



# **MTI Ltd.**

## **Financial Results Briefing Material for Q1/2024**

February 8, 2024

Securities Code : 9438

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## Financial Results Overview for Q1 FY2024

I would now like to give you an overview of the results for the first quarter of the fiscal year ending September 2024.

## Financial highlight

### 1 Q1 Results

**YoY : Net sales decreased, profit increased.**

		YoY	Progress rate against initial first-half earning forecast
Net sales :	¥6,625million	(465)million	+51.0%
Operating income :	¥435million	+496million	+217.7%
Profit attributable to owners of parent :	¥630million	+1,220million	+1,261.0%

### 2 Revised upward profit forecast

		First-Half earning forecast	Full-Year earning forecast
Net sales :	Maintained	13,000million	27,000million
Operating income :	Upward revision for 1H only	600million	1,000million
Profit attributable to owners of parent :	Upward revision for 1H and full year	700million	800million

### 3 Q1 Achievements and initiatives

- **Healthcare business : Cloud drug record service and Childcare DX services performing well, returning to profitability.**
- **School DX business : Many potential projects for April 2024 introduction.**

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Here are the financial highlights.

- (1) In the first quarter, net sales decreased compared to the same period last year, while operating income, ordinary income, and profit attributable to owners of parent increased.  
Net sales has been within the expected range for the first half of the year.  
However, profits have significantly exceeded expectations.
- (2) As a result, we will revise upwards the profit forecast for both the first half and full year.
- (3) The achievements in the first quarter initiatives are as follows:  
In the healthcare business, the number of pharmacies adopting cloud drug record and the municipalities implementing childcare DX have been progressing well, leading to a return to profitability. Regarding the school DX business, contract acquisitions in April of this year are proceeding smoothly.  
We will provide detailed explanations of each specific initiative shortly.

## Consolidated P/L

**Net sales : Decreased****Operating income, ordinary income, profit : increased**

( Unit : Mil yen )	FY2023 Q1	FY2024 Q1	YoY		
			Amount	Percentage	
Net sales	7,091	6,625	(465)	(6.6)%	The same period of previous year 739million Yen: Posting of spot sales of the video-streaming service
Cost of sales	2,538	1,788	(750)	(29.6)%	• Loss-making projects in the DX support business for companies have wound down
ratio	35.8%	27.0%			• The same period of previous year 649million Yen :Posting of spot cost of sales of the video-streaming service
Gross profit	4,552	4,836	+284	+6.2%	
ratio	64.2%	73.0%			
SG&A	4,613	4,401	(212)	(4.6)%	• Decrease in personnel and development costs
ratio	65.1%	66.4%			
Operating income	(61)	435	+496	-%	
ratio	(0.9)%	6.6%			
Ordinary income	(88)	792	+881	-%	• Increase in equity method investment income
ratio	(1.3)%	12.0%			
Profit attributable to owners of parent	(590)	630	+1,220	-%	• The same period of previous year: Posting of income taxes associated with the transfer of shares between Group companies
ratio	(8.3)%	9.5%			

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

Net sales decreased by 6.6% compared to the same period last year to 6.625 billion yen due to the rebound effect from video sales recorded in the same period last year.

As a result of this, sales cost also decreased, leading to a 6.2% increase in gross profit to 4.836 billion yen.

Operating income increased significantly to 435 million yen due to a decrease in selling ,general and administrative expenses.

Ordinary income increased significantly to 792 million yen due to an increase in " a share of profit of entities accounted for using equity method".

Profit attributable to owners of parent increased significantly to 630 million yen due to the impact of corporate taxes related to the inter-company stock transfer recorded in the same period last year.

## Consolidated SG&amp;A

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

( Unit : Mil yen )	FY2023 Q1	FY2024 Q1	YoY		
			Amount	Percentage	
SG&A	4,613	<b>4,401</b>	(2129)	(4.6)%	
Advertising expenses	479	<b>626</b>	+147	+30.8%	• Increase in sales promotion costs for AdGuard
Personnel expenses	1,989	<b>1,818</b>	(170)	(8.6)%	• Exclusion of subsidiaries from consolidation
Commission fee	746	<b>709</b>	(37)	(5.0)%	
Subcontract expenses	560	<b>441</b>	(118)	(21.1)%	• Improved development costs (School DX business)
Depreciation	289	<b>318</b>	+28	+10.0%	
Other	549	<b>486</b>	(62)	(11.4)%	

SG&A decreased by 4.6% year-on-year to 4.401 billion yen. This was due to an increase in advertising expenses in the content business, offset by a decrease in personnel expenses resulting from a reduction in the number of employees due to the exclusion of subsidiaries from consolidation. Additionally, in the school DX business, development activities stabilized, leading to a decrease in subcontract expenses.

## Revision of First-Half and Full-Year earning forecasts

**[First-Half] Operating income, ordinary income, and profit have been revised upward.**

( Unit : Mil yen )	<b>FY2024 First-Half</b> (previous forecast)	<b>FY2024 First-Half</b> (current forecast)	<b>Difference</b>
Net sales	13,000	<b>13,000</b>	-
Operating income	200	<b>600</b>	+400
Ordinary income	200	<b>1,000</b>	+800
Profit attributable to owners of parent	50	700	+650

Based on the first quarter financial results, we have revised our forecasts for the first half and full year. For the first half forecast, we have maintained our net sales projection as progress has been in line with our initial expectations.

However, we have upwardly revised our operating income by 40 million yen to 600 million yen, ordinary income by 80 million yen to 1 billion yen, and profit attributable to owners of parent by 65 million yen to 700 million yen.

## Revision of First-Half and Full-Year earning forecasts

**[Full-Year] Operating income remains maintained, while ordinary income and profit for the period have been revised upward.**

( Unit : Mil yen )	FY2024 First-Year (previous forecast)	FY2024 First-Year (current forecast)	Difference
Net sales	27,000	27,000	-
Operating income	1,000	1,000	-
Ordinary income	1,000	1,400	+400
Profit attributable to owners of parent	400	800	+400

For the full-year forecast, we've kept sales projections the same. Operating income will remain unchanged for now, as we're still reviewing it.

Any changes will be communicated promptly.


We've raised ordinary income and profit attributable to owners of parent to 1.4 billion yen and 800 million yen, respectively, up by 400 million yen each.



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.




### School DX Business

- School DX service



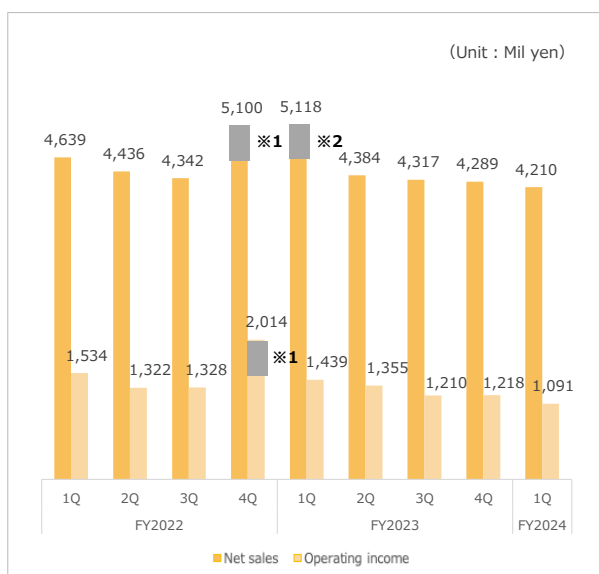
### Other Business

- 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



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QoQ

### Levelled off net sales

- The number of paying subscribers remained almost unchanged.

### Operating income slightly decreased

- Increase in advertising expenses

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.

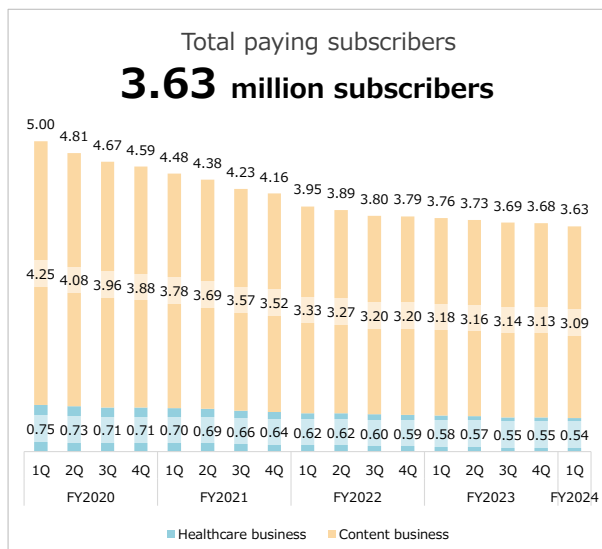
This is the quarterly trend of the content business.

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

The first quarter net sales amounted to 4.21 billion yen.

The operating income decreased slightly to 1.091 billion yen.

Content business : The number of paying subscribers



Total paying subscribers

**Flat**

• Brisk Security-related app

The decline in the number of paid members in the content business has slowed further.

As of the end of December, the figure remained steady at 3.63 million people.

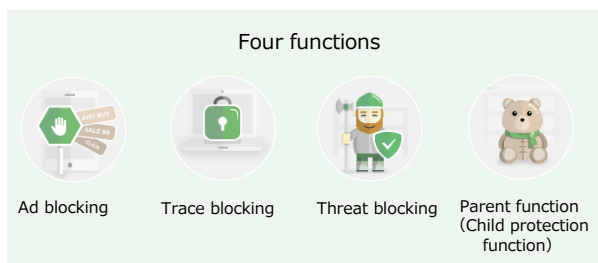
## Content business: Security-related app



## The security-related app continues to perform well

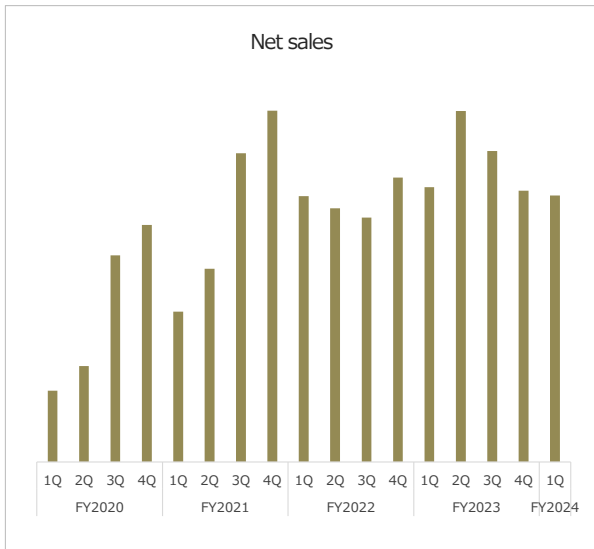
Total paying subscribers

**720** thousand subscribers



The number of new subscribers for the security-related app "AdGuard" has been performing well, and the number of paid members reached 720,000 by the end of December.

## Content business: Original comics content business



### Original comics content business

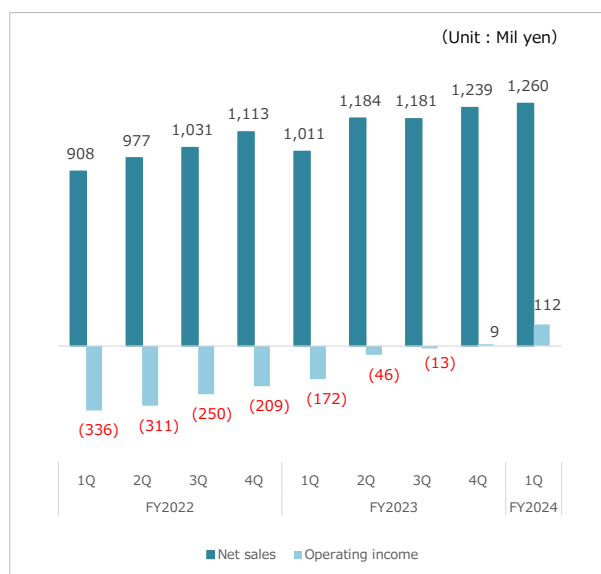
## Stable growth

- Keep in comic titles introduced
- Reactionary decline after TV dramatization

The original comic business is also progressing well. The download numbers and sales experience a sharp increase temporarily due to the effect of popular works being adapted into TV dramas.

However, there is a temporary decrease after the TV drama adaptation, but overall, the business is experiencing stable growth.

## Healthcare business: Net sales and operating income



QoQ

**Net sales flat**

**Profitability**  
**trend continues**

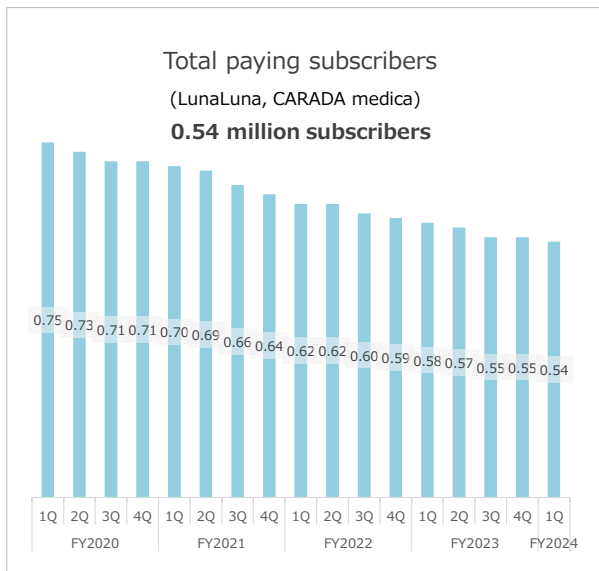
- Brisk Cloud drug record service
- Brisk Childcare DX service

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The healthcare business achieved sales of 1.26 billion yen. Thanks to the favorable performance of the cloud drug records and childcare DX services, sales have been steadily increasing. Operating income has shifted from a deficit in the previous fourth quarter to a profitable trend due to increased revenue and cost control measures.

## Healthcare business: Monthly content service



### Monthly subscription content service

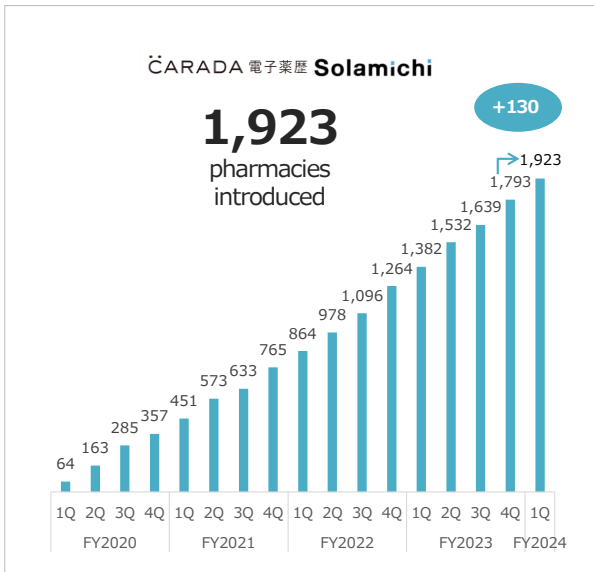
Total paying subscribers

## Levelled off

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The number of paying subscribers in the healthcare business was mostly unchanged at 540,000.

## Healthcare business: Cloud drug record service



### Cloud drug record service

Total introduced pharmacies

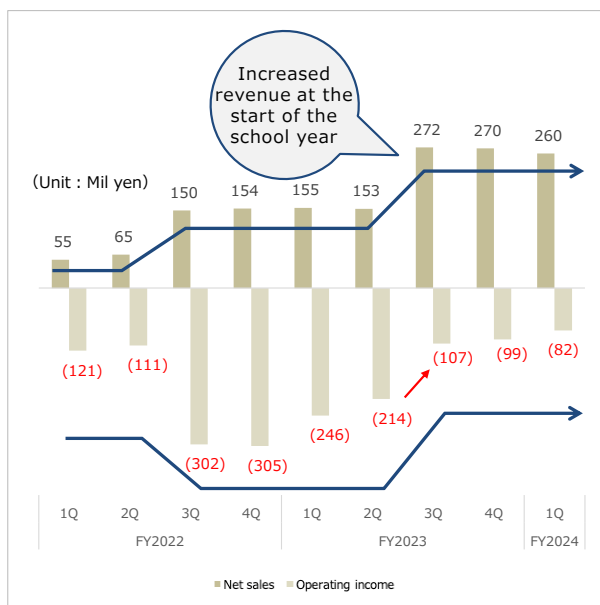
## Steady expansion

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The number of pharmacies introducing the cloud drug record service has reached 1,923 stores, showing steady expansion.



## School DX business: Net sales and operating income



QoQ

### Levelled off net sales

- Expansion in sales compared to the same period last year

QoQ

### Operating deficit unchanged

- Significant reduction in losses compared to the same period last year

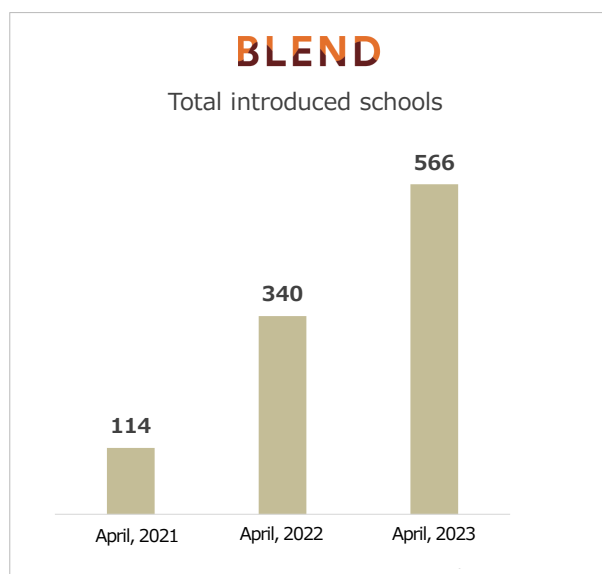
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Sales for the School DX business reached 260 million yen, remaining flat compared to the previous quarter but expanding from the second half of the previous fiscal year. This is due to a concentration of installations of the cloud-based school affairs support systems "BLEND" at the start of the school year in April, resulting in sales being weighted towards the second half of the fiscal year.

Operating loss amounted to 82 million yen. Although the deficit remained stable compared to the previous quarter, operating losses have significantly reduced since the second half of the previous fiscal year due to increased sales and reduced development expenses.

## School DX business : Cloud-based school affairs support system



**Expansion of the number  
of introduced schools**

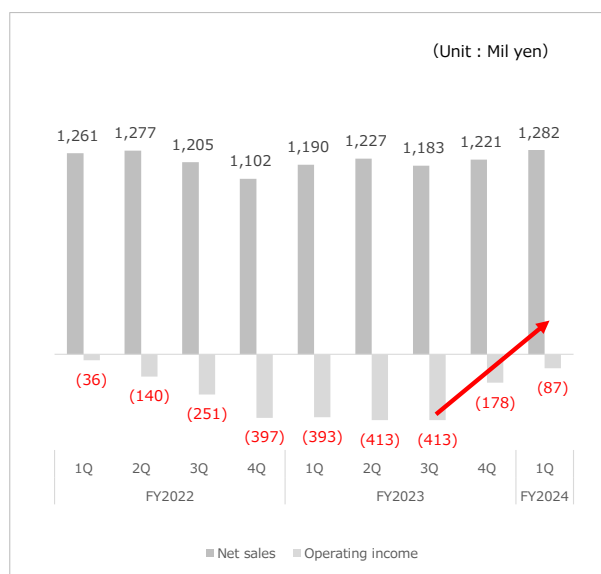
**Covers 25% of private schools**

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There continues to be strong demand for cloud-based school affairs support systems. The deployment of "BLEND" by our subsidiary is progressing well, covering 25% of private high schools.

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



QoQ

## Operating deficit reduced

- Substantial reduction in losses compared to the same period last year
- Loss-making projects in the DX support business for companies have wound down

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Sales for the other businesses amounted to 1.282 billion yen, with an operating loss of 87 million yen.

The decrease in sales costs and selling expenses, resulting from the resolution of deficit projects in the DX support business for companies in the fourth quarter of the previous period, led to a significant reduction in losses.

## Approach in Q2 and beyond

Next, I would like to explain the approach in the second quarter of fiscal year 2024 and beyond.

## 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 sales growth and achieve profitability for the full fiscal 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 profitability in the second half through further sales growth.

- In the content business, despite a gradual decrease in the number of paid members, we aim to ensure profitability across the segment through the growth of 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.

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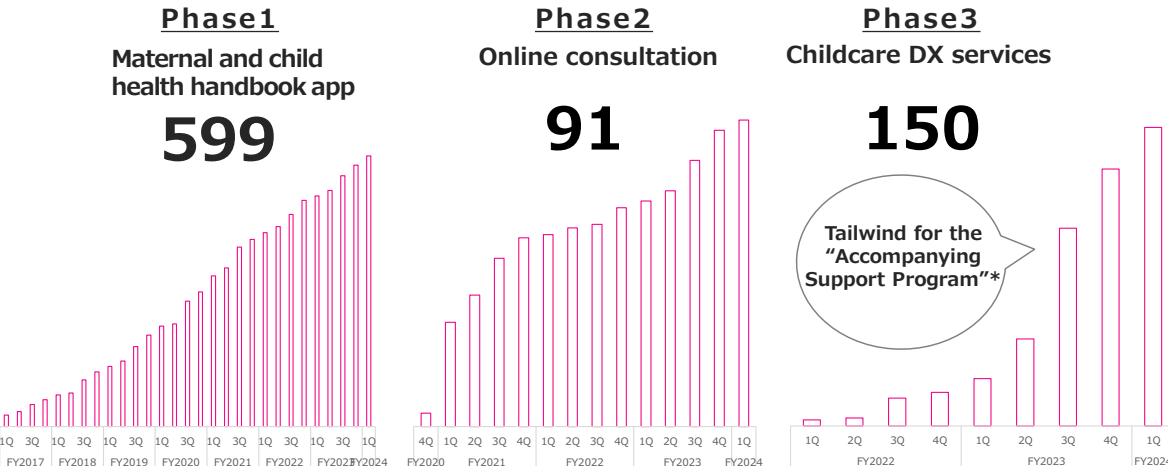
Next, I would like to explain our progress targets for the maternal and child health handbook app “Boshimo” and childcare DX services.



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



**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 599 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 91.

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 150 introductions.

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

Connecting students and teachers

## Cloud-based school affairs support system

# BLEND



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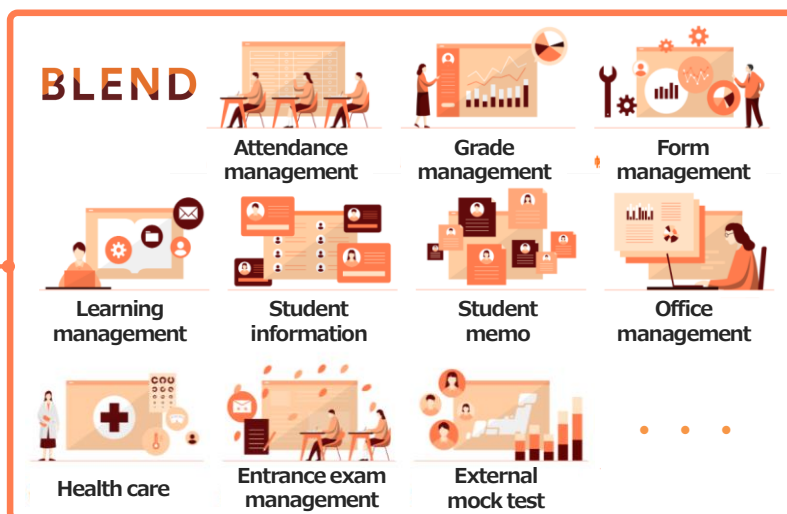
Next, I would like to explain more about the school DX business.

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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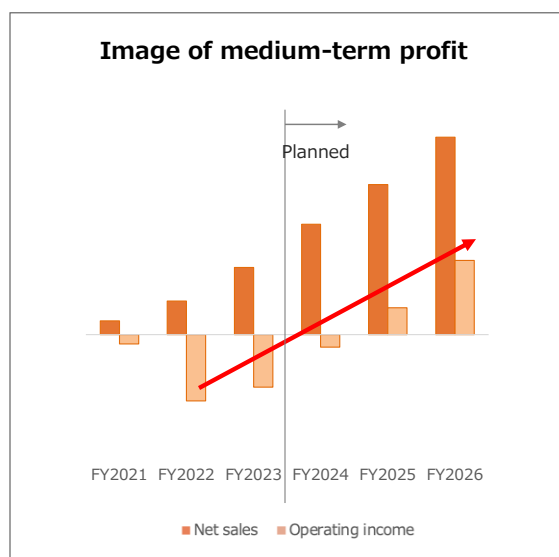
The school affairs support system "BLEND" in the School DX business provides all school operations in a full cloud-based manner, not only for managing student attendance and grades but also for all other administrative tasks.

By introducing "BLEND", we significantly reduce administrative burdens, allowing teachers to focus on teaching.

Furthermore, information registered in "BLEND" can be shared not only with teachers but also with students' parents.

We aim to improve the efficiency of school operations and enhance the quality of education through the implementation of "BLEND" in schools.

## School DX business : Cloud-based school affairs support system



### Aiming to expand the number of schools to be introduced

- Contract awards for introduction in April 2024 are on track

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

We anticipate that the increase in the number of schools adopting our system will continue in the near term, leading to a trend of increased sales. We have been able to significantly reduce the development costs per school from the initial stages. By expanding the number of schools adopting our system, we aim to achieve profitability in the second half of the fiscal year.

## 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

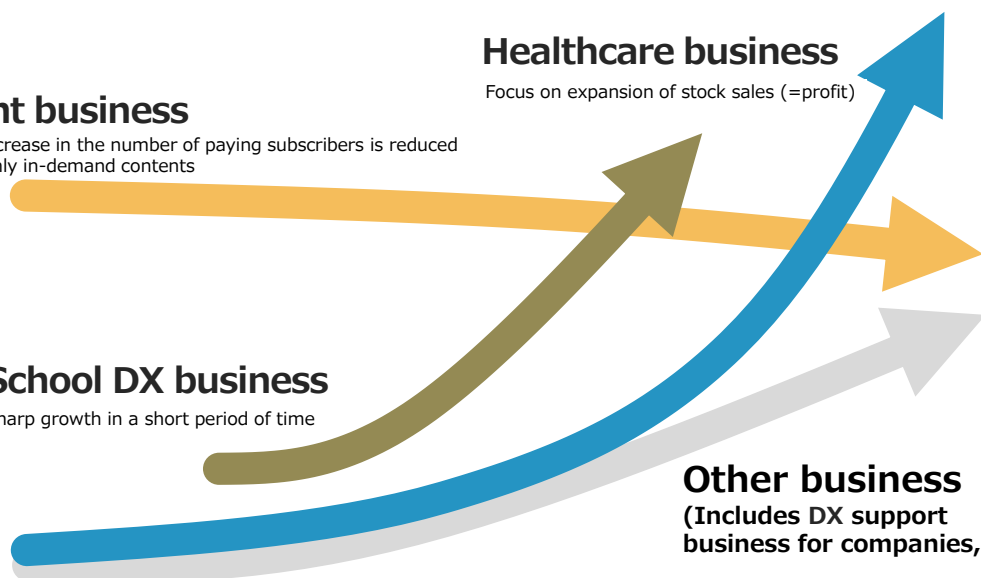
Focus on expansion of stock sales (=profit)

### 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.



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

Thank you for your time.