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Summary of Consolidated Financial Results for the First Three Quarters of Fiscal Year ending September 30, 2024 (Japanese Accounting Standards)

August 6, 2024

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 dividend payment: -
 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 nine months ended June 30, 2024

(October 1, 2023– June 30, 2024)

(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 three quarters of fiscal year ending September 30, 2024	20,536	2.0	1,752	—	2,363	—	2,243	353.0
First three quarters of fiscal year ended September 30, 2023	20,138	4.1	(17)	—	151	72.4	495	—

(Note) Comprehensive income Nine months ended June 30, 2024: 2,322 millions of yen (395.1%)
 Nine months ended June 30, 2023: 469 millions of yen (—%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First three quarters of fiscal year ending September 30, 2024	40.88	40.86
First three quarters of fiscal year ended September 30, 2023	9.03	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	30,287	18,933	50.3
As of September 30, 2023	29,155	17,583	47.9

(Reference) Shareholders' equity: As of June 30, 2024: 15,220 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	—	8.00	—		
Fiscal year ending September 30, 2024(forecast)				8.00	16.00

(Note) Revisions to dividend forecasts published most recently: No

Accompanying materials – Contents

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

(1) Explanation on operating results

Overview for the first three quarters of fiscal year ending September 30, 2024

(Period from October 1, 2023 to June 30, 2024)

The Group has been 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.

Consolidated net sales were ¥20,536 million (up 2.0% year on year). The decrease due to the impact of spot video sales Video Market Co., Ltd., a consolidated subsidiary, accounted in the same period of the previous fiscal year, was offset by sales growth in the Healthcare Business and the DX Support Business for Corporate Customers, resulting in a slight increase.

Gross profit increased to ¥15,093 million (up 10.6% 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 also increased significantly to ¥1,752 million (an operating loss of ¥17 million in the same period of the previous year). This increase was due to the growth in gross profit and a reduction in selling, general, and administrative expenses, primarily resulting from a decrease in personnel and outsourcing expenses, despite an increase in advertising expenses.

Ordinary income increased significantly to ¥2,363 million (an ordinary income of ¥151 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 ¥615 million (a profit of ¥78 million in the same period of the previous year), which was mainly due to extraordinary income posted at Shobunsha Holdings, Inc., an equity-method affiliate.

Profit attributable to owners of parent rose significantly to ¥2,243 million (up 353.0% year on year) due to the increase in ordinary income, despite a year-on-year decrease in extraordinary income.

Consolidated business results

(Period from October 1, 2023 to June 30, 2024)

	First three quarters of the fiscal year ending September 30, 2024	First three quarters of the fiscal year ended September 30, 2023	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	20,536	20,138	+398	+2.0
Cost of sales	5,443	6,495	(1,051)	(16.2)
Gross profit	15,093	13,643	+1,449	+10.6
SG&A	13,340	13,661	(320)	(2.3)
Operating income	1,752	(17)	+1,770	—
Ordinary income	2,363	151	+2,211	—
Profit attribute to owners of parent	2,243	495	+1,748	+353.0

Breakdown of SG&A

(Period from October 1, 2023 to June 30, 2024)

	First three quarters of the fiscal year ending September 30, 2024	First three quarters of the fiscal year ended September 30, 2023	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	13,340	13,661	(320)	(2.3)
Advertising expense	2,012	1,569	+442	+28.2
Personnel expenses	5,409	5,904	(495)	(8.4)
Commission fee	2,135	2,223	(87)	(3.9)
Subcontract expenses	1,319	1,513	(194)	(12.8)
Depreciation	998	908	+89	+9.9
Other	1,466	1,526	(60)	(4.0)

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.

The number of monthly paid subscribers for this business was 3.07 million (down 60,000 from the end of September 2023). The number of subscribers was nearly level, reflecting an increase in the number of paying subscribers to the “AdGuard” security-related app.

Net sales totaled ¥12,629 million (down 8.6% 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 ¥3,320 million (down 17.1% 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.

The number of monthly paid subscribers for this business is now 510,000 (down 40,000 from the end of September 2023). On the other hand, the number of pharmacies offering the cloud drug record service reached 2,297 at the end of June 2024 (up 504 from the end of September 2023). This growth was driven by significant efforts to expand the number of pharmacies implementing the service, resulting in a record-high quarterly increase in the third quarter, reflecting the continued strong interest in adopting cloud drug record.

Net sales came to ¥4,023 million (up 19.1% year on year), given expanded sales of cloud drug record service and childcare DX service. Operating income turned a profit and increased significantly to ¥279 million (posted an operating loss of ¥233 million in the same period of the previous fiscal year) because 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 reached ¥885 million (up 52.3% 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 775 educational institutions since April 2024 (234 institutions more than a year ago). The operating loss significantly improved to ¥103 million (an operating loss of ¥569 million in the same period of the previous fiscal year) because of turning a profit in the third quarter. This result comes from 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., a consolidated subsidiary, and the corporate DX support business and solution business.

Net sales stood at ¥4,347 million (up 20.7% year on year) due to an increase in orders in the AI business and corporate DX support business. Operating income turned a profit and increased significantly to ¥178 million (an operating loss of ¥1,220 million in the same previous fiscal year), primarily reflecting a reduction in cost of sales due to a resolution of deficit project of the corporate DX support business.

(2) Explanation on financial position

At the end of the first three quarters under review, total assets increased ¥1,131 million from the end of September 2023, to ¥30,287 million.

Current assets increased ¥1,109 million, mainly due to an increase in cash and deposits. Non-current assets rose ¥22 million, chiefly due to an increase in investment securities, which more than offset a decrease in goodwill and customer-related assets.

Current liabilities increased ¥197 million, mainly due to a rise in accounts payable and contract liabilities, despite a decrease in unpaid corporate taxes. Non-current liabilities decreased ¥415 million chiefly due to a decline in long-term borrowings.

Net assets increased ¥1,349 million, mainly reflecting the posting of ¥2,243 million as profit attributable to owners of parent although dividends paid.

(3) Explanation of future forecast information including consolidated forecast

We will continuously work hard to expand sales and 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.

We will also focus on expanding the school DX business that Motivation Works Inc., a subsidiary of the Company, is actively working to develop. Having been given the large number of business inquiries related to “BLEND”, the cloud-based school affairs support system provided by Motivation Works.

The healthcare business, which we have been engaged in over the medium- and long-term, has great future growth potential, more than that of the B2C type. This business may move toward a more stable stock-type business through the establishment of long-term business relationships with customers. Therefore, we will commit to implementing a variety of measures to achieve sales growth.

Particularly, the cloud drug record service remains in high demand in dispensing pharmacies. That means we consider it will be able to contribute to the sustained growth of sales in the healthcare business. Therefore, we will continue to try to increase the number of introducing stores through enhancing cooperation with Medipal Holdings Corporation, our business partner.

We will also enhance childcare-related services with a focus on local governments that have already introduced the “Boshimo”, a maternal health record book app, and will advance digital cooperation among local governments, hospitals and clinics, and their 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 fiscal year ending September 30, 2024

(Period from October 1, 2023 to September 30, 2024)

	(Millions of yen)	YoY(%)
Net sales	27,500	+2.6
Operating income	2,200	+637.2
Ordinary income	2,750	+499.8
Profit attributable to owners of parent	2,400	+218.6

2. Quarterly consolidated financial statements and important notes

(1) Quarterly consolidated balance sheet

	(Unit: thousands of yen)	
	Previous fiscal year (As of September 30, 2023)	The current first half of the fiscal year (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	13,720,915	14,617,351
Notes and accounts receivable-trade, and contract assets	4,197,136	4,183,168
Other	1,056,294	1,283,502
Allowance for doubtful accounts	(33,941)	(34,023)
Total current assets	18,940,404	20,049,998
Non-current assets		
Property, plant and equipment	213,711	222,280
Intangible assets		
Software	1,894,135	2,041,548
Goodwill	240,012	66,518
Customer-related assets	491,400	175,500
Other	230,614	273,606
Total intangible assets	2,856,162	2,557,173
Investments and other assets		
Investment securities	4,081,380	4,636,312
Leasehold and guarantee deposits	305,268	295,939
Deferred tax assets	2,658,854	2,476,149
Other	110,361	60,216
Allowance for doubtful accounts	(10,704)	(10,704)
Total investment and other assets	7,145,160	7,457,913
Total non-current assets	10,215,035	10,237,367
Total assets	29,155,439	30,287,366

	(Unit: thousands of yen)	
	Previous fiscal year (As of September 30, 2023)	The current first half of the fiscal year (As of June 30, 2024)
Liabilities		
Current liabilities		
Account payable-trade	1,023,077	1,058,755
Current portion of long-term borrowings	747,600	737,940
Accounts payable-other,	1,279,759	1,726,514
Income taxes payable	637,619	70,618
Contract liabilities	2,567,914	3,117,210
Provision for bonuses	—	207,137
Other	1,074,790	609,928
Total current liabilities	7,330,762	7,528,105
Non-current liabilities		
Long-term borrowings	2,431,250	1,878,125
Retirement benefit liability	1,786,153	1,886,187
Other	23,449	61,479
Total non-current liabilities	4,240,853	3,825,792
Total liabilities	11,571,615	11,353,897
Net assets		
Shareholders' equity		
Share capital	5,232,677	5,261,993
Capital surplus	6,485,816	6,328,548
Retained earnings	5,143,458	6,505,846
Treasury shares	(3,230,813)	(3,207,144)
Total shareholders' equity	13,631,139	14,889,244
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	165,132	160,540
Foreign currency translation adjustment	97,848	116,430
Remeasurements of defined benefit plans	59,594	54,690
Total accumulated other comprehensive income	322,575	331,662
Subscription rights to shares	59,147	53,332
Non-controlling interests	3,570,962	3,659,229
Total net assets	17,583,824	18,933,468
Total liabilities and net assets	29,155,439	30,287,366

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

Quarterly consolidated statement of income

For the first three quarters

(Unit: thousands of yen)

	For the first three quarters of the previous fiscal year (from Oct 1, 2022 to Jun 30, 2023)	For the first three quarters of the current fiscal year (from Oct 1, 2023 to Jun 30, 2024)
Net sales	20,138,623	20,536,806
Cost of sales	6,495,291	5,443,547
Gross profit	13,643,332	15,093,259
Selling, general and administrative expenses	13,661,078	13,340,975
Operating income (loss)	(17,746)	1,752,283
Non-operating income		
Interest income	72	69
Dividend income	3,961	3,729
Foreign exchange gains	43,826	48,753
Share of profit of entities accounted for using equity method	78,045	615,856
Other	68,519	12,040
Total non-operating income	194,426	680,450
Non-operating expenses		
Interest expenses	8,945	7,846
Other investment losses	—	48,395
Commission expenses	7,903	—
Other	8,154	13,391
Total non-operating expenses	25,003	69,634
Ordinary income	151,676	2,363,100
Extraordinary income		
Gain on sale of non-current assets	454	330
Gain on change in equity	237,588	—
Consumption taxes refund	873,339	889,323
Total extraordinary income	1,111,382	889,654
Extraordinary losses		
Loss on retirement of non-current assets	11,695	9,290
Impairment loss	10,546	39,446
Loss on sale of investment securities	13,450	—
Loss on valuation of investment securities	7,148	31,672
Total extraordinary losses	42,841	80,409
Income before income taxes	1,220,217	3,172,344
Income taxes-current	740,064	676,073
Income taxes-deferred	80,969	183,120
Total income taxes	821,033	859,193
Profit	399,184	2,313,150
Profit (loss) attributable to non-controlling interests	(96,108)	69,412
Profit attributable to owners of parent	495,293	2,243,737

Quarterly consolidated statement of comprehensive income
For the first three quarters

	(Unit: thousands of yen)	
	For the first three quarters of the previous fiscal year (from Oct 1, 2022 to Jun 30, 2023)	For the first three quarters of the current fiscal year (from Oct 1, 2023 to Jun 30, 2024)
Profit	399,184	2,313,150
Other comprehensive income		
Valuation difference on available-for-sale securities	4,222	4,670
Foreign currency translation adjustment, before tax	11,025	17,957
Remeasurements of defined benefit plans, before tax	2,023	(4,903)
Share of other comprehensive income of entities accounted for using equity method	52,619	(8,636)
Total other comprehensive income	69,890	9,086
Comprehensive income	469,074	2,322,237
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	565,183	2,252,824
Comprehensive income attributable to non-controlling interests	(96,108)	69,412

3) 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 three quarters of previous fiscal year (period from October 1, 2022 to June 30, 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	13,650,932	3,340,826	549,583	2,075,311	19,616,654	—	19,616,654
Goods or services transferred over time	42,424	28,712	32,239	418,593	521,969	—	521,969
Revenue from contracts with customers	13,693,356	3,369,539	581,822	2,493,904	20,138,623	—	20,138,623
Sales to outside customers	13,693,356	3,369,539	581,822	2,493,904	20,138,623	—	20,138,623
Internal sales between segments or transfers	126,522	7,692	—	1,106,850	1,241,066	(1,241,066)	—
Total	13,819,879	3,377,232	581,822	3,600,755	21,379,690	(1,241,066)	20,138,623
Segment income (loss)	4,005,241	(233,708)	(569,022)	(1,220,395)	1,982,114	(1,999,861)	(17,746)

(Note) 1. The segment income (loss) adjustment of ¥ (1,999,861) thousand includes the elimination of inter-segment transactions of ¥(33,234) thousand and corporate expenses not allocated to each reporting segment of ¥ (1,966,627) 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
	Content business	Healthcare business	School DX business	Other business	Total		
Impairment loss	—	1,992	—	8,554	10,546	—	10,546

II First three quarters of current fiscal year (period from October 1, 2023 to June 30, 2024)

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	12,459,879	3,985,408	825,220	2,811,124	20,081,634	—	20,081,634
Goods or services transferred over time	55,113	31,470	45,760	322,828	455,172	—	455,172
Revenue from contracts with customers	12,514,993	4,016,878	870,980	3,133,953	20,536,806	—	20,536,806
Sales to outside customers	12,514,993	4,016,878	870,980	3,133,953	20,536,806	—	20,536,806
Internal sales between segments or transfers	114,644	6,261	15,000	1,213,345	1,349,251	(1,349,251)	—
Total	12,629,638	4,023,139	885,980	4,347,299	21,886,057	(1,349,251)	20,536,806
Segment income (loss)	3,320,732	279,346	(103,869)	178,485	3,674,695	(1,922,411)	1,752,283

(Note) 1. The segment income (loss) adjustment of ¥ (1,922,411) thousand includes the elimination of inter-segment transactions of ¥(52,440) thousand and corporate expenses not allocated to each reporting segment of ¥ (1,966,627) 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
	Content business	Healthcare business	School DX business	Other business	Total		
Impairment loss	39,446	—	—	—	39,446	—	39,446

(Notes to the statements of cash flows)

The quarterly consolidated statement of cash flows for the current third quarter consolidated cumulative period has not been prepared. Depreciation and amortization (including amortization of intangible fixed assets excluding goodwill) and amortization of goodwill for the current third quarter consolidated cumulative period are as follows:

	For the first three quarters of the previous fiscal year (from Oct 1, 2022 to Jun 30, 2023)	For the first three quarters of the current fiscal year (from Oct 1, 2023 to Jun 30, 2024)
Depreciation	1,034,429 thousand yen	1,121,687 thousand yen
Amortization of goodwill	204,360 thousand yen	137,911 thousand yen

(Significant subsequent events)

(Absorption-type merger of consolidated subsidiaries)

Our company, at the board of directors meeting held on July 19, 2024, resolved to merge our wholly owned subsidiaries, MGSHD Ltd., SPSHD Ltd., and MT-App Ltd. (hereafter "MGSHD", "SPSHD", and "MT-App"), with an effective date of September 1, 2024, and concluded a merger agreement on the same day.

1 Outline of Transaction

(1) Name and business of the combined company

Name: MGSHD Ltd.

Business: Business in holding and managing securities, among other activities

Name: SPSHD Ltd.

Business: Business in holding and managing securities, among other activities

Name: MGSHD Ltd.

Business: Business in holding and managing securities, among other activities

(2) Date of business combination

September 1, 2024

(3) Method of business combination

The merger will be conducted as an absorption-type merger where our company will be the surviving company, and MGSHD, SPSHD, and MT-App will be the dissolved companies.

(4) Name of company after combination

MTI Ltd.

(5) Purpose of Business Combination

MGSHD, SPSHD, and MT-App are engaged in the holding and management of securities and other business operations. However, it has been determined that integrating and managing these activities within our company would be more efficient from a management cost perspective. Therefore, it has been decided to absorb these three companies into our corporation.

2 Overview of Planned Accounting Treatment

Based on the "Accounting Standard for Business Combinations" (Business Accounting Standard No. 21, January 16, 2019) and the "Guidance on Accounting Standard Application for Business Combinations and Business Divestitures" (Business Accounting Standard Application Guidance No. 10, January 16, 2019), this transaction will be treated as a transaction under common control.