



Financial Results Briefing Material for Q2 FY2024

*The revisions to the consolidated forecast for the second quarter (cumulative) and full year, announced on February 9th, are reflected in these figures.

May 10, 2024

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 Q2 FY2024

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

Financial highlight

1 Q2 Results

Net sales and income were both higher than the forecast.

		YoY	Change from the latest forecast
Net sales :	¥13,517 million	(113) million	+517 million
Operating income :	¥1,052 million	+1,071 million	+452 million
Profit attributable to owners of parent :	¥1,558 million	+1,884 million	+318 million

2 Revision of Full-year earning forecast upward

		Change from the latest forecast
Net sales :	¥27,000 million	Maintained
Operating income :	¥1,800 million	+800 million
Profit attributable to owners of parent :	¥1,750 million	+410 million

3 Q2 Achievements and initiatives

- Healthcare business : Cloud drug record service and Childcare DX services performing well
- School DX business : The number of schools introduced in April 2024 was 255

Here are the financial highlights.

- (1) In the second quarter, net sales were flat compared to the same period last year, while profits saw a significant increase. Both sales and profits exceeded the forecasts for the first half of the fiscal year.
- (2) Based on the performance in the first half, the full-year earnings forecast will be revised upward.
- (3) The achievements in the second quarter initiatives are as follows: In the healthcare business, the number of pharmacies implementing the cloud drug record and the number of municipalities introducing the childcare DX have been expanding smoothly, and we have turned profitable in the first half of the year. Regarding the School DX business, the number of new implementations of the full-cloud school affairs support system in April 2024 reached 255 schools, exceeding the net increase of the previous year.

We will provide detailed explanations of each specific initiative shortly.

Consolidated P/L

Net sales : levelling off

Operating income, ordinary income, profit : substantial increased

(Unit : Mil yen)	FY2023 Q2	FY2024 Q2	YoY		
			Amount	Percentage	
Net sales	13,631	13,517	(113)	(0.8)%	The same period of previous year: 739million Yen: Posting of spot sales of the video-streaming service
Cost of sales	4,481	3,612	(868)	(19.4)%	• Loss-making projects in the DX support business for companies have wound down • The same period of previous year: 649million Yen :Posting of spot cost of sales of the video-streaming service
ratio	32.9%	26.7%			
Gross profit	9,150	9,905	+755	+8.3%	
ratio	67.1%	73.3%			
SG&A	9,168	8,852	(315)	(3.4)%	• Decrease in personnel and development costs
ratio	67.2%	65.5%			
Operating income	(18)	1,052	+1,071	-%	
ratio	-%	7.8%			
Ordinary income	187	1,518	+1,331	+711.3%	• Increase in equity method investment income (+335million yen)
ratio	(1.4)%	11.2%			
Profit attributable to owners of parent	(326)	1,558	+1,884	-%	• Consumption taxes refund (+786 million yen)
ratio	-%	11.5%			

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

Net sales amounted to ¥13.517 billion, flat compared to the same period last year, absorbing the decrease from the spot sales of video content recorded in the previous year.

Cost of sales decreased due to the resolution of loss-making projects in the corporate DX support business, resulting in a gross profit of ¥9.905 billion, an increase of 8.3% from the previous year.

Operating income increased significantly to ¥1.052 billion due to a decrease in selling ,general and administrative expenses.

Ordinary income increased significantly to ¥1.518 billion due to an increase in " a share of profit of entities accounted for using equity method".

Profit attributable to owners of parent increased significantly due to the recognition of refunded consumption taxes and other items recorded in the first quarter.

Consolidated SG&A

Advertising expenses: increased

Personnel expenses: exclusion of subsidiary from consolidation

Development costs: improved development costs for the school DX business

(Unit : Mil yen)	FY2023	FY2024	YoY		
	Q2	Q2	Amount	Percentage	
SG&A	9,168	8,852	(315)	(3.4)%	
Advertising expenses	1,016	1,301	+284	+28.0%	Increase in sales promotion costs for AdGuard
Personnel expenses	3,947	3,593	(354)	(9.0)%	Exclusion of subsidiaries from consolidation
Commission fee	1,491	1,416	(75)	(5.1)%	
Subcontract expenses	1,059	909	(150)	(14.2)%	Improved development costs (School DX business)
Depreciation	591	652	+61	+10.4%	
Other	1,062	980	(81)	(7.7)%	

SG&A decreased by 3.4% year-on-year to ¥8.852 billion. In the content business, while advertising and promotional expenses increased, personnel costs decreased due to the exclusion of a subsidiary from consolidation. Additionally, in the School DX business, development stabilized, leading to a reduction in outsourcing costs.

Difference between earning forecast and the actual for H1

All exceeded expectations

(Unit : Mil yen)	FY2024 First-Half (latest forecast)	FY2024 First-Half (actual)	Difference	
			(million yen)	(%)
Net sales	13,000	13,517	+517	4.0%
Operating income	600	1,052	+452	+75.4%
Ordinary income	1,000	1,518	+518	+51.8%
Profit attributable to owners of parent	1,240	1,558	+318	+25.7%

Regarding the difference from the forecast for the first half, sales were up by 4.0%.

Operating income, ordinary income, and the profit attributable to owners of parent for the period each significantly exceeded expectations.

The main reason is the revenue growth in the healthcare business and corporate DX support services.

Revision of earning forecast of FY2024

Operating income, ordinary income and profit for the period have been revised upward

(Unit : Mil yen)	FY2024 Full-Year (latest forecast)	FY2024 Full-Year (actual)	Difference	
			(million yen)	(%)
Net sales	27,000	27,000	-	-
Operating income	1,000	1,800	+800	+80.0%
Ordinary income	1,400	2,250	+850	+60.7%
Profit attributable to owners of parent	1,340	1,750	+410	+30.6%

Regarding the full-year earning forecast, based on the results of the first half, sales will remain unchanged, while profits will be revised upward.

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.



ČARADA 電子薬歴
Solamichi

School DX Business

- School DX service

BLEND



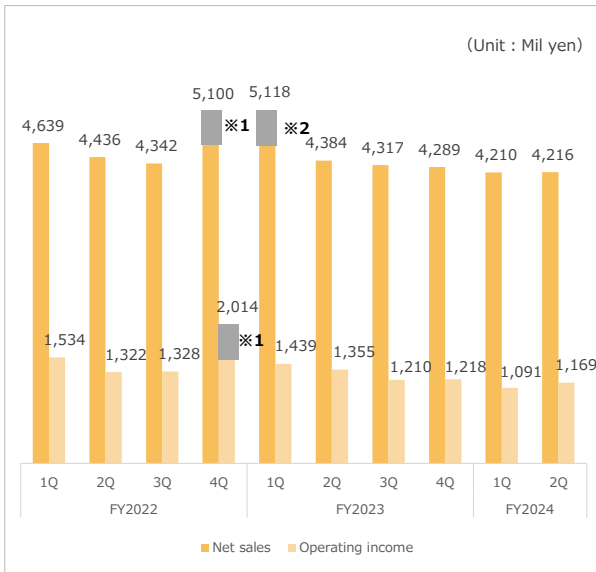
Other Business

- 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



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QoQ

Levelled off net sales

The number of paying subscribers remained almost unchanged.

QoQ

Levelled off operating income

Increased in advertising expenses

Special factors

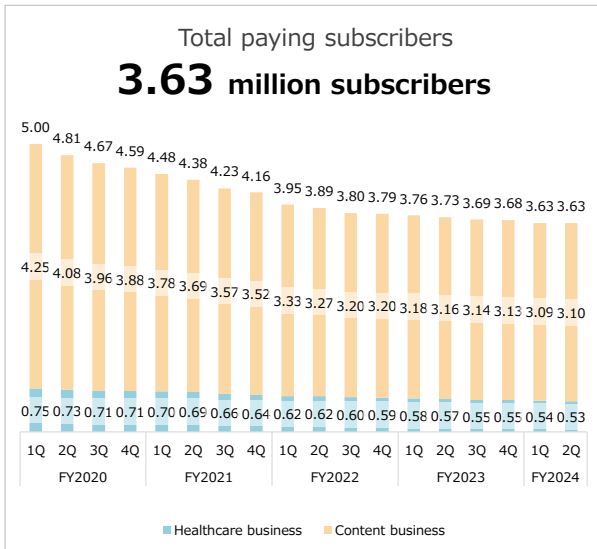
- *1 : Net sales & Operating income 717 million yen:
Change in treatment of consumption tax in monthly content services that award points.
- *2 : Net sales 739 million yen:
Posting of spot sales of the video-streaming service.

This is the quarterly trend of the content business.

Due to the number of paid members remaining flat, both net sales and operating profit continue to show a flat trend.

The second quarter net sales amounted to ¥4.216 billion, and the operating income was ¥1.169 billion.

Content business : The number of paying subscribers



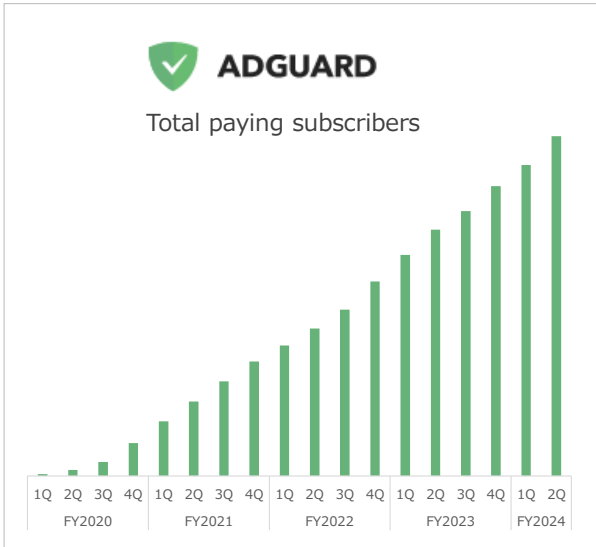
Total paying subscribers

Flat

- Brisk Security-related app

The number of paid subscribers in the content business remained steady overall, and including members from the healthcare business, it reached 3.63 million at the end of March.

Content business: Security-related app



The security-related app continues to perform well

Total paying subscribers

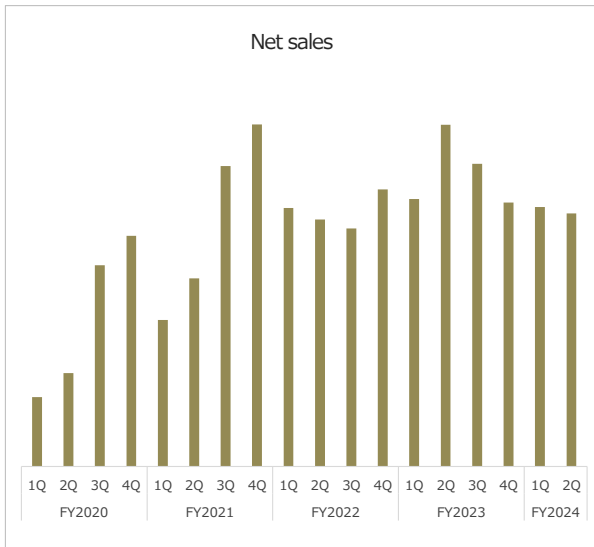
780 thousand subscribers

Four functions

- Ad blocking
- Trace blocking
- Threat blocking
- Parent function (Child protection function)

The number of new subscribers for the security-related app "AdGuard" has been performing well, and the number of paid members reached 780,000 at the end of March.

Content business: Original comics content business



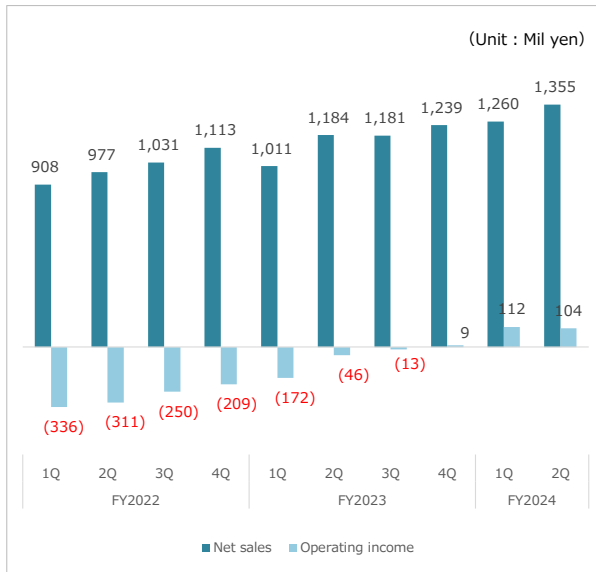
Original comics content business

Stable trend

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

The original comic business is also progressing well. The adaptation of popular works into TV dramas has temporarily increased download numbers, leading to a surge in revenue. Although there is a reduction due to recoil after the TV adaptations, overall, the situation remains stable.

Healthcare business: Net sales and operating income



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QoQ

Net sales growth

QoQ

Operating income is on a positive trend

- Brisk Cloud drug record service
- Brisk Childcare DX service

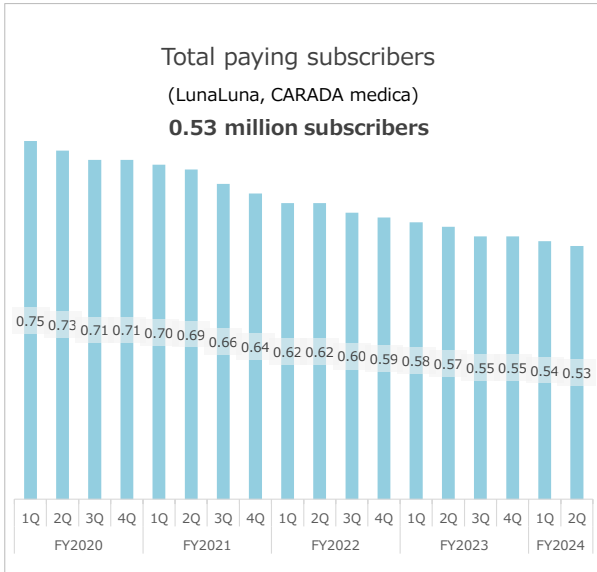
The healthcare business achieved sales of ¥1.355 billion.

The cloud drug records and childcare DX services are expanding smoothly, and revenue is steadily accumulating.

Operating profit reached ¥140 million, driven by the effects of increased revenue and the reduction of selling and administrative expenses.

The company has continued to be profitable since the fourth quarter of the previous fiscal year.

Healthcare business: Monthly content service



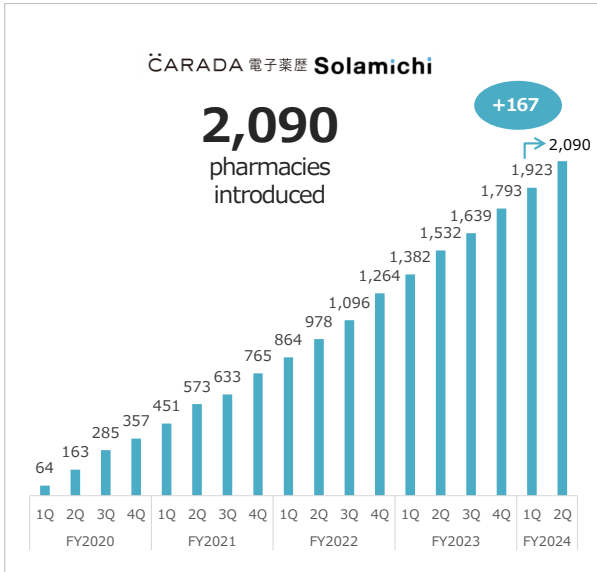
Monthly subscription content service

Total paying subscribers

Levelled off

The number of paying subscribers in the healthcare business was mostly unchanged at 530,000.

Healthcare business: Cloud drug record service



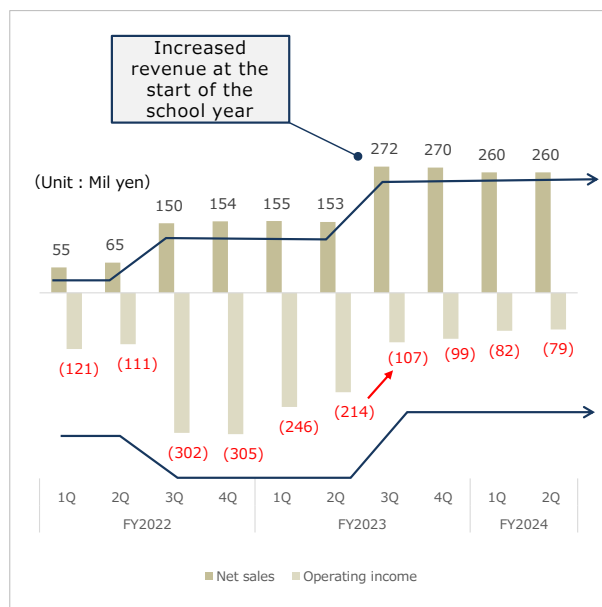
Cloud drug record service

Total introduced pharmacies

Steady expansion

The number of pharmacies introducing the cloud drug record service has reached 2,090 stores, showing steady expansion.

School DX business: Net sales and operating income



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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

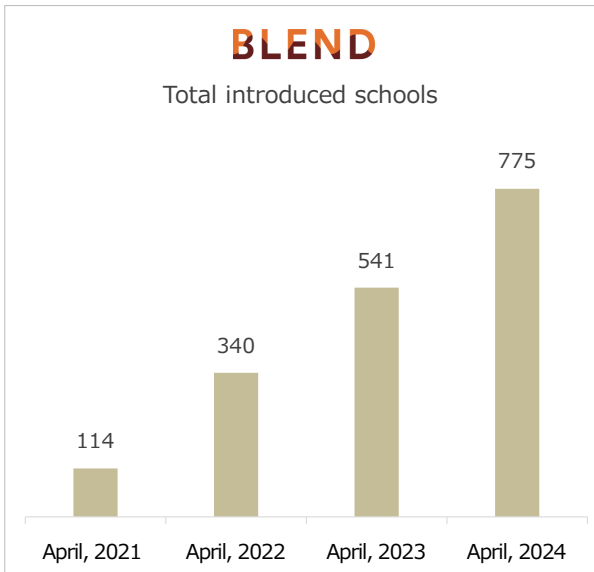
Sales for the School DX business reached ¥260 million.

While flat compared to the immediately preceding quarter, there has been expansion compared to the latter half of the previous period. Due to the concentration of new installations of the cloud-based school affairs support system "BLEND" in April, which marks the start of the school year, revenue tends to accumulate in the second half of the fiscal year.

Operating loss amounted to ¥79 million.

Although the deficit remains flat compared to the immediately preceding quarter, the operating loss has significantly decreased since the latter half of the previous period, due to the effects of increased revenue and reduced development costs.

School DX business: Cloud-based school affairs support system



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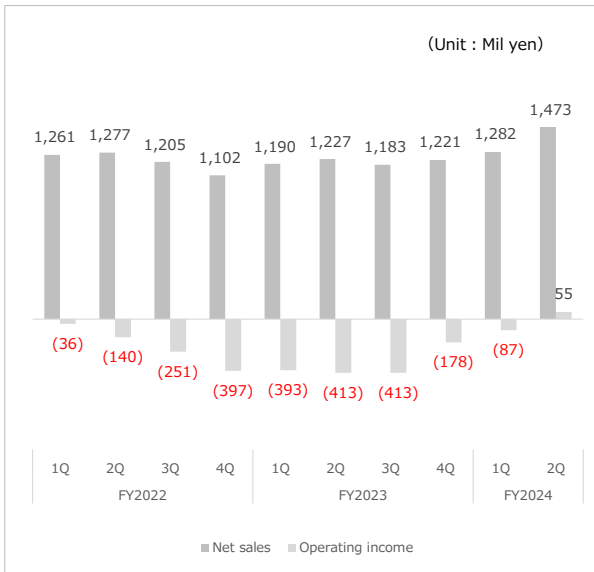
The number of schools introducing our services is progressing well

Private high school share expanded to 35%

In the school affairs support system, there is an increasing demand for the full-cloud model.

The implementation of "BLEND," offered by our subsidiary, is progressing well. As of April 2024, the number of new installations reached 255 schools, exceeding the previous year's total, and the market share in private high schools has expanded to 35%.

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



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QoQ

Net sales growth

Orders in the corporate DX support business increased

QoQ

Operating loss eliminated

Orders in the corporate DX support business increased

Sales for the other businesses amounted to ¥1.473 billion, with an operating profit of ¥55 million.

Due to the expansion of orders in the corporate DX support business, revenue has increased, allowing us to eliminate the operating deficit.

That concludes the financial summary for the second quarter.

Approach for the 2nd half and beyond

Next, I would like to explain the approach for the 2nd half 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, while the number of monthly paid subscribers remains steady, we aim to ensure profitability across the segment through the growth of security-related apps and the original comic business.

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.

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.



"Childcare support" is a social issue

Delay in digitalization for childcare support

Paper-based procedures
Extremely inefficient



Childcare-related
procedures
**Digitalization is
a pressing issue**

- ✓ Parents forced to visit the office with small children, long waiting times
- ✓ Parents asked to enter the same things every time in questionnaires
- ✓ Much paperwork is written by hand, and specifications vary between municipalities

"Childcare support" has become one of the social issues. Additionally, the development of environments that support childcare by municipalities and medical institutions is also lagging.

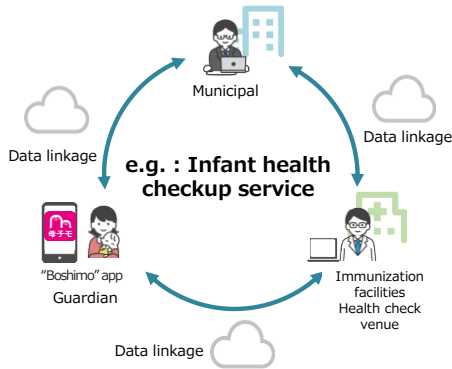
In municipalities and medical institutions using traditional business systems, there is still a prevalence of paper applications and administrative processes, which also places a burden on parents. It can be said that this leads to an extremely inefficient situation.

To resolve this issue, the digitalization of childcare support has become a pressing issue.

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

Childcare DX services

- Questionnaire and reservation form functionality
- Childhood immunizations (Digital preliminary examination slip , etc.)
- Infant health checkup
- Visits to all households with infants
- Pregnancy checkups and pregnancy notification



Functions

Digitalization of municipal services and cooperation with medical institutions in the childcare field

Effects

Reducing the burden on parents, municipalities, and medical institutions through data linkage

Values

Promoting municipal childcare DX and improving the local childcare environment

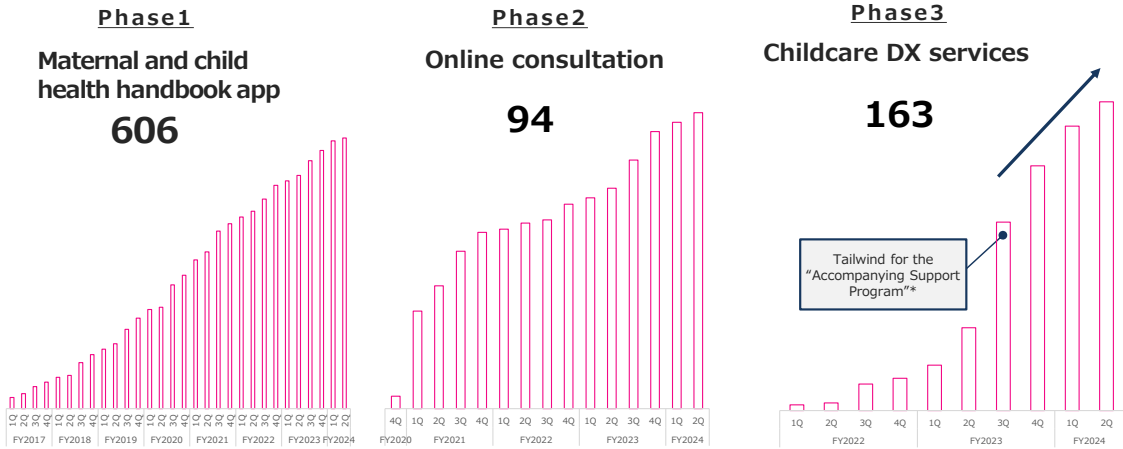
By introducing our childcare DX service, we dramatically improve the childcare services offered by municipalities.

We digitize all procedures for various services, reducing the effort and burden on parents, municipalities, and medical institutions.

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



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



* Transferred to "Children and Families Agency" from April 1, 2023.

The maternal and child health handbook app "Boshimo" has been implemented in 35% of municipalities nationwide. At the end of March, the number of installations reached 606.

The number of municipalities that have also introduced the online consultation service has reached 94. The implementation of the childcare DX service has accelerated, increasing to a total of 163 at the end of March.

This is also backed by the government's efforts to support the digitalization and DX of childcare services.

Connecting students and teachers

Full-cloud school affairs support system

BLEND



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

Serious problems in schools Excessive teacher overtime and increased resignations

Traditional school affairs
**Excessive workload
and inefficiency**



**Shifting all school
affairs to the cloud
is a pressing issue**

- ✓ Using multiple systems: management cost burden
- ✓ Varying specifications, handwritten and PC-based admin: work-time burden
- ✓ Data linkage is time consuming

In schools, issues such as excessive overtime and rising resignation rates among teachers are becoming increasingly serious.

In addition to teaching, teachers are responsible for various types of administrative tasks, collectively referred to as "school affairs."

Primarily, these include attendance management, grading, entrance exam administration, and communication tasks.

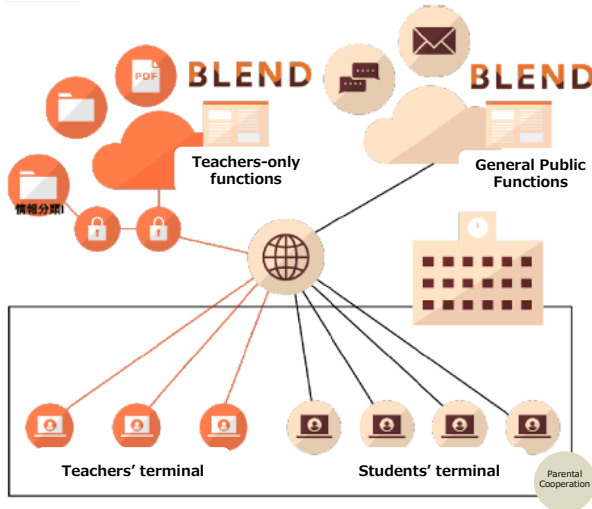
The workload for these tasks is substantial, and with traditional school affairs systems, management is not centralized, leading to extremely inefficient conditions.

Furthermore, the use of multiple school affairs systems also leads to increased costs.

To address these serious issues all at once, the full-cloud implementation of school affairs systems is receiving significant attention from the Ministry of Education, Culture, Sports, Science and Technology, as well as from schools sites.

A world with **BLEND**

Eliminating all negatives



Functions

- Fully cloud-based centralized management of data
- Data linkage without returning to the staff room
- Data linkage with parents and guardians

Effects

- Reduced workload for school affairs
- Reduced system management costs

Values

Create an environment that enables concentration on essential education through the provision of school DX services

Our group has been at the forefront in developing and providing "BLEND," a full-cloud school affairs support system. By implementing it, schools can be freed from inefficient administrative tasks.

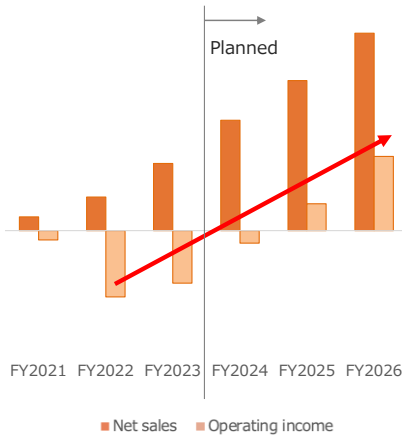
Since it is fully cloud-based, the system allows for centralized management of various school administrative data, enabling staff to enter and access data on the spot without needing to return to the staff room.

Additionally, it enables information sharing with parents as needed.

Not only does it reduce the workload of school affairs, but also improves management costs having a single system that is full cloud-based.

At schools where it has been implemented, these reductions in "burdens" enable the creation of an environment where educators can focus more on the core aspects of teaching.

Image of medium-term profit



Continued increase in the number of schools introducing DX

Growth opportunities

- Accumulation of projects expected to be introduced in April 2025
- Government driving DX for school affair in prefectural areas

Differentiation

Cloud-based batch services

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

Projects are accumulating in preparation for implementation in April 2025.

Additionally, the government is advancing the implementation of school DX initiatives at the prefectural level.

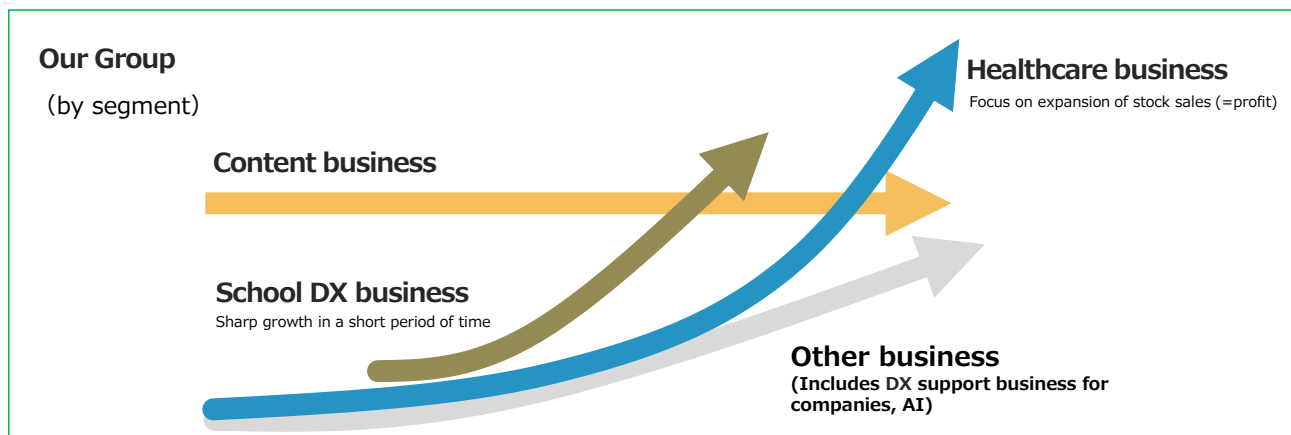
When schools consider introducing a school affairs support system, they see significant advantages in the "full-cloud" model that "BLEND" embodies.

By fully leveraging these opportunities and advantages, we aim to further expand the number of schools introducing the system, thereby achieving growth in revenue and profits.

Image of medium-term profit

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

Image of medium-term profit



Factors affecting profit

- Healthcare business** Government promotion of digitalization / DX in mother and child health information (Improving the childcare environment is a pressing issue)
⇒ Accelerated introduction of digital maternal and child health handbook and childcare DX
- School DX business** Government driving DX for school affair in prefectural areas (Improving efficiency in school administration is a pressing issue)
⇒ Accelerated introduction of full-cloud school affairs support systems

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The image of medium-term profit is as follows.

We have invested in the healthcare and school DX businesses, using the content business as a cash cow.

Since we anticipate that the school DX business will be the fastest to achieve business growth, we will continue to work on expanding the number of schools that introduce our full-cloud school affairs support system.

The healthcare business has finally become profitable, and we believe it will serve as a key driver of profit growth in the medium term.

In the current fiscal year, we plan to achieve full-year profitability by driving sales growth through our cloud-based drug record and childcare DX services.

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



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

Thank you for your time.