

# Financial Results Briefing for Q1/ 2023

**February 9, 2023**



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 Q1 FY2023**

# Financial highlight

## 1 Q1 Results

- Net sales: ¥7,080 million (Up ¥529 million, Up 8.1%, YoY )
- Operating income: ¥(61) million (Down ¥512 million)
- Profit attributable to owners of parent: ¥(590) million
  - └ Posting of income taxes associated with the transfer of shares between Group companies

## 2 Progress for earnings forecast of H1

- Net sales: 56.0%
- Operating income: Q1 actual results were a loss of 61million yen against 200 million yen

## 3 Q1 Achievements and initiatives

- Steady progress in Content business, Healthcare business and School DX business.
- Other Business responded to loss-making projects in part of the DX support business for major companies.

# Consolidated P/L

Net sales : slight increased

Operating income : decreased

(Unit : Mil yen)

	FY2022 Q1	FY2023 Q1	YoY		
			Amount	Percentage	
Net sales	6,551	<b>7,080</b>	+529	+8.1%	Posting of spot sales of the video-streaming service
Cost of sales (ratio)	1,895 28.9%	<b>2,538</b> 35.9%	+643	+34.0%	Posting of spot cost of sales of the video-streaming service
Gross profit (ratio)	4,656 71.1%	<b>4,542</b> 64.1%	(114)	(2.5)%	
SG&A (ratio)	4,204 64.2%	<b>4,603</b> 65.0%	+398	+9.5%	Increase in outsourcing expenses. (School DX business)
Operating income (ratio)	451 6.9%	<b>(61)</b> -%	(512)	-%	Increase in advertising expenses (AdGuard)
Ordinary income (ratio)	395 6.0%	<b>(88)</b> -%	(484)	-%	
Profit attributable to owners of parent (ratio)	252 3.9%	<b>(590)</b> -%	(843)	-%	Posting of income taxes associated with the transfer of shares between Group companies

# Consolidated SG&A :

## Advertising expenses and outsourcing expenses : increased

(Unit : Mil yen)

	FY2022 Q1	FY2023 Q1	YoY	
			Amount	Percentage
SG&A	4,204	4,603	+398	+9.5%
Advertising expenses	360	479	+118	+33.0%
Personnel expenses	1,912	1,989	+76	+4.0%
Commission fee	753	746	( 6 )	(0.8)%
Subcontract expenses	440	549	+109	+25.0%
Depreciation	303	289	(13)	(4.5)%
Other	435	549	+113	+26.0%

● Increase in sales promotion costs for AdGuard

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

## (Reference) Income tax-related settlement of gains on sale of shares in Boshimo Ltd.

### **Non-consolidated**

Contributing to increase of ¥1,096 million in profit

Gain on sale of shares of subsidiaries: ¥1,579 million  
Income taxes: ¥483 million

### **Consolidated**

Contributing to decrease of ¥483 million in profit

Gain on transfer of shares: ¥0 million (Consolidated elimination)  
Income taxes: ¥483 million (Deferred income taxes will not be posted)

# Performance by segment

“School DX Business” has been added to the segment disclosure from Q1 under review.

## 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, etc

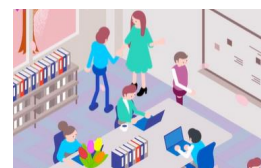


CARADA 電子薬歴  
Solamichi

## School DX Business

- School DX service

# BLEND



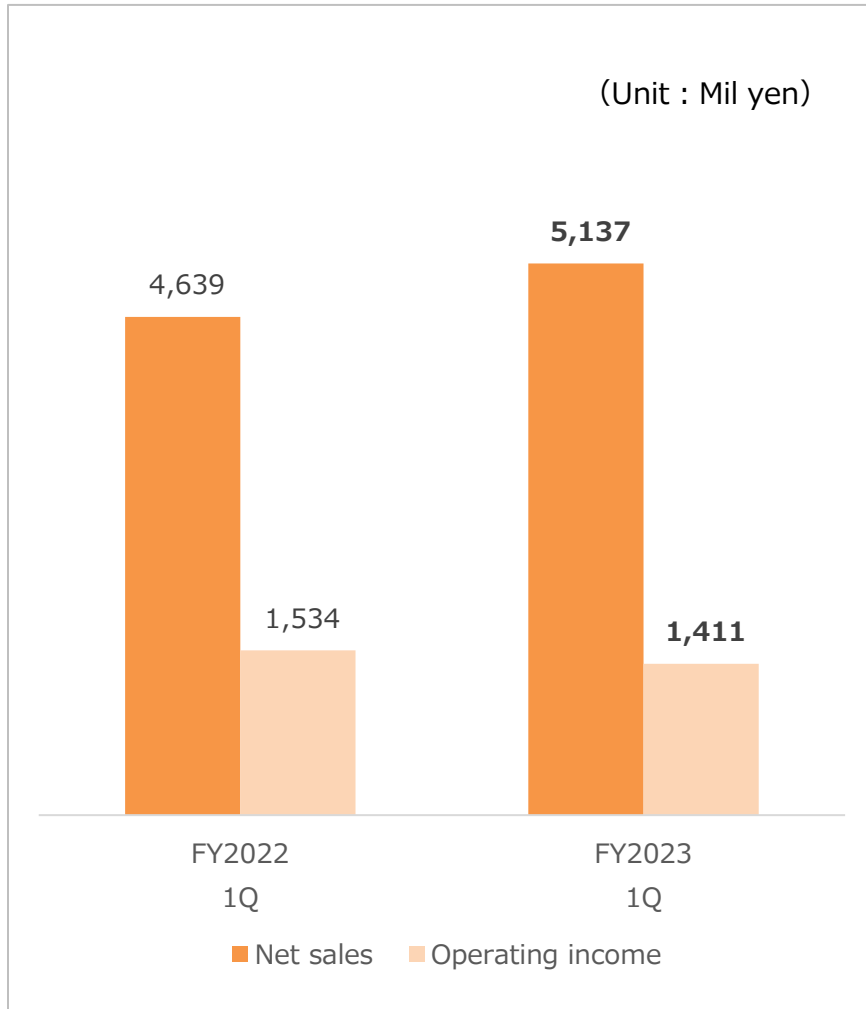
## Other Business

- AI business
- DX support business for companies
- Solution service for corporate





# Content business: Net sales and operating income



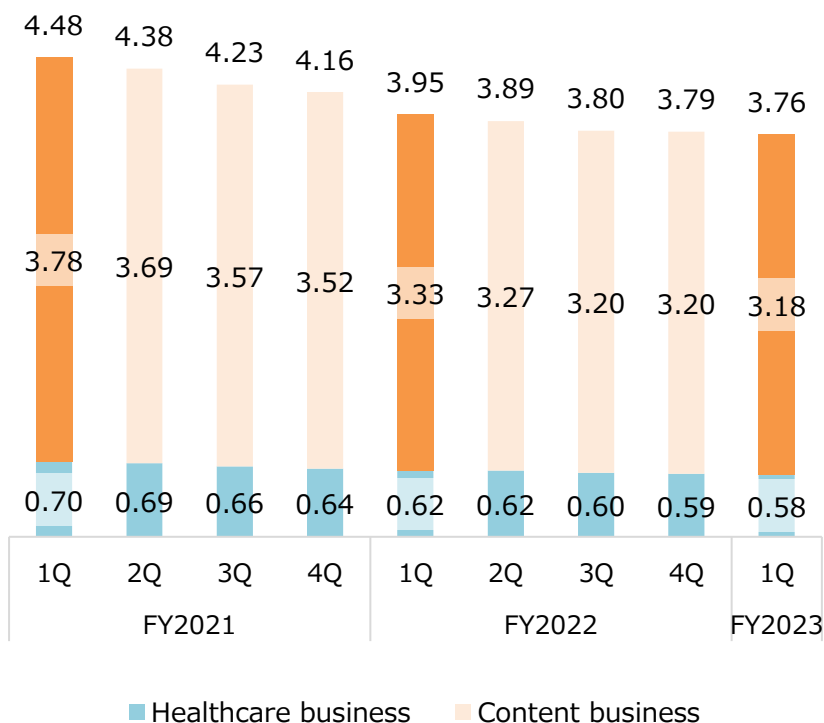
**Net sales increased,  
and the profit decreased**

- + : Posting of spot sales of the video-streaming service**
- : The number of paying subscribers decreased**

# Content business: The number of paying subscribers

## Total paying subscribers

**3.76** million subscribers

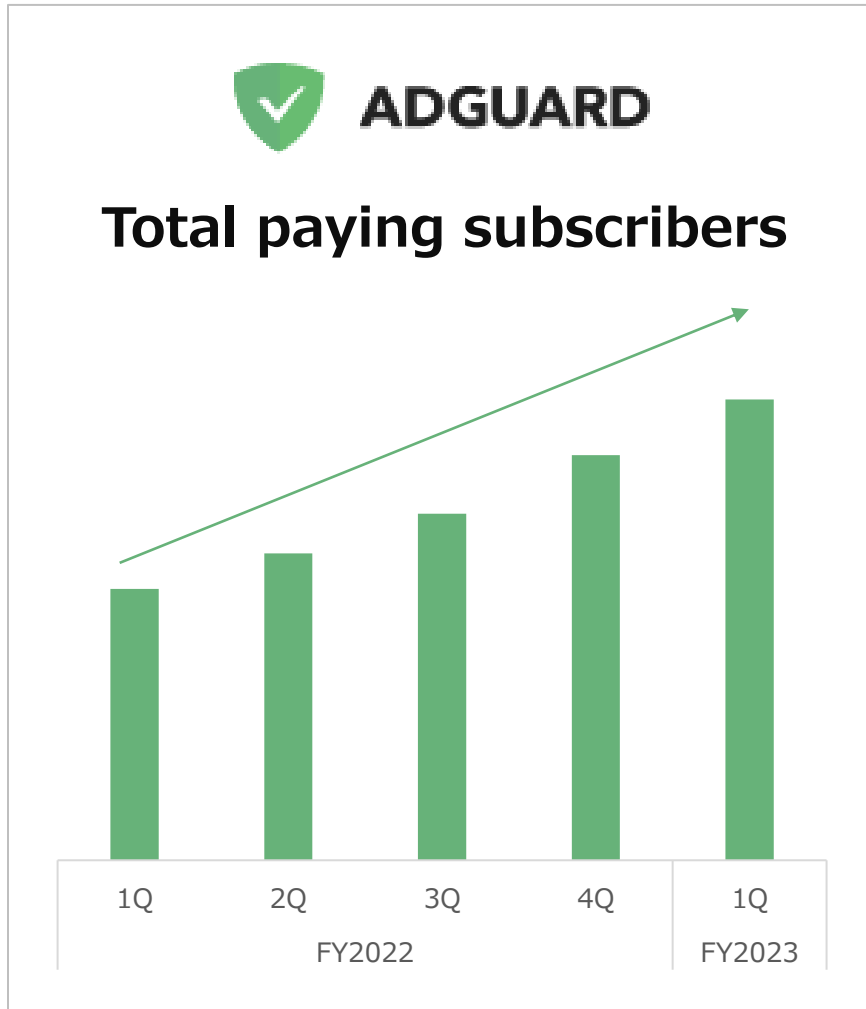


## Degree of decrease is being reduced

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

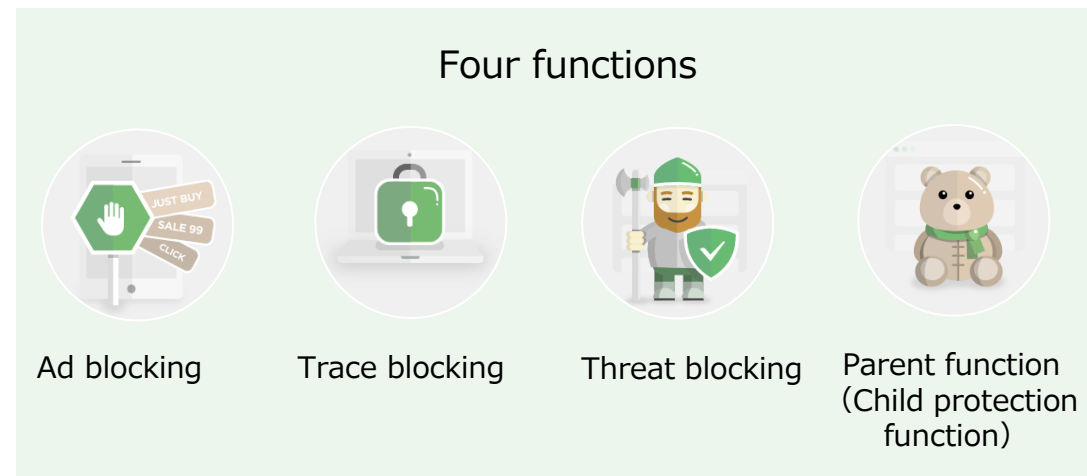
\* The number of paying subscribers are including healthcare business 'Luna-luna and 'Caradamedica' whose business model are monthly paid business above.

# Content business: Security-related app

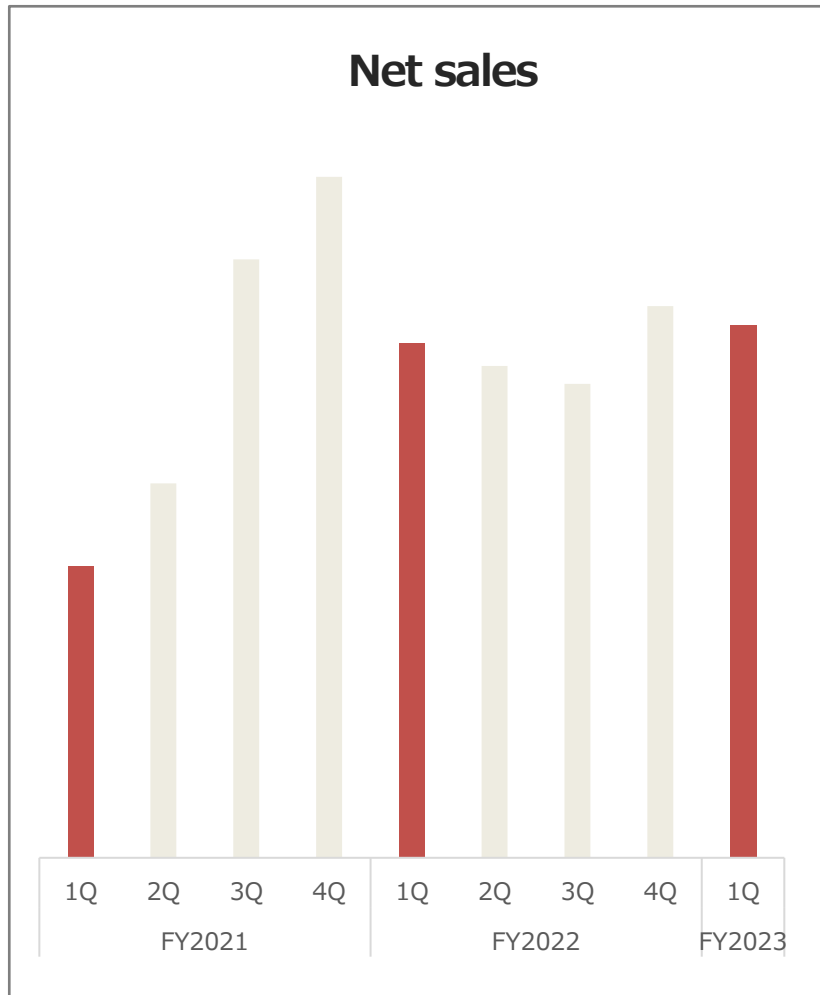


## Security-related apps are growing

Over 510 thousand people



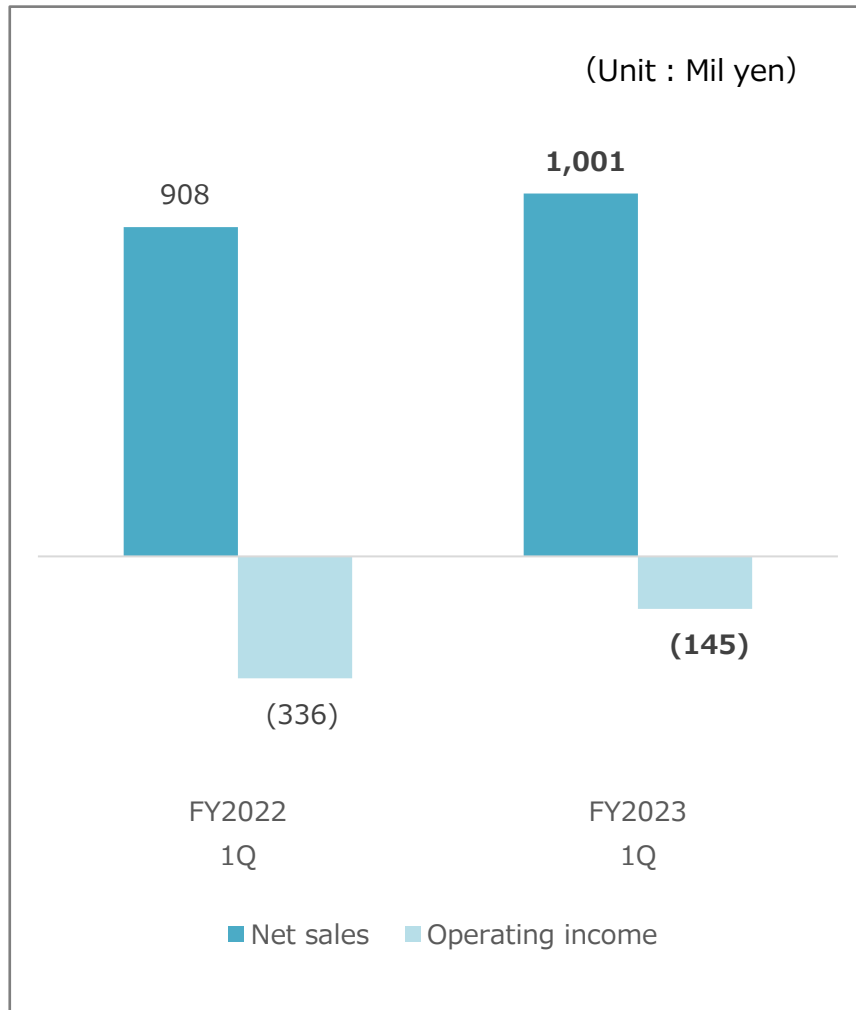
# Content business: Original comics content business



## Stable growth

The serialization of  
hit titles contributed  
Keep in comic titles introduced

# Healthcare business: Net sales and operating income



**Net sales increased,  
and the loss decreased**

**+ : Cloud drug record  
service going well**

**+ : Brisk Childcare DX  
services**

**– : The number of paying  
subscribers decreased**

# Healthcare business: The number of paying subscribers

## Healthcare paying subscribers

(LunaLuna, CARADA medica)

0.58 million subscribers

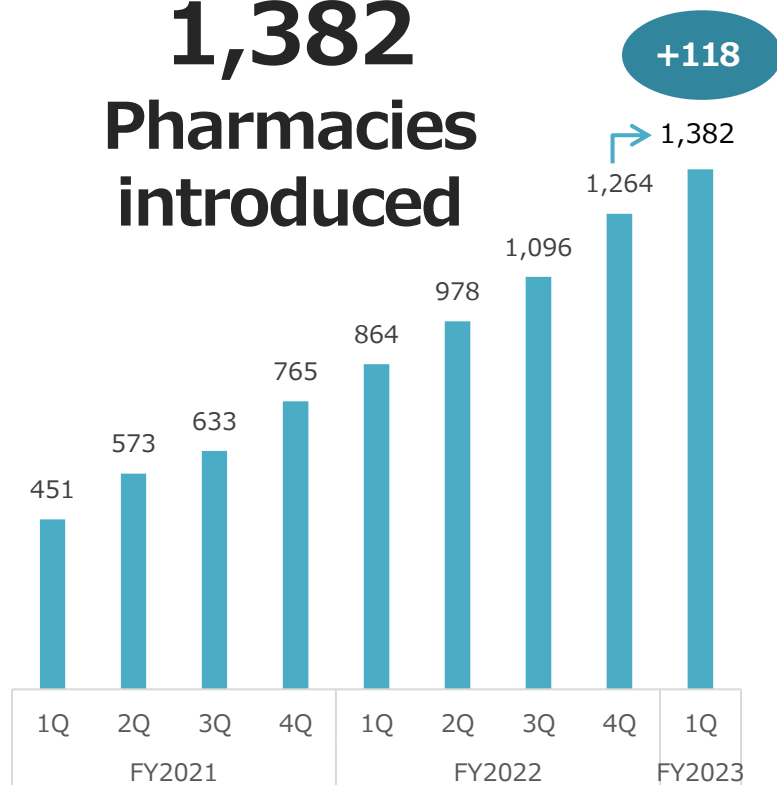


**Mostly unchanged from the previous quarter**

# Healthcare business: Cloud drug record service

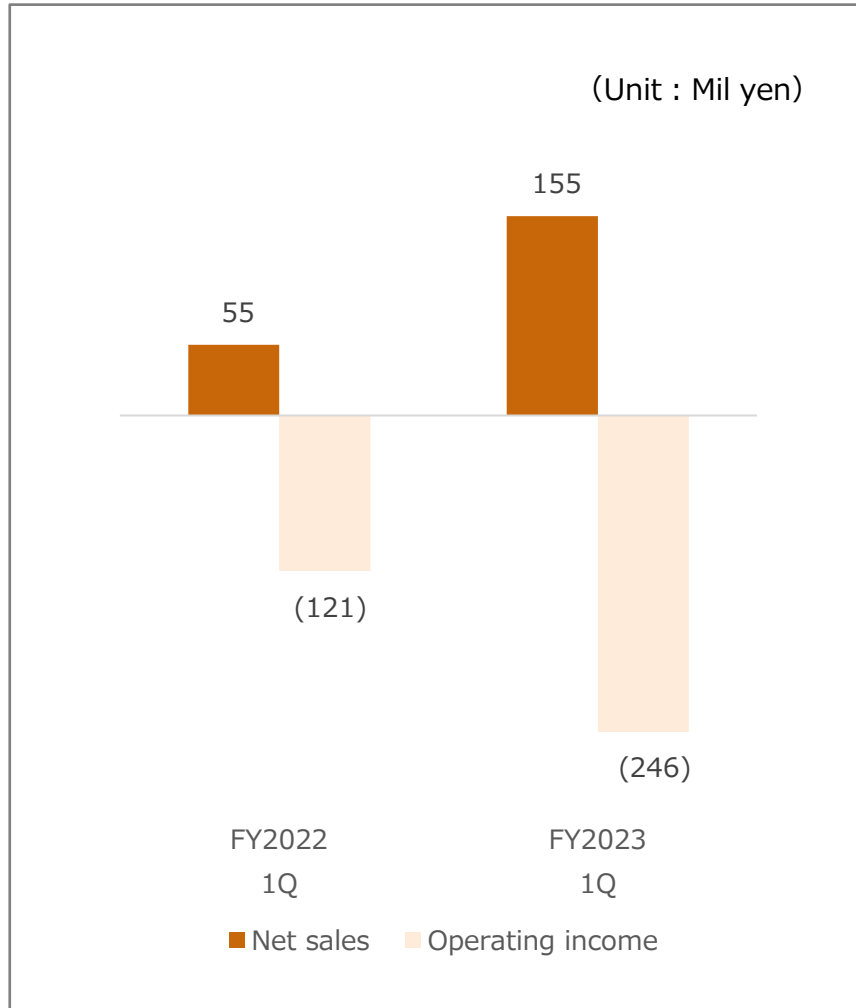
ČARADA 電子薬歴 Solamichi

**1,382**  
Pharmacies  
introduced



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

# School DX business: Net sales and operating income



## Sales expansion

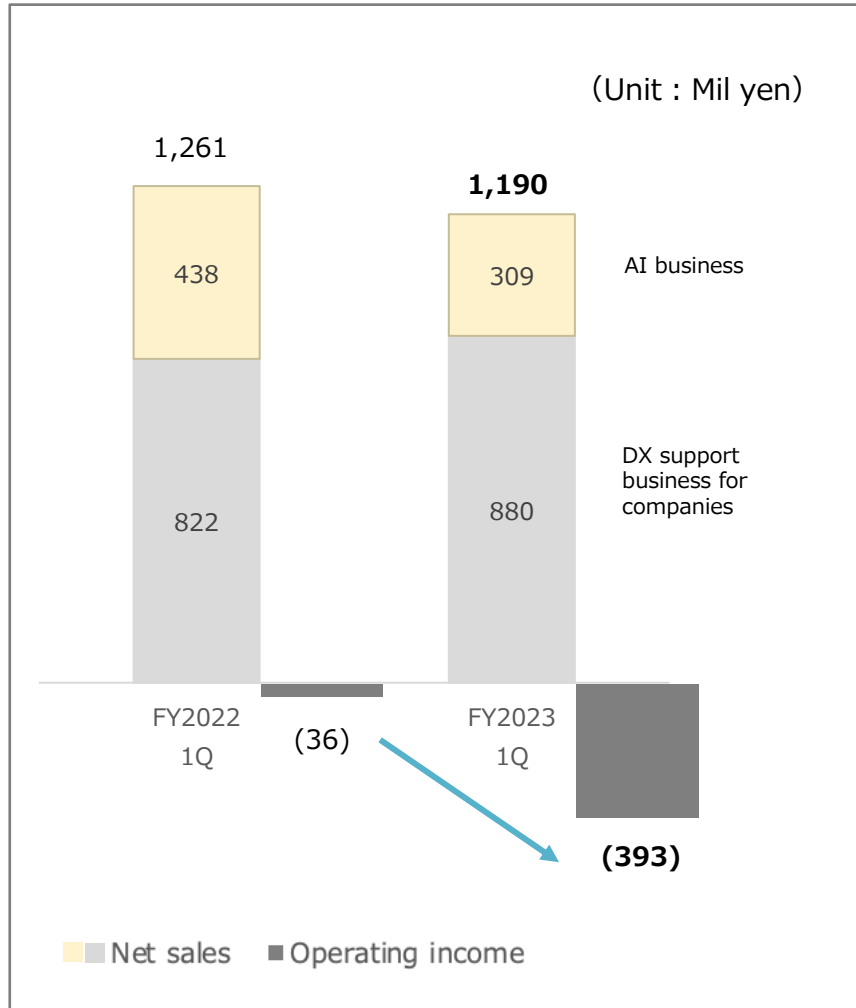
- Increase in number of schools introducing

## Operating loss

- Stricter requirements for the posting of software assets (FY2022 Q3~)
- Large-scale upfront investment to respond to a surge in orders



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



### Sales slight decreased

- AI business

### Operating loss

- Responded to loss-making projects in part of the DX support business for major companies

# Progress for earnings forecast of H1

## Earnings forecast remains unchanged

(Unit : Mil yen)

	FY2023 Q1 Actual	FY2023 H1 Forecast	Progress ratio
Net sales	7,080	12,700	56%
Operating income	(61)	200	-%
Ordinary income	(88)	0	-%
Profit attributable to owners of parent	(590)	(740)	-%

## **Approach in Q2 and beyond**

# Basic policies and priority issues for FY2023

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## 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

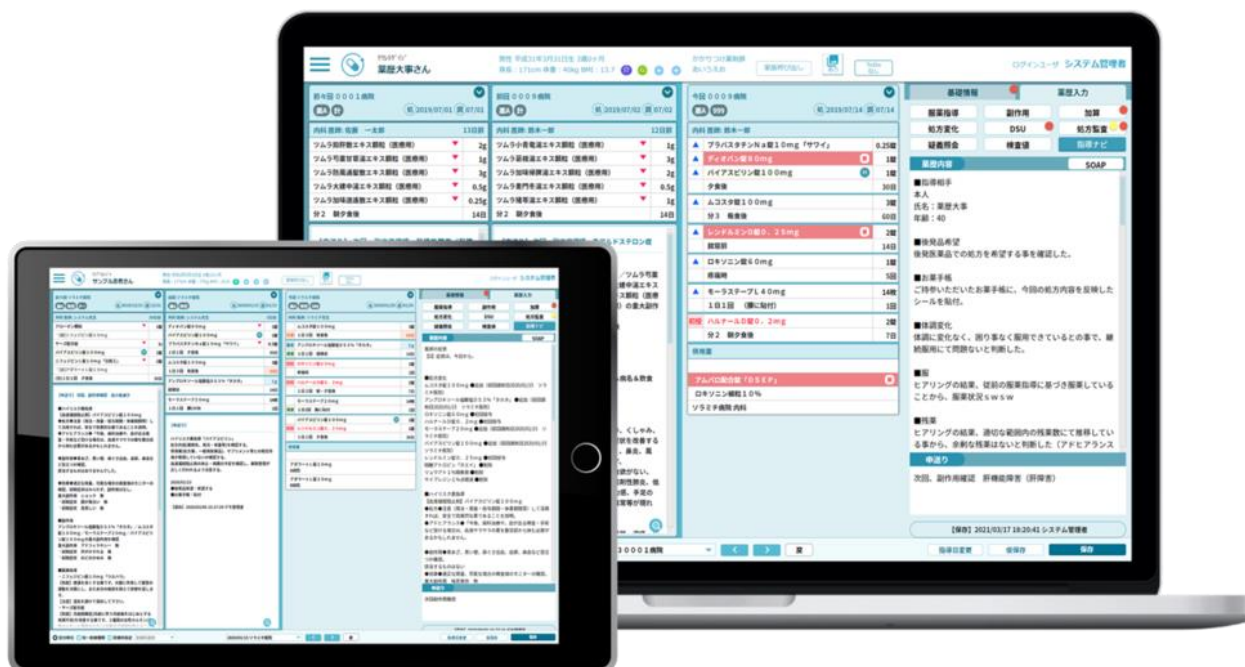
- ① AI business expansion
- ② DX support business expansion

# Healthcare business: Cloud drug record service

Connecting pharmacies and patients

## Cloud drug record service

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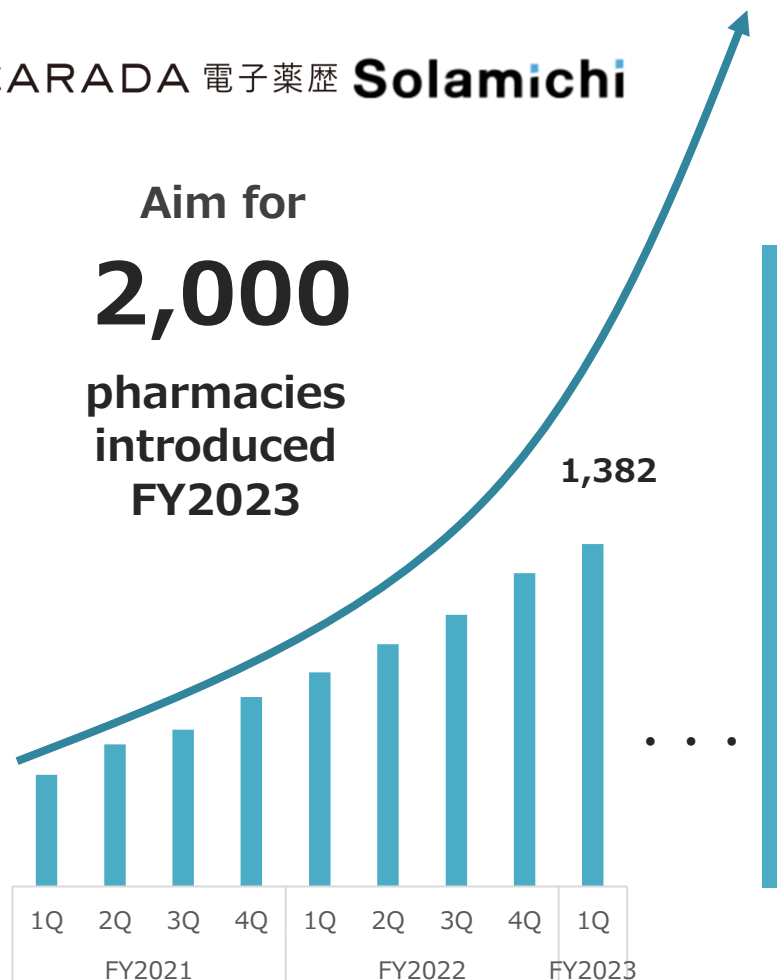


# Healthcare business: Cloud drug record service

## Continuing to strengthen cooperation in sales and to reinforce function development

CARADA 電子薬歴 Solamichi

Aim for  
**2,000**  
pharmacies  
introduced  
FY2023



### ① Continuing to strengthen cooperation in sales

- Collaboration with a major prescription pharmaceutical wholesaler



MEDIPAL HOLDINGS CORPORATION

⇒ Sharing more sales information and improving efficiency



### ② Continuing to strengthen function development for differentiation

- Connecting the drug histories possessed by different pharmacies
- Home care and nursing functions
- Additive Logic, Guidance Navigation
- Planning to add electronic prescriptions and other functions as needed

# 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

### Phase1 Maternal health record book app

### Phase2 Online consultation

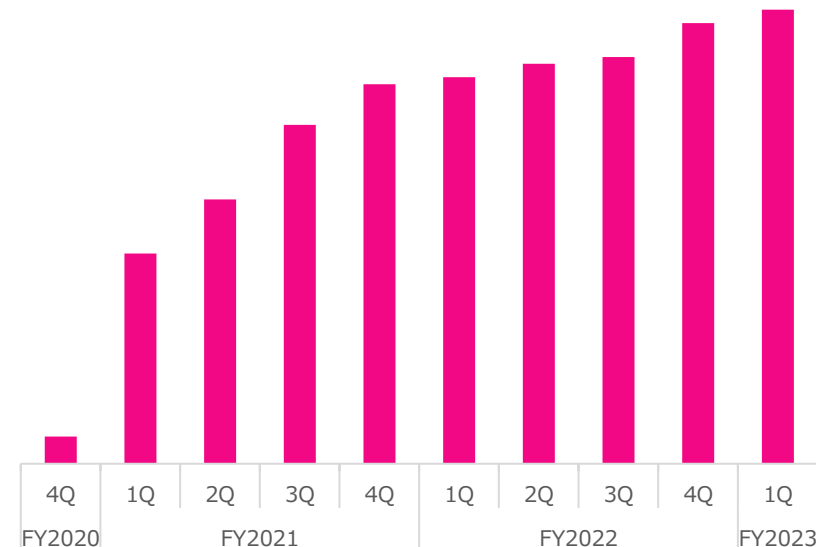


As of December, 2022 **510**  
YOY **+81**



**67**

As of December, 2022





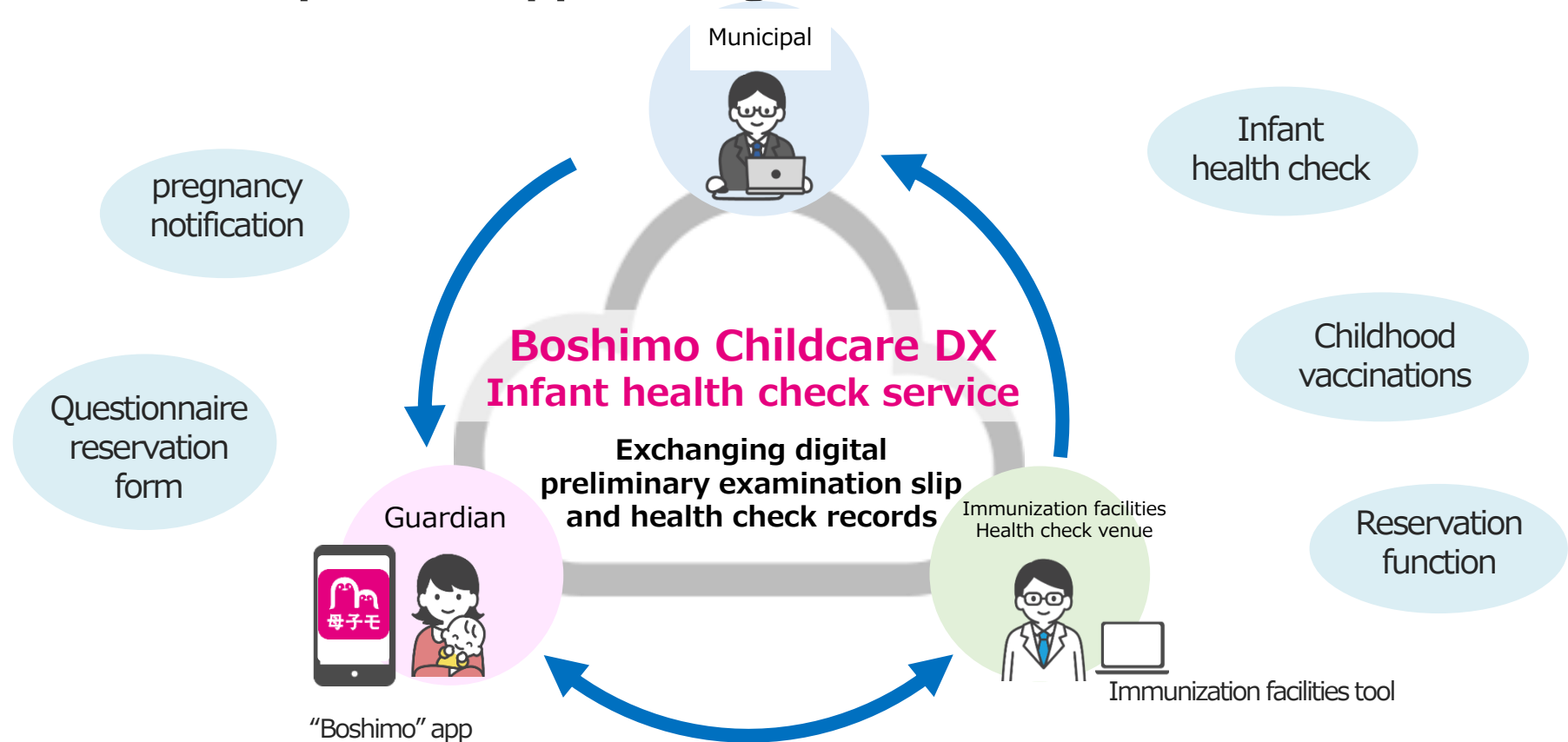
## Healthcare business:

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

Phase 3 : Childcare DX services

Orders received including those from ordinance designated cities and prefectural capitals are expanding.

The Ministry of Health, Labor and Welfare's "Accompanied Support Program" serves as a tailwind.



# School DX business

Connecting students and teachers

## Cloud-based school affairs support system

# BLEND

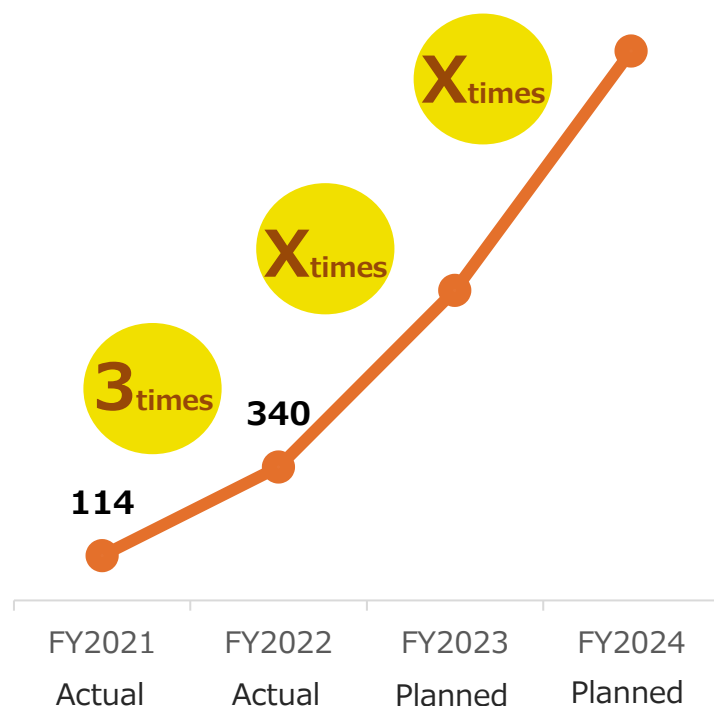


# School DX business

**BLEND**

Cloud-based school affairs support system

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



## Brisk in orders received

- Orders received due to the strengthening of direct sales are expanding
- Development of a new version to respond to a sharp increase in demand

# Original comics, Brisk January

**TV dramatization of two blockbuster hits  
(Growth in the number of downloads due to increased recognition)**



# 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

(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%		



〈Contact us〉

Investor Relations Office

e-mail: [ir@mti.co.jp](mailto:ir@mti.co.jp)

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# Appendix

# Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2022	FY2023-Q1	Change		FY2022	FY2023-Q1	Change
Current assets	18,778	18,915	+137	Current liabilities	6,386	7,637	+1,250
Cash and deposits	12,097	12,623	+525	Account payable-trade	1,068	1,711	+642
Notes and accounts receivable - trade, and contract assets	4,294	4,709	+414	Current portion of long-term borrowings	751	751	0
Other	2,420	1,616	(803)	Account payable-other	1,221	1,426	+205
Allowance for doubtful accounts	(34)	(33)	+0	Income taxes payable	19	544	+525
				Contract liabilities	2,356	2,150	(206)
				Other	968	845	(123)
Non-current assets	10,487	10,364	(122)	Non-current liabilities	5,001	4,859	(141)
Property, plant and equipment	193	203	+10	Long-term borrowings	3,178	2,990	(187)
Intangible assets	3,790	3,714	(76)	Retirement benefit liability	1,816	1,861	+45
Software	2,058	2,127	+68	Other	7	7	(0)
Goodwill	655	586	(69)	Total liabilities	11,387	12,496	+1,108
Customer-related assets	912	807	(105)	Shareholders' equity	13,954	12,937	(1,016)
Investments and other assets	6,503	6,447	(56)	Share capital	5,218	5,218	-
Investment securities	3,675	3,667	(8)	Capital surplus	6,768	6,782	+13
Leasehold and guarantee deposits	337	330	(7)	Retained earning	5,224	4,193	(1,030)
Deferred tax assets	2,394	2,359	(35)	Treasury shares	(3,257)	(3,257)	-
				Accumulated other comprehensive income	111	118	+7
				Subscription rights to shares	110	109	(1)
				Non-controlling interests	3,701	3,617	(83)
				Total net assets	17,877	16,783	(1,094)
Total assets	29,265	29,280	+14	Total liabilities and net assets	29,265	29,280	+14

# Trends in consolidated P/L

(Unit : Mil yen)

	FY2021				FY2022				FY2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>Net sales</b>	6,304	6,742	6,457	6,238	6,551	6,424	6,378	7,125	7,080
<b>Cost of sales</b>	1,593	1,826	1,728	1,853	1,895	1,919	1,941	2,031	2,538
<b>Gross profit</b>	4,711	4,916	4,728	4,385	4,656	4,504	4,437	5,093	4,542
(Ratio)	74.7%	72.9%	73.2%	70.3%	71.1%	70.1%	69.6%	71.5%	64.1%
<b>SG&amp;A</b>	4,157	4,237	4,164	4,251	4,204	4,356	4,613	4,645	4,603
<b>Operating income</b>	553	678	563	133	451	147	(176)	447	(61)
(ratio)	8.8%	10.1%	8.7%	2.1%	6.9%	2.3%	-	6.3%	-
<b>Ordinary income</b>	495	345	428	101	395	(102)	(204)	397	(88)
(Ratio)	7.9%	5.1%	6.6%	1.6%	6.0%	-	-	5.6%	-
<b>Profit attributable to owners of parent</b>	220	(1,637)	322	(69)	252	(129)	(211)	(841)	(590)
(Ratio)	3.5%	-	5.0%	-	3.9%	-	-	-	-

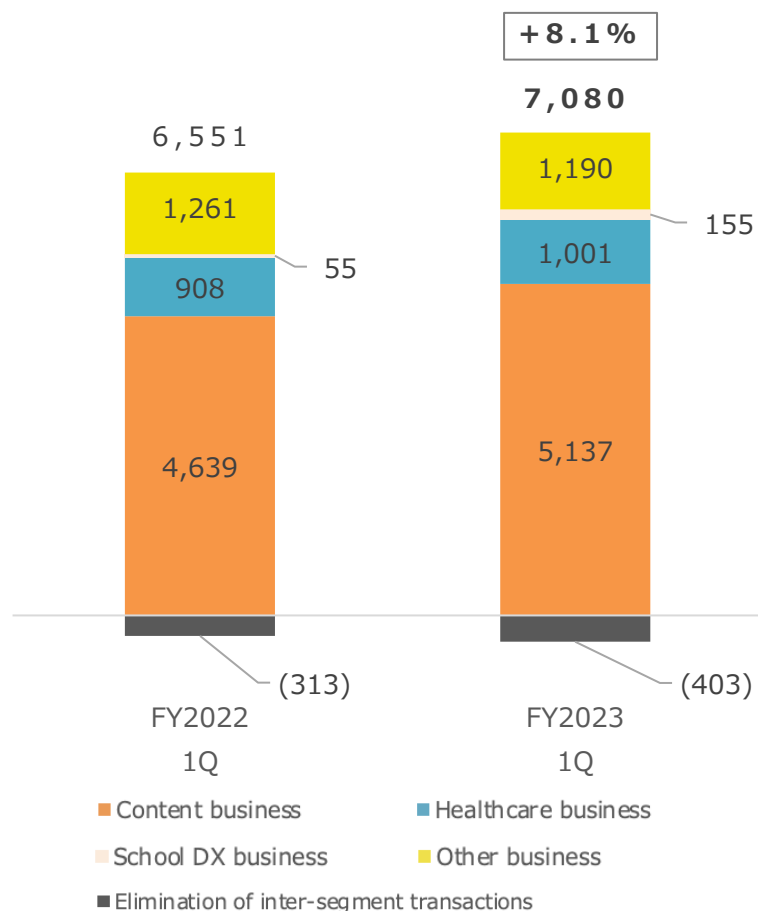
# Trends in consolidated SG&A

(Unit : Mil yen)

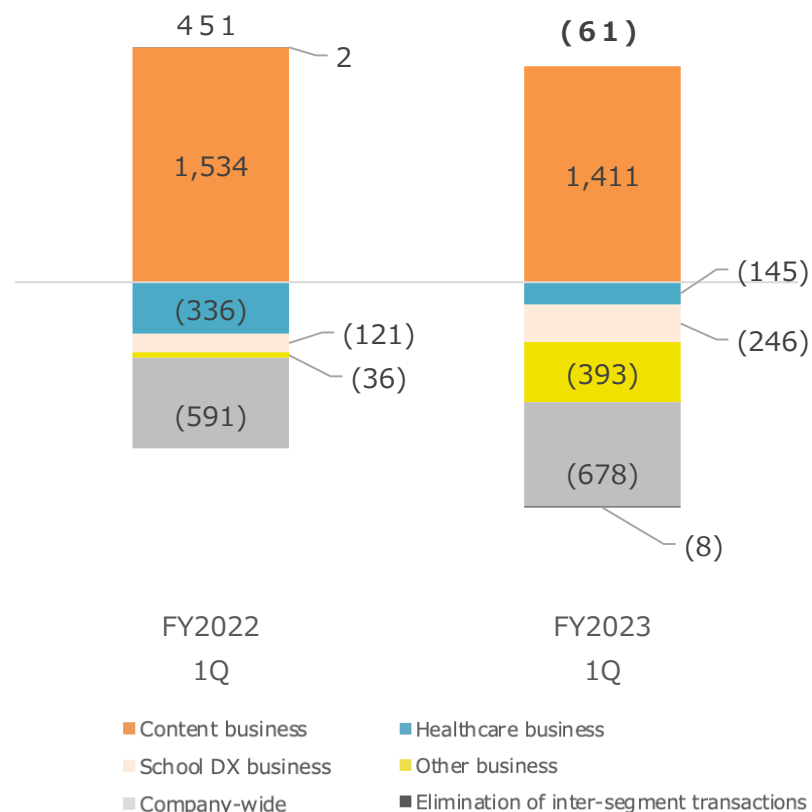
	FY2021				FY2022				FY2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<b>SG&amp;A</b>	4,157	4,237	4,164	4,251	4,204	4,356	4,613	4,645	4,603
Advertising expense	337	373	393	413	360	397	379	442	479
Personnel expenses	1,743	1,700	1,808	1,847	1,912	1,923	1,950	1,932	1,989
Commission fee	789	785	777	806	753	785	777	778	746
Subcontract expenses	441	445	452	464	440	445	657	593	549
Depreciation	272	312	261	286	303	330	358	360	289
Other	573	620	472	434	435	473	490	537	549

# Performance by segment

## Net sales



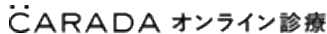



## Operating income

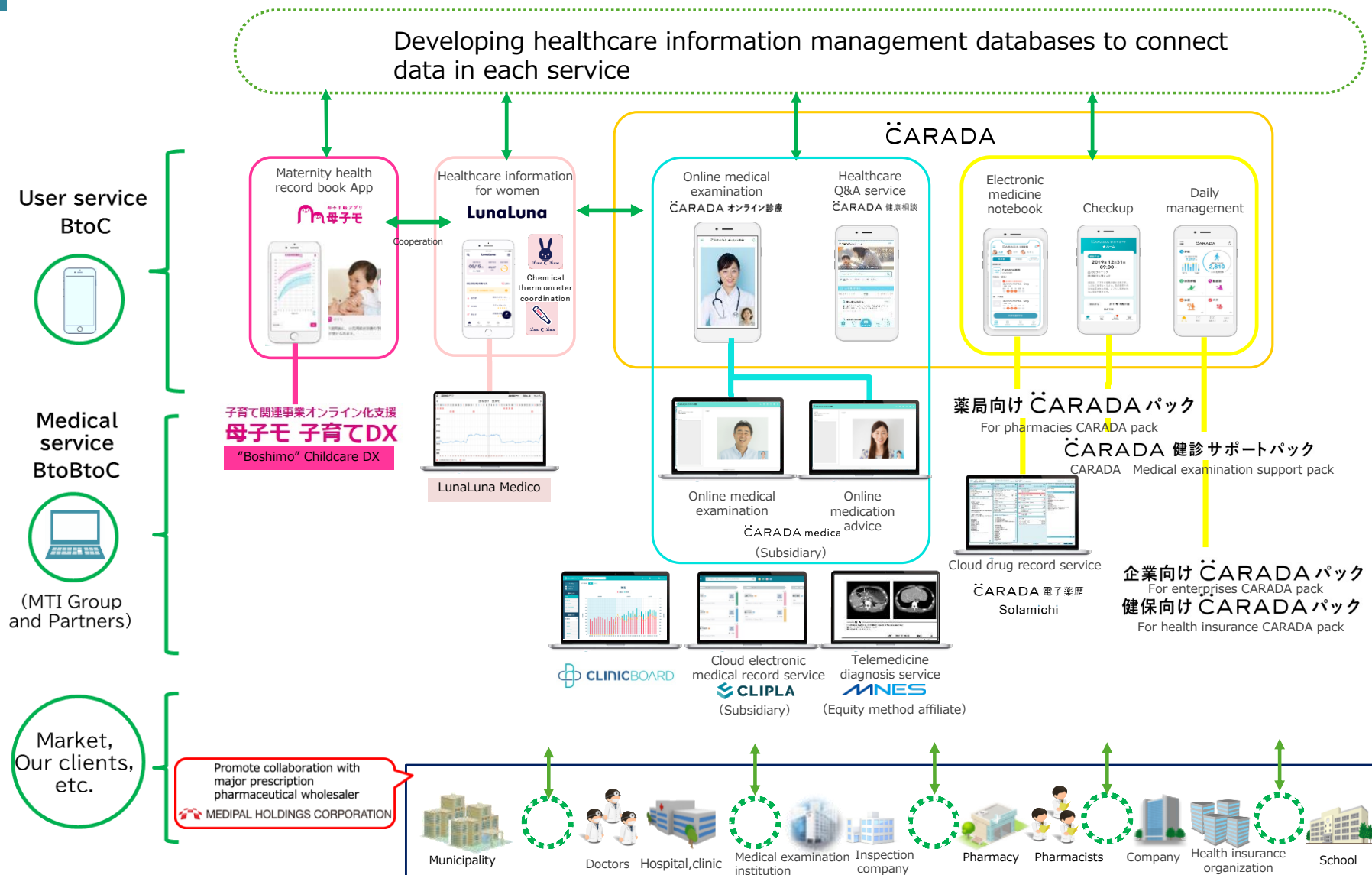


# The list of main healthcare services

Figures are the actual as of end of December 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 510 of 1,741 municipalities nationwide.
<b>LunaLuna</b>	Healthcare info service for women. Forecasting menstrual day & ovulation day.	BtoC. Over 18 million DL cumulative.(Free APP) More than 500 thousand people have registered for "Pill mode". 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.
<b>CARADA</b>	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 1,382 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

CARADA 電子薬歴 Solamichi



**1,382** pharmacies introduced  
December 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

Spot type

+

Stock type

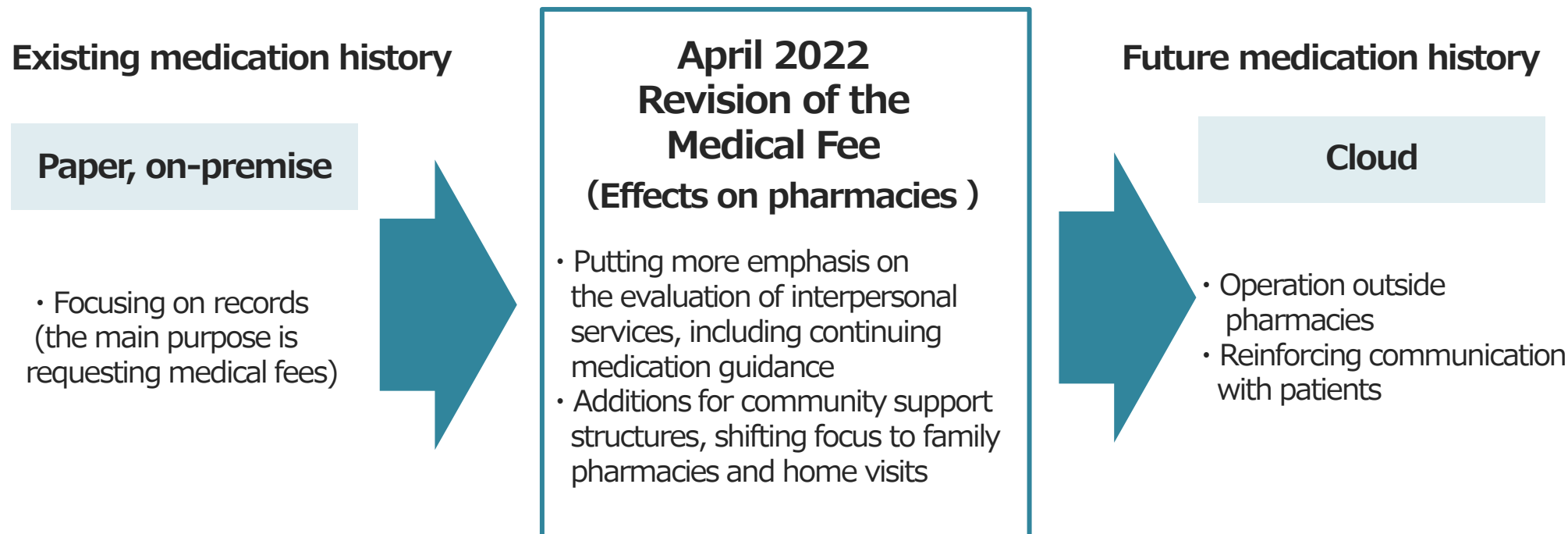
Initial cost for  
introduction

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.



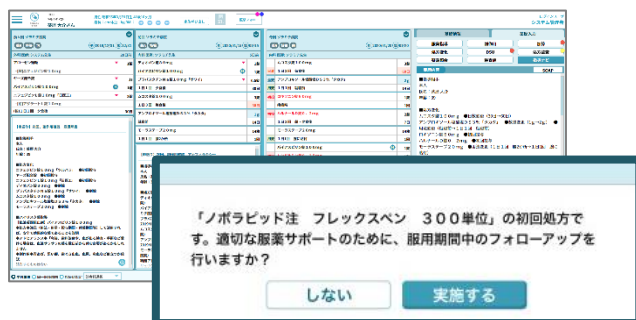
**Demand for cloud drug record that has a wealth of medication advice and medication follow-up functions will increase.**

# 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

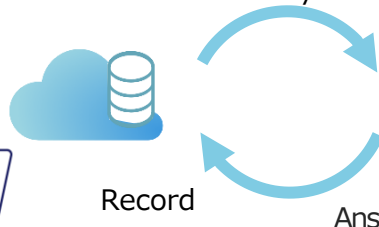


After drugs are delivered...


Are you taking medicine?

Proposing follow-up services automatically

Follow



## ② strengthening cooperation in sales

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

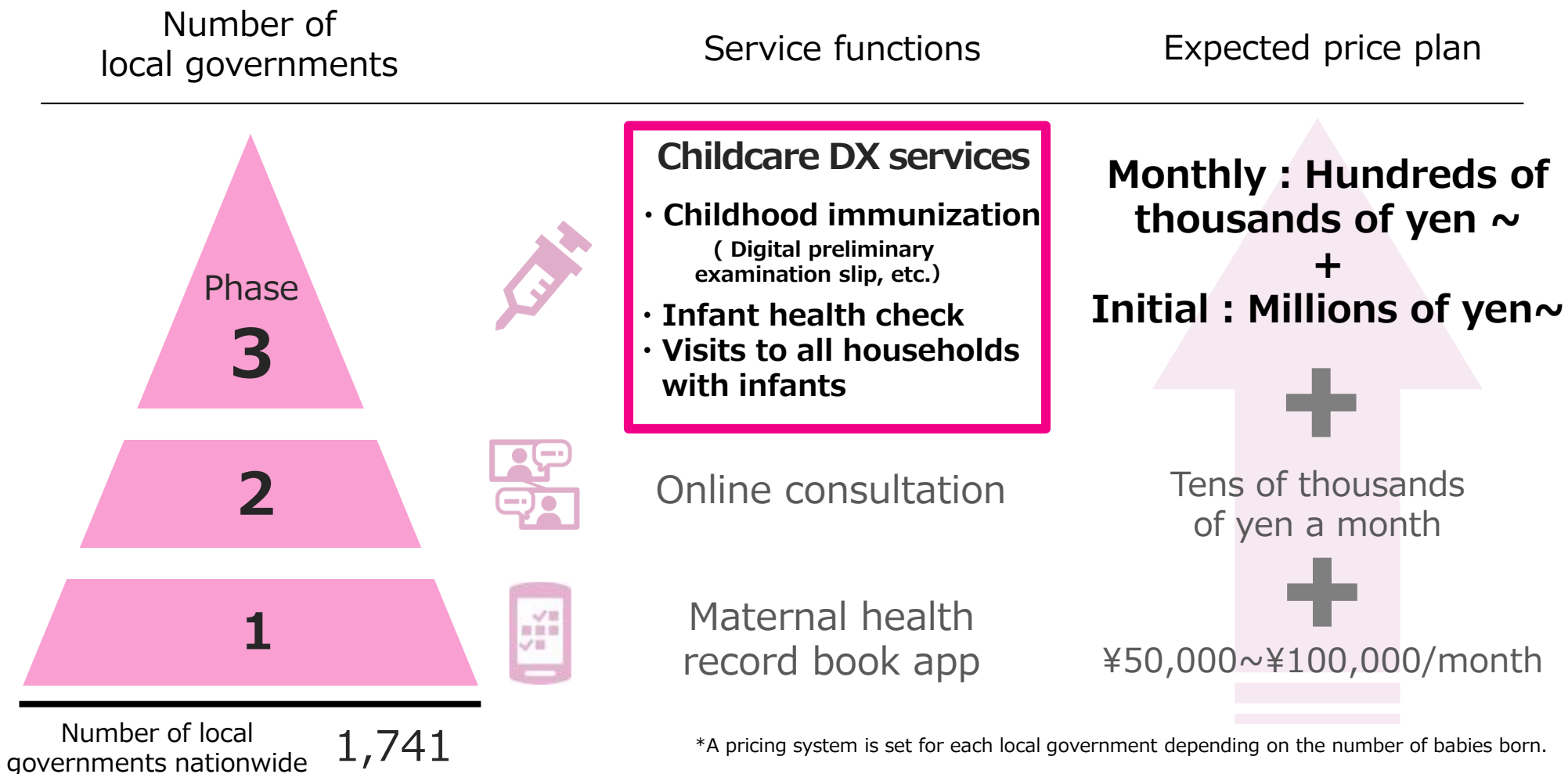
⇒ Sharing more sales information and improving efficiency



- 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



\*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·Birth**

- Pregnancy health records
- Weight graph during pregnancy

**Infancy**

- Vaccination management
- Infant health checkup records

**Childhood**

- Parenting
- 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



## BLEND



Attendance  
management



Grade  
management



Form  
management



Learning  
management



Student  
information



Student  
memo



Office  
management



Health care



Entrance exam  
management



External  
mock test



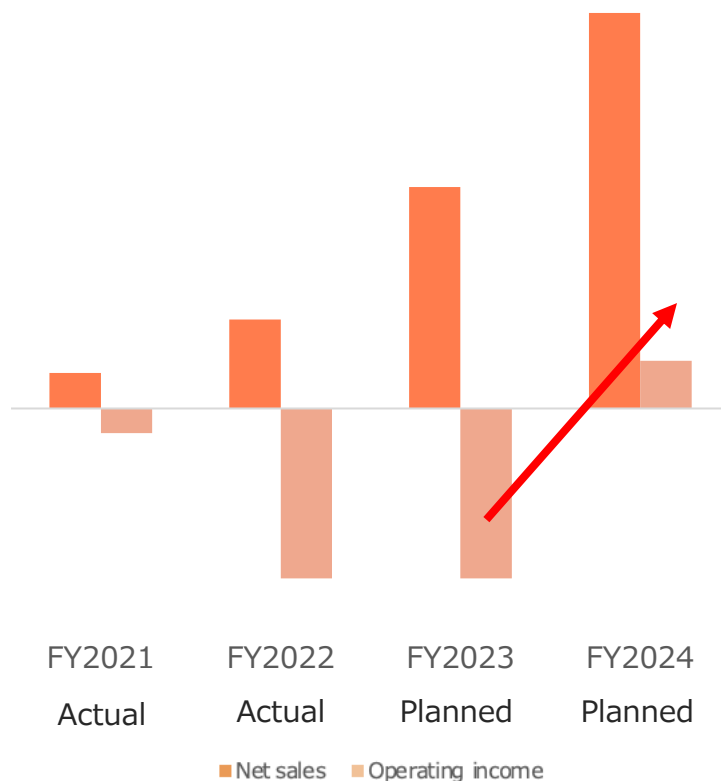
# School DX business

**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

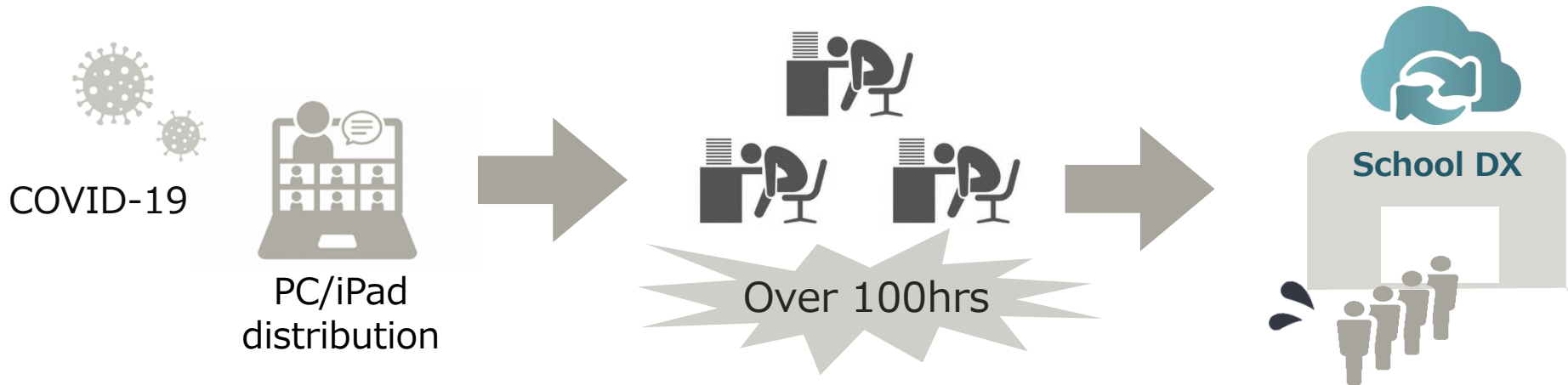
# School DX business

**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〉

Investor Relations Office

e-mail: [ir@mti.co.jp](mailto:ir@mti.co.jp)

<https://ir.mti.co.jp/eng/>