

# SEPTENI

## **Business Results for 1Q Fiscal Year September 2019**

**SEPTENI HOLDINGS CO., LTD.**

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

**Jan. 31, 2019**

# 01 Quarterly Consolidated Earnings Overview

# 02 Internet Marketing Business

# 03 Media Content Business

# 04 Report on Progress in Capital/Business Alliance with Dentsu

# 05 Progress on Earnings Estimates

# 06 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.

# 01

## Quarterly Consolidated Earnings Overview

Consolidated

## Revenue

¥4,075mn ( Up 8.8% quarter on quarter  
Up 1.2% year on year )

## Non-GAAP Operating Profit

¥459mn ( 2.6x quarter on quarter  
Down 34.7% year on year )

**While operating profit decreased year on year,  
Progress on earnings estimates is in good.**

## Internet Marketing Business

### Revenue

**¥3,734mn** (Up 7.3% quarter on quarter  
Down 1.9% year on year)

### Non-GAAP Operating Profit

**¥1,242mn** (Up 44.0% quarter on quarter  
Down 15.5% year on year)

**While the business condition continued to recovered,  
achievements were still insufficient to previous year**

Media  
Content  
Business

## Revenue

**¥416mn** ( Up 25.4% quarter on quarter  
Up 38.1% year on year )

## Non-GAAP Operating Profit

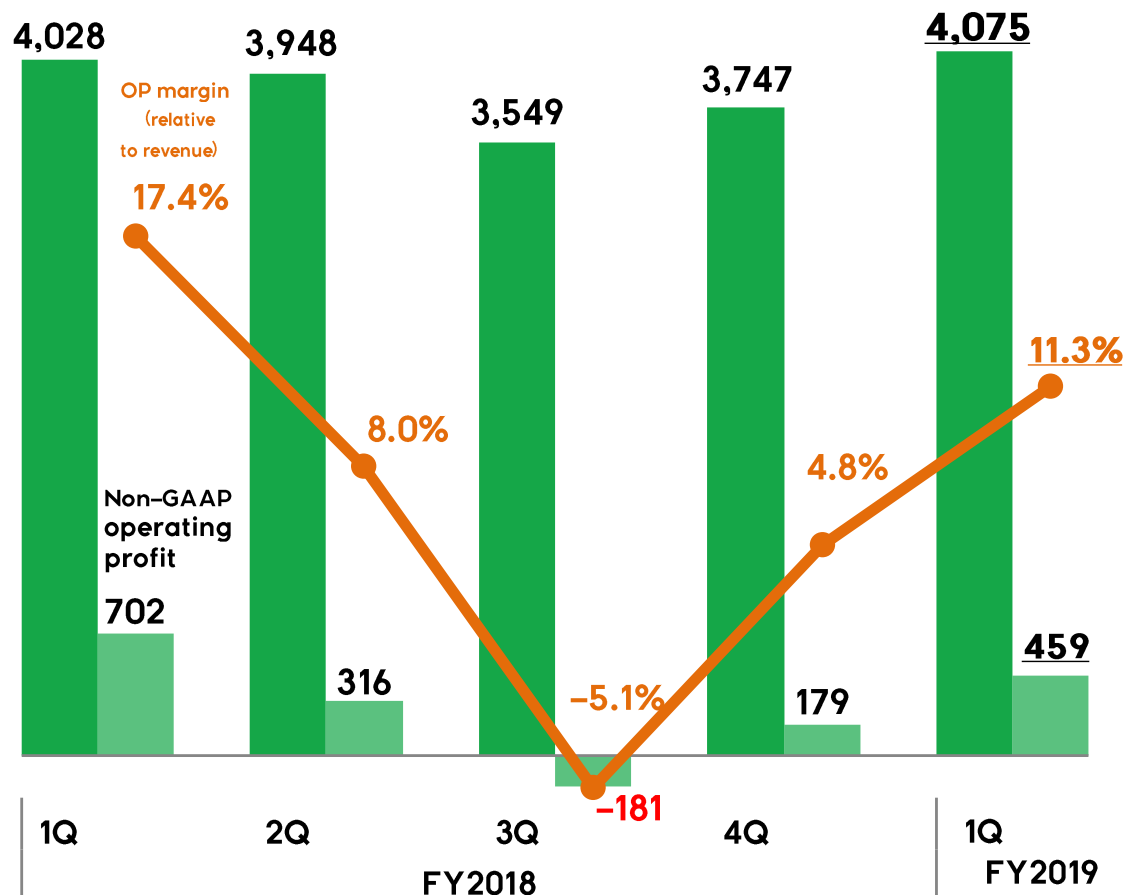
**¥-291mn** ( Increased ¥60mn quarter on quarter  
Decreased ¥12mn year on year )

The increase of deficit reduced, because Increasing costs was covered by increasing revenue

(units:¥mn)	1Q FY2019			1Q FY2018		FY2019 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	4,075	100.0%	+1.2%	4,028	100.0%	17,200	23.7%
Gross profit	3,402	83.5%	-1.2%	3,444	85.5%	—	—
SG&A	2,947	72.3%	+7.5%	2,742	68.1%	—	—
Non-GAAP Operating profit	459	11.3%	-34.7%	702	17.4%	2,000	22.9%
Operating profit	408	10.0%	-41.3%	694	17.2%	—	—
Profit for the period attributable to owners of the parent	235	5.8%	-57.7%	555	13.8%	1,300	18.1%
【Reference】 Net Sales	19,343	—	+3.6%	18,665	—	77,000	25.1%

**An increase in revenue was secured on a consolidated basis. However, profits decreased due to the increase not being able to offset a rise in costs.**

Revenue (units:¥mn)

Revenue **¥4,075mn**

( Up 8.8% quarter on quarter  
Up 1.2% year on year )

Non-GAAP operating profit **¥459mn**

( 2.6x quarter on quarter  
Down 34.7% year on year )

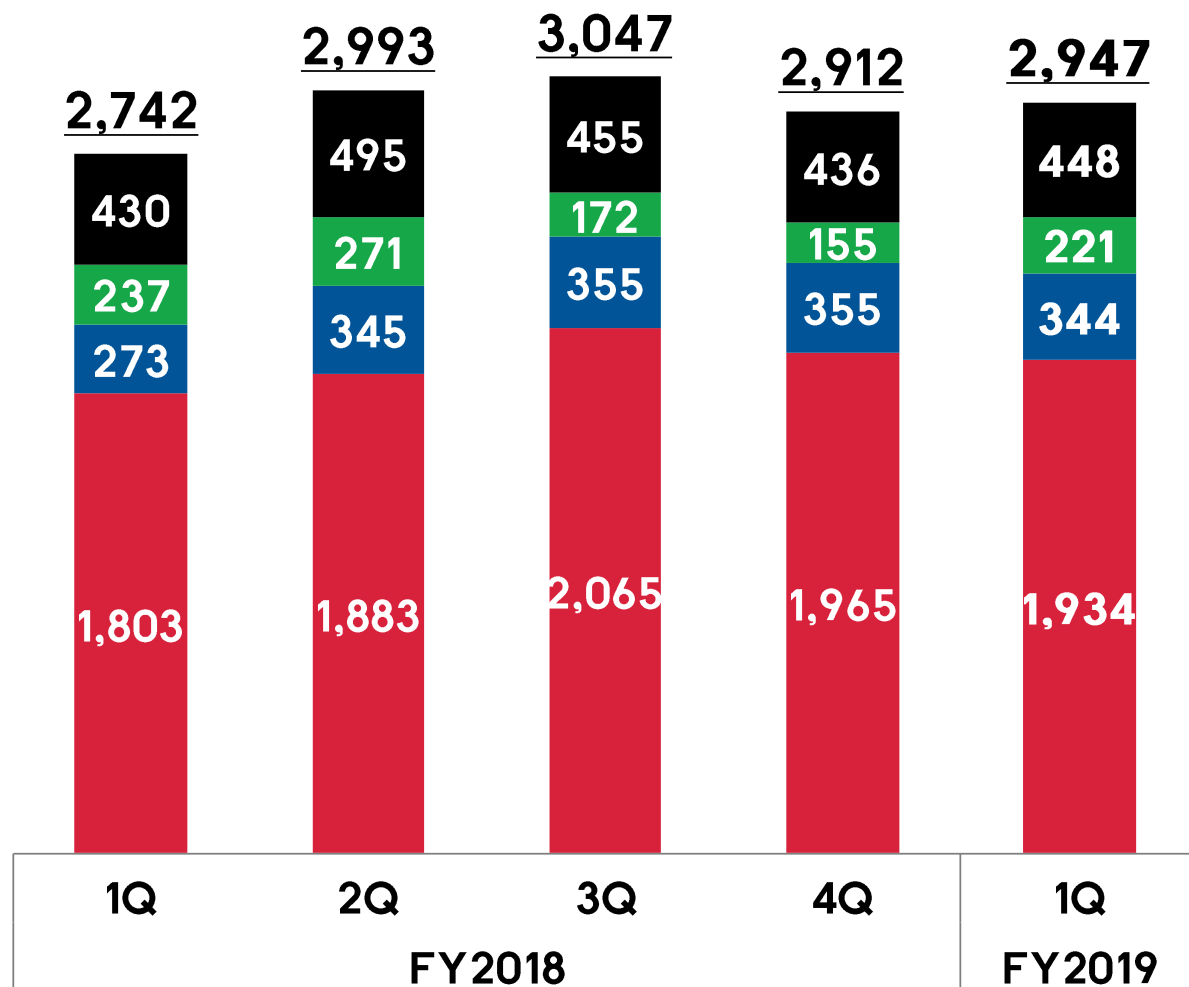
**The operating margin recovered from the level of the previous quarter thanks to cost control initiatives.**



(units : ¥mn)	FY2018				FY2019	QonQ	YonY
	1 Q	2 Q	3 Q	4 Q	1 Q		
<b>Total of cost of sales</b>	583	651	684	679	673	-0.9%	+15.4%
Labor costs	191	205	256	237	273	+15.2%	+42.8%
Subcontract costs	179	235	205	199	95	-52.4%	-46.9%
Others	214	210	223	243	306	+25.7%	+43.1%
<b>Total of SG&amp;A</b>	2,742	2,993	3,047	2,912	2,947	+1.2%	+7.5%
Labor costs	1,803	1,883	2,065	1,965	1,934	-1.6%	+7.3%
Rent expenses etc.	273	345	355	355	344	-3.2%	+26.2%
Advertising expenses	237	271	172	155	221	+42.9%	-6.6%
Others	430	495	455	436	448	+2.7%	+4.3%

**Efforts for controlling costs and SG&A expenses continued to be made.**

■ Labor costs  
■ Advertising expenses  
■ Rent expenses, etc.  
■ Others (units: ¥ mn)



**Continued to control costs to keep expenses from exceeding the FY2018/3Q level.**

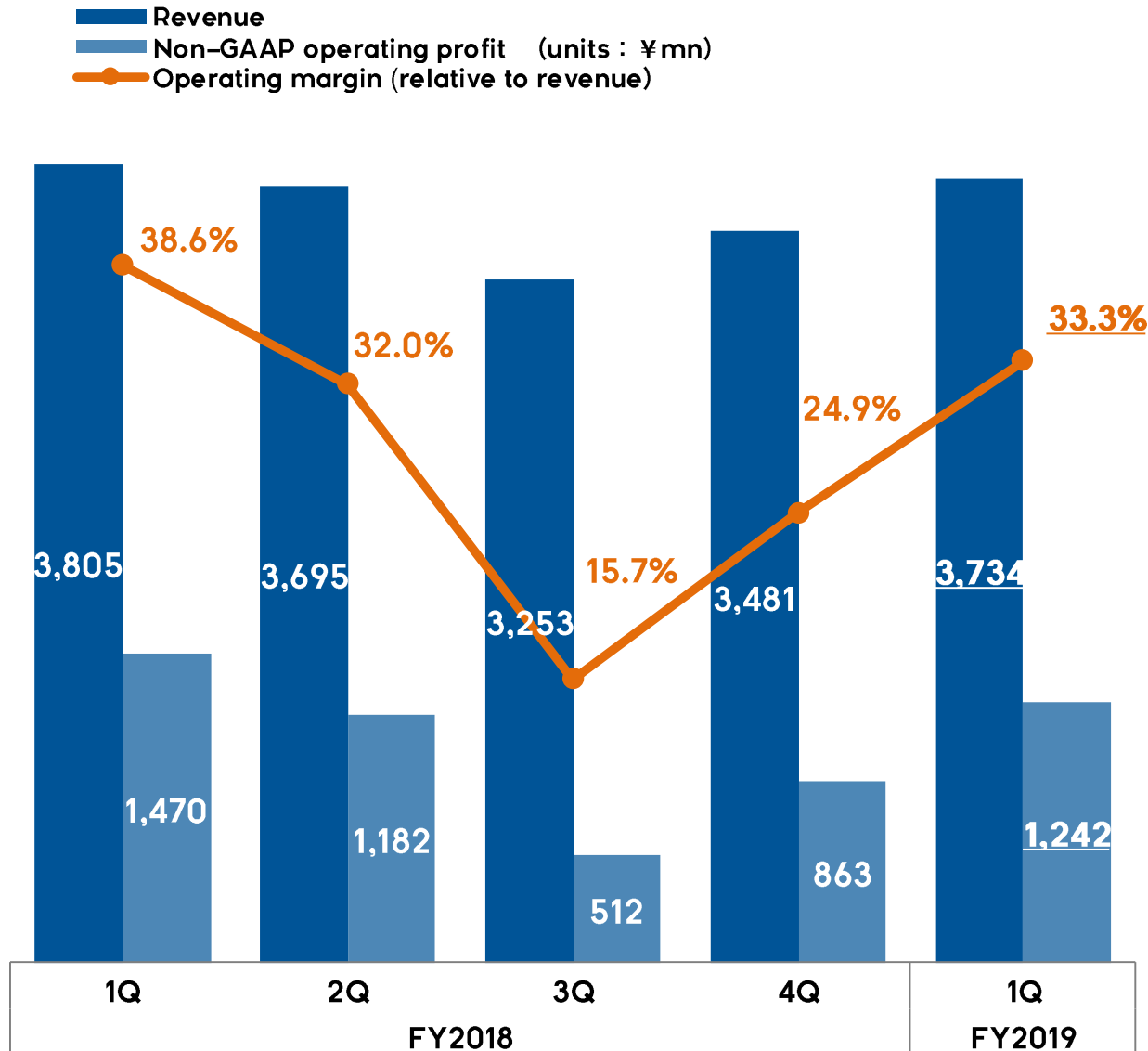
**Promotion expenses for GANMA! Increased temporarily in FY2019/1Q.**

02

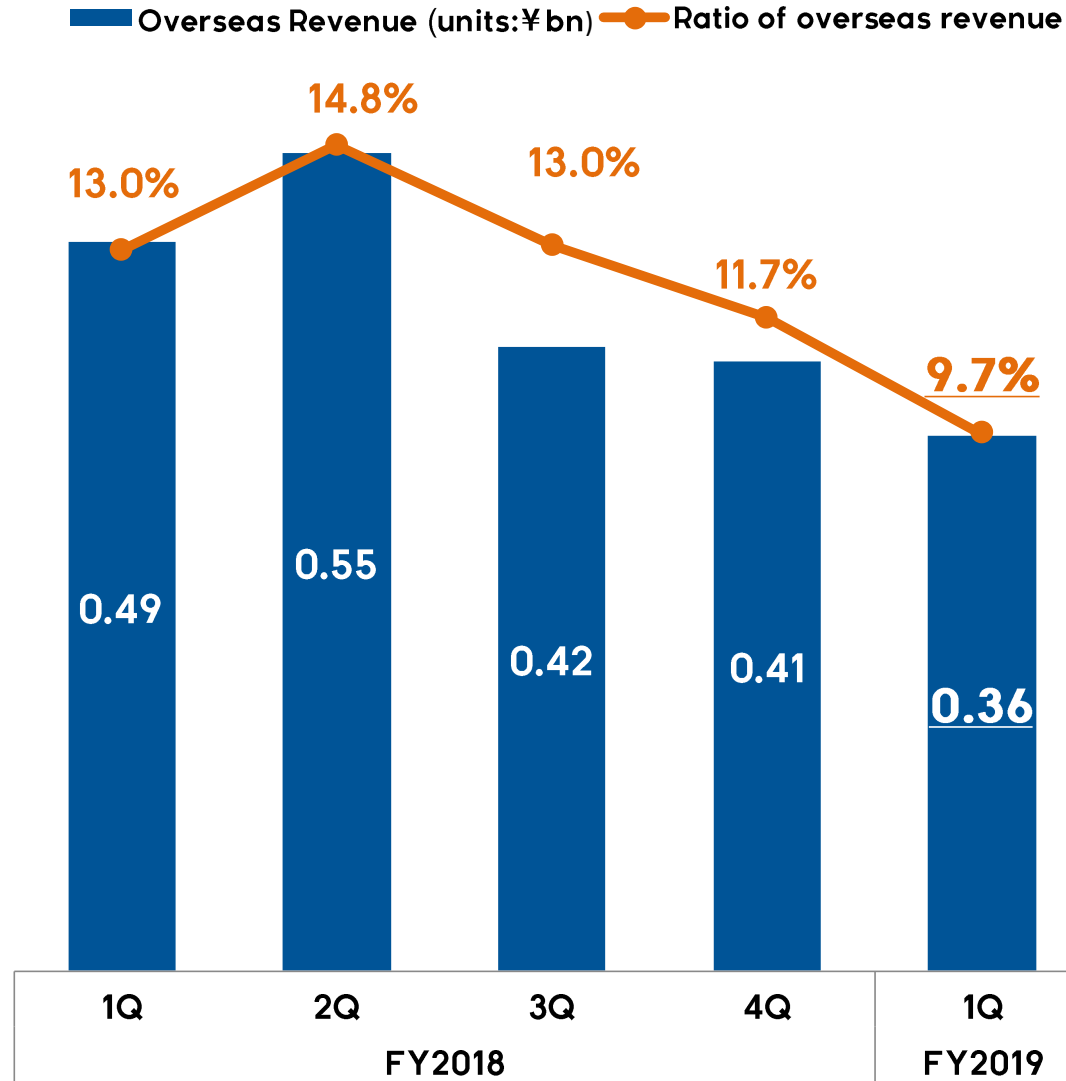
**Internet Marketing Business**

(units:¥mn)	1Q FY2019			1Q FY2018		FY2019 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	3,734	100.0%	-1.9%	3,805	100.0%	15,300	24.4%
Gross profit	3,249	87.0%	-3.2%	3,356	88.2%	—	—
SG&A	2,009	53.8%	+6.6%	1,885	49.5%	—	—
Non-GAAP Operating profit	1,242	33.3%	-15.5%	1,470	38.6%	4,500	27.6%
[Reference] Net Sales	19,169	—	+2.6%	18,682	—	—	—

Revenue and profits, while showing signs of recovery after hitting bottom in FY2018/3Q, decreased on a year on year basis.

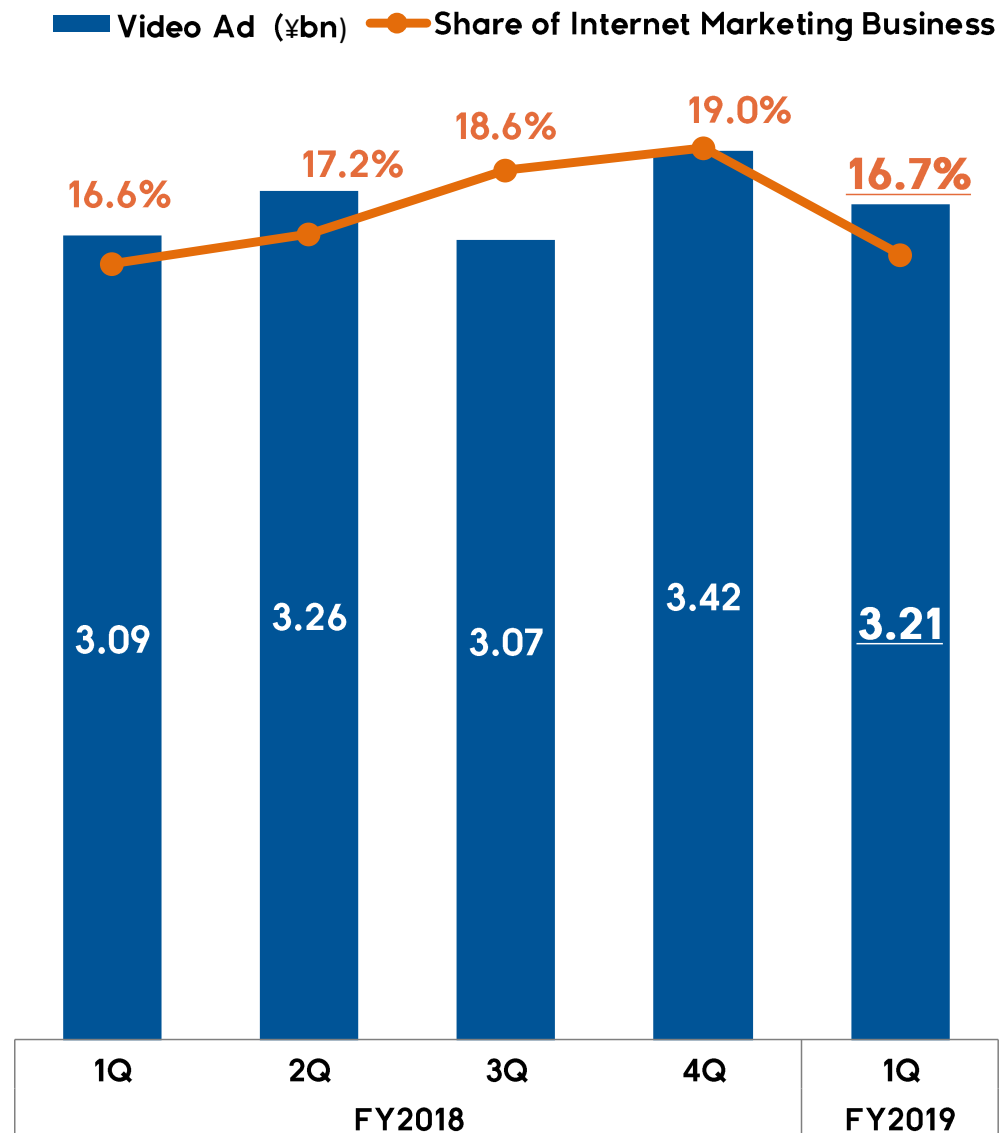


**Established a stable base of clients, an improvement from the situation a year before in which we had worked on many spot projects.**



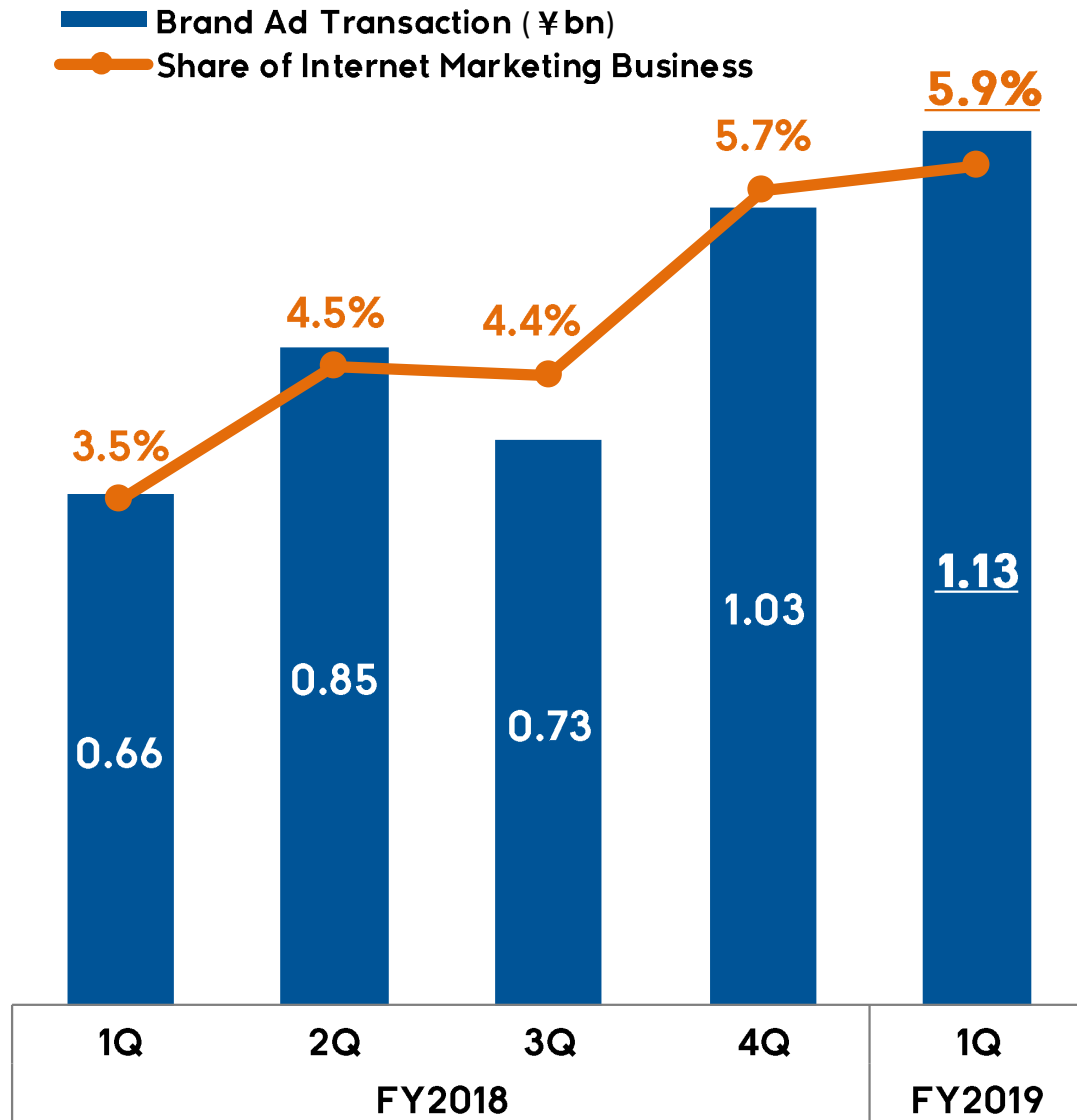
**North America remained strong, while the performance in Asian countries continued to struggle.**

**Reformed management systems and improved our business foundations to move into the next phase for growth.**



**Achieve continued growth on a year-on-year basis.**

**QonQ : -6.0%**  
**YonY : +3.7%**



**Achieved a sharp 1.7 time-growth over the same period of the previous year.**

**The weighting of brand advertising also rose steadily.**



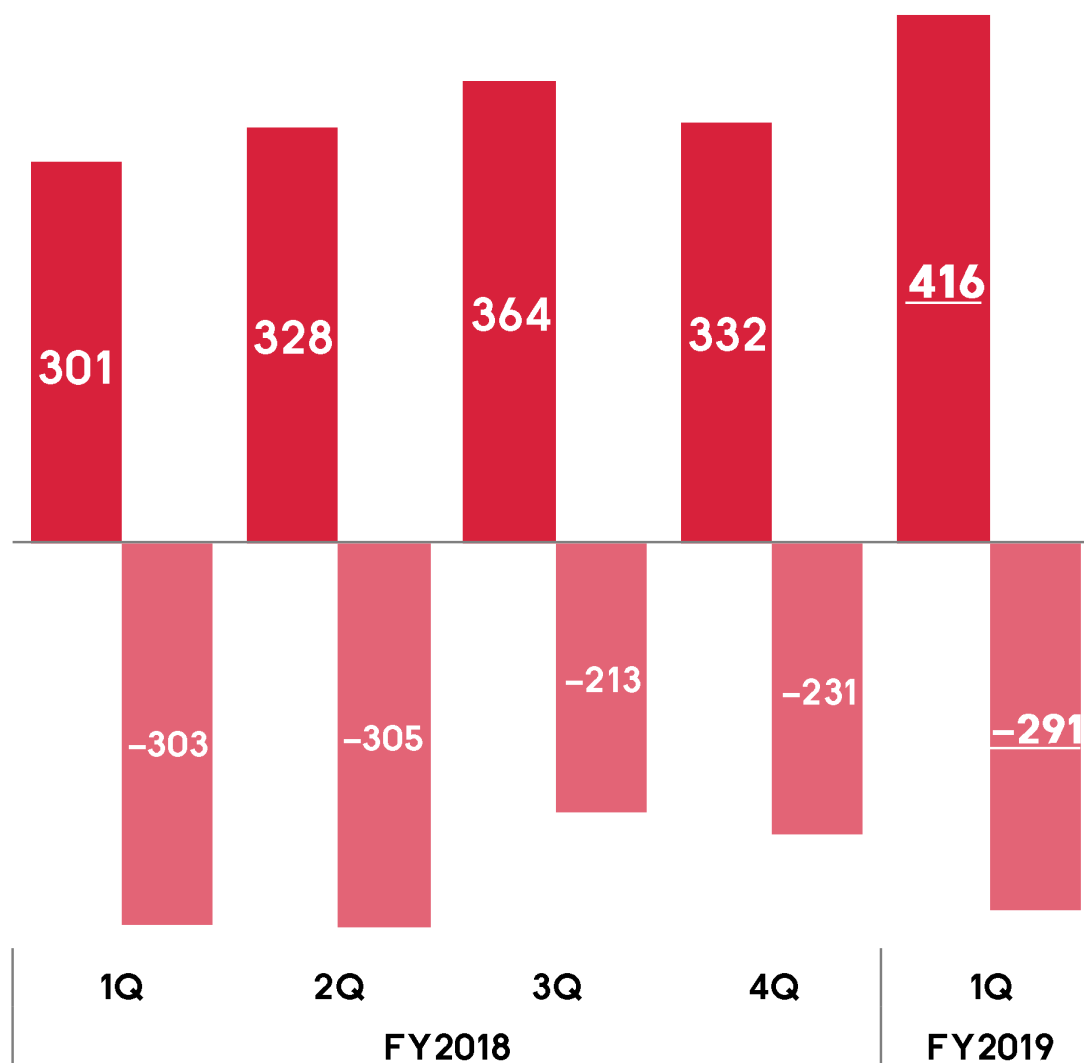
03

**Media Content Business**

(units:¥mn)	1Q FY2019			1Q FY2018		FY2019 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	416	100.0%	+38.1%	301	100.0%	2,250	18.5%
Gross profit	224	53.8%	+35.1%	166	55.0%	—	—
SG&A	515	123.8%	+9.7%	469	155.8%	—	—
Non-GAAP Operating profit	-291	—	+12	-303	—	-650	44.8%

**Increased costs for the promotion of GANMA! were offset by higher revenue, resulting in a decreased operating loss.**

■ Revenue ■ Non-GAAP operating profit (units: ¥mn)



Operating loss decreased year on year due to offsetting increased costs for the promotion by rising revenue of each business

## Revenue model of GANMA!



- Multi media expanding of contents
- Crowdfunding etc

New plan by major update of application

Revenue from IP

Subscription

Brand Advertisement

Performance Advertisement

~FY2017

FY2018

FY2019~

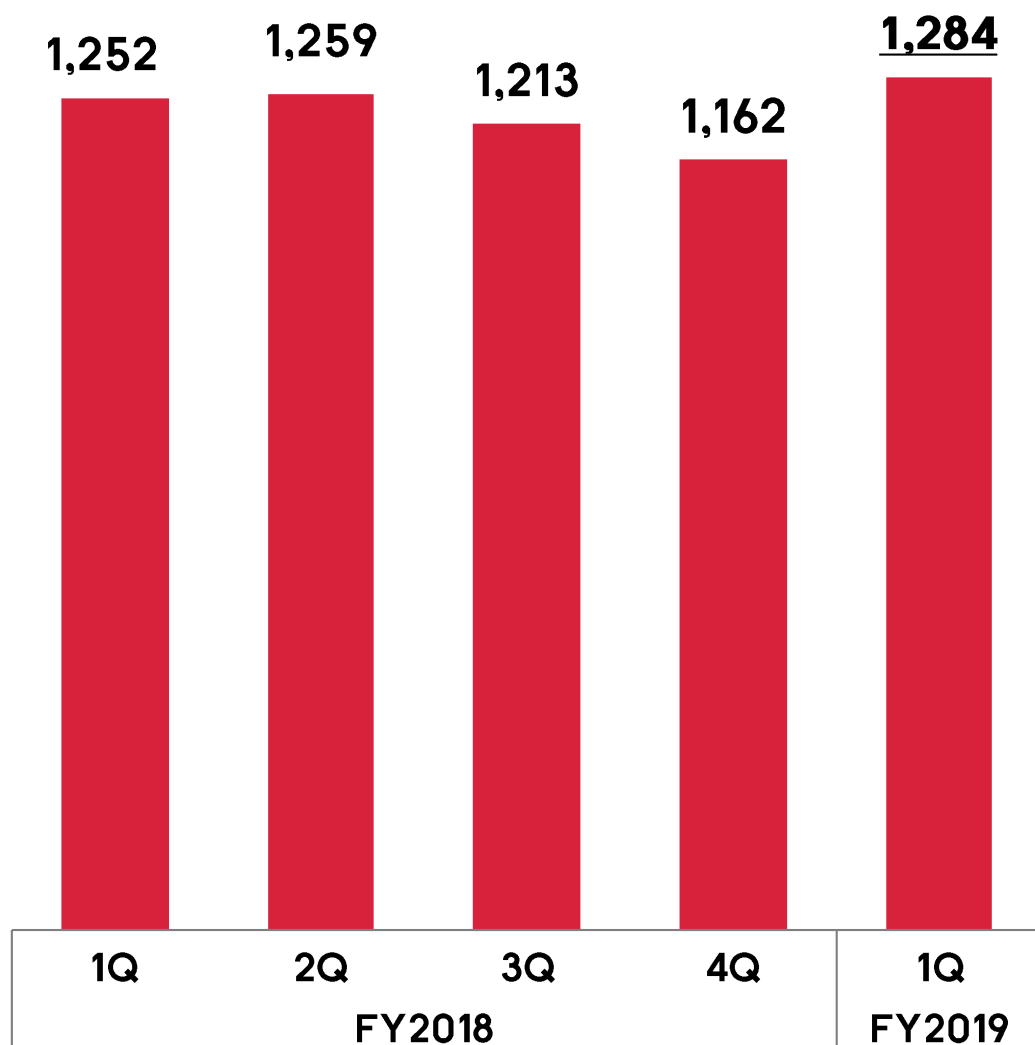
Accumulated application downloads of GANMA! : **11.5mn**

Monthly Page Views : **3.36bn**

(as of end of December, 2018)

**Aimed to accumulate revenue from brand ad and subscription revenue, in addition to performance ad**

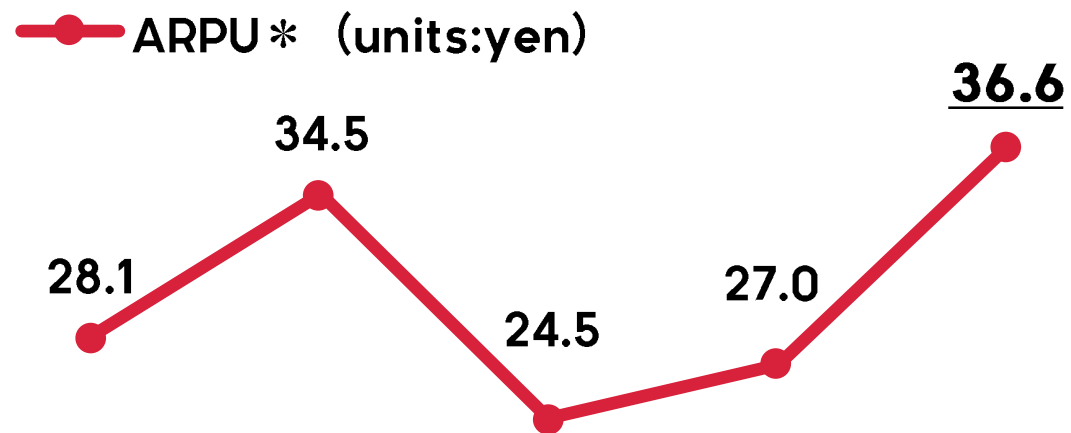
※Volumes in FY2016=100



**Application revenue increased due to growth in brand advertising.**

**QonQ : +10.5%**

**YonY : +2.6%**



**In addition to revenue and MAU, revenue per user increased quarter on quarter.**

Dec 2017	Mar	Jun	Sep	Dec
		2018		



**Released the special live-action video of “*Reset Game*”, a popular GANMA! work, in December 2018.**



**Directed by Yukihiro Tsutsumi  
Starring Mackenyu Arata**



## Implemented an application update in December 2018

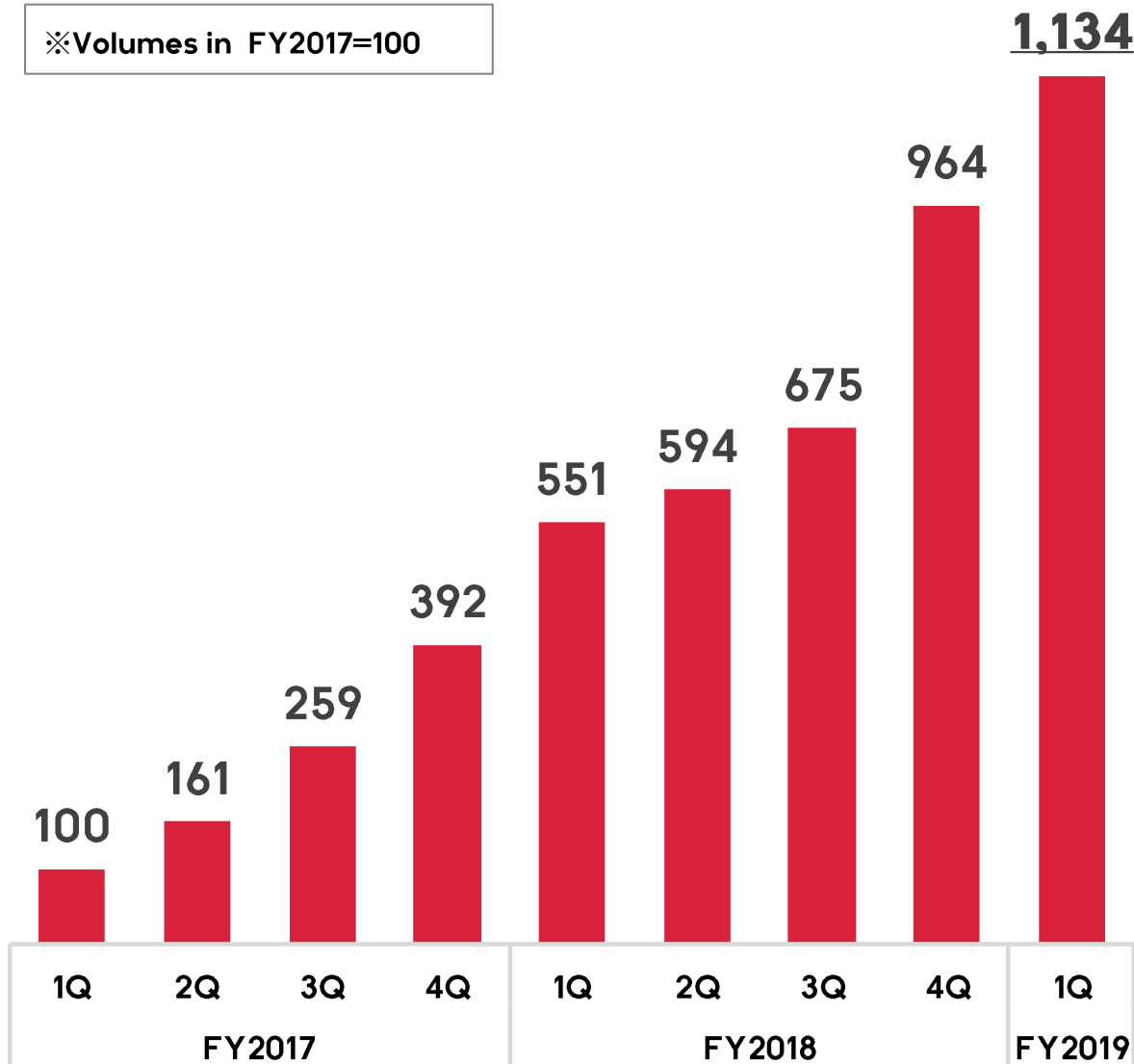
Changes of UI Design with the aim of increasing users' time on App

Change of billing plan\* with the aim of raising revenue per user

\* Monthly billing amounts for Premium Members were revised from 380 yen for iOS and 300 yen for Android, to 680 yen for the two operation systems.



※Volumes in FY2017=100

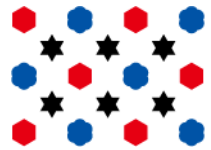


**Subscription revenue**  
Increased due to a steady rise  
after the implementation  
of the update

\* Disclosed as "App-billing revenue" on previous year

# 04

**Report on Progress  
in Capital/Business Alliance with Dentsu**



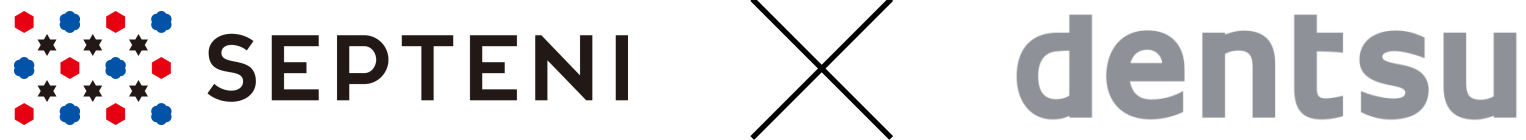
SEPTENI

Dentsu became the Company's  
largest shareholder  
as the result of TOB.

←  
Voting rights: 20.99%

dentsu

- As the result of **the tender offer (TOB)** made by Dentsu during the period from October 31, 2018 through December 11, 2018, the number of shares tendered by general shareholders reached **20.99% in terms of the Company's voting rights.**  
(No third-party allotments were offered )
- The Company was **converted into an equity-method company** of Dentsu on December 18, 2018. (Maintains TSE JASDAQ listing)
- Full-scale operations under the business alliance will start in **FY2019/2Q**



Both company (Septeni Group and Dentsu group) aim to be **the largest digital marketing partners in Japan** that lead the industry's development in **an environment where persons with various talents** assemble **with the joy of labor** and **by providing the best solutions** to clients and that pursue maximum benefits of both companies through the Transaction by sharing both companies' resources and mutually utilizing them to realize the above aim.

**Making use of differ in their specialties and strength in both company,  
added value to provide for clients by creating synergy  
through short and medium-term initiatives are improved.**



SEPTENI

  
Short and Medium-term initiatives

dentsu

**Offering knowledge and  
technology of the Internet  
Marketing Business**

**Sales of the Company  
group' s media, mainly  
GANMA! by Dentsu Group**

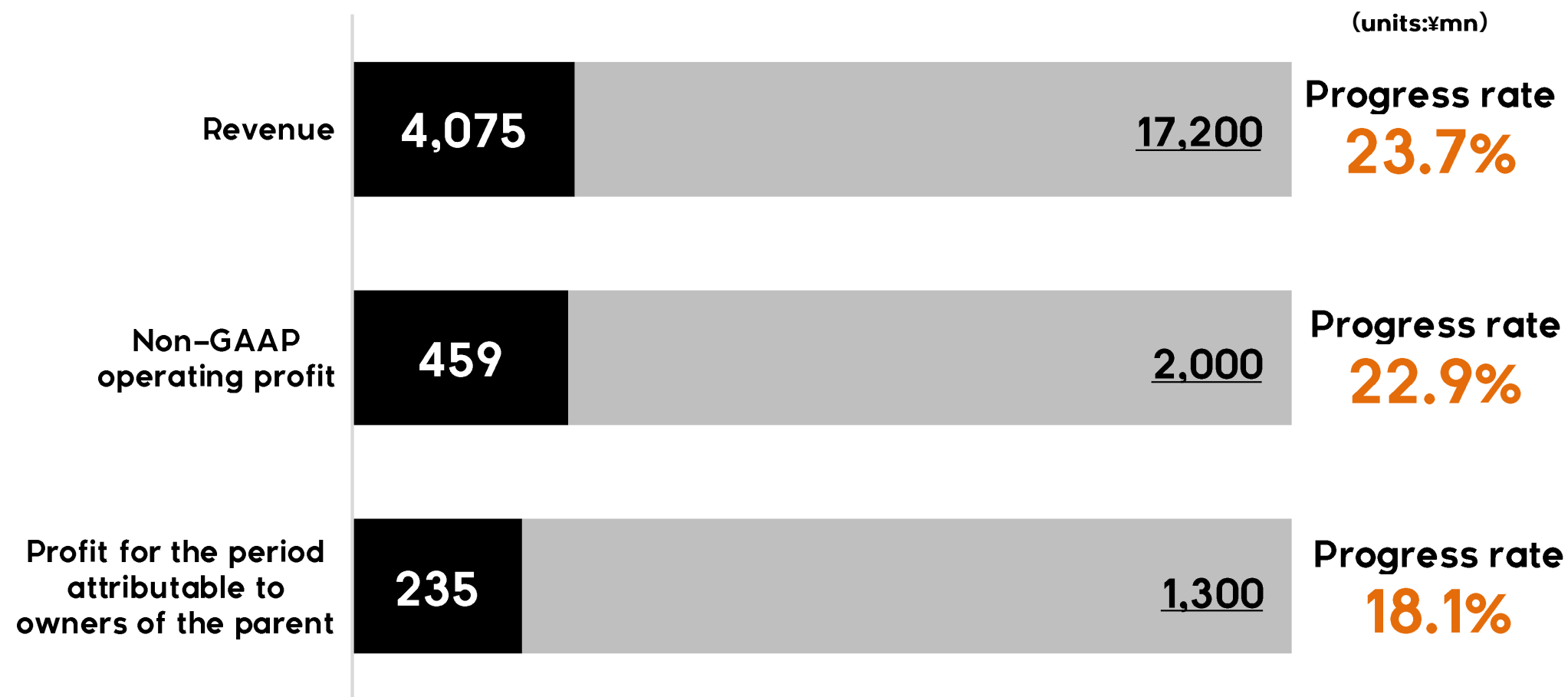
**The Company supports the  
implementation of advertisements  
for net marketing projects handled  
by the Dentsu Group.**

**Mutual use of data assets  
held by both companies**

**Propose integrated  
marketing of online/offline  
utilizing the client bases of  
both companies**

# 05

## Progress on Earnings Estimates



**Progress on earnings estimates of this financial year remains firm.  
Operations under the business alliance with the Dentsu Group  
will begin in FY2019/2Q.**

## Internet Marketing Business

Revenue

3,734

15,300

Progress rate 24.4%

Non-GAAP  
operating profit

1,242

4,500

Progress rate 27.6%

## Media Content Business

(units:¥mn)

Revenue

416

2,250

Progress rate 18.5%

Non-GAAP  
operating profit

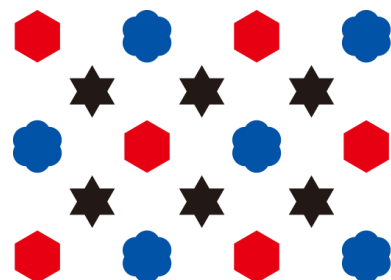
-291

-650

Progress rate 44.8%



\* For trend of each numerical data in the past, refer the appendix from the next page.



# SEPTENI

# Thank you for your interest!

---

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 January 31, 2019 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.

## Contact Information

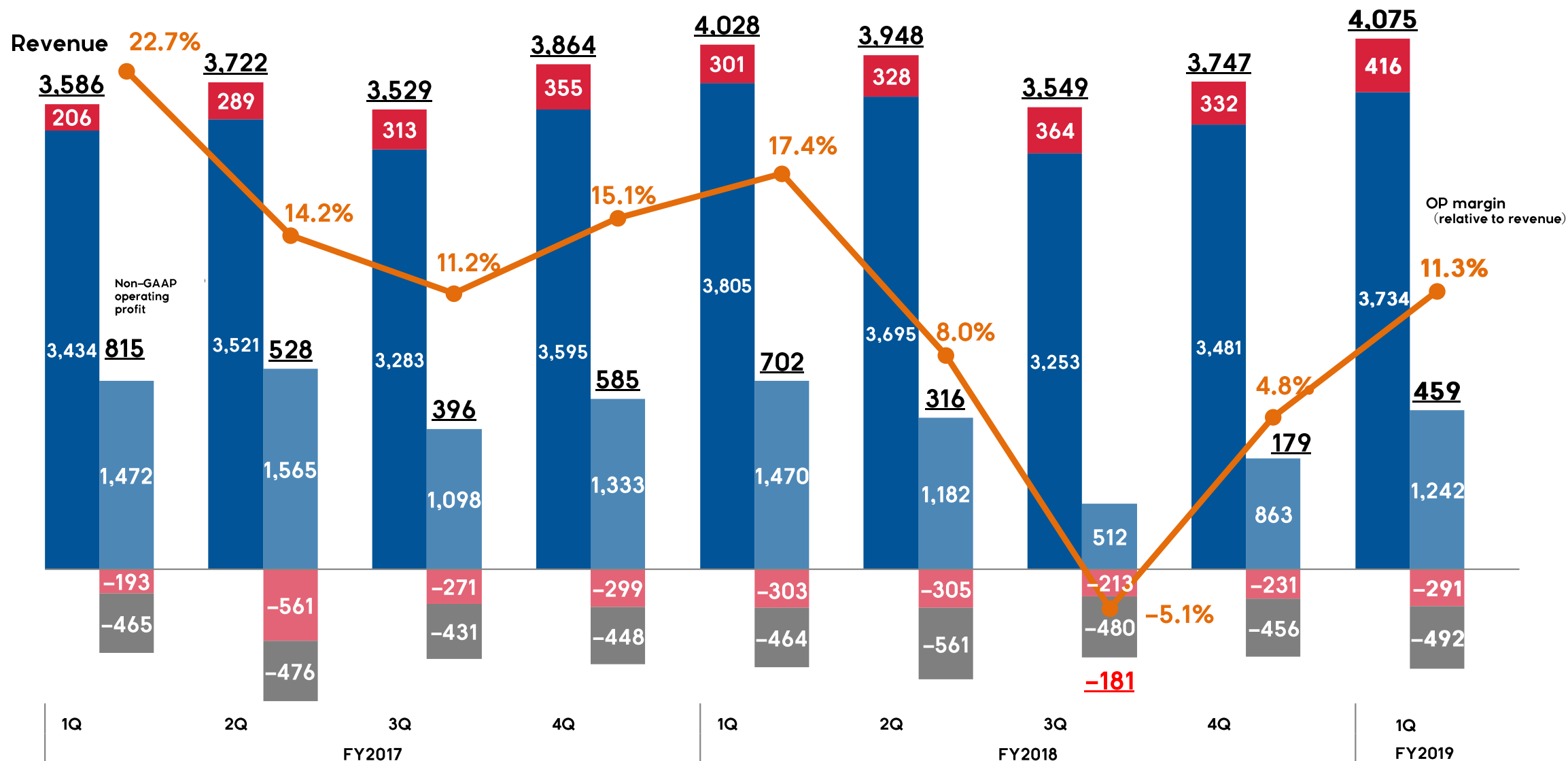
**SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division**

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

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

06

Appendix

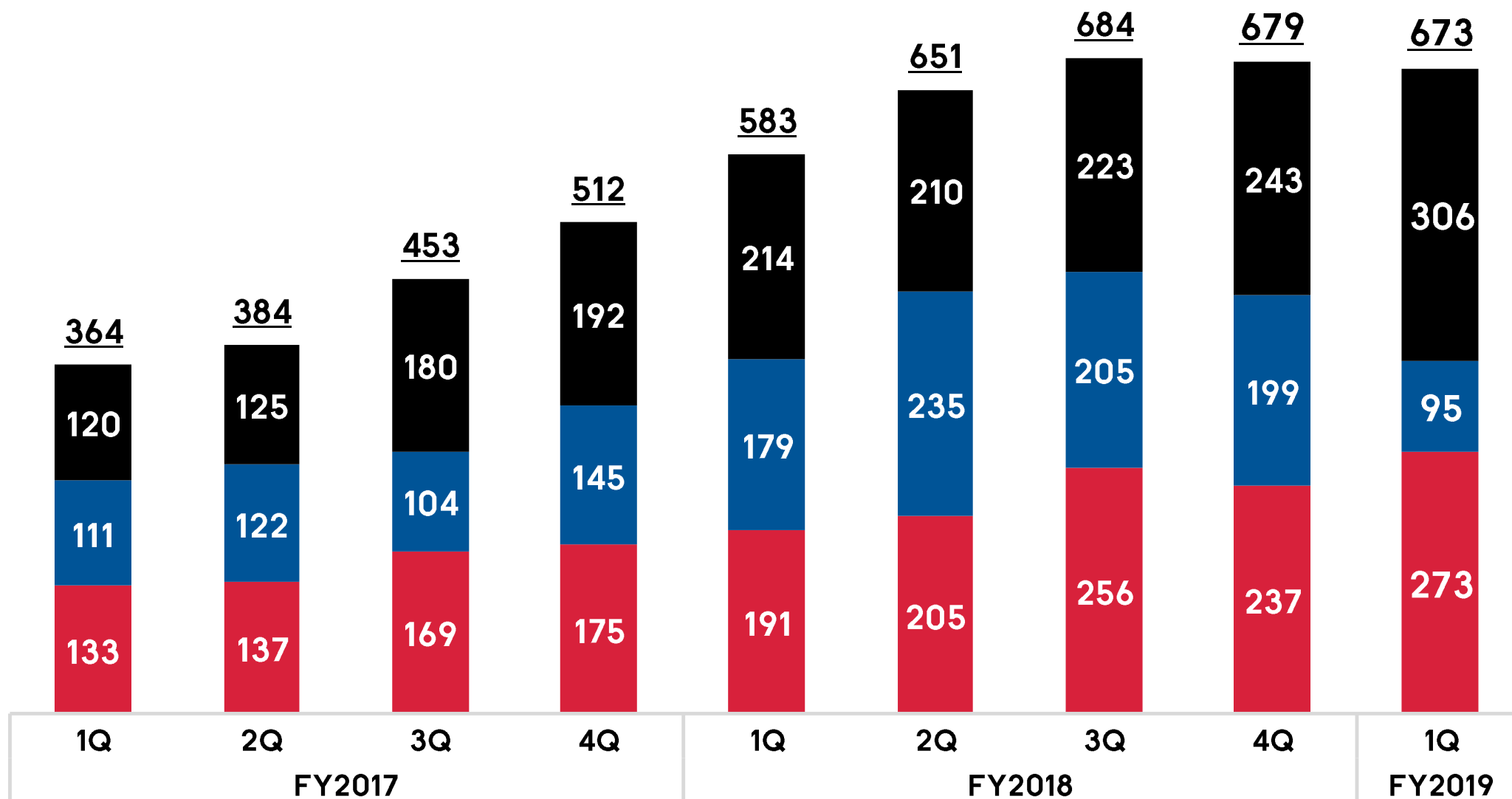


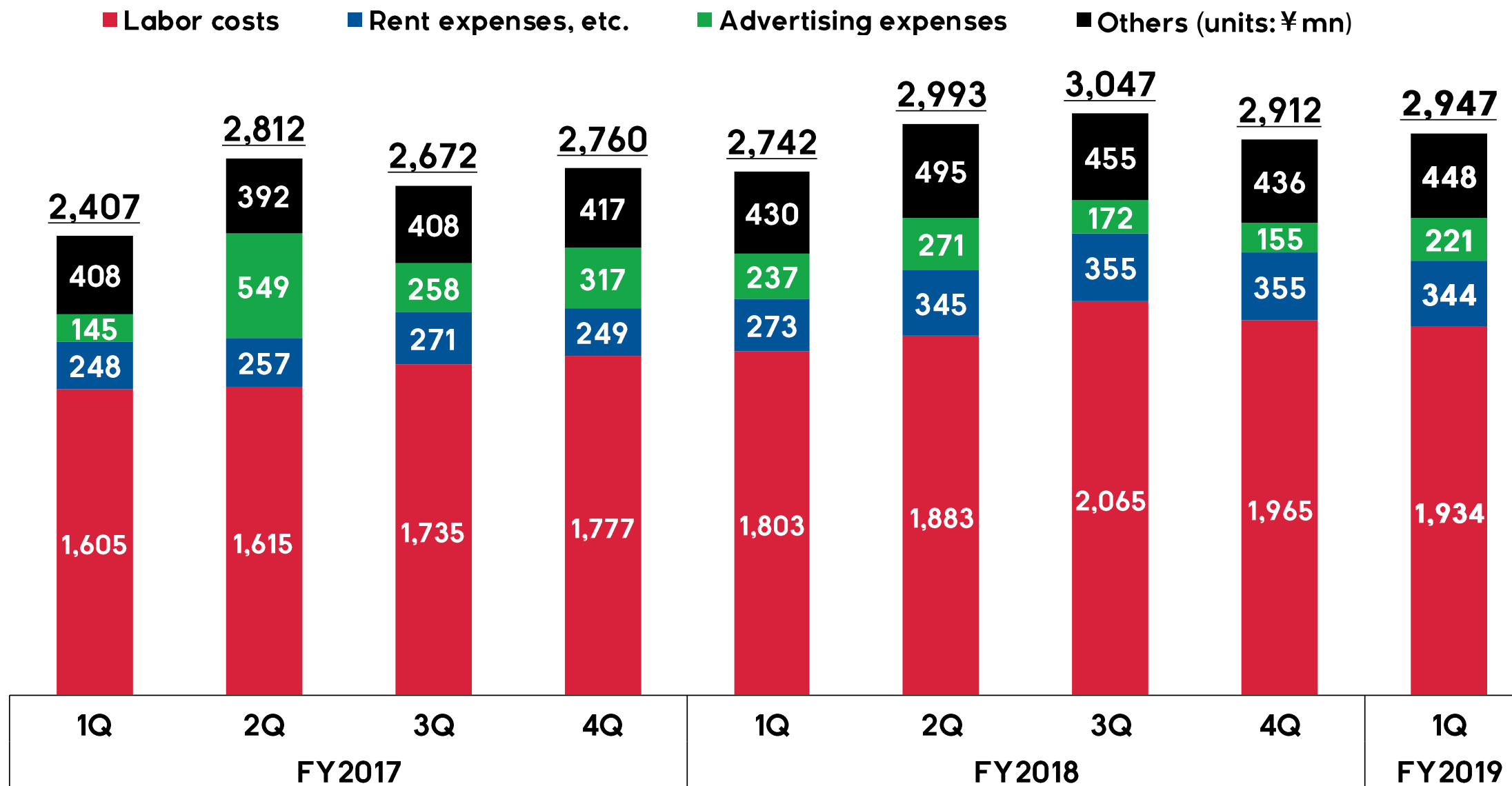
\*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

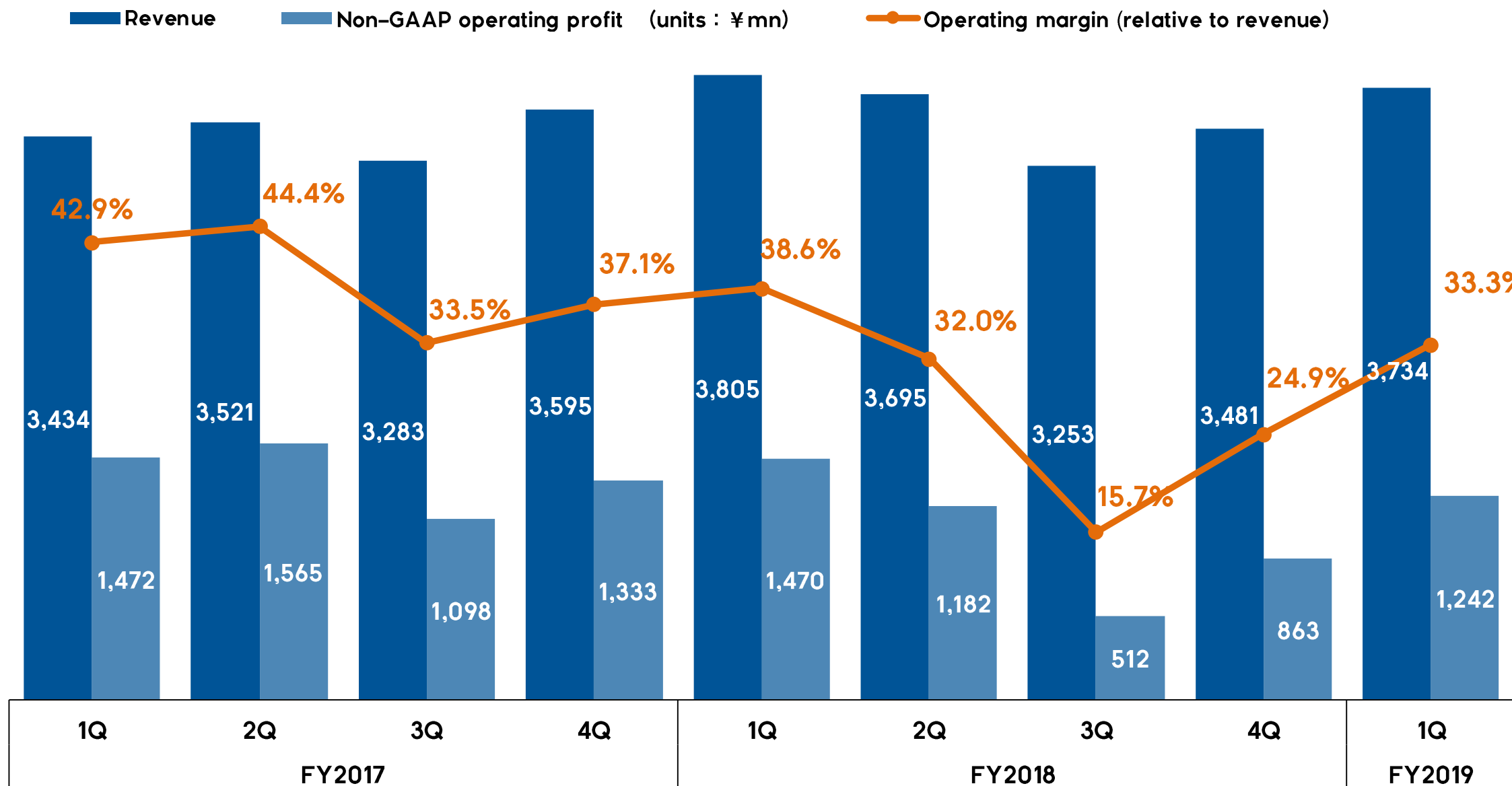
\*Previous figures were revised retroactively because a change was made to the method of allocating corporate expenses to each segment, effective from FY9/18.

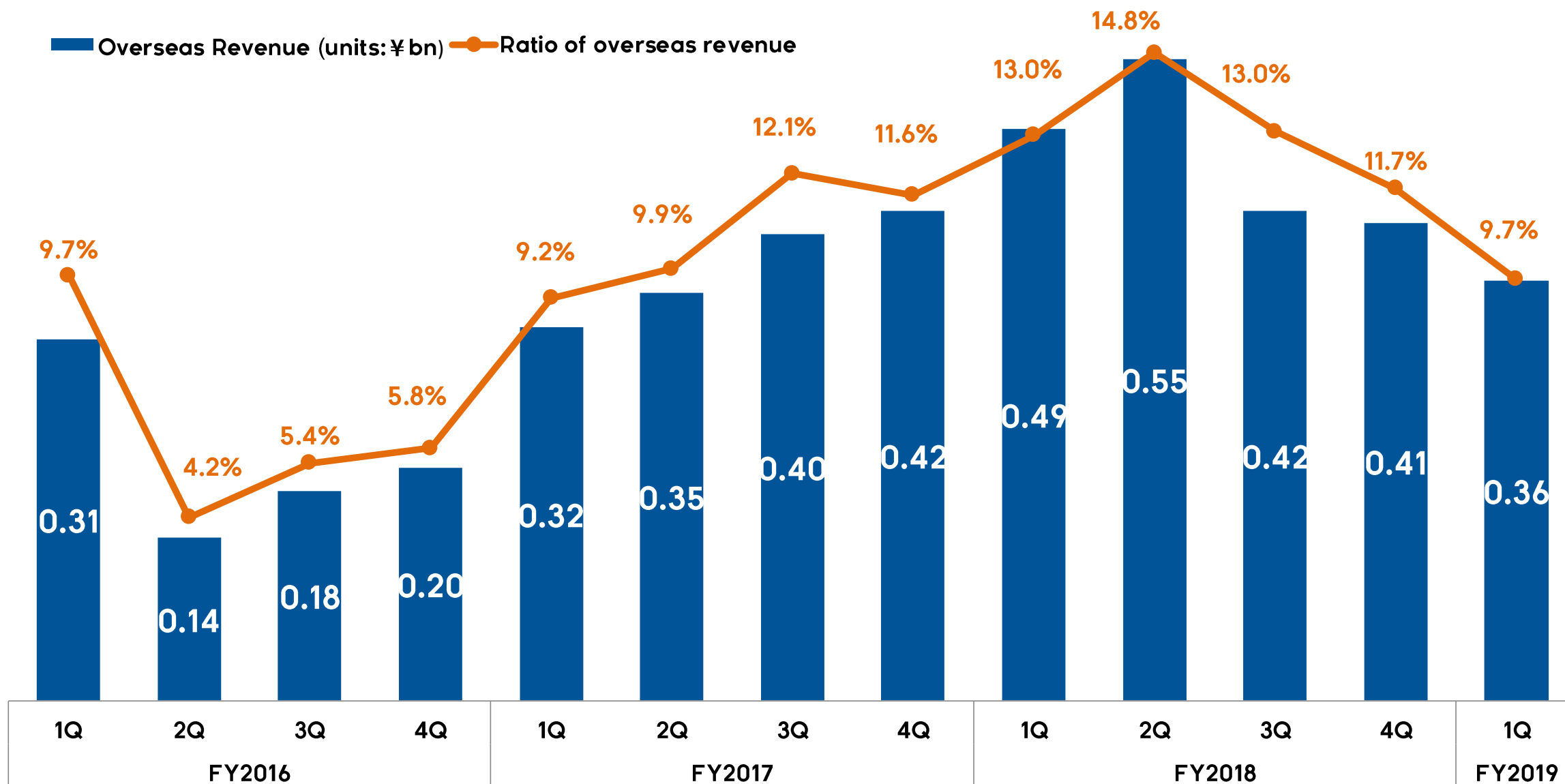
(units : ¥mn)	FY2017				F2018				FY2019	QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q		
<b>Total of cost of sales</b>	364	384	453	512	583	651	684	679	673	-0.9%	15.4%
Labor costs	133	137	169	175	191	205	256	237	273	15.2%	42.8%
Subcontract costs	111	122	104	145	179	235	205	199	95	-52.4%	-46.9%
Others	120	125	180	192	214	210	223	243	306	25.7%	43.1%
<b>Total of SG&amp;A</b>	2,407	2,812	2,672	2,760	2,742	2,993	3,047	2,912	2,947	1.2%	7.5%
Labor costs	1,605	1,615	1,735	1,777	1,803	1,883	2,065	1,965	1,934	-1.6%	7.3%
Rent expenses etc.	248	257	271	249	273	345	355	355	344	-3.2%	26.2%
Advertising expenses	145	549	258	317	237	271	172	155	221	42.9%	-6.6%
Others	408	392	408	417	430	495	455	436	448	2.7%	4.3%

■ Labor costs ■ Subcontract costs ■ Others (units : ¥mn)

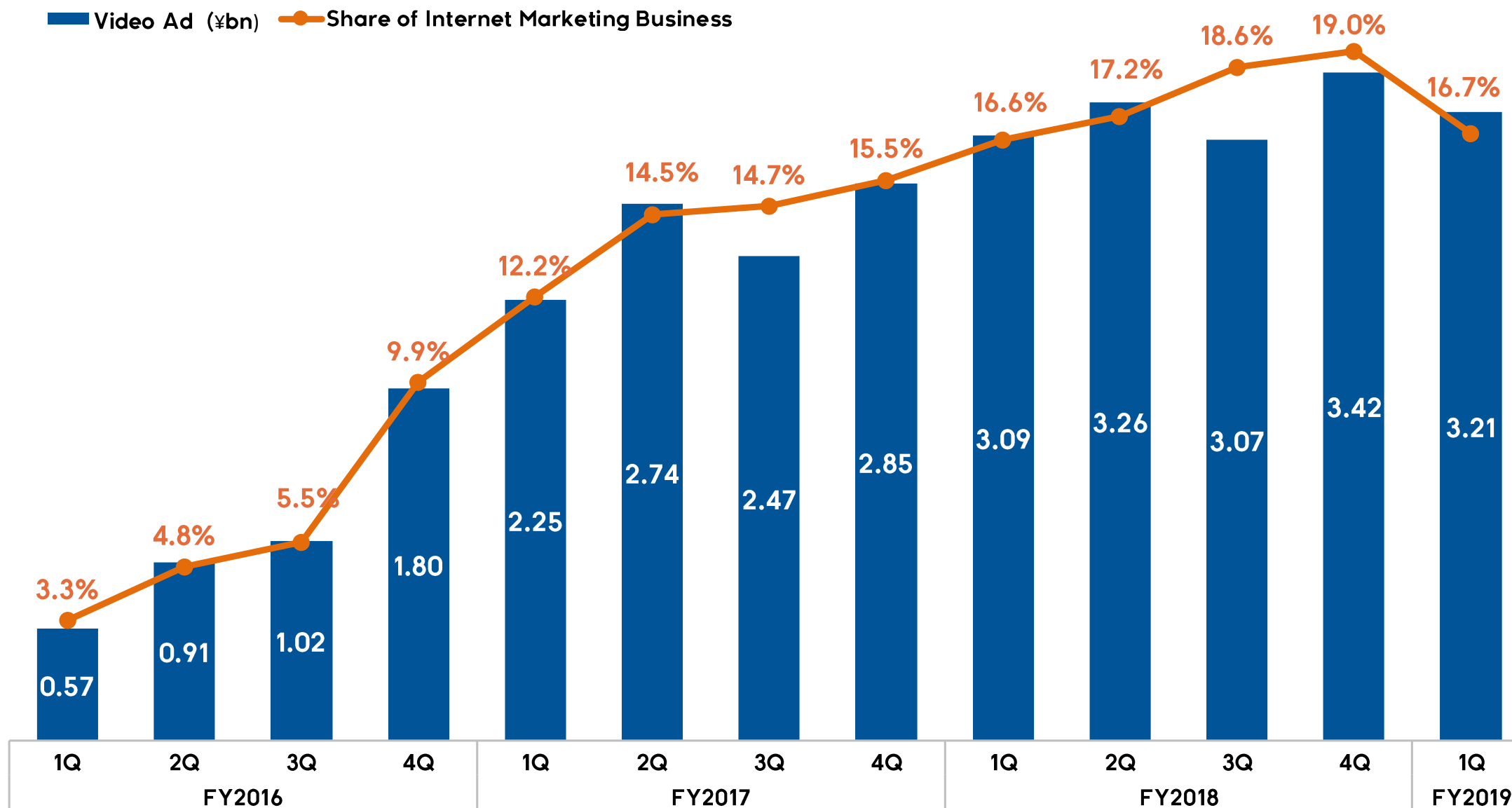


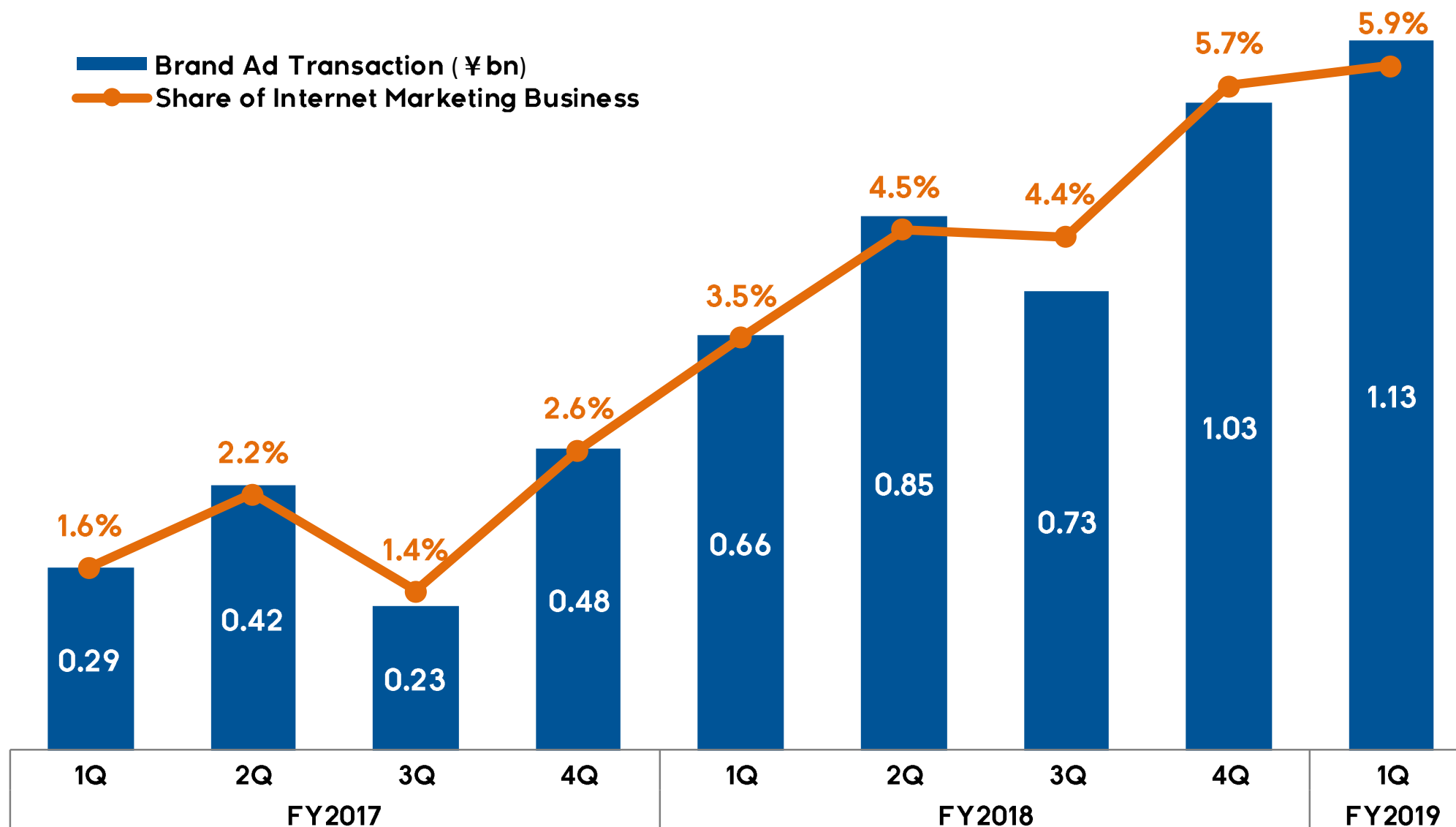


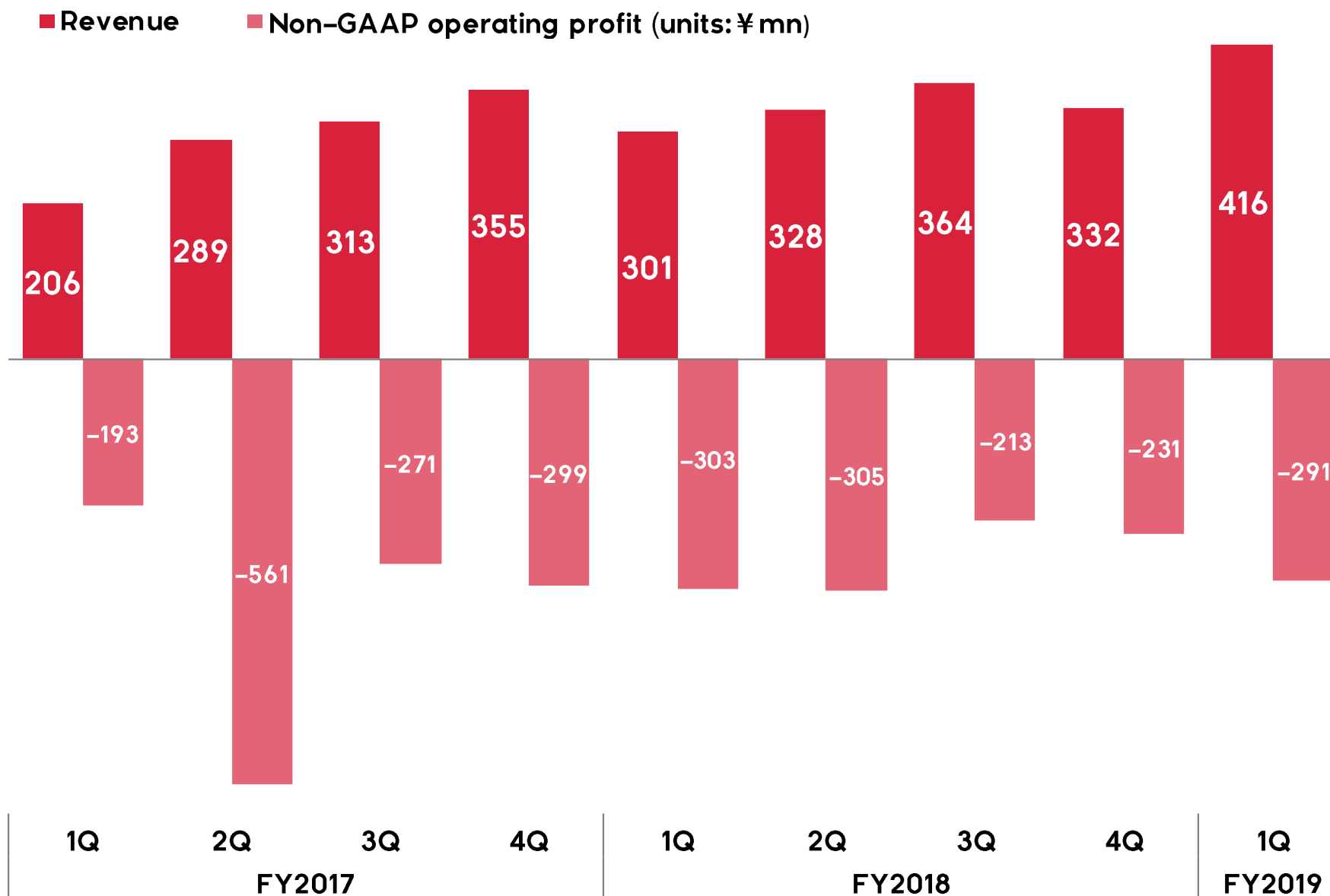


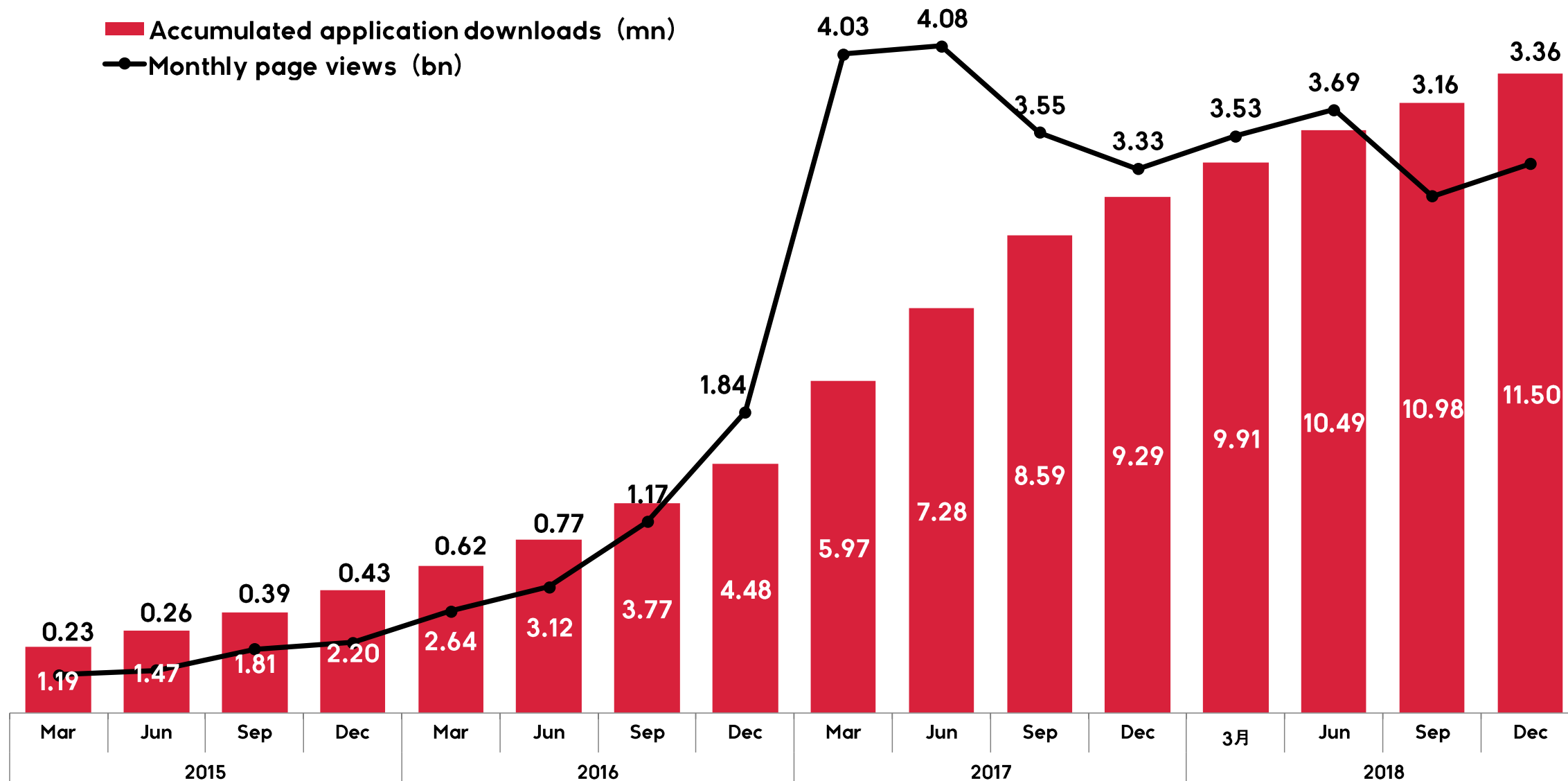


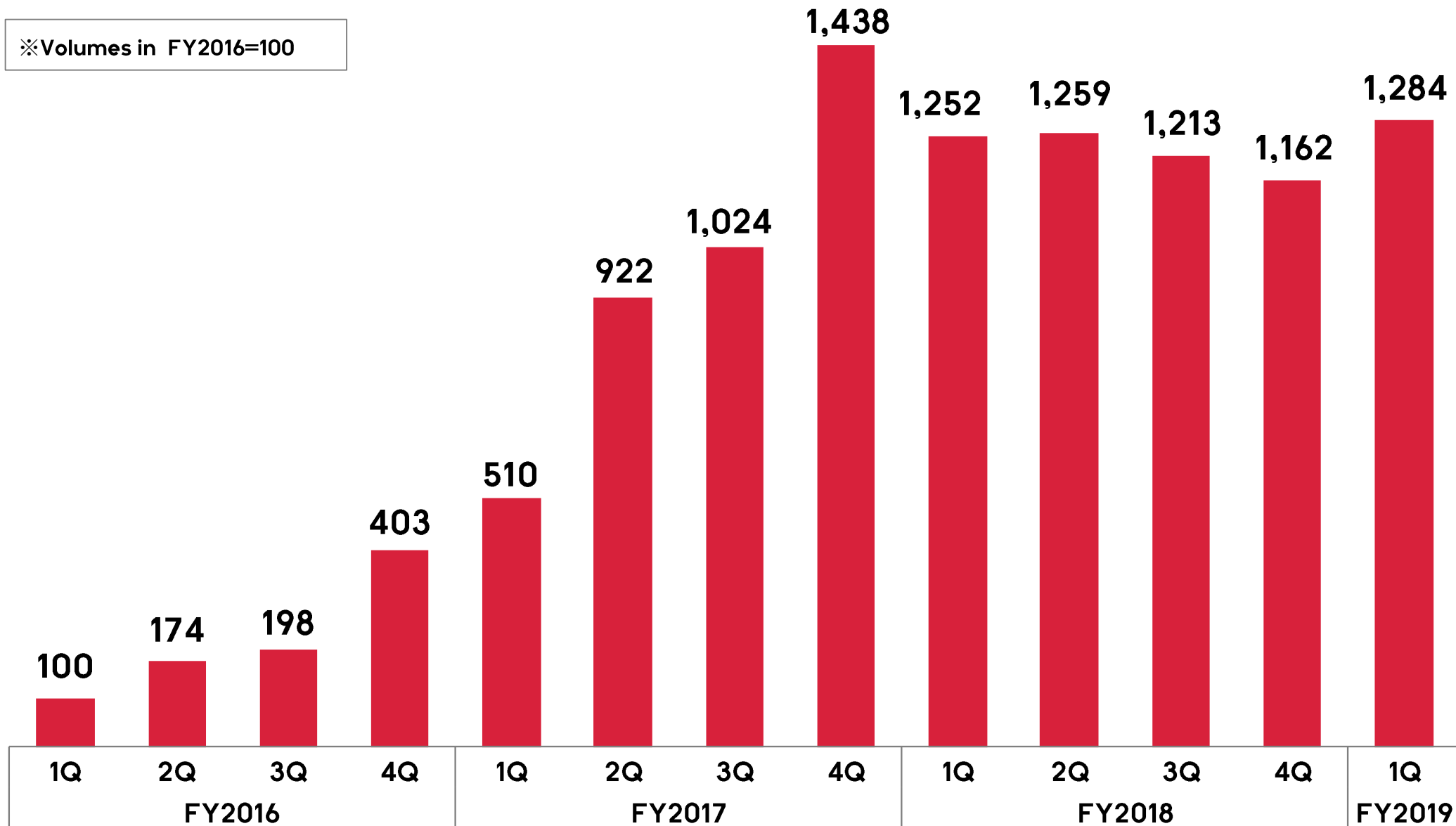


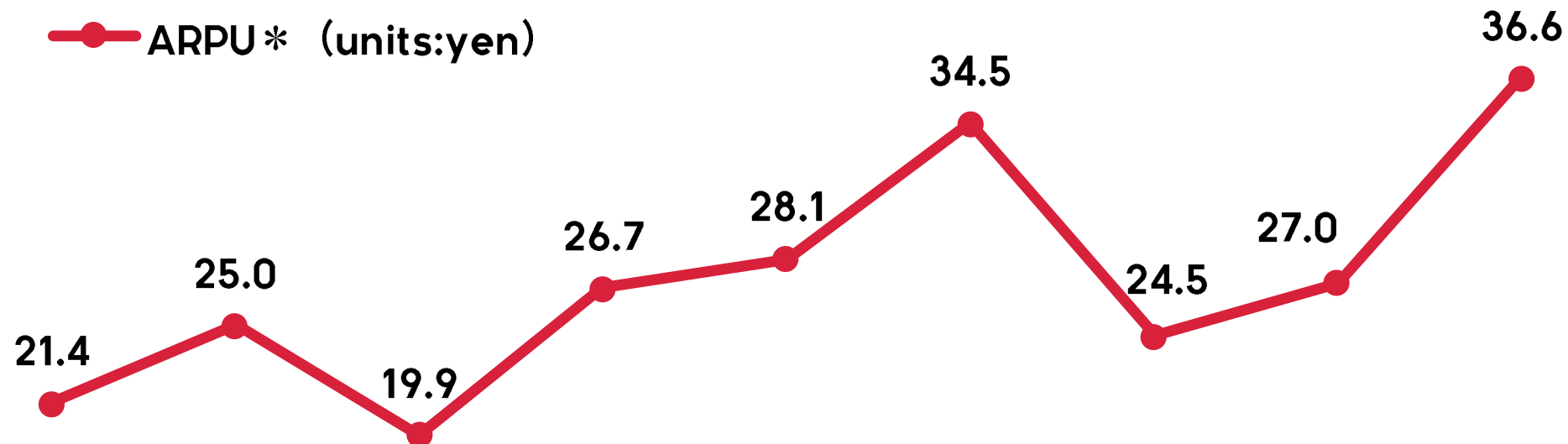






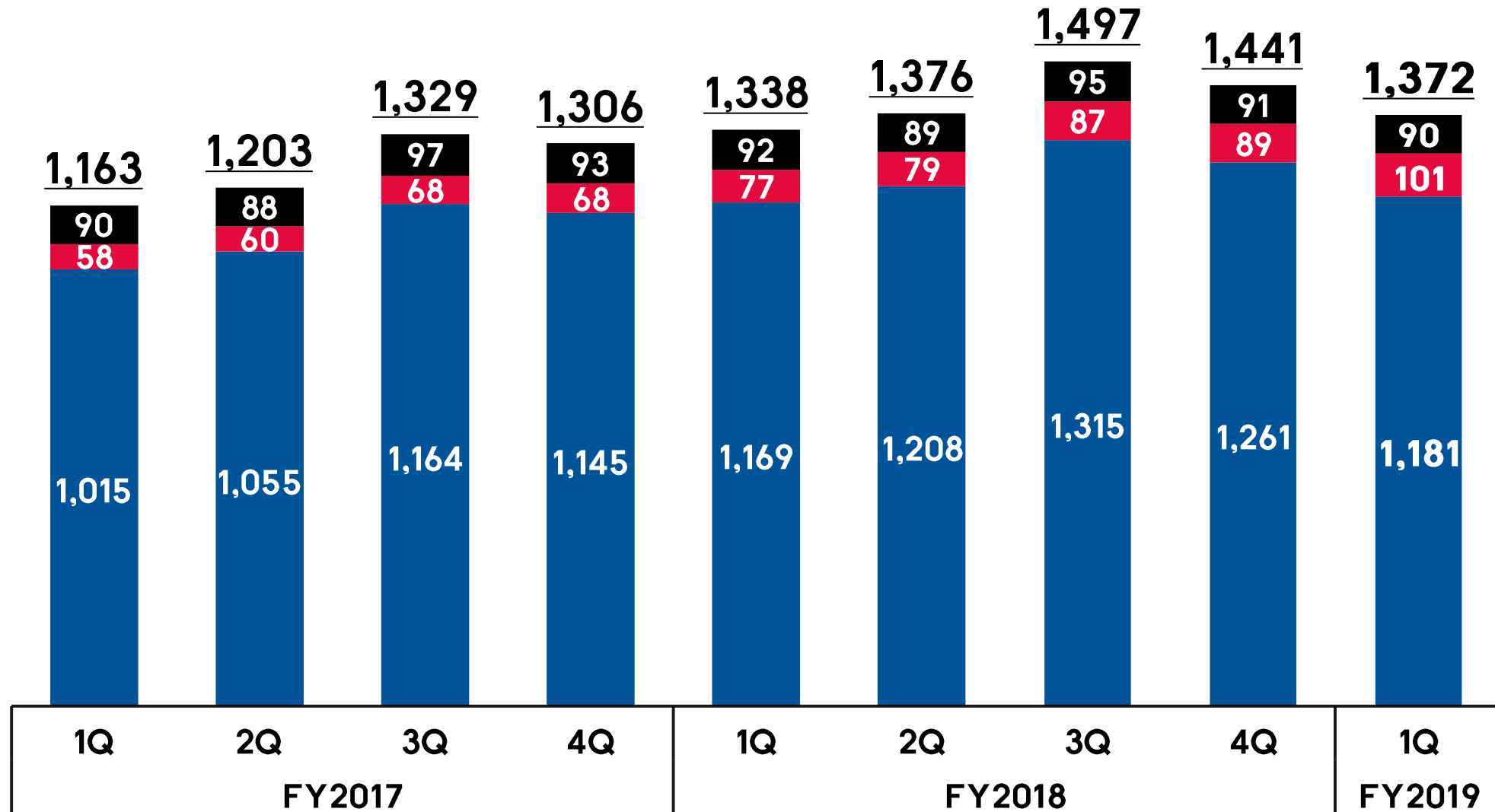






Dec 2016	Mar	Jun 2017	Sep	Dec 2017	Mar	Jun 2018	Sep	Dec
-------------	-----	-------------	-----	-------------	-----	-------------	-----	-----

■ Internet Marketing Business ■ Media Content Business ■ Holding Company



<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>	¥2,120 million
<b>Shares Issued</b>	138,856,500 shares (including 10,724,160 treasury shares)
<b>Consolidated Workforce</b>	1,181 full time employees, 1,372 full time and contracted employees

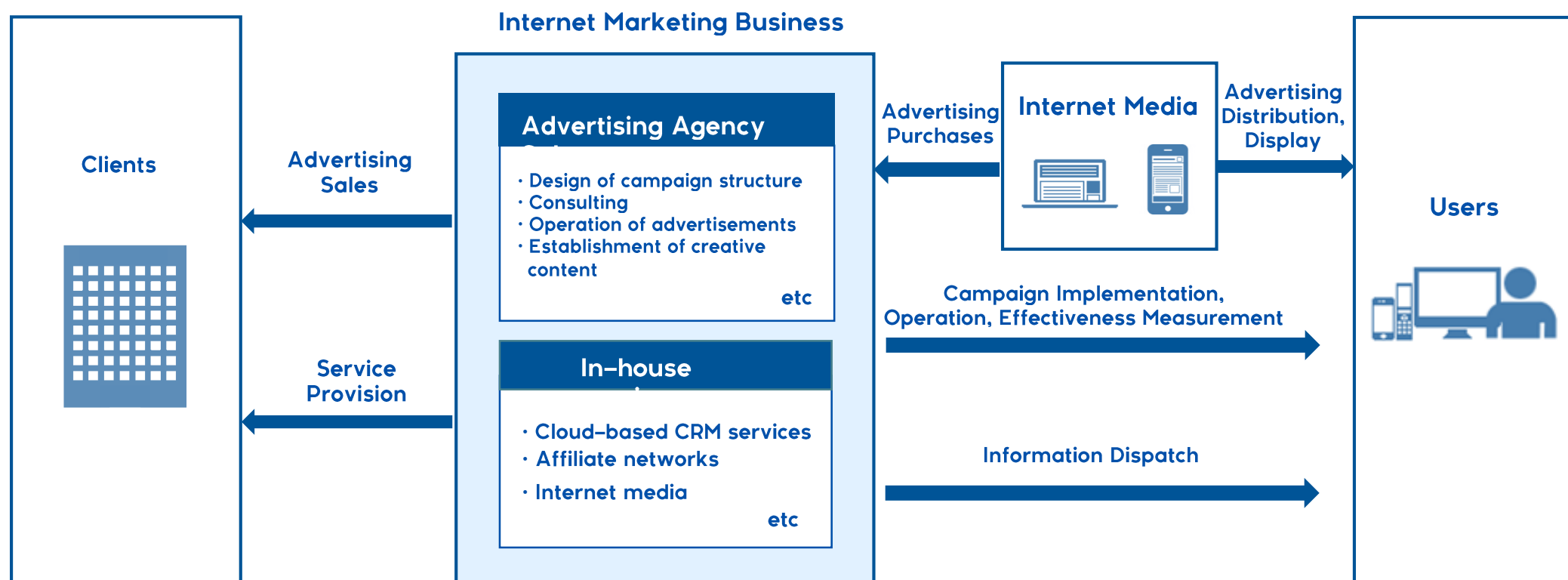
\* On the consolidated balance sheet, in addition to the shares stated above, the shares of the Company held by the Board Incentive Plan (BIP) trust (1,739,200 shares) are treated as treasury stock.



Holding Company		SEPTENI HOLDINGS CO., LTD	
Internet Marketing Business			
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
Septeni Original,Inc.	Planning and development of web service	Septeni Ad Creative,Inc.	Planning and production of Internet ads creative
SETPENI CROSSGATE CO.,LTD.	Ad Network and Platform Business	Tricorn Corporation	CRM Service Business
Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region	Septeni America, Inc.	Internet ad agency based in North America region
SEPTENI China Limited	Internet ad agency based in China	SEPTENI TECHNOLOGY CO., LTD.	Web service development
JNJ INTERACTIVE INC.	Internet ad agency in South Korea	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 Co.,Ltd.	Medical platform business
TowaStela, Inc.	Childcare platform business	Delight Tube,Inc.	Planning, production and management of Internet media
HEDGEHOG PRODUCTS, Inc.	Internet realty marketing business	New Business Development	SEPTENI VENTURES Co., Ltd.

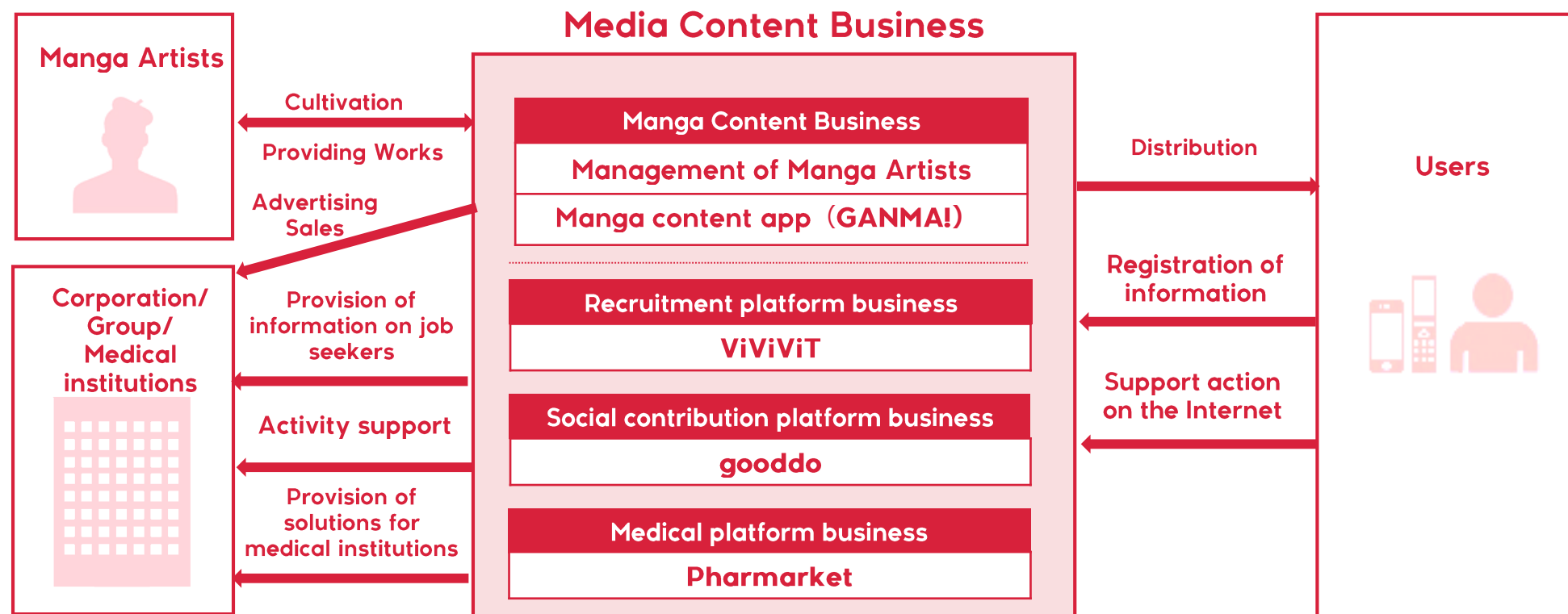
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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.



(units : ¥mn)		End 1Q FY2019	End 1Q FY2018	Change	Main Changes
Current Assets		26,565	26,223	+341	Cash and cash equivalents:-263 Trade receivables:+739
Non-current Assets		7,212	7,148	+64	Goodwill:-41 Other financial assets:+136
Total Assets		33,777	33,371	+406	
Current Liabilities		13,393	12,690	+703	trade receivables:+595 Other current liabilities:+216
Non-current Liabilities		4,808	4,951	△143	Other financial liabilities:-153
Total Liabilities		18,201	17,641	+560	
Total Capital		15,576	15,730	△154	Posting of net profit:-21 Other Capital Components:-85
Total Liabilities and Capital		33,777	33,371	+406	

(units : ¥mn)	FY2019 1Q (Oct-Dec)	Main Changes	1Q FY2018 (Oct-Dec)
Cash Flows from Operating Activities	636	increasing working capital:+357 Profit before tax from continuing operations:+404 Payment of corporate income tax:-150	142
Cash Flows from Investing Activities	△140	Purchase of securities:-106	217
Cash Flows from Financing Activities	△723	Increase (decrease) in loans payable:-467 Cash dividend paid:-256	△435
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△36		35
Net Increase (Decrease) in Cash and Equivalents	△263		△41
Cash and Equivalents at Term End	14,660		15,478