

**Summary of Third Quarter of Fiscal Year
Ending August 2017**

June 30, 2017

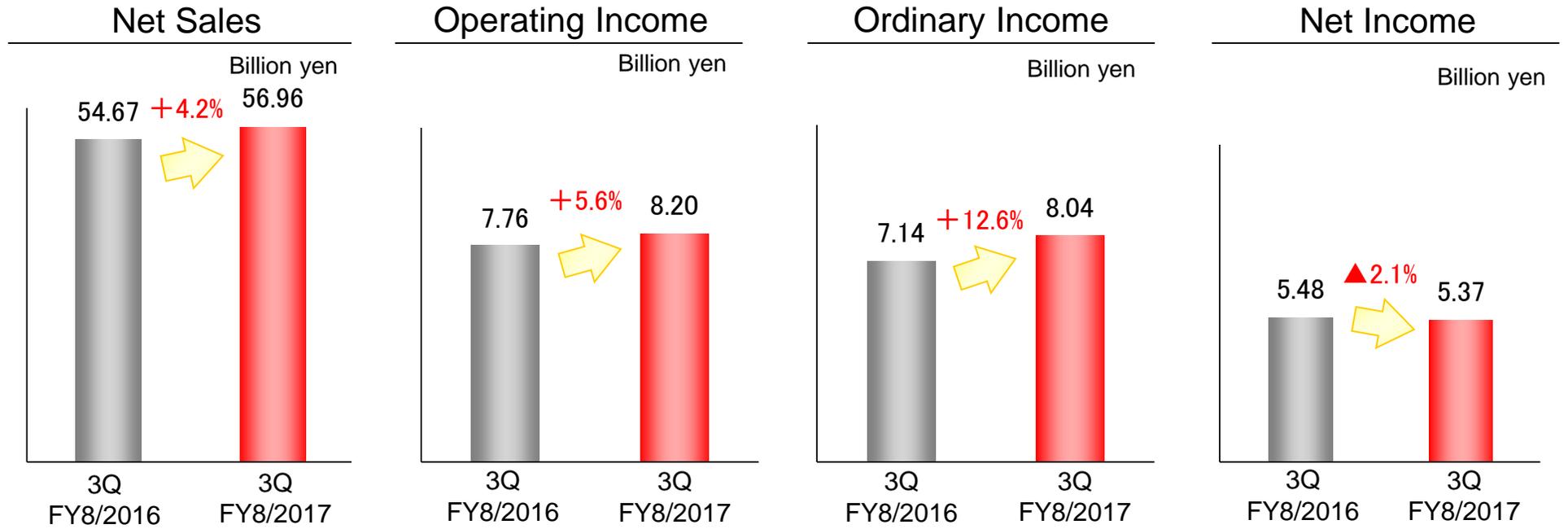


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|| Results of Operations || Third Quarter Financial Highlights

- All segments continued to perform well in the third quarter with sales higher than one year earlier.
- Operating income increased due to the completion of goodwill amortization although expenditures for workforce expansion, growth initiatives and new businesses continued. Ordinary income increased as interest expenses declined along with loan repayments and financial expenses also came down. Higher income taxes caused net income to decrease.

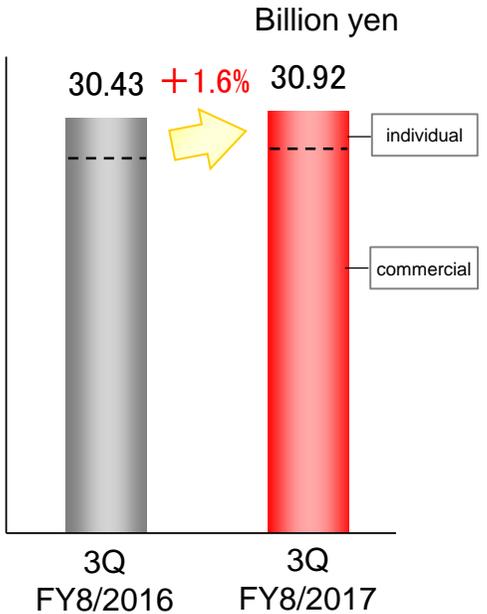


* Monetary amounts are not rounded; percentages are rounded to the nearest tenth.

|| Results of Operations || Third Quarter Financial Highlights

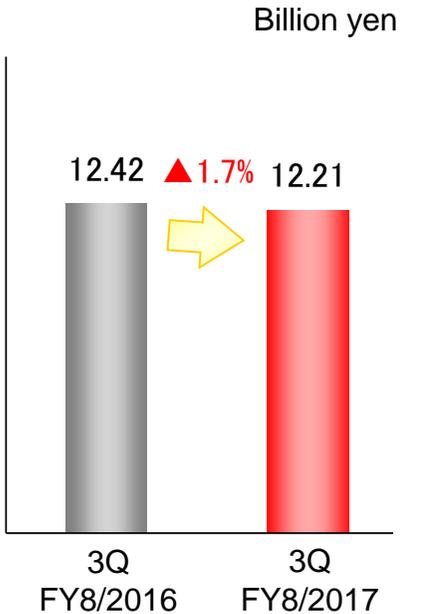
Business Segment Sales

Music Distribution



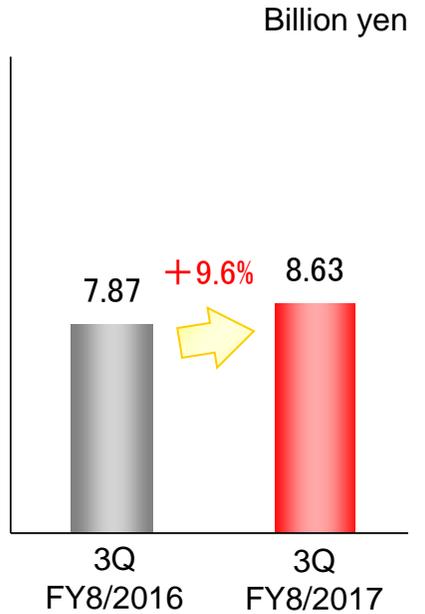
Sales up due to higher sales of store solutions

Business Systems



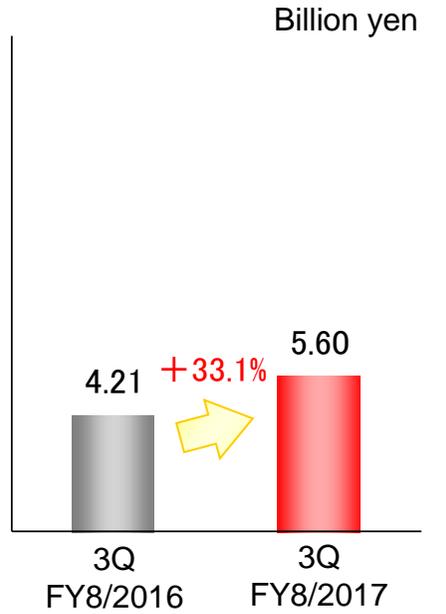
Sales down due to a decline in deliveries of business systems for hospitals

ICT Services



Sales are climbing due to the increasing number of services provided

Others



Sales up due to growth of the marketing support business and retail electricity business

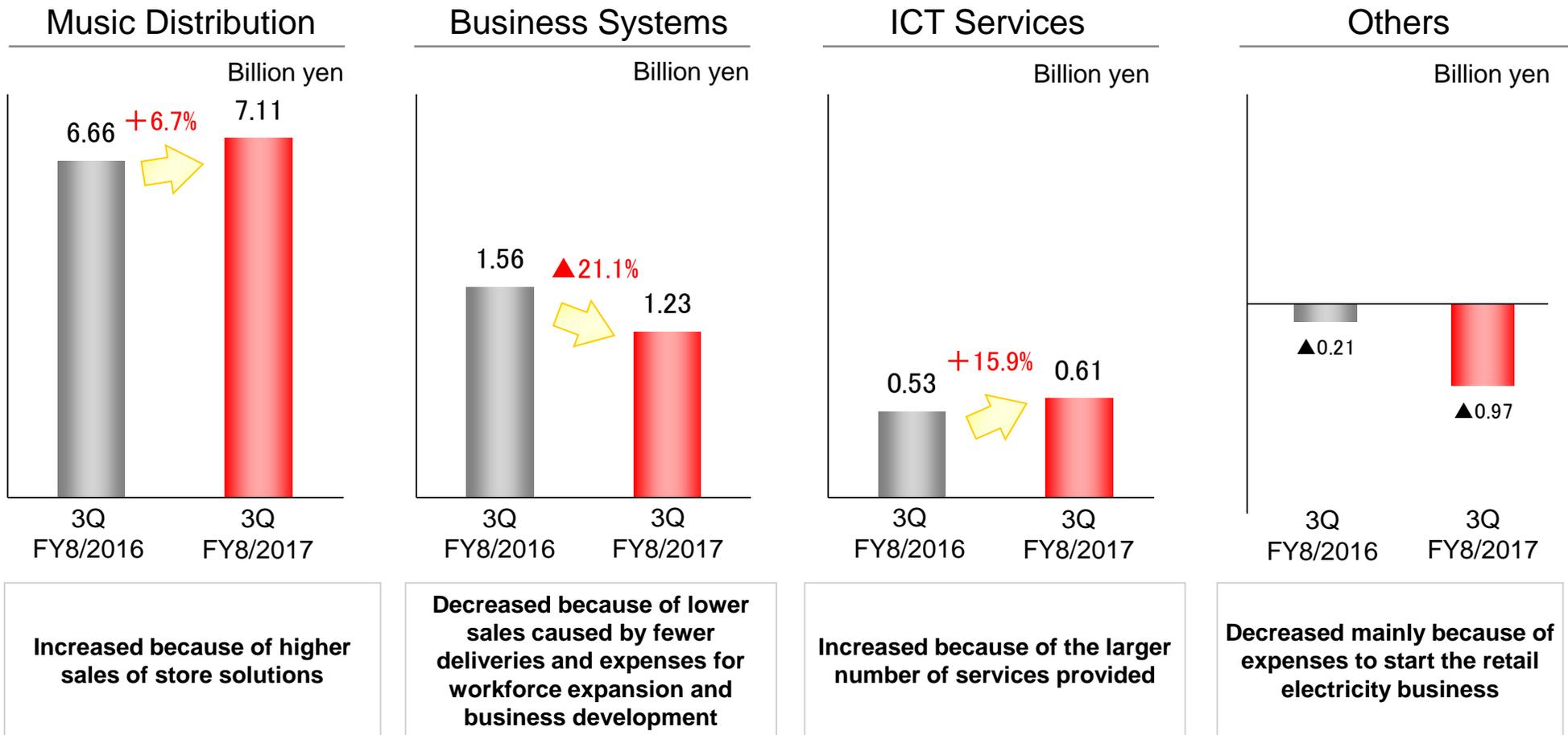
(Ref.) USEN uses commercial sales and consumer sales as one of its performance indicators.

* In FY8/2016, there was a sales deduction of ¥270 million for inter-segment transactions.

* In FY8/2017, there was a sales deduction of ¥410 million for inter-segment transactions.

|| Results of Operations || Third Quarter Financial Highlights

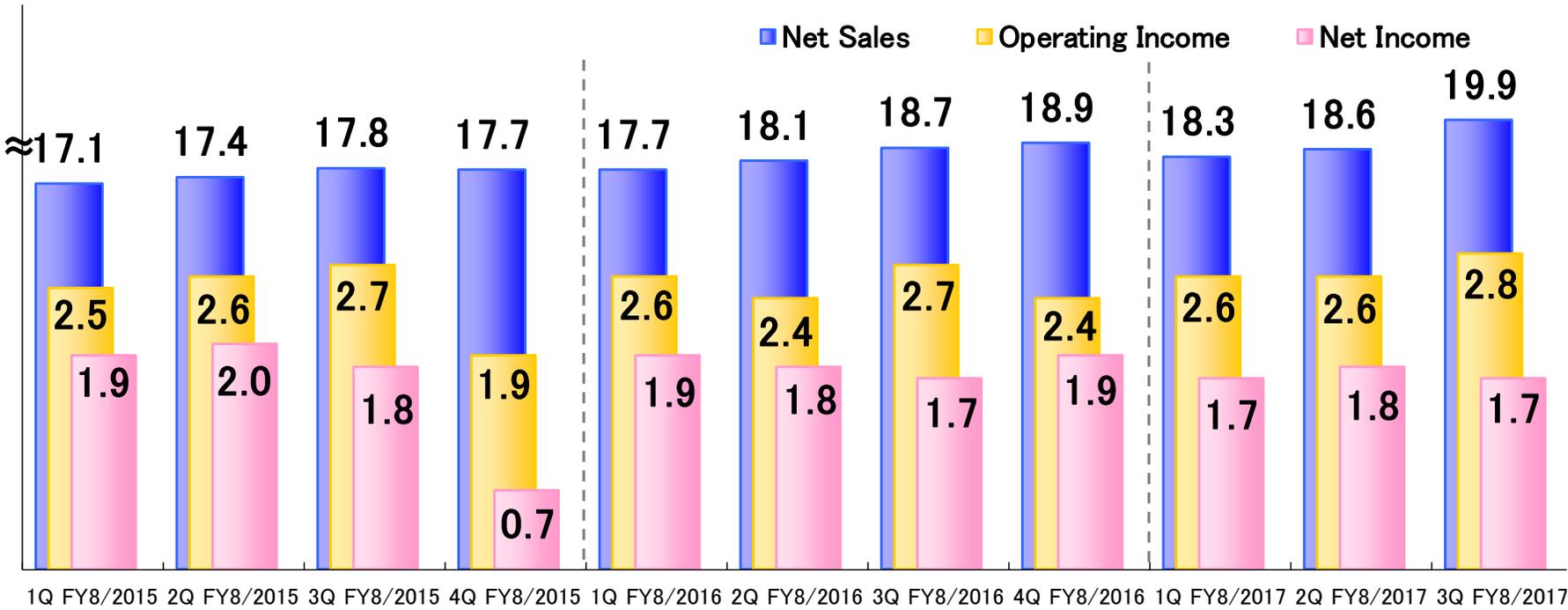
Business Segment Operating Income



* In FY8/2016, there was an operating income deduction of ¥780 million for inter-segment transactions.
 * In FY8/2017, there is an operating income addition of ¥200 million for inter-segment transactions.

|| Results of Operations || Quarterly Consolidated Performance

Billion yen



Big increase in sales due partly to higher retail electricity sales; operating income and net income remained stable

* All figures are not rounded.

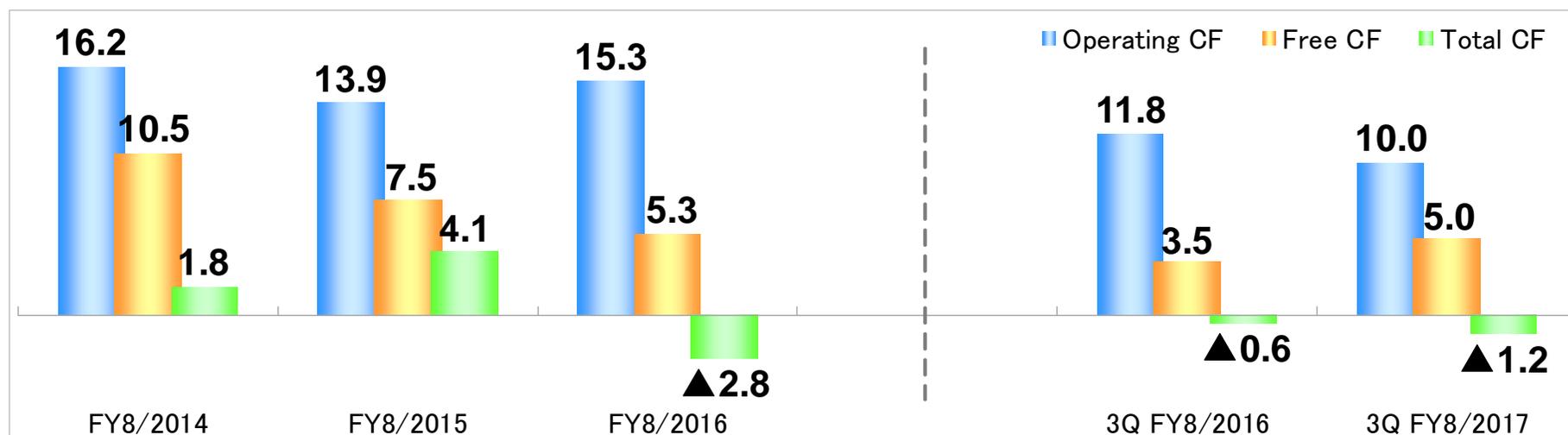
|| Results of Operations || Third Quarter Performance vs. Forecast

Billion yen	FY Forecast (A)	3Q Actual (B)	Progress (B÷A)
Net Sales	78.70	56.96	72.4%
Operating Income	10.80	8.20	76.0%
Ordinary Income	10.50	8.04	76.6%
Net Income	6.10	5.37	88.1%

Sales, operating income and ordinary income are consistent with the forecast and net income is ahead of the forecast.

|| Financial Indicators || Cash Flows

Billion yen



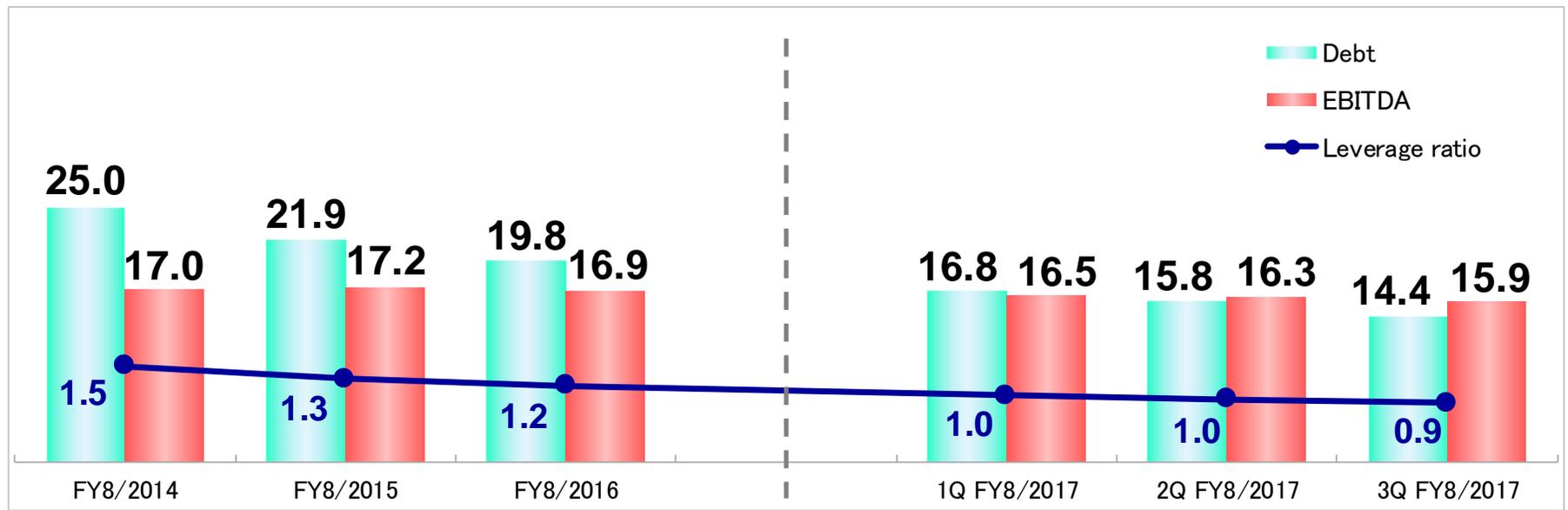
* Free CF = Operating CF + Investing CF ; Total CF = Free CF + Financial CF

Operating CF	16.2	13.9	15.3	11.8	10.0
Investing CF	▲5.6	▲6.3	▲9.9	▲8.3	▲4.9
Financial CF	▲8.6	▲3.3	▲8.2	▲4.1	▲6.2

Operating cash flows were down from one year earlier because of a temporary increase in inventories and higher income tax payments. Cash used in investing down due to absence of large investments and cash used in financing increased for the reduction of debt. Total cash flow used increased about ¥600 million.

|| Financial Indicators || Leverage Ratio

Billion yen , Times

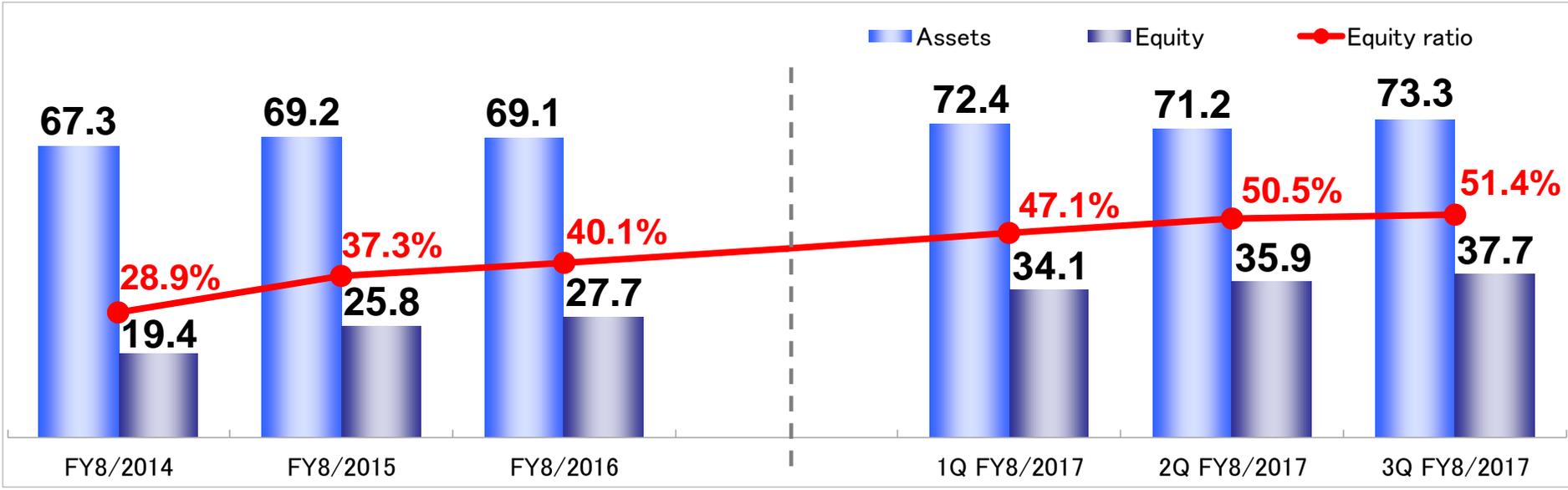


- * EBITDA = Operating income + Depreciation + Depreciation of goodwill
- * EBITDA is for the most recent 12-month period
- * Leverage ratio = Debt / EBITDA for past 12 months

Small decrease in EBITDA as depreciation declined, but the leverage ratio decreased to 0.9 because of the decline in debt.

|| Financial Indicators || Equity Ratio

Billion yen , %

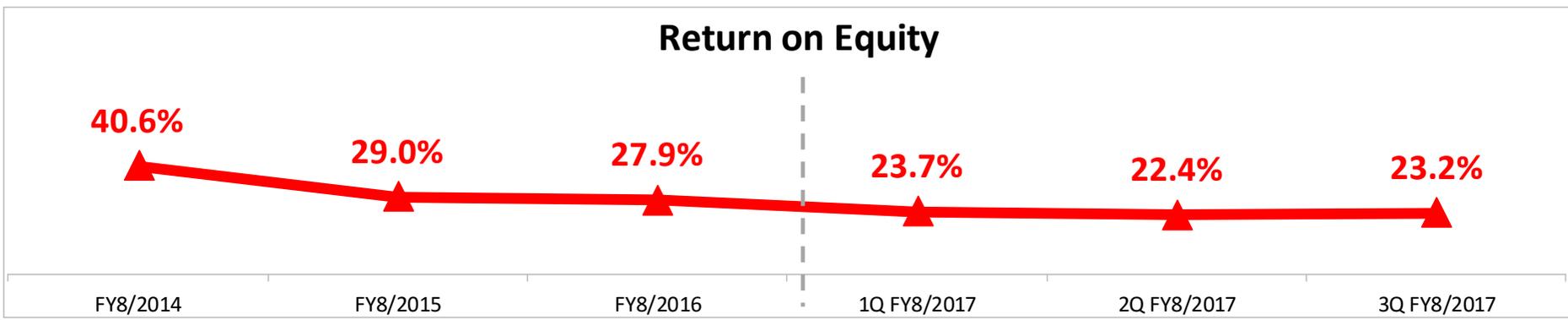
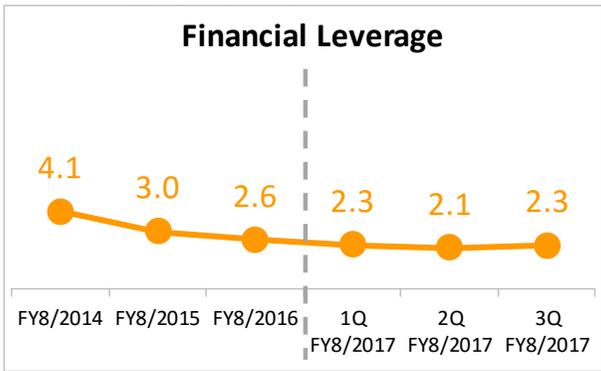
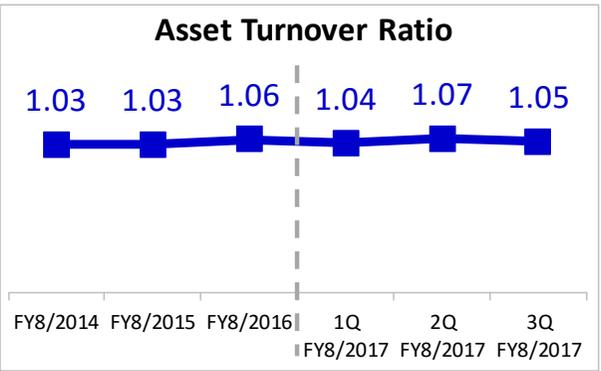
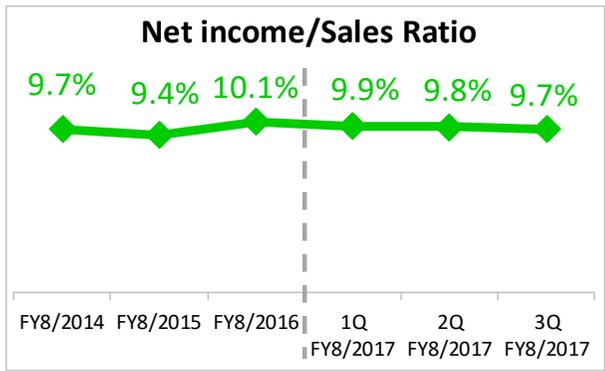


* Equity = Net assets – Stock acquisition rights

Cash and deposits increased because of advance payments of annual subscription payments in the music distribution business, but the equity ratio rose to 51.4% as net income raised retained earnings.

○ Deferred tax assets and net assets each increased about ¥5.2 billion because of a revision in the tax effect accounting method implemented at the beginning of FY8/17. See the page 6 of the current fiscal year's Third quarter tanshin for more information.

|| Financial Indicators || Return on Equity

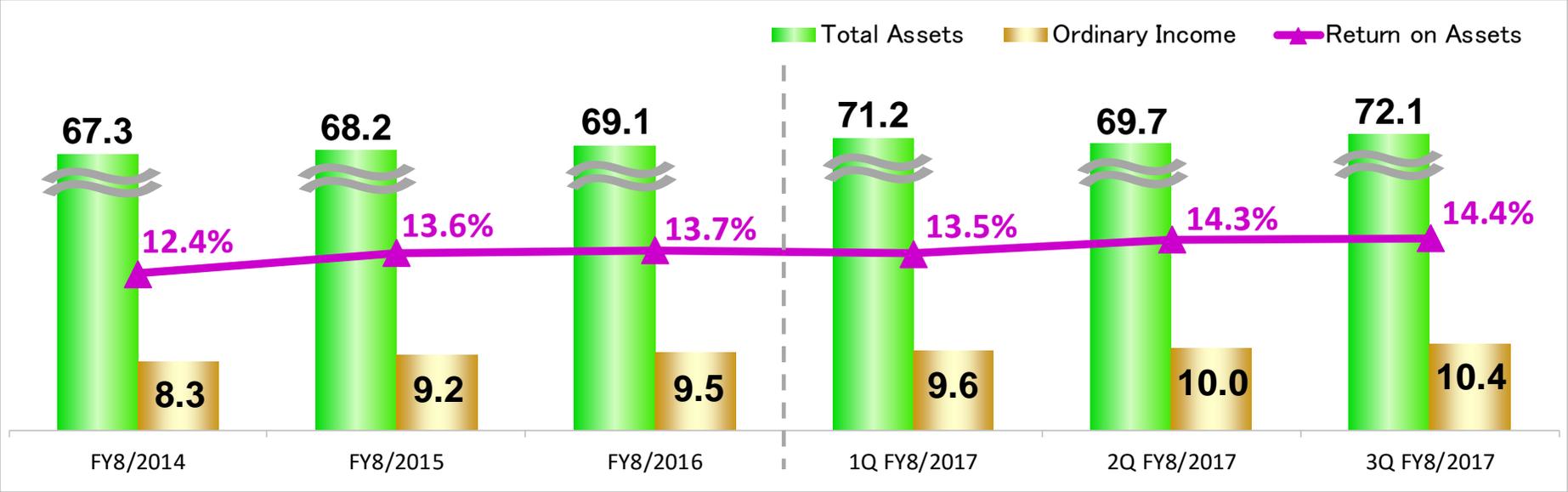


* Return on equity (ROE) = Sales/Net income ratio x Asset turnover ratio x Financial leverage
 * Sales and net income are for the last 12-month period and assets and equity are the averages of the amounts at the ends of the current and previous FY

The net income/sales ratio and asset turnover ratio were steady. The ROE was 23.2% as financial leverage increased slightly due partly to an increase in average assets.

Financial Indicators || Return on Assets

Billion yen , %



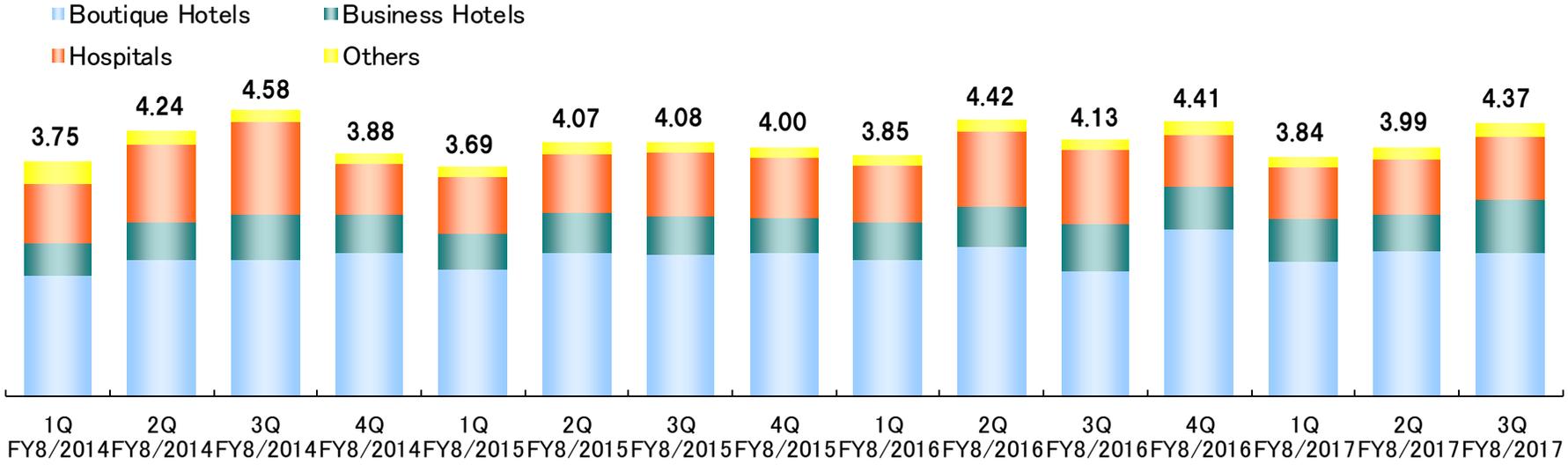
- * Ordinary income return on assets (ROA) = Ordinary income / Average FY assets x 100
- * Ordinary income is for the last 12-month period.
- * Assets are the average of the amounts at the ends of the current and previous FY.

The ROA increased slightly to 14.4% despite higher average assets because of higher ordinary income.

Operating Highlights (Business Systems) || Sales Composition

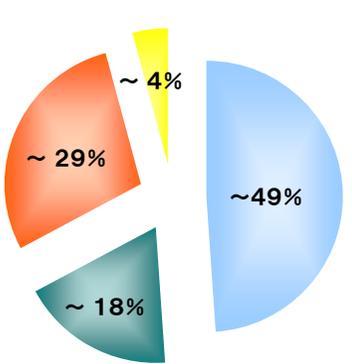
Quarterly Sales

Billion yen



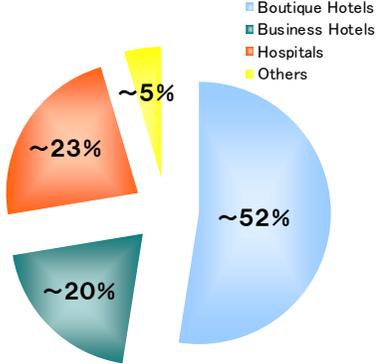
Year-on-year change

3Q FY8/2016



4.13 Billion yen

3Q FY8/2017



4.37 Billion yen

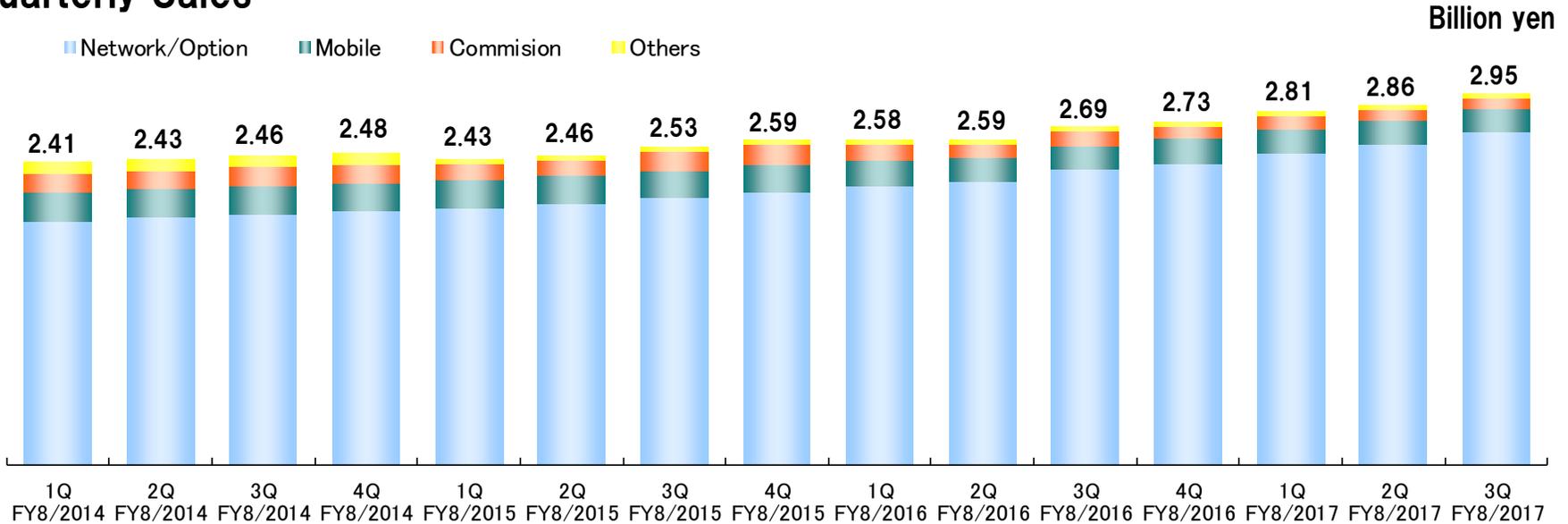
Big increase in sales over the second quarter

- Growth in deliveries to business hotels and hospitals raised sales
- Launched the SignUp electronic guest ledger for business hotels
- Guest management using a multi-language tablet check-in system
- Eliminates the need for paper documents
- More progress with automation and efficiency of front desk tasks



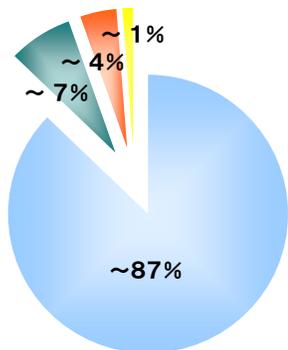
|| Operating Highlights (ICT Services) || Sales Composition

■ Quarterly Sales



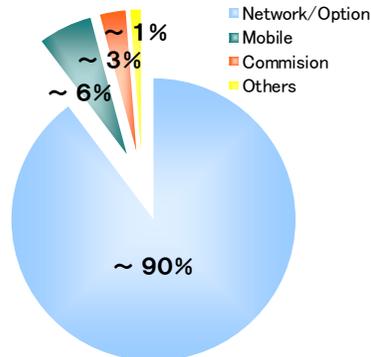
■ Year-on-year change

3Q FY8/2016



2.69 Billion yen

3Q FY8/2017



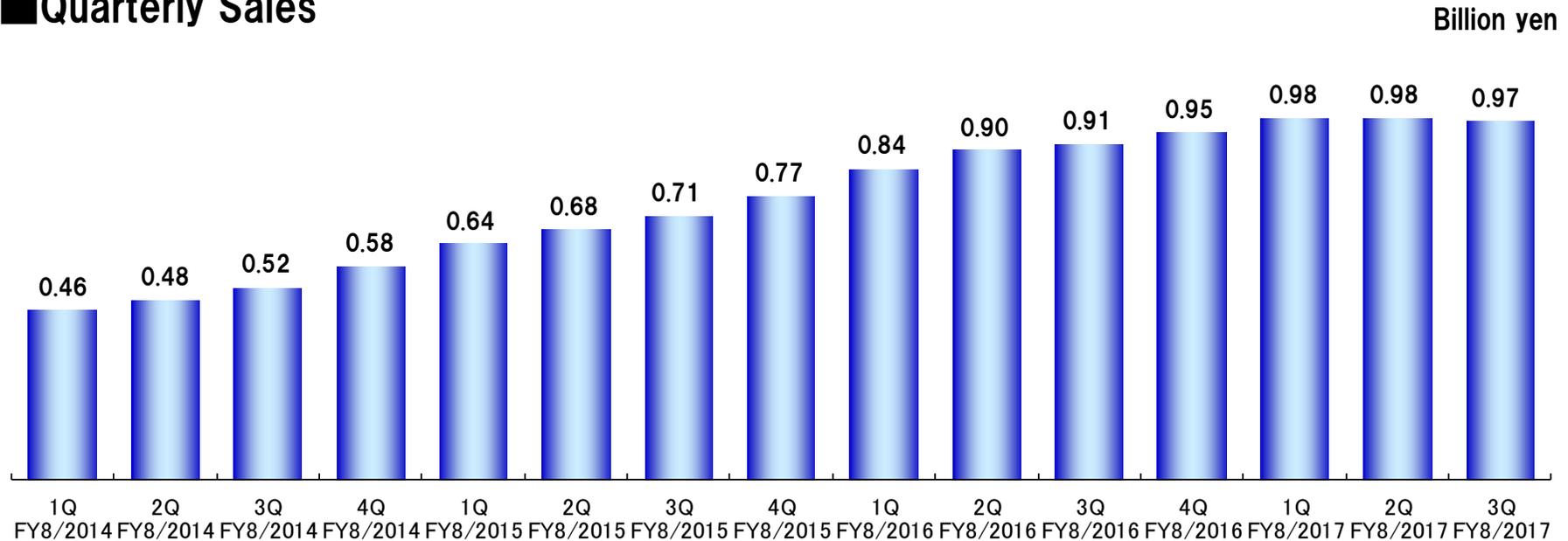
2.95 Billion yen

○ Small increase in sales from the second quarter and prior year

- Continuing sales growth in the core network/optional services category supported segment sales growth.
- Received many awards and certifications from vendors, demonstrating the high level of USEN solution and sales activities.
 - Cybozu Award 2017 – Sales Award
 - IJ Partner of the Year 2016 – IJ Omnibus Service Award (first time)
 - Platinum Partner certification (highest ranking) in the Works Mobile Japan Partner Certification Program

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

■ Quarterly Sales



○ Sales were about the same as in the second quarter.

- Brisk sales at *Hitosara*, USEN's dining website, and for associated services

- Participated in beauty world JAPAN in May, Japan's largest beauty care trade fair

Based on the "be SMART" theme, positioned USEN as a source of total solutions for beauty salons by offering USEN Register for Beauty, OTORAKU bangs, UPLink and other products and services.

be SMART
by USEN

- ▶▶ **May 2017 USEN exhibited prototypes of a remote control and tuner for blind people at the 70th All-Japan Blind Welfare Conference Product Exhibition.**

To make USEN's music distribution service easier to use for blind people, USEN applied to participate in a FY15-FY16 program of Japan's Ministry of Health, Labour and Welfare (The Association for Technical Aids) that supports the development of products that help blind people become more self-reliant. USEN's project to develop products for its music service was selected as one of the projects for this program.

USEN used demonstration tests with the support of the Japan Federation of the Blind and other associations for blind people in order to develop a new type of remote control and a tuner with audio to provide information about songs. USEN plans to start selling the new products in the summer of 2017.



|| Third Quarter Topics || Music Distribution

▶▶ May 2017 USEN started selling the USEN PAYGATE credit card payment processing service.



USEN PAYGATE processes credit card payments by using an iPad or iPhone along with a card reader created for this service.

Targeting the growing use of ICT at stores and other locations, USEN PAYGATE offers greater convenience and cuts the cost of credit card payments. For example, restaurant customers can complete the payment process at the table.



USEN will continue to assist stores and restaurants use ICT by leveraging its strength as a one-stop source of total solutions extending from new ideas to the installation and maintenance of hardware.

- ▶▶ March 2017 Henn na Hotel Maihama Tokyo Bay, an unusual hotel that has attracted much media coverage, started using an ALMEX system.



タブレットで宿泊受付、訪日外国人は
パスポート読み取りでチェックイン



The hotel automatic payment system the main product of USEN subsidiary ALMEX, has a high market share in the boutique hotel segment. Henn na Hotel started using this system when its first hotel opened. The Maihama Tokyo Bay hotel, the second Henna na Hotel, uses this automatic payment system as well as the new SignUp electronic guest ledger.

▶▶▶ Abeno Harukas Dining released an app created by using USEN's UPLink store app production service

The 44 restaurants in the restaurant section of Abeno Harukas, an Osaka building that is the tallest in Japan, collectively released an app by using USEN's UPLink store app production service. The app has links with the Dining Reserve service of the Abeno Harukas restaurants and with USEN's *Hitosara* dining website

Using information about the chefs at individual restaurants makes choosing a place to eat more enjoyable.

- Name: Abeno Harukas Dining App
- Launch: May 17, 2017
- OS: Android and Itunes
- Price: Free

Main features: Distributes coupons available only through this app, issues app stamps when customers visit a restaurant, displays *Hitosara* pages, provides access to the Dining Reserve site for reservations at Abeno Harukas restaurants





Extraordinary Shareholders Meeting for Management Integration

The Board of Directors meeting held on June 19 for deliberating the management integration with U-NEXT, approved a resolution to call an extraordinary shareholders meeting as follows and to submit four proposals.

Extraordinary Shareholders Meeting

- 1. Date July 11, 2017 (10:00AM)**
- 2. Location Bellesalle Hanzomon Event Hall 1-6-4 Hanzomon, Chiyoda-ku, Tokyo**
- 3. Proposals**

Proposal 1 Consolidation of stock

Proposal 2 Amendments to Articles of Incorporation

Proposal 3 Approval of business absorption and division contract

Proposal 4 Approval of absorption and merger contract

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.

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