

# Nihon Enterprise Co., Ltd.

## Full Fiscal Year May 2013

Presentation on Financial Results

July 10, 2013





## Earnings Overview for May 2013



## Business Strategies of FY 2014 for Domestic Markets



## Business Strategies of FY 2014 for Overseas Markets



## Earnings Forecast for FY 2014

## Mobile Content Segment

### ■ Expanded sales of mobile contents with alliance-type business

Expansion of monthly smartphone subscribers by collaborating with mobile phone sales companies through alliance-type monthly content billing

### ■ Provided mobile contents to smartphones as fixed-rate services

Provided more mobile contents for au Smart Pass and Yahoo! Premium

### ■ Acquired more smartphone subscribers on monthly-basis

Attracted more subscribers for smartphone contents through “shop affiliations”\*

## Solutions Segment

### ■ Expanded “shop affiliations” advertising business

Increased sales of mobile contents in line with the increased growing popularity of smartphones

### ■ Expanded business solutions to businesses

Increased the number of orders regarding websites and smartphone apps

### ■ Launched corporate cost-cutting solution

Started new business (reverse auction) and acquired and One Inc.

## Overseas (China)

### ■ Business alliance with China Telecom

Opened mobile phone shops in Dongfang Road and Huangjincheng Avenue

### ■ Delivered digital comics translated from a popular novel

Digitalized a popular novel “JiuDingJi” to comics from SNDA

\*Advertising business in collaboration with mobile phone sales companies.

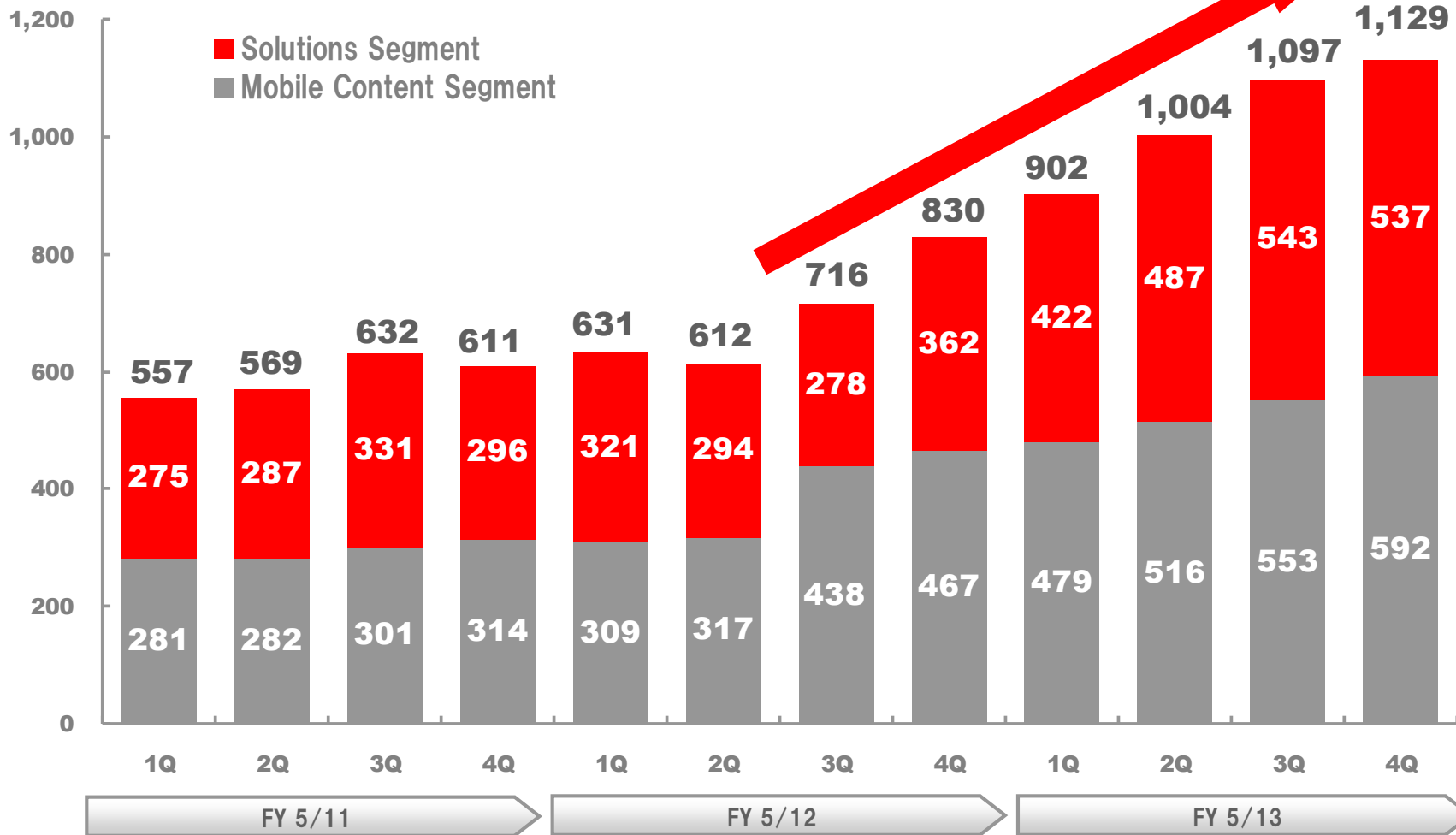
# Consolidated Statements of Income

(Millions of Yen)

	FY 5/12 (June/11~May/12)	FY 5/13 (June/12~May/13)	FY 5/11 (June/10~May/11)	
			Value	Share
Mobile Content Segment	<b>1,533</b>	<b>2,142</b>	<b>609</b>	<b>39.8%</b>
Solutions Segment	<b>1,257</b>	<b>1,991</b>	<b>733</b>	<b>58.3%</b>
<b>Net sales</b>	<b>2,790</b>	<b>4,134</b>	<b>1,343</b>	<b>48.1%</b>
<b>Cost of sales</b>	<b>1,224</b>	<b>2,235</b>	<b>1,010</b>	<b>82.5%</b>
%	43.9%	54.1%		
<b>Gross profit</b>	<b>1,565</b>	<b>1,898</b>	<b>332</b>	<b>21.2%</b>
%	56.1%	45.9%		
<b>SG&amp;A</b>	<b>1,261</b>	<b>1,526</b>	<b>264</b>	<b>21.0%</b>
%	45.2%	36.9%		
<b>Operating income</b>	<b>304</b>	<b>372</b>	<b>68</b>	<b>22.4%</b>
%	10.9%	9.0%		
<b>Non-operating income</b>	<b>15</b>	<b>23</b>	<b>7</b>	<b>50.3%</b>
%	0.6%	0.6%		
<b>Non-operating expenses</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>126.7%</b>
%	0.1%	0.1%		
<b>Ordinary income</b>	<b>318</b>	<b>391</b>	<b>73</b>	<b>23.1%</b>
%	11.4%	9.5%		
<b>Extraordinary income</b>	<b>25</b>	<b>354</b>	<b>328</b>	<b>1,267.2%</b>
%	0.9%	8.6%		
<b>Extraordinary losses</b>	<b>3</b>	<b>46</b>	<b>42</b>	<b>1,210.7%</b>
%	0.1%	1.1%		
<b>Net income</b>	<b>170</b>	<b>354</b>	<b>184</b>	<b>108.7%</b>
%	6.1%	8.6%		

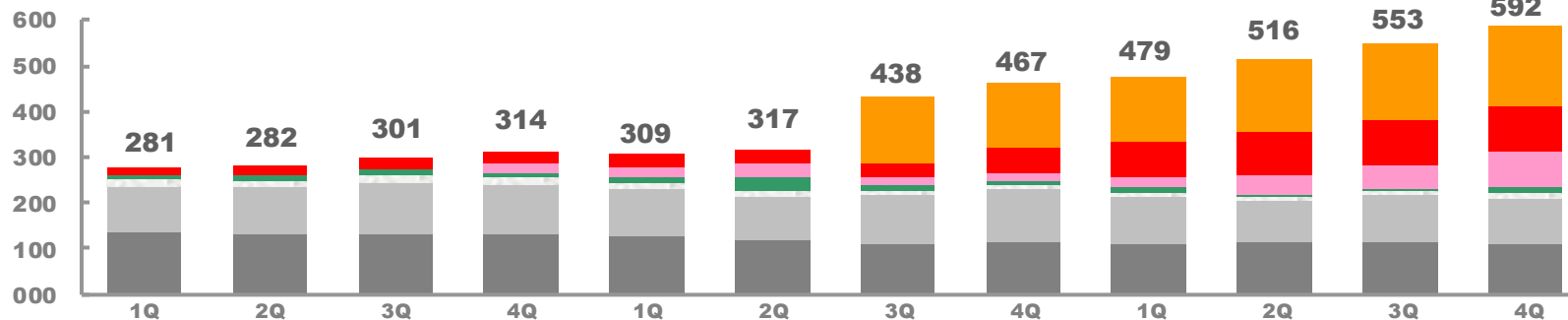
## Continue to Increase Sales

(Millions of Yen)



## Mobile Content Segment: Increased Traffic Info, Lifestyle and E-Book

(Millions of Yen)



	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Traffic Info</b>	0	0	0	0	0	0	147	143	143	159	171	173
<b>Lifestyle</b>	17	20	26	24	30	30	31	58	77	96	98	101
<b>E-Book</b>	0	0	0	22	19	31	16	15	23	39	50	80
<b>Overseas</b>	10	11	10	11	13	30	13	11	11	7	6	12
<b>Games</b>	17	15	17	15	15	11	10	8	7	7	8	12
<b>Mail</b>	102	103	114	110	103	94	105	115	103	93	102	98
<b>Music</b>	134	132	131	131	127	120	112	115	112	113	116	111

FY 5/11

FY 5/12

FY 5/13

(Millions of Yen)

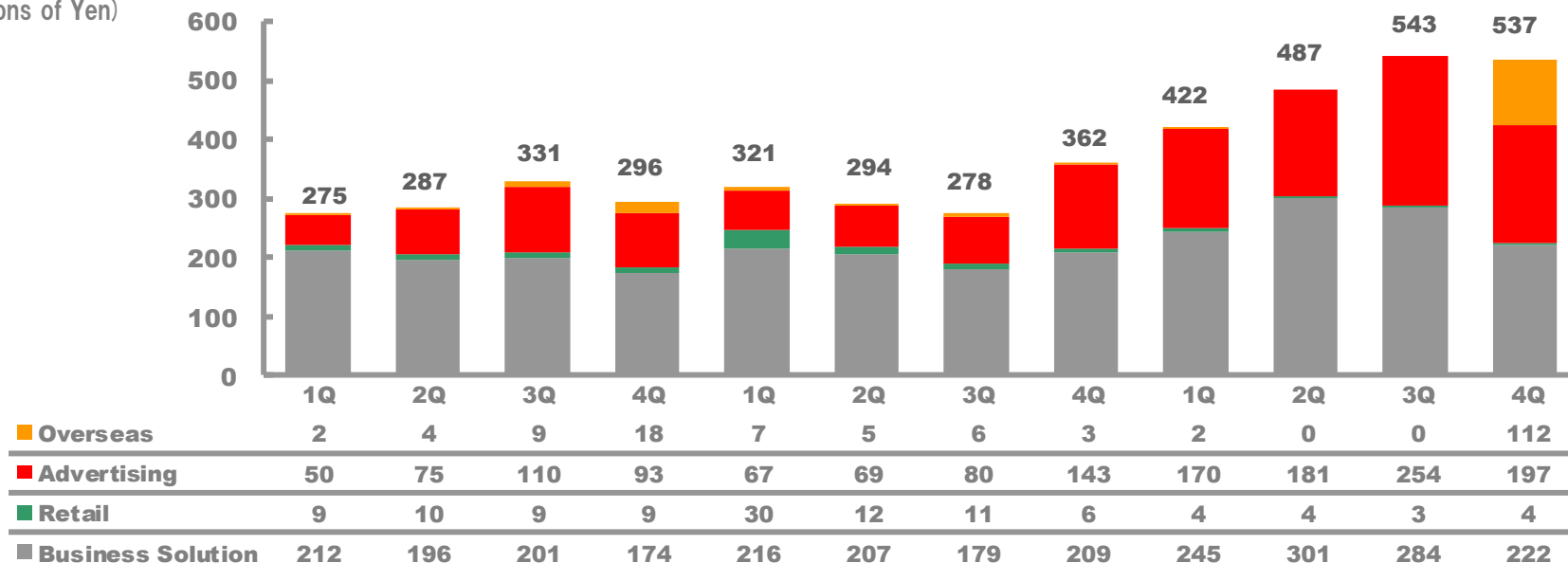
		FY 5/12 (6/11~5/12)	FY 5/13 (6/12~5/13)	YY Change	
				Value	Share
	<b>Traffic Info</b>	291	648	357	122.7%
	<b>Lifestyle*</b>	150	374	223	148.6%
	<b>E-Book</b>	83	193	110	133.6%
	<b>Overseas</b>	68	38	▲29	▲43.8%
	<b>Games</b>	45	35	▲10	▲22.0%
	<b>Mail</b>	418	397	▲20	▲5.0%
	<b>Music</b>	475	454	▲21	▲4.5%
	<b>Total</b>	1,533	2,142	609	39.8%

\*Lifestyle: Mobile contents in health, voice messages, and employee benefit administration programs.

# Solution Segment Consolidated Earnings Trend

## Solutions Segment: Increased Advertising and Overseas (China & Mobile Phone Sales)

(Millions of Yen)



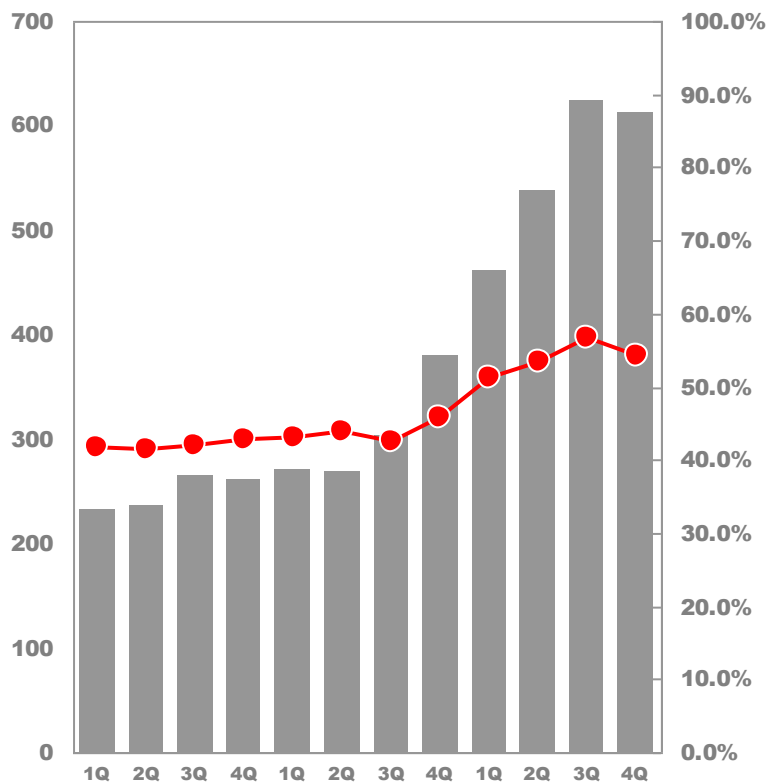
(Millions of Yen)

		<b>FY 5/12</b> (6/11~5/12)	<b>FY 5/13</b> (6/12~5/13)	<b>YY Change</b>	
				<b>Value</b>	<b>Shares</b>
	<b>Overseas</b>	22	115	92	409.0%
	<b>Advertising</b>	360	803	443	123.0%
	<b>Retail</b>	61	17	▲43	▲71.2%
	<b>Business Solution</b>	813	1,054	241	29.6%
<b>Solutions Segment</b>		<b>1,257</b>	<b>1,991</b>	<b>733</b>	<b>58.3%</b>

## Developed New Services and Actively Hired Competent Workers in China

(Millions of Yen)

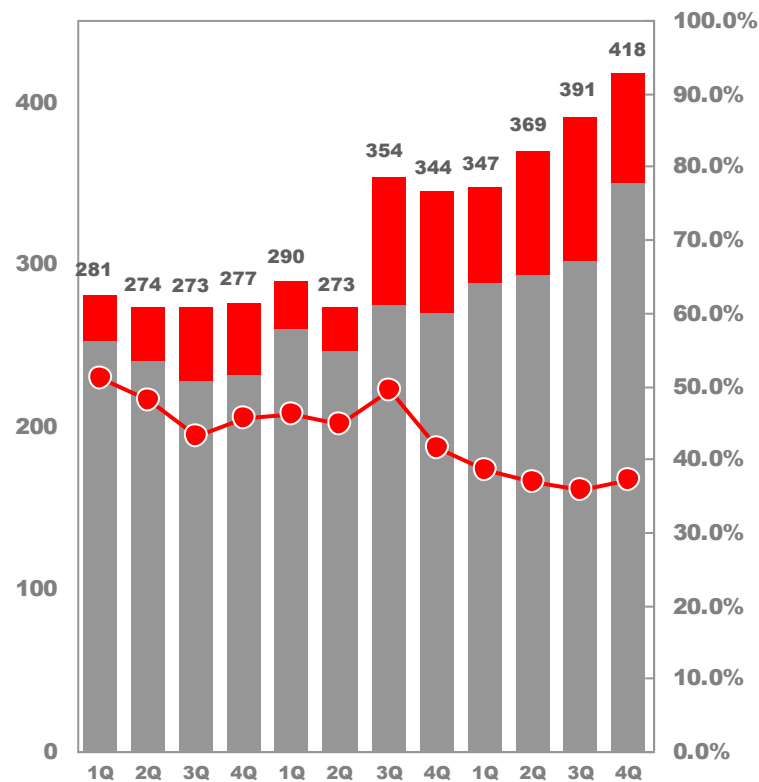
### Cost of sales (COS)



	COS	232	236	266	261	271	268	304	380	462	537	623	612
	COS (%)	41.7	41.5	42.0	42.7	43.0	43.9	42.5	45.8	51.3	53.5	56.8	54.2

FY 5/11 → FY 5/12 → FY 5/13

### SG&A



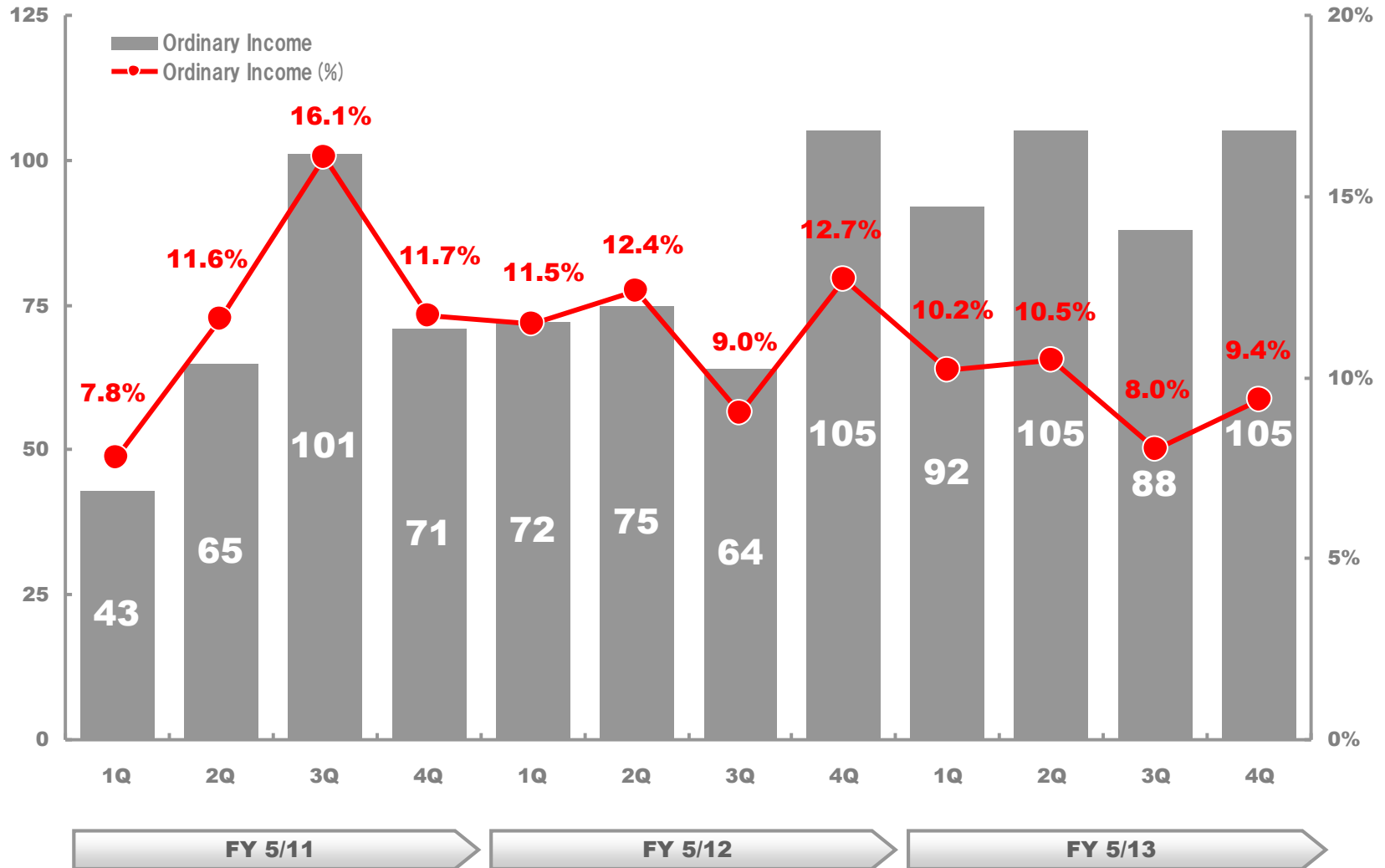
	Ad	29	34	45	44	29	27	78	74	59	76	88	67
	Others	252	240	228	232	260	246	275	270	288	293	302	350
	SG&A (%)	51.0	48.0	43.0	45.4	46.0	44.6	49.4	41.5	38.5	36.8	35.7	37.0

FY 5/11 → FY 5/12 → FY 5/13



## Rise Ordinary Income based on Earnings Growth & Cost Reduction

Millions of Yen

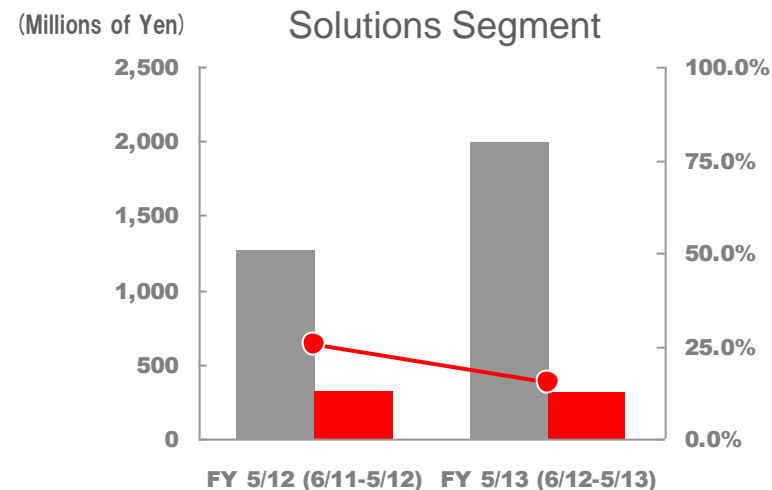
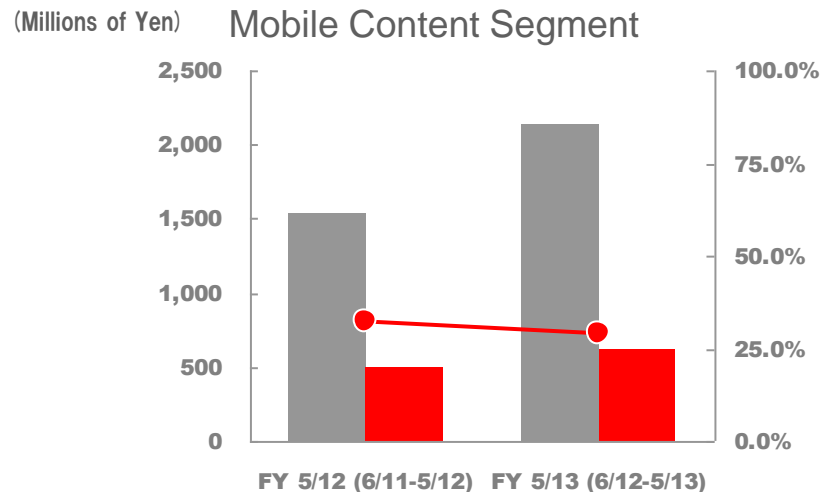


# Consolidated Financial Results by Segment

Mobile Content Segment

Solutions Segment

Increased Sales & Profit based on Traffic Info & Lifestyle / Increased Ad Sales & Upfront Inv. in Mobile Phone Sales in China



■ Net Sales	1,533	2,142
■ Segment Income	494	621
●-● Segment Income (%)	32.2%	29.0%

■ Net Sales	1,257	1,991
■ Segment Income	317	304
●-● Segment Income (%)	25.2%	15.3%

(Millions of Yen)

		FY 5/12 (6/11~5/12)	FY 5/13 (6/12~5/13)	YY Change	
				Value	Shares
Mobile Content Segment	Net Sales	1,533	2,142	609	39.8%
	Segment Income	494	621	127	25.8%
Solutions Segment	Net Sales	1,257	1,991	733	58.3%
	Segment Income	317	304	▲12	▲4.0%

\*Segment income was adjusted based on operating income on the consolidated PL, SG&A (494 million yen) and amortization of goodwill (13 million yen) from administration department for FY 5/12 and SG&A (522 million yen) and amortization of goodwill (31 million yen) from administration department for FY 5/13.

# Consolidated Balance Sheets

## Increased Asset such as “Cash and Deposits”, “Investments in Securities”

(Millions of Yen)

	FY End of 5/12		FY End of 5/13		Changes	Main reasons
	Value	Shares	Value	Shares		
Current assets	2,506	70.1%	3,445	68.0%	938	Increased cash and deposits, and accounts receivable
Fixed assets	1,070	29.9%	1,624	32.0%	553	Increased investments in securities
<b>Total assets</b>	<b>3,577</b>	<b>100.0%</b>	<b>5,069</b>	<b>100.0%</b>	<b>1,492</b>	
Current liabilities	361	10.1%	840	16.6%	479	Increased consumption taxes payable and accounts payable-trade
Long-term liabilities	35	1.0%	275	5.4%	240	Increased deferred income tax liabilities
<b>Total liabilities</b>	<b>396</b>	<b>11.1%</b>	<b>1,116</b>	<b>22.0%</b>	<b>719</b>	
Common stock	595	16.7%	595	11.8%	-	
Capital surplus	473	13.2%	473	9.3%	-	
Retained earnings	1,938	54.2%	2,260	44.6%	322	Net income and cash dividends paid
<b>Total shareholders' equity</b>	<b>3,008</b>	<b>84.1%</b>	<b>3,330</b>	<b>65.7%</b>	<b>322</b>	
Total accumulated other comprehensive income	57	1.6%	486	9.6%	429	Increased net unrealized gains on other securities
Share acquisition rights	-	-	0	0.0%	0	
Minority interests	114	3.2%	134	2.7%	20	
<b>Total net assets</b>	<b>3,180</b>	<b>88.9%</b>	<b>3,953</b>	<b>78.0%</b>	<b>772</b>	
<b>Total liabilities &amp; net assets</b>	<b>3,577</b>	<b>100.0%</b>	<b>5,069</b>	<b>100.0%</b>	<b>1,492</b>	



## Earnings Overview for May 2013



## Business Strategies of FY 2014 for Domestic Markets



## Business Strategies of FY 2014 for Overseas Markets

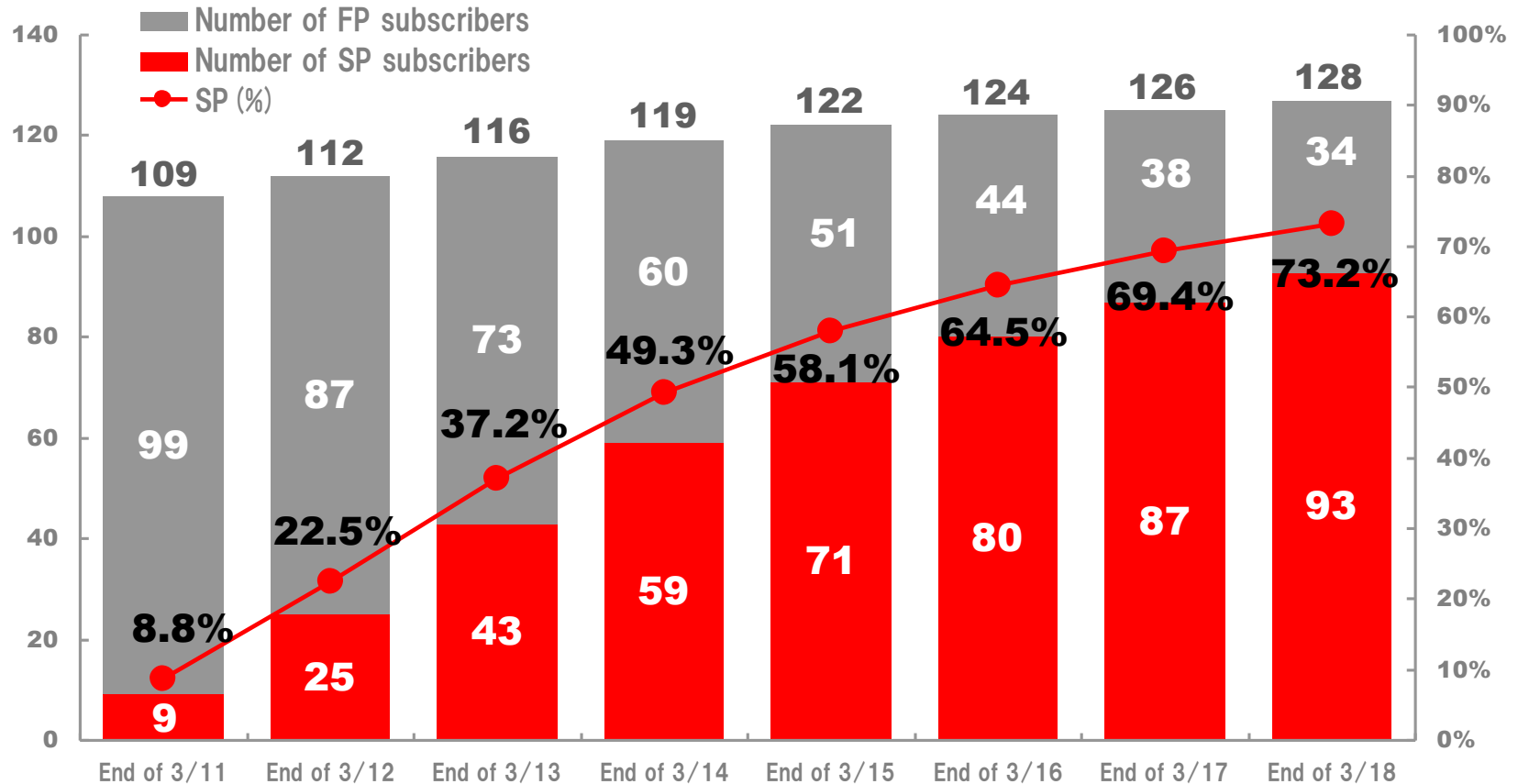


## Earnings Forecast for FY 2014

## Change in Mobile Phone Market Environment

### Forecast of SP Sucscribers and Trend in Ratio

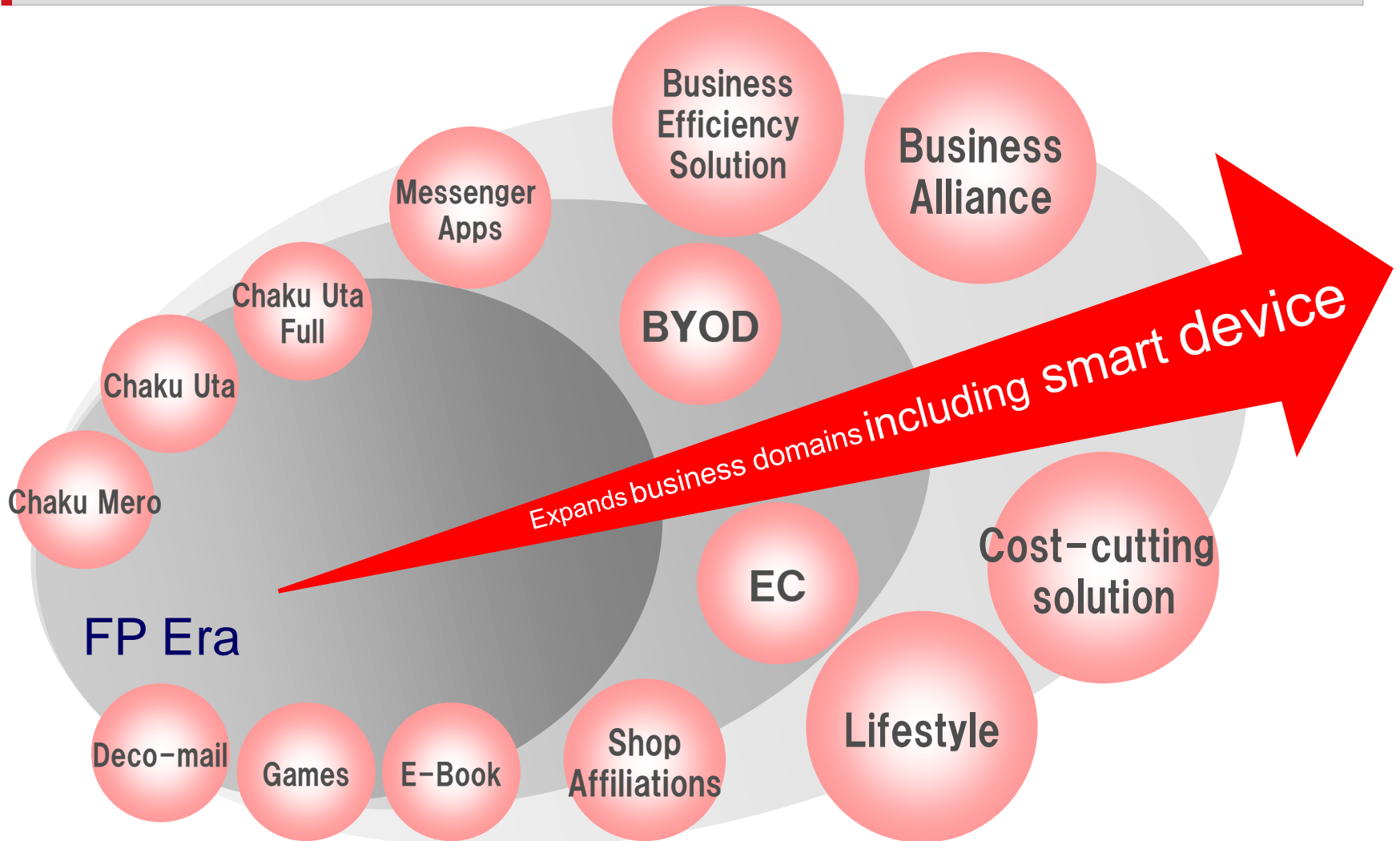
(Millions of Subscribers)



 **Move on Smart Device Era**

Reference: Nihon Enterprise made this data based on official data from MM Research Institute, Ltd.

## Expands Business Domains in the Smart Device Era



Mobile Content  
Segment

Solutions  
Segment

## Mobile Content Coping with Smart Device Era



Mobile Phone  
Sales Companies

Instore selling of **monthly charge mobile contents** developed in cooperation with mobile phone sales companies

Mobile Content  
Segment

For smartphones

Provides Contents of “Fixed-Price Services”

Fixed-price  
services

Reconstruction of mobile content market  
provided by mobile telecommunication companies

- Can be used them without worrying about
- Users can use multiple contents at the fixed price  
⇒ Create a different market from CPs' market



Uta & Mero Tori hodai



Deco Deco Mail



Decome★Tukuri Hodai



Emoji★Tukuri Hodai



Josei no Kirei Rizumu



ATIS Traffic Info



GAME RUSH

auスマートパス

YAHOO! JAPAN プレミアム

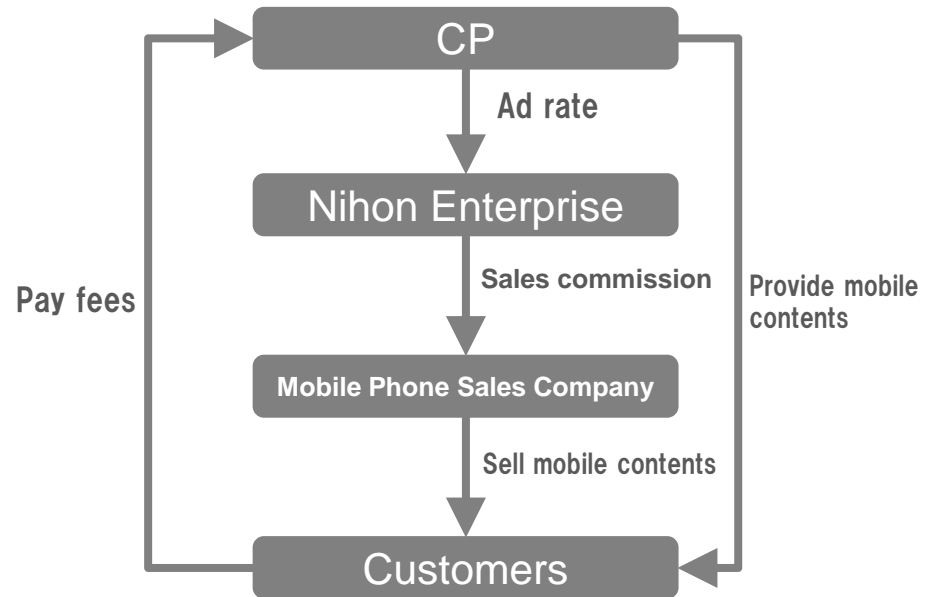
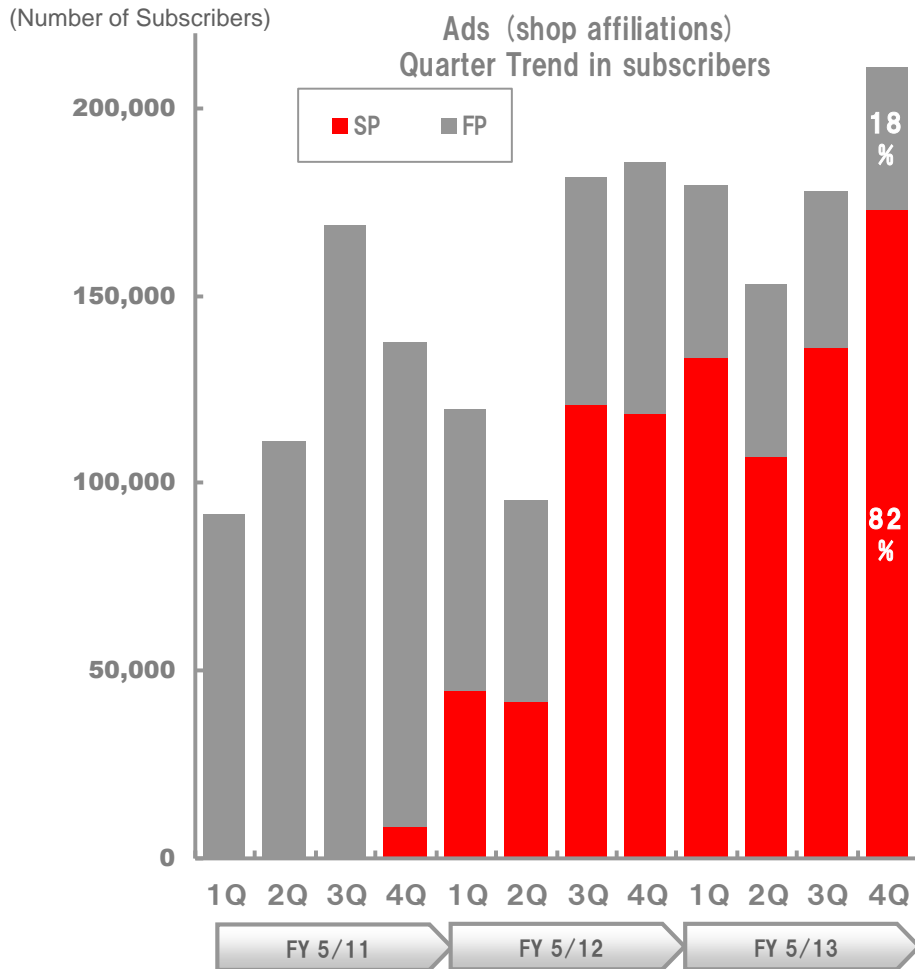
スゴ得コンテンツ

Cope with strategies from mobile telecommunication  
companies for smart device era



**Solutions  
Segment**

**Expands Advertising Business due to Rapid Growth in Smartphones**



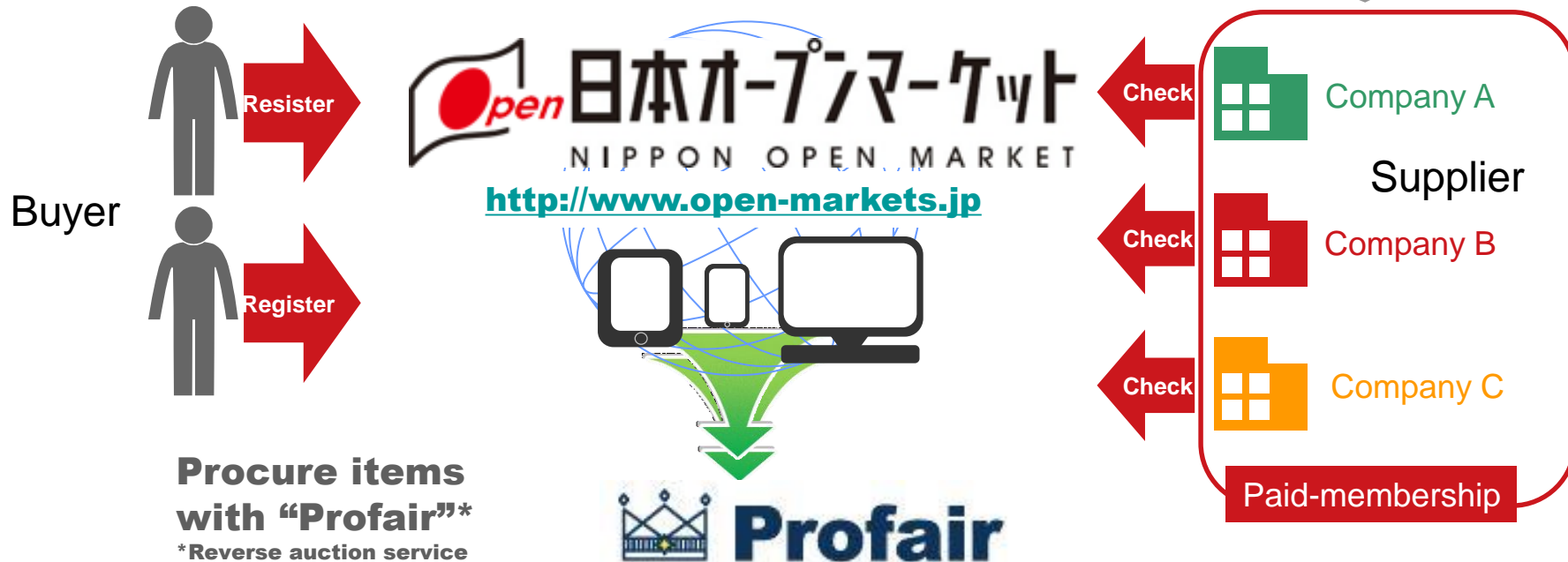
**Create new sales routes in different industries based on a business model of shop affiliations.**

Solutions  
Segment

## Started Nippon Open Market (Reverse Auction)

- ★ Easy to find new suppliers
- ★ Enables procurements at reasonable prices

- ★ Easy to get info about new bidding items
- ★ Helps find new business partners



**Paid-membership at ¥3,000/month**  
**Plan to increase suppliers to 8,000**



## Earnings Overview for May 2013



## Business Strategies of FY 2014 for Domestic Markets



## Business Strategies of FY 2014 for Overseas Markets

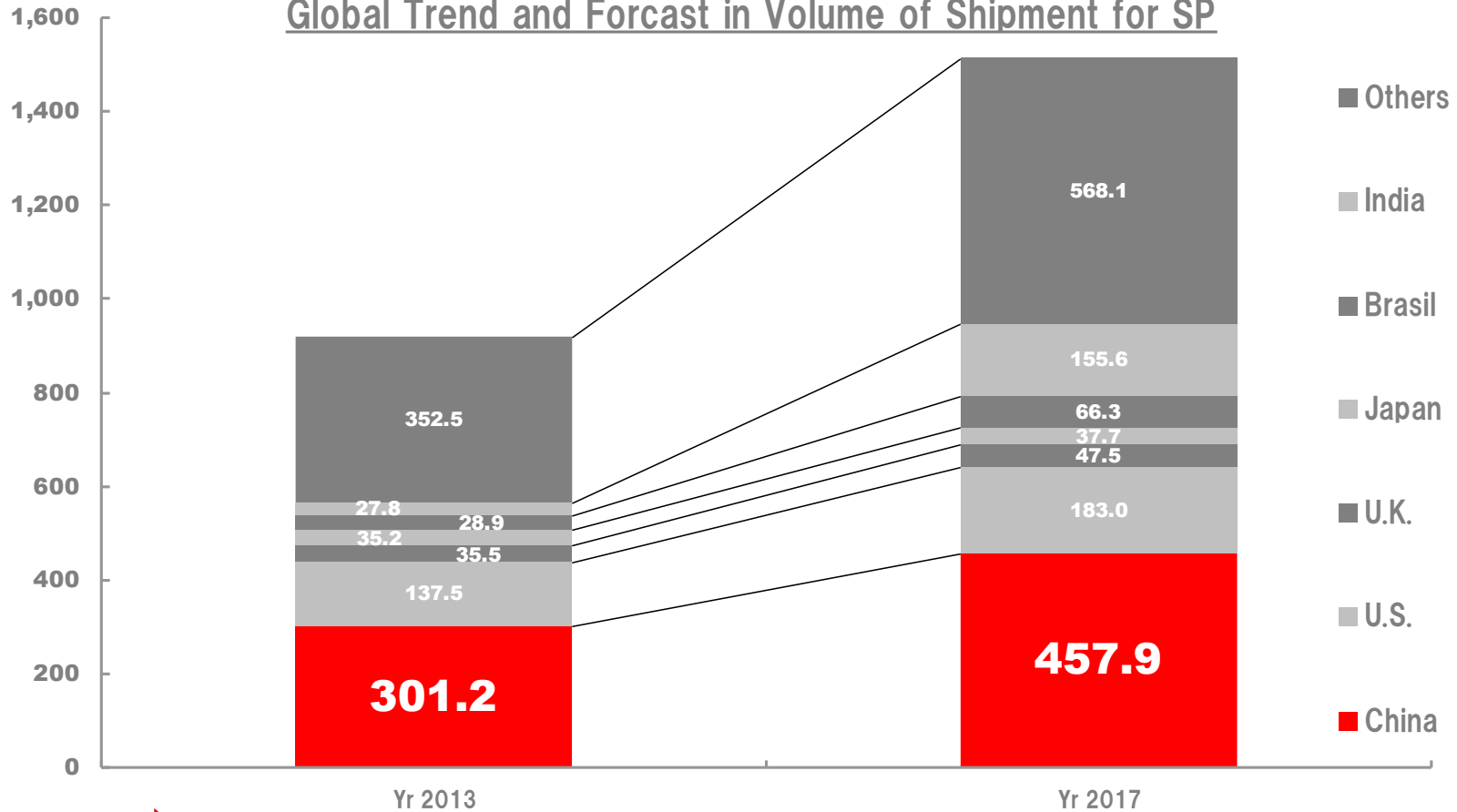


## Earnings Forecast for FY 2014

## Change in Mobile Phone Market Environment [Overseas]

(Millions of Subscribers)

Global Trend and Forcast in Volume of Shipment for SP



Overseas markets (esp. China) move into the smart device era

Reference: IDC (U.S.)

China

## Expands to Deliver Digital Comics



Business model ~Translate popular novels into comics~

Worked with publishers  
and cartoonists



Translated “JiuDingJi”  
a Chinese popular novel  
into comic



Provided  
as digital comic for  
Mobile Animations  
(China Mobile)



Increased  
subscribers

Plan 1) Add new titles

Utilize business model  
of “JiuDingJi”

Plan 2) Increase platforms

Increase the number of  
platforms such as  
China Telecom, China Unicom

China

## Overview of Mobile Phone Sales Business



Business partnership ※Nihon Enterprise has 100% ownership of this subsidiary

Sells China Telecom's devices including mobile phones

Creates new business  
by **actual shop openings**

Improves customer satisfaction

Provides sale  
knowledge

- **Japanese Hospitality**
- **Experienced-Based Shops**
- **Japanese Innovative Designs**

Introduces mobile content sales (Future plan)

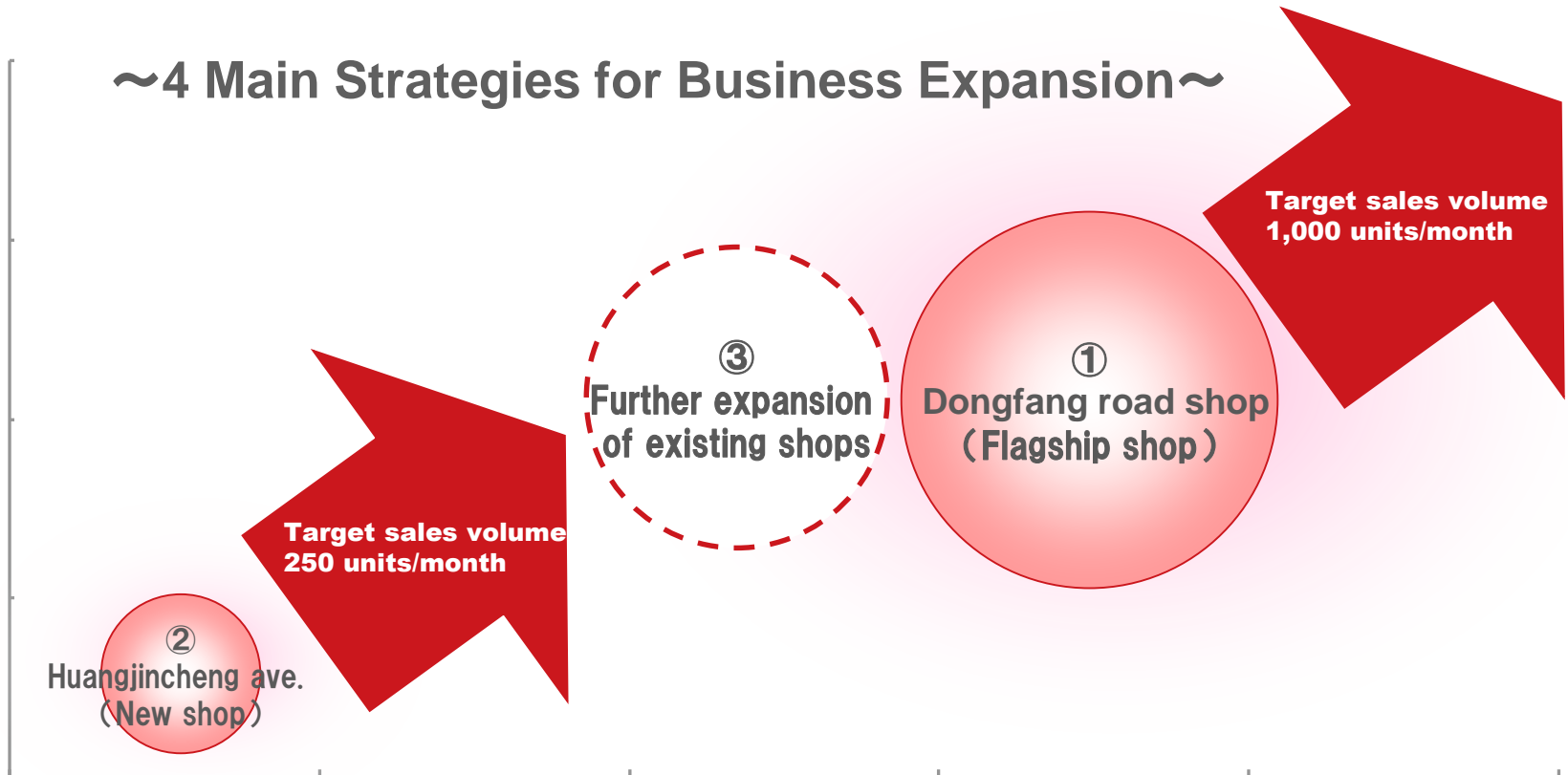
Works with Mobile Telecommunication Companies  
**Expands shop affiliations**

China

## Expands Mobile Phone Sales Business



~4 Main Strategies for Business Expansion~



**④ Increases the new business model into China :  
selling mobile contents with devices in addition  
to increasing sales**



Earnings Overview for May 2013



Business Strategies of FY 2014 for Domestic Markets



Business Strategies of FY 2014 for Overseas Markets



Earnings Forecast for FY 2014

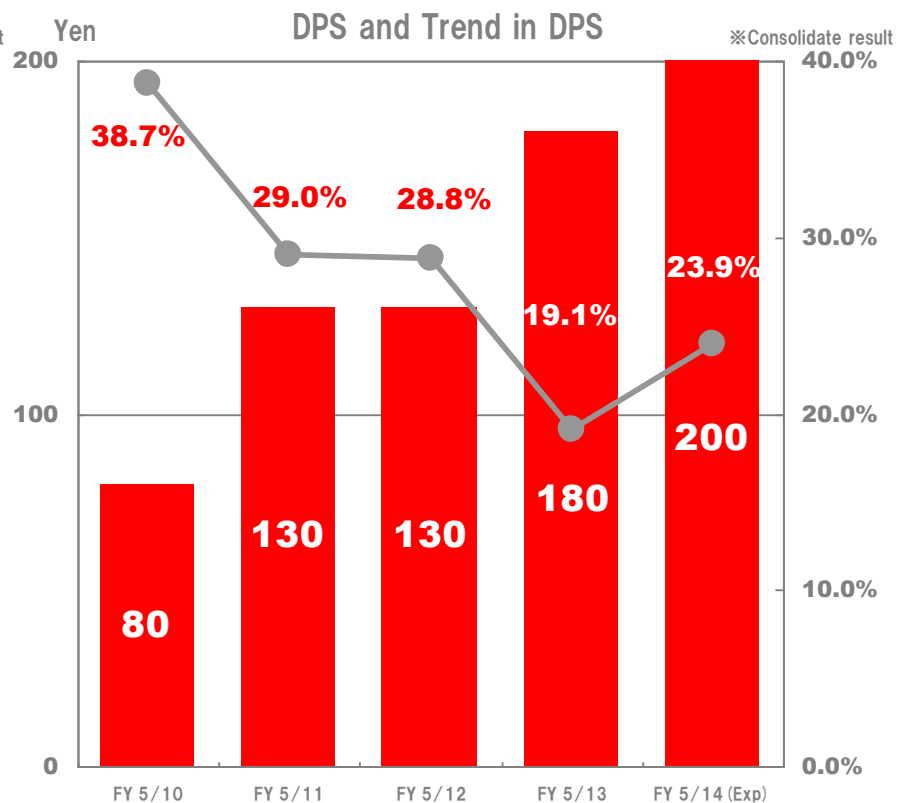
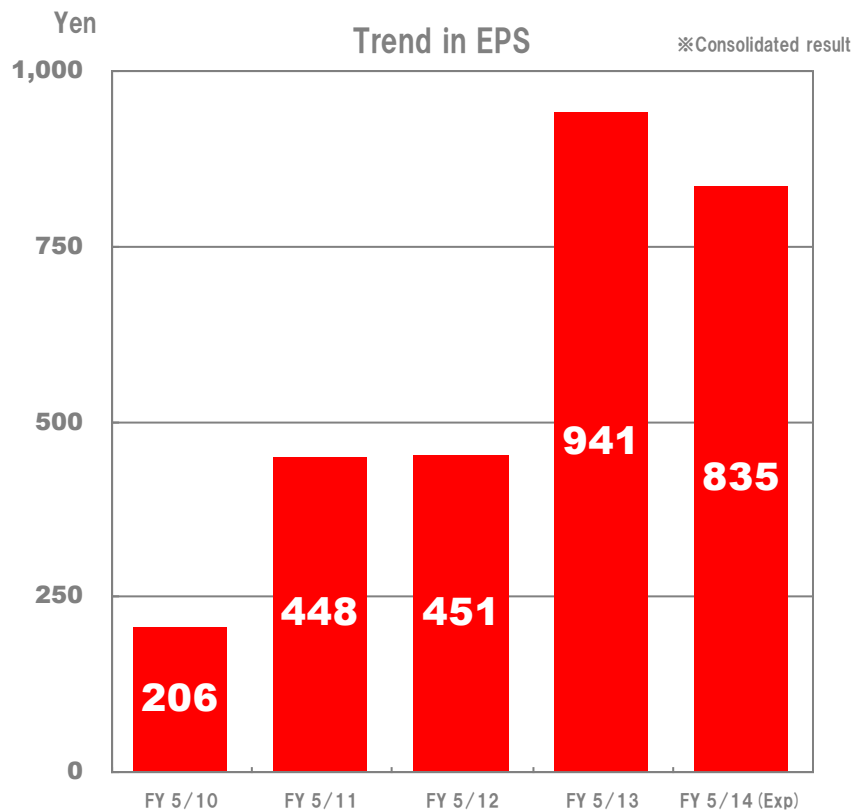


## Consolidated Earnings Forecast

(Millions of Yen)

		FY 5/13		FY 5/14	
		Value	Shares	Value	Shares
	Mobile Content Segment	<b>2,142</b>	<b>39.8%</b>	<b>2,527</b>	<b>17.9%</b>
	Solutions Segment	<b>1,991</b>	<b>58.3%</b>	<b>2,473</b>	<b>24.2%</b>
	Net sales	<b>4,134</b>	<b>48.1%</b>	<b>5,000</b>	<b>20.9%</b>
	Operating income	<b>372</b>	<b>22.4%</b>	<b>520</b>	<b>39.7%</b>
	%	<b>9.0%</b>		<b>10.4%</b>	
	Ordinary income	<b>391</b>	<b>23.1%</b>	<b>500</b>	<b>27.7%</b>
	%	<b>9.5%</b>		<b>10.0%</b>	
	Net income	<b>354</b>	<b>108.7%</b>	<b>315</b>	<b>▲11.3%</b>
	%	<b>8.6%</b>		<b>6.3%</b>	

## Dividend Forecast



# **Nihon Enterprise and our group strive to bring you customer satisfaction through digital contents.**

Information contained in this document including current plans, forecasts and strategy are not actual figures but predictions of Nihon Enterprise's future performance and should not be looked at as such. Predictions are not limited to future sales, company's performance, events or situations explained by phrases such as "assurance", "expectations", "plans", "strategies", "probability", "anticipation", "possibility", as well as their synonyms. Other publications may contain oral or written predictions. Information and predictions contained in this document are based on management judgment made from available data. Do not rely on these financial forecasts as actual business results may differ.