

Consolidated Financial Results for the Fiscal Year May 2015 (Japanese Accounting Standards)

July 10, 2015

Company Name: Nihon Enterprise Co., Ltd. Stock Listing: Tokyo Stock Exchange
 Stock Code: 4829 URL: <http://www.nihon-e.co.jp/en/>
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 Date of Dividend Payment (Planned): August 31, 2015
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 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 May 2015 (June 1, 2014–May 31, 2015)

(1) Consolidated Operating Results

(% figures represent year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY May 2015	5,116	13.5	189	(43.4)	204	(39.9)	177	(59.4)
FY May 2014	4,508	9.1	335	(9.9)	340	(13.1)	437	23.1

(Note) Comprehensive Income: ¥86 million in FY May 2015 (down 82.0%) ¥477 million in FY May 2014 (down 40.8%)

	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 2015	4.57	4.56	3.8	3.5	3.7
FY May 2014	11.59	11.56	10.9	6.4	7.4

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

FY May 2015: ¥ --- million FY May 2014: ¥ --- million

Note: Figures for net income per share and diluted net income per share take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013. Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
FY May 2015	6,288	5,302	81.6	126.65
FY May 2014	5,541	4,360	75.7	111.20

(Reference) Equity: FY May 2015: ¥5,131 million FY May 2014: ¥4,192 million

Note: Figures for net assets per share take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013. Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

(3) Consolidated Cash Flows

	Net Cash Provided by (Used in) Operating Activities	Net Cash Provided by (Used in) Investing Activities	Net Cash Provided by (Used in) 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 2015	-123	-76	866	3,557
FY May 2014	153	453	-72	2,808

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 2014	—	0.00	—	3.00	3.00	113	25.9	2.7
FY May 2015	—	0.00	—	3.00	3.00	121	68.4	2.5
FY May 2016 (Planned)	—	0.00	—	3.00	3.00		64.0	

3. Consolidated Financial Forecasts for the Fiscal Year May 2016 (June 1, 2014–May 31, 2016)

(% 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	6,100	19.2	450	137.2	470	129.7	190	7.0	4.69

(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): Yes

Newly consolidated: 1 company Name: HighLab Co., Ltd.

Removed from consolidation: None

(2) Changes in accounting methods, procedures and estimates concerning 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 2015	40,516,700 shares	FY May 2014	37,700,000 shares
FY May 2015	- shares	FY May 2014	- shares
FY May 2015	38,883,295 shares	FY May 2014	37,700,000 shares

Note: Figures for the number of shares outstanding take into account the 1:100 stock split conducted on the Company's common stock on December 1, 2013.

Calculations for the preceding fiscal year are conducted as if the stock split had occurred at the beginning of that fiscal year.

* Information about review procedure

These financial results are exempt from the review procedure prescribed in the Financial Instruments and Exchange Law. The review procedure for financial results prescribed in the Financial Instruments and Exchange Law had not been completed when this report was released.

* 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 "Analysis of Results of Operations" 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 13, 2015. 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. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of Operations in the Fiscal Year under Review

1. Overview of Operating Performance in the Fiscal Year under Review

During the fiscal year under review, the Japanese economy continued its modest recovery. Despite a demand backlash following the consumption tax hike and the higher prices resulting from yen depreciation, corporate earnings improved, capital investment recovered and the employment situation improved on the back of government economic measures and monetary policy.

Under these circumstances, the mobile telecommunications industry, to which the Nihon Enterprise Group belongs, was characterized by a further shift toward iPhone, Android and other smartphones. As of March 31, 2015, the percentage of contracts for smartphones had risen to account for 54.1% of the total number of contracts (Note 1). The value of the mobile content market for smartphones has risen to ¥833.6 billion (2013, Note 2). We expect the market expansion to continue going forward.

Under these conditions, the Nihon Enterprise Group worked to develop and offer highly functional, high-value-added services and promote the construction of a new business model, redoubling corporate energies to establish a more stable business foundation and to expand operations further.

As a result, during the year under review, net sales came to ¥5,116 million, up 13.5% from the preceding fiscal year. Operating income fell 43.4%, to ¥189 million; ordinary income dropped 39.9%, to ¥204 million; and net income decreased 59.4%, to ¥177 million.

(Note 1) Announced by MM Research Institute, Ltd.

(Note 2) Announced by the Mobile Content Forum (MCF)

2. Performance by Segment in the Fiscal Year under Review

Mobile Content Segment

In the Mobile Content Segment, amid a growing transition from feature phones (conventional mobile phones) to smartphones, we worked according to our business model, which calls for “owning the property rights to the content we provide,” to distribute content we have created ourselves. We strove to augment our site and app offerings, while leveraging our proprietary advertising media.

In mobile carriers’ (telecommunications companies) authorized service, we leveraged our proprietary advertising media, “in-store affiliate,” and provided content for monthly billing. At the same time, implementing robust sales strategies, mobile carriers introduced flat-rate services such as Sugotoku Content, au Smart Pass and App Pass. We supplied content for such services. We invested in additional content and implemented proactive promotion campaigns.

Meanwhile, we worked to build our next pillar of business by increasing the number of users and generate revenue from native apps which are downloadable from such markets as App Store and Google Play. (Native Apps are applications developed based on programs running on smartphones or other devices.) To this end, we ran proactive promotions via our consolidated subsidiary, HighLab Co., Ltd., and worked to improve quality, add functionality and provide new content.

As a result of these efforts, sales in the Mobile Content Segment totaled ¥2,506 million, and segment income amounted to ¥616 million.

Solutions Segment

In the Solutions Segment, we conducted consigned development for companies, including content planning, design, operation and debugging, and server maintenance and management. Through ties with our consolidated subsidiary, 4QUALIA Co., Ltd., we worked to increase our development speed, content provision volume and quality. In addition, we worked to augment our technological capabilities and expand our services against a backdrop of growing needs to take advantage of smartphones and tablets (multifunctional mobile terminals).

In our business support service for corporate customers, we provided “Profair,” a reverse auction and estimate collection system; “AplosOne softphone,” an app that creates corporate telephone extension networks using smartphones; and the “BizTalk” messenger app. We also worked to improve quality.

In our advertising business, “in-store affiliate,” we worked to strengthen ties with allied mobile phone sales companies and at the same time cultivated new mobile phone sales companies. In addition, by actively promoting an expansion in the number of shops using the “in-store affiliate” service, we succeeded in boosting revenues substantially.

Overseas, we sold mobile handsets at our two mobile phone sales shops (China Telecom shops) in the Shanghai area, worked to cut costs and reformed our revenue structure.

Owing to these efforts, the Solutions Segment generated sales of ¥2,609 million, with segment income of ¥190 million.

2) Forecast for the Next Fiscal Year

The Nihon Enterprise Group will continue working to expand its business domains in the Content Service Segment and Solutions Segment centered on smartphones, where business is expected to continue expanding.

Content Service Segment

In the Content Service Segment, we will endeavor to expand our revenue base by providing new content to carriers, while also expanding into native apps as our next pillar of business.

Regarding content for carriers, we will continue to provide content billed monthly through secure and highly trustworthy carrier billing systems. We will also continue to invest in new content for mobile carriers' flat-rate services, such as Sugotoku Content, au Smart Pass and AppPass, to expand our stable revenue base.

While developing and distributing native apps, we aim to develop a content platform with mutual links to messenger and healthcare apps.

Solutions Segment

In the Solutions Segment, we will strive to expand our corporate service domain in line with the growing proliferation of smartphones.

In consigned development for corporate customers, with the economy trending toward recovery we expect IT investment demand to grow, which should expand the scale of consigned development projects and increase their number, leading to major revenue increases. In addition, we will actively undertake new initiatives in potential growth markets. These include regional revitalization businesses that employ IT, such as renewable energy, and businesses related to the Internet of things (IoT).

In "in-store affiliate," our advertising business, we will continue working to strengthen ties with allied mobile phone sales companies and aggressively cultivate new ones. Also by increasing the number of affiliates, we expect to achieve a steady, ongoing increase in sales.

Overseas, we operate two mobile phone sales shops (China Telecom shops) in the Shanghai area. There, we will concentrate on building a revenue structure that is impervious to carriers' sales strategies.

Through these initiatives, in the fiscal year ending May 31, 2016, we expect to deliver net sales of ¥6,100 million, up 19.2% year on year. We anticipate operating income of ¥450 million, up 137.2%; ordinary income of ¥470 million, up 129.7%; and net income attributable to owners of the parent of ¥190 million, up 7.0%.

(2) Analysis of Financial Condition**1) Assets, liabilities and net assets**

As of May 31, 2015, total assets stood at ¥6,288 million, up ¥746 million from May 31, 2014. Current assets amounted to ¥4,981 million, up ¥971 million from a year earlier, due primarily to a ¥828 million increase in cash and deposits. Fixed assets amounted to ¥1,306 million at fiscal year-end, down ¥224 million, due to a ¥282 million drop in investments in securities.

Total liabilities amounted to ¥985 million, down ¥195 million compared with May 31, 2014. Chief reasons were a ¥110 million decrease in income taxes payable and a ¥108 million decrease in deferred income tax liabilities. Net assets grew ¥941 million, to ¥5,302 million as of fiscal year end, due to the posting of net income, increases in common stock and capital surplus in line with increased investment, a decrease in net unrealized gains on other securities and dividends from surplus.

As measures pointing to the Company's stability, the equity ratio was 81.6%, the current ratio 621.3% and the fixed ratio 25.5%—indicating that Nihon Enterprise maintained its level of soundness.

2) Cash Flows

During the year under review, cash and cash equivalents increased ¥749 million, to ¥3,557 million as of May 31, 2015. Principal factors behind this increase were proceeds from issuance of shares of ¥1,010 million; depreciation and amortization expenses of ¥132 million, up 9.2% compared with the preceding fiscal year; and a ¥27 million increase in consumption taxes payable, up 76.6%. Factors having a negative impact on cash included ¥516 million in income before income taxes and minority interests, down 38.0%; income taxes paid of ¥421 million, up 10.6%; payments for purchase of intangible assets of ¥212 million, up 58.0%; and cash dividends paid of ¥112 million, up 66.8%.

The status of individual cash flow categories and the primary reasons for their changes are described below.

(Cash flows from operating activities)

Net cash used in operating activities amounted to ¥123 million, ¥276 million less than in the preceding fiscal year. Primary sources of cash included income before income taxes and minority interests of ¥516 million, depreciation and amortization expenses of ¥132 million, amortization of goodwill of ¥31 million, an increase in notes and accounts receivable—trade of ¥62 million and a gain on sales of investments in securities of ¥341 million. The main use of cash was income taxes paid of ¥421 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥76 million, ¥530 million less than in the preceding fiscal year. Among the major sources of cash was ¥343 million in proceeds from sales of investments in securities. Primary uses of cash were ¥212 million in payments for purchase of intangible assets and ¥87 million in payments for purchase of investments in subsidiaries.

(Cash flows from financing activities)

Net cash provided by financing activities came to ¥866 million, ¥939 million more than in the preceding fiscal year. The primary source of cash was proceeds from issuance of shares of ¥1,010 million. Primary uses of cash were ¥112 million in cash dividends paid and ¥24 million in payments for purchase of subsidiaries' treasury stock.

(Reference) Cash flow indicators

	FY May 2011	FY May 2012	FY May 2013	FY May 2014	FY May 2015
Equity ratio (%)	89.8	85.7	75.3	75.7	81.6
Equity ratio based on market value (%)	88.3	96.6	152.5	155.8	219.7
Interest-bearing liabilities/cash flow ratio (years)	0.0	0.0	0.0	0.0	-
Interest coverage ratio (times)	852.7	1,590.0	700.3	6,521.0	-

(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. The Interest-bearing liabilities/cash flow ratio and the interest coverage ratio is not provided for the fiscal year ended May 31, 2015, because operating cash flow was negative.

(3) Fundamental Policy for Earnings Distributions and Dividend in Current and Next Fiscal Years

Nihon Enterprise places 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 ¥3.00 per share. For the upcoming fiscal year, we plan to award a dividend of ¥3.00 per share.

(4) Business and Other Risks

Outlined below are the major risk factors that the Nihon Enterprise Group sees as having the potential to affect future business development and other operations. After confirming the likelihood of these risks, our policy is to do our utmost to prevent them from materializing and respond quickly in the event that they do.

Here, we identify such future-related risks, based on our judgment as of the end of the fiscal year under review (May 31, 2015).

1) Agreements That Form the Basis for Principal Business Activities

The Nihon Enterprise Group's principal business activities in Content Service Segment involve the provision of content to general users via various mobile telecommunications companies, and accordingly we enter into agreements with mobile telecommunications companies to provide content. These agreements comprise contracts that renew automatically unless one of the parties to the agreements expresses a decision indicating otherwise within a specified period prior to the conclusion of the contract period. Other contracts prescribe no specific period.

However, in the event that the renewal of some or all of such agreements were to be refused owing to changes in mobile telecommunications companies' business strategies or for any other reason, the strategies and operating performance of the Nihon Enterprise Group's Content Service Segment could be materially affected.

2) Service Obsolescence

The services that the Nihon Enterprise Group provides does not enjoy a long life cycle, as they are subject to technological innovation involving mobile information terminals, as well as changing consumer preferences. If our services became obsolete because we were late in responding to new technologies or providing services that diverged from consumer preferences, our operating performance could be materially affected.

3) Competition

The mobile content market is characterized by a sharp increase in the number of new companies entering the market, the business expansion of existing companies, sudden changes in the market and uncertainty with regard to growth. Accordingly, there is no guarantee that we will be able to maintain our competitive advantage in this business, and increasingly stringent competition could have a material effect on operating performance.

4) Handling of Information Fees

In Content Service Segment, the Nihon Enterprise Group entrusts the collection of information fees to mobile telecommunications companies. Of these companies, in the event that information fees become uncollectable for some reason not attributable to NTT DOCOMO Inc., the KDDI Group or other carriers, these companies notify the Nihon Enterprise Group that such information fees are uncollectable. At that point, the carriers will have discharged their agency duty of collecting information fees on the part of the Nihon Enterprise Group.

The Nihon Enterprise Group's Content Service Segment books collectible information fees as sales. Therefore, a change in the amount of information fees that mobile communications companies are able to collect could materially affect the Nihon Enterprise Group's operating performance.

5) Sales Measures Targeting Telecommunications and Mobile Phone Sales Companies

The Nihon Enterprise Group's principal business, involving the mobile phone and smartphone market, is characterized by increasingly intense competition among telecommunications companies (carriers) to attract customers. As a result, carriers are introducing various sales measures, and mobile phone sales companies are strengthening their efforts to attract customers. These efforts are aimed at user acquisition and retention.

In our Solutions Segment, "in-store affiliate" is based on a performance-based business model in which staff at mobile phone sales companies explain various content to visiting customers, with revenues determined by the number of members who register. As a result, our performance is significantly affected by the number of people visiting mobile phone sales companies.

Also, the Nihon Enterprise Group operates mobile phone sales companies in the Shanghai, China, area, but as in Japan, competition in China is growing increasingly fierce. There are numerous instances in which sales incentives and shop support measures for mobile phone distributors are being revised.

Given these conditions, the Company is working to cultivate and strengthen its relations with carriers and mobile phone sales

companies, as well as to respond flexibly to their sales support measures. However, delayed responses to carriers and mobile phone sales companies could materially affect the Nihon Enterprise Group's operating performance and financial condition.

6) Native Apps (Games)

With the domestic mobile content market characterized by the full-scale proliferation of smartphones, there is a marked demand rising for native apps for which contents are purchased on markets such as the App Store and Google Play. To address this situation, in April 2014 we established HighLab Co., Ltd., to commence the development of new smartphone games, centering on native apps.

As smartphones equipped with high-end operating systems are better able to make use of full-fledged functionality and expressions than games for feature phones, competition is expected to increase—not only from existing content providers but from the makers of games for personal computers and dedicated terminals as well.

In the past, the Company has derived little revenue from providing contents in these markets. Also, the development of native apps requires development and operational structures involving advanced technical expertise. Development costs, including for recruiting and training human resources, is likely to increase as a result. Also, development periods are likely to grow longer.

By leveraging its expertise in providing various content to carriers, the Company aims to provide highly original game titles that meet user needs. However, users' tastes in games change quickly, so it is possible that the competitive landscape and development delays could cause our game titles to be less popular than expected or generate less than the anticipated amount of billings. This situation could materially affect the Nihon Enterprise Group's operating performance.

7) Developing New Products and Services for Corporate Customers

In the Solutions Segment, in addition to performing consigned development for corporate customers the Nihon Enterprise Group develops and sells products and services for this clientele. Specific examples include "Profair," a reverse auction and estimate collection system provided as a solution to reduce corporate costs, as well as the recently introduced "AplosOne softphone" and the "BizTalk" messaging app for corporate customers.

We plan to continue working to expand our domain of operations in the Solutions Segment targeting corporate customers and reinforce the Group's development structure. By aggressively leveraging the expertise we have cultivated to date and the technologies and development capabilities of our subsidiaries, we will work to develop new products and solutions.

However, our track record in developing and selling these new products and services is still limited. Also, as we enter into this new business domain the products and services we develop may not be accepted by customers, we may fail to differentiate our products and services from those of our competitors, development may not progress as planned, and the market may fail to expand. If business does not expand as the Company anticipates, the Nihon Enterprise Group's operating performance could be materially affected.

8) Overseas Business Development

A variety of issues are inherent to the development of business in overseas markets, including those related to competition, laws and regulations, and exchange rates vis-à-vis the countries in which we are developing business. If such issues were to materialize, the Nihon Enterprise Group could become unable to progress smoothly in its operations, and operating performance could be materially affected.

In the event that issues materialize that exceed the scope of expectations based on our preliminary assessments, we may become unable to fully recoup our investments in such businesses. These conditions could negatively affect the Nihon Enterprise Group's performance. Furthermore, even in the event that business is expanding reliably, the need to front expenses could have a material impact on the Group financially.

9) Uncertainties regarding Chinese Business

Conducting mobile content distribution business in China requires the acquisition of an Internet content provider (ICP) license. However, the country's Provisions on the Administration of Foreign Investment in Telecommunications Services restrict companies obtaining such licenses to those whose foreign ownership is less than 50%. Accordingly, only effectively less than 50% of investment in the companies that obtain these licenses may be provided by foreign-capitalized companies such as Nihon Enterprise and its subsidiaries. Exceptions to this rule are extremely limited.

Given this situation, the Nihon Enterprise Group has entered into a series of agreements (hereinafter, "These Agreements") in order to engage in the mobile content distribution business in China. Under this paragraph 9) and paragraph 10) below, first Nihon Enterprise has provided a loan to the Chinese employee who serves as the Company's general manager of overseas business, as well as the executive director of Enterprise (Beijing) Information Technology Co., Ltd. This employee and his close relatives used this loan to invest in Beijing YZH Wireless Net Technology Co., Ltd., a consolidated subsidiary that distributes mobile content. At the same time, we have formed a business alliance structure under which Nihon Enterprise's subsidiary, Enterprise (Beijing) Information Technology Co., Ltd., provides planning and development service business involving mobile content and mobile content distribution to Beijing YZH Wireless Net Technology Co., Ltd., and Beijing YZH Wireless Net Technology Co., Ltd., distributes mobile content.

Furthermore, while remaining within the scope of relevant legislation in China, we retain the right for Nihon Enterprise, its subsidiary Enterprise (Beijing) Information Technology Co., Ltd., or other persons designated by the Company to receive transfer from this employee and his close relatives of their ownership in Beijing YZH Wireless Net Technology Co., Ltd. We would expect to exercise this right quickly in the event that the Chinese government authorities were to fully open up the Chinese information services market in the future so that foreign-capitalized firms could obtain Internet content provider (ICP) licenses.

The Nihon Enterprise Group has confirmed the legality of the scheme based on These Agreements, involving the business alliance under which the Nihon Enterprise Group has provided a loan to the Chinese employee who serves as the Company's general manager of overseas business, as well as the executive director of Enterprise (Beijing) Information Technology Co., Ltd., and this employee and his close relatives have used this loan to invest in Beijing YZH Wireless Net Technology Co., Ltd., which distributes mobile content, by obtaining a written opinion from a legal firm in China that the overall scheme does not infringe upon current Chinese law. However, compared with the laws in markets that are more mature, laws in China are subject to relatively quicker formulation, with new legislation promulgated as needed. Accordingly, some uncertainty exists with respect to interpreting Chinese laws and regulations and operating appropriately, and the impact of new legislation remains unclear. In particular, there is a strong possibility that laws in the Chinese telecommunications market could be affected by changes in the policies promulgated by Chinese government authorities. Consequently, the Nihon Enterprise Group cannot guarantee against the possibility of differences arising in the future between its own understanding and the ultimate future position of the Chinese government authorities.

10) Degree of Management Control of Chinese Business

Based on These Agreements, the Nihon Enterprise Group effectively controls Beijing YZH Wireless Net Technology Co., Ltd., but our degree of control is weaker than if we were in the position of investing directly. More specifically, the possibility exists that the investors in Beijing YZH Wireless Net Technology Co., Ltd., could breach These Agreements and not conduct the Nihon Enterprise Group's mobile content distribution business, or that these investors could transfer their ownership position in Beijing YZH Wireless Net Technology Co., Ltd., to a third party, counter to the Company's intentions. In this event, Nihon Enterprise and its subsidiary, Enterprise (Beijing) Information Technology Co., Ltd., would seek legal remedy for contract infringement based on Chinese law by the investors in Beijing YZH Wireless Net Technology Co., Ltd., and by Beijing YZH Wireless Net Technology Co., Ltd. However, such a situation involves uncertainties with regard to the interpretation of Chinese laws and regulations and differences between Chinese judicial proceedings and judicial proceedings based on Japanese law. Consequently, seeking remedy at law could require substantially high expenses, and it is possible that we would be unable to obtain an appropriate judgment or arbitral award. In such a case, or in the event that we faced difficulty in forcibly executing such a judgment or arbitral award, ultimately we may become unable to recover damages.

11) Personnel Dependency of the Chinese Business

The Nihon Enterprise Group conducts its business in China through the wholly owned subsidiary Enterprise (Beijing) Information Technology Co., Ltd., and the consolidated subsidiary Beijing YZH Wireless Net Technology Co., Ltd. Furthermore, management of Beijing YZH Wireless Net Technology Co., Ltd., is performed by a Chinese employee who is the Company's general manager of overseas business and the executive director of Enterprise (Beijing) Information Technology Co., Ltd., as well as investors who are his close relatives. Consequently, the Chinese business of the Nihon Enterprise Group is highly dependent on the ongoing participation in management of this Chinese employee. Losing his involvement in management could seriously affect the Chinese business of the Nihon Enterprise Group.

12) System Outages

The Nihon Enterprise Group's business is to provide services to customers through telecommunications networks comprising linked computer systems. Damage at a data center or other facility due to a natural disaster or unforeseen accident could make the provision of services difficult, resulting in various damages to the Nihon Enterprise Group, as well as to users of its services and mobile telecommunications companies. Furthermore, an unexpected spike in access could temporarily overload servers, rendering them inoperational, halting our ability to provide services to general users and client companies. Furthermore, the use of viruses to invade the Nihon Enterprise Group's systems could result in system outages that it is unable to control. Such situations could materially affect the Nihon Enterprise Group's business.

13) Leaks in Personal Information

The Nihon Enterprise Group provides services directly to general users, as well as to client companies, and in some cases general users' personal information and image data is stored on servers. We have in place various types of network security to control the use of these servers, but the possibility of outflows of personal information due to unauthorized access nevertheless exists. In the event of an outflow of such personal information, the Nihon Enterprise Group could face demands for damage compensation, lawsuits, sanctions by administrative authorities, and criminal or other charges. Such charges could lead to societal issues, and the Nihon Enterprise Group could lose the trust of society as a result.

14) Regulatory Risk

We consider it conceivable that new laws, regulations and ordinances regulating the businesses that belong to the Nihon Enterprise

Group could limit the scope of their business activities, and that supervision and checks by the regulatory authorities could become more stringent. Furthermore, the possibility exists that voluntary rules between businesses that belong to the Nihon Enterprise Group could interfere with the Nihon Enterprise Group's business plans. The Nihon Enterprise Group's operations and business performance could be negatively affected as a result.

15) Risk Involving Intellectual Property Rights

Securing the patents, copyrights and other intellectual property rights to the systems that the Nihon Enterprise Group employs and the software it develops are important to its ability to conduct business, and we exercise due care to protect our proprietary technologies and expertise, as well as to prevent the infringement of third-party intellectual property rights. However, in the event that a third-party patent were to emerge in a field of business in which the Nihon Enterprise Group operates, or if a patent of which we were unaware already existed in such field of business, that third party could request compensation for damages, seek an injunction to halt its use, or demand the payment of patent-related compensation (royalties). Such a situation could materially affect the performance and financial condition of the Nihon Enterprise Group.

16) Others

Dilution of Share Value owing to the Exercise of Stock Acquisition Rights

Nihon Enterprise grants and issues stock acquisition rights on the basis of articles 236, 238 and 240 of the Companies Act, upon resolution by its Board of Directors. The exercise of these rights, however, could dilute the Company's share value, affecting the stock price.

2. Status of the Corporate Group

The Nihon Enterprise Group (Nihon Enterprise and its affiliated companies) comprises the Company (Nihon Enterprise Co., Ltd.), eight consolidated subsidiaries and four non-consolidated subsidiaries, and conducts business via the Content Service Segment and the Solutions Segment.

The Content Service Segment and the Solutions Segment are also operating business overseas, but to clarify the distinction between domestic and overseas businesses, the following pages describe the Group's operations in Japan. Overseas businesses will be discussed separately.

(1) Content Service Segment

This segment provides traffic information, music, mail, lifestyle and other content via the communications services and various platforms offered by carriers and content distribution companies.

We provide this various content to carriers' authorized sites—including dmenu and au Market—that are operated for smartphones and other phones that can connect to the Internet. Under our business model, users pay for our content via monthly charges or for downloads, and we receive these charges via the carriers.

Representative content provided by the Nihon Enterprise Group can be found on the official sites of the traffic information site "ATIS Traffic Info," the music distribution site "Uta & mero Tori Hodai" and "Casual Games," a standby mini-game portal site.

The chart below describes our principal content as of the end of the fiscal year.

Genre	Major Content	Principal Services
Traffic information	ATIS traffic info., others	Roadway information, information on rail transfers, live video and other traffic information
Lifestyle	Beauty rhythm for women, others	In this category, focusing on women's physical condition and health maintenance, we offer complimentary and discount member services to travel, dining and beauty facilities throughout Japan.
Music	Uta & mero Tori Hodai, others	This content, centering on original numbers and arrangements, includes ring-tone songs, melodies, voices, movies, lyrics, user reviews, and hold music.
Mail	Deco Deco Stamp, others	This content includes popular stamps for messenger apps and the abundant use of character images for Deco-mail*.
E-Books	BOOKSMART	This E-Book site provides some 150,000 offerings in a variety of genres.
Games	Casual games, etc.	This service offers classic easy-to-play games, and provides a portal site for distribution of mini-games.
Overseas	<i>JiuDingJi</i> ("Nine Tripod Cauldrons), others	This service provides e-comics and other content in China.

* "Deco-mail" is a registered trademark of NTT DOCOMO Inc.

(2) Solutions Segment

This segment provides outsourced business consulting, planning, development and operations management using mobile phones and the Internet, leveraging the expertise the Content Service Segment has accumulated, as well as the content it owns, to offer total solutions.

Also, as an advertising service, we collaborate with mobile phone sales companies to provide performance-based compensation for content sales to customers that visit mobile phone shops via real “in-store affiliates.”

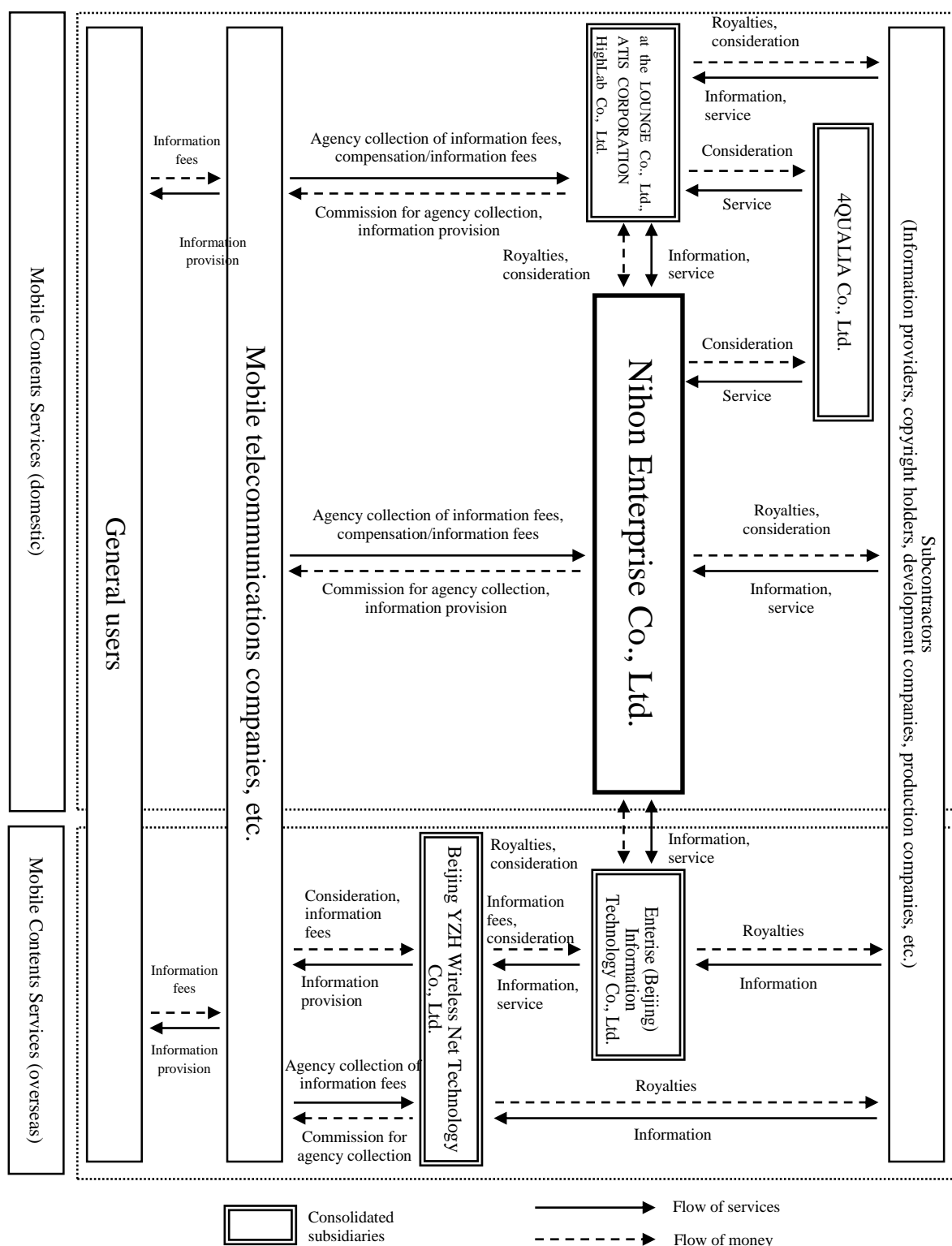
The segment also conducts mobile phone and other sales and agency businesses in China.

The chart below provides an overview of our businesses in the solutions segment as of the end of the fiscal year.

Category	Content
Business Solutions	We develop, construct, provide user support for and debug corporate websites and apps, as well as running corporate sites on an outsourced basis.
Advertising	We cooperate with mobile phone sales companies to sell content on a contingency basis. We also generate advertising revenue via our own sites and apps.
Overseas	In addition to developing and constructing corporate websites and apps in China, we conduct mobile phone and other sales and agency business for China Telecom.
Product sales	We provide an e-commerce site service, selling CDs and other items.

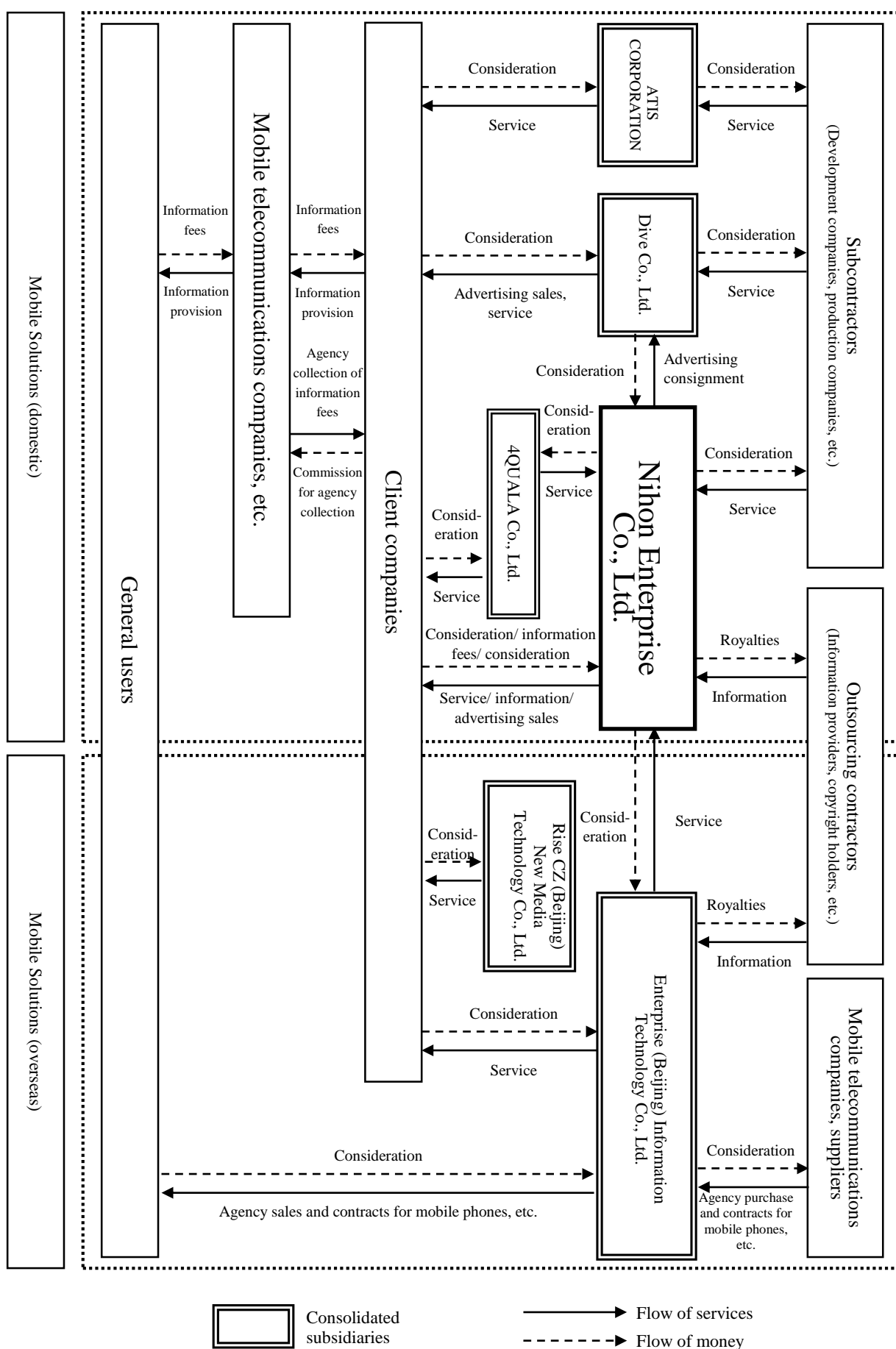
The Nihon Enterprise Group is organized as follows.

Mobile Content Segment



(Note) In addition to the companies indicated above, the segment contains three non-consolidated subsidiaries: Aizu Laboratory Inc., Rise MC (Beijing) Digital Information Technology Co., Ltd., and NE Mobile Services (India) Private Limited.

Solutions Segment



(Note) In addition to the companies indicated above, the segment contains four non-consolidated subsidiaries: and One Inc., Aizu Laboratory Inc., Rise MC (Beijing) Digital Information Technology Co., Ltd., and NE Mobile Services (India) Private Limited).

3. Management Policies

(1) Fundamental Management Policy

The Nihon Enterprise Group aspires to contribute to society. Accordingly, our management philosophy concentrates on contributing to society by generating a sense of joy and new value that leads to society's development.

Furthermore, we aim to deploy the planning, technological and marketing expertise we have cultivated to be a leading company in terms of customer satisfaction. Our fundamental management policy is to establish a solid management foundation that ensures continuity and stability.

(2) Target Management Indicators

The Nihon Enterprise Group focuses on the ordinary income margin and the return on equity ratio as its target management indicators. By improving these indicators, we strive to maintain or improve our ability to generate earnings and profits, consistently awarding dividends in line with our operating performance.

(3) Medium- to Long-Term Corporate Management Strategy

Based on its fundamental management policy, the Nihon Enterprise Group produces and provides via various types of IT devices a host of content designed to enhance convenience and enjoyment, thereby being of service to society as a whole.

In the Content Service Segment, we will work to expand the revenue base by providing content to carriers. At the same time, we aim to expand native apps as our next pillar of business.

In the Solutions Segment, we will endeavor to increase the scale and number of consigned development projects for corporate customers. In addition, we will actively undertake new initiatives in potential growth markets. These include regional revitalization businesses that employ IT, such as renewable energy, and businesses related to the Internet of things (IoT). Through these measures, we aim to enhance corporate value over the medium to long term.

(4) Issues Facing the Company

As the Nihon Enterprise Group works aggressively to develop its businesses, expand its scope of activity and maintain a stable business foundation going forward, initiatives will focus on the issues described below.

1) Business Expansion

The mobile telecommunications industry is undergoing a full-fledged transition from feature phones to smartphones equipped with advanced operating systems. In the Content Service Segment, the market is shifting from a concentration on Web-based apps to native apps, and this market is expected to grow and expand further in the future. In the Solutions segment, as well, as the percentage of smartphone ownership increases, the configuration of information systems that link with backbone and business systems is expected to lead to an expansion of the Nihon Enterprise Group's business domain. Expanding our scope of business sufficiently to respond quickly and accurately to this market is a major issue. As a means to effectively achieve this, we will proactively seek to enter into collaboration, business tie-ups and M&A with other companies.

2) Strengthening of Planning and Technological Capabilities

The proliferation of high-end smartphones offers the potential to provide sophisticated and diverse services, and the Nihon Enterprise Group recognizes that augmenting its planning and technological capabilities is essential to providing increasingly high-value-added services. In addition to the planning and technological expertise we have accumulated for mobile content, going forward we will need to create new business models and develop and provide sophisticated, high-value-added services. To do this, we will endeavor to enhance planning skills in response to consumer needs and reinforce new technology initiatives.

3) Recruiting and Training Human Resources

The Nihon Enterprise Group conducts business that requires a response to new technologies. Accordingly, we recognize the importance of each of our employee to further enhance their specialized expertise, cultivating personnel to become high-value-added human resources, and at the same time recruiting superior human resources.

As technological innovation is particularly rapid with regard to smartphones and our number of personnel with experience as engineers and planning and development personnel is limited, we intend to step up our hiring of candidates with skills in specialized fields, including both mid-career personnel and new graduates. In addition, we conduct internal training on an ongoing basis, strive to elicit individual capabilities and enact measures to foster an invigorating workforce.

4) Enhancement of Internal Control on Financial Reporting

The Nihon Enterprise Group understands that creating a corporate structure capable of sustained growth will require more robust internal control of financial reporting. To augment operational effectiveness and efficiency, we will employ an appropriate internal control reporting system based on the Financial Instruments and Exchange Act. Through the operation and ongoing evaluation of an

effective and appropriate system for internal control of financial reporting, we will seek to ensure that management is fair and transparent. At the same time, we will work to further enhance internal control by establishing a groupwide system for managing operational performance.

5) Reinforcement of Risk Management

We face a diverse variety of risks to our operations, including risks to information security, system development and service provision, as well as the risk of natural disaster and country risk related to our overseas business. To ensure the continued existence and persistent growth of the Nihon Enterprise Group, we recognize the need to prevent such risks from materializing and respond swiftly if they do. The Nihon Enterprise Group has formulated risk management regulations to appropriately recognize and evaluate the risks that have the potential to materially affect its management. We have also established a risk management team and are working to reinforce our risk management system.

(5) Other Significant Items from a Corporate Management Perspective

Nothing to report.

4. 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 companies in the industry.

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

(Thousands of yen)

	End of FY May 2014 (May 31, 2014)	End of FY May 2015 (May 31, 2015)
Assets		
Current assets		
Cash and deposits	3,247,011	4,075,335
Notes and accounts receivable	639,120	684,785
Merchandise	13,708	23,318
Work in process	33,435	58,664
Supplies	264	1,237
Deferred tax assets	27,692	23,838
Accrued revenue	15,225	6,129
Other	39,408	113,542
Less: Allowance for doubtful accounts	-5,753	-5,662
Total current assets	4,010,112	4,981,189
Fixed assets		
Property, plant and equipment		
Buildings	87,817	103,577
Less: Accumulated depreciation	-39,436	-51,004
Buildings, net	48,380	52,572
Land	12,400	12,400
Other	160,020	150,687
Less: Accumulated depreciation	-134,815	-126,552
Other, net	25,204	24,135
Total property, plant and equipment	85,985	89,107
Intangible assets		
Goodwill	81,771	51,104
Software	232,136	338,636
Other	40	26
Total intangible assets	313,948	389,767
Investments and other assets		
Investments in securities	*1 987,707	*1 705,506
Long-term deposits	14,490	-
Guarantee deposits	89,302	97,031
Long-term loans receivable	2,370	-
Deferred tax assets	7,620	12,411
Long-term bonds	-	25,610
Other	29,928	13,001
Less: Allowance for doubtful accounts	-	-25,610
Total investments and other assets	1,131,419	827,951
Total fixed assets	1,531,354	1,306,826
Total assets	5,541,466	6,288,016

	(Thousands of yen)	
	End of FY May 2014 (May 31, 2014)	End of FY May 2015 (May 31, 2015)
Liabilities		
Current liabilities		
Accounts payable–trade	279,881	297,526
Income taxes payable	256,852	146,478
Consumption taxes payable	33,461	76,683
Other	317,572	281,088
Total current liabilities	887,767	801,776
Long-term liabilities		
Deferred income tax liabilities	246,966	138,164
Retirement benefit liabilities	23,553	31,066
Other	22,411	14,300
Total long-term liabilities	292,930	183,530
Total liabilities	1,180,698	985,306
Net assets		
Shareholders' equity		
Common stock	595,990	1,101,695
Capital surplus	473,942	979,646
Retained earnings	2,629,726	2,680,418
Total shareholders' equity	3,699,660	4,761,760
Accumulated other comprehensive income		
Net unrealized gains on other securities	453,040	295,362
Foreign currency translation adjustment	39,522	74,513
Total accumulated other comprehensive income	492,562	369,875
Stock acquisition rights	2,482	2,799
Minority interests	166,063	168,273
Total net assets	4,360,768	5,302,709
Total liabilities and net assets	5,541,466	6,288,016

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY May 2014 (June 1, 2013 to May 31, 2014)	FY May 2015 (June 1, 2014 to May 31, 2015)
Net sales	4,508,867	5,116,595
Cost of sales	2,315,602	2,704,615
Gross profit	2,193,264	2,411,979
Selling, general and administrative expenses	*1 1,857,792	*1 2,222,230
Operating income	335,472	189,749
Non-operating income		
Interest income	2,508	2,435
Dividend income	3,164	1,932
Rental income	1,221	1,332
Subsidy income	8,894	12,371
Other	8,492	6,123
Total non-operating income	24,280	24,195
Non-operating expenses		
Interest expenses	23	27
Commission fees	18,961	8,883
Foreign exchange losses	459	100
Others	90	316
Total non-operating expenses	19,535	9,327
Ordinary income	340,217	204,617
Extraordinary income		
Gains on sales of investments in securities	516,750	341,118
Total extraordinary income	516,750	341,118
Extraordinary losses		
Losses on disposal of property, plant and equipment	*2 1,619	*2 12,496
Bad-debt losses	21,664	-
Impairment losses	-	*3 16,749
Losses on change in equity	105	318
Other	450	-
Total extraordinary losses	23,838	29,564
Income before income taxes and minority interests	833,129	516,171
Income, residential and enterprise taxes	350,150	307,699
Income tax adjustment	10,881	-219
Total income taxes	361,032	307,480
Income before minority interests	472,097	208,691
Minority interests	35,041	31,110
Net income	437,055	177,580

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY May 2014 (June 1, 2013 to May 31, 2014)	FY May 2015 (June 1, 2014 to May 31, 2015)
Income before minority interests	472,097	208,691
Other comprehensive income		
Net unrealized gains on other securities	-17,192	-157,677
Foreign currency translation adjustment	22,804	34,990
Total other comprehensive income	5,612	-122,686
Comprehensive income	477,709	86,004
(Breakdown)		
Comprehensive income attributable to owners of the parent	442,667	54,893
Comprehensive income attributable to minority interests	35,041	31,110

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (June 1, 2013 to May 31, 2014)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the start of the fiscal year	595,990	473,942	2,260,531	3,330,464
Adjustments during the fiscal year				
Dividends from surplus			-67,860	-67,860
Changes in the scope of consolidation			-	-
Issuance of new shares	-	-		-
Issuance of new shares - exercise of subscription rights to shares	-	-		-
Net income			437,055	437,055
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	-	-	369,195	369,195
Balance at the end of the fiscal year	595,990	473,942	2,629,726	3,699,660

	Accumulated other comprehensive income			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	470,232	16,717	486,949	658	134,976	3,953,049
Adjustments during the fiscal year						
Dividends from surplus						-67,860
Changes in the scope of consolidation						-
Issuance of new shares						-
Issuance of new shares - exercise of subscription rights to shares						-
Net income						437,055
Net changes during the year to items other than shareholders' equity	-17,192	22,804	5,612	1,823	31,087	38,523
Total adjustments during the fiscal year	-17,192	22,804	5,612	1,823	31,087	407,718
Balance at the end of the fiscal year	453,040	39,522	492,562	2,482	166,063	4,360,768

Nihon Enterprise Co., Ltd. (4829) Financial Results for the Fiscal Year May 2015
Current fiscal year (June 1, 2014 to May 31, 2015)

(Thousands of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the start of the fiscal year	595,990	473,942	2,629,726	3,699,660
Adjustments during the fiscal year				
Dividends from surplus			-113,100	-113,100
Changes in the scope of consolidation			-13,788	-13,788
Issuance of new shares	503,319	503,319		1,006,638
Issuance of new shares - exercise of subscription rights to shares	2,385	2,385		4,771
Net income			177,580	177,580
Net changes during the year to items other than shareholders' equity				
Total adjustments during the fiscal year	505,704	505,704	50,691	1,062,100
Balance at the end of the fiscal year	1,101,695	979,646	2,680,418	4,761,760

	Accumulated other comprehensive income			Stock acquisition rights	Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the start of the fiscal year	453,040	39,522	492,562	2,482	166,063	4,360,768
Adjustments during the fiscal year						
Dividends from surplus						-113,100
Changes in the scope of consolidation						-13,788
Issuance of new shares						1,006,638
Issuance of new shares - exercise of subscription rights to shares						4,771
Net income						177,580
Net changes during the year to items other than shareholders' equity	-157,677	34,990	-122,686	317	2,209	-120,159
Total adjustments during the fiscal year	-157,677	34,990	-122,686	317	2,209	941,940
Balance at the end of the fiscal year	295,362	74,513	369,875	2,799	168,273	5,302,709

(4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	FY May 2014 (June 1, 2013 to May 31, 2014)	FY May 2015 (June 1, 2014 to May 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	833,129	516,171
Depreciation	121,248	132,401
Amortization of goodwill	31,716	31,925
Impairment losses	-	16,749
Bad-debt losses	21,664	-
Increase (decrease) in provision for allowance for doubtful accounts	5,549	25,468
Increase (decrease) in provision for bonuses	-6,216	-
Increase (decrease) in provision for directors' bonuses	-32,650	-450
Increase (decrease) in retirement benefit liabilities	4,488	7,513
Interest income and dividend income	-5,672	-4,368
Interest expenses	23	27
Foreign exchange (gains) losses	459	100
Loss (gain) on sales of investments in securities	-516,750	-341,118
Losses on disposal of property, plant and equipment	1,619	12,496
Decrease (increase) in notes and accounts receivable-trade	-60,975	-62,062
Decrease (increase) in inventories	2,927	-27,413
Increase (decrease) in notes and accounts payable-trade	41,550	15,950
Increase (decrease) in consumption taxes payable	15,362	27,125
(Increase) decrease in other current assets	16,650	-13,832
Increase (decrease) in other current liabilities	37,341	-37,596
Other	17,808	-4,461
Subtotal	529,275	294,624
Interest and dividend income received	5,918	4,136
Interest expenses paid	-23	-27
Income taxes paid	-381,365	-421,859
Net cash provided by operating activities	153,805	-123,125

	FY May 2014 (June 1, 2013 to May 31, 2014)	FY May 2015 (June 1, 2014 to May 31, 2015)
Cash flows from investing activities		
Payments into time deposits	-1,238,050	-500,153
Proceeds from withdrawal of time deposits	1,238,050	439,511
Payments into long-term deposits	-14,490	-
Proceeds from withdrawal from long-term deposits	200,000	-
Payments for purchase of property, plant and equipment	-24,876	-17,958
Payments for purchase of intangible assets	-134,564	-212,668
Proceeds from sales of investments in securities	522,000	343,752
Purchase of investments in subsidiaries	-100,000	-87,630
Payments for loans receivable	-	-38,000
Collection of loans receivable	1,876	3,433
Payments of guarantee deposits	-11,452	-19,577
Proceeds from collection of guarantee deposits	12,206	11,887
Other	2,367	424
Net cash provided by investing activities	453,066	-76,978
Cash flows from financing activities		
Proceeds from short-term borrowings	200,000	200,000
Repayment of short-term borrowings	-200,000	-200,000
Repayment of lease obligations	-1,586	-1,417
Proceeds from issuance of common shares	-	1,010,601
Purchase of subsidiaries' treasury stock	-	-24,000
Cash dividends paid	-67,342	-112,301
Cash dividends paid to minority interests	-6,460	-9,180
Other	2,400	2,702
Net cash used in financing activities	-72,989	866,404
Effect of exchange rate changes on cash and cash equivalents	3,267	6,820
Net increase (decrease) in cash and cash equivalents	537,150	673,121
Cash and cash equivalents at the beginning of the year	2,271,611	2,808,762
Increase in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	-	76,049
Cash and cash equivalents at the end of the year	*1 2,808,762	*1 3,557,933

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

Nothing to report.

(Segment Information, etc.)**Segment Information****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 it handles and conducts. Consequently, the Company has consolidated the services handled by each of its departments into two reportable segments, the Content Service Segment and the Solutions Segment.

The Content Service Segment provides various content services via telecommunications carriers. The Solutions Segment offers total solutions, including business plan development and consulting that make use of mobile phones.

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.

3. Information on sales, income or losses, and other items for each reportable segment

Previous fiscal year (June 1, 2013 to May 31, 2014)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—outside customers	2,469,753	2,039,113	4,508,867	-	4,508,867
Sales and transfer—intersegment	—	68,489	68,489	-68,489	-
Total	2,469,753	2,107,603	4,577,356	-68,489	4,508,867
Segment income	757,481	173,321	930,803	-595,330	335,472
Other items					
Depreciation	66,503	41,621	108,125	9,970	118,095

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥563,614 thousand and amortization of goodwill of ¥31,716 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.

Current fiscal year (June 1, 2014 to May 31, 2015)

(Thousands of yen)

	Reportable Segments			Adjustments (Note)	Total (Note)
	Mobile Content Segment	Solutions Segment	Subtotal		
Net sales					
Sales—outside customers	2,506,784	2,609,810	5,116,595	-	5,116,595
Sales and transfer—intersegment	-	69,567	69,567	-69,567	-
Total	2,506,784	2,679,377	5,186,162	-69,567	5,116,595
Segment income	616,649	190,437	807,086	-617,337	189,749
Other items					
Depreciation	72,913	48,112	121,025	8,204	129,229

(Note) The primary adjustments to segment income are for corporate expenses that do not belong to individual business segments, including general administrative expenses of ¥585,411 thousand and amortization of goodwill of ¥31,925 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.