

# Nihon Enterprise Co., Ltd.

FY2015, ended 31<sup>st</sup> May



Consolidated financial summary

**As of July 2015**





## Summary of financial results for FY2015



### Strategy for FY2016 ending May [content service segment]



### Strategy for FY2016 ending May [solution segment]



### Outlook for FY2016 ending May [ Earnings forecast ]

## Contents service segment

- Contents provision for “carrier fixed rate services” expanded
  - “Nekketsu! Yankee sports festival” and “Yowamushi Pedal” (au Smartpass)
  - “Nadeshiko Fan!!” (Sugotoku-Contents)
  - “Natsume Yu-jin-cho Let’s play with Nyanko sensei” (App Pass)
- Contents (native apps) provision in app markets expanded
  - “Honey plus” (Android/iOS), “PasteLius”(Android),  
“Brash up my dear darling” (Android/iOS)

## Solution segment

- Received orders of consigned development towards March due to increased demand in FY ending
- Acquired large scale of consigned development order toward FY 2016
- Started regional revitalization business

## Others

- Capital increase for a subsidiary “and One Inc.”, (40 million yen)

# Summary of consolidated income statements

	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
S a l e s	<b>4,508</b>	<b>5,116</b>	<b>607</b>	<b>13.5%</b>
C O G S	<b>2,315</b>	<b>2,704</b>	<b>389</b>	<b>16.8%</b>
G r o s s P r o f i t	<b>2,193</b>	<b>2,411</b>	<b>218</b>	<b>10.0%</b>
S G & A	<b>1,857</b>	<b>2,222</b>	<b>364</b>	<b>19.6%</b>
Operating Profit	<b>335</b>	<b>189</b>	<b>▲145</b>	<b>▲43.4%</b>
Non-operating profit	<b>24</b>	<b>24</b>	<b>▲0</b>	<b>▲0.4%</b>
Non-operating expense	<b>19</b>	<b>9</b>	<b>▲10</b>	<b>▲52.3%</b>
Ordinary profit	<b>340</b>	<b>204</b>	<b>▲135</b>	<b>▲39.9%</b>
Extraordinary profit	<b>516</b>	<b>341</b>	<b>▲175</b>	<b>▲34.0%</b>
Extraordinary loss	<b>23</b>	<b>29</b>	<b>5</b>	<b>24.0%</b>
P r e - t a x p r o f i t	<b>833</b>	<b>516</b>	<b>▲316</b>	<b>▲38.0%</b>
Total amount of corporation tax a n d o t h e r s	<b>361</b>	<b>307</b>	<b>▲53</b>	<b>▲14.8%</b>
Income before minority interest	<b>472</b>	<b>208</b>	<b>▲263</b>	<b>▲55.8%</b>
Minority interests in net profit	<b>35</b>	<b>31</b>	<b>▲3</b>	<b>▲11.2%</b>
N e t p r o f i t	<b>437</b>	<b>177</b>	<b>▲259</b>	<b>▲59.4%</b>

(Million yen)

## Y/Y sales comparison

## ■ Sales of solution segment substantially increased

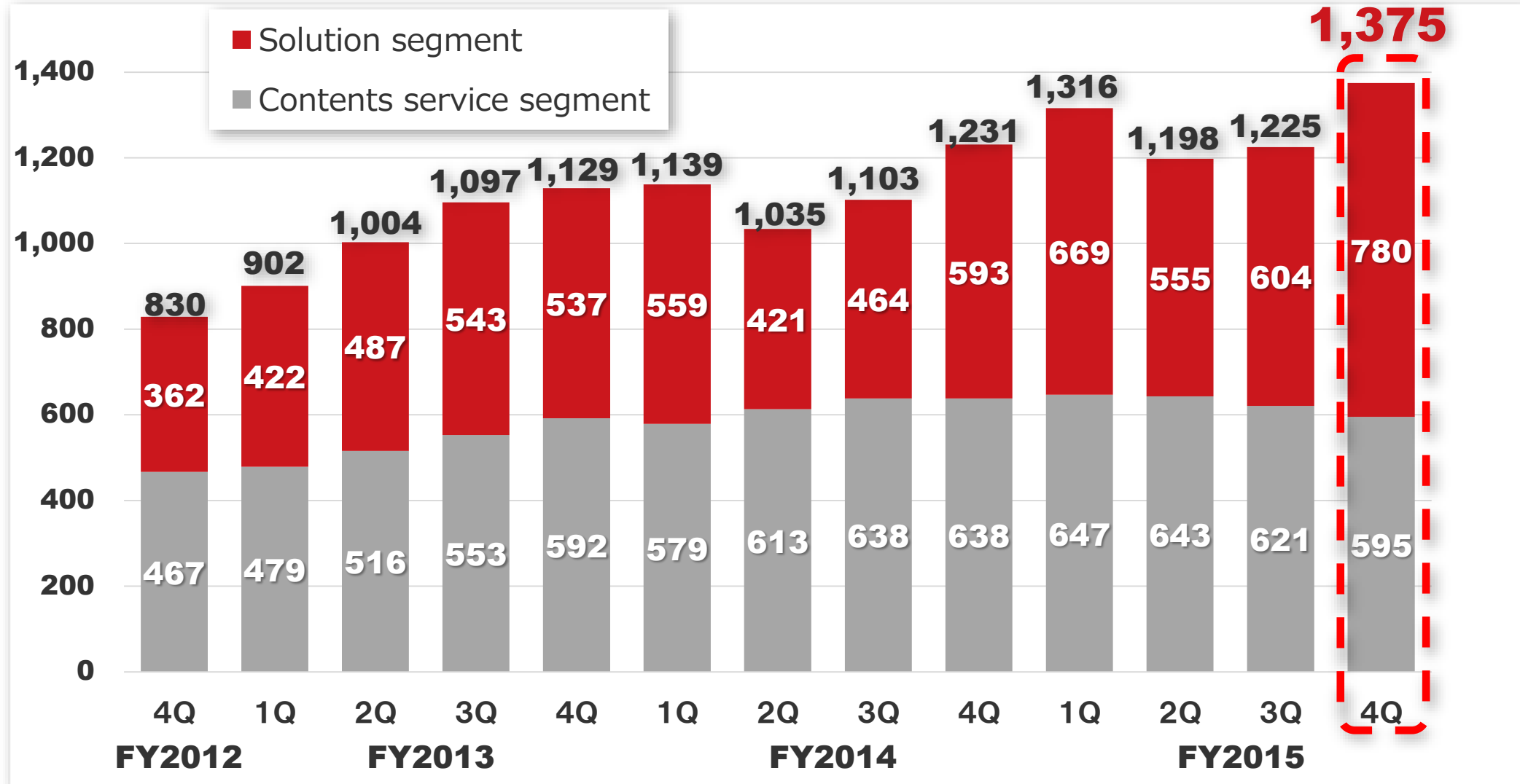
(Million yen)

	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
Contents service s e g m e n t	<b>2,469</b>	<b>2,506</b>	<b>37</b>	<b>1.5%</b>
Solution segment	<b>2,039</b>	<b>2,609</b>	<b>570</b>	<b>28.0%</b>
T o t a l	<b>4,508</b>	<b>5,116</b>	<b>607</b>	<b>13.5%</b>

## Y/Y sales transition

■ Sales of solution segment was up in comparison to both 4Q FY2014 and 3Q FY2015

(Million yen)



# Y/Y sales comparison of contents service segment

## ■ Sales of contents service segment totally rose 1.5%, driven by games

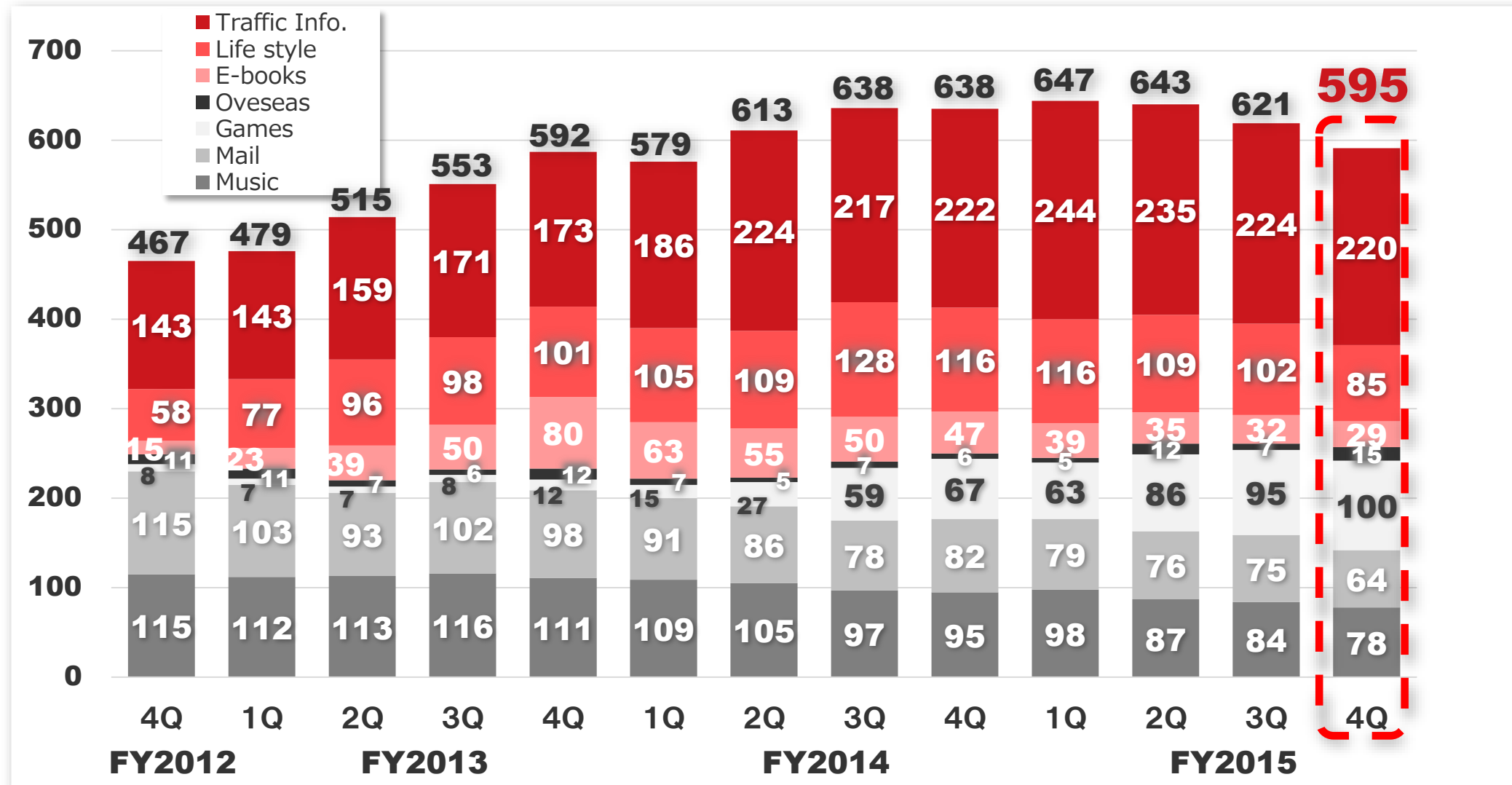
(Million yen)

	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
Traffic info.	<b>850</b>	<b>924</b>	<b>73</b>	<b>8.6%</b>
Life style	<b>459</b>	<b>413</b>	<b>▲45</b>	<b>▲10.0%</b>
E - B o o k	<b>216</b>	<b>137</b>	<b>▲78</b>	<b>▲36.3%</b>
O v e r s e a s	<b>27</b>	<b>40</b>	<b>13</b>	<b>49.8%</b>
G a m e s	<b>169</b>	<b>345</b>	<b>175</b>	<b>103.8%</b>
M a i l	<b>339</b>	<b>295</b>	<b>▲43</b>	<b>▲12.9%</b>
M u s i c	<b>407</b>	<b>349</b>	<b>▲58</b>	<b>▲14.3%</b>
T o t a l	<b>2,469</b>	<b>2,506</b>	<b>37</b>	<b>1.5%</b>

# Y/Y sales transition of contents service segment

## ■ Game increased while others decreased

(Million yen)





## Y/Y sales comparison of solution segment

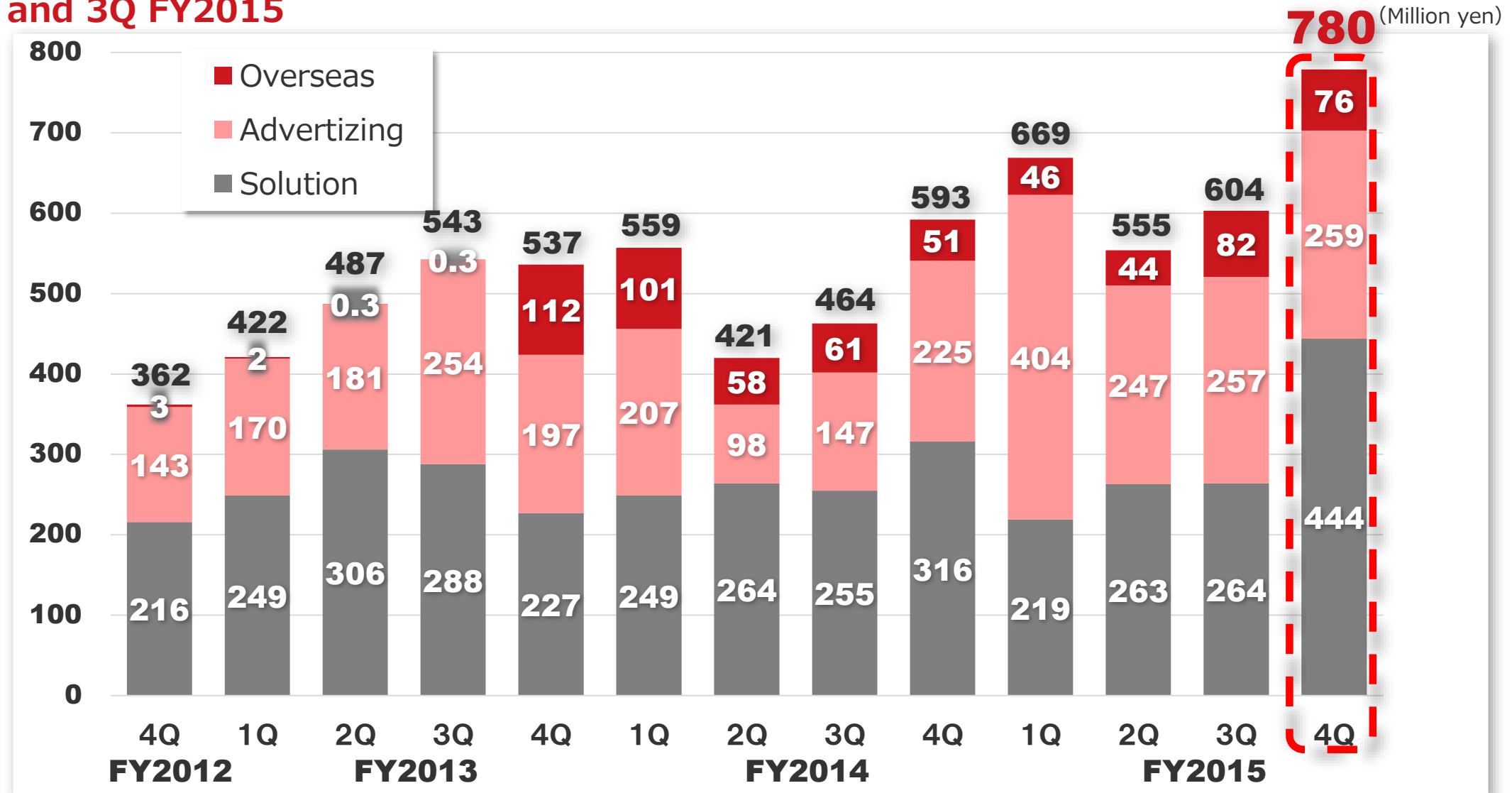
■ Sales of solution segment totally increased by 28.0% driven by strong growth of advertising business

(Million yen)

	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
S o l u t i o n b u s i n e s s	<b>1,086</b>	<b>1,192</b>	<b>106</b>	<b>9.8%</b>
A d v e r t i s i n g b u s i n e s s	<b>679</b>	<b>1,168</b>	<b>488</b>	<b>72.0%</b>
O v e r s e a s	<b>273</b>	<b>249</b>	<b>▲24</b>	<b>▲8.9%</b>
T o t a l	<b>2.039</b>	<b>2,609</b>	<b>570</b>	<b>28.0%</b>

# Y/Y sales transition of solution segment

- **Solution segment significantly increased in comparison to both 4Q FY2014 and 3Q FY2015**



## Y/Y COGS・SGA comparison

- **COGS** : COGS ratio increased due to sales growth of solution segment
- **SGA** : SGA increased due to aggressive investment in advertising expenses (contents service segment)

(Million yen)

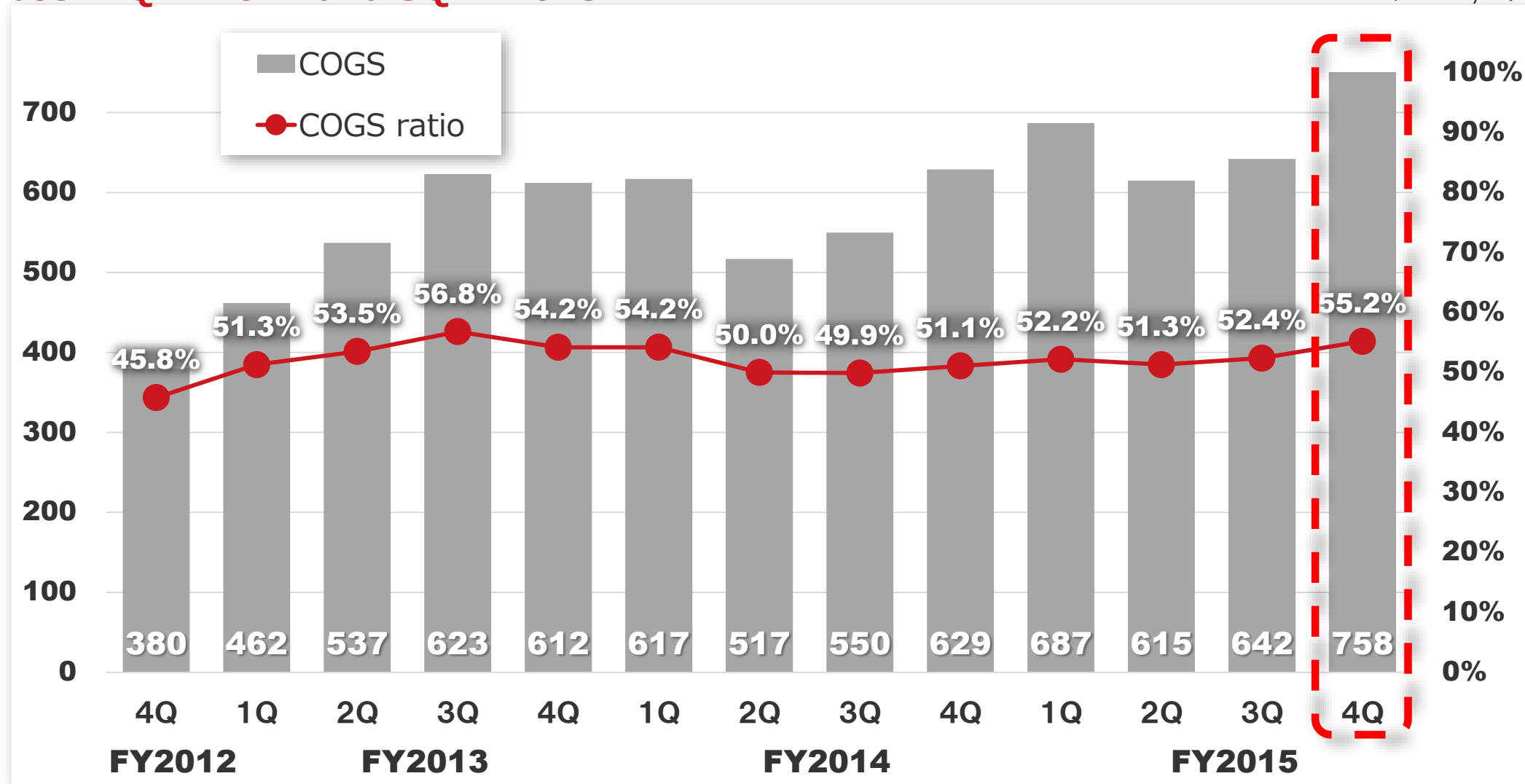
	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
C O G S	<b>2.315</b>	<b>2,704</b>	<b>389</b>	<b>16.8%</b>
COGS ratio	<b>51.4%</b>	<b>52.9%</b>	—	—

	FY2014 ended May	FY2015 ended May	Y/Y change	
			Sum	Percentage
(advertising e x p e n s e )	<b>515</b>	<b>711</b>	<b>196</b>	<b>38.0%</b>
( O t h e r s )	<b>1,342</b>	<b>1,510</b>	<b>168</b>	<b>12.5%</b>
S G & A	<b>1,857</b>	<b>2,222</b>	<b>364</b>	<b>19.6%</b>
SG&A ratio	<b>41.2%</b>	<b>43.4%</b>	—	—

## Y/Y COGS transition

- COGS ratio increased due to higher sales in solution segment in comparison to both 4Q FY2014 and 3Q FY2015

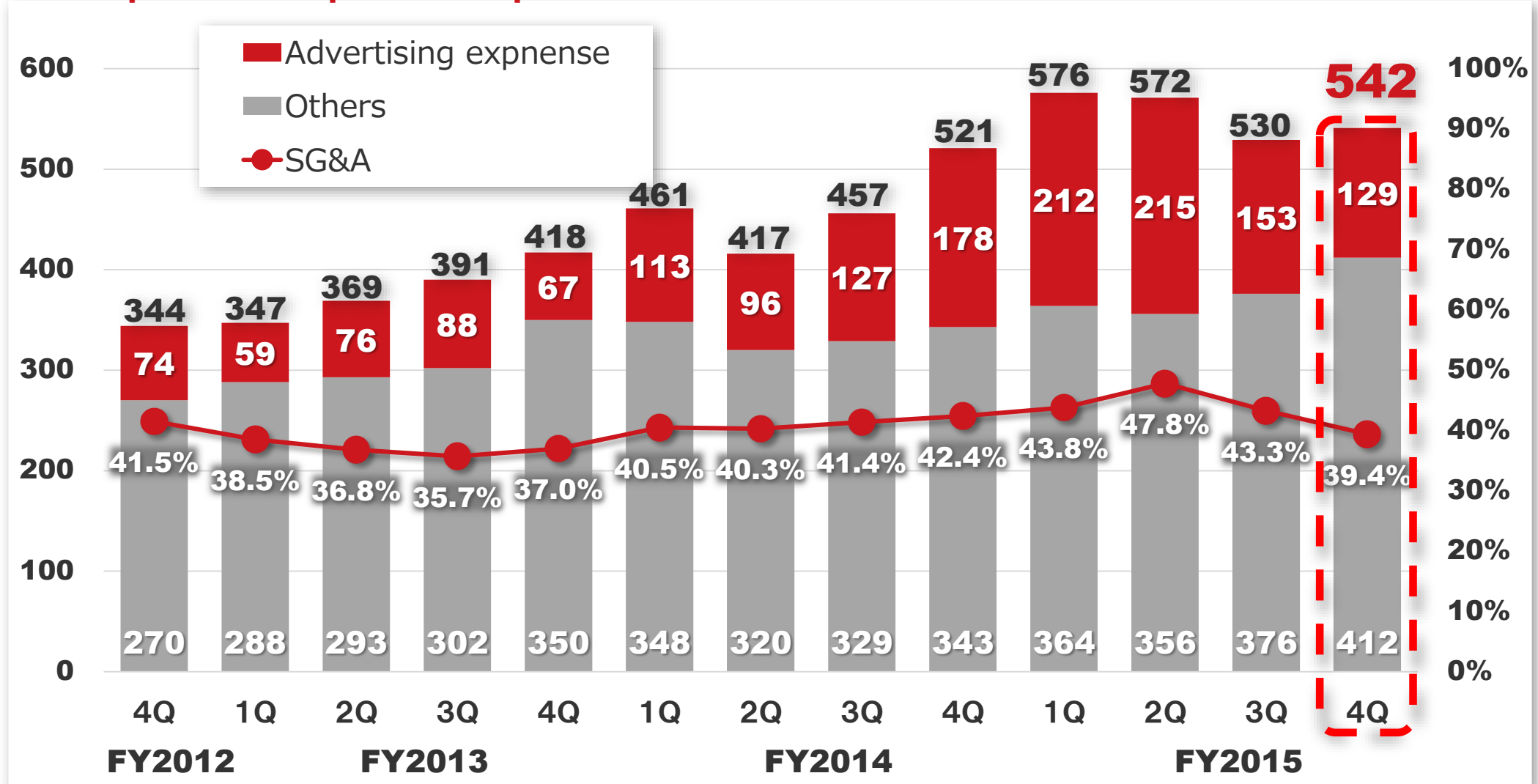
(Million yen)



## Y/Y SGA transition

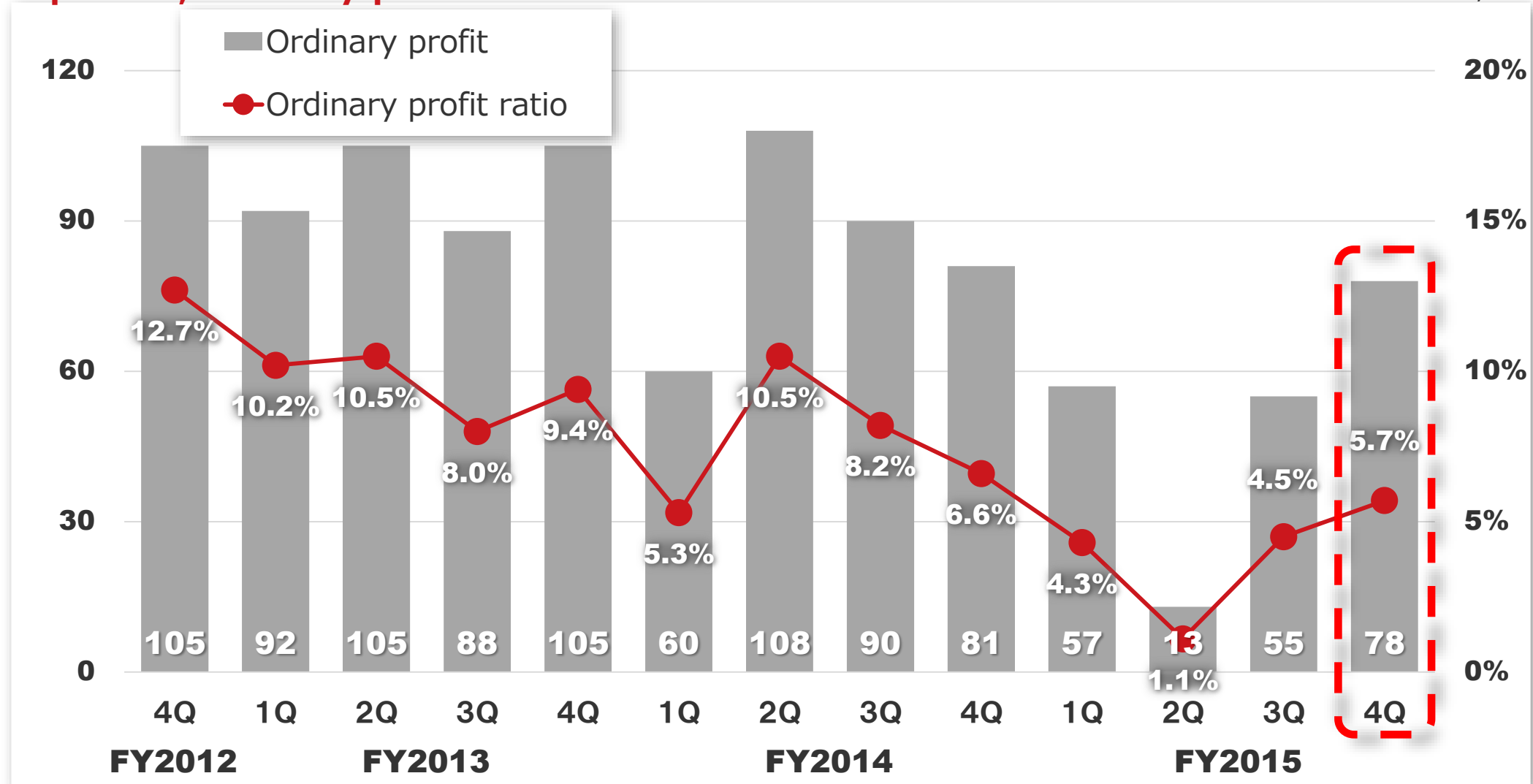
- Due to strategic promotion for contents service segment, SGA decreased in comparison to previous quarter

(Million yen)



- Due to higher sales in solution segment and strategic investment in advertising expenses, ordinary profit increased

(Million yen)





Summary of financial results for FY2015



Strategy for FY2016 ending May **【content service segment】**

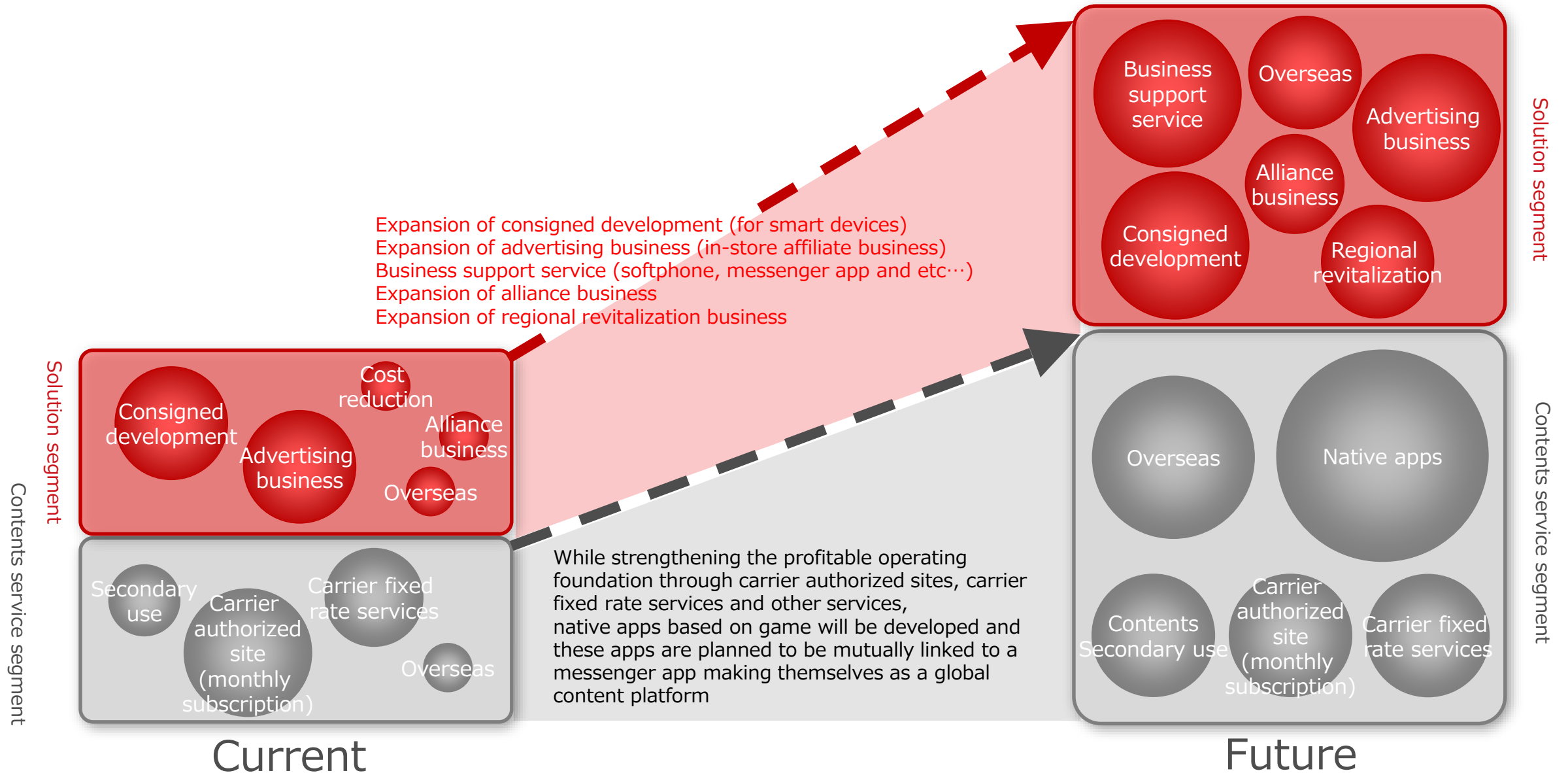


Strategy for FY2016 ending May **【solution segment】**



Outlook for FY2016 ending May **【 Earnings forecast 】**

# Roadmap [ expansion of business fields ]

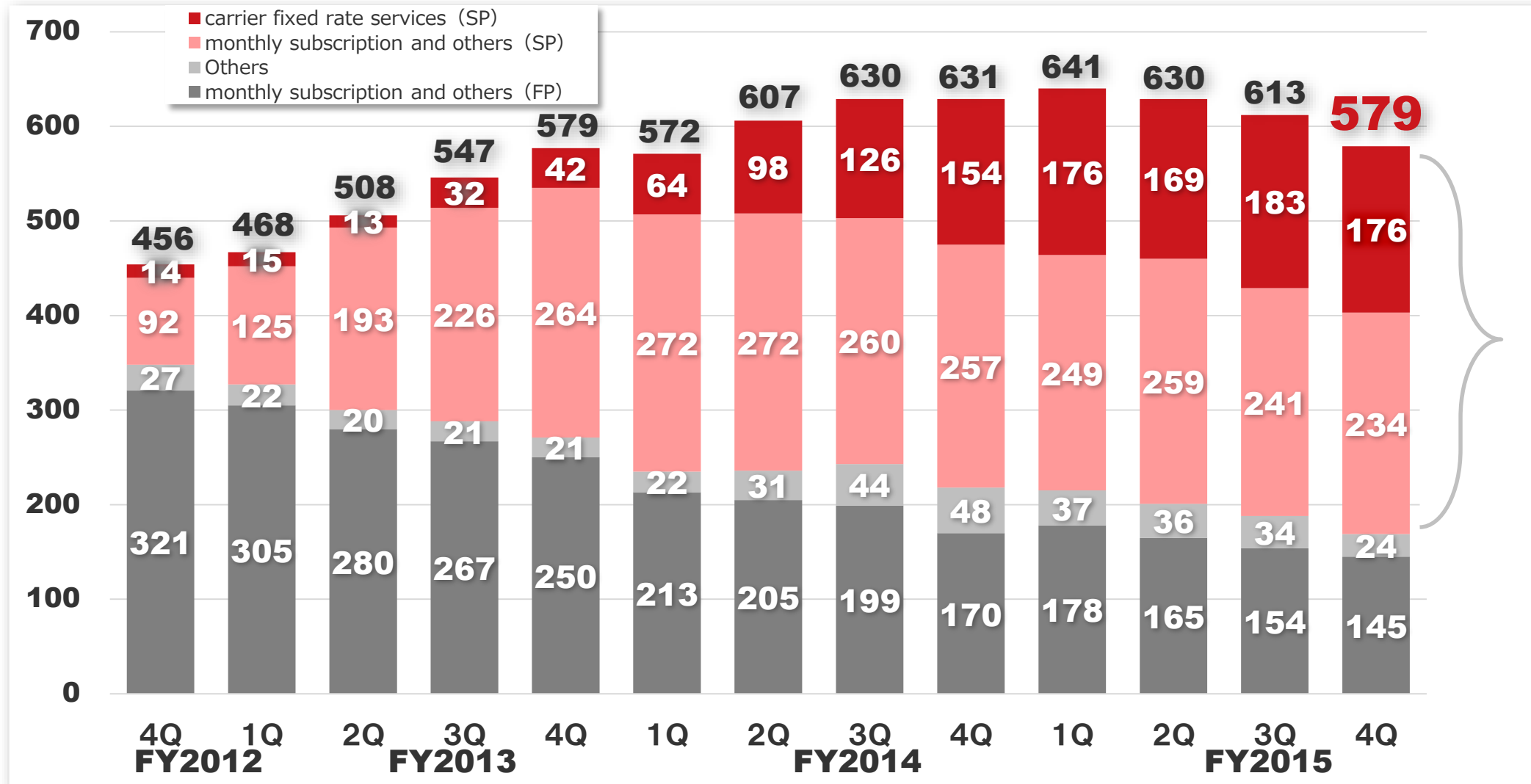




## Sales breakdown by domestic platform

■ Sales ratio of smartphone(SP) increased up to 71%

(Million yen)



SP ratio  
increased by  
71%

# Contents provision to carrier fixed rate services

## ■ Higher sales through successive provision of contents

### auスマートパス

au Smartpass

(KDDI)



Started from April

Started from March

### スゴ得コンテンツ

the Sugotoku-Contents

(NTT DOCOMO)



Started from May



### App Pass

(SOFTBANK)



Started from March



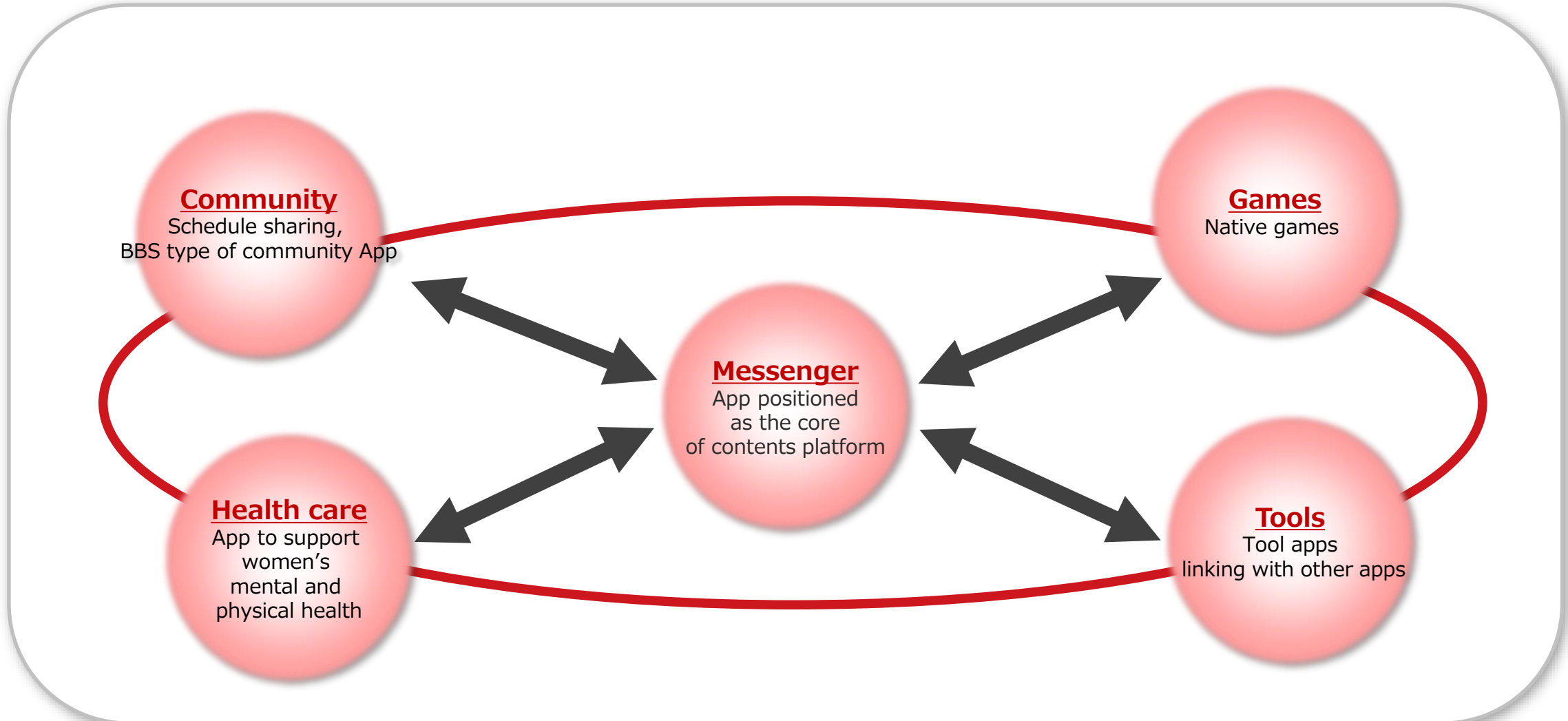
Started from June

### App CHOU HODAI

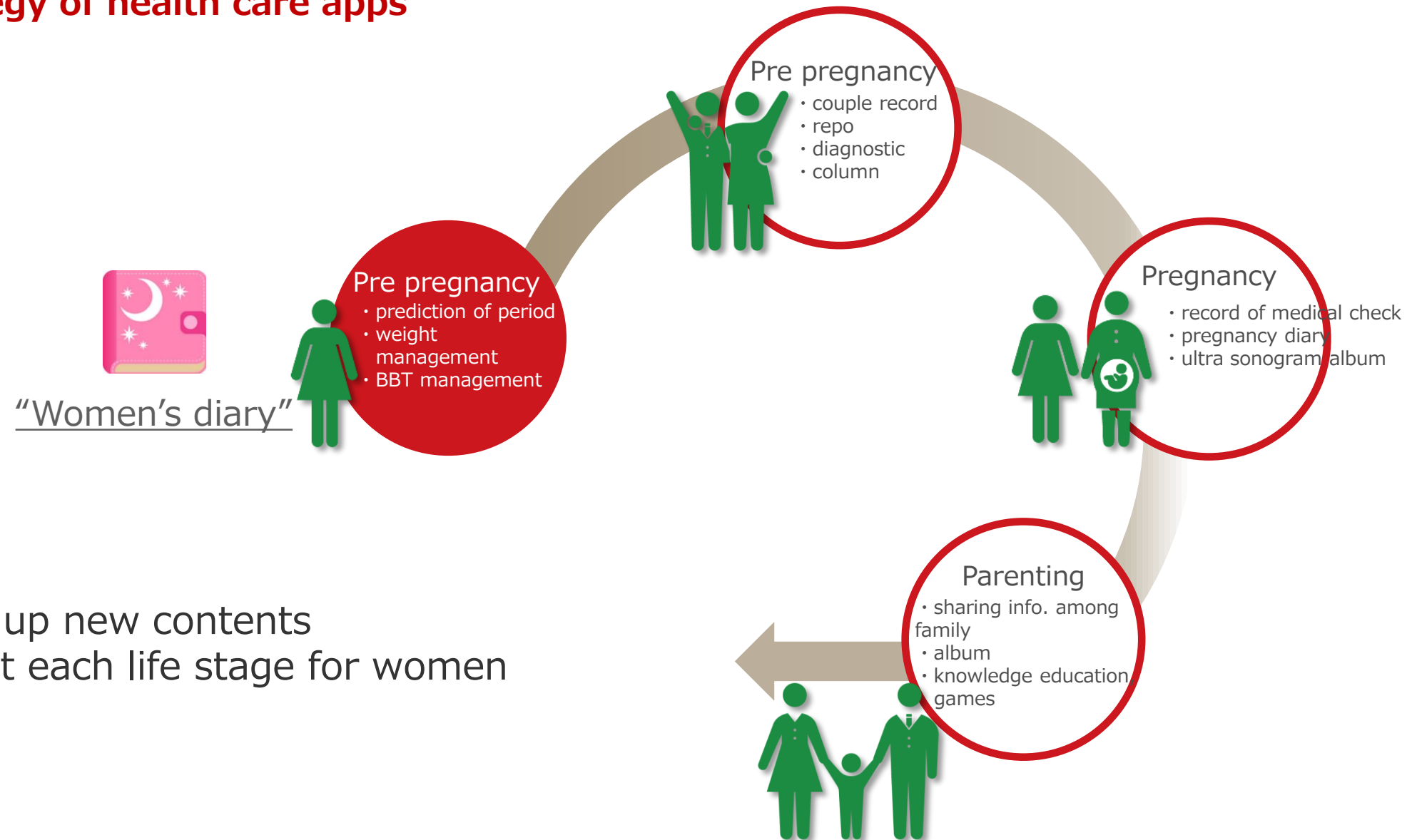
アプリ超ホーダイ®  
(SOURCENEXT)



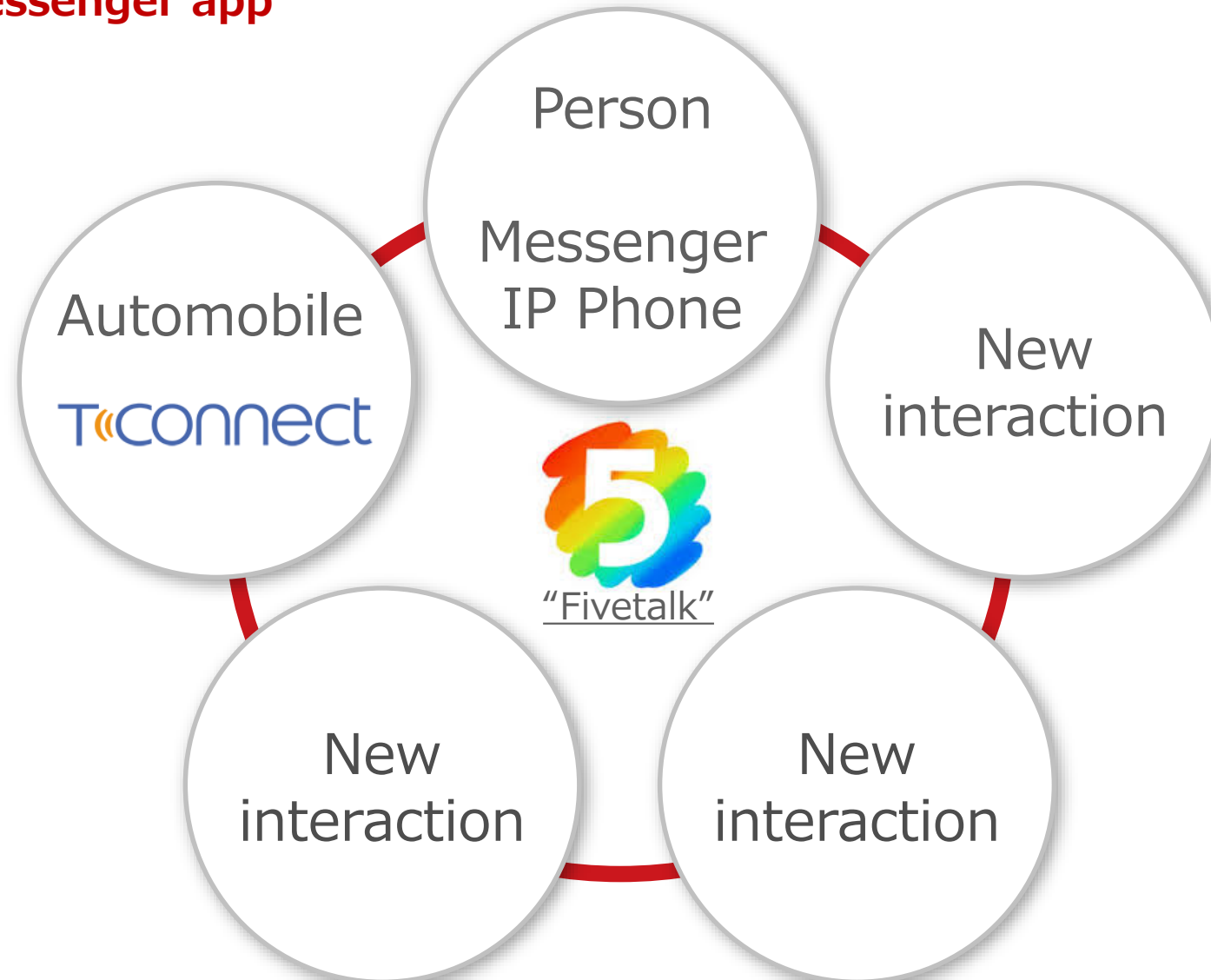
## ■ Business strategy of native apps



## ■ Strategy of health care apps



## ■ Strategy of messenger app



※「T-Connect」 is the next generation of telematics service which connects Toyota smart center and "T-Connect Navi"(Car navigation device) through network and provide various information to drivers.



**Summary of financial results for FY2015**



**Strategy for FY2016 ending May [content service segment]**



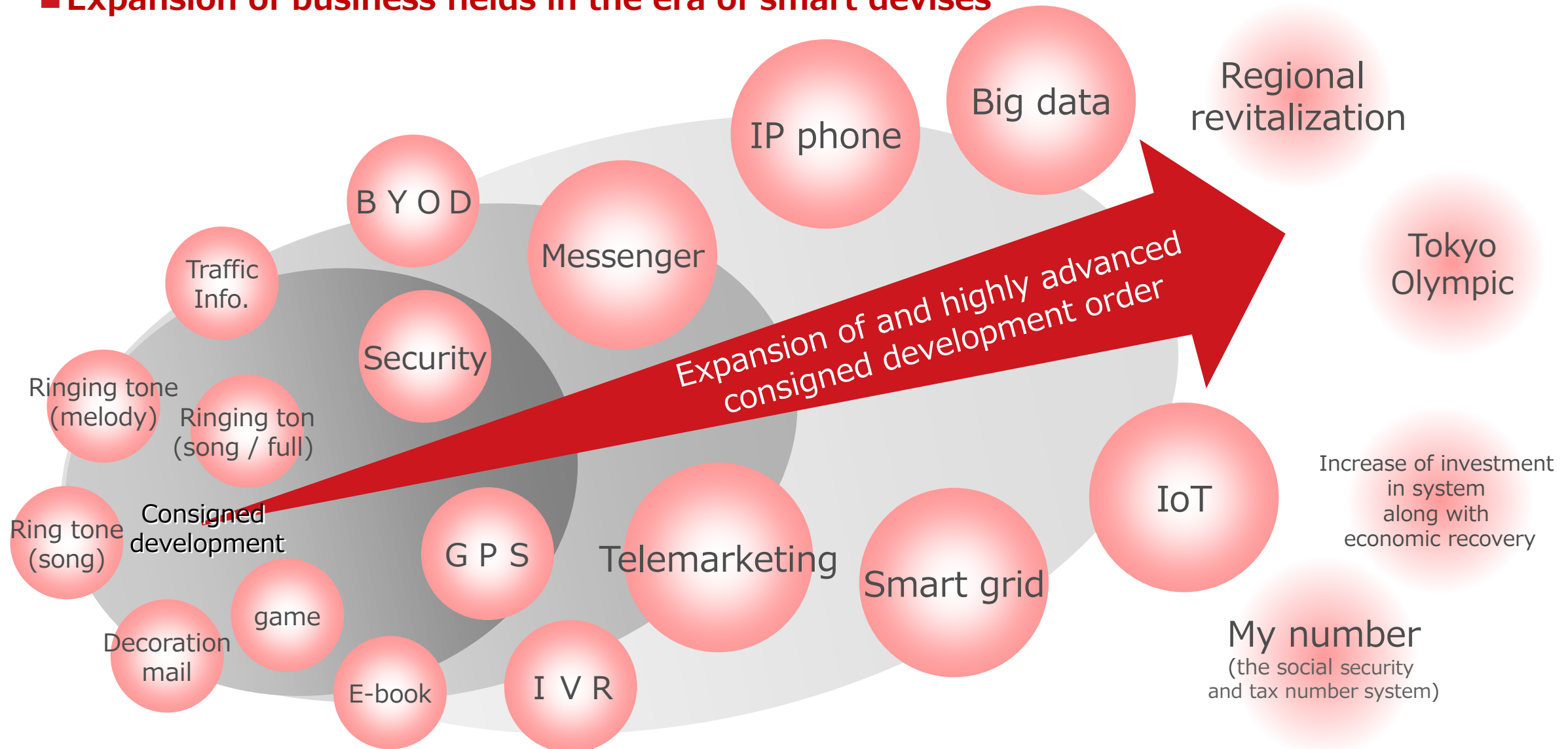
**Strategy for FY2016 ending May [solution segment]**



**Outlook for FY2016 [ Earnings forecast ]**

## Roadmap of solution segment

### ■ Expansion of business fields in the era of smart devices





## ■ Entering into smart community business (founded a subsidiary)

( 1 ) Company name	: Yamaguchi renewable energy factory Co., Ltd.
( 2 ) Address	: Ube city, Yamaguchi prefecture
( 3 ) President CEO	: Katsunori Ueda (president CEO of Nihon Enterprise)
( 4 ) Business	: - Power generation business by renewable energy and others, and its management and operation - Business related to selling electricity and others
( 5 ) Capital	: 40 million yen
( 6 ) Date of establish	: 4 <sup>th</sup> June 2015
( 7 ) Settling day	: 31 <sup>st</sup> May
( 8 ) Share	: Nihon Enterprise Co., Ltd. 38.27%
	4QUALIA CO., Ltd. (subsidiary) 12.35%
	Others 49.38%

Entering into  
smart community business  
(founded a subsidiary)

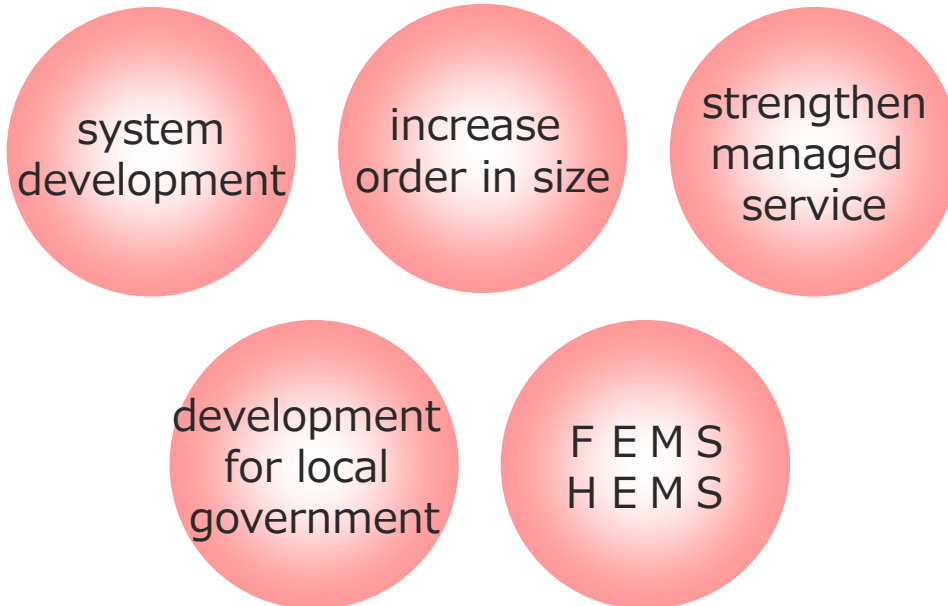
**Expansion of  
regional revitalization business  
through utilization of IT**



## ■ Expansion of business fields

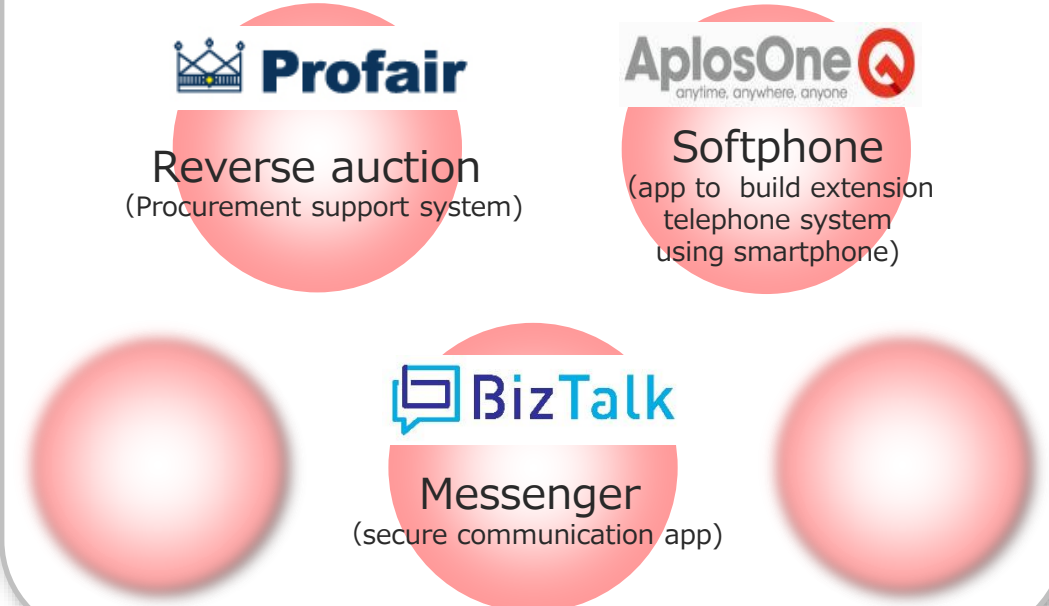
### Consigned development

To expand service fields  
by enhancing technical skill  
backed up with increase of market demands!

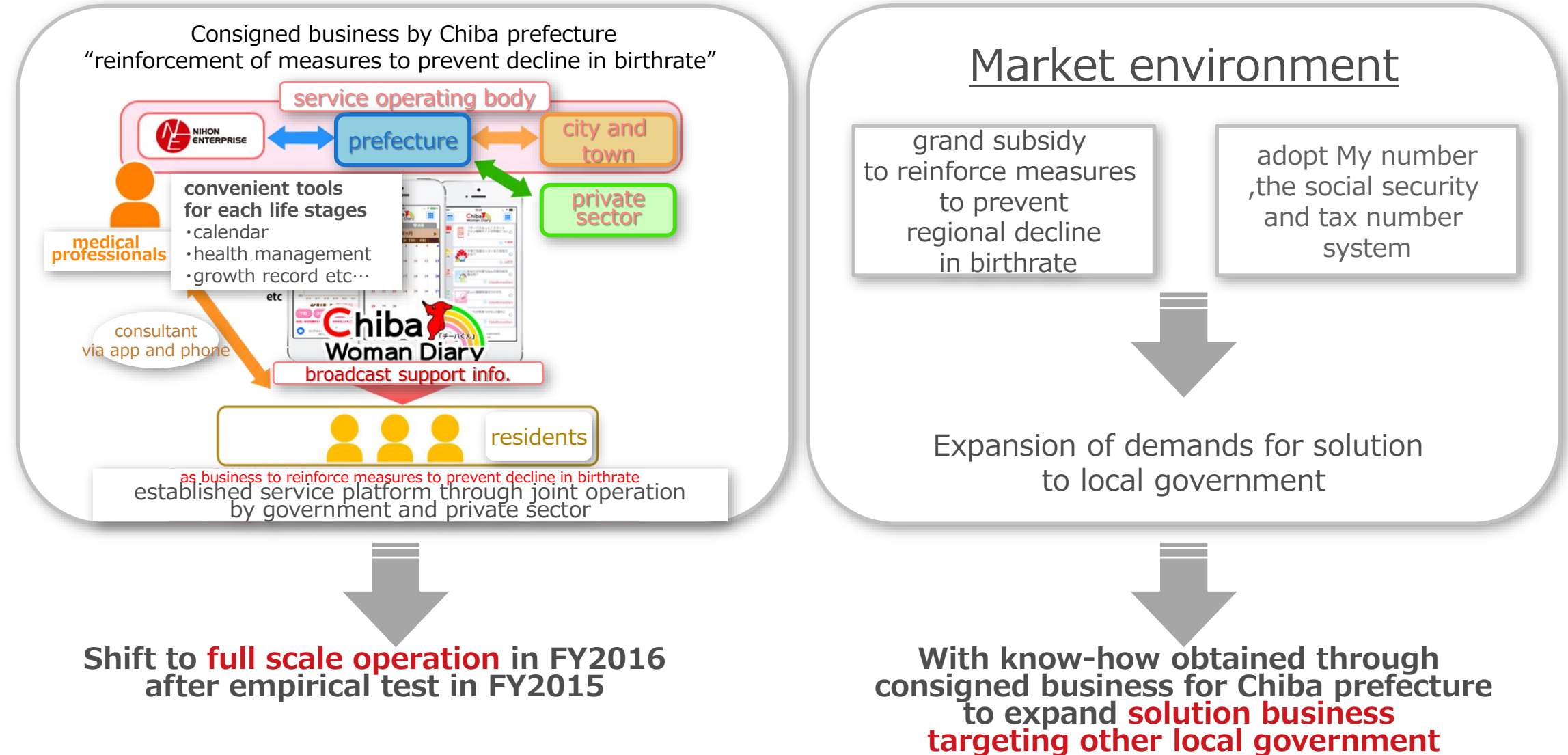


### Business support

Aggressive sale expansion  
to enterprise customers!



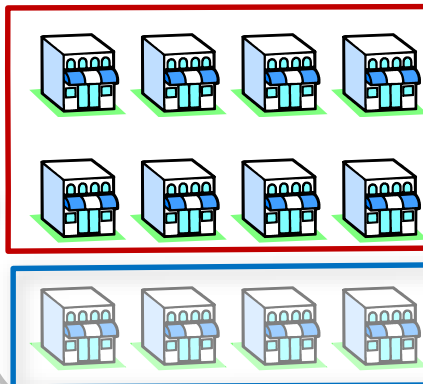
## ■ Business expansion in the field of services to local government



## ■ Strategy of in-store affiliate

For existing alliance distributors

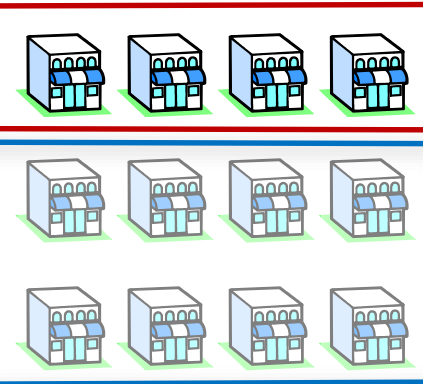
mobile device distributor A



Improvement of churn rate at shops with positive operation

Expansion of number of shops to sell affiliate service

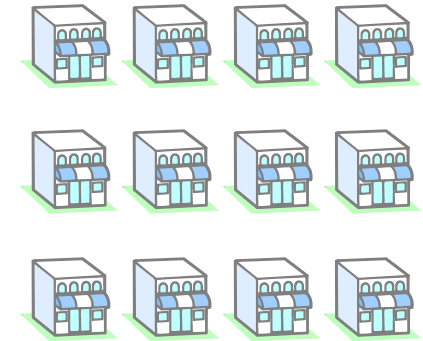
mobile device distributor B



Improvement of shops with negative operation

For new alliance distributors

mobile device distributor C



Newly development of "mobile device distributor"

To raise sales through increase of touch points(number of shops), and to enhance the media value through improvement of churn rate

Strengthen sales for feature phone as well, which is less competitive



**Summary of financial results FY2016**



**Strategy for FY2016 ending May [content service segment]**



**Strategy for FY2016 ending May [solution segment]**



**Outlook for FY2016 [ Earnings forecast ]**

# Outlook for FY2016 [earning forecast]

## ■ Consolidated earnings forecast

(Million yen)

	Results of FY2015	Forecasts of FY2016	Y/Y change	
			Sum	Percentage
S a l e s	<b>5,116</b>	<b>6,100</b>	<b>983</b>	<b>19.2%</b>
Sales profit	<b>189</b>	<b>450</b>	<b>260</b>	<b>137.2%</b>
Ordinary profit	<b>204</b>	<b>470</b>	<b>265</b>	<b>129.7%</b>
N e t   s a l e s	<b>177</b>	<b>190</b>	<b>12</b>	<b>7.0%</b>

Annual dividend per stock (Forecast for FY2016) : 3.00Yen

# Appendix

Name of the company	Nihon Enterprise Co., Ltd.	
Address	Matsuoka Shibuya Bldg. 1-17-8 Shibuya, Shibuya-ku, Tokyo, Japan	
Established	30 <sup>th</sup> May 1989	
Capital	1.1 billion yen (as of 31 <sup>st</sup> May 2015)	
Number of stocks issued	40,516,700 (as of 31 <sup>st</sup> May 2015)	
Number of employee	201 (as of 31 <sup>st</sup> May 2015 / consolidated)	
Board member	President and CEO Executive Managing Director Executive Managing Director Outside Managing Director Outside Managing Director Audit and Supervisor Board Member Auditor Auditor	Katsunori Ueda Masaru Tanaka Koichi Sugiyama Kazuo Oguri Takeshi Okada Kazuhiro Kobayashi Yoshiaki Kogame Koichi Ara

**HighLab Co., Ltd.**

- Mobile contents business based on native apps

**and One Inc.**

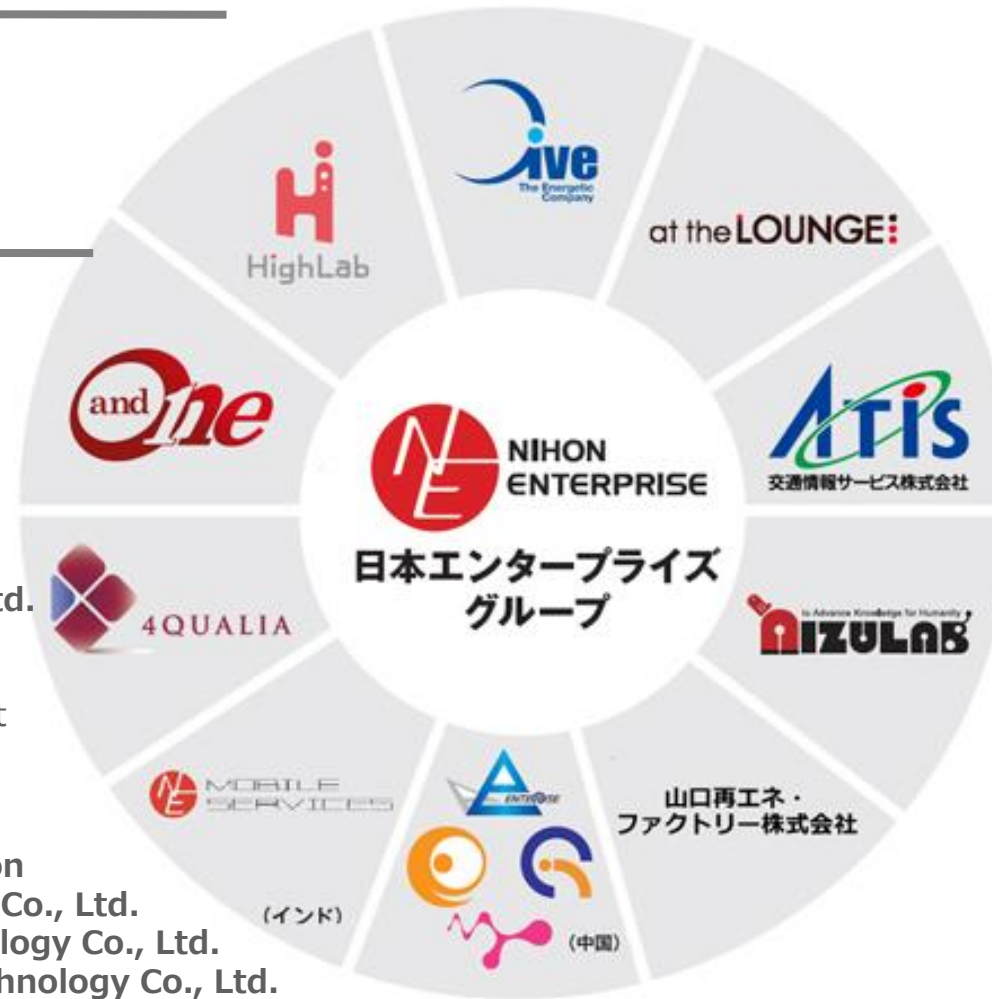
- Development and sales of;
  - IP-PBX 『Primus』
  - VOIP Engine 『Primus SDK』
  - Open source based software

**4QUALIA CO., Ltd.**

- Development and operation of app and web site
- Design and planning
- Device rental, debugging and user support service

**NE Mobile Services (India) Pvt. Ltd.**

- Mobile contents business
- Solution business including offshore and consigned development

**Intoku zuisi (Beijing) Information****Technology Co., Ltd.****Beijing YZH Wireless Net Technology Co., Ltd.****Rice CZ (Beijing) New media technology Co., Ltd.****Rise MC (Beijing) Digital Information Technology Co., Ltd.****Dive Co., Ltd.**

- Voice solution business
- Advertising and affiliate business
- Solution business utilizing smartphone

**at the LOUNGE CO., Ltd.**

- Mobile contents business based on music distribution
- Planning, producing and sales of music for digital distribution and CD
- Consigned business of producing music

**ATIS CORPORATION**

- Information service business based on traffic information

**Aizu Laboratory, Inc.**

- Development and consigned development of smartphone apps
- Development of web site
- Producing 3DCG, modification of animation, graphic design and other designs

**Yamaguchi renewable energy factory Co., Ltd**

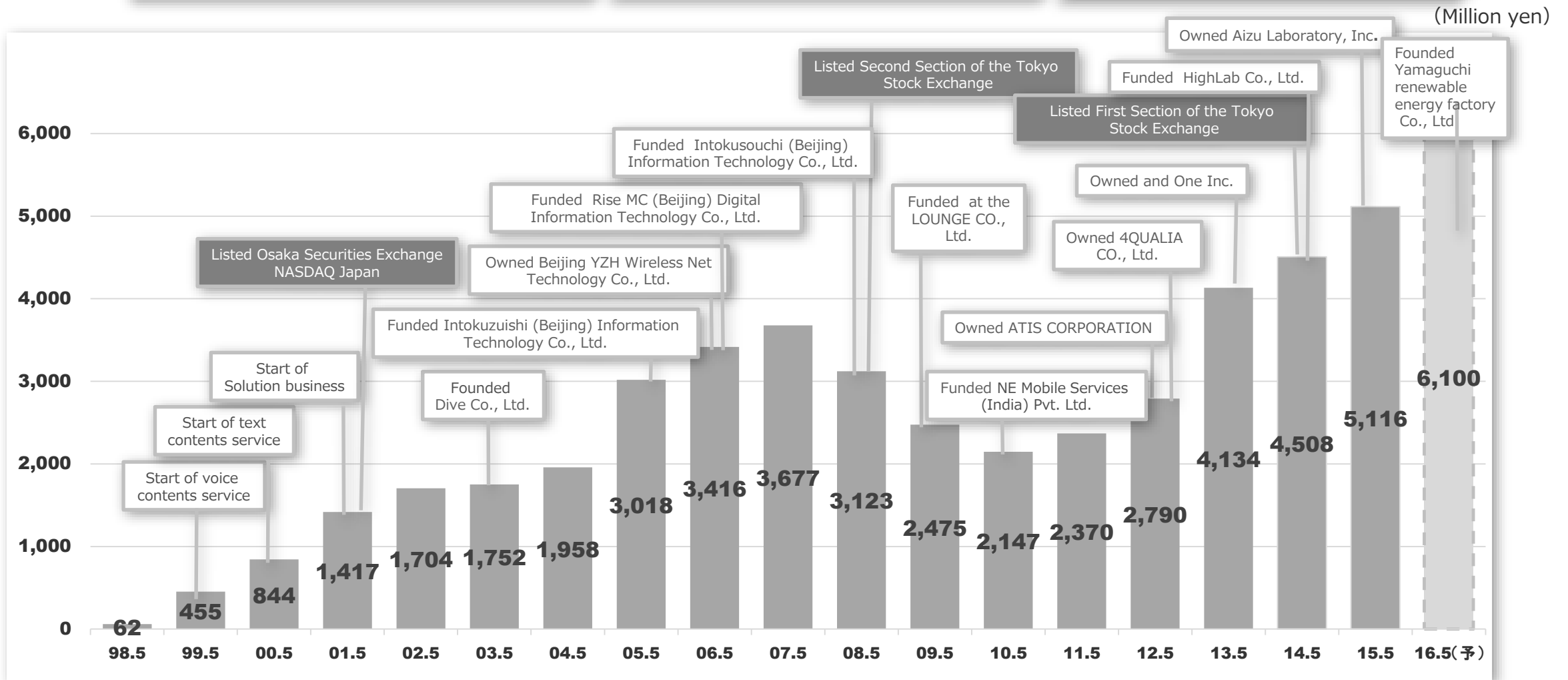
- Power generation business by renewable energy and others, and its management and operation
- Sales of electricity



Period of foundation

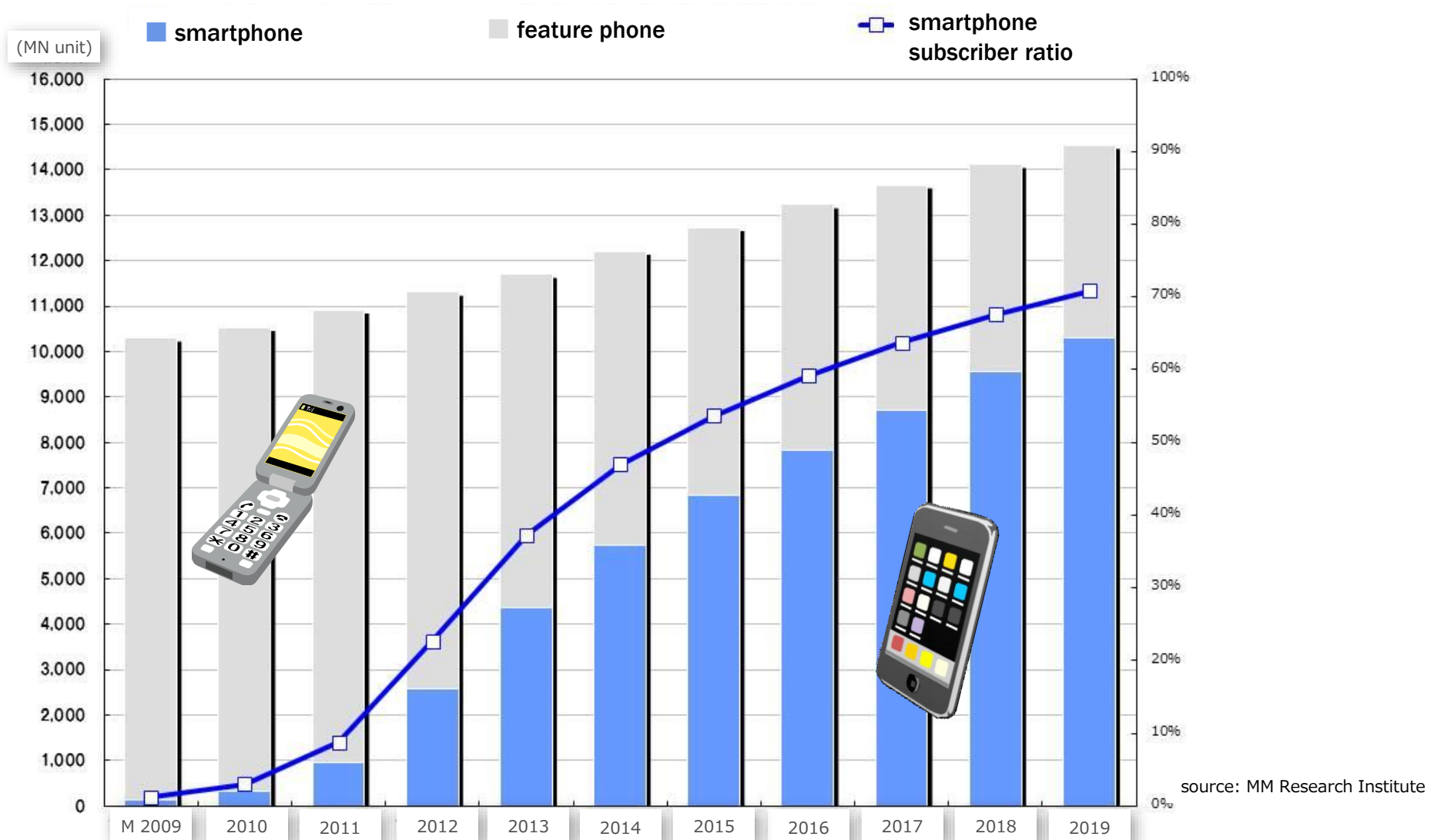
Period of growth

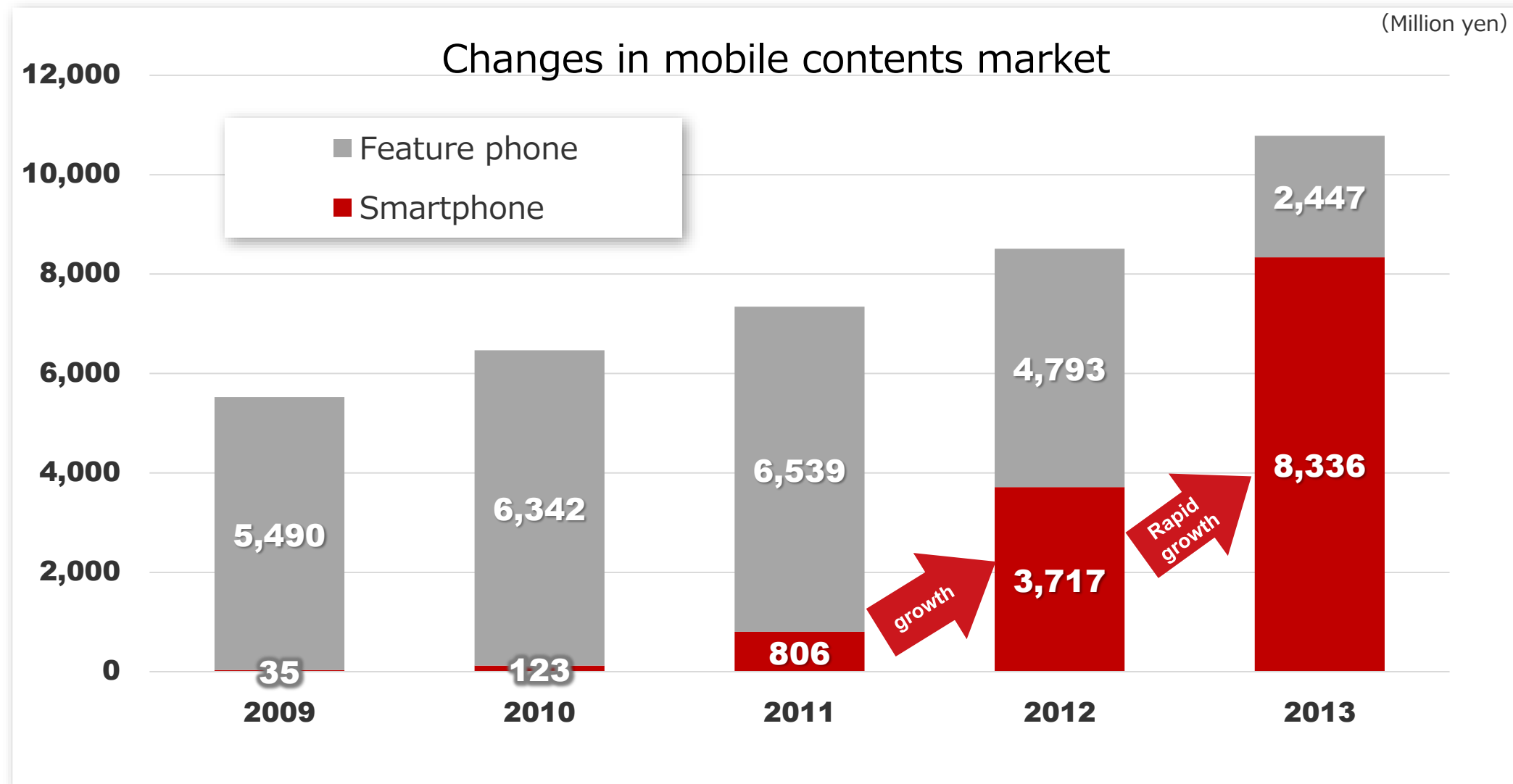
Period of jumping up



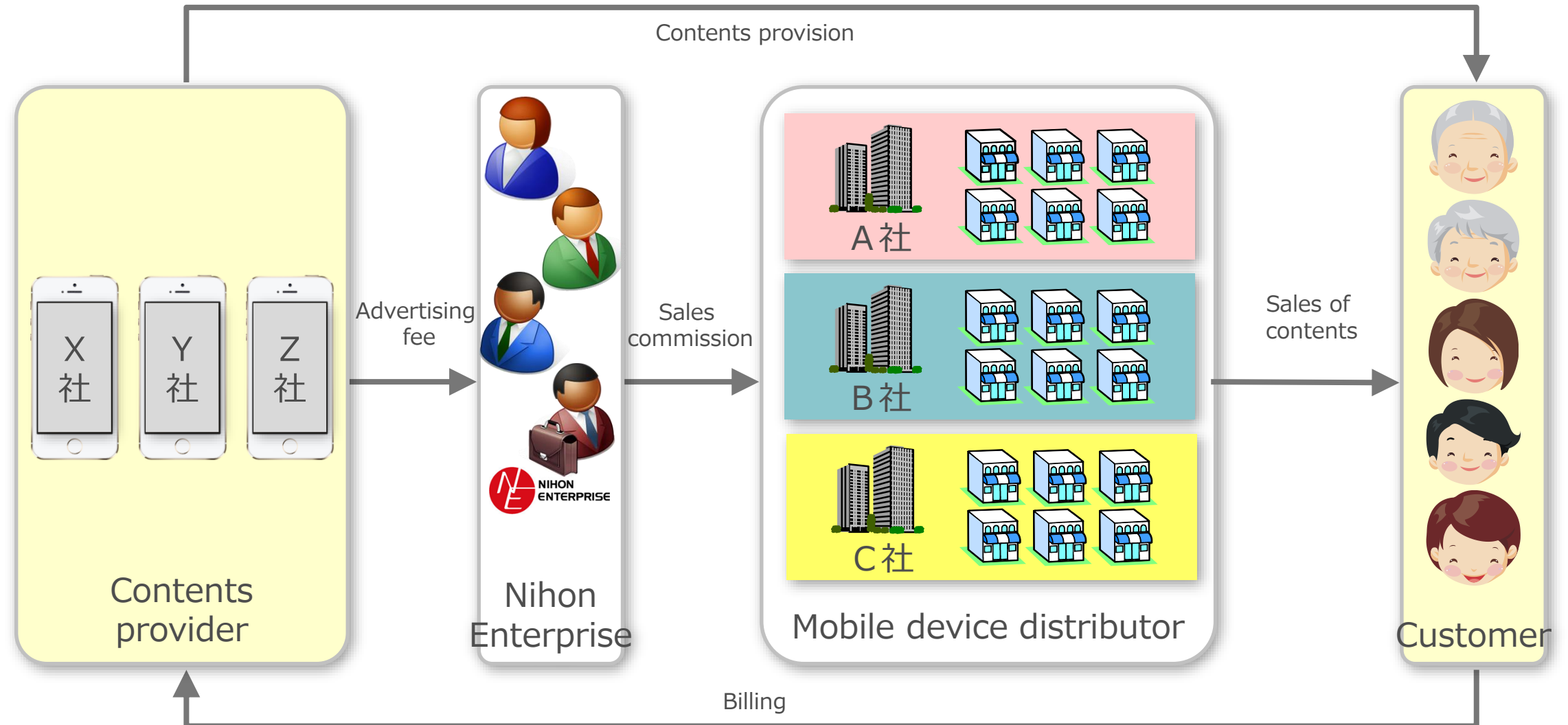
※Since FY2001 consolidated sales are shown

## Changes in smartphone subscriber





source: Ministry of Internal Affairs and Communications





※ Wholly owned Chinese subsidiary of Nihon Enterprise

Sales of China Telecom's  
mobile devices

**To create new business  
through real shop launch**

Improvement of  
customer satisfaction

**Provision of  
sales  
know-how**

- Japanese style "Omotenashi"
- shops providing customer experience
- Japan made state of the art design

Start of contents  
sales (future plan)

**Alliance business with mobile carrier  
To start in-store affiliate**

# **Nihon Enterprise group promises to bring happiness and touched experience to all the customers through our contents service business**

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

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