



# Business Results for 4Q and Full Fiscal Year September 2017

November 9, 2017

**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
4. Full Year FY9/17 Review
5. Policies for FY9/18 and Earnings Estimates for 1H FY9/18
6. Appendix

**-For FY9/17, Non-core Business (Axel Mark) is excluded from the consolidated results. Consolidated profits and losses for FY9/16, with which comparisons are made, are corrected retroactively and presented after being reclassified as those of discontinued businesses.**

-Since the start of FY9/16, the IFRS has been applied instead of the J-GAAP, which had been adopted until then.

-Revenue is disclosed as an IFRS-based indicator instead of traditional net sales, which are also disclosed as reference information on a voluntary basis. Revenue from the Advertising Agency Sales, which accounts for the majority of the Internet Marketing Business, shows only the posted net margins.

-Non-GAAP operating profit is disclosed on a voluntary basis to present actual business conditions more appropriately. Non-GAAP operating profit refers to the profit indicator used to assess ordinary business conditions after adjustments are made to IFRS-based operating profit pertaining to temporary factors such as the impairment losses, and gains or losses on the sales of fixed assets.

-Numbers in this material are rounded to the respective nearest unit.

# 1 . Quarterly Consolidated Earnings Overview

## Consolidated results

**Revenue** **¥3,864mn** (Up **9.6%** year on year)

**Non-GAAP Operating Profit** **¥585mn** (Down **43.5%** year on year)

Increased revenue was secured due to a rise in revenue in the Media Content Business.

## Internet Marketing Business

**Revenue** **¥3,595mn** (Up **6.2%** year on year)

**Non-GAAP Operating Profit** **¥1,033mn** (Down **22.6%** year on year)

Revenue started to pick up again, mainly due to an increase in social and video advertisements.

## Media Content Business

**Revenue** **¥355mn** (Up **81.8%** year on year)

**Non-GAAP Operating Profit** **¥-322mn** (Down **¥154mn** year on year)

The development of the brand advertisement market was underway, contributing to a rise in revenue.

# Consolidated Income Statement (Jul-Sep)

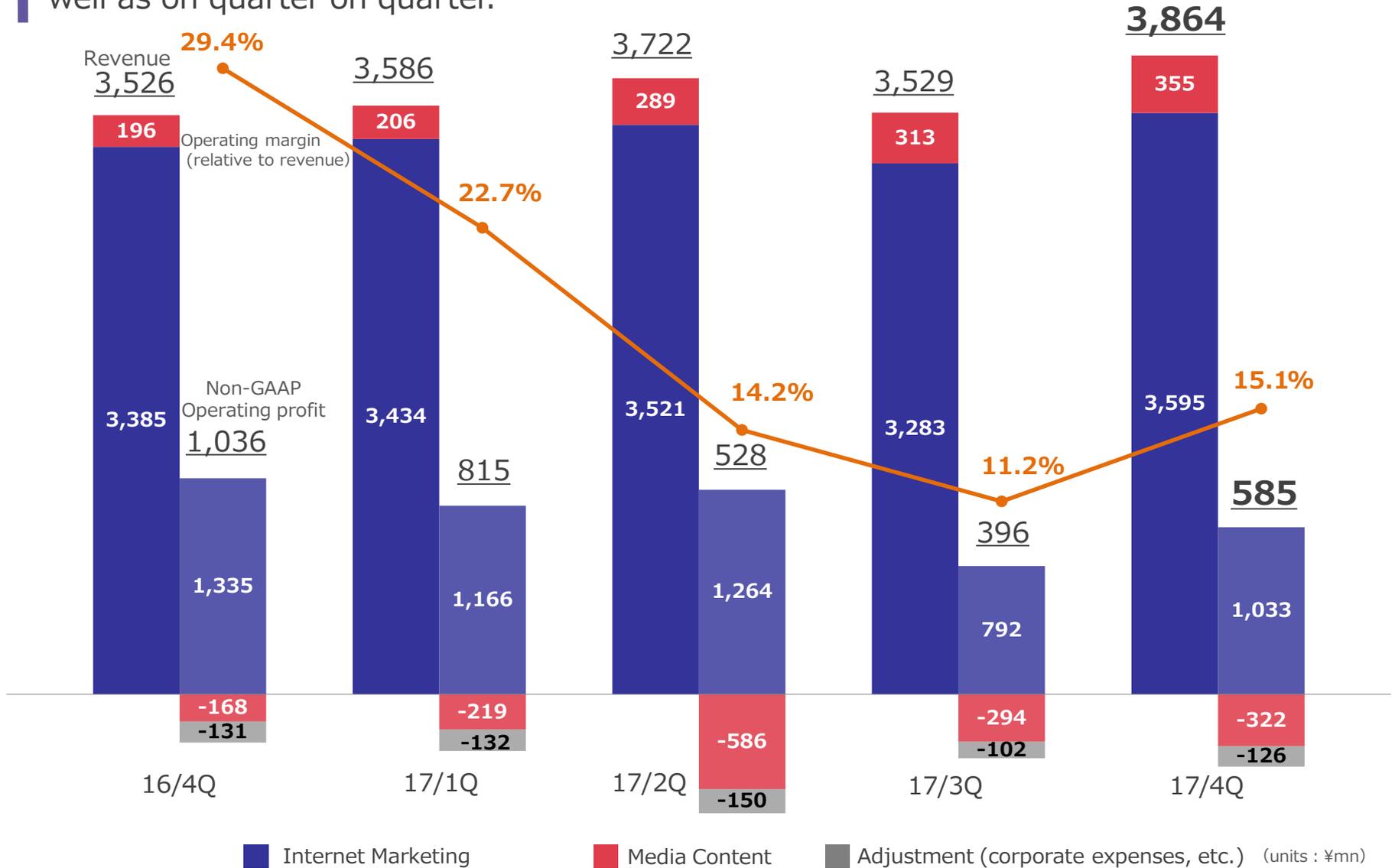
Revenue, non-GAAP operating profit and profit for the period attributable to owners of the parent exceeded earnings estimates thanks to efforts focused on the Internet Marketing Business.

Revenue increased ¥338mn (up 9.6%) year on year to an expansion in the sales of advertisements in GANMA!

(units : ¥mn)	4Q FY9/17			4Q FY9/16		4Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>3,864</b>	100.0%	+9.6%	3,526	100.0%	3,720
Gross profit	<b>3,352</b>	86.7%	+6.1%	3,158	89.6%	—
SG&A	<b>2,760</b>	71.4%	+30.0%	2,123	60.2%	—
<b>Non-GAAP Operating profit</b>	<b>585</b>	15.1%	-43.5%	1,036	29.4%	420
Operating profit	<b>585</b>	15.1%	-43.5%	1,036	29.4%	—
Profit for the period from continuing operations	<b>273</b>	7.1%	-58.8%	663	18.8%	—
<b>Profit for the period attributable to owners of the parent</b>	<b>253</b>	6.6%	-46.8%	477	13.5%	164
<b>【Reference】 Net Sales</b>	<b>18,350</b>	—	+0.9%	18,185	—	16,974

# Quarterly Consolidated Earnings Trend (by Business Segment)

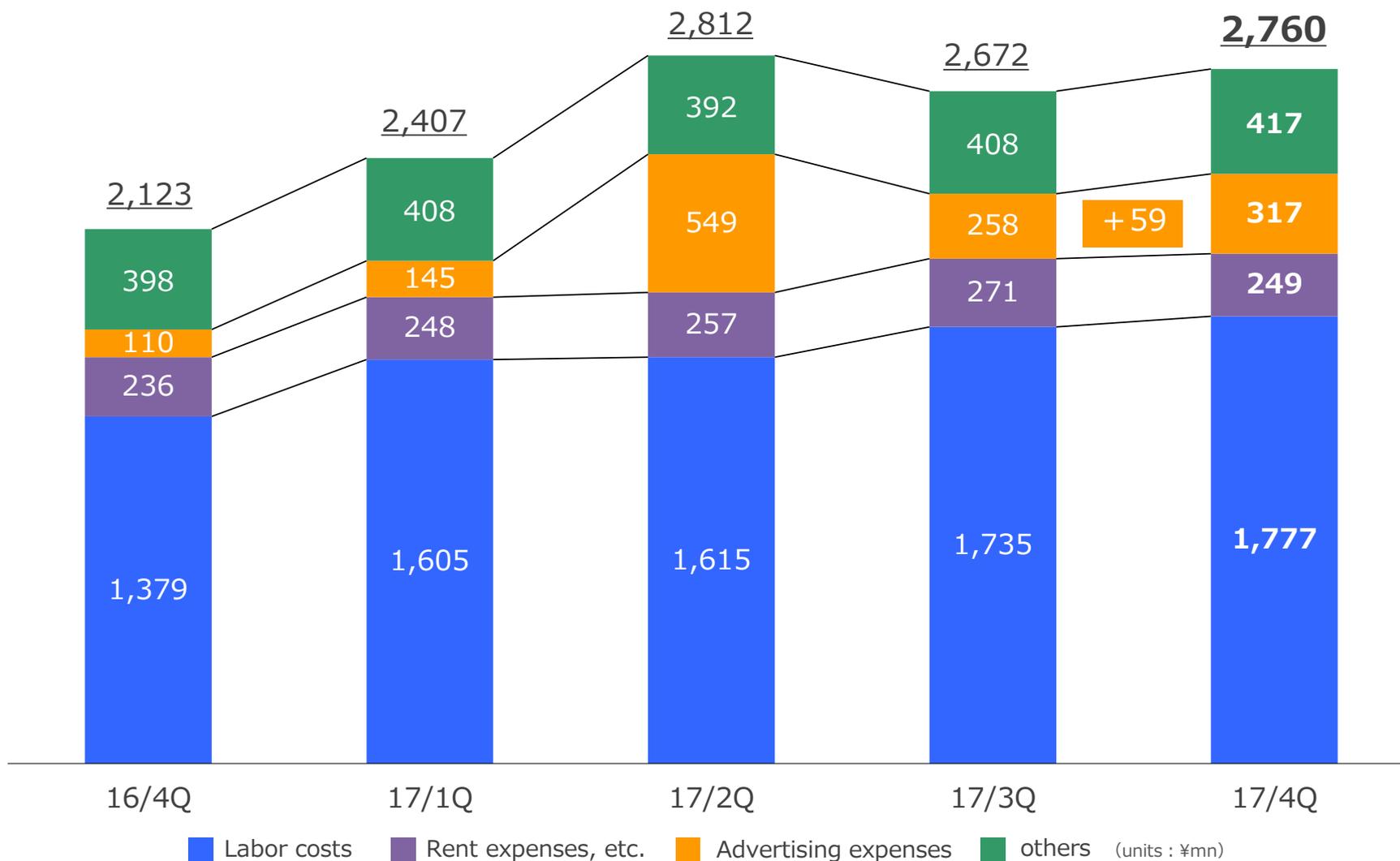
Revenues increased in the two businesses year on year, as well as on quarter on quarter.



\*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

An advertising expense of ¥317mn was posted to cover promotions, mainly in the Manga Content Business.



## 2 . Internet Marketing Business

Net sales and revenue increased year on year.

Revenue and non-GAAP operating profit exceeded earnings estimates due to an increase in social and video advertisements.

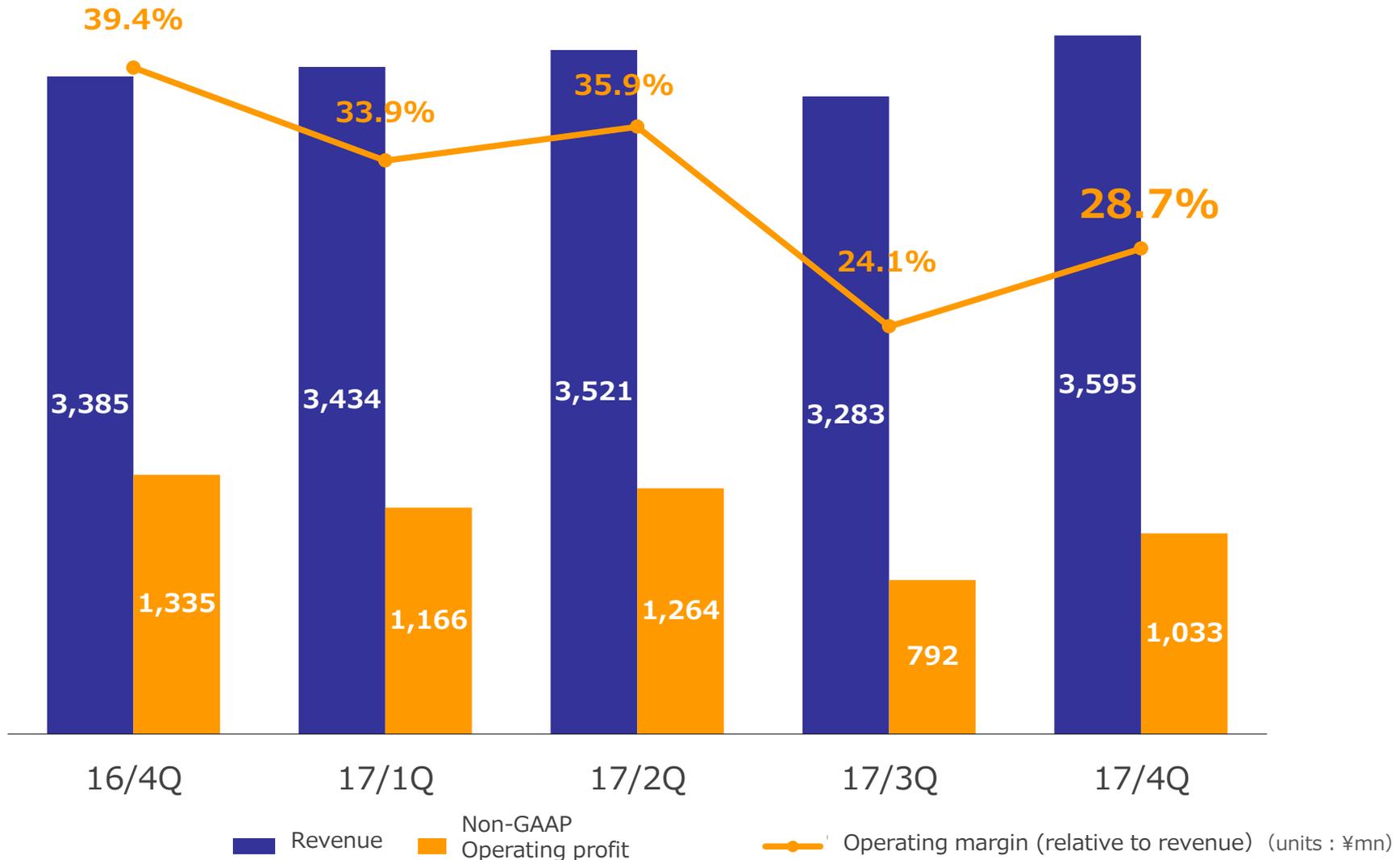
Other projects, including new ones, increased steadily despite the impact of a decrease in advertising for large-scale projects.

(units : ¥mn)	4Q FY9/17			4Q FY9/16		4Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>3,595</b>	100.0%	+6.2%	3,385	100.0%	3,411
Gross profit	<b>3,201</b>	89.0%	+3.4%	3,096	91.5%	—
SG&A	<b>2,164</b>	60.6%	+22.8%	1,763	52.1%	—
<b>Non-GAAP Operating profit</b>	<b>1,033</b>	28.3%	-22.6%	1,335	39.4%	904
【Reference】 Net Sales	<b>18,413</b>	—	+1.1%	<b>18,211</b>	—	

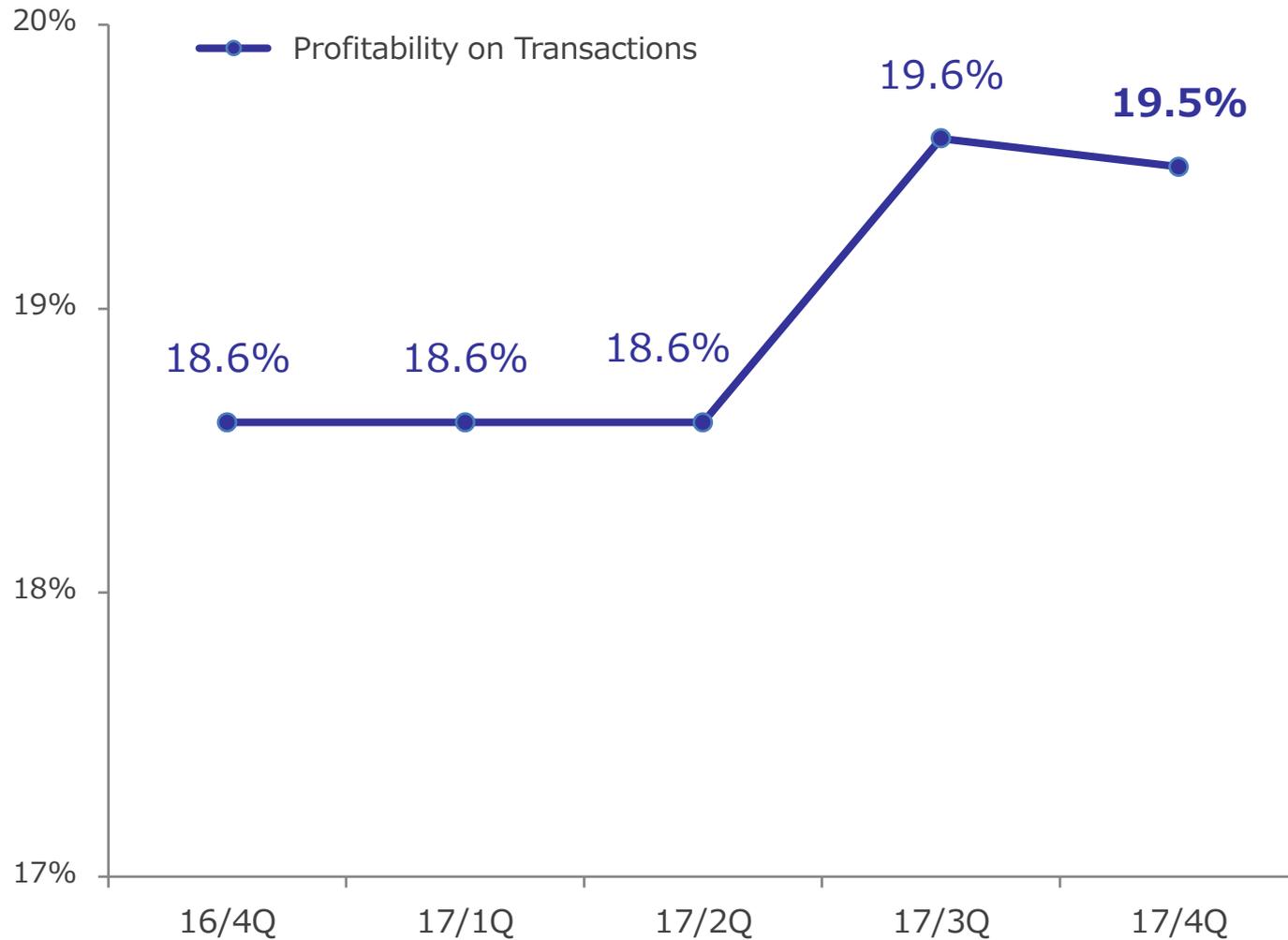
# Internet Marketing Business Quarterly Earnings Trend

Revenue increased quarter on quarter and year on year.

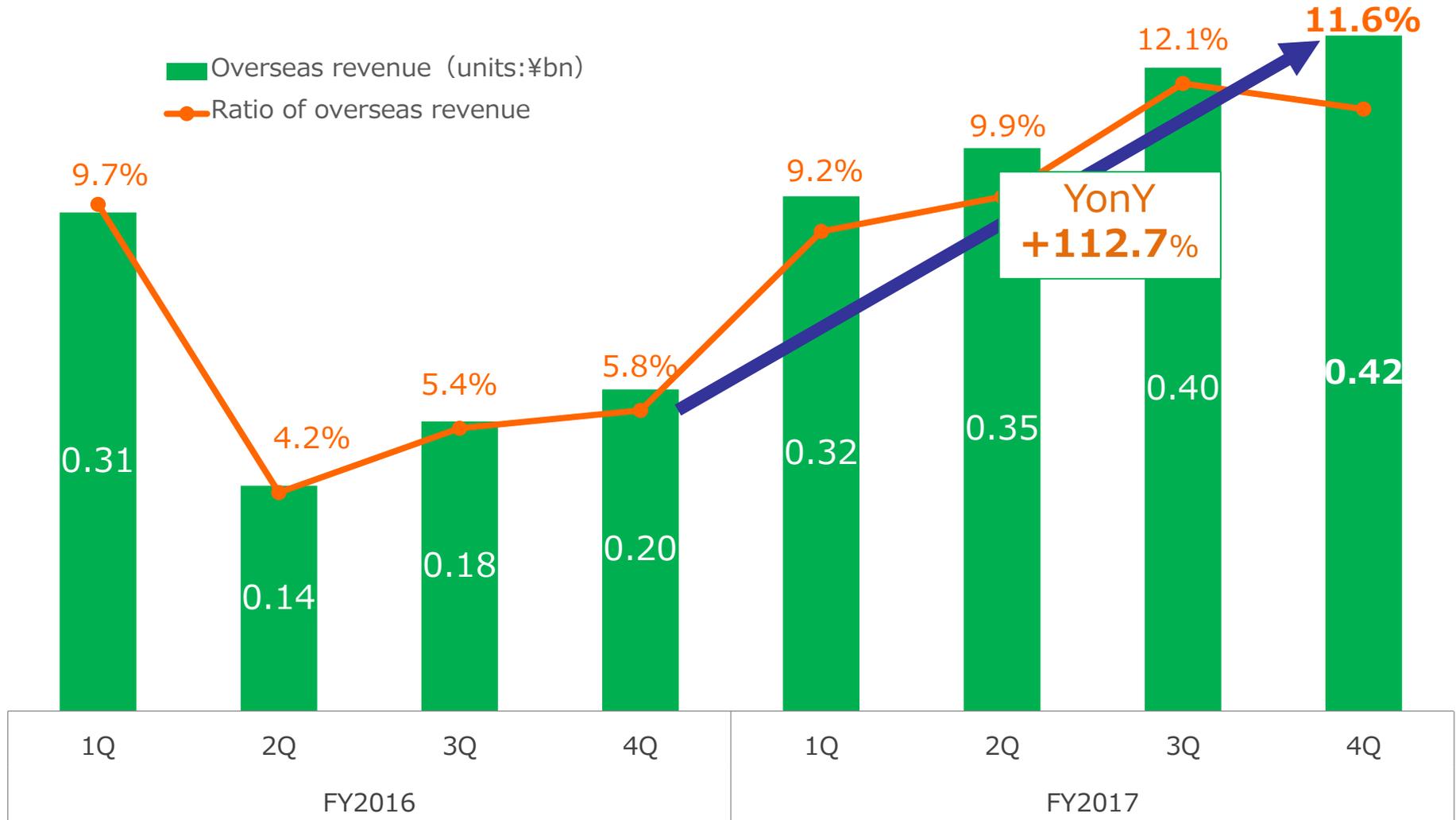
In addition, Operating Margin improved 4.6pt quarter on quarter.



The product mix improved, reflecting a decrease in low-margin projects.  
The profitability ratio on transactions rose 0.9 points year on year.

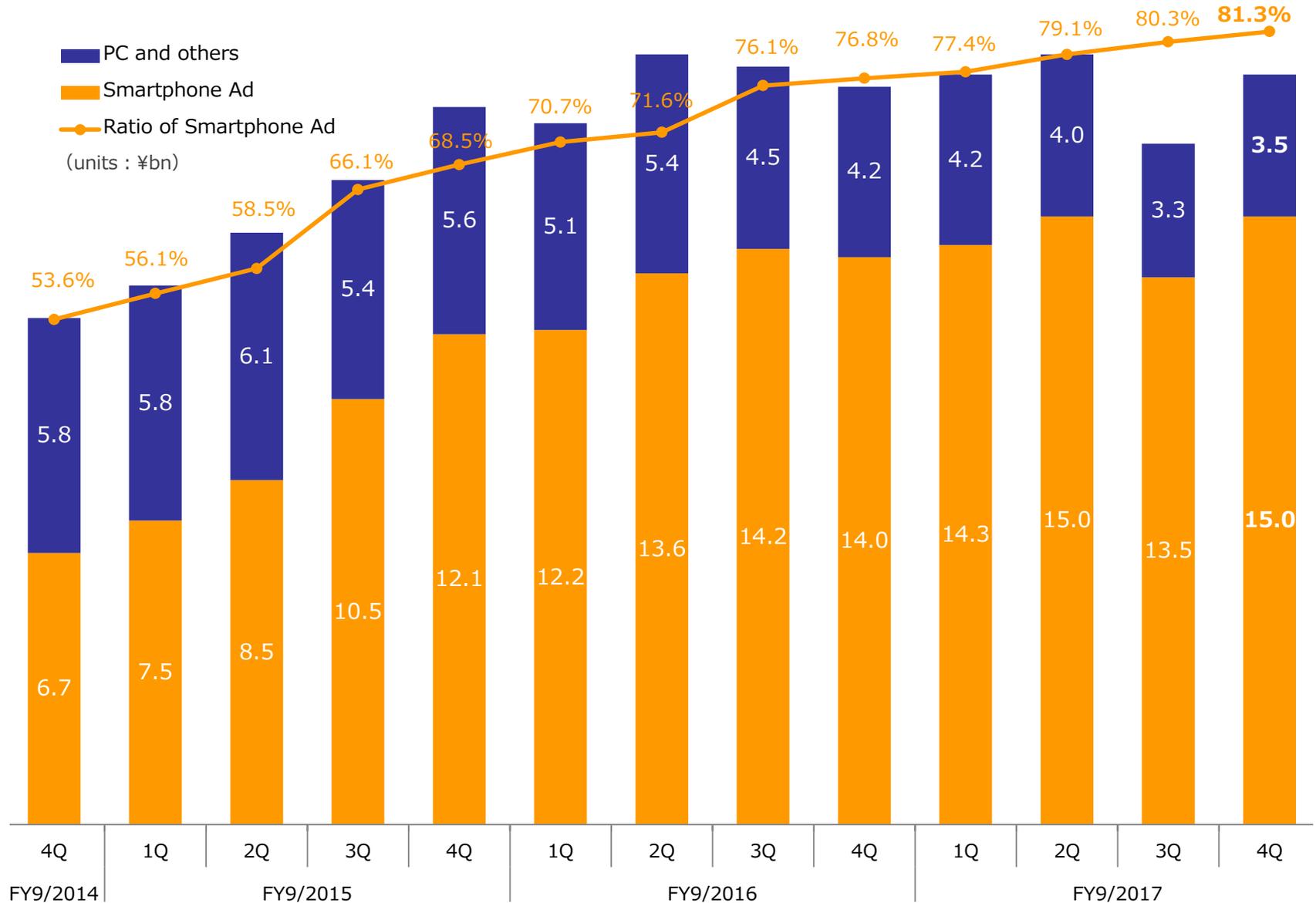


Revenue increased mainly in Asia, primarily driven by the growth of a subsidiary acquired in 17/1Q and so on.

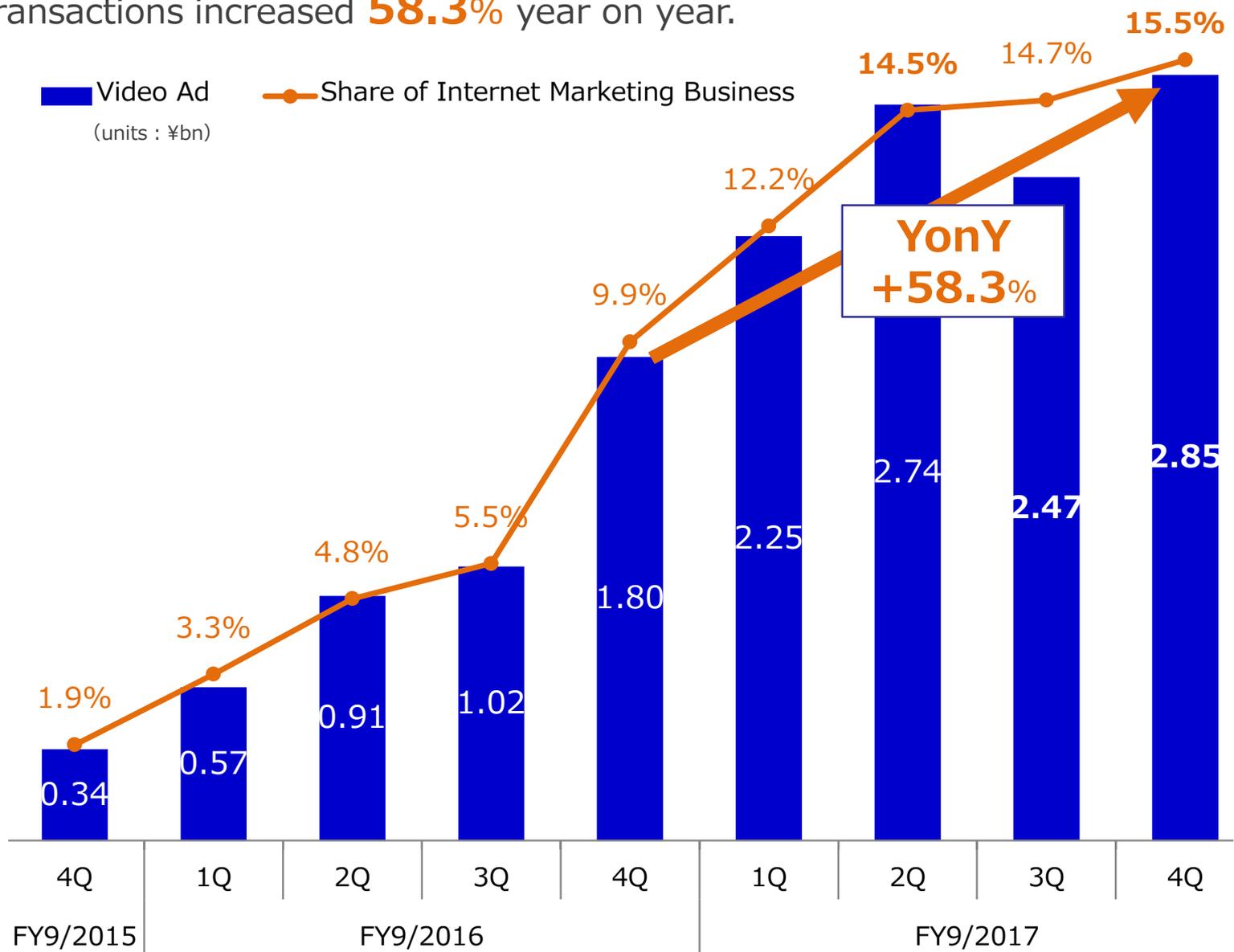


※Definition of overseas revenue: the aggregation of revenues from advertising for Japan by foreign clients (Out-In) and advertising for overseas by foreign clients (Out-Out)

Both transactions and ratio of smartphone ad reached **new record highs**.



Transactions increased **58.3%** year on year.



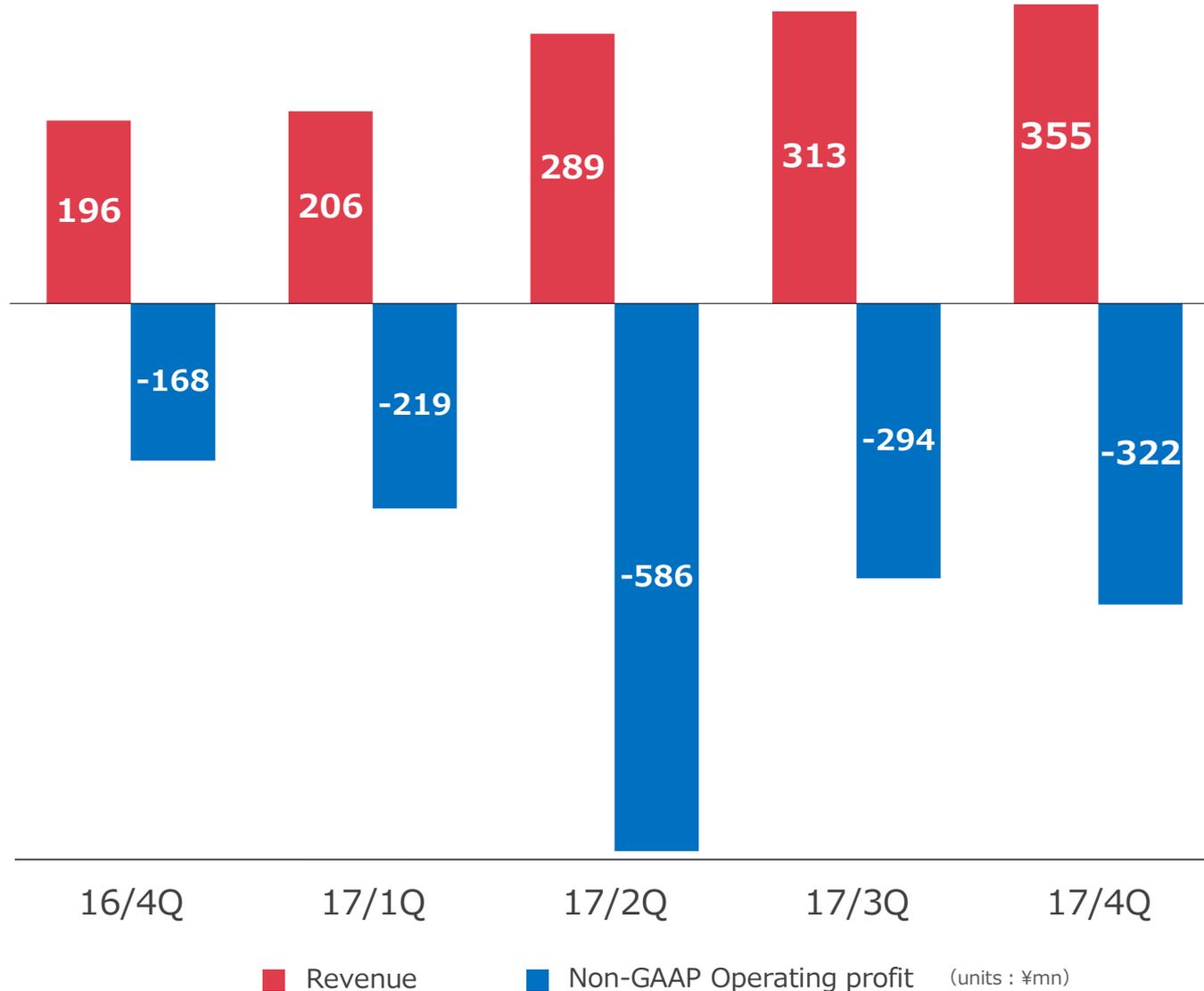
# 3 . Media Content Business

Advertising revenue increased in the Manga Content Business, reflecting an expansion in the sales of products advertised through GANMA!.

A steady increase in the number of advertisers, mainly brand advertisers, contributed to an increase in revenue.

(units : ¥mn)	4Q FY9/17			4Q FY9/16		3Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>355</b>	100.0%	+81.8%	196	100.0%	383
Gross profit	<b>236</b>	66.3%	+106.4%	114	58.4%	—
SG&A	<b>558</b>	156.9%	+97.9%	282	144.1%	—
<b>Non-GAAP Operating profit</b>	<b>-322</b>	-90.6%	(-154)	-168	-85.8%	-359

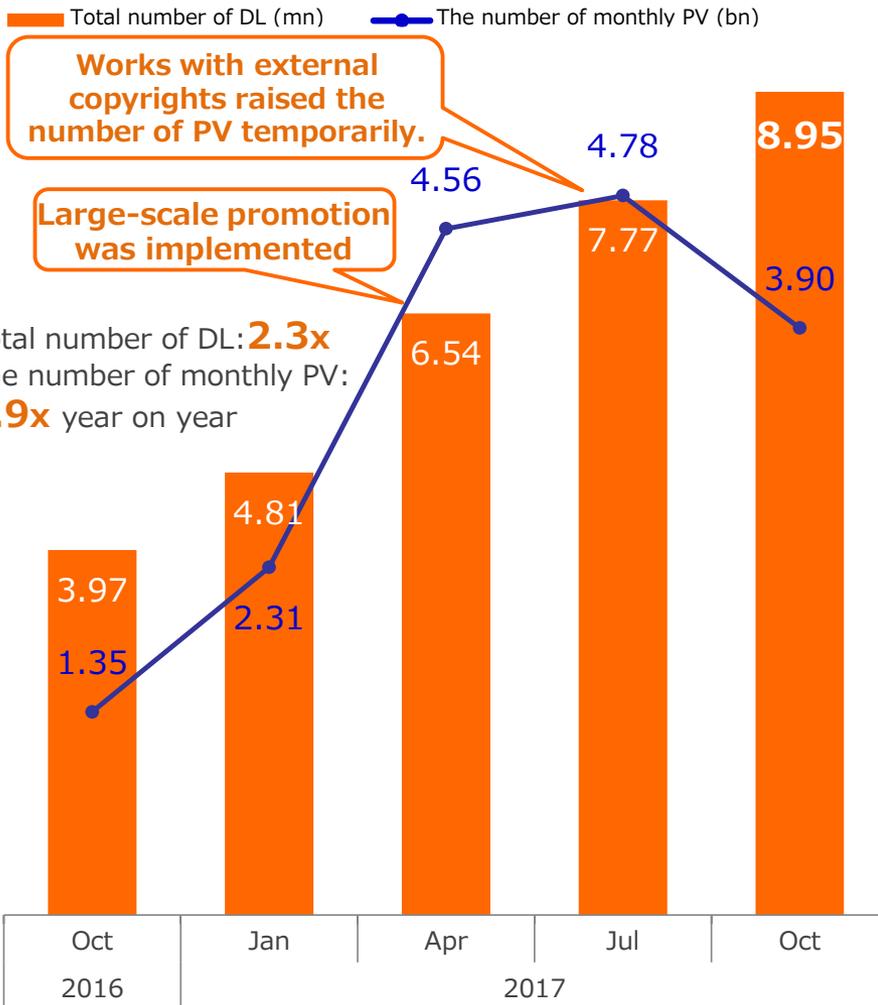
Revenue increased consistently after the large-scale promotion of GANMA! was implemented in 2Q.



(units : ¥mn)

The number of users increased solidly, mainly among the younger generation, and the media scale and application revenue remained steady.

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

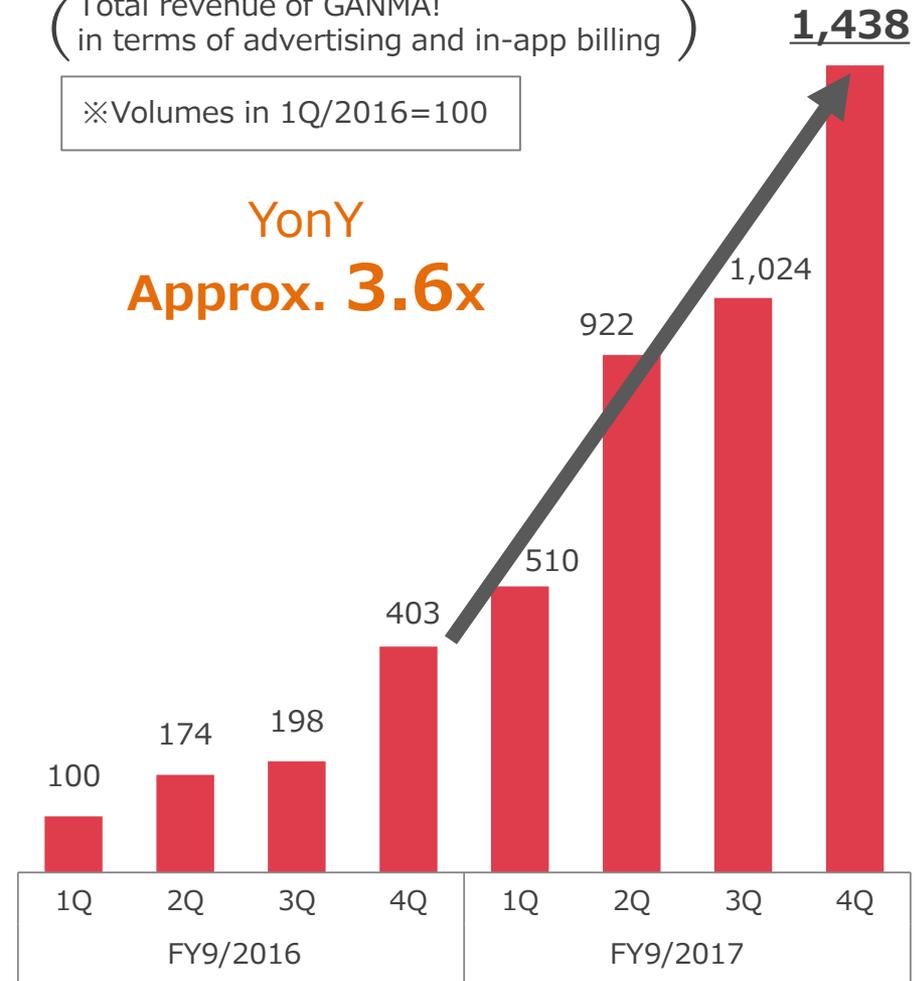


## Application Revenue Trend

(Total revenue of GANMA! in terms of advertising and in-app billing)

※Volumes in 1Q/2016=100

YonY **Approx. 3.6x**



Current Top 10 rankings of applications used by teens. (as of June.2017)

## Selected in 9th position

The user base expanded mainly among the young generation.

### MAU ranking of Applications



Rankings compiled based on data with regard to the total number of MAUs on iOS/Android among men and women aged 13 to 19.

Data source : App Ape (Fuller, Inc.)

※Excluding pre-installed applications and a message application, "LINE".

※MAU (Monthly Active Users): The number of active users who start the relevant app at least once a month.

# 4 . Full Year FY9/17 Review

## Consolidated results

**Revenue** **¥14,702mn** (Up 6.1% year on year)  
**Non-GAAP Operating Profit** **¥2,325mn** (Down 43.9% year on year)

Revenue reached **a new record high**<sup>※</sup> for the sixth consecutive year.

---

## Internet Marketing Business

**Revenue** **¥13,833mn** (Up 3.2% year on year)  
**Non-GAAP Operating Profit** **¥4,255mn** (Down 20.2% year on year)

Increased revenue was secured despite a decline in large-scale projects.

---

## Media Content Business

**Revenue** **¥1,163mn** (Up 93.5% year on year)  
**Non-GAAP Operating Profit** **¥-1,420mn** (Down ¥703mn year on year)

Revenue almost doubled year on year due to the promotion investment of ¥1.1bn including TV commercials.

---

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

Revenue and non-GAAP operating profit exceeded earnings estimates.

Increased revenue was secured despite a decrease in non-GAAP operating profit attributable to active prior investments in GANMA!

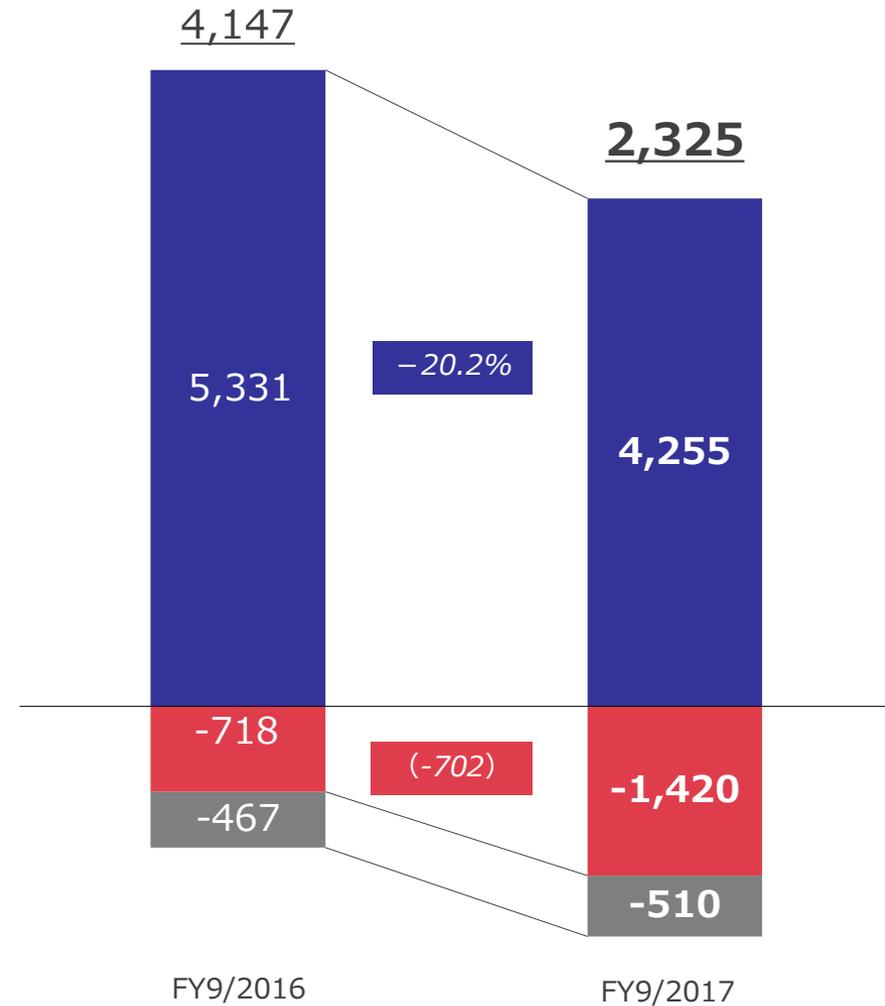
(units : ¥mn)	FY9/17			FY9/16		FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>14,702</b>	100.0%	+6.1%	13,862	100.0%	14,558
Gross Income	<b>12,989</b>	88.3%	+4.1%	12,478	90.0%	—
SG&A	<b>10,652</b>	72.5%	+27.6%	8,350	60.2%	—
<b>Non-GAAP Operating Income</b>	<b>2,325</b>	15.8%	-43.9%	4,147	29.9%	2,159
Operating Income	<b>2,325</b>	15.8%	-44.0%	4,154	30.0%	—
Profit for the period from continuing operations	<b>1,338</b>	9.03%	-51.2%	2,717	19.6%	—
<b>Profit for the period attributable to owners of the parent</b>	<b>2,206</b>	15.0%	-12.4%	2,519	18.2%	2,043
【Reference】 Net Sales	<b>72,375</b>	—	-1.1%	73,203	—	71,000

# Full Year Consolidated Earnings Trend (by Business Segment)

## Revenue



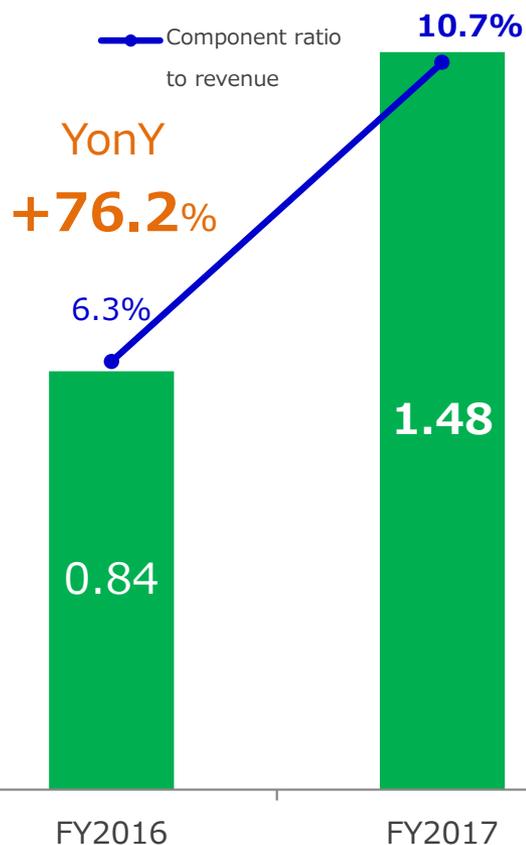
## Non-GAAP Operating Profit



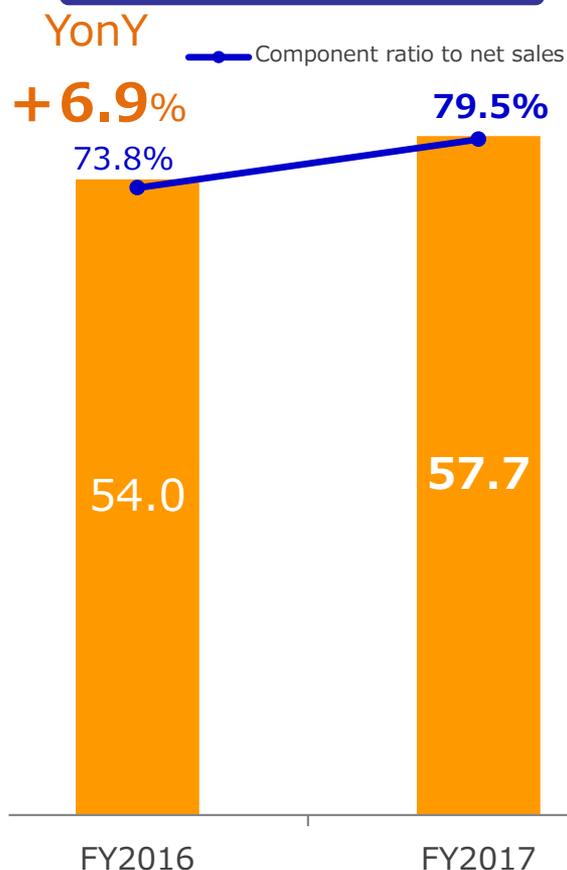
■ Internet Marketing    
 ■ Media Content    
 ■ Adjustment (corporate expenses, etc.)    
 (units: ¥mn)

Revenue		Non-GAAP Operating Income			
Value (¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
13,833	+3.2%	4,255	-20.2%	30.8%	-9.0pt

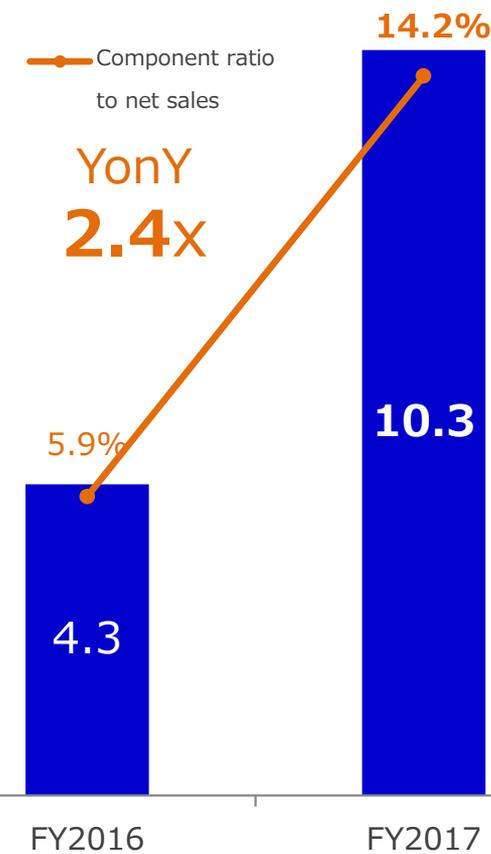
## Global (Revenue : ¥bn)



## Smartphone Ad (Net sales:¥bn)

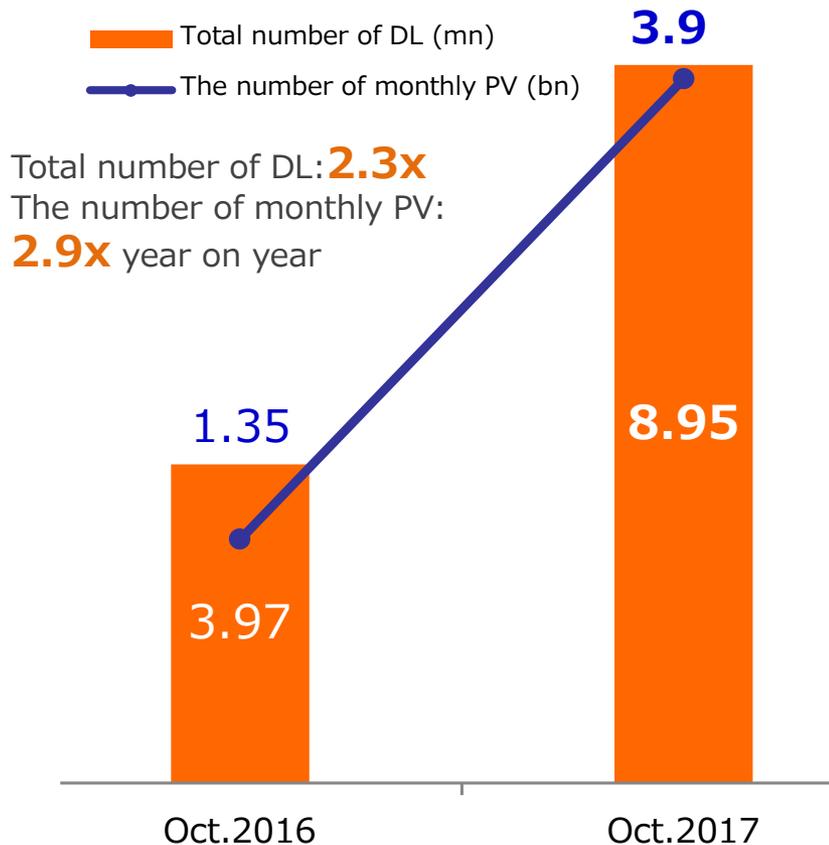


## Video Ad (Net sales:¥bn)



Revenue		Non-GAAP Operating Income			
Value(¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
1,163	+93.5%	-1,420	(-703)	-	-

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

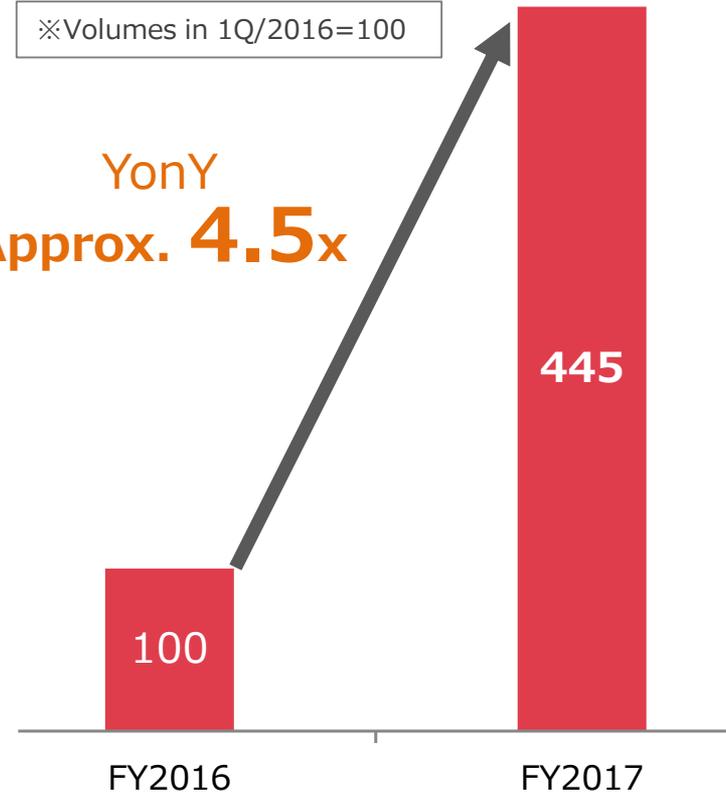


## Application Revenue Trend

(Total revenue of GANMA!  
in terms of advertising and in-app billing)

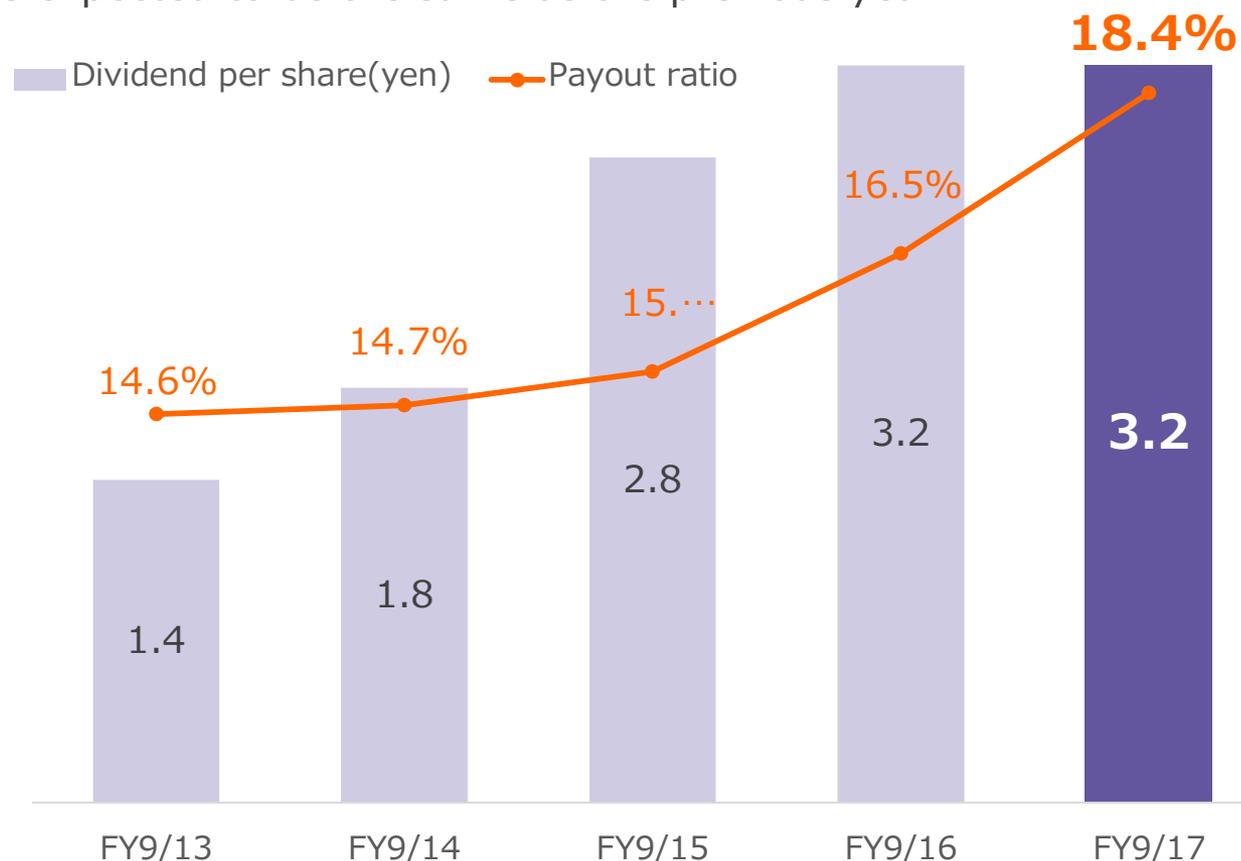
※Volumes in 1Q/2016=100

YoY  
**Approx. 4.5x**



The continuous and stable payment of dividends is taken into account under the basic policy of appropriate profit distribution in proportion to business expansion. The payment of dividends has been made at a payout ratio of approximately 15% of the profit for the period attributable to owners of the parent.

Dividends have not been reduced since listing in 2001, and the year-end dividend for FY9/17 is expected to be the same as the previous year.



※A 1-for-200 stock split was implemented on October 1, 2013, and a 1-for-5 stock split was implemented on October 1, 2016. For dividends per share in previous years in the above graph, comparisons are made through the calculation of adjustments for the splits.

# 5 . Policies for FY9/18 and Earnings Estimates for 1H FY9/18

Expansion the revenue of the Internet Marketing Business steadily, including overseas  
Continuing to invest in the Manga Content Business aim to expand media scale

## Internet Marketing Business

### “Improvement of profitability and expansion of market share”

- Accelerate growth in the domestic market again through video ad and sales focused on the Company’s own media
- Improvement of profitability through the enhancement of the client and the product mix
- Development of markets mainly in Asia

## Media Content Business

### “Expansion of media scale”

- Expansion of the user base through the implementation of effective prior investments
- Strengthening of efforts to develop the brand advertising market



## Management base “Strengthening of competitiveness through continuous investments in human resources”

- Starting from October 2017, further efforts will be made to develop human resources and strengthen competitiveness through the revision of the HR system.
- Costs are expected to rise due to active investments for the development of human resources, a source of growth, as well as the implementation of performance-linked bonuses.

Corporate value improved and sustainable growth was achieved through active investments in persons with a good sense of ownership and a strong entrepreneurial spirit.

To maximize the performance of each employee, a unique machine-learning oriented human resource development engine was created and managed based on a huge amount of accumulated data of human resources.



### “Great Place to Work (in Japan)” rankings

(surveyed by the Great Place to Work® Institute Japan)

Selected as one of the **best companies**

<for the 6th straight year>



### “The 6th Japan HR Challenge Awards”

(Supported by the Ministry of Health, Labour and Welfare, Toyo Keizai, Inc., etc.)

Received an **Prize for Encouragement**



### The 2nd HR Technology Awards

(Supported by the Ministry of Economy, Trade and Industry, Toyo Keizai, Inc., etc.)

Management System Division, Received an **excellence award**

<for the 2nd consecutive year>

The HR system will be revised in October 2017 to implement aggressive investments for the development of human resources, a source of sustainable growth, strengthen competitiveness for mid- to long-term, and recruit as many capable people as possible. This revision is expected to make employees work-ready as soon as possible and contribute to the improvement of business performance.

Examples of efforts	Summary	Implementation schedule
Systemization of recruitment and development of human resources	Recruitment and development utilizing quantitative information and statistical techniques	Research and development commenced in 2012
<b>NEW</b> Enhancement of salary levels	Replacement of current annual salary by the payment of fixed pay and new performance-linked bonuses. (Each employee's bonus is to be determined depending on the merit rating.) 	October 2017 ~
Introduction of a flextime system	Effective work styles without any constraints on time will be promoted.	October 2016 ~
<b>NEW</b> Improvement of remote work environments	Diverse work styles without any constraints on location will be realized.	January 2018 ~
<b>NEW</b> Introduction of a side business approval scheme	Engaging in side businesses will be permitted to an approved extent for the improvement of individual skills.	October 2017 ~

# First half (Oct-Mar) Consolidated Earnings Estimates

The Internet Marketing Business is expected to achieve an increase in revenue due to steady top-line growth.

The Media Content Business should see substantially increased revenue, mainly from advertising. Non-GAAP operating loss of this business is expected to decrease while marketing investment is continued.

SG&A expenses are expected to increase given an investment in human resources development designed to deliver medium- and long-term improvements in competitiveness.

Profit for the period attributable to owners of parent is expected to decrease significantly due to the absence of profit for the period from discontinued operations, which was posted in the same period of the previous fiscal year due to the sale of the shares of AXEL MARK Inc.

(units : ¥mn)	Earnings in 1H FY9/17	Earnings Estimates for 1H FY9/18	Expected growth rate
Revenue	7,309	<b>8,000</b>	<b>+9.5%</b>
Non-GAAP Operating profit	1,343	<b>1,000</b>	<b>-25.5%</b>
【Reference】 Profit for the period from continuing operations	855	-	-
Profit for the period attributable to owners of the parent	1,743	<b>600</b>	<b>-65.6%</b>
【Reference】 Net Sales	37,268	<b>37,500</b>	<b>+0.6%</b>

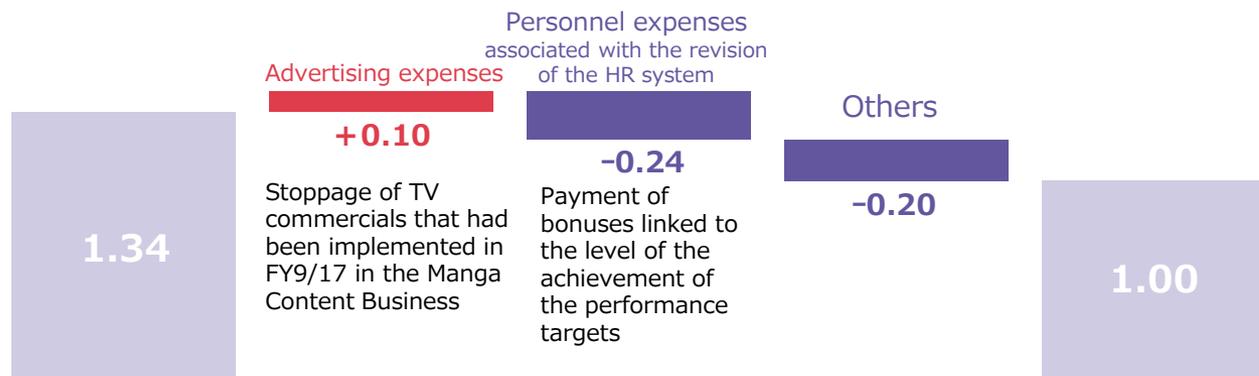
- Starting from FY9/18, we will change the disclosure policy with regard to earnings estimates. While we will continue to see unpredictable factors that may contribute to fluctuations of market environments, we are better positioned at present to forecast the future outlook to some extent. In comprehensive consideration of such situations, we have decided to change our disclosure policy on earnings estimates from the previous policy of disclosing earnings estimates or the next quarter on a quarterly basis to the policy of disclosing earnings estimates every six months.

# 1H(Oct-Mar) FY9/18 Earnings Estimates by Business Segment

(units : ¥mn)	Revenue			Non-GAAP Operating profit		
	Earnings in 1H FY9/17	Earnings Estimates for 1H FY9/18	YY Change	Earnings in 1H FY9/17	Earnings Estimates for 1H FY9/18	YY Change
Internet Marketing Business	6,955	<b>7,370</b>	<b>+6.0%</b>	2,430	<b>2,650</b>	<b>-12.8%</b>
Media Content Business	495	<b>800</b>	<b>+61.6%</b>	-805	<b>-570</b>	<b>+184</b>
Elimination or corporate	-141	-170	(-29)	-282	-1,080	-140
<b>Total</b>	<b>7,309</b>	<b>8,000</b>	<b>+9.5%</b>	<b>1,343</b>	<b>1,000</b>	<b>-25.5%</b>

-Regarding the corporate expenses which have been allocated to each segment, we plan to change the policy for not allocating them from FY9/18. Reflecting this change, the above values for Non-GAAP operating profit of each segment have been calculated based on the new policy, under which the expenses are not allotted to the segments, and the results for the same period of the previous fiscal year have also been corrected retroactively.

## Main factors contributing to change in 2Q cumulative total non-GAAP operating profit (year on year)



Earnings target

**Non-GAAP Operating Income : ¥10bn**

Basic policies

Expand advertising business **globally**

Enhance our own **media**

Invest in what comes **after the smartphone**

## Stance of each business

### Internet Marketing Business

#### Expand advertising business **globally**

[Recognition of the environment in the market for smartphone advertisements]

The domestic market is gradually going to mature.

Strong growth continues globally with an improved ecosystem.

[Domestic market]

By strengthening the position established in the field of smartphones/ social media, the share will be expanded and profitability will be increased.

[Overseas market]

Both organic business growth and M&A will be the engine for subsequent growth.

### Media Contents Business

#### Enhance our own **media**

Development of GANMA! as the company's own medium that constitutes the primary revenue sources of the group.

By expanding the scale of the company's own media, powerful segmental synergy with the Internet marketing business will be generated.

# 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)

---

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 9, 2017 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, 2017

<b>Company Name</b>	SEPTENI HOLDINGS CO., LTD.
<b>Representative</b>	Representative Director, Group President and Chief Executive Officer 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>	¥2,113 million
<b>Shares Issued</b>	138,819,000 shares (Including 10,724,155 treasury shares)
<b>Consolidated Workforce</b>	1,083 full time employees, 1,306 full time and contracted employees

\*On the consolidated balance sheet, in addition to the shares stated above, the shares of the Company held by the Board Incentive Plan (BIP) trust (1,739,200 shares) are treated as treasury stock.

## Holding Company

SEPTENI HOLDINGS CO., LTD

November 9, 2017

## Internet Marketing Business

SEPTENI CO., LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region
MANGO Inc.	SEM Operation Business	Septeni America, Inc.	Internet ad agency based in North America region
HighScore, Inc.	Social Media Marketing Support Business	Septeni Europe Co.,Ltd	Internet ad agency based in Europe region
Septeni Original,Inc.	Planning and development of web service	SEPTENI China Limited	Internet ad agency based in China
Septeni Ad Creative,Inc.	Planning and production of Internet ads creative	SEPTENI TECHNOLOGY CO., LTD.	Web service development
SETPENI CROSSGATE CO., LTD.	Ad Network and Platform Business	JNJ INTERACTIVE INC.	Internet ad agency in South Korea
Tricorn Corporation	CRM Service Business	Lion Digital Global LTD	Internet ad agency based in Southeast Asia

## Media Content Business

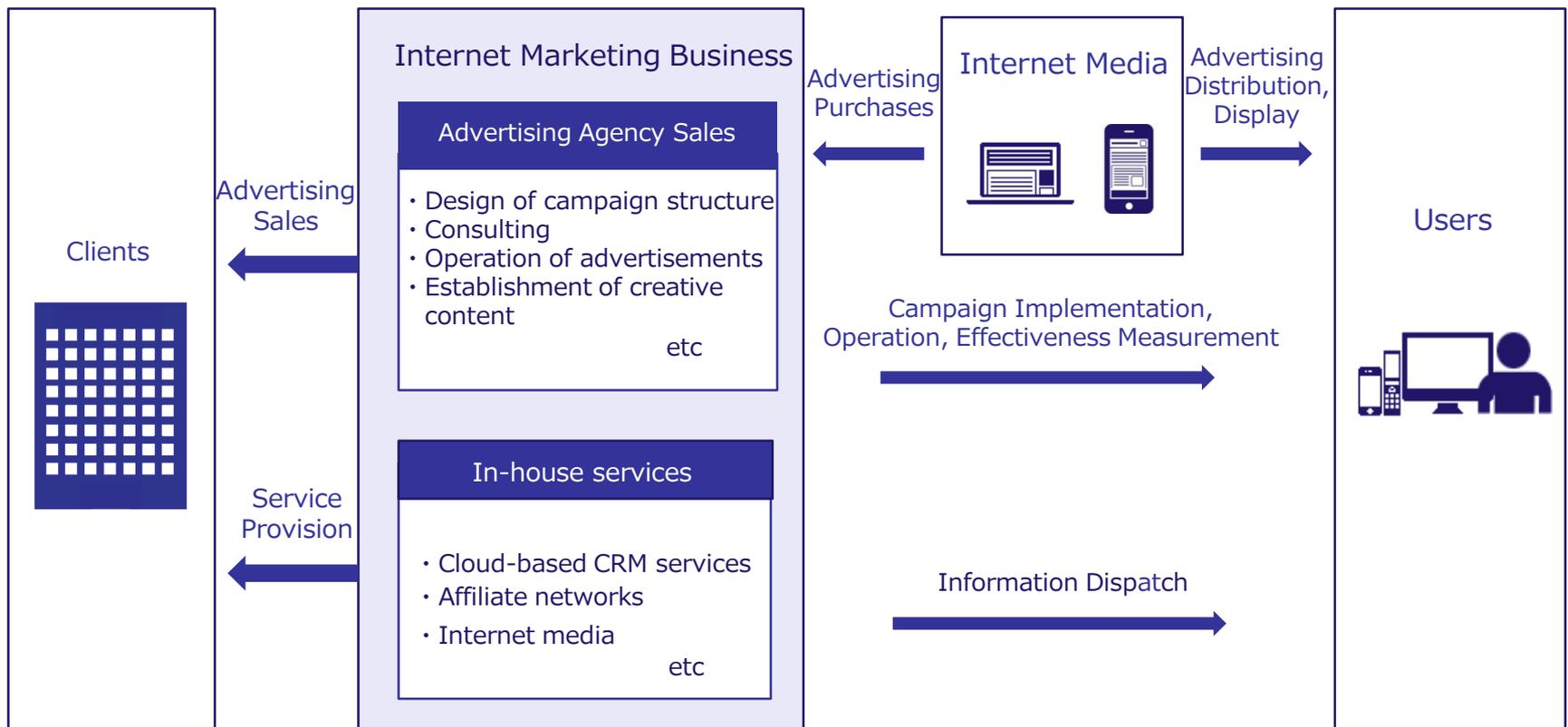
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
Vivivit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business

## New Business Development

SEPTENI VENTURES Co., Ltd.

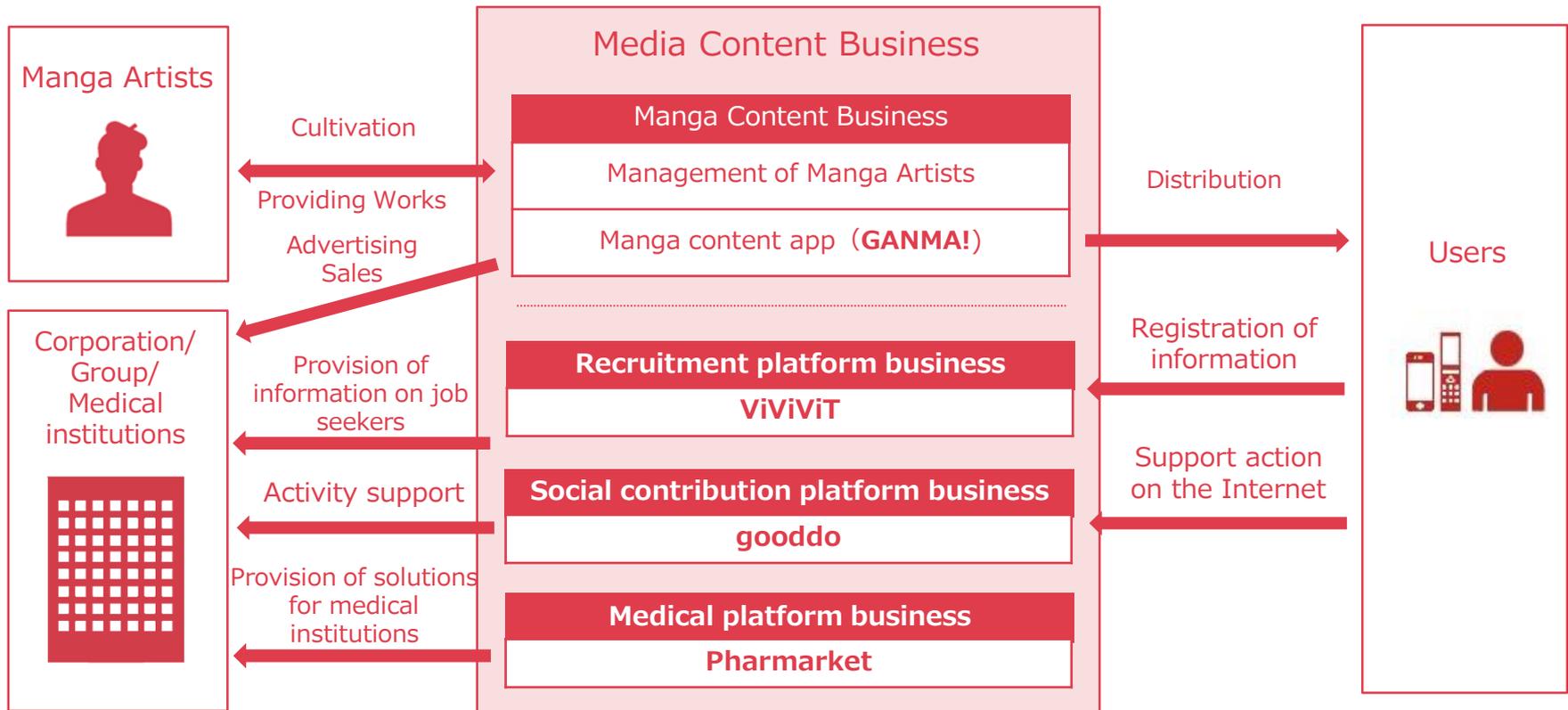
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



In the Manga Content Business, efforts are being made to nurture and support manga artists for the purpose of **planning and developing the Company's own intellectual property (IP)**. At the same time, **GANMA!** manga applications, which consist of original products by dedicated artists, are operated as the **Company's own media**.

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



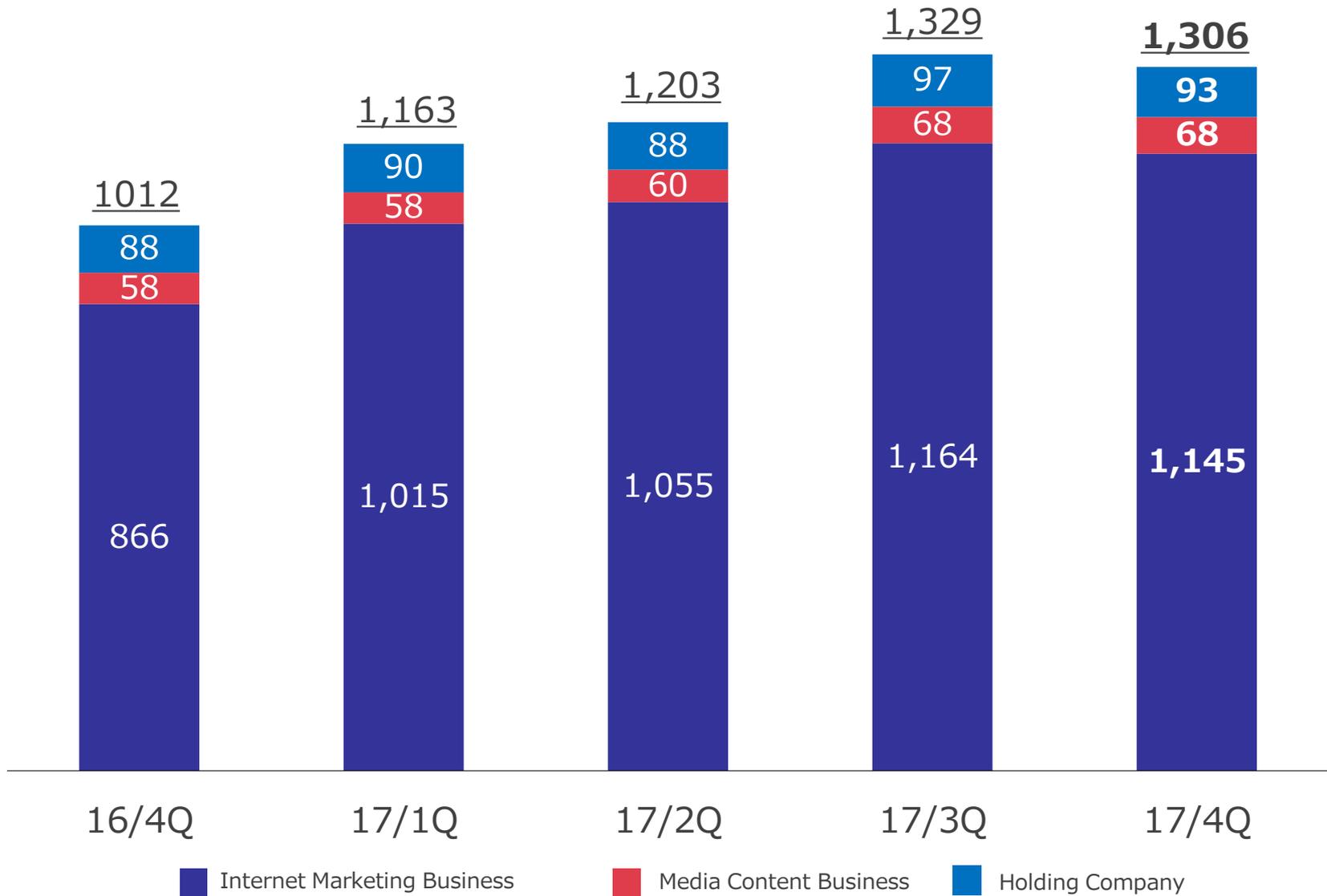
# Consolidated Statement of Financial Position

	End FY9/17	End FY9/16	Change	Main Changes
(units : ¥mn)				
<b>Current Assets</b>	<b>26,272</b>	26,268	+4	
<b>Non-current Assets</b>	<b>6,656</b>	3,712	+2,944	Goodwill: +1,670 Investments accounted for using the equity method: +1,332
<b>Total Assets</b>	<b>32,929</b>	29,981	+2,948	
<b>Current Liabilities</b>	<b>13,387</b>	14,191	-805	
<b>Non-current Liabilities</b>	<b>4,319</b>	744	+3,575	Other Financial liabilities: +3,567
<b>Total Liabilities</b>	<b>17,705</b>	14,935	+2,770	
<b>Total Capital</b>	<b>15,224</b>	15,046	+178	Treasury stock: +1,206 Changes in ownership interest in subsidiaries that result in a loss of control: -641 Posting of net profit: +2,206
<b>Total Liabilities and Capital</b>	<b>32,929</b>	29,981	+2,948	

# Consolidated Statement of Cash Flows

(units : ¥mn)	End FY9/17	Main Changes	FY9/16
Cash Flows from Operating Activities	<b>- 808</b>	Profit before taxes from continuing operations: +2,448 Payment of corporate income tax:-2,682 Working Capital:-495	3,209
Cash Flows from Investing Activities	<b>- 1,706</b>	Purchase and proceeds from sales of investment securities:+403 Outlays for acquisition of the shares of subsidiaries resulting in a loss of control:-1,374	- 109
Cash Flows from Financing Activities	<b>2,457</b>	Cash dividends paid:-415 Treasury Stock:-1,206 Proceeds from long-term loans payable: +4,792	801
Effect of Exchange Rate Changes on Cash and Cash Equivalents	<b>95</b>		- 114
Net Increase (Decrease) in Cash and Equivalents	<b>39</b>		3,786
Cash and Equivalents at Term End	<b>15,519</b>		15,481

# SEPTENI Group Workforce Number Trend



\*The number of employees at the non-core business (Axel Mark) is excluded, starting retroactively from 16/4Q.