Consolidated Financial Results for the Fiscal Year May 2014
(Japanese Accounting Standards)

July 9, 2014

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 22, 2014
Date of Dividend Payment (Planned): August 25, 2014
Date of Financial Statement Filing (Planned): August 22, 2014
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 2014 (June 1, 2013–May 31, 2014)

(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 2014	4,508	9.1	335	-9.9	340	-13.1	437	23.1
FY May 2013	4,134	48.1	372	22.4	391	23.1	354	108.7

(Note) Comprehensive Income: ¥477 million in FY May 2014 (down 40.8%) ¥806 million in FY May 2013 (up 237.4%)

	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 2014	11.59	11.56	10.9	6.4	7.4
FY May 2013	9.42	9.41	10.3	9.1	9.0

(Reference) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:
FY May 2014: ¥ — million FY May 2013: ¥-3 million

Note: Figures for net income per share and diluted net income per share take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013. Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2014	5,541	4,360	75.7	111.20
FY May 2013	5,069	3,953	75.3	101.26

(Reference) Equity: FY May 2014: ¥4,192 million FY May 2013: ¥3,817 million

Note: Figures for net income per share and diluted net income per share take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013. Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

(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 2014	153	453	-72	2,808
FY May 2013	523	282	-82	2,271

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 2013	—	0.00	—	180.00	180.00	67	19.1	2.0
FY May 2014	—	0.00	—	3.00	3.00	113	25.9	2.7
FY May 2015 (Planned)	—	0.00	—	3.00	3.00		32.3	

The Company conducted a 1:100 stock split on common shares on December 1, 2013. Dividends per share for the fiscal year ended May 31, 2013, are stated at the actual dividend amount, prior to the stock split.
Note: The breakdown of dividends is as follows.
May 31, 2014 (common dividend of ¥2.00, dividend of ¥1.00 in commemoration of listing on the First Section of the Tokyo Stock Exchange)
May 31, 2015 (common dividend of ¥3.00)

3. Consolidated Financial Forecasts for the Fiscal Year May 2015 (June 1, 2014–May 31, 2015)

(% 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	5,210	15.6	415	23.7	430	26.4	350	-19.9	9.28

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: None
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 2014	37,700,000 shares	FY May 2013	37,700,000 shares
2) Treasury stock as of end of term	FY May 2014	— shares	FY May 2013	— shares
3) Average during the term	FY May 2014	37,700,000 shares	FY May 2013	37,700,000 shares

Note: Figures for net income per share and diluted net income per share take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013. Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

* 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

1. Forecasts of business results

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.

2. Stock split

Resolutions to split the Company's shares and adopt a unit share system were passed at a Board of Directors meeting on July 30, 2013, and at the 25th Regular Ordinary Meeting of Shareholders on August 23, 2013. Accordingly, a 1:100 stock split on common shares was conducted with an effective date of December 1, 2013, and 100 shares was set as the share trading unit.

3. Financial results presentation meeting

A financial results presentation meeting (for institutional investors and analysts) is scheduled for July 11, 2014. The presentation materials to be used at that meeting are scheduled to be posted on the Company's website on that day.

Contents

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of Operations in the Fiscal Year under Review

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

During the fiscal year under review, the Japanese economy remained in a state of gradual recovery. Against a backdrop of economic and financial measures by the Japanese government and the Bank of Japan, the yen appreciated and stock prices continued to rise, and corporate earnings and personal consumption improved. Nevertheless, the outlook remains uncertain for a number of reasons. These include a slowdown of growth in the emerging markets that have been driving the global economy, as well as the likelihood that consumption levels will decline following Japan's April 2014 consumption tax hike.

Under these circumstances, the mobile telecommunications industry, to which the Nihon Enterprise Group belongs, was characterized by the full-fledged shift toward iPhone, Android and other smartphones. As of December 31, 2013, the percentage of smartphones had risen to account for 44.5% of the total (Note 1). The value of the mobile content market for smartphones has expanded to ¥371.7 billion (up 361.2% year on year, Note 2). We expect the market to continue undergoing significant changes going forward.

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 ¥4,508 million, up 9.1% from the preceding fiscal year. Operating income fell 9.9%, to ¥335 million; and ordinary income dropped 13.1%, to ¥340 million; while net income expanded 23.1%, to ¥437 million.

(Note 1) Announced by MM Research Institute, Ltd.

(Note 2) Announced by the Mobile Content Forum (MCF)

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 property 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.

In mobile carriers' (telecommunications companies) authorized service, a shift from feature phones to smartphone customers has progressed. At the same time, implementing robust sales strategies, mobile carriers introduced flat-rate services such as Sugotoku Content, au Smart Pass and Yahoo! Premium. We supplied contents for such services. We broadened our range of contents and implemented proactive promotion campaigns, which contributed greatly to our profits.

In alliance-type of monthly charged content service(sales cooperation with a mobile phone sales company), fluctuations in the environment in which mobile phone sales companies operate caused new member acquisitions to fall substantially below thetargets. Despite this setback, we cultivated alliance partners and worked to expand content lineup.

Meanwhile, we ran a television commercial and Web promotions to increasethe number of usersand generate revenue from native Apps which are downloadable from such markets as App Store and Google Play. (Native Apps are applications developed based on programs running on smartphones or other devices.) Given the scale of this market, as well as its expected growth, in April 2014 we established HighLab Co., Ltd., as a subsidiary to develop smartphone gamesbased on native Apps, as well as to develop future content platform mutually linking native Apps with lifestyle Apps.

Overseas, in China we positioned ourselves in a business domain providing an e-comic distribution service. We collaborated with authors and publishers in China to adapt their popular novels into manga comic book versions. Furthermore, we moved forward to build a business model of transforming manga books into eBooks and then distributing them to mobile phone market. On the basis of such business model, we have been promoting the expansion of online distribution of e-comic books.

As a result of these efforts, sales in the Mobile Content Segment totaled ¥2,469 million, and segment income amounted to ¥757 million.

Solutions Segment

In the Solutions Segment, we provide such services for companies as contents planning, design and implementation operation, debugging, and server maintenance and management. 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 our advertising business "shop affiliate", business slumped in the second quarter, but in the second half of the fiscal year we worked to support the sales of allied mobile phone sales companies and aggressively cultivated new mobile phone sales companies.

In corporate cost-cutting solutions, we saw an increase in the number of contracts for our "Profair", a reverse auction and estimate collection system. We also reinforced collaboration with our subsidiary, and One Inc., and worked toward the development of IP telephony products.

Overseas, we endeavored to increase unit sales of mobile phones at our two mobile phone sales shops (China Telecom shops) in the Shanghai area.

Owing to these efforts, the Solutions Segment generated sales of ¥2,039 million, with segment income of ¥173 million.

On February 28, 2014, Nihon Enterprise's share listing was moved from the Second Section of the Tokyo Stock Exchange to the First Section. We believe this upgrade is largely attributable to the warm support we have had from our shareholders and a host of other people associated with the Company, and for this we offer our heartfelt thanks.

We strongly feel the desire to contribute to society through our business in whatever way we can and as much as we can. We aim to be a company that contributes to society by creating and providing a wide variety of convenient and enjoyable content, and contributes to society.

Going forward, we will concentrate our management resources on developing and enhancing the sites and apps we provide. Through these efforts and by proactively expanding our business domains, we intend to enhance corporate value. We ask for your ongoing support of these initiatives.

2) Forecast for the Next Fiscal Year

In 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 industry.

With the number of mobile phone subscriptions having already surpassed 5 billion units worldwide, the mobile content industry is expanding globally. China (1.2 billion units) and India (0.9 billion units) are particularly strong drivers of growth in the global market, and this trend is expected to accelerate.

Content Service Segment

In the Content Service 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 service provisioning to carriers' authorized site that leverage secure and highly trustworthy carriers' billing system

Carriers continue pushing forward with strong sales strategies, providing content to smartphones as fixed-rate services, such as Sugotoku Content, au Smart Pass and Yahoo! Premium membership. We expect the market to continue growing in response. Along with carriers' strategies, we will enhance our offerings of qualified content with a large number of active uses and promote the use of contents

In line with our business model, which emphasizes "owning the property rights to the content we provide," we will promote the secondary use of content assets we have cultivated for carriers' authorized sites on LINE, iTunes Store and other overseas carrier platforms. We believe this approach will contribute significantly to sales.

Meanwhile, the market for smartphone games, chiefly native Apps,continues to expand. This market is expected to grow in scale from ¥546.8 billion in 2013 to ¥800.0 billion in 2016 (Note 3). We will take advantage of this growth by developing and distributing smartphone games, centered on native Apps. We will also aim to develop a content platform that is interconnected with messaging and other lifestyle Apps.

Overseas, in China we will concentrate on our mainstay business of distributing e-comics. We will work toward the localization and distribution in China of Japanese game content, maximizing the Nihon Enterprise Group's edge as an owner of licenses throughout the country, China.

(Note 3) Announced by CyberZ, Inc. / Seed Planning, Inc.

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 debugging—areas of strength for Nihon Enterprise.

By shop affiliations we will increase the number of business deals (contracts) by not only strengthening ties with our existing mobile phone retail partners but also acquiring new mobile phone retail partners. Shop affiliations consist of marketing content to customers visiting mobile phone retail shops on a performance basis, that is, these shops are compensated each time content is sold. Meanwhile, we will strengthen our sales efforts targeting content providers, who are advertisers (those who place advertisements). Employing such methods, we will make steady and continuous efforts to increase sales.

In corporate cost-cutting solutions, we will continue to provide "Profair ", the reverse auction and estimate collection system. We will launch s highly qualified "Softphone," which leverages the technologies of our subsidiary, and One Inc., and secure and highly reliable corporate messenger App that utilize communication app technology. By mounting full-fledged sales efforts in these areas, we will work to expand our solutions business domain into the corporate arena as smartphone adoption continues.

Overseas, we operate two mobile phone sales shops (China Telecom shops) in the Shanghai area. There, we will concentrate on building a revenue structure that is impervious to carriers' sales strategies.

Through these initiatives, in the fiscal year ending May 31, 2015, we expect to deliver net sales of ¥5,210 million, up 15.6% year on year. We anticipate operating income of ¥415 million, up 23.7%; ordinary income of ¥430 million, up 26.4%; and net income of ¥350 million, down 19.9%.

(2) Analysis of Financial Condition

1) Assets, liabilities and net assets

As of May 31, 2014, total assets stood at ¥5,541 million, up ¥472 million from May 31, 2013. Current assets amounted to ¥4,010 million, up ¥565 million from a year earlier, due primarily to a ¥538 million increase in cash and deposits. Fixed assets amounted to ¥1,531 million at fiscal year-end, down ¥92 million, due to a ¥185 million drop in long-term deposits, which overshadowed a ¥68 million increase in investments in securities

Total liabilities amounted to ¥1,180 million, up ¥64 million compared with May 31, 2013. Chief reasons were a ¥43 million increase in accounts payable–trade, a ¥33 million decrease in income taxes payable, and a ¥7 million decrease in deferred income tax liabilities. Net assets grew ¥407 million, to ¥4,360 million as of fiscal year end, due to the posting of net income and dividends from surplus.

As measures pointing to the Company’s stability, the equity ratio was 75.7%, the current ratio 451.7%, the fixed ratio 36.5% and the interest coverage ratio 6,521.0 times—indicating that Nihon Enterprise maintained its level of soundness.

2) Cash Flows

During the year under review, cash and cash equivalents increased ¥537 million, to ¥2,808 million as of May 31, 2013. Principal factors behind this increase were ¥833 million in income before income taxes and minority interests, a 19.0% rise compared with the preceding fiscal year; depreciation and amortization expenses of ¥121 million, up 13.3%; and ¥522 million in proceeds from the sale of investments in securities, up 45.1%. Factors having a negative impact on cash included income taxes paid of ¥381 million, up 301.3%; purchase of investments in subsidiaries of ¥100 million, up 143.9%; and cash dividends paid of ¥67 million, up 38.4%.

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 ¥153 million, ¥369 million less than in the preceding fiscal year. Primary sources of cash included income before income taxes and minority interests of ¥833 million, depreciation and amortization expenses of ¥121 million, amortization of goodwill of ¥31 million, an increase in notes and accounts payable–trade of ¥41 million and a gain on sales of investments in securities of ¥516 million. The main use of cash was income taxes paid of ¥381 million.

(Cash flows from investing activities)

Net cash provided by investing activities was ¥453 million, ¥170 million more than in the preceding fiscal year. Among the major sources of cash were ¥200 million in proceeds from withdrawal from long-term deposits and ¥522 million in proceeds from sales of investments in securities. Primary uses of cash were ¥134 million in payments for purchase of intangible assets and ¥24 million in payments for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥72 million, ¥9 million less than was used in these activities in the preceding fiscal term. Primary uses of cash were ¥67 million in cash dividends paid and ¥6 million in cash dividends paid to minority interests.

(Reference) Cash flow indicators

	FY May 2010	FY May 2011	FY May 2012	FY May 2013	FY May 2014
Equity ratio (%)	92.1	89.8	85.7	75.3	75.7
Equity ratio based on market value (%)	85.7	88.3	96.6	152.5	155.8
Interest-bearing liabilities/cash flow ratio (years)	0.1	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	344.9	852.7	1,590.0	700.3	6,521.0

(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.

In accordance with this policy, for the year under review management expects to award a dividend of ¥2.00 per share, up ¥0.20 from the preceding fiscal year. For the upcoming fiscal year, we plan to award a dividend of ¥3.00 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, 2014).

1) Agreements That Form the Basis for Principal Business Activities

The Nihon Enterprise Group's principal business activities in Content Service 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 Content Service 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, our operating performance could be materially affected, in Content Service Segment due to decrease in the number of users of the pay sites operated by the Nihon Enterprise Group and in Solutions Segment due to difficulties in acquiring new clients (our corporate users).

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 Content Service 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 Content Service 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 Enterprise (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, Enterprise (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 Enterprise (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 Enterprise (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, Enterprise (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 Enterprise (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 Enterprise (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 four non-consolidated subsidiaries, and conducts business via theContent Service Segment and the Solutions Segment.

The Content Service Segment and the Solutions Segment are also operating 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) Content Service 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 carriers' authorized sites—including dmenu and au Market—that are operated for smartphones and other 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 can be found on the official sites of the traffic information site "ATIS Traffic Info," the music distribution site "Uta & mero Tori hodai" the comprehensive Deco-mail* site "Deco Deco Mail," etc.

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

Genre	Major Content	Principal Services
Traffic information	ATIS Traffic Info, others	Roadway information, information on rail transfers, live video and other traffic information
Lifestyle	Josei no Kirei Rizumu, others	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.
Music	Uta & mero Tori hodai, others	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, others	This content includes the abundant use of character images for Deco-mail*, and popular stamps for messenger apps.
E-Books	BOOKSMART	This E-Book site provides some 150,000 offerings in a variety of genres.
Games	GAMERUSH, others	This service offers classic easy-to-play games, and provides a portal site for distribution of mini-games.
Overseas	*JiuDingJi* ("Nine Tripod Cauldrons), others	This service provides e-comics and other content in China.

* "Deco-mail" is a registered trademark 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 Content Service 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 shops via real “shop affiliations.”

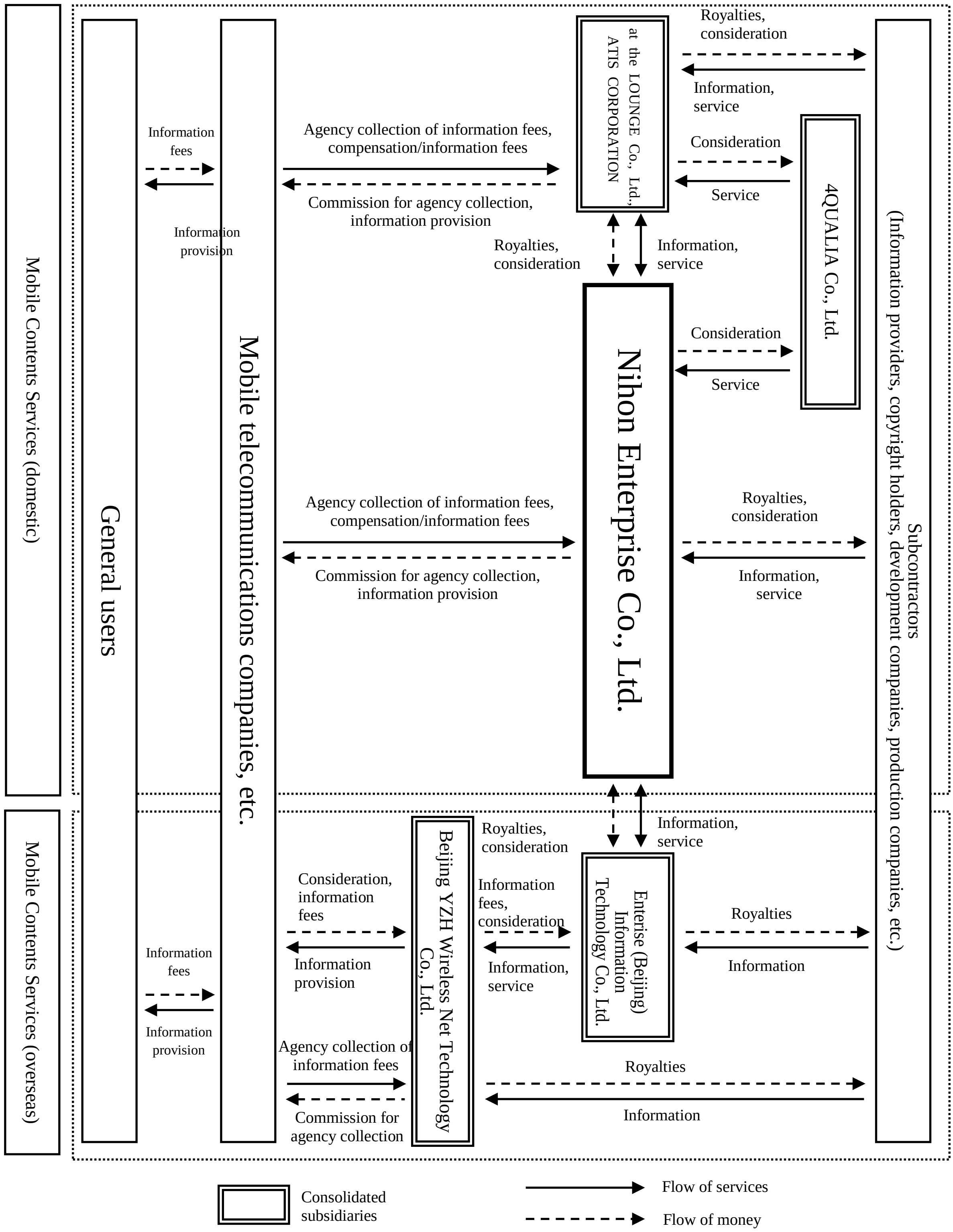
The segment also conducts mobile phone and other sales and agency businesses in China.

The chart below provides an overview of our businesses in the solutions segment as of the end of the fiscal year.

Category	Content
Business Solutions	We develop, construct, provide user support for and debug corporate websites and apps, as well as running corporate sites on an outsourced basis.
Advertising	We cooperate with mobile phone sales companies to sell content on a contingency basis. We also generate advertising revenue via our own sites and apps.
Overseas	In addition to developing and constructing corporate websites and apps in China, we conduct mobile phone and other sales and agency business for China Telecom.
Product sales	We provide an e-commerce site service, selling CDs and other items.

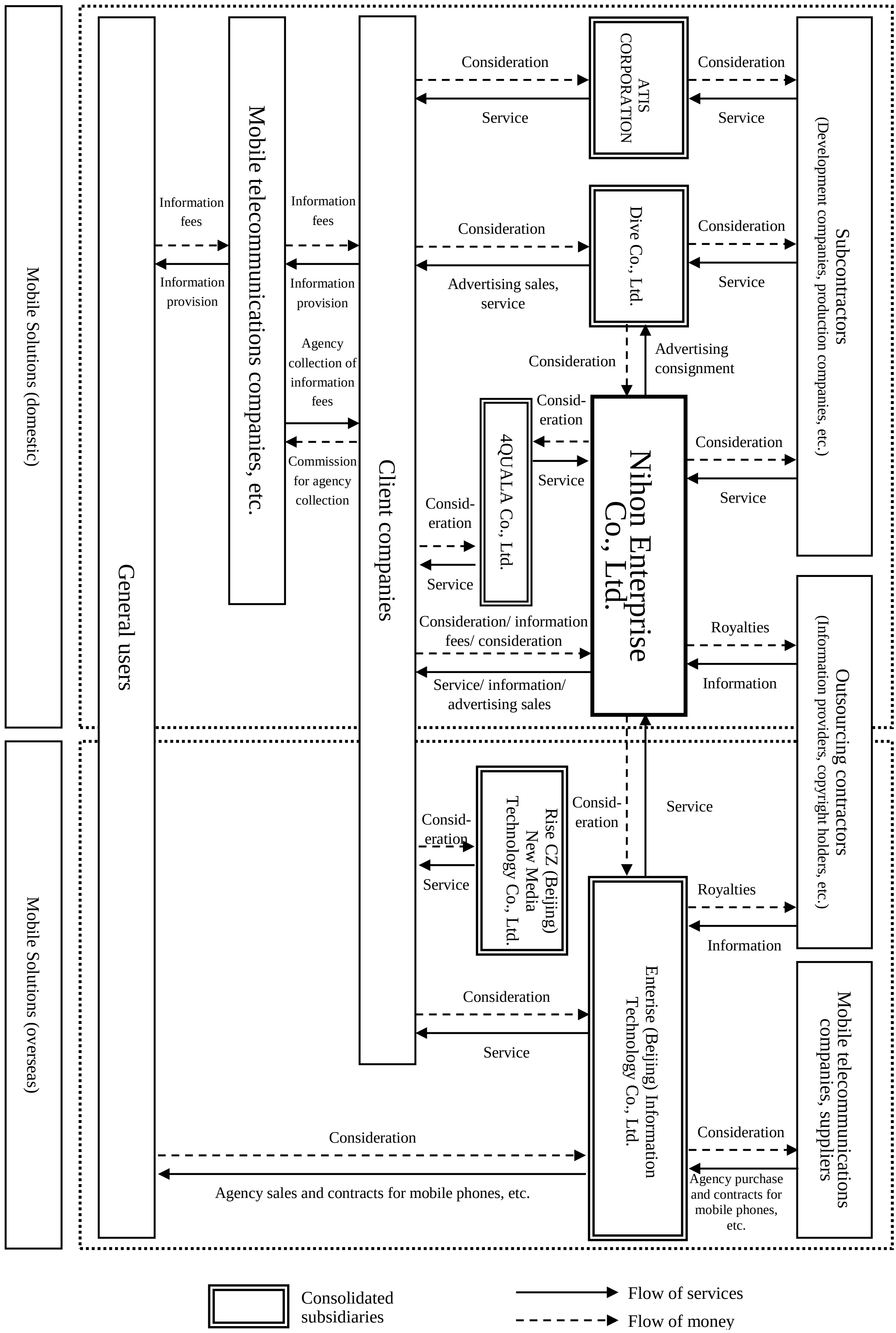
The Nihon Enterprise Group is organized as follows.

Mobile Content Segment



(Note) In addition to the companies indicated above, the segment contains three non-consolidated subsidiaries: HighLab Co., Ltd., 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 aspires to contribute to society. Accordingly, our management philosophy concentrates on contributing to society by generating a sense of joy and 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) Content Service Segment

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

* 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

In the mobile content market, of which the Nihon Enterprise Group belongs to, feature phone services is maturing and shrinking. As well as making conventional content available for smartphones, tablets and other smart devices, the market is calling for combined functionality. We expect opportunities to provide services for smart devices to expand further. Responding swiftly and appropriately to these market changes will require us to expand the boundaries of our business. To this end, we will proactively cooperate, form alliances and take part in M&A activities with companies outside the Group that offer promise in this respect.

2) Strengthening of Planning and Technological Capabilities

The Nihon Enterprise Group recognizes that augmenting its planning and technological capabilities is essential to providing increasingly high-value-added services in rapidly changing mobile content sector, which is characterized by an ongoing shift toward smartphones. In addition to the planning and technological expertise we have accumulated for mobile content, 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 workforce..

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 2013 (May 31, 2013)	End of FY May 2014 (May 31, 2014)
Assets		
Current assets		
Cash and deposits	2,708,287	3,247,011
Notes and accounts receivable	590,092	639,120
Merchandise	11,781	13,708
Work in process	37,321	33,435
Supplies	247	264
Deferred tax assets	35,871	27,692
Accrued revenue	1,126	15,225
Other	60,498	39,408
Less: Allowance for doubtful accounts	– 200	– 5,753
Total current assets	3,445,028	4,010,112
Fixed assets		
Property, plant and equipment		
Buildings	79,713	87,817
Less: Accumulated depreciation	– 36,686	– 39,436
Buildings, net	43,027	48,380
Land	12,400	12,400
Other	156,804	160,020
Less: Accumulated depreciation	– 126,760	– 134,815
Other, net	30,044	25,204
Total property, plant and equipment	85,471	85,985
Intangible assets		
Goodwill	113,487	81,771
Software	192,909	232,136
Other	92	40
Total intangible assets	306,489	313,948
Investments and other assets		
Investments in securities	919,653	987,707
Long-term deposits	200,000	14,490
Guarantee deposits	90,351	89,302
Long-term loans receivable	22,453	2,370
Deferred tax assets	8,190	7,620
Other	17,704	29,928
Less: Allowance for doubtful accounts	– 26,148	—
Total investments and other assets	1,232,206	1,131,419
Total fixed assets	1,624,167	1,531,354
Total assets	5,069,195	5,541,466

(Thousands of yen)

	End of FY May 2013 (May 31, 2013)	End of FY May 2014 (May 31, 2014)
Liabilities		
Current liabilities		
Accounts payable–trade	236,445	279,881
Income taxes payable	290,257	256,852
Consumption taxes payable	18,098	33,461
Provision for bonuses	6,216	—
Provision for directors’ bonuses	32,650	—
Other	256,478	317,572
Total current liabilities	840,146	887,767
Long-term liabilities		
Deferred income tax liabilities	254,336	246,966
Provision for retirement benefits	19,064	—
Retirement benefit liabilities	—	23,553
Other	2,598	22,411
Total long-term liabilities	275,999	292,930
Total liabilities	1,116,145	1,180,698
Net assets		
Shareholders’ equity		
Common stock	595,990	595,990
Capital surplus	473,942	473,942
Retained earnings	2,260,531	2,629,726
Total shareholders’ equity	3,330,464	3,699,660
Accumulated other comprehensive income		
Net unrealized gains on other securities	470,232	453,040
Foreign currency translation adjustment	16,717	39,522
Total accumulated other comprehensive income	486,949	492,562
Stock acquisition rights	658	2,482
Minority interests	134,976	166,063
Total net assets	3,953,049	4,360,768
Total liabilities and net assets	5,069,195	5,541,466

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY May 2013 (June 1, 2012 to May 31, 2013)	FY May 2014 (June 1, 2013 to May 31, 2014)
Net sales	4,134,176	4,508,867
Cost of sales	2,235,846	2,315,602
Gross profit	1,898,330	2,193,264
Selling, general and administrative expenses	1,526,128	1,857,792
Operating income	372,201	335,472
Non-operating income		
Interest income	4,954	2,508
Dividend income	4,375	3,164
Foreign exchange gains	8,058	—
Rental income	1,923	1,221
Subsidy income	—	8,894
Reversal of allowance for doubtful accounts	2,100	—
Other	2,341	8,492
Total non-operating income	23,754	24,280
Non-operating expenses		
Interest expenses	747	23
Commission fees	380	18,961
Equity in losses of affiliates	3,089	—
Foreign exchange losses	—	459
Others	280	90
Total non-operating expenses	4,497	19,535
Ordinary income	391,458	340,217
Extraordinary income		
Gains on sales of property, plant and equipment	2,189	—
Gains on sales of investments in securities	352,398	516,750
Total extraordinary income	354,587	516,750
Extraordinary losses		
Losses on disposal of property, plant and equipment	40,323	1,619
Bad-debt losses	—	21,664
Impairment losses	2,562	—
Losses on change in equity	—	105
Losses on sales of investments in securities	2,489	—
Other	712	450
Total extraordinary losses	46,087	23,838
Income before income taxes and minority interests	699,957	833,129
Income, residential and enterprise taxes	336,247	350,150
Income tax adjustment	– 14,168	10,881
Total income taxes	322,078	361,032
Income before minority interests	377,879	472,097
Minority interests	22,884	35,041
Net income	354,995	437,055

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2013 (June 1, 2012 to May 31, 2013)	FY May 2014 (June 1, 2013 to May 31, 2014)
Income before minority interests	377,879	472,097
Other comprehensive income		
Net unrealized gains on other securities	415,285	– 17,192
Foreign currency translation adjustment	13,748	22,804
Total other comprehensive income	429,034	5,612
Comprehensive income	806,914	477,709
(Breakdown)		
Comprehensive income attributable to owners of the parent	784,029	442,667
Comprehensive income attributable to minority interests	22,884	35,041

(3) Consolidated Statements of Changes in Shareholders' Equity

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

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the start of the fiscal year	595,990	473,942	1,938,214	3,008,148
Adjustments during the fiscal year				
Dividends from surplus			– 49,010	– 49,010
Changes in the scope of consolidation			19,923	19,923
Changes in the scope of equity method application			– 3,591	– 3,591
Net income			354,995	354,995
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	–	–	322,316	322,316
Balance at the end of the fiscal year	595,990	473,942	2,260,531	3,330,464

	Accumulated other comprehensive income			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	54,946	2,969	57,915	–	114,395	3,180,458
Adjustments during the fiscal year						
Dividends from surplus						– 49,010
Changes in the scope of consolidation						19,923
Changes in the scope of equity method application						– 3,591
Net income						354,995
Net changes during the year to items other than shareholders' equity	415,285	13,748	429,034	658	20,580	450,273
Total adjustments during the fiscal year	415,285	13,748	429,034	658	20,580	772,590
Balance at the end of the fiscal year	470,232	16,717	486,949	658	134,976	3,953,049

Current fiscal year (June 1, 2013 to May 31, 2014)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the start of the fiscal year	595,990	473,942	2,260,531	3,330,464
Adjustments during the fiscal year				
Dividends from surplus			– 67,860	– 67,860
Changes in the scope of consolidation			–	–
Changes in the scope of equity method application			–	–
Net income			437,055	437,055
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	–	–	369,195	369,195
Balance at the end of the fiscal year	595,990	473,942	2,629,726	3,699,660

	Accumulated other comprehensive income			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	470,232	16,717	486,949	658	134,976	3,953,049
Adjustments during the fiscal year						
Dividends from surplus						– 67,860
Changes in the scope of consolidation						–
Changes in the scope of equity method application						–
Net income						437,055
Net changes during the year to items other than shareholders' equity	– 17,192	22,804	5,612	1,823	31,087	38,523
Total adjustments during the fiscal year	– 17,192	22,804	5,612	1,823	31,087	407,718
Balance at the end of the fiscal year	453,040	39,522	492,562	2,482	166,063	4,360,768

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY May 2013 (June 1, 2012 to May 31, 2013)	FY May 2014 (June 1, 2013 to May 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	699,957	833,129
Depreciation	107,029	121,248
Amortization of goodwill	31,716	31,716
Impairment losses	2,562	-
Bad-debt losses	-	21,664
Increase (decrease) in provision for allowance for doubtful accounts	5,349	5,549
Increase (decrease) in provision for bonuses	– 6,208	– 6,216
Increase (decrease) in provision for directors’ bonuses	23,050	– 32,650
Increase (decrease) in provision for retirement benefits	4,964	-
Increase (decrease) in retirement benefit liabilities	-	4,488
Interest income and dividend income	– 9,330	– 5,672
Interest expenses	747	23
Foreign exchange (gains) losses	– 8,058	459
Equity in losses (earnings) of affiliated companies	3,089	-
Loss (gain) on sales of property, plant and equipment	– 2,189	-
Loss (gain) on sales of investments in securities	– 349,908	– 516,750
Losses on disposal of property, plant and equipment	40,323	1,619
Decrease (increase) in notes and accounts receivable–trade	– 27,641	– 60,975
Decrease (increase) in inventories	– 39,505	2,927
Increase (decrease) in notes and accounts payable–trade	72,294	41,550
Increase (decrease) in consumption taxes payable	186	15,362
(Increase) decrease in other current assets	– 26,253	16,650
Increase (decrease) in other current liabilities	86,413	37,341
Other	– 758	17,808
Subtotal	607,831	529,275
Interest and dividend income received	11,115	5,918
Interest expenses paid	– 747	– 23
Income taxes paid	– 95,026	– 381,365
Net cash provided by operating activities	523,173	153,805

	FY May 2013 (June 1, 2012 to May 31, 2013)	FY May 2014 (June 1, 2013 to May 31, 2014)
Cash flows from investing activities		
Payments into time deposits	– 829,275	– 1,238,050
Proceeds from withdrawal of time deposits	863,982	1,238,050
Payments into long-term deposits	-	– 14,490
Proceeds from withdrawal from long-term deposits	100,000	200,000
Payments for purchase of property, plant and equipment	– 34,094	– 24,876
Proceeds from sales of property, plant and equipment	4,039	-
Payments for purchase of intangible assets	– 132,844	– 134,564
Proceeds from sales of investments in securities	359,730	522,000
Purchase of investments in subsidiaries	– 41,000	– 100,000
Payments for loans receivable	– 6,000	-
Collection of loans receivable	5,058	1,876
Payments of guarantee deposits	– 7,148	– 11,452
Proceeds from collection of guarantee deposits	283	12,206
Other	-	2,367
Net cash provided by investing activities	282,731	453,066
Cash flows from financing activities		
Proceeds from short-term borrowings	262,801	200,000
Repayment of short-term borrowings	– 282,801	– 200,000
Repayment of long-term debt	– 7,000	-
Repayment of lease obligations	– 3,363	– 1,586
Cash dividends paid	– 48,662	– 67,342
Cash dividends paid to minority interests	– 3,740	– 6,460
Other	658	2,400
Net cash used in financing activities	– 82,107	– 72,989
Effect of exchange rate changes on cash and cash equivalents	– 14,827	3,267
Net increase (decrease) in cash and cash equivalents	708,969	537,150
Cash and cash equivalents at the beginning of the year	1,515,947	2,271,611
Increase in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	46,694	-
Cash and cash equivalents at the end of the year	2,271,611	2,808,762

(5) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

Nothing to report.

(Segment Information, etc.)

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 Content Service Segment and the Solutions Segment.

The Content Service 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, 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.

Current fiscal year (June 1, 2013 to May 31, 2014)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—outside customers	2,469,753	2,039,113	4,508,867	—	4,508,867
Sales and transfer—intersegment	—	68,489	– 68,489	– 68,489	—
Total	2,469,753	2,107,603	4,577,356	– 68,489	4,508,867
Segment income	757,481	173,321	930,803	– 595,330	335,472
Other items					
Depreciation	66,503	41,621	108,125	9,970	118,095

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥563,614 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.

(Material Subsequent Events)

(Sales of investments in securities)

To increase the efficiency of its asset holdings, on June 9, 2014, the Company sold a portion of its investments in securities. As a result, for the fiscal year ending May 31, 2015, we expect to record as extraordinary income a gain on sales of investments in securities of ¥331,231 thousand.