



Business Results for 1Q Fiscal Year September 2018

February 1, 2018

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

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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. Quarterly Consolidated Earnings Overview

Consolidated

Revenue **¥4,028_{mn}** (Up 12.3% year on year)

Non-GAAP Operating Income **¥702_{mn}** (Down 13.8% year on year)

Quarterly consolidated revenue exceeded ¥4.0bn, reaching a new record high*.

Internet Marketing Business

Revenue **¥3,805_{mn}** (Up 10.8% year on year)

Non-GAAP Operating Income **¥1,470_{mn}** (Down 0.2% year on year)

Revenue growth rate rose significantly, reflecting solid performances in Japan and overseas.

Media Content Business

Revenue **¥301_{mn}** (Up 46.5% year on year)

Non-GAAP Operating Income **¥-303_{mn}** (Down ¥110_{mn} year on year)

Progress was made in the development of the brand advertising market, contributing to increased 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.

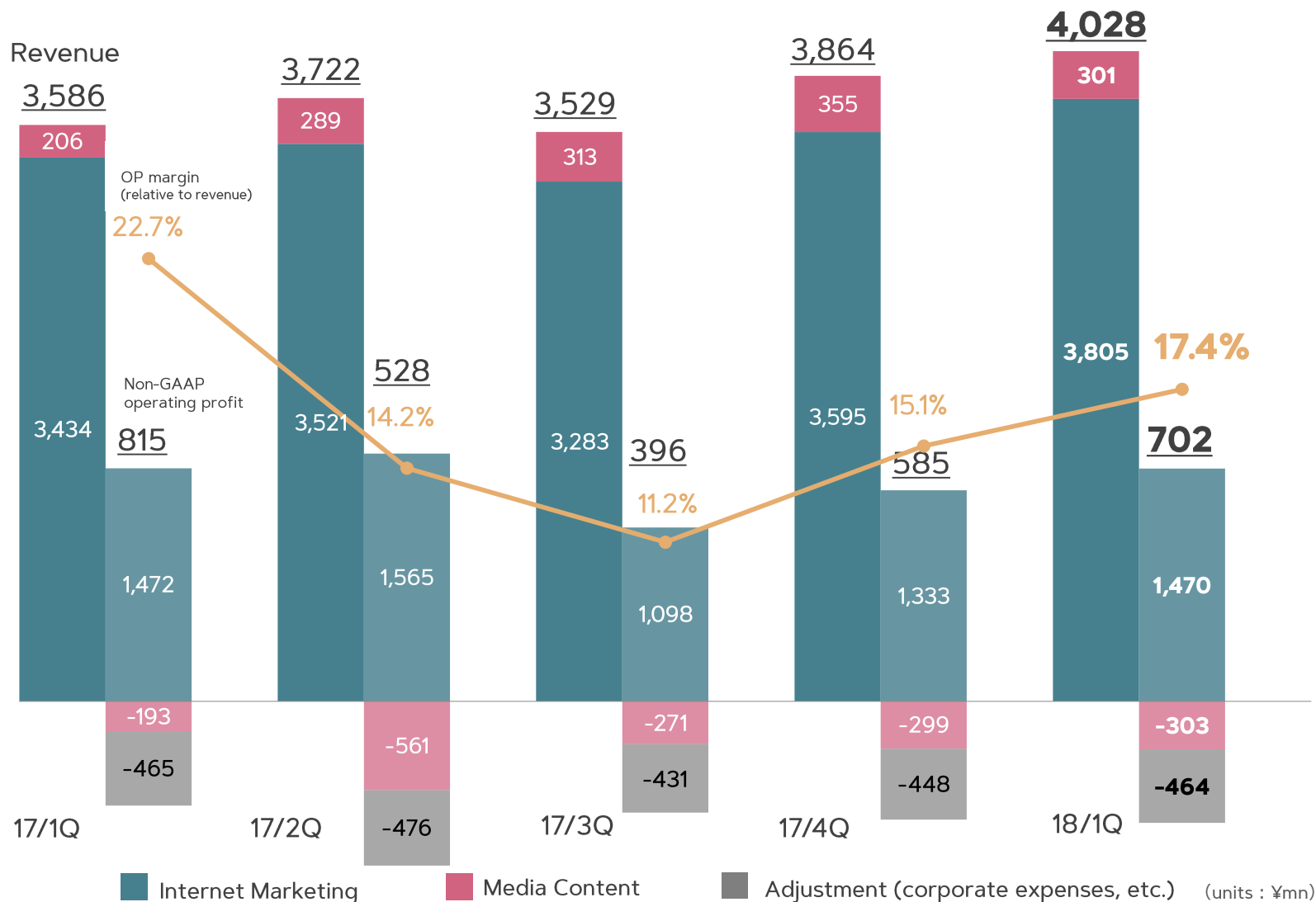
Consolidated Income Statement (Oct-Dec)

- Revenue reached a new record high and the revenue growth rate rose significantly to **12.3%** year on year.
- Revenue increased both in Japan and overseas in the Internet Marketing Business.
- Solid progress was made in comparison with the earnings estimates for 1H FY9/18.

(units:¥mn)	1Q FY9/18			1Q FY9/17		1H FY9/18 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	4,028	100.0%	+12.3%	3,586	100.0%	8,000	50.4%
Gross profit	3,444	85.5%	+6.9%	3,223	89.9%	—	—
SG&A	2,742	68.1%	+13.9%	2,407	67.1%	—	—
Non-GAAP Operating profit	702	17.4%	-13.8%	815	22.7%	1,000	70.2%
Operating profit	694	17.2%	-9.9%	771	21.5%	—	—
Profit for the period from continuing operations	555	13.8%	3.3%	537	15.0%	—	—
Profit for the period attributable to owners of the parent	555	13.8%	-60.6%	1,410	39.3%	600	92.5%
【Reference】 Net Sales	18,665	—	+1.2%	18,448	—	37,500	49.8%

Quarterly Consolidated Earnings Trend (by Business Segment)

- Operating margins were on the increase despite investments for the development of human resources and in the Media Content Business.

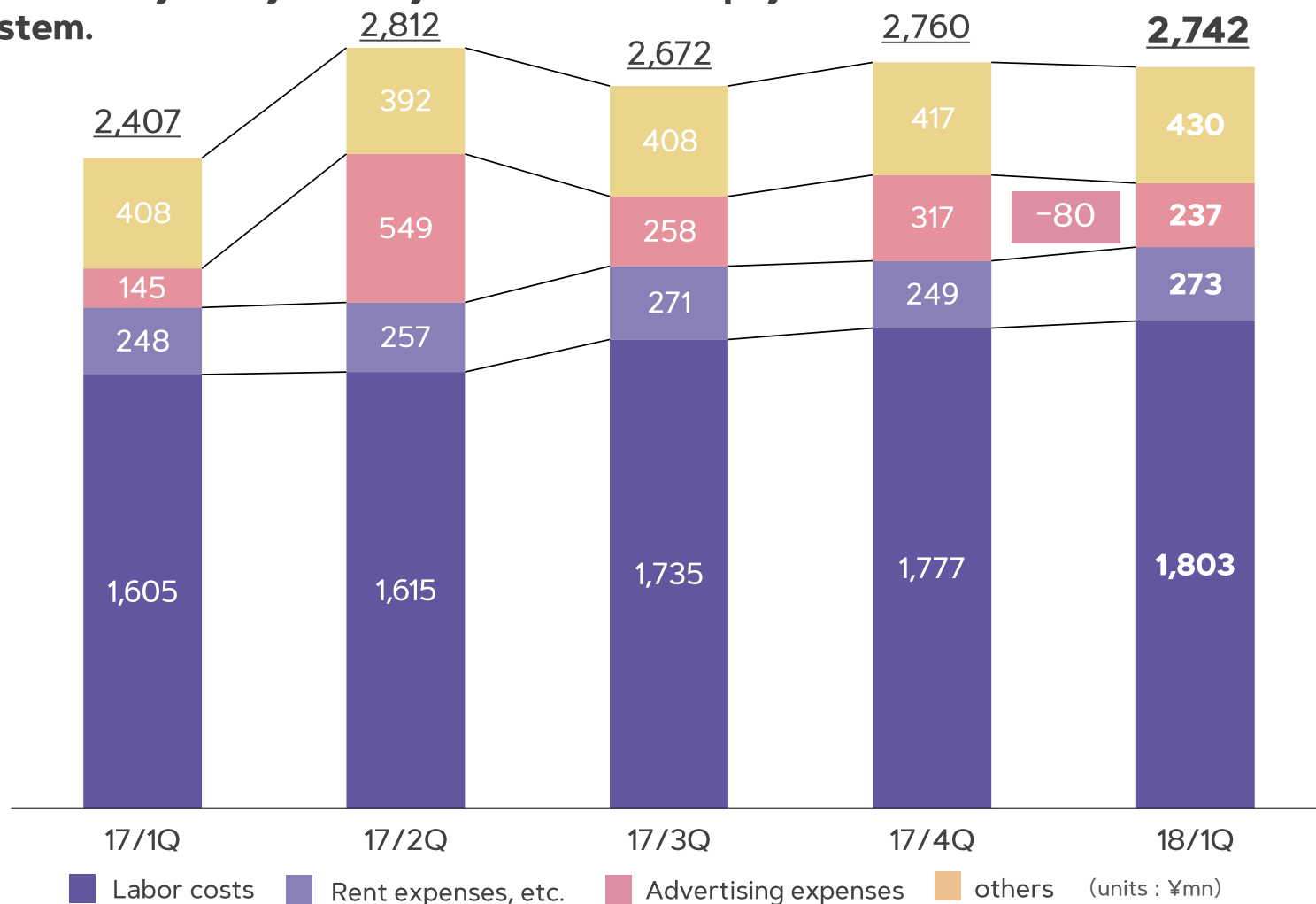


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

*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 **¥237mn** 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 **175** year on year and a rise in pay as a result of the revision of the HR system.



2 . Internet Marketing Business

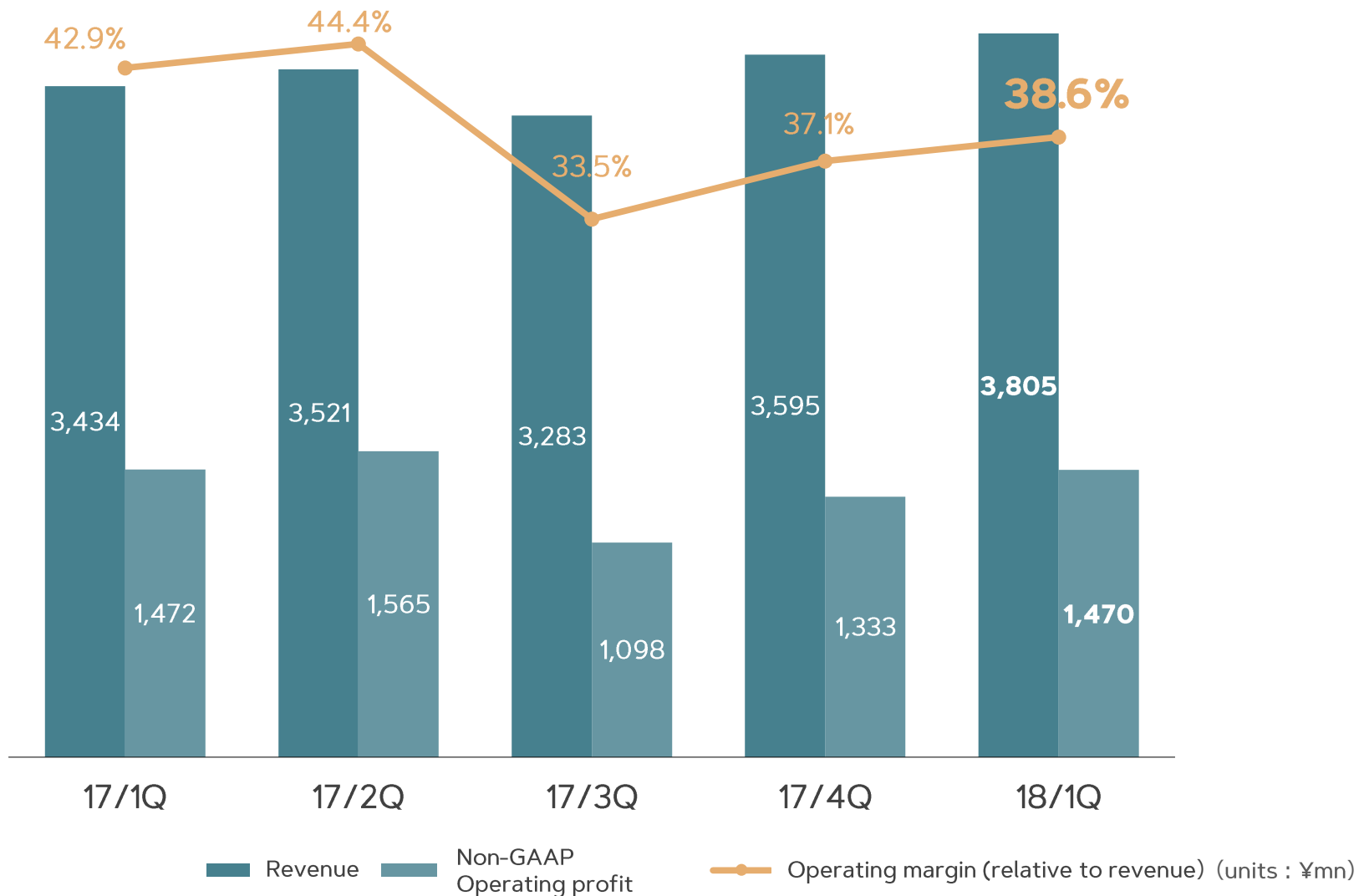
Internet Marketing Business Earnings Overview

- Revenue increased **10.8%** year on year due to the implementation of aggressive sales activities.
- Increases in video advertisement transactions and overseas revenue contributed.
- Profitability improved through efforts to enhance the client and product mix.
(The ratio of revenue to net sales rose from 18.6% to **20.4%** year on year.)

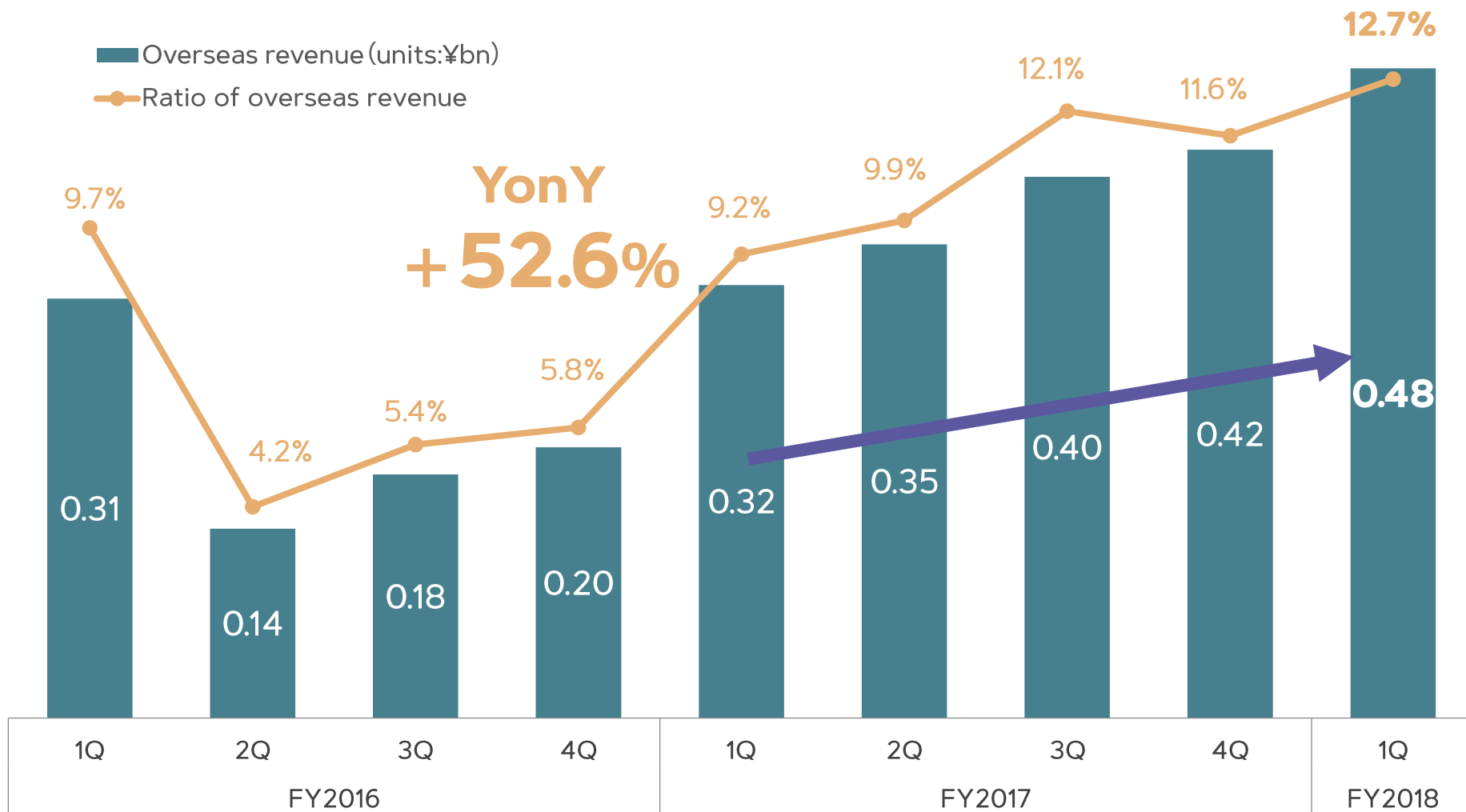
(units : ¥mn)	1Q FY9/18			1Q FY9/17	
	Value	Share	YY Change	Value	Share
Revenue	3,805	100.0%	+10.8%	3,434	100.0%
Gross profit	3,356	88.2%	+6.6%	3,150	91.7%
SG&A	1,885	49.5%	+12.3%	1,678	48.9%
Non-GAAP Operating profit	1,470	38.6%	-0.2%	1,472	42.9%
【Reference】 Net Sales	18,682	—	+1.4%	18,432	—

1H FY9/18 Estimate	Progress rate
7,370	51.6%
—	—
—	—
2,650	55.5%

- Revenue increased quarter on quarter and year on year.
In addition, the Operating Margin improved **1.5pt** quarter on quarter.

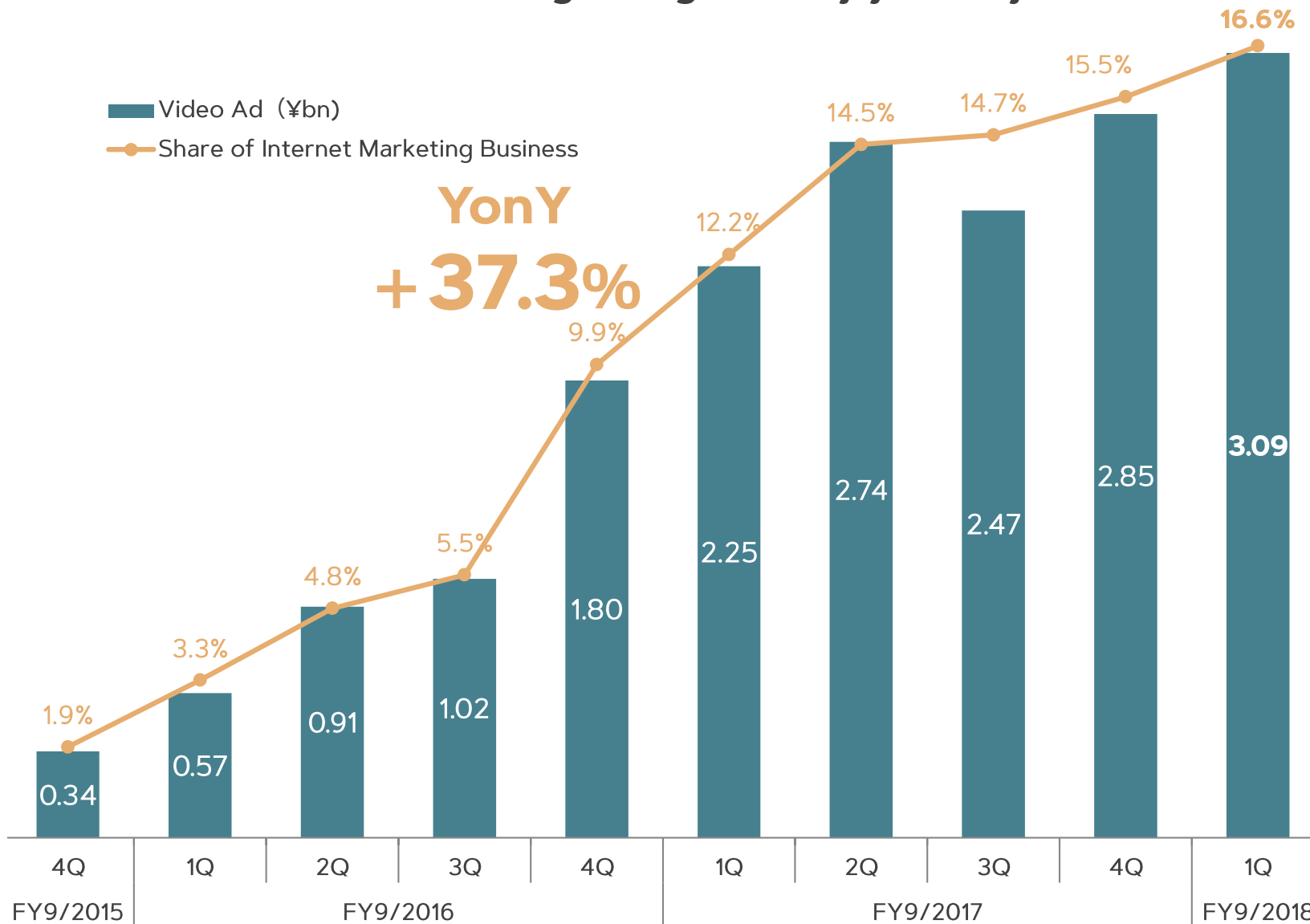


- The ratio of overseas revenue reached a new record high, reflecting the continued increase in revenue mainly in Asia.



※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)

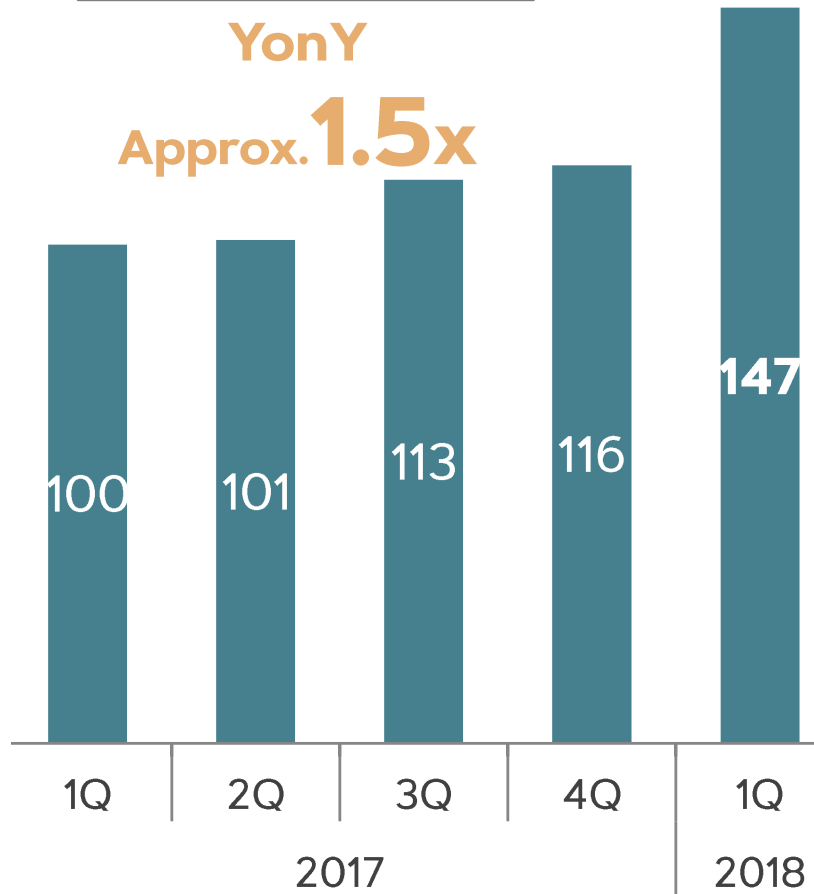
- Transactions continued to grow significantly year on year.



- Transactions of brand advertisements increased steadily.

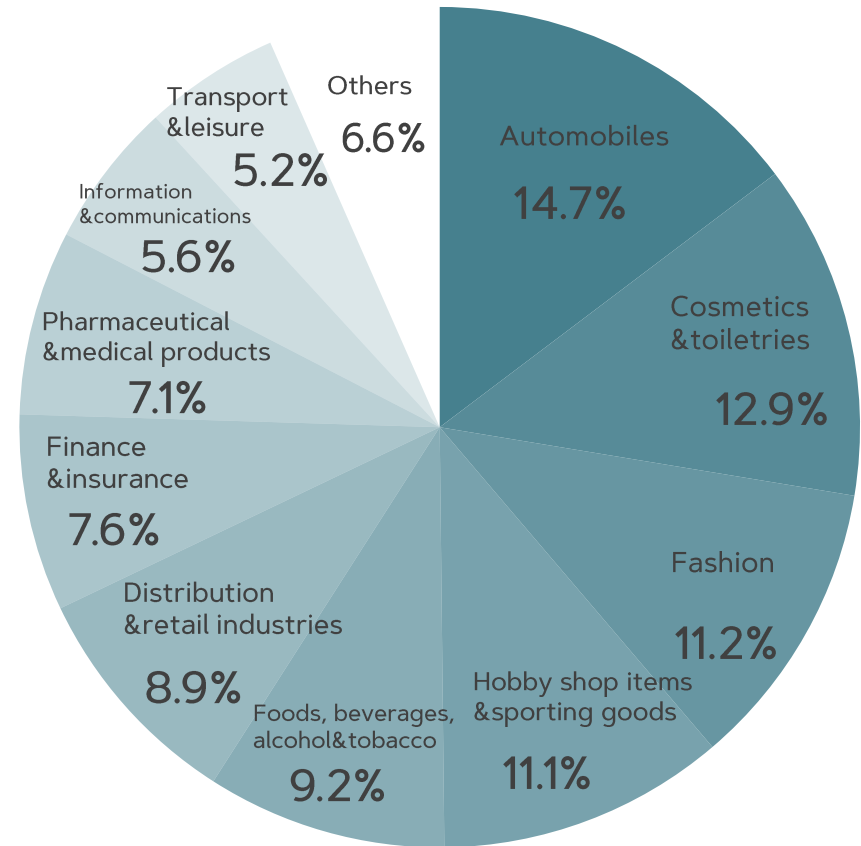
Revenue trend

※Revenue in 1Q/2017=100



Share by industry of Brands

*Oct- Dec, 2017

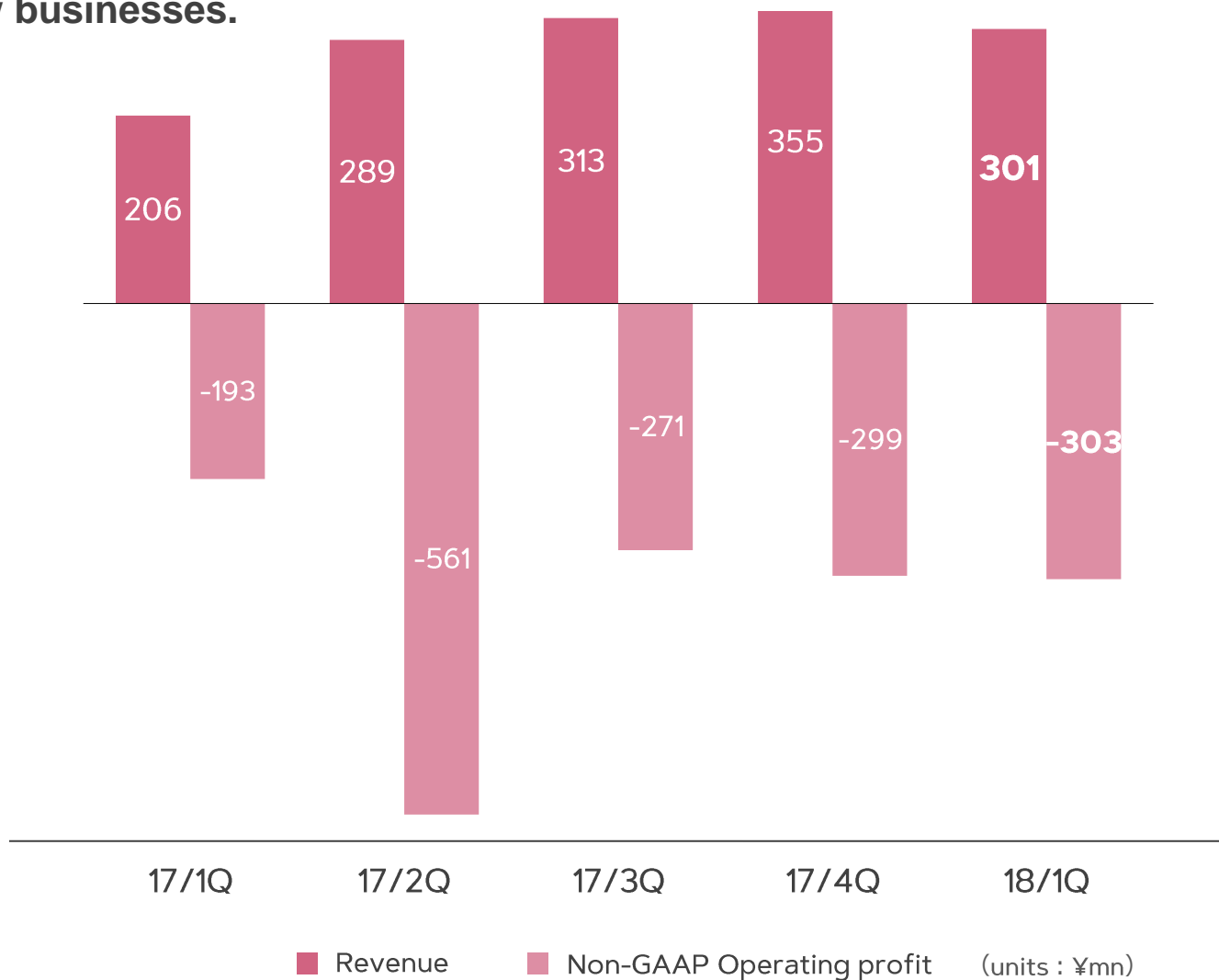


3 . Media Content Business

- Advertising revenue increased in the Manga Content Business, reflecting an expansion in the sales of GANMA! ADs.
- Increased brand advertising campaigns contributed to an increase in revenue.

(units:¥mn)	1Q FY9/18			1Q FY9/17		1H FY9/18 Estimate	Progress Rate
	Value	Share	YY Change	Value	Share		
Revenue	301	100.0%	+46.5%	206	100.0%	800	37.6%
Gross profit	166	55.0%	+34.1%	123	60.1%	—	—
SG&A	469	155.8%	+48.5%	316	153.7%	—	—
Non-GAAP Operating profit	-303	-100.7%	-110	-193	-93.9%	-570	—

- Prior investments in **GANMA!** continued, mainly in online advertisements.
- Revenue decreased quarter on quarter, reflecting the sluggishness of other new businesses.





GANMA! The number of users increased stably in particular 10s to 30s.

Accumulated Application Downloads Trend of GANMA!

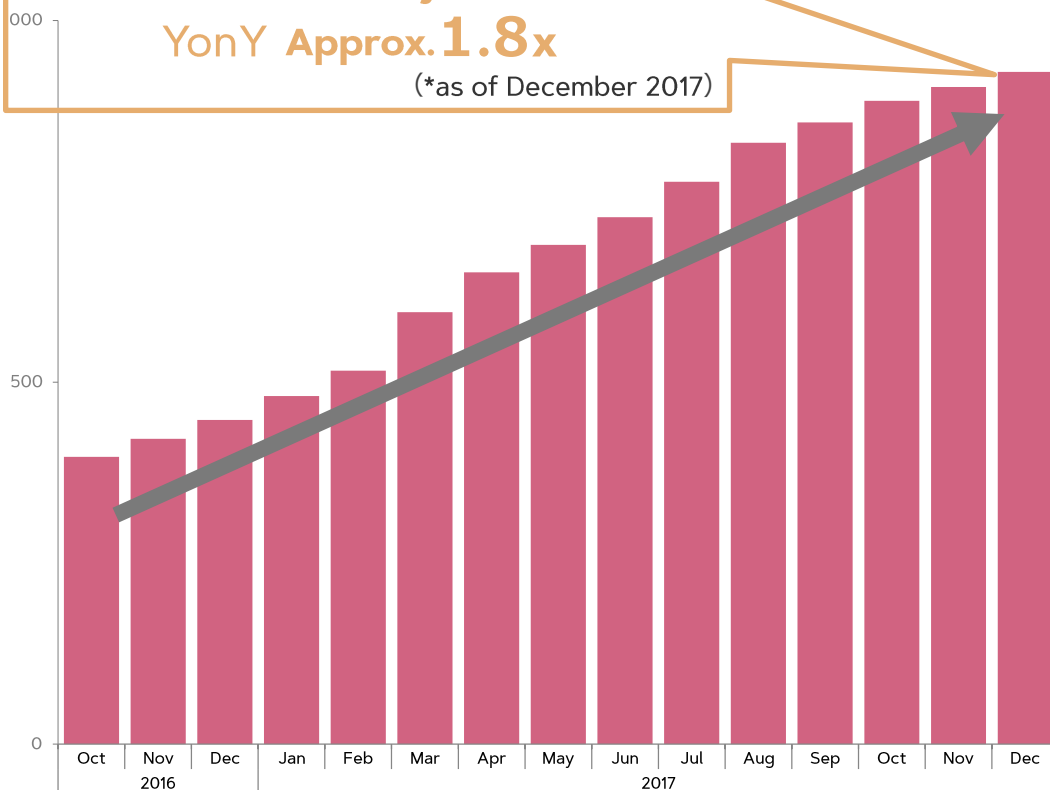
Total Number of DL 9.29mn

YonY Approx. 2.1x

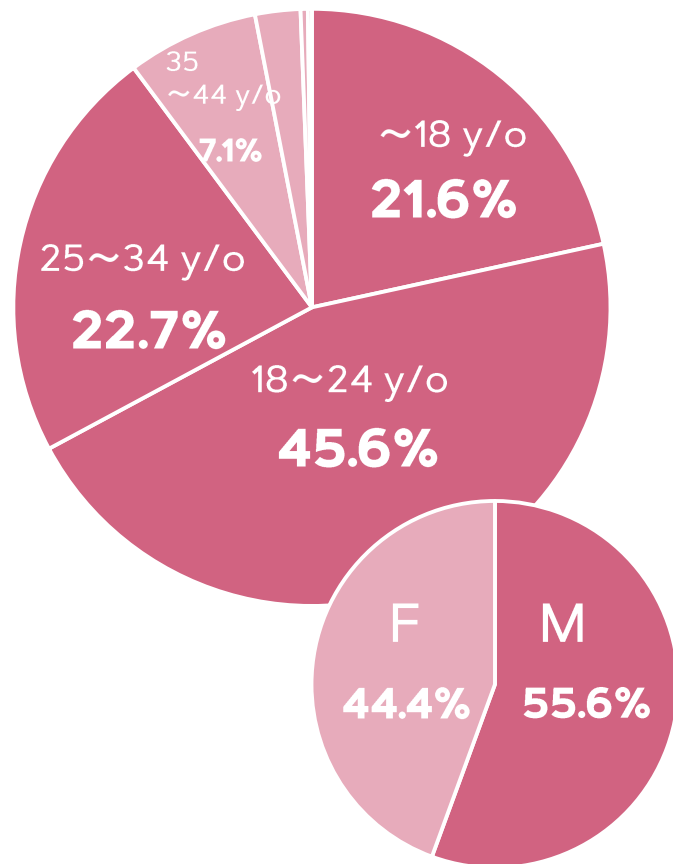
Number of monthly PV 3.33bn

YonY Approx. 1.8x

(*as of December 2017)



GANMA! users by age and gender



※As of December, 2017 GANMA ! Member's Data



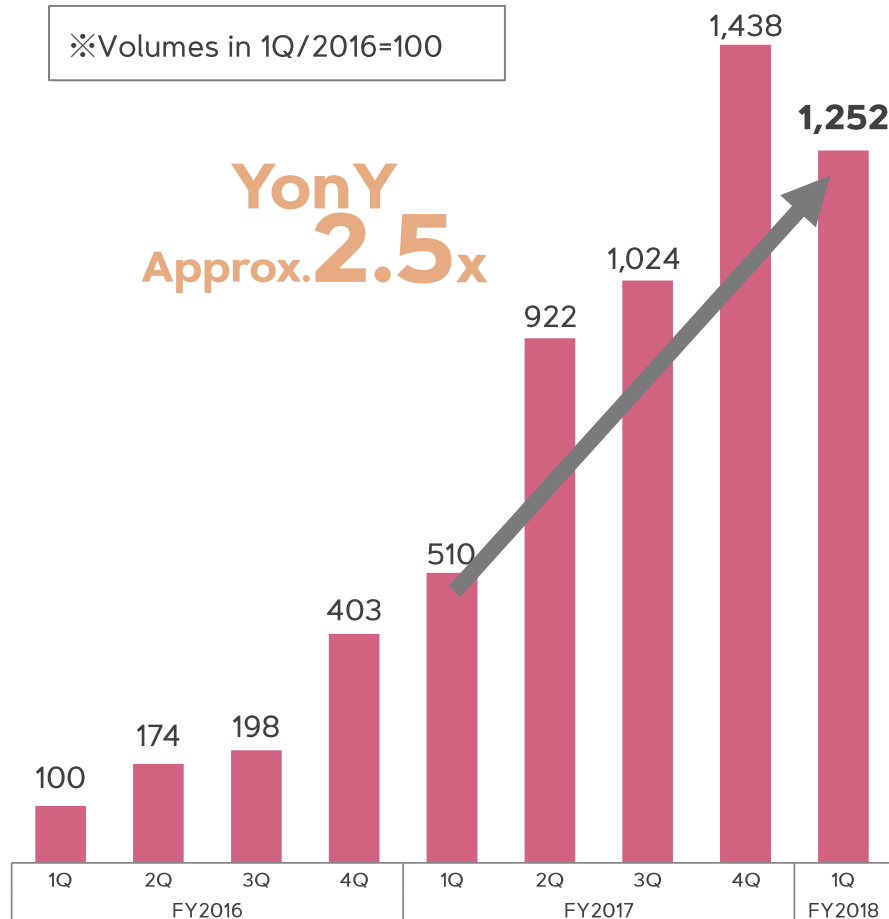
Application revenue increased **2.5x** year on year, reflecting efforts to develop the brand advertising market.

Application Revenue Trend

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

※Volumes in 1Q/2016=100

YonY
Approx. **2.5x**



Development the brand advertising market



■ Example inserted ad of
Shiseido Company, Limited

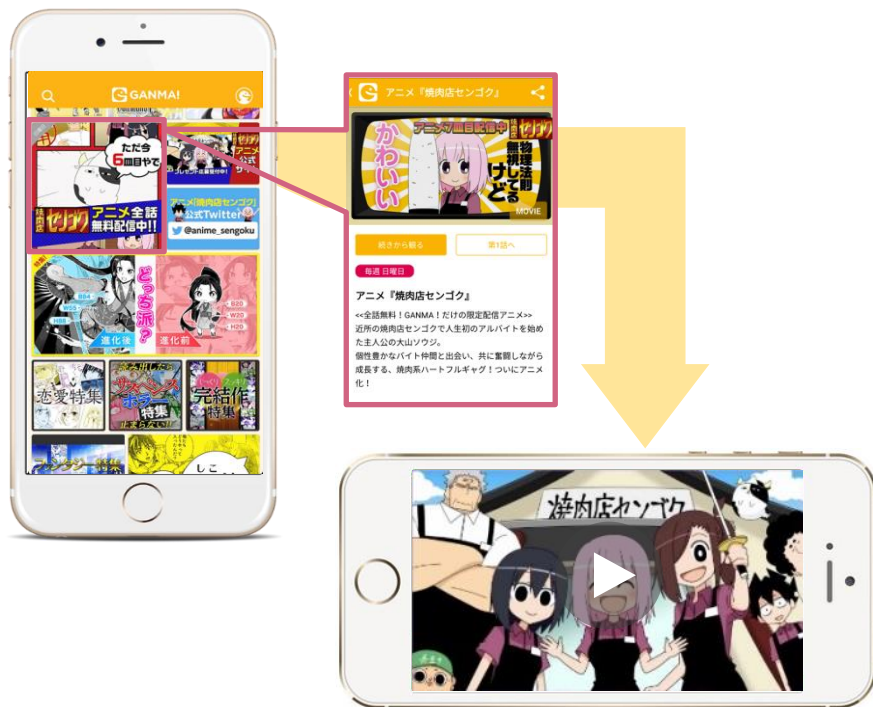




GANMA!

Efforts were made to improve user experiences through the enrichment of content.

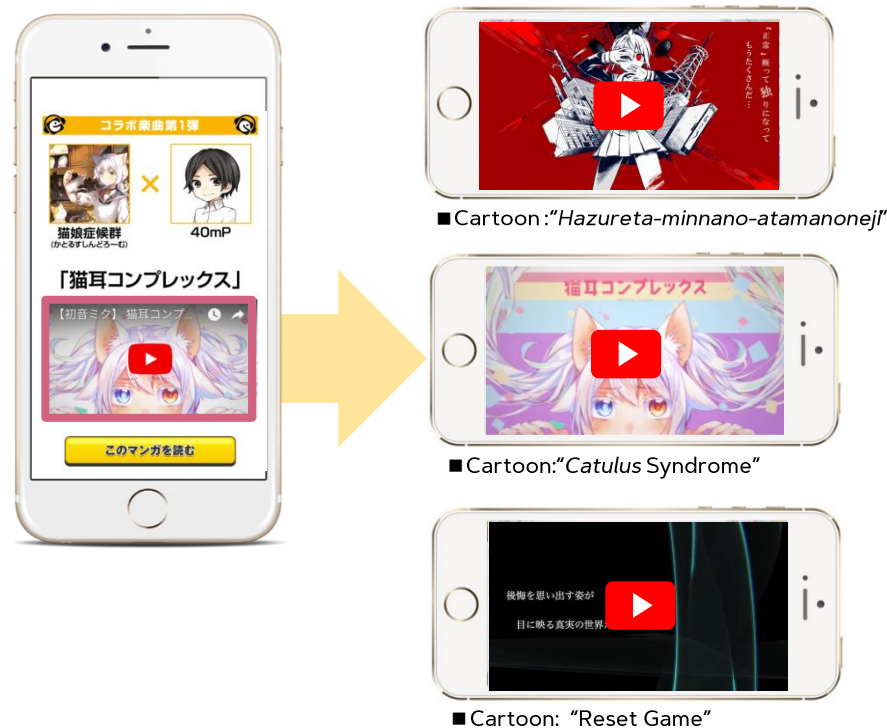
Production and in-app distribution of an Anime version of popular work



■ Cartoon: "Sengoku, a Korean barbeque restaurant"

Total views: **Approx. 0.61mn**
(Dec. 17. 2017 ~ Jan. 25. 2018)

Distribution of collaborative musical numbers for the enjoyment of cartoons with music



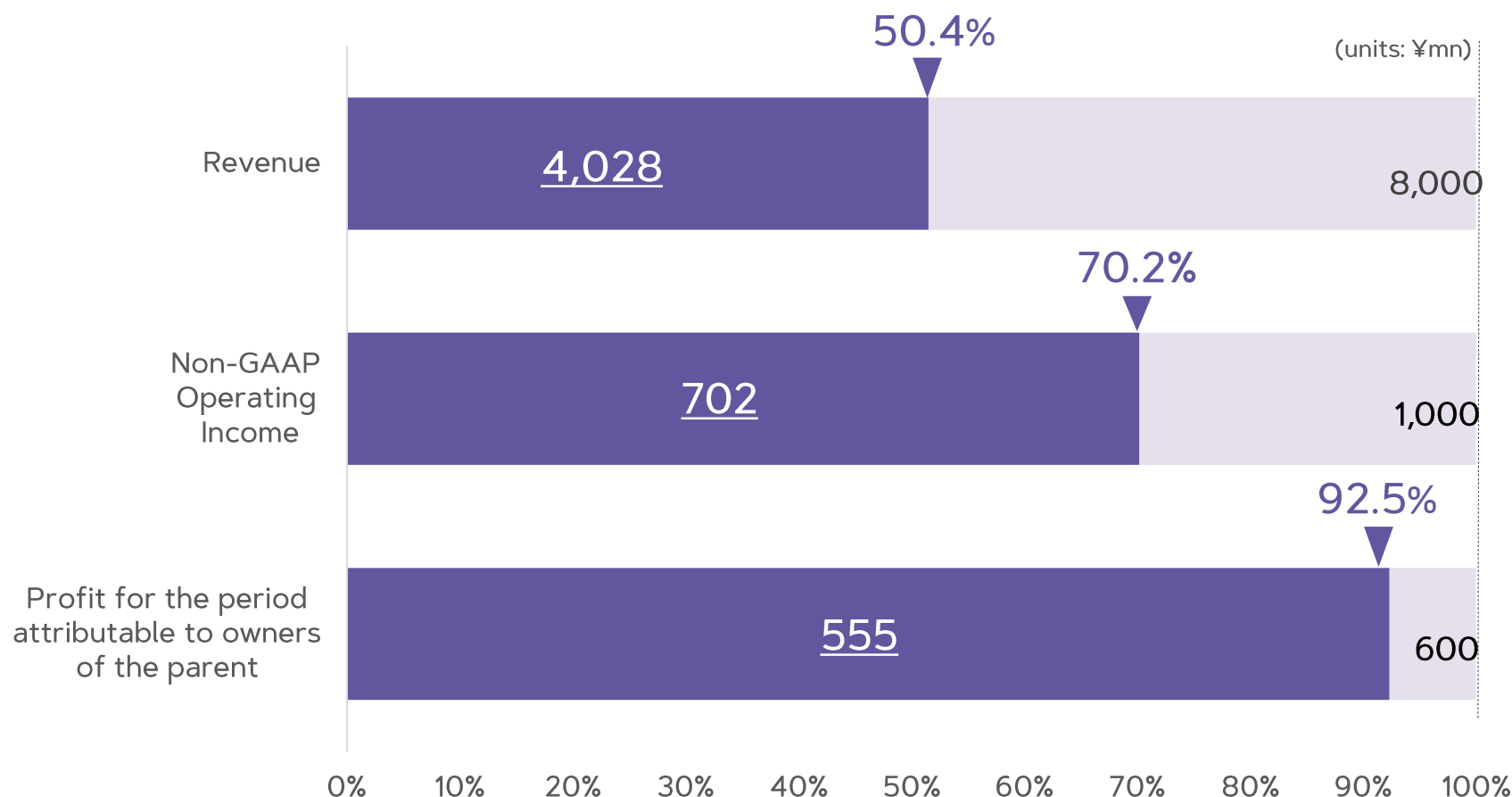
Total views(sum of 3works): **Approx. 1.66mn**
(Oct. 27. 2017 ~ Jan. 26. 2018)

4. Progress on Earnings 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.

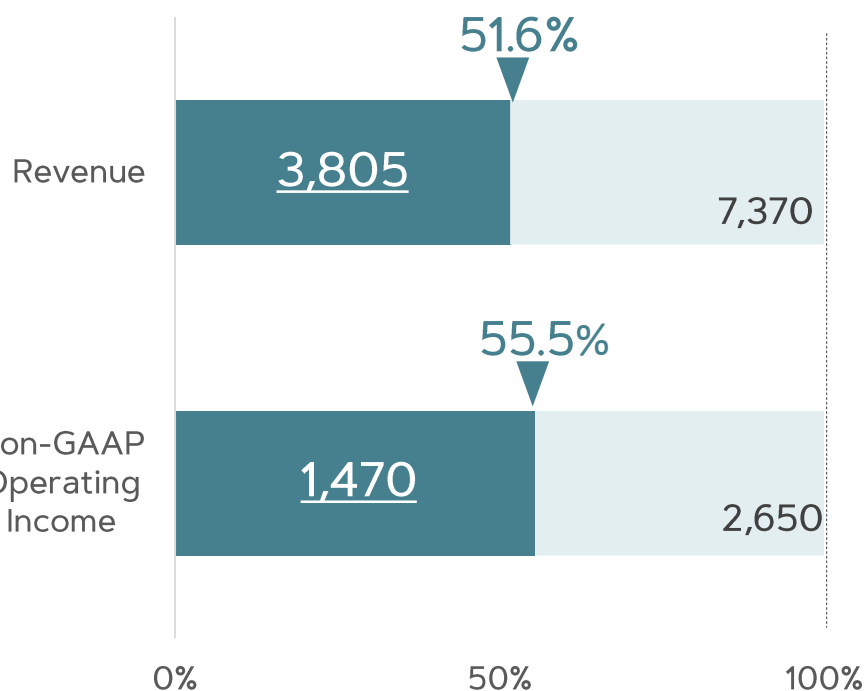
Progress in Consolidated Earnings Estimates for First Half (Oct. -Mar.)

- Solid progress was made thanks to increased revenue in the mainstay Internet Marketing Business, while at the same time investments for the development of human resources and in the Media Content Business were being continued.
- Equity gains of affiliates were posted due to the sale of some shares of AXEL MARK Inc.
- Earnings estimates remain unchanged for 2Q, reflecting a temporary increase in expenses associated partly with the improvement of remote work environments.

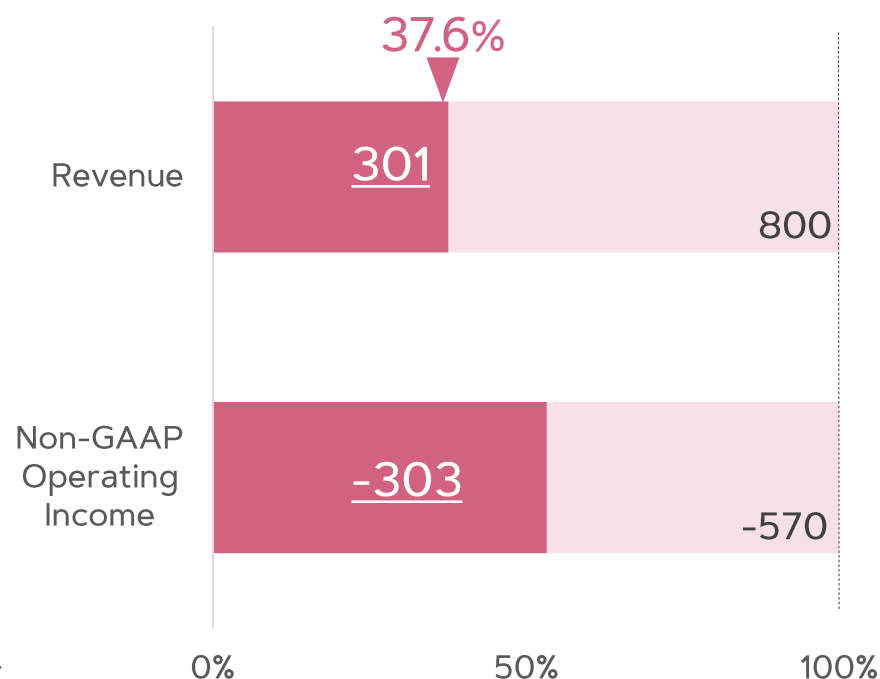


- Internet Marketing Business will continue to be solid in 2Q.
- A certain level of investments of promotion will be continued in 2Q to facilitate the expansion of media scale in the Media Content Business.

Internet Marketing Business



Media Content Business



(units ¥mn)

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 February 1, 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.

5. Appendix

As of December 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	¥2,114 million
Shares Issued	138,820,500 shares (Including 10,724,155 treasury shares)
Consolidated Workforce	1,091 full time employees, 1,338 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

February 1, 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

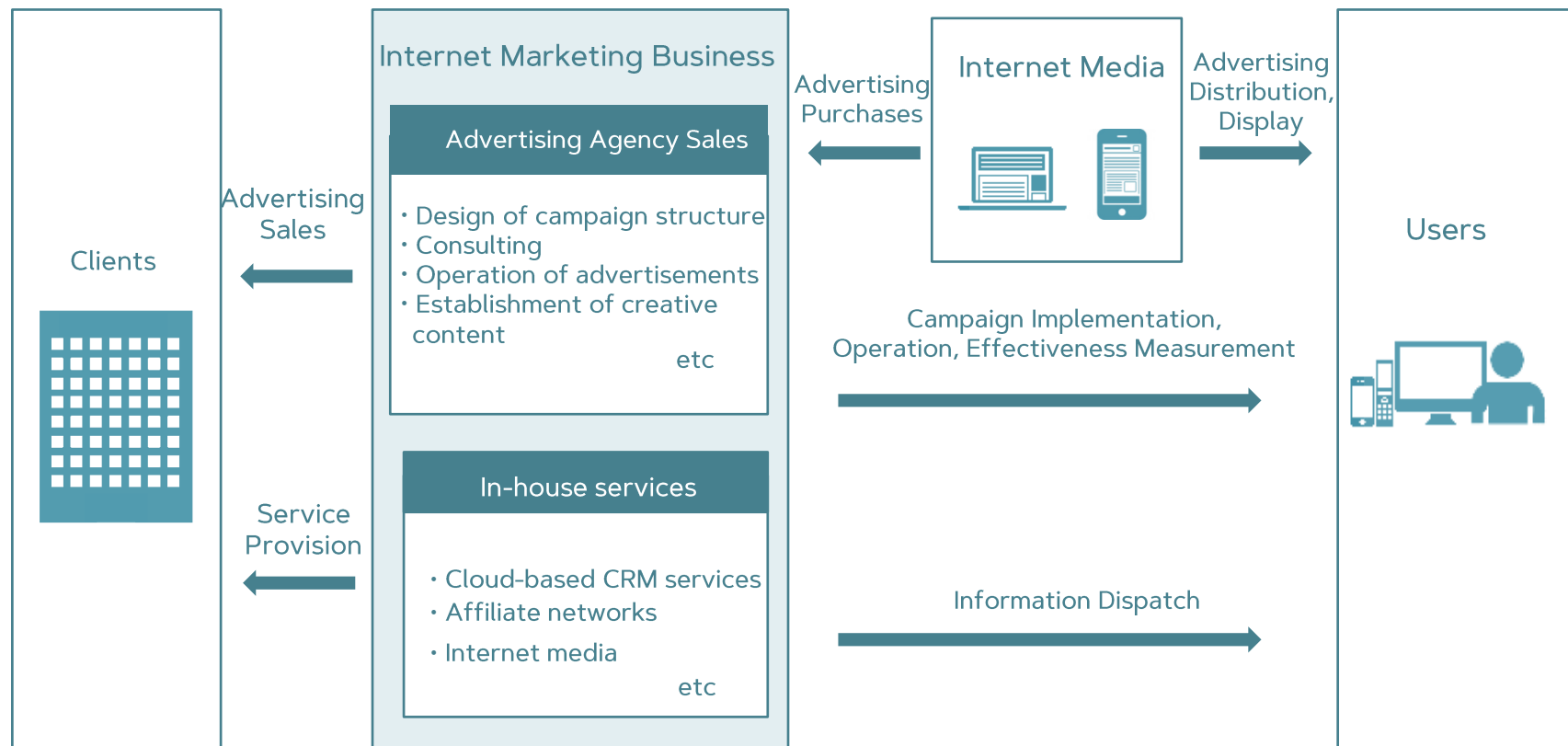
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business

New Business Development

SEPTENI VENTURES Co., Ltd.

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

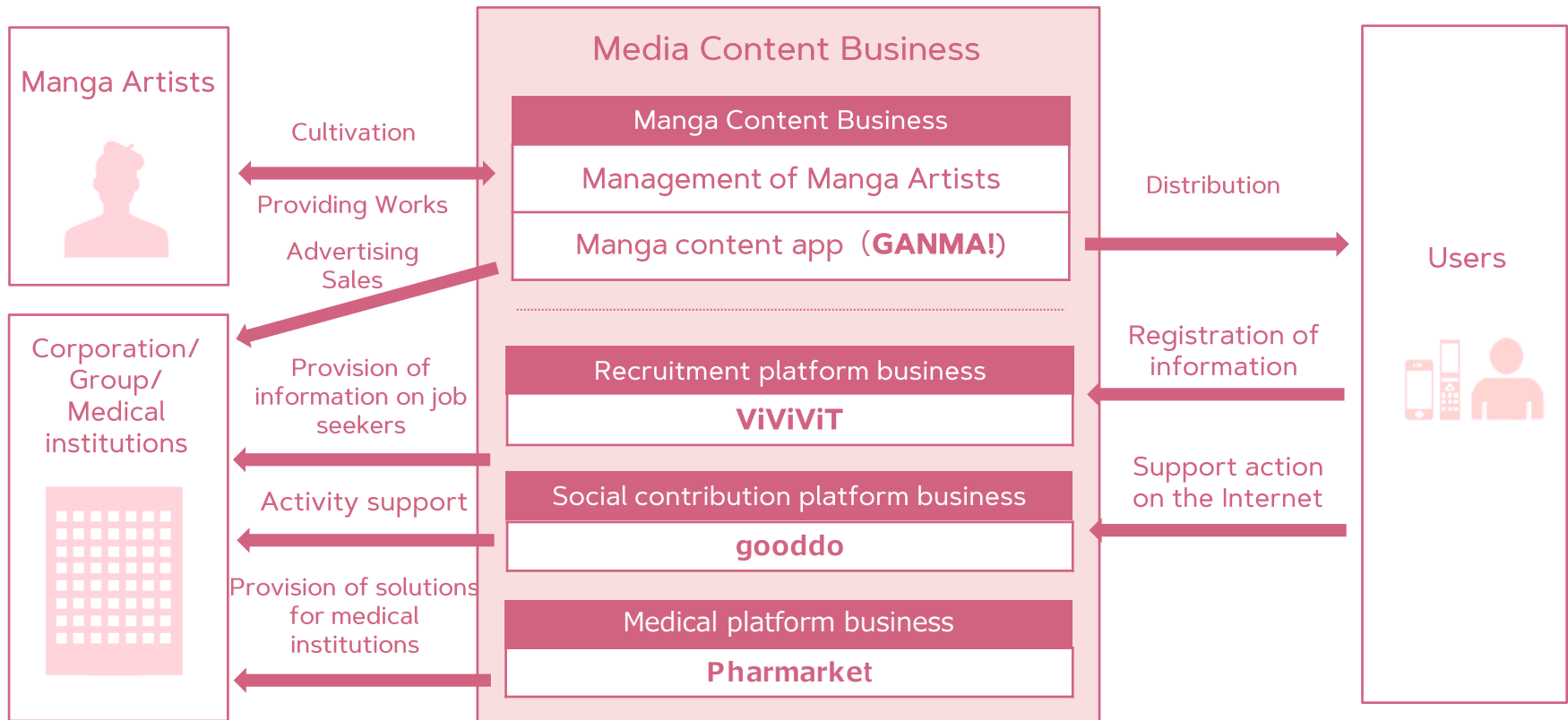
The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



Business Model for the Media Content Business

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.

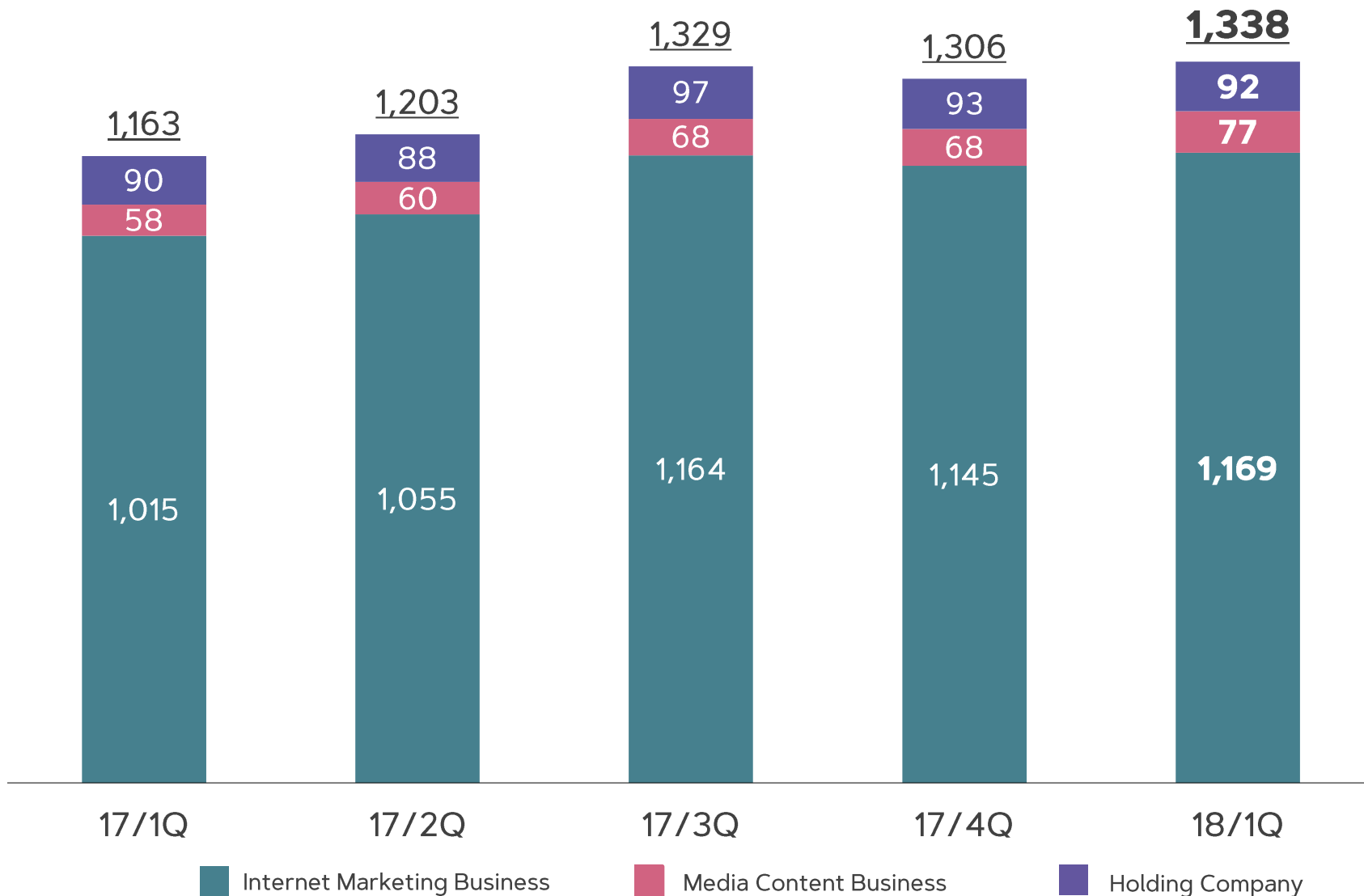


Consolidated Statement of Financial Position

(units:¥mn)		End 1Q FY9/18	End FY9/17	Change	Main Changes
Current Assets	26,280	26,272	+8		
Non-current Assets	6,821	6,656	+165	Investments accounted for using the equity method: -241 Other financial assets: +197	
Total Assets	33,101	32,929	+172		
Current Liabilities	13,668	13,387	+281	Income tax payable: -310 Other current liabilities: -233 Other financial liabilities: +1,011	
Non-current Liabilities	4,012	4,319	△307	Other financial liabilities: -243	
Total Liabilities	17,680	17,705	△25		
Total Capital	15,420	15,224	+197	Cash dividend paid: -410 Posting of net profit:+555	
Total Liabilities and Capital	33,101	32,929	+172		

Consolidated Statement of Cash Flows

(units:¥mn)	1Q FY9/18 (Oct-Dec)	Main Changes	1Q FY9/17 (Oct-Dec)
Cash Flows from Operating Activities	142	Profit before tax from continuing operations: +853 Payment of corporate income tax: -298 Working capital: -296	△880
Cash Flows from Investing Activities	217	Purchase of securities: -272 Gain on sales of subsidiaries and affiliates' stocks: +372	△1,775
Cash Flows from Financing Activities	△ 435	Cash dividends paid: -410	△899
Effect of Exchange Rate Changes on Cash and Cash Equivalents	35		76
Net Increase (Decrease) in Cash and Equivalents	△ 41		△3,478
Cash and Equivalents at Term End	15,478		12,003



NEW

Remote work commenced on a trial basis in January 2018.

Achieving diverse workstyles under the theme of creating a situation in which all employees work actively and independently on valuable assignments, regardless of time and place.

◆ A validation trial for the full-scale introduction of telework (Telework experiment space laboratory)

