipalities nationwide. The service has been adopted by 469 of 1,741 municipalities nationwide.</p>
<h2>LunaLuna</h2>	<p>Healthcare info service for women. Forecasting menstrual day & ovulation day.</p>	<p>BtoC. Over 18 million DL cumulative. 300 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>BtoBtoC. The service is currently provided at no additional charge. The service has been adopted by over 1,000 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>BtoBtoC. The service charged from February 2021.</p>
<p>  (CARADA Health consultation)  (CARADA Online medical examination) </p>	<p>Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.</p>	<p>BtoC. ¥400/month</p>
<h2>CARADA</h2>	<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>BtoBtoC. Collects monthly usage fees from health examination institutions.</p>
<p>  (CARADA Cloud drug history service) </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>BtoB. Initial cost for introduction + monthly usage fee 1,096 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.

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Cloud drug record service

ĊARADA 電子薬歴 Solamichi



1,096 pharmacies introduced
June 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'?

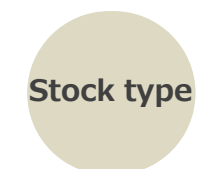
Patient's drug prescription records
Pharmacists at pharmacies dispense drugs based on doctor's prescriptions. After the drugs are administered, they monitor the effects and possible adverse effects through direct interaction with patients to prepare a drug administration history for each patient. Increasing interest in Cloud drug record due to the revision of the Medical Fee System.

revenue scheme



Initial cost for introduction

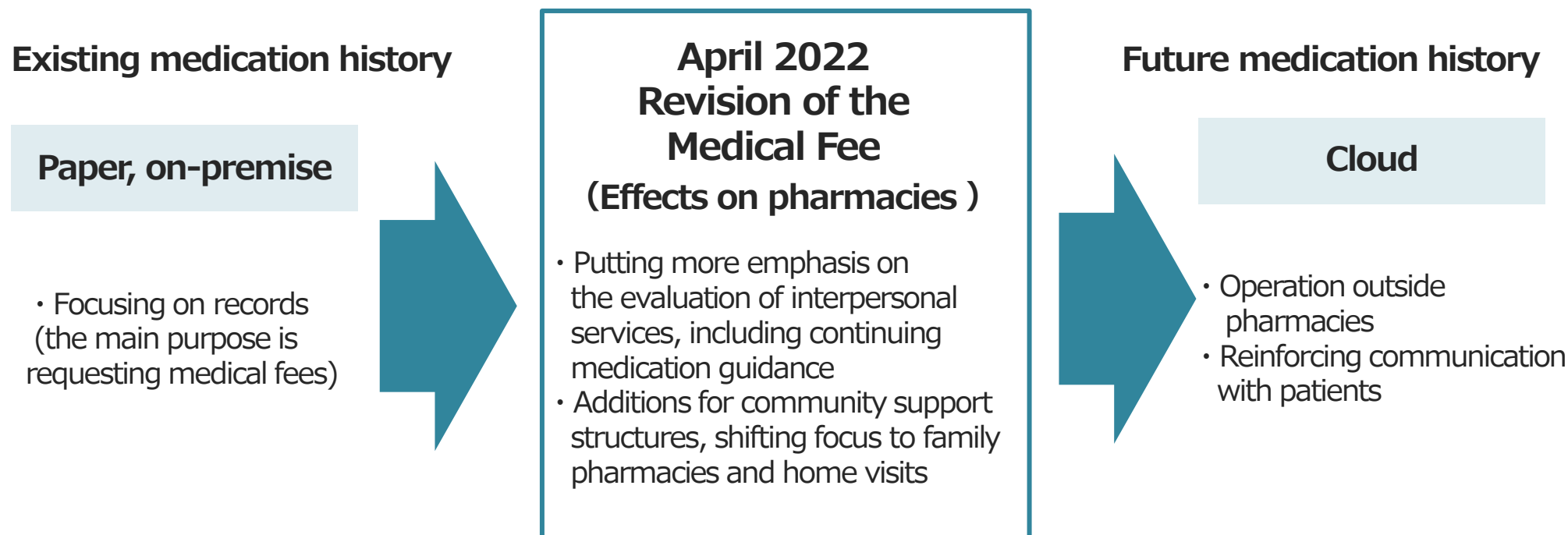
+



Monthly charge for system usage

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.



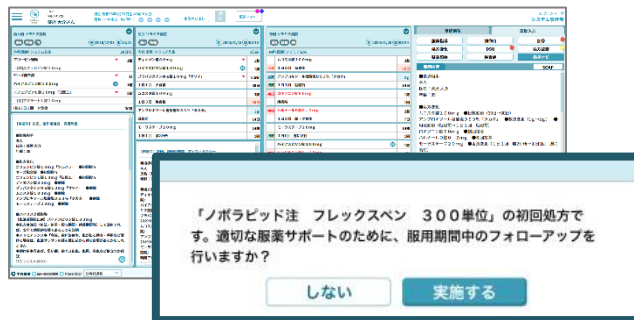
Demand for cloud drug record that has a wealth of medication advice and medication follow-up functions will increase.

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

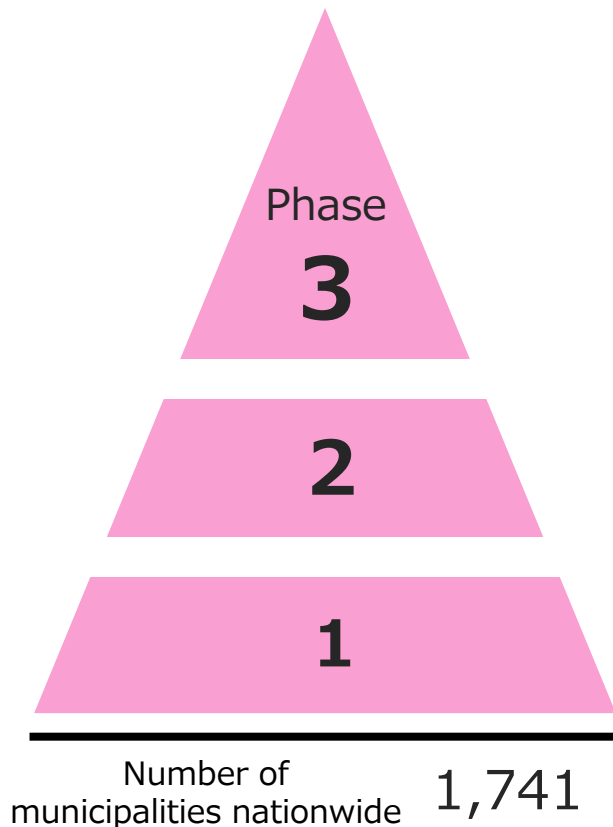
Maternal health record book app + Childcare DX services

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

Number of municipalities

Service functions

Expected price plan



Childcare DX services

- **Childhood immunization**
(Digital preliminary examination slip, etc.)
- **Infant health check**
- **Visits to all households with infants**

Online consultation

Maternal health record book app

Monthly : Hundreds of thousands of yen ~
+
Initial : Millions of yen~

+
Tens of thousands of yen a month

+
¥50,000~¥100,000/month

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

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



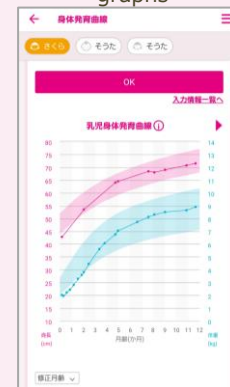
Vaccination management



Infant health checkup records



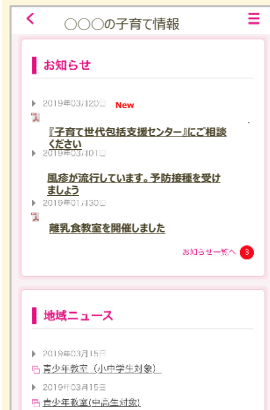
Height and weight graphs



Growth records



Notice



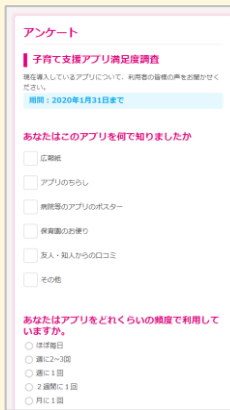
Childcare support facility search



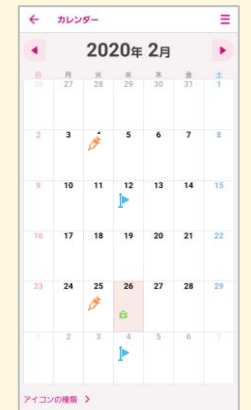
Local childcare events



Questionnaire



Schedule management



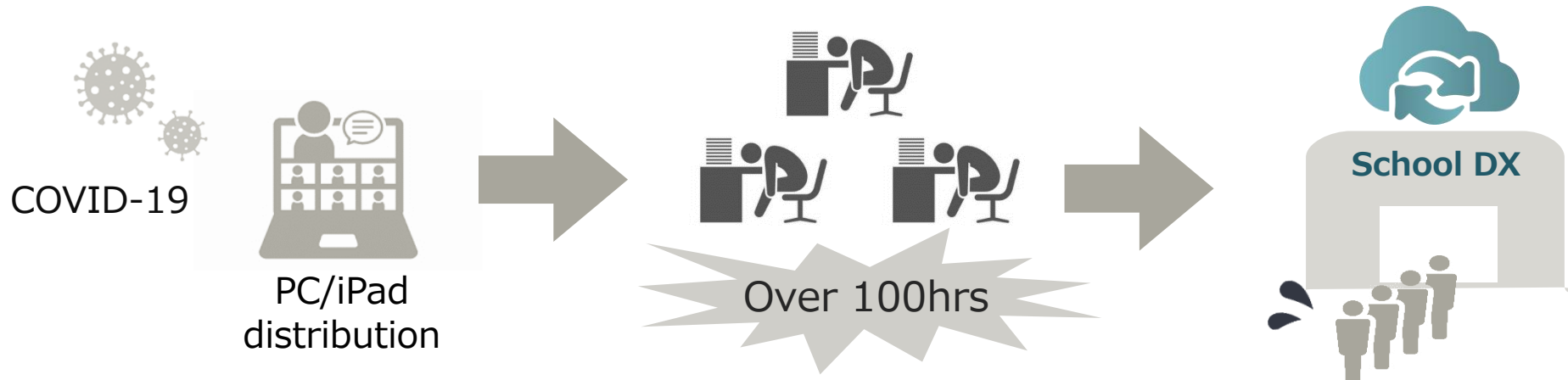
School DX business

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



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