



MTI Ltd.

Financial Results Briefing Material for 2023

November 9, 2023

Securities Code : 9438

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 FY2023

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

Financial highlight

1 FY2023 Results

YoY : Operating income decreased, profit for the period significantly increased.

Compared to forecast : Profit Overperformance

		YoY	Compared to forecast
Net sales :	¥26,798million	+319million	(1)million
Operating income :	¥298million	(572)million	+98million
Profit attributable to owners of parent :	¥753million	+1,683million	+293million

2 FY2023 Achievements and initiatives

- **Healthcare business : Take up of the Cloud drug record service and Childcare DX services expanded, and losses contracted significantly.**
- **School DX business : Expansion in the number of introduced schools, reduction in losses.**
- **Other business : Loss-making projects in the DX support business for companies have wound down.**

3 Earnings forecast for FY2024

		YoY
Net sales :	¥27,000million	+0.8%
Operating income :	¥1,000million	+235.1%

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Here are the financial highlights.

(1) For the fiscal year ending September 2023, the net sales remained flat compared to the previous period, operating profit decreased, and net profit significantly increased. In terms of performance forecast comparison, net sales landed as expected, and all profits exceeded expectations.

(2) Our main achievements in the FY2023 are as follows.

In the healthcare business, the number of pharmacies introducing the cloud drug record service and the municipalities introducing the Childcare DX service have been progressing well, leading to a significant reduction in losses.

In the school DX business, the rapid expansion of the number of schools introduced during the April new semester resulted in a reduction in losses.

In the other business, while dealing with loss projects in the corporate DX support business, we were able to bring them under control in the fourth quarter.

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

(3) For the earnings forecast of the fiscal year ending September 2024, we anticipate a flat year-on-year net sales of 27 billion yen and a 235% increase in operating income to 1 billion yen.

Consolidated P/L

Net sales : Levelling off**Operating income : decreased, profit : significantly increased**

(Unit : Mil yen)	FY2022	FY2023	YoY	
			Amount	Percentage
Net sales	26,479	26,798	+319	+1.2%
Cost of sales	7,787	8,425	+638	+8.2%
ratio	29.4%	31.4%		
Gross profit	18,691	18,373	(318)	(1.7)%
ratio	70.6%	68.6%		
SG&A	17,820	18,074	+253	+1.4%
ratio	67.3%	67.4%		
Operating income	870	298	(572)	(65.7)%
ratio	3.3%	1.1%		
Ordinary income	485	458	(27)	(5.7)%
ratio	1.8%	1.7%		
Profit attributable to owners of parent	(930)	753	+1,683	-%
ratio	(3.5)%	2.8%		

• Increase in advertising expenses (AdGuard)

• 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 remained flat compared to the previous period, amounting to 26,798 million yen.

In the content business, the decrease in the number of paid members was offset by increased revenue from the healthcare business and school DX business.

Gross profit remained flat at 18,370 million yen compared to the previous period, as an increase in cost of goods sold due to losses in a portion of the corporate DX support business offset other factors.

Operating profit significantly decreased to 298 million yen due to the increase in selling, general, and administrative expenses.

Ordinary income remained flat at 458 million yen due to an increase in equity-method investment gains.

Profit attributable to owners of parent increased significantly to 753 million yen. This was attributed to a substantial increase in special gains compared to the previous year, primarily due to the recognition of 873 million yen for "refund of consumption tax, etc." Additionally, there was a considerable decrease in special losses compared to the previous year.

Consolidated SG&A

Advertising expenses : increased**Development costs (Subcontract expenses+ Depreciation) : decreased**

(Unit : Mil yen)	FY2022	FY2023	YoY	
			Amount	Percentage
SG&A	17,820	18,074	+253	+1.4%
Advertising expenses	1,580	2,136	+555	+35.2%
Personnel expenses	7,718	7,714	(4)	(0.1)%
Commission fee	3,094	2,954	(139)	(4.5)%
Subcontract expenses	2,136	1,965	(171)	(8.0)%
Depreciation	1,352	1,265	(86)	(6.4)%
Other	1,937	2,038	+100	+5.2%

• Increase in sales promotion costs for AdGuard

• Improved development costs (Healthcare business)

SG&A increased by 253 million yen compared to the previous year.

In the healthcare business, there was an improvement in development costs, while in the content business, advertising and promotional expenses increased due to the strong performance of the security-related app memberships.

Achievement Ratio for Earnings Forecast

Landing on the upside

(Unit : Mil yen)	FY2023 Forecast (revised on May 24)	FY2023 Actual	Difference	Achievement rate
Net sales	26,800	26,798	(1)	100.0%
Operating income	200	298	+98	149.2%
Ordinary income	400	458	+58	114.6%
Profit attributable to owners of parent	460	753	+293	163.7%

*Revised forecast on Nov 6. Operating income, ordinary income and profit attributable to owners of the parent are the same as the Nov 6 revised forecast.

The achievement ratio for the earnings forecast is as follows.

Net sales landed as expected, and all profits exceeded the forecasts.

Operating profit and ordinary profit exceeded the forecast due to the consolidation of the treatment of consumption tax related to expired points in the subsidiary Video Market. This resulted in an additional 49 million yen in net sales.

Profit attributable to owners of parent significantly exceeded the forecast mainly due to the sale of shares in the consolidated subsidiary Cloudcast. This resulted in the recognition of deferred tax assets and a negative adjustment for corporate income taxes, among other factors.

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

母子モ



CARADA 電子薬歴
Solamichi

School DX Business

- School DX service

BLEND



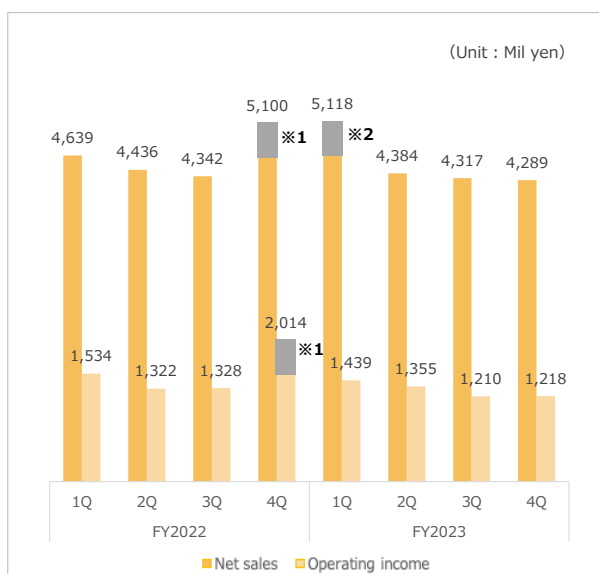
Other Business

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



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.

Levelled off operating income

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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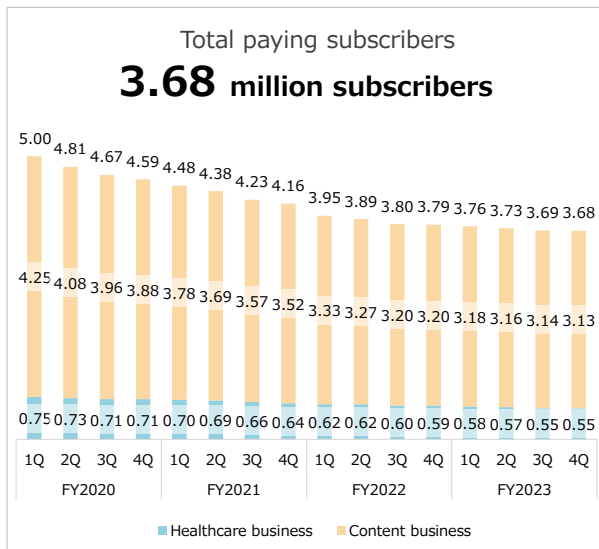
This is the quarterly trend of the content business.

Due to the paid membership numbers remaining almost unchanged, the net sales has been trending flat.

The fourth-quarter net sales amounted to 4.28 billion yen.

The operating profit remained flat at 1.218 billion yen.

Content business : The number of paying subscribers



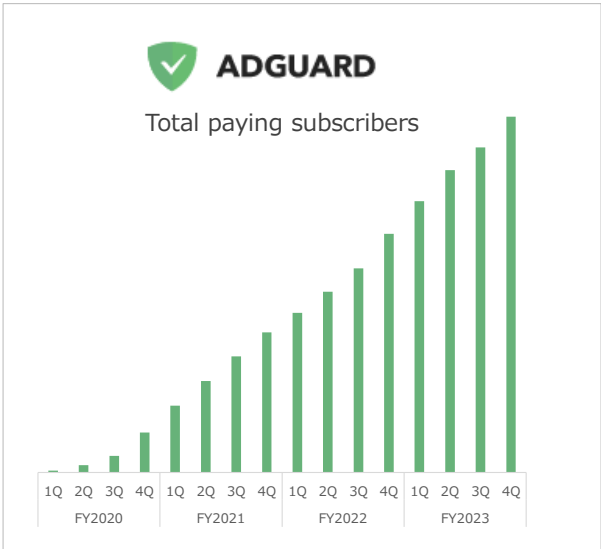
Total paying subscribers

**Degree of decrease
is being reduced**

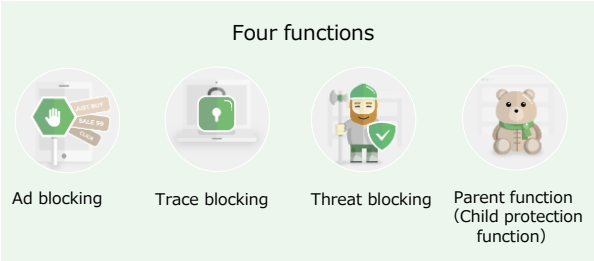
- Brisk Security-related apps
- Mostly unchanged from the previous quarter

The decline in the number of paid members in the content business has slowed further. As of the end of September, the figure remained steady at 3.68 million people.

Content business: Security-related app

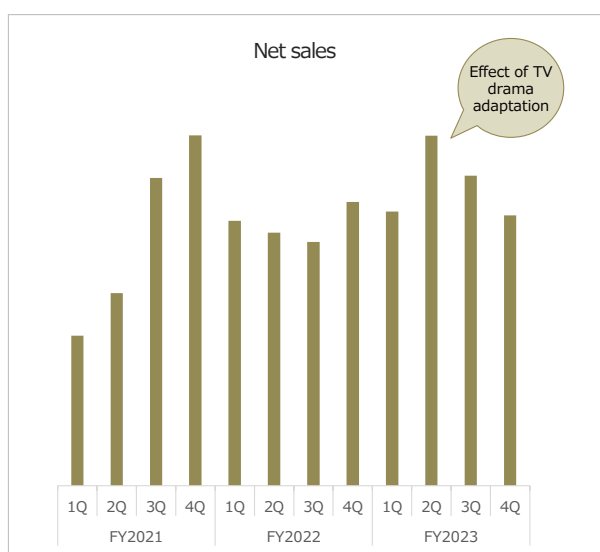


Security-related apps
are growing
Over 670 thousand people



The enrollment in the security-related app "AdGuard" within the content services is performing well. The number of paid members reached 670,000 as of the end of September.

Content business: Original comics content business



Stable growth

- Reactionary decline after TV dramatization
- The serialization of hit titles contributed
- Keep in comic titles introduced

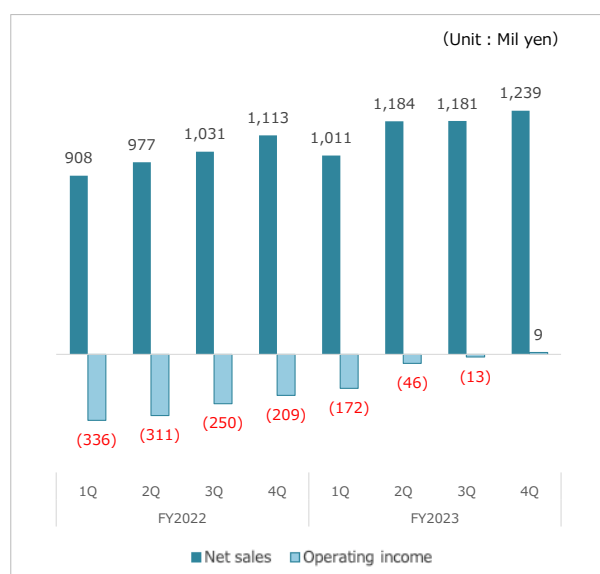
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The original comic business is experiencing stable growth.

The download numbers for the works experienced a sharp increase when a popular series was adapted into a TV drama in January. However, from the third quarter onwards, there has been a settling down of sales due to the recoil from that surge.

Healthcare business: Net sales and operating income



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QoQ

Net sales growth

- Cloud drug record service
(Decrease in spot sales)

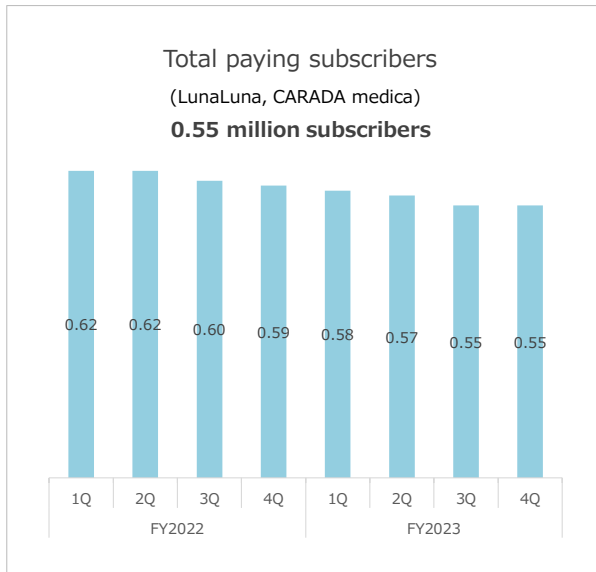
Securing a profit

The net sales of the healthcare business increased compared to the previous quarter, reaching 1,265 million yen.

This is due to the expansion of the number of pharmacies introducing the cloud drug record system.

Operating profit also turned positive at 9 million yen, marking the first quarterly profit due to the expansion of net sales. On an annual basis, efforts to control development costs as upfront investments, along with the positive impact of increased revenue, are moving towards an annual profit.

Healthcare business: Monthly content service



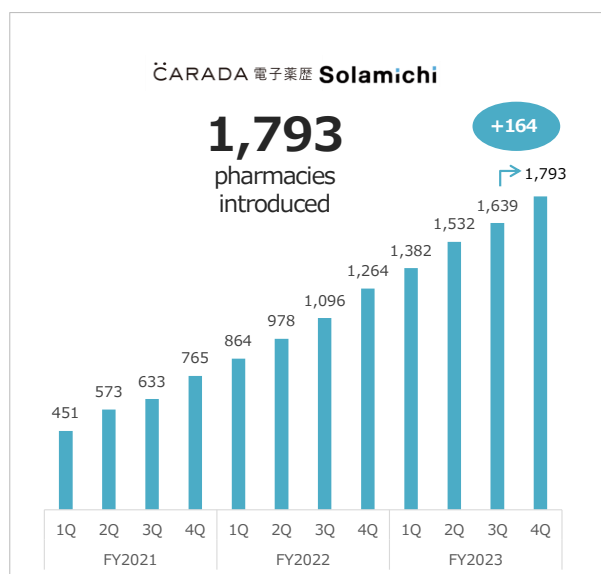
Total paying subscribers

Levelled off

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

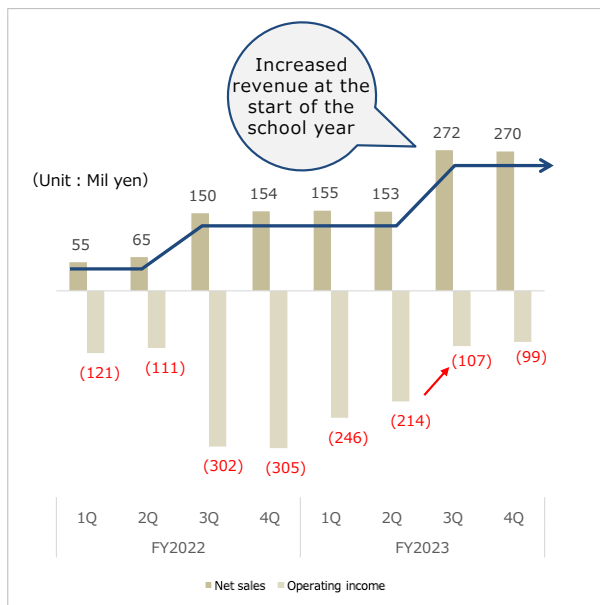
Healthcare business: Cloud drug record service



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The number of pharmacies introducing the cloud drug record service has reached 1,793 stores, showing steady expansion.

School DX business: Net sales and operating income



QoQ

Levelled off net sales

(Sales expansion in the second half of the year)

Operating deficit unchanged

(Shrinking of deficit in the second half of the year due to the effect of increased revenues)

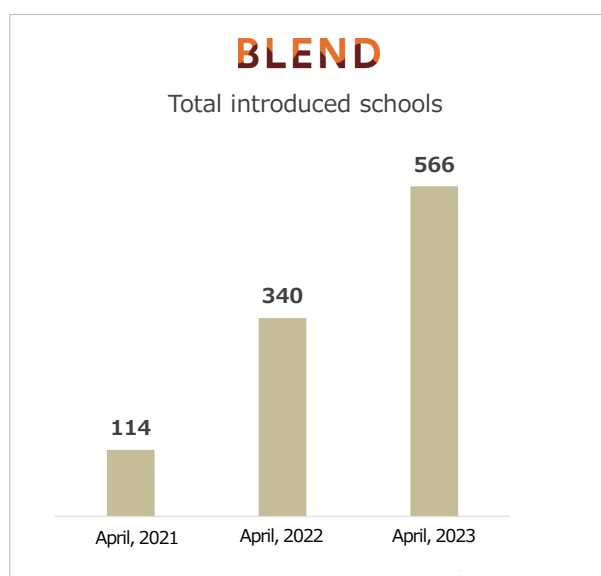
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The school DX business will see a concentration of revenue in the second half, as the introduction of "BLEND" is focused around the start of the school year in April.

The net sales for the fourth quarter amounted to 270 million yen, resulting in an operating loss of 99 million yen. In the latter half, the operating loss has significantly improved due to increased revenue effects.

School DX business : Cloud-based school affairs support system



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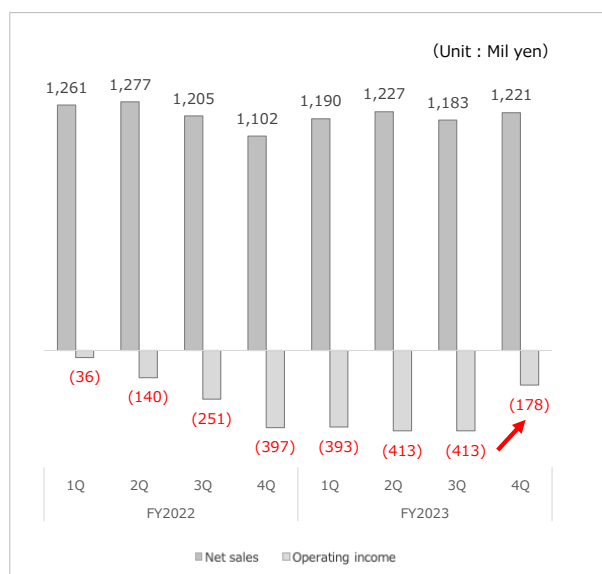
**Expansion of the number
of introduced schools**

Covers 25% of private schools

Due to the increasing demand for cloud-based school affairs support systems, the introduction of "BLEND" is thriving.

The number of schools introducing "BLEND" has reached 566, covering 25% of private high schools.

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



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Operating deficit reduced

Loss-making projects

in the DX support business for companies
have wound down

In the fourth quarter, the net sales for the other businesses amounted to 1,221 million yen, resulting in an operating loss of 178 million yen.

The increase in cost of goods sold in the other business segment, particularly due to some loss-making projects in the corporate DX support business since the third quarter of the previous fiscal year, was substantial. However, in the fourth quarter, we were able to bring these projects to a close, resulting in an improvement in the deficit.

Approach in FY2024

Next, I would like to explain initiatives for FY2023.

Basic policies and priority issues for FY2024

1. Healthcare business

Further sales growth

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

2. School DX business

Further sales growth

- Expansion of the number of introduced schools

3. Content business

Securing profit

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

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

- In the healthcare business, we aim for further revenue growth and achieving profitability for the full year. Specifically, we will focus on expanding the Cloud drug record service and advancing the platform strategy for the childcare DX.

- In the School DX business as well, we aim for further revenue growth and significant reduction in losses.

- 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.

Healthcare business: Cloud drug record service

Connecting pharmacies and patients

Cloud drug record service

CARADA 電子薬歴 Solamichi



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I will explain the progress of the 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

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 & hospital

Maternal and child health handbook app + Childcare DX services



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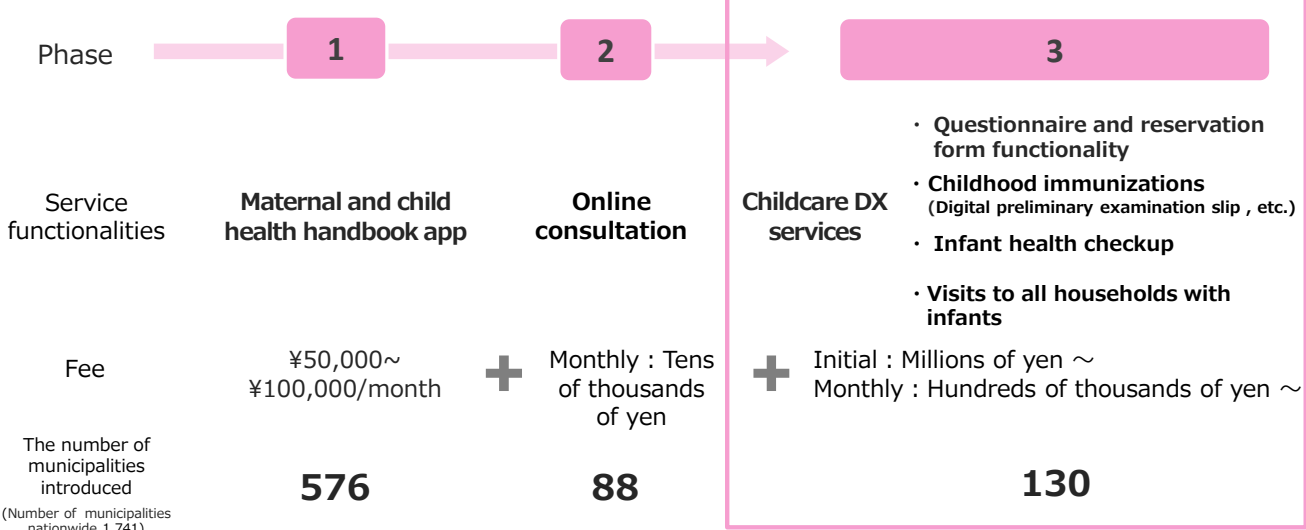
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Next, I would like to explain our progress targets for the maternal and child health handbook app “Boshimo” and childcare DX services.



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"



*The fee structure is set by each municipality according to the number of births.

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

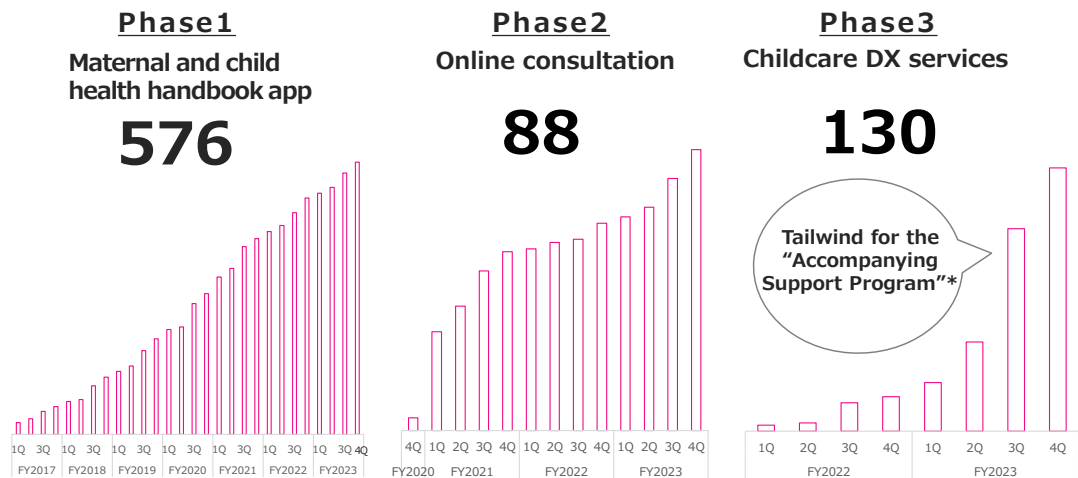
Municipalities that have introduced the maternal and child health handbook app can additionally implement online consultations and childcare DX services.

Childcare DX services include features such as questionnaires, reservation form functionality, as well as services like "Infant health checkups," "Infant household visits," and "Childhood immunizations."

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 576 as of the end of September. "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 88.

The additional introduction of our focused "Childcare DX service" is progressing well, and as of the end of September, we have reached a total of 130 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.

We will continue to increase the number of municipalities introducing childcare DX services, thereby contributing to the expansion of revenue.

Connecting students and teachers

Cloud-based school affairs support system

BLEND



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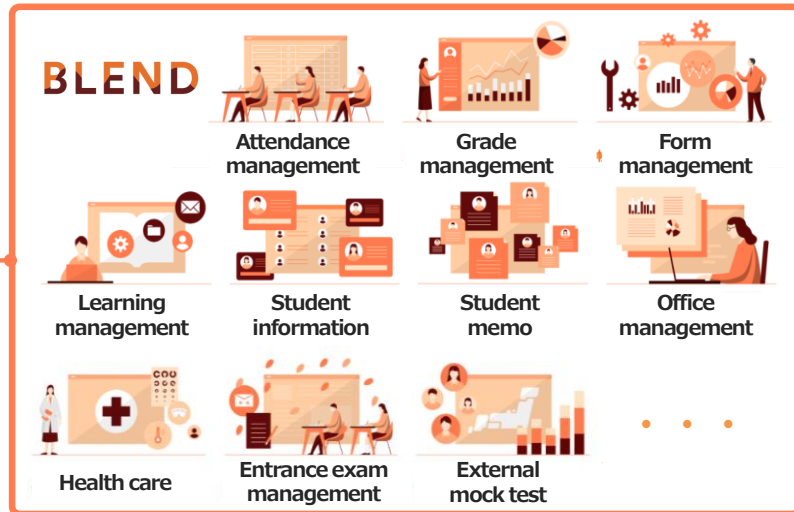
Next, I would like to explain more about the school DX business.

School DX business : Cloud-based school affairs support system

Improving efficiency in school administration and the quality of education

Cloud-based school affairs
support system

BLEND

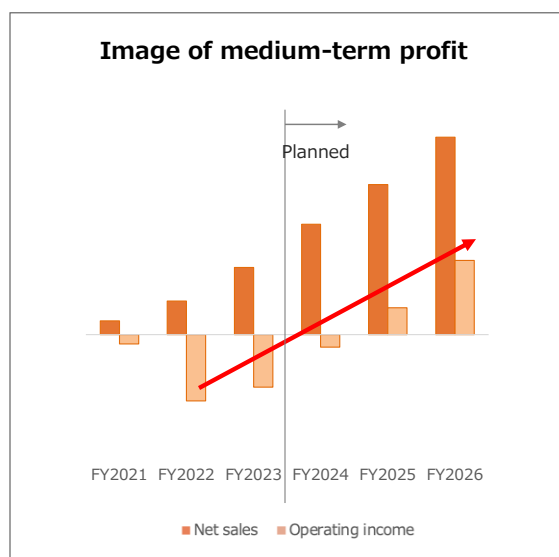


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The cloud-based school affairs support system 'BLEND' is a school DX service aimed at reducing administrative burdens, creating an environment for teachers to focus on teaching, and enhancing the quality of education.

School DX business : Cloud-based school affairs support system



Aiming to expand the number of schools to be introduced

- Many potential projects for April 2024 introduction

Here is an image of medium-term profit for the school DX business.

The demand for introduction in private schools is robust, and we anticipate a continued increase in the number of schools introducing the service, leading to a trend of revenue growth in the near future. Additionally, the reduction in implementation and operational costs per school has created a structure where, even with an increase in the number of introducing schools, costs are less likely to rise. With these factors, we anticipate a sustained improvement in revenue going forward.

Earning forecast for FY2024

Next, I will explain the earnings forecast for the September 2024.

Earnings forecast for FY2024

Net sales : flat, operating income : increase

		YoY
Net sales :	¥27,000million	+0.8 %
Operating income :	¥1,000million	+235.1 %
Ordinary income :	¥1,000million	+118.1 %
Profit attributable to owners of parent :	¥400million	(46.9) %

Continuing from the previous fiscal year, we will focus on the sales growth of the healthcare and school DX businesses, aiming to increase overall revenue.

Based on this, the performance forecast is set at consolidated net sales of 27 billion yen, operating profit of 1 billion yen, ordinary profit of 1 billion yen, and profit attributable to owners of parent of 400 million yen.

Earnings forecast for FY2024

(Unit : Mil yen)	FY2023 (Actual)			FY2024 (Forecast)			YoY	
	Full year	H1	H2	Full year	H1	H2	Amount (full year)	Ratio (full year)
Net sales	26,798	13,631	13,167	27,000	13,000	14,000	+201	+0.8%
Cost of sales	8,425	4,481	3,944	7,600	3,600	4,000	(825)	(9.8)%
Gross profit	18,373	9,150	9,222	19,400	9,400	10,000	+1,026	+5.6%
SG&A	18,074	9,168	8,905	18,400	9,200	9,200	+325	+1.8%
Operating income	298	(18)	316	1,000	200	800	+701	+235.1%
(Ratio)	1.1%	(0.1)%	2.4%	3.7%	1.5%	5.7%		
Ordinary income	458	187	271	1,000	200	800	+541	+118.1%
(Ratio)	1.7%	1.4%	2.1%	3.7%	1.5%	5.7%		
Profit attributable to owners of parent	753	(326)	1,079	400	50	350	(353)	(46.9)%
(Ratio)	2.8%	(2.4)%	8.2%	1.5%	0.4%	2.5%		

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Details of the earnings forecast are as shown here.

Image of medium-term profit

Next, I will explain the image of medium-term profit.

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

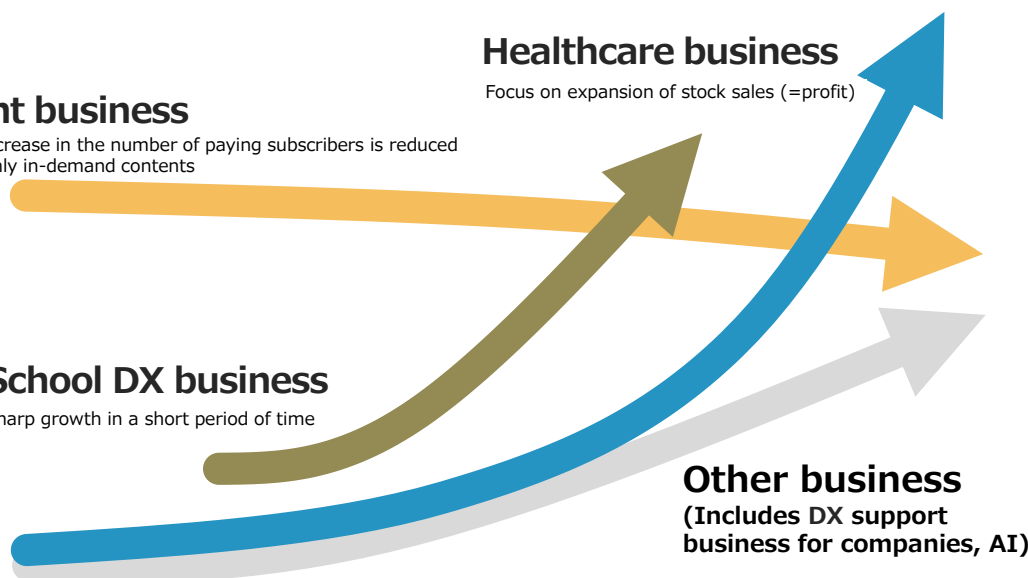
Focus on expansion of stock sales (=profit)

School DX business

Sharp growth in a short period of time

Other business

(Includes DX support business for companies, AI)



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The image of medium-term profit is as follows.

The company is investing in new businesses such as healthcare and school DX using the cash cow from the content business.

These upfront investments will continue in the near term, but there is a trend of reducing losses, and we anticipate achieving profitability in the future.

Especially, we anticipate that the school DX business will experience the fastest business growth.

In the medium term, we consider the healthcare business to be the driving force for profit growth. Therefore, we will continue to focus on the successful cloud drug record and childcare DX.

Through the expansion of stock sales in each business, we aim to achieve "sustainable growth" across the entire group.

Capital Policy

Next, I will explain our capital policy.

Capital Policy

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

	<u>Interim dividend</u>	<u>Year-end dividend</u>	<u>Annual dividend</u>
FY2023	¥8	¥8 (Scheduled)	¥16 (Scheduled)
FY2024 (Forecast)	¥8	¥8	¥16

※ A Dividend at the end of FY2023 are to be referred to the 28th general shareholders' meeting on December 23, 2023.

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 2023 at 8 yen per share.

We expect the dividend payout for fiscal year 2024 to remain unchanged, year-on-year.



〈Contact us〉
Investor Relations Office
e-mail: ir@mti.co.jp
<https://ir.mti.co.jp/eng/>

Thank you for your time.