Consolidated Financial Results for the Fiscal Year May 2016
(Japanese Accounting Standards)

July 12, 2016

Company Name: Nihon Enterprise Co., Ltd. Stock Listing: Tokyo Stock Exchange
Stock Code: 4829 URL: http://www.nihon-e.co.jp/en/
President and Representative Director: Katsunori Ueda
Inquiries: Masaru Tanaka, Executive Managing Director Telephone: +81-3-5774-5730

Date of Regular Ordinary Meeting of Shareholders (Planned): August 26, 2016
Date of Dividend Payment (Planned): August 29, 2016
Date of Financial Statement Filing (Planned): August 26, 2016
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 2016 (June 1, 2015–May 31, 2016)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2016	5,530	8.1	219	15.7	252	23.4	327	84.2
FY May 2015	5,116	13.5	189	(43.4)	204	(39.9)	177	(59.4)

(Note) Comprehensive Income: ¥70 million in FY May 2016 (down 18.2%) ¥86 million in FY May 2015 (down 82.0%)

	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 2016	8.07	8.06	6.4	4.1	4.0
FY May 2015	4.57	4.56	3.8	3.5	3.7

(Reference) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:
FY May 2016: ¥ --- million FY May 2015: ¥ --- million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2016	6,017	5,217	83.5	123.96
FY May 2015	6,288	5,302	81.6	126.65

(Reference) Equity: FY May 2016: ¥5,027 million FY May 2015: ¥5,131 million

(3) Consolidated Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (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 2016	178	-449	-140	3,253
FY May 2015	-123	-76	866	3,557

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 2015	—	0.00	—	3.00	3.00	121	68.4	2.5
FY May 2016	—	0.00	—	3.00	3.00	121	37.2	2.3
FY May 2017 (Planned)	—	0.00	—	3.00	3.00		90.1	

3. Consolidated Financial Forecasts for the Fiscal Year May 2017 (June 1, 2016–May 31, 2017)

(% figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	-	-	-	-	-	-	-	-	-
Full Year	5,300	(4.2)	330	50.2	350	38.6	135	(58.7)	3.33

(Note) As the Company manages its operations on an annual basis, no consolidated financial forecasts are provided for the first half of the fiscal year.

Notes

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation): Yes

Newly consolidated: None Name:

Removed from consolidation: 1 company Name: Beijing YZH Wireless Net Technology Co., Ltd.

(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 2016	40,557,700 shares	FY May 2015	40,516,700 shares
2) Treasury stock as of end of term	FY May 2016	- shares	FY May 2015	- shares
3) Average during the term	FY May 2016	40,541,073 shares	FY May 2015	38,883,295 shares

* Information about review procedure

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

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

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. Financial results presentation meeting

A financial results presentation meeting (for institutional investors and analysts) is scheduled for July 13, 2016. 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 continued to be difficult to forecast. Despite stable corporate earnings and ongoing improvements for the employment situation on the back of government economic measures, personal consumption remained stagnant. The yen also appreciated sharply against the dollar, and stock prices fell.

Under these circumstances, the environment in the mobile content sector, to which the Group belongs, was characterized by a further shift towards iPhone, Android and other smartphones. As of September 30, 2015, the percentage of contracts for smartphones had risen to account for 56.9% of the total number of contracts (Note 1). The value of the mobile content market has risen to ¥1,456.6 billion and that of the mobile commerce market to ¥2,448.0 billion (2014, Note 2). We expect market expansion to continue 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. In addition, the Group has put more effort to establish even more stable business foundation and to expand operations further.

As a result, during the year under review net sales came to ¥5,530 million, up 8.1% from the preceding fiscal year. Operating income rose 15.7%, to ¥219 million; ordinary income increased 23.4%, to ¥252 million; and net income attributable to owners of the parent jumped 84.2%, to ¥327 million.

During the fiscal year under review, Nihon Enterprise implemented "Accounting Standards for Business Mergers" (ASBJ Statement No. 21, September 13, 2013) and changed "net income" to "net income attributable to owners of the parent."

(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, for mobile carriers' (telecommunications companies) authorized service, we worked to acquire members for our smartphone content billed monthly, through strategic tie-ups with mobile phone sales companies for our proprietary advertising media, "in-store affiliate." For flat-rate services such as Sugotoku Content, au Smart Pass, and App Pass, we added content and promoted the services as mobile carrier policies changed and the impact of advertising declined.

We also aggressively developed and launched apps for the App Store and Google Play.

As a result of these efforts, sales in the Mobile Content Segment totaled ¥2,194 million, and segment income amounted to ¥684 million.

Solutions Segment

In the Solutions Segment, we we were entrusted with development for corporate customers, including content planning, design, operation, debugging, and server maintenance and management. As a result of our aggressive sales strategy, sales grew significantly against a backdrop of increasing IT investment activity and growing needs to take advantage of smartphones and tablets. We entered a business and capital tie-up with Smartvalue Co., Ltd., to improve our development and sales capabilities targeting local governments and corporations, leveraging business expertise, regional characteristics, and development resources.

In our business support service for corporate customers, we provided "Profair," a reverse auction and estimate collection system; "AplosOne softphone," an app that creates corporate telephone extension networks using smartphones; and the "BizTalk" messenger app. We also converted Promote, Inc., to a subsidiary (capital increase through a third-party stock offering), and developed "Concerto," a smartphone kitting support tool. In our intermediary escrow service (Note 3), which guarantees secure transactions, we took over the mobile flea market app "Dealing" from Crooz, Inc. This allowed us to quickly enter the market for mobile flea market apps, which is expected to grow, while minimizing our initial investment.

Our advertisement agency service, "in-store affiliate," saw increased sales as device sales in general rose sharply due to a surge in demand before government regulations on device sales go into effect. In regard to app advertisements, we began jointly operating the women's healthcare app "Women's DIARY" through a business tie-up with Excite Japan Co., Ltd., to improve the advertising model of the app.

Overseas, we increased the mobile handset sales volume at our two mobile phone sales shops (China Telecom shops) in the Shanghai area, while also improving sales to corporate customers, thus boosting revenue.

Owing to these efforts, the Solutions Segment generated sales of ¥3,335 million, with segment income of ¥93 million.

(Note 3) Escrow refers to an intermediary service that guarantees secure transactions when a product is bought or sold. It is a system in which a third party (escrow agent) other than the buyer or the seller settles the payment as an intermediary and temporarily holds on to the payment.

2) Forecast for the Next Fiscal Year

Mobile Content Segment

In regard to our mobile content services for carriers, we will continue working on acquiring members for content billed monthly using secure and reliable carrier billing systems by effectively leveraging our proprietary advertising media. We plan to add new content for flat-rate services such as Sugotoku Content, au Smart Pass, and App Pass, as well as to expand our services.

We will look to increase earnings by developing and distributing new apps for the App Store and Google Play and by strengthening our partnerships.

This segment is also looking to create new services with an eye towards various platforms using the experience and assets we have gained in the Mobile Content Segment.

Solutions Segment

In entrusted development for corporate customers, the scale of the development projects is expanding and their numbers are trending upward on the back of growing IT investment demand. In this environment, we plan to accurately understand the needs of the market and increase revenue.

In addition, we will actively undertake new initiatives in potential growth markets. These include regional revitalization businesses that employ IT and businesses related to the Internet of things (IoT).

In our business support service for corporate customers, we will work to develop new products that meet the needs of our corporate customers, while also striving to improve the quality and variety of our current products.

In our intermediary escrow service, which guarantees secure transactions, we aim to increase transaction volume on the mobile flea market app “Dealing.” As a new initiative employing the business model of “Dealing,” we will be also working on commercializing “Inaseri,” the Wholesales Co-Operative of Tokyo Fish Market’s first e-commerce transaction service.

In our advertisement agency service, “in-store affiliate,” we plan to continue strengthening our existing partnerships with mobile phone sales companies, cultivating new businesses, and increasing our store numbers, despite the likely impact of government regulations on device sales. We will also actively work on creating new sales channels in addition to mobile phone sales companies and handling of new content. In our app advertisement service, we will continue operating the “Women’s DIARY” app with Excite Japan Co., Ltd., aiming to be the number one app for women’s health. We also plan on acquiring more users and improving the user-friendliness of the app.

Overseas, we will work on building a revenue structure that is impervious to carriers’ sales strategies by improving cost efficiency and rolling out more mobile phone sales shops (China Telecom shops) in the Shanghai area.

Through these initiatives, in the fiscal year ending May 31, 2017, we expect to deliver net sales of ¥5,300 million, down 4.2% year on year. We anticipate operating income of ¥330 million, up 50.2%; ordinary income of ¥350 million, up 38.6%; and net income attributable to owners of the parent of ¥135 million, down 58.7%.

(2) Analysis of Financial Condition

1) Assets, liabilities and net assets

As of May 31, 2016, total assets stood at ¥6,017 million, down ¥270 million from May 31, 2015. Current assets amounted to ¥4,672 million, down ¥308 million from a year earlier, due primarily to a ¥338 million decrease in cash and deposits. Fixed assets amounted to ¥1,344 million at fiscal year-end, up ¥37 million. Principal factors included a ¥110 million increase in software, a ¥300 million increase in long-term deposits, a ¥332 million drop in investments in securities, a ¥31 million decline in goodwill and a ¥10 million decrease in buildings.

Total liabilities amounted to ¥800 million, down ¥185 million compared with May 31, 2015. Primary reasons were a ¥119 million decrease in deferred income tax liabilities and a ¥53 million decline in consumption taxes payable. Net assets dropped ¥85 million, to ¥5,217 million as of fiscal year-end, due to the posting of net income, a decrease in net unrealized gains on other securities and dividends from surplus.

As measures pointing to the Company’s stability, the equity ratio was 83.5%, the current ratio 635.1% and the fixed ratio 26.7%—indicating that Nihon Enterprise maintained its level of soundness.

2) Cash Flows

During the year under review, cash and cash equivalents decreased ¥304 million, to ¥3,253 million as of May 31, 2016. Principal factors behind this increase were depreciation and amortization expenses of ¥185 million, up 40.0% compared with the preceding fiscal year; proceeds from withdrawal of time deposits of ¥512 million (up 16.6%); and proceeds from sales of investments in securities of ¥310 million (down 9.6%). Factors having a negative impact on cash included proceeds from stock issuance of ¥4 million (down 99.6%); payments for purchase of investments in subsidiaries of ¥96 million (up 10.1%); payments for purchase of intangible assets of ¥263 million, up 23.9%; and cash dividends paid of ¥120 million, up 7.7%.

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 ¥178 million, ¥301 million more than in the preceding fiscal year. Primary sources of cash included income before income taxes and minority interests of ¥515 million, depreciation and amortization expenses of ¥185 million, amortization of goodwill of ¥31 million, a decrease in notes and accounts receivable–trade of ¥33 million and a gain on sales of investments in securities of ¥273 million. The main use of cash was income taxes paid of ¥176 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥449 million, ¥372 million less than in the preceding fiscal year. Among the major sources of cash was ¥310 million in proceeds from sales of investments in securities. Primary uses of cash were payments into long-term deposits of ¥500 million, ¥263 million in payments for purchase of intangible assets and ¥96 million in payments for purchase of investments in subsidiaries.

(Cash flows from financing activities)

Net cash used in financing activities came to ¥140 million, ¥1,007 million less than in the preceding fiscal year. The primary source of cash was proceeds from issuance of shares of ¥4 million. Primary uses of cash were ¥120 million in cash dividends paid.

(Reference) Cash flow indicators

	FY May 2012	FY May 2013	FY May 2014	FY May 2015	FY May 2016
Equity ratio (%)	85.7	75.3	75.7	81.6	83.5
Equity ratio based on market value (%)	96.6	152.5	155.8	219.7	172.6
Interest-bearing liabilities/cash flow ratio (years)	0.0	0.0	0.0	-	-
Interest coverage ratio (times)	1,590.0	700.3	6,521.0	-	986.0

(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. The interest-bearing liabilities/cash flow ratio and the interest coverage ratio are not provided for the fiscal year ended May 31, 2015, because operating cash flow was negative.
4. The interest-bearing liabilities/cash flow ratio is not provided for the fiscal year ended May 31, 2016, because interest-bearing liabilities had no year-end balance.

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

Nihon Enterprise places high priority as one of the management tasks to return 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 ¥3.00 per share. 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 happening 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, 2016).

1) Agreements That Form the Basis for Principal Business Activities

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

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

2) Service Obsolescence

The services that the Nihon Enterprise Group provides do not enjoy a long life cycle, as they are subject to technological innovation involving mobile information terminals, as well as changing consumer preferences. If our services became obsolete because we were late in responding to new technologies or providing services that diverged from consumer preferences, our operating performance could be greatly affected.

3) Competition

The mobile content market is characterized by a sharp increase in the number of new companies entering the market, the business expansion of existing companies, sudden changes in the market and uncertainty with regards 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 significant effect on operating performance.

4) Handling of Information Fees

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

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

5) Sales Measures Targeting Telecommunications and Mobile Phone Sales Companies

The Nihon Enterprise Group's principal business, involving the mobile phone and smartphone market, is characterized by increasingly intense competition among telecommunications companies (carriers) to attract customers. As a result, carriers are introducing various sales measures, and mobile phone sales companies are strengthening their efforts to attract customers. These efforts are aimed at user acquisition and retention.

In our Solutions Segment, "in-store affiliate" is based on a performance-based business model in which staff at mobile phone sales companies explain various content to visiting customers, with revenues determined by the number of members who register. As a result, our performance is significantly affected by the number of people visiting mobile phone sales companies.

Also, the Nihon Enterprise Group operates mobile phone sales companies in the Shanghai, China, area, but as in Japan, competition in China is growing increasingly fierce. There are numerous instances in which sales incentives and shop support measures for mobile phone distributors are being revised.

Given these conditions, the Company is working to cultivate and strengthen its relations with carriers and mobile phone sales companies, as well as to respond flexibly to their sales support measures. However, delayed responses to carriers and mobile phone sales companies could materially affect the Nihon Enterprise Group’s operating performance and financial condition.

6) Smartphone Service

The Nihon Enterprise Group’s Mobile Content Segment plans and develops various apps and services primarily for smartphones and provides them to users. Developing and providing smartphone services require development and operational structures involving advanced technical expertise. As a result, we expect an increase in development and operational costs, including for recruiting and training human resources.

By leveraging our expertise in providing various content to carriers, we are striving to develop and provide services that meet user needs. However, users’ tastes in smartphone services change quickly, so it is possible that the competitive landscape and development delays could cause our services to be less popular than expected or generate less than the anticipated amount of billings. This situation could impact significantly on the Nihon Enterprise Group’s operating performance.

7) Developing New Products and Services for Corporate Customers

In the Solutions Segment, in addition to performing entrusted development for corporate customers the Nihon Enterprise Group develops and sells products and services for this clientele. We plan to continue working to expand our domain of operations in the Solutions Segment targeting corporate customers and reinforce the Group’s development structure. By aggressively leveraging the expertise we have cultivated to date and the technologies and development capabilities of our subsidiaries, we will work to develop new products and solutions.

However, our track record in developing and selling these new products and services is still limited. Also, as we enter into this new business domain the products and services we develop may not be accepted by customers, we may fail to differentiate our products and services from those of our competitors, development may not progress as planned, and the market may fail to expand. If business does not expand as the Company anticipates, the Nihon Enterprise Group’s operating performance could be greatly affected.

8) 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 pay up-front expenses could have a material impact on the Group financially.

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 to be inoperative, 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 critically 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 still 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 trust from society as a result.

11) Regulatory Risk

We think 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 affect the performance and financial condition of the Nihon Enterprise Group significantly.

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.), nine consolidated subsidiaries and five non-consolidated subsidiaries, and conducts business via the Mobile Content Segment and the Solutions Segment.

The Mobile Content Segment and the Solutions Segment are also 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) Mobile Content Segment

This segment provides traffic information, entertainment, 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 d menu 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.

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
Entertainment	Casual games, Uta & mero Tori Hodai, others	This service offers classic easy-to-play games, and provides a portal site for distribution of mini-games. This includes websites where you can select a wide variety of songs and melodies, from high-sound-quality arrangements to popular special effects.
Lifestyle	Beauty Rhythm for Women, Lucky Station, 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.

(2) Solutions Segment

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

Also, as an advertising agency 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 “in-store affiliates.”

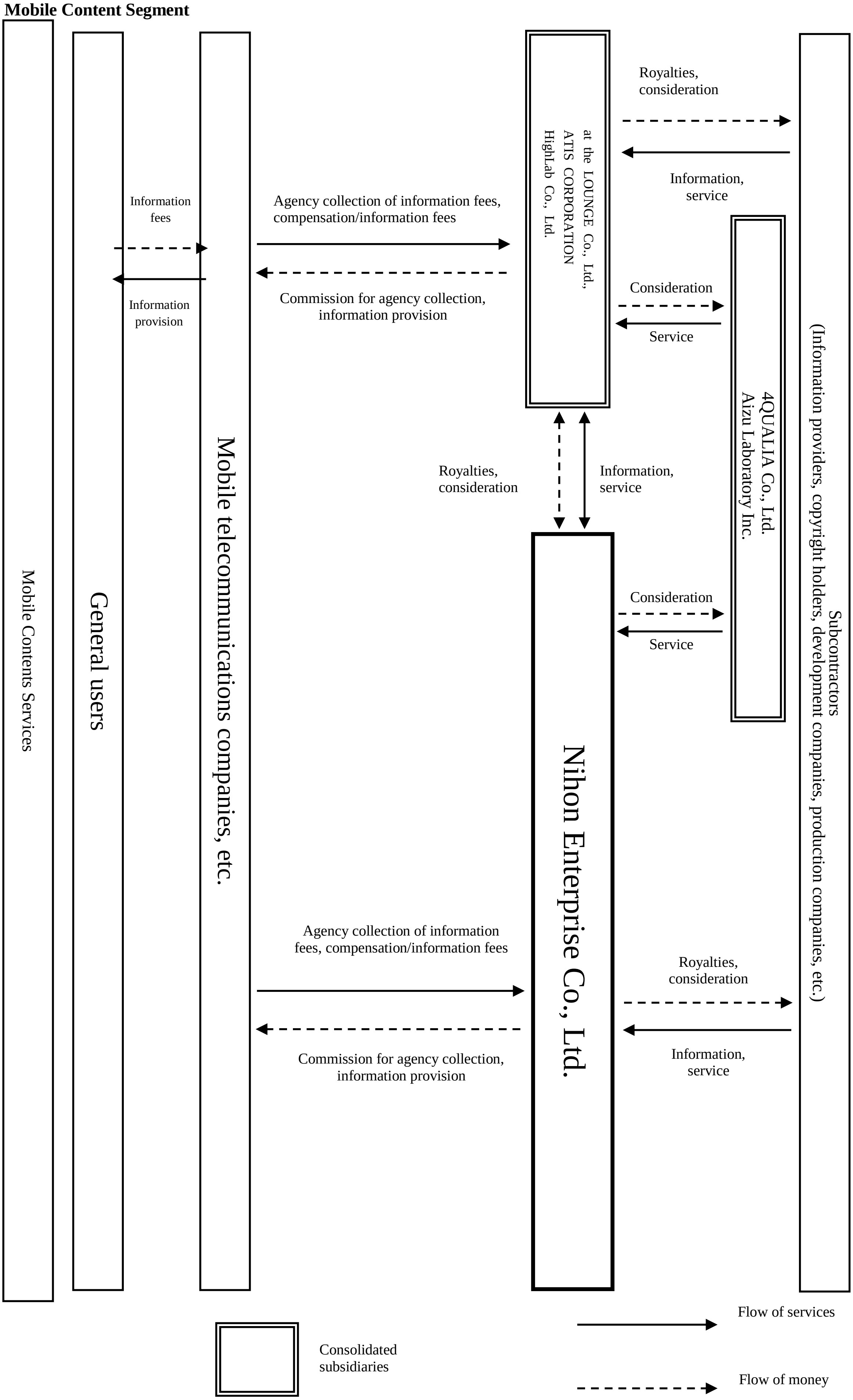
The segment also conducts mobile phone and other sales and agency businesses in China.

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 companies having face-to-face customer interactions, including mobile phone sales companies, to sell content on a contingency basis. We also generate advertising revenue via our own sites and apps.
Overseas	We conduct mobile phone and other sales and agency business for China Telecom.

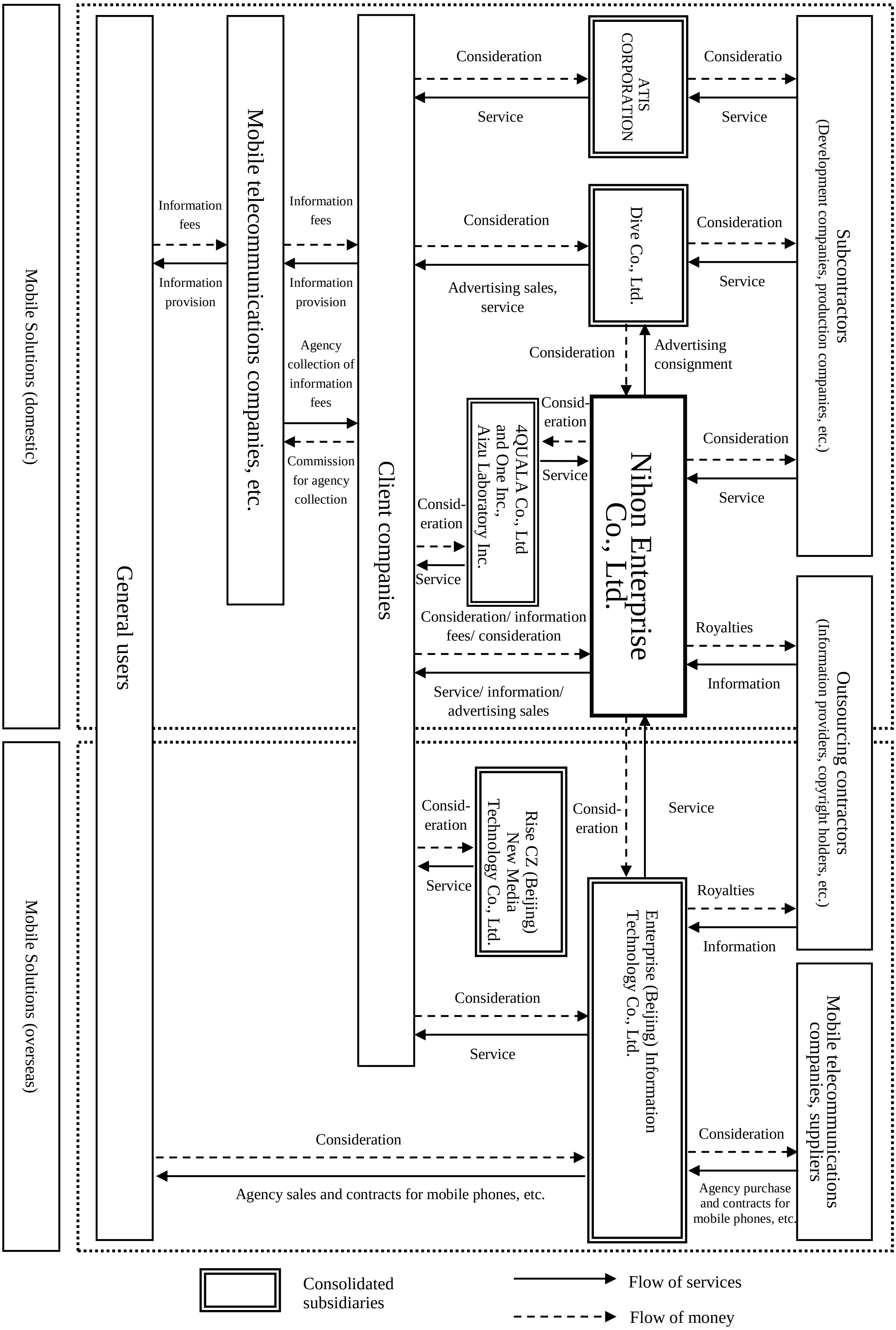
The Nihon Enterprise Group is organized as follows.

Mobile Content Segment



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

Solutions Segment



(Note) In addition to the companies indicated above, the segment contains five non-consolidated subsidiaries: Rise MC (Beijing) Digital Information Technology Co., Ltd., NE Mobile Services (India) Private Limited), NE Yin Run Co., Ltd., Yamaguchi Regenerative Energy Factory Co., Ltd., and Promote, Inc.

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.

In the Mobile Content Segment, we will work to expand the revenue base by providing content to carriers. At the same time, we aim to develop and expand new apps for the App Store and Google Play.

In the Solutions Segment, we will work to expand ourentrusted development and business support for corporate customers, as well as the escrow and advertising businesses. In addition, we will actively promote the expansion of business domains in which market development is anticipated. Through those measures, we aim to enhance corporate value over the medium to long term.

(4) Issues Facing the Company

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

1) Business Expansion

The popularity of smartphones in the mobile telecommunications industry is not simply a transition from feature phones. We expect smart devices such as smartphones and tablets to play a major role even in the Internet of Things (IoT) market, which is expected to arrive soon.

This kind of market environment creates demand for us to constantly provide new value beyond our existing services in the Mobile Content Segment and Solutions Segment. In response, the Nihon Enterprise Group looks to increasingly expand its range of businesses going forward.

Expanding our scope of business sufficiently to respond quickly and accurately to this market is a major issue. As a means to effectively achieve this, we will proactively seek to enter into collaboration, business tie-ups and M&A with other companies.

2) Strengthening of Planning and Technological Capabilities

The proliferation of high-end smartphones offers the potential to provide sophisticated and diverse services, and the Nihon Enterprise Group recognizes that augmenting its planning and technological capabilities is essential to providing increasingly high-value-added services. 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

The Nihon Enterprise Group conducts business that requires a response to new technologies. Accordingly, we recognize the importance of further enhancing the specialized expertise of each of our employees, cultivating personnel to become high-value-added human resources, and recruiting superior human resources at the same time.

As technological innovation is particularly rapid with regard to smartphones and our number of personnel with experience as engineers and planning and development personnel is limited, we intend to step up our hiring of candidates with skills in specialized fields, including both mid-career personnel and new graduates. In addition, we conduct internal training on an ongoing basis, strive to elicit individual capabilities and enact measures to foster an invigorating workforce.

4) Reinforcement and Enhancement of Internal Control

The Nihon Enterprise Group recognizes the importance of enhancing internal control in order to continuously grow and increase enterprise value in the long term.

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 raise the effectiveness and productivity of our operations. At the same time, we will work to further enhance internal control by establishing a group-wide system for managing operational performance. We will actively implement policies in line with the Japanese Corporate Governance Code, which is our code of conduct as a listed company. We will also develop an effective system for facilitating constructive dialogue between our diverse stakeholders.

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. Basic Perspective on Selection of Accounting Standards

The Nihon Enterprise Group employs Japanese accounting standards to facilitate the comparison of its consolidated financial statements between business periods and companies, and we plan to continue applying these standards for the foreseeable future.

However, the Group intends to consider the adoption of International Financial Reporting Standards (IFRS), taking into account trends in percentage share ownership by foreign investors, and the adoption of these standards by other companies in the industry.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	End of FY May 2015 (May 31, 2015)	End of FY May 2016 (May 31, 2016)
Assets		
Current assets		
Cash and deposits	4,075,335	3,736,869
Notes and accounts receivable	684,785	644,123
Merchandise	23,318	10,664
Work in process	58,664	101,744
Supplies	1,237	962
Deferred tax assets	23,838	33,325
Accrued revenue	6,129	92,089
Other	113,542	89,813
Less: Allowance for doubtful accounts	5,662	36,869
Total current assets	4,981,189	4,672,724
Fixed assets		
Property, plant and equipment		
Buildings	103,577	105,596
Less: Accumulated depreciation	51,004	-63,879
Buildings, net	52,572	41,716
Land	12,400	12,400
Other	150,687	153,633
Less: Accumulated depreciation	-126,552	-128,462
Other, net	24,135	25,171
Total property, plant and equipment	89,107	79,287
Intangible assets		
Goodwill	51,104	19,136
Software	338,636	449,531
Other	26	12
Total intangible assets	389,767	468,680
Investments and other assets		
Investment securities	*1 705,506	*1 372,551
Long-term deposits	-	300,000
Guarantee deposits	97,031	95,325
Long-term loans receivable	-	915
Deferred tax assets	12,411	17,233
Long-term bonds	25,610	9,390
Other	13,001	10,441
Less: Allowance for doubtful accounts	-25,610	-9,390
Total investments and other assets	827,951	796,467
Total fixed assets	1,306,826	1,344,436
Total assets	6,288,016	6,017,160

(Thousands of yen)

	End of FY May 2015 (May 31, 2015)	End of FY May 2016 (May 31, 2016)
Liabilities		
Current liabilities		
Accounts payable–trade	297,526	300,216
Income taxes payable	146,478	150,691
Consumption taxes payable	76,683	22,872
Other	281,088	261,970
Total current liabilities	801,776	735,751
Long-term liabilities		
Deferred income tax liabilities	138,164	18,727
Retirement benefit liabilities	31,066	38,252
Other	14,300	7,370
Total long-term liabilities	183,530	64,350
Total liabilities	985,306	800,101
Net assets		
Shareholders' equity		
Common stock	1,101,695	1,104,360
Capital surplus	979,646	982,311
Retained earnings	2,680,418	2,851,486
Total shareholders' equity	4,761,760	4,938,157
Accumulated other comprehensive income		
Net unrealized gains on other securities	295,362	47,120
Foreign currency translation adjustment	74,513	42,057
Total accumulated other comprehensive income	369,875	89,178
Stock acquisition rights	2,799	2,052
Minority interests	168,273	187,668
Total net assets	5,302,709	5,217,058
Total liabilities and net assets	6,288,016	6,017,160

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY May 2015 (June 1, 2014 to May 31, 2015)	FY May 2016 (June 1, 2015 to May 31, 2016)
Net sales	5,116,595	5,530,490
Cost of sales	2,704,615	3,208,707
Gross profit	2,411,979	2,321,783
Selling, general and administrative expenses	*1, *2 2,222,230	*1, *2 2,102,149
Operating income	189,749	219,634
Non-operating income		
Interest income	2,435	2,544
Dividend income	1,932	2,361
Rental income	1,332	1,332
Business consignment commissions	2,160	6,600
Subsidy income	12,371	12,265
Other	3,963	9,092
Total non-operating income	24,195	34,195
Non-operating expenses		
Interest expenses	27	181
Commission fees	8,883	655
Foreign exchange losses	100	328
Others	316	152
Total non-operating expenses	9,327	1,317
Ordinary income	204,617	252,512
Extraordinary income		
Gains on sales of investments in securities	341,118	273,235
Gain on sales of investment in capital of subsidiaries and associates	-	17,647
Total extraordinary income	341,118	290,883
Extraordinary losses		
Losses on sale of property, plant and equipment	-	*3 93
Losses on disposal of property, plant and equipment	*4 12,496	*4 4,224
Impairment losses	*5 16,749	*5 24,071
Losses on change in equity	318	-
Total extraordinary losses	29,564	28,389
Income before income taxes and minority interests	516,171	515,005
Income, residential and enterprise taxes	307,699	177,577
Income tax adjustment	-219	-13,622
Total income taxes	307,480	163,954
Net income	208,691	351,051
Net income attributable to non-controlling interests	31,110	24,023
Net income attributable to owners of the parent	177,580	327,027

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2015 (June 1, 2014 to May 31, 2015)	FY May 2016 (June 1, 2015 to May 31, 2016)
Net income	208,691	351,051
Other comprehensive income		
Net unrealized gains on other securities	-157,677	-248,241
Foreign currency translation adjustment	34,990	-32,455
Total other comprehensive income	-122,686	-280,697
Comprehensive income	86,004	70,354
(Breakdown)		
Comprehensive income attributable to owners of the parent	54,893	46,330
Comprehensive income attributable to non-controlling interests	31,110	24,023

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (June 1, 2014 to May 31, 2015)

(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	2,629,726	3,699,660
Adjustments during the fiscal year				
Dividends from surplus			-113,100	-113,100
Changes in the scope of consolidation			-13,788	-13,788
Issuance of new shares	503,319	503,319		1,006,638
Issuance of new shares - exercise of subscription rights to shares	2,385	2,385		4,771
Net income attributable to owners of the parent			177,580	177,580
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	505,704	505,704	50,691	1,062,100
Balance at the end of the fiscal year	1,101,695	979,646	2,680,418	4,761,760

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling 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	453,040	39,522	492,562	2,482	166,063	4,360,768
Adjustments during the fiscal year						
Dividends from surplus						-113,100
Changes in the scope of consolidation						-13,788
Issuance of new shares						1,006,638
Issuance of new shares - exercise of subscription rights to shares						4,771
Net income attributable to owners of the parent						177,580
Net changes during the year to items other than shareholders' equity	-157,677	34,990	-122,686	317	2,209	-120,159
Total adjustments during the fiscal year	-157,677	34,990	-122,686	317	2,209	941,940
Balance at the end of the fiscal year	295,362	74,513	369,875	2,799	168,273	5,302,709

Current fiscal year (June 1, 2015 to May 31, 2016)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the start of the fiscal year	1,101,695	979,646	2,680,418	4,761,760
Adjustments during the fiscal year				
Dividends from surplus			-121,550	-121,550
Changes in the scope of consolidation			-34,409	-34,409
Issuance of new shares				
Issuance of new shares - exercise of subscription rights to shares	2,665	2,665		5,330
Net income attributable to owners of the parent			327,027	327,027
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	2,665	2,665	171,068	176,398
Balance at the end of the fiscal year	1,104,360	982,311	2,851,486	4,938,158

	Accumulated other comprehensive income			Stock acquisition rights	Non-controlling 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	295,362	74,513	369,875	2,799	168,273	5,302,709
Adjustments during the fiscal year						
Dividends from surplus						-121,550
Changes in the scope of consolidation						-34,409
Issuance of new shares						
Issuance of new shares - exercise of subscription rights to shares						5,330
Net income attributable to owners of the parent						327,027
Net changes during the year to items other than shareholders' equity	-248,241	-32,455	-280,697	-747	19,395	-262,048
Total adjustments during the fiscal year	-248,241	-32,455	-280,697	-747	19,395	-85,650
Balance at the end of the fiscal year	47,120	42,057	89,178	2,052	187,668	5,217,058

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY May 2015 (June 1, 2014 to May 31, 2015)	FY May 2016 (June 1, 2015 to May 31, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	516,171	515,005
Depreciation	132,401	185,363
Amortization of goodwill	31,925	31,967
Impairment losses	16,749	24,071
Increase (decrease) in provision for allowance for doubtful accounts	25,468	31,261
Increase (decrease) in provision for directors' bonuses	-450	-1,000
Increase (decrease) in retirement benefit liabilities	7,513	7,186
Interest income and dividend income	-4,368	-4,905
Interest expenses	27	181
Foreign exchange (gains) losses	100	328
Loss (gain) on sales of investments in securities	-341,118	-273,235
Loss (gain) on sales of investments in capital of subsidiaries and associates	-	-17,647
Loss (gain) on sales of property, plant and equipment	-	93
Losses on disposal of property, plant and equipment	12,496	4,224
Decrease (increase) in notes and accounts receivable–trade	-62,062	33,921
Decrease (increase) in inventories	-27,413	-18,072
Increase (decrease) in notes and accounts payable–trade	15,950	18,680
Increase (decrease) in consumption taxes payable	27,125	-44,139
(Increase) decrease in other current assets	-13,832	-102,398
Increase (decrease) in other current liabilities	-37,596	-37,130
Other	-4,461	-3,579
Subtotal	294,624	350,178
Interest and dividend income received	4,136	4,802
Interest expenses paid	-27	-181
Income taxes paid	-421,859	-176,317
Net cash provided by operating activities	-123,125	178,482

	FY May 2015 (June 1, 2014 to May 31, 2015)	FY May 2016 (June 1, 2015 to May 31, 2016)
Cash flows from investing activities		
Payments into time deposits	-500,153	-295,817
Proceeds from withdrawal of time deposits	439,511	512,621
Payments into long-term deposits	-	-500,000
Proceeds from withdrawal from long-term deposits	-	14,490
Payments for purchase of property, plant and equipment	-17,958	-23,969
Proceeds from sales of property, plant and equipment	-	21
Payments for purchase of intangible assets	-212,668	-263,473
Payments for purchase of investments in securities	-	-121,723
Proceeds from sales of investments in securities	343,752	310,652
Purchase of investments in subsidiaries	-87,630	-96,500
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	-	16,221
Payments for loans receivable	-38,000	-2,760
Collection of loans receivable	3,433	546
Payments of guarantee deposits	-19,577	-6,965
Proceeds from collection of guarantee deposits	11,887	6,943
Other	424	192
Net cash provided by investing activities	-76,978	-449,517
Cash flows from financing activities		
Proceeds from short-term borrowings	200,000	520,000
Repayment of short-term borrowings	-200,000	-520,000
Repayment of long-term debt	-	-13,654
Repayment of lease obligations	-1,417	-1,181
Proceeds from issuance of common shares	1,010,601	4,428
Purchase of subsidiaries' treasury stock	-24,000	-
Cash dividends paid	-112,301	-120,939
Cash dividends paid to non-controlling interests	-9,180	-9,426
Other	2,702	-
Net cash used in financing activities	866,404	-140,772
Effect of exchange rate changes on cash and cash equivalents	6,820	-3,513
Net increase (decrease) in cash and cash equivalents	673,121	-415,321
Cash and cash equivalents at the beginning of the year	2,808,762	3,557,933
Increase in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	76,049	111,217
Cash and cash equivalents at the end of the year	*1 3,557,933	*1 3,253,828

(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 the Nihon Enterprise Group handles and conducts. Consequently, the Company has consolidated the services handled by Group companies into two reportable segments, the Mobile Content Segment and the Solution Segment.

The Mobile Content Segment provides various content services via telecommunications carriers. The Solution 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. Intersegment sales and transfers are based on market prices.

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

Previous fiscal year (June 1, 2014 to May 31, 2015)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—External Customers	2,506,784	2,609,810	5,116,595	-	5,116,595
Sales and transfer—intersegment	-	69,567	69,567	-69,567	-
Total	2,506,784	2,679,377	5,186,162	-69,567	5,116,595
Segment income	616,649	190,437	807,086	-617,337	189,749
Other items					
Depreciation	72,913	48,112	121,025	8,204	129,229

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥585,411 (thousand) and amortization of goodwill of ¥31,925 (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, 2015 to May 31, 2016)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—External Customers	2,194,908	3,335,581	5,530,490	-	5,530,490
Sales and transfer—intersegment	-	94,809	94,809	-94,809	-
Total	2,194,908	3,430,391	5,625,300	-94,809	5,530,490
Segment income	684,958	93,920	778,879	-559,245	219,634
Other items					
Depreciation	65,502	114,507	180,009	5,354	185,363

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥527,277 thousand and amortization of goodwill of ¥31,967 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)

Nothing to report.