SECURITIES AND EXCHANGE COMMISSION

Washington, DC. 20549

FORM 10-Q

(Mark One)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended MARCH 31, 2004 or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-15235

MITEK SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	87-0418827
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14145 DANIELSON ST, STE B,,POWAY, CALIFORNIA	92064
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (858) 513-4600

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No .

There were 11,389,481 shares outstanding of the registrant's Common Stock as of May 12, 2004.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Act)

Yes No X.

MITEK SYSTEMS, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2004

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PART 1: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

MITEK SYSTEMS, INC

BALANCE SHEETS

ASSETS	MARCH 31, 2004 (UNAUDITED)	SEPTEMBER 30, 2003 (UNAUDITED)
CURRENT ASSETS:		
Cash	$ 681,846	$ 1,819,102
Accounts receivable-net of allowances of $301,697 and $253,697 respectively	2,510,325	2,900,693
Note receivable - related party	163,344	195,623
Inventories	23,703	43,182
Prepaid expenses and other assets	116,662	84,167
Total current assets	3,495,880	5,042,767
PROPERTY AND EQUIPMENT-net	242,108	321,029
OTHER ASSETS	156,520	279,985
TOTAL ASSETS	$ 3,894,508	$ 5,643,781
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 741,491	$ 881,032
Accrued payroll and related taxes	467,389	690,388
Deferred revenue	1,246,752	884,917
Other accrued liabilities	229,935	245,818
Total current liabilities	2,685,567	2,702,155
LONG-TERM LIABILITIES:		
Deferred rent	16,013	16,135
Deferred revenue	280,933	318,826
Long-term payable	17,091	34,194
Total long-term liabilities	314,037	369,155
TOTAL LIABILITIES	2,999,604	3,071,310
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock - $.001 par value; 20,000,000 shares authorized, 11,389,481 and 11,185,282 issued and outstanding at March 31, 2004 and September 30, 2003, respectively	11,389	11,185
Additional paid-in capital	9,542,527	9,327,736
Accumulated deficit	(8,659,012)	(6,766,450)
Net stockholders' equity	894,904	2,572,471
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,894,508	$ 5,643,781

See notes to financial statements

MITEK SYSTEMS, INC
STATEMENTS OF OPERATIONS
UNAUDITED

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2004	2003	2004	2003
SALES				
Software	$ 963,365	2,680,488	$ 1,635,015	$ 5,129,587
Hardware	403,450	753,851	773,555	852,881
Professional Services, education and other	651,264	423,805	1,304,391	846,773
NET SALES	2,018,079	3,858,144	3,712,961	6,829,241
COSTS AND EXPENSES:				
Cost of sales-Software	211,962	263,877	327,374	521,056
Cost of sales-Hardware	392,955	971,905	732,932	1,159,843
Cost of sales-Prof. Services, educ. and	174,595	231,126	461,718	426,028
Operations	377,583	397,229	738,692	859,995
Selling and marketing	495,229	978,996	1,122,020	1,807,116
Research and development	658,456	552,113	1,167,516	1,124,233
General and administrative	520,371	433,702	1,059,675	838,344
Total costs and expenses	2,831,151	3,828,948	5,609,927	6,736,615
OPERATING INCOME (LOSS)	(813,072)	29,196	92,626	
Other income (expense) - net	(2,773)	5,629	6,956	3,940
INCOME (LOSS) BEFORE INCOME TAXES	(815,845)	34,825	96,566	
PROVISION FOR INCOME TAXES	0	8,745	2,550	9,975
NET INCOME (LOSS)	$ (815,845)	$ 26,080	$ (1,892,560)	$ 86,591
EARNINGS (LOSS) PER SHARE - BASIC	$ (0.07)	$ --	$ (0.17)	$ 0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	11,369,942	11,138,772	11,316,861	11,138,772
EARNINGS (LOSS) PER SHARE - DILUTED	$ (0.07)	$ --	$ (0.17)	$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES AND COMMON SHARE EQUIVALENTS OUTSTANDING - DILUTED	11,369,942	11,208,258	11,316,861	11,205,143

See notes to financial statements

MITEK SYSTEMS, INC

STATEMENTS OF CASH FLOWS

UNAUDITED

	SIX MONTHS ENDED MARCH 31, 2004	2003
OPERATING ACTIVITIES		
Net (loss) income	$(1,892,560)	$ 86,591
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	228,538	228,755
Provision for bad debts	48,000	(9,000)
Provision for sales returns & allowances	61,112	102,000
Fair value of stock options issued to non-employees	10,776	2,753
Changes in operating assets and liabilities:		
Accounts receivable	342,368	452,904
Inventories, prepaid expenses, and other assets	(13,016)	(216,906)
Accounts payable	(139,541)	(32,497)
Accrued payroll and related taxes	(222,999)	68,441
Long-term payable	(17,103)	(17,103)
Deferred revenue	323,942	293,061
Other accrued liabilities	(77,117)	(14,043)
Net cash (used in) provided by operating activities	(1,347,600)	944,956
INVESTING ACTIVITIES		
Purchases of property and equipment	(26,155)	(150,944)
Proceeds from sale of property and equipment	0	1,203
Payment (advances) on related party note receivable-net	32,279	(19,428)
Net cash provided by (used in) investing activities	6,124	(169,169)
FINANCING ACTIVITIES		
Proceeds from borrowings	0	360,000
Repayment of borrowings	0	(360,000)
Proceeds from exercise of stock options	204,220	
Net cash provided by financing activities	204,220	0
NET INCREASE (DECREASE) IN CASH	(1,137,256)	775,787
CASH AT BEGINNING OF PERIOD	1,819,102	760,416
CASH AT END OF PERIOD	$ 681,846	$ 1,536,203
	$ --	
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 695	$ 6,526
Cash paid for income taxes	$ 2,550	$ 9,975

See notes to financial statements

MITEK SYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited financial statements of Mitek Systems, Inc. (the "Company") have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnote disclosures that are otherwise required by Regulation S-X and that will normally be made in the Company's Annual Report on Form 10-K. The financial statements do, however, reflect all adjustments (solely of a normal recurring nature) which are, in the opinion of management, necessary for a fair statement of the results of the interim periods presented.

Results for the three and six months ended March 31, 2004 and March 31, 2003 are not necessarily indicative of results which may be reported for any other interim period or for the year as a whole.

Going Concern and Management's Plans

The Company's financial statements have been prepared on a "going concern" basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Management recognizes that the Company must generate capital and revenue resources to enable it to continue to operate. Ultimately, Mitek Systems must achieve profitable operations. The Company is considering various means of obtaining additional capital including the issuance of debt or equity, entering into alliances or joint ventures, or selling assets. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon the Company's obtaining additional capital and ultimately achieving profitable operations. However, no assurances can be given that the Company will be successful in these activities. Should any of these events not occur, the accompanying Financial Statements will be materially affected and the Company may not be able to continue operating as a going concern.

The operations from Fiscal 2003 and the quarters ended December 31, 2003 and March 31, 2004 have resulted in significant operating losses. Based upon these losses, the Company will need to raise significant additional funds to continue its activities as a going concern. If adequate funds are not available, the Company may be forced to significantly or entirely curtail its operations. The Company's failure to raise sufficient additional funds on favorable terms, or at all, would have a material adverse effect on its business, results of operations and financial position. See also Note 4 regarding Revolving Line of Credit.

Certain prior year's balances have been reclassified to conform to the 2003 presentation.

2. New Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. This Interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others, which is being superseded. The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has issued no guarantees that qualify for disclosure in this interim financial statement.

In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148 Accounting for Stock-Based Compensation - Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The amendments to SFAS No. 123 provided for under SFAS No. 148 are effective for financial statements for fiscal years ending after December 15, 2002. The Company has not elected to adopt the fair value accounting provisions of SFAS No. 123 and therefore the adoption of SFAS No. 148 did not have a material effect on our results of operations or financial position.

In January 2003, the FASB issued SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of this Statement and it had no impact on its financial statements.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN 46 were initially to apply to variable interest entities created after January 31, 2003. The consolidation requirements were initially to apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. The FASB postponed implementation of FIN 46 in December 2003. The Company has no variable interest entities.

3. Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion ("APB") No. 25, Accounting for Stock Issued to Employees, and FASB Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation.

Pro forma information regarding net loss and loss per share is required by SFAS No. 123, Accounting for Stock-based Compensation, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the dates of grant using the Black-Scholes option valuation model with the following weighted-average assumptions for the three months and six months ended March 31, 2004 and 2003.

	2004	2003
Risk free interest rates	2.3%	1.9%
Dividend yields	0%	0%
Volatility	111%	82%
Weighted average expected life	3 years	3 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information is as follows (in thousands, except for net income/loss per share information):

	Three months ended March 31		Six months ended March 31	
	2004	2003	2004	2003
Net income (loss) as reported	$ (815)	$ 26	$ (1,892)	$ 87
Net loss pro forma	(1,194)	(170)	(2,431)	(170)
Net income (loss) per share as reported	(.07)	(.00)	(.17)	.01
Net loss per share pro forma	(.10)	(.02)	(.28)	(.03)

4. Revolving Line of Credit

On February 19, 2004 the Company renewed its working capital revolving line of credit. This line requires interest to be paid at prime plus 1 percentage point, and is subject to a limit on maximum available borrowings of $500,000. The Company had no borrowings under the working capital line of credit on March 31, 2004 or on September 30, 2003. This credit line is subject to a net worth covenant whereby the Company must maintain a tangible net worth of $2,000,000 in order to use the credit line. The loss sustained during the quarter ended March 31, 2004 caused the Company's net worth to fall to $895,000. Though the Company had no borrowings under the credit line as of March 31, 2004, the Company was no longer in compliance with the aforementioned net worth covenant and is unable to borrow on the credit line. No assurance can be made that the Company will be able to obtain a new credit line on favorable terms, or at all. The inability to obtain a favorable credit line would have a detrimental impact on the Company's liquidity and could have a material adverse effect on its business, results of operations and financial position.

5. Product Revenues - Below is a summary of the revenues by product lines.

	Three Months Ended March 31		Six Months Ended March 31	
REVENUE (000'S)	2004	2003	2004	2003
Recognition Toolkits	$ 836	$2,079	$1,288	$3,617
Check Image Solutions	522	1,367	1,209	2,192
Document and Image Processing Solutions	115	222	355	571
Maintenance and other	545	190	861	449
Total Revenue	$2,018	$3,858	$3,713	$6,829

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion

The Company's financial statements have been prepared on a "going concern" basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Management recognizes that the Company must generate capital and revenue resources to enable it to continue to operate. Ultimately, Mitek Systems must achieve profitable operations. The Company is considering various means of obtaining additional capital including the issuance of debt or equity, entering into alliances or joint ventures, or selling assets. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon the Company's obtaining additional capital and ultimately achieving profitable operations. However, no assurances can be given that the Company will be successful in these activities. Should any of these events not occur, the accompanying Financial Statements will be materially affected and the Company may not be able to continue operating as a going concern.

In addition to historical information, this Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A") contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. As contained herein, the words "expects," "anticipates," "believes," "intends," "will," and similar types of expressions identify forward-looking statements, which are based on information that is currently available to the Company, speak only as of the date hereof, and are subject to certain risks and uncertainties. To the extent that the MD&A contains forward-looking statements regarding the financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements. The Company has attempted to identify certain of the factors that it currently believes may cause actual future experiences and results to differ from the Company's current expectations. The difference may be caused by a variety of factors, including, but not limited, to the following: (i) adverse economic conditions; (ii) decreases in demand for Company products and services; (iii) intense competition, including entry of new competitors into the Company's markets; (iv) increased or adverse federal, state and local government regulation; (v) the Company's inability to retain or renew its working capital credit line or otherwise obtain additional capital on terms satisfactory to the Company; (vi) increased or unexpected expenses; (vii) lower revenues and net income than forecast; (viii) price increases for supplies; (ix) inability to raise prices; (x) the risk of additional litigation and/or administrative proceedings involving the Company and its employees; (xi) higher than anticipated labor costs; (xii) adverse publicity or news coverage regarding the Company; (xiii) inability to successfully carry out marketing and sales plans, including the Company's strategic realignment; (xiv) loss of key executives; (xv) changes in interest rates; (xvi) inflationary factors; (xvii) and other specific risks that may be alluded to in this MD&A.

The Company's strategy for fiscal 2004 is to grow the identified markets for its new products and enhance the functionality and marketability of the Company's character recognition technology. In particular, Mitek is determined to expand the installed base of its Recognition Toolkits and leverage existing technology by devising recognition-based applications to detect potential fraud and loss at financial institutions. The Company also seeks to penetrate additional markets for its Document and Image Processing Solutions by taking advantage of specific vertical applications which lend themselves to this type of labor-saving technology. The Company also seeks to expand the installed base of its Check Imaging Solutions by entering into reselling relationships with key resellers who will better penetrate the market and provide entree into a larger base of customers.

Management presumes that users of these interim financial statements and information have read or have access to the discussion and analysis for the preceding fiscal year. See also Item 3, "Quantitative and Qualitative Disclosures about Market Risk."

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company enters into contractual arrangements with end users that may include licensing of the Company's software products, product support and maintenance services, consulting services, resale of third-party hardware, or various combinations thereof, including the sale of such products or services separately. The Company's accounting policies regarding the recognition of revenue for these contractual arrangements is fully described in Notes to the Audited Financial Statements for the year ended September 30, 2003 included in the Company's Form 10-K.

The Company considers many factors when applying accounting principles generally accepted in the United States of America related to revenue recognition. These factors include, but are not limited to:

- The actual contractual terms, such as payment terms, delivery dates, and pricing of the various product and service elements of a contract
- Availability of products to be delivered
- Time period over which services are to be performed
- Creditworthiness of the customer
- The complexity of customizations to the Company's software required by service contracts
- The sales channel through which the sale is made (direct, VAR, distributor, etc.)
- Discounts given for each element of a contract
- Any commitments made as to installation or implementation "go live" dates

Each of the relevant factors is analyzed to determine its impact, individually and collectively with other factors, on the revenue to be recognized for any particular contract with a customer. Management is required to make judgments regarding the significance of each factor in applying the revenue recognition standards, as well as whether or not each factor complies with such standards. Any misjudgment or error by management in its evaluation of the factors and the application of the standards, especially with respect to complex or new types of transactions, could have a material adverse affect on the Company's future revenues and operating results.

Accounts Receivable.

We evaluate the creditworthiness of our customers prior to order fulfillment and we perform ongoing credit evaluations of our customers to adjust credit limits based on payment history and our assessment of the customer's current creditworthiness. We constantly monitor collections from our customers and maintain a provision for estimated credit losses that is based on historical experience and on specific customer collection issues. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our revenue recognition policy requires customers to be deemed creditworthy, our accounts receivable are based on customers whose payment is reasonably assured. Our accounts receivable are derived from sales to a wide variety of customers. We do not believe a change in liquidity of any one customer or our inability to collect from any one customer would have a material adverse impact on our financial position.

Deferred Income Taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We maintain a valuation allowance against the deferred tax asset due to uncertainty regarding the future realization based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. Until such time as the Company can demonstrate that it will no longer incur losses or if the Company is unable to generate sufficient future taxable income we could be required to maintain the valuation allowance against our deferred tax assets.

ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS:

Comparison of Three Months and Six Months Ended March 31, 2004 and 2003

Net Sales. Net sales for the three-month period ended March 31, 2004 were $2,018,000, compared to $3,858,000 for the same period in 2003, a decrease of $1,840,000, or 48%. The decrease was primarily attributable to a 60% decline in revenue associated with our recognition toolkits, the result of enterprise licenses signed in the second quarter of 2003 which will not renew until later in fiscal 2004. Revenue from Check Image Solutions also declined by 62%. The Company continues to experience delayed purchasing decisions, which we believe are due to continued customer hesitancy to adopt check imaging solutions mandated by the passage of Check 21, as well as expressed concern over the Company's recent quarterly losses and the potential delisting of the Company's stock from NASDAQ. While the Company believes the Check 21 legislation will eventually result in additional customer demand for check imaging solutions, the Company believes customers have been reluctant to commit to purchases, while evaluating the full impact of this newly-enacted legislation. Once implementation of this technology begins, the Company believes revenue from some of these customer leads will come forth, if the Company's financial position is improved. Sales in the Document and Image Processing Solutions also declined, by 48%. This is primarily due to the absence of a dedicated sales force for this product line, which the Company intends to put into place later during the 2004 fiscal year. Sales of Maintenance rose by 186%, reflecting the Company's efforts to contact current and past customers to encourage the renewal of product support contracts. This has resulted in an increase in the installed base of customers purchasing product support.

Net sales for the six-month period ended March 31, 2004 were $3,713,000, compared to $6,829,000 for the same period in 2003, a decrease of $3,116,000 or 46%. The decrease was primarily attributable to a 64% decline in revenue associated with our recognition toolkits, the result of enterprise licenses signed in the first and second quarters of 2003 which will not renew until later in fiscal 2004. Revenue from Check Image Solutions also declined by 45%. The Company continues to experience delayed purchasing decisions, which we believe are due to continued customer hesitancy to adopt check imaging solutions mandated by the passage of Check 21, as well as expressed concern over the Company's recent quarterly losses and the potential delisting of the Company's stock from NASDAQ. While the Company believes the Check 21 legislation will eventually result in additional customer demand for check imaging solutions, the Company believes customers have been reluctant to commit to purchases, while evaluating the full impact of this newly-enacted legislation. Once implementation of this technology begins, the Company believes revenue from these customer leads will forth come, if the Company's financial position is improved. Sales in the Document and Image Processing Solutions also declined, by 38%. This is primarily due to the absence of a dedicated sales force for this product line, which the Company intends to put into place later during the 2004 fiscal year. Sales of Maintenance rose by 92%, reflecting the Company's efforts to contact current and past customers to encourage the renewal of product support contracts. This has resulted in an increase in the installed base of customers purchasing product support

Cost of Sales. Cost of sales for the three-month period ended March 31, 2004 was $780,000, compared to $1,467,000 for the same period in 2003, a decrease of $687,000 or 47%. Stated as a percentage of net sales, cost of sales increased to 39% for the three-month period ended March 31, 2004 compared to 38% for the same period in 2003. The dollar decrease in cost of sales is almost entirely due to reduced hardware installations related to the Company's Checkquest product line, which typically carry higher costs, during the quarter, as compared to the same quarter in 2003. The increase as a percentage of net sales is due to the product mix of software sold shifting toward the Company's Checkscript product line, which carries a royalty.

Cost of sales for the six-month period ended March 31, 2004 was $1,522,000, compared to $2,107,000 for the same period in 2003, a decrease of $585,000 or 28%. Stated as a percentage of net sales, cost of sales increased to 41% for the six-month period ended March 31, 2004, compared to 31% for the same period in 2003. The dollar decrease in cost of sales is almost entirely due to reduced hardware installations related to the Company's Checkquest product line, which typically carry higher costs, during the quarter, as compared to the same quarter in 2003. The increase as a percentage of net sales is due to the product mix of software sold shifting toward the Company's Checkscript product line, which carries a royalty.

Operations Expenses. Operations expenses include costs associated with shipping and receiving, quality assurance, customer support, installation and training. As installation, training, maintenance and customer support revenues are recognized, an appropriate amount of these costs are charged to cost of sales, with unabsorbed costs remaining in operations expense. Gross Operations expenses for the three-month period ended March 31, 2004 were $510,000, compared to $555,000 for the same period in 2003, a decrease of $45,000 or 8%. Net Operations expenses for the three-month period ended March 31, 2004 were $361,000, compared to $463,000 for the same period in 2003, a decrease of $102,000 or 22%.Stated as a percentage of net sales, operations expenses were 19% for the three-month period ended March 31, 2003, as compared with 10% for the same period in 2003. The dollar decrease in gross expenses is primarily attributable to reduced amount of salaries and wages, due to a reassignment of personnel into sales functions. The dollar decrease in net expense is attributable to the reduced spending discussed above and additional amounts being charged to cost of sales, as a result of the completion of several installations. The increase in expenses as a percentage of net sales is primarily attributable to lower revenues.

Gross Operations expenses for the six-month period ended March 31, 2004 were $1,005,000, compared to $1,133,000 for the same period in 2003, a decrease of $128,000 or 11%. Net Operations expenses for the six-month period ended March 31, 2004 were $739,000, compared to $860,000 for the same period in 2003, a decrease of $121,000 or 14%. Stated as a percentage of net sales, operations expenses increased to 20% for the six-month period ended March 31, 2004, compared to 13% for the same period in 2003. The dollar decrease in gross expenses is primarily attributable to reduced amount of salaries and wages, due to a reassignment of personnel into sales functions. The dollar decrease in net expense is attributable to the reduced spending discussed above and additional amounts being charged to cost of sales, as a result of the completion of several installations. The increase in expenses as a percentage of net sales is primarily attributable to lower revenues.

Selling and Marketing Expenses. Selling and marketing expenses for the three-month period ended March 31, 2004 were $495,000, compared to $979,000 for the same period in 2003, a decrease of $484,000 or 49%. Stated as a percentage of net sales, selling and marketing expenses remained 25%, as it was for the same period in 2003. The dollar decrease in expenses is primarily attributable to reduced commissions resulting from lower sales, as well as reduced salaries expense, as the Company reduced its direct sales force in the check image solution product line. The Company believes this product line is better suited to an indirect sales channel, and the Company has signed two resellers to representation agreements to move in this direction.

Selling and marketing expenses for the six-month period ended March 31, 2004 were $1,122,000, compared to $1,807,000 for the same period in 2003, a decrease of $685,000 or 38%. Stated as a percentage of net sales, selling and marketing expenses increased to 30% from 26% for the same period in 2003. The dollar decrease in expenses is primarily attributable to reduced commissions resulting from lower sales, as well as reduced salaries expense, as the Company reduced its direct sales force in the check image solution product line. The Company believes this product is better suited to an indirect sales channel, and the Company has signed two resellers to representation agreements to move in this direction. The increase as a percentage of net sales is primarily attributable to reduced sales.

Research and Development Expenses. Research and development expenses are incurred to maintain existing products, develop new products or new product features, technical customer support, and development of custom projects. Research and development expenses for the three-month period ended March 31, 2004 were $658,000, compared to $552,000 for the same period in 2003, an increase of $106,000 or 19%. Stated as a percentage of net sales, research and development expenses increased to 33% for the three-month period ended March 31, 2004, compared to 14% for the same period in 2003. The dollar increase in expenses is the result of consultants engaged to complete two engineering projects. The increase as a percentage of net sales for the three-month period is primarily attributable to the decrease in sales.

Research and development expenses for the six-month period ended March 31, 2004 were $1,168,000, compared to $1,124,000 for the same period in 2003, an increase of $44,000 or 4%. Stated as a percentage of net sales, research and development expenses increased to 31% for the six-month period ended March 31, 2004, compared to 16% for the same period in 2003. The dollar increase in expenses is the result of consultants engaged to complete two engineering projects, offset by the prior quarters' reclassification of costs. Such costs, amounting to $92,000 were reclassified as costs of goods sold, and served to reduce research and development expense during the first quarter. The increase as a percentage of net sales for the three-month period is primarily attributable to the decrease in sales.

General and Administrative Expenses. General and administrative expenses for the three-month period ended March 31, 2004 were $520,000, compared to $434,000 for the same period in 2003, an increase of $86,000 or 20%. Stated as a percentage of net sales, general and administrative expenses increased to 26% for the three-month period ended March 31, 2004, compared to 11% for the same period in 2003. The dollar increase in expenses for the three month period is attributable to $22,000 of additional salaries expense, as the President and Chief Executive Officer was not a separate position in 2003 and $81,000 in increased legal costs primarily relating to analysis of strategic alternatives, including potential mergers, capital infusions, and other strategic alternatives. The increase in expenses as a percentage of net sales is primarily attributable to lower revenues.

General and administrative expenses for the six-month period ended March 31, 2004 were $1,060,000, compared to $838,000 for the same period in 2003, an increase of $222,000 or 26%. Stated as a percentage of net sales, general and administrative expenses increased to 29% for the six-month period ended March 31, 2004, compared to 12% for the same period in 2003. The dollar increase in expenses for the three month period is attributable to $100,000 of additional salaries expense, as the President and Chief Executive Officer was not a separate position in 2003 and $103,000 in increased legal costs primarily relating to analysis of strategic alternatives, including potential mergers, capital infusions, and other strategic alternatives. The increase in expenses as a percentage of net sales is primarily attributable to lower revenues.

Interest and Other Income (Expense) - Net. Interest and other income (expense) for the three-month period ended March 31, 2004 was ($3,000), compared to $6,000 for the same period in 2003, a decrease of $9,000. Interest and other income (expense) for the six-month period ended March 31, 2004 was $7,000, compared to $4,000 for the same period in 2003, an increase of $3,000. The decrease in net interest and other income (expense) for the period ended March 31, 2004 is primarily the result of the Company's share of the net income from the Company's affiliate, Mitek Systems, Ltd.

LIQUIDITY AND CAPITAL

Going Concern and Management's Plans

The Company's financial statements have been prepared on a "going concern" basis that contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Management recognizes that the Company must generate capital and revenue resources to enable it to continue to operate. Ultimately, Mitek Systems must achieve profitable operations. The Company is considering various means of obtaining additional capital including the issuance of debt or equity, entering into alliances or joint ventures, or selling assets. The realization of assets and satisfaction of liabilities in the normal course of business is dependent upon the Company's obtaining additional capital and ultimately achieving profitable operations. However, no assurances can be given that the Company will be successful in these activities. Should any of these events not occur, the accompanying Financial Statements will be materially affected and the Company may not be able to continue operating as a going concern.

At March 31, 2004 the Company had $682,000 in cash as compared to $1,819,000 at September 30, 2003. Accounts receivable totaled $2,510,000, a decrease of $391,000 over the September 30, 2003, balance of $2,901,000.

The Company has financed its cash needs during the second quarter of fiscal 2004 primarily from collection of accounts receivable. The Company financed its cash needs during fiscal 2003 primarily from collection of accounts receivable.

Net cash provided by (used by) operating activities during the six months ended March 31, 2004 was ($1,348,000). The primary use of cash from operating activities was the operating loss of (1,893,000), a decrease in the accrued payroll and related taxes of ($222,000) and a decrease in accounts payable of ($140,000) . The primary source of cash from operating activities was a decrease in accounts receivable of $342,000, an increase in deferred maintenance revenue of $324,000 and depreciation and amortization of $229,000. During the second quarter, the Company had no borrowings on its revolving line of credit.

The Company used part of the cash provided from operating activities to finance the acquisition of equipment used in its business.

During the six months ended March 31, 2004, the Company also received cash of approximately $204,000 from financing activities in the form of proceeds from the exercise of stock options by employees and directors.

The Company's working capital and current ratio were $810,000 and 1.30, respectively, at March 31, 2004, and $2,341,000 and 1.87, respectively, at September 30, 2003. At March 31, 2004, total liabilities to equity ratio was 3.35 to 1 compared to 1.19 to 1 at September 30, 2003. As of March 31, 2004, total liabilities were decreased by $72,000 than on September 30, 2003.

The Company currently has a working capital line of credit. This line requires interest to be paid at prime plus 1 percentage point, but is subject to a limit on available borrowings of $500,000. The Company had no borrowings under the working capital line of credit on March 31, 2004 or on September 30, 2003. This credit line is subject to a net worth covenant whereby the Company must maintain a net worth of $2,000,000 in order to use the credit line. At March 31, 2004, the Company's net worth was $810,000 and the Company is unable to borrow under the line of credit.

Though the Company had no borrowings under the credit line as of March 31, 2004, the Company was no longer in compliance with the aforementioned net worth covenant. The Company is currently negotiating with several capital providers, in order to bring the Company's net worth into compliance. No assurance can be made that the Company will be able to obtain such capital favorable terms, or at all. The inability to obtain a favorable credit line would have a detrimental impact on the Company's liquidity and could have a material adverse effect on its business, results of operations and financial position.

There are no significant capital expenditures planned for the foreseeable future.

The Company evaluates its cash requirements on a quarterly basis. Historically, the Company has managed its cash requirements principally from cash generated from operations. Although the Company's strategy for fiscal 2004 is to grow the identified markets for its new products and enhance the functionality and marketability of the Company's character recognition technology, it has not yet observed a significant change in liquidity or future cash requirements as a result of this strategy. Cash requirements over the next twelve months are principally to fund operations, including spending on research and development.

The operations from Fiscal 2003 and the quarters ended December 31, 2003 and March 31, 2004 have resulted in significant operating losses. Based upon these losses, the Company will need to raise significant additional funds to continue its activities as a going concern. If adequate funds are not available, the Company may be forced to significantly or entire curtail its operations. The Company's failure to raise sufficient additional funds on favorable terms, or at all, would have a material adverse effect on its business, results of operations and financial position.

New Accounting Pronouncements

In November 2002, the FASB issued FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees. This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This Interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. This Interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others, which is being superseded. The initial recognition and measurement provisions of this Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002, irrespective of the guarantor's fiscal year-end. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company has issued no guarantees that qualify for disclosure in this interim financial statement.

In December 2002, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 148 Accounting for Stock-Based Compensation - Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The amendments to SFAS No. 123 provided for under SFAS No. 148 are effective for financial statements for fiscal years ending after December 15, 2002. The Company has not elected to adopt the fair value accounting provisions of SFAS No. 123 and therefore the adoption of SFAS No. 148 did not have a material effect on our results of operations or financial position.

In January 2003, the FASB issued SFAS No. 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the provisions of this Statement and it had no impact on its financial statements.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of FIN 46 were initially to apply to variable interest entities created after January 31, 2003. The consolidation requirements were initially to apply to transactions entered into prior to February 1, 2003 in the first fiscal year or interim period beginning after June 15, 2003. The FASB postponed implementation of FIN 46 in December 2003. The Company has no variable interest entities.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK
PART I, ITEM 3

The Company is exposed to certain market risks arising from adverse changes in interest rates, primarily due to the potential effect of such changes on the Company's variable rate working capital line of credit, as described under "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital." The Company had no borrowings at March 31, 2004. The Company does not use interest rate derivative instruments to manage exposure to interest rate changes.

Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of our management, including Mr. DeBello, the Company's President and Chief Executive Officer and Mr. Thornton, the Company's Chairman of the Board and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, Mr. DeBello and Mr. Thornton concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic filings with the Securities and Exchange Commission. There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

a. The Company's Annual Meeting of Stockholders was held on February 4, 2004 (the "Meeting")

b. The following directors were elected at the Meeting.

DIRECTOR	NUMBER OF SHARES VOTED: FOR	AGAINST OR WITHHELD	ABSTAIN OR BROKER NON-VOTE
John M. Thornton	10,410,759	106,342	
Sally B. Thornton	10,248,673	268,285	
James B. DeBello	10,426,911	90,047	
Gerald I. Farmer, Ph.D	10,408,171	108,787	
John G. Rebelo Jr.	10,448,657	68,301	
Robert D. Holvey	10,447,057	69,901	

c. Deloitte & Touche LLP was ratified as the Company's 2004 auditors:

NUMBER OF SHARES VOTED: FOR	AGAINST OR WITHHELD	ABSTAIN OR BROKER NON-VOTE
10,478,335	22,910	15,713

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits:
The following exhibits are filed herewith:

Exhibit Number	Exhibit Title
31.1	Rule 15d-14(a) Certification of the Chief Executive Officer
31.2	Rule 15d-14(a) Certification of the Chief Financial Officer
32.1	Section 1350 Certification of the Chief Executive Officer
32.2	Section 1350 Certification of the Chief Financial Officer

b. Reports on Form 8-K: Reports on Form 8-K were filed on November 18, 2003, December 30, 2003, February 2, 2004 and February 4, 2004 by the Company during the six months ended March 31, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MITEK SYSTEMS, INC.

Date: May 12, 2004	/S/ JAMES B. DEBELLO --------------------------------- James B. DeBello, President and Chief Executive Officer
Date: May 12, 2004	/S/ JOHN M. THORNTON --------------------------------- John M. Thornton, Chairman and Chief Financial Officer

MITEK SYSTEMS, INC.
FORM 10-Q CERTIFICATIONS

1. REVISED CERTIFICATIONS PURSUANT TO SECTION 302(A) OF THE SARBANES-OXLEY ACT. THESE CERTIFICATIONS MUST BE FILED AS EXHIBITS 31.1(CEO) AND 31.2(CFO).

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER

I, James B. DeBello, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mitek Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2004

By: /S/ JAMES B. DEBELLO

James B. DeBello
President and
Chief Executive Officer

CERTIFICATION OF
CHIEF FINANCIAL OFFICER

I, John M. Thornton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mitek Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 12, 2004

By: /S/ JOHN M. THORNTON

John M. Thornton
Chairman of the Board and
Chief Financial Officer

2. REVISED CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (THE "SARBANES-OXLEY ACT"). THESE CERTIFICATIONS SHOULD BE FILED AS EXHIBITS 32.1(CEO) AND 32.2(CFO).

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James B. DeBello, President and Chief Executive Officer of Mitek Systems, Inc. (the "Registrant"), do hereby certify pursuant to Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that:

(1) the Registrant's Quarterly Report on Form 10-Q of the Registrant for the period ended March 31, 2004 (the "Report"), to which this statement is filed as an exhibit, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: May 12, 2004

By: /S/ JAMES B. DEBELLO

James B. DeBello
President and
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John M. Thornton, Chairman of the Board and Chief Financial Officer of Mitek Systems, Inc. (the "Registrant"), do hereby certify pursuant to Rule 15d-14(b) of the Securities and Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code that:

(1) the Registrant's Quarterly Report on Form 10-Q of the Registrant for the period ended March 31, 2004 (the "Report"), to which this statement is filed as an exhibit, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: May 12, 2004

By: /S/ JOHN M. THORNTON

John M. Thornton
Chairman of the Board and
Chief Financial Officer