

Financial Results Briefing for Q1/2022

February 10, 2022



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 Q1 FY2022

Financial highlight

1 Q1 Results

- Net sales ¥6,551 million (Up ¥246million, Up 3.9%, YoY)
- Operating income ¥451 million (Down ¥102million, Down 18.5%, YoY)

2 Good progress towards first-half financial forecast

- Net sales: 49.4 ~ 51.4%
- Operating income: 45.1 ~ 50.2%

3 Q1 Results

- Healthcare business: Extensive introduction for cloud drug record service
- Content business: Growth of security-related app

Consolidated P/L

Net sales : Slight increased in earning
Operating income : decreased

(Unit : Mil yen)

	FY2021 Q1	FY2022 Q1	YoY		
			Amount	Percentage	
Net sales	6,304	6,551	+246	+3.9%	Expansion of AI business
Cost of sales (ratio)	1,593 25.3%	1,895 28.9%	+301	+19.0%	
Gross profit (ratio)	4,711 74.7%	4,656 71.1%	(55)	(1.2%)	
SG&A (ratio)	4,157 65.9%	4,204 64.2%	+47	+1.1%	
Operating income (ratio)	553 8.8%	451 6.9%	(102)	(18.5%)	
Ordinary income (ratio)	495 7.9%	395 6.0%	(99)	(20.2%)	
Profit attributable to owners of parent (ratio)	220 3.5%	252 3.9%	+32	+14.7%	

Consolidated SG&A :

Personnel expenses : increased

Other expenses : decreased

(Unit : Mil yen)

	FY2021 Q1	FY2022 Q1	YoY		
			Amount	Percentage	
SG&A	4,157	4,204	+47	+1.1%	
Advertising expenses	337	360	+23	+6.9%	
Personnel expenses	1,743	1,912	+169	+9.7%	Increase in development personnel
Commission fee	789	753	(36)	(4.6%)	
Subcontract expenses	441	440	(1)	(0.4%)	
Depreciation	272	303	+30	+11.3%	Decrease in rents due to the shift to a teleworking system
Other	573	435	(137)	(24.0%)	

Performance by segment

Content Business

BtoC/BtoB

Content distribution service



Healthcare Business

BtoC/BtoB/BtoBtoC

Existing healthcare service
New healthcare service

LunaLuna

母子手帳アプリ
母子モ



ĆARADA ĆARADA 電子薬歴 ĆARADA オンライン診療
Solamichi

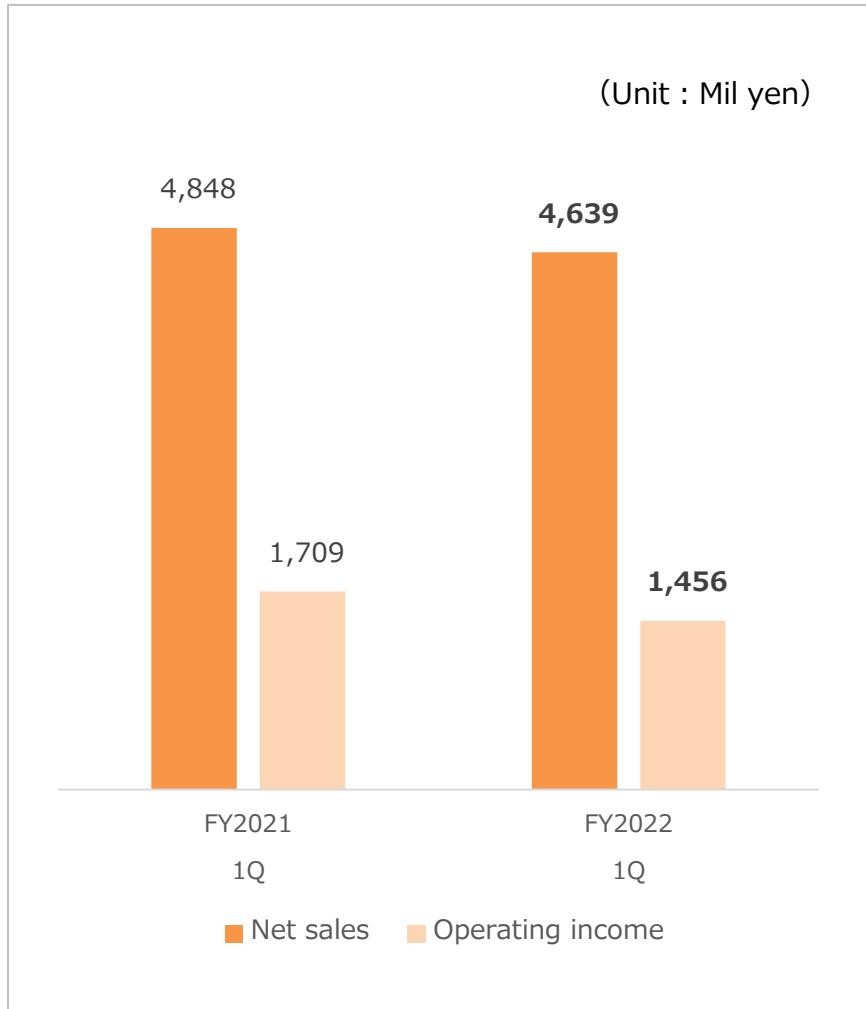
Other Business

BtoB

AI service , DX service
For corporate solution service



Content business: Net sales and operating income

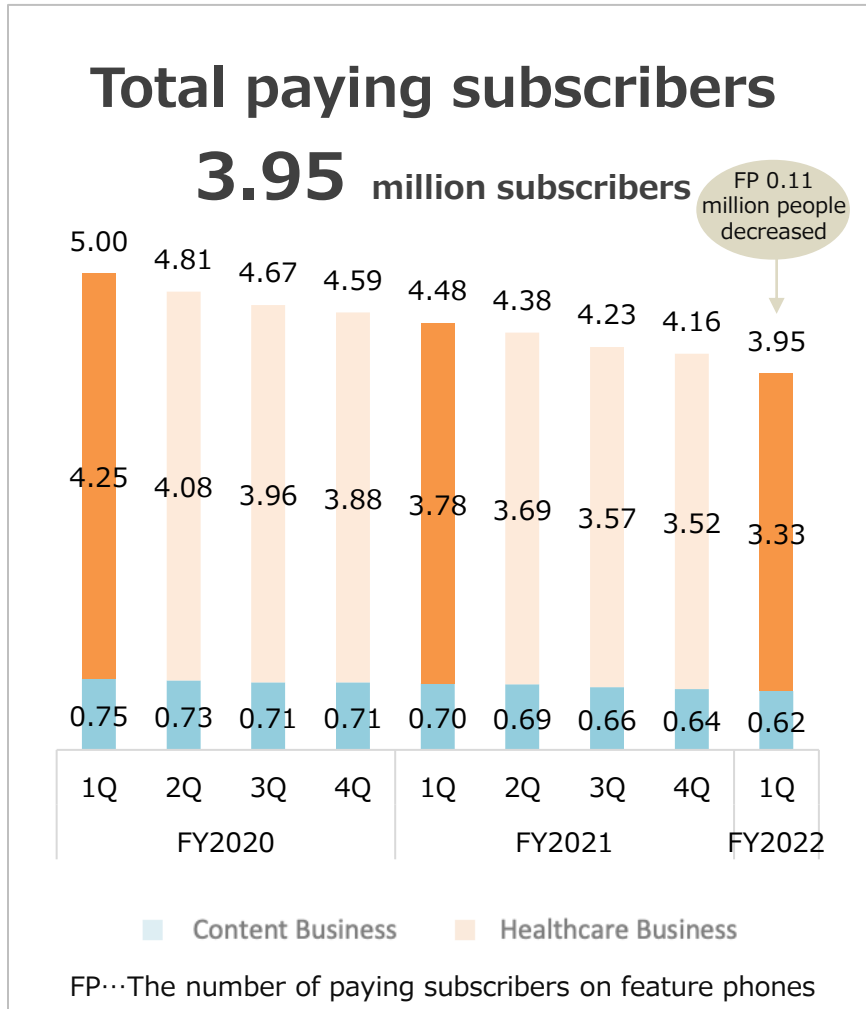


Decreased sales and profit

+ : Original comics are growing

- : The number of paying subscribers decreased

Content business: The number of paying subscribers

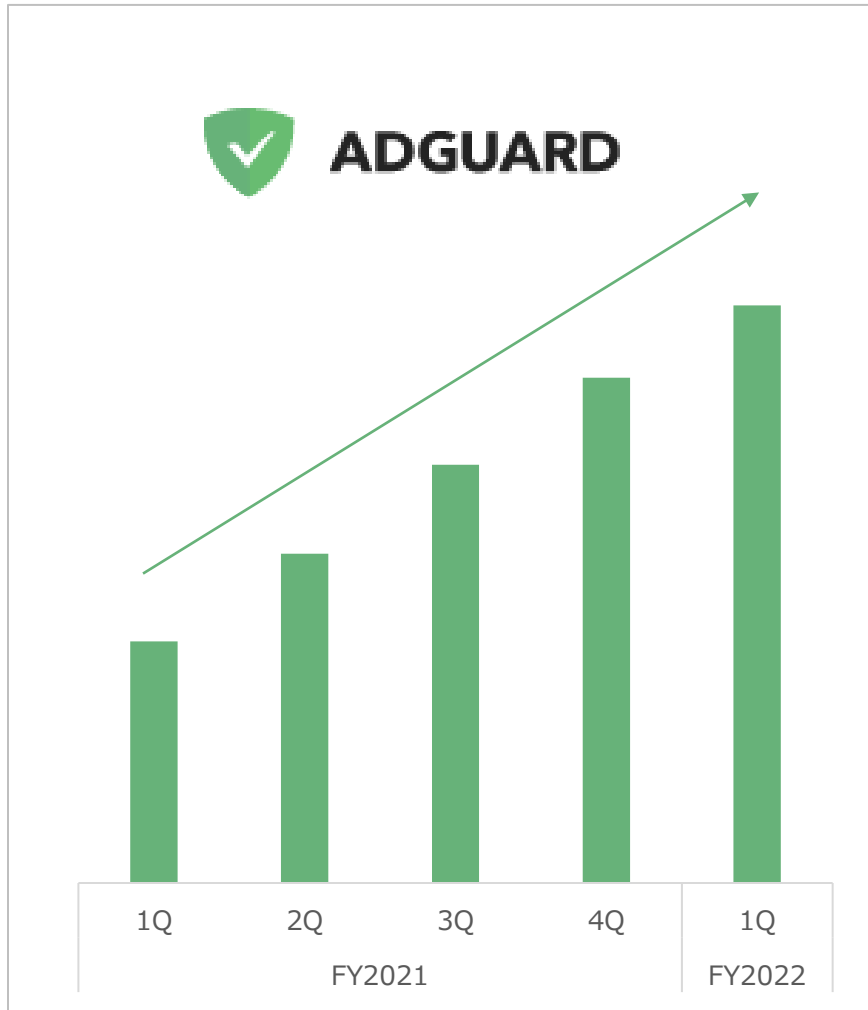


Degree of decrease is being reduced

- Brisk Security-related apps
- Breaking away from the number of paying subscribers on feature phones

* 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



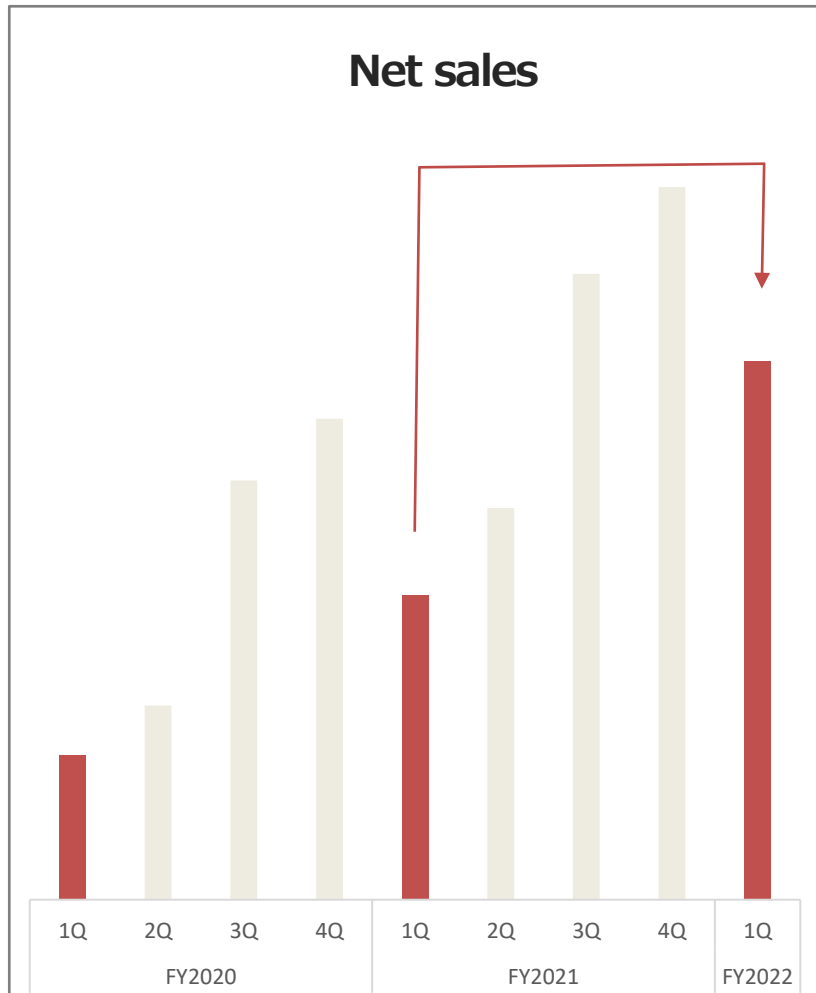
Security-related apps are growing

Over 300,000 people

Four functions

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

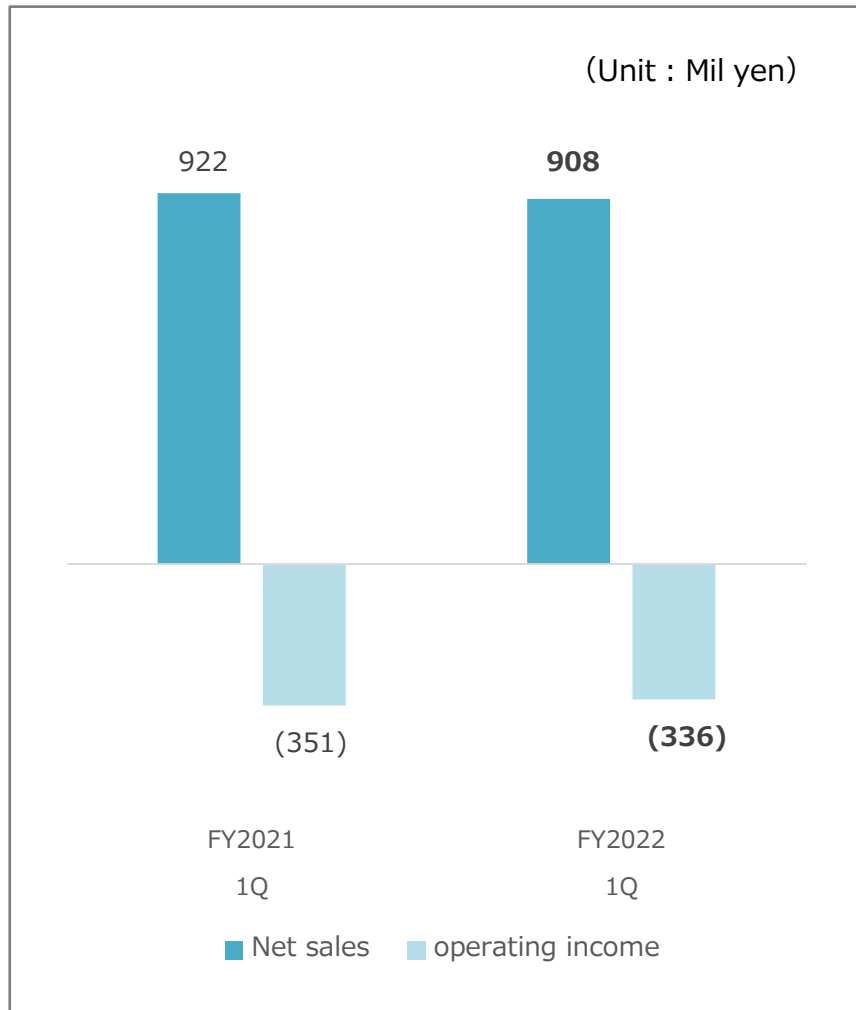
Content business: Original comics content business



Up 80% year-on-year

Increase in comic titles introduced
The serialization of hit titles contributed

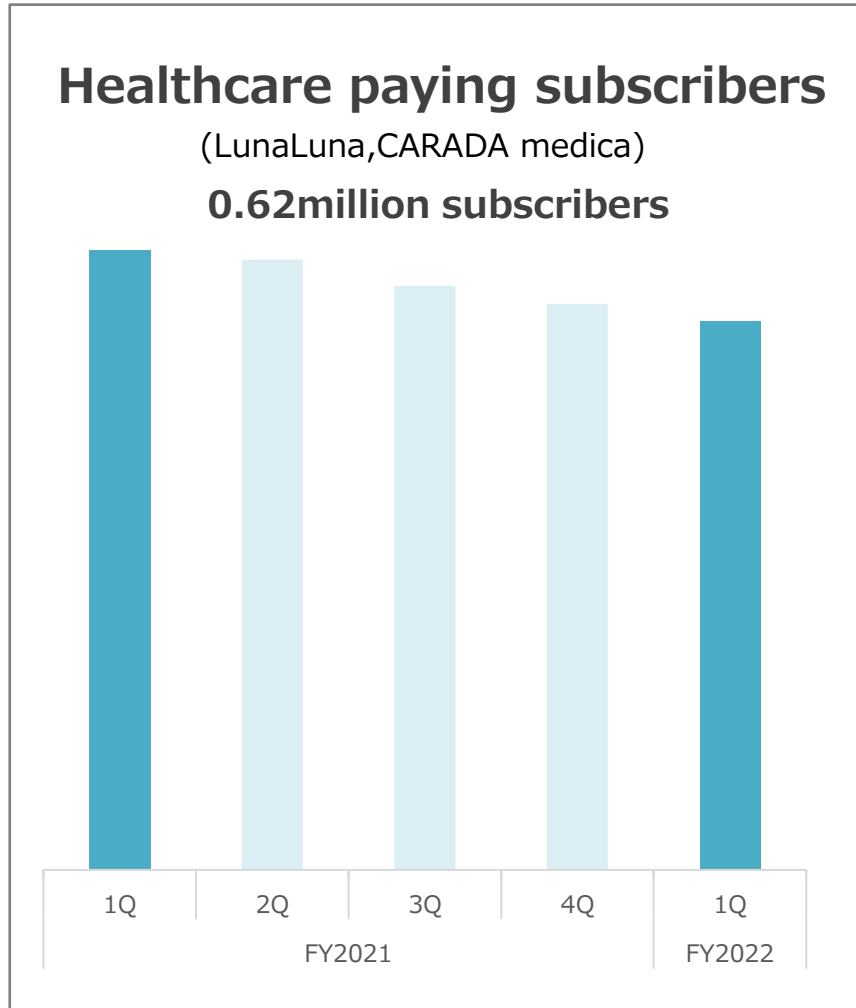
Healthcare business: Net sales and operating income



Net sales levelled off

- + : Expansion of Cloud drug record service
- : The number of paying subscribers decreased

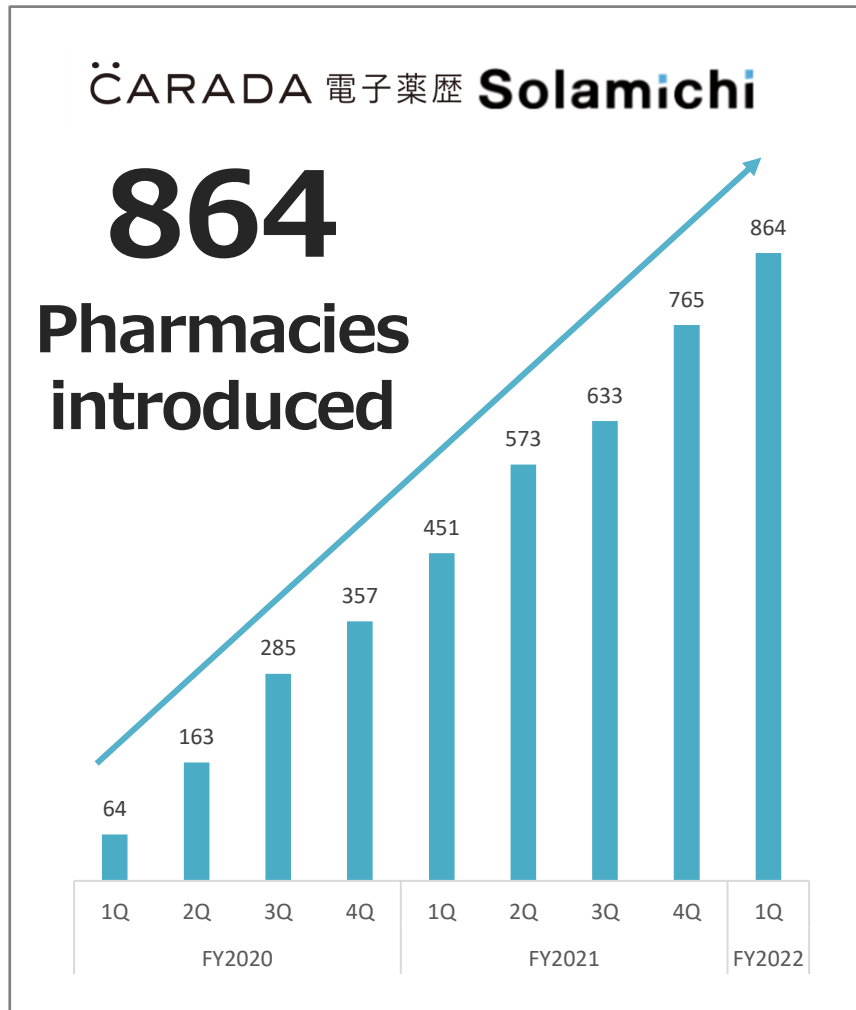
Healthcare business: The number of paying subscribers



Leveling off

Breaking away from the number of paying subscribers on feature phones
(Ceasing to fall from now)

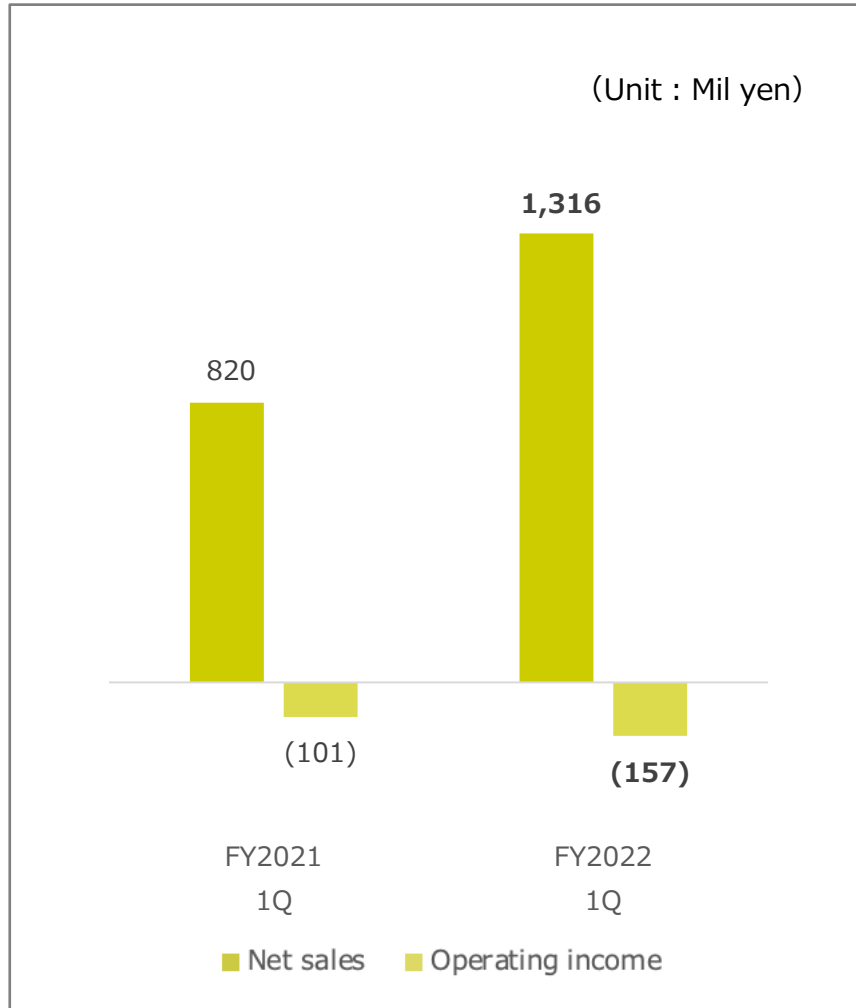
Healthcare business: Cloud drug record service



Extensive introduction

- Up 99 from the previous quarter

Other business (AI,DX business, etc.): Net sales and operating income



Expansion of AI businesses
Expansion of DX support business

Progress for earnings forecast

Good progress towards sales and profits

(Unit : Mil yen)

	FY2022 Q1 Actual	FY2022 H1 Forecast	Progress ratio
Net sales	6,551	12,750~13,250	49.4~51.4%
Operating income	451	900~1,100	45.1~50.2%
Ordinary income	395	700~900	43.9~56.5%
Profit attributable to owners of parent	252	300~500	50.6~84.3%

Approach in Q2 and beyond

Basic policies and priority issues for FY2022

Content business : Securing profit

Healthcare business : Further sales growth

1. Healthcare business

- ① Further expansion of the Cloud drug record service
- ② Promotion of the platform strategy of the childcare DX, "Boshimo"

2. Content business

- ① Original comics content business growth
- ② Security-related app

3. Other business (AI,DX business, etc.)

- ① AI business expansion
- ② Expansion of DX support business

Cloud drug record service

Linking medical institutions and patients
Cloud drug record service

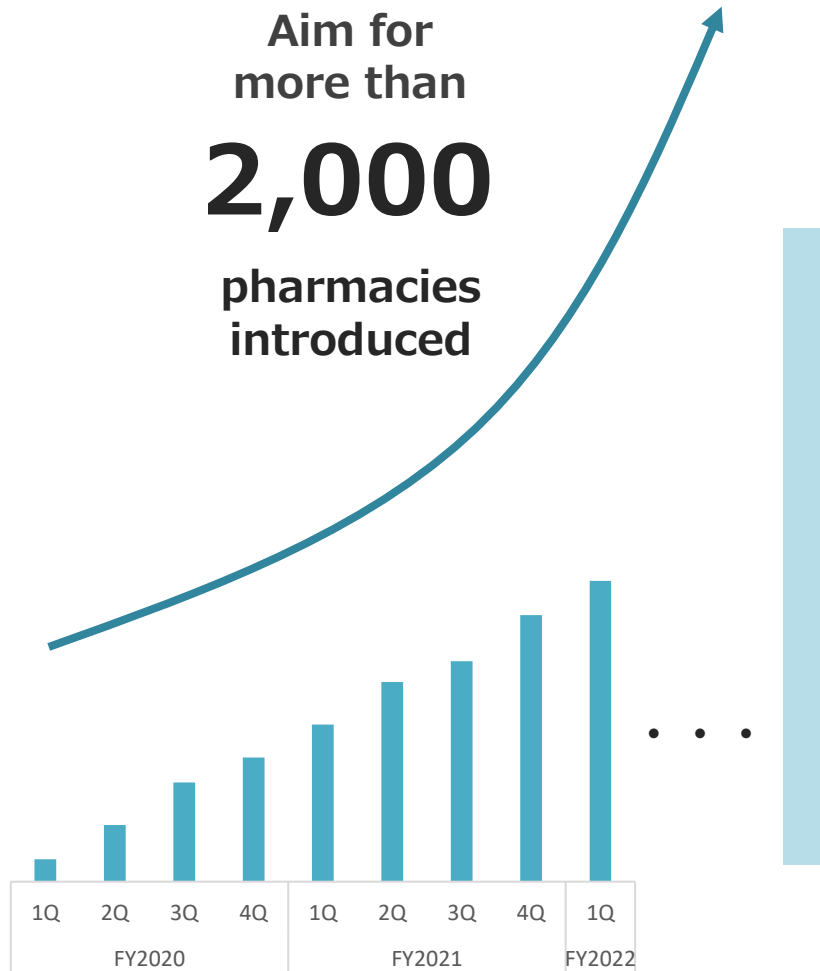
CARADA 電子薬歴 Solamichi




Cloud drug record service

ÄARADA 電子薬歴 Solamichi

Aim for
more than
2,000
pharmacies
introduced



Further increase in the number of pharmacies introducing the service

- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler
- Collaboration with large system companies that provide services to pharmacies
- Commenced partnership with Mitsubishi Electric IT Solutions Corporation
- Commenced partnership with FUJIFILM Healthcare Systems Corporation

Maternal health record book app + Childcare DX services

Connect parenting households and local governments

Maternal health record book app + Childcare DX services



Maternal health record book app + Childcare DX services

Development of the platform business starting with the maternal health record book app "Boshimo"

- Phase 1 : Introducing Maternal health record book app "Boshimo"**
- Phase 2 : Online consultation**
- Phase 3 : Childcare DX services**

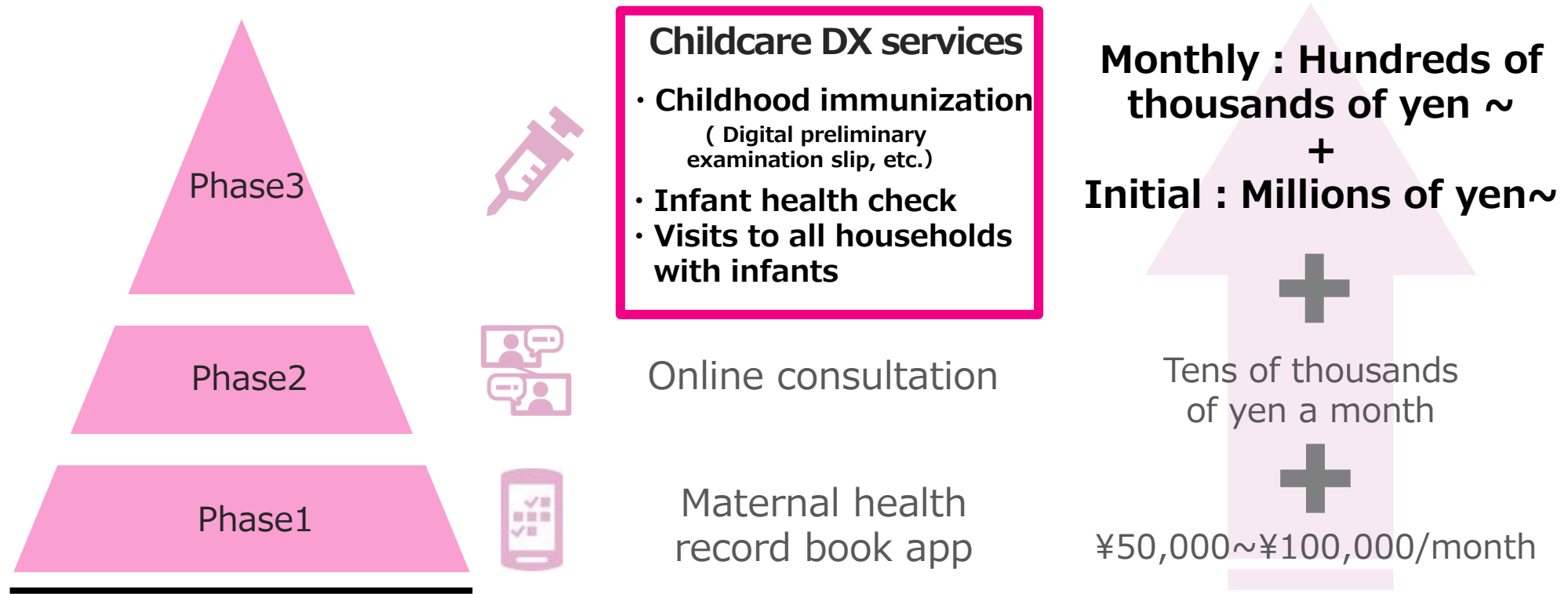
Maternal health record book app + Childcare DX services

Promotion of the introduction of childcare DX services for the digitalization of municipal government work

Number of local governments

Service functions

Expected price plan



Number of local governments nationwide **1,741**

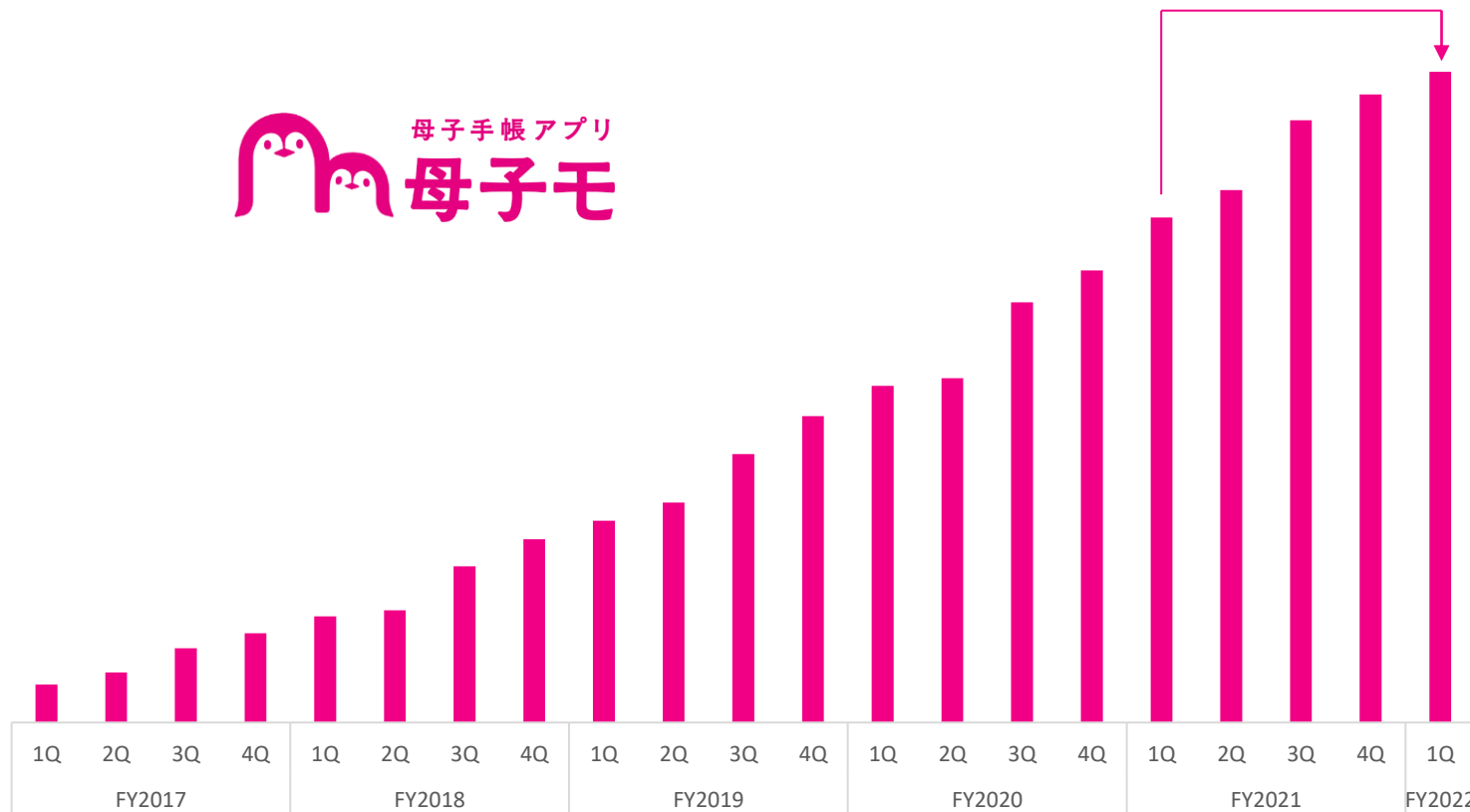
*A pricing system is set for each local government depending on the number of babies born.

Phase 1 : Maternal health record book app “Boshimo”

Extensive introduction at a speed exceeding 100/year

429

As of December, 2021



* 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.



Phase 2 : Online consultation

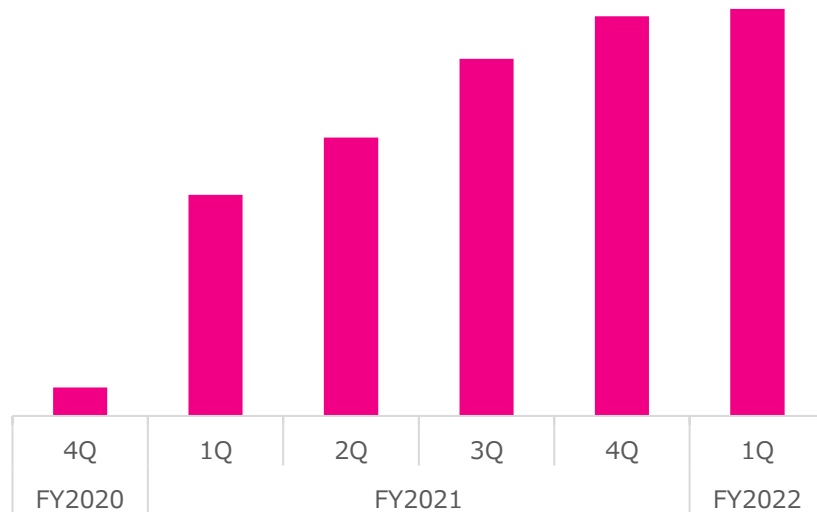
The number of local governments that introduced the service reached 57 contracts.

Respond to demand from people raising children in remote locations and during the ongoing COVID-19 pandemic.

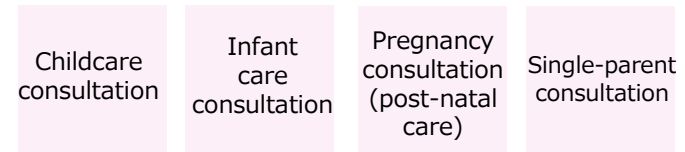
Number of “Boshimo”
online consultation introduced

57

As of September, 2021



Municipal consultation business



Municipal

Parents



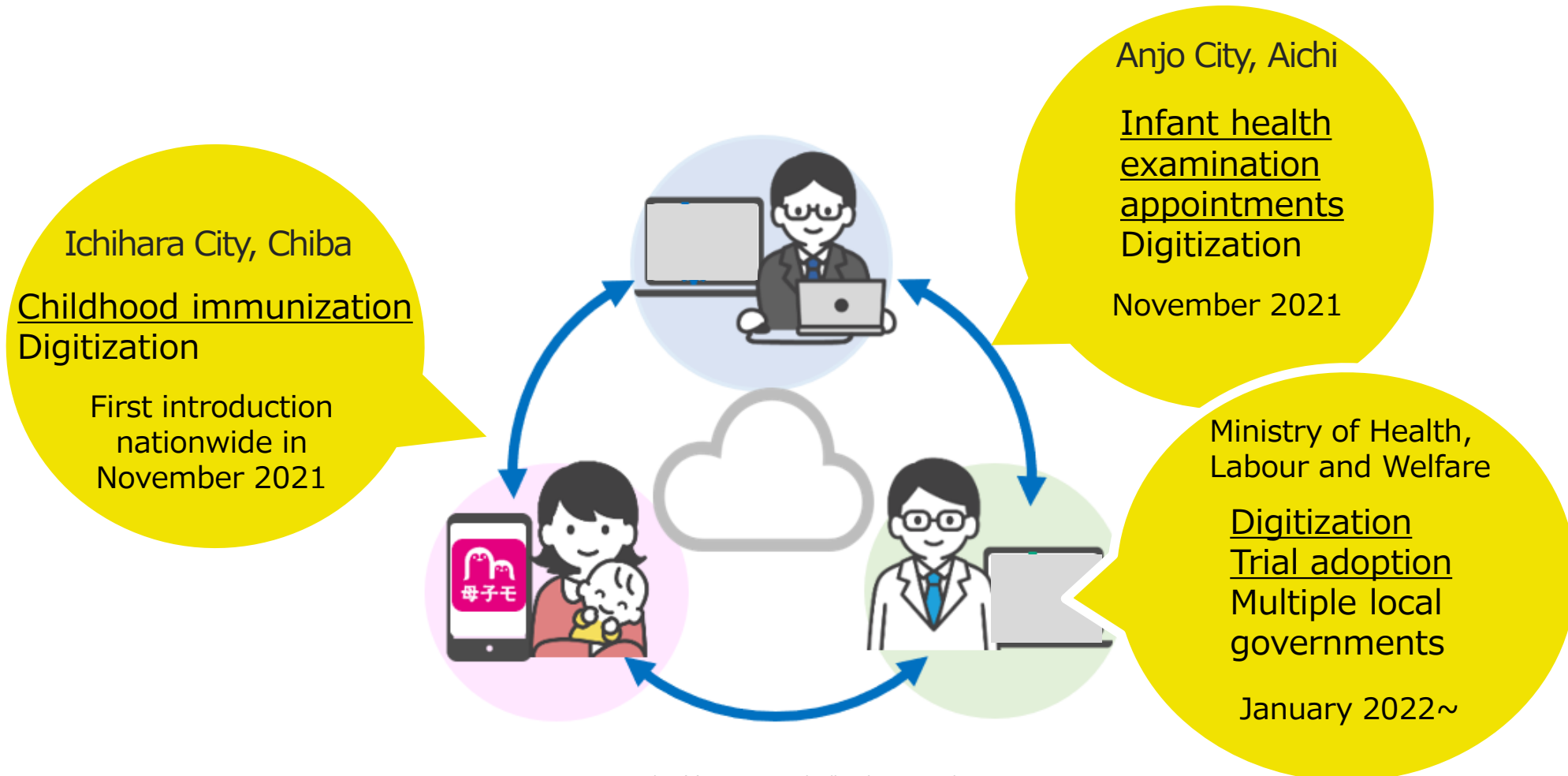
*The screen is an image.

* 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.



Phase 3 : Childcare DX services

Shifting all procedures for children's immunization from paper to digital.
Realization of digital linking between municipalities, hospitals, and residents.

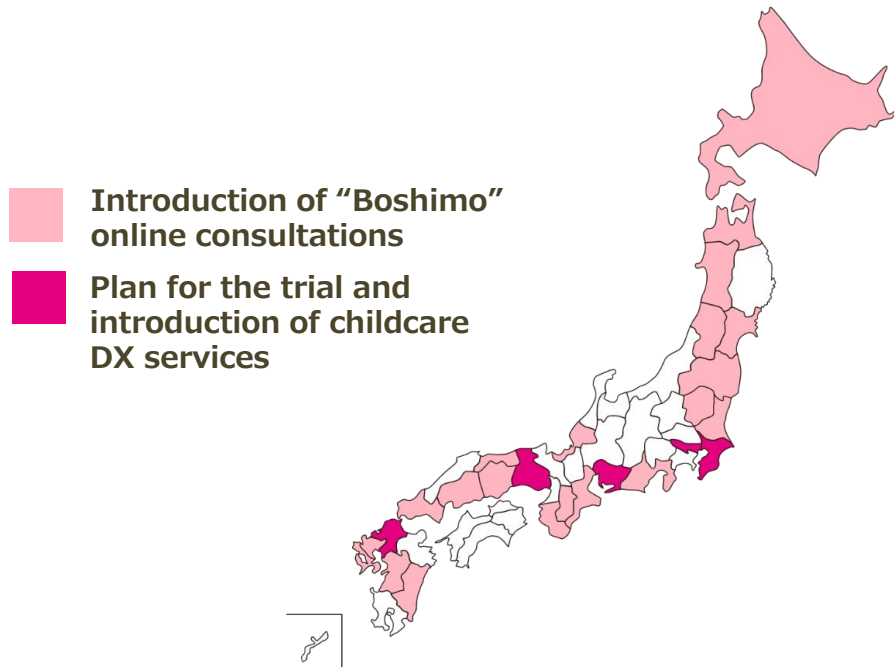


(Reference)

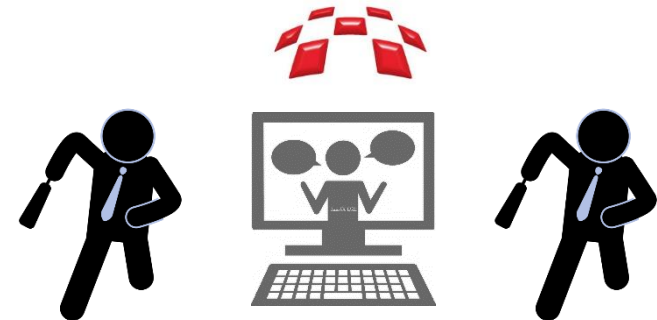
Maternal health record book app + Childcare DX services



Strengthening sales through collaboration with Medipal Holdings Corporation and inbound effect due to greater resident utilization rate



Medipal Holdings Corporation Support for sales nationwide



* Maternal health record book app covers all the prefectures.

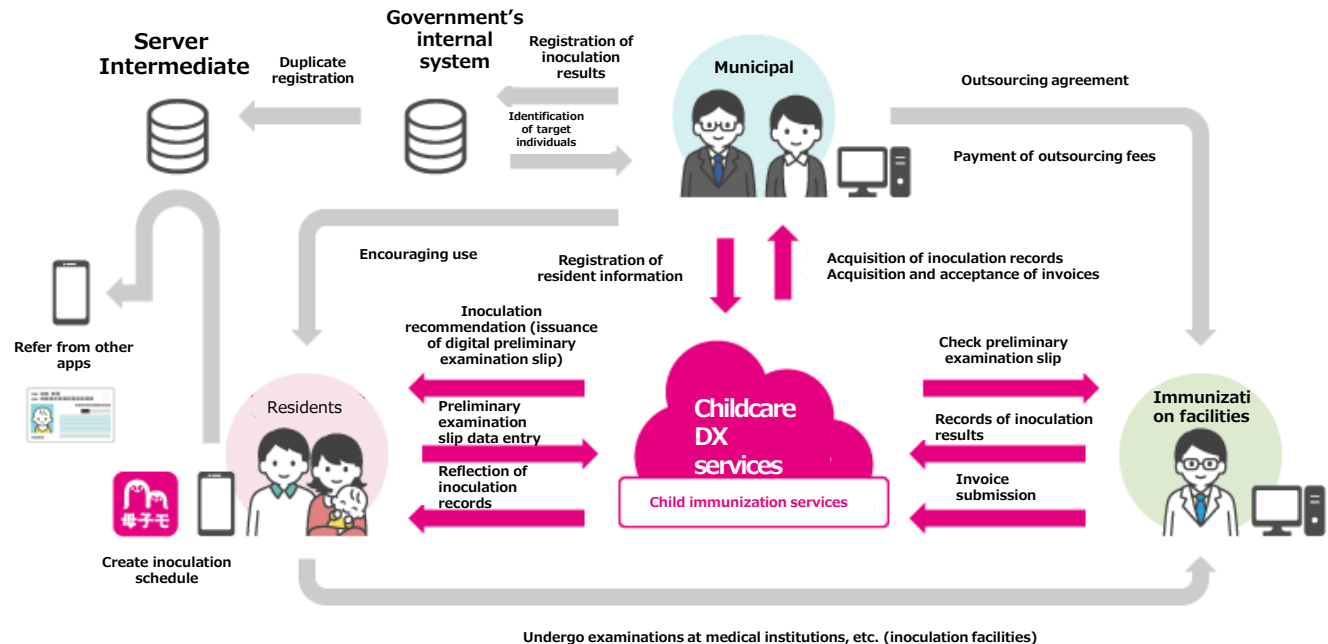
(Reference)

Explanatory drawing of Childcare DX services



Realization of digital collaboration between administration offices, hospitals and local residents in response to a rise in demand for DX in administrative services amid the COVID-19 pandemic

Shifting all procedures for children's immunization from paper to digital



Earnings forecast for FY2022

(Unit : Mil yen)

	FY2021 (Actual)			FY2022 (Forecast)			YoY	
	Full year	H1	H2	Full year	H1	H2	Amount Full year	Ratio Full year
Net sales	25,743	13,046	12,696	26,000	13,000	13,000	+256	+1.0%
Cost of sales	7,001	3,419	3,581	7,200	3,600	3,600	+198	+2.8%
Gross profit	18,741	9,627	9,114	18,800	9,400	9,400	+58	+0.3%
SG&A	16,811	8,395	8,416	16,800	8,400	8,400	(11)	(0.1%)
Operating income	1,929	1,232	697	2,000	1,000	1,000	+70	+3.6%
(Ratio)	7.5%	9.4%	5.5%	7.7%	7.7%	7.7%		
Ordinary income	1,370	840	530	1,600	800	800	+229	+16.7%
(Ratio)	5.3%	6.4%	4.2%	6.2%	6.2%	6.2%		
Profit attributable to owners of parent	(1,164)	(1,416)	252	800	400	400	+1,964	-
(Ratio)	-	-	2.0%	3.1%	3.1%	3.1%		

※For convenience, the middle points in the range of financial forecasts are shown for the fiscal year ending September 30, 2022.

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

Other business (AI,DX business, etc.)

Grow steadily

Healthcare business

Focus on expansion of stock sales (=profit)

Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2021	FY2022-Q1	Change		FY2021	FY2022-Q1	Change
Current assets	21,262	18,481	(2,781)	Current liabilities	6,655	6,272	(382)
Cash and deposits	15,540	12,722	(2,817)	Account payable-trade	1,147	1,093	(53)
Notes and accounts receivable-trade	4,501	4,545	+43	Current portion of long-term borrowings	451	452	+0
Other	1,254	1,252	(1)	Account payable-other	1,230	1,405	+175
Allowance for doubtful accounts	(33)	(38)	(5)	Income taxes payable	2,156	24	(2,131)
				Contract liabilities	-	2,214	+2,214
				Provision for point usage	115	-	(115)
				Other	1,554	882	(671)
Non-current assets	10,646	11,130	+484	Non-current liabilities	4,009	3,965	(43)
Property, plant and equipment	203	212	+9	Long-term borrowings	2,429	2,341	(88)
Intangible assets	3,711	4,239	+527	Retirement benefit liability	1,572	1,617	+44
Software	1,791	2,267	+476	Other	6	6	(0)
Goodwill	556	673	+117	Total liabilities	10,665	10,238	(426)
Customer-related assets	1,333	1,228	(105)	Shareholders' equity	17,241	15,321	(1,920)
Investments and other assets	6,731	6,678	(52)	Share capital	5,197	5,197	-
Investment securities	4,511	4,076	(434)	Capital surplus	6,660	6,557	(103)
Leasehold and guarantee deposits	318	313	(4)	Retained earning	8,665	6,847	(1,817)
Deferred tax assets	1,803	2,195	+392	Treasury shares	(3,281)	(3,281)	-
				Accumulated other comprehensive income	184	164	(20)
				Subscription rights to shares	161	165	+3
				Non-controlling interests	3,654	3,723	+68
				Total net assets	21,243	19,373	(1,869)
Total assets	30,547	29,612	(2,296)	Total liabilities and net assets	31,908	29,612	(2,296)

Trends in consolidated P/L

(Unit : Mil yen)

	FY2020				FY2021				FY2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	6,118	6,855	6,519	6,589	6,304	6,742	6,457	6,238	6,551
Cost of sales	1,627	1,904	1,783	1,814	1,593	1,826	1,728	1,853	1,895
Gross profit	4,490	4,951	4,735	4,774	4,711	4,916	4,728	4,385	4,656
(Ratio)	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%	73.2%	70.3%	71.1%
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204
Operating income	586	860	570	489	553	678	563	133	451
(ratio)	9.6%	12.6%	8.8%	7.4%	8.8%	10.1%	8.7%	2.1%	6.9%
Ordinary income	404	905	651	121	495	345	428	101	395
(Ratio)	6.6%	13.2%	10.0%	1.8%	7.9%	5.1%	6.6%	1.6%	6.0%
Profit attributable to owners of parent	231	1,014	534	(1,273)	220	(1,637)	322	(69)	252
(Ratio)	3.8%	14.8%	8.2%	—	3.5%	-	5.0%	-	3.9%

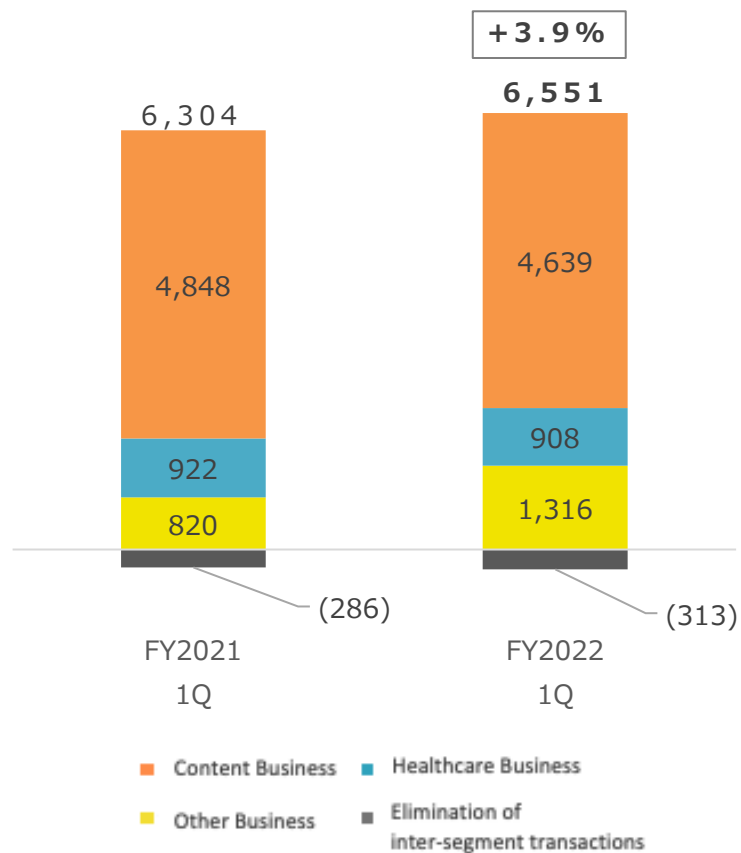
Trends in consolidated SG&A

(Unit : Mil yen)

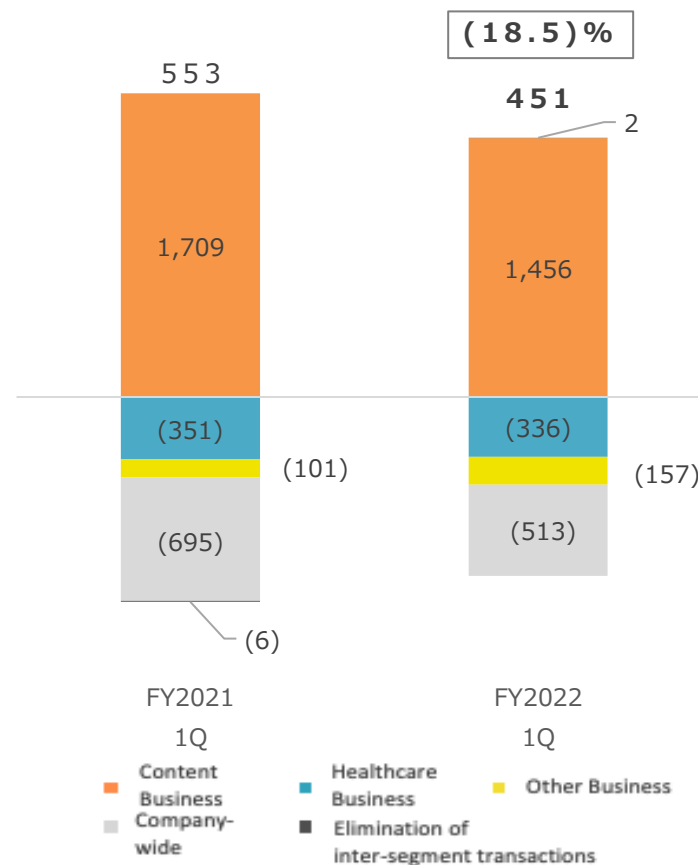
	FY2020				FY2021				FY2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SG&A	3,904	4,090	4,164	4,284	4,157	4,237	4,164	4,251	4,204
Advertising expense	248	241	362	320	337	373	393	413	360
Personnel expenses	1,537	1,548	1,618	1,691	1,743	1,700	1,808	1,847	1,912
Commission fee	829	844	853	815	789	785	777	806	753
Subcontract expenses	305	372	342	406	441	445	452	464	440
Depreciation	307	450	425	437	272	312	261	286	303
Other	675	632	562	613	573	620	472	434	435

Performance by segment

Net sales



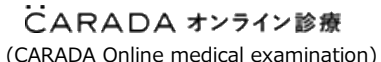



Operating income

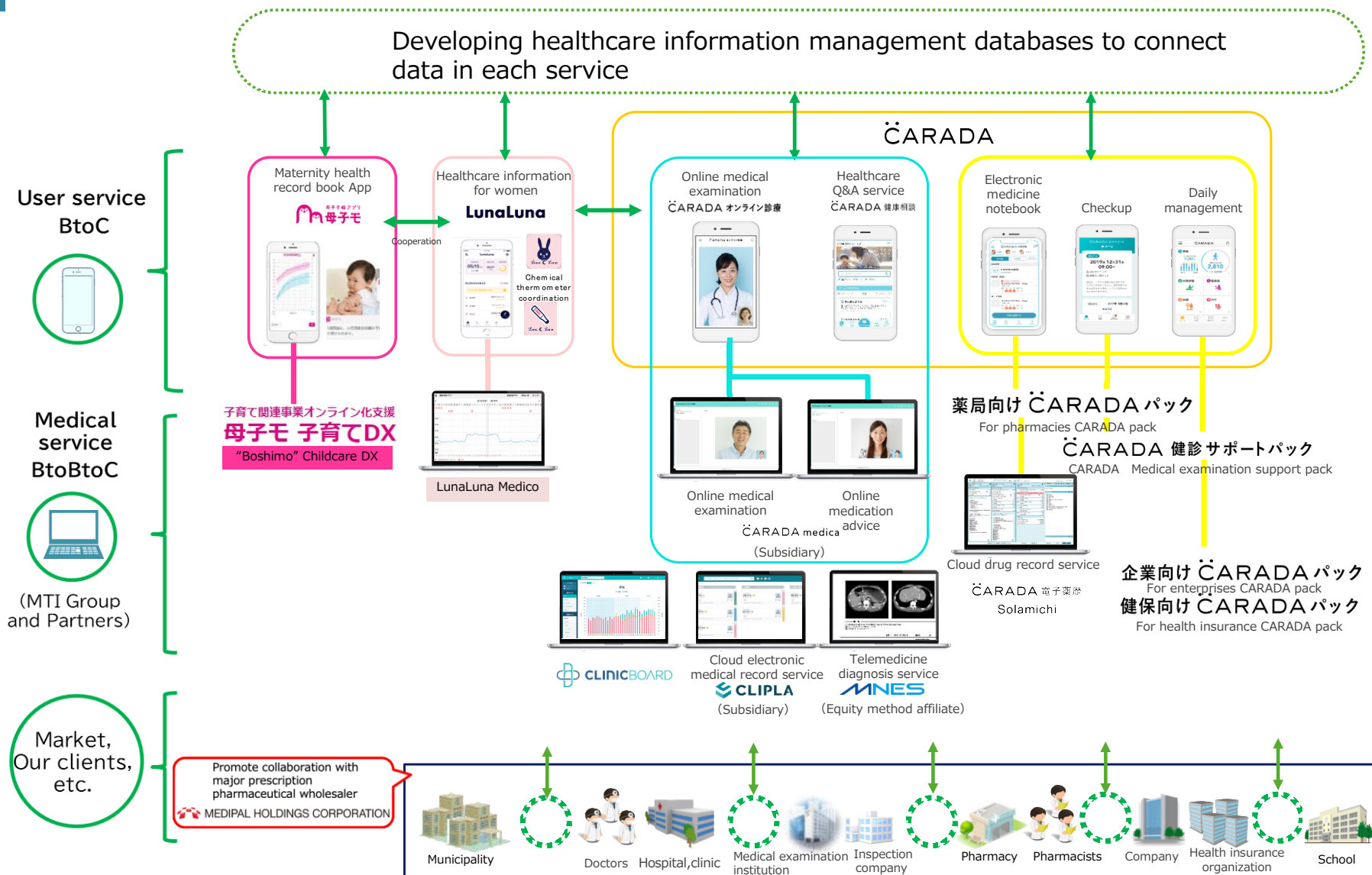


The list of main healthcare services

Figures are the actual as of end of December 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 429 of 1,741 local governments nationwide.
LunaLuna	Healthcare info service for women. Forecasting menstrual day & ovulation day.	BtoC. Over 17 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.
	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	BtoC. ¥400/month
	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.
	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 864 orders have been received. Full-scale deliveries started in December 2019.
(CARADA Cloud drug history service)		

Healthcare business: Overview of Healthcare services



*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

ĊARADA 電子薬歴 Solamichi



864 pharmacies introduced September, 2021

Aim for more than 2,000 at an Early stage

Market development with cloud technologies



Pharmacy

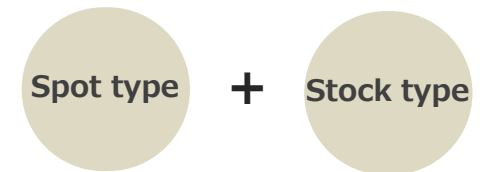
Target **10,000** pharmacies

Number of pharmacies across the nation **60,000** pharmacies

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. Increasing interest in Cloud drug record due to the revision of the Medical Fee System.

revenue scheme



Initial cost for introduction

Monthly charge for system usage

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



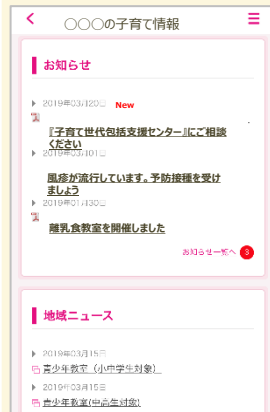
Height and weight graphs



Growth records



Notice



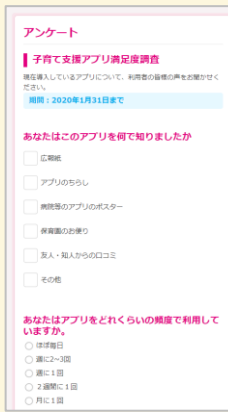
Childcare support facility search



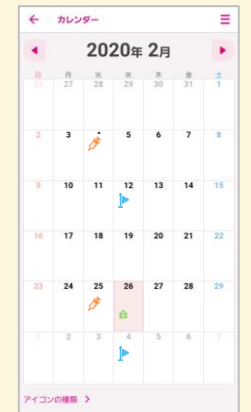
Local childcare events



Questionnaire



Schedule management





〈Contact us〉

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

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.