

# Consolidated Financial Results for the Fiscal Year Ended May 2020 (Japanese Accounting Standards)

July 10, 2020

Company Name: Nihon Enterprise Co., Ltd. Stock Listing: Tokyo Stock Exchange  
 Stock Code: 4829 URL: <https://www.nihon-e.co.jp/en/>  
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 Date of Regular Ordinary Meeting of Shareholders (Planned): August 27, 2020  
 Date of Dividend Payment (Planned): August 28, 2020  
 Date of Financial Statement Filing (Planned): August 27, 2020  
 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 2020 (June 1, 2019–May 31, 2020)

### (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 2020	3,588	5.1	267	10.3	310	6.0	176	80.5
FY May 2019	3,413	(12.3)	242	38.5	292	13.7	97	(41.1)

(Note) Comprehensive Income: ¥207 million in FY May 2020 (up 148.7%) ¥83 million in FY May 2019 (down 58.1%)

	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 2020	4.40	—	3.6	5.1	7.4
FY May 2019	2.44	—	2.0	4.9	7.1

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

FY May 2020: ¥ --- million FY May 2019: ¥ --- million

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2020	6,200	5,326	80.9	124.91
FY May 2019	6,035	5,213	81.4	122.48

(Reference) Equity: FY May 2020: ¥5,013 million FY May 2019: ¥4,915 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 2020	632	(85)	(116)	4,685
FY May 2019	289	(46)	(119)	4,255

## 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 2019	—	0.00	—	2.00	2.00	80	82.0	1.6
FY May 2020	—	0.00	—	2.00	2.00	80	45.5	1.6
FY May 2021(Planned)	—	0.00	—	2.50	2.50		50.2	

## 3. Consolidated Financial Forecasts for the Fiscal Year Ending May 2021 (June 1, 2020–May 31, 2021)

(% 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	4,000	11.5	340	27.2	340	9.6	200	4.98

(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): None

Newly consolidated: None

Removed from consolidation: None

(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 2020	40,133,000 shares	FY May 2019	40,613,000 shares
FY May 2020	— shares	FY May 2019	480,000 shares
FY May 2020	40,133,000 shares	FY May 2019	40,132,922 shares

(Reference) Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended May 2020 (June 1, 2019–May 31, 2020)

(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 2020	1,429	13.9	(20)	—	110	(26.8)	94	589.8
FY May 2019	1,255	(22.5)	17	24.2	150	23.6	13	7.1

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
FY May 2020	2.37	—
FY May 2019	0.34	—

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2020	4,465	4,224	94.5	105.15
FY May 2019	4,437	4,208	94.7	104.75

(Reference) Equity: FY May 2020: ¥4,220 million FY May 2019: ¥4,204 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 14, 2020. The presentation materials to be used at that meeting are scheduled to be posted on the Company's website on that day.

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## 1. Overview of Operating Performance and Financial Condition

### (1) Overview of Operating Performance

For the Japanese economy in the current consolidated fiscal year, the impact of the consumption tax hike has gradually eased, and individual consumption started moving towards recovery. However, the situation has changed significantly due to the spread of COVID-19. The outlook remained uncertain due to concerns over the coronavirus impact on domestic and global economies and fluctuations in the financial and capital markets.

Under such economic conditions, the environment surrounding the IT service industry related to our Group has remained robust as there has been an increased desire to invest in the expansion of utilization of IoT (Note 1) and AI (Note 2) aimed at business growth, streamlining of business processes to enhance the productivity of companies and RPA such as automation (Note 3). As for the future investment trends of companies, it is necessary to pay ample attention to how IT investment plans will be revised or restricted in response to the spread of COVID-19.

Under these conditions, the Nihon Enterprise Group has 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, operational support, and other services.

As a result, during the year under review, net sales came to ¥3,588 million, up 5.1% from the preceding fiscal year. Operating income increased 10.3%, to ¥267 million; ordinary income increased 6.0%, to ¥310 million; and net income attributable to owners of the parent increased 80.5%, to ¥176 million.

Regarding the impact of the spread of COVID-19 on business performance, in business support services (creation business)" and "solution business" that target corporations, the number of cancellations and significant reductions was small in projects that were received before the impact of the COVID-19 pandemic became serious or even after the signs of such impact were seen. Also, in "content services (creation business)" for general consumers, as the so-called "stay-home consumption" is booming due to at-home consumption activities and telecommuting, demand in such an environment is expected. Thus, the impact on our Group's business performance has been minor.

(Note 1) Internet of Things (IoT): A framework for controlling and recognizing physical items connected via the Internet

(Note 2) Artificial intelligence (AI): Technology for relegating human intellectual activity to computers

(Note 3) Robotic Process Automation (RPA): Efforts to streamline and automate operations using the cognitive technology

### Creation Segment

This segment provides services that utilize the rights and assets owned by our Company. In its "content services" for general consumers, our company continued operating efficiently with flat-rate content to secure profits, as the platform market operated by telecommunications carriers shrinks. Also, it promoted content usage and introduction of new titles on platforms operated by non-telecommunications carriers such as App Store and Google Play. As a result, entertainment content centered on games has improved. Additionally, our company worked on increasing the number of users in the fresh fish e-commerce "Inaseri Market," as people are refraining from eating out due to social distancing.

In the "business support services" for corporations, in addition to various services such as traffic information, education, tourism, procurement and audio, entrusted development using services developed by our Company remained firm, as companies attempt to improve business efficiency and increase cloud utilization. In particular, in kitting support where the market is growing since companies have a demand for replacement of smartphones and other devices, our company promoted the introduction of support tools such as kitting RPA tool "Kitting-One" mainly to major companies. This led to significant growth and the largest sales in the current consolidated cumulative period since the segment change in the fiscal year ending May 2018.

On the other hand, in the fresh fish e-commerce "Inaseri" for restaurant businesses, we have been working on developing the restaurant business and increasing the number of products through cooperating with the Wholesale Cooperative of Tokyo Fish Market. However, orders from restaurant businesses were affected by the trend of refraining from eating out, and their orders decreased. Also, we have continued to work on demonstration projects such as electric power transactions using block chains (Note 4).

As a result of these efforts, sales in the Creation Segment totaled ¥2,047 million, and segment income amounted to ¥636 million.

(Note 4) Databases managed as chains of linked blocks of data that are extremely difficult to falsify

### Solution Segment

The main task of this segment is entrusted development and operation for corporate systems. In its "system development and operation services," the abundant know-how and achievements of a smartphone application and server construction were highly evaluated as the market expanded due to corporate IT investment. Thus, we have promoted entrusted development utilizing the know-how cultivated in the creation business, such as application development centered on scratch development (Note 5), website development, server construction, system operation and monitoring, debugging, and user support.

Moreover, the sales of business support services for dealing with the critical problem of labor shortages have expanded. Also, we have been promoting the development of AI, IoT, and security-related services which are new business areas.

Meanwhile, to create a terminals and peripherals business that is expected to grow in the future, we strived to further build a business model while expanding the purchase and sales of used terminals (smartphones, etc.) centering on the kitting support that we are focusing on in the creation business.

Owing to these efforts, the Solution Segment generated sales of ¥1,540 million, and segment income was ¥186 million.

(Note 5) 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

The status of assets, liabilities, and net assets at the end of the current consolidated fiscal year is as follows.

At the end of the current consolidated fiscal year, total assets increased 164 million yen year on year to 6,200 million yen. Current assets rose 211 million yen year on year to 5,365 million yen mainly due to an increase in cash and deposits of 370 million yen and a decline in notes and accounts receivable of 117 million yen. Fixed assets declined 46 million yen year on year to 834 million yen, primarily due to a decrease of 40 million yen in software.

Liabilities augmented 51 million yen year on year to 873 million yen, mainly due to an increase in accrued income taxes of 6 million yen and in accrued consumption taxes of 40 million yen. Regarding net assets, although there was a dividend payment from the surplus, due to the recording of net income attributable to owners of the parent company of 176 million yen and the increase in non-controlling interests of 16 million yen, net assets rose 113 million yen year on year to 5,326 million yen.

As measures pointing to the Company's stability, the equity ratio was 80.9%, the current ratio 948.0%, and the fixed ratio 16.6%—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 632 million yen. Cash increased due to a net income before taxes and other adjustments of 287 million yen (up 6.4% year on year), depreciation and amortization expenses of 176 million yen (down 8.9%), an impairment loss of 26 million yen (down 40.0%), trade receivables decreasing 117 million yen (trade receivables increased 89 million yen in the previous consolidated fiscal year), and rise in funds due to settlement receipts of 64 million yen. This offset the decrease in cash due to a decrease in allowance for doubtful accounts of 33 million yen (up 3,186.1%) and payment of income taxes of 75 million yen (down 29.8%).

#### (Cash flows from investing activities)

Net cash used in investing activities was 85 million yen. Although there were proceeds from the refund of time deposits of 109 million yen (down 8.2%) and proceeds from the sales of investment securities of 9 million (down 84.5% year on year), we spent 144 million yen (up 13.2%) for the acquisition of intangible fixed assets, mainly software development related to the creation business, and 49 million yen (down 58.5%) for payments into time deposits.

#### (Cash flows from financing activities)

Net cash used in financing activities came to ¥116 million. The primary uses of cash were ¥79 million (down 0.1%) in cash dividends paid and ¥21 million (down 8.3%) in repayment of long-term debt.

As outlined above, we used the cash provided by operating activities efficiently for capital expenditures and profit return to shareholders through dividends. As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥4,685 million, up ¥430 million from the end of the preceding fiscal year.

### 2) Cash flow indicators Changes in the Group's cash flow indices are shown below.

	FY May 2016	FY May 2017	FY May 2018	FY May 2019	FY May 2020
Equity ratio (%)	83.5	80.2	82.1	81.4	80.9
Equity ratio based on market value (%)	172.6	170.1	144.4	105.7	179.9
Interest-bearing liabilities/cash flow ratio (years)	-	0.7	1.0	1.0	0.4
Interest coverage ratio (times)	986.0	122.0	94.6	90.5	230.1

(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. Regarding "Cash flow to interest-bearing debt ratio" for the term ended May 2016, there is no balance of interest-bearing debt at the end of the term. Therefore, it is not listed.

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

The global economy is declining due to the spread of COVID-19. Yet, at the same time, the environment is expected to accelerate digital transformation (DX) (Note 6) in society.

Under such circumstances, the Group will not only strengthen existing services, but will actively promote the creation of new services towards the digitalization of society as a whole.

##### **Creation Segment**

Regarding content services, which are centered on smartphone apps that create new lifestyles by providing services that utilize our Company's IP, we will secure profitability through efficient operations as the service market for platforms operated by telecommunications carriers shrinks. Also, we will promote the use of the content on platforms operated by non-telecommunications carriers, launch new titles, and promote platform-independent service development.

As for business support services that create new business styles by providing corporate services that utilize the rights and assets owned by our company, we will actively promote kitting support, procurement support, education support, traffic information service, voice technology services, and escrow services (Note 7) such as "Inaseri."

##### **Solution Segment**

Regarding system development and operation service whose main task is entrusted development and operation of corporate systems, as IT investment is accelerated by companies for AI, IoT, and security-related systems triggered by 5G and DX, we will utilize the know-how cultivated in the creation business to provide customers with new values through IT solutions and business support services centered on the business of undertaking tasks.

On the other hand, to create the next pillar of our business, we will utilize a variety of know-how and assets to expand the peripheral device services and expand the sales of coronavirus countermeasure products as the virus spreads.

Through these initiatives, in the fiscal year ending May 31, 2021, we expect to deliver net sales of ¥4,000 million, up 11.5% year on year. We anticipate operating income of ¥340 million, up 27.2%; ordinary income of ¥340 million, up 9.6%; and net income attributable to owners of the parent of ¥200 million, up 13.3%.

(Note 6) Digital transformation (DX) means that companies respond to drastic changes in the business environment, and use data and digital technologies to transform products, services, and business models based on the needs of customers and society, as well as revolutionize the business itself, organizations, processes, and corporate culture to establish a competitive advantage.

(Note 7) 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.

#### **(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 ¥2.50 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 domestic companies in the industry.

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

(Thousands of yen)

	End of FY May 2019 (May 31, 2019)	End of FY May 2020 (May 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	4,345,449	4,715,635
Notes and accounts receivable	*2 567,088	*2 449,563
Merchandise	4,679	7,782
Work in process	69,515	*3 76,329
Supplies	241	585
Accrued revenue	67,827	2,570
Other	133,421	113,763
Less: Allowance for doubtful accounts	-33,696	-454
Total current assets	5,154,527	5,365,774
Fixed assets		
Property, plant and equipment		
Buildings	77,011	79,856
Less: Accumulated depreciation	-56,985	-60,164
Buildings, net	20,025	19,691
Machinery and equipment	389,629	389,629
Less: Accumulated depreciation	-68,893	-91,881
Machinery and equipment, net	320,736	297,748
Land	12,400	12,400
Other	97,923	106,618
Less: Accumulated depreciation	-78,888	-86,114
Other, net	19,035	20,503
Total property, plant and equipment	372,197	350,343
Intangible assets		
Goodwill	41	-
Software	325,829	285,078
Other	8,826	20,913
Total intangible assets	334,697	305,992
Investments and other assets		
Investment securities	*1 58,340	*1 56,936
Guarantee deposits	72,842	73,787
Deferred tax assets	39,248	44,446
Other	3,682	3,158
Total investments and other assets	174,114	178,329
Total fixed assets	881,008	834,664
Total assets	6,035,536	6,200,439

## Nihon Enterprise Co., Ltd. (4829) Financial Results for the Fiscal Year Ended May 2020

(Thousands of yen)

	End of FY May 2019 (May 31, 2019)	End of FY May 2020 (May 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable–trade	130,849	105,373
Current portion of long-term debt	*2 23,496	*2 25,454
Income taxes payable	52,628	59,466
Consumption taxes payable	26,983	67,882
Provision for loss on order received	-	*3 1,716
Other	258,976	306,107
Total current liabilities	492,933	566,001
Long-term liabilities		
Long-term debt	*2 253,891	*2 230,395
Retirement benefit liabilities	55,284	61,786
Other	20,035	15,477
Total long-term liabilities	329,210	307,659
Total liabilities	822,144	873,660
<b>Net assets</b>		
Shareholders' equity		
Common stock	1,108,017	1,108,017
Capital surplus	984,701	984,572
Retained earnings	2,938,832	2,918,043
Treasury stock	-117,120	-
Total shareholders' equity	4,914,430	5,010,632
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,199	2,523
Total accumulated other comprehensive income	1,199	2,523
Stock acquisition rights	4,378	4,186
Minority interests	293,383	309,436
Total net assets	5,213,391	5,326,778
Total liabilities and net assets	6,035,536	6,200,439



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

## Consolidated Statements of Income

(Thousands of yen)

	FY May 2019 (June 1, 2018 to May 31, 2019)	FY May 2020 (June 1, 2019 to May 31, 2020)
Net sales	3,413,752	3,588,257
Cost of sales	1,856,651	*1 2,042,337
Gross profit	1,557,100	1,545,919
Selling, general and administrative expenses	*2, *3 1,314,818	*2, *3 1,278,629
Operating income	242,282	267,289
Non-operating income		
Interest income	169	166
Dividend income	690	32
Rental income	1,332	1,332
Business consignment commissions	600	600
Subsidy income	42,700	35,391
Settlement received	-	4,704
Other	8,860	4,355
Total non-operating income	54,353	46,580
Non-operating expenses		
Interest expenses	3,197	2,971
Commission fees	353	385
Foreign exchange losses	83	58
Others	272	266
Total non-operating expenses	3,906	3,681
Ordinary income	292,728	310,188
Extraordinary income		
Gains on sales of investments in securities	40,010	6,606
Gains on sales of property, plant and equipment	*4 31	*4 453
Total extraordinary income	40,042	7,060
Extraordinary losses		
Losses on disposal of property, plant and equipment	*5 9,773	*5 2,907
Impairment losses	*6 45,016	*6 26,997
Cancellation penalty	*7 8,000	-
Total extraordinary losses	62,789	29,904
Income before income taxes and minority interests	269,980	287,343
Income, residential and enterprise taxes	91,301	86,572
Income tax adjustment	51,628	-5,782
Total income taxes	142,929	80,790
Net income	127,051	206,553
Net income attributable to non-controlling interests	29,224	29,957
Net income attributable to owners of the parent	97,827	176,596

Nihon Enterprise Co., Ltd. (4829) Financial Results for the Fiscal Year Ended May 2020

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2019 (June 1, 2018 to May 31, 2019)	FY May 2020 (June 1, 2019 to May 31, 2020)
Net income	127,051	206,553
Other comprehensive income		
Net unrealized gains on other securities	-43,472	1,323
Total other comprehensive income	-43,472	1,323
Comprehensive income	83,578	207,877
(Breakdown)		
Comprehensive income attributable to owners of the parent	54,354	177,920
Comprehensive income attributable to non-controlling interests	29,224	29,957

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

Previous fiscal year (June 1, 2018 to May 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of the fiscal year	1,107,915	984,096	2,912,185	-117,120	4,887,077
Adjustments during the fiscal year					
Dividends from surplus			-80,264		-80,264
Issuance of new shares - exercise of subscription rights to shares	101	101			202
Change in treasury shares of parent arising from transactions with non-controlling shareholders		503			503
Increase following business integration			9,084		9,084
Net income attributable to owners of the parent			97,827		97,827
Net changes during the year to items other than shareholders' equity					
Total adjustments during the fiscal year	101	604	26,647	-	27,353
Balance at the end of the fiscal year	1,108,017	984,701	2,938,832	-117,120	4,914,430

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	44,672	44,672	3,827	278,339	5,213,916
Adjustments during the fiscal year					
Dividends from surplus					-80,264
Issuance of new shares - exercise of subscription rights to shares					202
Change in treasury shares of parent arising from transactions with non-controlling shareholders					503
Increase following business integration					9,084
Net income attributable to owners of the parent					97,827
Net changes during the year to items other than shareholders' equity	-43,472	-43,472	550	15,043	-27,878
Total adjustments during the fiscal year	-43,472	-43,472	550	15,043	-524
Balance at the end of the fiscal year	1,199	1,199	4,378	293,383	5,213,391

## Nihon Enterprise Co., Ltd. (4829) Financial Results for the Fiscal Year Ended May 2020

Current fiscal year (June 1, 2019 to May 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the start of the fiscal year	1,108,017	984,701	2,938,832	-117,120	4,914,430
Adjustments during the fiscal year					
Dividends from surplus			-80,266		-80,266
Change in treasury shares of parent arising from transactions with non-controlling shareholders		-128			-128
Retirement of treasury shares			-117,120	117,120	-
Net income attributable to owners of the parent			176,596		176,596
Net changes during the year to items other than shareholders' equity					
Total adjustments during the fiscal year	-	-128	-20,789	117,120	96,201
Balance at the end of the fiscal year	1,108,017	984,572	2,918,043	-	5,010,632

	Accumulated other comprehensive income		Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	1,199	1,199	4,378	293,383	5,213,391
Adjustments during the fiscal year					
Dividends from surplus					-80,266
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-128
Retirement of treasury shares					-
Net income attributable to owners of the parent					176,596
Net changes during the year to items other than shareholders' equity	1,323	1,323	-191	16,053	17,185
Total adjustments during the fiscal year	1,323	1,323	-191	16,053	113,386
Balance at the end of the fiscal year	2,523	2,523	4,186	309,436	5,326,778

## (4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	FY May 2019 (June 1, 2018 to May 31, 2019)	FY May 2020 (June 1, 2019 to May 31, 2020)
Cash flows from operating activities		
Income before income taxes and minority interests	269,980	287,343
Depreciation	193,982	176,758
Amortization of goodwill	251	41
Impairment losses	45,016	26,997
Cancellation penalty	8,000	-
Increase (decrease) in provision for allowance for doubtful accounts	-1,011	-33,241
Increase (decrease) in retirement benefit liabilities	3,314	6,502
Increase (decrease) in provision for loss on order received	-	1,716
Interest income and dividend income	-859	-198
Interest expenses	3,197	2,971
Foreign exchange (gains) losses	83	58
Cash surrender value of insurance	-4,975	-
Settlement received	-	-4,704
Loss (gain) on sales of investments in securities	-40,010	-6,606
Loss (gain) on sales of property, plant and equipment	-31	-453
Losses on disposal of property, plant and equipment	9,773	2,907
Decrease (increase) in notes and accounts receivable—trade	-89,317	117,525
Decrease (increase) in inventories	-11,613	-10,260
Increase (decrease) in notes and accounts payable—trade	35,289	-18,564
Decrease/increase in consumption taxes receivable/payable	-10,058	44,279
(Increase) decrease in other current assets	-33,445	13,842
Increase (decrease) in other current liabilities	30,210	41,027
Other	24	-2,046
Subtotal	407,800	645,897
Interest and dividend income received	859	201
Interest expenses paid	-3,197	-2,748
Cancellation penalty paid	-8,000	-
Settlement package received	-	64,814
Income taxes paid	-108,125	-75,903
Net cash provided by (used in) operating activities	289,337	632,262

	FY May 2019 (June 1, 2018 to May 31, 2019)	FY May 2020 (June 1, 2019 to May 31, 2020)
Cash flows from investing activities		
Payments into time deposits	-119,380	-49,580
Proceeds from withdrawal of time deposits	119,280	109,480
Payments for purchase of property, plant and equipment	-5,332	-12,799
Proceeds from sales of property, plant and equipment	34	-
Payments for purchase of intangible assets	-128,132	-144,997
Proceeds from sales of intangible assets	-	4,000
Proceeds from sales of investments in securities	64,001	9,918
Proceeds from sales of membership	5,700	-
Payments for loans receivable	-790	-
Collection of loans receivable	278	613
Payments of guarantee deposits	-713	-5,366
Proceeds from collection of guarantee deposits	9,445	3,316
Proceeds from cancellation of insurance funds	8,683	-
Net cash provided by (used in) investing activities	-46,925	-85,415
Cash flows from financing activities		
Proceeds from short-term borrowings	180,000	150,000
Repayment of short-term borrowings	-180,000	-150,000
Repayment of long-term debt	-23,496	-21,538
Repayment of lease obligations	-1,248	-1,248
Proceeds from issuance of common shares	136	-
Cash dividends paid	-80,004	-79,885
Cash dividends paid to non-controlling interests	-16,705	-15,213
Other	1,801	1,180
Net cash provided by (used in) financing activities	-119,515	-116,703
Effect of exchange rate changes on cash and cash equivalents	-83	-58
Net increase (decrease) in cash and cash equivalents	122,812	430,085
Cash and cash equivalents at the beginning of the year	4,115,410	4,255,759
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	17,536	-
Cash and cash equivalents at the end of the year	4,255,759	4,685,845

**(5) Notes to Consolidated Financial Statements**  
**(Notes regarding Going Concern Assumptions)**

Nothing to report.

(Important fundamental issues for preparing consolidated financial statements)

1. Items concerning the scope of consolidation

(1) Number of consolidated subsidiaries: 8

Consolidated subsidiary names

Dive Inc.

ATIS Corporation

4QUALIA Co., Ltd.

and One Inc.

Aizu Laboratory, Inc.

Promote, Inc.

Yamaguchi Saiene Factory KK

Inaseri Co., Ltd.

(2) Number of non-consolidated subsidiaries: 1

Non-consolidated subsidiary names

NE Ginjun Co., Ltd.

(Reason for exclusion from the scope of consolidation)

This is because the above non-consolidated subsidiaries are small and do not have a significant impact on the consolidated financial statements as a whole.

2. Items concerning the application of the equity method

(1) Affiliates to which the equity method is applied

None.

(2) Non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

Number of non-equity method affiliates: 1

Equity method non-applied company name

NE Ginjun Co., Ltd.

(Reason for exclusion from the scope of application of the equity method)

This is because the companies mentioned above to which the equity method is not applied are small and do not have a significant effect on the consolidated financial statements as a whole.

3. Items concerning the fiscal year of consolidated subsidiaries

The closing date of consolidated subsidiaries is the same as the consolidated closing date.

**(Segment Information, etc.)**

**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.

An overview of the reportable segments is as follows.

**Creation Segment**

It is a business segment that creates new lifestyles and business styles through the provision of our services that use the rights and assets owned by our Company. These services include "content services" for consumers, centered on smartphone application services. It also includes "business support services" for corporations such as kitting support, procurement support, education support, traffic information services, voice technology services and escrow services, and "other services" such as solar power generation.

**Solution Segment**

It is a business segment that offers customers new values through IT solutions. These solutions include "system development and operation service," which is an entrusted development and business support service utilizing the know-how cultivated in the creation business such as application development, website development, server construction, system operation/monitoring, debugging, and user support.

**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, 2018 to May 31, 2019)**

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Creation Segment	Solution Segment	Subtotal		
Net sales					
Sales—External Customers	1,855,028	1,558,723	3,413,752	-	3,413,752
Sales and transfer—intersegment	40,018	56,209	96,227	-96,227	-
Total	1,895,046	1,614,933	3,509,979	-96,227	3,413,752
Segment income	549,254	198,734	747,989	-505,707	242,282
Other items					
Depreciation	174,178	10,893	185,071	6,380	191,451

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥505,455 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 business segments.

**Current fiscal year (June 1, 2019 to May 31, 2020)**

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Creation Segment	Solution Segment	Subtotal		
Net sales					
Sales—External Customers	2,047,541	1,540,715	3,588,257	-	3,588,257
Sales and transfer—intersegment	66	36,286	36,353	-36,353	-
Total	2,047,607	1,577,002	3,624,610	-36,353	3,588,257
Segment income	636,652	186,445	823,098	-555,809	267,289
Other items					
Depreciation	151,641	17,369	169,010	6,229	175,240

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥555,767 thousand and amortization of goodwill of ¥41 thousand.

Segment income is adjusted to operating income in the consolidated statements of income.

Segment assets are not listed, as assets cannot be allocated to business segments. However, rational allocation standards are used to allocate depreciation and amortization expenses on depreciable assets that are not themselves allocated to individual businesses segments.

**(Material Subsequent Events)**

Nothing to report.