

MTI Ltd.



For the Year ended September 30, 2014

Financial Results Presentation

November 7, 2014 Securities Code:9438

CONTENTS



2 Financial Results Overview

- 3 Financial Highlights
- 4 Consolidated Statements of Income
- 5 Consolidated Selling, General and Administrative Expenses
- 6 Trends in Consolidated Statements of Income
- 7 Trends in Consolidated Selling, General and Administrative Expenses
- 8 Consolidated Balance Sheets Statements
- 13 Business Overview

14 Approach in the Fiscal Year 2015

- 15 Basic Policy of the Fiscal Year
- 16 Enhancement of the Non-virtual Affiliate Network
- 20 Enlargement of Contents Services
- 23 Expansion of the Healthcare Service Business Domain
- 28 Improvement of Indexes for Contents Services / Non-virtual Affiliate Business
- 30 Earnings Forecast for the Full-year Term
- 32 Medium-term Vision of Operating Income
- 33 Capital Policy

35 Appendix



Financial Results Overview For the Year ended September 30, 2014



Financial Highlights



The number
of paying subscribers

Smartphone: **5.40M**
paying subscribers **+0.12M**
compared to June 30, 2014

Total: **7.86M**
paying subscribers **-0.04M**
compared to June 30, 2014



Financial results

Net sales: **¥30,985M**
+¥824M, +2.7% year-on-year

Operating income: **¥2,557M**
+¥1,407M, +122.5% year-on-year

Net income: **¥1,337M**
+¥821M, +159.0% year-on-year

Both sales
and income
increased
year on year.



Dividends

increased year on year : **¥17** yen per share (Planned)

(+4.5 yen, year on year. The latest forecast was 15 yen.)

Consolidated Statements of Income



(Millions of yen)	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2013	Change	
			Amount	Ratio(%)
Net sales	30,985	30,160	+824	+2.7%
Cost of sales	4,988	5,336	-348	-6.5%
Gross profit	25,996	24,824	+1,172	+4.7%
(Gross profit ratio)	83.9%	82.3%		
Selling, general and administrative expenses	23,439 <small>※Breakdown in the next page</small>	23,675	-235	-1.0%
Operating income	2,557	1,149	+1,407	+122.5%
(Operating income ratio)	8.3%	3.8%		
Ordinary income	2,519	1,119	+1,399	125.0%
(Ordinary income ratio)	8.1%	3.7%		
Net income	1,337	516	+821	159.0%
(Net income ratio)	4.3%	1.7%		

- Strong performance of docomo Sugo Toku and au Smart Pass
- Sales increased through expansion of non-virtual affiliate business

- Advertising expenses decreased
- Income increased through expansion of non-virtual affiliate business

Consolidated Selling, General and Administrative Expenses



(Millions of yen)	Fiscal year ended September 30, 2014	Fiscal year ended September 30, 2013	Change	
			Amount	Ratio(%)
Total	23,439	23,675	-235	-1.0%
Advertising expenses	8,268	8,702	-433	-5.0%
Personnel expenses	5,815	5,722	+92	+1.6%
Commission fee	3,443	3,227	+215	+6.7%
Subcontract expenses	1,803	1,741	+62	+3.6%
Depreciation	1,706	1,802	-95	-5.3%
Other	2,402	2,479	-76	-3.1%

Trends in Consolidated Statements of Income



(Millions of yen)	Fiscal year ended September 30, 2014				Fiscal year ended September 30, 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	7,331	7,491	7,762	7,575	7,498	7,780	7,730	7,974
Cost of sales	1,231	1,286	1,427	1,391	1,219	1,256	1,238	1,273
Gross profit	6,099	6,205	6,334	6,184	6,279	6,523	6,492	6,700
(Gross profit ratio)	83.2%	82.8%	81.6%	81.6%	83.7%	83.8%	84.0%	84.0%
Selling, general and administrative expenses	5,885	6,527	5,500	5,762	5,370	6,127	5,866	6,074
Operating income	214	-321	834	422	909	395	626	626
(Operating income ratio)	2.9%	-4.3%	10.7%	5.6%	12.1%	5.1%	8.1%	7.9%
Ordinary income	216	-312	832	384	870	439	614	594
(Ordinary income ratio)	2.9%	-4.2%	10.7%	5.1%	11.6%	5.7%	8.0%	7.5%
Net income	185	-306	443	194	425	364	218	328
(Net income ratio)	2.5%	-4.1%	5.7%	2.6%	5.7%	4.7%	2.8%	4.1%

Trends in Consolidated Selling, General and Administrative Expenses



(Millions of yen)	Fiscal year ended September 30, 2014				Fiscal year ended September 30, 2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	5,885	6,527	5,500	5,762	5,370	6,127	5,866	6,074
Advertising expenses	2,176	2,724	1,780	2,019	1,685	2,392	1,963	2,225
Personnel expenses	1,421	1,412	1,422	1,465	1,403	1,422	1,424	1,564
Commission fee	812	823	785	807	806	835	884	918
Subcontract expenses	440	476	413	410	438	459	484	421
Depreciation	424	440	462	474	444	442	454	365
Other	609	649	635	584	592	575	655	580

Business Overview: The Total Number of Paying Subscribers

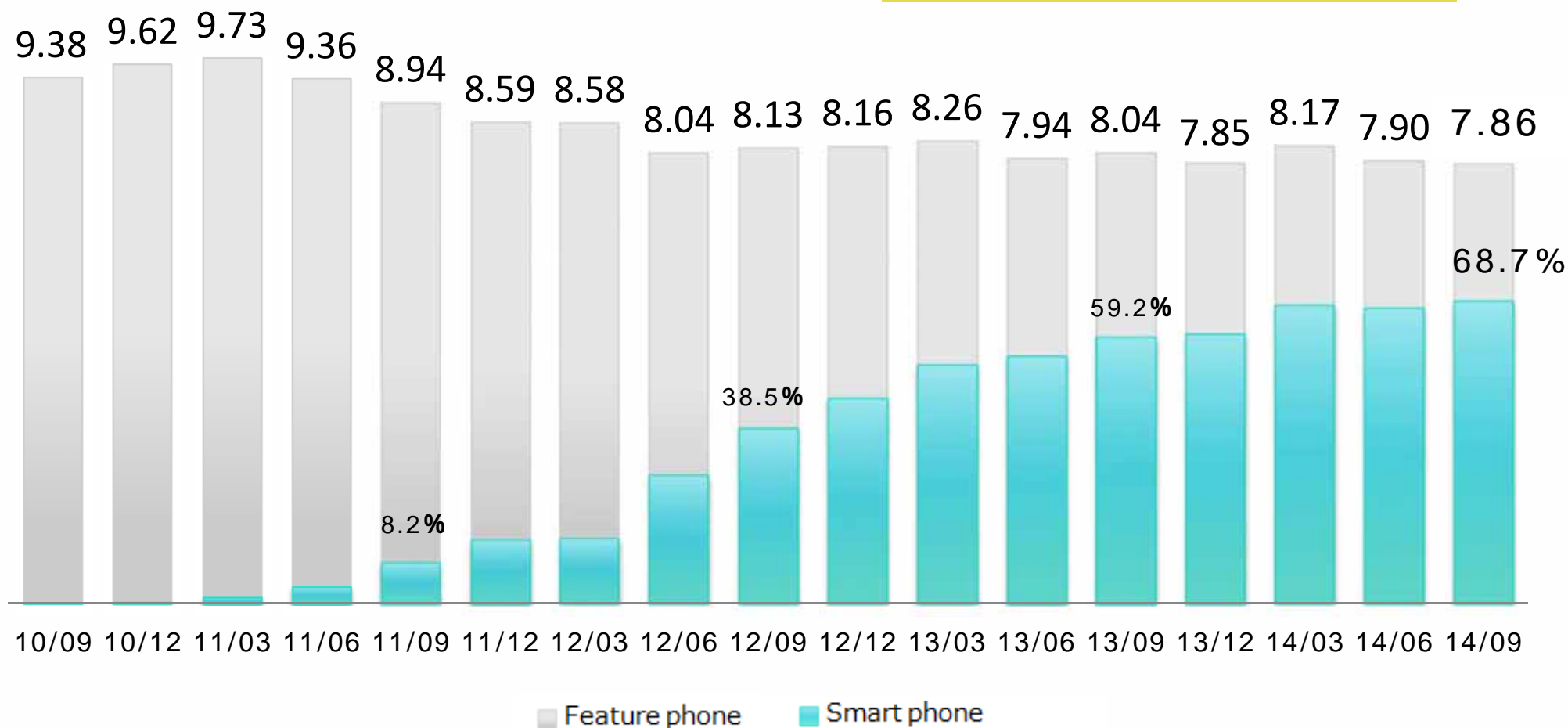


7.86M paying subscribers

-0.04M, compared to June 30, 2014

Smartphone ratio

Expanded to **68.7%**



Quarterly change in the number of paying subscribers

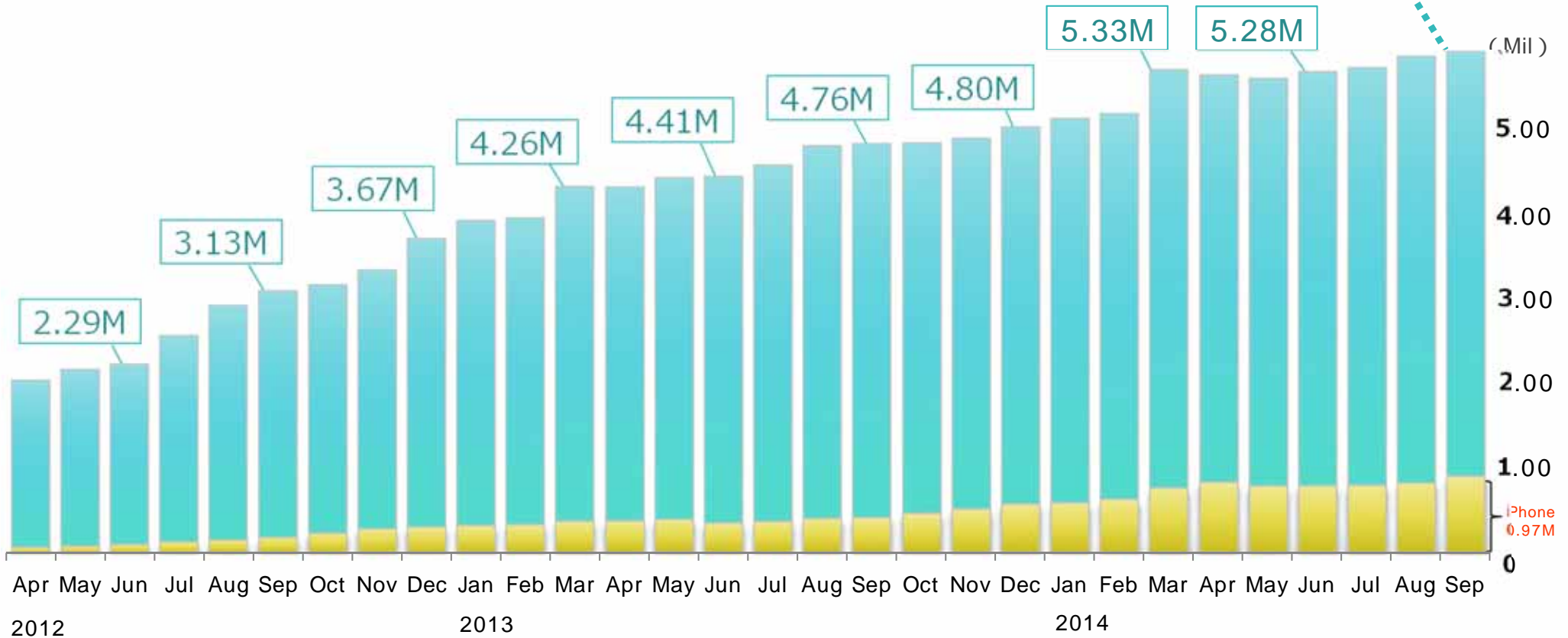
Business Overview: The Number of Paying Subscribers (Smartphone)



The number of paying subscribers of the smartphone

5.40M

(+0.12M, compared to June 30, 2014)

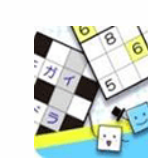
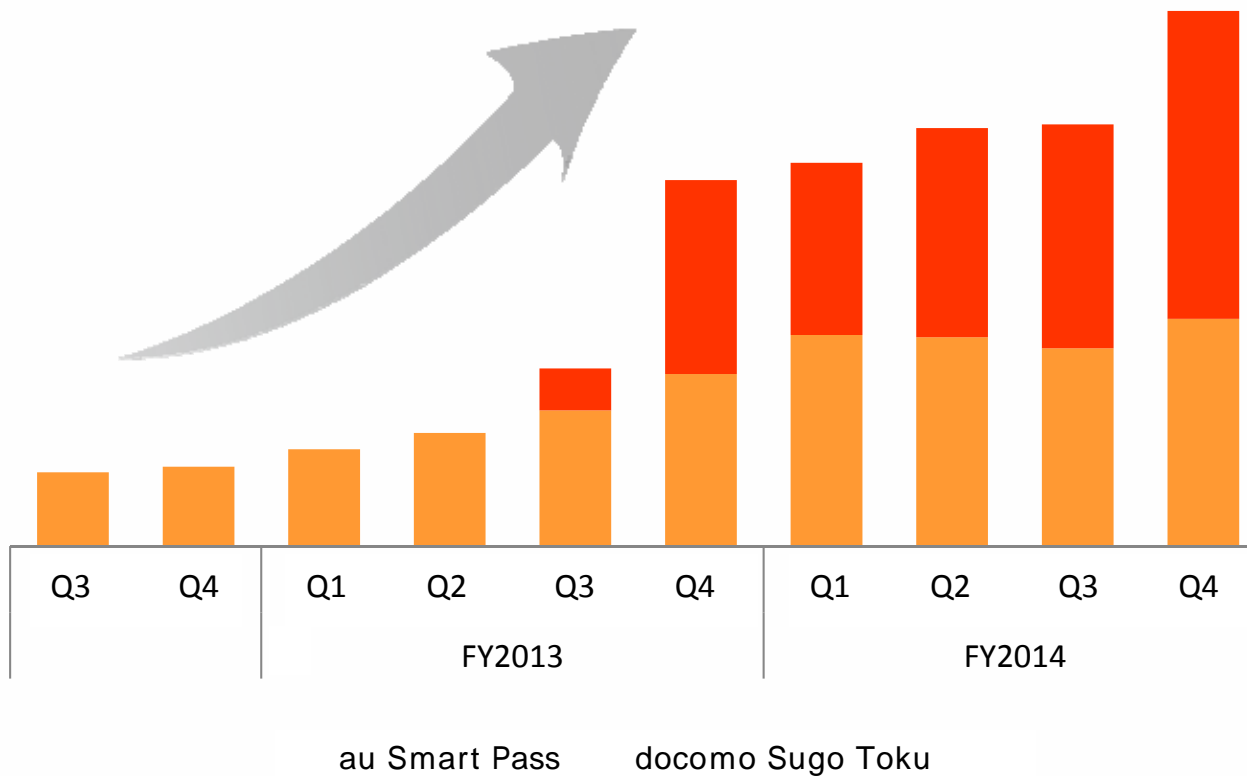


Monthly change in the number of paying subscribers for smartphone

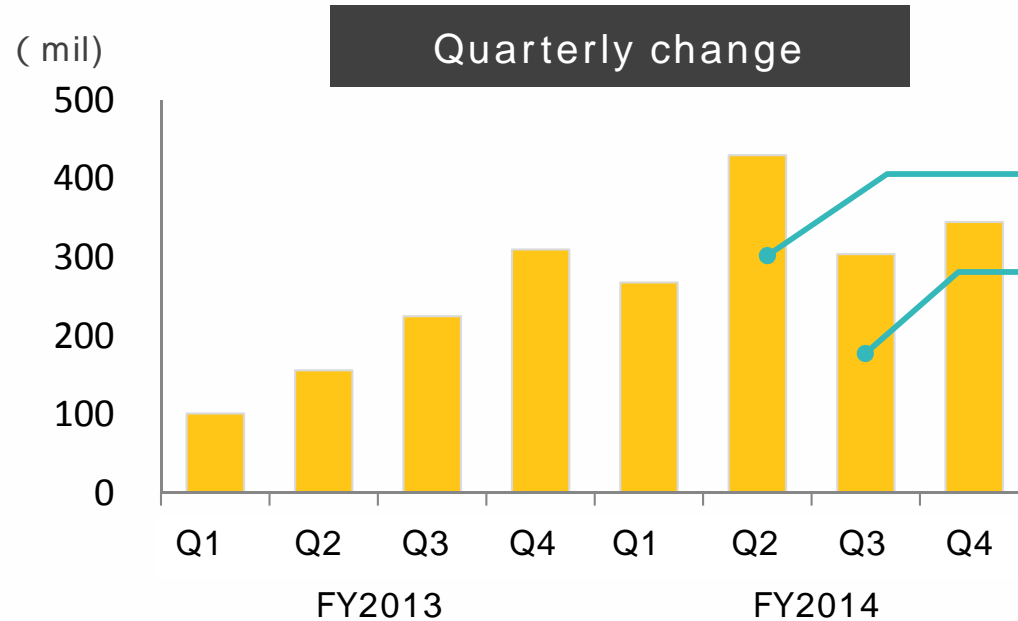


Performing well even on carrier platforms!!

Trends in sales of docomo Sugo Toku, au Smart Pass

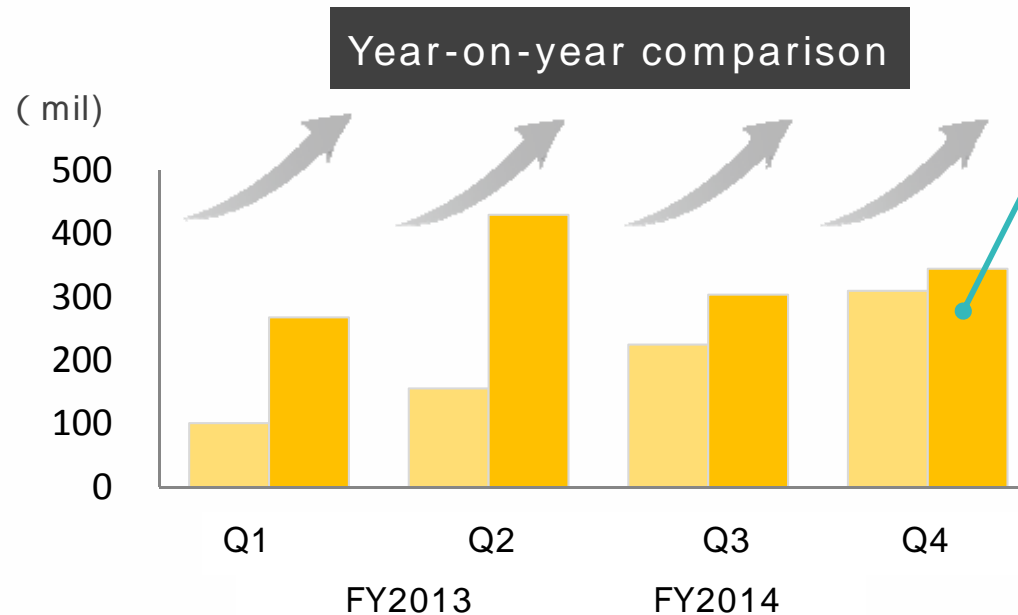


Business Overview: Non-virtual Affiliate Advertising Sales



Q2(including March)
is the busy season

Reactionary fall after
the cash back campaign
(in March)



Trends of year-on-year
increase



9 contents



~ won a sweeping victory ~



Music distribution



E-book unlimited distribution



©宮部みゆき



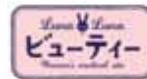
Photo book



©溝端淳平 / 主婦と生活社



Healthcare-related



Diet & beauty



pregnancy, childbirth, childcare



Multi-dictionary



Decoration e-mail Unlimited distribution



Western astrolog



Weather info



Comic



©諫山創 / 講談社



Fortune-telling



Puzzle game



Table game



Point at phrases



Consolidated Balance Sheets Statements



Net cash was **4.28** billions of yen as of September 30, 2014 (2.83 billions of yen as of September 30, 2013)

(Millions of yen)	As of September 30, 2014	As of September 30, 2013	Change
Current assets	12,183	10,768	+1,415
Cash and deposit	4,782	3,416	1,366
Notes and accounts receivable-trade	6,294	6,376	-82
Other	1,214	1,141	+72
Allowance for doubtful accounts	-108	-166	+58
Noncurrent assets	4,585	4,878	-293
Property, plant and equipment	143	175	-32
Intangible fixed assets	2,177	2,590	-412
Include software	2,150	2,346	-196
Include goodwill	2	133	-130
Investments and other assets	2,264	2,112	+151
Include investment securities	813	714	+98
Total assets	16,768	15,646	+1,121

(Millions of yen)	As of September 30, 2014	As of September 30, 2013	Change
Liabilities	5,727	5,687	+39
Accounts payable-trade	976	942	+33
Current portion of bonds	-	78	-78
Account payable-other	2,317	2,334	-16
Income taxes payable	674	637	+37
Allowance for coin usage	277	382	-105
Other	1,480	1,311	+169
Noncurrent liabilities	1,318	1,090	+228
Long-term loans payable	500	500	-
Provision for retirement benefits	-	509	-509
Net defined benefit liability	768	-	+768
Other	49	80	-30
Total liabilities	7,045	6,777	+267
Capital stock	2,596	2,562	+33
Capital surplus	3,111	3,078	+33
Retained earning	4,305	3,393	+912
Treasury stock	-695	-695	-0
Other comprehensive income	-27	62	-90
Subscription rights to shares	206	227	-20
Minority interest	224	239	-15
Net assets	9,722	8,869	+853
Total liabilities and net assets	16,768	15,646	+1,121



Approach in the Fiscal Year 2015





Further expansion in the number of paying subscribers for smartphone services

Enhancement in the non-virtual affiliate network

Improvement of sales per customer (ARPU)

Enlargement of contents services

Mid-to-long-term approach

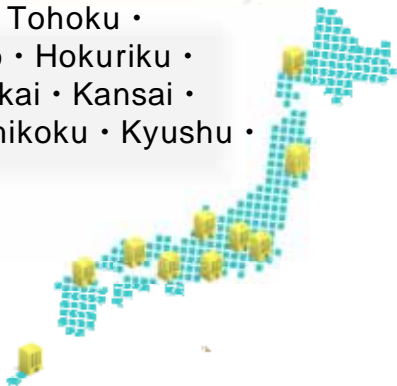
Expansion of the healthcare-related service business domain



Since 2nd half FY2014

Establishment of sales offices to construct a detailed sales system

Hokkaido • Tohoku •
Kita- kanto • Hokuriku •
Tokyo • Tokai • Kansai •
ChugokuShikoku • Kyushu •
Okinawa



Approach to
the
quantity

Cellphone shop
occupancy rate

UP!



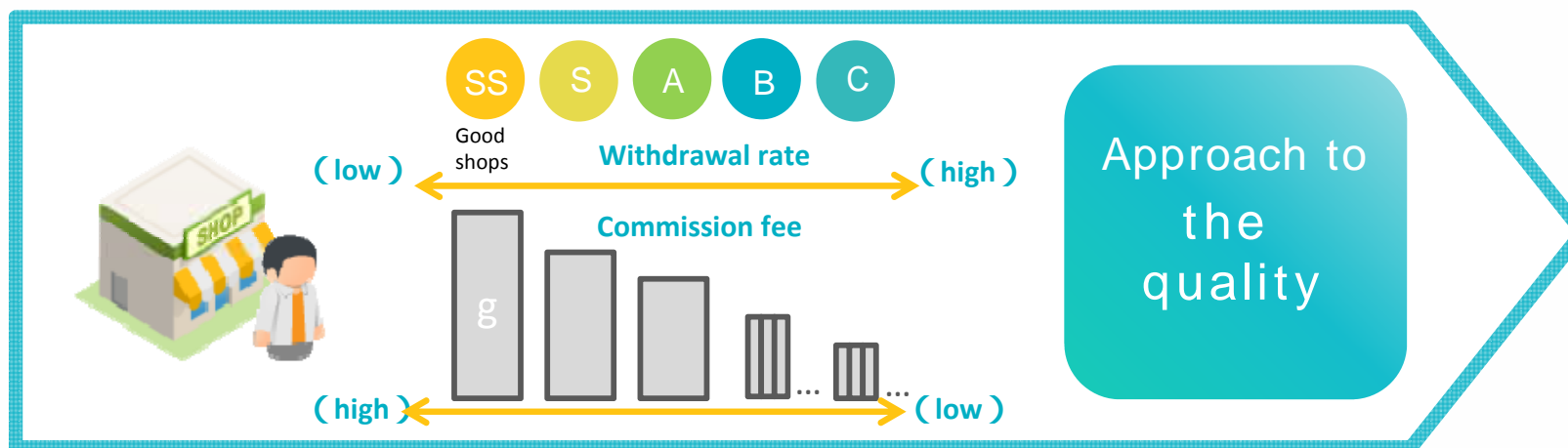
Subscriber rate

UP!



Since FY2015

Introduction of a compensation system based on the withdrawal rate of each cellphone shop



Withdrawal rate

DOWN!



Enhancement in the Non-virtual Affiliate Business

Establishment
of sales offices
across Japan

Cellphone shop
occupancy rate UP!

Subscriber
rate UP!

Increase the number of
new subscribers!
Effective
2 businesses

Improve
performance!

Providing more fine-tuned support for the sales activities of cellphone shops

1: Content Distribution Business
• MTI content

2: Non-virtual Affiliate Business
• The third party content

MTI Ltd

A Company B Company C Company

Promote
Non-virtual Affiliates

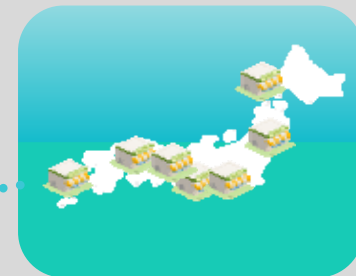
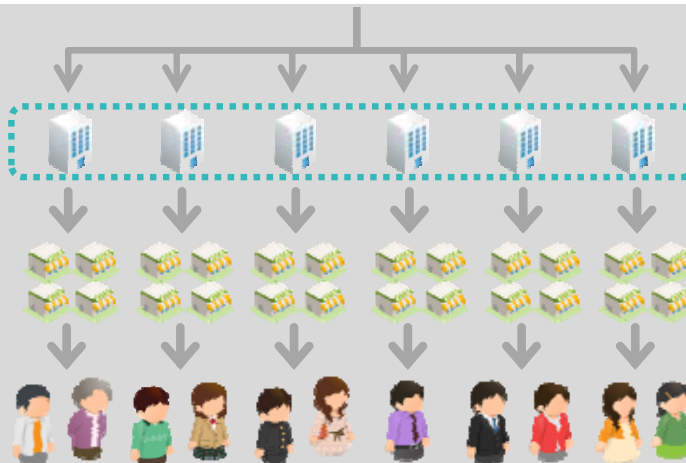
MTI Ltd

Sales Department

Sales offices

Cellphone shops

Customers

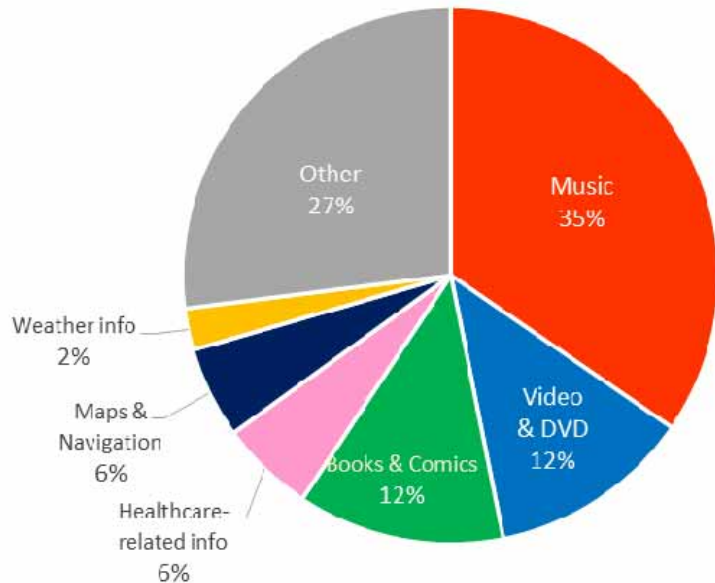


Introduce contents

To be a new subscriber



Increase Contents



Map &
Navigation-related
Service

Healthcare-related
Service

Expansion of transactions with content providers

Music



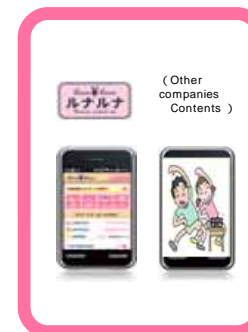
Vide & DVD



Books & Comics



Healthcare-
related
information



Maps &
Navigation



Weather
information

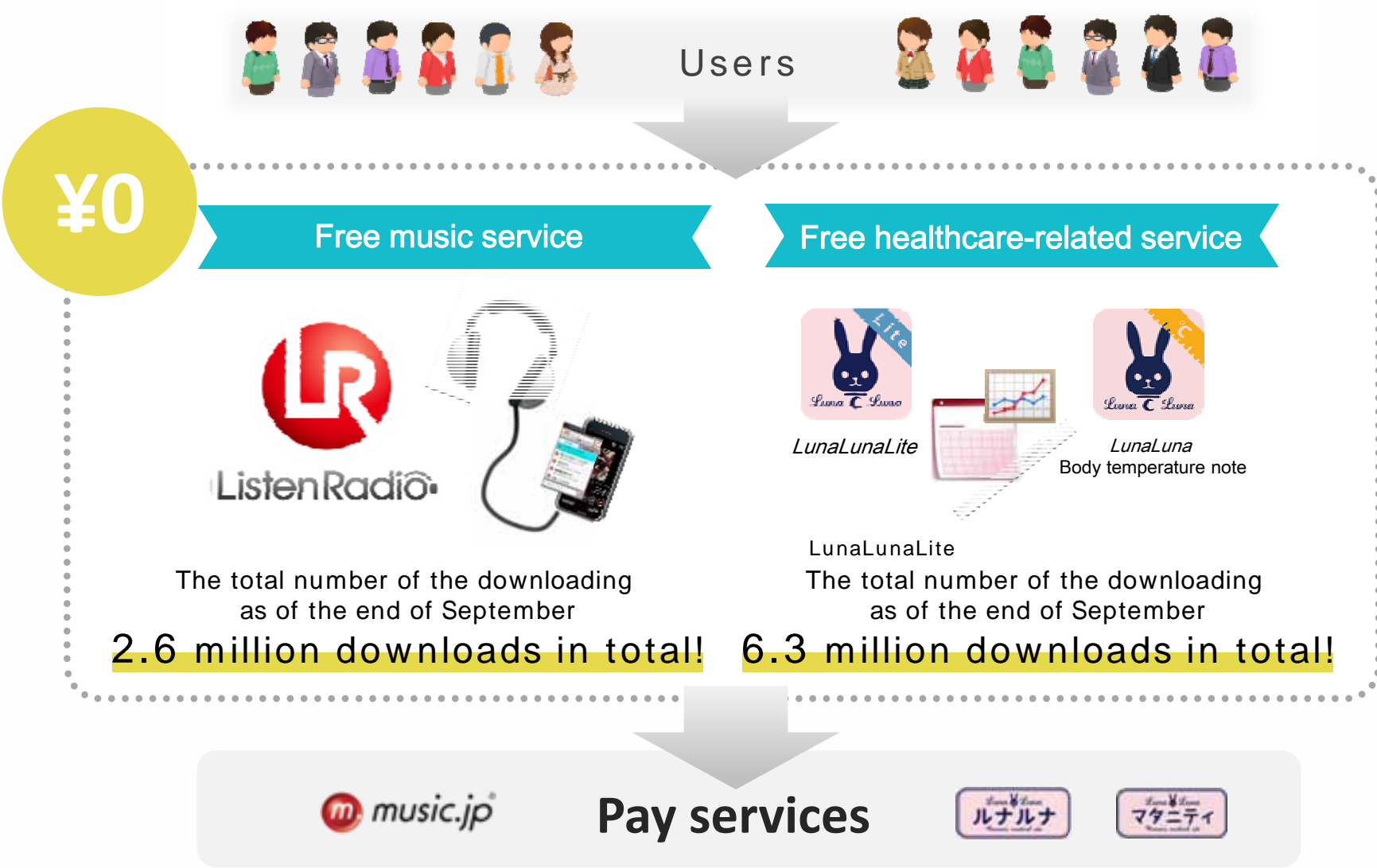


(The depictions of other companies' content are images. The actual appearance of the content may be different.)



Establishment of New Channels except the Non-virtual Affiliate Business

Shifting between free application service and pay service



Enlargement of Contents Services



Expansion of integrated services (music, electronic books, comics, videos).....

Music & Book entertainment store



General Music Comics Books

sales per
customer
(ARPU)
UP!

¥400/month
(excluding tax)



Coming next spring
+ Video,
DVD



For more information, please visit our site (<http://music-book.jp>).



Development of community-based weather information

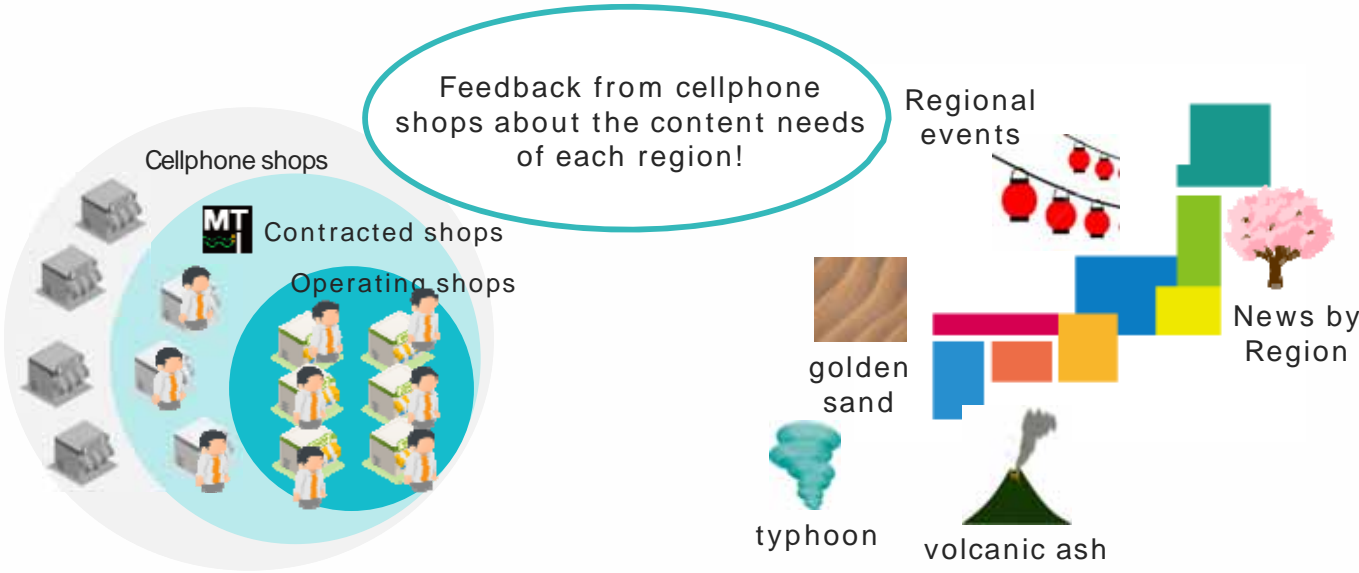
¥100/month (excluding tax)



Response to needs
for community-based weather information

Premier Course

¥300/month (excluding tax)



sales per customer (ARPU)
UP!



Enlargement of Contents Services

Expansion of the Luna-Luna Family
by addressing the needs for information about pregnancy.



Expansion of the Healthcare-related Service Business Domain



1 Women healthcare-related information service



2 Consultation services with doctors and medical professionals

+KARADAmetica
カラダメディカ



3 Gene analytics service



4 Machine-to-machine service

karadafit





Women healthcare information service



“Luna-Luna Maternity” reborn as “Luna-Luna Family”
to provide comprehensive support for information
about pregnancy, childbirth, and childcare.

Support women's life longer than ever.

Extend
subscription
period!



Predict menstrual period
Basal body temperature
management



Predict menstrual
period



Trying to conceive • childbirth • childcare



Expansion of the Healthcare Service Business Domain



Consultation services with doctors and medical professionals

Q&A site where doctors, nurses, and pharmacists answer questions

+KARADAmedica
カラダメディカ

By e-mail
or
telephone

A user can
Ask
up to three
questions



¥300/month
(excluding tax)

+

Sleep-related
consultations

The answers over the phones made by healthcare providers, not doctors.

Expansion of the Healthcare Service Business Domain

Gene analytics service



遺伝子で知る、未来の自分
Dear Gene
遺伝子解析サービス



Provision of competitive services

No change in price
**Constitution
Added**

¥9,800

(Tax included)

Cancer (related to lifestyle habits) +
Physical constitution

**Price
Revised**

¥19,800

(Tax included)

Cancer + Lifestyle diseases +
Physical constitution

Planned expansion of inspection items of high interest to women

Available
e-commerce sites

Amazon

yodobashi
.com

Rakuten

Yahoo!



Machine-to-machine service

.....



karadafit



Activity meter
「karadafit」



Body weight, body fat,
and visceral fat rate



Finger ring-type
heart rate meter



Improvement of Index for Contents Business



Construction of
a detailed sales
support system

The num of
new
subscribers

$$= \text{Contract num of cell phone shops} \times \text{Cellphone shop occupancy rate} \times \text{The num of visitors per cell phone shop} \times \text{Subscriber ratio}^1 \times \text{Content subscribed}^2$$

Introduction of a compensation
system based on the withdrawal
rate of each cellphone shop

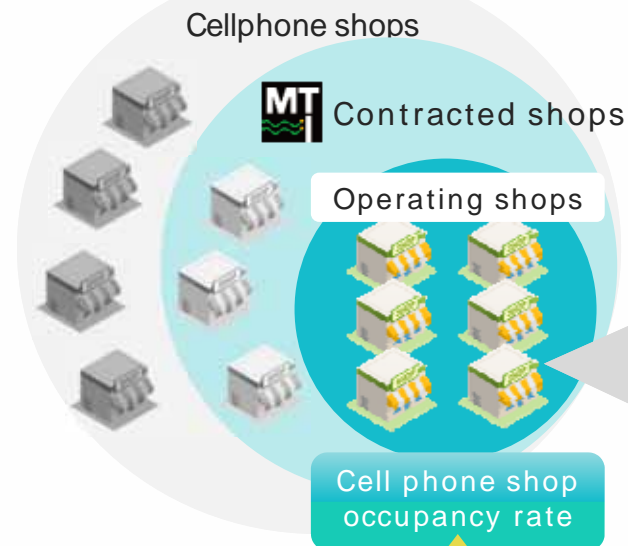
The num of
increase
to member

$$= \text{The num of new subscribers} \times (1 - \text{Withdrawal rate})$$

Enlargement of
Contents service

Sales

$$= \text{The num of subscribers} \times \text{Customer Unit price}$$



Introduction of contents
at cell phone shop



Subscriber
ratio

Withdrawal
rate

~ After the sign-up to subscribe ~
Provide better usability and
improve customer satisfaction

m. 音楽と本の店
by music.jp



Customer
unit price

Withdrawal
rate

Establishment of sales offices across Japan

ビートルズ



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

* 2 Content subscribed: the number of subscribed contents per

Improvement of Index for Non-Virtual Affiliate Business



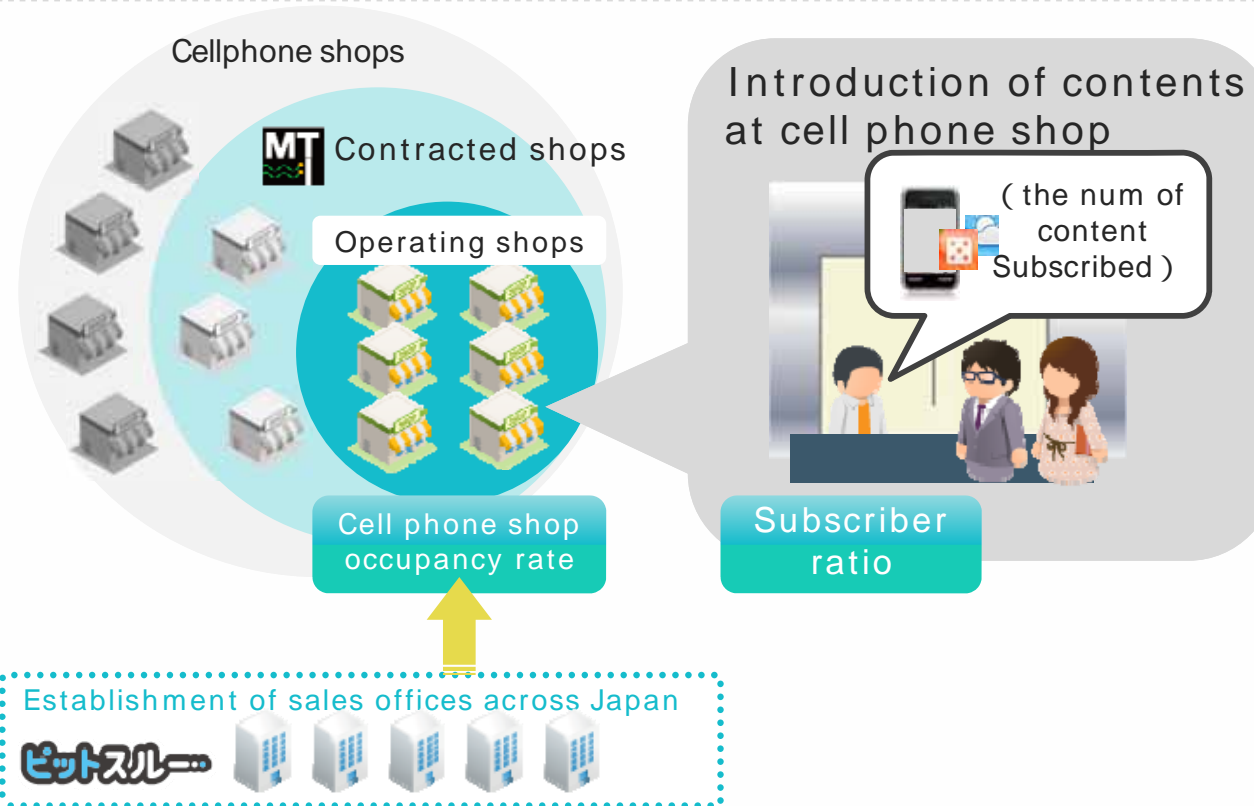
Construction of
a detailed sales
support system

The num of
new
subscribers

$$= \text{Contract num of cell phone shops} \times \text{Cellphone shop occupancy rate} \times \text{The num of visitors per cell phone shop} \times \text{Subscriber ratio}^1 \times \text{Content subscribed}^2$$

Sales

$$= \text{The num of subscribers} \times \text{Customer Unit price}$$



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

* 2 Content subscribed: the number of subscribed contents per

Earnings Forecast for the Full-year Term



The number
of paying subscribers

Total : **8.10** million paying subscribers
(**+0.24** million compared to September 30, 2014)



Financial results

Net sales : **32,500** millions of yen
(+1,514 millions of yen, +4.9%, year on year)

Operating income : **3,050** millions of yen
(+492 millions of yen, +19.3%, year on year)

Net income : **1,600** millions of yen
(+262 millions of yen, +19.1%, year on year)

2 fiscal year
in a row

Both sales
and income
are to be increased
year on year.

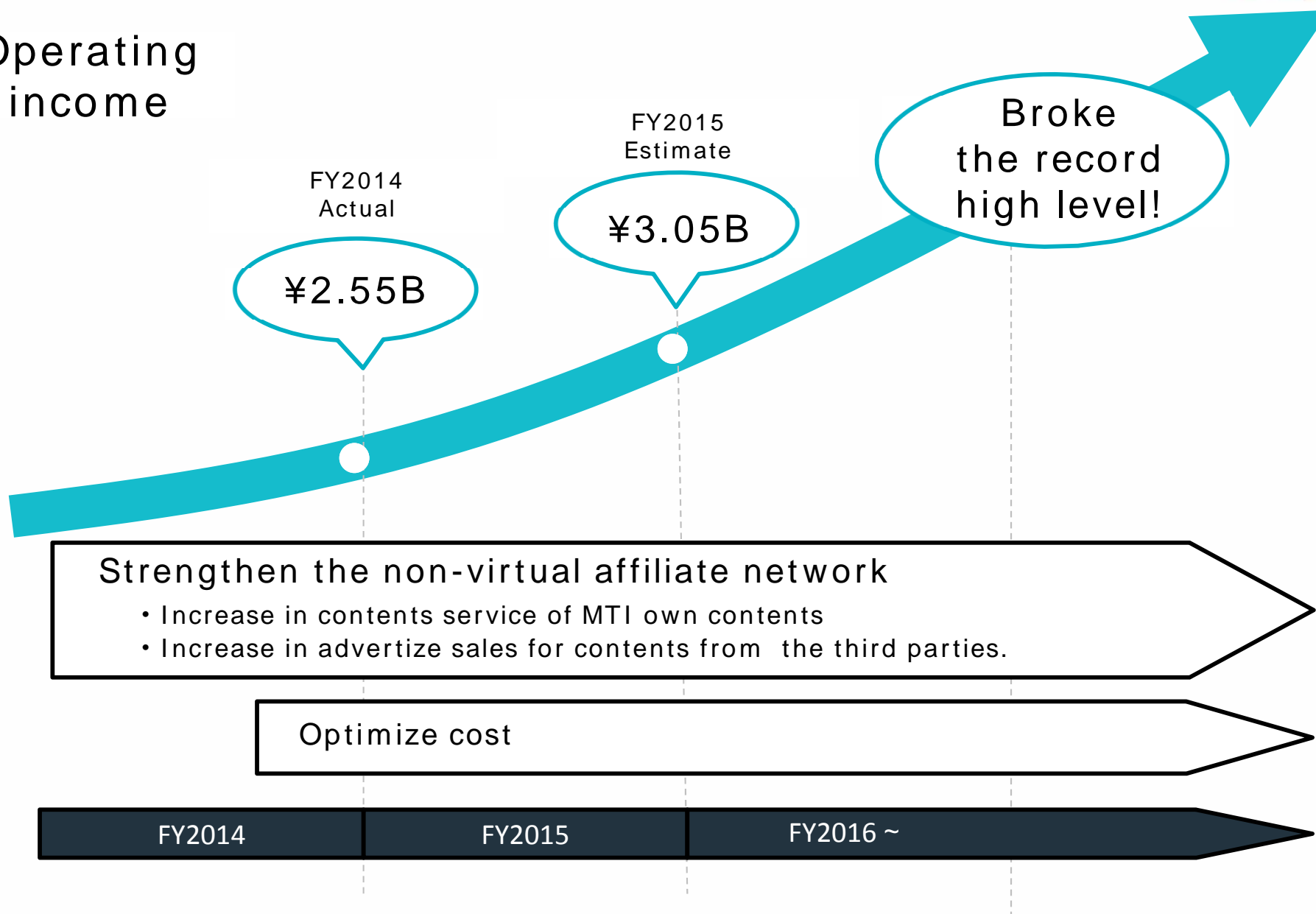
Earnings Forecast for the Full-year Term



(Millions of yen)	Fiscal year ended September 30, 2015			Fiscal year ended September 30, 2014			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	32,500	16,000	16,500	30,985	15,279	15,705	+1,514	+4.9%
Cost of sales	5,540	2,700	2,840	4,988	2,476	2,512	+551	+11.1%
Selling, general and administrative expenses	23,910	12,000	11,910	23,439	11,498	11,940	+963	+3.7%
Operating income	3,050	1,300	1,750	2,557	1,304	1,252	+492	+19.3%
(Operating income ratio)	9.4%	8.1%	10.6%	8.3%	8.5%	8.0%		
Ordinary income	3,000	1,280	1,720	2,519	1,310	1,209	+480	+19.1%
(Ordinary income ratio)	9.2%	8.0%	10.4%	8.1%	8.6%	8.0%		
Net income	1,600	660	940	1,337	790	526	+262	+19.6%
(Net income ratio)	4.9%	4.1%	5.7%	4.3%	5.2%	3.4%		

Medium-term Vision of Operating Income

Operating
income





Basic policy

We harmonize steadily increases our sales and income and share buybacks.



Dividends

FY2015
Annual dividend
per share

¥18
(Forecast)

Year-on-year
Dividend
increase

	Interim dividend	Year-end dividend	Full-year end dividend
FY2014	5yen	12yen	17yen
FY2015	8yen	10yen	18yen

Thank you very much.

MTI Ltd.



〈Contact us〉

Public Relations & Investor Relations Department

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This report contains forward-looking statements on business performance based on the judgments, assumptions, and beliefs of management using the information available at the time. Actual results may differ materially due to changes in domestic or overseas economic conditions or changes in internal or external business environments or aspects of uncertainty contained in the forecasts, latent risks or various other factors. In addition, risk and uncertainty factors include unpredictable elements that could arise from future events.



Appendix



Consolidated Statements of Income(Q4)



(Millions of yen)	Fiscal year ended September 30, 2014(Q4)	Fiscal year ended September 30, 2013(Q4)	Change	
			Amount	Ratio(%)
Net sales	7,974	7,575	+398	+5.3%
Cost of sales	1,273	1,391	-117	-8.4%
Gross profit	6,700	6,184	+516	+8.4%
(Gross profit ratio)	84.0%	81.6%		
Selling, general and administrative expenses	6,074 <small>Breakdown in the next page</small>	5,762	+312	+5.4%
Operating income	626	422	+203	+48.3%
(Operating income ratio)	7.9%	5.6%		
Ordinary income	594	384	+210	+54.7%
(Ordinary income ratio)	7.5%	5.1%		
Net income	328	194	+134	+69.3%
(Net income ratio)	4.1%	2.6%		

Consolidated Selling, General and Administrative Expenses(Q4)

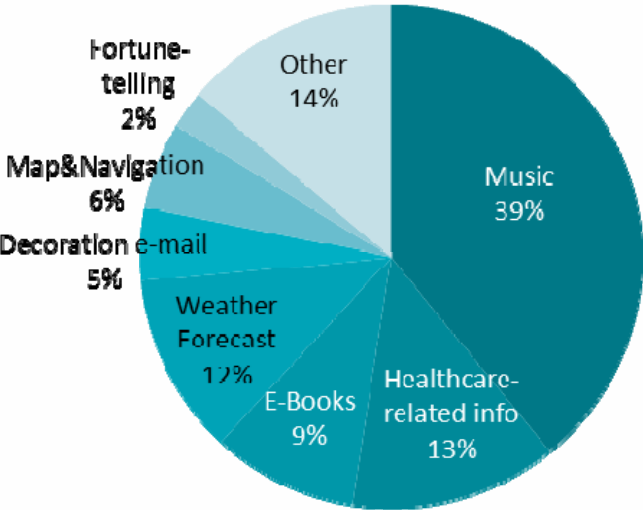


(Millions of yen)	Fiscal year ended September 30, 2014(Q4)	Fiscal year ended September 30, 2013 (Q4)	Change	
			Amount	Ratio(%)
Total	6,074	5,762	+312	+5.4%
Advertising expenses	2,225	2,019	+205	+10.2%
Personnel expenses	1,564	1,465	+98	+6.7%
Commission fee	918	807	+110	+13.8%
Subcontract expenses	421	410	+10	+2.5%
Depreciation	365	474	-108	-22.9%
Other	580	584	-4	-0.7%



Line-up our own contents services provided mainly moth-paid

(MTI monthly paying subscribers)



Music distribution

Healthcare-related info

E-Books

Weather info

Fortune-telling

Others

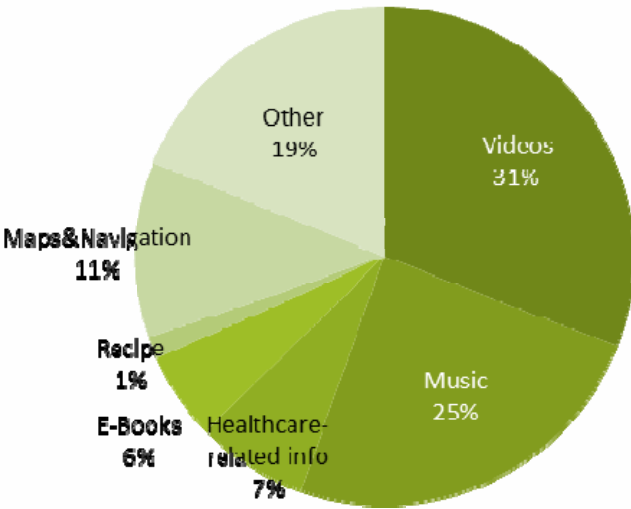
Map&Navigation

Decoration e-mail



Other companies content services proposed at mobile phone shops

(Main line-up of new paying subscribers)



Videos,
TV programs videos



Video Market, Inc/
(Our affiliated
Company)



Music
distribution



Maps &
Navigation



Others



E-books



Healthcare-
related info



Recipe

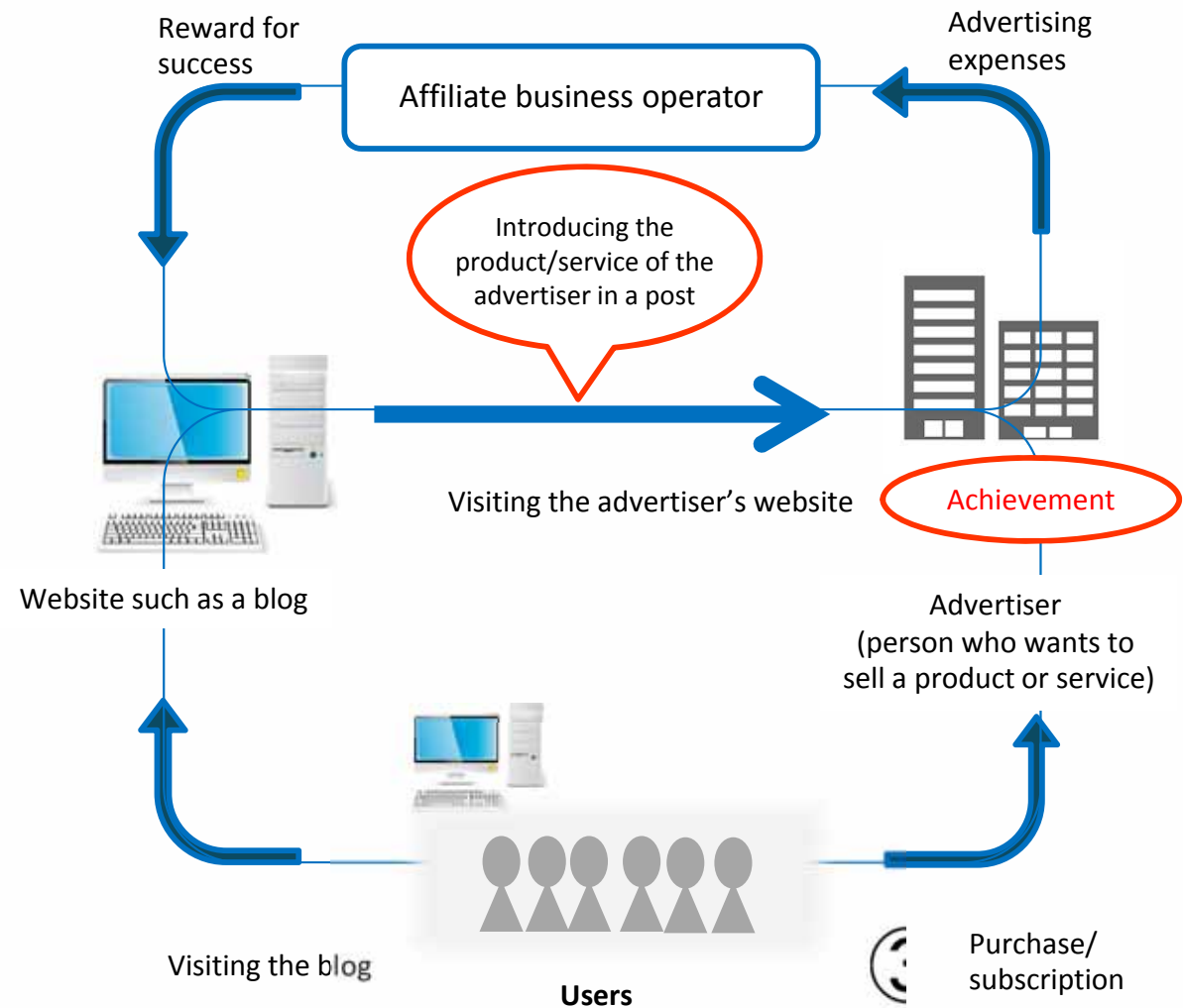


(The depictions of other companies' content are images. The actual appearance of the content may be different.)

What's "Affiliate"?



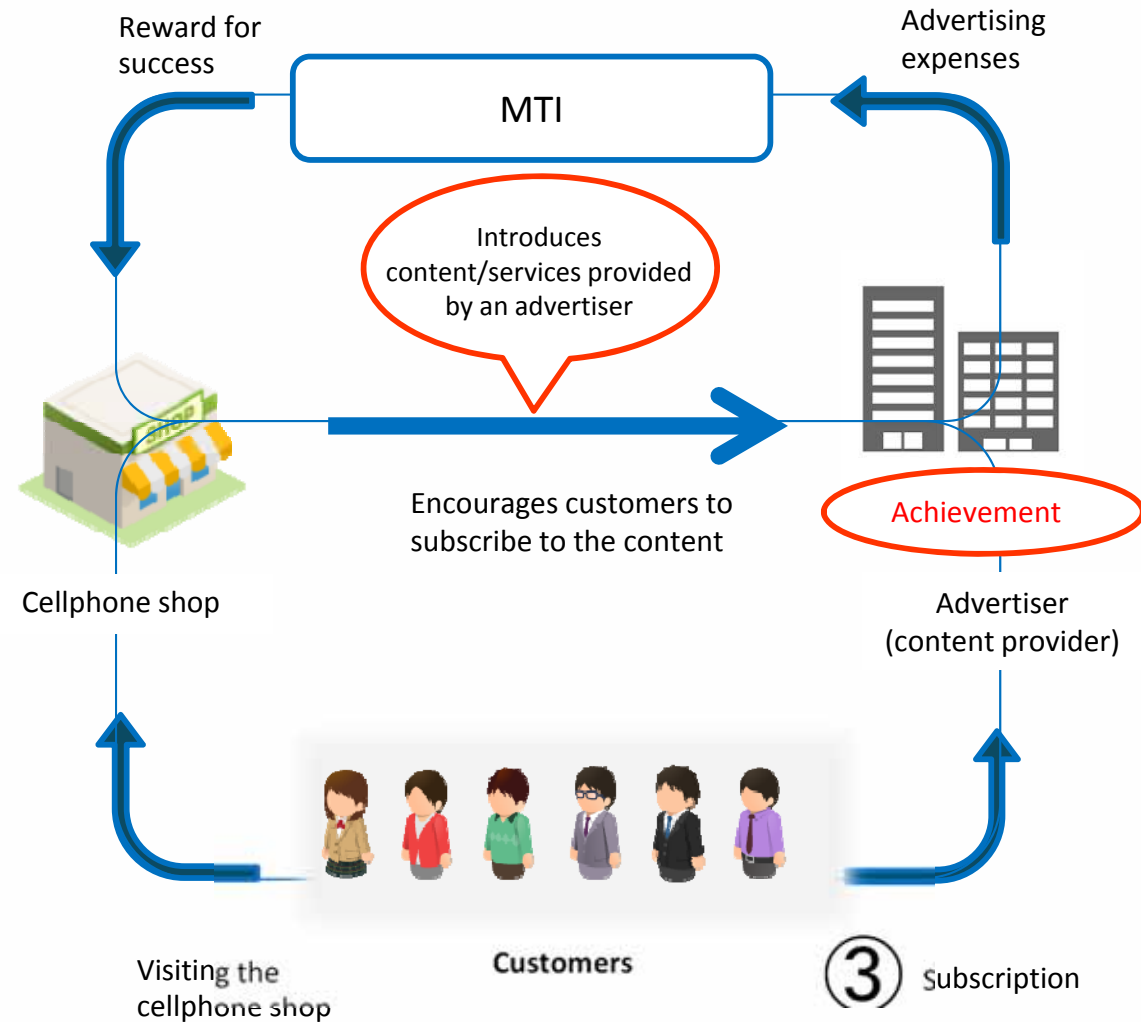
The term “affiliate” is a frequently used term in internet advertising. It is a system whereby if the introduction of a product or service on a website, such as a blog, is successful (e.g. a user purchases the product), the operator of the website receives a reward.



What's "Non-virtual affiliate"?



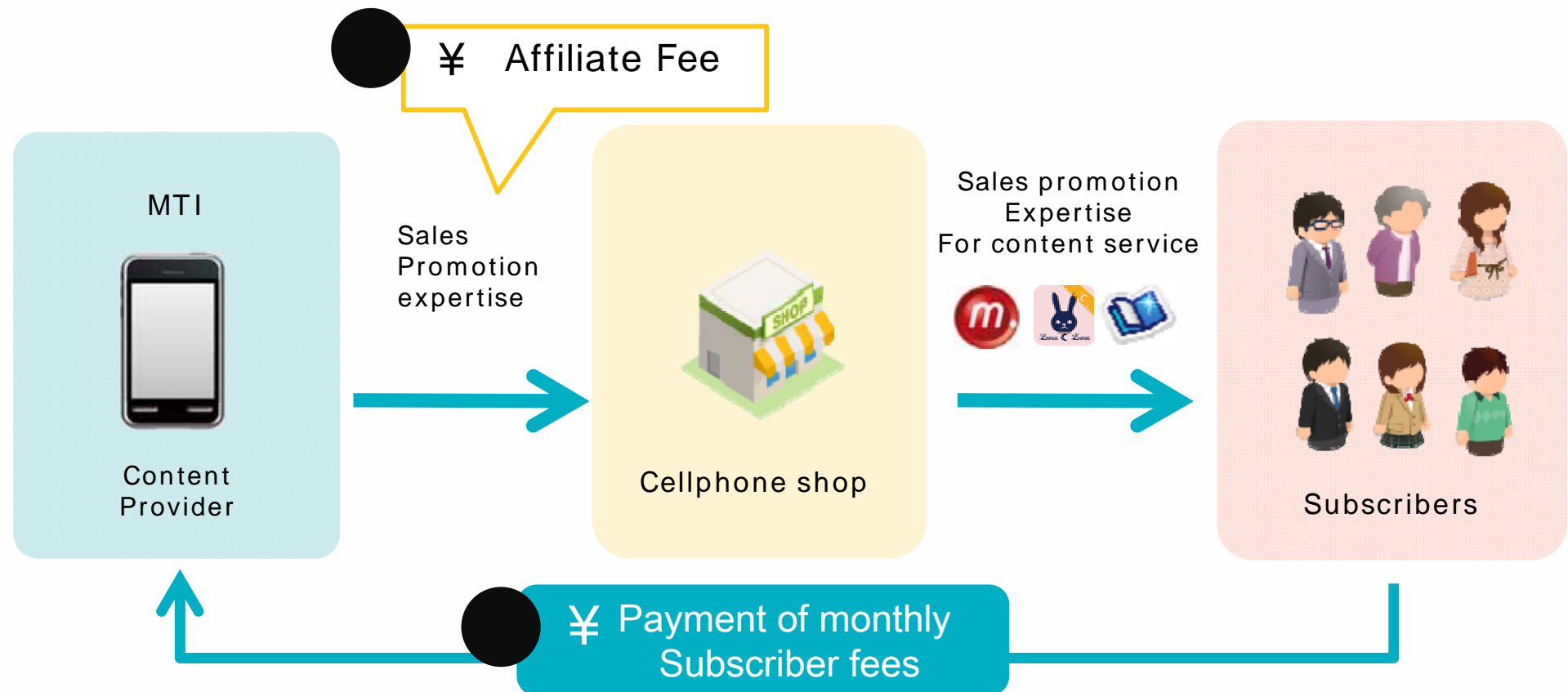
Non-virtual affiliate is an internet advertising system as applied to cellphone shops as physical locations. Under this system, cellphone shops encourage customers visiting them to subscribe to particular content, and if a customer actually subscribes to the content, the cellphone shop receives a reward.





Business model -Content Distribution Business-

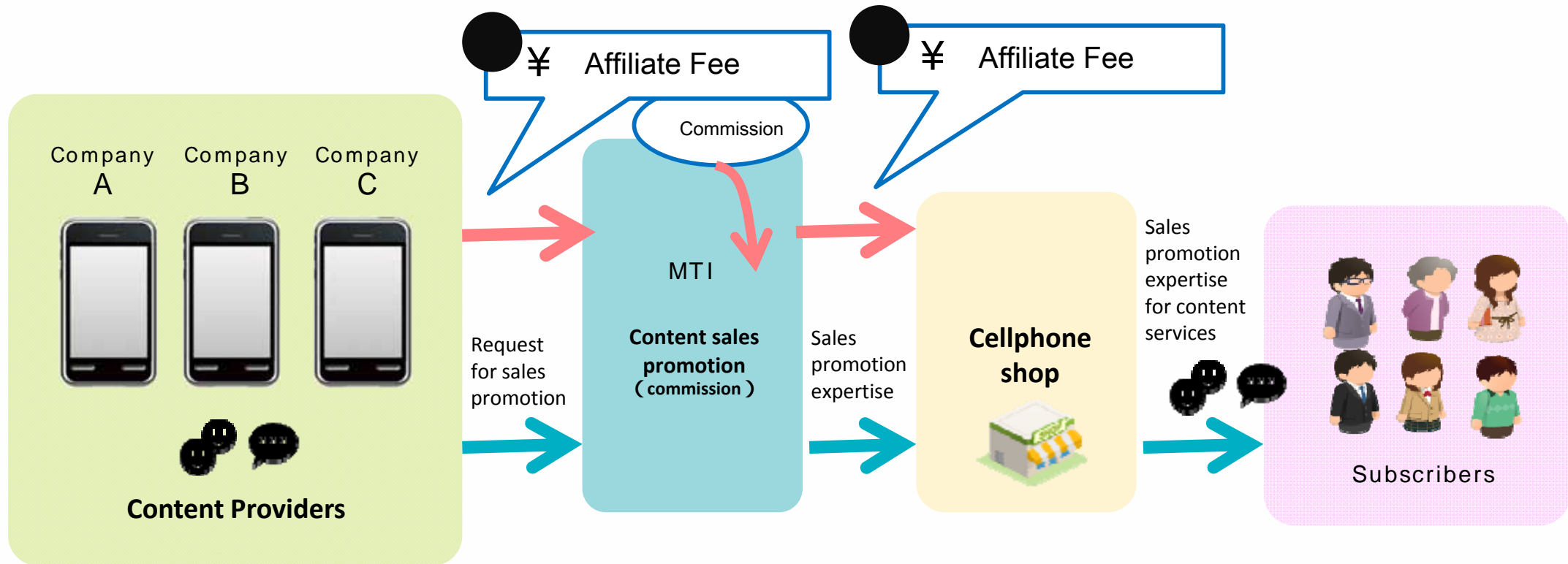
- ▶ B to C
- ▶ Stock-type business
- ▶ Num of monthly paying subscribers × ARPU = Sales





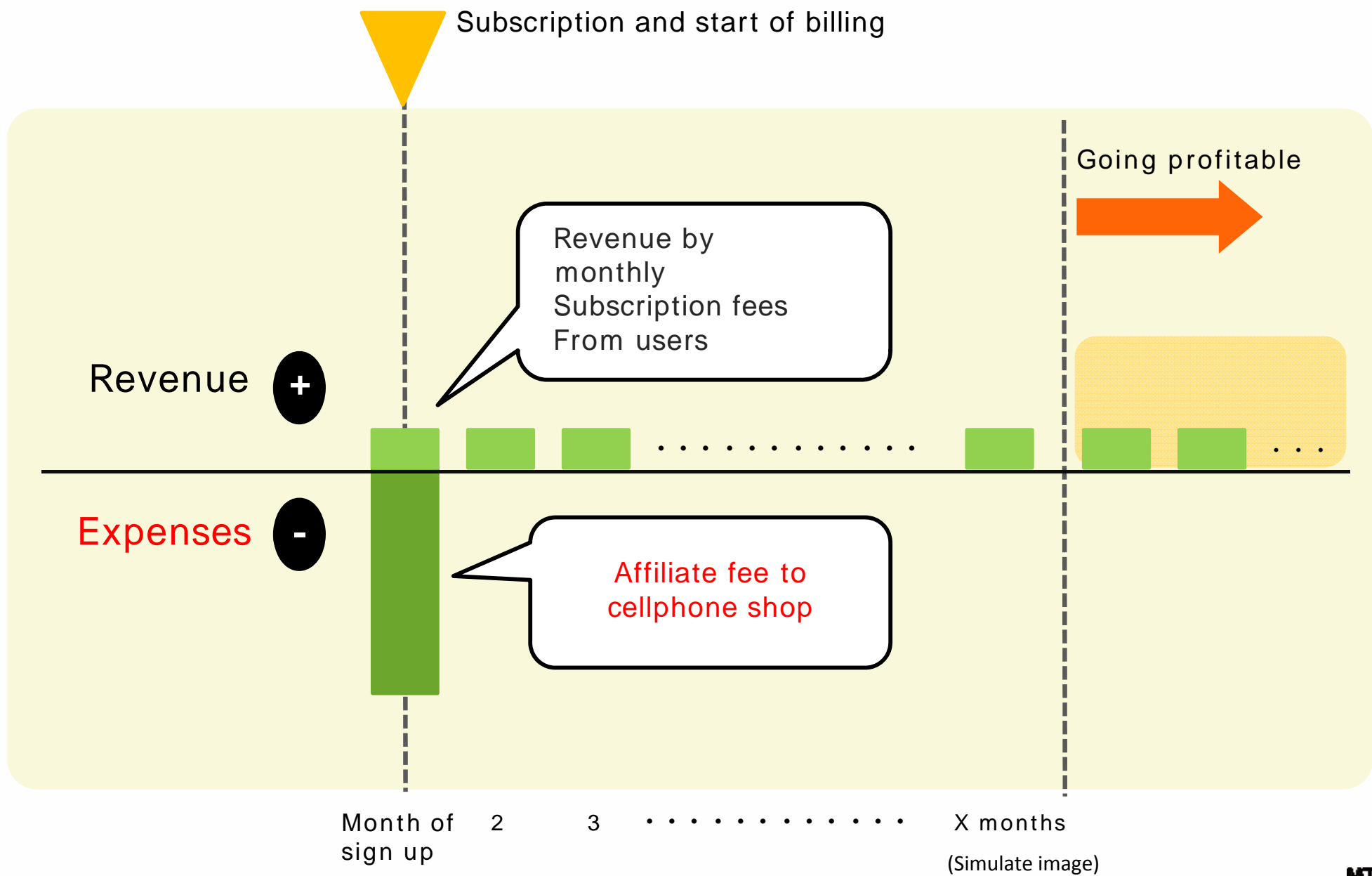
Business model -Non-virtual Affiliate Business-

- ▶ B to B
- ▶ Flow-type business
- ▶ Num of new subscribers × Revenue by commission = Sales
(Other companies' content)



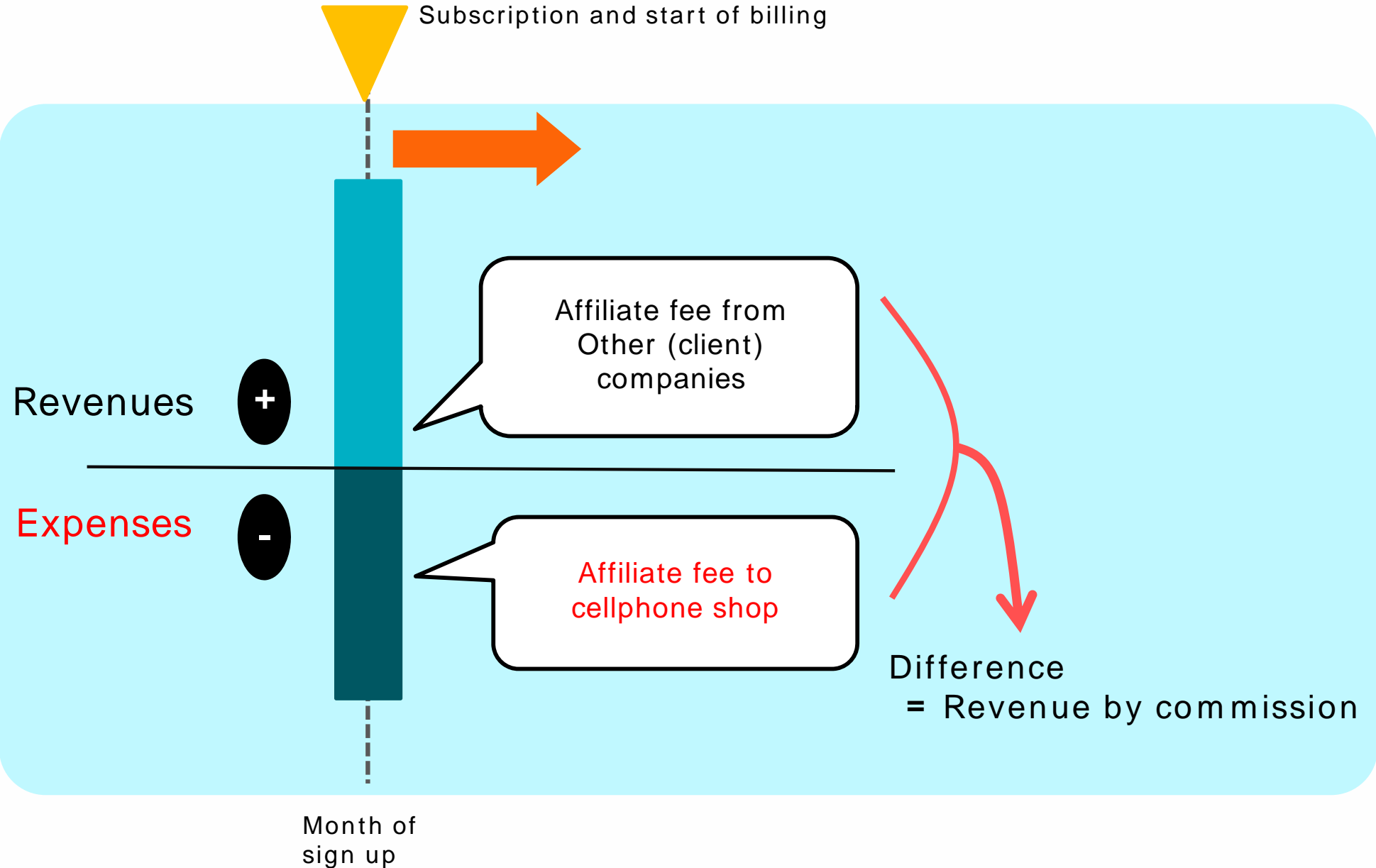


Profit and Loss model -Content Distribution Business-





Profit and Loss model -Non-virtual Affiliate Business-



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〈Contact us〉

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