

UNOFFICIAL TRANSLATION

The formal official document is in Japanese



Summary of Consolidated Financial Results for the Fiscal Year ended September 30, 2022 (Japanese Accounting Standards)

November 9, 2022

Listed Company Name: MTI Ltd.

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 9438

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

Representative: Toshihiro Maeta, President and Chief Executive Officer

Contact: Hiroshi Matsumoto, Senior managing Director

Phone: +81-3-5333-6323

Scheduled date of annual meeting of shareholders: December 24, 2022

Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 26, 2022

Scheduled date of dividend payment: December 26, 2022

Supplementary documents for financial results: Yes

Financial results briefing: Yes (for securities analysts and institutional investors)

(Figures less than one millions of yen are omitted)

1. Consolidated financial results for the year ended September 30, 2022

(October 1, 2021 – September 30, 2022)

(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, 2022	26,479	2.9	870	(54.9)	485	(64.5)	(930)	—
For the year ended September 30, 2021	25,743	(1.3)	1,929	(23.0)	1,370	(34.2)	(1,164)	—

(Note) Comprehensive income: Year ended September 30, 2022: (1,137) million yen, (–%)

Year months ended September 30, 2021: (1,399) million yen, (–%)

	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, 2022	(16.99)	—	(5.9)	1.6	3.3
For the year ended September 30, 2021	(21.28)	—	(6.4)	4.4	7.5

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2022: (457) millions of yen

Year ended September 30 2021: (569) 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, 2022	29,265	17,877	48.1	256.61
Year ended September 30, 2021	31,908	21,243	54.6	318.29

(Reference) Shareholders' equity: Year ended September 30, 2022: 14,065 millions of yen

Year ended September 30, 2021: 17,426 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, 2022	(1,393)	(2,460)	343	12,097
For the year ended September 30, 2021	3,516	(1,996)	649	15,540

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, 2021	—	8.00	—	8.00	16.00	878	—	4.8
For the year ended September 30, 2022	—	8.00	—	8.00	16.00	880	—	5.6
For the year ending September 30, 2023 (forecast)	—	8.00	—	8.00	16.00		—	

Accompanying materials – Contents

1.	Overview of operating results.....	2
	(1) Overview of operating results for the current fiscal year.....	2
	(2) Overview of financial position for the current fiscal year.....	3
	(3) Overview of cash flow for the current fiscal year.....	3
	(4) Future outlook.....	4
2.	Basic policy for the selection of accounting standard.....	4
3.	Consolidated financial statements and important notes.....	5
	(1) Consolidated balance sheet.....	5
	(2) Consolidated statement of income and comprehensive income.....	7
	(3) Consolidated statement of changes in shareholders' equity.....	9
	(4) Consolidated statement of cash flows.....	11

1. Overview of operating results

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

In the Group's business environment during the current fiscal year, the Japanese economy is 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 ¥26,479 million yen (down 2.9% year on year).

Gross profit declined to ¥18,691 million (down 0.3% year on year) although a slight increase in net sales. 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 ¥870 million (down 54.9% year on year) and ¥485 million (down 64.5% year on year), respectively. This reflected an increase in selling, general and administration 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 ¥930 million (compared to a loss of ¥1,164 million in the previous year). This mainly reflected a decrease in ordinary income and an increase in impairment loss (extraordinary losses), despite a significant decrease in income taxes-current.

Consolidated operating results

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

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2021	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	26,479	25,743	+736	+2.9
Cost of sales	7,787	7,001	+786	+11.2
Gross profit	18,691	18,741	△50	(0.3)
SG&A	17,820	16,811	+1,008	+6.0
Operating income	870	1,929	(1,059)	(54.9)
Ordinary income	485	1,370	(884)	(64.5)
Profit attributable to Owners of parent	(930)	(1,164)	+233	-

Breakdown of SG&A

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

	Fiscal year ended September 30, 2022	Fiscal year ended September 30, 2021	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	17,820	16,811	+1,008	+6.0
Advertising expenses	1,580	1,517	+62	+4.1
Personnel expenses	7,718	7,099	+619	+8.7
Commission fee	3,094	3,157	(63)	(2.0)
Subcontract expenses	2,136	1,804	+332	+18.4
Depreciation	1,352	1,132	+219	+19.4
Other	1,937	2,100	(162)	(7.7)

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 temporarily 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 ¥18,518 million (down 1.8% year on year), with year-on-year decline in paying subscribers mostly offset by an extra ¥717 million in net sales because net sales corresponding to lapsed points were treated as non-taxable transactions following adjustment of the handling of consumption tax on lapsed points in monthly content services that award points. Operating income rose to ¥6,200 million yen (up 4.4% year on year) due largely to the effect of the above increase in net sales.

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 590 thousand of paying subscribers. The figure was 50 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 1,264 at the end of September 2022 (up 499 from the end of September 2021), with record take up in the most recent fourth quarter, 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 ¥4,030 million (up 6.3% year on year) due to growth in initial introduction sales based on an increase in the number of pharmacies introducing the cloud drug record service, despite year-on-year decline in paying subscribers. Operating loss was stood at ¥1,108 million (loss of ¥1,267 million in the previous fiscal 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 came to ¥5,262 million (up 21.0% year on year), reflecting a rise in sales in the digital transformation support business for major companies and schools DX business. The operating loss came to ¥1,667 million (loss of ¥105 million in 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) Overview of financial position for the current fiscal year

As of the end of the fiscal year under review, total assets decreased ¥2,643 million from the end of September 2021, to ¥29,265 million.

Current assets decreased ¥2,484 million mainly due to a fall in cash and deposits. Non-current assets fell ¥158 million mainly due to a decline in investment securities, despite an increase in software.

Current liabilities decreased ¥269 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 gained ¥992 million mainly due to a decline in long-term loans payable.

Net assets decreased ¥3,365 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 ¥930 million as loss attributable to owners of parent.

(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 ¥12,097 million, a decrease of ¥3,442 million from September 30, 2021. Cash flow by activity and principal factors in the fiscal year under review were as follows.

Net cash used in operating activities was ¥1,393 million (inflow of ¥3,516 million for the previous fiscal

year). Principal factors included the payment of income taxes, which more than offset depreciation and amortization and impairment loss.

Net cash used in investing activities stood at ¥2,460 million (outflow of ¥1,996 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 ¥343 million (inflow of ¥649 million in the previous fiscal year). Principal factors included proceeds from long-term borrowings, which more than offset dividends paid.

(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.

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. Given the high level of business inquiries about “BLEND”, the cloud-based school affairs support system provided by Motivation Works, upfront investment to strengthen the business structure by increasing personnel and using subcontractors to deal with growing use of the system, as well as to develop new versions of “BLEND” that will contribute to introduction costs is likely continue for the time being; however, this upfront investment will lead to further sales growth.

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.

Earnings forecast for the six months of the fiscal year ending September 30, 2023 (Period from October 1, 2022 to March 30, 2023)

Consolidated	(Millions of yen)	YoY(%)
Net sales	12,700	(2.1)
Operating income	200	(66.6)
Ordinary income	0	(100.0)
Profit attributable to owners of parent	(740)	-

Earnings forecast for the fiscal year ending September 30, 2023 (Period from October 1, 2022 to September 30, 2023)

Consolidated	(Millions of yen)	YoY(%)
Net sales	26,000	(1.8)
Operating income	800	(8.1)
Ordinary income	400	(17.7)
Profit attributable to owners of parent	(600)	-

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, 2021)	Current fiscal year (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	15,540,084	12,097,658
Notes and accounts receivable-trade	4,501,674	—
Notes and accounts receivable - trade, and contract assets	—	4,294,825
Advance payments-trade	281,543	230,049
Prepaid expenses	460,171	434,784
Accounts receivable-other	93,638	71,031
Income taxes receivable	60,276	485,089
Other	358,622	1,199,240
Allowance for doubtful accounts	(33,173)	(34,097)
Total current assets	21,262,838	18,778,582
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	338,130	308,888
Accumulated depreciation	(256,359)	(242,130)
Facilities attached to buildings, net	81,771	66,758
Vehicles	277	277
Accumulated depreciation	(255)	(277)
Vehicles, net	22	0
Tools, furniture, and fixtures	567,859	601,076
Accumulated depreciation	(446,650)	(474,773)
Tools, furniture and fixtures, net	121,208	126,302
Total property, plant and equipment	203,001	193,060
Intangible assets		
Software	1,791,596	2,058,982
Goodwill	556,421	655,709
Customer-related assets	1,333,800	912,600
Other	30,009	163,473
Total intangible assets	3,711,827	3,790,765
Investments and other assets		
Investment securities	4,511,728	3,675,499
Lease and guarantee deposits	318,761	337,475
Deferred tax assets	1,803,442	2,394,793
Other	108,143	106,411
Allowance for doubtful accounts	(10,904)	(10,904)
Total investments and other assets	6,731,170	6,503,275
Total non-current assets	10,646,000	10,487,102
Total assets	31,908,839	29,265,684

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2021)	Current fiscal year (As of September 30, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	1,147,543	1,068,638
Current portion of long-term loans payable	451,780	751,780
Accounts payable-other	1,230,095	1,221,218
Accrued expenses	493,342	501,487
Income taxes payable	2,156,218	19,236
Accrued consumption taxes	461,410	23,161
Contract liabilities	—	2,356,643
Provision for point card certificates	115,396	—
Provision for directors' bonuses	23,447	30,609
Other	576,648	413,577
Total current liabilities	6,655,884	6,386,353
Non-current liabilities		
Long-term loans payable	2,429,790	3,178,010
Net defined benefit liability	1,572,854	1,816,159
Other	6,935	7,432
Total non-current liabilities	4,009,579	5,001,601
Total liabilities	10,665,464	11,387,955
Net assets		
Shareholders' equity		
Capital stock	5,197,909	5,218,512
Capital surplus	6,660,831	6,768,841
Retained earnings	8,665,046	5,224,287
Treasury shares	(3,281,839)	(3,257,237)
Total shareholders' equity	17,241,947	13,954,404
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,205	75,554
Foreign currency translation adjustment	5,908	89,490
Remeasurements of defined benefit plans	13,879	(53,931)
Total accumulated other comprehensive income	184,993	111,114
Subscription rights to shares	161,887	110,774
Non-controlling interests	3,654,545	3,701,436
Total net assets	21,243,375	17,877,729
Total liabilities and net assets	31,908,839	29,265,684

(2) Consolidated statement of income and consolidated comprehensive income

Consolidated statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2020 to September 30, 2021)	Current fiscal year (from October 1, 2021 to September 30, 2022)
Net sales	25,743,006	26,479,310
Cost of sales	7,001,132	7,787,727
Gross profits	18,741,873	18,691,583
Selling, general and administrative expenses	16,811,994	17,820,953
Operating income	1,929,879	870,629
Non-operating income		
Interest income	234	135
Dividend income	—	7,012
Foreign exchange gains	32,394	102,308
Subsidy income	28,638	13,542
Cancellation of treasury share acquisition rights gains	21,424	—
Gain on share exchange	12,102	—
Other	17,473	24,780
Total non-operating income	112,267	147,777
Non-operating expenses		
Interest expenses	6,793	5,491
Share of loss of entities accounted for using equity method	569,114	457,088
Cancellation of treasury share acquisition rights losses	71,550	—
Other	23,981	69,871
Total non-operating expenses	671,438	532,451
Ordinary income	1,370,708	485,955
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
Gain on reversal of share acquisition rights	54,810	54,027
Total extraordinary income	141,107	142,925
Extraordinary losses		
Loss on sales of non-current assets	8,223	119
Loss on retirement of non-current assets	65,492	27,816
Impairment loss	428,318	897,949
Loss on sale of investment securities	—	3,240
Loss on valuation of investment securities	11	—
Loss on step acquisitions	—	4,700
Retirement benefit expenses	23,702	—
Total extraordinary losses	525,748	933,826
Profit (loss) before income taxes	986,066	(304,944)
Income taxes - current	2,538,565	718,258
Income taxes-deferred	(22,880)	40,756
Total income taxes	2,515,685	759,015
Loss	(1,529,619)	(1,063,960)
Loss attributable to non-controlling interests	(365,396)	(133,485)
Loss attributable to owners of parent	(1,164,222)	(930,474)

Consolidated statement of comprehensive income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2020 to September 30, 2021)	Current fiscal year (from October 1, 2021 to September 30, 2022)
Loss	(1,529,619)	(1,063,960)
Other comprehensive income		
Valuation difference on available-for-sale securities	102,593	(89,830)
Foreign currency translation adjustment	16,843	82,773
Remeasurements of defined benefit plans, net of tax	(32,130)	(67,810)
Share of other comprehensive income of entities accounted for using equity method	42,836	1,597
Total other comprehensive income	130,143	(73,270)
Comprehensive income	(1,399,475)	(1,137,230)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,033,469)	(1,004,354)
Comprehensive income attributable to non-controlling interests	(366,006)	(132,876)

(3) Consolidated statement of changes in equity

Previous 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
Cumulative effects of changes in accounting policies					—
Restated balance	5,138,116	6,551,222	10,707,058	(3,283,663)	19,112,733
Changes 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)
Loss attributable to owners of parent			(1,164,222)		(1,164,222)
Increase (decrease) consolidated subsidiaries		67,757			67,757
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
Cumulative effects of changes in accounting policies							—
Restated balance	19,897	(11,666)	46,010	54,241	345,299	1,998,309	21,510,583
Changes during period							
Issuance of new shares exercise of subscription rights to shares							119,586
Dividends of surplus							(877,789)
Loss attributable to owners of parent							(1,164,222)
Increase (decrease) consolidated subsidiaries							67,757
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

Current fiscal year (from October 1, 2021 to September 30, 2022)

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,197,909	6,660,831	8,665,046	(3,281,839)	17,241,947
Cumulative effects of changes in accounting policies			(1,630,684)		(1,630,684)
Restated balance	5,197,909	6,660,831	7,034,361	(3,281,839)	15,611,263
Changes during period					
Issuance of new shares exercise of subscription rights to shares	20,603	20,603			41,207
Dividends of surplus			(879,599)		(879,599)
Loss attributable to owners of parent			(930,474)		(930,474)
Increase (decrease) consolidated subsidiaries		112,008			112,008
Change in equity in affiliates accounted for by equity method treasury stock					—
Cancellation of treasury shares		(24,601)		24,601	—
Net changes of items other than shareholders' equity					
Total changes of items during period	20,603	108,010	(1,810,074)	24,601	(1,656,858)
Balance at end of current period	5,218,512	6,768,841	5,224,287	(3,257,237)	13,954,404

	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	165,205	5,908	13,879	184,993	161,887	3,654,545	21,243,375
Cumulative effects of changes in accounting policies							(1,630,684)
Restated balance	165,205	5,908	13,879	184,993	161,887	3,654,545	19,612,690
Changes during period							
Issuance of new shares exercise of subscription rights to shares							41,207
Dividends of surplus							(879,599)
Loss attributable to owners of parent							(930,474)
Increase (decrease) consolidated subsidiaries							112,008
Change in equity in affiliates accounted for by equity method treasury stock							—
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	(89,650)	83,582	(67,810)	(73,879)	(51,113)	46,890	(78,102)
Total changes of items during period	(89,650)	83,582	(67,810)	(73,879)	(51,113)	46,890	(1,734,960)
Balance at end of current period	75,554	89,490	(53,931)	111,114	110,774	3,701,436	17,877,729

(4) Consolidated statement of cash flows

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2020 to September 30, 2021)	Current fiscal year (from October 1, 2021 to September 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	986,066	(304,944)
Depreciation	1,238,825	1,493,718
Impairment loss	428,318	897,949
Amortization of goodwill	215,632	247,076
Increase (decrease) in allowance for doubtful accounts	(17,968)	923
Increase (decrease) in provision for point usage	4,705	—
Increase (decrease) in net defined benefit liability	153,130	149,703
Interest and dividend income	(234)	(7,147)
Interest expenses	6,793	5,491
Share of (profit) loss of entities accounted for using equity method	569,114	457,088
Loss (gain) on step acquisitions	—	4,700
Loss (gain) on change in equity	(80,082)	(76,481)
Loss (gain) on sales of non-current assets	5,193	119
Loss on retirement of non-current assets	65,492	27,816
Loss (gain) on sales of investment securities	(3,184)	(9,176)
Loss (gain) on valuation of investment securities	11	—
Gain on reversal of share acquisition rights	(54,810)	(54,027)
Decrease (increase) in trade receivables	343,745	362,410
Decrease (increase) in advance payments to suppliers	184,974	51,601
Decrease (increase) in prepaid expenses	(6,343)	14,917
Decrease (increase) in accounts receivable-other	177,933	23,740
Increase (decrease) in trade payables	40,719	(117,663)
Increase (decrease) in accounts payable-other	(113,766)	(13,164)
Increase (decrease) in accrued expenses	(1,902)	(3,260)
Increase (decrease) in accrued consumption taxes	351,860	(442,813)
Other, net	159,647	(944,069)
Subtotal	4,653,873	1,764,509
Interest and dividends received	234	6,089
Interest paid	(6,793)	(5,491)
Income taxes refund (paid)	(1,130,434)	(3,158,660)
Net cash provided by (used in) operating activities	3,516,879	(1,393,553)

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2020 to September 30, 2021)	Current fiscal year (from October 1, 2021 to September 30, 2022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(134,086)	(84,236)
Proceeds from sales of property, plant and equipment	220	—
Purchase of intangible assets	(1,641,958)	(2,114,326)
Proceeds from sale of intangible assets	4,250	—
Purchase of investment securities	(83,303)	—
Proceeds from sale of investment securities	17,353	16,196
Purchase of shares of subsidiaries and associates	(274,144)	—
Payments for transfer of business	(80,000)	(237,515)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(29,000)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	14,014
Proceeds from refund of leasehold and guarantee deposits	232,661	2,512
Other, net	(37,266)	(28,244)
Net cash provided by (used in) investing activities	(1,996,273)	(2,460,600)
Cash flows from financing activities		
Proceeds from short-term borrowings	4,000,000	204
Repayments of short-term borrowings	(4,000,000)	(204)
Proceeds from long-term borrowings	—	1,500,000
Repayments of long-term borrowings	(451,780)	(476,435)
Proceeds from issuance of shares	70,302	39,874
Proceeds from share issuance to non-controlling shareholders	2,115,000	285,000
Cash dividends paid	(877,789)	(879,599)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(85,400)
Purchase of treasury share acquisition rights	(181,550)	—
Purchase of treasury shares of subsidiaries	(25,000)	(39,900)
Net cash provided by (used in) financing activities	649,182	343,539
Effect of exchange rate change on cash and cash equivalents	16,267	68,187
Net increase (decrease) in cash and cash equivalents	2,186,056	(3,442,426)
Cash and cash equivalents at beginning of period	13,354,028	15,540,084
Cash and cash equivalents at end of period	15,540,084	12,097,658