



# Business Results for 3Q Fiscal Year September 2016

August 2, 2016

**SEPTENI HOLDINGS CO., LTD.**  
[www.septeni-holdings.co.jp/en/](http://www.septeni-holdings.co.jp/en/)  
**Securities Code: 4293**

- 1 . Quarterly Consolidated Earnings Overview
- 2 . Internet Marketing Business
- 3 . Media Content Business
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- From FY9/16, we have applied the IFRS in place of J-GAAP, and we present the results for FY9/15 by rearranging them on the basis of IFRS.
- We voluntarily disclose “net sales” in the past as reference information and disclose “revenue” as an indicator based on the IFRS. For revenue in Advertising Agency Sales, which make up most of the Internet Marketing Business, only the margin portion is posted as a net amount.
- To appropriately express the actual condition of business, we voluntarily disclose “Non-GAAP operating income.” Non-GAAP operating income is a profit indicator of constant business performance determined by adjusting temporary factors, such as the amortization of intangible assets that are recognized at the time of acquiring a subsidiary, impairment losses and gains or losses on the sales of fixed assets from the IFRS-based operating income.
- The numbers in this material are rounded to the nearest unit.

# 1 . Quarterly Consolidated Earnings Overview

## Consolidated results

**Revenue** **¥4,471mn** (Up **24.2%** year on year )

**Non-GAAP Operating income** **¥1,138mn** (Up **38.2%** year on year )

Both Revenue and Non-GAAP Operating Income reached  
**a new record high.**<sup>※</sup>

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## Internet Marketing Business

**Revenue** **¥3,364mn** (Up **17.0%** year on year )

**Non-GAAP Operating income** **¥1,325mn** (Up **30.2%** year on year )

Business expansion and improvement in profitability continue.

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## Media Content Business

**Revenue** **¥142mn** (**2.3times** year on year )

**Non-GAAP Operating income** **¥ – 181mn** (Down **¥50mn** year on year)

The Manga Content Business achieved steady growth.

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\*Prior to FY9/14, comparison was made by calculating the numbers equivalent to those in the Japanese standards.

# Consolidated Income Statement (Apr-Jun)

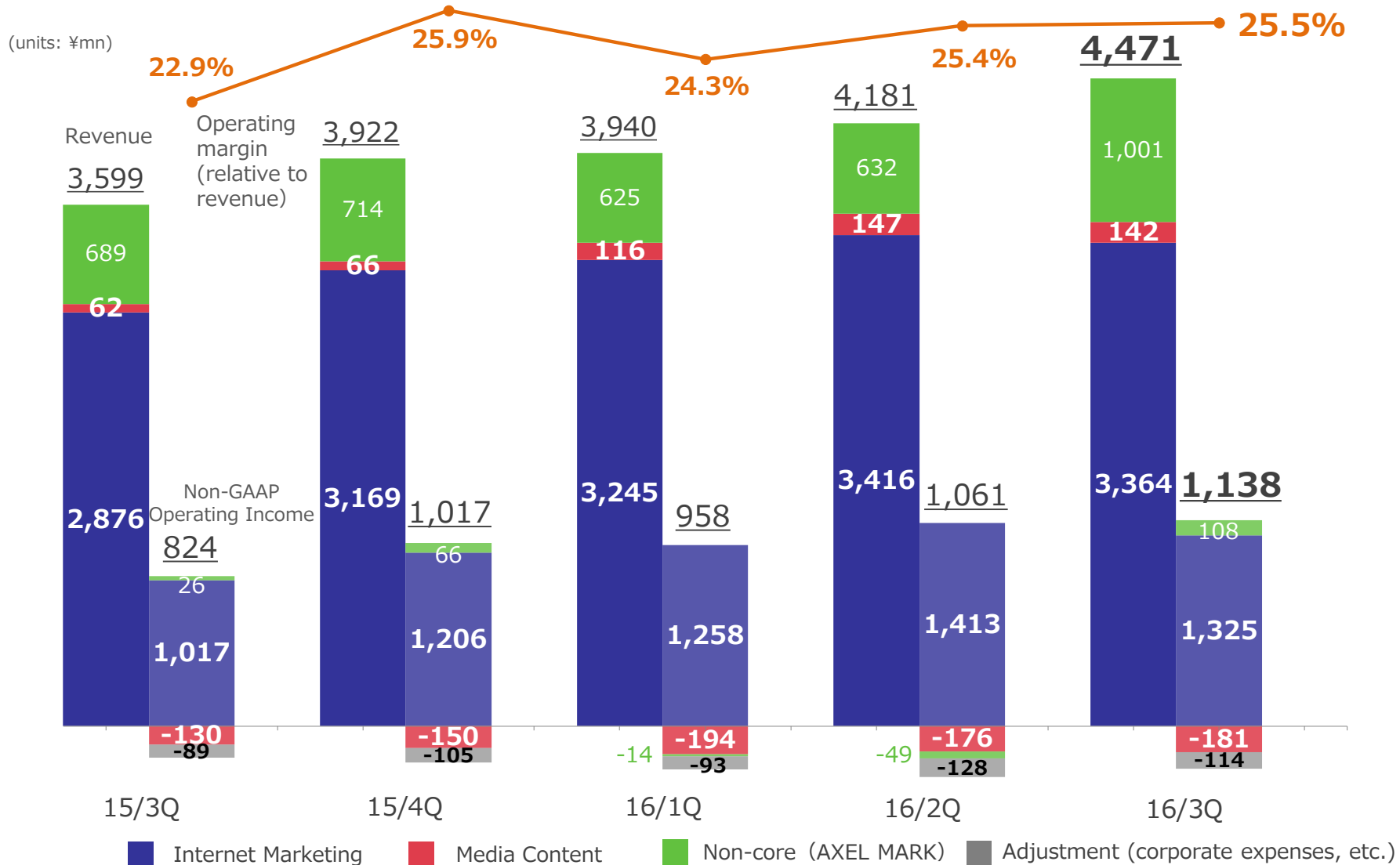
Increased profit in the Internet Marketing Business contributed to an increase in Non-GAAP operating income and profit for the period attributable to owners of the parent exceeding the forecast.

Non-core businesses achieved a significant increase in sales and profit thanks to new games, but failed to reach the forecast.

| (unit : ¥mn)  | 3 Q FY9/16    |        |           | 3 Q FY9/15 |        | 3 Q FY9/16<br>Estimate |
|---|---------------|--------|-----------|------------|--------|------------------------|
|   | Value         | Share  | YY Change | Value      | Share  |                        |
| <b>Revenue</b>  | <b>4,471</b>  | 100.0% | +24.2%    | 3,599      | 100.0% | 4,800                  |
| Gross Income  | <b>3,545</b>  | 79.3%  | +18.5%    | 2,993      | 83.1%  | —                      |
| SG&A  | <b>2,413</b>  | 54.0%  | +11.0%    | 2,174      | 60.4%  | —                      |
| <b>Non-GAAP<br/>Operating Income</b>                                      | <b>1,138</b>  | 25.5%  | +38.2%    | 824        | 22.9%  | 1,100                  |
| Operating Income  | <b>1,155</b>  | 25.8%  | +40.2%    | 824        | 22.9%  | —                      |
| Profit for the period from<br>continuing operations                       | <b>741</b>    | 16.6%  | +38.0%    | 537        | 14.9%  | —                      |
| <b>Profit for the period<br/>attributable to owners<br/>of the parent</b> | <b>699</b>    | 15.6%  | +32.1%    | 529        | 14.7%  | 680                    |
| 【Reference】 Net Sales   | <b>19,680</b> | —      | +18.6%    | 16,588     | —      | 20,500                 |

# Quarterly Consolidated Earnings Trend (by Business Segment)

Non-core businesses earned profits, despite revenue being ¥202mn below the forecast.

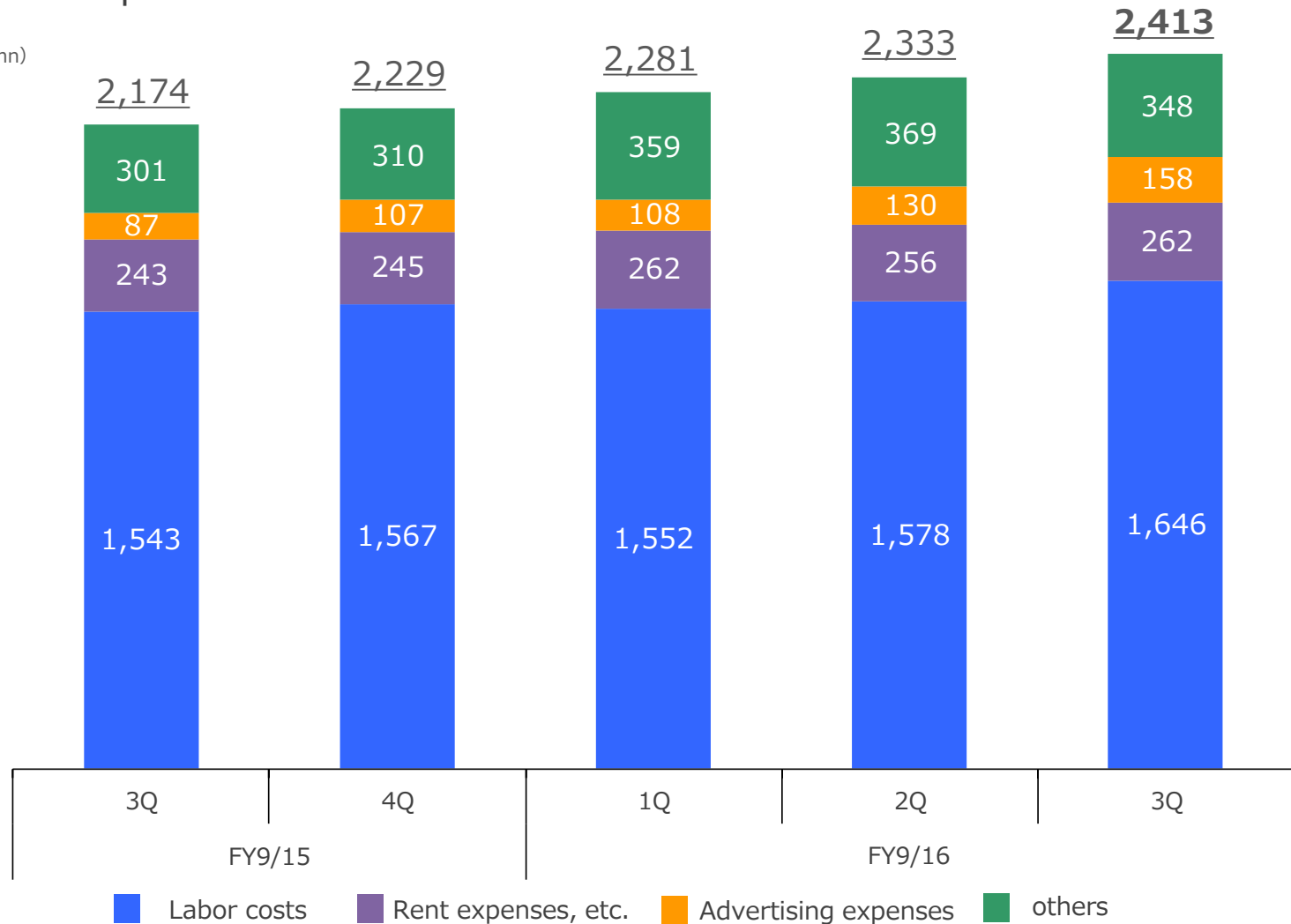


\*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

# Quarterly Consolidated SG&A Trend

SG&A increased ¥80mn centering Labor costs and advertising expenses quarter on quarter.

(units : ¥mn)



\*The booking rules have changed by transferring some of the labor costs in the Internet Marketing Business to costs and terminating the amortization of goodwill as a result of applying the IFRS (numbers are presented by rearranging them from 3Q to 4Q FY9/15).

## 2 . Internet Marketing Business



Sales in both the Mobile and the Social media businesses increased steadily, thanks in part to the contribution of LINE Ad Platform that was launched in June.

Sales in the Global business grew quarter on quarter.

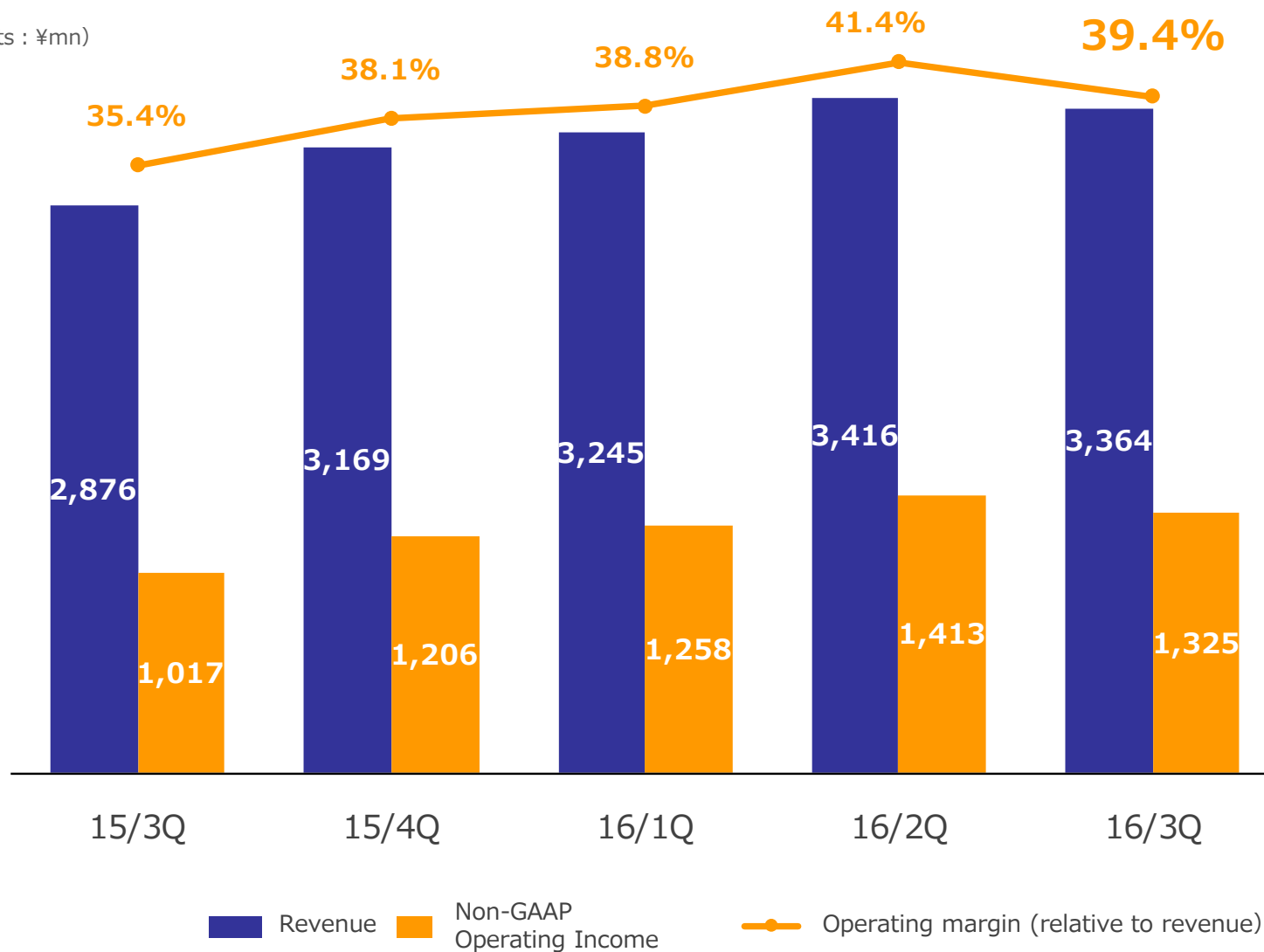
While personnel increased, particularly for new employees, the increase in SG&A expenses was limited to 6% year on year, pushing up the operating margin.

| (units : ¥mn)                        | 3 Q FY9/16    |        |           | 3 Q FY9/15 |        | 3Q FY9/16<br>Estimate |
|--------------------------------------|---------------|--------|-----------|------------|--------|-----------------------|
|                                      | Value         | Share  | YY Change | Value      | Share  |                       |
| <b>Revenue</b>                       | <b>3,364</b>  | 100.0% | +17.0%    | 2,876      | 100.0% | 3,447                 |
| Gross Income                         | <b>3,100</b>  | 92.2%  | +15.2%    | 2,692      | 93.6%  | —                     |
| SG&A                                 | <b>1,780</b>  | 52.9%  | +6.1%     | 1,678      | 58.3%  | —                     |
| <b>Non-GAAP<br/>Operating Income</b> | <b>1,325</b>  | 39.4%  | +30.2%    | 1,017      | 35.4%  | 1,242                 |
| 【Reference】<br>Net Sales             | <b>18,665</b> | —      | +17.3%    | 15,911     | —      |                       |

\*Prior to FY9/14, comparison was made by calculating the numbers equivalent to those in the Japanese standards.

The operating margin for 3Q rose 4 points year on year, and high profitability was maintained.

(units : ¥mn)

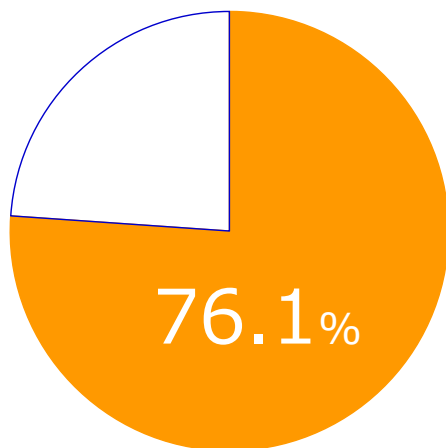


## Mobile

(Volumes of smartphone advertising)

**¥14.2bn**

(YonY + 35%)



(units : ¥100mn)

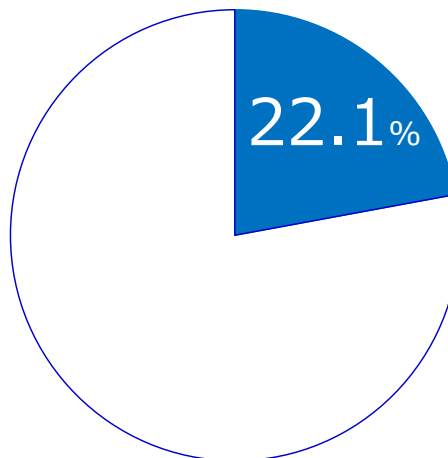
| 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q |
|-------|-------|-------|-------|-------|
| 105   | 121   | 122   | 136   | 142   |

## Social

(Sum of volumes for Facebook, Twitter, LINE and Instagram)

**¥4.1bn**

(YonY + 35%)



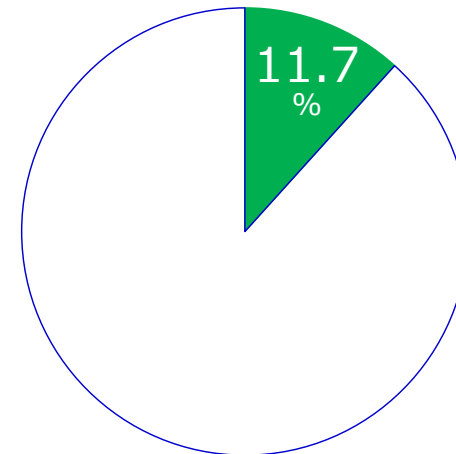
| 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q |
|-------|-------|-------|-------|-------|
| 30.5  | 35.5  | 34.0  | 39.3  | 41.2  |

## Global

(Sum of volumes for overseas customers and volumes of distribution of domestic customers for overseas)

**¥2.2bn**

(YonY - 23%)



| 15/3Q | 15/4Q | 16/1Q | 16/2Q | 16/3Q |
|-------|-------|-------|-------|-------|
| 28.2  | 34.5  | 31.1  | 19.0  | 21.8  |

\*1. The numbers in the pie chart show the percentage of ¥18.7bn, the overall business sales (volumes) in this quarter.

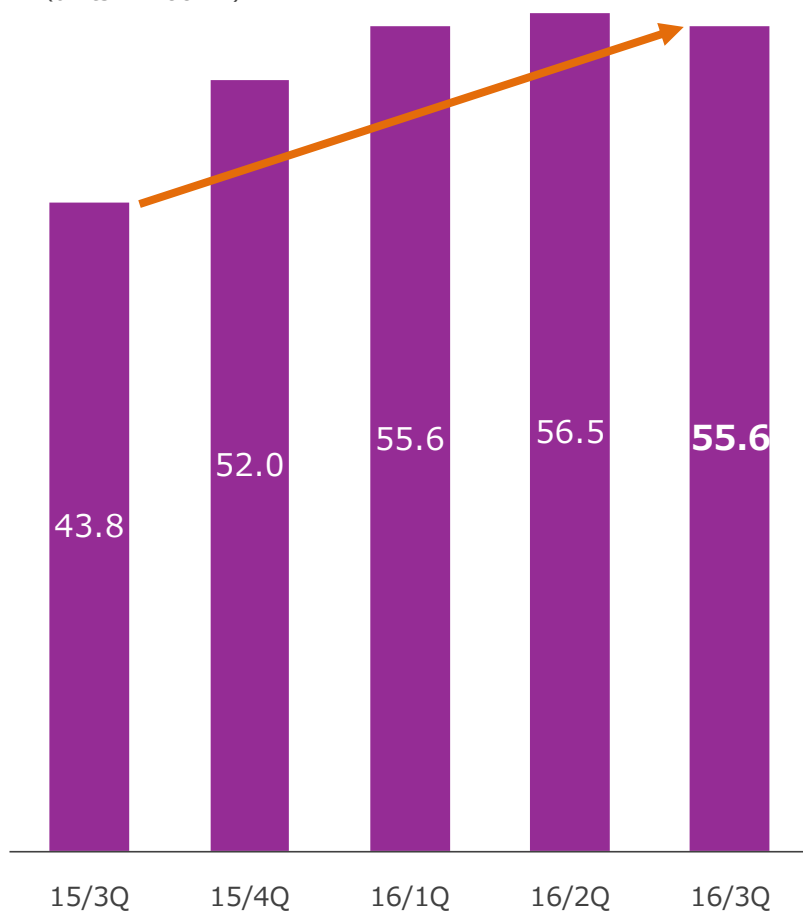
\*2. The volumes in each area include an overlapped portion.

## Volumes related Application

( Volumes of Advertisement promoting application )

(units : ¥100mn)

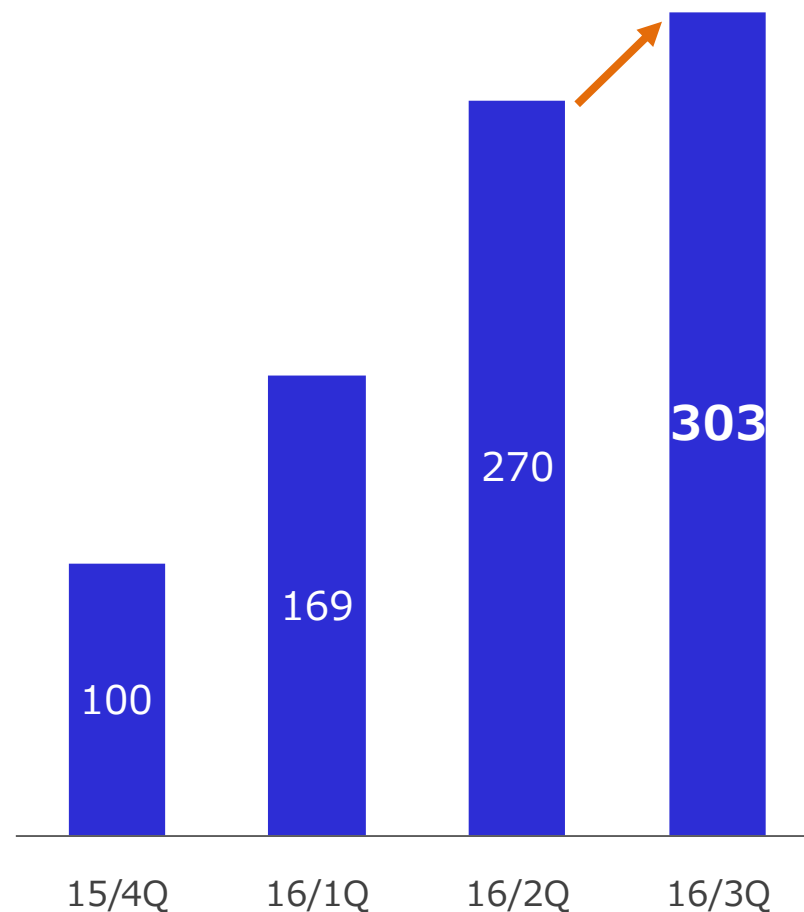
YoY  
**+ 27%**



## Video advertising

※Volumes in 4Q/2015=100

QoQ  
**+ 12%**



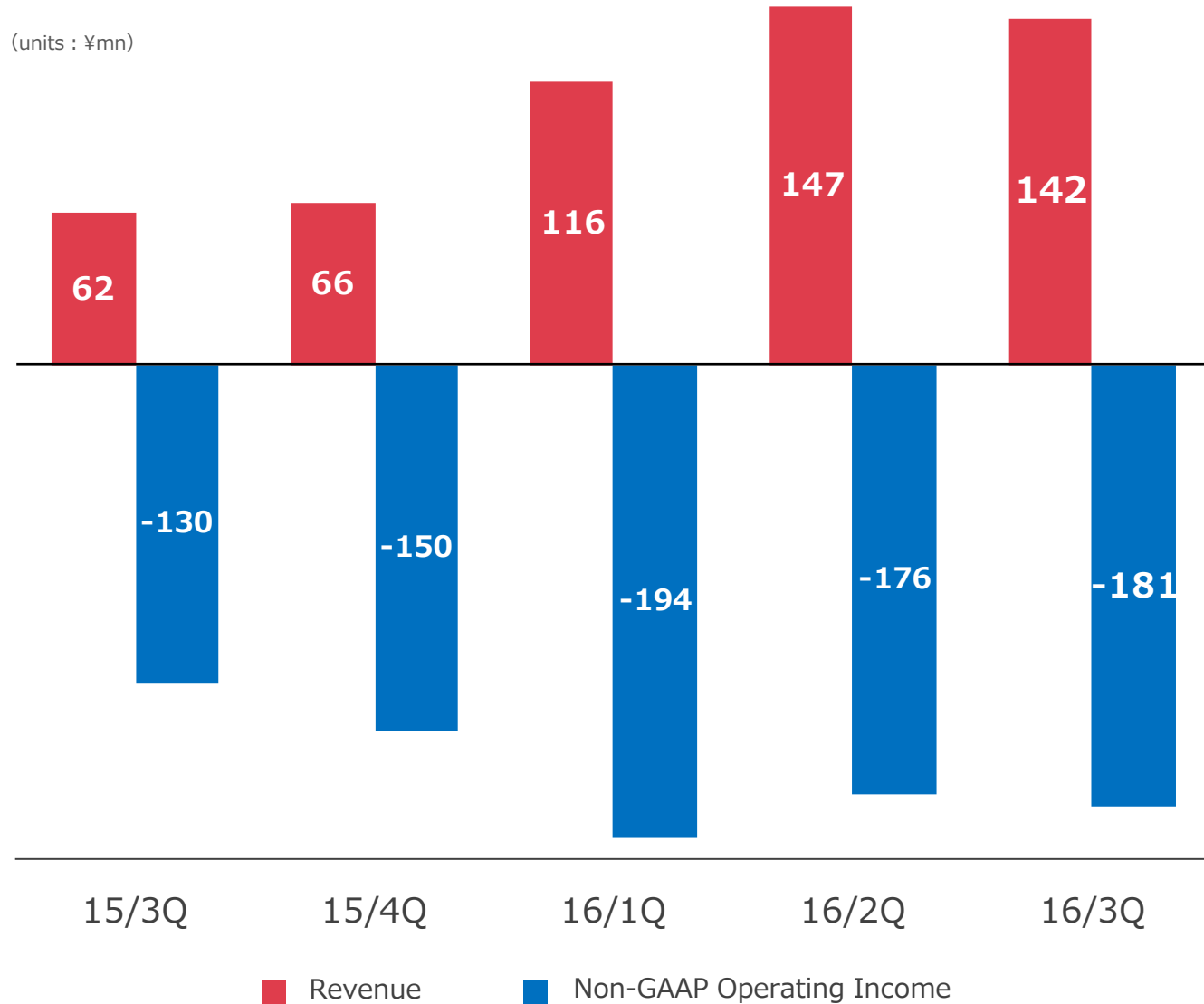
# 3 . Media Content Business

In the Manga Content Business, while the platform expanded and revenue growth continued, expenses for prior investment also increased.

Revenue in other new businesses struggled to grow.

| (units : ¥mn)                        | 3 Q FY9/16  |         |           | 3Q FY9/15 |         | 3Q FY9/16<br>Estimate |
|--------------------------------------|-------------|---------|-----------|-----------|---------|-----------------------|
|                                      | Value       | Share   | YY Change | Value     | Share   |                       |
| <b>Revenue</b>                       | <b>142</b>  | 100.0%  | +130.7%   | 62        | 100.0%  | 173                   |
| Gross Income                         | <b>63</b>   | 44.6%   | +133.9%   | 27        | 44.0%   | —                     |
| SG&A                                 | <b>244</b>  | 171.8%  | +55.0%    | 158       | 255.6%  | —                     |
| <b>Non-GAAP<br/>Operating Income</b> | <b>−181</b> | −127.0% | (−50)     | −130      | −211.6% | −158                  |

Prior investment in future earnings continued.



Seven new works, including “Yumekui”, were published as books in 3Q, and a total of 13 books were published, including new volumes from ongoing series.

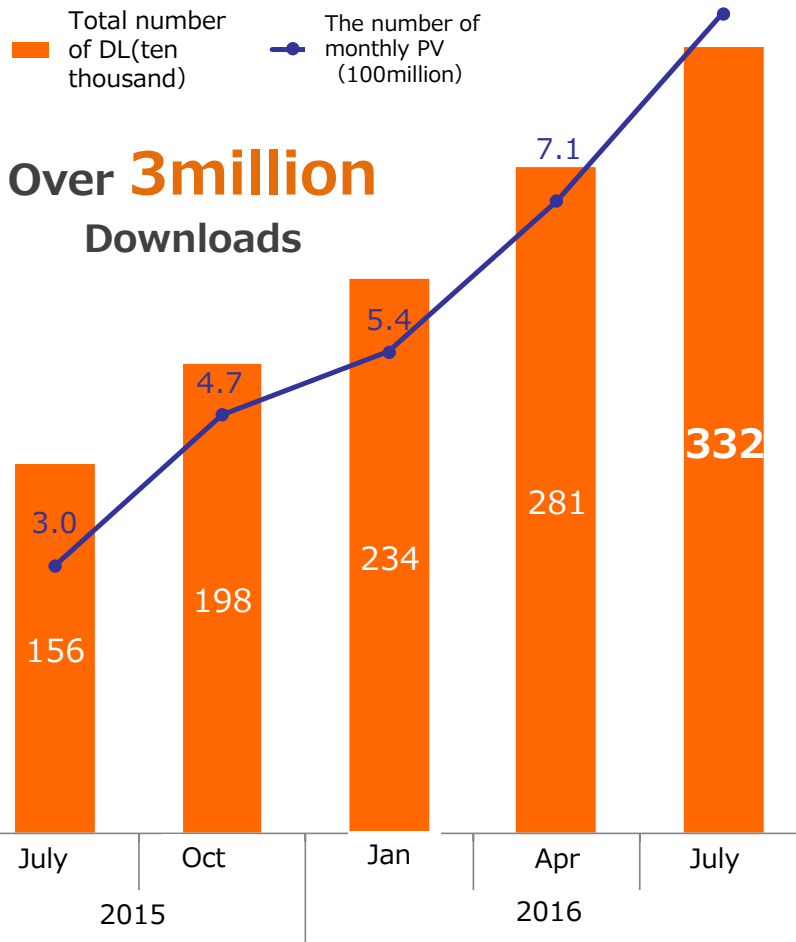
A program to support new Manga Artists “**Route M**” was renewed.  
Part of the advertising revenue from GANMA! was returned to the artists (from July 2016).

## Monthly page views and accumulated application downloads of GANMA!

9.2

■ Total number of DL (ten thousand)  
—●— The number of monthly PV (100million)

Over **3million** Downloads



## Support for each stage of Route M

| M1  | M2   | M3  | M4       | M5                       |
|---|--|---|----------|--------------------------|
| Financial support (monthly)               |  |   |          |                          |
| ¥100,000                                  | ¥150,000   | ¥200,000  | ¥300,000 | ¥500,000                 |
| Publication on GANMA!                     |  |   |          |                          |
| Stage of complete story series            | Serials  |   |          |                          |
| Support provided                          |  |   |          |                          |
|   |  |   |          | Comprehensive production |
|   |  | Production assistance provided by exclusive assistant |          |                          |
|   | Comic book publication (in paper and electronic forms) |   |          |                          |
| Editor                                    |  |   |          |                          |
| Free loan of LCD tablet PC                |  |   |          |                          |
| Compensation other than financial support |  |   |          |                          |
|   |  |   |          | Content royalties        |
|   | Proceeds from comic books                              |   |          |                          |
|   | GANMA! bonus ※   |   |          |                          |
|   | GANMA! advertising sales                               |   |          |                          |

※Compensation paid to manga artists based on GANMA! rankings



## 4 . Accumulated Consolidated Earnings and Earning Estimates

Non-GAAP operating income exceeded the full-year result of the previous year.

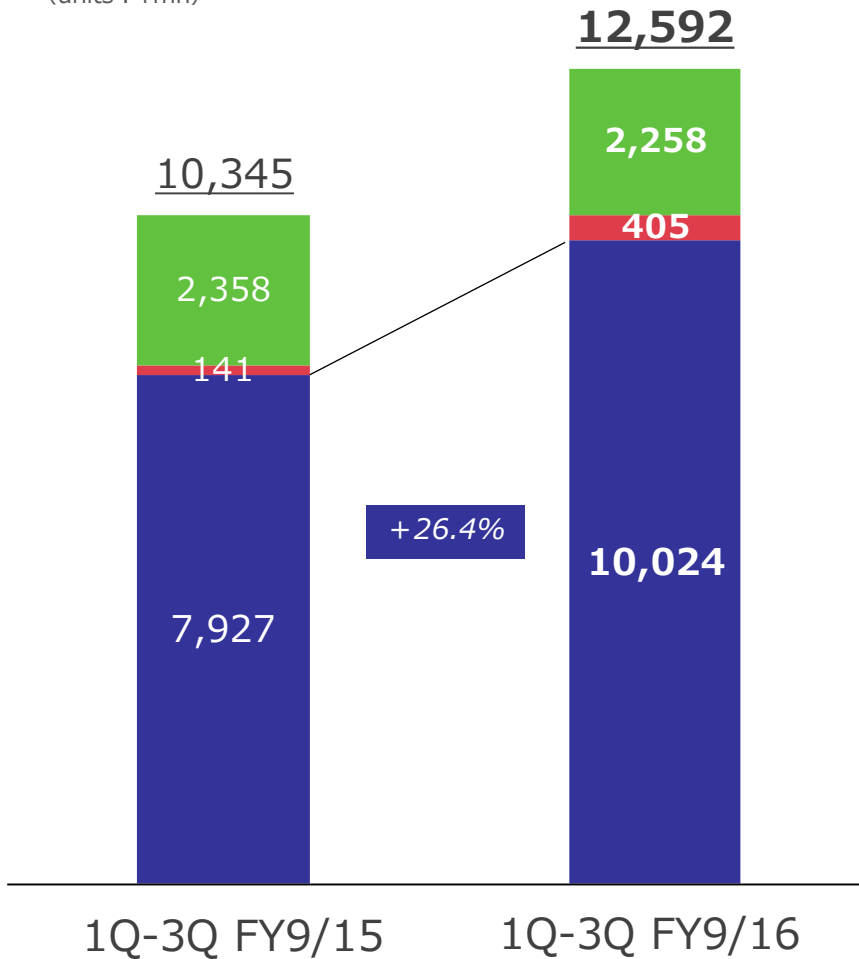
Profit for the period attributable to owners of the parent increased, despite the reaction to profits associated with the sale of the Direct Marketing Business in 1Q of the previous year.

| (units : ¥mn)   | 1Q-3Q FY9/16  |        |           | 1Q-3Q FY9/15 |        | 1Q-3Q<br>FY9/16<br>Estimate |
|---|---------------|--------|-----------|--------------|--------|-----------------------------|
|   | Value         | Share  | YY Change | Value        | Share  |                             |
| <b>Revenue</b>  | <b>12,592</b> | 100.0% | +21.7%    | 10,345       | 100.0% | 12,921                      |
| Gross Income  | <b>10,164</b> | 80.7%  | +23.7%    | 8,219        | 79.5%  | —                           |
| SG&A  | <b>7,026</b>  | 55.8%  | +12.8%    | 6,228        | 60.2%  | —                           |
| <b>Non-GAAP<br/>Operating Income</b>                                      | <b>3,157</b>  | 25.1%  | +56.9%    | 2,012        | 19.5%  | 3,119                       |
| Operating Income  | <b>3,165</b>  | 25.1%  | +57.4%    | 2,010        | 19.4%  | —                           |
| Profit for the period from<br>continuing operations                       | <b>2,046</b>  | 16.3%  | +48.0%    | 1,383        | 13.4%  | —                           |
| <b>Profit for the period<br/>attributable to owners<br/>of the parent</b> | <b>2,042</b>  | 16.2%  | +0.0%     | 2,042        | 19.7%  | 2,023                       |
| 【Reference】 Net Sales   | <b>57,275</b> | —      | +24.2%    | 46,110       | —      | 58,094                      |

# Earnings By Business Segments (Oct-Jun)

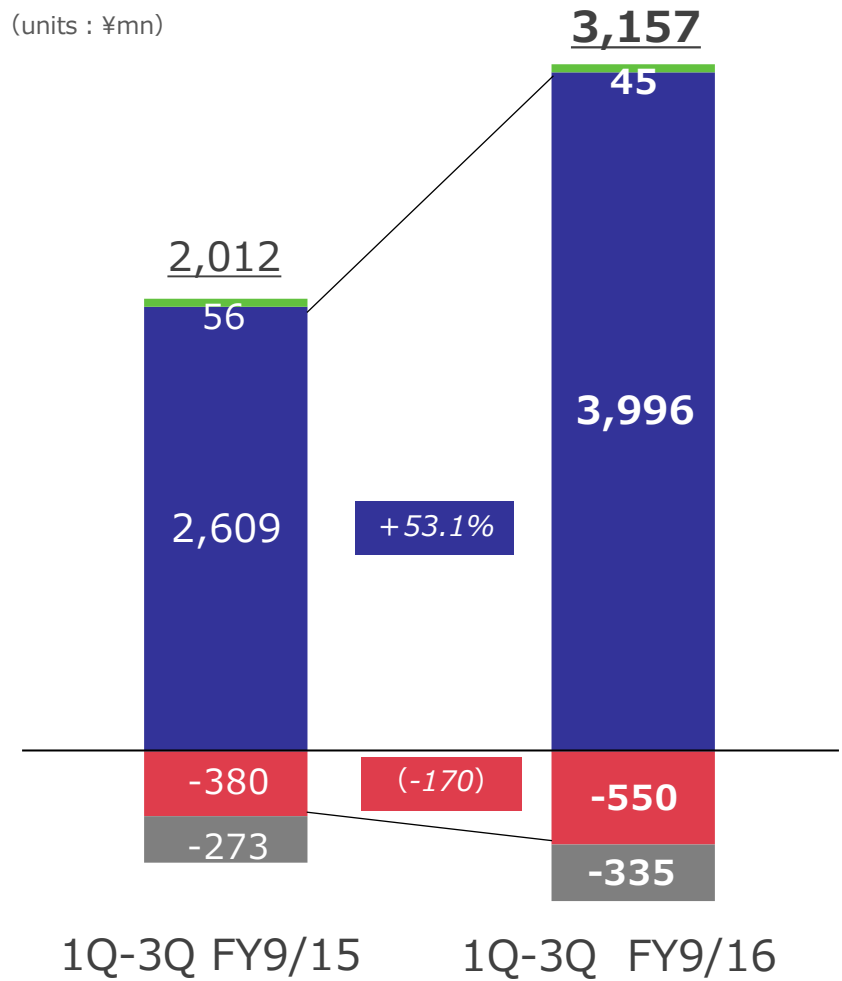
## Revenue

(units : ¥mn)



## Non-GAAP Operating Income

(units : ¥mn)



■ Internet Marketing ■ Media Content ■ Non-core (AXEL MARK) ■ Adjustment (corporate expenses, etc.)

\*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

# 4 Q (Full Year) Consolidated Earnings Estimates

The Internet Marketing Business is expected to achieve an increase in revenue and profit.

Significant revenue growth is expected in the Media Content Business.

The loss in 4Q (July to September) is expected to decrease from the previous quarter, and the year-on-year increase in loss will also be limited.

The Non-core Business is expecting a substantial operating loss due to considerable upfront expenses for large-scale promotions for games and other purposes.

Consolidated operating income for 4Q (July to September) is expected to be reduced by loss in the Non-core Business; however, total operating income from the Core Business is expected to grow.

| (units : ¥mn)  |                                |                             | Earnings<br>in FY9/15 |                                |   |                                     | Expected<br>growth rate<br>(Full Year) |
|--|--------------------------------|-----------------------------|-----------------------|--------------------------------|---|-------------------------------------|--|
|  | Earnings<br>in 1Q-3Q<br>FY9/15 | Earnings<br>in 4Q<br>FY9/15 |                       | Earnings<br>in 1Q-3Q<br>FY9/16 | Earnings<br>Estimates<br>for 4Q<br>FY9/16 | Earnings<br>Estimates<br>for FY9/16 |  |
| Revenue  | 10,345                         | 3,922                       | 14,267                | 12,592                         | <b>4,750</b>                              | <b>17,342</b>                       | <b>+ 21.6%</b>                         |
| Non-GAAP<br>Operating Income                                     | 2,012                          | 1,017                       | 3,030                 | 3,157                          | <b>850</b>                                | <b>4,007</b>                        | <b>+ 32.3%</b>                         |
| Profit for the period<br>attributable to<br>owners of the parent | 2,042                          | 309                         | 2,351                 | 2,042                          | <b>654</b>                                | <b>2,696</b>                        | <b>+ 14.7%</b>                         |
| 【Reference】<br>Net Sales   | 46,110                         | 18,437                      | 64,548                | 57,275                         | <b>20,400</b>                             | <b>77,675</b>                       | <b>+ 20.3%</b>                         |

# 4Q(Jul-Sep) FY9/16 Earnings Estimates by Business Segment

(units : ¥mn)

|                                   | Revenue                  |  |           | Non-GAAP Operating Income |  |           |
|-----------------------------------|--------------------------|--|-----------|---------------------------|--|-----------|
|                                   | Earnings<br>in 4Q FY9/15 | Earnings<br>Estimates<br>for 4Q FY9/16 | YY Change | Earning<br>in 4Q FY9/15   | Earnings<br>Estimates<br>for 4Q FY9/16 | YY Change |
| Internet Marketing<br>Business    | 3,169                    | <b>3,563</b>                           | + 12.4%   | 1,206                     | <b>1,456</b>                           | + 20.7%   |
| Media Content<br>Business         | 66                       | <b>185</b>                             | + 180.5%  | △150                      | △ <b>173</b>                           | ( − 23)   |
| <b>Total of<br/>Core Business</b> | 3,235                    | <b>3,748</b>                           | + 15.9%   | 1,056                     | <b>1,283</b>                           | + 21.5%   |
| Non-core Business<br>(AXEL MARK)  | 714                      | 1,025                                  | + 43.5%   | 66                        | △342                                   | ( − 408)  |
| Elimination<br>or corporate       | △27                      | △23                                    | ( + 4)    | △105                      | △91                                    | ( + 14)   |
| <b>Total</b>                      | 3,922                    | <b>4,750</b>                           | + 21.1%   | 1,017                     | <b>850</b>                             | − 16.4%   |

## Expected dividend per share

**A dividend increase** is scheduled for the **fourth consecutive year**.

|                       | FY 9/12<br>Results | FY 9/13<br>Results | FY 9/14<br>Results | FY 9/15<br>Results | FY 9/16<br>Forecasts | YonY<br>change   |
|-----------------------|--------------------|--------------------|--------------------|--------------------|----------------------|------------------|
| Dividend per share    | 5.0 yen            | 7.0 yen            | 9.0 yen            | 14.0 yen           | <b>16.0 yen</b>      | <b>+ 2.0 yen</b> |
| Gross Dividends       | ¥125mn             | ¥176mn             | ¥228mn             | ¥362mn             | <b>¥415mn</b>        | <b>+ 14.4%</b>   |
| Dividend payout ratio | 18.6%              | 14.6%              | 14.7%              | 15.1%              | <b>15.4%</b>         | <b>+ 0.3pt</b>   |

Note: 1. The dividend per share for the year ended September 2012 and the year ended September 2013 are the amounts after the adjustment for the 1:200 stock split carried out on October 1, 2013.

2. The dividend payout ratio until the year ended September 2015 is the amount calculated using J-GAAP.

3. The dividend for the year ending September 2016 is the amount based on the number of shares before the stock split scheduled for October 1, 2016.

## Stock split

To expand the investor base and increase stock liquidity, a **1:5** stock split is scheduled with an effective date of October 1, 2016 (the record date is September 30).

Due to the stock split, the minimum amount of the annual dividend per share will be changed from the standard 5 yen to 2 yen, which will, in essence, double the minimum amount of the annual dividend per share.

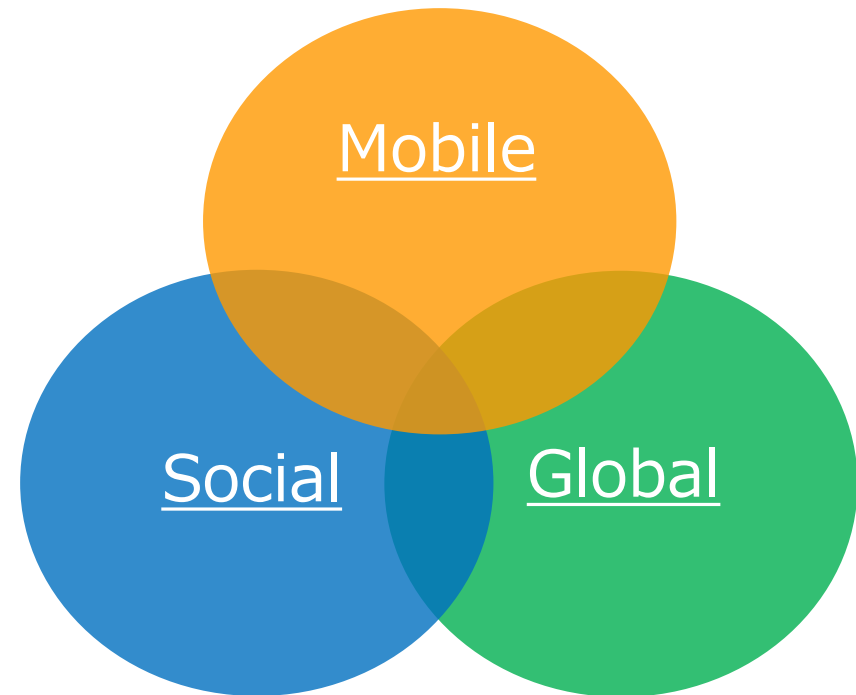
## Concept

### “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.**

[www.septeni-holdings.co.jp/en/](http://www.septeni-holdings.co.jp/en/)

**Corporate Planning, IR Division**

TEL: +813-6857-7258 E-mail: [ir@septeni-holdings.co.jp](mailto:ir@septeni-holdings.co.jp)

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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 August 2, 2016 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, 2016

|                               |   |
|-------------------------------|---|
| <b>Company Name</b>           | SEPTENI HOLDINGS CO., LTD.  |
| <b>Representative</b>         | President and Representative Director Koki Sato   |
| <b>Headquarters</b>           | Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo                         |
| <b>Securities Code</b>        | 4293 (JASDAQ)   |
| <b>Business Realm</b>         | The holding company for a group of companies conducting primarily Internet-related and other businesses |
| <b>Established</b>            | October 29, 1990  |
| <b>Capitalization</b>         | ¥2,085 million  |
| <b>Shares Issued</b>          | 27,728,300 shares (Including 1,784,831 treasury shares)   |
| <b>Consolidated Workforce</b> | 929 full time employees, 1144 full time and contracted employees  |

## Holding Company

SEPTENI HOLDINGS CO., LTD

August 2, 2016

## 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 China Limited        | Internet marketing business for China                |
| HighScore, Inc.                | Social Media Marketing Support Business                                    | SEPTENI TECHNOLOGY CO., LTD. | Web service development                              |
| EAGLE i Co., Ltd.              | Advertising Network Business   | JNJ INTERACTIVE INC.         | Internet ad agency in South Korea                    |
| Septeni Original,Inc.          | Planning and developing its own services                                   | SETPENI CROSSGATE CO., LTD.  | Ad Network and Platform Business                     |
| 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.    | Recruitment platform business | Pharmarket, Inc. | Medical platform business                |

## New Business Development

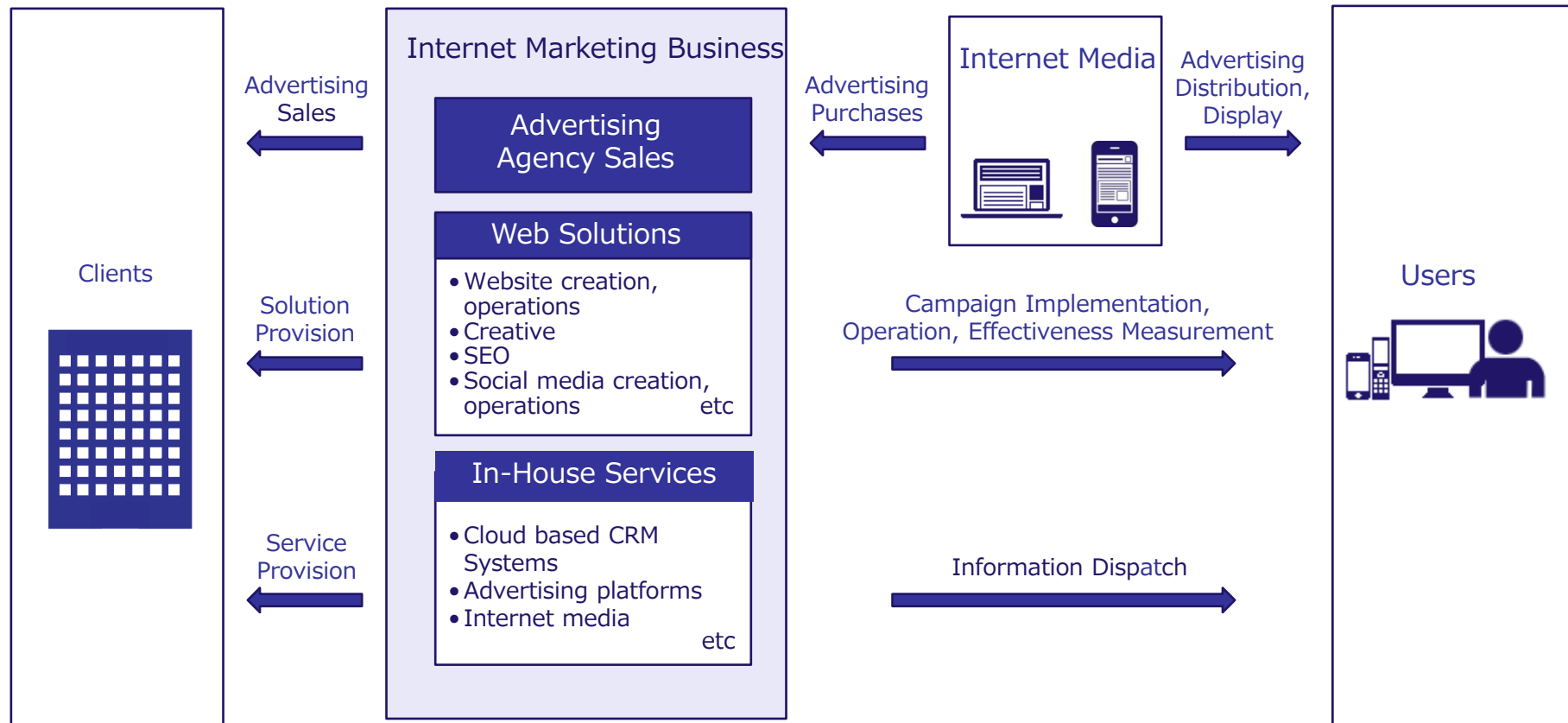
SEPTENI VENTURES Co., Ltd.

## Non-Core Business

AXEL MARK INC.

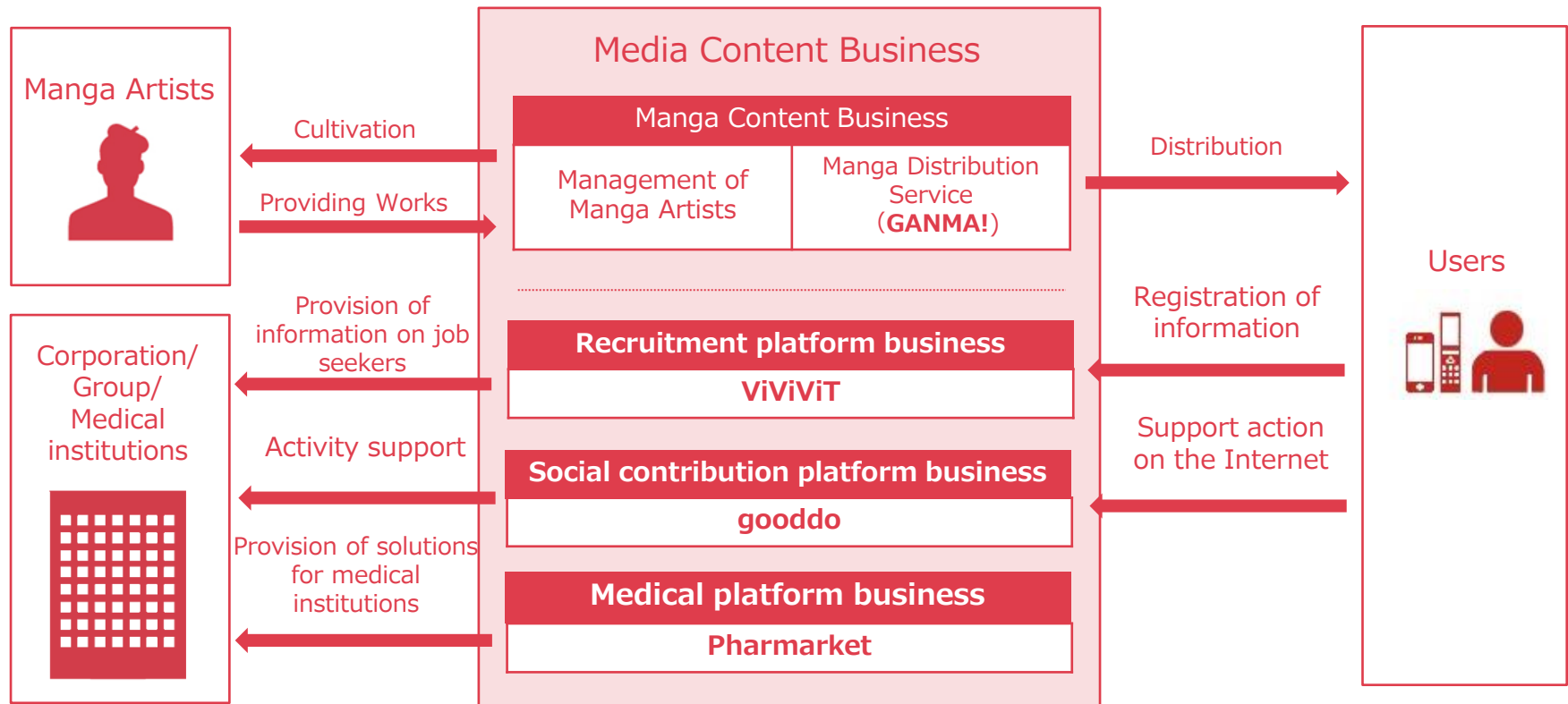
Mobile Game Business

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 Manga Content Business engages in the cultivation and production of Manga artists and the Manga distribution service for the purpose of **planning and developing our own intellectual property (IP)**.

In addition, the business develops platform-type businesses related to “recruitment,” “social contribution” and “medical services” as a new business born from intrapreneurship.



# Consolidated Statement of Financial Position

(units : ¥mn)

|                                      | End 3Q<br>FY9/16 | End 2Q<br>FY9/16 | Change  | Main Change  |
|--------------------------------------|------------------|------------------|---------|--|
| <b>Current Assets</b>                | <b>25,831</b>    | 25,038           | + 794   | Cash and cash equivalents: + 1,337<br>Operating receivables: – 679 |
| <b>Non-current Assets</b>            | <b>3,467</b>     | 3,518            | – 50    |  |
| <b>Total Assets</b>                  | <b>29,299</b>    | 28,555           | +743    |  |
| <b>Current Liabilities</b>           | <b>13,847</b>    | 14,058           | – 211   | Operating debt: – 283  |
| <b>Non-current Liabilities</b>       | <b>766</b>       | 816              | – 50    | Long-term loans payable: – 50                                      |
| <b>Total Liabilities</b>             | <b>14,613</b>    | 14,874           | – 261   |  |
| <b>Total Capital</b>                 | <b>14,685</b>    | 13,681           | + 1,004 | Retained earnings: + 699<br>Capital surplus: + 210                 |
| <b>Total Liabilities and Capital</b> | <b>29,299</b>    | 28,555           | + 743   |  |

# Consolidated Statement of Cash Flows

(units : ¥mn)

|  | 3Q FY9/16<br>(Apr-Jun) | Main Changes   | 3Q FY9/15<br>(Apr-Jun) |
|--|------------------------|--|------------------------|
| Cash Flows from Operating Activities                         | 903                    | Profit before taxes from continuing operations: + 1,189<br>Decrease in operating receivables: + 679<br>Payment of corporate income tax: △789         | 610                    |
| Cash Flows from Investing Activities                         | △27                    | Purchase tangible fixed asset: △34   | 62                     |
| Cash Flows from Financing Activities                         | 537                    | Increase (decrease) in loans payable: +126<br>Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control: +409 | 42                     |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | △76                    |  | 10                     |
| Net Increase (Decrease) in Cash and Equivalents              | 1,337                  |  | 725                    |
| Cash and Equivalents at Term End                             | 14,576                 |  | 10,466                 |

# SEPTENI Group Workforce Number Trend

