

Nihon Enterprise Co., Ltd.

Presentation material for FY2014, ended 31st May



As of July 2014





Summary of earnings results 【 FY2014 】



Operating review 【 Contents service business 】



Operating review 【 Solution business 】



Outlook for FY2015 【 Earnings forecast 】

Content service business

- Contents lineup for “carriers’ fixed rate services” increased
- Shifted from feature phone to smartphone in monthly charged contents service
- Established a subsidiary, “ HighLab Co., Ltd.” Its main business is developing and distributing native Apps
- Distribution channels in China expanded by making popular novels into e-comics

Solution business

- In-store affiliate^(*) business achieved V shaped turnaround owing to the measures to increase sales revenue
- Order entries (including development of Smartphone Apps) from corporate customers increased
- Reverse auction service, “Profair”, accelerated
- Sales of mobile handsets was influenced by carrier’s (in China) policy change

Others

- Listed as the first section of Tokyo Stock Exchange on the 28th February 2014

※performance based contents sales through the alliances with cell phone distributors (real affiliate).

Financial briefing - summary of consolidated income statements

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	Percentage
S a l e s	4,134	4,508	374	9.1%
C O G S	2,235	2,315	79	3.6%
G r o s s P r o f i t	1,898	2,193	294	15.5%
S G & A	1,526	1,857	331	21.7%
Operating Profit	372	335	▲36	▲9.9%
Non-operating profit	23	24	0	2.2%
Non-operating expense	4	19	15	334.4%
Ordinary profit	391	340	▲51	▲13.1%
Extraordinary profit	354	516	162	45.7%
Extraordinary loss	46	23	▲22	▲48.3%
P r e - t a x p r o f i t	699	833	133	19.0%
Total amount of corporation tax and others	322	361	38	12.1%
Income before minority i n t e r e s t	377	472	94	24.9%
Minority interests in net p r o f i t	22	35	12	53.1%
N e t p r o f i t	354	437	82	23.1%

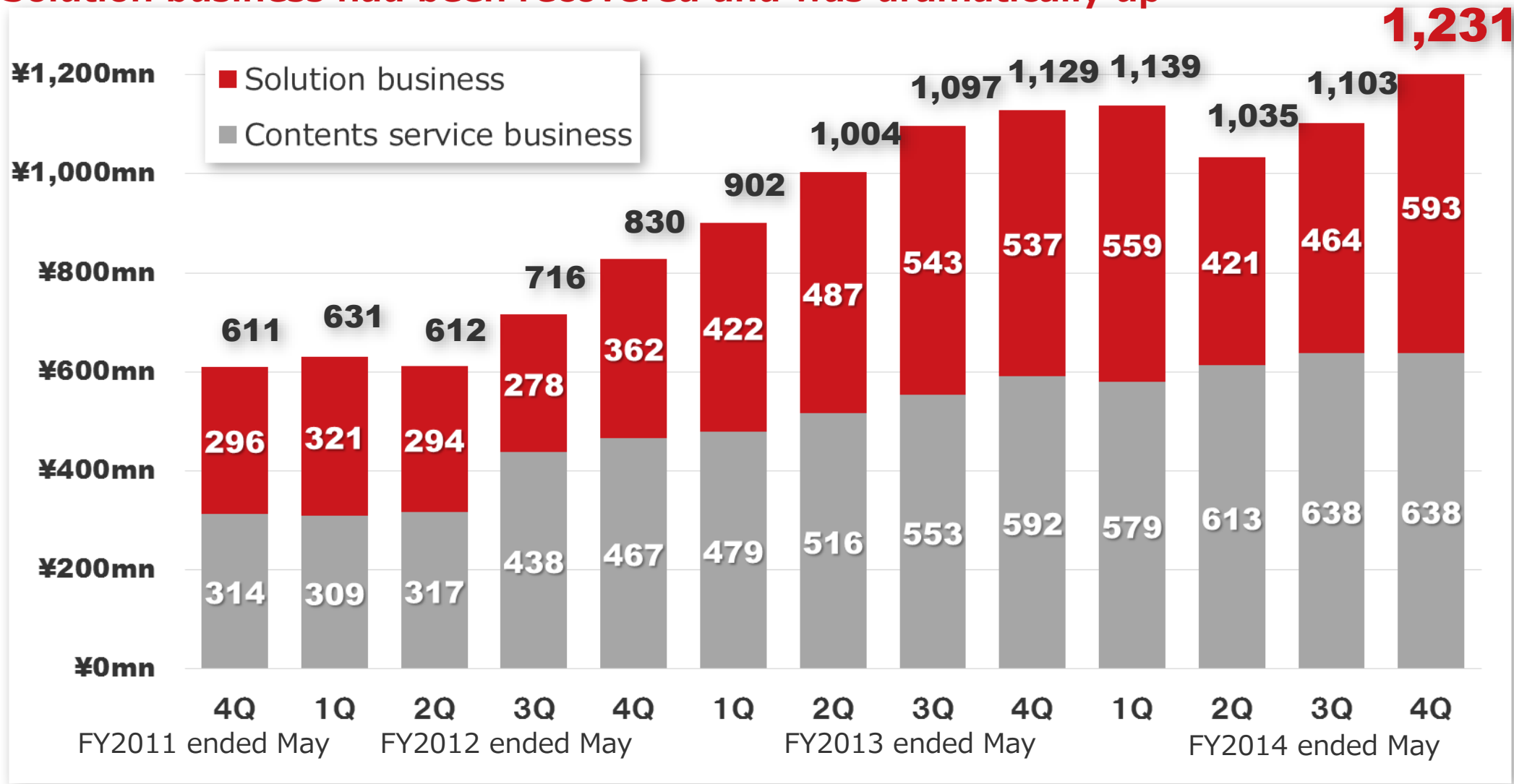
■ Sales of both content service business and solution business increased

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	percentage
Contents service b u s i n e s s	2,142	2,469	327	15.3%
Solution business	1,991	2,039	47	2.4%
T o t a l	4,134	4,508	374	9.1%

Financial briefing – YY and QQ sales by business segments

- Content service business was strongly up
Solution business had been recovered and was dramatically up

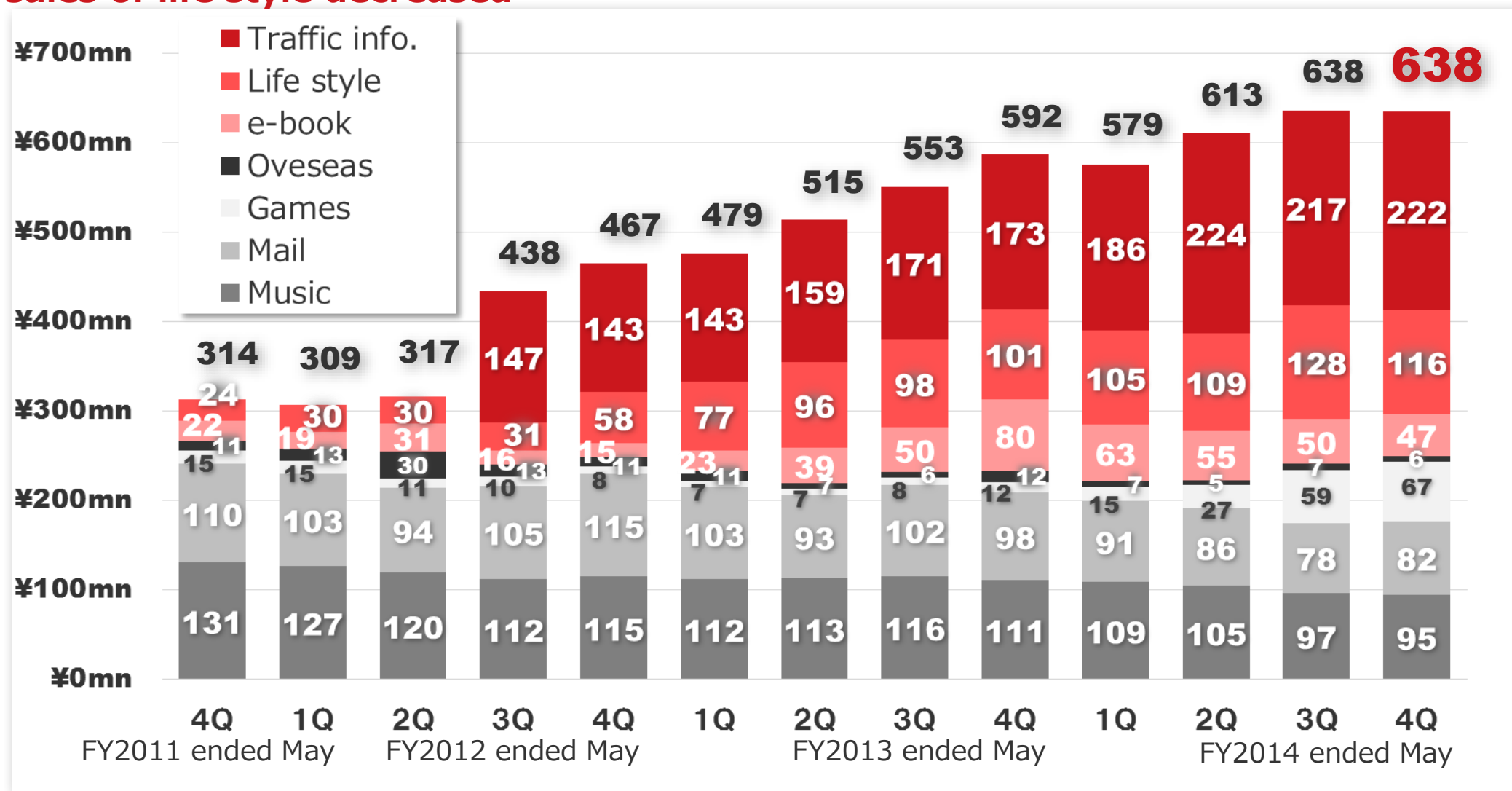


■ Traffic information and games increase, mail and music decreased

(Million yen)

	FY2013 ended May	FY2014 ended May	YY	
			Sum	percentage
Traffic Info.	648	850	202	31.2%
Life style	374	459	84	22.7%
E - B o o k	193	216	22	11.6%
O v e r s e a s	38	27	▲11	▲29.4%
G a m e s	35	169	133	373.0%
M a i l	397	339	▲58	▲14.7%
M u s i c	454	407	▲46	▲10.2%
T o t a l	2,142	2,469	327	15.3%

- While quarter on quarter sales of games and traffic information increased, sales of life style decreased

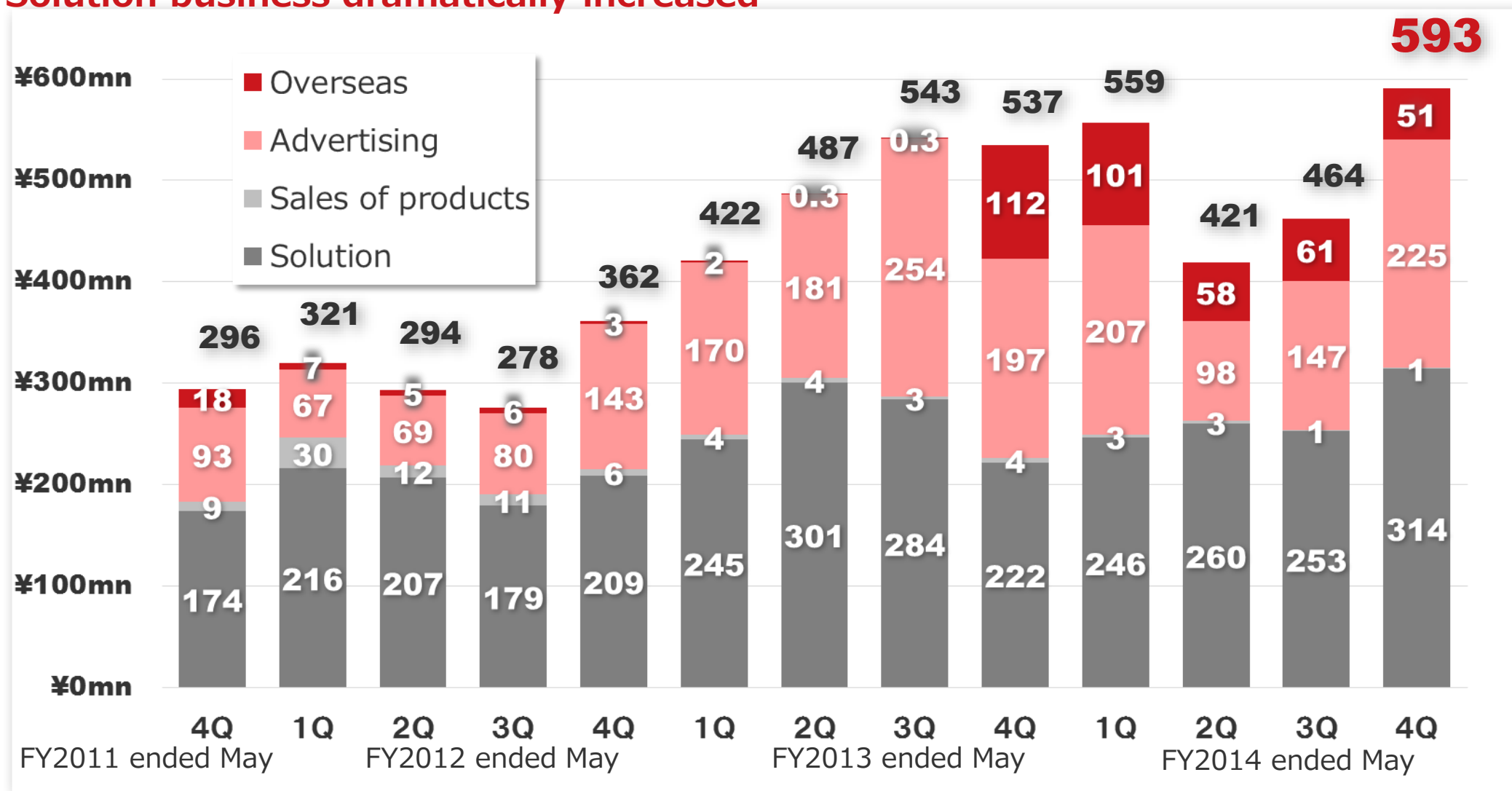


■ Higher sales in Overseas (China) business , lower sales in advertising business

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	percentage
O v e r s e a s	115	273	158	136.6%
A d v e r t i s i n g b u s i n e s s	803	679	▲124	▲15.5%
S a l e s o f p r o d u c t s	17	10	▲7	▲41.0%
S o l u t i o n	1,054	1,075	21	2.0%
T o t a l	1,991	2,039	47	2.4%

- Advertising business achieved v-shaped turnaround, Solution business dramatically increased



■ **COGS** : COGS ratio improved through increase in sales of contents service for “carriers’ fixed rate services” with high profitability

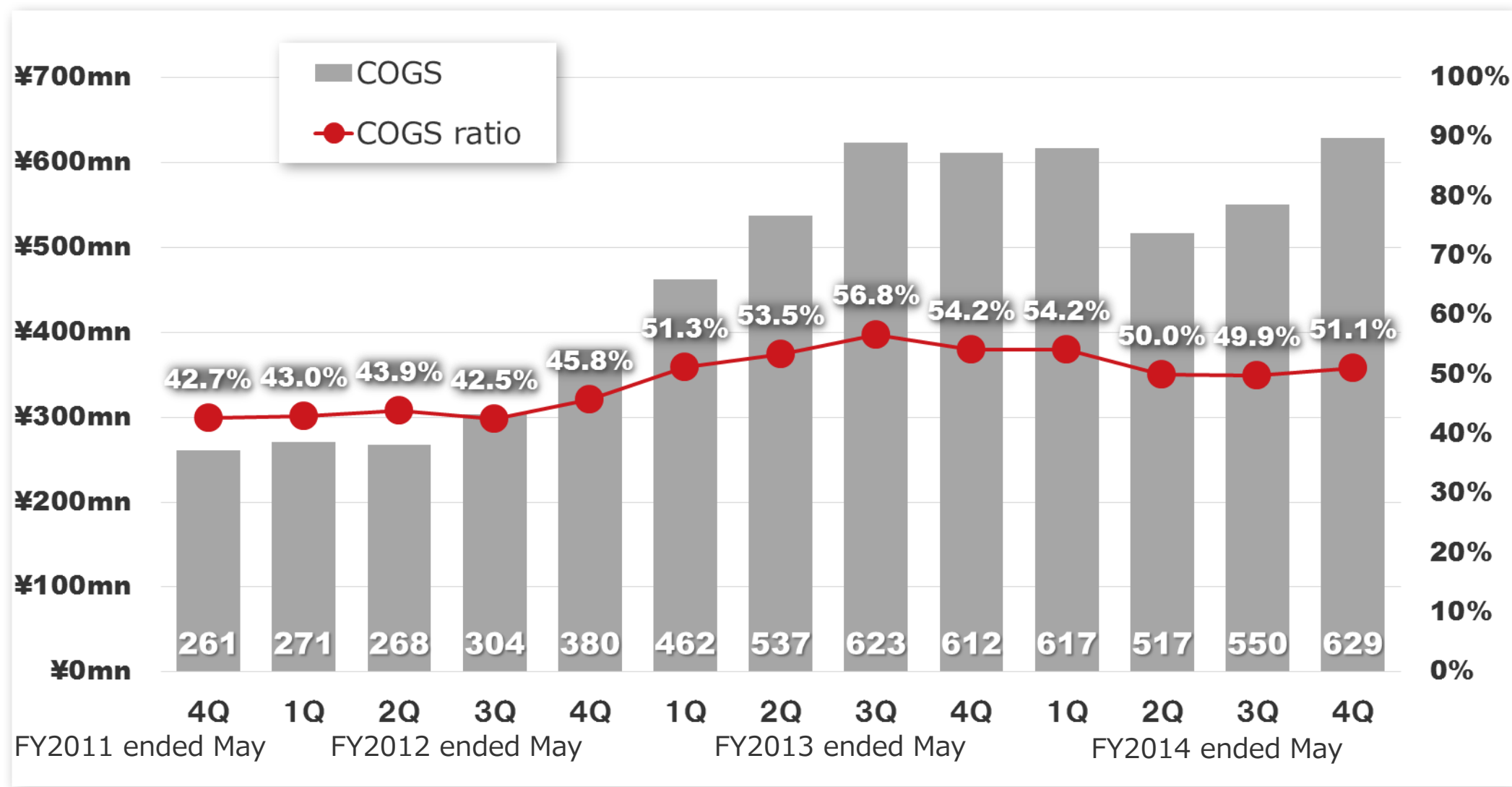
SGA : Positive investment in advertising expenses (content service business), and mobile handset shops in China (human cost, cost of equipment and others)

(Million yen)

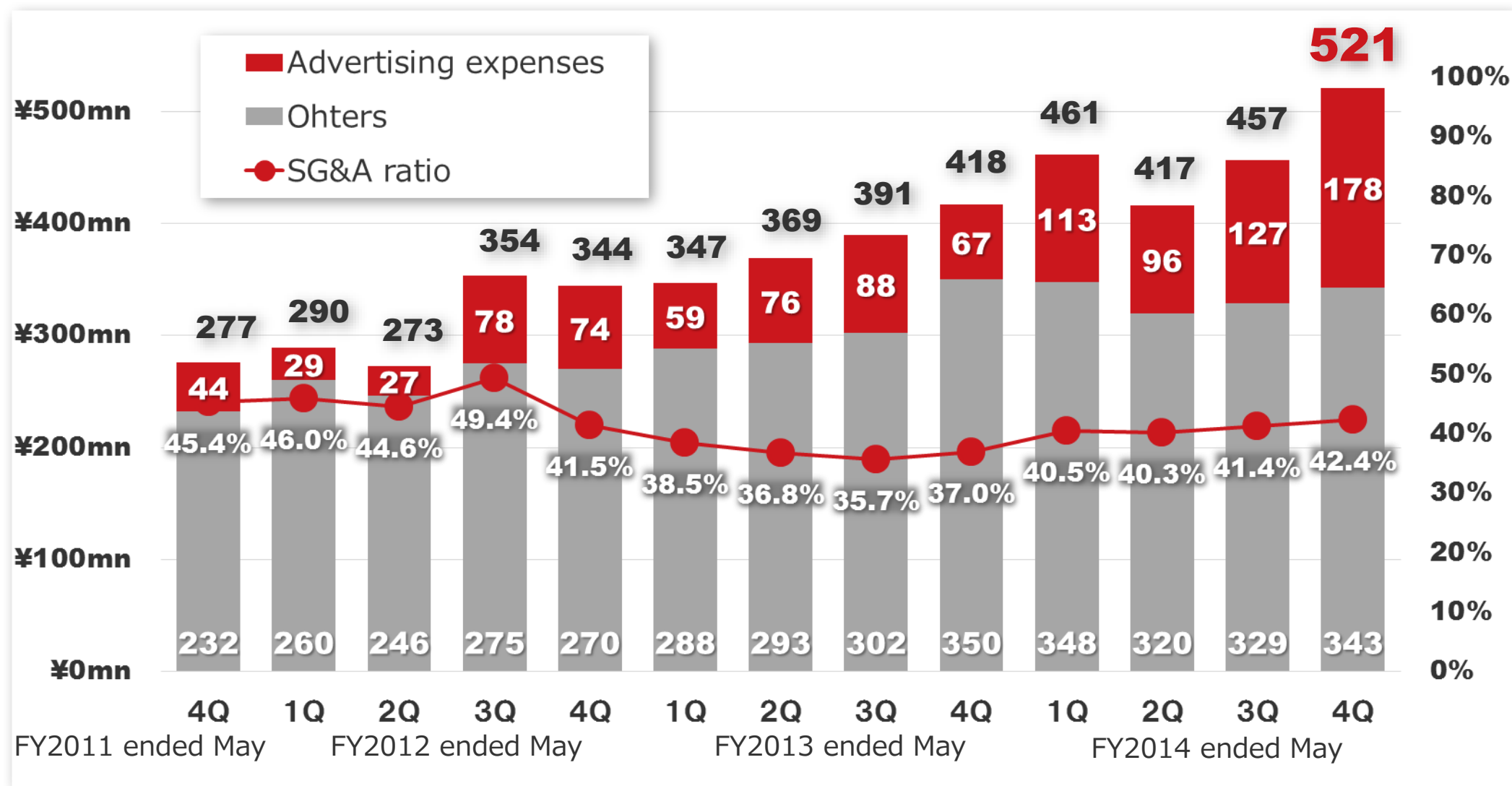
	FY2013 ended May	FY2015 ended May	YY change	
			Sum	Percentage
C O G S	2,235	2,315	79	3.6%
COGS ratio	54.1%	51.4%	—	—

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	Percentage
(advertising e x p e n s e)	292	515	223	76.5%
(O t h e r s)	1,233	1,342	108	8.8%
S G & A	1,526	1,857	331	21.7%
SG&A ratio	36.9%	41.2%	—	—

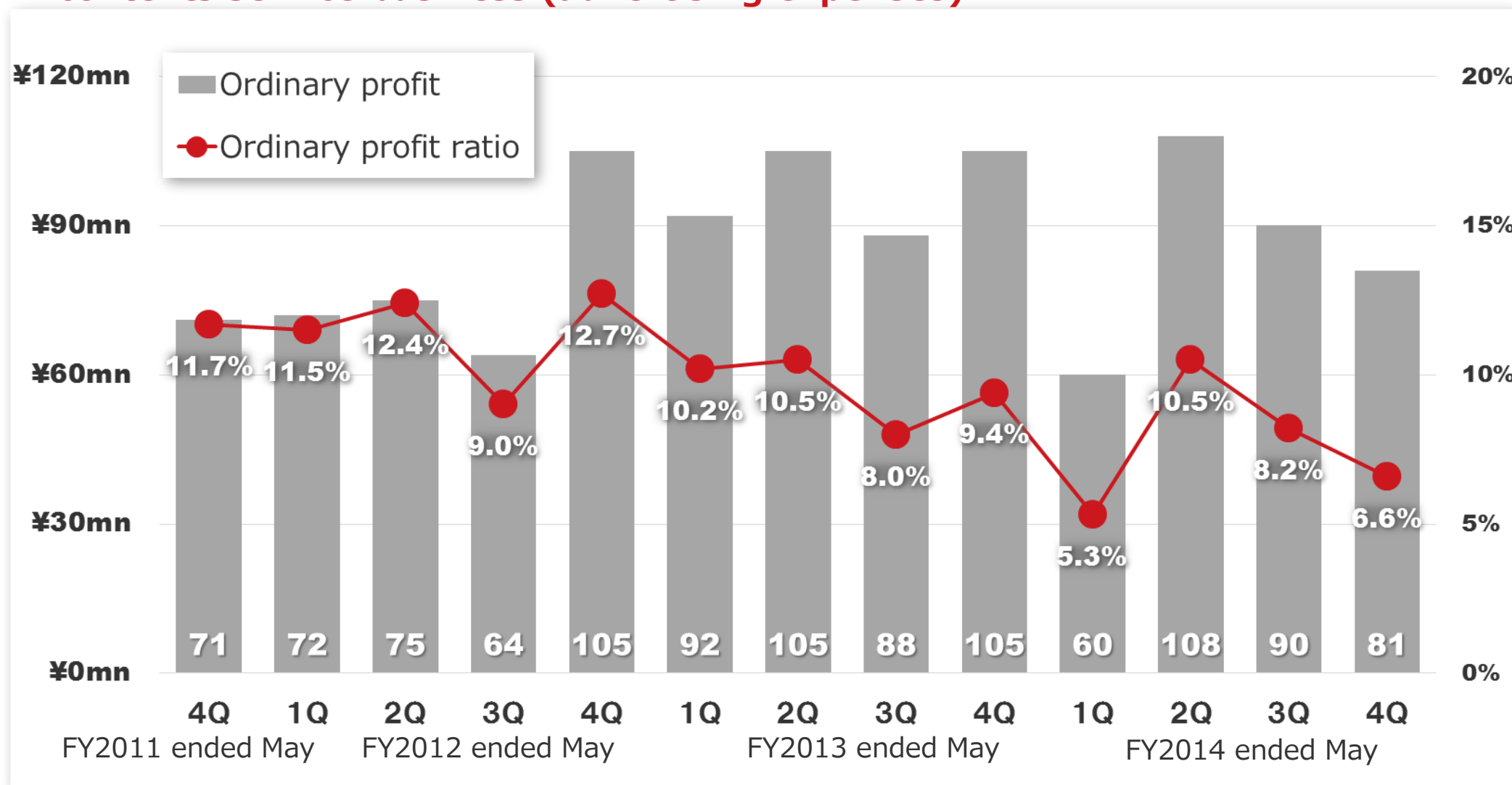
■ COGS ratio rose by increase in sales of solution business (advertising business·solution)



■ Positive investment in advertising expenses, contents service business



- Quarter on quarter ordinary profit decreased, caused by positive investment in contents service business (advertising expenses)





Summary of earnings results 【 FY2014 】



Operating review 【 Contents service business 】

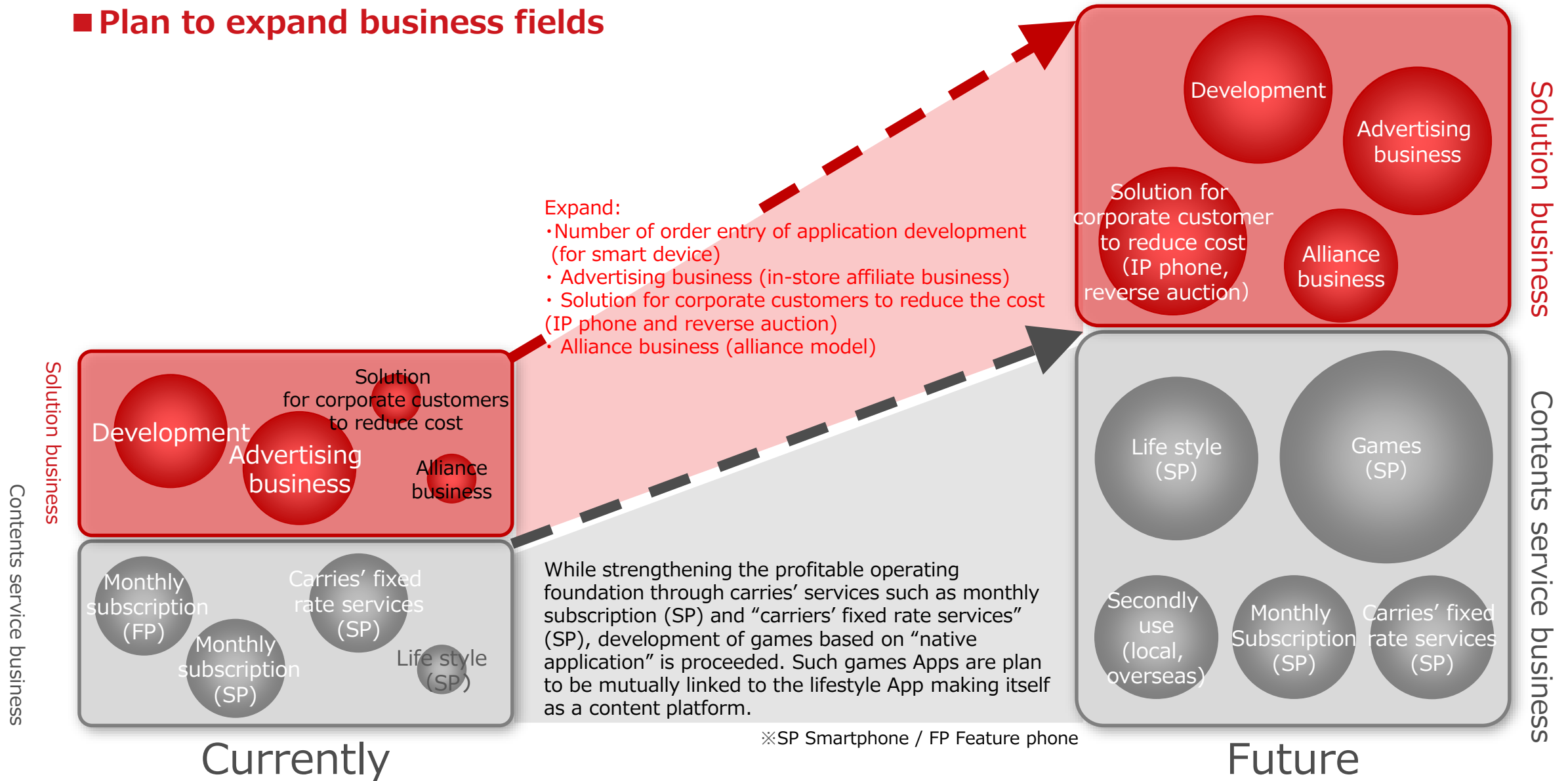


Operating review 【 Solution business 】

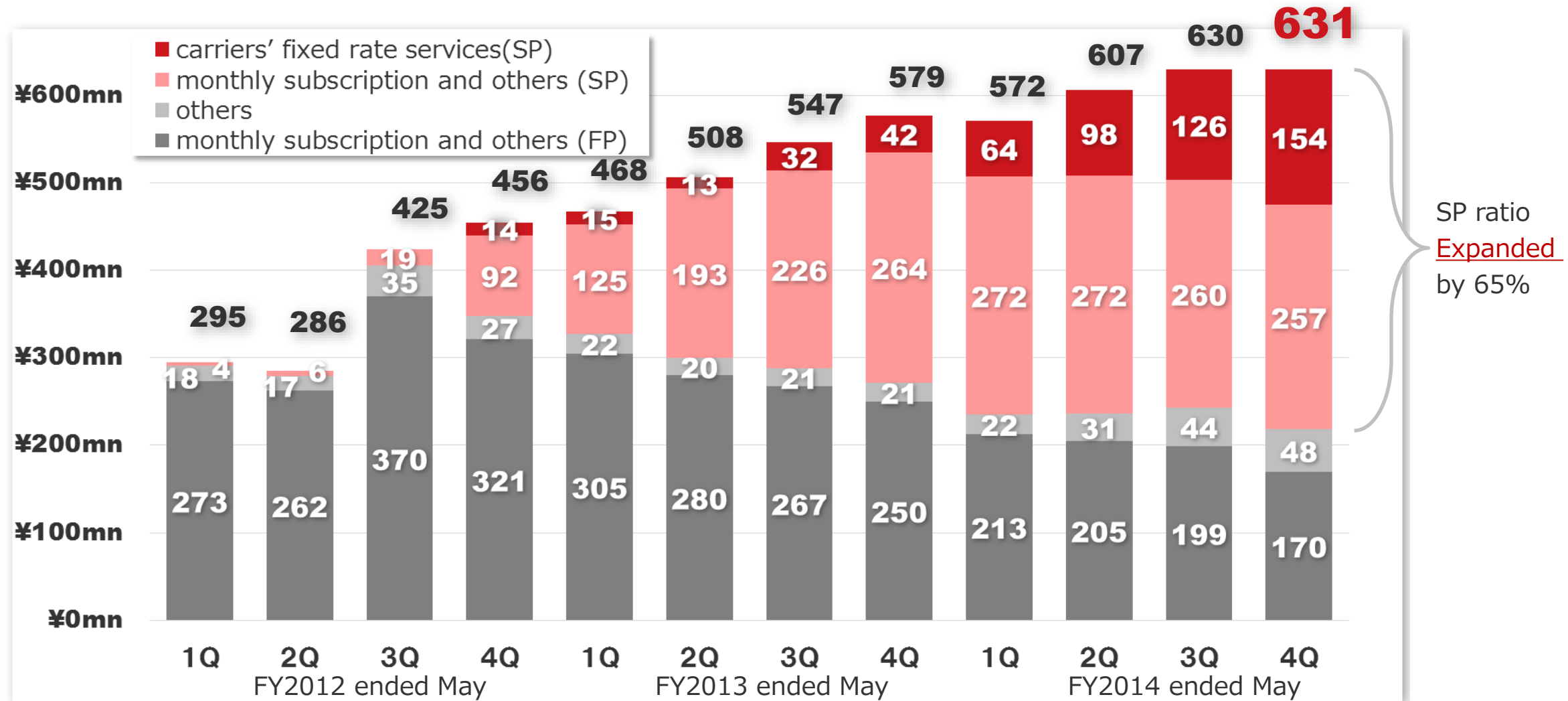


Outlook for FY2015 【 Earnings forecast 】

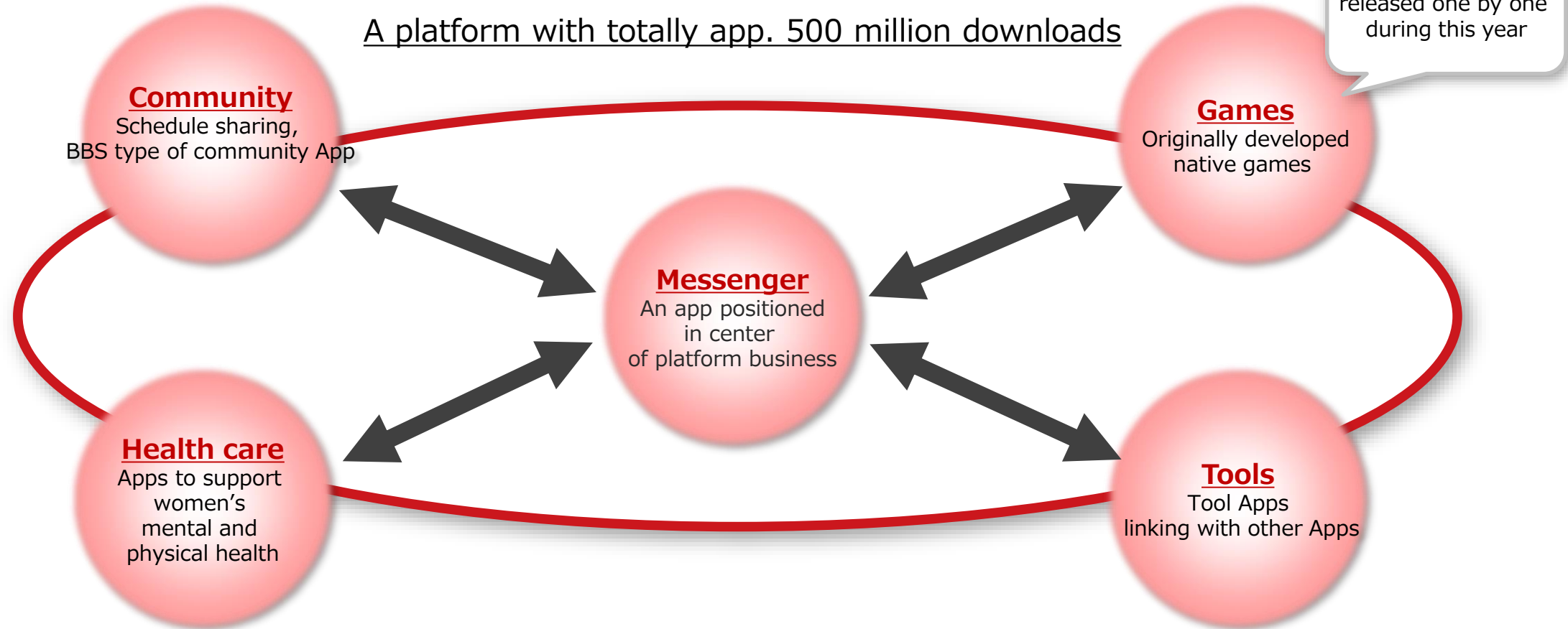
■ Plan to expand business fields



- Continuous higher earnings through increase in both the number of subscribers and the volume of contents in “carriers’ fixed rate services”



■ Strategic business plan



- Plan to release games, based on native application, with smash hits
- Plan to produce a global contents platform originated from Japan

■ Key native Apps



App to support women's
mental and physical health
"Woman's DIARY"



Messenger App
"Fivtalk"



New type of social
App
"Commukara"

コミュカラ



コミュを中心にメンバーと
情報交換・楽しく会話♪

■ Examples of secondly use



Woman's DIARY



A Walk in the Clouds



A Space Odyssey



XL Axiata

XL Axiata
The second major mobile carrier in Indonesia
(subscribers: 7,000 million)

"AppSeru" (service allows subscriber to use Apps as many as one likes)

Plan to distribute localized Apps on variety of platforms in each countries

"AppSeru" is the service provided by XL Axiata, the second major mobile carrier in Indonesia, which allows subscriber to use Apps as many as one likes. Currently approximately 100 Apps including games are distributed.

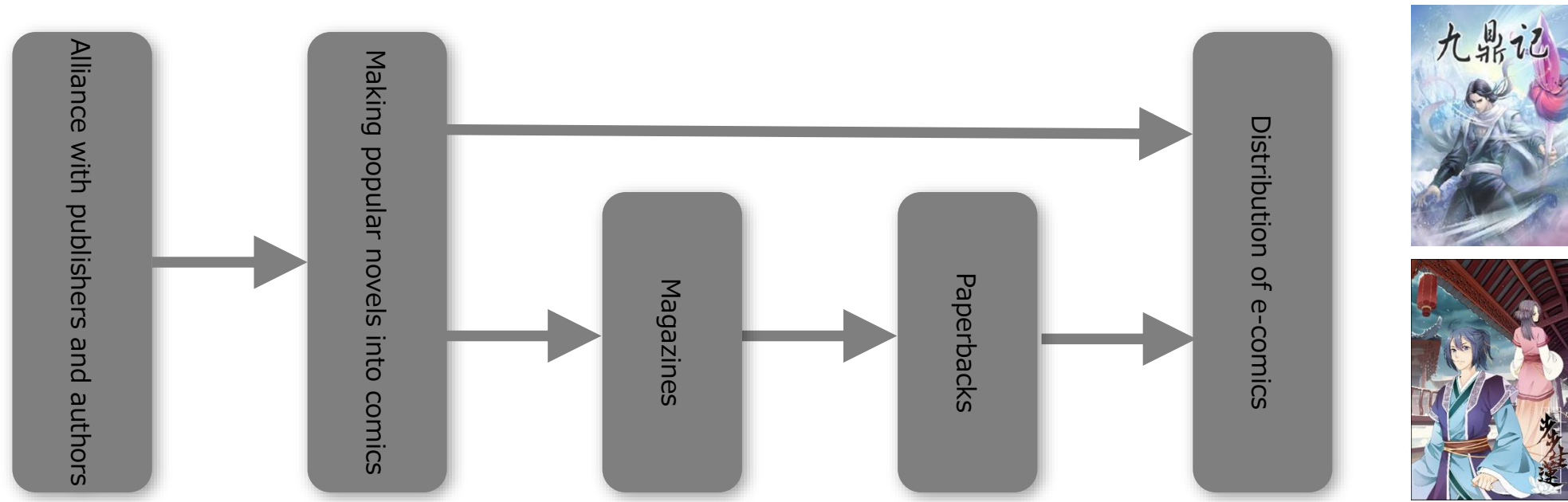


LINE Creators Stamp

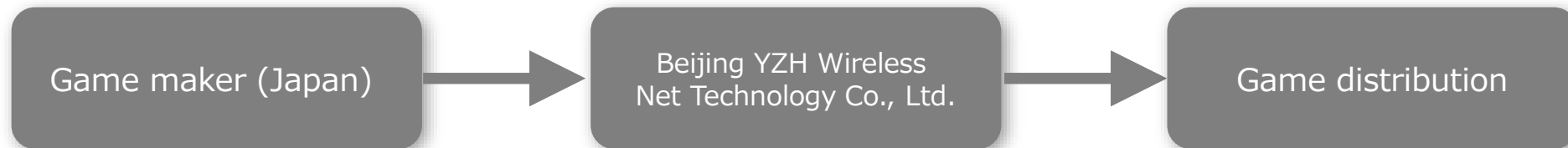
LINE Creators Stamp is the service provided by LINE and total sales rose to 150 million yen.
Average of revenue share for top creators amounts 470 million yen per stamp
* one month period from 8th May to 7th June
source: LINE Corporation

How to access:
The stamp can be searched by the character name at "stamp shop" in LINE App or at "Creators Stamp" in "LINE STORE"

■ e-books: Plan to strengthen the business model making popular novels into comics



■ Games : Plan to localize and distribute games in China





Summary of earnings results 【 FY2014 】



Operating review 【 Contents service business 】

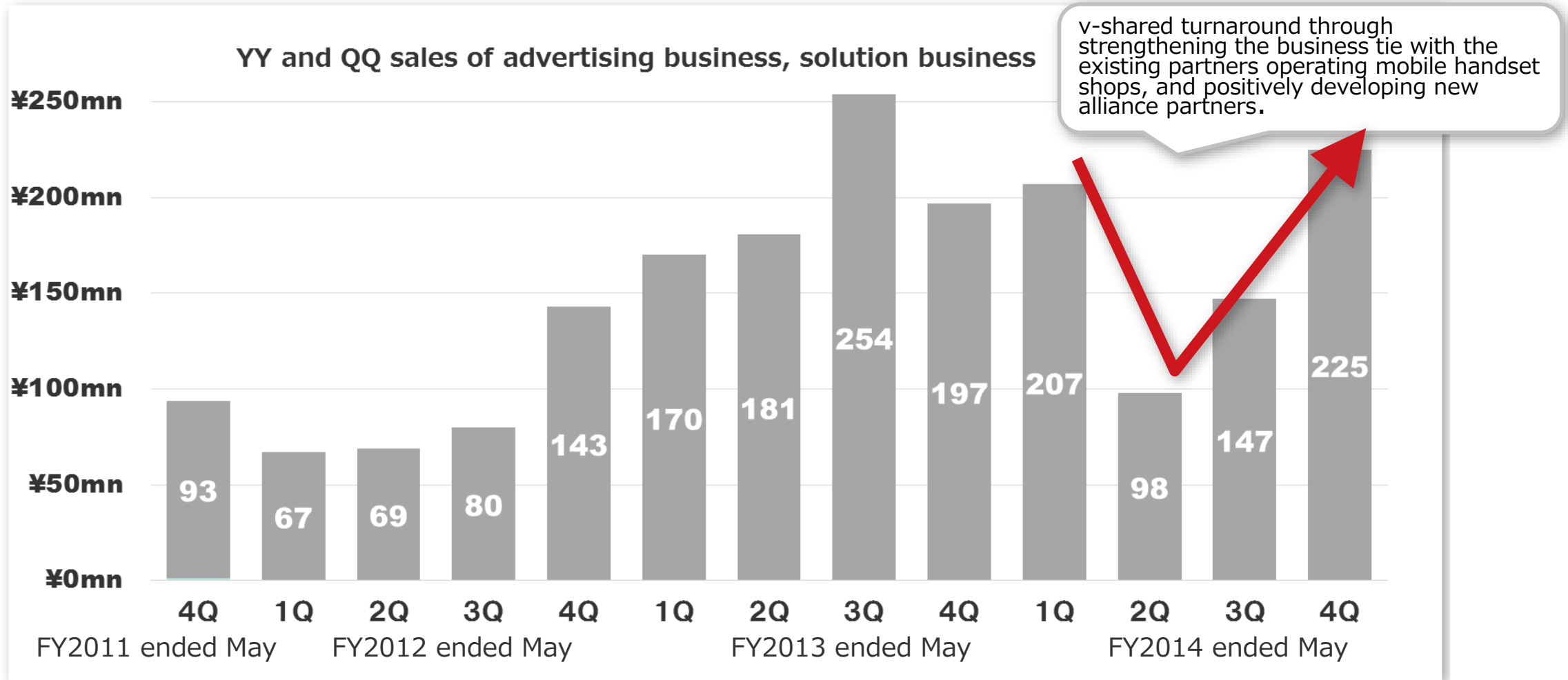


Operating review 【 Solution business 】



Outlook for FY2015 【 Earnings forecast 】

■ Archived V-shaped turnaround in advertising business (in-store affiliate)



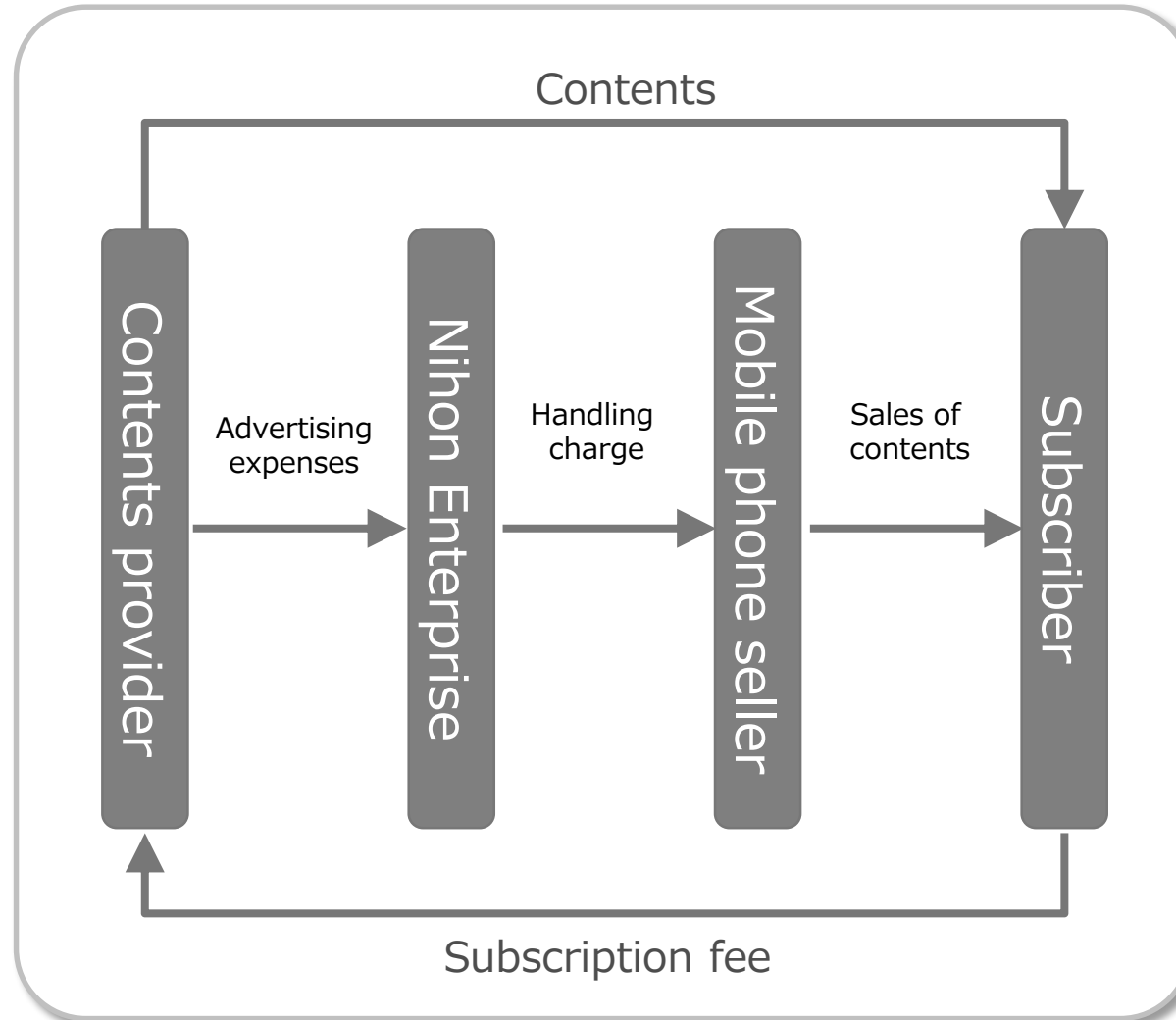
■ Advertising business (In-store affiliate) expanded

Contents provider (advertiser)

Plan Strengthen sales activities
(plan to increase unit
price of advertising)

Mobile handset seller (alliance partner)

Plan to support sales activities
(to rise the rate of subscribers who subscribe
the contents sold a longer period
and to increase the number of subscribers)



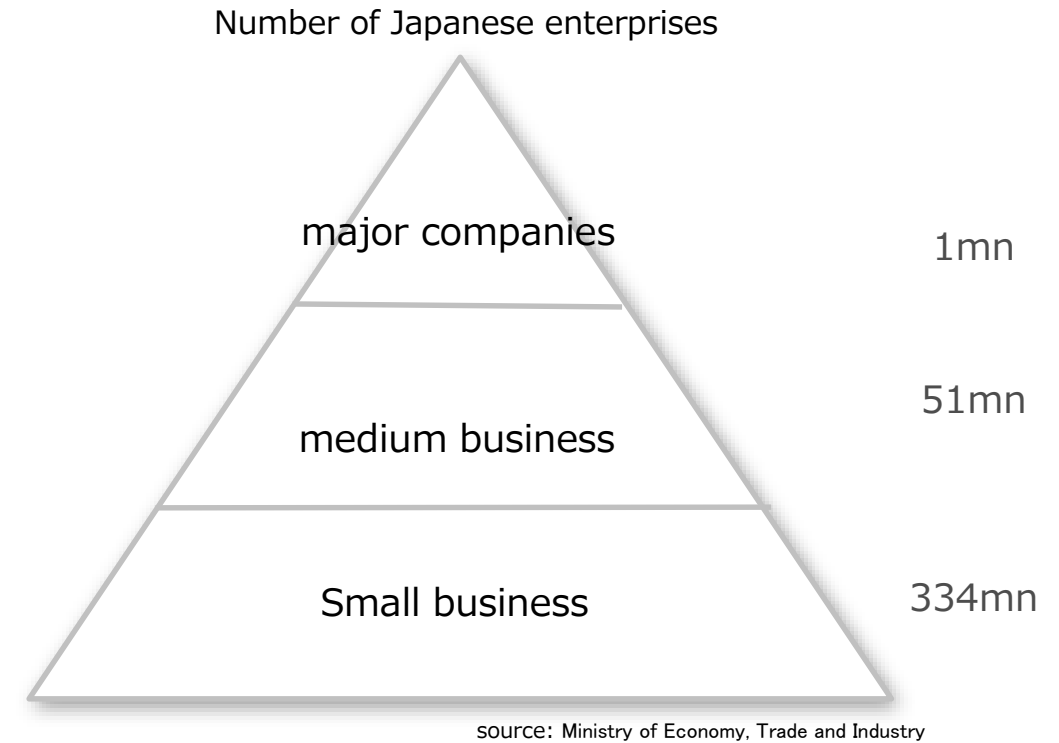
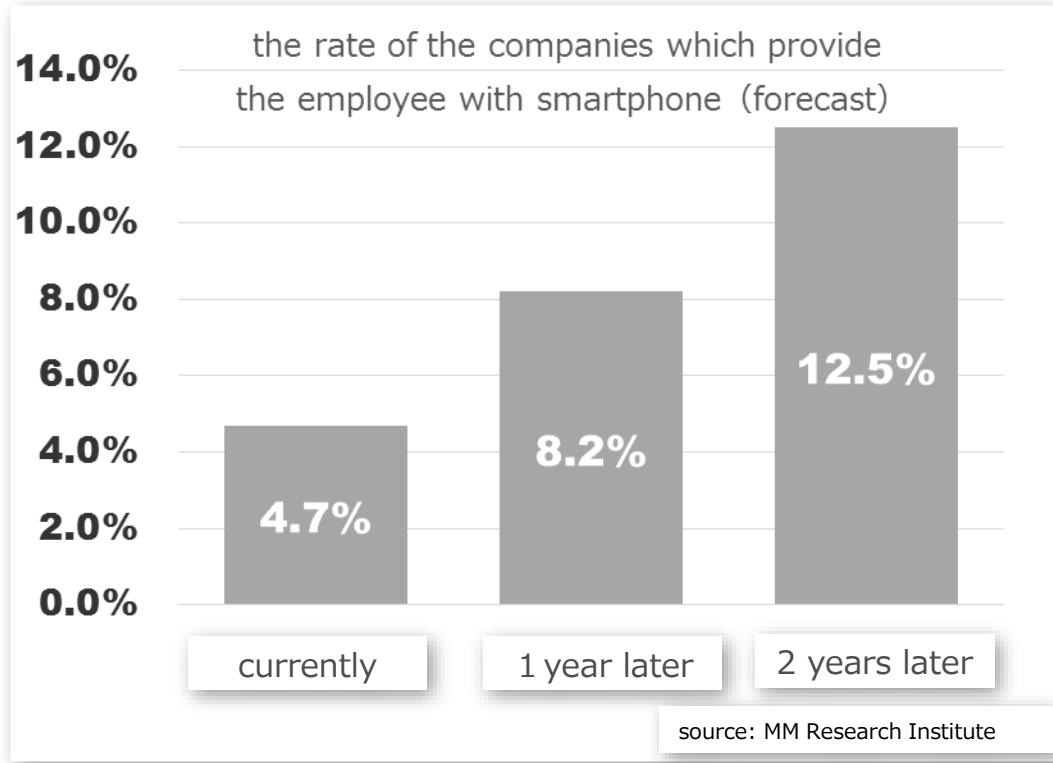
Mobile handsets seller mobiles shops (existing alliance partner)

Plan to strengthen business
tie with existing partners and
to increase the number of
mobile handset shops dealing
with in-store affiliate

Mobile seller operating mobiles shops (new alliance partner)

Plan to develop positively
new alliance partners

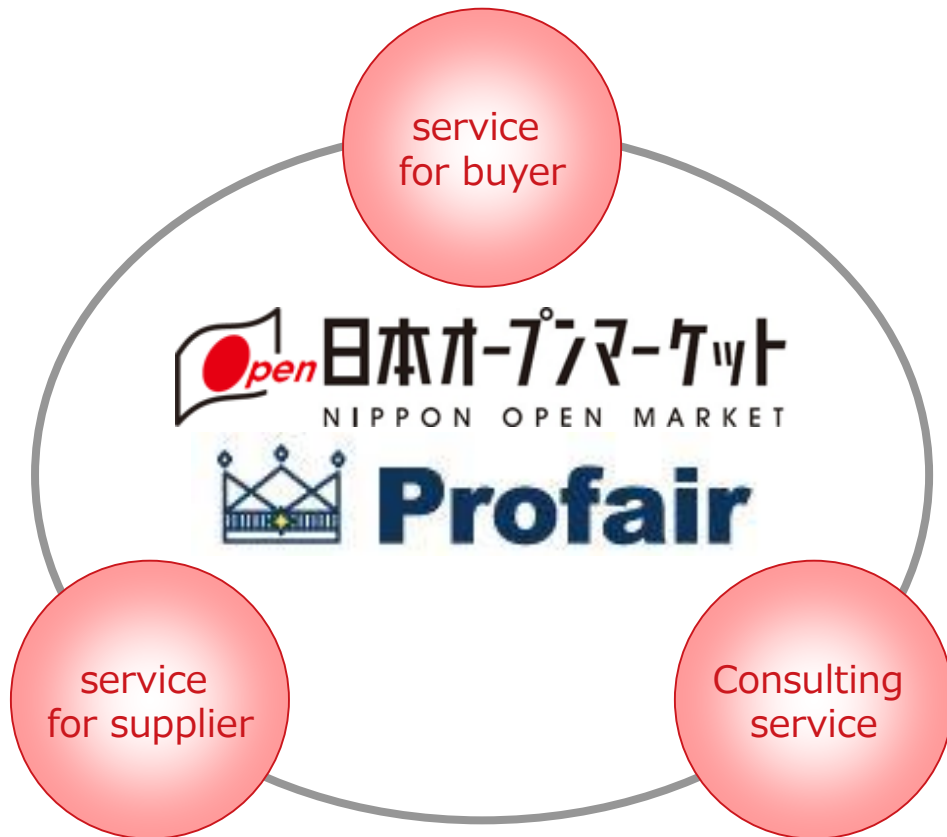
■ Plan to release a communication service utilizing highly qualified softphone for corporate customers



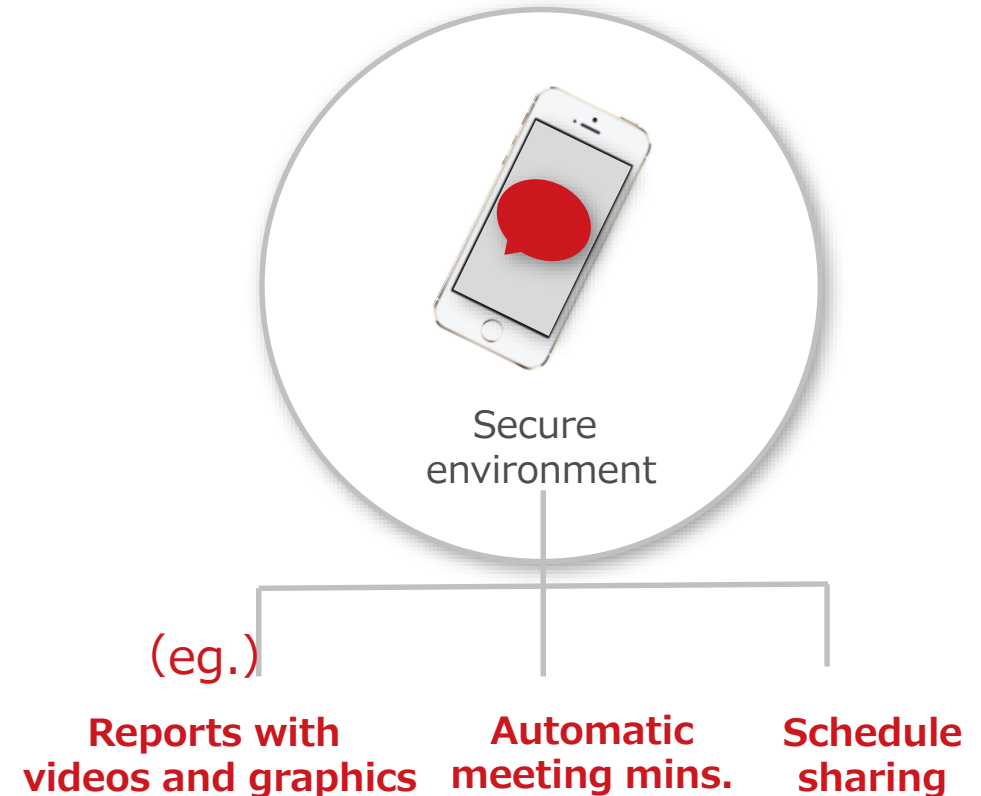
**Corporate use of softphones in business is gradually penetrated.
Plan to provide softphone services to help cost reduction with SMB**

■ Plan to expand reverse auction business

■ Plan to release messenger for business use

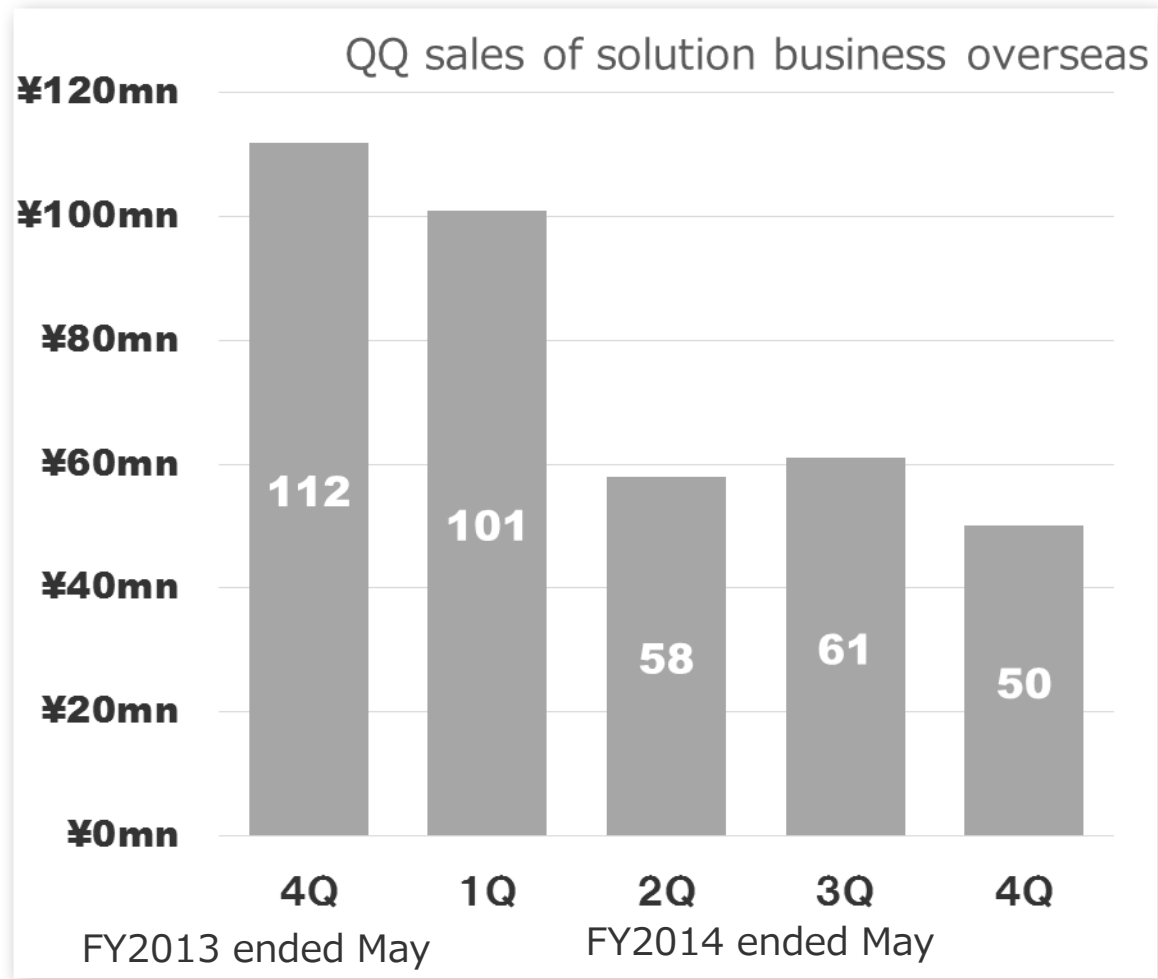


Plan to strengthen sales activities
both to buyer and supplier
for more active transactions of the auction



Highly secure messenger
for corporate use.
Customization for each client is available

■ Mobile shop (China Telecom)



China Telecom
東方路店

China Telecom
黄金城道店

Plan to establish profitable business structure which is not influenced by carrier's policy change

- sales activities to major enterprises (not in shop)
- plan to sell mobile accessories
- fully managed cost saving
- effective assignments of human resource



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Operating review 【 Solution business 】



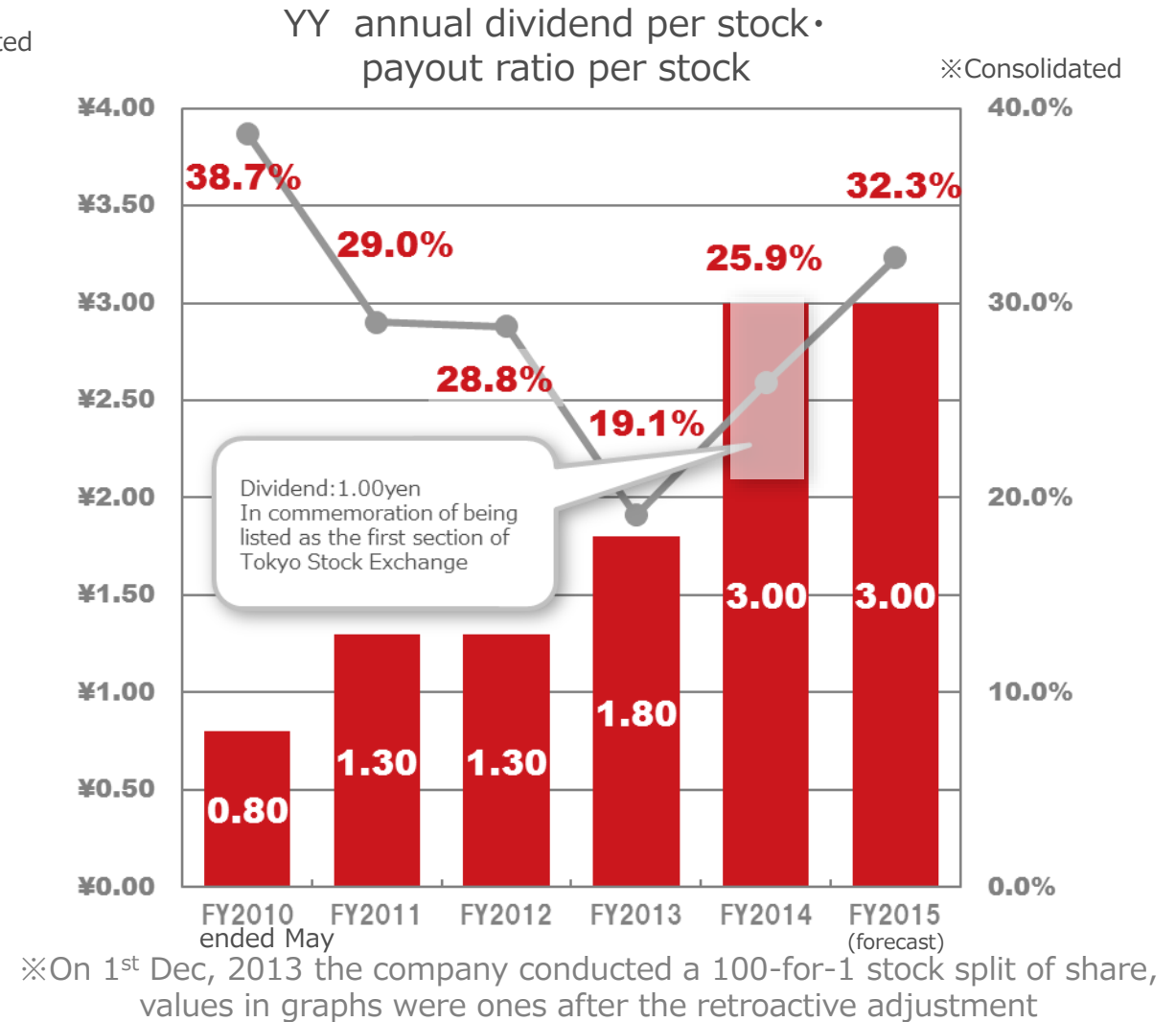
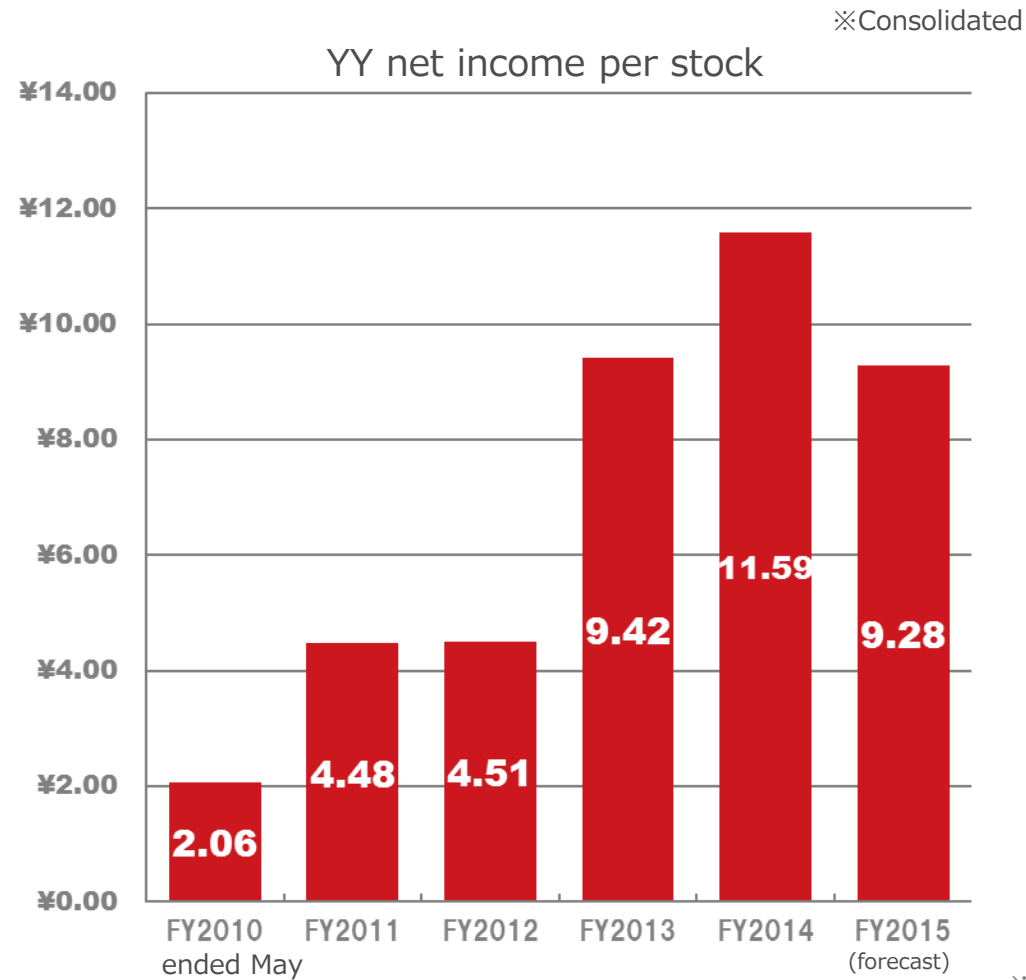
Outlook for FY2015 【 Earnings forecast 】

■ Consolidated earnings forecast

(Million yen)

	FY2014 ended May	FY2015 ended May (forecast)	YY Change	
			Sum	Percentage
S a l e s	4,508	5,210	701	15.6%
Sales profit	335	415	79	23.7%
Ordinary profit	340	430	89	26.4%
N e t s a l e s	437	350	▲87	▲19.9%

■ Dividend payout ratio



Nippon Enterprise group promises to bring happiness and touching experience to all the customers through our contents service business

Statements made in this presentation with respect to Nihon Enterprise's current plans, estimates, strategies and other information which is not historical data are forward-looking statements about the future business performance. These future business performance are based upon our sales activities and business operations, various occurrences and conditions which include "conviction," "expectations," "plans," "strategies," "outlook," "forecasts," and "possibilities" but are not limited to these factors. They may also include information regarding forecasts communicated both verbally and in written form, and published widely in other forms of media. These statements are based upon the decisions of management using the most through information available at the time of their creation. And because our actual earnings results may differ largely from our earnings estimates due to various important factors, we strongly recommend that viewers of this document should not rely solely upon this document and seek out other available sources of information in assessing our Company.

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