

SEPTENI

Business Results for 3Q Fiscal Year September 2019

SEPTENI HOLDINGS CO., LTD.

www.septeni-holdings.co.jp

Jul. 30, 2019

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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.

01

Consolidated Earnings Overview in 1–3Q FY2019

Consolidated

Revenue

¥12,648mn (Up 9.7% year on year)

Non-GAAP Operating Profit

¥1,624mn (Up 94.1% year on year)

Revenue increased and Profit increased significantly year on year.

**Internet
Marketing
Business**

Revenue

¥11,446mn (Up 6.4% year on year)

Non-GAAP Operating Profit

¥3,676mn (Up 16.2% year on year)

Both revenue and profit increased due to organic growth and progress of alliance with Dentsu.



**Media
Content
Business**

Revenue

¥1,413mn (Up 42.4% year on year)

Non-GAAP Operating Profit

¥-686mn (Decreased ¥134mn year on year)

**Due to the steady increase in revenue,
the deficit continued to fall year on year.**

Company name	Lion Digital Global LTD (hereinafter “Lion & Lion”)
Outline of the main business	Internet advertising business in Southeast Asia
Date of consolidation	October 2016
Reason for posting of impairment losses	The progress of the business plan was not in line with projections made at the time of the acquisition due to intensifying competition in sharply growing Southeast Asian markets.
Impairment losses on goodwill etc.	1,812 million yen (Goodwill: 1,790 million yen; other business assets: 23 million yen)
Future policy	A new management team will take office from this period. With the goal of become a leading digital marketing company in Southeast Asia on a medium- to long-term basis, it will rebuild the business by facilitating concentration and selection of operation bases.

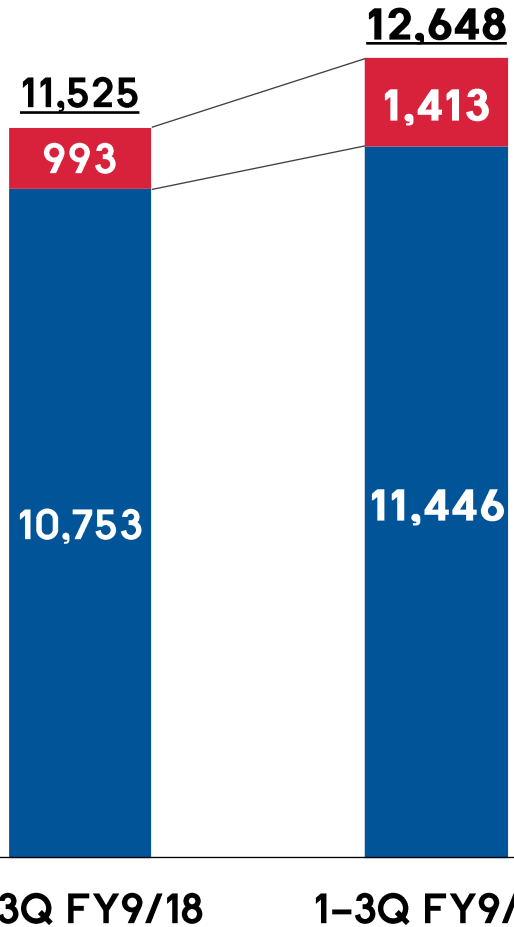
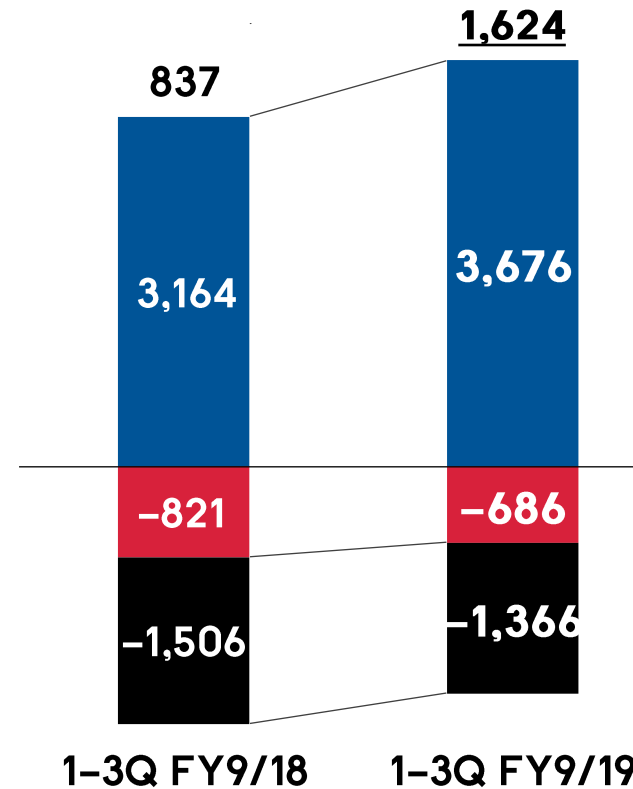
Impairment losses were posted on goodwill and other assets related to Lion & Lion.

(units:¥mn)	1–3Q FY2019			1–3Q FY2018		FY2019 Estimates	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	12,648	100.0%	+9.7%	11,525	100.0%	17,200	73.5%
Gross profit	10,544	83.4%	+9.8%	9,607	83.4%	—	—
SG&A	8,939	70.7%	+1.8%	8,782	76.2%	—	—
(i) Non-GAAP Operating profit	1,624	12.8%	+94.1%	837	7.3%	2,000	81.2%
(ii) Adjustments (other revenues/expenses)	-1,868	14.8%	—	-10	0.1%	—	—
(iii) Operating profit ((i) + (ii))	-244	-1.9%	—	826	7.2%	—	—
(iv)) Share of profit of entities accounted for using equity method	-291	-2.3%	—	410	3.6%	—	—
(v) Corporate income tax expenses	480	3.8%	+2.4%	468	4.1%	—	—
(vi) Profit for the period attributable to owners of the parent ((iii) + (iv) - (v))	-1,014	-8.0%	—	768	6.7%	1,300	—
[Reference] Net Sales	58,483	—	+7.6%	54,336	—	77,000	76.0%

※*The amount of adjustments is the total of an temporary income in other revenues and temporary expenses in other expenses.
It mainly includes the impairment loss of 1,812 million yen on goodwill etc. related to Lion & Lion.

Revenue and profit increased. However, profit for the period remained negative due to impairment losses on goodwill.

Revenue

Non-GAAP
Operating profit

**Both revenue and
Non-GAAP operating
profit increased
year on year
in each segment**

■ Internet Marketing ■ Media Content ■ Adjustment (Corporate Expenses etc.) (units:¥mn)

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

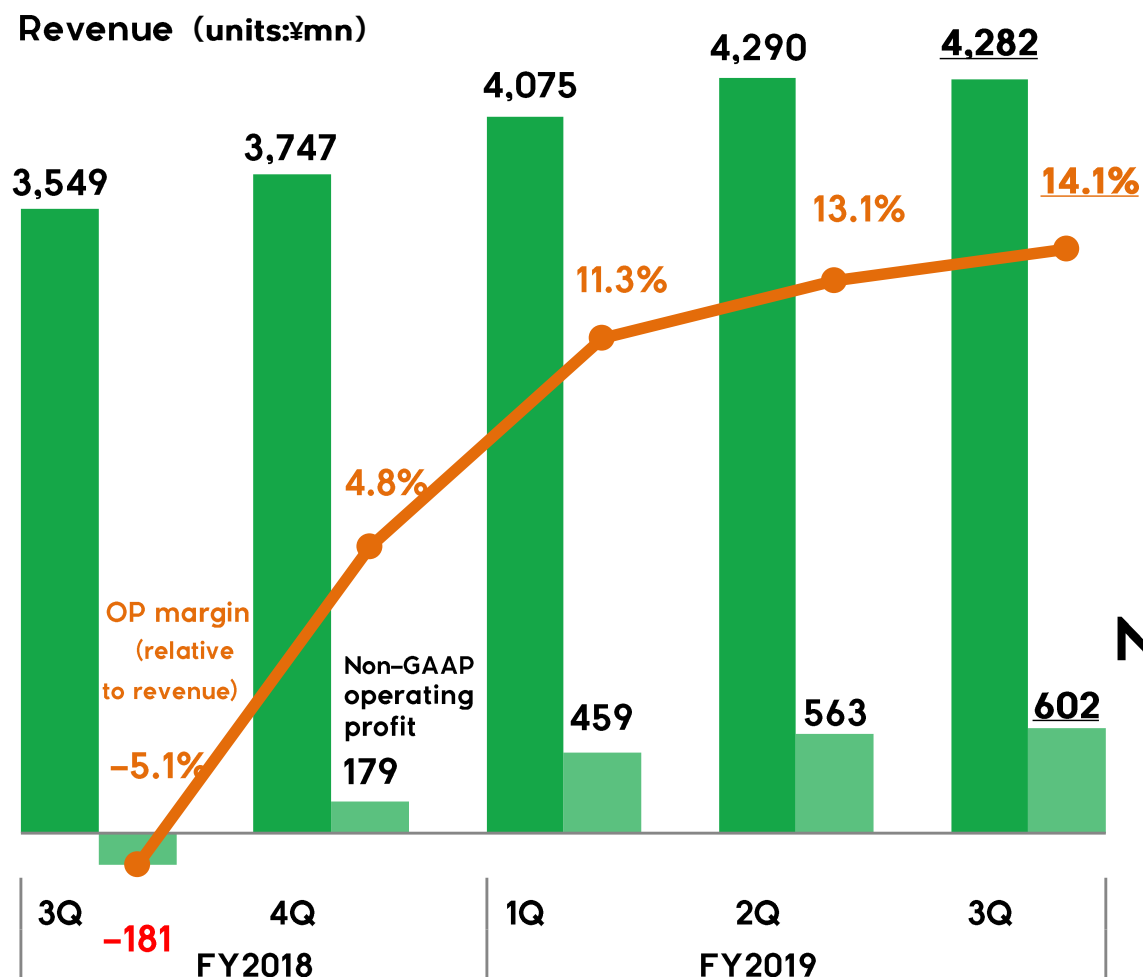
02

Quarterly Consolidated Earnings Overview

(units:¥mn)	3Q FY2019			3Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	4,282	100.0%	+20.6%	3,549	100.0%
Gross profit	3,592	83.9%	+25.4%	2,865	80.7%
SG&A	2,990	69.8%	-1.9%	3,047	85.8%
(i) Non-GAAP Operating profit	602	14.1%	—	-181	-5.1%
(ii) Adjustments (other revenues/expenses)	-1,816	42.4%	—	-1	0.0%
(iii) Operating profit ((i) + (ii))	-1,214	-28.4%	—	-183	-5.2%
(iv) Share of profit of entities accounted for using equity method	73	1.71%	-63.1%	198	5.6%
(v) Corporate income tax expenses	230	5.37%	+164,028.6%	0	0.0%
(vi) Profit for the period attributable to owners of the parent ((iii) + (iv) – (v))	-1,371	-32.0%	—	14	0.4%
[Reference] Net Sales	19,410	—	+16.3%	16,693	—

※*The amount of adjustments is the total of an temporary income in other revenues and temporary expenses in other expenses.
It mainly includes the impairment loss of 1,812 million yen on goodwill etc. related to Lion & Lion.

**Both revenue and profit increased,
aided by organic growth and cost control.**



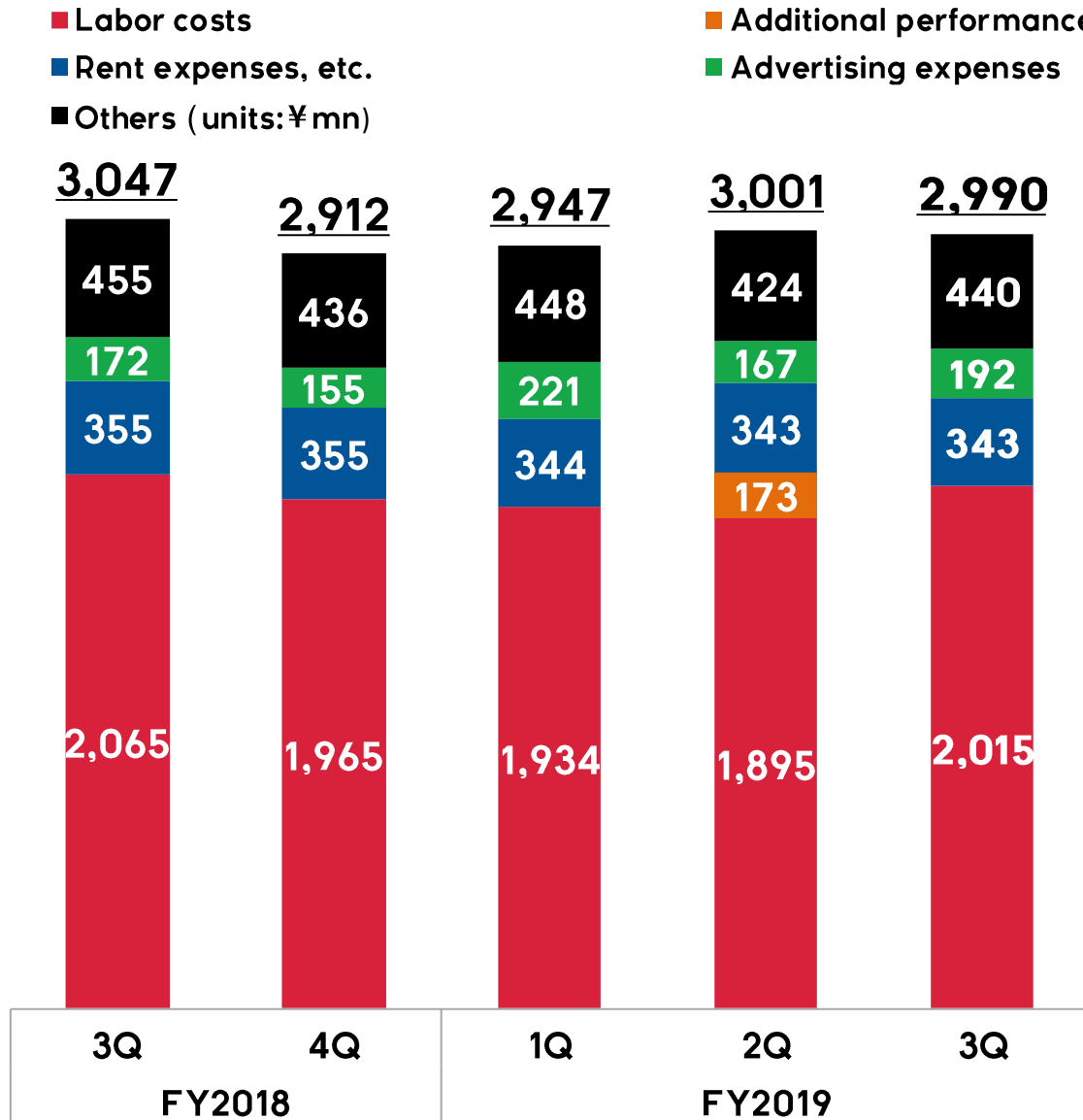
Revenue ¥4,282mn
 (Up 20.6% year on year)

Non-GAAP operating profit ¥602mn
 (Increased ¥783mn year on year)

**Non-GAAP operating profit recovered significantly.
 Profitability also continued to improve.**

(units : ¥mn)	FY2018		FY2019			QonQ	YonY
	3 Q	4 Q	1 Q	2 Q	3 Q		
Total of cost of sales	684	679	673	740	690	-6.8%	+0.9%
Labor costs	256	237	273	286	230	-19.5%	-10.1%
Subcontract costs	205	199	95	143	98	-32.0%	-52.3%
Others	223	243	306	311	362	+16.6%	+62.9%
Total of SG&A	3,047	2,912	2,947	3,001	2,990	-0.4%	-1.9%
Labor costs	2,065	1,965	1,934	1,895	2,015	+6.3%	-2.4%
Additional performance-linked bonus	—	—	—	173	—	—	—
Rent expenses etc.	355	355	344	343	343	+0.0%	-3.2%
Advertising expenses	172	155	221	167	192	+14.9%	+11.8%
Others	455	436	448	424	440	+3.8%	-3.5%

Continued to implement cost control over the cost of sales and SG&A expenses.



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

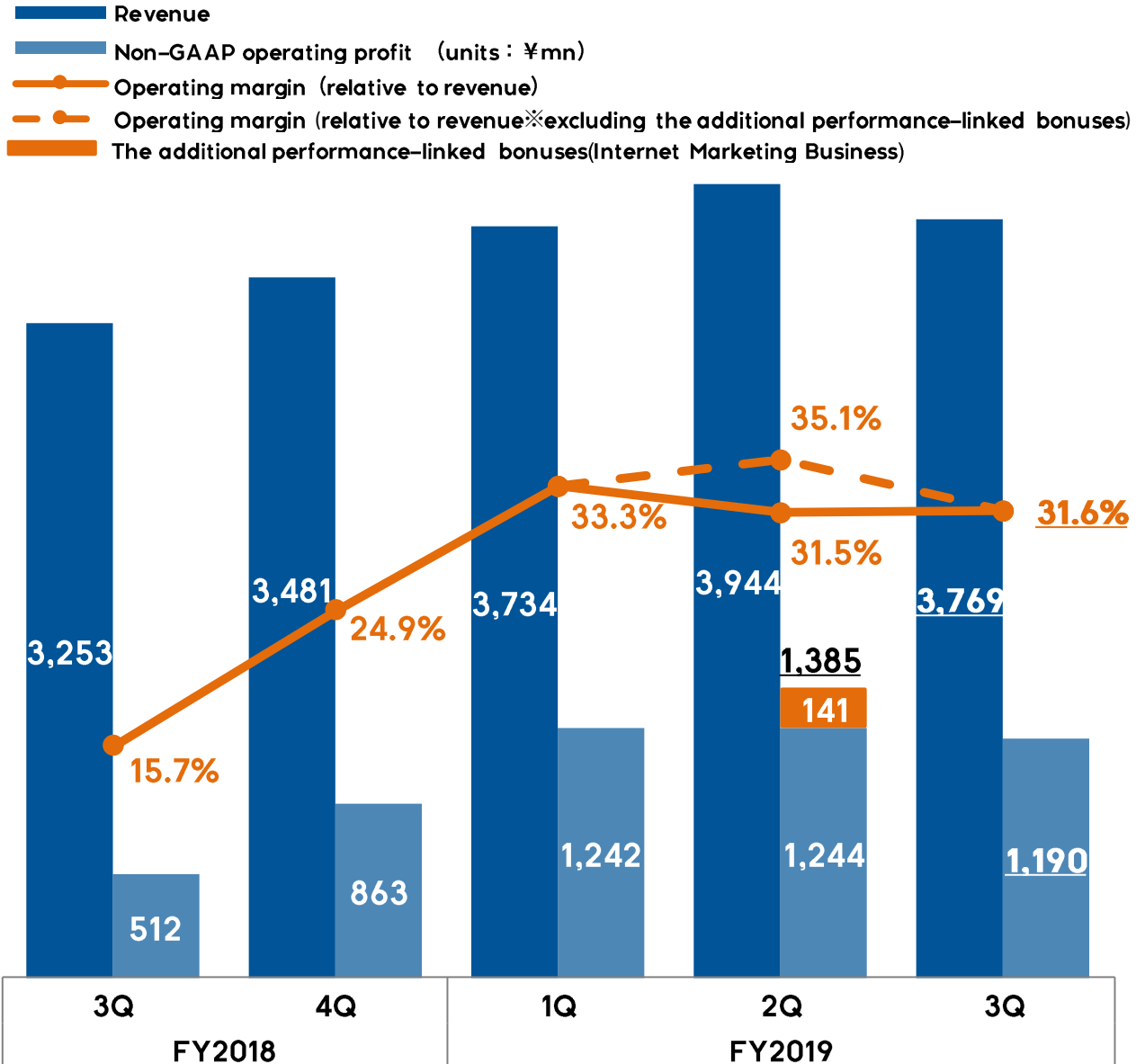
Increase of personnel expenses due to the recruitment of **83** new employees in FY2019/3Q progressed in line with the plan.

03

Internet Marketing Business

(units:¥mn)	3Q FY2019			3Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	3,769	100.0%	+15.8%	3,253	100.0%
Gross profit	3,308	87.8%	+22.3%	2,705	83.1%
SG&A	2,118	56.2%	− 3.4%	2,193	67.4%
Non-GAAP Operating profit	1,190	31.6%	+132.5%	512	15.7%
【Reference】 Net Sales	19,012	—	+14.9%	16,548	—

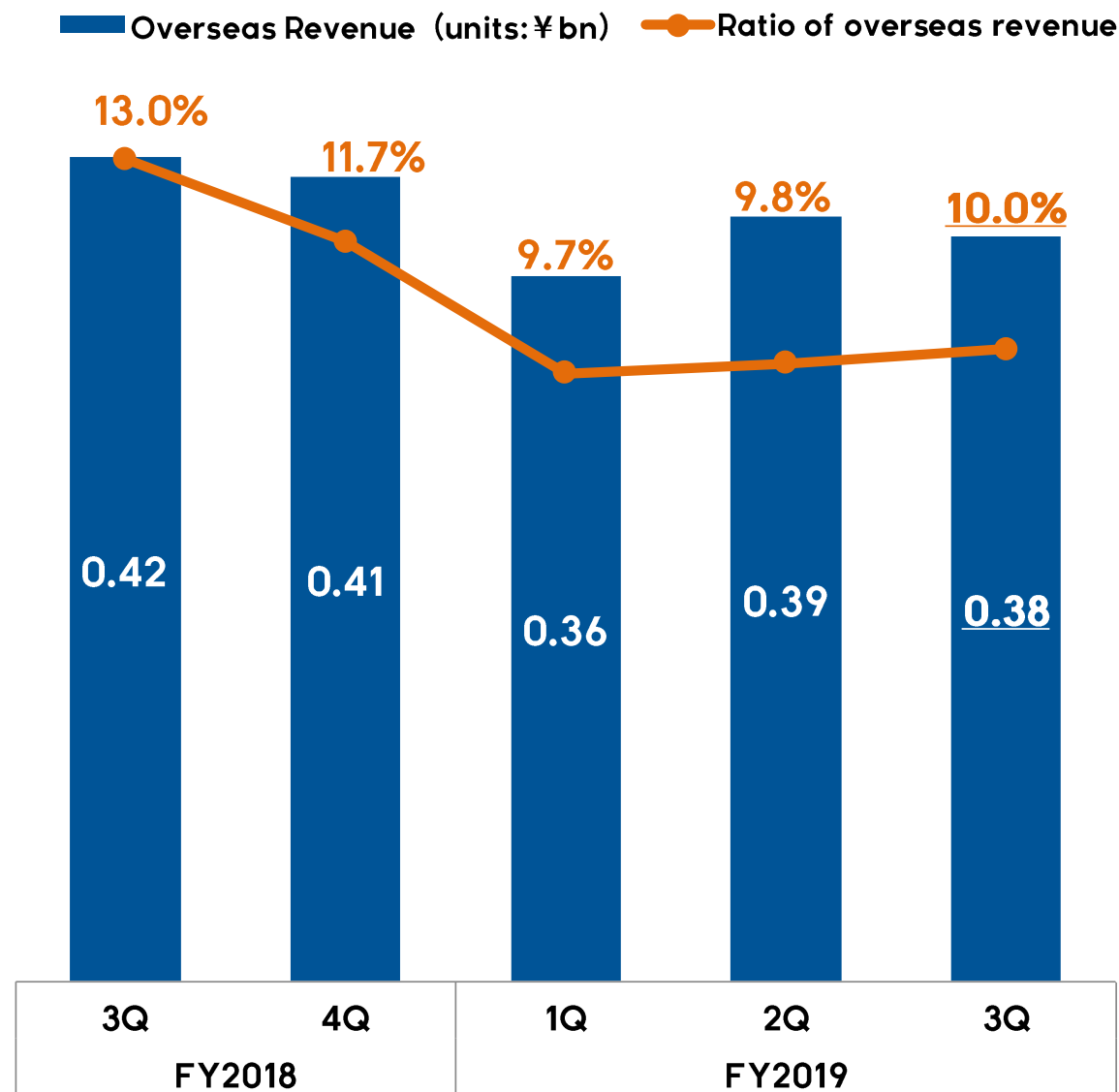
Revenue increased and Profit increased significantly due to organic growth and alliance with Dentsu.



By organic growth and alliance with Dentsu, Revenue increased **15.8%** and profit increased approx. **2.3x** year on year

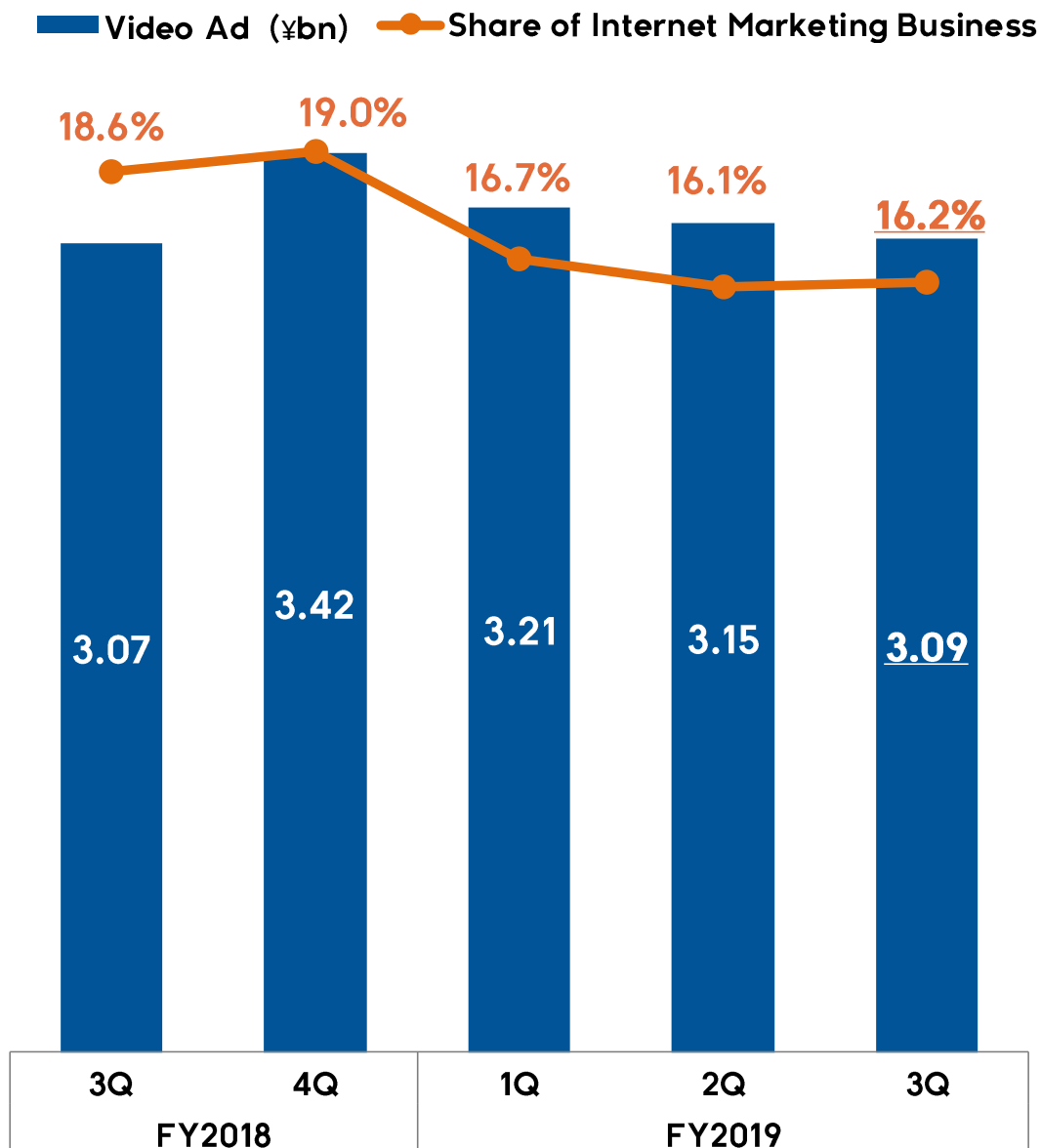
Initiatives	Progress	Timing of contribution to operating results
Offering knowledge and technology of the Internet Marketing Business	Continued to offer knowledge and technology for operation in the digital marketing in 3Q as in 2Q.	From FY2019/2Q
Sales of the Company group's media, mainly GANMA! by Dentsu Group	Sales commenced with the Dentsu Group in March. The amount of sales remains steadily.	From FY2019/2Q
The Company supports the implementation of advertisements for net marketing projects handled by the Dentsu Group.	Employees of the Group, who were seconded to the Dentsu Group, supported the operation of advertisements. The system was strengthened in 3Q.	From FY2019/2Q
Mutual use of data assets held by both companies	Preparations are in process for the mutual connection of data held by the two companies, DMP utilization and data analysis.	No direct impact on earnings.
Propose integrated marketing of online/offline utilizing the client bases of both companies	The number of projects in process is increasing steadily.	Proposals are being prepared.

Short-term initiatives are being implemented steadily. Efforts are being made to increase the number of projects for integrated proposals.

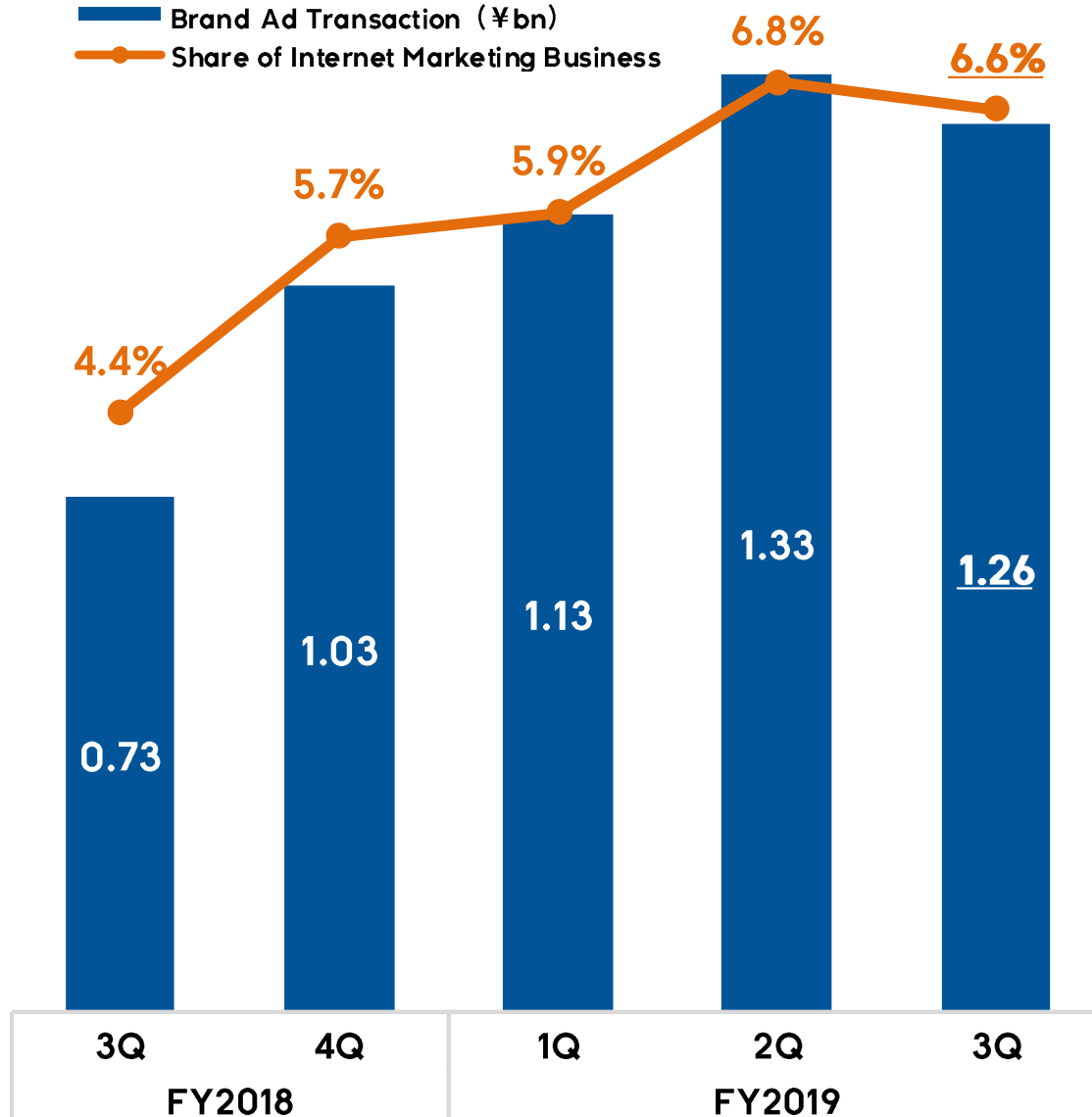


Revenue continued to be flat due to poor performances in Asian countries.

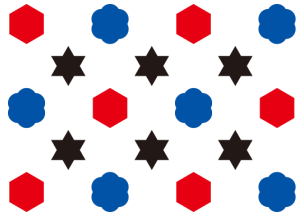
Lion & Lion aims to achieve re-growth by changing the management structure and facilitating the selection and concentration of operation bases.



Both transaction volume and shares remained almost unchanged.



Transaction volume
rose **72.9%** year on year
mainly on the back of
organic growth.



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ONE.MEDIA

Concluded a capital and business alliance agreement with One Media Inc.

The company pursues a new means of video content expression, constructing original creator-network. And they produce video contents with high appeal power to millennials and generation Z and distributes contents through multi-types of media, such as social media, and OOH media.

Enhanced producing video ad in brand ad by this alliance.



ONE MEDIA Inc. CEO Gakuto Akashi

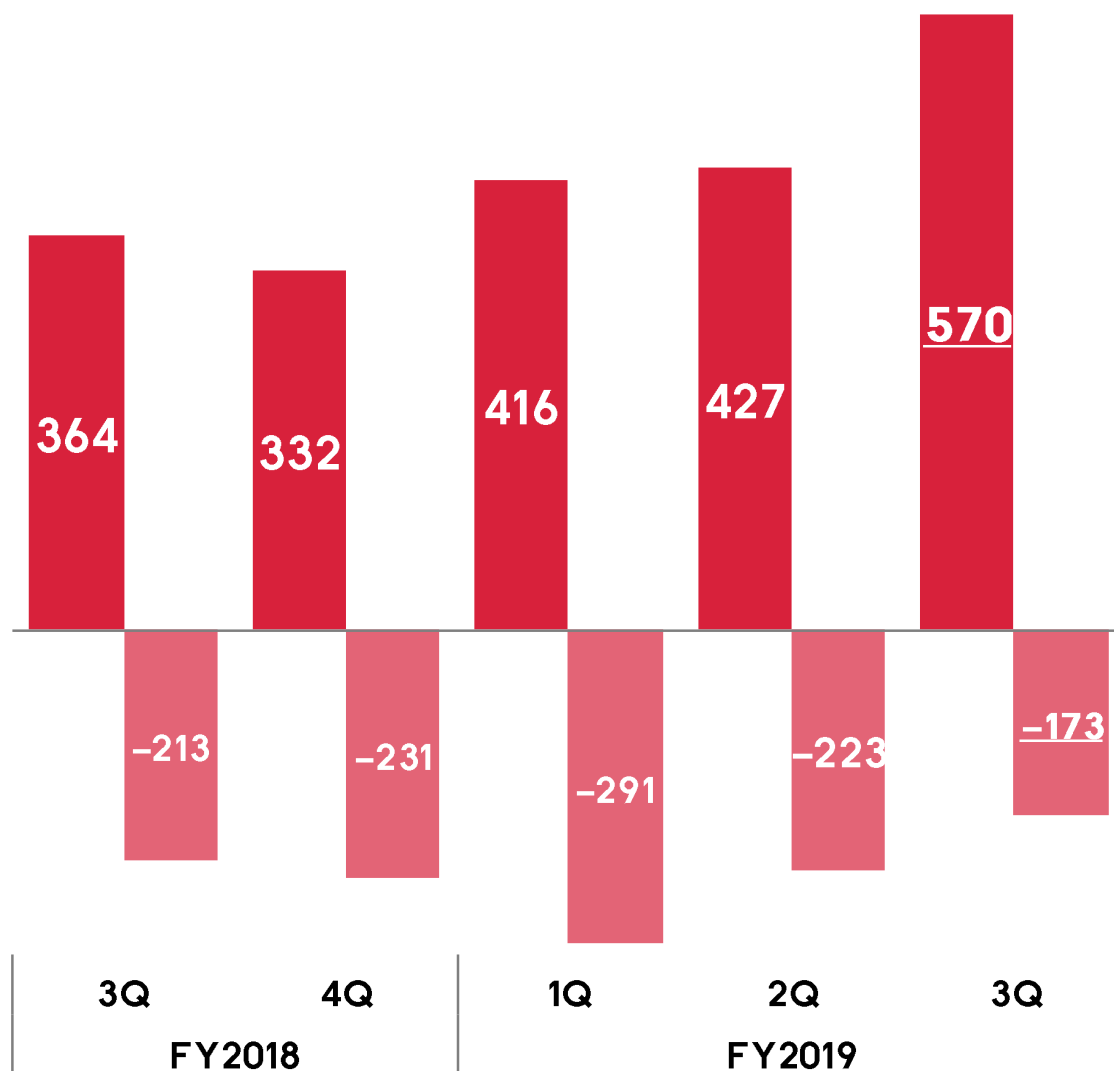
04

Media Content Business

(units:¥mn)	3Q FY2019			3Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	570	100.0%	+56.8%	364	100.0%
Gross profit	337	59.0%	+48.4%	227	62.3%
SG&A	509	89.3%	+15.8%	440	120.8%
Non-GAAP Operating profit	-173	—	+40	-213	—

Deficit declined due to the implementation of control over SG&A expenses as well as increased revenue.

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



The Manga Content Business was affected due to seasonality.

Revenue increased significantly due to **increased earnings in other 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~

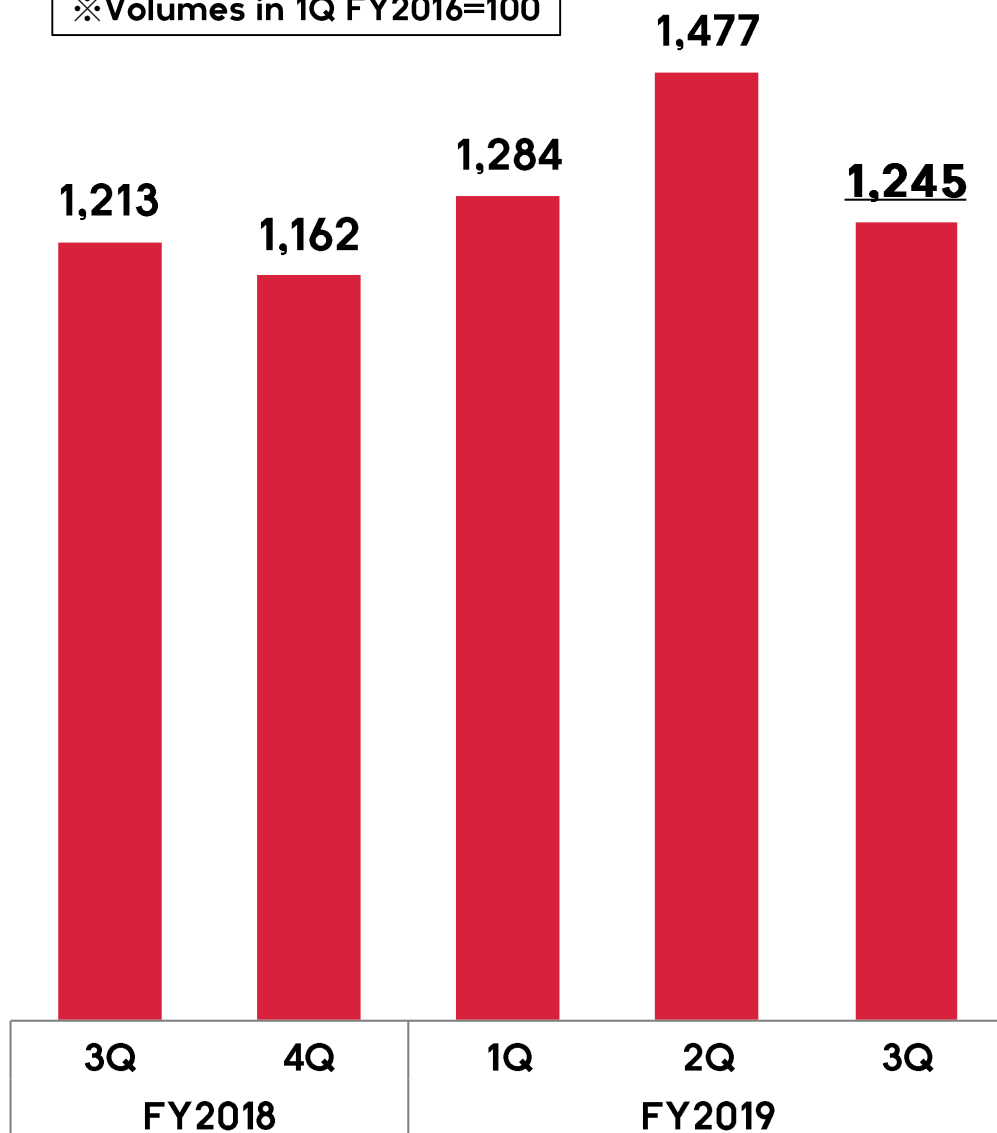
Accumulated application downloads of GANMA! : 12.5mn

Monthly Page Views : 2.72bn

(as of end of June. 2019)

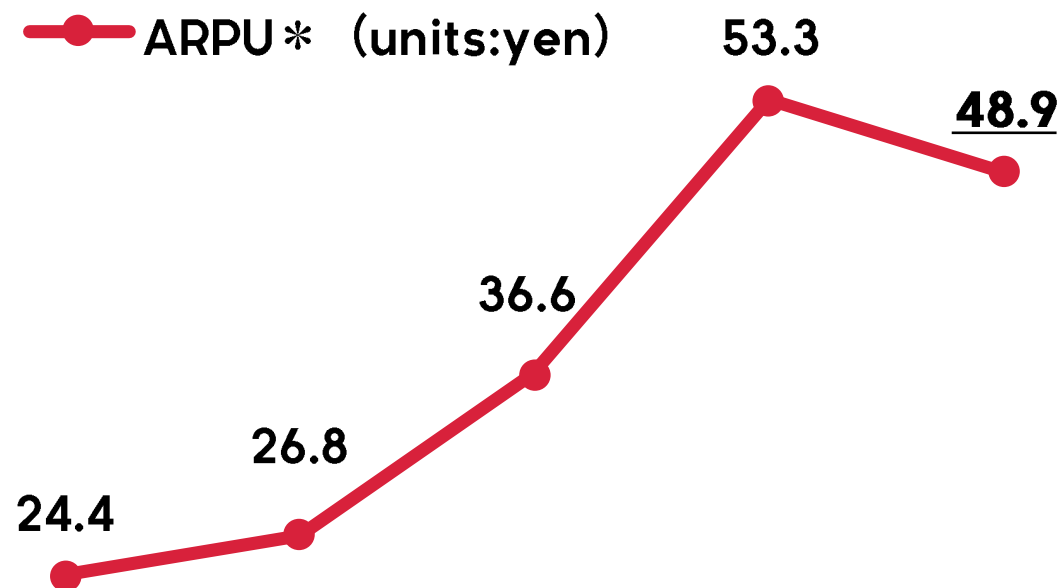
Aimed to accumulate revenue from **brand ad** and **subscription revenue**, in addition to **performance ad**

※Volumes in 1Q FY2016=100



Earnings from performance ad decreased.

Earnings from brand ad and subscription remained solid.



ARPU decreased quarter on quarter due to seasonality.

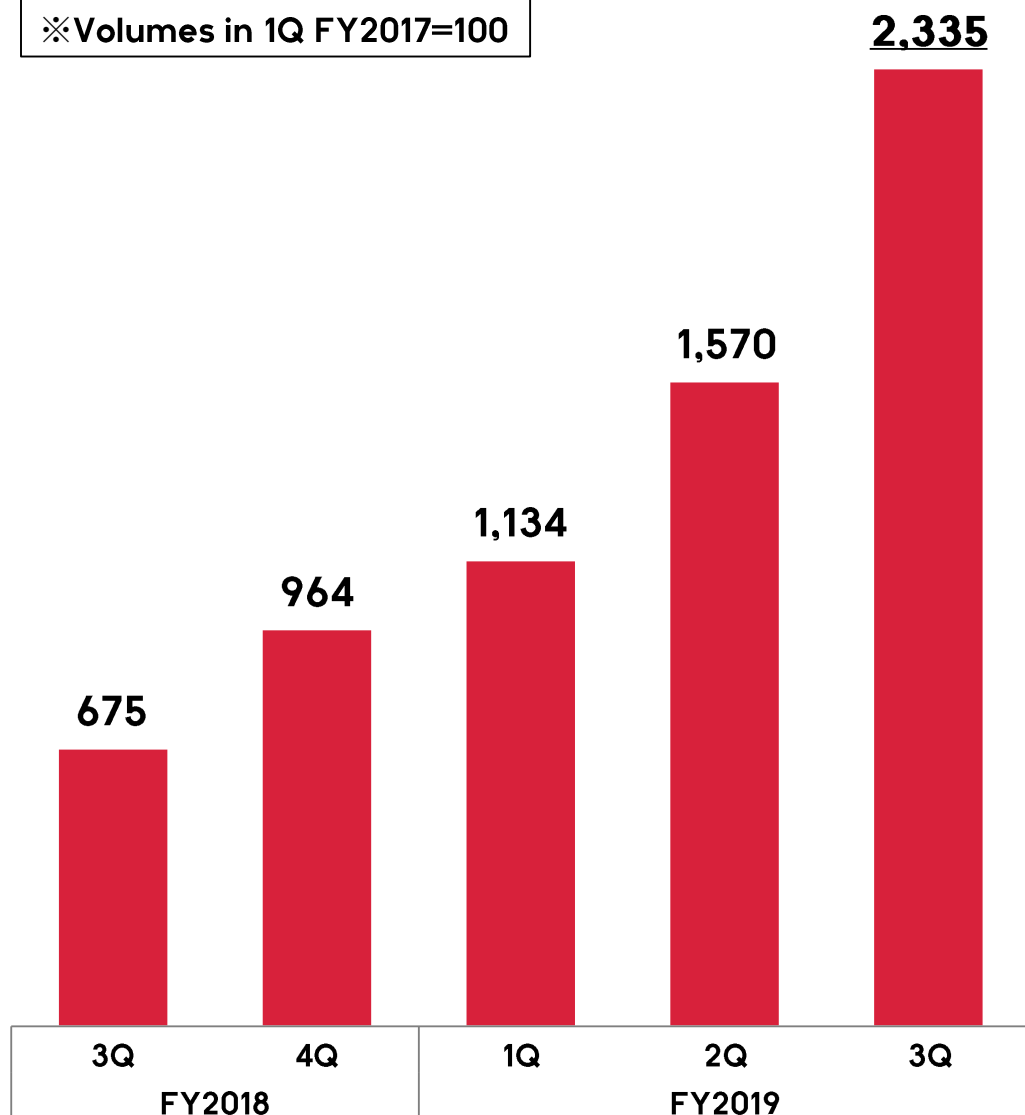
ARPU rose year on year due to increased revenue from the start of subscription.

Jun	Sep	Dec	Mar	Jun
	2018		2019	

* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU



※Volumes in 1Q FY2017=100



Steady growth has continued since the application update in December 2018.

Subscription revenue* increased due to a rise in the number of members who are billed and the amount spent by each.

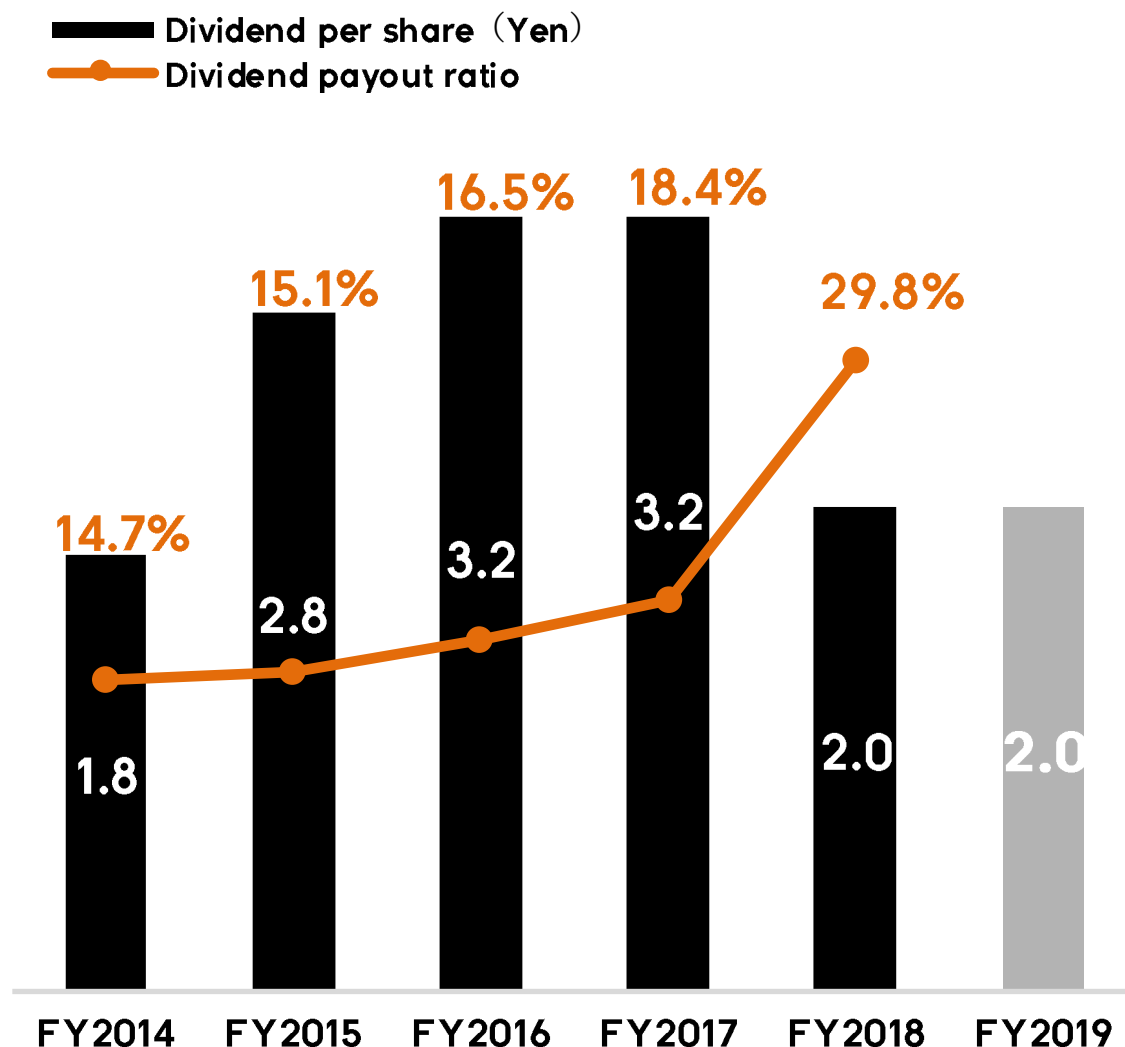
* Disclosed as "App-billing revenue" on previous year

05

Revision of Business Estimate and Dividend Estimate

(units:¥mn)	Revenue	Non-GAAP Operating profit	Profit for the period attributable to owners of the parent	Basic earnings per share
Estimate announced previously (A)	17,200	2,000	1,300	¥ 10.28
Estimate announced this time (B)	17,200	2,000	-734	- ¥ 5.81
Increased/decreased amount (B-A)	—	—	-2,034	
Increase/decrease rate (%)	—	—	—	
Results in previous year (Full FY Sep. 2018)	15,272	1,011	847	¥6.71
Reason of revision	<ul style="list-style-type: none"> • Recognition of temporary impairment Loss for Lion & Lion' s goodwill and business assets 			

The estimate for profit for the period has been revised downward due to the effect of impairment losses. Non-GAAP operating profit will not change due to prospect for cost for structural reforms of Lion & Lion.

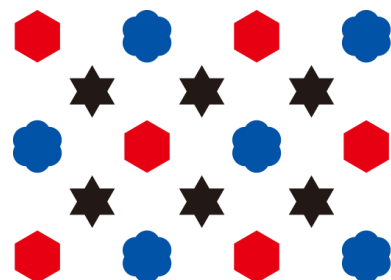


Although profit for the period declined temporarily due to impairment losses, cash flows for the current fiscal year will remain unaffected.

In consideration of the consistent and stable payment of dividends, **¥2.0** (lower limit) will be paid as the annual dividends for the fiscal year ending September 30, 2019.

※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.

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



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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 July 30, 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

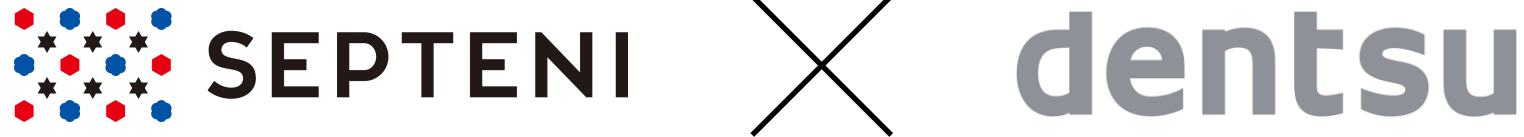
SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

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06

Appendix



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**

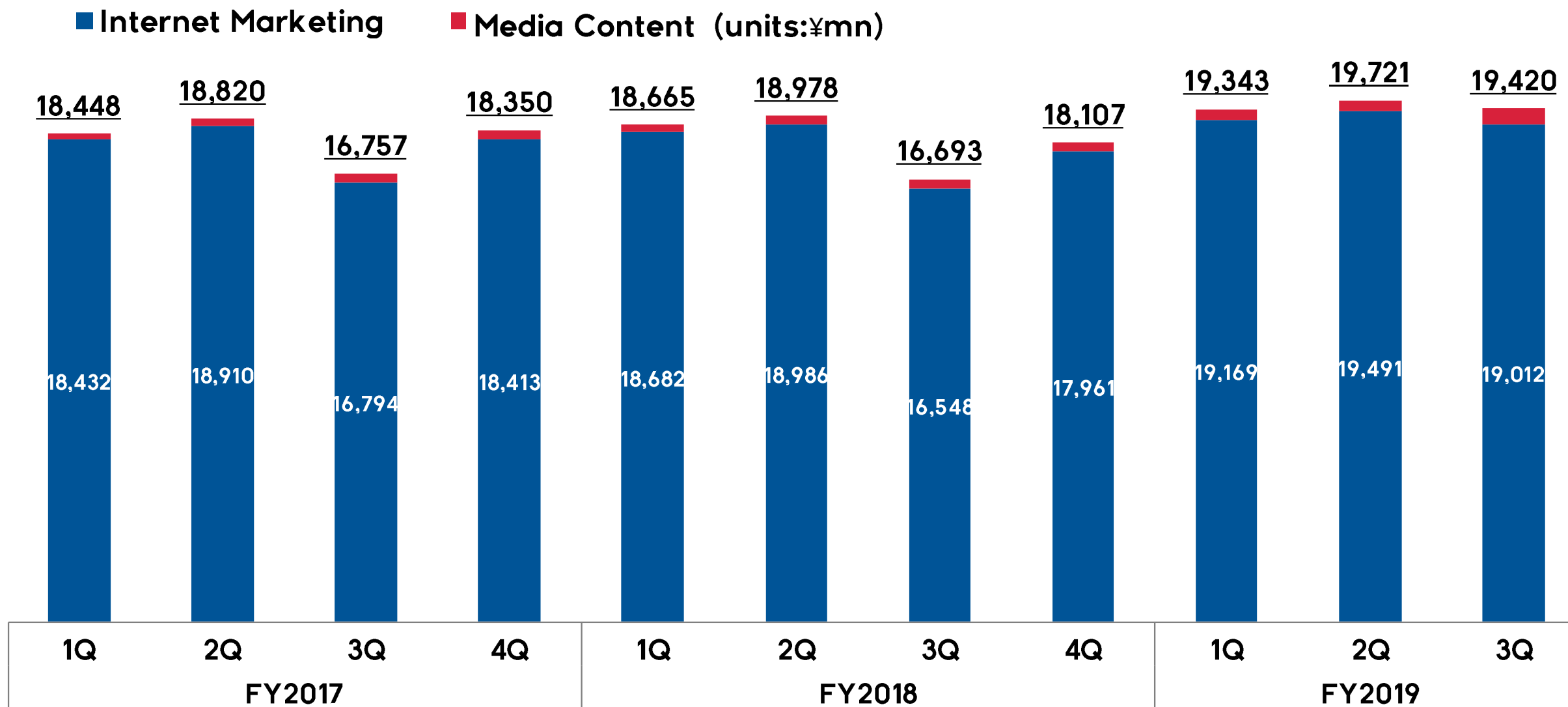
**Offering knowledge and
technology of the
Internet
Marketing Business**

**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.**

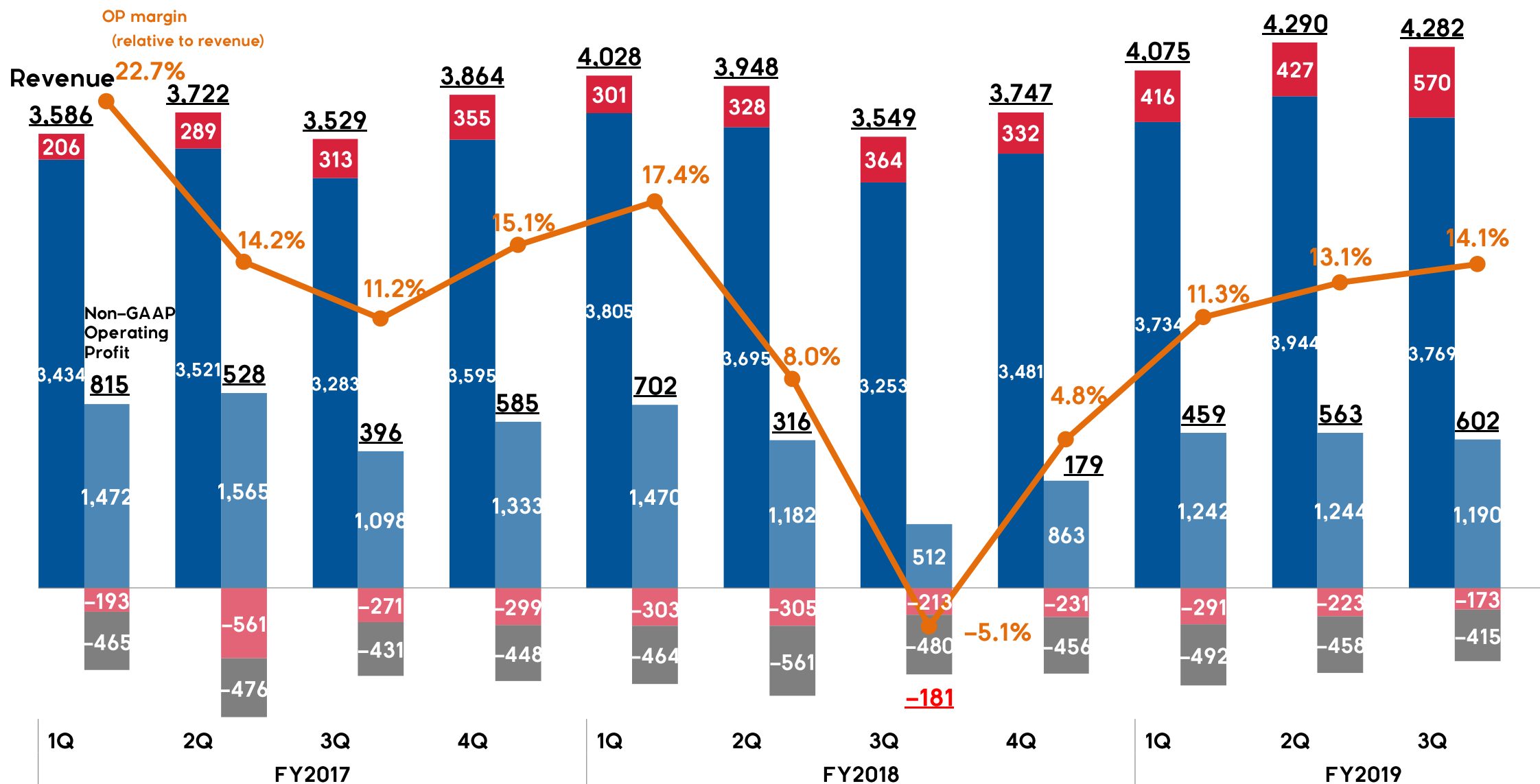
**Mutual use of data
assets held by both
companies**

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



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

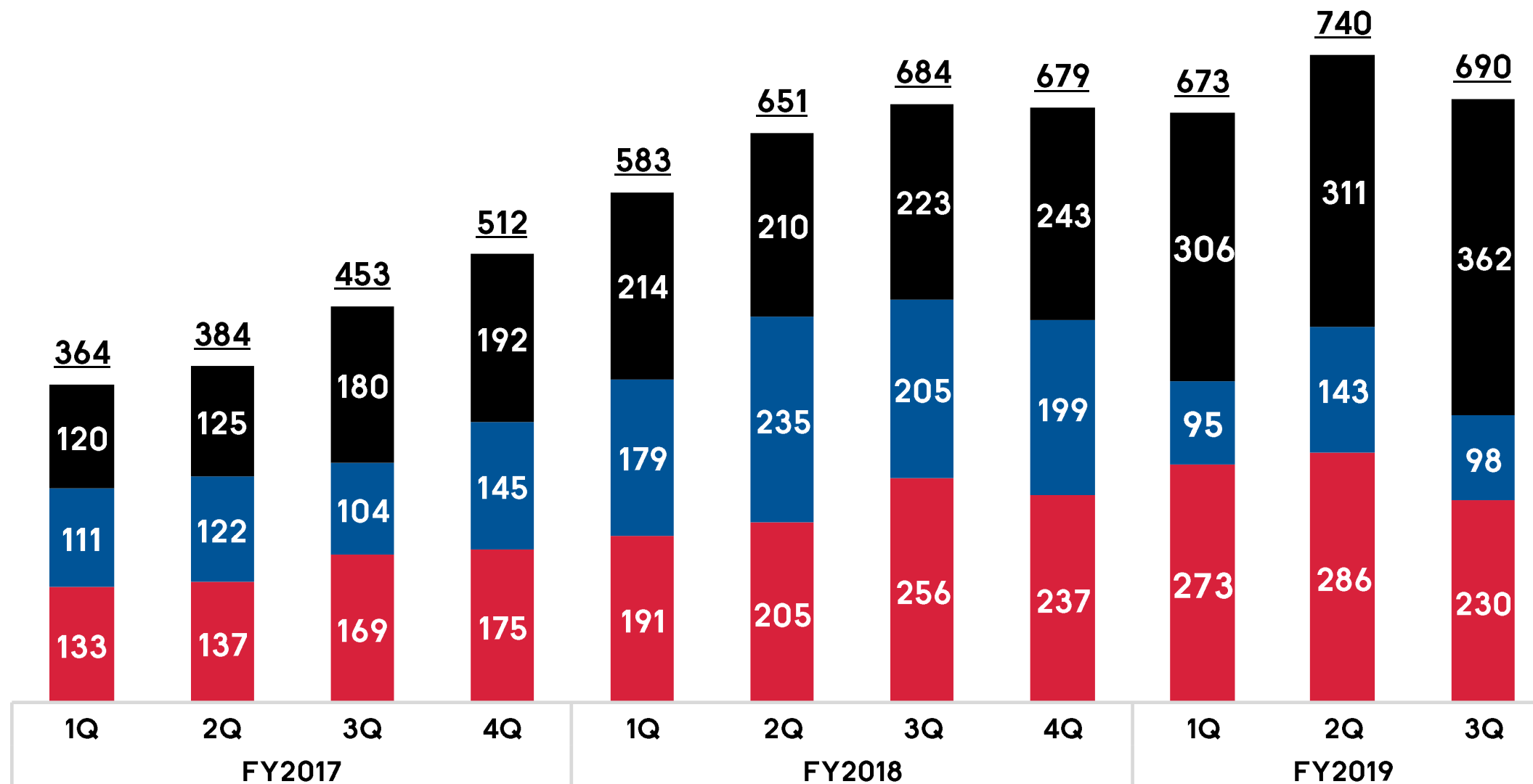
* As the media content business has equal sales and revenue, the detailed figures refer to the "Media Content Business Quarterly Earnings Trend" described below.



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

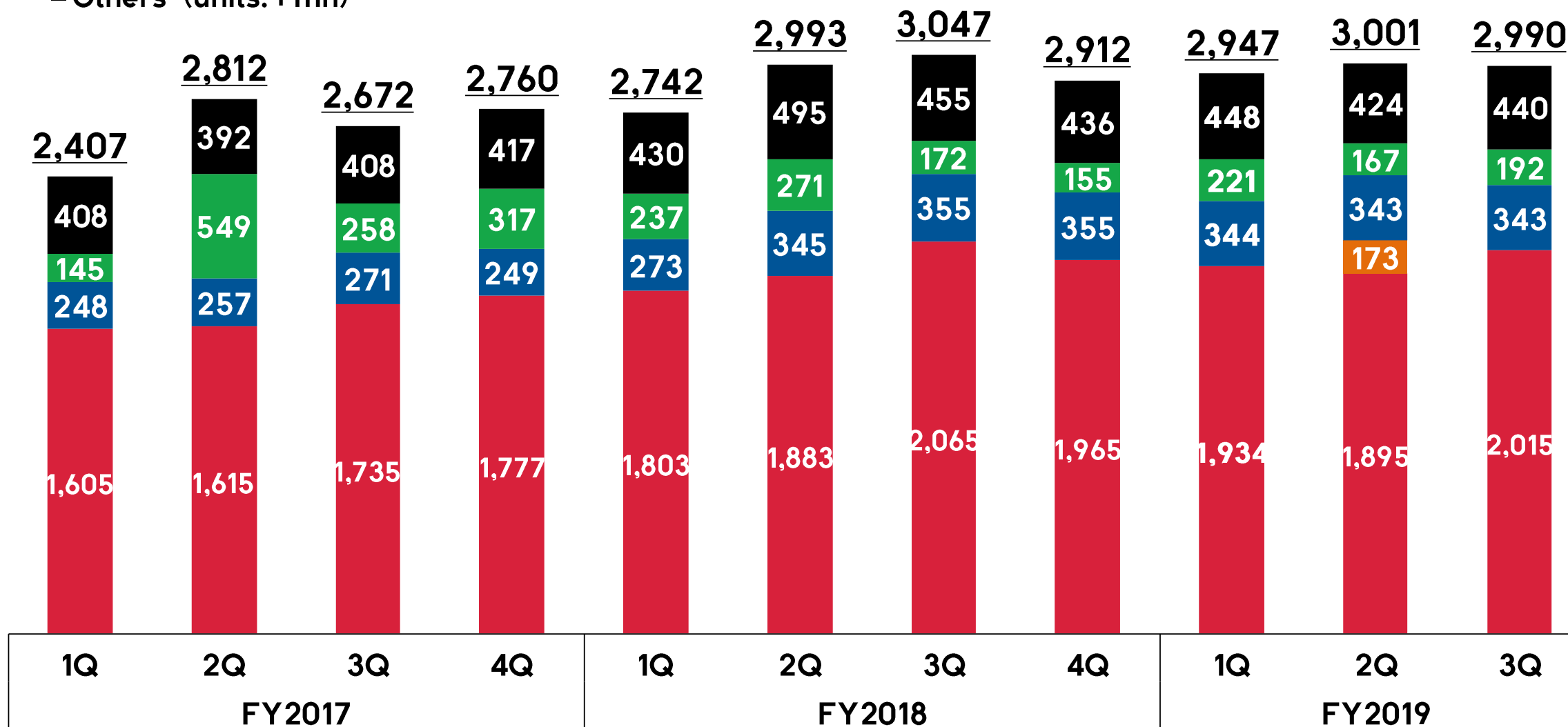
(units:¥mn)	FY2017				FY2018				FY2019			QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Total of cost of sales	364	384	453	512	583	651	684	679	673	740	690	-6.8%	+0.9%
Labor costs	133	137	169	175	191	205	256	237	273	286	230	-19.5%	-10.1%
Subcontract costs	111	122	104	145	179	235	205	199	95	143	98	-32.0%	-52.3%
Others	120	125	180	192	214	210	223	243	306	311	362	+16.6%	+62.9%
Total of SG&A	2,407	2,812	2,672	2,760	2,742	2,993	3,047	2,912	2,947	3,001	2,990	-0.4%	-1.9%
Labor costs	1,605	1,615	1,735	1,777	1,803	1,883	2,065	1,965	1,934	1,895	2,015	+6.3%	-2.4%
Additional performance-linked bonus	—	—	—	—	—	—	—	—	—	173	—	—	—
Rent expenses etc.	248	257	271	249	273	345	355	355	344	343	343	+0.0%	-3.2%
Advertising expenses	145	549	258	317	237	271	172	155	221	167	192	+14.9%	+11.8%
Others	408	392	408	417	430	495	455	436	448	424	440	+3.8%	-3.5%

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

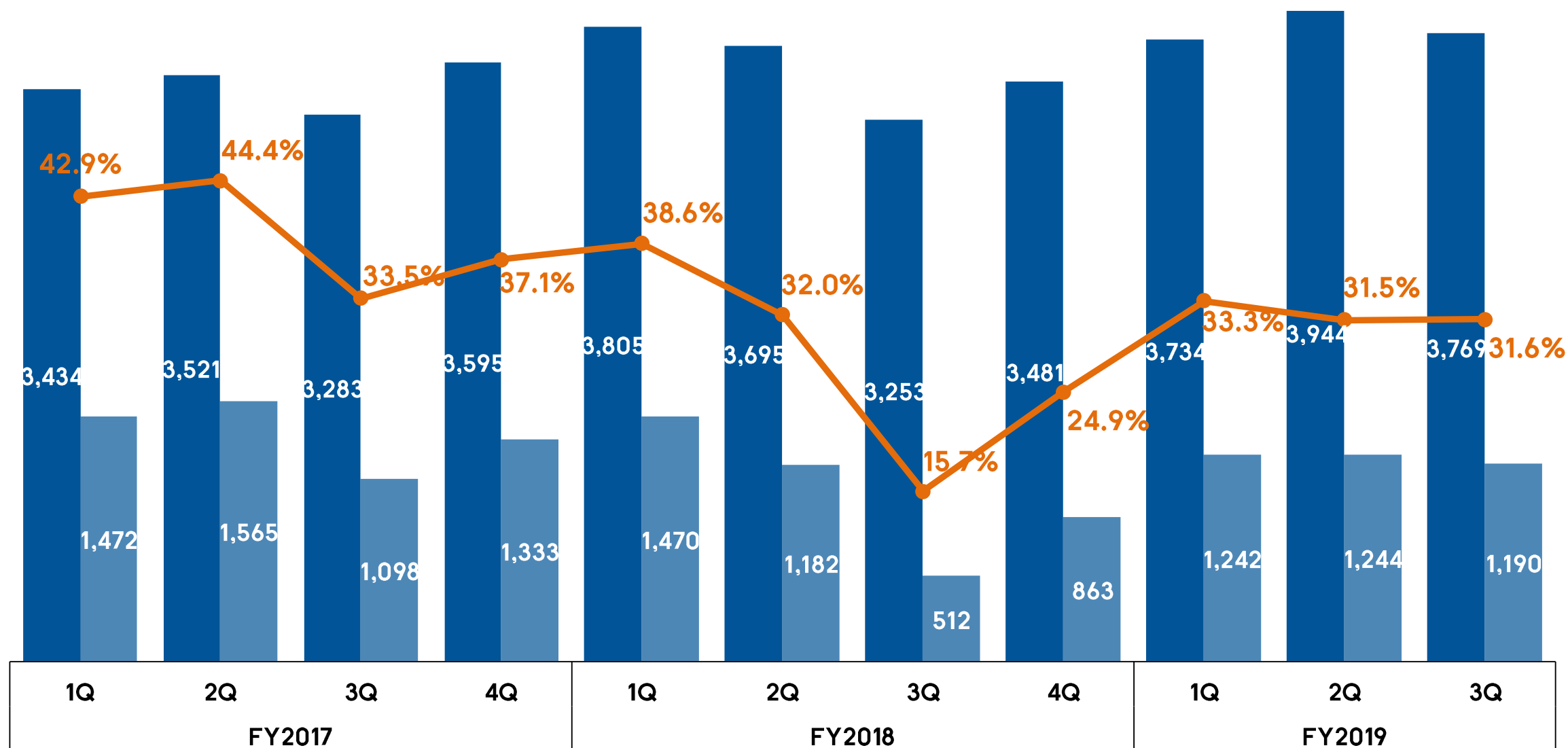


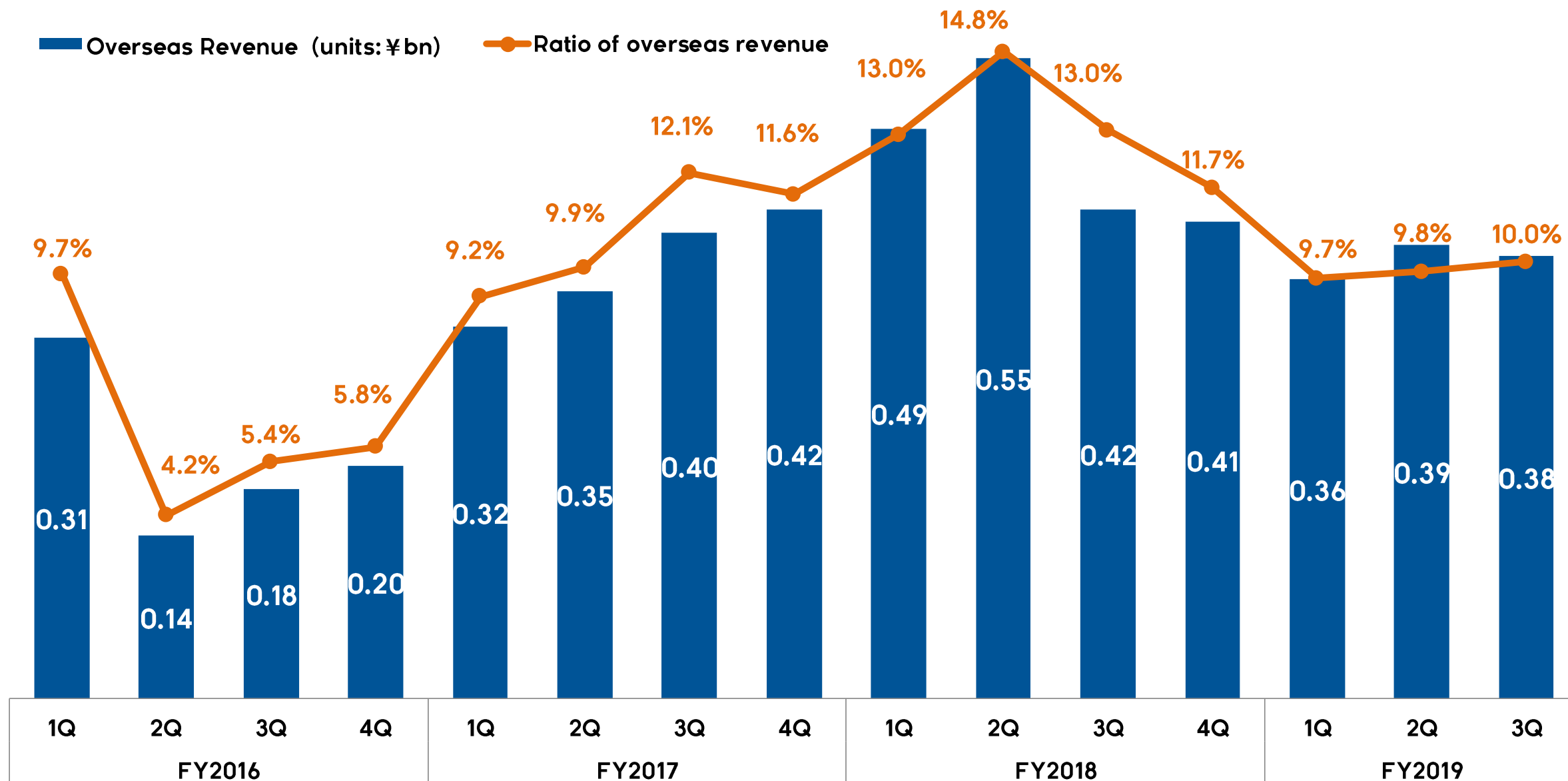
■ Labor costs
■ Rent expenses, etc.
■ Others (units: ¥mn)

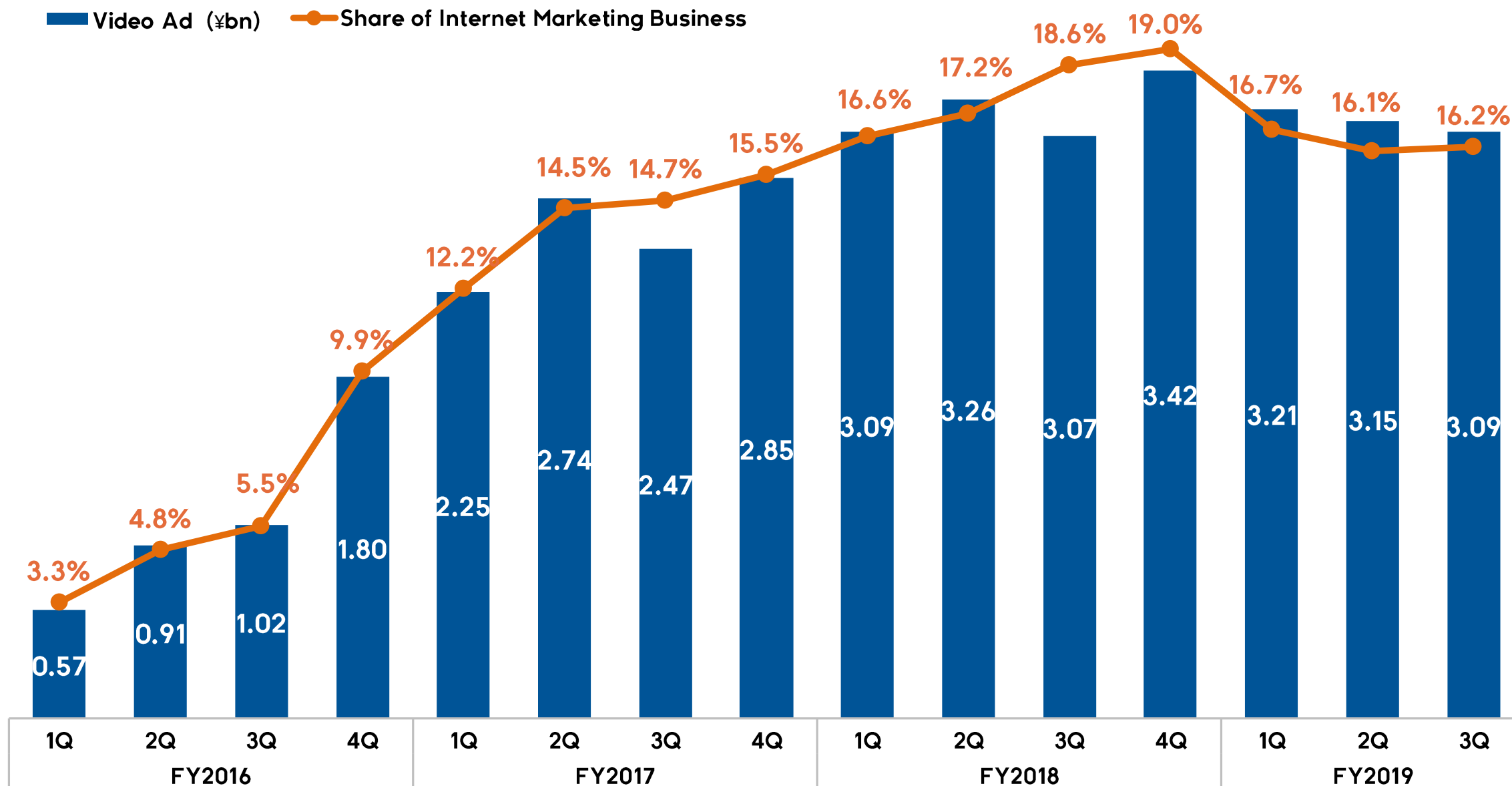
■ Additional performance-linked bonuses
■ Advertising expenses

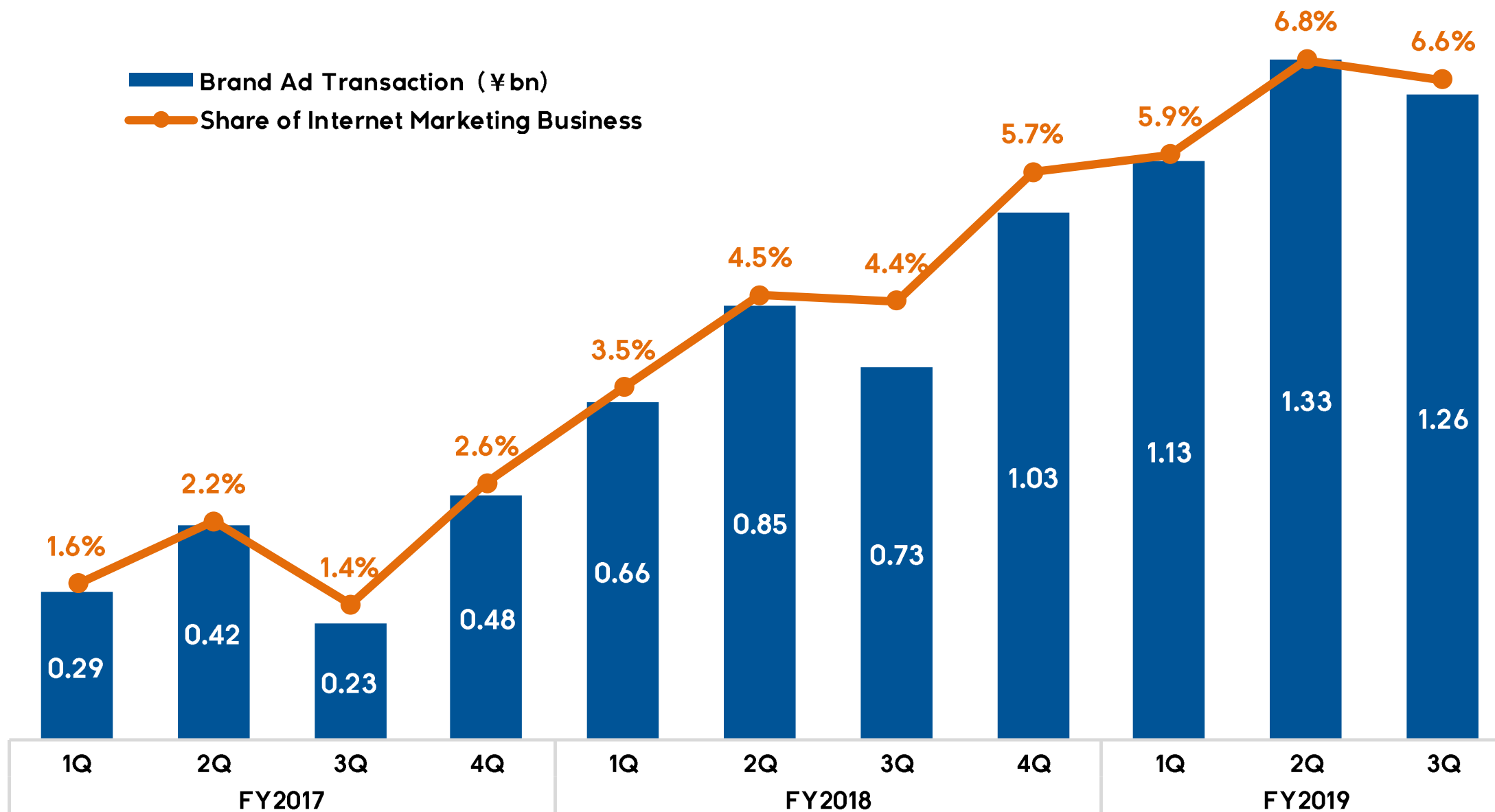


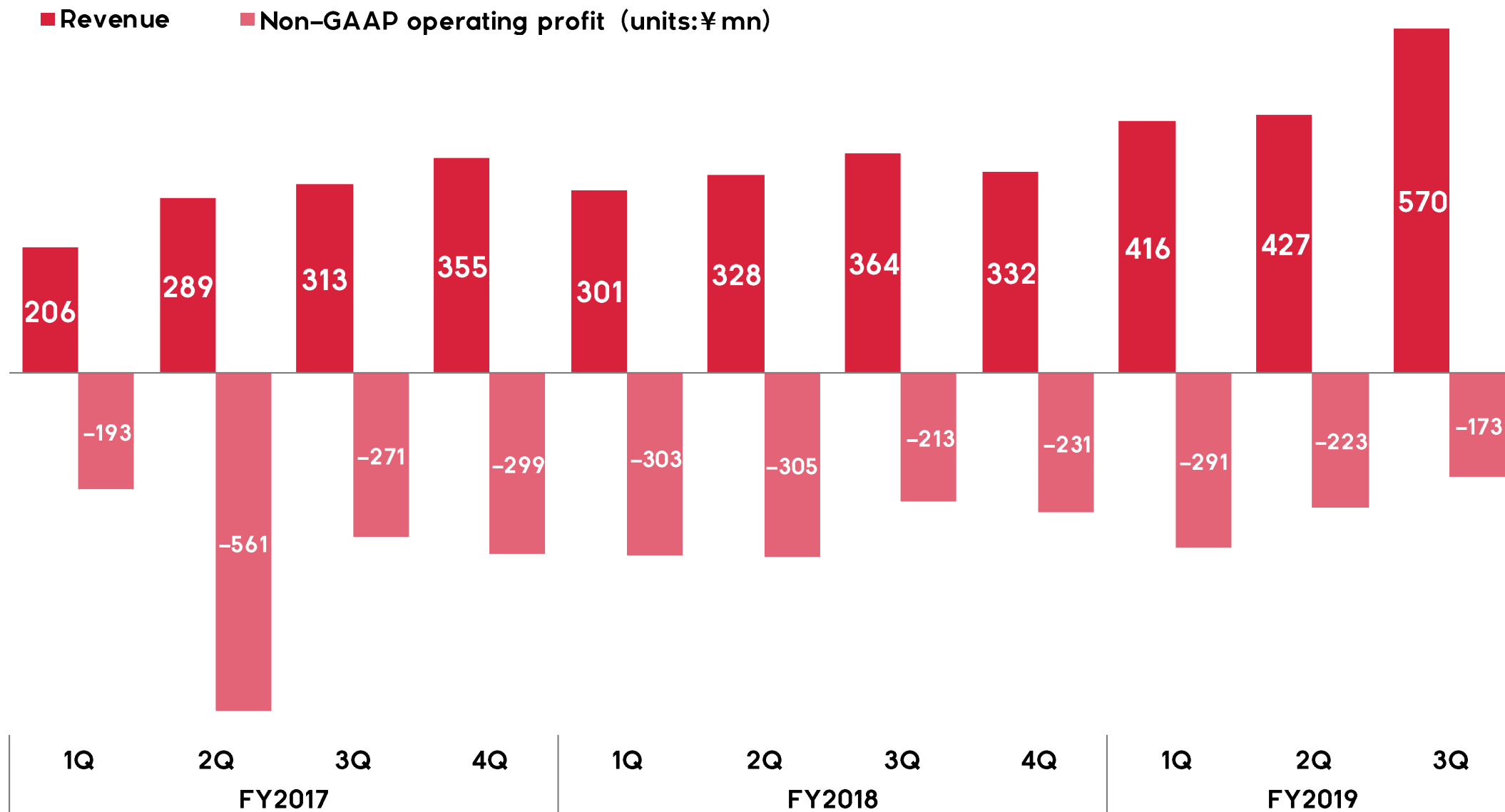
Revenue Non-GAAP operating profit (units : ¥ mn) Operating margin (relative to revenue)

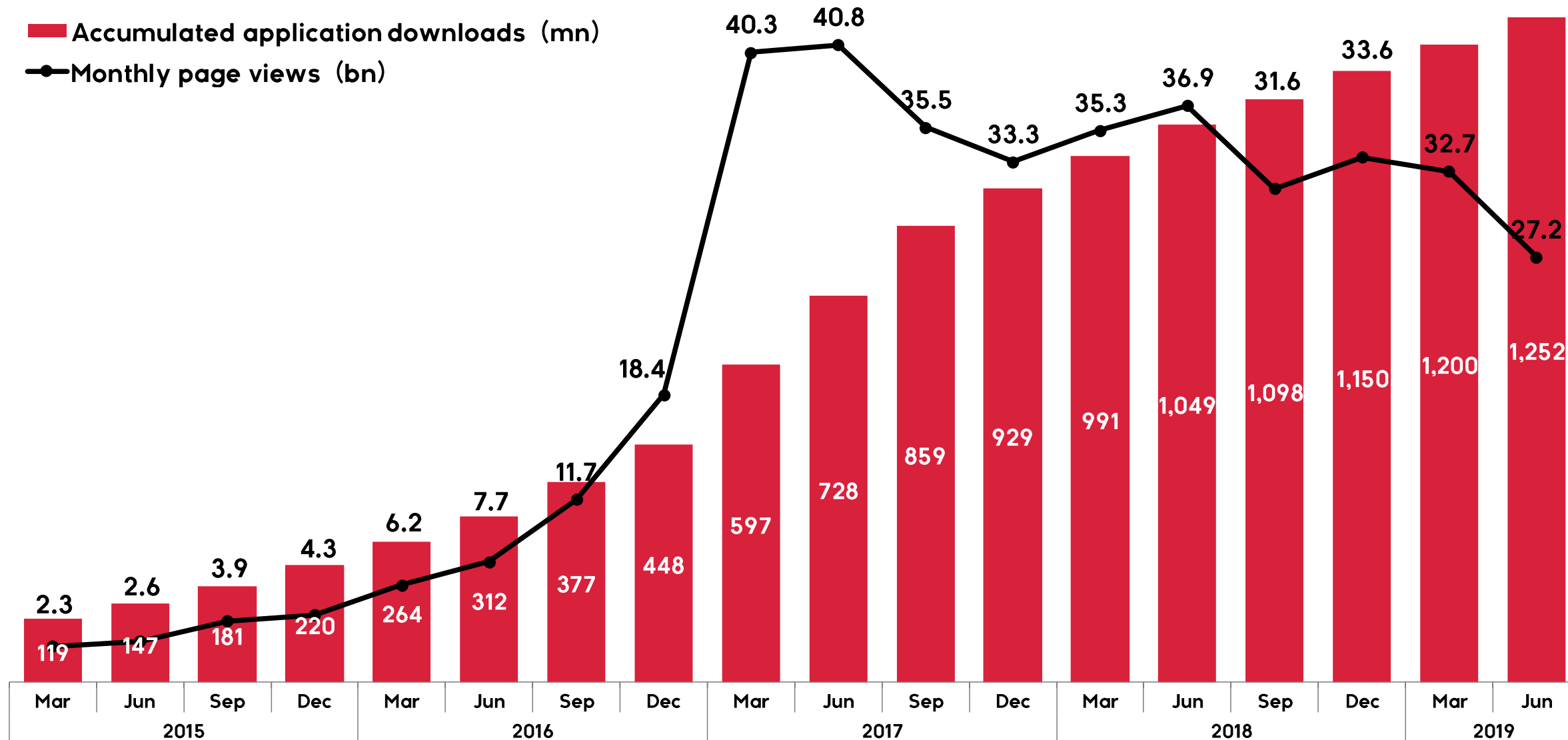


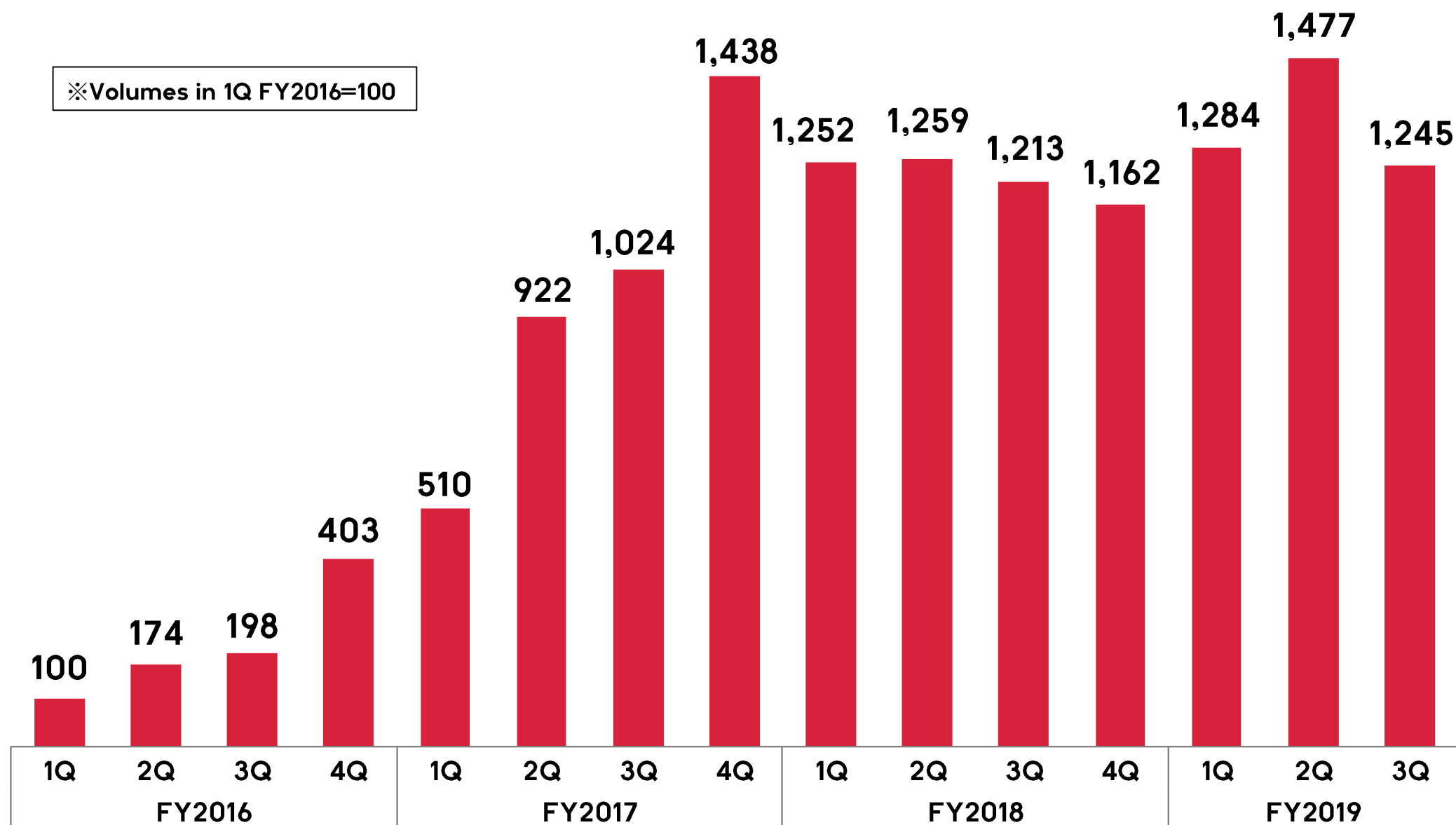


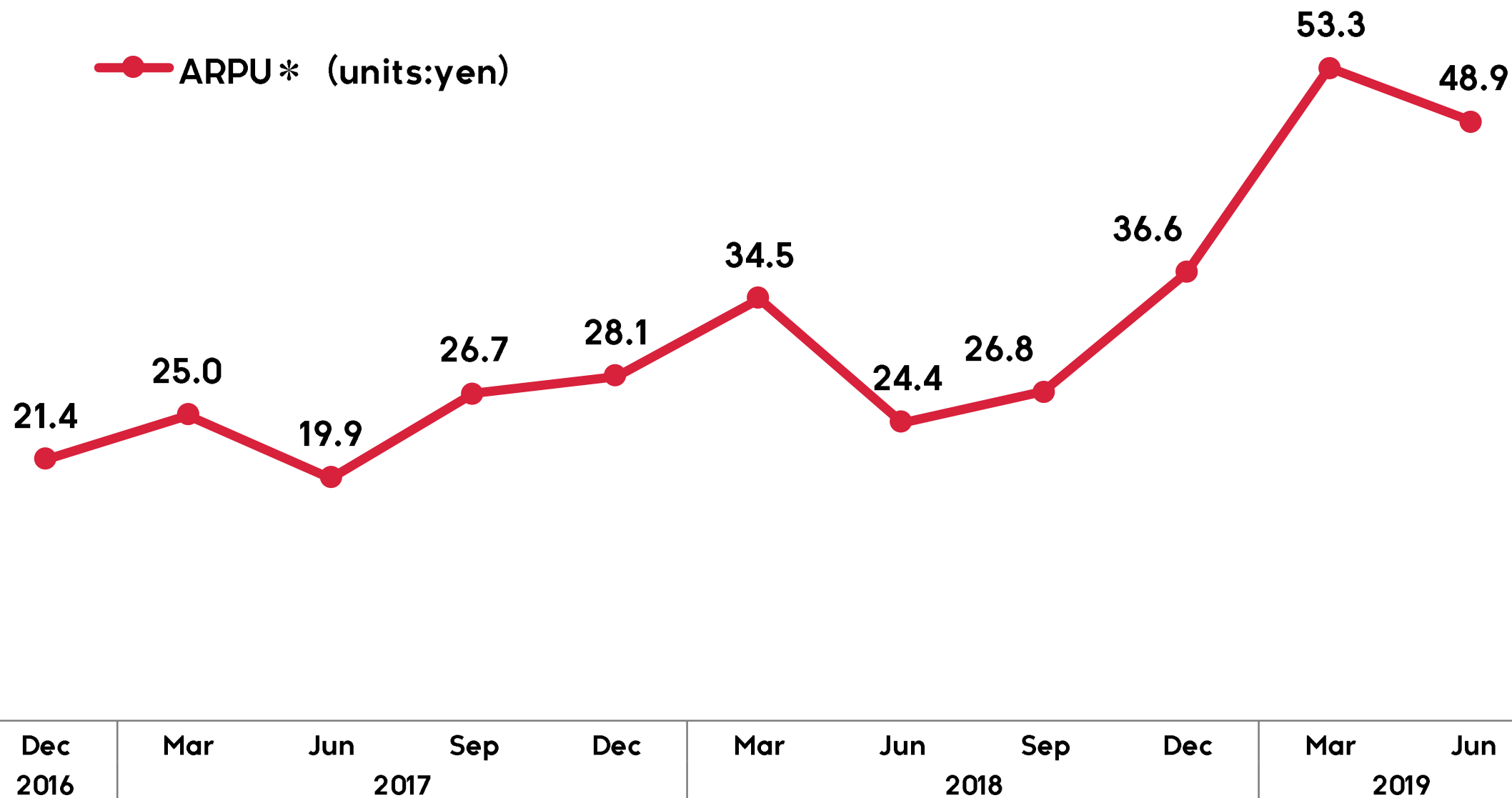






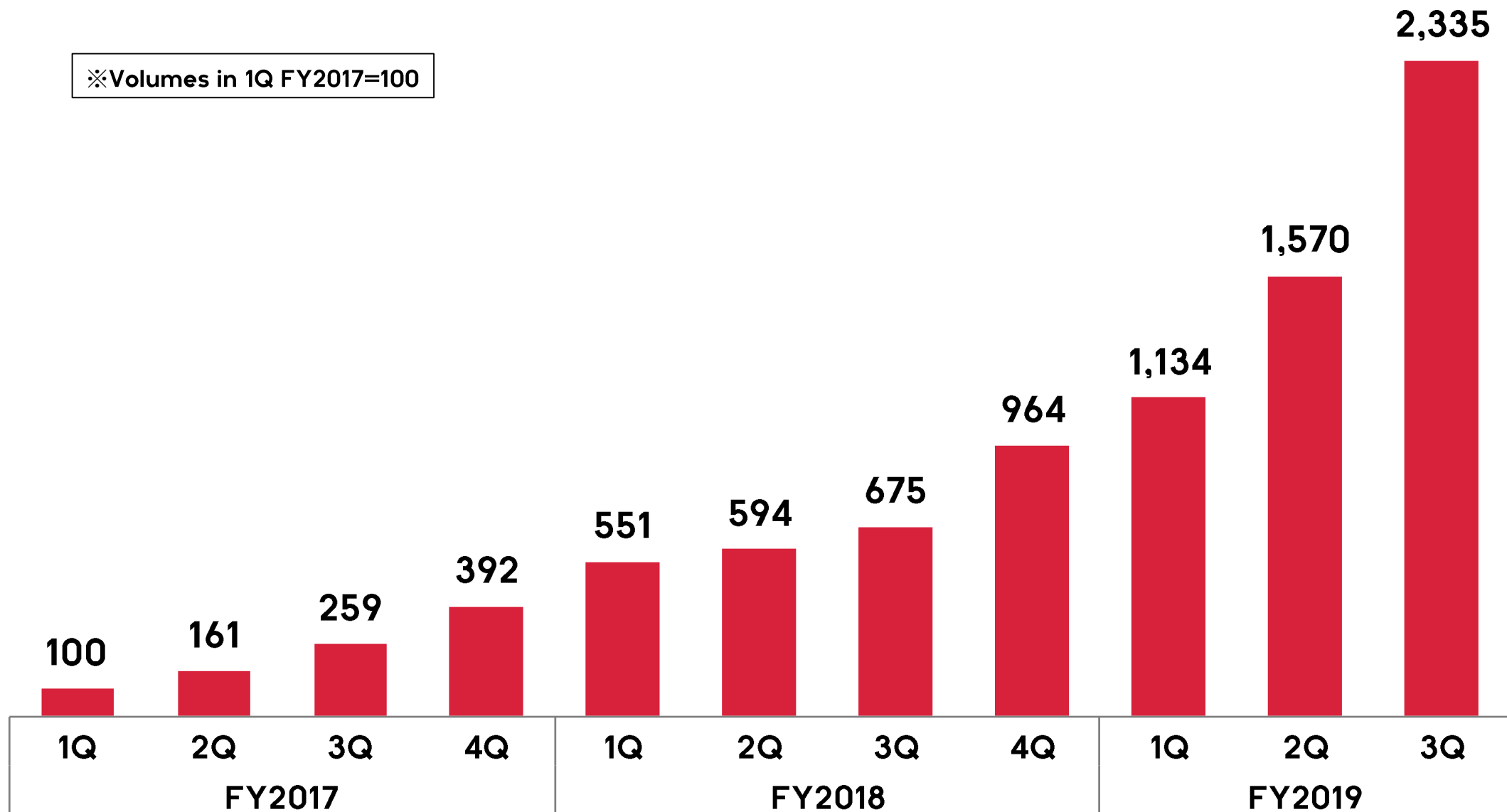




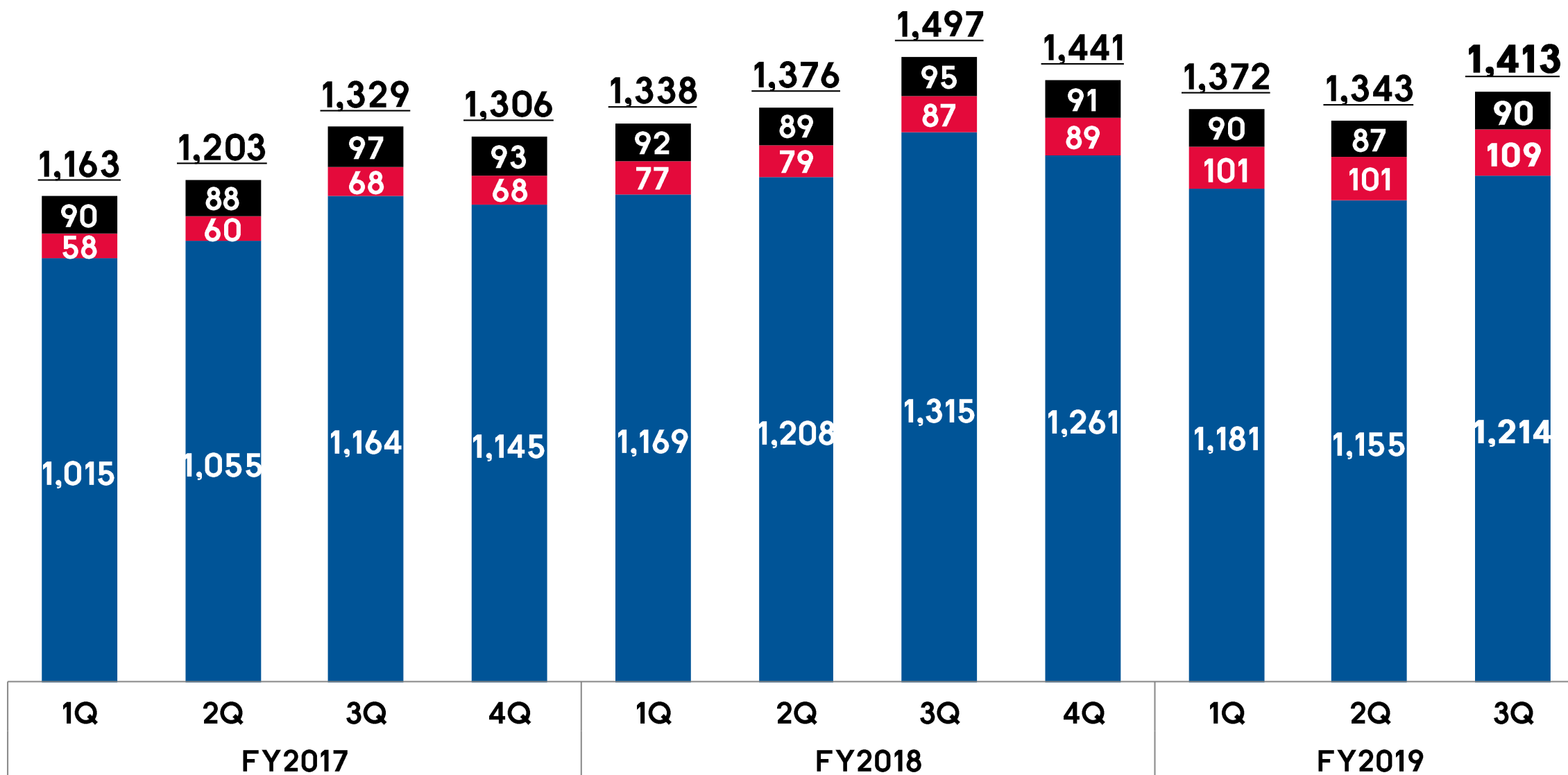


* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU

※Volumes in 1Q FY2017=100



■ Internet Marketing
 ■ Media Content
 ■ Holdings Company



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	¥2,125 million
Shares Issued	138,906,500 shares (including 10,724,240 treasury shares) [※]
Consolidated Workforce	1,413 full time employees, 1,203 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**

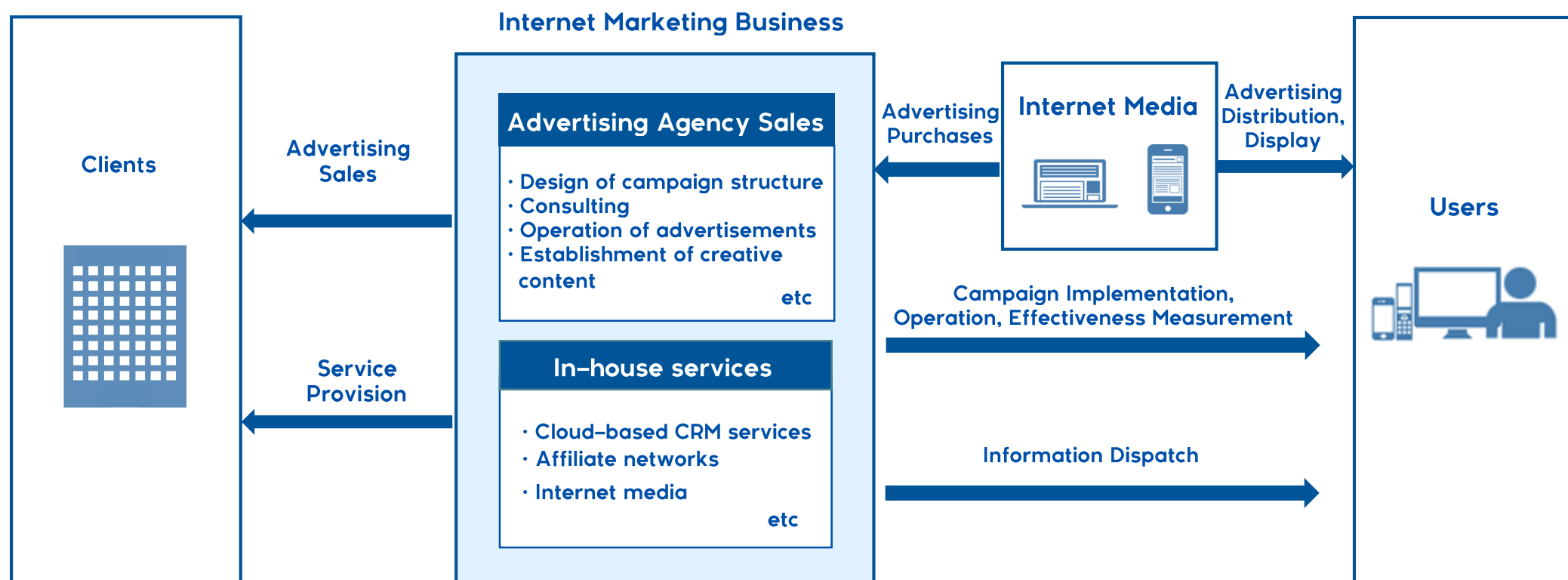
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
Septeni Original,Inc.	Planning and development of web service	Septeni Ad 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.

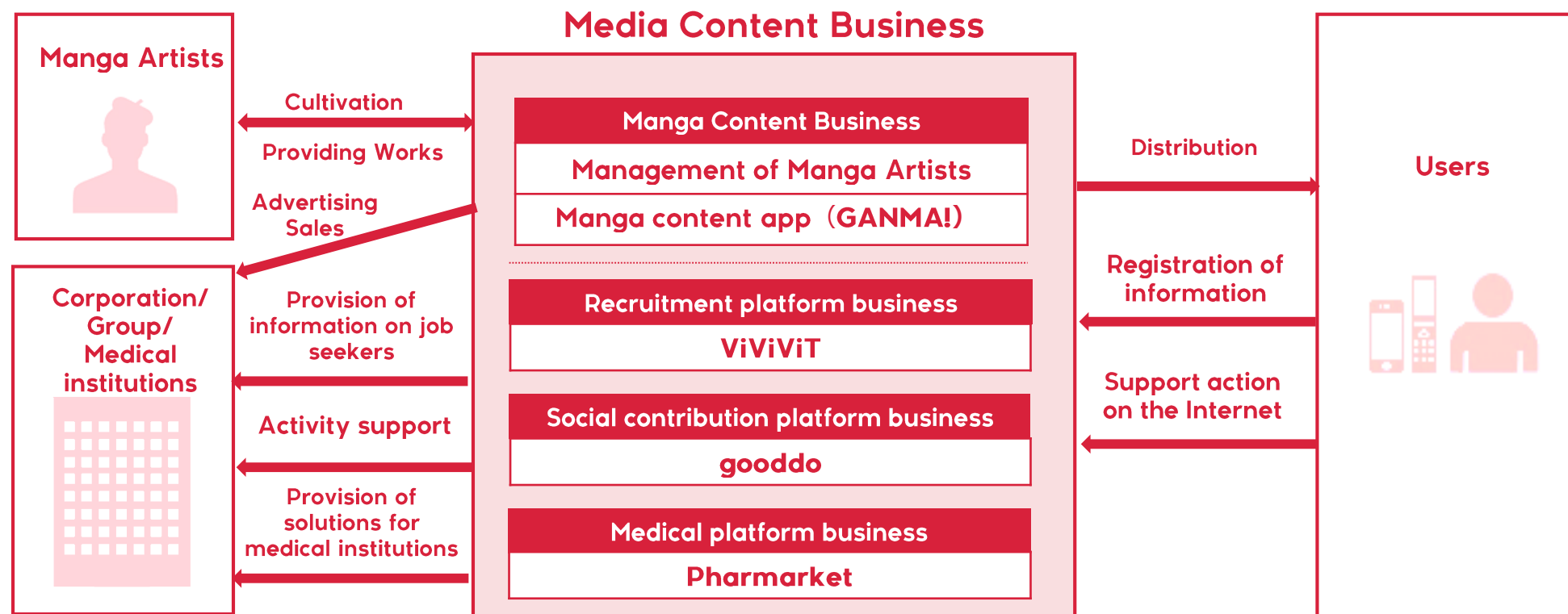
The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



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 3Q FY2019	End FY2018	Change	Main Changes
Current Assets		26,117	26,223	-106	Trade receivables: +579 Other current assets: -623
Non-current Assets		5,119	7,148	-2,029	Goodwill: -1,831
Total Assets		31,236	33,371	-2,135	
Current Liabilities		12,936	12,690	+246	Operating debt: +733 Other financial liabilities: -294 Income tax payable: -185
Non-current Liabilities		4,117	4,951	-834	Other financial liabilities: -621 Deferred tax liabilities: -218
Total Liabilities		17,053	17,641	-588	
Total Capital		14,183	15,730	-1,547	Posting of net profit: -1,267 Other capital components: -241
Total Liabilities and Capital		31,236	33,371	-2,135	

(units : ¥mn)	3Q FY2019 (Oct–Jun)	Main Changes	3Q FY2018 (Oct–Jun)
Cash Flows from Operating Activities	1,579	Posted impairment loss: +1,812 Increase trade receivables: –579	–450
Cash Flows from Investing Activities	–387	Purchase of securities: –277 Purchase of properties: –43	–196
Cash Flows from Financing Activities	–1,178	Increase (decrease) in loans payable: –925 Cash dividend paid: –253	–424
Effect of Exchange Rate Changes on Cash and Cash Equivalents	–78		–6
Net Increase (Decrease) in Cash and Equivalents	–63		–1,076
Cash and Equivalents at Term End	14,859		14,443