

## UNOFFICIAL TRANSLATION

The formal official document is in Japanese



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

November 8, 2023

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 23, 2023

Scheduled date to submit the Securities Report (Yuka Shoken Houkokusho): December 25, 2023

Scheduled date of dividend payment: December 25, 2023

Supplementary documents for financial results: Yes

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

(Figures less than one millions of yen are omitted)

## 1. Consolidated financial results for the year ended September 30, 2023

(October 1, 2022 – September 30, 2023)

## (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, 2023	26,798	1.2	298	(65.7)	458	(5.7)	753	—
For the year ended September 30, 2022	26,479	2.9	870	(54.9)	485	(64.5)	(930)	—

(Note) Comprehensive income: Year ended September 30, 2023: 778 million yen, (—%)

Year months ended September 30, 2022: (1,137) 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, 2023	13.73	—	5.4	1.6	1.1
For the year ended September 30, 2022	(16.99)	—	(5.9)	1.6	3.3

(Reference) Equity in earnings (losses) of affiliates: Year ended September 30 2023: 102 millions of yen

Year ended September 30 2022: (457) 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, 2023	29,155	17,583	47.9	254.36
Year ended September 30, 2022	29,265	17,877	48.1	256.61

(Reference) Shareholders' equity: Year ended September 30, 2023: 13,953 millions of yen

Year ended September 30, 2022: 14,065 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, 2023	4,764	(1,349)	(1,784)	13,720
For the year ended September 30, 2022	(1,393)	(2,460)	343	12,097

## 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			
	Yen	Yen	Yen	Yen	Yen		%	%
For the year ended September 30, 2022	—	8.00	—	8.00	16.00	880	—	5.6
For the year ended September 30, 2023	—	8.00	—	8.00	16.00	880	116.5	6.3
For the year ending September 30, 2024 (forecast)	—	8.00	—	8.00	16.00		—	

3. Forecast for consolidated financial results for the fiscal year ending September 30, 2024  
(October 1, 2023 – September 30, 2024)

(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	13,000	(4.5)	200	—	200	+6.9	50	—	0.91
Full year	27,000	+0.8	1,000	+235.1	1,000	+118.1	400	(46.9)	7.32

\* 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) 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 |

(3) Number of outstanding shares (common shares)

- |  |                         |
|--|-------------------------|
| (i) Number of outstanding shares at the end of period (including treasury shares): |                         |
| 9/23: 61,264,600 shares  | 9/22: 61,263,000 shares |
| (ii) Number of treasury shares at the end of period                                |                         |
| 9/23: 6,405,973 shares   | 9/22: 6,450,273 shares  |
| (iii) Average number of shares during the period                                   |                         |
| 9/23: 54,839,609 shares  | 9/22: 54,781,561 shares |

(Reference) Summary of financial results

1. Nonconsolidated financial results for the year ended September 30, 2023  
(From October 1, 2022 - September 30, 2023)

(1) Nonconsolidated operating results

(Percentages are shown as year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the year ended September 30, 2023	20,763	(3.2)	1,477	(48.7)	761	(40.9)	2,404	—
For the year ended September 30, 2022	21,445	3.6	2,879	18.0	1,289	(43.6)	(3,524)	—

	Net income per share	Fully diluted net income per share
	Yen	Yen
For the year ended September 30, 2023	43.69	—
For the year ended September 30, 2022	(64.10)	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
For the year ended September 30, 2023	26,817	16,549	61.5	299.51
For the year ended September 30, 2022	25,048	15,043	59.6	271.45

(Reference) Shareholders' equity

As of September 30, 2023: 16,490 millions of yen As of September 30, 2022: 14,932 millions of yen

\* Status of review

Financial results is out of 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. For the assumptions underlying the forecasts and other notice on the use of earnings forecasts, please refer to "(4) Future outlook" on page 4 in the accompanying material.

While the Company planned to hold an online briefing on earnings chiefly for securities analysts and institutional investors on Thursday, November 9, 2023, for original Japanese.

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## 1. Overview of operating results

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

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 current fiscal year under review, consolidated net sales stood at ¥26,798 million (up 1.2% year on year) and gross profit at ¥18,373 million (down 1.7 % year on year), attributable to an increase in cost of sales.

Operating income stood at ¥298 million (down 65.7 % year on year) due to an increase in selling, general and administrative expenses due chiefly to a rise in advertising expenses.

Ordinary income stood at ¥458 million (down 5.7% year on year) chiefly due to a share of profit of entities accounted for using equity method of ¥102 million (compared to a share of loss of entities accounted for using equity method of ¥457 million in the previous year).

Profit attributable to owners of parent amounted to ¥753 million (a loss of ¥930 million in the previous fiscal year) as a result of a significant increase in extraordinary income due to consumption taxes refund and gain on change in equity and a substantial decrease in extraordinary losses compared from the previous fiscal year.

### Consolidated operating results

(Period from October 1, 2022 to September 30, 2023)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2022	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	26,798	26,479	+319	+1.2
Cost of sales	8,425	7,787	+638	+8.2
Gross profit	18,373	18,691	(318)	(1.7)
SG&A	18,074	17,820	+253	+1.4
Operating income	298	870	(572)	(65.7)
Ordinary income	458	485	(27)	(5.7)
Profit attributable to Owners of parent	753	(930)	+1,683	-

### Breakdown of SG&A

(Period from October 1, 2022 to September 30, 2023)

	Fiscal year ended September 30, 2023	Fiscal year ended September 30, 2022	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	18,074	17,820	+253	+1.4
Advertising expenses	2,136	1,580	+555	+35.2
Personnel expenses	7,714	7,718	(4)	(0.1)
Commission fee	2,954	3,094	(139)	(4.5)
Subcontract expenses	1,965	2,136	(171)	(8.0)
Depreciation	1,265	1,352	(86)	(6.4)
Other	2,038	1,937	+100	+5.2

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 current fiscal year 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 3.13 million of paying subscribers. The figure was 70 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 totaled ¥18,108 million (down 2.2% year on year) due to a year-on-year decrease in the number of paying subscribers, which more than offset the video sales at Video Market Corporation, a consolidated subsidiary of the Company.

Operating income was ¥5,224 million (down 15.7% 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, the maternal health record book app and the childcare DX service.

This segment served 550 thousand of paying subscribers. The figure was 40 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 1,793 at the end of September 2023 (up 529 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 ¥4,616 million (up 14.6% year on year), given expanded sales of Cloud drug record service and Childcare DX service, etc. The operating loss reduced to ¥224 million (loss of ¥1,108 million in the previous fiscal year) due to the effect of increased sales and implemented 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 ¥852 million (up 100.0% year on year) due to an increase in monthly usage fees from educational institutions that have introduced the “BLEND” cloud-based school business support system. “BLEND” has been used by 566 educational institutions since April 2023 (226 institutions more than a year ago). Operating loss was ¥668 million (loss of ¥841 million in the previous fiscal year) as a result of a decrease in deficit due to a significant increase in sales.

## **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.

Sales decreased to ¥4,822 million (down 0.5% year on year) due to a fall in orders for the AI business, more than offsetting an increase in orders for corporate DX support business. The operating loss was ¥1,398 million (loss of ¥826 million in the previous year), primarily reflecting an increase in the cost of sales as a result of responses to projects in deficit in the corporate DX support business in addition to decreased sales in the AI business.

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

As of the end of the fiscal year under review, total assets decreased ¥110 million from the end of September 2022, to ¥29,155 million.

Current assets increased ¥161 million mainly due to an increase in cash and deposits despite a decrease in consumption taxes refund receivable. Non-current assets declined ¥272 million chiefly due to a decrease in goodwill and customer-related assets, which more than offset an increase in investment securities.

Current liabilities increased ¥944 million, mainly reflecting rises in income taxes payable and contract liabilities. Non-current liabilities fell ¥760 million chiefly due to a decline in long-term borrowings.

Net assets decreased ¥293 million chiefly due dividend payments, despite a profit attributable to owners of parent of ¥753 million.

## **(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 ¥13,720 million, an increase of ¥1,623 million from September 30, 2022. Cash flow by activity and principal factors in the fiscal year under review were as follows.

Net cash provided by operating activities stood at ¥4,764 million (net cash used of ¥1,393 million in the previous fiscal year), reflecting primarily profit before income taxes posted and reception of depreciation and consumption taxes refund receivable.

Net cash used in investing activities stood at ¥1,349 million (outflow of ¥2,460 million in the previous fiscal year). Principal factors included the acquisition of intangible assets (mainly purchase of software).

Net cash used in financing activities amounted to ¥1,784 million (net cash provided of ¥343 million in the previous fiscal year), which was attributable principally to repayment of long-term borrowings and dividends paid.

#### (4) Future outlook

The Company will work hard to expand sales and turn a profit in the healthcare business, which is expected to be a driving force for future performance growth. 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, the Group is earnestly working to increase the number of schools that will introduce this system beginning in April 2024.

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.

[Assumptions for forecast values]

The impact of undetermined new businesses and low-probability mergers and acquisitions in the Group are not taken into account and are not incorporated in the forecast figures. The Company will promptly disclose any deviation between forecasts and results that should be disclosed.

#### **Earnings forecast for the six months of the fiscal year ending September 30, 2024 (Period from October 1, 2023 to March 30, 2024)**

Consolidated	(Millions of yen)	YoY(%)
Net sales	13,000	(4.5)
Operating profit	200	(loss of ¥18 million in the previous fiscal year)
Ordinary profit	200	+6.9
Profit attributable to owners of parent	50	(loss of ¥326 million in the previous fiscal year)

#### **Earnings forecast for the fiscal year ending September 30, 2024 (Period from October 1, 2023 to September 30, 2024)**

Consolidated	(Millions of yen)	YoY(%)
Net sales	27,000	+0.8
Operating profit	1,000	+235.1
Ordinary profit	1,000	+118.1
Profit attributable to owners of parent	400	(46.9)

## 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, 2022)	Current fiscal year (As of September 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	12,097,658	13,720,915
Notes and accounts receivable - trade, and contract assets	4,294,825	4,197,136
Advance payments-trade	230,049	214,194
Prepaid expenses	434,784	414,268
Accounts receivable-other	71,031	131,853
Income taxes receivable	485,089	10,630
Other	1,199,240	285,346
Allowance for doubtful accounts	(34,097)	(33,941)
Total current assets	18,778,582	18,940,404
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings	308,888	328,982
Accumulated depreciation	(242,130)	(243,495)
Facilities attached to buildings, net	66,758	85,487
Vehicles	277	478
Accumulated depreciation	(277)	(333)
Vehicles, net	0	144
Tools, furniture, and fixtures	601,076	625,599
Accumulated depreciation	(474,773)	(497,520)
Tools, furniture and fixtures, net	126,302	128,079
Total property, plant and equipment	193,060	213,711
Intangible assets		
Software	2,058,982	1,894,135
Goodwill	655,709	240,012
Customer-related assets	912,600	491,400
Other	163,473	230,614
Total intangible assets	3,790,765	2,856,162
Investments and other assets		
Investment securities	3,675,499	4,081,380
Lease and guarantee deposits	337,475	305,268
Deferred tax assets	2,394,793	2,658,854
Other	106,411	110,361
Allowance for doubtful accounts	(10,904)	(10,704)
Total investments and other assets	6,503,275	7,145,160
Total non-current assets	10,487,102	10,215,035
Total assets	29,265,684	29,155,439

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2022)	Current fiscal year (As of September 30, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,068,638	1,023,077
Current portion of long-term loans payable	751,780	747,600
Accounts payable-other	1,221,218	1,279,759
Accrued expenses	501,487	502,655
Income taxes payable	19,236	637,619
Accrued consumption taxes	23,161	316,185
Contract liabilities	2,356,643	2,567,914
Provision for directors' bonuses	30,609	28,862
Other	413,577	227,086
Total current liabilities	6,386,353	7,330,762
Non-current liabilities		
Long-term loans payable	3,178,010	2,431,250
Net defined benefit liability	1,816,159	1,786,153
Other	7,432	23,449
Total non-current liabilities	5,001,601	4,240,853
Total liabilities	11,387,955	11,571,615
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,218,512	5,232,677
Capital surplus	6,768,841	6,485,816
Retained earnings	5,224,287	5,143,458
Treasury shares	(3,257,237)	(3,230,813)
Total shareholders' equity	13,954,404	13,631,139
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75,554	165,132
Foreign currency translation adjustment	89,490	97,848
Remeasurements of defined benefit plans	(53,931)	59,594
Total accumulated other comprehensive income	111,114	322,575
Subscription rights to shares	110,774	59,147
Non-controlling interests	3,701,436	3,570,962
Total net assets	17,877,729	17,583,824
Total liabilities and net assets	29,265,684	29,155,439



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

### Consolidated statement of income

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2021 to September 30, 2022)	Current fiscal year (from October 1, 2022 to September 30, 2023)
Net sales	26,479,310	26,798,991
Cost of sales	7,787,727	8,425,737
Gross profits	18,691,583	18,373,254
Selling, general and administrative expenses	17,820,953	18,074,827
Operating income	870,629	298,426
Non-operating income		
Interest income	135	104
Dividend income	7,012	3,961
Foreign exchange gains	102,308	38,170
Share of profit of entities accounted for using equity method	—	102,204
Compensation income	503	34,759
Other	37,819	29,395
Total non-operating income	147,777	208,596
Non-operating expenses		
Interest expenses	5,491	11,489
Share of loss of entities accounted for using equity method	457,088	—
Consumption tax difference	17,018	22,562
Commission expenses	9,231	7,903
Other	43,621	6,615
Total non-operating expenses	532,451	48,571
Ordinary income	485,955	458,451
Extraordinary income		
Gain on sale of non-current assets	—	501
Gain on sales of investment securities	—	14
Gain on sale of shares of subsidiaries and associates	12,417	19,904
Gain on change in equity	76,481	237,588
Gain on reversal of share acquisition rights	54,027	51,424
Consumption taxes refund	—	873,339
Total extraordinary income	142,925	1,182,773
Extraordinary losses		
Loss on sales of non-current assets	119	—
Loss on retirement of non-current assets	27,816	25,691
Impairment loss	897,949	347,842
Loss on sale of investment securities	3,240	13,450
Loss on valuation of investment securities	—	55,689
Loss on step acquisitions	4,700	—
Total extraordinary losses	933,826	442,673
Profit (loss) before income taxes	(304,944)	1,198,550
Income taxes - current	718,258	947,796
Income taxes-deferred	40,756	(316,777)
Total income taxes	759,015	631,019
Profit (loss)	(1,063,960)	567,530
Profit (loss) attributable to non-controlling interests	(133,485)	(185,689)
Profit (loss) attributable to owners of parent	(930,474)	753,220

# **Consolidated statement of comprehensive income**

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2021 to September 30, 2022)	Current fiscal year (from October 1, 2022 to September 30, 2023)
Profit (loss)	(1,063,960)	567,530
Other comprehensive income		
Valuation difference on available-for-sale securities	(89,830)	5,191
Foreign currency translation adjustment	82,773	4,520
Remeasurements of defined benefit plans, net of tax	(67,810)	113,525
Share of other comprehensive income of entities accounted for using equity method	1,597	88,224
Total other comprehensive income	(73,270)	211,461
Comprehensive income	(1,137,230)	778,992
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(1,004,354)	964,681
Comprehensive income attributable to non-controlling interests	(132,876)	(185,689)

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

Previous 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)
Profit (loss) attributable to owners of parent			(930,474)		(930,474)
Increase (decrease) consolidated subsidiaries		112,008			112,008
Change in scope of equity method					—
Increase (decrease) in retained earnings from exclusion of subsidiaries from consolidation					—
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)
Profit (loss) attributable to owners of parent							(930,474)
Increase (decrease) consolidated subsidiaries							112,008
Change in scope of equity method							—
Increase (decrease) in retained earnings from exclusion of subsidiaries from consolidation							—
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

**Current fiscal year (from October 1, 2022 to September 30, 2023)**

(Unit: thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	5,218,512	6,768,841	5,224,287	(3,257,237)	13,954,404
Cumulative effects of changes in accounting policies					—
Restated balance	5,218,512	6,768,841	5,224,287	(3,257,237)	13,954,404
Changes during period					
Issuance of new shares exercise of subscription rights to shares	14,164	14,164			28,328
Dividends of surplus			(880,593)		(880,593)
Profit (loss) attributable to owners of parent			753,220		753,220
Increase (decrease) consolidated subsidiaries		(270,765)			(270,765)
Change in scope of equity method			43,092		43,092
Increase (decrease) in retained earnings from exclusion of subsidiaries from consolidation			3,452		3,452
Cancellation of treasury shares		(26,424)		26,424	—
Net changes of items other than shareholders' equity					
Total changes of items during period	14,164	(283,024)	(80,828)	26,424	(323,265)
Balance at end of current period	5,232,677	6,485,816	5,143,458	(3,230,813)	13,631,139

	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	75,554	89,490	(53,931)	111,114	110,774	3,701,436	17,877,729
Cumulative effects of changes in accounting policies							—
Restated balance	75,554	89,490	(53,931)	111,114	110,774	3,701,436	17,877,729
Changes during period							
Issuance of new shares exercise of subscription rights to shares							28,328
Dividends of surplus							(880,593)
Profit (loss) attributable to owners of parent							753,220
Increase (decrease) consolidated subsidiaries							(270,765)
Change in scope of equity method							43,092
Increase (decrease) in retained earnings from exclusion of subsidiaries from consolidation							3,452
Cancellation of treasury shares							—
Net changes of items other than shareholders' equity	89,578	8,357	113,525	211,461	(51,627)	(130,473)	29,360
Total changes of items during period	89,578	8,357	113,525	211,461	(51,627)	(130,473)	(293,905)
Balance at end of current period	165,132	97,848	59,594	322,575	59,147	3,570,962	17,583,824

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

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2021 to September 30, 2022)	Current fiscal year (from October 1, 2022 to September 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(304,944)	1,198,550
Depreciation	1,493,718	1,428,537
Impairment loss	897,949	347,842
Amortization of goodwill	247,076	272,543
Increase (decrease) in allowance for doubtful accounts	923	119
Increase (decrease) in net defined benefit liability	149,703	129,734
Interest and dividend income	(7,147)	(4,066)
Interest expenses	5,491	11,489
Share of (profit) loss of entities accounted for using equity method	457,088	(102,204)
Loss (gain) on step acquisitions	4,700	—
Loss (gain) on change in equity	(76,481)	(237,588)
Loss (gain) on sales of non-current assets	119	(501)
Loss on retirement of non-current assets	27,816	25,691
Loss (gain) on sales of investment securities	(9,176)	13,435
Loss (gain) on valuation of investment securities	—	55,689
Loss (gain) on sale of shares of subsidiaries and associates	—	(19,904)
Gain on reversal of share acquisition rights	(54,027)	(51,424)
Decrease (increase) in trade receivables	362,410	91,252
Decrease (increase) in advance payments to suppliers	51,601	15,220
Decrease (increase) in prepaid expenses	14,917	19,727
Decrease (increase) in accounts receivable-other	23,740	(66,940)
Increase (decrease) in trade payables	(117,663)	(44,348)
Increase (decrease) in accounts payable-other	(13,164)	86,370
Increase (decrease) in accrued expenses	(3,260)	1,168
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(1,307,102)	1,147,598
Other, net	(79,780)	436,084
Subtotal	1,764,509	4,754,078
Interest and dividends received	6,089	4,066
Interest paid	(5,491)	(11,489)
Income taxes refund (paid)	(3,158,660)	17,611
Net cash provided by (used in) operating activities	(1,393,553)	4,764,266

(Unit: thousands of yen)

	Previous fiscal year (from October 1, 2021 to September 30, 2022)	Current fiscal year (from October 1, 2022 to September 30, 2023)
Cash flows from investing activities		
Purchase of property, plant and equipment	(84,236)	(100,132)
Proceeds from sales of property, plant and equipment	—	281
Purchase of intangible assets	(2,114,326)	(1,062,869)
Proceeds from sale of intangible assets	—	220
Proceeds from sale of investment securities	16,196	1,519
Payments for transfer of business	(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	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(226,507)
Other, net	(25,732)	38,049
Net cash provided by (used in) investing activities	(2,460,600)	(1,349,438)
Cash flows from financing activities		
Proceeds from short-term borrowings	204	90,000
Repayments of short-term borrowings	(204)	(53,016)
Proceeds from long-term borrowings	1,500,000	—
Repayments of long-term borrowings	(476,435)	(750,940)
Proceeds from issuance of shares	39,874	28,125
Proceeds from share issuance to non-controlling shareholders	285,000	—
Repayments to non-controlling shareholders	—	(2,940)
Cash dividends paid	(879,599)	(880,593)
Dividends paid to non-controlling interests	—	(2,940)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(85,400)	(212,500)
Purchase of treasury shares of subsidiaries	(39,900)	—
Net cash provided by (used in) financing activities	343,539	(1,784,804)
Effect of exchange rate change on cash and cash equivalents	68,187	4,666
Net increase (decrease) in cash and cash equivalents	(3,442,426)	1,634,689
Cash and cash equivalents at beginning of period	15,540,084	12,097,658
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(11,431)
Cash and cash equivalents at end of period	12,097,658	13,720,915