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For Immediate Release:

MTI Ltd.
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Listing: Tokyo Stock Exchange
(First Section) [9438]
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Notice Concerning Posting of Non-operating expenses, Extraordinary Loss and Differences between Forecasts and Actual Results for the Full-Year

MTI Ltd. (hereinafter the “Company”) announces that the Company will post extraordinary losses as stated below for the fourth quarter of the fiscal year ending September 30, 2021 (from July 1, 2021 to September 30, 2021). Details are as follows.

In addition, the Company announces that differences have arisen between the earnings forecast for the full-year which the Company announced on May 12, 2021, and actual operating performance.

1. Posting of non-operating expenses

The Company will post a provision of allowance for doubtful accounts of 155 million yen in the non-consolidated financial statements for loans primarily to Motivation Works Inc. and CLIPLA Inc., consolidated subsidiaries, taking into account the business environment, future outlook, and other factors. This account will be eliminated in consolidated accounting.

2. Posting of extraordinary Losses

The Company will post an extraordinary loss of 703 million yen on a consolidated basis and an extraordinary loss of 413 million yen on a non-consolidated basis.

1) Posting of loss on valuation of shares of subsidiaries and associates in the non-consolidated financial statement

The Company will post a loss on valuation of shares of subsidiaries and associates of 556 million yen for the shares of consolidated subsidiaries, taking into account their business environments and future outlook, among other factors. This account will be eliminated in consolidated accounting.

(Breakdown of the loss on valuation of shares of subsidiaries and associates)

(Unit: millions of yen)

PHARUMO, Inc.	217
Crowd Cast, Ltd.	208
CLIPLA Inc.	121

2) Posting of impairment loss in consolidated financial statements

The Company will post impairment losses of 351 million yen for non-current assets (principally software) for business use at consolidated subsidiaries, applying impairment accounting to assets whose carrying amounts are not expected to be recovered in consideration of subsidiaries' business environments and future outlook, among other factors.

(Impairment losses at major consolidated subsidiaries)

(Unit: millions of yen)

CARADA medica Inc.	241
PHARUMO, Inc.	45
Automagi Inc.	63

[Reference]

Breakdown of consolidated extraordinary losses for the fourth quarter
(Unit: millions of yen)

Impairment loss	351
Loss on retirement of non-current assets	38
Retirement benefit expenses for prior periods	23
Loss on sales of non-current assets	0

Breakdown of non-consolidated extraordinary losses for the fourth quarter
(Unit: millions of yen)

Loss on valuation of shares of subsidiaries and associates	556
Loss on receivables of subsidiaries and associates	110
Loss on retirement of non-current assets	35

2. Revision of the consolidated results forecast**(1) Differences between forecast and actual results for the year ending September 30, 2021****(October 1, 2020 – September 30, 2021)**

	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
Previous announced forecast (A)	25,500 ~ 26,000	2,100 ~ 2,500	1,600 ~ 2,000	(1,000) ~ (600)	(18.27) ~ (10.96)*
Actual(B)	25,743	1,929	1,370	(1,164)	(21.28)
Differences (B-A)	(756) ~ +243	(570) ~ (170)	(629) ~ (229)	(564) ~ (164)	
Differences (%)	(2.9) ~ +1.0	(22.8) ~ (8.1)	(31.5) ~ (14.3)	-	
(Reference) Actual results in the previous fiscal year (For the fiscal year ended September 30, 2020)	26,082	2,507	2,082	506	9.28

*The forecast for net income per share released on the previous occasion is a figure taken from the Summary of Consolidated Financial Results for the First three quarters of Fiscal Year ending September 30, 2021 (released on August 6, 2021) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of June 30, 2021 are stated.

[Reasons for the revisions]

The results of net sales and operating income were generally in line with the forecasts.

Operating income fell below the lower limit of the forecast due to an adjustment to net sales (minus ¥322 million), including adjustments before the fiscal year ended September 30, 2021, posted in the fourth quarter as a lump sum after consultation with the accounting auditor because of inadequacies found in the processing of profits in part of the content business, including an inability to distinguish between free of charge points and paid points on the system, and the resulting posting in sales of free of charge points.

Ordinary income was less than the lower limit of the forecast due to the reason stated above.

Profit attributable to owners of parent fell short of the lower limit of the forecast due to the reason stated above and extraordinary losses stated in section 2 above.

<Points to consider concerning forecasts

Matters stated in this material concerning results forecasts are based on assessments, assumptions and convictions derived from information available to the Company at the time when this material is published. They may differ significantly from actual results due to a variety of factors, including future economic conditions in Japan and overseas, changes in conditions for business operations in Japan and overseas, or uncertain factors and potential risks inherent in forecasts. Those risks and uncertain factors include unpredictable effects on results that may arise from future events.

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