

Business Results for 4Q and Full Fiscal Year September 2015

November 5, 2015

SEPTENI HOLDINGS CO., LTD.

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

Securities Code: 4293



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1. Quarterly Consolidated Earnings Overview

**Consolidated
results**

Net Sales: **¥18,437mn** (Up **31.8%** year on year)

Operating income: **¥952mn** (Up **71.4%** year on year)

Both net sales and operating income reached **new record highs** that were significantly higher than the previous records on a quarterly basis.

**Internet
Marketing
Business**

Net Sales: **¥17,738mn** (Up **41.5%** year on year)

Operating income: **¥1,183mn** (Up **66.8%** year on year)

Business expanded significantly, and the upward trend of operating margin continued.

**Media
Content
Business**

Net Sales: **¥780mn** (Down **8.1%** year on year)

Operating income: **¥ – 121mn** (Down **¥25mn** year on year)

Prior investment in Manga Content Business continued.

Expansion of Internet Marketing Business resulted in a sharp increase in sales, exceeding **30%**.

Operating income also grew sharply thanks to increased productivity, resulting in a **5.2%** increase in operating margin.

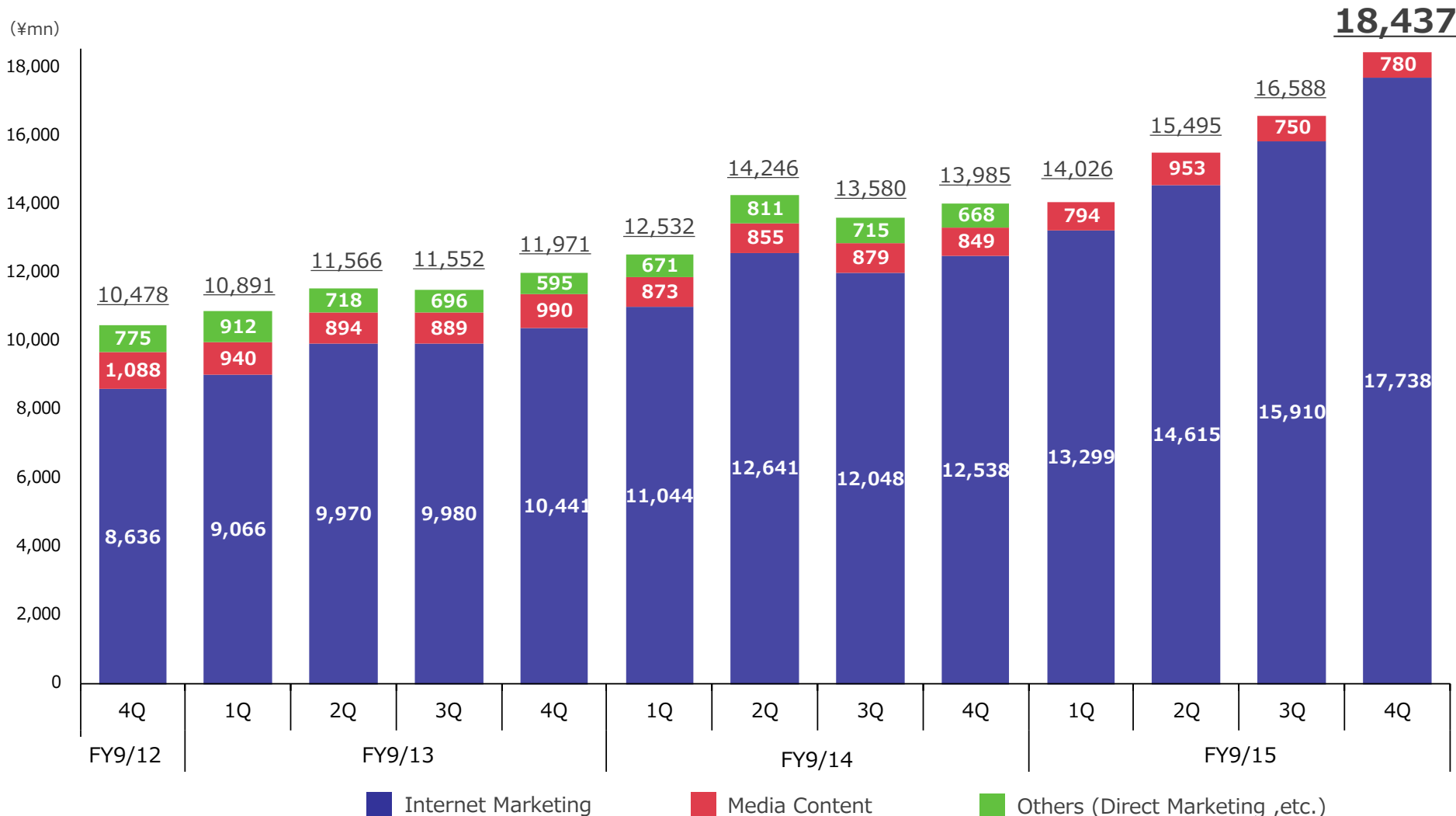
Impairment of goodwill resulted in an extraordinary loss of ¥258 million.

(units : ¥mn)	4Q FY9/15			4Q FY9/14		4Q FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	18,437	100.0%	+31.8%	13,985	100.0%	18,000
Gross Income	3,310	18.0%	+27.8%	2,589	18.5%	—
SG&A	2,357	12.8%	+15.9%	2,033	14.5%	—
Operating Income	952	5.2%	+71.4%	555	4.0%	900
Ordinary Income	1,120	6.1%	+92.2%	582	4.2%	900
Net Income	450	2.4%	+24.6%	361	2.6%	570
EBITDA	1,055	5.7%	+67.5%	630	4.5%	

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

Net Sales
(by Business Segment)

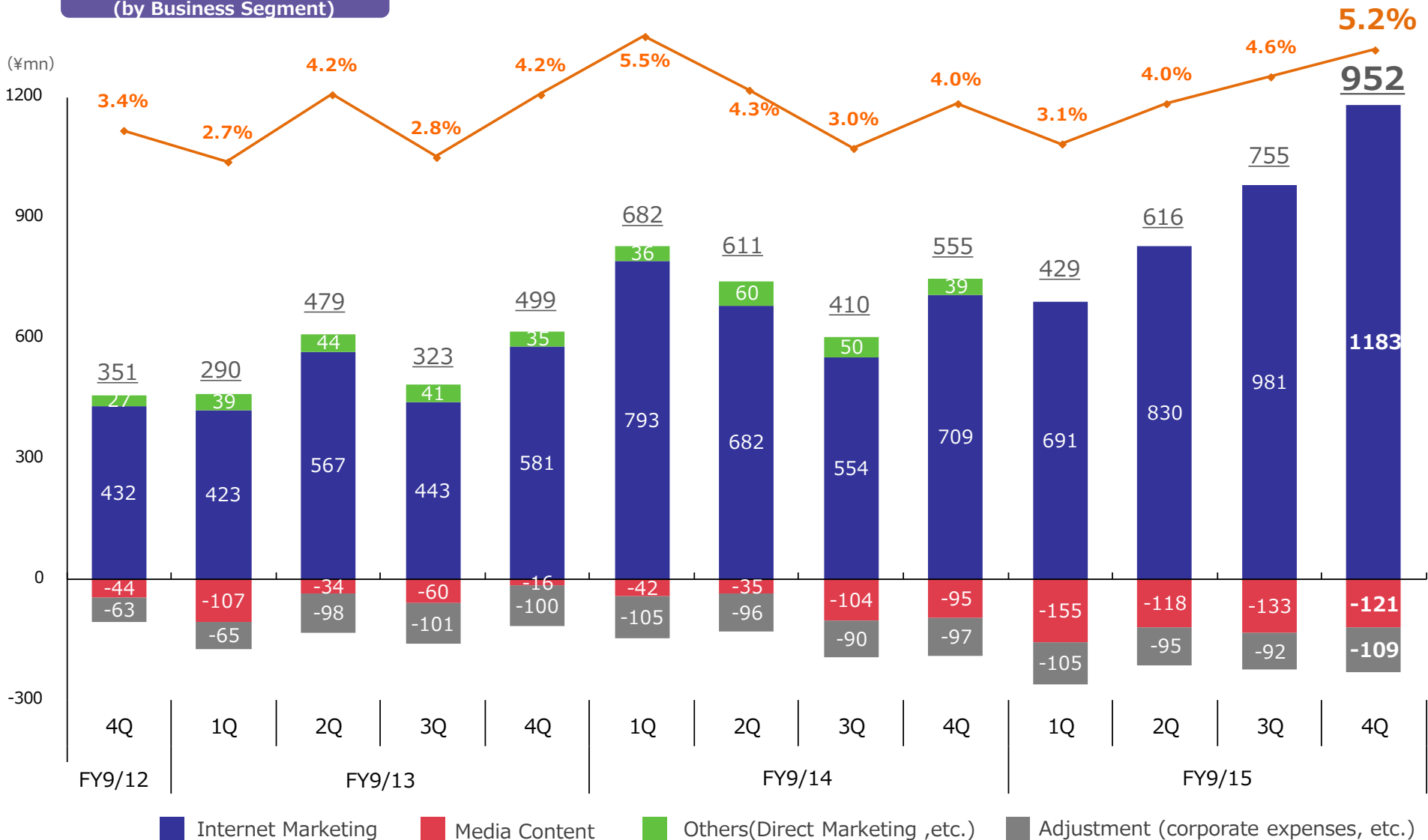
New record high was reached for three consecutive quarters.



*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).

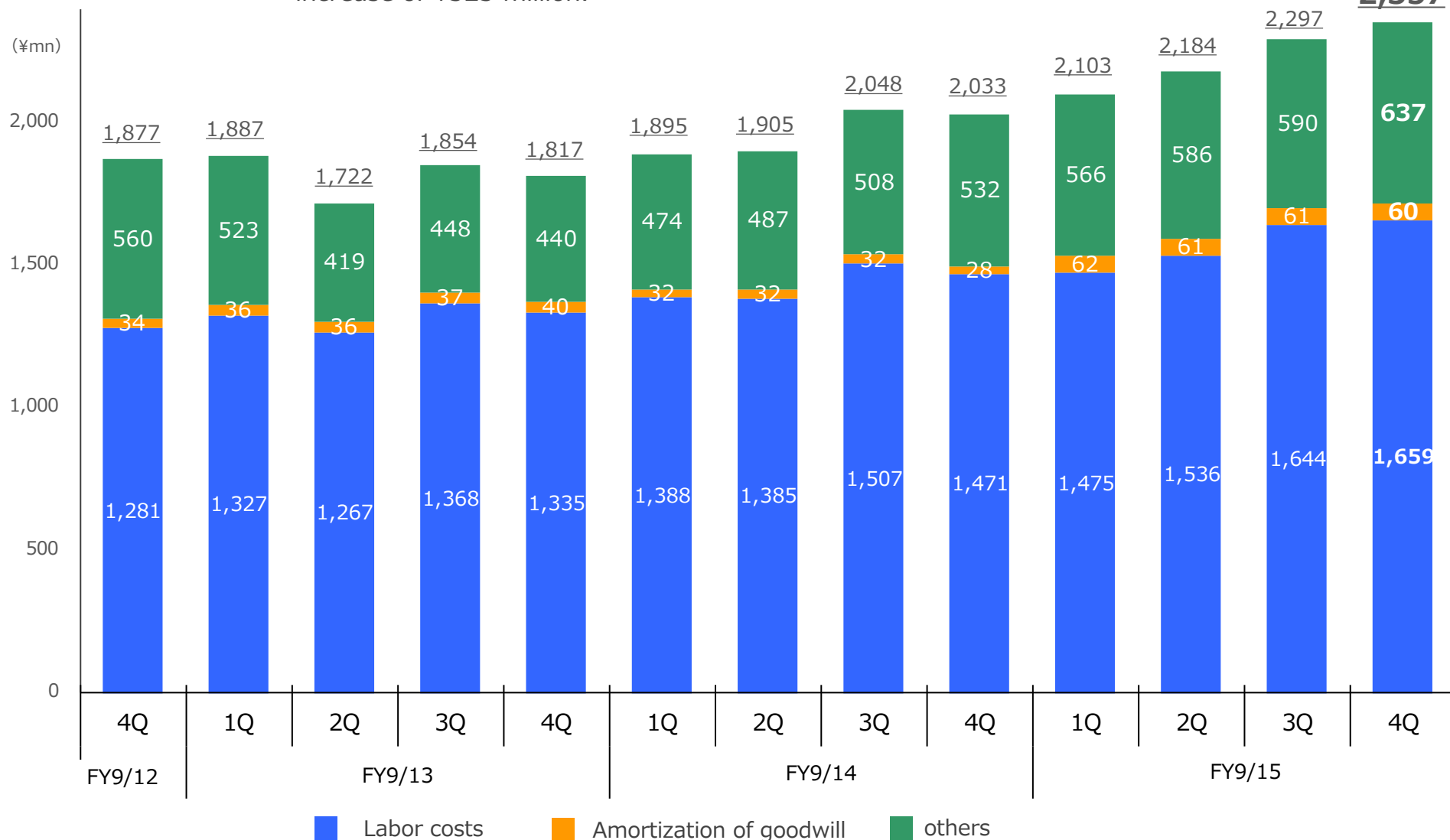
Operating Income (by Business Segment)

New record high was reached for two consecutive quarters.



SG&A

Labor, amortization of goodwill, office rent, etc. resulted in a year-on-year increase of ¥323 million.



2. Internet Marketing Business

Advertising by online service providers in Japan and overseas continued to increase. Growth rate in net sales exceeded **40%**, which together with net sales reached new record highs.

Gross income exceeded ¥3 billion and reached a new record high. Operating income also grew sharply thanks to increased productivity, resulting in a **6.7%** increase in operating margin.

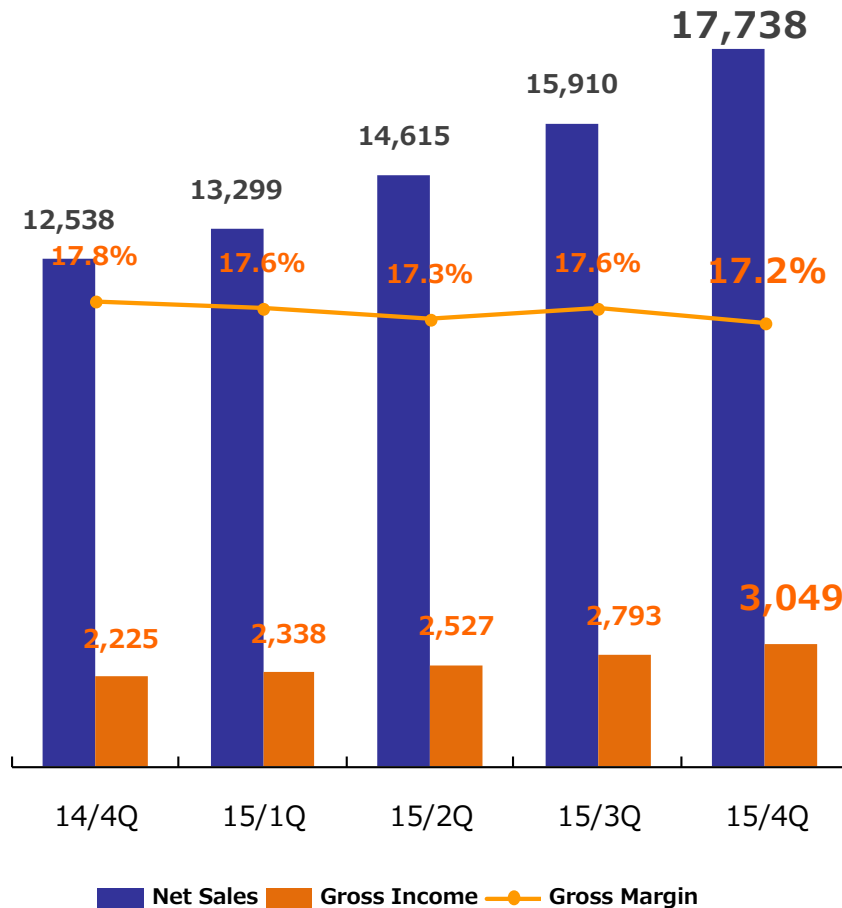
Overseas sales continued to grow, whose share rose to **18.3%**. Smartphone Advertising and the Social Media Business also steadily grew.

(units : ¥mn)	4Q FY9/15			4Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	17,738	100.0%	+41.5%	12,538	100.0%
Gross Income	3,049	17.2%	+37.0%	2,225	17.8%
SG&A	1,865	10.5%	+23.1%	1,515	12.1%
Operating Income	1,183	6.7%	+66.8%	709	5.7%

Net Sales Gross Income

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

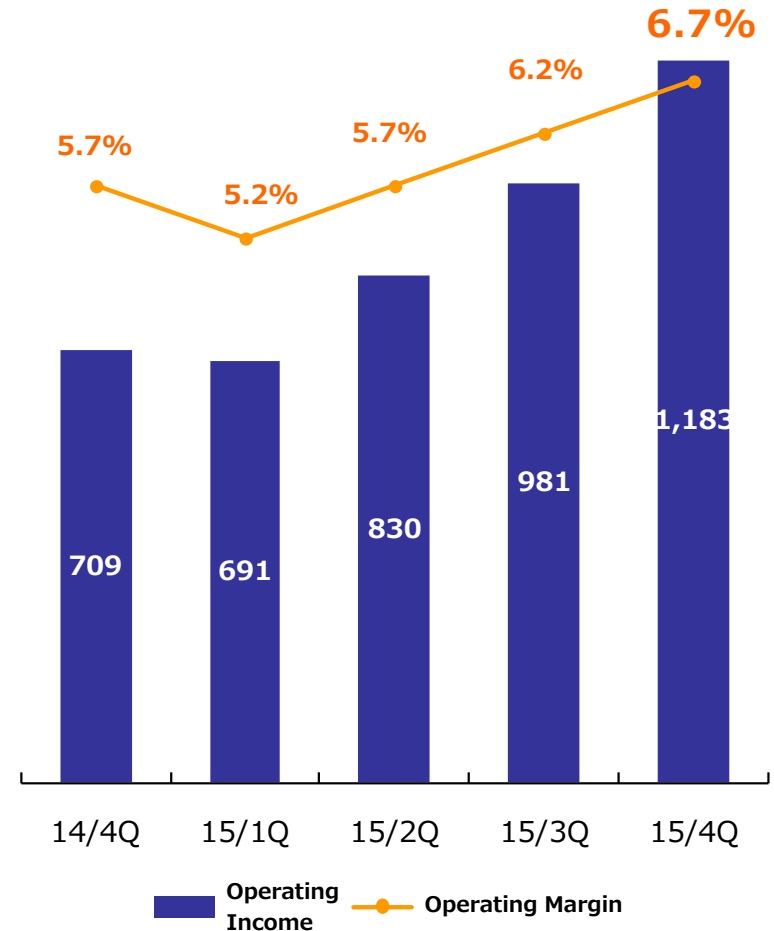
(¥mn)



Operating Income

Operating income hit a **new record high**. Operating margin steadily increased.

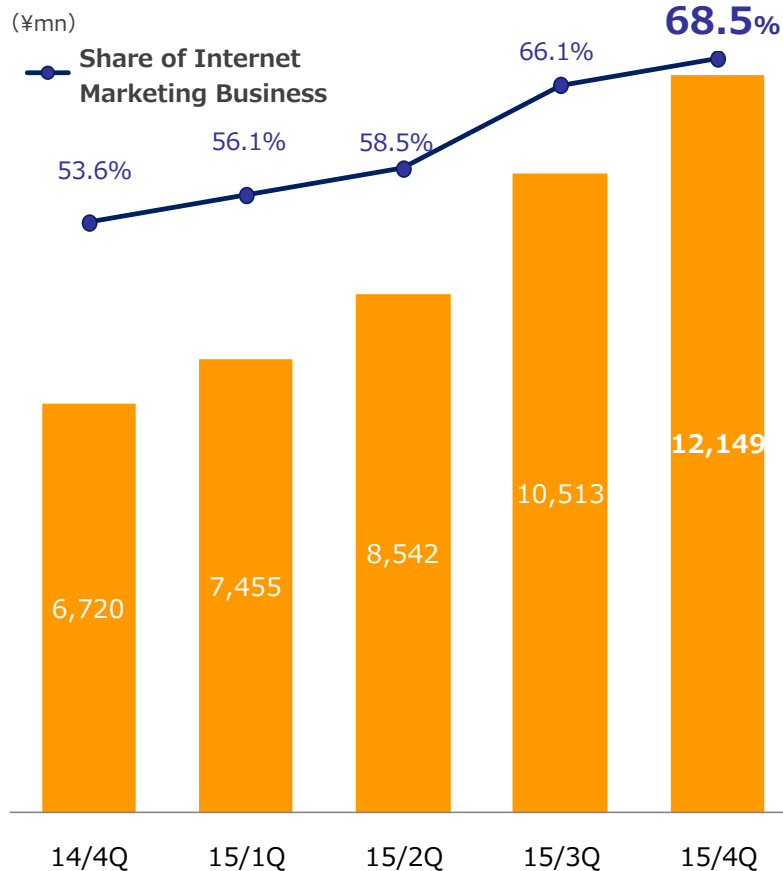
(¥mn)



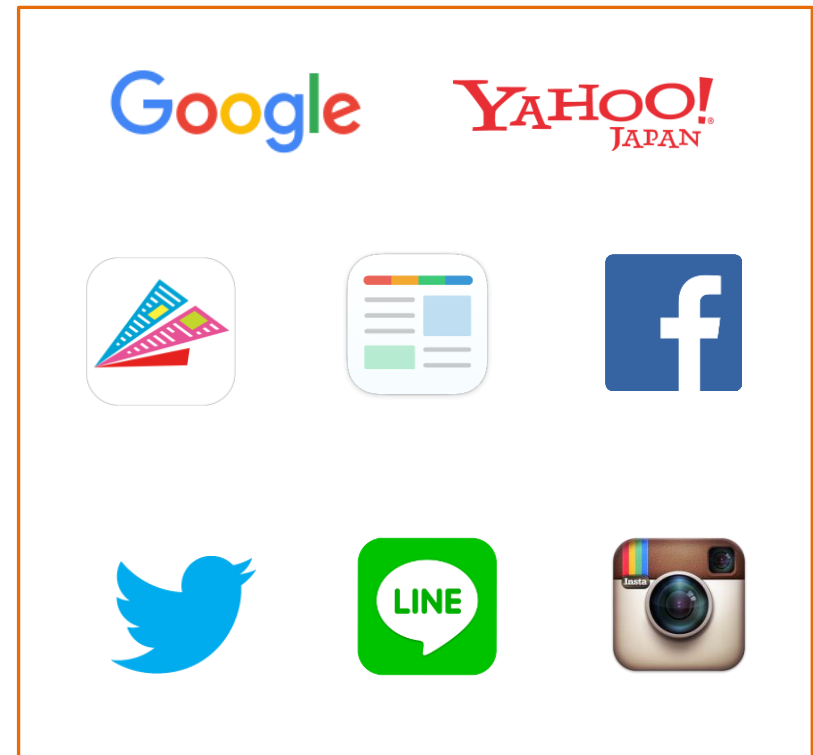
Net sales from Smartphone Advertising rose approximately **1.8 times** year on year.

High growth of native advertising, particularly that of Yahoo! Japan, continued.

Smartphone Advertising
Sales Trend



Main business media

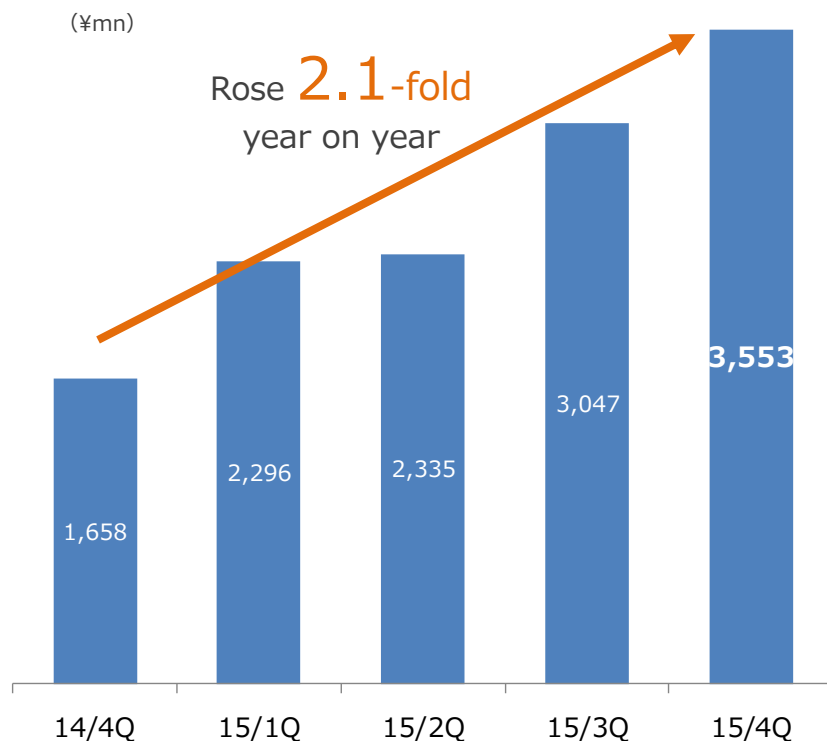


In addition to distribution in Japan, Facebook advertising rose in overseas distribution and for the acquired Korean subsidiary.

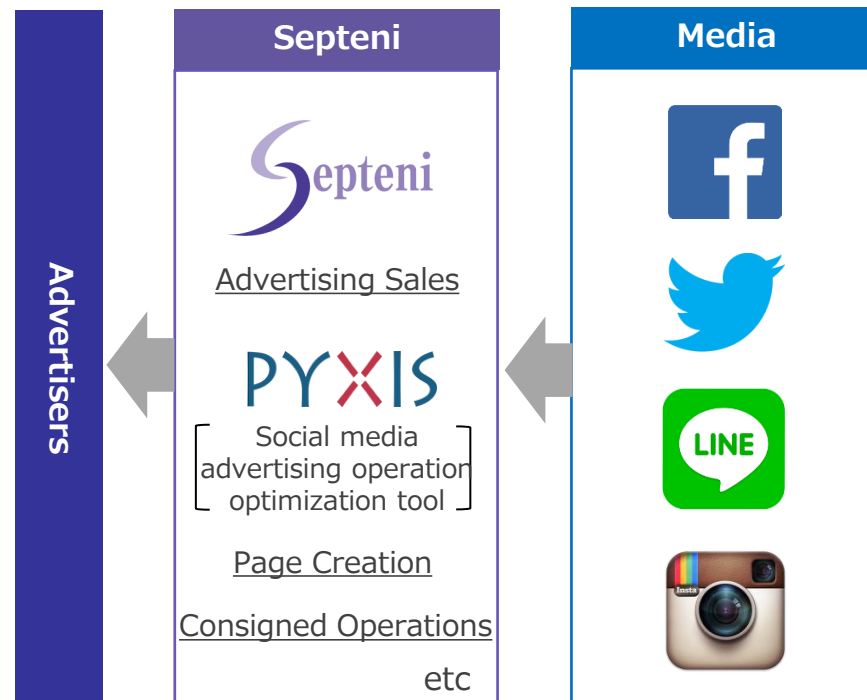
Twitter advertising also remained firmly, and net sales in the Social Media Business grew approximately **2.1 times** year on year.

Social Media Business Sales Trend

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



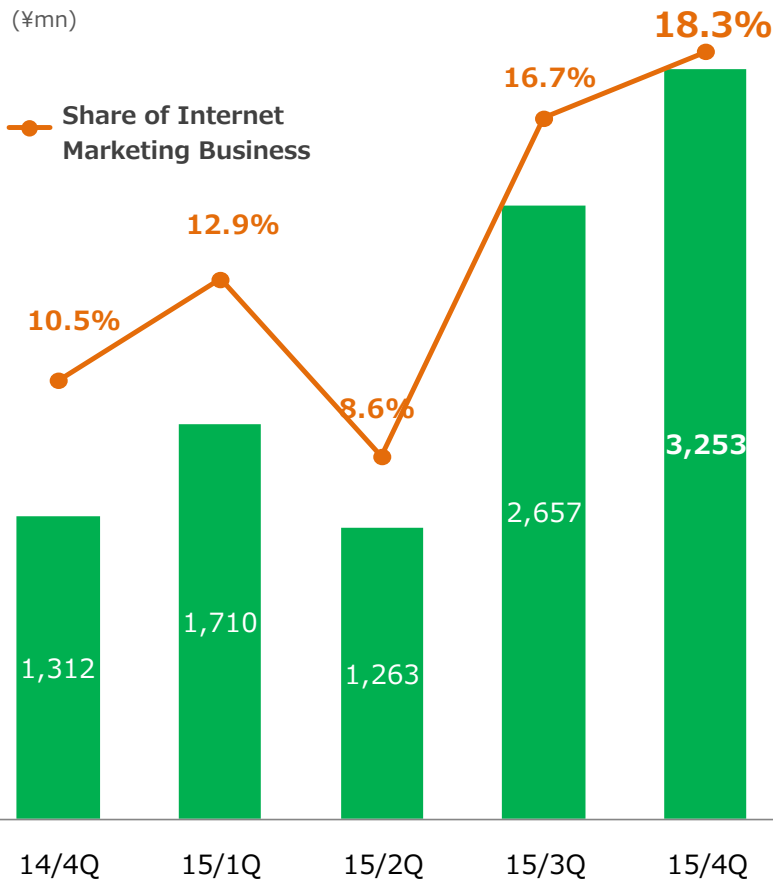
Business Model



Sales rose **2.5 times** year on year, with continuous growth in business for customers in North America and Asia.

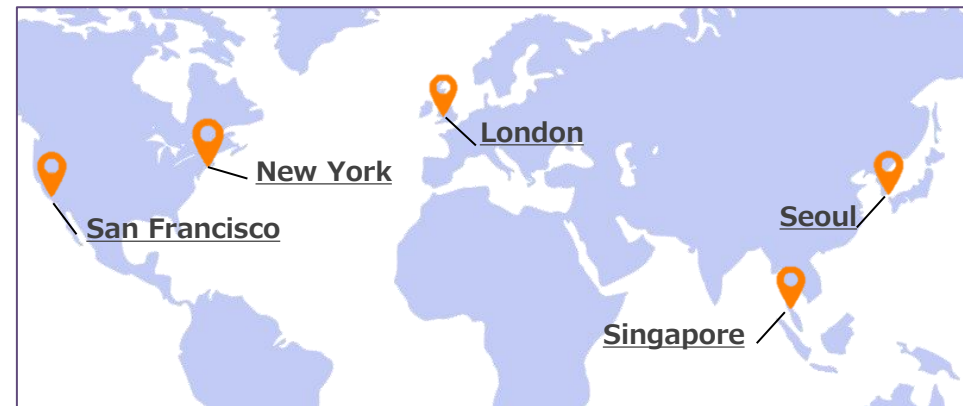
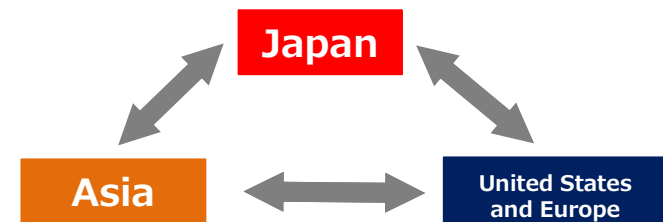
The New York branch was established (operation began in October 2015).

Overseas sales Trend



Business model

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



3. Media Content Business

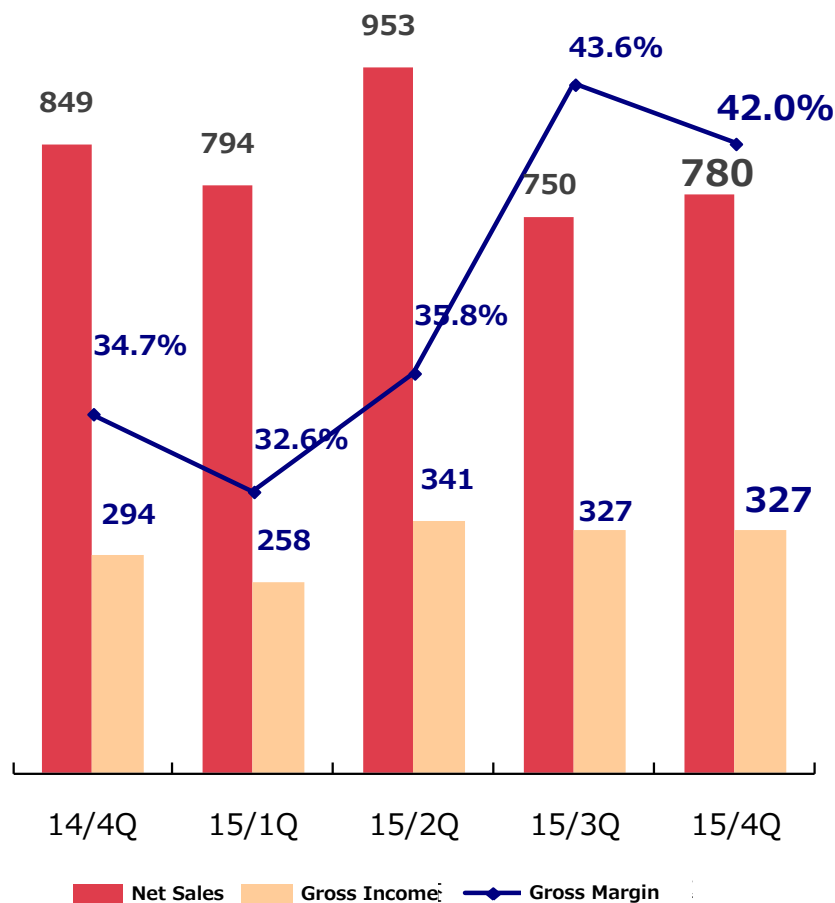
Net sales of the mobile game, *KINGDOM –Eiyuno keifu–*, remained strong.
Net sales and operating income in Axel Mark increased from the previous quarter.

The Manga Content Business promoted the commercialization of its own intellectual property. Meanwhile, there was an operating loss associated with new businesses that amounted to ¥144 million. This loss was the result of continued upfront investments in the development of manga artists and the enhancement of the distribution service.

(units : ¥mn)	4Q FY9/15			4Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	780	100.0%	−8.1%	849	100.0%
Gross Income	327	42.0%	+11.3%	294	34.7%
SG&A	448	57.5%	+15.2%	389	45.9%
Operating Income	−121	−15.5%	(−25)	−95	−11.2%

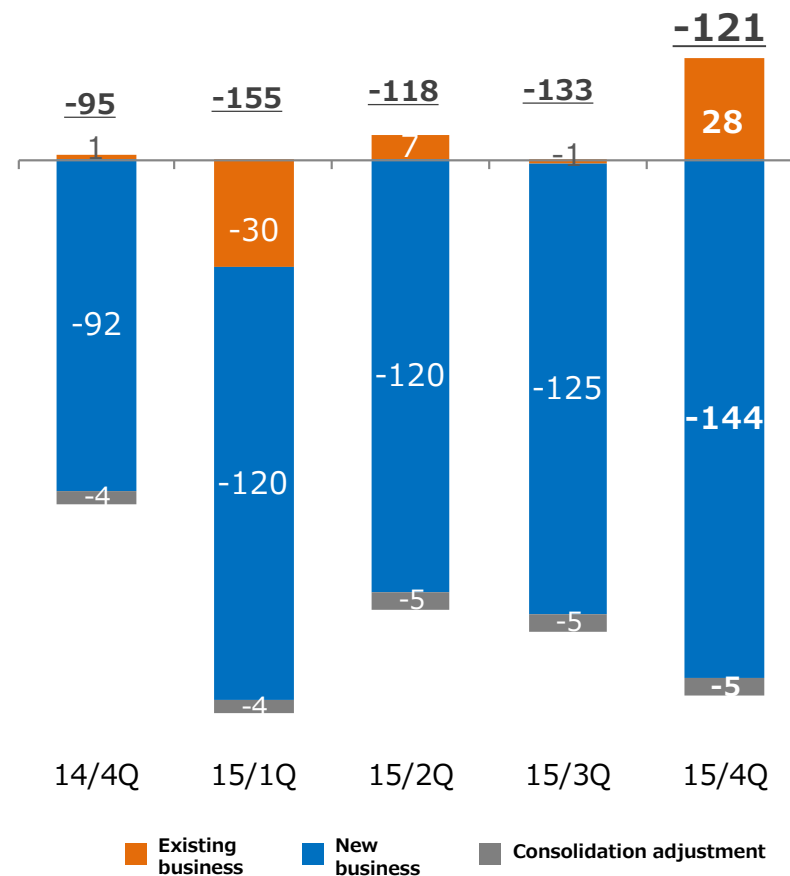
Net Sales, Gross Income

(¥mn)



Operating Income

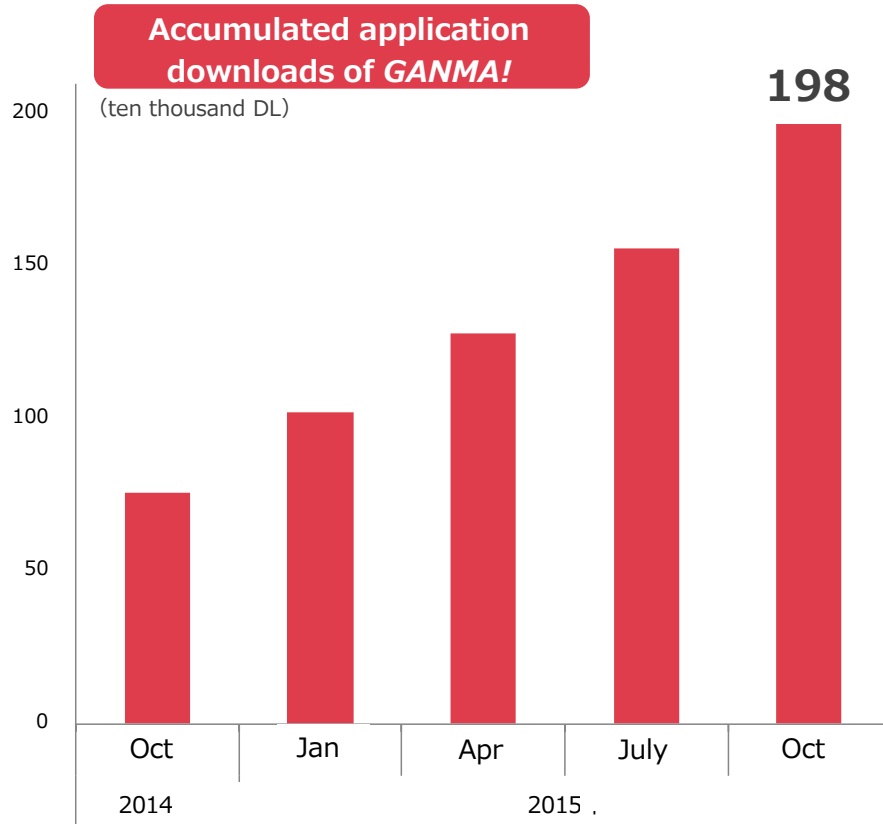
(¥mn)



The number of monthly page views for GANMA! topped **470 million** (October 2015).

Distribution of native advertising in the application, "**GANMA! AD**" started.

Three new works, including **LICHT**, were published as books. (October 2015)



© Min/ COMICSMART INC. 2015



© Kakio Tsurukawa/ COMICSMART INC. 2015

4. Full Year FY9/15 Review

**Consolidated
results**

Net Sales: **¥64,547mn** (Up **18.8%** year on year)

Operating income: **¥2,753mn** (Up **21.9%** year on year)

Operating income set **a new high** for the fourth consecutive year.

**Internet
Marketing
Business**

Net Sales: **¥61,563mn** (Up **27.5%** year on year)

Operating income: **¥3,686mn** (Up **34.5%** year on year)

Both business expansion and growth in profitability were maintained by focusing on growth segments.

**Media
Content
Business**

Net Sales: **¥3,278mn** (Down **5.2%** year on year)

Operating income: **¥ – 528mn** (Down **¥251mn** year on year)

Prior investment in Manga Content Business was increased.

The Internet Marketing Business was the driving force behind consolidated earnings, resulting in **new record highs** in all indicators for the **fourth consecutive year**.

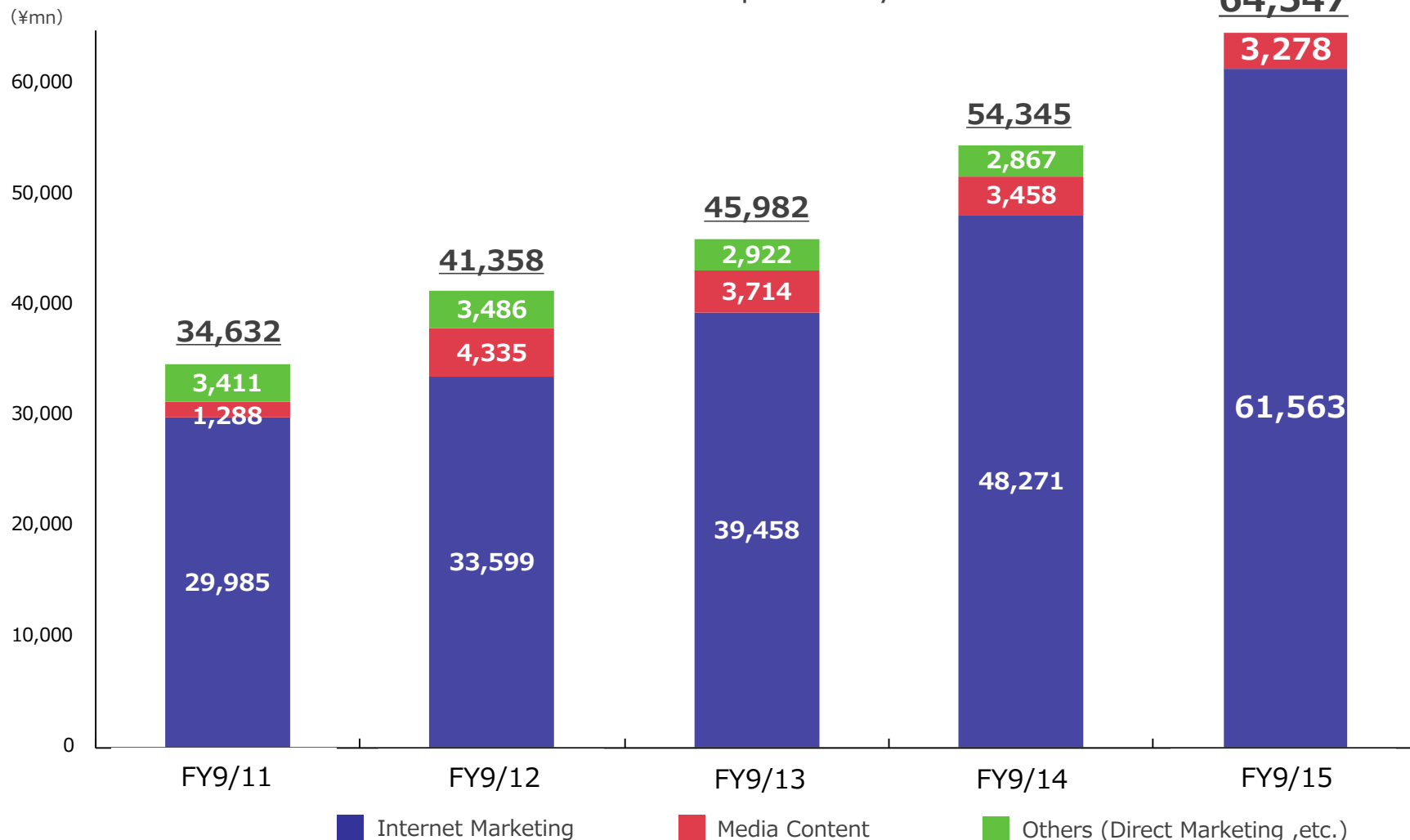
Extraordinary income of ¥1,238 million, comprising primarily of the gain on the sale of a subsidiary's shares for the sale of the Direct Marketing business, was posted.

A **dividend increase** is scheduled for the **third consecutive year**, thanks to the growth in net income. (Dividend to be increase to ¥14 per share)

(units : ¥mn)	FY9/15			FY9/14		FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	64,547	100.0%	+18.8%	54,345	100.0%	64,110
Gross Income	11,696	18.1%	+15.3%	10,141	18.7%	—
SG&A	8,942	13.9%	+13.5%	7,882	14.5%	—
Operating Income	2,753	4.3%	+21.9%	2,259	4.2%	2,701
Ordinary Income	3,118	4.8%	+32.0%	2,362	4.4%	2,897
Net Income	2,398	3.7%	+55.8%	1,549	2.9%	2,518
EBITDA	3,158	4.9%	+23.1%	2,566	4.7%	

Net Sales
(by Business Segment)

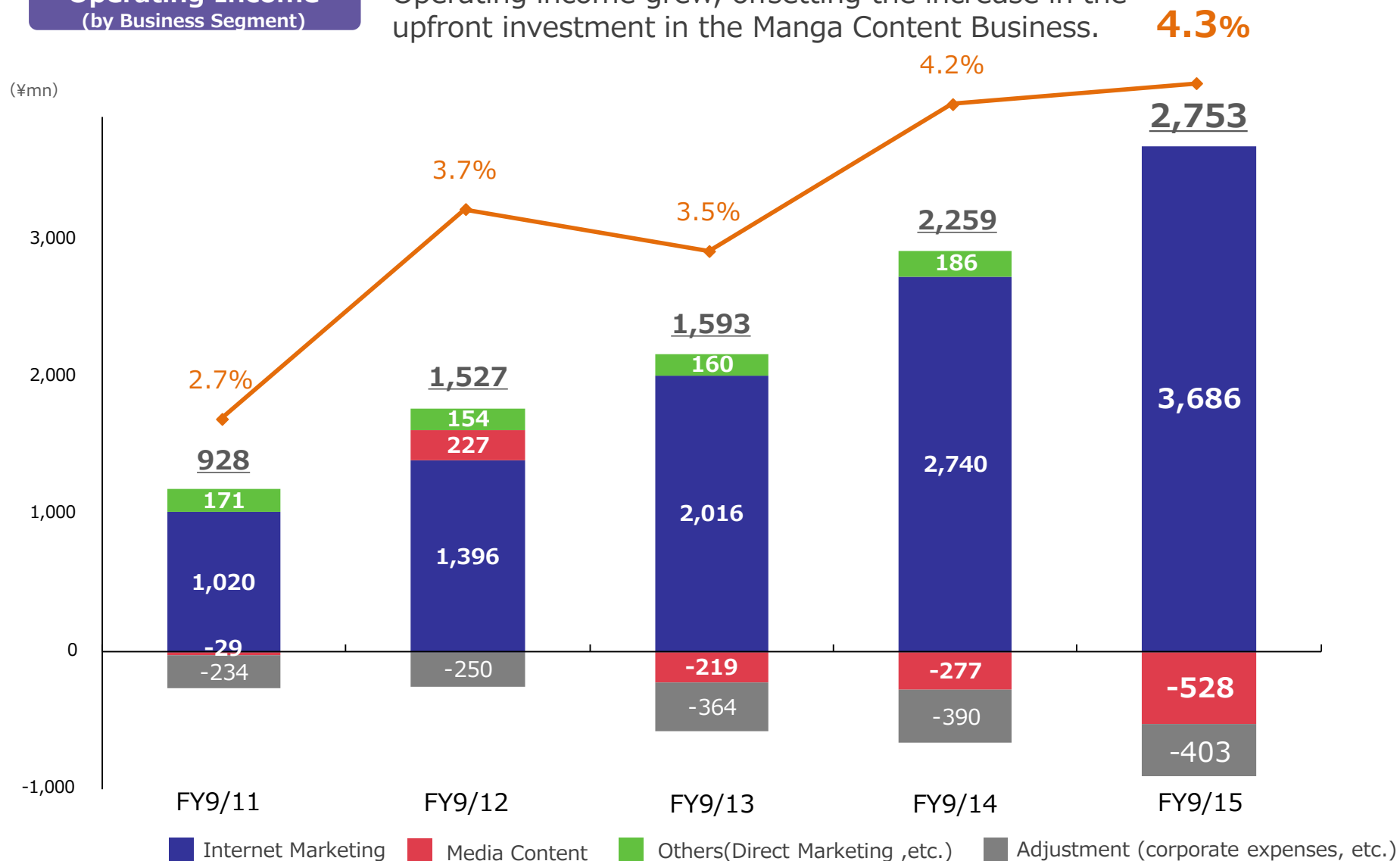
Net sales offset the loss on the disposal of the Direct Marketing business, helping to maintain a net sales growth rate consistent with the level from the previous year.



*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).

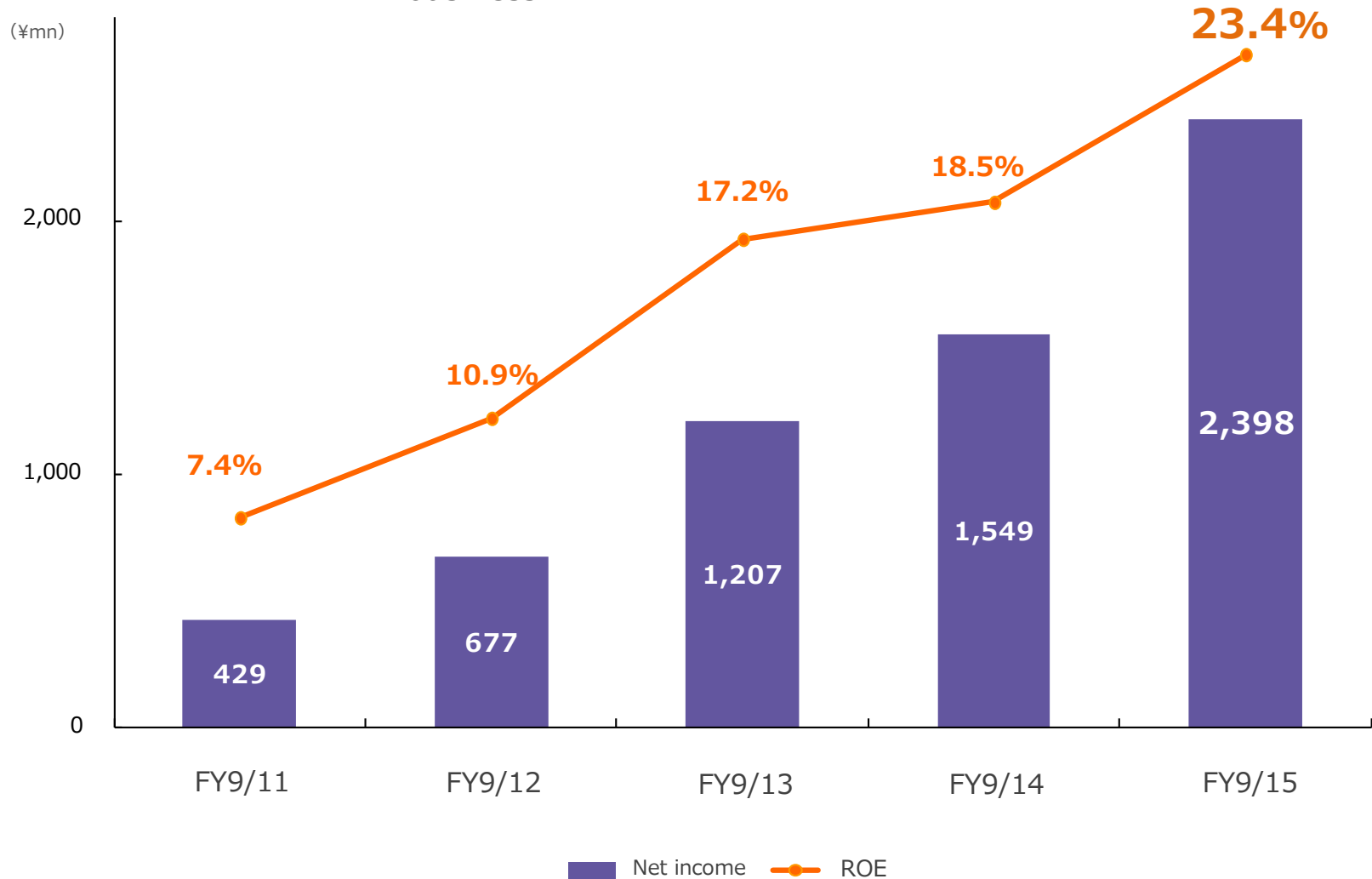
Operating Income
(by Business Segment)

Operating income grew, offsetting the increase in the upfront investment in the Manga Content Business.



ROE and Net Income

Both ROE and Net income rose significantly, owing partly to the extraordinary gain on the disposal of the Direct Marketing business.



Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating margin	YY Change
61,563	+ 27.5%	3,686	+ 34.5%	6.0%	+ 0.3pt

Earnings

- High growth in the key businesses of “Mobile,” “Social,” and “Global” continued to drive growth in net sales.
- Operating income rose sharply thanks to increased productivity, driving up the operating margin for the fourth consecutive year to 6.0%.

Mobile

- Net sales from Smartphone Advertising grew approximately 1.7 times year on year to ¥38.6 billion, with the share reached approximately 63%.
- An increased market share was driven by the native advertising segment.

Social

- Net sales rose approximately 2.1 times year on year to ¥11.2 billion.
- In addition to Facebook advertising as the core segment, accelerated expansion of Twitter advertising contributed to the growth.

Global

- Overseas sales increased approximately 2.2 times year on year to ¥8.8 billion, with the share of overseas sales rising to approximately 14%.
- The volume of businesses in North America increased, and a Korean subsidiary was newly consolidated.

Net Sales		Operating Income			
Value	YY Change	Value	YY Change	Operating Margin	YY Change
3,278	− 5.2%	− 528	(− 251)	− 16.1%	− 8.1pt

Mobile Game Business

- Two native application game titles were released.
- While the sales of KINGDOM –*Eiyuno keifu*– remained strong, other titles struggled, resulting in a decrease in both the net sales and operating income of Axel Mark.

Manga Content Business

- The distribution platform is steadily growing larger.
Latest total number of downloads is 1,980,000, a year-on-year growth of 2.6 times, and the number of monthly page views has reached 470 million.
- The company is promoting the commercialization of its own intellectual property. One anime work (***Million Doll***) and three books are released during the fiscal year.
- Loss on prior investment in new businesses, primarily in the Manga Content Business, increased approximately 1.6 times year on year to ¥511 million.

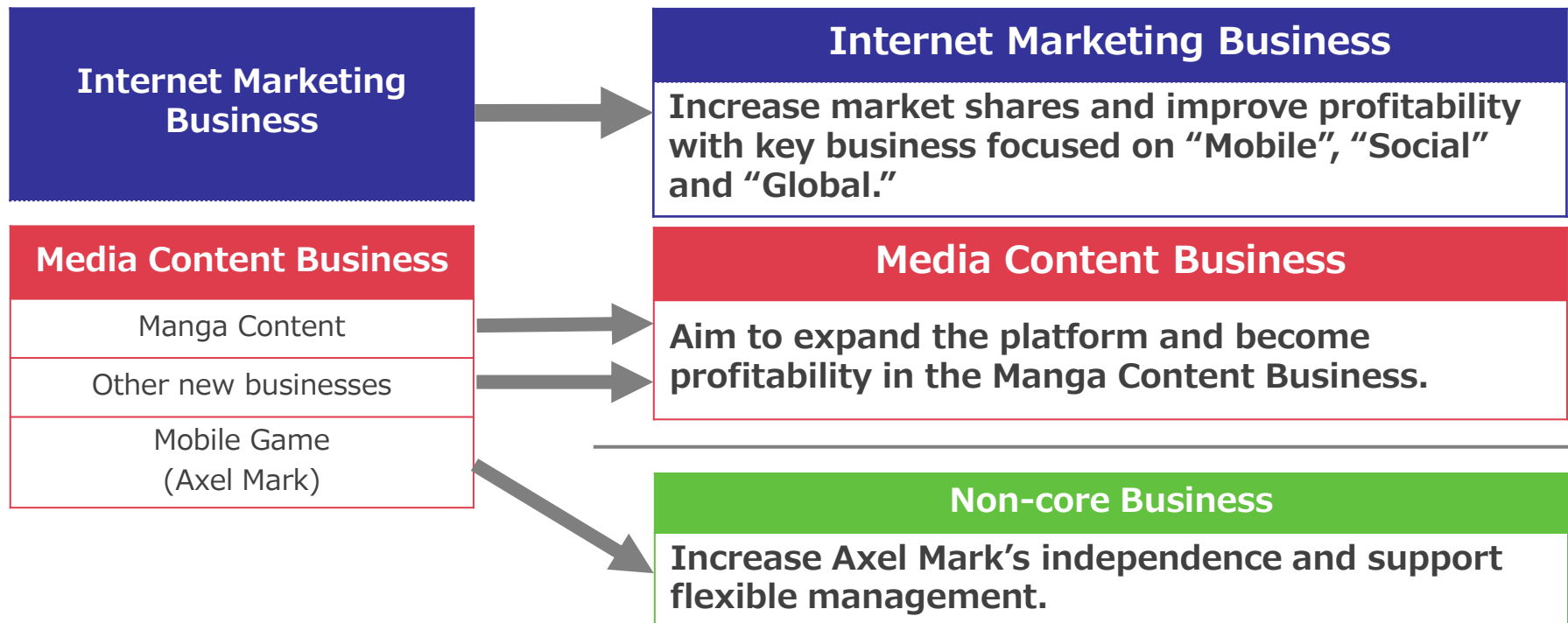
5 . Policies for FY9/16 and Earnings Estimates for 1Q FY9/16

Aim to achieve the goal, “**Double profits**,” in the Midterm Business Policies (announced in November 2013).

Change the Mobile Game Business (Axel Mark) to a non-core business and improve business selection and concentration.

- Part of the Axel Mark shares held by the Company will be sold on November 9 to reduce the ratio of voting rights to less than 50%.
- All of the Directors holding multiple positions will resign at Axel Mark’s 23rd ordinary general meeting of shareholders, which is scheduled to be held on December 16.
- While Axel Mark will no longer be the Company’s subsidiary, it will remain consolidated in the IFRS consolidated financial results.

Business Segments in FY ended Sept. 2015 Business Segments and Policy for FY ending Sept. 2016

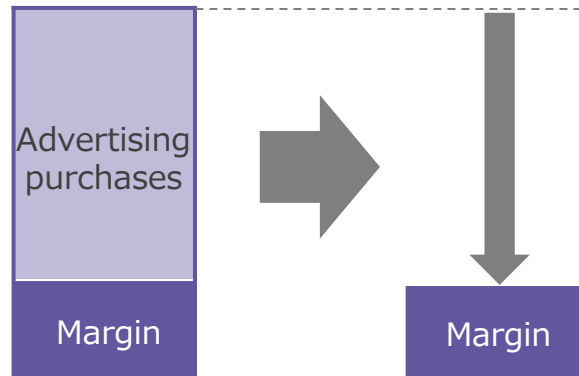


How to record earnings (Top Line)

The conventional recording of the total amount (gross) will be changed to **recording of net amounts** in the sale by advertising agents, which comprises a large part of the Internet Marketing Business.

Net sales (Japanese standards)

Revenue (IFRS)



Treatment of goodwill

While straight-line amortization was applied to goodwill based on the Japanese standards, goodwill is not amortized on IFRS but requires an impairment test every year. This creates an impairment risk.

Voluntary disclosure of Non-GAAP operating income

Non-GAAP operating income is a **profit indicator of constant business performance** determined by adjusting temporary factors, such as an impairment loss and gain or loss on the sales of fixed assets from the IFRS-based operating income.

Difference in income statement

Japanese standards	IFRS
Net sales	Revenue
Gross profit	Gross profit
SG&A	SG&A
Operating income	Other revenues
Non-operating income/loss	Other expenses
Non-operating expenses	Operating income
Ordinary income	Financial Revenue
Extraordinary gains	Financial expenses
Extraordinary losses	Investment profit from equity method
Net income before taxes and other adjustments	Net income before tax
Total income taxes	Income tax expenses
Income before minority interests	Net income
Gains and losses of minority shareholders	(Breakdown)
Net income	Owners of the parent
	Non-controlling interests
	[Voluntary disclosure items]
	Net sales
	Non-GAAP operating income

Transition to IFRS in FY ending Sep. 2016

The growth of the Internet Marketing Business remains firmly, and is expected to lead to a year-on-year increase in both net sales and operating income.

While Media Content Business is expected to increase its sales due partly to the contribution of various new businesses, prior investment in Manga Content Business is expected to result in an increased year-on-year deficit.

An extraordinary gain on the sale of Direct Marketing Business was realized in the previous year, and net income attributable to owners of the parent will decrease.

Meanwhile, “net income from continued operations” is expected to increase by more than 20%.

	Earnings in 1Q FY9/15	Earnings Estimates for 1Q FY9/16	Expected Growth Rate
Revenue	3,188	3,900	+ 22.3%
Non-GAAP Operating Income	497	800	+ 60.7%
Net Income attributable to owners of the parent	1,054	500	– 52.6%
【Reference】 Net Sales	14,026	17,600	+ 25.5%

	Revenue			Non-GAAP Operating Income		
	Earnings in 1Q FY9/15	Earnings Estimates for 4Q FY9/16	YY Change	Earnings in 1Q FY9/15	Earnings Estimates for 4Q FY9/16	YY Change
(units : ¥mn)						
Internet Marketing Business	2,422	3,107	+28.3%	725	1,117	+54.1%
Media Content Business	33	139	+318.5%	△124	△ 165	(-40)
Total of Core Businesses	2,455	3,246	+32.2%	600	952	+58.6%
Non-core Business (AXEL MARK)	761	663	-12.8%	△4	△51	(-46)
Elimination or corporate	△28	△10	(+17)	△97	△101	(-3)
Total	3,188	3,900	+22.3%	497	800	+60.7%

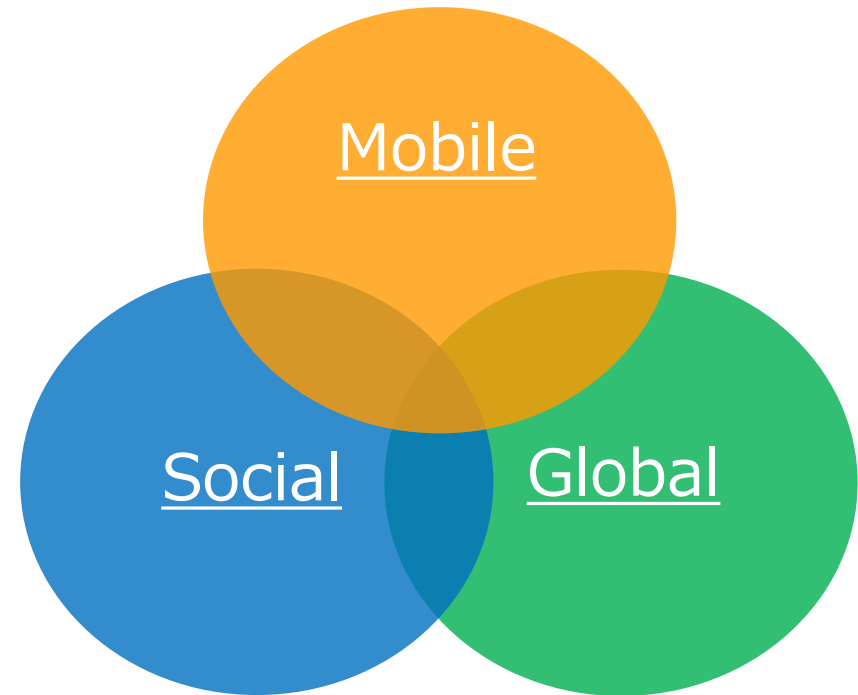
Concept

"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.

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

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 November 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 September 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	¥2,070 million
Shares Issued	27,700,700 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	846 full time employees, 1002 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

November 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

COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Matching-type recruitment platform	Pharmarket, Inc.	Platform business of intermediate distribution of Ethical drug

New Business Development

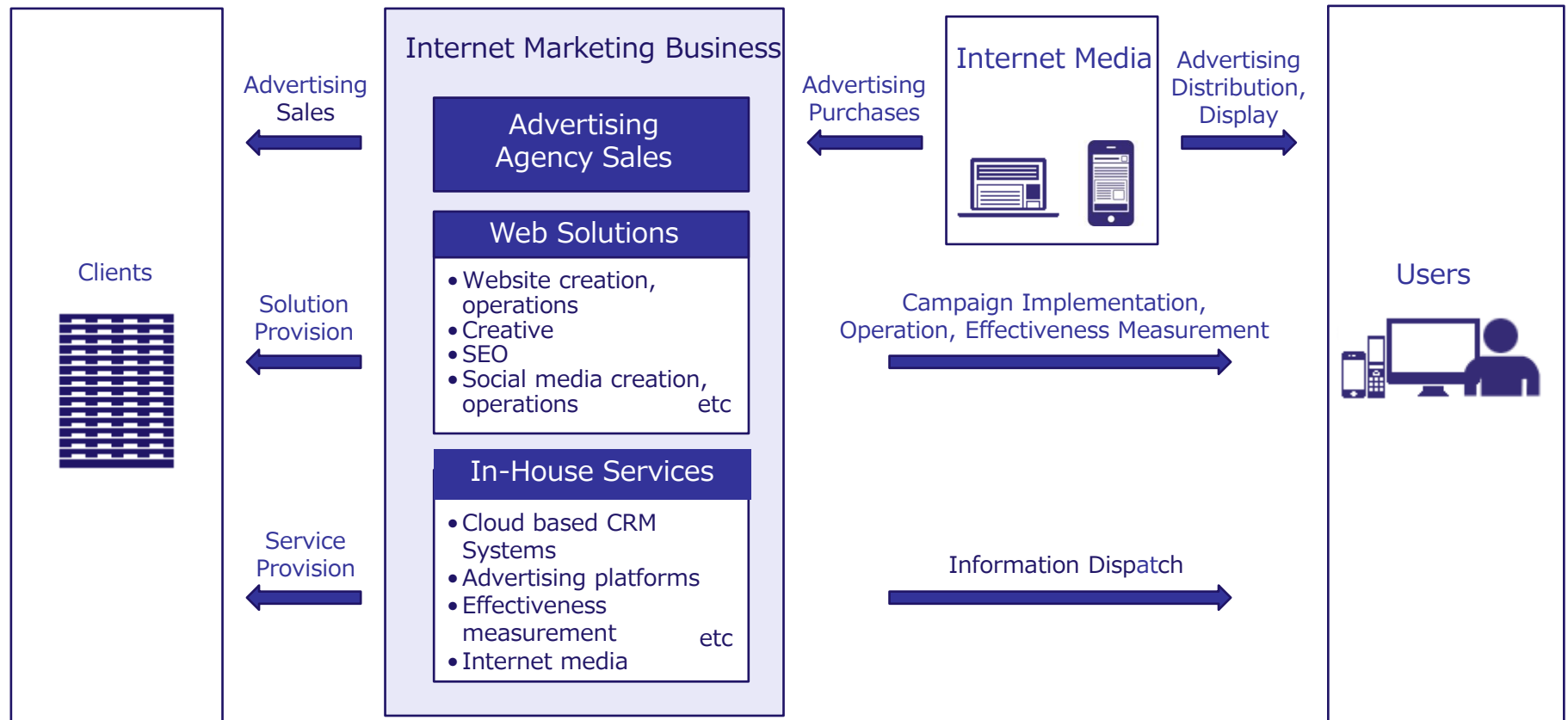
SEPTENI VENTURES Co., Ltd.

Non-Core Business

AXEL MARK INC.

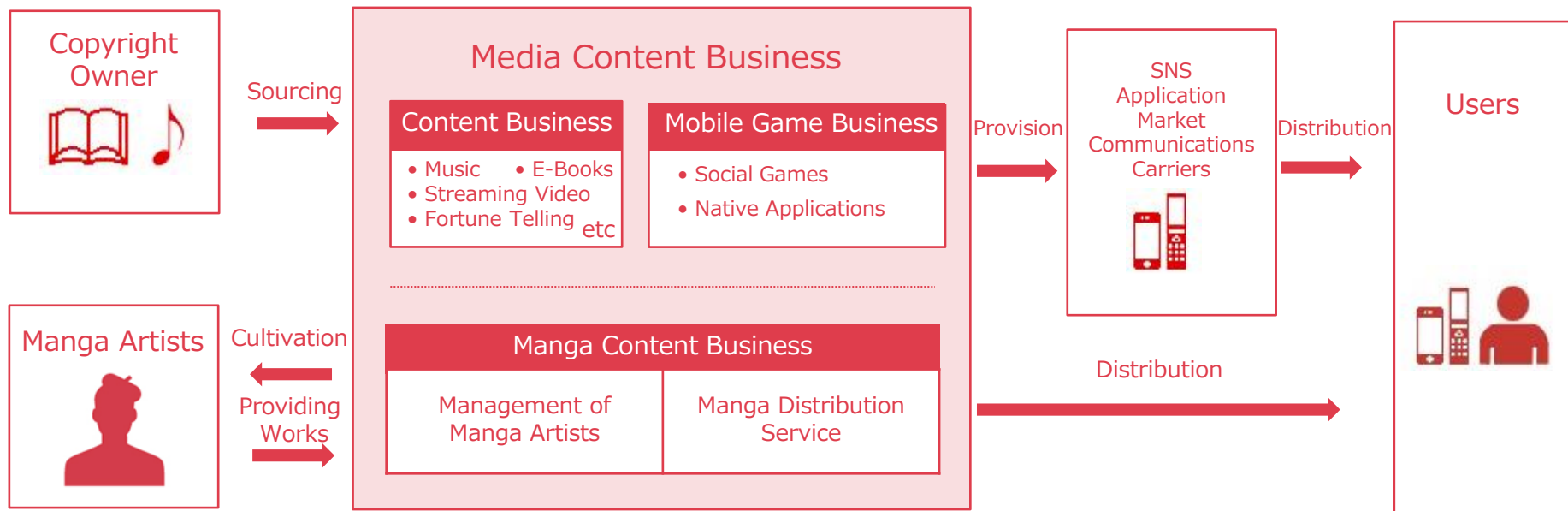
Mobile Game Business

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



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**.



※Mobile Game Business and Content Business were changed into Non-Core Business from FY9/16

	End FY9/15	End FY9/14	Change	Main Changes
(units : ¥mn)				
Current Assets	22,486	18,115	+ 4,371	Cash and deposits: + 2,902 Notes and accounts Receivable-trade: + 1,623
Non-current Assets	2,901	3,510	− 609	Goodwill: − 507 Deferred tax asset: − 232
Total Assets	25,387	21,625	+ 3,762	
Current Liabilities	12,941	11,069	+ 1,871	Accounts Payable: + 1,633 Short-term loans payable: + 226
Non-current Liabilities	160	352	− 192	Long-term loans payable: − 166
Total Liabilities	13,101	11,422	+ 1,679	
Total Net Assets	12,286	10,203	+ 2,082	Retained earnings: + 2,169
Total Liabilities, Net Assets	25,387	21,625	+ 3,762	

(units : ¥mn)	End FY9/15	Main Changes	FY9/14
Cash Flows from Operating Activities	1,874	Net income before taxes: + 4,061 Gain on sales of subsidiaries' stocks: -1,098 Corporate and other taxes: -1,703	2,830
Cash Flows from Investing Activities	1,257	Proceeds from sales of investments in subsidiaries: + 1,249	△913
Cash Flows from Financing Activities	△123	Increase in loans payable: + 51 Cash dividends paid: -228	178
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△1		21
Net Increase (Decrease) in Cash and Equivalents	3,006		2,117
Cash and Equivalents at Term End	11,694		8,687

