

Consolidated Financial Results

Nihon Enterprise Co.,Ltd.



3Q FY2017 ending May
(From June 2016 to Feb. 2017)

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1. Overview of Earnings Summary (3Q FY2017)

1 Overview of Earnings Summary

Highlights

Sales fell by 8.9%, ordinary profit rose by 45.6%

(MN Yen)

	3Q FY2017	YoY
S a l e s	3,663	▲8.9%
Operating profit	225	47.6%
Ordinary profit	244	45.6%

Contents Service Segment

Lifestyle	Promoted alliance strategy. Good progress in forming a contents platform through service expansion centering major contents such as “Women’s Diary” and “Dealing
Traffic Info.	While keeping stable sales by “carriers’ monthly charge service”, expanding solution business based on expertise in contents provision and operation. Developed and released car dynamic management cloud
Entertainment	Strong performance in a long run hit “Chokotto Game”. Upward trend in comprehensive E-BOOK service “BOOKSMART”’s “unlimited service”

Solution Segment

Solution (consigned development and others)	Hit record in 3Q comparison due to good progress in developing new clients and accounts. Started Metropolitan Central Wholesales Market Cooperative Association’s first EC service, “inaseri” and expanding delivery area accordingly
Advertising agent service	Good start in sales of industry’s NO.1 security software at metropolitan and Kansai area. Focused on new sales channel expansion
Overseas	(China)While sales to consumers declined due to slower smartphone market growth, focused on sales of broadband network through tighten alliance with China Telecom

1 Overview of Earnings Summary

Consolidated PL

(MN Yen)

	FY2017 Q1 - Q3	FY2016 Q1 - Q3	YoY	
			Difference	Growth rate
Sales	3,663	4,022	▲ 358	▲8.9%
COGS	2,161	2,250	▲ 88	▲3.9%
Gross profit	1,501	1,771	▲ 269	▲15.2%
SG&A	1,276	1,618	▲ 342	▲21.1%
Operating profit	225	152	72	47.6%
Non-operating profit	22	15	6	41.6%
Non-operating expense	3	0	2	350.8%
Ordinary profit	244	167	76	45.6%
Extraordinary profit	22	35	▲ 13	▲37.8%
Extraordinary loss	100	15	84	540.8%
Pre-tax profit	165	187	▲ 21	▲11.6%
Total amount of corporation tax and others	77	44	32	74.1%
Net profit	88	143	▲ 54	▲38.3%
Net profit attributable to non-controlling interest	28	13	14	110.7%
Net profit attributable to the parent company	60	129	▲ 69	▲53.7%

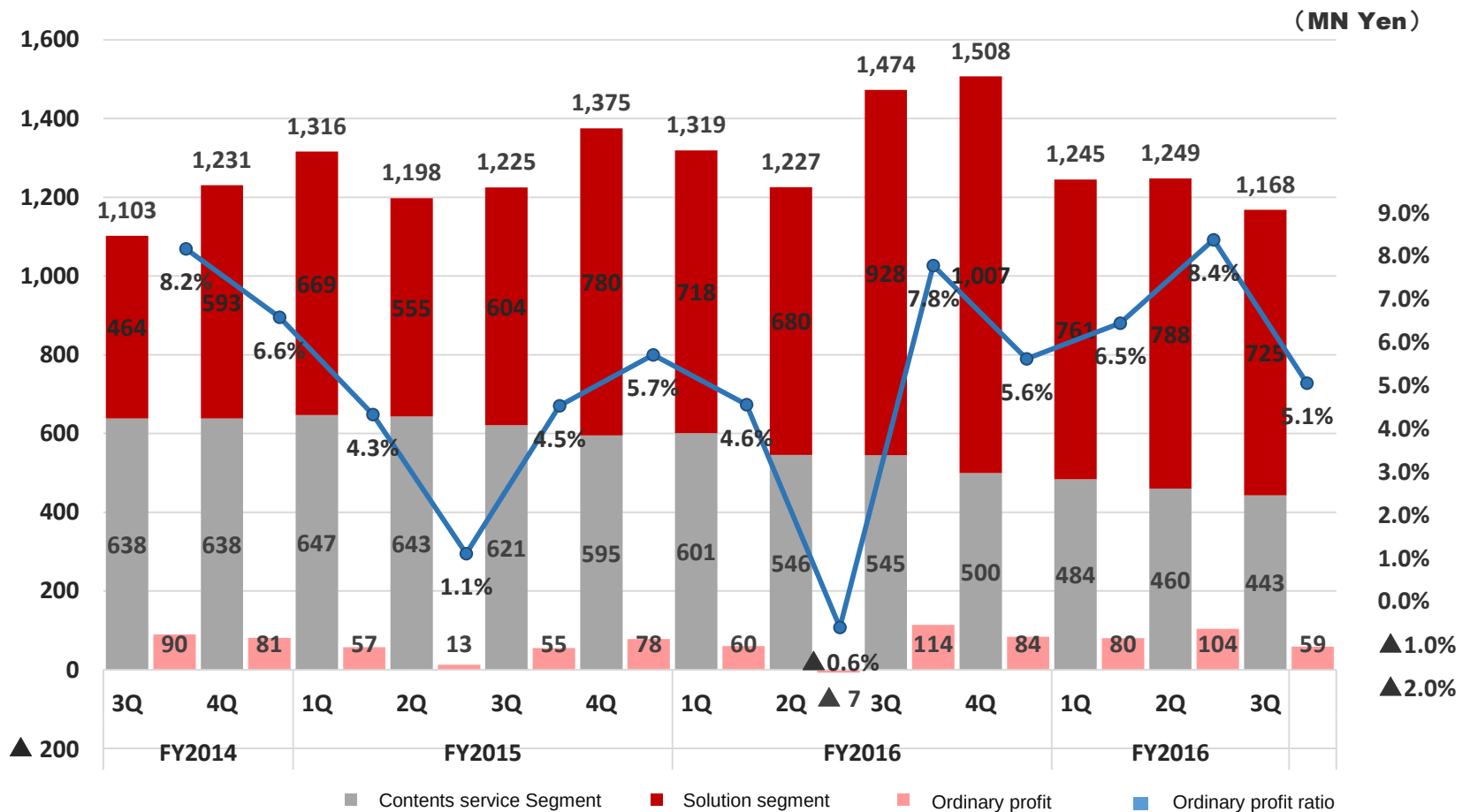
(※) inaseri Co.,Ltd. is combined as a consolidated subsidiary since Q3 FY2017

1 Overview of Earnings Summary

Q/Q growth

Sales fell by 20.7% YoY, by 6.4% QoQ

Ordinary profit ratio fell by 2.7% YoY, by 3.3% QoQ



1 Overview of Earnings Summary Q3 FY2017

Sales

■ Y/Y Growth

Contents service segment,
due to downward sales trend in carries' "monthly charged
service" and "fixed rate service", sales fell by 18.8%

Solution segment,
Sales totaled down by 2.3% due to loss of extraordinary demands
in Advertising(advertising agent service) , **despite strong performance**
in Solution(consigned development and others)

	FY2017 Q1 – Q3	FY2016 Q1 – Q3	YoY	
			Difference	Growth rate
Contents Service Segment	1,388	1,693	▲ 305	▲18.0%
Solution Segment	2,274	2,328	▲ 53	▲2.3%
Total	3,663	4,022	▲ 358	▲8.9%

(MN Yen)

1 Overview of Earnings Summary Q3 FY2017

Sales (Contents Service Segment)

■ Y/Y Growth

Influenced by company's strategy change in "carriers' monthly charged service"(investment control against dilution of advertising impact), **carriers' policy change in "fixed rate service"** and other reasons, sales fell by 11.3% in Traffic info. and by 23.8% in Entertainment

For all genre, accelerating to build profitable model by focusing on business expansion through alliances!

	FY2017 Q1 – Q3	FY2016 Q1 – Q3	YoY	
			Difference	Growth rate
Traffic Info.	583	658	▲ 74	▲11.3%
Entertainment	617	810 (※1)	▲ 192	▲23.8%
Lifestyle	187	225	▲ 37	▲16.8%
Contents Service Segment	1,388	1,693	▲ 305	▲18.0%

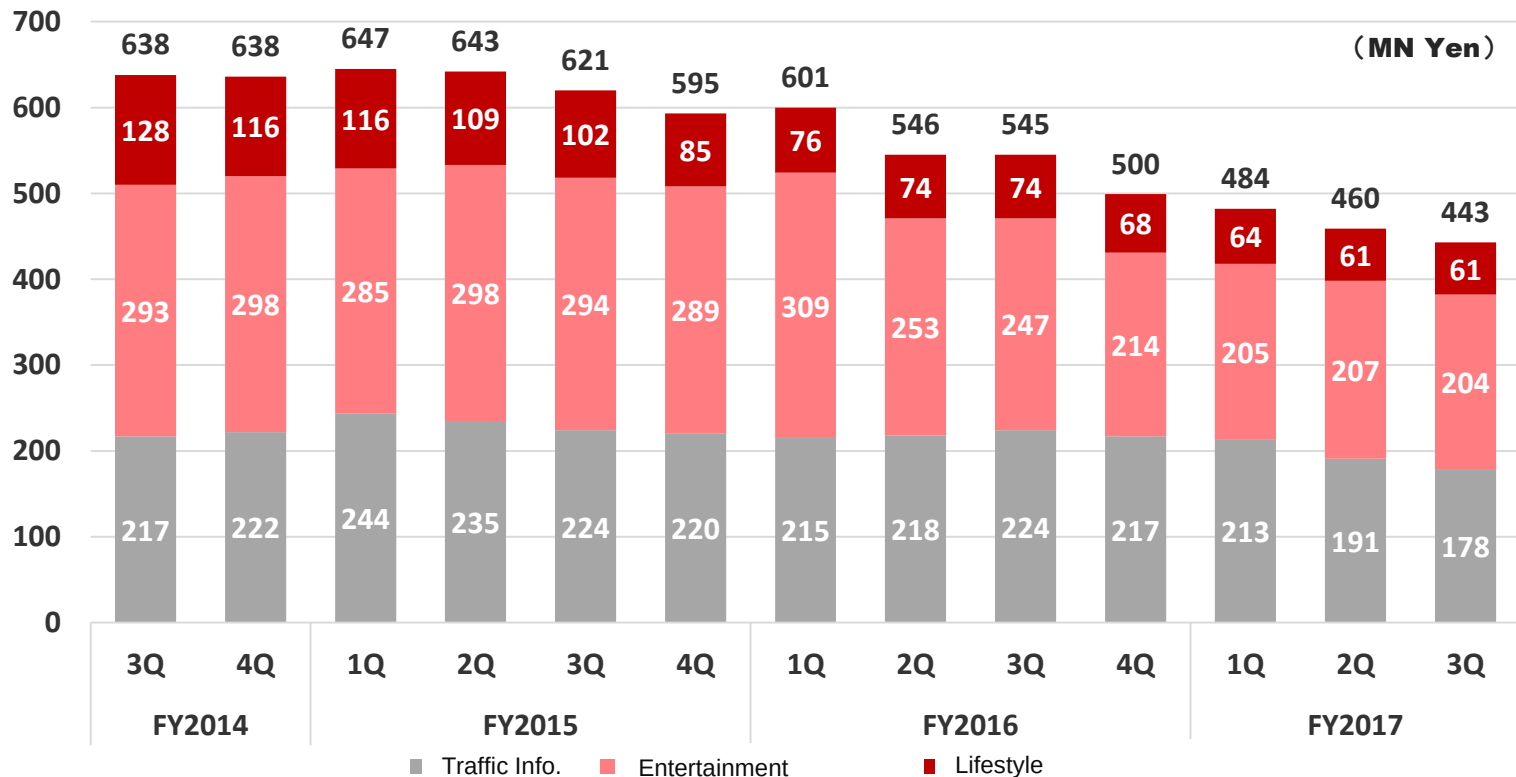
(※1) Incl. sales by Beijing YZH Wireless Net technology Co., Ltd.
(company was sold in Q2 FY2016)

1 Overview of Earnings Summary Q3 FY2017

Sales (Contents Service Segment)

■ Q/Q Growth

Despite good trends both in E-BOOK "BOOKSMART" and in tool type of contents, sales totaled down by 3.7% QoQ and by 18.7% YoY due to continues downward trend in carriers' "monthly charged service" and "fixed rate service".



1 Overview of Earnings Summary Q3 FY2017

Sales (Solution Segment)

■ Y/Y Growth

Sales, driven by Solution(consigned development and others) **with upward trend, totaled down by 2.3% due to loss of previous FY's extraordinary demands in Advertising**(advertising agent service) **and lower sales price in Overseas**

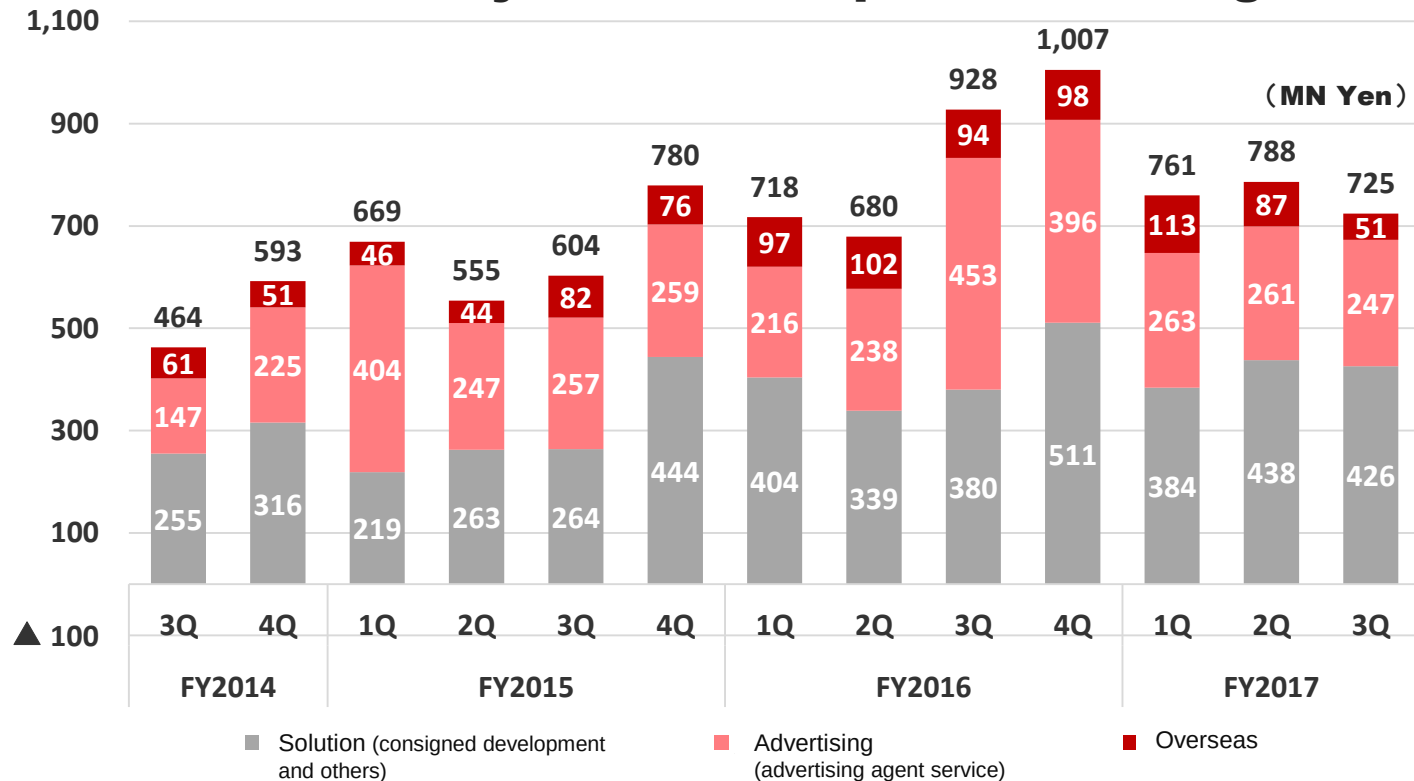
	FY2017 Q1-Q3	FY2016 Q1-Q3	YoY	
			Difference	Growth rate
Solution(consigned development and others)	1,249	1,125	124	11.0%
Advertising (advertising agent service)	772	907	▲ 135	▲14.9%
Overseas	252	294	▲ 42	▲14.3%
Solution Segment	2,274	2,328	▲ 53	▲2.3%

1 Overview of Earnings Summary Q3 FY2017

Sales (Solution Segment)

■ Q/Q Growth

- Solution**(consigned development and others) **rose by 12.0% YoY, hitting record in 3Q comparison**
- Sales totaled down by 8.0% QoQ and by 21.9% YoY, due to decrease both in Advertising being on the process of sales channel/service lineup expansion amid shrinking market, and in Overseas influenced by lower smartphone market growth in China**



1 Overview of Earnings Summary Q3 FY2017

COGS

■ Y/Y Growth

Due to Solution up by 4.2% in segmental sales breakdown, COGS ratio increased by 3.0 points

(MN Yen)

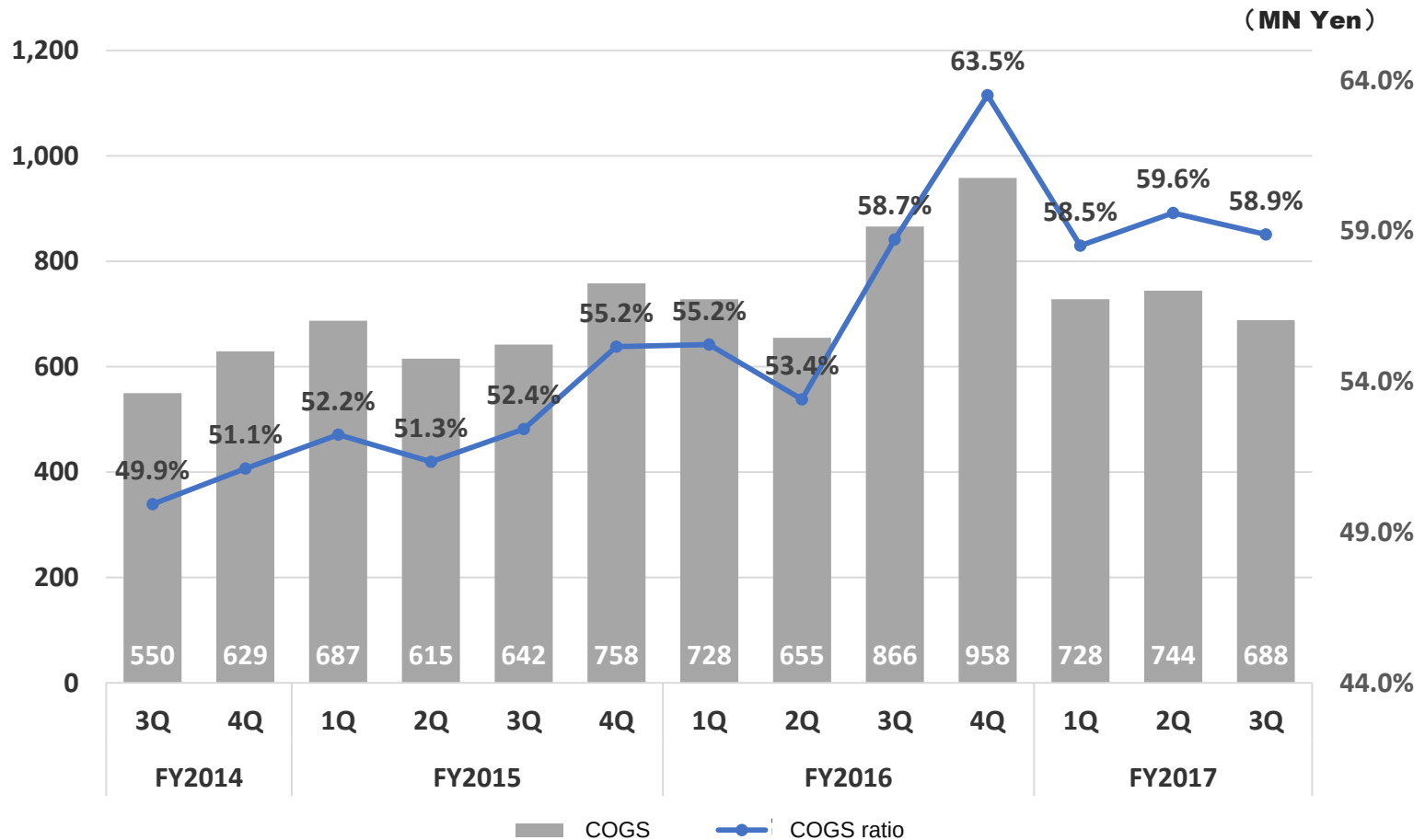
	2017	2016	YoY	
	Q1 – Q3	Q1 – Q3	Difference	Growth rate
COGS	2,161	2,250	▲ 88	▲3.9%
COGS ratio	59.0%	56.0%	-	-

1 Overview of Earnings Summary Q3 FY2017

COGS

■ Q/Q Growth

■ **GOGS ratio slightly improved**



1 Overview of Earnings Summary Q3 FY2017

SG&A

■ Y/Y Growth

Including 59.3% down in advertising expenses, SG&A sharply decreased. Consequently SG&A ratio improved by 5.4 points

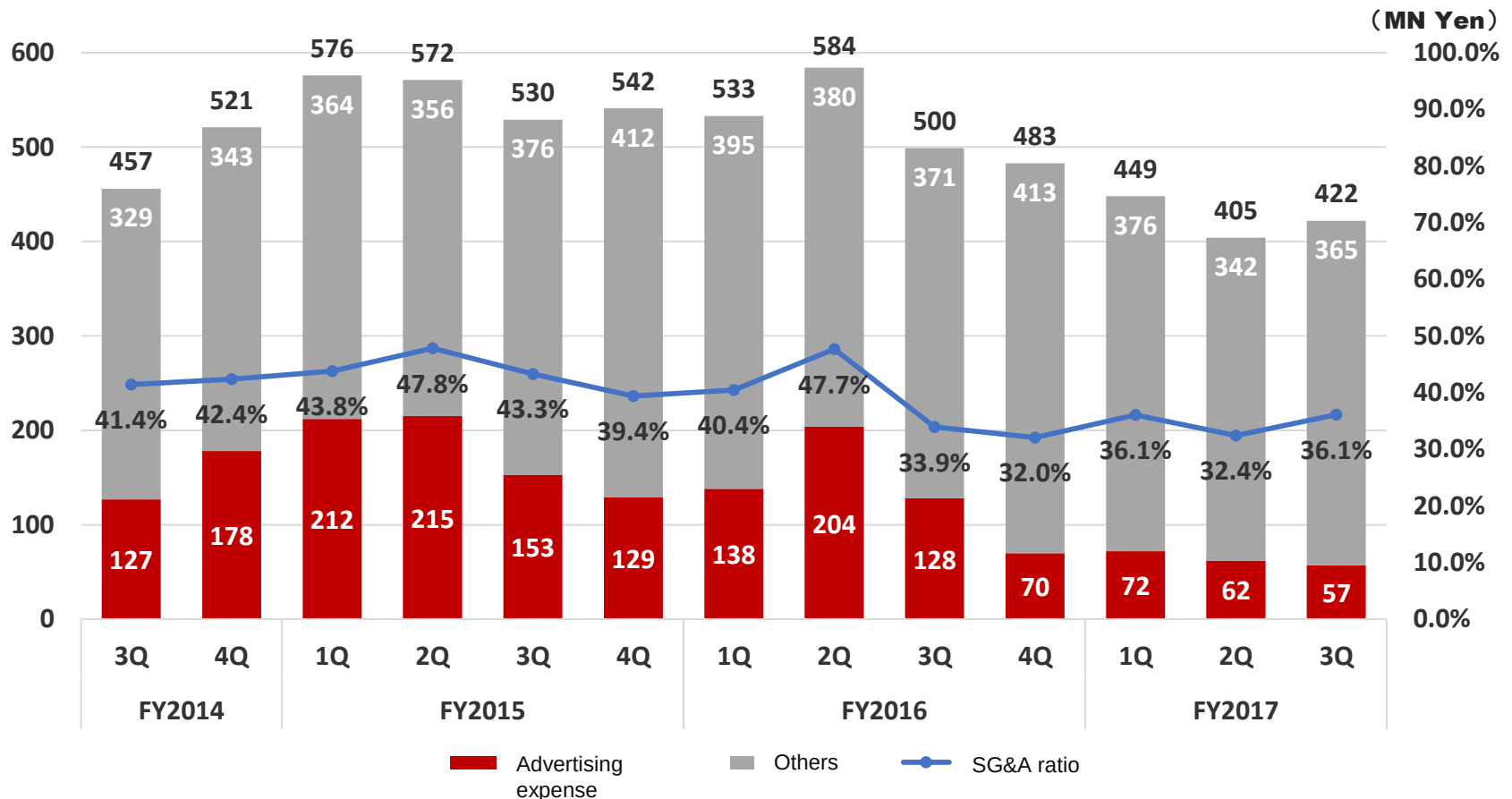
	(MN Yen)			
	FY2017	FY2016	YoY	
	Q1 - Q3	Q1 - Q3	Difference	Growth rate
(Advertising expenses)	191	471	▲ 279	▲59.3%
(Others)	1,084	1,147	▲ 62	▲5.5%
SG&A	1,276	1,618	▲ 342	▲21.1%
SG&A ratio	34.8%	40.2%	-	-

1 Overview of Earnings Summary Q3 FY2017

SG&A

Q/Q Growth

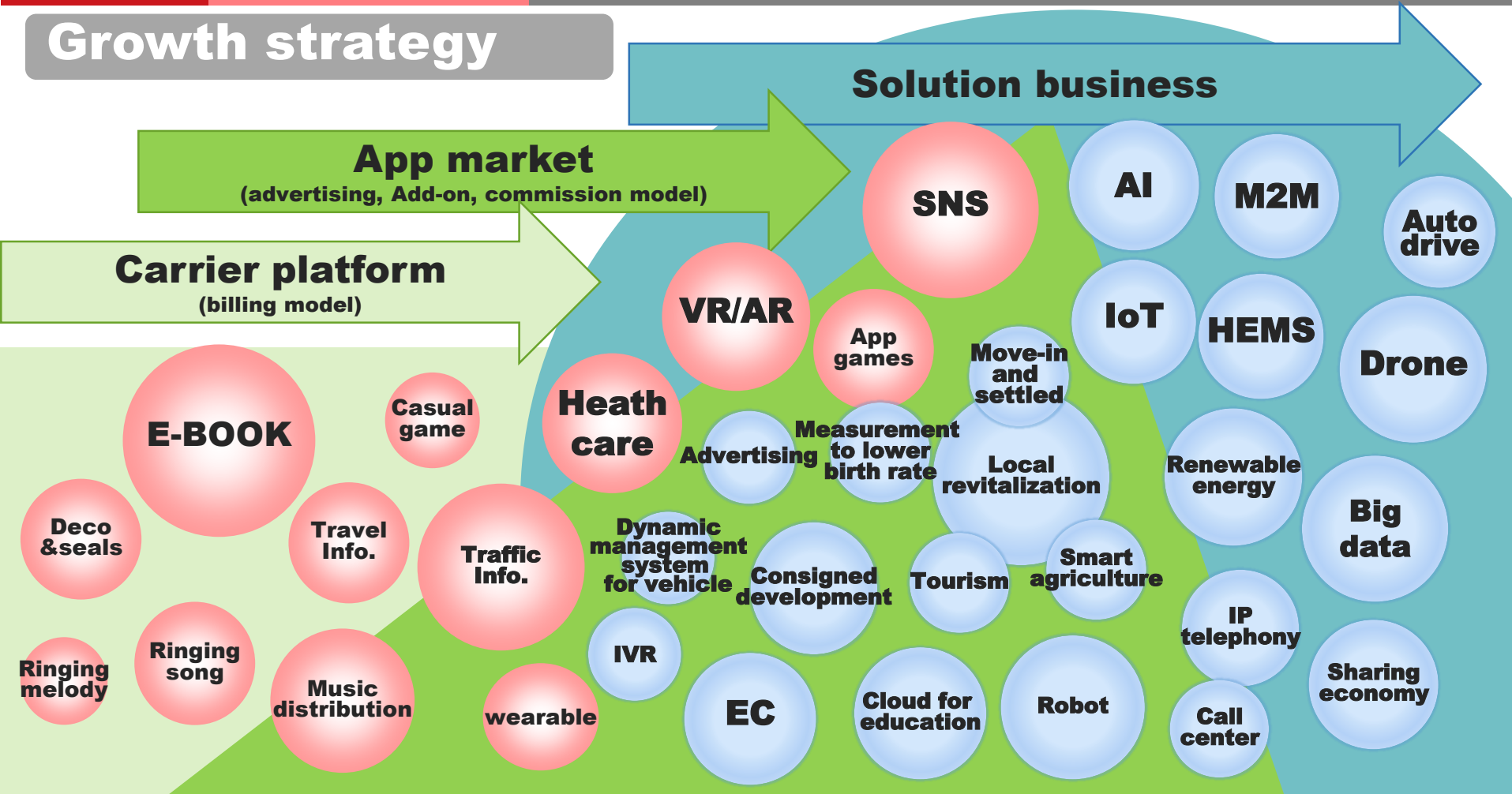
Despite down in advertising expenses, SG&A ratio up 3.7 points due to consolidation of a subsidiary and other reasons



2. “Growth strategy” & ”FY2017 major achievements”

2 “Growth strategy” & “FY2017 major achievements”

Growth strategy



Expanding contents service business along with device evolution. With expertise in contents operation, developing solution business

2 “Growth strategy” & “FY2017 major achievements”

Contents platform

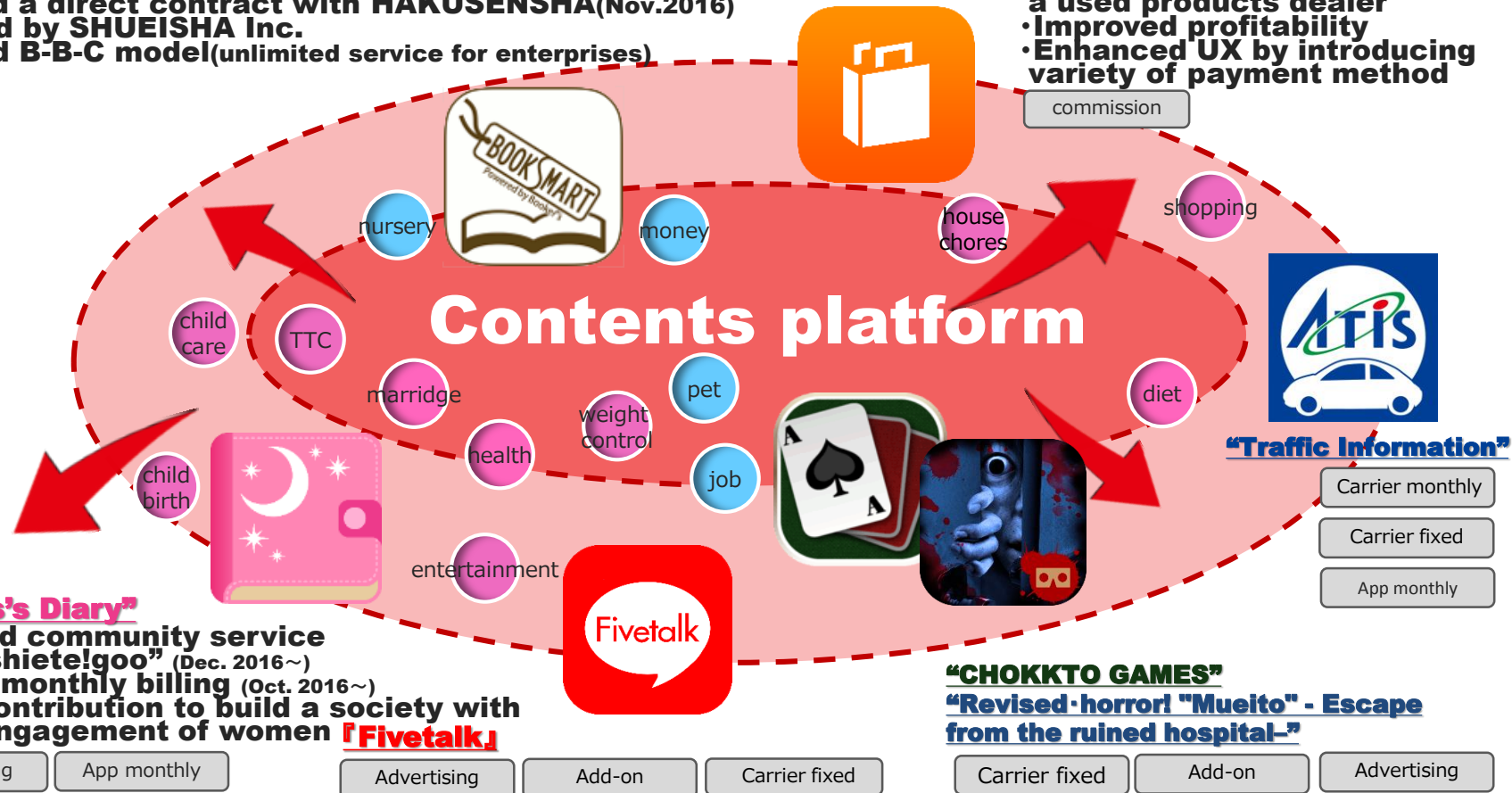
Steady progress in forming a “Contents platform” centering major contents such as “Women’s Diary” and “BOOKSMART”

『BOOKSMART』

- Released rental service and unlimited service (Oct. 2016~)
- Entered a direct contract with HAKUSENSHA (Nov. 2016) followed by SHUEISHA Inc.
- To build B-B-C model (unlimited service for enterprises)

『Dealing』

- To build an alliance with a used products dealer
- Improved profitability
- Enhanced UX by introducing variety of payment method



2 “Growth strategy” & ”FY2017 major achievements”

Total solution

Good performance in consigned development for enterprises and local governments, due to favorable client and account development

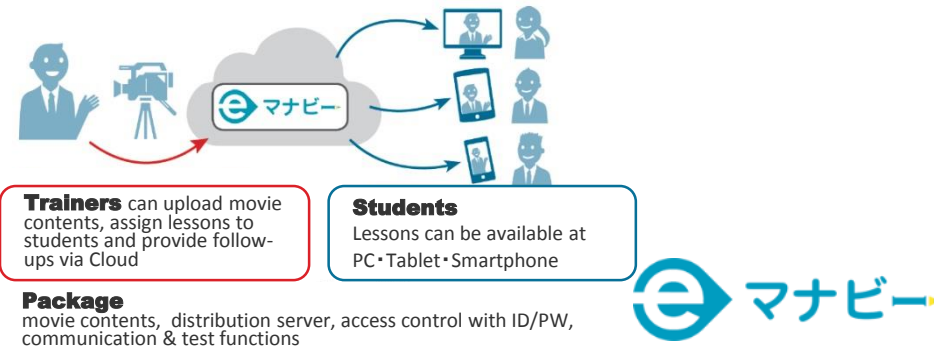


<Local revitalization>



Package solution

Released “e-Manabi”, an E-LEARNING Cloud (July 2016)



■ Package solutions to streamline business operation and cost reduction

IP phone



reverse auction



kitting and vilification



messenger App for business use

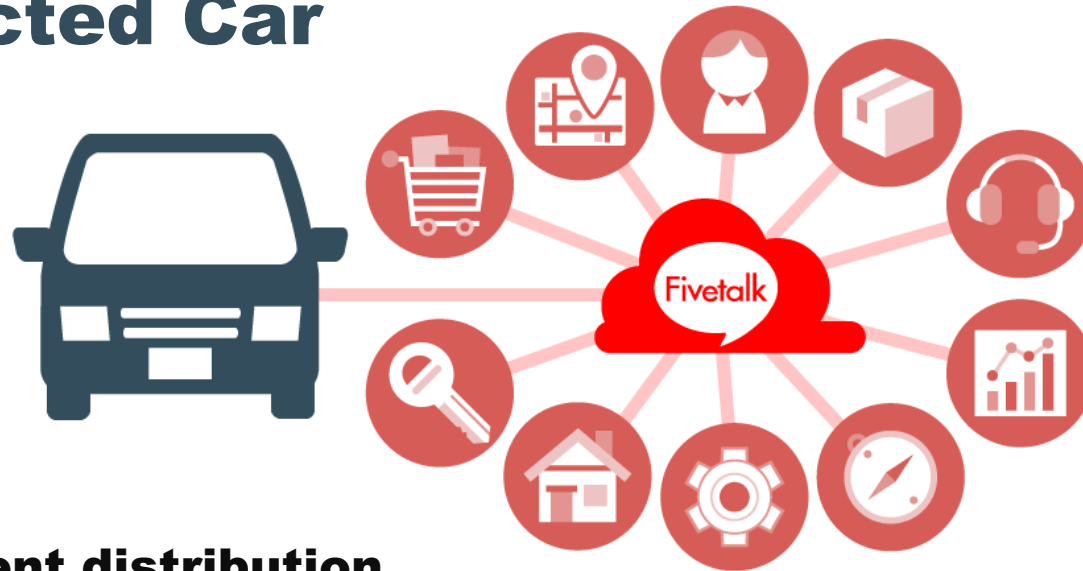


2 “Growth strategy” & ”FY2017 major achievements”

SNS service “Fivetalk”

Developing “SNS integrated system” to connect People~Car~Things

Connected Car



“Fivetalk” content distribution

- Released App for “au Smart Pass”(Aug. 2016)
in addition to ”carries’ monthly charged service”,
“Android”, “iOS” and “App for car”
- Released “SNAP DECO”(March 2017)

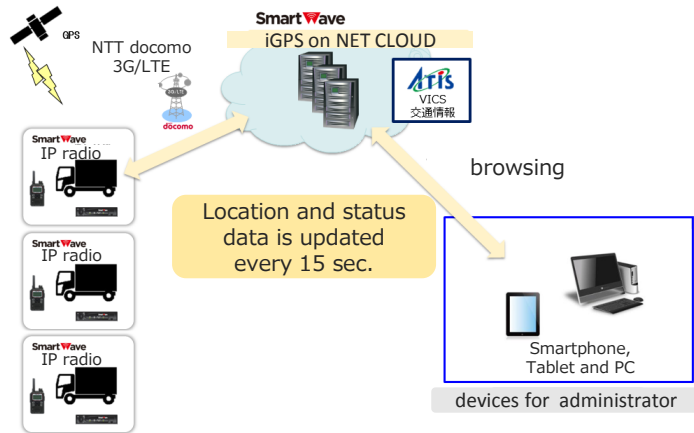


2 “Growth strategy” & “FY2017 major achievements”

Traffic info. service

Proceeding new service development and B-B-C license

- Developed “iGPS on NET”, a vehicle dynamic management cloud for transportation and logistic company (Feb. 2017)
- Operating bus location system for **Keihin Kyuko Bus Co., Ltd.**
- Data distribution to CATV, broadcast, government sector, news paper, shopping mole and others



<Development and sales partner>

SmartWave

住友電工システムソリューション株式会社

“ATIS Traffic Info.” contents distribution

- Long-run-hit at “carriers’ monthly charged/ fixed rate service
- Released “iOS” (Aug.2016) and “Pepper Robo” App (Sep.2016)
- Promoted local tourism through alliance with “FREE PAPER MICHINOEKI”



2 “Growth strategy” & “FY2017 major achievements”

EC Service “inaseri”

Started Metropolitan Central Wholesale Market Cooperative Association's First EC service “inaseri” (Dec.2016), and expanding delivery area in stages(Feb. 2017)



Established “insert Co., Ltd.”.
Announced business alliance
with Metropolitan Central
Wholesale Market Cooperative
Association
(June. 2016)



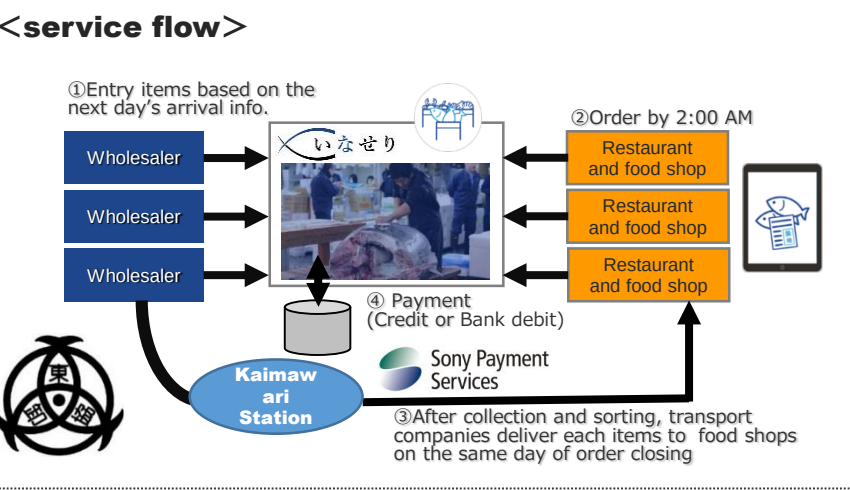
Started pre registration
by food business operators
(Oct. 2016)



Started at Tsukiji
(Dec. 2016)



Expanded delivery area to
Tokyo and seven prefectures
(Feb. 2017)



日経スペシャル

ガイアの夜明け

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

Nikkei special

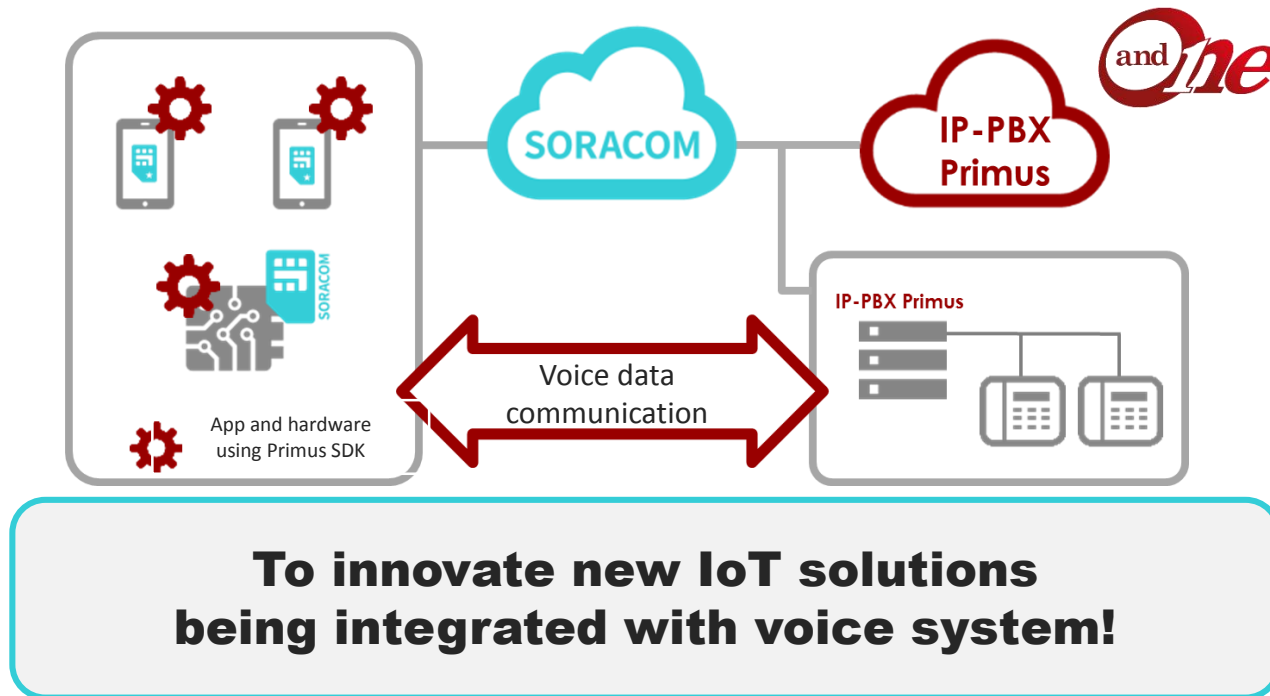
“Gaia no yoake”

2 “Growth strategy” & “FY2017 major achievements”

IP telephony

Authorized “SORACOM SPS authorized solution partner”(Oct. 2016)

•**“Primus®” series (IP-PBX Primus/Primus SDK) is compatible with “SORACOM Air”, a data communications SIM for IoT**



What is SORACOM?

The IoT platform SORACOM provides SIMs for data transmission as an MVNO. The platform also provides integrated mobile communications and cloud services, giving it the following characteristics:

- SORACOM delivers IoT/M2M (machine-to-machine) “connection” at low initial costs
- SORACOM allows you to monitor and manage your IoT/M2M devices and facilitates the operation of the devices and communications.
- SORACOM enables you to build secure IoT/M2M systems

2 “Growth strategy” & “FY2017 major achievements”

Advertising (advertising agent service)

Good start in sales of industry NO.1 security software at metropolitan and Kansai area (Jan. 2017)

Comprehensive security service for multi-device such as smartphone and tablet [monthly ver.]



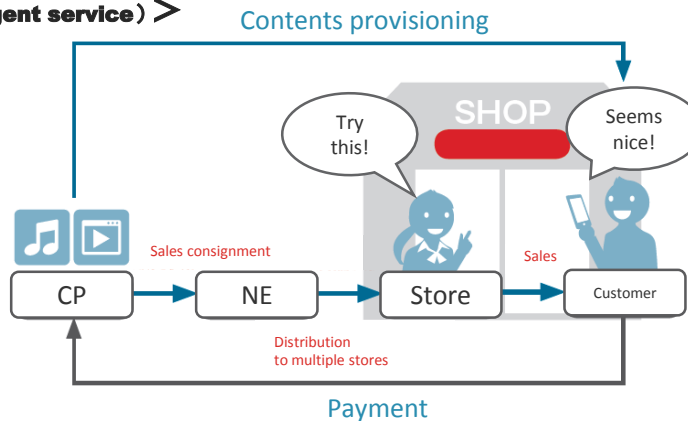
<NE Japan's role>

- ① License issuance at store and settlement service
- ② Aggressive sales channel expansion as the first layer of distributor

<About Advertising (advertising agent service)>

Lineup

Focusing on tools and, entertainment and information type of contents



Sales channel

Promoting sale channel development in addition to mobile shops

2 “Growth strategy” & “FY2017 major achievements”

Initiatives to advanced technology (1/2)

Started joint vilification of wind power plant facility inspection system by wired drone (Sep. 2016)

With “wired drone” ‘s advantage of longer flight time, succeed in high precision video recording of;

- major checkpoints
- difficult spaces to be checked visually

• nuts and parts condition
Proceeding secure and effective inspection system development to support manned works!



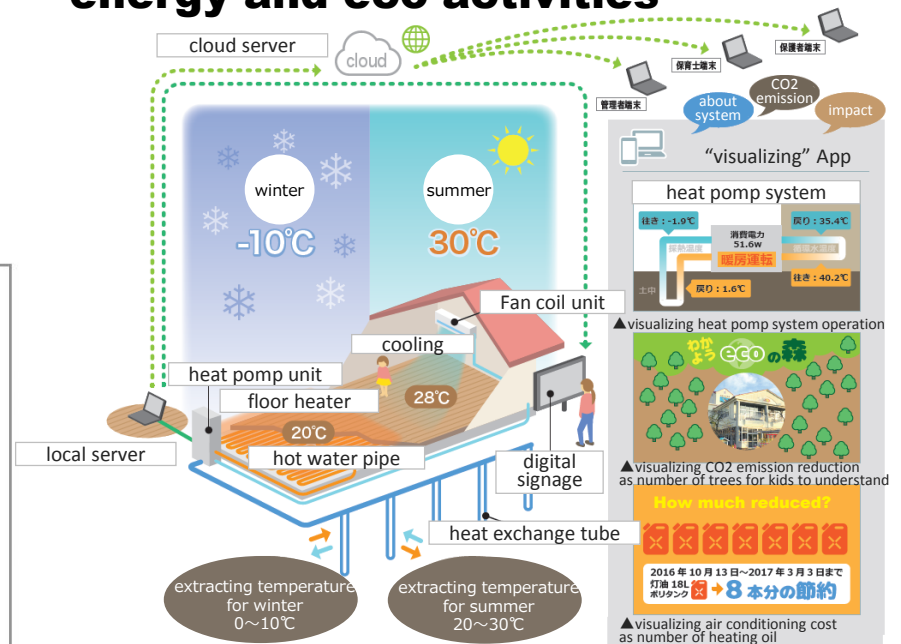
Small wind mill managed by Newest Corp.(Suzuyo Matai)
Shiyya Kashiwazaki Nigata Pref.

difficult spots to be visually checked



Development of “geothermal heat pump visualizing” system

“Visualized” air conditioning system utilizing geothermal as heat source, And developed an environment where even children can learn renewable energy and eco activities



What is geothermal heat pump system?

A system to provide annually stable power supply by utilizing 10℃-17℃ low temperature heat energy existing within app. 200 meters from surface of earth

2 “Growth strategy” & “FY2017 major achievements”

Initiatives to advanced technology (2/2)

Released “mononome[®]”, visualizing emotion of things (Feb. 2017)

• Fridge~HEMS ver.

“mononome[®]” on fridge shows facial expressions- smile, anger, sad and happy-depending on number of door open and power consumption

• Medicine box~intake support ver.

“mononome[®]” on medicine box smiles if pills are taken on schedule, or he cries and finally gets angry if forgotten



冷蔵庫・薬箱と『mononome[®]』（ものもめ）



コンセントと連携して、電気使用量を測定

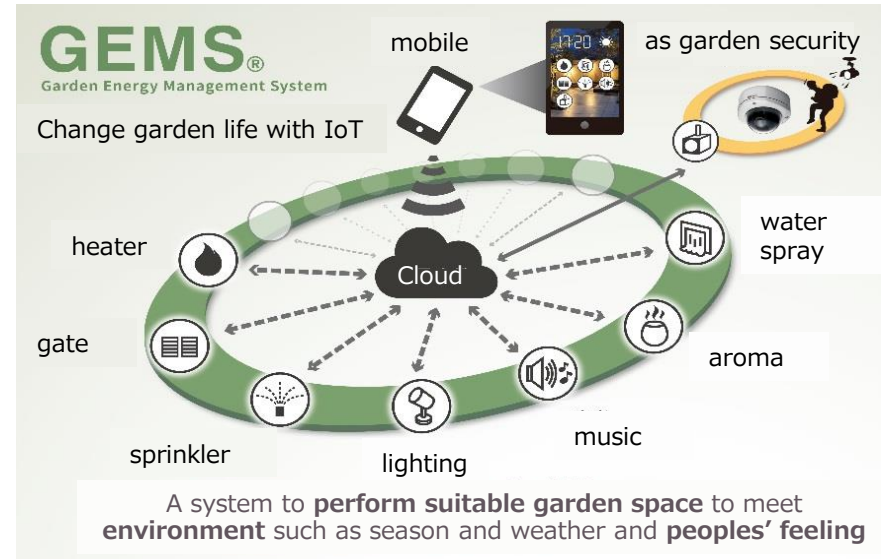


泣きだす『mononome[®]』（ものもめ）

mononome is registered trademark of DENTSU INC.

Co-developing garden exterior IoT, “GEMS[®]” with TAKASHO CORP.

Jointly developing IoT products to create comfortable space by connecting garden exterior things to internet



GEMS is registered trademark of TAKASHO CORPORATION

4. Forecast

4 Forecast

Forecast and progress

Progressed 69.1% in Sales, 68.2% in Operation profit, 69.8% in Ordinary profit, 44.5% in Net profit attribute to the parent company

(MN Yen)

	FY2017 (Forecast)	FY2016 (Actual)	YoY		Progress
			Difference	Growth rate	
S a l e s	5,300	5,530	▲ 230	▲4.2%	69.1%
Operation profit	330	219	110	50.2%	68.2%
Ordinary profit	350	252	97	38.6%	69.8%
N e t p r o f i t attributable to the parent company	135	327	▲ 192	▲58.7%	44.5%

Contents Service

Distributing information and entertainment contents on platform including App Store, Google Play, carries' fixed rate service

Lifestyle

Traffic Info.

Entertainment

Solution

With the expertise obtained through contents operation, offering IT solution service and Advertising Agent service and others locally and globally

Solution
(consigned development and others)

Advertising Agent Service

Overseas

11 consolidated



4QUALIA



HighLab

(※1)



山口再エネ
ファクトリー



Promote



因特瑞思(北京)信息科技有限公司
瑞思創智(北京)信息科技有限公司

2 non consolidated



瑞思放送(北京)数字信息科技有限公司

(※1) Absorption of HighLab Inc. was resolved at board of directors held on 17th March

Nihon enter

Search

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

Earnings results, IR info., news release,
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.