

## UNOFFICIAL TRANSLATION

The formal official document is in Japanese



## Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending September 30, 2024 (Japanese Accounting Standards)

February 7, 2024

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, 2024

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, 2023

(October 1, 2023– December 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 quarter of fiscal year ending September 30, 2024	6,625	(6.6)	435	–	792	–	630	–
First quarter of fiscal year ended September 30, 2023	7,091	8.2	(61)	–	(88)	–	(590)	–

(Note) Comprehensive income: Three months ended December 31, 2023: 621 millions of yen –%  
Three months ended December 31, 2022: (639) millions of yen –%

	Net income per share		Net income per share/diluted	
	Yen	Yen	Yen	Yen
First quarter of fiscal year ending September 30, 2024	11.49	–	–	–
First quarter of fiscal year ended September 30, 2023	(10.77)	–	–	–

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2023	27,937	17,621	49.9
As of September 30, 2023	29,155	17,583	47.9

(Reference) Shareholders' equity: As of December 31, 2023: 13,937 millions of yen  
As of September 30, 2023: 13,953 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, 2023	–	8.00	–	8.00	16.00
Fiscal year ending September 30, 2024	–	–	–	–	–
Fiscal year ending September 30, 2024 (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, 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	(4.6)	600	–	1,000	434.4	700	–	12.76
Full year	27,000	0.8	1,000	235.1	1,400	205.4	800	6.2	14.58

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

\* 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):

12/2023: 61,264,600 shares                      09/2023: 61,264,600 shares

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

12/2023: 6,405,973 shares                      09/2023: 6,405,973 shares

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

Three months ended 12/2023: 54,858,627 shares    Three months ended 12/2022: 54,810,804 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.

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## 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, 2024

#### (Period from October 1, 2023 to December 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 current fiscal year under review, consolidated net sales stood at ¥6,625 million (down 6.6% year on year), attributable to the absence of non-recurring sales of videos posted at Video Market Corporation, a consolidated subsidiary, in the same period of the previous year.

Gross profit came to ¥4,836 million (up 6.2% year on year), reflecting a significant reduction in the cost of sales due to the absence of non-recurring purchases of videos posted at Video Market Corporation in the year-ago period and a decrease in loss-making DX support projects for corporate customers.

Operating income amounted to ¥435 million (compared to an operating loss of ¥61 million in the same period of the previous year) due to the increase in gross profit and a reduction in selling, general and administrative (SG&A) expenses mainly resulting from a decrease in personnel expenses and outsourcing expenses.

Ordinary income increased significantly to ¥792 million (compared to an ordinary loss of ¥88 million in the same period of the previous year) due to the rise in operating income and a share of profit of entities accounted for using equity method of ¥409 million (compared to a share of loss of entities accounted for using equity method of ¥34 million), which was attributable to extraordinary income (gain on sale of non-current assets) posted at Shobunsha Holdings, Inc., an equity-method affiliate.

Profit attributable to owners of parent rose significantly to ¥630 million (compared to a loss of ¥590 million), chiefly due to the increase in ordinary income and the absence of a loss caused in the same period of the previous year by 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.

### Consolidated business results

#### (Period from October 1, 2023 to December 31, 2023)

	First quarter of the fiscal year ending September 30, 2024	First quarter of the fiscal year ended September 30, 2023	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	6,625	7,091	(465)	(6.6)
Cost of sales	1,788	2,538	(750)	(29.6)
Gross profit	4,836	4,552	+284	+6.2
SG&A	4,401	4,613	(212)	(4.6)
Operating profit (loss)	435	(61)	+496	—
Ordinary profit (loss)	792	(88)	+881	—
Profit (loss) attributable to owners of parent	630	(590)	+1,220	—

### Breakdown of SG&A

#### (Period from October 1, 2023 to December 31, 2023)

	First quarter of the fiscal year ending September 30, 2024	First quarter of the fiscal year ended September 30, 2023	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	4,401	4,613	(212)	(4.6)
Advertising expenses	626	479	+147	+30.8
Personnel expenses	1,818	1,989	(170)	(8.6)
Commission fee	709	746	(37)	(5.0)
Subcontract expenses	441	560	(119)	(21.3)
Depreciation	318	289	+28	+10.0
Other	486	549	(62)	(11.4)

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 3.09 million of paying subscribers. The figure was 40 thousand smaller than at the end of September 2023. 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 ¥4,210 million (down 17.7% year on year) due to the absence of non-recurring sales of videos posted at Video Market Corporation, a consolidated subsidiary, in the same period of the previous year.

Operating income was ¥1,091 million (down 24.1% 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 540 thousand of paying subscribers. The figure was 10 thousand smaller than at the end of September 2023. On the other hand, the number of pharmacies that offer the cloud drug record service came to 1,923 at the end of December 2023 (up 130 from the end of September 2023), 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 ¥1,260 million (up 24.6% year on year), given expanded sales of Cloud drug record service and Childcare DX service, etc. Operating income significantly increased to ¥112 million (loss of ¥172 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 ¥260 million (up 67.5% 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). The operating loss was reduced to ¥82 million (compared to a loss of ¥246 million in the same period of the previous year) due to the significant rise in net sales and a reduction in outsourcing expenses associated with a reduction in development expense.

### ④ Other business

Other business includes the B2B AI business operated by Automagi Inc.,

Net sales stood at ¥1,282 million (up 7.8% year on year) due to an increase in orders in the corporate DX support business. The operating loss was reduced to ¥87 million (loss of ¥393 million in the previous year), primarily reflecting a reduction in cost of sales due to a significant decrease in loss-making DX support projects for corporate customers.

## (2) Explanation on financial position

At the end of the first quarter under review, total assets decreased ¥218 million from the end of September 2023, to ¥27,937 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.

Current assets decreased ¥1,565 million mainly due to a fall in cash and deposits. Non-current assets rose ¥347 million chiefly due to an increase in investment securities, which more than offset a decrease in goodwill and customer-related assets.

Current liabilities decreased ¥1,109 million, mainly reflecting falls in income taxes payable and contract liabilities. Non-current liabilities fell ¥146 million chiefly due to a decline in long-term borrowings.

Net assets increased ¥37 million, mainly reflecting the posting of ¥630 million as profit attributable to owners of parent, which offset dividends paid.

### (3) Explanation of future forecast information including consolidated forecast

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.

The consolidated results forecasts for the first half of the fiscal year ending September 30, 2024, and the full year have been revised as stated in the Notice of Revisions to First-Half and Full-Year Consolidated Results Forecasts announced on February 7, 2024.

[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 first half of the fiscal year ending September 30, 2024 (Period from October 1, 2023 to March 31, 2024)

Consolidated	(Millions of yen)	YoY(%)
Net sales	13,000	(4.6)
Operating profit	600	(loss of ¥18 million in the previous fiscal year)
Ordinary profit	1,000	+434.4
Profit attributable to owners of parent	700	(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	1,400	+205.4
Profit attributable to owners of parent	800	+6.2

**2. Quarterly consolidated financial statements**  
**(1) Quarterly consolidated balance sheet**

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2023)	Current fiscal year (As of December 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	13,720,915	12,109,063
Notes and accounts receivable-trade, and contract assets	4,197,136	4,185,321
Other	1,056,294	1,115,390
Allowance for doubtful accounts	(33,941)	(34,732)
<b>Total current assets</b>	<b>18,940,404</b>	<b>17,375,044</b>
Non-current assets		
Property, plant and equipment	213,711	203,983
Intangible assets		
Software	1,894,135	1,917,427
Goodwill	240,012	190,746
Customer-related assets	491,400	386,100
Other	230,614	245,793
<b>Total intangible assets</b>	<b>2,856,162</b>	<b>2,740,067</b>
Investments and other assets		
Investment securities	4,081,380	4,444,745
Leasehold and guarantee deposits	305,268	297,870
Deferred tax assets	2,658,854	2,833,306
Other	110,361	52,951
Allowance for doubtful accounts	(10,704)	(10,704)
<b>Total investment and other assets</b>	<b>7,145,160</b>	<b>7,618,169</b>
<b>Total non-current assets</b>	<b>10,215,035</b>	<b>10,562,220</b>
<b>Total assets</b>	<b>29,155,439</b>	<b>27,937,264</b>

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2023)	Current fiscal year (As of December 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Account payable-trade	1,023,077	1,012,862
Current portion of long-term borrowings	747,600	744,030
Accounts payable - other,	1,279,759	1,323,120
Income taxes payable	637,619	59,808
Contract liabilities	2,567,914	2,327,717
Provision for bonuses	—	202,781
Other	1,074,790	551,260
Total current liabilities	7,330,762	6,221,580
Non-current liabilities		
Long-term borrowings	2,431,250	2,246,875
Retirement benefit liability	1,786,153	1,814,641
Other	23,449	32,508
Total non-current liabilities	4,240,853	4,094,024
Total non-current liabilities	11,571,615	10,315,605
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,232,677	5,232,677
Capital surplus	6,485,816	6,322,902
Retained earnings	5,143,458	5,333,475
Treasury shares	(3,230,813)	(3,230,813)
Total shareholders' equity	13,631,139	13,658,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,132	136,387
Foreign currency translation adjustment	97,848	84,446
Remeasurements of defined benefit plans	59,594	57,959
Total accumulated other comprehensive income	322,575	278,793
Subscription rights to shares	59,147	58,325
Non-controlling interests	3,570,962	3,626,299
Total net assets	17,583,824	17,621,659
Total liabilities and net assets	29,155,439	27,937,264



**(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, 2022 to December 31, 2022)	For the first quarter of the current fiscal year (from October 1, 2023 to December 31, 2023)
Net sales	7,091,062	6,625,132
Cost of sales	2,538,631	1,788,321
Gross profit	4,552,430	4,836,810
Selling, general and administrative expenses	4,613,844	4,401,353
Operating profit (loss)	(61,414)	435,457
Non-operating income		
Interest income	19	17
Foreign exchange gains	6,811	—
Share of profit of entities accounted for using equity method	—	409,440
Other	17,204	5,985
Total non-operating income	24,035	415,443
Non-operating expenses		
Interest expenses	3,030	2,287
Share of loss of entities accounted for using equity method	34,190	—
Other investment loss	—	48,395
Other	14,131	7,717
Total non-operating expenses	51,352	58,400
Ordinary profit (loss)	(88,730)	792,500
Extraordinary losses		
Loss on retirement of non-current assets	743	8,049
Loss on sale of investment securities	13,450	—
Loss on valuation of investment securities	—	17,337
Total extraordinary losses	14,194	25,387
Profit (loss) before income taxes	(102,925)	767,112
Income taxes-current	510,494	275,818
Income taxes-deferred	34,384	(173,707)
Total income taxes	544,879	102,110
Profit (loss)	(647,804)	665,001
Loss attributable to non-controlling interests	(57,587)	34,522
Profit (loss) attributable to owners of parent	(590,217)	630,479

**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, 2022 to December 31, 2022)	For the first quarter of the current fiscal year (from October 1, 2023 to December 31, 2023)
Profit (loss)	(647,804)	665,001
Other comprehensive income		
Valuation difference on available-for-sale securities	257	(616)
Foreign currency translation adjustment	(32,517)	(13,629)
Remeasurements of defined benefit plans, net of tax	674	(1,634)
Share of other comprehensive income of entities accounted for using equity method	39,466	(27,901)
Total other comprehensive income	7,880	(43,782)
Comprehensive income	639,923	621,219
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(582,336)	586,697
Comprehensive income attributable to non-controlling interests	57,587	34,522

### 3) Notes concerning quarterly consolidated financial statements

(Notes concerning going concern assumption)

Not applicable.

(Note on significant fluctuations in shareholder equity)

Not applicable.

(Segment information, etc.)

#### 【Segment information】

I First Quarter of Previous 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.

II First Quarter of Current Fiscal Year(Period from October 1, 2023 to December 31, 2023)

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	4,159,302	1,247,476	238,068	865,994	6,510,841	—	6,510,841
Goods or services transferred over time	14,545	10,350	22,442	66,952	114,290	—	114,290
Revenue from contracts with customers	4,173,847	1,257,826	260,511	932,947	6,625,132	—	6,625,132
Sales to outside customers	4,173,847	1,257,826	260,511	932,947	6,625,132	—	6,625,132
Internal sales between segments or transfers	36,815	2,369	—	349,961	389,146	(389,146)	—
Total	4,210,663	1,260,196	260,511	1,282,908	7,014,279	(389,146)	6,625,132
Segment income (loss)	1,091,942	112,860	(82,353)	(87,318)	1,035,131	(599,673)	435,457

(Note) 1. The segment income (loss) adjustment of -¥599,673 thousand includes the elimination of inter-segment transactions of ¥9,370 thousand and corporate expenses not allocated to each reporting segment of -¥609,044 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.