
	MTI Ltd. (9438)
	

President and CEO, Toshihiro Maeta

Company Information

Market	TSE Prime Market
Industry	Information and communication
President and CEO	Toshihiro Maeta
HQ Address	35th Floor, Tokyo Opera City Tower 3-20-2 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Year-end	End of September
Homepage	https://www.mti.co.jp/eng/

Stock Information

Share Price	Shares Outstanding		Total Market Cap	ROE Act.	Trading Unit
620yen	61,263,000 shares		37,983 million yen	-5.9%	100 shares
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
16.00 yen	2.6%	8.38 yen	74.0x	256.61 yen	2.4x

* Share price as of closing on June 9,2023. Number of outstanding shares, DPS and EPS were taken from the financial statements for the second quarter of FY 9/23. ROE and EPS were taken from the financial results for the previous term.

Earnings Trend

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
September 2019 Act.	27,112	2,959	3,134	1,508	27.59	16.00
September 2020 Act.	26,082	2,507	2,082	506	9.28	16.00
September 2021 Act.	25,743	1,929	1,370	-1,164	-21.28	16.00
September 2022 Act.	26,479	870	485	-930	-16.99	16.00
September 2023 Est.	26,800	200	400	460	8.38	16.00

*Unit: million yen. Estimates are those of the Company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply.

This Bridge Report includes the earning results for the second quarter of the fiscal year ending September 2023 and other information of MTI Ltd.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Second Quarter of the Fiscal Year ending September 2023 Earnings Results](#)

[3. Fiscal Year ending September 2023 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- The MTI Group is an IT corporate group that is engaged in content business, healthcare business, and AI business. Under the vision: “Taking the world a step forward,” it is making efforts to actualize a better future society by remaining clients’ partner for leading a daily life and offering services that would make living more convenient and affluent. It reports the four segments: “Content Business,” “Healthcare Business,” “School DX Business,” and “Other Business.” The third segment is the new segment, which was included from the term ending September 2023.
- Its strengths include “Development speed that allows us to catch up with technological innovation speed,” “Advanced UI/UX design,” “A business model that emphasizes stock,” and “Marketing ability for communicating the merits of our services.”
- In the second quarter of the fiscal year ending September 2023, sales grew 4.9% year on year to 13,613 million yen. Sales increased in the Content business, the Healthcare business and the School DX business owing to spot sales from video streaming. An operating loss of 18 million yen was recorded (an operating income of 599 million yen in the second quarter of the previous term). While gross profit margin declined 0.3% due to projects with low profitability in the business of DX support for corporations, SGA expenses augmented 6.9 % year on year due to personnel costs for reinforcing the development in the School DX business, outsourcing expenses, depreciation cost, advertising expenses for “AdGuard”, etc. The recording of corporate tax stemming from the transfer of shares between group companies led to a loss of 326 million yen in net income.
- Revisions were made to the earnings forecast for the term ending September 2023, with upward revision for sales and downward revision for operating income. Sales are forecast to be 26.8 billion yen, up 1.2 % year on year. The company forecasted a decrease in sales but shifted to a forecast of increase in sales owing to spot sales from video streaming. Operating income is projected to be 200 million yen, down 77.0 % year on year, due to the augmentation of sales cost caused by unprofitable projects in the DX support business and the decrease of orders in the AI business. The dividend forecast has not been revised. The company plans to pay a dividend of 16.00 yen/share, unchanged from the previous term.
- The number of municipalities which have adopted the mother and child health handbook app, online consultation and childcare DX has been steadily growing in the Healthcare business, which is viewed as a core business from a medium/long-term perspective. In particular, the launch of “Accompanying Support Program,” where municipalities obtain a perspective on childbirth and childcare alongside families who raise children in order to support them and arrange an environment which eases their worries in giving birth and raising children, has strongly spurred the adoption of childcare DX. We would like to keep paying attention to the progress of the growth story of “rapid growth brought about by the School DX business in the short term and full-scale expansion of revenues by the Healthcare business in the medium/long-term” alongside the progress of the “School DX business” with the rising number of schools which have adopted the company’s technology.

1. Company Overview

【1-1 History】

In 1996, the founder Toshihiro Maeta (currently the company's president) foresaw the further possibilities of mobile content-related services and established MTI to create various entertainment, lifestyle information, and solution services the world needs.

In addition to mobile phone sales and content distribution, the company has diversified its spot-type business for Internet-related services such as Internet payment systems and website system management leading to the expansion of the business backed by the fast growth of the mobile content market. In 1999, its stock was registered over the counter, and in 2004 it was listed on the JASDAQ stock exchange.

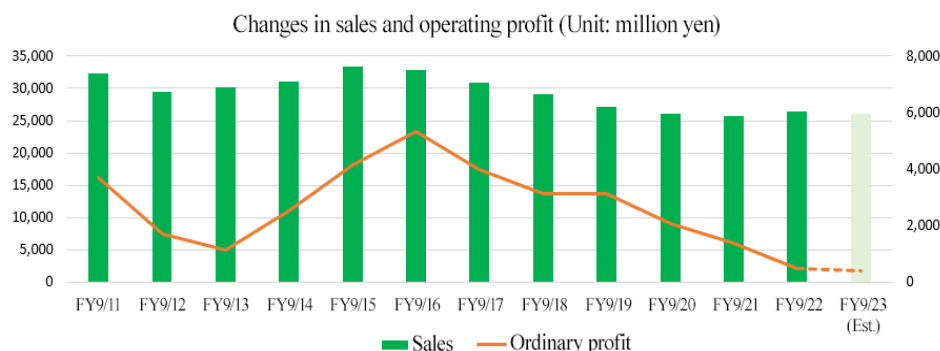
After that, as main mobile communication devices shifted from mobile phones to smartphones, the company shifted to the content business for smartphones and further expanded earnings, and in 2015, the company was listed on the first section of the Tokyo Stock Exchange.

In 2016, the Ministry of Internal Affairs and Communications launched a plan to abolish 0-yen devices (a system that offsets the price of phones with campaigns and benefits). Thus, the total number of paying subscribers continues to decline*. The company is harnessing its strengths in UI/UX and marketing it has acquired through many years in the content business to focus on expanding the healthcare business, which has great potential for future growth.

In 2022, it got listed on the Prime Market of the Tokyo Stock Exchange through market restructuring.

*

For the company, mobile phone shops were the center of attraction for paying subscribers. The company provided mobile shops with the funds for the discount amount associated with the purchase of content when changing models as a sales incentive. The content business grew significantly with the spread of smartphones, but the abolishing of 0-yen devices in 2016 led to a significant decrease in the number of members.



【1-2 Philosophy】

As the world changes day by day, the MTI Group believes that it is important to create and deliver the services that are required at the time all over the world in order to realize a society where customers can live more freely and in their own way.

With a vision of "Taking the world a step forward," the company will continue to be a partner that accompanies its customers in their daily lives, and it will work to realize a better future society by providing services that make their lives more convenient and richer.

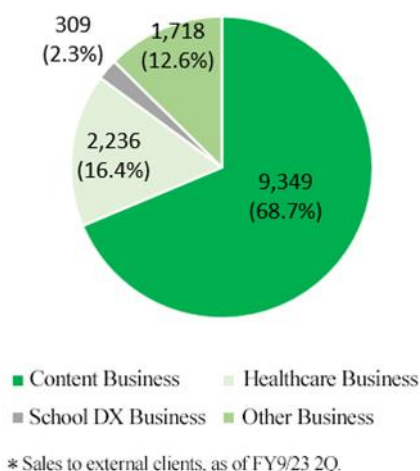
In the healthcare business, on which the company is currently focusing, MTI aims to improve people's QOL and reduce medical expenses by maintaining health and preventing illness based on data analysis.

【1-3 Business description】

The company has 28 consolidated subsidiaries, and eight affiliates, for a total of 36 companies.

From the fiscal year ending September 2023, there are four reportable segments: the content business, the healthcare business, the school DX business, and other business.

Sales by Business Segment (Unit: million yen)



(1) Content Business

The content business provides end users with mobile content services mainly for smartphones. These services include entertainment content, such as videos, music, books, and comics centering on music.jp, weather and map road information services, and the security-related application “AdGuard”.

The company is also developing a B2B original comic business that provides original comics to comic distribution companies. It has been the company's original business since its founding and still accounts for 70% of sales, but as mentioned in the history section, the number of paying subscribers continues to decline. The number of paying subscribers at the end of March 2023 was 3.16 million.

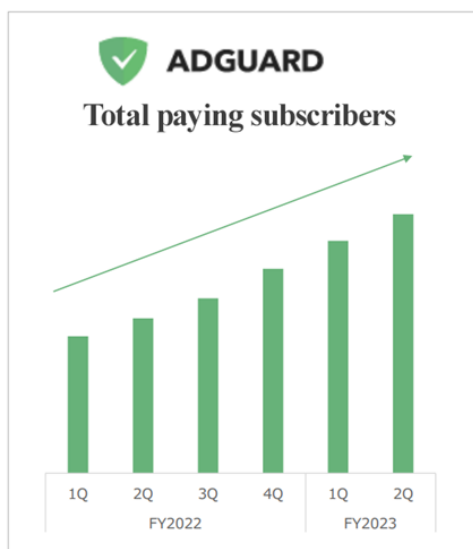
Currently, the rate of decline is shrinking, and the company plans to reduce the decrease further and slow down its rate while prioritizing securing profit by concentrating on content with high demand.

◎ Main businesses and services

1) The security-related application “AdGuard”

“AdGuard” is a mobile security-related application featuring four functions: ad blocking, tracking blocking, threat blocking, and parental control function (child protection function).

The number of paid members as of the end of March 2023 is 570,000. The number of paying subscribers is steadily increasing, and further expansion is expected because the application is highly recognized for enabling one account to be used on multiple devices.



(Source: the company's documents)

2) Original comic business

Under a marketing strategy aimed at expanding sales, the company's staff plan and build stories, which are then turned into works by amateur and professional comics artists and offered to client publishers. Currently, about 20 works have been published, and the business continues to grow steadily.

(2) Healthcare Business

Aside from distributing information useful for healthcare, the healthcare business operates several services to promote "Taking the world a step forward," through which each user can utilize individual health data in various life aspects via smartphones in order to lead a more convenient and comfortable daily life.

In order to use the health data, the medical institutions and municipalities accumulated individually more effectively, the business is working on building a new system to link the data on the multiple different systems in each institution through the use of the group's healthcare services.

The number of paying subscribers as of the end of March 2023 is 570,000.

◎ Main business and services

1) The Cloud-based medication history service for dispensing pharmacies "CARADA electronic medication history Solamichi"

Dispensing pharmacies are increasingly important in improving regional medical care, as evidenced by the government's efforts to promote the spread of family pharmacies.

On the other hand, dispensing pharmacies require diverse and complex operations to provide users with safety, security, trust, and convenience. Therefore, the company wants to solve problems such as "I want to quickly write a complete medication history," "I want to add up things without leaving anything out," and "I want to strengthen interpersonal work."

The cloud-based medication history record "CARADA electronic medication history Solamichi" mainly provides the following functions to solve the above problems, improve the operational efficiency of dispensing pharmacies, and provide an environment in which patients can take medicine safely and securely.

- ☆ Medication history Medication history can be easily created by simply checking the boxes to shorten the writing time and improve quality.
- ☆ Medication administration follow-up By recording the answers from patients in the medication history, follow-up of the period of administration is conducted to support communication with the patients.
- ☆ Prescription audit An automatic check for drug interactions is performed. Audit items that are often overlooked can be checked immediately to ensure safer medical treatment
- ☆ Operational analysis In addition to aggregating the operating status of each store in real time, it is also possible to check whether there is an unrecorded item within the medication history.
- ☆ Home visit Compilation of necessary documents for work from home
- ☆ Patient information management Support for the creation of patient information without excess or deficiency through thorough information management for each patient

Cloud drug record service

CARADA 電子薬歴 Solamichi



(Based on the company's website)

In the future, the company will also promote the development of inventory management and receipt computers* and support the DX of pharmacies, which reforms all pharmacy operations with ICT.

*Receipt computer

It is a computer for creating receipts (medical fee statements). It can improve efficiency by linking data for issuance at medical institutions and collection at pharmacies instead of using paper.

◎ Features

Even if you are not good at operating a computer, you can intuitively use it without looking at the manual as it has easy-to-watch screen and simple operability. Anyone can use it without stress as it displays only the minimum necessary menus and buttons.

It not only creates the medication history quicker than by handwriting, but also uniforms the contents of the medication history in a way that does not rely on the experience level of pharmacists.

The system leverages the advanced UI/UX design the company cultivated in the content business.

◎ Market development

As of the end of March 2023, 1,532 pharmacies have installed the system. Of the approximately 60,000 dispensing pharmacies across Japan, the company targets 10,000 small and medium-sized pharmacies (so-called pop-and-mom pharmacies), excluding major chains, and aims to reach 2,000 pharmacies by the end of September 2023.

In terms of sales, the company is developing customers using the dispensing pharmacy network owned by MEDIPAL HOLDINGS Corporation (TSE Prime, 7459), a wholesaler of ethical pharmaceuticals, with which it formed a capital and business alliance in 2016.

The on-premise systems of other companies in the same industry already have a share of the market. However, the company will focus on expanding the number of pharmacies that have installed this system, leveraging its strengths as a cloud system.

◎ Fee system

The required cost for a dispensing pharmacy is the initial cost only for the first month of introduction and the monthly fee every month.

Depending on the manufacturer, additional terminal costs may be required based on the number of terminals that use the electronic medication history system, but "CARADA electronic medication history" does not require additional terminal costs when using it on several terminals.

2) “Boshimo”, a mother and child health handbook app for municipalities

“Boshimo” is an electronic mother and child health handbook application service that easily supports everything from records of the mother and child health handbook to local information using mobile phones.

It has various functions such as recording health data of pregnant and nursing mothers and children, displaying weight and growth graphs, managing vaccination schedules, giving advice on childbirth and childcare, childcare diaries with photos, functions for sharing information with families, and local childcare information. The service uses ICT to reduce the anxiety and burden of the child-rearing generation.



Maternal health record book app

Boshimo

(Based on the company's website)

Customers (users) are municipalities, and 500 out of 1,741 municipalities nationwide have introduced this service. A monthly fee of 50,000 ~100,000 yen is collected from municipalities, and app users can use the services for free. The company set a low fee as it believed it was necessary to increase the number of users. However, since the number of municipalities using the service has exceeded 500, the company aims to expand profitability by providing "Childcare DX" in the future in order to increase sales.

<Childcare DX>

The company aims to realize a safe, secure, and convenient child-rearing society by enhancing child-rearing support in the region through the spread of services that utilize digital technology and data. These services are called "Childcare DX." The main service of "Childcare DX" is the mother and child health notebook application "Boshimo." In addition to the basic functions mentioned above, the company provides three services to support the use of the Internet by child-rearing businesses and solve various issues municipalities face.



(Based on the company's website)

Service	Overview	Provided functions	Target business
“Boshimo” Childcare DX Consultation and home visit services	It provides efficient and high-quality consultations and home visits while avoiding contact.	Video calls, digitization of pre-questionnaires, online booking, etc.	Home visit guidance for pregnant and nursing mothers, home visits for newborn babies, home visits for infants, home visits for childcare support, home visits for premature babies, childcare counseling, infant counseling, pregnancy counseling (postpartum care), single parent counseling, etc.
“Boshimo” Childcare DX Infant health checkup service	It switches to group or individual health checkups that offers a way to avoid crowds and reduce labor.	Digitalization of medical interviews, digitalization of medical examinations, online health guidance, etc.	Infant checkups
“Boshimo” Childcare DX Pediatric vaccination Service	It provides efficient and safe vaccinations that reduce the time and cost for parents, municipalities, and medical institutions.	Digitization of vaccination procedures, etc.	Pediatric vaccinations

In addition, the company is considering using the Internet in various child-rearing-related applications and maternal health checkups.

Rather than simply using an app, "Childcare DX" links the data of the parents, municipalities, and medical institutions not only to provide convenience to parents but also to effectively resolve the problems in conventional administrative processes at municipalities and medical institutions.

Regarding the fees for these services, the company set separate initial costs and monthly payments according to the number of births. Orders, including orders from ordinance-designated cities, are steadily increasing, and the company expects significant earnings growth in the future.

3) Others

The company offers a variety of services, including:

"Luna Luna," a health care service for women (free)	A health information service that supports women throughout their lives according to their life stages and concerns
"CARADA" package for companies (paid)	A corporate service that supports corporate health management and employee health using smartphones
"Luna Luna" online medical consultation (paid)	Online medical examination system for obstetricians and gynecologists in collaboration with "Luna Luna."
"CARADA" online consultation (paid)	A system that can implement both online medical treatment and online medication guidance

(3) School DX business

◎ "BLEND," a full cloud-integrated school affairs support system

"BLEND" is a school affairs support system that streamlines the daily school affairs of teachers at nursery schools, kindergartens, elementary and middle schools, high schools, technical colleges, specialized training colleges, and universities. Motivation Works Co., Ltd., a subsidiary of MTI, provides a cloud-based school affairs support system mainly for private middle and high schools.

Due to the "GIGA School Concept" promoted by the Ministry of Education, Culture, Sports, Science, and Technology, many schools have developed an ICT environment, and the ICT environment for students is progressing. As for the work style reforms for teachers, many schools do not provide a remote work environment, and it is necessary to go to work even during the spread of infectious diseases. In addition, many school affairs, such as student attendance management, grade management, and form management, are processed on paper. Even school affairs that have been converted to ICT have usability issues due to network and security restrictions.

In addition, the average working hours of teachers and staff exceed 10 hours per day; thus, reducing schoolwork is an urgent issue.

"BLEND" is a service that solves these issues.

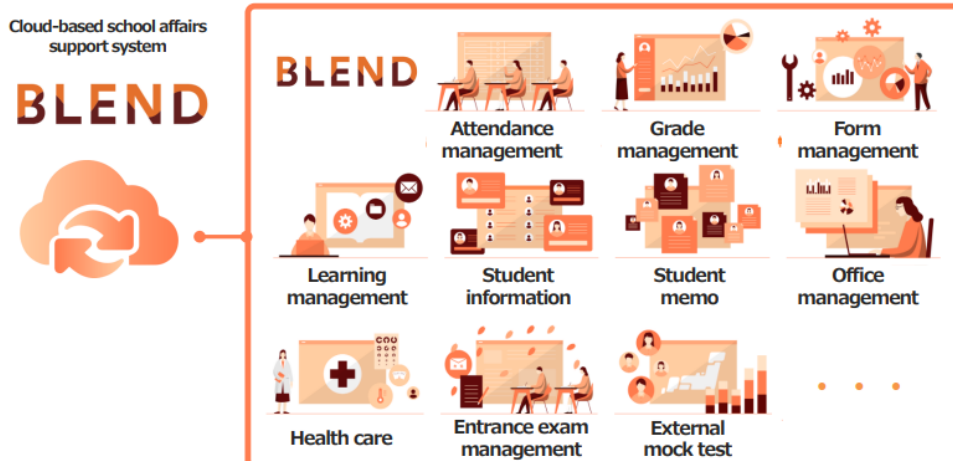
"BLEND" is equipped with all the functions necessary for school affairs, focusing on academic affairs such as attendance and grade registration and output of forms such as teaching records and survey reports.

Since the system links various data, it reflects it collectively, eliminating the need to fill in various forms and preventing repeating school work. Also, because it is a cloud-based system, it supports multiple OSs and multiple devices and can perform school duties without being limited to devices or locations; therefore, it supports the digital transformation of schools.

Motivation Works Co., Ltd. formed a business alliance with KDDI Corporation in June 2022. By collaborating with "KDDI Business Online Support" and "KDDI Business ID" provided by KDDI Corporation, the company can support both efficiency and security of school work for faculty and staff.

A total of 566 schools have adopted the technology as of the end of March 2023. There has been an increase of schools which adopted it in April 2023, significantly growing from 340 schools at the end of the previous term.

The company is focusing on spreading the technology mainly among private high schools at the moment, but they are working on bringing it to some public middle and high schools as well. As for sales to municipalities, the company will also utilize its knowledge and know-how cultivated through "Boshimo".



(Taken from the website of the company)

(4) Other businesses

The company develops and operates systems for corporate clients, such as systems for the AI business, business of DX support for large corporations and solution business.

【1-4 Features, Strengths, and Competitive Advantages】

The following four items are the company's strengths.

(1) Development speed that allows them to catch up with technological innovation speed

The speed of internet-related technological innovation is accelerating and complex data links between different systems are becoming possible through AI, clouds, API connections, and other technologies, but at the same time, the developers of those technologies have diverse needs for development technologies, including the indispensable building of solid security systems. MTI hires excellent developers with advanced specialized skills both inside Japan and from overseas throughout the year, while also engaging in technological collaboration with various corporate partners so that MTI can generate new added value and continuously catch up with the speed of technological innovation in this field.

While growing with the content business, the company has polished its development capacity for multiple devices, including PCs, cellphones, smartphones, and tablets.

Cloud-unique development capacity and compatibility with all devices, including security check ones, are the company's major fortes.

(2) Advanced UI/UX design

For a content service to be used by many end users, it is important to develop UI design with excellent navigability, including button placement on the screen and explanatory text that is easy to use and understand for as many as possible, regardless of age or gender and produce high-quality UX for end users.

MTI is designing advanced UI/UX based on the experiences of planning and developing content services of all kinds of genres, such as videos, music, comics, and other forms of entertainment, maps, weather information, and other types of lifestyle information, and healthcare information.

(3) A business model that emphasizes stock

Many businesses in the MTI Group have a stock-type business model, with monthly billing making up the majority of sales. The company is able to invest accumulated profit generated by the solid revenue base into new growth businesses and the development of services that use the latest technologies.

(4) Marketing ability for communicating the merits of our services

Also, in the internet industry to which the company belongs, it is important to enhance the marketing and business ability so that the company can properly communicate the merits of the services to end users and convince them to keep using them. It is for this reason that the company has promoted content service sales in the cellphone stores across Japan as well as conducted active business activities based on an effective marketing strategy for many years, despite being a content provider.

At present, the company is working with municipalities, medical institutions, companies, and others to introduce the services through business activities based on an effective marketing strategy, not just in the content business, but also in the healthcare business, DX business, AI business, and other businesses.

2. The Second Quarter of the Fiscal Year ending September 2023 Earnings Results

【2-1 Business Results】

	2Q of FY 9/22	Ratio to sales	2Q of FY 9/23	Ratio to sales	YoY	Ratio to forecasts
Sales	12,975	100.0%	13,613	100.0%	+4.9%	+7.2%
Gross Profit	9,160	70.6%	9,132	67.1%	-0.3%	-
SG&A	8,561	66.0%	9,151	67.2%	+6.9%	-
Operating Income	599	4.6%	-18	-	-	-
Ordinary Income	292	2.3%	187	1.4%	-36.1%	-
Quarterly Net Income	123	1.0%	-326	-	-	-

*Unit: million yen.

The increase in sales was also an operating loss

Sales increased 4.9% YoY to 13,613 million yen. Sales increased in the Content, Healthcare, and School DX businesses. Spot sales of video distribution contributed to the increase.

Operating loss was 18 million yen (vs. an operating profit of 599 million yen in the same period a year earlier). Gross profit declined 0.3% YoY due to unprofitable projects in the DX support business for corporate clients, while SG&A expenses increased 6.9% YoY, including personnel expenses, outsourcing expenses, depreciation, and advertising expenses for “AdGuard” to strengthen development, including the school DX business.

The company posted a net loss of 326 million yen. This was affected by the recording of income taxes related to the transfer of shares among group companies.

【2-2 Trends by Segment】

	2Q of FY 9/22	Composition ratio	2Q of FY 9/23	Composition ratio	YoY
Content Business	8,963	69.1%	9,349	68.7%	+4.3%
Healthcare Business	1,875	14.5%	2,236	16.4%	+19.2%
School DX Business	121	0.9%	309	2.3%	+155.1%
Other Business	2,014	15.5%	1,718	12.6%	-14.7%
Total sales	12,975	100.0%	13,613	100.0%	+4.9%
Content Business	2,857	31.9%	2,794	29.9%	-2.2%
Healthcare Business	-648	-	-219	-	-
School DX Business	-232	-	-461	-	-
Other Business	-176	-	-807	-	-
Adjustments	-1,200	-	-1,324	-	-
Total segment profit	599	4.6%	-18	-	-

*Unit: million yen. The composition ratio of the segment profit is the ratio of profit to sales.

(1) Content business

Sales grew and profit declined.

There were 3,160,000 paying subscribers at the end of March 2023, down 40,000 from the end of September 2022. As the number of paying subscribers of the security-related application “AdGuard” keeps growing, the number of paying subscribers has been nearly flat.

While the number of paying subscribers dropped year on year, SGA expenses such as advertisement costs for encouraging more users to join “AdGuard” augmented, leading to a decrease in profit despite an increase in sales brought about by the video sale of Video Market Corporation, a consolidated subsidiary.

(2) Healthcare business

Sales grew, and loss shrank.

The number of monthly paying subscribers at the end of March 2023 decreased by 20,000 from the end of September 2022 to 570,000.

The number of “Cloud Yakureki (Medication History),” which dispensing pharmacies are increasingly interested in adopting, increased by 268 to 1,532 at the end of March 2023 from the end of September 2022.

Sales of the “cloud-based medication history,” childcare DX business, etc. grew, leading to an increase in sales. Loss shrank owing to sales growth and cost curtailment.

(3) School DX business

Sales grew, but loss augmented.

566 schools have adopted the technology as of the end of March 2023, up 226 schools from the end of the previous term.

Sales grew owing to the increase in monthly fee paid by incorporated educational institutions which newly adopted “BLEND,” a cloud-based support system for school duties, in April 2022. 26 schools have placed final orders for the technology in October 2023. There is also a great number of schools which are considering an adoption in April 2024, and further growth is projected from now on.

Loss augmented due to an increase in outsourcing costs in step with strict administration of software asset capitalization from the second half of the previous term.

(4) Other business

Sales declined and loss expanded.

Sales of the AI business fell due to a decrease of orders received. In addition to the drop in sales, sales cost has augmented as the company keeps working on projects with low profitability in the business of DX support for large corporations, leading to an expansion of loss.

【2-3 Financial Condition and Cash Flow】

◎Main BS

	End of September 2022	End of March 2023	Increase/ Decrease		End of September 2022	End of March 2023	Increase/ Decrease
Current Assets	18,778	18,224	-553	Current Liabilities	6,386	7,128	+741
Cash	12,097	12,763	+665	Payables	1,068	1,112	+43
Receivables	4,294	4,512	+218	Contract Liabilities	2,356	2,079	-277
Noncurrent Assets	10,487	10,654	+167	Noncurrent Liabilities	5,001	4,698	-302
Intangible Assets	3,790	3,582	-208	LT Borrowings	3,178	2,802	-375
Software	2,058	2,165	+106	Total Liabilities	11,387	11,826	+438
Investment, Other Assets	6,503	6,850	+347	Net Assets	17,877	17,052	-825
Investment Securities	3,675	4,001	+326	Retained earnings	5,224	4,458	-766
Total Assets	29,265	28,879	-386	Total Liabilities and Net Assets	29,265	28,879	-386

*Unit: million yen.

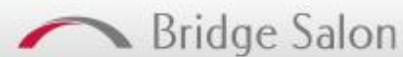
Total assets dropped 386 million yen from the end of the previous term to 28,879 million yen, due to the drop in cash & deposits, etc.

Total liabilities augmented 438 million yen to 11,826 million yen.

Net assets decreased 825 million yen to 17,052 million yen, due to the drop in retained earnings.

Capital-to-asset ratio decreased 1.9% from the end of the previous term to 46.2%.

BRIDGE REPORT



◎Cash Flow

	2Q of FY 9/22	2Q of FY 9/23	Increase/Decrease
Operating cash flow	-788	2,105	+2,894
Investing cash flow	-1,413	-616	+797
Free cash flow	-2,202	1,489	+3,691
Financing cash flow	-776	-798	-21
Cash and equivalent	12,590	12,763	+172

*Unit: million yen.

Cash flow from operating activities and free CF turned positive, owing to an increase in consumption taxes receivable/payable and the like.

The cash position improved.

3. Fiscal Year ending September 2023 Earnings Forecasts

【3-1 Earnings Forecast】

	FY 9/22	Ratio to Sales	FY 9/23 Est.	Ratio to Sales	YoY	Revised Amount	Rate of Progress
Sales	26,479	100.0%	26,800	100.0%	+1.2%	+800	50.8%
Operating Income	870	3.3%	200	0.7%	-77.0%	-600	-
Ordinary Income	485	1.8%	400	1.5%	-17.7%	-	46.8%
Net Income	-930	-	460	1.7%	-	+1,060	-

* Unit: million yen. Forecasts are the figures announced by the company. Projected net income figures and revised amounts reflect the May 24 earnings forecast revision.

Revised Earnings Forecast

On May 11, 2023, the company revised its earnings forecast. Net sales were revised upward, while operating income was revised downward.

Sales are expected to increase 1.2% YoY to 26.8 billion yen. Spot sales of video distribution contributed to the increase, and the company changed its revenue forecast from lower to higher.

Operating profit is expected to decline 77.0% YoY to 3mn, due to an increase in cost of sales from loss-making projects in the DX support business and a decline in orders in the AI business.

There is no revision to the dividend forecast. The dividend is expected to be 16.00 yen/share, the same as in the previous fiscal year. Then, they revised the forecast from a loss of 400 million yen to a profit of 460 million yen in net income in step with recording consumption tax return, etc. of 864 million yen as extraordinary profit on May 24, 2023.

This revision was made as the company adjusted the treatment of consumption tax regarding expired points in services provided for a monthly fee where points are granted in the term ended September 2022, treating sales concerning expired points as transactions exempt from tax, as a result of which Shinjuku Tax Office reassessed the treatment of consumption tax in the term ended September 2017 (determination of return) and the refund of the consumption tax was determined.

【3-2 Activities in each business】

(1) Healthcare business

The company aims to grow sales by expanding the cloud medication history business further and implementing the platform strategy for the childcare DX “Boshimo.”

① Expansion of Cloud Yakureki (Medication History)

The company aims to increase the number of dispensaries with Cloud Yakureki to 2,000 by the end of this term (from 1,532 as of the end of March 2023).

In order to achieve this, they will keep reinforcing business alliances, by further enhancing the partnership with Mitsubishi Electric IT Solutions Corp. and FUJIFILM Healthcare Systems Corporation, large system companies targeting dispensing pharmacies with which they formed an alliance in 2021, while they further promote the sharing and streamlining of business information with MEDIPAL HOLDINGS, their partner.

Furthermore, they will focus on reinforcing the development of functions as a way of differentiation, such as a “function of linking medication history between different stores,” “functions for home-based and nursing care,” “additional logic, guidance navigation” and “availability of electronic prescriptions.”

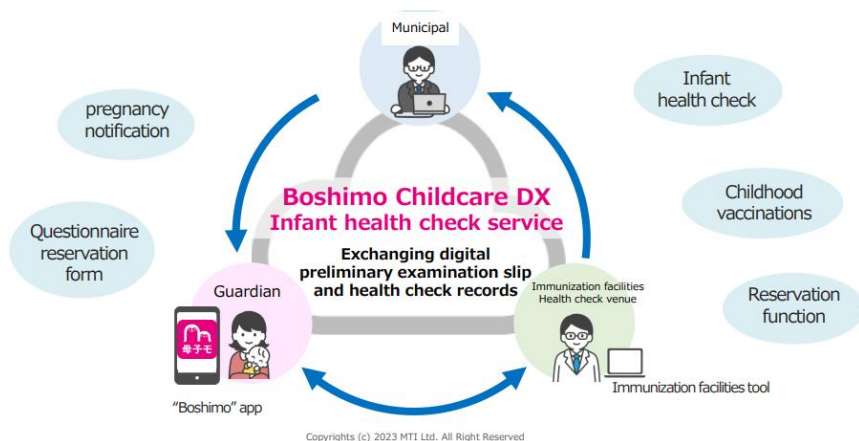
② Implementation of Platform strategy for the childcare DX “Boshimo”

The company will conduct the platform business with the following three phases, starting with the mother and child health handbook app “Boshimo.”

Phase 1: The mother and child health handbook app “Boshimo”

Phase 2: Online consultation

Phase 3: Childcare DX service



(Taken from the reference material of the company)

◎Phase 1, 2

The number of municipalities that have adopted the mother and child health handbook app “Boshimo” as of the end of March 2023 stood at 522, up 80 from the end of the previous term, and the number of transactions for online consultation increased steadily to 70 through upselling.

This term, too, the company will grow this business, making “Boshimo” the standard for mother and child health handbook apps.

◎Phase 3

There has been a rapid increase in the adoption of the “questionnaire” and “reservation function” add-on functions in the mother and child health handbook app among municipalities who are using “Boshimo,” which is spurred by the “hands-on consulting*” launched by Ministry of Health, Labour and Welfare in January 2023 (managed by the Children and Families Agency since April 1st).

The company will keep encouraging the linking of data among the three parties: parents or guardians, municipalities and medical institutions, and promote seamless physical examinations for infants and toddlers, immunization for children, entry of reservation questionnaires, reservation function, etc. to realize “childcare DX.”

There has been a steady growth in orders received including government-designated cities and the number of municipalities which have introduced the childcare DX service has increased to 45. In particular, municipalities which started child-rearing measures at an early stage have been promoting DX before others by adopting the company’s services.

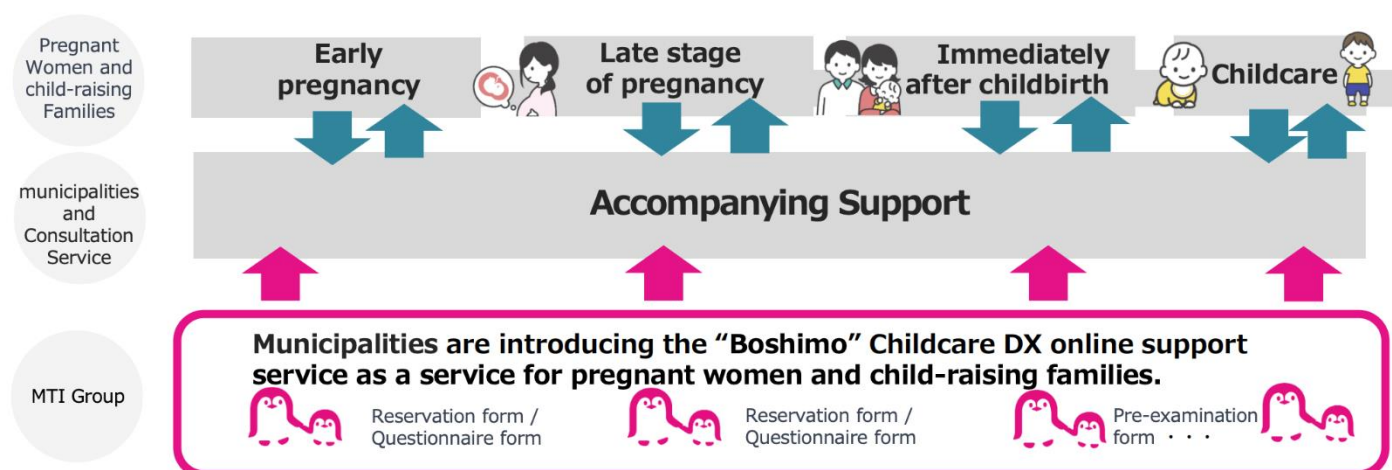
Kitakyushu City, Fukuoka Prefecture, has digitalized the notification of pregnancy (introducing the app), enabling prior application for the issuance of the mother and child health handbook through the app. Notifications of pregnancy submitted through the app account for over 93% of all childbirths.

Ichihara City, Chiba Prefecture, has introduced a digital screening questionnaire for the immunization of children. The digital screening questionnaire has been widely used at medical institutions which have adopted it, shortening the time required for confirming the interval between immunizations from three minutes to several seconds.

It is assumed that the company will be able to keep capitalizing on such demand.

*Accompanying Support Program

It is a governmental support service for pregnancy and child rearing launched in January 2023. The government will obtain a perspective on the childbirth and childcare alongside pregnant women and families rearing 2-year-old or younger children in order to support them. They will arrange an environment which eases worries in giving birth and raising children based on a connection with local consulting institutions nearby, in addition to holding a total of three interviews at the notification of pregnancy, near childbirth and after the birth, and providing a gift certificate worth 100,000 yen.



(Taken from the reference material of the company)

(2) School DX business

The company aims to grow sales by upgrading “BLEND,” a cloud-type school affairs supporting system. They are aiming to turn it into a standard educational IT platform.

The number of schools introduced at the end of March 2023 was 566, an increase of 226 schools from the end of the previous year, a significant threefold increase from the 114 schools introduced in Fiscal Year September 2021.

Cooperation with KDDI, with which they formed a business alliance in June 2022, has started, and it has been determined that 26 schools will adopt the technology in October 2023. Even more adoptions are projected in April 2024.

Although a rapid growth of sales can be expected owing to the increase of schools adopting the technology, operating loss is projected in this term, same as in the last two terms, due to upfront investments for growth, including the development of a new version to accommodate the rapid growth of demand and enhancement of personnel to reinforce the system. However, the company surmises that there is a prospect for a considerable shrinkage of the deficit in the next term, the term ending September 2024, owing to the increase of schools adopting the technology and significant curtailment of costs for the technology adoption per school.

(3) Content business

The company aims to secure profit through the thriving original comic business and the growth of security-related apps.

(4) Other business (AI business and DX support business)

The company aims to increase sales by expanding the AI business and the DX support business.

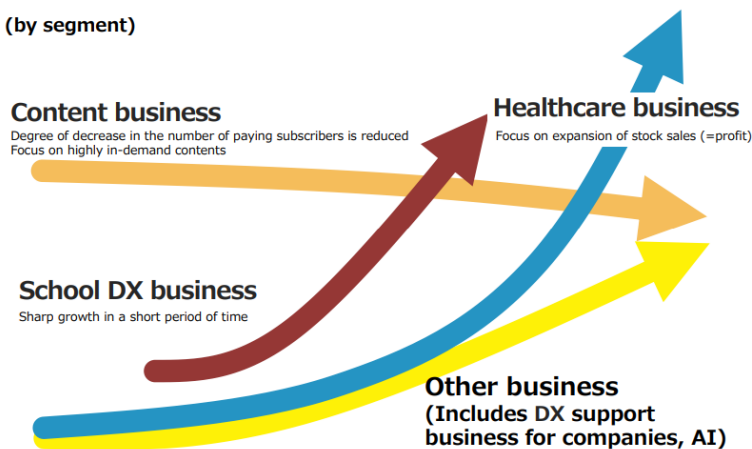
【3-3 Envisioned growth】

Considering the market environment and characteristics of each segment, they envision the following growth path.

- ☆ In the content business, where the decrease of paying subscribers is subsiding, the company will concentrate on highly demanded content, such as original comics, and prioritize the securing of profit.
- ☆ The school DX business, in which the number of schools that have adopted the company’s products is rapidly growing, will serve as a growth driver for the foreseeable future.
- ☆ For the healthcare business, which is positioned as the core business from the medium/long-term viewpoint, the company will concentrate on the expansion of “stock-type sales = profit” by taking advantage of its high profitability.
- ☆ In the other business, including the DX support for leading corporations and the AI business, the company will meet demand steadily by taking advantage of its forte.

Image of medium-term profit

(by segment)



(Taken from the reference material of the company)

4. Conclusions

The number of municipalities which have adopted the mother and child health handbook app, online consultation and childcare DX has been steadily growing in the Healthcare business, which is viewed as a core business from a medium/long-term perspective. In particular, the launch of “hands-on consulting,” where municipalities obtain a perspective on childbirth and childcare alongside families who raise children in order to support them and arrange an environment which eases their worries in giving birth and raising children, has strongly spurred the adoption of childcare DX. We would like to keep paying attention to the progress of the growth story of “rapid growth brought about by the School DX business in the short term and full-scale expansion of revenues by the Healthcare business in the medium/long-term” alongside the progress of the “School DX business” with the rising number of schools which have adopted the company’s technology.

<Reference: Regarding Corporate Governance>

◎Composition of the organizational structure, directors and auditors

Organizational structure	Company with corporate auditors
Directors	10 including 6 outside director
Auditors	4 including 4 outside auditors

◎Corporate Governance Report

Last update date: May 16, 2023

<Basic policy>

The company regards the establishment of a transparent and sound management structure and a prompt and accurate decision-making system that responds to changes in the business environment as its important management tasks.

As part of the effort, the term of office for directors is set at one year, and each year, there is an opportunity for shareholders to vote for their confidence in the company, ensuring that management is conducted with a sense of tension. In addition, the company is promoting the strengthening and establishment of legal compliance.

For financial results and important management information, the company strives to enhance management transparency and build trust with the market, by disclosing information in a timely and appropriate manner, as well as by engaging in two-way communication with stakeholders, in accordance with its IR policy.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

The information is based on the Corporate Governance Code revised in June 2021.

[Principle 1-4] (Strategically Held Shares)

The policy on strategically held shares and the criteria for existing voting rights thereof are described in “Basic Policy on Corporate Governance 1. Ensuring the Rights and Equality of Shareholders (6).”

The policy stipulates that, for the major strategic shareholdings, the performance of the investee companies, the objective of such shareholdings, the status of their achievement, etc. shall be reported to the Board of Directors on a regular basis, and that the company shall appropriately exercise its voting rights as a shareholder from the perspective of the sustainable growth and the medium/long-term corporate value of such companies and the company.

With regard to particular strategically held shares, the company specifically examines and scrutinizes the medium/long-term economic reasonableness, appropriateness of the purpose of the shareholding, and whether the benefits and risks associated with the shareholding are commensurate with the cost of capital. If the significance of the shareholding is determined to be not necessarily adequate, the company will consider establishing a process to reduce the number of such shares.

[Supplementary Principle 2-4-1] (Ensuring Diversity in Human Resources)

The company recognizes that respecting diversity in human resources engaged in the corporate group is essential for sustainable growth. Therefore, the company is working to improve the productivity of the entire corporate group by respecting diverse human resources and diverse values and by creating an organization in which employees accept each other.

Furthermore, while aiming for the achievement of a professional lifestyle so that all employees can work with peace of mind, we are engaging in the creation of a workplace which will allow all individuals to sufficiently demonstrate their abilities by arranging the environment to allow for the selection of a flexible workstyle suited for the stage of one’s life.

With regard to the recruitment of diverse human resources, the company does not disclose specific numerical targets because of its flexibility in accordance with changes in the business environment. Nonetheless, the company mainly promotes the following initiatives.

- Promotion of women’s activities

The General Business Owner Action Plan under the Law for the Promotion of Women’s Activities includes the company’s goal of keeping a ratio of female employees in new hires at least 25%.

- Mid-career recruitment of potential managers

The company hires human resources throughout the year as appropriate, based on its business strategy and the status of the business. The company hires talent who are expected to perform well and play active roles after joining the company, and talent who can draw a career path to management and other positions.

- Diversity in recruitment

The company conducts recruitment regardless of race or nationality to develop global human resources, and people with disabilities as well.

We are engaging in the creation of a comfortable workplace while providing such diverse personnel with a wide range of opportunities for utilizing their potential and rewarding personnel who have produced further achievements.

[Supplementary Principle 3-1-3] (Sustainability Initiatives, Investment in Human Assets, Intellectual Capital, etc.)

The company has formulated management strategies to achieve sustainable growth and to enhance corporate value over the medium/long-term, however, it has not announced its medium-term management plan, while it publishes its outlook for the next fiscal year. It is because the company's business environment has been changing rapidly, which is making it difficult to foresee the future. Nevertheless, the company recognizes that disclosing more specific details of its management strategy and indicating its long-term direction are important tasks for enhancing dialogue with its shareholders. Therefore, the company will establish an internal system to enhance disclosure information that takes into account factors including investment in human assets and intellectual property, as well as sustainability, in the process of formulating future management strategies. In addition, with regard to sustainability, the company does not expect climate change to have a material impact on its business, as the business is based on Internet technology that has no significant environmental impact, and thus, it has not implemented initiatives based on the TCFD or equivalent framework imposed only on companies listed in the Prime Market. However, guided by the vision of "Taking the world a step forward," the company has been creating and providing a variety of technology services. Furthermore, the company believes that the use of its services by clients and end users in various industries related to climate change will promote various IT systems to address climate change in the future. Based on the above approach, the company continues promoting sustainability in line with the company's vision.

Current sustainability initiatives are posted on the company's website as indicated below.

The company's sustainability: https://www.mti.co.jp/eng/?page_id=3661

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Based on the basic approach stated in Section 1 above, the company has formulated the "Basic Policy on Corporate Governance" with the aim of realizing the management philosophy, achieving sustainable growth and enhancing its corporate value over the medium to long term, and constantly pursuing the best possible corporate governance and continuously working to improve it to earn the trust of its stakeholders including shareholders.

Basic Policy on Corporate Governance URL:

<https://ir.mti.co.jp/wp-content/uploads/library/tse/2022/corporate20221227.pdf>

[Principle 5-1] (Policy on Constructive Dialogue with Shareholders)

The company's policy on the establishment of systems and initiatives to promote constructive dialogue with shareholders is described in "Basic Policy on Corporate Governance, 5. Dialogue with Shareholders," as well as "III. Implementation Status of Measures Concerning Shareholders and Other Interested Parties, 2. Status of IR-Related Activities" of this report. Moreover, the company's IR Policy is posted on its website (Investors Relations page).

IR Policy URL: https://ir.mti.co.jp/ir_policy/

BRIDGE REPORT



This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

Copyright(C) Investment Bridge Co.,Ltd. All Rights Reserved.

The back issues of the Bridge Report (MTI Ltd.: 9438) and the contents of the Bridge Salon (IR Seminar) can be found at :<https://www.bridge-salon.jp/>for more information.