

Business Results for 1Q Fiscal Year September 2015

February 5, 2015

SEPTENI HOLDINGS CO., LTD.

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

Securities Code: 4293



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1. Quarterly Consolidated Earnings Overview

**Consolidated
results**

Net Sales: **¥14,026mn** (Up **11.9%** year on year)

Operating income: **¥429mn** (Down 37.1% year on year)

Operating income **exceeded** the initial forecast by approx. **43%**

**Internet
Marketing
Business**

Net Sales: **¥13,299mn** (Up **20.4%** year on year)

Operating income: **¥ 691mn** (Down 12.9% year on year)

The business expanded steadily, with the overseas sales ratio reaching approx. **13%**

**Media
Content
Business**

Net Sales: **¥ 794 mn** (Down 9.1% year on year)

Operating income: **¥ -155 mn** (Down ¥ 113mn year on year)

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

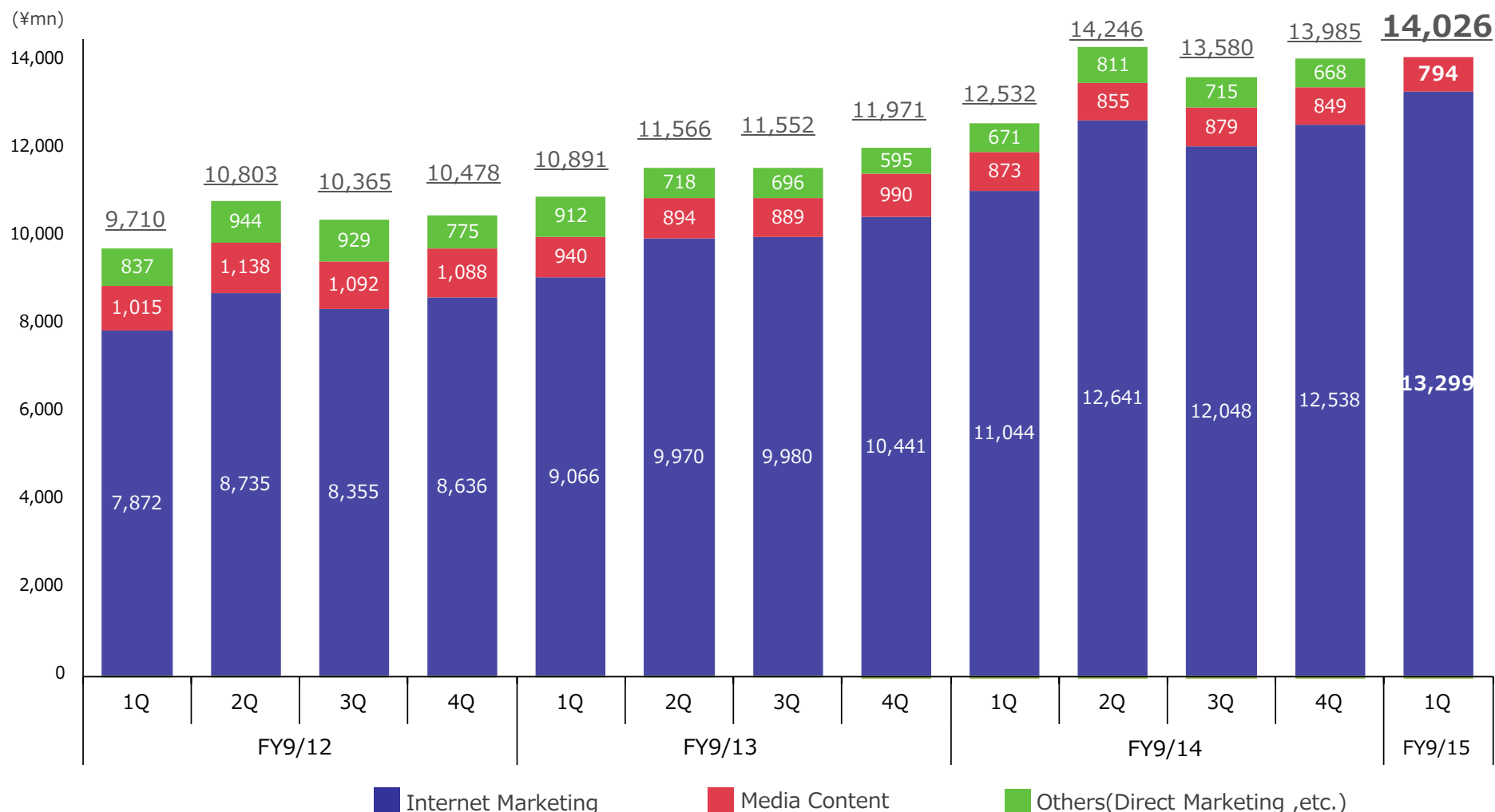
- Net sales maintained **double-digit growth**, reflecting steady business expansion in the Internet Marketing Business.
- Operating income **exceeded** the initial forecast by approx. **43%**, but it declined year on year, mainly reflecting upfront investments in the Media Content Business.
- Net income stood **at a record level**, given extraordinary income as a result of the sales of the Direct Marketing Business subsidiary.

(units: ¥mn)	1Q FY9/15			1Q FY9/14		1Q FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	14,026	100.0%	+11.9%	12,532	100.0%	14,000
Gross Income	2,533	18.1%	− 1.7%	2,578	20.6%	—
SG&A	2,103	15.0%	+ 11.0%	1,895	15.1%	—
Operating Income	429	3.1%	− 37.1%	682	5.5%	300
Ordinary Income	480	3.4%	− 34.9%	737	5.9%	300
Net Income	1,034	7.4%	+ 150.2%	413	3.3%	1,000
EBITDA	525	3.8%	− 30.5%	755	6.0%	

※ EBITDA = Operating Income + Depreciation and amortization + Amortization of goodwill

Net Sales
(by Business Segment)

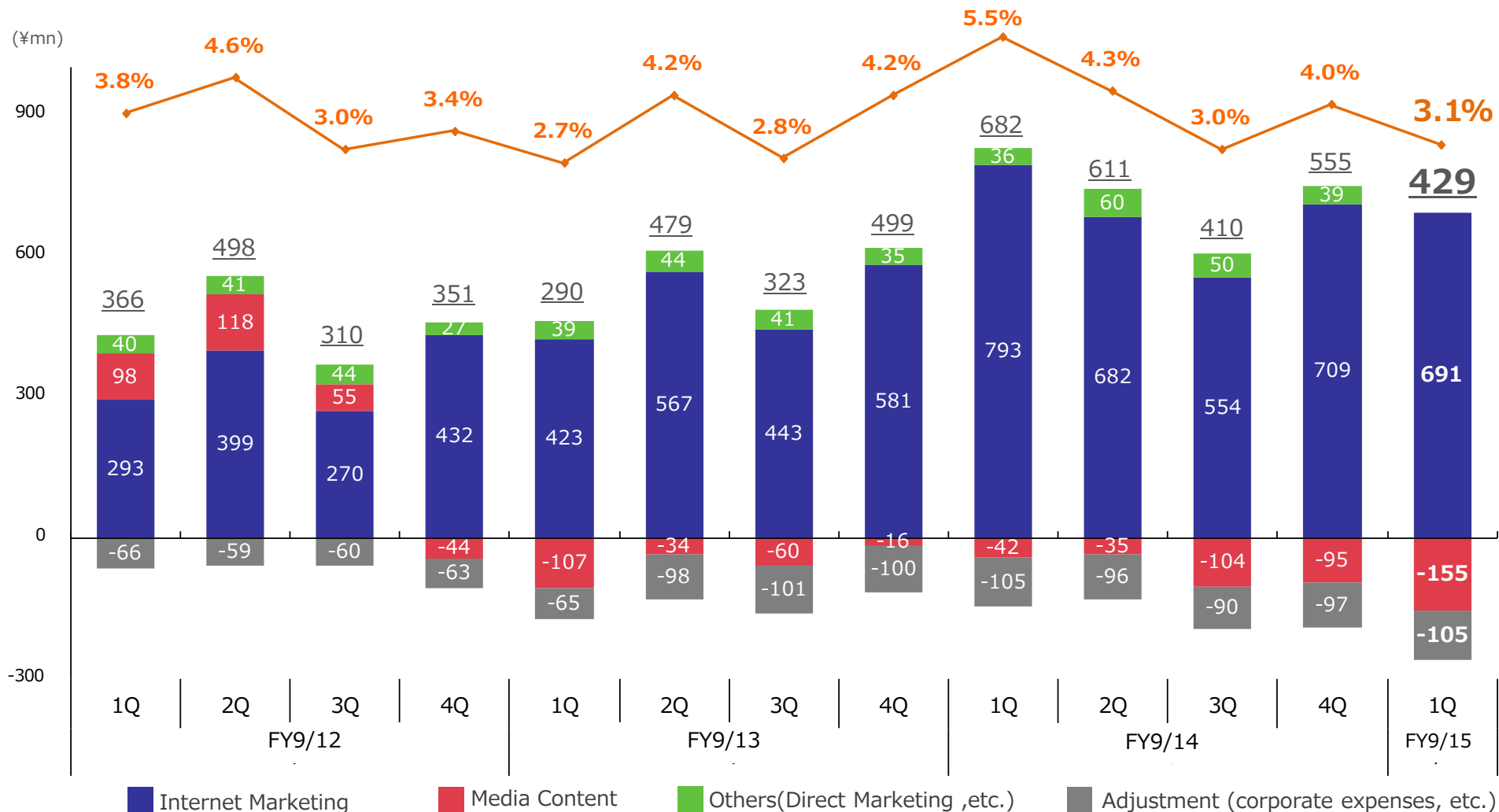
Consolidated net sales came to a record level for the 1Q results, despite the sales of the Direct Marketing Business.



*Because the net sales of each business include inter-segment sales, the total net sales of each business do not match the consolidated net sales (underlined figures).

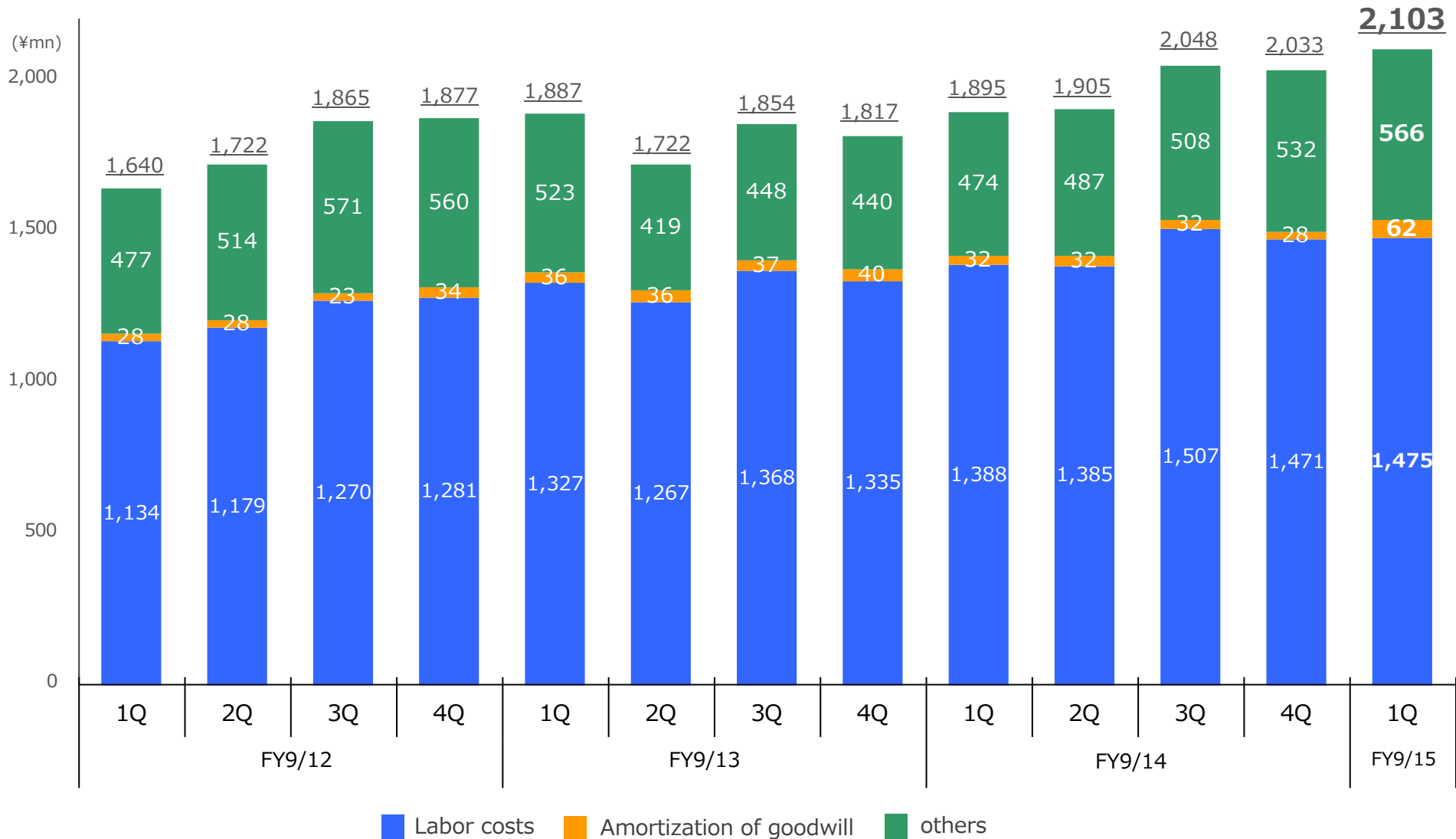
Operating Income (by Business Segment)

The second-best level for the 1Q results



SG&A

Labor costs, amortization of goodwill, office rents and other items increased.



2. Internet Marketing Business

The business expanded steadily, both net sales and gross income **reached new record highs**.

The results of an Internet advertising company in South Korea, which was included in the subsidiaries in July 2014, began to be included in the consolidated results from the quarter under review. SG&A increased, mainly due to the amortization of goodwill.

While overseas sales grew and their constitution ratio rose to approx. **13%**, the Social Media Business also expanded.

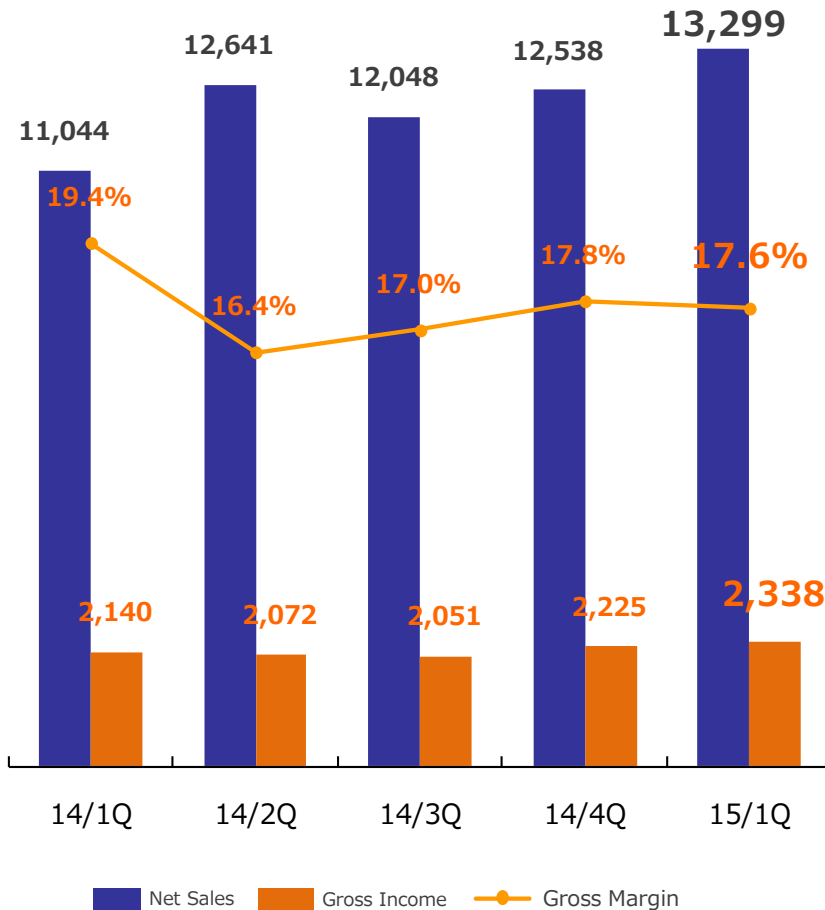
Although operating income exceeded the initial forecast, it declined year on year, given the reaction to a temporary increase in gross income in the same period of the previous fiscal year.

(units: ¥mn)	1Q FY9/15			1Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	13,299	100.0%	+20.4%	11,044	100.0%
Gross Income	2,338	17.6%	+9.3%	2,140	19.4%
SG&A	1,647	12.4%	+22.4%	1,346	12.2%
Operating Income	691	5.2%	-12.9%	793	7.2%

Net Sales Gross Income

Both net sales and gross income reached **new record highs**.

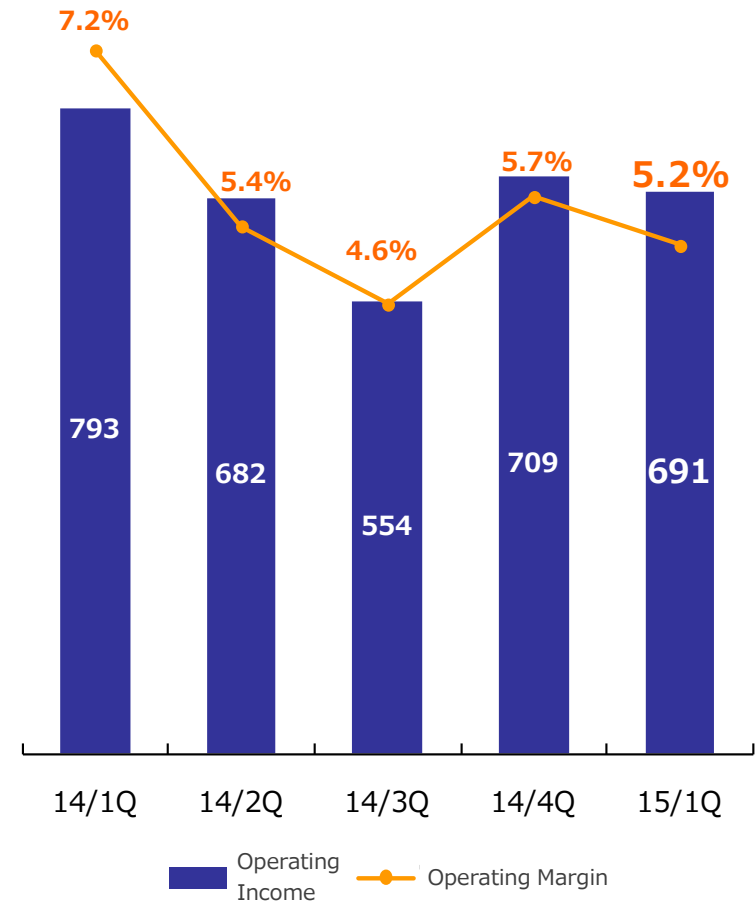
(¥mn)



Operating Income

The operating margin stood at the 5% level due to offsetting higher costs.

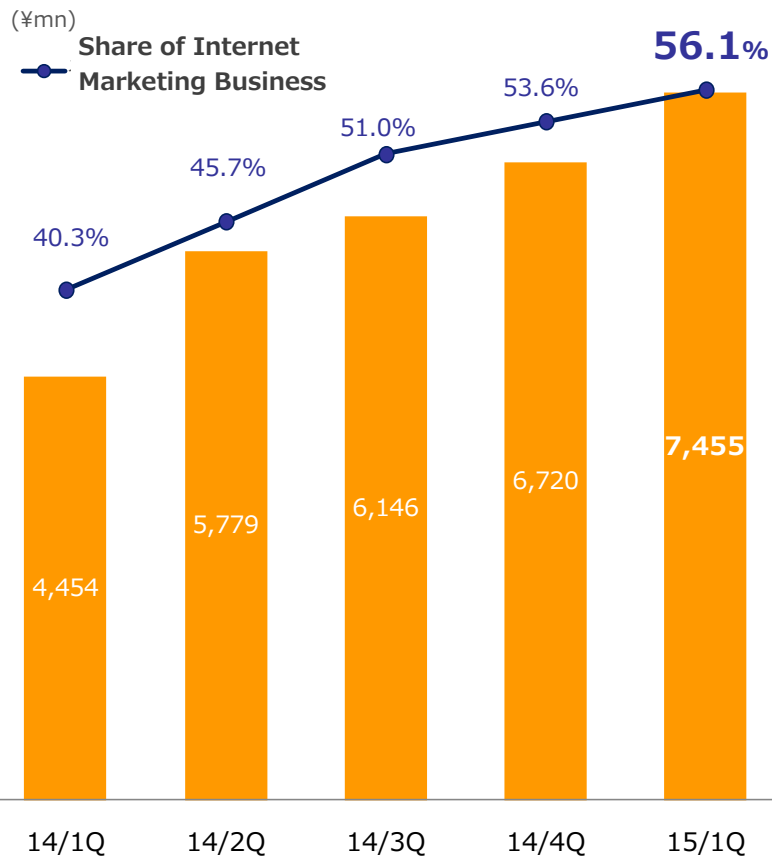
(¥mn)



Sales were around **1.6 times** the level one year ago.

With the expansion of the lineup of native advertising products, volumes more than **doubled** year on year.

Smartphone Advertising Sales Trend



Main business media



The overseas businesses of Facebook-related services increased.

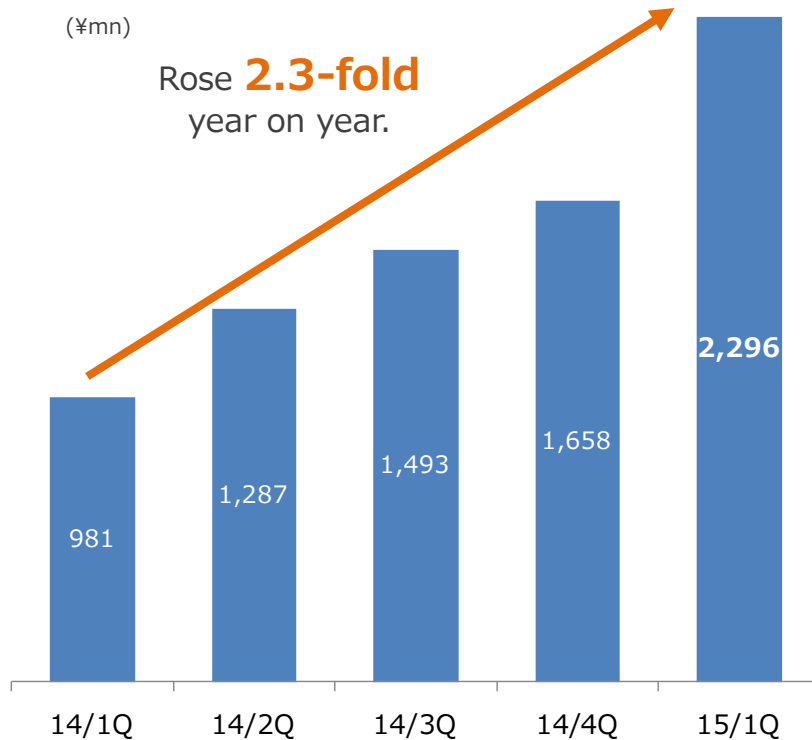
With the contributions from the accelerating growth of Twitter Ad, net sales in the business grew approx. **2.3** times year on year.

Social Media Business Sales Trend

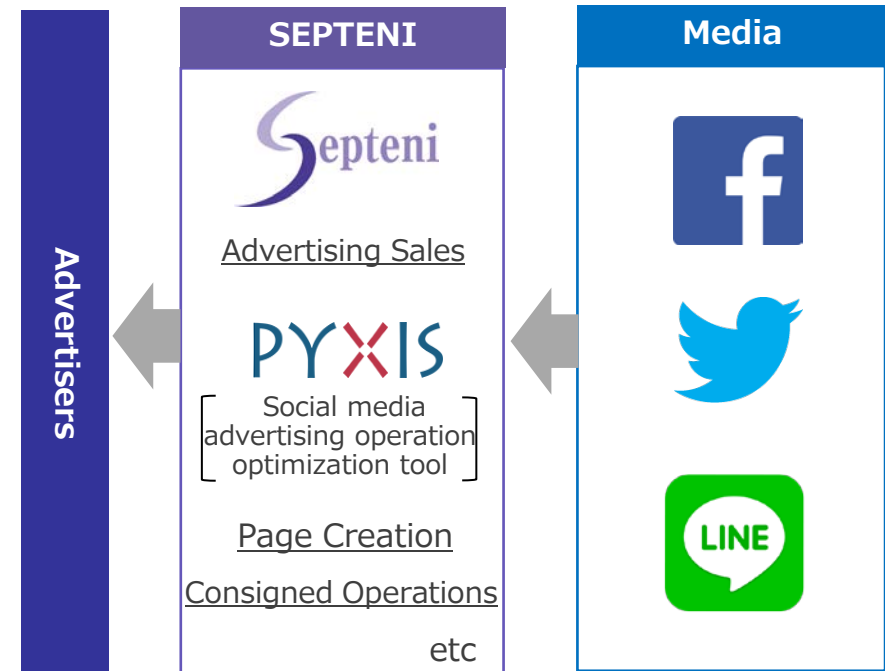
(Aggregate of sales in Facebook, Twitter, and LINE)

(¥mn)

Rose **2.3-fold**
year on year.



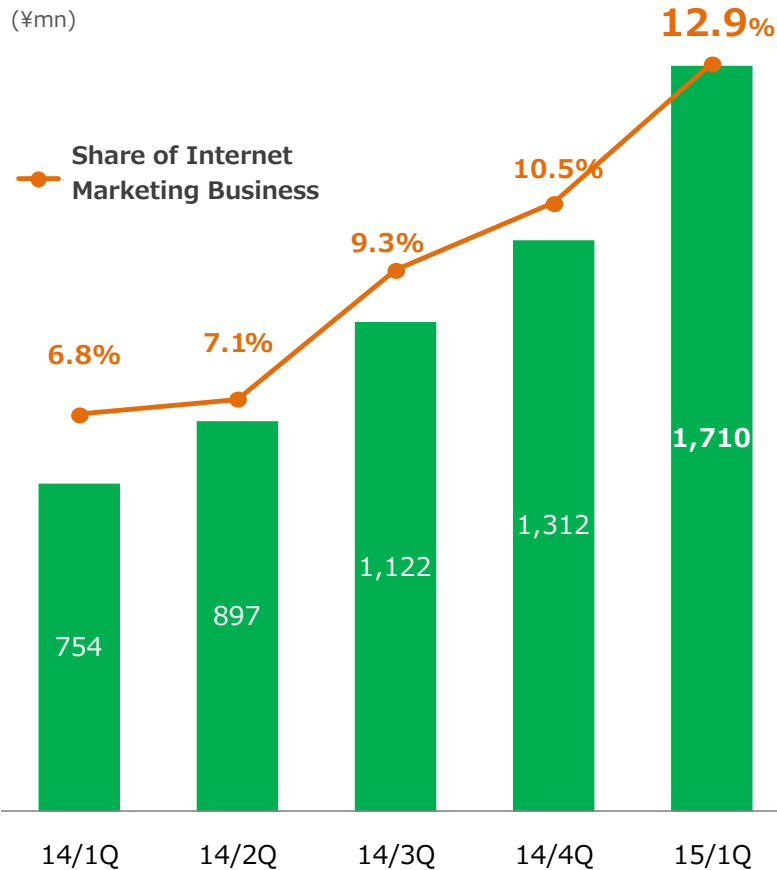
Business Model



The number of customers increased significantly, given the commencement of the inclusion of the subsidiary in South Korea in the consolidated results.

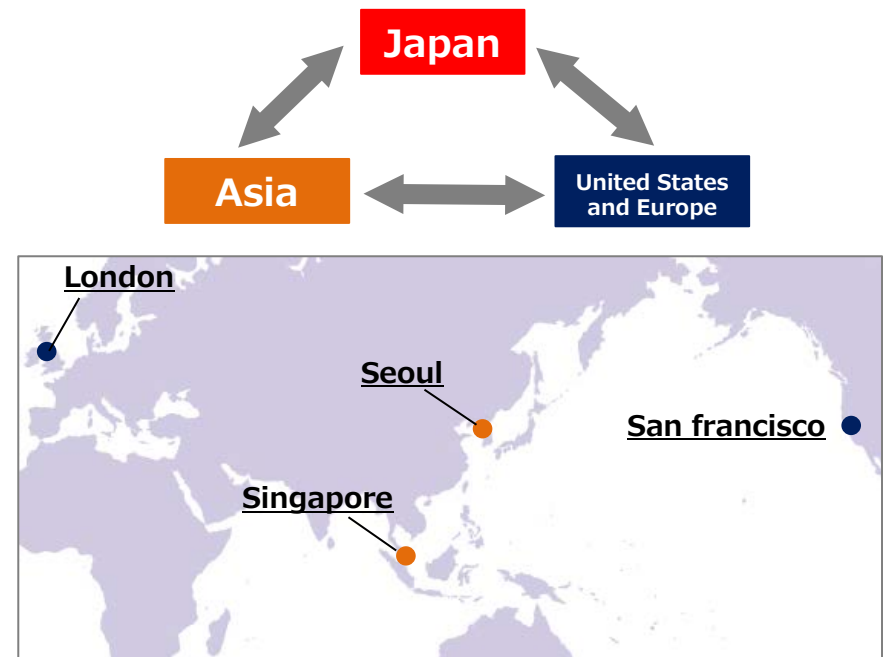
Sales were around **2.3 times** the level one year ago

Overseas sales Trend



Business model

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



3. Media Content Business

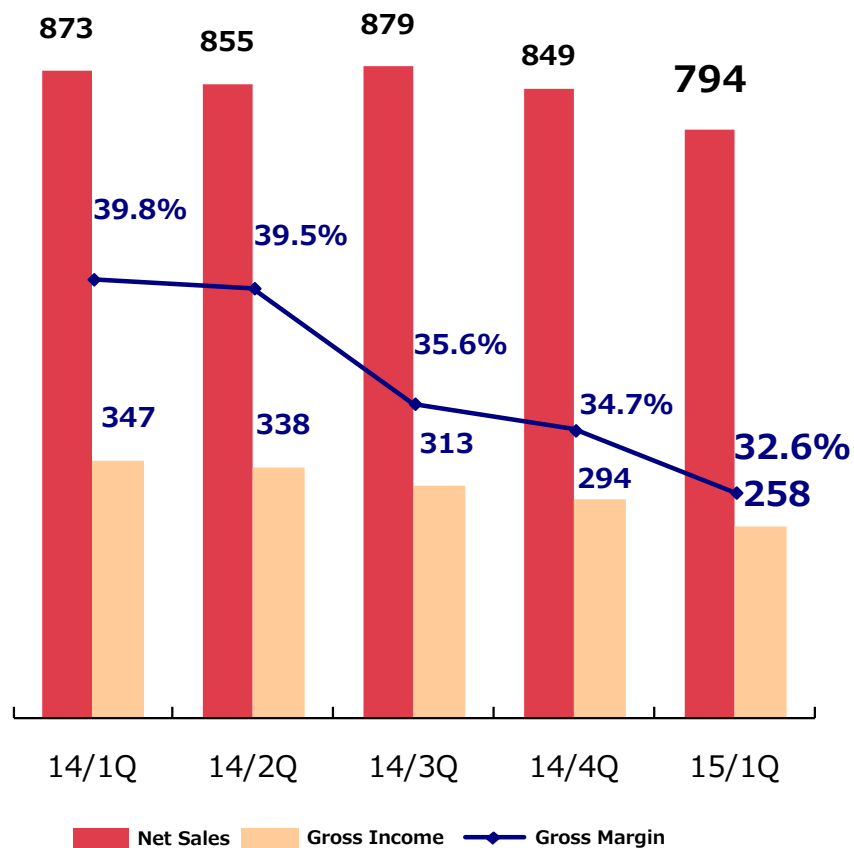
Net sales declined due to the postponement of the release of *dragon parade*, a mobile game, until January. On the other hand, since advertising and other expenses were lower due to the postponement, the loss in Axel Mark was reduced compared with the initial forecast.

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 ¥120 million.

(units: ¥mn)	1Q FY9/15			1Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	794	100.0%	− 9.1%	873	100.0%
Gross Income	258	32.6%	− 25.6%	347	39.8%
SG&A	414	52.2%	+ 6.3%	389	44.6%
Operating Income	− 155	− 19.6%	(− 113)	− 42	− 4.8%

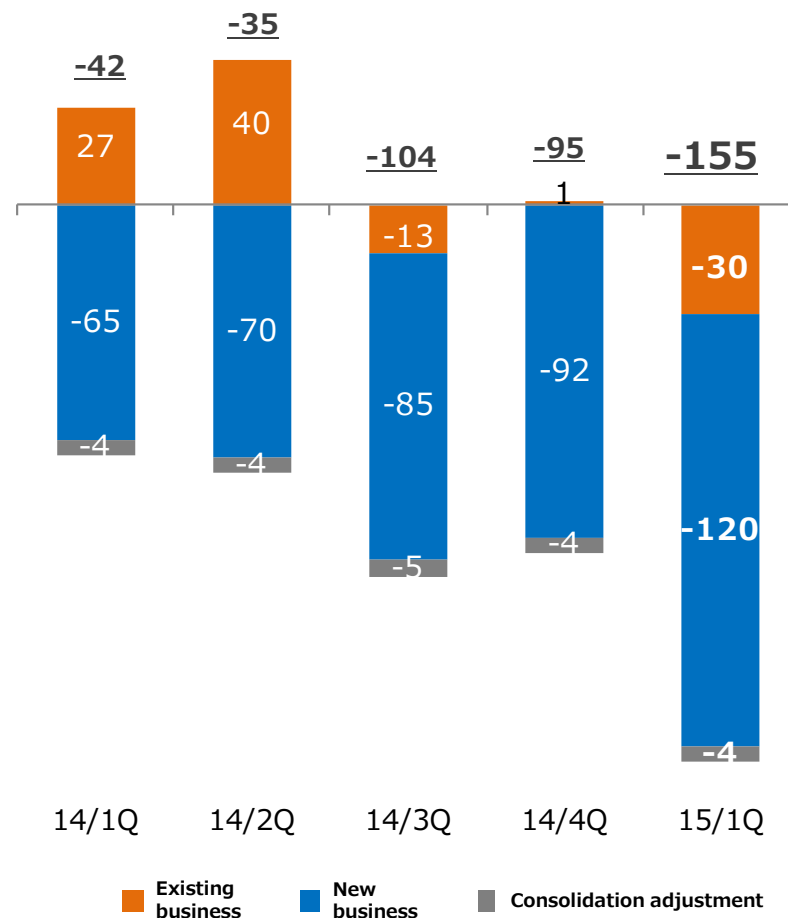
Net Sales, Gross Income

(¥mn)



Operating Income

(¥mn)



A new title released in 2Q



©SEGA Networks / AXEL GameStudio

Titles planned to be released hereafter



©AXEL MARK / ©Fuji Television Network, Inc./developed by CleamField, Inc.

dragon parade

(a collaborative title with SEGA Networks)

- A native application to start being distributed in January 22 in 2015.
- Accumulated downloads exceeded **500,000** by February 4.



Accumulated downloads of GANMA! topped **1,000,000**.

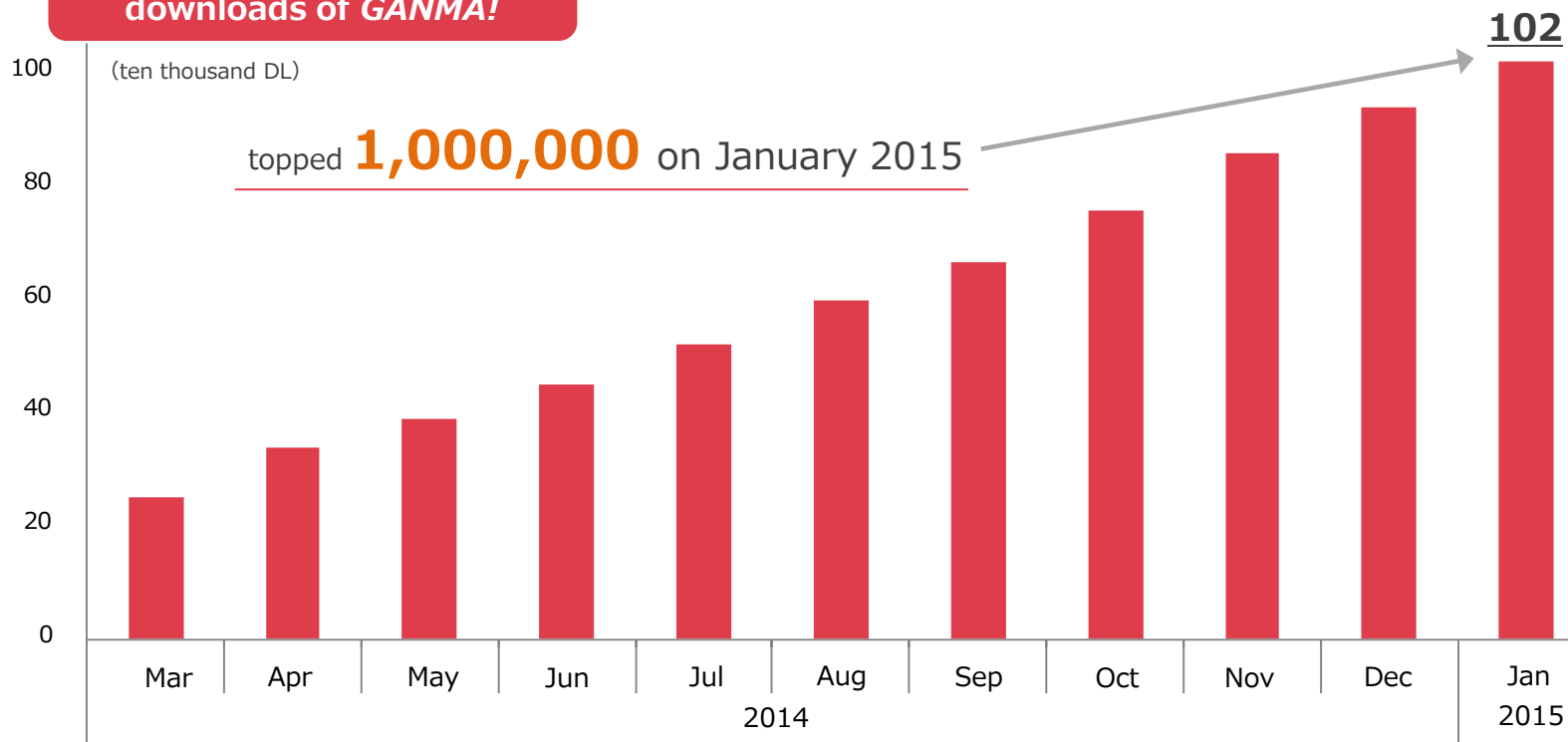
The number of monthly PV exceeded **170 million** (January 2015)

Musashikun to Murayamasan wa tsukiattemita was ranked **7th** in the Web manga section as the manga that is hoped to be printed in the *Tsugini kuru manga taisho* (established by niconico and Da Vinci).



© COMICSMART INC.

Accumulated application downloads of GANMA!



4. Earnings Estimates for 2Q FY9/15 and Midterm Business Policies

The Internet Marketing Business has been firm and higher sales are expected

In the Media Content Business, sales are expected to increase, given the introduction of new games, but the extent of the losses is likely to grow, reflecting higher advertising expenses and development expenses in the Mobile Game Business and upfront investments in the Manga Content Business.

(units: ¥mn)			Earnings in 1H FY9/14			Earnings Estimates for 1H FY9/15	Expected growth rate (1H)
	Earnings in 1Q FY9/14	Earnings in 2Q FY9/14		Earnings in 1Q FY9/15	Earnings Estimates for 2Q FY9/15		
Net Sales	12,532	14,246	26,779	14,026	15,200	29,226	+ 9.1%
Operating Income	682	611	1,293	429	550	979	- 24.3%
Ordinary Income	737	642	1,380	480	590	1,070	- 22.5%
Net Income	413	375	789	1,034	350	1,384	+ 75.4%

	Net Sales			Operating Income		
	Earnings in 2Q FY9/14	Earnings Estimates for 2Q FY9/15	YY Change	Earnings in 2Q FY9/14	Earnings Estimates for 2Q FY9/15	YY Change
(units: ¥mn)						
Internet Marketing Business	12,641	14,300	+ 13.1%	682	817	+ 19.7%
Media Content Business	855	970	+ 13.3%	− 35	− 162	(− 126)
Other (Direct Marketing)	811	−	(− 811)	60	−	(− 60)
Elimination or corporate	− 61	− 70	(− 8)	− 96	− 105	(− 8)
Total	14,246	15,200	+ 6.7%	611	550	− 10.0%

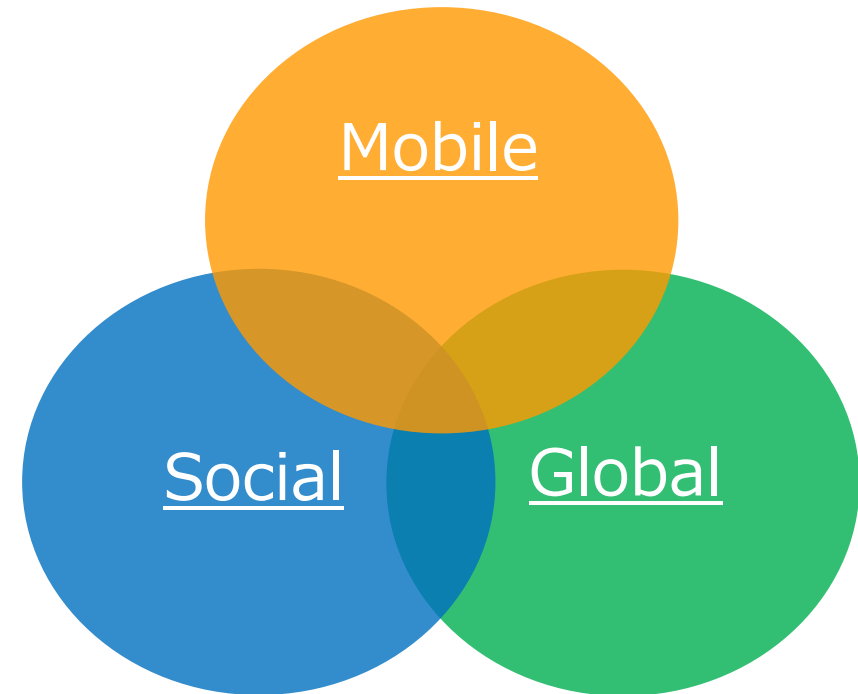
Concept

“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 February 5 , 2015 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 December 31, 2014

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 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	¥2,064 million
Shares Issued	27,690,000 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	775 full time employees, 921 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

February 5, 2015

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

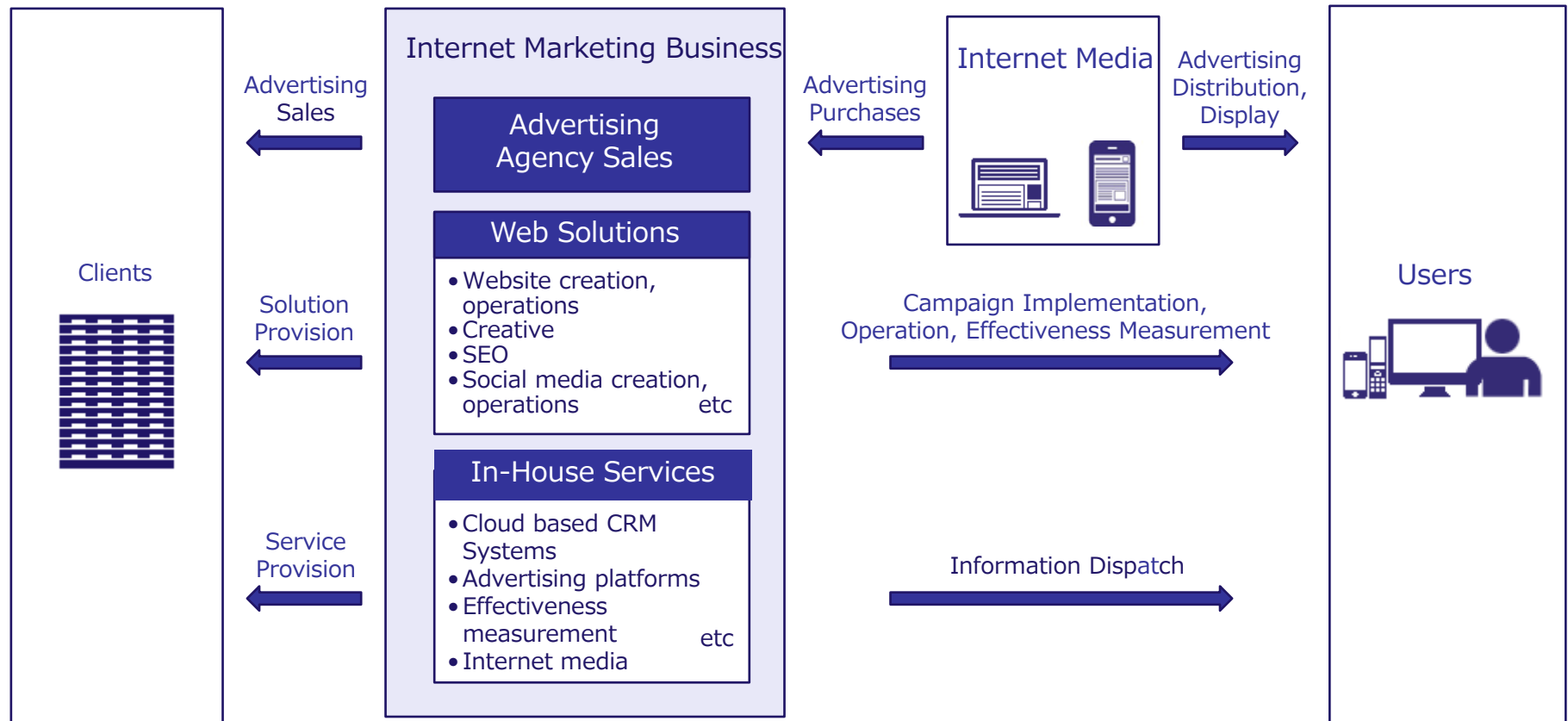
Media Content Business

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

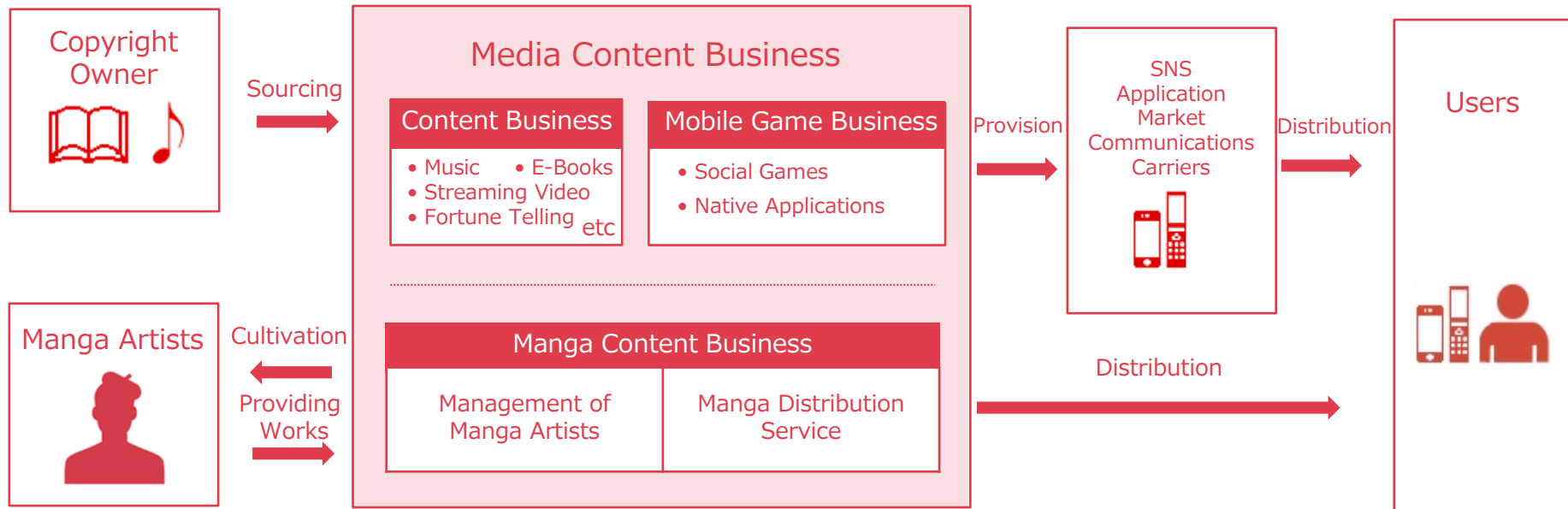
SEPTENI VENTURES Co., Ltd.

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.



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**.



	End 1Q FY9/15	End FY9/14	Change	Main Changes
Current Assets	18,922	18,115	+ 807	Cash and deposits: + 1,245 Notes and accounts receivable-trade: -368
Non-current Assets	3,069	3,510	- 440	Deferred tax assets: -343 Investment securities: -58
Total Assets	21,992	21,625	+ 366	
Current Liabilities	10,727	11,069	- 342	Short-term loans payable: + 361 Unpaid taxes: -815
Non-current Liabilities	283	352	- 69	
Total Liabilities	11,010	11,422	- 411	
Total Net Assets	10,981	10,203	+ 778	Retained earnings: + 805
Total Liabilities, Net Assets	21,992	21,625	+ 366	

	1Q FY9/15 (Oct-Dec)	Main Changes	1Q FY9/14 (Oct-Dec)
Cash Flows from Operating Activities	-150	Net income before taxes: + 1,650 Gain on sales of subsidiaries' stocks: -1,098 Corporate and other taxes: -869	202
Cash Flows from Investing Activities	1,263	Proceeds from sales of stocks of subsidiaries: + 1,249	1
Cash Flows from Financing Activities	85	Increase in loans payable: + 311 Cash dividends paid: -228	-118
Effect of Exchange Rate Changes on Cash and Cash Equivalents	43		15
Net Increase (Decrease) in Cash and Equivalents	1,241		101
Cash and Equivalents at Term End	9,929		6,671

(units : people)

