



**MTI Ltd.**

## **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

I would now like to give you an overview of the results for the fiscal year ending September 2022.

## 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)

Here are the financial highlights.

Consolidated net sales amounted to 26,479 million yen.

This was a slight year-on-year increase and 679 million yen more than the most recent earnings forecast.

Operating income was 870 million yen.

This represents a decrease of 54.9% year on year and is 570 million higher than the most recent earnings forecast.

Looking at the results of initiatives in FY2022, in the Healthcare business, the number of pharmacies introducing our cloud drug record service and the number of municipalities introducing childcare DX services both increased and the number for schools introducing school DX services also rose sharply.

I will be discussing our initiatives in each area in greater detail, later on.

We have set earnings forecast for fiscal year 2023 which are mostly unchanged year on year, forecasting net sales of 26,000 million yen and operating income of 800 million yen.

## Consolidated P/L

**Net sales : slight increased**  
**Operating income : decreased**

(Unit : Mil yen)

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

I would now like to discuss the consolidated P/L.

Net sales rose slightly year on year, to 26,479 million yen. Sales growth in the DX Support business for companies offset sales decline in the Content business caused by a decrease in the number of monthly paying subscribers.

Gross profit stood at 18,691 million yen, mostly unchanged year on year, reflecting an increase in the cost of sales.

Operating income and ordinary income stood at 870 million yen and 485 million yen, respectively, due to higher SG&A expenses, mainly attributable to increases in personnel expenses and subcontract expenses associated with reinforcement of development in the School DX business.

Loss attributable to owners of parent came to 930 million yen, reflecting the recording of extraordinary losses such as impairment loss, which offset lower income taxes.

## Consolidated SG&A :

### Personnel expenses : increased

(Unit : Mil yen)

	FY2021	FY2022	YoY	
			Amount	Percentage
SG&A	16,811	<b>17,820</b>	+1,008	+6.0%
Advertising expenses	1,517	<b>1,580</b>	+62	+4.1%
Personnel expenses	7,099	<b>7,718</b>	+619	+8.7%
Commission fee	3,157	<b>3,094</b>	(63)	(2.0)%
Subcontract expenses	1,804	<b>2,136</b>	+332	+18.4%
Depreciation	1,132	<b>1,352</b>	+219	+19.4%
Other	2,100	<b>1,937</b>	(162)	(7.7)%

Increase in personnel for development (particularly in school DX business)

Stricter requirements for the posting of software assets (School DX business)

The breakdown of consolidated SG&A is as shown on page 4.

## 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	<b>26,479</b>	+679	102.6%	+717: Change in treatment of consumption tax in monthly content services that award points.(Q4)
Operating income	300	<b>870</b>	+570	290.2%	
Ordinary income	(100)	<b>485</b>	+585	-	
Profit attributable to owners of parent	(190)	<b>(93)</b>	(740)	-	(897): Impairment loss

I would now like to explain the reasons for the differences between the actual results and earnings forecasts for FY2022 shown here.

In the Content Business, we recorded an extra 717 million yen in net sales during the fourth quarter, due to a change in the treatment of consumption tax in content services that award points.

Net sales, operating income and ordinary income were all better than the most recent earnings forecast, improving by 679 million yen, 570 million yen and 585 million yen, respectively.

The loss attributable to owners of parent was 740 million yen larger than forecast, reflecting the recording of 897 million yen in extraordinary losses, including the impairment of software assets, during the fourth quarter, which offset the positive impact of the change in treatment of consumption tax.

# Performance by segment

## Content Business

BtoC/BtoB

Content distribution service



## Healthcare Business

BtoC/BtoB/BtoBtoC

Existing healthcare service  
New healthcare service

LunaLuna

Mh母子毛



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

## Other Business

BtoB

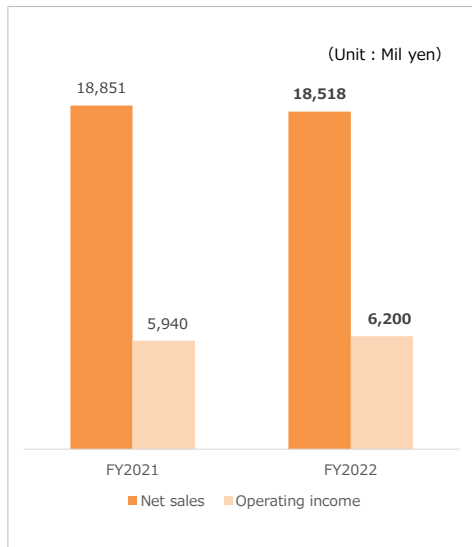
AI service , DX service ,  
School DX service  
For corporate solution service



Next, I would like to discuss performance by segment.



## Content business: Net sales and operating income



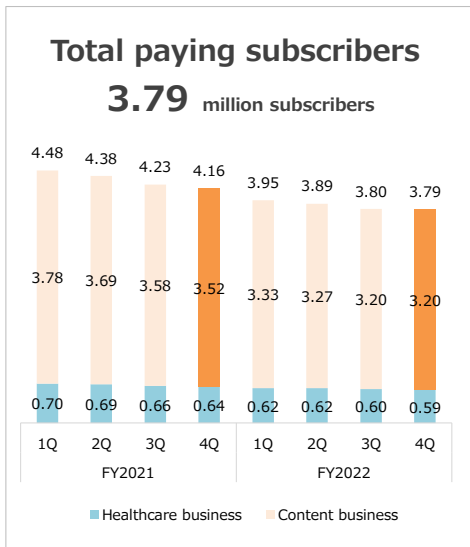
### Levelled off sales and profit

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

In the Content business, net sales and operating income were both mostly unchanged year on year.

This was because year-on-year decline in the number of paying subscribers was offset by the recording of extra net sales as a result of the change in treatment of consumption tax explained earlier.

## 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.

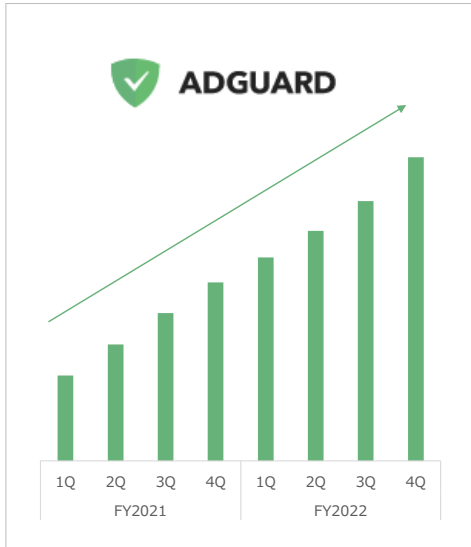
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As of the end of September, the number of paying subscribers stood at 3.79 million.

Though down year on year, this figure is mostly unchanged from the previous quarter thanks to a strong performance in terms of new subscriber registrations to security-related apps.

## Content business: Security-related app



### Security-related apps are growing

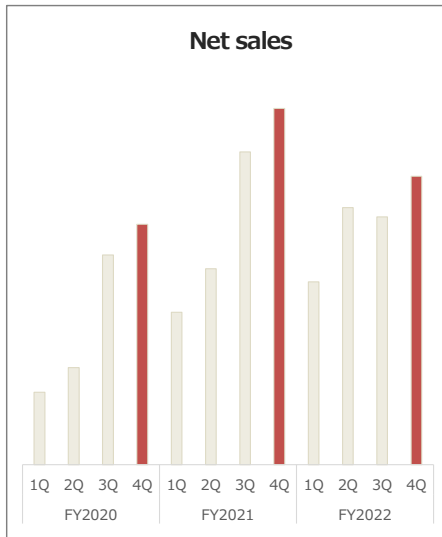
Over 440 thousand people

Four functions

- Ad blocking
- Trace blocking
- Threat blocking
- Parent function (Child protection function)

As of the end of September, the number of paying subscribers to security related apps had grown to 440,000.

## Content business: Original comics content business

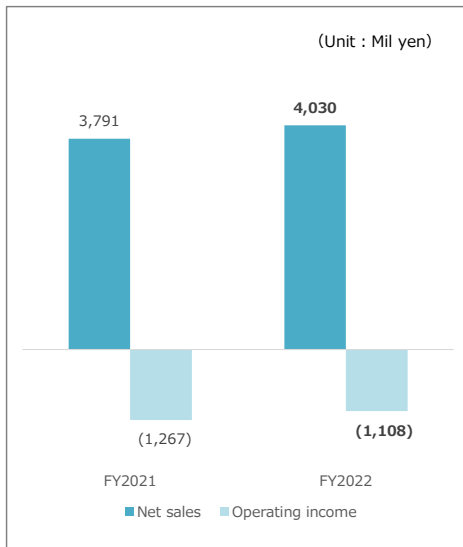


### Stable growth

The serialization of hit titles contributed  
Keep in comic titles introduced

Net sales in the original comics content business showed stable growth due to multiple hit titles in serialization.

## Healthcare business: Net sales & operating income



### Net sales increased

+ : Expansion of Cloud drug record service

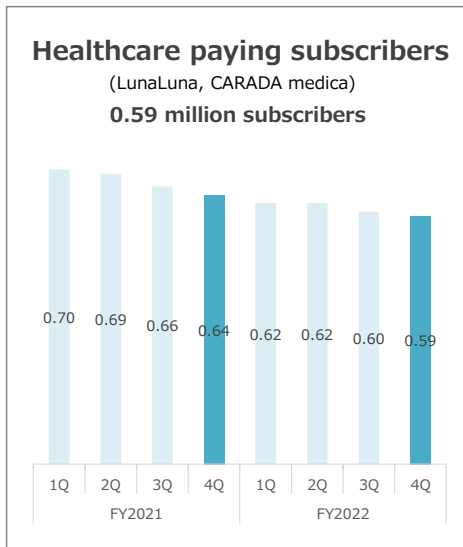
– : The number of paying subscribers decreased

In the Healthcare business, we registered 4,030 million yen in net sales and an operating loss of 1,180 million yen.

Net sales increased year on year thanks to the sales growth of our cloud drug record service, which offset year on year decline in the number of paying subscribers.

However, the Healthcare Business reported an operating deficit, continuing to be weighed down by expenses associated with upfront investment.

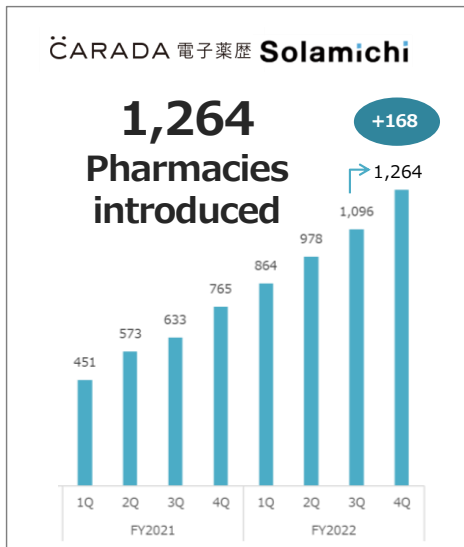
## Healthcare business: The number of paying subscribers



**Mostly unchanged from the previous quarter**

The number of paying subscribers in the Healthcare business was mostly unchanged year on year, falling by 10,000.

## Healthcare business: Cloud drug record service



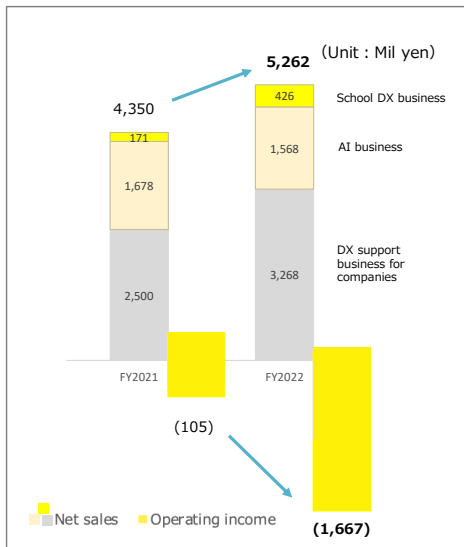
**Steady expansion  
in the number of  
pharmacies that  
introduced the service**

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

The cumulative number of pharmacies that have introduced the cloud drug record service is expanding steadily, reaching 1,264 in September.

The fourth quarter saw a record-breaking net increase of 168.

## 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

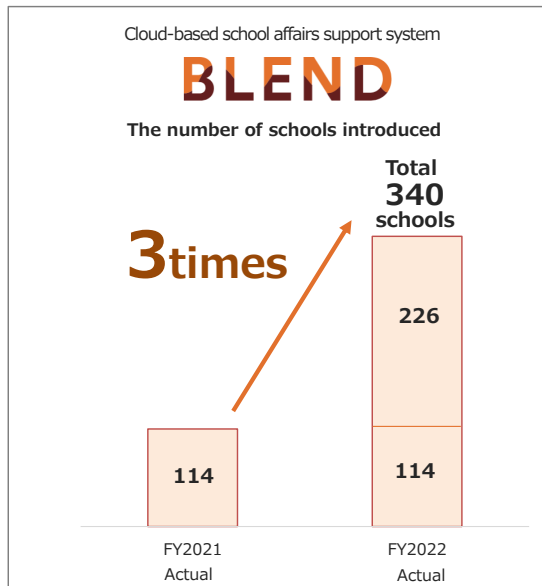
In Other business, net sales grew 21.0%, year-on-year, to 5,762 million yen.

This sales growth is attributable to significant growth in orders in the DX Support business for companies and the School DX business.

However, the operating loss widened, reaching 1,667 million yen. This result reflects the rising cost of sales in the DX Support business for companies and large-scale investment associated with increased customers in the School DX business.



## Other business: School DX business



**Sharp increase in the number of schools introducing the DX system**

In the School DX business, take-up of the cloud-based school administration support system “BLEND” was good and the total number of schools introducing the system increased sharply to 340, tripling year on year.

Our energetic sales promotion activities in face of rapidly growing demand for solutions to migrate school functions to the digital sphere and to the cloud have paid off.

## Approach in FY2023

Next, I would like to explain initiatives for 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



### School DX Business

- School DX service

## BLEND



### Other Business

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



First, we are going to change our business segments.

Previously, we have operated across three segments: the Content Business, Healthcare Business and Other Business segments; however, from FY2023, we will have a total of four segments, making the School DX Business, which was previously included in the "Other Business" segment, into a separate independent segment due to the significant impact of the School DX Business on profit and loss.

## 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

In each segment, we will focus on priority issues based on the following basic policies, respectively.

- In the Healthcare Business, we will continue to aim for further sales growth.

More specifically, we will focus on further expanding the cloud drug record service and will also promote the childcare DX platform strategy.

- Similarly in the School DX Business, we will aim for further sales growth. We will upgrade our cloud-based school administration support system "BLEND" and engage in active marketing activities to increase the number of school using the system in April, when the new semester starts.

- In the Content Business, the decline in the number of paying subscribers has slowed but we plan to generate profit in the segment as a whole through growth in security-related apps and the original comic business.

- In Other Business, we will expand orders in the AI business and DX support business.

## Healthcare business: Cloud drug record service

Connecting pharmacies and patients

### Cloud drug record service

ĈARADA 電子薬歴 Solamichi



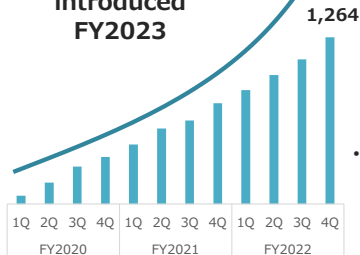
Next, I would like to discuss progress targets regarding the introduction of our cloud drug record service in the Healthcare business.

## Healthcare business: Cloud drug record service

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

ĀARADA 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

As in the previous fiscal year, we will continue to cooperate in sales with our business partner MEDIPAL HOLDINGS CORPORATION.

Our target number of pharmacies using the service as of the end of the current fiscal year is 2,000.

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

Connecting parenting households and local governments

### Maternal health record book app + Childcare DX services



Next, I would like to discuss our progress targets for the maternal health record book app “Boshimo” and 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**

By expanding the Childcare DX service business, notably the childhood vaccination management service, we will pursue the transformation of "Boshimo" into a platform.



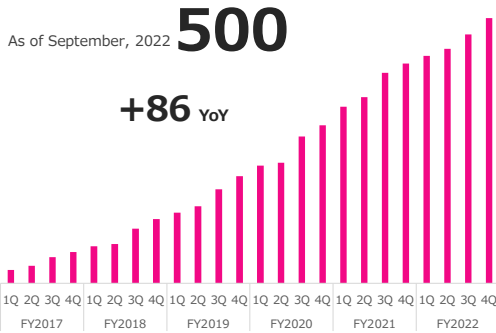
# Healthcare business: Maternal health record book app + Childcare DX services

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

## Seeking to establish the Boshimo app as the standard app

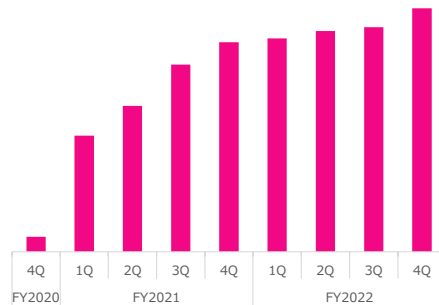
**Phase1** Maternal health record book app

**Phase2** Online consultation



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As of September, 2022



The number of municipalities introducing "Boshimo" stood at 500 at the end of September.

The vaccination schedule function is popular and is becoming more and more widely used by municipalities across Japan.

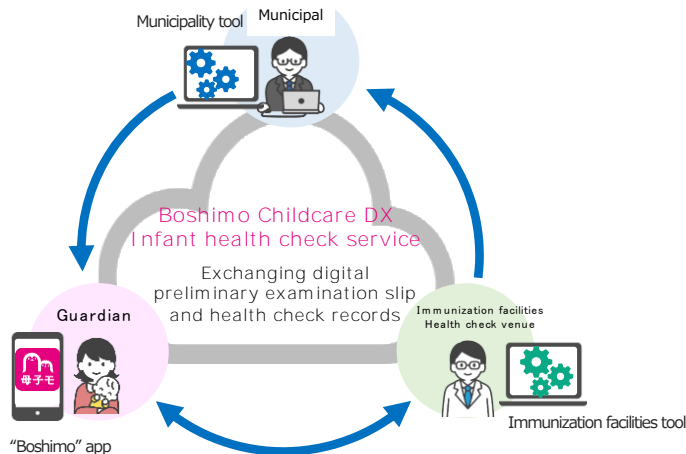
Healthcare business:

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



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The Childcare DX service is steadily becoming established.

The scope of this Childcare DX service is not restricted to parents and municipalities but also extends to the sharing of data with medical institutions such as neighboring pediatric clinics and health centers. Through this, we seek to bring DX to services like childhood vaccinations, infant health examination appointments, and visits to all households with infants.

Following the introduction of this service for childhood vaccinations in Ichihara City in November 2021 and introduction of a pregnancy report functionality in Kitakyushu City in April 2022, we plan to introduce this service for infant health checks in Kitakyushu City and Fukuoka City next fiscal year, and Childcare DX functions are expanding.

The service is highly rated by municipalities that have introduced it and orders including orders from ordinance designated cities are steadily growing.

**(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**

Next, I would like to discuss topics in the Healthcare business.

The “LunaLuna pill prescription service”, launched in February, got off to a good start.

The “LunaLuna pill prescription service” is a subscription-based service through which a low-dose pill is delivered every month following an online consultation.

Users of the low-dose pill, aimed at reducing period pain and birth control, are increasing year by year in Japan.

We believe that the number of subscribers to the “LunaLuna pill prescription service” through the free app, which has been downloaded 18 million times, will increase in the future.

**(TOPICS)****Healthcare business: Healthcare services for women②****① Established LIFEM Inc.****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

Furthermore, in July, we established LIFEM Inc., a joint venture with Marubeni Corporation and our subsidiary CARADA Medica Inc., as part of health services for women.

With many women aware that menopausal symptoms negatively affect their work performance, companies are taking a growing interest in Femtech, to support working women.

LIFEM will promote the construction of a system through which companies support the improvement of working women's health issues and become a leading company that helps achieve a society where women can work comfortably.

## School DX business

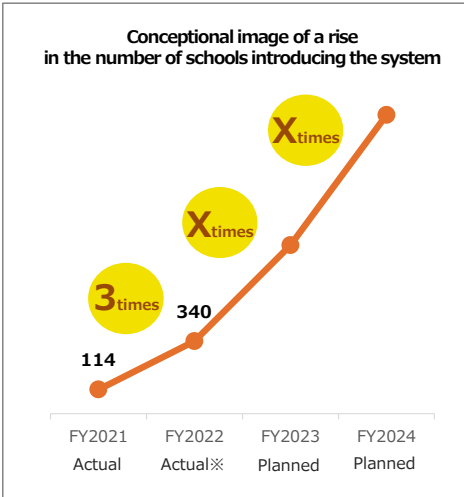
Connecting students and teachers

# Cloud-based school affairs support system

# BLEND



Next, I would like to explain more about the School DX Business.



## Rapid increase in orders received

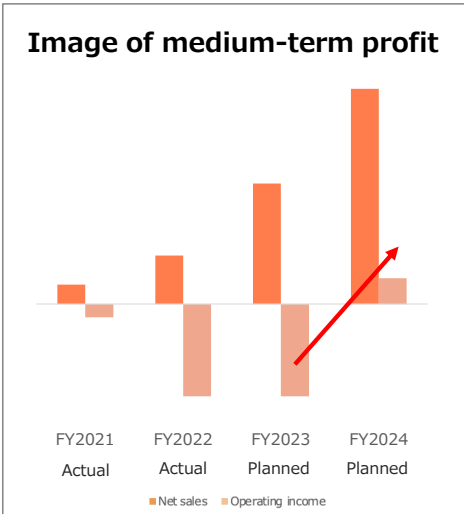
Collaboration on sales with sales agents  
~ Launched of partnership with KDDI ~

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

With the digitalization of school administration becoming a matter of urgency, demand for the cloud-based school administration system has grown dramatically.

We have formed sales collaborations with distributors and an alliance with KDDI and aim to further increase the number of schools using the system this fiscal year.

**Aiming to achieve standardization (an educational IT platform)**



**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

Our medium-to-long term growth projections for the School DX business are as shown here.

Net sales will grow in conjunction with expansion in the number of schools that introduce "BLEND".

Operating income is expected to remain in the red for the time being due to upfront costs.

Expenses for the development of new versions to meet rapidly growing demand will increase, as will subcontract expenses and personnel expenses to secure the personnel needed to strengthen the business structure.

## 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)

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Our medium-to-long term earnings projection is as shown here.

The School DX business is expected to achieve the fastest business growth, followed by the healthcare business as another growth driver.

The medium-to-long-term earnings projection for the Group as a whole is as shown here and we believe that the Healthcare Business will be a driver of profit growth in the medium and long term.

By focusing on the steadily expanding cloud drug record service and the Childcare DX service, we aim to achieve “sustainable growth” through growth in the subscription-based sales of each service.



## Earnings forecast for FY2023

Next, I will discuss our earnings forecast.

## Earnings forecast for FY2023

**Both net sales and income are expected to be mostly unchanged**

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

As in the previous fiscal year, we will seek to improve the overall deficit through sales growth in the Healthcare Business and sales growth in the rapidly expanding School DX Business.

We forecast net sales of 26,000 million yen, operating income of 800 million yen, ordinary income of 400 million yen, and loss attributable to owners of parent of 600 million yen.

## 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%		

Details of the earnings forecast are as shown here.

## Capital Policy

Details of the earnings forecast are as shown here.

## 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
<b>FY2021</b>	<b>¥8</b>	<b>¥8</b> (Scheduled)	<b>¥16</b> (Scheduled)
<b>FY2022</b> (Forecast)	<b>¥8</b>	<b>¥8</b>	<b>¥16</b>

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

The basic policy for MTI's capital policy is aiming for sustainable growth in sales and profit in the medium and long term, and for harmonizing them with returns to shareholders.

In the interest of offering stable dividends to shareholders, we have set the year-end dividend for fiscal year 2022 at 8 yen per share.

We expect the dividend payout for fiscal year 2023 to remain unchanged, year-on-year.



〈Contact us〉  
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Thank you for your time.