

Consolidated Earnings Summary

Nihon Enterprise Co., Ltd.



FY2017 ended May
(From June 2016 to Feb. 2017)

Table of Contents

1	Overview of Earnings Summary	P.2
	Highlights	P.3
	PL	P.4
	Quarterly growth	P.5
	Sales	P.6
	Sales (Contents Service Segment)	P.7
	Sales (Solution Segment)	P.9
	COGS	P.11
	SG&A expenses	P.13
2	FY2018 Business Strategy	P.15
	Segment change	P.16
	New segment	P.17
	Creation segment	P.18
	Contents service	P.20
	Business support service	P.21
	Others	P.25
	Solution segment	P.26
	System development and operation service	P.28
	Advertising agent service / Others	P.29
3	Forecast and growth strategy	P.30
	Consolidated forecast	P.31
	Growth strategy	P.32

1. FY2017年 Earnings Summary

1 Overview of Earnings Summary

Highlights

**Sales fell 12.5%,
down 8.9% for ordinary profit**

(MN Yen)

	FY2017	YoY
S a l e s	4,838	▲12.5%
Operating profit	192	▲12.6%
Ordinary profit	229	▲8.9%

Contents Service Segment

Traffic Info.	Keeping sales stability from “carriers’ monthly charge service, expanded solution business through expertise in contents operation. Developed and released car dynamic management cloud
Entertainment	Good trend in “BOOKSMART”’s unlimited service. Strong performance in “Chokotto Game” , or a long run hit content, with upward usage rate.
Lifestyle	Promoted measurements to enhance profitability around ““Flea-ma.jp” (ex-name “Dealing”) and “Women’s Diary”

Solution Segment

Solution (consigned development and others)	Hit record boosted by good progress in customer development and order acquisition. Started Metropolitan Central Wholesales Market Cooperative Association’s first EC service, “inaseri” and expanding delivery area accordingly
Advertising (Advertising agent service)	Promoted service development to expand service fields. Start sales of industry’s No.1 security software in metropolitan and flowingly Kansai area.
Overseas	(China)Sales declined due to slowing smartphone market growth. Focused on direct sales through alliance with China Telecom

1 Overview of Earnings Summary

Consolidated PL

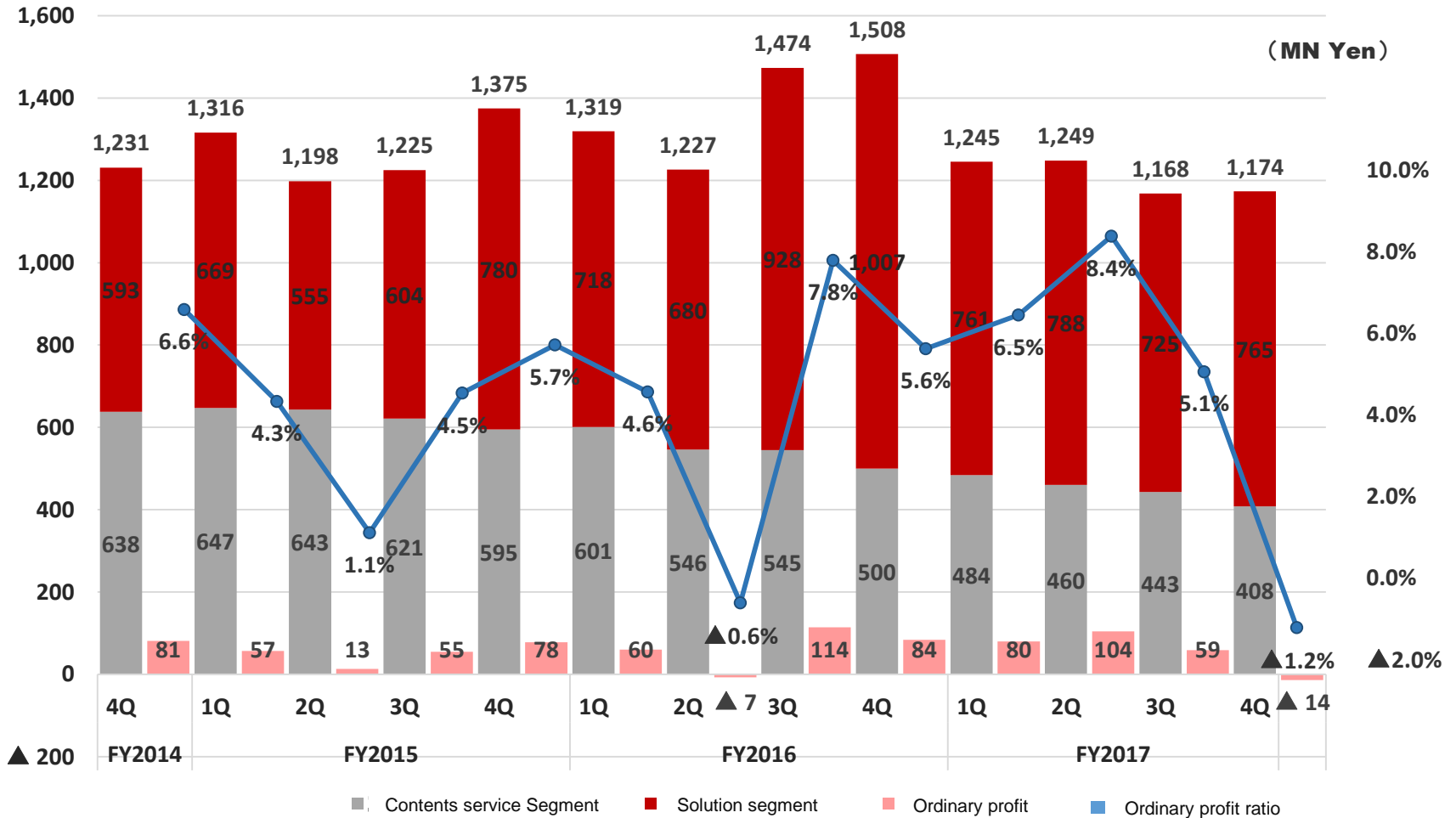
(MN Yen)

	FY2017	FY2016	YoY	
			Difference	Growth rate
Sales	4,838	5,530	▲ 692	▲12.5%
COGS	2,876	3,208	▲ 331	▲10.3%
Gross profit	1,961	2,321	▲ 360	▲15.5%
SG&A	1,769	2,102	▲ 332	▲15.8%
Operating profit	192	219	▲ 27	▲12.6%
Non-operating profit	42	34	8	25.5%
Non-operating expense	4	1	3	277.0%
Ordinary profit	229	252	▲ 22	▲8.9%
Extraordinary profit	105	290	▲ 185	▲63.7%
Extraordinary loss	144	28	115	407.9%
Pre-tax profit	191	515	▲ 323	▲62.8%
Total amount of corporation tax and others	57	163	▲ 106	▲64.8%
Net profit	133	351	▲ 217	▲61.9%
Net profit attributable to non-controlling interest	34	24	10	42.5%
Net profit attributable to the parent company	99	327	▲ 227	▲69.6%

1 Overview of Earnings Summary

Q/Q growth

QoQ sales slightly up, while YoY down in sales and ordinary profit
Ordinary loss due to allowance for doubtful accounts



1 Overview of Earnings Summary

Sales

■ Y/Y Growth

Contents service segment

Due to downward sales trend in carries' "monthly charged service" and "fixed rate service", sales fell by 18.1%

Solution segment

While Solution (consigned development and others) hit record, Sales, influenced by shrinking Advertising (advertising agent service) market and decline in Overseas, totaled down 8.8%

(MN Yen)

	FY2017	FY2016	YoY	
			Difference	Growth rate
Contents Service Segment	1,797	2,194	▲ 397	▲18.1%
Solution Segment	3,040	3,335	▲ 294	▲8.8%
Total	4,838	5,530	▲ 692	▲12.5%

1 Overview of Earnings Summary

Sales (Contents Service Segment)

■ Y/Y Growth

Ad. control in “carriers’ monthly charged service” reduced number of subscriber. Revenue per UU in “fixed rate service”, declined. With such reasons sales down 13.8% in Traffic Info. and 22.0% in Entertainment

To accelerate building new profitable models through measurements such as multiplatform strategy and service development

	FY2017	FY2016	YoY	
			Difference	Growth rate
Traffic Info.	755	876	▲ 120	▲13.8%
Entertainment	799	1,024 (※1)	▲ 224	▲22.0%
Lifestyle	242	294	▲ 51	▲17.6%
Contents Service Segment	1,797	2,194	▲ 397	▲18.1%

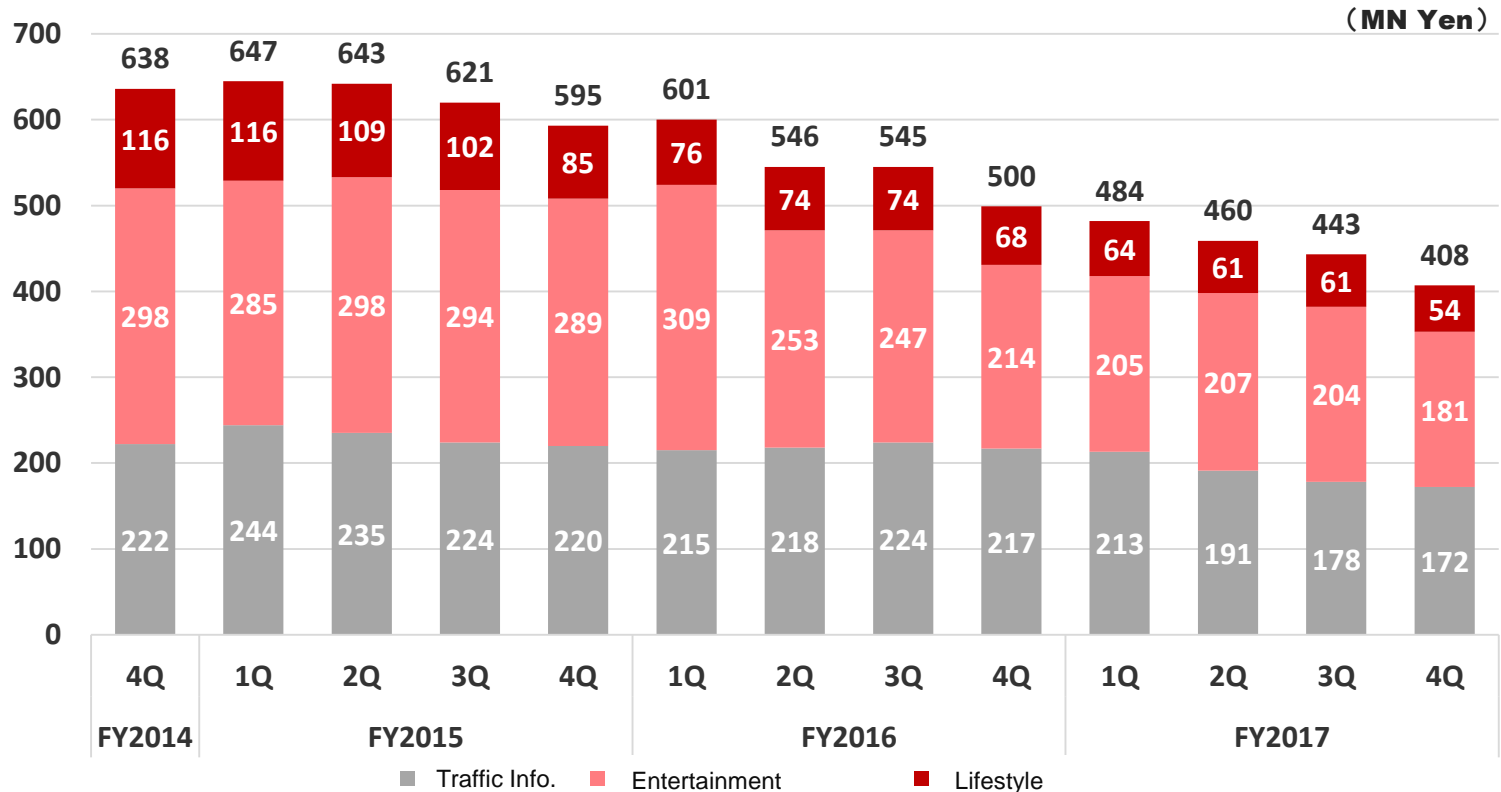
(※1) Incl. sales by Beijing YZH Wireless Net technology Co., Ltd.
(company was sold in Q2 FY2016)

1 Overview of Earnings Summary

Sales (Contents Service Segment)

■ Q/Q Growth

Sales totaled down YoY18.4% and QoQ7.8%, due to declining sales trend in “carriers’ monthly charged / fixed rate services”



1 Overview of Earnings Summary

Sales (Solution Segment)

■ Y/Y Growth

Sales, driven by Solution (consigned development and others) with highest record, had influence from shrinking Advertising (advertising agent service) market and slower market growth in overseas. Totally down by 8.8%

	FY2017	FY2016	YoY	
			Difference	Growth rate
Solution (consigned development and others)	1,789	1,637	152	9.3%
Advertising (Advertising agent service)	956	1,304	▲ 348	▲26.7%
Overseas	295	393	▲ 98	▲25.0%
Solution Segment	3,040	3,335	▲ 294	▲8.8%

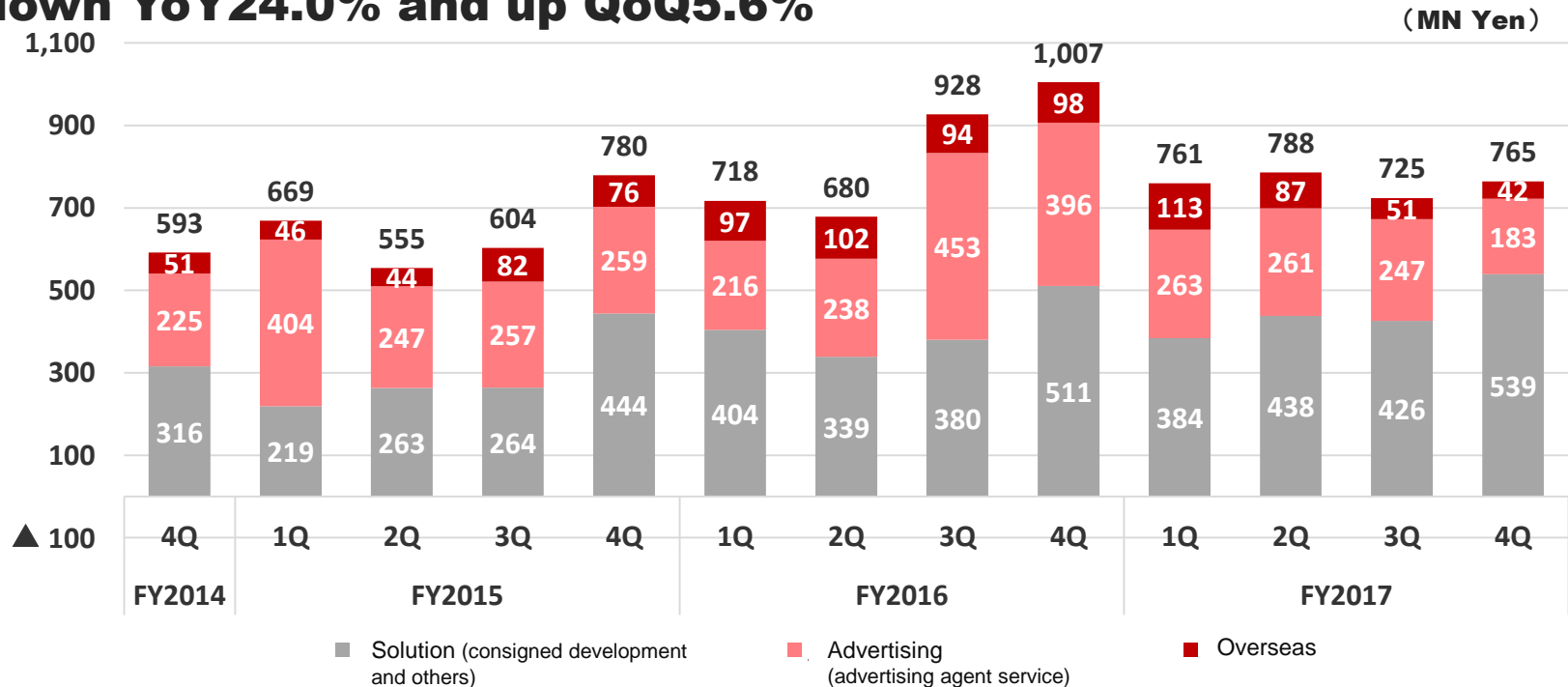
1 Overview of Earnings Summary

Sales (Solution Segment)

Q/Q Growth

Good progress in customer development and order acquisition contributed highest record in Solution (consigned development and others). Consultative sales backed by contents operation know-how included App development and CRM

Business measurement change by major customer came out QoQ 25.8% sales down in Advertising (advertising agent service). Along with Overseas in slower market growth, sales totaled down YoY 24.0% and up QoQ 5.6%



1 Overview of Earnings Summary

COGS

■ Y/Y Growth

Due to Solution up by 1.5% in segmental sales breakdown, COGS ratio slightly increased

(MN Yen)

	FY2017	FY2016	YoY	
			Difference	Growth rate
COGS	2,876	3,208	▲ 331	▲10.3%
COGS ratio	59.5%	58.0%	-	-

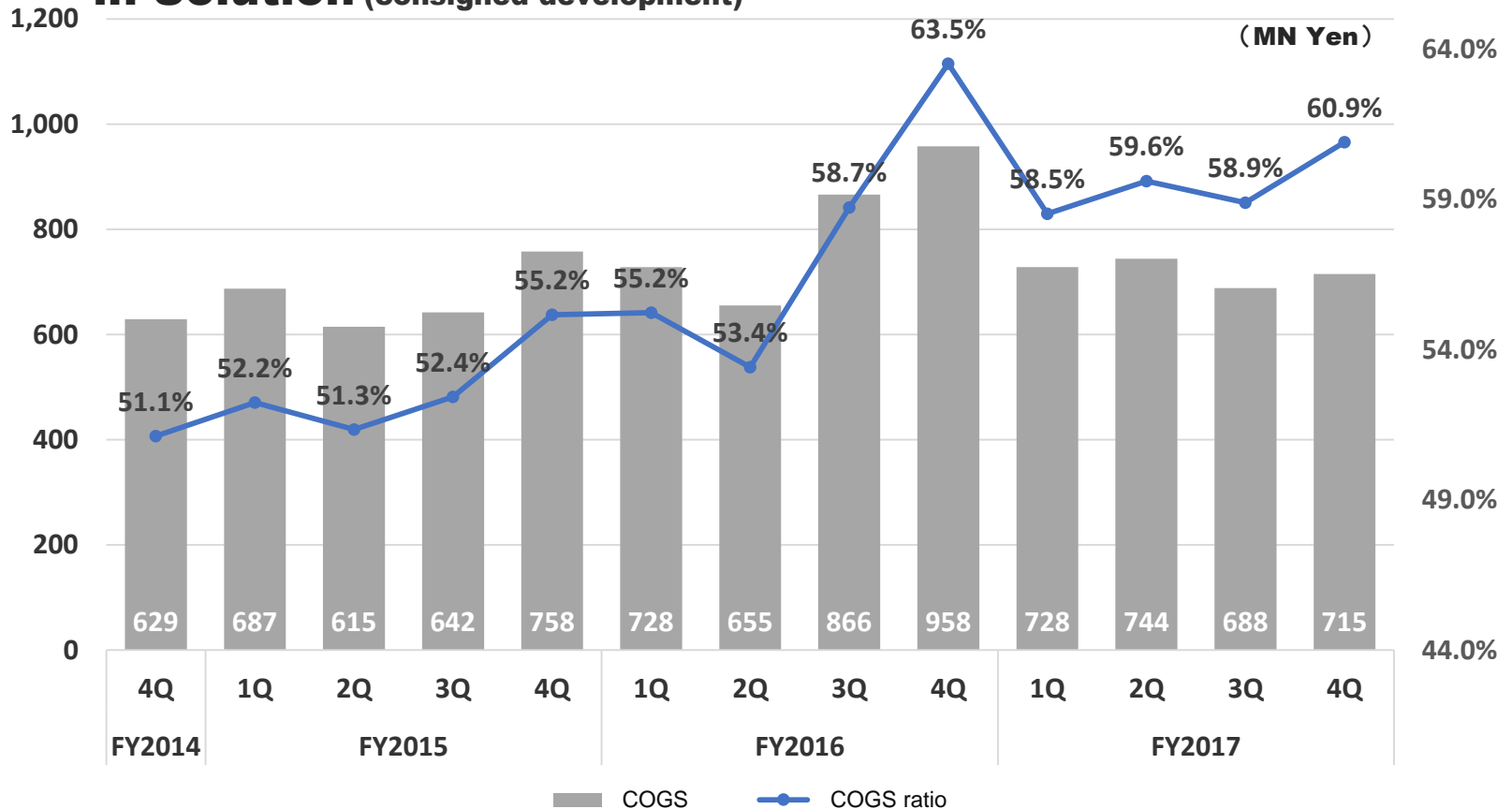
1 Overview of Earnings Summary

COGS

Q/Q Growth

YoY:COGS ratio improved by 2.6% due to sales down in Solution segment (Advertising·Overseas)

QoQ:CoGS ratio up by 2.0% due to increased order entry in Solution (consigned development)



1 Overview of Earnings Summary

SG&A

Y/Y Growth

SG&A sharply decreased including 56.1% down in advertising expenses. Consequently SG&A ratio improved by 1.4%

	FY2017	FY2016	YoY	
			Difference	Growth rate
(Advertising expenses)	237	541	▲ 303	▲56.1%
(Others)	1,531	1,560	▲ 29	▲1.9%
SG&A	1,769	2,102	▲ 332	▲15.8%
SG&A ratio	36.6%	38.0%	-	-

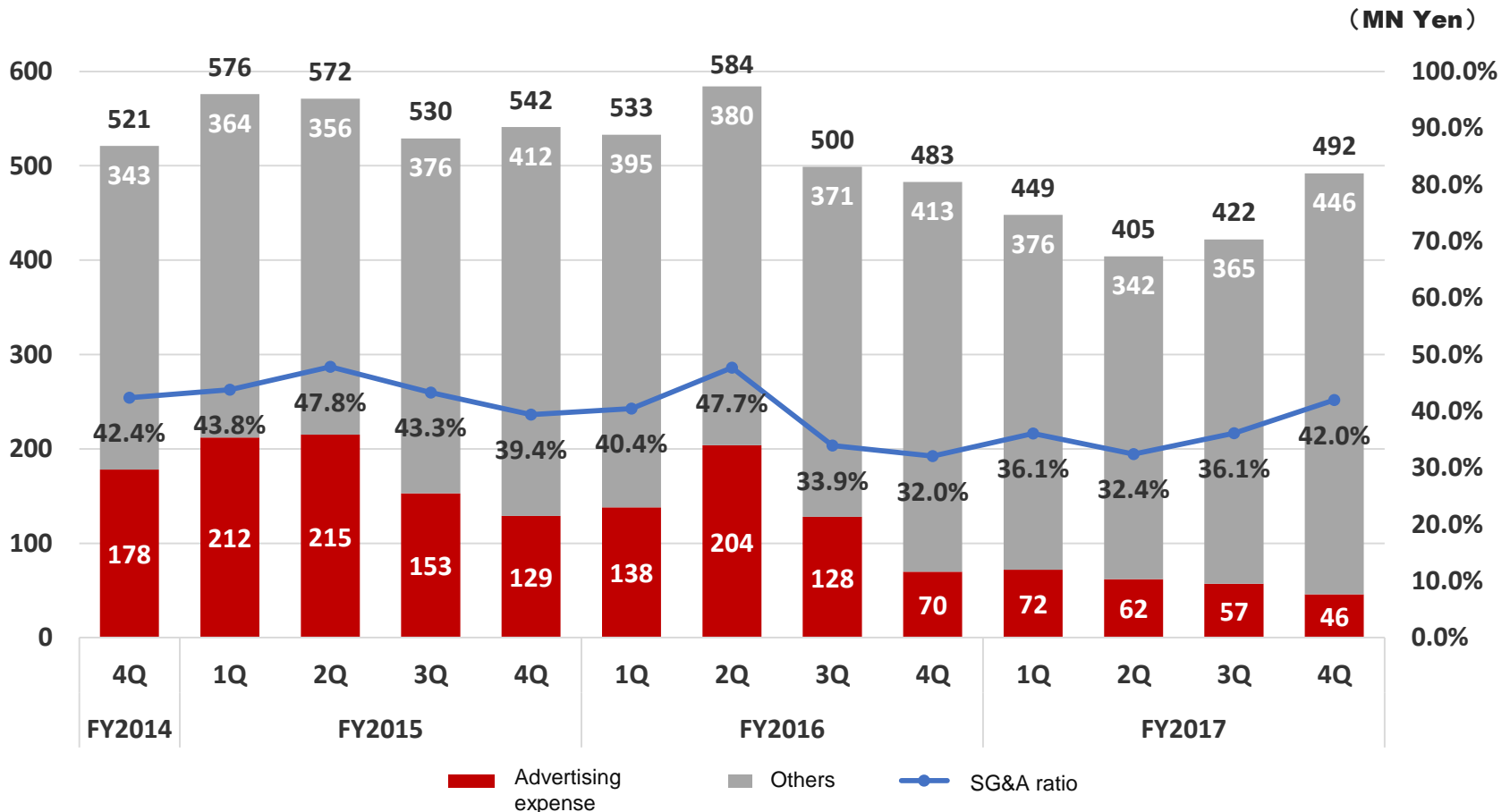
(MN Yen)

1 Overview of Earnings Summary

SG&A

Q/Q Growth

Despite down in advertising expenses, SG&A ratio up 5.9% due to allowance for doubtful accounts

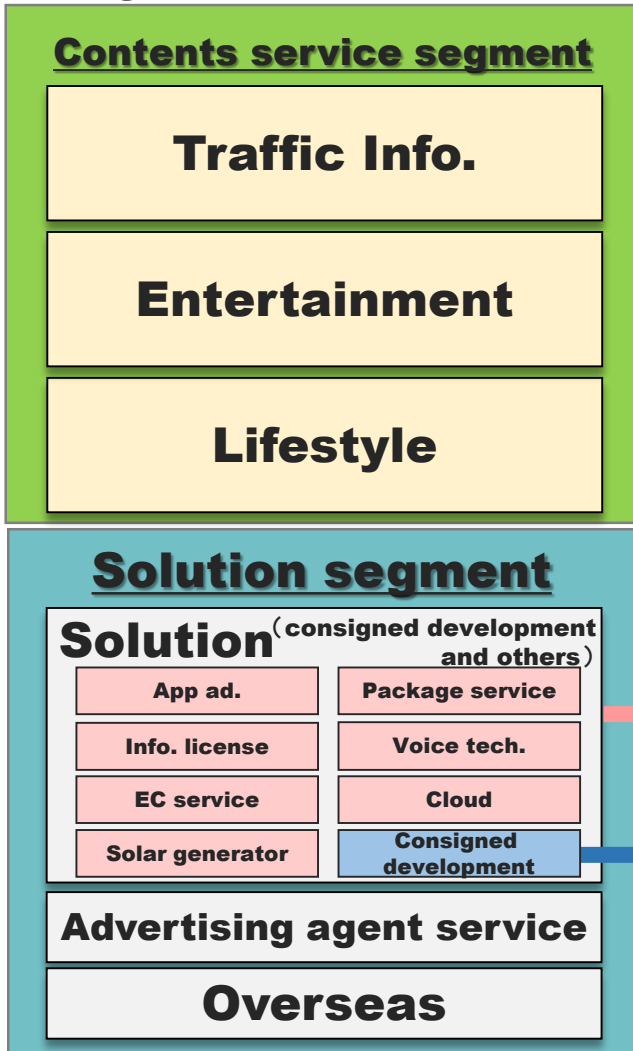


2. FY2018 business strategy

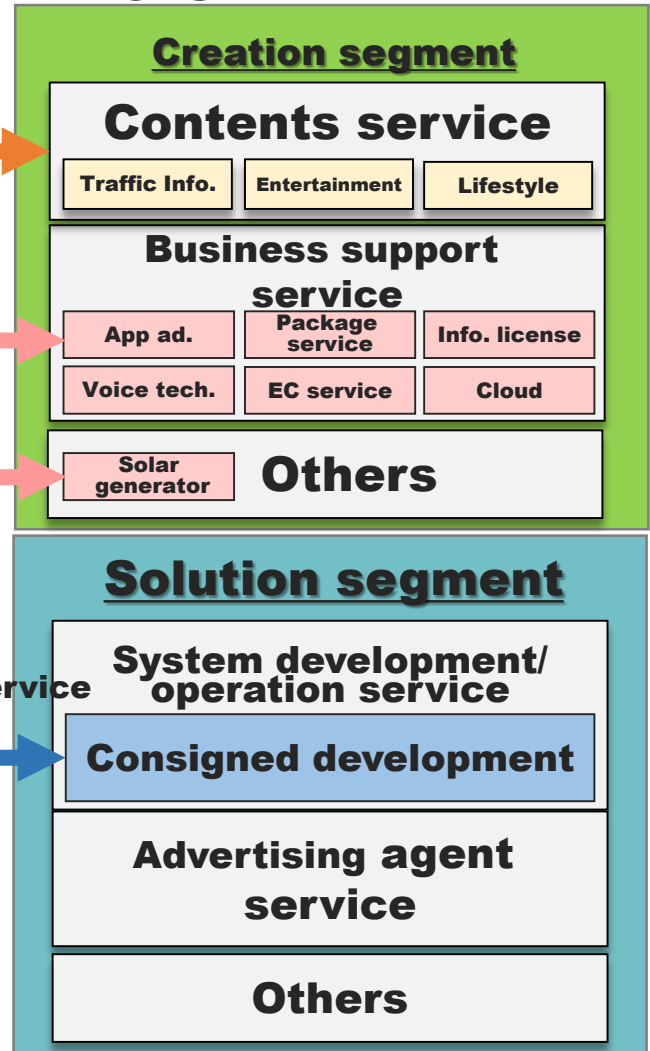
2 FY2018 business strategy

Segment change

FY2017



FY2018



In house developed service

Consigned service

2 FY2018 business strategy

New segment

1

To create new lifestyle and business style through in-house developed service

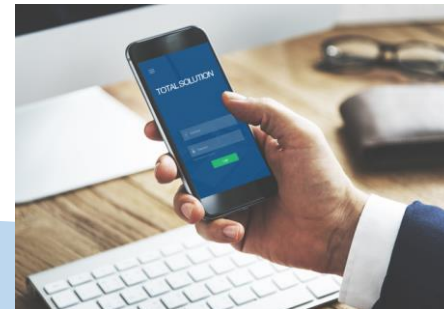
Creation segment



2

To propose additional value to clients through IT solution development

Solution segment



2-1. Creation segment

Creation segment

Contents service

[major services]

- **Flea-ma “Flea-ma jp”** (ex-name 『Dealing』)
- **Healthcare “Women’s Diary”**
- **Traffic info. “ATIS Traffic Info.”**
- **E-BOOK “BOOKSMART”**
- **Game portal “CHOKKOTO GAMES”**



Business support service

- **EC fish market “Inaseri”**
- **Education cloud “e-Manabi”**
- **Info license “ATIS Traffic Info.”**
- **Car dynamic management cloud “iGPS on NET”**
- **Tourism cloud “Yubisashi navi”**
- **Business messenger “BizTalk”**
- **IP phone service “AplosOne”**
- **Chat engine “Fivetalk”**
- **IP voice series “Primus”**
- **Kitting tool “Certino”**
- **Reverse auction “Profair”**
- **Technical and commercial evaluation** (eg. IoT, Blockchain)

Others

- **Energy “Higashikiwa solar power plant”**

Contents service

[Major services]

- **"Flea-ma.jp"** (ex-name "Dealing"), **easy to use! Free selling fee**
To rise sales by customer analysis and mutual link
- **"Women's diary", health care App for women**
To increase number of subscriber by enhancing customer satisfaction through needs analysis
- **"ATIS Traffic Info."**
To expand layer of targeting customer by adding values around traffic info.
- **"BOOKSMART", comprehensive E-BOOK service**
To increase number of subscriber through further needs analysis
- **"CHKKOT GAMES", a portal site with casual games**
To enhance usage rate by release of App games developing based on existing popular WEB games
- **New contents**
Create farther hits!

LINK



2-1 Creation segment business strategy

Biz support service(1/4)



To pursue fish distribution revolution through tighten corporation with Metropolitan Central Wholesale Market Cooperative Association

EC for fish and seafood

To expand both distribution and commodity

Toyosu market

- Distribution optimization
- Area expansion
- Customer development



Established Inaseri Co., Ltd. and announced business alliance with Metropolitan Central Wholesale Market Cooperative Association (June 2016)

Released service from Tsukiji market (Dec.2016)



Distribution areas include Tokyo and seven prefectures (As of May 2017)



Nikkei special "Gaia no yoake" 日経スペシャル ガイアの夜明け

TV Tokyo
"Close up! Tsukiji for 87 months ~relocation problem...and new challenge~ (broadcasted on 20th Dec 2016, by TV Tokyo)

To expand service usage tied up with liquor seller "KAWACHIYA" who dedicates sales to restaurants (June 2017)

2-1 Creation segment business strategy

Biz support service(2/4)



Education cloud

To focus on customer development thorough expertise in audio contents produc

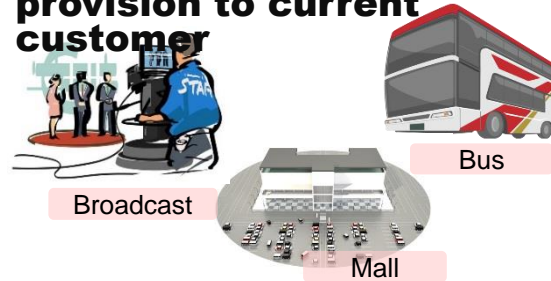


Major achievements :
Employee training at restaurant chain



Traffic Info. license

To expand licensee in addition to continues provision to current customer



Car dynamic management cloud

To expand sales to transportation companies, in corporation with Smart Wave Telecommunications Co.,LTD.



Tourism cloud

To proceed market penetration towards year 2020, Tokyo Olympic



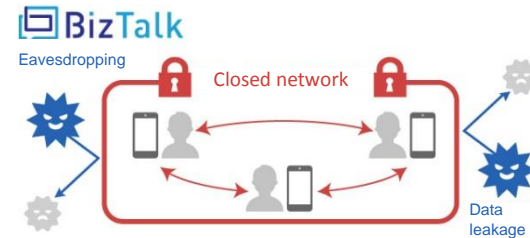
- Tourist info.
- Real time info. distribution
- Design and navigation character

Major achievements



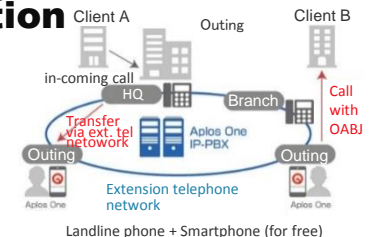
Business messenger

To improve usability and function for increase of license volume



IP phone

To enhance service branding for market penetration



Major achievements: car dealer

2-1 Creation segment business strategy

Biz support service(3/4)

Fivetalk

Chat engine

To develop and release Chat service based on “Fivetalk” engine



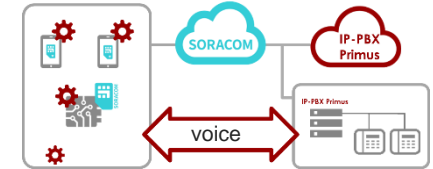
Primus

VoIP series

To strengthen partnership and line compatibility for sales expansion

Major achievements :

- Authorized as SORACOM “SPS authorized solution partner”
- Resort developer, elevator operation company and others



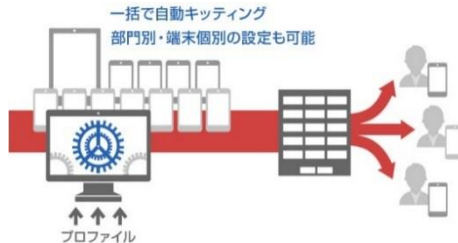
App and hardware using Primus SDK

Eertino

Kitting support tool

To enhance support capability thorough tighten partnership and partner development

Major achievements :
Kitting company including transportation and logistics company



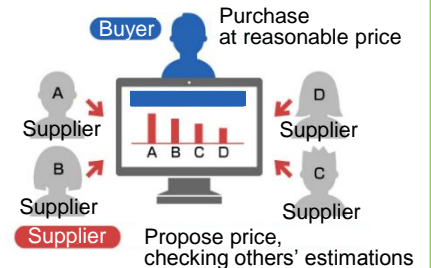
Profair

Reverse auction

To expand matching opportunities through smooth operation and seminars



Major achievements :
National universities, private companies and others



2-1 Creation segment business strategy

Biz support service(4/4)

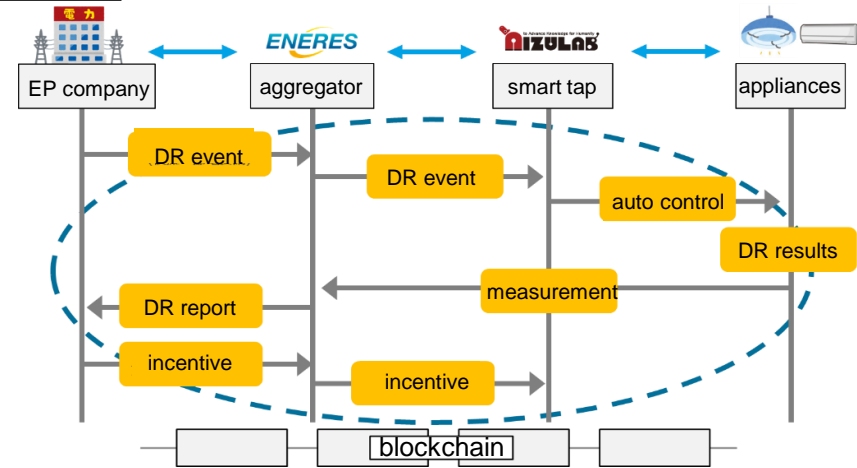
Technical and commercial evaluation

Electricity blockchain

Selected as “Renewable energy related technology evaluation research support project”, and started of “Electricity blockchain” with ENERES Co., Ltd. in Fukushima
(June 2017)

Power plant facility inspection system by wired drone

Developed drone wired to power supply which enables longer flight time. Started joint evaluation with Suzuyo Matai corp., of small wind power plant inspection by wire drone, aiming commercialization in 2018 (Jan.2017)



(IoT) "mononome®" to visualize things' emotions

Announced "Fridge~HEMS ver." and "Medicine box ~intake support ver." based on "mononome®" (Feb.2017)

IoT communication tool between "thing" and "people"



mononome is registered trademark of DENTSU INC.

2-1 Creation segment business strategy

Others, Energy



- **Stable operation since open (May 2016) of “Higashikiwa solar power plant”**

- **Smart community business based on solar power generator is on the process of careful planning with research from locals**



(image)

2-2. Solution segment

Solution segment

System development and operation service

- App development
- WEB development
- Server design and integration
- Debug
- Operation and audit
- Customer support
- Consulting

Advertising agent service

- In-shop affiliate

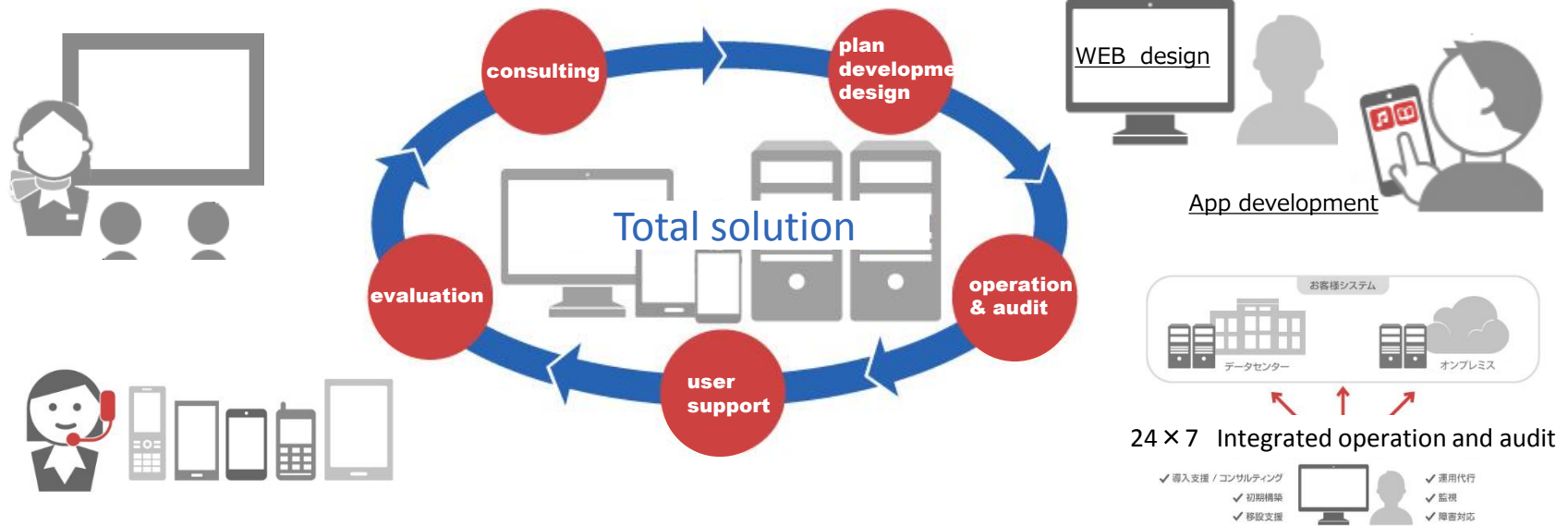
Others

- Overseas



System development and operation service

- **To pursue customer development and order acquisition through expertise in system design, as a Sler w/contents operation know-how**



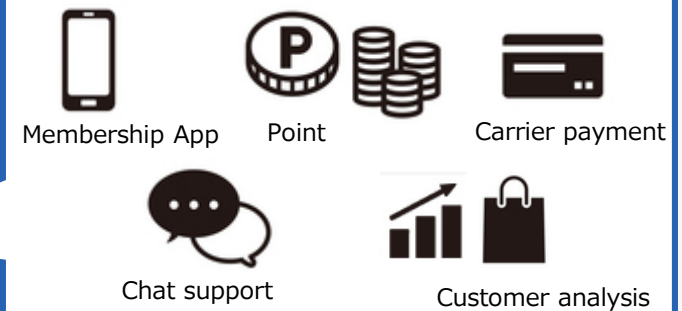
Major achievements:

■ By customer type

- **Physical distribution**
- **Retail**
- **Service**
- **Information and Telecom**
- **Local government**

■ By system

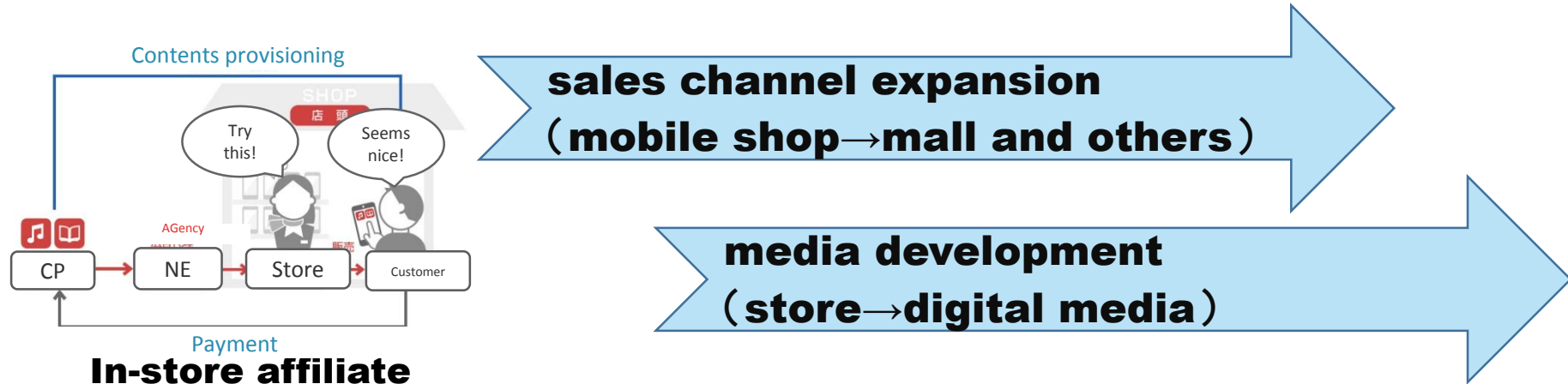
- **EC site**
- **Flea-ma App**
- **Carrier payment system**
- **CRM system**
- **Quality management system**



2-2 Solution segment business strategy

Advertising

- To expand advertising service around in-store affiliate



Major achievement:

Started to distribute NO.1 security software at metropolitan and Kansai area



Others overseas



- To focus on direct sales with China Telecom

3. Forecast and growth strategy

3 Forecast and growth strategy

Consolidated forecast

- While Business support service in Creation segment will expand, in consideration of shrinking Advertising agent market and others, estimated sales is 1.4% down
- With improving COGS ratio and lower SG&A, estimated operation profit is 30.2%up , 10.9%up for ordinary profit, 5.5%up for net profit attributable to the parent company

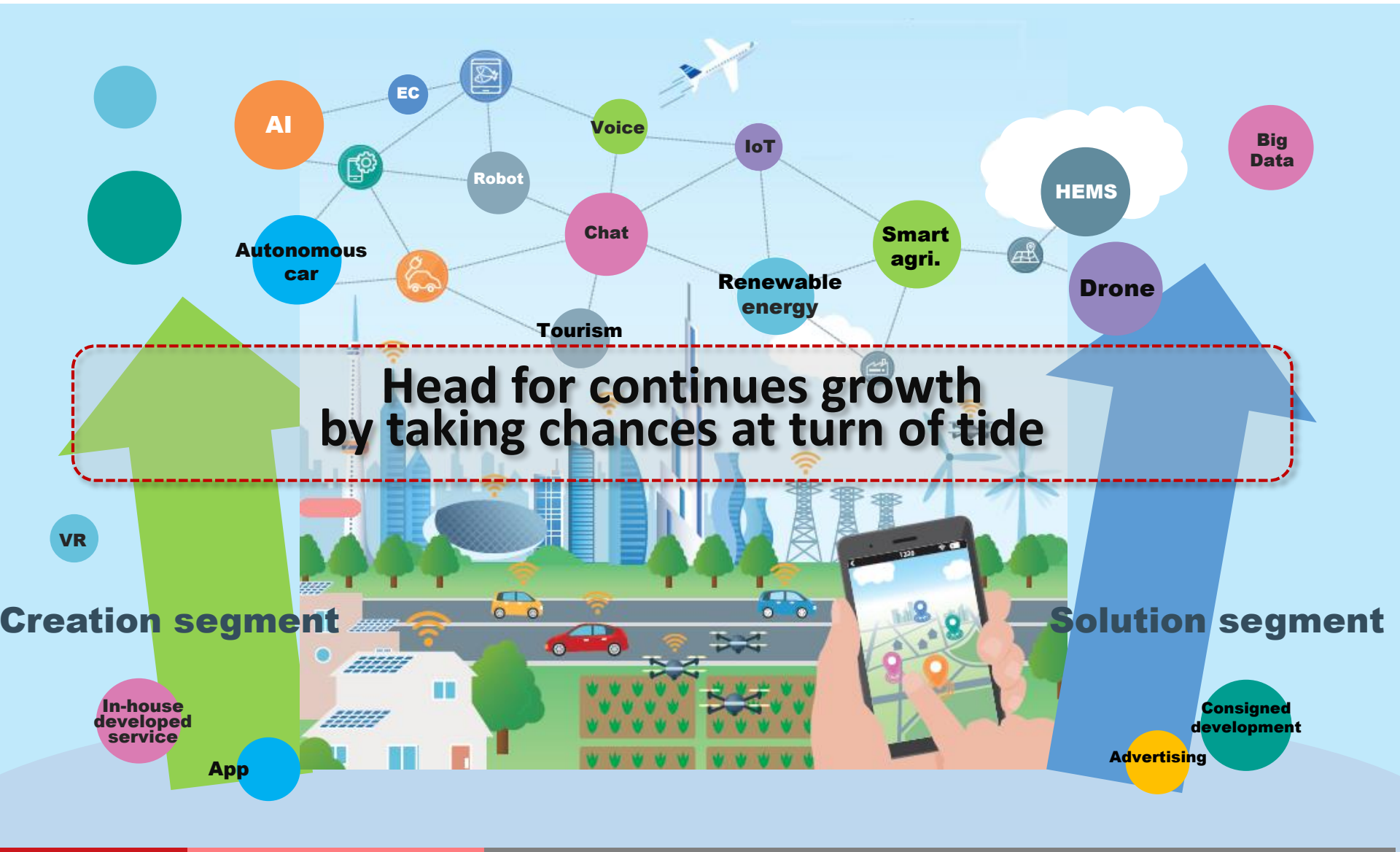
(MN Yen)

	FY2018 (Forecast)	FY2017 (Result)	YoY	
			Difference	Growth rate
S a l e s	4,770	4,838	▲ 68	▲1.4%
Operation profit	250	192	58	30.2%
Ordinary profit	255	229	25	10.9%
Net profit attributable to the parent c o m p a n y	105	99	5	5.5%

Annual dividend per stock (Forecast for FY2018) : 2.00Yen










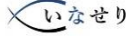






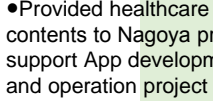

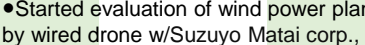
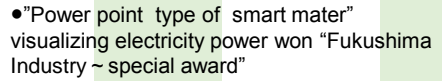
3 Forecast and growth strategy

Growth strategy



Appendix

FY2017 Major achievements

June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May
 <ul style="list-style-type: none"> •Hold "The 1st Tokyo Book Award" w/Tokyo-Shoten commercial union •Started unlimited & rental services 		 <ul style="list-style-type: none"> •Started service at App Store 	 <ul style="list-style-type: none"> •Released "Pepper" robo App 		 <ul style="list-style-type: none"> •Started distribution of 5,300 Hakusensya comics 	 <ul style="list-style-type: none"> •Hold "Michino eki stamp rally" 				 <ul style="list-style-type: none"> •Released "Zeno tool box" at Google Play 	 <ul style="list-style-type: none"> •Released "Brain training HAMARU" at Google Play
 <ul style="list-style-type: none"> •Established Inaseri Co., Ltd. •Business tie up with Metropolitan Central Wholesale Market Cooperative Association 				 <ul style="list-style-type: none"> •Started pre-registration towards food business operators 		 <ul style="list-style-type: none"> •Started "Inaseri" operation 			 <ul style="list-style-type: none"> •Released car dynamic management cloud "iGPS on NET" 		
Primus <ul style="list-style-type: none"> •Released "Primus® II Advance Edition" series 	 <ul style="list-style-type: none"> •Released education cloud "e-Manabi" 			Primus <ul style="list-style-type: none"> •Authorized as SORACOM "SPS authorized solution partner" 				 <ul style="list-style-type: none"> •Purchased by a large distribution Company 		Primus <ul style="list-style-type: none"> •Announced "Primus for IoT" as SORACOM "SPS authorized solution partner" 	
	 <ul style="list-style-type: none"> •Released TAKASHO CORP.'s IoT brand "GEMS" 		 <ul style="list-style-type: none"> •Provided tourism promotion WEB service to GaJa's "Recovery and reconstruction from Kumamoto earthquake program" 					 <ul style="list-style-type: none"> •Provided "Machinabi" in Yokoshiba hikari town, Chiba prefecture 			
		 <ul style="list-style-type: none"> •Provided healthcare contents to Nagoya prefecture's "Parenting support App development and operation project" 		 <ul style="list-style-type: none"> •Started joint evaluation of sharing economy service, "MAKETIME!" for local mutual support 			 <ul style="list-style-type: none"> •Started evaluation of wind power plant inspection by wired drone w/Suzuyo Matai corp., 		 <ul style="list-style-type: none"> •"Power point type of smart mater" visualizing electricity power won "Fukushima Industry ~ special award" 		

Nihon enter

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and company profile are available on our web.

IR info. and news release are mailed
by “Timely disclosure alert mail service” upon request.

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※In this document there are some rounding variances happen less than hundred thousand.