

February 12, 2025

For Immediate Release:

MTI Ltd.
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Notice Regarding Issuance of New Shares through Third-Party Allotment and Cancellation of Treasury Shares

MTI Ltd. (hereinafter referred to as the “Company”) announces that a meeting of the Board of Directors of the Company held on February 12, 2025, resolved to issue new shares through a third-party allotment and to cancel treasury shares, as follows.

I. Issuance of new shares through a third-party allotment

1. Overview of the new share issuance.

- | | | |
|-----|--|---|
| (1) | Payment date | March 3, 2025 |
| (2) | Number of new shares to be issued | Common stock 183,400 shares |
| (3) | Issue price | ¥1,091 per share |
| (4) | Amount of proceeds to be raised | ¥200 million |
| (5) | Method of offering or allotment (Allottee) | By way of third-party allotment
(Hiro Ichinokura (Managing director)) |
| (6) | Others | This issuance of new shares is subject to the effectiveness of the securities registration statement in accordance with the Financial Instruments and Exchange Act. |

2. Purpose and Reason for Issuance of New Shares

In an effort to enhance our corporate value over the medium to long term, we are actively focusing on expanding our healthcare business and school DX business, both of which are expected to drive future growth. Regarding the latter, as the government promotes school DX at the prefectural level, we see this as a growth opportunity and aim to achieve sustainable growth through proactive expansion. Demand for our cloud-based school affairs support system, *BLEND*, remains strong among private schools. However, following our contract with the Yamanashi Prefectural Board of Education in August 2024 for the implementation of the system in public high schools, we have intensified our efforts to secure public school contracts. Given that the public high school market is larger than the private high school market, we are working to expand implementations in public schools, further driving revenue and profit growth. As this business expansion is being led by Mr. Ichinokura, our Managing Director, increasing his ownership of our company's shares aligns his interests with those of our shareholders by sharing both the benefits and risks of stock price fluctuations. This is expected to contribute to long-term business growth and further strengthen his commitment to enhancing corporate value. Based on this assessment, we have decided to proceed with this new share issuance.

3. Amount of Funds to Be Raised, Use of Proceeds, and Scheduled Timing of Expenditures

(1) Amount of funds to be raised

i	Total amount of payment	200,089,400 yen
ii	Estimated cost of issuance	1,300,000 yen
iii	Estimated net amount	198,789,400 yen

Note: 1. The estimated amount of issuance expenses does not include consumption tax and local consumption tax.

2. The estimated amount of issuance expenses is the cost of preparing the securities registration statement and other documents, registration fees, etc.

(2) Specific use of funds to be raised

The entire amount of the funds raised will be allocated to investments in system development for the school DX business, which is expected to see significant growth. This will be done through financing and investments in Motivation Works Co., Ltd., a wholly-owned subsidiary engaged in the school DX business. These investments will include the development of new features for both private and public school systems, contributing to the enhancement of corporate value. Until the funds are actually disbursed, they will be managed in the company's bank account.

Specific Uses	Amount of money	Expenditures for the given period
Development of software and other systems for school DX business	¥198 million	February 2025 - September 2025

4. Views on Reasonableness of Use of Funds

As stated in "3. Amount of Funds to Be Raised, Use of Proceeds, and Scheduled Timing of Expenditures," we believe that executing the planned investments will contribute to enhancing our corporate value and ultimately lead to increased benefits for existing shareholders. Therefore, we consider the intended use of funds to be fully rational.

5. Reasonableness of Issuance Conditions, etc.

(1) Basis and specifics of the calculation of the issue price

For the issue price, we have determined that the recent market price of our shares appropriately reflects our shareholder value. Therefore, the issue price for this new share issuance has been set at ¥1,091, which was the closing price of our shares on the Tokyo Stock Exchange Prime Market on the business day immediately preceding the Board of Directors' resolution date (February 10, 2025).

The issue price of ¥1,091 represents a deviation of 5.6% (rounded to the second decimal place) from the average closing price of ¥1,033 over the past month (from January 14, 2025, to February 10, 2025), a deviation of -5.2% (rounded to the second decimal place) from the average closing price of ¥1,151 over the past three months (from November 11, 2024, to February 10, 2025), and a deviation of -4.2% (rounded to the second decimal place) from the average closing price of ¥1,139 over the past six months (from August 13, 2024, to February 10, 2025).

Considering recent stock price trends and discussions with the planned allottee, we concluded that there were no special circumstances preventing reliance on recent market prices. Accordingly, we have determined that the issue price appropriately reflects our shareholder value and is reasonable, as agreed upon between the allottee and our company.

As a result, we have determined that the issue price complies with the Japan Securities Dealers Association's "Guidelines on the Handling of Third-Party Allotment of Shares" and does not constitute a particularly favorable issuance price. Additionally, all four of our corporate auditors (all of whom are

external auditors) have expressed their opinion that the issue price is lawful, as it is based on objective market prices and falls within the scope of the aforementioned guidelines.

(2) Basis for determining that the number of shares to be issued and the scale of share dilution are reasonable
 The number of shares to be issued through this new share issuance is 183,400 shares (equivalent to 1,834 voting rights). This represents 0.30% of the total number of issued shares as of September 30, 2024 (61,429,600 shares) and 0.34% of the total number of voting rights as of the same date (545,907 voting rights).

Given the minimal dilution effect and the limited impact on the stock market, we believe that the issuance volume and the scale of stock dilution are reasonable.

6. Reason for selection of allottee, etc.

(1) Overview of the allottee and relationship between the submitter and the allottee

(As of February 12, 2025)

i	Name	Hiro Ichinokura	
ii	Address	Nerima-ku, Tokyo	
iii	Occupation	Company officer	
iv	Capital relations	Number of shares of the allottee held by the Company	Not applicable.
		Number of shares of the Company held by the allottee	Not applicable.
v	Personnel relations	He is the managing director of the Company.	
vi	Finance-related	Not applicable.	
vii	Technology or business relationship	Not applicable.	

(2) Reason for selection of allottee

In operating the School DX business within our group, we have selected Mr. Ichinokura as the allottee, as his increased ownership of our company's shares will serve as an incentive for him to maintain high motivation and contribute to enhancing corporate value. Unlike restricted stock compensation, he will invest his own funds, thereby sharing the benefits and risks of stock price fluctuations with our shareholders. We believe this approach will contribute to the enhancement of our group's corporate value.

Additionally, as Mr. Ichinokura is a Managing Director of our company and falls under the category of a special interested party, he did not participate in the resolution of this matter.

(3) Number of shares to be allocated

Common stock 183,400 shares Hiro Ichinokura

(4) Allottee's Shareholding Policy

We have verbally confirmed with the allottee that Mr. Ichinokura intends to hold the acquired shares on a mid to long-term basis.

Additionally, we plan to enter into a written agreement with the allottee stipulating that, if Mr. Ichinokura transfers all or part of the acquired shares within two years from the payment date (March 3, 2025), he must immediately submit a written report to the company detailing the name and address of the transferee, the number of shares transferred, and other relevant information. Furthermore, the company will report this information to the Tokyo Stock Exchange, and it will be made publicly available for inspection, to which Mr. Ichinokura agrees.

(5) Details of the confirmation of the existence of assets required for payment by the allottee

We have confirmed that Mr. Ichinokura has the necessary personal funds to make the payment for the new shares issuance, through verification of his bank balance, which exceeds the required payment amount, as well as a hearing with him.

(6) Actual condition of allottee

Mr. Ichinokura, the intended allottee, is a Managing Director of our company. To confirm that he has no connection with antisocial forces, we conducted a hearing with him and have entered into a stock subscription agreement that includes a statement confirming his lack of any relationship with such forces.

Based on this, we have determined that Mr. Ichinokura, the intended allottee, has no connection with antisocial forces.

Furthermore, we have submitted a certification to the Tokyo Stock Exchange, confirming that Mr. Ichinokura has no ties to antisocial forces.

7. Major shareholders and their shareholding ratios after the issuance of new shares and cancellation of treasury stock

Name of shareholder	Number of shares held (share)	Ratio of shares held to total number of shares (%)	Number of shares held after allotment (share)	Ratio of shares held to total number of shares after allotment (%)
Toshihiro Maeta	11,882,600	19.71	11,882,600	19.71
KMC, Inc.	10,096,000	16.75	10,096,000	16.75
UH Partners 2, Inc.	5,358,800	8.89	5,358,800	8.89
MTI Ltd.	4,962,075	8.23	4,778,675	7.93
SIL, Inc.	4,356,100	7.23	4,356,100	7.23
UH Partners 3, Inc.	4,127,000	6.85	4,127,000	6.85
Hikari Tsushin K.K.	4,062,200	6.74	4,062,200	6.74
MEDIPAL HOLDINGS CORPORATION	3,150,000	5.23	3,150,000	5.23
The Master Trust Bank of Japan, Ltd. (Trust account)	1,611,500	2.67	1,611,500	2.67
DIGIMERCE Inc.	1,000,000	1.66	1,000,000	1.66

Note: 1. Rounded to two decimal places.

2. The number of shares held (excluding MTI Ltd.) is based on the shareholder register as of September 30, 2024.

3. The number of shares owned by MTI Ltd. is as of December 31, 2024.

4. Total number of shares outstanding is as of December 31, 2024.

5. The number of shares held by trust banks, etc. under their trust operations cannot be comprehensively ascertained by the Company, so the number of shares held under their names in the shareholder registry is shown.

8. Outlook for the future

The impact of this matter on our performance for the fiscal year ending September 2025 is expected to be minimal.

9. Matters related to procedures under the Code of Business Conduct

This new share issuance does not require obtaining an opinion from an independent third party or confirming shareholders' intent under Article 432 of the Securities Listing Regulations set by the Tokyo Stock Exchange, as (i) the dilution rate is less than 25%, and (ii) it does not involve a change in the controlling shareholder.

10. Financial results and equity financing for the past three years

(1) Financial results for the past three years (consolidated)

(Unit: Mil yen)

	September 30, 2022	September 30, 2023	September 30, 2024
Net sales	26,479	26,798	27,669
Operating income	870	298	2,394
Ordinary income	485	458	2,827
Profit (loss) attributable to owners of parent	(930)	753	2,363
Net income (loss) per share (yen)	(16.99)	13.73	43.05
Dividend per share (yen)	16.00	16.00	17.00
Net assets per share (yen)	256.61	254.36	280.50

(2) Number of shares outstanding and potential shares at present (as of December 31, 2024)

Type	Number of shares	Percentage of shares issued
Number of shares issued	60,272,200	100%
Number of potential shares at current conversion price (exercise price)	-	-
Number of potential shares at the lower limit conversion price (exercise price)	-	-
Number of potential shares at the maximum conversion price (exercise price)	-	-

(3) Recent Stock Prices

i Status in the last 3 years

	September 30, 2022	September 30, 2023	September 30, 2024
Opening price	751yen	491 yen	619 yen
High price	762 yen	669 yen	1,189 yen
Low price	383 yen	481 yen	554 yen
Closing price	499 yen	611 yen	1,156 yen

ii Status in the last 6 months

	August, 2024	September	October	November	December	January, 2025
Opening price	837 yen	1,085 yen	1,170 yen	1,121 yen	1,229 yen	1,169 yen
High price	1,118 yen	1,189 yen	1,269 yen	1,336 yen	1,354 yen	1,169 yen
Low price	660 yen	1,056 yen	1,100 yen	1,005 yen	1,165 yen	987 yen
Closing price	1,065 yen	1,156 yen	1,145 yen	1,201 yen	1,168 yen	1,035 yen

iii Share price on the business day prior to the date of resolution for the issuance of new shares

	February 10, 2025
Opening price	1,049 yen
High price	1,171 yen
Low price	1,049 yen
Closing price	1,091 yen

Note: Regarding the stock price, it was listed on the First Section of the Tokyo Stock Exchange until April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange from April 4, 2022, onward.

- (4) Equity financing in the last 3 years
Not applicable.

II. Cancellation of treasury stock

Pursuant to the provisions of Article 178 of the Companies Act, the Company will cancel the same number of common shares as those issued through this new share issuance on the same date as the payment due date of the new share issuance, as outlined below.

(1) Type of shares to be cancelled	Common stock of the Company
(2) Number of shares to be cancelled	183,400 shares Percentage of total shares issued before cancellation 0.30%
(3) Scheduled cancellation date	March 3,2025

Note: This document is a translation 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.

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