

Nihon Enterprise Co., Ltd.



Earnings Summary FY2016 (ended May)

(From 1st June 2015 to 31st May 2016)

13th July 2016

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Overview of Earnings Summary

(FY2016)

1 Overview of Earnings Summary

Highlights

Consolidated Summary	S a l e s	:	5,530M^{Nyen}	YoY:	8.1%up
	O r d i n a r y I n c o m e	:	252M^{Nyen}	YoY:	23.4%up

Contents Service Segment

Traffic Info.

- Aggressive business expansion to solution segment such as bus-location-system and data-broadcasting based on expertise in contents service business

Entertainment

- Good performance in “Chokotto game”
- ”BOOKSMART”, focused on strengthening partnership with “Tokyo-shoten commercial union” and service expansion.

Lifestyle

- Allianced with Excite Japan Co., Ltd. for “Women’s Diary”
- Promoted to form the “life support platform” centering around three major contents or “Women’s Diary”, “Fivetlak” and “Dealing”

Solution Segment

Solution

- Sales hit record with good performance in consigned development
- Business and capital tie-up with Smartvalue Co., Ltd. to strengthen regional revitalization business
- Allianced with Metropolitan Fish Market Cooperative Association to start the first EC service, “Inaseri”

Advertising

(Advertising Agent Service)

- Sales hit record
- In addition to mobile shops, aggressively developed sales channels which suitable for each contents value

Overseas

- Strong performance with YoY 190% up in number of mobile phone sold

1 Overview of Earnings Summary

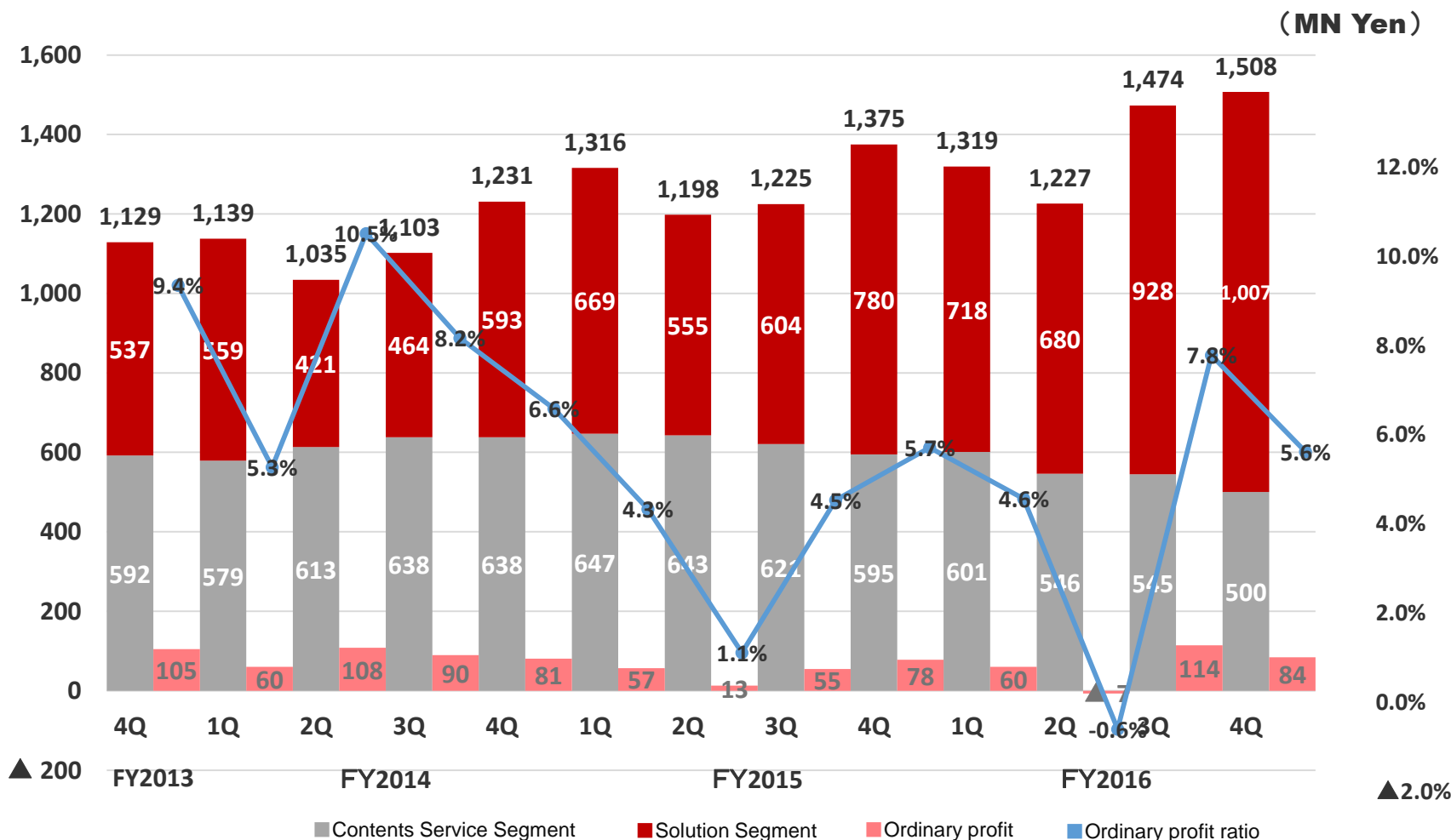
Consolidated PL

	FY2015	FY2016	(MN Yen)	
			YoY Difference	Growth rate
Sales	5,116	5,530	413	8.1%
COGS	2,704	3,208	504	18.6%
Gross profit	2,411	2,321	▲ 90	▲3.7%
SG&A	2,222	2,102	▲ 120	▲5.4%
Operating profit	189	219	29	15.7%
Non-operating profit	24	34	9	41.3%
Non-operating expense	9	1	▲ 8	▲85.9%
Ordinary profit	204	252	47	23.4%
Extraordinary profit	341	290	▲ 50	▲14.7%
Extraordinary loss	29	28	▲ 1	▲4.0%
Pre-tax profit	516	515	▲ 1	▲0.2%
Total amount of corporation tax and others	307	163	▲ 143	▲46.7%
Net profit	208	351	142	68.2%
Net profit attributable to non-controlling interest	31	24	▲ 7	▲22.8%
Net profit attributable to the parent company	177	327	149	84.2%

1 Overview of Earnings Summary

Q/Q growth

Sales and ordinary profit increased QoQ, driven by solution segment with highest sales



1 Overview of Earnings Summary

Sales

■ Y/Y Growth

(MN Yen)

	2015年5月期	2016年5月期	YoY Difference	Growth rate
Contents Service Segment	2,506	2,194	▲ 311	▲12.4%
Solution Segment	2,609	3,335	725	27.8%
Total	5,116	5,530	413	8.1%

**Sales rose by 8.1% on a whole,
driven by Solution Segment with 27.8% up
while content segment decreased**

1 Overview of Earnings Summary

Sales (Contents Service Segment)

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
			Difference	Growth rate
Traffic Info.	924	876	▲ 48	▲5.2%
Entertainment	1,168	1,024	▲ 144	▲12.3%
Lifestyle	413	294	▲ 119	▲28.8%
Contents Service Segment	2,506	2,194	▲ 311	▲12.4%

**Sales decrease by 12.4% on a whole
due to lower advertising efficiency
in contents on carrier platforms**

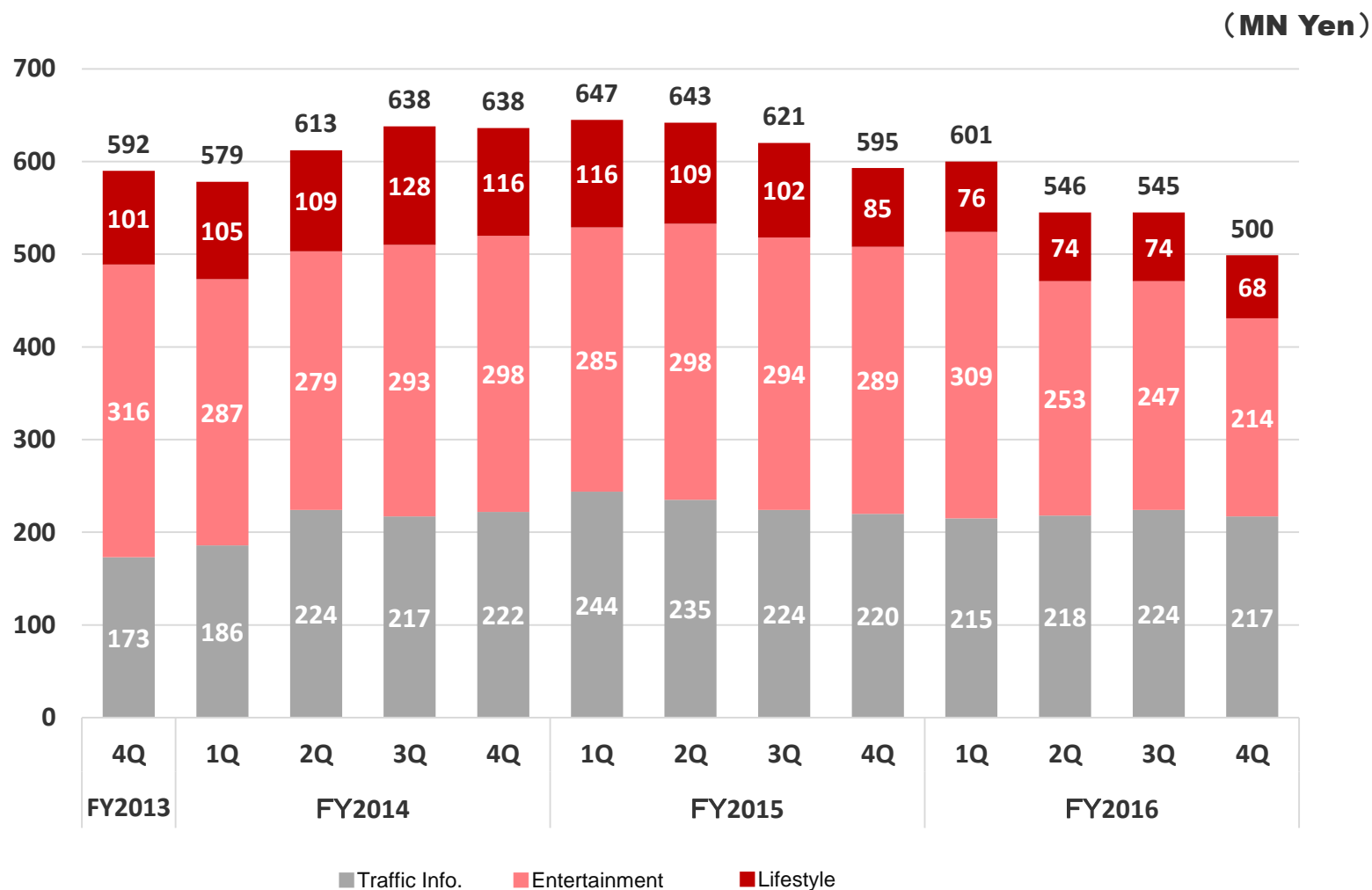
※ "Entertainment" includes "Games", "Mail", "Music", "E-book" and "Overseas"

1 Overview of Earnings Summary

Sales (Contents Service Segment)

Sales decreased YoY and QoQ in Traffic info., Entertainment and Lifestyle

■ Q/Q Growth



※ "Entertainment" includes "Games", "Mail", "Music", "E-book" and "Overseas"

1 Overview of Earnings Summary

Sales (Solution Segment)

■ Y/Y Growth

(MN Yen)

	2015年5月期	2016年5月期	前期比 金額	増減率
Solution	1,192	1,637	444	37.3%
Advertising Agent Service	1,168	1,304	136	11.7%
Overseas	249	393	144	58.0%
Solution Segment	2,609	3,335	725	27.8%

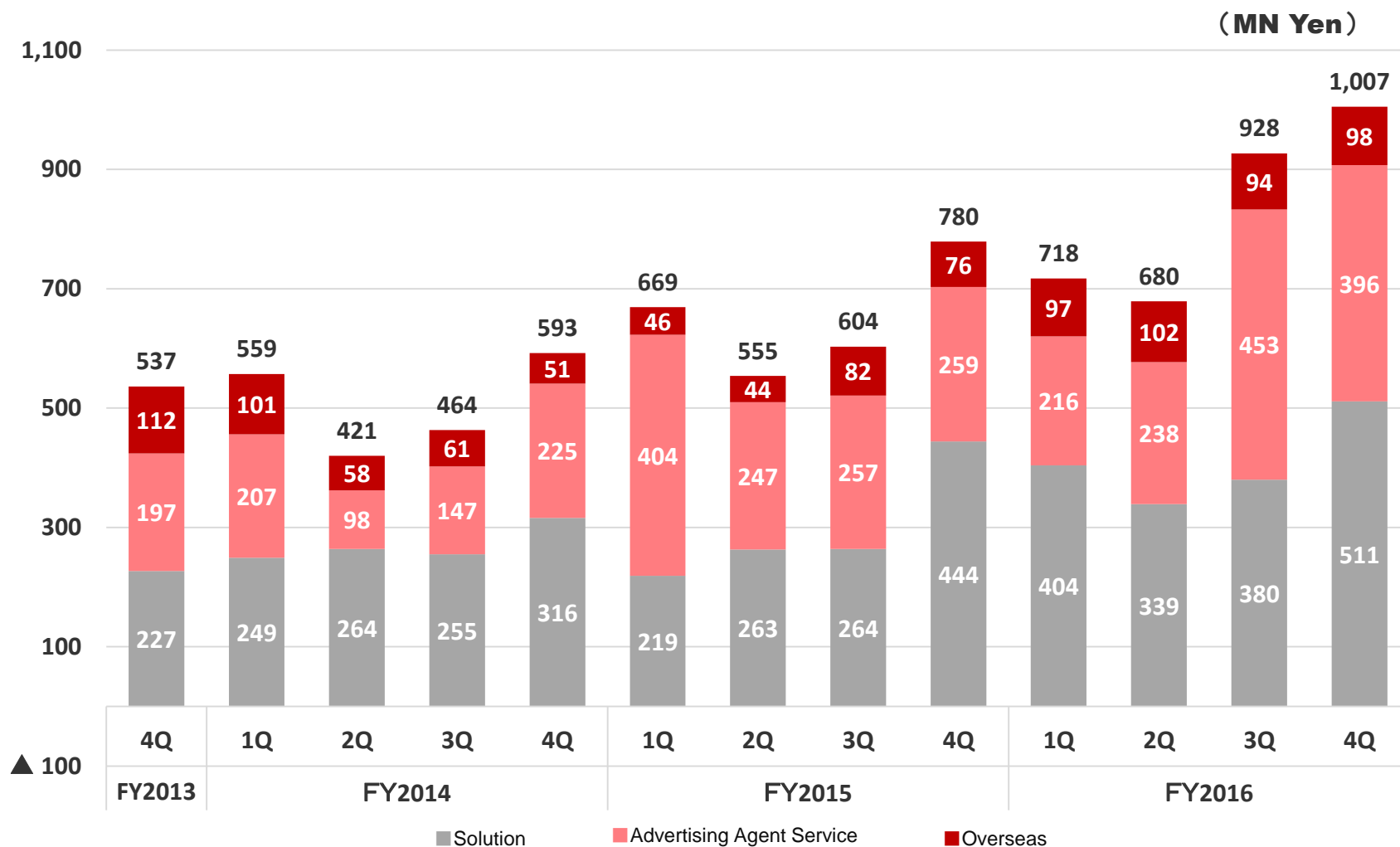
**Strong performance in all categories
contributed to 27.8% sales increase totally.**
11.7% up in Solution(consigned development and others)
12.4% up in Advertising Agent Service
and 58% up in Overseas

1 Overview of Earnings Summary

Sales (Solution Segment)

■ Q/Q Growth

Solution (consigned development and others) **sales hit record. Slight growth in Overseas keeping good performance. Advertising** (Advertising Agent Service) **increased by 53.0% YoY**



1 Overview of Earnings Summary

COGS

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
			Difference	Growth rate
COGS	2,704	3,208	504	18.6%
COGS ratio	52.9%	58.0%	-	-

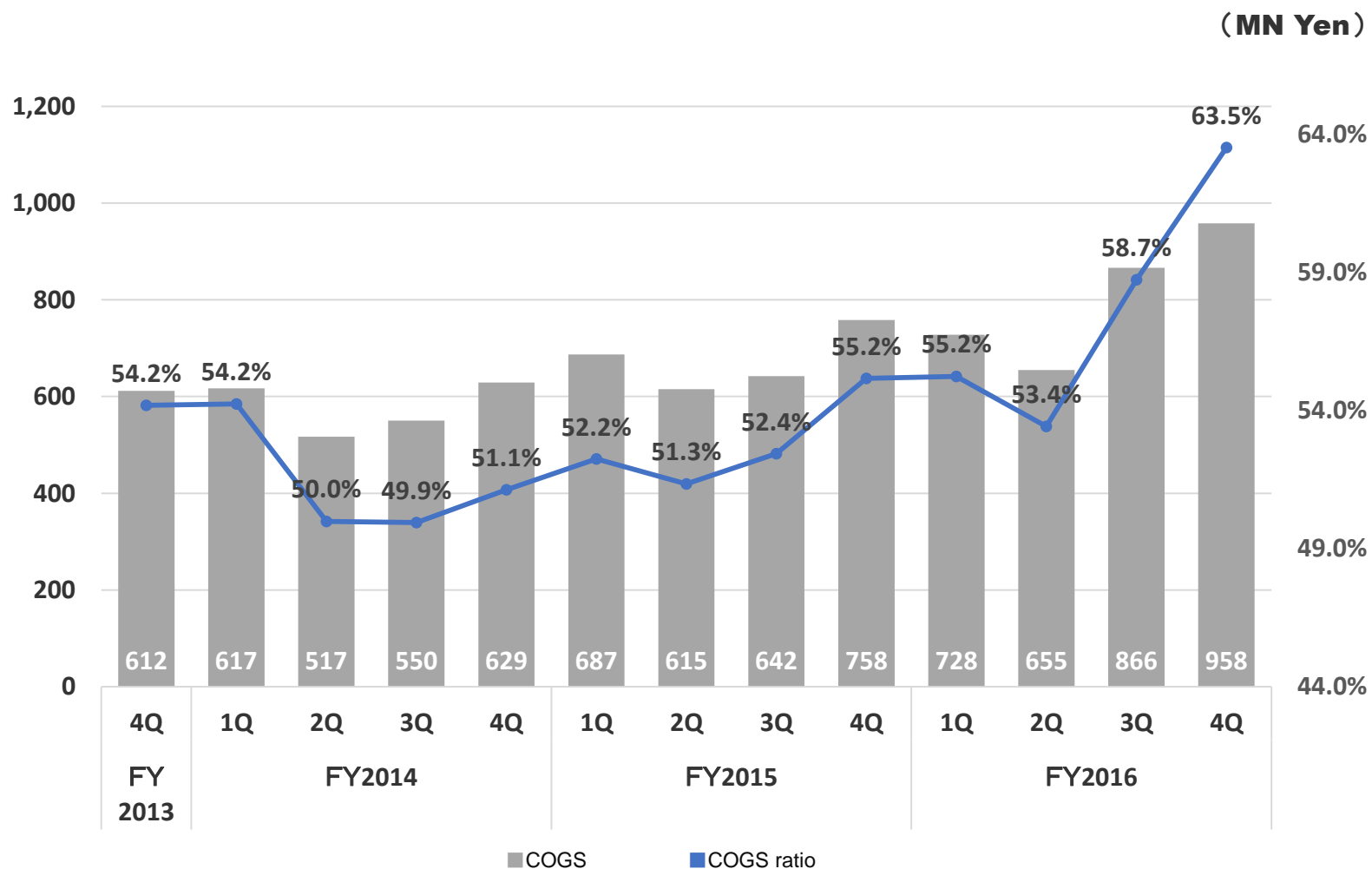
**With increase of Solution Segment
sales ratio, COGS rose by 5.1%**

1 Overview of Earnings Summary

COGS

Due to sales growth in Solution Segment, COGS rose

■ Q/Q Growth



1 Overview of Earnings Summary

SG&A

■ Y/Y Growth

(MN Yen)

	FY2015	FY2016	YoY	
			difference	Growth rate
(Advertising expenses)	711	541	▲ 170	▲24.0%
(Others)	1,510	1,560	50	3.4%
SG&A	2,222	2,102	▲ 120	▲5.4%
SG&A ratio	43.4%	38.0%	-	-

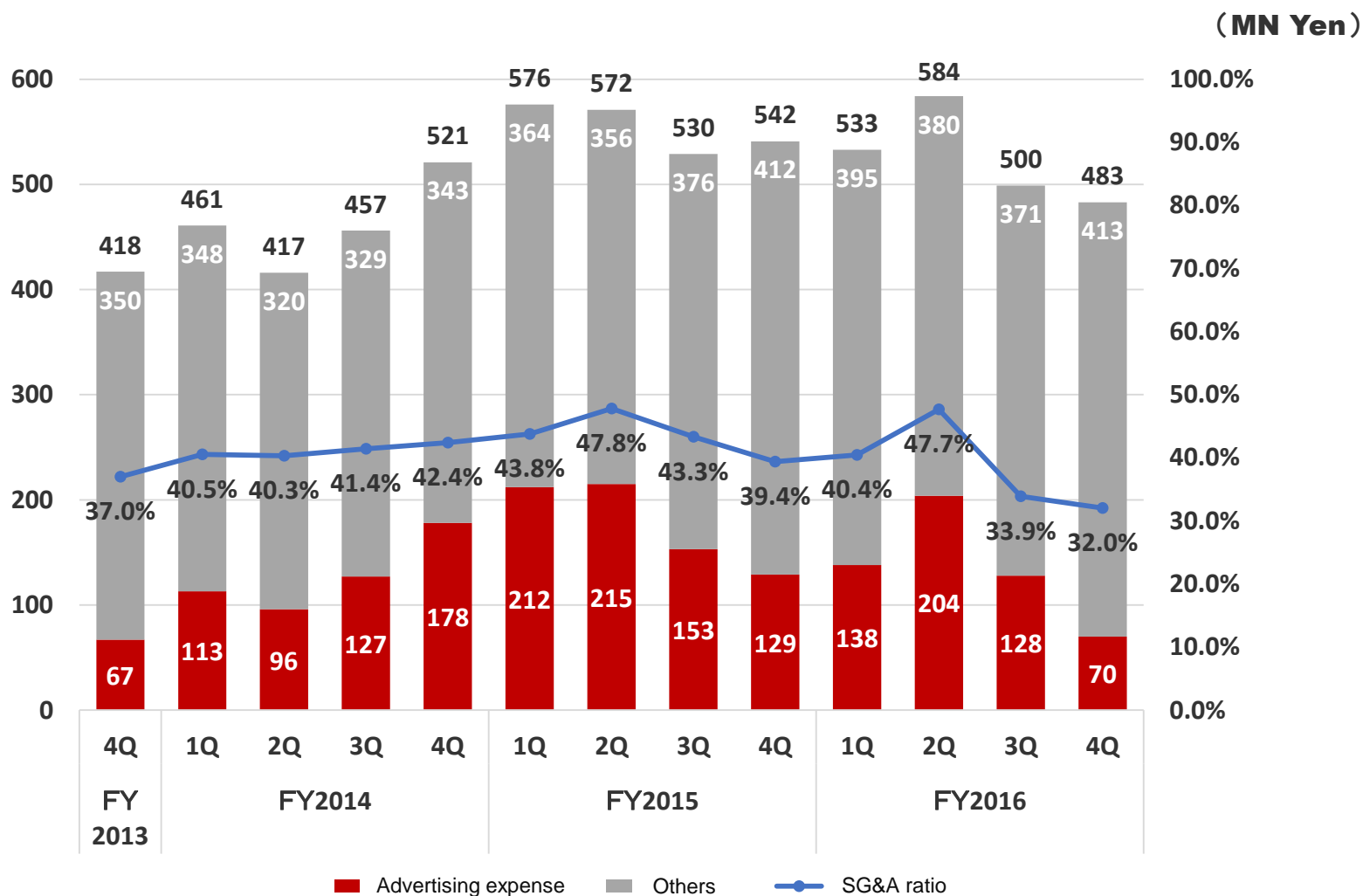
**Advertising expense down by 24.0% due to advertising strategy shift from aggressive investment in previous FY.
Therefore SG&A ratio improved by 5.4%**

1 Overview of Earnings Summary

SG&A

With shift in advertising strategy advertising expense decreased, and consequently SG&A improved

■ Q/Q Growth



Strategy for FY2017

Strategy for FY2017

Contents Service Segment



Segment Strategy

**Aggressively forming contents platform
and creating hit contents
through contents & service development
and strengthen alliance**

Service provision centering major five contents



Healthcare
『Woman's Diary』



Flea-market
『Dealing』



Messenger App
『Fivetalk』



E-Book
『BOOKSMART』

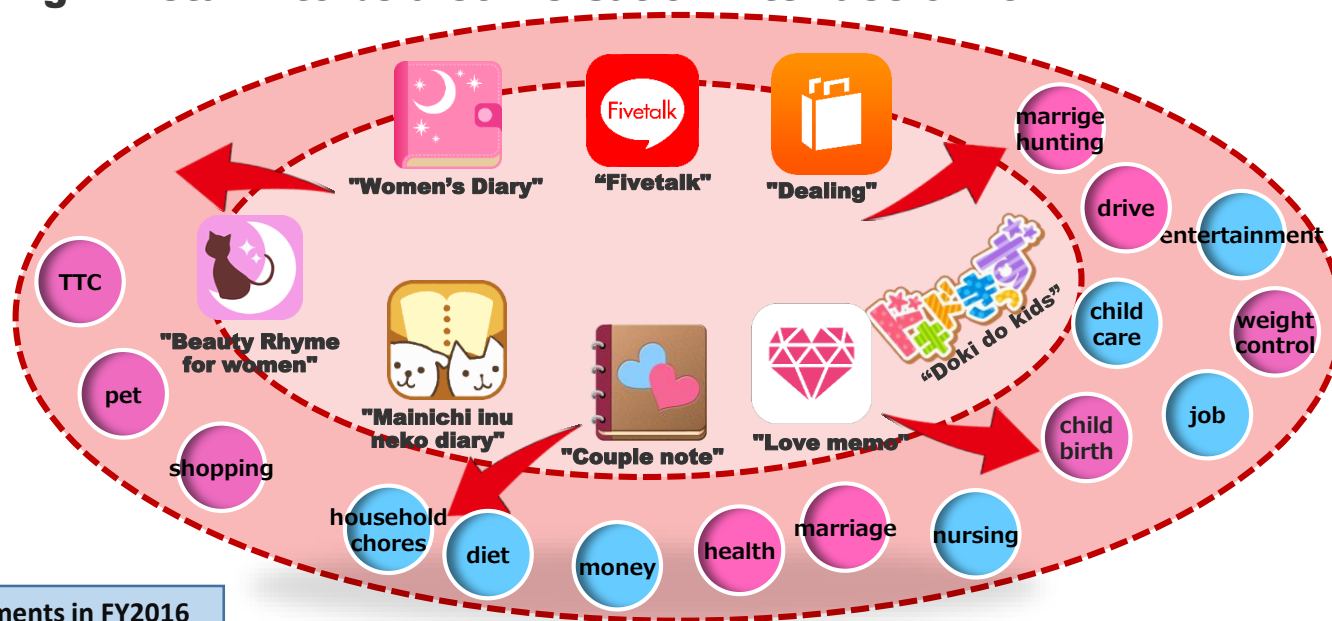


Traffic Info.
『Traffic Info. Service』

2 Contents Service Segment

Lifestyle

- Aggressively forming life support platform through “strengthen alliance” and “service genre expansion”
- With expertise in healthcare and child education App. development, expanding coverage genre to MH and child care.
- Developing “Fivetalk” to be a conversation interface on IoT



Major achievements in FY2016



Women's Diary

- App. to devise connection (a body composition and fat scale) in corporation with TANITA CORP. (21st Jan.2016)
- Started Joint operation of “Women’s Diary” with Excite Japan Co., Ltd. (4th April 2016)



Fivetalk

- Released “Fivetalk” for drive on TOYOTA’s “T-Connect”^(※1) (25th June 2015)

^(※1) TOYOTA's next generation telematics service



Dealing

- Purchased assets of service (1st Dec. 2015)
- Built appropriate environment for person-to-person trades

2 Contents Service Segment

Entertainment

■ Chokkot game

Carrying out advertising strategy and releasing new games to augment popularity on platforms such as “Sugotoku Contents”

■ BOOKSMART

- Tightening alliance with Tokyo-Shoten commercial union
 - Started regular joint event “Tokyo Book Award” exploring & cultivating authors (10th June 2016)
- Enhancing services to increase users
 - Released browser viewer plus App viewer (10th June 2016)
 - Started “rental service” and “all you can read service” (10th June 2016)

■ Distributing contents on new platform such as “Pepper” (SoftBank)



Major achievements in FY2016

- Authorized as “RoBoHoN” partner (10th May 2016)
- “BOOKSMART”, released PC service in addition to smartphone and tablet

2 Contents Service Segment

Traffic Information

Aris Traffic Information Service

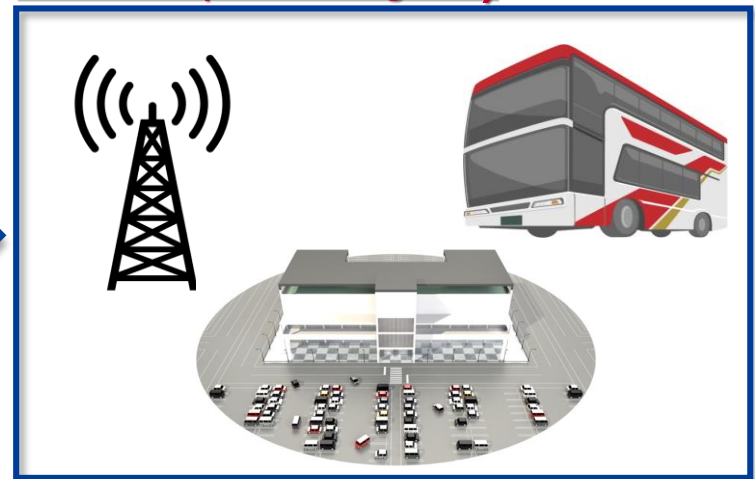
- Billing to app.200 thousand subscribers
- Releasing functions to enhance customer engagement
- Expanding distribution platform in addition to carrier platforms
- Aggressive service provision to BtoBtoC

BtoC (Contents Service Segment)



expanding

BtoBtoC (Solution Segment)



Major achievements in FY2016



Traffic Information Service

- **Promoted BtoBtoC data distribution aggressively**
 - Bus location system for Keihin Kyuko Bus Co., Ltd. (March 2016)
 - Data broadcasting for Television KANAGAWA, Inc. (4th April 2016)

Strategy for FY2017 Solution Segment



Segment Strategy

**Expanding Solution business
through offering total solution from App
development, system integration, voice to
new technologies at one stop shop**



NIHON
ENTERPRISE

Group Strategy



3 Solution Segment

Solution (Consigned development and others)

Consigned development

■ Total Solution Service

- Carrying out a customer development on the back of growing IT investment by enterprises

■ Regional revitalization business

- With initiatives by local government, carrying out projects such as “lower birthrate” and “tourism” aggressively
- Expanding business opportunities with Smartvalue Co., Ltd.
- Strengthening group synergy

Major achievements in FY2016

[Consigned development]

- Business and capital alliance with Smartvalue Co., Ltd. (18th Feb. 2015)
- Released “integrated operation and audit service, Premier Cloud” with IDC Frontier Inc. (18th June 2015)

[Regional revitalization business]

- “Chiba My Style Diary”, an App for countermeasures against lower birthrate, Chiba prefecture (20th August 2015)
- “Shimoda Kodomo Diary”, an App to support parenting, Shimoda city, Shizuoka prefecture. (29th Feb. 2016)
- Released a tourism cloud “Tourism Yubisashi Navi”. (10th Aug. 2015)
- Released a history explore AR navigation App, “Shiroishi Shiro Navi” (1st April 2016)
- Opening ceremony of “Higasi kison solar power plant”, Yamaguchi prefecture. (15th May 2016)

Packaged service

■ Releasing education cloud “e-Managi”

■ “BizTalk, “AplosOne”

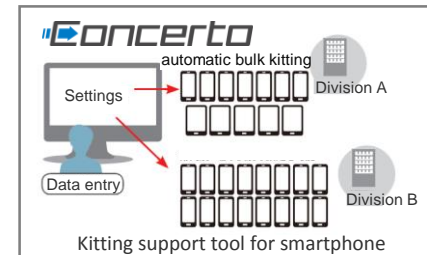
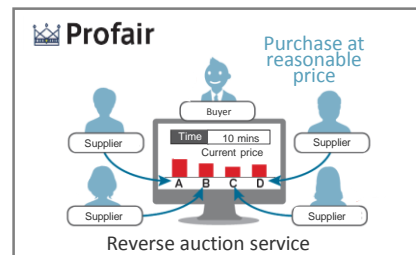
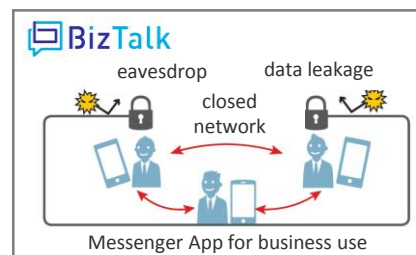
- Increasing users through function and usability enhancement

■ “Profair”

- Focusing on customer development through seminars and other sales activities

■ “Concerto”

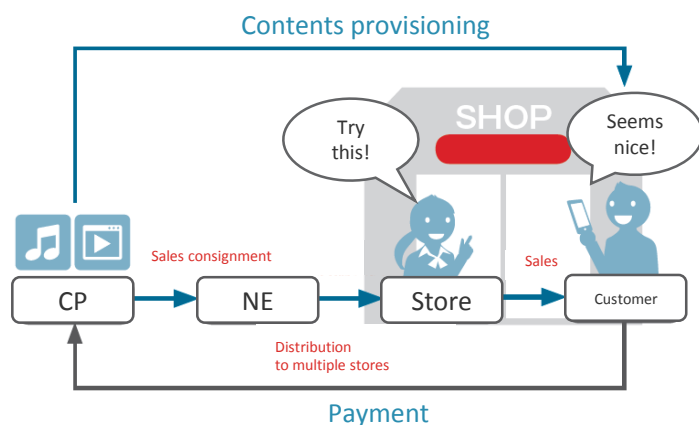
- Introducing partner system to expand distribution channel in addition to direct sales



3 Solution Segment

Advertising Agent Service

- Developing distribution channels which suitable for each contents value
- Provision of superior contents
- Carrying out tie-up projects



Major achievements in FY2016

- Sales hit record through “adapting flexibly to market environment” and “achieving sales measurements firmly”
- Provided superior contents including “All you can enjoy, from movies, dramas to cartoons” and “travel guide”.

Overseas

- Focusing on sales to enterprise customers to increase sales
- Opened “Yu Qiao Store” in addition to existing two stores

(21st April 2016※1)

Major achievements in FY2016

- YoY 190% up in number of mobile phone sold

(※1) FY2017 in China : From 1st April 2016 to 31st March 2017.

R&D in state-of-the-art technology is aggressively proceeding

H E M S	Carrying out product development visualizing energy efficiency
Smart Agriculture	“Next generation food production trial business” in Aizu-Wakamatsu city, Fukushima prefecture (29th May 2015)
D r o n e	Wired multi drones controlling technology “Doronet” (28th March 2016)

3 Solution Segment

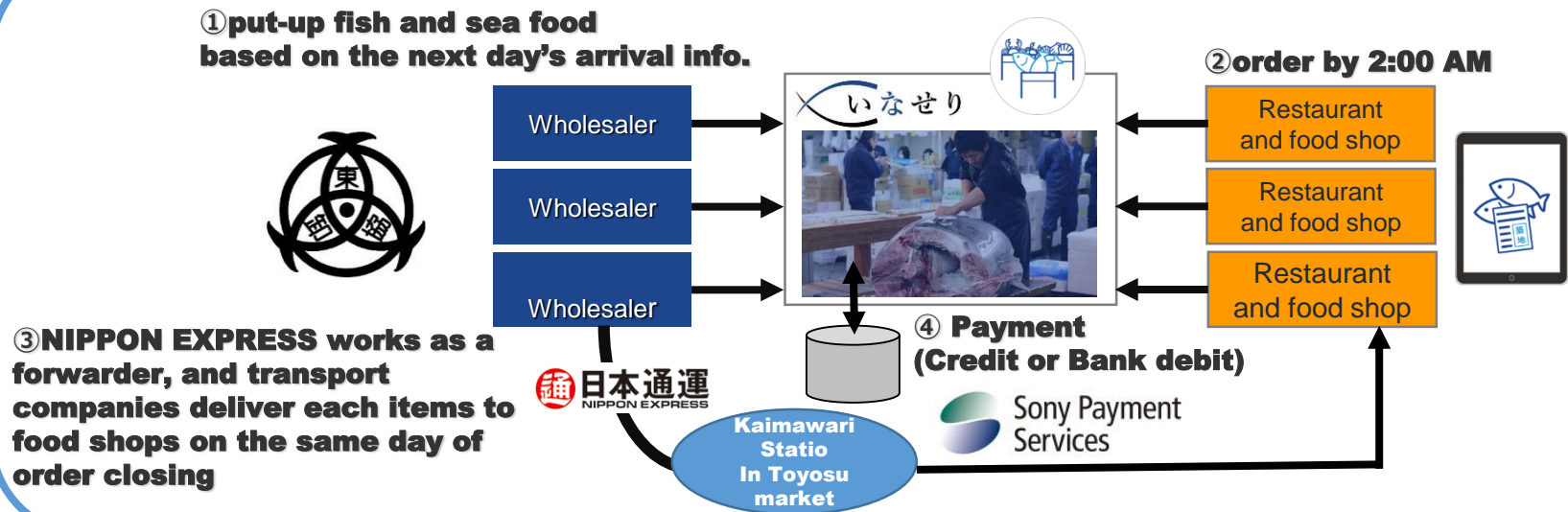
inaseri Co.,Ltd.

- **Company name** : inaseri Co.,Ltd.
- **President & CEO** : Yoshikatsu Hagiwara
- **Address** : 1-17-8 Shibuya, Shibuya-ku, Tokyo 150-0002 Japan
- **Established** : 3rd June 2016
- **Capital** : 75 Hundred Million Yen
(Capital reserve: another 75 hundred million yen)
- **Business** : Planning, development and operation of Metropolitan Central Wholesale Market, Tsukiji Market, Cooperative Association, Official EC service, "Inaseri"
- **Shareholder** : Nihon Enterprise Co., Ltd. (100%)



announce "Inaseri" service at joint press conference
(3rd June 2016)

 **The first EC business by cooperative association** (app. 600 companies)



Forecast and Strategy

4 Forecast and Strategy

Forecast

(MN Yen)

	FY2016	FY2017 (forecast)	YoY	
			Difference	Growth rate
Sales	5,530	5,300	▲ 230	▲4.2%
Operating profit	219	330	110	50.2%
Ordinary profit	252	350	97	38.6%
Net profit attributable to the parent company	327	135	▲ 192	▲58.7%

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

While sales will be driven by Solution Segment, 4.2% down due to influences by government regulations and change in contents market situation.

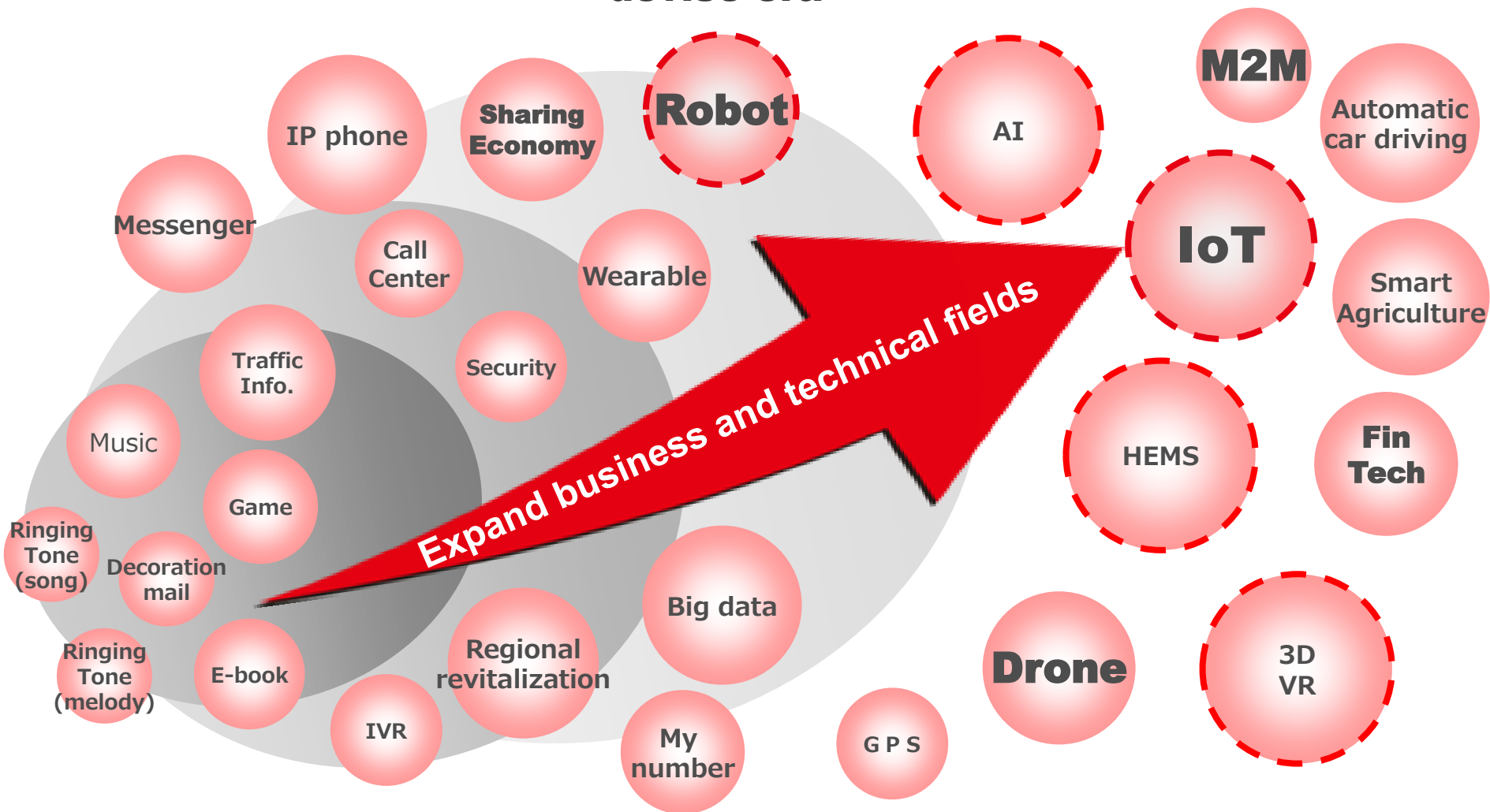
With improving GOGS and shift in advertising strategy, operating profit will rise by 50.2% and 38.6% for ordinary profit.

Net profit attributable to the parent company will down 58.7% YoY, as in previous FY extraordinary gains and losses (gain on sale of investment securities) was added

4 Forecast and Strategy

Strategy

Expansion of Business Fields in smart device era



Nihon Enterprise

検索

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

Earnings results, IR presentation materials, press release,
and company information are available at www.nihon-e.co.jp/ir/
also delivered via "timely disclosure alert mail" service.

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※In this document there are some rounding variances in calculations.