

## UNOFFICIAL TRANSLATION

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## Summary of Consolidated Financial Results for the Fiscal Year ended September 30, 2021 (Japanese Accounting Standards)

November 9, 2021

Listed Company Name: MTI Ltd.

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 9438

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

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Scheduled date of annual meeting of shareholders: December 18, 2021

Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 20, 2021

Scheduled date of dividend payment: December 20, 2021

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for securities analysts and institutional investors (On-demand delivery))

(Figures less than one millions of yen are omitted)

## 1. Consolidated financial results for the year ended September 30, 2021

(October 1, 2020 – September 30, 2021)

## (1) Consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2021	25,743	(1.3)	1,929	(23.0)	1,370	(34.2)	(1,164)	–
For the year ended September 30, 2020	26,082	(3.8)	2,507	(15.3)	2,082	(33.5)	506	(66.4)

(Note) Comprehensive income: Year ended September 30, 2021: (1,399) million yen, (–%)

Year months ended September 30, 2020: 121 million yen, (92.5%)

	Net income per share	Net income per share/diluted	Return on Equity	Return on Assets	Net income
	Yen	Yen	%	%	%
For the year ended September 30, 2021	(21.28)	–	(6.4)	4.4	7.5
For the year ended September 30, 2020	9.28	9.27	2.6	7.2	9.6

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2021: (569) millions of yen

Year ended September 30 2020: (431) millions of yen

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Year ended September 30, 2021	31,908	21,243	54.6	318.29
Year ended September 30, 2020	30,547	21,510	62.7	350.83

(Reference) Shareholders' equity: Year ended September 30, 2021: 17,426 millions of yen

Year ended September 30, 2020: 19,166 millions of yen

## (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
For the year ended September 30, 2021	3,516	(1,996)	649	15,540
For the year ended September 30, 2020	3,292	(4,807)	2,449	13,354

## 2. Dividends

	Dividend per share					Amount of dividends paid (Total)	Dividend ratio (Consolidated)	Dividends on equity (Consolidated)
	End of first quarter	End of second period	End of third quarter	Year end	Annual			
For the year ended September 30, 2020	–	8.00	–	8.00	16.00	876	172.5	4.5
For the year ended September 30, 2021	–	8.00	–	8.00	16.00	878	–	4.8
For the year ending September 30, 2022 (forecast)	–	8.00	–	8.00	16.00		87.6 ~146.0	



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## 1. Overview of operating results

### (1) Overview of operating results for the current fiscal year

In the Group's business environment during the the current fiscal year, the Japanese economy is severely affected by the prolonged COVID-19 pandemic. Amid this, its impact on the Group was limited and it worked on various initiatives in the content business and in the healthcare business with a view towards continued growth in the future.

In the content business, the Group increased the number of new subscribers to the AdGuard security-related app, which was in high demand, although the acquisition of new subscribers through mobile phone stores remained weak. It also increased monthly distribution of original comics to digital comic distributors.

In the healthcare business, the Group facilitated collaboration with its partner, Medipal Holdings Corporation, in a bid to spur more pharmacies to introduce the cloud drug record service, given that the appetite for the introduction of this service was growing due to the revision of the Medical Fee System, and to promote sales of child bearing-related solutions, such as the maternal health record book app, to local governments.

In part of the content business, inadequacies were found in the processing of points, including an inability to distinguish between free of charge points and paid points in the system, and it was found that free of charge points used were posted in sales. The Group consulted the accounting auditor and posted an adjustment to net sales, including adjustments before the fiscal year under review (minus ¥322 million, of which minus ¥156 million is an adjustment for the fiscal year under review), as a lump sum in the fourth quarter.

As a result, net sales stood at ¥25,743 million yen (down 1.3% year on year) and gross profit at ¥18,741 million yen (up 1.1% year on year).

Operating income was down 23.0% year on year, to ¥1,929 million, due to the decrease in gross profit reflecting the adjustment and an increase in selling, general and administrative (SG&A) expenses, due chiefly to a rise in advertising expenses aimed at expanding the number of paying subscribers of AdGuard, a paid security-related app.

Ordinary income decreased 34.2% year on year, to ¥1,370 million, due chiefly to a drop in non-operating expenses following increase in investment losses by equity method (increased ¥137 million yen year on year) despite a fall in operating income.

Loss attributable to owners of parent came to ¥1,164 million (compared to a profit of ¥506 million in the previous year). This mainly reflected decreases in ordinary income and extraordinary income, despite a decrease in extraordinary losses, as well as a decision to post neither deferred tax assets nor income taxes - deferred pursuant to the current accounting standards for the treatment of consolidated results pertaining to corporate taxes for relevant capital gains as a result of the transfer of the entire shares of Solamichi System Inc., a consolidated subsidiary of the Company, to CARADA medica Inc., a consolidated subsidiary of the Company.

### Consolidated operating results

(Period from October 1, 2020 to September 30, 2021)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	25,743	26,082	(339)	(1.3)
Cost of sales	7,001	7,130	(129)	(1.8)
Gross profit	18,741	18,951	(209)	(1.1)
SG&A	16,811	16,444	+367	+2.2
Operating income	1,929	2,507	(577)	(23.0)
Ordinary income	1,370	2,082	(712)	(34.2)
Profit attributable to Owners of parent	(1,164)	506	(1,671)	-

## Breakdown of SG&A

(Period from October 1, 2020 to September 30, 2021)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	16,811	16,444	+367	+2.2
Advertising expenses	1,517	1,174	+343	+29.3
Personnel expenses	7,099	6,395	+703	+11.0
Commission fee	3,157	3,343	(185)	(5.5)
Subcontract expenses	1,804	1,426	+377	+26.4
Depreciation	1,132	1,620	(487)	(30.1)
Other	2,100	2,483	(383)	(15.4)

Operating results by segment are as follows.

### ① Content business

The content business includes B2C monthly billing services excluding the Luna-Luna healthcare service for women and the KARADAMEDICA health Q&A service in cooperation with healthcare professionals, as well as the B2B original comic distribution business that offers original comic content to comic distributors.

This segment served 3.52 million paying subscribers. The figure was down by 360,000 from the end of September 2020. The net decrease in paying subscribers continued, but the pace of decrease was gradually reduced by strong acquisition of new subscriptions to the AdGuard security-related app via mobile phone stores.

Net sales stood at ¥18,851 million (down 7.6% year on year). Although the original comic distribution business posted record revenue, it was not enough to offset a year-on-year decrease in the number of paying subscribers. Operating income also dropped 18.7% year on year to ¥5,940 million, due chiefly to soaring expenses for advertising the AdGuard security-related app.

### ② Healthcare business

The healthcare business includes B2C monthly billing services under the Luna-Luna and KARADAMEDICA brands and B2B and B2B2C healthcare services for medical institutions and local governments, such as the cloud drug record service, online medical examinations, online medication advice and the maternal health record book app.

This segment served 640,000 paying subscribers. The figure was 70,000 smaller than at the end of September 2020. It made the most intensive efforts to increase the number of pharmacies introducing the cloud drug record service. The desire to introduce the service has been increasing due to the revision of the Medical Fee System. As of the end of September 2021, it had been adopted by 765 pharmacies, up 408 from the end of September 2020.

Net sales came to ¥3,791 million (up 4.1% year on year), after growth in initial introduction sales based on an increase in the number of pharmacies introducing the cloud drug record service over the same period the previous year. Operating loss decreased to ¥1,267 million (compared to the loss of ¥1,530 million recorded for the same period the previous year), aided by an increase sales despite the continuing burden of upfront investment spending.

### ③ Other business

Other business includes the B2B fintech business, the AI business operated by consolidated subsidiary Automagi Inc., and the B2B solutions business, which engages in the contracted development of systems and applications.

In this segment, net sales stood at ¥4,350 million (up 41.3% year on year), reflecting a rise in sales in the AI business and digital transformation support business for major companies. The operating loss decreased to ¥105 million (compared to a loss of ¥617 million recorded for the same period the previous year), aided by an increase in sales.

## (2) Overview of financial position for the current fiscal year

As of the end of the fiscal year under review, total assets increased ¥1,361 million from September 30, 2020, to ¥31,908 million.

Current assets increased ¥1,519 million mainly due to a rise in cash and deposits. Non-current assets fell ¥157 million due to a decline in goodwill and customer-related assets, despite an increase in software.

Current liabilities increased ¥1,889 million, primarily reflecting a rise in income taxes payable. Non-current liabilities fell ¥260 million mainly due to a decline in long-term liabilities.

Net assets decreased ¥267 million, reflecting dividends paid and the posting of ¥1,164 million as a loss attributable to owners of parent, which offset an increase in non-controlling interests.

## (3) Overview of cash flow position for the current fiscal year

As of the end of the fiscal year under review, cash and cash equivalents amounted to ¥15,540 million, an increase of ¥2,186 million from September 30, 2020. Cash flow by activity and principal factors in the fiscal year under review were as follows.

Net cash provided by operating activities was ¥3,516 million (inflow of ¥3,292 million in the previous fiscal year). This is mainly a reflection of profit before income taxes and depreciation, which more than offset income taxes paid.

Net cash used in investing activities stood at ¥1,996 million (outflow of ¥4,807 million in the previous fiscal year). Principal factors included the acquisition of intangible assets (mainly purchase of software).

Net cash provided by financing activities came to ¥649 million (inflow of ¥2,449 million in the previous fiscal year). Principal factors included proceeds from non-controlling interests which more than offset dividends paid and repayments of long-term loans payable.

## (Reference) Cash flows indicators

	Fiscal year ended September 30, 2017	Fiscal year ended September 30, 2018	Fiscal year ended September 30, 2019	Fiscal year ended September 30, 2020	Fiscal year ended September 30, 2021
Equity ratio (%)	71.2	75.2	72.3	62.7	54.6
Equity ratio based on market value (%)	154.0	143.9	140.4	158.2	131.9
Ratio of cash flows to interest- bearing liabilities (%)	-	-	1.7	101.2	81.9
Interest coverage ratio (times)	5,646.4	25,971.6	8,912.8	804.9	517.7

Equity ratio: Shareholders' equity / Total assets  
Equity ratio based on market value: Market capitalization / Total assets

Ratio of cash flows to interest-bearing liabilities: Interest-bearing liabilities / Net cash provided by operating activities.

Interest coverage ratio: Net cash provided by operating activities / Interest payments.

Notes: 1. These indicators are calculated based on consolidated financial results.

2. Cash flows refers to net cash provided by operating activities in the consolidated statements of cash flows.

3. Interest-bearing liabilities refer to all liabilities in the consolidated balance sheet for which interest is paid. Interest payment refers to the interest payment amount in the consolidated cash flows statement.

## (4) Future outlook

The Company will work hard to expand sales and cut losses of its healthcare business, which is expected to play a key role in increasing revenue and earnings in the future. In the content business, it will make every effort to increase the number of paying subscribers by expanding sales of the AdGuard security-related app and striving to bolster the original comic distribution business.

The Company takes medium- and long-term perspectives in its engagement in the healthcare business, which has strong potential for future growth and compared with BtoC transactions, may move toward a more stable stock-type

business through the establishment of long-term business relationships with customers. Therefore, the Company is committed to implementing a variety of measures to achieve sales growth.

Among others, the cloud drug record service will help the healthcare business attain continuous sales growth, since the appetite for introducing the service has been growing among pharmacies due to the revision of the Medical Fee System. The Company will accelerate sales tie-ups with companies that provide IT solutions to pharmacies to make sure that more stores will introduce the service, while simultaneously strengthening collaboration with its partner, Medipal Holdings Corporation.

It will also enhance childcare-related services with a focus on local governments that have introduced the Boshimo, a maternal health record book app, and will advance digital cooperation among local governments, hospitals, and residents, thereby advancing its Boshimo childcare digital transformation platform strategy to enable the healthcare business to make a contribution to profit in the medium term.

**Earnings forecast for the six months of the fiscal year ending September 30, 2022  
(Period from October 1, 2021 to March 30, 2022)**

Consolidated	(Millions of yen)	YoY(%)
Net sales	12,750 ~ 13,250	(2.3) ~ +1.6
Operating income	900 ~ 1,100	(27.0) ~ (10.7)
Ordinary income	700 ~ 900	(16.7) ~ +7.1
Profit attributable to owners of parent	300 ~ 500	-

**Earnings forecast for the fiscal year ending September 30, 2022  
(Period from October 1, 2021 to September 30, 2022)**

Consolidated	(Millions of yen)	YoY(%)
Net sales	25,500 ~ 26,500	(0.9) ~ +2.9
Operating income	1,800 ~ 2,200	(6.7) ~ +14.0
Ordinary income	1,400 ~ 1,800	+2.1 ~ +31.3
Profit attributable to owners of parent	600 ~ 1,000	-

**2. Basic policy for the selection of accounting standards**

The Group intends to compile its consolidated financial statements based on the Japanese accounting standard for the time being, considering the possibility of comparing the terms of financial statements and performances between companies.

It will adopt the International Financial Reporting Standards (IFRS), factoring in the situations in Japan and abroad.

### 3. Consolidated financial statements and important notes

#### (1) Consolidated balance sheet

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2020)	Current fiscal year (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	13,354,028	15,540,084
Notes and accounts receivable-trade	4,840,902	4,501,674
Advance payments-trade	466,495	281,543
Prepaid expenses	453,713	460,171
Accounts receivable-other	271,568	93,638
Income taxes receivable	51,914	60,276
Other	341,334	358,622
Allowance for doubtful accounts	(36,222)	(33,173)
<b>Total current assets</b>	<b>19,743,732</b>	<b>21,262,838</b>
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	397,543	338,130
Accumulated depreciation	(308,891)	(256,359)
Facilities attached to buildings, net	88,652	81,771
Vehicles	1,201	277
Accumulated depreciation	(451)	(255)
Vehicles, net	750	22
Tools, furniture, and fixtures	507,795	567,859
Accumulated depreciation	(403,441)	(446,650)
Tools, furniture and fixtures, net	104,354	121,208
<b>Total property, plant and equipment</b>	<b>193,757</b>	<b>203,001</b>
Intangible assets		
Software	1,281,608	1,791,596
Goodwill	692,054	556,421
Customer-related assets	1,755,000	1,333,800
Other	35,437	30,009
<b>Total intangible assets</b>	<b>3,764,099</b>	<b>3,711,827</b>
Investments and other assets		
Investment securities	4,536,380	4,511,728
Lease and guarantee deposits	493,882	318,761
Deferred tax assets	1,766,869	1,803,442
Other	74,487	108,143
Allowance for doubtful accounts	(25,824)	(10,904)
<b>Total investments and other assets</b>	<b>6,845,793</b>	<b>6,731,170</b>
<b>Total non-current assets</b>	<b>10,803,650</b>	<b>10,646,000</b>
<b>Total assets</b>	<b>30,547,383</b>	<b>31,908,839</b>



(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2020)	Current fiscal year (As of September 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,101,925	1,147,543
Current portion of long-term loans payable	451,780	451,780
Accounts payable-other	1,333,898	1,230,095
Accrued expenses	492,594	493,342
Income taxes payable	701,022	2,156,218
Accrued consumption taxes	109,550	461,410
Provision for point usage	110,690	115,396
Provision for directors' bonuses	23,302	23,447
Other	441,940	576,648
Total current liabilities	4,766,705	6,655,884
Non-current liabilities		
Long-term loans payable	2,881,570	2,429,790
Net defined benefit liability	1,381,767	1,572,854
Other	6,756	6,935
Total non-current liabilities	4,270,094	4,009,579
Total liabilities	9,036,799	10,665,464
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,138,116	5,197,909
Capital surplus	6,551,222	6,660,831
Retained earnings	10,707,058	8,665,046
Treasury shares	(3,283,663)	(3,281,839)
Total shareholders' equity	19,112,733	17,241,947
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,897	165,205
Foreign currency translation adjustment	(11,666)	5,908
Remeasurements of defined benefit plans	46,010	13,879
Total accumulated other comprehensive income	54,241	184,993
Subscription rights to shares	345,299	161,887
Non-controlling interests	1,998,309	3,654,545
Total net assets	21,510,583	21,243,375
Total liabilities and net assets	30,547,383	31,908,839

## (2) Consolidated statement of income and consolidated comprehensive income

### Consolidated statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2019 to September 30, 2020)	Current fiscal year (from October 1, 2020 to September 30, 2021)
Net sales	26,082,051	25,743,006
Cost of sales	7,130,326	7,001,132
Gross profits	18,951,725	18,741,873
Selling, general and administrative expenses	16,444,519	16,811,994
Operating income	2,507,205	1,929,879
Non-operating income		
Interest income	215	234
Dividend income	10,130	—
Amortization of negative goodwill	4,069	—
Foreign exchange gains	—	32,394
Subsidy income	5,199	28,638
Cancellation of treasury share acquisition rights gains	—	21,424
Gain on share exchange	—	12,102
Reversal of allowance for doubtful accounts	138	—
Other	21,815	17,473
Total non-operating income	41,569	112,267
Non-operating expenses		
Interest expenses	4,094	6,793
Share of loss of entities accounted for using equity method	431,156	569,114
Foreign exchange losses	14,660	—
Cancellation of treasury share acquisition rights losses	—	71,550
Other	16,004	23,981
Total non-operating expenses	465,915	671,438
Ordinary income	2,082,859	1,370,708
Extraordinary income		
Gain on sale of non-current assets	—	3,030
Gain on sales of investment securities	428,437	3,184
Gain on change in equity	67,032	80,082
Gain on reversal of share acquisition rights	41,665	54,810
Gain on step acquisitions	272,326	—
Total extraordinary income	809,461	141,107
Extraordinary losses		
Loss on sales of non-current assets	664	8,223
Loss on retirement of non-current assets	166,935	65,492
Impairment loss	1,416,842	428,318
Loss on valuation of investment securities	93,956	11
Retirement benefit expenses	—	23,702
Total extraordinary losses	1,678,399	525,748
Income before income taxes	1,213,921	986,066
Income taxes-current	1,074,548	2,538,565
Income taxes-deferred	(196,627)	(22,880)
Total income taxes	877,921	2,515,685
Profit(loss)	336,000	(1,529,619)
Loss attributable to non-controlling interests	(170,942)	(365,396)
Profit(loss) attributable to owners of parent	506,943	(1,164,222)

## Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2019 to September 30, 2020)	Current fiscal year (from October 1, 2020 to September 30, 2021)
Profit(loss)	336,000	(1,529,619)
Other comprehensive income		
Valuation difference on available-for-sale securities	(291,833)	102,593
Foreign currency translation adjustment	(3,636)	16,843
Remeasurements of defined benefit plans, net of tax	40,674	(32,130)
Share of other comprehensive income of entities accounted for using equity method	40,468	42,836
Total other comprehensive income	(214,327)	130,143
Comprehensive income	121,673	(1,399,475)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	292,616	(1,033,469)
Comprehensive income attributable to non-controlling interests	(170,942)	(366,006)

### (3) Consolidated statement of changes in equity

Previous fiscal year (from October 1, 2019 to September 30, 2020)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,135,680	6,706,846	10,989,009	(3,233,136)	19,598,399
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	2,436	2,436			4,872
Dividends of surplus			(876,893)		(876,893)
Profit(loss) attributable to owners of parent			506,943		506,943
Increase (decrease) consolidated subsidiaries		(158,059)			(158,059)
Net changes of items other than shareholders' equity			87,999		87,999
Change in equity in affiliates accounted for by equity method treasury stock				(50,527)	(50,527)
Cancellation of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	2,436	(155,623)	(281,950)	(50,527)	(485,665)
Balance at end of current period	5,138,116	6,551,222	10,707,058	(3,283,663)	19,112,733

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	271,565	(8,332)	5,335	268,568	343,187	1,584,173	21,794,328
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							4,872
Dividends of surplus							(876,893)
Profit(loss) attributable to owners of parent							506,943
Increase (decrease) consolidated subsidiaries							(158,059)
Net changes of items other than shareholders' equity							87,999
Change in equity in affiliates accounted for by equity method treasury stock							(50,527)
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	(251,668)	(3,333)	40,674	(214,327)	2,112	414,135	201,920
Total changes of items during period	(251,668)	(3,333)	40,674	(214,327)	2,112	414,135	(283,745)
Balance at end of current period	19,897	(11,666)	46,010	54,241	345,299	1,998,309	21,510,583

**Current fiscal year (from October 1, 2020 to September 30, 2021)**

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,138,116	6,551,222	10,707,058	(3,283,663)	19,112,733
Changes of items during period					
Issuance of new shares exercise of subscription rights to shares	59,793	59,793			119,586
Dividends of surplus			(877,789)		(877,789)
Profit(loss) attributable to owners of parent			(1,164,222)		(1,164,222)
Increase (decrease) consolidated subsidiaries		67,757			67,757
Net changes of items other than shareholders' equity					—
Change in equity in affiliates accounted for by equity method treasury stock				△16,117	△16,117
Cancellation of treasury shares		(17,941)		17,941	—
Net changes of items other than shareholders' equity					
Total changes of items during period	59,793	109,608	(2,042,011)	1,823	(1,870,786)
Balance at end of current period	5,197,909	6,660,831	8,665,046	(3,281,839)	17,241,947

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at beginning of current period	19,897	(11,666)	46,010	54,241	345,299	1,998,309	21,510,583
Changes of items during period							
Issuance of new shares exercise of subscription rights to shares							119,586
Dividends of surplus							(877,789)
Profit(loss) attributable to owners of parent							(1,164,222)
Increase (decrease) consolidated subsidiaries							67,757
Net changes of items other than shareholders' equity							—
Change in equity in affiliates accounted for by equity method treasury stock							(16,117)
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	145,308	17,574	(32,130)	130,752	(183,411)	1,656,236	1,603,577
Total changes of items during period	145,308	17,574	(32,130)	130,752	(183,411)	1,656,236	(267,208)
Balance at end of current period	165,205	5,908	13,879	184,993	161,887	3,654,545	21,243,375

**(4) Consolidated statement of cash flows**

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2019 to September 30, 2020)	Current fiscal year (from October 1, 2020 to September 30, 2021)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,213,921	986,066
Depreciation	1,703,477	1,238,825
Impairment loss	1,416,842	428,318
Amortization of goodwill	302,346	215,632
Amortization of negative goodwill	(4,069)	—
Increase (decrease) in allowance for doubtful accounts	(11,391)	(17,968)
Increase (decrease) in provision for point usage	(32,686)	4,705
Increase (decrease) in net defined benefit liability	124,694	153,130
Interest and dividend income	(10,346)	(234)
Interest expenses	4,094	6,793
Share of (profit) loss of entities accounted for using equity method	431,156	569,114
Loss (gain) on step acquisitions	(272,326)	—
Loss (gain) on change in equity	(67,032)	(80,082)
Loss (gain) on sales of non-current assets	664	5,193
Loss on retirement of non-current assets	166,935	65,492
Loss (gain) on sales of investment securities	(428,437)	(3,184)
Loss (gain) on valuation of investment securities	93,956	11
Gain on reversal of share acquisition rights	(41,665)	(54,810)
Decrease (increase) in trade receivables	(173,686)	343,745
Decrease (increase) in advance payments to suppliers	(179,547)	184,974
Decrease (increase) in prepaid expenses	(85,894)	(6,343)
Decrease (increase) in accounts receivable-other	(161,665)	177,933
Increase (decrease) in trade payables	(206,142)	40,719
Increase (decrease) in accounts payable-other	183,759	(113,766)
Increase (decrease) in accrued expenses	33,563	(1,902)
Increase (decrease) in accrued consumption taxes	(51,555)	351,860
Other, net	491,325	159,647
Subtotal	4,440,291	4,653,873
Interest and dividends received	10,346	234
Interest paid	(4,094)	(6,793)
Income taxes refund (paid)	(1,153,905)	(1,130,434)
Net cash provided by (used in) operating activities	3,292,637	3,516,879

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2019 to September 30, 2020)	Current fiscal year (from October 1, 2020 to September 30, 2021)
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,854)	(134,086)
Proceeds from sales of property, plant and equipment	2,450	220
Purchase of intangible assets	(1,618,390)	(1,641,958)
Proceeds from sale of intangible assets	—	4,250
Purchase of investment securities	(54,379)	(83,303)
Proceeds from sale of investment securities	918,824	17,353
Purchase of shares of subsidiaries and associates	(725,092)	(274,144)
Payments for transfer of business	(3,242,593)	(80,000)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(36,882)	—
Proceeds from collection of lease and guarantee deposits	17,770	232,661
Other, net	(1,870)	(37,266)
Net cash provided by (used in) investing activities	(4,807,018)	(1,996,273)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	4,000,000
Repayments of short-term borrowings	(2,000)	(4,000,000)
Proceeds from short-term borrowings	3,500,000	—
Repayments of long-term borrowings	(263,030)	(451,780)
Proceeds from issuance of shares	3,796	70,302
Proceeds from share issuance to non-controlling shareholders	410,000	2,115,000
Cash dividends paid	(876,893)	(877,789)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(222,600)	—
Purchase of treasury share acquisition rights	—	(181,550)
Purchase of treasury shares of subsidiaries	(100,000)	(25,000)
Net cash provided by (used in) financing activities	2,449,272	649,182
Effect of exchange rate change on cash and cash equivalents	(2,423)	16,267
Net increase (decrease) in cash and cash equivalents	932,467	2,186,056
Cash and cash equivalents at beginning of period	12,421,560	13,354,028
Cash and cash equivalents at end of period	13,354,028	15,540,084