

## UNOFFICIAL TRANSLATION

The formal official document is in Japanese



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

August 6, 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): August 13, 2021  
 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, 2021

(October 1, 2020– June 30, 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 three quarters of fiscal year ending September 30, 2021	19,504	0.1	1,796	(11.0)	1,269	(35.3)	(1,094)	—
First three quarters of fiscal year ended September 30, 2020	19,492	(4.6)	2,017	(10.9)	1,961	(33.5)	1,780	(17.0)

(Note) Comprehensive income  
 Nine months ended June 30, 2021: (1,025) millions of yen (—%)  
 Nine months ended June 30, 2020: 1,425 millions of yen (39.1%)

	Net income per share	Net income per share/diluted
	Yen	Yen
First three quarters of fiscal year ending September 30, 2021	(20.02)	—
First three quarters of fiscal year ended September 30, 2020	32.58	32.58

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2021	31,944	21,652	55.1
As of September 30, 2020	30,547	21,510	62.7

(Reference) Shareholders' equity: As of June 30, 2021: 17,605 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 ~26,500	(2.2) ~1.6	2,100 ~2,500	(16.2) ~(0.3)	1,600 ~2,000	(23.2) ~(4.0)	(1,000) ~(600)	—	(18.27) ~(10.96)

(Note) Revisions to forecasts for consolidated business results published most recently: No

\* 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):

6/21: 61,219,100 shares                      9/20: 61,144,600 shares

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

6/21: 6,488,680 shares                      9/20: 6,511,616 shares

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

Nine months ended 6/21: 54,687,183 shares                      Nine months ended 6/20 54,644,167 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 three quarters chiefly for securities analysts and institutional investors on Tuesday, August 10, 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 quarterly settlement

### (1) Explanation on operating results overview of the first three quarters of fiscal year ending September 30, 2021 (Period from October 1, 2020 to June 30, 2021)

Looking at the Group's business environment during the first nine months 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 ¥19,504 million yen (up 0.1% year on year) and gross profit at ¥14,356 million yen (up 1.3% year on year).

Meanwhile, despite the growth in gross profit, operating income was down 11.0% year on year, to ¥1,796 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 35.3% year on year, to ¥1,269 million, due chiefly to a drop in non-operating expenses following increase in investment losses by equity method (increased ¥455 million yen year on year) despite a fall in operating income.

Loss attributable to owners of parent came to -¥1,094 million (compared to a profit of ¥1,780 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 June 30, 2021)

	First three quarters of the fiscal year ending September 30, 2021	First three quarters of the fiscal year ended September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Net sales	19,504	19,492	+11	+0.1
Cost of sales	5,147	5,315	(167)	(3.2)
Gross profit	14,356	14,177	+179	+1.3
SG&A	12,560	12,159	+400	+3.3
Operating income	1,796	2,017	(221)	(11.0)
Ordinary income	1,269	1,961	(691)	(35.3)
Profit attribute to owners of parent	(1,094)	1,780	(2,875)	—

## Breakdown of SG&A

(Period from October 1, 2020 to June 30, 2021)

	First three quarters of the fiscal year ending September 30, 2021	First three quarters of the fiscal year ended September 30, 2020	Change	
			Amount	Percentage
	Millions of yen	Millions of yen	Millions of yen	%
Total	12,560	12,159	+400	+3.3
Advertising expense	1,104	853	+250	+29.4
Personnel expenses	5,251	4,704	+547	+11.6
Commission fee	2,351	2,527	(176)	(7.0)
Subcontract expenses	1,340	1,020	+319	+31.3
Depreciation	846	1,182	(336)	(28.5)
Other	1,666	1,870	(203)	(10.9)

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 3.57 million paying subscribers. The figure was down by 310,000 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 ¥14,452 million (down 6.1% year on year). Although the original comic distribution business posted record revenue, it was not enough to offset a year-on-year decrease in the number of paying subscribers. Operating income also dropped 14.5% year on year to ¥4,839 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 660,000 paying subscribers. The figure was 50,000 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 June 2021, it had been adopted by 633 pharmacies, up 276 from the end of September 2020.

Net sales came to ¥2,851 million (up 5.8% 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 ¥1,008 million (compared to the loss of ¥1,135 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 ¥3,113 million (up 44.0% year on year), and operating income at -¥36 million (compared with -¥408 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 three quarters under review, total assets increased ¥1,396 million from the end of September 2020, to ¥31,944 million.

Current assets increased ¥1,474 million mainly due to a rise in cash and deposits. Non-current assets rose ¥78 million chiefly due to a decrease in software, despite a decline in goodwill and customer-related assets.

Current liabilities increased ¥1,499 million, primarily reflecting a rise in income taxes payable. Non-current liabilities fell ¥244 million mainly due to a decline in long-term liabilities.

Net assets increased ¥141 million yen, mainly reflecting an increase in no-controlling interests, which offset the dividends paid and the posting of ¥1,094 million as a loss attributable to owners of parent.

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

The Company will work hard to expand sales and cut losses of its healthcare business, which is expected to play a key role in increasing revenue and earnings in the future. 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.

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.

It 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.

The Company continues to hold its consolidated earnings forecasts for the entirety of the fiscal year as announced on May 12, 2021.

### 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 statements 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 June 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	13,354,028	15,336,006
Notes and accounts receivable-trade	4,840,902	4,361,198
Other	1,585,024	1,556,422
Allowance for doubtful accounts	(36,222)	(34,977)
Total current assets	19,743,732	21,218,650
Non-current assets		
Property plant and equipment	193,757	219,211
Intangible assets		
Software	1,281,608	1,778,546
Goodwill	692,054	613,217
Customer-related assets	1,755,000	1,439,100
Other	35,437	39,275
Total intangible assets	3,764,099	3,870,140
Investments and other assets		
Investment securities	4,536,380	4,517,274
Lease and guarantee deposits	493,882	348,549
Deferred tax assets	1,766,869	1,684,200
Other	74,487	112,042
Allowance for doubtful accounts	(25,824)	(26,024)
Total investment and other assets	6,845,793	6,636,140
Total non-current assets	10,803,650	10,725,492
Total assets	30,547,383	31,944,143

(Unit: thousands of yen)

	Previous fiscal year (As of September 30, 2020)	Current fiscal year (As of June 30, 2021)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	1,101,925	1,088,631
Current portion of long-term loans payable	451,780	451,780
Accounts payable-other	1,333,898	1,145,977
Income taxes payable	701,022	2,057,281
Provision for bonus	—	190,770
Provision for point usage	110,690	113,717
Other	1,067,387	1,218,010
Total current liabilities	4,766,705	6,266,169
Non-current liabilities		
Long-term loans payable	2,881,570	2,542,735
Net defined benefit liability	1,381,767	1,475,888
Other	6,756	7,230
Total non-current liabilities	4,270,094	4,025,854
Total liabilities	9,036,799	10,292,023
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,138,116	5,184,607
Capital surplus	6,551,222	6,647,529
Retained earning	10,707,058	8,734,517
Treasury shares	(3,283,663)	(3,276,022)
Total shareholders' equity	19,112,733	17,290,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19,897	272,002
Foreign currency translation adjustment	(11,666)	1,356
Remeasurements of defined benefit plans	46,010	41,662
Total accumulated other comprehensive income	54,241	315,021
Subscription rights to shares	345,299	217,552
Non-controlling interest	1,998,309	3,828,912
Total net assets	21,510,583	21,652,119
Total liabilities and net assets	30,547,383	31,944,143

**(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 October 1, 2019 to June 30, 2020)	For the first three quarters of the current fiscal year (from October 1, 2020 to June 30, 2021)
Net sales	19,492,810	19,504,023
Cost of sales	5,315,484	5,147,613
Gross profit	14,177,325	14,356,410
Selling, general and administrative expenses	12,159,741	12,560,021
Operating income	2,017,583	1,796,389
Non-operating income		
Interest income	117	80
Dividend income	10,130	—
Amortization of negative goodwill	4,069	—
Foreign exchange gains	—	16,140
Subsidy income	990	28,438
Cancellation of treasury share acquisition rights	—	21,424
Other	18,796	26,953
Total non-operating income	34,103	93,037
Non-operating expenses		
Interest expenses	2,215	5,273
Share of loss of entities accounted for using equity method	66,909	521,996
Foreign exchange losses	13,630	—
Other	7,654	92,678
Total non-operating expenses	90,409	619,948
Ordinary income	1,961,278	1,269,477
Extraordinary income		
Gain on step acquisitions	272,326	—
Gain on sale of non-current assets	—	3,030
Gain on sale of investment securities	422,577	3,184
Gain on change in equity	—	80,082
Total extraordinary income	694,904	86,296
Extraordinary losses		
Loss on sale of non-current assets	—	8,217
Loss on retirement of non-current assets	56,659	26,591
Impairment loss	25,302	76,949
Loss on valuation of investment securities	1,631	11
Total extraordinary losses	83,593	111,769
Profit before income taxes	2,572,588	1,244,004
Income taxes - current	766,638	2,448,114
Income taxes - deferred	127,907	82,247
Total income taxes	894,546	2,530,362
Profit (loss)	1,678,042	(1,286,358)
Loss attributable to non-controlling interests	(102,537)	(191,607)
Profit (loss) attributable to owners of parent	1,780,579	(1,094,750)

**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 October 1, 2019 to June 30, 2020)	For the first three quarters of the current fiscal year (from October 1, 2020 to June 30, 2021)
Profit (loss)	1,678,042	(1,286,358)
Other comprehensive income		
Valuation difference on available-for-sale securities	(280,633)	222,592
Foreign currency translation adjustment, before tax	(4,198)	12,167
Remeasurements of defined benefit plans, before tax	4,712	(4,347)
Share of other comprehensive income of entities accounted for using equity method	27,790	30,334
Total other comprehensive income	(252,328)	260,748
Comprehensive income	1,425,713	(1,025,610)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,528,251	(833,970)
Comprehensive income attributable to non-controlling interests	(102,537)	(191,640)