

MTI Ltd.



FY2014 for the 2nd Quarter Financial Results Presentation

May 9, 2014 Securities Code:9438

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Financial Results Overview

For the 2nd Quarter



Financial Highlights for the 2nd Quarter



The number
of paying subscribers

Smartphone **5.33** million paying subscribers

(+0.53 million compared to December 31, 2013)

Total **8.17** million paying subscribers

(+0.32 million compared to December 31, 2013)



Financial results

Increase both in sales and profits year on year

Net sales : **15,279** millions of yen

(+456 millions of yen, +3.1%, year on year)

Operating income : **1,304** millions of yen

(+1,412 millions of yen)

Net income : **790** millions of yen

(+911 millions of yen)

Consolidated Statements of Income



(Millions of yen)	Six months ended September 30, 2014	Six months ended September 30, 2013	Change	
			Amount	Ratio(%)
Net sales	15,279	14,822	+456	+3.1%
Cost of sales	2,476	2,517	-41	-1.7%
Gross profit	12,803	12,305	+498	+4.0%
(Gross profit ratio)	83.8%	83.0%		
Selling, general and administrative expenses	11,498 <small>※Breakdown in the P5</small>	12,412	-913	-7.4%
Operating income	1,304	-107	+1,412	-
(Operating income ratio)	8.5%	-0.7%		
Ordinary income	1,310	-96	+1,407	-
(Ordinary income ratio)	8.6%	-0.7%		
Net income	790	-121	+911	-
(Net income ratio)	5.2%	-0.8%		

Income increased through expansion of real affiliate business

- Decreased in advertising expenses
- Income increased through expansion of real affiliate business

Consolidated Selling, General and Administrative Expenses



(Millions of yen)	Six months ended September 30, 2014	Six months ended September 30, 2013	Change	
			Amount	Ratio(%)
Total	11,498	12,412	-913	-7.4%
Advertising expenses	4,078	4,901	-822	-16.8%
Personal expenses	2,826	2,833	-7	-0.3%
Commission fee	1,641	1,635	+6	+0.4%
Subcontract expenses	898	916	-18	-2.0%
Depreciation	886	865	+20	+2.4%
Other	1,167	1,259	-92	-7.3%

Consolidated Balance Sheets Statements



Net cash was 3.63 billions of yen as of March 31, 2014 (2.83 billions of yen as of September 30, 2013)

(Millions of yen)	As of March 31, 2014	As of September 30, 2013	Change	(Millions of yen)	As of March 31, 2014	As of September 30, 2013	Change
Current assets	11,851	10,768	+1,083	Liabilities	6,157	5,687	+470
Cash and deposit	4,235	3,416	+818	Accounts payable-trade	937	942	-4
Notes and accounts receivable-trade	6,544	6,376	+167	Current portion of bonds	-	78	-78
Other	1,206	1,141	+64	Account payable-other	3,172	2,334	+838
Allowance for doubtful accounts	-134	-166	+32	Income taxes payable	585	637	-52
				Allowance for coin usage	315	382	-67
				Other	1,146	1,311	-165
Noncurrent assets	4,954	4,878	+76	Noncurrent liabilities	1,239	1,090	+149
Property, plant and equipment	162	175	-13	Long-term loans payable	599	500	+99
Intangible fixed assets	2,492	2,590	-97	Provision for retirement benefits	585	509	+76
Include software	2,275	2,346	-71	Other	54	80	-26
Include goodwill	92	133	-40	Total liabilities	7,397	6,777	+619
Investments and other assets	2,299	2,112	+187	Capital stock	2,566	2,562	+3
Include investment securities	753	714	+38	Capital surplus	3,082	3,078	+3
				Retained earning	3,883	3,393	+489
				Treasury stock	△695	- 695	-0
				Other comprehensive income	89	62	+26
				Subscription rights to shares	240	227	+13
				Minority interest	241	239	+1
				Net assets	9,408	8,869	+539
Total assets	16,806	15,646	+1,159	Total liabilities and net assets	16,806	15,646	+1,159

Business Overview: The Total Number of Paying Subscribers

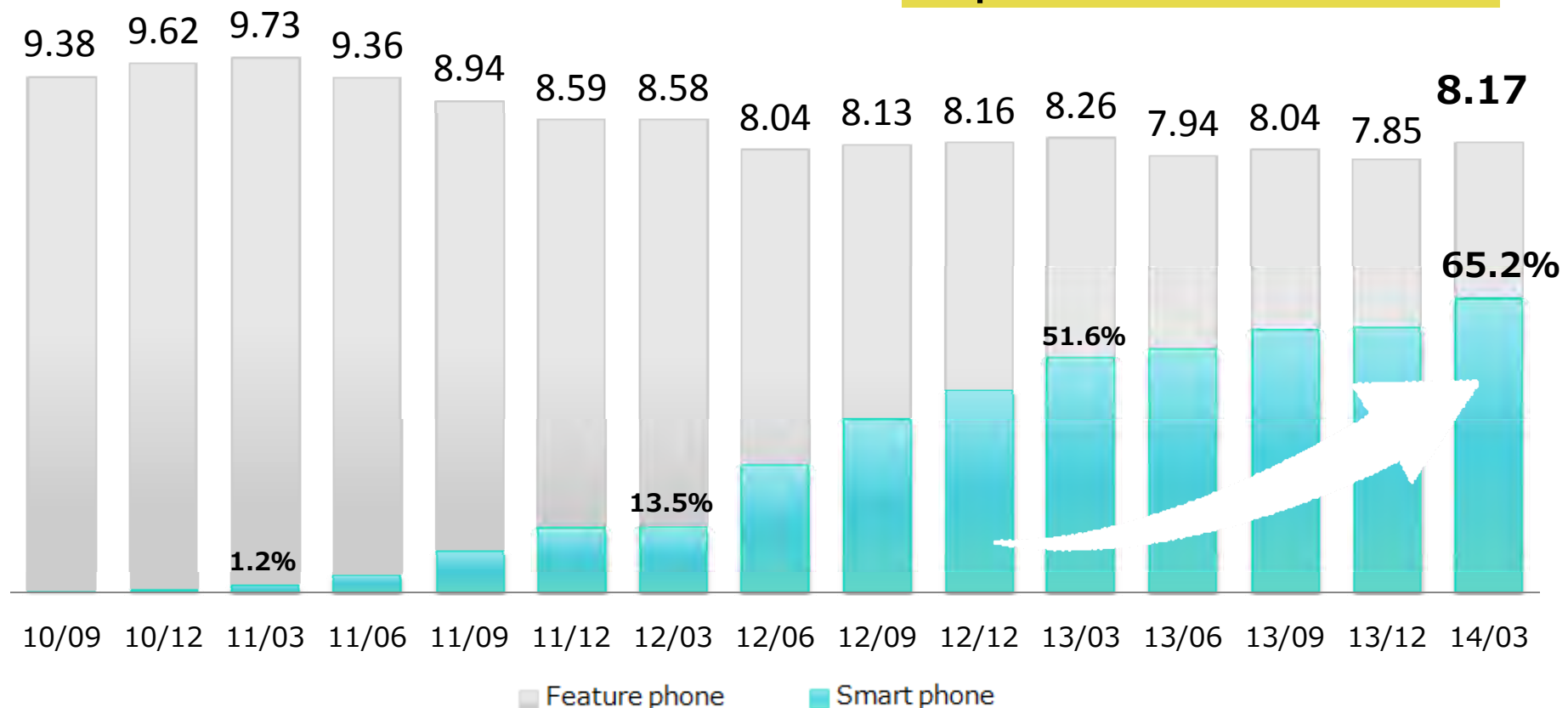


8.17 million paying subscribers

(+0.32million, compared to December 31, 2013)

Smartphone Ratio

Expanded to **65.2%**



Quarterly change in the number of paying subscribers

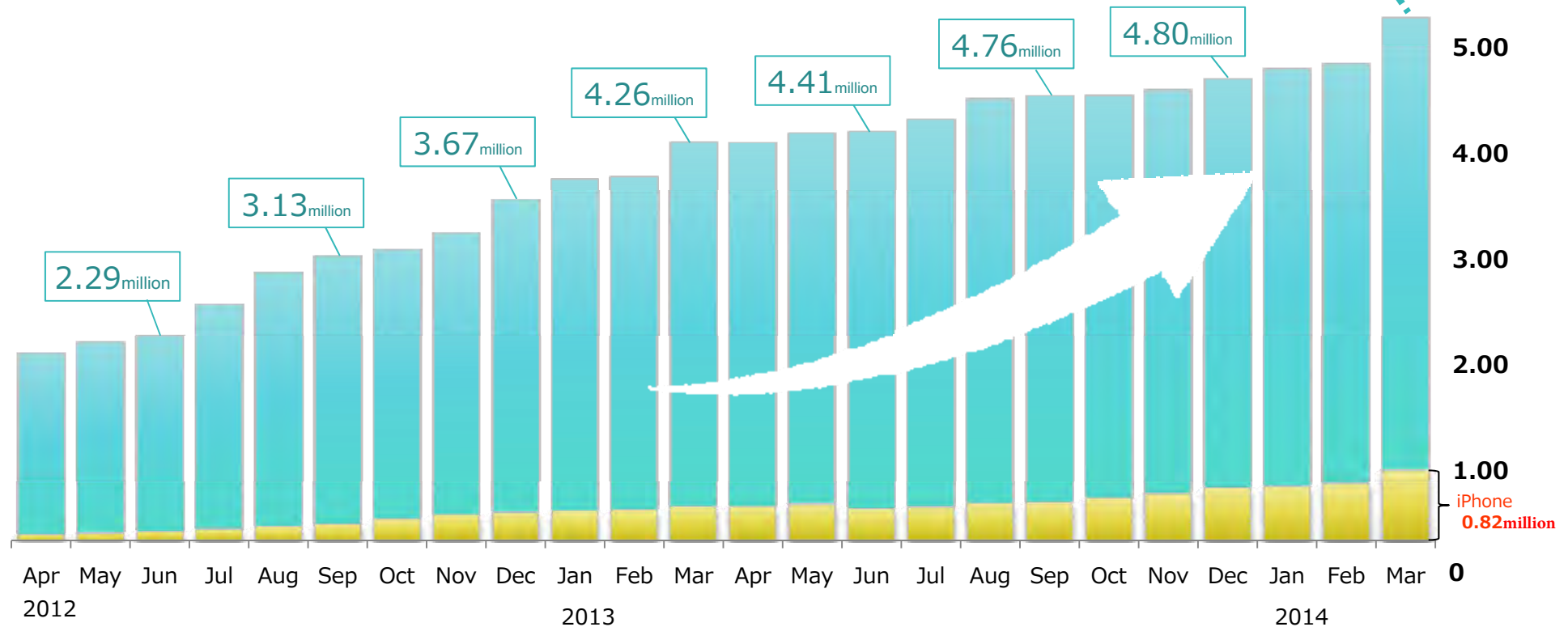
Business Overview: The Number of Paying Subscribers (Smartphone)



The number of paying subscribers of the smartphone

5.33 million (+0.53million, compared to December 31, 2013)

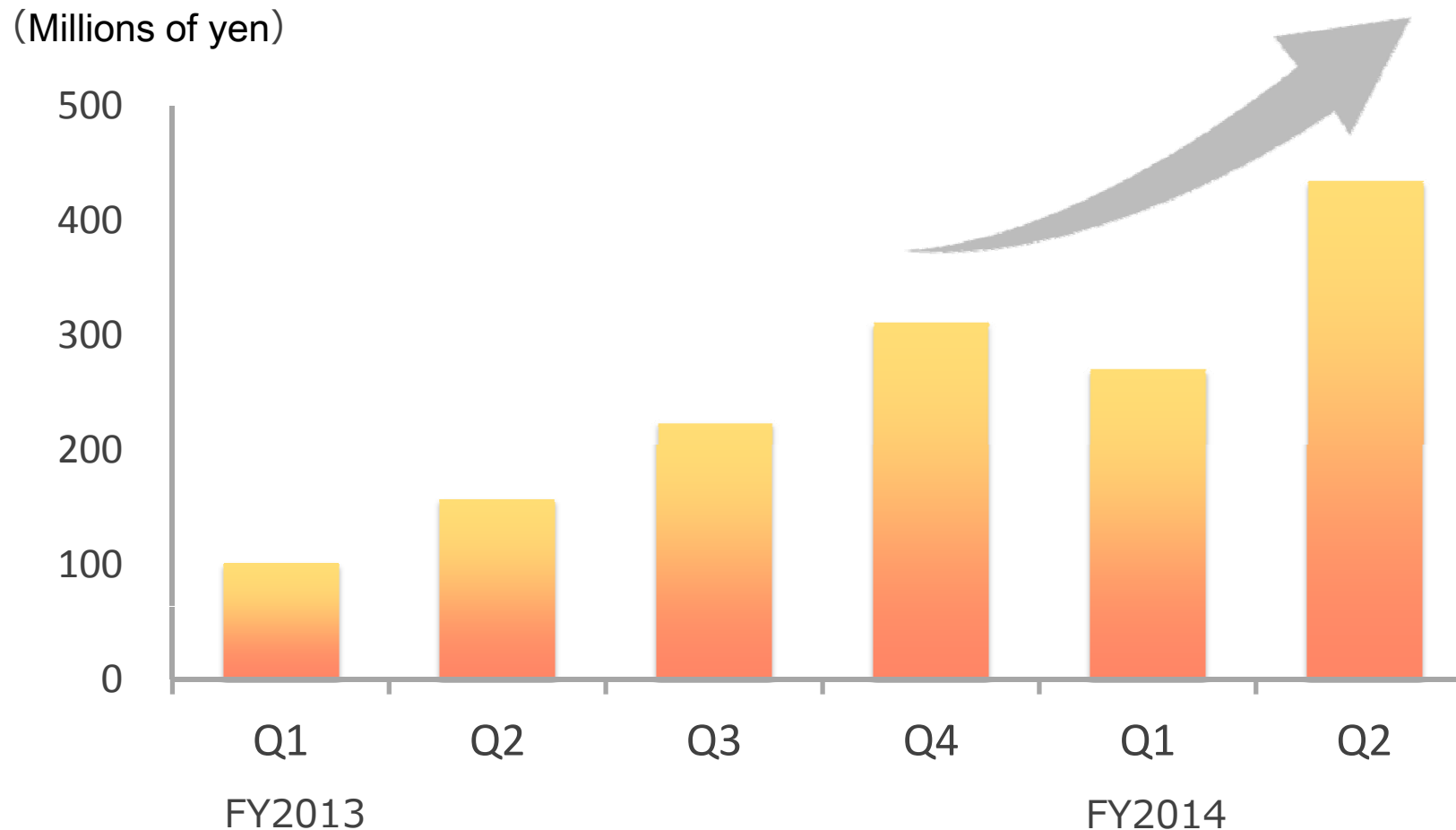
**Strong performance
in the 2nd quarter**



Monthly change in the number of paying subscribers for smartphone



Broke 400 millions of yen in the 2nd quarter!



Business Overview: docomo "d-menu" * Ranking



10 contents No.1 ~ win a sweeping victory ~



* Source: Ranking data from "d-menu", a portal site for smartphone services, by NTT docomo Co., Ltd. as of April 21, 2014



Progress for the 1st Half of the Fiscal Year

The forecast progress



Progress for Earnings Forecast for the Full-year Term



(Millions of yen)	Q2 Total	Full-year forecast	Progress ratio
Net sales	15,279	31,500	48.5%
Operating income	1,304	1,800	72.5%
(Operating income ratio)	8.5%	5.7%	
Ordinary income	1,310	1,750	74.9%
(Ordinary income ratio)	8.6%	5.6%	
Net income	790	990	79.9%
(Net income ratio)	5.2%	3.1%	



New Approach in or After the 2nd Half of the Fiscal Year

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

Enlargement of Services : Improvement of Functions for Existing Services



The total number of the downloading as of the end of March
2.0 million downloads in total!



 ListenRadio

×

**Cooperation of
car navigation systems**

DriveP@ss, an application service compatible with Strada

Panasonic Corporation

*Car navigation systems compatible
with Linkwith mode*

**PIONEER
CORPORATION**

*Car navigation systems compatible
with Smart Access mode*

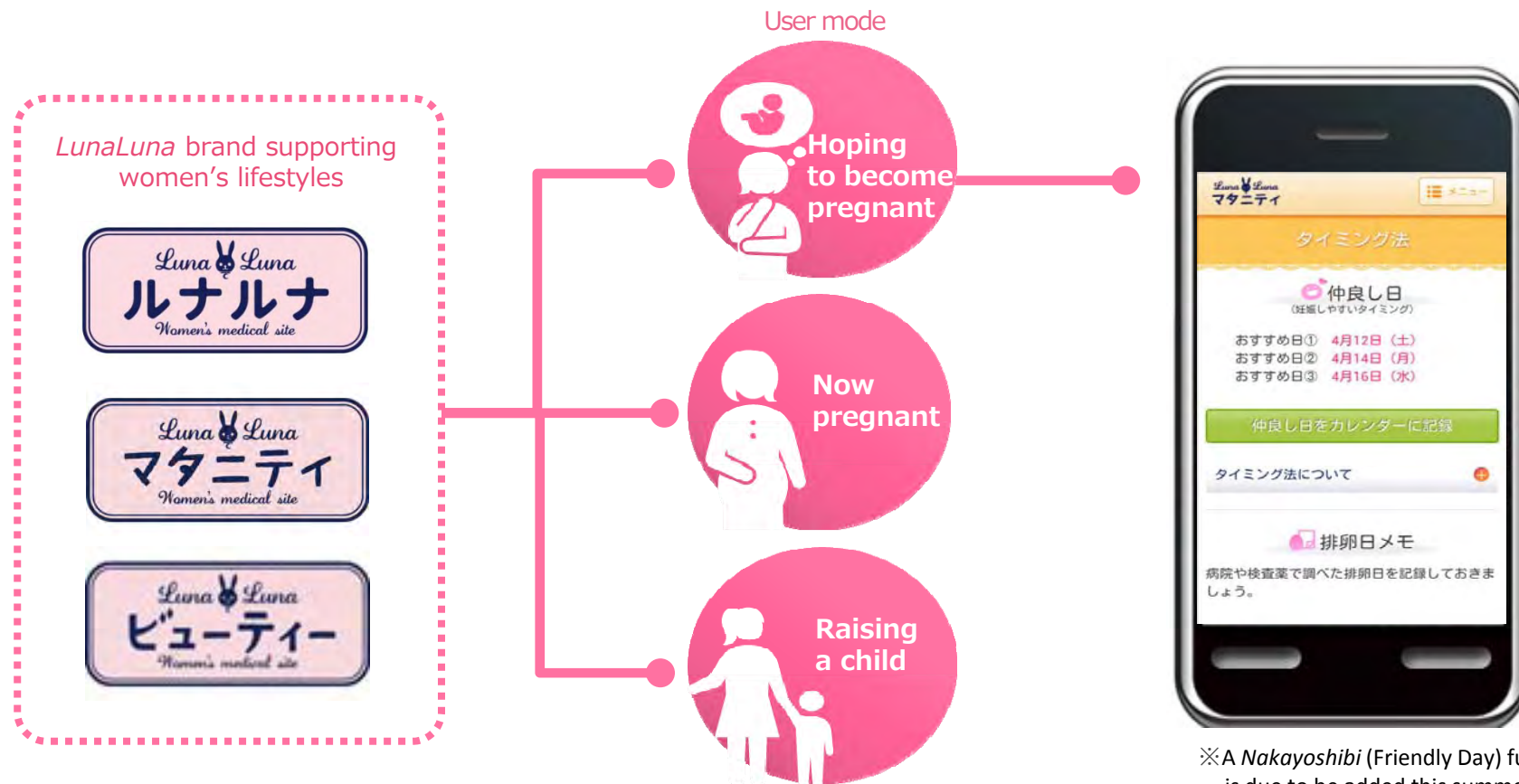
Clarion Co., Ltd.



Number of all books distributed
Approx. 40,000 works

- On February 10
Kodansha **Added** approx. 3,000 works
- On February 24
Shueisha **Added** approx. 1,500 works

Helping women with pregnancy with *LunaLuna* Maternity! ～ Patent pending for a unique projection logic for an ovulation day * ～



※ A new projection logic that differs from the Ogino Method, which is seen as established theory, taking advantage of big data on users owned by *LunaLuna* and data on registered individuals.



Integration of main download services

1st step

Integration of music, e-books services

In preparation for a summer launch

Common account and coin, etc.



Usability **UP!** ↑

Customer satisfaction **UP!** ↑

The total number of the downloading **UP!** ↑

Sales per customer UP! ↑

Enlargement of Services : New Approach

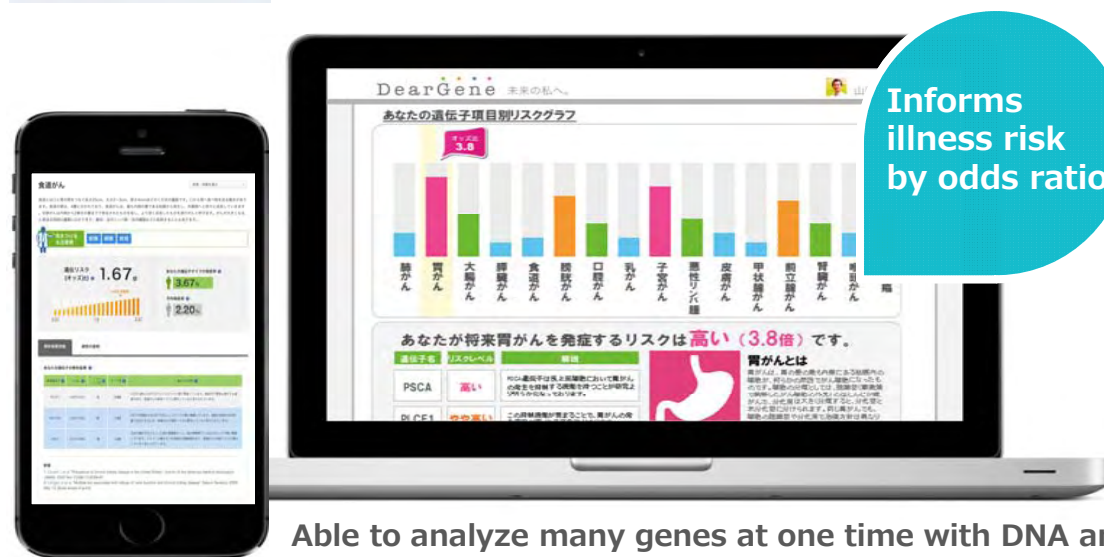


遺伝子で知る、未来の自分

DearGene

遺伝子解析サービス

Released on April 4 !



©EverGene Ltd.

Able to analyze many genes at one time with DNA arrays
stomach cancer, lung cancer, colorectal cancer (including rectum and colon), thyroid cancer, bladder cancer, prostate cancer, nasopharyngeal cancer

Cancer gene testing kit

¥ 9,800 (Tax included)

Cancer
+
Lifestyle diseases
gene testing kit

¥ 29,800 (Tax included)

Available
e-commerce sites

Amazon

yodobashi
.com

Rakuten

To start
in mid-May
Yahoo!



Establishment of sales offices across Japan

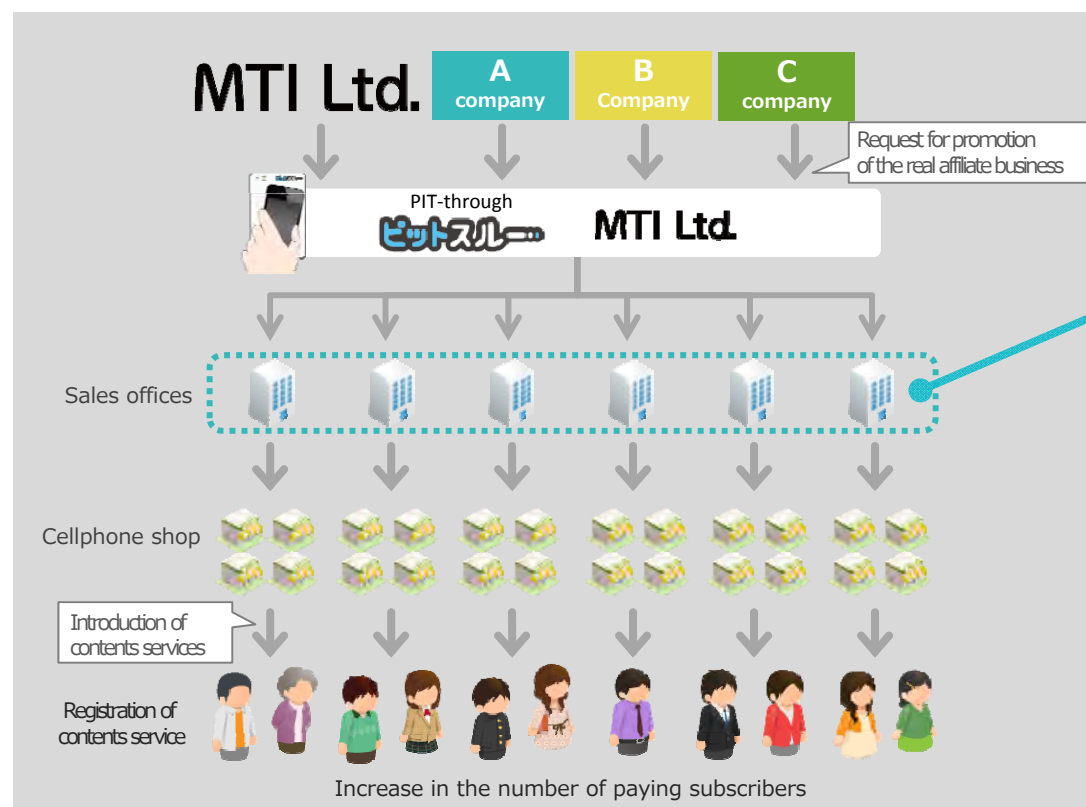
Hokkaido
office

Tokyo
head office

Kansai
office

Chugoku
Shikoku
office

Kyushu
office



Cellphone shop
occupancy rate **UP!** ↑

Subscriber rate **UP!** ↑

Withdrawal rate **DOWN!** ↓

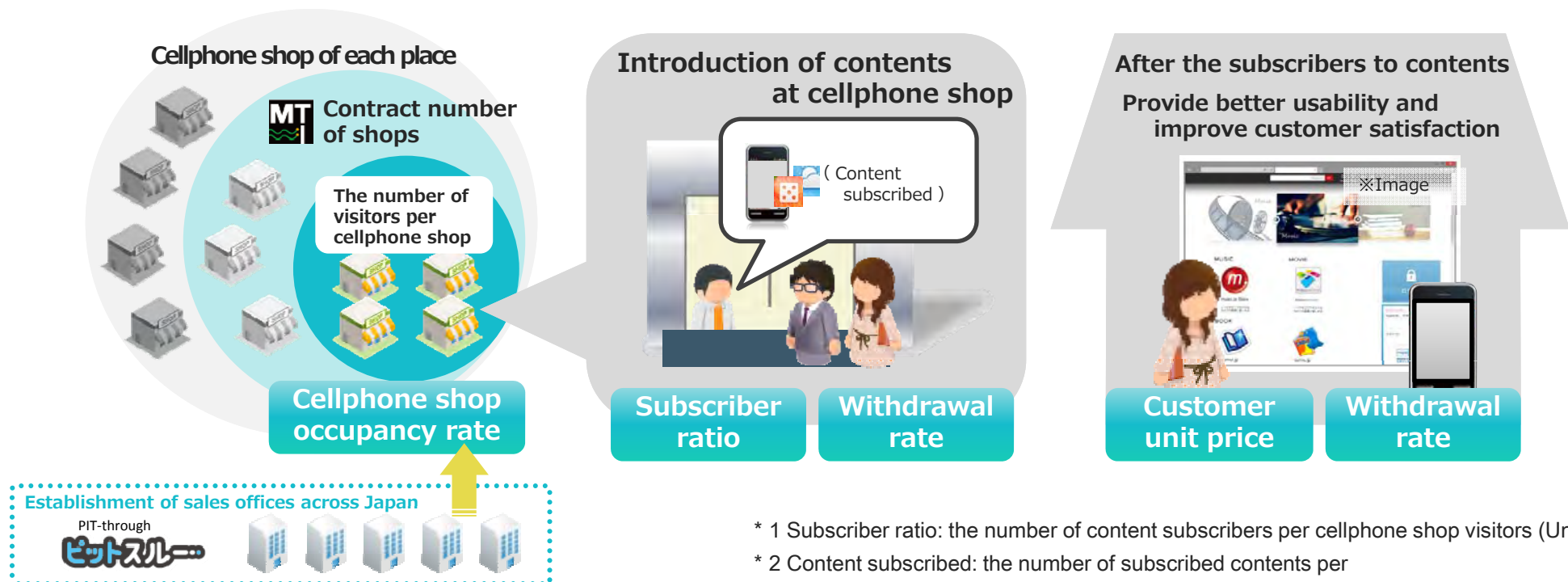
【 Indicators of Contents Distribution Business 】



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

$$\text{The number of Increase to member} = \text{The number of new subscribers} \times (1 - \text{Withdrawal rate}) \gg \text{Establishment of sales offices across Japan (p.16)}$$

$$\text{Sales} = \text{The number of subscriber} \times \text{Customer unit price} \gg \text{Integration of main download services (p.22)}$$



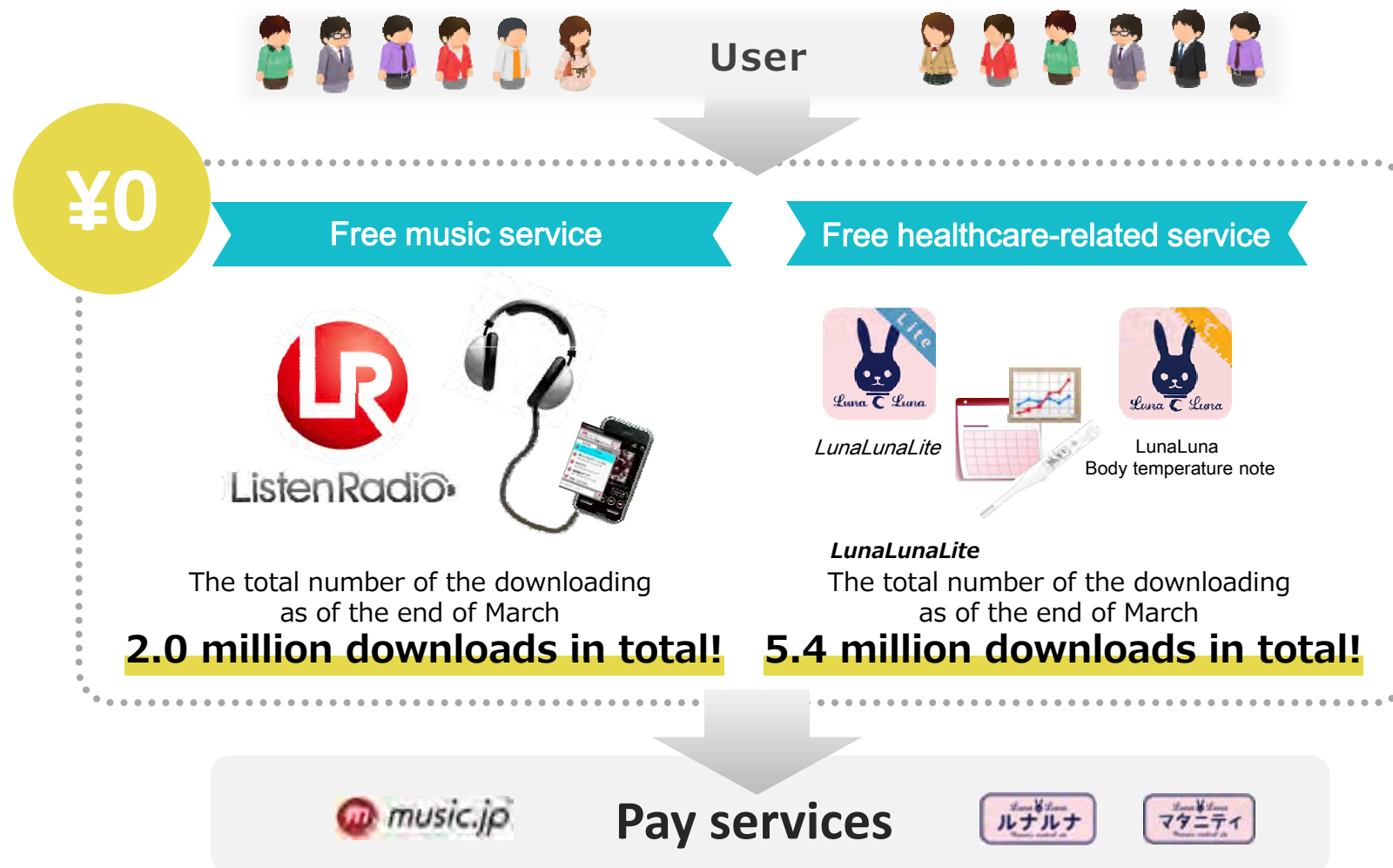
* 1 Subscriber ratio: the number of content subscribers per cellphone shop visitors (Unique)

* 2 Content subscribed: the number of subscribed contents per

Development of New Channels for Reaching New Subscribers : Shifting between Free Service and Pay Service



Shifting between free application service and pay service



Earnings Forecast for the Full-year Term



(Millions of yen)	Fiscal year ended September 30, 2014			Fiscal year ended September 30, 2013			Change	
	Full-year	1 st half	2 nd half	Full-year	1 st half	2 nd half	Amount (Full-year)	Ratio(%) (Full-year)
Net sales	31,500	15,279	16,220	30,160	14,822	15,338	+1,339	+4.4%
Cost of sales	5,200	2,476	2,723	5,336	2,517	2,818	-136	-2.6%
Selling, general and administrative expenses	24,500	11,498	13,001	23,675	12,412	11,262	+824	+3.5%
Operating income	1,800	1,304	495	1,149	-107	1,256	+650	+56.6%
(Operating income ratio)	5.7%	8.5%	3.1%	3.8%	-0.7%	8.2%		
Ordinary income	1,750	1,310	439	1,119	-96	1,216	+630	+56.3%
(Ordinary income ratio)	5.6%	8.6%	2.7%	3.7%	-0.7%	7.9%		
Net income	990	790	199	516	-121	637	+473	+91.6%
(Net income ratio)	3.1%	5.2%	1.2%	1.7%	-0.8%	4.2%		



Appendix



Consolidated Statements of Income(Q2)



(Millions of yen)	Six months ended September 30, 2014	Six months ended September 30, 2013	Change	
			Amount	Ratio(%)
Net sales	7,780	7,491	+289	+3.9%
Cost of sales	1,256	1,286	-29	-2.3%
Gross profit	6,523	6,205	+318	+5.1%
(Gross profit ratio)	83.8%	82.8%		
Selling, general and administrative expenses	6,127 <small>※Breakdown in the P26</small>	6,527	-399	-6.1%
Operating income	395	-321	+717	-
(Operating income ratio)	5.1%	-4.3%		
Ordinary income	439	-312	+752	-
(Ordinary income ratio)	5.7%	-4.2%		
Net income	364	-306	+671	-
(Net income ratio)	4.7%	-4.1%		

Consolidated Selling, General and Administrative Expenses(Q2)



(Millions of yen)	Six months ended September 30, 2014	Six months ended September 30, 2013	Change	
			Amount	Ratio(%)
Total	6,127	6,527	-399	-6.1%
Advertising expenses	2,392	2,724	-331	-12.2%
Personal expenses	1,422	1,412	+10	+0.7%
Commission fee	835	823	+12	+1.5%
Subcontract expenses	459	476	-17	-3.6%
Depreciation	442	440	+1	+0.4%
Other	575	649	-74	-11.5%

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	Q2
Net sales	7,331	7,491	7,762	7,575	7,498	7,780
Cost of sales	1,231	1,286	1,427	1,391	1,219	1,256
Gross profit	6,099	6,205	6,334	6,184	6,279	6,523
(Gross profit ratio)	83.2%	82.8%	81.6%	81.6%	83.7%	83.8%
Selling, general and administrative expenses	5,885	6,527	5,500	5,762	5,370	6,127
Operating income	214	-321	834	422	909	395
(Operating income ratio)	2.9%	-4.3%	10.7%	5.6%	12.1%	5.1%
Ordinary income	216	-312	832	384	870	439
(Ordinary income ratio)	2.9%	-4.2%	10.7%	5.1%	11.6%	5.7%
Net income	185	-306	443	194	425	364
(Net income ratio)	2.5%	-4.1%	5.7%	2.6%	5.7%	4.7%

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	Q2
Total	5,885	6,527	5,500	5,762	5,370	6,127
Advertising expenses	2,176	2,724	1,780	2,019	1,685	2,392
Personal expenses	1,421	1,412	1,422	1,465	1,403	1,422
Commission fee	812	823	785	807	806	835
Subcontract expenses	440	476	413	410	438	459
Depreciation	424	440	462	474	444	442
Other	609	649	635	584	592	575

Thank you very much.

MTI Ltd.



〈Contact us〉

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