

Financial Results Briefing Material for 2022

November 10, 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 FY2022

Financial highlight

1 FY2022 Results

- Net sales: ¥26,479 million (Up 2.9%, YoY, Last earnings forecast +¥679 million)
- Operating income: ¥870 million (Down 54.9%, YoY, Last earnings forecast +¥570 million)

2 FY2022 Achievements and initiatives

- Healthcare business : Expansion in introduction of cloud drug record service and childcare DX services
- School DX business: The number of schools that introduced DX systems rose sharply.

3 Earnings forecast for FY2023

- Net sales ¥26,000 million ((1.8%), YoY)
- Operating income ¥800 ((8.1%), YoY)

Consolidated P/L

Net sales : slight increased

Operating income : decreased

(Unit : Mil yen)

	FY2021	FY2022	YoY		
			Amount	Percentage	
Net sales	25,743	26,479	+736	+2.9%	Expansion in DX support business for companies
Cost of sales (ratio)	7,001 27.2%	7,787 29.4%	+786	+11.2%	Decline in profitability in part of the business above
Gross profit (ratio)	18,741 72.8%	18,691 70.6%	(50)	(0.3)%	
SG&A (ratio)	16,811 65.3%	17,820 67.3%	+1,008	+6.0%	Increase in personnel for development. Increase in outsourcing expenses. (School DX business)
Operating income (ratio)	1,929 7.5%	870 3.3%	(1,059)	(54.9)%	
Ordinary income (ratio)	1,370 5.3%	485 1.8%	(884)	(64.5)%	
Profit attributable to owners of parent (ratio)	(1,164) -	(930) -	+233	-%	

Consolidated SG&A :

Personnel expenses : increased

(Unit : Mil yen)

	FY2021	FY2022	YoY		
			Amount	Percentage	
SG&A	16,811	17,820	+1,008	+6.0%	
Advertising expenses	1,517	1,580	+62	+4.1%	Increase in personnel for development (particularly in school DX business)
Personnel expenses	7,099	7,718	+619	+8.7%	
Commission fee	3,157	3,094	(63)	(2.0)%	Stricter requirements for the posting of software assets (School DX business)
Subcontract expenses	1,804	2,136	+332	+18.4%	
Depreciation	1,132	1,352	+219	+19.4%	
Other	2,100	1,937	(162)	(7.7)%	

Achievement Ratio for Earnings Forecast

**Net sales ~ Ordinary income : Changed in treatment of consumption tax
Profit: Recorded impairment loss**

(Unit : Mil yen)

	FY2022 Forecast	FY2022 Actual	Difference	Achievement rate	
Net sales	25,800	26,479	+679	102.6%	+717: Change in treatment of consumption tax in monthly content services that award points.(Q4)
Operating income	300	870	+570	290.2%	
Ordinary income	(100)	485	+585	-	
Profit attributable to owners of parent	(190)	(93)	(740)	-	(897): Impairment loss

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

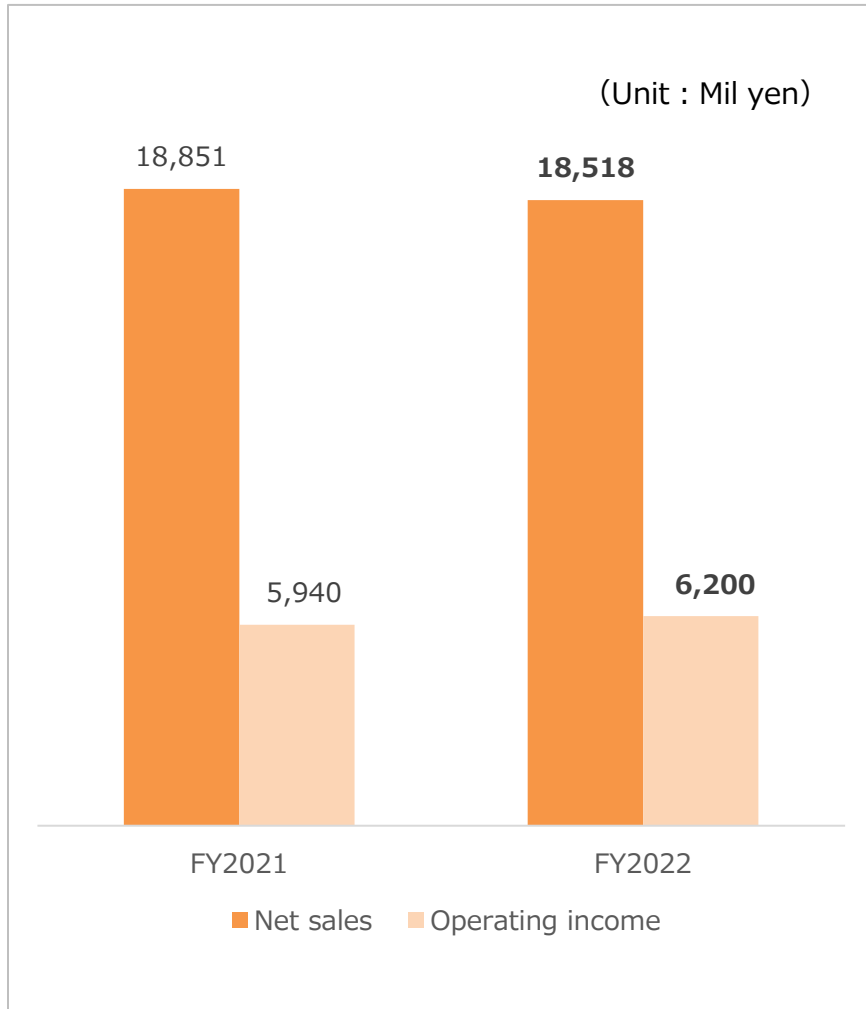
Other Business

BtoB

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



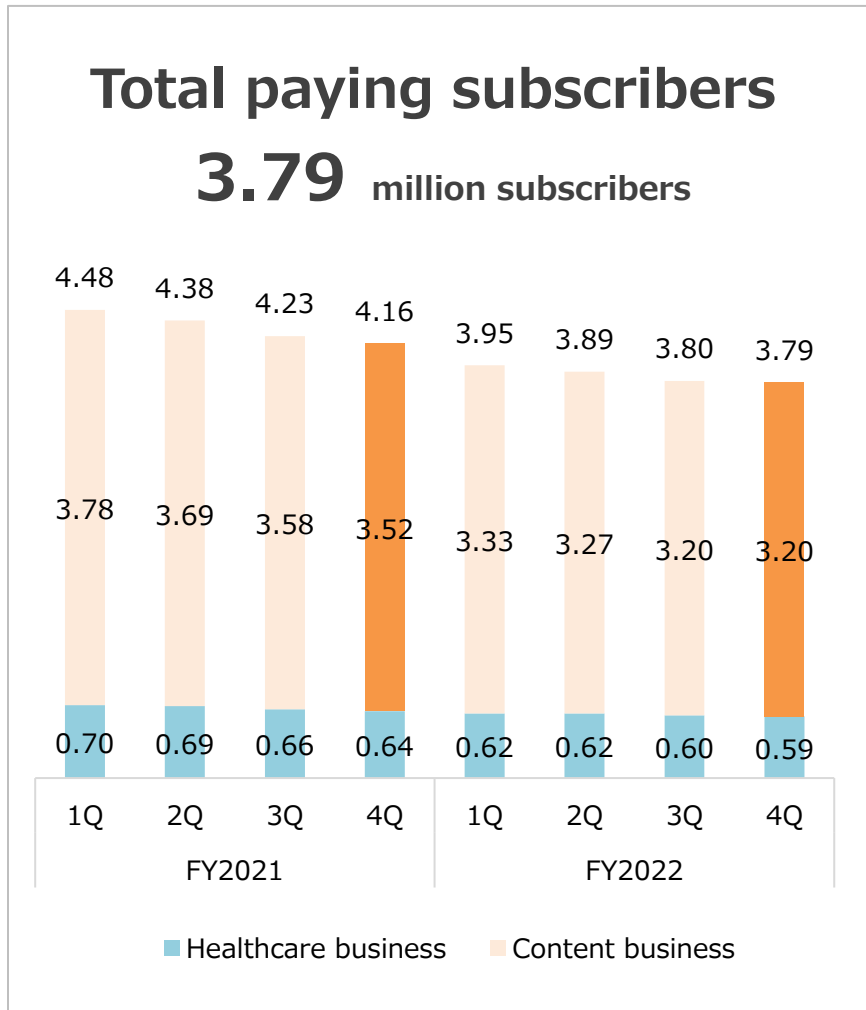
Content business: Net sales and operating income



Levelled off sales and profit

- + : Original comics are growing, Changed in treatment of consumption tax
- : The number of paying subscribers decreased

Content business: The number of paying subscribers

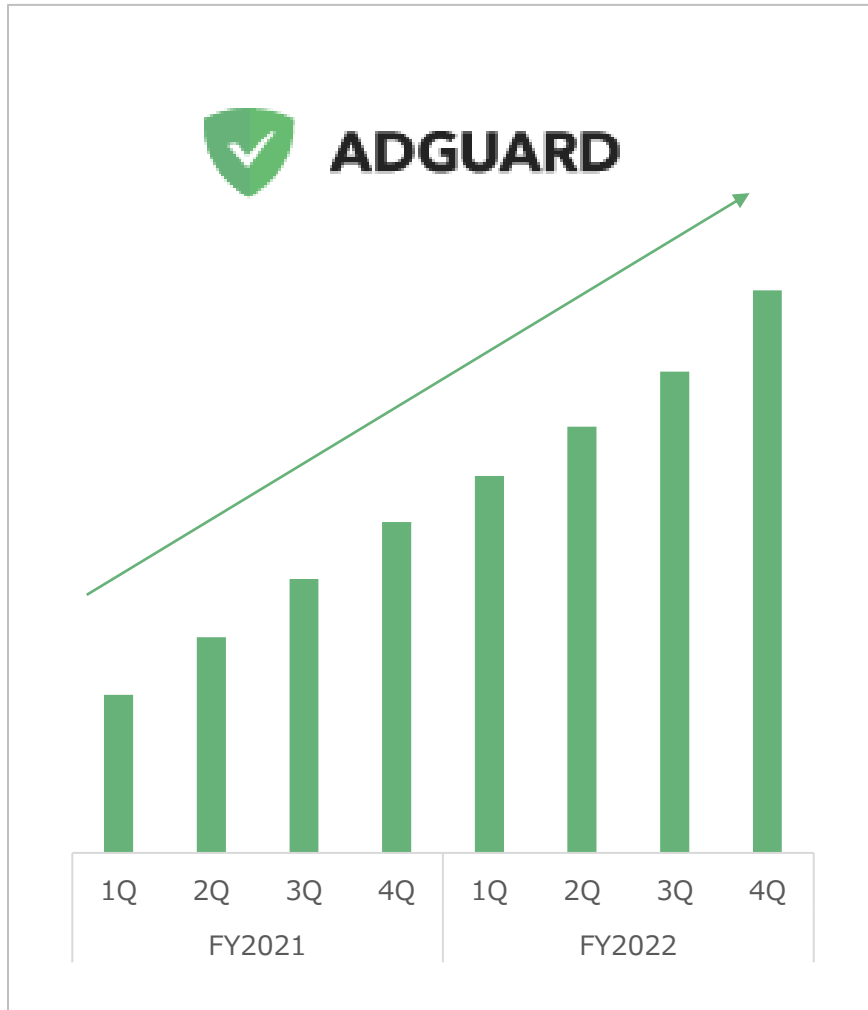


Degree of decrease is being reduced

- Brisk Security-related apps
- Mostly unchanged from the previous quarter

* 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 440 thousand people

Four functions



Ad blocking



Trace blocking

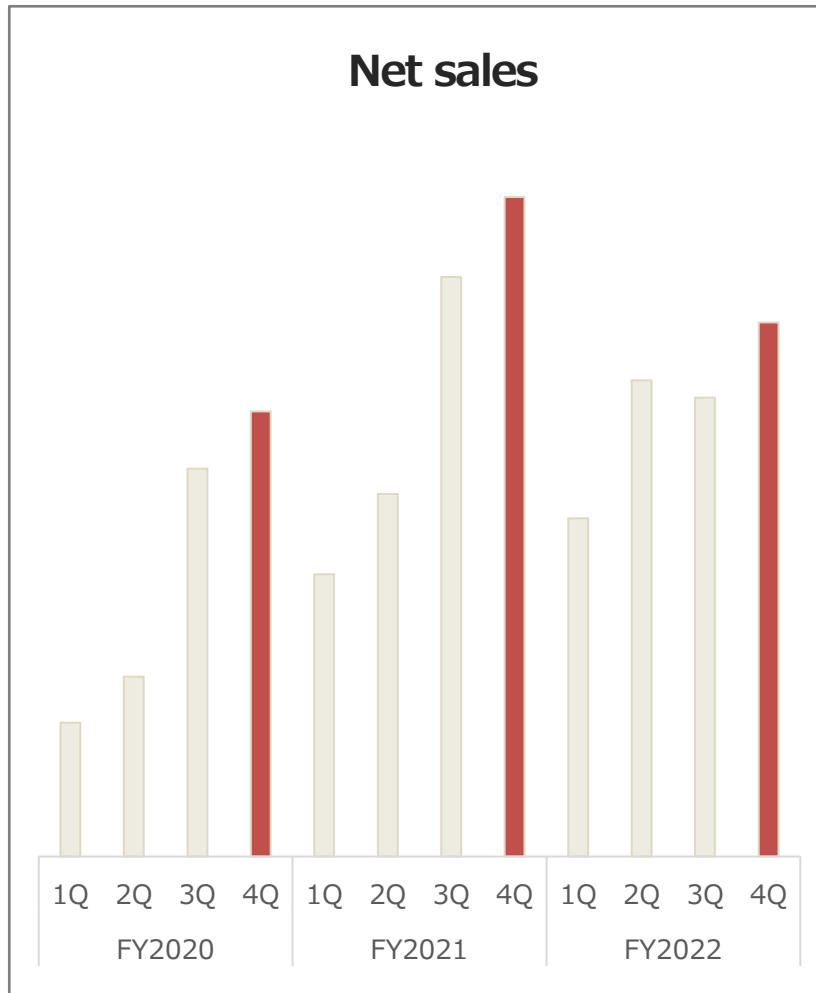


Threat blocking



Parent function
(Child protection function)

Content business: Original comics content business

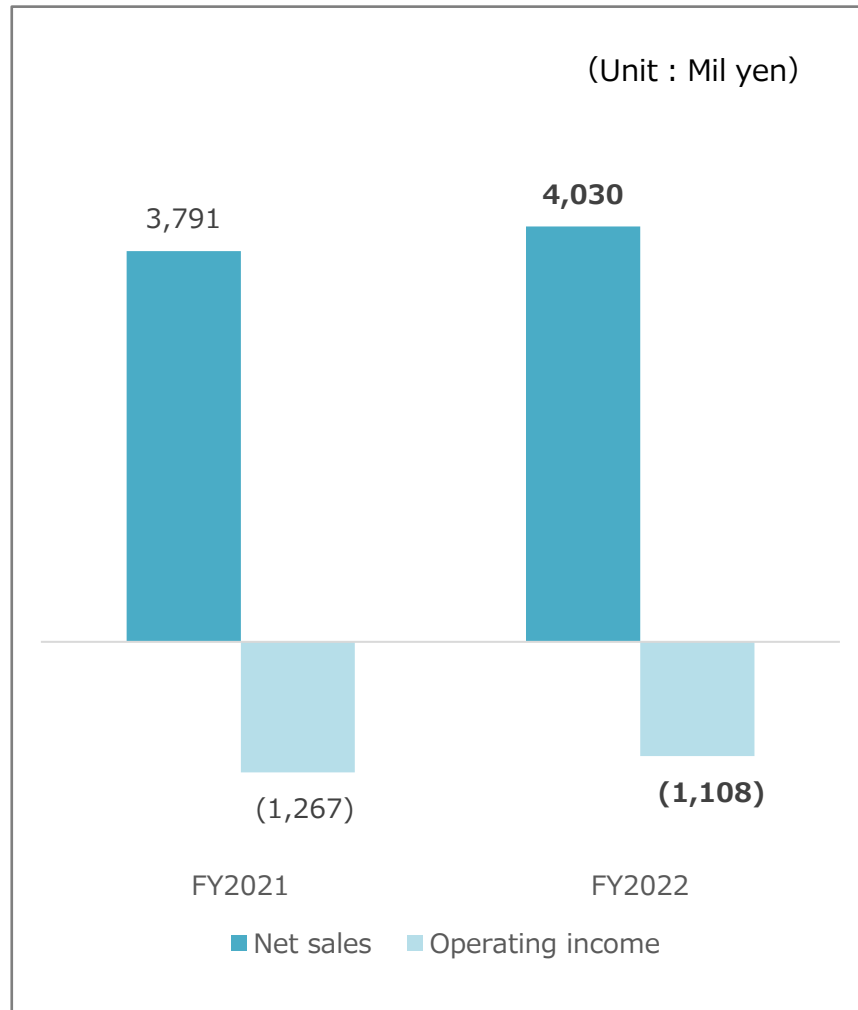


Stable growth

The serialization of
hit titles contributed

Keep in comic titles introduced

Healthcare business: Net sales & operating income

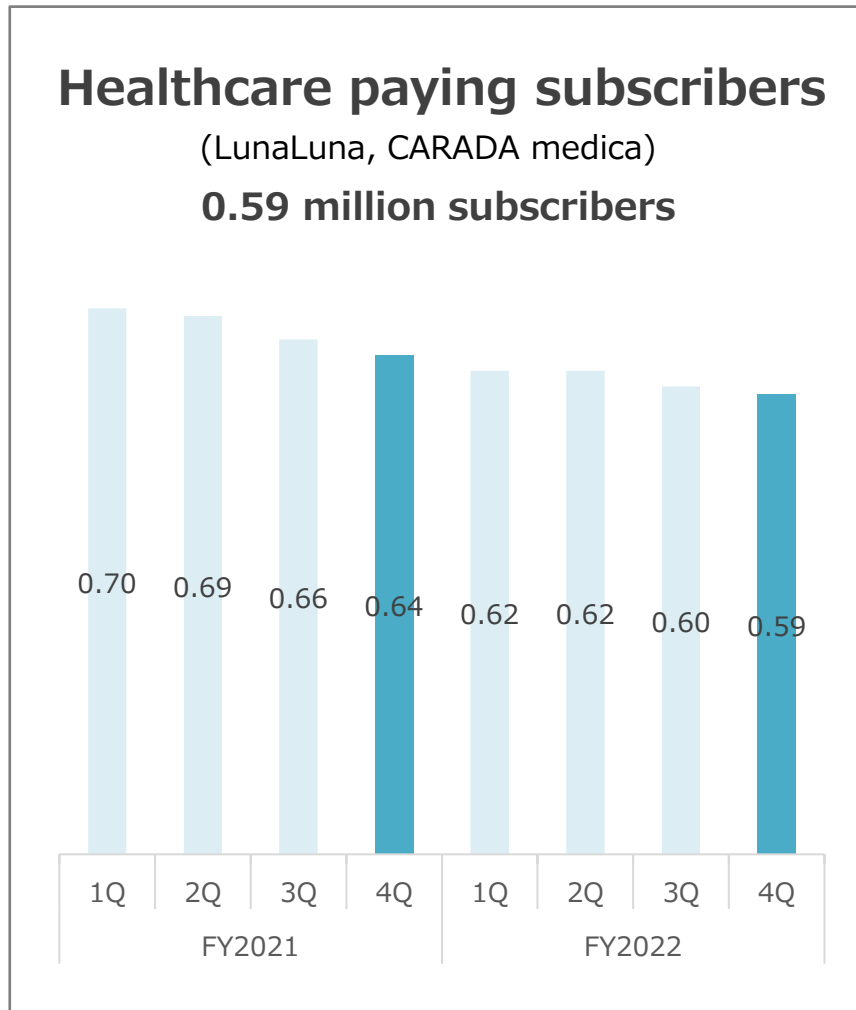


Net sales increased

+ : Expansion of Cloud drug record service

- : The number of paying subscribers decreased

Healthcare business: The number of paying subscribers

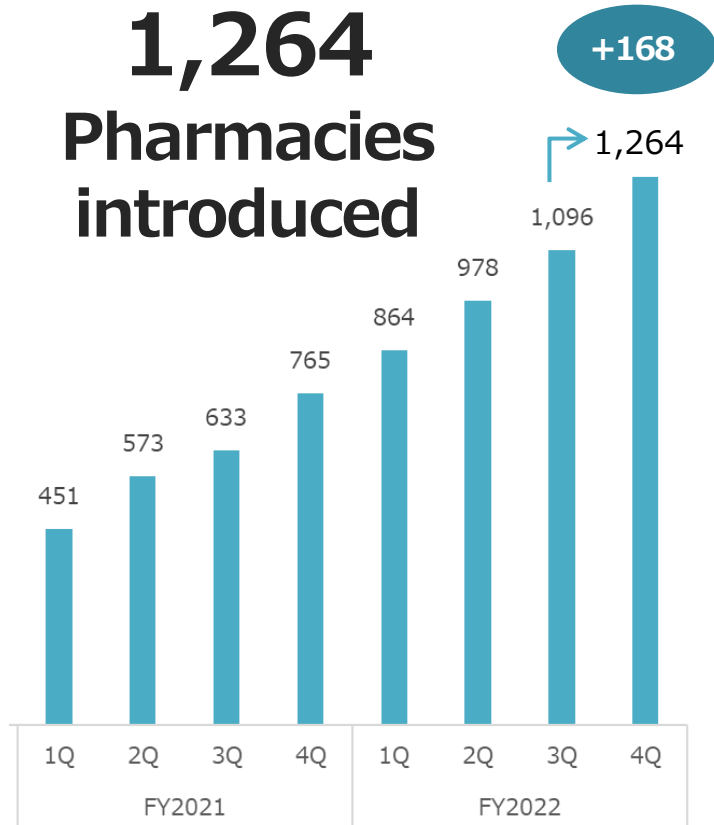


Mostly unchanged from the previous quarter

Healthcare business: Cloud drug record service

ĀARADA 電子藥歷 Solamichi

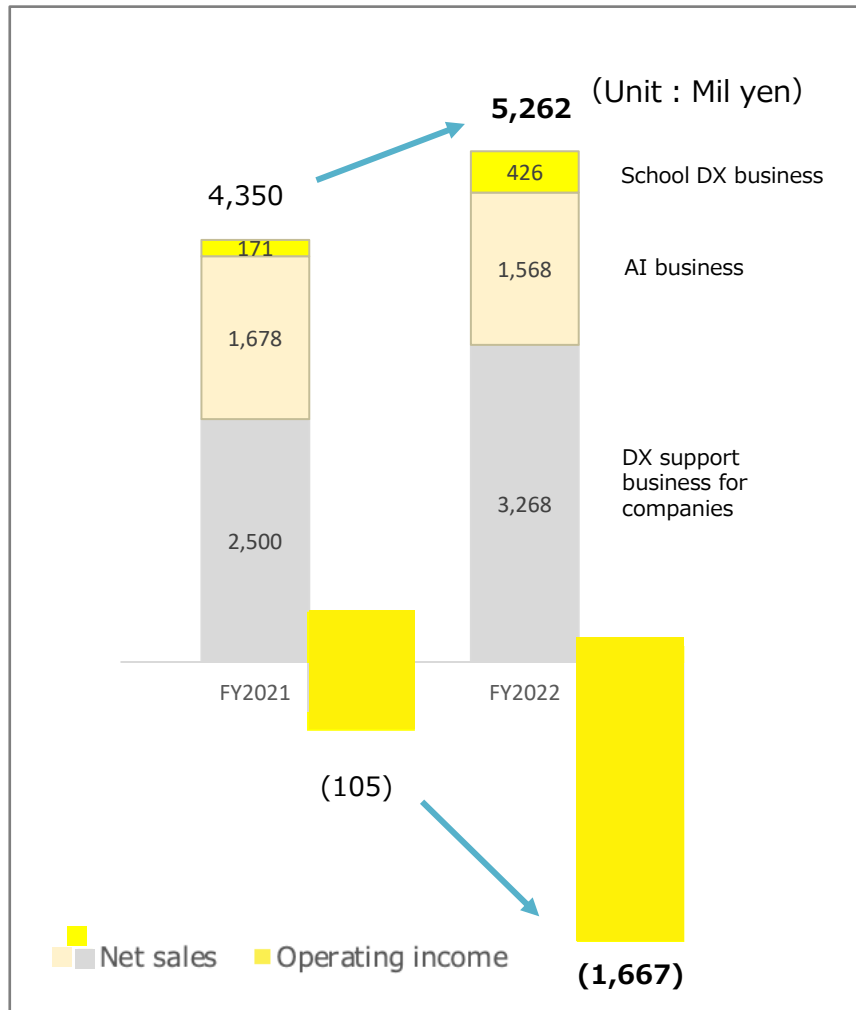
1,264
Pharmacies
introduced



**Steady expansion
in the number of
pharmacies that
introduced the service**

**Q4: Record-breaking quarterly
net increase**

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



Sales expansion

- DX support business for companies
- School DX business

Operating loss

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

Status of each business

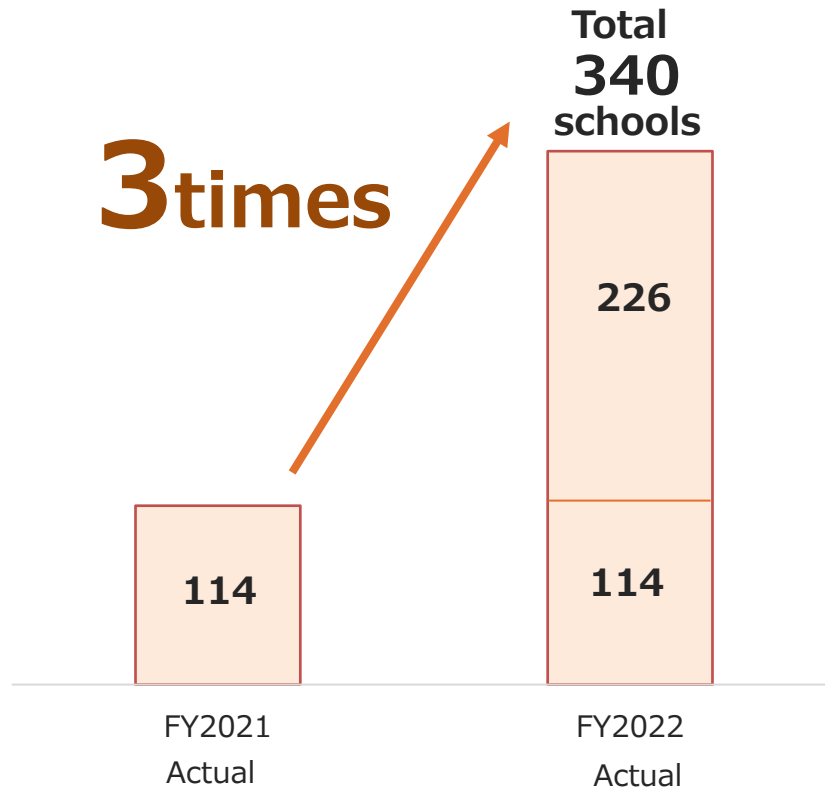
- DX support business for companies: Increase in cost of sales
- School DX business: Large-scale upfront investments

Other business: School DX business

Cloud-based school affairs support system

BLEND

The number of schools introduced



Sharp increase in the number of schools introducing the DX system

Approach in FY2023

Segment reorganization

Established "School DX business (FY2023~)"

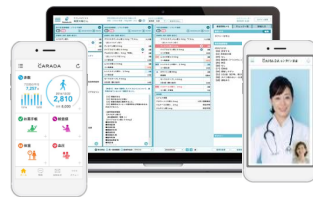
Content Business

- Content service (Entertainment & Life content)
- Original comics service



Healthcare Business

- Healthcare service for women
- Childcare DX service
- Cloud drug record service
- Online consultation service



CARADA 電子薬歴
Solamichi

School DX Business

- School DX service

BLEND



Other Business

- AI service
- DX support service
- For corporate solution service



Basic policies and priority issues for FY2023

1. Healthcare business: Further sales growth

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

2. School DX business: Further sales growth

- ① "BLEND" version upgrade
- ② Increased number of schools introduced in April

3. Content business: Securing profit

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

4. Other business: Sales growth

- ① AI business expansion
- ② DX support business expansion

Healthcare business: Cloud drug record service

Connecting pharmacies and patients

Cloud drug record service

CARADA 電子薬歴 Solamichi

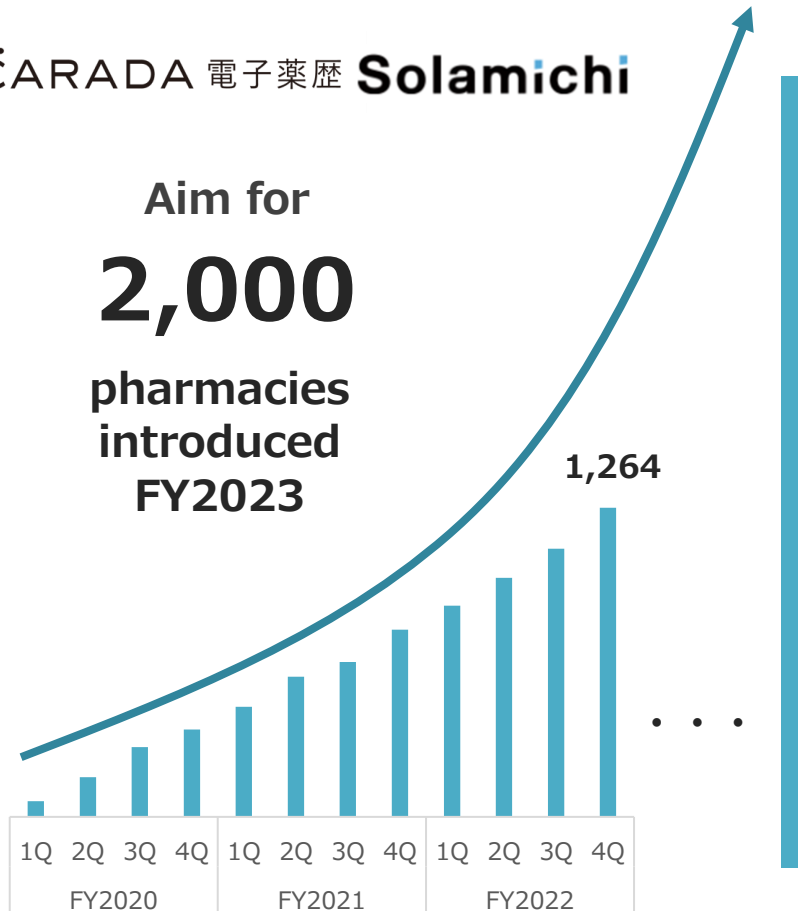


Healthcare business: Cloud drug record service

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

ÖARADA 電子薬歴 Solamichi

Aim for
2,000
pharmacies
introduced
FY2023



- 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

Healthcare business: Maternal health record book app + Childcare DX services

Connecting parenting households and local governments

Maternal health record book app + Childcare DX services





Healthcare business:

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

Healthcare business: Maternal health record book app + Childcare DX services

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

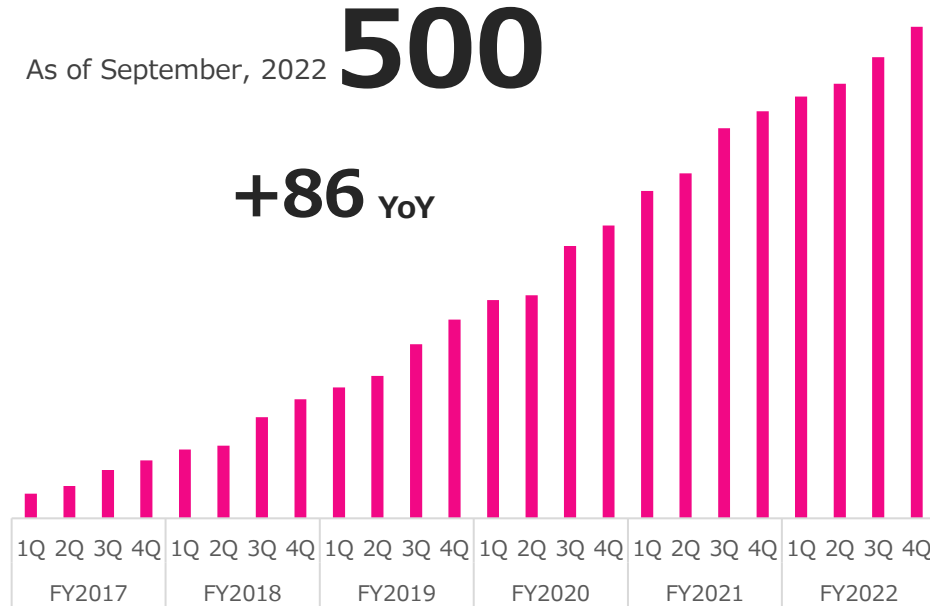
Seeking to establish the Boshimo app as the standard app

Phase 1 Maternal health record book app



As of September, 2022 **500**

+86 YoY



Phase 2 Online consultation

65

As of September, 2022



Healthcare business:

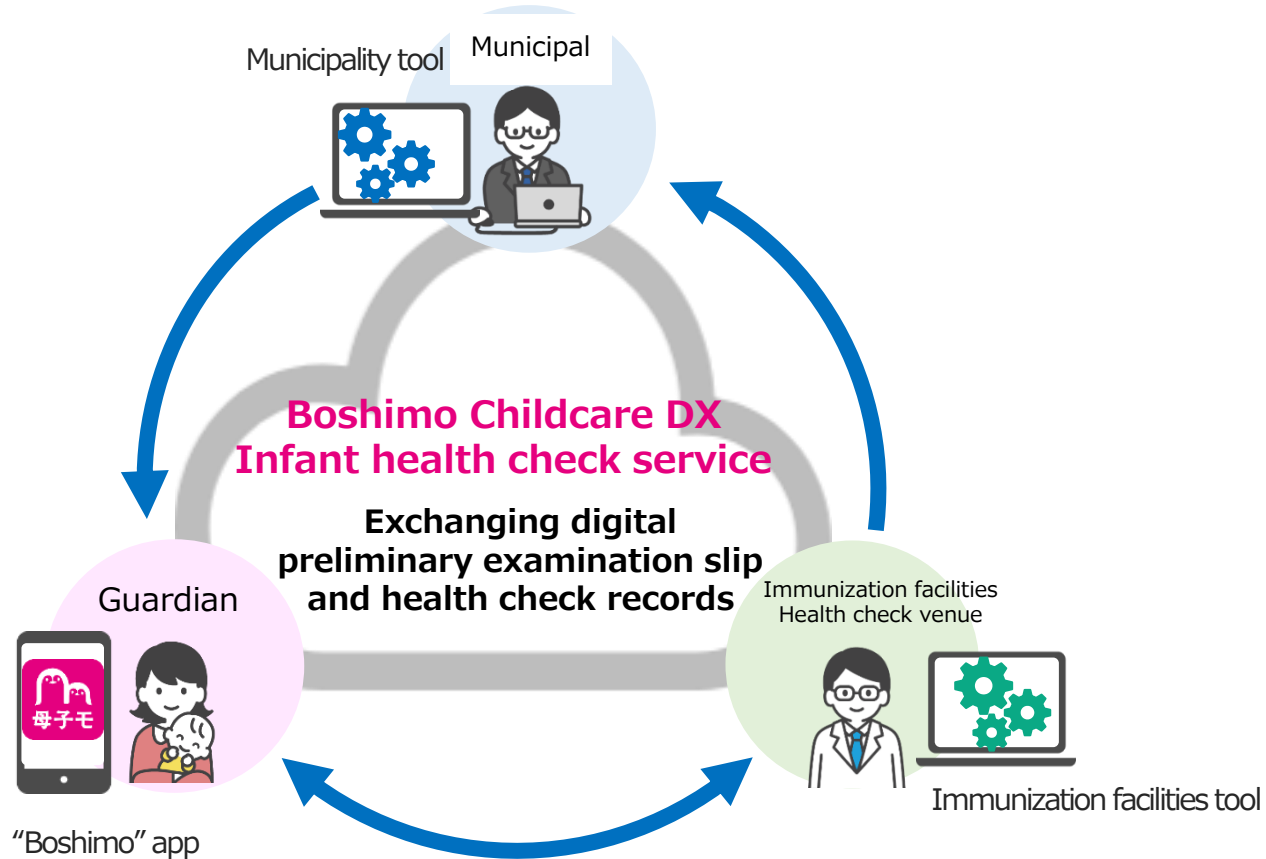


Maternal health record book app + Childcare DX services

Phase 3 : Childcare DX services

Steady expansion in orders received including ordinance designated cities

Infant health check, Childhood immunization, Questionnaire reservation form, Reservation function



(TOPICS)

Healthcare business: Healthcare services for women①

Brisk “LunaLuna Pill prescription app”

LunaLuna



BtoC

Brand power and subscription strategy

Regular deliveries of low-dose pill after online consultation



Quick increase in subscribers



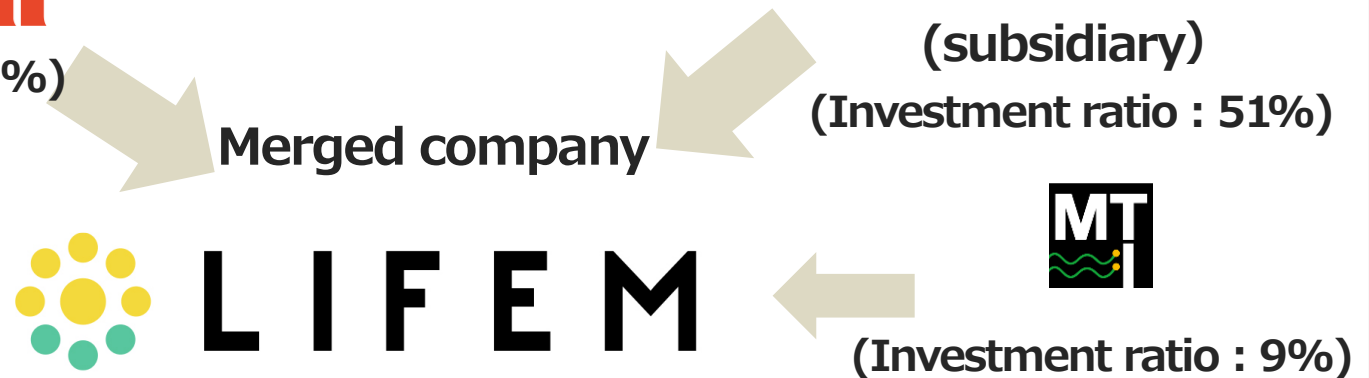
(TOPICS)

Healthcare business: Healthcare services for women②

① Established LIFEM Inc.

Marubeni
(Investment ratio : 40%)

CARADA medica Inc.
(subsidiary)
(Investment ratio : 51%)



② Provision of LunaLuna office service (BtoBtoC)

LunaLuna
オフィス

Supporting working women at work

Provision of seminars for women for
each stage of their lives

School DX business

Connecting students and teachers

Cloud-based school affairs support system

BLEND

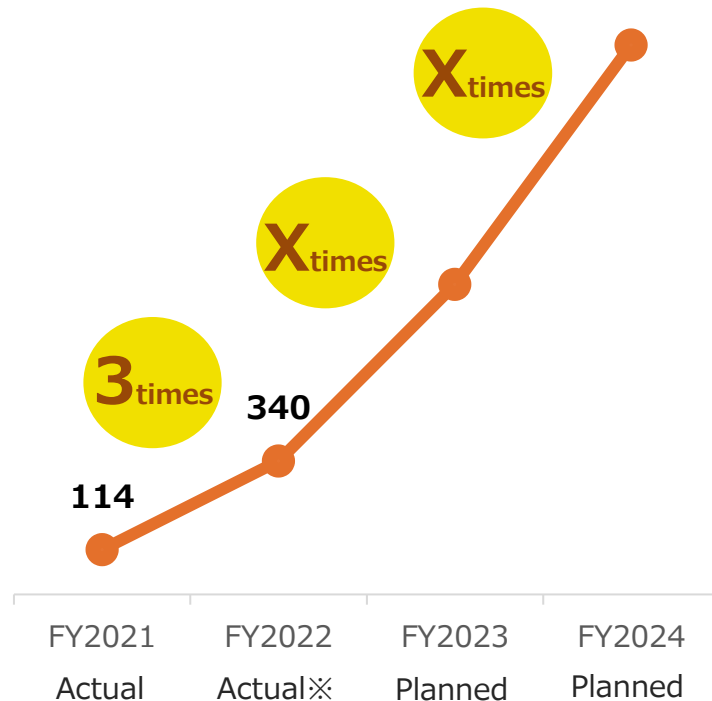


School DX business

BLEND

Cloud-based school affairs support system

Conceptual image of a rise
in the number of schools introducing the system



Rapid increase in orders received

Collaboration on sales with sales agents
~ Launched of partnership with KDDI ~

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

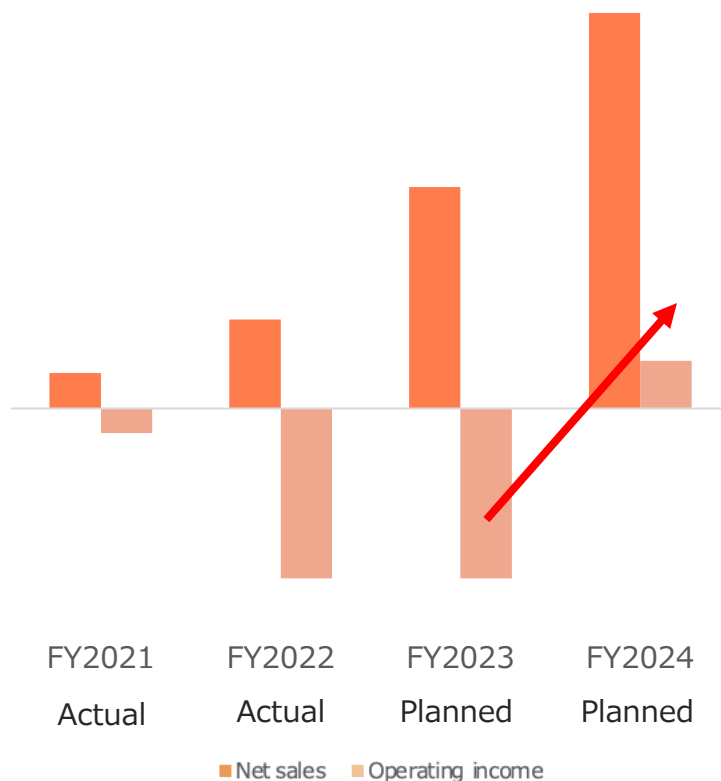
School DX business

BLEND

Cloud-based school affairs support system

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

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

Healthcare business

Focus on expansion of stock sales (=profit)

School DX business

Sharp growth in a short period of time

Other business (Includes DX support business for companies, AI)

Earnings forecast for FY2023

Earnings forecast for FY2023

Both net sales and income are expected to be mostly unchanged

Net sales	¥26,000million	down 1.8%, YoY
Operating income	¥800million	down 8.1%, YoY
Ordinary income	¥400million	down 17.7%, YoY
Profit attributable to owners of parent	¥(600)million	-%, YoY

Earnings forecast for FY2023

(Unit : Mil yen)

	FY2022 (Actual)			FY2023 (Forecast)			YoY	
	Full year	H1	H2	Full year	H1	H2	Amount Full year	Ratio Full year
Net sales	26,479	12,975	13,503	26,000	12,700	13,300	(479)	(1.8)%
Cost of sales	7,787	3,814	3,972	7,600	3,800	3,800	(187)	(2.4)%
Gross profit	18,691	9,160	9,530	18,400	8,900	9,500	(291)	(1.6)%
SG&A	17,820	8,561	9,259	17,600	8,700	8,900	(220)	(1.2)%
Operating income	870	599	271	800	200	600	(70)	(8.1)%
(Ratio)	3.3%	4.6%	2.0%	3.4%	1.6%	4.5%		
Ordinary income	485	292	193	400	0	400	(85)	(17.7)%
(Ratio)	1.8%	2.3%	1.4%	1.9%	0.0%	1.1%		
Profit attributable to owners of parent	(930)	123	(1,053)	(600)	(740)	140	+330	-%
(Ratio)	-	1.0%	-%	-%	-%	1.1%		

Capital Policy

Capital Policy

We aim for continuous growth in sales and profit, and for harmonizing them with returns to shareholders.

	Interim dividend	Year-end dividend	Annual dividend
FY2021	¥8	¥8 (Scheduled)	¥16 (Scheduled)
FY2022 (Forecast)	¥8	¥8	¥16

※ A Dividend at the end of FY2022 are to be referred to the 27th general shareholders' meeting on December 24, 2022.



〈Contact us〉

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Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2021	FY2022	Change		FY2021	FY2022	Change
Current assets	21,262	18,778	(2,484)	Current liabilities	6,655	6,386	(269)
Cash and deposits	15,540	12,097	(3,442)	Account payable-trade	1,147	1,068	(78)
Notes and accounts receivable-trade	4,501	-	(4,501)	Current portion of long-term borrowings	451	751	+300
Notes and accounts receivable - trade, and contract assets	-	4,294	+4,294	Account payable-other	1,230	1,221	(8)
Other	1,254	2,420	+1,165	Income taxes payable	2,156	19	(2,136)
Allowance for doubtful accounts	(33)	(34)	(0)	Contract liabilities	-	2,356	+2,356
Non-current assets	10,646	10,487	(158)	Other	1,670	968	(701)
Property, plant and equipment	203	193	(9)	Non-current liabilities	4,009	5,001	+992
Intangible assets	3,711	3,790	+78	Long-term borrowings	2,429	3,178	+748
Software	1,791	2,058	+267	Retirement benefit liability	1,572	1,816	+243
Goodwill	556	655	+99	Other	6	7	+0
Customer-related assets	1,333	912	(421)	Total liabilities	10,665	11,387	+722
Investments and other assets	6,731	6,503	(227)	Shareholders' equity	17,241	13,954	(3,287)
Investment securities	4,511	3,675	(836)	Share capital	5,197	5,218	+20
Leasehold and guarantee deposits	318	337	+18	Capital surplus	6,660	6,768	+108
Deferred tax assets	1,803	2,394	+591	Retained earning	8,665	5,224	(3,440)
				Treasury shares	(3,281)	(3,257)	+24
				Accumulated other comprehensive income	184	111	(73)
				Subscription rights to shares	161	110	(51)
				Non-controlling interests	3,654	3,701	+46
				Total net assets	21,243	17,877	(3,365)
Total assets	31,908	29,265	(2,643)	Total liabilities and net assets	31,908	29,265	(2,643)

Trends in consolidated P/L

(Unit : Mil yen)

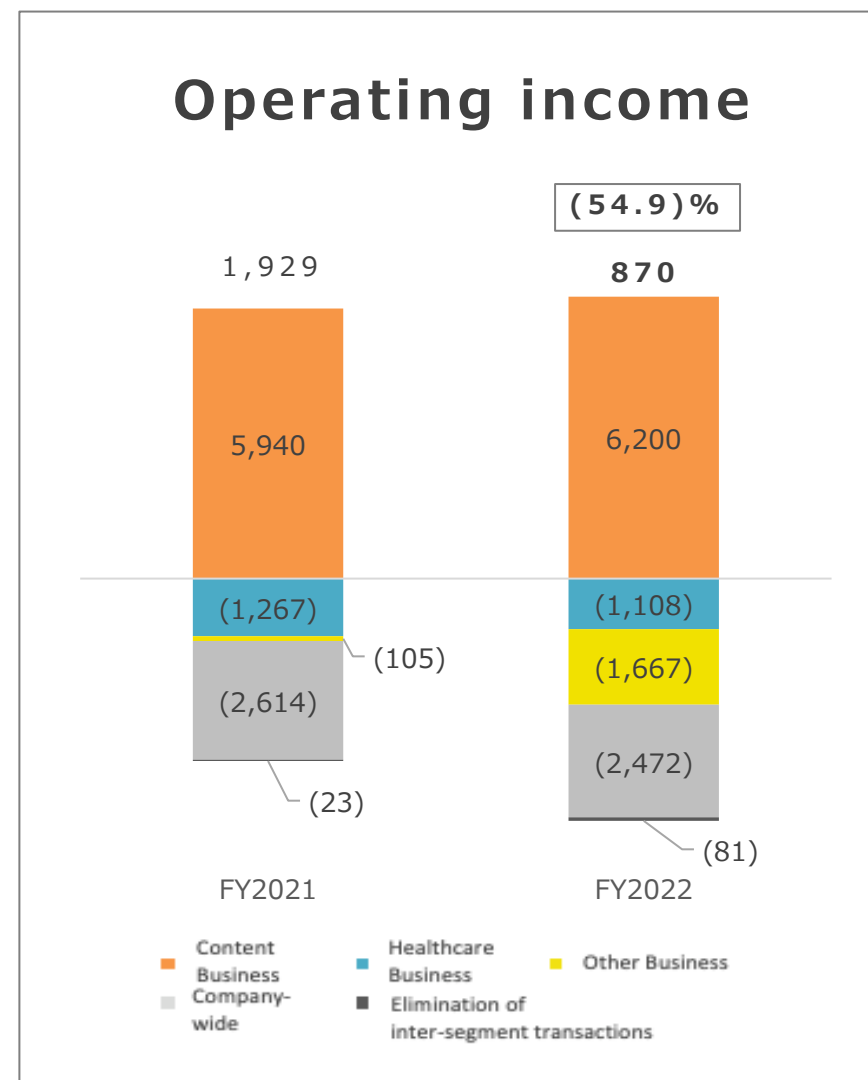
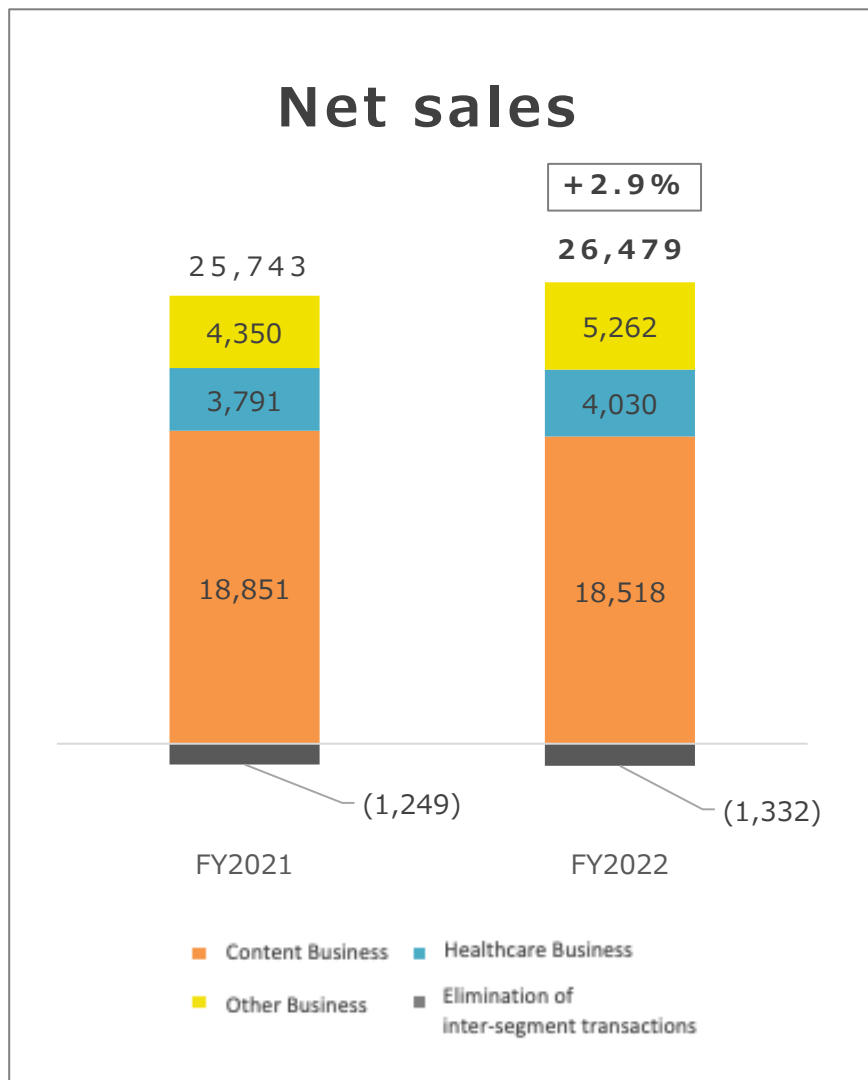
	FY2020				FY2021				FY2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	6,118	6,855	6,519	6,589	6,304	6,742	6,457	6,238	6,551	6,424	6,378	7,125
Cost of sales	1,627	1,904	1,783	1,814	1,593	1,826	1,728	1,853	1,895	1,919	1,941	2,031
Gross profit	4,490	4,951	4,735	4,774	4,711	4,916	4,728	4,385	4,656	4,504	4,437	5,093
(Ratio)	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%	73.2%	70.3%	71.1%	70.1%	69.6%	71.5%
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356	4,613	4,645
Operating income	586	860	570	489	553	678	563	133	451	147	(176)	447
(ratio)	9.6%	12.6%	8.8%	7.4%	8.8%	10.1%	8.7%	2.1%	6.9%	2.3%	-	6.3%
Ordinary income	404	905	651	121	495	345	428	101	395	(102)	(204)	397
(Ratio)	6.6%	13.2%	10.0%	1.8%	7.9%	5.1%	6.6%	1.6%	6.0%	-	-	5.6%
Profit attributable to owners of parent	231	1,014	534	(1,273)	220	(1,637)	322	(69)	252	(129)	(211)	(841)
(Ratio)	3.8%	14.8%	8.2%	-	3.5%	-	5.0%	-	3.9%	-	-	-

Trends in consolidated SG&A

(Unit : Mil yen)



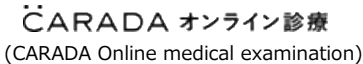

	FY2020				FY2021				FY2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204	4,356	4,613	4,645
Advertising expense	248	241	362	320	337	373	393	413	360	397	379	442
Personnel expenses	1,537	1,548	1,618	1,691	1,743	1,700	1,808	1,847	1,912	1,923	1,950	1,932
Commission fee	829	844	853	815	789	785	777	806	753	785	777	778
Subcontract expenses	305	372	342	406	441	445	452	464	440	445	657	593
Depreciation	307	450	425	437	272	312	261	286	303	330	358	360
Other	675	632	562	613	573	620	472	434	435	473	490	537

Performance by segment

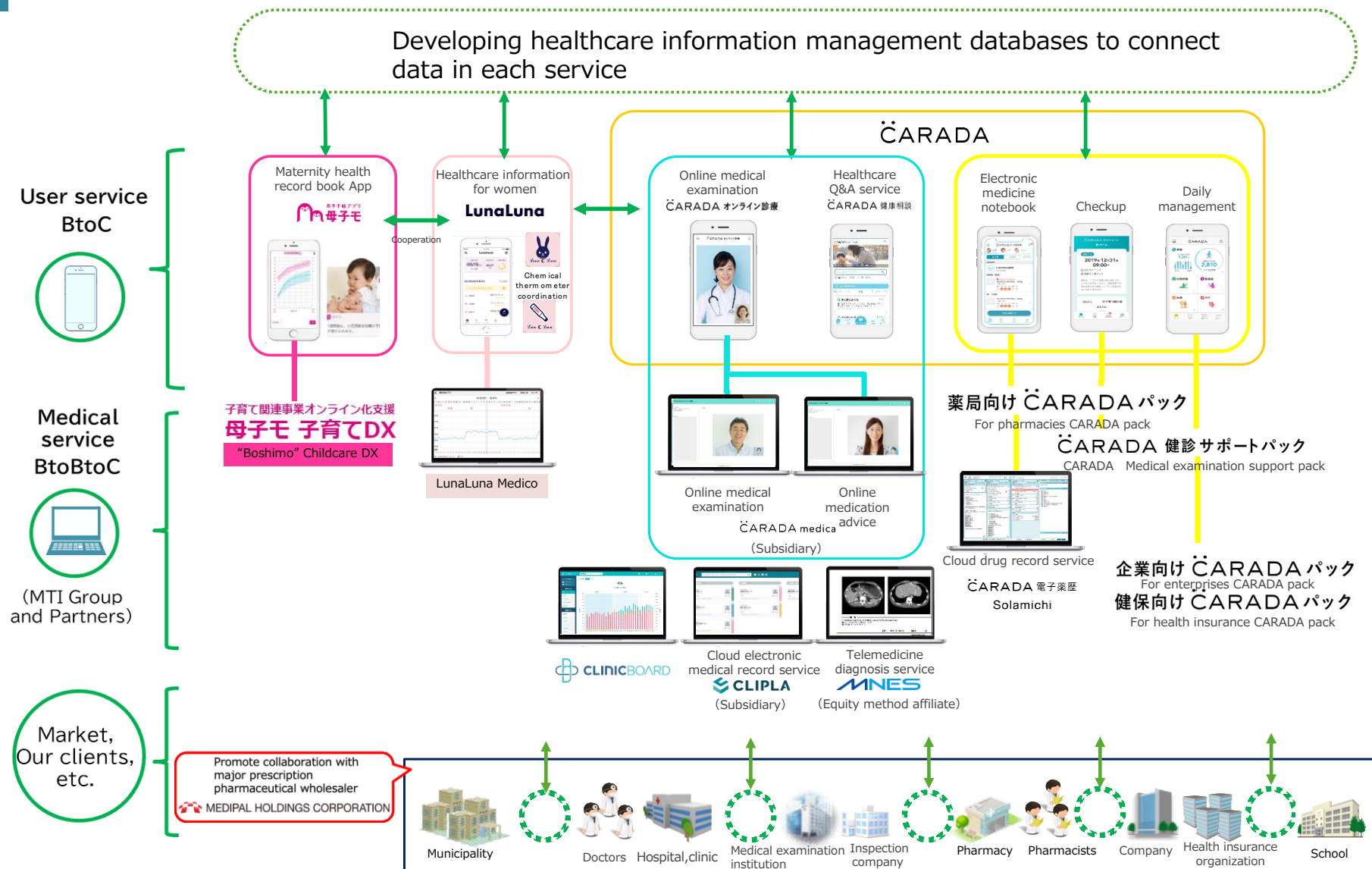


The list of main healthcare services

Figures are the actual as of end of September 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 municipalities.	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 500 of 1,741 municipalities 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 over 1,000 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	BtoBtoC. The service charged from February 2021.
 (CARADA Health consultation)	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	BtoC. ¥400/month
 (CARADA Online medical examination)	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.
 Solamichi (CARADA Cloud drug history service)	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 1,264 orders have been received. Full-scale deliveries started in December 2019.

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 電子藥歷 Solamichi



1,264 pharmacies introduced
September 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

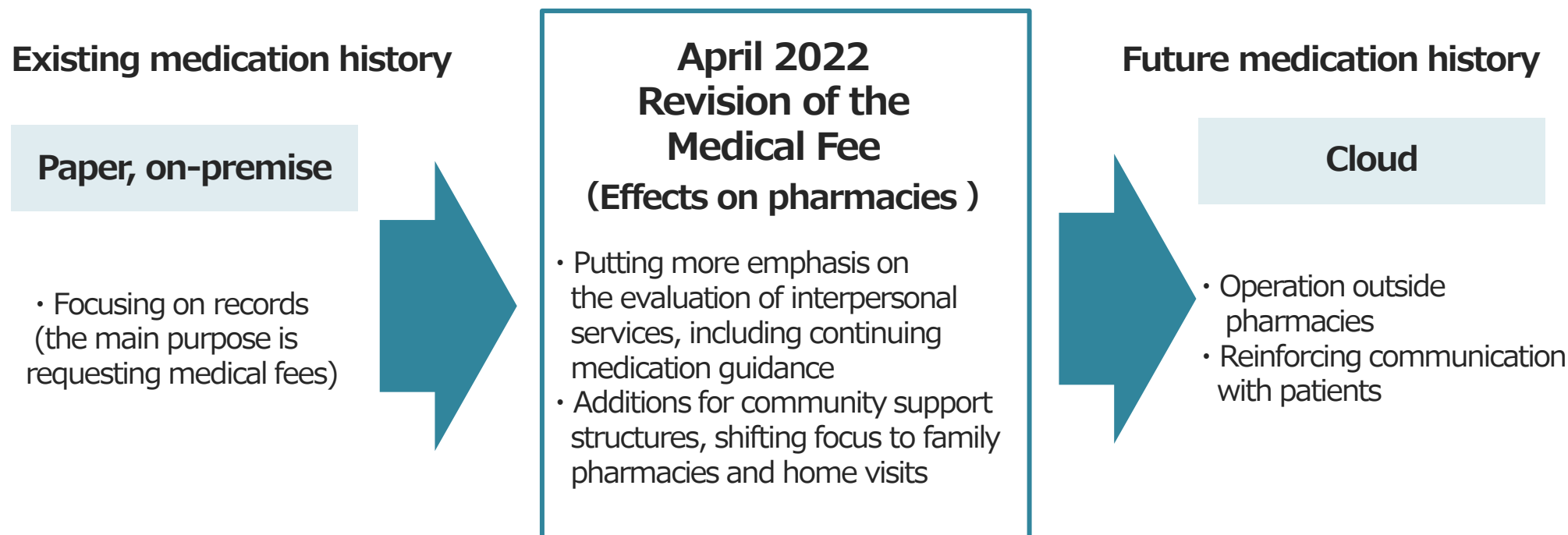
+



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.



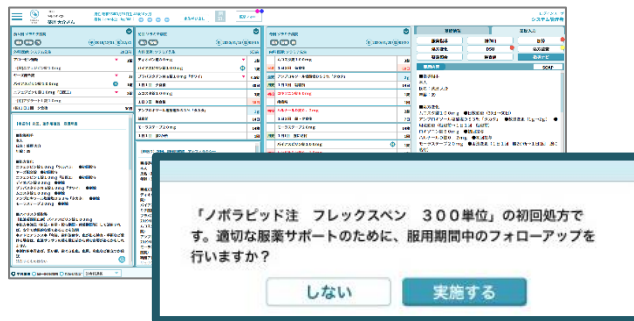
Demand for cloud drug record that has a wealth of medication advice and medication follow-up functions will increase.

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

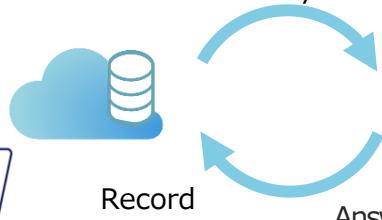


After drugs are delivered...

Are you taking medicine?

Proposing follow-up services automatically


Follow



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 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.

Maternal health record book app "Boshimo"

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



Pregnancy health records

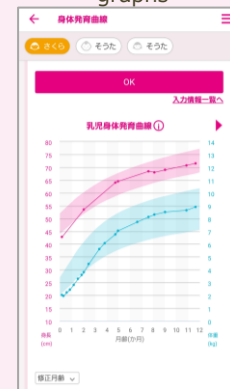
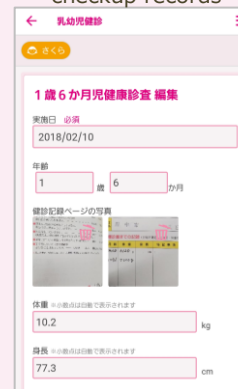
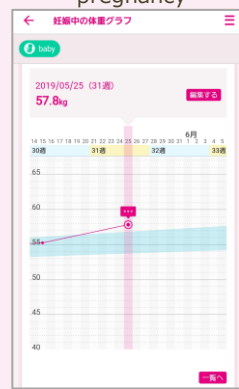
Weight graph during pregnancy

Vaccination management

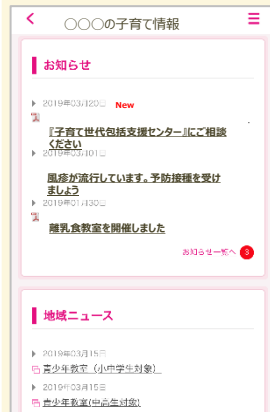
Infant health checkup records

Height and weight graphs

Growth records



Notice



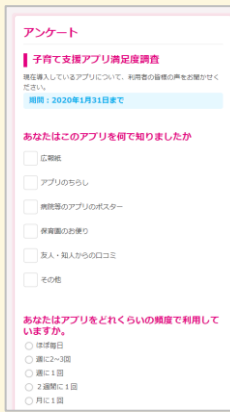
Childcare support facility search



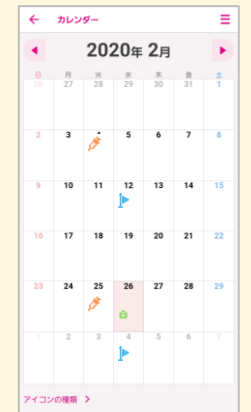
Local childcare events



Questionnaire



Schedule management

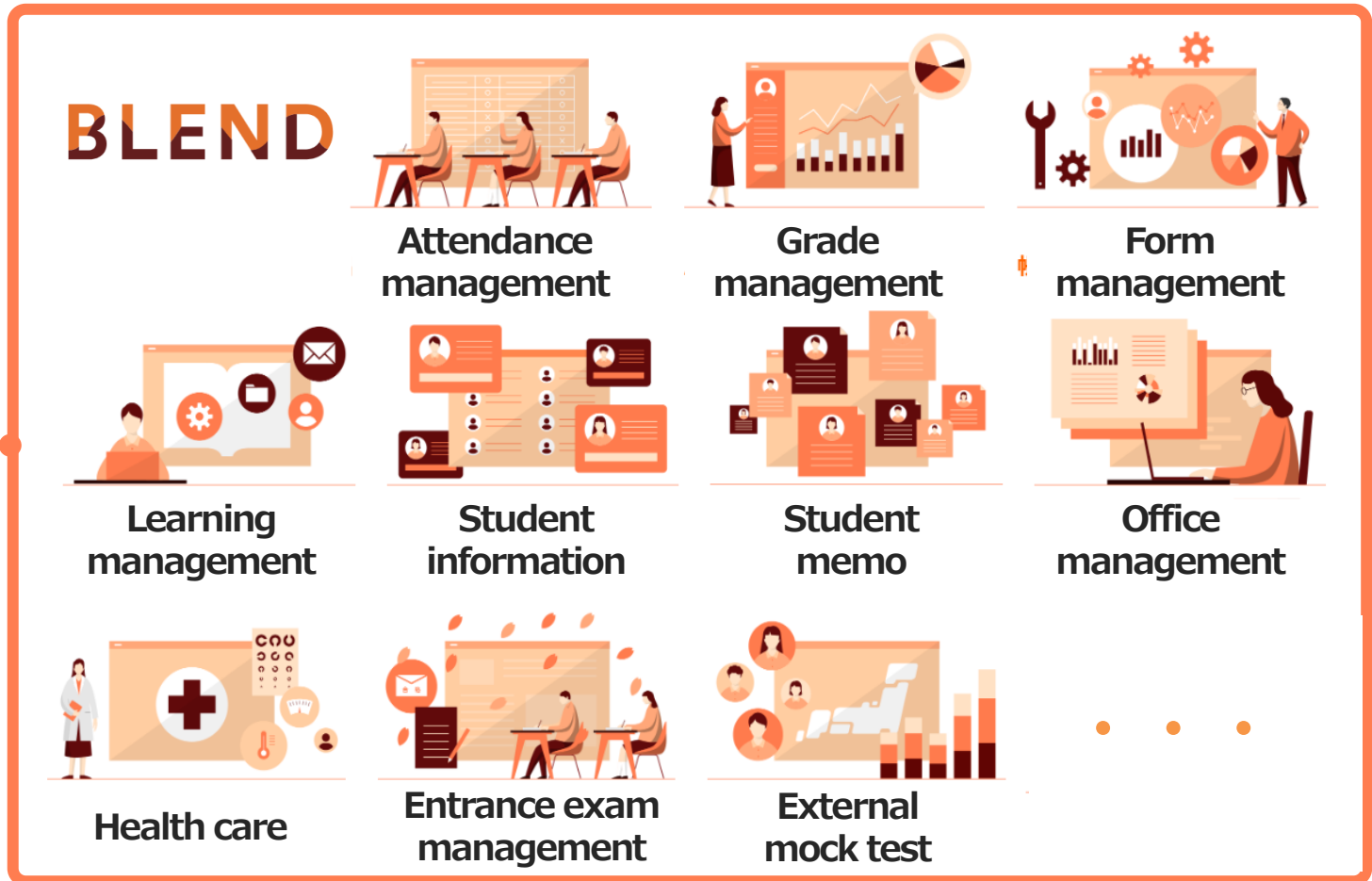


School DX business

Improving efficiency in school administration and he quality of education

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



〈Contact us〉

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