

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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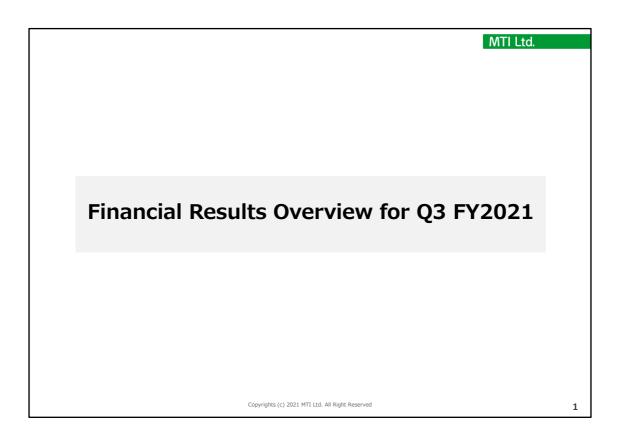
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I would now like to give you an overview of the results for the third quarter of the fiscal year ending September 2021.

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.

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

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Net sales remained flat year-on-year, at 19.504 billion yen.

Operating income decreased by 11% year-on-year, down to 1.796 billion yen.

The progress of the full-year earnings forecast stood at 75% for net sales and 78.1% for operating income.

This represents robust progress.

The main achievements and initiatives for the third quarter were as follows.

In the Content business, we registered a strong performance for security-related apps, and for the Original Comics Content business - the latter of which hit a record high in terms of sales.

In the Healthcare business, the extensive introduction of our cloud drug record system service continued to expand.

Additionally, our maternal health record book app "Boshimo" and online consultation service continued seeing brisk adoption.

I will be discussing each of these initiatives in greater detail, later on.

Consolidated	P/L				MTI Ltd.
Net sales: leve	elled off O	perating ir	ncome: d	ecreased	
				(Unit : Mil yen)	_
	FY2020	FY2021	Y	οΥ	
	Q3	Q3	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	14,177	14,356	+179	+1.3%	
(ratio)	72.7%	73.6%			a (Damannal aynanaa)
SG&A	12,159	12,560	+400	+3.3%	(Personnel expense) Increase in subsidiaries
(ratio)	62.4%	64.4%		_	and development
Operating income	2,017	1,796	(221)	(11.0%)	personnel
(ratio)	10.4%	9.2%			
Ordinary income	1,961	1,269	(691)	(35.3%)	Increase in investment losses by equity method
(ratio)	10.1%	6.5%		_	
Profit attributable to owners of parent	1,780	(1,094)	(2,875)	-	Postponement of posting of deferred income taxes
(ratio)	9.2%	-			
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I would now like to discuss the consolidated P/L statement.

Net sales leveled off year-on-year, and stood at 19.504 billion yen.

The number of monthly paying subscribers in the Content business decreased year-on-year, leading to a decrease in sales.

However, this was offset by sales growth associated with the Original Comics Content business, with our cloud drug record service in the Healthcare business, and with the AI business and DX support services for large companies.

An increase in SG&A expenses translated into a year-on-year operating income decrease of 11%, down to 1.796 billion yen.

Investment losses by the equity method increased year-on-year, as did operating expenses.

This translated into a year-on-year decrease in ordinary income of 35.3%, down to 1.269 billion yen.

A decrease in extraordinary income and the fact we postponed the posting of deferred income taxes in the second quarter, translated into a loss attributable to owners of parent of 1.094 billion yen.

Consolidated Advertising expressions and contract expressions.	xpenses, į		expenses,	(Unit : Mil yer	MTI Ltd.
	FY2020 Q3	FY2021 Q3	Yo Amount	Y 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
Commission fee	2,527	2,351	(176)	(7.0%)	and development personnel
Subcontract expenses	1,020	1,340	+319	31.3%	
Depreciation	1,182	846	(336)	(28.5%)	
Other	1,870	1,666	(203)	(10.9%)	
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I would now like to discuss the breakdown of changes in consolidated SG&A.

Overall SG&A expenses increased by 3.3%, year-on-year, up to 12.560 billion yen.

We registered an increase in advertising expenses, as we promoted sales of security-related apps in the Content Business in order to grow the number of users.

Personnel expenses went up due to an increase in subsidiaries and in development personnel.

Progress of full-year earnings forecast

Net sales and operating income remained steady

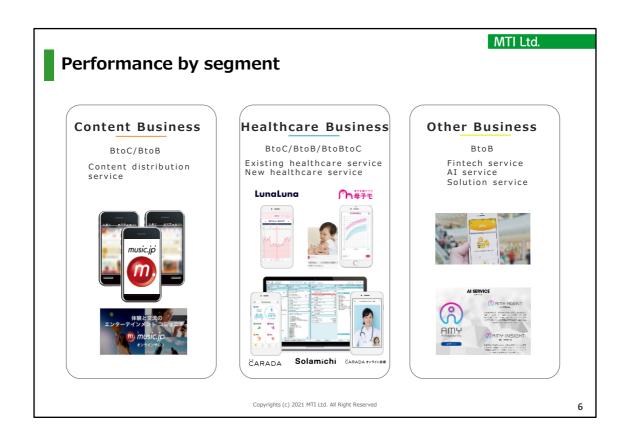
(Unit : Mil yen)

	FY2021	FY2021 3Q	Progress
	Forecast	Cumulative total	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)	-

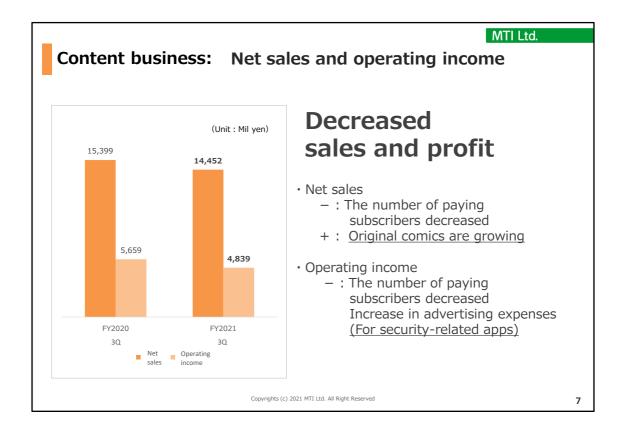
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Net sales and operating income delivered strong progress versus the full-year earnings forecast.



Next, I would like to discuss performance by segment.



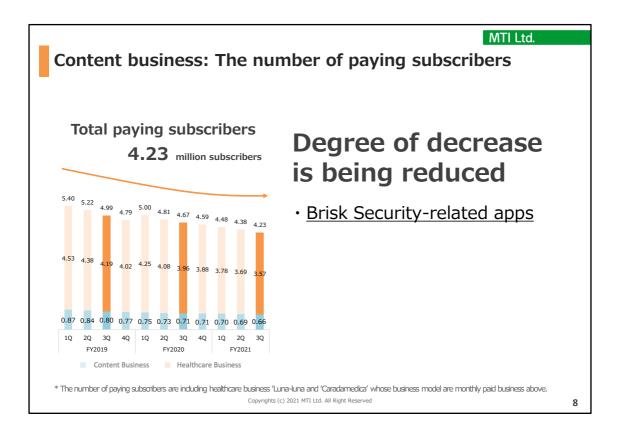
In the Content business, we registered 14.452 billion yen in net sales, and 4.839 billion yen in operating income.

This represents a year-on-year decrease in sales and profit.

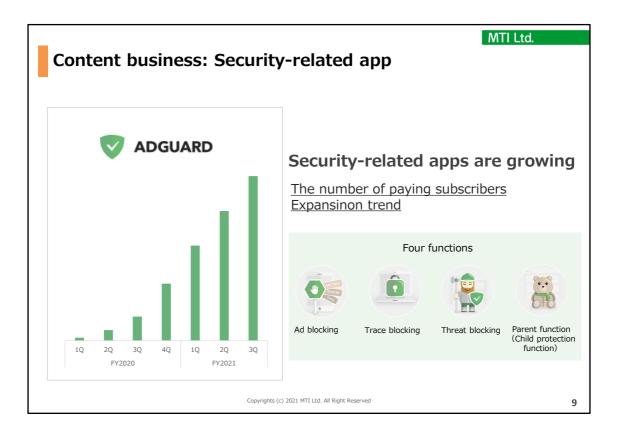
We saw growth in the Original Comics business, as well as a sales expansion for security-related apps.

On the other hand, the number of paying subscribers decreased year-onyear, and this accounted primarily for this decrease in sales.

Regarding the decrease in operating income, in addition to a decrease in net sales, this was also caused by an increase in advertising expenses associated with the promotion of security-related apps.

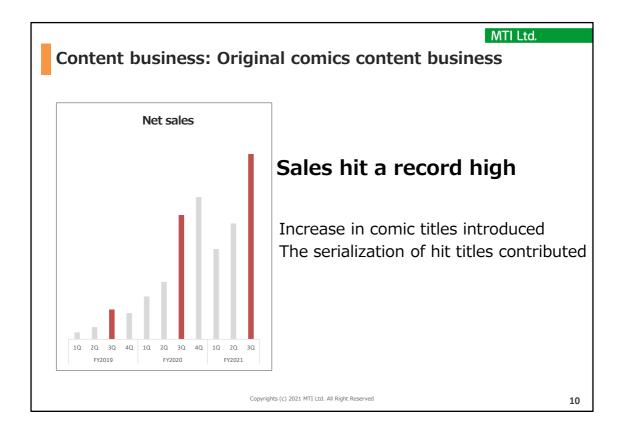


While the number of paying subscribers in the Content business decreased, year-on-year, the degree of the decrease has been slowing down.



The number of paying subscribers to our security-related apps continues growing at a healthy pace, and stood at 210,000 as of the end of June.

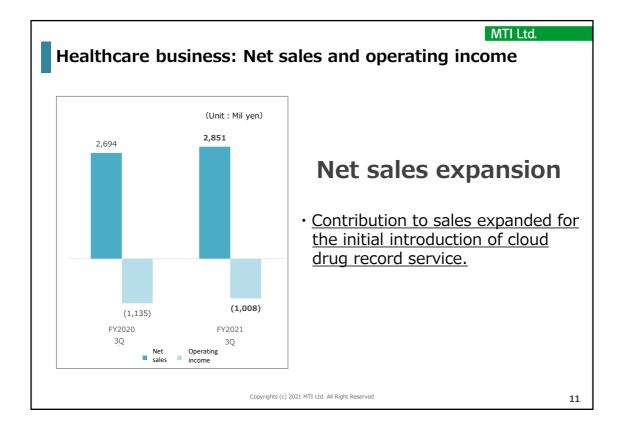
This growth stems from strong consumer needs for ad blockers and stronger security.



In the Content business, in addition to our core monthly paying subscriber business, we also offer the Original Comics Content business on a B-to-B basis.

This business has been able to deliver hit titles, with sales for the business hitting a record high in the third quarter.

We have multiple hit titles in syndication and, going forward, we intend to further increase the number of comic titles introduced.

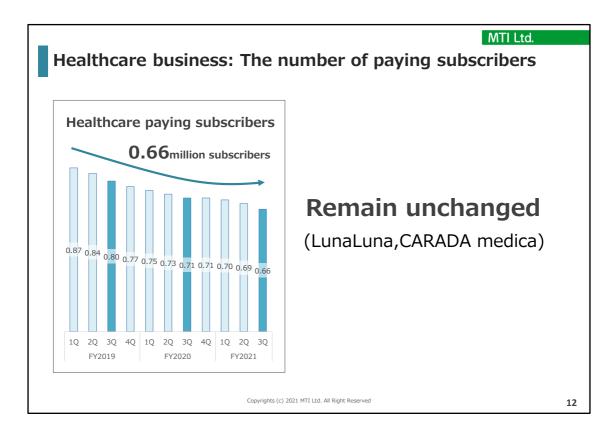


In the Healthcare business, we registered 2.851 billion yen in net sales, a year-on-year increase of 157 million yen.

Operating loss stood at 1.008 billion yen, a year-on-year improvement of 127 million yen.

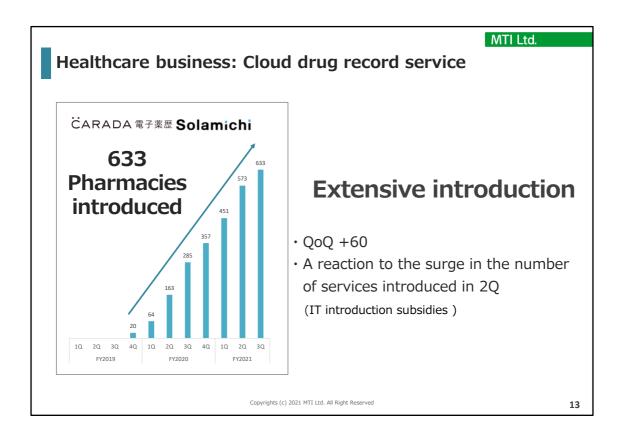
This net sales expansion was thanks primarily to the expansion of the contribution to sales of the initial introduction of our cloud drug record service.

Similarly, the improvement in operating loss was also thanks to this increase in net sales, derived from the cloud drug record service.



The number of paying subscribers for LunaLuna and CARADA medica was slightly affected by the end of service support for legacy feature phones.

However, the number of smartphone paying subscribers remained flat.

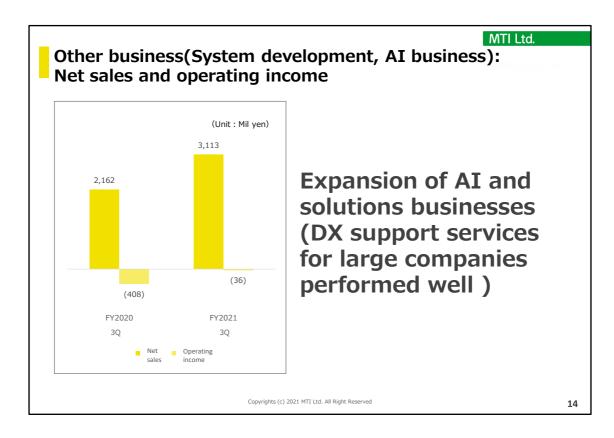


As of the end of June, our cloud drug record system service had been introduced at a cumulative total of 633 pharmacies.

We have seen strong demand from dispensing pharmacies for the introduction of this system.

However, we registered a reactionary slowdown in the number of new introductions following a surge in the second quarter.

As such, the increase from March stood at 60.



In Other business, net sales grew by 951 million yen, year-on-year, to 3.113 billion yen.

We registered an operating loss of 36 million yen - a year-on-year improvement of 372 million yen.

This was thanks to a sales expansion in the AI and Solutions businesses, which were able to capture strong demand for DX solutions.

This concludes my overview of the consolidated financial results for the third quarter of the fiscal year ending September 2021.



Next, I would like to discuss measures to be adopted, going forward.

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)

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MTI's basic policy in fiscal year 2021 is as shown here.

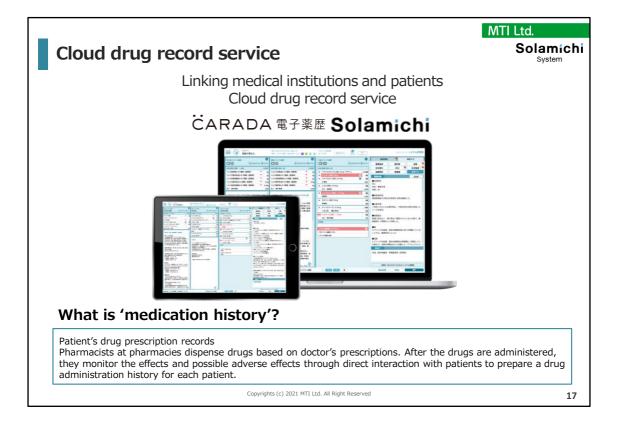
In the Healthcare business, we will be dedicating our efforts to further increasing the number of pharmacies introducing our cloud drug record service.

Through this, we aim to grow sales further.

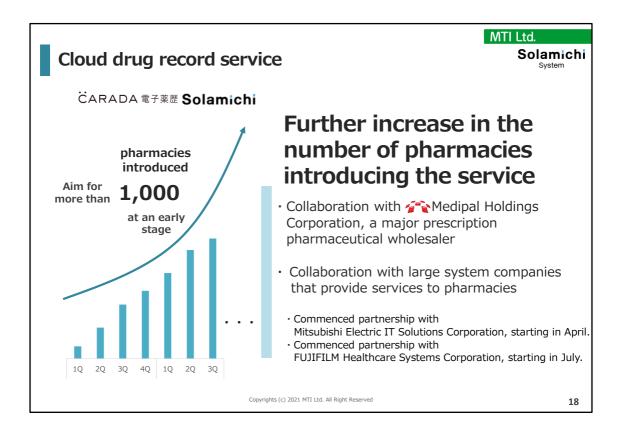
Additionally, we will aim to push ahead with the conversion of the maternal health record book app Boshimo, into a platform, by further enhancing the various childcare DX services it links up with.

In the Content business, we will continue expanding the number of hit titles in the Original Comics Content business, with the aim of further growing sales.

Additionally, we also intend to grow the number of paying subscribers to our security-related apps - demand for which has been on the rise.



Next, I would like to give you a progress update on our cloud drug record service.



The number of pharmacies we have signed a contract with for the provision of our cloud drug record service and which are currently waiting in line for the introduction of this service, has increased.

As such, we expect a further increase in the number of pharmacies introducing the service in the fourth quarter, and an increase in sales.

Towards increasing the number of pharmacies, we intend on further strengthening sales collaboration with Medipal Holdings Corporation – a major prescription pharmaceutical wholesaler and one of MTI's business partners – going forward.

Furthermore, we also entered a collaboration with large system companies that provide services to pharmacies - in order to strengthen sales.

Specifically, we commenced a sales partnership with Mitsubishi Electric IT Solutions Corporation, starting in April, and with the FUJIFILM Healthcare Systems Corporation, starting in July.

By sharing sales contacts, we seek to be able to introduce a greater number of dispensing pharmacies to the benefits of the use of cloud drug record services.

Through these initiatives, we will continue carrying out efforts towards reaching 1,000 pharmacies introduced.



Next, I would like to discuss the progress with our maternal health record book app Boshimo and 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

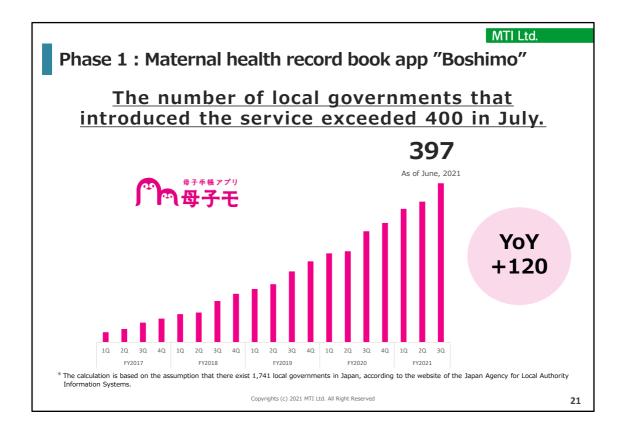
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Brand awareness for Boshimo is on the rise in municipalities across the country.

We have divided the development of the platform business starting with the Boshimo app, into three phases.

Phases 1, 2, and 3 are the introduction of the maternal health record book app Boshimo, online consultation, and childcare DX services, respectively.



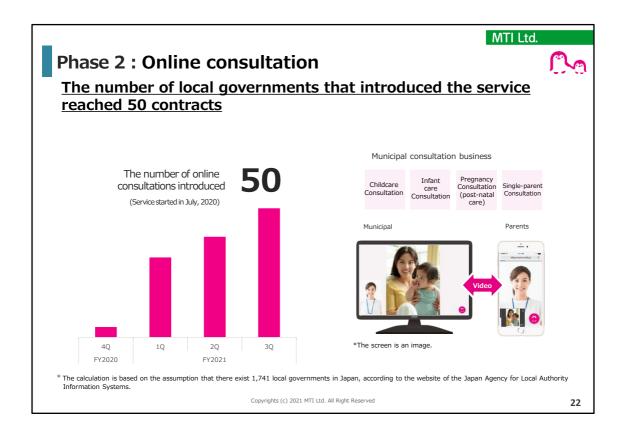
The number of local governments introducing the Boshimo maternal health record app - which corresponds to phase 1 - continues growing at a healthy pace.

As of the end of June 2021, this number stood at 397, further exceeding 400 in July.

MTI's Boshimo is a maternal health record app that provides seamless support from pregnancy, childbirth, and childcare.

The vaccination scheduler function is particularly popular among users, boasting a high usage rate.

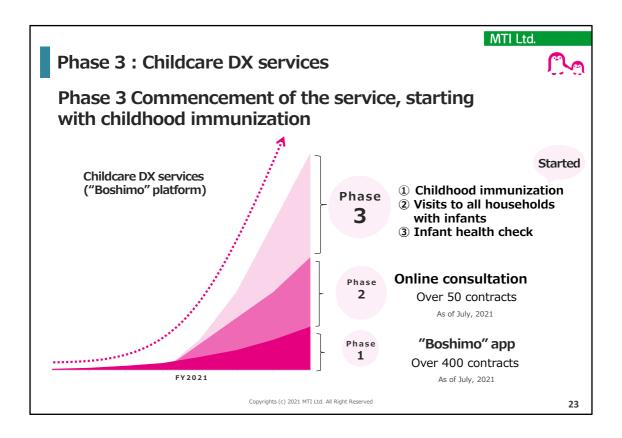
Our business model allows local governments to pay a monthly usage fee, giving residents in the local community access to the Boshimo app free of charge.



For phase 2, in July 2020, we started offering online consultations as an additional service to local governments that have already adopted the use of the Boshimo app.

Amidst the COVID-19 pandemic, there has been growing demand for a digital transformation at the Government administration level, for things like childcare services offered online.

Thanks to this, the number of local governments that introduced the service had grown to 50 contracts by the end of June 2021.



Phase 3 will bring further evolution to childcare DX, through the adoption of Boshimo - not just by local residents and governments - but also by pediatricians.

We will start by offering a childcare DX childhood immunization service helping streamline the vaccine application process online.

Boshimo allows local governments and medical institutions to check and manage pre-vaccination screening questionnaires and vaccination records online.

This service is promising in that it helps avoid errors and reduces the workload associated with filing the appropriate paperwork.

Furthermore, the necessary procedures can also be done online for local residents to be vaccinated.

Lastly, we also have plans to introduce a variety of additional childcare DX services in phase 3, such as visits to all households with infants and infant health checks.

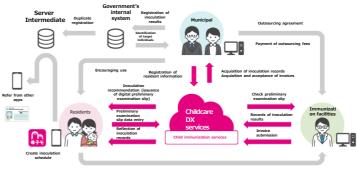
Through this, we will seek to grow sales in the Healthcare business, over the long term.

(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

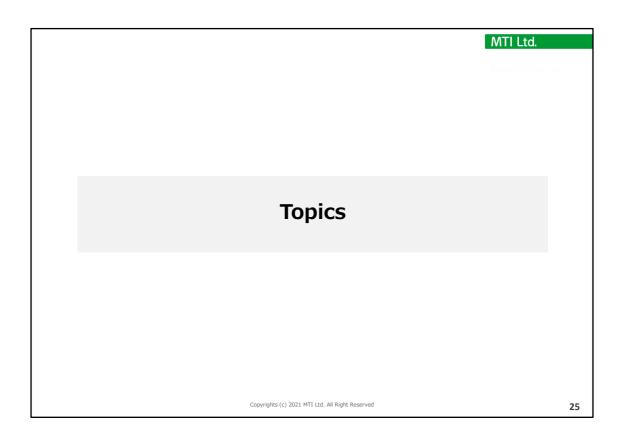


Support for the popularization of online procedures with respect to "childhood immunization "

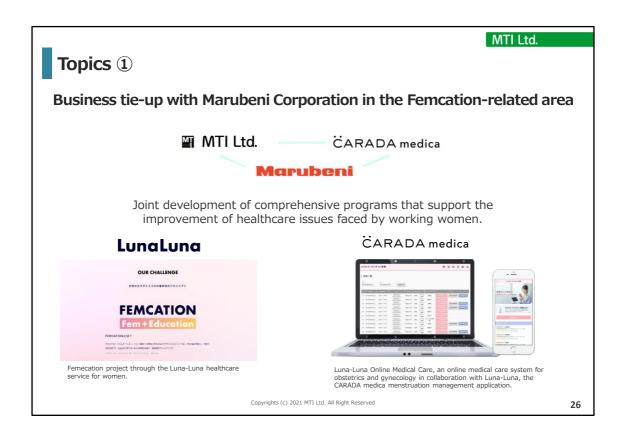


Undergo examinations at medical institutions, etc. (inoculation facilitie

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I would now like to discuss a number of topics.

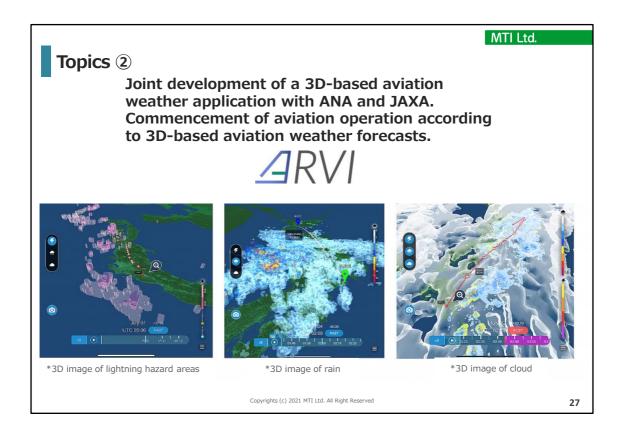


MTI Ltd. and our subsidiary CARADA medica Inc. have entered a business tie-up with the Marubeni Corporation in the joint development of comprehensive FemTech programs that support the improvement of healthcare issues faced by women in the workforce.

This partnership went into effect on July 9th, 2021.

We want to leverage our results and accumulated experience through LunaLuna - MTI's healthcare service geared towards women - and through CARADA medica's online medical examination and online medication advice service.

Through this, we will be offering support in improving quality of life for women in the workforce, and improving engagement.



Another topic is ARVI - our aviation weather application business.

In August 2021, we will be launching "3D ARVI," an aviation weather application utilizing innovative 3D weather visualization technology.

3D ARVI contains ANA's operational knowhow, JAXA's lightning hazard area prediction technology - the first of its kind in the world - and MTI's 3D weather visualization technology.

By allowing for the prediction and visualization of weather phenomena in 3D, this makes it possible to obtain and digest information more rapidly.

This technology allows for the selection of optimal air routes avoiding lightning hazard areas.



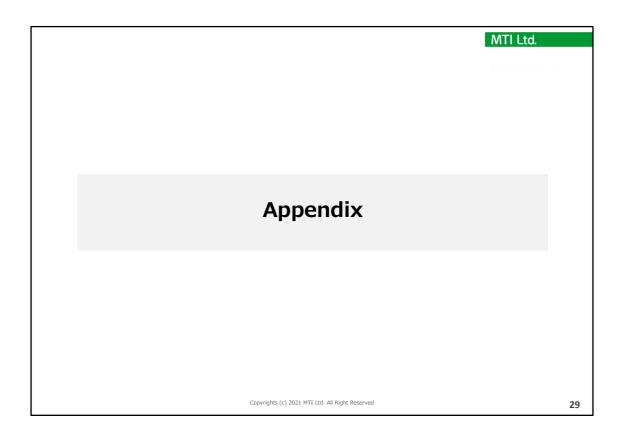
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This concludes today's financial results briefing.

Thank you for your time.



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Consolidated E	5/5					(Unit :	Mil yer
	FY2020	FY2021-Q3	Change		FY2020	FY2021-Q3	Chang
Current assets	19,743	21,218	+1,474	Current liabilities	4,766	6,266	+1,49
Cash and deposit	13,354	15,336	+1,981	Accounts payable-trade Current portion of long-term borrowings	1,101 451	1,088 451	(1:
Notes and accounts receivable-trade	4,840	4,361	(479)	Account payable-other	1,333	1,145	(18
Other	1,585	1,556	(28)	Income taxes payable	701	2,057	+1,35
Allowance for doubtful accounts	(36)	(34)	+1	Allowance for coin usage	110	113	+
Non-current assets	10,803	10,725	(78)	Other Non-current liabilities	1,067 4,270	, -	+34 (24
Property, plant and equipment	193	219	+25	Long-term borrowings	2,881	2,542	(33
Intangible fixed assets Software	3,764 1,281	3,870 1,778	+106 +496	Retirement benefit liability Other	1,381 6	1,475 7	+9 +
Goodwill	692	613	(78)	Total liabilities	9,036	10,292	+1,25
Customer-related assets	1,755	1,439	(315)	Shareholders' equity	19,112	17,290	(1,82
Investments and other assets	6,845	6,636	(209)	Capital stock	5,138	5,184	+4
Investment securities	4,536	4,517	(19)	Capital surplus	6,551	6,647	+9
Leasehold and guarantee deposits	493	348	(145)	Retained earning	10,707	8,734	(1,97
Deferred tax assets	1,766	1,684	(82)	Treasury shares	(3,283)	(3,283)	+
				Accumulated other comprehensive income	54	315	+26
				Subscription rights to shares	345		(12
				Non-controlling interests	1,998		+1,83
				Total net assets	21,510	-	+14
Total assets	30,547	31,944	+1,396	Total liabilities and net assets	30,547	31,944	+1,39

Trends in consolidated P/L

(Unit : Mil yen)

		FY2	2019			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%	

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Trends in consolidated SG&A

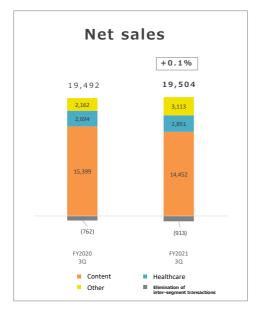
(Unit : Mil yen)

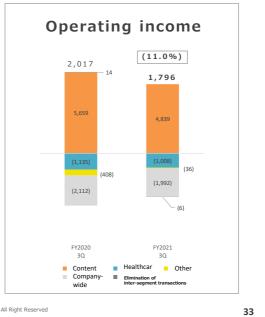
	FY2019				FY2020				FY2021		
	Q1	Q2	Q3	Q4	Q1	Q1 Q2 Q3 Q4			Q1	Q2	Q3
SG&A	4,400	4,400 4,380 4,213 4,001 3				3,904 4,090 4,164 4,284				4,237	4,164
Advertising expense	722	763	504	414	248	241	362	320	337	373	393
Personnel expenses	1,550	1,516	1,584	1,496	1,537	1,548	1,618	1,691	1,743	1,700	1,808
Commission 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

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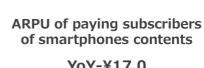




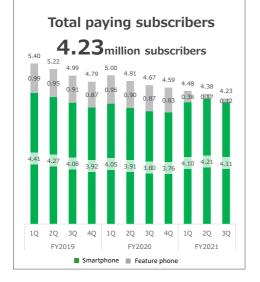


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The number of paying subscribers



MTI Ltd.





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

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Earnings forecast for FY2021

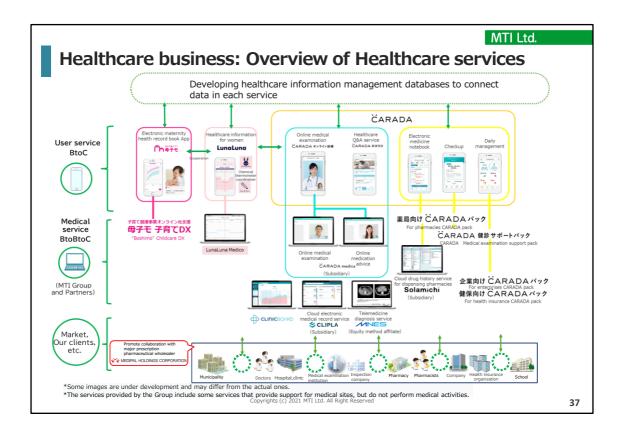
(Unit : Mil yen)

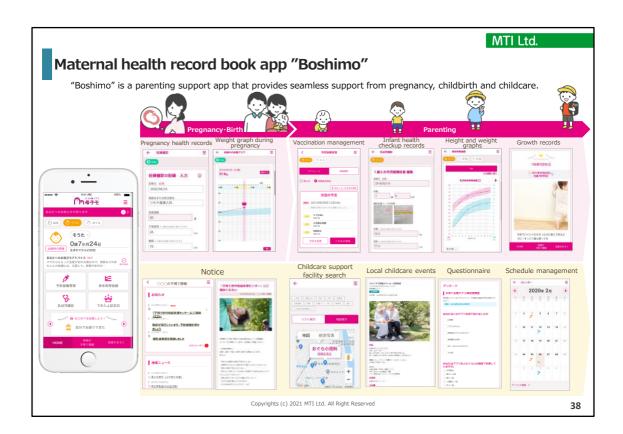
	FY2	2020 (Actua	al)	FY2	021 (Forec	ast)	Yo	ρΥ
	Full year	H1	H2	Full year (Forecast)	H1 (Actual)	H2 (Forecast)	Amount Full year	Ratio Full year
Net sales	26,082	12,946	13,135	26,000	13,046	12,953	(82)	(0.3%)
Cost of sales	7,130	3,531	3,598	6,900	3,419	3,480	(230)	(3.2%)
Gross profit	18,951	9,414	9,536	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%		

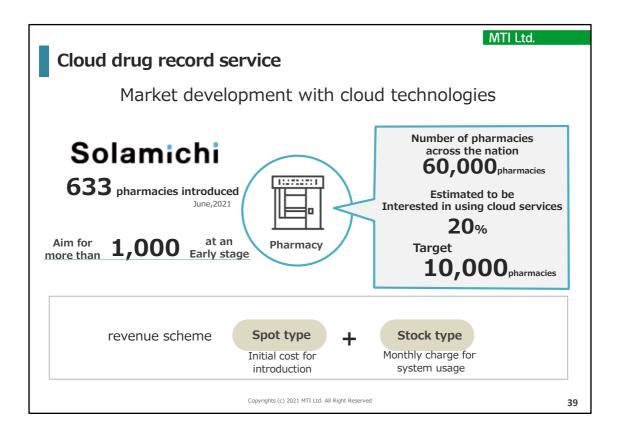
%For convenience, the middle points in the range of financial forecasts are shown for the fiscal year ending September 30, 2021.

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e list of mair	healthcare services	MTI Ltd. Figures are the actual as of end of June 2021.
Name of service	Service of function	Business model
● 日本	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 健康相談 (CARADA Health consultation)	Q&A service for doctors and people engaged in medical services. Helps eliminate daily health concerns.	BtoC.¥400/month
CARADA Health consultation) CARADA オンライン診療 (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.
 CARADA 電子薬歴	Cloud drug administration record service for pharmacies The drug administration record navigation function	BtoB. Initial cost for introduction + monthly usage fee 633 orders have been received. Full-scale deliveries started in
Solamichi (CARADA Cloud drug history service)	is highly rated. Links with the CARADA medical history notebook app.	nave been received. Full-scale deliveries started in December 2019.







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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