

## Financial Results Briefing for Q3 FY2023

August 9, 2023



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## **Financial Results Overview for Q3 FY2023**

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

## Financial highlight

### 1 Operating income decreased, profit for the period increased.

- Net sales: ¥20,113 million (+¥758 million, YoY)
- Operating income: ¥(17) million (-¥440 million, YoY)
  - ⇒ Loss-making projects in DX support business for major companies.
- Profit attributable to owners of parent: ¥495 million (+¥583 million, YoY)
  - ⇒ 873 million yen recorded as consumption tax refund (extraordinary income).

### 2 Healthcare business: Trend of contracting losses continued. School DX business: Trend of contracting losses continued. Other business: Loss-making projects in the DX support business for companies continued being handled with the aim of winding them down.

Here are the financial highlights.

Consolidated net sales reached 20,130 million yen.

The operating loss was mainly affected by the loss-making in the DX support business for companies, resulting in 17 million yen.

Profit attributable to owners of parent was primarily influenced by the recognition of special profits, amounting to 495 million yen.

Our main achievements in the first three quarters are as follows.

In the healthcare business and the school DX business, results improved as planned.

In other business, we are still dealing with loss-making projects in part of the DX support business for companies, implementing measures to resolve it within this fiscal year.

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

## Consolidated P/L

Net sales : increased

Operating income : decreased, ordinary income and profit: increased

(Unit : Mil yen)

	FY2022 Q3	FY2023 Q3	YoY		
			Amount	Percentage	
Net sales	19,354	20,113	+758	+3.9%	Q1: Posting of spot sales of the video-streaming service
Cost of sales (ratio)	5,756 29.7%	6,495 32.3%	+739	+12.8%	
Gross profit (ratio)	13,597 70.3%	13,617 67.7%	+19	+0.1%	Posting of spot cost of sales of the video-streaming service
SG&A (ratio)	13,175 68.1%	13,635 67.8%	+460	+3.5%	
Operating income (ratio)	422 2.2%	(17) (0.1)%	(440)	-%	Increase in advertising expenses (AdGuard)
Ordinary income (ratio)	87 0.5%	151 0.8%	+63	+72.4%	
Profit attributable to owners of parent (ratio)	(88) (0.5)%	495 2.5%	+583	-%	Q3: Recording of extraordinary income for consumption tax refund, etc., of 873 million yen

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

Net sales increased, operating profit decreased, but ordinary profit and profit attributable to owners of parent for the quarter both increased.

Net sales increased 3.9% year on year to 20,113 million yen.

In the content business, while the number of paying subscribers has decreased, net sales increased overall due to strong spot sales from video distribution in the subsidiary Video Market in the first quarter, as well as the successful performance of original comics and security-related applications. Additionally, the healthcare business and school DX business have been progressing well.

Gross profit remained stable year on year at 13,617 million yen, primarily due to an increase in the cost of sales of some DX support businesses for companies.

Operating income posted losses of 17 million yen, primarily due to an increase in selling and administrative expenses attributed to the rise in advertising and promotion expenses.

Profit attributable to owners of parent came to 495 million yen, due to the recognition of corporate taxes related to the stock transfer among group companies in the healthcare business in October 2022. Additionally, special profits of 873 million yen in "consumption tax refund, etc." and 237 million yen in "gain on change in equity" were recognized.

## Consolidated SG&A :

### Advertising expenses and outsourcing expenses : increased

(Unit : Mil yen)

	FY2022 Q3	FY2023 Q3	YoY	
			Amount	Percentage
SG&A	13,175	<b>13,635</b>	+460	+3.5%
Advertising expenses	1,137	<b>1,569</b>	+432	+38.0%
Personnel expenses	5,786	<b>5,929</b>	+142	+2.5%
Commission fee	2,315	<b>2,223</b>	(92)	(4.0)%
Subcontract expenses	1,542	<b>1,462</b>	(80)	(5.2)%
Depreciation	991	<b>924</b>	(67)	(6.8)%
Other	1,400	<b>1,526</b>	+125	+9.0%

● Increase in sales promotion costs for AdGuard

The breakdown of consolidated SG&A is as shown.

## Performance by segment

### 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.

LunaLuna

ママ子モ



CHARADA 電子薬歴  
Solamichi

### School DX Business

- School DX service

BLEND



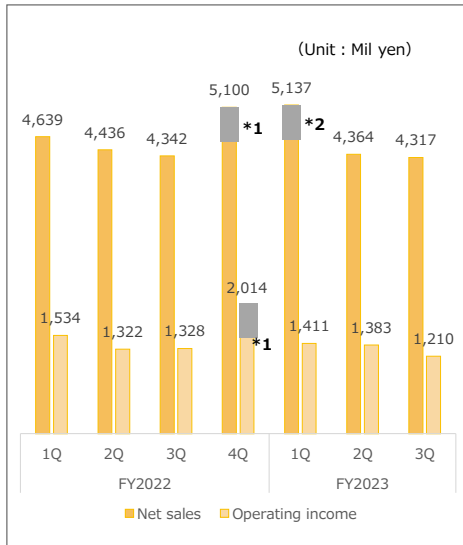
### Other Business

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



Next, I would like to explain the performance by segment.

## Content business: Net sales and operating income



QoQ

### Levelled off net sales

The number of paying subscribers remained almost unchanged.

### Operating income decreased

Advertising expense increased.

Special factors

\*1 : Net sales & Operating income 717 million yen:  
Change in treatment of consumption tax in monthly content services that award points.

\*2 : Net sales 739 million yen:  
Posting of spot sales of the video-streaming service.

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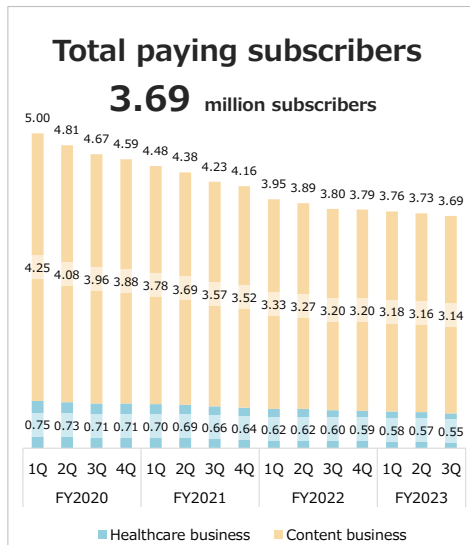
This is the quarterly trend of the content business.

Due to the paying subscribers remaining relatively unchanged, the net sales have shown a flat trend compared to the previous quarter. The net sales for the current third quarter accounting period amounted to 4,317 million yen.

Operating profit decreased to 1,210 million yen compared to the previous quarter, due to an increase in advertising and promotion expenses associated with new subscriptions of paid members.



## Content business: The number of paying subscribers



**Degree of decrease is being reduced**

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

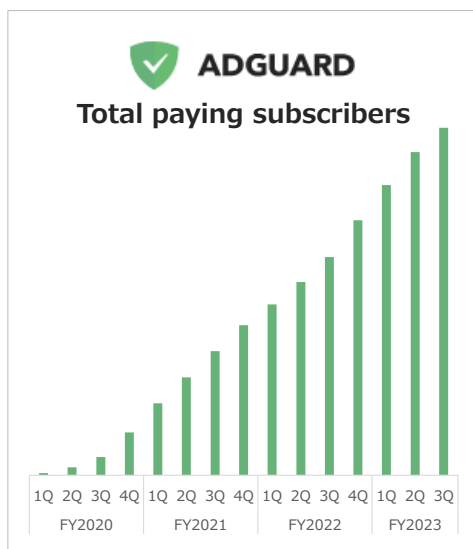
\* The number of paying subscribers are including healthcare business 'Luna-luna and 'Caradamedica' whose business model are monthly paid business above.

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The number of paying subscribers in the content business is decreasing, but the pace of decrease has become even more gradual.

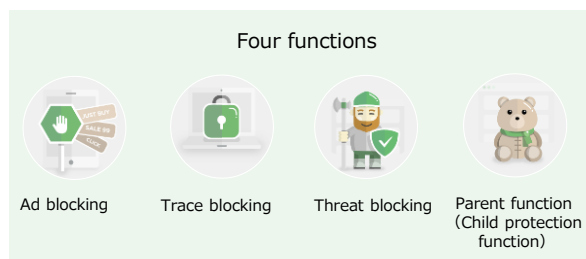
While there is an ongoing trend of contraction overall, the enrollment in security-related apps has been strong. As of the end of June, the total number of paying subscribers stood at 3.69 million. This figure is mostly unchanged from the previous quarter.

## Content business: Security-related app



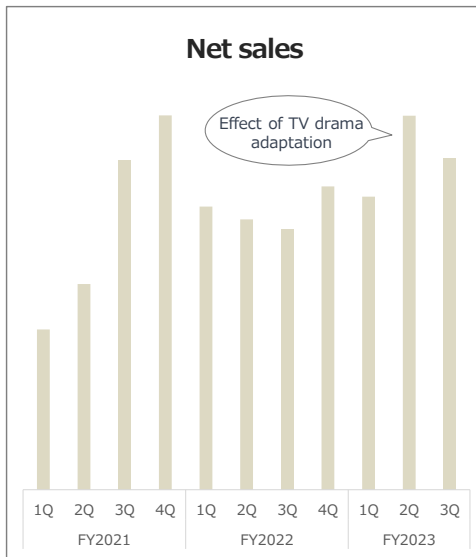
## Security-related apps are growing

Over 610 thousand people



As of the end of June, the number of paying subscribers to security-related apps had grown to 610,000.

## Content business: Original comics content business



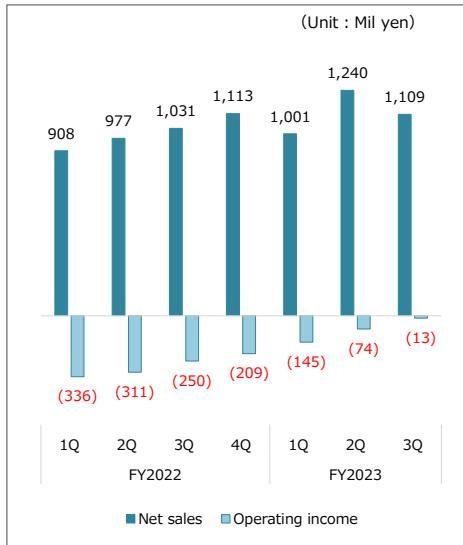
### Stable growth

- The serialization of hit titles contributed
- Keep in comic titles introduced

The original comics content business experienced a decrease in revenue compared to the second quarter due to a backlash in download numbers following the TV drama adaptation of a work in January. However, there is a trend of increased revenue over the quarters.

The stable growth is attributed to the success of multiple hit titles in serialization.

## Healthcare business: Net sales and operating income



QoQ

### Net sales increased

- Cloud drug record service (Decrease in spot sales)
- Childcare DX services (Decrease in spot sales)

### Loss decreased

In the healthcare business, although the net sales decreased compared to the previous quarter, there is a trend of reducing operating losses.

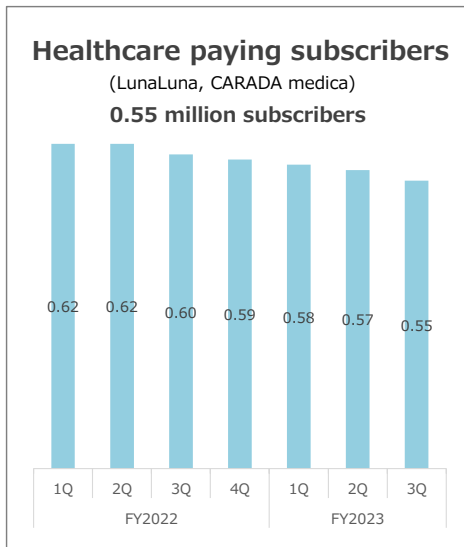
The net sales for the current third quarter accounting period reached 1,109 million yen. While there was a reactionary decrease due to the rush demand in March, the cloud drug record service is progressing well.

The childcare DX business is also performing well.

The operating loss came to 13 million yen.

Although there has been continued expense due to upfront investments, the positive effects of increased revenue and cost containment are leading to a steady progression towards profitability.

## Healthcare business: The number of paying subscribers

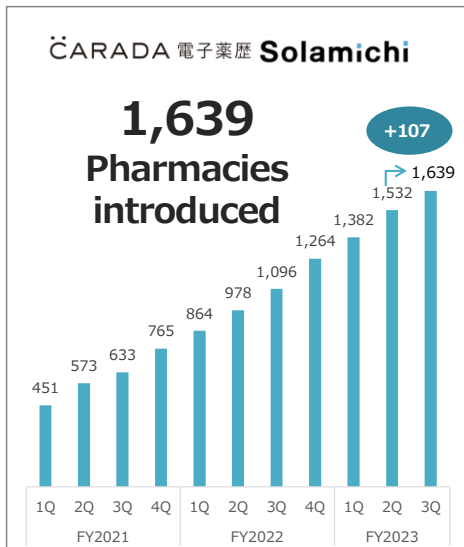


QoQ

**Mostly unchanged**

The number of paying subscribers in the healthcare business was mostly unchanged from the previous quarter at 550,000.

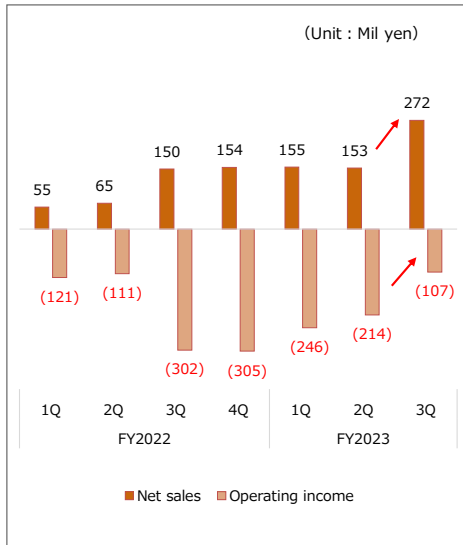
## Healthcare business: Cloud drug record service



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

The cumulative number of pharmacies that have introduced the cloud drug record service increased by 107 stores in the current third quarter, reaching a total of 1,639 stores, indicating steady expansion.

## School DX business: Net sales and operating income



QoQ

### Sales expansion

- Increase in number of schools introducing

### The operating loss improved significantly

- Effect of increased revenue

In the school DX business, the net sales for the current third quarter amounted to 272 million yen.

This increase is attributed to the rise in the number of schools introduced since April.

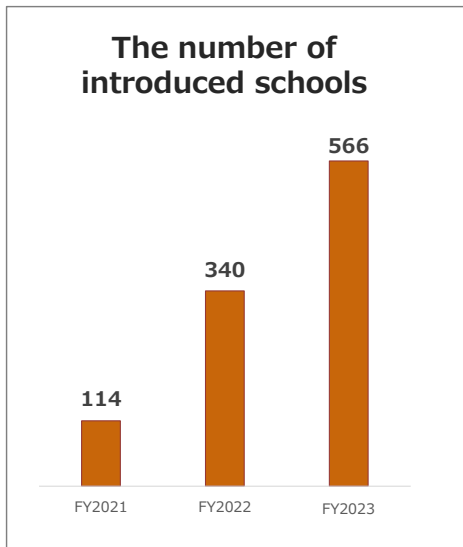
The operating loss was 170 million yen, but it improved significantly. This is because we had invested heavily to manage a sudden increase in orders compared to the same period last year.

Additionally, stricter rules for recognizing software assets led to higher outsourcing costs. As a result, our expenses had gone up. However, thanks to higher revenue and cutting development costs, the size of the loss was greatly reduced.

## School DX business

Cloud-based school affairs support system

**BLEND**



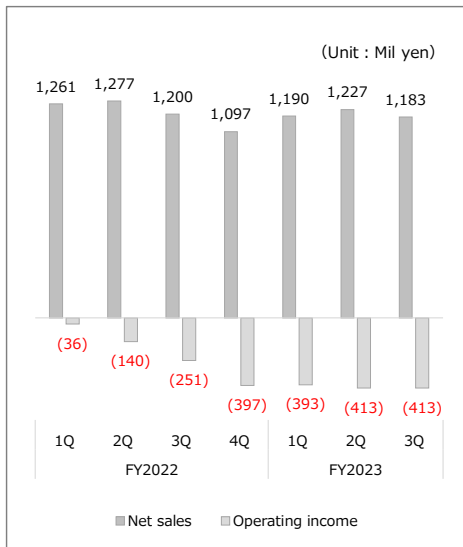
**Expansion of the number of introduced schools**

There is a growing demand for the cloud-based school administration support systems.

The number of schools adopting “BLEND” has shown strong growth, reaching 566 schools, a significant increase of 166.7% compared to the same period of the previous year, due to its successful implementation during the new school term in April.



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



### Operating loss

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

In other business, the net sales for the current third quarter reached 1,183 million yen, and the operating loss was 410 million yen.

This is primarily due to a significant increase in cost of sales in part of the DX support business for companies since the third quarter of the previous fiscal year.

We are currently working to resolve the loss-making projects in this business and aim to resolve them within the current fiscal year.

## Measures to be adopted

Next, I would like to explain measures to be adopted, going forward.

## 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 (AI,DX business): Sales growth

- ① AI business expansion
- ② Conclusion of loss-making projects in DX support business

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.

- 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 focus on expanding our AI business and addressing the loss-making projects in the DX support business.

## Healthcare business: Cloud drug record service

Connecting pharmacies and patients

### Cloud drug record service

CARADA 電子薬歴 Solamichi



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Next, I would like to explain the 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.

We will continue to strengthen our sales efforts and enhance the functionality of the service.

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.

For function enhancement, we will enable information sharing among group stores. Additionally, we will add features for at-home and caregiving use, as well as electronic prescription compatibility.

## Healthcare business: Maternal and child health handbook app + Childcare DX services

Connecting parenting households and municipalities

### Maternal and child health handbook app + Childcare DX services



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Next, I would like to explain our progress targets for the maternal and child health handbook app “Boshimo” and childcare DX services.



## Healthcare business:

Maternal and child health handbook app + Childcare DX services

### Development of the platform business starting with the maternal and child health handbook app "Boshimo"

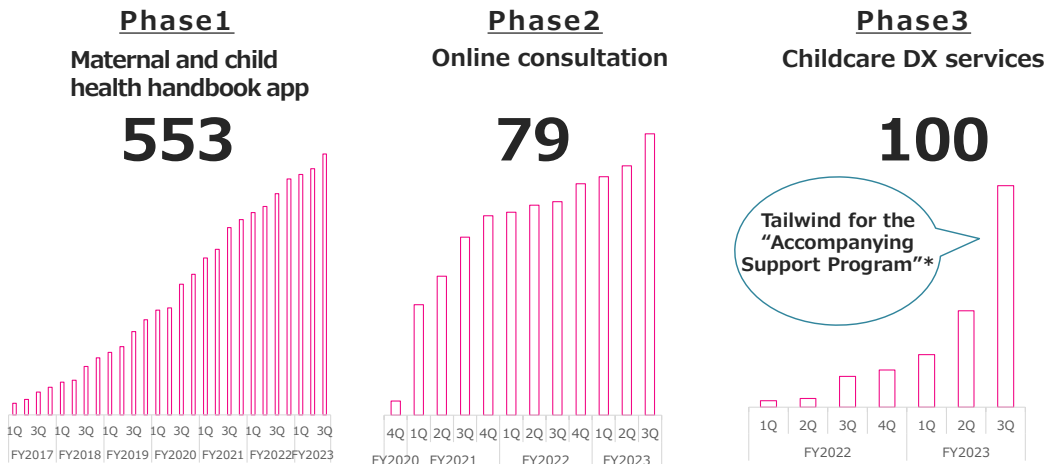
**Phase 1 : Introducing maternal and  
child health handbook app "Boshimo"**  
**Phase 2 : Online consultation**  
**Phase 3 : Childcare DX services**

In the field of childcare business, we have divided the services into phases, including the maternal and child health handbook app "Boshimo," online consultations, and childcare DX services, and are expanding our service offerings.



## Healthcare business: Maternal and child health handbook app + Childcare DX services

### Accelerated introduction of childcare DX services at municipalities using "Boshimo"



\* Policy initiated by the Ministry of Health, Labour and Welfare in January 2023. Transferred to "Children and Families Agency" from April 1.

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Among the 1,741 municipalities nationwide, the number of municipalities that have introduced the "Boshimo" app reached 553 as of the end of June. "Boshimo" has become the standard maternal and child health handbook for municipalities.

The number of municipalities that have also introduced the online consultation service has reached 79.

The additional adoption of our focused "Childcare DX service" is progressing well, and as of the end of June, we have reached a cumulative total of 100 introductions.

In particular, the number of municipalities introducing the "Questionnaire" and "Appointment functions" increased, with the Ministry of Health, Labour and Welfare's "Accompanied Support Program" launched in January this year serving as a tailwind.





## Healthcare business:

### Maternal and child health handbook app + Childcare DX services

The "Boshimo" app and Childcare DX service are evolving into a platform.

Phase	1	2	3
Service functionalities	Maternal and child health handbook app	Online consultation	Childcare DX services <ul style="list-style-type: none"> <li>• Questionnaire and reservation form functionality</li> <li>• Childhood immunizations (Digital preliminary examination slip, etc.)</li> <li>• Infant health checkup</li> <li>• Visits to all households with infants</li> </ul>
Fee	¥50,000~ ¥100,000/month	+ Monthly : Tens of thousands of yen	+ Initial : Millions of yen ~ Monthly : Hundreds of thousands of yen ~
The number of municipalities introduced (Number of municipalities nationwide 1,741)	553	79	100

Tailwind for the "Accompanying Support Program"※

The childcare DX service is also progressing smoothly, including components such as "Infant health checkup," "Infant home visit," and high-value "Child vaccination" services.



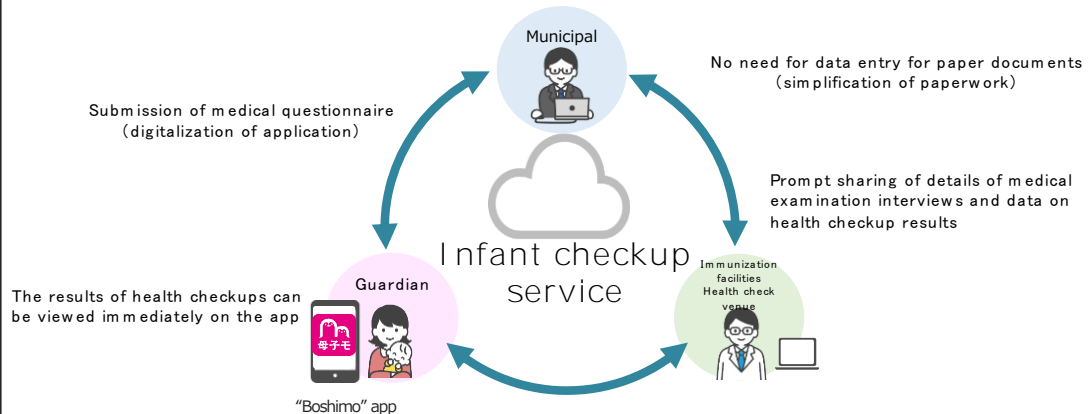
## Healthcare business:

### Maternal and child health handbook app + Childcare DX services

Phase 3 Childcare DX services

Municipalities advance childcare DX with the introduction of infant health checkup services.  
(Digitization of medical questionnaires and medical checkup results)

Fukuoka City, Fukuoka Prefecture



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In August, Fukuoka City introduced the infant health checkup service.

With the traditional paper-based processes, it used to take several months from application to receiving the health checkup results and subsequent meetings and support with public health nurse.

Digitizing the procedures eliminates many inefficiencies and streamlines the process.

Guardians can now apply anytime, anywhere using the app, and the necessary data is sent directly to the municipality, eliminating the need for staff to input data manually. After the health check, data is promptly shared between medical institutions, municipalities, and public health nurse, leading to quicker and more efficient support.

We will continue to increase such cases in the future and drive revenue expansion.

## School DX business

Connecting students and teachers

# Cloud-based school affairs support system

# BLEND

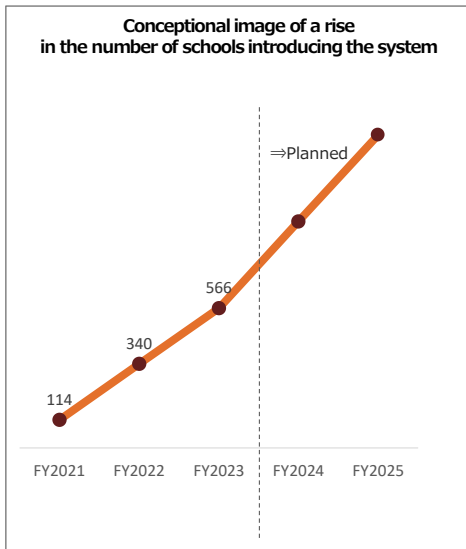


Next, I would like to explain more about the school DX business.

## School DX business

Cloud-based school affairs support system

**BLEND**



**Aiming to expand the number of schools to be introduced in the next fiscal year**

- Definite orders received for October 2023 introduction (26 schools)
- Many potential projects for April 2024 introduction

With demand for cloud-based school administration support systems still growing, we plan to further expand the number of schools introducing “BLEND”.

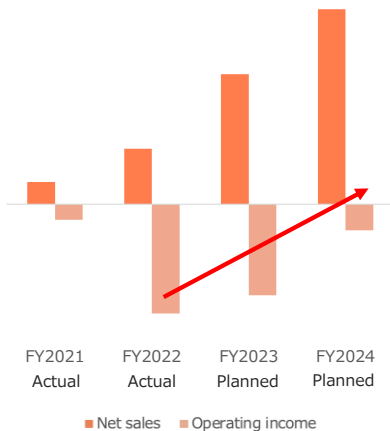
Among schools which decided not to introduce the system before the new school year in April, there is still strong interest in the cloud-based school administration support system and so we will continue conducting proactive sales activities that will lead to introduction by the next fiscal year.

## School DX business

Cloud-based school affairs support system

**BLEND**

### Image of medium-term profit



## Aiming to significant reduce loss next fiscal year

**Net sales :** Expansion of the number of schools that introduced the system  
**Operating income :** Significantly reducing introduction expenses per school

In the school DX business, there is every prospect of a smaller loss next fiscal year, given expectations for a boost to sales from expansion in the number of schools introducing “BLEND” and significant reduction in introduction costs per school as a result of the development of a new version which will reduce development and operating costs in the future.

We remain strongly committed to the school DX business.

## 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. We believe that the healthcare business will be a driver of profit growth in the medium 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.



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Thank you for your time.