

Business Results for 2Q Fiscal Year September 2015

April 30, 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: **¥15,495mn** (Up 8.8% year on year)

Operating income: ¥616mn (Up 0.9% year on year)

Operating income **exceeded** the initial forecast by approx. **12%**,
securing a year-on-year **increase**.

**Internet
Marketing
Business**

Net Sales: **¥14,615mn** (Up 15.6% year on year)

Operating income: ¥ 830mn (Up 21.7% year on year)

Profitability improved with steady business growth.
Operating income reached **a new record high**.

**Media
Content
Business**

Net Sales: **¥ 953 mn** (Up 11.4% year on year)

Operating income: ¥ -118 mn (Down ¥ 83mn year on year)

The Mobile Game Business released a couple of new native games.

Income growth in the Internet Marketing Business led to the consolidated performance.

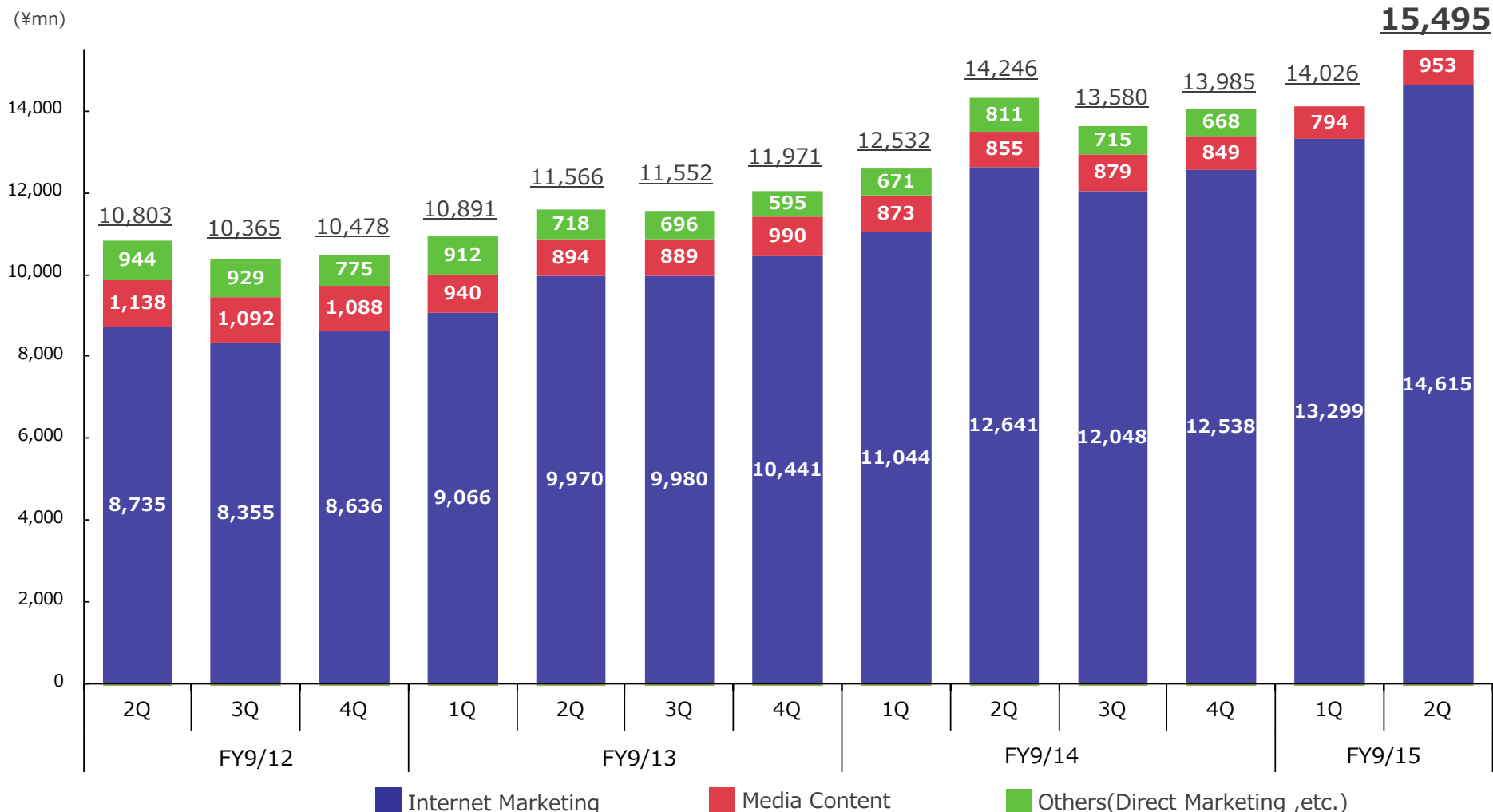
- Both net sales and gross income reached **new record highs**, and the gross margin also improved year on year.
- **The higher operating income** year on year was secured by offsetting upfront investments in the Media Content Business and the negative impact from the sales of the Direct Marketing Business.

| (units: ¥mn) | 2Q FY9/15 | | | 2Q FY9/14 | | 2Q FY9/15 Estimate |
|------------------|---------------|--------|-----------|-----------|--------|-----------------------|
| | Value | Share | YY Change | Value | Share | |
| Net Sales | 15,495 | 100.0% | +8.8% | 14,246 | 100.0% | 15,200 |
| Gross Income | 2,801 | 18.1% | +11.3% | 2,516 | 17.7% | — |
| SG&A | 2,184 | 14.1% | +14.7% | 1,905 | 13.4% | — |
| Operating Income | 616 | 4.0% | +0.9% | 611 | 4.3% | 550 |
| Ordinary Income | 714 | 4.6% | +11.3% | 642 | 4.5% | 590 |
| Net Income | 432 | 2.8% | +15.1% | 375 | 2.6% | 350 |
| EBITDA | 719 | 4.6% | +4.5% | 688 | 4.8% | |

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

Net Sales
(by Business Segment)

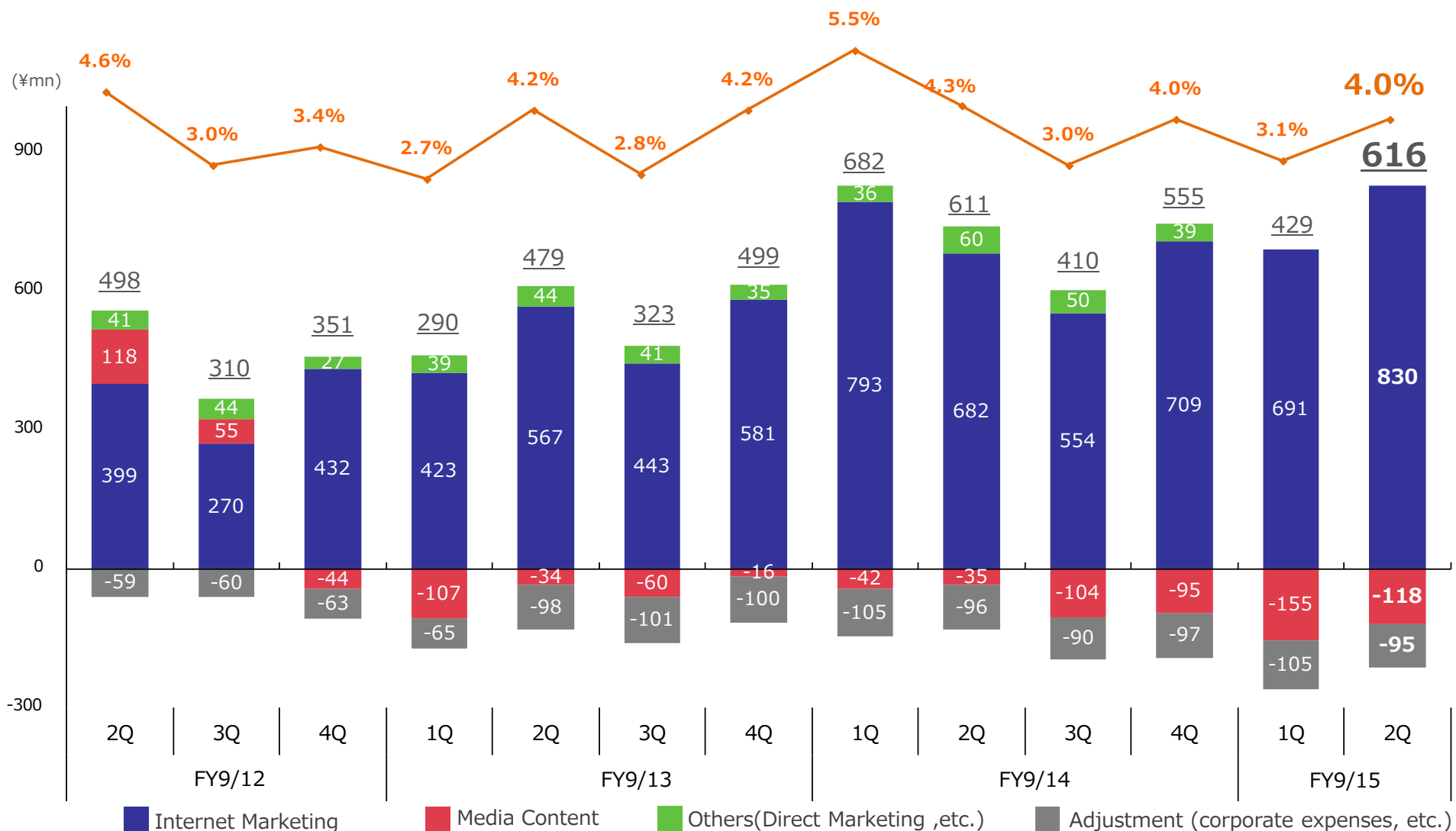
Consolidated net sales were up 10.5% quarter on quarter ,
and reached **a new record high**.



*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).

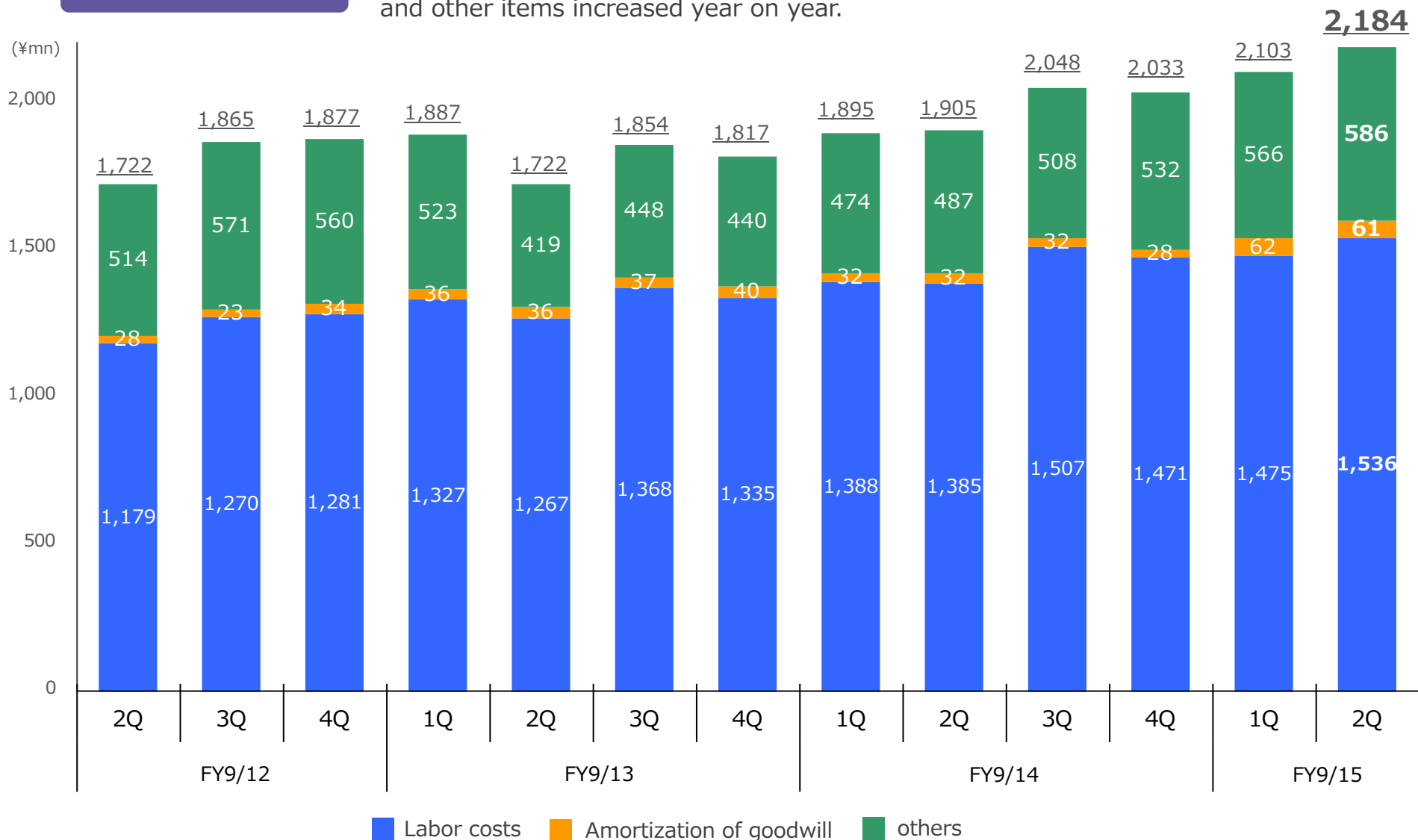
Operating Income
(by Business Segment)

Consolidated operating income came to a record level for the 2Q results



SG&A

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



2. Internet Marketing Business

All indicators, net sales, gross income and operating income, reached **new record highs**.

The gross margin improved significantly.

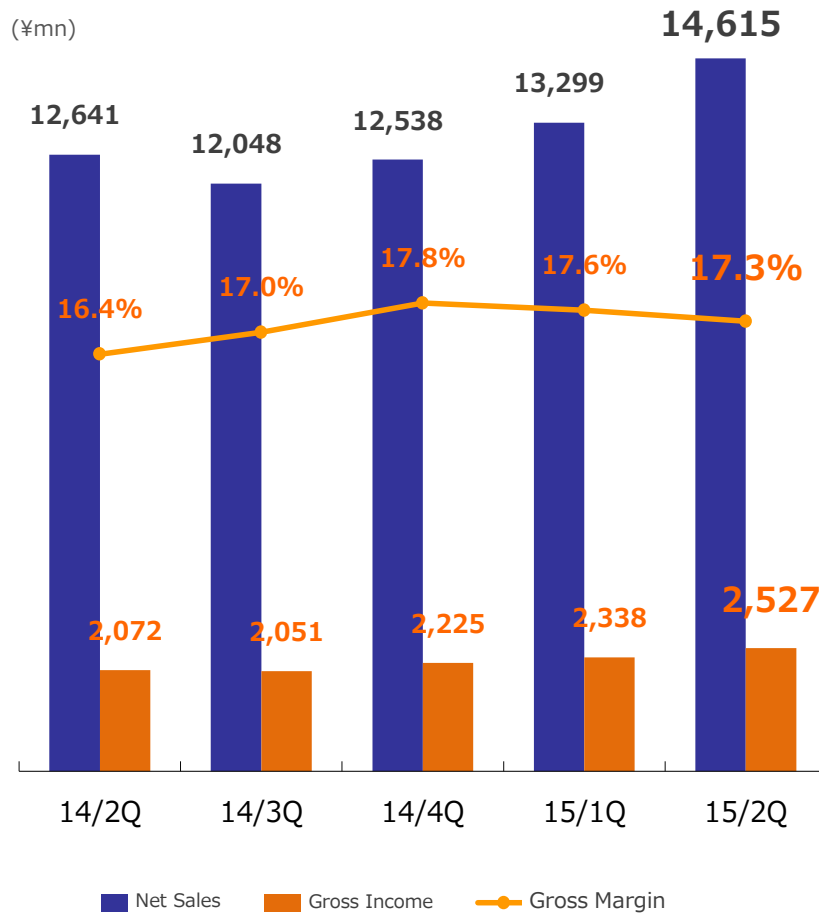
The operating margin rose to **5.7%** by offsetting an increase in SG&A expenses, mainly reflecting labor costs and the amortization of goodwill.

Smartphone advertising continued to grow, its constitution ratio in the Internet Marketing Business amounting to a **58%** share.

| (units: ¥mn) | 2Q FY9/15 | | | 2Q FY9/14 | |
|------------------|---------------|--------|-----------|-----------|--------|
| | Value | Share | YY Change | Value | Share |
| Net Sales | 14,615 | 100.0% | +15.6% | 12,641 | 100.0% |
| Gross Income | 2,527 | 17.3% | +21.9% | 2,072 | 16.4% |
| SG&A | 1,696 | 11.6% | +22.0% | 1,390 | 11.0% |
| Operating Income | 830 | 5.7% | +21.7% | 682 | 5.4% |

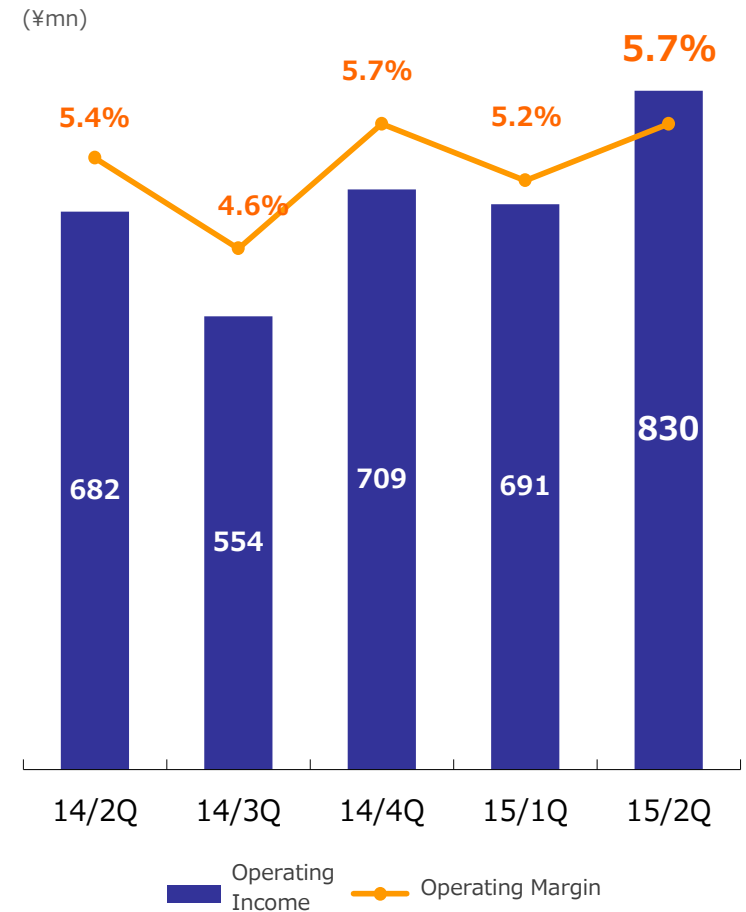
Net Sales Gross Income

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



Operating Income

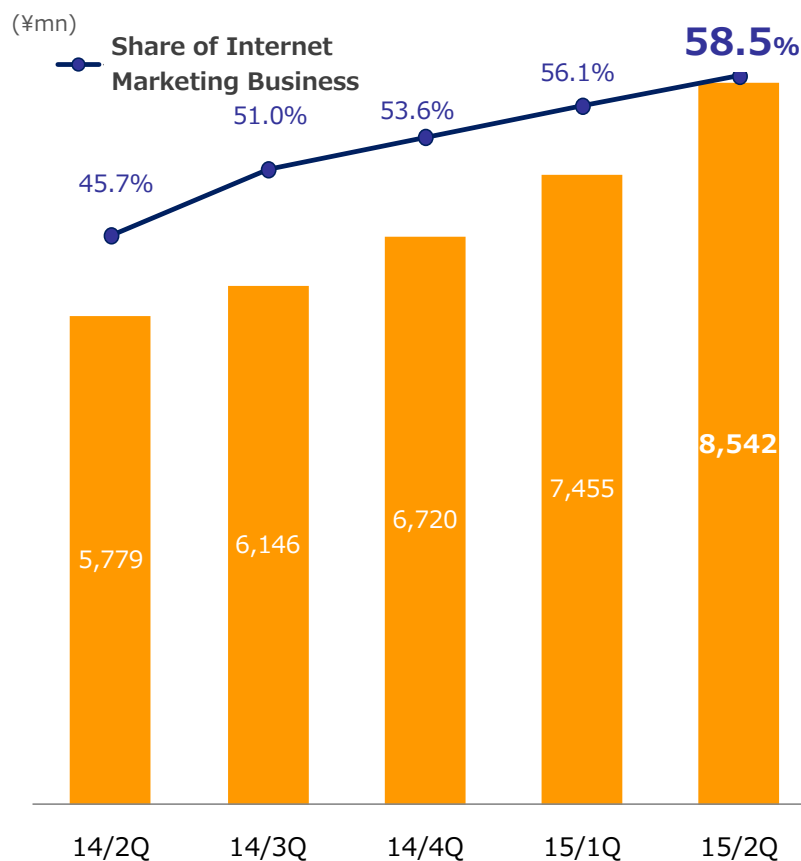
Operating income hit **a new record high**.



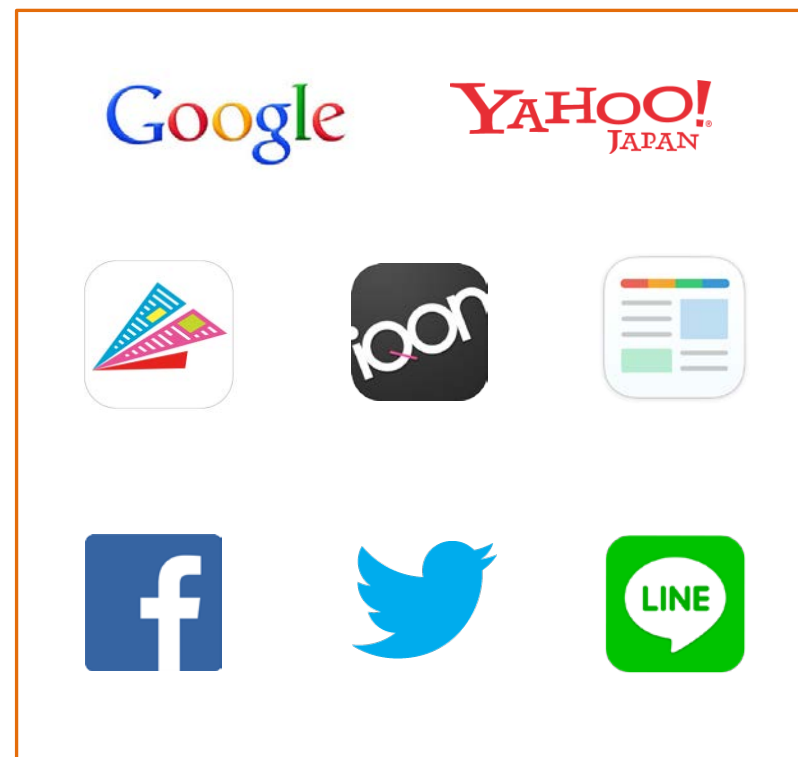
Sales were around **1.5 times** the level one year ago.

Native advertising, centered in Gunosy and SmartNews, continued its solid performance.

Smartphone Advertising Sales Trend



Main business media



Facebook advertising remained steady in Japan chiefly reflecting the expansion of overseas distribution, but Facebook advertising handled by the subsidiary in South Korea fell quarter on quarter due to seasonal factors.

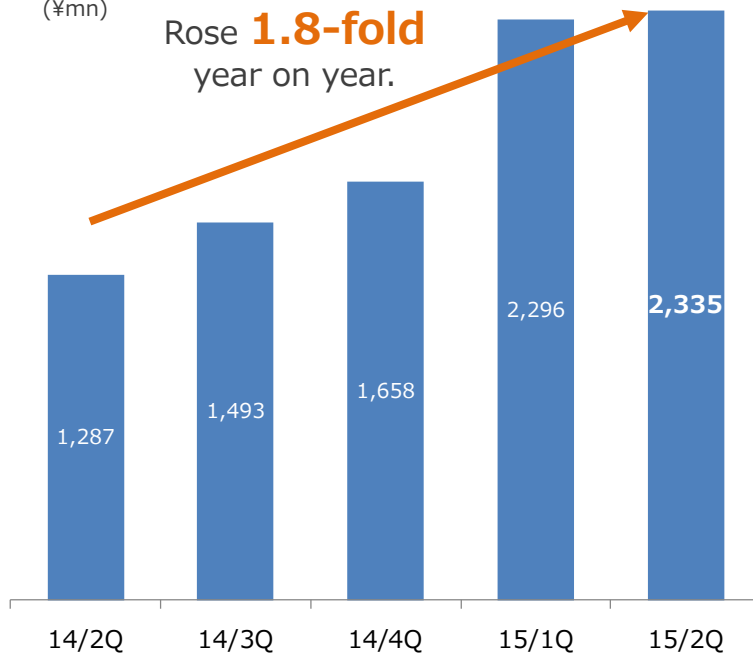
Twitter advertising continued to record strong growth, and net sales of the Social Media Business rose approx. **1.8-fold** year on year.

Social Media Business Sales Trend

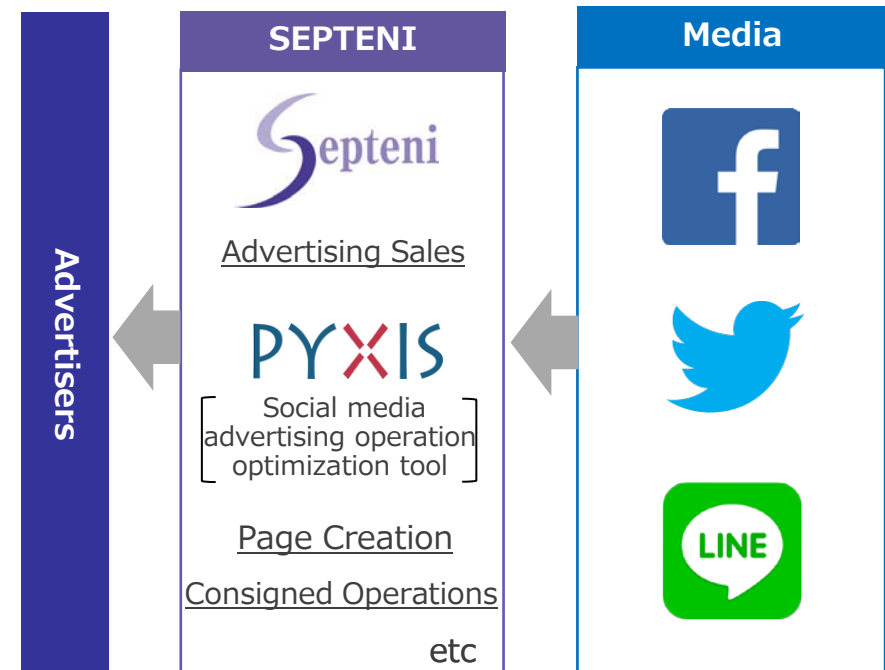
(Aggregate of sales in Facebook, Twitter, and LINE)

(¥mn)

Rose **1.8-fold**
year on year.



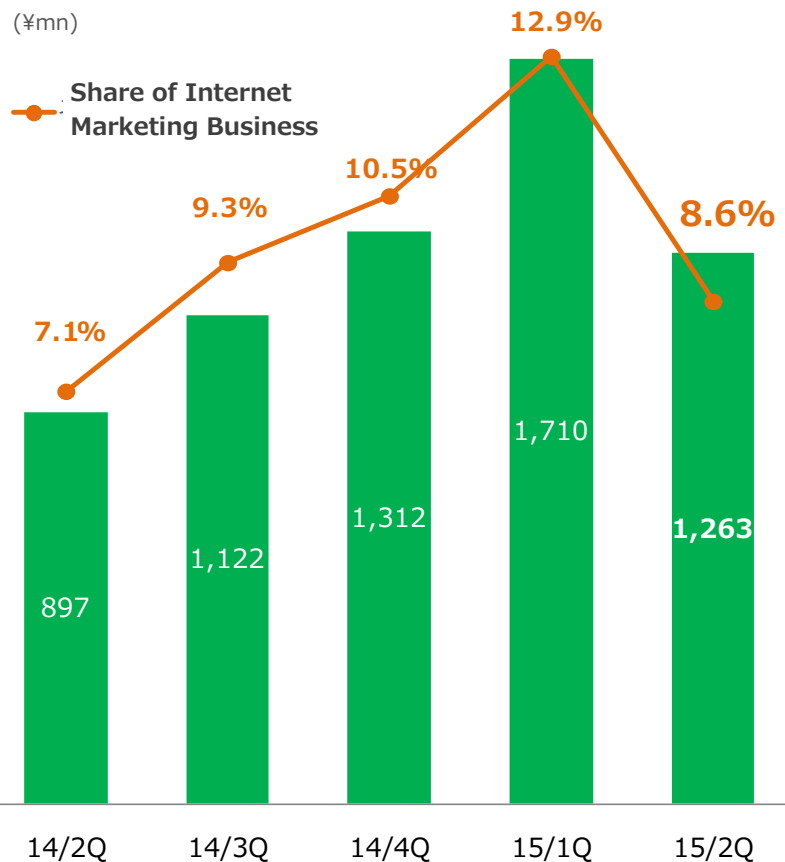
Business Model



Sales were around **1.4 times** the level one year ago.

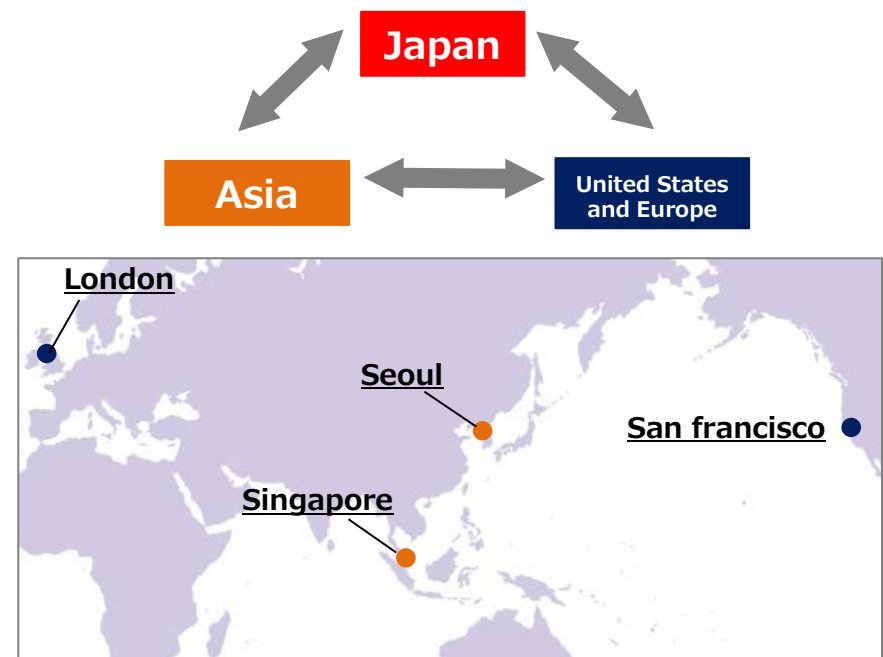
Partly due to seasonal factors, advertising in certain large-scale projects was restrained, resulting in lower net sales quarter on quarter.

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 increased as a result of the release of the mobile games *dragon parade* and *KINGDOM-Eiyuno keifu*.

Axel Mark secured an operating income partly reflecting expense control by reviewing recruiting and advertising plans.

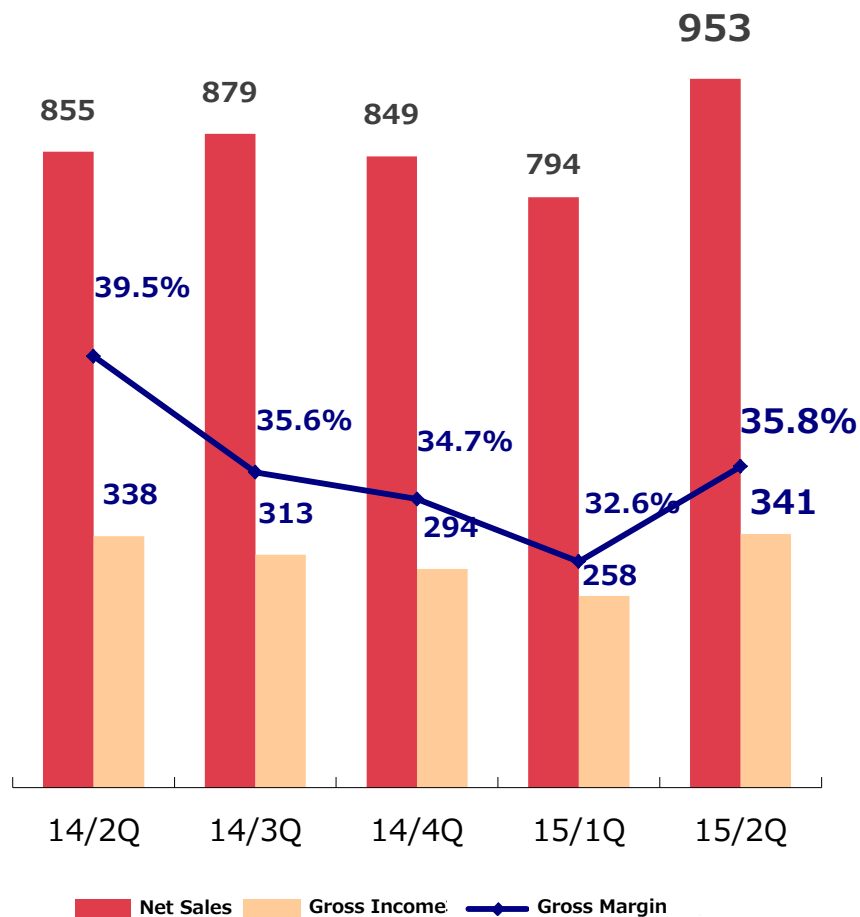
The Manga Content Business strengthened initiatives to commercialize its own intellectual property.

Operating losses associated with new businesses amounted to ¥120 million, due to continued upfront investments for the cultivation of Manga artists and the enhancement of the distribution service.

| (units: ¥mn) | 2Q FY9/15 | | | 2Q FY9/14 | |
|------------------|--------------|---------|-----------|-----------|--------|
| | Value | Share | YY Change | Value | Share |
| Net Sales | 953 | 100.0% | +11.4% | 855 | 100.0% |
| Gross Income | 341 | 35.8% | +0.9% | 338 | 39.5% |
| SG&A | 459 | 48.2% | +23.1% | 373 | 43.7% |
| Operating Income | - 118 | - 12.4% | (- 83) | - 35 | - 4.1% |

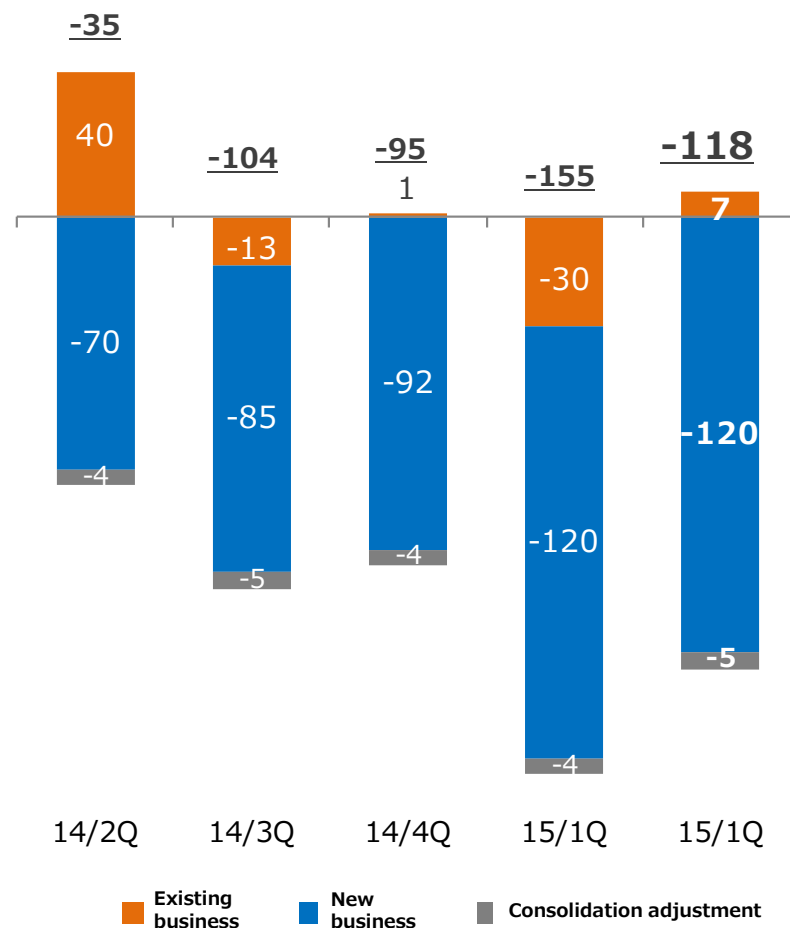
Net Sales, Gross Income

(¥mn)



Operating Income

(¥mn)



New titles released in 2Q

dragon parade

(A native game to start being distributed in January 22 in 2015)



©SEGA / AXEL GameStudio

KINGDOM-Eiyuno keifu-

(A native game to start being distributed in March 12 in 2015)



©YASUHISA HARA, SHUEISHA/NHK, NEP, PIERROT
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Development in the future

A major update for *dragon parade* is planned for May 2015.



©SEGA / AXEL GameStudio

DIRGE OF ROAR (provisional name) is currently under development.
The release is expected once partner companies are determined.



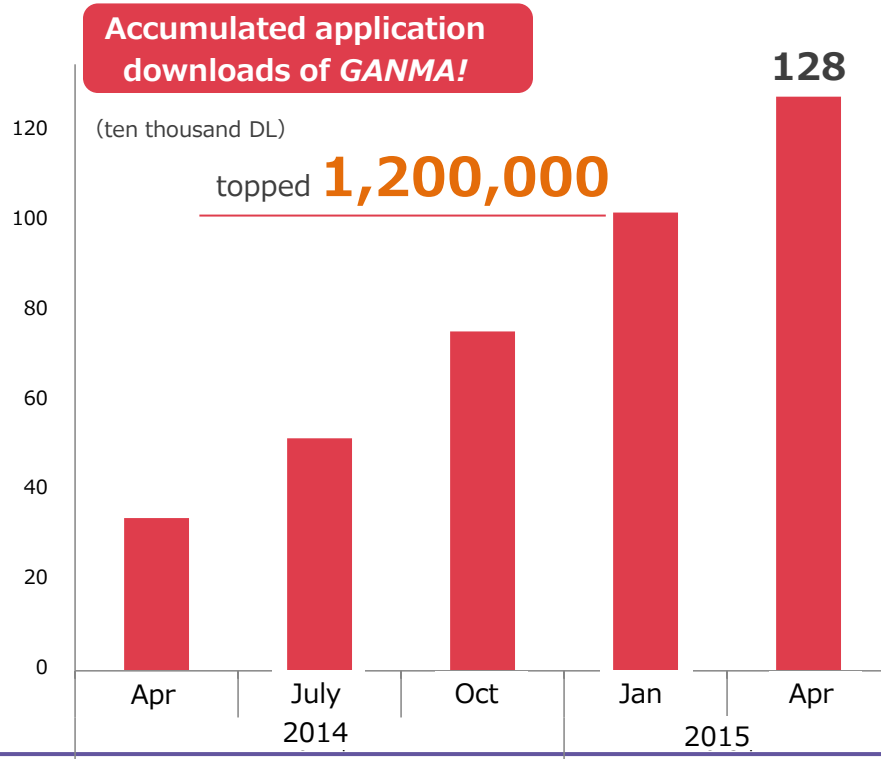
The number of monthly PV for *GANMA!* topped **250 million** (April 2015).

The iOS application has been renewed.

It has been decided that ***Million Doll*** will be made into a TV cartoon (scheduled to be aired in the summer of 2015).

Prior to the broadcasting of the cartoon, a radio program with the cast (voice actors) started in April.

Cat is silver vine was published (on April 30, 2015).



© Ai/COMICSMARTINC./
"milliondoll" Committee



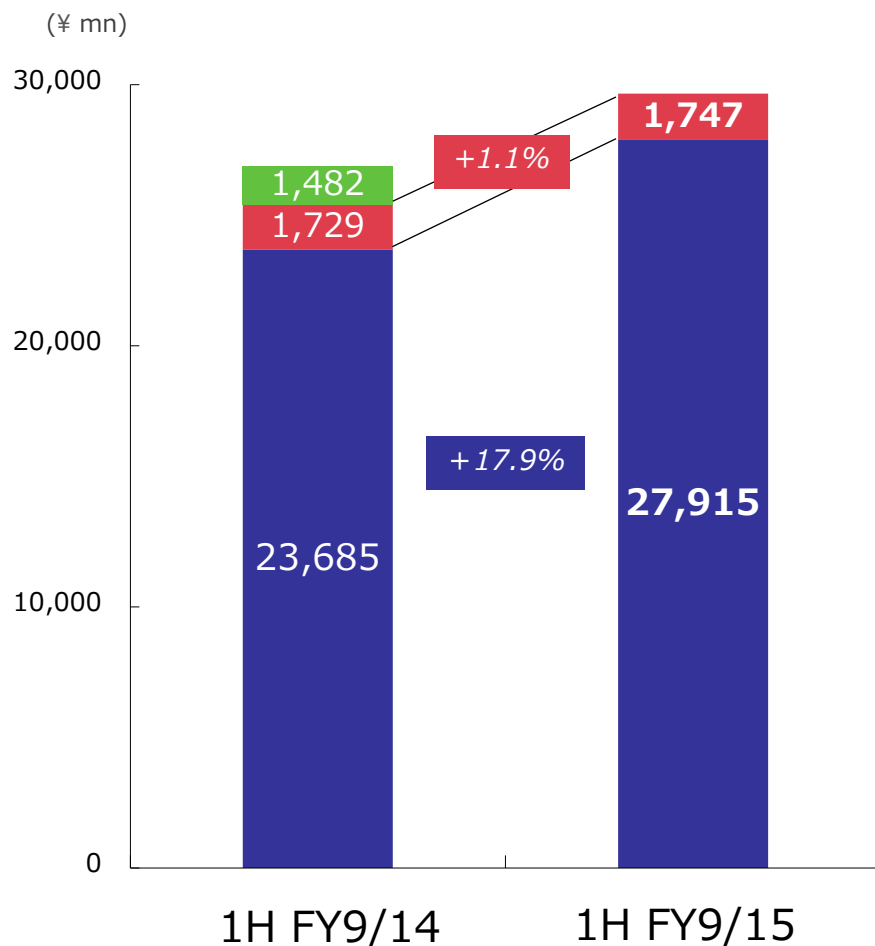
© Miho Isshiki 2015
© COMICSMART INC. 2015

4. First half FY9/15 Consolidated Earnings and 3Q Earning Estimates

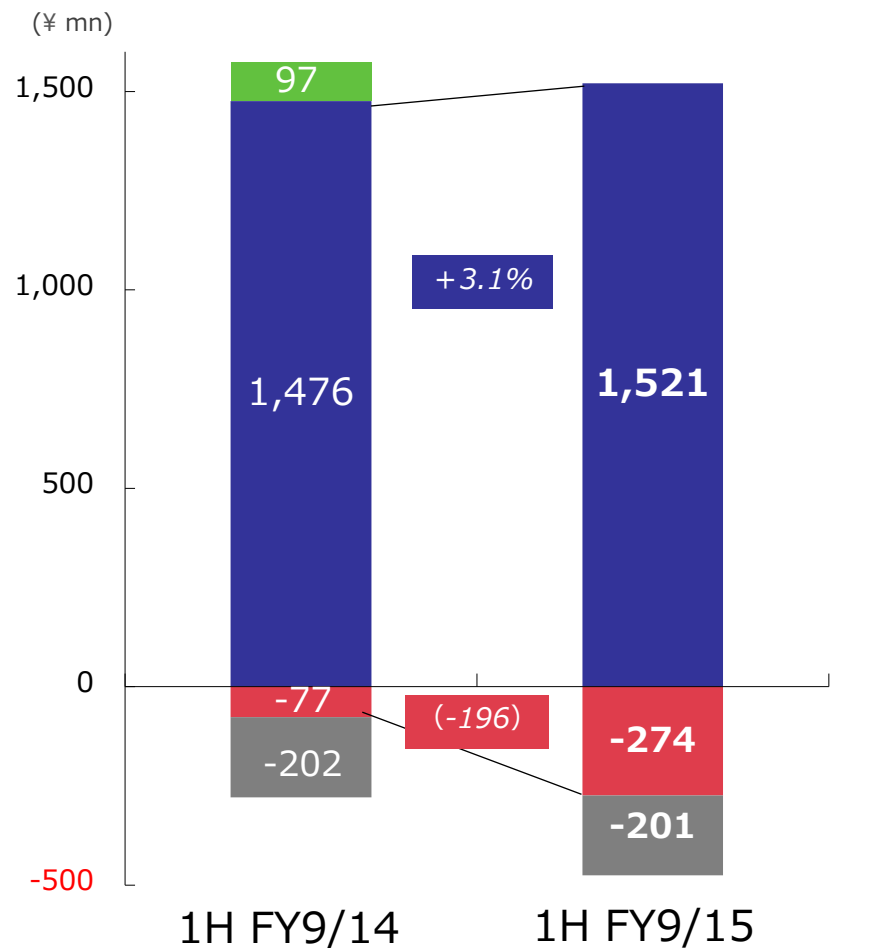
- Net sales maintained double-digit growth, reflecting steady business expansion in the Internet Marketing Business.
- Operating income exceeded the initial forecast, but it declined year on year, mainly reflecting upfront investments in the Media Content Business.
- Net income grew significantly, given extraordinary income as a result of the sales of the Direct Marketing Business subsidiary.

| (units: ¥mn) | First half FY9/15 | | | First half FY9/14 | | First half FY9/15 Estimate |
|------------------|-------------------|--------|-----------|-------------------|--------|----------------------------|
| | Value | Share | YY Change | Value | Share | |
| Net Sales | 29,522 | 100.0% | +10.2% | 26,779 | 100.0% | 29,226 |
| Gross Income | 5,334 | 18.1% | +4.7% | 5,094 | 19.0% | — |
| SG&A | 4,288 | 14.5% | +12.8% | 3,800 | 14.2% | — |
| Operating Income | 1,046 | 3.5% | − 19.1% | 1,293 | 4.8% | 979 |
| Ordinary Income | 1,194 | 4.1% | − 13.4% | 1,380 | 5.2% | 1,070 |
| Net Income | 1,466 | 5.0% | +85.9% | 789 | 3.0% | 1,384 |
| EBITDA | 1,244 | 4.2% | − 13.8% | 1,444 | 5.4% | |

Net Sales



Operating Income



Internet Marketing

Media Content

Others(Direct Marketing ,etc.)

Adjustment (corporate expenses, etc.)

The consolidated operating income in 3Q (Apr-Jun) is expected to rise 12% year on year.

In April, 104 new graduate employees joined the company.

In 3Q (Apr-Jun), the typical period for upfront investment in human resources, SG&A expense burdens will increase, centered on labor costs.

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

The Media Content Business is expected to record lower sales and the extent of the losses is likely to grow, reflecting the fact that there will be no new game releases and upfront investments in the Manga Content Business will also continue.

| (units: ¥mn) | | | Earnings in 1Q-3Q FY9/14 | | | Earnings Estimates for 1Q-3Q FY9/15 | Expected growth rate (1Q-3Q)) |
|---------------------|-----------------------------|-----------------------------|--------------------------------|-----------------------------|--|--|-------------------------------------|
| | Earnings in 1H FY9/14 | Earnings in 3Q FY9/14 | | Earnings in 1H FY9/15 | Earnings Estimate for 3Q FY9/15 | | |
| Net Sales | 26,779 | 13,580 | 40,360 | 29,522 | 15,800 | 45,322 | + 12.3% |
| Operating Income | 1,293 | 410 | 1,703 | 1,046 | 460 | 1,506 | - 11.6% |
| Ordinary Income | 1,380 | 399 | 1,779 | 1,194 | 470 | 1,664 | - 6.5% |
| Net Income | 789 | 398 | 1,187 | 1,466 | 310 | 1,776 | + 49.5% |

(units: ¥mn)

| | Net Sales | | | Operating Income | | |
|--------------------------------|--------------------------|--|-----------------|--------------------------|--|----------------|
| | Earnings in 3Q FY9/14 | Earnings Estimates for 3Q FY9/15 | YY Change | Earnings in 3Q FY9/14 | Earnings Estimates for 3Q FY9/15 | YY Change |
| Internet Marketing Business | 12,048 | 15,100 | + 25.3% | 554 | 706 | + 27.4% |
| Media Content Business | 879 | 775 | − 11.9% | − 104 | − 146 | (− 41) |
| Other (Direct Marketing) | 715 | − | (− 715) | 50 | − | (− 50) |
| Elimination or corporate | − 62 | − 75 | (− 12) | − 90 | − 100 | (− 10) |
| Total | 13,580 | 15,800 | + 16.3% | 410 | 460 | + 12.2% |

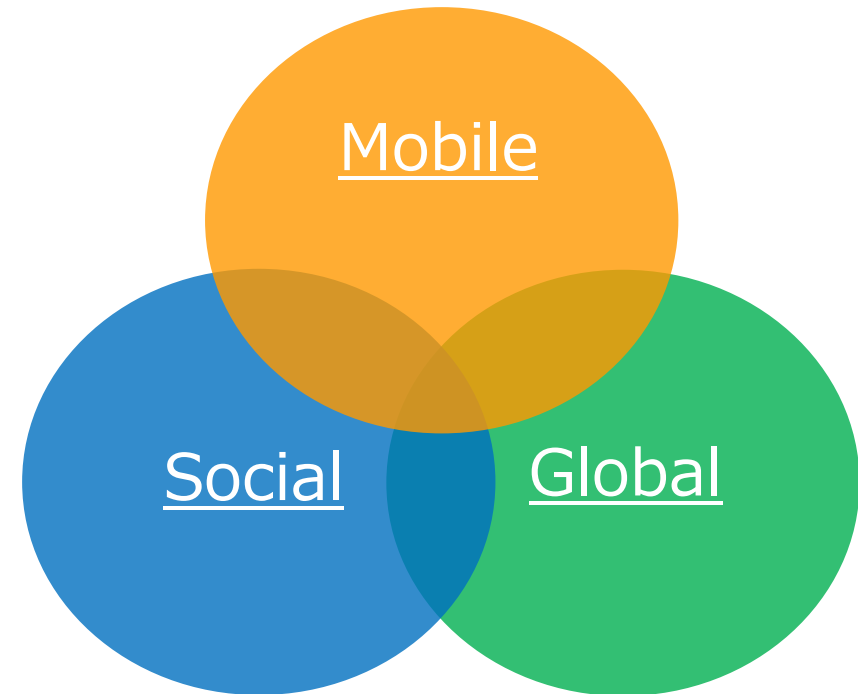
Concept

"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.

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Corporate Planning, IR Division

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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 April 30, 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.

5. Appendix

As of March 31, 2015

| | |
|-------------------------------|---|
| 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 | ¥2,066 million |
| Shares Issued | 27,693,200 shares (Including 1,784,600 treasury shares) |
| Consolidated Workforce | 769 full time employees, 922 full time and contracted employees |

Holding Company

SEPTENI HOLDINGS CO., LTD

April 30, 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 |

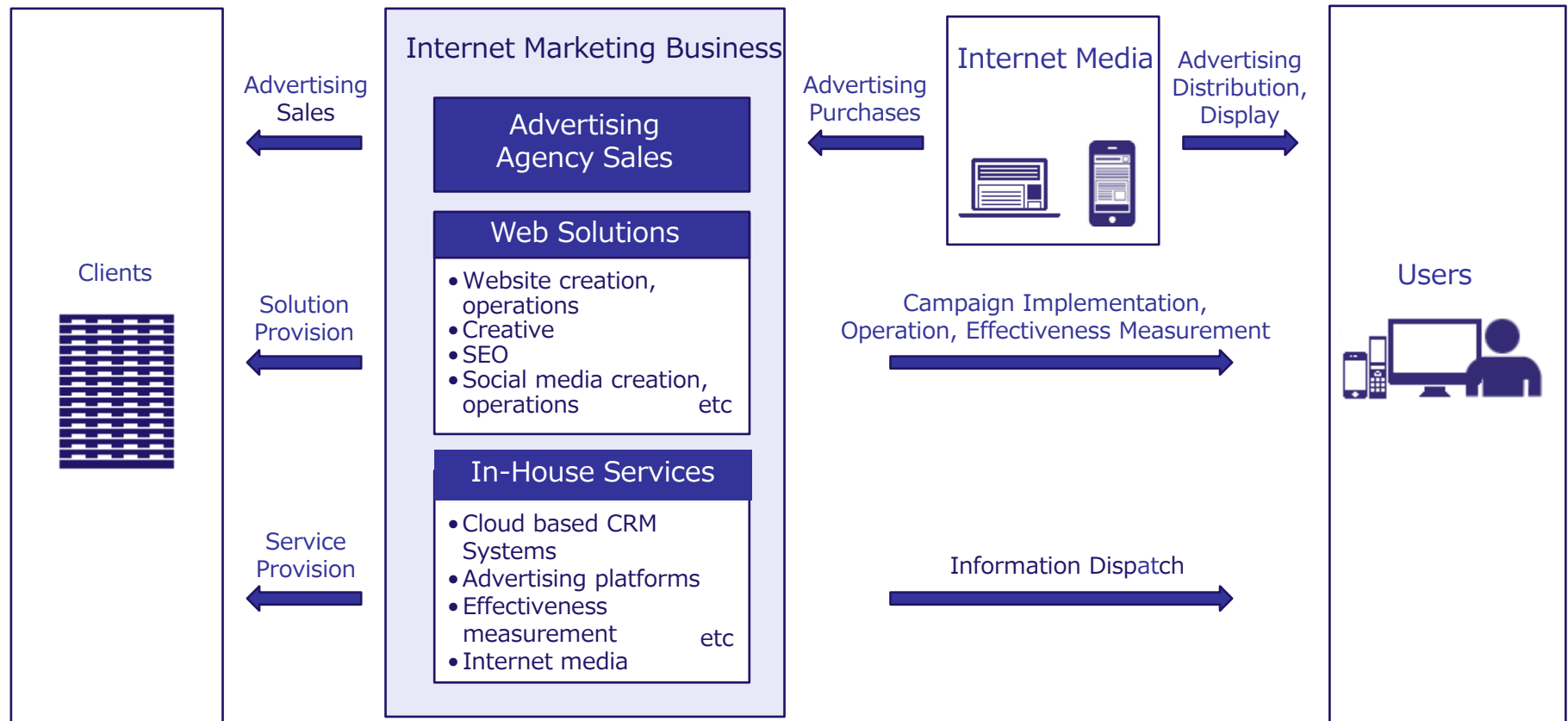
Media Content Business

| | | | |
|-----------------|-------------------------|---------------|--|
| 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

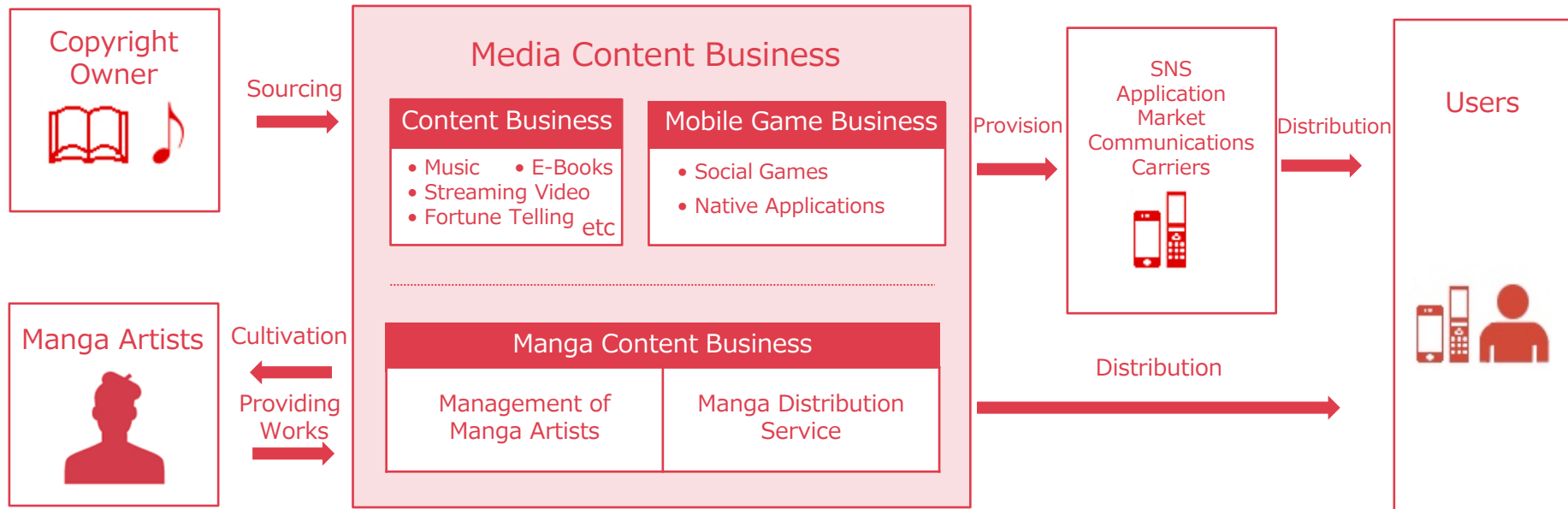
SEPTENI VENTURES Co., Ltd.

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**.



(units: ¥mn)

| | End 2Q FY9/15 | End 1Q FY9/15 | Change | Main Changes |
|--|------------------|------------------|--------|---|
| Current Assets | 19,494 | 18,922 | + 571 | Cash and deposits: – 393 Notes and accounts receivable-trade: +1,094 Unfinished products: – 98 |
| Non-current Assets | 3,192 | 3,069 | + 122 | Deferred tax assets: + 58 Investment securities: + 55 |
| Total Assets | 22,686 | 21,992 | + 693 | |
| Current Liabilities | 11,055 | 10,727 | + 328 | Accounts Payable: + 253 Short-term loans payable: – 119 Unpaid taxes: + 364 |
| Non-current Liabilities | 241 | 283 | – 41 | Long-term loans payable: – 41 |
| Total Liabilities | 11,297 | 11,010 | + 286 | |
| Total Net Assets | 11,389 | 10,981 | + 407 | Retained earnings: + 432 |
| Total Liabilities, Net Assets | 22,686 | 21,992 | + 693 | |

| (units: ¥mn) | 2Q FY9/15 (Jan-Mar) | Main Changes | 2Q FY9/14 (Jan-Mar) |
|--|------------------------|--|------------------------|
| Cash Flows from Operating Activities | -108 | Net income before taxes: +714 Increase in notes and accounts receivable-trade: -1,094 Increase in accounts payable: +253 | 582 |
| Cash Flows from Investing Activities | 88 | Time deposits: +204 Acquisition of non-current assets: -78 | -479 |
| Cash Flows from Financing Activities | -160 | Decrease in loans payable: -161 | -39 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | -8 | | -6 |
| Net Increase (Decrease) in Cash and Equivalents | -189 | | 57 |
| Cash and Equivalents at Term End | 9,740 | | 6,729 |

(units : people)

