

# Consolidated Financial Results for the Fiscal Year Ended May 2018 (Japanese Accounting Standards)

July 11, 2018

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 24, 2018  
 Date of Dividend Payment (Planned): August 27, 2018  
 Date of Financial Statement Filing (Planned): August 24, 2018  
 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 Ended May 2018 (June 1, 2017–May 31, 2018)

### (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 2018	3,892	(19.5)	174	(8.9)	257	11.9	166	66.9
FY May 2017	4,838	(12.5)	192	(12.6)	229	(8.9)	99	(69.6)

(Note) Comprehensive Income: ¥199 million in FY May 2018 (up 130.9%) ¥86 million in FY May 2017 (up 22.8%)

	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 2018	4.11	4.11	3.4	4.2	4.5
FY May 2017	2.45	2.45	2.0	3.8	4.0

(Reference) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity method:

FY May 2018: ¥ --- million FY May 2017: ¥ --- million

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2018	6,004	5,213	82.1	122.89
FY May 2017	6,178	5,221	80.2	122.14

(Reference) Equity: FY May 2018: ¥4,931 million FY May 2017: ¥4,955 million

### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from 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 2018	457	483	(215)	4,115
FY May 2017	429	(164)	(151)	3,389

## 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 2017	—	0.00	—	2.00	2.00	81	81.6	1.6
FY May 2018	—	0.00	—	2.00	2.00	80	48.7	1.6
FY May 2019 (Planned)	—	0.00	—	2.00	2.00		45.9	

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending May 2019 (June 1, 2018–May 31, 2019)

(% 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	3,895	0.1	285	62.9	345	34.0	175	4.36

(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

Removed from consolidation: One (Name: Enterise (Beijing) Information Technology Co., Ltd.)

(2) Changes in accounting methods, procedures and estimates concerning the preparation of financial statements

1) Changes accompanying revisions in accounting standards: None

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)

2) Treasury stock as of end of term

3) Average during the term

FY May 2018	40,612,400 shares	FY May 2017	40,567,200 shares
FY May 2018	480,000 shares	FY May 2017	- shares
FY May 2018	40,427,472 shares	FY May 2017	40,562,629 shares

## (Reference) Nonconsolidated Financial Results

Nonconsolidated Financial Results for the Fiscal Year Ended May 2018 (June 1, 2017–May 31, 2018)

### (1) Nonconsolidated 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 2018	1,619	(26.9)	14	(21.1)	122	(14.2)	12	(5.2)
FY May 2017	2,216	(27.1)	18	-	142	28.6	13	19.0

	Net Income per Share		Net Income per Share (Diluted)	
	Yen		Yen	
FY May 2018	0.32		0.32	
FY May 2017	0.33		0.33	

### (2) Nonconsolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2018	4,483	4,317	96.2	107.49
FY May 2017	4,707	4,465	94.8	109.98

(Reference) Equity: FY May 2018: ¥4,313 million FY May 2017: ¥4,461 million

Note: This financial report is unaudited by certified public accountants or accounting auditors.

\* 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 "Overview of Operating Performance" 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, 2018. The presentation materials to be used at that meeting are scheduled to be posted on the Company's website on that day.

## Contents

1. Overview of Operating Performance and Financial Condition.....	2
(1) Overview of Operating Performance.....	2
(2) Overview of Financial Condition.....	3
(3) Cash Flows.....	3
(4) Forecast for the Next Fiscal Year.....	4
(5) Fundamental Policy for Profit Distributions and Dividends in Current and Next Fiscal Years.....	4
2. Basic Perspective on Selection of Accounting Standards.....	4
3. Consolidated Financial Statements.....	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Comprehensive Income.....	7
Consolidated Statements of Income.....	7
Consolidated Statements of Comprehensive Income.....	8
(3) Consolidated Statements of Changes in Shareholders' Equity.....	9
(4) Consolidated Statements of Cash Flows.....	11
(5) Notes to Consolidated Financial Statements.....	13
(Notes regarding Going Concern Assumptions).....	13
(Segment Information).....	13
(Per-Share Data) .....	14
(Material Subsequent Events).....	15

## 1. Overview of Operating Performance and Financial Condition

### (1) Overview of Operating Performance

During the fiscal year under review, the Japanese economy continued its modest recovery, as personal consumption showed signs of rebounding and corporate earnings and the employment environment improved.

Under these economic conditions, the environment in the IT services sector, to which the Group belongs, benefited from increasing smartphone functionality and a robust environment for communications infrastructure. As a result, demand expanded for services and systems that make use of smartphones and the cloud. In addition, demand to create new social infrastructure is growing, and we anticipate substantial developments in this area going forward.

Under these conditions, the Nihon Enterprise Group worked to expand its scale of business and expand earnings by promoting smartphone apps for consumers, system development, debugging, the cloud, business efficiency apps, mobile kitting, voice solutions, e-commerce and other services.

As a result, during the year under review net sales came to ¥3,892 million, down 19.5% from the preceding fiscal year. Operating income fell 8.9%, to ¥174 million; ordinary income increased 11.9%, to ¥257 million; and net income attributable to owners of the parent increased 66.9%, to ¥166 million.

### Operating Performance by Segment

During the year, the Nihon Enterprise Group revised its reportable segments in line with certain changes in the categories for managing operational performance. Information for the fiscal year under review is compared and analyzed on the basis of the post-revision segments. For details on segment information, please refer to “1. Summary of reportable segments” under “3. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements (Segment Information, etc.), Segment Information.”

### Creation Segment

Looking at content services—the services developed in-house and provided by this segment—the operating environment was characterized by a shrinking market for carrier platforms, so we worked to secure earnings through operational efficiencies. At the same time, the environment was marked by growing overall awareness of such topics as health, reuse, and leisure. In response, we worked to develop new content to promote the use of mainstay apps involving health care, flea markets, traffic information and e-books.

In business support services, as companies worked to augment operating efficiencies and take advantage of the cloud, we experienced robust demand for the consigned in-house development of services, including enterprise smartphones apps; various types of cloud services involving traffic information, education, tourism and procurement; mobile kitting; voice solutions; and e-commerce services. With the relocation of Tokyo’s fish market to Toyosu being delayed, we worked with the Tokyo Metropolitan Central Wholesale Fish Market Cooperative to expand the area covered by “Inaseri,” the fish e-commerce service we launched in December 2016. In September 2017, we expanded this area to cover the main islands of Honshu and Shikoku (excluding some outlying islands), working to optimize logistics and cultivate operators in the food and beverage industry. We also continued with verification testing of new services making use of blockchains (Note 1), such as electricity transactions and autonomous cars.

As a result of these efforts, sales in the Creation Segment totaled ¥2,007 million, and segment income amounted to ¥513 million.

(Note 1) Databases managed as chains of linked blocks of data that are extremely difficult to falsify

### Solution Segment

This segment primarily handles the consigned development and operation of systems, as well as advertising agency services. In consigned system development and managed services, we benefited from market expansion stemming from robust investment in IT. We continued to enjoy strong demand for commissioned development that leverages the expertise cultivated in the Creation Segment in such areas as app development, Web configuration, server design, system operation and monitoring, debugging and user support. These activities, which center on from-scratch development (Note 2), attest to our extensive expertise and track record in smartphones apps and server design.

In advertising agency services, we worked to expand goods handled and cultivate sales routes. However, as we reviewed the operating environment, which is being affected by policy changes on the sale of in-store content, we decided to take swift management measures and concentrate our resources on consigned development. Accordingly, we transferred the in-store affiliate services business at the end of February 2018.

Owing to these efforts, the Solution Segment generated sales of ¥1,885 million, and segment income was ¥155 million.

(Note 2) This type of system development involves development of all initial elements from the ground up, rather than customizing and adding functionality to specific package products.

**(2) Overview of Financial Condition**

As of May 31, 2018, total assets stood at ¥6,004 million, down ¥173 million from May 31, 2017. Current assets amounted to ¥4,849 million, down ¥77 million from a year earlier, affected primarily by a ¥36 million increase in cash and deposits, a ¥223 million decrease in notes and accounts receivable, and a ¥109 million decrease in allowance for doubtful accounts. Fixed assets amounted to ¥1,154 million at fiscal year-end, down ¥95 million. Principal factors included a ¥72 million rise in investments in securities, a ¥108 million decrease in software, a ¥45 million decrease in deferred tax assets, and a ¥9 million drop in guarantee deposits.

Total liabilities amounted to ¥790 million, down ¥166 million compared with May 31, 2017. Primary reasons were a ¥88 million decrease in trade accounts payable, a ¥21 million decrease in accounts payable—other, a ¥16 million drop in income taxes payable, a ¥27 million decrease in consumption taxes payable, and ¥8 million drop in long-term debt. Net assets decreased ¥7 million, to ¥5,213 million as of fiscal year-end, due to a ¥117 million increase in treasury stock and dividends from surplus despite the posting of net income attributable to owners of the parent, and a ¥31 million increase in net unrealized gains on other securities.

As measures pointing to the Company's stability, the equity ratio was 82.1%, the current ratio 1,110.2% and the fixed ratio 23.4%—indicating that Nihon Enterprise maintained its level of soundness.

**(3) Cash Flows****1) Overview**

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 ¥457 million. Primary sources of cash included income before income taxes and minority interests of ¥340 million (up 77.8% year on year), depreciation and amortization expenses of ¥224 million (up 8.0%), a decrease in notes and accounts receivable—trade of ¥128 million (in the previous fiscal year, an increase of ¥13 million). The main uses of cash were a decrease in notes and accounts payable—trade of ¥88 million (down 23.7%) and income taxes paid of ¥135 million (down 33.4%).

**(Cash flows from investing activities)**

Net cash provided by investing activities was ¥483 million. Among the major sources of cash were ¥909 million (up 30.4%) in proceeds from withdrawal of time deposits and ¥300 million (up 50.0%) in proceeds from withdrawal from long-term deposits. The primary uses of cash were, ¥144 million (down 54.7%) in payments for purchase of intangible assets, centering on software development related to the Creation Segment, and payments into time deposits of ¥519 million (down 42.1%).

**(Cash flows from financing activities)**

Net cash used in financing activities came to ¥215 million. The primary uses of cash were ¥80 million (down 33.2%) in cash dividends paid and payments of ¥117 million for the acquisition of treasury stock based on a Board of Directors resolution on January 31, 2018.

For the reasons outlined above, cash and cash equivalents at the end of the fiscal year amounted to ¥4,115 million, up ¥725 million from the end of the preceding fiscal year, as we used the cash provided by investing activities efficiently for capital expenditures and used the cash provided by operating activities to return profit to shareholders through dividends and the acquisition of treasury stock.

**2) Cash flow indicators**

	FY May 2014	FY May 2015	FY May 2016	FY May 2017	FY May 2018
Equity ratio (%)	75.7	81.6	83.5	80.2	82.1
Equity ratio based on market value (%)	155.8	219.7	172.6	170.1	144.4
Interest-bearing liabilities/cash flow ratio (years)	0.0	-	-	0.7	0.7
Interest coverage ratio (times)	6,521.0	-	986.0	122.0	137.7

(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.

#### **(4) Forecast for the Next Fiscal Year**

##### **Creation Segment**

This segment creates new lifestyles and new styles of business by providing services that leverage our own intellectual property. In content services centered on smartphone apps, the market for carrier platform services is shrinking, so we will ensure earnings through operational efficiency. At the same time, we will work to expand mainstay apps that do not rely on carrier platforms, strengthen alliances with other companies, develop and provide new content, and roll out services onto new platforms.

In addition, we will create new lifestyles and new styles of business by providing services that utilize our own rights and assets. These services include escrow services (Note 3) such as “Inaseri,” traffic information licensing services, mobile kitting services, package services to support corporate operations, speech technology services and other business support services.

##### **Solution Segment**

As a segment that proposes new value for client businesses through the development of IT solutions, in system development and managed services we will respond to an environment in which corporate investment in IT continues to rise by leveraging the expertise cultivated in the Creation Segment and providing IT solutions centering on consigned businesses.

Against a backdrop of work style reforms and the upcoming Tokyo Olympic Games, demand for AI (Note 4), IoT (Note 5) and security-related systems is growing. In response, we will step up sales and marketing efforts to cultivate IT demand.

At the same time, as we work to create our next pillar of business, we will expand device-related services by leveraging the various expertise and assets we have cultivated through “in-store affiliate” advertising services and mobile kitting services.

Through these initiatives, in the fiscal year ending May 31, 2019, we expect to deliver net sales of ¥3,895 million, up 0.1% year on year. We anticipate operating income of ¥285 million, up 62.9%; ordinary income of ¥345 million, up 34.0%; and net income attributable to owners of the parent of ¥175 million, up 5.3%.

(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.

(Note 4) Artificial intelligence (AI): Technology for relegating human intellectual activity to computers

(Note 5) Internet of Things (IoT): A framework for controlling and recognizing physical items connected via the Internet

#### **(5) Fundamental Policy for Profit Distributions and Dividends in Current and Next Fiscal Years**

Nihon Enterprise places a high management priority on returning 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 ¥2.00 per share. For the upcoming fiscal year, we plan to award a dividend of ¥2.00 per share.

## **2. 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

**3. Consolidated Financial Statements****(1) Consolidated Balance Sheets**

(Thousands of yen)

	End of FY May 2017 (May 31, 2017)	End of FY May 2018 (May 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	4,168,975	4,205,000
Notes and accounts receivable	*2 657,483	*2 434,101
Merchandise	3,470	1,076
Work in process	54,569	61,299
Supplies	393	446
Deferred tax assets	24,559	22,573
Accrued revenue	76,074	70,474
Other	85,989	89,617
Less: Allowance for doubtful accounts	-144,087	-34,708
Total current assets	4,927,428	4,849,882
Fixed assets		
Property, plant and equipment		
Buildings	101,474	76,977
Less: Accumulated depreciation	-75,825	-54,707
Buildings, net	25,648	22,269
Machinery and equipment	369,947	389,629
Less: Accumulated depreciation	-23,594	-45,905
Machinery and equipment, net	346,352	343,724
Land	12,400	12,400
Other	164,768	99,654
Less: Accumulated depreciation	-136,038	-72,462
Other, net	28,729	27,191
Total property, plant and equipment	413,131	405,585
Intangible assets		
Goodwill	545	293
Software	530,644	422,538
Other	7,627	9,244
Total intangible assets	538,817	432,076
Investments and other assets		
Investment securities	*1 97,265	*1 170,023
Guarantee deposits	93,254	83,932
Long-term loans receivable	102	-
Deferred tax assets	94,191	49,117
Long-term bonds	8,796	-
Other	14,042	14,084
Less: Allowance for doubtful accounts	-8,796	-
Total investments and other assets	298,856	317,156
Total fixed assets	1,250,804	1,154,818
<b>Total assets</b>	<b>6,178,233</b>	<b>6,004,700</b>

(Thousands of yen)

	End of FY May 2017 (May 31, 2017)	End of FY May 2018 (May 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	183,265	94,588
Current portion of long-term debt	*2 21,996	*2 23,496
Income taxes payable	77,869	61,470
Consumption taxes payable	62,632	35,150
Other	258,128	222,128
Total current liabilities	603,890	436,834
Long-term liabilities		
Long-term debt	*2 286,008	*2 277,387
Retirement benefit liabilities	44,419	51,970
Other	22,795	24,592
Total long-term liabilities	353,223	353,950
Total liabilities	957,113	790,784
<b>Net assets</b>		
Shareholders' equity		
Common stock	1,104,977	1,107,915
Capital surplus	981,084	984,096
Retained earnings	2,827,200	2,912,185
Treasury stock	-	-117,120
Total shareholders' equity	4,913,262	4,887,077
Accumulated other comprehensive income		
Net unrealized gains on other securities	13,039	44,672
Foreign currency translation adjustment	28,758	-
Total accumulated other comprehensive income	41,798	44,672
Stock acquisition rights	3,479	3,827
Minority interests	262,578	278,339
Total net assets	5,221,119	5,213,916
<b>Total liabilities and net assets</b>	<b>6,178,233</b>	<b>6,004,700</b>



## (2) Consolidated Statements of Income and Comprehensive Income

## Consolidated Statements of Income

(Thousands of yen)

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
Net sales	4,838,327	3,892,954
Cost of sales	2,876,860	2,258,474
Gross profit	1,961,467	1,634,480
Selling, general and administrative expenses	*1,*2 1,769,443	*1,*2 1,459,518
Operating income	192,023	174,961
Non-operating income		
Interest income	740	205
Dividend income	1,421	586
Rental income	1,332	1,332
Business consignment commissions	5,900	900
Subsidy income	24,281	82,735
Contributions received	5,006	-
Foreign exchange gains	31	-
Other	4,214	2,211
Total non-operating income	42,927	87,971
Non-operating expenses		
Interest expenses	3,544	3,347
Commission fees	353	353
Foreign exchange losses	-	409
Cancellation penalty	-	605
Commission for purchase of treasury stock	-	585
Others	1,069	235
Total non-operating expenses	4,967	5,536
Ordinary income	229,983	257,397
Extraordinary income		
Gains on sales of investments in securities	83,528	-
Gains on sales of property, plant and equipment	*3 2,519	*3 492
Gain on bad debt recovered	19,615	-
Gain on sales of investment in capital of subsidiaries and associates	-	21,448
Gain on transfer of business	-	143,000
Total extraordinary income	105,663	164,941
Extraordinary losses		
Losses on disposal of property, plant and equipment	*4 30,667	*4 4,600
Impairment losses	*5 35,442	*5 77,280
Loss on valuation of shares of subsidiaries and associates	45,603	-
Loss on sales of shares of subsidiaries and associates	22,912	-
Other extraordinary losses	9,576	-
Total extraordinary losses	144,202	81,881
Income before income taxes and minority interests	191,445	340,457
Income, residential and enterprise taxes	129,553	110,732
Income tax adjustment	-71,878	33,099
Total income taxes	57,675	143,831
Net income	133,769	196,625
Net income attributable to non-controlling interests	34,224	30,506
Net income attributable to owners of the parent	99,545	166,118

## Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
Net income	133,769	196,625
Other comprehensive income		
Net unrealized gains on other securities	-34,080	31,632
Foreign currency translation adjustment	-13,299	-28,758
Total other comprehensive income	-47,380	2,873
Comprehensive income	86,389	199,499
(Breakdown)		
Comprehensive income attributable to owners of the parent	52,165	168,992
Comprehensive income attributable to non-controlling interests	34,224	30,506

**(3) Consolidated Statements of Changes in Shareholders' Equity**

Previous fiscal year (June 1, 2016 to May 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of the fiscal year	1,104,360	982,311	2,851,486	-	4,938,158
Adjustments during the fiscal year					
Dividends from surplus			-121,673		-121,673
Changes in the scope of consolidation			-2,158		-2,158
Acquisition of treasury stock					-
Issuance of new shares - exercise of subscription rights to shares	617	617			1,235
Change in treasury shares of parent arising from transactions with non-controlling shareholders		-1,844			-1,844
Net income attributable to owners of the parent			99,545		99,545
Net changes during the year to items other than shareholders' equity					
Total adjustments during the fiscal year	617	-1,227	-24,285	-	-24,895
Balance at the end of the fiscal year	1,104,977	981,084	2,827,200	-	4,913,262

	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	47,120	42,057	89,178	2,052	187,668	5,217,058
Adjustments during the fiscal year						
Dividends from surplus						-121,673
Changes in the scope of consolidation						-2,158
Acquisition of treasury stock						-
Issuance of new shares - exercise of subscription rights to shares						1,235
Change in treasury shares of parent arising from transactions with non-controlling shareholders						-1,844
Net income attributable to owners of the parent						99,545
Net changes during the year to items other than shareholders' equity	-34,080	-13,299	-47,380	1,426	74,909	28,956
Total adjustments during the fiscal year	-34,080	-13,299	-47,380	1,426	74,909	4,060
Balance at the end of the fiscal year	13,039	28,758	41,798	3,479	262,578	5,221,119

Nihon Enterprise Co., Ltd. (4829) Financial Results for the Fiscal Year Ended May 2018

Current fiscal year (June 1, 2017 to May 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of the fiscal year	1,104,977	981,084	2,827,200	-	4,913,262
Adjustments during the fiscal year					
Dividends from surplus			-81,134		-81,134
Changes in the scope of consolidation					-
Acquisition of treasury stock				-117,120	-117,120
Issuance of new shares - exercise of subscription rights to shares	2,938	2,938			5,876
Change in treasury shares of parent arising from transactions with non-controlling shareholders		74			74
Net income attributable to owners of the parent			166,118		166,118
Net changes during the year to items other than shareholders' equity					
Total adjustments during the fiscal year	2,938	3,012	84,984	-117,120	-26,185
Balance at the end of the fiscal year	1,107,915	984,096	2,912,185	-117,120	4,887,077

	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	13,039	28,758	41,798	3,479	262,578	5,221,119
Adjustments during the fiscal year						
Dividends from surplus						-81,134
Changes in the scope of consolidation						-
Acquisition of treasury stock						-117,120
Issuance of new shares - exercise of subscription rights to shares						5,876
Change in treasury shares of parent arising from transactions with non-controlling shareholders						74
Net income attributable to owners of the parent						166,118
Net changes during the year to items other than shareholders' equity	31,632	-28,758	2,873	347	15,761	18,982
Total adjustments during the fiscal year	31,632	-28,758	2,873	347	15,761	-7,202
Balance at the end of the fiscal year	44,672	-	44,672	3,827	278,339	5,213,916

## (4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	191,445	340,457
Depreciation	244,541	224,987
Amortization of goodwill	18,591	251
Impairment losses	35,442	77,280
Loss on valuation of stocks of subsidiaries and affiliates	45,603	-
(Gain) loss on sales of stocks of subsidiaries and affiliates	22,912	-
Increase (decrease) in provision for allowance for doubtful accounts	105,917	-6,015
Increase (decrease) in provision for directors' bonuses	300	-
Increase (decrease) in retirement benefit liabilities	6,167	7,550
Interest income and dividend income	-2,161	-792
Interest expenses	3,544	3,347
Foreign exchange (gains) losses	-31	-31
Loss (gain) on sales of investments in securities	-83,528	-
Loss (gain) on sales of investments in capital of subsidiaries and associates	-	-21,448
Loss (gain) on sales of property, plant and equipment	-2,519	-492
Losses on disposal of property, plant and equipment	30,667	4,600
Decrease (increase) in notes and accounts receivable—trade	-13,341	128,480
Decrease (increase) in inventories	57,511	-4,324
Increase (decrease) in notes and accounts payable—trade	-116,418	-88,872
Increase (decrease) in consumption taxes payable	72,260	-25,950
(Increase) decrease in other current assets	-704	5,813
Increase (decrease) in other current liabilities	7,045	-49,067
Other	10,583	-378
Subtotal	633,828	595,394
Interest and dividend income received	2,677	823
Interest expenses paid	-3,516	-3,319
Income taxes paid	-203,988	-135,768
Net cash provided by operating activities	429,002	457,130

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
<b>Cash flows from investing activities</b>		
Payments into time deposits	-895,932	-519,180
Proceeds from withdrawal of time deposits	697,042	909,080
Proceeds from withdrawal from long-term deposits	200,000	300,000
Payments for purchase of property, plant and equipment	-32,859	-33,799
Proceeds from sales of property, plant and equipment	2,519	492
Payments for purchase of intangible assets	-319,339	-144,774
Payments for purchase of investments in securities	-1,000	-884
Proceeds from sales of investments in securities	202,856	-
Purchase of investments in subsidiaries	-24,500	-1,000
Purchase of stocks of subsidiaries and affiliates	-	-26,280
Proceeds from sales of stocks of subsidiaries and affiliates	9,587	-
Proceeds from sale of investments in subsidiaries resulting in change in scope of consolidation	-	*2 -2,591
Purchase of memberships	-5,400	-
Payments for loans receivable	-850	-
Collection of loans receivable	1,806	1,477
Payments of guarantee deposits	-3,052	-4,078
Proceeds from collection of guarantee deposits	5,729	4,703
Other	-630	-
Net cash provided by investing activities	-164,022	483,165
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	200,000	100,000
Repayment of short-term borrowings	-200,000	-100,000
Proceeds from long-term debt	-	15,000
Repayment of long-term debt	-21,996	-22,121
Repayment of lease obligations	-	-1,010
Proceeds from issuance of common shares	1,026	4,881
Purchase of investments in subsidiaries that do not result in change in scope of consolidation	-5,130	-
Proceeds from sales of investments in subsidiaries that do not result in change in scope of consolidation	4,188	-
Payment for acquisition of treasury stock	-	-117,120
Cash dividends paid	-121,281	-80,962
Cash dividends paid to non-controlling interests	-9,289	-15,901
Other	1,022	2,230
Net cash used in financing activities	-151,459	-215,003
Effect of exchange rate changes on cash and cash equivalents	-1,847	631
Net increase (decrease) in cash and cash equivalents	111,672	725,924
Cash and cash equivalents at the beginning of the year	3,253,828	3,389,485
Increase in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	23,984	-
Cash and cash equivalents at the end of the year	*1 3,389,485	*1 4,115,410

**(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 Creation Segment and the Solution Segment.

From the fiscal year under review, the Nihon Enterprise Group has revised its business model in line with the changes in society's use of information technology in recent years, substantially expanding its business domain. To match the changes in the Group's operating environment and disclose management information more appropriately, we have decided to change our two reportable segments from the Mobile Content Segment and the Solution Segment to the Creation Segment and the Solution Segment.

We have prepared segment information for the previous fiscal year according to the post-revision segments. This information is provided in "3. Information on sales, income or losses, and other items for each reportable segment."

An overview of the new segments is as follows.

**Creation Segment**

This segment aims to foster the creation of new lifestyles and new styles of business by providing services that utilize our own rights and assets. These services include those offered by the former Mobile Content Segment, centering on app services for smartphones; escrow services such as "Inaseri" in the former Solution Segment; package services to support corporate operations; advertising services that introduce our own apps; speech technology services; information licensing services; and solar power generation.

**Solution Segment**

In addition to consigned and other development services and managed services, this segment proposes new value to customers through advertising agency services, which center on "in-store affiliates," and overseas services and other IT solutions.

**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, 2016 to May 31, 2017)**

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Creation Segment	Solution Segment	Subtotal		
Net sales					
Sales—External Customers	2,363,198	2,475,129	4,838,327	-	4,838,327
Sales and transfer— intersegment	11,523	122,296	133,820	-133,820	-
Total	2,374,721	2,597,426	4,972,148	-133,820	4,838,327
Segment income or loss	748,755	-55,155	693,600	-501,576	192,023
Other items					
Depreciation	206,165	32,077	238,243	6,297	244,541

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥482,985 thousand and amortization of goodwill of ¥18,591 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 business segments.

## Current fiscal year (June 1, 2017 to May 31, 2018)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Creation Segment	Solution Segment	Subtotal		
Net sales					
Sales—External Customers	2,007,346	1,885,608	3,892,954	-	3,892,954
Sales and transfer—intersegment	26,625	96,442	123,068	-123,068	-
Total	2,033,971	1,982,051	4,016,023	-123,068	3,892,954
Segment income	513,267	155,387	668,654	-493,692	174,961
Other items					
Depreciation	197,439	19,180	216,620	8,366	224,987

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥493,441 thousand and amortization of goodwill of ¥251 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.

## (Per-Share Data)

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
Net assets per share	¥122.14	¥122.89
Net income per share	¥2.45	¥4.11
Diluted net income per share	¥2.45	¥4.11

(Note) The basis for calculating net income per share and diluted net income per share is as follows.

	FY May 2017 (June 1, 2016 to May 31, 2017)	FY May 2018 (June 1, 2017 to May 31, 2018)
Net income per share		
Net income attributable to owners of the parent (Thousands of yen)	99,545	166,118
Net income not attributable to ordinary shareholders (Thousands of yen)	—	—
Net income attributable to owners of the parent related to common stock (Thousands of yen)	99,545	116,118
Average number of shares outstanding during the period	40,562,629	40,427,472
Diluted net income per share		
Adjusted net income attributable to owners of the parent (Thousands of yen)	—	—
Increase in common stock (shares)	41,123	22,190
(Of which, stock acquisition rights)	(41,123)	(22,190)
Overview of potentially dilutive shares not included in the calculation of diluted net income per share because they have no dilutive effect	Stock options resolved at a Board of Directors meeting on February 17, 2017 Stock acquisition rights: 250 (Shares of common stock: 25,000)	Stock options resolved at a Board of Directors meeting on February 17, 2017 Stock acquisition rights: 193 (Shares of common stock: 19,300)



**(Material Subsequent Events)**

Nothing to report.