

Consolidated Financial Results

Nihon Enterprise Co.,Ltd.



2Q FY2017 ending May
(From June 2016 to Nov. 2016)

Released 16th January 2017

(TSE code: 4829)

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1. Overview of Earnings Summary (First half FY2017)

1 Overview of Earnings Summary

Highlights

	First half FY2017	YoY
S a l e s	2,494	▲2.1%
Operating profit	166	279.7%
Ordinary profit	185	250.1%

(MN Yen)

Contents Service Segment

Lifestyle	Good progress in forming a platform centering “Women’s Diary” and “Dealing. Through strengthen alliance, aiming to build profitable advertising & commission model
Traffic Info.	With stable sales revenue from carrier platforms, accelerated solution business, such as transport and logistics system development, based on expertise in traffic info. distribution.
Entertainment	Focused on long run hit contents such as “Chokotto Game” and E-book “BOOKSMART”. Aiming for hit contents in new fields!

Solution Segment

Solution (consigned development and others)	Good results in new customer development. Upward trends in sales, as IT investment in smartphone & tablet and Cloud by enterprises is expanding
Advertising agent service	Along with market share expansion at mobile shops, focused on sales channel development. In addition to entertainment and information types of contents, started sales of industry’s NO.1 security software
Overseas	Stable results in mobile phone sales to enterprises via tighten cooperation with China Telecom and other factors.

1 Overview of Earnings Summary

Consolidated PL

(MN Yen)

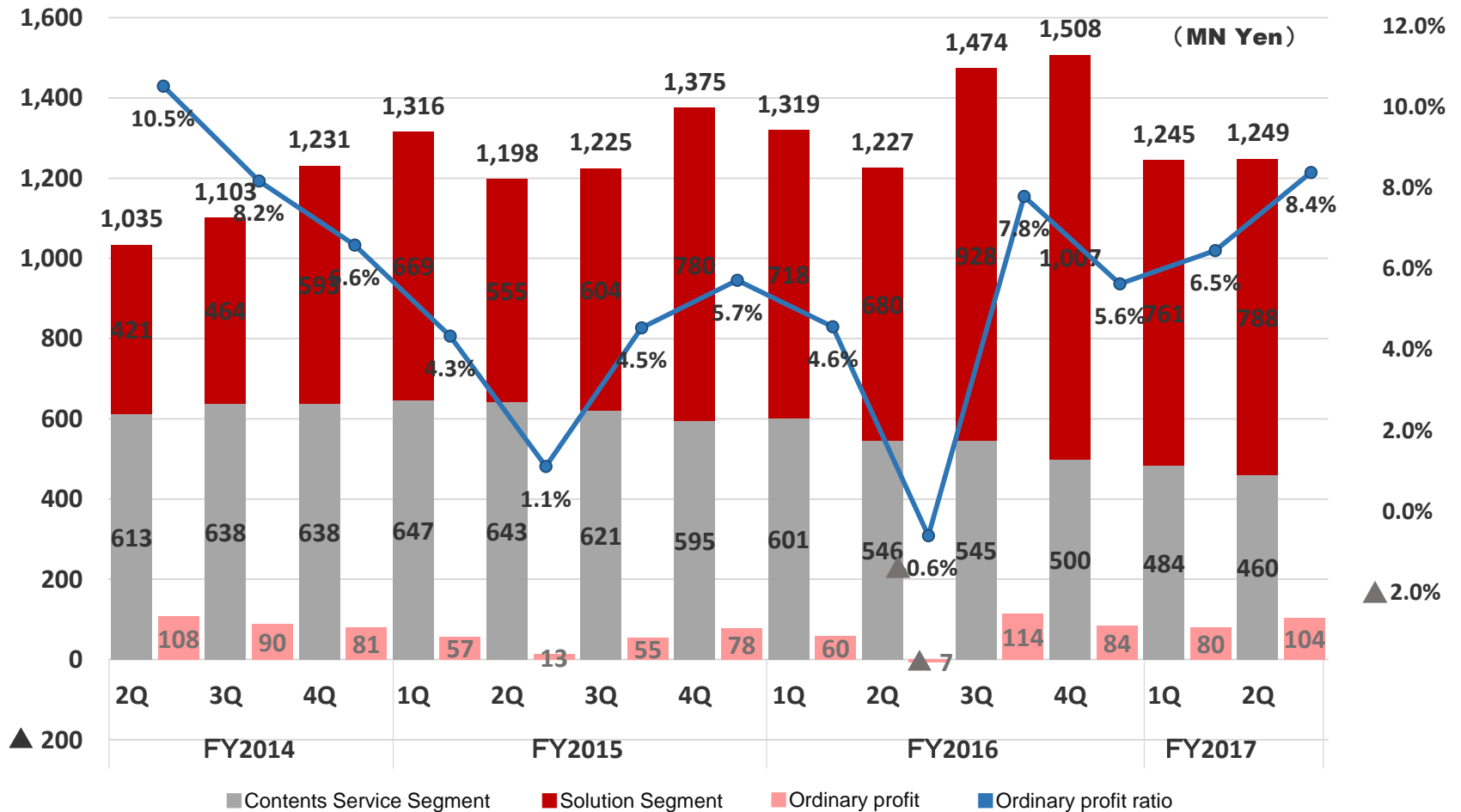
	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
Sales	2,494	2,547	▲ 52	▲2.1%
COGS	1,473	1,384	88	6.4%
Gross profit	1,021	1,162	▲ 141	▲12.2%
SG&A	854	1,118	▲ 264	▲23.6%
Operating profit	166	43	122	279.7%
Non-operating profit	20	9	11	118.8%
Non-operating expense	2	0	1	454.6%
Ordinary profit	185	52	132	250.1%
Extraordinary profit	19	35	▲ 15	▲44.9%
Extraordinary loss	64	14	49	335.0%
Pre-tax profit	140	73	66	90.7%
Total amount of corporation tax and others	48	▲ 0	-	-
Net profit	92	74	17	24.3%
Net profit attributable to non-controlling interest	21	4	16	365.2%
Net profit attributable to the parent company	70	69	1	2.0%

1 Overview of Earnings Summary

Q/Q growth

YoY and QoQ sales slightly up

YoY and QoQ ordinary profit ratio improved



1 Overview of Earnings Summary

Sales

■ Y/Y Growth

**Contents service segment,
due to lower growth in contents on carrier platforms,
17.7% sales down**

**Solution segment,
10.8% sales up, driven by Solution (consigned development and others) and
Advertising (advertising agent service)**

(MN Yen)

	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
Contents Service Segment	944	1,148	▲ 203	▲17.7%
Solution Segment	1,549	1,399	150	10.8%
Total	2,494	2,547	▲ 52	▲2.1%

1 Overview of Earnings Summary

Sales (Solution Segment)

Y/Y Growth

As a whole 17.7% sales down, due to carrier's policy change in "fixed rate service", company's strategy change in "monthly charged service" and others

In all genre, focusing on business fields expansion for profitable model through alliances!

(MN Yen)

	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
Traffic Info.	405	434	▲ 29	▲6.7%
Entertainment	413	563 <small>(※1)</small>	▲ 149	▲26.6%
Lifestyle	126	150	▲ 24	▲16.2%
Contents Service Segment	944	1,148	▲ 203	▲17.7%

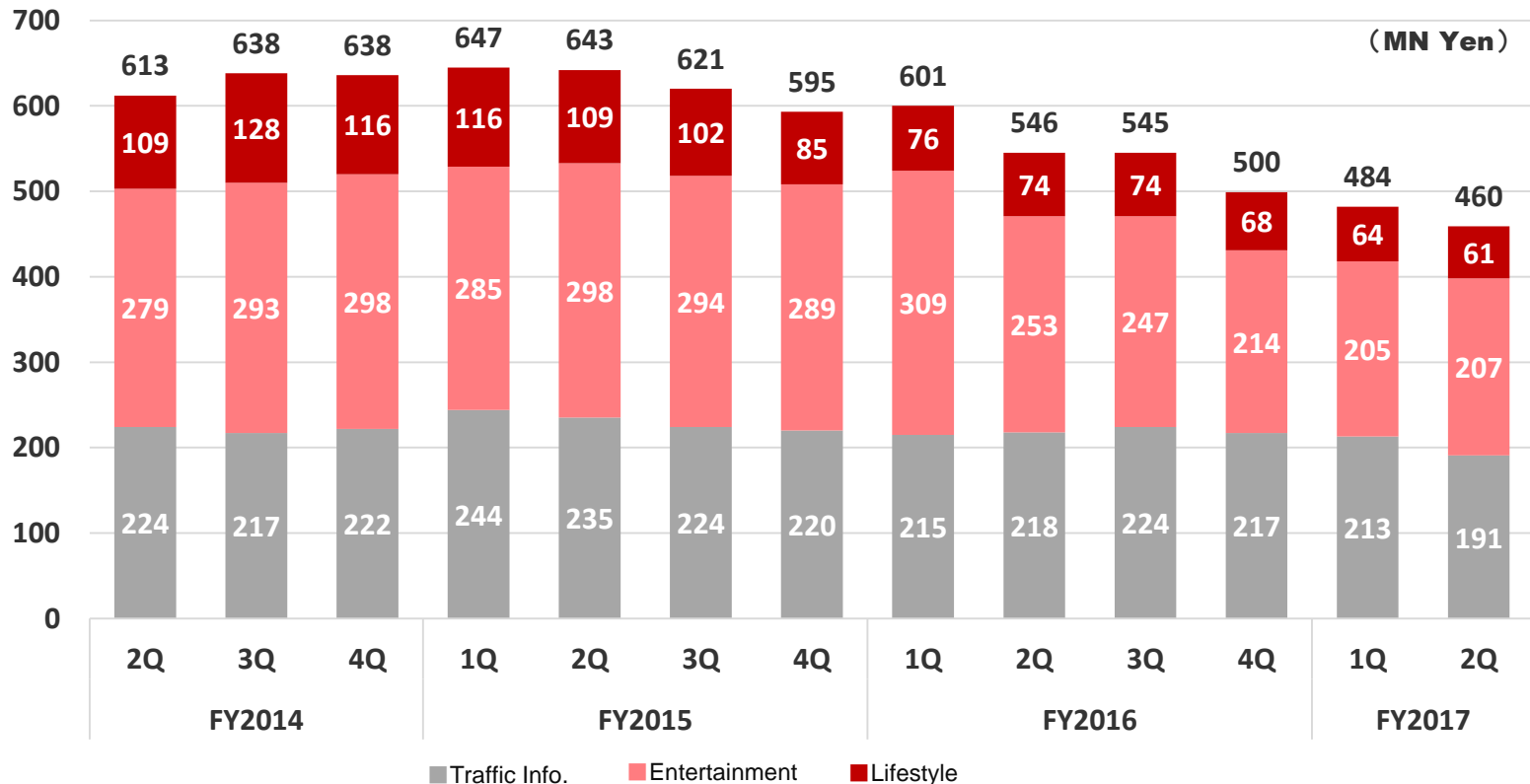
(※1) Incl. Sales by Beijing YZH Wireless Net technology Co., Ltd.

1 Overview of Earnings Summary

Sales (Solution Segment)

Q/Q Growth

- Downward trends in sales as a whole, despite good performance in “Chokotto Game” and “BOOKSMART”
- While keeping stable sales from existing hit contents, aiming to create new hit!



1 Overview of Earnings Summary

Sales (Solution Segment)

■ Y/Y Growth

- Strong performance with 10.8% up, largely driven by Solution**
 (consigned development and others) **and Advertising** (advertising agent service)
- Overseas, despite lower market growth pace, remained at the same level**

(MN Yen)

	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
Solution (consigned development and others)	823	744	78	10.6%
Advertising (advertising agent service)	525	454	71	15.6%
Overseas	201	200	1	0.5%
Solution Segment	1,549	1,399	150	10.8%

1 Overview of Earnings Summary

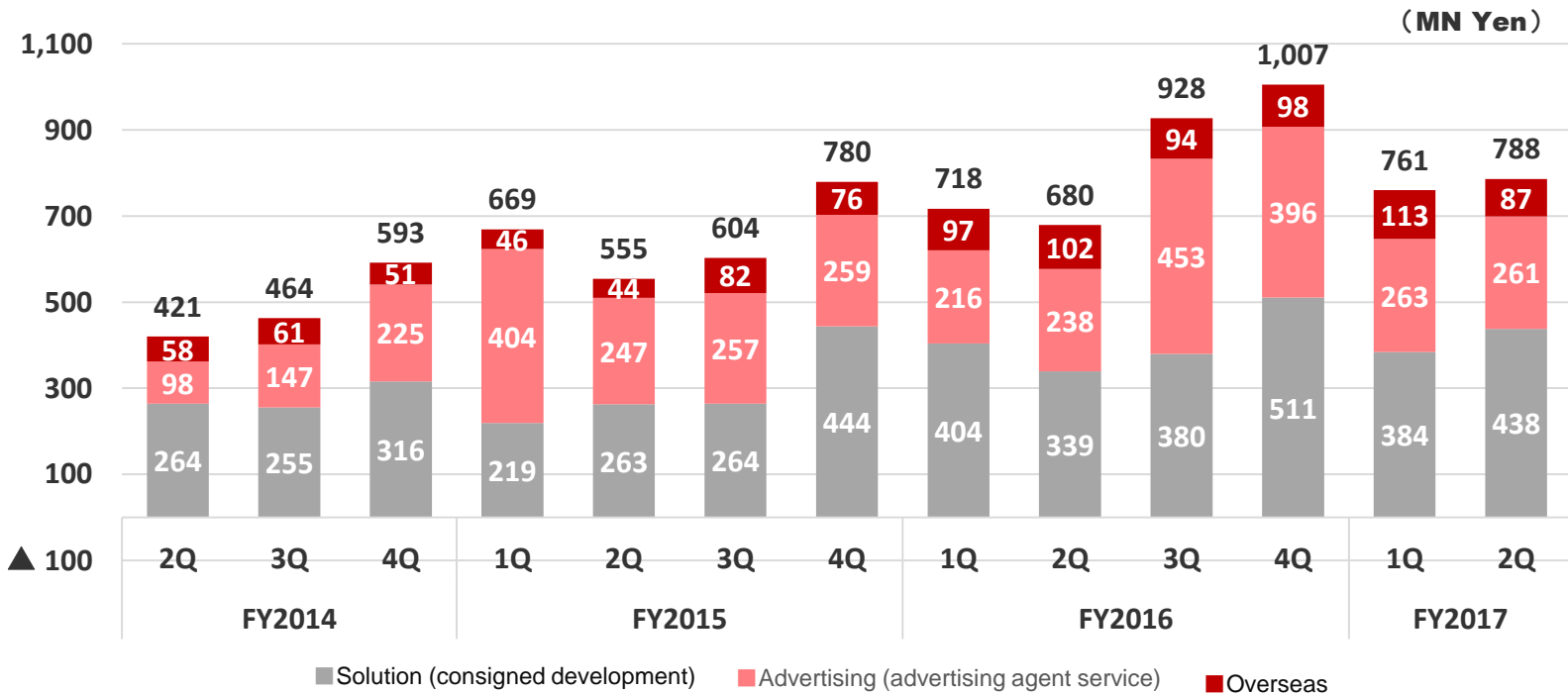
Sales (Solution Segment)

Q/Q Growth

Solution (consigned development and others), **hit YoY record**

Advertising (advertising agent service), **hit YoY record with 10.0% up, QoQ stably remained at the same level**

Overseas, despite increasing sales volume, **14.8% down in revenue due to sales price decline**



1 Overview of Earnings Summary

COGS

■ Y/Y Growth

Due to 7.2% increase of Solution segment ratio, COGS rose 4.7%

(MN Yen)

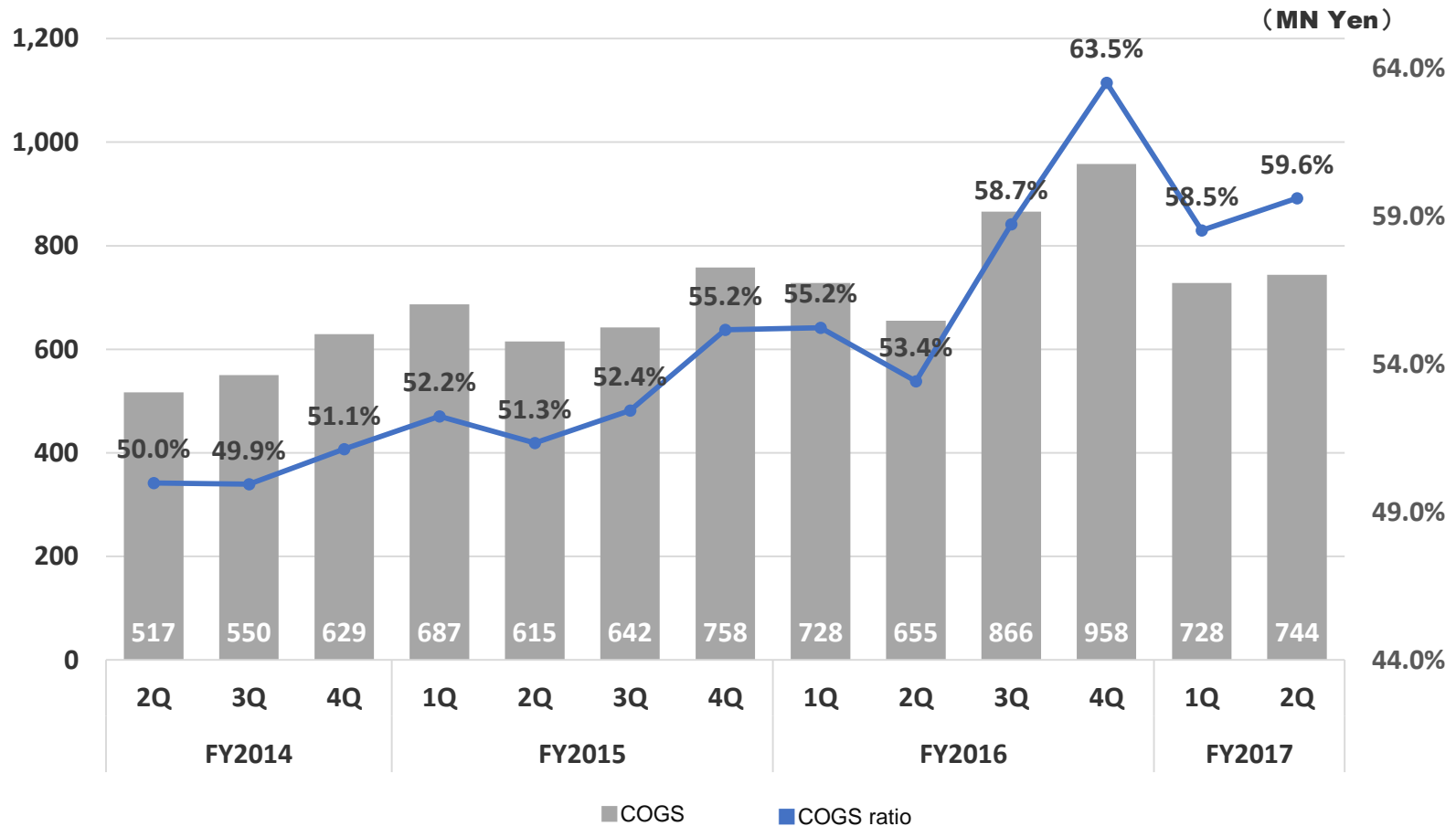
	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
COGS	1,473	1,384	88	6.4%
COGS ratio	59.1%	54.4%	-	-

1 Overview of Earnings Summary

COGS

Y/Y Growths

COGS ratio rose 1.1% due to Solution (consigned development and others) sales increased 14.2% QoQ



1 Overview of Earnings Summary

SG&A

■ Y/Y Growth

SG&A dramatically decreased with 60% down in Advertising expenses. As a result SG&A ratio improved 9.7%

(MN Yen)

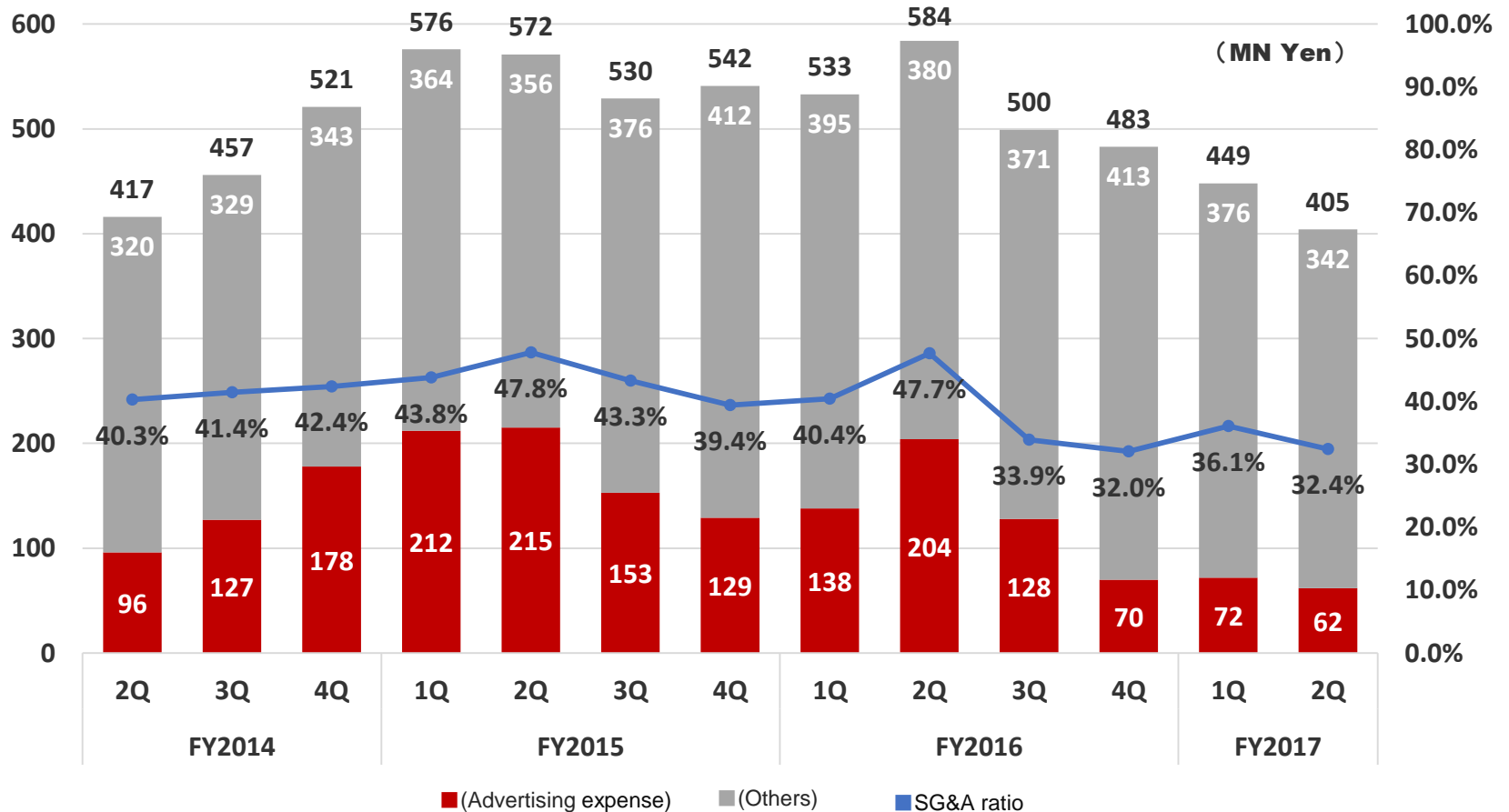
	FY2017	FY2016	YoY	
	First half	First half	Difference	Growth rate
(Advertising expenses)	134	342	▲ 208	▲60.7%
(Others)	719	775	▲ 55	▲7.2%
SG&A	854	1,118	▲ 264	▲23.6%
SG&A ratio	34.2%	43.9%	-	-

1 Overview of Earnings Summary

SG&A

Q/Q Growth

SG&A ratio improved 3.7% by cost reduction such as strategy change in advertising investment

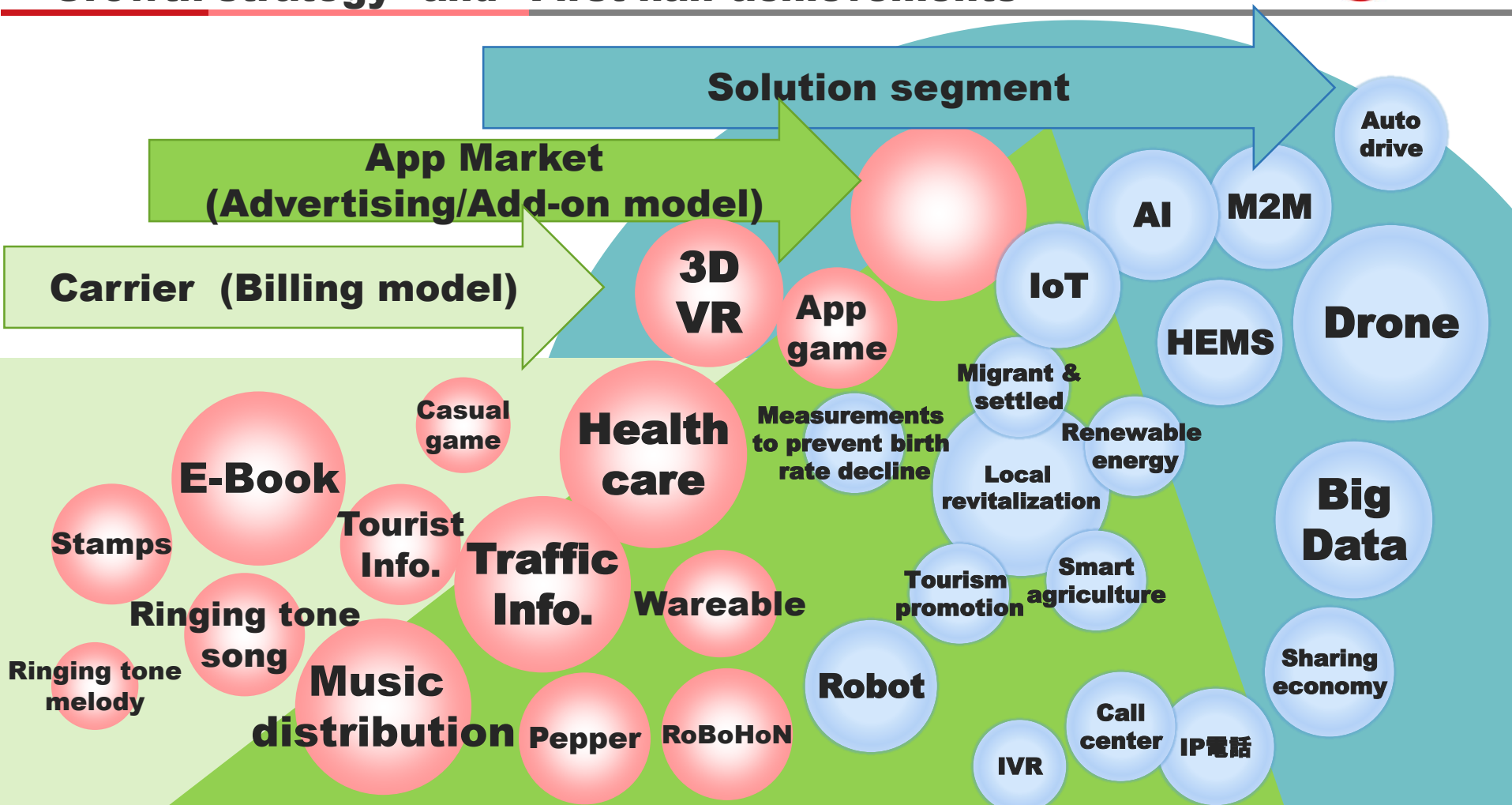


”Growth strategy“ & ”First half achievements”

2 Contents Service Segment

3 Solution Segment

“Growth strategy” and “First half achievements”



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

2. Contents Service Segment

First half achievements

- 1

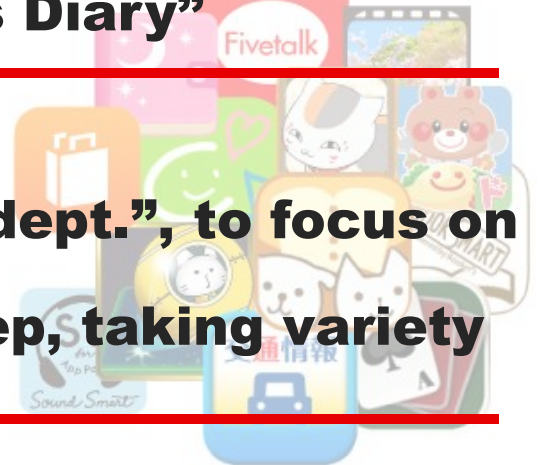
Downward trends in Carriers' platform (fixed rate/monthly billing).
Focused on long hit contents, or "Chokotto Game" and "ATIS Traffic Info."

- 2

Good progress in forming a "Platform" centering major contents such as "Women's Diary"

- 3

Organized "service development dept.", to focus on creating hit contents.
Released VR game as the first step, taking variety of approach



2 Contents Service Segment

Contents platform

Support healthy lifestyle in every life stage

• Proceeded mutual link and service expansion through alliances



Women's Diary × **教えて!goo**

(340 hundred thousand DL)

(120 hundred thousand member)

Linked with "Oshiete goo" (operated by NTT Resonant Inc.).
Released community service where members can talk each other about health, love, child birth and child care.

Oshiete goo



2 Contents Service Segment

Contents platform



Health care App "Women's dairy"

■ Started community service through link with "Oshiete goo"

(Dec. 2016)

■ Sated monthly billing (Oct. 2016)

■ Good performance in advertising through synergy with Excite Japan Co., Ltd.

Advertising

App/
monthly billing



E-book service "BOOKSMART"

■ Good start in "rental" "as much as you want" service (June.2016)

■ Started distribution of popular titles via direct license agreement with HAKUSENSHA (Nov.2016) , followed by SHUEISYA

■ Strengthen alliance

Point

Rental

As much as



Flea market App "Dealing"

■ Added payment methods to strengthen user engagement

■ Improved security and profitability by security function implementing

■ Strengthen alliance

Commission



Traffic Info. "Traffic Info. service"

■ In addition to carrier platforms, started distribution on "iOS"

(Aug.2016) and "Pepper robot" (Sep.2016)

■ Enrich menus by integration to "Leisure & Parking lot Info."

App/
monthly billing

Carrier-monthly

Carrier-fixed



Messenger "Fivetalk"

■ In addition to "Android", "iOS, and "App for car", started distribution on "au smart pass" (Nov.2016)

Advertising

Add-on

Carrier-fixed



Coupon App "Shake and Coupon"

■ Renewal version to be released (Coming in this spring)

Advertising



『改・恐怖！廃病院からの脱出：無影灯』
Revised・horror! "Mueito" - Escape from the ruined hospital -



あの恐怖が
VRになって
再び...



Nov. 2016

Release

ご来院される方へ

院内の様子

無影灯シリーズHP



3. Solution Segment First half achievements

1 With expertise in contents service business, accelerated application and system consignment development and operation (for enterprise and local government)

2 Advertising (advertising agent service), Aiming for expanding sales channel!



3 Developed new business in the fields of EC, IoT and others

3 Solution Segment

Solution (Consigned development and others) 1/2

- **Preferable achievements in customer development/order entries. As a result good performance in consigned development – operation (total solution)**



- **Package solution, accelerated implementation to enterprises**

operational efficiency & cost reduction

IP phone



Messenger App for business use



Reverse auction service



Kitting and test



Education support



• Release of "eManabi (July 2016)"

3 Solution Segment

Solution (Consigned development and others) 2/2

• **Expansion from Contents service to solution business**

Traffic Info.

■ System development

- Developing Transportation & Logistics system
- Bus location system (Keihin Kyuko Bus Co., Ltd.)

■ Data distribution

CATV, Broadcast, Government sector, Newspaper, Shopping mole and others

“Fivetalk”

■ IoT/Connected Car

- Good progress in joint development in interface between “cars to human” and “things to human” in addition to “human to human”



• **[Local revitalization] Good results in application and system development – operation for local government including new order entries and continues ones.**

(eg.)

declining child birth prevention	Smart agriculture	Renewable energy	Disaster prevention	Migrant and settle	Tourism promotion

3 Solution Segment

Advertising (advertising agent service)

- In addition to entertainment and information types of contents, started sales of industry's NO.1 security software
- Market share expansions
- In addition to mobile shops, promoted sales channel development



Overseas

- Shanghai, sales volume of mobile device 15% up
- India, closing business due to unprofitable operation (Nov. 2016)



3 Solution Segment

New biz “Inaseri”



• **Revolution in fresh seafood distribution with IT!**
Released Metropolitan Central Wholesale Market Cooperative Association’s First EC service, “Inaseri”

(June 2016)



Established “Inaseri Co., Ltd.”.
 Announced business alliance
 With Metropolitan Central
 Wholesale Market Cooperative
 Association

(Oct. 2016)



Started pre registration
 By food business operators

(Dec. 2016)



Started at Tsukiji



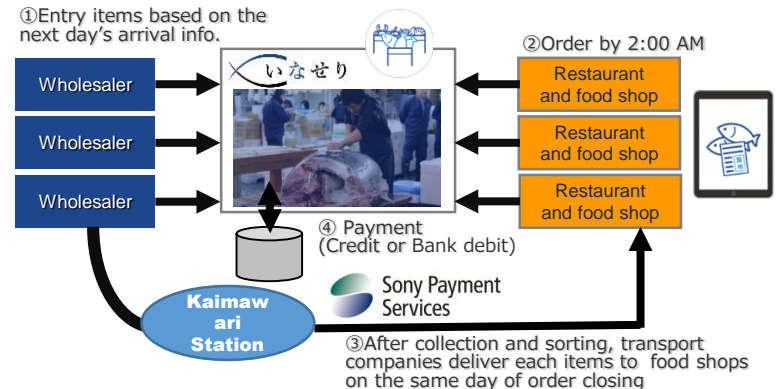
Expansion area
 and items to sell

“Gaia no yoake”
 broadcasted (20th Dec.
 TV Tokyo)
 “Close up! Tsukiji,
 87 months~relocation
 problem...and new
 challenge~”

【inaseri Co.,Ltd.】

- President : Yoshikatsu Hagiwara
- Address : 1-8-2 Shintomi, Chuoku, Toyo, 104-0041
- 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 Cooperative Association, official EC service, “Inaseri”
- Shareholder : Nihon Enterprise Co., Ltd. (100%)
- URL : <https://inaseri.net/>

【Service flow】

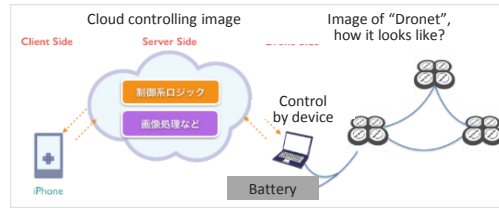


3 Solution Segment

Initiatives

Wired drone

Developed “Dronet”, or wired drones controlling technology, which enables long flight time and additional payload, with University of Aizu. Proceeding joint tests with manufactures and facility operating companies to examine commercial viability.



SORACOM

Authorized as IoT platform “SORACOM”'s “SPS authorized solution partner”. Primus® series, compatible to SORACOM, INC.'s data communication SIM”

IoT

(July 2016)

Started joint development of IoT brand “GEMS®” with leading garden exterior company, TAKASHO CORPORATION

Smart agriculture

App and system development for Aizu-Wakamatsu’s “next generation food production trial business”. Expanded scale of demonstrative test

Energy

Operating “Higashikiwa solar power plants. Promoting local revitalization by solar power generation and IT

4. Forecast and Strategy

4 Forecast and Strategy

Forecast and progress

Good progress with 47.1% for sales, 50.6% for operational profit, 52.9% for ordinary profit, 52.5% for Net profit attribute to the parent company

(MN Yen)

	FY2017 (Forecast)	FY2016 (Result)	YoY		Progress
			Difference	Growth rate	
Sales	5,300	5,530	▲ 230	▲4.2%	47.1%
Operating profit	330	219	110	50.2%	50.6%
Ordinary profit	350	252	97	38.6%	52.9%
Net profit attributable to the parent company	135	327	▲ 192	▲58.7%	52.5%

(Appendix) Business Domain

Contents Service

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

- Lifestyle
- Traffic Info.
- Entertainment

Solution

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

- Solution
(consigned development and others)
- Advertising Agent Service
- Overseas

10 consolidated subsidiaries



4 non consolidated subsidiaries





日本エンタ

検索

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

Earnings results, IR info., news release,
and company profile are available on our web.

IR info. and news release are mailed
by "Timely disclosure alert mail service" upon request.

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※In this document there are some rounding variances happen less than hundred thousand.