

## Financial Results Briefing for Q1/ 2023

February 9, 2023



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## ■ Contents

### ■ P.01 Financial Results Overview for Q1

- 02 Financial highlight
- 03 Consolidated P/L
- 04 Consolidated SG&A
- 06 Performance by segment
- 16 Progress for earnings forecast of H1

### ■ P.17 Approach in Q2 and beyond

- 18 Basic policies and priority issues for FY2023
- 19 Cloud drug record service
- 21 Maternal health record book app + Childcare DX services
- 25 School DX business
- 27 Content business
- 28 Image of medium-term profit
- 29 Earnings forecast for FY2023

## **Financial Results Overview for Q1 FY2023**

I would now like to give you an overview of the results for the first quarter of the fiscal year ending September 2023.

## 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.

Here are the financial highlights.

Consolidated net sales increased year on year to 7,081 million yen, and the operating loss was 61 million yen.

Loss attributable to owners of parent came to 591 million yen.

The progress rate of net sales compared to the earnings forecast for the first half was 56%, remaining within the forecast range. Operating income remains below the first half forecast of 200 million yen, a loss of 61 million yen.

In terms of major achievements and initiatives in the first quarter under review, the content business, the healthcare business and the school DX business remained strong.

In other business, profitability has been deteriorating in some of the DX support businesses for companies, and we are taking measures to resolve the situation.

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

## 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

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3

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

Net sales increased 8.1% year on year to 7,081 million yen.

In the content business, net sales increased overall due to strong video sales at the consolidated subsidiary, Video Market Corporation, and the steady performance of original comics and security-related applications, as well as strong results in the healthcare business and school DX business.

Gross profit declined 2.5% year on year to 4,542 million yen, mainly due to an increase in the cost of sales of some DX support businesses for companies.

Operating income and ordinary income posted losses of 61 million yen and 89 million yen, respectively, mainly due to an increase in SG&A expenses in the school DX business.

Loss attributable to owners of parent came to 591 million yen, reflecting the posting of corporate taxes associated with the transfer of shares between Group companies in the healthcare business.

## 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)

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

## (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)

Here, I will explain the posting of corporate taxes, which is the main reason for the decline in profit.

In October 2022, we transferred some of the shares we held in Boshimo Ltd., which operates a childcare DX business, to MTI Healthcare Holdings Inc., which is a joint venture with MEDIPAL HOLDINGS CORPORATION.

As a result, we posted a 1,579 million yen gain on sale of shares of subsidiaries in our non-consolidated financial results.

The settlement of accounts for both non-consolidated and consolidated results is as shown on the slide.

In the non-consolidated results, a 1,579 million yen gain on sale of shares in subsidiaries is recorded as extraordinary income, which results in corporate taxes of approximately 483 million yen.

This is a factor in the approximately 1 billion yen increase in profit.

On the other hand, this is also a factor in the 483 million yen reduction in profit in the consolidated results.

This is because the gain on sale of shares in subsidiaries in the non-consolidated results is eliminated on a consolidated basis, while it is subject to corporate taxes totaling 483 million yen in the consolidated results.

As a result, the impact on consolidated profit is a negative 483 million yen.

## 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



### School DX Business

- School DX service



### Other Business

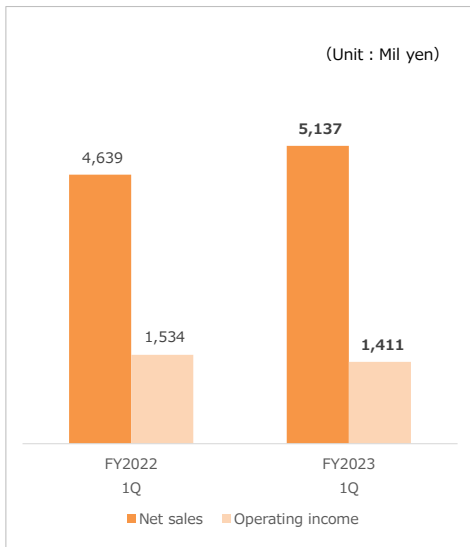
- AI business
- DX support business for companies
- Solution service for corporate



Next, I would like to discuss performance by segment.



## Content business: Net sales and operating income



### Net sales increased, and the profit decreased

+ : Posting of spot sales of the  
video-streaming service

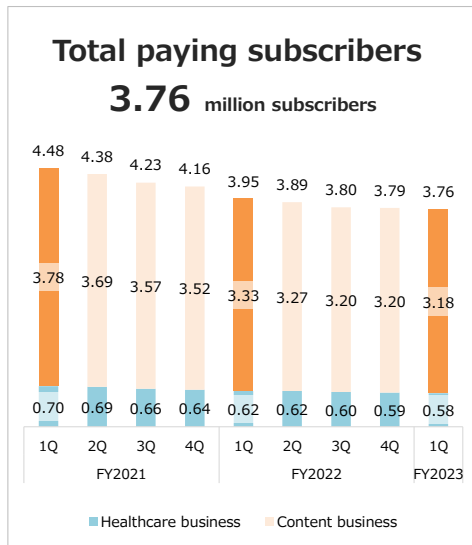
– : The number of paying  
subscribers decreased

In the content business, net sales increased and operating income declined.

Net sales increased 10.7% year on year to 5,137 million yen due to the posting of spot sales of video distribution.

Operating income decreased 8% year on year to 1,411 million yen due to an increase in SG&A expenses associated with higher advertising expenses to promote new subscriber registrations for security-related applications.

## Content business: The number of paying subscribers



**Degree of decrease is being reduced**

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

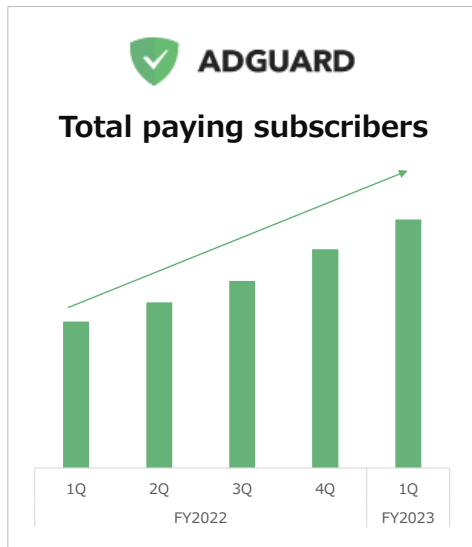
\* The number of paying subscribers are including healthcare business 'Luna-luna and 'Caradamedica' whose business model are monthly paid business above.

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As of the end of December, the number of paying subscribers stood at 3.76 million.

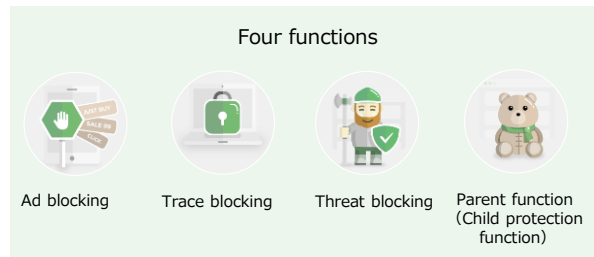
This figure is mostly unchanged from the previous quarter.

## Content business: Security-related app



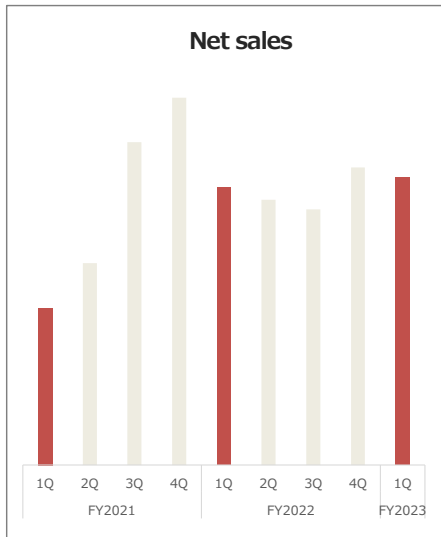
## Security-related apps are growing

Over 510 thousand people



As of the end of December, the number of paying subscribers to security related apps had grown to 510,000.

## Content business: Original comics content business

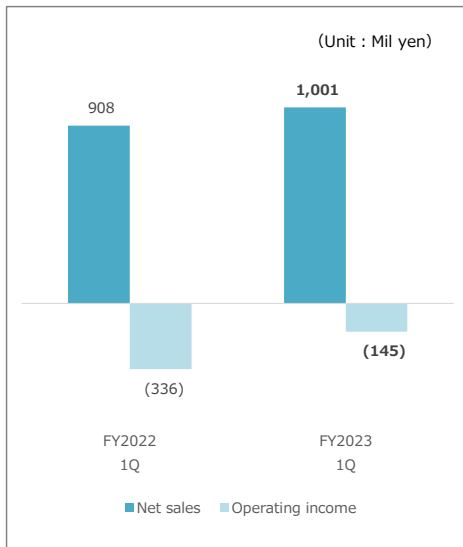


### Stable growth

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 and operating income



### Net sales increased, and the loss decreased

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

**+**: Brisk Childcare DX services

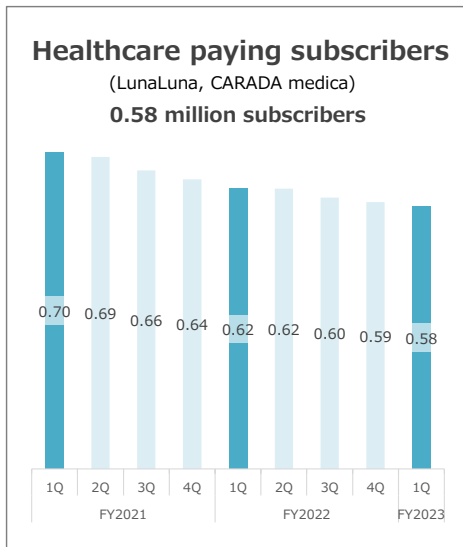
**-**: The number of paying subscribers decreased

In the healthcare business, net sales increased 10.2% year on year, to 1,001 million yen.

While the number of paying subscribers declined year on year, the cloud drug record service and the childcare DX business performed well.

As a result, the healthcare business reported an operating loss due to the continued burden of costs associated with upfront investments.

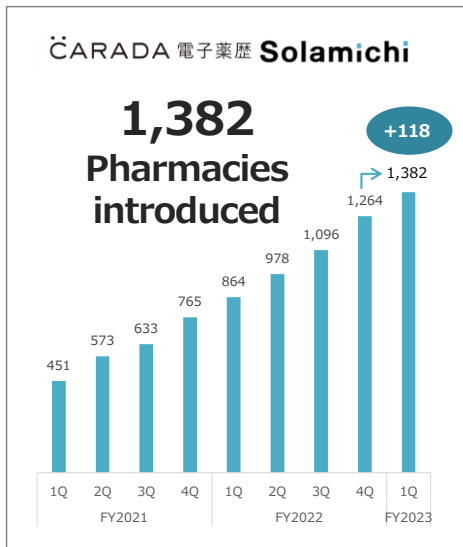
## Healthcare business: The number of paying subscribers



**Mostly unchanged from the previous quarter**

The number of paying subscribers in the healthcare business was mostly unchanged from the previous quarter at 580,000.

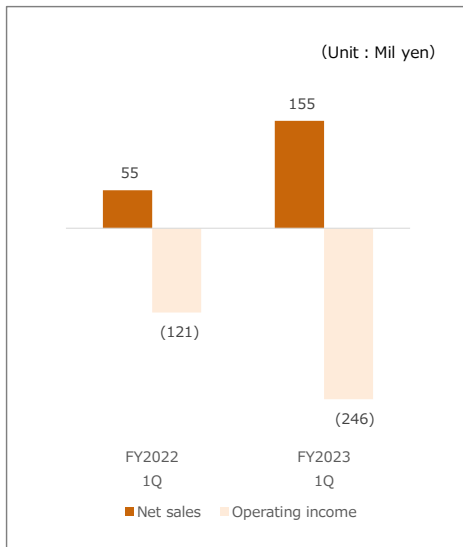
## Healthcare business: Cloud drug record service



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

The cumulative number of pharmacies that have introduced the cloud drug record service is expanding steadily, reaching 1,382 in December.

## 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

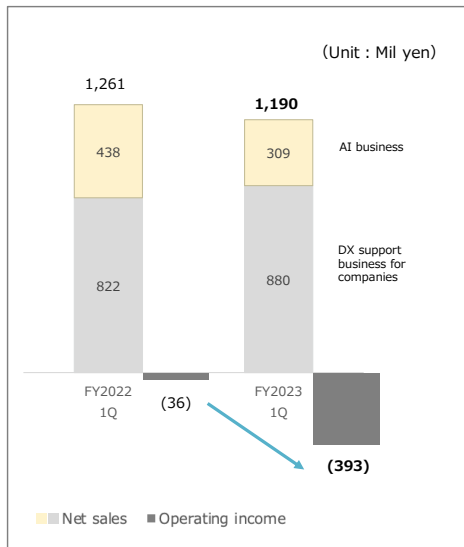
In the school DX business, net sales increased 178.5% year on year to 155 million yen.

Net sales increased sharply year on year due to the active introduction of the “BLEND” cloud-based school business support system.

The operating loss was 246 million yen due to the stricter accounting for software assets since the third quarter of the previous fiscal year and the expansion of subcontracting costs at the same level.



## 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

In other business, net sales declined 5.6% year on year to 1,190 million yen.

This was due to a decrease in the volume of orders in the AI business, despite an increase in net sales in the DX support business for companies.

Operating loss increased to 393 million yen.

This was due to a significant increase in cost of sales since the third quarter of the previous fiscal year in some of the DX support businesses for 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	<b>56%</b>
Operating income	(61)	200	<b>-%</b>
Ordinary income	(88)	0	<b>-%</b>
Profit attributable to owners of parent	(590)	(740)	<b>-%</b>

The progress rate of net sales compared to the earnings forecast for the first half remained within the forecast range.

Income remains below the forecast, but at this point, we are leaving earnings forecasts for the first half and the full year unchanged.

This concludes my consolidated financial results overview for the first quarter of fiscal year 2023.

## Approach in Q2 and beyond

Next, I would like to discuss the approach in the second quarter of fiscal year 2023 and beyond.

## 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 strive to increase orders in the AI business and DX support business and strive to resolve the deterioration of the profitability of the DX support business.

## Healthcare business: Cloud drug record service

Connecting pharmacies and patients

### Cloud drug record service

ĈARADA 電子薬歴 Solamichi



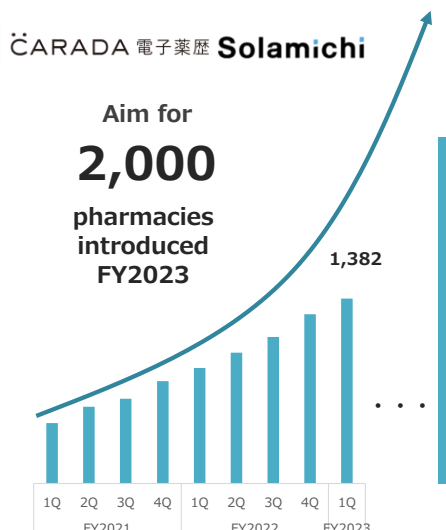
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19

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

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



#### 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

In the cloud drug record service, the number of pharmacies that have introduced dispensing pharmacies is steadily increasing.

To achieve our goal of introducing dispensing pharmacies at 2,000 pharmacies by the end of the current fiscal year, we will strengthen sales and carry out development to enhance functions.

To strengthen sales, we will continue to cooperate in sales with our business partner MEDIPAL HOLDINGS CORPORATION and improve efficiency by meticulously sharing sales information, as in the previous fiscal year.

We will also continue to strengthen the development of functions for differentiation.

Specifically, we will add or enhance functions as needed, such as functions for connecting the drug histories possessed by different pharmacies, for home nursing care, for calculations for necessary nursing hours, guidance navigation, and support for electronic prescriptions.

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

Connecting parenting households and local governments

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



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21

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



As of December, 2022 **510**

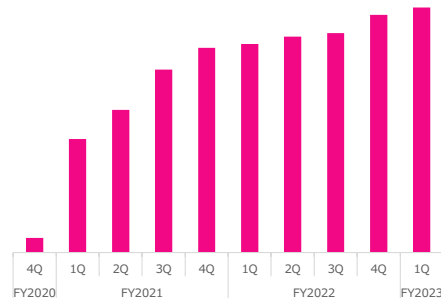
YOY **+81**



#### Phase2 Online consultation

**67**

As of December, 2022



The number of municipalities introducing "Boshimo" stood at 510 at the end of September.

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



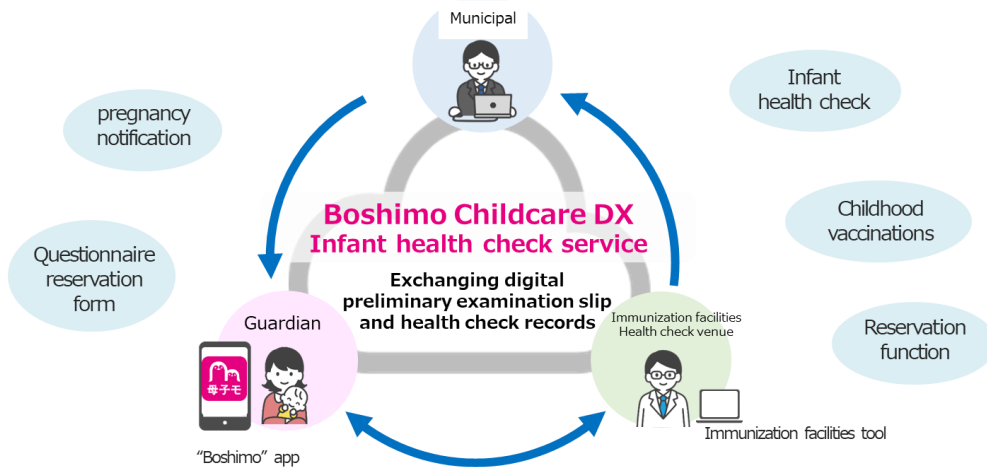
## Healthcare business:

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

Phase 3 : Childcare DX services

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.



24

The childcare DX service remains strong.

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 check, and visits to all households with infants.

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

In addition, we are carrying out a number of development projects so that we will be able to add the functions necessary for the DX of childcare by periodically interviewing municipalities that have already introduced the service.

Thanks to the success of these efforts, the Group's childcare DX business is receiving an increasing number of inquiries from municipalities nationwide, backed by the Ministry of Health, Labor and Welfare's Accompanied Support Program for childbirth and childcare, which has been a tailwind.

We would like to continue to increase the volume of orders for the childcare DX service, thereby expanding sales in this business.

## School DX business

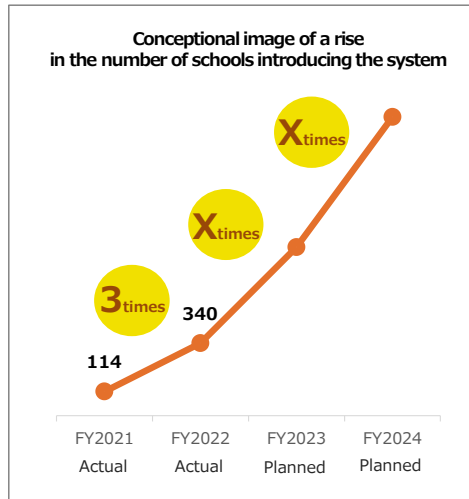
Connecting students and teachers

# Cloud-based school affairs support system

# BLEND



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



## 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

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

A new version of “BLEND” is being developed for the new school term in April 2023, and we would like to further increase the number of schools that will adopt the system this term along with the launch of the new version.

## Content business:

### Original comics, Brisk January

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



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27

In the content business, original comics continue to perform well.

Since the number of popular titles has increased, we have decided to disclose information including the names of comic titles.

Two hit titles have been dramatized on TV since January.

*Watashitte Saba Saba Shitteru Kara* began broadcasting on NHK on January 9.

*Shinyu Wa Akujo* also began broadcasting on BS TV Tokyo on January 8.

The number of downloads of these two titles has increased rapidly as the TV dramas have further increased recognition of the popular works, leading to further sales growth.

Several other titles also continue to be hits.

We will continue our efforts to expand this business by increasing the number of hit titles and developing them into TV dramas.

## 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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28

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

(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.



〈Contact us〉  
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<https://ir.mti.co.jp/eng/>

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Thank you for your time.