

November 6, 2023

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 Concerning Posting of Extraordinary Loss and Income taxes - deferred and Revisions to Full-Year Results Forecasts

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, 2023 (from July 1, 2023 to September 30, 2023). Details are as follows.

In addition, the Company announces that it has revised the earnings forecast for the fiscal year ending September 30, 2023, which was announced on May 24, 2023. The details are as follows.

1. Posting of extraordinary losses

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

The Company will post a loss on valuation of shares of subsidiaries and associates of 396 million yen for the shares of PHARUMO, Inc. and Motivation Works Inc., its consolidated subsidiaries, taking into account their business environments and future outlook, among other factors. This account will be eliminated in consolidated accounting.

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

The Company will post impairment losses of 337 million yen and 45 million yen primarily due to the impairment of non-current assets (principally software and goodwill) for business use in the consolidated and non-consolidated financial statements, respectively.

[Reference]

Consolidated results (breakdown of extraordinary loss of 399 million yen for the fourth quarter)
(Unit: millions of yen)

Impairment loss:	337
Loss on valuation of investment securities:	48
Loss on retirement of non-current assets:	13

Non-consolidated results (breakdown of extraordinary loss of 515 million yen for the fourth quarter)
(Unit: millions of yen)

Loss on valuation of shares of subsidiaries and associates:	396
Loss on valuation of investment securities:	48
Impairment loss:	45
Loss on retirement of non-current assets:	13
Loss on sale of shares of subsidiaries:	11

2. Posting of income taxes - deferred

As announced in the “Notice of Change in Consolidated Subsidiary (Transfer of Shares)” released on August 25, 2023 (for Japanese version only), the Company transferred all shares of its consolidated subsidiary, Crowd Cast, Ltd. on August 31, 2023. Mainly as a result of this share transfer, along with the recording of deferred tax assets, the Company expects to post a negative income taxes - deferred, resulting in the recording of -397 million yen in consolidated financial statements and -420 million yen in non-consolidated financial statements.

3. Revision of the consolidated results forecast (October 1, 2022 – September 30, 2023)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
Previous announced forecast (A)	Millions of yen 26,800	Millions of yen 200	Millions of yen 400	Millions of yen 460	Yen 8.39
This revised forecast(B)	26,837	298	458	753	13.73
Differences (B-A)	+37	+98	+58	+293	
Differences (%)	+0.1	+49.2	+14.6	+63.7	
(Reference) Actual results in the previous fiscal year (For the fiscal year ended September 30, 2022)	26,479	870	485	(930)	(16.99)

[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 ¥49 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 at the consolidated subsidiary Video Market Corporation.

Profit attributable to owners of parent is expected to be significantly higher than the most recent forecast, mainly due to income taxes - deferred mentioned in 2 above. The extraordinary losses mentioned in 1 above, part of which has been incorporated in the latest forecast, have minor impact on profit, mainly reflecting higher-than-expected ordinary income and extraordinary income.

<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.

Contact information for inquiries

Investor Relations Office

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