

## **Summary of First Quarter of Fiscal Year Ending August 2017**

---

**January 11, 2017**

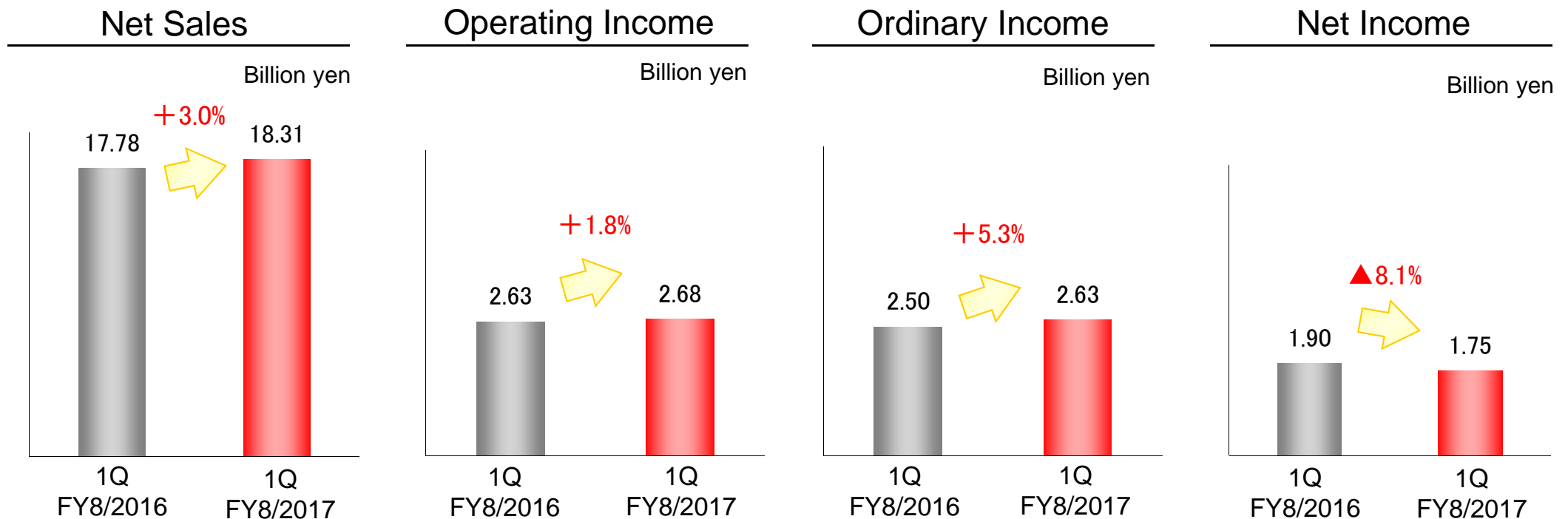


# Contents

<b>1. Results of Operations</b>	.....	<b>P2</b>
<b>2. Financial Indicators</b>	.....	<b>P7</b>
<b>3. Operating Highlights</b>	.....	<b>P12</b>
<b>4. First Quarter Topics</b>	.....	<b>P15</b>
<b>5. Disclaimer</b>	.....	<b>P18</b>

# || Results of Operations || First Quarter Financial Highlights

- Sales were higher in all business segments.
- Operating income was basically unchanged in all business segments as the end of goodwill amortization offset expenses for workforce expansion and measures for growth in the future. Ordinary income increased as interest expenses declined along with the repayment of loans. Higher income taxes were responsible for the decrease in net income.

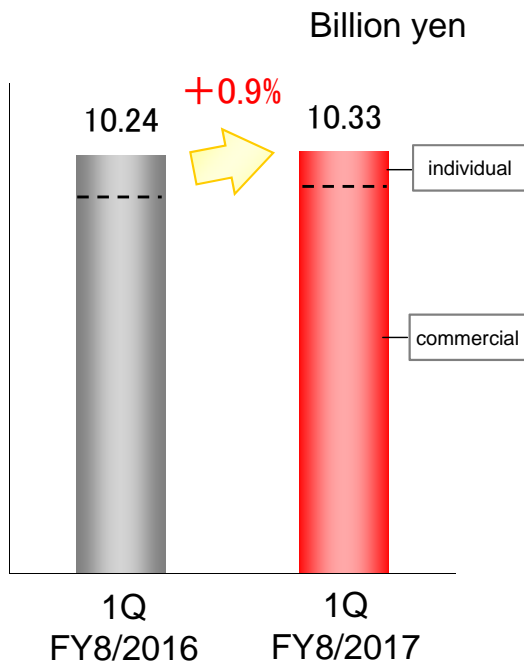


\* Monetary amounts are not rounded; percentages are rounded to the nearest tenth.

# || Results of Operations || First Quarter Financial Highlights

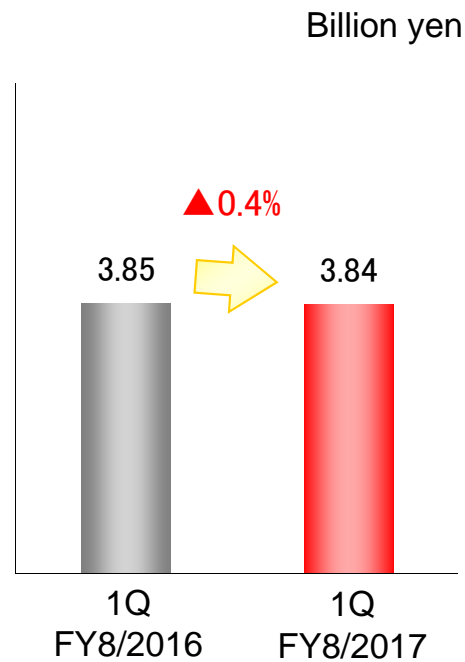
## Business Segment Sales

### Music Distribution



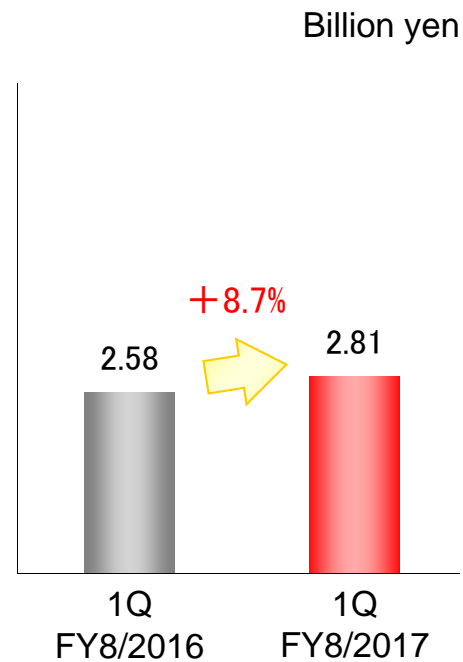
Up due to higher sales of store solutions

### Business Systems



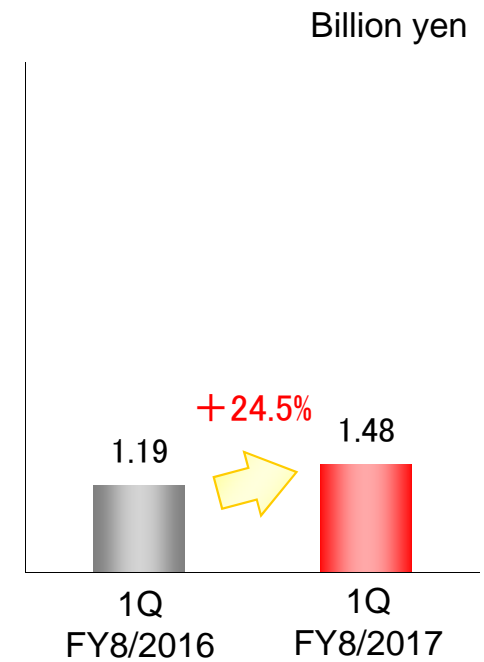
About the same as one year earlier

### ICT Services



Up due to more contracts for services

### Others



Higher sales in the marketing support business and energy business

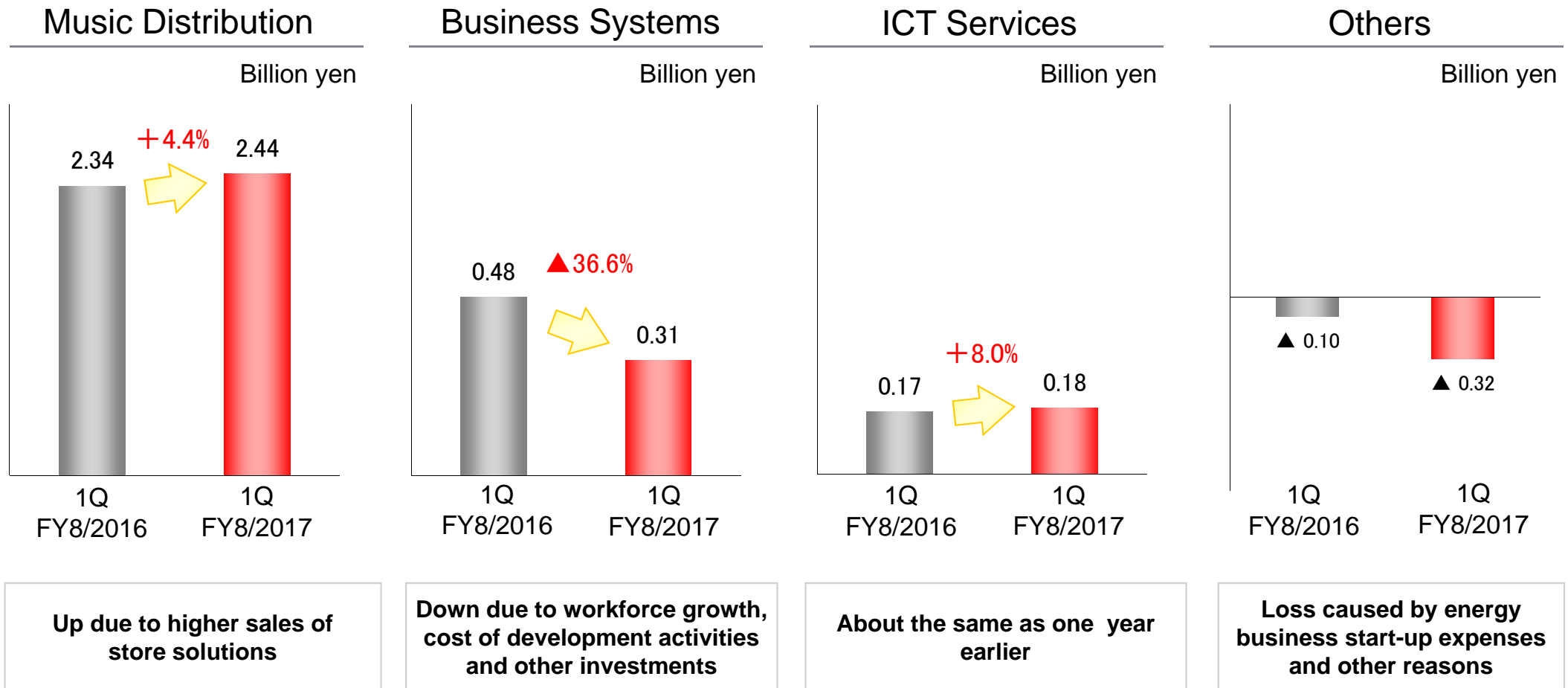
(Ref.) USEN uses commercial sales and consumer sales as one of its performance indicators.

\* In FY8/2016, there was a sales deduction of ¥90 million for inter-segment transactions.

\* In FY8/2017, there was a sales deduction of ¥160 million for inter-segment transactions.

# || Results of Operations || First Quarter Financial Highlights

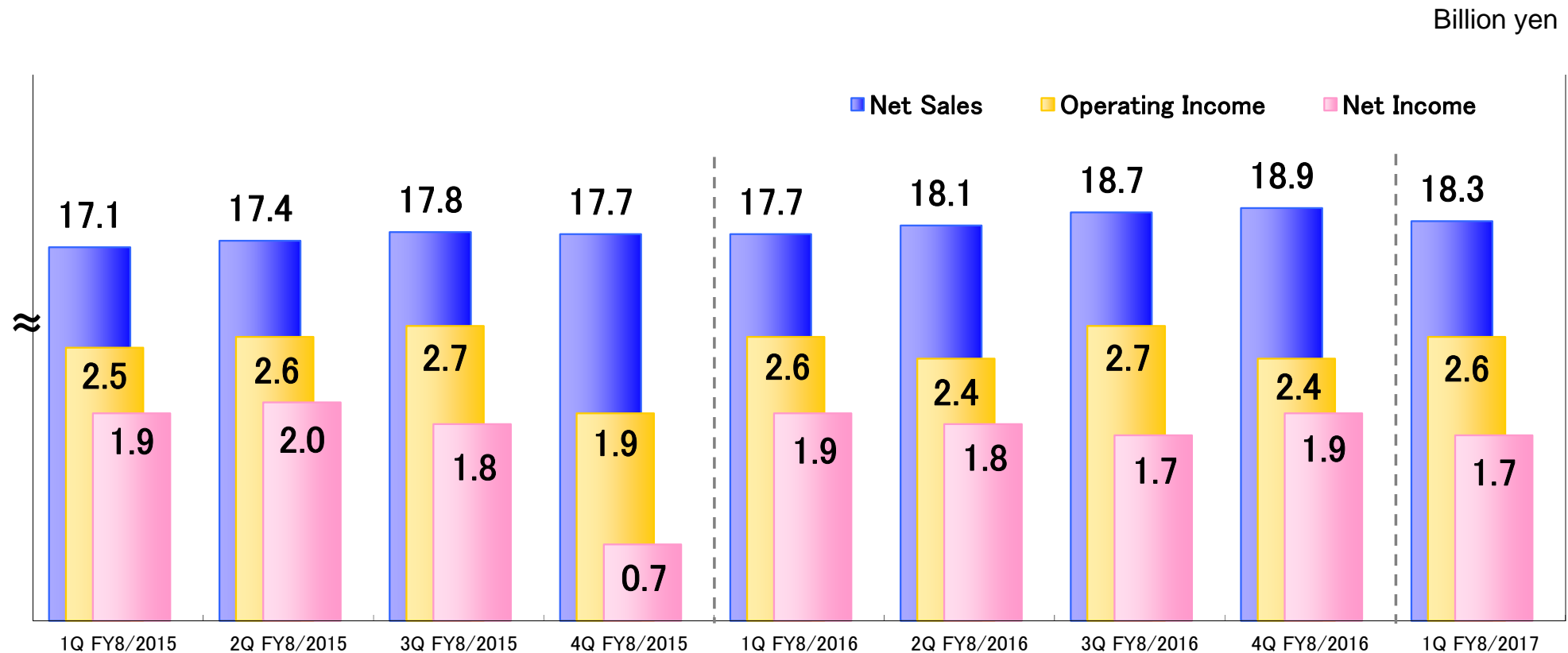
## Business Segment Operating Income



\* In FY8/2016, there was an operating income deduction of ¥260 million for inter-segment transactions.

\* In FY8/2017, there is an operating income addition of ¥60 million for inter-segment transactions.

# || Results of Operations || Quarterly Consolidated Performance



**First quarter sales were higher than in the first quarters of the previous two fiscal years. Operating income was the same as one year earlier and net income was down because of an increase in taxes.**

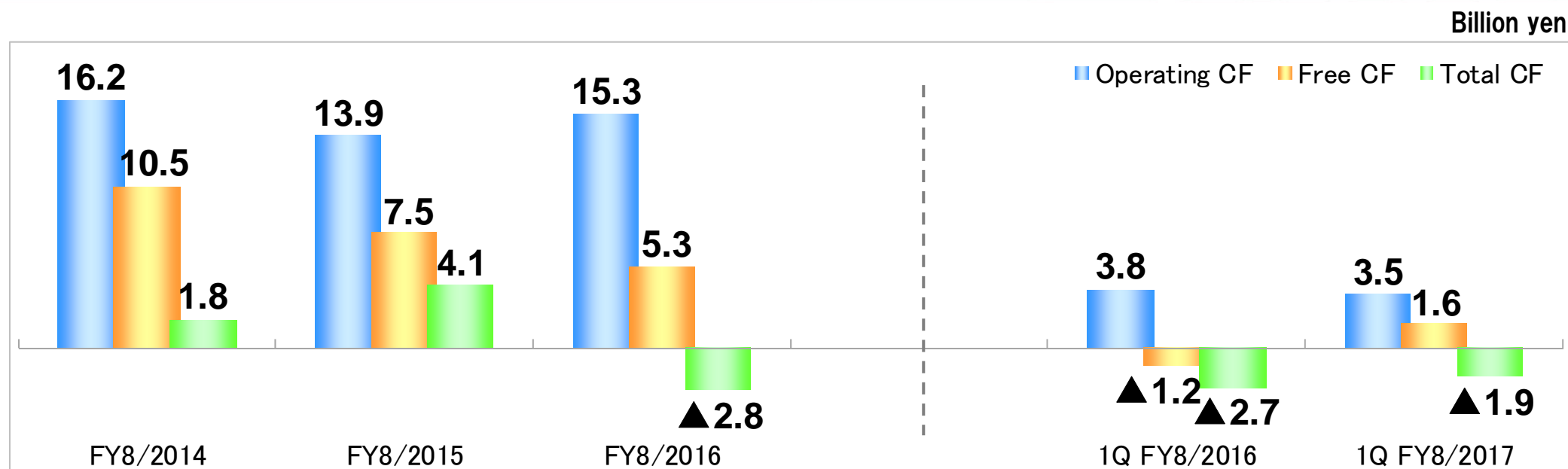
\* All figures are not rounded.

# || Results of Operations || First Quarter Performance vs. Forecast

		FY Forecast (A)	1Q Actual (B)	Progress (B÷A)
	Billion yen			
Net Sales		78.70	18.31	23.3%
Operating Income		10.80	2.68	24.9%
Ordinary Income		10.50	2.63	25.1%
Net Income		6.10	1.75	28.7%

**First quarter sales, operating income and ordinary income were all consistent with the fiscal year forecast and net income was more than one-fourth of the fiscal year forecast.**

# || Financial Indicators || Cash Flows



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

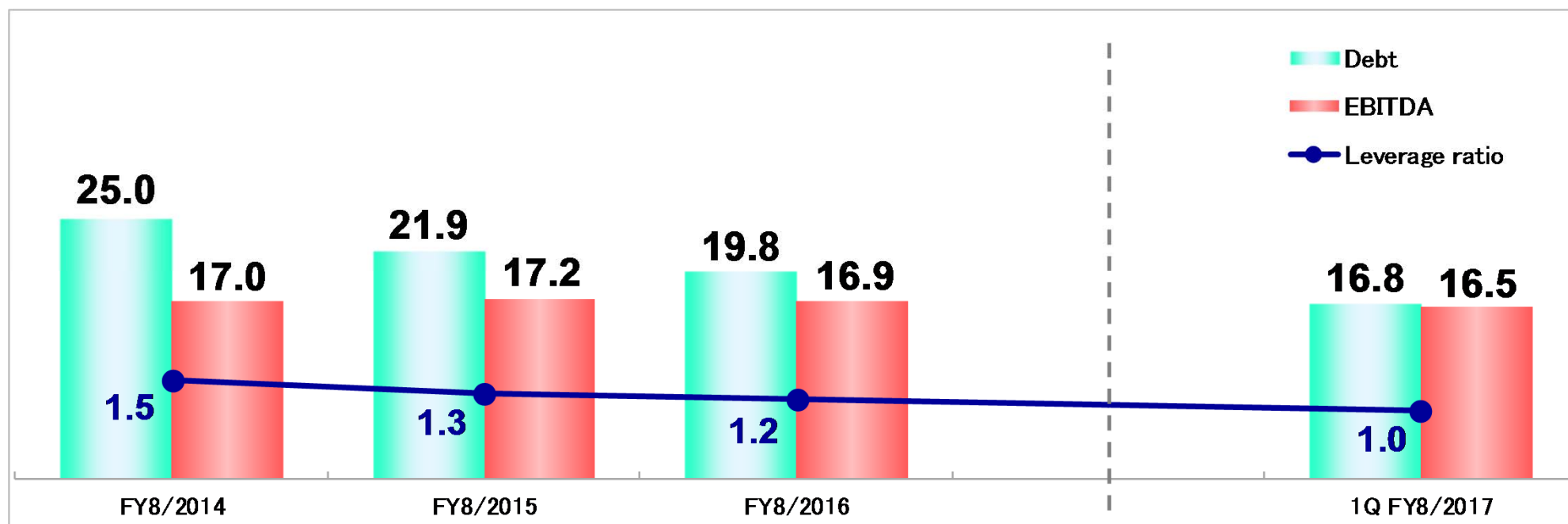
Operating CF	16.2	13.9	15.3	3.8	3.5
Investing CF	▲5.6	▲6.3	▲9.9	▲5.1	▲1.8
Financial CF	▲8.6	▲3.3	▲8.2	▲1.4	▲3.6

Free cash flows increased as operating cash flows decreased slightly but cash used in investing activities was down due to the absence of major projects and investments. Cash used in financing activities increased because of loan repayments (about ¥3 billion) and dividend payments (about ¥0.6 billion). Total cash flows improved by ¥800 million.



# || Financial Indicators || Leverage Ratio

Billion yen , Times



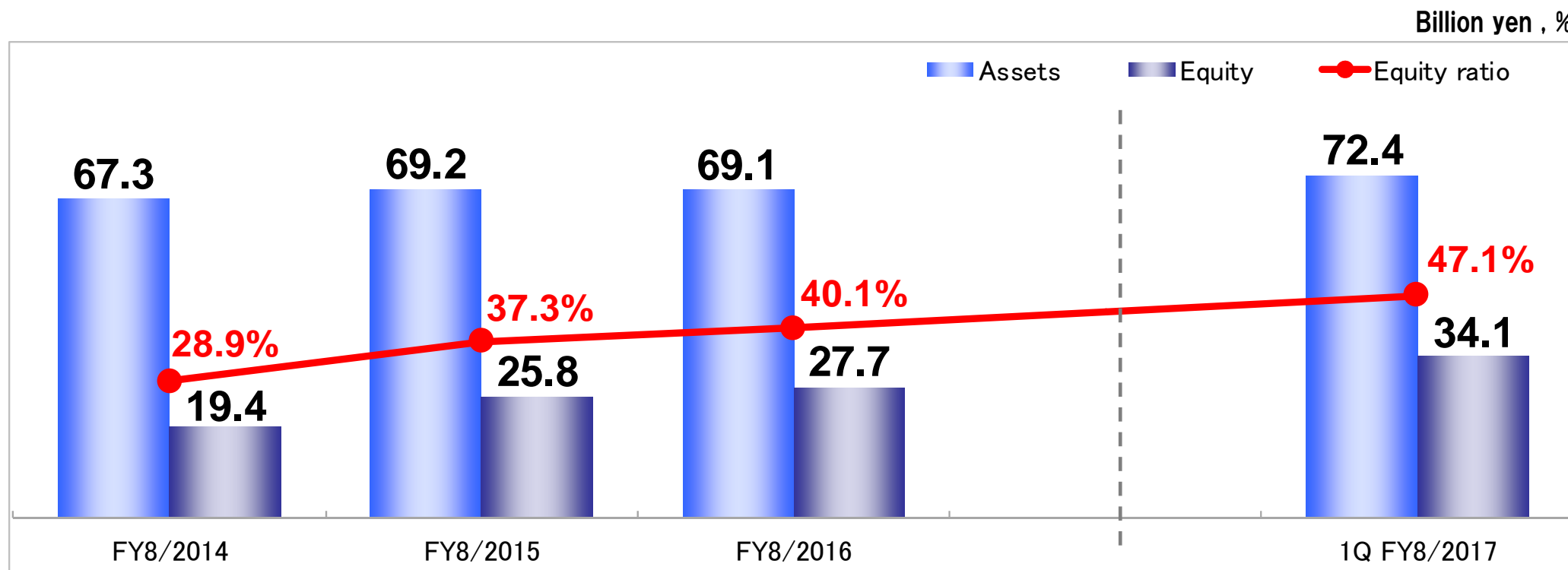
\* EBITDA = Operating income + Depreciation + Depreciation of goodwill

\* EBITDA is for the most recent 12-month period

\* Leverage ratio = Debt / EBITDA for past 12 months

**Small decrease in EBITDA, partly because of a decrease in goodwill amortization, but the leverage ratio declined to 1.0 due to the ongoing reduction in debt.**

# || Financial Indicators || Equity Ratio

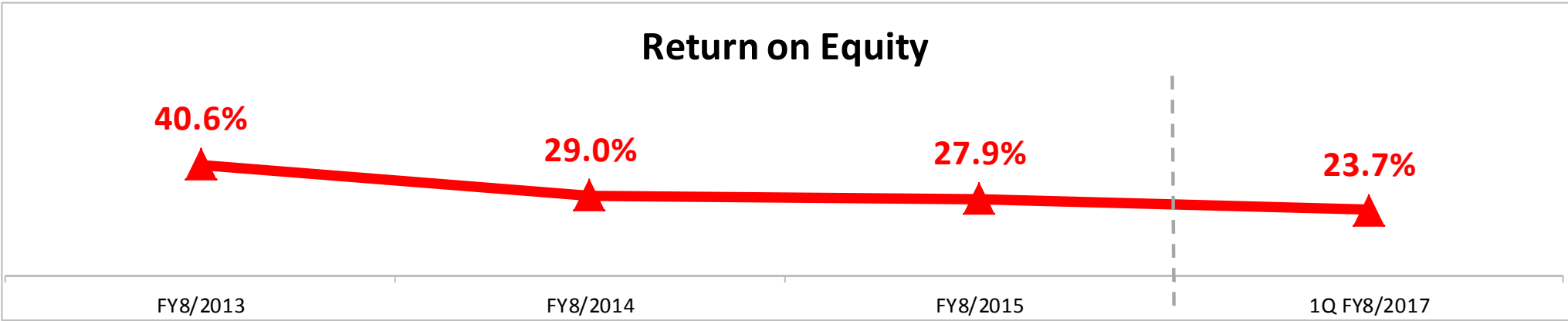
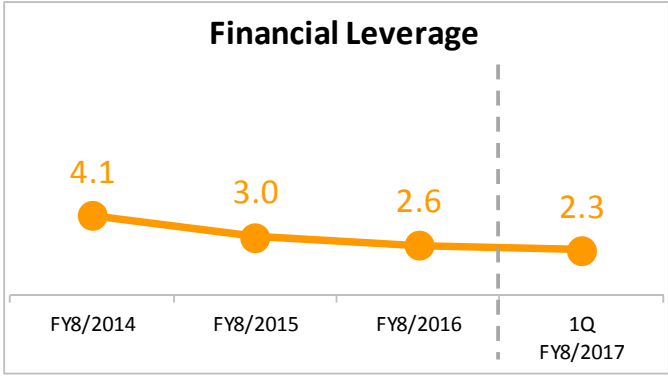
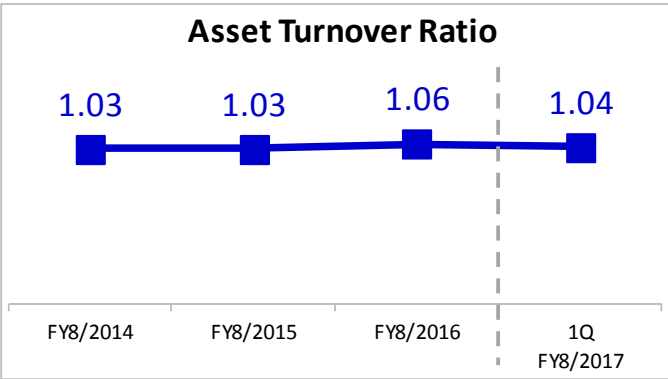
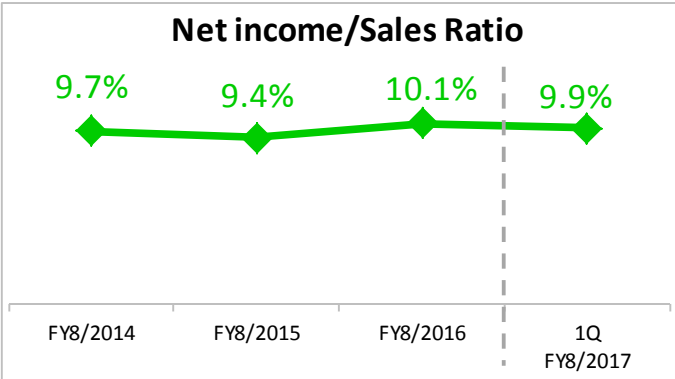


\* Equity = Net assets – Stock acquisition rights

**An accounting method revision involving the tax effect was the main reason for increases in assets and equity. The equity ratio increased to 47.1% as retained earnings continued to climb.**

- In FY8/2017, the accounting method revision increased deferred tax assets and net assets by about ¥5.2 billion each. More information about this subject is on page 5 of the first quarter earnings announcement.

# || Financial Indicators || Return on Equity

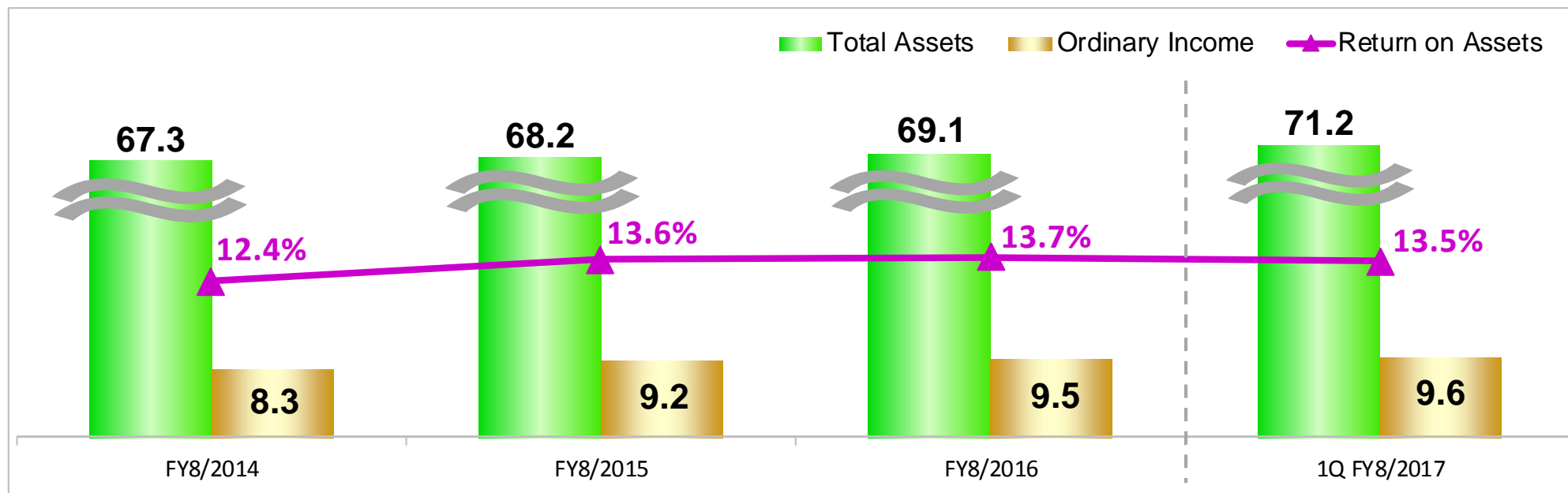


\* Return on equity (ROE) = Sales/Net income ratio x Asset turnover ratio x Financial leverage  
\* Sales and net income are for the last 12-month period and assets and equity are the averages of the amounts at the ends of the current and previous FY

**The net income/sales ratio and asset turnover ratio were about the same. The ROE decreased to 23.7% because of the lower financial leverage resulting from the ongoing reduction in debt.**

# || Financial Indicators || Return on Assets

Billion yen , %



\* Ordinary income return on assets (ROA) = Ordinary income / Average FY assets x 100

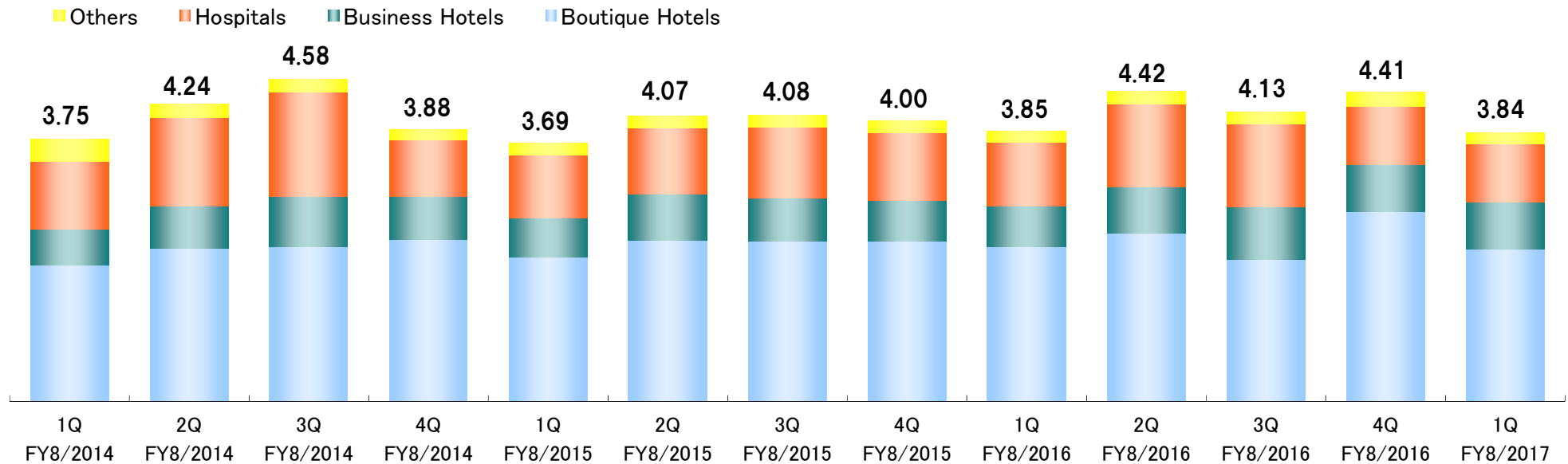
\* Ordinary income is for the last 12-month period.

\* Assets are the average of the amounts at the ends of the current and previous FY.

**Almost no change in the ROA as an increase in average assets caused mostly by a tax-effect accounting method revision was offset by a small increase in first quarter ordinary income.**

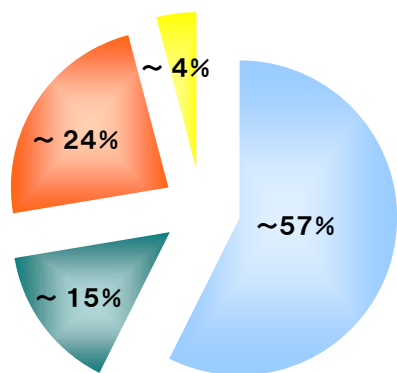
# || Operating Highlights (Business Systems) || Sales Composition

## ■ Quarterly Sales



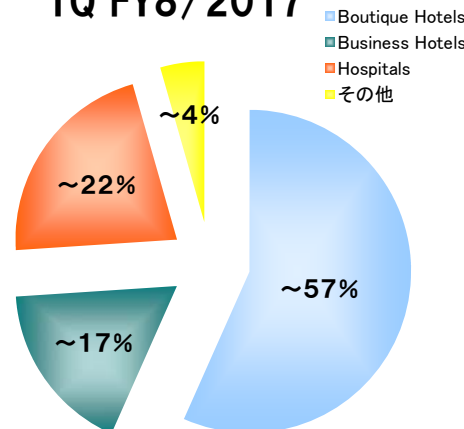
## ■ Year-on-year change

1Q FY8/2016



3.85 Billion yen

1Q FY8/2017



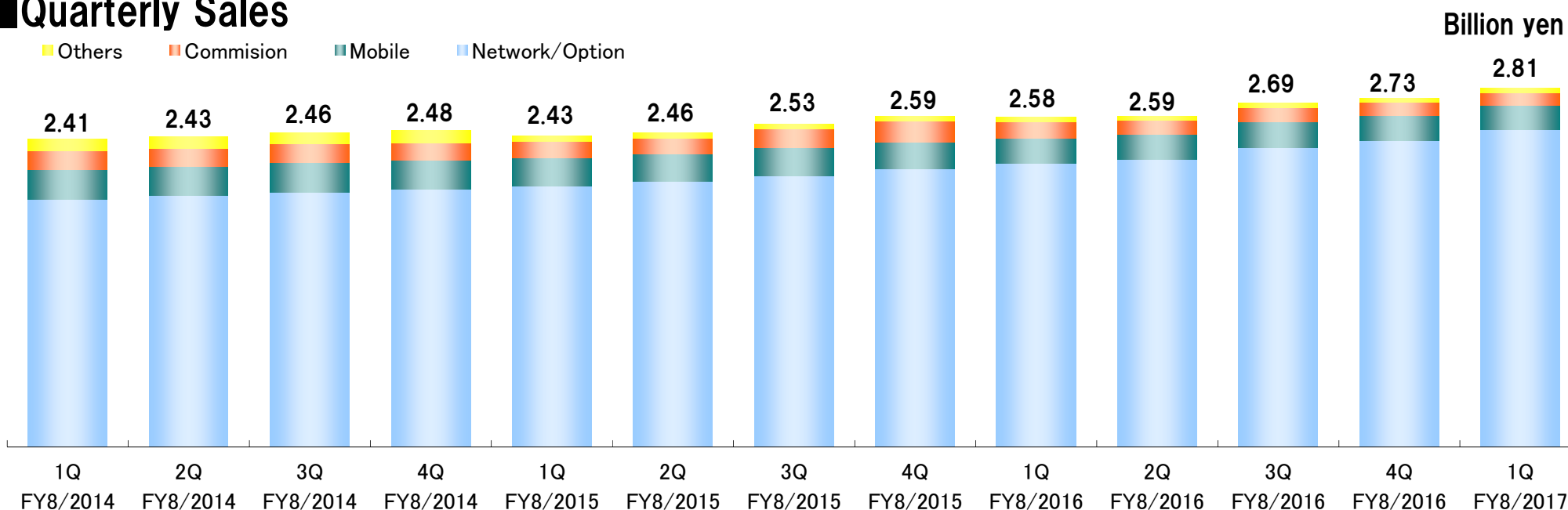
3.84 Billion yen

## ○ Sales largely unchanged from prior quarter

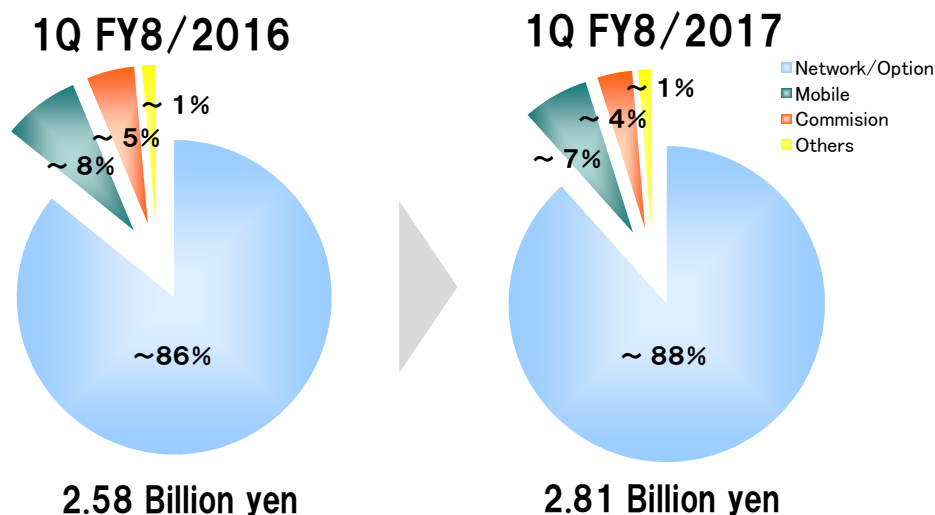
- First quarter sales are usually below the fourth quarter.
- Goal is to increase “e-stay system” sales, mainly low-cost operation systems for capsule hotels, public lodging facilities, etc., and increase sales of cloud IoT/loE solutions

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

## ■ Quarterly Sales



## ■ Year-on-year change

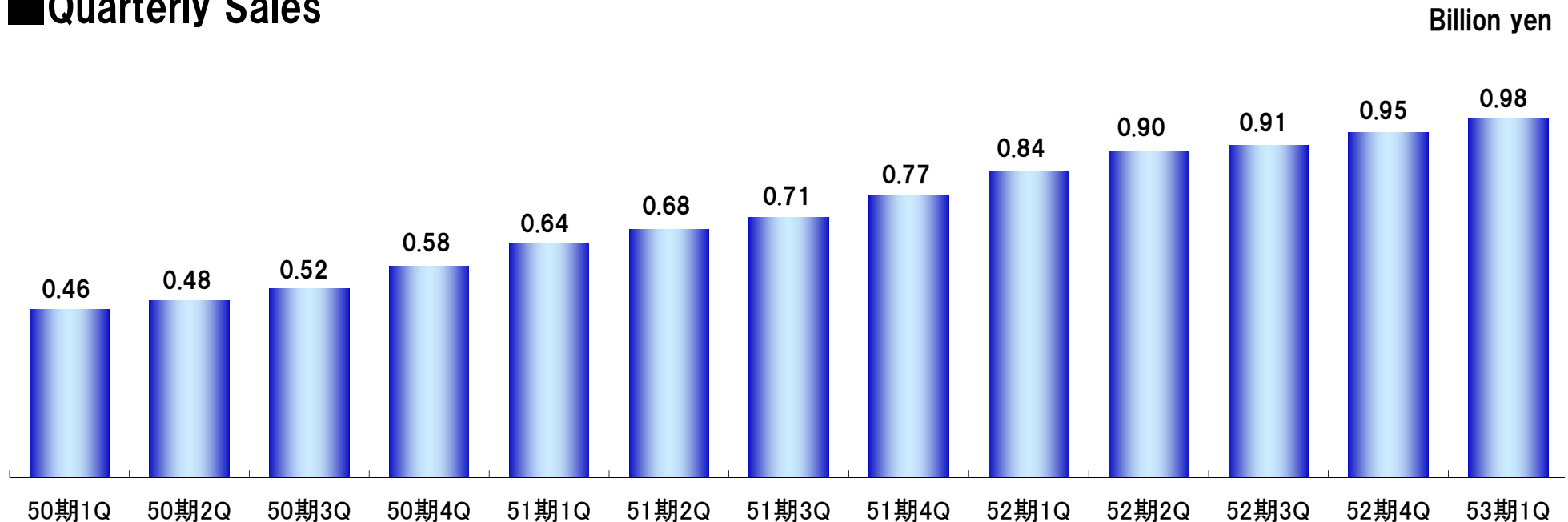


## ○ Sales higher than the prior quarter and one year earlier

- Steady growth of the core network/optional services business was mainly responsible for higher sales in this business.
- In the network/optional services business, growth was strongest for cloud groupware and for data center services provided to middle market and small/midsized companies.

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

## ■ Quarterly Sales



## ○ Segment sales rose to an all-time high on a quarterly basis.

- Strong sales of USEN's *Hitosara* dining website and associated services Higher sales of special advertising space during Japan's year-end party season
- The Premium Reservation Service – An instant reservation system for more than 500 popular and high-end restaurants in all areas of Japan
- Announced the *Hitosara* Best Chefs & Restaurants 2016 100 chefs and 100 restaurants carefully chosen for this honor by chefs and the *Hitosara* staff



THE PREMIUM RESERVATION



**USEN**  
USEN GROUP

## ▶▶ canaeru – A store opening and operation support website launched in December

The name canaeru expresses this website's goal of making wishes come true regarding activities prior to and after opening a store.

As a source of comprehensive support, this website makes it easy to locate a broad range of information needed to deal with store management issues. Services extend from new store preparations to existing store operations.



## ▶▶ E-stay system – A cloud IoT/IoE solution for hotels

Demand for lodging in Japan is growing as more foreign tourists visit Japan. The 2020 Tokyo Olympics will also generate demand for places to stay. To meet demand, Japan is working on new legislation concerning public lodging facilities as well as the use of private residences.

Almex, a provider of “techno-hospitality” products, offers the E-stay system in order to supply quickly and economically a combination of equipment that precisely matches the size of each hospitality location.

**E-stay** system  
Easy / Economy / Express



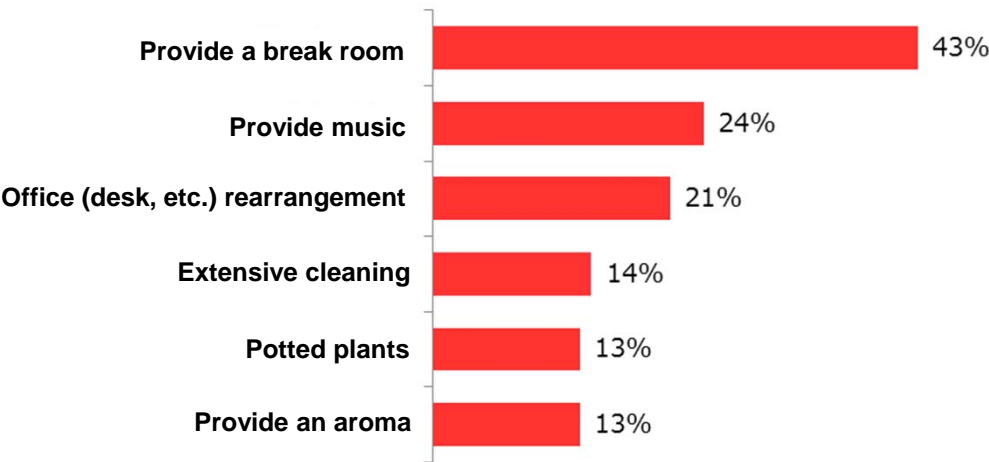


## ▶▶ Results of the USEN survey of offices

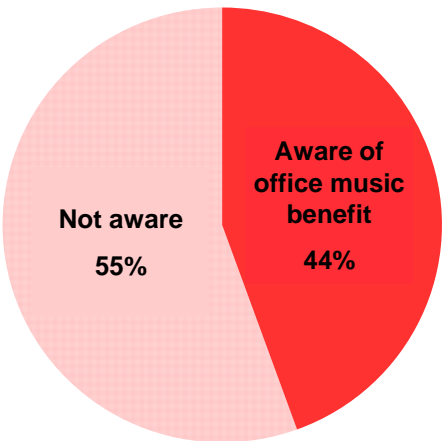
USEN has several activities aimed at creating a more pleasant and productive environment for office workers. One is Sound Design for OFFICE, which allows selecting background music best suited for each location. Another is a mental health ASP service that checks the stress level of office workers. In association with these activities, USEN performs a periodic assessment of offices.

The November 2016 survey revealed that approximately 60% of men and women who work in offices are not satisfied with the workplace environment. Furthermore, more than 40% of these workers are aware that music is one way to create a better environment.

■ A break room tops the list of ways to improve an office environment



■ 44% of survey respondents know that music is one way to improve an office environment



Survey method : Internet  
Survey dates : November 22 and 23, 2016  
Sample : 500 men and women between the ages of 20 and 59 selected at random

For more information about survey results:  
[http://www.usen.com/news/release/2016/20161130\\_153.html](http://www.usen.com/news/release/2016/20161130_153.html)

# || First Quarter Topics || Investor Relations

## ▶▶ Results of the shareholders meeting for FY8/2016

The shareholders meeting for FY8/2016 was held on November 29, 2016 in Tokyo (Shibuya-ku). Shareholders approved all four resolutions. Approval of the first resolution resulted in the payment of a dividend of ¥3 per share, USEN's first dividend in nine years.

### ■ Resolutions

1. Appropriation of retained earnings
2. Amendments to Articles of Incorporation
3. Election of 6 directors
4. Election of 1 alternate corporate auditor

## ▶▶ New corporate officers to strengthen business operations

Three corporate officers were appointed on November 29, 2016 to create a more powerful team of executives to conduct business operations.

President and Representative Director	Kimimasa Tamura	Corporate Auditor	Yosuke Kobayashi
Chairman and Director	Yasuhide Uno	Corporate Auditor (outside)	Yukio Kitamura
Executive Vice President, Director and Chief Financial Officer	Shohei Mabuchi	Corporate Auditor (outside)	Akira Ono
Director and Senior Corporate Officer	Yasuhiko Ota	Senior Corporate Officer	Hirohisa Hattori
Director (outside)	Hiroshi Mori	Corporate Officer (new)	Shungo Terami
Director (outside)	Kumiko Igushi	Corporate Officer (new)	Yoichi Aoyagi
		Corporate Officer (new)	Eisuke Nariuchi

This presentation was prepared by using numbers and other data that are believed to be reliable. However, USEN makes no guarantee that this information is accurate or complete.

Statements about USEN's plans, strategies and other items that are not historical facts are forward-looking statements that are based on the judgments of management using currently available information. Actual results of operations may differ from these statements for a number of reasons.

This presentation was prepared solely for the purpose of providing information that can be helpful for making investment decisions. No information in this presentation is provided for the purpose of soliciting an investment.