

Business Results for 2Q Fiscal Year September 2014

May 1, 2014

SEPTENI HOLDINGS CO., LTD.

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

Securities Code: 4293



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

1. Quarterly Consolidated Earnings Overview

Net Sales: ¥14,246mn (Up 23.2% year on year)
Operating Income: ¥611mn (Up 27.4% year on year)

- Net sales reached a new record high on a quarterly basis, smashing the previous record.

The Internet Marketing Business accelerated the expansion of operations.

- Sales grew sharply, up 26.8% year on year, and operating income was up 20.2%.
- Each key business - Mobile, Social and Global – achieved high growth.

The Media Content Business posted an operating loss almost unchanged from a year ago.

- The performance of the Mobile Game Business was firm.
- Upfront investments in the Manga Content Business was increased.

	2Q FY9/14			2Q FY9/13		2Q FY9/14 Estimate
	Value	Share	YY Change	Value	share	
Net Sales	14,246	100.0%	+23.2%	11,566	100.0%	13,300
Gross Income	2,516	17.7%	+14.3%	2,202	19.0%	—
SG&A	1,905	13.4%	+10.6%	1,722	14.9%	—
Operating Income	611	4.3%	+27.4%	479	4.2%	580
Ordinary Income	642	4.5%	+18.5%	542	4.7%	580
Net Income	375	2.6%	−31.6%	549	4.8%	350

Consolidated performance was driven by an expansion of operations in the Internet Marketing Business.

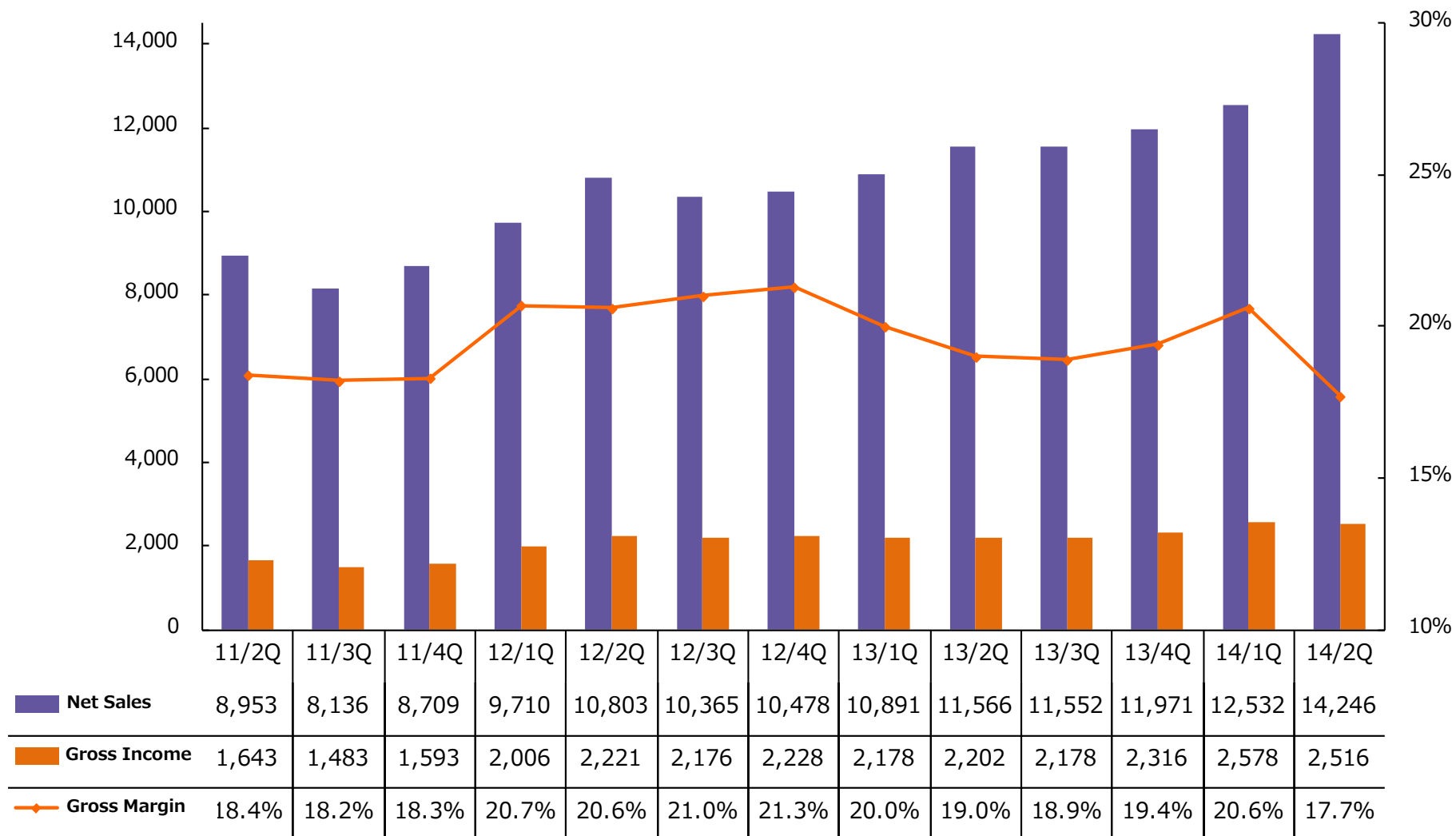
- Net sales exceeded the estimate by around 900 million yen to reach a **new record high**, smashing the previous record.
- Gross income **topped 2,500 million yen**.

Both operating income and ordinary income reached their second highest-ever level behind the high of the first quarter of FY2014.

Net income declined from the second quarter of the previous fiscal year, when extraordinary income of 313 million yen associated with the sale of group companies was recorded.

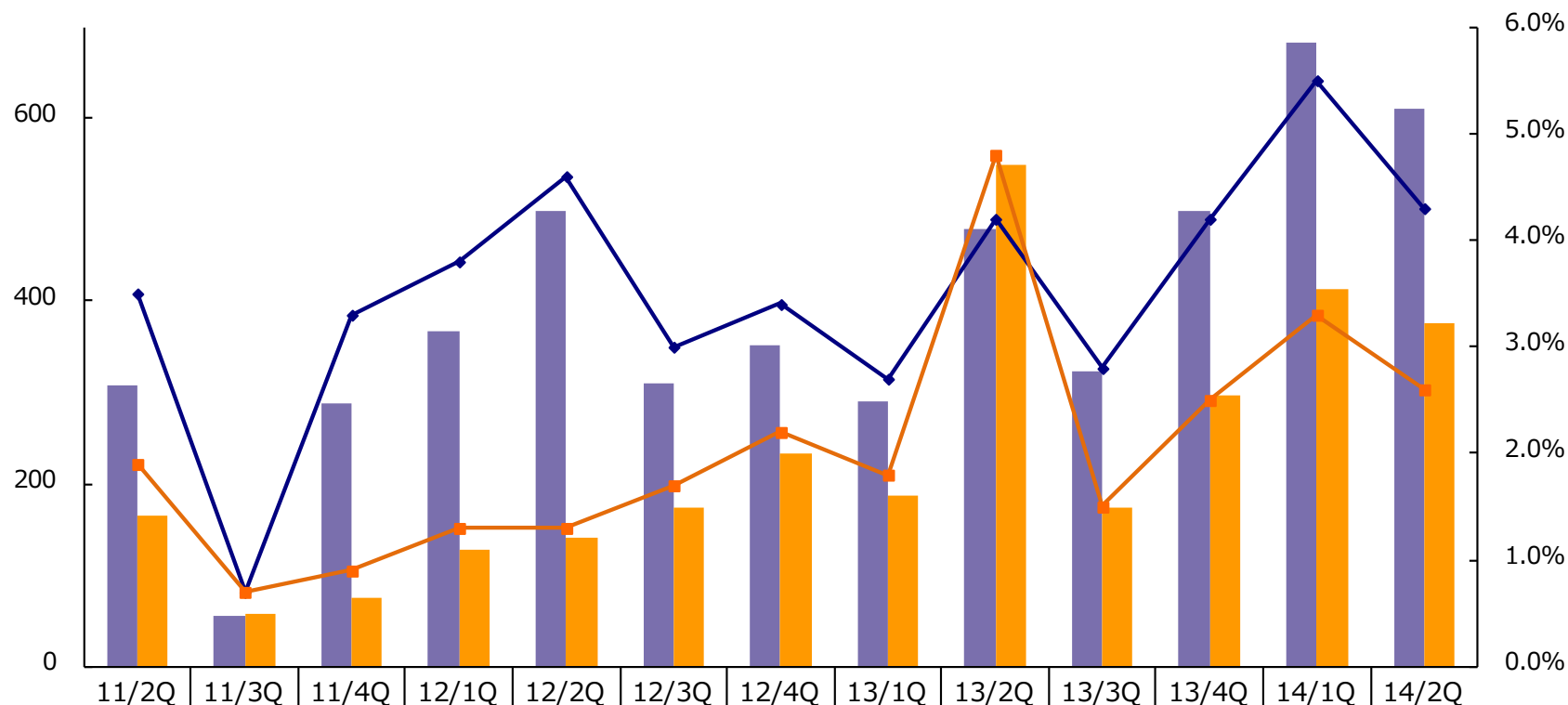
Net Sales, Gross Income

Net Sales reached a new **record high**,
smashing the previous record.



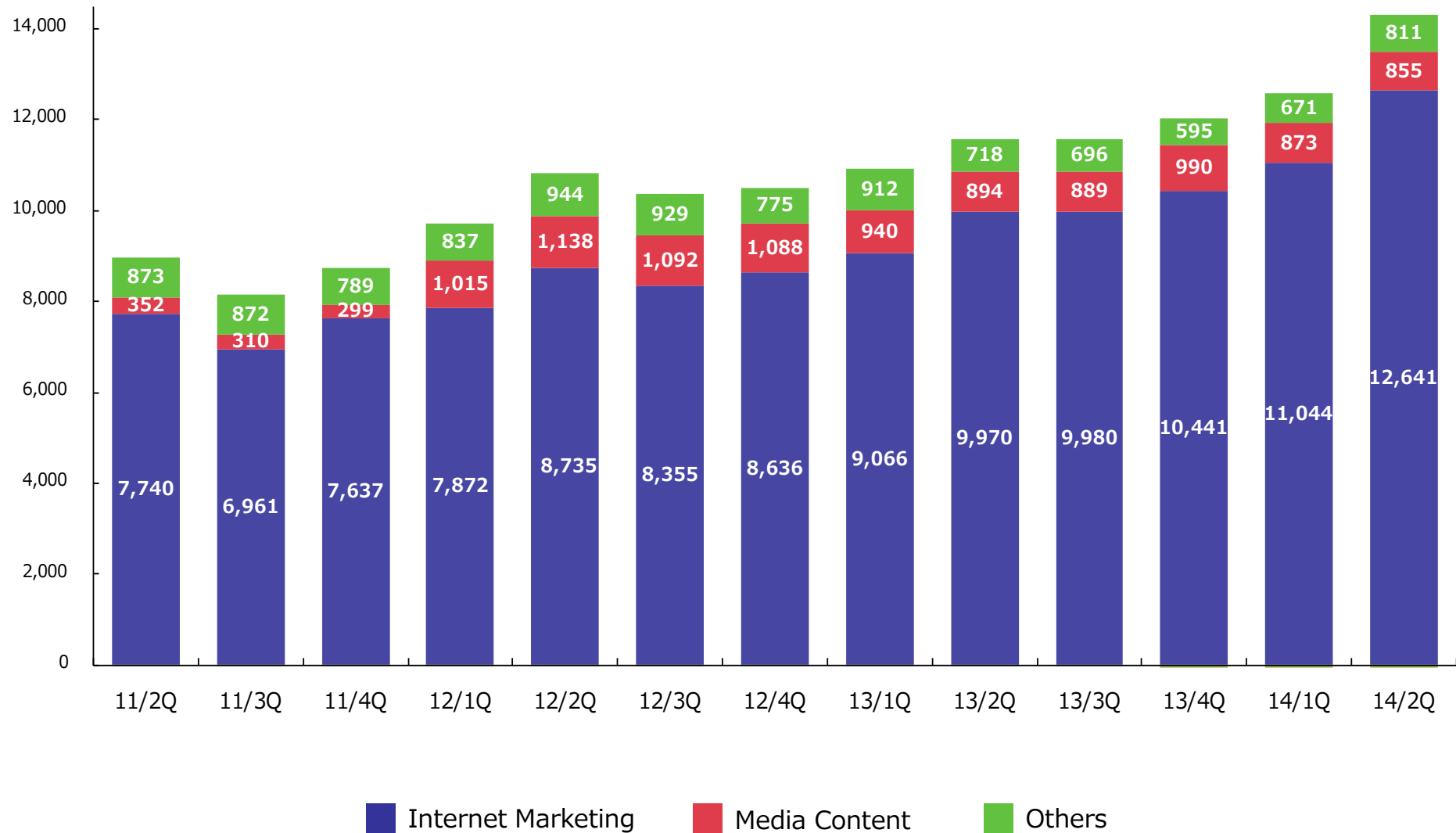
Operating Income, Net Income

Operating income rose **27.4%** year on year.

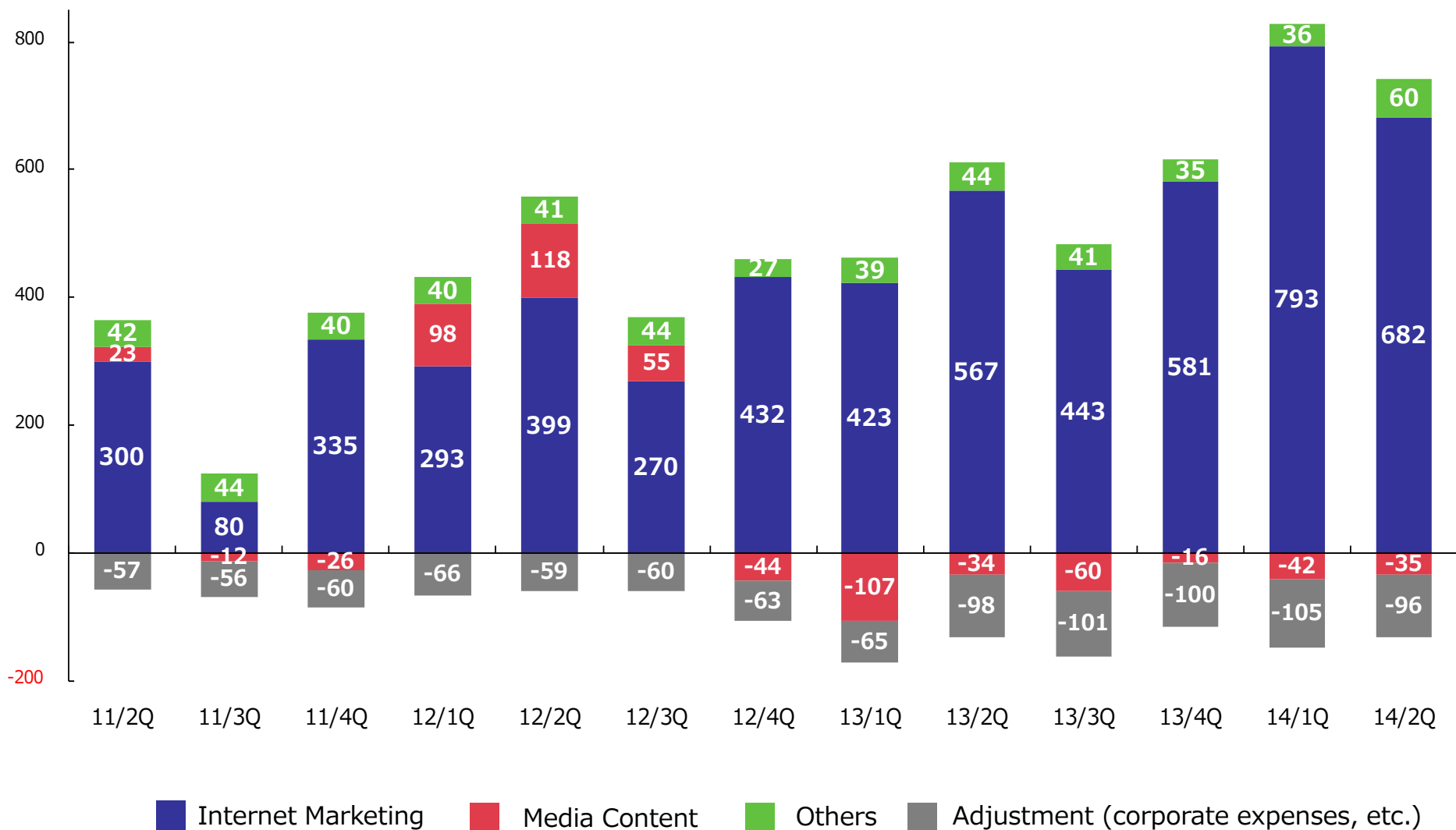


Operating Income	308	55	288	366	498	310	351	290	479	323	499	682	611
Net Income	166	58	76	128	141	173	233	186	549	174	296	413	375
Operating Margin	3.5%	0.7%	3.3%	3.8%	4.6%	3.0%	3.4%	2.7%	4.2%	2.8%	4.2%	5.5%	4.3%
Net Income Margin	1.9%	0.7%	0.9%	1.3%	1.3%	1.7%	2.2%	1.8%	4.8%	1.5%	2.5%	3.3%	2.6%

Net Sales

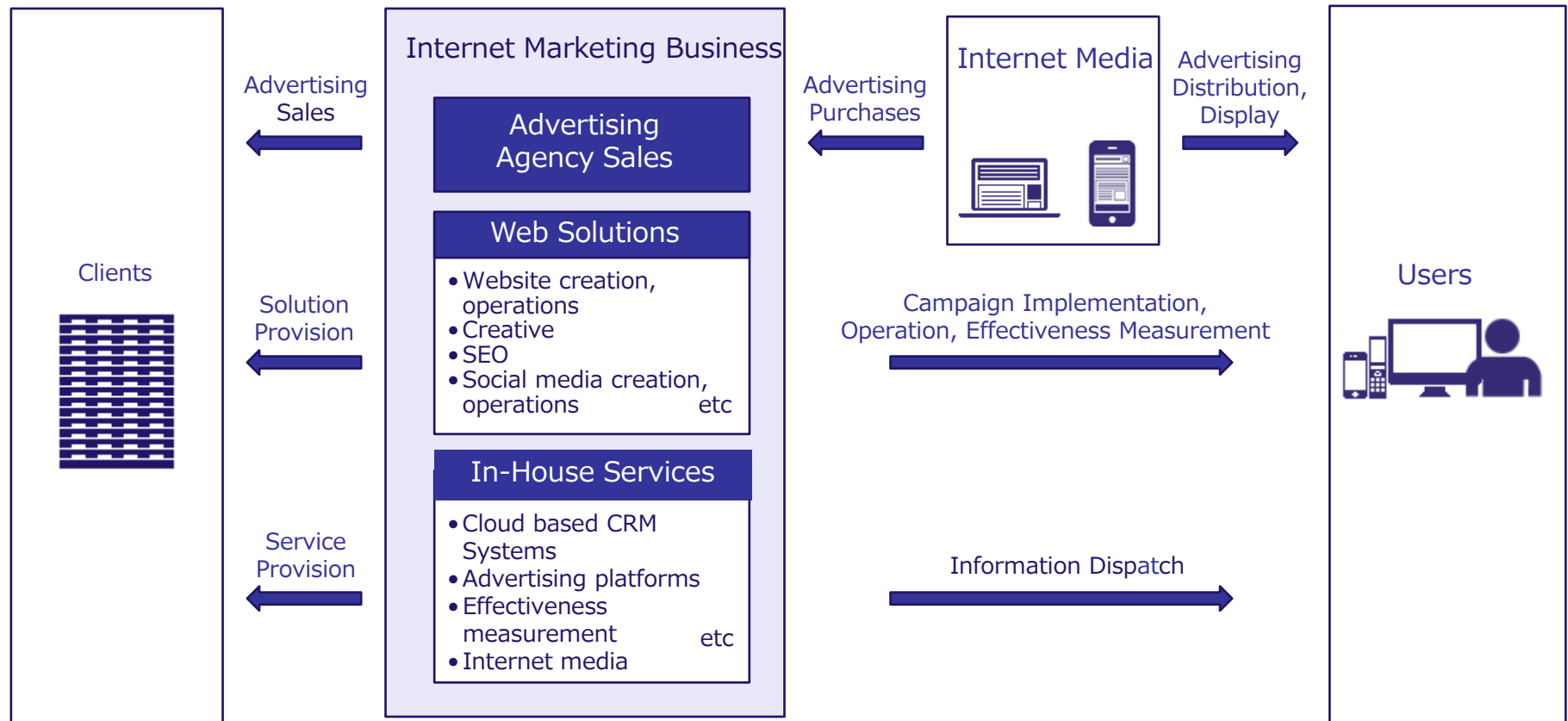


Operating Income



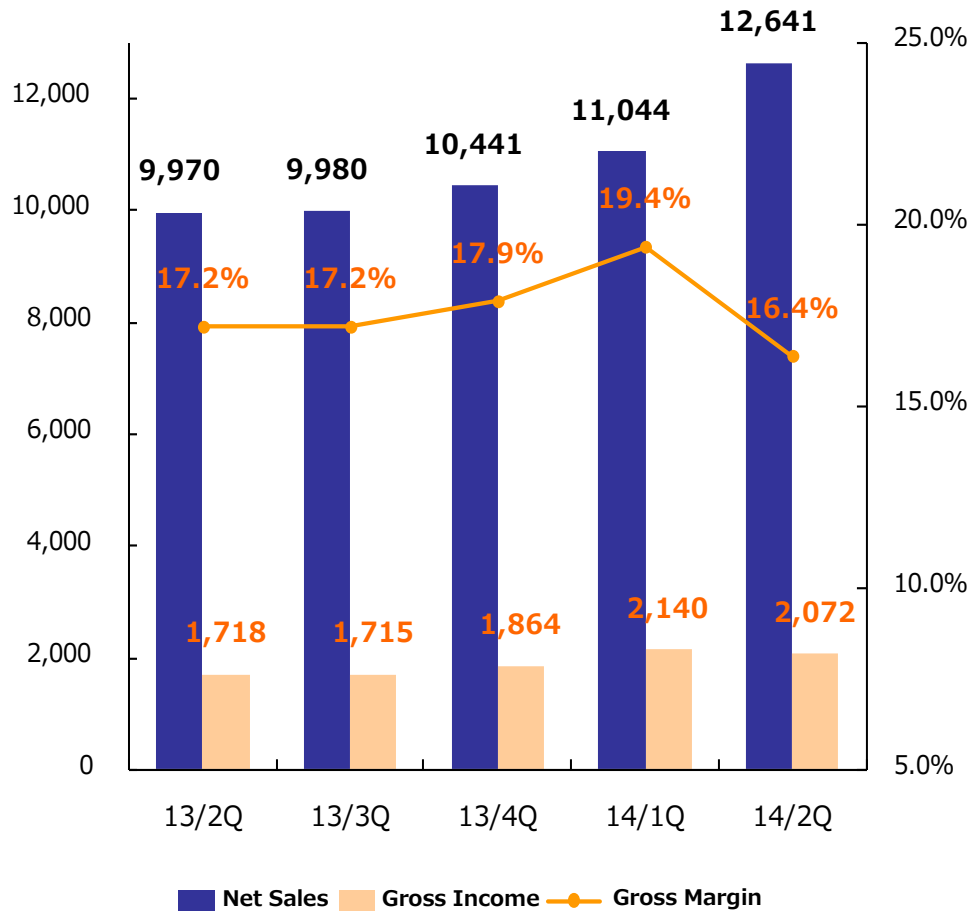
2. Internet Marketing Business

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.



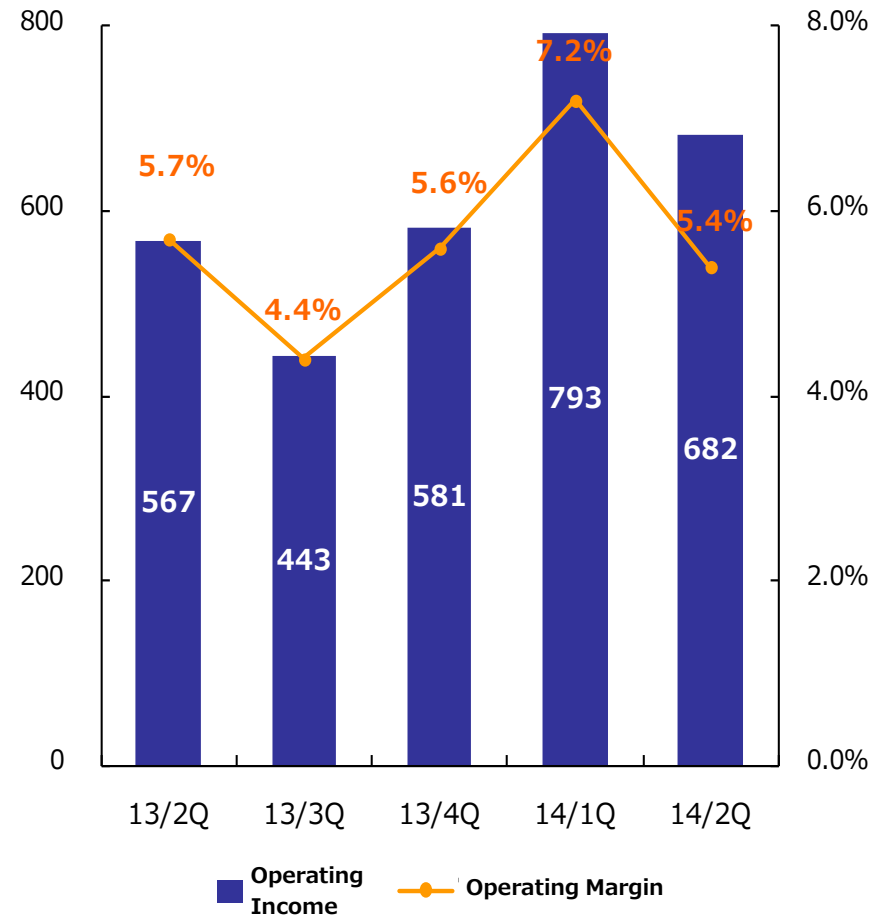
Net Sales, Gross Income

Net sales hit a new **record high**.



Operating Income

Operating income rose **20.2%** year on year.



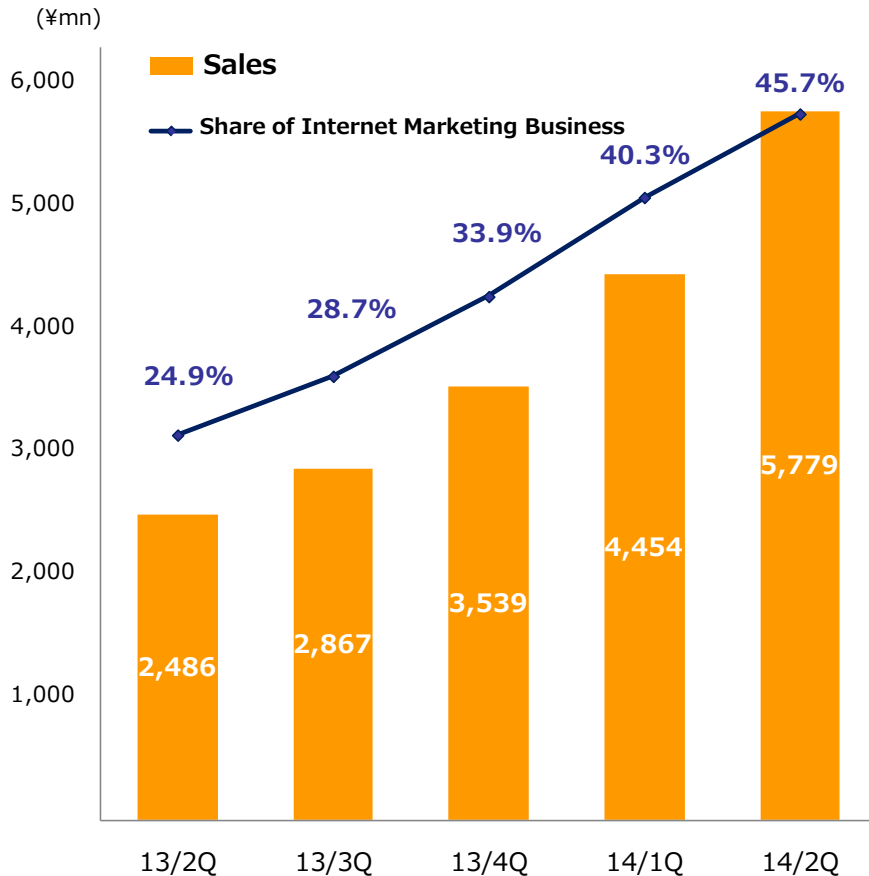
	2Q FY9/14			2Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	12,641	100.0%	+26.8%	9,970	100.0%
Gross Income	2,072	16.4%	+20.6%	1,718	17.2%
SG&A	1,390	11.0%	+ 20.9%	1,150	11.5%
Operating Income	682	5.4%	+20.2%	567	5.7%

Net sales **rose a significant 26.8%** year on year, due to the capturing of demand at the end of the period in Japan and expansion in overseas sales. Large contracts increased, and average spend per customer rose.

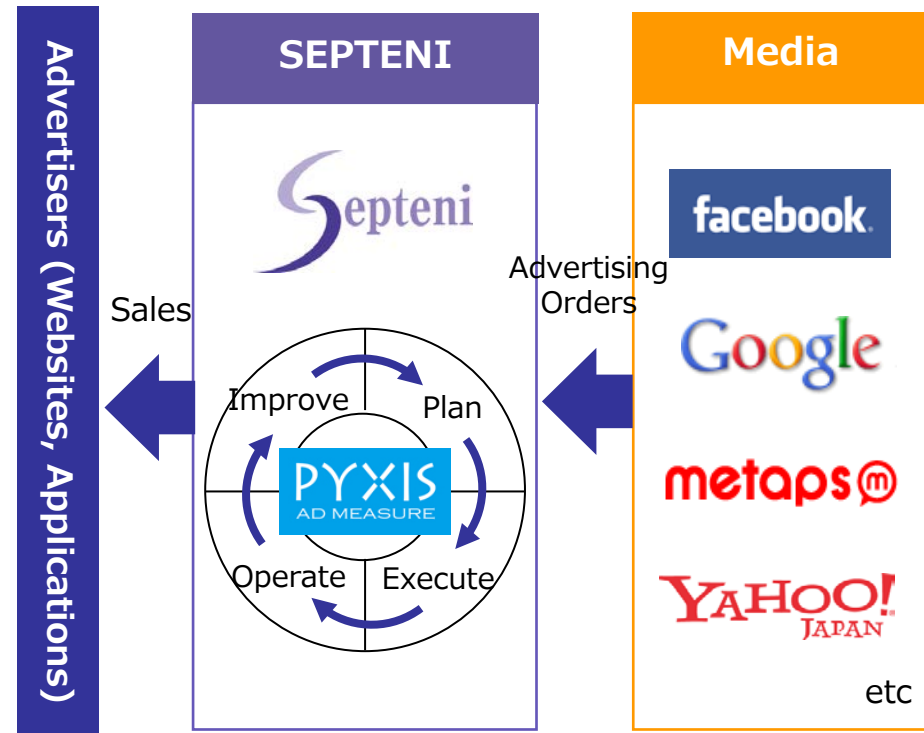
Gross income **increased 20.6%** (compared with increase of 15.2% in the same period a year ago) and topped 2,000 million yen. Both gross income and operating income rose to their second highest-ever level, behind the high of the first quarter of FY2014, when there was one factor that temporarily boosted gross income.

Growth of smartphone advertising accelerated due to increase in smartphone share of Social Media Business and headway with global expansion.

Smartphone Advertising Sales Trend



Business Model



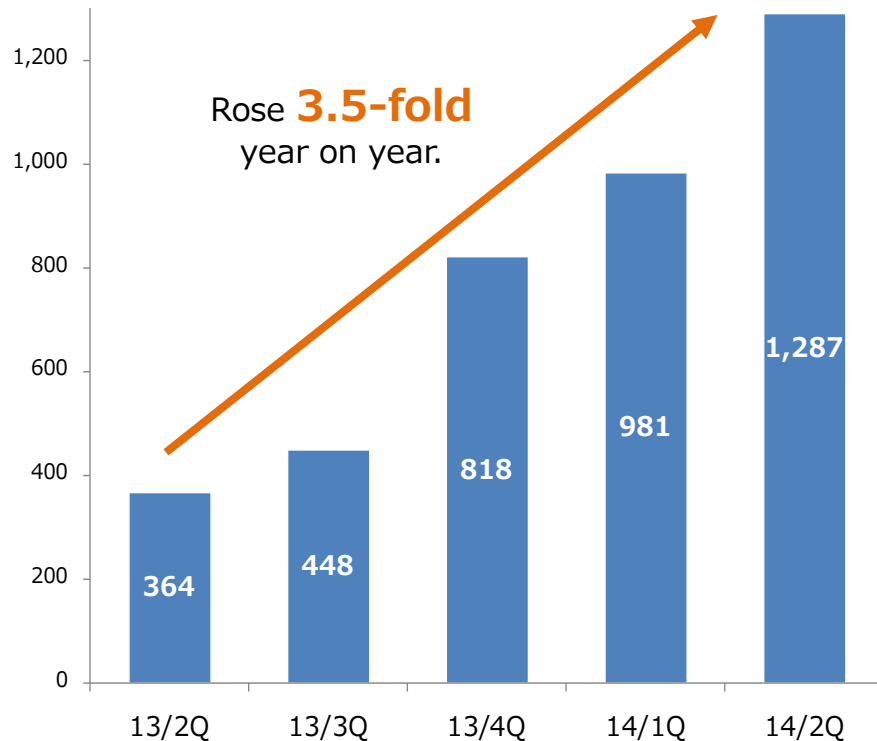
Sales were **around 2.3 times** the year-ago level. The sales share exceeded **45%**.

The shares of ad networks and social media grew.

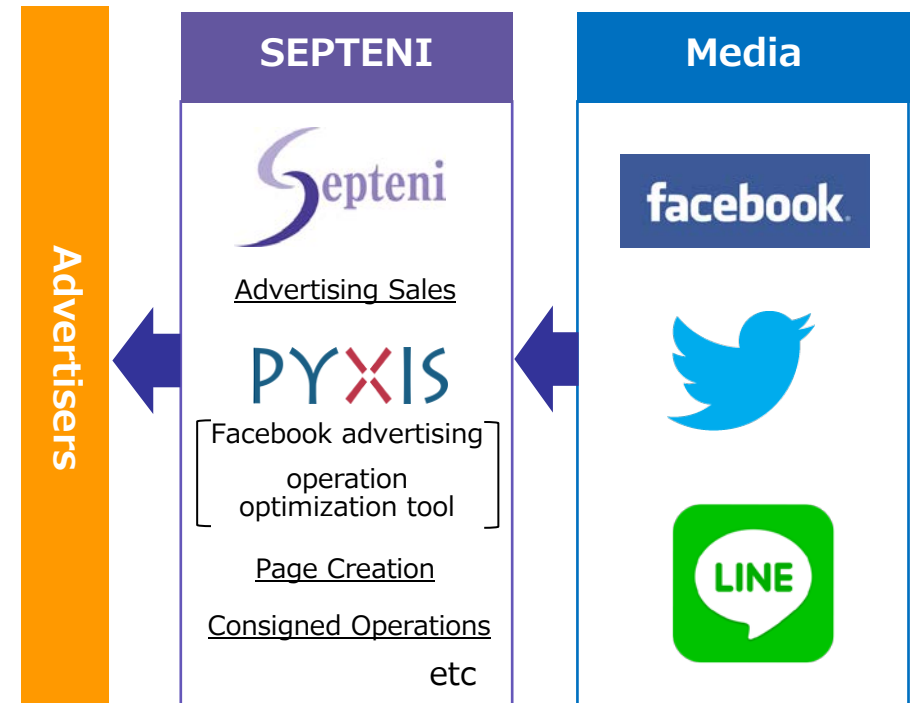
Social Media Business Sales Trend

(Aggregate of sales in Facebook, Twitter, and LINE)

(¥ mn)



Business Model



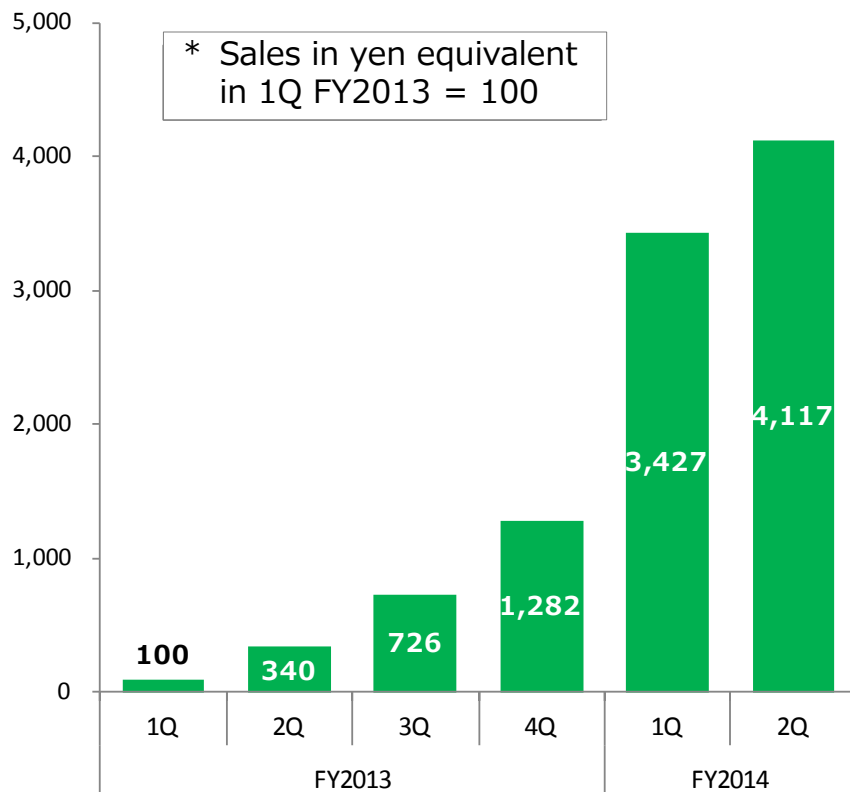
Facebook-related services maintained high growth.

In Japan, the average spend per customer is rising and, overseas, the business is developing markets in Asia.

Twitter advertising billings increased significantly.

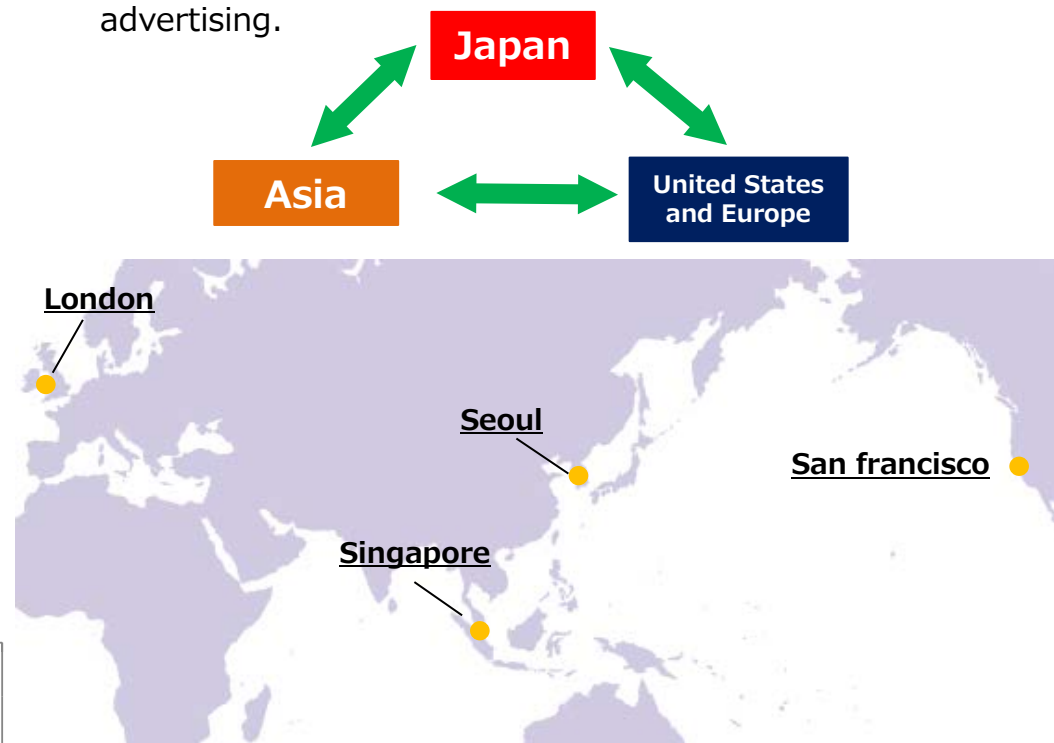
Overseas sales Trend

(index)



Business model

→ Operating out of **sales bases in four locations** overseas, and establishing a **cross-border trading system** for Internet advertising.



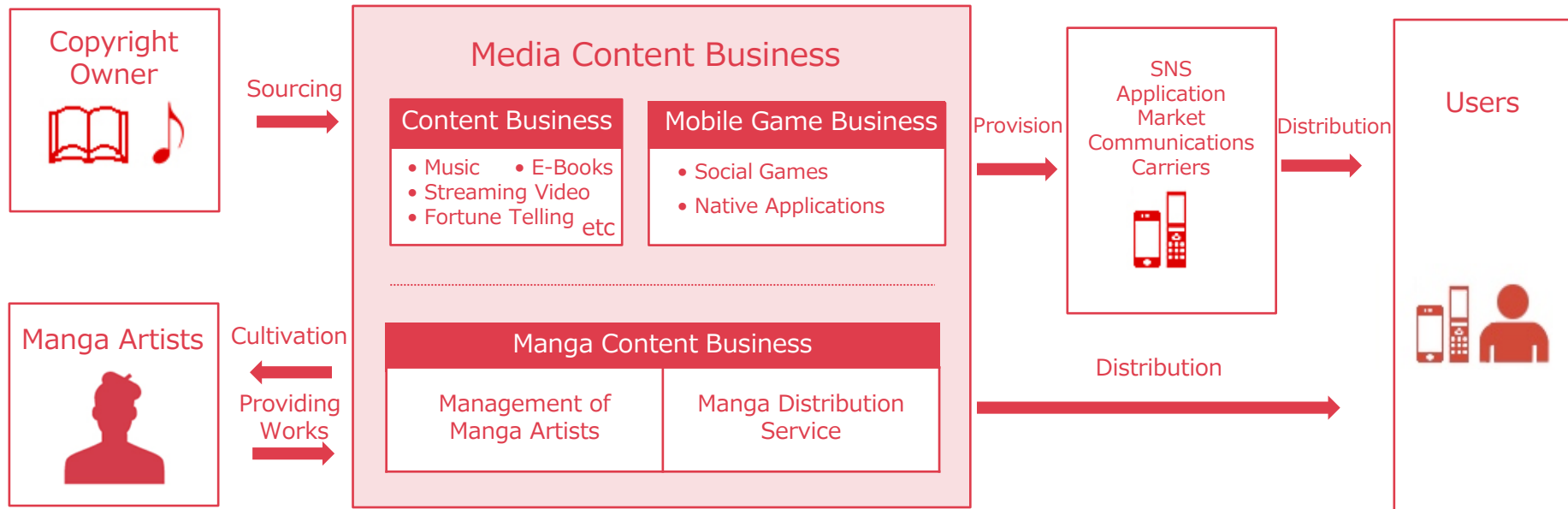
The billings of our North American base are expanding steadily, and growth in Asia is accelerating.

Sales bases were established in **London** (February) and **Seoul** (March), to develop business in the European market and strengthen business in the Asia market.

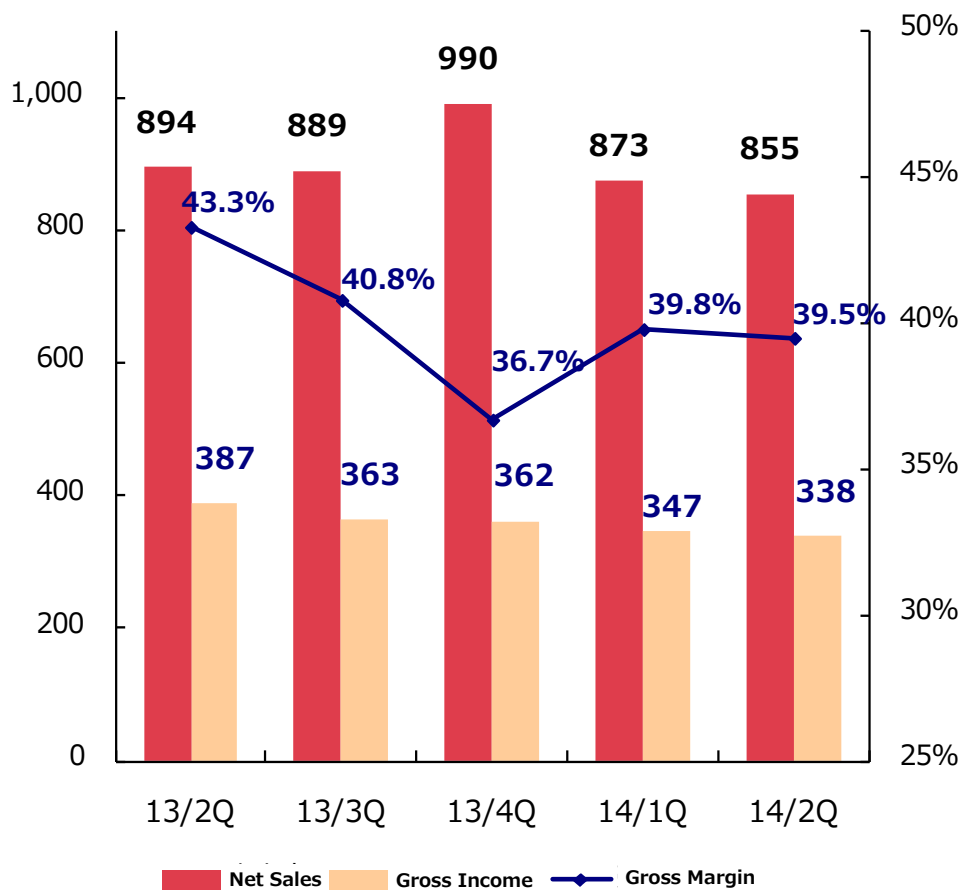
3. Media Content Business

The Media Content Business **plans and develops digital content**, including social games, primarily for smartphones, and provides it to users through SNS, the application market, and other platforms.

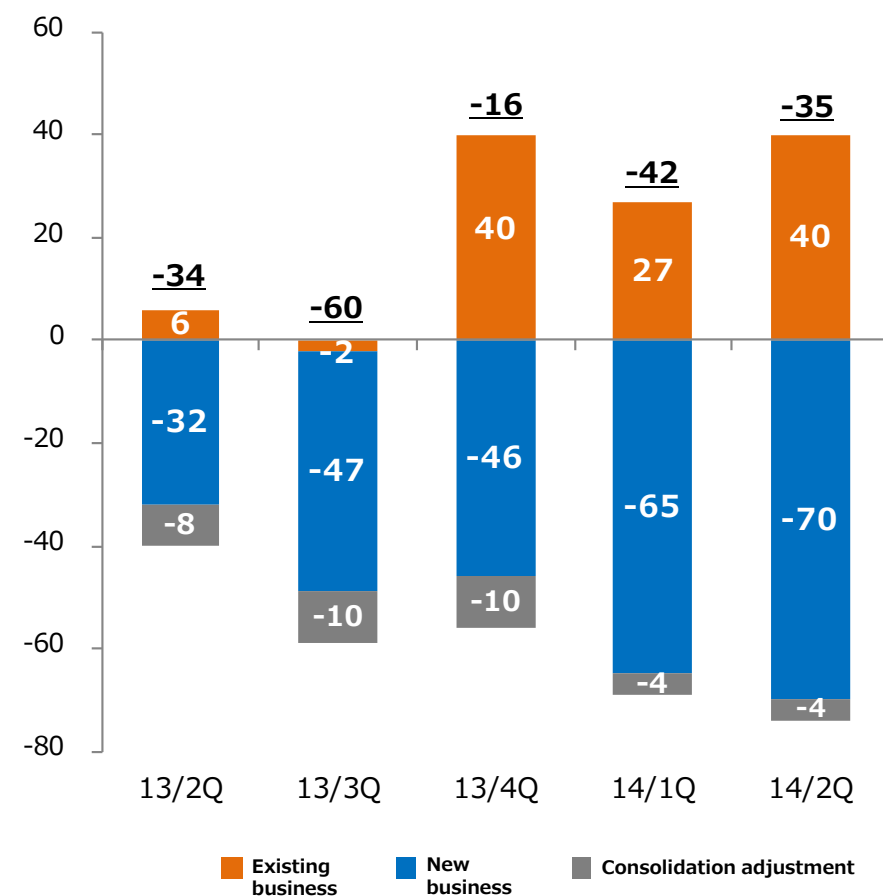
The business also develops and produces Manga artists and distributes Manga works, aiming to **plan and develop our own intellectual property**.



Net Sales, Gross Income



Operating Income (breakdown)

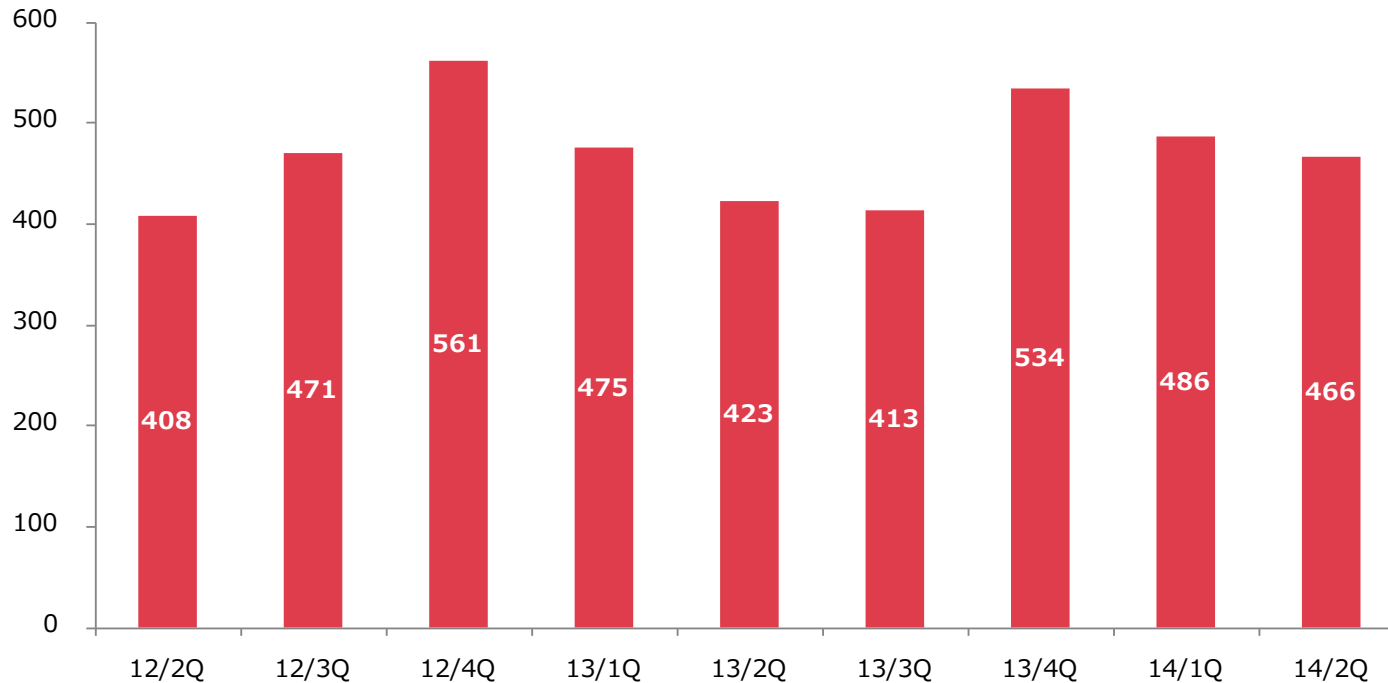


	2Q FY9/14			2Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	855	100.0%	− 4.3%	894	100.0%
Gross Income	338	39.5%	− 12.6%	387	43.3%
SG&A	373	43.7%	− 11.5%	422	47.2%
Operating Income	− 35	− 4.1%	(− 0)	− 34	− 3.9%

The performance of the Mobile Game Business was firm.
 AXEL MARK generated operating income of ¥40 million, reflecting cost-cutting.

Upfront investments in new businesses were expanded, focusing on the
 Manga Content Business.
 Operating loss associated with new businesses rose to ¥70 million.

Axel Mark Mobile Game Sales Trend



©Axel Mark/©E★EVERYSTAR



© SEGA Networks / © AXEL MARK

Although no new titles were released in 2Q as in 1Q, existing titles achieved a firm performance, and sales rose from a year earlier.

Sangokushi TRIBE, a collaborative title with gloops, will start being distributed by Mobage in 3Q.

Completely native applications under development are planned to be released from 3Q.



© gloops, Inc. © AXEL GameStudio Inc.

Route M, a program to support new manga artists

- Content of support was renewed and stage system was adopted.



Stage		Amount of support per month	Editing	Use of studio	Assistant	Release of a book in a single volume	General producing
M5	Work being serialized on GANMA!	¥500,000	○	○	○	○	○
M4		¥300,000	○	○	○	○	—
M3		¥200,000	○	○	○	—	—
M2		¥150,000	○	○	—	—	—
M1	One-shot work published or being planned	¥100,000	○	○	—	—	—

GANMA!, a service to distribute new serial Manga works online

- Application downloads exceeded 300,000.
- Serialization of 11 works began from February, bringing number of serialized works to 23 as of May 1.

Examples of serial works



*Musashikun to
Murayamasan wa
tsukiatteremita*



Cat is silver vine



Bangyaloop

4 First half FY9/14 Consolidated Earnings and 3Q Earning Estimates

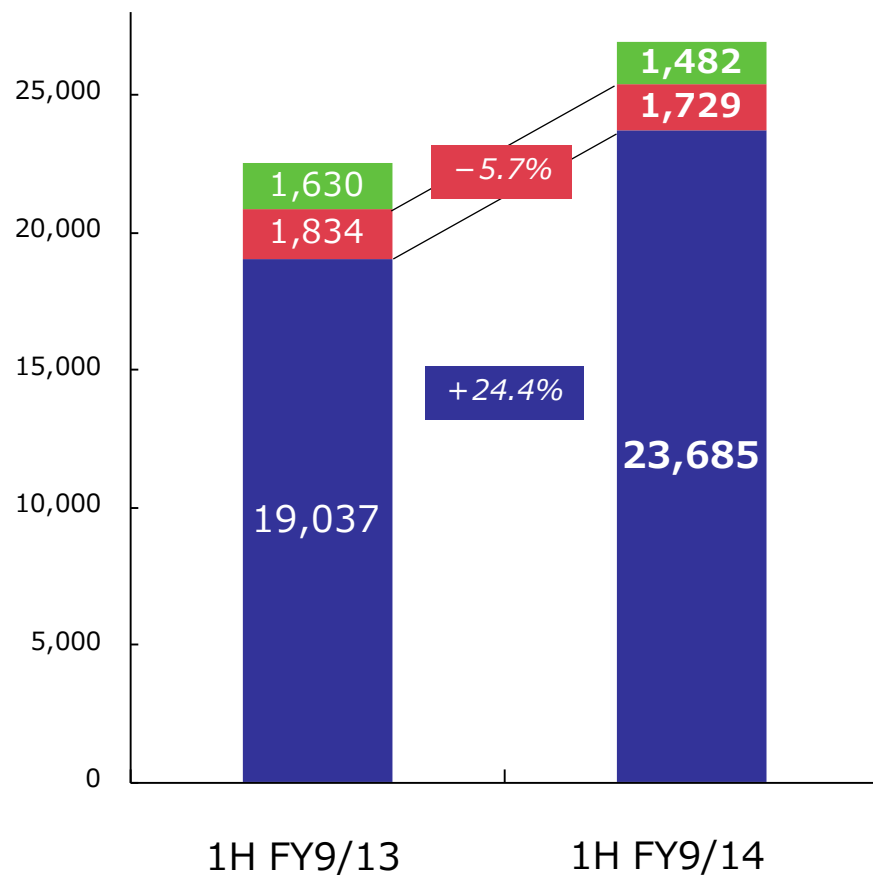
	First half FY9/14			First half FY9/13		First half FY9/14 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	26,779	100.0%	+19.2%	22,458	100.0%	25,832
Gross Income	5,094	19.0%	+16.3%	4,380	19.5%	—
SG&A	3,800	14.2%	+5.3%	3,609	16.1%	—
Operating Income	1,293	4.8%	+67.9%	770	3.4%	1,262
Ordinary Income	1,380	5.2%	+56.8%	880	3.9%	1,317
Net Income	789	3.0%	+7.1%	736	3.3%	763

Operating income increased sharply, and **all figures represented reached new record highs.**

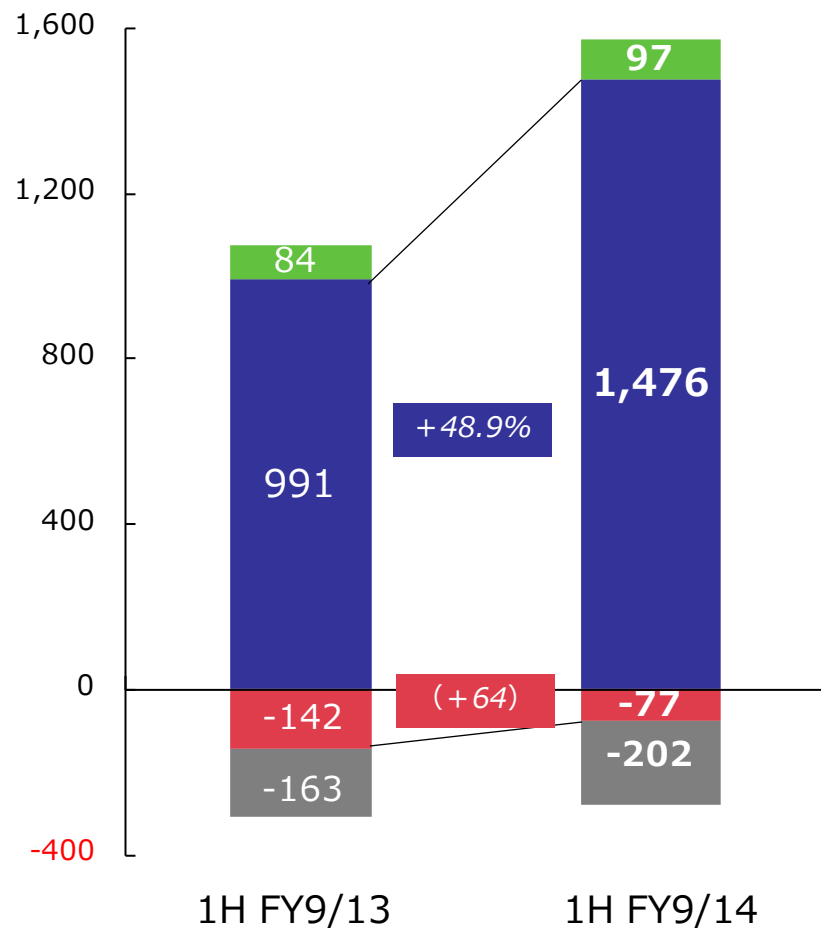
- The Internet Marketing Business achieved expansion of operations and profit growth.
- The Media Content Business narrowed its operating loss by ¥64 million.

Extraordinary income of ¥313 million associated with the sale of group companies was posted in 2Q of the previous year.

Net Sales



Operating Income



Internet Marketing

Media Content

Other

Adjustment (corporate expenses, etc)

						Earnings Estimates for 1Q-3Q FY9/14	Expected growth rate (1Q-3Q)
	Earnings in 1H FY9/13	Earnings in 3Q FY9/13	Earnings in 1Q-3Q FY9/13	Earnings in 1H FY9/14	Earnings Estimates for 3Q FY9/14		
Net Sales	22,458	11,552	34,010	26,779	13,500	40,279	+ 18.4%
Operating Income	770	323	1,094	1,293	350	1,643	+ 50.2%
Ordinary Income	880	342	1,222	1,380	360	1,740	+ 42.3%
Net Income	736	174	910	789	220	1,009	+ 10.8%

In 3Q (April to June), SG&A expenses, especially labor costs, are expected to rise as usual, reflecting high levels of upfront investment in human resources, including 99 new graduate employees joining the company in April.

The Internet Marketing Business is expected to achieve year-on-year growth in both sales and income.

The Media Content Business is expected to see its operating loss widen in 3Q, given the continued upfront investments in the Mobile Game Business and the Manga Content Business.

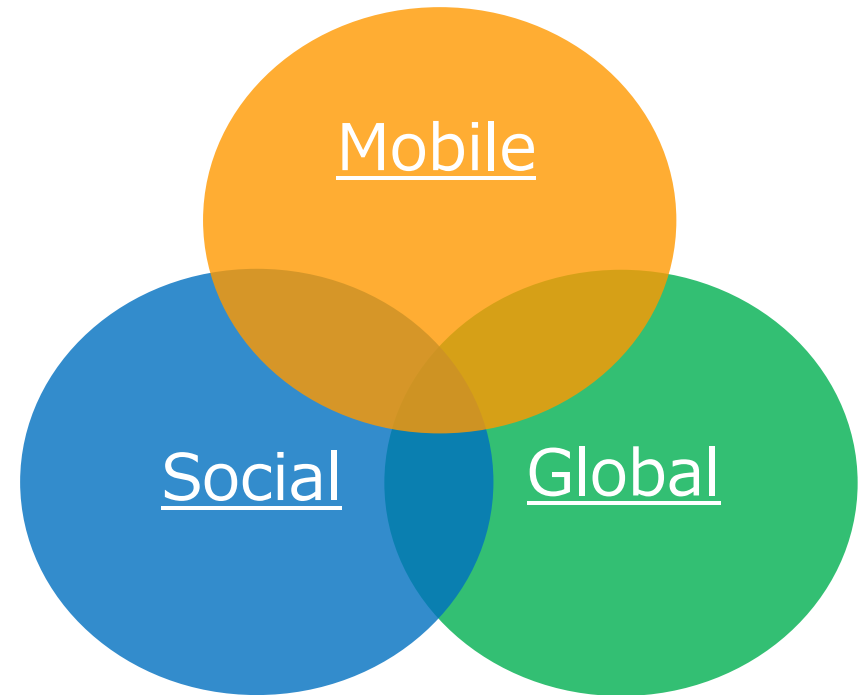
Concept

"Double profits"

Increase the share of highly profitable businesses

Create a mainstay business second to advertising

Business Focus



Thank you for your interest!

Contact Information

SEPTENI HOLDINGS CO., LTD.

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

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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 May 1, 2014 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

As of March 31, 2014

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato Chairman of the Board and Representative Director Mamoru Nanamura
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	¥2,045 million
Shares Issued	27,118,600 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	693 full time employees, 831 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

May 1, 2014

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 Original, Inc.	Planning and developing its own services
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 Europe Co., Ltd	Internet marketing business for Europe 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

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
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New Business Development

SEPTENI VENTURES Co., Ltd.

	End 2Q FY9/14	End 1Q FY9/14	Change	Main Changes
Current Assets	15,598	13,735	+ 1,862	Cash and deposits: + 563 Notes and accounts receivable-trade: + 1,536 Accounts receivable: – 201
Non-current Assets	2,472	2,490	– 17	
Total Assets	18,070	16,225	+ 1,845	
Current Liabilities	8,968	7,516	+ 1,452	Accounts Payable + 1,196 Unpaid tax: + 356
Non-current Liabilities	43	43	– 0	
Total Liabilities	9,012	7,560	+ 1,452	
Total Net Assets	9,058	8,664	+ 394	Retained earnings: + 375
Total Liabilities, Net Assets	18,070	16,225	+ 1,845	

	2Q FY9/14 (Jan-Mar)	Main Changes	2Q FY9/13 (Jan-Mar)
Cash Flows from Operating Activities	582	Net income before taxes: + 641 Increase in bonus reserves + 170 Increase in notes and accounts receivable-trade-1,536 Increase in accounts payable + 1,196	231
Cash Flows from Investing Activities	-479	Time deposits:-606 Sales of investment securities: + 100	741
Cash Flows from Financing Activities	-39	Decrease in loans payable: -40	-40
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-6		4
Net Increase (Decrease) in Cash and Equivalents	57		937
Change in Cash and Equivalents Resulting from Merger of Consolidated Subsidiaries	—		2
Cash and Equivalents at Term End	6,729		5,762

