



Business Results for 2Q Fiscal Year September 2018

April 26, 2018

SEPTENI HOLDINGS CO., LTD.
<https://www.septeni-holdings.co.jp>
Securities Code : 4293

1. First half FY9/18 Consolidated Earnings Overview
2. Quarterly Consolidated Earnings Overview
3. Internet Marketing Business
4. Media Content Business
5. Full Year FY9/18 Earning Estimates
6. Appendix

- 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.
- We have changed our policy and decided not to allocate corporate expenses that had been allocated to each segment, effective from FY9/18 onward. As a result of the change, Non-GAAP operating profits by segment for previous years have been revised retroactively based on the understanding that corporate expenses are not allocated.

1. First half FY9/18 Consolidated Earnings Overview

Consolidated

Revenue

¥7,976_{mn} (Up **9.1%** year on year)

Non-GAAP Operating Profit

¥1,018_{mn} (Down 24.2% year on year)

The result was in line with the forecast, and revenue hit a new record high*.

Internet Marketing Business

Revenue

¥7,500_{mn} (Up **7.8%** year on year)

Non-GAAP Operating Profit

¥2,652_{mn} (Down 12.7% year on year)

Revenue increased, particularly in the video ad and overseas segments, and reached the forecast level.

Media Content Business

Revenue

¥629_{mn} (Up **27.1%** year on year)

Non-GAAP Operating Profit

¥-608_{mn} (Up **¥145_{mn}** year on year)

We proactively promoted the development of the brand advertising market, which contributed to the increase in revenue.

* Comparisons with figures before the adoption of the IFRS (FY9/16) were made using J-GAAP based gross profits which are equivalent to IFRS based revenue.

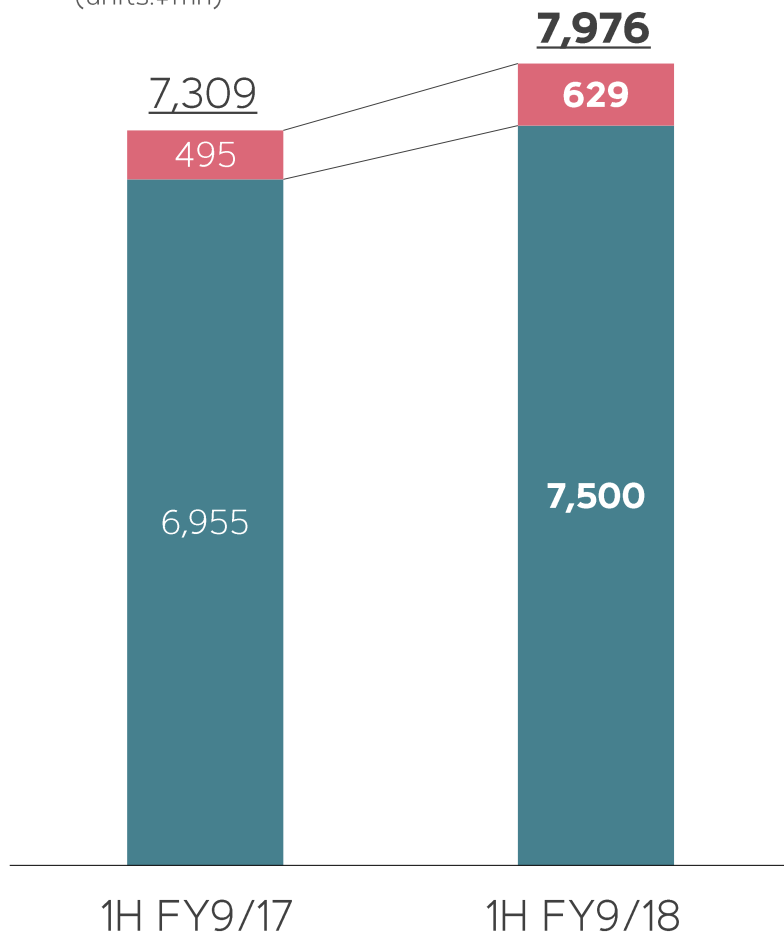
- The results were in line with the forecasts, and revenue increased **9.1%** year on year.
- Made prior investment according to the plan for enhancement of competitiveness in a medium-term.

(units:¥mn)	First half FY9/18			First half FY9/17		First half FY9/18 Estimate	Achievement Rate
	Value	Share	YY Change	Value	Share		
Revenue	7,976	100.0%	+9.1%	7,309	100.0%	8,000	99.7%
Gross profit	6,741	84.5%	+2.7%	6,561	89.8%	—	—
SG&A	5,735	71.9%	+9.9%	5,219	71.4%	—	—
Non-GAAP Operating profit	1,018	12.8%	-24.2%	1,343	18.4%	1,000	101.8%
Operating profit	1,009	12.7%	-20.6%	1,272	17.4%	—	—
Profit for the period from continuing operations	753	9.4%	-12.0%	856	11.7%	—	—
Profit for the period from discontinued operations	—	—	—	883	12.1%	—	—
Profit for the period attributable to owners of the parent	555	9.5%	-56.8%	1,743	23.9%	600	125.6%
【Reference】 Net Sales	37,643	—	+1.0%	37,268	—	37,500	100.4%

Earnings by Business Segments (Oct—Mar)

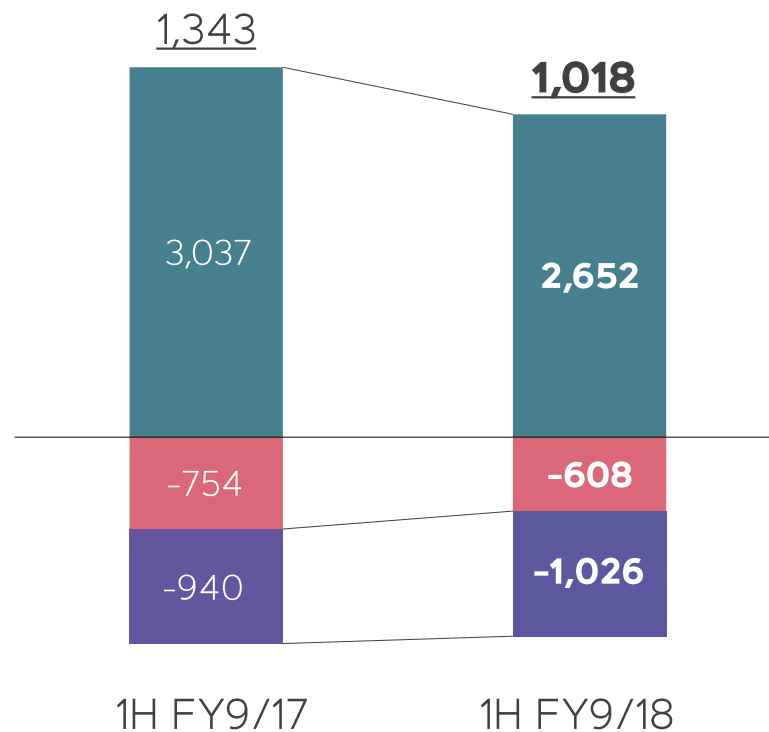
Revenue

(units:¥mn)



Non-GAAP Operating profit

(units:¥mn)



Internet Marketing



Media Content

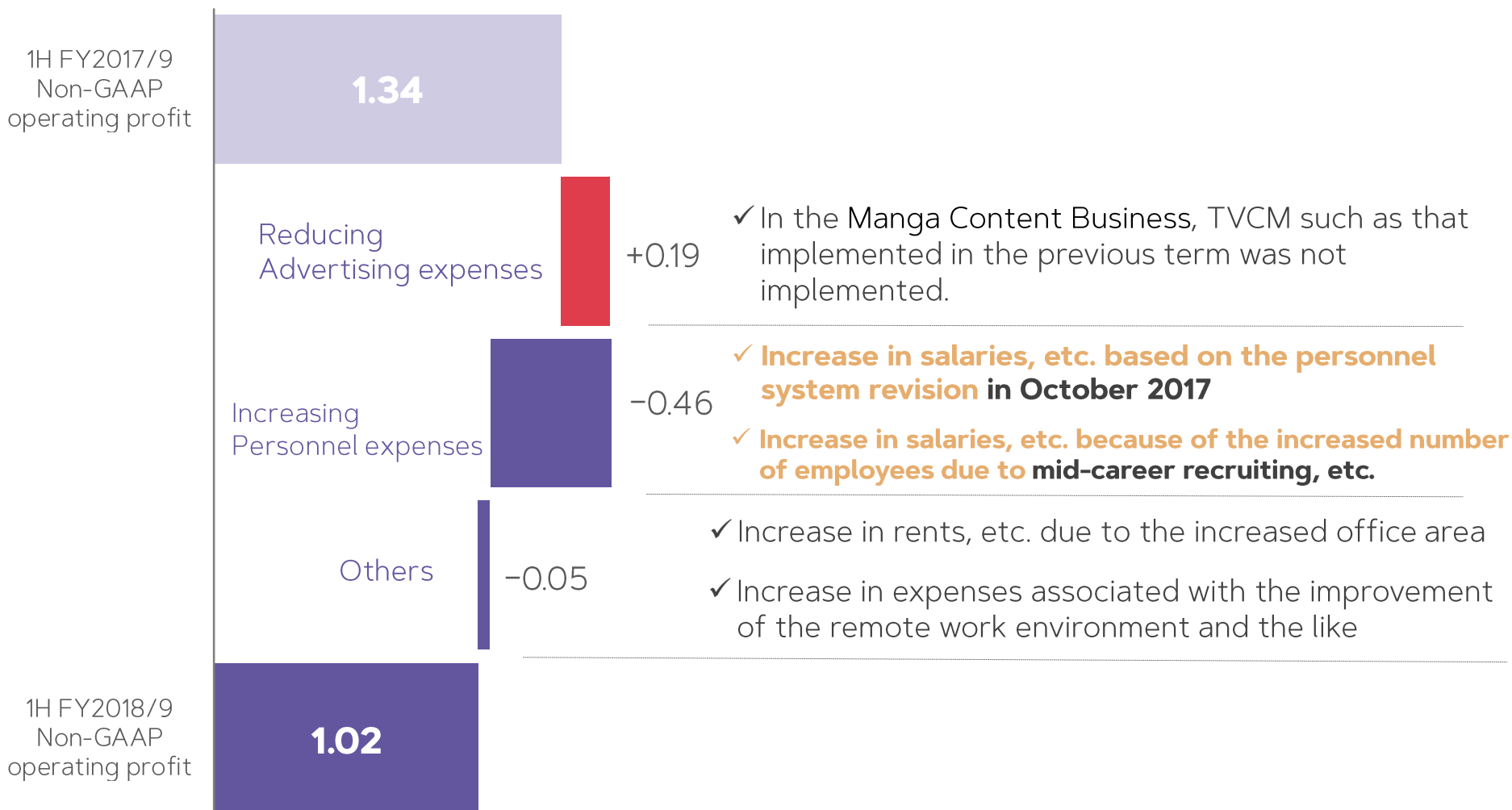


Adjustment (corporate expenses, etc.)

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

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

(units:¥bn)

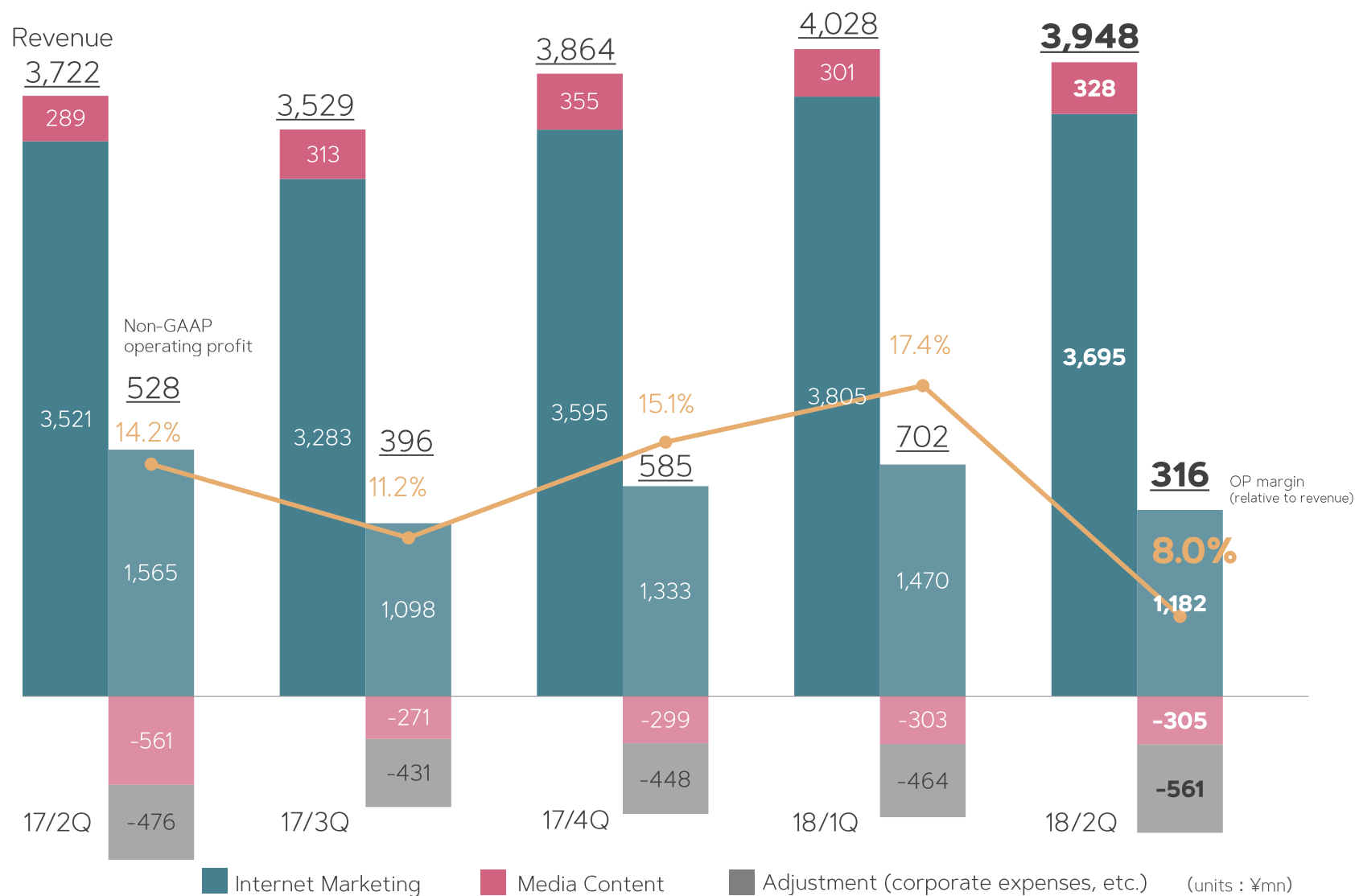


2. Quarterly Consolidated Earnings Overview

- While the Internet Marketing Business was somewhat lacking in strength, the steady growth of the Media Content Business helped increase revenue. Achieved new record high revenue for the January-through-March period as well.
- Made greater investments in video advertising creatives, and the cost-to-revenue ratio rose.

(units:¥mn)	2Q FY9/18			2Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	3,948	100.0%	+6.1%	3,722	100.0%
Gross profit	3,297	83.5%	-1.2%	3,338	89.7%
SG&A	2,993	75.8%	+6.4%	2,812	75.5%
Non-GAAP Operating profit	316	8.0%	-40.3%	528	14.2%
Operating profit	315	8.0%	-37.1%	501	13.5%
Profit for the period from continuing operations	198	5.0%	-37.8%	318	8.6%
Profit for the period attributable to owners of the parent	199	5.0%	-40.5%	334	9.0%
【Reference】 Net Sales	18,978	—	+0.8%	18,820	—

- Revenue in both segment increased year on year

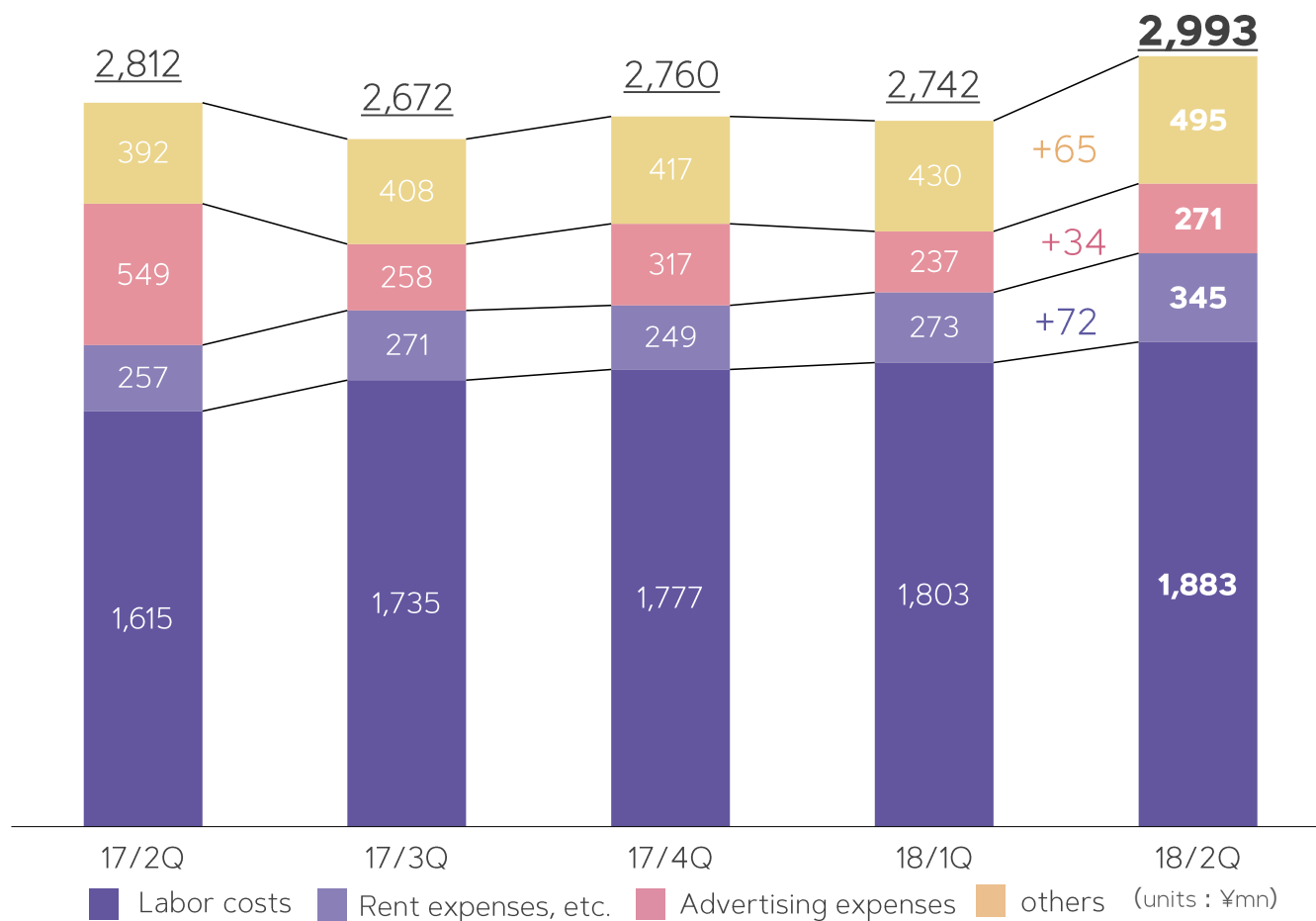


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

*Previous figures were revised retroactively because a change was made to the method of allocating corporate expenses to each segment, effective from FY9/18.

Quarterly Consolidated SG&A Trend

- An advertising expense of **¥271mn** was posted to cover mainly promotions in the Manga Content Business.
- The increase in labor costs was attributable to an increase in the number of staff members by **173** year on year and a rise in pay as a result of the revision of the HR system.
- Relating to the increased office area and the improvement of the remote work environment, rents, supplies expenses, etc. increased year on year.

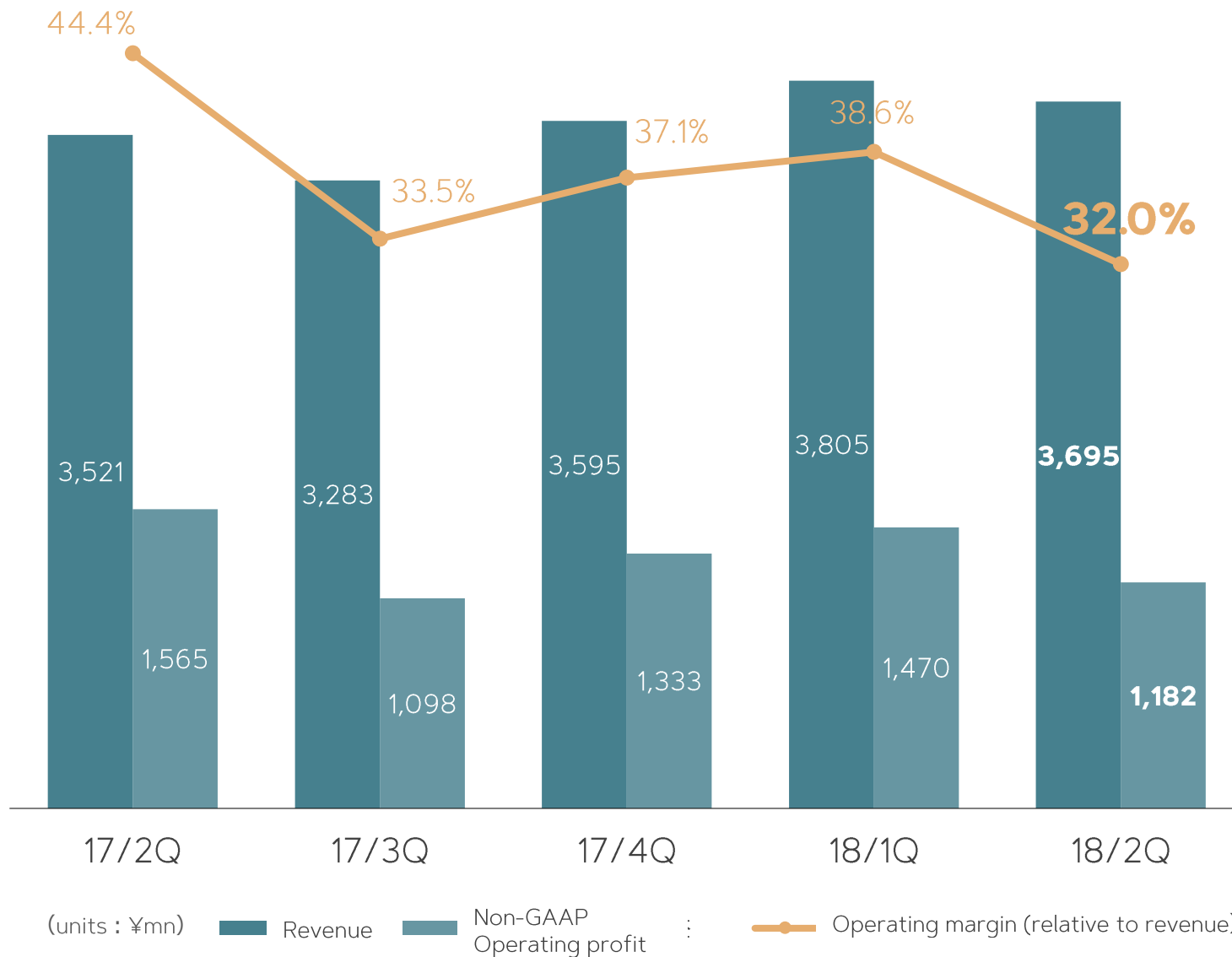


3. Internet Marketing Business

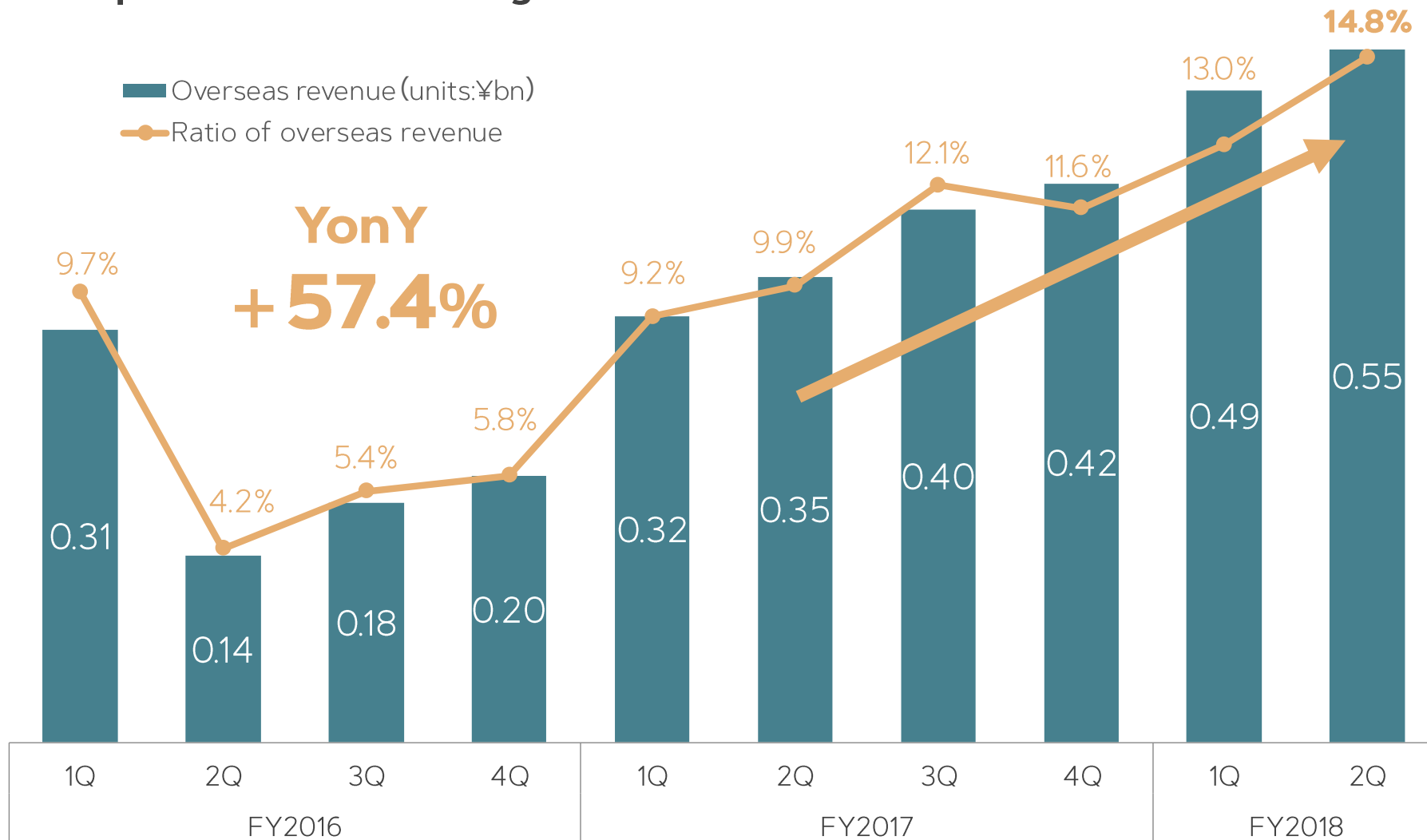
- Despite a decrease in advertising budget by few large clients in the previous term, other projects, including new ones, increased steadily.
- Profitability improved through efforts to enhance the client and product mix. (The ratio of revenue to net sales rose from 18.6% to **19.5%** year on year.)

(units : ¥mn)	2Q FY9/18			2Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	3,695	100.0%	+ 4.9%	3,521	100.0%
Gross profit	3,168	85.8%	− 1.7%	3,225	91.6%
SG&A	1,993	53.9%	+ 19.9%	1,662	47.2%
Non-GAAP Operating profit	1,182	32.0%	− 24.5%	1,565	44.4%
【Reference】 Net Sales	18,986	—	+ 0.4%	18,910	—

- Investment was made with a focus on creatives.



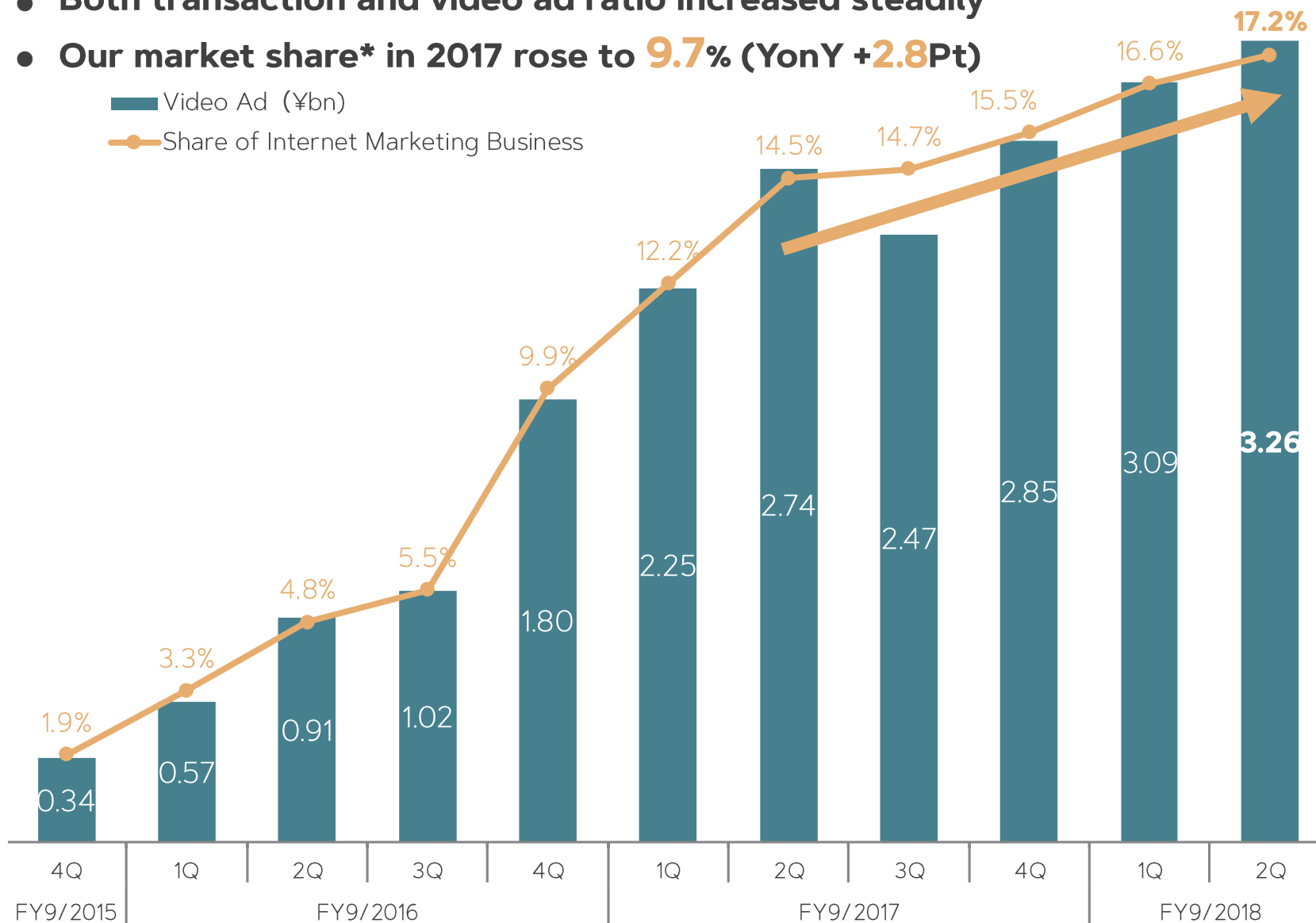
- Revenue expanded mainly in Asia, and the overseas revenue ratio posted a new record high.



※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 transaction and video ad ratio increased steadily

- Our market share* in 2017 rose to **9.7%** (YonY +**2.8Pt**)

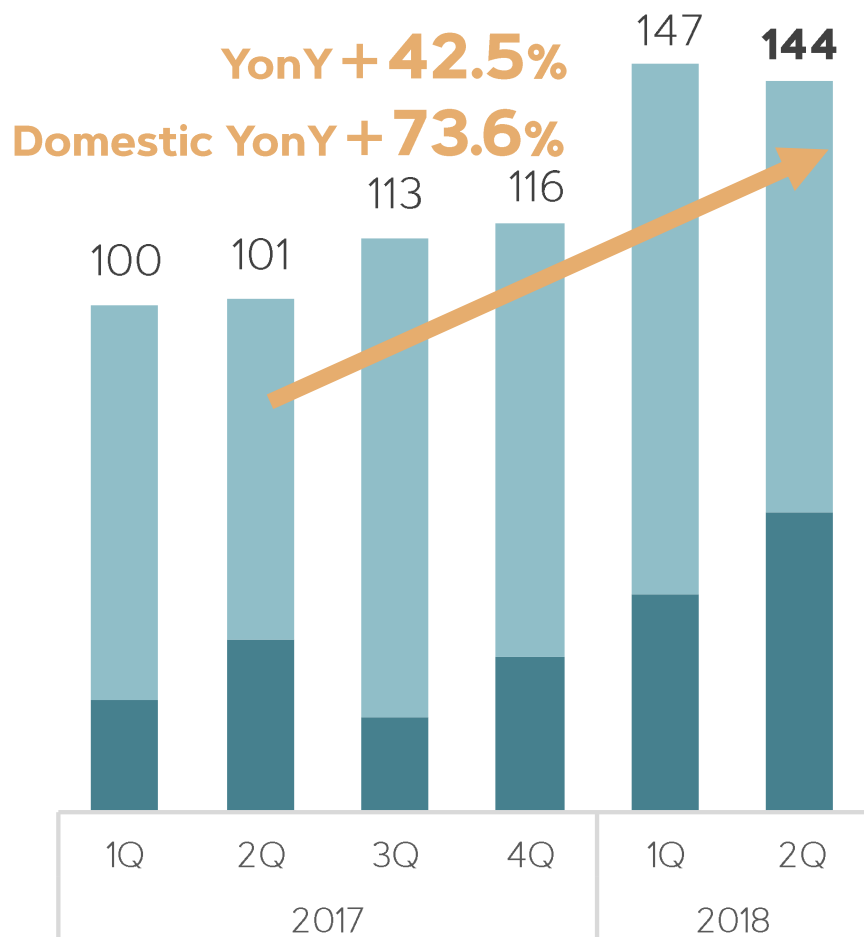


*We calculated the market share based on "Detailed Analysis of Advertising Expenses / Internet Advertisement Medium Expenses in 2017", D2C / CCI / Dentsu

- **Decreased from the previous quarter due to overseas seasonal factors, while the domestic business expanded steadily**

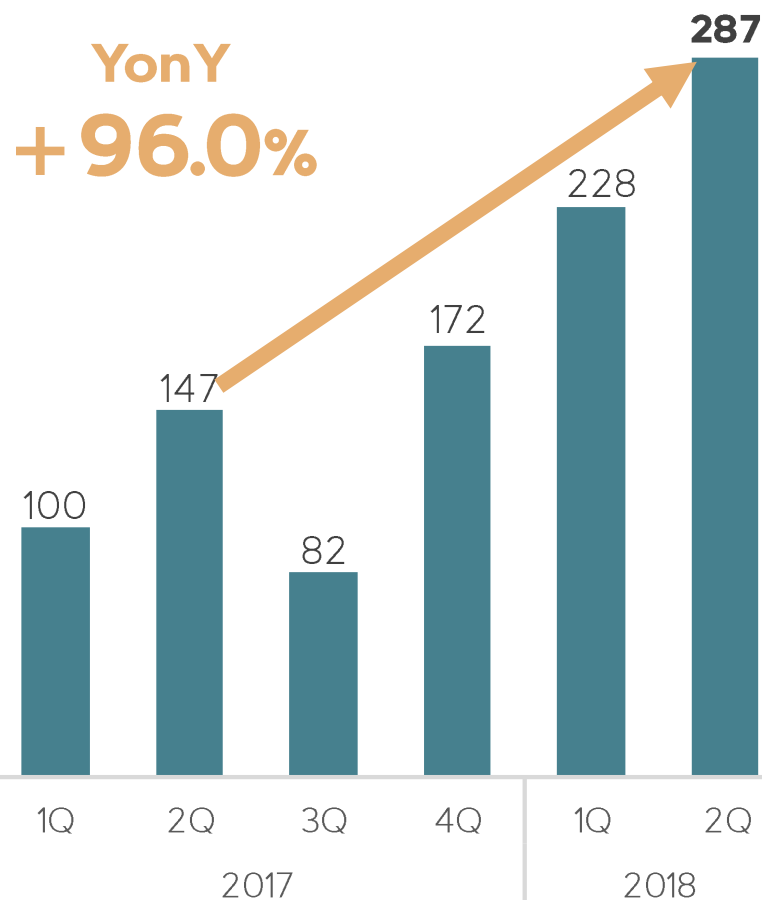
Revenue trend

■ Domestic ■ Overseas ※Revenue in 1Q/2017=100



Transactions Trend of performance advertising in brand advertising

※Revenue in 1Q/2017=100

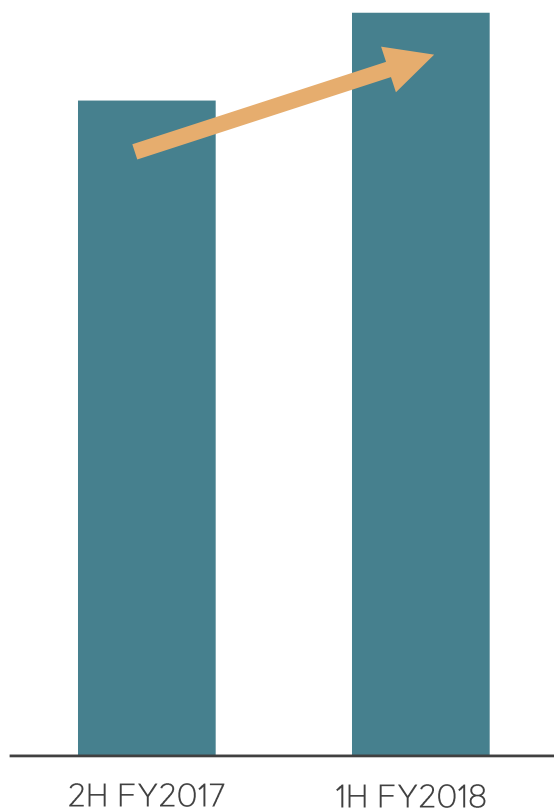


- **Social advertisements, including Facebook, grew steadily.**

Transaction of social ad

Compared to 2H of FY2017

+13.4%



- **Obtained two types of partner certification in February 2018**



**Indeed certification
partner system**



**Gold partner
certification**



**LINE Biz-Solutions
Partner Program
Line Biz Account Category**



**Sales Partner
Gold Certification**

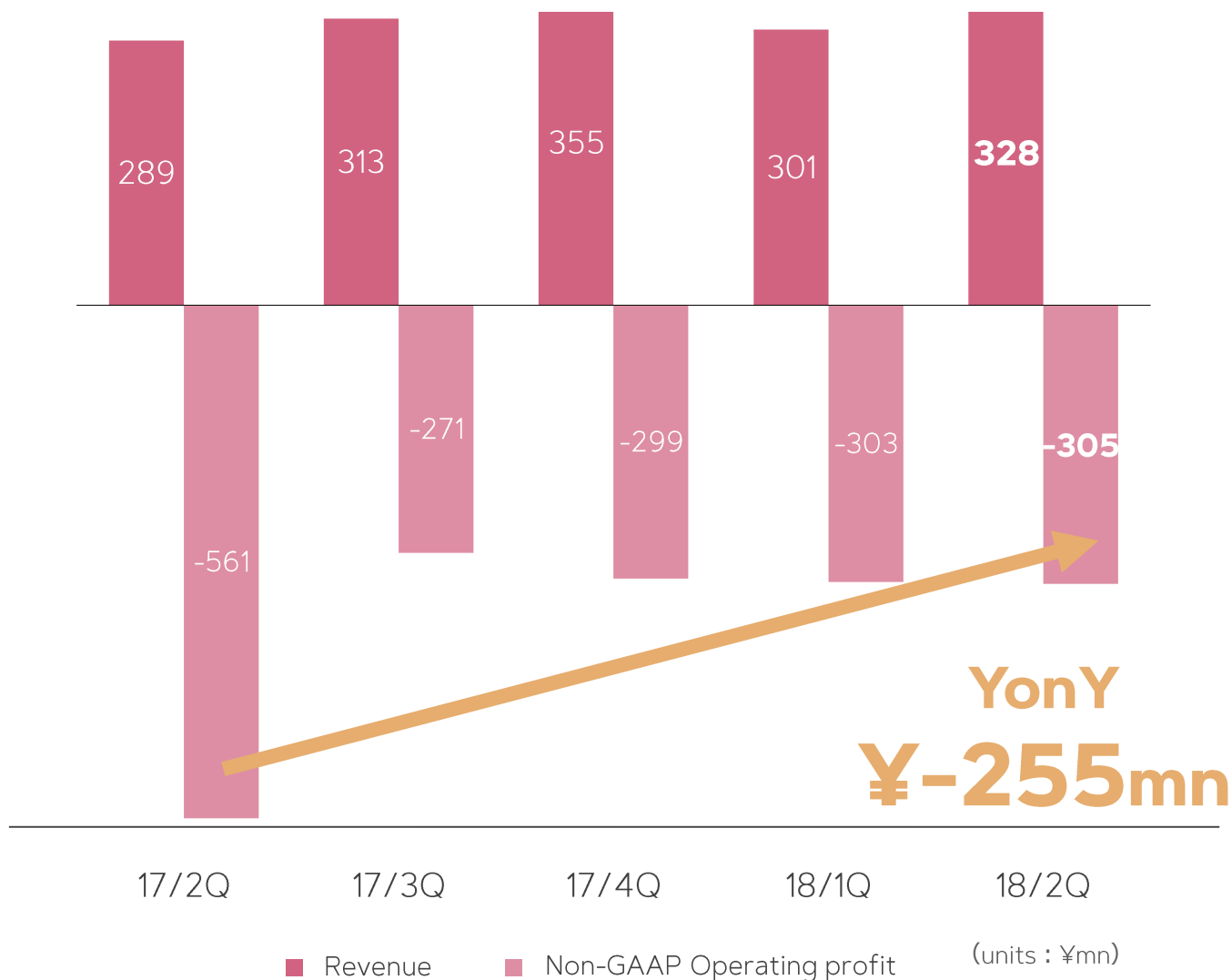
*LINE Biz-Solutions Partner Program:
System to certify sales/development partners of LINE's services for corporations

4. Media Content Business

- Advertising revenue increased in the Manga Content Business, reflecting an expansion in the sales of GANMA! ADs.
- Marketing investment continued, but because TVCM was not implemented as in the previous term, non-GAAP operating loss decreased by **¥255mn.**

(units:¥mn)	2Q FY9/18			2Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	328	100.0%	+13.3%	289	100.0%
Gross profit	201	61.2%	+3.2%	194	67.3%
SG&A	506	154.5%	− 33.0%	756	261.4%
Non-GAAP Operating profit	− 305	− 93.1%	+255	− 561	− 193.9%

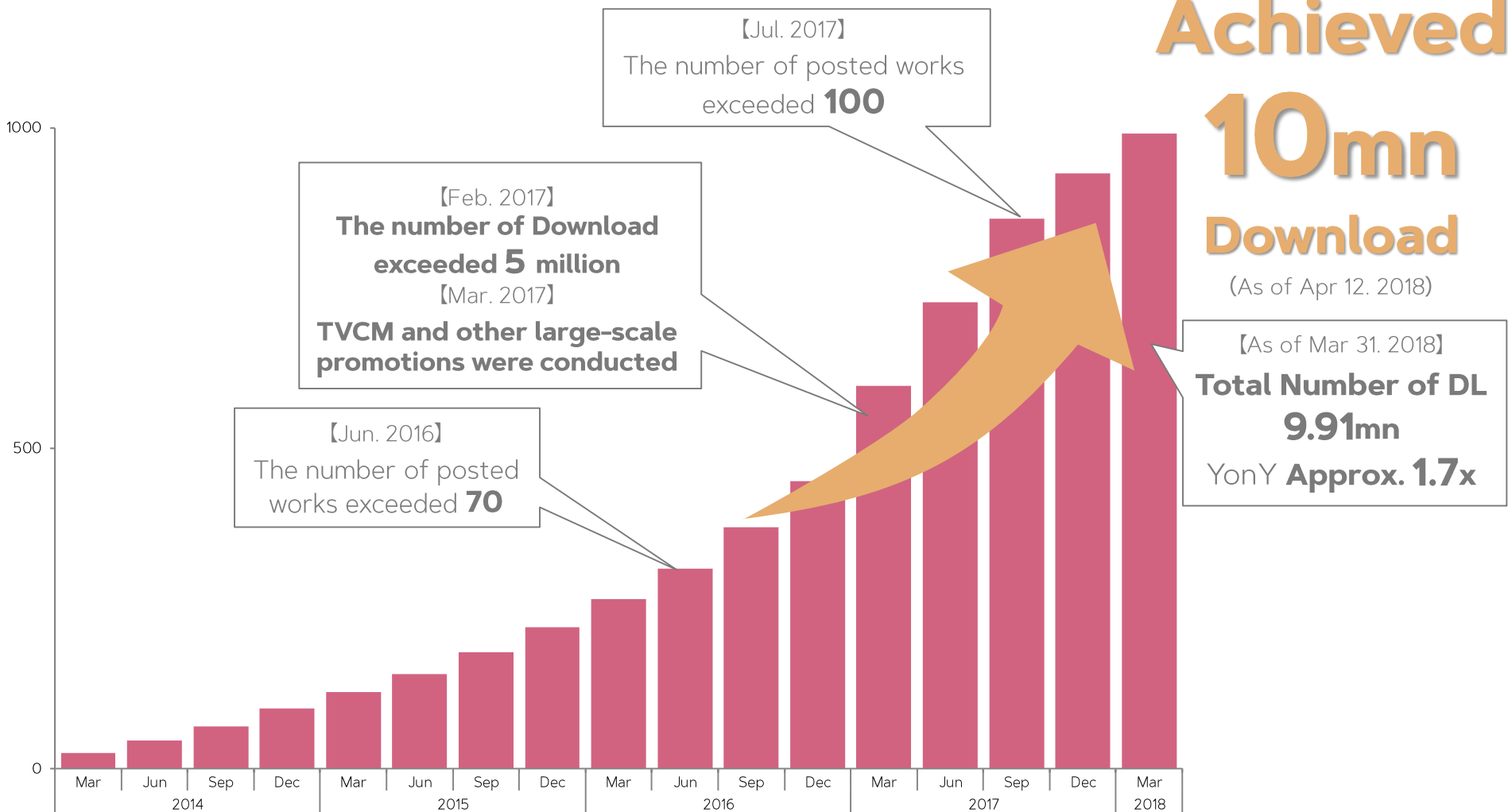
- In the changing market environment, revenue also increased quarter on quarter.
- Prior investments in GANMA! continued, mainly in online advertisements.





The number of users increased steadily and the scale of the media expanded steadily.

Accumulated Application Downloads Trend of GANMA!



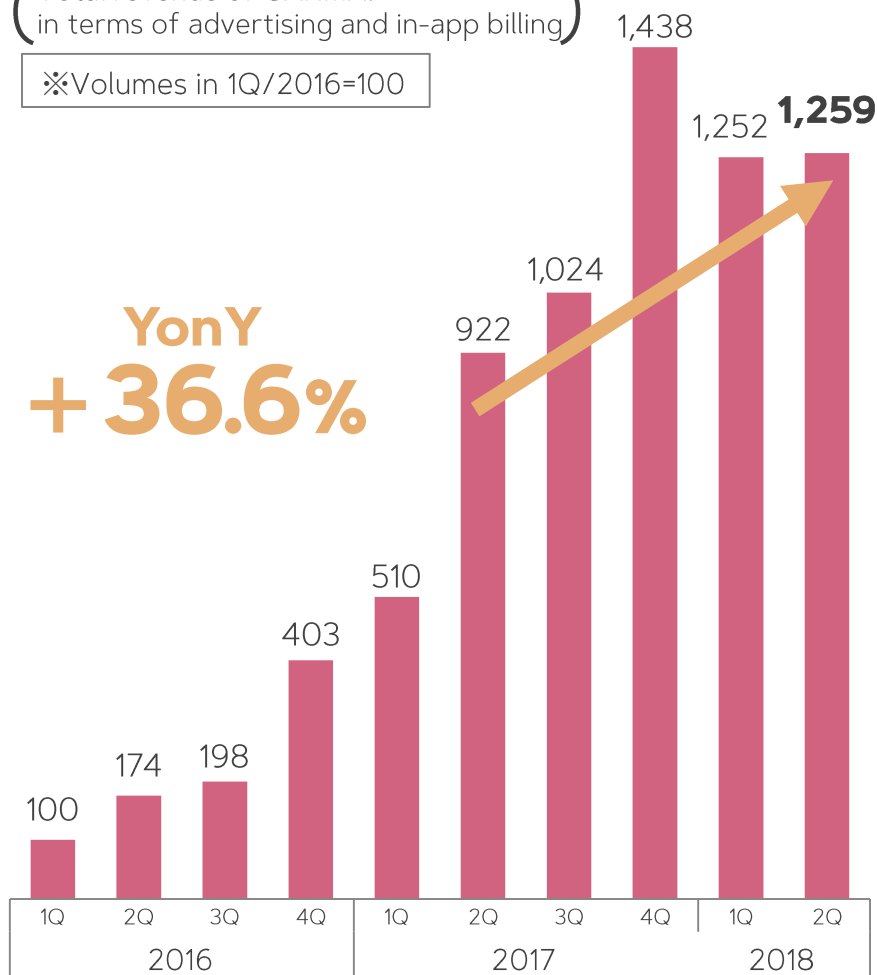
GANMA! Application revenue increased steadily.

Application Revenue Trend

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

※Volumes in 1Q/2016=100

**YonY
+ 36.6%**



Development the brand advertising market



■ Example inserted ad of
NTT DOCOMO, INC.





Foster user loyalty by enhancing the contents and multifaceted development

- ▶ **"Yakinikuten Sengoku"**
Animation production and in-app delivery

Cumulative views

1.2 million views



* December 17, 2017 to March 31, 2018

- ▶ **"Crest ☆ Scissors"**
Adoption for theater

May 2018

Performed in Tokyo/Osaka



- ▶ **"Catulus Syndrome" etc.**
Crowdfunding

Production of goods

Implemented and collected Funds 8.8 times higher than the targeted collection amount

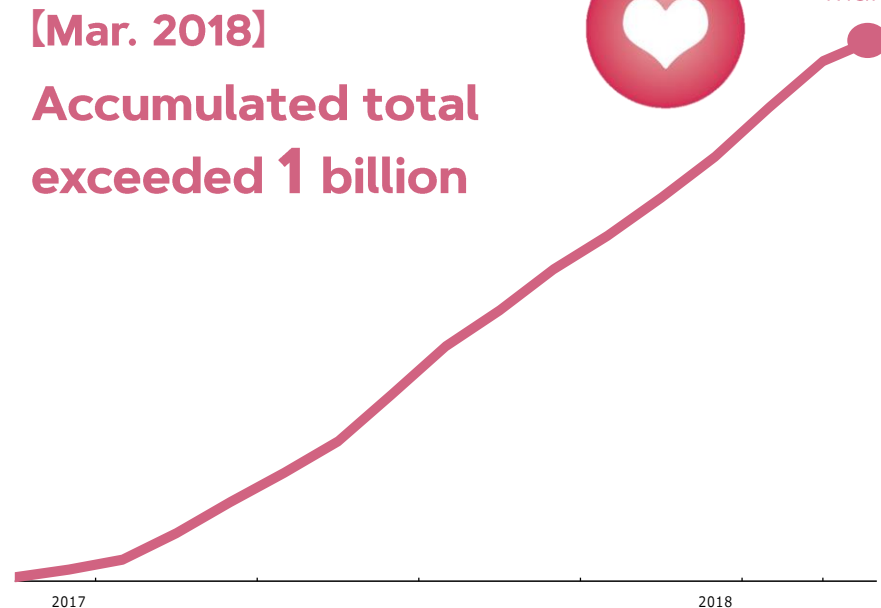


Support by posting hearts from users to Manga artists

[Mar. 2018]
Accumulated total exceeded 1 billion



Mar.



5. 4Q (Full Year) FY9/18 Earning Estimates

-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.

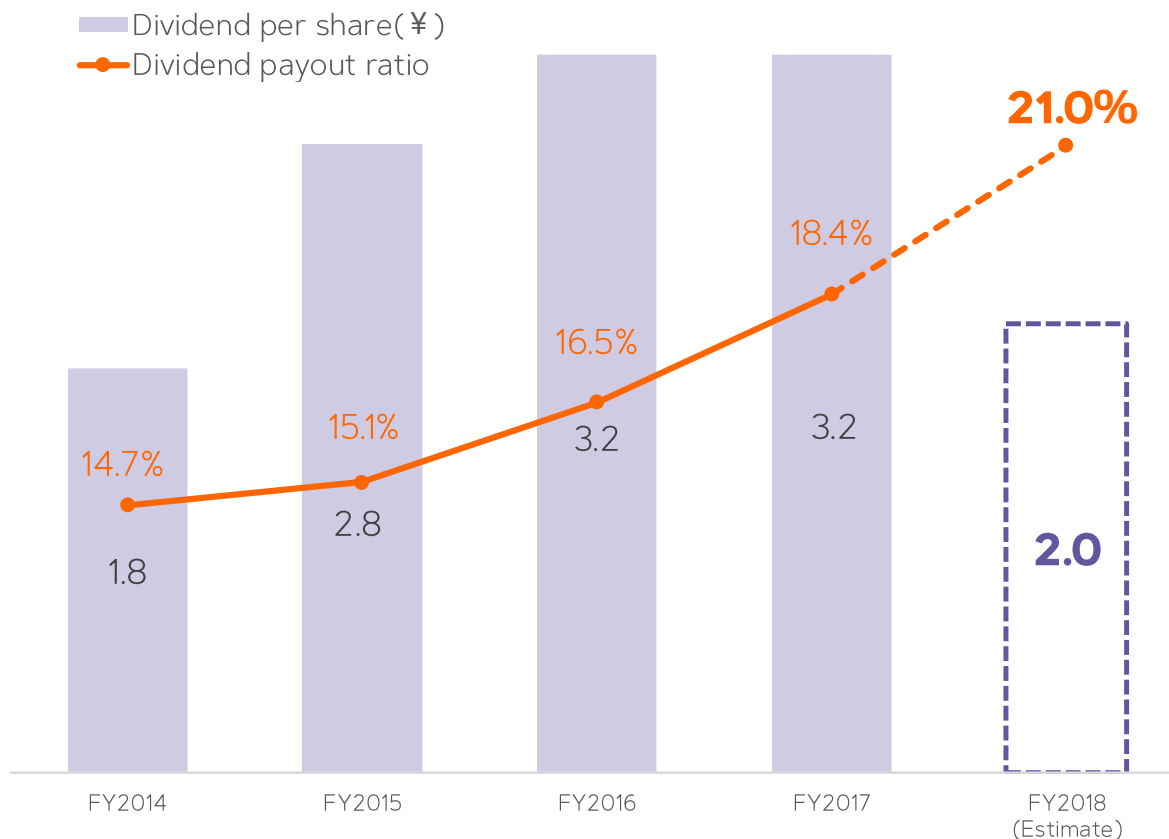
- While revenue of both segments is expected to increase, non-gaap operating profit will decrease because of making an investment for enhancement of competitiveness in an expanding Internet advertisement market.
- Aiming for mid-term profit expansion for the next fiscal years, we will strengthen the organization in terms of both quality and quantity with satisfactory recruitment.

(units:¥mn)	FY9/17			FY9/18			Expected growth rate
	Full Year Earnings	Earnings in 1H	Earnings in 2H	Full year Earnings Estimates	Earnings in 1H	Earnings Estimates for 2H	
Revenue	14,702	7,309	7,393	16,376	7,976	8,400	+ 11.4%
Non-GAAP Operating profit	2,325	1,343	982	1,718	1,018	700	− 26.1%
Profit for the period attributable to owners of the parent	2,211	1,743	468	1,204	754	450	− 45.6%
【Reference】 Net Sales	72,375	37,268	35,107	75,824	37,643	38,181	+ 4.8%
Dividend per share /Dividend payout ratio	¥3.2	18.4%		¥2.0		22.2%	

(units:¥mn)

	Revenue			Non-GAAP Operating profit		
	Earnings in FY9/17	Earnings Estimates for FY9/18	Expected growth rate	Earnings in FY9/17	Earnings Estimates for FY9/18	Expected growth rate
Internet Marketing Business	13,833	15,099	+9.2%	5,468	4,758	-13.0%
Media Content Business	1,163	1,537	+32.2%	△1,324	-1,054	—
Elimination or corporate	△294	-260	—	△1,820	-1,986	—
Consolidated	14,702	16,376	+11.4%	2,324	1,718	-26.1%

- The continuity and stability of dividend payments will be considered based on appropriate profit distribution corresponding to earnings growth.
- In principle, the minimum amount of the annual dividend per share is set at 2 yen, and dividends will be determined with a payout ratio of approximately 15% for profit attributable to owners of parent.



※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.

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 in human resources, a source of growth, as well as the implementation of performance-linked bonuses.

Thank you for your interest!

Contact Information

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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 April 26, 2018 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 March 31, 2017

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	Representative Director, Group President and Chief Executive Officer 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	¥2,120 million
Shares Issued	138,856,500 shares (Including 10,724,155 treasury shares)
Consolidated Workforce	1,097 full time employees, 1,376 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

April 26, 2018

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

Media Content Business

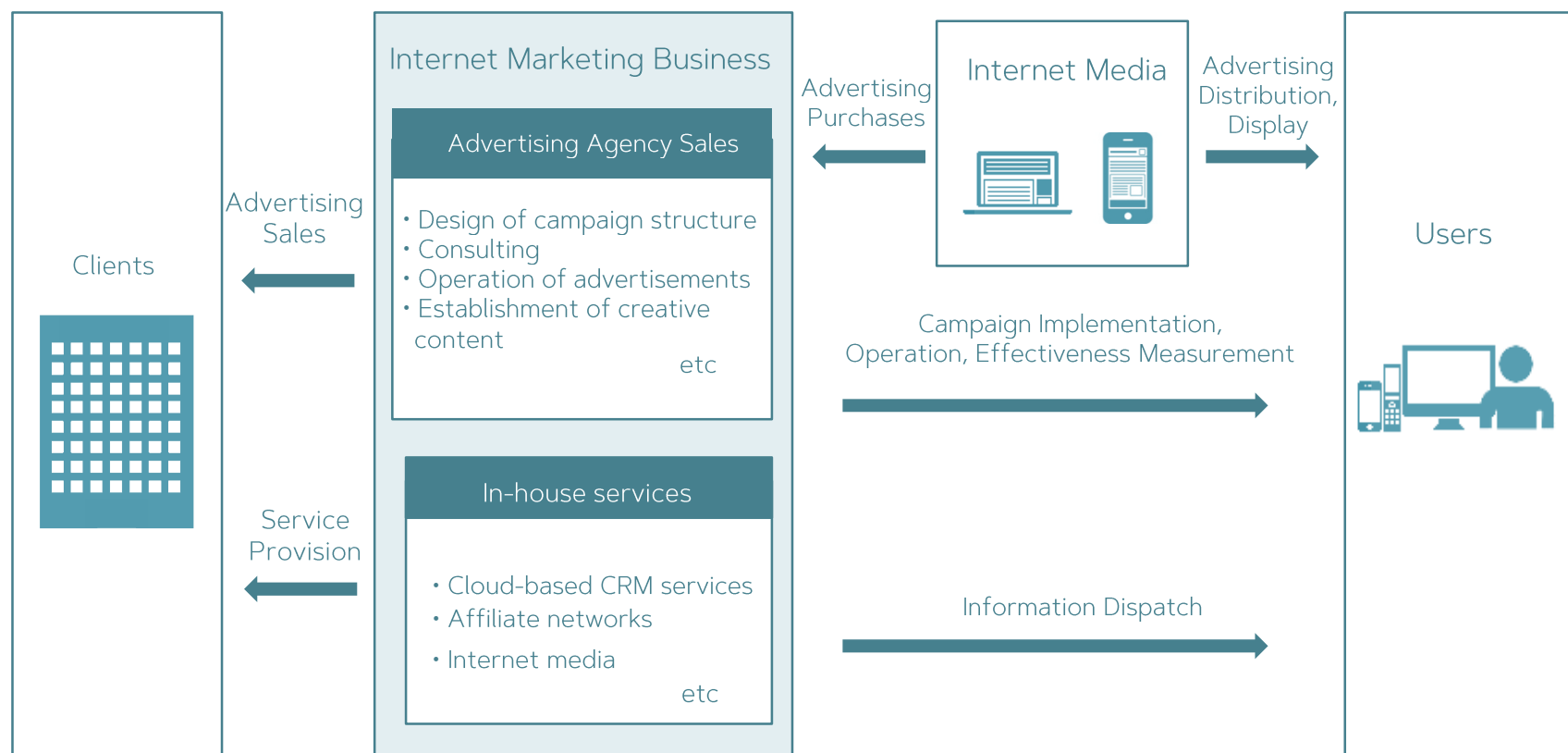
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business

New Business Development

SEPTENI VENTURES Co., Ltd.

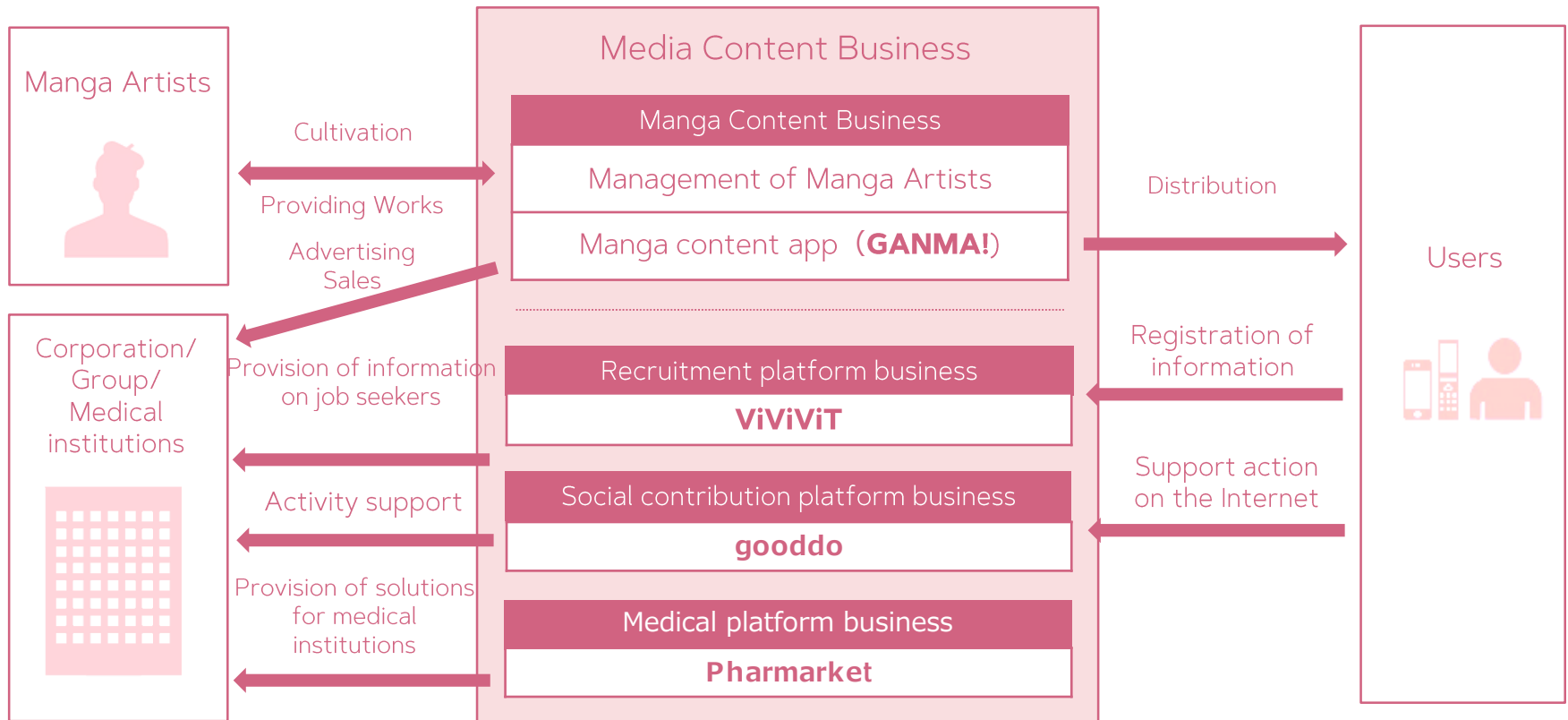
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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.

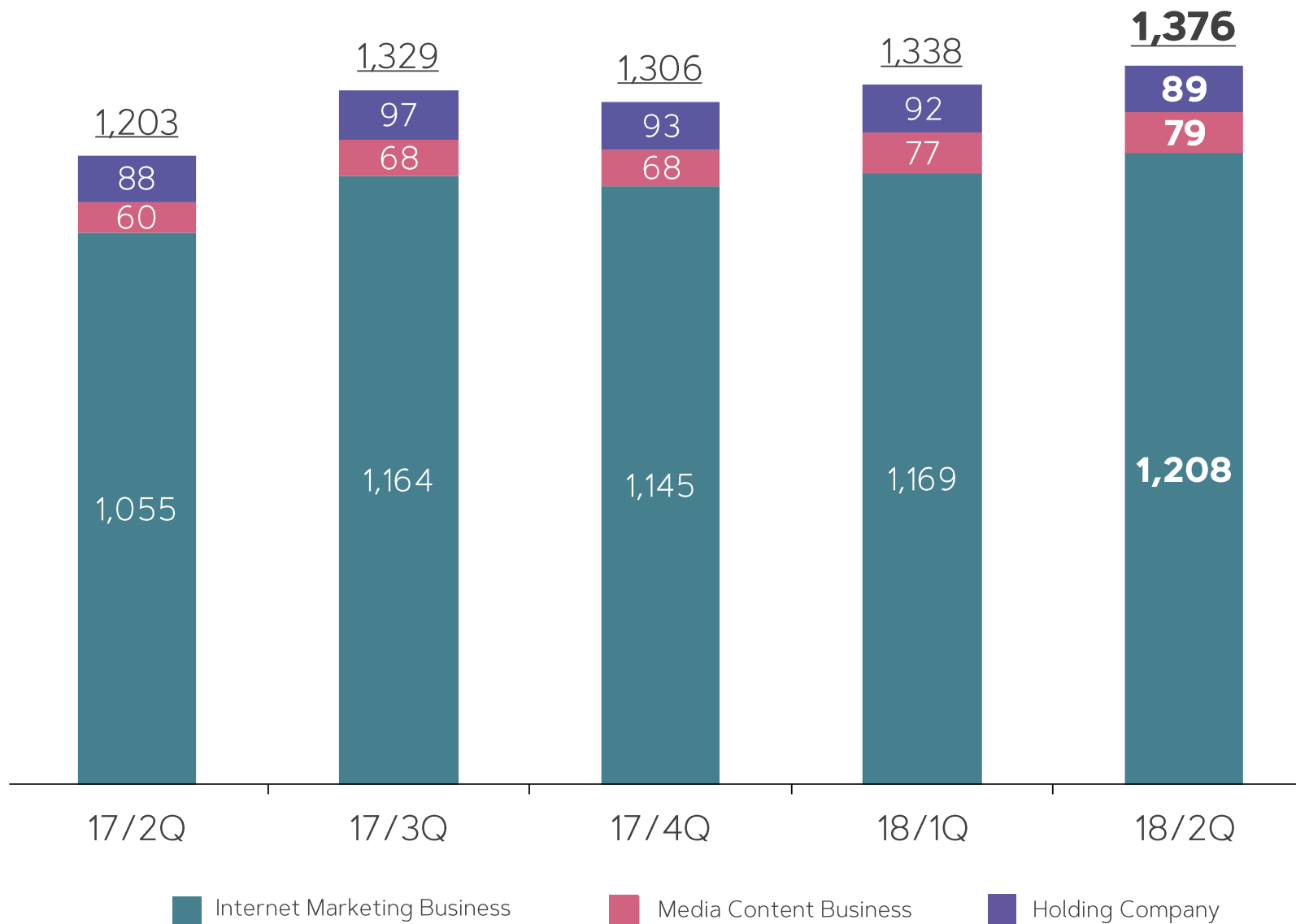


Consolidated Statement of Financial Position

(units:¥mn)

	End 2Q FY9/18	End FY9/17	Change	Main Changes
Current Assets	25,644	26,272	△629	Trade receivables: +516 Cash and cash equivalents: -824 Other current assets: -267
Non-current Assets	6,986	6,656	+330	Tangible fixed assets: +247 Investments accounted for using the equity method: -221 Other financial assets: +389
Total Assets	32,630	32,929	△299	
Current Liabilities	12,748	13,387	△638	Trade payables: +190 Income tax payable: -210 Other current liabilities: -391
Non-current Liabilities	4,458	4,319	+139	Other financial liabilities: +181
Total Liabilities	17,206	17,705	△499	
Total Capital	15,424	15,224	+200	Cash dividend paid: -410 Posting of net profit: +753
Total Liabilities and Capital	32,630	32,929	△299	

(units : ¥mn)	2Q FY9/18 (Oct-Mar)	Main Changes	2Q FY9/17 (Oct-Mar)
Cash Flows from Operating Activities	-47	Profit before tax from continuing operations: +1,221 Refund of corporate income tax: +450 Working capital: -745 Payment of corporate income tax: -831	-333
Cash Flows from Investing Activities	-180	Gain on sales of subsidiaries and affiliates' stocks: +372 Purchase of securities: -372 Purchase of tangible fixed assets: -280	-1,604
Cash Flows from Financing Activities	-590	Cash dividend paid: -410	-1,564
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-7		89
Net Increase (Decrease) in Cash and Equivalents	-824		-3,412
Cash and Equivalents at Term End	14,695		12,069



Enhancement of corporate governance

January 2018 **Aiming to establish a flexible and robust management foundation**

Change to Monitoring type Board of Directors

Introduction of entrusted executive officer system

- ✓ **Of the Board of Directors, the majority are independent outside directors**
(Since January 2018, four out of seven directors are outside directors)
- ✓ The Board of Directors delegates the authorities for decision-making and execution of the business to the entrusted executive officers
- ✓ The Board of Directors supervises (monitors) the Group Executive Officers

Investment in human resources and measures against human rights issues

【Encouraging the active participation of women】

【Discrimination / harassment measure】

【Supporting culture and sports】

Ratio of female managers

8% → 14%

(Including overseas: 22%)
(2014) (2017)



SE PALLY
RAINBOW

Supporting LGBT
Commenced application
of welfare program to
same-sex partners

Top athlete of fencing (sabre) player, Shihomi Fukushima joined the Company April 2018



【Work style reform】

Best Companies to Work For

(Selected **7** times)

Great Place to Work(R) Institute Japan

