Nihon Enterprise Co., Ltd.

Earnings Summary FY2016 (ended May)

（From 1st June 2015 to 31st May 2016）

13th July 2016

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Overview of Earnings Summary
(FY2016)

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NIHON ENTERPRISE

Highlights

Consolidated Summary

Sales	:	5,530MNyen	YoY:	8.1%up
Ordinary Income	:	252MNyen	YoY:	23.4%up

Contents Service Segment

Traffic Info.	・Aggressive business expansion to solution segment such as bus-location-system and data-broadcasting based on expertise in contents service business
Entertainment	・Good performance in “Chokotto game” ・”BOOKSMART”, focused on strengthening partnership with “Tokyo-shoten commercial union” and service expansion.
Lifestyle	・Allianced with Excite Japan Co., Ltd. for “Women‘s Diary” ・Promoted to form the “life support platform” centering around three major contents or “Women’s Diary”, “Fivetlak” and “Dealing”

Solution Segment

Solution	・Sales hit record with good performance in consigned development ・Business and capital tie-up with Smartvalue Co., Ltd. to strengthen regional revitalization business ・Allianed with Metropolitan Fish Market Cooperative Association to start the first EC service, “Inaseri”
Advertising (Advertising Agent Service)	・Sales hit record ・In addition to mobile shops, aggressively developed sales channels which suitable for each contents value
Overseas	・Strong performance with YoY 190% up in number of mobile phone sold

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Consolidated PL

（MN Yen）

	FY2015	FY2016	YoY	
			Difference	Growth rate
Sales	5,116	5,530	413	8.1%
COGS	2,704	3,208	504	18.6%
Gross profit	2,411	2,321	▲ 90	▲3.7%
SG&A	2,222	2,102	▲ 120	▲5.4%
Operating profit	189	219	29	15.7%
Non-operating profit	24	34	9	41.3%
Non-operating expense	9	1	▲ 8	▲85.9%
Ordinary profit	204	252	47	23.4%
Extraordinary profit	341	290	▲ 50	▲14.7%
Extraordinary loss	29	28	▲ 1	▲4.0%
Pre-tax profit	516	515	▲ 1	▲0.2%
Total amount of corporation tax and others	307	163	▲ 143	▲46.7%
Net profit	208	351	142	68.2%
Net profit attributable to non-controlling interest	31	24	▲ 7	▲22.8%
Net profit attributable to the parent company	177	327	149	84.2%

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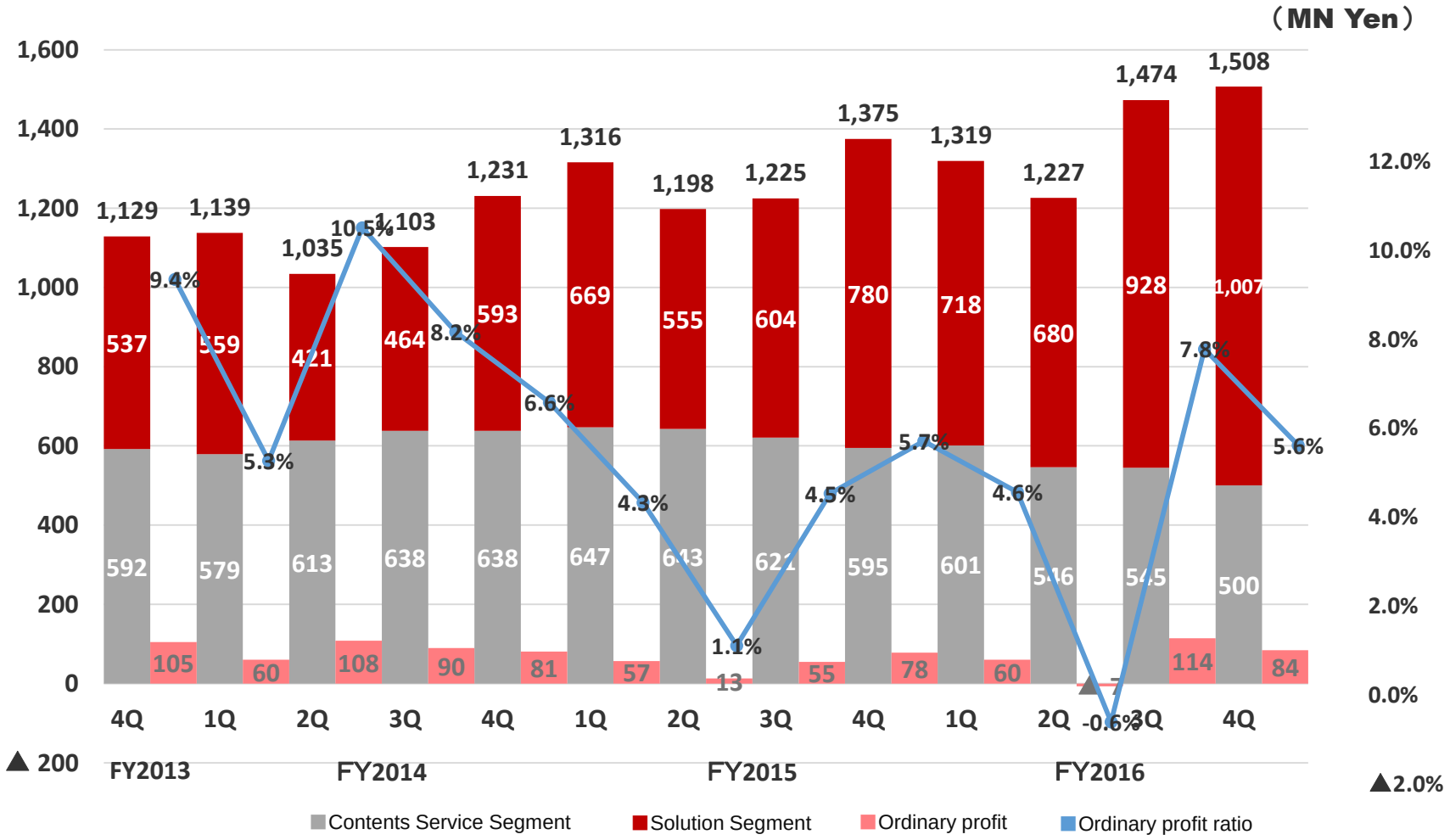
Q/Q growth

Sales and ordinary profit increased QoQ, driven by solution segment with highest sales



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Sales

■ Y/Y Growth

（MN Yen）

	2015年5月期	2016年5月期	YoY Difference	YoY Growth rate
Contents Service Segment	2,506	2,194	▲ 311	▲12.4%
Solution Segment	2,609	3,335	725	27.8%
Total	5,116	5,530	413	8.1%

**Sales rose by 8.1% on a whole,
driven by Solution Segment with 27.8% up
while content segment decreased**

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Sales (Contents Service Segment)

■ Y/Y Growth

（MN Yen）

	FY2015	FY2016	YoY Difference	YoY Growth rate
Traffic Info.	924	876	▲ 48	▲5.2%
Entertainment	1,168	1,024	▲ 144	▲12.3%
Lifestyle	413	294	▲ 119	▲28.8%
Contents Service Segment	2,506	2,194	▲ 311	▲12.4%

Sales decrease by 12.4% on a whole due to lower advertising efficiency in contents on carrier platforms

※ “Entertainment” includes “Games”, “Mail”, “Music”, “E-book” and “Overseas”

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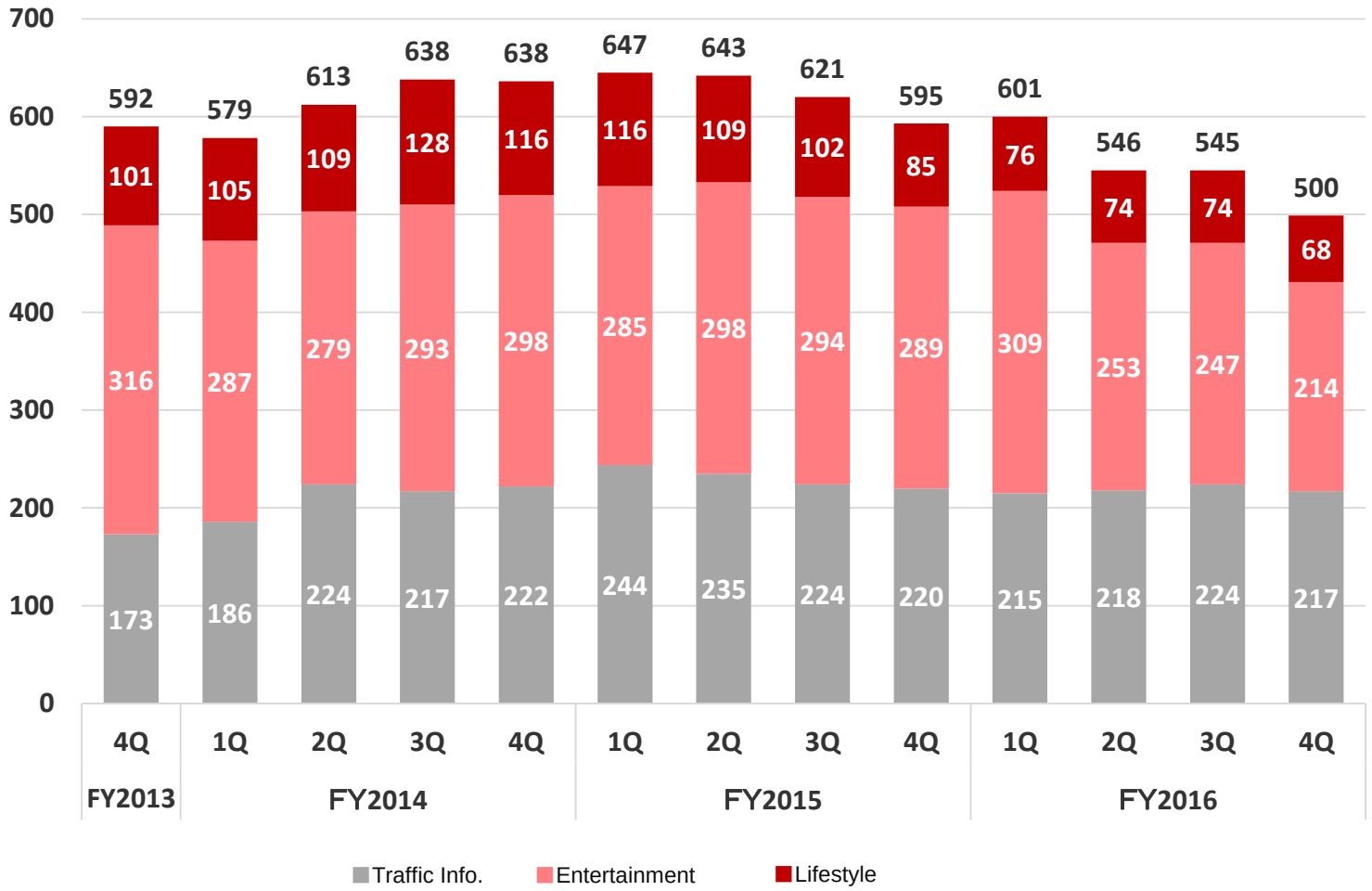
Sales (Contents Service Segment)

Sales decreased YoY and QoQ in Traffic info., Entertainment and Lifestyle

■ Q/Q Growth

（MN Yen）



※ “Entertainment” includes “Games”, “Mail”, “Music”, “E-book” and “Overseas”

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Sales (Solution Segment)

■ Y/Y Growth

（MN Yen）

	2015年5月期	2016年5月期	前期比 金額	前期比 増減率
Solution	1,192	1,637	444	37.3%
Advertising Agent Service	1,168	1,304	136	11.7%
Overseas	249	393	144	58.0%
Solution Segment	2,609	3,335	725	27.8%

Strong performance in all categories contributed to 27.8% sales increase totally.
11.7% up in Solution(consigned development and others)
12.4% up in Advertising Agent Service
and 58% up in Overseas

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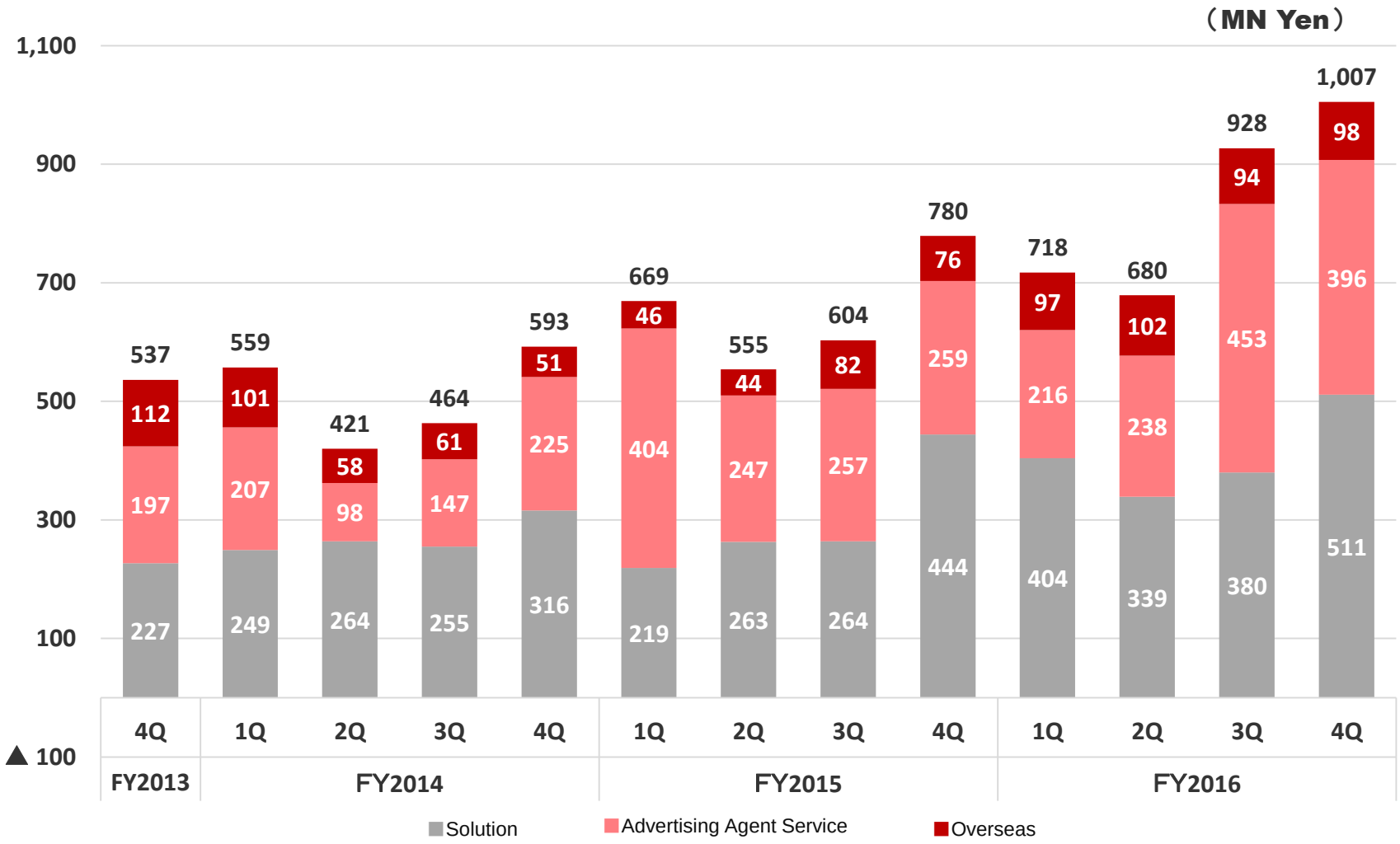
Sales (Solution Segment)

Solution (consigned development and others) sales hit record. Slight growth in Overseas keeping good performance. Advertising (Advertising Agent Service) increased by 53.0% YoY

■ Q/Q Growth



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COGS

■ Y/Y Growth

（MN Yen）

	FY2015	FY2016	YoY	
			Difference	Growth rate
COGS	2,704	3,208	504	18.6%
COGS ratio	52.9%	58.0%	-	-

With increase of Solution Segment sales ratio, COGS rose by 5.1%

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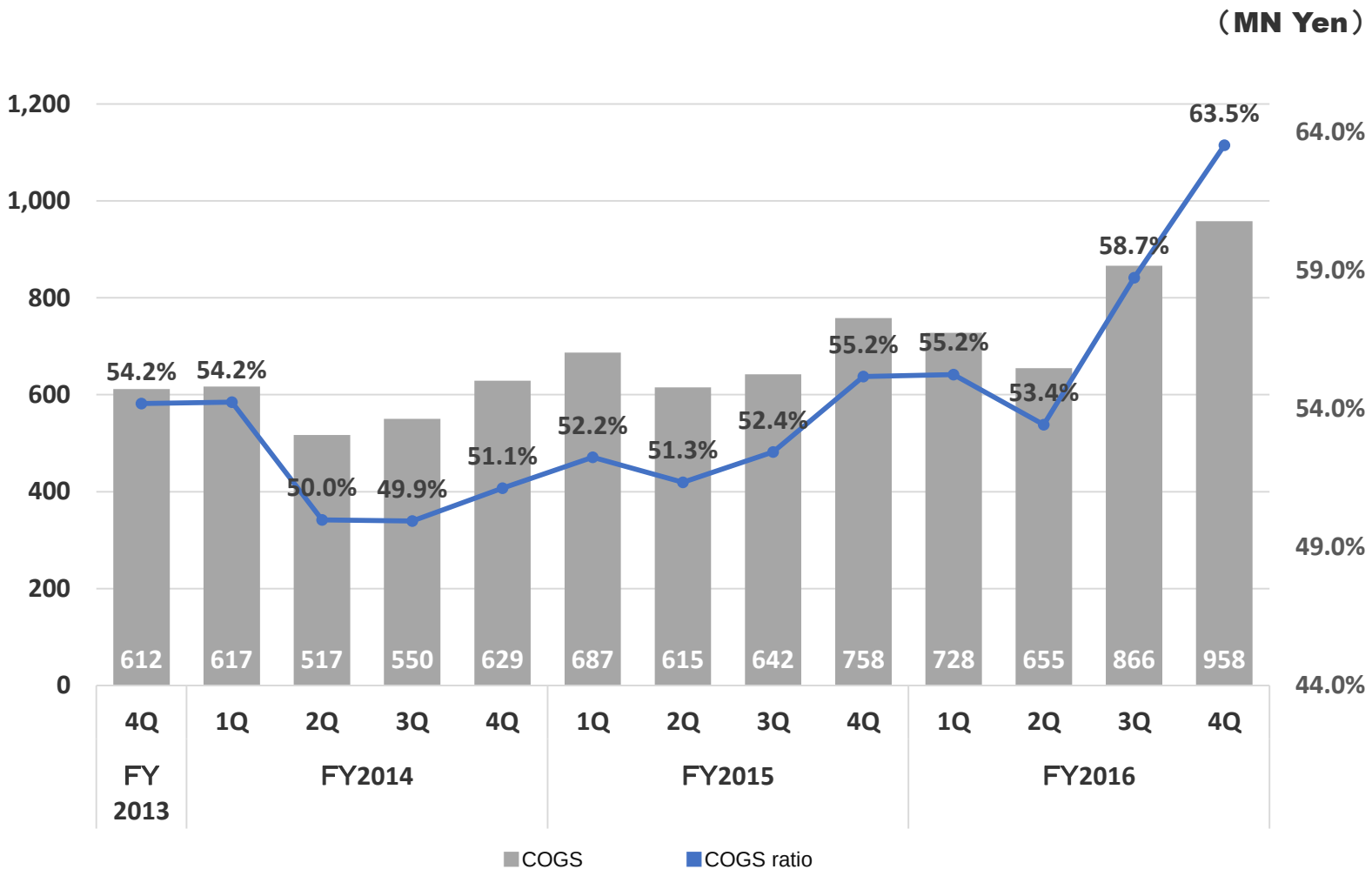
COGS

Due to sales growth in Solution Segment, COGS rose

■ Q/Q Growth



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SG&A

■ Y/Y Growth

（MN Yen）

	FY2015	FY2016	YoY difference	YoY Growth rate
(Advertising expenses)	711	541	▲ 170	▲24.0%
(Others)	1,510	1,560	50	3.4%
SG&A	2,222	2,102	▲ 120	▲5.4%
SG&A ratio	43.4%	38.0%	-	-

Advertising expense down by 24.0% due to advertising strategy shift from aggressive investment in previous FY.
Therefore SG&A ratio improved by 5.4%

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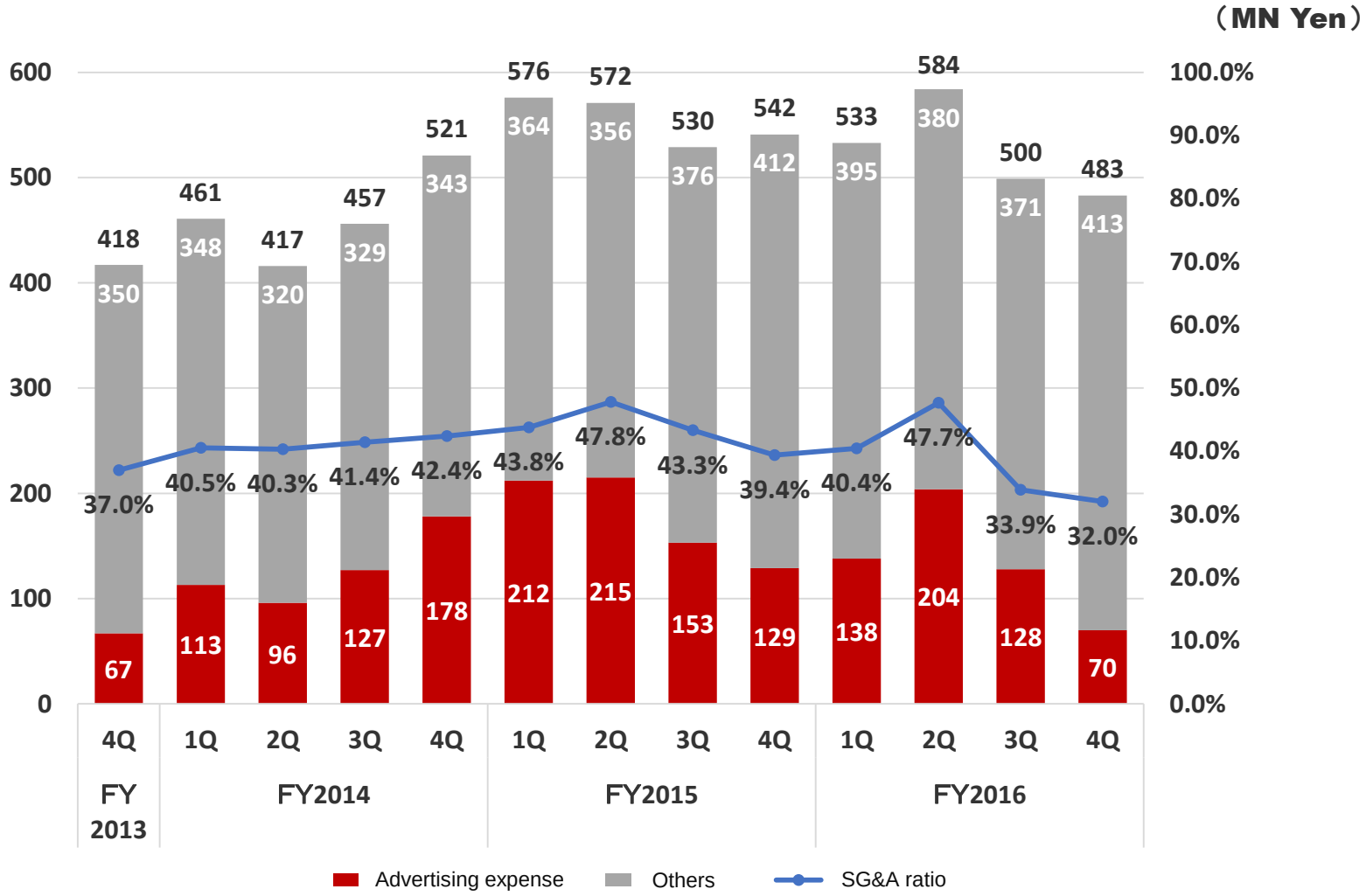
SG&A

With shift in advertising strategy adverting expense decreased, and consequently SG&A improved

■ Q/Q Growth



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Strategy for FY2017

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Strategy for FY2017

Contents Service Segment



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Segment Strategy

Aggressively forming contents platform and creating hit contents through contents & service development and strengthen alliance

Service provision centering major five contents



Healthcare
『Woman's Diary』



Flea-market
『Dealing』



Messenger App
『Fivetalk』



E-Book
『BOOKSMART』



Traffic Info.
『Traffic Info. Service』

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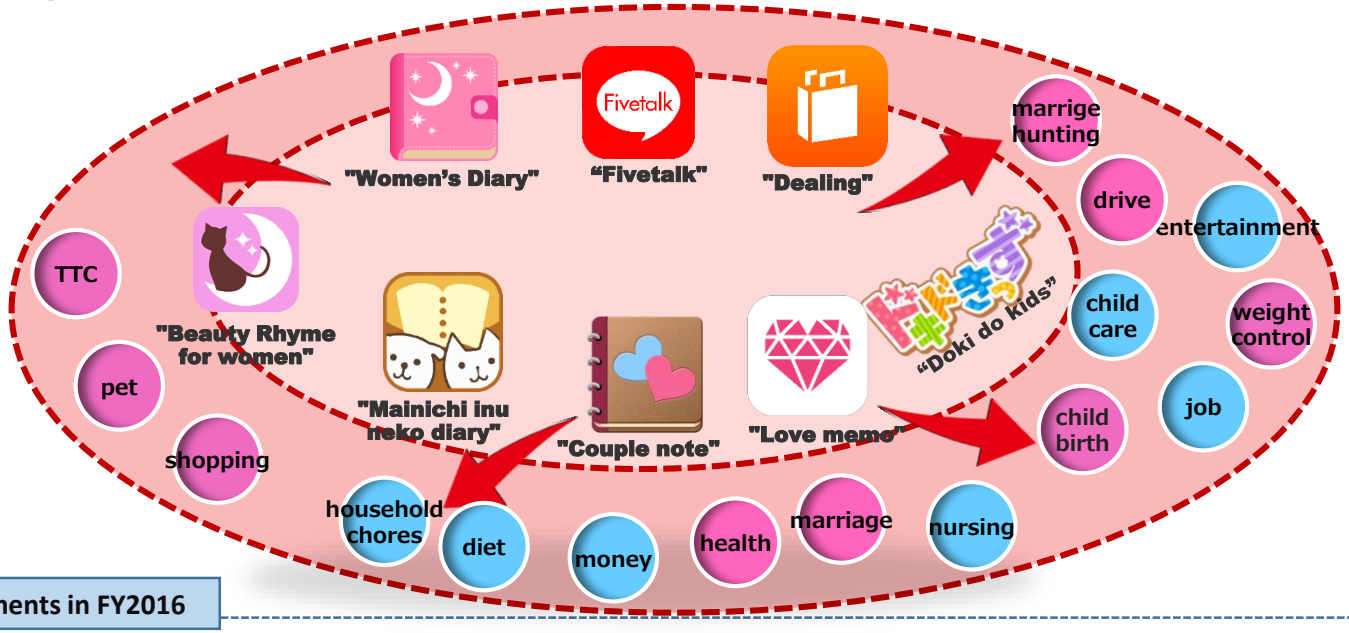
Lifestyle

- Aggressively forming life support platform through “strengthen alliance” and “service genre expansion”
- With expertise in healthcare and child education App. development, expanding coverage genre to MH and child care.
- Developing “Fivetalk” to be a conversation interface on IoT



Major achievements in FY2016

Women’s Diary

・App. to devise connection (a body composition and fat scale) in corporation with TANITA CORP. (21st Jan.2016)
・Started Joint operation of “Women’s Diary” with Excite Japan Co., Ltd. (4th April 2016)

Fivetalk

・Released “Fivetalk” for drive on TOYOTA’s “T-Connect”(※1) (25th June 2015)

(※1) TOYOTA’s next generation telematics service

Dealing

・Purchased assets of service (1st Dec. 2015)
・Built appropriate environment for person-to-person trades

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Entertainment

■ Chokkot game

Carrying out advertising strategy and releasing new games to augment popularity on platforms such as “Sugotoku Contents”



■ BOOKSMART

- Tightening alliance with Tokyo-Shoten commercial union
  - Started regular joint event “Tokyo Book Award” exploring & cultivating authors (10th June 2016)
- Enhancing services to increase users
  - Released browser viewer plus App viewer (10th June 2016)
  - Started ”rental service” and “all you can read service” (10th June 2016)



■ Distributing contents on new platform such as “Pepper” （SoftBank）

Major achievements in FY2016

- Authorized as “RoBoHoN” partner (10th May 2016)
- ”BOOKSMART”, released PC service in addition to smartphone and tablet

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Traffic Information

Traffic Information Service

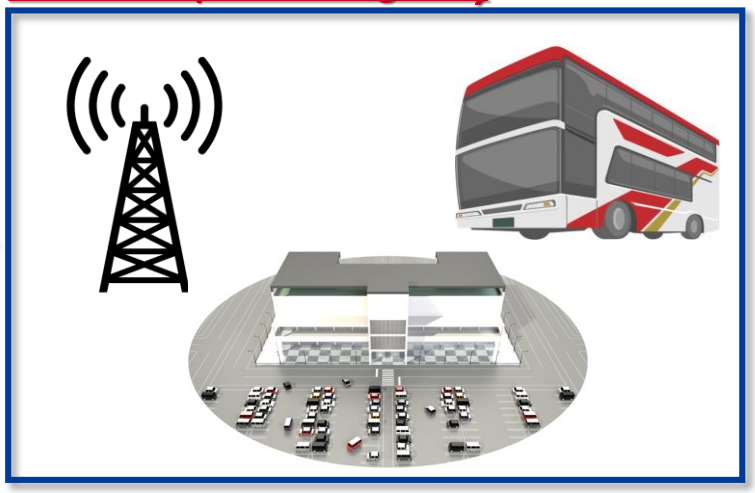
- Billing to app.200 thousand subscribers
- Releasing functions to enhance customer engagement
- Expanding distribution platform in addition to carrier platforms
- Aggressive service provision to BtoBtoC

BtoC (Contents Service Segment)



expanding

BtoBtoC (Solution Segment)



Major achievements in FY2016

Taffic Information Service

・Promoted BtoBtoC data distribution aggressively

- Bus location system for Keihin Kyuko Bus Co., Ltd. (March 2016)
- Data broadcasting for Television KANAGAWA, Inc. (4th April 2016)

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Strategy for FY2017
Solution Segment













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Segment Strategy

Expanding Solution business through offering total solution from App development, system integration, voice to new technologies at one stop shop

NIHON ENTERPRISE Group Strategy

4QUALIA

to Advance Knowledge for Humanity NIZULAB

and One

ATIS 交通情報サービス株式会社

Promote

ive Entertainment of Mobile commerce

山口再エネファクトリー

ENTERISE

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Solution (Consigned development and others)

Consigned development

■ Total Solution Service

- Carrying out a customer development on the back of growing IT investment by enterprises

■ Regional revitalization business

- With initiatives by local government, carrying out projects such as “lower birthrate” and “tourism” aggressively
- Expanding business opportunities with Smartvalue Co., Ltd.
- Strengthening group synergy

Major achievements in FY2016

【Consigned development】

- Business and capital alliance with Smartvalue Co., Ltd. (18th Feb. 2015)
- Released “integrated operation and audit service, Premier Cloud” with IDC Frontier Inc. (18th June 2015)

【Regional revitalization business】

- ”Chiba My Style Diary”, an App for countermeasures against lower birthrate, Chiba prefecture (20th August 2015)
- ”Shimoda Kodomo Diary”, an App to support parenting, Shimoda city, Shizuoka prefecture. (29th Feb. 2016)
- Released a tourism cloud “Tourism Yubisashi Navi”. (10th Aug. 2015)
- Released a history explore AR navigation App, “Shiroishi Shiro Shiro Navi” (1st April 2016)
- Opening ceremony of “Higasi kison solar power plant”, Yamaguchi prefecture. (15th May 2016)

Packaged service

■ Releasing education cloud ”e-Managi”

■ “BizTalk, “AplosOne”

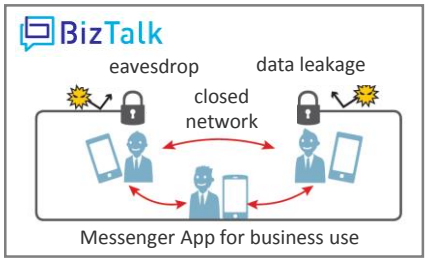
- Increasing users through function and usability enhancement

■ “Profair”

- Focusing on customer development through seminars and other sales activities

■ “Concerto”

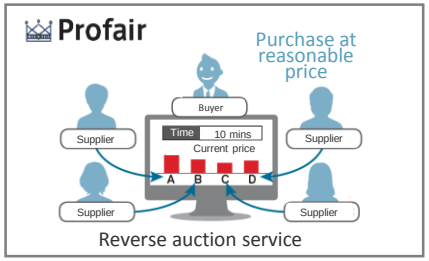
- Introducing partner system to expand distribution channel in addition to direct sales



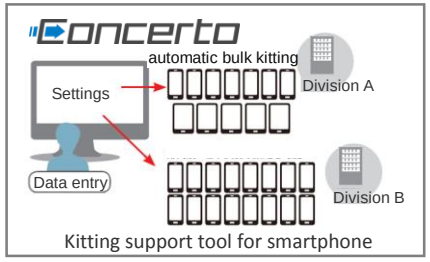
Messenger App for business use



IP Phone software



Reverse auction service



Kitting support tool for smartphone

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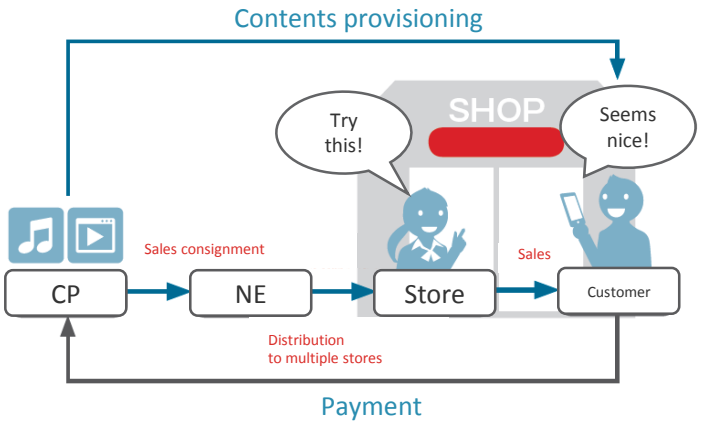
Advertising Agent Service

- **Developing distribution channels which suitable for each contents value**
- **Provision of superior contents**
- **Carrying out tie-up projects**



Major achievements in FY2016

・Sales hit record through “adapting flexibly to market environment” and “achieving sales measurements firmly”

・Provided superior contents including “All you can enjoy, from movies, dramas to cartoons” and “travel guide”.

Overseas

- **Focusing on sales to enterprise customers to increase sales**
- **Opened “Yu Qiao Store” in addition to existing two stores**

(21st April 2016※1)

Major achievements in FY2016

・YoY 190% up in number of mobile phone sold

(※1) FY2017 in China : From 1st April 2016 to 31st March 2017.

R&D in state-of-the-art technology is aggressively proceeding

HEMS	**Carrying out product development visualizing energy efficiency**
Smart Agriculture	**“Next generation food production trial business” in Aizu-Wakamatsu city, Fukushima prefecture** (29th May 2015)
Drone	**Wired multi drones controlling technology “Doronet”** (28th March 2016)

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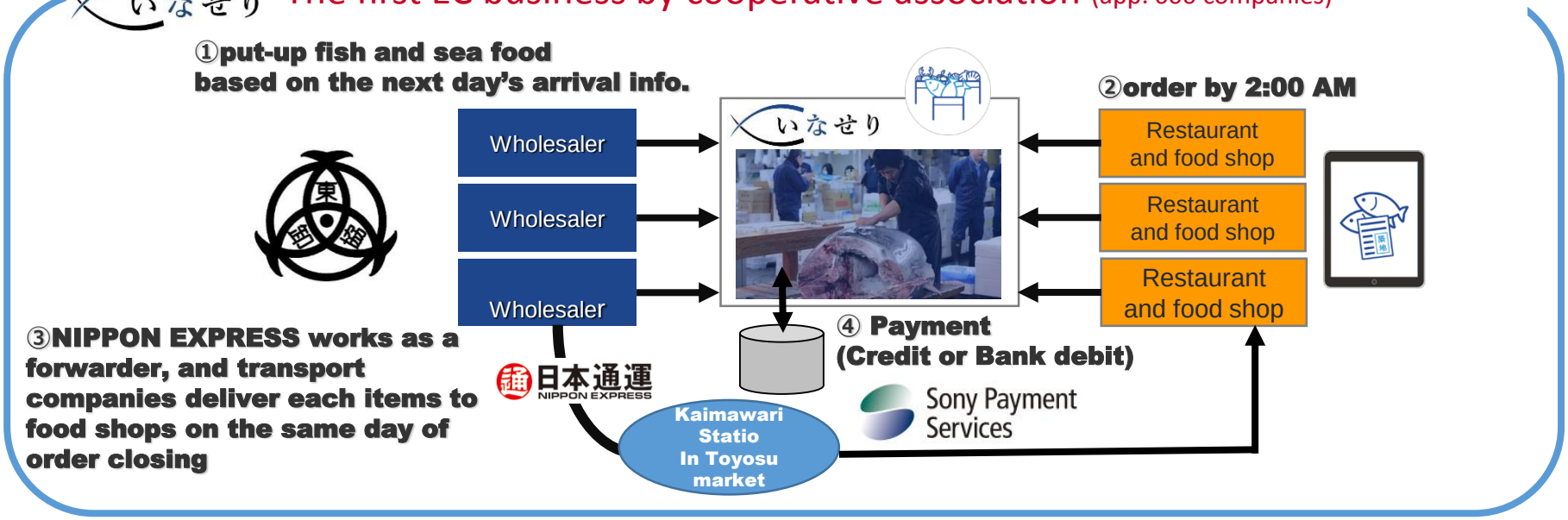
inaseri Co.,Ltd.

- Company name : inaseri Co.,Ltd.
- President & CEO : Yoshikatsu Hagiwara
- Address : 1-17-8 Shibuya, Shibuya-ku, Tokyo 150-0002 Japan
- Established : 3rd June 2016
- Capital : 75 Hundred Million Yen (Capital reserve: another 75 hundred million yen)
- Business : Planning, development and operation of Metropolitan Central Wholesale Market, Tsukiji Market, Cooperative Association, Official EC service, "Inaseri"
- Shareholder : Nihon Enterprise Co., Ltd. (100%)



announce "Inaseri" service at joint press conference (3rd June 2016)

いなせり The first EC business by cooperative association (app. 600 companies)



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Forecast and Strategy

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Forecast

（MN Yen）

	FY2016	FY2017 (forecast)	YoY	
			Difference	Growth rate
Sales	5,530	5,300	▲ 230	▲4.2%
Operating profit	219	330	110	50.2%
Ordinary profit	252	350	97	38.6%
Net profit attributable to the parent company	327	135	▲ 192	▲58.7%

Annual dividend per stock（Forecast for FY2016）：3.00Yen

While sales will be driven by Solution Segment,
4.2% down due to influences by government regulations and change in contents market situation.
With improving GOGS and shift in advertising strategy, operating profit will rise by 50.2% and 38.6% for ordinary profit.
Net profit attributable to the parent company will down 58.7% YoY, as in previous FY extraordinary gains and losses (gain on sale of investment securities) was added

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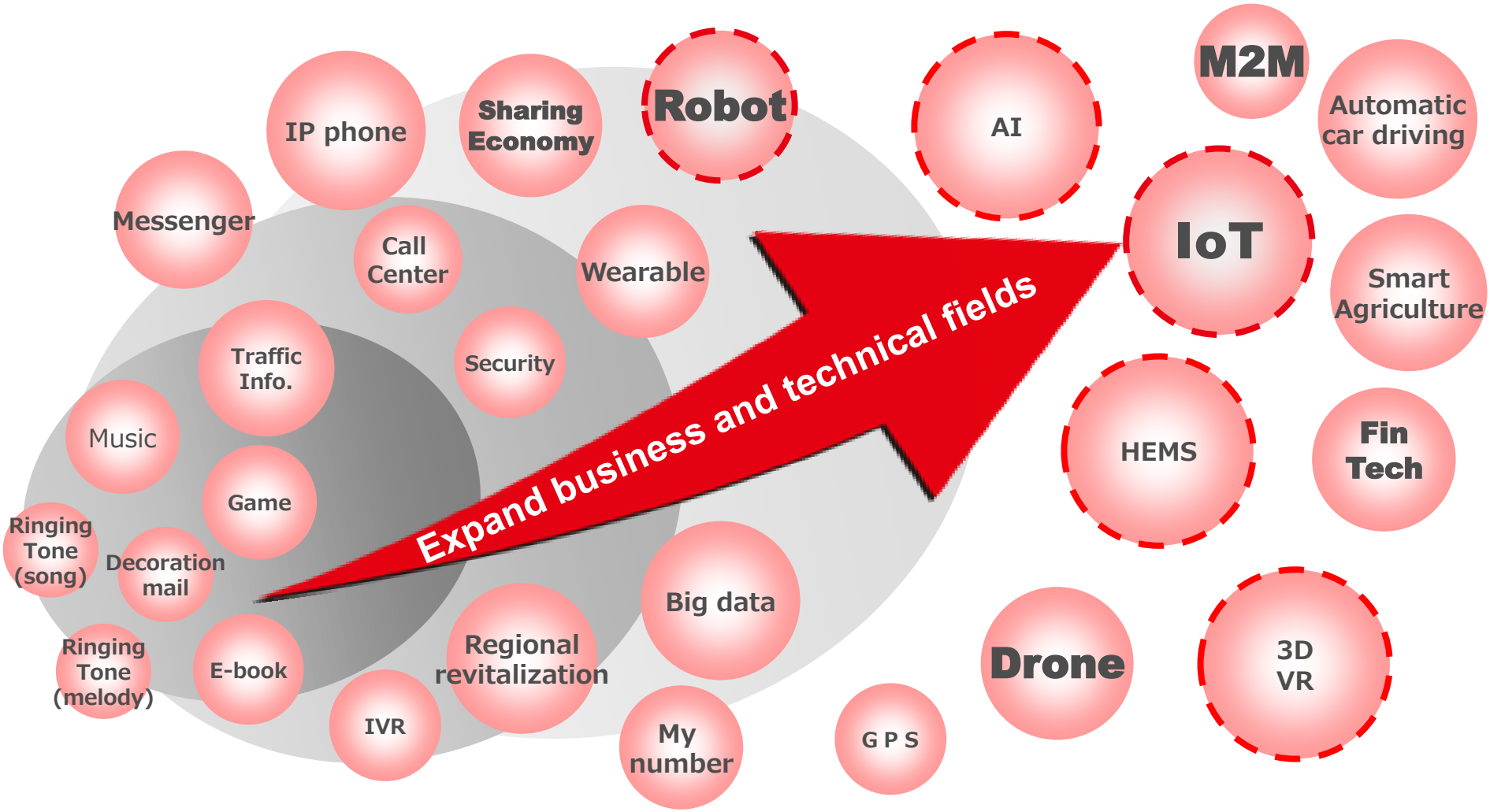
Strategy

Expansion of Business Fields in smart devise era



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Nihon Enterprise 検索

http://www.nihon-e.co.jp/ir/

Earnings results, IR presentation materials, press release,
and company information are available at www.nihon-e.co.jp/ir/
also delivered via "timely disclosure alert mail" service.

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※In this document there are some rounding variances in calculations.

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