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Summary of Consolidated Financial Results for the First Half of  
Fiscal Year ending September 30, 2021 (Japanese Accounting Standards)

May 12, 2021

Listed Company Name: MTI Ltd. Listing Exchanges: Tokyo Stock Exchange  
 Securities Code: 9438 URL: <https://www.mti.co.jp>  
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 Scheduled date to submit the Quarterly Securities Report (Shihanki Houkokusho): May 17, 2021  
 Scheduled date of dividend payment: June 18, 2021  
 Supplementary documents for quarterly results: Yes  
 Quarterly results briefing: Yes (for securities analysts and institutional investors(on demand))

(Figures less than one millions of yen are omitted)

1. Consolidated business results for the six months ended March 31, 2021  
(October 1, 2020 – March 31, 2021)

(1) Consolidated operating results (cumulative total) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First half of fiscal year ending September 30, 2021	13,046	0.6	1,232	(14.8)	840	(35.8)	(1,416)	–
First half of fiscal year ended September 30, 2020	12,973	(6.9)	1,446	(11.5)	1,310	(17.0)	1,246	44.7

(Note) Comprehensive income: Six months ended March 31, 2021: (1,131) millions of yen –%  
 Six months ended March 31, 2020: 934 millions of yen 74.1%

	Net income per share	Net income per share/diluted
	Yen	Yen
First half of fiscal year ending September 30, 2021	(25.92)	–
First half of fiscal year ended September 30, 2020	22.80	22.80

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2021	32,639	21,977	54.8
As of September 30, 2020	30,547	21,510	62.7

(Reference) Shareholders' equity: As of March 31, 2021: 17,870 millions of yen  
 As of September 30, 2020: 19,166 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, 2020	–	8.00	–	8.00	16.00
Fiscal year ending September 30, 2021	–	8.00			
Fiscal year ending September 30, 2021(forecast)			–	8.00	16.00

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

3. Forecast for consolidated business results for the fiscal year ending September 30, 2021  
(October 1, 2020 – September 30, 2021)

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	25,500	(2.2)	2,100	(16.2)	1,600	(23.2)	(1,000)	–	(18.27)
	~26,500	~1.6	~2,500	~(0.3)	~2,000	~(4.0)	~(600)	–	~(10.96)

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

\* Note:

(1) Important changes of subsidiaries during the term

(changes in specified subsidiaries resulting in change in scope of consolidation): Not applicable

New: –

Exception: –

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i) Changes in accounting policies due to the modification in accounting methods: Not applicable

(ii) Changes in accounting policies other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatement: Not applicable

(4) Number of outstanding shares (common shares)

(i) Number of shares outstanding at the end of period (including treasury shares):

3/21: 61,209,300 shares

9/20: 61,144,600 shares

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

3/21: 6,485,597 shares

9/20: 6,511,616 shares

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

Six months ended 3/2021: 54,664,318 shares

Six months ended 3/2020: 54,647,554 shares

\* Status of a quarterly review

This earnings release is not subject to an audit.

\* Cautionary statement with respect to forward-looking statements

The forward-looking statements included in this material are based on the Company's judgments, assumptions, and convictions based on information available to the Company at the time of publication of this document and may differ materially from actual results for a range of factors, including conditions of Japanese and overseas economies, changes in the situation of operations in Japan and overseas, and uncertainties and potential risks inherent in forward-looking statements. The risks and uncertainties include unforeseeable effects of future events. The information on consolidated earnings forecasts and other future forecasts on page 4 of the Accompanying Materials describes notes on the assumptions of the earnings forecasts and the use of the earnings forecasts. While the Company planned to hold a briefing on earnings in the first half chiefly for securities analysts and institutional investors on Thursday, May 13, 2021, to prevent the spread of infections by the COVID-19 coronavirus the Company will forgo holding at the venue event and will post the on-demand delivery of the briefing and related materials on its website.

Accompanying materials – Contents

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

### (1) Explanation on operating results

#### Overview of the first half ended March 31, 2021 (Period from October 1, 2020 to March 31, 2021)

Looking at the Group's business environment for the first half under review, the Japanese economy is severely affected by the prolonged COVID-19 pandemic. Amid this, its impact on the Group was limited and it worked on various initiatives in the content business and in the healthcare business with a view towards continued growth in the future.

In the content business, the Group increased the number of new subscribers to the AdGuard security-related app, which was in high demand, although the acquisition of new subscribers through mobile phone stores remained weak. It also increased monthly distribution of original comics to digital comic distributors.

In the healthcare business, the Group facilitated collaboration with its partner, Medipal Holdings Corporation, in a bid to spur more pharmacies to introduce the cloud drug record service, given that the appetite for the introduction of this service was growing due to the revision of the Medical Fee System, and to promote sales of child bearing-related solutions, such as the maternal health record book app, to local governments.

As a result, net sales stood at ¥13,046 million yen (up 0.6% year on year) and gross profit at ¥9,627 million yen (up 2.0% year on year).

Meanwhile, despite the growth in gross profit, operating income was down 14.8% year on year, to ¥1,232 million, as a result of soaring selling, general and administrative (SG&A) expenses due chiefly to a rise in personnel expenses and subcontract expenses, as well as an increase in advertising expenses aimed to expand the number of members of AdGuard, a paid security-related app.

Ordinary income decreased 35.8% year on year, to ¥840 million, due chiefly to a drop in non-operating expenses following increase in investment losses by equity method (increased ¥250 million yen year on year) despite a fall in operating income.

Loss attributable to owners of parent came to -¥1,416 million (compared to a profit of ¥1,246 million in the same of the previous year). This mainly reflected decreases in ordinary income and extraordinary profit, as well as a decision to post neither deferred tax assets nor income taxes - deferred pursuant to the current accounting standards for the treatment of consolidated results pertaining to corporate taxes for relevant capital gains as a result of the transfer of the entire shares of Solamichi System Inc., its consolidated subsidiary of the Company, to CARADA medica Inc., a consolidated subsidiary of the Company.

### Consolidated business results

#### (Period from October 1, 2020 to March 31, 2021)

	First half of the fiscal year ending September 30, 2021	First half of the fiscal year ending September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	13,046	12,973	+73	+0.6
Cost of sales	3,419	3,531	(112)	(3.2)
Gross profit	9,627	9,441	+185	+2.0
SG&A	8,395	7,995	+400	+5.0
Operating income	1,232	1,446	(214)	(14.8)
Ordinary income	840	1,310	(469)	(35.8)
Profit attributable to owners of parent	(1,416)	1,246	(2,663)	-

### Breakdown of SG&A

#### (Period from October 1, 2020 to March 31, 2021)

	First half of the fiscal year ending September 30, 2021	First half of the fiscal year ending September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	8,395	7,995	+400	+5.0
Advertising expenses	711	490	+220	+44.9
Personnel expenses	3,443	3,085	+357	+11.6
Commission fee	1,574	1,674	(99)	(6.0)
Subcontract expenses	887	678	+208	+30.7
Depreciation	584	757	(172)	(22.8)
Other	1,193	1,308	(114)	(8.7)

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 KARADAMEDICA health Q&A service in cooperation with healthcare professionals, as well as the B2B original comic distribution business that offers original comic content to comic distributors.

This segment served 3.69 million paying subscribers. The figure was down by 190,000 from the end of September 2020. The net decrease in paying subscribers continued, but the pace of decrease was gradually reduced by strong acquisition of new subscriptions to the AdGuard security-related app via mobile phone stores.

Net sales stood at ¥9,636 million (down 4.3% year on year). While the number of paying subscribers fell year on year, a takeover of the *musico* music distribution website and other operations had a positive effect. Operating income also dropped 10.7% year on year to ¥3,268 million, due chiefly to soaring expenses for advertising the AdGuard security-related app.

### ② Healthcare business

The healthcare business includes B2C monthly billing services under the Luna-Luna and KARADAMEDICA brands and B2B and B2B2C healthcare services for medical institutions and local governments, such as the cloud drug record service, online medical examinations, online medication advice and the maternal health record book app.

This segment served 690,000 paying subscribers. The figure was 20,000 smaller than at the end of September 2020. It made the most intensive efforts to increase the number of pharmacies introducing the cloud drug record service. The desire to introduce the service has been increasing due to the revision of the Medical Fee System. As of the end of March 2021, it had been adopted by 572 pharmacies, up 216 from the end of September 2020.

Net sales came to ¥1,933 million (up 6.6% year on year), after growth in initial introduction sales based on an increase in the number of pharmacies introducing the cloud drug record service over the same period the previous year. Operating loss decreased to ¥660 million (compared to the loss of ¥764 million recorded for the same period the previous year), aided by an increase sales despite the continuing burden of upfront investment spending.

### ③ Other business

Other business includes the B2B fintech business, the AI business operated by consolidated subsidiary Automagi Inc., and the B2B solutions business, which engages in the contracted development of systems and applications.

In this segment, net sales stood at ¥2,063 million (up 34.4% year on year), and operating income at -¥18 million (compared with -¥144 million in the same period a year earlier), following a rise in the sales of the B2B solutions business and AI business.

## (2) Explanation on financial position

### ① Assets, liabilities and net assets

At the end of the first half under review, total assets increased ¥2,092 million from the end of September 2020, to ¥32,639 million.

Current assets increased ¥1,994 million mainly due to a rise in cash and deposits. Non-current assets rose ¥97 million chiefly due to an increase in software, despite a decline in goodwill and customer-related assets.

Current liabilities increased ¥1,785 million, primarily reflecting a rise in income taxes payable. Non-current liabilities fell ¥159 million mainly due to a decline in long-term liabilities.

Net assets increased ¥466 million yen, mainly reflecting an increase in no-controlling interests, which offset the dividends paid and the posting of ¥1,416 million as a loss attributable to owners of parent.

### ② Consolidated cash flows

At the end of the first half of the fiscal year under review, cash and deposits were ¥15,811 million, up ¥2,457 million from the end of September 2020. Cash flow by activity and principal factors in the first half under review are as follows:

Net cash provided by operating activities was ¥2,037 million (inflow of ¥966 million for the first half of the previous fiscal year). Principal factors included income before income taxes, depreciation and amortization, and loss on equity method investments.

Net cash used in investing activities stood at ¥879 million (outflow of ¥3,886 million for the first half of

the previous fiscal year). Major factors included expenditure for the purchase of intangible assets (mainly software).

Net cash provided by financing activities came to ¥1,287 million (inflow of ¥3,179 million for the first half of the previous fiscal year). The main factors included payments from non-controlling shareholders, which more than offset payments of dividends and repayments of long-term borrowings.

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First half of the fiscal year ending September 30, 2021	2,037	(879)	1,287	15,811
First half of the fiscal year ending September 30, 2020	966	(3,886)	3,179	12,677
For the fiscal year ended September 30, 2020	3,292	(4,807)	2,449	13,354

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

The Company will work hard to expand sales of its healthcare business and to cut losses. In the content business, it will make every effort to maintain the number of paying subscribers by expanding sales of the AdGuard security-related app and striving to bolster the original comic distribution business.

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 BtoC 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.

Among others, the cloud drug record service will help the healthcare business attain continuous sales growth, since the appetite for introducing the service has been growing among pharmacies due to the revision of the Medical Fee System. The Company will accelerate sales tie-ups with companies that provide IT solutions to pharmacies to make sure that more stores will introduce the service, while simultaneously strengthening collaboration with its partner, Medipal Holdings Corporation.

If will also take measures to increase paid subscriptions and use rates with respect to online medical examinations and online medication advice while also enhancing childcare-related services with a focus on local governments that have introduced the Boshimo the maternal health record book app.

As announced today in the “Notice Concerning Organizational Restructuring through Establishment of an Intermediate Holding Company, Etc. by Shares Transfer of a Consolidated Subsidiary”, the Company will establish MTI Healthcare Holdings Corporation. in July (planned). Since this will enable the Company to further strengthen collaboration with its partner, Medipal Holdings Corporation, the Company intends to gradually consolidate a number of healthcare businesses that it is promoting with the partner.

With regards to forecasts for consolidated business results for the fiscal year ending September 30,2021, ordinary income and profit attributable to owners of parent were revised as stated in the “Notice Concerning Posting of Non-Operating Expenses, Differences between Forecasts and Actual Results for the First Half of the Fiscal Year and Revisions to Full-Year Results Forecasts” announced today.

#### Earnings forecast for the fiscal year ending September 30, 2020

(Period from October 1, 2020 to September 31, 2021)

	(Millions of yen)	YoY(%)
Net sales	25,500 ~ 26,500	(2.2) ~ 1.6
Operating income	2,100 ~ 2,500	(16.2) ~ (0.3)
Ordinary income	1,600 ~ 2,000	(23.2) ~ (4.0)
Profit attributable to owners of parent	(1,000) ~ (600)	—

**2. Quarterly consolidated financial statement and important notes**  
**(1) Quarterly consolidated balance sheet**

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2020)	Current fiscal year (As of March 31, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	13,354,028	15,811,852
Notes and accounts receivable-trade	4,840,902	4,619,908
Other	1,585,024	1,340,428
Allowance for doubtful accounts	(36,222)	(34,005)
<b>Total current assets</b>	<b>19,743,732</b>	<b>21,738,185</b>
Non-current assets		
Property, plant and equipment	193,757	221,988
Intangible assets		
Software	1,281,608	1,495,292
Goodwill	692,054	590,459
Customer-related assets	1,755,000	1,544,400
Other	35,437	39,624
<b>Total intangible assets</b>	<b>3,764,099</b>	<b>3,669,776</b>
Investments and other assets		
Investment securities	4,536,380	4,687,569
Lease and guarantee deposits	493,882	475,500
Deferred tax assets	1,766,869	1,777,419
Other	74,487	95,164
Allowance for doubtful accounts	(25,824)	(26,024)
<b>Total investment and other assets</b>	<b>6,845,793</b>	<b>7,009,629</b>
<b>Total non-current assets</b>	<b>10,803,650</b>	<b>10,901,394</b>
<b>Total assets</b>	<b>30,547,383</b>	<b>32,639,579</b>

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2020)	Current fiscal year (As of March 31, 2021)
<b>Liabilities</b>		
Current liabilities		
Account payable-trade	1,101,925	1,085,569
Current portion of long-term loans payable	451,780	451,780
Accounts payable-other	1,333,898	1,103,978
Income taxes payable	701,022	2,490,563
Provision for point usage	110,690	116,270
Other	1,067,387	1,303,604
<b>Total current liabilities</b>	<b>4,766,705</b>	<b>6,551,766</b>
Non-current liabilities		
Long-term loans payable	2,881,570	2,655,680
Net defined benefit liability	1,381,767	1,447,423
Other	6,756	7,328
<b>Total non-current liabilities</b>	<b>4,270,094</b>	<b>4,110,431</b>
<b>Total liabilities</b>	<b>9,036,799</b>	<b>10,662,197</b>
Net assets		
Shareholders' equity		
Capital stock	5,138,116	5,180,515
Capital surplus	6,551,222	6,643,436
Retained earning	10,707,058	8,851,623
Treasury shares	(3,283,663)	(3,273,933)
<b>Total shareholders' equity</b>	<b>19,112,733</b>	<b>17,401,642</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,897	425,129
Foreign currency translation adjustment	(11,666)	869
Remeasurements of defined benefit plans	46,010	43,111
<b>Total accumulated other comprehensive income</b>	<b>54,241</b>	<b>469,110</b>
Subscription rights to shares	345,299	215,595
Non-controlling interests	1,998,309	3,891,033
<b>Total net assets</b>	<b>21,510,583</b>	<b>21,977,381</b>
<b>Total liabilities and net assets</b>	<b>30,547,383</b>	<b>32,639,579</b>

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

(Unit: thousands of yen)

	For the first half of the previous fiscal year (from October 1, 2019 to March 31, 2020)	For the first half of the current fiscal year (from October 1, 2020 to March 31, 2021)
Net sales	12,973,703	13,046,903
Cost of sales	3,531,919	3,419,303
Gross profit	9,414,784	9,627,600
Selling, general and administrative expenses	7,968,122	8,395,170
Operating income	1,446,661	1,232,430
Non-operating income		
Interest income	82	66
Dividend income	10,130	—
Amortization of negative goodwill	4,069	—
Foreign exchange gains	—	15,617
Retirement benefit expenses	999	28,438
Cancellation of treasury share acquisition rights gains	—	21,424
Other	17,722	26,445
Total non-operating income	33,004	91,992
Non-operating expenses		
Interest expenses	298	3,619
Share of loss of entities accounted for using equity method	154,275	404,676
Foreign exchange losses	9,363	—
Other	5,604	75,549
Total non-operating expenses	169,542	483,845
Ordinary income	1,310,123	840,576
Extraordinary income		
Gain on step acquisitions	272,326	—
Gain on sale of non-current assets	—	3,030
Gain on sales of investment securities	330,464	2,934
Total extraordinary income	602,791	5,964
Extraordinary losses		
Loss on sale of non-current assets	—	8,003
Loss on retirement of non-current assets	55,942	24,293
Impairment loss	25,302	76,949
Loss on valuation of investment securities	—	11
Total extraordinary losses	81,244	109,257
Income before income taxes	1,831,670	737,283
Income taxes-current	566,219	2,313,122
Income taxes-deferred	47,545	(29,355)
Total income taxes	613,764	2,283,767
Profit (loss)	1,217,906	(1,546,484)
Profit (loss) attributable to non-controlling interests	(28,160)	(129,540)
Profit (loss) attributable to owners of parent	1,246,066	(1,416,943)

**Quarterly consolidated statement of comprehensive income**  
**For the first half**

(Unit: thousands of yen)

	For the first half of the previous fiscal year (from October 1, 2019 to March 31, 2020)	For the first half of the current fiscal year (from October 1, 2020 to March 31, 2021)
Profit (loss)	1,217,906	(1,546,484)
Other comprehensive income		
Valuation difference on available-for-sale securities	(257,966)	361,393
Foreign currency translation adjustment	(4,042)	12,036
Remeasurements of defined benefit plans, net of tax	3,141	(2,898)
Share of other comprehensive income of entities accounted for using equity method	(24,864)	44,360
Total other comprehensive income	(283,731)	414,891
Comprehensive income	934,174	(1,131,592)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	962,334	(1,002,073)
Comprehensive income attributable to non-controlling interests	(28,160)	(129,518)

### (3) Quarterly consolidated statement of cash flows

(Unit: thousands of yen)

	For the first half of the current fiscal year (from October 1, 2019 to March 31, 2020)	For the first half of the current fiscal year (from October 1, 2020 to March 31, 2021)
<b>Cash flows from operating activities</b>		
Income before income taxes	1,831,670	737,283
Depreciation	795,962	627,388
Impairment loss	25,302	76,949
Amortization of goodwill	89,148	101,595
Increase (decrease) in allowance for point usage	(11,363)	5,579
Increase (decrease) in net defined benefit liability	59,429	61,478
Interest and dividends income	(10,213)	(66)
Interest expenses	298	3,619
Share of loss (profit) of entities accounted for using equity method	154,275	404,676
Loss (gain) on step acquisitions	(272,326)	—
Loss (gain) on sale of non-current assets	—	4,973
Loss on retirement of non-current assets	55,942	24,293
Loss (gain) on sale of investment securities	(330,464)	(2,934)
Decrease (increase) in trade receivables	(661,052)	224,429
Increase (decrease) in trade payables	(17,462)	(20,233)
Increase (decrease) in accounts payable-other	(46,252)	(229,681)
Increase (decrease) in accrued consumption taxes	(96,566)	245,793
Other, net	(116,531)	268,826
Subtotal	1,449,794	2,533,972
Interest and dividends income received	10,213	63
Interest expenses paid	(298)	(3,619)
Income taxes refund (paid)	(493,622)	(492,471)
Net cash provided by (used in) operating activities	966,087	2,037,944
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(39,375)	(93,737)
Purchase of intangible assets	(765,162)	(652,924)
Proceeds from sale of intangible assets	—	3,030
Purchase of investment securities	(52,879)	(8,503)
Proceeds from sales of investment securities	626,346	17,102
Purchase of shares of subsidiaries and associates	(370,507)	(131,803)
Payments for acquisition of businesses	(3,242,593)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(39,382)	—
Other, net	(3,420)	(12,813)
Net cash provided by (used in) investing activities	(3,886,975)	(879,649)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	—	4,000,000
Repayments of short-term borrowings	(2,000)	(4,000,000)
Proceeds from long-term borrowings	3,500,000	—
Repayments of long-term borrowings	(7,140)	(225,890)
Proceeds from issuance of shares	—	43,665
Proceeds from share issuance to non-controlling shareholders	350,000	2,115,000
Dividends paid	(438,446)	(438,491)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(222,600)	—
Purchase of treasury share acquisition rights	—	(181,550)
Purchase of treasury shares of subsidiaries	—	(25,000)
Net cash provided by (used in) financing activities	3,179,813	1,287,733

(Unit: thousands of yen)

	For the first half of the current fiscal year (from October 1, 2019 to March 31, 2020)	For the first half of the current fiscal year (from October 1, 2020 to March 31, 2021)
Effect of exchange rate change on cash and cash equivalents	(2,873)	11,796
Net increase (decrease) in cash and cash equivalents	256,051	2,457,824
Cash and cash equivalents at beginning of period	12,421,560	13,354,028
Cash and cash equivalents at end of period	12,677,611	15,811,852