

Business Results for 3Q Fiscal Year September 2014

July 31, 2014

SEPTENI HOLDINGS CO., LTD.

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

Securities Code: 4293



1. Quarterly Consolidated Earnings Overview
2. Internet Marketing Business
3. Media Content Business
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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: **¥13,580mn** (Up 17.6% year on year)

Operating Income: **¥410mn** (Up 26.7% year on year)

- Both net sales and operating income reached **new record highs** for 3Q.

The Internet Marketing Business continued to grow steadily.

- Sales were **up 20.7%** and operating income was **up 24.9%** year on year.
- The share of smartphone advertisements exceeded **50%**.

The Media Content Business posted an increase in operating loss.

- The Mobile Game Business released a new title. Meanwhile, there was an increase in advanced development costs.
- Upfront investments were actively made in the Manga Content Business.

	3Q FY9/14			3Q FY9/13		3Q FY9/14 Estimate
	Value	Share	YY Change	Value	share	
Net Sales	13,580	100.0%	+17.6%	11,552	100.0%	13,500
Gross Income	2,458	18.1%	+12.9%	2,178	18.9%	—
SG&A	2,048	15.1%	+10.4%	1,854	16.1%	—
Operating Income	410	3.0%	+26.7%	323	2.8%	350
Ordinary Income	399	2.9%	+16.7%	342	3.0%	360
Net Income	398	2.9%	+129.1%	174	1.5%	220

An increase in the profits of the Internet Marketing Business offset an increase in the deficits of the Media Content Business (-¥43 million).

Operating income was **up 26.7%**, and the operating margin also improved year on year.

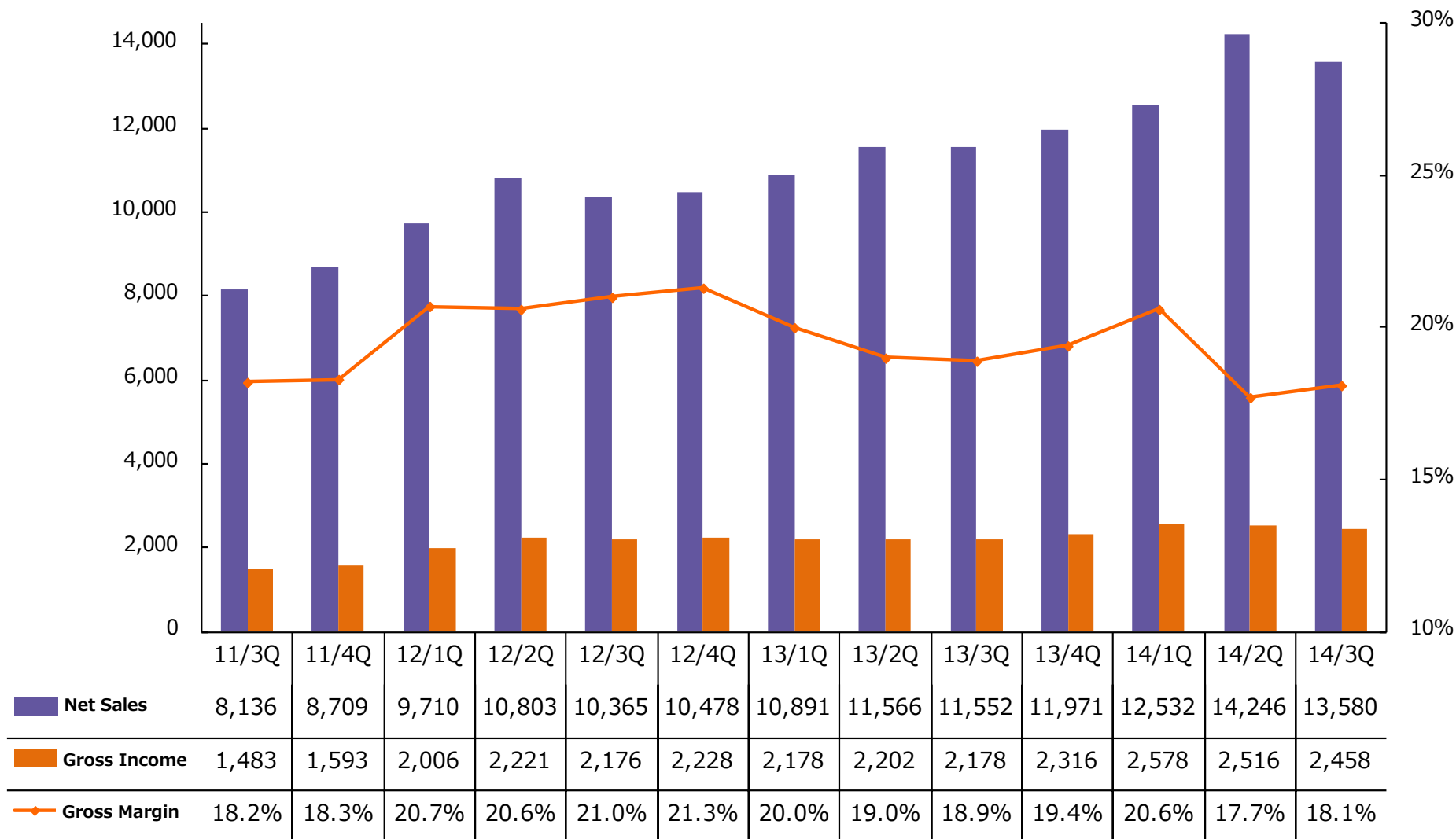
Investment in human resources was actively made, such as hiring 99 new graduate employees throughout the entire group.

Tax expenses decreased due to a request to apply the consolidated taxation system from FY9/15.

Net income increased substantially by around 2.3 times the year-ago level.

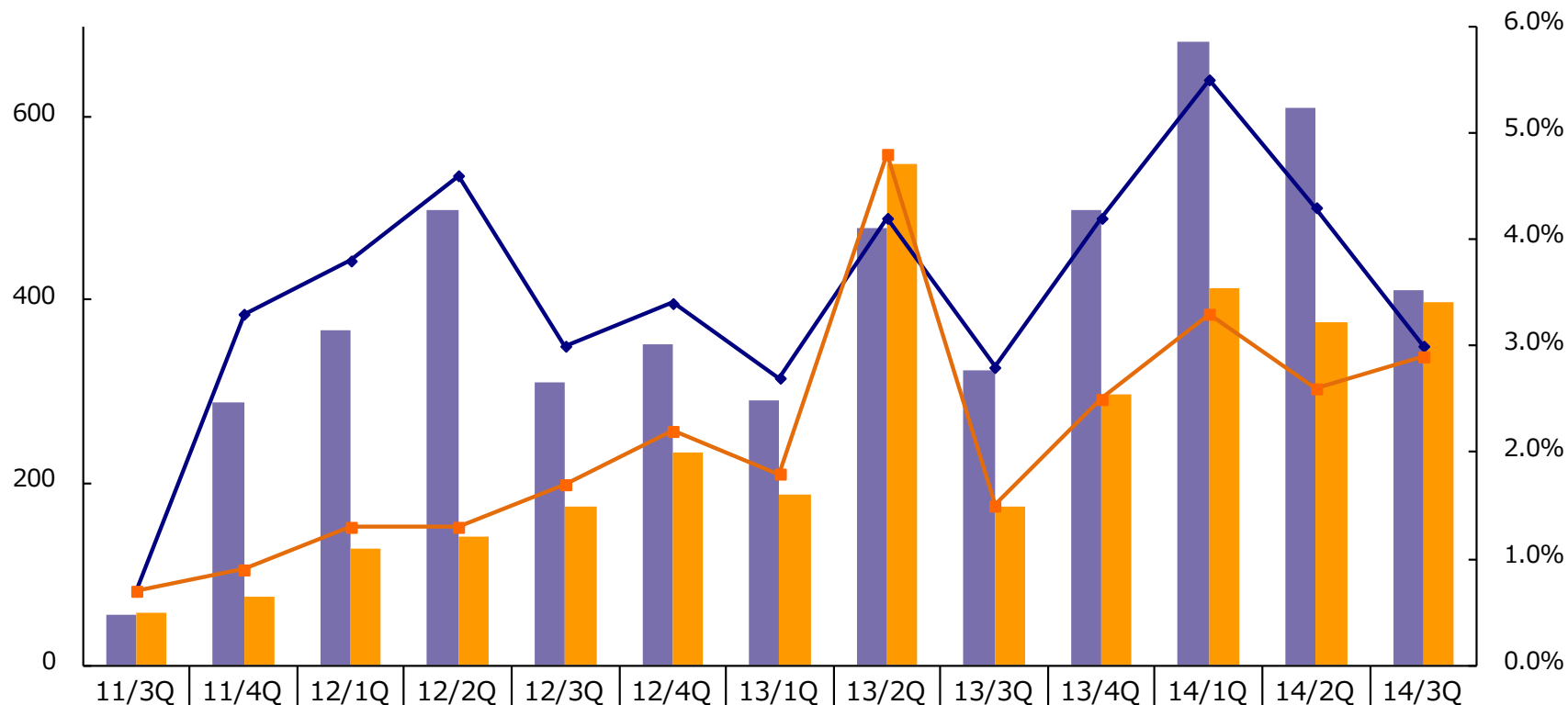
Net Sales, Gross Income

The gross margin improved quarter on quarter.



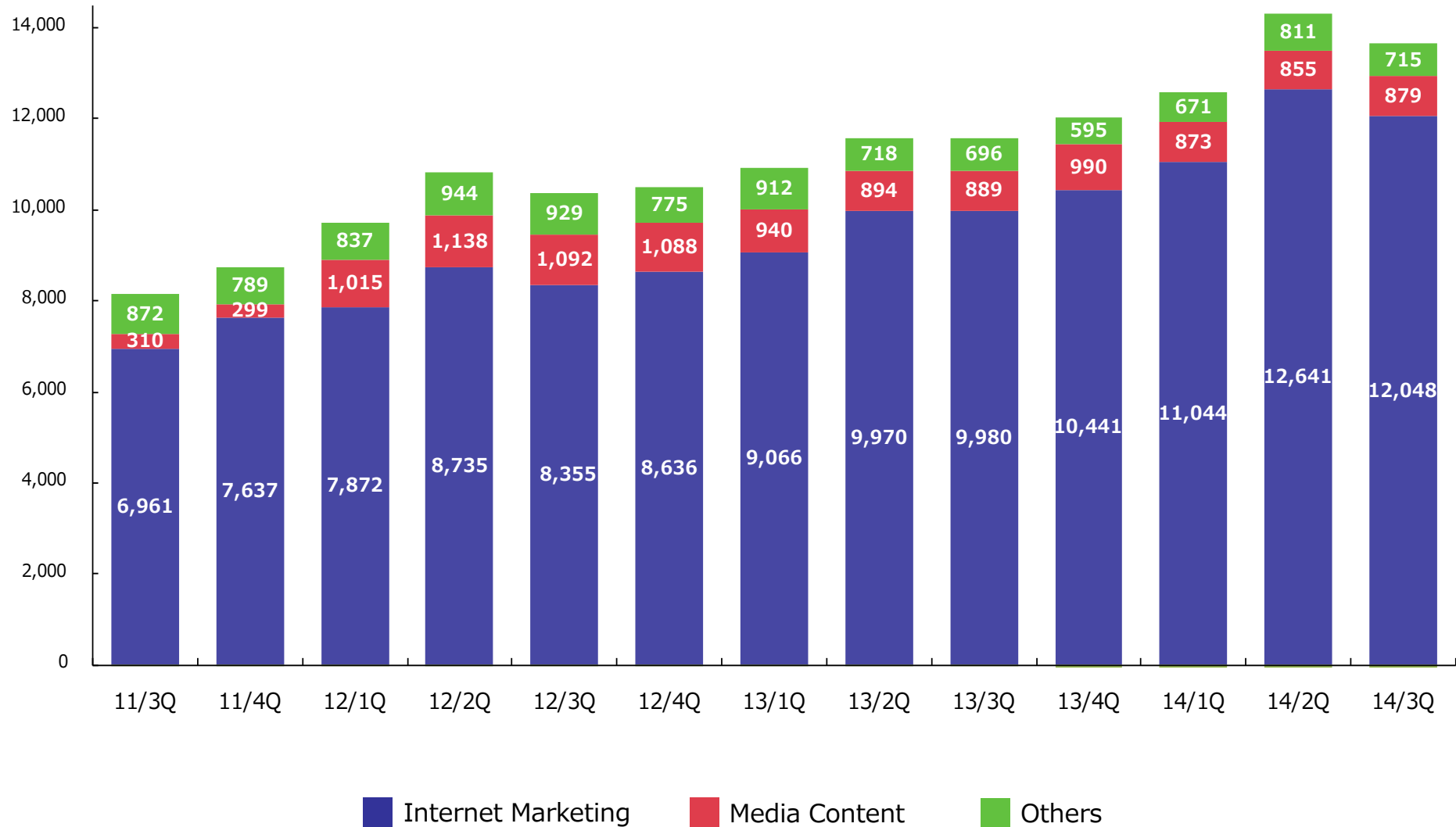
Operating Income, Net Income

Operating income rose **26.7%** year on year.

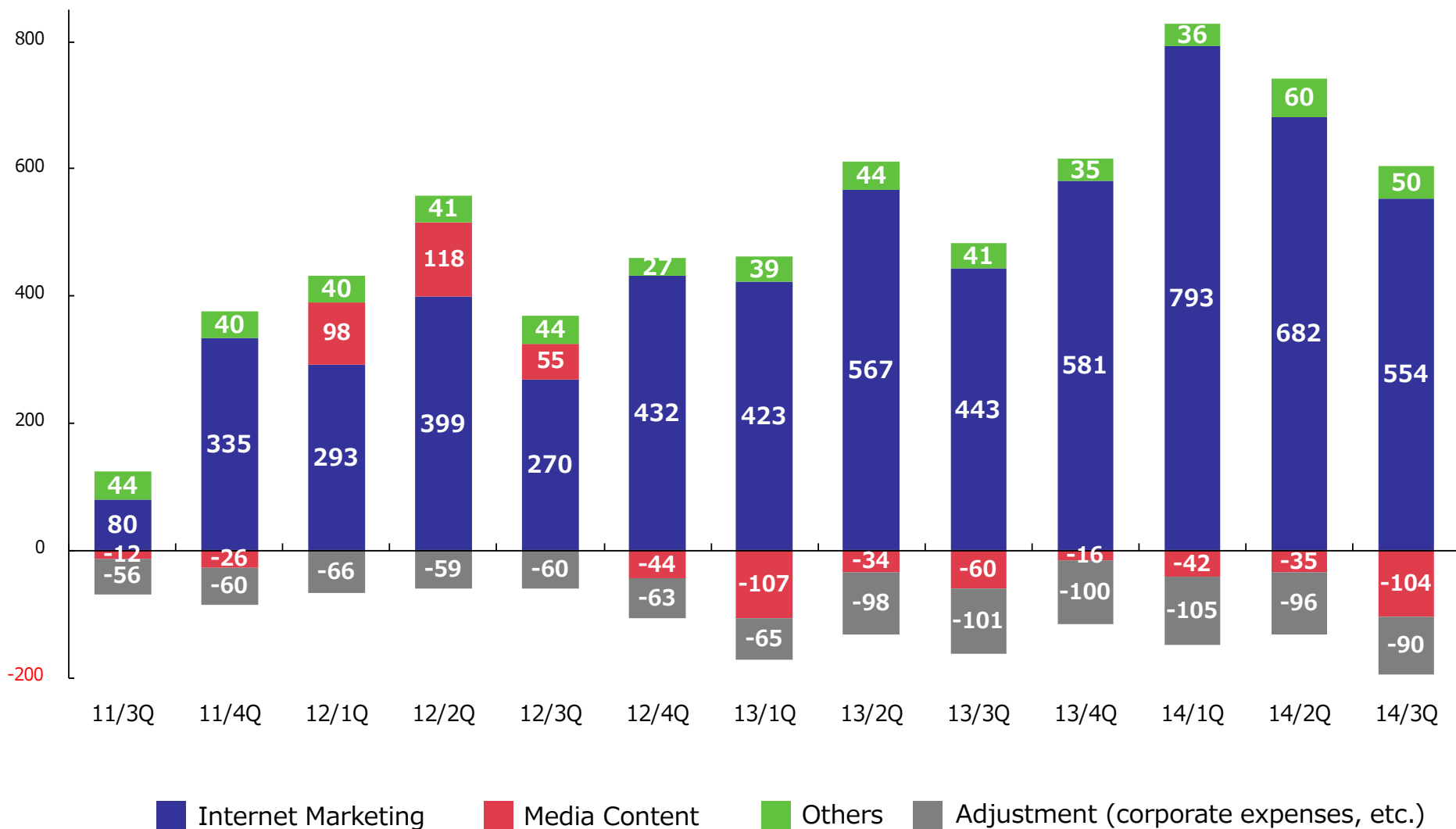


Operating Income	55	288	366	498	310	351	290	479	323	499	682	611	410
Net Income	58	76	128	141	173	233	186	549	174	296	413	375	398
Operating Margin	0.7%	3.3%	3.8%	4.6%	3.0%	3.4%	2.7%	4.2%	2.8%	4.2%	5.5%	4.3%	3.0%
Net Income Margin	0.7%	0.9%	1.3%	1.3%	1.7%	2.2%	1.8%	4.8%	1.5%	2.5%	3.3%	2.6%	2.9%

Net Sales

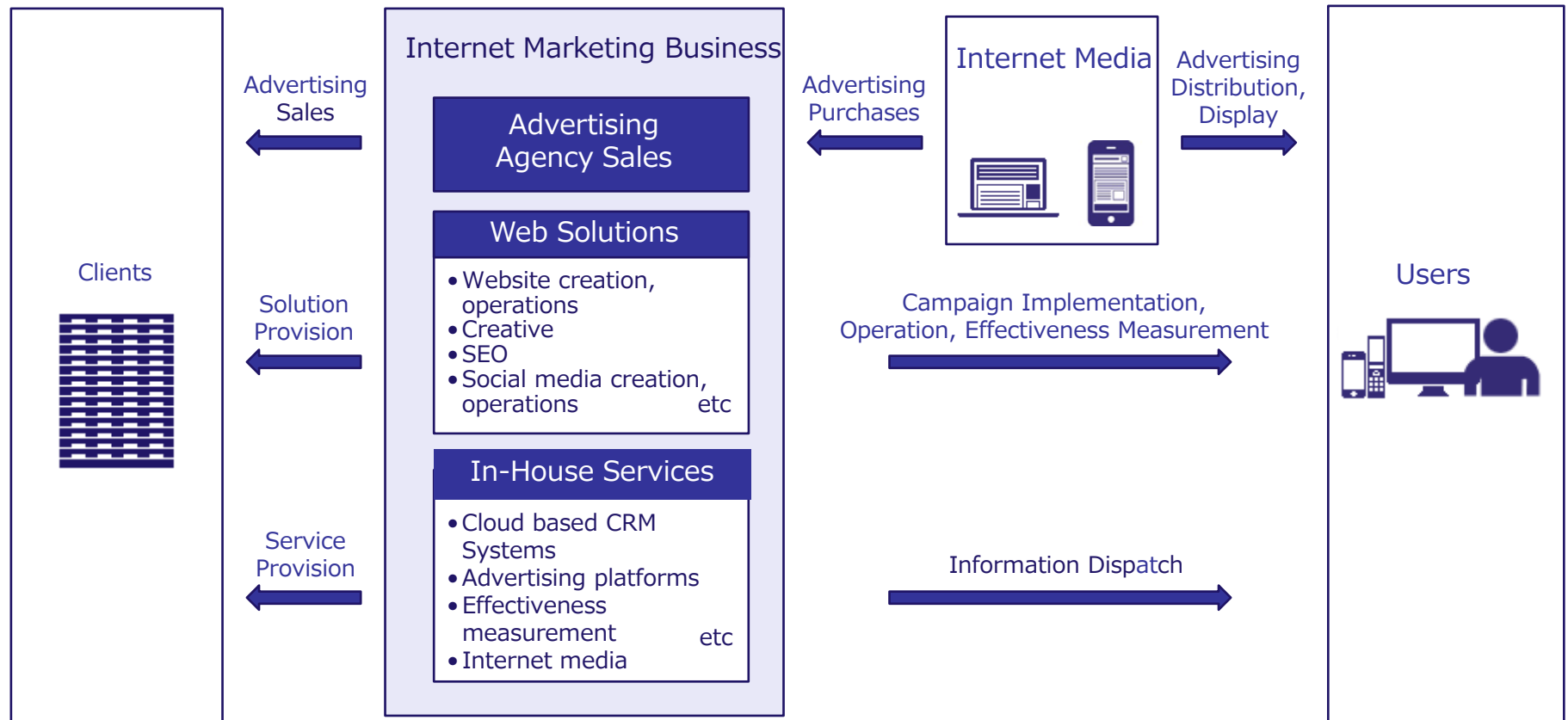


Operating Income



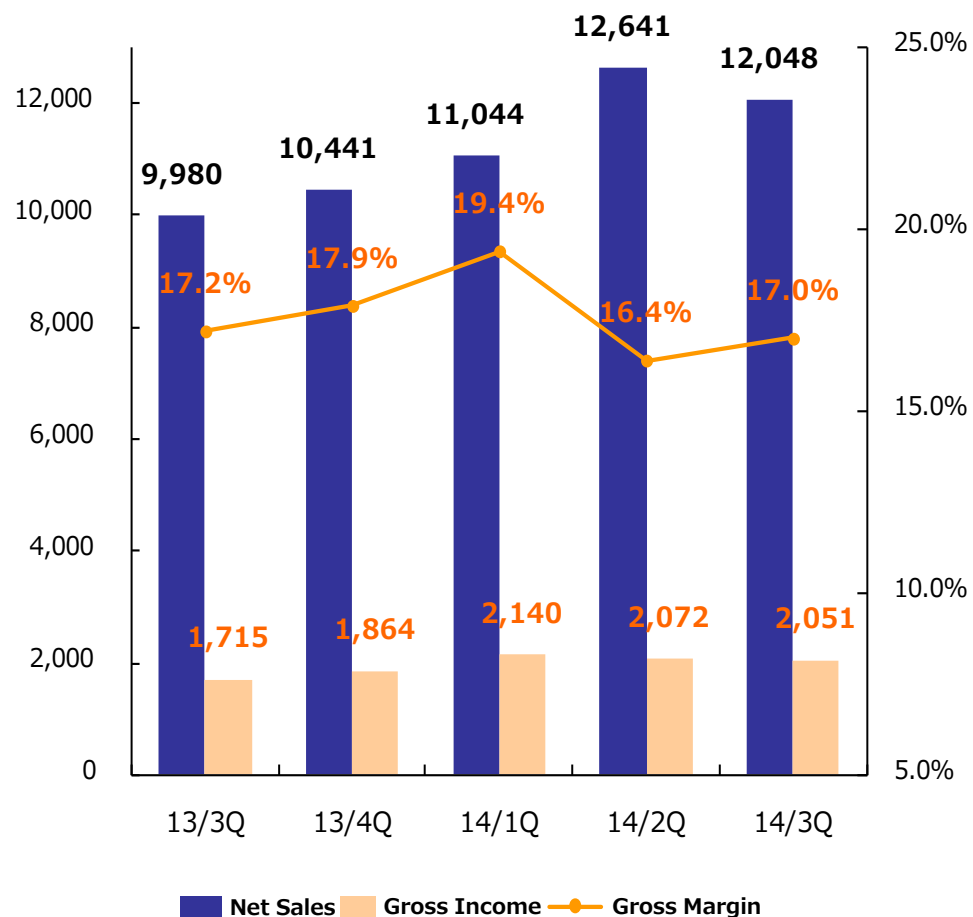
2. Internet Marketing Business

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



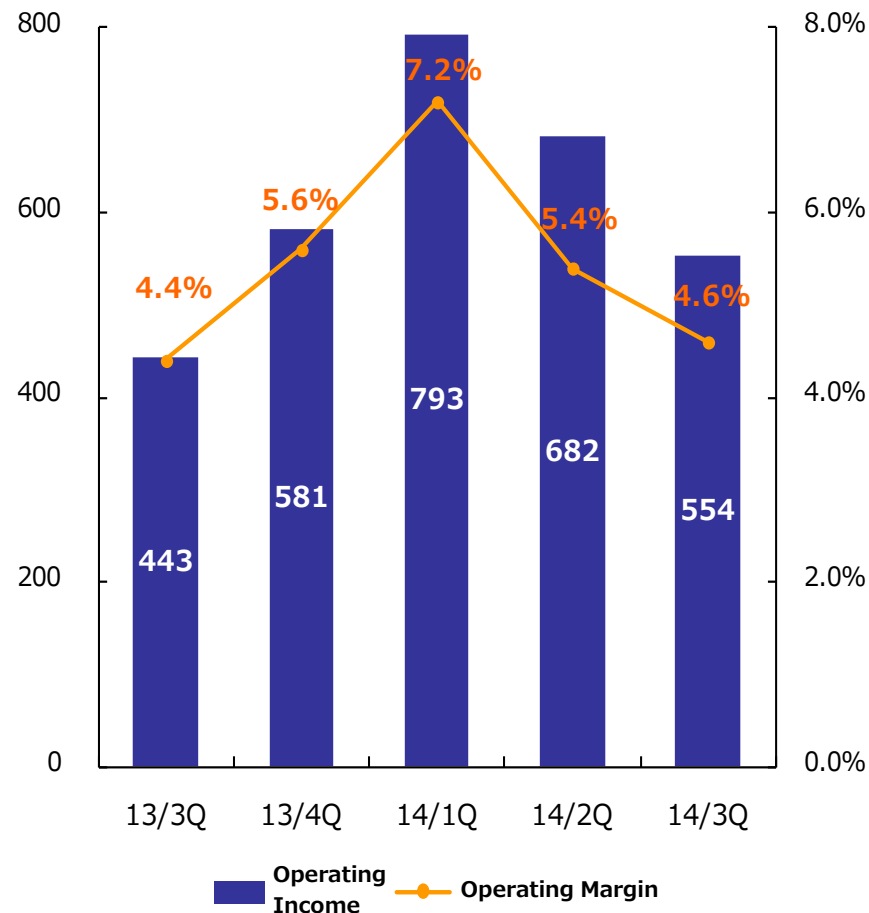
Net Sales, Gross Income

The gross margin improved quarter on quarter.



Operating Income

Operating income rose **24.9%** year on year.



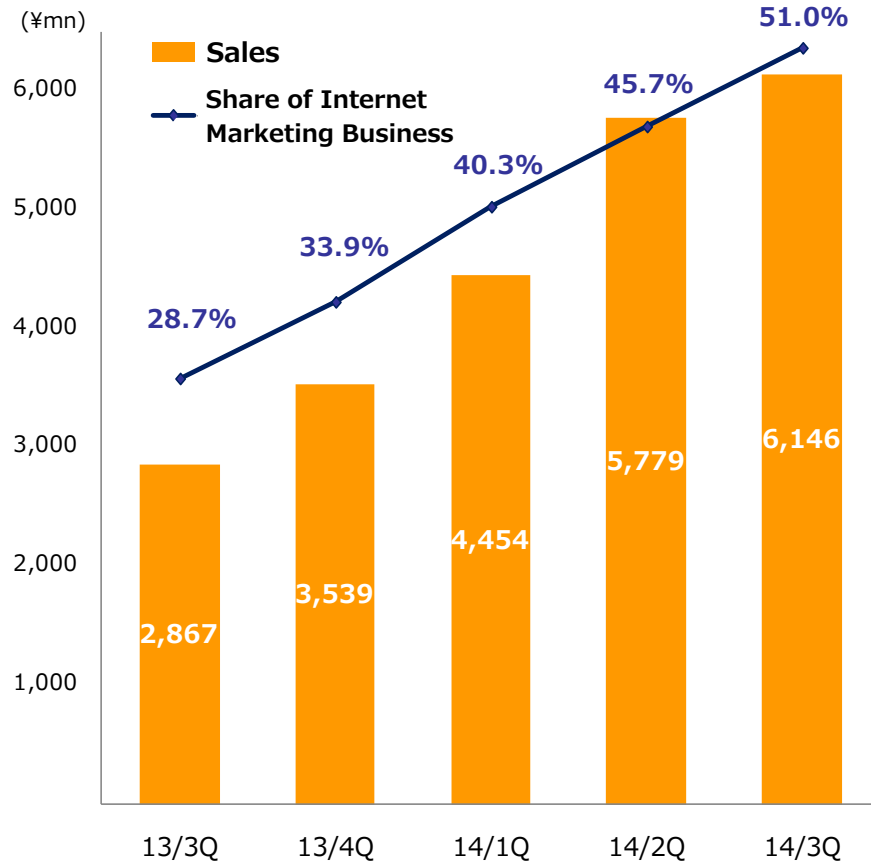
	3Q FY9/14			3Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	12,048	100.0%	+20.7%	9,980	100.0%
Gross Income	2,051	17.0%	+19.6%	1,715	17.2%
SG&A	1,497	12.4%	+17.8%	1,271	12.7%
Operating Income	554	4.6%	+24.9%	443	4.4%

Demand for Internet advertising was firm following the increase in consumption tax. Net sales were **up 20.7%** year on year owing to an increase in advertising by online service providers in Japan and overseas.

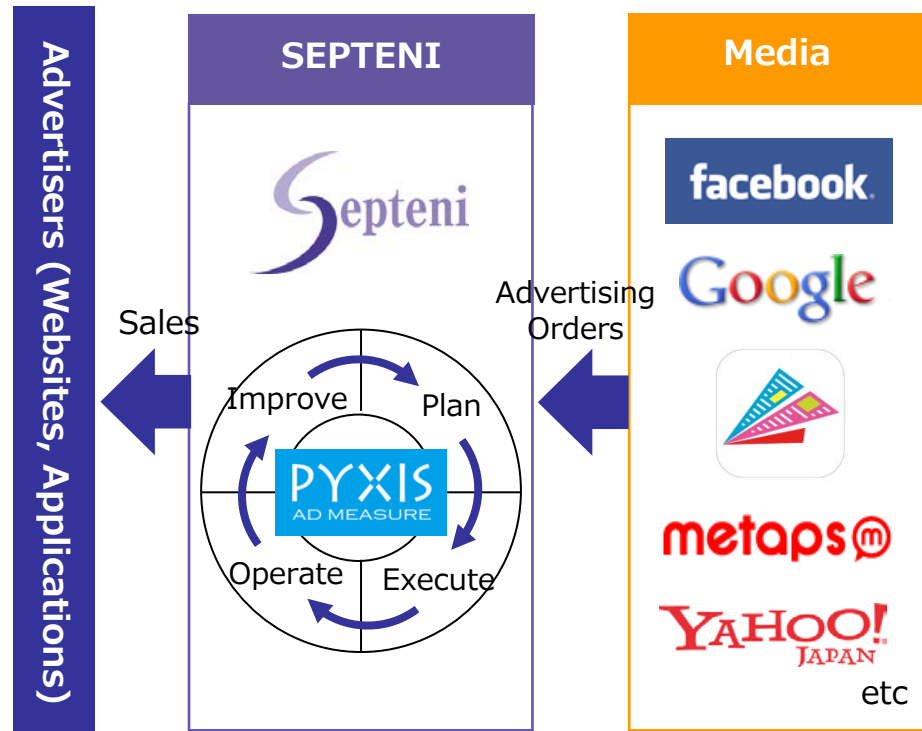
Operating income was **up 24.9%**, and the operating margin also improved year on year thanks to the impact of increased sales offsetting an increase in SG&A arising from active investment in human resources centered on 73 new graduate employees.

The share of smartphone advertising exceeded **50%**.
An increase in billings overseas and the growth of the Social Media Business contributed to this.

Smartphone Advertising Sales Trend



Business Model

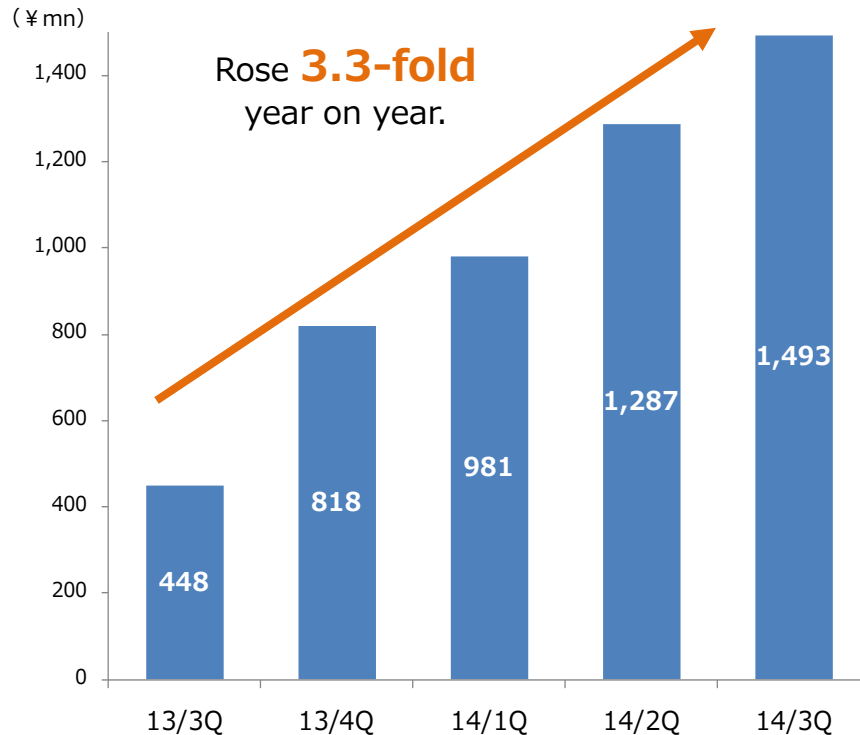


Sales were **around 2.1 times** the year-ago level. The sales share exceeded **50%**.

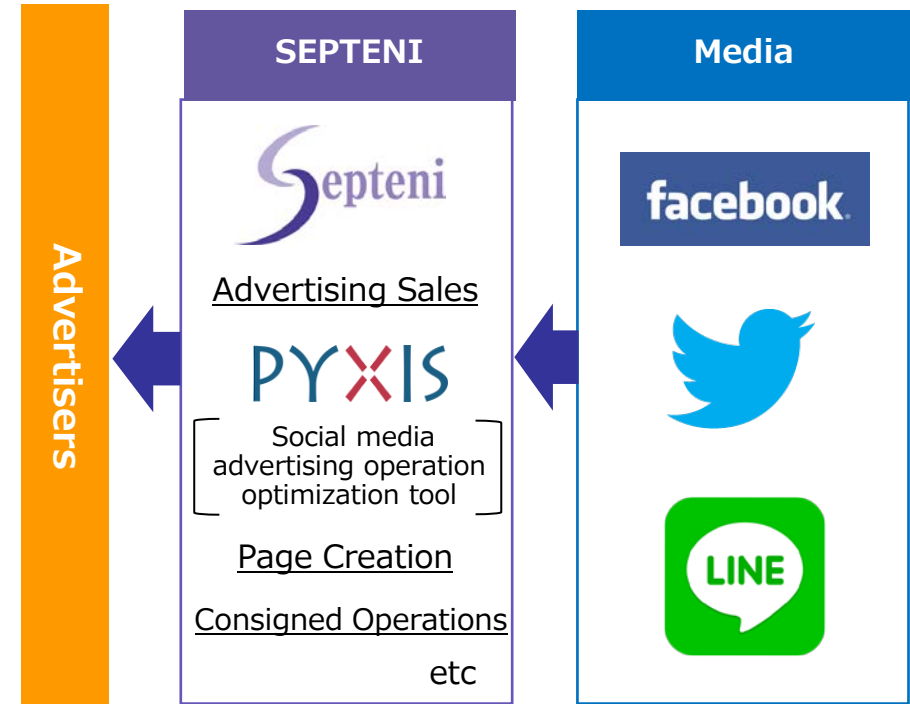
News application advertising billings increased sharply.

Social Media Business Sales Trend

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



Business Model



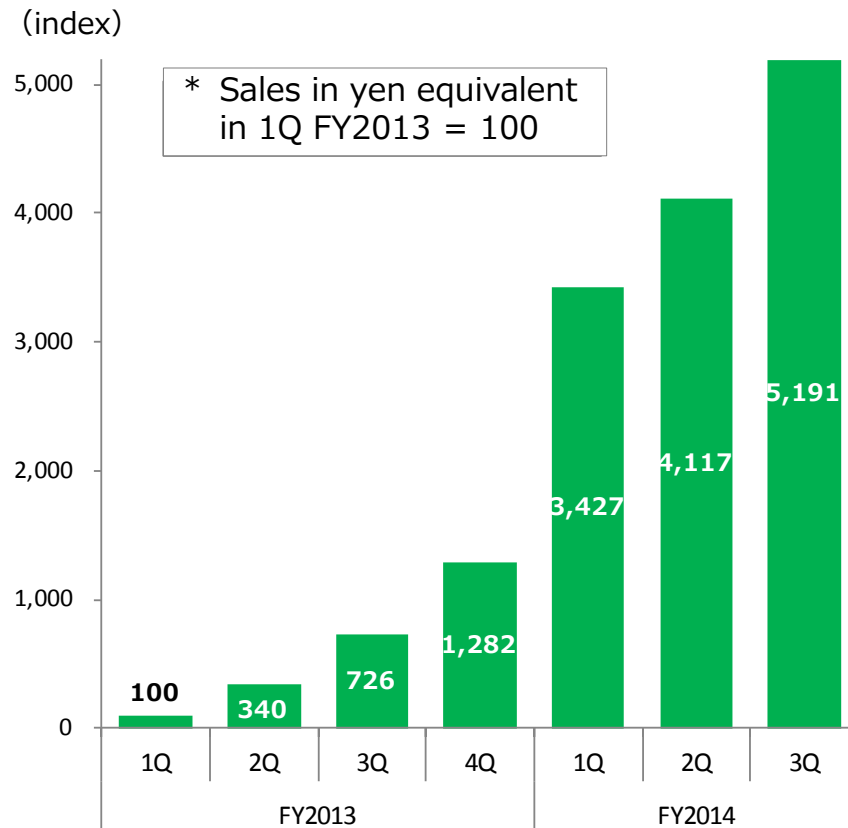
Facebook-related services and certain other services maintained double-digit growth from the previous quarter. The average spend per customer increased, and overseas billings grew.

Certified as an Ads API Partner by Twitter.

The Social media advertising operation optimization tool, PYXIS, became compatible with Twitter advertising (from July 31).

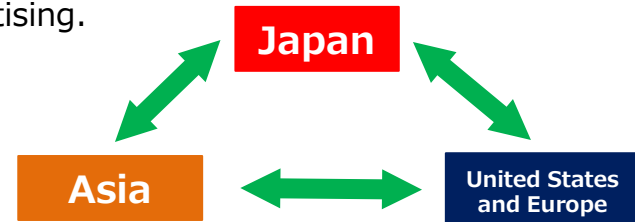
Sales of LINE-related services increased.

Overseas sales Trend



Business model

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



Our North American and Asian bases saw steady growth, and customer acquisition was promoted in Europe.

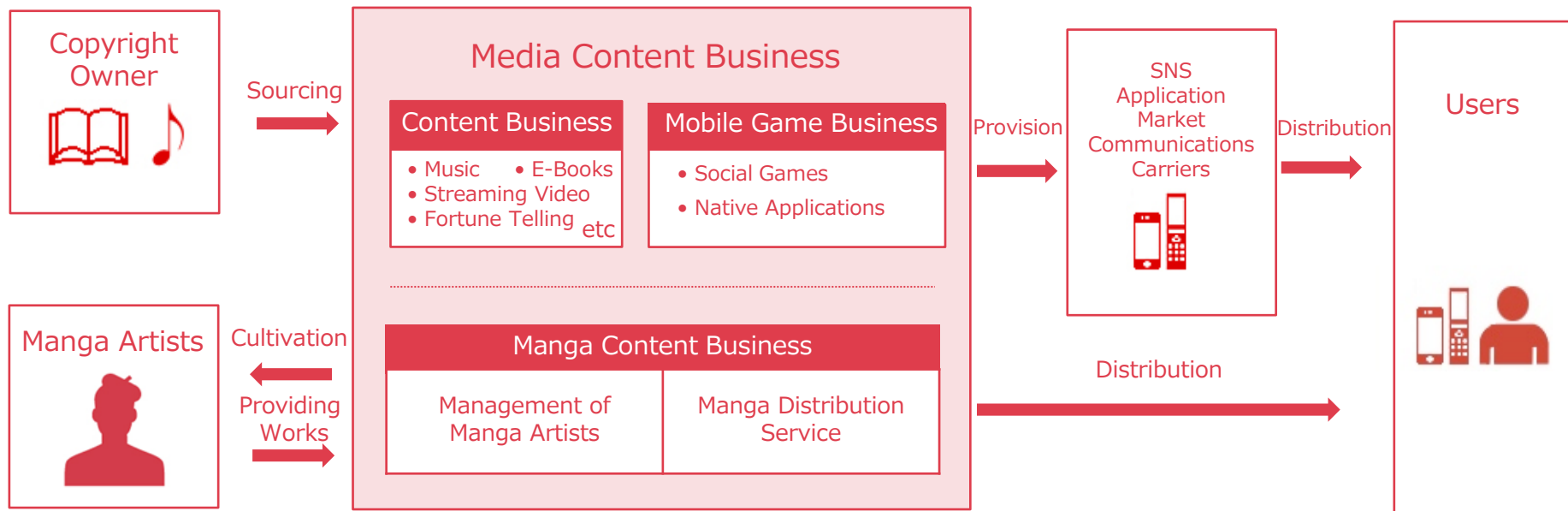
JNJ INTERACTIVE INC., a South Korean Internet advertising company with the advantage of Facebook advertising, was acquired as a subsidiary in July.

It is scheduled to be consolidated from FY9/15.

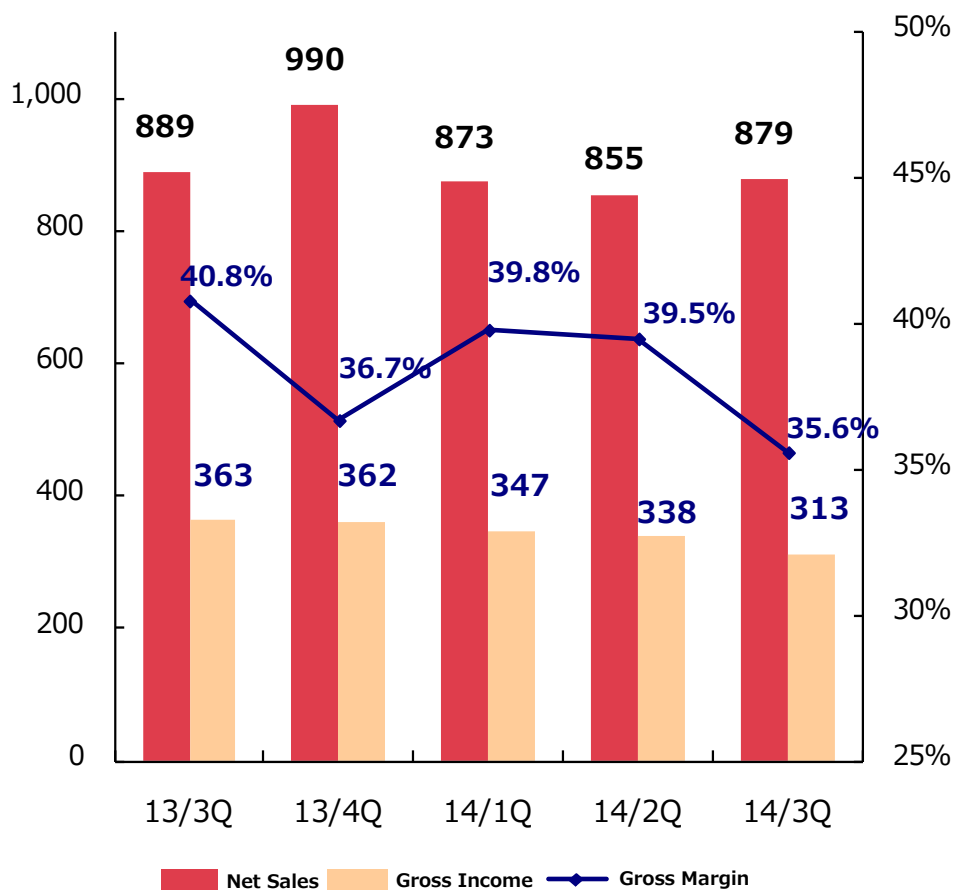
3. Media Content Business

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.

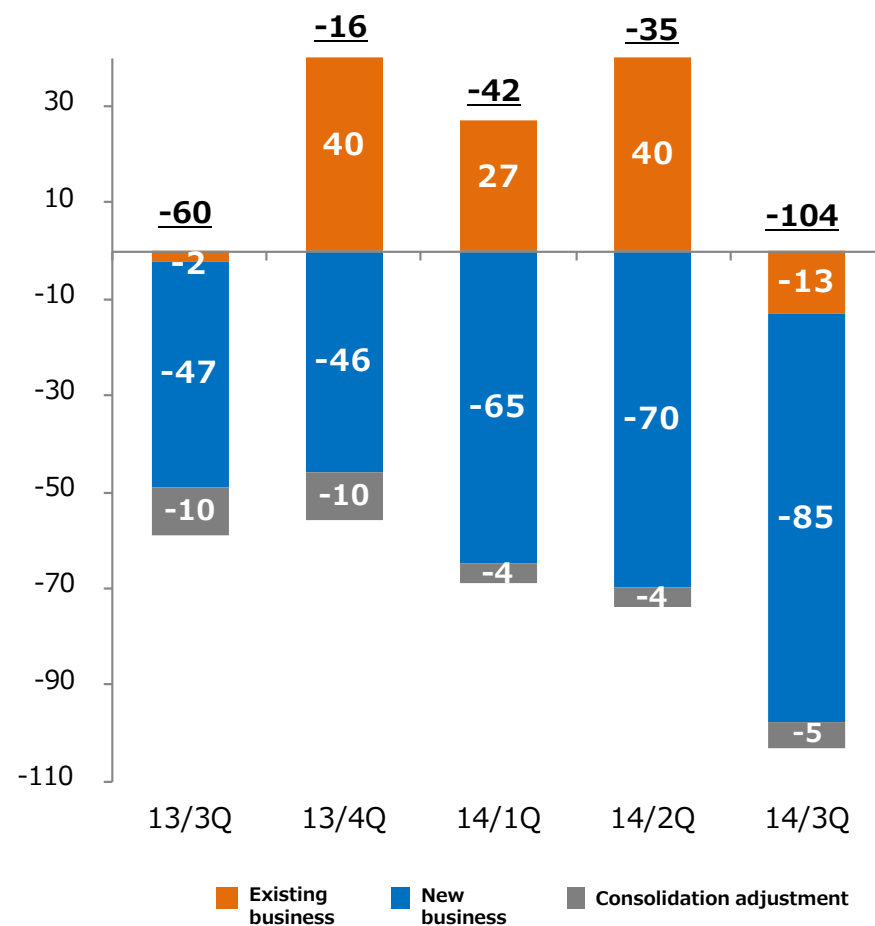
The business also develops and produces Manga artists and distributes Manga works, aiming to **plan and develop our own intellectual property**.



Net Sales, Gross Income



Operating Income (breakdown)

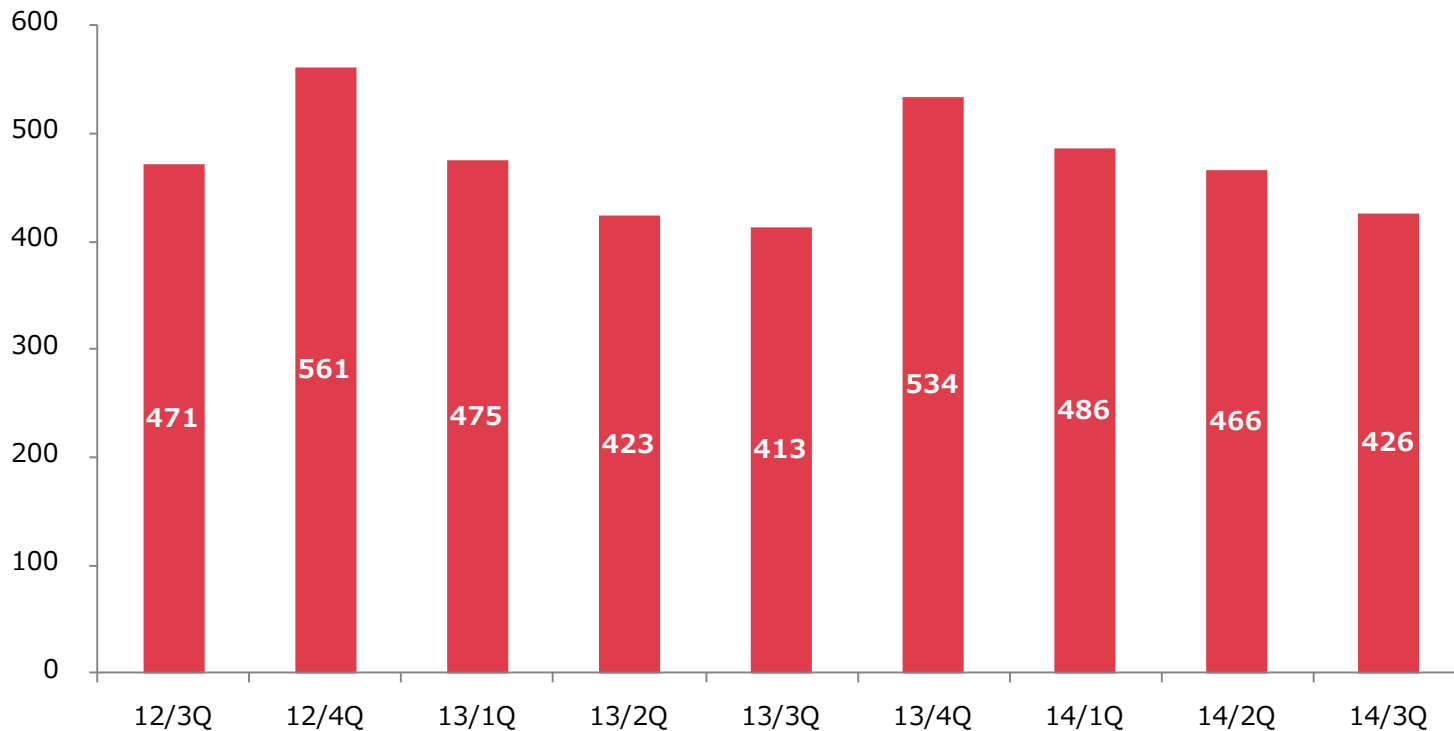


	3Q FY9/14			3Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	879	100.0%	− 1.1%	889	100.0%
Gross Income	313	35.6%	− 13.8%	363	40.8%
SG&A	417	47.4%	− 1.5%	423	47.6%
Operating Income	− 104	− 11.9%	(− 43)	− 60	− 6.8%

The Mobile Game Business released a new title, however, the advanced development costs for several titles under development exceeded sales and AXEL MARK posted an operating loss of ¥13 million.

Upfront investments in the Manga Content Business were expanded, such as the cultivation of Manga Artists and the improvement of the distribution service. Operating loss associated with new businesses rose to ¥85 million.

Axel Mark Mobile Game Sales Trend



© SEGA Networks / © AXEL MARK



© gloops, Inc. © AXEL MARK INC.

Sangokushi TRIBE, a collaborative title with gloops, started being distributed from June 20.

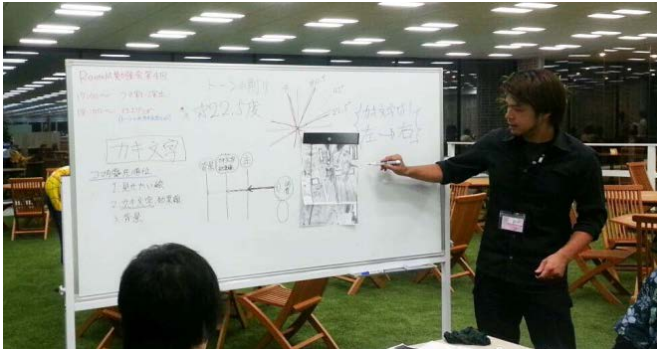
dragon parade (tentative name), a completely native application under development, will be released in 1Q FY9/15 as a collaborative title with SEGA Networks.

Including the above title, five new titles are under development and are planned to be released in FY9/15.



Route M, a program to support new Manga Artists

- The number of applicants to be artists reached a new record high in 3Q on a quarterly basis.



Route M study meeting



Editorial department on the move

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

- Application downloads exceeded 500,000.
- The number of serialized works was 33 as of July 31.
- The first official comic works of *Brave Frontier*, a role playing game by Alim, started to be serialized.



Brave Frontier
A diary of summoner "Haruto"

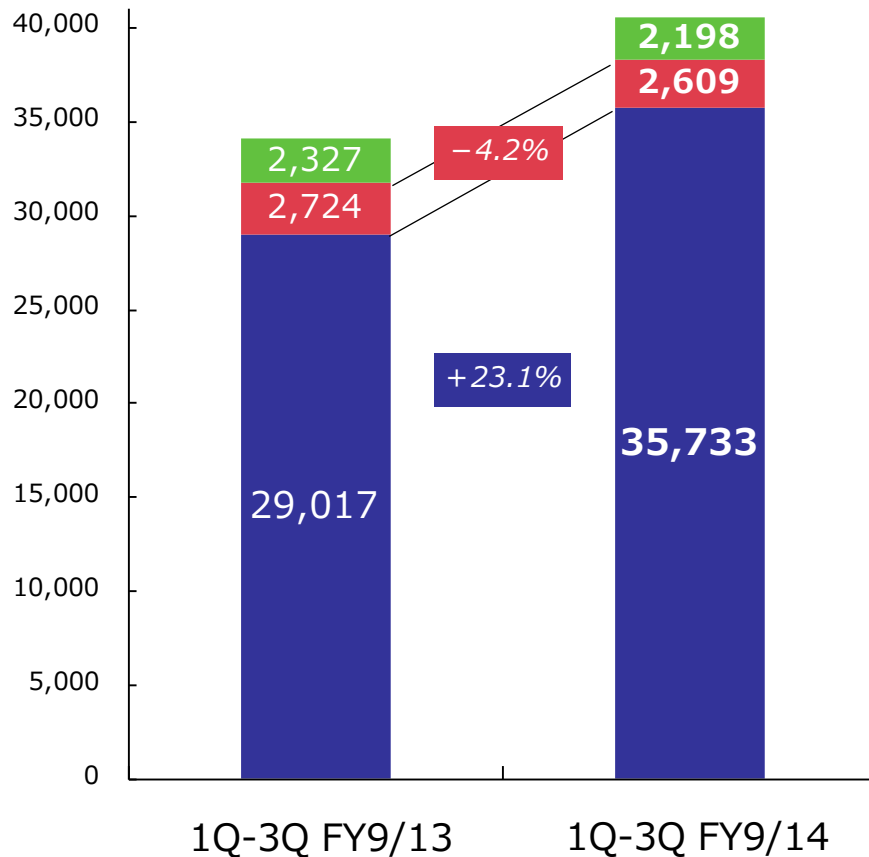
4 1Q-3Q FY9/14 Consolidated Earnings and 4Q(Full Year) Earning Estimates

	1Q-3Q FY9/14			1Q-3Q FY9/13		1Q-3Q FY9/14 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	40,360	100.0%	+18.7%	34,010	100.0%	40,279
Gross Income	7,552	18.7%	+15.2%	6,558	19.3%	—
SG&A	5,848	14.5%	+ 7.0%	5,464	16.1%	—
Operating Income	1,703	4.2%	+55.8%	1,094	3.2%	1,643
Ordinary Income	1,779	4.4%	+45.5%	1,222	3.6%	1,740
Net Income	1,187	2.9%	+30.5%	910	2.7%	1,009

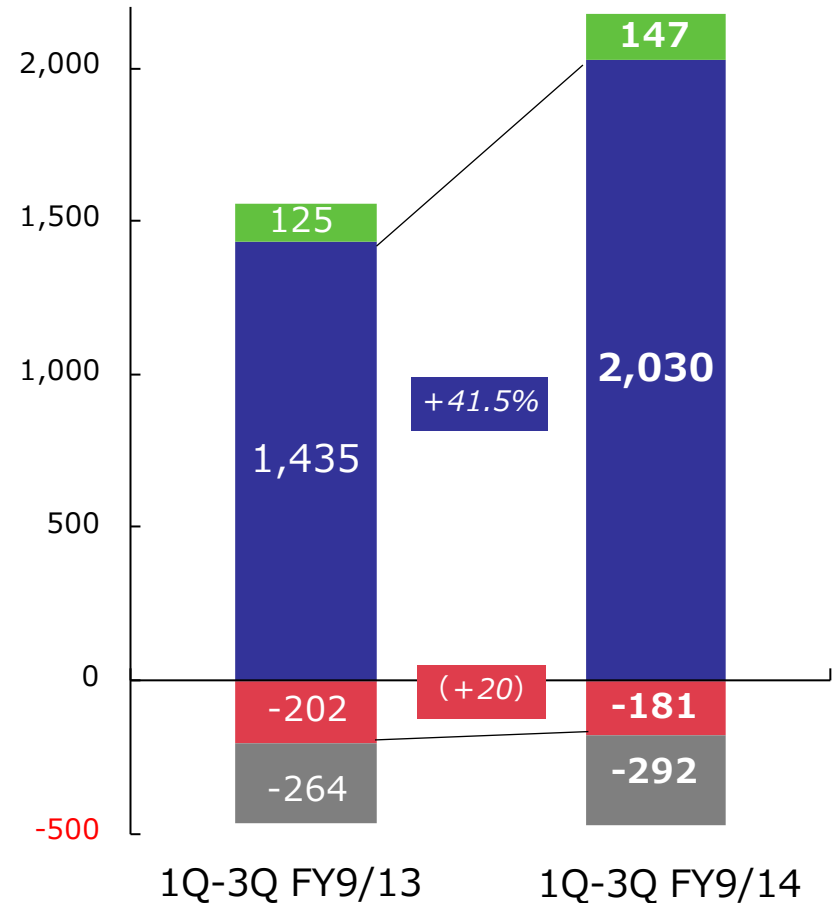
Income increased sharply, driven by growth in the Internet Marketing Business.

Operating income and ordinary income exceeded the full-year results for the previous year, which had reached a record high.

Net Sales



Operating Income



Internet Marketing

Media Content

Other

Adjustment (corporate expenses, etc)

	Earnings in FY9/13			Earnings Estimates for FY9/14			Expected growth rate (Full Year)
	Earnings in 1Q-3Q FY9/13	Earnings in 4Q FY9/13		Earnings in 1Q-3Q FY9/14	Earnings Estimates for 4Q FY9/14		
Net Sales	34,010	11,971	45,982	40,360	13,800	54,160	+ 17.8%
Operating Income	1,094	499	1,593	1,703	550	2,253	+ 41.4%
Ordinary Income	1,222	529	1,752	1,779	550	2,329	+ 32.9%
Net Income	910	296	1,207	1,187	330	1,517	+ 25.7%
Dividend Per Share	¥7.0 (Adjusted for stock splits)			¥9.0			+ 28.6%

On a full-year basis, all the items are expected to reach new record highs for three consecutive periods.

- The Internet Marketing Business is expected to achieve growth in both sales and income.
- The Media Content Business is expected to see its operating loss widen from the previous year, given the continued upfront investments in 4Q.

As net income increases, the dividend will be increased for two consecutive years.

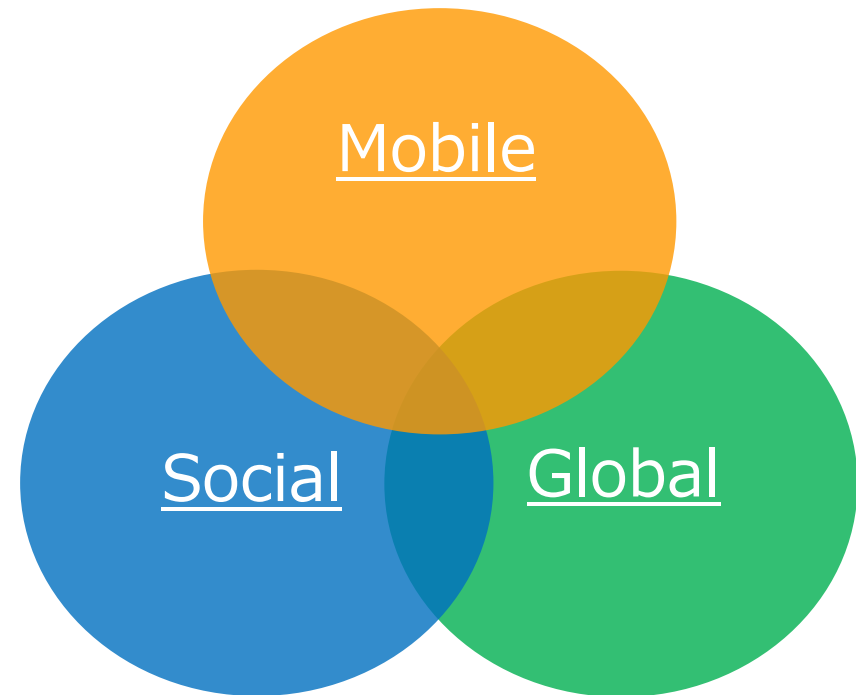
Concept

"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 July 31, 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 June 30, 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	¥2,046 million
Shares Issued	27,123,400 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	798 full time employees, 948 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

July 31, 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 3Q FY9/14	End 2Q FY9/14	Change	Main Changes
Current Assets	15,502	15,598	− 95	Cash and deposits: + 56 Notes and accounts receivable-trade:-366 Others: +225
Non-current Assets	2,487	2,472	+ 14	
Total Assets	17,989	18,070	− 81	
Current Liabilities	8,495	8,968	− 473	Accounts Payable:-513
Non-current Liabilities	43	43	−	
Total Liabilities	8,538	9,012	− 473	
Total Net Assets	9,451	9,058	+ 392	Retained earnings: + 398
Total Liabilities, Net Assets	17,989	18,070	− 81	

	3Q FY9/14 (Apr-Jun)	Main Changes	3Q FY9/13 (Apr-Jun)
Cash Flows from Operating Activities	59	Net income before taxes: + 360 Decrease in bonus reserves: -166 Decrease in notes and accounts receivable-trade: + 366 Decrease in accounts payable: -513	437
Cash Flows from Investing Activities	△99	Purchase of fixed assets: -70 Acquisition of investment securities: -34	△64
Cash Flows from Financing Activities	94	Increase in loans payable: + 96	△42
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△4		6
Net Increase (Decrease) in Cash and Equivalents	50		338
Cash and Equivalents at Term End	6,779		6,100

