



Business Results for 4Q and Full Fiscal Year September 2013

November 5, 2013

SEPTENI HOLDINGS CO., LTD.
<http://www.septeni-holdings.co.jp/en/>
Securities Code: 4293



Index

1	Quarterly Earnings Overview	P3–P17
2	FY9/13 Review	P18–P27
3	Summary of Midterm Business Plan	P28–P32
4	Policies for FY9/14 and Earnings Estimates for 1Q FY9/14	P33–P36
5	Appendix	P37–P43

* Unless stated otherwise, all figures in this document are based on units of million yen.



1 ||| Quarterly Earnings Overview

4Q (Jul-Sep) Consolidated Earnings Highlights

Net Sales: ¥11,971mn (Up 14.3% year on year)

Operating Income: ¥499mn (Up 41.9% year on year)

Both net sales and operating income reached **new record highs** on a quarterly basis.

The Internet Marketing Business sales and operating income rose **20%** and **34%** year on year, respectively, maintaining their high growth.

The social game business saw sales increase from the previous quarter, and the Media Content Business posted a smaller operating loss, while continuing to invest in new businesses.

Consolidated Income Statement (Jul-Sep)

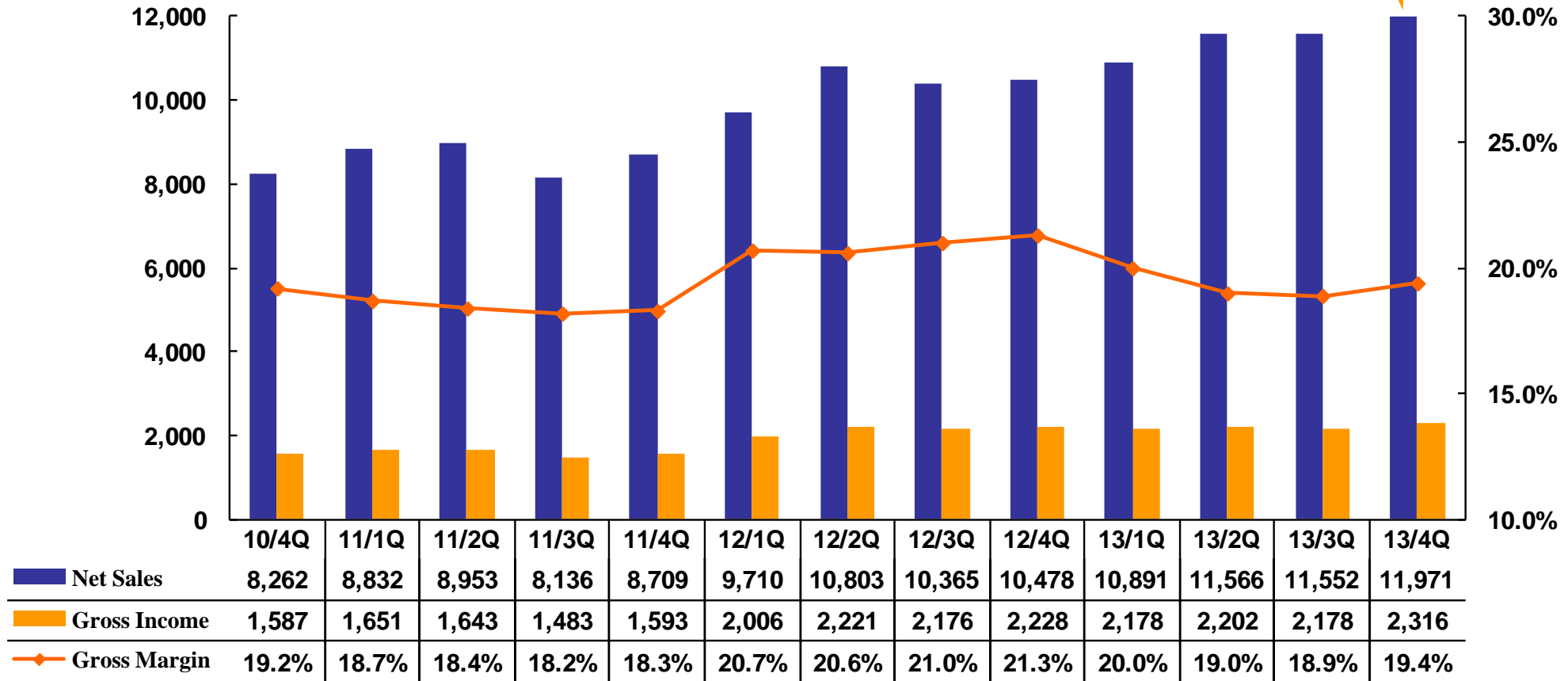
	4Q FY9/13				4Q FY9/12	3Q FY9/13	4Q FY9/13 Estimate
	Value	Share	YY Change	QQ Change			
Net Sales	11,971	100.0%	+14.3%	+3.6%	10,478	11,552	11,800
Gross Income	2,316	19.4%	+3.9%	+6.4%	2,228	2,178	—
SG&A	1,817	15.2%	-3.2%	-2.0%	1,877	1,854	—
Operating Income	499	4.2%	+41.9%	+54.3%	351	323	480
Ordinary Income	529	4.4%	+38.6%	+54.6%	382	342	490
Net Income	296	2.5%	+26.8%	+70.4%	233	174	280

- High growth in the Internet Marketing Business and a smaller operating loss in the Media Content Business contributed to a **substantial increase in income** on both a year-on-year and quarter-on-quarter basis.
- An improvement in gross margins in the Internet Marketing Business contributed to an improvement in gross margins quarter-on-quarter.

Quarterly Consolidated Earnings Trend

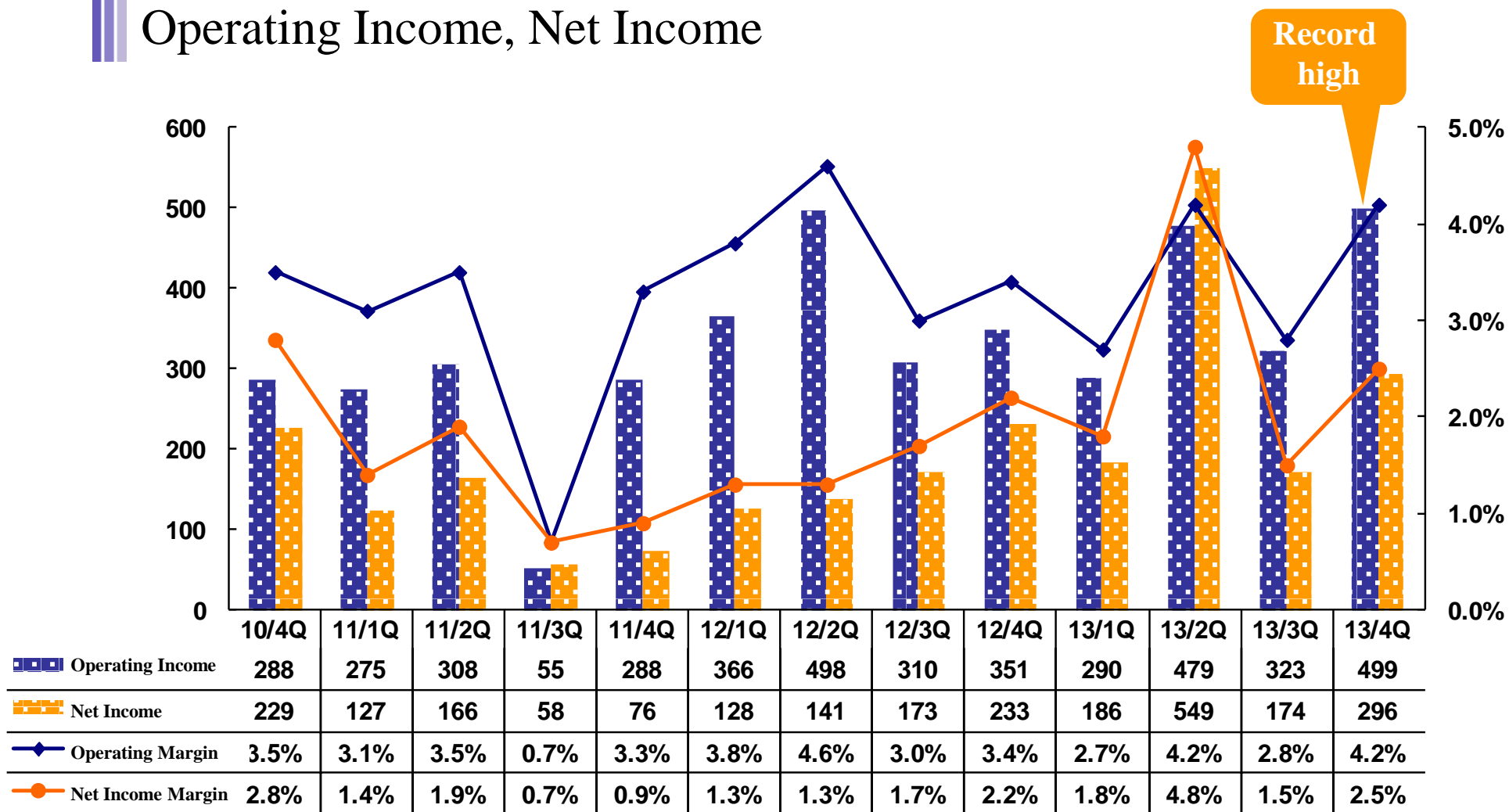
Net Sales, Gross Income

Record high



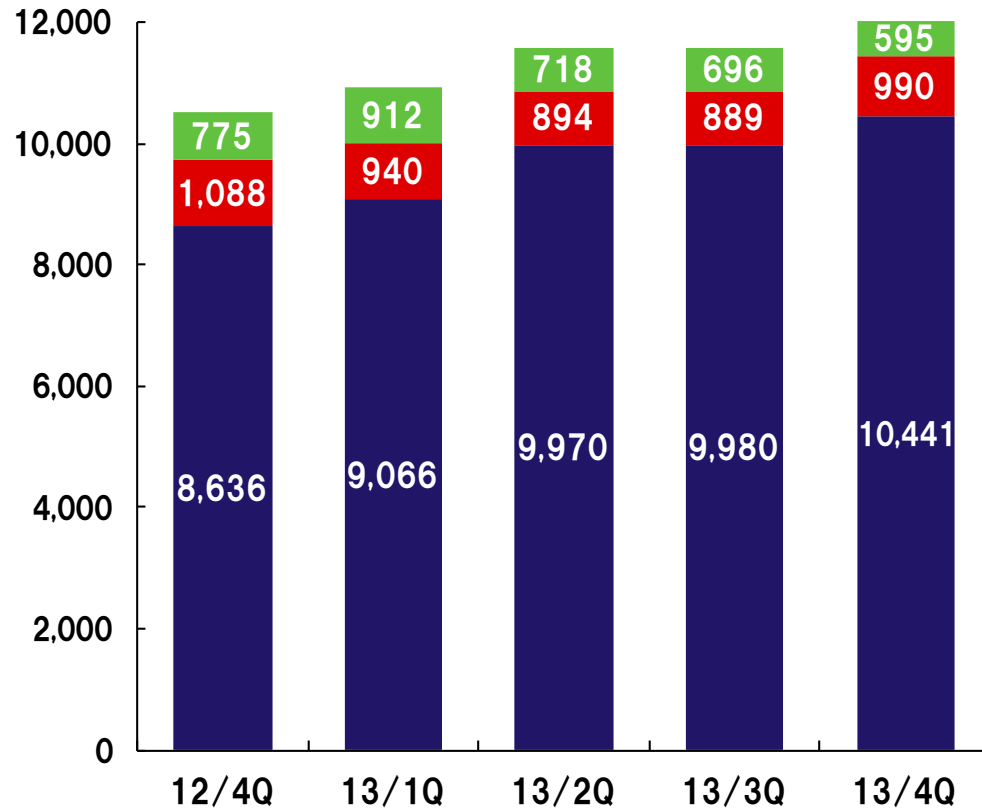
Quarterly Consolidated Earnings Trend

Operating Income, Net Income

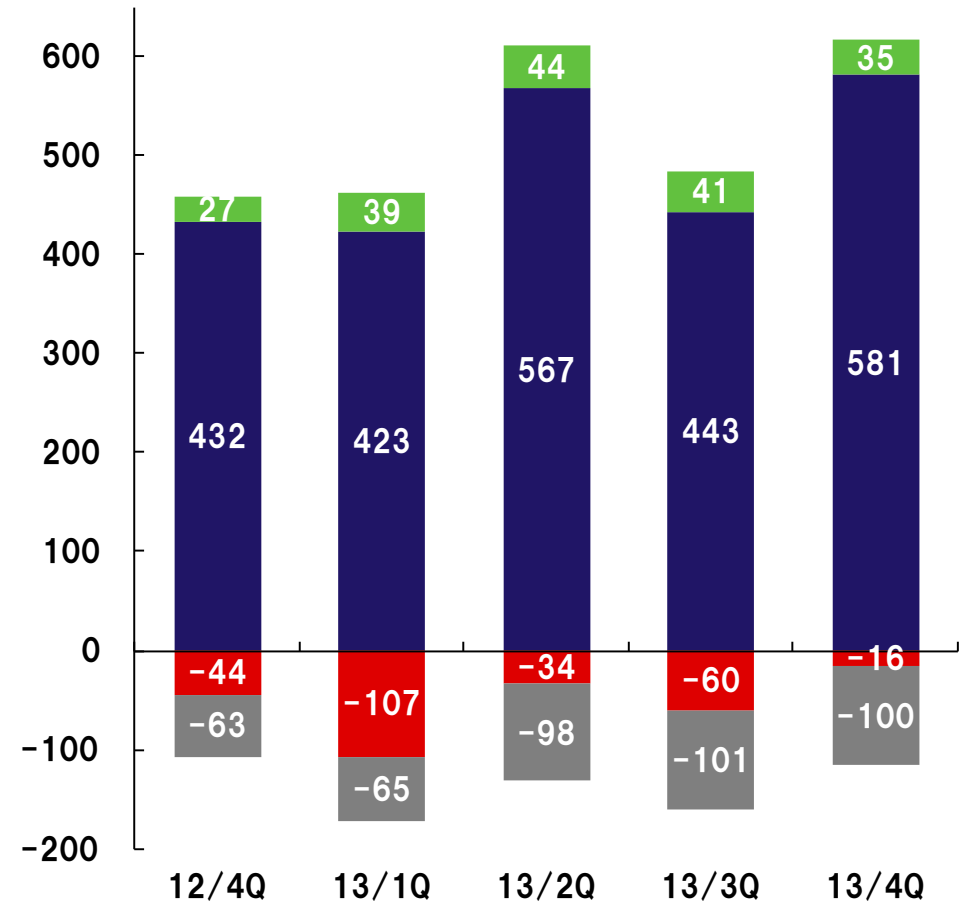


Earnings By Business Segments (Jul-Sep)

Net Sales



Operating Income



Internet Marketing

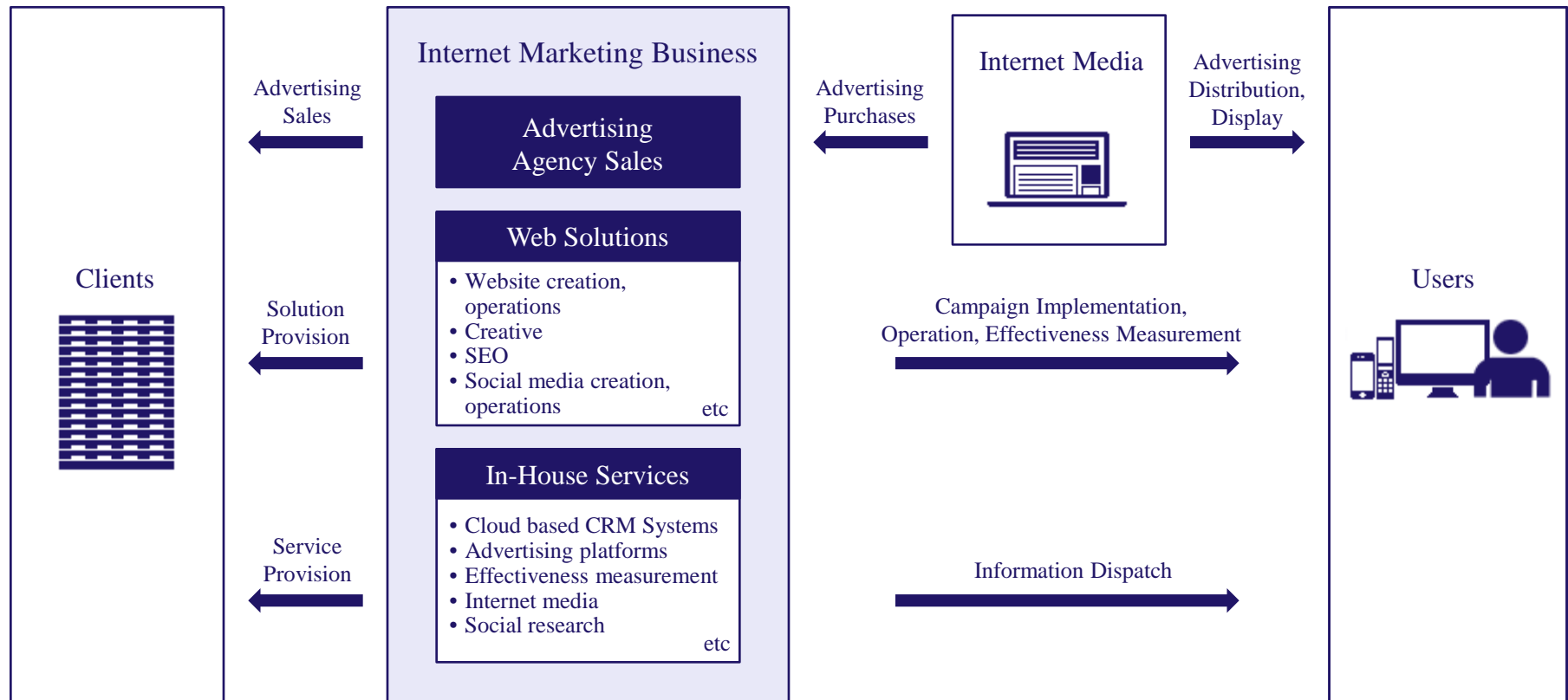
Media Content

Others

Adjustment (corporate expenses, etc.)

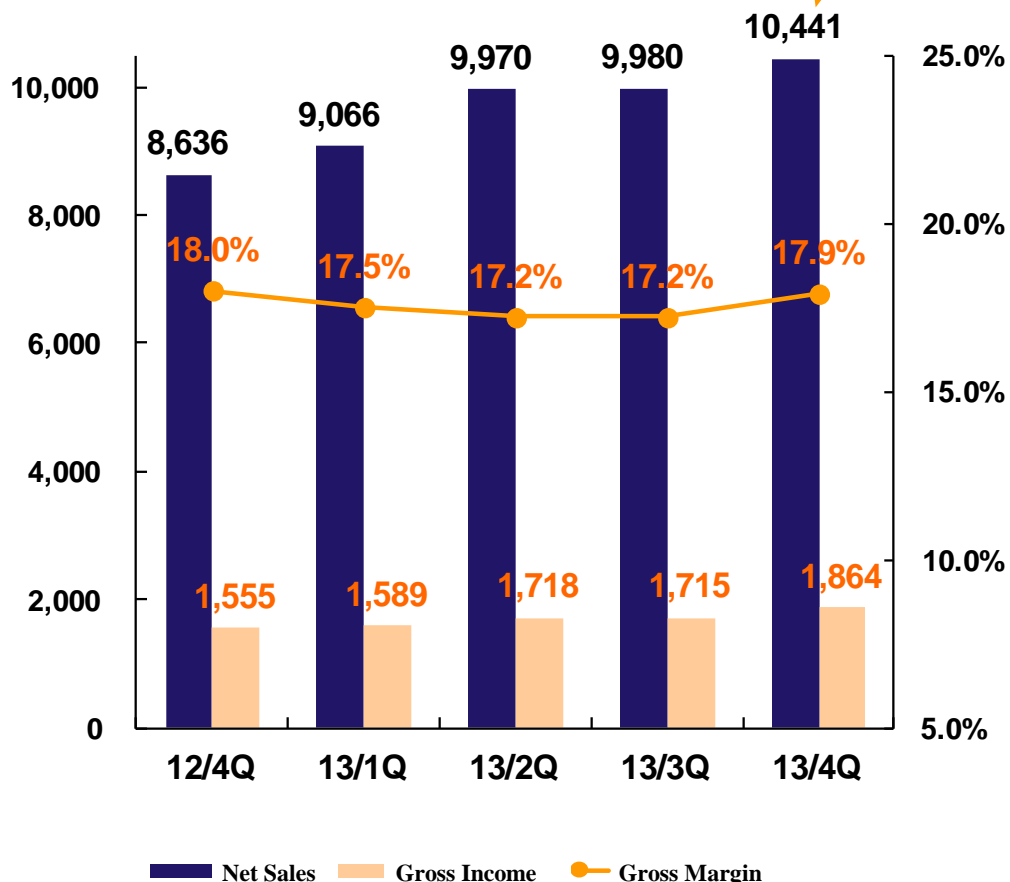
Internet Marketing Business Overview

Comprehensive **Marketing Support Services** for corporations leveraging the Internet. Internet advertising sales and provision of various web solutions, SEPTENI will provide **In-house Services** such as marketing platforms including an ad network and cloud-based CRM services.

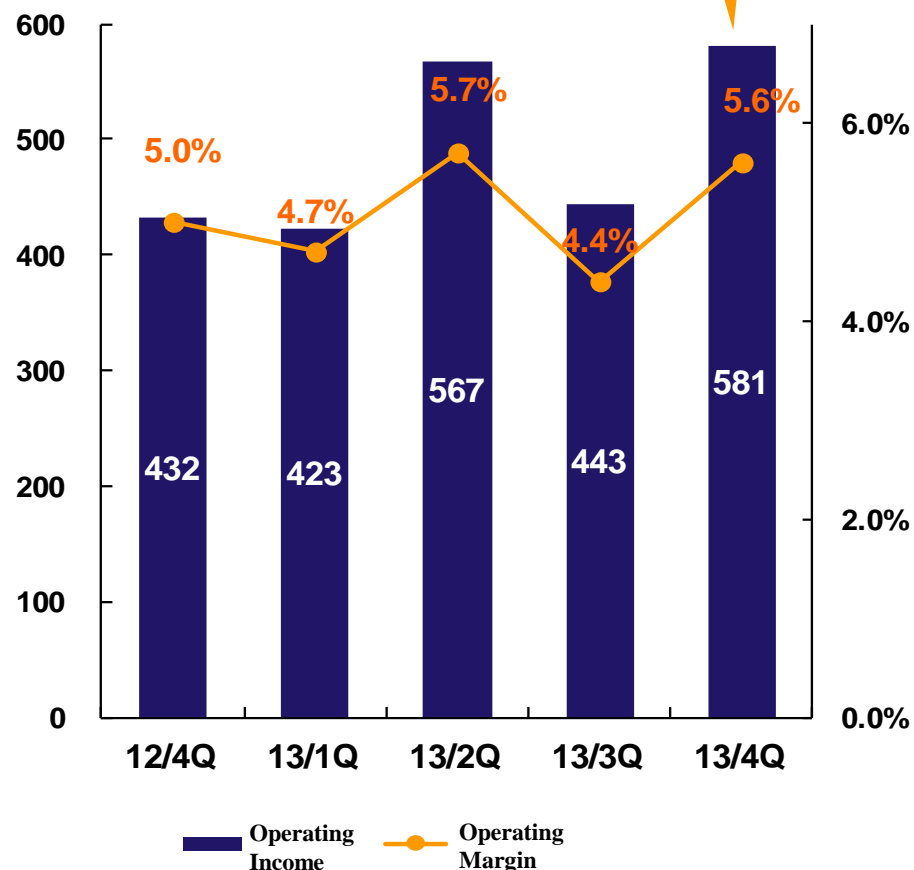


Internet Marketing Business Quarterly Earnings Trend

Net Sales, Gross Income Record high



Operating Income Record high



Internet Marketing Business Overview

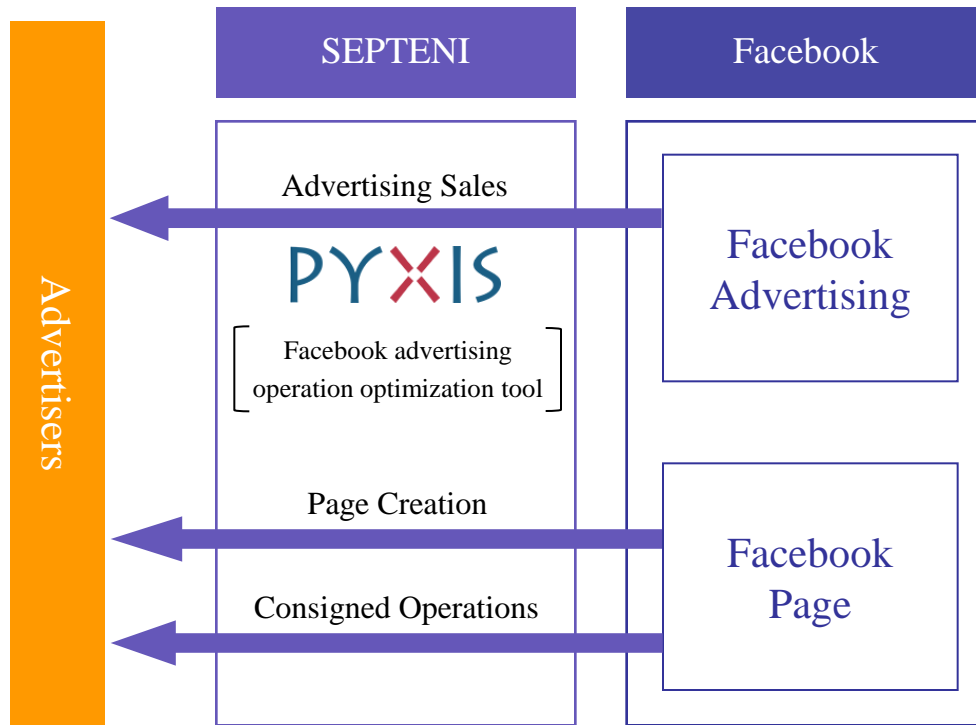
4Q FY9/13 Earnings

	Value	YY Change	QQ Change
Net Sales	10,441	+20.9%	+4.6%
Gross Income	1,864	+19.9%	+8.7%
Gross Margin	17.9%	-0.1 pt	+0.7 pt
SG&A	1,283	+14.3%	+0.9%
Operating Income	581	+34.5%	+31.1%
Operating Margin	5.6%	+0.6 pt	+1.2 pt

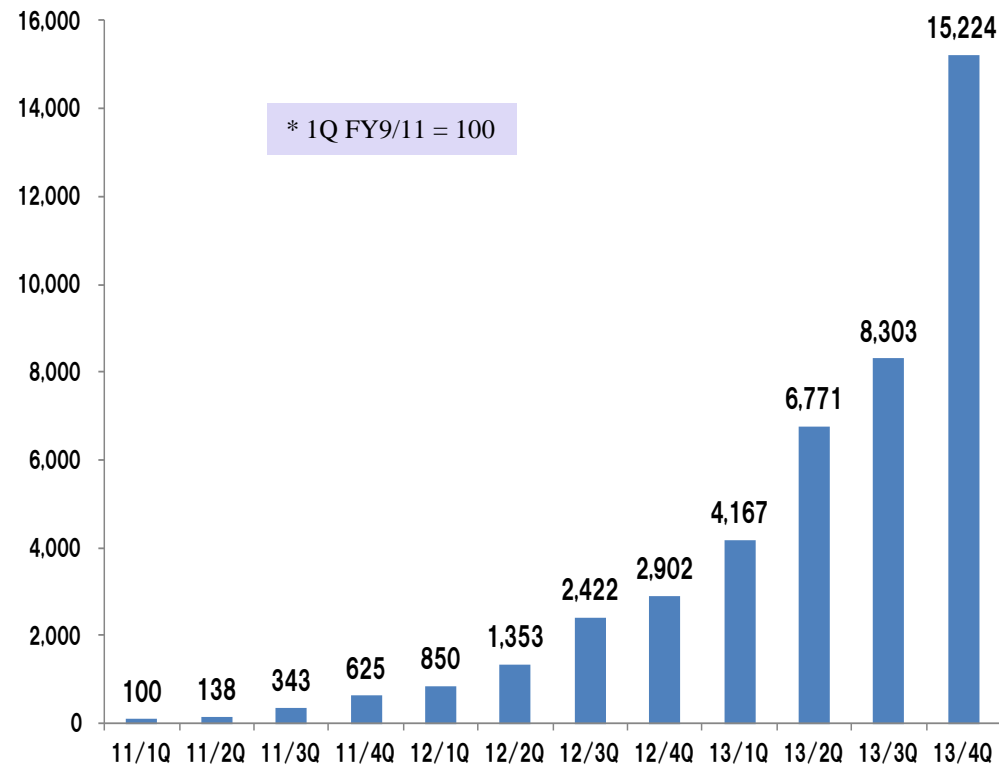
Comments

- Net sales broke the ¥10.0 billion barrier, and the rate of sales growth exceeded 20% year-on-year, thanks to the expansion of ad placements by internet service providers.
- The gross margin improved from the previous quarter, given an increase in highly profitable orders. Operating income increased 34.5% year on year, and the operating margin was also high at 5.6%.
- Facebook-related and smartphone advertising services, key business focuses, continued to grow strongly.

Key Business Focus: Facebook Related Services



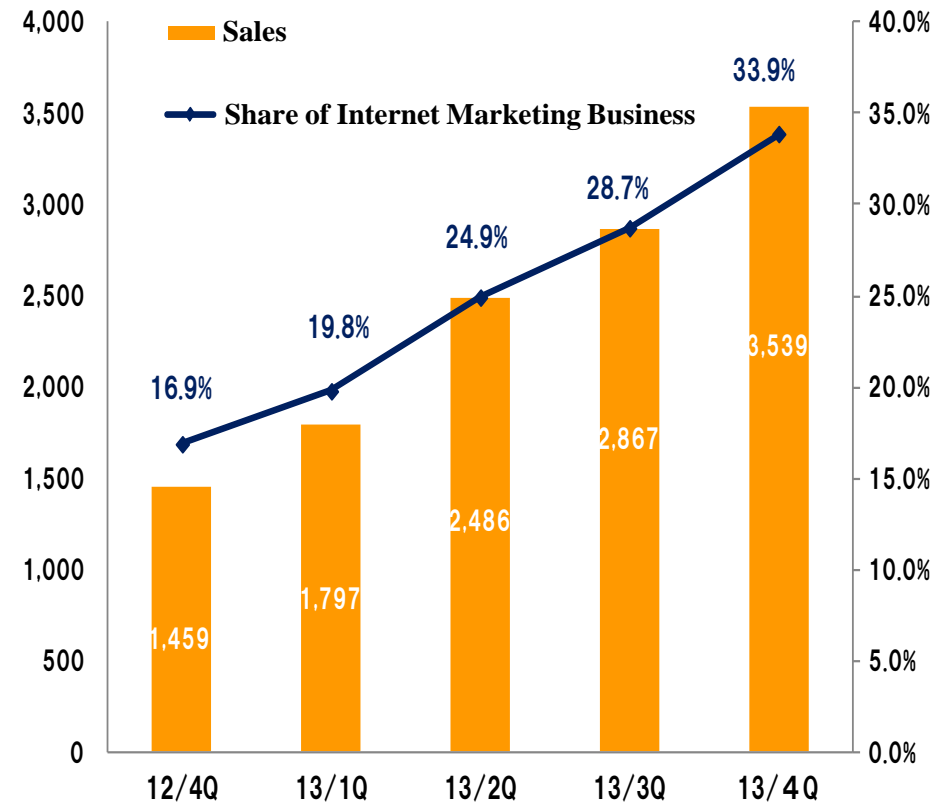
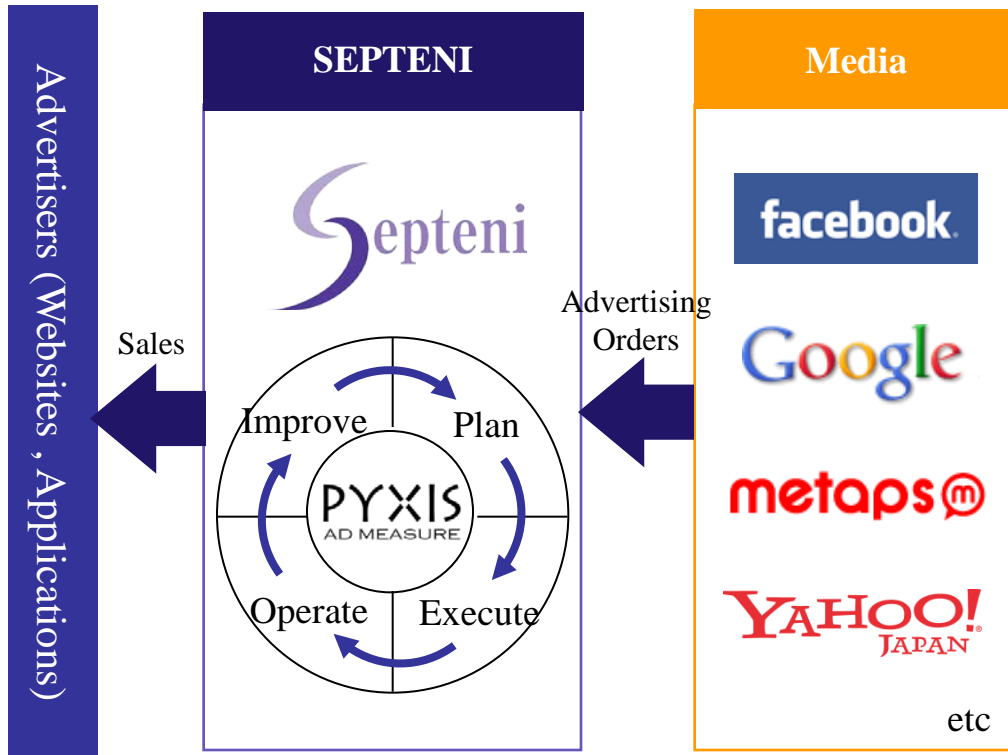
Facebook Related Sales Trend



III Growth accelerated, with sales increasing **approx. 5.3 times** year on year and **approx. 1.8 times** quarter on quarter.

III A capital and business alliance was formed with PRESS PLAY PARTNERS (Singapore), which has strength in Facebook advertising, with the aim of becoming the market leader in the Asia Pacific region in Facebook-related services.

Key Business Focus: Smartphone Advertising



||| Sales increased **approx. 2.4 times** year-on-year, and the share rose to **33.9%**.

||| A business alliance was formed with **Metaps Inc.** to seek to further strengthen competitiveness in the Smartphone advertising market.

Media Content Business Overview

The Media Content Business includes **digital content planning and development**, including social games for smartphones and traditional cellular telephones, provided to users across various platforms including SNS and cellular telephone service carriers. Also conduct other mobile media operations.



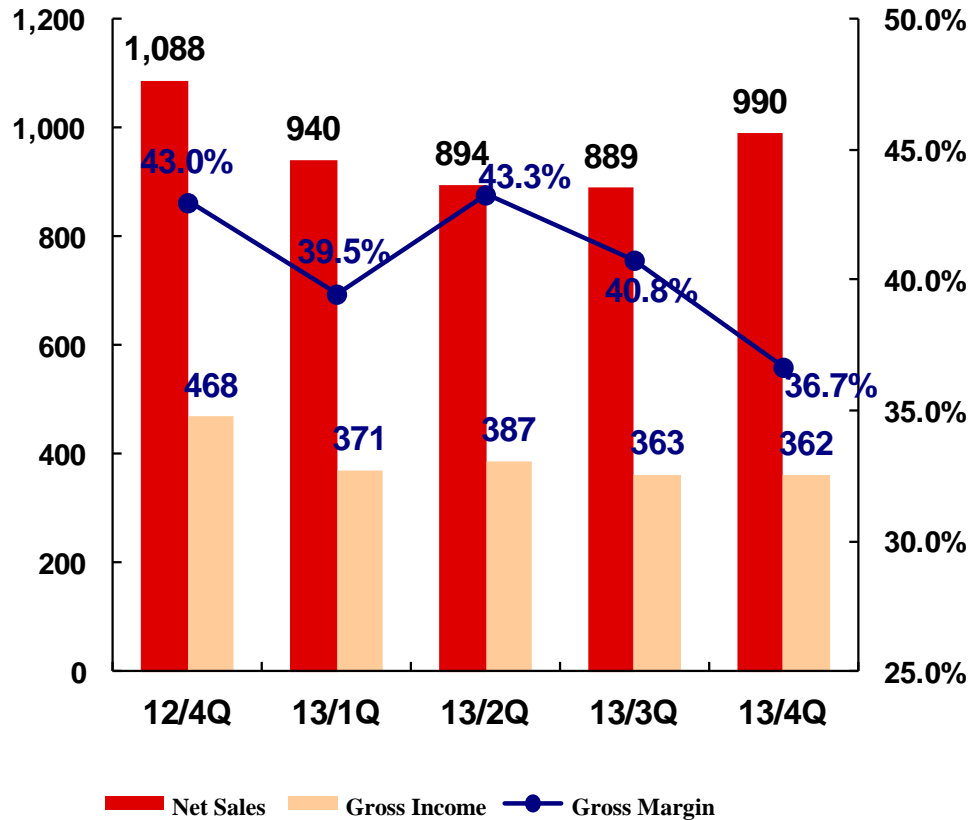
©AXEL MARK/©E★EVERYSTAR



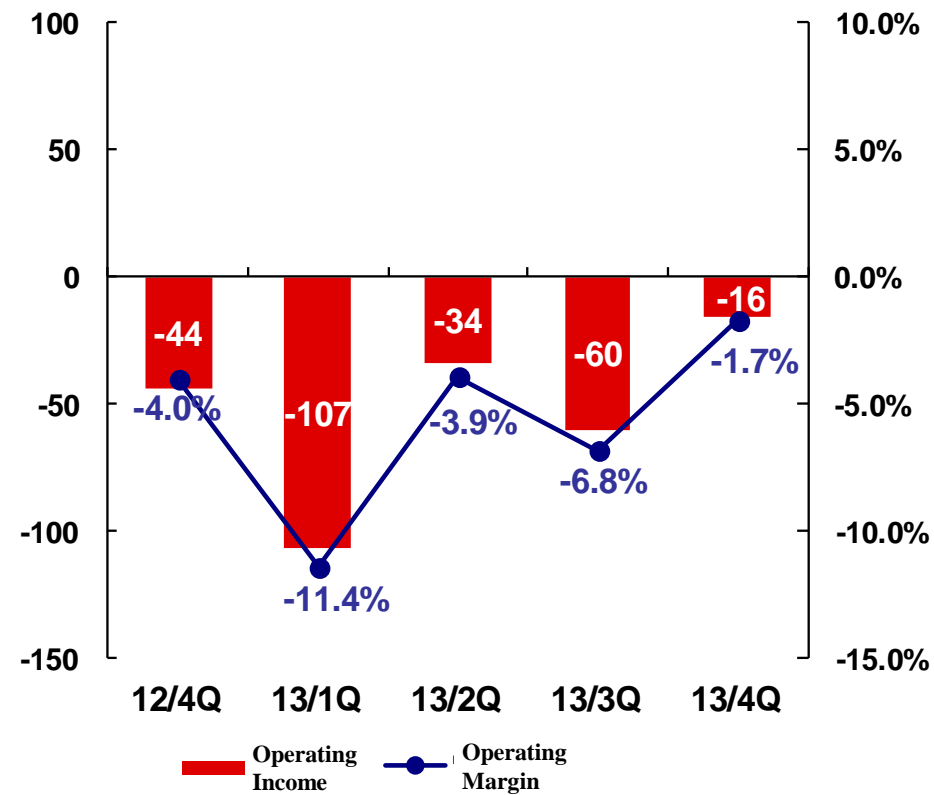
©SEGA Networks/©AXEL MARK

Media Content Business Quarterly Earnings Trend

Net Sales, Gross Income



Operating Income



Media Content Business Overview

4Q FY9/13 Earnings

	Value	YY Change	QQ Change
Net Sales	990	-9.1%	+11.3%
Gross Income	362	-22.6%	-0.1%
Gross Margin	36.7%	-6.3 pt	-4.1 pt
SG&A	379	-25.9%	-10.4%
Operating Income	-16	(+27)	(+43)
Operating Margin	-1.7%	+2.3 pt	+5.1 pt

Comments



- Net sales increased from the previous quarter with the contribution of three new social game titles.
- In the social game business, the gross margin declined due to an increase in sales of commissioned development, while the operating loss decreased as SG&A was reduced.
- The total operating loss related to upfront investment in new business development, including the Manga Content Business, came to ¥46 million.

Social Game Track Record

Major Titles Provided and Sales Trends

Three titles were released in 4Q.


Traitorous Ciel Ark, the first native application, was number two on the App Store free app ranking.


Providing Companies	Platforms	Major Titles	12/1Q	12/2Q	12/3Q	12/4Q	13/1Q	13/2Q	13/3Q	13/4Q
 AXEL MARK AXEL MARK INC.	Mobage	Kingdom Chronicle	→							
		Legions of the Sky	→							
		KING'S GAME Team Battle	→							
		Battle of Valkyrie	→							
		Bikkuriman Collectors Battle	→							
	mixi Game	KING'S GAME Team Battle	→							
App Store	Traitorous Ciel Ark	→								
 CYTECH Cytech, Inc.	GREE	Valkyrie of Darkness	→							
		AKB0048 GALAXY CINDERELLA (NAMCO BANDAI Games Inc.)	→							
Sales (¥mn)			350	563	593	639	519	487	455	569





2 ||| FY9/13 Review


Review of Management Objectives for FY9/13

- Grow sales and profits.  In consolidated results, sales increased 11%, and profits rose 4%.

- Sustain and grow Internet Marketing Business.  Sales increased 17%, and profits rose 45%.

- Raise position within the social game market.  A certain presence was maintained in browser games, and we began dealing with native apps.

- Develop new core businesses.  The Manga Content Business started.

- Establish business models in overseas markets.  Customers increased at bases in North America and Asia.

Full Year FY9/13 Consolidated Earnings Highlights

Net Sales:	¥45,982mn	(Up 11.2% year on year)
Operating Income:	¥1,593mn	(Up 4.3% year on year)

Both net sales and operating income set a new high for the second consecutive year.

Internet Marketing Business sales and operating income rose 17.4% and 44.5% year on year, respectively, achieving high growth as in the previous fiscal year.

The operating margin improved to 5.1%, contributing to higher profits.

Media Content Business sales and profits declined (to an operating loss), with the social game business, a key business focus, entering a temporary lull before the next growth period and active upfront investment in new businesses.

Dividends increased for the first time in three years, reflecting a significant rise in net income.

Consolidated Income Statement (Full Year)

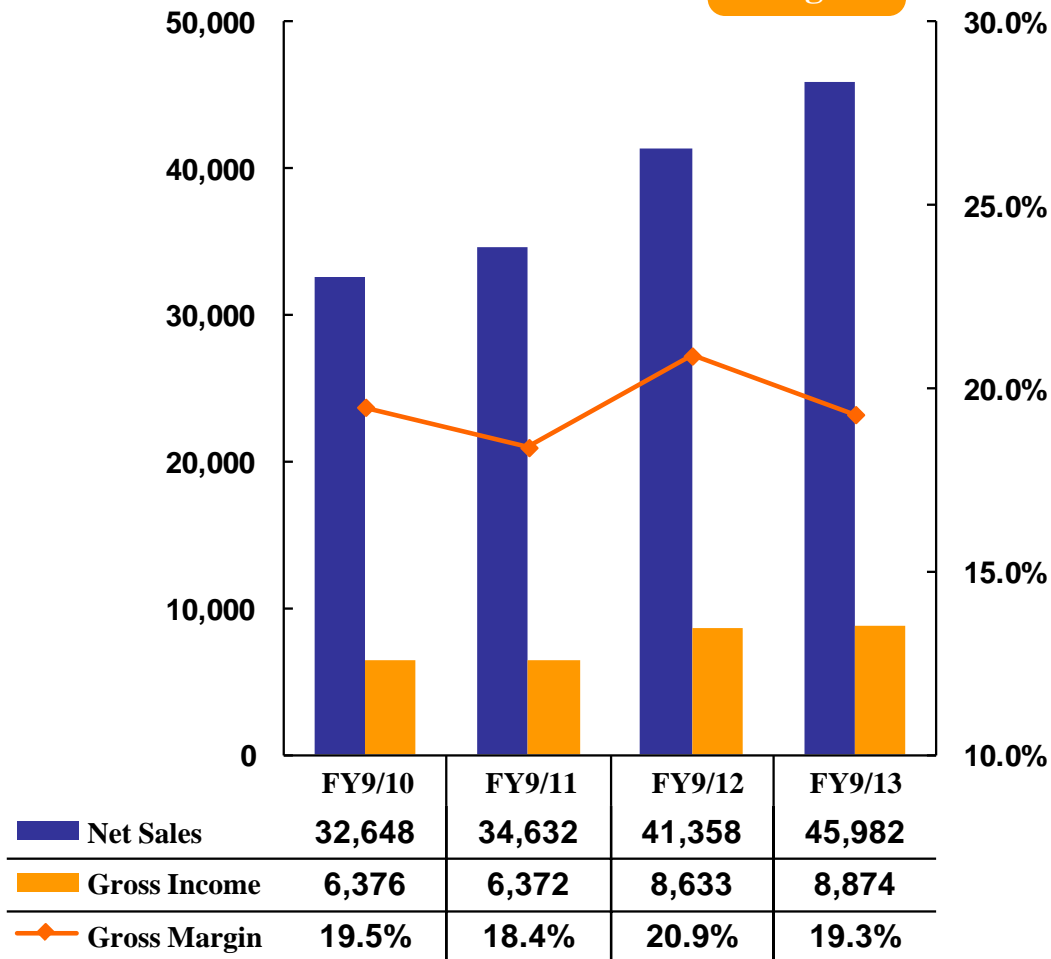
	FY9/13			FY9/12 (1H)		FY9/13 Estimate	
	Value	Share	YY Change	Value	Share	Value	Share
Net Sales	45,982	100.0%	+11.2%	41,358	100.0%	45,810	100.0%
Gross Income	8,874	19.3%	+2.8%	8,633	20.9%	—	—
SG&A	7,281	15.8%	+2.5%	7,105	17.2%	—	—
Operating Income	1,593	3.5%	+4.3%	1,527	3.7%	1,574	3.4%
Ordinary Income	1,752	3.8%	+7.0%	1,638	4.0%	1,712	3.7%
Net Income	1,207	2.6%	+78.3%	677	1.6%	1,190	2.6%

- ||| All items reached **record highs for the second consecutive year**, driven by the Internet Marketing Business.
- ||| **Net income increased significantly** with the posting of extraordinary income of ¥313 million associated with the sale of Group companies in 2Q.

Full Year Consolidated Earnings Trend

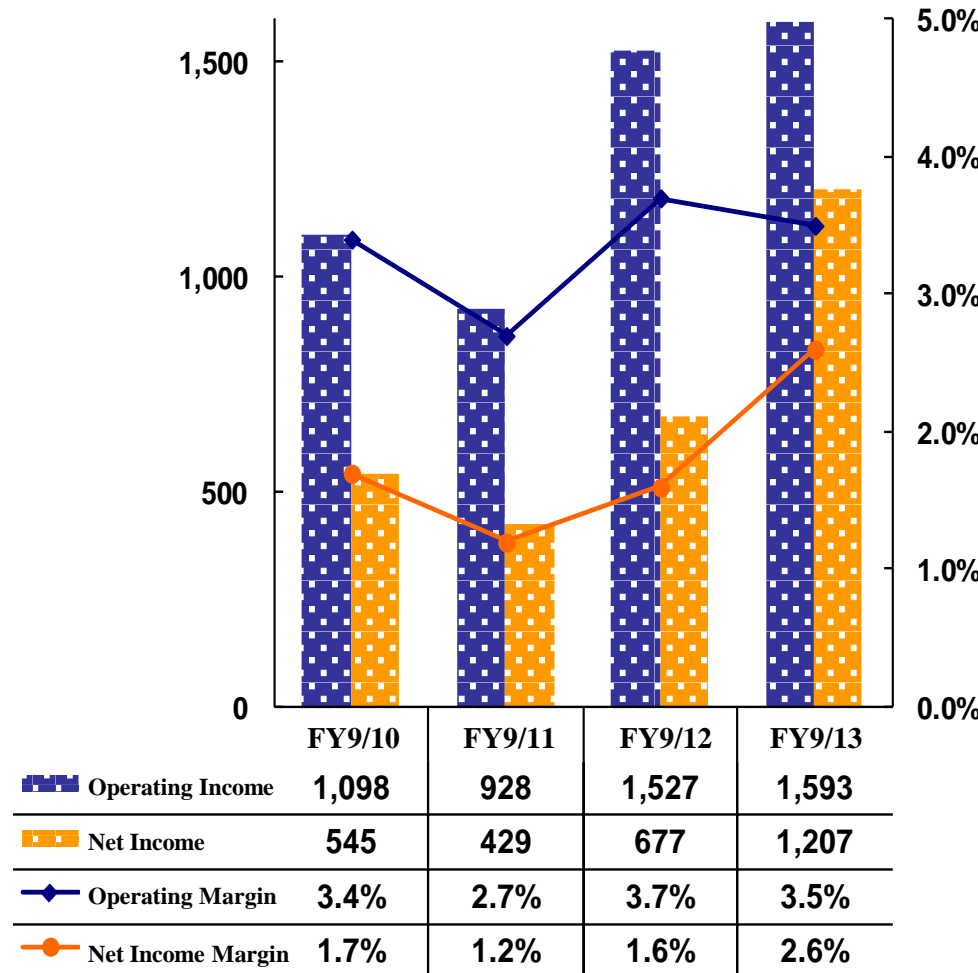
Net Sales, Gross Income

Record high



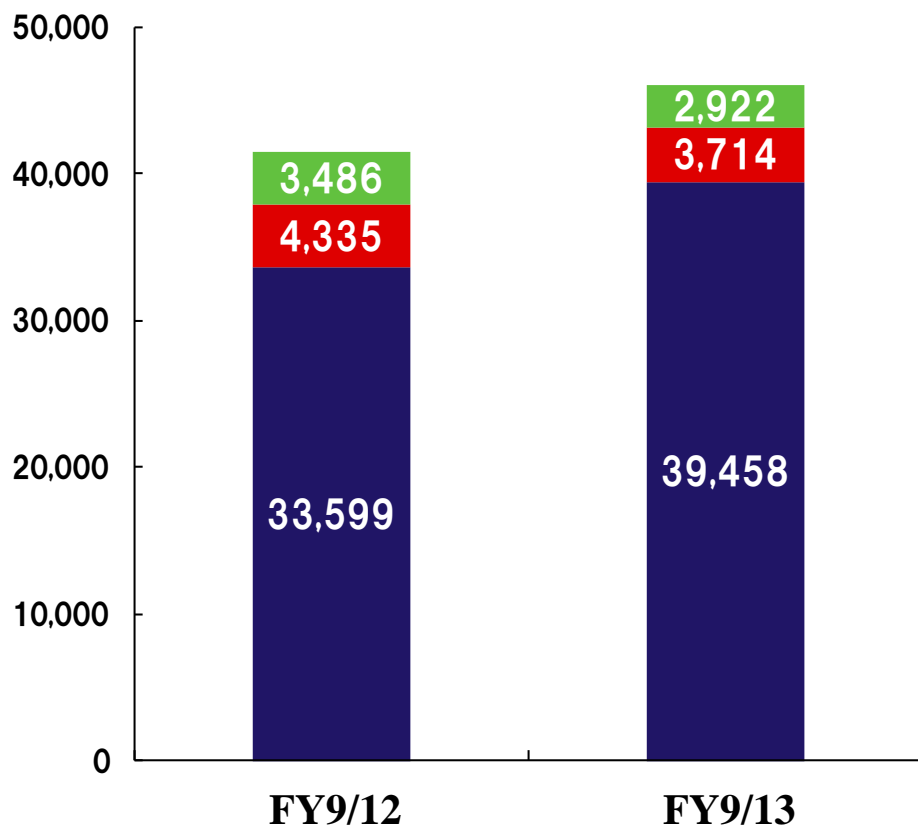
Operating Income, Net Income

Record high

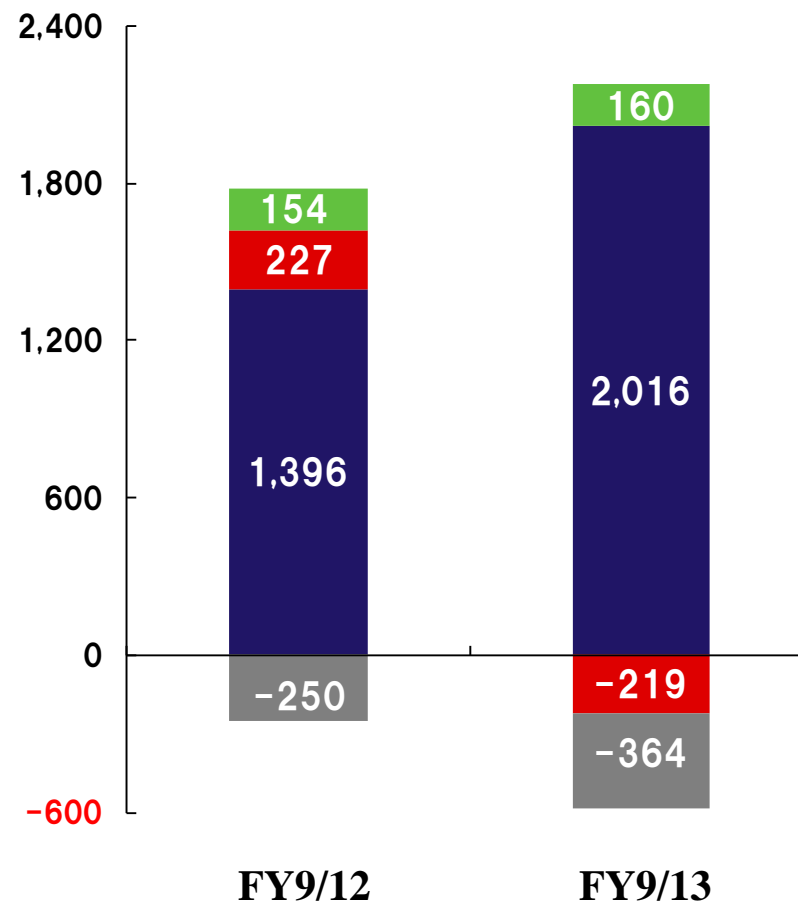


Earnings By Business Segments (Full Year)

Net Sales



Operating Income



Internet Marketing

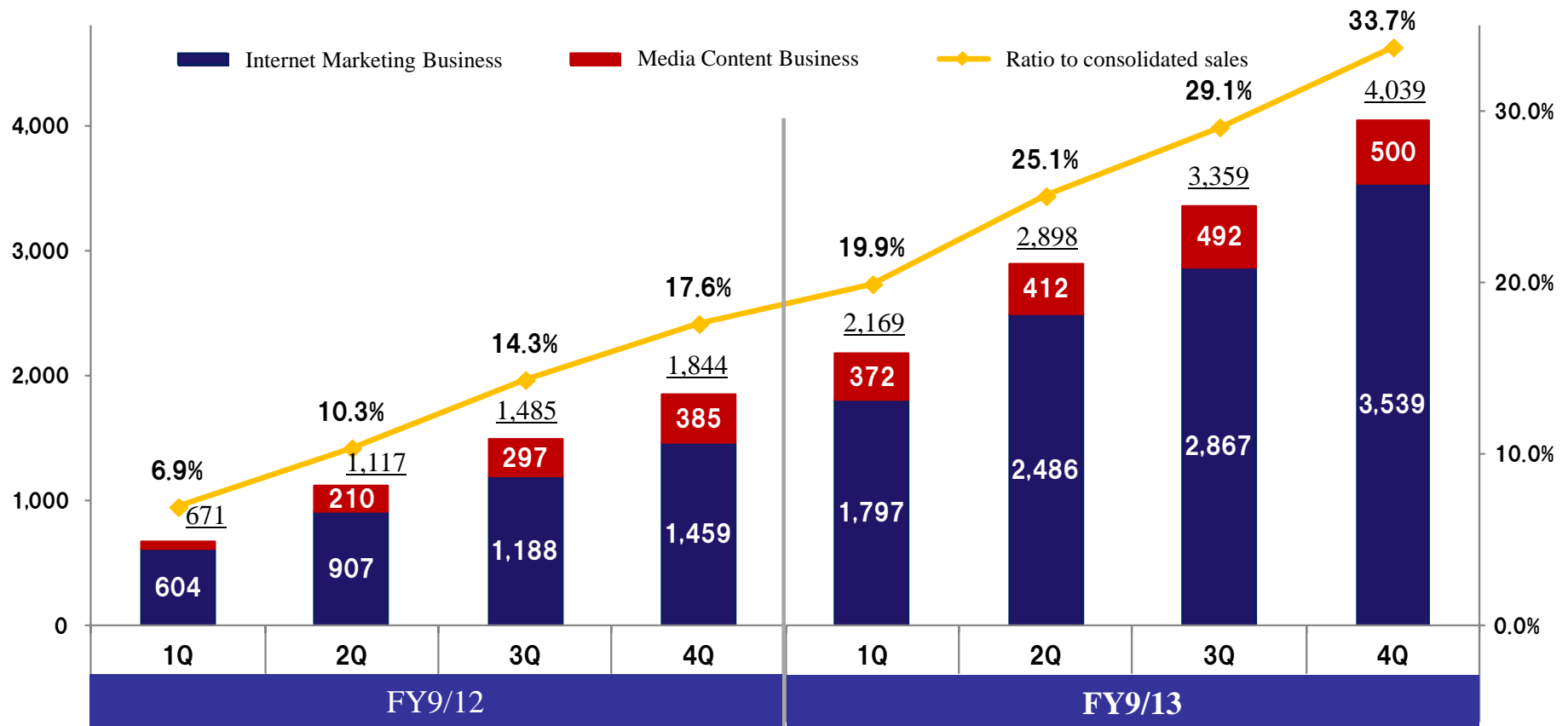
Media Content

Others

Adjustment (corporate expenses, etc.)

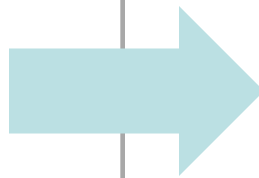
Trend in Smartphone-Related Sales

Smartphone-related sales increased approx. **2.4 times** and the ratio to consolidated sales rose to **27%** in FY9/13.



Approx. ¥5.1 billion

12.4%



Approx. ¥12.4 billion

27.1%

Internet Marketing Business Full-Year Review

Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating margin	YY Change
39,458	+17.4%	2,016	+44.5%	5.1%	+0.9 pt

- Sales showed double-digit growth and profitability improved as in FY9/12 on improving business confidence and firm demand for performance-based advertising.
- Advertising for smartphones continued to grow strongly, with sales increasing **approx. 2.6 times** year on year and the share rising to **27%**.
- Facebook-related services increased significantly, with sales growing **approx. 4.6 times** year on year and advertising for mobile phones (smartphones) increasing sharply.
- A local subsidiary was established in Vietnam as an offshore development base, and local subsidiaries in North America (San Francisco) and Singapore established in the previous fiscal year made progress in customer development.

Media Content Business Full-Year Review

Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating margin	YY Change
3,714	-14.3%	-219	(-447)	-5.9%	-11.2 pt

- Sales of social game business, which drove earnings in the previous fiscal year, declined 5% year on year, to approx. ¥2.0 billion, showing a sluggish performance, partly affected by environmental changes such as growth in the native application game market.
- Given the changing environment, the stance on the social game business was changed in 3Q to actively engage in collaboration and commissioned orders, with the aim of securing earnings and improving development capability.
- AXEL MARK issued large IP title with DeNA and the first native application with SEGA in collaboration with them.
- Five new businesses including the Manga Content Business started.
The operating loss related to upfront investment in new businesses came to ¥154 million.

New Businesses that Started in FY9/13 (Internet Service)

Core new businesses (directly under the President)

Manga Content Business



Development and production of Manga artists and the operation of a dedicated site, etc. for the purpose of planning and developing our own IP

From April 2013

Incubation by SEPTENI VENTURES



A fashion information site based on word-of-mouth communication

From January 2013



A matching-type recruitment platform specialized for IT/web-related industries

From March 2013



An online learning platform

From August 2013



A social action program support platform by users and companies

From September 2013



3 ||| Summary of Midterm Business Plan

Overview of the Midterm Business Plan

(three years until FY9/13)

Concept

“SEPTENI Original”

Converting **in-house services** into new businesses through aggressive investments in growth fields

Create **high growth, high profitability** business models

Business Focus

Mobile

Social

Platforms

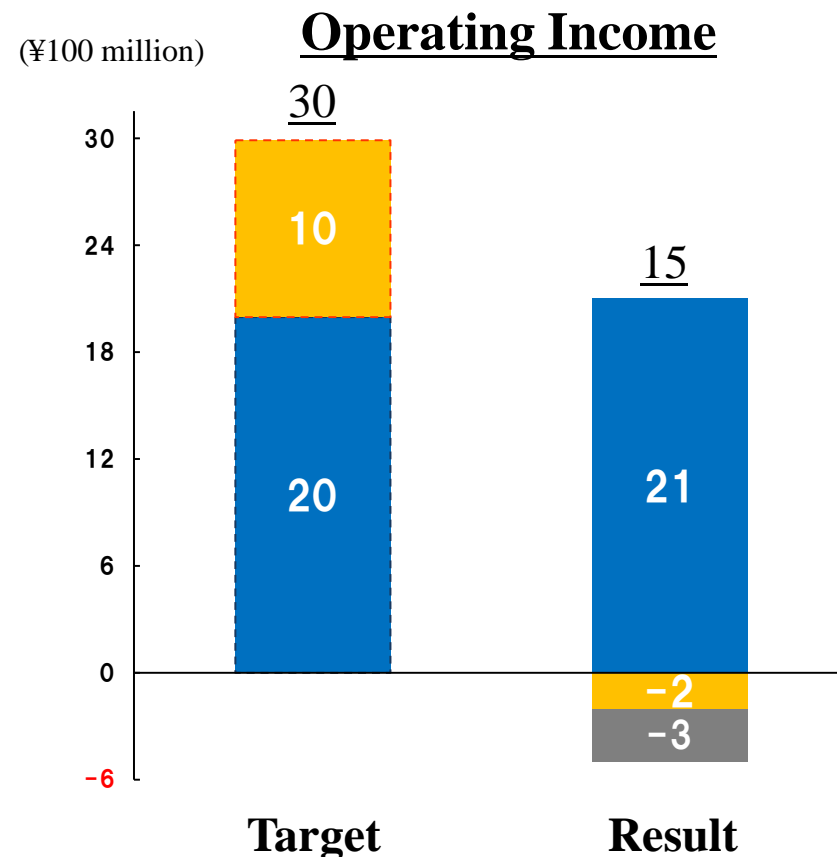
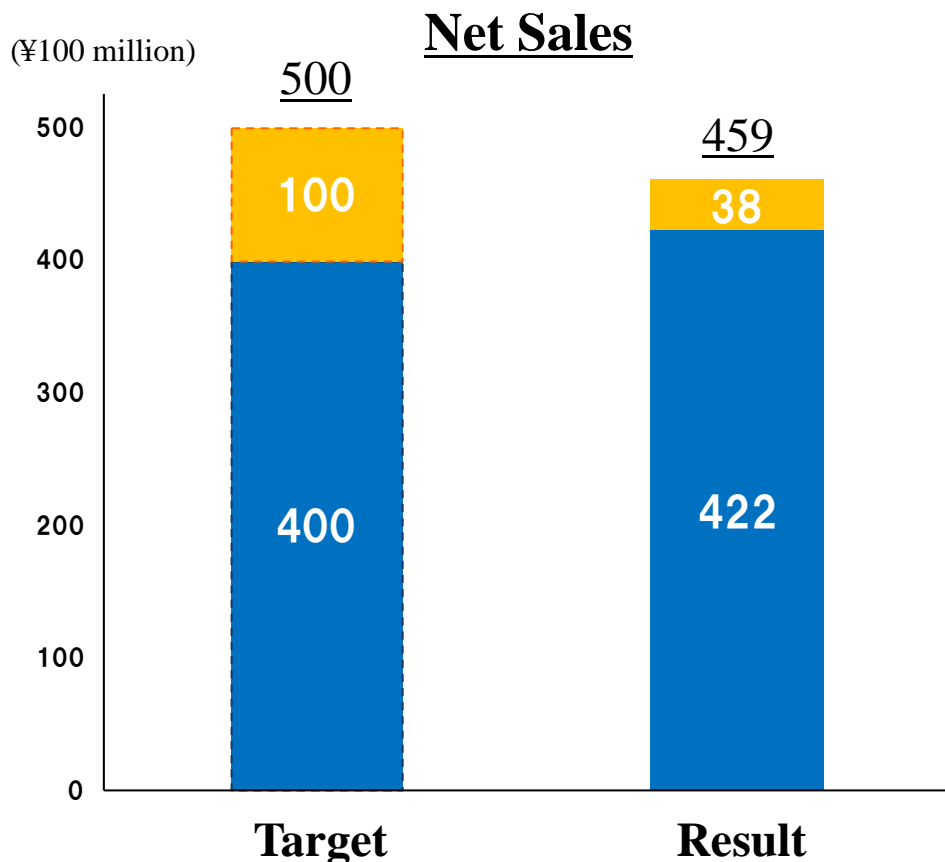
Earnings Targets (FY9/13)

Net Sales: **¥50.0bn**

Operating Income: **¥3.0bn**

Summary of the Midterm Business Plan (three years to FY9/13)

Earnings for FY9/13



■ Existing Businesses
 ■ New Businesses
 ■ Adjustment (corporate expenses, etc.)

* Figures for actual results are pro forma amounts by dividing them into existing businesses and new businesses for descriptive purposes and differ from those in the business segments for disclosure purposes.



Summary of the Midterm Business Plan

(three years to FY9/13)

- Earnings of existing businesses centering on Internet Marketing Business largely in line with plans.
- The rate of growth of new businesses centering on our own BtoC services was slower than expected, mainly because of changes in the environment in the social game market.
- Eleven new businesses started in FY9/13 thanks to our accelerated business development, and eight continue at present.

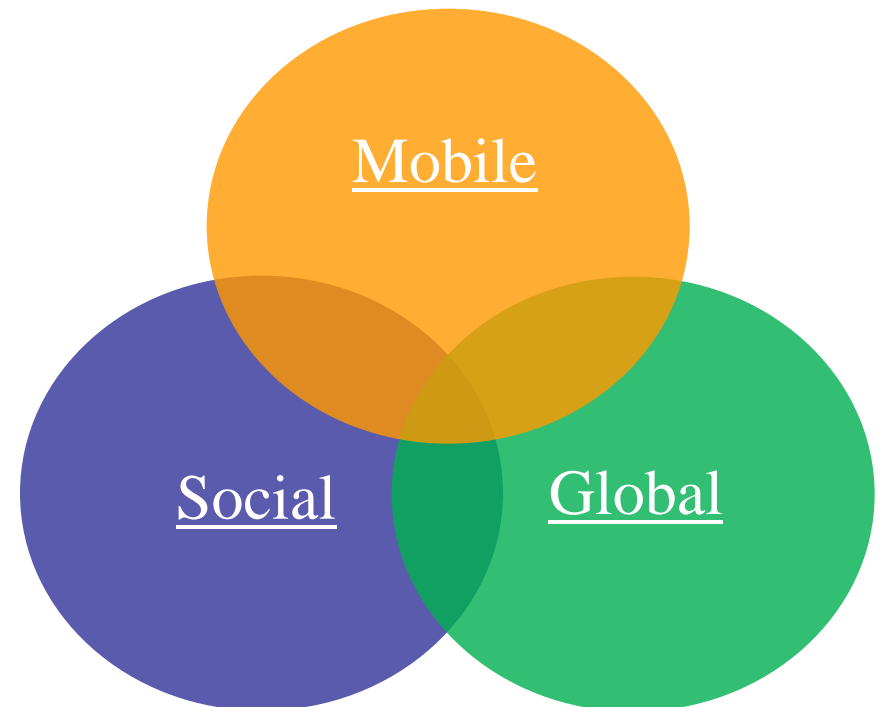
Midterm Business Policies from FY9/14

Concept

“Double profits”

- ||| Increase the share of highly profitable businesses
- ||| Create a mainstay business second to advertising

Business Focus





4 ||| Policies for FY9/14 and
Earnings Estimates for 1Q
FY9/14

FY9/14 Policies

Aim to increase operating income by growing profits in the Internet Marketing Business, while continuing to invest in new businesses actively, with an eye on medium- and long-term growth.

Internet Marketing Business

- Increase sales and profits by seeking sustainable expansion of operations and higher profitability by focusing on the three fields of “Mobile”, “Social” and “Global.”

Media Content Business

- Increase profits in the mobile game business by operating mainly in native applications through a reorganization of management resources.
- In new businesses, invest actively to increase profitability with a focus on Manga Content Business.

1Q FY9/14 Consolidated Earnings Estimates

	Earnings in 1Q FY9/13	Earnings Estimates for 1Q FY9/14	Expected growth rate
Net Sales	10,891	12,400	+13.8%
Operating Income	290	580	+99.5%
Ordinary Income	338	590	+74.5%
Net Income	186	340	+82.2%

- ||| In the Internet Marketing Business, higher sales and a significant increase in profits are expected.

Temporary factors expected to arise only in 1Q to boost gross profit, in addition to an increase in profits due to higher sales, are expected to push up operating income.

- ||| In the Media Content Business, although sales are expected to decline due to the absence of new game titles, the operating loss is set to shrink on a year-on-year basis.

Thank you for your interest!

Contact Information

SEPTENI HOLDINGS CO., LTD.

<http://www.septeni-holdings.co.jp/en/>

Corporate Planning, Communications IR Division

TEL: +813-6857-7258 E-mail: ir@septeni-holdings.co.jp

All estimates, opinions and plans provided in this document are based on the best information available at the time of the creation of this document on November 5, 2013 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.



5 ||| Appendix

Company Overview

As of September 30, 2013

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower 28 th Floor, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Securities Code	4293 (JASDAQ)
Business Realm	The holding company for a group of companies conducting primarily Internet-related and other businesses
Established	October 29, 1990
Capitalization	¥2,025 million
Shares Issued	135,056 shares (Including 8,923 treasury shares) <small>* A 200-for-one stock split was conducted on October 1, 2013.</small>
Consolidated Workforce	715 full time employees, 838 full time and contracted employees

Main Group Companies by Business Segment

Holding Company

SEPTENI HOLDINGS CO., LTD.

November 5, 2013

Internet Marketing Business

SEPTENI CO., LTD.	Internet ad agency/Providing assistance for overall promotions on internet
MANGO Inc.	SEM operation business
Vasara Inc.	Internet ad agency
HighScore, Inc.	Social media marketing support business
EAGLE i Co., Ltd.	Advertising network business
Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region
Septeni America, Inc.	Internet marketing business for North America region
SEPTENI TECHNOLOGY CO., LTD.	Web service development
SETPENI CROSSGATE CO., LTD.	Ad network and platform business
ASP CO., LTD.	e-marketing solutions
Tricorn Corporation	CRM service business
TRIGGER INC.	Social research business

Media Content Business

AXEL MARK INC.	Mobile Content business
COMICSMART Inc.	Manga Content business
ViViVit, Inc.	Matching-type recruitment platform

Others

SEPTENI DIRECTMARKETING CO., LTD.	DM business
-----------------------------------	-------------

New Business Development

SEPTENI VENTURES Co., Ltd.

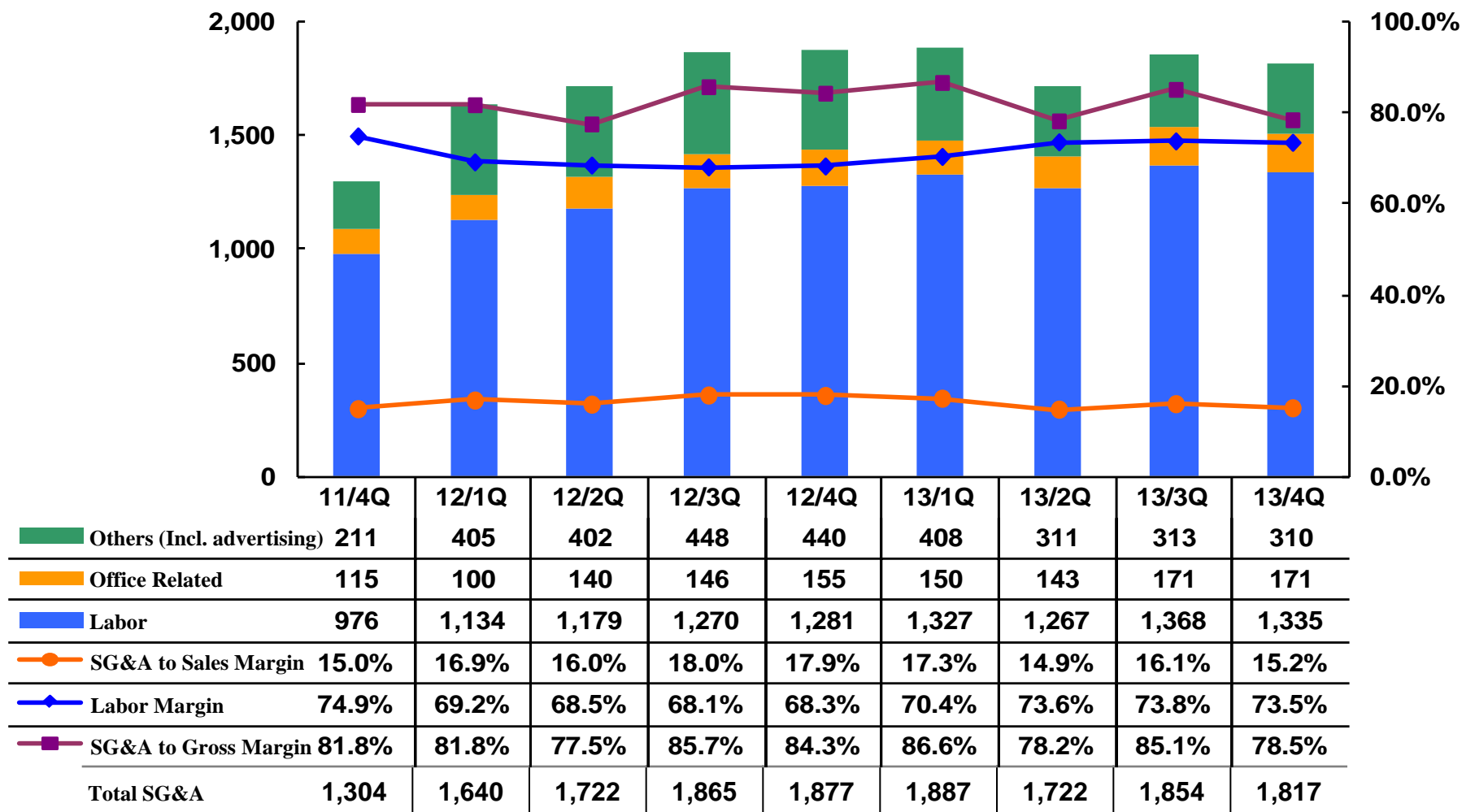
Consolidated Balance Sheet

	End FY9/13	End FY9/12	YY Change	Main Changes
Current Assets	13,502	11,381	+2,121	Cash and deposits: +1,539 Notes and accounts receivable-trade: +745
Non-current Assets	2,520	2,981	-460	Investment securities: -267 Goodwill: -121
Total Assets	16,023	14,362	+1,660	
Current Liabilities	7,590	6,889	+701	Accounts payable-trade: +637 Short-term loans payable: +189
Non-current Liabilities	52	227	-174	Long-term loans payable: -126
Total Liabilities	7,643	7,116	+526	
Total Net Assets	8,380	7,246	+1,134	Retained earnings: +1,063
Total Liabilities, Net Assets	16,023	14,362	+1,660	

Consolidated Cash Flow

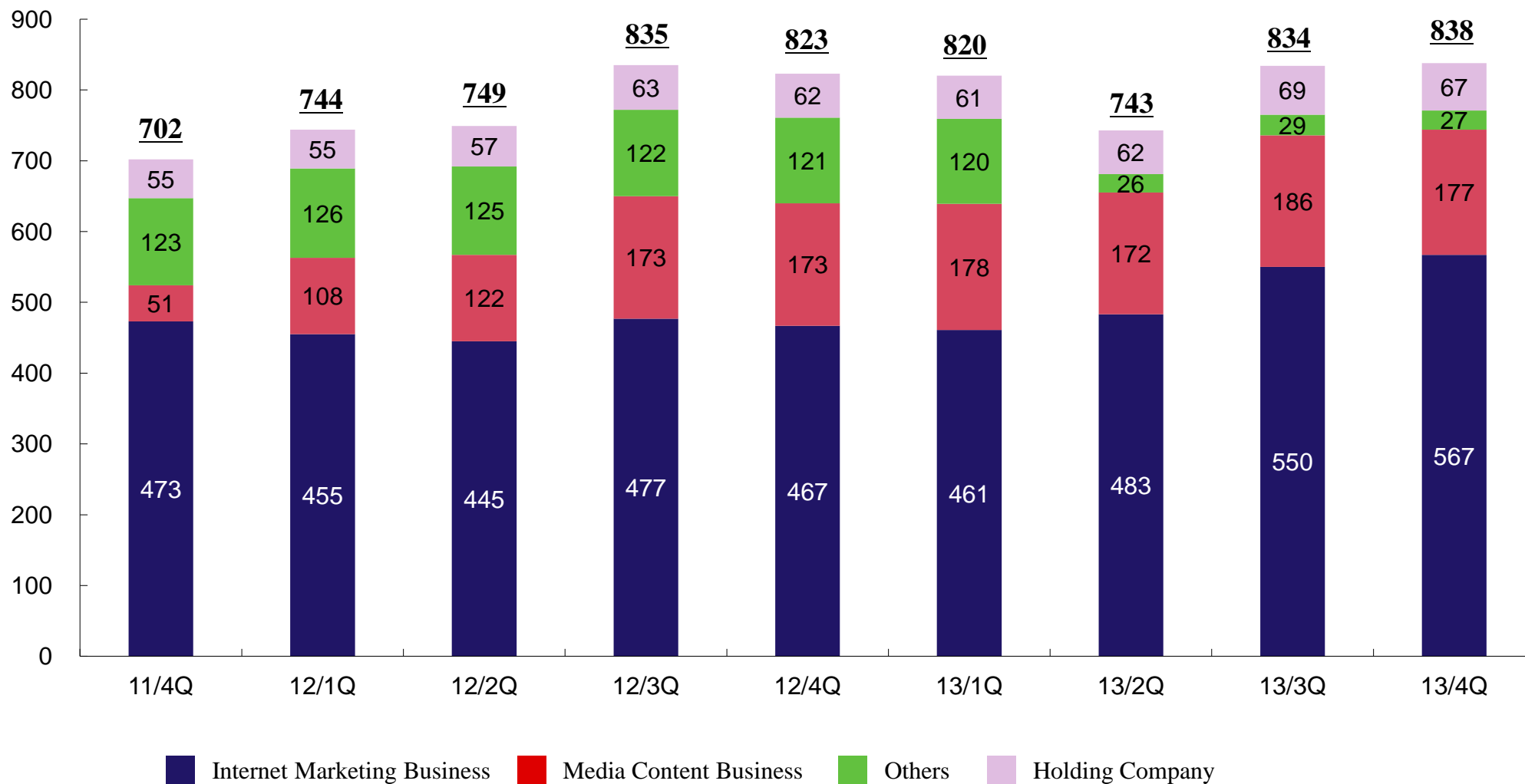
	FY9/13	Main Changes	FY9/12
Cash Flows from Operating Activities	1,094	Net income before taxes: +1,999 Corporate and other taxes: -850	1,183
Cash Flows from Investing Activities	417	Proceeds from sale of investment securities: +617 Purchase of intangible assets: -160	-401
Cash Flows from Financing Activities	-85	Cash dividends paid: -125	-242
Effect of Exchange Rate Changes on Cash and Cash Equivalents	14		-1
Net Increase (Decrease) in Cash and Equivalents	1,440		537
Changes Due to the Change of Scope of Consolidation, etc.	-1		140
Cash and Equivalents at Term End	6,570		5,131

Consolidated SG&A Expense Trend



SEPTENI Group Workforce Number Trend

(Units: People)



* 4Q FY9/11 business division data adjusted to reflect new business division definitions.