

Financial Results Briefing for Q3/2021

August 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 Q3 FY2021

Financial highlight

1 Q3 Results

- Net sales: ¥19,504 million (Up ¥11 million, Up 0.1%, YoY)
- Operating income: ¥1,796 million (Down ¥221 million, Down 11.0%, YoY)
- Progress of full-year earnings forecast:
Net sales 75.0%
Operating income 78.1%

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

2 Q3 Achievements and initiatives

- Content business:
 - Brisk security-related app
 - Sales of the original comics content business hit a record high
- 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 Q3	FY2021 Q3	YoY		
			Amount	Percentage	
Net sales	19,492	19,504	+11	+0.1%	
Cost of sales (ratio)	5,315 27.3%	5,147 26.4%	(167)	(3.2%)	
Gross profit (ratio)	14,177 72.7%	14,356 73.6%	+179	+1.3%	
SG&A (ratio)	12,159 62.4%	12,560 64.4%	+400	+3.3%	● (Personnel expense) Increase in subsidiaries and development personnel
Operating income (ratio)	2,017 10.4%	1,796 9.2%	(221)	(11.0%)	
Ordinary income (ratio)	1,961 10.1%	1,269 6.5%	(691)	(35.3%)	● Increase in investment losses by equity method
Profit attributable to owners of parent (ratio)	1,780 9.2%	(1,094) -	(2,875)	-	● Postponement of posting of deferred income taxes

Consolidated SG&A :

Advertising expenses, personnel expenses, subcontract expenses increased

(Unit : Mil yen)

	FY2020 Q3	FY2021 Q3	YoY		
			Amount	Percentage	
SG&A	12,159	12,560	+400	+3.3%	
Advertising expenses	853	1,104	+250	+29.4%	Promoted sales of security-related apps
Personnel expenses	4,704	5,251	+547	+11.6%	Increase in subsidiaries and development personnel
Commission fee	2,527	2,351	(176)	(7.0%)	
Subcontract expenses	1,020	1,340	+319	31.3%	
Depreciation	1,182	846	(336)	(28.5%)	
Other	1,870	1,666	(203)	(10.9%)	

Progress of full-year earnings forecast

Net sales and operating income remained steady

(Unit : Mil yen)

	FY2021 Forecast	FY2021 3Q Cumulative total	Progress rate
Net sales	26,000	19,504	75.0%
Operating income	2,300	1,796	78.1%
Ordinary income	1,800	1,269	70.5%
Profit attributable to owners of parent	(800)	(1,094)	—

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

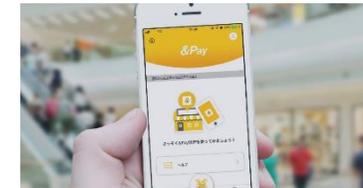


ĆARADA Solamichi ĆARADA オンライン診療

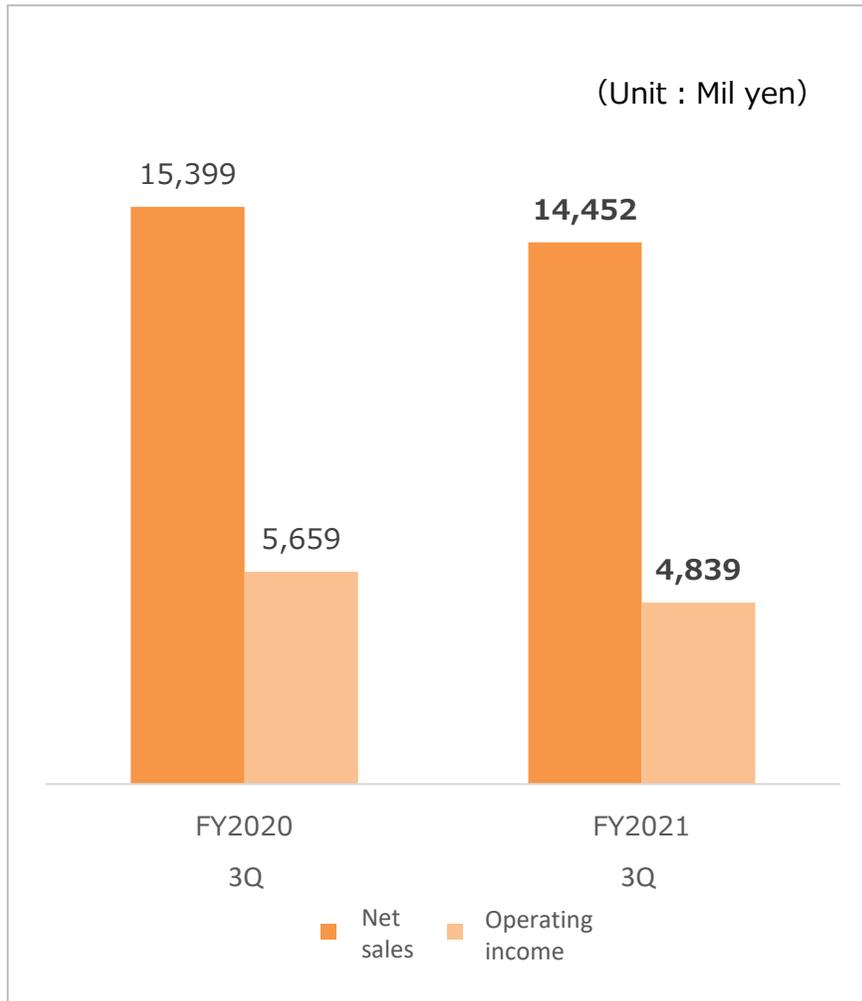
Other Business

BtoB

Fintech service
AI service
Solution service



Content business: Net sales and operating income



Decreased sales and profit

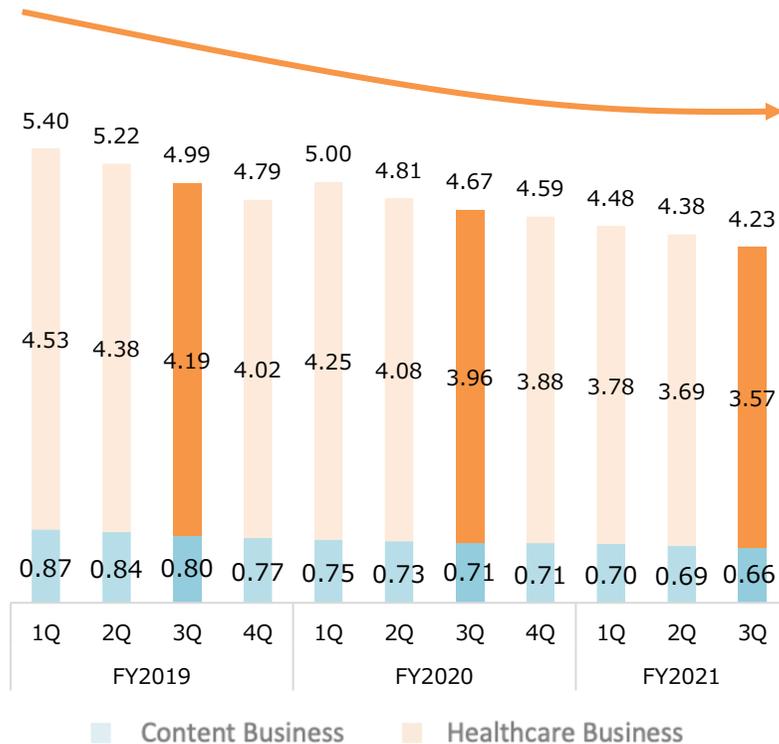
- Net sales
 - : The number of paying subscribers decreased
 - + : Original comics are growing
- Operating income
 - : The number of paying subscribers decreased
 - Increase in advertising expenses (For security-related apps)

Content business: The number of paying subscribers

Total paying subscribers
4.23 million subscribers

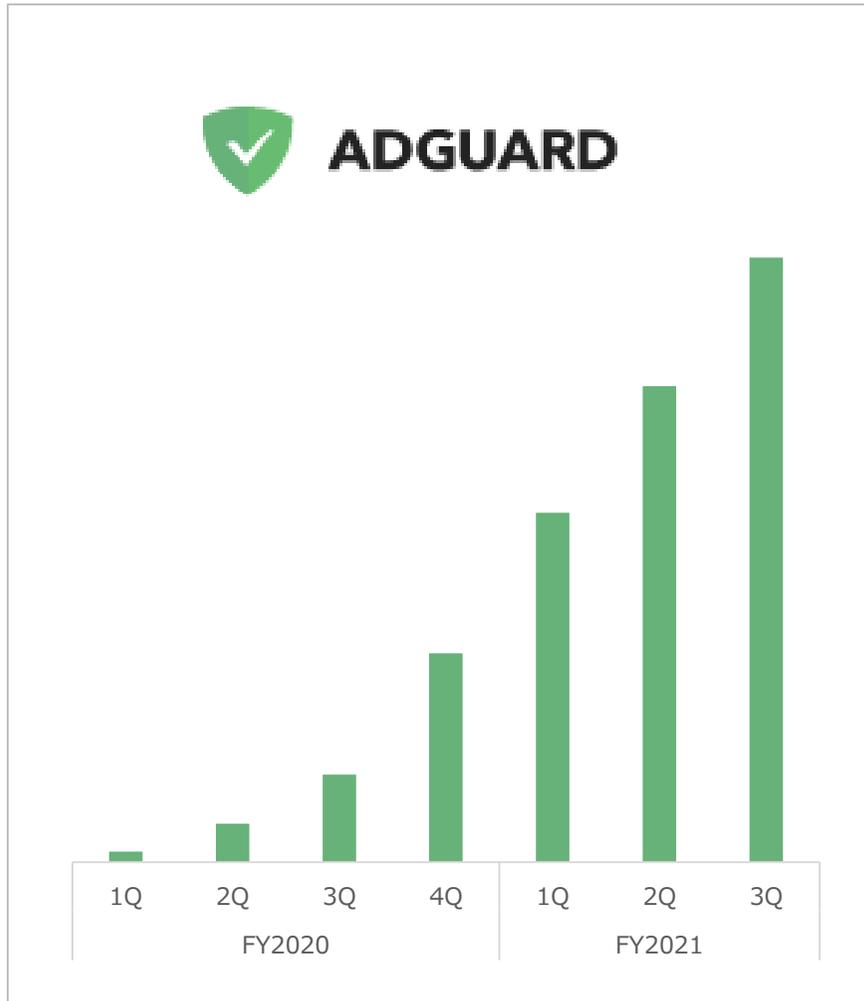
Degree of decrease is being reduced

- 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



Security-related apps are growing

The number of paying subscribers
Expansion trend

Four functions

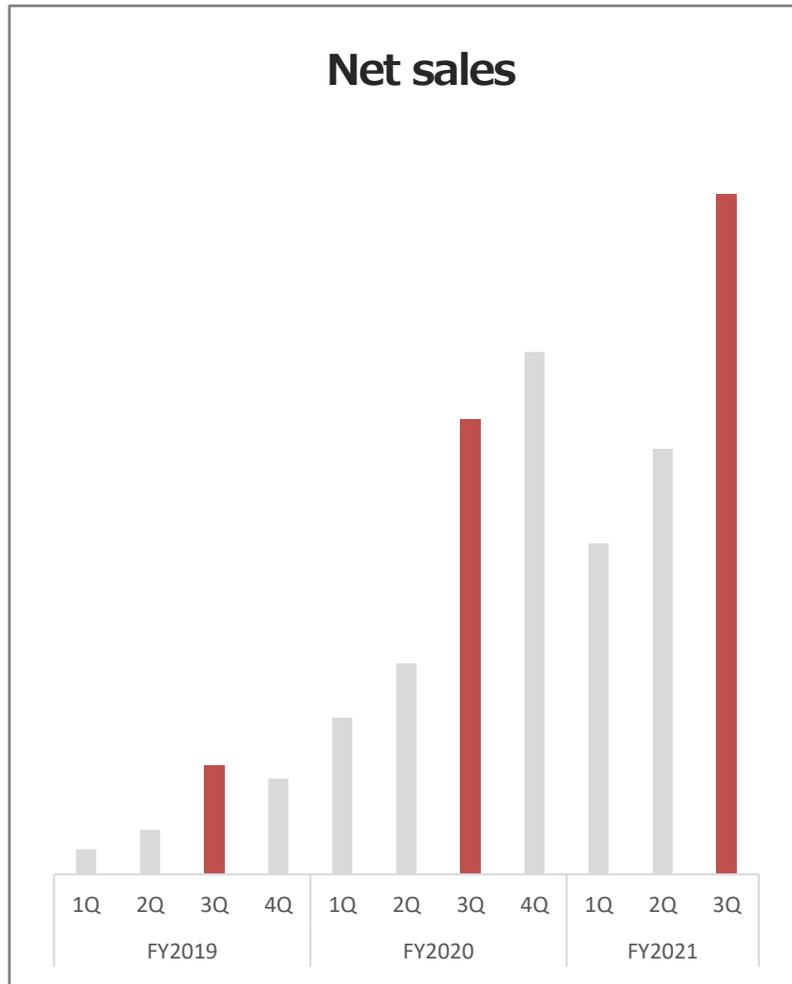
Ad blocking

Trace blocking

Threat blocking

Parent function
(Child protection function)

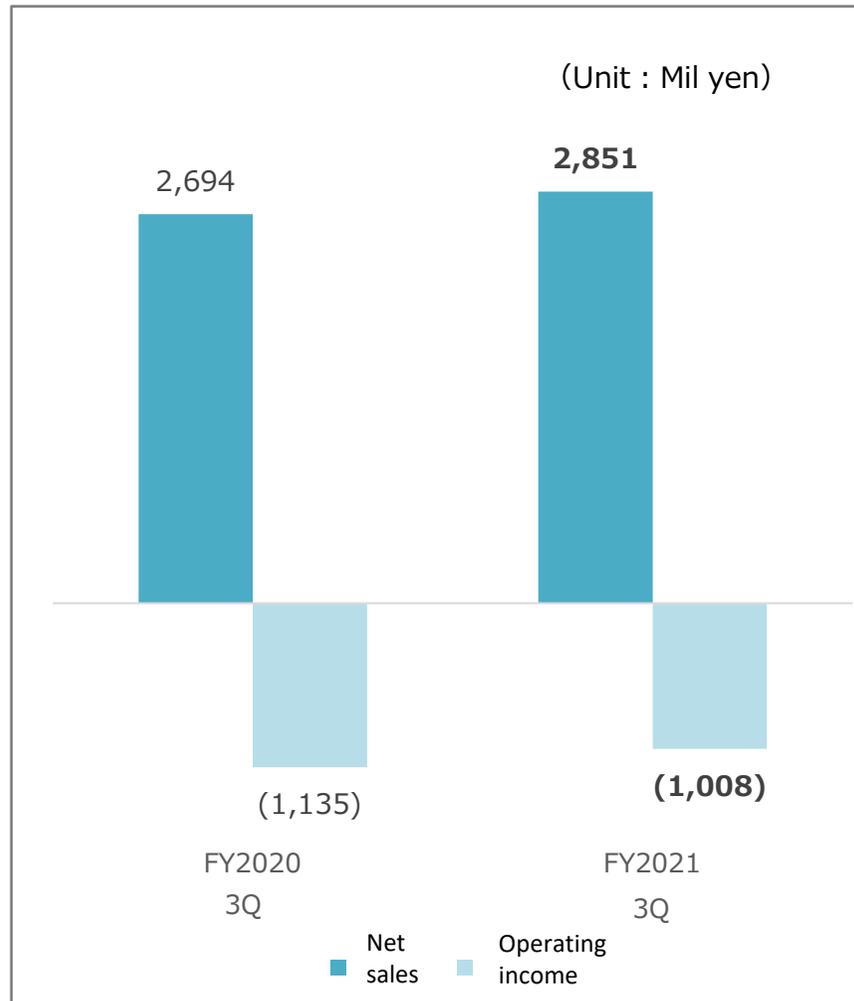
Content business: Original comics content business



Sales hit a record high

Increase in comic titles introduced
The serialization of hit titles contributed

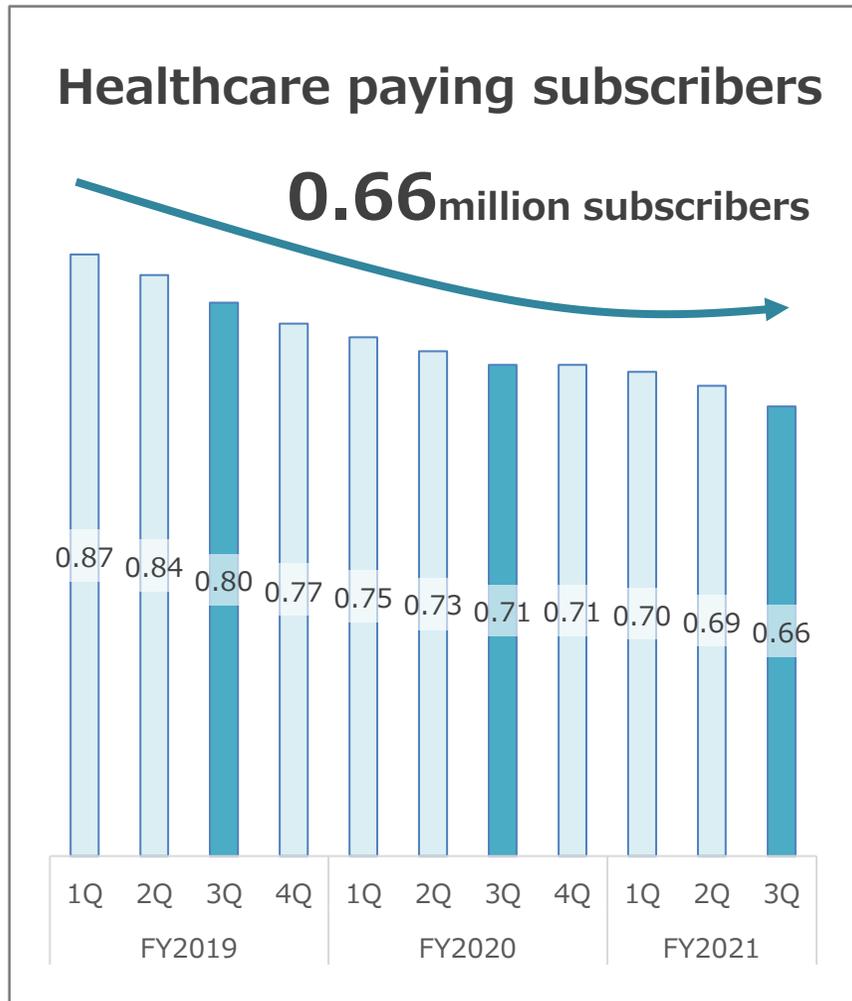
Healthcare business: Net sales and operating income



Net sales expansion

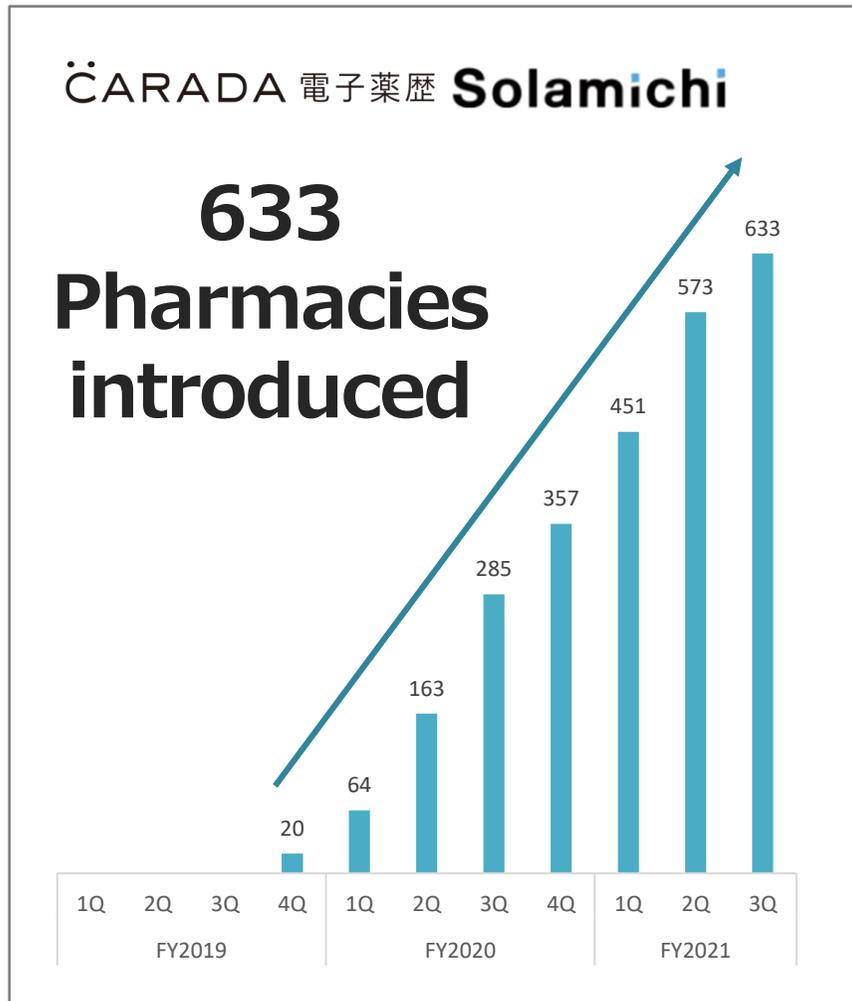
- Contribution to sales expanded for the initial introduction of cloud drug record service.

Healthcare business: The number of paying subscribers



Remain unchanged
(LunaLuna, CARADA medica)

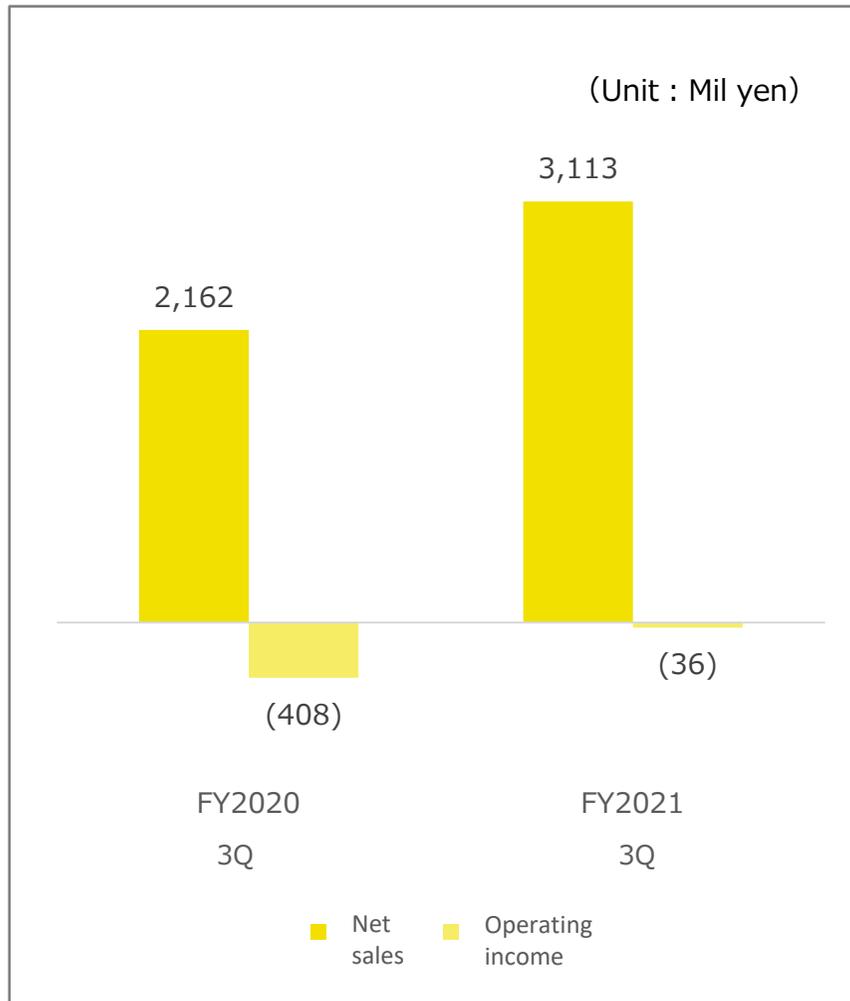
Healthcare business: Cloud drug record service



Extensive introduction

- QoQ +60
- A reaction to the surge in the number of services introduced in 2Q (IT introduction subsidies)

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



Expansion of AI and solutions businesses (DX support services for large companies performed well)

Measures to be adopted

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)

Cloud drug record service

Linking medical institutions and patients
Cloud drug record service

ÄARADA 電子薬歴 Solamichi



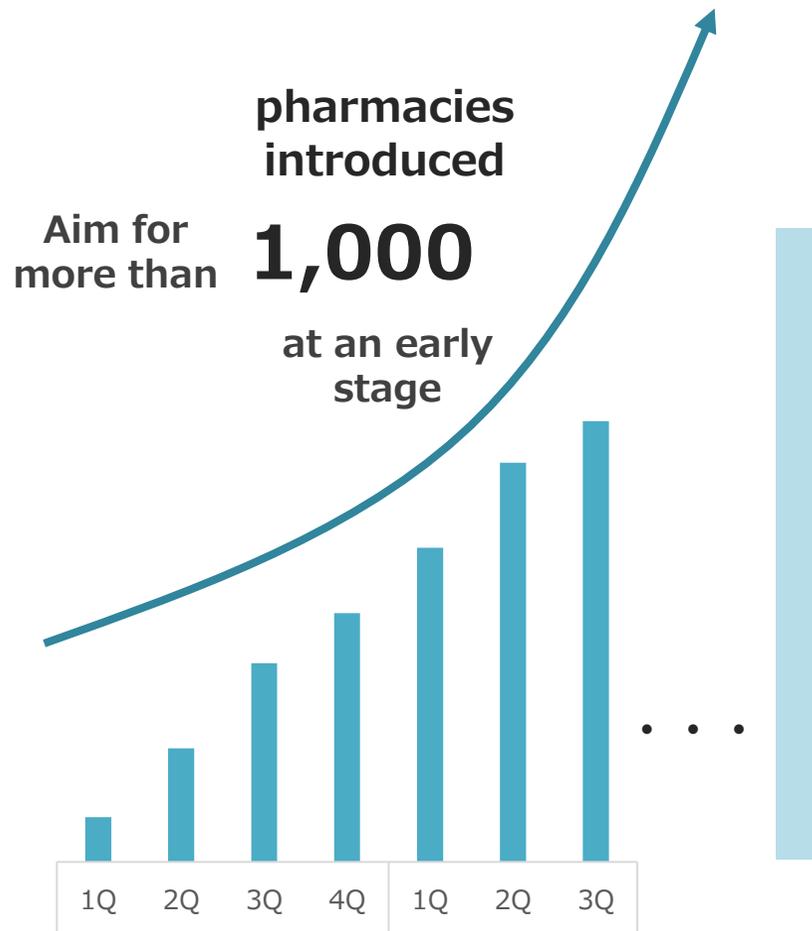
What is 'medication history'?

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

CARADA 電子薬歴 Solamichi



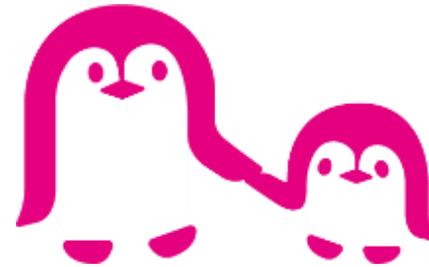
Further increase in the number of pharmacies introducing the service

- 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, starting in April.
- Commenced partnership with FUJIFILM Healthcare Systems Corporation, starting in July.

Maternal health record book app + Childcare DX services

Connect parenting households and local governments

Maternal health record book app + Childcare DX services



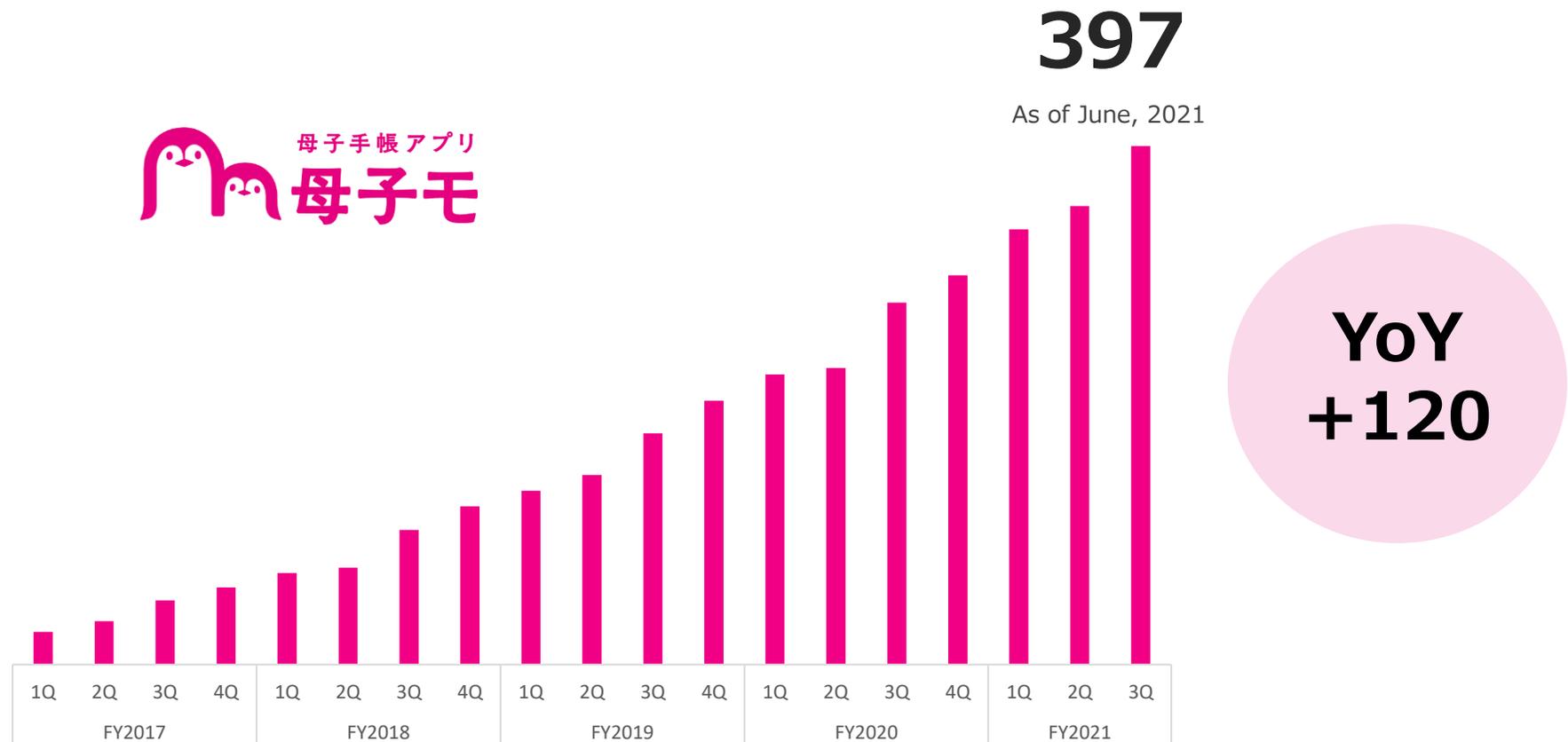
Maternal health record book app + Childcare DX services

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**

Phase 1 : Maternal health record book app “Boshimo”

The number of local governments that introduced the service exceeded 400 in July.



* 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.

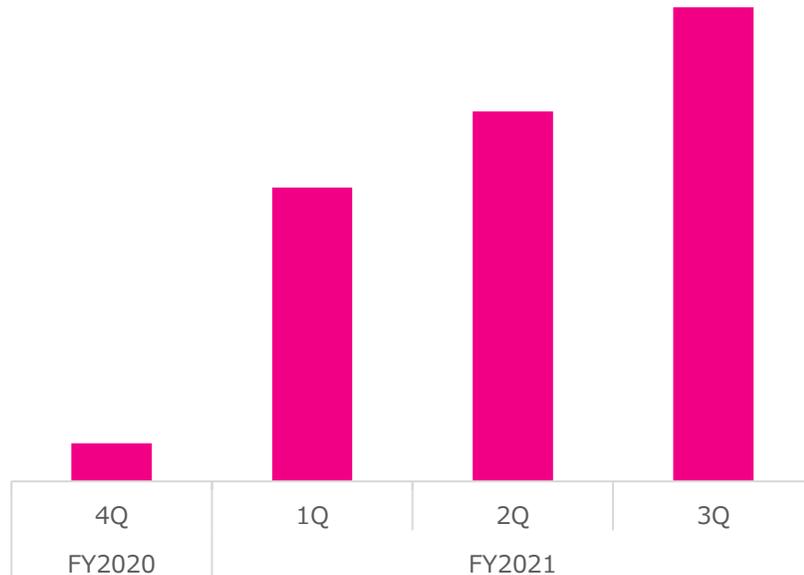


Phase 2 : Online consultation

The number of local governments that introduced the service reached 50 contracts

The number of online consultations introduced
(Service started in July, 2020)

50



Municipal consultation business



Municipal

Parents



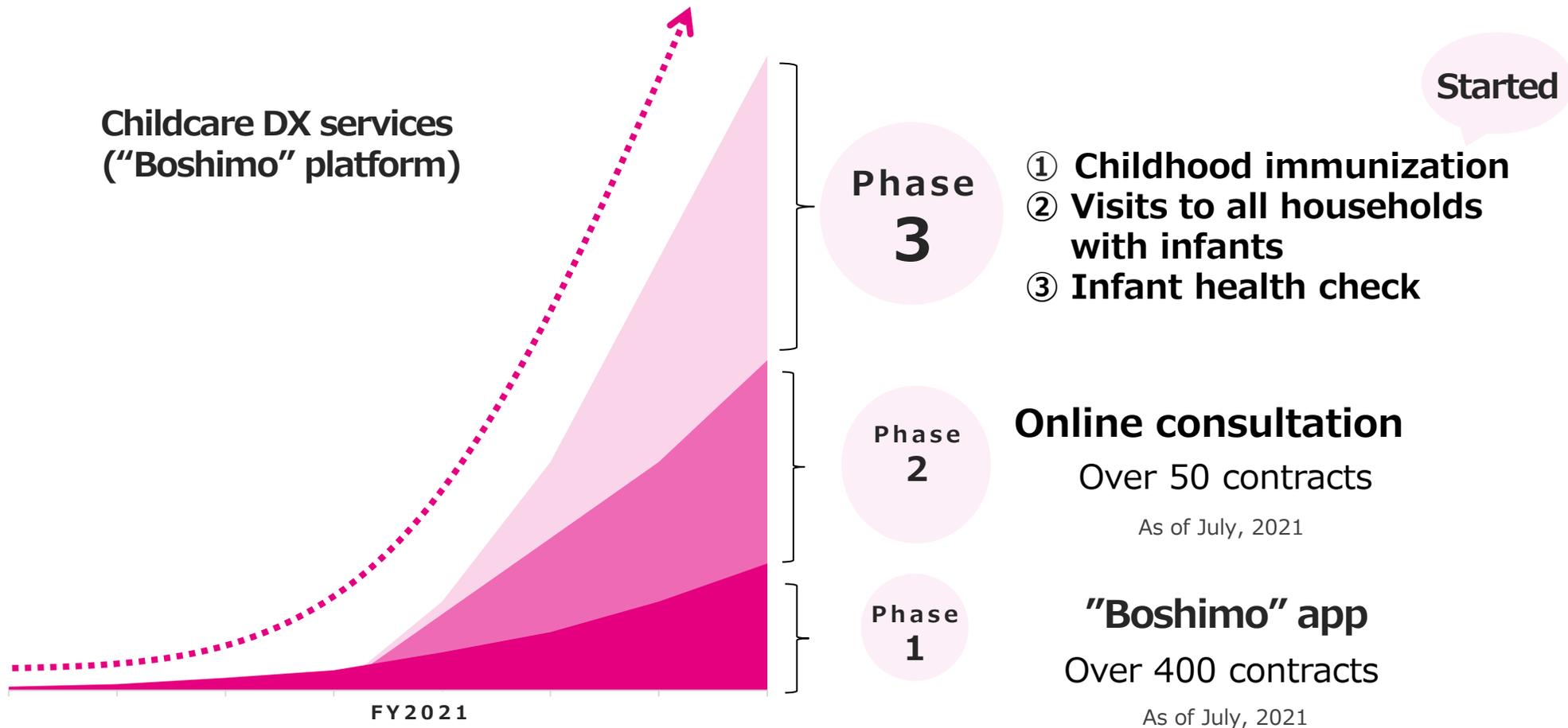
*The screen is an image.

* 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

Phase 3 Commencement of the service, starting with childhood immunization

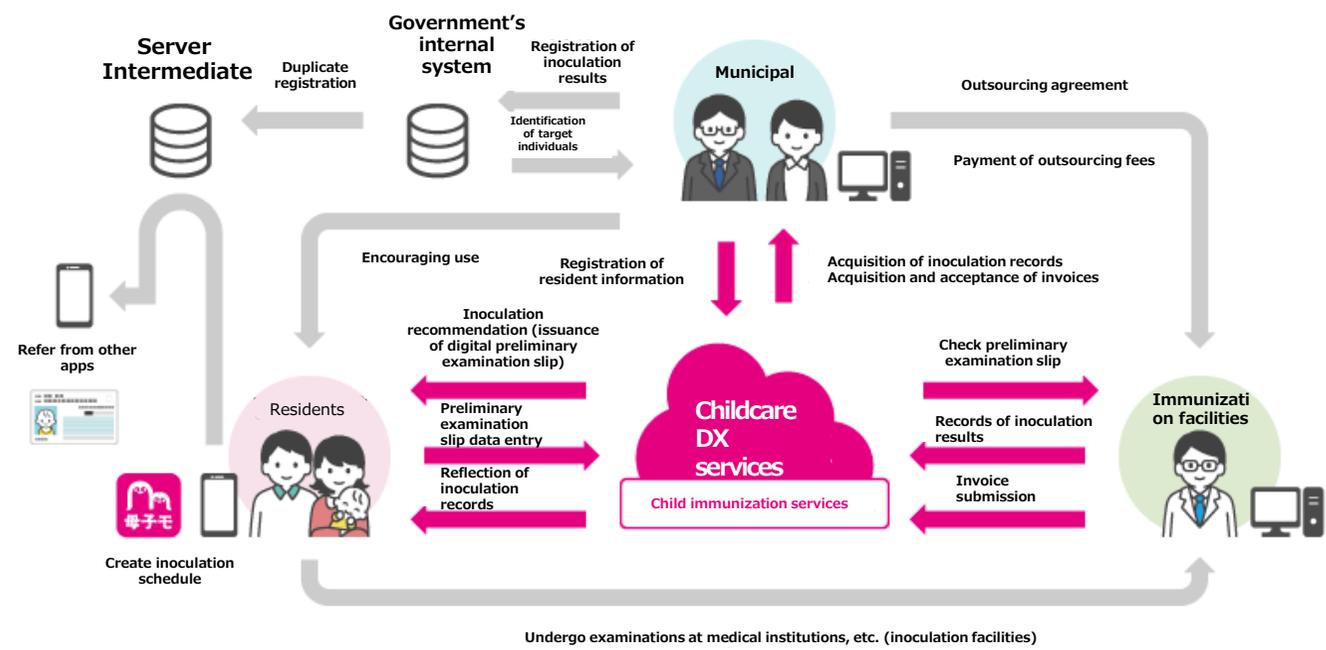


(Reference) Explanatory drawing of Childcare DX services



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

Support for the popularization of online procedures with respect to “childhood immunization”



Topics

Topics ①

Business tie-up with Marubeni Corporation in the Femcation-related area



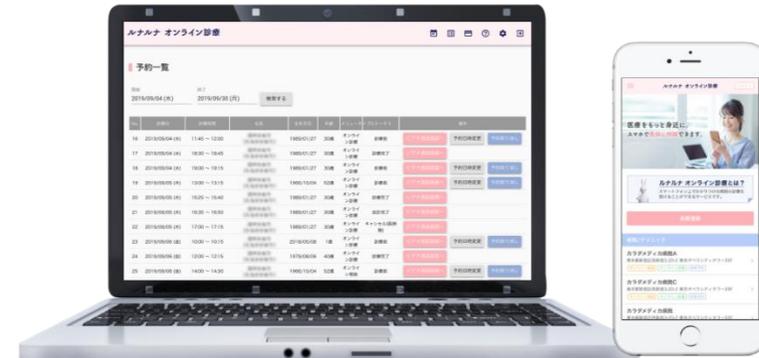
Joint development of comprehensive programs that support the improvement of healthcare issues faced by working women.

LunaLuna



Femcation project through the Luna-Luna healthcare service for women.

CARADA medica



Luna-Luna Online Medical Care, an online medical care system for obstetrics and gynecology in collaboration with Luna-Luna, the CARADA medica menstruation management application.

Topics ②

**Joint development of a 3D-based aviation weather application with ANA and JAXA.
Commencement of aviation operation according to 3D-based aviation weather forecasts.**



*3D image of lightning hazard areas



*3D image of rain



*3D image of cloud



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Appendix

Consolidated B/S

MTI Ltd.

(Unit : Mil yen)

	FY2020	FY2021-Q3	Change		FY2020	FY2021-Q3	Change
Current assets	19,743	21,218	+1,474	Current liabilities	4,766	6,266	+1,499
Cash and deposit	13,354	15,336	+1,981	Accounts payable-trade	1,101	1,088	(13)
Notes and accounts receivable-trade	4,840	4,361	(479)	Current portion of long-term borrowings	451	451	-
Other	1,585	1,556	(28)	Account payable-other	1,333	1,145	(187)
Allowance for doubtful accounts	(36)	(34)	+1	Income taxes payable	701	2,057	+1,356
Non-current assets	10,803	10,725	(78)	Allowance for coin usage	110	113	+3
Property, plant and equipment	193	219	+25	Other	1,067	1,522	+344
Intangible fixed assets	3,764	3,870	+106	Non-current liabilities	4,270	4,025	(244)
Software	1,281	1,778	+496	Long-term borrowings	2,881	2,542	(338)
Goodwill	692	613	(78)	Retirement benefit liability	1,381	1,475	+94
Customer-related assets	1,755	1,439	(315)	Other	6	7	+0
Investments and other assets	6,845	6,636	(209)	Total liabilities	9,036	10,292	+1,255
Investment securities	4,536	4,517	(19)	Shareholders' equity	19,112	17,290	(1,822)
Leasehold and guarantee deposits	493	348	(145)	Capital stock	5,138	5,184	+46
Deferred tax assets	1,766	1,684	(82)	Capital surplus	6,551	6,647	+96
				Retained earning	10,707	8,734	(1,972)
				Treasury shares	(3,283)	(3,283)	+7
				Accumulated other comprehensive income	54	315	+260
				Subscription rights to shares	345	217	(127)
				Non-controlling interests	1,998	3,828	+1,830
				Total net assets	21,510	21,652	+141
Total assets	30,547	31,944	+1,396	Total liabilities and net assets	30,547	31,944	+1,396

Trends in consolidated P/L

(Unit : Mil yen)

	FY2019				FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net sales	6,862	7,070	6,495	6,684	6,118	6,855	6,519	6,589	6,304	6,742	6,457
Cost of sales	1,632	1,883	1,652	1,989	1,627	1,904	1,783	1,814	1,593	1,826	1,728
Gross profit	5,229	5,186	4,843	4,695	4,490	4,951	4,735	4,774	4,711	4,916	4,728
(Ratio)	76.2%	73.4%	74.6%	70.2%	73.4%	72.2%	72.6%	72.5%	74.7%	72.9%	73.2%
SG&A	4,400	4,380	4,213	4,001	3,904	4,090	4,164	4,284	4,157	4,237	4,164
Operating income	829	806	629	694	586	860	570	489	553	678	563
(ratio)	12.1%	11.4%	9.7%	10.4%	9.6%	12.6%	8.8%	7.4%	8.8%	10.1%	8.7%
Ordinary income	868	709	1,373	183	404	905	651	121	495	345	428
(Ratio)	12.7%	10.0%	21.1%	2.7%	6.6%	13.2%	10.0%	1.8%	7.9%	5.1%	6.6%
Profit attributable to owners of parent	543	317	1,285	(638)	231	1,014	534	(1,273)	220	(1,637)	322
(Ratio)	7.9%	4.5%	19.8%	–	3.8%	14.8%	8.2%	–	3.5%	–	5.0%

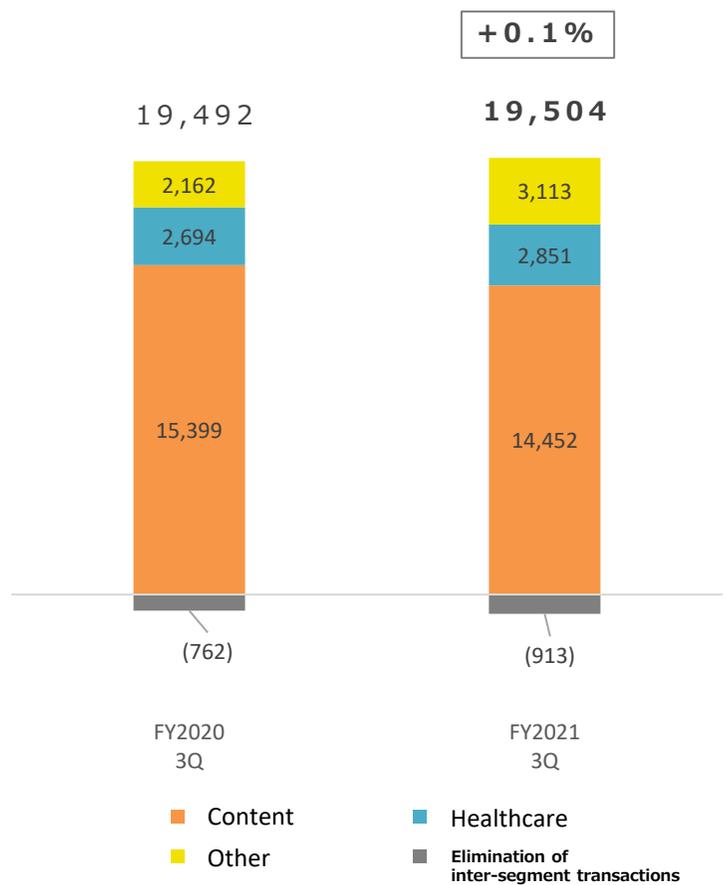
Trends in consolidated SG&A

(Unit : Mil yen)

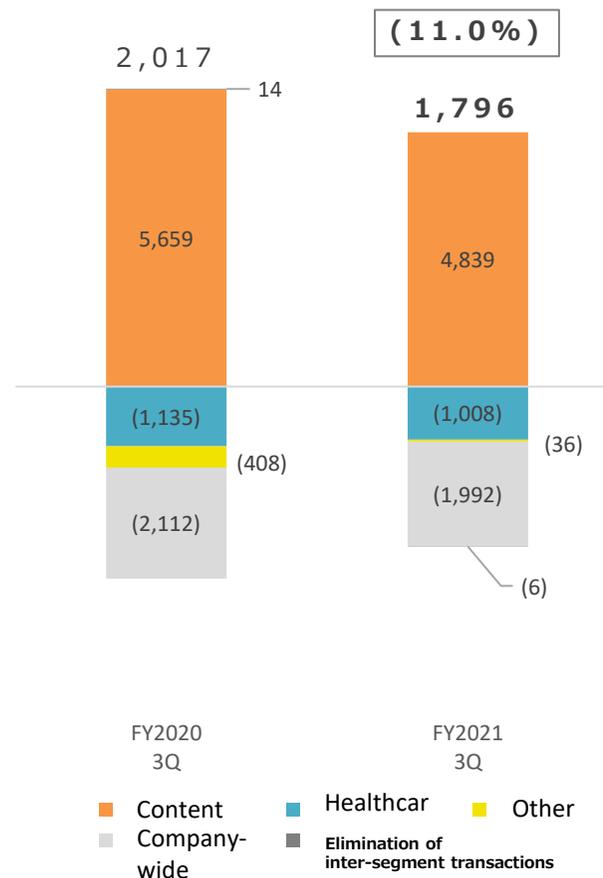
	FY2019				FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SG&A	4,400	4,380	4,213	4,001	3,904	4,090	4,164	4,284	4,157	4,237	4,164
Advertising expense	722	763	504	414	248	241	362	320	337	373	393
Personnel expenses	1,550	1,516	1,584	1,496	1,537	1,548	1,618	1,691	1,743	1,700	1,808
Commission fee	880	844	869	805	829	844	853	815	789	785	777
Subcontract expenses	216	248	274	328	305	372	342	406	441	445	452
Depreciation	343	332	326	323	307	450	425	437	272	312	261
Other	687	673	654	632	675	632	562	613	573	620	472

Performance by segment

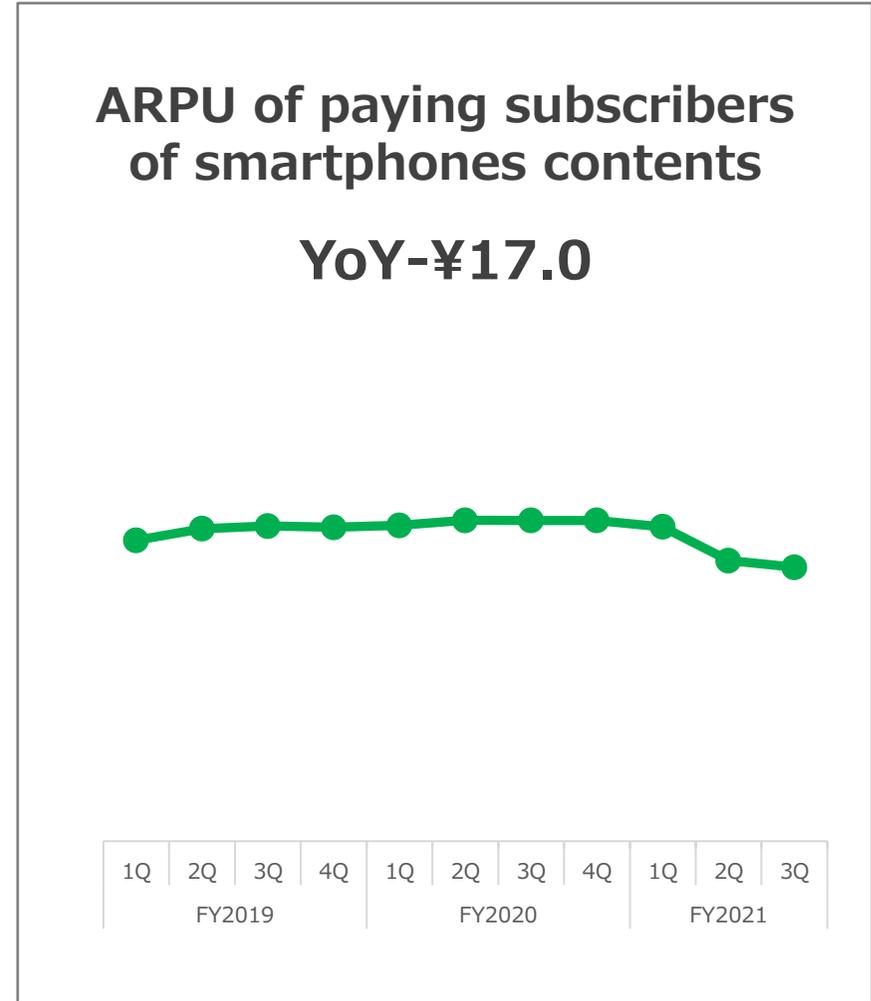
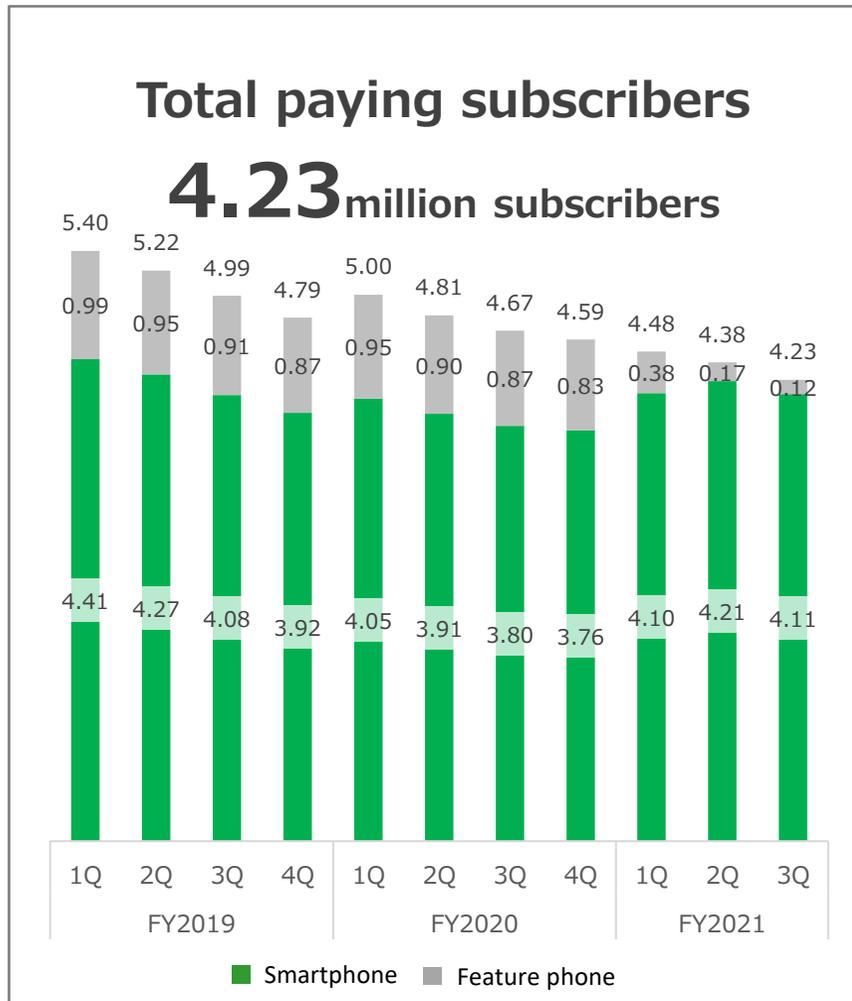
Net sales



Operating income



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	6,900	3,419	3,480	(230)	(3.2%)
Gross profit	18,951	9,414	9,536	19,100	9,627	9,472	+148	+0.8%
SG&A	16,444	7,968	8,476	16,800	8,395	8,404	+355	+2.2%
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 June 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 398 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.
 (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 633 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

User service
BtoC



Electronic maternity health record book App
母子モ

子育て関連事業オンライン化支援
母子モ 子育てDX
"Boshimo" Childcare DX

Healthcare information for women
LunaLuna

Chemical thermometer coordination

LunaLuna Medico

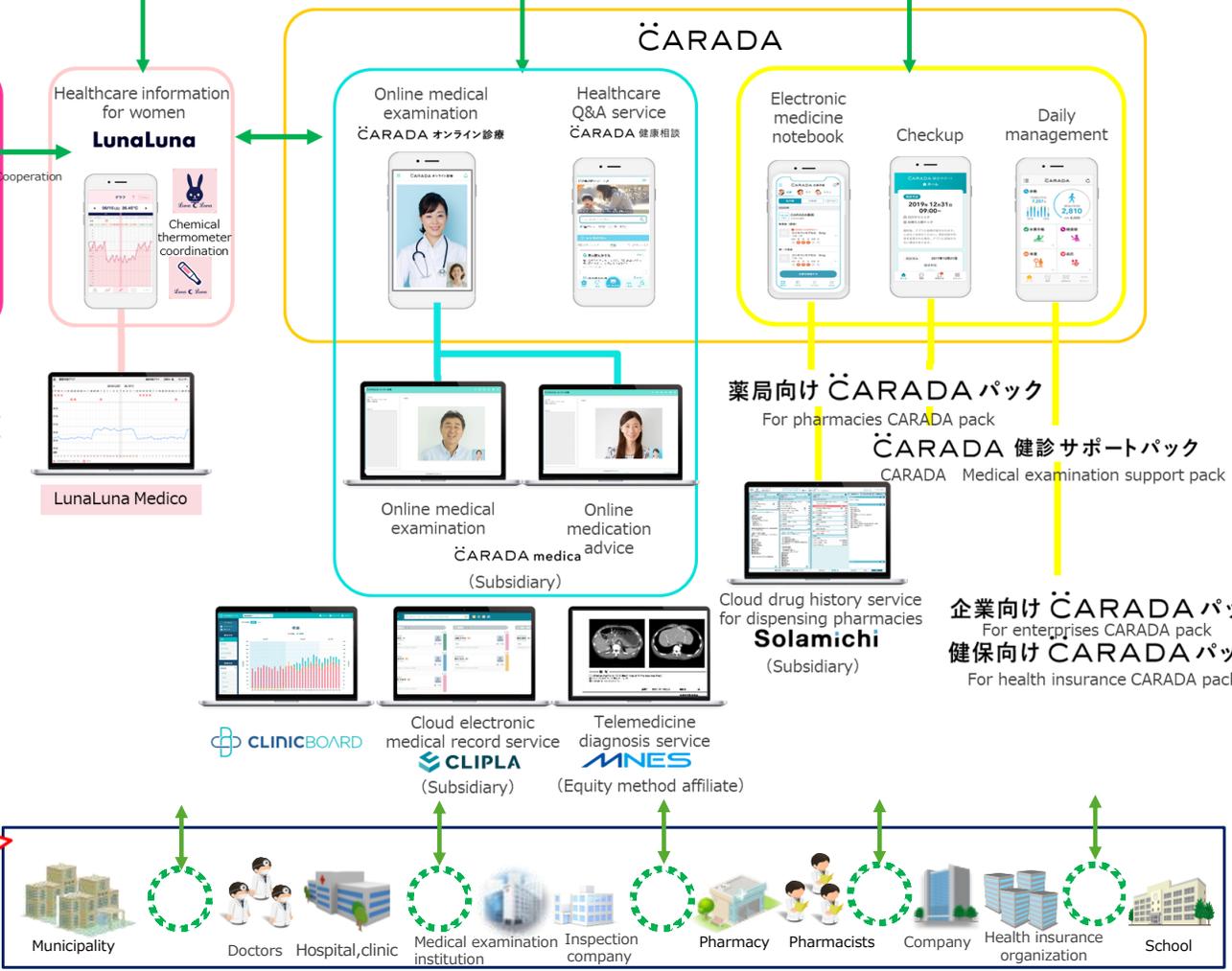
Medical service
BtoBtoC



(MTI Group and Partners)

Market,
Our clients,
etc.

Promote collaboration with major prescription pharmaceutical wholesaler
MEDIPAL HOLDINGS CORPORATION



*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.

Maternal health record book app "Boshimo"

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



Pregnancy health records



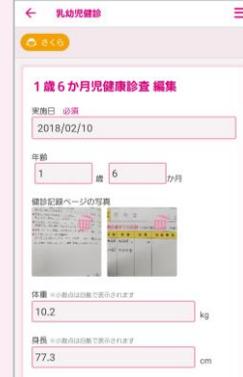
Weight graph during pregnancy



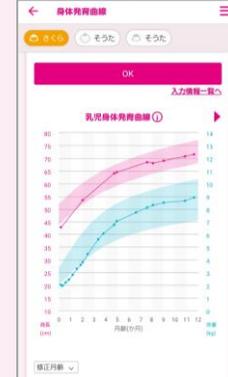
Vaccination management



Infant health checkup records



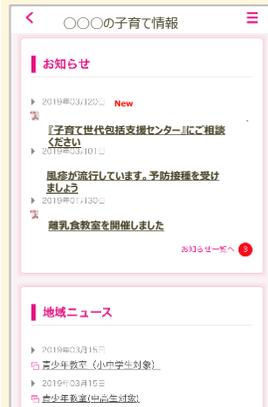
Height and weight graphs



Growth records



Notice



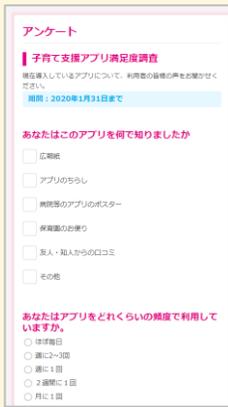
Childcare support facility search



Local childcare events



Questionnaire



Schedule management



Cloud drug record service

Market development with cloud technologies

Solamichi

633 pharmacies introduced
June, 2021

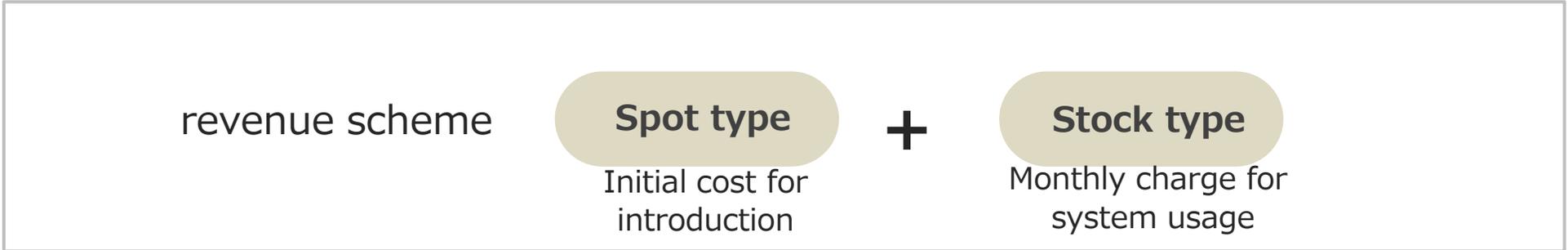
Aim for more than **1,000** at an Early stage



Number of pharmacies across the nation
60,000 pharmacies

Estimated to be Interested in using cloud services
20%

Target
10,000 pharmacies

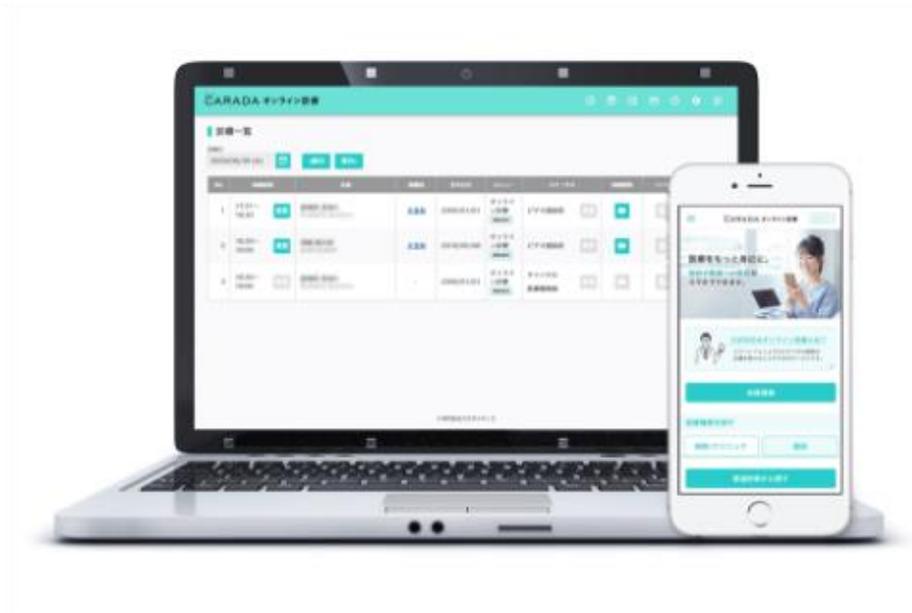


Online medical examination and online medication advice

Focus on increasing the utilization ratios of paid services

CARADA オンライン診療

(CARADA Online medical examination)



- Collaboration with  Medipal Holdings Corporation, a major prescription pharmaceutical wholesaler



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