

## UNOFFICIAL TRANSLATION

The formal official document is in Japanese



## Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending September 30, 2023 (Japanese Accounting Standards)

February 8, 2023

Listed Company Name: MTI Ltd.

Listing Exchanges: Tokyo Stock Exchange

Securities Code: 9438

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

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Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): February 14, 2023

Scheduled date of dividend payment: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing (Japanese): Yes (for securities analysts and institutional investors (on demand))

(Figures less than one millions of yen are omitted)

## 1. Consolidated business results for the three months ended December 31, 2022

(October 1, 2022– December 31, 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 quarter of fiscal year ending September 30, 2023	7,091	8.2	(61)	–	(88)	–	(590)	–
First quarter of fiscal year ended September 30, 2022	6,551	3.9	451	(18.5)	395	(20.2)	252	14.7

(Note) Comprehensive income: Three months ended December 31, 2022: (639) millions of yen –%  
Three months ended December 31, 2021: 175 millions of yen 20.9%

	Net income per share	Net income per share/diluted
	Yen	Yen
First quarter of fiscal year ending September 30, 2023	(10.77)	–
First quarter of fiscal year ended September 30, 2022	4.62	4.62

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	29,280	16,783	44.6
As of September 30, 2022	29,265	17,877	48.1

(Reference) Shareholders' equity: As of December 31, 2022: 13,056 millions of yen  
As of September 30, 2022: 14,065 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, 2022	–	8.00	–	8.00	16.00
Fiscal year ending September 30, 2023	–				
Fiscal year ending September 30, 2023 (forecast)		8.00	–	8.00	16.00

(Note) Revision of dividend forecast for during this period : No

## 3. Forecast for consolidated business results for the fiscal year ending September 30, 2023

(October 1, 2022 – September 30, 2023)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the first half	12,700	(2.1)	200	(66.6)	0	(100.0)	(740)	–	(13.55)
Full year	26,000	(1.8)	800	(8.1)	400	(17.7)	(600)	–	(10.99)

(Note) Revisions to forecasts for consolidated business results published most recently: No

\* Notes

(1) Important changes of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: –

Exception: –

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to the modification in accounting methods: Not applicable

(ii) Changes in accounting policies other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(4) Number of outstanding shares (common shares)

(i) Number of shares outstanding at the end of period (including treasury shares):

12/2022: 61,263,000 shares

09/2022: 61,263,000 shares

(ii) Number of treasury shares at the end of period

12/2022: 6,453,173 shares

09/2022: 6,450,273 shares

(iii) Average number of shares during the period (quarterly consolidated cumulative period)

Three months ended 12/2022: 54,810,804 shares Three months ended 12/2021: 54,751,252 shares

\* This Summary of Consolidated Financial Results for the First Quarter is not included in the scope of quarterly review by certified public accountants or audit corporations.

\* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. The information on consolidated earnings forecasts and other future forecasts on page 4 of the Accompanying Materials describes notes on the assumptions of the earnings forecasts and the use of the earnings forecasts. A video (Japanese) of the briefing on earnings for the first quarter for securities analysts and institutional investors will be made available on demand on the Company's website.

## 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 .....	3
(3) Explanation of future forecast information including consolidated forecast .....	4
2. Quarterly consolidated financial statements .....	5
(1) Quarterly consolidated balance sheet .....	5
(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income .....	7
(3) Notes concerning quarterly consolidated financial statements .....	9
(Notes concerning going concern assumption) .....	9
(Segment information, etc.) .....	9

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

## (1) Explanation on operating results

### Overview of the first quarter of fiscal year ending September 30, 2023

#### (Period from October 1, 2022 to December 31, 2022)

The Group is actively engaged in the healthcare business and the school DX business, both of which are expected to expand in the future, in order to enhance its corporate value over the medium to long term.

During the first quarter under review, consolidated net sales stood at ¥7,091 million (up 8.2% year on year) and gross profit at ¥4,552 million (down 2.2% year on year), attributable to an increase in cost of sales.

The operating loss and an ordinary loss were ¥61 million (compared to operating income of ¥451 million in the same period of the previous year) and ¥88 million (compared to ordinary income of ¥395 million in the same period of the previous year), respectively, due to an increase in selling, general and administrative (SG&A) expenses.

A loss attributable to owners of parent came to ¥590 million (compared to profit of ¥252 million in the same of the previous year). This mainly reflected the postponement of the recording of deferred tax assets and income taxes-deferred in the consolidated financial statements in accordance with the current accounting standards for the income tax-related treatment of a gain on the transfer of shares, associated with the transfer of some of the shares in Boshimo Ltd., a consolidated subsidiary, to MTI Healthcare Holdings Inc., a consolidated subsidiary, in October 2022.

### Consolidated business results

#### (Period from October 1, 2022 to December 31, 2022)

	First quarter of the fiscal year ending September 30, 2023	First quarter of the fiscal year ended September 30, 2022	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	7,091	6,551	+539	+8.2
Cost of sales	2,538	1,895	+643	+34.0
Gross profit	4,552	4,656	(103)	(2.2)
SG&A	4,613	4,204	+408	+9.7
Operating profit (loss)	(61)	451	(512)	—
Ordinary profit (loss)	(88)	395	(484)	—
Profit (loss) attributable to owners of parent	(590)	252	(843)	—

### Breakdown of SG&A

#### (Period from October 1, 2022 to December 31, 2022)

	First quarter of the fiscal year ending September 30, 2023	First quarter of the fiscal year ended September 30, 2022	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	4,613	4,204	+408	+9.7
Advertising expenses	479	360	+118	+33.0
Personnel expenses	1,989	1,912	+76	+4.0
Commission fee	746	753	(6)	(0.8)
Subcontract expenses	560	440	+120	+27.3
Depreciation	289	303	(13)	(4.5)
Other	549	435	+113	(26.0)

Operating results by segment are as follows.

Effective from the first quarter of the consolidated fiscal year under review, the classification of reportable segments has been revised. Comparison and analysis for the first quarter under review are based on the new segments.

### 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.

The number of paying subscribers in this segment came to 3,180,000 (down 20,000 from the end of September 2022), remaining almost flat. The net decrease in the number of paying subscribers for this business is on a downward trend, reflecting continuing growth in the number of paying subscribers to the “AdGuard” security app.

Net sales came to ¥5,118 million (up 10.3% year on year) mainly due to video sales at the consolidated subsidiary Video Market Corporation, despite a decrease in the number of paying subscribers compared to the same period last year.

Operating income was ¥1,439 million (down 6.2% year-on-year) due to an increase in SG&A expenses resulting from a rise in advertising expenses to promote “AdGuard” membership.

### 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 580 thousand of paying subscribers. The figure was 10 thousand smaller than at the end of September 2022. On the other hand, the number of pharmacies that offer the cloud drug record service came to 1,382 at the end of December 2022 (up 118 from the end of September 2022), 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 ¥1,011 million (up 11.3% year on year), given expanded sales of Cloud drug record service and Childcare DX service, etc. Despite the ongoing burden of upfront investment spending, the operating loss stood at ¥172 million (compared to a loss of ¥336 million in the same period of the previous year), attributable to cost containment measures.

### ③ School DX business

The school DX business includes school DX business developed for educational institutions by the consolidated subsidiary Motivation Works Inc.

Net sales amounted to ¥155 million (up 178.5% year on year) due to an increase in monthly usage fees from educational institutions that newly introduced the “BLEND” cloud-based school business support system in April 2022. Despite the significant increase in net sales, the operating loss amounted to ¥246 million (compared to a loss of ¥121 million in the same period of the previous year) due to an increase in subcontracting expenses resulting from stricter recording of software assets from the second half of the previous fiscal year.

### ④ Other business

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

Net sales amounted to ¥1,190 million (down 5.6% year on year). The operating loss was ¥393 million (compared to an operating loss of 36 million yen in the same period of the previous year), primarily reflecting an increase in the cost of sales as a result of the ongoing response to low-margin projects in the DX support business for major corporate customers.

## (2) Explanation on financial position

At the end of the first quarter under review, total assets increased ¥14 million from September 30, 2022, to ¥29,280 million.

Regarding the assets, the current assets increased ¥137 million, mainly due to a rise in cash and deposits. Non-current assets fell ¥122 million primarily due to decreases in goodwill and customer-related assets, despite an increase in software.

Regarding the liabilities, the current liabilities increased ¥1,250 million, mainly reflecting rises in accounts payable-trade and income taxes payable. Non-current liabilities fell ¥141 million chiefly due to a decline in long-term borrowings.

Net assets decreased ¥1,094 million due to a loss attributable to owners of parent of ¥590 million and dividend payments.

### (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.

Also, 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.

The cloud drug record service is particularly in high demand in dispensing pharmacies and we will increase the number of introducing stores through enhancing cooperation with Medipal Holdings, our business partner. This is because it can contribute to the sustained growth of sales in the healthcare business.

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.

The Company continues to hold its consolidated earnings forecasts for the first half of the fiscal year ending September 30, 2023 and for the entirety of the fiscal year as announced on November 9, 2022.

#### Earnings forecast for the first half 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 profit	200	(66.6)
Ordinary profit	0	(100.0)
Loss 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 profit	800	(8.1)
Ordinary profit	400	(17.7)
Loss attributable to owners of parent	(600)	-

## 2. Quarterly consolidated financial statements

### (1) Quarterly consolidated balance sheet

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2022)	Current fiscal year (As of December 31, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	12,097,658	12,623,445
Notes and accounts receivable-trade, and contract assets	4,294,825	4,709,021
Other	2,420,195	1,616,861
Allowance for doubtful accounts	(34,097)	(33,441)
<b>Total current assets</b>	<b>18,778,582</b>	<b>18,915,887</b>
Non-current assets		
Property, plant and equipment	193,060	203,291
Intangible assets		
Software	2,058,982	2,127,927
Goodwill	655,709	586,464
Customer-related assets	912,600	807,300
Other	163,473	192,481
<b>Total intangible assets</b>	<b>3,790,765</b>	<b>3,714,174</b>
Investments and other assets		
Investment securities	3,675,499	3,667,426
Leasehold and guarantee deposits	337,475	330,440
Deferred tax assets	2,394,793	2,359,027
Other	106,411	101,049
Allowance for doubtful accounts	(10,904)	(10,904)
<b>Total investment and other assets</b>	<b>6,503,275</b>	<b>6,447,037</b>
<b>Total non-current assets</b>	<b>10,487,102</b>	<b>10,364,503</b>
<b>Total assets</b>	<b>29,265,684</b>	<b>29,280,391</b>

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2022)	Current fiscal year (As of December 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Account payable-trade	1,068,638	1,711,087
Short-term borrowings	—	50,000
Current portion of long-term borrowings	751,780	751,780
Accounts payable - other,	1,221,218	1,426,468
Income taxes payable	19,236	544,998
Contract liabilities	2,356,643	2,150,501
Provision for bonuses	—	207,138
Other	968,835	795,136
Total current liabilities	6,386,353	7,637,111
Non-current liabilities		
Long-term borrowings	3,178,010	2,990,905
Retirement benefit liability	1,816,159	1,861,460
Other	7,432	7,345
Total non-current liabilities	5,001,601	4,859,710
Total liabilities	11,387,955	12,496,822
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,218,512	5,218,512
Capital surplus	6,768,841	6,782,193
Retained earnings	5,224,287	4,193,974
Treasury shares	(3,257,237)	(3,257,237)
Total shareholders' equity	13,954,404	12,937,443
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,554	115,577
Foreign currency translation adjustment	89,490	56,674
Remeasurements of defined benefit plans	(53,931)	(53,256)
Total accumulated other comprehensive income	111,114	118,994
Subscription rights to shares	110,774	109,133
Non-controlling interests	3,701,436	3,617,997
Total net assets	17,877,729	16,783,568
Total liabilities and net assets	29,265,684	29,280,391



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

**Quarterly consolidated statement of income**  
For the first quarter

(Unit: thousands of yen)

	For the first quarter of the previous fiscal year (from October 1, 2021 to December 31, 2021)	For the first quarter of the current fiscal year (from October 1, 2022 to December 31, 2022)
Net sales	6,551,430	7,091,062
Cost of sales	1,895,025	2,538,631
Gross profit	4,656,405	4,552,430
Selling, general and administrative expenses	4,204,930	4,613,844
Operating profit (loss)	451,474	(61,414)
Non-operating income		
Interest income	19	19
Foreign exchange gains	—	6,811
Other	9,539	17,204
Total non-operating income	9,559	24,035
Non-operating expenses		
Interest expenses	1,421	3,030
Share of loss of entities accounted for using equity method	45,118	34,190
Other	19,058	14,131
Total non-operating expenses	65,598	51,352
Ordinary profit (loss)	395,435	(88,730)
Extraordinary losses		
Loss on retirement of non-current assets	1,348	743
Loss on sale of investment securities	3,240	13,450
Loss on step acquisitions	4,700	—
Total extraordinary losses	9,289	14,194
Profit (loss) before income taxes	386,146	(102,925)
Income taxes-current	(21,396)	510,494
Income taxes-deferred	211,446	34,384
Total income taxes	190,049	544,879
Profit (loss)	196,096	(647,804)
Loss attributable to non-controlling interests	(56,742)	(57,587)
Profit (loss) attributable to owners of parent	252,838	(590,217)

**Quarterly consolidated statement of comprehensive income**  
**For the first quarter**

(Unit: thousands of yen)

	For the first quarter of the previous fiscal year (from October 1, 2021 to December 31, 2021)	For the first quarter of the current fiscal year (from October 1, 2022 to December 31, 2022)
Profit (loss)	196,096	(647,804)
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,018)	257
Foreign currency translation adjustment	7,465	(32,517)
Remeasurements of defined benefit plans, net of tax	(717)	674
Share of other comprehensive income of entities accounted for using equity method	16,173	39,466
Total other comprehensive income	(20,097)	7,880
Comprehensive income	175,998	639,923
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	232,131	(582,336)
Comprehensive income attributable to non-controlling interests	(56,133)	57,587

### 3) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Segment information, etc.)

#### 【Segment information】

#### I First Quarter of Previous Fiscal Year (Period from October 1, 2021 to December 31, 2021)

##### 1. Information on net sales, profit or loss for each reporting segment and revenue breakdown information

(Unit: thousands of yen)

	Reporting segment					Adjustment amount (Note)1	Amount reported on the quarterly consolidated statement of income (Note)2
	Content business	Healthcare business	School DX business	Other business	Total		
Net sales							
Goods or services transferred at a point in time	4,577,581	868,562	55,834	753,425	6,255,404	—	6,255,404
Goods or services transferred over time	5,844	38,733	—	251,448	296,025	—	296,025
Revenue from contracts with customers	4,583,425	907,295	55,834	1,004,874	6,551,430	—	6,551,430
Sales to outside customers	4,583,425	907,295	55,834	1,004,874	6,551,430	—	6,551,430
Internal sales between segments or transfers	56,488	979	—	256,289	313,757	(313,757)	—
Total	4,639,914	908,275	55,834	1,261,163	6,865,187	(313,757)	6,551,430
Segment income (loss)	1,534,829	(336,722)	(121,368)	(36,098)	1,040,640	(589,166)	451,474

(Note) 1. The segment income (loss) adjustment of -¥589,166 thousand includes the elimination of inter-segment transactions of ¥2,333 thousand and corporate expenses not allocated to each reporting segment of -¥591,499 thousand.

Corporate expenses are composed largely of general and administrative expenses not attributed to any reporting segment.

2. The segment income (loss) represents the result of adjustment to operating income reported on the quarterly consolidated statement of income.

##### 2. Information on impairment loss on non-current assets or goodwill and others for each reporting segment

(Material change in goodwill)

In the other business, goodwill of 149,142 thousand yen was recorded in the first quarter of the current fiscal year due to the acquisition of additional shares of AI Infinity Co., Ltd., which made the company a consolidated subsidiary.

## II First Quarter of Current Fiscal Year(Period from October 1, 2022 to December 31, 2022)

### 1. Information on net sales, profit or loss for each reporting segment and revenue breakdown information

(Unit: thousands of yen)

	Reporting segment					Adjustment amount (Note)1	Amount reported on the quarterly consolidated statement of income (Note)2
	Content business	Healthcare business	School DX business	Other business	Total		
Net sales							
Goods or services transferred at a point in time	5,042,451	995,112	155,485	713,758	6,906,808	—	6,906,808
Goods or services transferred over time	10,606	12,877	—	160,770	184,254	—	184,254
Revenue from contracts with customers	5,053,057	1,007,989	155,485	874,529	7,091,062	—	7,091,062
Sales to outside customers	5,053,057	1,007,989	155,485	874,529	7,091,062	—	7,091,062
Internal sales between segments or transfers	65,412	3,366	—	315,556	384,335	(384,335)	—
Total	5,118,469	1,011,355	155,485	1,190,086	7,475,397	(384,335)	7,091,062
Segment income (loss)	1,439,217	(172,968)	(246,850)	(393,372)	626,025	(687,439)	(61,414)

(Note) 1. The segment income (loss) adjustment of -¥687,439 thousand includes the elimination of inter-segment transactions of -¥8,459 thousand and corporate expenses not allocated to each reporting segment of -¥678,979 thousand.

Corporate expenses are composed largely of general and administrative expenses not attributed to any reporting segment.

2. The segment income (loss) represents the result of adjustment to operating income reported on the quarterly consolidated statement of income.

### 2. Information on impairment loss on non-current assets or goodwill and others for each reporting segment

Not applicable.

### 3. Matters regarding change in reporting segments and others

Due to the increased importance of the school DX business operated by its consolidated subsidiary, Motivation Works Inc., the internal management classification was reviewed, and as a result, the reporting segments were changed from the previous three segments of "Content business," "Healthcare business," and "Other business" to four segments of "Content business," "Healthcare business," "School DX business," and "Other business" from the first quarter of the current fiscal year.

The segment information for the first quarter of the previous fiscal year is based on the new segments after the change.