

Financial Results Briefing for Q2/2021

May 13, 2021



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 FY2021

Financial highlight

1 Q2 Results

- Net sales ¥13,046 million (Up ¥73 million, Up 0.6%, YoY)
- Operating income ¥1,232 million (Down ¥214 million, Down 14.8%, YoY)
- Q2 financial forecast: Net sales up ¥46 million
Operating income up ¥132 million

* Figures are compared with intermediate values in the range for convenience.

2 Q2 Achievements and initiatives

- Content business:
 - Brisk security-related app
 - Sustainable growth of original comics content business
- Healthcare business:
 - Extensive introduction for cloud drug record service
 - Brisk "Boshimo" and online consultations

Consolidated P/L

Net sales: levelled off Operating income: decreased

(Unit : Mil yen)

	FY2020 Q2	FY2021 Q2	YoY		
			Amount	Percentage	
Net sales	12,973	13,046	+73	+0.6%	
Cost of sales (ratio)	3,531 27.2%	3,419 26.2%	(112)	(3.2%)	
Gross profit (ratio)	9,441 72.8%	9,627 73.8%	(185)	+2.0%	
SG&A (ratio)	7,995 61.6%	8,395 64.3%	+400	+5.0%	(Personnel expense) Increase in subsidiaries and development personnel
Operating income (ratio)	1,446 11.2%	1,232 9.4%	(214)	(14.8%)	
Ordinary income (ratio)	1,310 10.1%	840 6.4%	(469)	(35.8%)	Increase in investment losses by equity method
Profit attributable to owners of parent (ratio)	1,246 9.6%	(1,416) -	(2,663)	-	Postponement of posting of deferred income taxes

Consolidated SG&A :

Advertising expenses, personnel expenses, subcontract expenses increased

(Unit : Mil yen)

	FY2020 Q2	FY2021 Q2	YoY		
			Amount	Percentage	
SG&A	7,995	8,395	+400	+5.0%	
Advertising expenses	490	711	+220	+44.9%	Promoted sales of security-related apps
Personnel expenses	3,085	3,443	+357	+11.6%	Increase in subsidiaries and development personnel
Commission fee	1,674	1,574	(99)	(6.0%)	
Subcontract expenses	678	887	+208	+30.7%	
Depreciation	757	584	(172)	(22.8%)	
Other	1,308	1,193	(114)	(8.7%)	

(Reference) Main breakdown of non-operating expenses

Increase in investment losses by equity method

(Unit : Mil yen)

	FY2020 Q2	FY2021 Q2	YOY
Non-operating expenses	169	483	+314
(Main breakdown)			
Investment losses by equity method	154	404	+250
Interest expenses	0	3	+3
Foreign exchange losses	9	-	(9)
Other	5	75	+69

(Reference) Income tax-related settlement of gains on sale of shares in Solamichi System

Non-consolidated Financial statements

Contributing to increase of ¥3,967 million in profit

Transfer of Shares profit: ¥5,667 million
Income Taxes: ¥1,700 million

Consolidated Financial statements

Contributing to decrease of ¥1,700 million in profit

Transfer of Shares profit: ¥0 million
(Elimination of consolidation)
Income Taxes: ¥1,700 million
(Deferred income taxes will not be posted)

Based on current accounting standards, posting of deferred income taxes (-¥1,700 million) was postponed, resulting in a decrease of ¥1,700 million in consolidated profit.

Difference between earnings forecast and the actual for Q2

Ordinary income: Increase in investment losses by equity method
 Profit: Postponement of posting of deferred income taxes
 (These had no effect on cash flows)

(Unit : Mil yen)

	FY2021 Q2		Difference Amount
	The latest earnings forecast	Actual	
Net sales	13,000	13,046	+46
Operating income	1,100	1,232	+132
Ordinary income	1,100	840	(259)
Profit (loss) attributable to owners of parent	750	(1,416)	(2,166)

*For performance forecast figures for the fiscal year ending September 30, 2021, intermediate values in the range are shown for convenience.

Revision of earnings forecast of FY2021

Only ordinary income and profit were adjusted downward

(Unit : Mil yen)

	FY2021		Difference Amount
	The latest earnings forecast	Forecast	
Net sales	26,000	26,000	-
Operating income	2,300	2,300	-
Ordinary income	2,300	1,800	(500)
Profit (loss) attributable to owners of parent	1,500	(800)	(2,300)

*For performance forecast figures for the fiscal year ending September 30, 2021, compared with intermediate values in the range for convenience.

Performance by segment

Content Business

BtoC/BtoB

Content distribution service



Healthcare Business

BtoC/BtoB/BtoBtoC

Existing healthcare service
New healthcare service

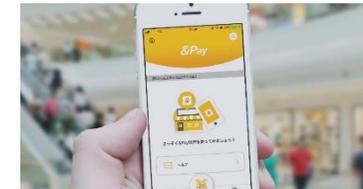


CARADA Solamichi CARADA オンライン診療

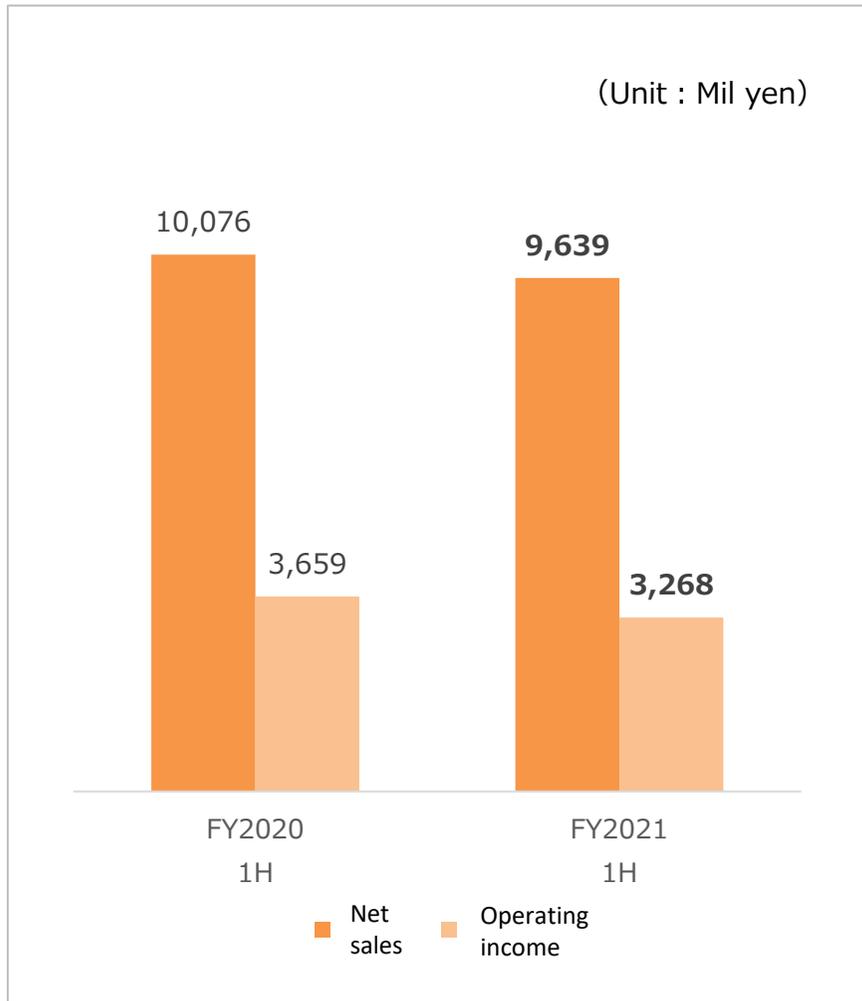
Other Business

BtoB

Fintech service
AI service
Solution service



Content business: Net sales and operating income



Decreased sales and profit

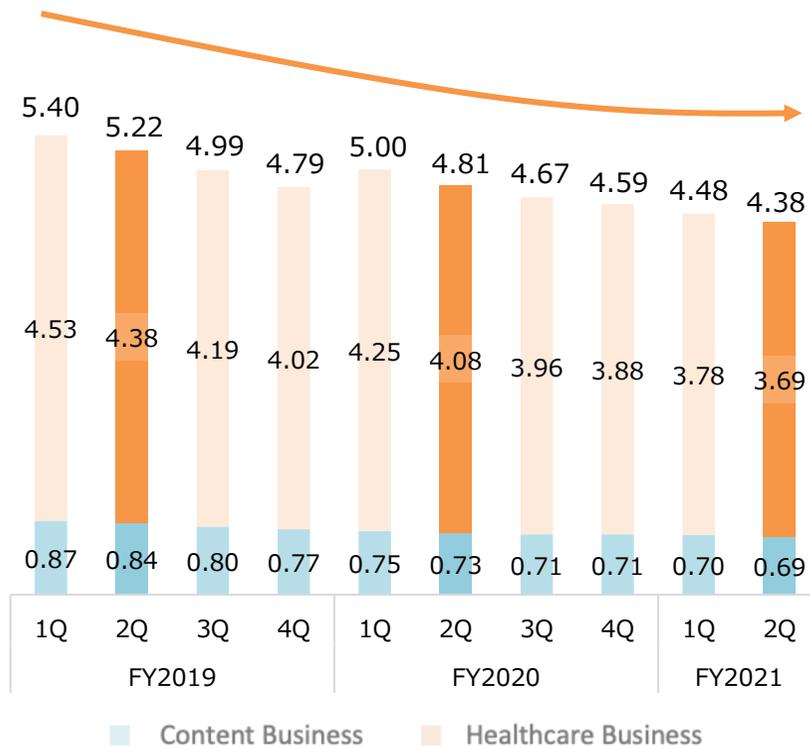
- Net sales
 - : The number of paying subscribers decreased
 - + : The effect of accepting the transfer of "musicco"
Original comics are growing
- Operating income
 - : The number of paying subscribers decreased
Increase in advertising expenses (For security-related apps)

Content business: The number of paying subscribers

Total paying subscribers
4.38 million subscribers

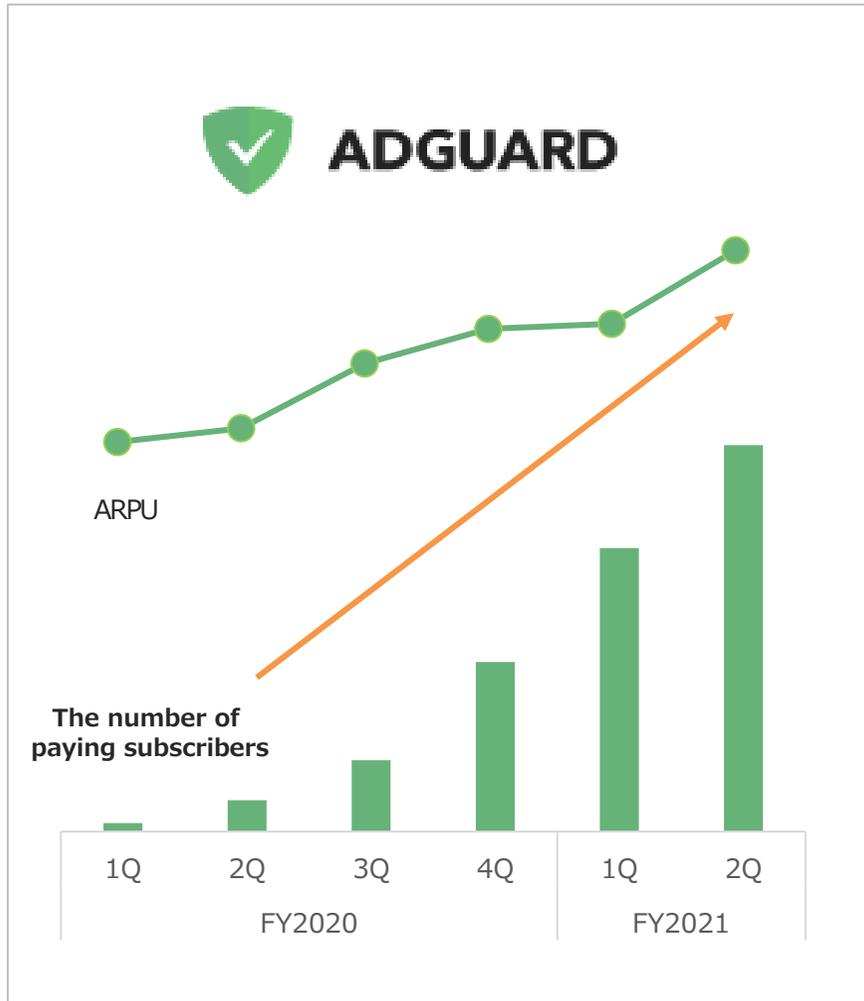
Degree of decrease is being reduced

- Brisk Security-related apps



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

Content business: Security-related app



Strong needs

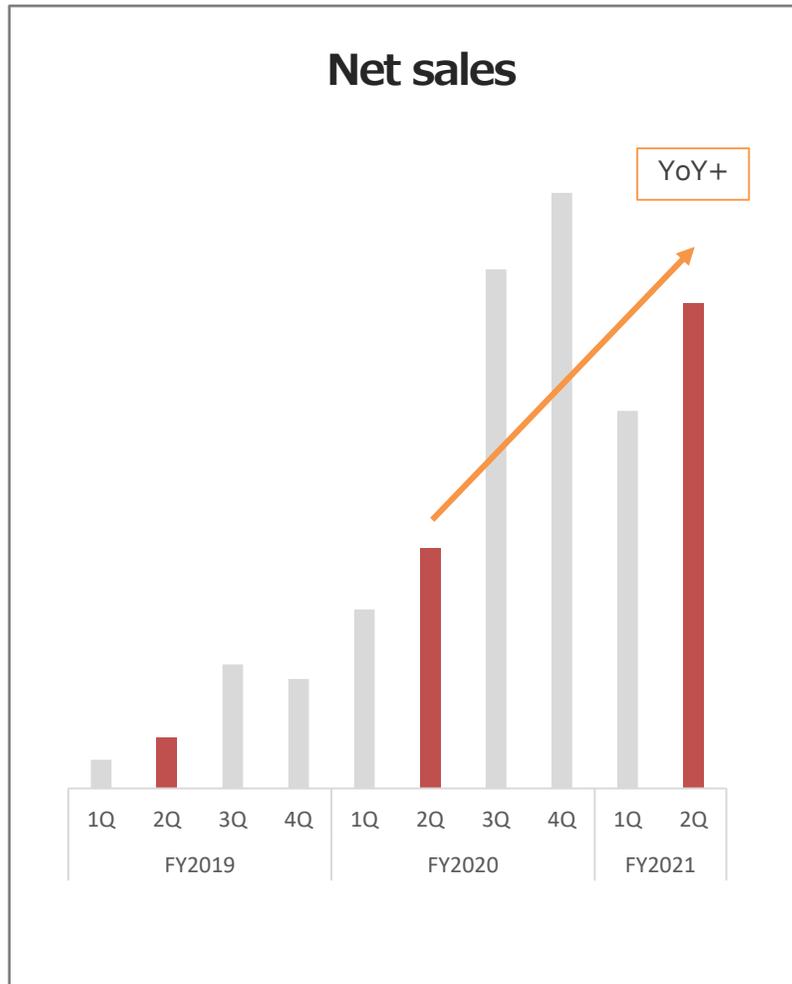
Security-related apps are growing

The number of paying subscribers and ARPU
Expansion trend

Four functions

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

Content business: Original comics content business

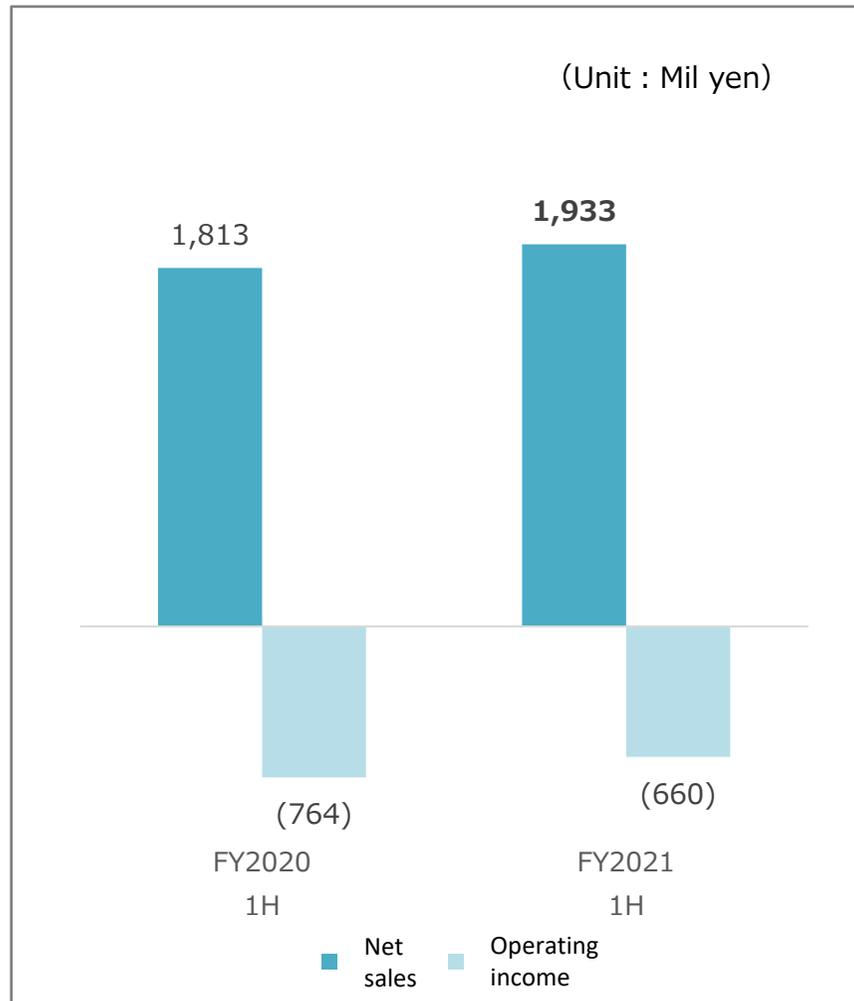


Continuously growing

Overcame a reactive decrease from the major hit during the previous fiscal period (short term)

Increase in comic titles introduced

Healthcare business: Net sales and operating income

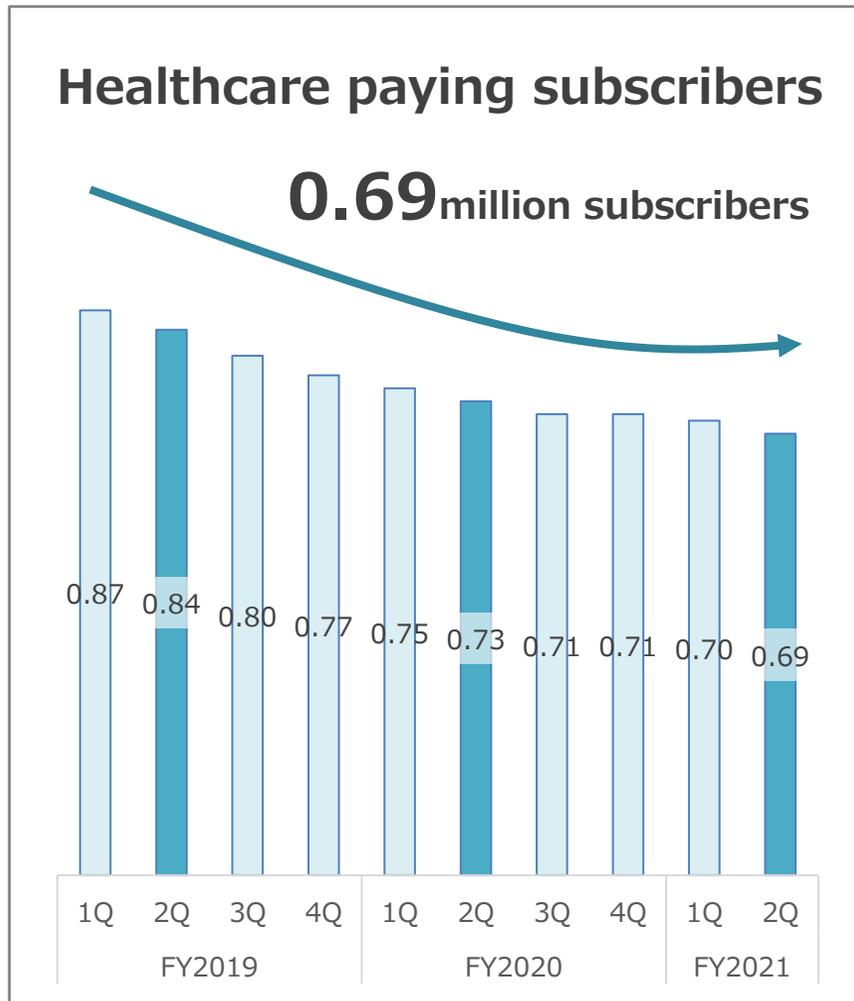


Net sales expansion

Strong needs

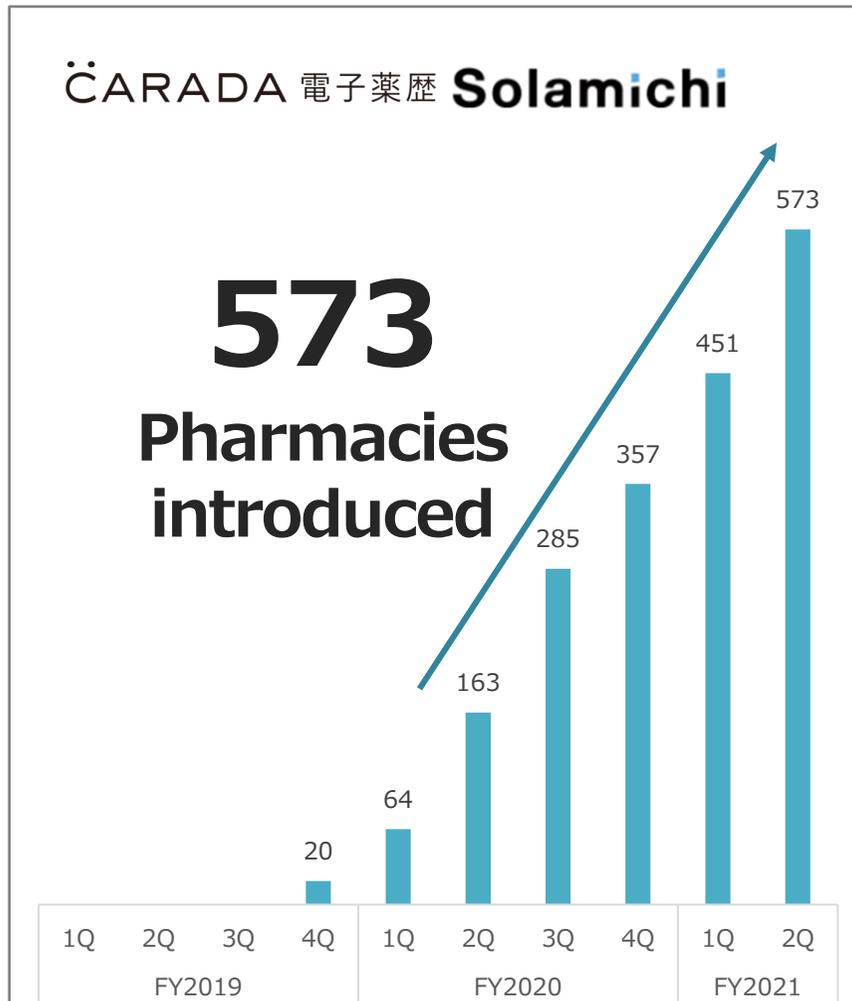
Contribution to sales expanded for the initial introduction of cloud drug record service.

Healthcare business: The number of paying subscribers



Flat
 (LunaLuna, CARADA medica)

Healthcare business: Cloud drug record service

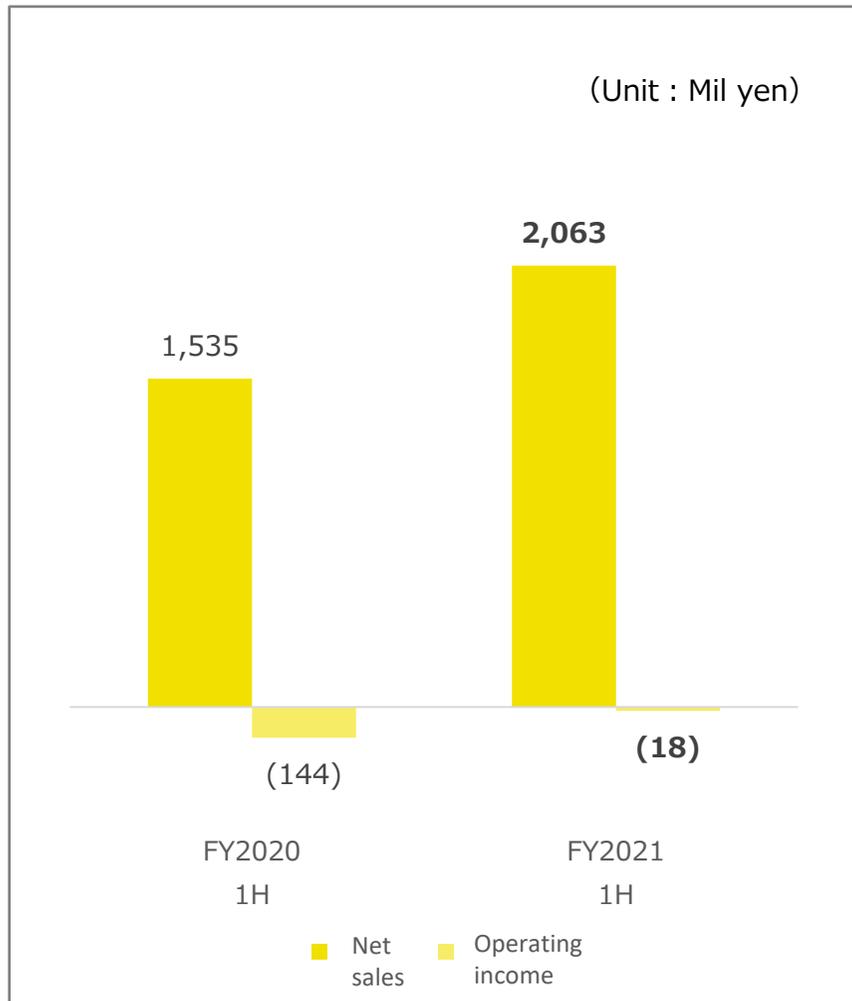


Strong needs

Extensive introduction

- Up 122 from the previous quarter
- Actively promoting online sales activities

Other business(System development, AI business): Net sales and operating income



Expansion of AI and solutions businesses

Approach in Q3 and beyond

Basic policy in FY2021

1. Healthcare business

- Further increase in the number of stores introducing the Cloud drug record service
- Pushed ahead with conversion of Boshimo app to a platform
- Maintenance of the number of paying subscribers

2. Content business

- Original comics content business expansion
- Maintenance of the number of paying subscribers (Expansion of security-related apps)

Linking medical institutions and patients

CHARADA 電子薬歴 Solamichi



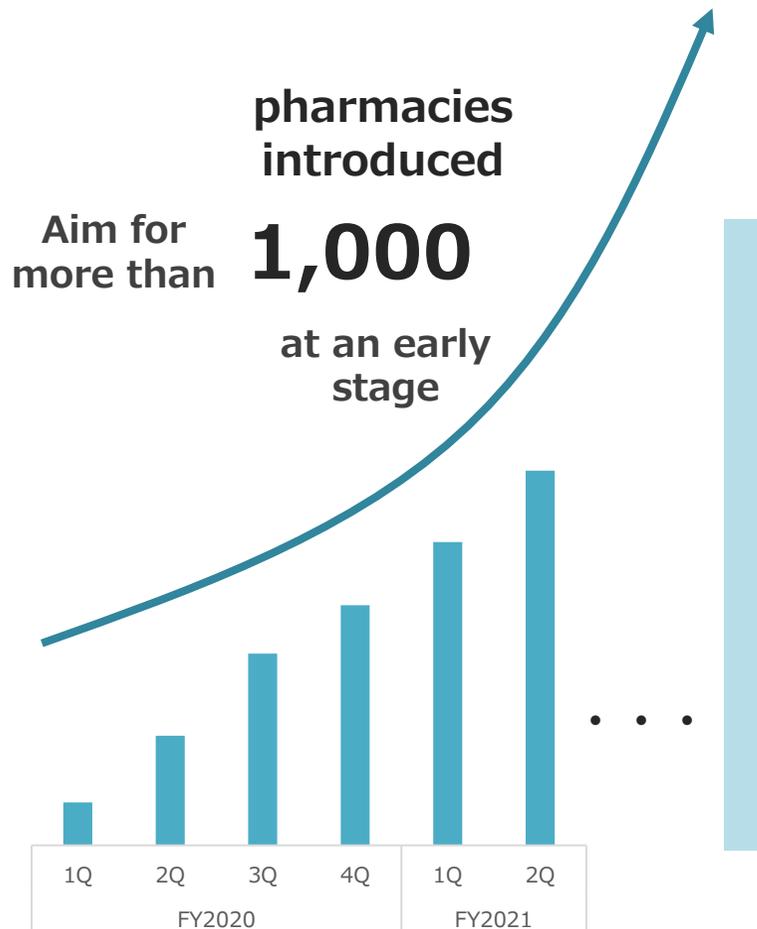
What is 'medication history'?

Patient's drug prescription records

Pharmacists at pharmacies dispense drugs based on doctor's prescriptions. After the drugs are administered, they monitor the effects and possible adverse effects through direct interaction with patients to prepare a drug administration history for each patient.

Cloud drug record service

ĀARADA 電子藥歷 Solamichi



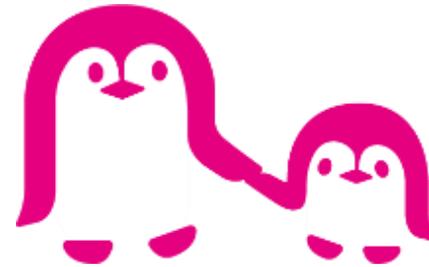
Further increase in the number of pharmacies introducing the service

- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler
- Commenced partnership with Mitsubishi Electric IT Solutions, etc.

Maternal health record book app "Boshimo"

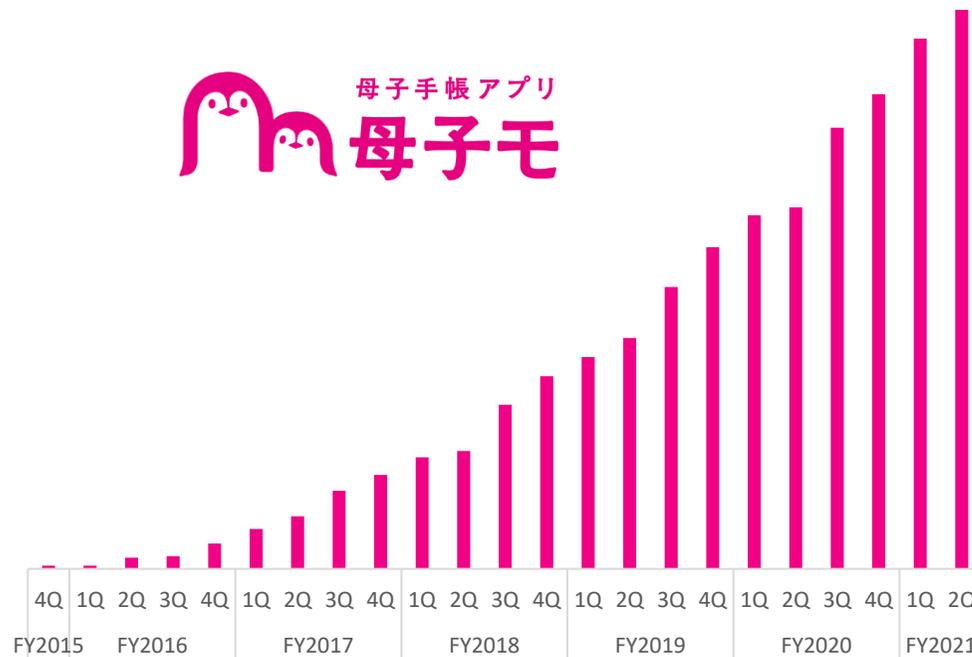
Connect parenting households and local governments

Maternal health record book app + Childcare DX services



Maternal health record book app "Boshimo"

Share top, increasing recognition among the local governments across the country,
and pushed ahead with conversion of Boshimo app to a platform



351
 Local governments
 introduced

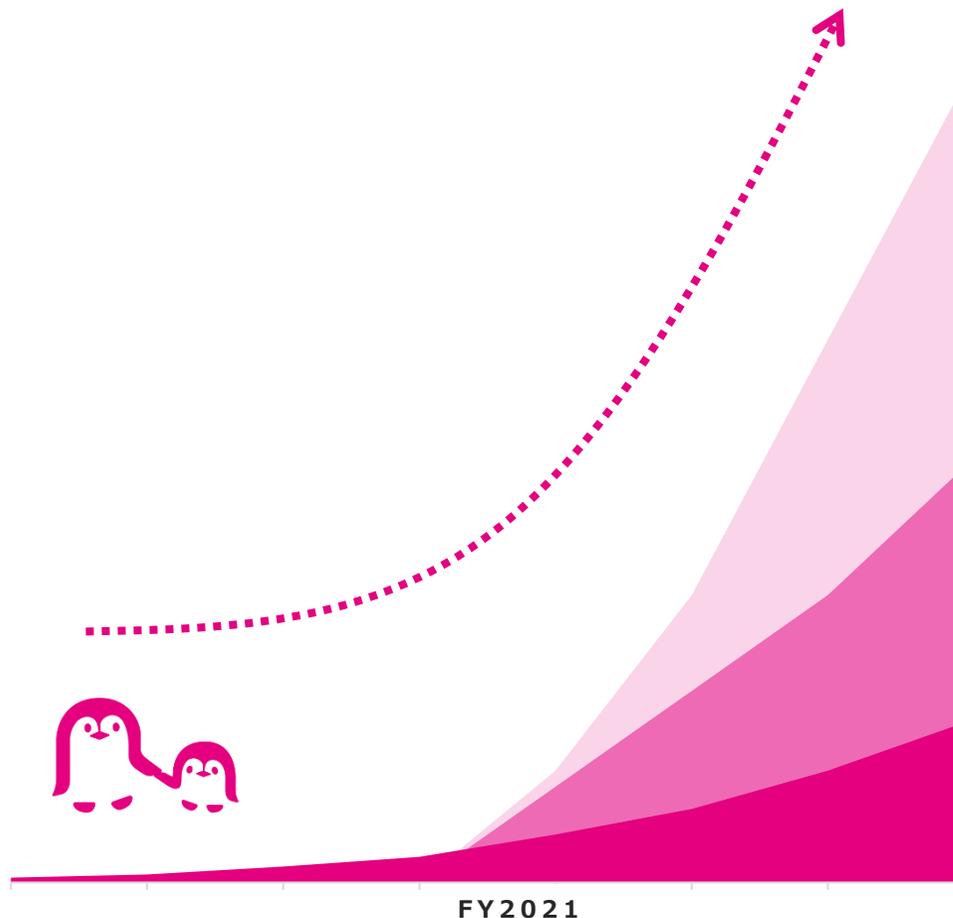
As of March, 2021

Introduced by more than
20%
 of the local governments

* The calculation is based on the assumption that there exist 1,741 local governments in Japan, according to the website of the Japan Agency for Local Authority Information Systems.

"Boshimo" app to a platform

Expanded and enhanced childcare DX services



Childcare DX services ("Boshimo" platform)

Phase
3

Childhood immunization,
visits to all households
with infants, and infant
health checks

2 contracts

Phase
2

Online consultation

Over 50 contracts

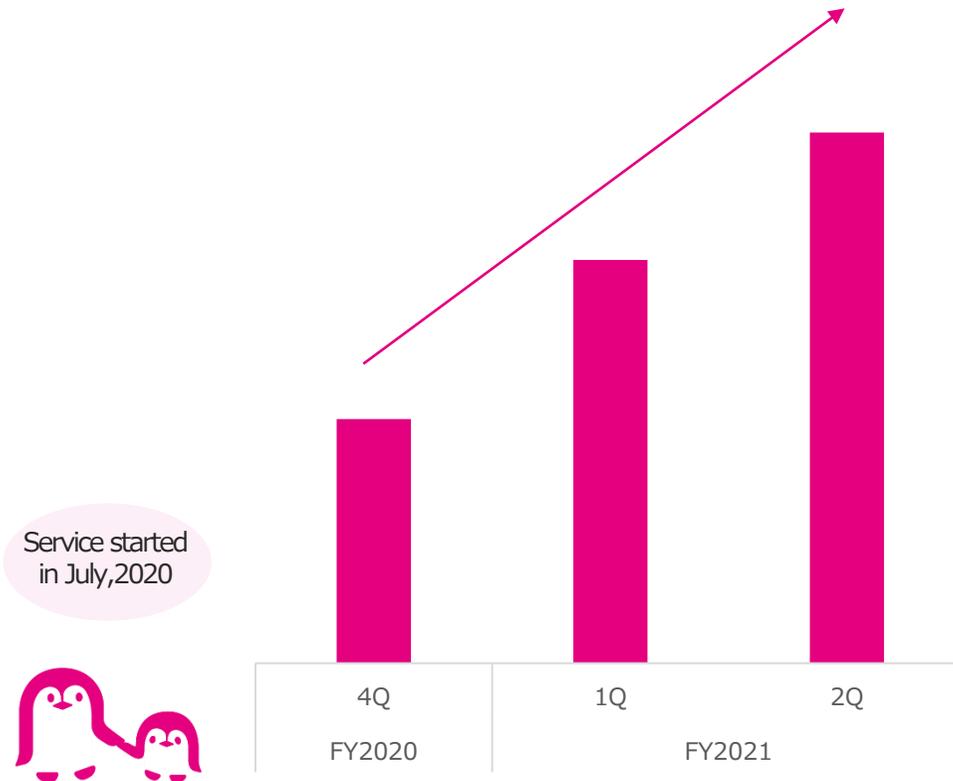
Phase
1

"Boshimo" app

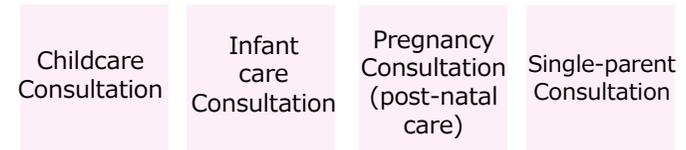
Over 400 contracts

“Boshimo” app + Childcare DX services①: Online consultation

Successfully secured over 50 contracts for online consultations



Municipal consultation business



Municipal

Parents



*The screen is an image.

"Boshimo" app + Childcare DX services②: Childhood immunization etc.

Received orders for childhood immunization, visits to all households with infants, and infant health checks

Development of services that cater to issues and needs of community residents, municipal, and immunization facilities relating to procedures for childhood immunization

Issues and needs



Reduce the burden of procedures

Reduce the burden of document management



Increase operational efficiency and sophistication

Reduce data management costs

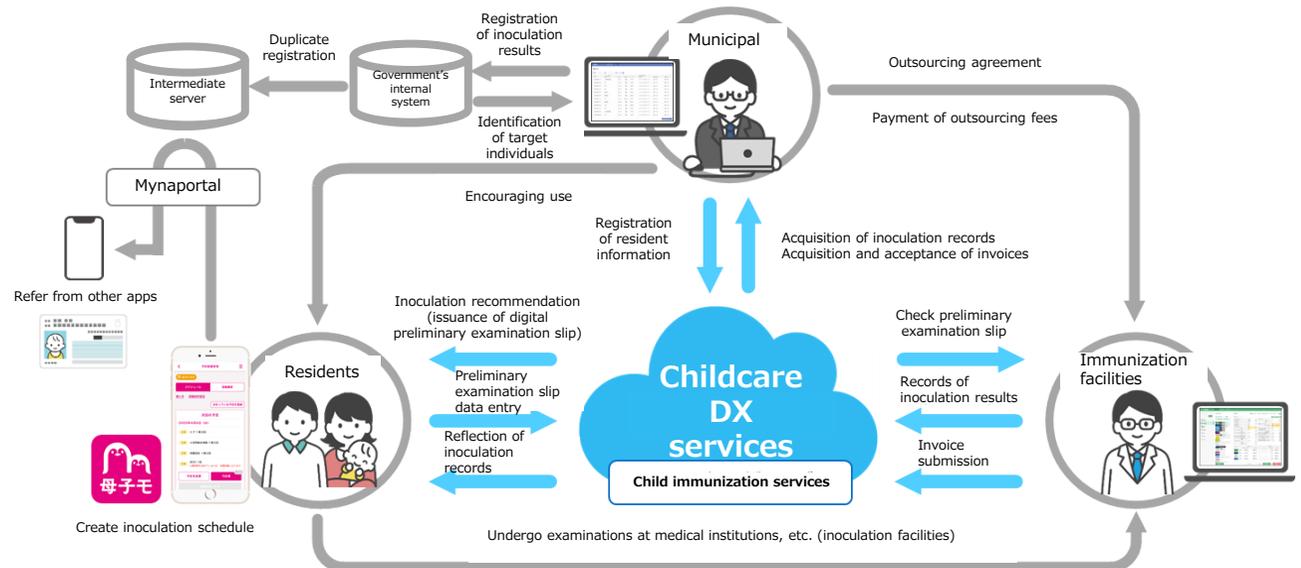
Reduced printing and mailing costs



Increase operational efficiency and sophistication

Reduce data management costs

Solution (Childcare DX, overview of child immunization services)



Linking medical institutions and patients

Online medical examination and Online medication advice



Online medical examination and online medication advice

Paid services started in February

CARADA オンライン診療

(CARADA Online medical examination)



- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler
- Focusing efforts on encouraging the use

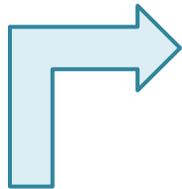
Enhancing coordination with Medipal Holdings^①

Additional investment in CARADAmunica by Medipal Holdings

(Increase in capital allocated to acquisition of shares in Solamichi System)

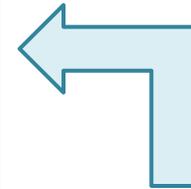
March,
2021

¥4 billion investment



CARADA munica
Online medical examination and
Online medication advice

¥2.1 billion investment



 **MTI Ltd.**



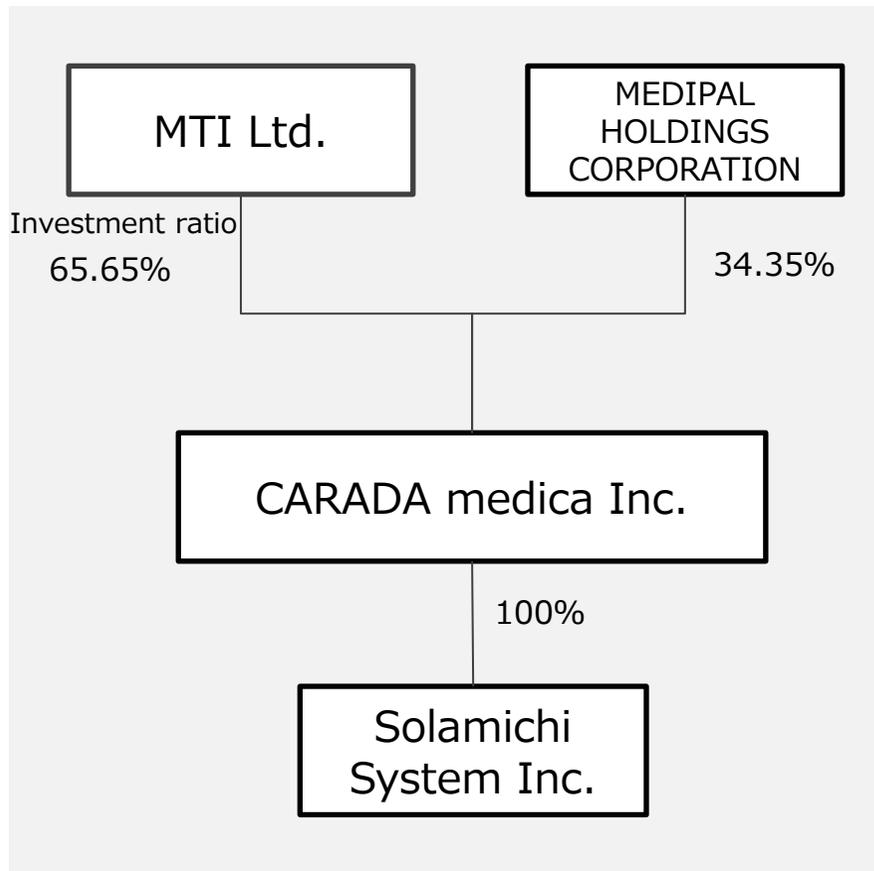
 **MEDIPAL HOLDINGS CORPORATION**

Enhancing coordination with Medipal Holdings②

Establishing an intermediary holding company through transfer of shares in consolidated subsidiaries

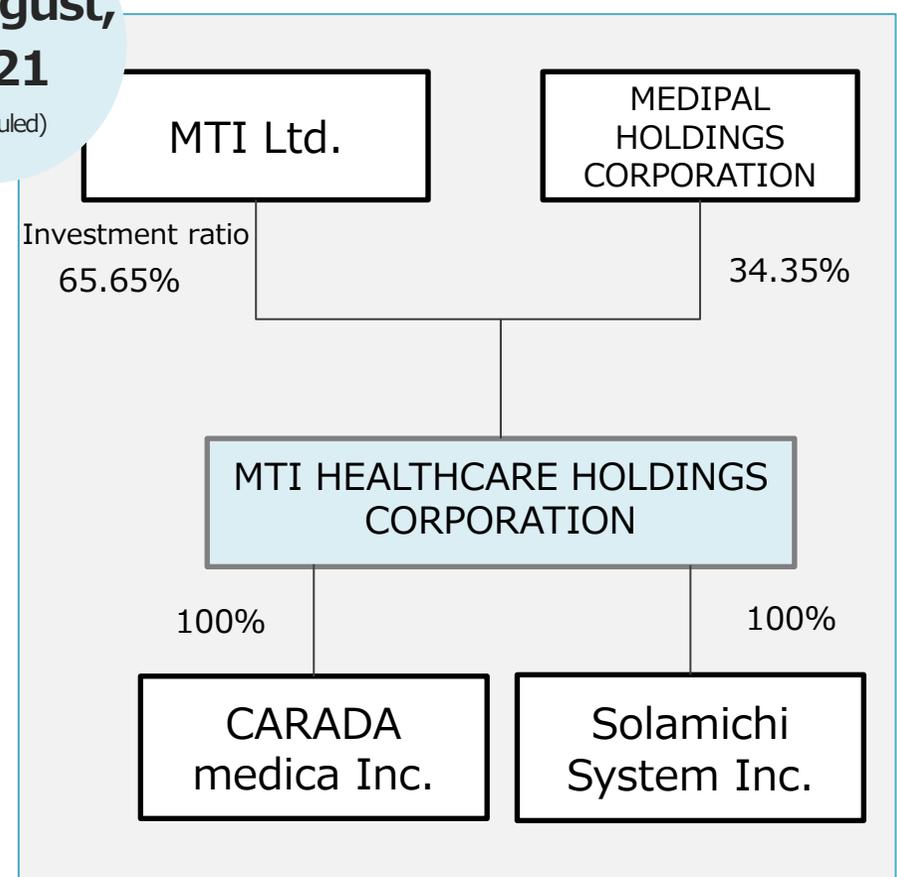
(Policy is to gradually consolidate partner businesses)

Now



In August, 2021
(Scheduled)

New system





〈Contact us〉

Investor Relations Office

e-mail: ir@mti.co.jp

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

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Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2020	FY2021-Q2	Change		FY2020	FY2021-Q2	Change
Current assets	19,743	21,738	+1,994	Current liabilities	4,766	6,551	+1,785
Cash and deposit	13,354	15,811	+2,457	Accounts payable-trade	1,101	1,085	(16)
Notes and accounts receivable-trade	4,840	4,619	(220)	Current portion of long-term borrowings	451	451	-
Other	1,585	1,340	(244)	Account payable-other	1,333	1,103	(229)
Allowance for doubtful accounts	(36)	(34)	+2	Income taxes payable	701	2,490	+1,789
Non-current assets	10,803	10,901	+97	Allowance for coin usage	110	116	+5
Property, plant and equipment	193	221	+28	Other	1,067	1,303	+236
Intangible fixed assets	3,764	3,669	(94)	Non-current liabilities	4,270	4,110	(159)
Software	1,281	1,495	+213	Long-term borrowings	2,881	2,655	(225)
Goodwill	692	590	(101)	Retirement benefit liability	1,381	1,447	+65
Customer-related assets	1,755	1,544	(210)	Other	6	7	+0
Investments and other assets	6,845	7,009	+163	Total liabilities	9,036	10,662	+1,625
Investment securities	4,536	4,687	+151	Shareholders' equity	19,112	17,401	(1,711)
Leasehold and guarantee deposits	493	475	(18)	Capital stock	5,138	5,180	+42
Deferred tax assets	1,766	1,777	+10	Capital surplus	6,551	6,643	+92
				Retained earning	10,707	8,851	(1,855)
				Treasury shares	(3,283)	(3,273)	+9
				Accumulated other comprehensive income	54	469	+414
				Subscription rights to shares	345	215	(129)
				Non-controlling interests	1,998	3,891	+1,892
				Total net assets	21,510	21,977	+466
Total assets	30,547	32,639	+2,092	Total liabilities and net assets	30,547	32,639	+2,092

Trends in consolidated P/L

(Unit : Mil yen)

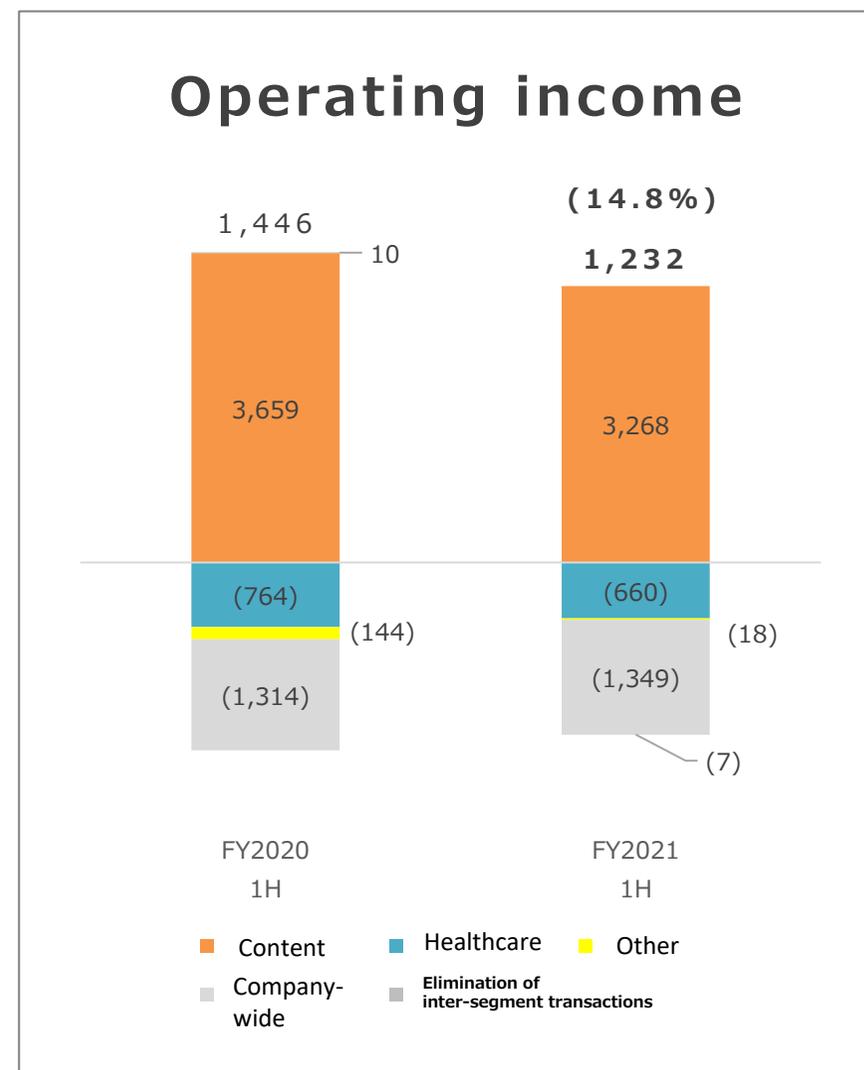
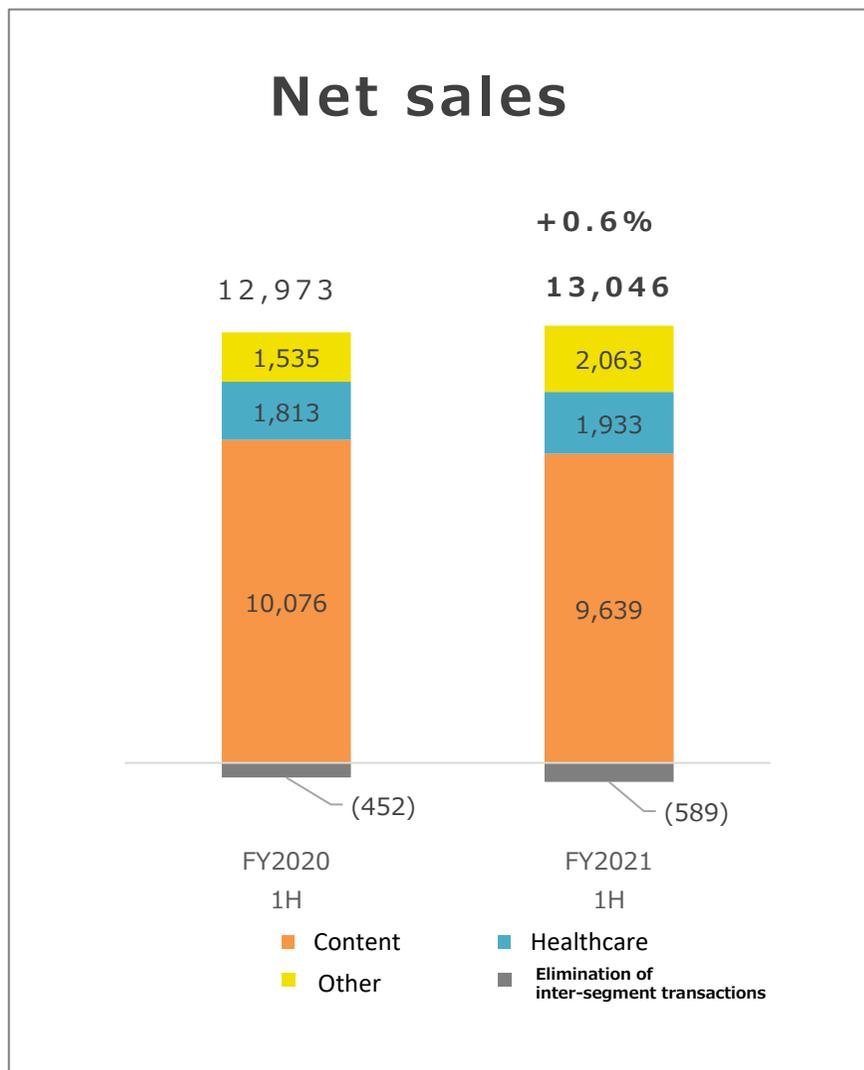
	FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net sales	6,862	7,070	6,495	6,684	6,118	6,855	6,519	6,589	6,304	6,742
Cost of sales	1,632	1,883	1,652	1,989	1,627	1,904	1,783	1,814	1,593	1,826
Gross profit	5,229	5,186	4,843	4,695	4,490	4,951	4,735	4,774	4,711	4,916
(Ratio)	76.2%	73.4%	74.6%	70.2%	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%
SG&A	4,400	4,380	4,213	4,001	3,904	4,090	4,164	4,284	4,157	4,237
Operating income	829	806	629	694	586	860	570	489	553	678
(ratio)	12.1%	11.4%	9.7%	10.4%	9.6%	12.6%	8.8%	7.4%	8.8%	10.1%
Ordinary income	868	709	1,373	183	404	905	651	121	495	345
(Ratio)	12.7%	10.0%	21.1%	2.7%	6.6%	13.2%	10.0%	1.8%	7.9%	5.1%
Profit attributable to owners of parent	543	317	1,285	(638)	231	1,014	534	(1,273)	220	(1,637)
(Ratio)	7.9%	4.5%	19.8%	–	3.8%	14.8%	8.2%	–	3.5%	–

Trends in consolidated SG&A

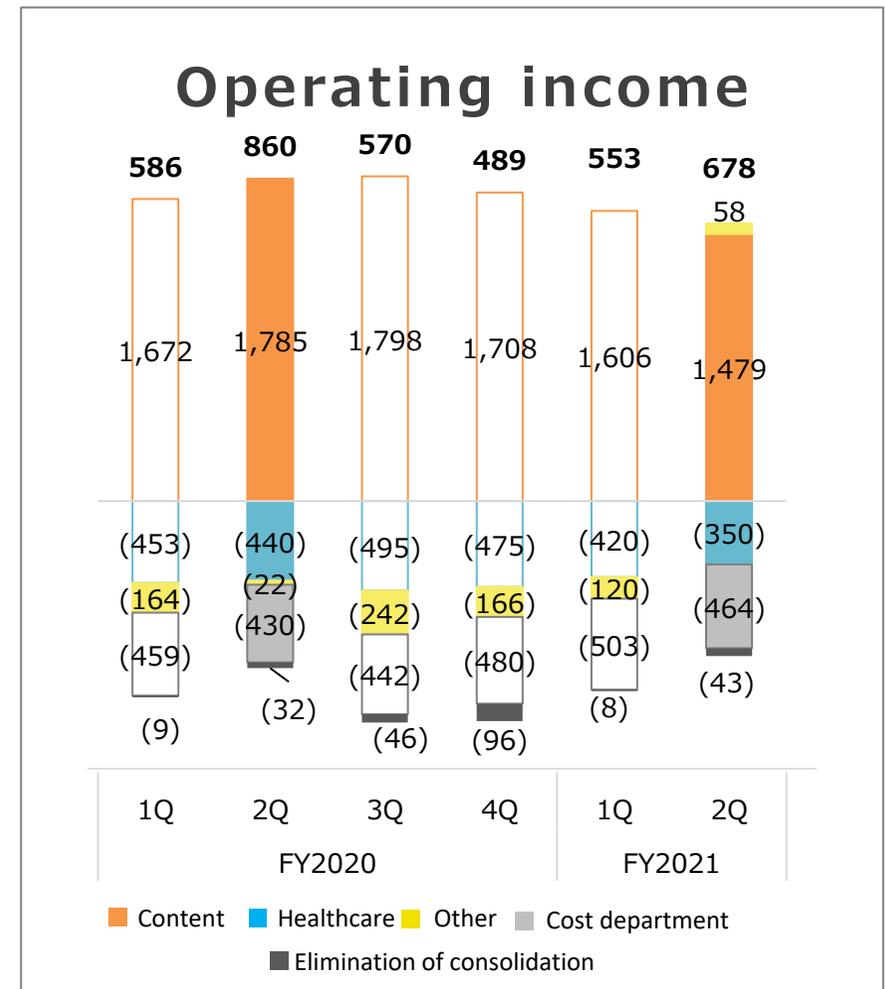
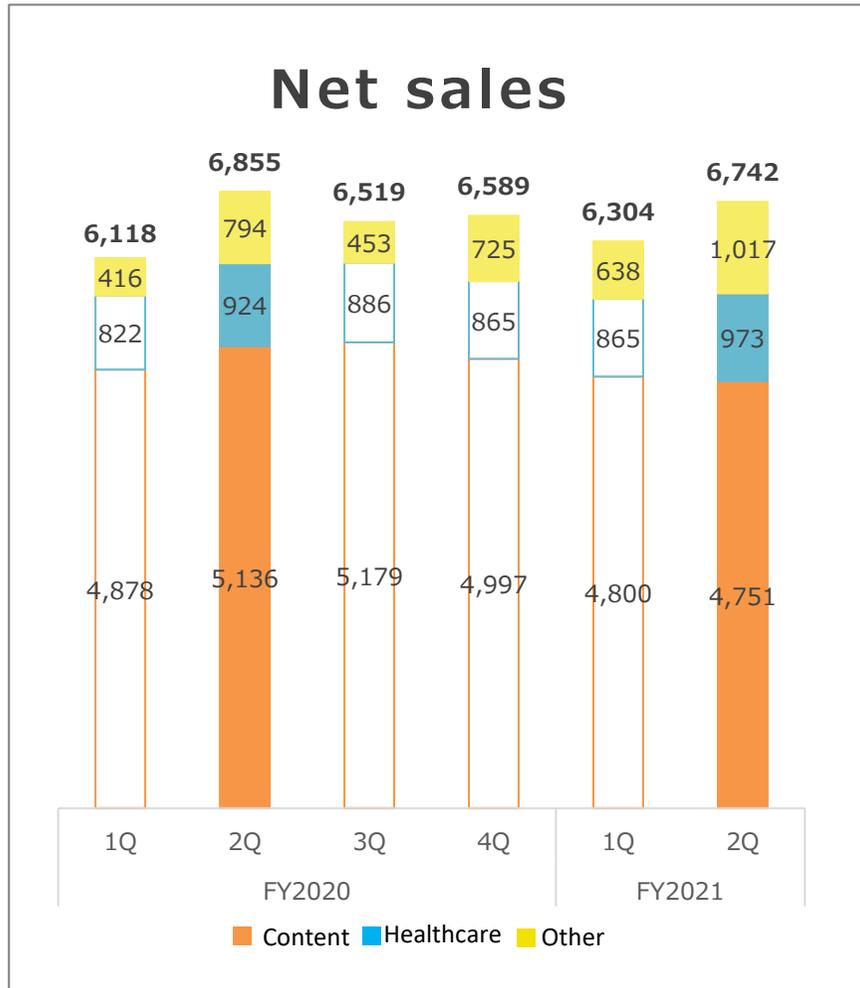
(Unit : Mil yen)

	FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
SG&A	4,400	4,380	4,213	4,001	3,904	4,090	4,164	4,284	4,157	4,237
Advertising expense	722	763	504	414	248	241	362	320	337	373
Personnel expenses	1,550	1,516	1,584	1,496	1,537	1,548	1,618	1,691	1,743	1,700
Commission fee	880	844	869	805	829	844	853	815	789	785
Subcontract expenses	216	248	274	328	305	372	342	406	441	445
Depreciation	343	332	326	323	307	450	425	437	272	312
Other	687	673	654	632	675	632	562	613	573	620

Performance by segment



(Reference)Performance by B/U

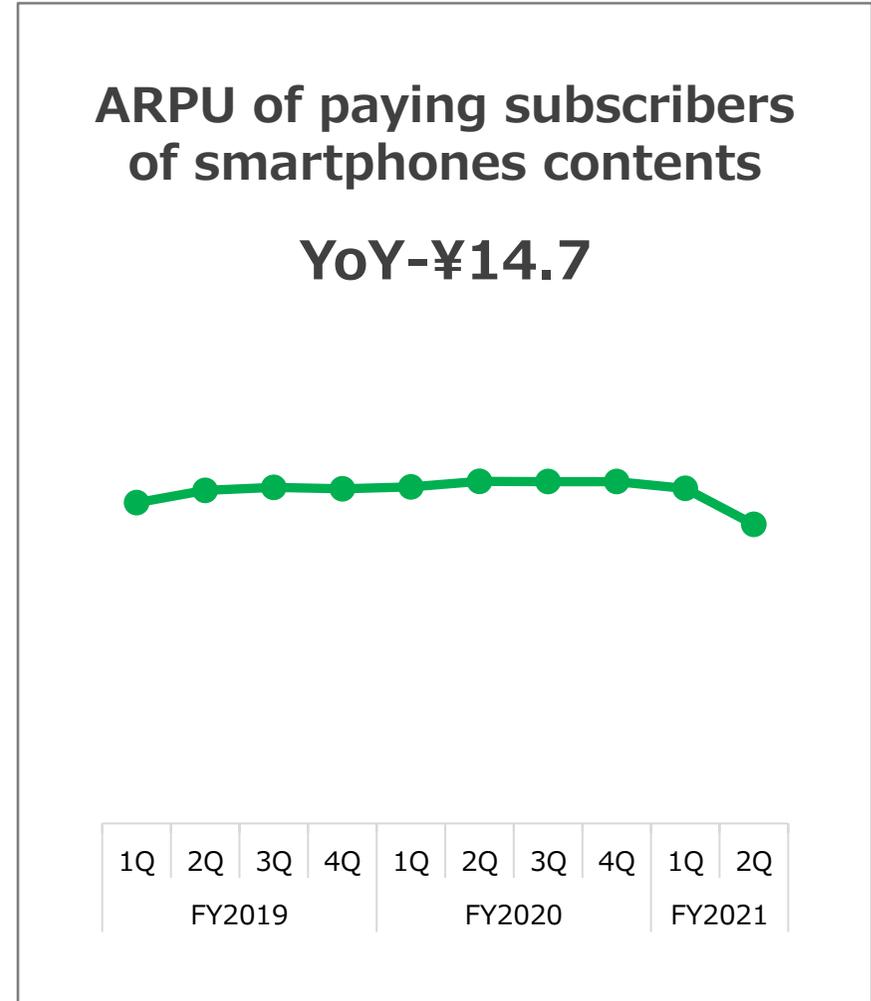
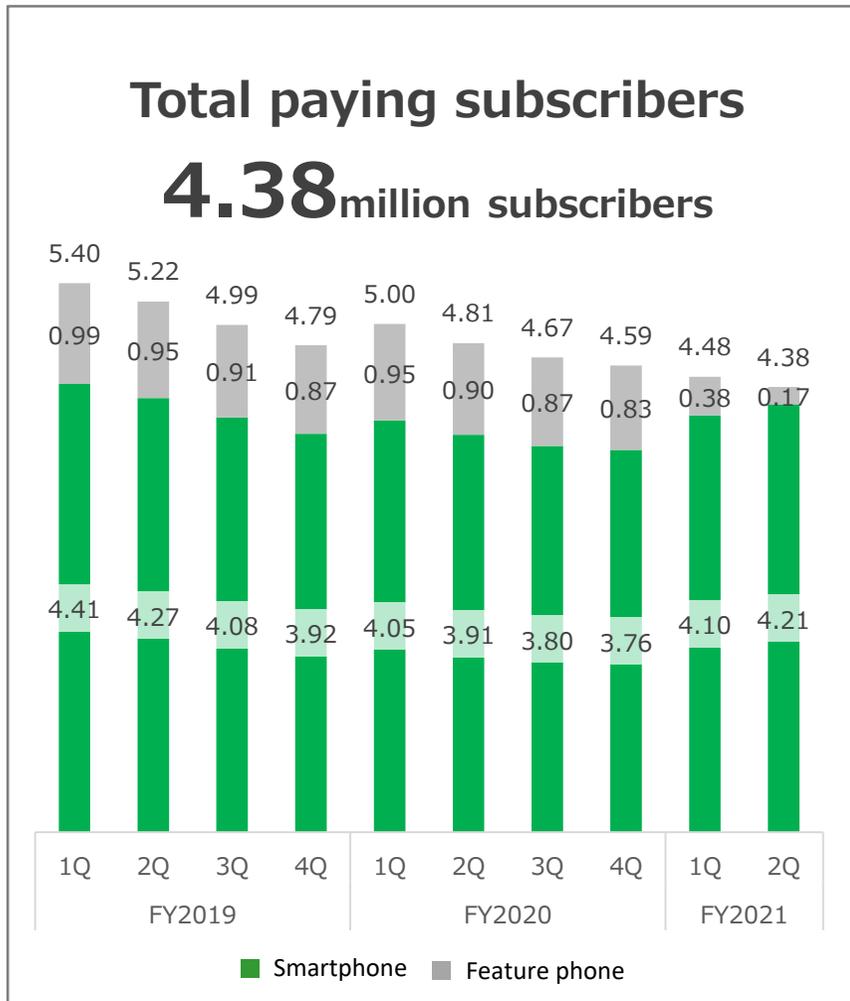


* From FY2021 (under review) onwards, performance by segment are disclosed. Performance by business unit, which has been voluntarily disclosed, is calculated in a method that is different from that for performance by segment in the following points.

Net sales: Sales to outsiders after adjustment for elimination of inter-unit transactions

Operating income: Standards for allocation of costs to each unit and method of calculation for elimination of inter-unit transactions

The number of paying subscribers



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

Earnings forecast for FY2021

(Unit : Mil yen)

	FY2020 (Actual)			FY2021 (Forecast)			YoY	
	Full year	H1	H2	Full year (Forecast)	H1 (Actual)	H2 (Forecast)	Amount Full year	Ratio Full year
Net sales	26,082	12,946	13,135	26,000	13,046	12,953	(82)	(0.3%)
Cost of sales	7,130	3,531	3,598	6,800	3,419	3,380	(330)	(4.6%)
Gross profit	18,951	9,414	9,536	19,200	9,627	9,572	+248	+1.3%
SG&A	16,444	7,968	8,476	16,900	8,395	8,504	+455	+2.8%
Operating income	2,507	1,446	1,060	2,300	1,232	1,067	(207)	(8.3%)
(Ratio)	9.6%	11.2%	8.1%	8.8%	10.1%	8.2%		
Ordinary income	2,082	1,310	772	1,800	840	959	(282)	(13.6%)
(Ratio)	8.0%	10.1%	5.9%	8.8%	5.1%	7.4%		
Profit attributable to owners of parent	506	1,246	(739)	(800)	(1,416)	616	(1,306)	-
(Ratio)	1.9%	9.6%	(5.6%)	-	-	4.8%		

※For convenience, the middle points in the range of financial forecasts are shown for the fiscal year ending September 30, 2021.

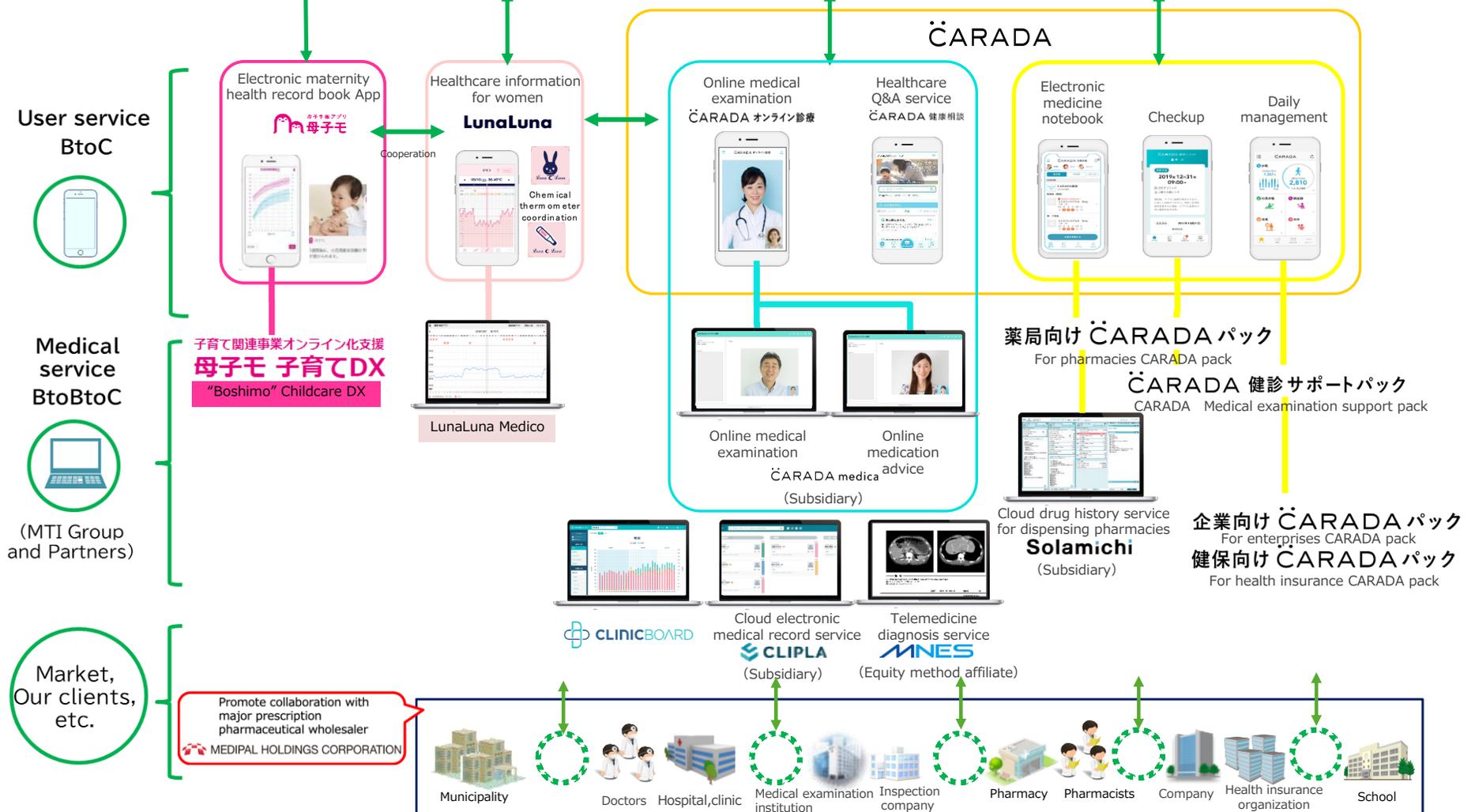
The list of main healthcare services

Figures are the actual as of end of March 2021.

Name of service	Service of function	Business model
	Maternal and Child Health Handbook service app. Vaccine scheduling function, parenting curve and information provided by local governments.	BtoBtoC. The app is provided at no additional charge for those of childbearing age including mothers. Collects monthly usage fees from contracted local governments nationwide. The service has been adopted by 351 of 1,741 local governments nationwide.
LunaLuna	Healthcare info service for women. Forecasting menstrual day & ovulation day.	BtoC. Over 16 million DL cumulative. Three hundred yen fee or higher for fertility mode and other modes.
'Luna luna medico'	LunaLuna linkage function for gynecologists. Daily health information for female patients is shown on hospital computers. The service is for fertility treatment.	BtoBtoC. The service is currently provided at no additional charge. The service has been adopted by 1,000 gynecologists (April). (Patients are LunaLuna users [free/additional charge])
LunaLuna online medical examination	Complete online service provided in a single system, from making reservations for gynecological examinations to delivery of drugs from pharmacies	BtoBtoC. The service charged from February 2021.
 (CARADA Health consultation)	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	BtoC. ¥400/month
 (CARADA Online medical examination)	the system offers full features that are necessary for online medical examination, from reservations to delivery of drugs and prescriptions .	BtoBtoC. Contracts with clinics and pharmacies. The service charged from February 2021.
CARADA	Service for medical examination institutions. Results of health checkups, including previous records, are sent to relevant smartphones as a graphic. The service, which enhances users' convenience, contributes to increasing the rate of checkups at health examination institutions.	BtoBtoC. Collects monthly usage fees from health examination institutions.
 Solamichi (CARADA Cloud drug history service)	Cloud drug administration record service for pharmacies The drug administration record navigation function is highly rated. Links with the CARADA medical history notebook app.	BtoB. Initial cost for introduction + monthly usage fee 573 orders have been received. Full-scale deliveries started in December 2019.

Healthcare business: Overview of Healthcare services

Developing healthcare information management databases to connect data in each service



*Some images are under development and may differ from the actual ones.

*The services provided by the Group include some services that provide support for medical sites, but do not perform medical activities.

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Cloud drug record service

Market development with cloud technologies

Solamichi

573 pharmacies introduced
March, 2021

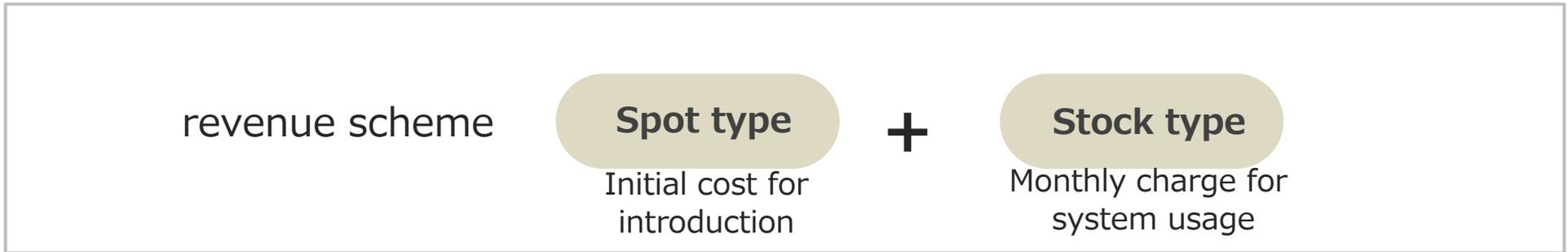
Aim for more than **1,000** at an Early stage



Number of pharmacies across the nation
60,000 pharmacies

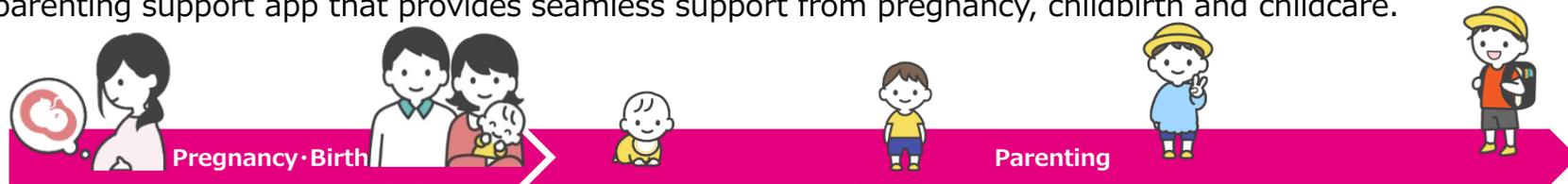
Estimated to be Interested in using cloud services
20%

Target
10,000 pharmacies



Maternal health record book app "Boshimo"

"Boshimo" is a parenting support app that provides seamless support from pregnancy, childbirth and childcare.



Pregnancy health records



Weight graph during pregnancy



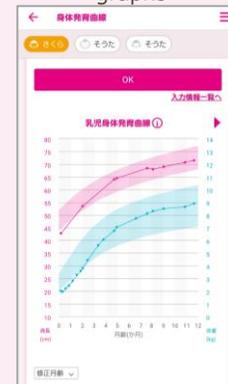
Vaccination management



Infant health checkup records



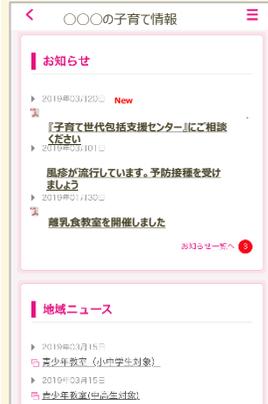
Height and weight graphs



Growth records



Notice



Childcare support facility search



Local childcare events



Questionnaire



Schedule management





〈Contact us〉

Investor Relations Office

e-mail: ir@mti.co.jp

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

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