

**MTI Ltd.**



# FY2014 for the 1st Quarter Financial Results Presentation

February 7, 2014 Securities Code:9438

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# Financial Results Overview

For the 1<sup>st</sup> Quarter



# Financial Highlights for the 1st Quarter



The number  
of paying subscribers

Smartphone **4.80** million paying subscribers

(+0.04 million compared to September 30, 2013)

Total **7.85** million paying subscribers

(-0.19 million compared to September 30, 2013)

**Increase both in sales and profits year on year**



Financial results

Net sales : **7,498** millions of yen

(+167 millions of yen, +2.3%, year on year)

Operating income : **909** millions of yen

(+694 millions of yen, +323.6%, year on year)

Net income : **425** millions of yen

(+240 millions of yen, +129.8%, year on year)

**Revision to earnings forecast for the first half**

# Consolidated Statements of Income



(Millions of yen)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	
			Amount	Ratio(%)
Net sales	7,498	7,331	+167	+2.3%
Cost of sales	1,219	1,231	- 12	- 1.0%
Gross profit	6,279	6,099	+179	+2.9%
( Gross profit ratio )	83.7%	83.2%		
Selling, general and administrative expenses	5,370 <small>※Breakdown in the P5</small>	5,885	- 514	- 8.7%
Operating income	909	214	+694	+323.6%
( Operating income ratio )	12.1%	2.9%		
Ordinary income	870	216	+654	+303.1%
( Ordinary income ratio )	11.6%	2.9%		
Net income	425	185	+240	+129.8%
( Net income ratio )	5.7%	2.5%		

Income increase through expansion of real affiliate business

## Decrease in advertising expenses

- Temporal decrease in promotion opportunities for content sales at cellphone shops
- Limited momentum in sales during selling season

# Consolidated Selling, General and Administrative Expenses



(Millions of yen)	Three months ended September 30, 2014	Three months ended September 30, 2013	Change	
			Amount	Ratio(%)
Total	5,370	5,885	- 514	- 8.7%
Advertising expenses	1,685	2,176	- 490	- 22.5%
Personal expenses	1,403	1,421	- 18	- 1.3%
Commission fee	806	812	- 6	- 0.7%
Subcontract expenses	438	440	- 1	- 0.3%
Depreciation	444	424	+19	+4.5%
Other	592	609	- 17	- 2.9%

## Decrease in advertising expenses

- Temporal decrease in promotion opportunities for content sales at cellphone shops
- Limited momentum in sales during selling season

# Consolidated Balance Sheets Statements



Net cash was 4.06 billions of yen as of December 31, 2013 (2.83 billions of yen as of September 30, 2013)

(Millions of yen)	As of December 31, 2013	As of September 30, 2013	Change	(Millions of yen)	As of December 31, 2013	As of September 30, 2013	Change
Current assets	10,674	10,768	- 93	Liabilities	5,301	5,687	- 386
Cash and deposit	4,689	3,416	+1,273	Accounts payable-trade	917	942	- 24
Notes and accounts receivable-trade	4,939	6,376	- 1,437	Current portion of bonds	81	78	+3
Other	1,201	1,141	+59	Account payable-other	2,353	2,334	+18
Allowance for doubtful accounts	- 156	- 166	+10	Income taxes payable	369	637	- 267
				Allowance for coin usage	361	382	- 20
				Other	1,216	1,311	- 94
Noncurrent assets	4,806	4,878	- 72	Noncurrent liabilities	1,159	1,090	+69
Property, plant and equipment	170	175	- 5	Long-term loans payable	543	500	+43
Intangible fixed assets	2,550	2,590	- 39	Provision for retirement benefits	547	509	+38
Include software	2,311	2,346	- 35	Other	67	80	- 12
Include goodwill	113	133	- 20	Total liabilities	6,460	6,777	- 317
Investments and other assets	2,084	2,112	- 27	Capital stock	2,562	2,562	+0
Include investment securities	706	714	- 7	Capital surplus	3,078	3,078	+0
				Retained earning	3,505	3,393	+112
				Treasury stock	- 695	- 695	- 0
				Other comprehensive income	83	62	+20
				Subscription rights to shares	240	227	+13
				Minority interest	244	239	+4
				Net assets	9,020	8,869	+151
Total assets	15,480	15,646	- 165	Total liabilities and net assets	15,480	15,646	- 165



# Business Overview: The Total Number of Paying Subscribers

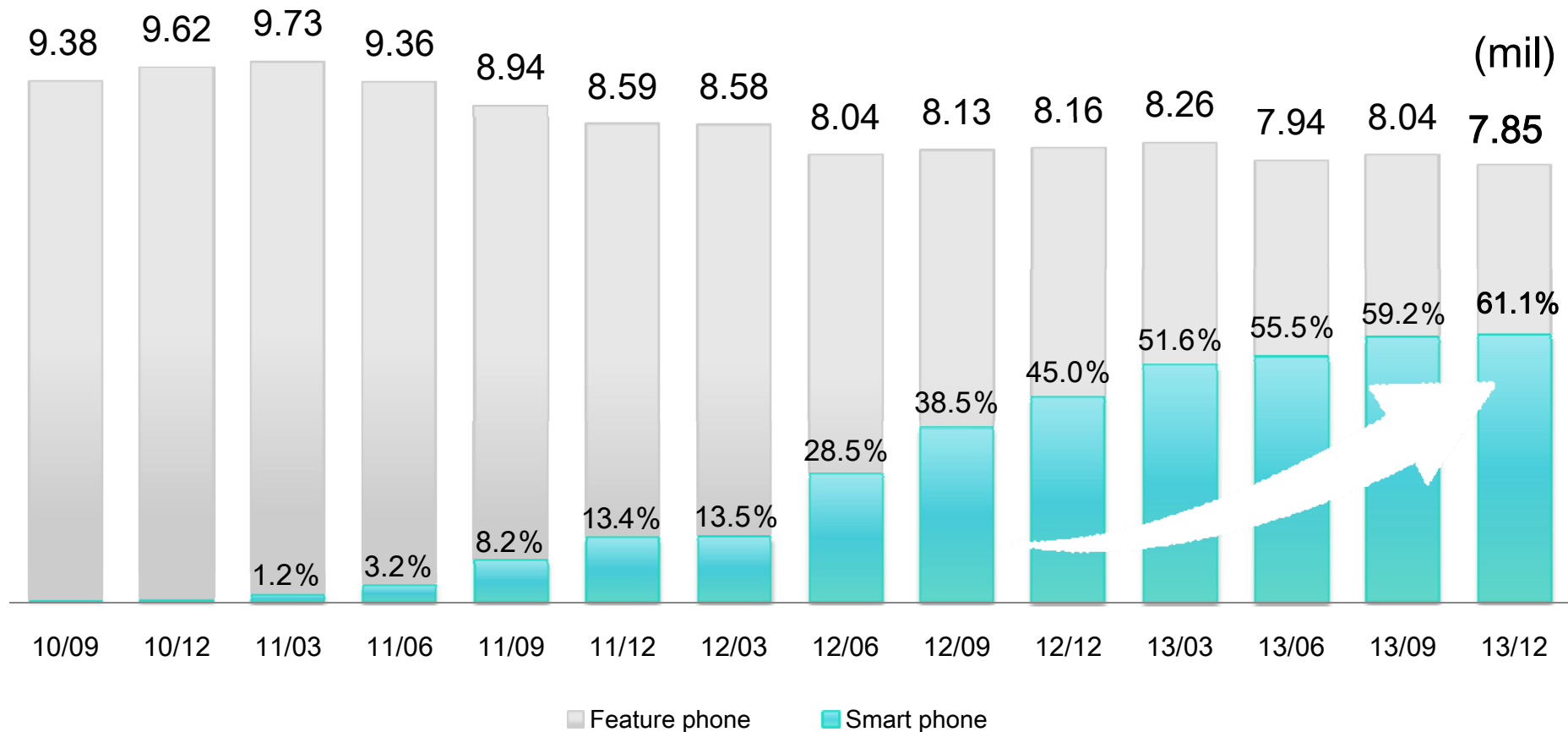


**7.85** million paying subscribers

( -0.19million, compared to September 30, 2013 )

Smartphone Ratio

Expanded to **61.1%**



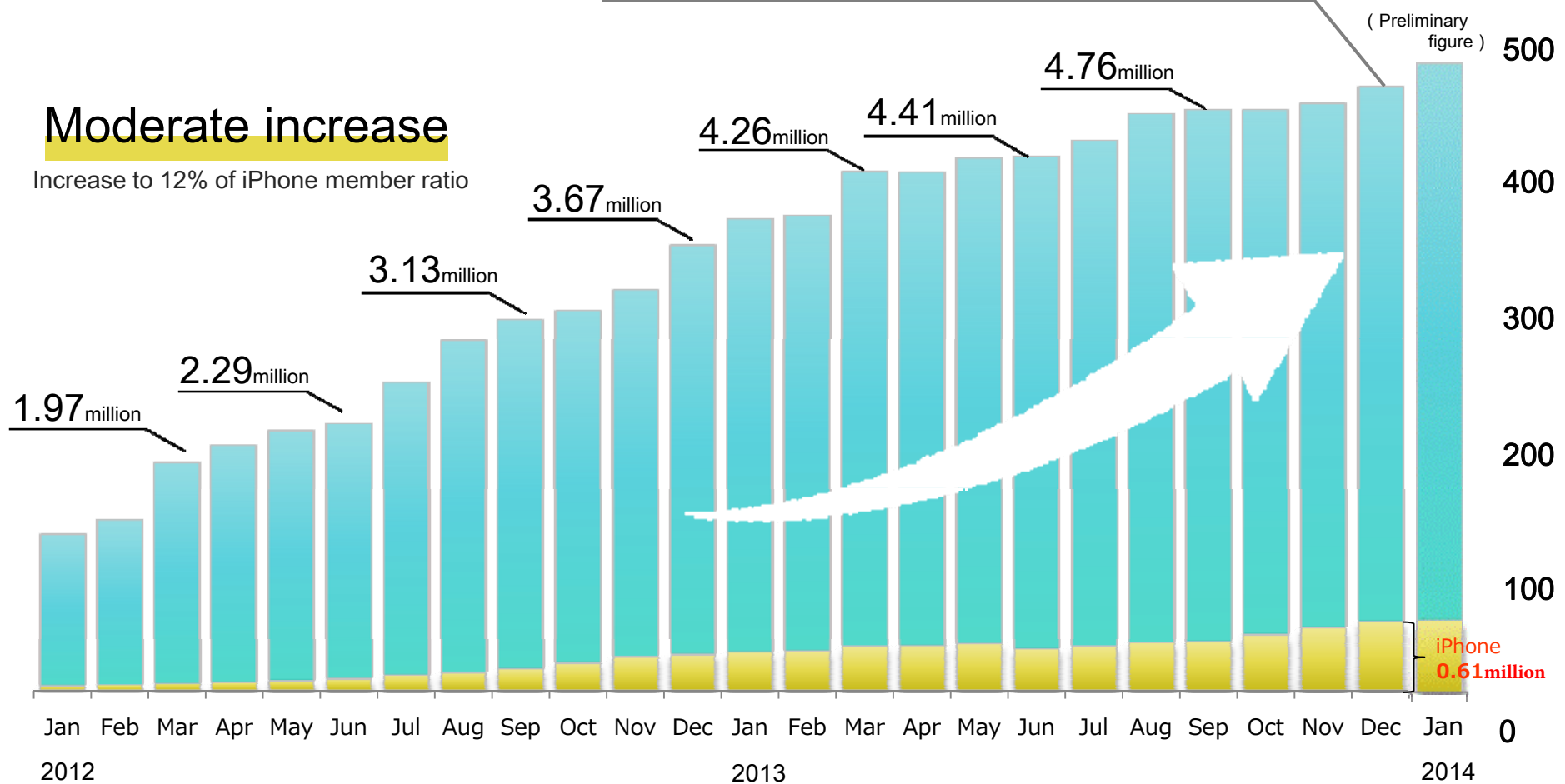
Quarterly change in the number of paying subscribers



# Business Overview: The Number of Paying Subscribers ( Smartphone )



The number of paying subscribers of the smartphone **4.80 million** ( +0.04million, compared to September 30, 2013 )



Monthly change in the number of paying subscribers for smartphone

# Business Overview: docomo "d-menu" \* Ranking



**11 contents**  **No.1** ~ win a sweeping victory ~



Music distribution



Health information for women



Diet & beauty



Maternity



E-book unlimited distribution



© Miyuki Miyabe



Photo Book



©Junpei Mizobatal SHUFU TO SEIKATSU SHA CO.,LTD.



Multi dictionary



Fortune-telling



Decoration e-mail unlimited distribution



Puzzle game



Table game



Comic distribution



©Hajime Isayama/KODANSHA LTD.



Weather information



Fortune-telling



\* Source: Ranking data from "d-menu", a portal site for smartphone services, by NTT docomo Co., Ltd. as of January 20, 2014



# New Approach After the 1st Quarter

Approach in the future





## Further expansion in the number of paying subscribers for smartphone services

### Enlargement of services

Improvement of functions for existing services

New approach

### Development of new channels for reaching new subscribers

Enhancement in the real affiliate business

Shifting between free service and pay service

### Extension of life time

Seeking to satisfy customers



## Cooperation of car navigation systems



 ListenRadio

×

Aug,  
2013

Car navigation systems compatible  
With *Linkwith* mode

**PIONEER  
CORPORATION**

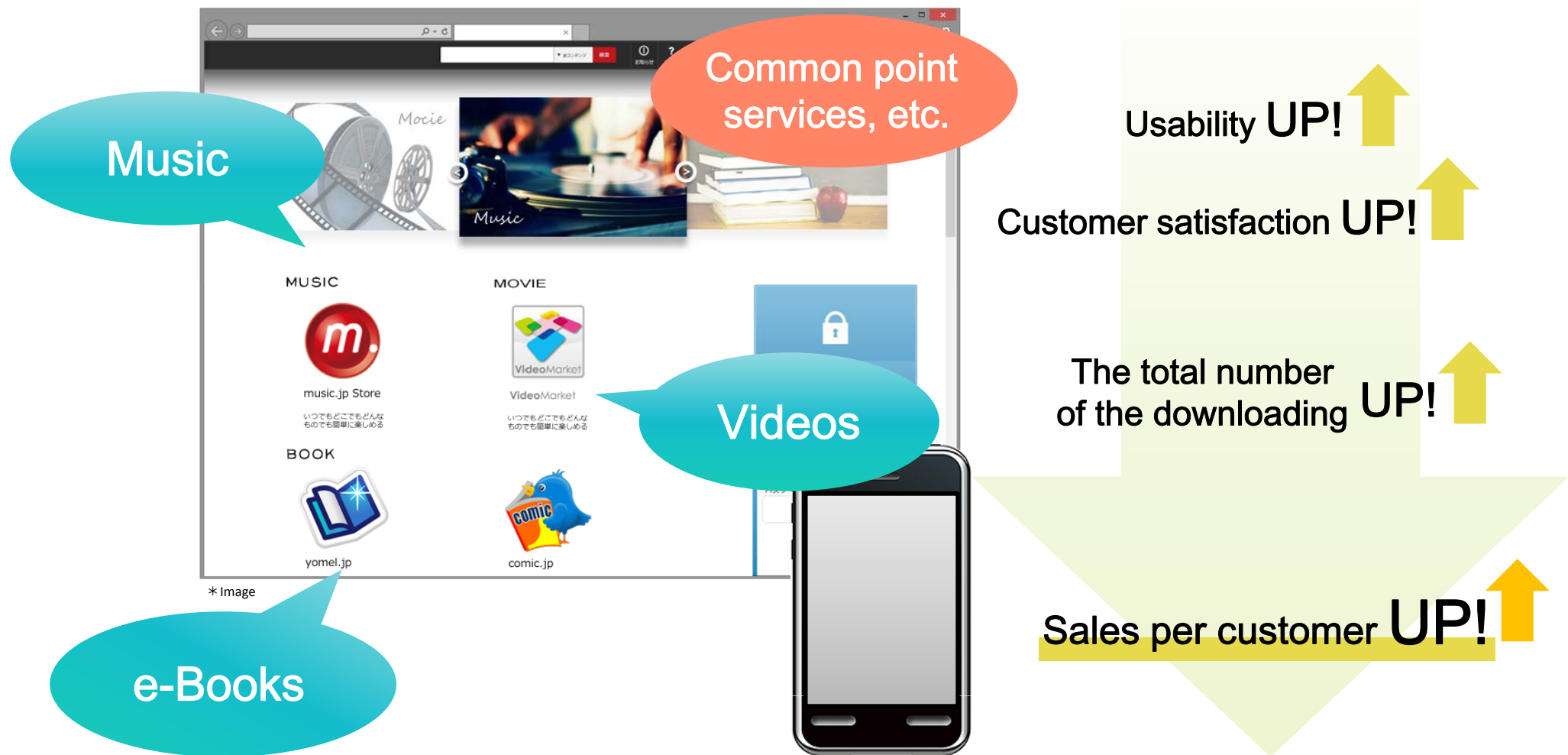
Jan,  
2014

Car navigation systems compatible  
with *Smart Access* mode

**Clarion Co., Ltd.**



## Integration of main download services

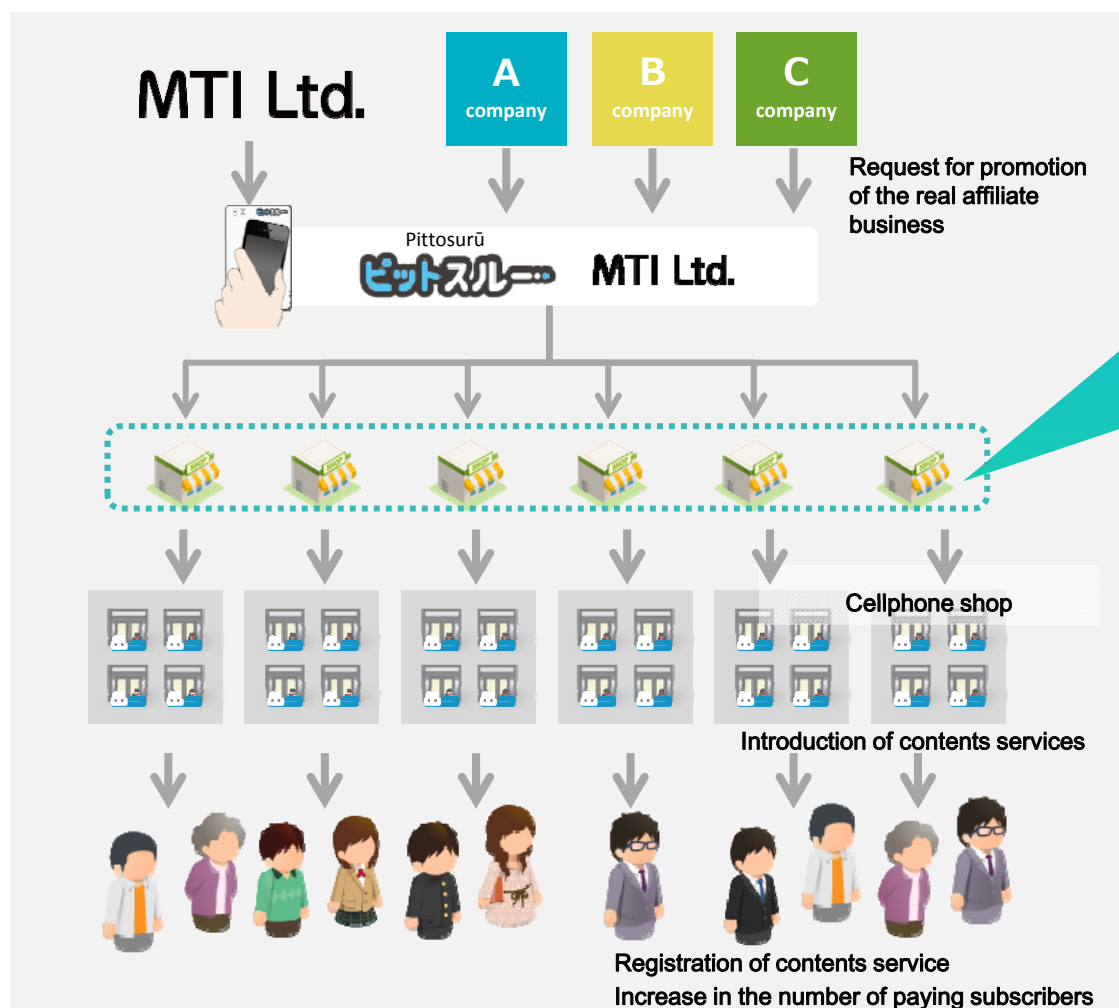




# Development of New Channels for Reaching New Subscribers : Enhancement in the Real Affiliate Business



## ■ Establishment of sales offices across Japan



Cellphone shop occupancy rate  
**UP!**

Subscriber rate **UP!**

Withdrawal rate **DOWN!**

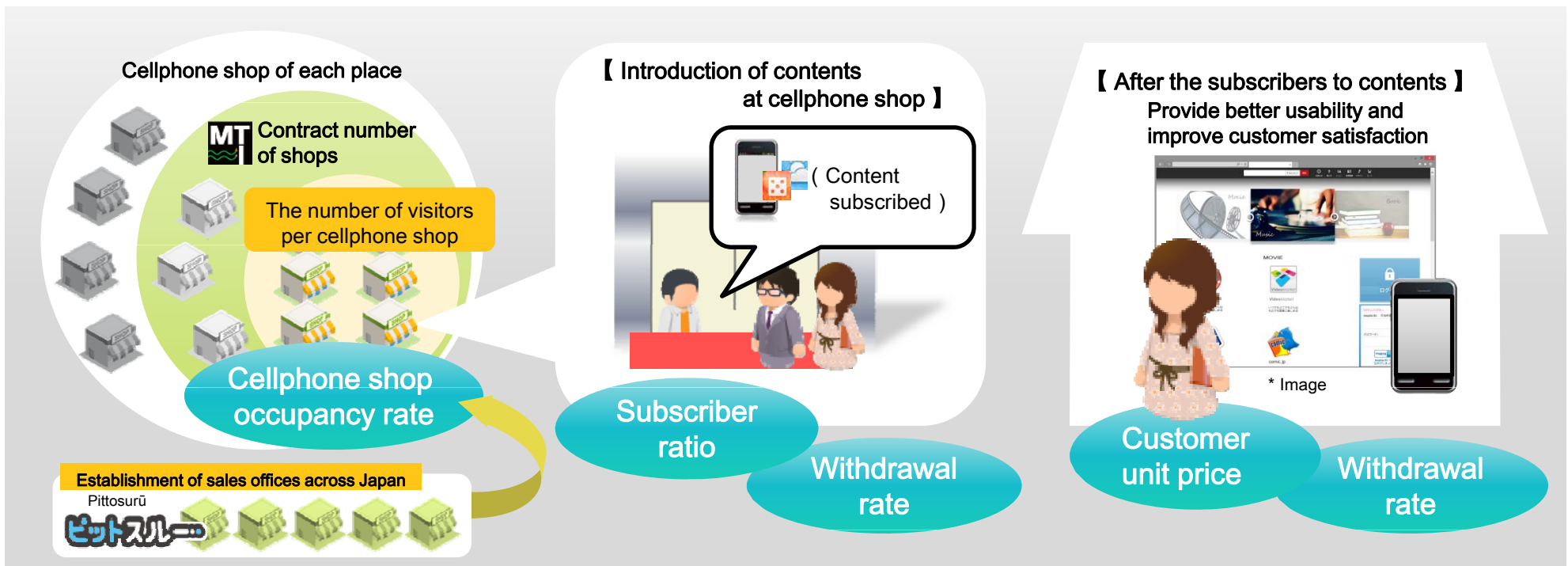


# 【 Indicators of Contents Distribution Business 】

$$\text{The number of new subscribers} = \text{Contract Number of cellphone shop} \times \text{Cellphone shop occupancy rate} \times \text{The number of visitors per cellphone shop} \times \text{Subscriber ratio}^*1 \times \text{Content subscribed}^*2$$

$$\text{The number of Increase to member} = \text{The number of new subscribers} \times (1 - \text{Withdrawal rate}) \rightarrow \text{Establishment of sales offices across Japan ( p.14 )}$$

$$\text{Sales} = \text{The number of subscriber} \times \text{Customer unit price} \rightarrow \text{Integration of main download services ( p.13 )}$$



\* 1 Subscriber ratio: the number of content subscribers per cellphone shop visitors (Unique)

\* 2 Content subscribed: the number of subscribed contents per

# Development of New Channels for Reaching New Subscribers : Shifting between Free Service and Pay Service(i)



## ■ Sales channels from category specific portal sites to pay services

Music information portal



Monthly unique users  
(As of the end of January)

**4.0 million downloads in total!**

Healthcare information portal



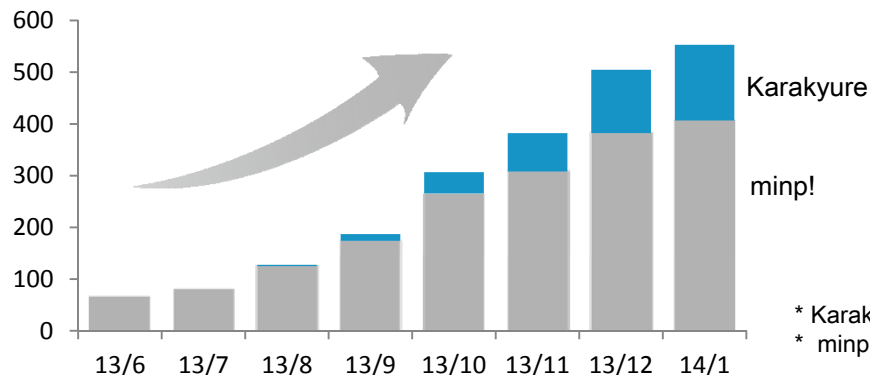
Monthly unique users  
(As of the end of January)

**About 1.5 million download!**

Travel information portal



**Service started in January!**



\* Karakyure Started in Aug, 2013  
\* minp! Started in Oct, 2012

# Development of New Channels for Reaching New Subscribers : Shifting between Free Service and Pay Service(ii)



## ■ Shifting between free application service and pay service

### Free music service

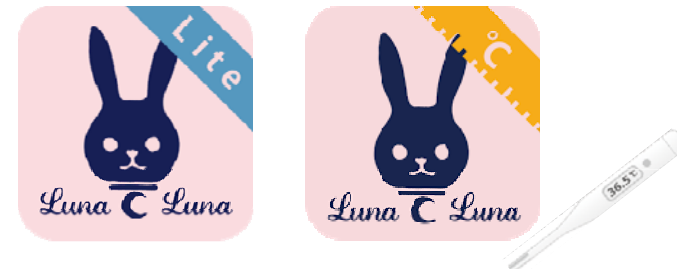


ListenRadio

The total number of the downloading  
as of the end of January

**1.7 million**  
**downloads in total!**

### Free healthcare-related service



LunaLunaLite

LunaLuna  
Body temperature note

LunaLunaLite

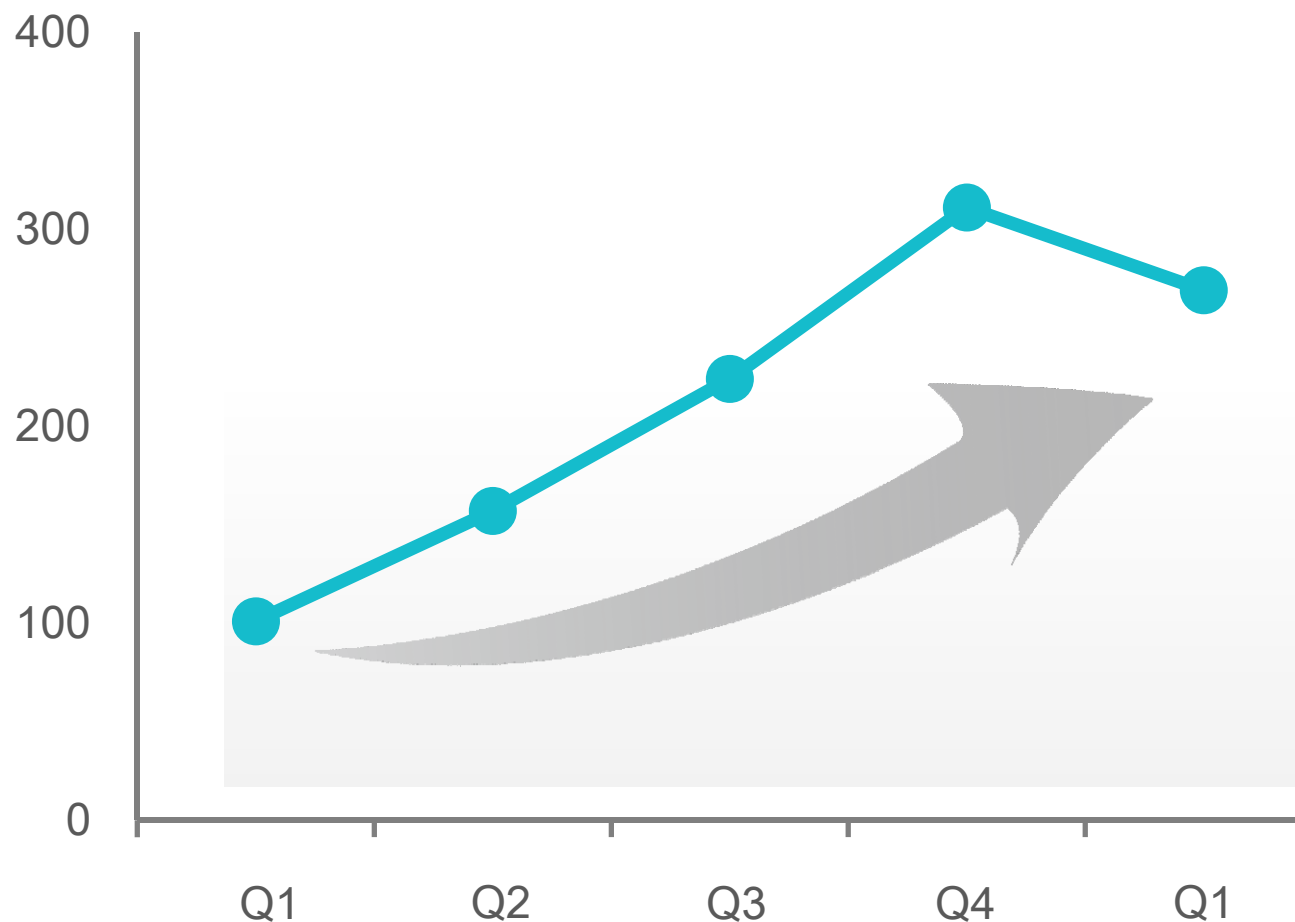
The total number of the downloading  
as of the end of January

**5.0 million**  
**downloads in total!**



### 【 Trends in advertising sales 】

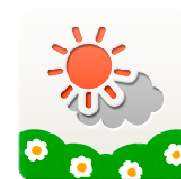
( millions of yen )



Income increase  
year on year



- Creating content that makes user's life convenient and creating content to make user happy



Seeking to satisfy customers



# Revision in the 1st Half Forecast

Revision for the forecast





## Upward revision to profit

- Q1 Q1 profit exceeded the forecast of the first half due to the more than expected decrease in advertising expenses.
- Q2 Actively introduce advertising campaigns during March selling season to gain more paying subscribers for smartphone services.

(Millions of yen )	Six months ended September 30, 2014		Change	
	( Actual )	( Forecast )	Amount	Ratio(%)
Net sales	15,500	15,500	-	-
Operating income	1,100	700	+400	+57.1%
( Operating income ratio )	7.1%	4.5%		
Ordinary income	1,060	680	+380	+55.9%
( Ordinary income ratio )	6.8%	4.4%		
Net income	520	320	+200	+62.5%
( Net income ratio )	3.4%	2.1%		





# Appendix



# Trends in Consolidated Statements of Income



(Millions of yen )	Fiscal year ended September 30, 2013				Fiscal year ended September 30, 2014
	Q1	Q2	Q3	Q4	Q1
Net sales	7,331	7,491	7,762	7,575	7,498
Cost of sales	1,231	1,286	1,427	1,391	1,219
Gross profit	6,099	6,205	6,334	6,184	6,279
( Gross profit ratio )	83.2%	82.8%	81.6%	81.6%	83.7%
Selling, general and administrative expenses	5,885	6,527	5,500	5,762	5,370
Operating income	214	- 321	834	422	909
( Operating income ratio )	2.9%	- 4.3%	10.7%	5.6%	12.1%
Ordinary income	216	- 312	832	384	870
( Ordinary income ratio )	2.9%	- 4.2%	10.7%	5.1%	11.6%
Net income	185	- 306	443	194	425
( Net income ratio )	2.5%	- 4.1%	5.7%	2.6%	5.7%

# Trends in Consolidated Selling, General and Administrative Expenses



(Millions of yen )	Fiscal year ended September 30, 2013				Fiscal year ended September 30, 2014
	Q1	Q2	Q3	Q4	Q1
Total	5,885	6,527	5,500	5,762	5,370
Advertising expenses	2,176	2,724	1,780	2,019	1,685
Personal expenses	1,421	1,412	1,422	1,465	1,403
Commission fee	812	823	785	807	806
Subcontract expenses	440	476	413	410	438
Depreciation	424	440	462	474	444
Other	609	649	635	584	592

Thank you very much.

**MTI Ltd.**



〈Contact us〉

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