

**Summary of Fourth Quarter and Full Year of
Fiscal Year Ending August 2016**

October 12, 2016

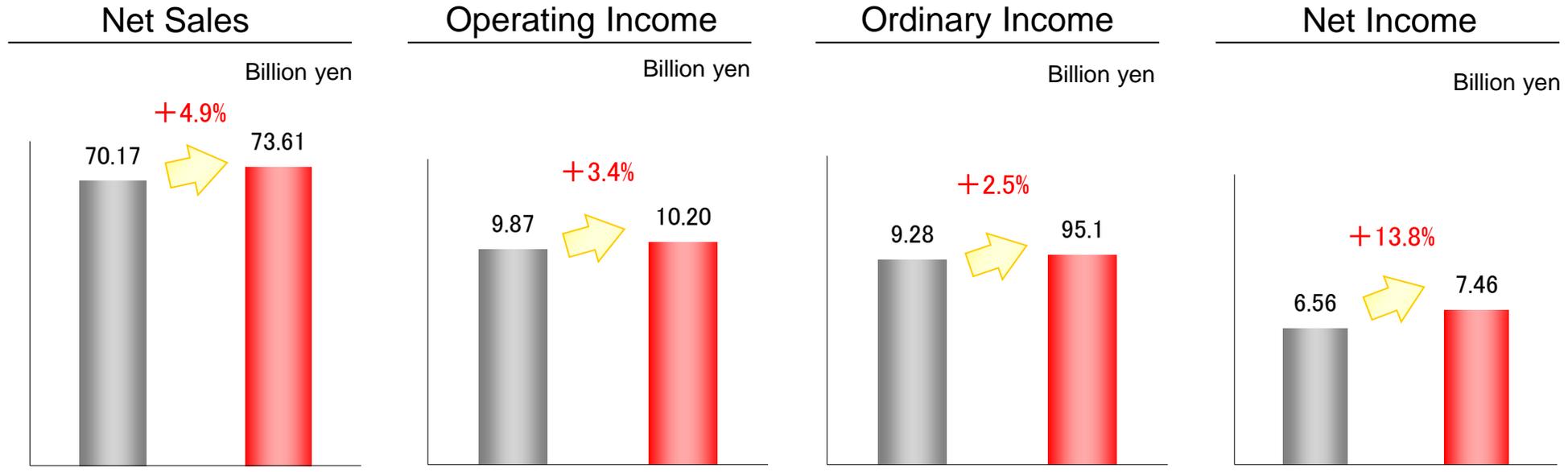


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|| Results of Operations || Fiscal Year Highlights (Prior FY comparison)

- Sales increased 4.9% with all business segments performing well.
- Operating income increased due to solid earnings in all business segments and the completion of goodwill amortization. Ordinary income increased despite financial and equity-related expenses, including debt refinancing, as lower debt cut interest expenses. Net income increased because of declines in extraordinary losses and taxes.

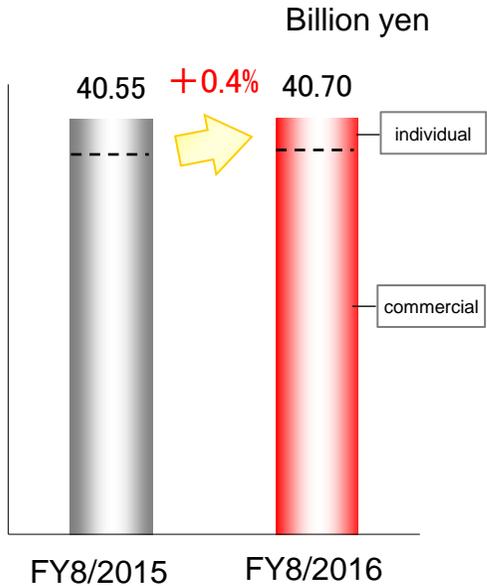


* Monetary amounts are not rounded; percentages are rounded to the nearest tenth.

|| Results of Operations || Fiscal Year Highlights (Prior FY comparison)

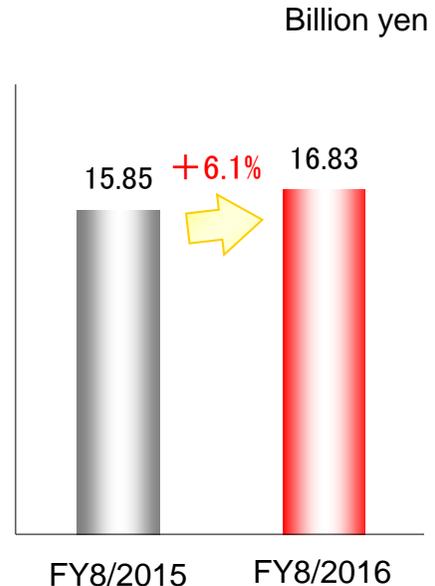
Business Segment Sales

Music Distribution



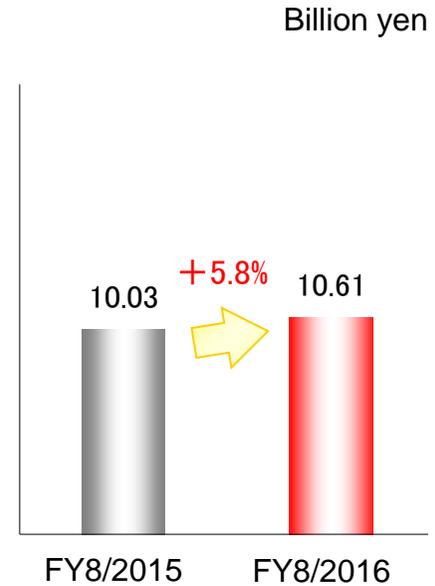
Higher commercial sales offset a small decrease in sales to individuals

Business Systems



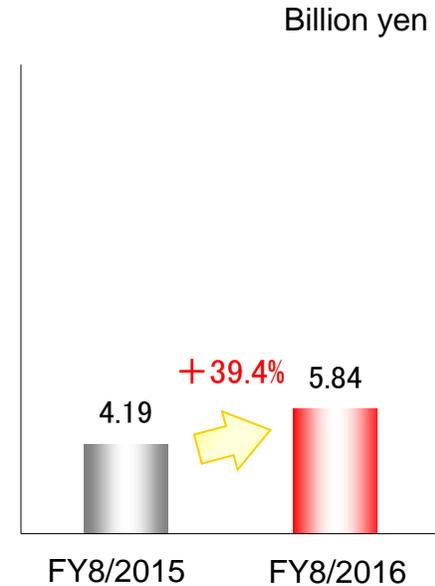
Sales up due to expansion in deliveries of business systems for hospitals and hotels

ICT Services



Sales rising due to increase in the number of services provided

Others



Sales up due to growth of the marketing support business and the first year of sales from the retail electricity business

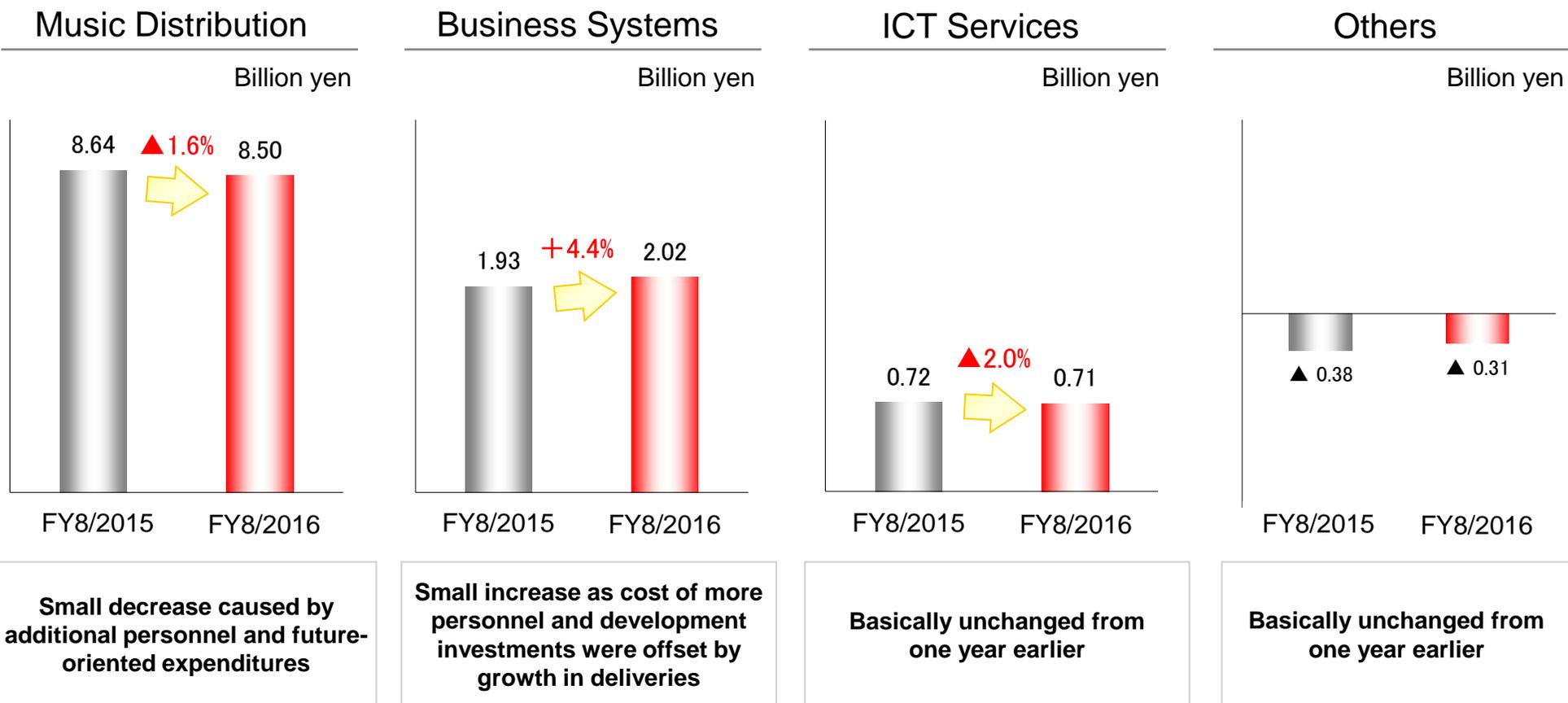
(Ref.) USEN uses commercial sales and consumer sales as one of its performance indicators.

* In FY8/2015, there was a sales deduction of ¥450 million for inter-segment transactions.

* In FY8/2016, there was a sales deduction of ¥380 million for inter-segment transactions.

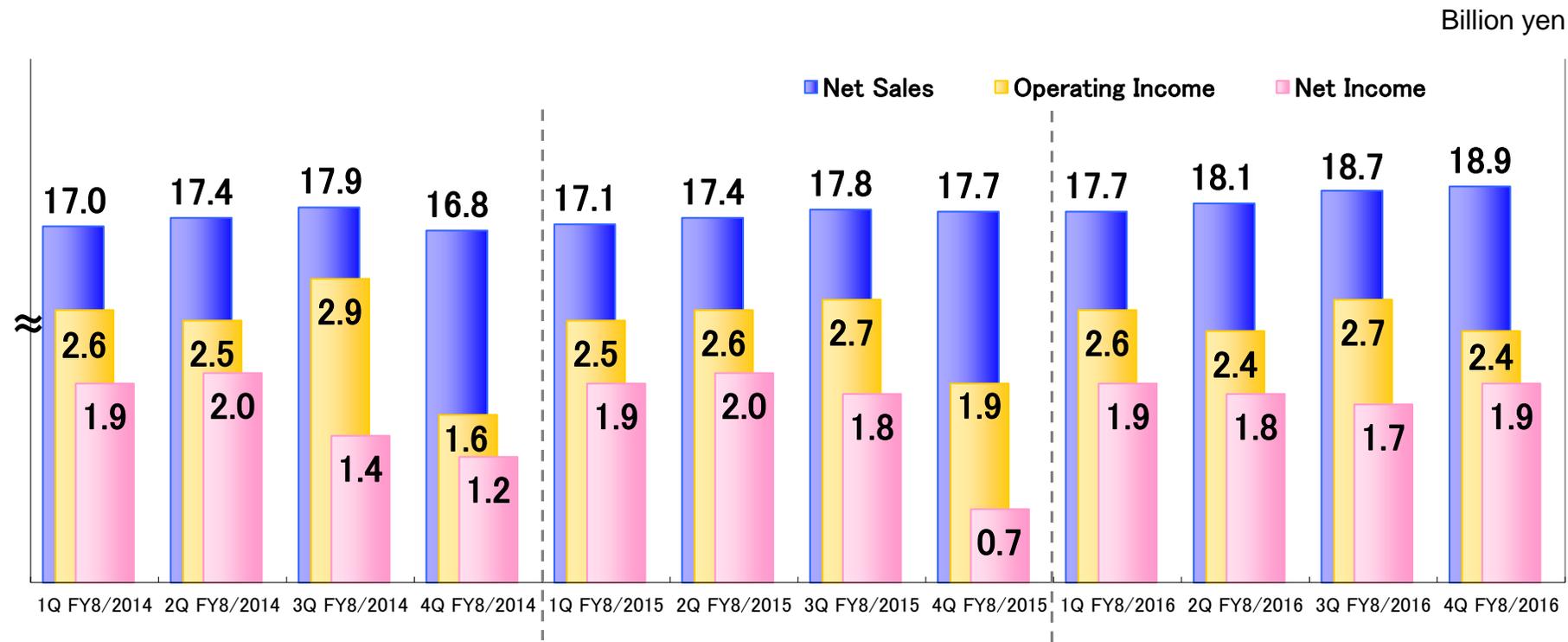
|| Results of Operations || Fiscal Year Highlights (Prior FY comparison)

Business Segment Operating Income



* In FY8/2015, there was an operating income deduction of ¥1,050 million for inter-segment transactions.
 * In FY8/2016, there was an operating income deduction of ¥720 million for inter-segment transactions.

|| Results of Operations || Quarterly Consolidated Performance



Fourth quarter sales set a new record for the past three fiscal years and operating income and net income remained steady.

* All figures are not rounded.

|| Results of Operations || FY8/2016 Results vs. Forecast

Billion yen	FY Forecast (A)	Actual (B)	Achievement (B÷A)
Net Sales	72.00	73.61	102.2%
Operating Income	9.60	10.20	106.3%
Ordinary Income	8.70	9.51	109.3%
Net Income	6.60	7.46	113.2%

**Sales and earnings at all levels surpassed the forecast.
Ordinary income and net income rose to all-time highs.**

|| Results of Operations || FY8/2017 Forecast

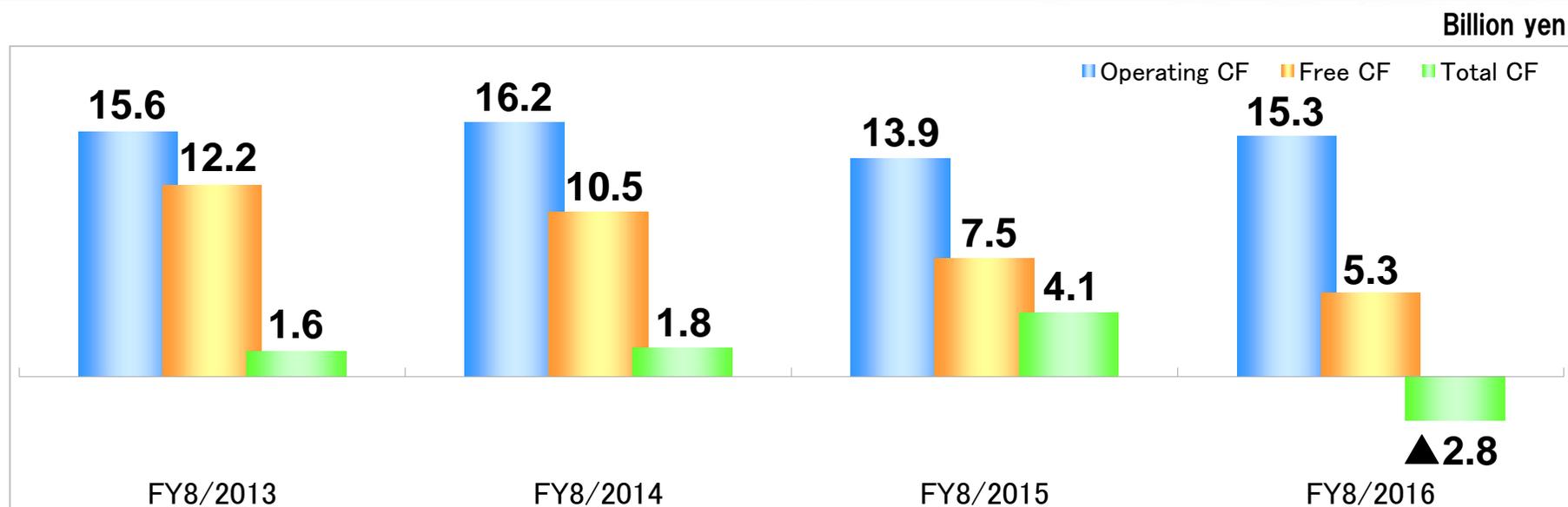
Billion yen	FY8/2016 Actual (A)	FY8/2017 Forecast (B)
Net Sales	73.61	78.70
Operating Income	10.20	10.80
Ordinary Income	9.51	10.50
Net Income	7.46	6.10

Forecast a big increase in sales backed by growth of existing businesses and sales from the new retail electricity business starting in the second half

Forecast higher operating income despite the investments needed for future growth; earnings will benefit from the completion of goodwill amortization

Forecast a big decrease in net income caused mainly by the impact of accounting standard changes associated with 2016 tax reforms.

|| Financial Indicators || Cash Flows



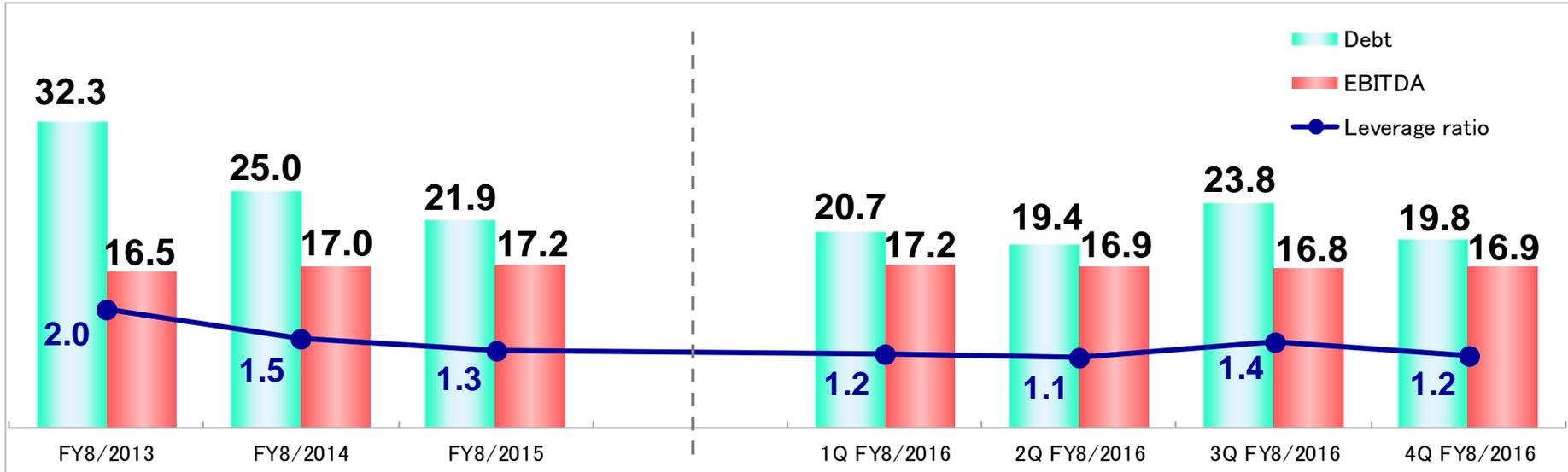
* Free CF = Operating CF + Investing CF ; Total CF = Free CF + Financial CF

Operating CF	15.6	16.2	13.9	15.3
Investing CF	▲3.3	▲5.6	▲6.3	▲9.9
Financial CF	▲10.5	▲8.6	▲3.3	▲8.2

Operating cash flows increased but free cash flows decreased because of investments and loans involving equity and business alliances, including the first quarter alliance with Cansystem. Cash used in financing increased because of the fourth quarter debt reduction, resulting in a ¥6.9 billion decrease in cash flows.

|| Financial Indicators || Leverage Ratio

Billion yen , Times



* EBITDA = Operating income + Depreciation + Depreciation of goodwill

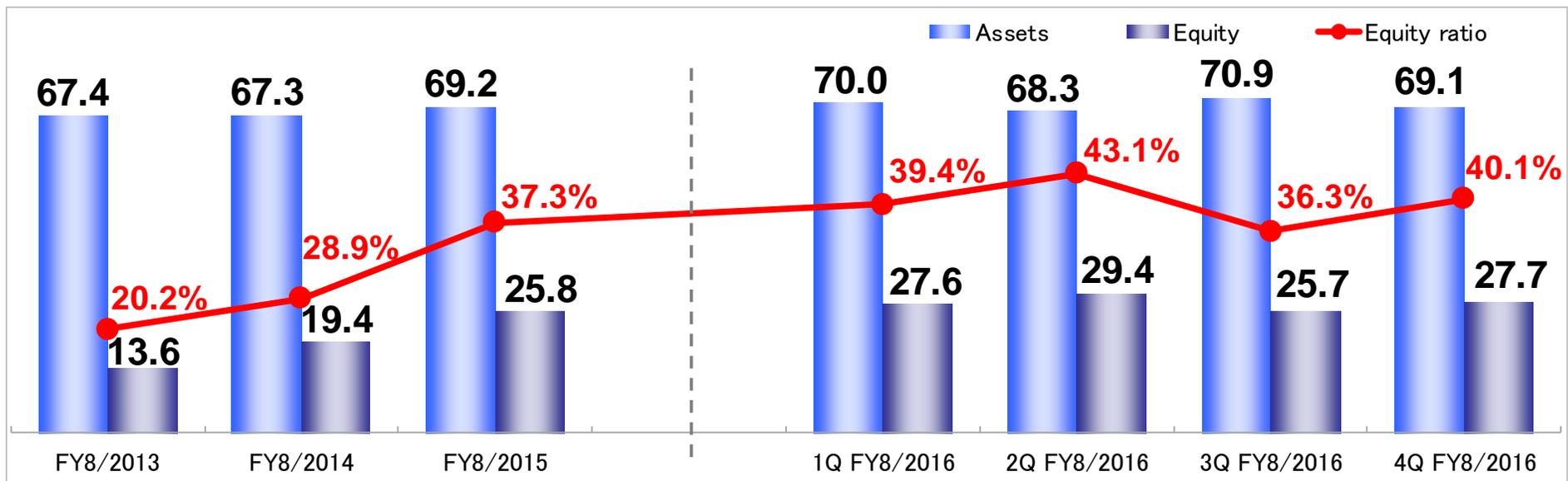
* EBITDA is for the most recent 12-month period

* Leverage ratio = Debt / EBITDA for past 12 months

The leverage ratio decreased to 1.2 as EBITDA remained steady and debt was down from one year earlier despite a brief increase caused by the third quarter refinancing.

|| Financial Indicators || Equity Ratio

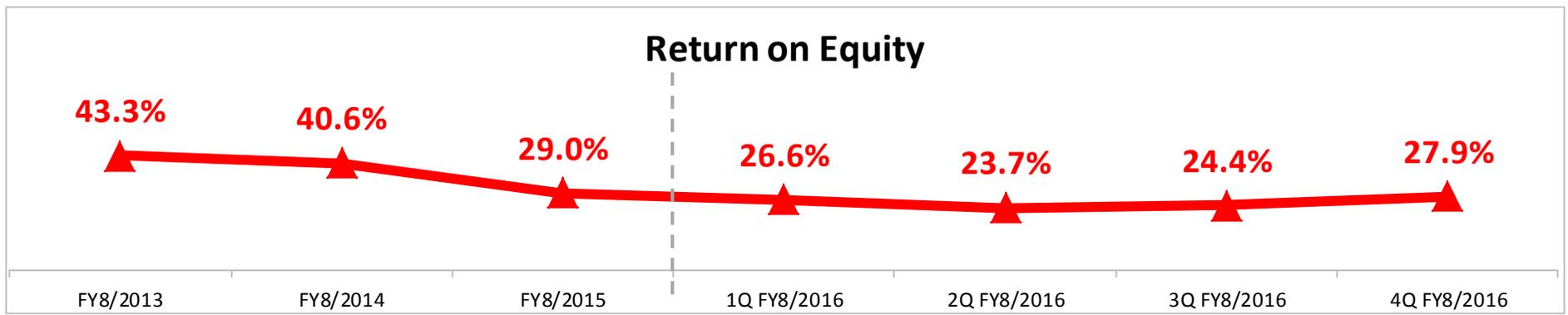
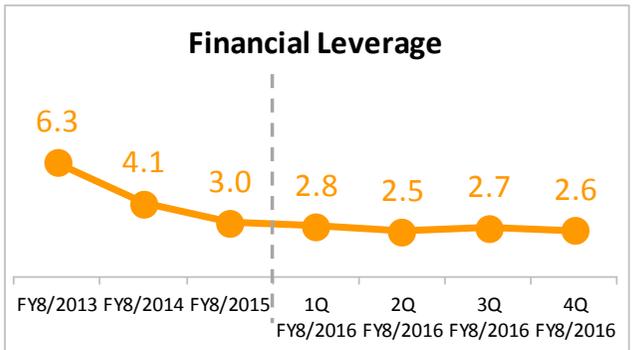
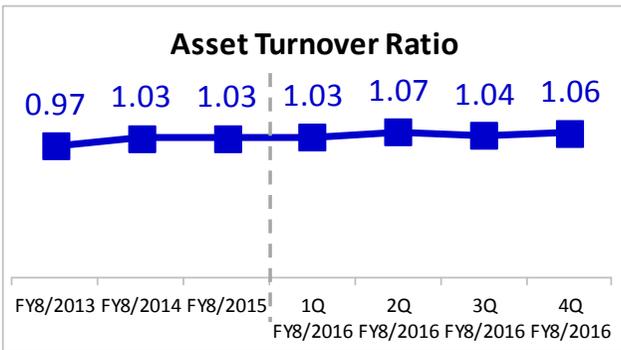
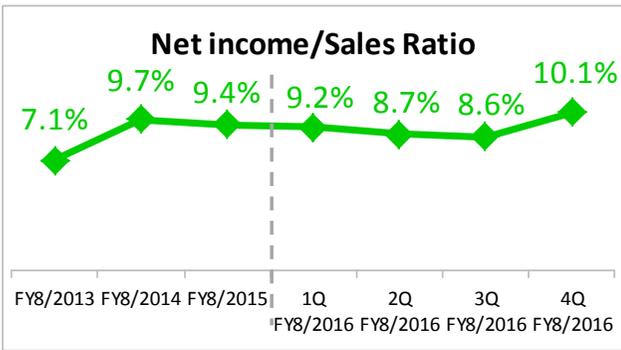
Billion yen , %



* Equity = Net assets – Stock acquisition rights

Third quarter equity down because of retirement of the class-II preferred stock
Equity ratio rose to 40.1% in the fourth quarter, the result of fourth quarter net income of about ¥2 billion and a decrease in assets as cash and deposits were used to repay loans

Financial Indicators || Return on Equity

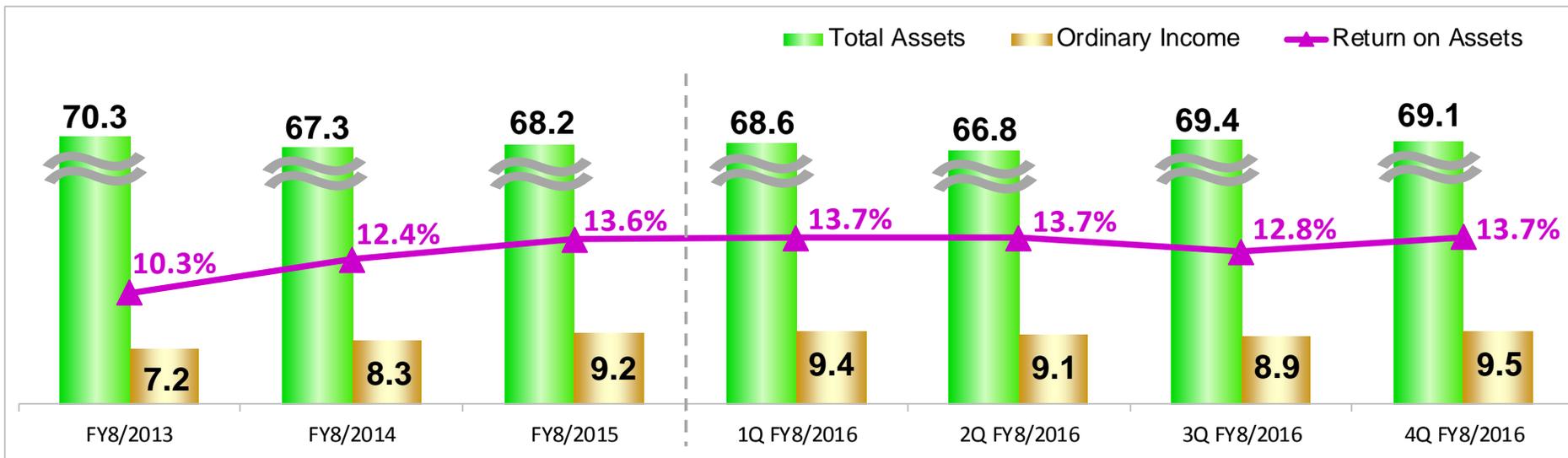


* Return on equity (ROE) = Sales/Net income ratio x Asset turnover ratio x Financial leverage
 * Sales and net income are for the last 12-month period and assets and equity are the averages of the amounts at the ends of the current and previous FY

Fourth quarter ROE increased to 27.9% as fourth quarter net income/sales ratio was higher than in the third quarter and the asset turnover ratio and financial leverage were basically unchanged.

|| Financial Indicators || Return on Assets

Billion yen , %



- * Ordinary income return on assets (ROA) = Ordinary income / Average FY assets x 100
- * Ordinary income is for the last 12-month period.
- * Assets are the average of the amounts at the ends of the current and previous FY.

Fourth quarter ROA increased to 13.7% as fourth quarter average assets were lower than in the third quarter and ordinary income was higher.

|| Operating Highlights || Growth Strategy Image

Become a source of comprehensive services based on music distribution, ICT, marketing support and business systems

To Be

[ICT Office Business]

USEN GATE O2

インターネット 接続
クラウド
コンテンツ / 動画配信
セキュリティ
モバイル
LAN構築
VPN / 接続網
データセンター
デバイス

こころの保健室
Google Apps for Work

[Comprehensive Services for Stores]

Store opening support / Store infrastructure / Cash registers / Store operations support

SHOP

Energy
Network connections

USEN Register

Hardware
Software Application
USEN Reservation
USEN Time Recorder
UPLink
MFクラウド会計 for USEN

[Music Distribution]

USEN

SOUND DESIGN for OFFICE

音・楽 OTO RAKU

Since 1961

スマホ USEN

[Business Systems]

Techno-hospitality for hospitals and hotels

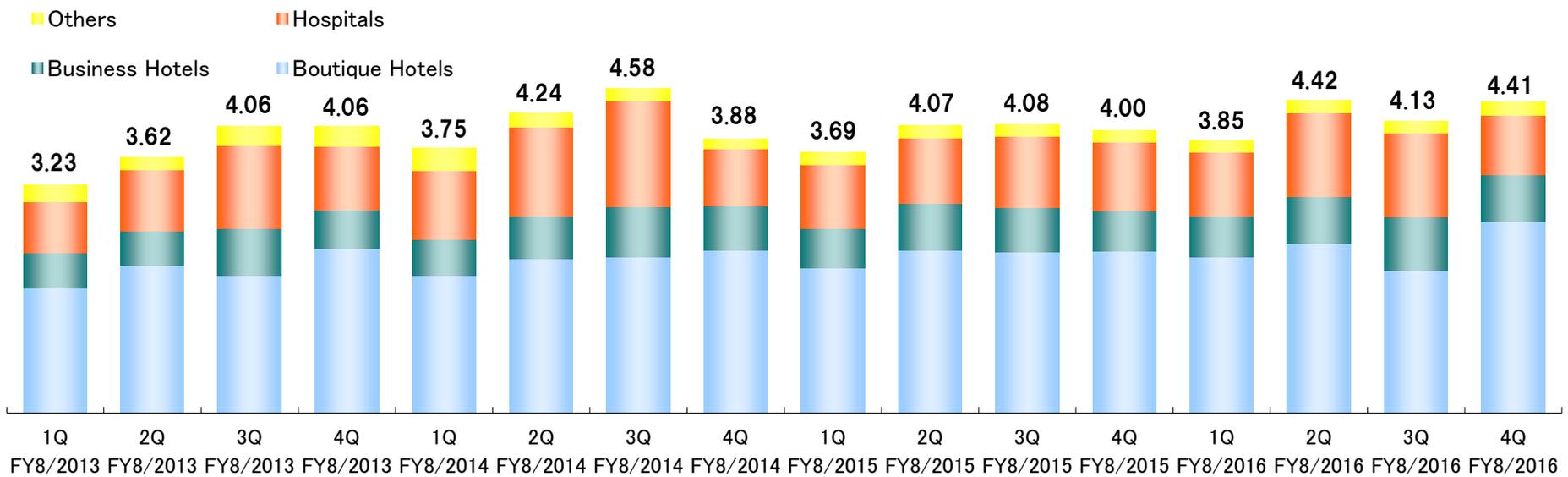
ALMEX
USEN GROUP

[Marketing Support (Restaurants/Beauty parlors/Foreign tourists in Japan/Others)]

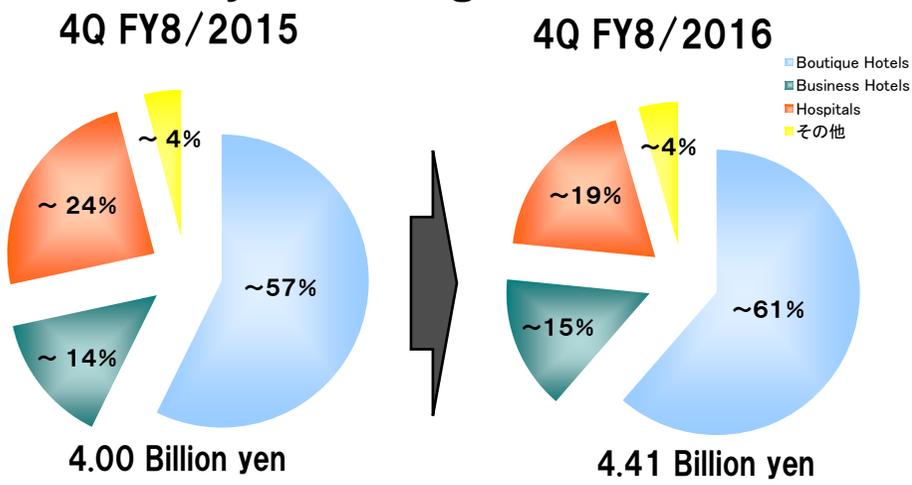
hito sara
セツラ
THE PREMIUM RESERVATION
bangs
SAVOR JAPAN Japanese Restaurant Guide
NADESHIKO HOTEL SHIBUYA
Cozy Japan

Operating Highlights (Business Systems) || Sales Composition

Quarterly Sales



Year-on-year change



○ Big fourth quarter sales growth from the prior quarter and year

- Big increase in sales because of strong growth in sales to boutique hotels.
- Demand for business systems is increasing as client companies use fewer employees, improve operating efficiency and make more investments to serve foreign tourists. As a result, sales were higher in all categories and total fiscal year sales increased 6%.

Business and Equity Alliance between Subsidiary Almex and Nexpoint

A shift is ongoing from M2M to the IoT because of the rapid pace of technological advances. One result is the need for new “Internet of eyes” technology for manufacturers, service providers, robots and many other applications. Significant growth is foreseen for business camera solutions that link sensors and information equipment with cameras.

Combining the knowledge and resources of Almex and Nexpoint is expected to result in products and services with more added value for hospitals and hotels, the primary market for Almex, stores and other businesses, the primary market for USEN, as well as in new market sectors.

- Name : Nexpoint Co., Ltd.
- Activities : Development, sale and maintenance of commercial camera software
- Established : April 1, 2010
- Address : 1-5-11 Nihonbashi-Horidomecho, Chuo-ku, Tokyo
- President : Akihiro Sakuma
- Capital : ¥185 million

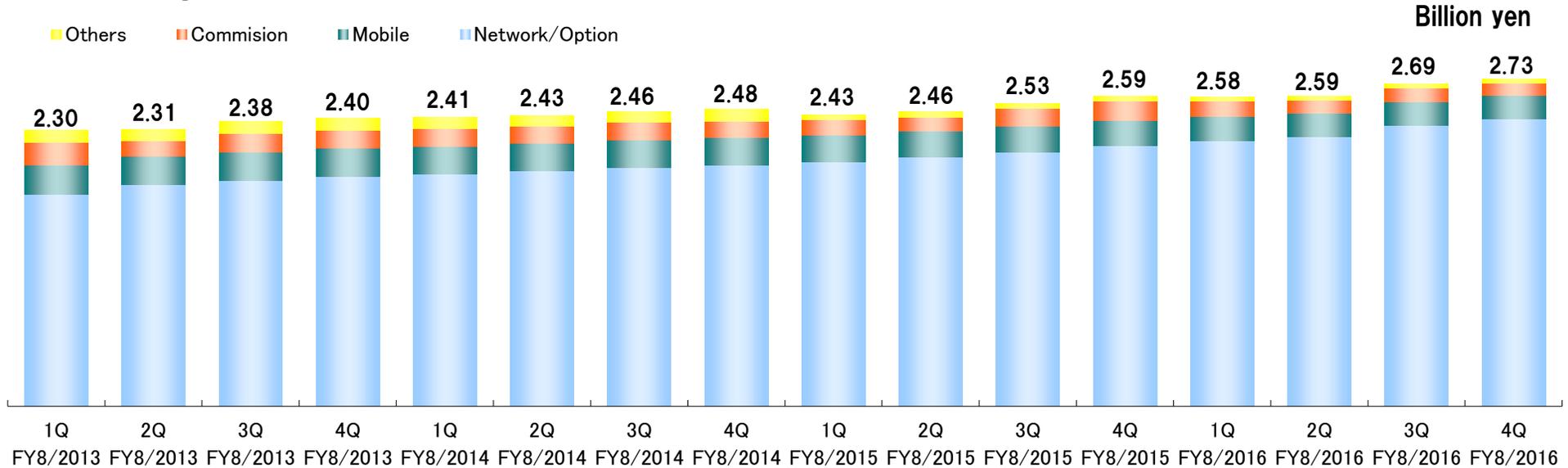
<Alliance Summary >

Almex purchased stock and convertible bonds newly issued by Nexpoint.

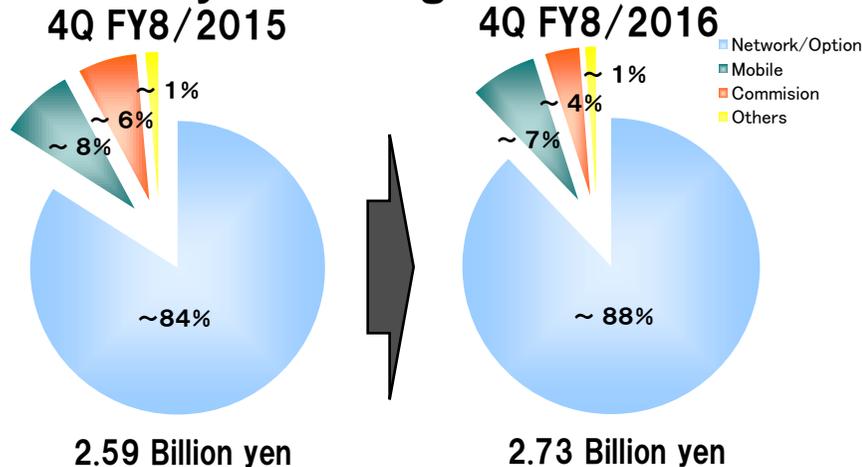
- Number of shares : 13,000
- Ownership : 11%
- Payment : July 22, 2016 (third-party allotment of stock and convertible bonds)

|| Operating Highlights (ICT Services) || Sales Composition

■ Quarterly Sales



■ Year-on-year change

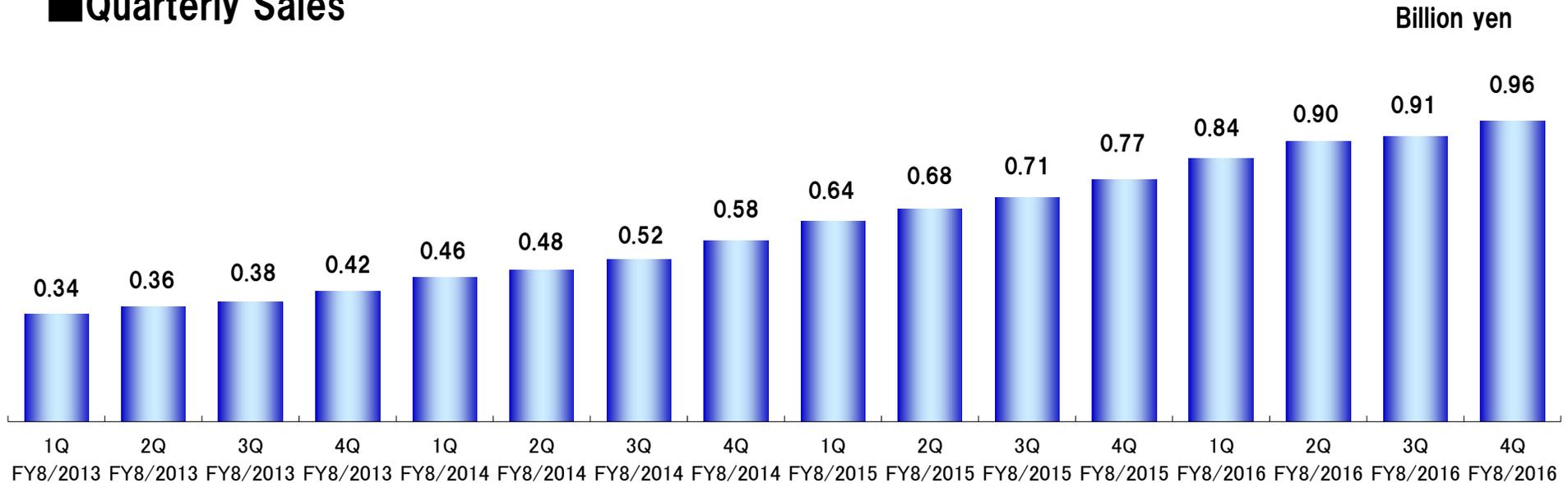


○ sales increases from the prior quarter and year

- Continuing growth in the core network/optional services category was the reason for higher sales in this business. Fiscal year sales were up 6.1%.
- Services involving the cloud posted particularly strong growth in the network/optional services category. Increasing sales of cloud groupware remains a priority in this business.

|| Operating Highlights (Others) || Marketing Support Sales Composition

■ Quarterly Sales



○ Quarterly sales set a new record in the fourth quarter.

- Fiscal year sales increased 28% because of strong sales of the *Hitosara*, USEN's dining website, and associated services.
- After almost four years of operation, *Hitosara Chef Directory* has more than 10,000 listings of chefs.

The USEN Listener Rooters' Song Popularity Ranking

USEN announced its ranking of popular rooters' songs based on the selections of listeners. The ranking uses responses from listeners regarding their favorite songs.

USEN expected seasonal songs and songs to support sports teams and players to be the most popular. However, the final ranking has a variety of songs. For example, songs that give people more vitality and songs that give people encouragement during a difficult time placed high.

Special Program to Remember Rokusuke Ei

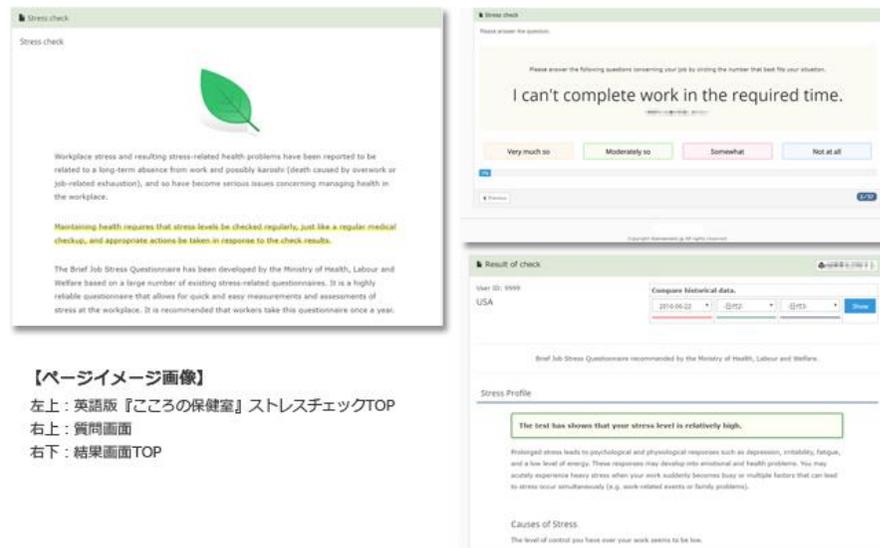
USEN broadcast a special program in August covering the work of Rokusuke Ei, who passed away on July 7 at the age of 83. The program featured songs that demonstrated his remarkable accomplishments as a composer and lyricist.

▶▶ English Version of the Heart Clinic, a Mental Health ASP service

English-language Heart Clinic now available

In July 2016, USEN began offering an English language version of its Heart Clinic, which was introduced in February 2015.

Japan's amended Industrial Safety and Health Act requires companies to perform stress checks. Providing Heart Clinic in English makes it easy for foreign companies in Japan to comply with this law.



【ページイメージ画像】
左上：英語版『こころの保健室』ストレスチェックTOP
右上：質問画面
右下：結果画面TOP

Sample user: Peach Aviation



As is the case with many airline companies, Peach Aviation has a large number of foreign employees. The company selected USEN's stress checking service because of the need for an English-language service that included questions as well as the final report.

In addition, before starting these stress checks, Peach Aviation signed up for USEN's Sound Design for Offices, which supplies music structured to maintain a sound mental balance among workers.

▶▶ Almex Celebrates Its 50th Anniversary

USEN subsidiary Almex manufactures automated payment machines for hospitals, hotels, restaurants, golf courses and other establishments. The company's lineup also includes hotel front desk systems and other products and services that provide total solutions for improving efficiency. Almex has prominent positions in all of its targeted markets. The company held a ceremony on June 17, 2016 to celebrate the 50th anniversary of its establishment.

The central theme for the next phase of Almex's growth is "techno-hospitality," which stands for a new and innovative concept for the combination of technology and hospitality.



Almex president
Shohei Mabuchi



The June 17, 2016
anniversary ceremony

|| Fourth Quarter Topics || Marketing Support

▶▶ **Hitosara – More than 10,000 chef listings after four years**

The *Hitosara* dining website is distinguished by a focus on chefs. This concept has generated much interest among users. As a result, *Hitosara* had information about more than 10,000 chefs as of July 1, 2016, the fourth anniversary of this website's launch.

Hitosara Chef Directory <http://hitosara.com/person>



▶▶ **A New Look for *Wecolle Magazine* of the Tokyo Wedding Collection**

USEN also distributed this magazine at no cost at major Tokyo railroad stations as well as at 10,000 BGM member stores, including beauty salons, nail salons, cooking schools and other facilities, in metropolitan Tokyo and three prefectures of Kanto where USEN background music is provided.

Wecolle magazine <http://www.wecolle.jp/magazine/>



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