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Summary of Consolidated Financial Results for the First Three Quarters of Fiscal Year ending September 30, 2022 (Japanese Accounting Standards)

August 5, 2022

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 Securities Code: 9438 URL: <https://ir.mti.co.jp/eng/>
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 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): August 15, 2022
 Scheduled date of dividend payment: -
 Supplementary documents for quarterly results: Yes
 Quarterly results briefing: Yes (for securities analysts and institutional investors(On-demand))

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the nine months ended June 30, 2022

(October 1, 2021– June 30, 2022)

(1) Consolidated operating results (cumulative total)

(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	%
First three quarters of fiscal year ending September 30, 2022	19,354	(0.8)	422	(76.5)	87	(93.1)	(88)	—
First three quarters of fiscal year ended September 30, 2021	19,504	0.1	1,796	(11.0)	1,269	(35.3)	(1,094)	—

(Note) Comprehensive income Nine months ended June 30, 2022: (273) millions of yen (—%)
 Nine months ended June 30, 2021: (1,025) millions of yen (—%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First three quarters of fiscal year ending September 30, 2022	(1.62)	—
First three quarters of fiscal year ended September 30, 2021	(20.02)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	28,616	18,567	51.7
As of September 30, 2021	31,908	21,243	54.6

(Reference) Shareholders' equity: As of June 30, 2022: 14,786 millions of yen
 As of September 30, 2021: 17,426 millions of yen

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2021	—	8.00	—	8.00	16.00
Fiscal year ending September 30, 2022	—	8.00	—		
Fiscal year ending September 30, 2022(forecast)				8.00	16.00

(Note) Revisions to dividend forecasts published most recently: No

Accompanying materials – Contents

1. Qualitative information on financial results for the current quarterly settlement	2
(1) Explanation on operating results	2
(2) Explanation on financial position	4
(3) Explanation of future forecast information including consolidated forecast	4
2. Quarterly Consolidated financial statements and important notes	5
(1) Quarterly consolidated balance sheet	5
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income	7

1. Qualitative information on financial results for the current quarterly settlement

(1) Explanation on operating results overview of the first three quarters of fiscal year ending September 30, 2022 (Period from October 1, 2021 to June 30, 2022)

Looking at the Group's business environment during the first nine months under review, the Japanese economy was severely affected by the prolonged COVID-19 pandemic, although the impact on the Group's consolidated financial results was minor.

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, and to promote sales of child bearing-related solutions, such as the maternal health record book app, to local governments.

As a result, net sales stood at ¥19,354 million yen (down 0.8% year on year).

Gross profit declined to ¥13,597 million (down 5.3% year on year) although net sales remained almost at the same level. This is because the other business, where the rate of cost of sales was high, accounted for a larger percentage of total net sales due to a rise in sales in the business and low-profit projects increased in this business.

Operating income and ordinary income came to ¥422 million (down 76.5% year on year) and ¥87 million (down 93.1% year on year), respectively. This reflected an increase in selling, general and administration (SG&A) expenses primarily due to rises in personnel expenses, subcontracting expenses and depreciation as a result of efforts made to strengthen the Group's product development capability, particularly in the school digital transformation business that Motivation Works Inc., a subsidiary, is actively working to develop, although there were reductions in rents linked to a shift to the teleworking system.

Loss attributable to owners of parent came to ¥88 million (compared to a loss of ¥1,094 million in the same period of the previous year) mainly because the recorded amount of corporate taxes was significantly lower than the year-ago level, despite a decline in ordinary income.

Consolidated business results

(Period from October 1, 2021 to June 30, 2022)

	First three quarters of the fiscal year ending September 30, 2022	First three quarters of the fiscal year ended September 30, 2021	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	19,354	19,504	(149)	(0.8)
Cost of sales	5,756	5,147	+608	+11.8
Gross profit	13,597	14,356	(758)	(5.3)
SG&A	13,175	12,560	+615	+4.9
Operating income	422	1,796	(1,373)	(76.5)
Ordinary income	87	1,269	(1,181)	(93.1)
Loss attribute to owners of parent	(88)	(1,094)	+1,006	-

Breakdown of SG&A

(Period from October 1, 2021 to June 30, 2022)

	First three quarters of the fiscal year ending September 30, 2022	First three quarters of the fiscal year ended September 30, 2021	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	13,175	12,560	+615	+4.9
Advertising expense	1,137	1,104	+33	+3.0
Personnel expenses	5,786	5,251	+534	+10.2
Commission fee	2,315	2,351	(35)	(1.5)
Subcontract expenses	1,542	1,340	+202	+15.1
Depreciation	991	846	+145	+17.2
Other	1,400	1,666	(265)	(15.9)

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 “CARADA medica” health Q&A service in cooperation with healthcare professionals) and the B2B original comic distribution business that offers original comic content to comic distributors.

This segment served 3.20 million of paying subscribers. The figure was 320 thousand smaller than at the end of September 2021. Following mobile carriers’ termination of the feature phone service, the net decrease in the number of paying subscribers expanded. Excluding this factor, however, a net decline in the number of paying subscribers was becoming moderate in the content business, reflecting continuing growth in the number of paying subscribers to the “AdGuard” security-related app.

Net sales stood at ¥13,418 million (down 7.2% year on year), reflecting a year-on-year decrease in the number of paying subscribers, which more than offset an increase in sales in the original comics business. Operating income was ¥4,186 million (down 13.5% year on year) mainly due to a year-on-year decrease in the number of paying subscribers.

② Healthcare business

The healthcare business includes B2C monthly billing services under the “Luna-Luna” and “CARADA medica” brands and B2B and B2B2C healthcare services for medical institutions and local governments, such as the cloud drug record service and the maternal health record book app.

This segment served 600 thousand of paying subscribers. The figure was 40 thousand smaller than at the end of September 2021. On the other hand, the number of pharmacies that offer the cloud drug record service came to 1,096 at the end of June 2022 (up 331 from the end of September 2021) as the result of great efforts focused on increasing the number of pharmacies whose motivation to introduce such service is growing.

Net sales came to ¥2,916 million (up 2.3% year on year). Although a rise in the sales of the cloud drug record service, it was not enough to offset a year-on-year decrease in the number of paying subscribers.

Operating loss was stood at ¥899 million (compared to a loss of ¥1,008 million recorded for the same period of the previous year) due to the continued burden of upfront investment spending.

③ Other business

Other business includes the B2B-type AI business operated by Automagi Inc., a consolidated subsidiary, the Company’s DX support business for large companies and solution business, and the school DX business operated by Motivation Works Inc., a consolidated subsidiary.

In this segment, net sales stood at ¥4,010 million (up 28.8% year on year), reflecting steady sales in the AI business and a rise in sales in the DX support business for major companies and the school DX business. The operating loss came to ¥963 million (compared to a loss of ¥36 million recorded for the same period of the previous fiscal year) chiefly due to a rise in the cost of sales, which resulted from an increase in low-profit projects in the DX support business for major companies, higher personnel expenses due to an increase in the number of personnel for strengthening the school DX business structure, and increases in subcontract expenses for strengthening development capability and depreciation.

(2) Explanation on financial position

① Assets, liabilities and net assets

At the end of the first three quarters under review, total assets decreased ¥3,292 million from the end of September 2021, to ¥28,616 million.

Current assets decreased ¥3,558 million mainly due to a fall in cash and deposits. Non-current assets rose ¥265 million chiefly due to an increase in software, which more than offset a decrease in investment securities.

Current liabilities decreased ¥387 million, primarily reflecting a decline in income taxes payable, more than offsetting an increase in contract liabilities linked to the application of the *Accounting Standard for Revenue Recognition*, etc. Non-current liabilities fell ¥228 million mainly due to a decline in long-term loans payable.

Net assets decreased ¥2,676 million due to the payment of dividends and the effects of the application of the *Accounting Standard for Revenue Recognition*, etc., despite the posting of ¥88 million as loss attributable to owners of parent.

(3) Explanation of future forecast information including consolidated forecast

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.

In the other business, the Group will focus on expanding the school DX business that Motivation Works Inc., a subsidiary of the Company, is actively working to develop. In response to a large number of business inquiries about “BLEND”, the cloud-based school affairs support system provided by Motivation Works Inc., the Group is making an investment, which is upfront investment from a short-term perspective, to achieve business expansion from the next fiscal year. The investments are made to increase the number of personnel to strengthen the business structure, using subcontractors to deal with increasing implementations of the system, and developing the system to improve its scalability.

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 B2C 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. 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 DX platform strategy to enable the healthcare business to make a contribution to profit in the medium term.

With regards to forecasts for consolidated business results for the fiscal year ending September 30, 2022, operating income, ordinary income and profit (loss) attributable to owners of parent were revised as stated in the “Notice of Revision of Consolidated Results Forecast for Fiscal Year Ending September 2022” announced today.

Earnings forecast for the fiscal year ending September 30, 2022

(Period from October 1, 2021 to September 31, 2022)

	(Millions of yen)	YoY(%)
Net sales	25,800	+0.2
Operating income	300	(84.5)
Ordinary income	(100)	—
Loss attributable to owners of parent	(190)	—

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2021)	Current fiscal year (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	15,540,084	11,055,142
Notes and accounts receivable-trade	4,501,674	—
Notes and accounts receivable - trade, and contract assets	—	4,198,304
Other	1,254,252	2,489,395
Allowance for doubtful accounts	(33,173)	(38,111)
Total current assets	21,262,838	17,704,730
Non-current assets		
Property, plant and equipment	203,001	196,880
Intangible assets		
Software	1,791,596	2,728,804
Goodwill	556,421	664,872
Customer-related assets	1,333,800	1,017,900
Other	30,009	133,424
Total intangible assets	3,711,827	4,545,002
Investments and other assets		
Investment securities	4,511,728	3,742,054
Lease and guarantee deposits	318,761	315,490
Deferred tax assets	1,803,442	2,010,968
Other	108,143	112,212
Allowance for doubtful accounts	(10,904)	(10,904)
Total investment and other assets	6,731,170	6,169,821
Total non-current assets	10,646,000	10,911,703
Total assets	31,908,839	28,616,434

	(Unit: thousands of yen)	
	Previous fiscal year (As of September 30, 2021)	Current fiscal year (As of June 30, 2022)
Liabilities		
Current liabilities		
Account payable-trade	1,147,543	998,095
Current portion of long-term borrowings	451,780	451,780
Accounts payable-other	1,230,095	1,355,171
Income taxes payable	2,156,218	8,256
Contract liabilities	—	2,594,294
Provision for bonuses	—	206,508
Provision for point card certificates	115,396	—
Other	1,554,849	654,025
Total current liabilities	6,655,884	6,268,131
Non-current liabilities		
Long-term borrowings	2,429,790	2,090,955
Retirement benefit liability	1,572,854	1,681,410
Other	6,935	8,707
Total non-current liabilities	4,009,579	3,781,072
Total liabilities	10,665,464	10,049,204
Net assets		
Shareholders' equity		
Share capital	5,197,909	5,212,239
Capital surplus	6,660,831	6,586,804
Retained earnings	8,665,046	6,066,153
Treasury shares	(3,281,839)	(3,257,237)
Total shareholders' equity	17,241,947	14,607,959
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,205	90,590
Foreign currency translation adjustment	5,908	76,417
Remeasurements of defined benefit plans	13,879	11,727
Total accumulated other comprehensive income	184,993	178,735
Subscription rights to shares	161,887	158,944
Non-controlling interests	3,654,545	3,621,589
Total net assets	21,243,375	18,567,229
Total liabilities and net assets	31,908,839	28,616,434

(2) Quarterly consolidated statements of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income

For the first three quarters

(Unit: thousands of yen)

	For the first three quarters of the current fiscal year (from Oct 1, 2020 to Jun 30, 2021)	For the first three quarters of the current fiscal year (from Oct 1, 2021 to Jun 30, 2022)
Net sales	19,504,023	19,354,186
Cost of sales	5,147,613	5,756,213
Gross profit	14,356,410	13,597,973
Selling, general and administrative expenses	12,560,021	13,175,305
Operating income	1,796,389	422,668
Non-operating income		
Interest income	80	89
Dividend income	—	7,012
Foreign exchange gains	16,140	71,966
Subsidy income	28,438	13,542
Cancellation of treasury share acquisition rights gains	21,424	—
Other	26,953	24,417
Total non-operating income	93,037	117,027
Non-operating expenses		
Interest expenses	5,273	4,239
Share of loss of entities accounted for using equity method	521,996	406,668
Other	92,678	40,827
Total non-operating expenses	619,948	451,735
Ordinary income	1,269,477	87,960
Extraordinary income		
Gain on sale of non-current assets	3,030	—
Gain on sales of investment securities	3,184	—
Gain on sale of shares of subsidiaries and associates	—	12,417
Gain on change in equity	80,082	76,481
Total extraordinary income	86,296	88,898
Extraordinary losses		
Loss on sale of non-current assets	8,217	—
Loss on retirement of non-current assets	26,591	14,926
Impairment loss	76,949	909
Loss on sale of investment securities	—	3,240
Loss on valuation of investment securities	11	—
Loss on step acquisitions	—	4,700
Total extraordinary losses	111,769	23,776
Income before income taxes	1,244,004	153,082
Income taxes-current	2,448,114	26,437
Income taxes-deferred	82,247	394,349
Total income taxes	2,530,362	420,786
Loss	(1,286,358)	(267,704)
Loss attributable to non-controlling interests	(191,607)	(179,095)
Loss attributable to owners of parent	(1,094,750)	(88,609)

Quarterly consolidated statement of comprehensive income
For the first three quarters

(Unit: thousands of yen)

	For the first three quarters of the current fiscal year (from Oct 1, 2020 to Jun 30, 2021)	For the first three quarters of the current fiscal year (from Oct 1, 2021 to Jun 30, 2022)
Loss	(1,286,358)	(267,704)
Other comprehensive income		
Valuation difference on available-for-sale securities	222,592	(68,238)
Foreign currency translation adjustment, before tax	12,167	69,856
Remeasurements of defined benefit plans, before tax	(4,347)	(2,152)
Share of other comprehensive income of entities accounted for using equity method	30,334	(5,114)
Total other comprehensive income	260,748	(5,649)
Comprehensive income	(1,025,610)	(273,353)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(833,970)	(94,867)
Comprehensive income attributable to non-controlling interests	(191,640)	(178,485)