



# Financial Results Briefing Material for Q3 FY2024

August 7, 2024

Securities Code : 9438

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School DX business

# Financial Results Overview for Q3 FY2024

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

**1 Q3 Results Flat net sales, substantial increase in profits**

		YoY	Percentage change
Net sales :	<b>¥20,536 million</b>	+398 million	+2.0%
Operating income :	<b>¥1,752 million</b>	+1,770 million	-%
Profit attributable to owners of parent :	<b>¥2,243 million</b>	+1,748 million	+353.0%

**2 Revision of Full-year earning forecast upward**

		Change from the latest forecast
Net sales :	<b>¥27,500 million</b>	+500 million
Operating income :	<b>¥2,200 million</b>	+400 million
Profit attributable to owners of parent :	<b>¥2,400 million</b>	+650 million

**3 Approach and performance for Q3**

- Healthcare business : Cloud drug record service is performing well (Record number of pharmacies that introduced the service )
- School DX business : The number of schools introduced in April 2024 led to not only an increase in sales but also a shift to profitability.

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Here are the financial highlights.

(1) Net sales in Q3 increased slightly year on year, and income improved considerably.

(2) Consider the details of our financial results, we will make upward revisions to our full-year forecasts for both net sales and income.

(3) Regarding major initiatives during the third quarter, in the healthcare business, we saw strong performance from pharmacies adopting our cloud drug record service, and recorded record results on a quarterly basis.

In the School DX Business, the number of schools adopting the BLEND cloud-based school affair support system expanded in April.

We will provide detailed explanations of each specific initiative shortly.

**Net sales: Flat**  
**Operating income, ordinary income, profit : Substantial increased**

( Unit : Mil yen )	FY2023 Q3	FY2024 Q3	YoY		
			Amount	Percentage	
Net sales	20,138	20,536	+398	+2.0%	The same period of previous year: 739million Yen: Posting of spot sales of the video-streaming service
Cost of sales	6,495	5,443	(1,051)	(16.2)%	<ul style="list-style-type: none"> <li>Loss-making projects in the DX support business for companies have wound down</li> <li>The same period of previous year: 649million Yen :Posting of spot cost of sales of the video-streaming service</li> </ul>
ratio	32.3%	26.5%			
Gross profit	13,643	15,093	+1,449	+10.6%	Decrease in personnel and development costs
ratio	67.7%	73.5%			
SG&A	13,661	13,340	(320)	(2.3)%	Increase in equity method investment income (+537million yen)
ratio	67.8%	65.0%			
Operating income	(17)	1,752	+1,770	-%	
ratio	(0.1)%	8.5%			
Ordinary income	151	2,363	+2,211	-%	
ratio	0.8%	11.5%			
Profit attributable to owners of parent	495	2,243	+1,748	+353.0%	
ratio	2.5%	10.9%			

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

Net sales increased slightly year on year to ¥20,536 million, reflecting sales through in the healthcare business and DX support business for companies.

The cost of sales declined significantly. This was due to the impact of spot cost of sales of the video-streaming service incurred in the same period of the previous fiscal year disappearing, and unprofitable projects in the DX support business for companies having ended.

As a result, gross profit increased by 10.6% to ¥15.093 billion.

Operating income significantly increased to ¥1.752 billion due to the rise in gross profit and a decrease in selling, general, and administrative expenses.

Ordinary income amounted to ¥2.363 billion, driven by an increase in equity method investment income.

Profit attributable to owners of the parent for the quarter was ¥2.243 billion, resulting from an increase in ordinary income.

## Consolidated SG&amp;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 Q3	FY2024 Q3	YoY		
			Amount	Percentage	
SG&A	13,661	<b>13,340</b>	(320)	(2.3)%	
Advertising expenses	1,569	<b>2,012</b>	+442	+28.2%	• Increase in sales promotion costs for AdGuard
Personnel expenses	5,904	<b>5,409</b>	(495)	(8.4)%	• Exclusion of subsidiaries from consolidation
Commission fee	2,223	<b>2,135</b>	(87)	(3.9)%	
Subcontract expenses	1,513	<b>1,319</b>	(194)	(12.8)%	• Improve development costs (School DX business)
Depreciation	924	<b>998</b>	+89	+9.9%	
Other	1,526	<b>1,466</b>	(60)	(4.0)%	

The breakdown of selling, general, and administrative expenses is as shown.

Overall, it decreased by 2.3% from the same period last year, amounting to 133.4 billion yen.

This was due to a decline in personnel expenses, slowing of development activities in the school DX business and falling outsourcing expenses offsetting the increase in advertising expenses in the content business.

## Revision of earning forecast of FY2024

## All forecasts revised upward

( Unit : Mil yen )	FY2024 Full-Year (latest forecast)	FY2024 Full-Year (actual)	Difference	
			(million yen)	(%)
Net sales	27,000	<b>27,500</b>	+500	+1.9%
Operating income	1,800	<b>2,200</b>	+400	+22.2%
Ordinary income	2,250	<b>2,750</b>	+500	+22.2%
Profit attributable to owners of parent	1,750	<b>2,400</b>	+650	+37.1%

Based on the results of the third quarter, we will revise the full-year earning forecast upwards for both net sales and profit.

Net sales has been revised upwards by ¥500 million from the previous forecast to ¥27.5 billion, operating income has been increased by ¥400 million to ¥2.2 billion, and profit attributable to owners of the parent has been raised by ¥650 million to ¥2.4 billion.

# Performance by segment

## Content Business

- Content service
  - Entertainment & Life
  - Security-related
- Original comics service



## Healthcare Business

- Healthcare service for women
- Childcare DX service
- Cloud drug record service
- Online consultation service, etc.



CHARADA 電子薬歴  
Solamichi

## School DX Business

- School DX service

# BLEND



## Other Business

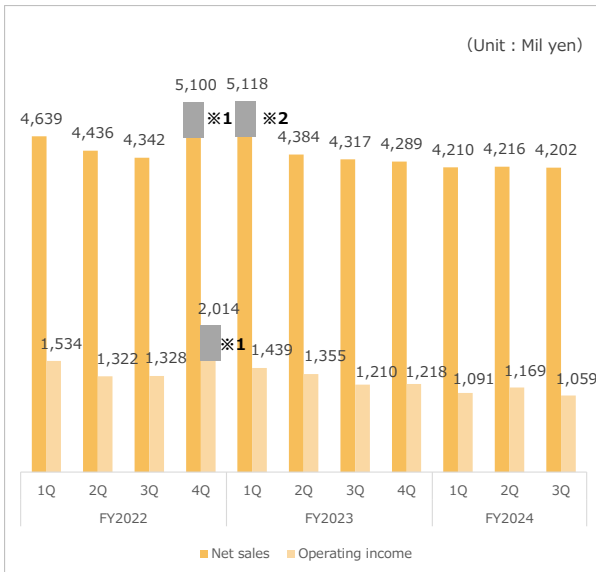
- AI business
- DX support business for companies
- Solution service for corporate



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



## Content business : Net sales and operating income



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QoQ

### Net sales: Flat

The number of paying subscribers remained almost unchanged.

QoQ

### Operating income: Flat

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.

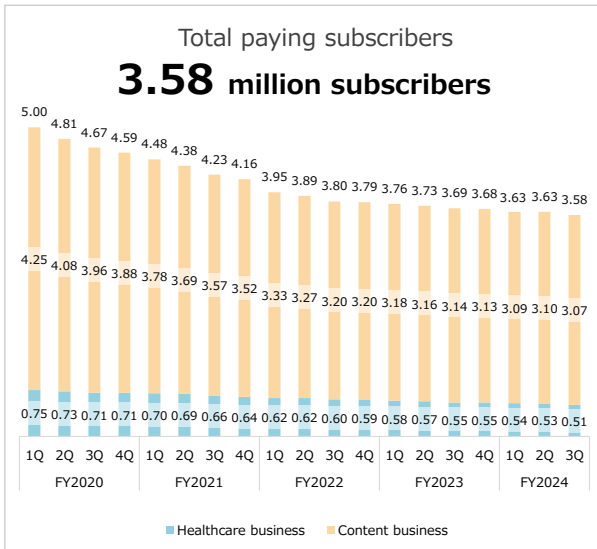
\*2 : Net sales 739 million yen:  
Posting of spot sales of the video-streaming service.

This is the quarterly trend of the content business.

Due to the number of paid subscribers remaining flat, both net sales and operating income have continued to be stable.

Net sales for the third quarter was ¥4.202 billion, and operating income was ¥1.059 billion.

Content business : The number of paying subscribers



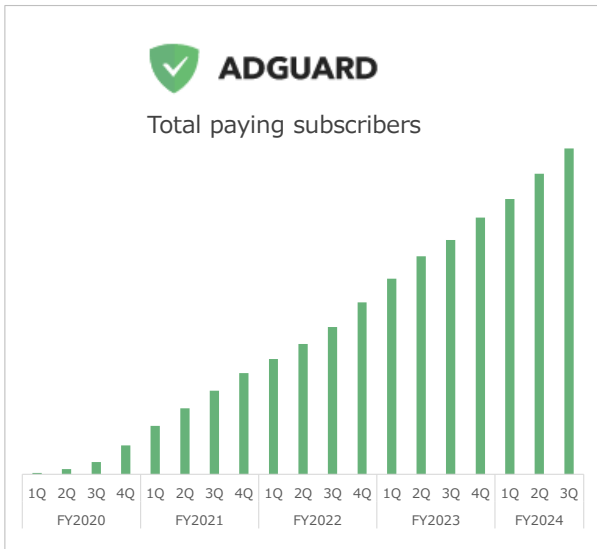
Total paying subscribers

**Flat**

**Brisk Security-related app**

Including healthcare business members, the total number of paid subscribers reached 3.58 million as of the end of June.

Content business: Security-related app



## The security-related app continues to perform well

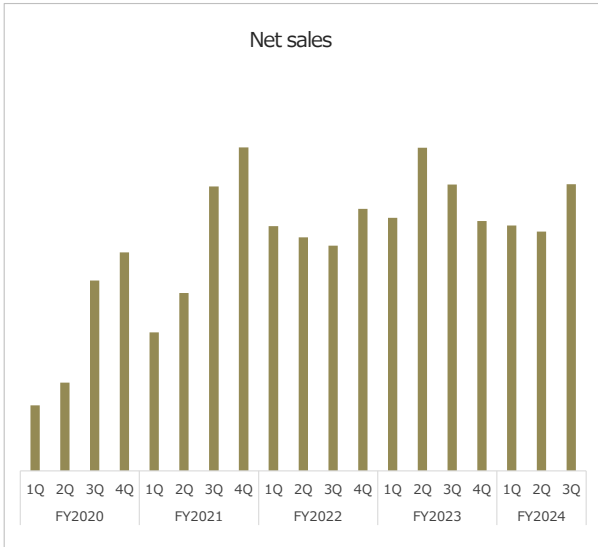
Total paying subscribers  
**850 thousand subscribers**

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 850,000 at the end of June.

Content business: Original comics content business



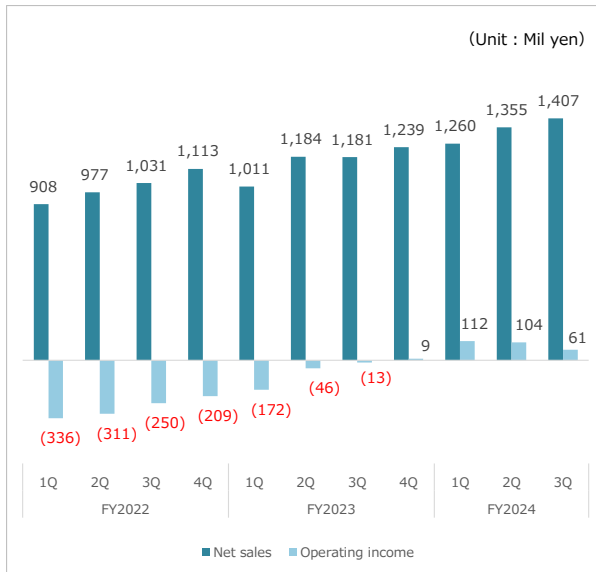
Original comics content business  
**Stable trend**

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

The original comic business is also progressing well.

Net sales also recorded a sharp increase when there was a temporary increase in the number of downloads due to the TV dramatization of a popular title. There was a reactionary decline following the TV dramatization but stability overall.

## Healthcare business: Net sales and operating income



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QoQ

**Net sales: growth**

QoQ

**Operating income:  
On a positive trend**

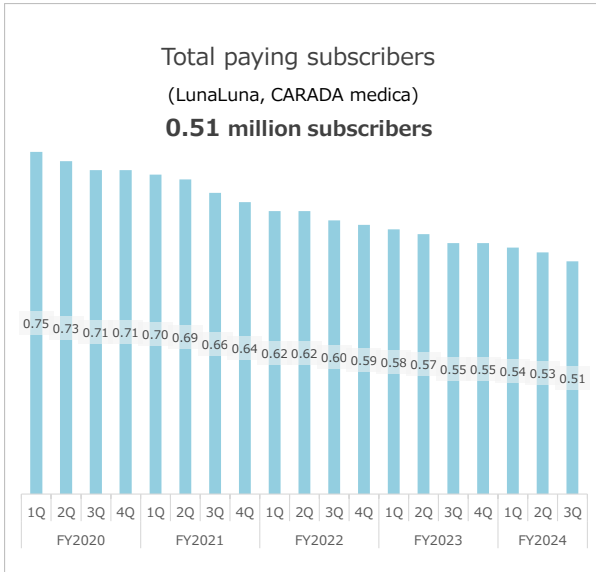
• Brisk Cloud drug record service

The healthcare business achieved sales of ¥1.407 billion.

The cloud drug record service and childcare DX service performed well, leading to a steady accumulation of net sales.

Operating profit has remained profitable since the fourth quarter of the previous fiscal year. Although there was a decrease in profit compared to the immediately preceding quarter, the effects of increased sales and cost control continued, resulting in an operating profit of 61 million yen.

Healthcare business: Monthly content service



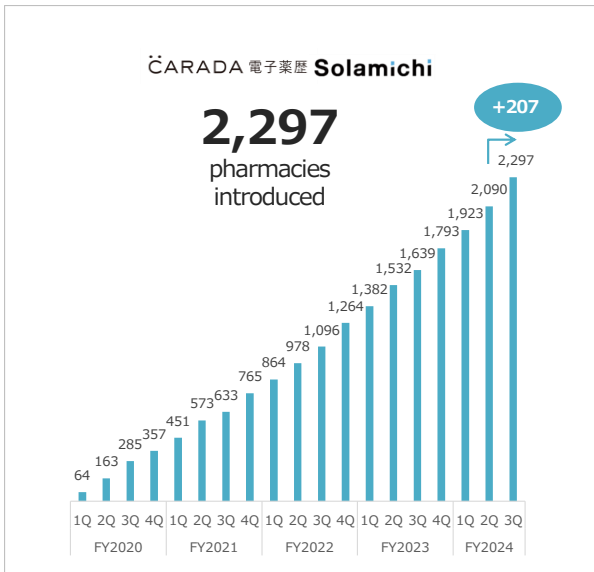
Monthly subscription content service

Total paying subscribers

**Levelled off**

The number of paying subscribers in the healthcare business was mostly unchanged at 510,000.

## Healthcare business: Cloud drug record service



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## Cloud drug record service

Total introduced pharmacies

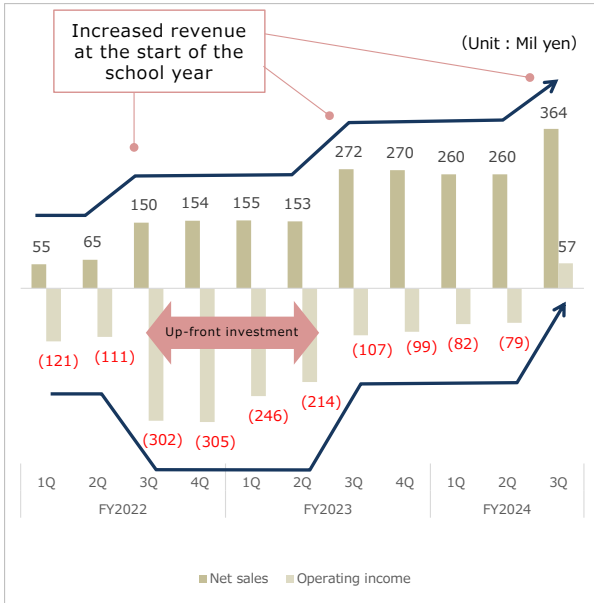
## Steady expansion

Record high on a quarterly basis

The number of pharmacies implementing the cloud drug record system is expanding smoothly.

The number of new installations in this quarter reached a record high of 207 stores, bringing the total to 2,297 stores.

## School DX business: Net sales and operating income



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QoQ

**Net sales: Expansion**

QoQ

**Operating income: Returning to profit**

Significant reduction in losses compared to the same period last year

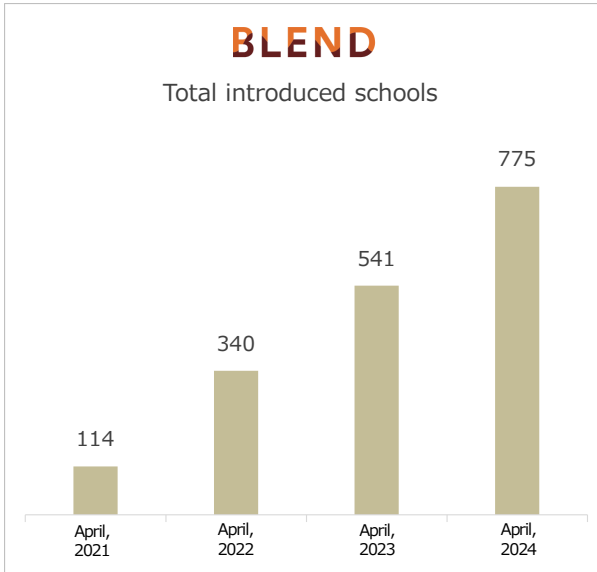
Sales for the School DX business reached ¥364 million.

The BLEND full-cloud school affair support system recorded increased sales compared with the previous quarter, reflecting a sharp increase in the number of schools adopting the system in April to coincide with the start of a new academic year.

Operating profit reached ¥57 million. Increased sales and reduced development costs enabled the company to turn profitable in the third quarter.



School DX business: Cloud-based school affairs support system



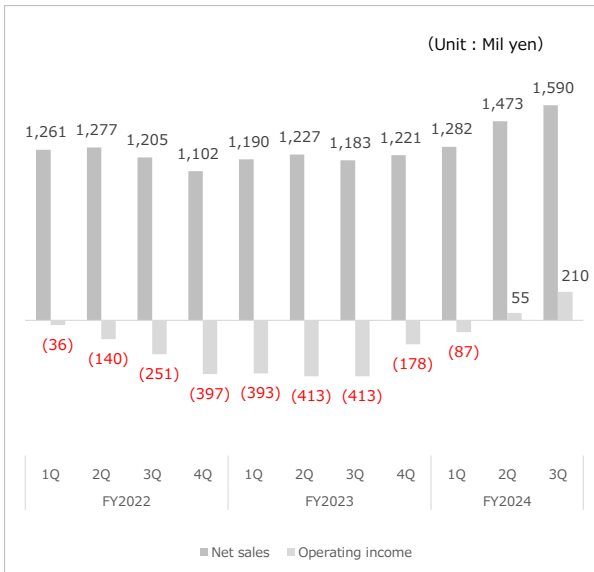
The number of schools introducing our services is progressing well

Private high school share expanded to **35%**

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The number of schools introducing the system is progressing smoothly, with a total of 775 schools now implemented. 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 income: On a positive trend

Orders in the corporate DX support business increased

Sales for the other businesses amounted to ¥1.59 billion, with an operating profit of ¥210 million.

Due to the expansion of orders in the corporate DX support business, sales grew, and operating profit increased from the second quarter.

That concludes the financial summary for the third quarter.

# Future Approach

Next, I would like to explain our future approach.

## 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.

Healthcare business: Future approach

Connecting pharmacies and patients

**Cloud drug record service**

ĀARADA 電子薬歴 **Solamichi**



B2B service for pharmacy

Connecting parenting households and municipalities & hospital

**Maternal and child health handbook app**

+

**Childcare DX services**



B2BtoC service for municipalities

I will now explain the initiatives related to the cloud drug record service and the childcare DX service within our healthcare business.

**New functional services**  
**the automatic summary function has been well received**

To further improve operational efficiency

**Medication guidance navigation**  
**+**

**AI automatic summarization feature**

Other functions

- Connecting the drug histories possessed by different pharmacies
- Additive Logic
- Home care and nursing functions
- Planning to add electronic prescriptions and other functions as needed

● **Continuing to strengthen cooperation in sales** ●

Collaboration with a major prescription pharmaceutical wholesaler



Automatically extracts necessary items for the medical record



\* "corte" was jointly developed by our subsidiary Solamichi System Inc. and by corte Inc.  
\* "Corte" is a registered trademark of Corte Inc.

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

In addition to functional enhancements in response to changes in laws, we have continuously developed features to improve the work efficiency of pharmacists.

From April, an AI-based drug record creation support feature was added.

The system records conversations between pharmacists and patients at a pharmacy, classifying necessary information in the drug record by item based on the details of medication guidance provided, and automatically generates a summary.

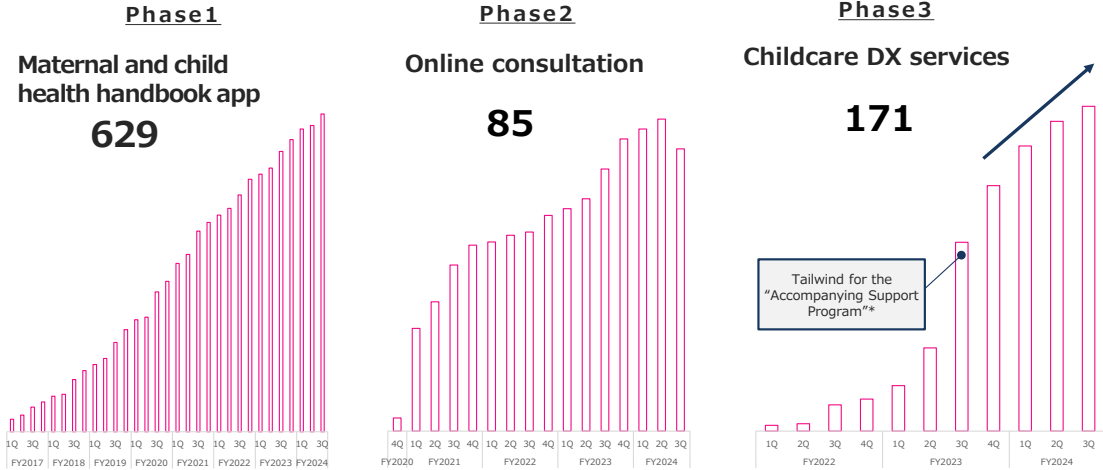
By using this feature in conjunction with the existing "Medication Guidance Navigation" feature, pharmacies can expect to achieve further operational streamlining.

The feature has been reviewed favorably by pharmacists who have actually used it.

We will continue to strengthen our collaboration with Medipal Holdings, a leading pharmaceutical wholesaler, to communicate the convenience of these new features to dispensing pharmacies.



**Introduction smoothly:  
the 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 June, the number of installations reached 629.

The number of installations for the online consultation service has decreased to 85, as demand has stabilized after the COVID-19 pandemic.

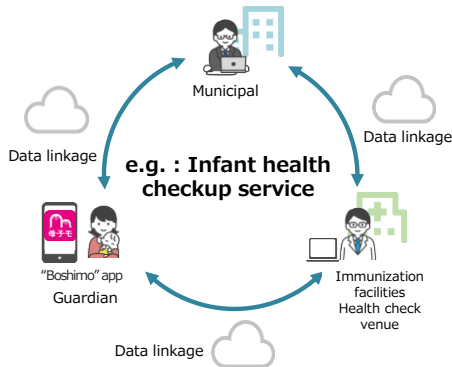
On the other hand, the demand for the childcare DX service continues to be high, with the total number of implementations increasing to 171 by the end of June.

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

# 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 and cooperation of municipal services 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**

“Childcare support” has become one of the challenges facing society.

Through our childcare DX service, we digitize procedures for various services offered by municipalities .

Digitizing these procedures eliminates the need for parents to submit documents.

In addition, since not only municipalities and parents but also local medical institutions can link their data, the interactions between parents, municipalities and medical institutions can also be simplified, reducing the hassle and workloads involved.

Going forward we will continue to expand the childcare DX service business by promoting its adoption by municipalities.



Connecting students and teachers

## Full-cloud school affairs support system

# BLEND



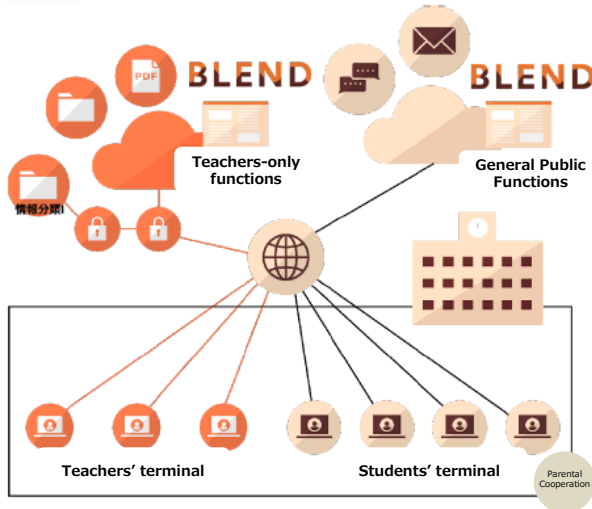
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Next, I would like to explain more about the school DX business.

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

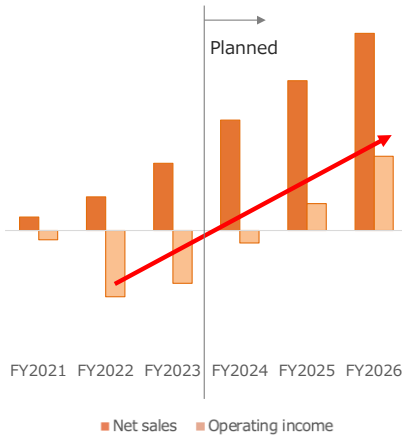
- Reducing workload for school affairs
- Reducing system management costs

### Values

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

“BLEND” is a revolutionary full-cloud school affair support system that eliminates the inefficiencies in school administration. As it is fully cloud-based, it can not only be used within a school, but can also link information with the parents of students as needed. As teachers can input data on the spot instead of having to return to the staff room, multiple sets of administrative data can be centrally managed. In addition to linking data in real-time, the solution improves administrative costs. By reducing the workload on teachers, the system helps create an environment that allows them to focus on their core educational duties.

Image of medium-term profit



**Continuing increase in the number of schools introducing our service**

Growth opportunities

- Accumulation of projects expected to be new introducing in April 2025
- Government driving DX for school affair unit by prefectural area

Differentiation

Cloud-based batch services

Here is an image of medium-term profit for the school DX business. There continues to be strong interest in adopting full-cloud school affair support systems among private schools.

We have also steadily secured new projects leading up to introduction in April next year.

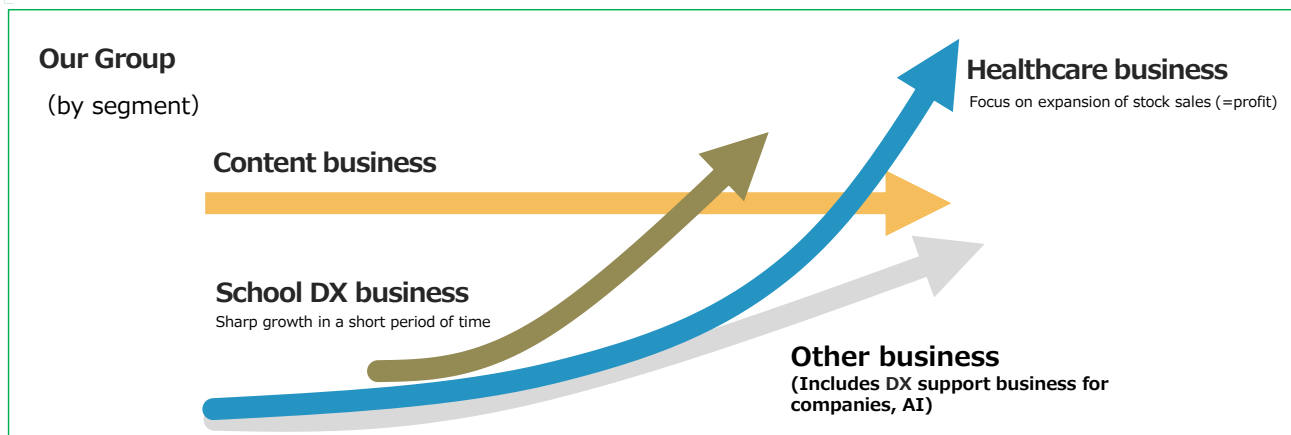
Government-lead efforts to promote school affair DX in prefectural areas have also seen progress, leading to a favorable external environment.

We will achieve growth in sales and profit by further expanding the number of schools adopting systems that leverage the advantages of fully cloud-based solutions.

## 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.

The Group has focused on investing resources in the healthcare business and school DX business, using the cash cow generated by the content business as a source of funding.

In the short term, we expect the school DX business to exhibit the fastest business growth.

We managed to move the school DX business into the black in the third quarter.

Going forward we will continue efforts to expand the number of schools adopting our “BLEND” solution.

In the healthcare business, we have started to see the effects of many years of business development, and finally achieved profitability from the first quarter of this period.

We expect profitability in the full-year results, reflecting efforts to grow sales with the cloud drug record and childcare DX services as drivers.

In the medium term, we believe the healthcare business will become a driver of profit growth.

By expanding recurring sales in each business, we aim to achieve sustainable growth Group-wide.



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Thank you for your time.