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Summary of Consolidated Financial Results for the First Quarter of Fiscal Year Ending September 30, 2025 (Japanese Accounting Standards)

February 12, 2025

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 of dividend payment: –

Supplementary documents for quarterly results: Yes

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

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the three months ended December 31, 2024 (October 1, 2024 - December 31, 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 quarter of fiscal year ending September 30, 2025	7,271	9.8	718	65.0	783	(1.2)	589	(6.6)
First quarter of fiscal year ended September 30, 2024	6,625	(6.6)	435	–	792	–	630	–

(Note) Comprehensive income: Three months ended December 31, 2024: 658 millions of yen 5.9%
Three months ended December 31, 2023: 621 millions of yen –%

	Net income per share	Net income per share/diluted
	Yen	Yen
First quarter of fiscal year ending September 30, 2025	10.69	10.67
First quarter of fiscal year ended September 30, 2024	11.49	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	29,742	19,834	54.0
As of September 30, 2024	29,686	19,144	52.0

(Reference) Shareholders' equity: As of December 31, 2024: 16,058 millions of yen
As of September 30, 2024: 15,446 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, 2024	–	8.00	–	9.00	17.00
Fiscal year ending September 30, 2025	–	–	–	–	–
Fiscal year ending September 30, 2025 (forecast)	–	9.00	–	9.00	18.00

(Note) Revision from the most recently announced dividend forecast: No

3. Forecast for consolidated business results for the fiscal year ending September 30, 2025 (October 1, 2024 – September 30, 2025)

(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	14,000	3.6	1,250 ~ 1,450	18.8 ~ 37.8	1,300 ~ 1,500	(14.4) ~ (1.2)	1,250 ~ 1,390	(19.8) ~ (10.8)	22.68 ~ 25.22
Full year	28,500	3.0	2,800 ~ 3,200	16.9 ~ 33.7	2,900 ~ 3,300	2.6 ~ 16.7	2,050 ~ 2,330	(13.3) ~ (1.4)	37.20 ~ 42.28

(Note) Revisions to the most recently announced earnings forecast: No

* Notes

- (1) Important changes of subsidiaries during the term (changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable
New: – Exception: –
- (2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable
- (3) Changes in accounting policies and changes or restatement of accounting estimates
- | | |
|---|----------------|
| (i) Changes in accounting policies due to the modification in accounting methods: | 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): | |
| 12/2024: 60,272,200 shares | 09/2024: 61,429,600 shares |
| (ii) Number of treasury shares at the end of period | |
| 12/2024: 5,161,314 shares | 09/2024: 6,361,273 shares |
| (iii) Average number of shares during the period (quarterly consolidated cumulative period) | |
| Three months ended 12/2024: 55,079,832 shares | Three months ended 12/2023: 54,858,627 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.

The company plans to hold an online earnings briefing (Japanese) for institutional investors and analysts on Thursday, February 13, 2025. The materials for the earnings briefing will be posted on the company's IR website. Additionally, the video of the briefing and a summary of the Q&A session will be made available on the company's IR website at a later date.

Accompanying materials – Contents

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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, 2025

(Period from October 1, 2024 to December 31, 2024)

The Group has been actively working on 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.

Net sales totaled ¥7,271 million (up 9.8% year-on-year) due to sales growth in the healthcare business, school DX business, and corporate DX support business, while sales in the content business remained flat. Gross profit increased to ¥5,410 million (up 11.9% year-on-year) mainly due to increased sales.

Operating income increased to ¥718 million (up 65.0% year-on-year) due to higher gross profit, which offset the rise in selling, general, and administrative expenses (SG&A) driven by increased advertising expenses.

Ordinary income was ¥783 million (down 1.2% year-on-year) due to a significant decrease in a share of profit of entities accounted for using equity method which dropped to ¥43 million in the first quarter of the current fiscal year, compared to ¥409 million in the same period of the previous year. This decrease was mainly due to an extraordinary income recorded by the equity method affiliate, Shobunsha Holdings, Inc.

Profit attributable to owners of parent was ¥589 million (down 6.6% year-on-year), reflecting an increase in income taxes. This was despite recording ¥88 million in extraordinary income, primarily due to the finalization of a consumption tax refund at the consolidated subsidiary, Video Market Corporation.

Consolidated business results

(Period from October 1, 2024 to December 31, 2024)

	First quarter of the fiscal year ending September 30, 2025	First quarter of the fiscal year ended September 30, 2024	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	7,271	6,625	+646	+9.8
Cost of sales	1,860	1,788	+72	+4.1
Gross profit	5,410	4,836	+573	+11.9
SG&A	4,692	4,401	+291	+6.6
Operating income	718	435	+282	+65.0
Ordinary income	783	792	(9)	(1.2)
Profit attributable to owners of parent	589	630	(41)	(6.6)

Breakdown of SG&A

(Period from October 1, 2024 to December 31, 2024)

	First quarter of the fiscal year ending September 30, 2025	First quarter of the fiscal year ended September 30, 2024	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	4,692	4,401	+291	+6.6
Advertising expenses	890	626	+263	+42.0
Personnel expenses	1,814	1,818	(4)	(0.3)
Commission fee	737	709	+28	+4.0
Subcontract expenses	412	441	(29)	(6.7)
Depreciation	336	318	+18	+5.7
Other	501	486	+15	+3.2

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 3.17 million (up 100,000 from the end of September 2024), driven by the acquisition of a company engaged in music distribution and other businesses. Excluding the impact of the acquisition, the number of paying subscribers has remained mostly unchanged, as the continued growth of paying subscribers for the security-related application *AdGuard* has offset other factors.

Net sales amounted to ¥4,292 million (up 2.0% year-on-year).

Operating income decreased to ¥970 million (down 11.2% year-on-year) due to higher advertising and promotional expenses associated with efforts to increase subscriptions for *AdGuard*.

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-based medication history service, the maternal health record book app and the childcare DX service.

The number of monthly paid subscribers for this business is now 500,000 (down 10,000 from the end of September 2024). On the other hand, the number of pharmacies offering the cloud-based medication history service reached 2,763 at the end of December 2024 (up 235 from the end of September 2024). This growth was driven by strong efforts to expand adoption, resulting in a record high on a quarterly basis, reflecting the continued strong interest in implementing cloud-based medication history.

Net sales increased to ¥1,492 million (up 18.4% year-on-year), mainly due to the expansion of sales of cloud-based medication history.

Operating income decreased to ¥13 million (down 87.7% year-on-year) due to upfront investment for new solution development, while sales from cloud-based medication history expanded.

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 increased significantly to ¥412 million (up 58.2% year-on-year), driven by the adoption of the cloud-based school affairs support system *BLEND* by 775 schools as of April 2024 (an increase of 234 schools from April 2023). The growth was also supported by higher monthly subscription fee revenue and the recording of initial development sales for public schools.

Operating income increased significantly to ¥100 million (loss of ¥81 million in the previous year) due to the significant increase in sales.

④ Other business

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

Net sales increased to ¥1,441 million (up 17.4% year-on-year) driven by strong order growth in the corporate DX support business.

Operating income increased significantly to ¥304 million (loss of ¥88 million in the previous year) due to the significant increase in sales.

(2) Explanation on financial position

At the end of the first quarter under review, total assets increased ¥55 million from the end of September 2024, to ¥29,742 million.

Current assets decreased by ¥107 million, while fixed assets increased by ¥162 million, mainly due to an increase in software.

Current liabilities decreased by ¥508 million mainly due to a decrease in contract liabilities, and non-current liabilities decreased by ¥125 million mainly due to a decrease in long-term borrowings.

Net assets increased by ¥689 million due to ¥589 million in profit attributable to owners of parent and a capital increase at a consolidated subsidiary, despite the payment of dividends.

(3) Explanation of future forecast information including consolidated forecast

The Company will focus on expanding sales and profits in the healthcare business and school DX business, which are expected to drive future growth. Additionally, in the content business, we will work to maintain profitability by increasing the number of paid subscribers for the security-related app *AdGuard* and expanding our original comics business.

The consolidated earnings forecast for the fiscal year ending September 2025 incorporates the reduction in amortization expenses due to the completion of amortization for goodwill and customer-related assets of the music distribution business acquired on December 1, 2019.

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.

In regard to our cloud-based medication history, interest from dispensing pharmacies remains strong, contributing to sustainable sales and profit growth for this business. We aim to further expand the number of adopting stores by strengthening our collaboration with our partner, Medipal Holdings Corporation. Additionally, we will promote the expanded sales of our AI-powered medication history input support service, which utilizes ChatGPT and has seen high demand due to its contribution to improving pharmacists' work efficiency. Through these initiatives, we will work to increase the number of adopting stores and further enhance profitability.

Regarding our childcare DX initiatives, amidst the government's promotion of digitalizing maternal and child health information, we will work to expand the adoption of the maternal and child health app *Boshimo* among municipalities. Our strategy includes vigorously promoting the expansion of our childcare DX services, particularly in municipalities that have already implemented *Boshimo*. Furthermore, we aim to advance our *Boshimo* platform strategy by facilitating digital collaboration among municipalities, hospitals, and residents. Through these efforts, we intend to establish this business as one of our cores, profit-contributing segments over the medium to long term.

Regarding the school DX business, amid government-led initiatives to promote school DX across prefectures, we see this as a growth opportunity and aim to achieve sustainable growth through proactive expansion. Demand for orders of our cloud-based school administration support system, *BLEND*, remains strong. Previously, our efforts were focused on private schools, but in August 2024, we signed a contract with the Yamanashi Prefectural Board of Education to implement the system in public high schools. This marks a shift in focus toward public schools as well, where we will work to drive further sales and profit growth.

[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, 2025

(Period from October 1, 2024 to March 31, 2025)

Consolidated	(Millions of yen)	YoY(%)
Net sales	14,000	+3.6
Operating income	1,250 ~ 1,450	+18.8 ~ +37.8
Ordinary income	1,300 ~ 1,500	(14.4) ~ (1.2)
Profit attributable to owners of parent	1,250 ~ 1,390	(19.8) ~ (10.8)

Earnings forecast for the fiscal year ending September 30, 2025

(Period from October 1, 2024 to September 30, 2025)

Consolidated	(Millions of yen)	YoY(%)
Net sales	28,500	+3.0
Operating income	2,800 ~ 3,200	+16.9 ~ +33.7
Ordinary income	2,900 ~ 3,300	+2.6 ~ +16.7
Profit attributable to owners of parent	2,050 ~ 2,330	(13.3) ~ (1.4)

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

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2024)	Current fiscal year (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	14,828,744	15,026,859
Notes and accounts receivable-trade, and contract assets	4,183,929	3,820,352
Other	1,171,051	1,226,303
Allowance for doubtful accounts	(31,173)	(28,149)
Total current assets	20,152,552	20,045,365
Non-current assets		
Property, plant and equipment	203,088	202,994
Intangible assets		
Software	1,929,051	2,007,047
Goodwill	27,139	36,915
Customer-related assets	70,200	79,635
Other	249,419	249,929
Total intangible assets	2,275,810	2,373,528
Investments and other assets		
Investment securities	4,466,864	4,518,962
Leasehold and guarantee deposits	293,206	291,117
Deferred tax assets	2,248,082	2,272,046
Other	57,550	48,830
Allowance for doubtful accounts	(10,704)	(10,704)
Total investment and other assets	7,054,998	7,120,252
Total non-current assets	9,533,897	9,696,774
Total assets	29,686,449	29,742,140

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2024)	Current fiscal year (As of December 31, 2024)
Liabilities		
Current liabilities		
Account payable-trade	1,100,083	1,061,145
Current portion of long-term borrowings	737,500	737,500
Accounts payable - other,	1,331,851	1,494,294
Income taxes payable	94,542	98,434
Contract liabilities	2,667,056	2,286,536
Provision for bonuses	—	206,981
Other	1,020,485	558,218
Total current liabilities	6,951,519	6,443,110
Non-current liabilities		
Long-term borrowings	1,693,750	1,509,375
Retirement benefit liability	1,828,998	1,864,033
Other	67,411	90,983
Total non-current liabilities	3,590,159	3,464,391
Total non-current liabilities	10,541,679	9,907,502
Net assets		
Shareholders' equity		
Share capital	5,310,108	5,327,787
Capital surplus	6,376,663	6,546,060
Retained earnings	6,626,029	6,409,665
Treasury shares	(3,207,144)	(2,612,027)
Total shareholders' equity	15,105,656	15,671,485
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	136,358	152,301
Foreign currency translation adjustment	80,126	114,164
Remeasurements of defined benefit plans	124,327	120,286
Total accumulated other comprehensive income	340,813	386,752
Subscription rights to shares	22,732	19,580
Non-controlling interests	3,675,568	3,756,818
Total net assets	19,144,770	19,834,637
Total liabilities and net assets	29,686,449	29,742,140

(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, 2023 to December 31, 2023)	For the first quarter of the current fiscal year (from October 1, 2024 to December 31, 2024)
Net sales	6,625,132	7,271,667
Cost of sales	1,788,321	1,860,870
Gross profit	4,836,810	5,410,796
Selling, general and administrative expenses	4,401,353	4,692,467
Operating income	435,457	718,328
Non-operating income		
Interest income	17	44
Foreign exchange gains	—	24,463
Share of profit of entities accounted for using equity method	409,440	43,617
Other	5,985	6,681
Total non-operating income	415,443	74,807
Non-operating expenses		
Interest expenses	2,287	3,931
Foreign value-added tax, etc.	1,954	2,971
Other investment loss	48,395	—
Other	5,762	3,128
Total non-operating expenses	58,400	10,031
Ordinary income	792,500	783,104
Extraordinary income		
Gain on sale of non-current assets	—	368
Consumption taxes refund	—	88,507
Total extraordinary income	—	88,876
Extraordinary losses		
Loss on retirement of non-current assets	8,049	12
Loss on valuation of investment securities	17,337	7,051
Loss on sale of businesses	—	3,113
Total extraordinary losses	25,387	10,176
Profit before income taxes	767,112	861,804
Income taxes-current	275,818	273,260
Income taxes-deferred	(173,707)	(23,579)
Total income taxes	102,110	249,680
Profit	665,001	612,123
Profit attributable to non-controlling interests	34,522	23,066
Profit attributable to owners of parent	630,479	589,057

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, 2023 to December 31, 2023)	For the first quarter of the current fiscal year (from October 1, 2024 to December 31, 2024)
Profit	665,001	612,123
Other comprehensive income		
Valuation difference on available-for-sale securities	(616)	(1,497)
Foreign currency translation adjustment	(13,629)	33,915
Remeasurements of defined benefit plans, net of tax	(1,634)	(4,041)
Share of other comprehensive income of entities accounted for using equity method	(27,901)	17,563
Total other comprehensive income	(43,782)	45,939
Comprehensive income	621,219	658,062
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	586,697	634,996
Comprehensive income attributable to non-controlling interests	34,522	23,066