

Business Results for 3Q Fiscal Year September 2015

July 30, 2015

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. 1Q-3Q FY9/15 Consolidated Earnings and
4Q(Full Year) Earning Estimates
- | 5. Appendix

1. Quarterly Consolidated Earnings Overview

**Consolidated
results**

Net Sales: **¥16,588mn** (Up **22.1%** year on year)

Operating income: **¥755mn** (Up **84.1%** year on year)

Both Net Sales and Operating income reached
new record highs on a quarterly basis.

**Internet
Marketing
Business**

Net Sales: **¥15,910mn** (Up **32.1%** year on year)

Operating income: **¥981mn** (Up **77.0%** year on year)

High growth was achieved in key businesses focused on
“Mobile,” “Social,” and “Global.”

**Media
Content
Business**

Net Sales: **¥750mn** (Down **14.6%** year on year)

Operating income: **¥ – 133mn** (Down **¥29mn** year on year)

Upfront Investment in the Manga Content Business is continued.

The growth rate in net sales reached the 20% range for the first time in five quarters, driven by significant business expansion in the Internet Marketing Business.

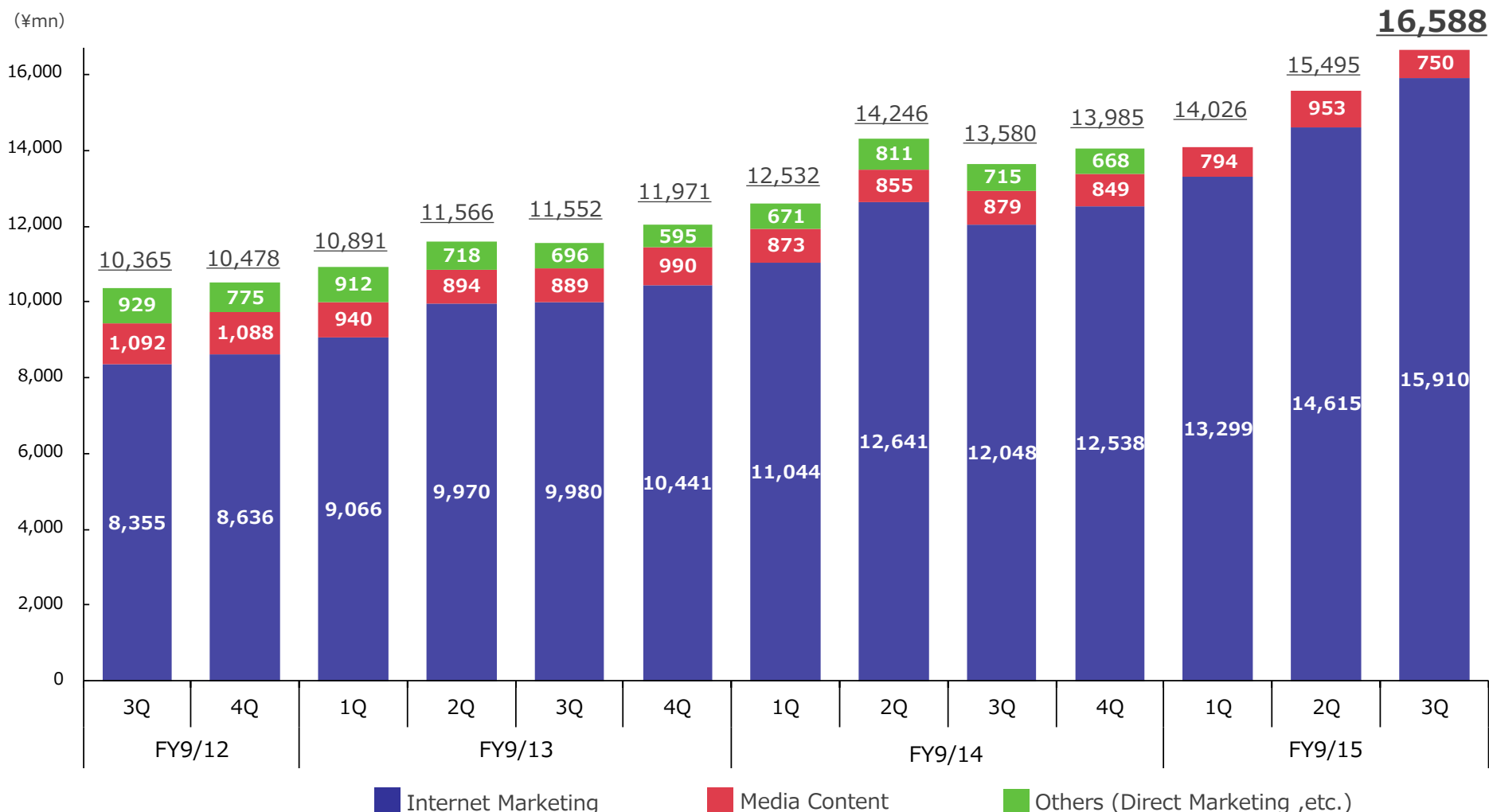
Operating income was **up 84.1%** year on year, achieving significant growth in profit thanks to the impact of higher sales. This profit growth absorbed the increase in SG&A, which largely stemmed from the labor expenses of hiring 104 new graduate employees throughout the entire group.

(units: ¥mn)	3Q FY9/15			3Q FY9/14		3Q FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	16,588	100.0%	+22.1%	13,580	100.0%	15,800
Gross Income	3,052	18.4%	+24.2%	2,458	18.1%	—
SG&A	2,297	13.9%	+12.2%	2,048	15.1%	—
Operating Income	755	4.6%	+84.1%	410	3.0%	460
Ordinary Income	802	4.8%	+100.7%	399	2.9%	470
Net Income	481	2.9%	+20.6%	398	2.9%	310
EBITDA	858	5.2%	+74.4%	492	3.6%	

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

Net Sales (by Business Segment)

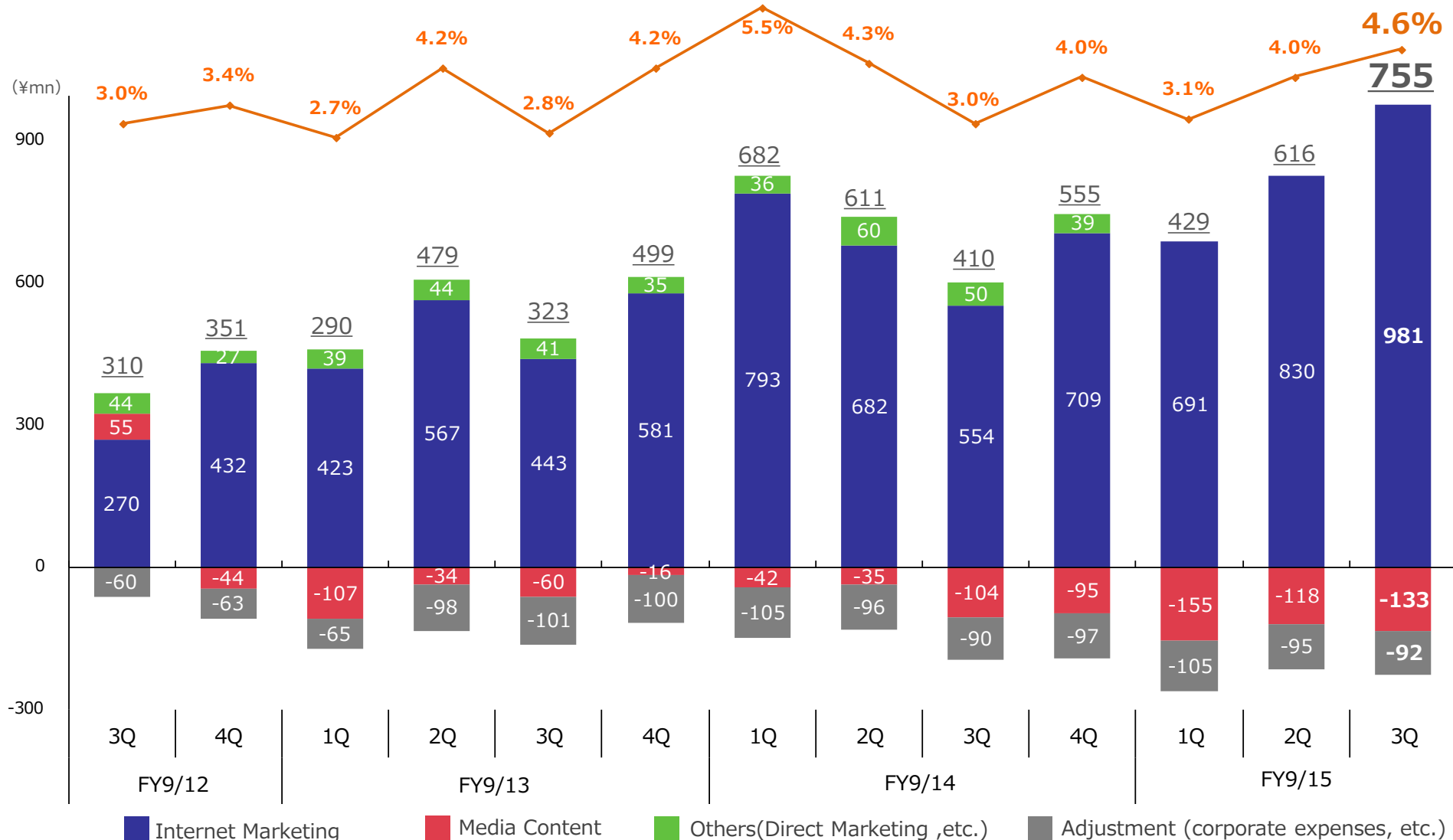
Net Sales reached **a new record high** on a quarterly basis.



*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).

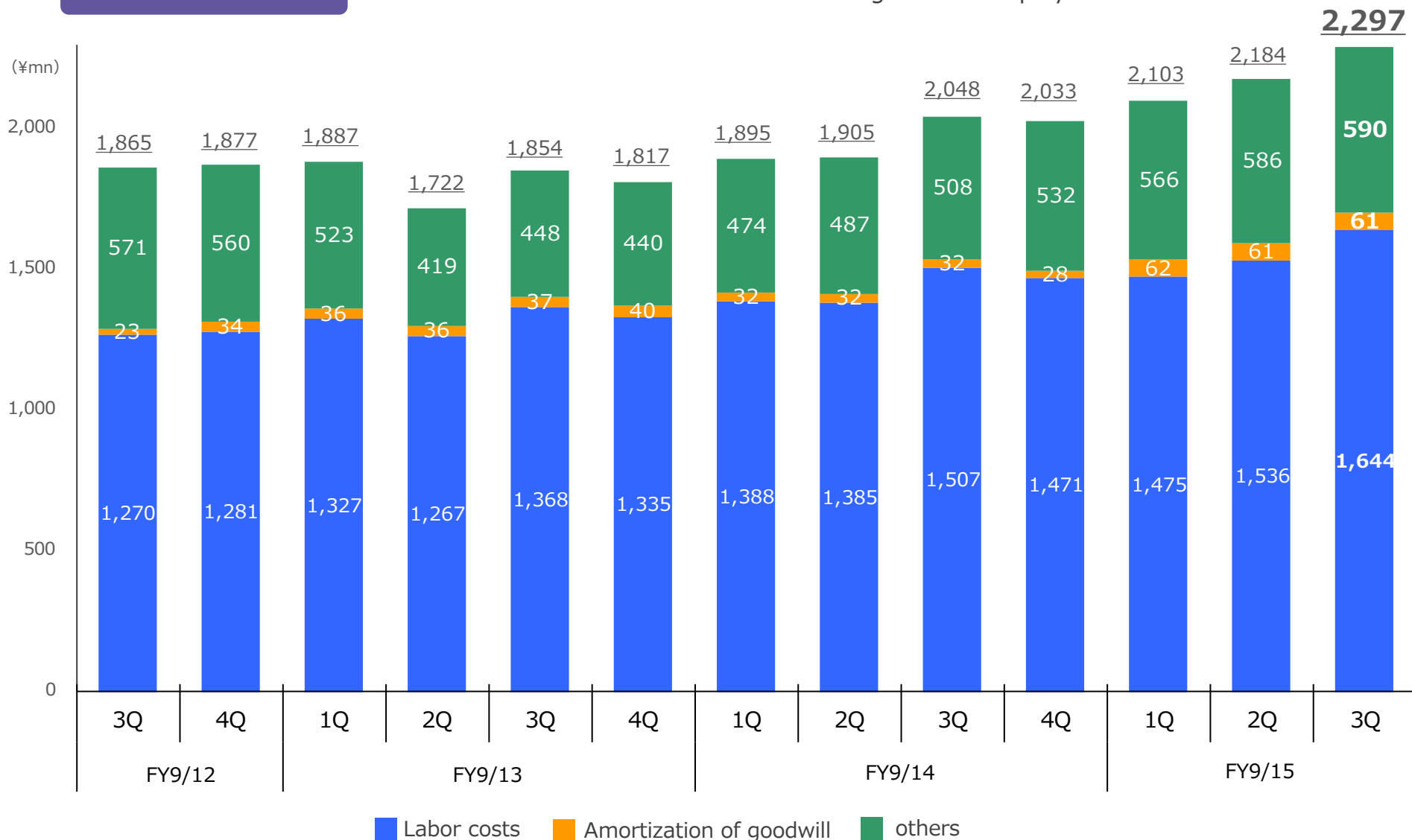
Operating Income (by Business Segment)

Operating Income reached a new record high on a quarterly basis.



SG&A

Labor cost increased due to hire 104 new graduate employees.



2. Internet Marketing Business

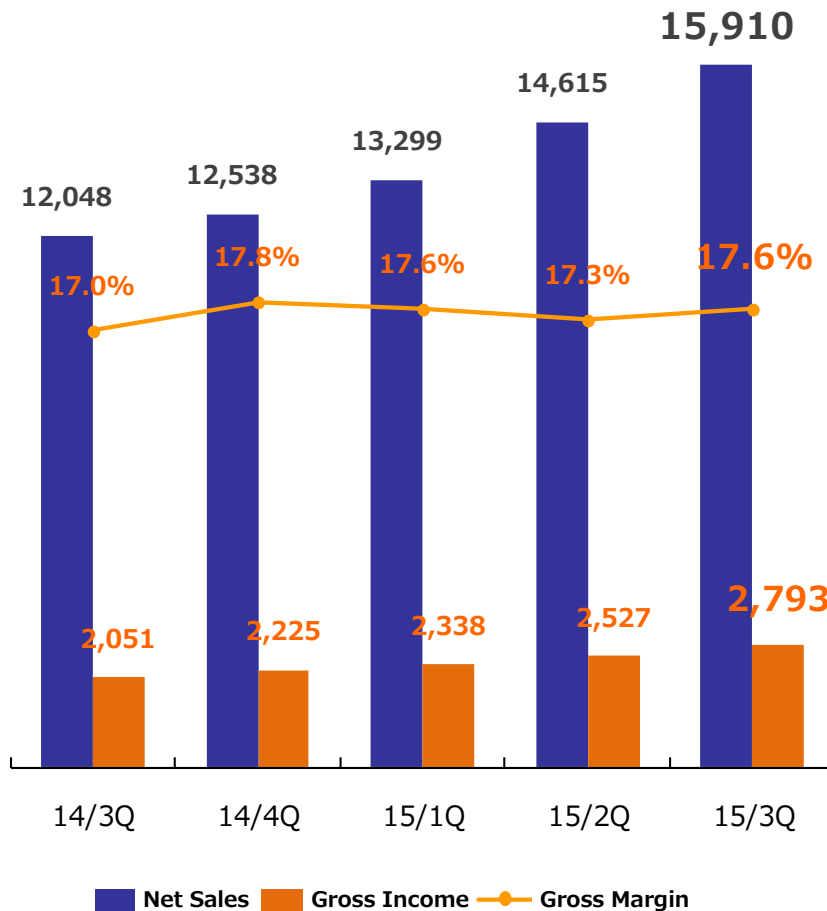
- Advertising by online service providers in Japan and overseas grew.
The business expanded further than initially forecast, and the growth rate in net sales reached a record high of **32.1%** for the current segment.
- The higher sales absorbed the increase in SG&A of hiring 87 new graduate employees.
The segment achieved significant growth in operating income of **77.0%** year on year.
The operating margin also reached a record high of **6.2%** for 3Q.
- Substantial growth in smartphone advertising caused its share to rise to **66%**.
There was also an acceleration of growth in the Social Media and Global Business.

(units : ¥mn)	3Q FY9/15			3Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	15,910	100.0%	+32.1%	12,048	100.0%
Gross Income	2,793	17.6%	+36.2%	2,051	17.0%
SG&A	1,812	11.4%	+21.1%	1,497	12.4%
Operating Income	981	6.2%	+77.0%	554	4.6%

Net Sales Gross Income

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

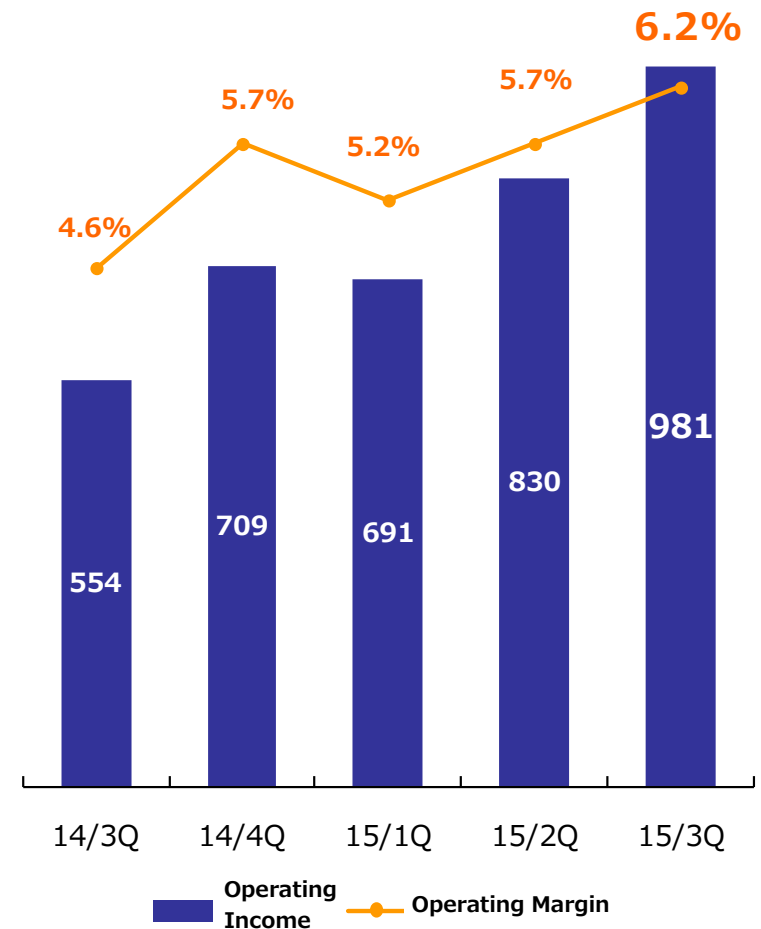
(¥mn)



Operating Income

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

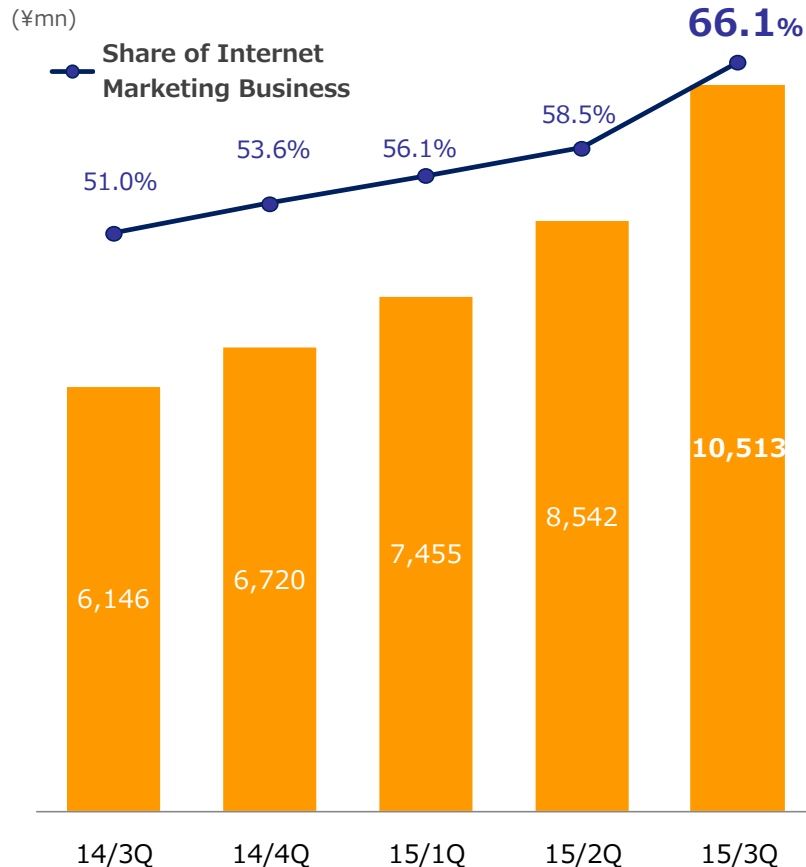
(¥mn)



Sales were around **1.7 times** the level one year ago and broke the **¥100bn** barrier.

This growth was driven by the expansion of the lineup of native advertising products.

Smartphone Advertising
Sales Trend



Main business media

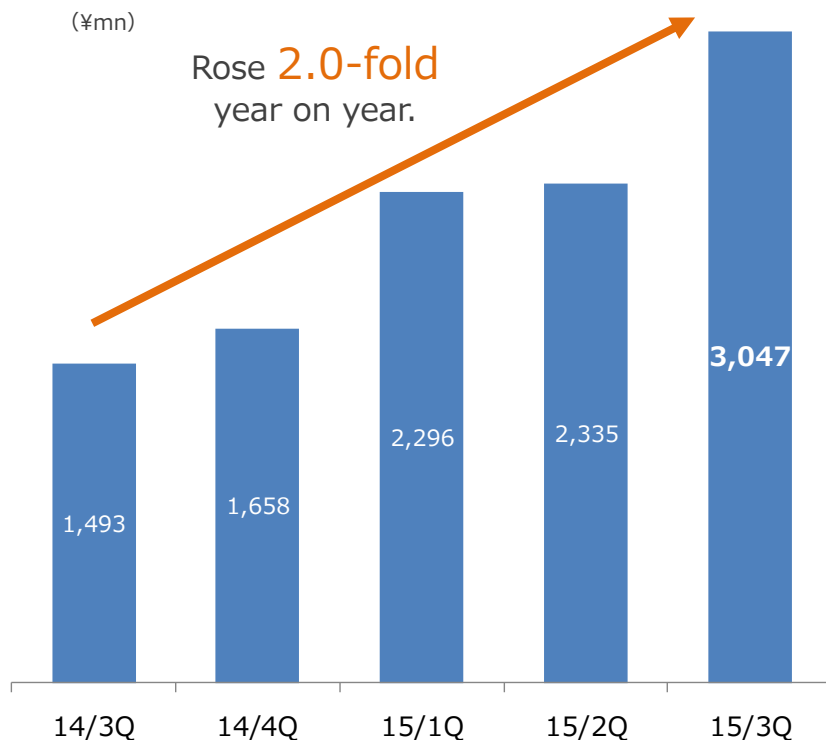


Facebook advertising remained firm in Japan and overseas.

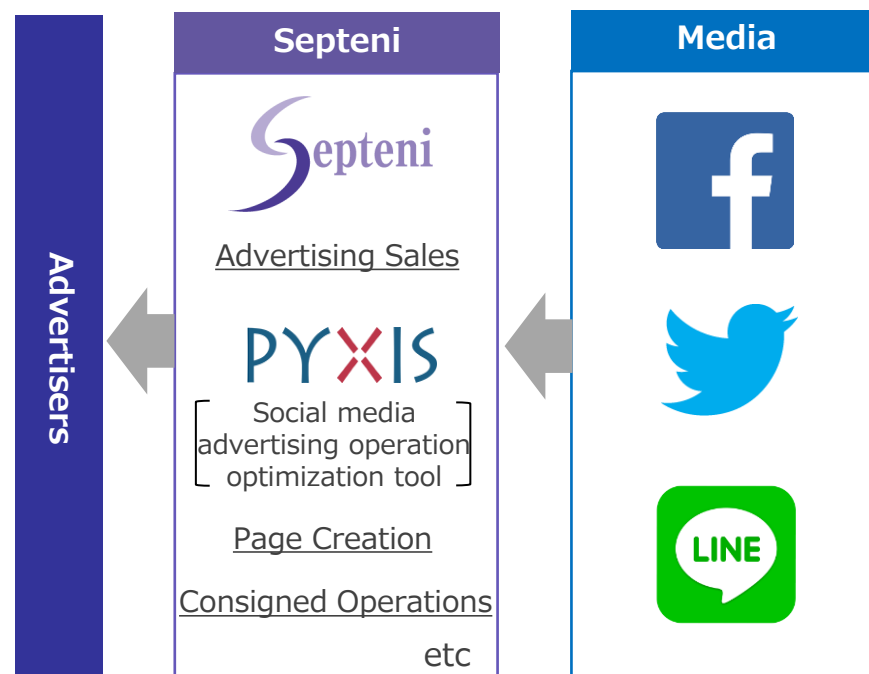
The growth of Twitter ad accelerated, and net sales of the Social Media Business rose approx. **2.0-fold** year on year.

Social Media Business Sales Trend

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



Business Model

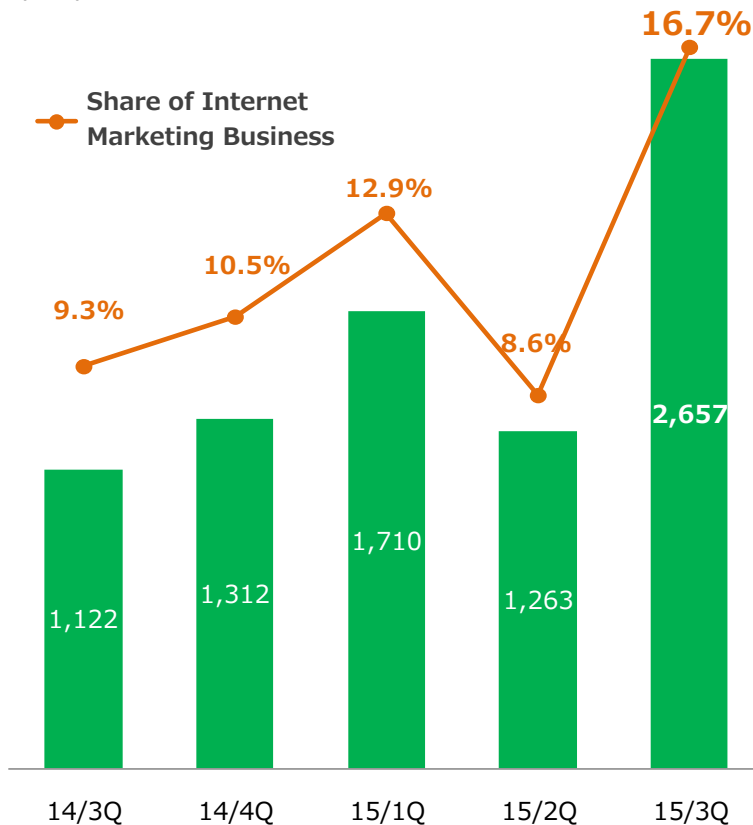


Sales rose about **2.4 times** year on year, with strong growth in billings in North America and Asia.

Advertising of large-scale projects expanded, and the number of customers also increased.

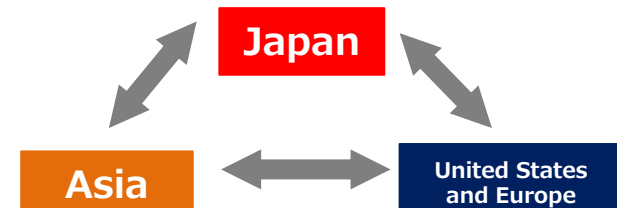
Overseas sales Trend

(¥mn)



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

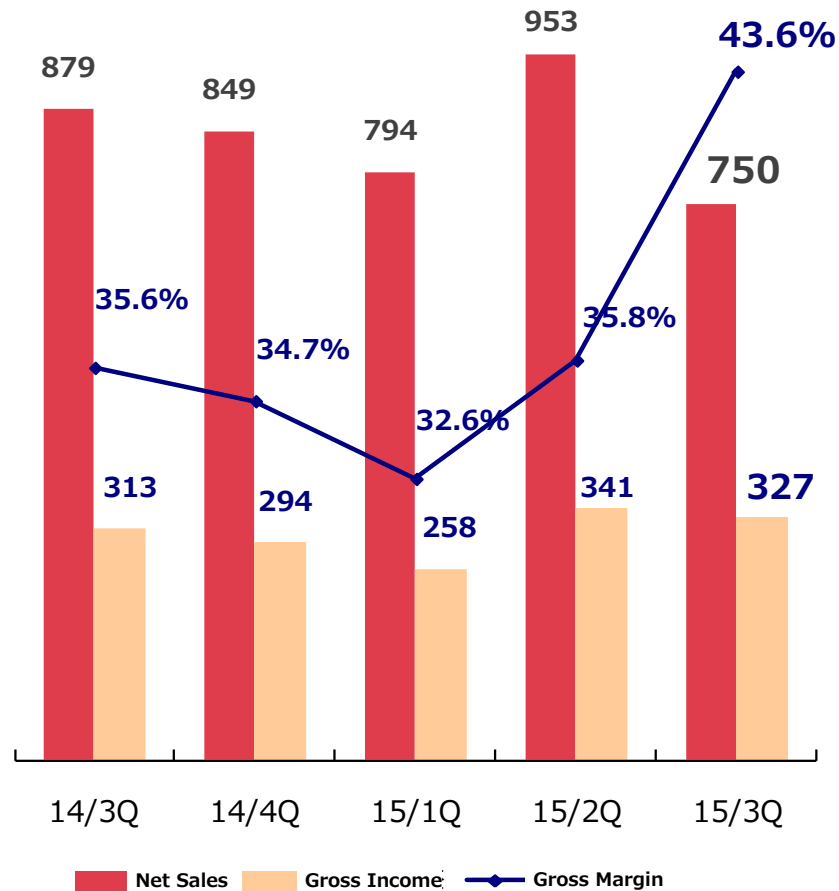
Despite solid growth of the mobile game, *KINGDOM –Eiyuno keifu–*, the net sales of Axel Mark decreased because no new titles were released.

The Manga Content Business started to commercialize its own intellectual property. On the other hand, Operating losses associated with new businesses amounted to ¥125 million, due to continued upfront investments for the cultivation of Manga artists and the enhancement of the distribution service.

(units: ¥mn)	3 Q FY9/15			3 Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	750	100.0%	– 14.6%	879	100.0%
Gross Income	327	43.6%	+4.6%	313	35.6%
SG&A	460	61.4%	+ 10.4%	417	47.4%
Operating Income	– 133	– 17.8%	(– 29)	– 104	– 11.9%

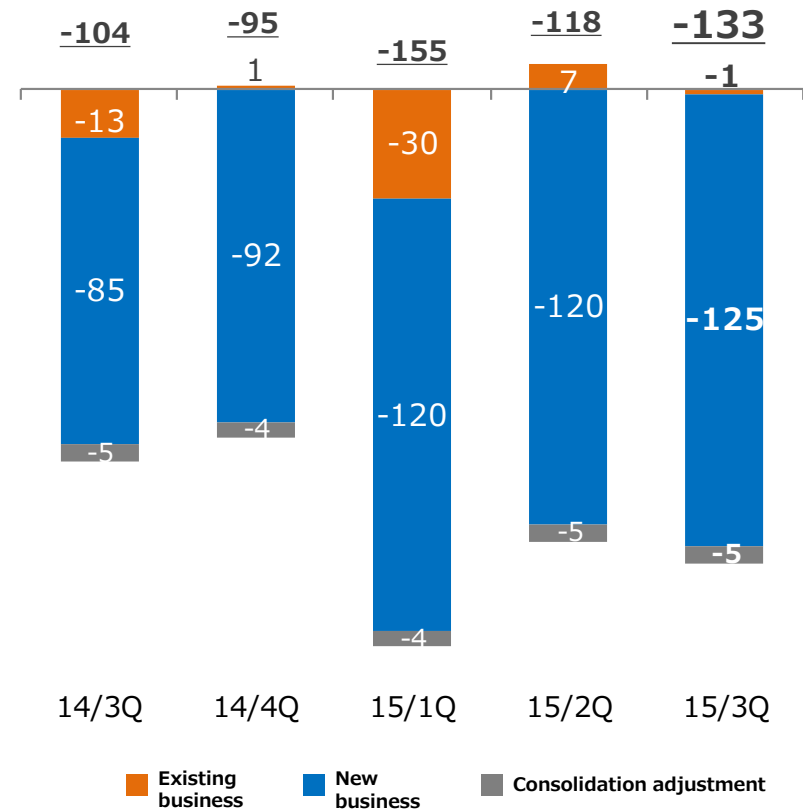
Net Sales, Gross Income

(¥mn)



Operating Income

(¥mn)



KINGDOM –Eiyuno keifu– showing strong growth

Ranks in the top 35 for App Store sales (June 30, 2015)



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The first investment was made by the LLP company, which was established for the purpose of investing in and cultivating smartphone game development companies.

Flaggs
Flagship Game Studio

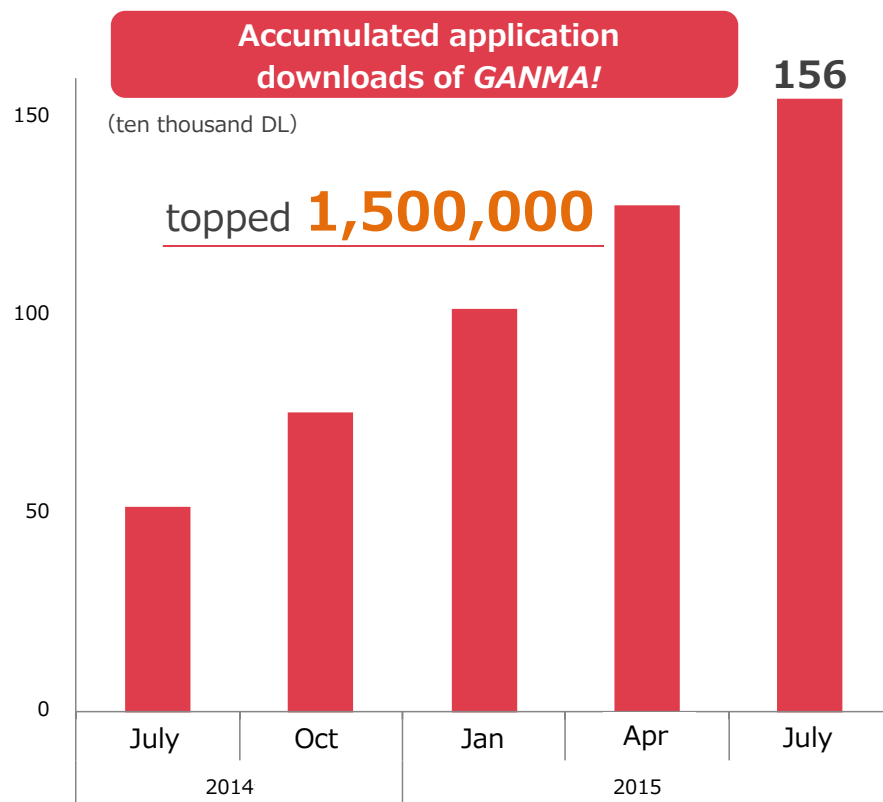
The number of monthly PV for *GANMA!* topped **300 million** (July 2015).

The book ***Million Doll*** was published, and TV anime began broadcasting on July 6.

Musashikunn to Murayamasann ha tukiatteremita was published.



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© Ai/ COMICSMART INC. 2015



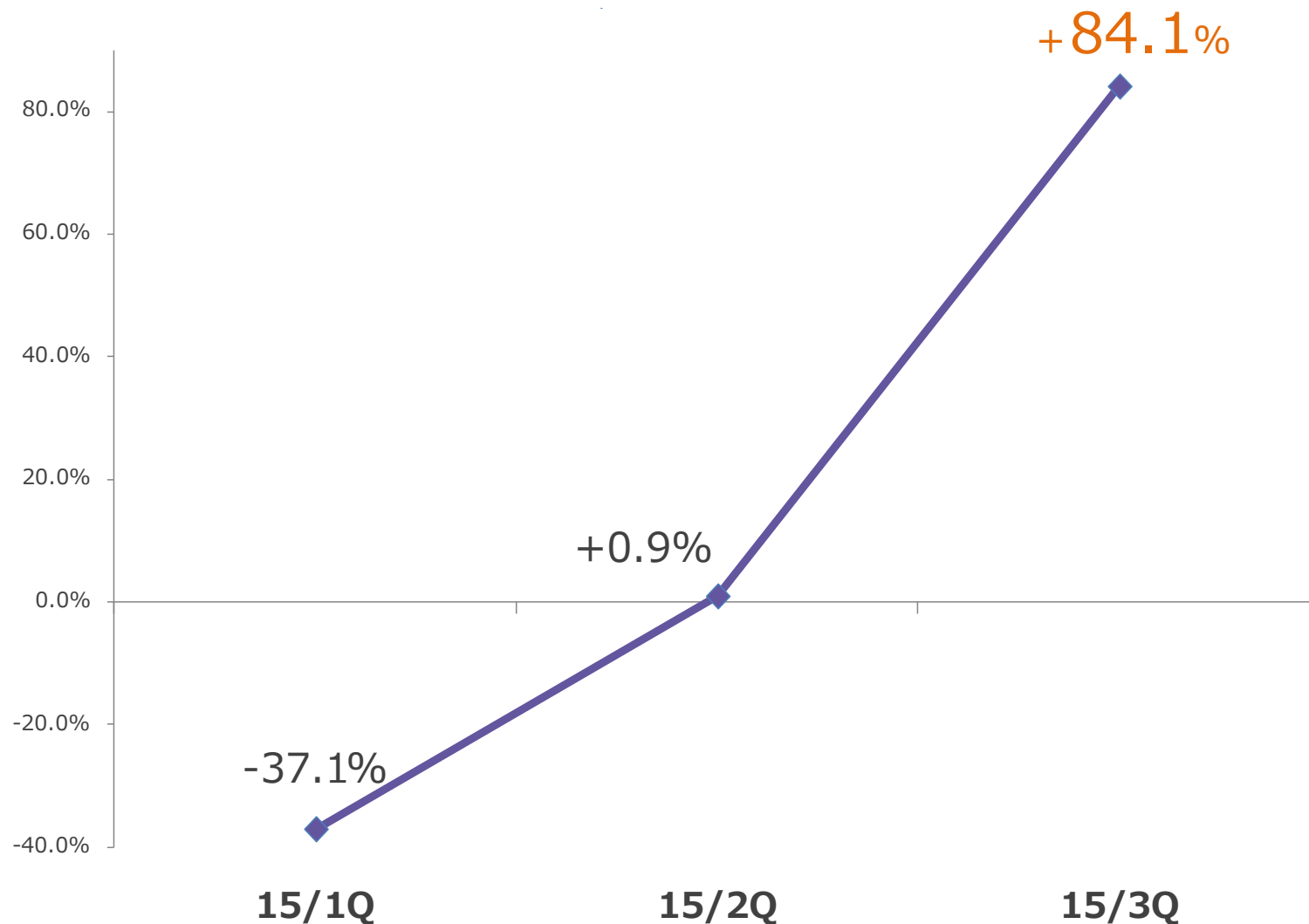
4.1Q-3Q FY9/15 Consolidated Earnings and 4Q(Full Year) Earning Estimates

With higher operating income in the Internet Marketing Business, **an increase was posted for consolidated operating income.**

Net income grew significantly, given extraordinary income as a result of the sales of the Direct Marketing Business subsidiary.

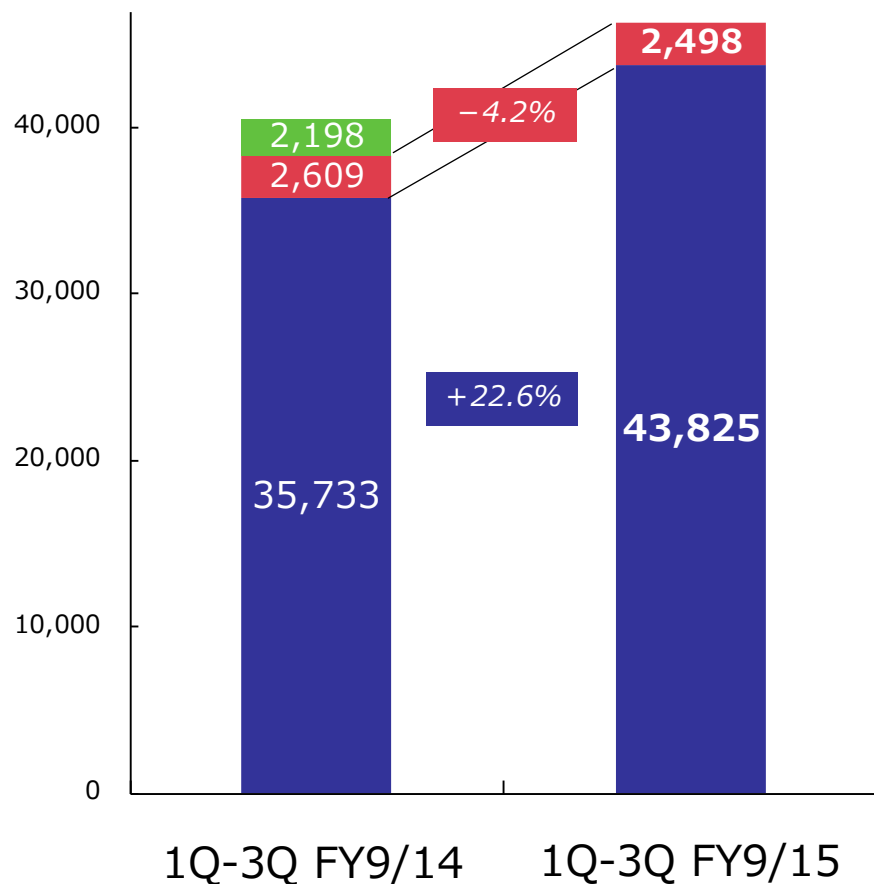
(units: ¥mn)	1Q-3Q FY9/15			1Q-3Q FY9/14		1Q-3Q FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	46,110	100.0%	+14.2%	40,360	100.0%	45,322
Gross Income	8,386	18.2%	+11.0%	7,552	18.7%	—
SG&A	6,585	14.3%	+12.6%	5,848	14.5%	—
Operating Income	1,801	3.9%	+ 5.7%	1,703	4.2%	1,506
Ordinary Income	1,997	4.3%	+ 12.2%	1,779	4.4%	1,664
Net Income	1,948	4.2%	+64.0%	1,187	2.9%	1,776
EBITDA	2,102	4.6%	+ 8.6%	1,936	4.8%	

Starting from a loss in FY9/15, improvement progressed to mark a significant increase in operating income in 3Q.



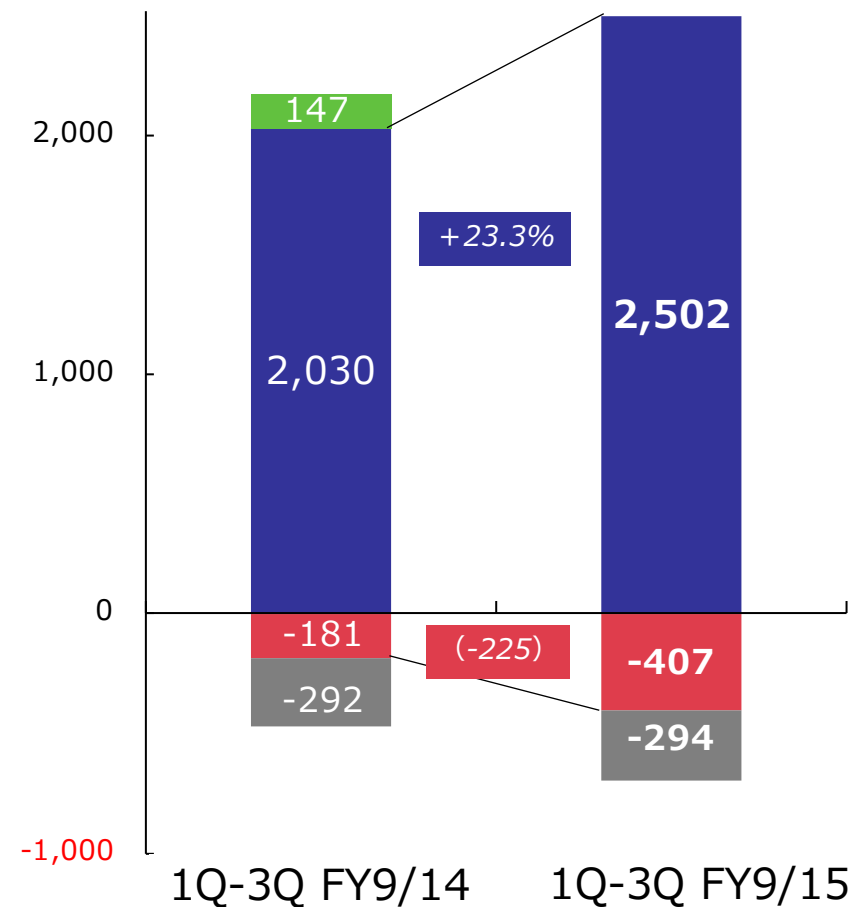
Net Sales

(¥ mn)



Operating Income

(¥ mn)


 Internet Marketing

 Media Content

 Others (Direct Marketing, etc.)

 Adjustment (corporate expenses, etc.)

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

The Media Content Business is expected to record lower sales and greater losses, reflecting the fact that there are no new games to be released as of this time as well as the continued upfront investment in the Manga Content Business.

All indicators are expected to reach record highs in the full year, with double-digit growth in operating income.

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

(units : ¥mn)			Earnings in FY9/14			Earnings Estimates for FY9/15	Expected growth rate (Full Year)
	Earnings in 1Q-3Q FY 9/14	Earnings in 4Q FY9/14		Earnings in 1Q-3Q FY9/15	Earnings Estimates for 4Q FY9/15		
Net Sales	40,360	13,985	54,345	46,110	18,000	64,110	+18.0%
Operating Income	1,703	555	2,259	1,801	900	2,701	+19.5%
Ordinary Income	1,779	582	2,362	1,997	900	2,897	+22.6%
Net Income	1,187	361	1,549	1,948	570	2,518	+62.5%
Dividend Per Share	¥9.0			¥14.0			+55.5%

	Net Sales			Operating Income		
	Earnings in 4Q FY9/14	Earnings Estimates for 4Q FY9/15	YY Change	Earnings in 4Q FY9/14	Earnings Estimate for 4Q FY9/15	YY Change
(units : ¥mn)						
Internet Marketing Business	12,538	17,340	+38.3%	709	1,138	+60.3%
Media Content Business	849	735	-13.4%	-95	-138	(-42)
Other (Direct Marketing)	668	-	(-668)	39	-	(-39)
Elimination or corporate	-71	-75	(-3)	-97	-100	(-2)
Total	13,985	18,000	+28.7%	555	900	+61.9%

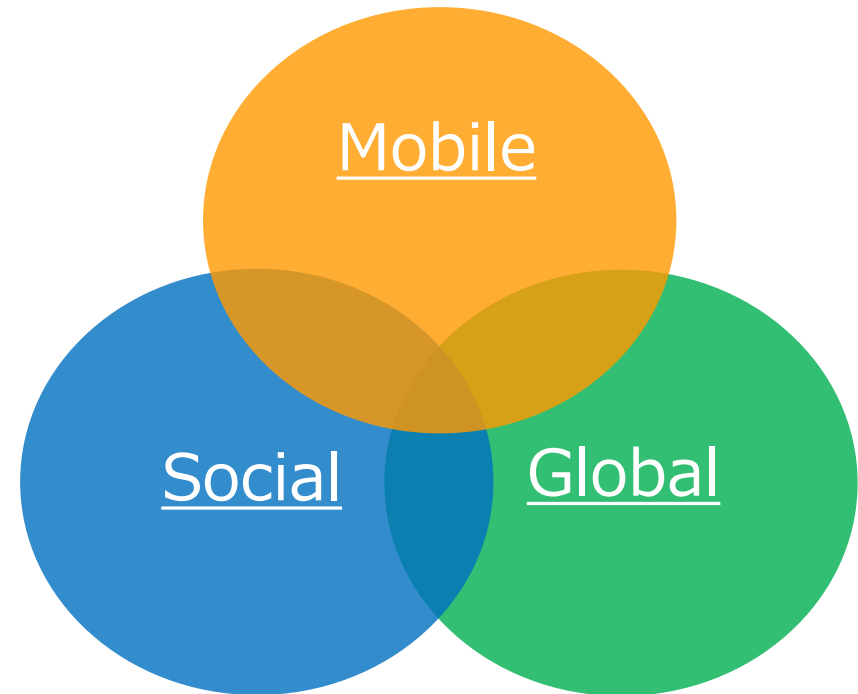
Concept

“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 Division

TEL: +813-6857-7258 E-mail: ir@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 July 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 June 30, 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	¥2,067 million
Shares Issued	27,696,400 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	862 full time employees, 1017 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

July 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

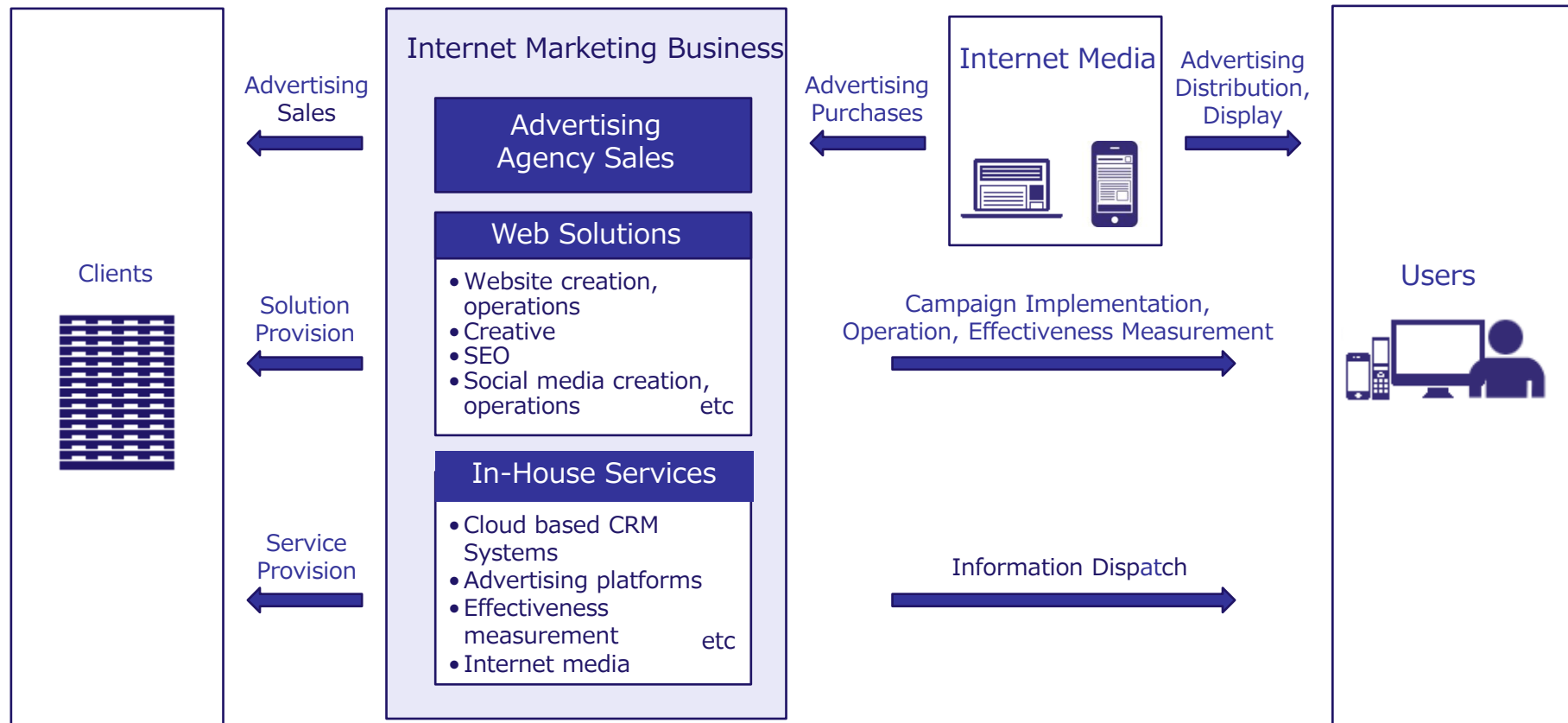
Media Content Business

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

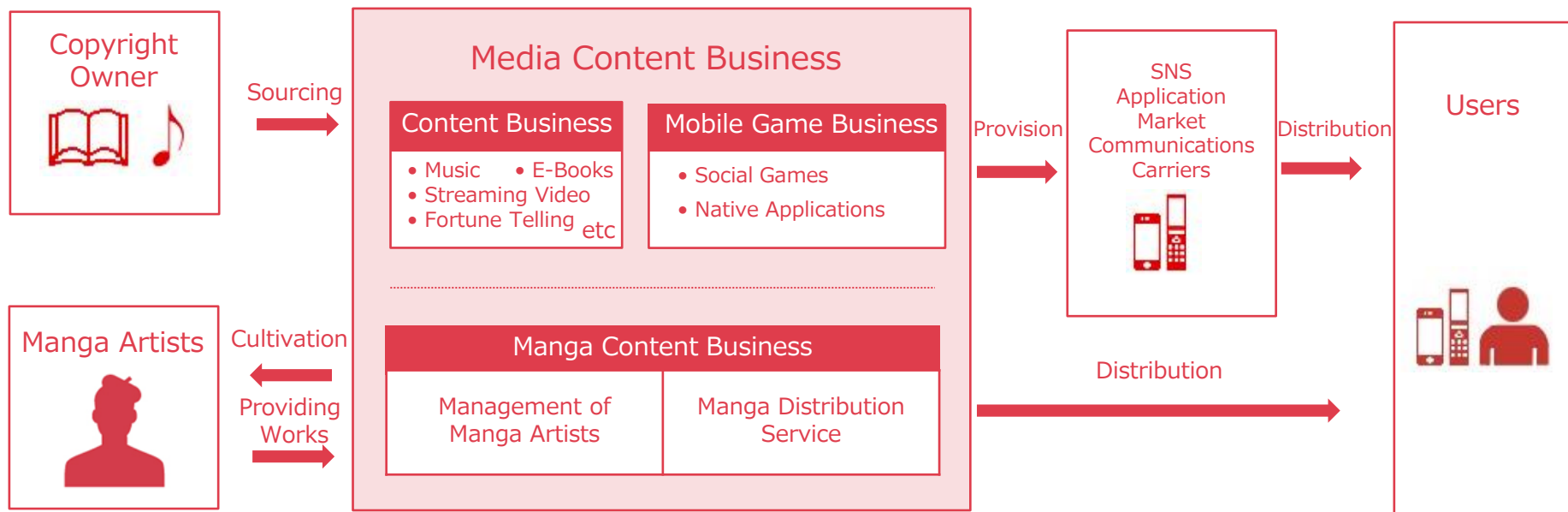
SEPTENI VENTURES Co., Ltd.

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 3Q FY9/15	End 2Q FY9/15	Change	Main Changes
Current Assets	20,620	19,494	+ 1,126	Cash and deposits: + 731 Notes and accounts receivable-trade: + 403
Non-current Assets	3,119	3,192	– 72	Goodwill: – 59
Total Assets	23,740	22,686	+ 1,054	
Current Liabilities	11,633	11,055	+ 578	Accounts Payable: + 728 Unpaid taxes: – 292
Non-current Liabilities	201	241	– 40	Long-term loans payable: – 41
Total Liabilities	11,835	11,297	+ 538	
Total Net Assets	11,905	11,389	+ 516	Retained earnings: + 481
Total Liabilities, Net Assets	23,740	22,686	+ 1,054	

(units : ¥mn)	3Q FY9/15 (Apr-Jun)	Main Changes	3Q FY9/14 (Apr-Jun)
Cash Flows from Operating Activities	610	Net income before taxes: + 831 Increase in accounts payable: + 728 Corporate and other taxes: △622	59
Cash Flows from Investing Activities	62	Sales of investment securities: + 58	△99
Cash Flows from Financing Activities	42	Increase in loans payable: + 43	94
Effect of Exchange Rate Changes on Cash and Cash Equivalents	10		△4
Net Increase (Decrease) in Cash and Equivalents	725		50
Cash and Equivalents at Term End	10,466		6,779

