

Nihon Enterprise Co., Ltd.

Consolidated Earnings Summary for 2Q FY2015, ending 31st May



for 2Q financial results briefing

As of January 2015





Earnings summary 【 2Q FY2015 】



Operating review 【 Contents service business 】

for 2Q FY2015



Operating review 【 Solution business 】

for 2Q FY2015



Outlook for FY2015 【 Earnings forecast 】

Content service business

- Growth in Carrier fixed rate services
 - contents provision expanded (newly released “Woman’s DIARY” for “App Pass”)
- Newly released smartphone game “NekoPing! Planet”

Solution business

- Launched empirical operation of Chiba prefecture birthrate improvement project “ChibaWomanDiary”
- Started sales of messenger app “BizTalk” to corporate customers

Others

- Owned Aizu Laboratory, Inc. as subsidiary
- Corporate officer system introduced

Earnings summary - summary of consolidated income statements

(Million yen)

	First half FY2014	First half FY2015	Y/Y change	
			Sum	Percentage
S a l e s	2,174	2,514	340	15.7%
C O G S	1,135	1,303	167	14.8%
G r o s s P r o f i t	1,039	1,211	172	16.6%
S G & A	878	1,149	270	30.8%
Operating Profit	160	62	▲97	▲60.9%
Non-operating profit	17	8	▲9	▲53.0%
Non-operating expense	8	0	▲8	▲97.0%
Ordinary profit	168	70	▲98	▲58.3%
Extraordinary profit	107	331	223	208.0%
Extraordinary loss	0	8	8	1,349.4%
P r e - t a x p r o f i t	275	392	116	42.3%
Total amount of corporation tax a n d o t h e r s	127	218	90	70.9%
Income before minority interest	148	174	26	17.7%
Minority interests in net profit	15	15	▲0	▲3.6%
N e t p r o f i t	132	159	26	20.3%

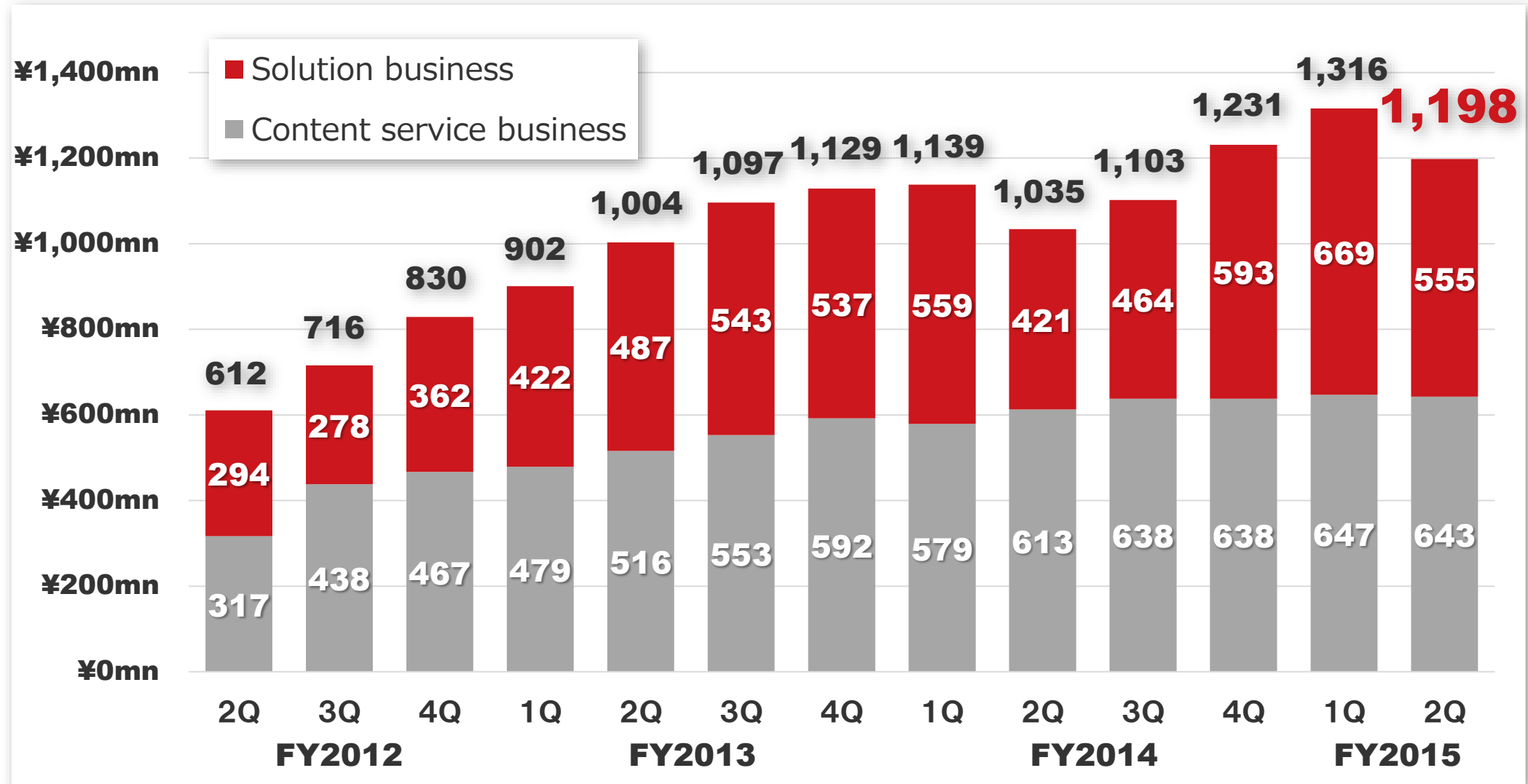
■ Sales of both content service business and solution business increased

(Million yen)

	First half FY2014	First half FY2015	Y/Y change	
			Sum	percentage
Contents service b u s i n e s s	1,193	1,290	97	8.2%
Solution business	981	1,224	243	24.8%
T o t a l	2,174	2,514	340	15.7%

Earnings summary – Y/Y sales growth

- Content service business slightly decreased
Solution business declined



Earnings summary – 2Q FY2015 Y/Y sales (contents service business)

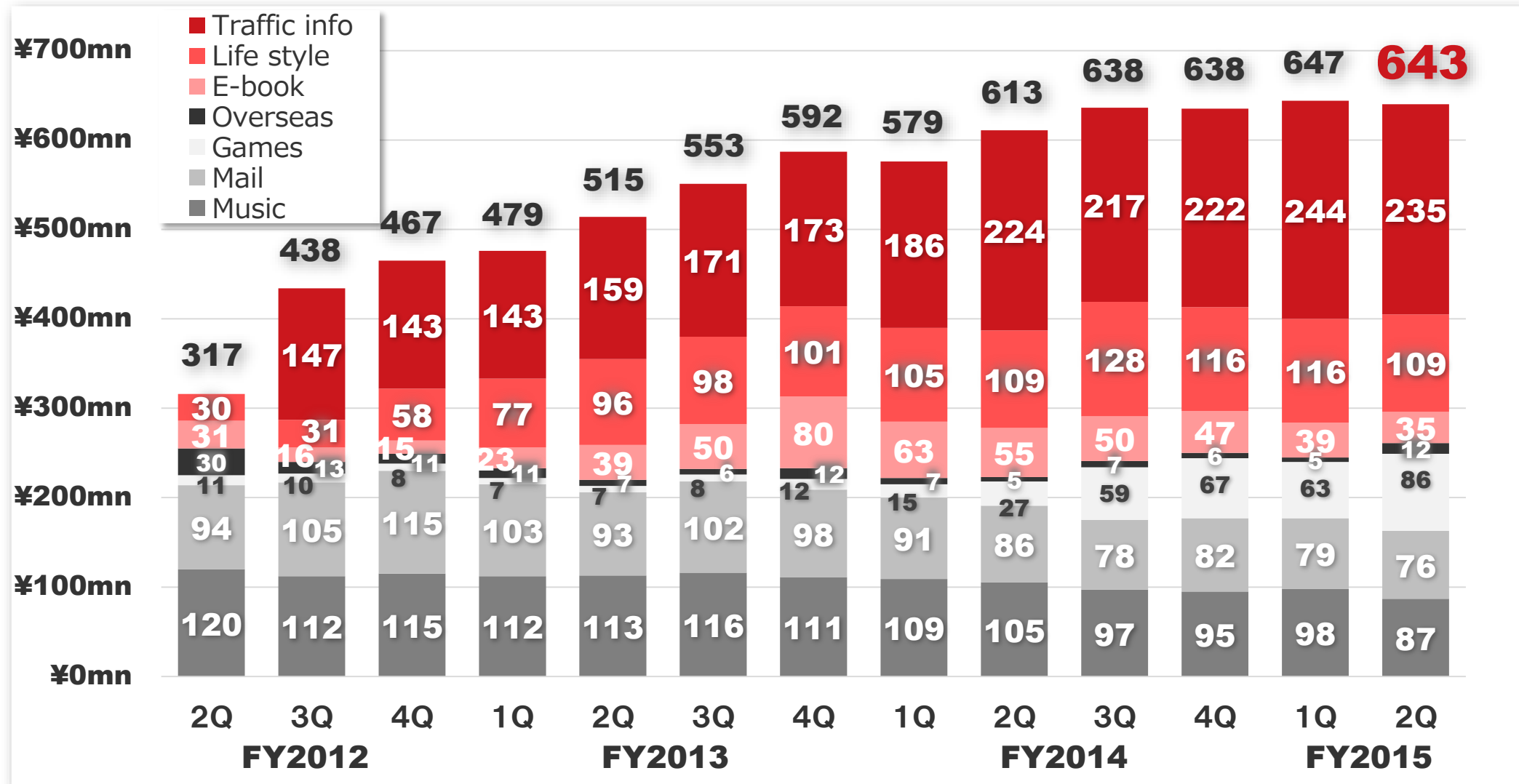
■ Sales rose 8.2%, driven by sales increase of games and Traffic info.

(Million yen)

	First half FY2014	First half FY2015	Y/Y change	
			Sum	percentage
Traffic info.	410	479	68	16.7%
Life style	214	226	12	5.6%
E - B o o k	118	75	▲43	▲36.4%
O v e r s e a s	12	17	5	39.1%
G a m e s	43	149	106	245.2%
M a i l	177	155	▲21	▲12.3%
M u s i c	215	185	▲29	▲13.6%
T o t a l	1,193	1,290	97	8.2%

Earnings summary – Y/Y sales growth (contents service business)

■ Game continued to increase



Earnings summary – 2Q FY2015 Y/Y sales (solution business)

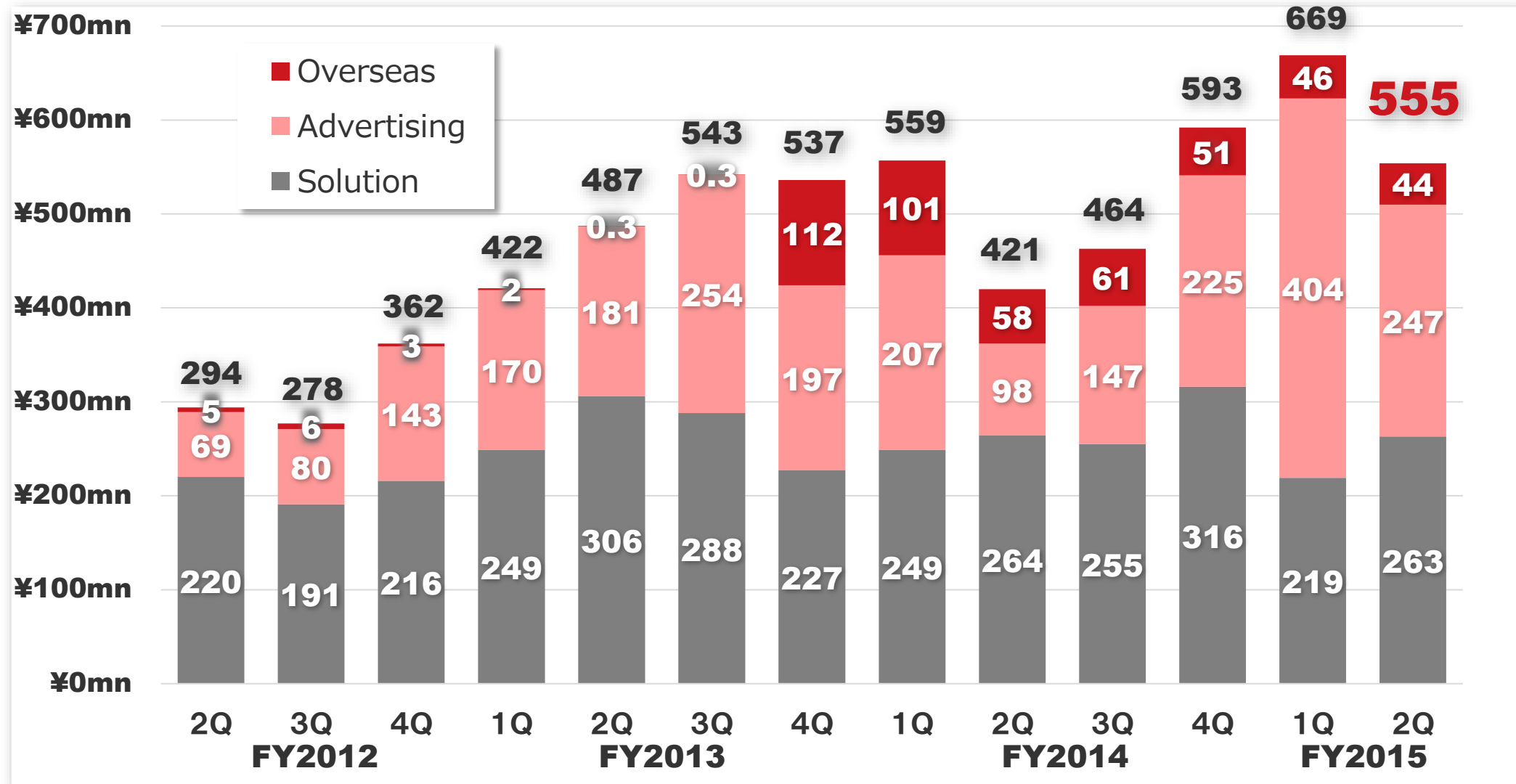
■ Sales increased by 24.8% driven by strong growth in advertising business

(Million yen)

	First half FY2014	First half FY2015	Y/Y change	
			Sum	percentage
S o l u t i o n	514	483	▲31	▲6.1%
A d v e r t i s i n g b u s i n e s s	306	651	344	112.6%
O v e r s e a s	160	90	▲70	▲43.8%
T o t a l	981	1,224	243	24.8%

Earnings summary – Y/Y sales growth (solution business)

■ Advertising business dropped, solution business increased



■ **COGS** : COGS ratio improved due to sales growth in contents service business
for carrier fixed rate service

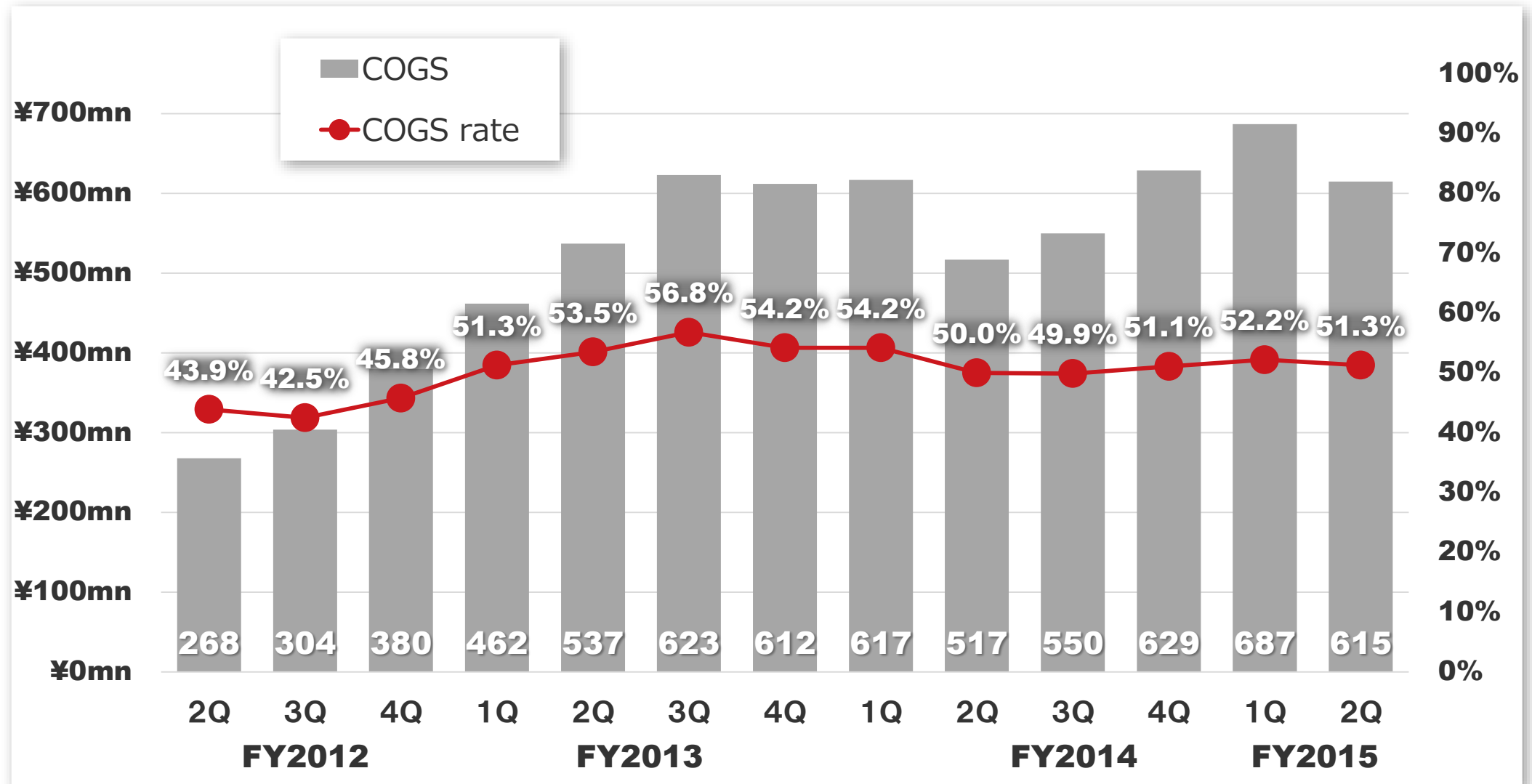
SGA : SGA increased due to positive investment in advertising expenses
(content service business)

(Million yen)

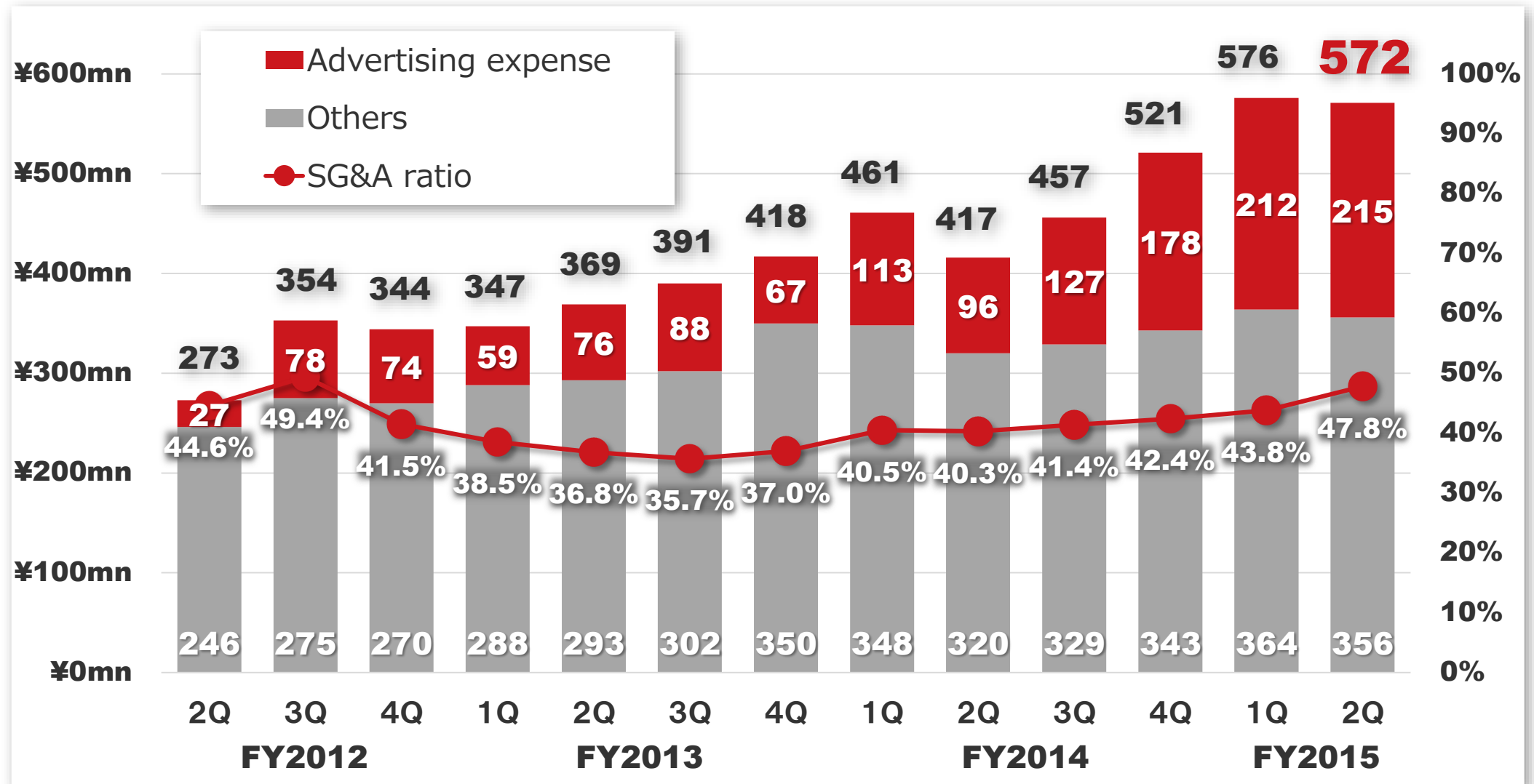
	First half FY2014	First half FY2015	Y/Y change	
			Sum	percentage
C O G S	1,135	1,303	167	14.8%
COGS ratio	52.2%	51.8%	—	—

	First half FY2014	First half FY2015	Y/Y change	
			Sum	percentage
(advertising e x p e n s e)	209	428	218	104.4%
(O t h e r s)	669	721	51	7.7%
S G & A	878	1,149	270	30.8%
SG&A ratio	40.4%	45.7%	—	—

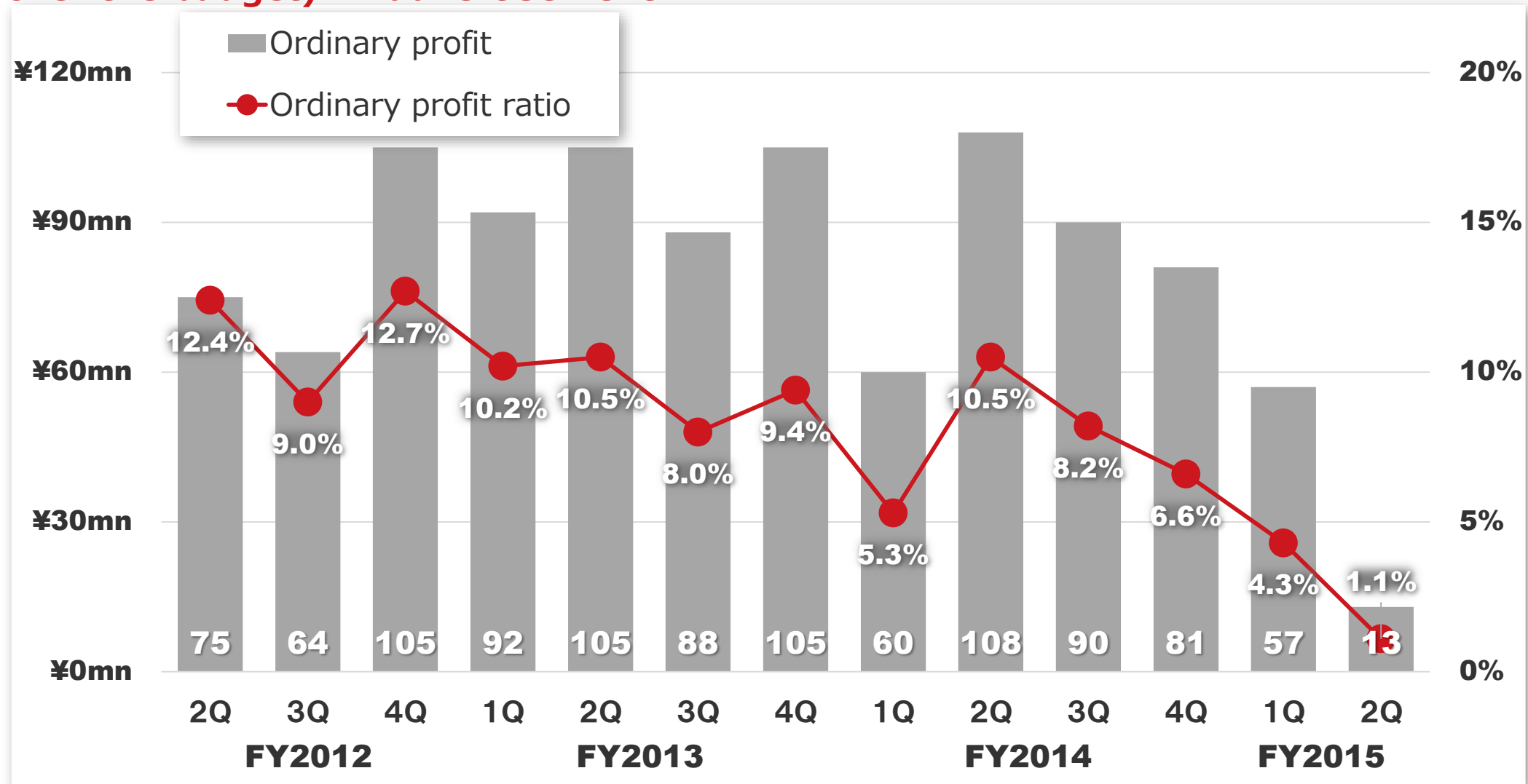
■ COGS ratio improved due to sales loss in solution business (advertising business)



■ Positive investment in advertisement for contents service business



- Ordinary profit decreased owing to positive investment (2Q: 80million yen increased over the budget) in advertisement



■ **Stock acquisition of Aizu Laboratory Inc. (wholly owned subsidiary)**

- (1) Company name : Aizu Laboratory, Inc. Date of acquisition : 28th November 2014
- (2) Address : 53 Inter-West Aizu Wakamatsu city, Fukushima pref.
- (3) President & CEO : Masayuki Hisada
- (4) Business : Development and consigned development of iOS/Android apps
- (5) Capital : 29 million yen
- (6) Date of found : 4th January 2007



<expected synergistic effects >

- ①strengthen capability of native apps development
- ②obtain persistent engineering resource
- ③expand business fields via apps development based on co-research with university and local governments

■ Summery of capital increase

Capital increase by public offering for the first time since the company listed on stock market in 2001

	Issuance of new stocks by public offering	New stock issuance through third party allotment, related to sale by over-allotment
Total number of issued stocks	2,357 thousand	(max) 423 thousand
Price issued (per stock)	382 yen	—
Price paid in (per stock)	362.10 yen	362.10 yen
Total amount of paid in	853MN yen	(max) 153MN yen

Major
purpose
of
funds

- Content service business
Devotedly enter into game apps market by strengthen native apps development and operations structure
- Solution business
Monetize business support service at early stage through promoting system development targeting at corporate customers



Earnings summary 【 2Q FY2015 】



Operating review 【 Contents service business 】

for 2Q FY2015



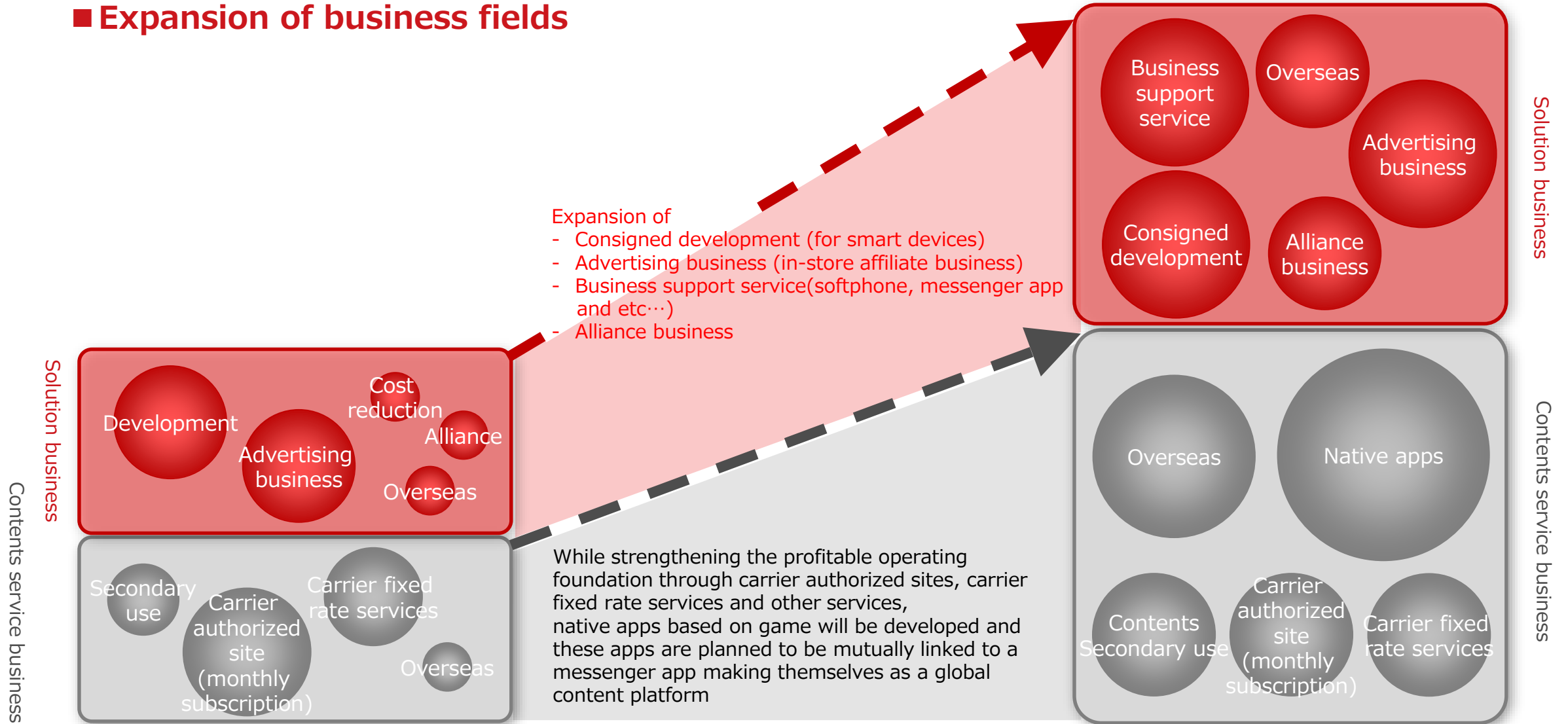
Operating review 【 Solution business 】

for 2Q FY2015



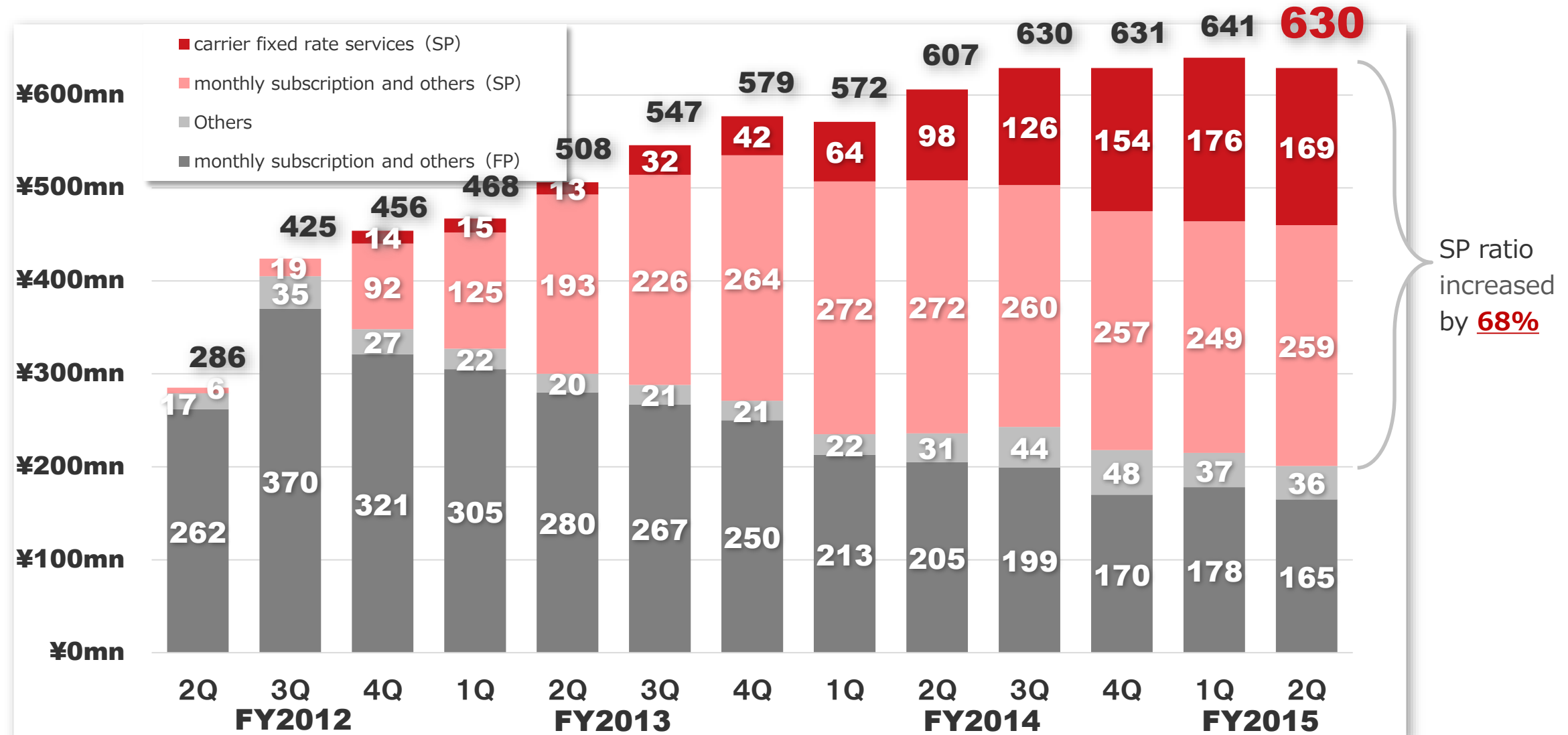
Outlook for FY2015 【 Earnings forecast 】

■ Expansion of business fields



Operating review – Sales breakdown of local business

■ Sales from feature phone(FP) down, smartphone(SP) up



■ Expansion of distribution channel

① Expansion of alliance with
mobile phone dealer

Constant earnings
through increase of subscribers
based on stock type of profit model

② Collaboration with other sites

Increase of number of subscribers
through collaboration with
women's portal sites

③ SNS promotion

Enhancing service recognition and
increase of number of subscribers

④ Contents distribution channel expansion
to carrier fixed rate service

Profit through secondary use of contents

Operating review – Carrier fixed rate services

- Sales increased through additional contents provision to both existing and new fixed rate services

auスマートパス (KDDI) au Smartpass



スゴ得コンテンツ (NTT DOCOMO) Sugotoku-Contents



Started from Dec.

App Pass (SOFTBANK MOBILE)



アプリ超ホーダイ® (SOURCENEXT)

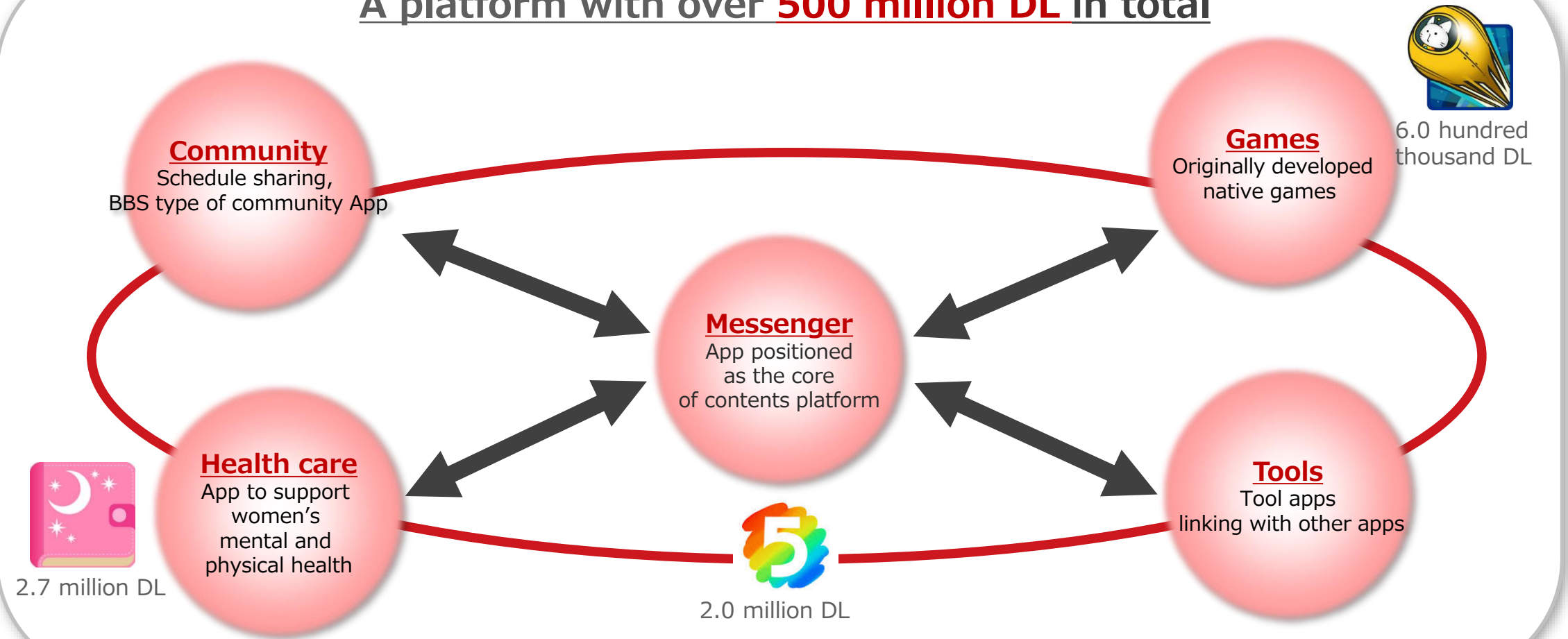


App Chou-Hodai

※Contents are also distributed for "Yahoo! Premium (Yahoo!)", "AppSeru (XL Axiata)"

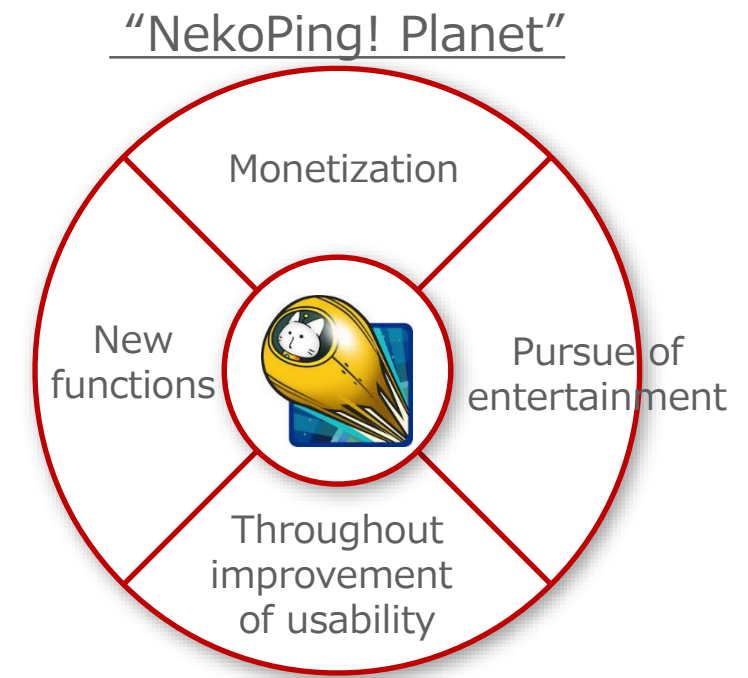
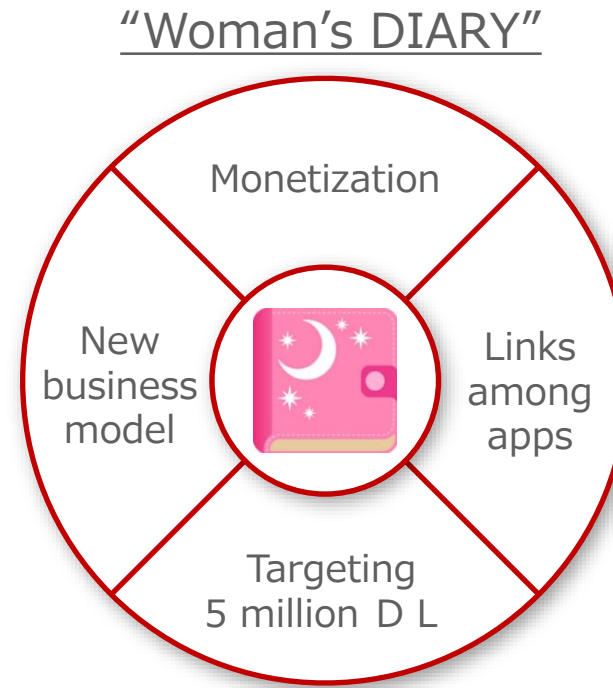
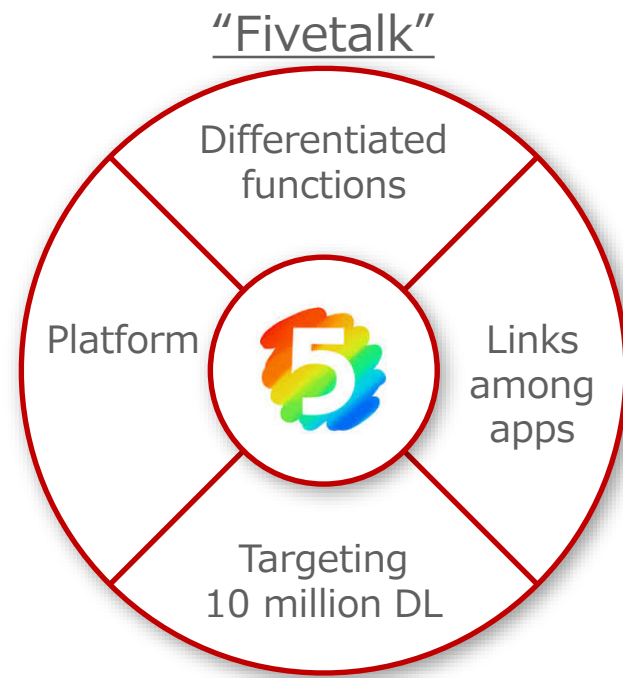
■ Strategic business plan

A platform with over **500 million DL** in total



Operating review – Native apps

■ Strategies of major three apps



■ Strategies of new games

casual games to be released

To be
released
in January

To be
released
3Q

To be
released
4Q

Links with “Fivetalk”



Earnings summary [2Q FY2015]



Operating review [Contents service business]

for FY2014



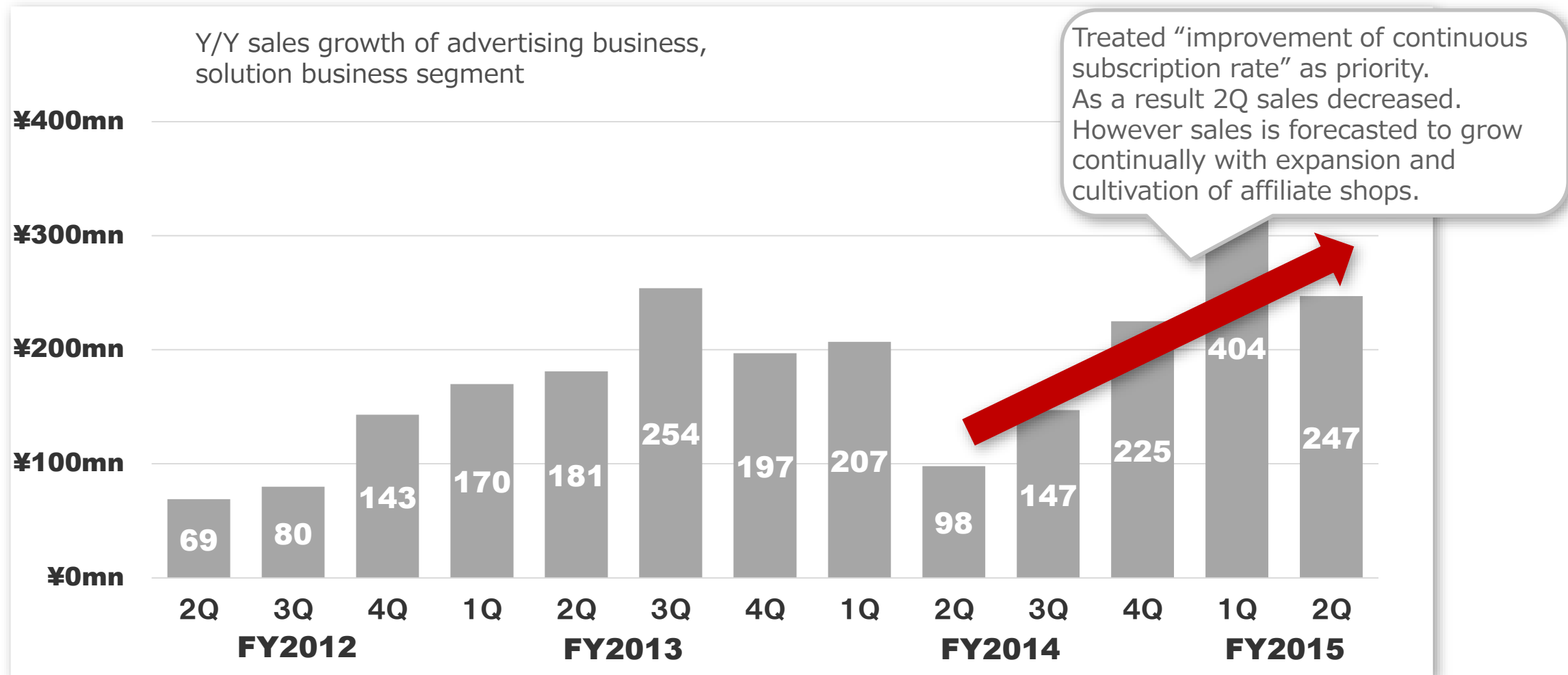
Operating review [Solution business]

for FY2014

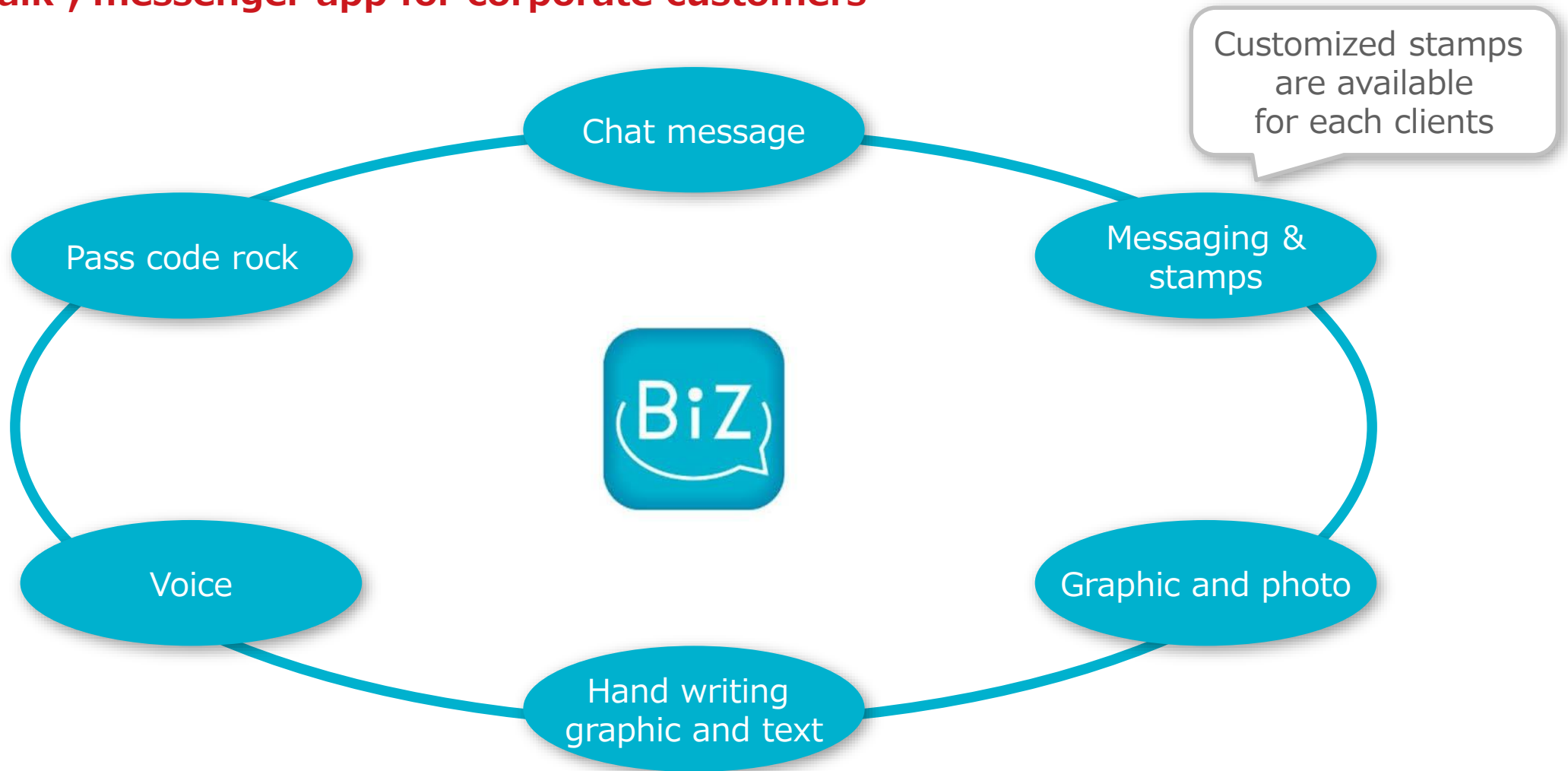


Outlook for FY2015 [Earnings forecast]

■ Sales of advertising business (in-store affiliate and others) decreased

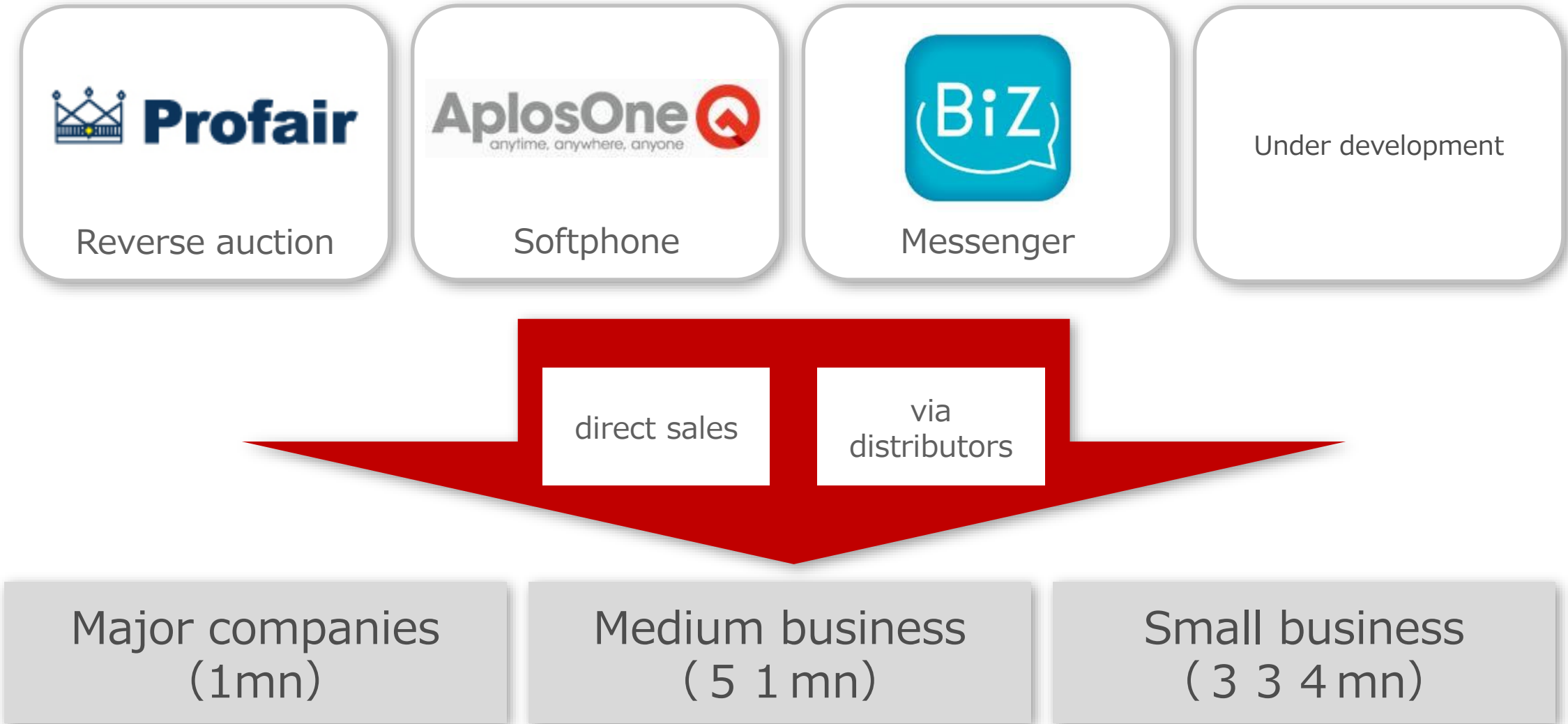


■ “BizTalk”, messenger app for corporate customers

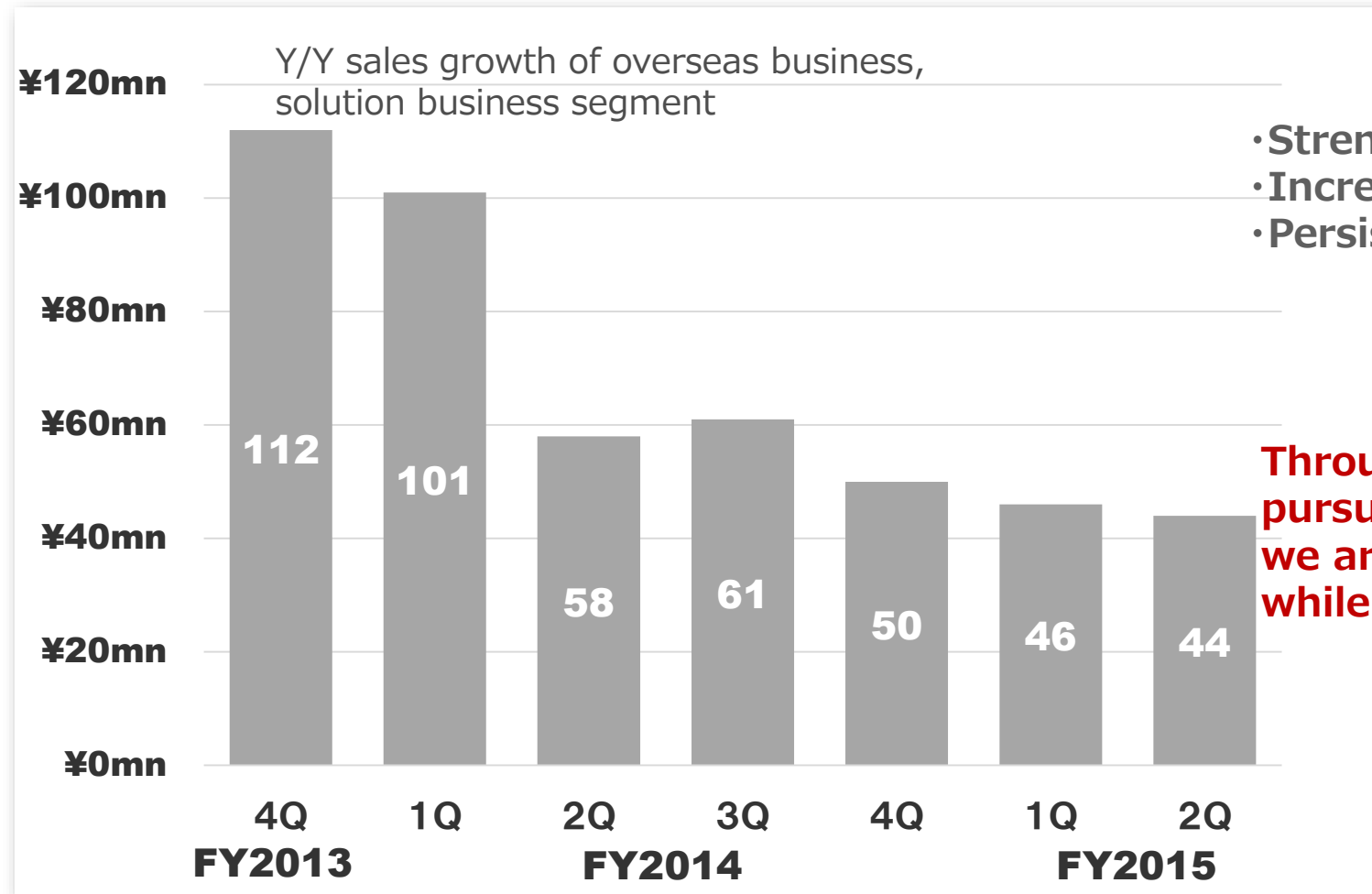


Highly secured business communication and information sharing is in your hand!

■ To increase sales of business support service for corporate customers



■ Profit from mobile phone retail (China Telecom) improved



- Strengthen sales to corporate customers
- Increase sales of mobile accessories
- Persistent cost reduction

Through measures to increase sales and pursuit of cost effectiveness, we are focusing on higher growth while being steadily in the black.



Earnings summary 【 2Q FY2015 】



Operating review 【 Contents service business 】

for 2Q FY2015



Operating review 【 Solution business 】

for 2Q FY2015



Outlook for FY2015 【 Earnings forecast 】



Earnings summary 【 2Q FY2015 】



Operating review 【 Contents service business 】

for 2Q FY2015



Operating review 【 Solution business 】

for 2Q FY2015



Outlook for FY2015 【 Earnings forecast 】

FY2015 Earnings forecast

■ Consolidated earnings forecast

(Million yen)

	FY2015		Downward sum	Downward percentage
	Forecast at beginning of FY	Revised forecast		
S a l e s	5,210	5,130	▲80※ ₁	▲1.5%
Sales profit	415	220	▲195※ ₂	▲47.0%
Ordinary profit	430	230	▲200※ ₂	▲46.5%
N e t s a l e s	350	180	▲170※ _{2,3}	▲48.6%

Annual dividend per stock (Forecast FY2015) : 3.00Yen

※1 : Delay in release schedule of newly developed service "AplosOne Softphone" was main factor.

※2 : Positive promotion of native apps, "Fivetalk" and "NekoPing! Planet" was the main factor.

※3 : Net profit in 2Q estimated is 180 million yen with lower tax expense than expectation, although we revised downward to 150 million yen as of 28th November 2014.

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

Statements made in this presentation with respect to Nihon Enterprise's current plans, estimates, strategies and other information which is not historical data are forward-looking statements about the future business performance. These future business performance are based upon our sales activities and business operations, various occurrences and conditions which include "conviction," "expectations," "plans," "strategies," "outlook," "forecasts," and "possibilities" but are not limited to these factors. They may also include information regarding forecasts communicated both verbally and in written form, and published widely in other forms of media. These statements are based upon the decisions of management using the most through information available at the time of their creation. And because our actual earnings results may differ largely from our earnings estimates due to various important factors, we strongly recommend that viewers of this document should not rely solely upon this document and seek out other available sources of information in assessing our Company.

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