



Business Results for 3Q Fiscal Year September 2018

July 26, 2018

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

1. Consolidated Earnings Overview in 1-3Q FY2018
2. Quarterly Consolidated Earnings Overview
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4. Media Content Business
5. Revision of business forecast and future policy
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- 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. Consolidated Earnings Overview in 1-3Q FY2018

Consolidated

Revenue **¥11,525_{mn}** (Up 6.3% year on year)

Non-GAAP Operating Profit **¥837_{mn}** (Down 51.9% year on year)

Revenue bellowed plan, Non-GAAP operating profit widely decrease

Internet Marketing Business

Revenue **¥10,753_{mn}** (Up 5.0% year on year)

Non-GAAP Operating Profit **¥3,164_{mn}** (Down 23.5% year on year)

The transaction volume of existing customers fell quarter on quarter, so domestic revenue was sluggish.

Media Content Business

Revenue **¥993_{mn}** (Up 23.0% year on year)

Non-GAAP Operating Profit **¥-821_{mn}** (Deficit reduction year on year)

Focusing on improvement of product while curtailing promotional costs

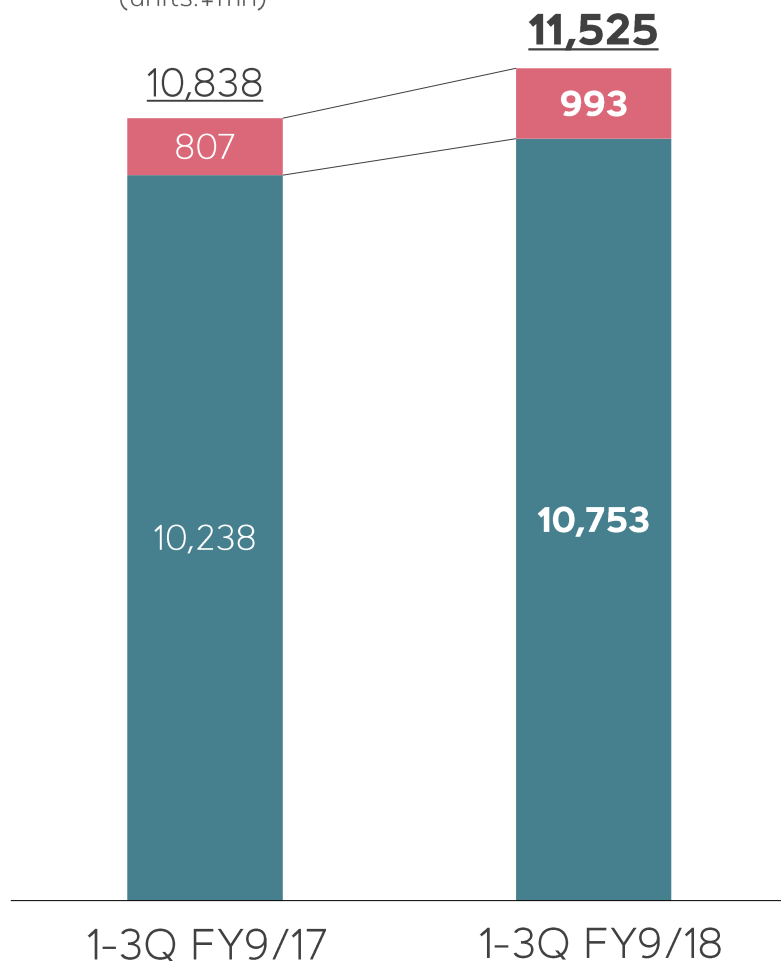
- Revenue increased by **6.3%** year on year.
- Profit decreased significantly because an increase in costs due to upfront investment to strengthen medium-term competitiveness could not be offset by increased income.

(units:¥mn)	1-3Q FY2018			1-3Q 2017		Full Year FY9/18 Estimate (Previous Forecast)	Achievement Rate
	Value	Share	YY Change	Value	Share		
Revenue	11,525	100.0%	+6.3%	1,0838	100.0%	16,376	70.4%
Gross profit	9,607	83.4%	-0.3%	9,637	88.9%	—	—
SG&A	8,782	76.2%	+11.3%	7,891	72.8%	—	—
Non-GAAP Operating profit	837	7.3%	-51.9%	1,739	16.0%	1,718	48.7%
Operating profit	826	7.2%	-50.4%	1,665	15.4%	—	—
Profit for the period from continuing operations	768	6.7%	-22.5%	991	9.2%	—	—
Profit for the period from discontinued operations	—	—	—	883	8.2%	—	—
Profit for the period attributable to owners of the parent	768	6.7%	-59.1%	1,879	17.3%	1,204	63.8%
【Reference】 Net Sales	54,336	—	+0.6%	54,026	—	75,824	71.7%

Earnings by Business Segments (Oct-Jun)

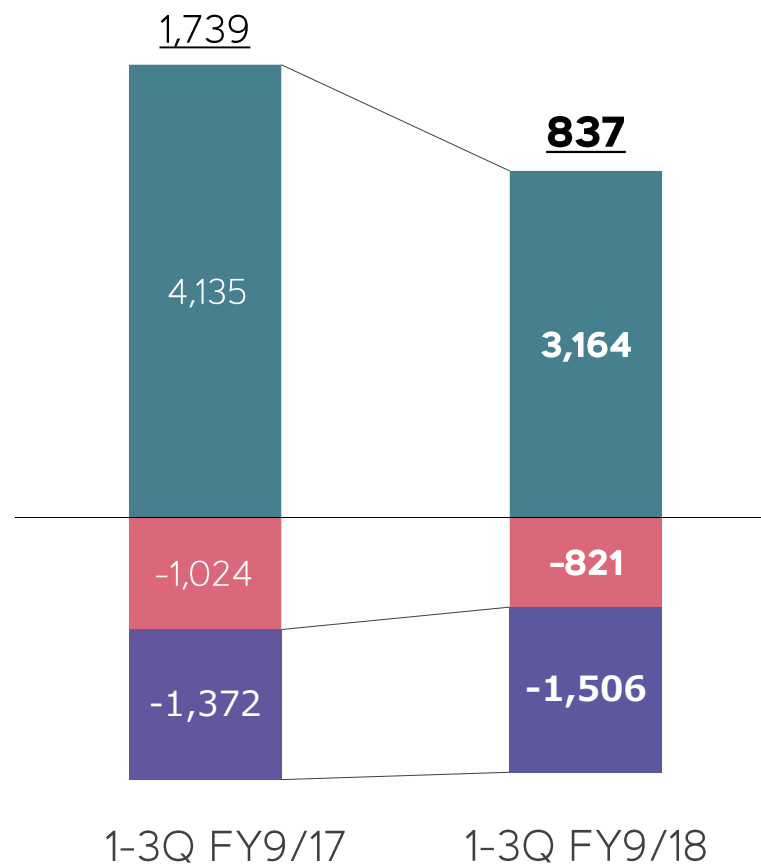
Revenue

(units:¥mn)



Non-GAAP Operating profit

(units:¥mn)



Internet Marketing



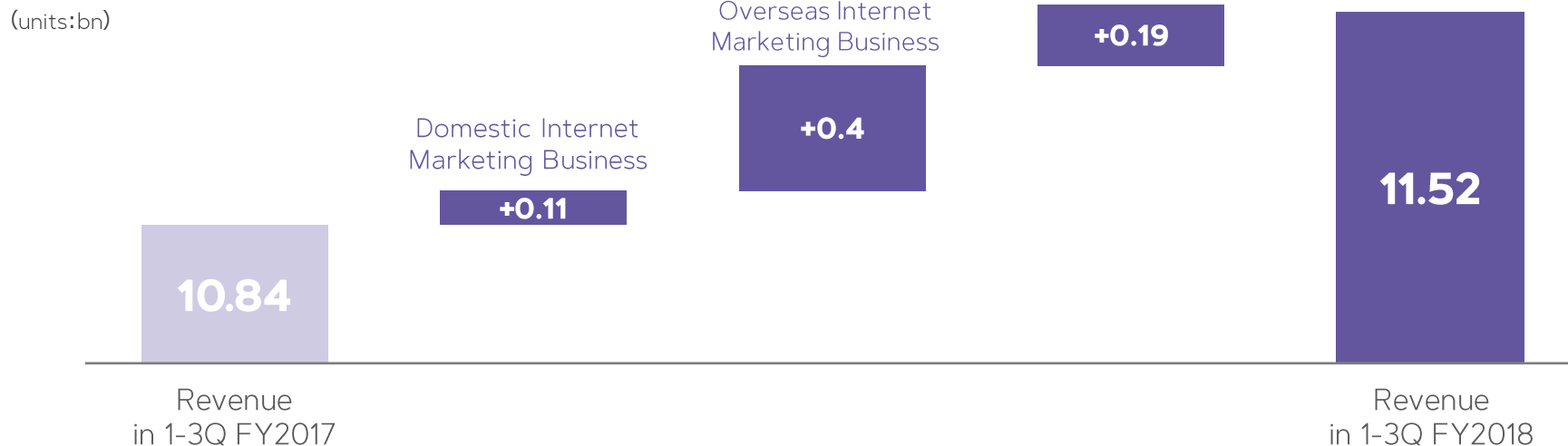
Media Content



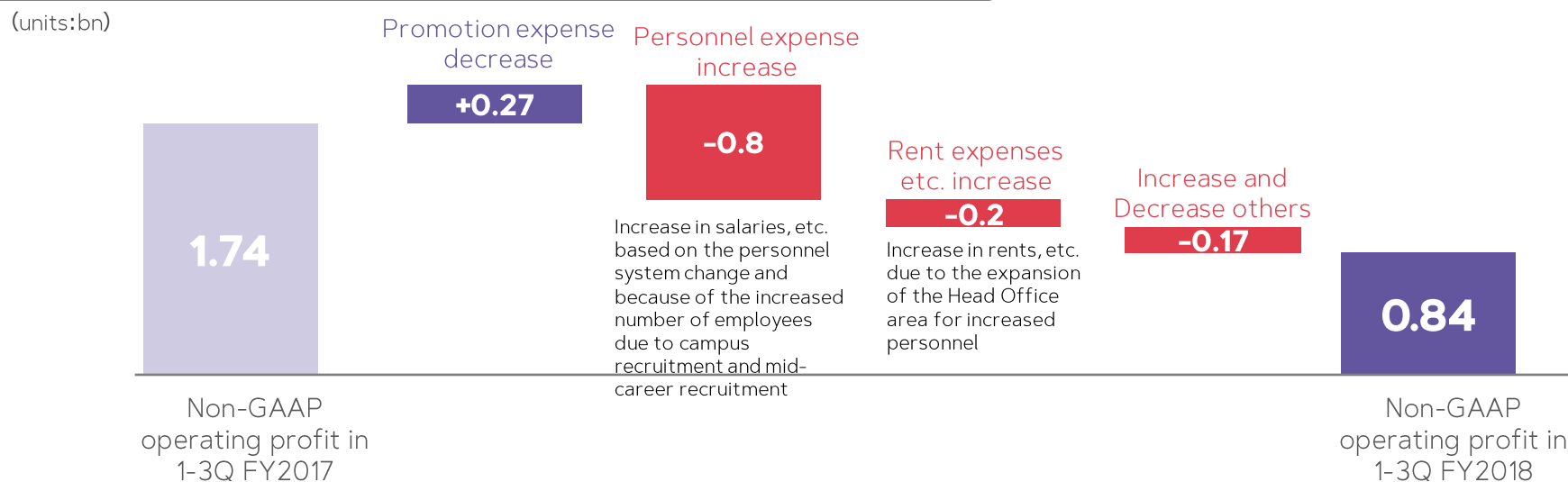
Adjustment (corporate expenses, etc.)

*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 revenue



Main factors contributing to change in Non-GAAP operating profit

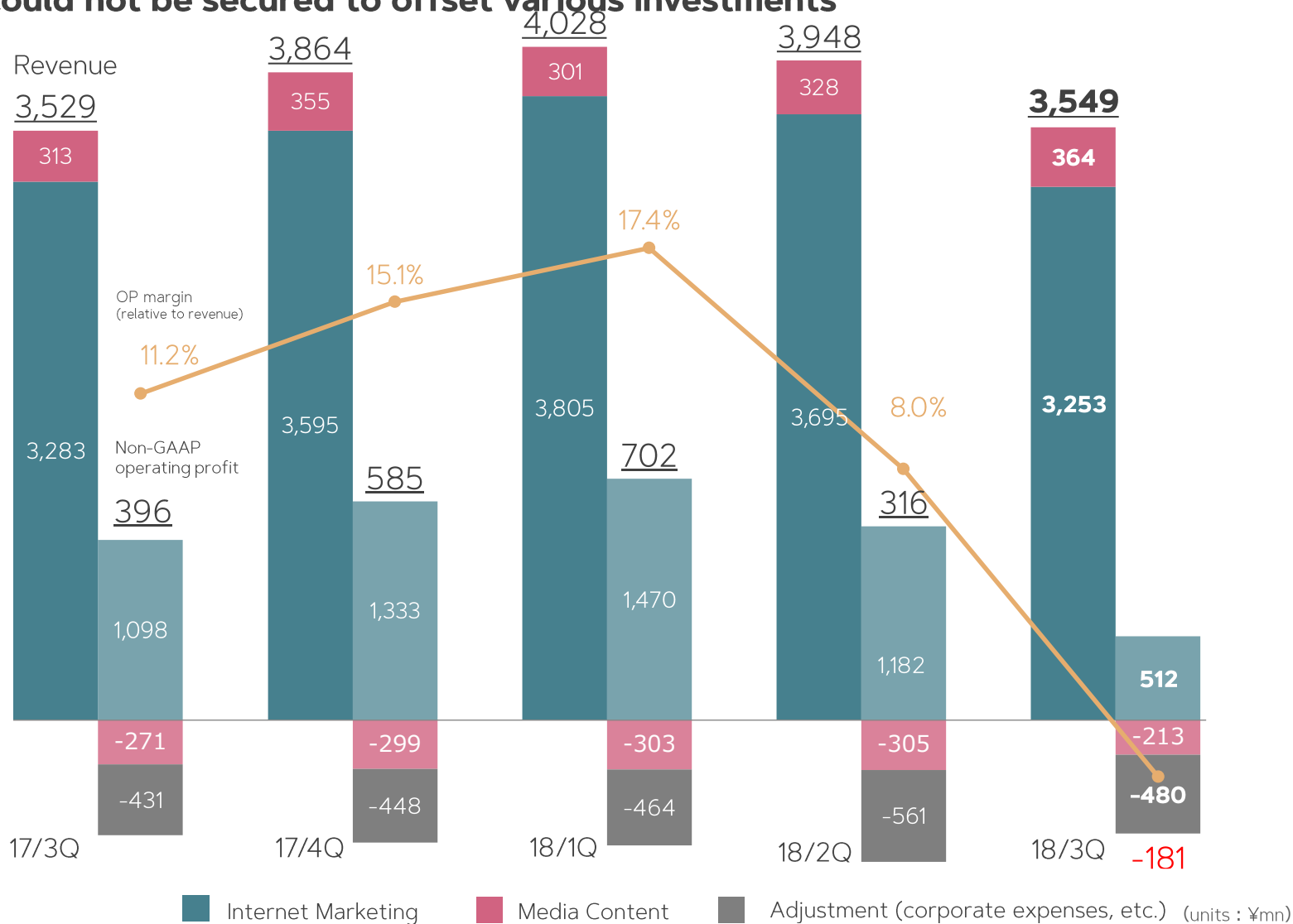


2. Quarterly Consolidated Earnings Overview

- The domestic revenue of the Internet Marketing business decreased, while the Media Content business was steady
- The cost rate increased due to creative investment to enhance competitiveness
- In addition to an increase in personnel expenses due to a personnel system change, the SG&A ratio went up, with 125 new graduate employees joining in April

(units:¥mn)	3Q FY9/18			3Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	3,549	100.0%	+0.6%	3,529	100.0%
Gross profit	2,865	80.7%	-6.9%	3,076	87.2%
SG&A	3,047	85.8%	+14.0%	2,672	75.7%
Non-GAAP Operating profit	-181	-5.1%	-	396	11.2%
Operating profit	-183	-5.2%	-	394	11.2%
Profit for the period from continuing operations	15	0.4%	-89.1%	136	3.8%
Profit for the period attributable to owners of the parent	14	0.4%	-89.3%	136	3.8%
【Reference】 Net Sales	16,693	—	-0.4%	16,757	—

- The operating profit margin deteriorated because sufficient revenue growth could not be secured to offset various investments

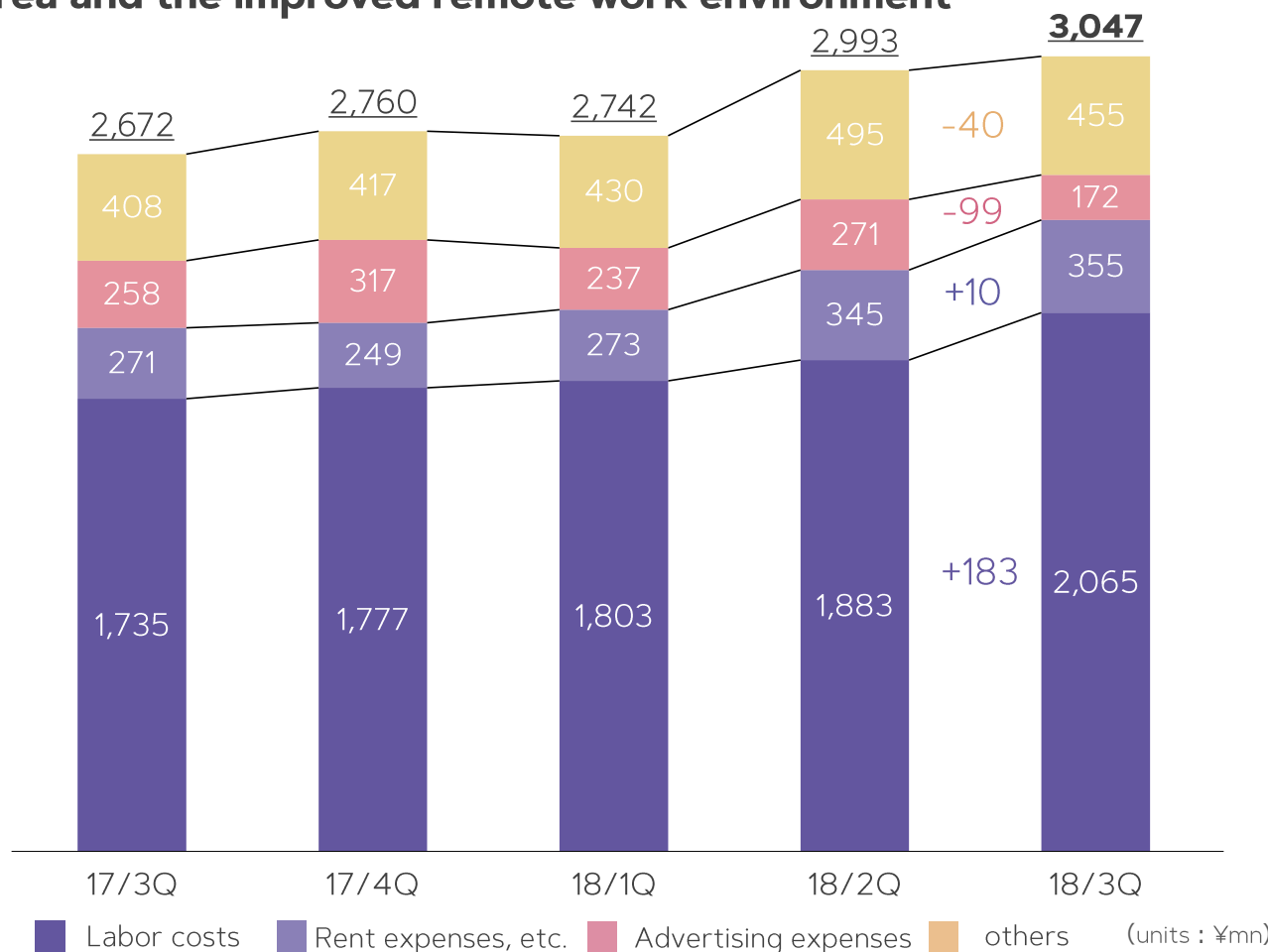


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

*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

- Advertising expenses reduced by **99 million yen**, mainly in the promotions of the Manga Content business
- Personnel expenses increased because of a personnel increase of **168 persons** year on year and a salary increase due to the personnel system change
- Rents and supplies expenses increased year on year associated with the expanded office area and the improved remote work environment

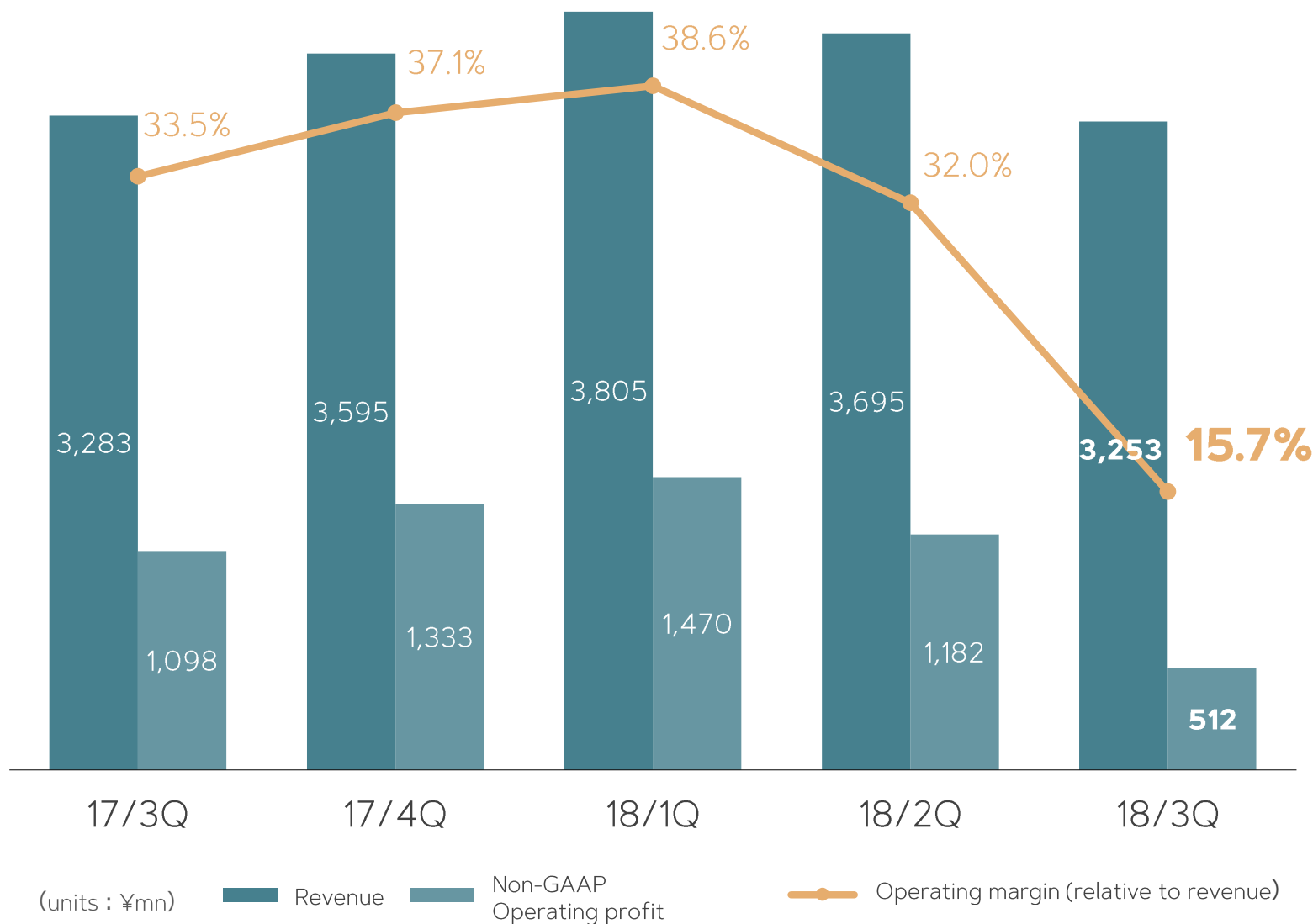


3. Internet Marketing Business

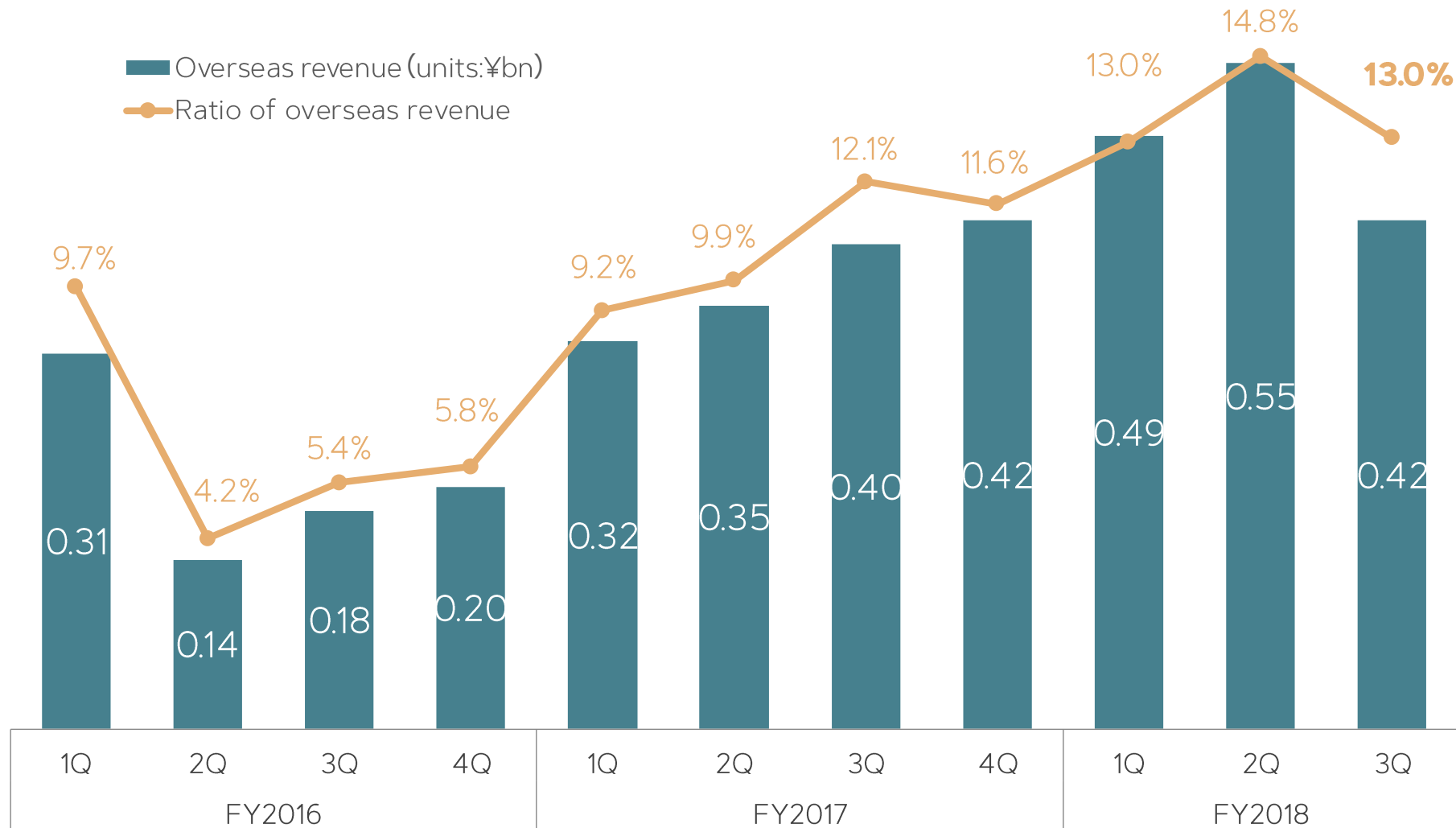
- Revenue decreased because the transaction volume of existing customers fell
- The cost rate increased due to creative investment to enhance competitiveness
- Acquisition trend of new clients for 4th quarter is going favorably

(units : ¥mn)	3Q FY9/18			3Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	3,253	100.0%	-0.9%	3,283	100.0%
Gross profit	2,705	83.1%	-8.2%	2,946	89.7%
SG&A	2,193	67.4%	+19.3%	1,838	56.0%
Non-GAAP Operating profit	512	15.7%	-53.4%	1,098	33.5%
【Reference】 Net Sales	16,548	—	-1.5%	16,794	—

Internet Marketing Business Quarterly Earnings Trend

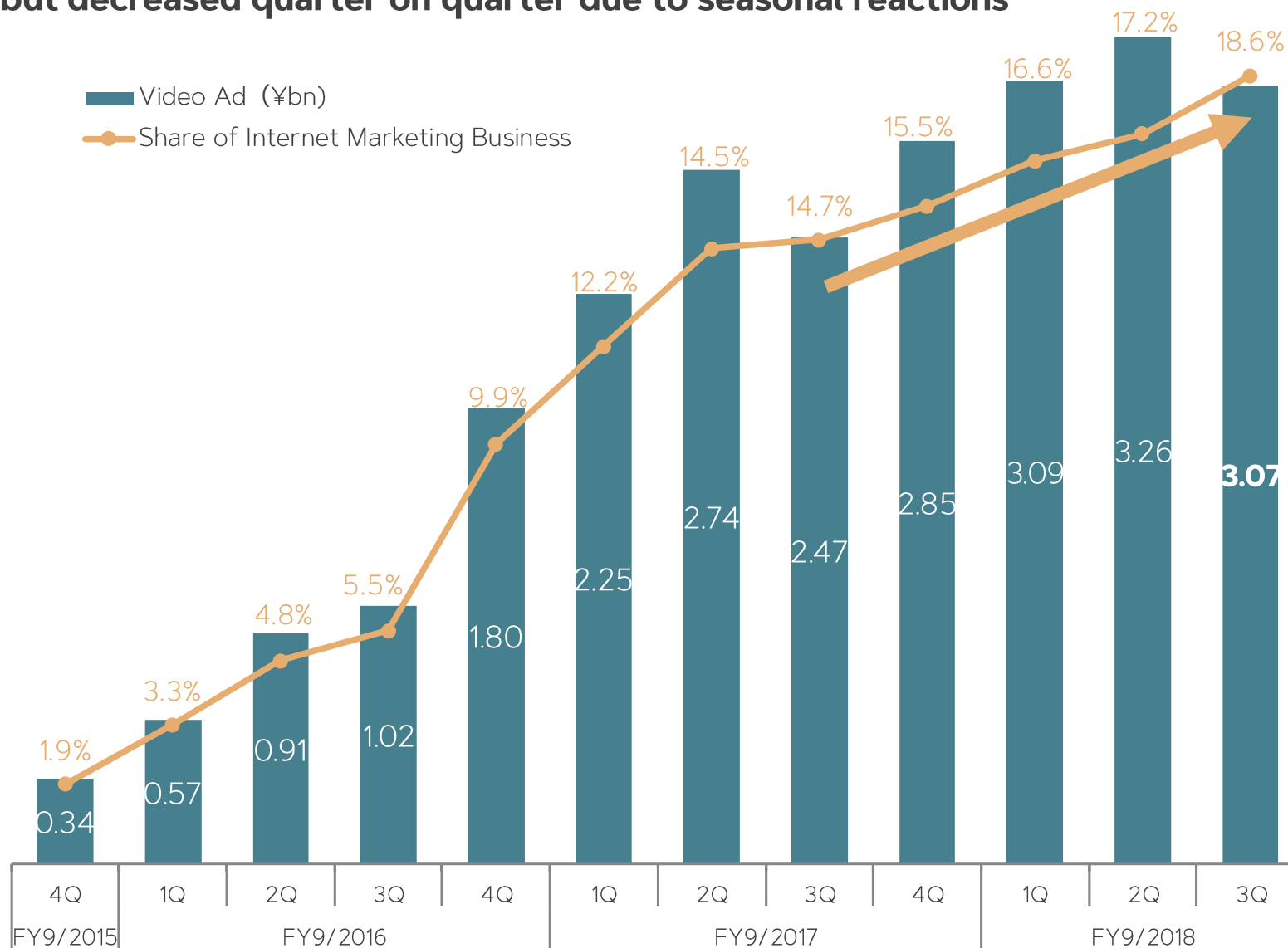


- Revenue decreased quarter on quarter due to a reduction in the scale of certain projects, though trend growth continues



※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)

- Transactions increased by **24.2%** year on year, but decreased quarter on quarter due to seasonal reactions



- Revenue expanded steadily thanks to the growth of the domestic brand advertising project

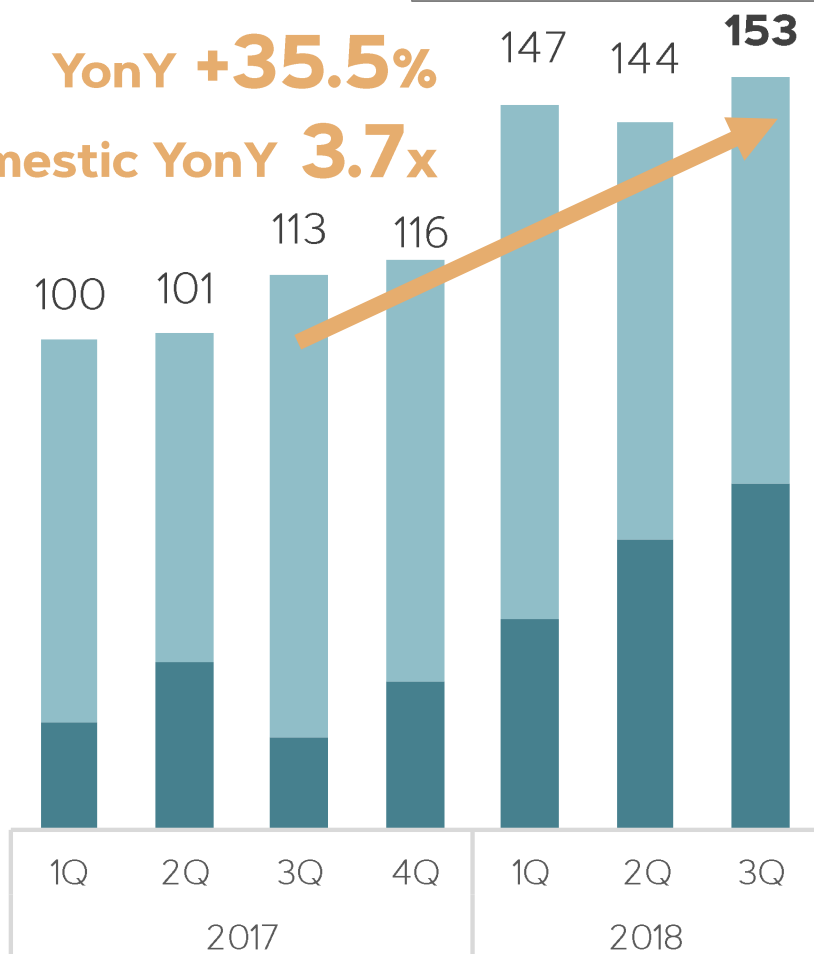
Revenue trend

■ Domestic ■ Overseas

※Revenue in 1Q/2017=100

YonY +35.5%

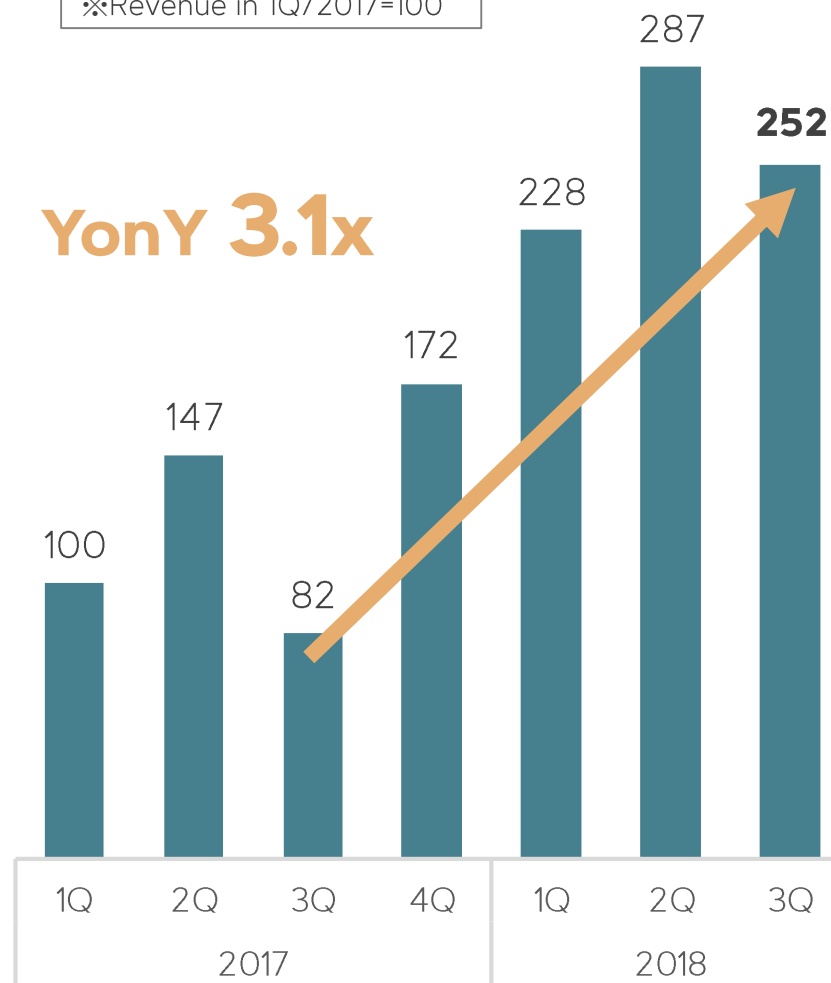
Domestic YonY 3.7x



Transactions Trend of performance advertising in brand advertising

※Revenue in 1Q/2017=100

YonY 3.1x



Partner certification obtained

- In the LINE Biz-Solutions Partner Program provided by LINE to certify and honor advertising companies, etc., PYXIS was certified as an **Ad Tech Partner**, which was **the third certification** for the Septeni Group *1



*2



*1 Oct. 2017, Septeni was certified as Gold Sales Partner for the April-September period 2017

*2 Feb. 2018, TRICORN was certified as Gold Sales Partner in the Line Biz Account Category in 2017

Initiatives for using AI in the advertising business

- As the future growth drivers, AI and data utilization were developed, and two tools using AI were released
 - “**Precog for Action**” to improve advertising effects
 - “**Precog for App**” to streamline advertising operations




Midterm Business Policies (since FY2017) Basic policies (written again)

Expand advertising business **globally**

Acceleration of global development through M&A

- **A basic agreement was concluded on the acquisition of shares (conversion into subsidiary) of eMFORCE Inc. which is now a subsidiary of the Korean digital agency, OPT Holding Inc. (announced on July 26, 2018)**

Company name	eMFORCE Inc. 
Established	November, 2000
Head office	Seoul
Employees	Approx. 270 persons
Business results in FY Dec. 2017	Advertising transaction volume: 9.75 billion yen Revenue: 2.13 billion yen Operating profit: 172 million yen (1KRW=0.0986 yen)

(Reference) Trend of our overseas revenue ratio

FY September 2018

Current overseas revenue ratio

Approx. **15%** (estimate)



Overseas revenue ratio after acquisition of eMFORCE

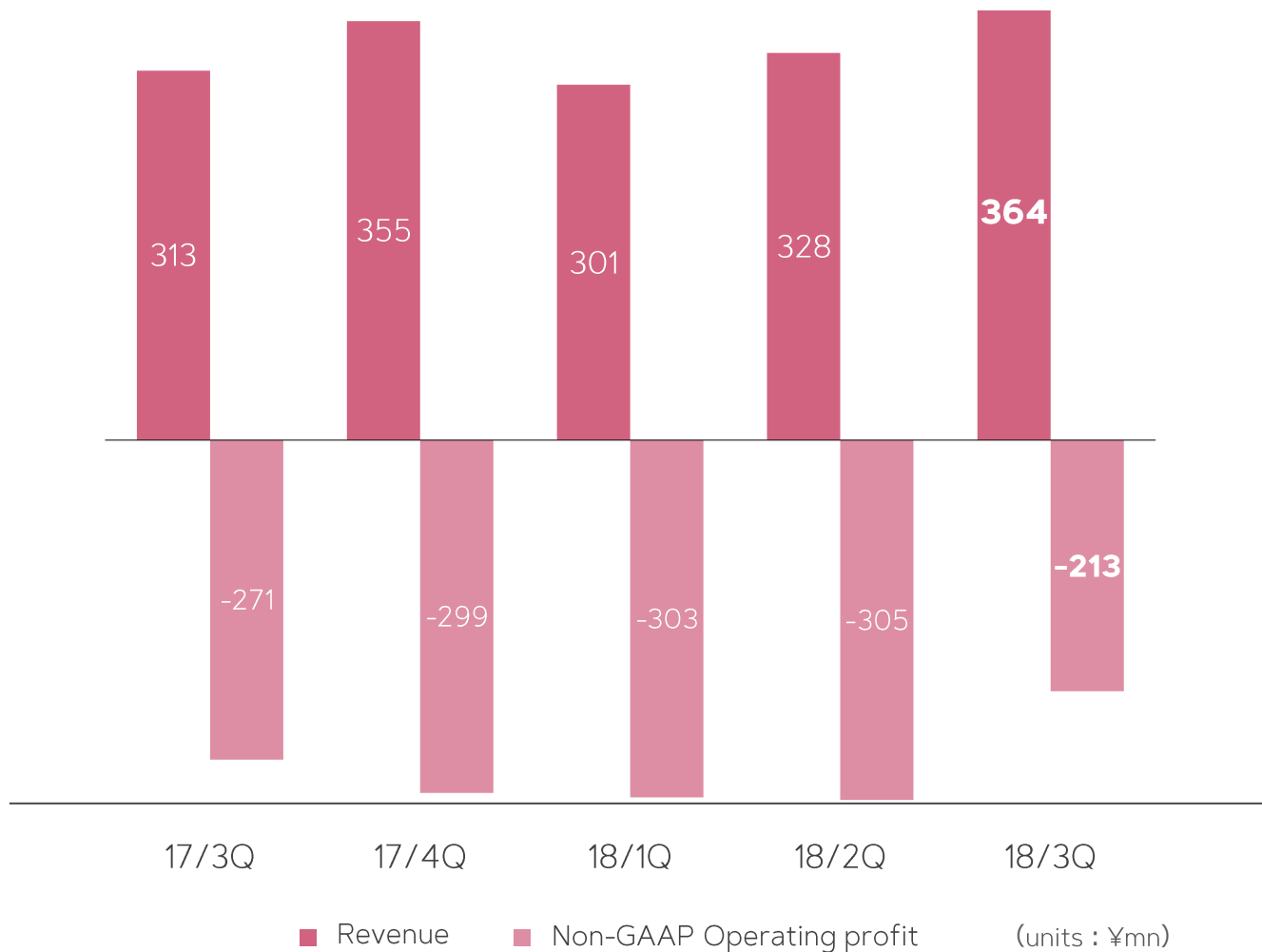
Approx. **25-30%** (for reference)

4. Media Content Business

- Advertising revenue of the Manga Content business increased
- Non-GAAP operating loss reduced by **58 million yen** due to the curtailment of promotional expenses

(units:¥mn)	3Q FY9/18			3Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	364	100.0%	+16.4%	313	100.0%
Gross profit	227	62.3%	+12.8%	201	64.3%
SG&A	440	120.8%	-7.1%	473	151.4%
Non-GAAP Operating profit	-213	-58.4%	+58	-271	-86.6%

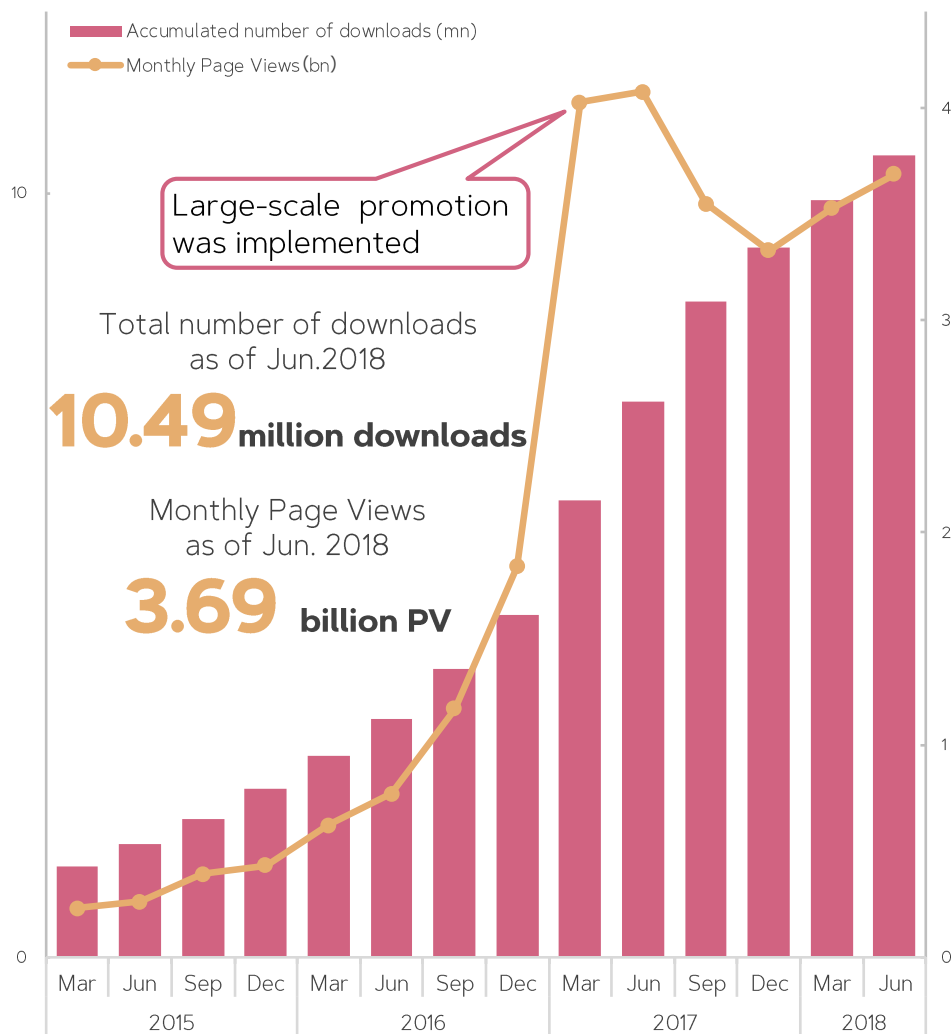
- Revenue expanded steadily year on year
- Promotional investment for GANMA! was reduced in order to focus on the enhancement of the contents





GANMA! The number of downloads and PVs increased steadily

Accumulated application downloads of GANMA!
And Monthly page views

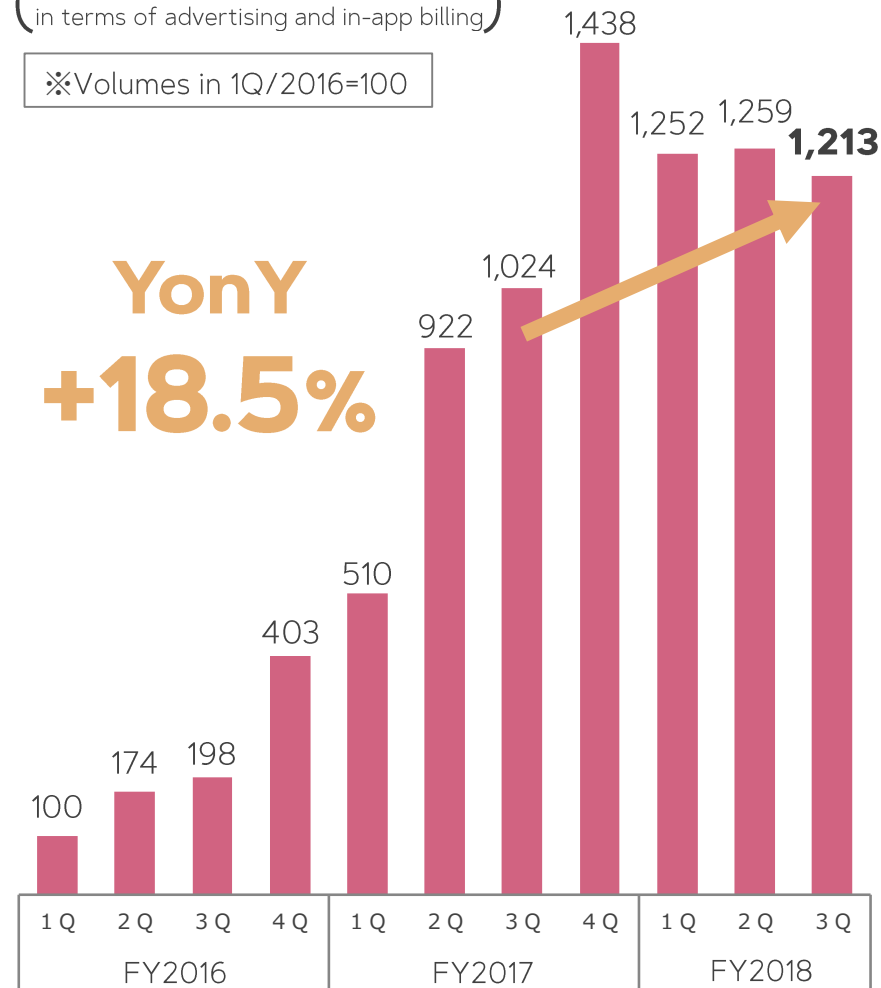


Application Revenue Trend

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

※Volumes in 1Q/2016=100

**YonY
+18.5%**





Revenue by in-app billing, which has been a focus from the second half of this fiscal year, increased strongly

Multifaceted development of contents

Official EC website GANMA! SHOP launched

Opened in conjunction with the commemorative event to the achievement of 10 million DLs of the GANMA! app



GANMA! goods corner was established at SHIBUYA TSUTAYA for about a month



"Yakinikuten Sengoku" TV animation broadcasting commenced

Broadcast from Tuesday, July 3 at TOKYO MX

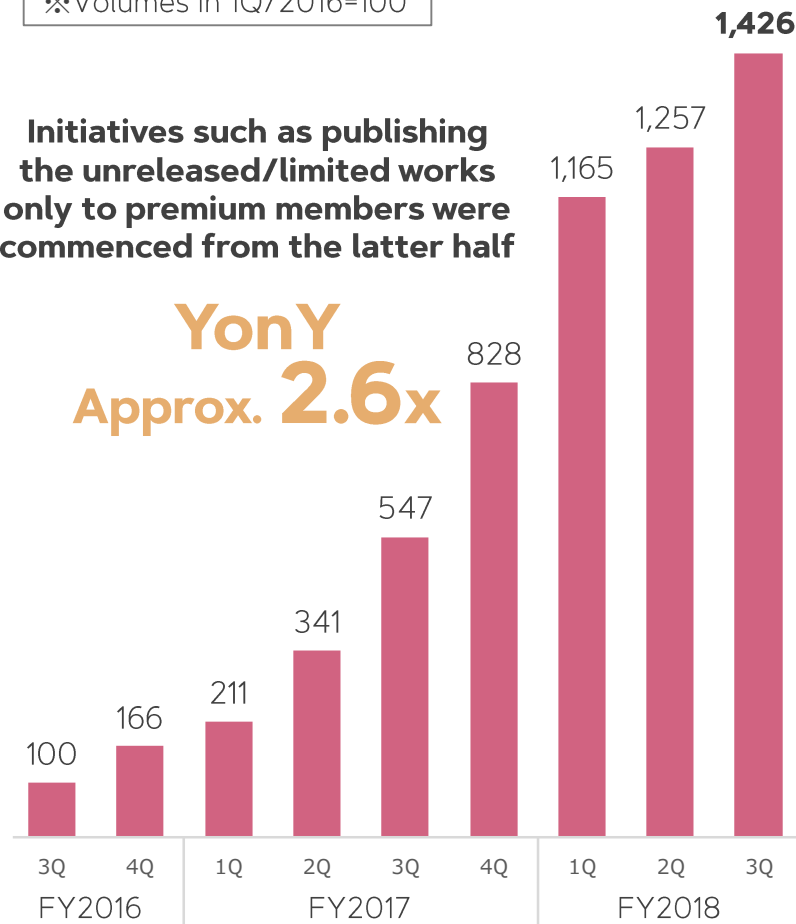


Trend of in-app billing revenue

※Volumes in 1Q/2016=100

Initiatives such as publishing the unreleased/limited works only to premium members were commenced from the latter half

YonY
Approx. 2.6x



*Revenue by billing based on the premium member registration in the GANMA! app



GANMA! Mid-term policy: **Aim to grow by overseas expansion**

①Product

- Increase the amount of time users spend on the application and raise the retention rate by improving the products

- Extension of hit title's exposed surface
- Improving of IP value

③Content

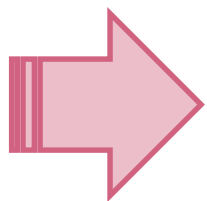


②Marketing

- Improvement of efficiency in obtaining users
- Expansion of channel

- Steady growth of revenue from advertisement
- Acceleration of growth of in-app billing
- Full swing of selling goods

④Monetization



Recently prioritizing **increase revenue per user**,
Pursue **expansion of user scale** of domestic market
in the next step

5. Revision of business forecast and future policy

-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.

Downward Revision of the Forecast of Full-year Consolidated Business Results (announced on July 26, 2018)

(units:¥mn)	Revenue	Non-GAAP Operating profit	Profit attributable owners of parent	Basic earnings per share
Forecast announced previously (A)	16,376	1,718	1,204	9.52 yen
Forecast announced this time (B)	15,225	862	720	5.70 yen
Increased/decreased amount (B-A)	-1,151	-856	-484	—
Increase/decrease rate(%)	-7.0	-49.8	-40.2	—
Results in previous year (Full FY Sep. 2017)	14,702	2,325	2,211	17.38 yen

Reasons for revision

- ✓ Sluggish performance due to the decreased transaction volume of existing clients in the Domestic Internet Marketing business
- ✓ Increase of the cost etc. related creative production to enhance competitiveness



**Aim to enhance organizational capacity toward top-line growth,
with controlling the cost to decrease slightly every quarter**

→ Policy on initiatives in the latter half of this fiscal year through the next fiscal year(P. 30 of this information material)

Comparison of Full-year Consolidated Results Forecast with the Previous Fiscal Year (by Business Segment)

(units:¥mn)

Internet Marketing Business
Media Content Business
Elimination or corporate
Consolidated

Internet Marketing Business
Media Content Business
Elimination or corporate
Consolidated

Revenue				
Earnings in FY9/17	Earnings in 1-3Q FY2018 (Oct-Jun)	Estimate for 4Q FY2018(Jul-Sep)	Revision forecast for FY2018	Expected growth rate
13,833	10,753	3,415	14,168	+2.4%
1,163	993	345	1,337	+15.0%
-294	-221	-60	-281	—
14,702	11,525	3,700	15,225	+3.6%

Non-GAAP operating profit				
Earnings in FY9/17	Earnings in 1-3Q FY2018 (Oct-Jun)	Estimate for 4Q FY2018(Jul-Sep)	Revision forecast for FY2018	Expected growth rate
5,468	3,164	734	3,898	-28.7%
-1,324	-821	-244	-1,065	—
-1,820	-1,506	-465	-1,971	—
2,325	837	25	862	-62.9%

Business Policies by business segments

Internet Marketing Business

<for domestic>

- Enhancement of organizational capacity by investment for human resources contribute to growth of top-line
- Growth promotion of brand advertisement business and development to core business

<for global>

- Expansion by organic growth and M&A

Media Content Business

Enhancement of product and advance of monetization

Management Base

- Early development of human resources by utilizing data and AI
- Enhancement of profit structure by cost control

Aim to V-shaped recovery
by re-growth of top-line and cost control

Thank you for your interest!

Contact Information

SEPTENI HOLDINGS CO., LTD.

www.septeni-holdings.co.jp/en/

Corporate Planning, IR Division

TEL: +813-6857-7258 E-mail: 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 July 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 June 30, 2018

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 10,724,100 treasury shares) [※]
Consolidated Workforce	1,215 full time employees, 1,497 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

July 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

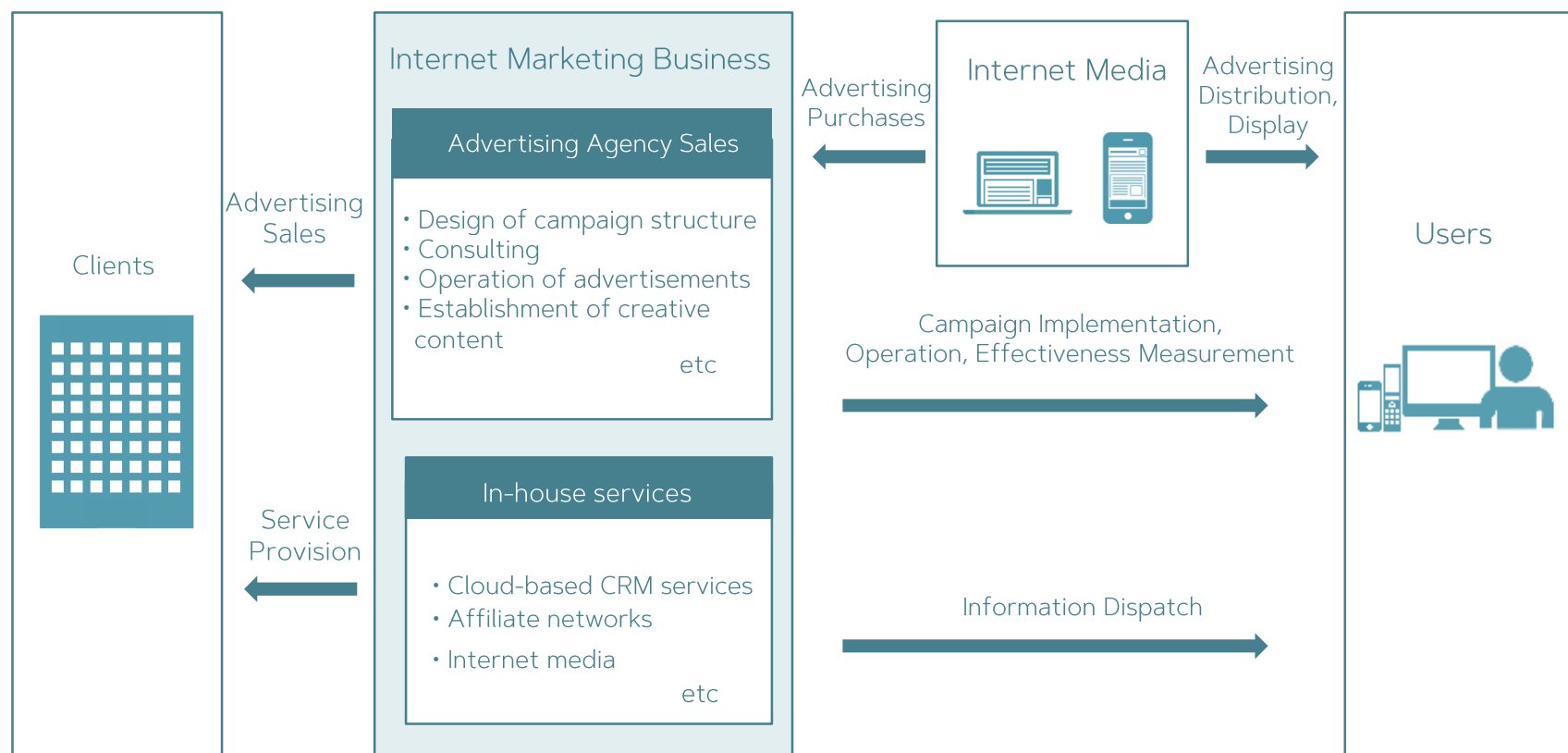
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business
TowaStela, Inc.	Childcare platform business		

New Business Development

SEPTENI VENTURES Co., Ltd.

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

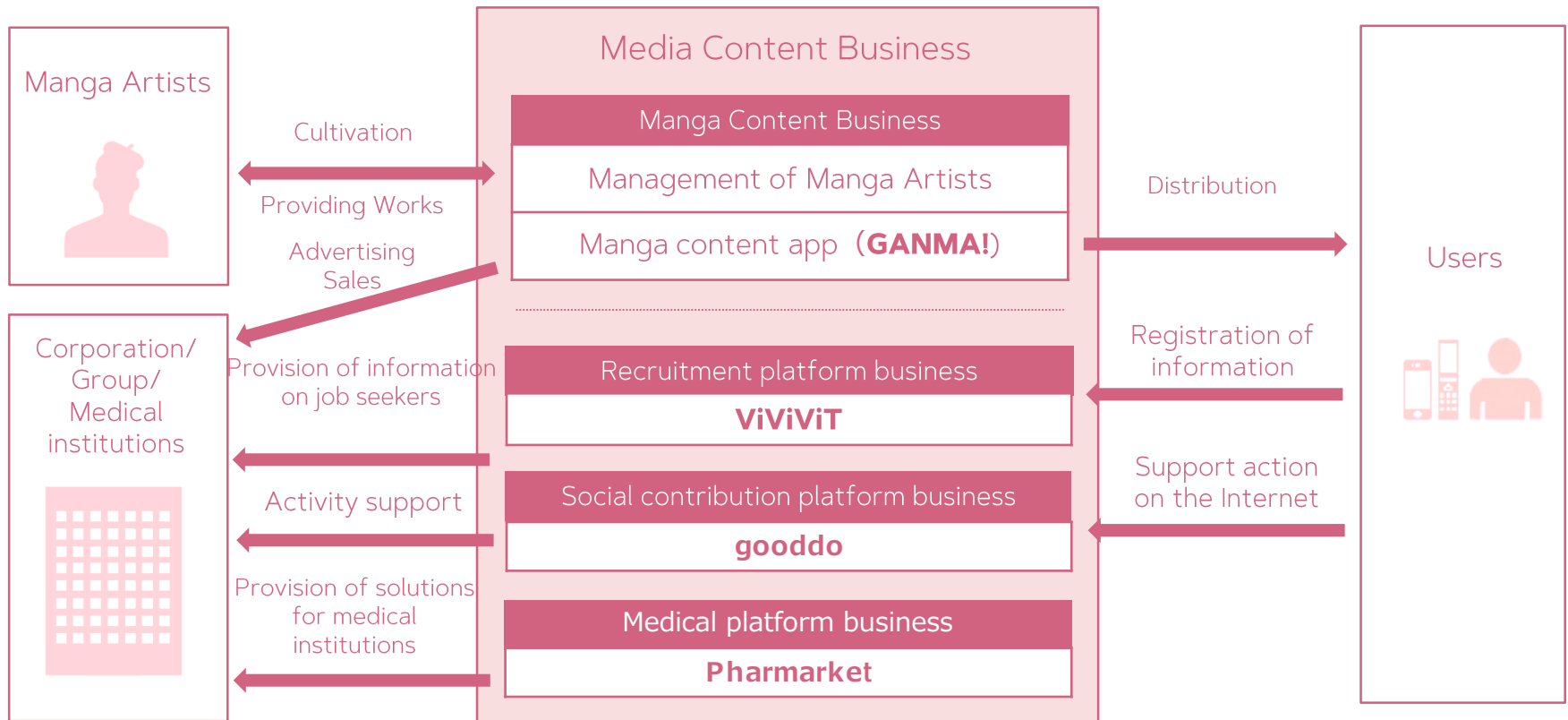
The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



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 3Q FY9/18	End FY9/17	Change	Main Changes
Current Assets	24,364	26,272	-1,908	Cash and cash equivalents: -1,076 Trade receivables: -723
Non-current Assets	7,125	6,656	+469	Tangible fixed assets: +195 Investments accounted for using the equity method: -114 Other financial assets: +391
Total Assets	31,489	32,929	-1,440	
Current Liabilities	11,651	13,387	-1,736	Trade payable: -892 Income tax payable: -310 Other current liabilities: -518
Non-current Liabilities	4,345	4,319	+26	Reserve: +27
Total Liabilities	15,996	17,705	-1,709	
Total Capital	15,493	15,224	+269	Cash dividend paid: -410 Posting of net profit: +768
Total Liabilities and Capital	31,489	32,929	-1,440	

(units : ¥mn)	3Q FY9/18 (Oct-Jun)	Main Changes	3Q FY9/17 (Oct-Jun)
Cash Flows from Operating Activities	-450	Profit before tax from continuing operations: +1,236 Refund of corporate income tax: +450 Working capital: -787 Payment of corporate income tax: -1,125	-1,031
Cash Flows from Investing Activities	-196	Gain on sales of subsidiaries and affiliates' stocks: +372 Purchase of securities: -472 Purchase of tangible fixed assets: -293	-1,782
Cash Flows from Financing Activities	-424	Cash dividend paid: -410	-1,599
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-6		82
Net Increase (Decrease) in Cash and Equivalents	-1,076		-4,329
Cash and Equivalents at Term End	14,443		11,152

