

# Nihon Enterprise Co., Ltd.

*Nihon Enterprise Co., Ltd.*



## Q2 FY2018 (ending May) Earnings Summary (From June 2017 to Nov. 2017)

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# **1. Overview of Earnings Summary**

## **(First half FY2018)**

	FY2018 First half	FY2017 First half	YoY	
			Difference	Growth rate
S a l e s	2,021	2,494	▲ 473	▲19.0%
Operating profit	84	166	▲ 82	▲49.6%
Ordinary profit	111	185	▲ 73	▲39.8%
Net profit attributable to the parent company	45	70	▲ 24	▲35.2%

## Creation segment

"Contents service", "Business support service" and "Others (Solar power generation)"



- Carrying out plans to increase consumer apps usage
- E-commerce sales steadily up as impact of "Inaseri"(B-B) and "Flea-ma.jp"(C-C)
- With increasing smartphone buy or replacement by enterprises, focusing on mobile kitting service

## Solution segment

"System development and managed service", "Advertising agent service" and "Others (overseas)"



- Upward trend in IT investment by enterprises. With work style reform, Olympic game and so on, demands for AI, IoT and security related system is increasing
- Using expertise in creation segment, focusing on consigned development (from scratch)

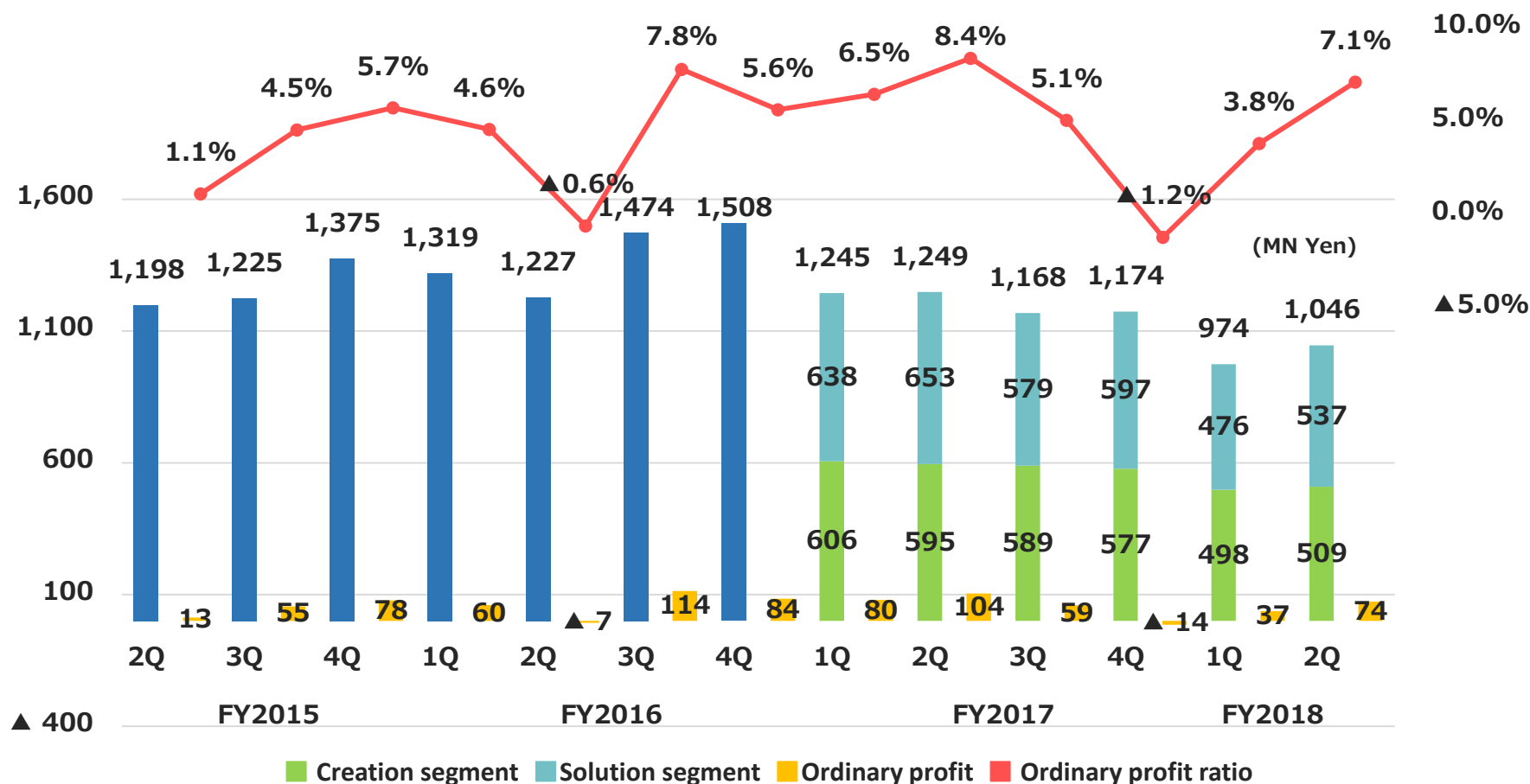
(※) Segments reporting has been revised since Q1 FY2018. Figures in FY2017 were after recombination by revised segments for YoY comparison

# Consolidated PL (summary)

(MN Yen)

	FY2018 First half	FY2017 First half	YoY	
			Difference	Growth rate
S a l e s	2,021	2,494	▲ 473	▲19.0%
G O G S	1,214	1,473	▲ 259	▲17.6%
G r o s s   p r o f i t	807	1,021	▲ 214	▲21.0%
S G & A	723	854	▲ 131	▲15.4%
Operating profit	84	166	▲ 82	▲49.6%
Non-operating profit	29	20	▲ 9	44.5%
Non-operating expense	2	2	0	▲6.4%
Ordinary profit	111	185	▲ 73	▲39.8%
Extraordinary profit	0	19	▲ 19	▲97.5%
Extraordinary loss	2	64	▲ 61	▲95.4%
P r e - t a x   p r o f i t	108	140	▲ 31	▲22.5%
Total amount of corporation tax and others	47	48	▲ 1	▲2.7%
N e t   p r o f i t	61	92	▲ 30	▲32.9%
Net profit attributable to non-controlling interest	15	21	▲ 5	▲24.9%
Net profit attributable to the parent company	45	70	▲ 24	▲35.2%

With good performance in “Business support service” and “System development and managed service”, sales rose by 7.4% and ordinary profit rate improved to 7.1%



(※) Segments reporting has been revised since Q1 FY2018. Figures in FY2017 were after recombination by revised segments for QoQ comparisons

(MN Yen)

	FY2018	FY2017	YoY	
	First half	First half	Difference	Growth rate
Creation segment	1,007	1,202	▲ 194	▲ 16.2%
Solution segment	1,013	1,292	▲ 278	▲ 21.6%
T o t a l	2,021	2,494	▲ 473	▲ 19.0%

## ■ Creation segment

Sales fall 16.2% due to decrease in carrier platform service of “Contents service”, despite steady growth in “Business support service”

## ■ Solution segment

Totally sales down 21.6% due to shrunk market size of “Advertising agent service” and decrease in “Others (overseas)” sales, despite upward trend in “System development and managed service

# Creation segment sales (Y/Y)

(MN Yen)

	FY2018	FY2017	YoY	
	First half	First half	Difference	Growth rate
Contents service	758	977	▲ 218	▲22.3%
Business support service	216	194	22	11.5%
O t h e r s	32	30	1	4.4%
T o t a l	1,007	1,202	▲ 194	▲16.2%

## ■ Contents service

Shrinking carrier platform service market size impacted on sales with 22.3% down, despite challenges to increase sales by three business models such as advertising, handling charge and billing

## ■ Business support service

Sales up 11.5% due to stable trend in service for enterprise including traffic information license, kitting and business app development

## ■ Others(Solar power generation)

Sales rose by 4.4% with stable and continuous growth



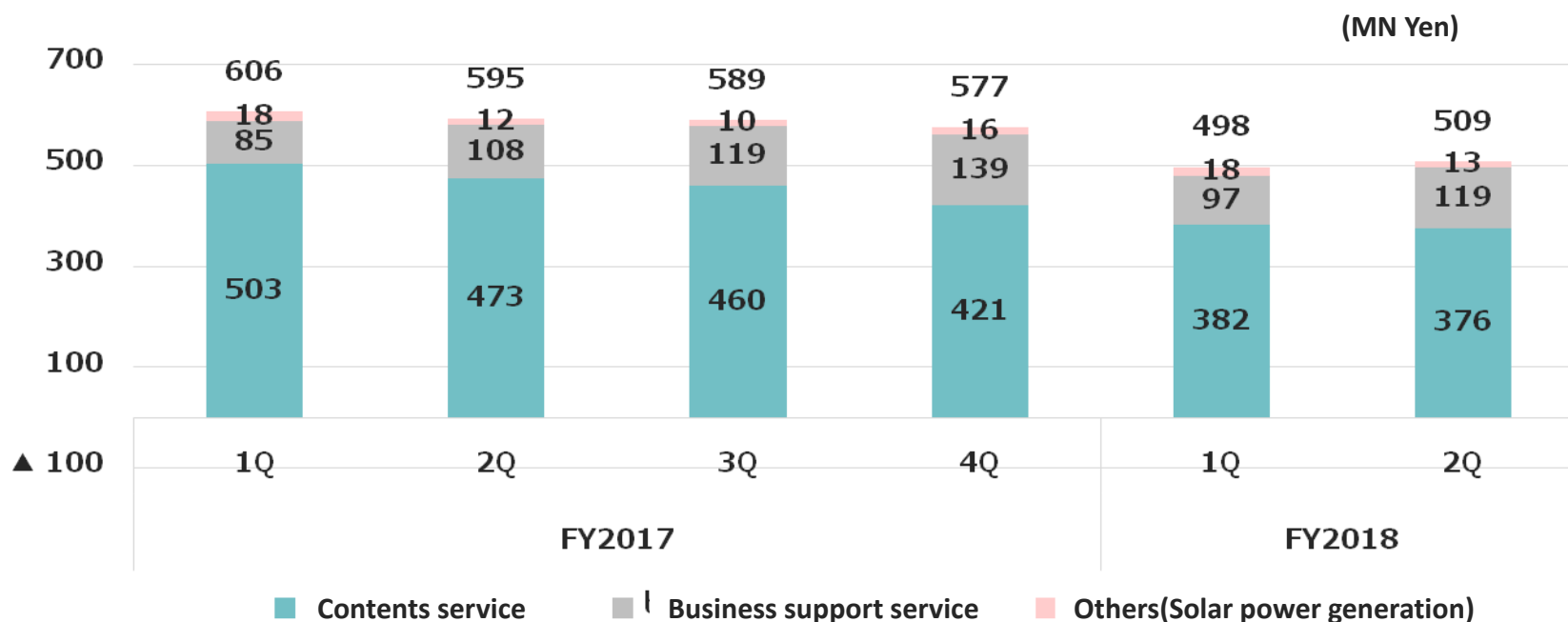
# Creation segment sales (Q/Q)

## ■ Contents service

With slower decrease in carrier platform service,  
QoQ sales down by 1.5% showing improvement in decline  
rate

## ■ Business support service

QoQ 23.0% rose, driven by kitting and chat App  
development



# ■ Solution segment sales (Y/Y)

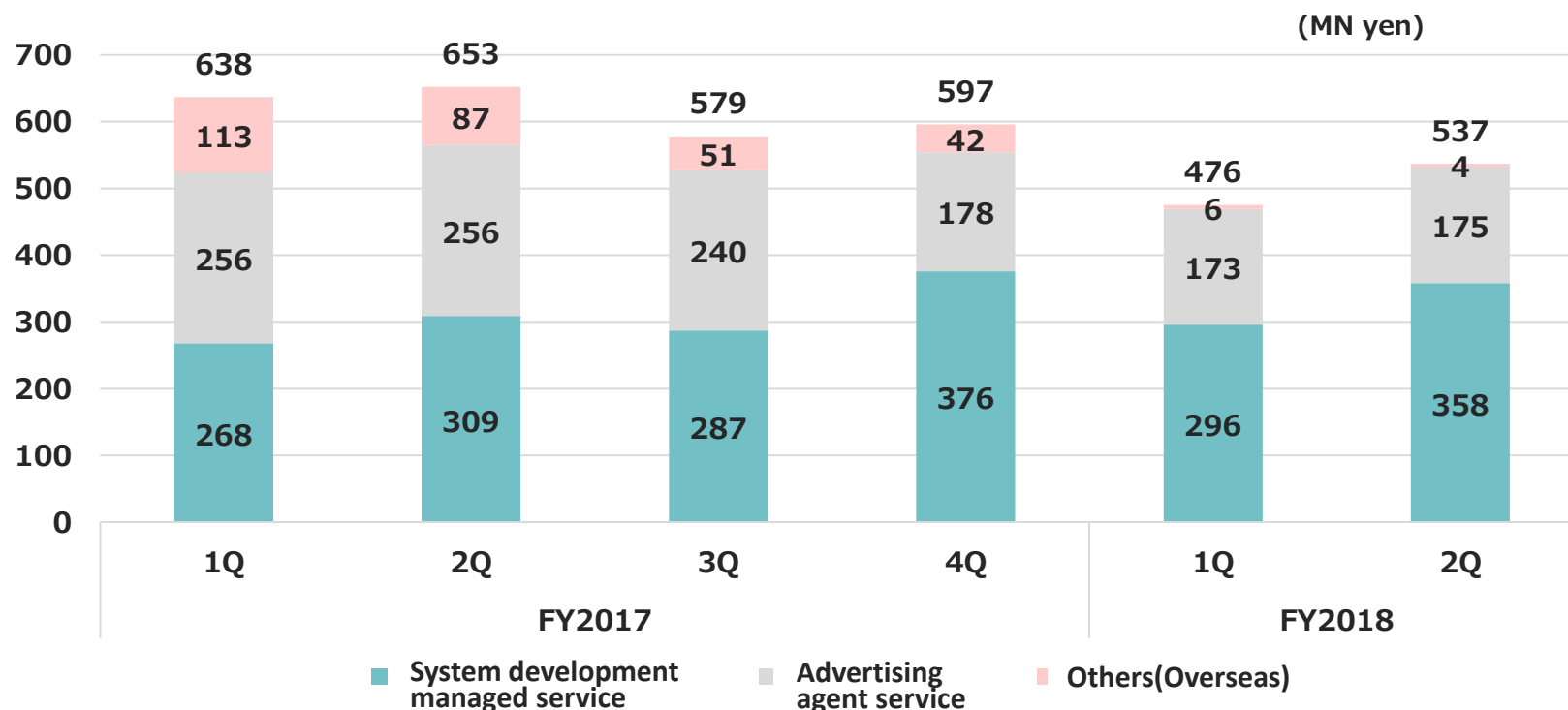
(MN Yen)

	FY2018	FY2017	YoY	
	First half	First half	Difference	Growth rate
System development and managed service	654	577	76	13.3%
Advertising agent service	348	513	▲ 164	▲ 32.1%
O t h e r s	10	201	▲ 190	▲ 94.9%
T o t a l	1,013	1,292	▲ 278	▲ 21.6%

- **System development and managed service**  
Due to upward trend in IT investment by enterprises, sales rose by 13.3% with stable incoming order
- **Advertising agent service**  
A decline in number of store due to contents sales policy change and competition with carrier impacted on sales with 32.1% down
- **Others(Overseas)**  
Sales fall by 94.9% due to lower growth in China smartphone market and suppressed unprofitable sales

# Solution segment sales (Q/Q)

- **System development and managed service**  
Good performance with QoQ sales 20.7% up
- **Advertising agent service**  
QoQ sales increased 0.9%, coping with severe business environment



(MN Yen)				
	FY2018	FY2017	YoY	
	First half	First half	Difference	Growth rate
C O G S	1,214	1,473	▲ 259	▲ 17.6%
C O G S r a t i o	60.1%	59.1%	-	-

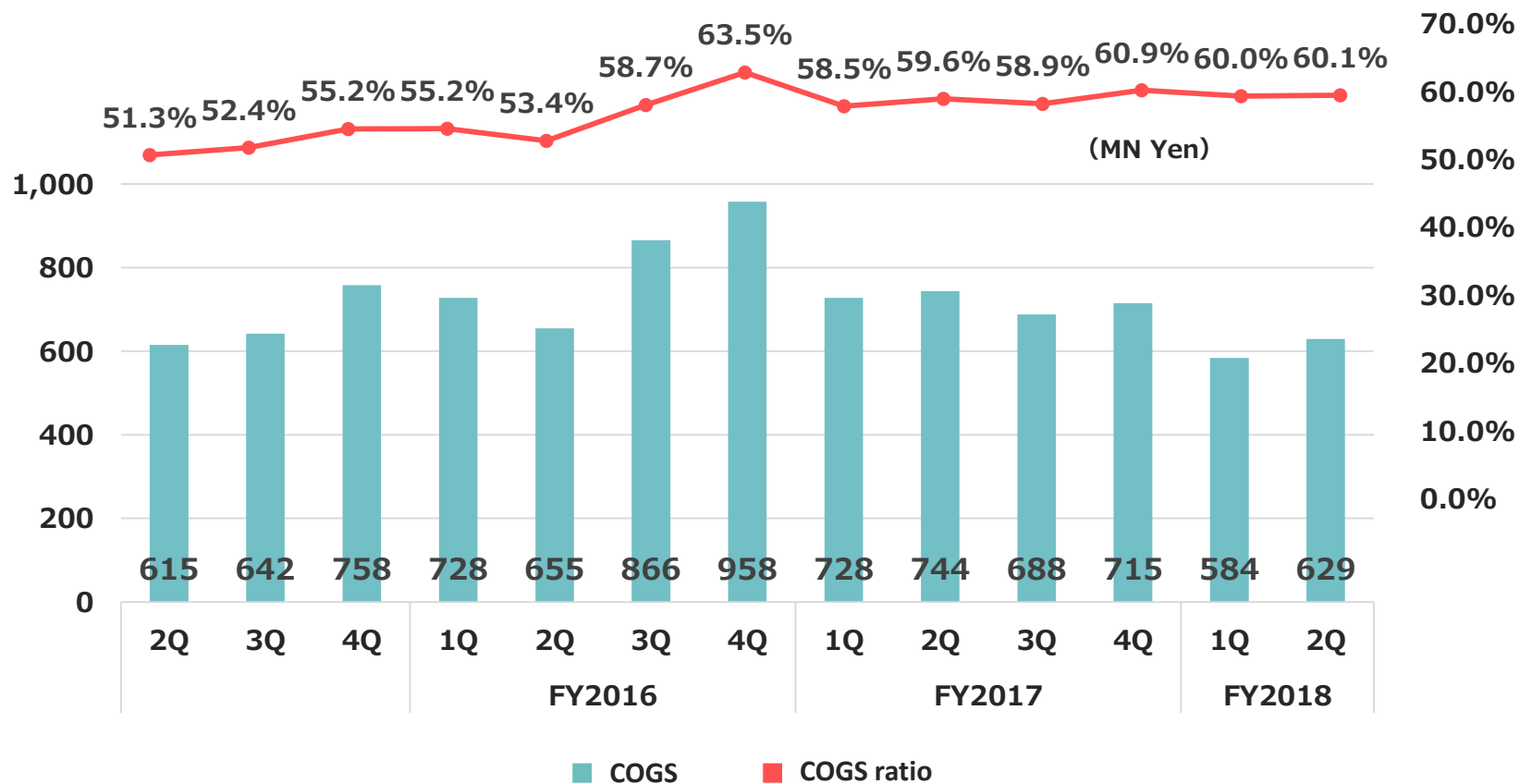
## ■ COGS

Decreased 17.6% due to sales down in “Advertising agent service” and “Others(overseas)”

## ■ COGS ratio

Increased 1.0 point due to server relocation fee and software amortization in Creation segment

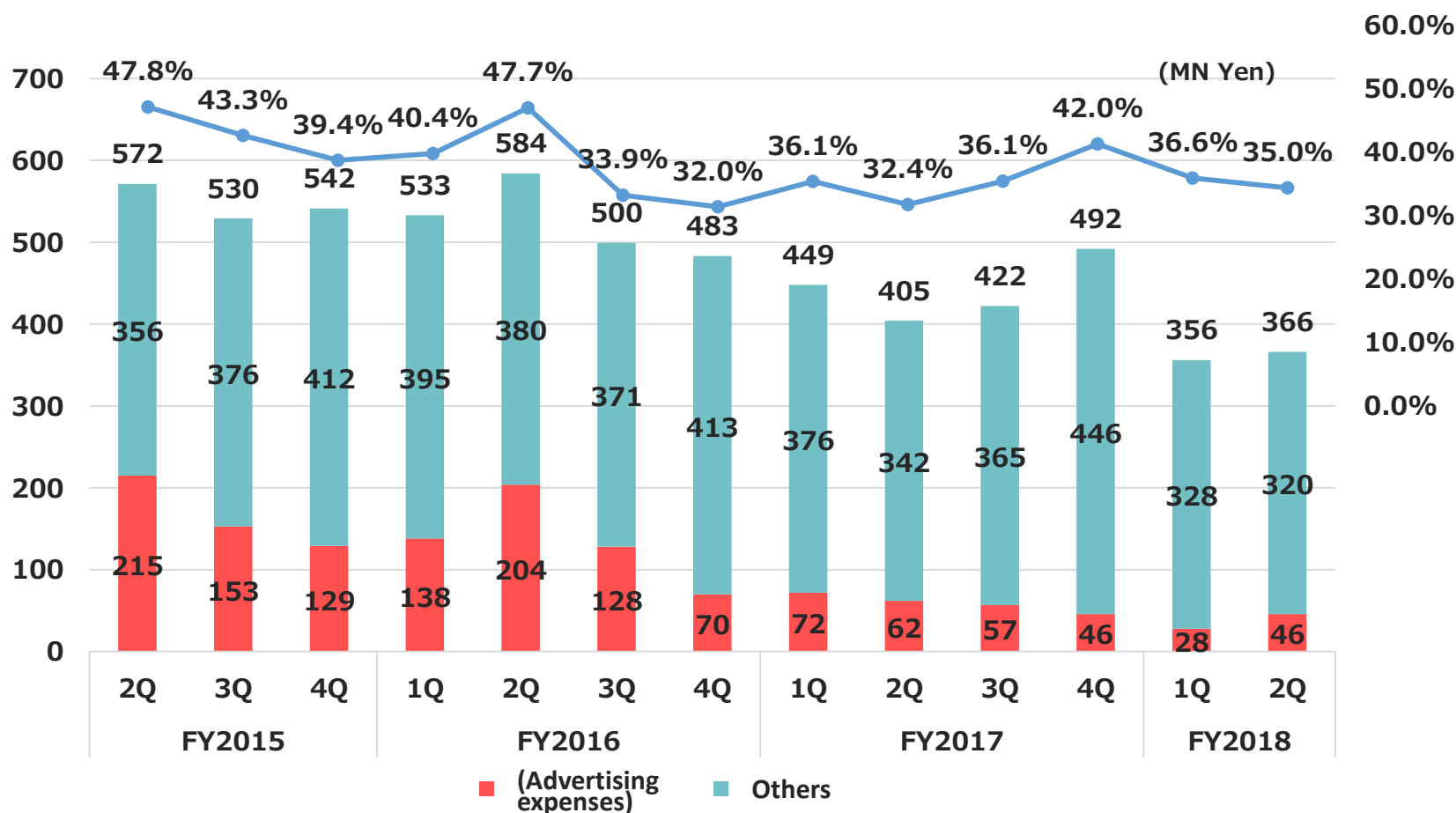
Despite improvement in both segments, increase in sales composition by Solution segment resulted in flat with QoQ 0.1 point up



	(MN Yen)			
	FY2018 First half	FY2017 First half	YoY	
			Difference	Growth rate
(Adverting expense)	74	134	▲ 60	▲44.8%
( O t h e r s )	648	719	▲ 70	▲9.9%
S G & A	723	854	▲ 131	▲15.4%
S G & A r a t i o	35.8%	34.2%	-	-

SG&A down by 15.4% and SG&A ratio up by 1.6 point due to continues cost reduction including advertising cost for carrier platform service

**QoQ SG&A improved by 1.6 point due to efficient advertising and comprehensive cost reduction in addition to sales increase in “System development and managed service”**



## 2. Business overview by segment



## Creation segment



To create new lifestyle  
and business style  
through in-house  
developed services

- ☑ Contents service
- ☑ Business support service
- ☑ Others(Solar power generation)

## Solution segment



To propose additional  
value to clients through  
IT solution development

- ☑ System development and managed service
- ☑ Advertising agent service
- ☑ Others(Overseas)



## 2-1. Creation segment

## Major contents



"Women's diary"  
(Healthcare)



"Flea-ma.jp"  
(Flea market)



"BOOKSMART"  
(e-book)

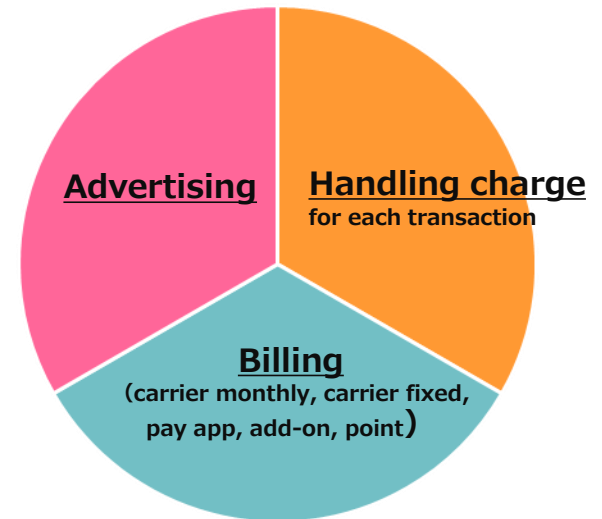


"ATIS Traffic info. service"  
(Traffic info.)



"Chokkoto game"  
(game portal)

## Business model



## Biz environment and progress of business plan

- Despite declining "carrier monthly" and "carrier fixed" market trends, profitable due to efficient operation
- "Women's diary", steady performance due to increasing concerns about health log management
- "Flea-ma.jp", enhanced usability by providing safety and comfortable transaction environment between individuals, revised handling charge and widen product line up
- "BOOKSMART", in strong but B-C competitive e-book market, focused on B-B-C and started (on 15<sup>th</sup> Nov. 2017) "BOOKSMART" at comprehensive café, "KAIKATSU CLUB" (362 shops in Japan)



## Business App

- Promoting sales as OEM software

Business messenger



IP-phone APP



## Traffic info. service

- Licensed to CATV, bus company and others. Stable sales results through stock model business
- Released vehicle dynamic management cloud "iGPS on NET Premium"

(25<sup>th</sup> Oct. 2017)

Vehicle dynamic management



## Kitting

- Inquires increased in enterprises' higher demands for out of the box ready mobile device using outsourcing service
- Released App vilification tool at OS update

 Certino

Kitting support tool

Smartphone App vilification tool

Kitting process management system

## Other services

IP voice series

Primus

Distance learning cloud



Reverse auction



Profair

Tourism cloud



Chat app



## Fish e-commerce

Flesh seafood delivery revolution using IT!



Metropolitan Central Wholesales Market Cooperative Association × Inaseri Co.,Ltd.

### strength of "Inaseri"

- MCWMCA's direct operation
- highest quality
- suitable for small to medium quantity of purchase

### service development



Joint press conference  
on June 2016  
Established  
Inaseri Co., Ltd.

Release service

Dec. 2016

Area expansion

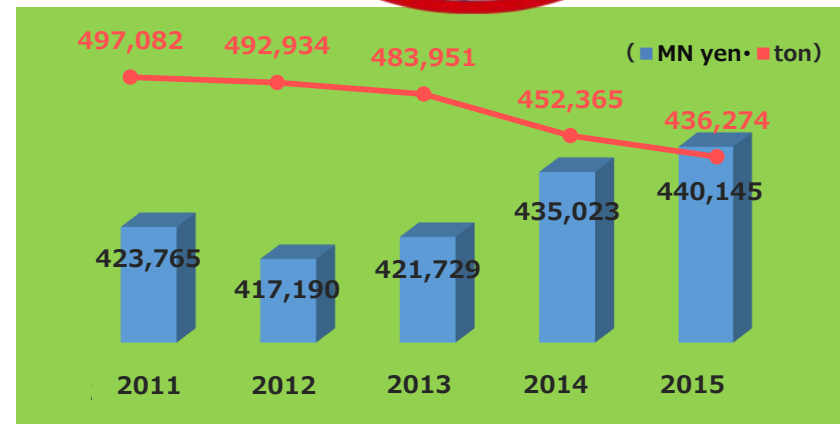
Sep. 2017

11th Oct. 2018  
Opening of Toyosu  
Fish Market



### market situation

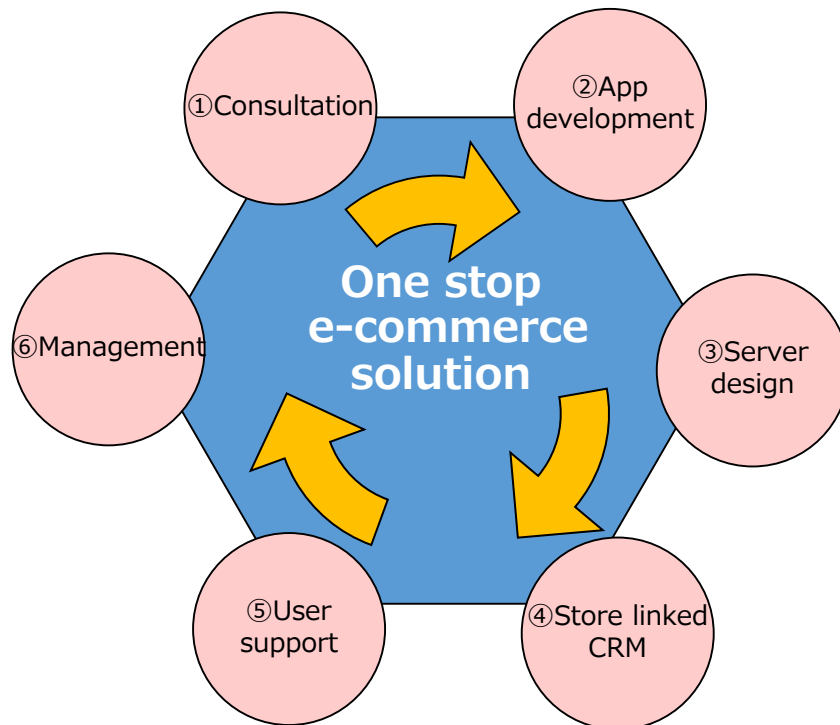
- While transaction volume is going down, gross billing is going up
- Increasing momentum to expand sales channel using IT



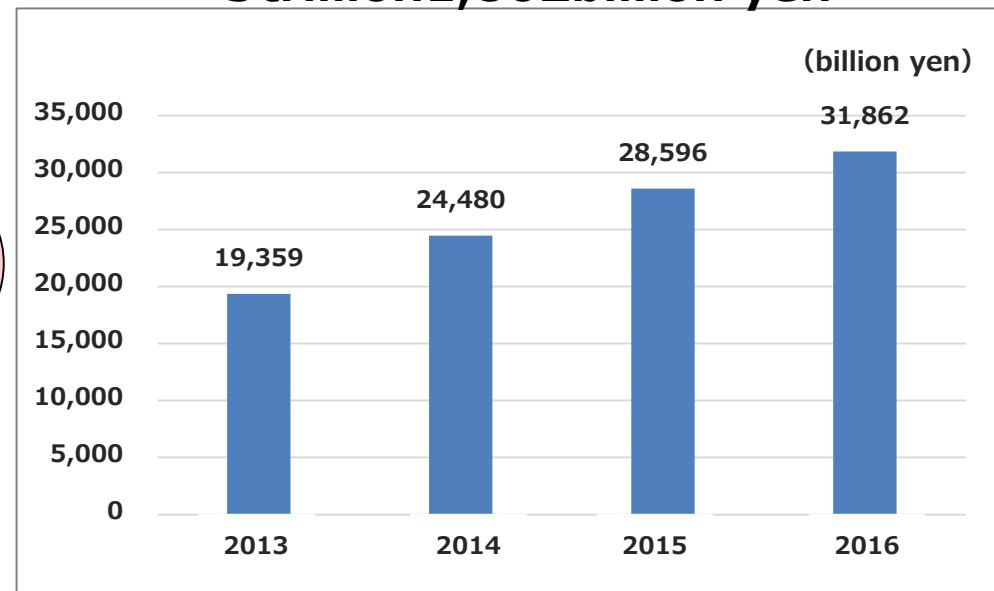
■ Total amount of money ■ Total volume of fish  
(handled by Tsukiji Market, Fish dept. )  
(based on Tsukiji Fish Market Overview Year2016 edition)

## e-commerce solution

- e-commerce industry is growing on the back of expanding smartphone penetration
- Focused on selling real-store linking e-commerce solution (consultant to operation)
- “Inaseri”(B-B) and “Flea-ma.jp”(C-C) contributes to sales of e-commerce solution



## mobile commerce market size 3trillion1,862billion yen

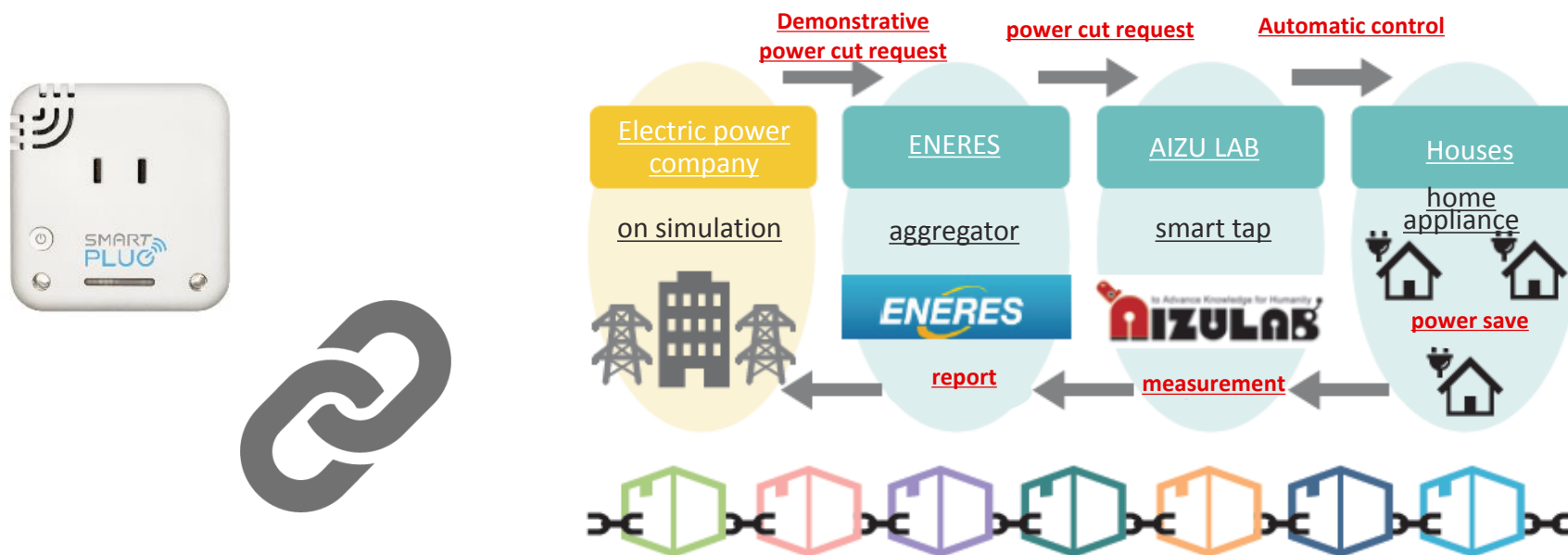


(Source : March 2017 Mobile Content Forum)

## Demonstration project

### Electricity transaction based on blockchain and “Smart Plug”

Proceeding “blockchain” and “Smart Plug”(developed by Aizu Lab.) demonstration project which was selected as “Renewable energy related technology evaluation research support project” (June 2017) , jointly with ENERES Co., Ltd. in Fukushima,



①set “Smart Plug”  
(developed by Aizu  
Lab) at houses in  
Fukushima prof.

②monitor electricity  
data recorded onto  
blockchain ledger

③experimental  
study on output  
suppression and  
cut control

④verify effectiveness  
of blockchain  
on electricity  
transaction



## Demonstration project



### Facility inspection by wired drone

Jointly developed drone wired with power supply which enables longer flight time(wired drone) with Aizu Univ. Continues joint evaluation including wind power plant inspection towards commercialization



## Solar power generation



### Started sales of electricity, generated by newly established facilities on school gyms

Opened new facilities on the roof top of two schools in Ube city, Yamaguchi pref., followed by "Higashikiwa solar power generation"(May 2015~) , and started sales(Dec 2017~).

Promoting local revitalization through knowledge education to students about renewable energy and global environment







## 2-2. Solution segment

## Business environment

Upward trends in IT investment by enterprises. Backed by work style reform, Olympic game and so on, demands for AI, IoT, security related service is increasing

## Services

Focusing on consigned development (from scratch)  
based on expertise in creation segment

UI·UX  
design

Game  
development

Consultation

App  
development

Design  
Movie  
produce

WEB  
design

Adverting  
agent  
service

User  
support

Debug

Server  
design

System  
management  
and audit

AI  
Chat-bot

Carrier  
payment  
system

## Cases

- Touch panel and POS register system
- Retouch software
- Aviation freight operation management system
- Health checkup system
- Second car management system
- Medicine manufacturer sales support system
- Sales support system
- Assessment system
- Smartphone payment system
- Quality management report system
- Line quality management・Product management system
- CRM for sales company
- Car accident management system for transportation company
- Smartphone POP system
- Nursery booking system
- Attendance management system for transportation



パートナーエージェント



“Otocon App”,  
marriage hunting App  
for Partner Agent.Inc



ふらんす堂



“Taka haikukai”  
Haiku App for France do

## In-store affiliate

### Business transfer (due date: end of Feb.2018)

#### **Business environment :**

Policy change by mobile phone shop operator based on administrative guidance, and competition with carrier

#### **Reason :**

To devote business resource on consigned development with good results, and to execute business strategy more speedy  
(Dec.2017)

#### **To :**

TELESTATION Co.Ltd.

[Business overview]

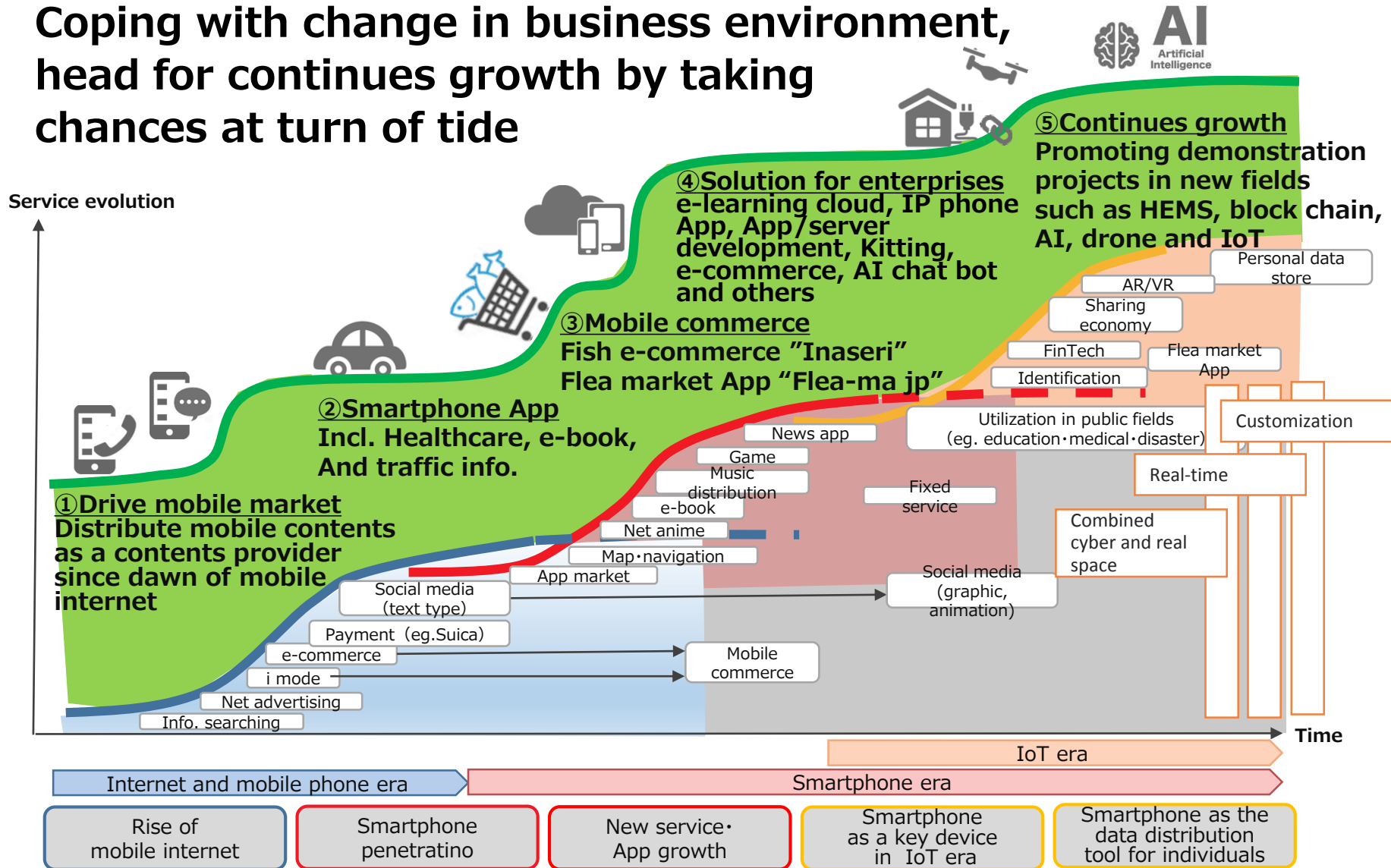
Mobile solution business, Internet media business, carrier business, carrier shop management, development·sales·distribution of mobile related goods

### To accelerate “Advertising ASP”!



### **3. Business strategy and forecast**

Coping with change in business environment,  
head for continues growth by taking  
chances at turn of tide



(Source : Based on "2017 MIC 「Research on present and future of smartphone economy」")

- **consolidated 10 companies**
- **non-consolidated 3 companies**



■ **and One Inc.**  
Development and sales  
Of IP-PBX "Primus" and  
VoIP engine "Primus SDK"



■ **Dive Co., Ltd.**  
■ **ARGOs Inc.**  
IVR and digital  
Promotion based on App



■ **4QUALIA Co., Ltd.**  
App development and  
system operation, and  
debug



■ **Inaseri Co., Ltd.**  
Operation of MCWMCA's  
Fresh Fish e-commerce  
"Inaser"



■ **Promote, Inc.**  
Development and sales  
of kitting support tool



■ **ATIS CORPORATION**  
Traffic info. service

■ **Enterise (Beijing) Information Technology Co., Ltd.**  
■ **Rice CZ (Beijing) information technology Co., Ltd.**  
■ **Rise MC (Beijing) Digital Information Technology Co., Ltd.**  
Sales of mobile device as a distributor



■ **Aizu Laboratory, Inc.**  
App/System development  
and demonstration projects  
in new tech. fields such as  
HEMS and drone

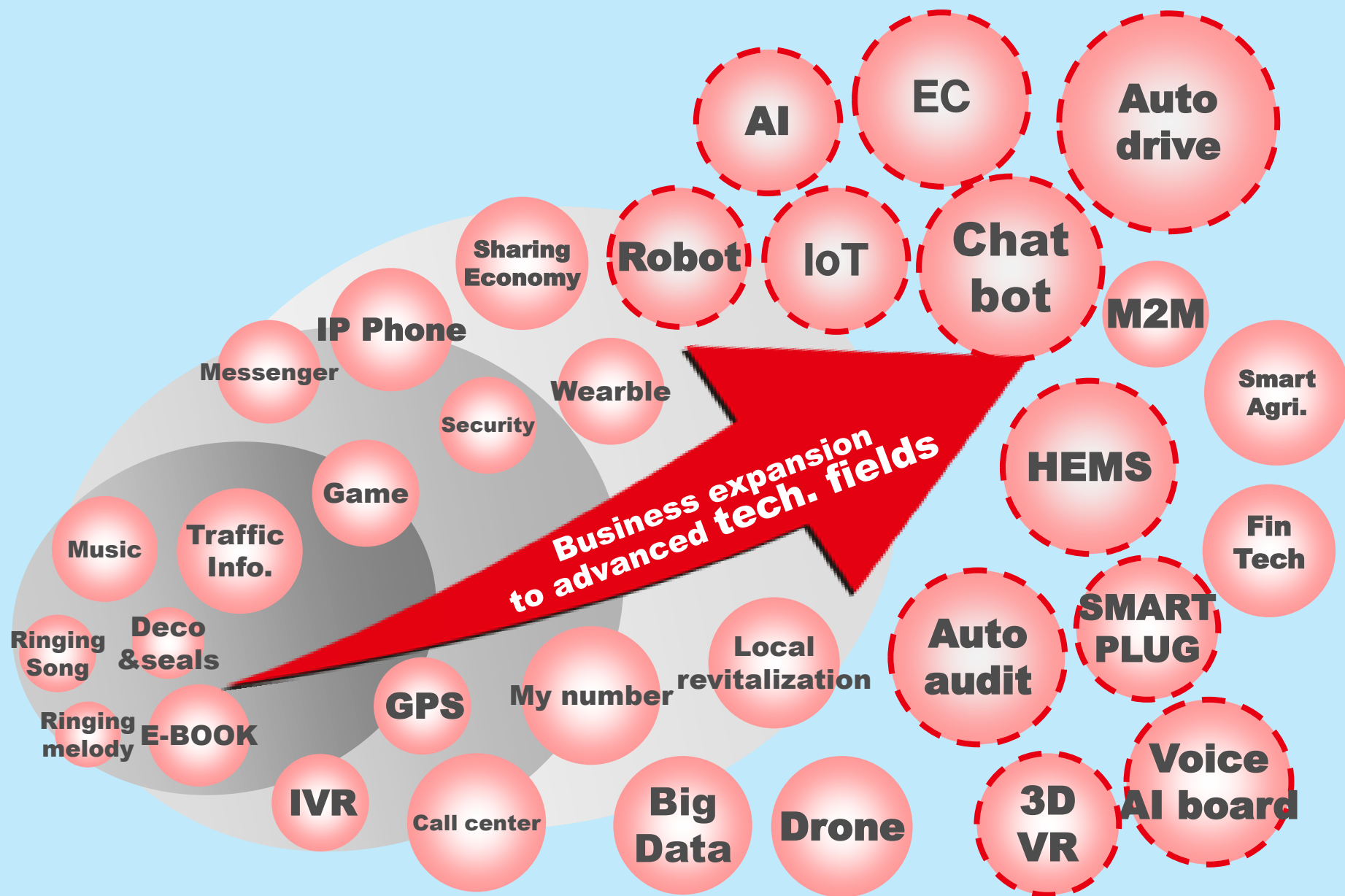


■ **NE YinRun Co., Ltd.**  
Contents operation



■ **Yamaguchi renewable energy factory Co., Ltd.**  
Solar power generation

Proceeding business strategy by making good use of  
management resource and maximize group synergy





# Consolidated forecast and progress

	FY2018 (forecast)	FY2017 (results)	YoY		First half (results)	(MN Yen)
			Difference	Growth rate		progress
S a l e s	4,770	4,838	▲ 68	▲ 1.4%	2,021	42.4%
Operating Profit	250	192	57	30.2%	84	33.6%
Ordinary profit	255	229	25	10.9%	111	43.7%
Net profit attributable to the parent company	105	99	5	5.5%	45	43.7%

**Good progress to the business forecast.**

**The company will accelerate plans to increase sales and profit both in “Creation segment” and “Solution segment”, towards last half with FY end demands in March a period**



日本エンタ

検索

<http://www.nihon-e.co.jp/>

※View and forecast contained in this document are based on our assessment at the time of document issuance, and accuracy of the information is not guaranteed. Please note that actual outcomes and results may differ materially from the information due to any changes caused by various factors.  
※In this document there are some rounding variances happen less than hundred thousand.

