

November 9, 2022

For Immediate Release:

MTI Ltd.
 Representative: Toshihiro Maeta,
 President and Chief Executive Officer
 Listing: TSE Prime [9438]
 Contact: Hiroshi Matsumoto,
 Senior managing Director
 Tel: +81-3-5333-6323

Notice of 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, 2022 (from July 1, 2022 to September 30, 2022). 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 August 5, 2022, and actual operating performance.

1. Posting of extraordinary Losses

The Company will post extraordinary losses of 1, 609 million yen on a consolidated basis and extraordinary losses of 910 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 842 million yen for the shares of Shobunsha Holdings, Inc., an equity method affiliate, taking into account the share price of Shobunsha Holdings, Inc., and also for the shares of consolidated subsidiaries such as AI Infinity, Inc. and Crowd Cast, Ltd., taking into account their business environment, future outlook, and other factors. This account will be eliminated in consolidated accounting.

2) Posting of impairment loss in consolidated and non-consolidated financial statements

The Company will post an impairment loss of 760 million yen primarily due to the impairment of non-current assets (principally software) for business use in the non-consolidated financial statements. In the consolidated financial statements, the Company will record a loss of 897 million yen to reflect additional goodwill impairment resulting from the treatment of the shares of AI Infinity, Inc. in the non-consolidated financial statements as indicated in the above 1).

[Reference]

Breakdown of consolidated extraordinary losses for the fourth quarter

(Unit: millions of yen)

Impairment loss:	897
Loss on retirement of non-current assets:	12
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:	842
Impairment loss:	760
Loss on retirement of non-current assets:	6
Loss on sales of non-current assets:	0

2. Revision of the consolidated results forecast

(1) Differences between forecast and actual results for the year ending September 30, 2022

(October 1, 2021 – September 30, 2022)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous announced forecast (A)	Millions of yen 25,800	Millions of yen 300	Millions of yen (100)	Millions of yen (190)	Yen (3.47)*
Actual(B)	26,479	870	485	(930)	(16.99)
Differences (B-A)	+679	+570	+585	(740)	
Differences (%)	+2.6	+190.2	-	-	
(Reference) Actual results in the previous fiscal year (For the fiscal year ended September 30, 2021)	25,743	1,929	1,370	(1,164)	(21.28)

*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 Fiscal Year Ending September 30, 2022 (released on November 9, 2022) in which figures recalculated on the basis of the number of outstanding shares (excluding treasury shares) as of September 30, 2022 are stated.

[Reasons for the revisions]

Net sales, operating income and ordinary income were higher than the figures in the most recent forecasts mainly due to an extra ¥717 million in net sales, because net sales corresponding to lapsed points were treated as non-taxable transactions following adjustment of the handling of consumption tax on lapsed points in monthly content services that award points.

However, profit attributable to owners of parent fell short of the most recent forecast mainly due to the recording of the extraordinary losses indicated in 1) above, despite the abovementioned higher than anticipated results.

<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.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Contact information for inquiries

Investor Relations Office

E-mail: ir@mti.co.jp URL: <https://ir.mti.co.jp/eng/>