

MRT Inc.
 6034 TSE Mothers

7-Oct.-16

Important disclosures
 and disclaimers appear
 at the end of this document.

FISCO Ltd. Analyst
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*1At the end of FY3/16, the "Gaikin" service connected about 18,000 medical doctors with about 9,000 medical institutions.

*2MRT NEO has capital of ¥60mn and is owned 60% by MRT and 40% by iFLAG.

■ Launching new services, such as "Pocket Doctor", to accelerate growth from FY3/18

MRT Inc. <6034> provides high-value-added internet services, mainly for medical doctors and medical institutions, through medical information platforms based on the perspective of medical doctors. The Company's main business is the "Gaikin"*1 service, which introduces medical doctors seeking part-time work and registered with MRT to medical institutions needing doctors. This service is offered primarily in large metropolitan areas of Japan, including Greater Tokyo, where MRT originated, Greater Nagoya, and Greater Osaka.

Since listing its shares in December 2014, MRT has been enlarging its medical information platforms, enabling it to increase its conventional businesses by expanding its areas of operation and to establish new businesses. In 2015, the Company set up offices in Nagoya and Osaka. In December 2015, it established MRT NEO*2 as a joint venture with Hikari Tsushin, Inc. <9435> and its consolidated subsidiary, iFLAG Co., Ltd. In March 2016, MRT started offering the icashica.com ("Shica.com") website service, which enables consumers to search for and inquire about providers of dental care. In February 2016, MRT announced plans to start its "Pocket Doctor" service, Japan's first service for telemedicine and counseling about healthcare using smartphones and tablet devices. This service was jointly developed with OPTIM Corp. <3694>, which develops platforms for the internet of things. In April 2016, the "Pocket Doctor" service started providing family doctor service, and in July, it started offering appointment counseling services.

In the fiscal year through March 2016, i.e., in FY3/16, MRT generated consolidated sales of ¥1,001mn, which was 20.4% more than its non-consolidated sales in FY3/15. Its consolidated operating profit was ¥199mn in FY3/16, which was 14.7% more than its non-consolidated operating profit in FY3/15, and its consolidated net profit attributable to owners of parent grew 47.0% year on year (YoY) to ¥140mn. These figures exceeded Company forecasts and were due to the strong performance of the "Gaikin" referral service, which introduced 4,500 more medical doctors to hospitals than it did in FY3/15 and partially revised its pricing structure favorably.

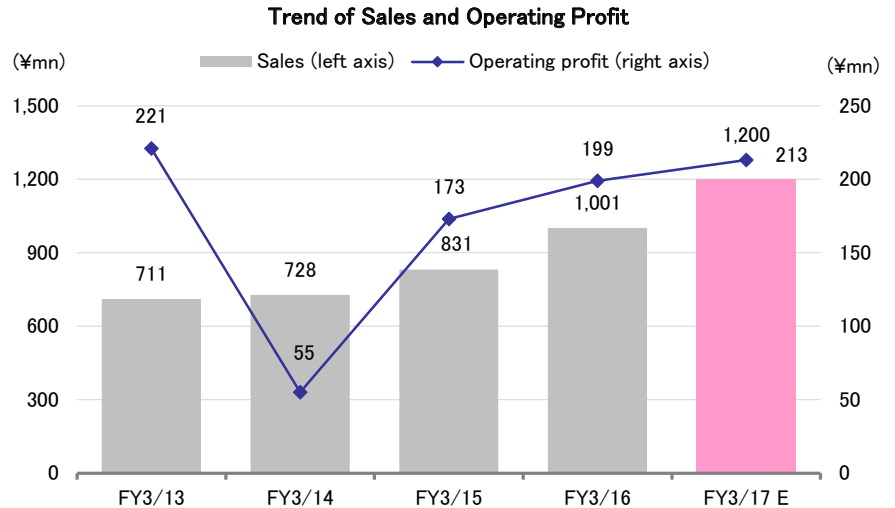
In the first quarter of FY3/17, i.e., in Q1 FY3/17 (April–June 2016), MRT expanded its "Gaikin" referral service, mainly in Greater Tokyo, Nagoya and Osaka, and, through business agreements with other companies, increased the number of doctors registered for this service. As a result, the number of doctor referrals to medical facilities increased by 17% YoY. Consolidated sales reached ¥293mn, and consolidated operating profit came to ¥89mn, which was 41.8% of the operating profit projected by the Company for all of FY3/17.

For FY3/17, MRT forecasts a 19.8% YoY rise in consolidated sales to ¥1,200mn and a 7.0% increase in consolidated operating profit to ¥213mn. The Company plans to invest several tens of millions of yen in its new "Pocket Doctor" service and a new micro blood test service in FY3/17. However, it aims to add 150 medical offices as customers for its "Medical Office Groupware", which is a network of medical offices using its Net Medical Office ® groupware, and it intends to extend its services, especially doctor referral service, throughout Japan. Thus, it expects to increase the number of doctor referrals to medical facilities by 17% YoY. We at FISCO consider the Company's forecasts to be conservative because the number of doctors registered with the Company is rising briskly accompanying the expansion of the Company's areas of operation.

FISCO believes that FY3/17 will be a year for the Company to stress the accumulation of doctors and medical institutions for its new services, such as "Pocket Doctor", in preparation for strong growth from FY3/18. Thus, we do not foresee strong profit growth in FY3/17. However, we foresee great potential demand for MRT's services because improving medical services is a major component of Japan's growth strategy and the need for health care services is growing as Japan's population ages. This demand, coupled with the increase in the number of doctors and medical institutions using the Company's services, should propel sales and profit growth in coming years. The trend of increase in the number of doctors and medical institutions using the Company's new services, such as "Pocket Doctor", is likely to indicate the potential growth of the Company's sales and profits.

Check Point

- Consolidated sales exceeded ¥1bn for the first time in FY3/16.
- The number of doctors registered with the Company and the number of doctor referrals to medical facilities are rising as the Company expands its areas of operation.
- The number of doctors and medical institutions using the Company's new services, such as "Pocket Doctor", should be monitored.



Company Outline and History

MRT originated as a cooperative organization of doctors affiliated with the University of Tokyo Hospital; it then used the internet to systematize the introduction of substitute doctors

(1) Company Outline

The Company's corporate philosophy is "to contribute to society with medical care in mind". The Company provides internet services, such as introducing medical doctors to medical facilities, using medical information platforms conceived and operated from the perspective of medical doctors. Because it started out as a cooperative organization of doctors affiliated with the University of Tokyo Hospital, its main base of operations is the Tokyo Metropolitan area and the three main prefectures adjoining this area: Saitama, Chiba, and Kanagawa. Since 2015, the Company has been extending its areas of operation throughout Japan, opening offices in Nagoya and Osaka. It has also been buttressing its medical information platforms to enable the growth of its current businesses and the start of new businesses.



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*1 When a doctor affiliated with a university hospital is asked to work at other medical facilities, including university-affiliated city hospitals, his/her medical office instructs or introduces where to work to the doctor.

*2 This reform allowed medical interns to freely select the hospitals for their training, instead of being restricted to medical offices affiliated with the universities from which they graduated. This reform has allowed interns to flock to popular hospitals, either university hospitals or private hospitals, and has been cited as causing an uneven distribution of doctors and doctor shortages at some hospitals.

(2) Company History

In January 2000, Dr. Hyoe Tomita, the current Chairman of the Board of MRT, and his associates established Medical Research and Technology as a limited liability company. Until this company was set up, medical doctors affiliated with university hospitals had relied on their relationships of trust with other doctors to work outside the university hospitals*1. Medical Research and Technology systematized this process using internet technology, which also allowed the inclusion of more doctors and medical institutions than an ad hoc system of professional referrals. In May 2000, Medical Research and Technology received a license for charged employment placement service and started this business. In October 2004, the Company received a license for general worker dispatching undertaking, and in October 2006, it reorganized as a stock company. The number of doctors registered with the Company, primarily graduates of Tokyo University, continued to increase, due in part to the Company's word-of-mouth reputation, and due to Japan's introduction, in April 2004, of a new system for the clinical training of medical interns*2, which aggravated a lack of doctors at some hospitals. In May 2008, the cumulative number of the Company's doctor introductions to medical facilities exceeded 100,000.

In April 2010, Mr. Toshimasa Baba became CEO of Medical Research and Technology and changed the management approach of the Company from a family orientation to a more objective organizational orientation. In March 2012, Medical Research and Technology started offering its medical office groupware to assist the operations of medical offices free of charge. This service attracted many medical offices and contributed to an increase in the number of doctors registered with the Company. Thus, in May 2013, the cumulative number of doctor introductions by the Company surpassed 500,000. In September 2014, Medical Research and Technology changed its name to MRT Inc., and in December 2014, MRT listed its shares on the Mothers Market of the Tokyo Stock Exchange to increase the added value of its registered doctors and to achieve greater social recognition.

Since listing its shares, MRT has aggressively expanded its existing businesses and entered new businesses. To raise the recognition of the Company and its existing services among doctors and medical facilities and to increase its network of registered doctors, the Company has expanded its areas of operation, opening an office in Nagoya in March 2015 and one in Osaka in September 2015. In September 2015, the Company established a formal business tie with RIZAP Co., Ltd., in October, it set up a relationship with Recruit Medical Career Co., Ltd., and in May 2016, it agreed to cooperative operations with cookpad-baby Inc., a subsidiary of Cookpad Inc. Through these alliances, the Company expanded its network of registered doctors for its main business.

The first new business the Company entered since listing its shares was the "Good Doctors" website, which provides information on medical care and healthcare and was launched in April 2015. In August 2015, MRT invested in MBS Co., Ltd., which develops equipment for the analysis of blood samples drawn from the fingertip. In September 2015, MRT established a business agreement with OPTiM Corp. to jointly develop the "Pocket Doctor" telemedicine and health counseling service. In December 2015, MRT concluded an equity and business sharing agreement with the Hikari Tsushin group of companies and established MRT NEO Inc. with Hikari Tsushin subsidiary iFLAG. As a result of this acquisition and these agreements, the Company launched its "Shica.com" website in March 2016 and its "Pocket Doctor" service in April 2016.

Company History

Date	Event
January 2000	Medical Research and Technology, a limited liability company, was established as a cooperative organization of doctors affiliated with the University of Tokyo Hospital
May 2000	Obtained a business license for charged employment placement service
October 2004	Obtained a business license for general worker dispatching undertaking
October 2006	Reorganized as a stock company
March 2012	Medical Research and Technology started offering its medical office groupware to assist the operations of medical offices
September 2014	Medical Research and Technology changed its name to MRT Inc.
December 2014	MRT Inc. listed its shares on the Mothers Market of the Tokyo Stock Exchange
March 2015	Opened an office in Nagoya
April 2015	Started operating the "Good Doctors" website, which offers information about medical treatment and healthcare
August 2015	Took an equity stake in MBS Co., Ltd.
September 2015	Opened an office in Osaka
December 2015	Established the joint venture MRT NEO Inc. Moved the head office to Jinnan, Shibuya Ward, Tokyo.
March 2016	Started offering the "Shica.com" website for searching for dental clinics and inquiring about services at these clinics
April 2016	Started offering the "Pocket Doctor" service for telemedicine and health counseling

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* In September 2010, Japan's Ministry of Health, Labour and Welfare announced its "Summary of an Investigation of the Number of Doctors Needed at Hospitals and Other Medical Facilities". According to this report, as of June 1, 2010, the medical institutions surveyed hired about 30,000 doctors on a part-time basis, calculated based on a work week of 40 hours. This number equaled 18.3% of the total number of doctors working at these institutions, 167,000.

■ Japanese market for doctor referrals and Company strengths

Internet services based on a doctor's perspective and a network of registered doctors are main strengths; there are few competitors in the Company's main business

(1) Japanese market for doctor referrals for part-time work

Japanese demand for part-time doctors is huge*. There are several reasons for this demand. For one, there are more patients in Japan than can be cared for by the number of doctors. There is a chronic shortage of doctors nationwide and few medical institutions can augment the number of doctors in-house. Another reason is that institutions in rural areas and those specializing in unpopular disciplines cannot offer high-quality medical treatment.

(2) Company strengths and competition

Given this industry background, MRT has three main strengths: 1) platforms of information on medical care that use the internet, 2) a doctor referral service that emphasizes a doctor's perspective, as determined by practicing doctors, and 3) a network of registered doctors accumulated since the Company's founding.

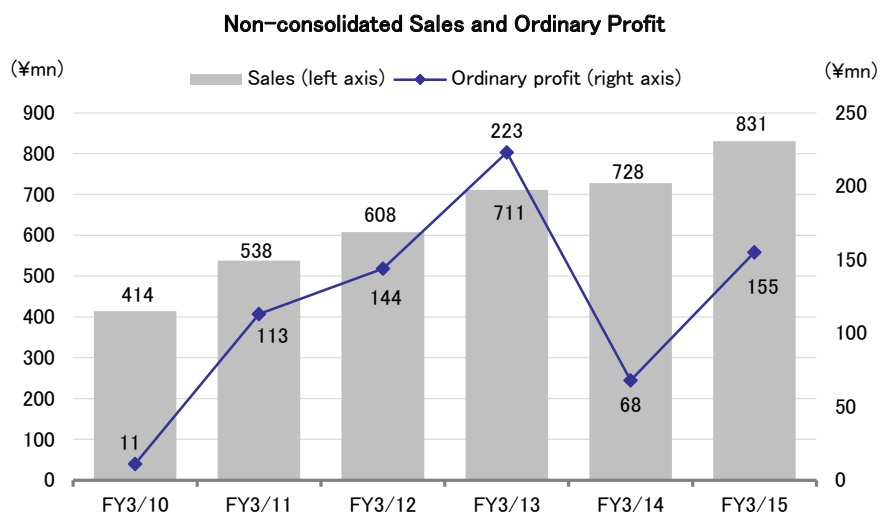
To succeed in referring specialized medical personnel, a company must be able to respond quickly to a request for such personnel based on an understanding of factors such as the ability of a doctor to handle emergency patients and emergency surgery, the specialty of alma mater networks among medical universities, and the specialty skills and experience of a doctor. MRT's referral system uses the internet to find the best doctor for an assignment quickly. Since its founding, the Company has amassed administrative experience and knowledge and used this background to build a network of registered doctors, which serves as the foundation of its main business. This service stresses convenience for its doctors.

MRT's main business of introducing or referring doctors to part-time work requires a good understanding of the peculiarities of the medical profession. This requirement constitutes a high barrier to entry into this business, so the Company has few competitors. MRT's network of registered doctors, built through referrals and word-of-mouth, also distinguishes the Company from competitors. Thus, the cumulative number of the Company's doctor referrals continues to grow. On the other hand, the barriers to entry into the business of introducing personnel as full-time employees, which requires an intermediary staff, are low. There are many competitors in the business of introducing ordinary workers as full-time employees, but MRT is offering the services as value-added service for its registered doctors.

(3) Business risk and other risks

MRT's medium-to-long-term growth is likely to depend on the success of the new services that it is launching in April 2016, such as the "Pocket Doctor" service for telemedicine and for health counseling. The Company plans to increase its spending to promote the sales of the "Pocket Doctor" service. If this service does not grow as intended by the Company, it could adversely affect the Company's sales and profits. However, we consider this risk to be limited because the "Pocket Doctor" service is initially aimed at replacing the demand for follow-up medical advice over the telephone.

The medical institutions served by MRT must adhere to laws and regulations governing medical practice and drugs. If these laws and regulations change, the changes could hurt the Company's business.



Source: Compiled by FISCO based on the Company's prospectus and its Japanese securities report

Past Business Results

Rate of sales growth has accelerated since CEO Baba implemented organizational management

Since Mr. Baba became CEO of MRT at the start of FY3/11 and switched the Company's management approach to an organizational basis, MRT's sales growth has increased. In the five fiscal years through FY3/15, sales grew each year by an average rate of 19.0% per year. Over the same period, ordinary profit advanced by an average annual rate of 90.5%.

In FY3/14, profit fell notably YoY because the Company increased the number of sales people to support future growth and the number of employees overseeing its computer system following the leakage of personal information by a former employee in charge of the system*1. The costs of these personnel increases reduced profit temporarily. In FY3/15, profits returned to a growth trend, with non-consolidated sales rising 14.2% YoY to ¥831mn and operating profit jumping 212.6% to ¥173mn.

Description of Businesses

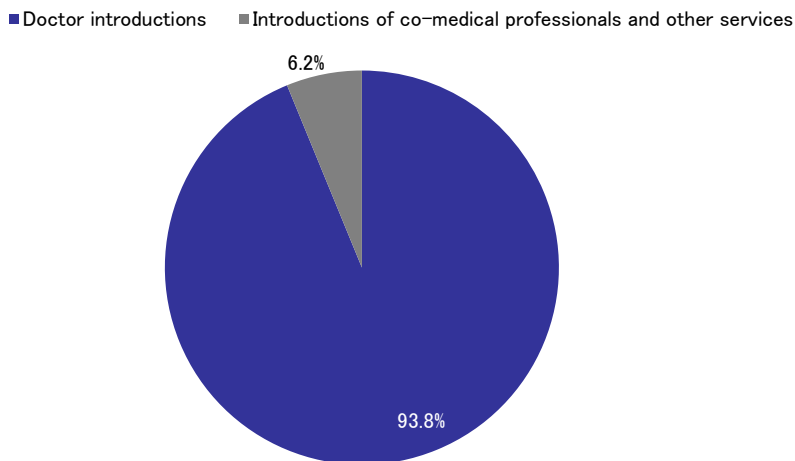
The service referring doctors for part-time work is the main business; the Company has just started new businesses, such as the "Pocket Doctor" service

The MRT group comprises MRT, consolidated subsidiary MRT NEO Inc., and affiliate MBS, which is accounted for by the equity-in-earnings method. MRT operates three platforms of information about medical care: one connecting doctors and medical institutions, one connecting doctors, medical offices*2 and companies, and one connecting doctors and consumers. Through these platforms, MRT provides information services with high added value to doctors and other medical professionals. These services are divided into two categories: 1) doctor introductions or referrals, and 2) the introduction of other medical professionals for part-time work or to change jobs (co-medical services) and other services. The main doctor introduction services are "Gaikin", which aims to match doctors seeking part-time work with medical facilities needing part-time doctors 24 hours a day every day of the year, and "career", which introduces doctors seeking new full-time employment. The co-medical services are for nurses, pharmacists, clinical laboratory technicians, clinical engineers, and radiology technicians. In FY3/16, doctor introductions accounted for 93.8% of total consolidated sales, and co-medical and other services accounted for 6.2%.

*1 In September 2012, the Company discovered that, in March and April of that year, a software program had been planted in the Company's computer system that allowed the incoming email of Company's specific director to be automatically forwarded illegally to the email address of an individual. The makers of this program could not be identified. Upon discovering this breach, the Company notified the police and launched an internal investigation that concluded that personal information may have been divulged as a result of the breach. A former employee was arrested as a result of these investigations.

*2 This platform is a non-profit organization responsible for the education, research and personal development of leading doctors to serve as professors at university laboratories or the departments of university hospitals. There are 81 medical schools in Japan, and many doctors are affiliated with one of the approximately 2,000 medical offices in the country.

Breakdown of FY3/16 consolidated sales by type of service



Source: Compiled by FISCO from Company’s financial results summary

At the end of FY3/16, about 18,000 medical doctors were registered in MRT’s network. This was about 2,000 more than had been registered at the end of FY3/15. Since the Company’s establishment, about one-third of all graduates of Tokyo University’s medical department have joined MRT’s network. At the end of FY3/16, MRT served about 9,000 medical institutions, which was about 1,000 more than it had served at the end of FY3/15.

●Information platform connecting doctors with medical institutions

1. Doctor referrals

a) Introduction of doctors for part-time work

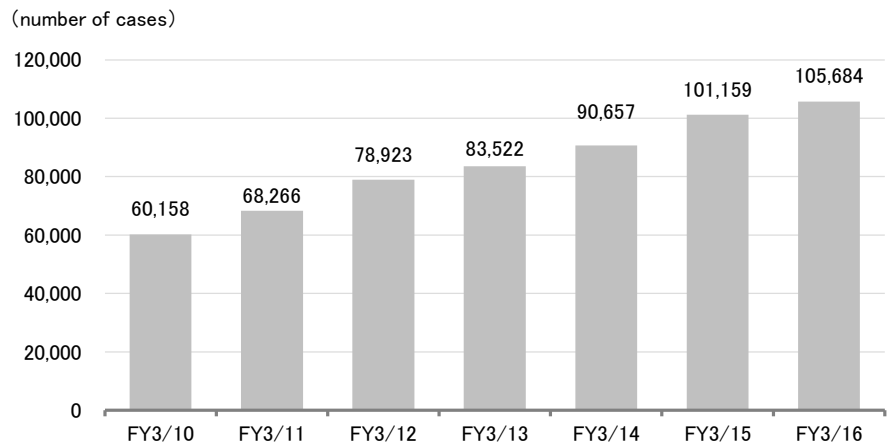
The “Gaikin” service of introducing doctors for part-time work automatically matches appropriate doctors with medical institutions seeking doctors and aims to provide doctors 24 hours a day every day of the year. This service supplies doctors according to regular employment contracts and spot employment contracts*. The computer system used for this service reflects the wishes of the medical institution requesting part-time help as much as possible. For spot contracts, most of the process required up to a doctor’s employment is completed on site. MRT awards points to doctors for their work at medical facilities and their participation in Company campaigns and surveys. After a fixed number of points have been amassed, the doctors can receive cash for the points.

Specifically, the procedure for introducing doctors for part-time work as follows.

- 1) A medical institution seeking part-time doctors must first register as a participant on MRT’s website. It then posts the details of its request, such as medical field, work hours, and salary.
- 2) A doctor seeking part-time work first registers as a participant on MRT’s website, then confirms the terms of employment being offered by a medical institution and applies for the job through the website.
- 3) The medical institution seeking part-time help confirms the details of the doctor applying for work, and if it agrees to hire the doctor, it concludes an employment contract with the doctor through MRT’s website. For regular employment contracts, MRT staff adjusts details, such as the time when the doctor starts working.
- 4) MRT receives a fixed commission from the medical institution for introducing a doctor.
- 5) For regular employment, MRT staff maintains appropriate communication with the doctor and the medical institution to support the conclusion of an employment contract between the parties and to introduce another doctor to the medical institution promptly at the conclusion of the employment contract.

* Since its inception, the Company has used the terms “regular” and “spot” for its part-time work contracts. “Regular” means employment for fixed hours every week. There are two types of “regular” part-time employment: 1) short-term regular employment, in which the doctor works fewer than five days a week at unspecified times but according to the same provisions that apply to regular employees, and 2) part-time employment for at least two months. “Spot” is one-time work for a set number of hours. Accompanying a change in the Company’s invoicing procedure in FY3/16, some contracts for “regular” employment were excluded from the total number of its doctor introductions.

Cumulative number of doctor referrals for part-time work



Source: Compiled by FISCO from Company prospectus and Japanese securities report

b) Doctor referrals for full-time employment by a new employer

For the “career” service of introducing doctors for new full-time employment, the doctors seeking employment and the medical institutions seeking full-time doctors first register as participants on MRT’s website. MRT staff interview the doctors to clarify their expectations, then match them with appropriate institutions. If a doctor and institution agree to terms of employment, they sign an employment contract and MRT receives a fixed commission from the institution.

2. Other services (referring co-medical professionals, etc.)

MRT offers referral services for co-medical professionals, such as nurses, pharmacists, clinical laboratory technicians, clinical engineers, and radiology technicians, similar to the referral services for medical doctors. The Company also provides points to these co-medical professionals that can be converted into cash.

● Information platforms for doctors, medical offices, and companies, and for doctors and consumers

In addition to the services cited above for referring medical professionals to medical institutions, MRT provides other services primarily for doctors and medical institutions but also for companies and consumers. As the main purpose of these services is to increase MRT’s network of registered doctors, most of these services are free of charge. The two main services of this type are MRT’s medical office groupware and the “Good Doctors” website. In March 2016, MRT started offering another such service, “Shica.com”, in April 2016, it began offering the “Pocket Doctor” service, and it plans to start providing micro blood test service soon.

1. medical office groupware

Medical offices perform a wide range of administrative tasks, including scheduling medical procedures, sharing information, making appointments, attendance management of doctors, introducing doctors to private hospitals (including for part-time work) and recruitment for doctors. MRT offers these services free of charge, aiming to build and expand medical doctor networks centered on university medical offices. The merits of introducing MRT’s medical office groupware are as follows: for medical offices, it greatly improves the efficiency and saves labor of performing these administrative tasks ; for MRT, the broadened introduction of the groupware in university medical offices, as well as medical offices at city hospitals and offices of individual doctors, has resulted in an increased number of doctors registered to MRT.

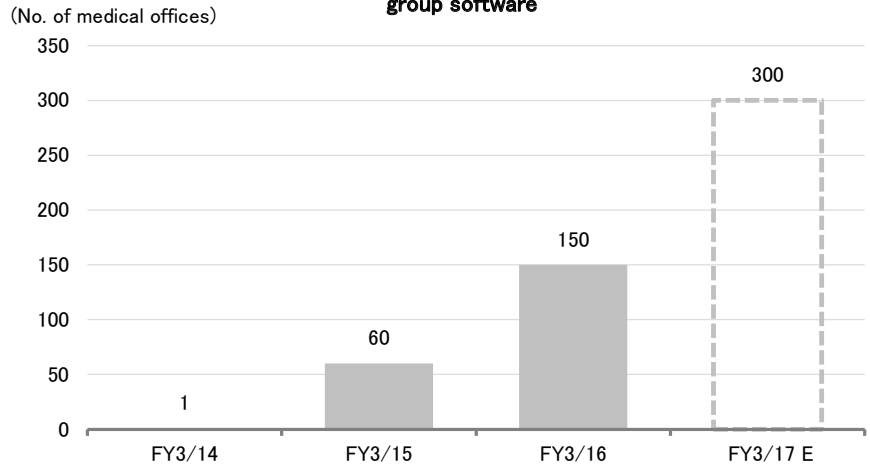
At the end of FY3/16, 150 medical offices used MRT’s medical office groupware. This number was 2.5 times the number at the end of FY3/15 and included the medical offices at all 13 university hospitals in Tokyo, as well as offices at university hospitals in Nagoya and Osaka. For FY3/17, MRT intends to double the number of medical offices using its medical office groupware. To achieve this goal, it plans to improve the quality of its emergency services for medical offices and to approach medical institutions other than university hospitals, such as city hospitals.



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Cumulative number of medical offices using MRT's Net Medical Office ® group software



Source: Compiled by FISCO from Company's financial reports briefing materials

2. "Good Doctors"

"Good Doctors" is an owned media* on which medical doctors and other healthcare professionals can post the latest articles on ways to maintain a healthy life, hospitals, and diseases. MRT launched this media in April 2015 as a marketing tool between doctors and consumers. The Company plans to start generating revenue from this service in FY3/17 through alliances with other companies.

3. "Shica.com"

"Shica.com" is a website based on the platform connecting doctors and consumers. It offers original content enabling consumers to search for and inquire about dental clinics throughout Japan. This website is operated by MRT subsidiary MRT NEO and began operations in March 2016.

The "Shica.com" service has three distinctive traits: 1) in addition to providing information such as the location of a dental clinic, its hours of operation, and the dental specialties offered, the website provides information such as the availability of rooms for kids to play in and the availability of private examination rooms; 2) the site offers photographs of the dentists and their clinics to impart an understanding of the atmosphere of the clinics, and 3) the site enables price comparisons of dental clinics based on their specialties, treatment methods, and materials used. This website contains information on more than 60,000 dental clinics throughout Japan. Of these, 7,000 clinics provide original content and accept appointments and inquiries by telephone and internet.

4. "Pocket Doctor"

The "Pocket Doctor" service is based on the platform connecting doctors with consumers and is the first service in Japan to provide medical treatment and health advice through smartphones and tablet devices. This service was developed by combining MRT's information on medical treatment and its networks of doctors and medical facilities with OPTiM's remote management technology into a reconstructed technology encompassing all the functions needed for telemedicine.

The "Pocket Doctor" service has three sub-services. The "family doctor" service began operating in April 2016, the "appointment counseling" service started operating in July 2016, and the "urgent counseling" service is to be started later in FY3/17. The "private medical treatment" service was launched with 1,340 medical facilities nationwide participating. For the time being, it is being offered free of charge to participating medical facilities.

* Media owned by companies to transmit information to consumers.



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The “Pocket Doctor” service has four distinctive characteristics: 1) the consumer inquiring about his or her health through the service can transmit photographs and video movies taken with the camera in his or her smart device to the doctor, as well as vital data gathered from wearable equipment or healthcare equipment; thus, the doctor can gain a detailed understanding of the inquirer’s condition; 2) the doctor can use red pen function or his or her fingertip to mark items that he or she wants photographs of, allowing the doctor to explain the symptoms of the enquirer precisely; 3) the doctor can answer “appointment counseling” or “urgent counseling” inquiries on unoccupied time of consultation hours, thereby using his or her time efficiently; 4) the “Pocket Doctor” application program can be installed on iPhones and iPads that operate on the iOS 8.0 operating system or more advanced iOS operating systems and on other smart devices that operate on the Android™ 4.0 operating system or more advanced Android™ operating systems.

Service name	Family doctor service	Appointment counseling	Urgent counseling
Users	Patients who have been examined previously by a medical doctor and are seeking follow-up treatment	General users	General users
Respondents	Medical facilities	Medical doctors	Medical doctors
General description	A patient can receive follow-up treatment anywhere from his or her regular doctor (or medical facility where the patient was first treated). The patient can consult the doctor about his or her condition and receive treatment for affected part of the body using health insurance, without visiting the medical facility. For the present, MRT will not charge medical facilities for this service.	An inquirer can make an appointment with a doctor and/or receive advice about health from medical specialists throughout Japan. This service can be used when there is no medical specialist nearby and when a patient wants advice about his or her health from doctors other than his or her family doctor.	An inquirer can use this service to discuss his or her health with a doctor any time of the day and any day of the year from any location. The service is particularly useful when there is a sudden change in a person’s physical condition late at night, when someone is too busy to go to a medical facility although he or she is concerned about his physical condition, and when it is impractical to go to a medical facility.
Characteristics	<ul style="list-style-type: none"> Advanced telephone follow-up advice Can use health insurance 	<ul style="list-style-type: none"> Can choose the advising doctor Can choose the advising time 	<ul style="list-style-type: none"> Usable 24 hours a day, 365 days a year Cannot choose the doctor
Legally defined use	Telemedicine	Remote advice about health	Remote advice about health
Business model	Inquirers	Free of charge (there is a fee for follow-up treatment)	Advice fee ¥2,000 or ¥3,000 per 10 minutes
	Respondents	Free of charge (insurance points can be calculated)	A fee is paid as remuneration
Date of service start	April 2016	July 2016	Within FY3/17
Aiming for FY3/19	More than 10,000 medical facilities use the service, equivalent to 10% of all medical facilities in Japan	1,000 or more doctors	10,000 or more doctors

Source: Compiled by FISCO from Company’s financial reports briefing materials

5. Micro blood test service

In August 2015, MRT concluded an agreement with MBS Co., Ltd. to take an equity stake in MBS and cooperate in business with the company. MRT invested ¥147mn in MBS for a 19.5% equity stake in the company. The two companies are jointly developing medical treatment and healthcare services, centered on the micro blood test device being developed by MBS, by efficiently using the networks of both companies. Specifically, MBS plans to start selling a device for test analysis soon. After that but within FY3/17, MRT intends to launch a blood test service and to connect the test results to the “Pocket Doctor” service.

FY3/16 and FY3/17 are a period of investment for future growth

●FY3/16 results

(1) Overview of FY3/16 results

In FY3/16, MRT generated consolidated sales of ¥1,001mn, which was 20.4% more than the Company's non-consolidated sales in FY3/15. On the same basis, FY3/16's consolidated operating profit of ¥199mn was up 14.7% YoY and consolidated net profit attributable to owners of parent of ¥140mn grew 47.0% YoY. Sales and profits exceeded the Company's forecasts.

	FY3/15 non-consolidated		FY3/16 consolidated				
	Result	vs. sales	Co. e	Result	vs. sales	YoY	vs. Co. e
Sales	831	-	1,000	1,001	-	20.4%	0.2%
Cost of sales	152	18.4%	-	163	16.4%	7.1%	-
Gross profit	678	81.6%	-	837	83.6%	23.4%	-
SGA costs	505	60.7%	-	638	63.8%	26.4%	-
Operating profit	173	20.9%	180	199	19.9%	14.7%	10.6%
Ordinary profit	155	18.7%	165	184	18.4%	18.6%	11.8%
Net profit attributable to owners of parent	95	11.5%	108	140	14.1%	47.0%	30.5%

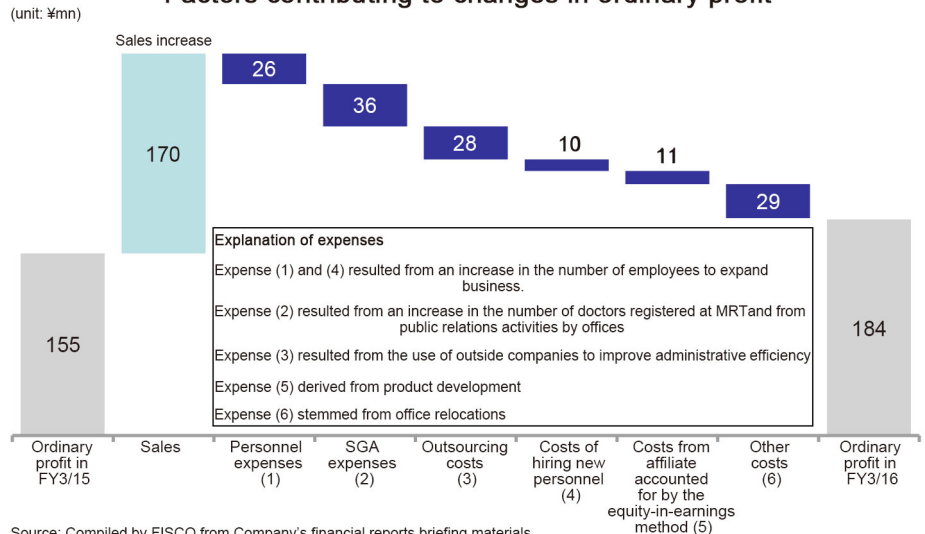
Source: Compiled by FISCO from Company's financial results summary and financial reports briefing materials

In FY3/16, sales from the referral or introduction of doctors (for part-time and full-time employment) grew 19.0% YoY to ¥939mn. This growth was led by sales from the "Gaikin" service of referring doctors for part-time work. Due to the opening of offices in Nagoya and Osaka, the "Gaikin" service spread in and around these cities. Thus, the number of doctor referrals by the "Gaikin" service increased by 4,500 YoY. Furthermore, the service partially revised its pricing in an advantageous way. Sales from other services, mainly the referral of co-medical professional for employment, advanced 48.0% YoY to ¥62mn. The large increase in net profit attributable to Company shareholders in FY3/16 was due to extraordinary gains totaling ¥43mn. Of these gains, ¥21mn came from the reversal of a reserve for litigation losses*1 and ¥21mn was the result of the reversal of a reserve for enhancing information security*2.

*1MRT was sued by the former director of its computer system operations. The district court dismissed the former director's demand for compensation, and the Tokyo High Court dismissed the director's appeal of the decision by the district court. The director did not further appeal his case within the time period allotted for appeal, so the district court's decision was affirmed, and MRT was absolved of any liability.

*2In March 2016, the Company's system for evaluating the comprehensiveness of its information security management system (ISMS) was certified. This was the final step in the Company's policy to improve its information security.

Factors contributing to changes in ordinary profit



(2) Actions in FY3/16

In FY3/16, MRT invested heavily in the expansion of its existing businesses and in the creation of new businesses. To increase the number of doctors and medical facilities registered with the Company, MRT established a new office in Osaka in September 2015, after having set up a new office in Nagoya in March 2015. These new offices helped to expand existing businesses. In September 2015, MRT formed a business tie with RIZAP Co. Ltd., and in October, it concluded a similar relationship with Recruit Medical Career Co., Ltd.



MRT Inc.

6034 TSE Mothers

7-Oct.-16

* To maintain a continuous, stable relationship with Hikari Tsushin and iFLAG, MRT made a third-party allocation of new shares to these companies, selling 135,000 shares to each company, for a total of 270,000 new shares, equivalent to 11.59% of the total number of MRT shares outstanding. Through this allocation, MRT raised ¥392mn. It used these proceeds to expand its doctor referral services, to build new services, and to invest in MRT NEO, the joint venture with iFLAG.

In April 2015, MRT concluded a business agreement with Revolver, Inc. to help develop the new “Good Doctors” business. In June 2015, MRT invested ¥66.5mn into Medley, Inc. and formed a business tie with that company to create new markets and exploit new business opportunities jointly. In August 2015, MRT concluded an equity and business agreement with MBS Co., Ltd., which develops equipment for the analysis of blood samples drawn from the fingertip. In September 2015, MRT established a business agreement with OPTiM Corp. to jointly develop the “Pocket Doctor” service. (This service was formally announced in February 2016)

In December 2015, MRT concluded an equity and business sharing agreement with Hikari Tsushin* , then established a joint venture, MRT NEO Inc. (capital of ¥60mn) with iFLAG, which is Hikari Tsushin’s consolidated subsidiary, to develop a website for searching for and inquiring about dental clinics throughout Japan using MRT NEO’s platform connecting consumers with medical clinics (dentists). Hikari Tsushin has been developing an advertising agency business and a solutions business centering on a reservation and customer referral service for the “EPARK” brand of restaurants, dentists and beauty parlors, which has more than 10 million subscribers, and iFLAG possesses ample knowhow and experience in operating reservation and customer referral systems. MRT NEO built and operates the “Shica.com” website, which has won the top share of the Japanese market for such websites because it allows consumers to make appointments with dental offices at convenient locations and times with desired specialists and based on original content from the dentists.

Funds acquired from share allocation to the Hikari Tsushin group give MRT great freedom to pursue business growth

(3) Financial position

At the end of FY3/16, MRT’s consolidated assets totaled ¥1,615mn. Current assets amounted to ¥1,240mn and were comprised mainly of ¥1,084mn of cash and deposits and ¥103mn of accounts receivable-trade. Cash and deposits grew in FY3/16 as a result of the capital raised by MRT through its allocation of new shares to Hikari Tsushin and iFLAG and as a result of profit growth accompanying business expansion. Fixed assets came to ¥374mn at the end of FY3/16, with tangible fixed assets of ¥37mn, intangible fixed assets of ¥45mn, and investments and other fixed assets of ¥292mn, including ¥220mn of long-term investments in MBS and in equity and business alliances to pursue new business.

Liabilities totaled ¥342mn at the end of FY3/16, with current liabilities of ¥224mn and fixed liabilities of ¥117mn. Net assets amounted to ¥1,273mn. Of this amount, following the allocation of new shares to Hikari Tsushin and iFLAG, capital stock grew to ¥425mn and additional paid-in capital reached ¥385mn, while retained earnings increased to ¥416mn with the addition of FY3/16’s net profit.

Cash and cash equivalents at the end of FY3/16 were ¥1,084mn. Cash flow from operating activities was positive by ¥139mn. The reserves for litigation losses and for information security contributed negatively to cash flow from operations, as did payments such as income taxes, but the growth in profit before income taxes and an increase in accounts payable more than offset these negative contributions. Cash flow from investing activities was negative by ¥325mn, reflecting purchasing investment securities and shares of subsidiaries and associates to establish new businesses. Cash flow from financing activities was positive by ¥441mn, mainly because of the allocation of new shares to Hikari Tsushin and iFLAG in December 2015.

MRT’s current ratio and equity ratio, measures of financial health or safety, improved greatly YoY in FY3/16 as a result of the capital obtained from the new share allocations. ROE and ROA, measures of profitability, declined YoY in FY3/16 due to the large increase in net assets, but they remained above 10%.

Summary Financial Statement

(¥mn)

	FY3/15	FY3/16	Absolute change YoY	remarks
Current assets	942	1,240	298	Cash and deposits+256 , Accounts receivable-trade+37
Fixed assets	95	374	279	Investments and other assets+256
Total assets	1,037	1,615	578	
Current liabilities	235	224	-10	
Fixed liabilities	114	117	3	
Total liabilities	349	342	-7	
Net assets	687	1,273	585	Capital stock+199, Capital surplus+199, Retained earnings+140
Total liabilities and net assets	1,037	1,615	578	
Cash flow from operating activities	216	139		
Cash flow from investing activities	-19	-325		
Cash flow from financing activities	347	441		
Cash and cash equivalents at year-end	828	1,084		
Measures of financial safety				
Current ratio	400.8%	553.1%		
Equity ratio	66.3%	75.9%		
Measures of profitability				
ROE	20.7%	14.7%		
Ordinary profit ÷ total assets (ROA)	19.7%	13.9%		
Operating profit margin	20.9%	19.9%		

Note: FY3/15 figures are non-consolidated

Source: Compiled by FISCO from Japanese securities report and Company's financial results summary

Company forecasts for FY3/17

For FY3/17, MRT projects a 19.8% YoY rise in its consolidated sales to ¥1,200mn and a 7.0% increase in its consolidated operating profit to ¥213mn.

(¥mn)

	FY3/16		FY3/17		
	Result	vs. sales	Co. e	vs. sales	YoY % change
Sales	1,001	-	1,200	100.0%	19.8%
Cost of sales	163	16.4%	-	-	-
Gross profit	837	83.6%	-	-	-
SGA costs	638	63.8%	-	-	-
Operating profit	199	19.9%	213	17.8%	7.0%
Ordinary profit	184	18.4%	190	15.8%	3.0%
Net profit attributable to owners of parent	140	14.1%	116	9.7%	-17.7%

Source: Compiled by FISCO based on Company's financial results summary and financial reports briefing materials.

The Company plans to invest several tens of millions of yen in its new "Pocket Doctor" service and its new micro blood test service in FY3/17. However, it aims to add 150 medical offices as customers for its medical office groupware, and it intends to extend its services throughout Japan. Thus, it expects to increase the number of doctors referred to medical facilities for part-time work by 17% YoY.

Accompanying MRT's expansion of its areas of operation, the number of doctors registered with the Company is increasing briskly. The number of medical offices subscribing to the medical office groupware should also rise notably in FY3/17 because once a medical office at a university subscribes to this service, other medical offices easily follow, and in FY3/16, the medical offices of all 13 universities in Tokyo subscribed to the service, while university medical offices in Nagoya and Osaka also subscribed following the opening of MRT offices in these cities. Furthermore, in May 2016, MRT reached an agreement for cooperative operations with cookpad-baby Inc., a subsidiary of Cookpad Inc. <2193>, in order to increase its network of registered doctors.* Given these developments and prospects, FISCO considers the Company's forecasts for FY3/17 to be conservative.

* cookpad-baby Inc. operates the "Cookpad Baby" website that presents information about pregnancy, giving birth, and raising infants. This company has delivered iPad hospital guidance systems to more than 300 gynecological hospitals in Japan.

*1 These problems will result from Japan's post-war generation, defined as those born from 1947 to 1951), reaching or exceeding the age of 75 (late elderly) by about 2025. At the same time, Japan's working-age population of 15–64 continues to shrink. Thus, by 2025, there should be about 21.79 million Japanese aged 75 or greater, accounting for 18.1% of the total population. Accompanying this aging of the population, the demand for medical care, home care, and welfare services is expected to rise. The costs and benefits of medical and home care are seen changing significantly, exerting a negative impact on social security spending by the government.

*2 According to calculations by Japan's Ministry of Health, Labour and Welfare, medical expenditures in Japan are likely to rise from ¥38trn in fiscal 2011 (the year through March 2012) to ¥60trn in fiscal 2025.

■ Medium-term growth strategy

MRT's top priority is to expand its network of registered doctors by raising the awareness of doctors and medical facilities about the MRT group and its new services

The global market for medical care services is about ¥520trn, and it is growing rapidly accompanying the aging of the global population. Japanese society is aging, and this process is projected to lead to problems by 2025*1, including a great increase in medical expenditures*2. The need for not only medical care services, but preventative medicine and healthcare, is expanding quickly. Thus, the Japanese government is promoting a national strategy to buttress medical care services as an important part of its overall growth strategy.

MRT has not announced a medium-term plan of operations, so its medium-term performance goals are unknown. However, the Company aims to increase the number of its registered doctors and medical facilities through its medium-term strategy. The Company also intends to increase the name recognition of its group and services by 1) expanding its services to medical offices, 2) expanding its areas of operation into rural areas of Japan, 3) making effective use of its media, and 4) diversifying its services.

Specifically, MRT plans to expand its established businesses by offering more services to university medical offices, thereby attracting more university medical offices, as well as medical offices at city hospitals and at the offices of individual doctors. By setting up more offices outside Greater Tokyo, the Company hopes to shrink the distance between it and doctors and medical facilities in rural areas of Japan. The growth of its established businesses should serve as a base for a strategy of developing new services, such as "Pocket Doctor", "Shica.com", and a micro blood test service, as future growth drivers. In new services, MRT's top priority is to lift the awareness of doctors and medical facilities about its "Pocket Doctor" service because the Company wants to increase the number of doctors and facilities using this service by FY3/19.

The Company's main goal is to entice doctors and medical facilities to use its new services. The pursuit of this goal will probably not contribute much to profit growth in the near term. Thus, FISCO considers the Company to be in a stage of development for growth over the medium-to-long term. The government's strategy to enhance medical care services and the rapid increase in healthcare needs accompanying the aging of Japanese society indicate large potential demand for MRT's services. If the Company can increase the number of doctors and facilities using its services, it should be able to increase its profits in the future. Therefore, FISCO intends to monitor the growth in the number of doctors and facilities using the Company's "Pocket Doctor" and other new services.

■ Shareholder Returns

For the near future, the Company will retain its profits to invest for growth; once its new businesses turn profitable, it may pay dividends

The Company has announced that growth is its major concern, so for the foreseeable future, it will retain profits for investment in new businesses and pay no dividends. However, the Company would consider paying part of its profits as dividends if its retained earnings grew to a level where business growth and financial stability were fairly assured. Now, the possibility and timing of dividend payments are uncertain.

CEO Baba would like to pay dividends as soon as possible, so FISCO sees such payments as likely after the "Pocket Doctor" and other new services turn profitable.

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