

Financial Results Briefing for Q1/2021

February 10, 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 Q1 FY2021

Financial highlight

1 Q1 Results

- Net sales ¥6,304 million (Up ¥186million, Up 3.0%, YoY)
- Operating income ¥553 million (Down ¥32million, Down 5.5%, YoY)

2 Good progress towards first-half financial forecast

- Net sales: 45.9 ~ 49.4%
- Operating income: 46.1 ~ 55.4%

3 Earnings forecast for FY2021

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

Consolidated P/L

Net sales and operating income levelled off

(Unit : Mil yen)

	FY2020 Q1	FY2021 Q1	YoY	
			Amount	Percentage
Net sales	6,118	6,304	+186	+3.0%
Cost of sales (ratio)	1,627 26.6%	1,593 25.3%	(34)	(2.1%)
Gross profit (ratio)	4,490 73.4%	4,711 74.7%	+220	+4.9%
SG&A (ratio)	3,904 63.8%	4,157 65.9%	+253	6.5%
Operating income (ratio)	586 9.6%	553 8.8%	(32)	(5.5%)
Ordinary income (ratio)	404 6.6%	495 7.9%	+90	+22.4%
Profit attributable to owners of parent (ratio)	231 3.8%	220 3.5%	(10)	(4.7%)

Personnel expenses and subcontract expenses increased.

Consolidated SG&A :

Personnel expenses and subcontract expenses increased

(Unit : Mil yen)

	FY2020 Q1	FY2021 Q1	YoY	
			Amount	Percentage
SG&A	3,904	4,157	+253	+6.5%
Advertising expenses	248	337	+88	+35.5%
Personnel expenses	1,537	1,743	+205	+13.4%
Commission fee	829	789	(40)	(4.9%)
Subcontract expenses	305	441	+135	+44.4%
Depreciation	307	272	(34)	(11.3%)
Other	675	573	(101)	(15.0%)

Performance by segment

Content Business

BtoC/BtoB

Content distribution service



Healthcare Business

BtoC/BtoB/BtoBtoC

Existing healthcare service
New healthcare service

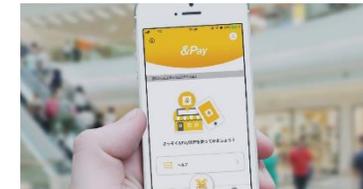


ČARADA Solamichi ČARADA オンライン診療

Other Business

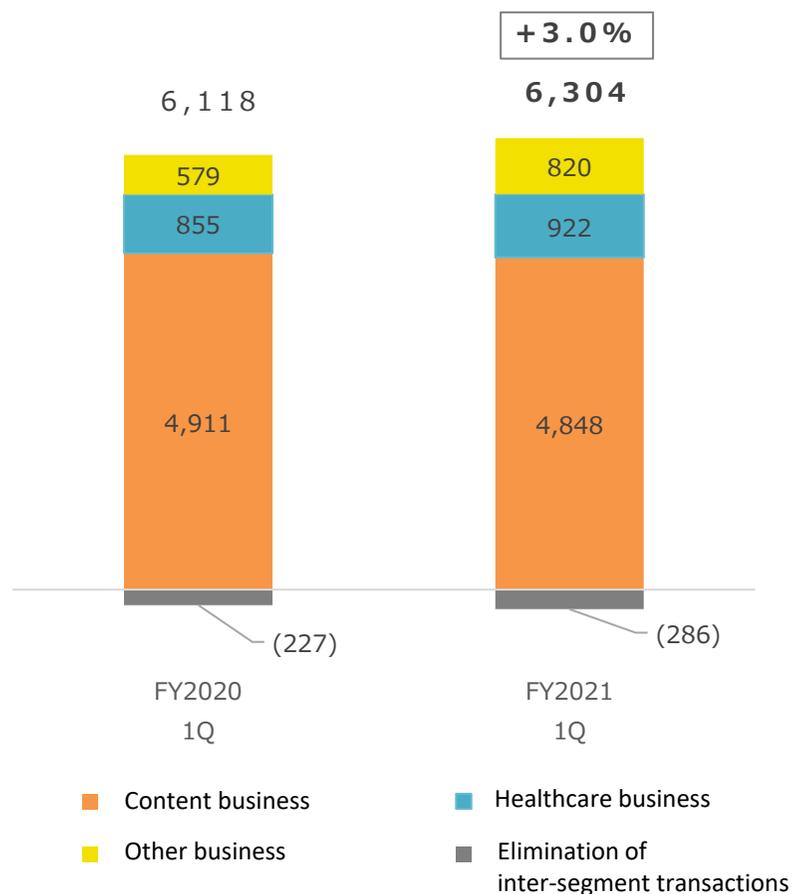
BtoB

Fintech service
AI service

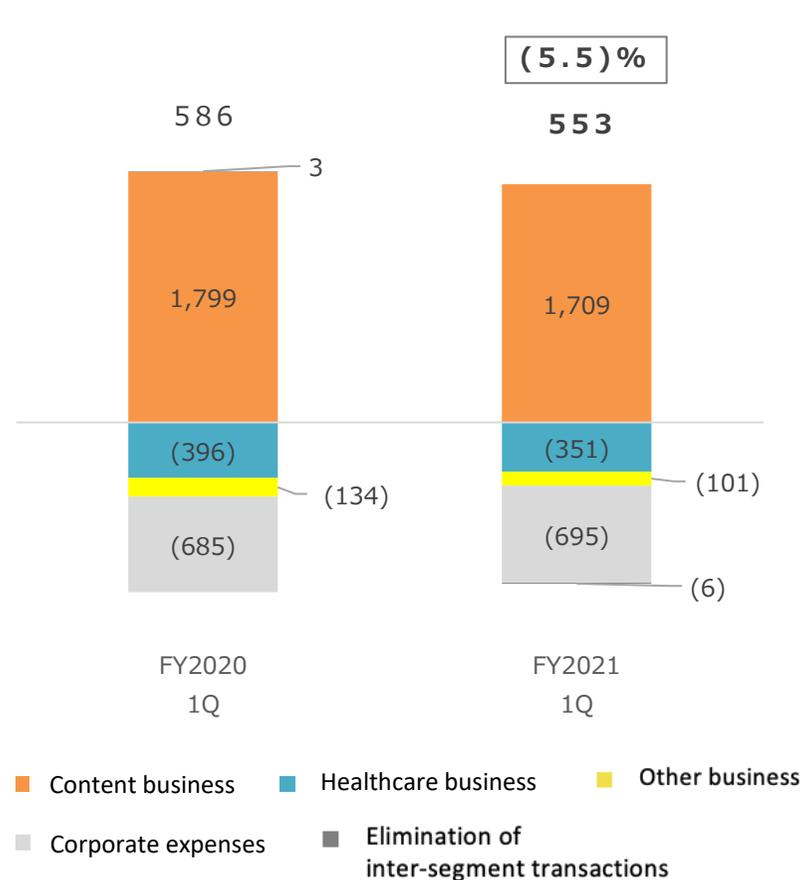


Performance by segment

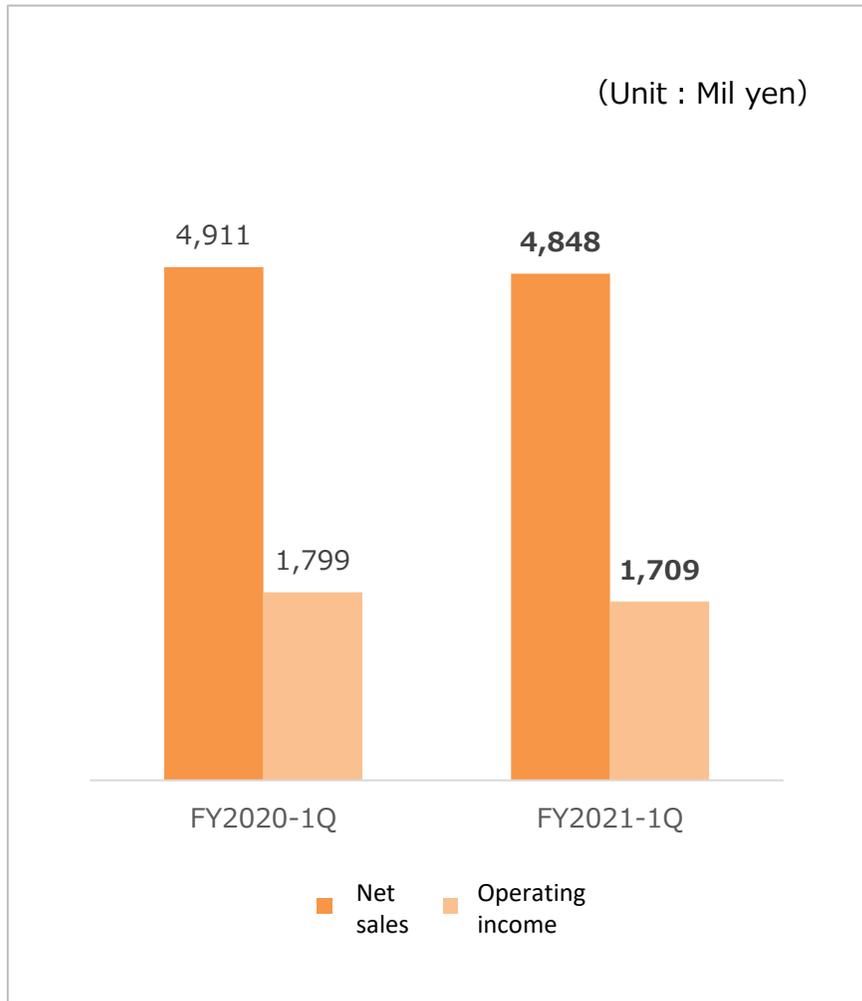
Net sales



Operating income



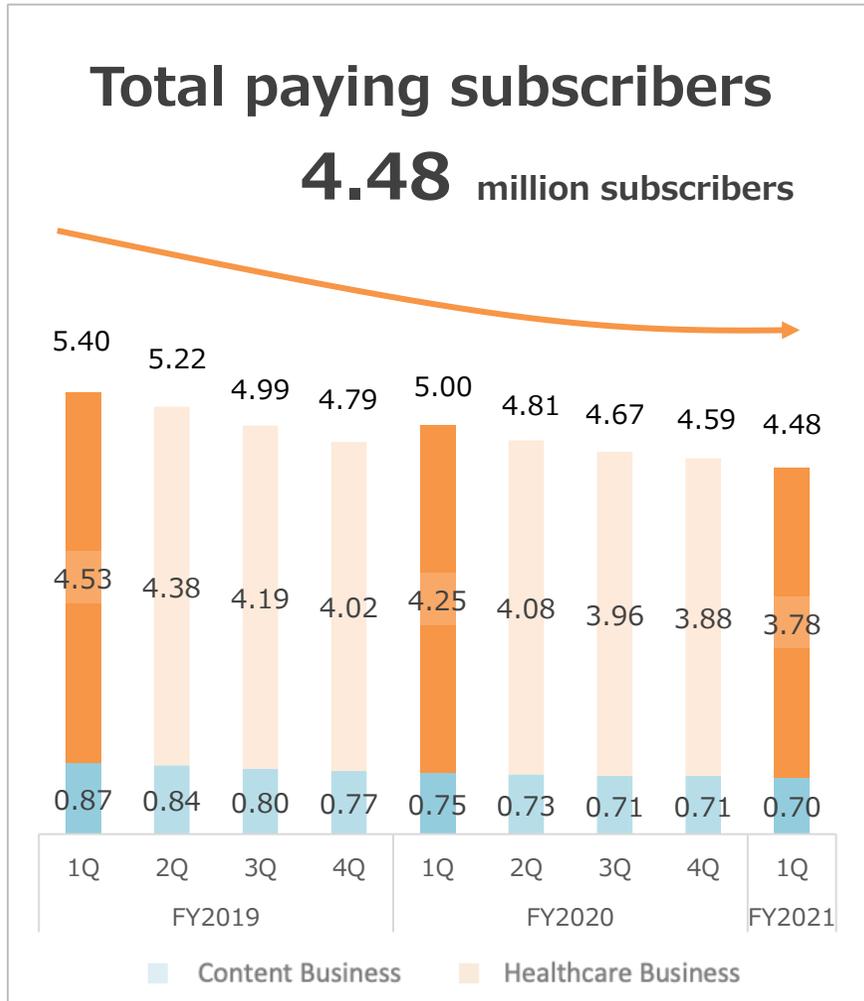
Content business: Net sales and operating income



Net sales and operating income levelled off

- Net sales
 - : The number of paying subscribers decreased
 - + : The effect of accepting the transfer of "musicco"
- Operating income
Flat

Content business: The number of paying subscribers



Degree of decrease is being reduced

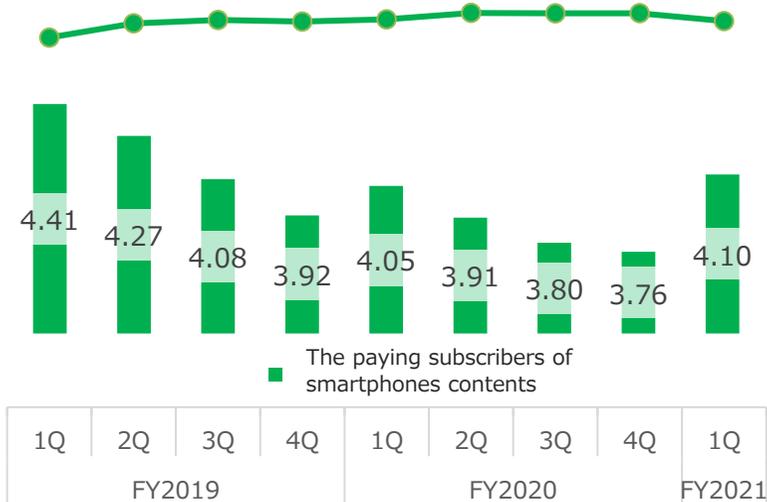
- Brisk Security-related apps

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

Content business: ARPU

ARPU of paying subscribers of smartphones contents

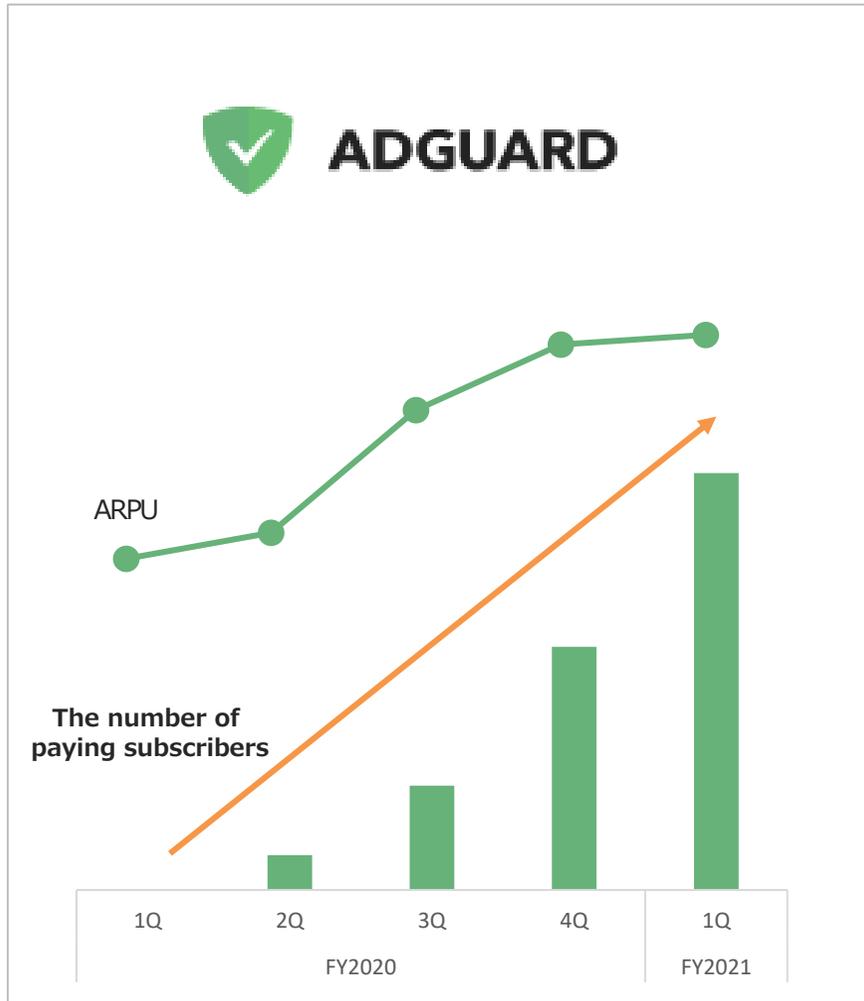
YoY-¥2.5



ARPU levelled off

- Transfer of au feature phone subscriptions (with relatively low ARPU) to smartphone subscriptions.

Content business: Security-related app



Strong needs

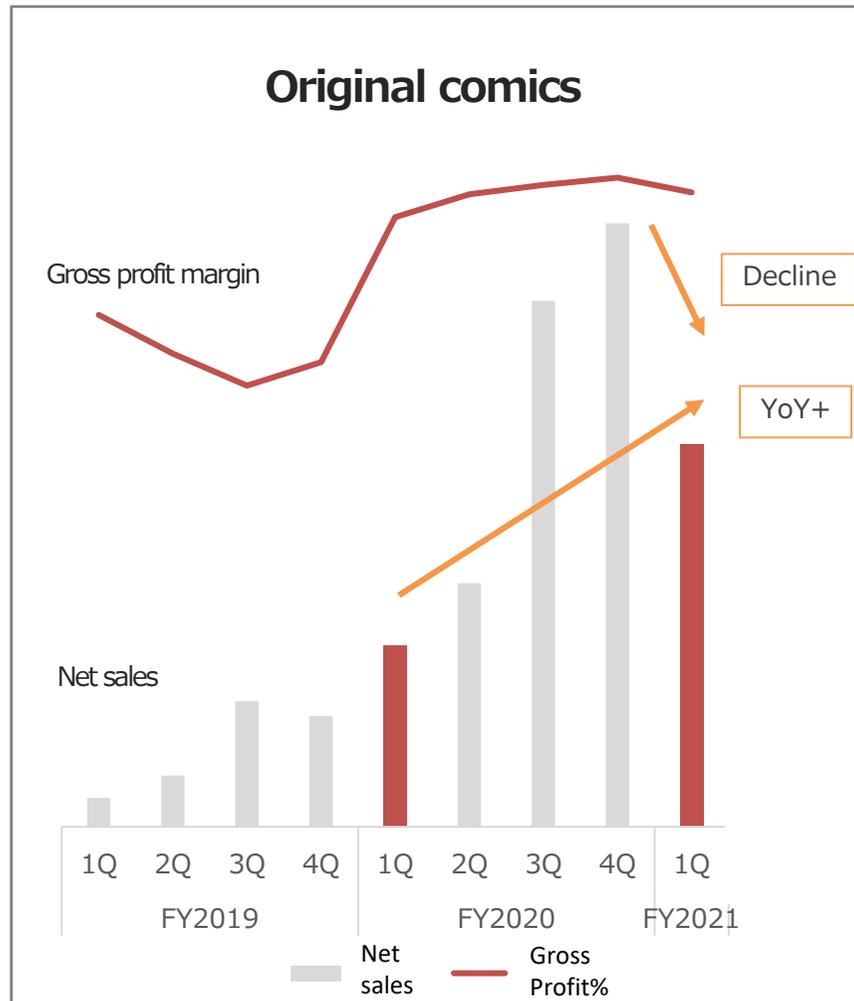
Security-related apps are growing

The number of paying subscribers and ARPU
Expansion trend

Four functions

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

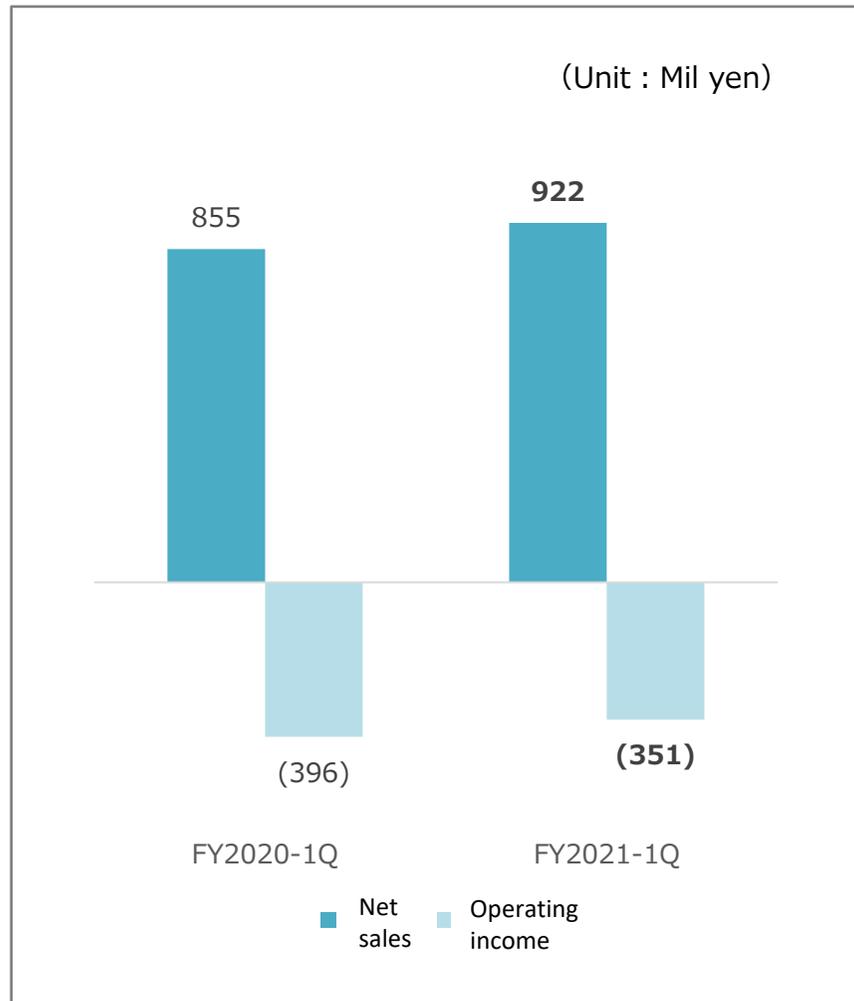
Content business: Original comics content business



Continuously growing

- : Decline after a (short-term) big commercial success
- + : Increase in comic titles introduced

Healthcare business: Net sales and operating income

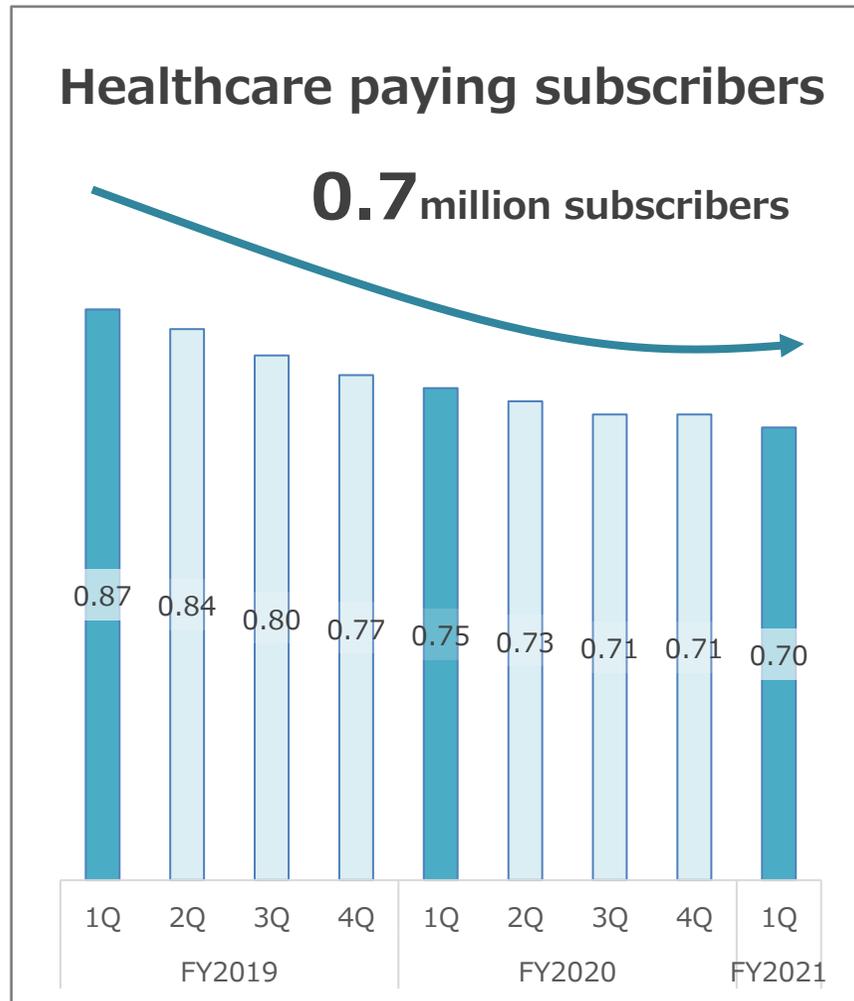


Net sales expansion

Strong needs

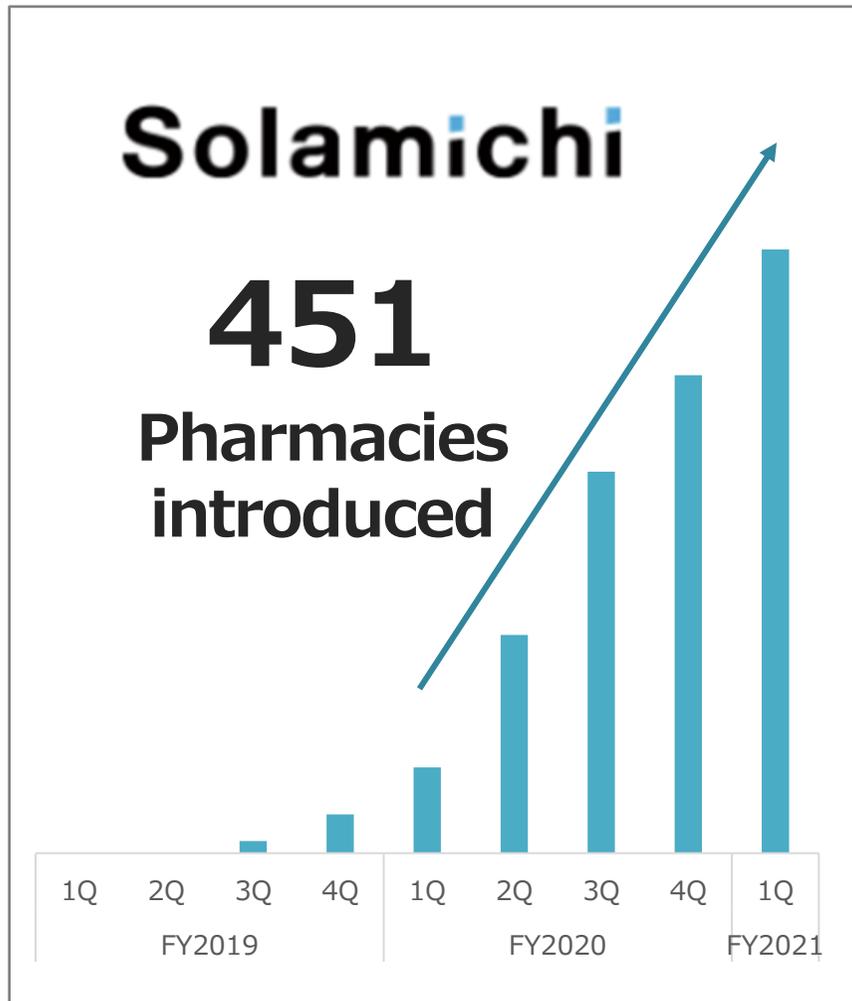
Contribution to sales expanded for the initial introduction of cloud drug record service.

Healthcare business: The number of paying subscribers



Flat
(LunaLuna, CARADA medica)

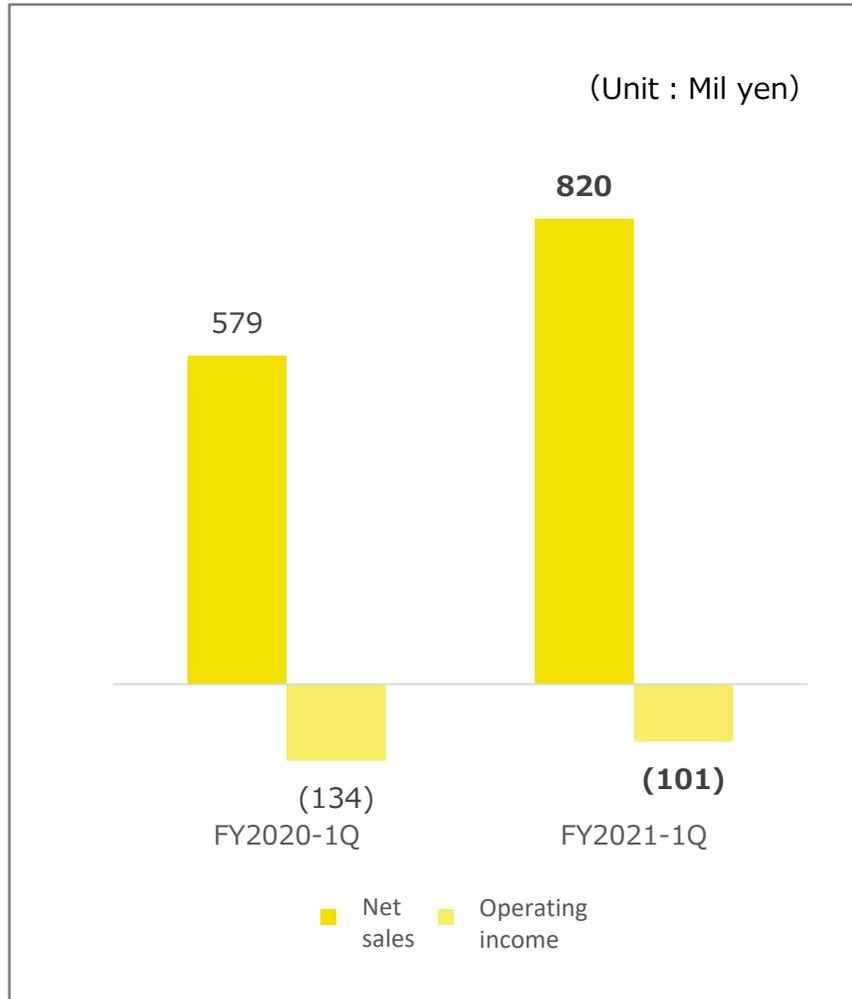
Healthcare business: Cloud drug record service



Extensive introduction

- Up 94 from the previous quarter
- Actively promoting online sales activities

Other business(AI business): Net sales and operating income



Strong demand for DX

Progress for earnings forecast

Good progress towards sales and profits

(Unit : Mil yen)

	FY2021 Q1 Actual	FY2021 H1 Forecast	Progress ratio
Net sales	6,304	12,750~13,750	45.9~49.4%
Operating income	553	1,000~1,200	46.1~55.4%
Ordinary income	495	1,000~1,200	41.3~49.5%
Profit attributable to owners of parent	220	650~850	25.9~33.9%

Approach in Q2 and beyond

Basic policy in FY2021

1. Healthcare business

- Further increase in the number of stores introducing the Cloud drug record service
- 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

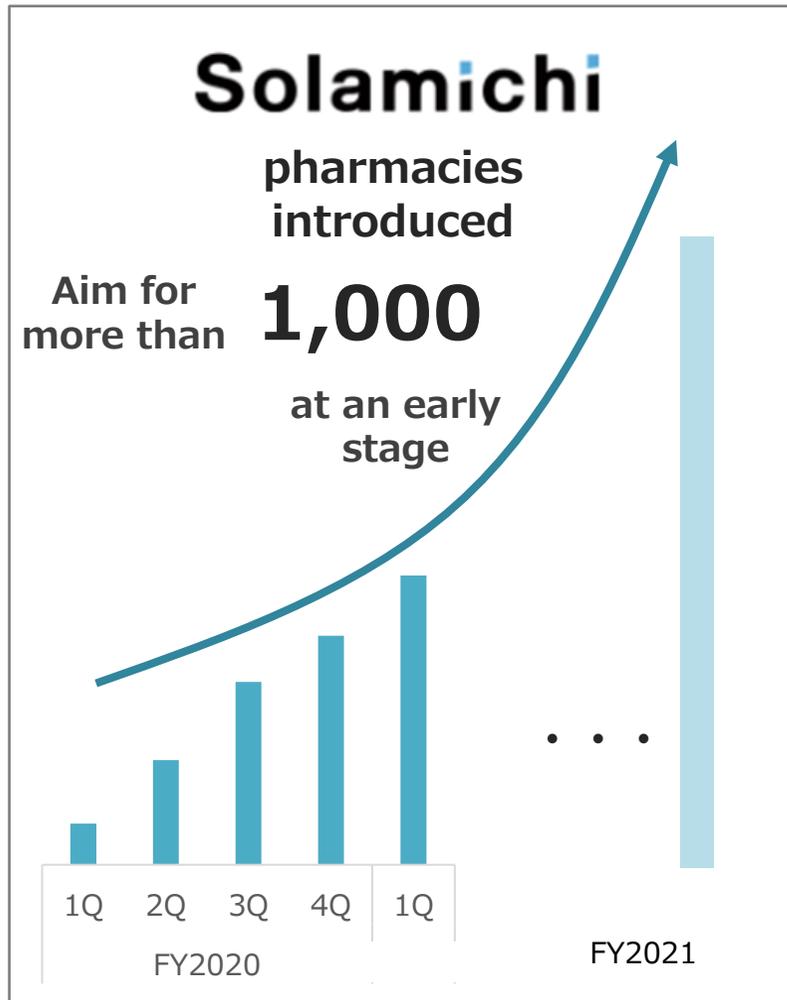


What is 'medication history'?

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: Initiatives



Further increase in the number of pharmacies introducing the service

- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler (Online seminar is being held)
- * Activities restrained from January 7 onwards under the declaration of state of emergency

Topics

Linking medical institutions and patients

Online medical examination and Online medication advice



Topics① : Online medical examination and online medication advice

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(Online medical examination and medication advice)



Paid services started in February

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

Topics② : Maternal health record book app “Boshimo”

Connect parenting households and local governments

Maternal health record book app and online consultation service



Topics② : Maternal health record book app “Boshimo”



Share top

Introduced by more than
20%
of the local governments

**Increasing recognition among the
local governments across the country**

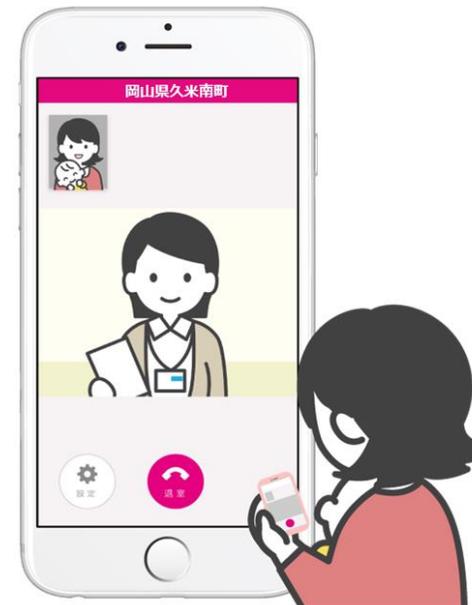
* The calculation is based on the assumption that there exist 1,741 local governments in Japan, according to the website of the Japan Agency for Local Authority Information Systems.

Topics② : Maternal health record book app "Boshimo"

Expansion of the scope of "Boshimo" paid service

Local government DX

Online consultation made a good start



GOOD DESIGN AWARD 2020

Earnings forecast for FY2021

(Unit : Mil yen)

	FY2020 (Actual)			FY2021 (Forecast)			YoY	
	Full year	H1	H2	Full year	H1	H2	Amount Full year	Ratio Full year
Net sales	26,082	12,946	13,135	26,000	13,000	13,000	(82)	(0.3%)
Cost of sales	7,130	3,531	3,598	7,200	3,600	3,600	+69	+1.0%
Gross profit	18,951	9,414	9,536	18,800	9,400	9,400	(151)	(0.8%)
SG&A	16,444	7,968	8,476	16,500	8,300	8,200	+55	(0.3%)
Operating income	2,507	1,446	1,060	2,300	1,100	1,200	(207)	(8.3%)
(Ratio)	9.6%	11.2%	8.1%	8.8%	8.5%	9.2%		
Ordinary income	2,082	1,310	772	2,300	1,100	1,200	+217	+10.4%
(Ratio)	8.0%	10.1%	5.9%	8.8%	8.5%	9.2%		
Profit attributable to owners of parent	506	1,246	(739)	1,500	750	750	+993	+195.9%
(Ratio)	1.9%	9.6%	(5.6%)	5.8%	5.8%	5.8%		

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

Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2020	FY2021-Q1	Change		FY2020	FY2021-Q1	Change
Current assets	19,743	18,841	(902)	Current liabilities	4,766	4,225	(541)
Cash and deposit	13,354	12,948	(405)	Accounts payable-trade	1,101	1,030	(71)
Notes and accounts receivable-trade	4,840	4,441	(399)	Current portion of long-term borrowings	451	451	-
Other	1,585	1,488	(96)	Account payable-other	1,333	1,202	(131)
Allowance for doubtful accounts	(36)	(36)	(0)	Income taxes payable	701	236	(464)
				Allowance for coin usage	110	111	+0
				Other	1,067	1,192	+125
Non-current assets	10,803	10,608	(194)	Non-current liabilities	4,270	4,192	(77)
Property, plant and equipment	193	176	(17)	Long-term borrowings	2,881	2,769	(112)
Intangible fixed assets	3,764	3,658	(105)	Retirement benefit liability	1,381	1,415	+34
(Include) software	1,281	1,329	+47	Other	6	6	+0
goodwill	692	641	(50)	Total liabilities	9,036	8,417	(618)
Customer-related assets	1,755	1,649	(105)	Shareholders' equity	19,112	18,854	(258)
Investments and other assets	6,845	6,774	(71)	Capital stock	5,138	5,149	+11
(Include) investment securities	4,536	4,552	+15	Capital surplus	6,551	6,503	(48)
Leasehold and guarantee deposits	493	504	+11	Retained earning	10,707	10,489	(217)
Deferred tax assets	1,766	1,664	(101)	Treasury shares	(3,283)	(3,287)	(3)
				Accumulated other comprehensive income	54	82	+28
				Subscription rights to shares	345	215	(129)
				Non-controlling interests	1,998	1,879	(118)
				Total net assets	21,510	21,032	(477)
Total assets	30,547	29,450	(1,096)	Total liabilities and net assets	30,547	29,450	(1,096)

Trends in consolidated P/L

(Unit : Mil yen)

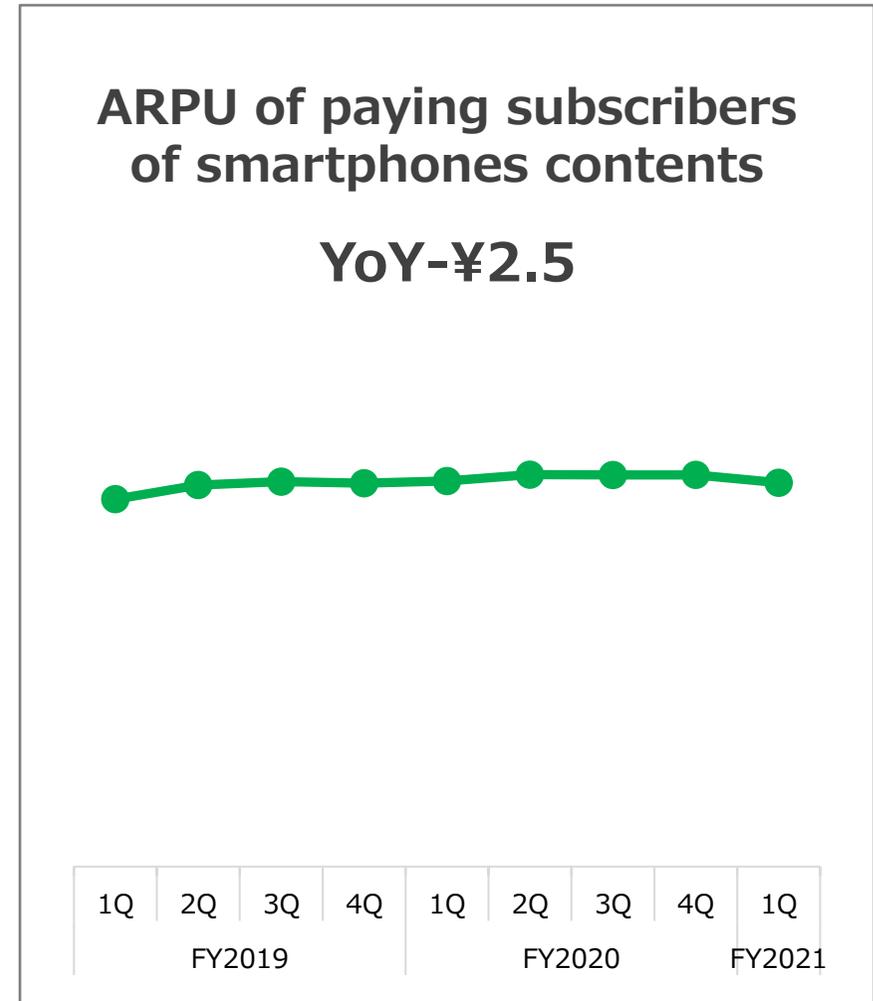
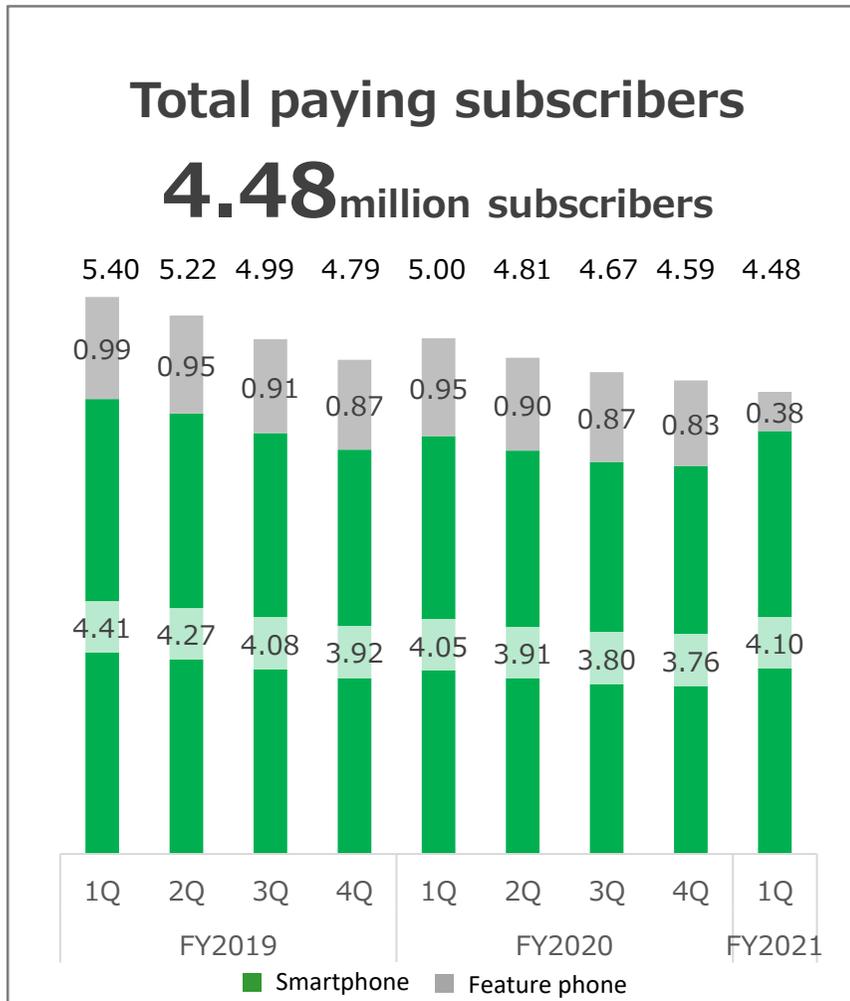
	FY2019				FY2020				FY2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net sales	6,862	7,070	6,495	6,684	6,118	6,855	6,519	6,589	6,304
Cost of sales	1,632	1,883	1,652	1,989	1,627	1,904	1,783	1,814	1,593
Gross profit	5,229	5,186	4,843	4,695	4,490	4,951	4,735	4,774	4,711
(Ratio)	76.2%	73.4%	74.6%	70.2%	73.4%	72.2%	72.6%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

Trends in consolidated SG&A

(Unit : Mil yen)

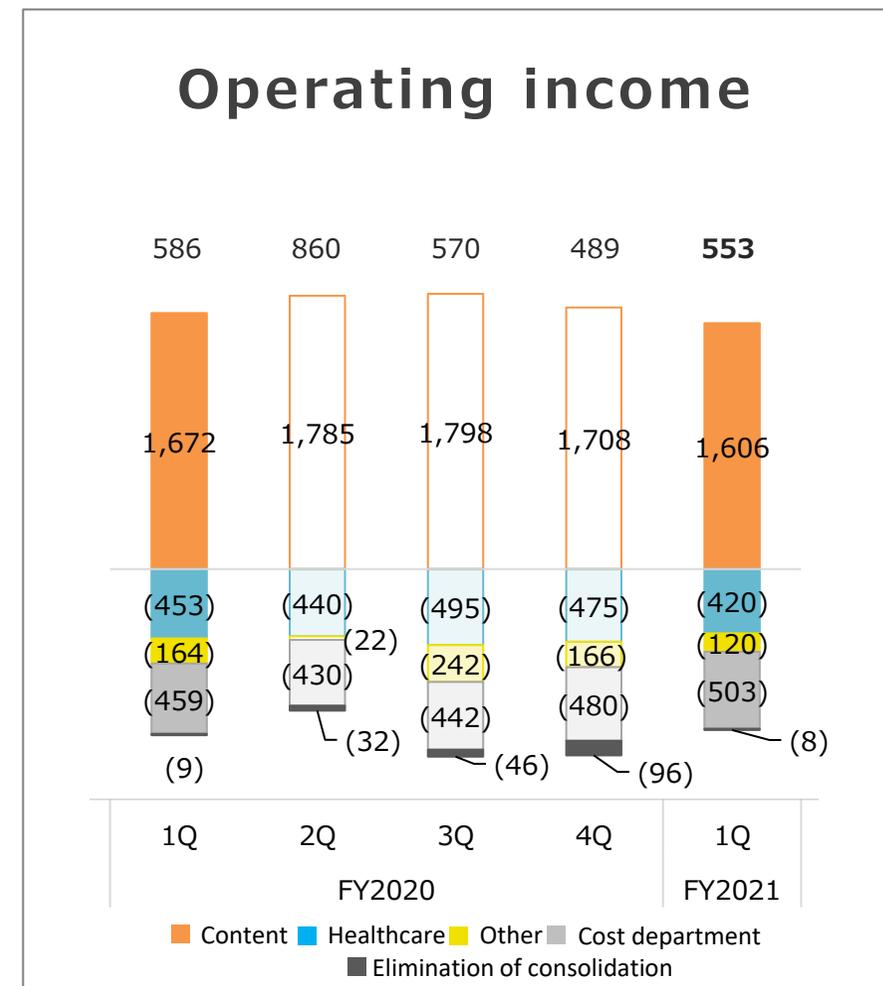
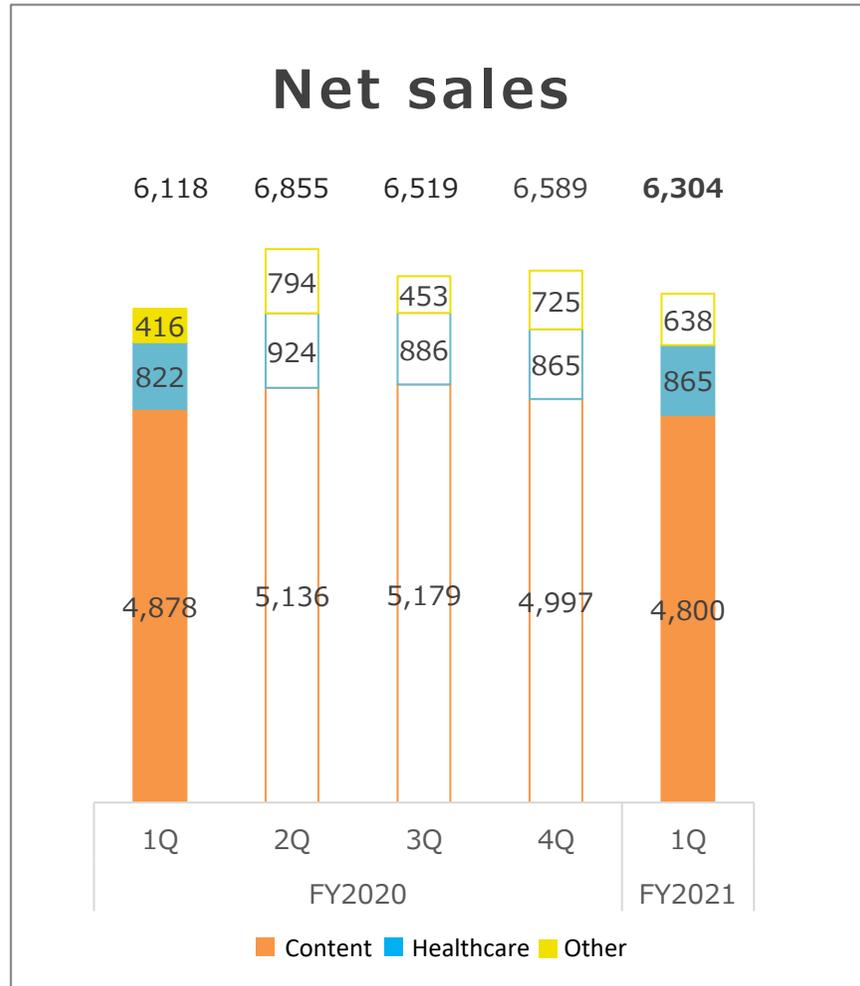
	FY2019				FY2020				FY2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SG&A	4,400	4,380	4,213	4,001	3,904	4,090	4,164	4,284	4,157
Advertising expense	722	763	504	414	248	241	362	320	337
Personnel expenses	1,550	1,516	1,584	1,496	1,537	1,548	1,618	1,691	1,743
Commission fee	880	844	869	805	829	844	853	815	789
Subcontract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

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.

(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

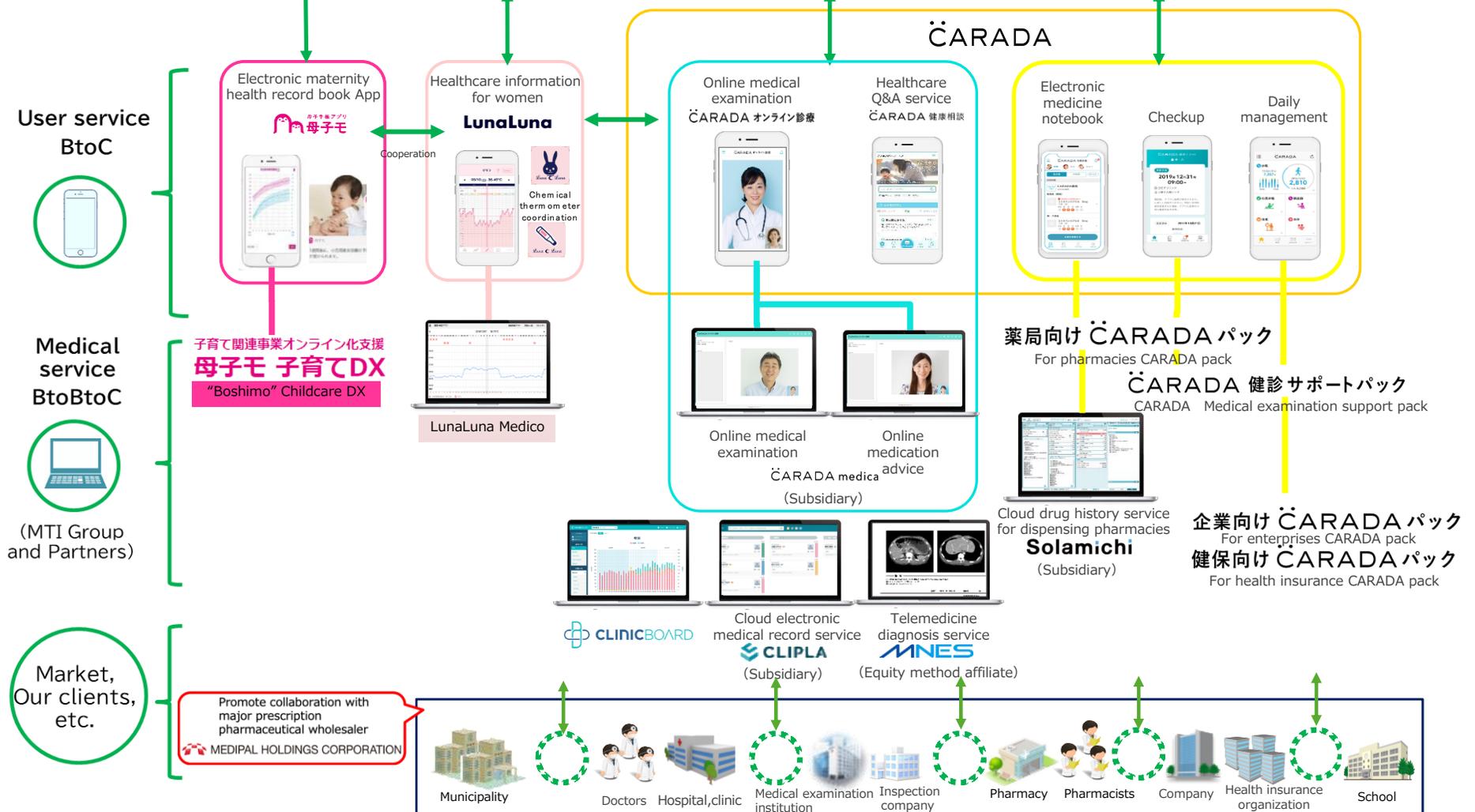
The list of main healthcare services

Figures are the actual as of end of December 2020.

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 333 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 837 gynecologists. (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.
	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	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 451 orders have been received. Full-scale deliveries started in December 2019.

Healthcare business: Overview of Healthcare services

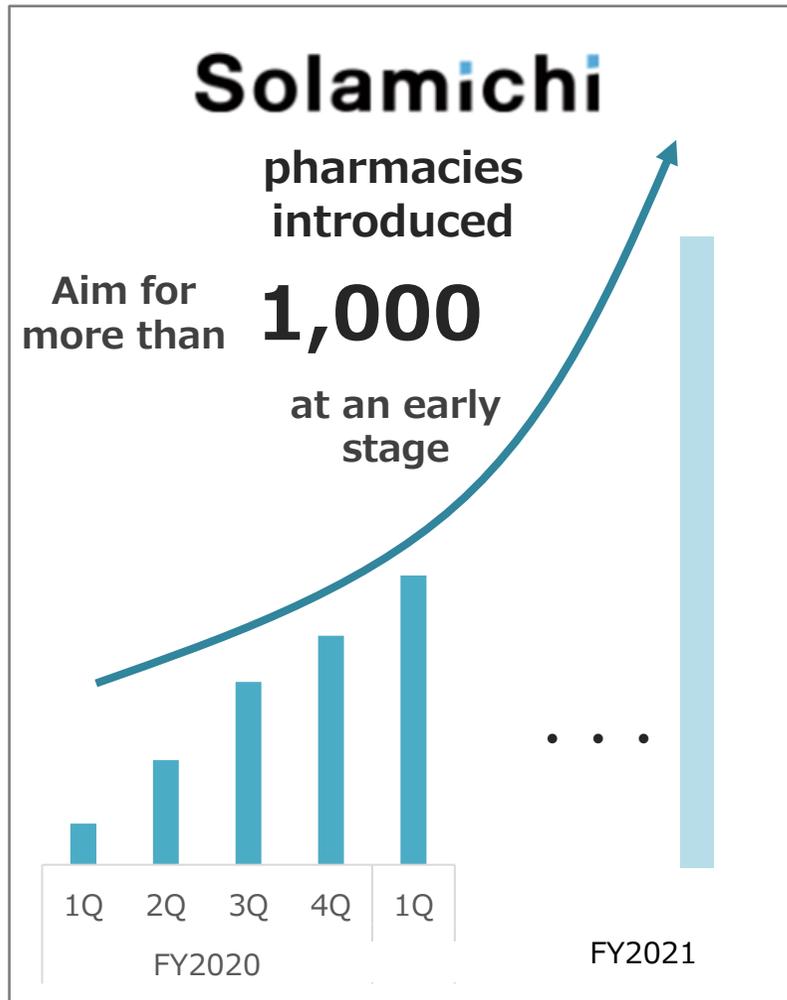
Developing healthcare information management databases to connect data in each service



*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.

Cloud drug record service①: Initiatives



Further increase in the number of pharmacies introducing the service

- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler (Online seminar is being held)
- * Activities restrained from January 7 onwards under the declaration of state of emergency

Cloud drug record service②: Operating environment

● Challenges in the healthcare industry

(primarily those closely related to pharmacies)

National health insurance budget: 42.6 trillion yen (2018)	Pharmacy errors (incorrect medication or prescription)
--	--

→ Stronger regulations underway for 60,000 pharmacies across the nation

● Revenue of dispensing pharmacies is declining

On a declining trend reflecting government revisions in drug prices and drug compounding fees

① Drug fee + ② Drug compounding fee + ③ Medication history management fee

Remuneration (revenue) of dispensing pharmacies

*Evaluation of drug management service, medication advice, drug information and home medication services provided by pharmacists.

● Challenges for pharmacies

Increasing workload for dispensing pharmacies and pharmacists

Given the large number of input items for medication histories, the burden for pharmacists after business hours is heavy. Certain drug medications may be considered fraudulent unless they are provided in accordance with administrative guidelines requiring accurate statement of medication history. It will be necessary to establish a system capable of facilitating efficient operations for pharmacists who will face further increases in their workload.

Familiar pharmacy, Home medication services, 24-hour support, Online-medication

A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi solves the problem!

Cloud drug record service③: Service introduction

A system facilitating efficient operations for pharmacists in preparing medication histories

Solamichi



CHARADA

Data linkage with Drug record app

With medication instructions

A user-friendly operation screen

Accessible even outside pharmacies

Providing comprehensive support for new drug medication instruction services added to the medical payment system!

Well received by practicing pharmacists!

Effective with familiar pharmacies!

Cloud drug record service④: Market

Market development with cloud technologies

Solamichi

451 pharmacies introduced
December, 2020

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



Pharmacy

Number of pharmacies
across the nation

60,000 pharmacies

Estimated to be
Interested in using cloud services

20%

Target

10,000 pharmacies

revenue scheme

Spot type

Initial cost for
introduction

+

Stock type

Monthly charge for
system usage

Online medical examination and online medication advice①: Glossary

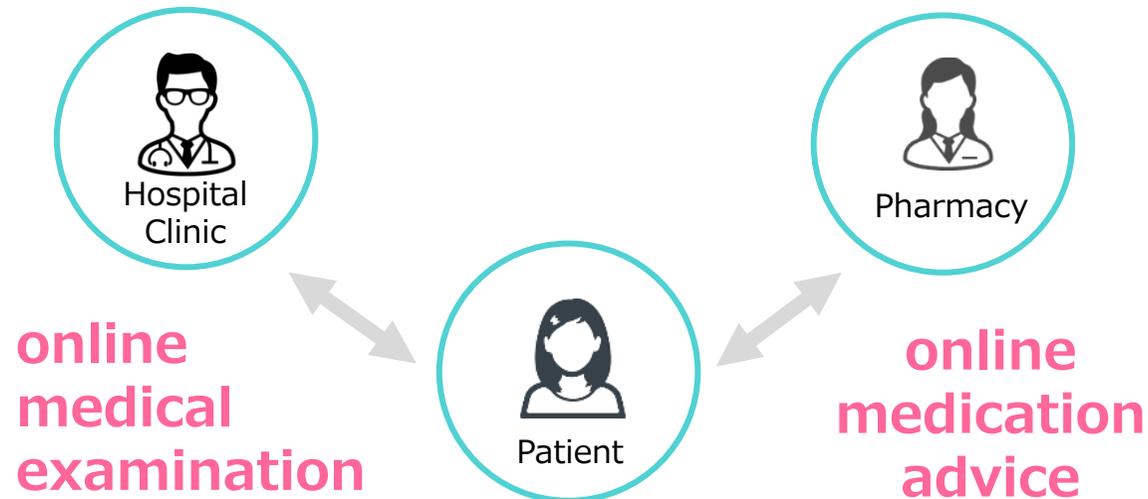
What is 'online medical examination'?

Internet-based medical services provided to non-hospitalized patients that are performed by healthcare professionals.

What is 'online medication advice'?

Internet-based medication advice for prescribed drugs usually performed by pharmacists. Patients receive drugs with internal prescription at home. They receive external prescriptions forwarded to their smartphones. This service replaces the process of drug purchases by patients at pharmacies with medication instructions.

CARADA オンライン診療



Online medical examination and online medication advice②: Operating environment

	Previously	Temporary measure After COVID-19 4/10~
First visit	<p>Online medical examination not appropriate</p> <p>Face-to-face medical examination required</p>	<p>Online medical examination allowed for new patients</p>
Target disease	<p>High blood pressure, diabetes, certain chronic diseases only</p>	<p>No limitation with doctor's discretion</p>

Deregulation underway for online medical examination and online medication advice

Online medical examination and online medication advice③: Service introduction

CARADA medica

A full spec online system that handles every step from reservation, to video call, settlement and drug delivery.

Full spec

Reservation	Video call	Settlement	Delivery of drugs and prescriptions
 <p>By allowing patients to make reservations for date and hour of medical examination in advance, wasted time can be avoided in medical practice.</p>	 <p>An online medical consultation and examination are conducted through a video call, easing the burden on healthcare professionals because they can speak to the patient while checking his/her facial expressions.</p>	 <p>Settlement is made automatically after online medical consultation and examination, using the credit card registered by the patient in advance.</p>	 <p>A delivery firm collects the drugs and prescriptions from medical institutions and delivers them to patients.</p>

Online medical examination and online medication advice④: Market

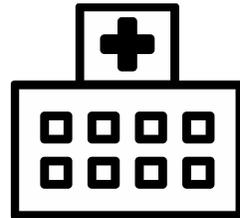
Rapid growth in demand in the wake of COVID-19

ĀARADA オンライン診療

(Online medical examination and medication advice)

Charged from February 2021

Focusing efforts on encouraging the use



Clinic



Pharmacy

Number of clinics across the nation

100,000 clinics

Number of pharmacies across the nation

60,000 pharmacies

Estimated to be Interested in online services

20%

Future revenue scheme
(Currently provided for free)

Spot type

Initial cost for introduction

+

Stock type

Monthly charge for system usage

Description of "Boshimo", a maternal health record book app

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



Pregnancy health records



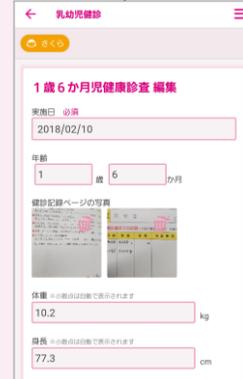
Weight graph during pregnancy



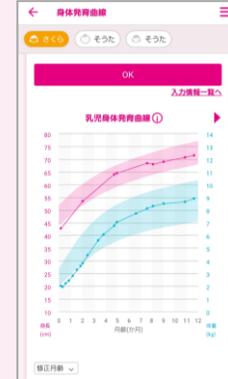
Vaccination management



Infant health checkup records



Height and weight graphs



Growth records



Notice



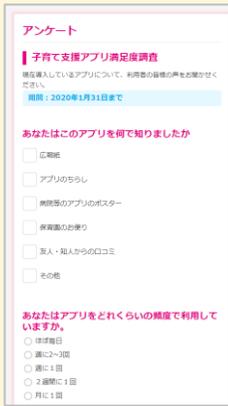
Childcare support facility search



Local childcare events



Questionnaire



Schedule management





〈Contact us〉

Investor Relations Office

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

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