

Business Results for 4Q and Full Fiscal Year September 2014

November 4, 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
4. Full Year FY9/14 Review
5. Policies for FY9/15 and Earnings Estimates for 1Q FY9/15
6. Appendix

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

1. Quarterly Consolidated Earnings Overview

Net Sales: ¥13,985mm (Up 16.8% year on year)

Operating income: ¥555mm (Up 11.4% year on year)

- Both net sales and operating income reached **new record highs** for 4Q.

The Internet Marketing Business continued to grow steadily.

- **Sales and operating income rose 20.1% and 22.1%** year on year, respectively.
- High growth was achieved in key businesses focused on “Mobile,” “Social,” and “Global.”

The Media Content Business posted a year-on-year increase in operating loss.

- Upfront investments were actively made in both the Mobile Game Business and Manga Content Business.

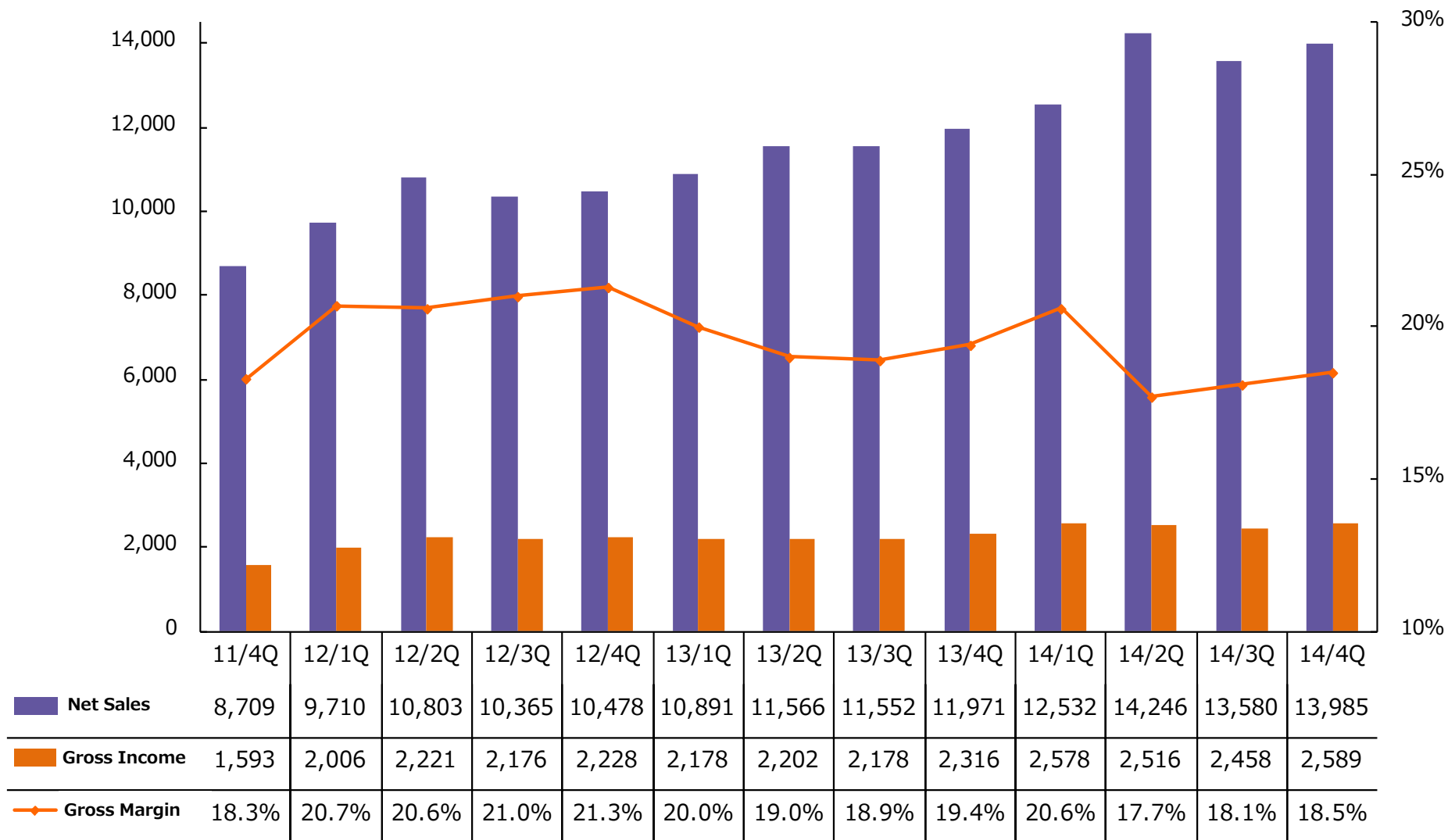
	4Q FY9/14			4Q FY9/13		4Q FY9/14 Estimate
	Value	Share	YY Change	Value	share	
Net Sales	13,985	100.0%	+16.8%	11,971	100.0%	13,800
Gross Income	2,589	18.5%	+11.8%	2,316	19.4%	—
SG&A	2,033	14.5%	+11.9%	1,817	15.2%	—
Operating Income	555	4.0%	+11.4%	499	4.2%	550
Ordinary Income	582	4.2%	+10.1%	529	4.4%	550
Net Income	361	2.6%	+21.8%	296	2.5%	330

The strength of the Internet Marketing Business was the driving force of consolidated earnings.

- Gross income reached **a new record high**. The gross margin also improved quarter on quarter.
- They offset the increase in operating loss of the Media Content Business (- ¥78 million), enabling double-digit growth in income.

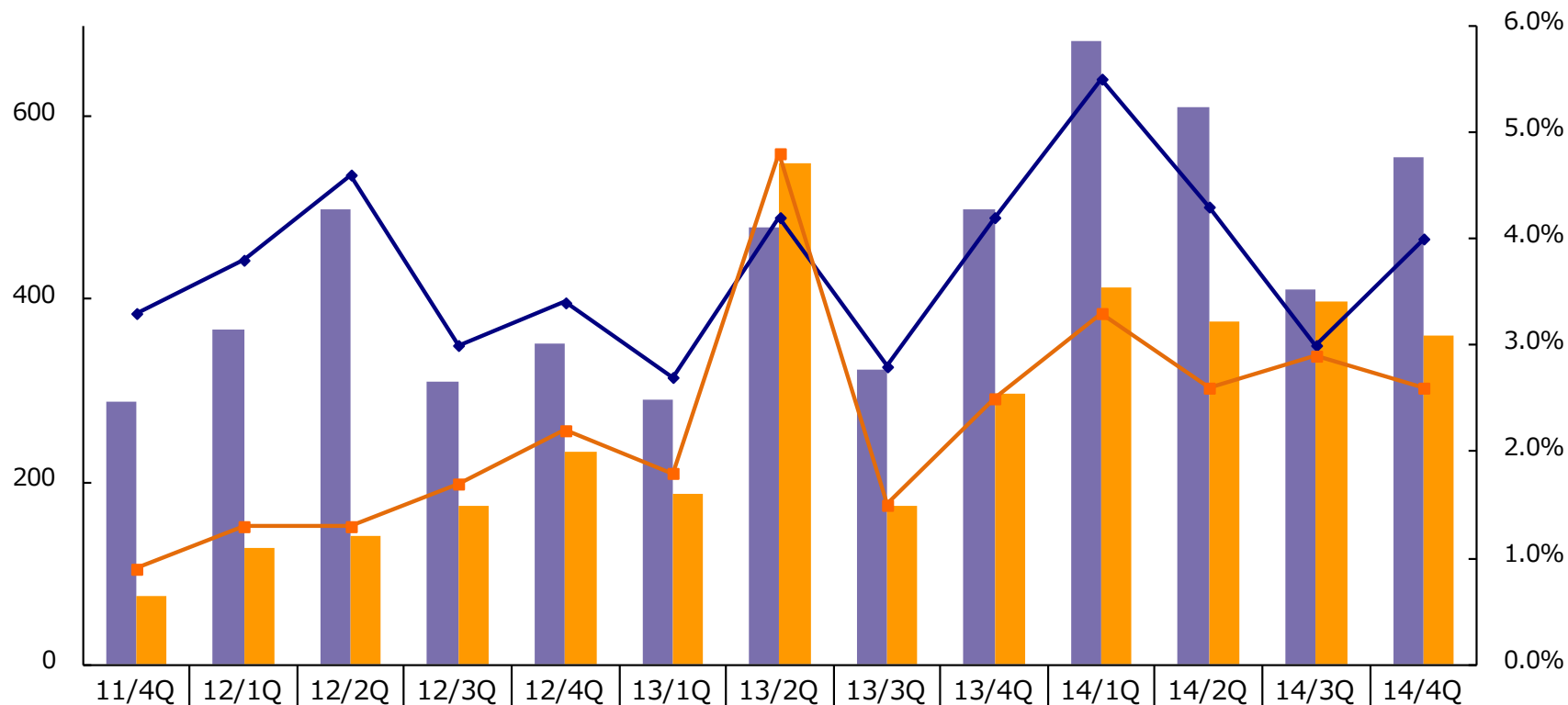
Net Sales, Gross Income

The gross margin improved quarter on quarter.



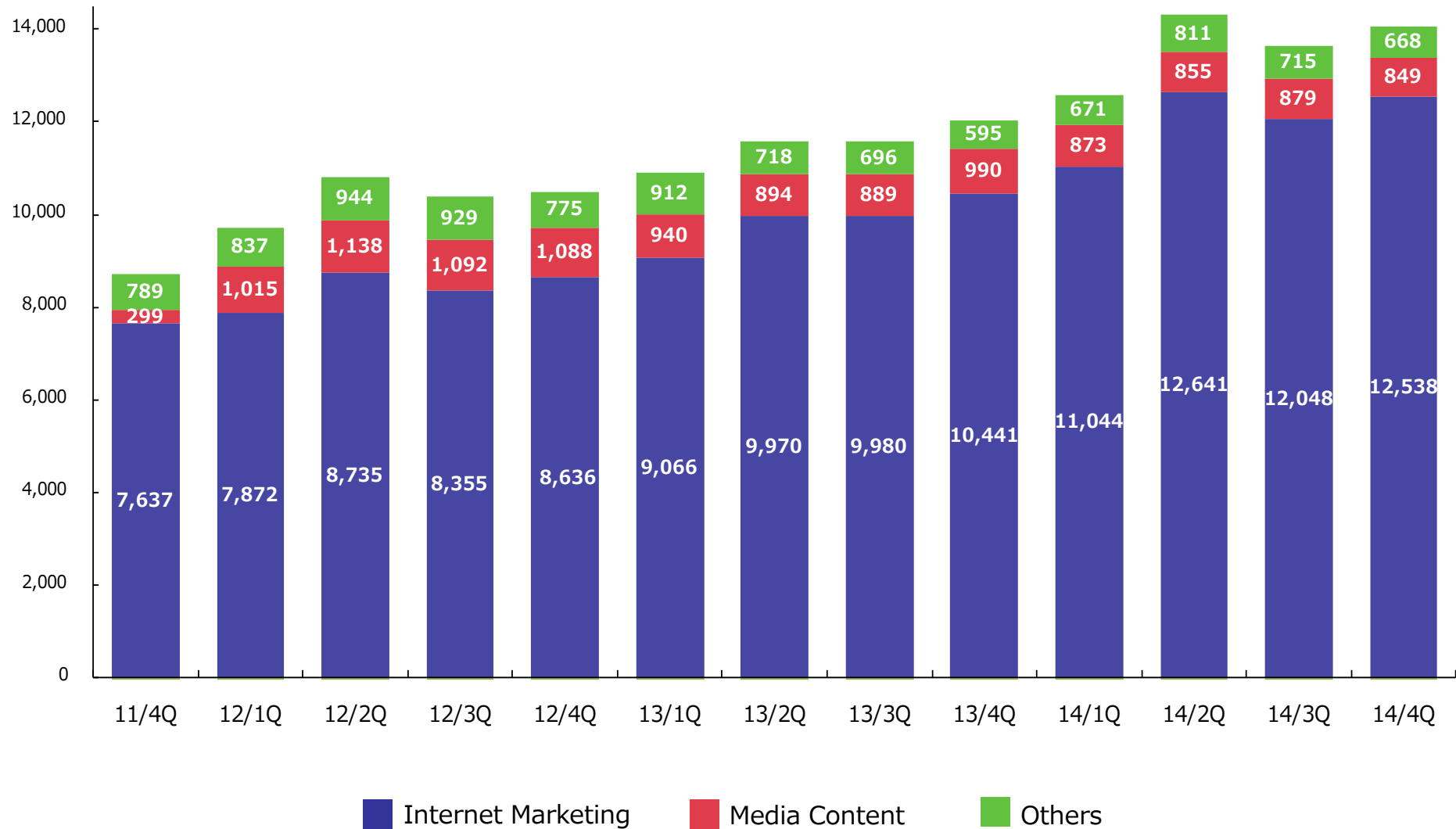
Operating Income, Net Income

Net income rose **21.8%** year on year.

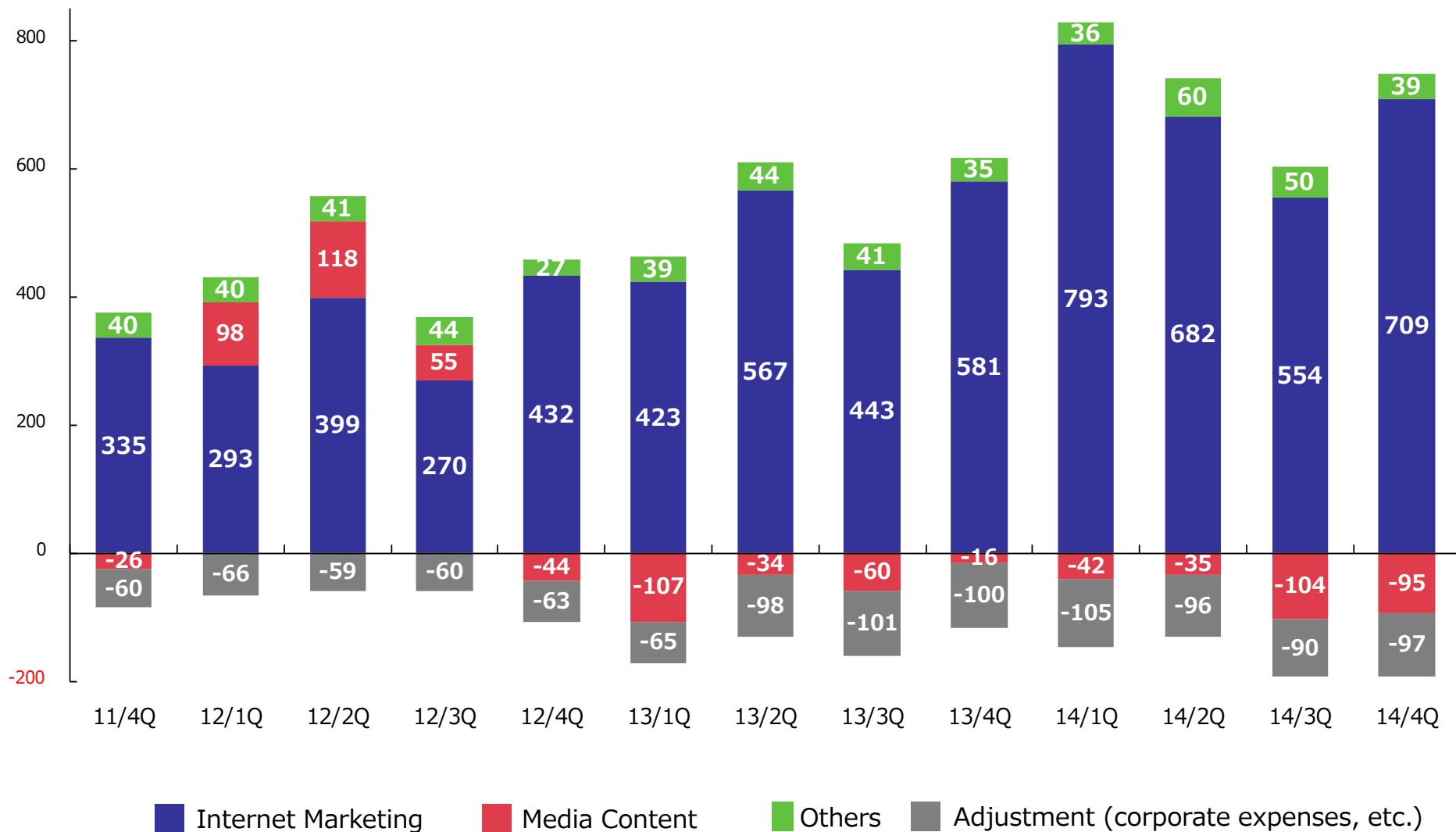


Operating Income	288	366	498	310	351	290	479	323	499	682	611	410	555
Net Income	76	128	141	173	233	186	549	174	296	413	375	398	361
Operating Margin	3.3%	3.8%	4.6%	3.0%	3.4%	2.7%	4.2%	2.8%	4.2%	5.5%	4.3%	3.0%	4.0%
Net Income Margin	0.9%	1.3%	1.3%	1.7%	2.2%	1.8%	4.8%	1.5%	2.5%	3.3%	2.6%	2.9%	2.6%

Net Sales

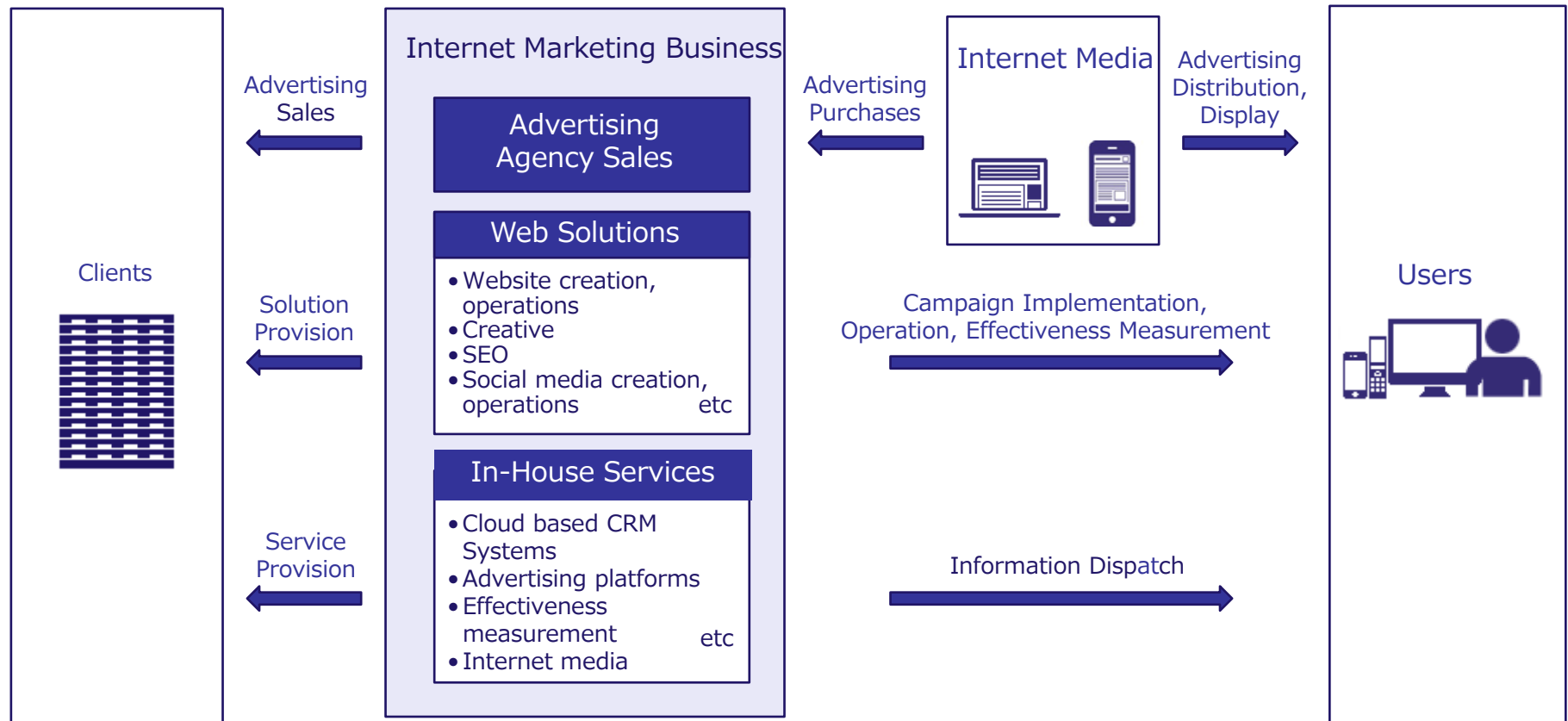


Operating Income



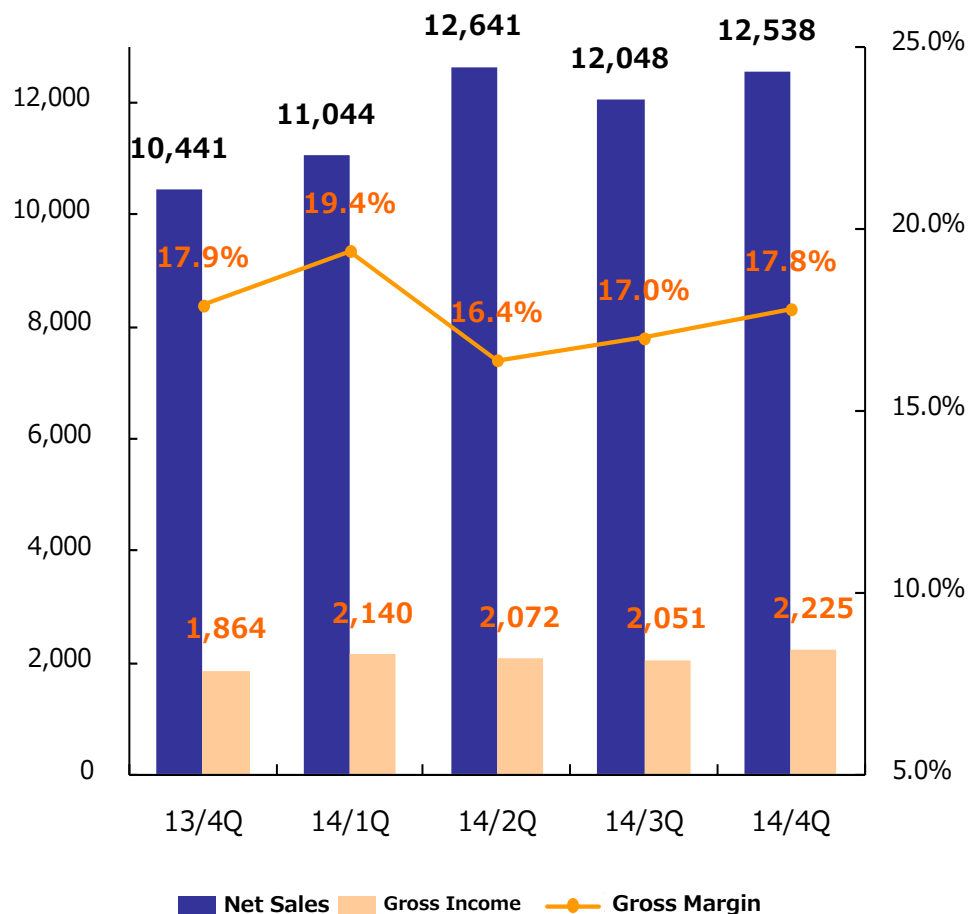
2. Internet Marketing Business

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



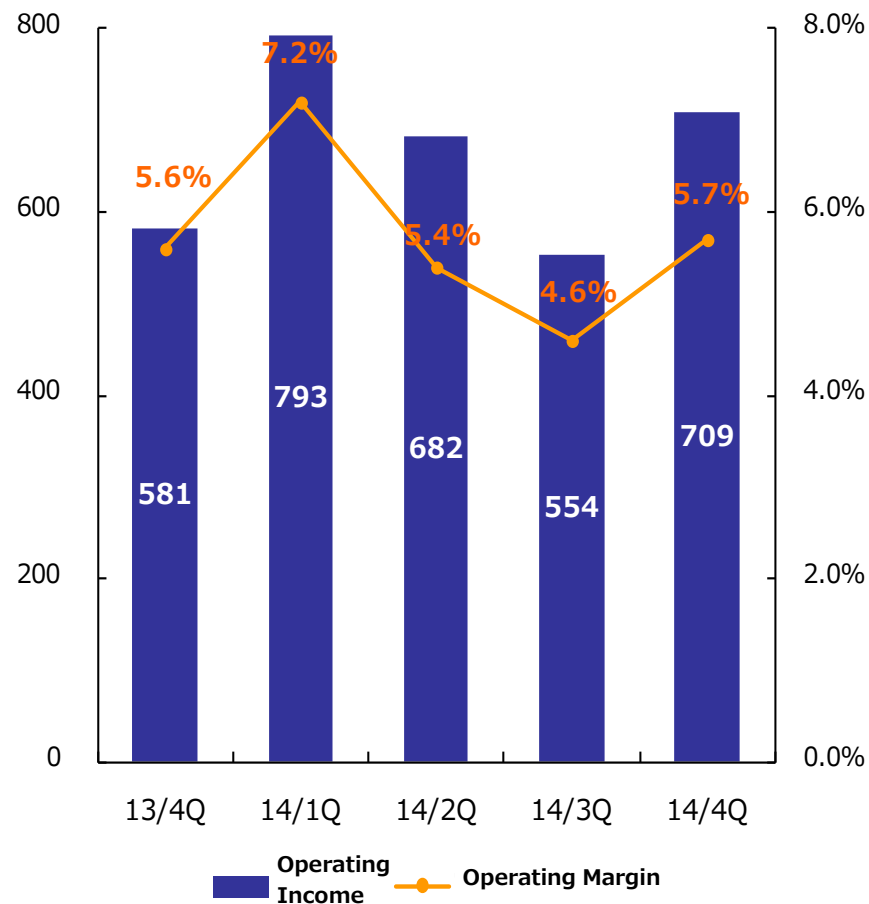
Net Sales, Gross Income

The gross margin improved quarter on quarter.



Operating Income

Operating income rose **22.1%** year on year.



	4Q FY9/14			4Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	12,538	100.0%	+20.1%	10,441	100.0%
Gross Income	2,225	17.8%	+19.3%	1,864	17.9%
SG&A	1,515	12.1%	+18.1%	1,238	12.3%
Operating Income	709	5.7%	+22.1%	581	5.6%

Advertising by online service providers in Japan and overseas continued to increase and net sales rose more than 20%.

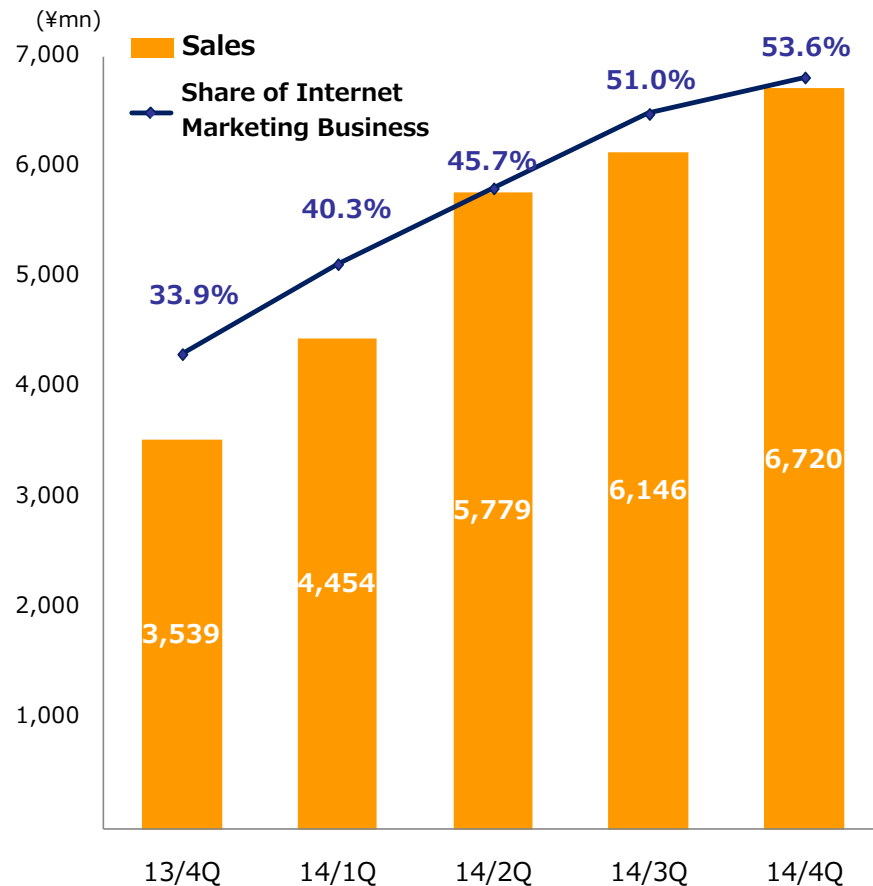
Gross income exceeded ¥2,200 million and **reached a new record high**.

The gross margin improved to almost the same level as the 4Q of the previous fiscal year, partly reflecting an increase in highly profitable orders.

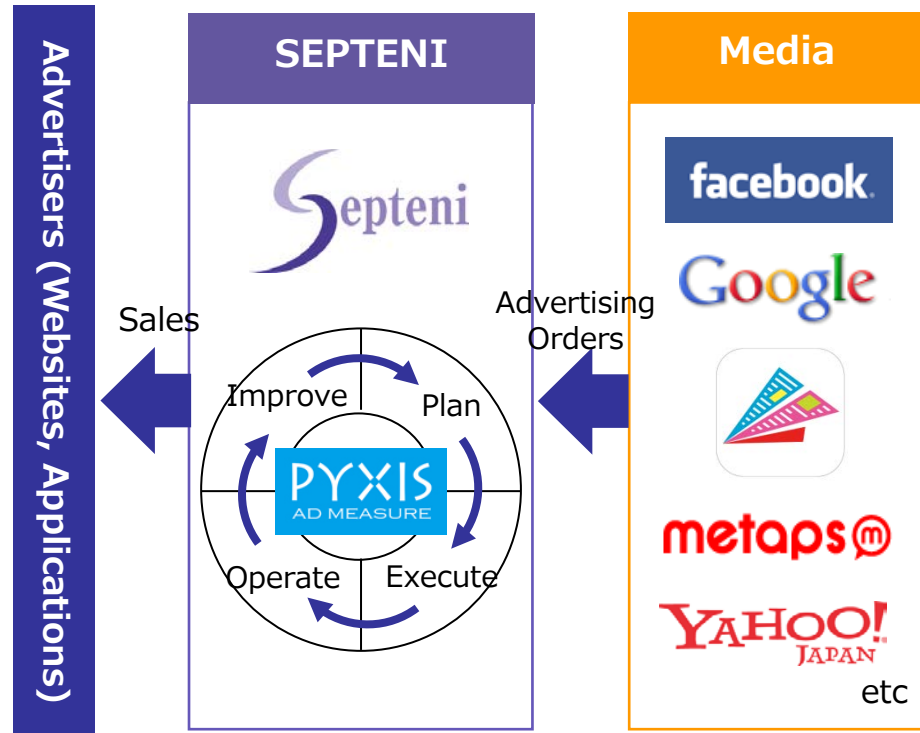
Operating income **increased 22.1%** year on year and the operating margin also improved.

An increase in overseas sales contributed to the growth of smartphone advertising and the Social Media Business.

Smartphone Advertising Sales Trend



Business Model

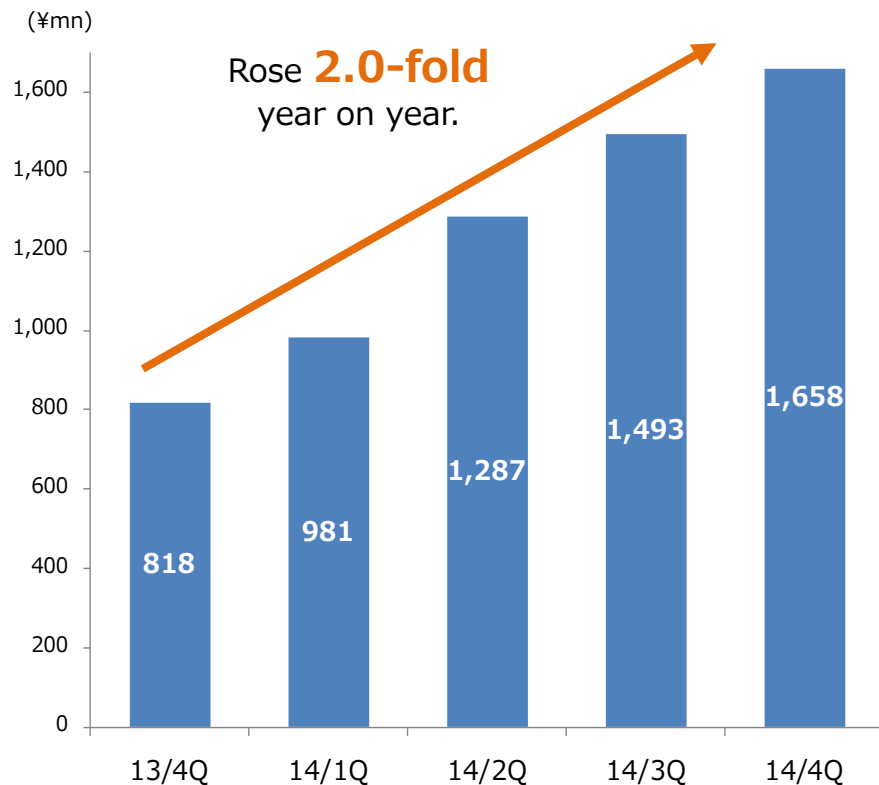


Sales were around **1.9 times** the level one year ago. The sales share also rose to **53.6%**.

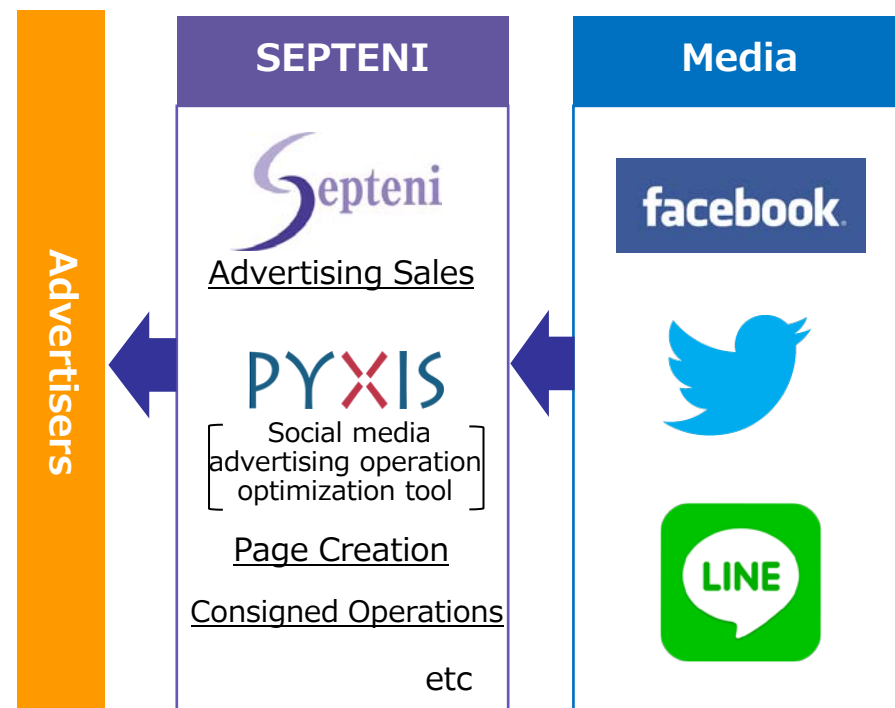
Support was provided for development and sales of native advertising products on news applications, such as Gunosy, and the iQON fashion application.
Partnerships with potential smartphone media with good media value were strengthened.

Social Media Business Sales Trend

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



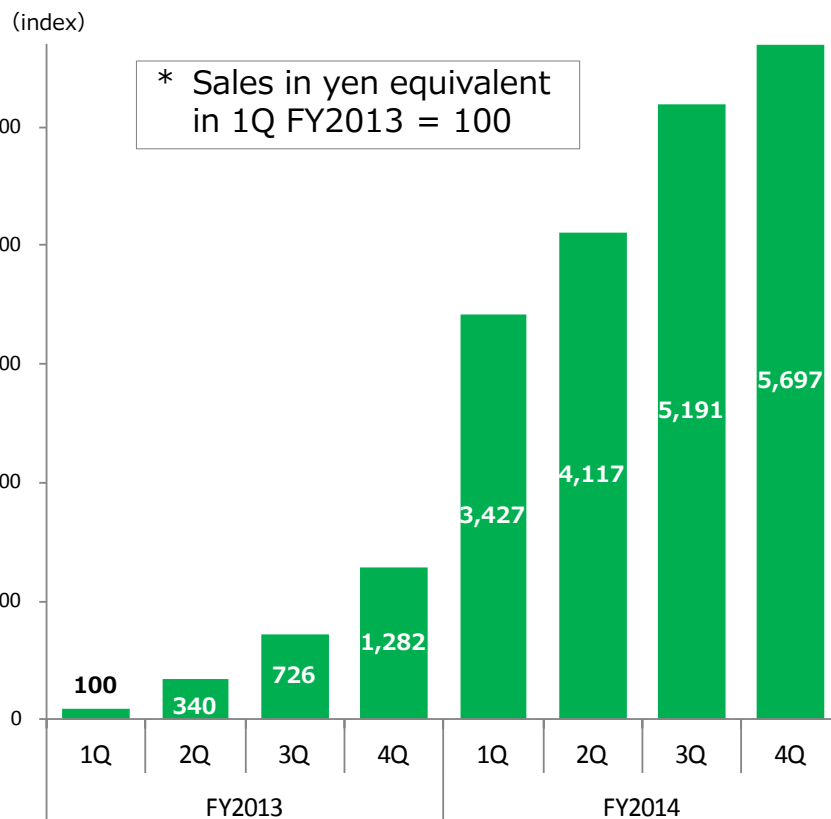
Business Model



Concerning Facebook-related services, the average spending per customer continued to increase and overseas billings continued to grow.

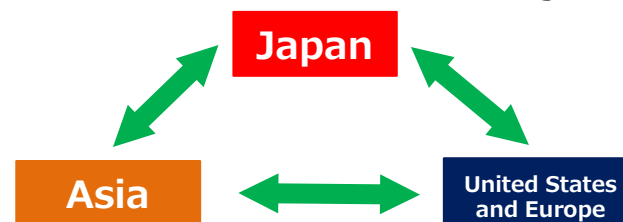
We were certified as a Mobile Measurement Partner as well as an Ads API Partner by Twitter Ad billings also grew significantly.

Overseas sales Trend



Business model

→ Operating out of sales bases in four locations overseas with a cross-border trading system established for Internet advertising

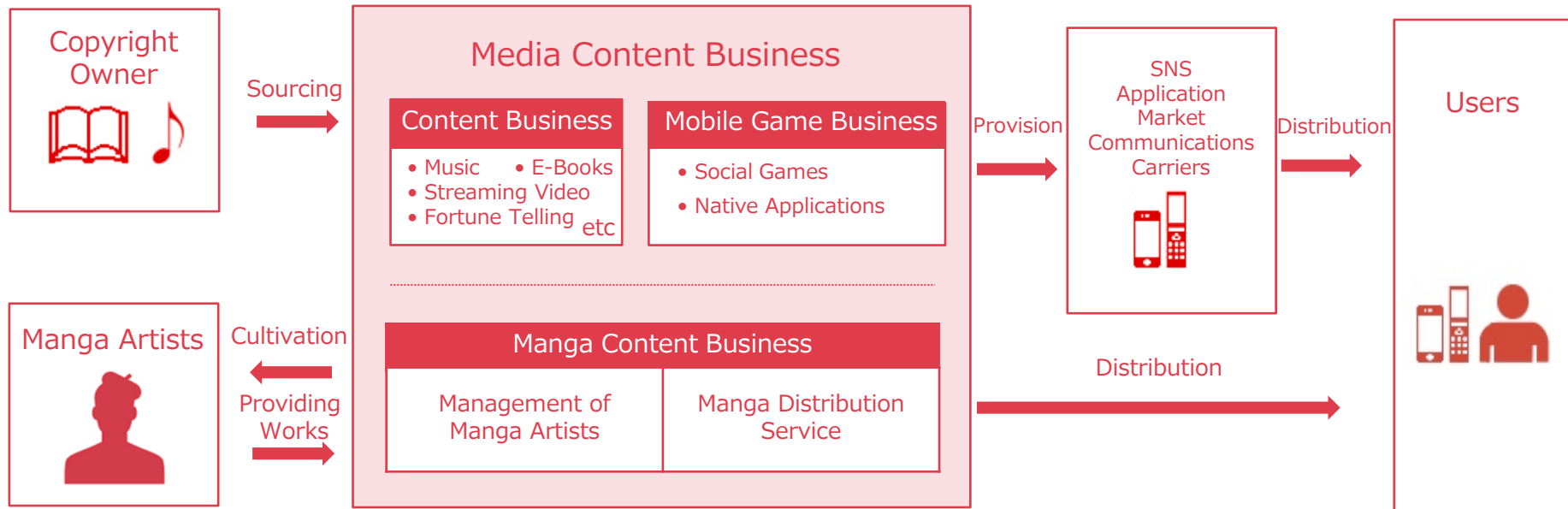


Steady growth continued to be seen mainly by our North American base.

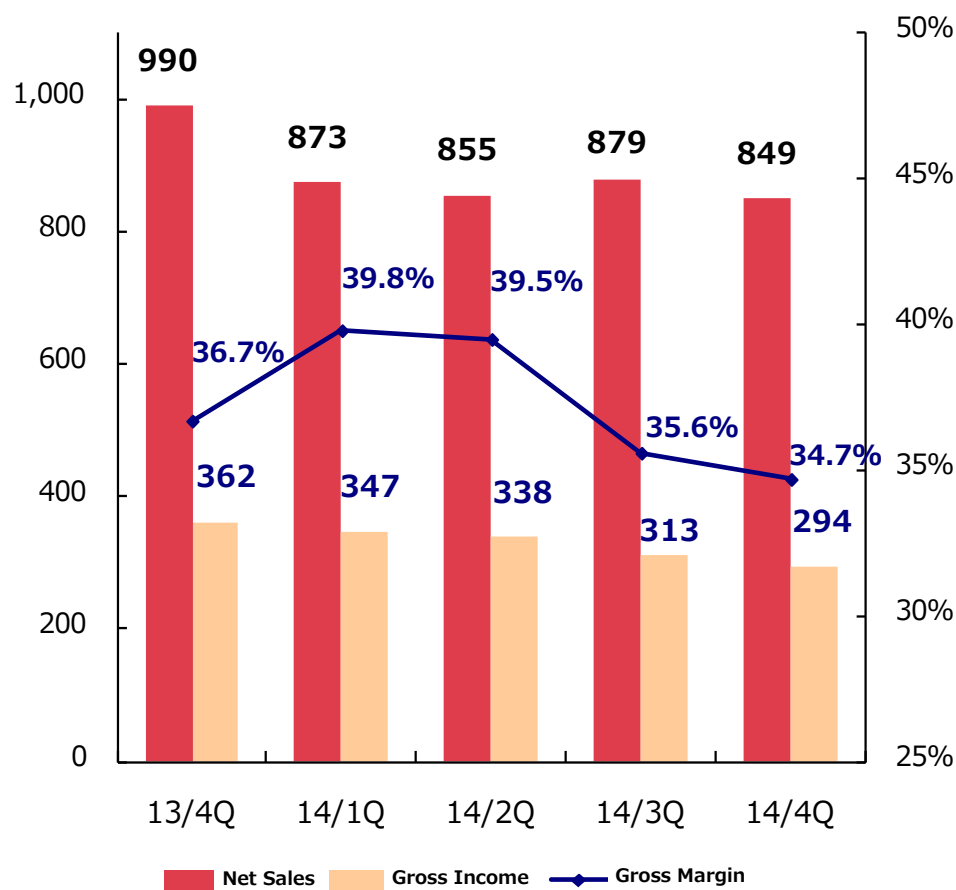
3. Media Content Business

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.

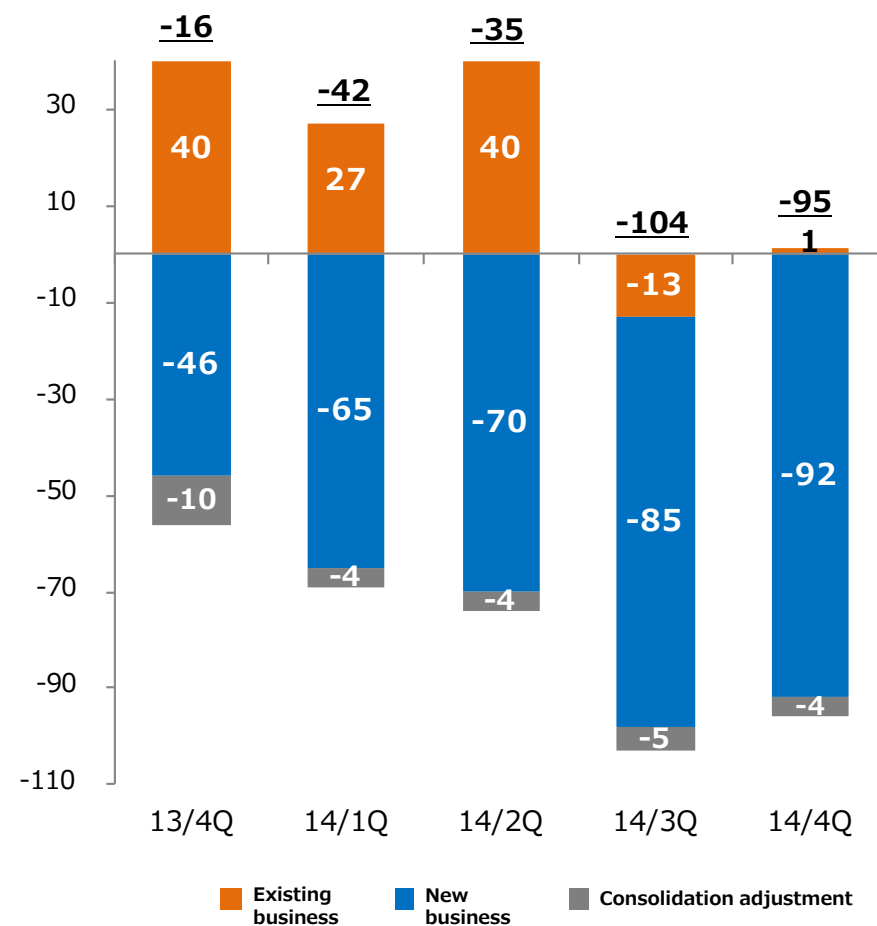
The business also develops and produces Manga artists and distributes Manga works, aiming to **plan and develop our own intellectual property**.



Net Sales, Gross Income



Operating Income (breakdown)

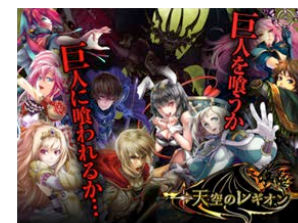
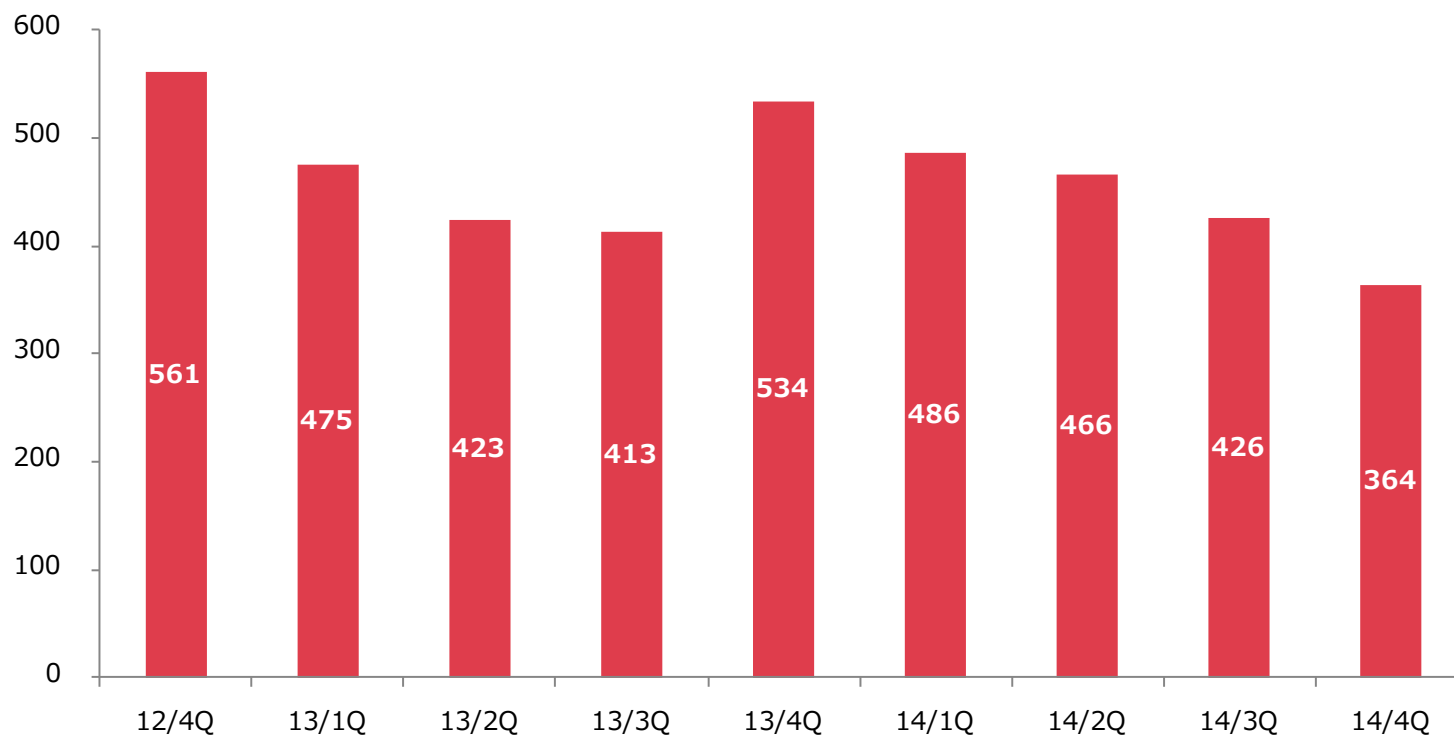


	4Q FY9/14			4Q FY9/13	
	Value	Share	YY Change	Value	Share
Net Sales	849	100.0%	− 14.2%	990	100.0%
Gross Income	294	34.7%	− 18.9%	362	36.7%
SG&A	389	45.9%	+ 2.7%	379	38.4%
Operating Income	− 95	− 11.2%	(− 78)	− 16	− 1.7%

Net sales of the Mobile Game Business decreased due to the absence of a new title release. However, AXEL MARK secured operating income as sales of existing titles remained firm.

Upfront investments in the Manga Content Business were expanded for the cultivation of Manga artists and the improvement of the distribution service. Operating losses associated with new businesses rose to ¥92 million.

Axel Mark Mobile Game Sales Trend



©AXEL MARK/©E★EVERYSTAR



© SEGA Networks / © AXEL MARK

Two titles were closed and resources were shifted to new development.

Prior registration for *dragon parade* (a collaborative title with SEGA Networks), a completely native application, started on October 21.
The number of registrants exceeded 70,000 by November 4.

Four native titles are under development and are planned to be released in 2Q FY9/15 or later.



© SEGA Networks / AXEL MARK

Route M, a program to support new Manga Artists

- Popular titles created by affiliated artists were compiled into books. They are sold individually through E-Book stores, with the first released on October 17.



© COMICSMART INC.



© COMICSMART INC.



© COMICSMART INC.



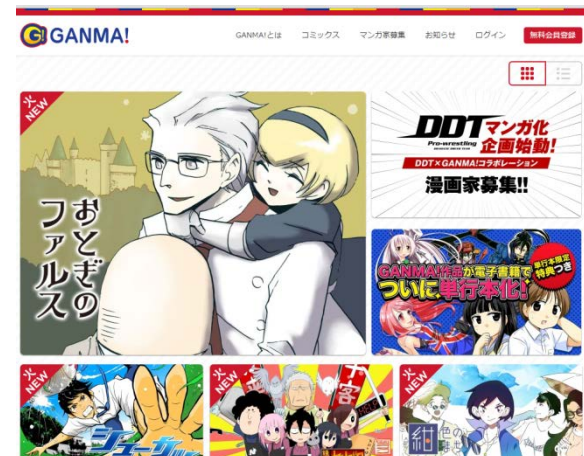
© COMICSMART INC.



© COMICSMART INC.

GANMA!, an online distribution service for new serial Manga

- Application downloads exceeded **750,000**.
- The number of serialized works was **38** as of October 31.
- We released a browser version.



4. Full Year FY9/14 Review

Net Sales: **¥54,345mm** (Up **18.2%** year on year)

Operating Income: **¥2,259mm** (Up **41.8%** year on year)

- Both net sales and operating income set **a new high** for the third consecutive year.

For the Internet Marketing Business, operations were expanded and profitability was increased

- **Sales and operating income rose 22.3% and 35.9%** year on year, respectively. The operating margin improved to **5.7%**.
- Key businesses focused on “Mobile”, “Social” and “Global” achieved high growth.

The Media Content Business posted an increase in operating loss due to upfront investments.

- In the Mobile Game Business, efforts were focused on the development of native applications.
- Investments were expanded in new businesses with a focus on Manga Content Business.

	FY9/14			FY9/13 (Previous fiscal year)		FY9/14 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	54,345	100.0%	+18.2%	45,982	100.0%	54,160
Gross Income	10,141	18.7%	+14.3%	8,874	19.3%	-
SG&A	7,882	14.5%	+8.2%	7,281	15.8%	-
Operating Income	2,259	4.2%	+41.8%	1,593	3.5%	2,253
Ordinary Income	2,362	4.4%	+34.8%	1,752	3.8%	2,329
Net Income	1,549	2.9%	+28.3%	1,207	2.6%	1,517

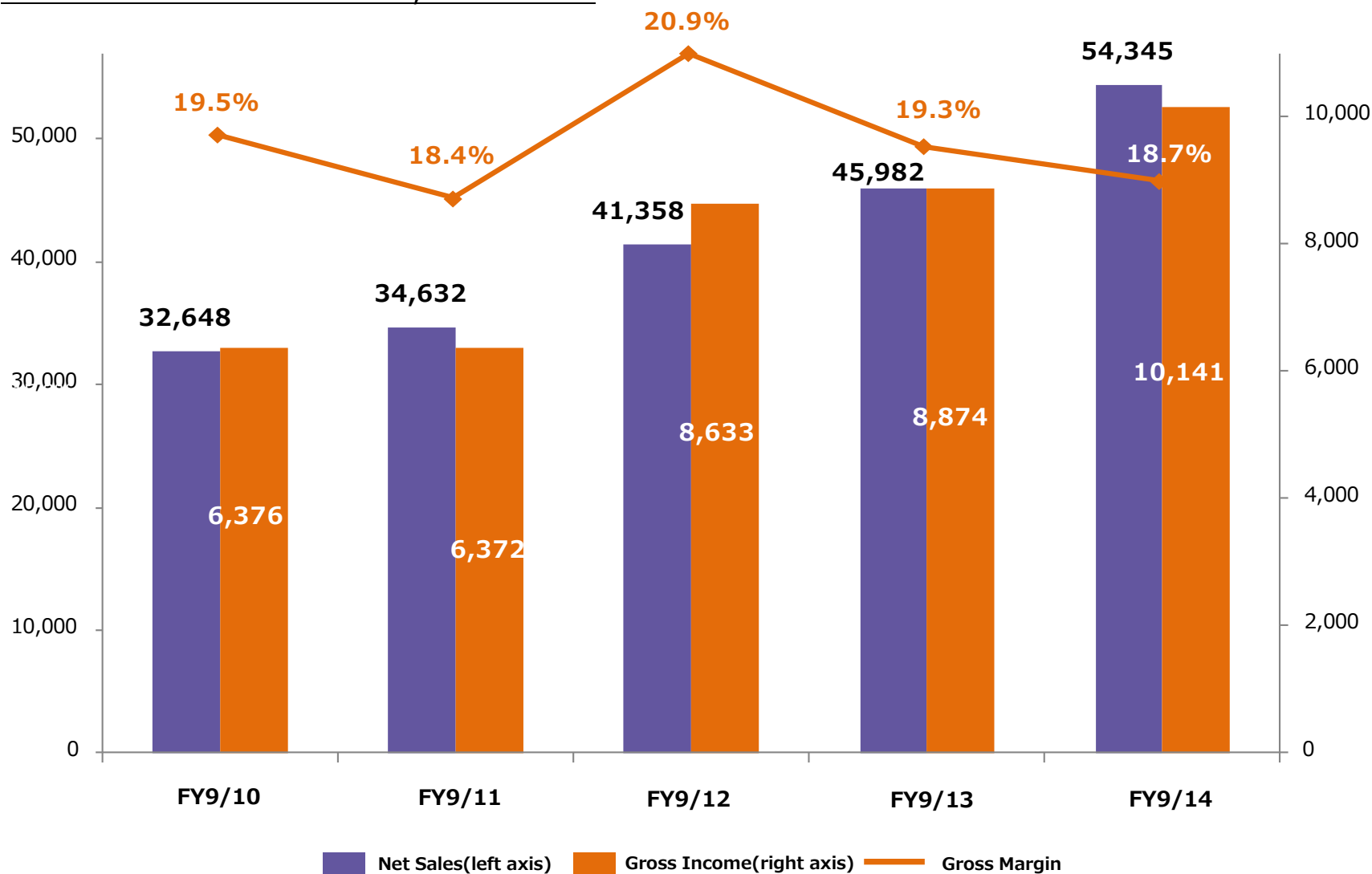
All items reached **record highs for the third consecutive year.**

The operating margin was improved by 0.7 percentage points to **4.2%** with the contribution of the improved profitability of the Internet Marketing Business.

Dividends increased for the second consecutive year (to ¥9 per share), reflecting a rise in net income.

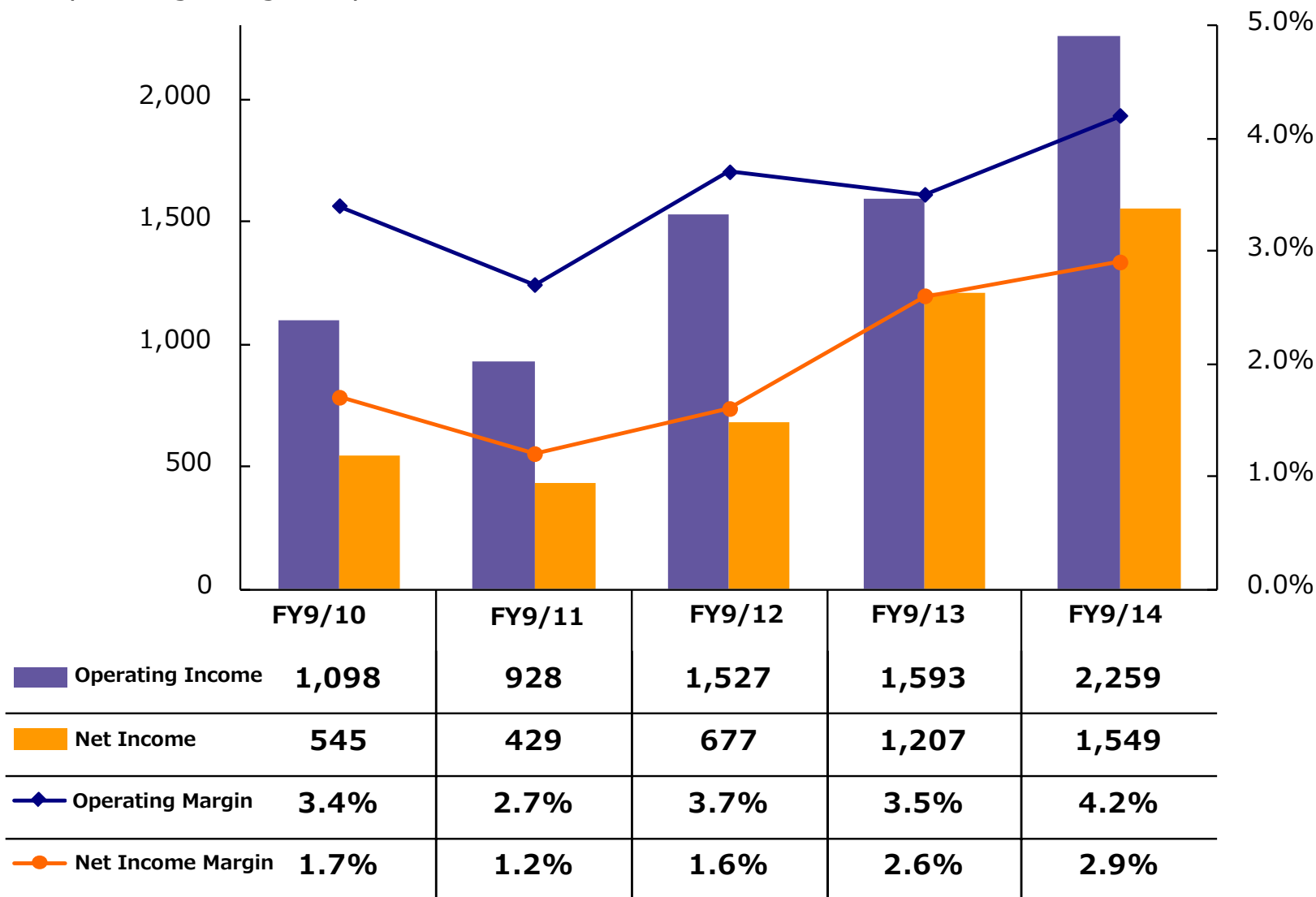
Net Sales, Gross Income

Gross income exceeded ¥10,000 million.



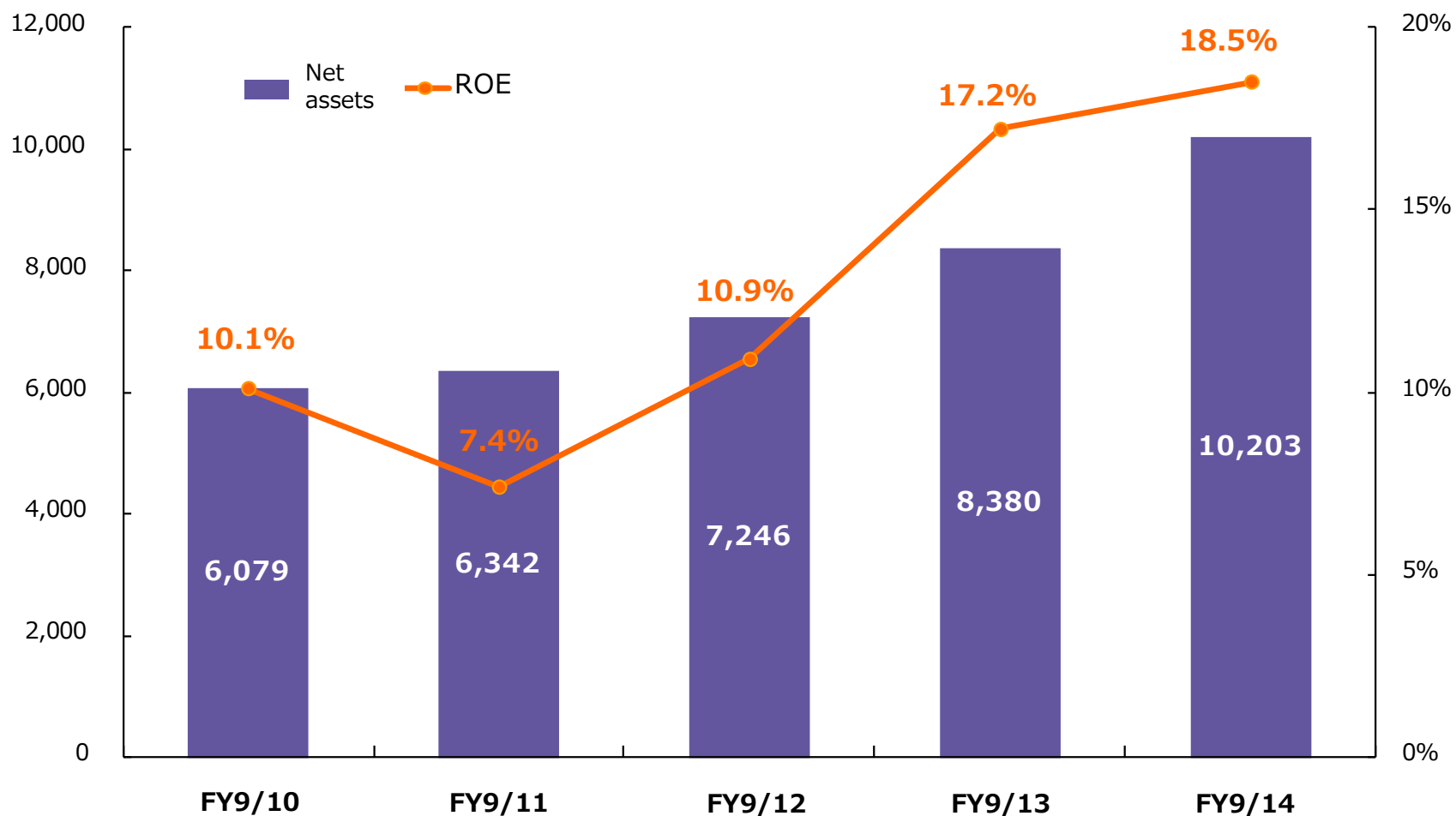
Operating income, Net income

The operating margin improved to more than 4%

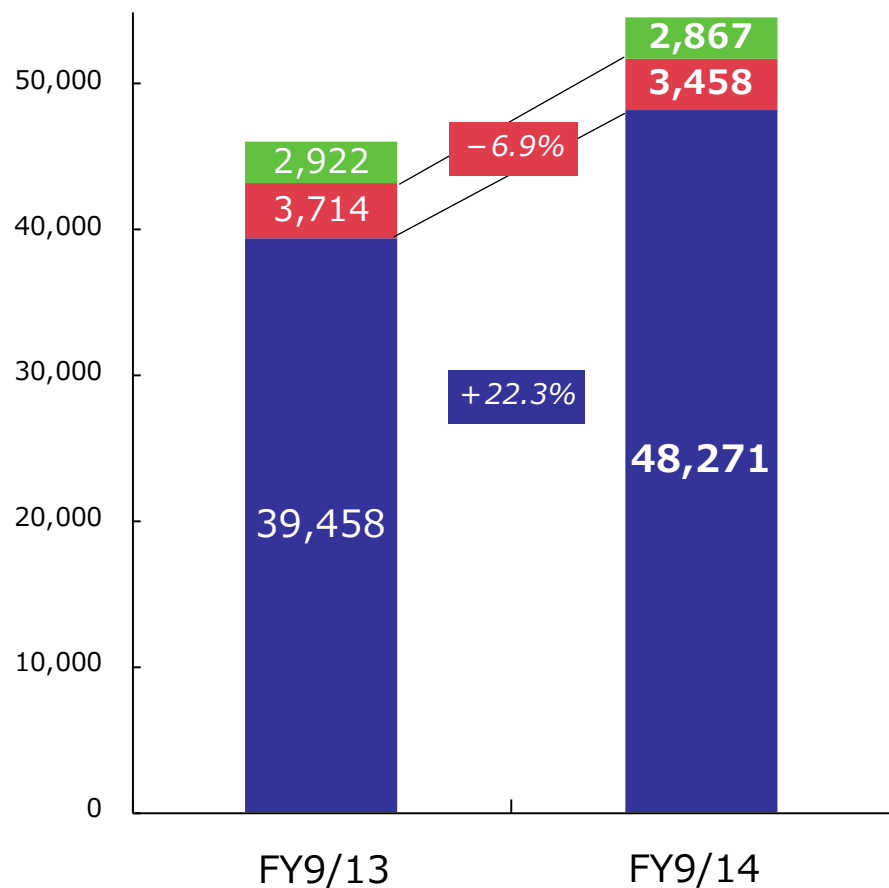


ROE and net assets

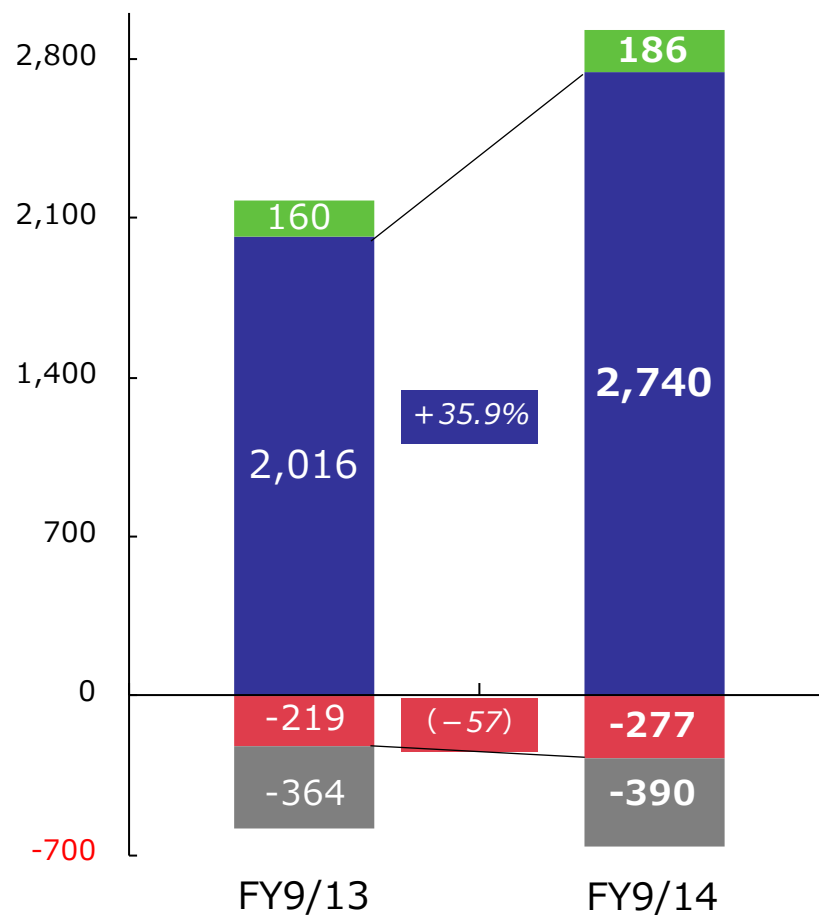
ROE rose for the third consecutive year and net assets exceeded ¥10,000 million.



Net Sales



Operating Income



■ Internet Marketing

■ Media Content

■ Other

■ Adjustment (corporate expenses, etc)

Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating margin	YY Change
48,271	+22.3%	2,740	+35.9%	5.7%	+0.6pt

Earnings

- Net sales grew at a higher rate than the previous fiscal year, reflecting the expansion of the Internet advertising market centered on performance-based advertising and the focus of efforts on the key businesses with high growth.
- Operating income also grew significantly, achieving both expansion of operations and improvement of profitability.

Mobile

- Smartphone advertising continued to grow at a high rate, reflecting an increase in demand and a greater variety of products.
- Net sales increased approx. 2.1 times year on year, and the share rose to approx. 48%.

Social

- The Social Media Business, centered on Facebook-related services, was expanded.
- Net sales increased approx. 2.9 times year on year, partly reflecting the rapid growth of Twitter advertising.

Global

- Overseas expansion was promoted aggressively, with the establishment of new bases in two locations (London and Seoul) and the acquisition of an internet ad agency in South Korea as a subsidiary.
- Operations were expanded, mainly at our North American base, and sales increased significantly, approx. 7.5 times year on year.

Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating Margin	YY Change
3,458	- 6.9%	- 277	(-57)	- 8.0%	-2.1pt

Mobile Game Business

- Existing titles, including *Traitorous Ciel Ark*, our first native application, remained firm but a browser game was the only new title that was released. This resulted in a decline in net sales.
- Efforts were focused on an native application game planned to be released in FY9/15. Collaborations with major publishers were advanced proactively.

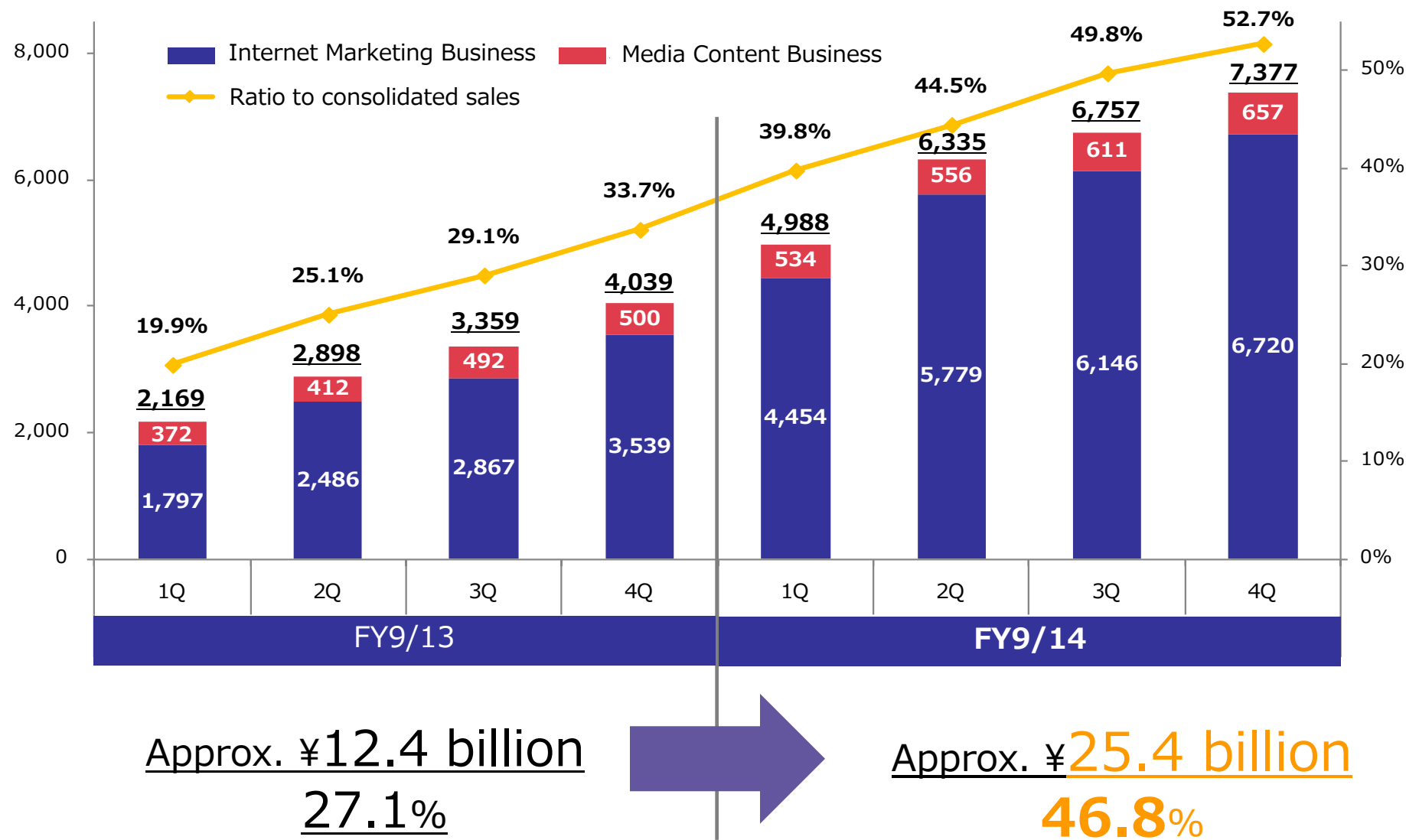
Manga Content Business

- *GANMA!*, an online distribution service for new serial Manga, was launched in December 2013 and full scale operation has started.
- Upfront investments were actively made in both cultivation of artists and Manga distribution services for future profits.

New Businesses

- New businesses other than the Manga Content Business, on which development efforts have been made, include the platform business of matching recruitment and the platform business of social contribution.
- The operating loss related to upfront investment in new businesses (including the Manga Content Business) increased approx. 2 times year on year, to ¥313 million.

Smartphone-related sales increased approx. 2 times and the ratio to consolidated sales rose to 47% in FY9/14.



5 .Policies for FY9/15 and Earnings Estimates for 1Q FY9/15

Overall Group

Aim to increase sales and income through sustainable growth of the Internet Marketing Business, while continuing to make active investments to create highly profitable businesses in the future.

Internet Marketing Business

- Increase market shares and improve profitability with key businesses focused on “Mobile,” “Social” and “Global.”

Media Content Business

- Aim to improve profitability of the Mobile Game Business by creating native application hit titles
- In the Manga Content Business, continue to make active upfront investments to expand the scale of the platform.

	Earnings in 1Q FY9/14	Earnings Estimates for 1Q FY9/15	Expected Growth Rate
Net Sales	12,532	14,000	+11.7%
Operating Income	682	300	-56.1%
Ordinary Income	737	300	-59.3%
Net Income	413	1,000	+142.0%

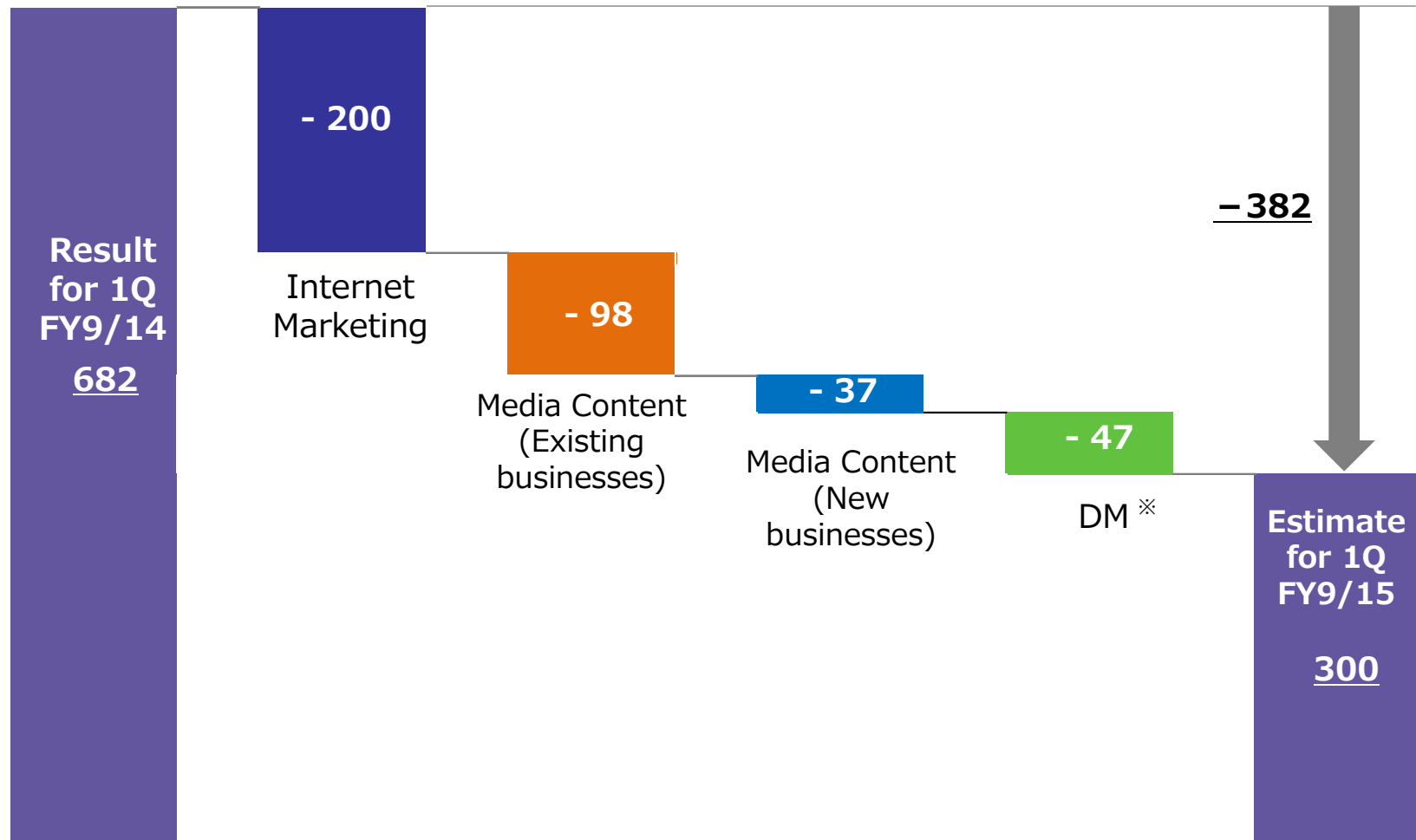
The Internet Marketing Business has been firm and higher sales are expected, but profits are expected to decline due to the absence of one factor that temporality boosted gross profit in 1Q of the previous fiscal year.

In the Media Content Business, sales are expected to increase due to the launch of a new native application game title. However, operating loss is expected to increase due to active upfront investments.

All shares in the DM business subsidiary (business segment: Others) were transferred as of October 1, 2014, and the company was excluded from the scope of consolidated earnings in 1Q.

- In 1Q of the previous fiscal year, net sales of the DM business were ¥671 million and operating income was ¥36 million (including intersegment transactions and the expenses of the holding company allocated to the segment).
- Gains on sales of subsidiaries' stocks at ¥1,098 million is planned to be posted as extraordinary income in 1Q.

Year-on-Year Changes of Consolidated Operating Income by Business Segment (Rough Estimates)



*The amount of change attributed to the DM business was calculated by subtracting the intersegment transactions and expenses of the holding company allocated to the segment.

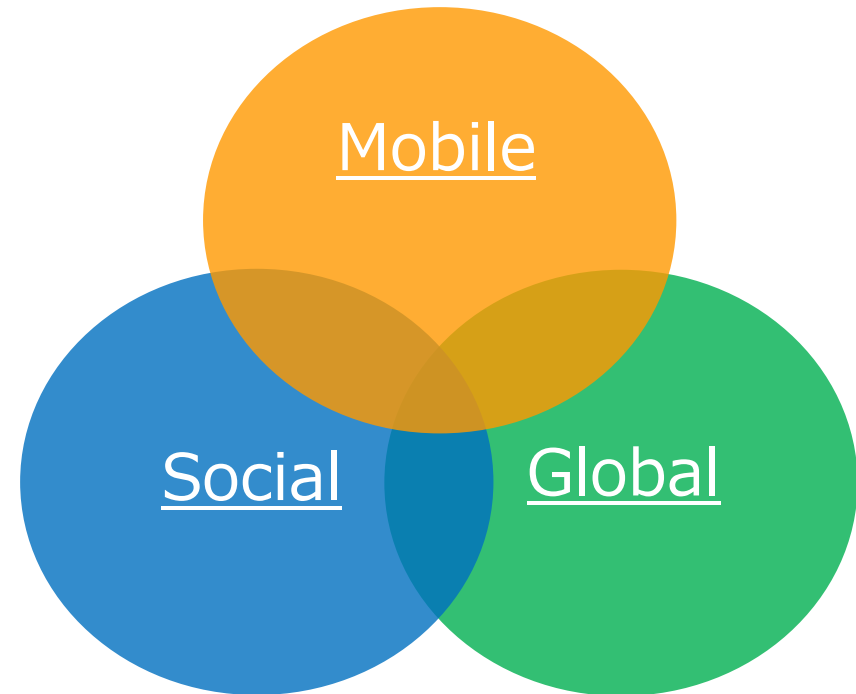
Concept

“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/>

Corporate Planning, IR and PR Division

TEL: +813-6857-7258 E-mail: koho@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 4, 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.

6. Appendix

As of September 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	¥2,053 million
Shares Issued	27,147,000 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	809 full time employees, 955 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

November 4, 2014

Internet Marketing Business

SEPTENI CO., LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni America, Inc.	Internet marketing business for North America region
MANGO Inc.	SEM Operation Business	Septeni Europe Co.,Ltd	Internet marketing business for Europe region
Vasara Inc.	Internet ad agency	SEPTENI TECHNOLOGY CO., LTD.	Web service development
HighScore, Inc.	Social Media Marketing Support Business	JNJ INTERACTIVE INC.	Internet ad agency in South Korea
EAGLE i Co., Ltd.	Advertising Network Business	SETPENI CROSSGATE CO., LTD.	Ad Network and Platform Business
Septeni Original,Inc.	Planning and developing its own services	ASP CO., LTD.	e-marketing solutions
Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region	Tricorn Corporation	CRM Service Business

Media Content Business

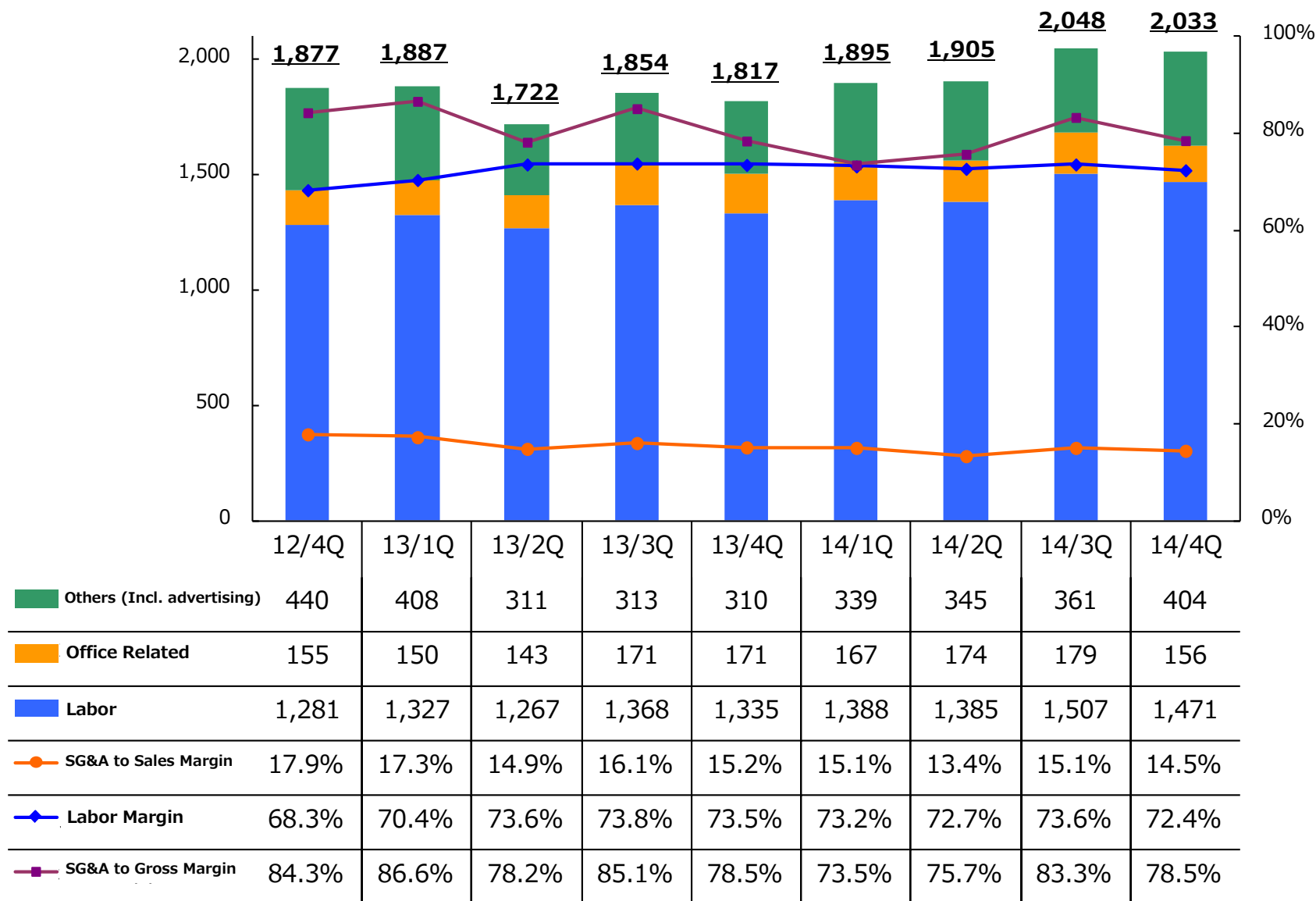
AXEL MARK INC.	Mobile Content Business	ViViVit, Inc.	Matching-type recruitment platform
COMICSMART Inc.	Manga Content Business	gooddo, Inc.	Platform business of social contribution

New Business Development

SEPTENI VENTURES Co., Ltd.

	End FY9/14	End FY9/13	Change	Main Changes
Current Assets	18,115	13,502	+4,612	Cash and deposits: +2,623 Notes and accounts receivable-trade: - +1,828
Non-current Assets	3,510	2,520	+989	Deferred tax asset: +527 Goodwill: +216 Investment securities: +134
Total Assets	21,625	16,023	+5,602	
Current Liabilities	11,069	7,590	+3,479	Accounts Payable: +2,499 Unpaid taxes: +516
Non-current Liabilities	352	52	+300	Long-term loans payable: +297
Total Liabilities	11,422	7,643	+3,779	
Total Net Assets	10,203	8,380	+1,822	Retained earnings: +1,372 Minority interests: +239
Total Liabilities, Net Assets	21,625	16,023	+5,602	

	FY9/14	Main Changes	FY9/13
Cash Flows from Operating Activities	2,830	Net income before taxes: + 2,316 Increase in accounts payable: + 1,659 Corporate and other taxes:-980	1,094
Cash Flows from Investing Activities	△913	Time deposits:-506 Acquisition of subsidiary shares associated:-258	417
Cash Flows from Financing Activities	178	Increase in loans payable: + 359 Cash dividends paid:-176	△85
Effect of Exchange Rate Changes on Cash and Cash Equivalents	21		14
Net Increase (Decrease) in Cash and Equivalents	2,117		1,440
Changes Due to the Change of Scope of Consolidation, etc.	—		△1
Cash and Equivalents at Term End	8,687		6,570



(units : people)

