Consolidated Financial Results for the Fiscal Year May 2013
(Japanese Accounting Standards)

July 9, 2013

Company Name: Nihon Enterprise Co., Ltd. Stock Listing: Tokyo Stock Exchange
Stock Code: 4829 URL: http://www.nihon-e.co.jp/en/
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Date of Regular Ordinary Meeting of Shareholders (Planned): August 23, 2013
Date of Dividend Payment (Planned): August 26, 2013
Date of Financial Statement Filing (Planned): August 23, 2013
Availability of Presentation Materials Supplementary to Financial Results: Yes
Financial Results Presentation Meeting: Yes (For institutional investors and analysts)

(Figures of less than one million yen are rounded down to the nearest decimal.)

1. Consolidated Financial Results for the Fiscal Year May 2013 (June 1, 2012–May 31, 2013)

(1) Consolidated Operating Results (% figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2013	4,134	48.1	372	22.4	391	23.1	354	108.7
FY May 2012	2,790	17.7	304	14.0	318	12.4	170	0.7

(Note) Comprehensive Income: ¥806 million in FY May 2013 (up 237.4%) ¥239 million in FY May 2012 (up 51.8%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY May 2013	941.63	941.38	10.3	9.1	9.0
FY May 2012	451.18	—	5.7	9.3	10.9

(Reference) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:
FY May 2013: ¥-3 million FY May 2012: ¥0 million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2013	5,069	3,953	75.3	10,125.77
FY May 2012	3,577	3,180	85.7	8,132.79

(Reference) Equity: FY May 2013: ¥3,817 million FY May 2012: ¥3,066 million

(3) Consolidated Cash Flows

	Net Cash Provided by Operating Activities	Net Cash Provided by Investing Activities	Net Cash Used in Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY May 2013	523	282	-82	2,271
FY May 2012	217	258	-51	1,515

2. Dividends

	Annual Dividend					Total Dividends from Surplus (Annual)	Payout Ratio (Consolidated)	Dividends to Net Assets Ratio (Consolidated)
	1Q	2Q	3Q	4Q	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY May 2012	—	0.00	—	130.00	130.00	49	28.8	1.6
FY May 2013	—	0.00	—	180.00	180.00	67	19.1	2.0
FY May 2014 (Planned)	—	0.00	—	200.00	200.00		23.9	

3. Consolidated Financial Forecasts for the Fiscal Year May 2014 (June 1, 2013–May 31, 2014)

(% figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	5,000	20.9	520	39.7	500	27.7	315	-11.3	835.54

Notes

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation): None
Newly consolidated: None
Removed from consolidation: None

(2) Changes in accounting methods, procedures and estimates concerning preparation of financial statements

1) Changes accompanying revisions in accounting standards:	Yes
2) Changes other than 1) above:	None
3) Changes in accounting estimates:	Yes
4) Restatement of revisions:	None

(3) Number of shares outstanding (Common stock)

1) Shares issued as of end of term (including treasury stock)	FY May 2013	377,000 shares	FY May 2012	377,000 shares
2) Treasury stock as of end of term	FY May 2013	— shares	FY May 2012	— shares
3) Average during the term	FY May 2013	377,000 shares	FY May 2012	377,000 shares

* Information about review procedure

These financial results are exempt from the review procedure prescribed in the Financial Instruments and Exchange Law. The review procedure for financial results prescribed in the Financial Instruments and Exchange Law had not been completed when this report was released.

* Explanation regarding the appropriate use of forecasts of business results and other information

The forecasts and future projections contained herein have been prepared on the basis of rational decisions given the information available as of the date of announcement of this document. Actual performance may differ from forecasts for a variety of reasons. Please refer to the "Analysis of Results of Operations" beginning on page 2 of the attachment to this document for cautionary statements concerning the conditions and performance forecasts that serve as the basis for these forecasts.

Contents

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of Operations

1. Overview of Operating Performance in the Fiscal Year under Review

During the fiscal year under review, the Japanese economy began to show signs of a gradual recovery. Although such factors as the European financial crisis and deceleration in emerging market economies had led to protracted yen appreciation and low stock prices, rendering the business outlook opaque, the change in administration in Japan at the end of 2012 prompted a sense of expectation about economic and financial measures, driving down the yen and bolstering share prices.

Against this backdrop, the mobile telecommunications industry, to which the Nihon Enterprise Group belongs, experienced an increase in mobile phone subscriptions. This figure amounted to 132.81 million (Note 1) as of May 31, 2013, up 5.9% from the number one year earlier. Amid this trend, the full-fledged proliferation of iPhone, Android and other smartphones (sophisticated mobile phones) pushed up their portion as a percentage of total mobile phone subscriptions. This percentage is projected to continue rising, from 37.2% as of March 31, 2013, to 49.3% as of March 31, 2014 (Note 2). Hence, the operating environment is expected to undergo a significant change.

Under these conditions, the Nihon Enterprise Group worked to develop and offer highly functional, high-value-added services and promote the construction of a new business model, redoubling corporate energies to establish a more stable business foundation and to expand operations further.

As a result, during the year under review, net sales came to ¥4,134 million, up 48.1% from the preceding fiscal year. Operating income rose 22.4%, to ¥372 million; ordinary income grew 23.1%, to ¥391 million; and net income surged 108.7%, to ¥354 million.

In the first quarter of the fiscal year, the Group brought 4QUALIA Co., Ltd., into the scope of consolidation, given its increasing significance.

Meanwhile, in the second quarter of the year, the Group removed Sty'llfish, Inc., from inclusion under the equity method, as the Group's percentage of voting rights declined due to a sale of the company's shares.

(Note 1) Announced by the Telecommunications Carriers Association (TCA)

(Note 2) Announced by MM Research Institute, Ltd.

2. Performance by Segment in the Fiscal Year under Review

Mobile Content Segment

In the Mobile Content Segment, amid a growing transition from feature phones (conventional mobile phones) to smartphones, we worked according to our business model, which calls for "owning the rights to the content we provide," to distribute content we have created ourselves. We strove to augment our site and app offerings, while leveraging our proprietary advertising media.

Mobile telecommunications companies (carriers) are seeing the number of members to public sites for feature phones decline, but the new acquisition of members to public sites for smartphones is compensating for this drop. In addition, carriers are introducing fixed-rate services such as au Smart Pass and Yahoo! Premium to augment and promote the use of the content they provide.

We also collaborated with mobile phone sales companies on alliance-type monthly content billing, working to attract new members and jointly develop and expand new content, thereby promoting an increase in memberships.

Overseas, in China we positioned ourselves in a business domain providing an e-comic distribution service. In this category, we collaborated with Chinese authors and publishers to convert popular novels to a comic format. We moved aggressively forward based on a business model of distributing e-comics to mobile phones.

As a result of these efforts, sales in the Mobile Content Segment totaled to ¥2,142 million, and segment income amounted to ¥621 million.

Solutions Segment

Within the Solutions Segment, in our "shop affiliations" advertising business, in line with the growing popularity of smartphones we strove to bolster our marketing capabilities (in collaboration with mobile phone sales companies), enhance our ability to source content (acquisition of quality content providers) and increase the ongoing utilization rate of sold content (providing sales guidance at individual shops), leading to an increase in acquisitions.

For corporate content, we provide such services as planning, construction, operation, debugging, and server repair and maintenance. We forged stronger ties with our consolidated subsidiary, 4QUALIA Co., Ltd., to meet growing needs to take advantage of smartphones and tablets (multifunctional mobile terminals) by increasing our development speed, content provision volume and quality.

In 2012, we launched a "reverse auction" corporate cost-cutting solution. During the year under review, we strengthened our marketing capabilities with the aim of executing agreements in the upcoming fiscal year.

Overseas, in 2012 we entered into a business alliance with the Shanghai Branch of China Telecommunications Corporation, a Chinese carrier, involving mobile phone sales and agency business. In line with this agreement, we opened two mobile phone sales shops (China Telecom shops) in the Shanghai area.

Owing to these efforts, the Solutions Segment generated sales of ¥1,991 million, with segment income of ¥304 million.

2) Forecast for the Next Fiscal Year

In the Japanese mobile phone market, the transition from feature phones to smartphones is expected to continue. By the end of the upcoming fiscal year, we forecast that one subscriber in two will own a smartphone.

As smartphones grow more prevalent, carriers are increasing their data communication speeds in accordance with the new Long Term Evolution (LTE) standard. LTE provides a faster, higher-functionality information infrastructure and is expected to encourage the general adoption of flat-rate packet communications. With rich content now becoming standard in the mobile content market, we expect demand for higher-value-added content to continue rising. We also see the need to develop businesses that offer new ways of attracting customers to and managing sites, as well as others that take into account the structural changes that are underway in the mobile content sector.

With the number of mobile phone subscriptions having already surpassed 5 billion units worldwide, the mobile content sector is expanding globally. China (1.1 billion units) and India (0.8 billion units) are particularly strong drivers of growth in the global market, and this trend is expected to accelerate.

Mobile Content Segment

In the Mobile Content Segment, given that the shift from feature phones to smart phones is expected to move onward, in Japan we will concentrate on building up our revenue base through a continued focus on public site operations that leverage secure and highly trustworthy carrier settlement.

In the category of providing content to smartphones as fixed-rate services, au Smart Pass and Yahoo! Premium membership is increasing, and membership is expected to grow sharply for NTT Docomo's new Sugotoku content service. We will enhance our offerings of content to match these carriers' strategies and promote its use.

We will continue striving to attract new members by collaborating with mobile phone sales companies through alliance-type monthly content billing.

Furthermore, we will endeavor to provide multifaceted compound services that are compatible with the apps on the various platforms that are being rolled out globally, including the Google-operated "Google Play Store" and Apple's "App Store," as well as handset-independent browsers.

Overseas, China is moving toward the full-fledged adoption of 3G. In anticipation, we will concentrate on our mainstay business of distributing e-comics, maximizing the Nihon Enterprise Group's edge as an owner of licenses throughout the country.

Solutions Segment

In the Solutions Segment, we will make a proactive effort to provide mobile site configuration, operation and other services to meet corporate demand to expand business development by leveraging smartphones.

Specifically, companies increasingly expect to make use of smartphones to directly impact sales, advertising and promotion efforts, as well as brand recognition. We will leverage our history of performance and expertise in the businesses of developing, creating, supporting and verifying solutions—areas of strength for Nihon Enterprise.

At mobile phone sales shops, we will continue to collaborate with mobile phone distributors, utilizing performance-based compensation to encourage real affiliations (shop affiliations) to market content to customers visiting their shops.

Also, as smartphones grow more pervasive, we will expand our business domain involving corporate solutions. We will use reverse auctions to slash corporate procurement costs; offer "IP-PBX," which utilizes technologies from and One Inc., a company that we converted to subsidiary in March 2013; and provide company-oriented "business apps" that employ communication app technology.

Overseas, we aim to increase unit sales at the mobile phone sales shops (China Telecom shops) of the Shanghai Branch of China Telecommunications Corporation, a Chinese carrier. We will also pursue efforts to develop new shops and introduce shop affiliations.

Through these initiatives, in the fiscal year ending May 31, 2014, we expect to deliver net sales of ¥5.0 billion, up 20.9% year on year. We anticipate operating income of ¥520 million, up 39.7%; ordinary income of ¥0.5 billion, up 27.7%; and net income of ¥315 million, up 11.3%.

(2) Analysis of Financial Condition

1) Assets, liabilities and net assets

As of May 31, 2013, total assets stood at ¥5,069 million, up ¥1,492 million from May 31, 2012. Current assets amounted to ¥3,445 million, up ¥938 million from a year earlier, due primarily to a ¥732 million increase in cash and deposits and a ¥131 million rise in notes and accounts receivable, accompanying higher sales. Fixed assets amounted to ¥1,624 million at fiscal year-end, up ¥553 million, due to a ¥658 million increase in investments in securities, which overshadowed a ¥100 million drop in long-term deposits.

Total liabilities amounted to ¥1,116 million, up ¥719 million compared with May 31, 2012. Chief reasons were a ¥90 million increase in accounts payable–trade, a ¥244 million increase in income taxes payable, ¥72 million higher advance receipts, and a ¥244 million rise in deferred income tax liabilities. Net assets grew ¥772 million, to ¥3,953 million as of fiscal year end. Despite dividends from surplus of ¥49 million, retained earnings expanded ¥322 million, and net unrealized gains on other securities grew ¥415 million.

As measures pointing to the Company’s stability, the equity ratio was 75.3%, the current ratio 410.1%, the fixed ratio 42.5% and the interest coverage ratio 700.3 times—indicating that Nihon Enterprise maintained its level of soundness.

2) Cash Flows

During the year under review, cash and cash equivalents increased ¥708 million, to ¥2,271 million as of May 31, 2013. Principal factors behind this increase were ¥699 million in income before income taxes and minority interests, a 105.6% rise compared with the preceding fiscal year; depreciation and amortization expenses of ¥107 million, up 37.7%; and ¥359 million in proceeds from the sale of investments in securities, up 5,350.5%. Factors having a negative impact on cash included income taxes paid of ¥95 million, down 52.5%; payments for the purchase of intangible assets of ¥132 million, up 94.2%; and cash dividends paid of ¥48 million, up 0.1%.

The status of individual cash flow categories and the primary reasons for their changes are described below.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥523 million, ¥305 million more than in the preceding fiscal year. Primary sources of cash included income before income taxes and minority interests of ¥699 million, depreciation and amortization expenses of ¥107 million, amortization of goodwill of ¥31 million, an increase in notes and accounts payable–trade of ¥72 million and a gain on sales of investments in securities of ¥349 million. The main uses of cash were income taxes paid of ¥95 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥282 million, ¥24 million more than in the preceding fiscal year. Among the major sources of cash were ¥100 million in proceeds from withdrawal from long-term deposits and ¥359 million in proceeds from sales of investments in securities. Primary uses of cash were ¥132 million in payments for purchase of intangible assets and ¥34 million in payments for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥82 million, ¥30 million more than was used in these activities in the preceding fiscal term. Primary uses of cash were ¥48 million in cash dividends paid, ¥7 million in repayment of long-term debt and ¥3 million in cash dividends paid to minority interests.

(Reference) Cash flow indicators

	FY May 2009	FY May 2010	FY May 2011	FY May 2012	FY May 2013
Equity ratio (%)	91.7	92.1	89.8	85.7	75.3
Equity ratio based on market value (%)	74.4	85.7	88.3	96.6	152.5
Interest-bearing liabilities/cash flow ratio (Years)	—	0.1	0.0	0.0	0.0
Interest coverage ratio (times)	434.1	344.9	852.7	1,590.0	700.3

(Notes) Equity ratio: Equity divided by total assets

Equity ratio based on market value: Market capitalization divided by total assets

Interest-bearing liabilities/cash flow ratio: Interest-bearing liabilities divided by cash flows

Interest coverage ratio: Cash flows divided by interest expenses

1. Market capitalization is calculated as the closing price of shares at fiscal year-end times total shares issued as of fiscal year-end.
2. Cash flows indicate cash flows from operations, as stated in the consolidated statements of cash flows. Interest-bearing liabilities indicate those liabilities stated in the consolidated balance sheets on which interest is paid. Figures used for interest expenses are interest payment amounts stated in the consolidated statements of cash flows.

(3) Fundamental Policy for Earnings Distributions and Dividend in Current and Next Fiscal Years

Nihon Enterprise places management priority on returning profits to shareholders. Our shareholder return policy also takes into consideration operating performance trends, cash flow, the return on equity and equity ratios, and future capital investment plans.

When allocating profits, we follow a dividend policy of providing stable returns in line with operating performance, while retaining sufficient funds to engage proactively in future business development and prepare for changes in the operating environment.

For the year under review, management expects to award a dividend of ¥180 per share. For the upcoming fiscal year, we plan to award a dividend of ¥200 per share.

(4) Business and Other Risks

Outlined below are the major risk factors that the Nihon Enterprise Group sees as having the potential to affect future business development and other operations. After confirming the likelihood of these risks, our policy is to do our utmost to prevent them from materializing and respond quickly in the event that they do.

Here, we identify such future-related risks, based on our judgment as of the end of the fiscal year under review (May 31, 2013).

1) Agreements That Form the Basis for Principal Business Activities

The Nihon Enterprise Group's principal business activities in the Mobile Content Segment involve the provision of content to general users via various mobile telecommunications companies, and accordingly we enter into agreements with mobile telecommunications companies to provide content. These agreements comprise contracts that renew automatically unless one of the parties to the agreements expresses a decision indicating otherwise within a specified period prior to the conclusion of the contract period. Other contracts prescribe no specific period.

However, in the event that the renewal of some or all of such agreements were to be refused owing to changes in mobile telecommunications companies' business strategies or for any other reason, the strategies and operating performance of the Nihon Enterprise Group's Mobile Content Segment could be materially affected.

2) Content Obsolescence

The content that the Nihon Enterprise Group provides does not enjoy a long life cycle, as it is subject to technological innovation involving mobile information terminals, as well as changing consumer preferences. If we were to be late in responding to new technologies or to provide services that diverged from consumer preferences, the Mobile Content Segment could experience a decrease in the number of users of the pay sites that the Nihon Enterprise Group operates, as well as difficulty in attracting new consumers with our solutions. In these circumstances, operating performance could be materially affected.

3) Competition

The mobile content market is characterized by a sharp increase in the number of new companies entering the market, the business expansion of existing companies, sudden changes in the market and uncertainty with regard to growth. Accordingly, there is no guarantee that we will be able to maintain our competitive advantage in this business, and increasingly stringent competition could have a material effect on operating performance.

4) Handling of Information Fees

In the Mobile Content Segment, the Nihon Enterprise Group entrusts the collection of information fees to mobile telecommunications companies.

Of these companies, in the event that information fees become uncollectable for some reason not attributable to NTT DOCOMO, INC., the KDDI Group or other carriers, these companies notify the Nihon Enterprise Group that such information fees are uncollectable. At that point, the carriers will have discharged their agency duty of collecting information fees on the part of the Nihon Enterprise Group.

The Nihon Enterprise Group's Mobile Content Segment books collectible information fees as sales. Therefore, a change in the amount of information fees that mobile communications companies are able to collect could materially affect the Nihon Enterprise Group's operating performance.

5) Overseas Business Development

A variety of issues are inherent to the development of business in overseas markets, including those related to competition, laws and regulations, and exchange rates vis-à-vis the countries in which we are developing business. If such issues were to materialize, the Nihon Enterprise Group could become unable to progress smoothly in its operations, and operating performance could be materially affected.

In the event that issues materialize that exceed the scope of expectations based on our preliminary assessments, we may become unable to fully recoup our investments in such businesses. These conditions could negatively affect the Nihon Enterprise Group's performance. Furthermore, even in the event that business is expanding reliably, the need to front expenses could have a material impact on the Group finically.

6) Uncertainties regarding Chinese Business

Conducting mobile content distribution business in China requires the acquisition of an Internet content provider (ICP) license. However, the country's Provisions on the Administration of Foreign Investment in Telecommunications Services restrict companies obtaining such licenses to those whose foreign ownership is less than 50%. Accordingly, only effectively less than 50% of investment in the companies that obtain these licenses may be provided by foreign-capitalized companies such as Nihon Enterprise and its subsidiaries. Exceptions to this rule are extremely limited.

Given this situation, the Nihon Enterprise Group has entered into a series of agreements (hereinafter, "These Agreements") in order to engage in the mobile content distribution business in China. Under this paragraph 6) and paragraph 7) below, first Nihon Enterprise has provided a loan to the Chinese employee who serves as the Company's general manager of overseas business, as well as the executive director of Enterise (Beijing) Information Technology Co., Ltd. This employee and his close relatives used this loan to invest in Beijing YZH Wireless Net Technology Co., Ltd., a consolidated subsidiary that distributes mobile content. At the same time, we have formed a business alliance structure under which Nihon Enterprise's subsidiary, Enterise (Beijing) Information Technology Co., Ltd., provides planning and development service business involving mobile content and mobile content distribution to Beijing YZH Wireless Net Technology Co., Ltd., and Beijing YZH Wireless Net Technology Co., Ltd., distributes mobile content.

Furthermore, while remaining within the scope of relevant legislation in China, we retain the right for Nihon Enterprise, its subsidiary Enterise (Beijing) Information Technology Co., Ltd., or other persons designated by the Company to receive transfer from this employee and his close relatives of their ownership in Beijing YZH Wireless Net Technology Co., Ltd. We would expect to exercise this right quickly in the event that the Chinese government authorities were to fully open up the Chinese information services market in the future so that foreign-capitalized firms could obtain Internet content provider (ICP) licenses.

The Nihon Enterprise Group has confirmed the legality of the scheme based on These Agreements, involving the business alliance under which the Nihon Enterprise Group has provided a loan to the Chinese employee who serves as the Company's general manager of overseas business, as well as the executive director of Enterise (Beijing) Information Technology Co., Ltd., and this employee and his close relatives have used this loan to invest in Beijing YZH Wireless Net Technology Co., Ltd., which distributes mobile content, by obtaining a written opinion from a legal firm in China that the overall scheme does not infringe upon current Chinese law. However, compared with the laws in markets that are more mature, laws in China are subject to relatively quicker formulation, with new legislation promulgated as needed. Accordingly, some uncertainty exists with respect to interpreting Chinese laws and regulations and operating appropriately, and the impact of new legislation remains unclear. In particular, there is a strong possibility that laws in the Chinese telecommunications market could be affected by changes in the policies promulgated by Chinese government authorities. Consequently, the Nihon Enterprise Group cannot guarantee against the possibility of differences arising in the future between its own understanding and the ultimate future position of the Chinese government authorities.

7) Degree of Management Control of Chinese Business

Based on These Agreements, the Nihon Enterprise Group effectively controls Beijing YZH Wireless Net Technology Co., Ltd., but our degree of control is weaker than if we were in the position of investing directly. More specifically, the possibility exists that the investors in Beijing YZH Wireless Net Technology Co., Ltd., could breach These Agreements and not conduct the Nihon Enterprise Group's mobile content distribution business, or that these investors could transfer their ownership position in Beijing YZH Wireless Net Technology Co., Ltd., to a third party, counter to the Company's intentions. In this event, Nihon Enterprise and its subsidiary, Enterise (Beijing) Information Technology Co., Ltd., would seek legal remedy for contract infringement based on Chinese law by the investors in Beijing YZH Wireless Net Technology Co., Ltd., and by Beijing YZH Wireless Net Technology Co., Ltd. However, such a situation involves uncertainties with regard to the interpretation of Chinese laws and regulations and differences between Chinese judicial proceedings and judicial proceedings based on Japanese law. Consequently, seeking remedy at law could require substantially high expenses, and it is possible that we would be unable to obtain an appropriate judgment or arbitral award. In such a case, or in the event that we faced difficulty in forcibly executing such a judgment or arbitral award, ultimately we may become unable to recover damages.

8) Personnel Dependency of the Chinese business

The Nihon Enterprise Group conducts its business in China through the wholly owned subsidiary Enterise (Beijing) Information Technology Co., Ltd., and the consolidated subsidiary Beijing YZH Wireless Net Technology Co., Ltd. Furthermore, management of Beijing YZH Wireless Net Technology Co., Ltd., is performed by a Chinese employee who is the Company’s general manager of overseas business and the executive director of Enterise (Beijing) Information Technology Co., Ltd., as well as investors who are his close relatives. Consequently, the Chinese business of the Nihon Enterprise Group is highly dependent on the ongoing participation in management of this Chinese employee. Losing his involvement in management could seriously affect the Chinese business of the Nihon Enterprise Group.

9) System Outages

The Nihon Enterprise Group’s business is to provide services to customers through telecommunications networks comprising linked computer systems. Damage at a data center or other facility due to a natural disaster or unforeseen accident could make the provision of services difficult, resulting in various damages to the Nihon Enterprise Group, as well as to users of its services and mobile telecommunications companies. Furthermore, an unexpected spike in access could temporarily overload servers, rendering them inoperational, halting our ability to provide services to general users and client companies. Furthermore, the use of viruses to invade the Nihon Enterprise Group’s systems could result in system outages that it is unable to control. Such situations could materially affect the Nihon Enterprise Group’s business.

10) Leaks in Personal Information

The Nihon Enterprise Group provides services directly to general users, as well as to client companies, and in some cases general users’ personal information and image data is stored on servers. We have in place various types of network security to control the use of these servers, but the possibility of outflows of personal information due to unauthorized access nevertheless exists. In the event of an outflow of such personal information, the Nihon Enterprise Group could face demands for damage compensation, lawsuits, sanctions by administrative authorities, and criminal or other charges. Such charges could lead to societal issues, and the Nihon Enterprise Group could lose the trust of society as a result.

11) Regulatory Risk

We consider it conceivable that new laws, regulations and ordinances regulating the businesses that belong to the Nihon Enterprise Group could limit the scope of their business activities, and that supervision and checks by the regulatory authorities could become more stringent. Furthermore, the possibility exists that voluntary rules between businesses that belong to the Nihon Enterprise Group could interfere with the Nihon Enterprise Group’s business plans. The Nihon Enterprise Group’s operations and business performance could be negatively affected as a result.

12) Risk Involving Intellectual Property Rights

Securing the patents, copyrights and other intellectual property rights to the systems that the Nihon Enterprise Group employs and the software it develops are important to its ability to conduct business, and we exercise due care to protect our proprietary technologies and expertise, as well as to prevent the infringement of third-party intellectual property rights. However, in the event that a third-party patent were to emerge in a field of business in which the Nihon Enterprise Group operates, or if a patent of which we were unaware already existed in such field of business, that third party could request compensation for damages, seek an injunction to halt its use or demand the payment of patent-related compensation (royalties). Such a situation could materially affect the performance and financial condition of the Nihon Enterprise Group.

13) Others

Dilution of Share Value owing to the Exercise of Stock Acquisition Rights

Nihon Enterprise grants and issues stock acquisition rights on the basis of articles 236, 238 and 240 of the Companies Act, upon resolution by its Board of Directors. The exercise of these rights, however, could dilute the Company’s share value, affecting the stock price.

2. Status of the Corporate Group

The Nihon Enterprise Group (Nihon Enterprise and its affiliated companies) comprises the Company (Nihon Enterprise Co., Ltd.), seven consolidated subsidiaries and three non-consolidated subsidiaries, and conducts business via the Mobile Content Segment and the Solutions Segment.

The Mobile Content Segment and the Solutions Segment are also developing business overseas, but to clarify the distinction between domestic and overseas businesses, the following pages describe the Group's operations in Japan. Overseas businesses will be discussed separately.

(1) Mobile Content Segment

This segment provides traffic information, music, mail, lifestyle and other content via the communications services and various platforms offered by carriers and content distribution companies.

We provide this various content to public sites—including dmenu, au Market, i-mode, EZweb and Yahoo! Keitai—that are operated for mobile phones (smartphones and feature phones) that can connect to the Internet. Under our business model, users pay for our content via monthly charges or for downloads, and we receive these charges via the carriers.

Representative content provided by the Nihon Enterprise Group is found on the traffic information site "ATIS Traffic Information," the music distribution site "Uta & Mero (melody) Tori hodai" and the comprehensive Deco-mail* site "Deco Deco Mail," among other public sites.

The chart below describes our principal content as of the end of the fiscal year.

Genre	Major Content	Principal Services
Traffic information	ATIS Traffic Information	Roadway information, information on rail transfers, live video and other traffic information
Music	Uta & Mero (melody) Tori hodai SOUNDSMART	This content, centering on original numbers and arrangements, includes ring-tone songs, melodies, voices, movies, lyrics, user reviews, and hold music.
Mail	Deco Deco Mail Deco Deco ★ Anime Emoji ★ Tukuri Hodai	This content includes the abundant use of character images for Deco-mail*; Decome-Anime, using Flash-based animations; and Flash-based combinations of ring melodies and animations.
Lifestyle	PT Mall Premium Josei no Kirei Rizumu	In this category, focusing on women's physical condition and health maintenance, we offer complimentary and discount member services to travel, dining and beauty facilities throughout Japan.

* "Deco-mail" and "Decome-Anime" are registered trademarks of NTT DOCOMO, INC.

(2) Solutions Segment

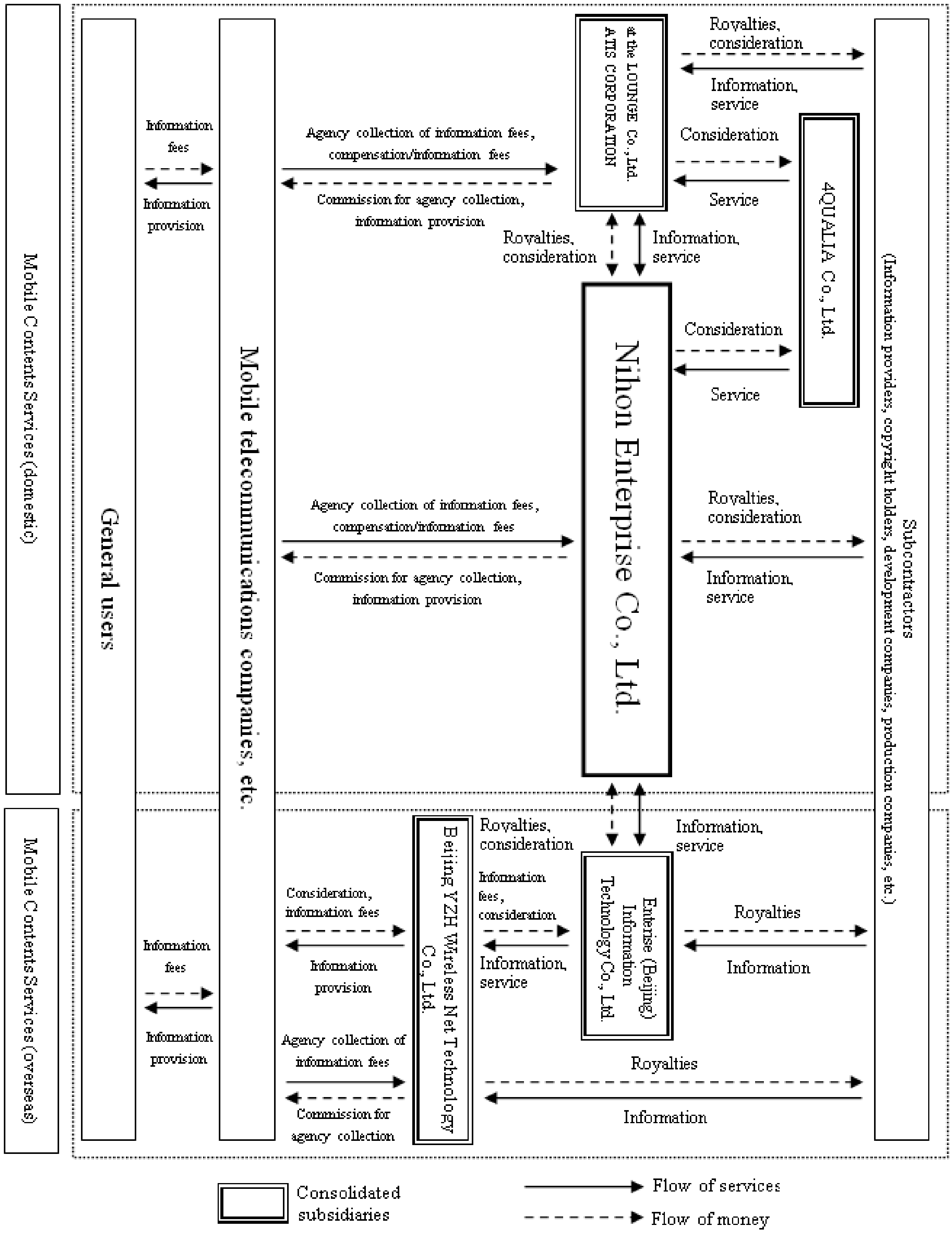
This segment provides outsourced business consulting, planning, development and operations management using mobile phones and the Internet, leveraging the expertise the Mobile Content Segment has accumulated, as well as the content it owns, to offer total solutions.

Also, as an advertising service, we collaborate with mobile phone sales companies to provide performance based compensation for content sales to customers that visit mobile phone sales shops via real "shop affiliations."

The segment also conducts mobile phone and other sales and agency businesses in China.

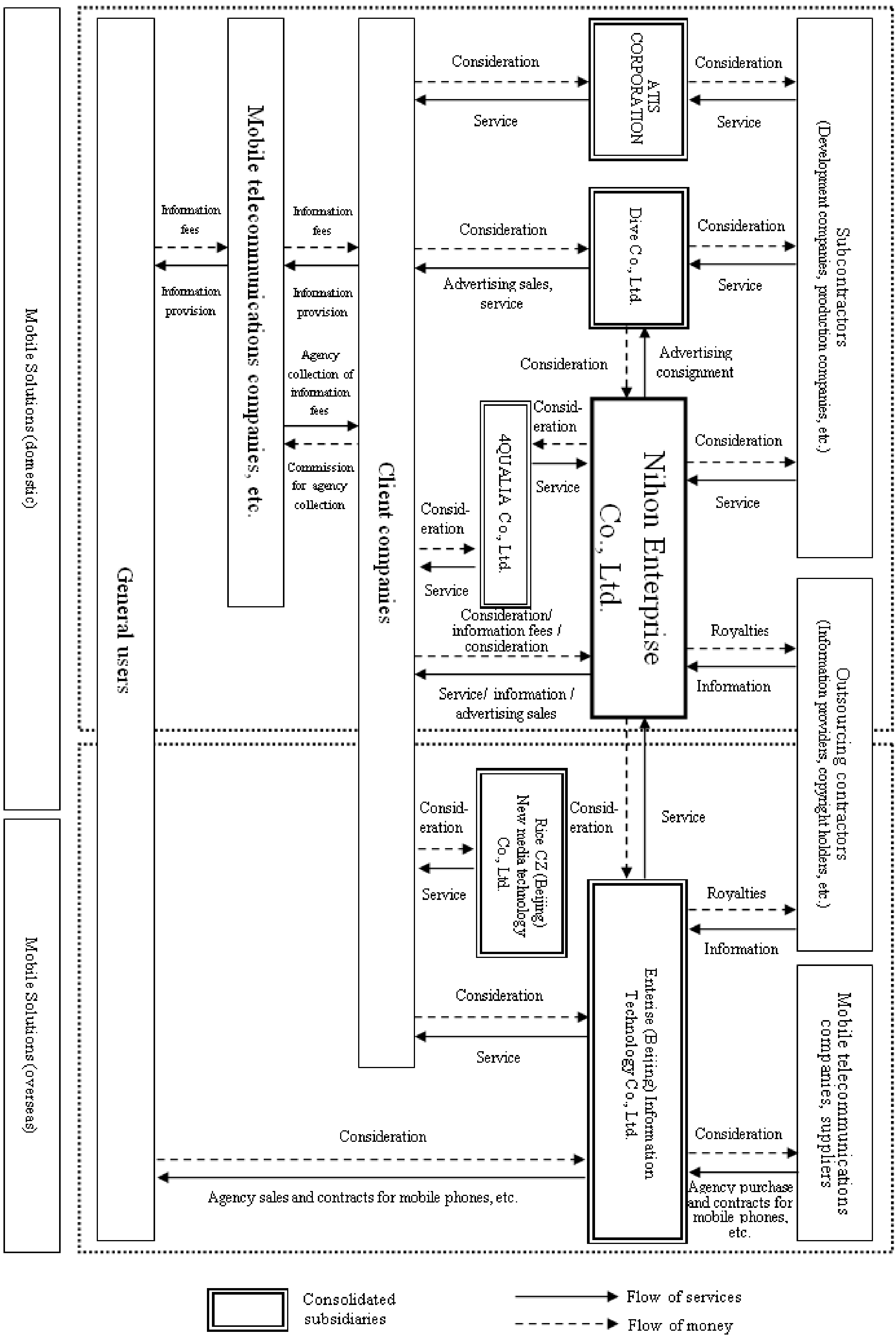
The Nihon Enterprise Group is organized as follows.

Mobile Content Segment



(Note) In addition to the companies indicated above, the segment contains two non-consolidated subsidiaries, Rise MC (Beijing) Digital Information Technology Co., Ltd., and NE Mobile Services (India) Private Limited.

Solutions Segment



(Note) In addition to the companies indicated above, the segment contains three non-consolidated subsidiaries, and One Inc., Rise MC (Beijing) Digital Information Technology Co., Ltd., and NE Mobile Services (India) Private Limited).

3. Management Policies

(1) Fundamental Management Policy

The Nihon Enterprise Group believes that it exists to be of service to society. Accordingly, our management philosophy concentrates on contributing to society by generating a sense of joy and contributing new value that leads to society's development.

Furthermore, we aim to deploy the planning, technological and marketing expertise we have cultivated to be a leading company in terms of customer satisfaction. Our fundamental management policy is to establish a solid management foundation that ensures continuity and stability.

(2) Target Management Indicators

The Nihon Enterprise Group focuses on the ordinary income margin and the return on equity ratio as its target management indicators. By improving these indicators, we strive to maintain or improve our ability to generate earnings and profits, consistently awarding dividends in line with our operating performance.

(3) Medium- to Long-Term Corporate Management Strategy

Based on its fundamental management policy, the Nihon Enterprise Group produces and provides via various types of IT devices a host of content designed to enhance convenience and enjoyment, thereby being of service to society as a whole.

1) Mobile Content Segment

The Mobile Content Segment is characterized by the rapid and accelerating transition from feature phones to smartphones, which is driving dramatic changes in the market environment. We expect this "smart devices first" trend to continue for the foreseeable future.

Amid these conditions, the Nihon Enterprise Group strives to leverage its strengths as a company with robust and multifaceted marketing capabilities, cooperating closely with the strategies of carriers and OS providers to create superior content with universal value that is rooted in customer satisfaction. By holding copyrights, we aim to create business opportunities in a variety of fields.

Overseas, we consider China and India vast and important markets for mobile communications. As a company from Japan, which has advanced mobile content, we are working to maximize the expertise and strengths that we have built up in this market to reinforce distribution in local markets.

2) Solutions Segment

In the Solutions Segment, in line with the rapid proliferation of smartphones, tablets and other smart devices, we expect companies to face an even greater need to use smart devices to conduct sales promotion activities and improve business efficiency than they did in the era of the feature phone.

Given these conditions, in this segment we are leveraging the expertise cultivated in the Mobile Content Segment to form alliances with leading companies in other sectors and deploy our strength in corporate consulting. In the process, we are working to develop new business settings to provide as mobile phones continue to advance.

In selling digital content, we believe the shop affiliations business—the only face-to-face sales approach in this sector and one that uses a push-type approach—will become an increasingly vital content sales method. For this reason, going forward we will collaborate with mobile phone sales companies as well as other companies in different sectors that interact directly with consumers.

Along with the growing popularity of smart devices will come an era of device-independence, we believe. In preparation, we will employ ICT* to develop business-efficiency and cost-reduction services for companies as a new, next-generation pillar of business.

As in the Mobile Content Segment, in this segment we position China and India as important markets. By cultivating the corporate-customer-oriented Solutions Segment, which derives from the Mobile Content Segment, we aim to establish the multidiscipline Solutions Segment in these same markets.

We will develop our shop affiliations business in the key mobile markets of China and India. This approach will promote sales of our proprietary content and cultivate the development of advertising as a new pillar of business.

* ICT: Abbreviation for information and communication technology

(4) Issues Facing the Company

As the Nihon Enterprise Group works aggressively to develop its businesses, expand its scope of activity and maintain a stable business foundation going forward, initiatives will focus on the issues described below.

1) Business Expansion

The mobile content business, of which the Nihon Enterprise Group is a member, is experiencing a rapid user transition from feature phones to smartphones. Whereas services for feature phones are maturing or shrinking, services for smartphones are expanding. We recognize that responding swiftly and appropriately to these market changes will require us to expand the boundaries of our business through alliances with business partners. Therefore, we will work proactively to collaborate effectively and form business alliances with companies outside the Group.

2) Strengthening of Planning and Technological Capabilities

The Nihon Enterprise Group recognizes that augmenting its planning and technological capabilities is essential to providing the increasingly high-value-added services that will enable it to emerge victorious in competition against other companies in the swiftly changing mobile content sector. In addition to the planning and technological expertise we have accumulated for feature phones, going forward we will need to create new business models and develop and provide sophisticated, high-value-added services. To do this, we will endeavor to enhance planning skills in response to consumer needs and reinforce new technology initiatives.

3) Recruiting and Training Human Resources

As the Nihon Enterprise Group's business requires a response to smartphones and other new technologies, we recognize the importance of enhancing various types of specialized expertise in our employees, cultivating personnel to become high-value-added human resources, and at the same time recruiting superior human resources. To develop human resources, we conduct internal training on an ongoing basis, strive to elicit individual capabilities, conduct recruiting on a year-round basis and enact measures to foster an invigorating workplace.

4) Enhancement of Internal Control on Financial Reporting

The Nihon Enterprise Group understands that creating a corporate structure capable of sustained growth will require more robust internal control of financial reporting. To augment operational effectiveness and efficiency, we will employ an appropriate internal control reporting system based on the Financial Instruments and Exchange Act. Through the operation and ongoing evaluation of an effective and appropriate system for internal control of financial reporting, we will seek to ensure that management is fair and transparent. At the same time, we will work to further enhance internal control by establishing a groupwide system for managing operational performance.

5) Reinforcement of Risk Management

We face a diverse variety of risks to our operations, including risks to information security, system development and service provision, as well as the risk of natural disaster and country risk related to our overseas business. To ensure the continued existence and persistent growth of the Nihon Enterprise Group, we recognize the need to prevent such risks from materializing and respond swiftly if they do. The Nihon Enterprise Group has formulated risk management regulations to appropriately recognize and evaluate the risks that have the potential to materially affect its management. We have also established a risk management team and are working to reinforce our risk management system.

(5) Other Significant Items from a Corporate Management Perspective

Nothing to report.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	End of FY May 2012 (May 31, 2012)	End of FY May 2013 (May 31, 2013)
Assets		
Current assets		
Cash and deposits	1,975,454	2,708,287
Notes and accounts receivable	458,497	590,092
Merchandise	1,877	11,781
Work in process	5,141	37,321
Supplies	215	247
Deferred tax assets	20,694	35,871
Accrued revenue	3,401	1,126
Other	41,467	60,498
Less: Allowance for doubtful accounts	-200	-200
Total current assets	2,506,550	3,445,028
Fixed assets		
Property, plant and equipment		
Buildings	60,282	79,713
Less: Accumulated depreciation	-34,863	-36,686
Buildings, net	25,419	43,027
Land	12,400	12,400
Other	142,603	156,804
Less: Accumulated depreciation	-109,733	-126,760
Other, net	32,870	30,044
Total property, plant and equipment	70,690	85,471
Intangible assets		
Goodwill	145,203	113,487
Software	174,527	192,909
Other	166	92
Total intangible assets	319,898	306,489
Investments and other assets		
Investments in securities	260,854	919,653
Long-term deposits	300,000	200,000
Guarantee deposits	83,538	90,351
Long-term loans receivable	41,783	22,453
Deferred tax assets	4,191	8,190
Other	10,397	17,704
Less: Allowance for doubtful accounts	-20,798	-26,148
Total investments and other assets	679,966	1,232,206
Total fixed assets	1,070,555	1,624,167
Total assets	3,577,105	5,069,195

(Thousands of yen)

	End of FY May 2012 (May 31, 2012)	End of FY May 2013 (May 31, 2013)
Liabilities		
Current liabilities		
Accounts payable–trade	146,322	236,445
Income taxes payable	45,343	290,257
Consumption taxes payable	14,229	18,098
Provision for bonuses	12,424	6,216
Provision for directors' bonuses	8,800	32,650
Other	133,927	256,478
Total current liabilities	361,047	840,146
Long-term liabilities		
Deferred income tax liabilities	19,761	254,336
Provision for retirement benefits	11,294	19,064
Other	4,543	2,598
Total long-term liabilities	35,599	275,999
Total liabilities	396,646	1,116,145
Net assets		
Shareholders' equity		
Common stock	595,990	595,990
Capital surplus	473,942	473,942
Retained earnings	1,938,214	2,260,531
Total shareholders' equity	3,008,148	3,330,464
Accumulated other comprehensive income		
Net unrealized gains on other securities	54,946	470,232
Foreign currency translation adjustment	2,969	16,717
Total accumulated other comprehensive income	57,915	486,949
Stock acquisition rights	-	658
Minority interests	114,395	134,976
Total net assets	3,180,458	3,953,049
Total liabilities and net assets	3,577,105	5,069,195

(2)Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Net sales	2,790,825	4,134,176
Cost of sales	1,224,868	2,235,846
Gross profit	1,565,957	1,898,330
Selling, general and administrative expenses	1,261,764	1,526,128
Operating income	304,193	372,201
Non-operating income		
Interest income	7,516	4,954
Dividend income	1,858	4,375
Foreign exchange gains	-	8,058
Rental income	1,972	1,923
Equity in earnings of affiliates	468	-
Reversal of allowance for doubtful accounts	1,600	2,100
Other	2,388	2,341
Total non-operating income	15,804	23,754
Non-operating expenses		
Interest expenses	136	747
Commission fees	415	380
Equity in losses of affiliates	-	3,089
Foreign exchange losses	1,419	-
Others	11	280
Total non-operating expenses	1,983	4,497
Ordinary income	318,013	391,458
Extraordinary income		
Gain on capital reduction with compensation of investment securities	4,400	-
Gains on sales of property, plant and equipment	-	2,189
Gains on step acquisitions	16,799	-
Gains on sales of investments in securities	2,600	352,398
Gain on reversal of stock acquisition rights	2,134	-
Total extraordinary income	25,934	354,587
Extraordinary losses		
Losses on disposal of property, plant and equipment	3,366	40,323
Impairment losses	-	2,562
Losses on sales of investments in securities	-	2,489
Other	149	712
Total extraordinary losses	3,516	46,087
Income before income taxes and minority interests	340,432	699,957
Income, residential and enterprise taxes	139,267	336,247
Income tax adjustment	14,311	-14,168
Total income taxes	153,578	322,078
Income before minority interests	186,853	377,879
Minority interests	16,757	22,884
Net income	170,096	354,995

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Income before minority interests	186,853	377,879
Other comprehensive income		
Net unrealized gains on other securities	43,124	415,285
Foreign currency translation adjustment	9,198	13,748
Total other comprehensive income	52,323	429,034
Comprehensive income	239,176	806,914
(Breakdown)		
Comprehensive income attributable to owners of the parent	222,419	784,029
Comprehensive income attributable to minority interests	16,757	22,884

(3) Consolidated Statements of Changes in Shareholders' Equity

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Shareholders' equity		
Common stock		
Balance as of the start of the current fiscal year	595,990	595,990
Adjustments during the fiscal year		
Total adjustments during the fiscal year	-	-
Balance as of the end of the current fiscal year	595,990	595,990
Capital surplus		
Balance as of the start of the current fiscal year	473,942	473,942
Adjustments during the fiscal year		
Total adjustments during the fiscal year	-	-
Balance as of the end of the current fiscal year	473,942	473,942
Retained earnings		
Balance as of the start of the current fiscal year	1,831,861	1,938,214
Adjustments during the fiscal year		
Dividends from surplus	-49,010	-49,010
Changes in the scope of consolidation	-14,732	19,923
Changes in the scope of equity method application	-	-3,591
Net income	170,096	354,995
Total adjustments during the fiscal year	106,353	322,316
Balance as of the end of the current fiscal year	1,938,214	2,260,531
Total shareholders' equity		
Balance as of the start of the current fiscal year	2,901,794	3,008,148
Adjustments during the fiscal year		
Dividends from surplus	-49,010	-49,010
Changes in the scope of consolidation	-14,732	19,923
Changes in the scope of equity method application	-	-3,591
Net income	170,096	354,995
Total adjustments during the fiscal year	106,353	322,316
Balance as of the end of the current fiscal year	3,008,148	3,330,464
Accumulated other comprehensive income		
Net unrealized gains on other securities		
Balance as of the start of the current fiscal year	11,821	54,946
Adjustments during the fiscal year		
Net changes during the year to items other than shareholders' equity	43,124	415,285
Total adjustments during the fiscal year	43,124	415,285
Balance as of the end of the current fiscal year	54,946	470,232
Foreign currency translation adjustment		
Balance as of the start of the current fiscal year	-6,229	2,969
Adjustments during the fiscal year		
Net changes during the year to items other than shareholders' equity	9,198	13,748
Total adjustments during the fiscal year	9,198	13,748
Balance as of the end of the current fiscal year	2,969	16,717
Total accumulated other comprehensive income		
Balance as of the start of the current fiscal year	5,592	57,915
Adjustments during the fiscal year		
Net changes during the year to items other than shareholders' equity	52,323	429,034
Total adjustments during the fiscal year	52,323	429,034
Balance as of the end of the current fiscal year	57,915	486,949

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Stock acquisition rights		
Balance as of the start of the current fiscal year	2,134	-
Adjustments during the fiscal year		
Net changes during the year to items other than shareholders' equity	-2,134	658
Total adjustments during the fiscal year	-2,134	658
Balance as of the end of the current fiscal year	-	658
Minority interests		
Balance as of the start of the current fiscal year	1,170	114,395
Adjustments during the fiscal year		
Net changes during the year to items other than shareholders' equity	113,224	20,580
Total adjustments during the fiscal year	113,224	20,580
Balance as of the end of the current fiscal year	114,395	134,976
Total net assets		
Balance as of the start of the current fiscal year	2,910,691	3,180,458
Adjustments during the fiscal year		
Dividends from surplus	-49,010	-49,010
Changes in the scope of consolidation	-14,732	19,923
Changes in the scope of equity method application	-	-3,591
Net income	170,096	354,995
Net changes during the year to items other than shareholders' equity	163,413	450,273
Total adjustments during the fiscal year	269,766	772,590
Balance as of the end of the current fiscal year	3,180,458	3,953,049

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	340,432	699,957
Depreciation	77,752	107,029
Amortization of goodwill	13,376	31,716
Impairment losses	-	2,562
Increase (decrease) in provision for allowance for doubtful accounts	-1,600	5,349
Increase (decrease) in provision for bonuses	-2,815	-6,208
Increase (decrease) in provision for directors' bonuses	-2,000	23,050
Increase (decrease) in provision for retirement benefits	=490	4,964
Interest income and dividend income	-9,375	-9,330
Interest expenses	136	747
Foreign exchange (gains) losses	1,419	-8,058
Equity in losses (earnings) of affiliated companies	-468	3,089
Loss (gain) on sales of property, plant and equipment	-	-2,189
Loss (gain) on step acquisitions	-16,799	-
Loss (gain) on sales of investments in securities	-2,600	-349,908
Gain on capital reduction with compensation of investment securities	-4,400	-
Losses on disposal of property, plant and equipment	3,366	40,323
Gain on reversal of stock acquisition rights	-2,134	-
Decrease (increase) in notes and accounts receivable–trade	-39,483	-27,641
Decrease (increase) in inventories	-3,816	-39,505
Increase (decrease) in notes and accounts payable–trade	45,097	72,294
Increase (decrease) in consumption taxes payable	-8,560	186
(Increase) decrease in other current assets	3,313	-26,253
Increase (decrease) in other current liabilities	8,161	86,413
Other	4,438	-758
Subtotal	402,950	607,831
Interest and dividend income received	15,036	11,115
Interest expenses paid	-136	-747
Income taxes paid	-200,238	-95,026
Net cash provided by operating activities	217,611	523,173

(Thousands of yen)

	FY May 2012 (June 1, 2011 to May 31, 2012)	FY May 2013 (June 1, 2012 to May 31, 2013)
Cash flows from investing activities		
Payments into time deposits	-856,933	-829,275
Proceeds from withdrawal of time deposits	1,418,795	863,982
Proceeds from withdrawal from long-term deposits	550,000	100,000
Payments for purchase of property, plant and equipment	-14,525	-34,094
Proceeds from sales of property, plant and equipment	-	4,039
Payments for purchase of intangible assets	-68,403	-132,844
Proceeds from sales of investments in securities	6,600	359,730
Proceeds from gain on capital reduction with compensation of investment securities	14,056	-
Purchase of investments in subsidiaries	-11,050	-41,000
Proceeds from sale of investments in subsidiaries	497	-
Payments for purchase of investments in securities resulting from changes in the scope of consolidation	-367,040	-
Payments for purchase of subsidiaries’ treasury stock	-381,360	-
Payments for loans receivable	-44,000	-6,000
Collection of loans receivable	15,790	5,058
Payments of guarantee deposits	-28,620	-7,148
Proceeds from collection of guarantee deposits	23,653	283
Proceeds from cancellation of insurance reserve fund	948	-
Net cash provided by investing activities	258,408	282,731
Cash flows from financing activities		
Proceeds from short-term borrowings	200,000	262,801
Repayment of short-term borrowings	-200,000	-282,801
Repayment of long-term debt	-	-7,000
Repayment of lease obligations	-3,358	-3,363
Cash dividends paid	-48,600	-48,662
Cash dividends paid to minority interests	-	-3,740
Other	-	658
Net cash used in financing activities	-51,959	-82,107
Effect of exchange rate changes on cash and cash equivalents	-1,293	-14,827
Net increase (decrease) in cash and cash equivalents	422,768	708,969
Cash and cash equivalents at the beginning of the year	1,092,497	1,515,947
Increase in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	682	46,694
Cash and cash equivalents at the end of the year	1,515,947	2,271,611

(5)Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

Nothing to report.

(Segment Information)

Segment Information

1. Summary of reportable segments

Reportable segments for Nihon Enterprise are the constituent business units for which separate financial data is available and that are examined on a regular basis for the purpose of enabling the Company's management to allocate resources and evaluate results of operations.

The Company formulates comprehensive strategies for the services it handles and conducts. Consequently, the Company has consolidated the services handled by each of its departments into two reportable segments, the Mobile Content Segment and the Solutions Segment.

The Mobile Content Segment provides various content services via telecommunications carriers. The Solutions Segment offers total solutions, including business plan development and consulting that make use of mobile phones.

2. Methods used for calculating sales, income or losses, and other items for each reportable segment

The methods employed in the accounting treatment of reportable business segments are the same as those indicated in "Important items that form the basis for preparation of consolidated financial statements." Earnings for reportable segments are based on operating income.

3. Information on sales, income or losses, and other items for each reportable segment

Previous fiscal year (June 1, 2011 to May 31, 2012)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—outside customers	1,533,048	1,257,777	2,790,825	—	2,790,825
Sales and transfer—intersegment	—	31,617	31,617	-31,617	—
Total	1,533,048	1,289,395	2,822,443	-31,617	2,790,825
Segment income	494,334	317,287	811,621	-507,428	304,193
Other items					
Depreciation	41,009	24,114	65,123	12,629	77,752

(Note) The primary adjustments to segment income are for corporate expenses that are not allocable to individual business segments, including general administrative expenses of ¥494,052 thousand and amortization of goodwill of ¥13,376 thousand.

Segment income is adjusted to operating income in the consolidated statements of income.

During the year under review, the Company revised its standards for evaluating segment performance from the standpoint of management administration, changing the method of measuring business segments as a result. Segment income was therefore ¥492,373 thousand lower in the Mobile Content Segment and ¥261,961 thousand lower in the Solutions Segment than it would have been under the previous method.

Segment assets are not listed, as assets cannot be allocated to business segments. However, rational allocation standards are used to allocate depreciation and amortization expenses on depreciable assets that are not themselves allocated to individual businesses segments.

Current fiscal year (June 1, 2012 to May 31, 2013)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—outside customers	2,142,728	1,991,447	4,134,176	—	4,134,176
Sales and transfer—intersegment	—	57,930	57,930	-57,930	—
Total	2,142,728	2,049,378	4,192,107	-57,930	4,134,176
Segment income	621,705	304,590	926,295	-554,094	372,201
Other items					
Depreciation	67,851	24,390	92,242	11,945	104,188

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥522,378 thousand and amortization of goodwill of ¥31,716 thousand.

Segment income is adjusted to operating income in the consolidated statements of income.

Segment assets are not listed, as assets cannot be allocated to business segments. However, rational allocation standards are used to allocate depreciation and amortization expenses on depreciable assets that are not themselves allocated to individual businesses segments.