

Summary of Consolidated Business Results for the Fiscal Year Ended September 30, 2015

November 5, 2015
Listed Market: TSE

SEPTENI HOLDINGS CO., LTD.

Stock Code: 4293 URL: <http://www.septeni-holdings.co.jp/en>

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Anticipated General Annual Shareholder Meeting Date: December 18, 2015

Anticipated Dividend Payment Date: December 2, 2015

Anticipated Financial Report Filing Date: December 18, 2015

Supplemental Earnings Presentation Materials: Available

Earnings Presentation Meeting: Held for institutional investors, analysts, media

(All figures of less than 1 million yen are rounded down to the nearest digit)

1. Consolidated Earnings for the Fiscal Year Ended September 2015 (October 1, 2014 – September 30, 2015)

(1) Consolidated Earnings (% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY9/15	64,547	18.8	2,753	21.9	3,118	32.0	2,398	54.8
FY9/14	54,345	18.2	2,259	41.8	2,362	34.8	1,549	28.3

(Note) Comprehensive income: ¥2,229million in FY9/15 (28.2%); ¥1,738million in FY9/14 (38.9%)

	EPS	Fully Diluted EPS	ROE	ROA	Operating Margin
	Yen	Yen	%	%	%
FY9/15	92.87	92.03	23.4	13.3	4.3
FY9/14	61.22	59.54	18.5	12.6	4.2

(Reference) Minority shareholding income: ¥88 million in FY9/15; ¥66 million in FY9/14

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY9/15	25,387	12,286	44.5	435.62
FY9/14	21,625	10,203	42.4	361.85

(Reference) Capital: ¥11,289 million in FY9/15; ¥9,177 million in FY9/14

(3) Consolidated Cash Flow Conditions

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and Equivalents
	Million Yen	Million Yen	Million Yen	Million Yen
FY9/15	1,874	1,257	-123	11,694
FY9/14	2,830	-913	178	8,687

2. Dividend Conditions

	Dividends					Total Value of Dividends	Dividend Payout Ratio (Consolidated)	Dividend to Net Asset Ratio (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Term-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY9/14	—	—	—	9.00	9.00	228	14.7	2.7
FY9/15	—	—	—	14.00	14.00	362	15.1	3.5
FY9/16 Estimate	—	—	—	—	—	—	—	—

(Note) Estimates for dividends in the fiscal year ending September 30, 2016 have yet to be decided.

3. Consolidated Earnings Estimates for the First Quarter of the Fiscal Year Ending September 30, 2016 (October 1, 2015 – December 31, 2015)

(% figures represent year-over-year change)

	Revenue		Profit attributable to owners of the Company		Basic EPS	
	Million Yen	%	Million Yen	%	Yen	
1 st quarter (cumulative)	3,900	22.3	500	-52.6	19.29	

• Non GAAP Operating Income: 800 million (YY Change: 60.7%)

(Note) 1. Above Earnings Estimates are based on IFRS since we decided to voluntarily adopt IFRS from FY 2016. Year-over-year change has been restated based on previous year's data in accordance with IFRS.

2. Instead of full-year earnings estimates, the Company discloses its earnings estimates for the next quarter.

* Annotation

(1) Important changes in subsidiaries, including changes in the scope of consolidation: Applicable

Newly included: 1 company Game Creator Incubation LLP

(2) Changes in accounting methods, procedures, presentation methods

Changes accompanying revisions in accounting standards: None

Other changes in accounting methods: None

Changes in accounting estimates: None

Redisplay of revisions: None

(3) Shares issued (common stock)

Shares issued as of term-end (incl. Treasury stock):	FY9/15	27,700,700	FY9/14	27,147,000
Treasury stock as of term-end:	FY9/15	1,784,600	FY9/14	1,784,600
Average number of shares outstanding:	FY9/15	25,821,541	FY9/14	25,305,333

(Reference) Non-Consolidated Earnings Overview

1. Non-Consolidated Earnings for the Fiscal Year Ended September 2015 (October 1, 2014 – September 30, 2015)

(1) Non-Consolidated Earnings (% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY9/15	2,842	12.7	1,276	15.5	1,503	29.2	2,033	60.4
FY9/14	2,521	32.1	1,105	67.6	1,163	67.6	1,267	826.0

	EPS	Fully Diluted EPS
	Yen	Yen
FY9/15	78.77	78.06
FY9/14	50.10	48.72

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Net Asset Ratio	Book Value per Share
	Million Yen	Million Yen	%	Yen
FY9/15	9,977	9,247	92.3	355.46
FY9/14	8,165	7,406	90.3	290.84

(Reference) Capital: ¥ 9,212 million in FY9/15; ¥ 7,376 million in FY9/14

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1. Earnings Performance, Financial Conditions Analysis

(1) Earnings Performance Analysis

(Earnings Performance in the Current Term)

Looking at the Internet business environment in which the SEPTENI Group operates, the rapid proliferation of smartphones has continued, with the number of domestic contracts as of the end of March 2015 totaling 68.50 million, which makes up 54.1% of the total number of mobile phone contracts (source: MM Research Institute). As such, smartphones are about to become a mainstream device for accessing the Internet and the market for smartphone advertising and various services and content is expanding. In addition, the power of social media, led by SNS (social networking services), has increased still further, and this is consequently prompting greater demand for marketing support that makes use of the characteristics of social media. These changes in the operating environment have led to the Group promoting the global expansion of its Internet business, with overseas business opportunities on the rise.

In this environment, the Group was able to continue both expanding its operations and increasing its profitability in its mainstay Internet Marketing Business by promoting business operations with the key businesses focused on “Mobile,” “Social,” and “Global.” In addition, it proactively made upfront investments in human resources and new businesses, etc. to strengthen its future competitiveness. As a result, net sales increased to ¥64,547 million (up 18.8% year on year), operating income rose to ¥2,753 million (up 21.9% year on year), and ordinary income advanced to ¥3,118 million (up 32.0% year on year) on a consolidated basis.

Total extraordinary gains of ¥1,238 million were recognized, consisting largely of a gain on the sale of subsidiary shares associated with the sale of all shares of the direct marketing subsidiary dated October 1, 2014.

Consequently, net income climbed to ¥2,398 million (up 54.8% year on year), and sales and all profit categories set record highs for the fourth consecutive fiscal year.

We discuss the business performance of each of our business segments below.

1) Internet Marketing Business

In the Internet Marketing Business, we provide comprehensive marketing support services to customers by leveraging the power of the Internet. Specifically, we engage in sales of Internet advertising and provision of Web solutions (website creation and operation, SEO services) in addition to in-house services including marketing platform operations for ad networks and cloud-based CRM services.

During the current term, the segment was able to steadily expand its operations along with improving its profitability as a result of success achieved by key businesses focused on “Mobile,” “Social,” and “Global,” which was backed by the growth of the online advertising market led by interactive advertising for smartphones. Strong growth continued in smartphone advertising, with an upswing in sales by around 1.7 times year on year, as a result of stronger demand and diversification of advertising products. The Social Media Business providing marketing support services using SNS, in which the Group has strengths, expanded substantially by a factor of around 2.1, mainly as a result of the accelerated growth of Twitter advertisements in addition to the mainstay Facebook advertising. Meanwhile, the Group actively developed its overseas businesses, resulting in an increased volume of business at the existing bases, particularly in North America, and consolidated the South Korean Internet advertising company; consequently, overseas sales grew substantially, or approximately 2.2 times from a year earlier.

As a result of these developments, net sales and operating income rose by 27.5% and 34.5% year on year, to ¥61,563 million and ¥3,686 million, respectively.

2) Media Content Business

The Media Content Business plans and develops digital content, including mobile 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.

During the current term, two titles of native application games were released in the mobile game business operated by AXEL MARK INC. While the sales of *KINGDOM –Eiyuno keifu–* remained strong, other titles struggled, resulting in a decrease in net sales in this business.

The Manga Content Business made active upfront investments in the development of Manga artists and the enhancement of the distribution service to increase the platform size. As a result, the number of users of *GANMA!*, an online distribution service for new serial Manga, has grown steadily, and total application downloads rose sharply to 1.8 million

as of the end of September 2015. The Company is promoting the commercialization of serial Manga being its own intellectual property, and released one Anime work and three books during the current term.

As a result of the above, net sales came to ¥3,278 million (down 5.2% year on year) and operating loss ended at ¥528 million (compared with operating loss of ¥277 million in the previous term).

(Earnings Estimates for the Next Term)

1) Policy

During the fiscal year ending September 30, 2016, the Group aims to achieve the goal of “doubling profits” from among the Midterm Business Policies announced in November 2013.

With respect to the Internet Marketing Business, the Group will seek to increase its market share and improve profitability by focusing on the key businesses in the “Mobile,” “Social,” and “Global” areas.

Regarding the Manga Content Business in the Media Content Business, we plan to develop a larger platform and make it profitable.

We will change the position of the Mobile Game Business, which was part of the Media Content Business in the past, to a “non-core business” in the fiscal year ending September 30, 2016. See “Notice of Making the Mobile Game Business (AXEL MARK) a Non-core Business and Changes in Subsidiaries (Share Transfer) without a Change in the Scope of Consolidation” released today.

2) Voluntary adoption of international accounting standards (“IFRS”)

The company is voluntarily adopting the IFRS from the fiscal year ending September 30, 2016. The following are the major changes made to the disclosure of financial results.

◆ How to record earnings (Top Line)

The conventional recording of the total amount (gross), which included advertising purchases, will be changed to the recording of net amounts, indicating only the margin, in the sale by advertising agents, comprising a large part of the Internet Marketing Business. As a result, the amount of net sales will be reduced substantially from the amount of net sales in the past when the amounts are compared in the same transaction. From now on, net sales will be disclosed voluntarily as a reference.

◆ Disclosure of Non-GAAP operating income

The Group will voluntarily disclose its Non-GAAP operating income to more appropriately express the actual state of the business.

Non-GAAP operating income is a profit indicator of constant business performance determined by adjusting temporary factors such as amortization expenses for intangible assets recognized in the acquisition of a subsidiary, an impairment loss, and a gain or loss on sale of fixed assets from the IFRS-based operating income.

3) First Quarter Earnings Estimates

The Company publishes its earnings estimates for the next quarter when it announces its quarterly results.

For the first quarter of the term ending September 30, 2016, we expect sales and income to increase, given that the business performance of our mainstay Internet Marketing Business remains firm.

In the Media Content Business, although sales are expected to rise as a result of the contribution of new businesses, a greater deficit is anticipated on a year-on-year basis due to the advance investments in the Manga Content Business.

Given these circumstances, today the Company announced its earnings estimates for the first quarter of the fiscal year ending September 30, 2016, as follows:

Earnings Estimates for the First Quarter of the Fiscal Year Ending September 30, 2016
(October 1, 2015 – December 31, 2015)

Income	¥3,900 million
Non-GAAP operating income	¥800 million

Profit attributable to owners of the Company ¥500 million

The estimates stated above are our forecasts based on the information currently available, and contain uncertain elements to a large extent. Actual earnings may differ from the above estimates due to various factors.

(2) Financial Condition Analysis

1) Assets, Liabilities, Net Asset Conditions

(Assets)

Current assets grew by ¥4,371 million from the end of the previous term, to ¥22,486 million at the end of the current term due to increases in cash and deposits and notes and accounts receivable-trade of ¥2,902 million and ¥1,623 million, respectively.

Non-current assets decreased by ¥609 million from the end of the previous term, to ¥2,901 million, mainly attributable to a decline of ¥507 million in goodwill and ¥232 million in deferred tax assets, despite an increase of ¥119 million in investment securities.

As a result of these changes, total assets rose by ¥3,762 million from the end of the previous term, to ¥25,387 million at the end of the current term.

(Liabilities)

Current liabilities rose by ¥1,871 million from the end of the previous term, to ¥12,941 million at the end of the current term, partly due to a ¥1,633 million and ¥226 million increase in accounts payable-trade and short-term loans payable, respectively.

Non-current liabilities decreased by ¥192 million from the end of the previous term, to ¥160 million, primarily attributable to a ¥166 million reduction in long-term loans payable.

Consequently, total liabilities grew by ¥1,679 million, to ¥13,101 million over the same period.

(Net Assets)

Net assets grew by ¥2,082 million from the end of the previous term, to ¥12,286 million, partly due to inflow from net income of ¥2,398 million, which offset ¥228 million in dividend payments.

2) Cash Flow Conditions

During the current fiscal year, cash and equivalents grew by ¥3,006 million from the end of the previous term, to ¥11,694 million.

We provide the details of our various cash flows for the current fiscal year below.

(Cash Flow from Operating Activities)

During the current fiscal year, we saw a net inflow of ¥1,874 million from operating activities, compared with a ¥2,830 million inflow in the previous term.

Factors contributing to this inflow included a ¥1,892 million increase in receivables, ¥1,703 million in corporate tax payments, a ¥1,751 million increase in payables, and the realization of ¥4,061 million in net income before taxes.

(Cash Flow from Investing Activities)

A net cash outflow of ¥1,257 million was seen in investing activities, compared with an inflow of ¥913 million in the previous term.

The main factors contributing to this included a ¥1,249 million inflow from proceeds from the sales of investments in subsidiaries resulting in a change in the scope of consolidation and a ¥1,024 million inflow from repayment of time deposits, which offset an outflow of ¥118 million due to the purchase of property, plant and equipment and an outflow of ¥933 million due to payments into time deposits.

(Cash Flow from Financing Activities)

In the current term, a net cash inflow of ¥123 million was recorded in financing activities, compared with an outflow of ¥178 million in the previous term.

This is attributable largely to the cash dividend paid of ¥228 million.

(Reference) Trends in Cash Flow-Related Indicators

	FY9/11	FY9/12	FY9/13	FY9/14	FY9/15
Net Asset Ratio (%)	48.6	45.0	47.3	42.4	44.5
Capital Adequacy Ratio, Market Capitalization Based (%)	42.8	62.0	139.5	149.3	219.3
Cash Flow to Interest-Bearing Debt Ratio (%)	155.5	73.7	77.9	42.8	67.3
Interest Coverage Ratio	46.5	116.6	180.0	557.6	357.1

Net Asset Ratio: Net Assets / Total Assets

Capital Adequacy Ratio: Market Capitalization / Total Assets

Cash Flow to Interest-Bearing Debt Ratio: Interest-Bearing Debt / Cash Flow from Operating Activities

Interest Coverage Ratio: Cash Flow from Operating Activities / Interest Payments

1. Each indicator is based on consolidated financial data.
2. Market capitalization is based on outstanding shares, excluding treasury stock.
3. Cash flow is based on cash flow from operating activities.
4. Interest-bearing debt includes all liabilities on our consolidated balance sheet that bear interest payments.

(3) Basic Policy Regarding the Distribution of Profits, and Dividends in the Current and Next Terms

We recognize that returning profits to our shareholders is a key management issue, and will flexibly implement the policy outlined below regarding the appropriate distribution of profits.

With regard to the distribution of retained earnings, we will consider our consolidated earnings performance, the need to fortify our financial position, and the Group's forward-looking business strategy while at the same time endeavoring to maintain a dividend payout ratio of around 15%. Furthermore, we have established a minimum full-year dividend target level of ¥5 per share, and seek to strike a balance between stable dividends and an appropriate level of profit distribution to allow us to grow our earnings. In addition, we will endeavor to utilize our retained earnings for investments in training personnel, optimizing and reinvigorating our existing businesses, and capturing new business areas that have the potential for high growth and profitability.

Based on these policies, we expect to pay a ¥14 dividend per share during the current fiscal year.

Due to the shift to the IFRS, "consolidated net income" will be changed to "Profit attributable to owners of the Company" and "annual dividend per share" will be changed to "basic annual dividend per share" in the above basic policy, and dividends will be paid based on the basic policy after the change. We will announce the specific amount of estimated dividends as soon as the financial result forecasts for the full year become available for disclosure.

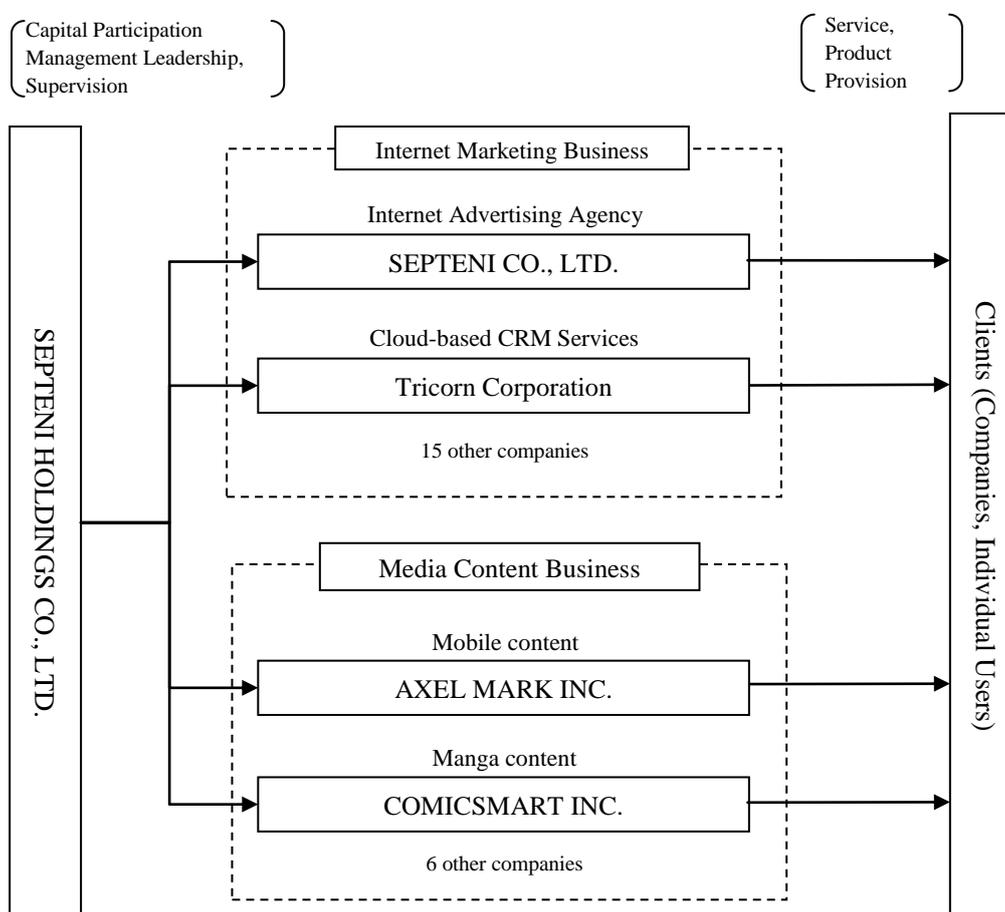
2. Corporate Structure

As of September 30, 2015, the SEPTENI Group comprises the holding company SEPTENI HOLDINGS, 25 consolidated subsidiaries, and two equity accounting method held affiliates and is engaged in Internet marketing, media content.

Below is description of businesses and a breakdown of the companies that belong to each of the Group's business segments.

Business Segment	Business Description	Main Consolidated Subsidiaries
Internet Marketing	Internet advertising sales, Web solutions (website creation, operation, SEO services), marketing platform operations for ad networks, cloud-based CRM services, Internet marketing support services for corporations	SEPTENI CO., LTD. Tricorn Corporation
Media Content	Provision of digital content for smartphones centered on games and cultivating and producing Manga Artists aimed at planning and developing our own IP (intellectual property) as well as operating a Manga distribution service, etc.	AXEL MARK INC. COMICSMART INC.

SEPTENI's Corporate Structure



3. Management Policy

(1) Basic Corporate Management Policy

As no important revisions have been made since the announcement of earnings for the fiscal year ended September 30, 2011, released on November 4, 2011, we have omitted our comments here. To review the earlier announcement, please visit our home page: <https://www.septeni-holdings.co.jp/en/>.

(2) Medium- to Long-Term Corporate Strategy and Issues to be addressed

The Group intends to continue to accelerate its profit growth going forward, and has established a concept of “double profits” in the midterm business policies that it has formulated in November 2013. The aim of these midterm business policies is to further increase profits and improve the corporate value of the Group by creating a second mainstay business along with Internet advertising, as well as by increasing the share of highly profitable businesses, whether these are existing or new businesses. To that end, it regards “Mobile,” “Social,” and “Global” as its three business focuses, and will work to further expand the Group’s operations and improve its profitability by strengthening its existing businesses and promoting the development of new businesses mainly in these areas.

4. Basic Concept of Selection of Accounting Standards

The Group is actively promoting its global business development and has decided to voluntarily adopt the IFRS starting in the first quarter of the fiscal year ending September 30, 2016 to increase its management quality by standardizing accounting systems in the Group and the international comparability of financial information in the capital market, aiming for better convenience for all of the Group’s stakeholders, including shareholders and investors in and outside Japan.

5. Consolidated Financial Statements
 (1) Consolidated Balance Sheet

(Unit: Thousand Yen)

	Previous Term (Ended September 30, 2014)	Current Term (Ended September 30, 2015)
Assets		
Current assets		
Cash and deposits	9,293,965	12,196,676
Notes and accounts receivable-trade	8,199,190	9,822,796
Unfinished products	67,324	2,478
Stored goods	4,050	6,122
Deferred tax assets	197,171	211,681
Other	380,977	251,737
Doubtful account reserves	-27,480	-4,761
Total current assets	18,115,200	22,486,730
Non-current assets		
Property, plant and equipment		
Buildings, structures (net)	112,284	136,418
Tools, furniture and fixtures (net)	93,934	111,398
Other (net)	1,855	1,088
Total property, plant and equipment	208,074	248,905
Intangible assets		
Goodwill	601,206	93,406
Software	269,780	245,102
Software in progress	25,113	2,300
Other	1,335	1,126
Total intangible assets	897,435	341,935
Investments and other assets		
Investment securities	1,141,908	1,261,053
Deposits and security deposits	646,850	681,426
Deferred tax assets	547,413	315,053
Other	70,822	52,801
Doubtful account reserves	-1,918	-59
Total investments and other assets	2,405,076	2,310,275
Total non-current assets	3,510,586	2,901,117
Total assets	21,625,786	25,387,848

(Unit: Thousand Yen)

	Previous Term (Ended September 30, 2014)	Current Term (Ended September 30, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	7,569,396	9,203,035
Short-term loans payable	730,002	956,470
Portion of long-term loans payable due within one year	175,001	166,656
Lease liabilities	245	—
Accounts payable-other	343,499	396,148
Unpaid taxes	930,006	682,575
Bonus reserves	330,620	376,016
Other	991,070	1,160,382
Total current liabilities	11,069,841	12,941,284
Non-current liabilities		
Long-term loans payable	305,568	138,912
Other	47,113	21,463
Total non-current liabilities	352,681	160,375
Total liabilities	11,422,523	13,101,659
Net assets		
Shareholders' equity		
Capital	2,053,010	2,070,160
Capital reserves	3,148,095	3,160,950
Retained earnings	4,284,190	6,453,988
Treasury stock	-485,011	-485,011
Total shareholders' equity	9,000,284	11,200,087
Accumulated other comprehensive income		
Valuation difference on marketable securities	119,979	50,895
Foreign currency translation adjustment	57,036	38,580
Total accumulated other comprehensive income	177,016	89,475
Stock options	29,746	35,509
Minority interests	996,215	961,116
Total net assets	10,203,263	12,286,188
Total liabilities and net assets	21,625,786	25,387,848

(2) Consolidated Income Statement, Comprehensive Income Statement
(Consolidated Income Statement)

(Unit: Thousand Yen)

	Previous Term (October 1, 2013– September 30, 2014)	Current Term (October 1, 2014– September 30, 2015)
Net Sales	54,345,580	64,547,685
CGS	44,203,614	52,851,029
Gross income	10,141,965	11,696,655
SG&A	7,882,012	8,942,685
Operating income	2,259,953	2,753,969
Non-operating income		
Interest income	5,099	6,542
Dividend income	1,686	51,048
Gain on valuation of investment securities	38,355	208,759
Foreign exchange gains	6,593	49,697
Minority shareholding income	66,317	88,878
Other	7,854	32,201
Total non-operating income	125,907	437,127
Non-operating expenses		
Interest payment	5,076	5,247
Share listing related expenses	13,629	15,558
Commission paid	–	45,600
Other	4,267	6,637
Total non-operating expenses	22,973	73,043
Ordinary income	2,362,887	3,118,052
Extraordinary income		
Gain on sales of subsidiaries' stocks	8,476	1,098,885
Gain on sales of investment securities	–	122,545
Others	–	17,554
Total extraordinary income	8,476	1,238,985
Extraordinary loss		
Impairment accounting losses	14,026	251,015
Loss on sales of investment securities	10,000	–
Loss on valuation of investment securities	25,245	19,994
Other	5,989	24,903
Total extraordinary losses	55,260	295,913
Net income before taxes	2,316,104	4,061,124
Corporate, residence, enterprise taxes	1,404,134	1,492,998
Corporate tax adjustment	-651,617	246,512
Total taxes	752,516	1,739,511
Income before minority interests	1,563,587	2,321,613
Minority interest losses	14,400	-76,445
Net income	1,549,187	2,398,059

(Consolidated Comprehensive Income Statement)

(Unit: Thousand Yen)

	Previous Term (October 1, 2013– September 30, 2014)	Current Term (October 1, 2014– September 30, 2015)
Income before minority interests	1,563,587	2,321,613
Other comprehensive income		
Valuation difference on marketable securities	130,855	-69,084
Foreign currency translation adjustment	43,828	-23,434
Total other comprehensive income	174,683	-92,519
Comprehensive income	1,738,271	2,229,094
(Details)		
Comprehensive income attributable to parent shareholding	1,723,871	2,310,518
Comprehensive income attributable to minority interests	14,400	-81,423

(3) Changes in Consolidated Shareholders' Equity Statement

Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital	Capital reserves	Retained earnings	Treasury stock	Total shareholders' equity
Total at previous term end	2,025,310	3,120,395	2,911,589	△485,011	7,572,284
Change in current term					
New stock issued	27,699	27,699			55,399
Dividends from retained earnings			-176,586		-176,586
Net income			1,549,187		1,549,187
Net change in items other than shareholders' equity					-
Total change in current term	27,699	27,699	1,372,601	-	1,428,000
Total at current term end	2,053,010	3,148,095	4,284,190	-485,011	9,000,284

	Accumulated other comprehensive income			Stock option	Minority interests	Total net assets
	Valuation difference on marketable securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Total at previous term end	-10,875	13,208	2,332	48,614	757,078	8,380,310
Change in current term						
New stock issued						55,399
Dividends from retained earnings						-176,586
Net income						1,549,187
Net change in items other than shareholders' equity	130,855	43,828	174,683	-18,867	239,137	394,953
Total change in current term	130,855	43,828	174,683	-18,867	239,137	1,822,953
Total at current term end	119,979	57,036	177,016	29,746	996,215	10,203,263

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(Unit: Thousand Yen)

	Shareholders' equity				
	Capital	Capital reserves	Retained earnings	Treasury stock	Total shareholders' equity
Total at previous term end	2,053,010	3,148,095	4,284,190	-485,011	9,000,284
Change in current term					
New stock issued	17,149	12,855			30,005
Dividends from retained earnings			-228,261		-228,261
Net income			2,398,059		2,398,059
Net change in items other than shareholders' equity					-
Total change in current term	17,149	12,855	2,169,797		2,199,803
Total at current term end	2,070,160	3,160,950	6,453,988	-485,011	11,200,087

	Accumulated other comprehensive income			Stock option	Minority interests	Total net assets
	Valuation difference on marketable securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Total at previous term end	119,979	57,036	177,016	29,746	996,215	10,203,263
Change in current term						
New stock issued						30,005
Dividends from retained earnings						-228,261
Net income						2,398,059
Net change in items other than shareholders' equity	-69,084	-18,456	-87,540	5,762	-35,099	-116,878
Total change in current term	-69,084	-18,456	-87,540	5,762	-35,099	2,082,924
Total at current term end	50,895	38,580	89,475	35,509	961,116	12,286,188

(4) Consolidated Cash Flow Statement

(Unit: Thousand Yen)

	Previous Term (October 1, 2013– September 30, 2014)	Current Term (October 1, 2014– September 30, 2015)
Cash flow from operating activities		
Net income before taxes	2,316,104	4,061,124
Depreciation and amortization	180,160	155,930
Impairment accounting loss	14,026	251,015
Amortization of goodwill	126,477	245,973
Increase (decrease) in doubtful account reserves	8,349	-21,575
Increase (decrease) in bonus reserves	26,356	61,530
Gain (loss) on valuation of investment securities (gain)	-13,110	-188,764
Gain (loss) on sales of investment securities (-: gain)	10,000	-122,545
Interest and dividends income	-6,786	-57,590
Interest payment	5,076	5,247
Gain (loss) on minority shareholding	-43,138	-66,926
Gain (loss) on sales of subsidiaries' stocks	-8,476	-1,098,885
Increase (decrease) in receivables	-885,827	-1,892,516
Increase (decrease) in inventories	-49,005	42,978
Increase (decrease) in payables	1,659,743	1,751,606
Other	338,417	314,671
Subtotal	3,678,367	3,441,276
Interest and dividends received	6,786	57,590
Interest paid	-4,980	-4,325
Tax claims payment	130,960	82,600
Corporate and other taxes	-980,432	-1,703,119
Net cash provided by operating activities	2,830,700	1,874,023
Cash flow from investing activities		
Payments into time deposits	-1,218,000	-933,235
Repayments from time deposit	712,000	1,024,000
Purchase of property, plant and equipment	-65,612	-118,024
Purchase of intangible assets	-96,506	-61,075
Purchase of investment securities	-171,102	-55,124
Proceeds from sale of investment securities	190,000	138,596
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-258,505	—
Payments for the sale of investments in subsidiaries resulting in a change in the scope of consolidation	-32,926	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	※ 1 1,249,062
Deposits and security deposits payment	-86,112	-106,181
Income from the collection of deposits and security deposits	20,474	37,695
Other	92,543	81,833
Net cash provided by (used in) investing activities	-913,748	1,257,545

(Unit: Thousand Yen)

	Previous Term (October 1, 2013– September 30, 2014)	Current Term (October 1, 2014– September 30, 2015)
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	-12,586	226,468
Income from long-term loans payable	500,000	—
Repayment of long-term loans payable	-127,772	-175,001
Cash dividends paid	-176,586	-228,261
Cash dividends paid to minority shareholders	-4,160	-2,720
Other	-553	55,619
Net cash used in financing activities	178,342	-123,895
Effect of exchange rate change on cash and cash equivalents	21,954	-1,133
Net increase (decrease) in cash and equivalents	2,117,249	3,006,540
Cash and equivalents at term start	6,570,715	8,687,965
Cash and equivalents at term end	※ 2 8,687,965	※ 2 11,694,506

(5) Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Related to the Consolidated Cash Flow Statement)

* 1 Major components of assets and liabilities of a company that is no longer a consolidated subsidiary of the Company after the sale of its shares

The following indicates the components of assets and liabilities of a company that is no longer a consolidated subsidiary of the Company after the sale of its shares during the current term, the selling price of the shares, and proceeds from the sale.

(Unit: Thousand Yen)

Septeni Direct Marketing Co., Ltd.	
Current assets	626,461
Non-current assets	11,935
Current liabilities	-216,782
Non-current liabilities	-500
Gain on sale of subsidiary shares	1,098,885
Sale value	1,520,000
Cash and cash equivalents of consolidated subsidiary excluded from consolidation	-270,937
Net: Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,249,062

*2 Relationship with cash and equivalents at term end and the value of the items posted in the consolidated balance sheet

(Unit: Thousand Yen)

	Previous Term (October 1, 2013 – September 30, 2014)	Current Term (October 1, 2014 – September 30, 2015)
Cash and deposits balance	9,293,965	12,196,676
Time deposits with a term of over 3 months	-606,000	-502,170
Cash and cash equivalents	8,687,965	11,694,506

(Business Segment Information)

[Business Segment Information]

1. Business Segment Overview

Our Group's reported segments are the individual units for which independent financial information can be derived, and are considered on a regular basis by our Board of Directors for the purpose of determining the allocation of management resources and the evaluation of earnings.

Furthermore, the Group has categorized its business segments in accordance with market categorizations, and has determined two business segments, namely the "Internet Marketing Business," and "Media Content Business."

Further descriptions of our reported business segments are provided below.

Business Segment	Business Description
Internet Marketing	Internet advertising sales, Web solutions (website creation, operation, SEO services), marketing platform operations for ad networks, cloud-based CRM services, Internet marketing support services for corporations
Media Content	Provision of digital content for smartphones centered on games and cultivating and producing Manga Artists aimed at planning and developing our own IP (intellectual property) as well as operating a Manga distribution service, etc.

2. Method of Calculation Relating to Reported Business Segment Sales, Income, Assets, and Other Items

The methods of the accounting process for the reported segments are the same as those mentioned in the section titled “Important basic items used in the creation of consolidated financial statements.”

Income in the reported business segment information is based on operating income.

Internal earnings and the amounts transferred between business segments are based on actual market pricing.

3. Information Relating to Reported Business Segment Sales, Income, Assets, and Other Items
Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

(Unit: Thousand Yen)

	Reported Business Segments			Other (Note 1)	Total	Adjustment (Note 2, 3)	Consolidated Account (Note 4)
	Internet Marketing	Media Content	Subtotal				
Sales							
External sales	48,033,166	3,447,438	51,480,604	2,863,676	54,344,280	1,300	54,345,580
Internal sales, transfers	238,798	10,587	249,385	3,511	252,897	-252,897	—
Total	48,271,964	3,458,025	51,729,990	2,867,187	54,597,177	-251,597	54,345,580
Operating income/loss	2,740,554	-277,411	2,463,142	186,994	2,650,136	-390,183	2,259,953
Assets	14,901,690	2,191,237	17,092,927	651,095	17,744,022	3,881,763	21,625,786
Other items							
Depreciation	123,844	11,994	135,839	7,269	143,108	37,051	180,160
Change in property, plant and equipment and intangible assets	119,030	6,628	125,658	4,817	130,476	22,407	152,884

1. "Other" includes the Direct Marketing Business and other businesses, which are not included in the reported segments.
2. The operating income/loss in the adjustment category of - ¥390,183 thousand includes ¥10,033 thousand in intersegment cancellations and ¥1,300 thousand in companywide income that cannot be allocated to each segment, and - ¥401,516 thousand in companywide expenses. Companywide income mainly consists of management fees for non-consolidated subsidiaries, while companywide expenses include the operating costs for the holding company that cannot be allocated to specific segments.
3. The assets in the adjustment category of ¥3,881,763 thousand mainly consist of cash and deposits, investment securities, and assets associated with operations of the holding company.
4. Segment income/loss is based on an adjustment of operating income in the consolidated financial statements.

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(Unit: Thousand Yen)

	Reported Business Segments			Adjustment (Note 2, 3)	Consolidated Account (Note 4)
	Internet Marketing	Media Content	Subtotal		
Sales					
External sales	61,291,222	3,255,262	64,546,485	1,200	64,547,685
Internal sales, transfers	272,615	23,676	296,292	-296,292	
Total	61,563,838	3,278,939	64,842,777	-295,092	64,547,685
Operating income/loss	3,686,693	-528,778	3,157,915	-403,946	2,753,969
Assets	18,026,695	2,353,103	20,379,798	5,008,049	25,387,848
Other items					
Depreciation	120,609	8,399	129,008	26,922	155,930
Change in property, plant and equipment and intangible assets	138,424	4,114	142,538	26,407	168,946

1. The operating income/loss in the adjustment category of - ¥403,946 thousand includes - ¥12,702 thousand in intersegment cancellations and ¥1,200 thousand in companywide income that cannot be allocated to each segment, and - ¥392,443 thousand in companywide expenses. Companywide income mainly consists of management fees for non-consolidated subsidiaries, while companywide expenses include the operating costs for the holding company that cannot be allocated to specific segments.
2. The assets in the adjustment category of ¥5,008,049 thousand mainly consist of cash and deposits, investment securities, and assets associated with operations of the holding company.
3. Segment income/loss is based on an adjustment of operating income in the consolidated financial statements.

[Related information]

Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

1. Information on each product/service

This information is omitted as the same information is disclosed in the section on segment information.

2. Information on each region

This information is omitted due to the amount of sales to external customers in Japan exceeding 90% of the sales on the consolidated income statement.

3. Information on each key customer

(Unit: Thousand Yen)

Name of customer	Net sales	Name of related segment
JP21.Inc	6,511,214	Internet Marketing

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

1. Information on each product/service

This information is omitted as the same information is disclosed in the section on segment information.

2. Information on each region

(1) Sales

(Unit: Thousand Yen)

In Japan	In other regions	Total
55,663,429	8,884,255	64,547,685

(Note) 1 Net sales are categorized by country or region based on the locations of the customers.

2 Major countries or regions included in “other regions”:

United States and South Korea

(2) Property, plant, and equipment

This information is omitted due to the total value of property, plant, and equipment located in Japan exceeding 90% of the value of property, plant, and equipment on the consolidated balance sheet.

3. Information on each key customer

This information is omitted due to the absence of external customers contributing to more than 10% of sales on the consolidated income statement.

[Information Relating to Reported Business Segment Impairment Accounting Losses on Non-current Assets]

Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

(Unit: Thousand Yen)

	Reported Business Segments			Other	Total	Companywide/ Eliminations	Total
	Internet Marketing	Media Content	Subtotal				
Impairment accounting losses	–	11,250	11,250	–	11,250	2,776	14,026

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(Unit: Thousand Yen)

	Reported Business Segments			Companywide/ Eliminations	Total
	Internet Marketing	Media Content	Subtotal		
Impairment accounting losses	182,557	68,458	251,015	–	251,015

[Information Relating to Reported Business Segment Amortization of Goodwill and Unamortized Balance]

Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

(Unit: Thousand Yen)

	Reported Business Segments			Other	Total	Companywide/ Eliminations	Total
	Internet Marketing	Media Content	Subtotal				
Total amortization	–	126,477	126,477	–	126,477	–	126,477
Balance as of term end	332,690	268,515	601,206	–	601,206	–	601,206

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

(Unit: Thousand Yen)

	Reported Business Segments			Companywide/ Eliminations	Total
	Internet Marketing	Media Content	Subtotal		
Total amortization	131,369	114,603	245,973	–	245,973
Balance as of term end	–	93,406	93,406	–	93,406

[Information Relating to Reported Business Segment Gains on Negative Goodwill]

Fiscal Year Ended September 30, 2014 (October 1, 2013 – September 30, 2014)

Not applicable

Fiscal Year Ended September 30, 2015 (October 1, 2014 – September 30, 2015)

This information is omitted as it is immaterial

(Per-share information)

(Unit: Yen)

Item	Previous Term (October 1, 2013–September 30, 2014)	Current Term (October 1, 2014–September 30, 2015)
Book Value per Share	361.85	435.62
EPS	61.22	92.87
Fully Diluted EPS	59.54	92.03

(Notes) The base for calculating EPS as well as fully diluted EPS is as follows.

Item	Previous Term (October 1, 2013– September 30, 2014)	Current Term (October 1, 2014– September 30, 2015)
EPS		
Net income (¥1,000)	1,549,187	2,398,059
Amount not attributed to common shareholders (¥1,000)	–	–
Net income associated with common shares (¥1,000)	1,549,187	2,398,059
Average number of shares outstanding during the term	25,305,333.33	25,821,541.67
Fully Diluted EPS		
Adjusted net income (¥1,000)	–	–
Increase in the number of common shares	715,062.19	234,722.67
Of which, stock options (number of shares)	(715,062.19)	(234,722.67)
Overview of dilutive shares not included in the calculation of fully diluted net income per share due to absence of impact from dilution	–	

(Material subsequent events)

Not applicable

5. Other

Changes in Directors (scheduled for December 18, 2015)

①Candidate for a newly appointed director

Etsuko Okajima (currently president & CEO of ProNova Inc.)

She is a candidate for External Director as established by the Article 2, Paragraph 3, Item 7 of the Companies Act.

②Candidate for a newly appointed Auditor

Mamoru Furushima (currently Director of Furushima law and accounting firm)

He is a candidate for External Director as established by the Article 2, Paragraph 3, Item 7 of the Companies Act.

③Member to resign from Auditor

Reiji Otaki (Outside Auditor)