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Summary of Consolidated Financial Results for the First Half of Fiscal Year ending September 30, 2023 (Japanese Accounting Standards)

May 11, 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): May 15, 2023

Scheduled date of dividend payment: June 16, 2023

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 six months ended March 31, 2023

(October 1, 2022 – March 31, 2023)

(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 half of fiscal year ending September 30, 2023	13,631	5.1	(18)	—	187	(36.1)	(326)	—
First half of fiscal year ended September 30, 2022	12,975	(0.5)	599	(51.4)	292	(65.2)	123	—

(Note) Comprehensive income: Six months ended March 31, 2023: (391) millions of yen —%

Six months ended March 31, 2022: 47 millions of yen —%

	Net income per share	Net income per share/diluted
	Yen	Yen
First half of fiscal year ending September 30, 2023	(5.95)	—
First half of fiscal year ended September 30, 2022	2.25	2.25

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	28,879	17,052	46.2
As of September 30, 2022	29,265	17,877	48.1

(Reference) Shareholders' equity: As of March 31, 2023: 13,349 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	—	8.00			
Fiscal year ending September 30, 2023(forecast)			—	8.00	16.00

(Note) Revisions to dividend forecasts published most recently: 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
Full year	26,800	1.2	200	(77.0)	400	(17.7)	(400)	—	(7.29)

(Note) Revisions to forecasts for consolidated business results published most recently: Yes

* Note:

(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):

3/23: 61,263,000 shares

9/22: 61,263,000 shares

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

3/23: 6,399,973 shares

9/22: 6,450,273 shares

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

Six months ended 3/2023: 54,820,844 shares

Six months ended 3/2022: 54,762,393 shares

* Status of a quarterly review

This earnings release is not subject to an audit.

* 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 half for securities analysts and institutional investors will be made available on demand on the Company's website.

Accompanying materials – Contents

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1. Qualitative information on financial results for the current settlement

(1) Explanation on operating results

Overview of the first half ended March 31, 2023 (Period from October 1, 2022 to March 31, 2023)

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 half under review, consolidated net sales stood at ¥13,631 million (up 5.1% year on year) and gross profit at ¥9,150 million (down 0.1 % year on year), attributable to an increase in cost of sales.

The operating loss was ¥18 million (compared to operating income of ¥599 million in the same period of the previous year) due to an increase in selling, general and administrative (SG&A) expenses due chiefly to a rise in advertising expenses and outsourcing expenses.

Ordinary income stood at ¥187 million (down 36.1% year on year) due to equity-method investment profit of ¥174 million (compared to equity-method investment loss of ¥329 million in the same period of the previous year).

A loss attributable to owners of parent came to ¥326 million (compared to profit of ¥123 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, which more than offset gain on changes in equity of ¥139 million posted as an extraordinary income.

Consolidated business results

(Period from October 1, 2022 to March 31, 2023)

	First half of the fiscal year ending September 30, 2022	First half of the fiscal year ending September 30, 2022	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	13,631	12,975	+655	+5.1
Cost of sales	4,481	3,814	+666	+17.5
Gross profit	9,150	9,160	(10)	(0.1)
SG&A	9,168	8,561	+607	+7.1
Operating income	(18)	599	(617)	—
Ordinary income	187	292	(105)	(36.1)
Profit attributable to owners of parent	(326)	123	(449)	—

Breakdown of SG&A

(Period from October 1, 2022 to March 31, 2023)

	First half of the fiscal year ending September 30, 2022	First half of the fiscal year ending September 30, 2021	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	9,168	8,561	+607	+7.1
Advertising expenses	1,016	758	+258	+34.1
Personnel expenses	3,947	3,835	+111	+2.9
Commission fee	1,491	1,538	(46)	(3.0)
Subcontract expenses	1,059	885	+173	+19.6
Depreciation	591	633	(42)	(6.7)
Other	1,062	909	+152	+16.8

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 half 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.

This segment served 3.16 million of paying subscribers. The figure was 40 thousand smaller than at the end of September 2022. The number of paying subscribers was nearly level, reflecting an increase in the number of paying subscribers to the “AdGuard” security-related app.

Net sales came to ¥9,502 million (up 4.7% 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 ¥2,794 million (down 2.2% 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 570 thousand of paying subscribers. The figure was 20 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 1,532 at the end of March 2023 (up 268 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 ¥2,195 million (up 16.4% year on year), given expanded sales of Cloud drug record service and Childcare DX service, etc. Operating loss stood at ¥219 million (compared to a loss of ¥648 million in the same period of the previous year), attributable to the effect of increased sales and 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 ¥309 million (up 155.1% 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 ¥461 million (compared to a loss of ¥232 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 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 ¥2,417 million (down 4.8% year on year) due to a decrease in orders for the AI business. Operating loss was ¥807 million (compared to an operating loss of 176 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 in addition to decreased sales in the AI business.

(2) Explanation on financial position

① Assets, liabilities and net assets

At the end of the first half under review, total assets decreased ¥386 million from the end of September 2022, to ¥28,879 million.

Current assets decreased ¥553 million mainly due to a fall in consumption taxes refund receivable despite an increase in cash and deposits. Non-current assets rose ¥167 million chiefly due to an increase in investment securities, which more than offset a decrease in goodwill and customer-related assets.

Current liabilities increased ¥741 million, mainly reflecting rises in income taxes payable. Non-current liabilities fell ¥302 million chiefly due to a decline in long-term borrowings.

Net assets decreased ¥825 million due to a loss attributable to owners of parent of ¥326 million and dividend payments.

② Consolidated cash flows

At the end of the first half of the fiscal year under review, cash and cash equivalents were ¥12,763 million, up ¥665 million from the end of September 2022. Cash flow by activity and principal factors in the first half under review are as follows:

Net cash provided by operating activities resulted in an inflow of ¥2,105 million (outflow of ¥788 million in the same period of the previous fiscal year). This is mainly a reflection of profit before income taxes, an increase in depreciation and received consumption taxes refund receivable, which more than offset income taxes paid.

Net cash used in investing activities resulted in an outflow ¥616 million (outflow of ¥1,413 million in the same period of the previous fiscal year). Major factors included expenditure for the purchase of intangible assets (mainly software).

Net cash used in financing activities resulted in an outflow ¥798 million (outflow of ¥776 million in the same period of the previous fiscal year). The main factors included payments of dividends and repayments of long-term borrowings.

	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 equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First half of the fiscal year ending September 30, 2023	2,105	(616)	(798)	12,763
First half of the fiscal year ending September 30, 2022	(788)	(1,413)	(776)	12,590
For the fiscal year ended September 30, 2022	(1,393)	(2,460)	343	12,097

(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 large number of business inquiries related to “BLEND”, the cloud-based school affairs support system provided by Motivation Works, 566 schools introduced this system beginning in April 2023 (increased 226 compared to April 2022). Although it is necessary to continue upfront investments for some time, they will lead to the continued growth of sales.

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.

With regards to forecasts for consolidated business results for the fiscal year ending September 30, 2023, we have revised it as announced today in the "Notice Regarding Differences between Forecasts and Actual Results for the First Half of the Fiscal Year, and Revisions to Full-Year Results Forecast."

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

	(Millions of yen)	YoY(%)
Net sales	26,800	+1.2
Operating income	200	(77.0)
Ordinary income	400	(17.7)
Profit attributable to owners of parent	(400)	—

2. Quarterly consolidated financial statement and important notes

(1) Quarterly consolidated balance sheet

	(Unit: thousands of yen)	
	Previous fiscal year (As of September 30, 2022)	The current first half of the fiscal year (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	12,097,658	12,763,647
Notes and accounts receivable-trade, and contract assets	4,294,825	4,512,835
Other	2,420,195	981,139
Allowance for doubtful accounts	(34,097)	(32,814)
Total current assets	18,778,582	18,224,807
Non-current assets		
Property, plant and equipment	193,060	221,499
Intangible assets		
Software	2,058,982	2,165,980
Goodwill	655,709	510,531
Customer-related assets	912,600	702,000
Other	163,473	204,126
Total intangible assets	3,790,765	3,582,639
Investments and other assets		
Investment securities	3,675,499	4,001,987
Leasehold and guarantee deposits	337,475	333,005
Deferred tax assets	2,394,793	2,404,868
Other	106,411	121,347
Allowance for doubtful accounts	(10,904)	(10,904)
Total investment and other assets	6,503,275	6,850,304
Total non-current assets	10,487,102	10,654,442
Total assets	29,265,684	28,879,249

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2022)	The current first half of the fiscal year (As of March 31, 2023)
Liabilities		
Current liabilities		
Account payable-trade	1,068,638	1,112,491
Short-term borrowings	—	9,025
Current portion of long-term borrowings	751,780	751,780
Accounts payable - other,	1,221,218	1,202,101
Income taxes payable	19,236	772,133
Contract liabilities	2,356,643	2,079,528
Other	968,835	1,201,092
Total current liabilities	6,386,353	7,128,151
Non-current liabilities		
Long-term borrowings	3,178,010	2,802,120
Retirement benefit liability	1,816,159	1,889,671
Other	7,432	7,005
Total non-current liabilities	5,001,601	4,698,797
Total liabilities	11,387,955	11,826,949
Net assets		
Shareholders' equity		
Share capital	5,218,512	5,232,078
Capital surplus	6,768,841	6,769,335
Retained earnings	5,224,287	4,458,031
Treasury shares	(3,257,237)	(3,230,813)
Total shareholders' equity	13,954,404	13,228,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,554	108,312
Foreign currency translation adjustment	89,490	65,344
Remeasurements of defined benefit plans	(53,931)	(52,582)
Total accumulated other comprehensive income	111,114	121,074
Subscription rights to shares	110,774	107,751
Non-controlling interests	3,701,436	3,594,841
Total net assets	17,877,729	17,052,300
Total liabilities and net assets	29,265,684	28,879,249

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income
For the first half

	(Unit: thousands of yen)	
	For the first half of the previous fiscal year (from October 1, 2021 to March 31, 2022)	For the first half of the current fiscal year (from October 1, 2022 to March 31, 2023)
Net sales	12,975,547	13,631,385
Cost of sales	3,814,933	4,481,114
Gross profit	9,160,614	9,150,271
Selling, general and administrative expenses	8,561,400	9,168,836
Operating income	599,214	(18,565)
Non-operating income		
Interest income	65	52
Foreign exchange gains	23,867	—
Share of profit of entities accounted for using equity method	—	174,973
Other	29,078	60,384
Total non-operating income	53,011	235,409
Non-operating expenses		
Interest expenses	2,892	6,135
Share of loss of entities accounted for using equity method	329,690	—
Foreign exchange losses	—	7,734
Commission expenses	—	7,903
Other	26,842	7,936
Total non-operating expenses	359,425	29,710
Ordinary income	292,800	187,134
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	12,417	—
Gain on change in equity	76,481	139,531
Total extraordinary income	88,898	139,531
Extraordinary losses		
Loss on retirement of non-current assets	10,240	4,105
Impairment losses	909	10,546
Loss on sale of investment securities	3,240	13,450
Loss on valuation of investment securities	—	7,148
Loss on step acquisitions	4,700	—
Total extraordinary losses	19,089	35,251
Income before income taxes	362,608	291,414
Income taxes-current	7,705	703,393
Income taxes-deferred	351,151	(10,956)
Total income taxes	358,856	692,436
Profit (loss)	3,752	(401,022)
Profit (loss) attributable to non-controlling interests	(119,577)	(74,862)
Profit (loss) attributable to owners of parent	123,329	(326,160)

Quarterly consolidated statement of comprehensive income
For the first half

(Unit: thousands of yen)

	For the first half of the previous fiscal year (from October 1, 2021 to March 31, 2022)	For the first half of the current fiscal year (from October 1, 2022 to March 31, 2023)
Profit (loss)	3,752	(401,022)
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,628)	(1,857)
Foreign currency translation adjustment	35,342	(24,879)
Remeasurements of defined benefit plans, net of tax	(1,435)	1,348
Share of other comprehensive income of entities accounted for using equity method	30,512	35,348
Total other comprehensive income	43,791	9,960
Comprehensive income	47,543	(391,062)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	166,511	(316,199)
Comprehensive income attributable to non-controlling interests	(118,968)	(74,862)

(3) Quarterly consolidated statement of cash flows

	(Unit: thousands of yen)	
	For the first half of the current fiscal year (from October 1, 2021 to March 31, 2022)	For the first half of the current fiscal year (from October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Income before income taxes	362,608	291,414
Depreciation	694,660	672,354
Impairment loss	909	10,546
Amortization of goodwill	109,425	136,177
Increase (decrease) in allowance for doubtful accounts	2,564	(1,282)
Increase (decrease) in retirement benefit liability	65,785	74,142
Interest and dividend income	(65)	(52)
Interest expenses	2,892	6,135
Share of loss (profit) of entities accounted for using equity method	329,690	(174,973)
Loss (gain) on step acquisitions	4,700	—
Loss (gain) on change in equity	(76,481)	(139,531)
Loss on retirement of non-current assets	10,240	4,105
Loss (gain) on valuation of investment securities	—	7,148
Loss (gain) on sale of investment securities	(9,176)	13,450
Decrease (increase) in trade receivables	191,422	(222,549)
Increase (decrease) in trade payables	(91,303)	48,174
Increase (decrease) in accounts payable-other	(15,307)	(51,997)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(481,879)	1,057,174
Other, net	26,608	(74,319)
Subtotal	1,127,293	1,656,119
Interest and dividends income received	62	52
Interest paid	(2,892)	(6,135)
Income taxes refund (paid)	(1,912,569)	455,911
Net cash provided by (used in) operating activities	(788,106)	2,105,948
Cash flows from investing activities		
Purchase of property, plant and equipment	(39,979)	(36,079)
Purchase of intangible assets	(1,336,048)	(583,419)
Proceeds from sales of investment securities	16,196	1,504
Payments for acquisition of businesses	(44,500)	—
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	—
Other, net	5,417	1,629
Net cash provided by (used in) investing activities	(1,413,899)	(616,364)

	(Unit: thousands of yen)	
	For the first half of the current fiscal year (from October 1, 2021 to March 31, 2022)	For the first half of the current fiscal year (from October 1, 2022 to March 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	204	60,000
Repayments of short-term borrowings	—	(50,975)
Repayments of long-term borrowings	(250,545)	(375,890)
Proceeds from issuance of shares	28,660	27,132
Proceeds from share issuance to non-controlling shareholders	—	(2,940)
Dividends paid	(439,609)	(440,095)
Dividends paid to non-controlling interests	—	(2,940)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(85,400)	(12,500)
Purchase of treasury shares of subsidiaries	(29,800)	—
Net cash provided by (used in) financing activities	(776,489)	(798,208)
Effect of exchange rate change on cash and cash equivalents	29,113	(25,385)
Net increase (decrease) in cash and cash equivalents	(2,949,381)	665,988
Cash and cash equivalents at beginning of period	15,540,084	12,097,658
Cash and cash equivalents at end of period	12,590,702	12,763,647

4) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

【Segment information】

I First half of previous fiscal year (period from October 1, 2021 to March 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	8,952,620	1,845,506	121,247	1,561,974	12,481,349	—	12,481,349
Goods or services transferred over time	11,039	30,383	—	452,775	494,198	—	494,198
Revenue from contracts with customers	8,963,659	1,875,890	121,247	2,014,750	12,975,547	—	12,975,547
Sales to outside customers	8,963,659	1,875,890	121,247	2,014,750	12,975,547	—	12,975,547
Internal sales between segments or transfers	112,459	9,571	—	523,974	646,005	(646,005)	—
Total	9,076,118	1,885,461	121,247	2,538,724	13,621,552	(646,005)	12,975,547
Segment income (loss)	2,857,409	(648,681)	(232,956)	(176,321)	1,799,449	(1,200,235)	599,214

(Note) 1. The segment income (loss) adjustment of ¥(1,200,235) thousand includes the elimination of inter-segment transactions of ¥(16,918) thousand and corporate expenses not allocated to each reporting segment of ¥(1,183,316) 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

(Important impairment losses related to fixed assets)

(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		
Impairment loss	—	—	—	909	909	—	909

(Material change in goodwill)

In addition, in other business, goodwill of ¥149,142 thousand was recorded for the first six months of the fiscal year under review as a result of the acquisition of additional shares of AI Infinity Co., Ltd., which made the company a consolidated subsidiary.

II First half of previous fiscal year (period from October 1, 2022 to March 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	9,371,278	2,165,938	309,264	1,368,068	13,214,550	—	13,214,550
Goods or services transferred over time	42,424	24,212	—	350,197	416,834	—	416,834
Revenue from contracts with customers	9,413,703	2,190,151	309,264	1,718,266	13,631,385	—	13,631,385
Sales to outside customers	9,413,703	2,190,151	309,264	1,718,266	13,631,385	—	13,631,385
Internal sales between segments or transfers	88,987	5,431	—	698,911	793,330	(793,330)	—
Total	9,502,690	2,195,582	309,264	2,417,178	14,424,715	(793,330)	13,631,385
Segment income (loss)	2,794,644	(219,897)	(461,465)	(807,100)	1,306,180	(1,324,745)	(18,565)

(Note) 1. The segment income (loss) adjustment of ¥(1,324,745) thousand includes the elimination of inter-segment transactions of ¥9,178 thousand and corporate expenses not allocated to each reporting segment of ¥(1,333,924) 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

(Important impairment losses related to fixed assets)

(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		
Impairment loss	—	1,992	—	8,554	10,546	—	10,546

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 half of the previous fiscal year is based on the new segments after the change.