Nihon Enterprise Co., Ltd.
Presentation material for FY2014, ended 31st May

As of July 2014

NIHON ENTERPRISE

NIHON ENTERPRISE



Summary of earnings results【 FY2014 】



Operating review【 Contents service business 】



Operating review【 Solution business 】



Outlook for FY2015【 Earnings forecast 】

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Financial briefing - Highlights for FY2014

Content service business

- Contents lineup for “carriers’ fixed rate services” increased
- Shifted from feature phone to smartphone in monthly charged contents service
- Established a subsidiary, “ HighLab Co., Ltd.” Its main business is developing and distributing native Apps
- Distribution channels in China expanded by making popular novels into e-comics

Solution business

- In-store affiliate(*) business achieved V shaped turnaround owing to the measures to increase sales revenue
- Order entries (including development of Smartphone Apps) from corporate customers increased
- Reverse auction service, “Profair”, accelerated
- Sales of mobile handsets was influenced by carrier’s (in China) policy change

Others

- Listed as the first section of Tokyo Stock Exchange on the 28th February 2014

※performance based contents sales through the alliances with cell phone distributors (real affiliate).

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Financial briefing - summery of consolidated income statements

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	Percentage
Sales	4,134	4,508	374	9.1%
COGS	2,235	2,315	79	3.6%
Gross Profit	1,898	2,193	294	15.5%
SG&A	1,526	1,857	331	21.7%
Operating Profit	372	335	▲36	▲9.9%
Non-operating profit	23	24	0	2.2%
Non-operating expense	4	19	15	334.4%
Ordinary profit	391	340	▲51	▲13.1%
Extraordinary profit	354	516	162	45.7%
Extraordinary loss	46	23	▲22	▲48.3%
Pre-tax profit	699	833	133	19.0%
Total amount of corporation tax and others	322	361	38	12.1%
Income before minority interest	377	472	94	24.9%
Minority interests in net profit	22	35	12	53.1%
Net profit	354	437	82	23.1%

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Financial briefing - YY sales by business segments

■Sales of both content service business and solution business increased

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	percentage
Contents service business	2,142	2,469	327	15.3%
Solution business	1,991	2,039	47	2.4%
Total	4,134	4,508	374	9.1%

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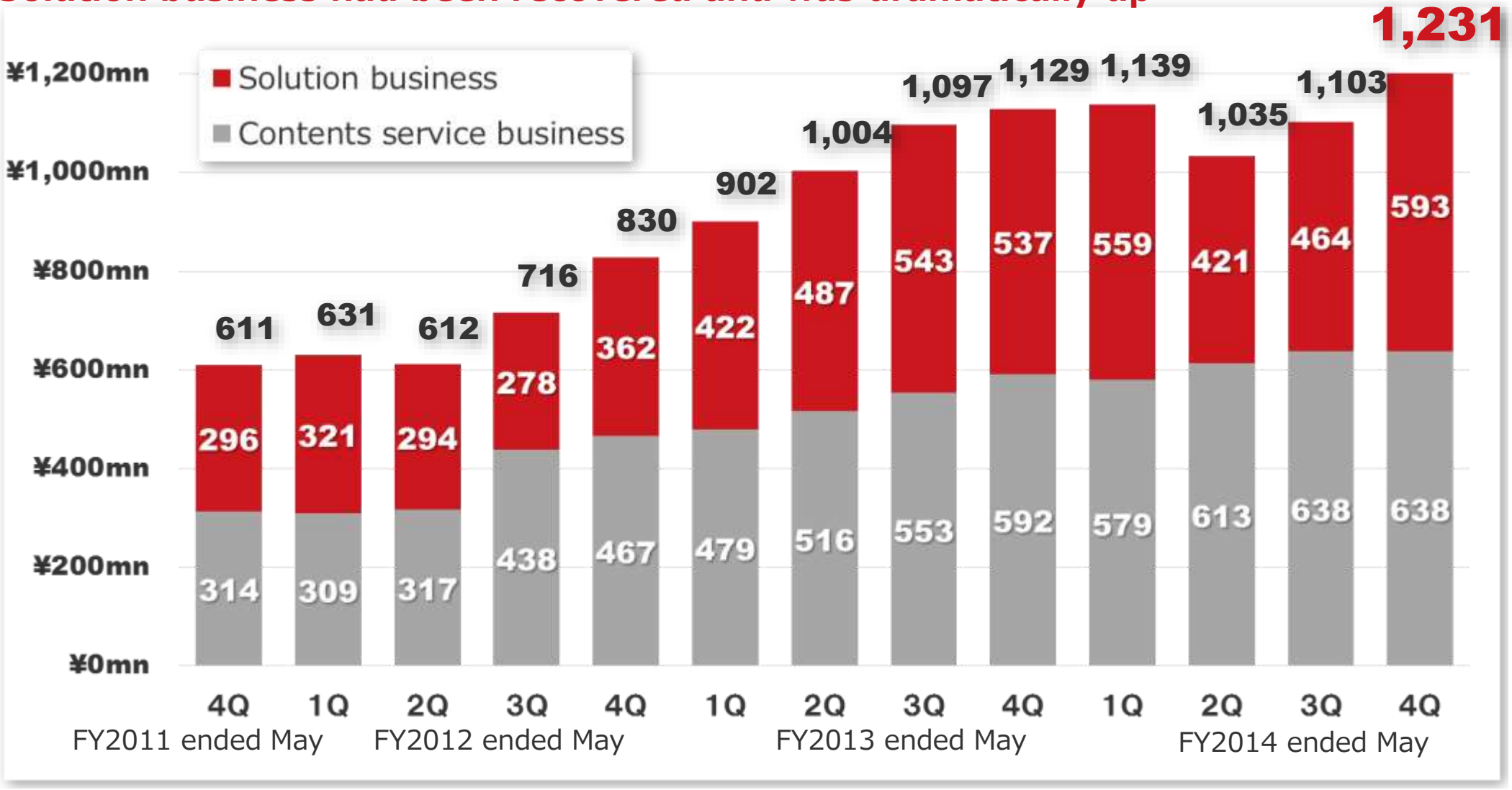
Financial briefing – YY and QQ sales by business segments

■ **Content service business was strongly up**
Solution business had been recovered and was dramatically up



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Financial briefing - YY sales comparison of contents service business

■Traffic information and games increase, mail and music decreased

(Million yen)

	FY2013 ended May	FY2014 ended May	YY	
			Sum	percentage
Traffic Info.	648	850	202	31.2%
Life style	374	459	84	22.7%
E-Book	193	216	22	11.6%
Overseas	38	27	▲11	▲29.4%
Games	35	169	133	373.0%
Mail	397	339	▲58	▲14.7%
Music	454	407	▲46	▲10.2%
Total	**2,142**	**2,469**	**327**	**15.3%**

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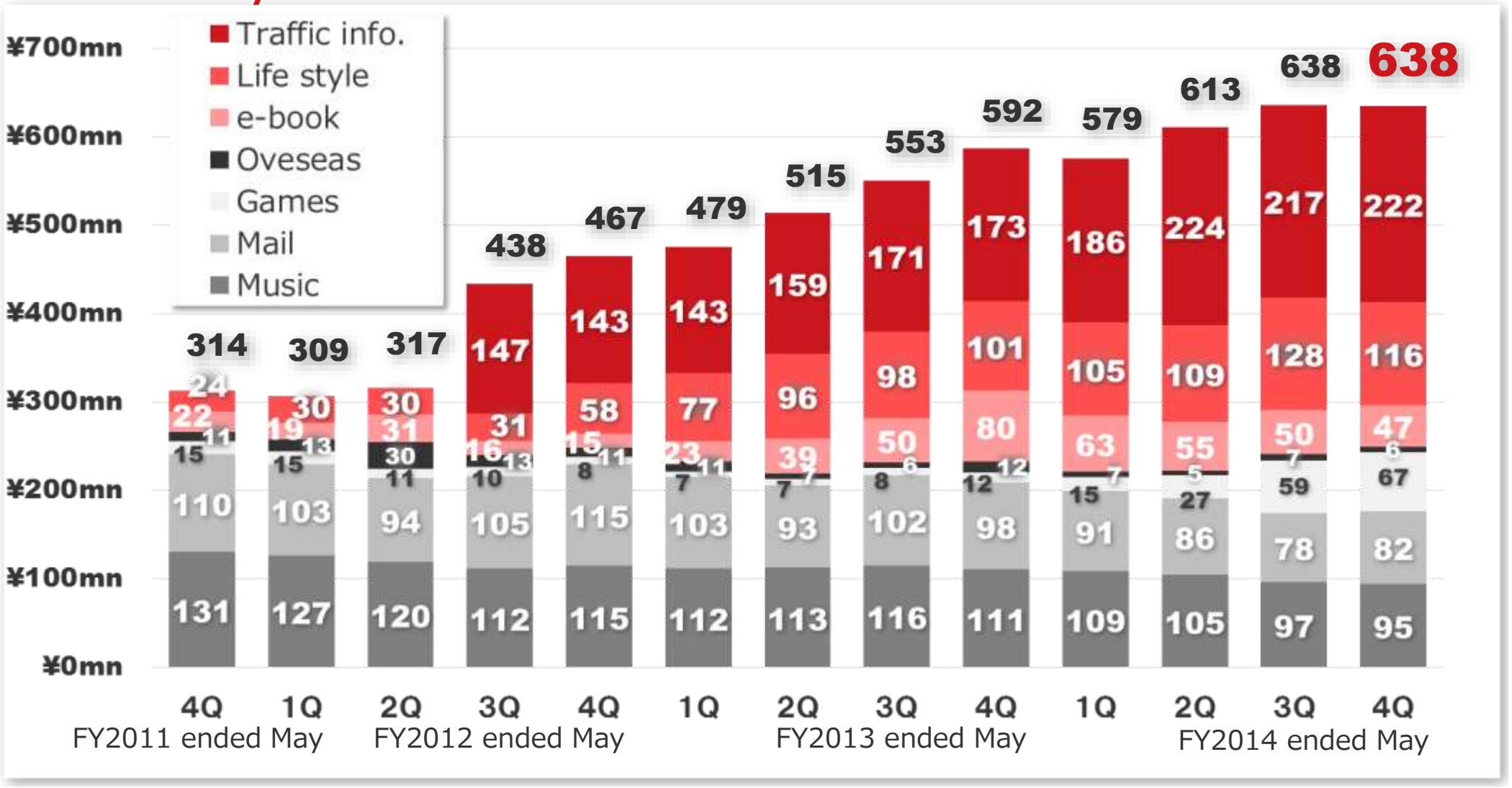
Financial briefing - YY and QQ sales of contents service business

■ **While quarter on quarter sales of games and traffic information increased, sales of life style decreased**



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Financial briefing - YY sales of solution business

■Higher sales in Overseas (China) business , lower sales in advertising business

(Million yen)

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	percentage
Overseas	115	273	158	136.6%
Advertising business	803	679	▲124	▲15.5%
Sales of products	17	10	▲7	▲41.0%
Solution	1,054	1,075	21	2.0%
Total	1,991	2,039	47	2.4%

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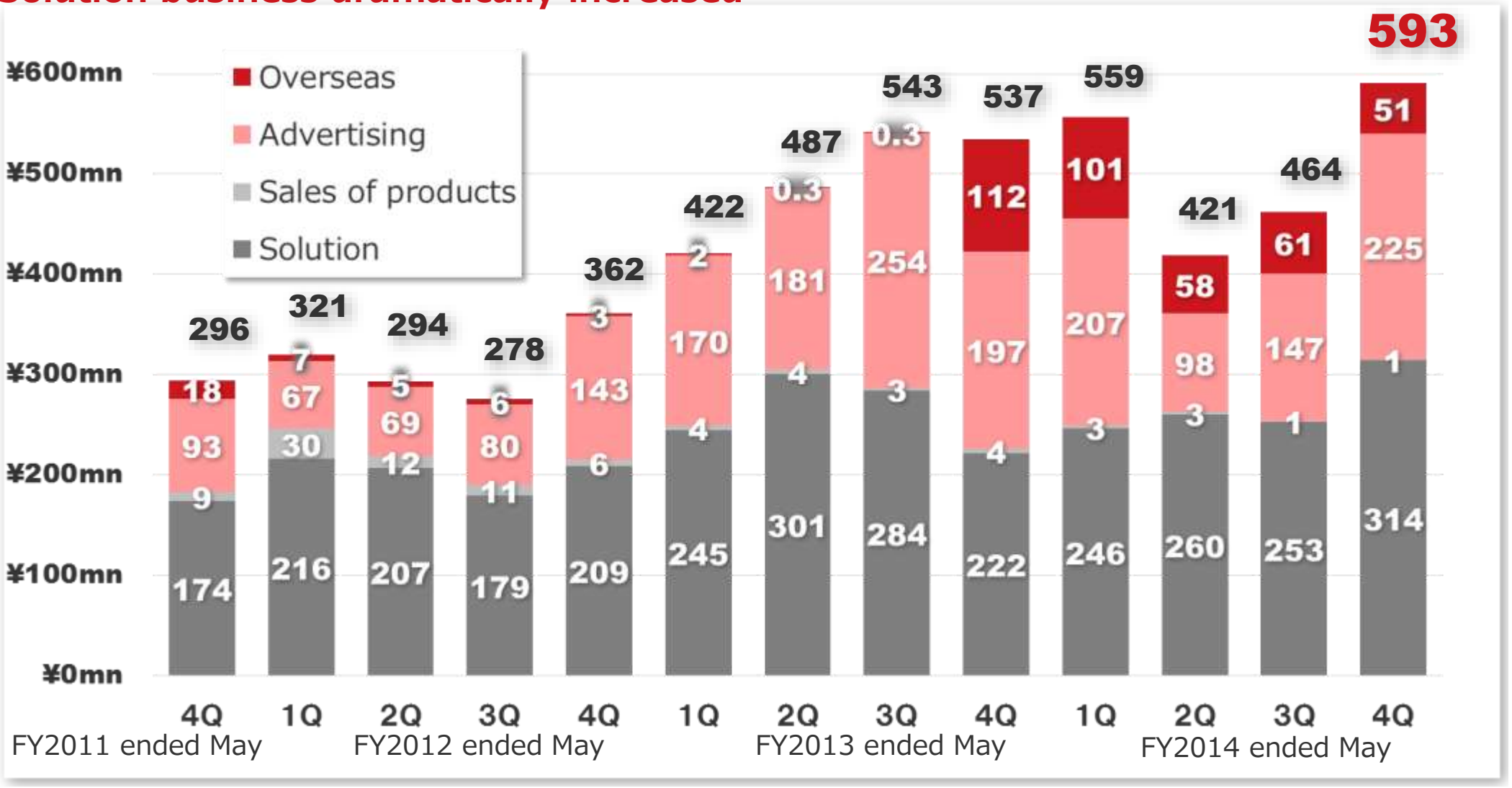
Financial briefing – YY and QQ sales of solution business

■ Advertising business achieved v-shaped turnaround, Solution business dramatically increased



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Financial briefing – YY COGS / SGA of contents service business

■ **COGS : COGS ratio improved through increase in sales of contents service for "carriers' fixed rate services" with high profitability**

SGA : Positive investment in advertising expenses (content service business), and mobile handset shops in China (human cost, cost of equipment and others)

(Million yen)

	FY2013 ended May	FY2015 ended May	YY change	
			Sum	Percentage
COGS	2,235	2,315	79	3.6%
COGS ratio	54.1%	51.4%	–	–

	FY2013 ended May	FY2014 ended May	YY change	
			Sum	Percentage
(advertising expense)	292	515	223	76.5%
(Others)	1,233	1,342	108	8.8%
SG&A	1,526	1,857	331	21.7%
SG&A ratio	36.9%	41.2%	–	–

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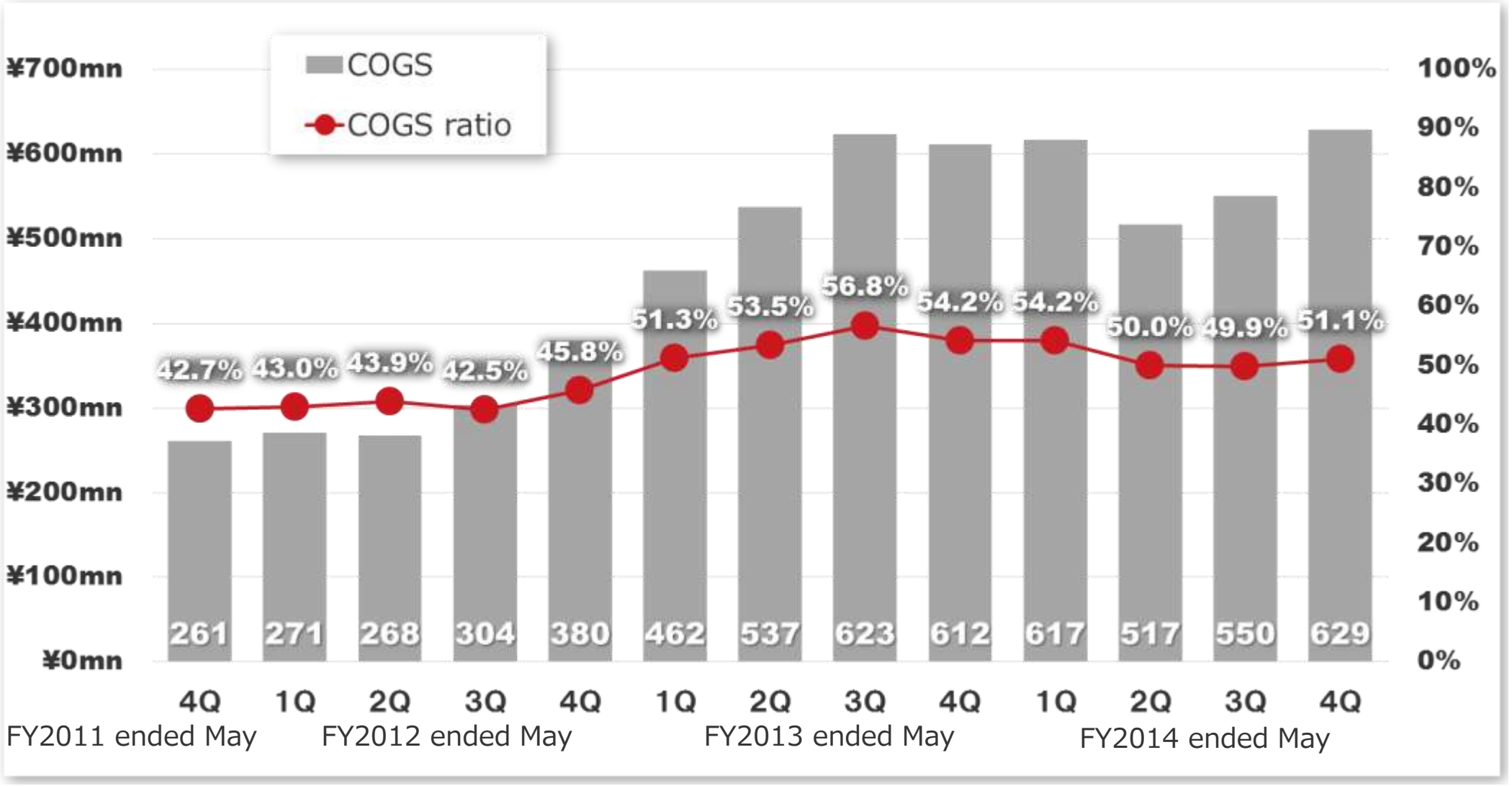
Financial briefing – YY and QQ COGS

■COGS ratio rose by increase in sales of solution business (advertising business･solution)



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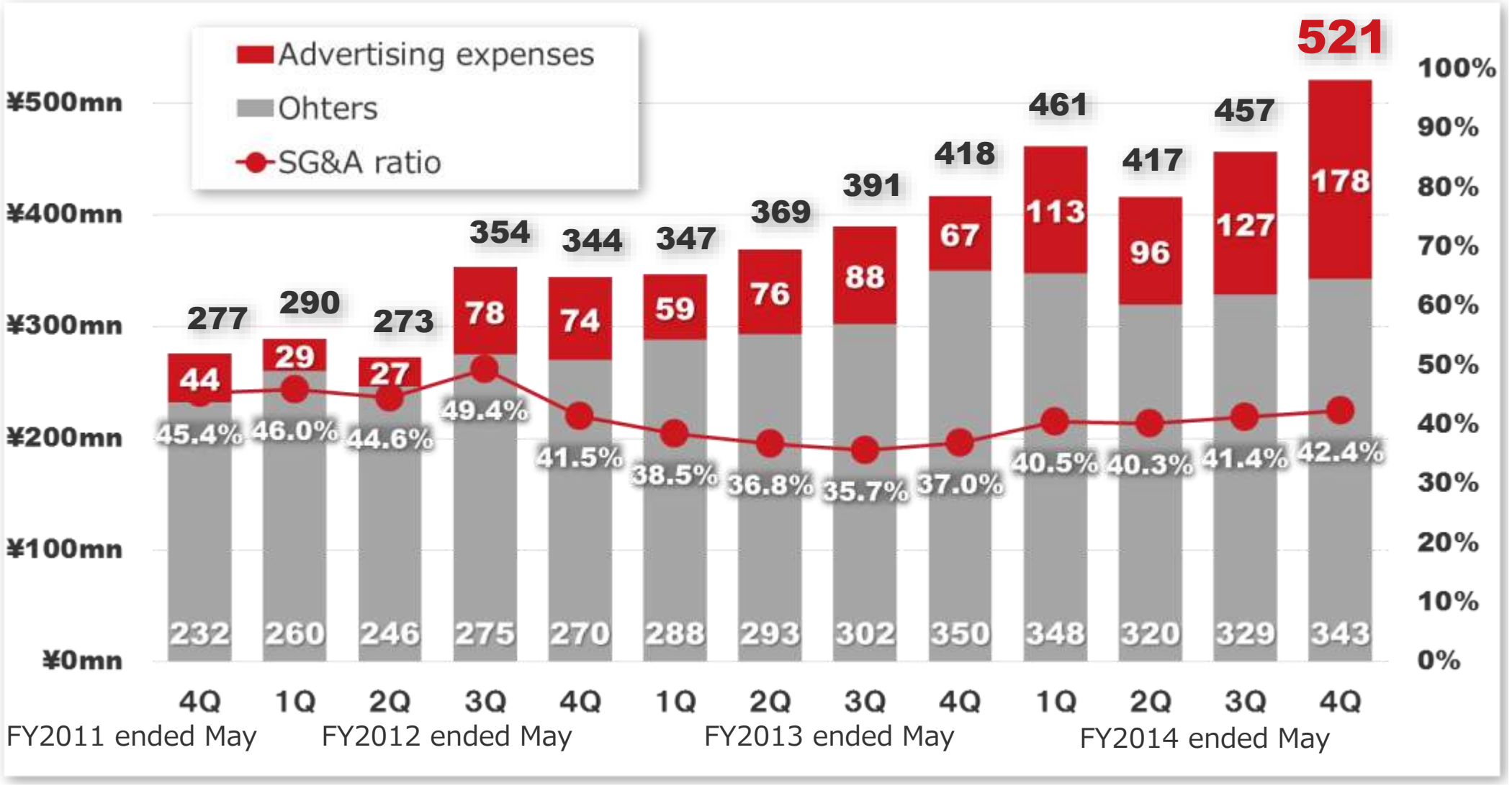
Financial briefing – QQ SG&A

■ Positive investment in advertising expenses, contents service business



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Financial briefing – YY and QQ ordinary profit

■Quarter on quarter ordinary profit decreased, caused by positive investment in contents service business (advertising expenses)



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Summary of earnings results【 FY2014 】



Operating review【 Contents service business 】



Operating review【 Solution business 】



Outlook for FY2015【 Earnings forecast 】

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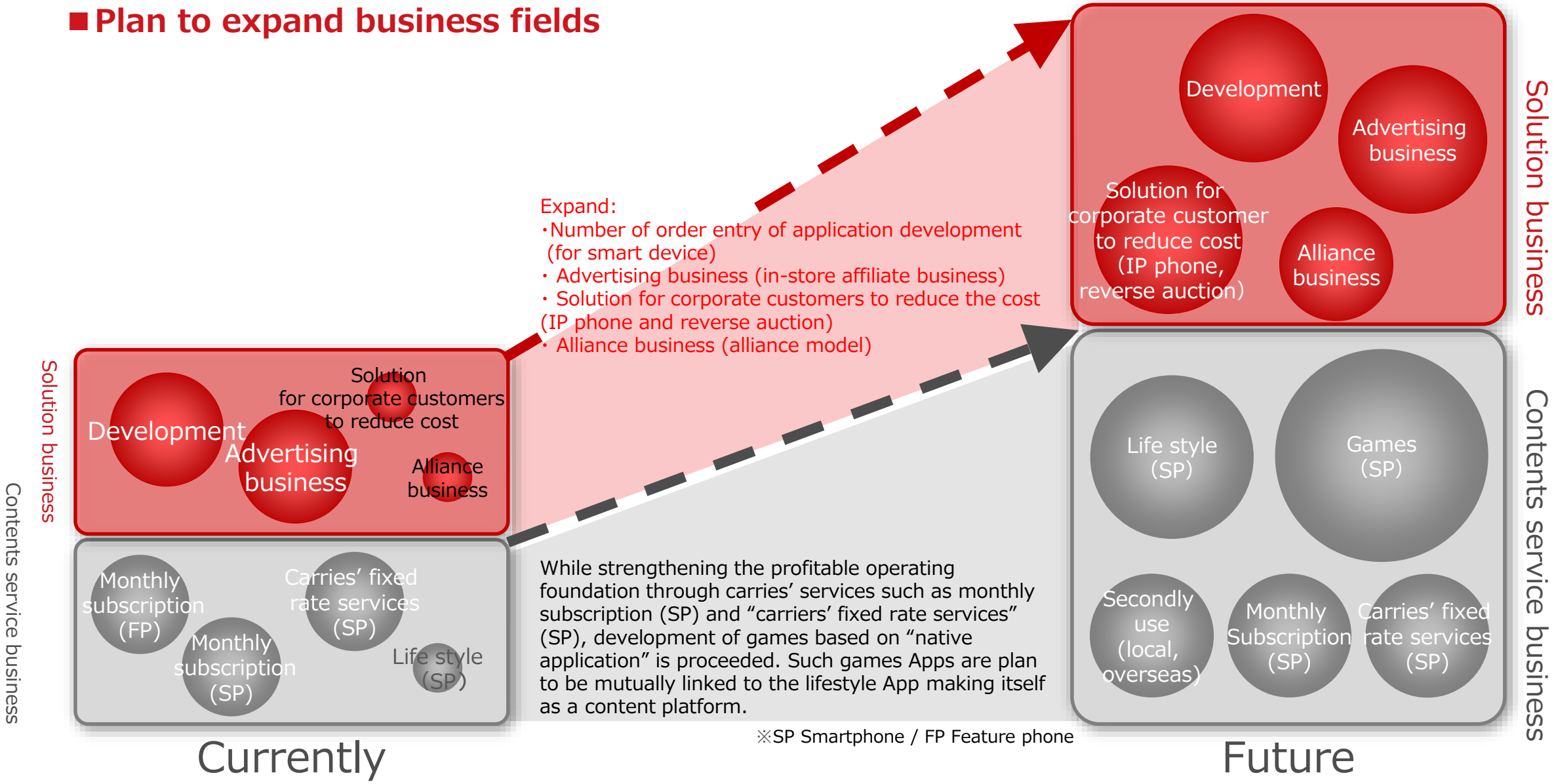
Operating review – 【Contents service business・Solution business】 load map

■Plan to expand business fields



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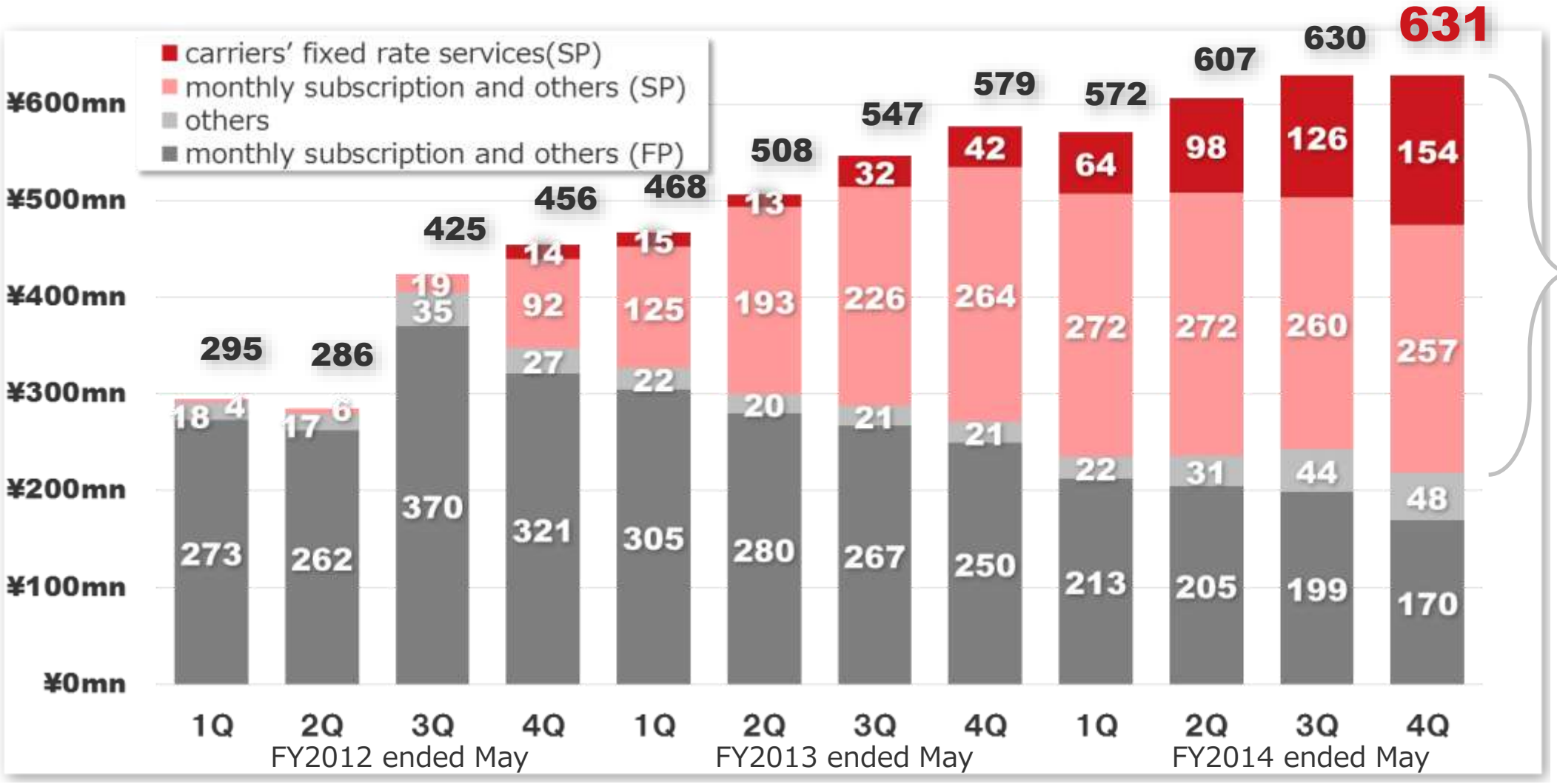
■Continuous higher earnings through increase in both the number of subscribers and the volume of contents in "carriers' fixed rate services"



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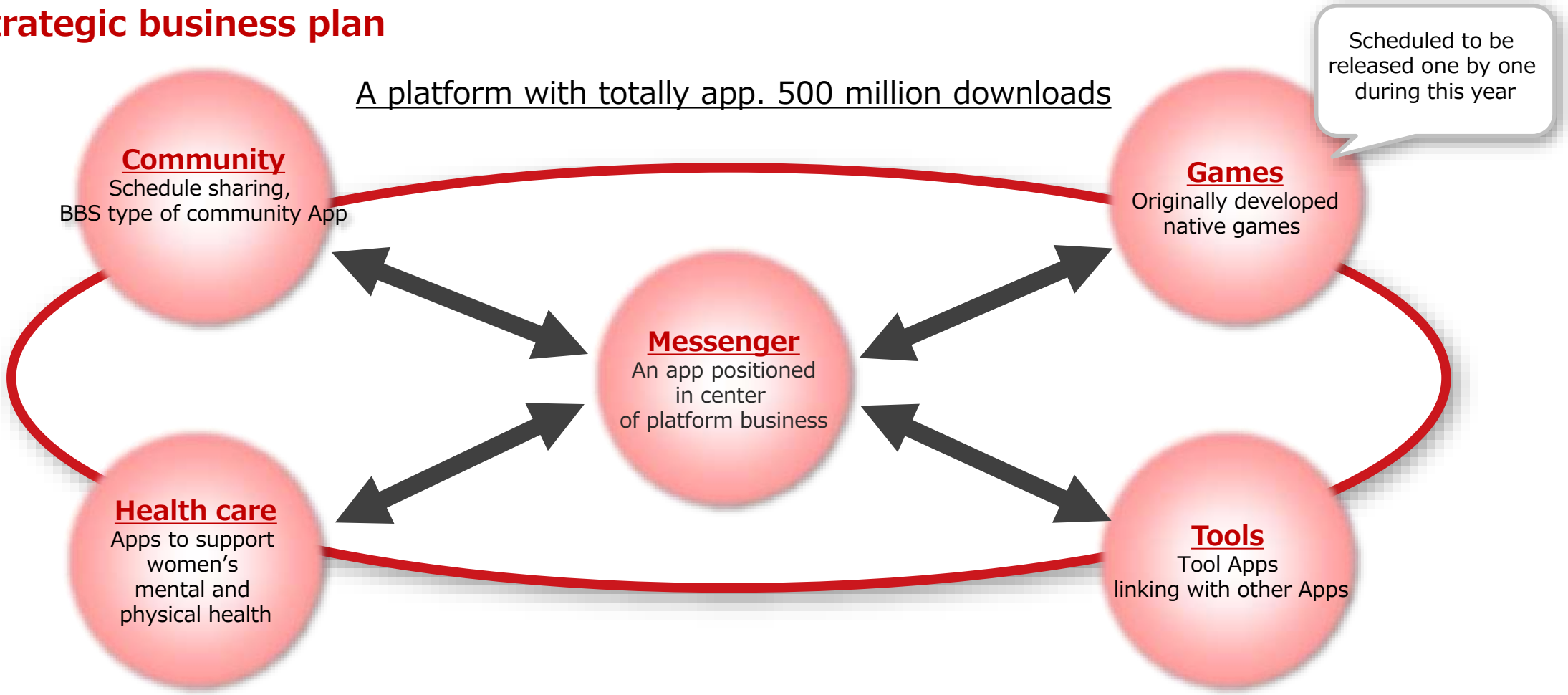
■Strategic business plan

A platform with totally app. 500 million downloads



- Plan to release games, based on native application, with smash hits
- Plan to produce a global contents platform originated from Japan

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■Key native Apps

App to support women's mental and physical heath "Woman's DIARY"



Messenger App "Fivtalk"



New type of social App " Commukara"



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Operating review – 【Contents service business】secondly use of contents

■Examples of secondly use



Woman's DIARY



A Walk in the Clouds



A Space Odyssey

XL Axiata
The second major mobile carrier in Indonesia (subscribers:7,000 million)

XL Axiata

"AppSeru" (service allows subscriber to use Apps as many as one likes)



LINE Creators Stamp

LINE Creators Stamp is the service provided by LINE and total sales rose to 150 million yen.
Average of revenue share for top creators amounts 470 million yen per stamp
＊one month period from 8th May to 7th June
source: LINE Corporation

Plan to distribute localized Apps on variety of platforms in each countries

"AppSeru" is the service provided by XL Axiata, the second major mobile carrier in Indonesia, which allows subscriber to use Apps as many as one likes. Currently approximately 100 Apps including games are distributed.

How to access:
The stamp can be searched by the character name at "stamp shop" in LINE App or at "Creators Stamp" in "LINE STORE"

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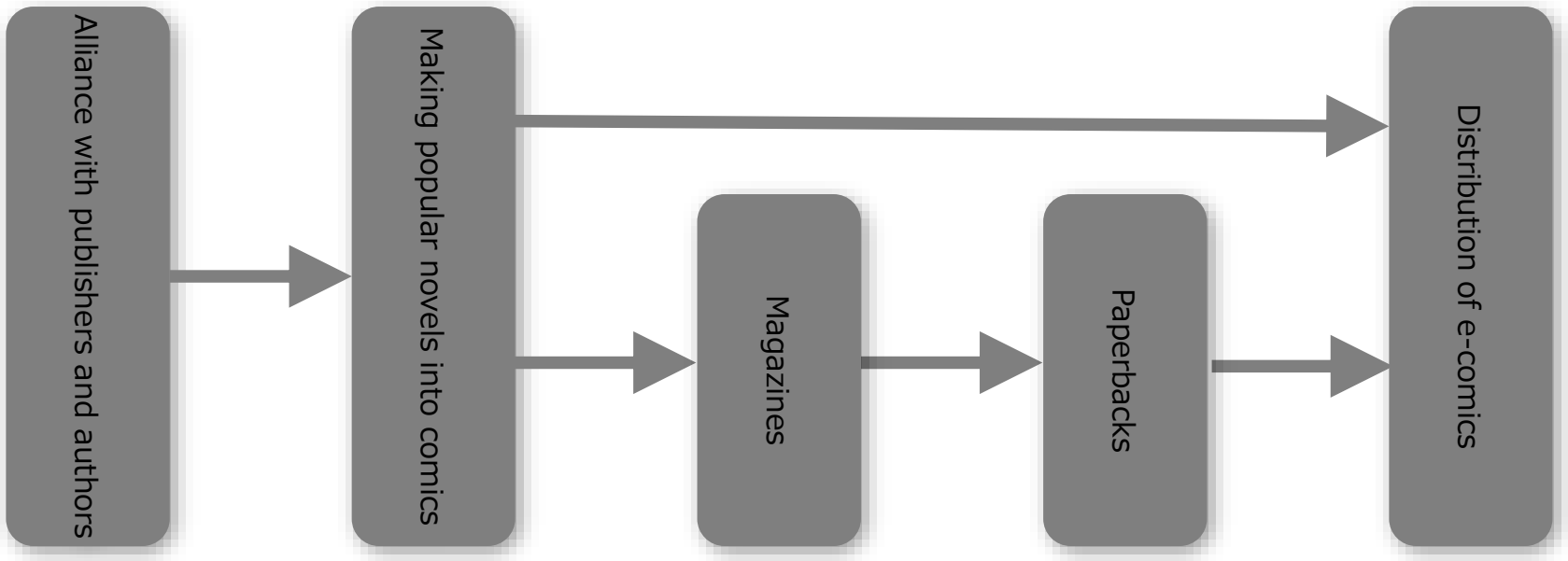
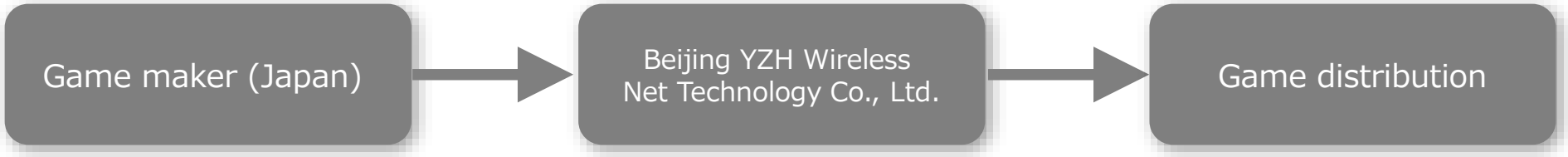
■e-books: Plan to strengthen the business model making popular novels into comics







■Games : Plan to localize and distribute games in China



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Summary of earnings results【 FY2014 】



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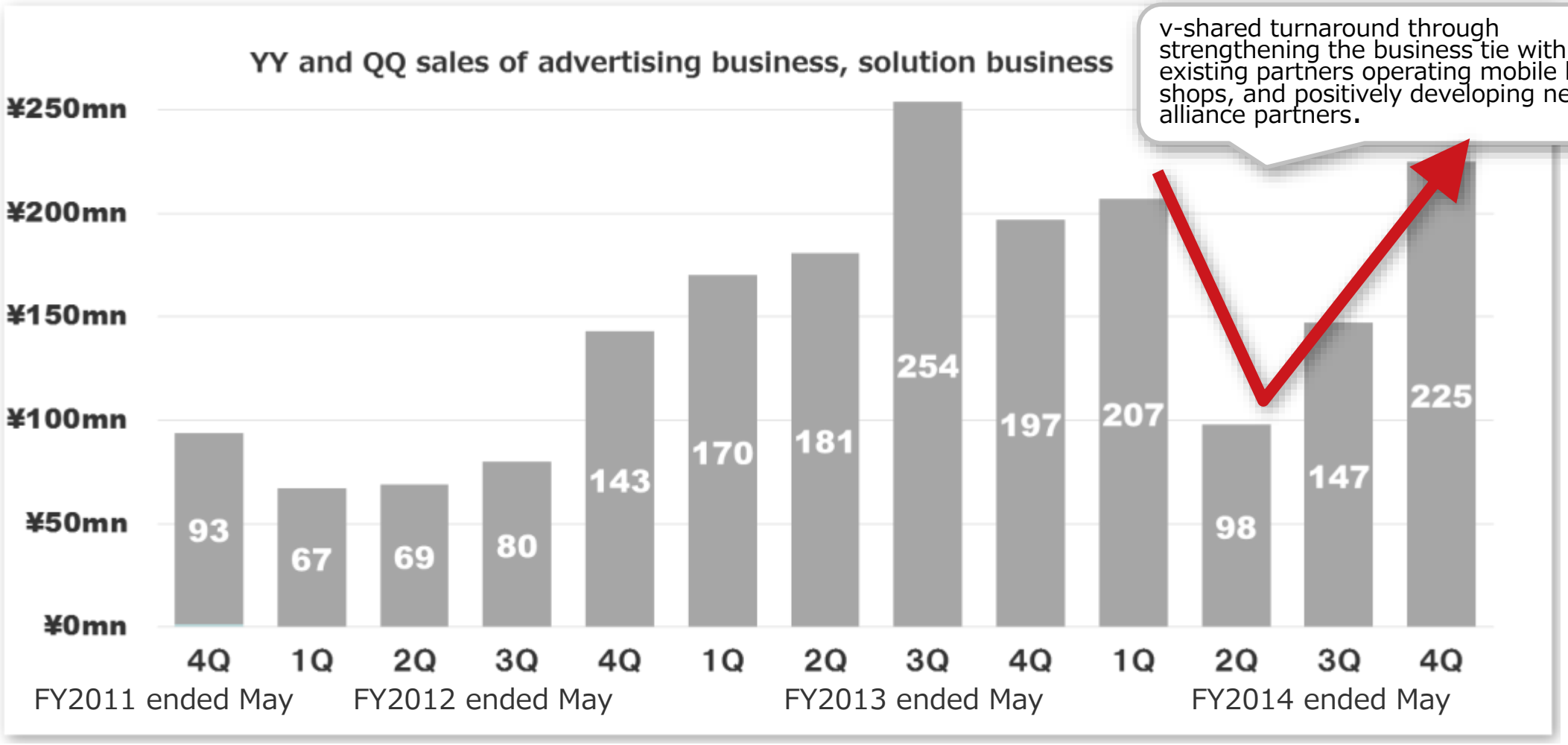
■Archived V-shaped turnaround in advertising business (in-store affiliate)



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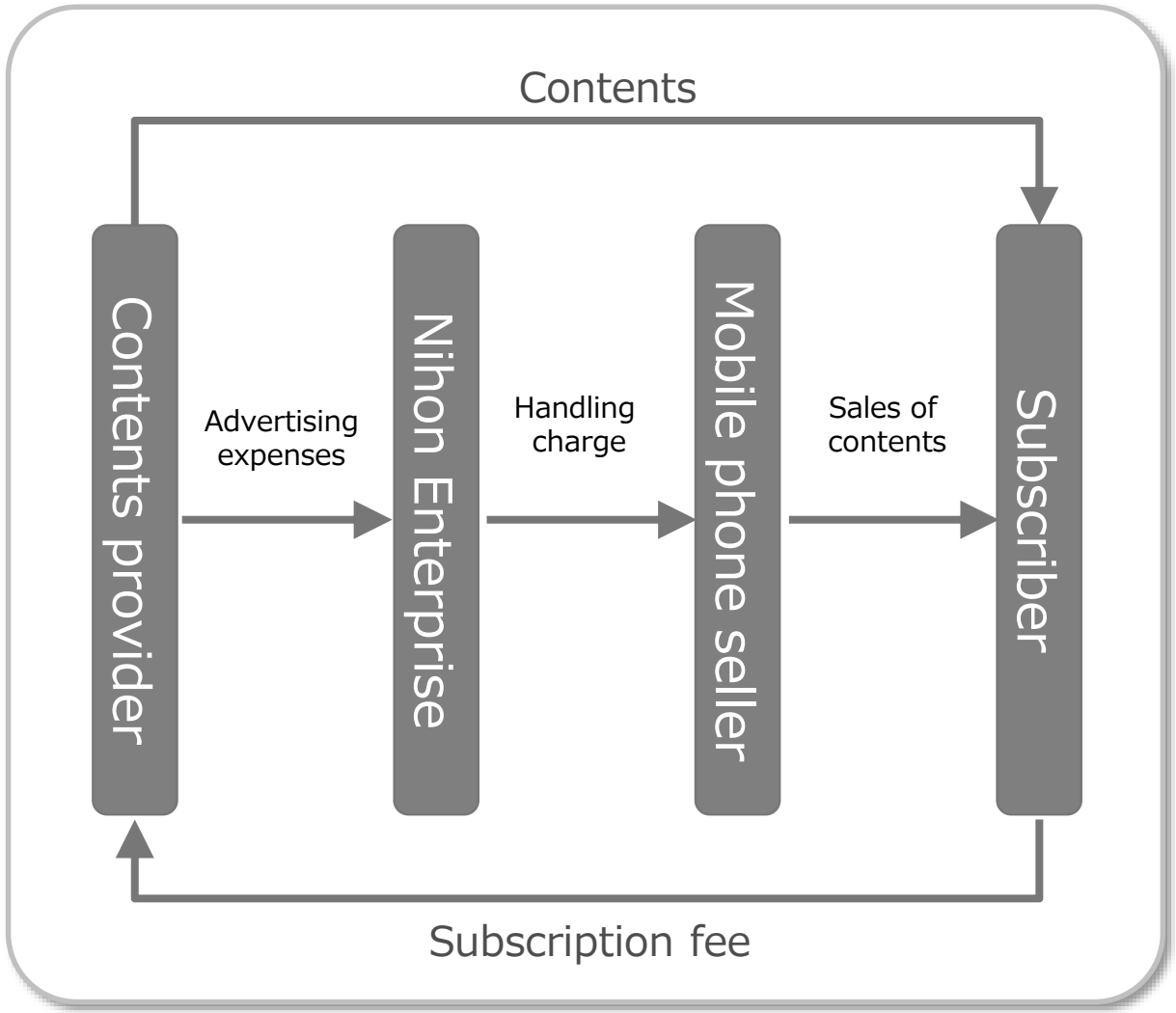
■Advertising business (In-store affiliate) expanded

Contents provider (advertiser)

Plan Strengthen sales activities (plan to increase unit price of advertising)

Mobile handset seller (alliance partner)

Plan to support sales activities
(to rise the rate of subscribers who subscribe the contents sold a longer period and to increase the number of subscribers)



Mobile handsets seller mobiles shops (existing alliance partner)

Plan to strengthen business tie with existing partners and to increase the number of mobile handset shops dealing with in-store affiliate

Mobile seller operating mobiles shops (new alliance partner)

Plan to develop positively new alliance partners

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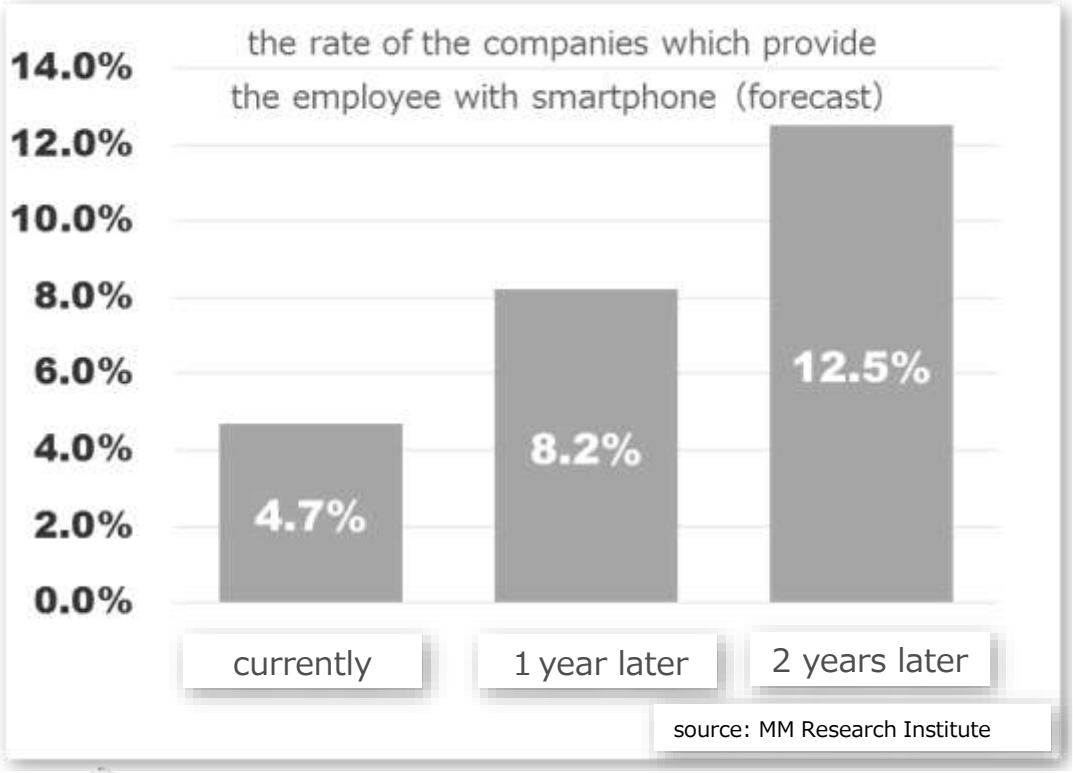
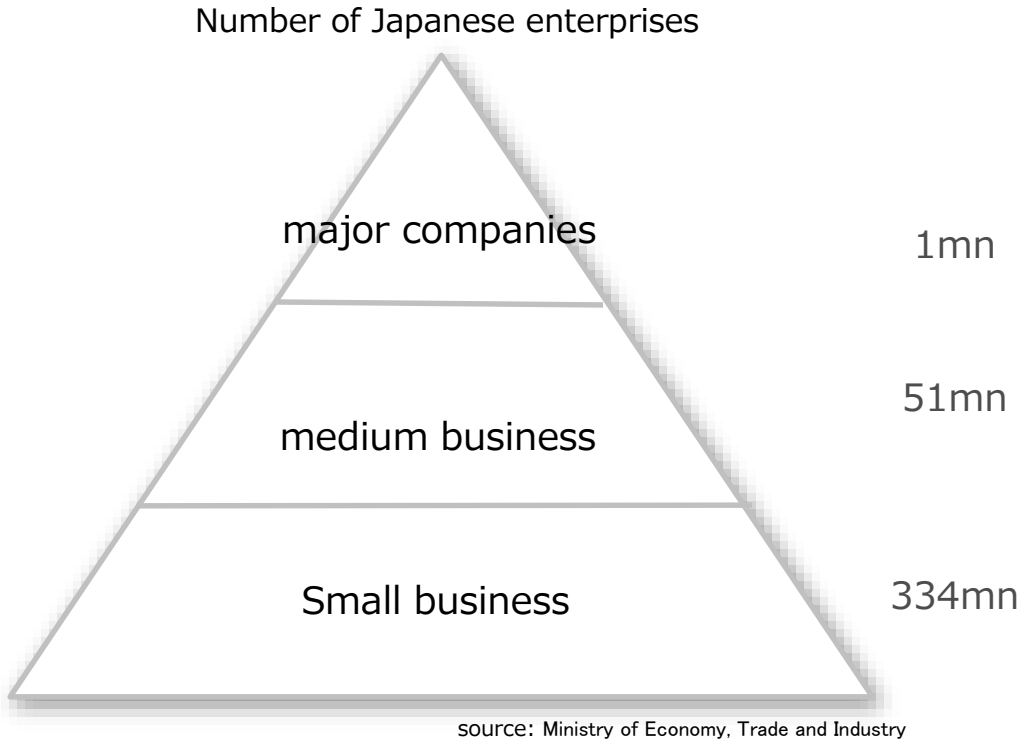
Operating review – 【Solution business】 Cost reduction solution

■ Plan to release a communication service utilizing highly qualified softphone for corporate customers





source: Ministry of Economy, Trade and Industry



Corporate use of softphones in business is gradually penetrated.
Plan to provide softphone services to help cost reduction with SMB

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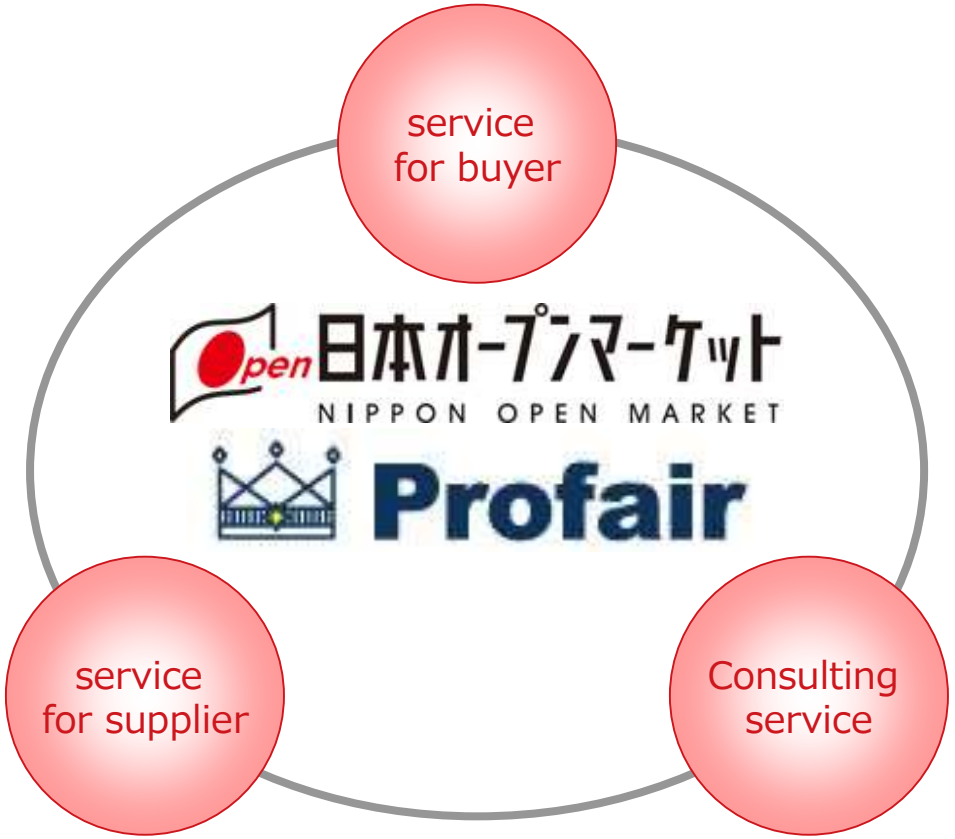
Operating review – 【Solution business】 Cost reduction

■Plan to expand reverse auction business



Plan to strengthen sales activities
both to buyer and supplier
for more active transactions of the auction

■Plan to release messenger for business use



(eg.)

Reports with videos and graphics

Automatic meeting mins.

Schedule sharing

Highly secure messenger
for corporate use.
Customization for each client is available

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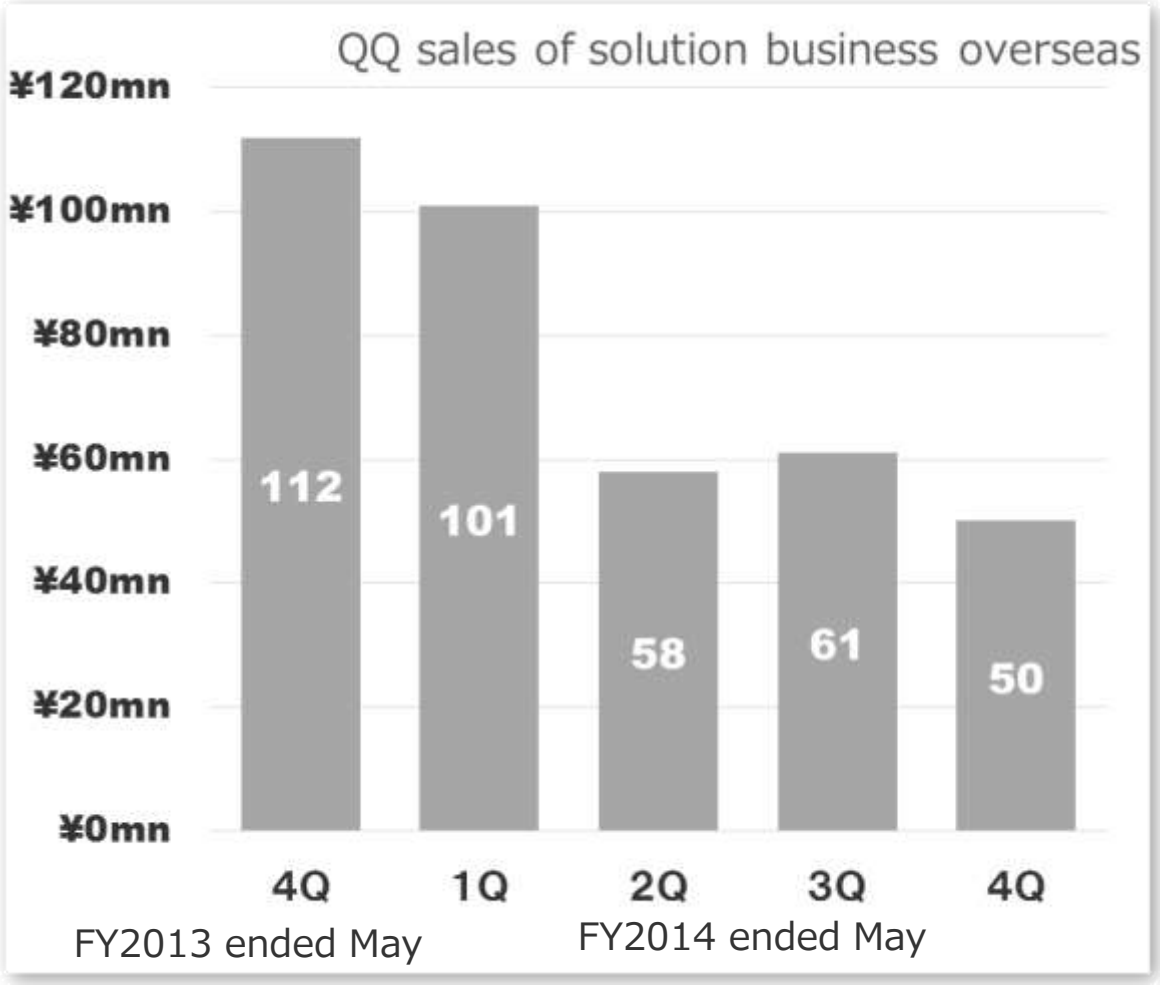
■ Mobile shop (China Telecom)



China Telecom
東方路店

China Telecom
黄金城道店

Plan to establish profitable business structure which is not influenced by carrier's policy change

- sales activities to major enterprises (not in shop)
- plan to sell mobile accessories
- fully managed cost saving
- effective assignments of human resource

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Outlook for FY2015【 Earnings forecast 】

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Outlook for FY2015 – 【 Earnings forecast 】

■ Consolidated earnings forecast

(Million yen)

	FY2014 ended May	FY2015 ended May (forecast)	YY Change	
			Sum	Percentage
Sales	4,508	5,210	701	15.6%
Sales profit	335	415	79	23.7%
Ordinary profit	340	430	89	26.4%
Net sales	437	350	▲85	▲19.9%

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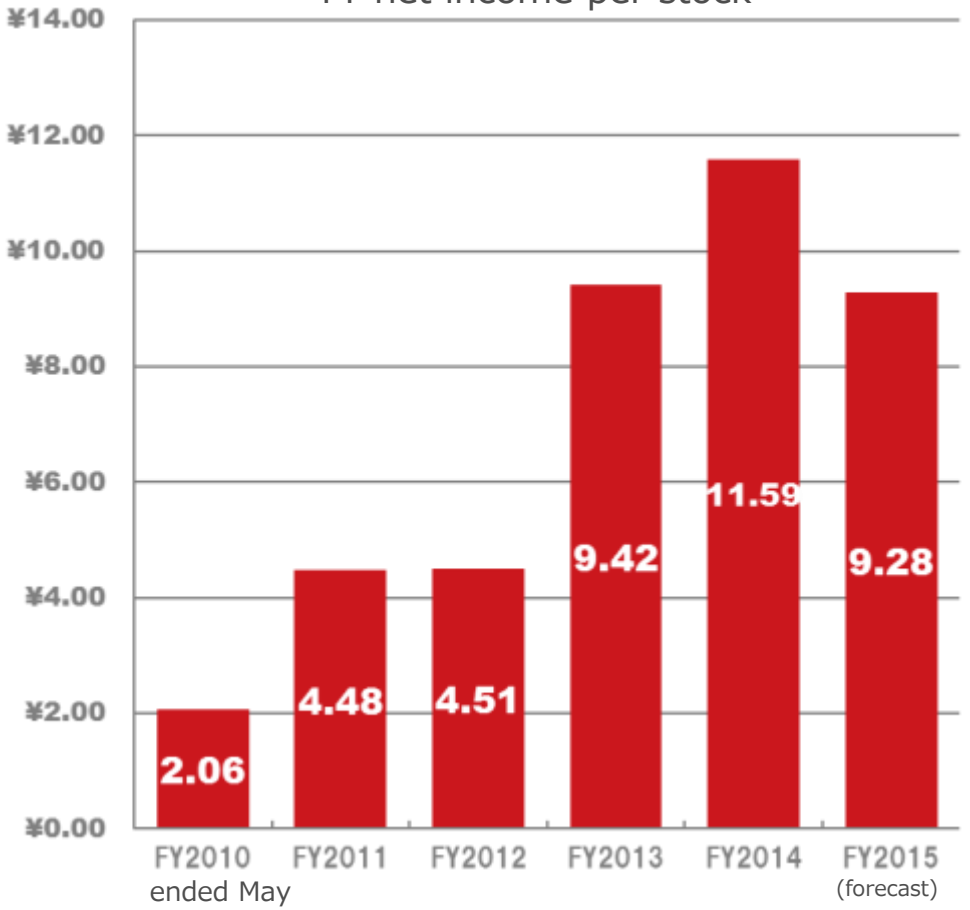
■ Dividend payout ratio

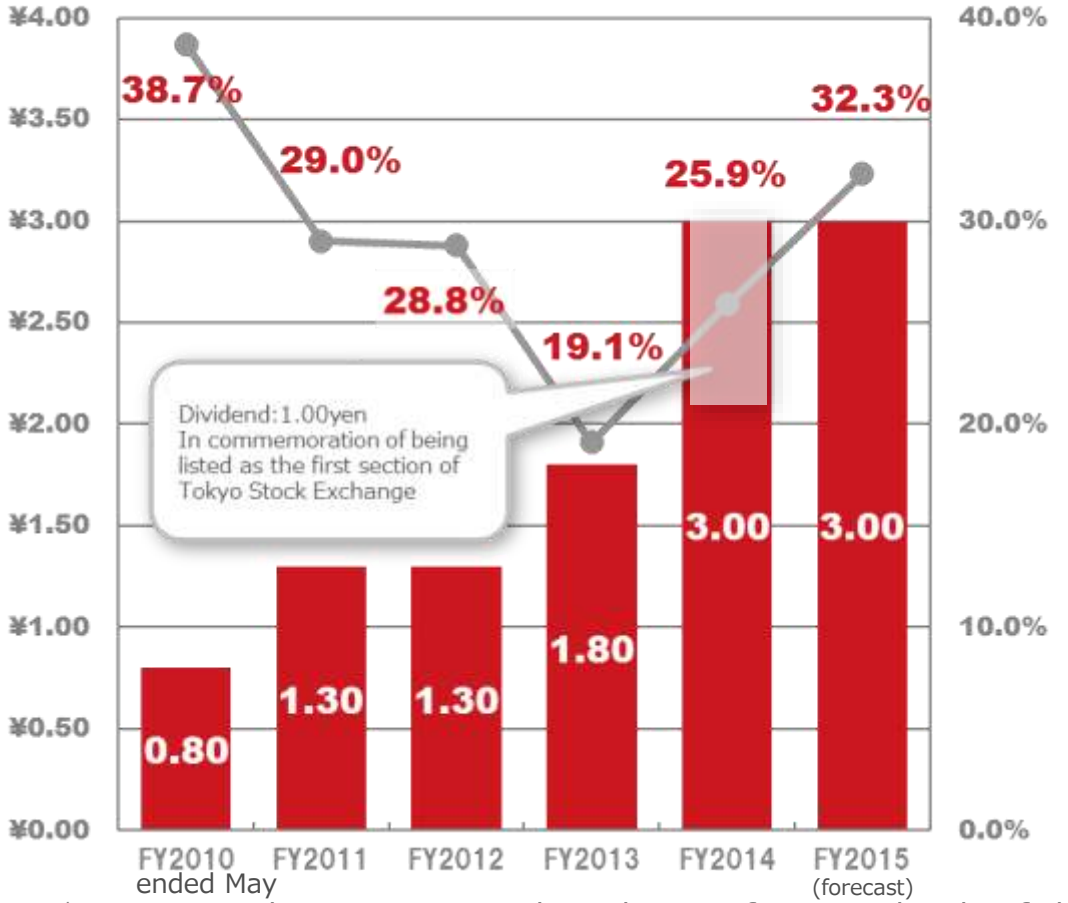
※Consolidated

YY net income per stock



YY annual dividend per stock・ payout ratio per stock

※Consolidated



※On 1st Dec, 2013 the company conducted a 100-for-1 stock split of share, values in graphs were ones after the retroactive adjustment

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Nippon Enterprise group promises to bring happiness and toching experience to all the customers through our contents service business

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