

# SEPTENI

## **Business Results for 1Q Fiscal Year September 2020**

**SEPTENI HOLDINGS CO., LTD.**

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

**Feb, 4, 2020**

# 01 Quarterly Consolidated Earnings Overview

# 02 Digital Marketing Business

# 03 Media Platform Business

# 04 Expansion into New Business Segments

# 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.

01

## **Quarterly Consolidated Earnings Overview**

Consolidated

## Revenue

**¥4,362mn** ( Up 5.2% quarter on quarter  
Up 7.0% year on year )

## Non-GAAP Operating Profit

**¥614mn** ( Up 39.3% quarter on quarter  
Up 33.8% year on year )

**Revenue and profit increased both year on year  
and quarter on quarter.**

## Digital Marketing Business

### Revenue

**¥3,838mn** ( Up 5.6% quarter on quarter  
Up 2.8% year on year )

### Non-GAAP Operating Profit

**¥1,287mn** ( Up 17.1% quarter on quarter  
Up 3.6% year on year )

**Both revenue and profit increased, reflecting progress in the alliance with Dentsu Group as planned.**

Media  
Platform  
Business

## Revenue

**¥606mn** ( Up 2.5% quarter on quarter  
Up 45.8% year on year )

## Non-GAAP Operating Profit

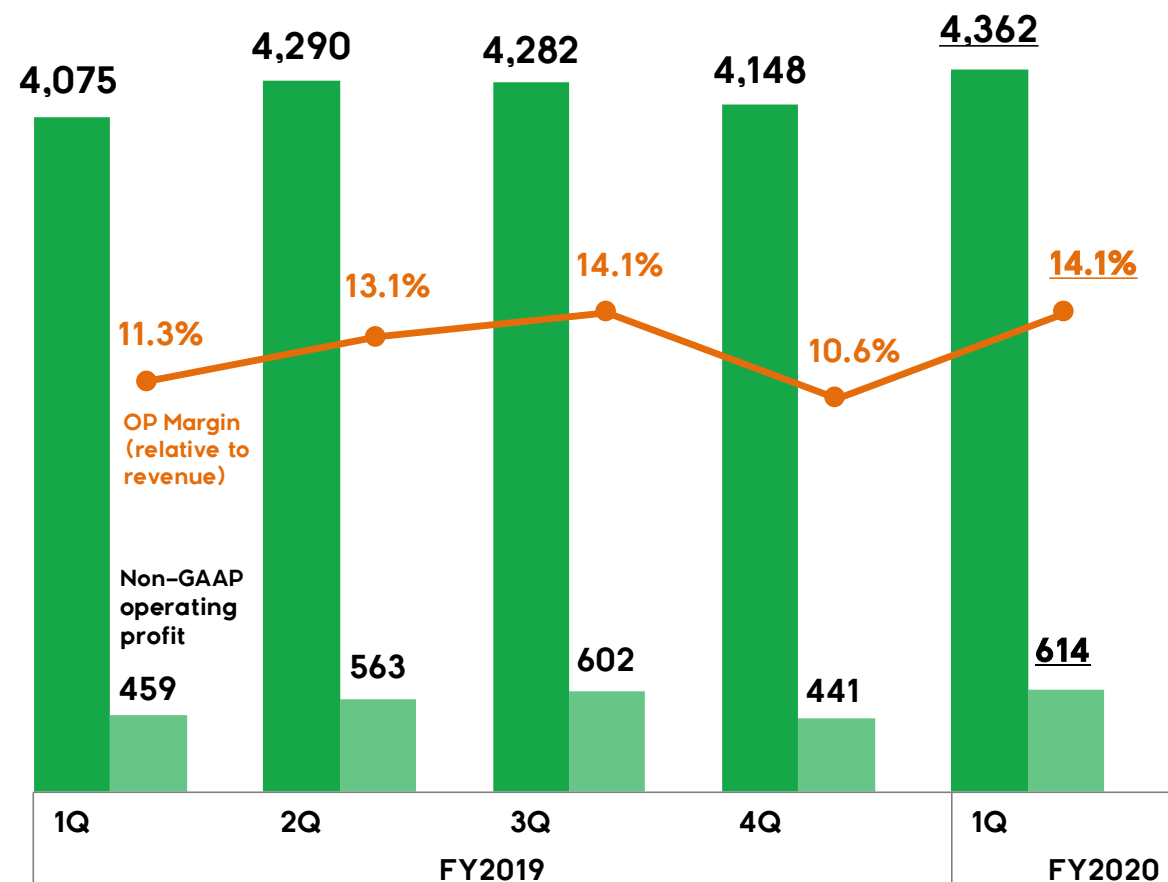
**¥-209mn** ( Decreased ¥5mn year on year  
Decreased ¥81mn year on year )

Due to the growth of the respective businesses, revenue increased sharply year on year, coupled with a significant decrease in deficit.

| (units:¥mn)  | 1Q FY2020 |        |           | 1Q FY2019 |        | FY2020 Estimate | Progress rate |
|--|-----------|--------|-----------|-----------|--------|-----------------|---------------|
|  | Value     | Share  | YY Change | Value     | Share  |                 |               |
| Revenue  | 4,362     | 100.0% | +7.0%     | 4,075     | 100.0% | 19,000          | 23.0%         |
| Gross profit   | 3,552     | 81.4%  | +4.4%     | 3,402     | 83.5%  | —               | —             |
| SG&A   | 2,968     | 68.0%  | +0.7%     | 2,947     | 72.3%  | —               | —             |
| Non-GAAP Operating profit                                  | 614       | 14.1%  | +33.8%    | 459       | 11.3%  | 2,500           | 24.6%         |
| Operating profit   | 572       | 13.1%  | +40.5%    | 408       | 10.0%  | —               | —             |
| Profit for the period attributable to owners of the parent | 388       | 8.9%   | +65.0%    | 235       | 5.8%   | 1,400           | 27.7%         |
| 【Reference】 Net Sales                                      | 19,187    | —      | -0.8%     | 19,343    | —      | 84,000          | 22.8%         |

**Both revenue and profit increased year on year.**

Revenue (units:¥mn)



Revenue **¥4,362mn**  
( Up 7.0% year on year )

Non-GAAP operating profit **614mn**  
( Up 33.8% year on year )

**Revenue achieved a record high,  
and Non-GAAP operating profit remained firm.**



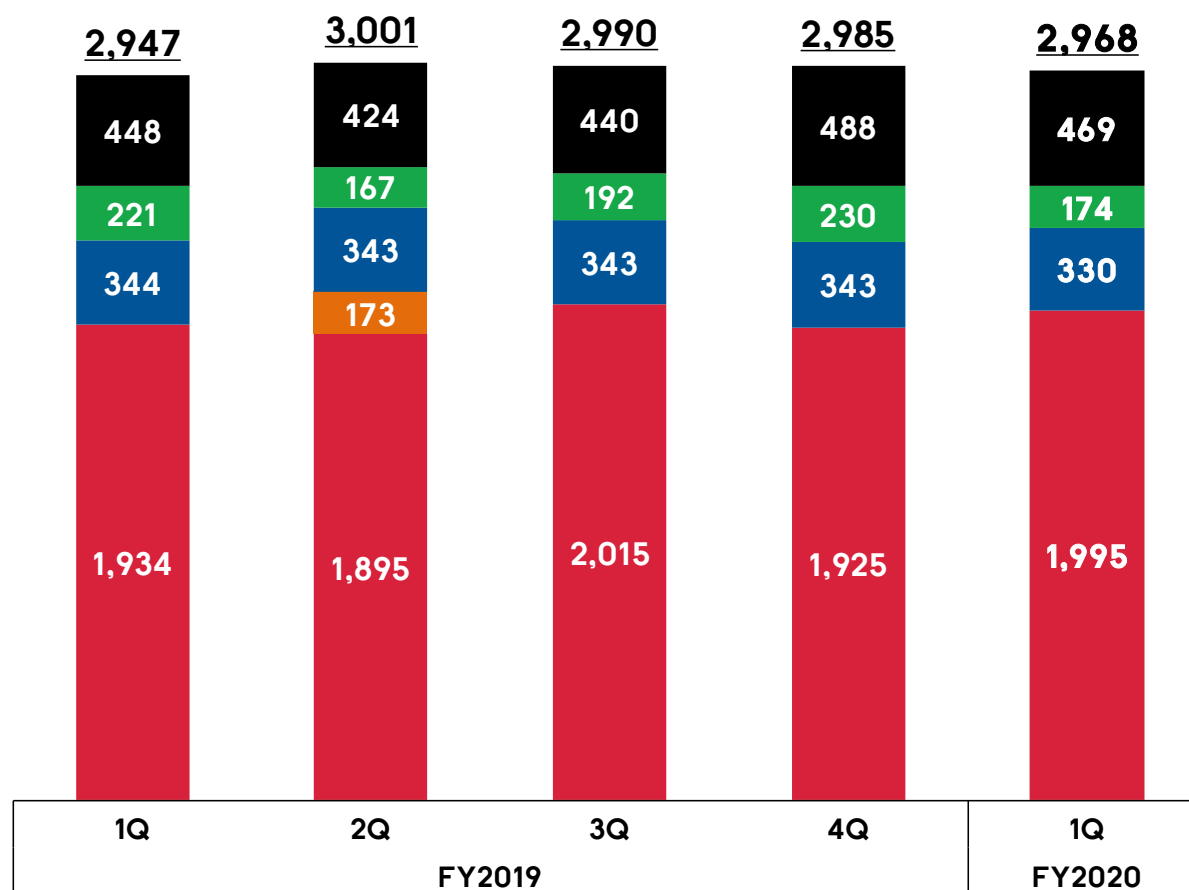
| (units:¥mn)                         | FY2019 |       |       |       | FY2020 | QonQ   | YonY   |
|-------------------------------------|--------|-------|-------|-------|--------|--------|--------|
|                                     | 1Q     | 2Q    | 3Q    | 4Q    | 1Q     |        |        |
| <b>Total of cost of sales</b>       | 673    | 740   | 690   | 730   | 810    | +11.0% | +20.3% |
| Labor costs*1                       | 273    | 286   | 230   | 239   | 251    | +5.0%  | -7.8%  |
| Subcontract costs                   | 95     | 143   | 98    | 112   | 118    | +4.7%  | +23.9% |
| Others                              | 306    | 311   | 362   | 378   | 441    | +16.6% | +44.2% |
| <b>Total of SG&amp;A</b>            | 2,947  | 3,001 | 2,990 | 2,985 | 2,968  | -0.6%  | +0.7%  |
| Labor costs                         | 1,934  | 1,895 | 2,015 | 1,925 | 1,995  | +3.6%  | +3.1%  |
| Additional performance-linked bonus | —      | 173   | —     | —     | —      | —      | —      |
| Rent expenses etc.*2                | 344    | 343   | 343   | 343   | 330    | -3.7%  | -4.1%  |
| Advertising expenses                | 221    | 167   | 192   | 230   | 174    | -24.3% | -21.2% |
| Others                              | 448    | 424   | 440   | 488   | 469    | -3.9%  | +4.6%  |

\*1. A corrections has been made in the current quarter to a partial error of labor costs, which are part of the cost of sales, found in the presentation materials for the business results for 4Q and the full fiscal year ended September 30, 2019. The correction is reflected in the subsequent pages where applicable.

\*2. In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

**Cost of sales increased due to expansion of Media Platform Business.**

- Labor costs
- Rent expenses, etc.
- Others
- Additional performance-linked bonuses
- Advertising expenses



**SG&A expenses for 1Q of FY2020 remained in line with the plan.**

\* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

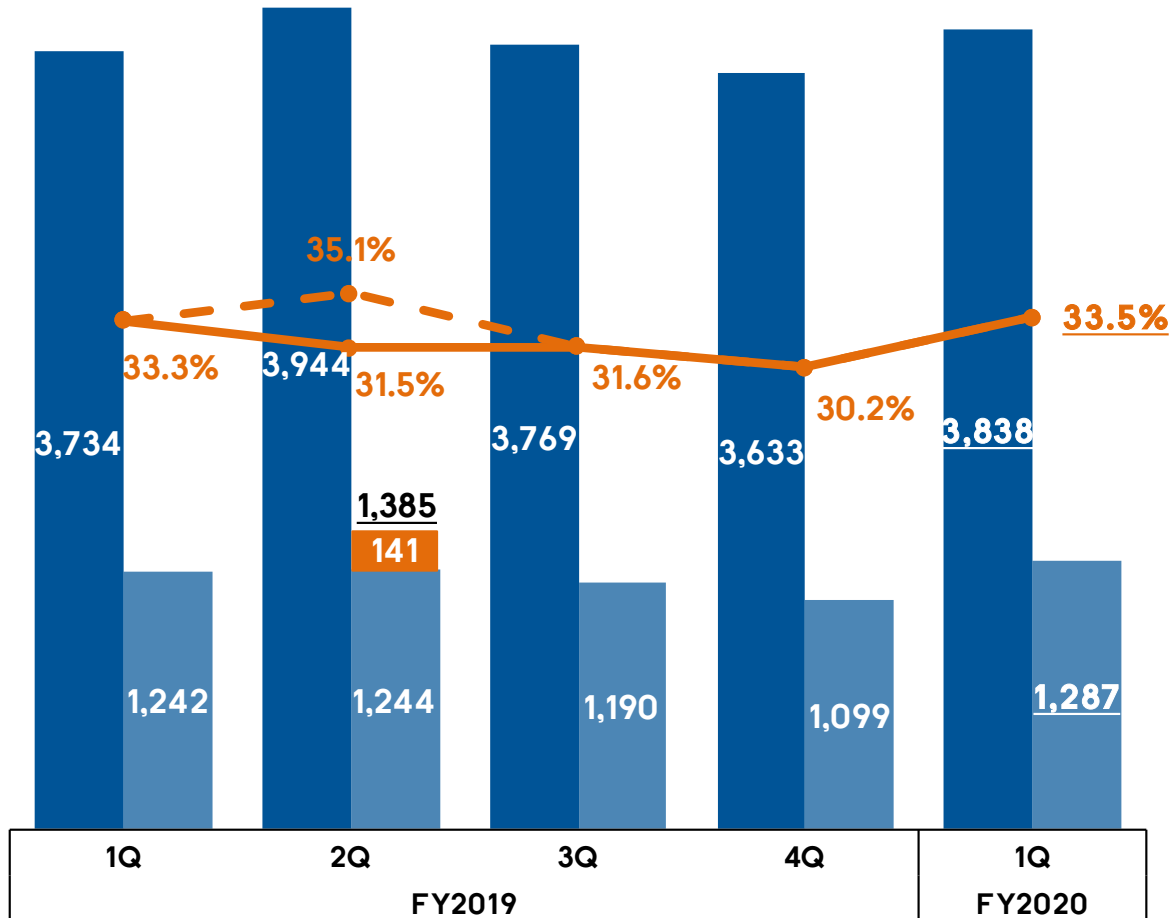
02

**Digital Marketing Business**

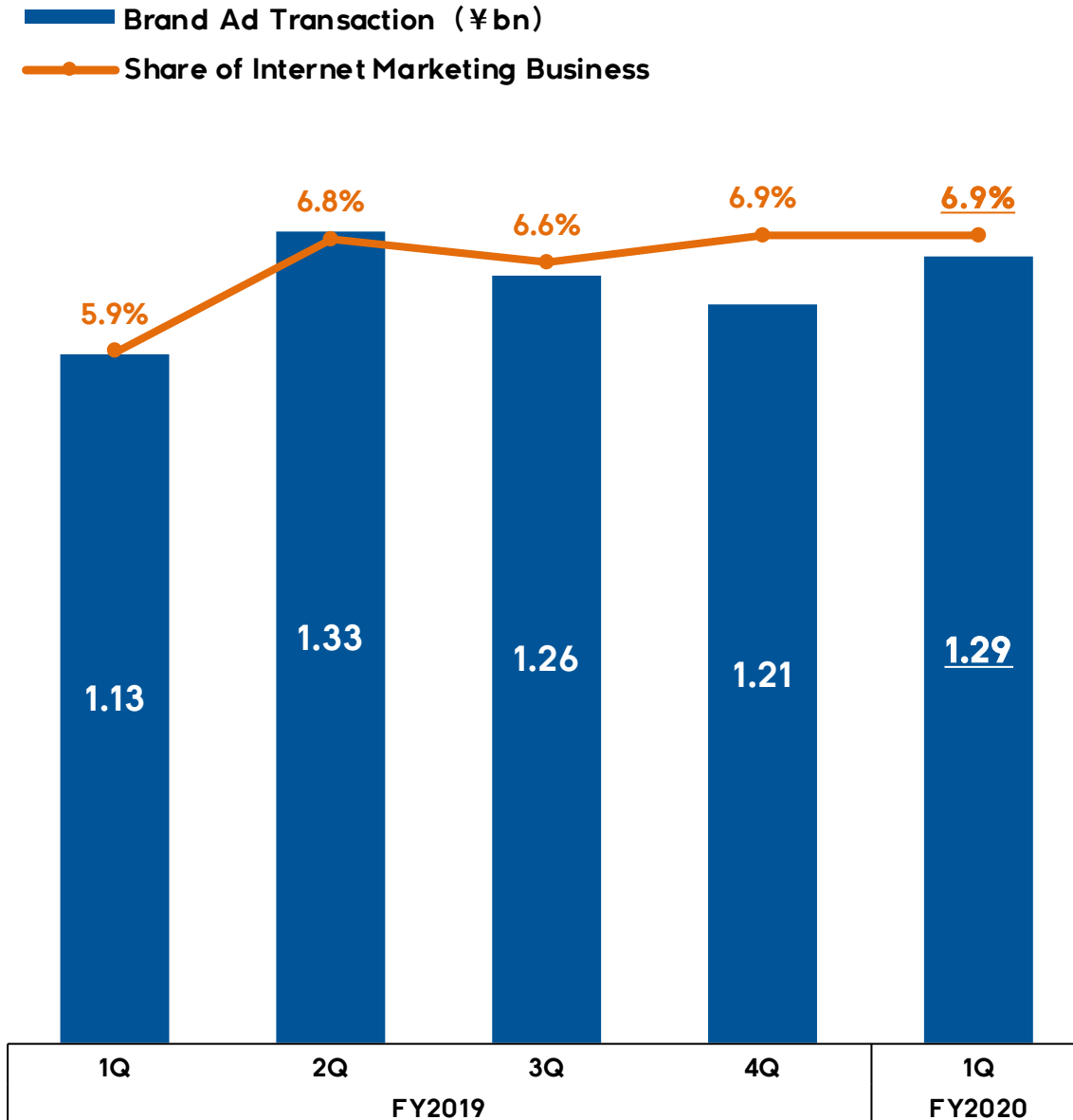
| (units:¥mn)                  | 1Q FY2020 |        |           | 1Q FY2019 |        | FY2020<br>Estimate | Progress<br>rate |
|------------------------------|-----------|--------|-----------|-----------|--------|--------------------|------------------|
|                              | Value     | Share  | YY Change | Value     | Share  |                    |                  |
| Revenue                      | 3,838     | 100.0% | +2.8%     | 3,734     | 100.0% | 16,500             | 23.3%            |
| Gross profit                 | 3,319     | 86.5%  | +2.1%     | 3,249     | 87.0%  | —                  | —                |
| SG&A                         | 2,046     | 53.3%  | +1.8%     | 2,009     | 53.8%  | —                  | —                |
| Non-GAAP<br>Operating profit | 1,287     | 33.5%  | +3.6%     | 1,242     | 33.3%  | 5,300              | 24.3%            |
| 【Reference】<br>Net Sales     | 18,770    | —      | −2.1%     | 19,169    | —      | —                  | —                |

**Both revenue and profit increased, aided by short-term initiative of alliance of Dentsu Group.**

- Revenue
- Non-GAAP operating profit (units:¥mn)
- Operating margin (relative to revenue)
- Operating margin (relative to revenue×excluding the additional performance-linked bonuses)
- The additional performance-linked bonuses(Internet Marketing Business)



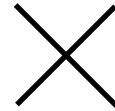
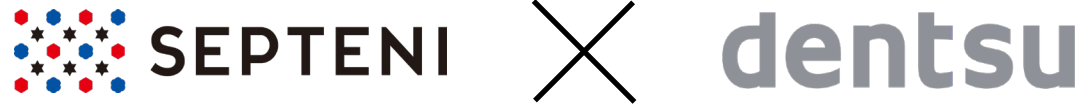
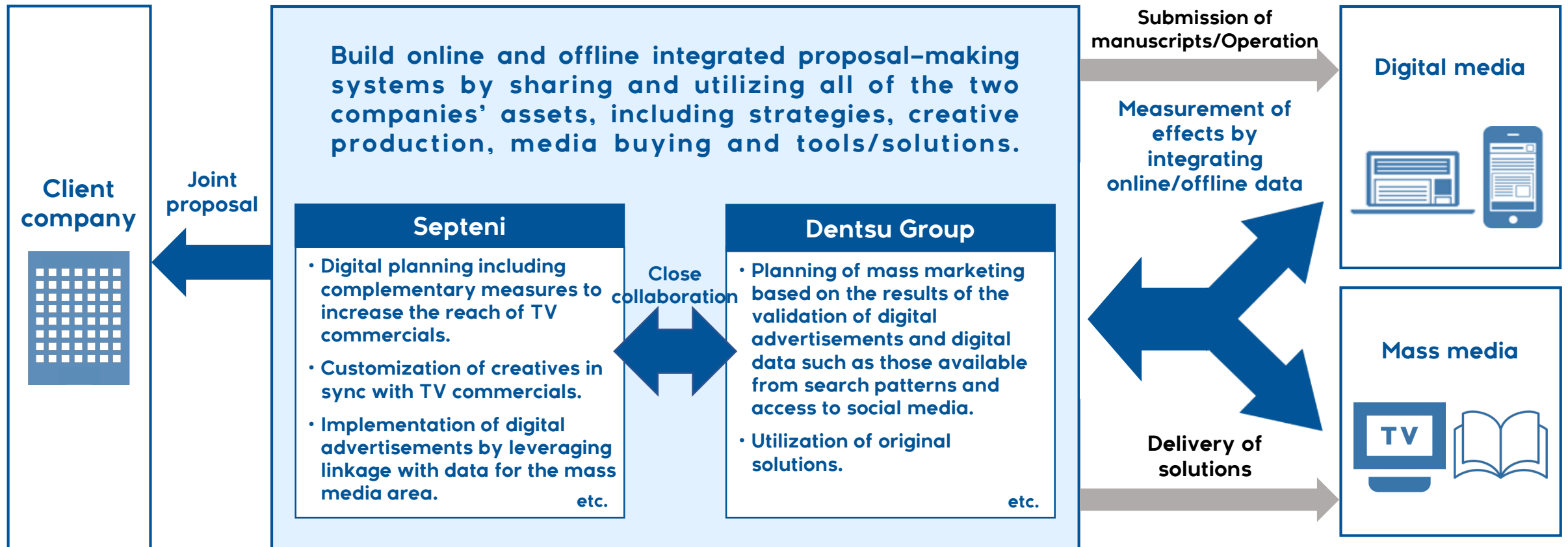
**Revenue increased year on year both in Japan and overseas, resulting in rises in revenue of **2.8%** and profit of **3.6%**.**



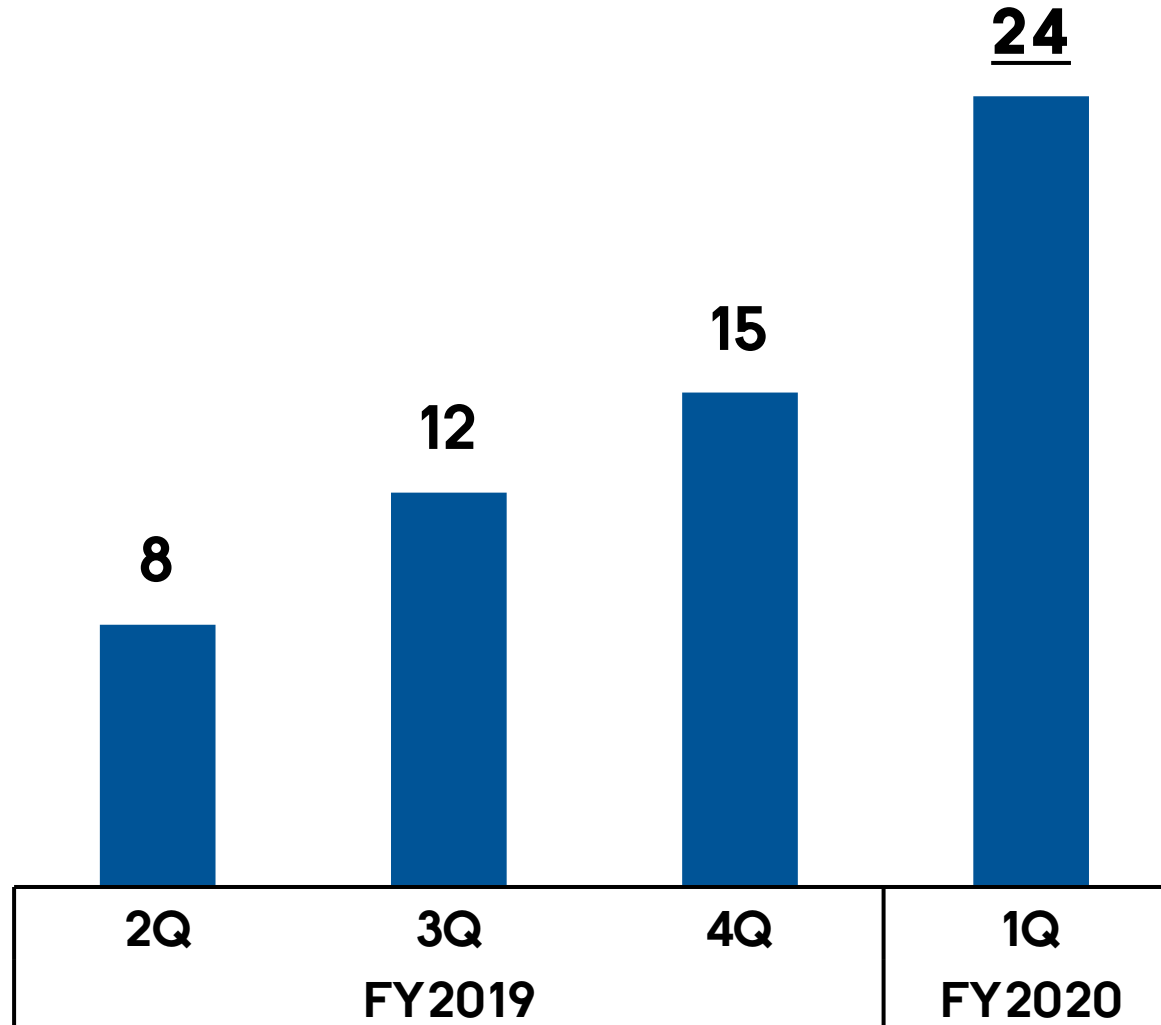
Achieved growth of **6.4%** quarter on quarter, and **14.3%** year on year

In addition, the ratio to transactions also increased steadily.

Proposal of Integrated Marketing of online/offline advertising through the utilization of the two companies' clients bases (conceptual image)


**dentsu**


■ Volume of clients in the alliance with Dentsu Group

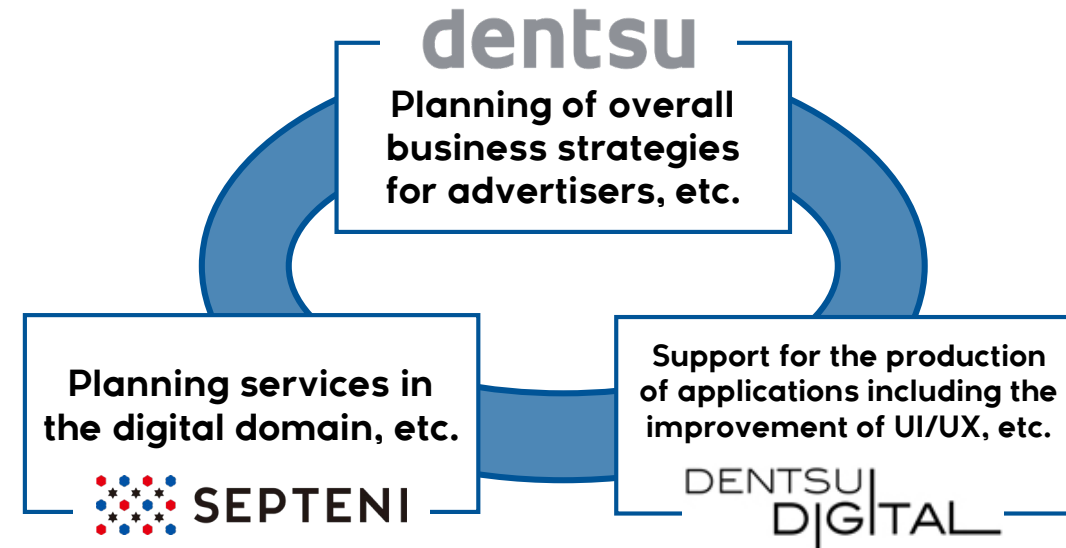


**Volume of clients  
in the Alliance of  
Dentsu Group and  
Septeni increase steadily.**



## Business alliance with Dentsu Group

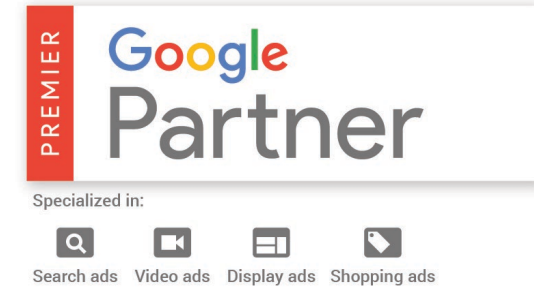
Launched **App Growth Mall**, a project featuring the collaboration of Septeni, Dentsu and Dentsu Digital, to provide one-stop support that help companies grow their businesses by utilizing smartphone applications.



**More integrated and efficient smartphone application-based support for businesses can be provided** through the cross-functional use of solutions and human resources owned by the three companies.

## Advertisement

Received the grand prize in the Application Advertisements section in the Premier Partner Awards 2019 sponsored by Google Partners.



Certified as the nation's only company with the highest Platinum Partner ranking in the corporate section in the performance category of the TikTok Ads Award 2019.

**TikTok Ads**

## Solutions

Launched the external provision of Creative Rally, a creative operation tool of advertisements featuring complete coverage of the main media, which was developed by Septeni Original, Inc.

**CRALY**  
Creative Rally

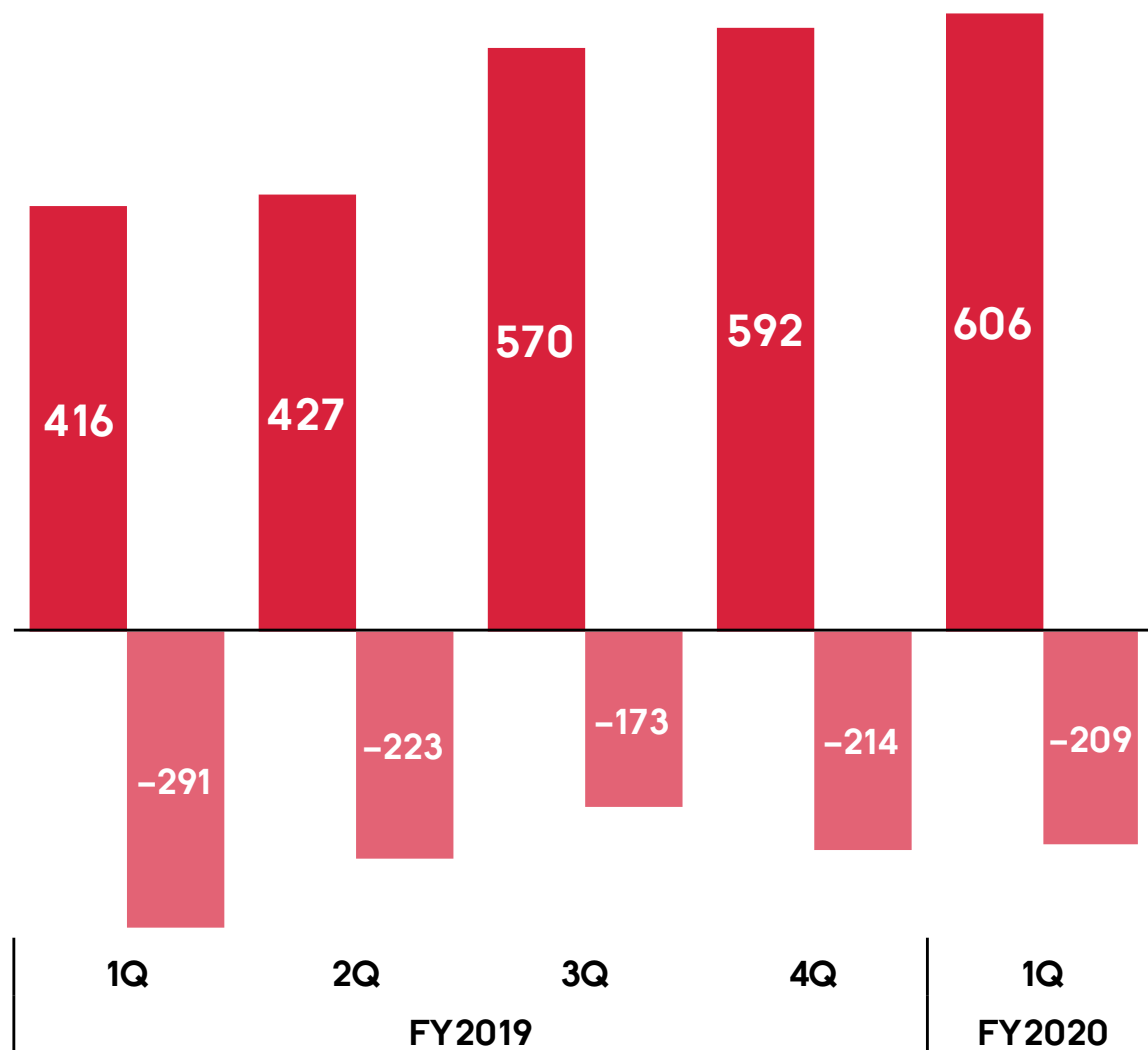
# 03

## Media Platform Business

| (units:¥mn)                  | 1Q FY2020 |        |           | 1Q FY2019 |        | FY2020<br>Estimate | Progress<br>rate |
|------------------------------|-----------|--------|-----------|-----------|--------|--------------------|------------------|
|                              | Value     | Share  | YY Change | Value     | Share  |                    |                  |
| Revenue                      | 606       | 100.0% | +45.8%    | 416       | 100.0% | 2,900              | 20.9%            |
| Gross profit                 | 309       | 51.1%  | +38.4%    | 224       | 53.8%  | —                  | —                |
| SG&A                         | 521       | 85.9%  | +1.2%     | 515       | 123.8% | —                  | —                |
| Non-GAAP<br>Operating profit | -209      | —      | +81       | -291      | —      | -850               | —                |

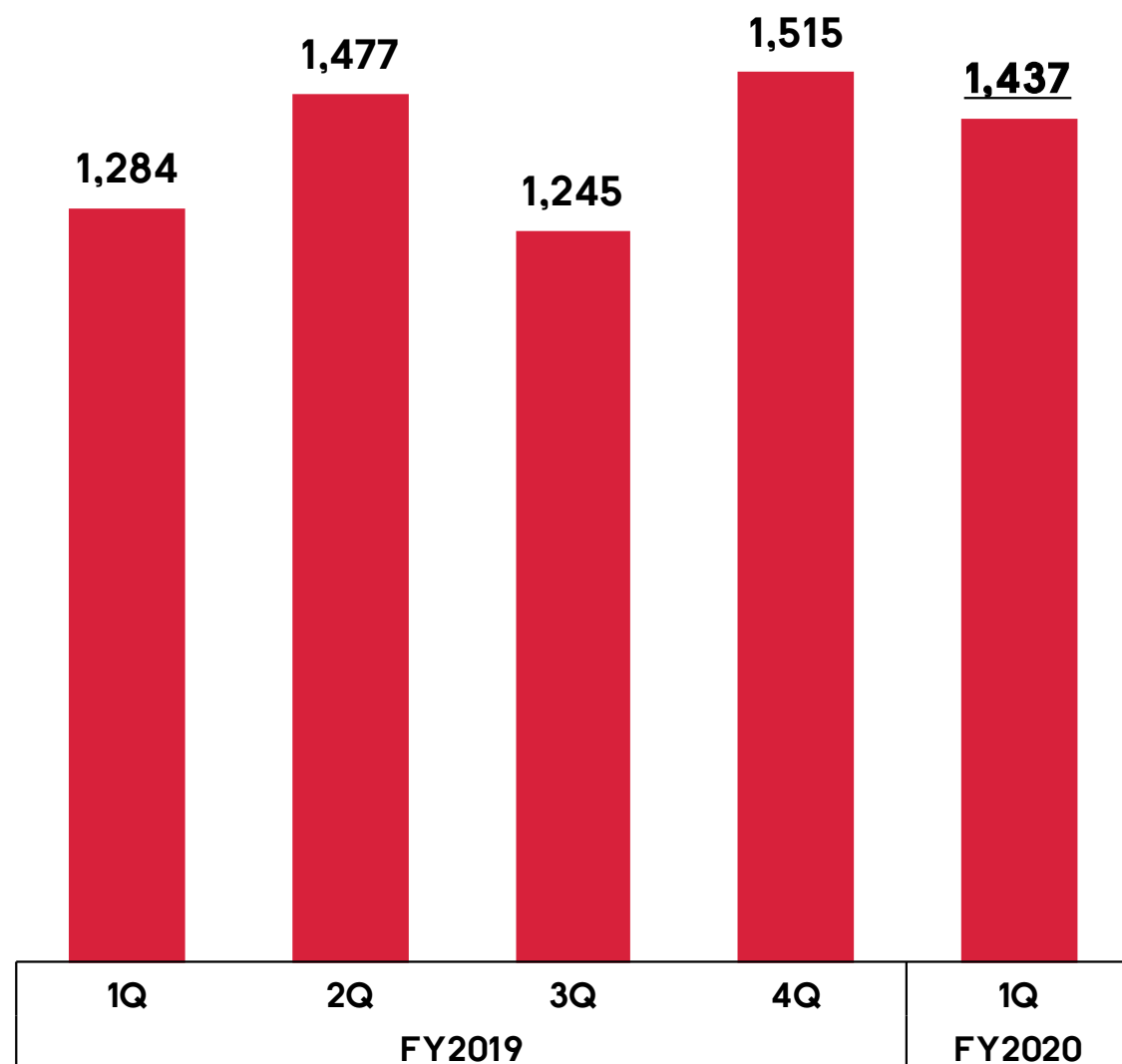
**Increase in costs was absorbed by significant revenue growth, and deficits decreased.**

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



**Revenue grew,  
in each business including  
Manga Content Business.**

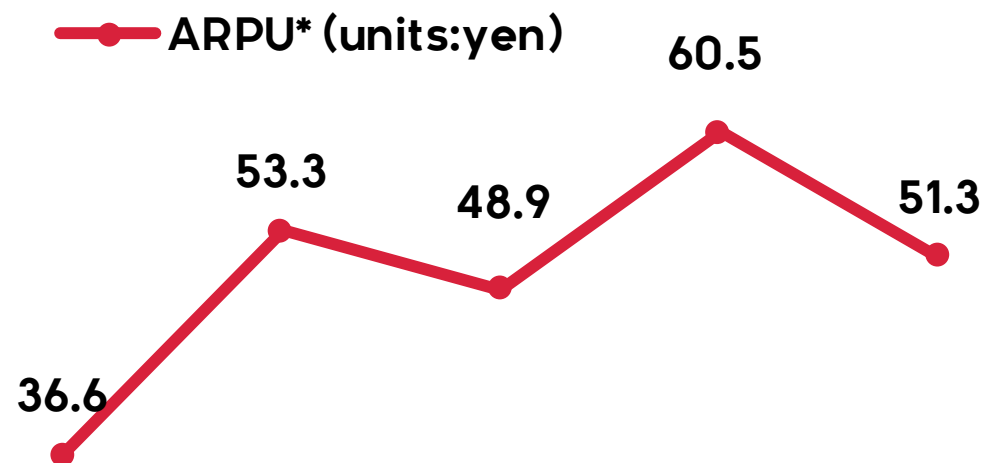
※Volumes in 1Q FY2016=100



**Decrease of Performance ad revenue was absorbed by expansion of brand ad and subscription revenue, and achieved growth of 12.0% year on year.**

Accumulated application downloads of GANMA! : **13.6mn**

Monthly Page Views : **2.70bn**

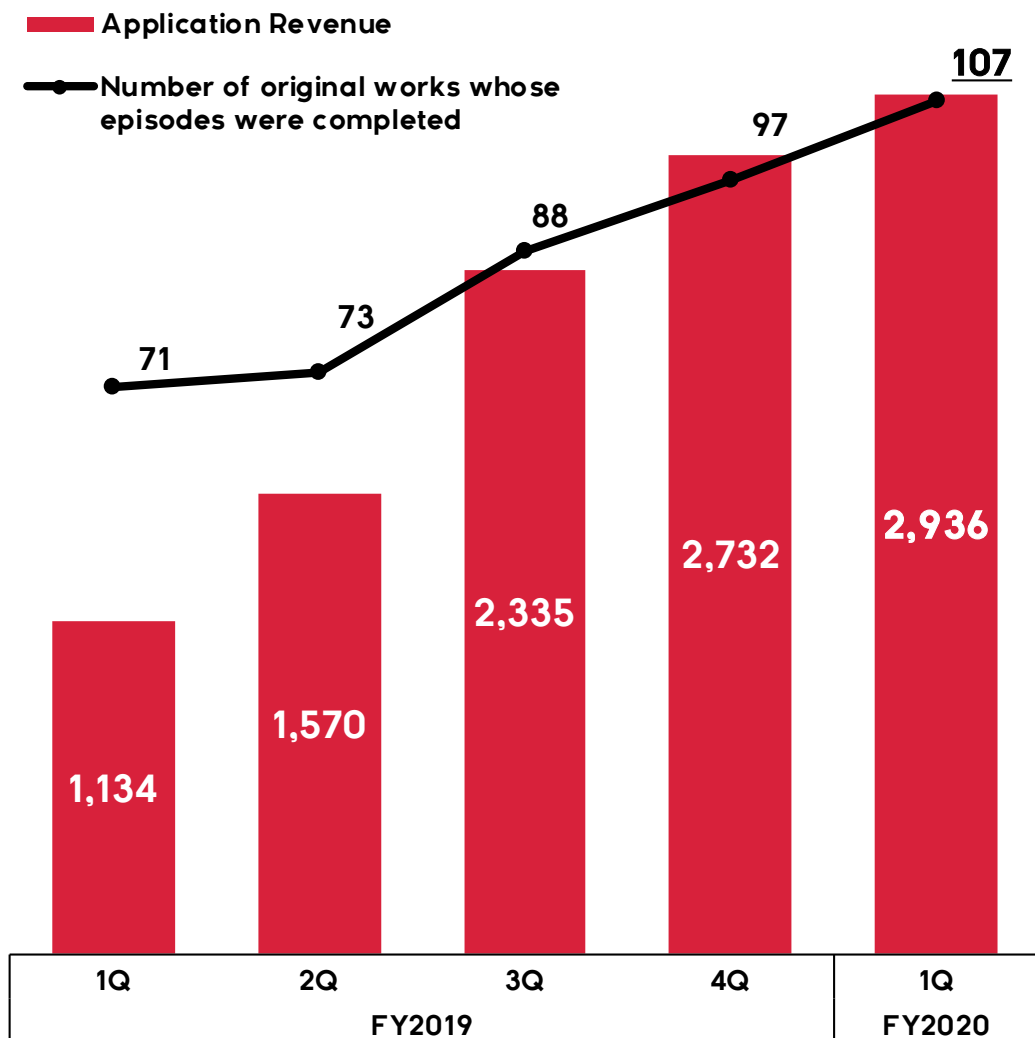


**ARPU rose significantly from its level in the same month of the previous year due to an increase in revenue resulting from the start of subscriptions.**

|             |     |      |     |     |
|-------------|-----|------|-----|-----|
| Dec<br>2018 | Mar | Jun  | Sep | Dec |
|             |     | 2019 |     |     |

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

※Volumes in 1Q FY2017=100



**One year has passed since the full-scale launch of the subscription service.**

**Subscription Revenue increased steadily to approximately 2.6 times that of the year before.**





© “JAPAN SINKS : 2020”Project Partners

# NETFLIX

A decision was made to participate in the production committee of “**JAPAN SINKS: 2020**”, a Netflix original anime series directed by Mr. Masaaki Yuasa, which is scheduled to be released in 2020.

**Strengthen the power of our contents** by collaboration with the excellent IP

## Media Platform Business



In the Media Platform Business, we will seek to **expand into combined platform-style**, starting from the current period.

## TowaStela (TowaStela, Inc.)

The company forms a user-community of in the childcare domain with its Instagram account, which has over 400,000 followers in total. It operates the “**Babyful**” and “**amanoppo**” EC websites with the community as the starting-point.

### Vision

Create an era in which the joy of raising children is maximized.

### Services

EC website that records the important days of family members

A store offering gifts for moms, dads and kids



# 04

**Expansion into New Business Segments**

## Expands the existing domain

### Internet Marketing Business

- Performance advertising (Performance ad Market)

### Digital Marketing Business

- Performance advertising (Performance ad Market)
- Data/Solution
- Brand advertising

From **advertising agency** to the **Data/Solution** domain

From **Performance advertising** to **Brand advertising** market

From **online advertising** to the **integration of online and offline advertising**

### Media Content Business



### Media Platform Business



From **Manga app** to the **Content platform**

From **a single media company** to **a media conglomerate**

From **each company's independent operation** to **a growth platform**

### New Business segment

Considers to expand into the new segment

Expands into the new domain

**Digital Marketing Business****Media Platform Business**Existing domains (former Internet Industry )

Consist mainly of digital stand-alone markets providing advertisements, media, content, etc.

**New Business Segment**

- Sports domain
- Sharing assets domain
- Other domains (in preparation)

New domains (Existing Industries × Internet)

Digital Transformation(DX) in the existing markets progress, thereby new growth markets are created

Focus on the markets such as sports domain and assets (real estate, automobiles, etc.) domain, where the industries themselves are redefined through DX.

**Basic Policy**

**We assume that existing asset domains will continue to be redefined based on technologies.**

**The markets that create emotions (feelings and excitement) and the consumption of experiences expands.**

**We will make investments with a view toward expansion into new business segments.**  
**The impact of the investments on P/L is limited because we seek to develop businesses with use of the assets we own.**

**New business segments**

**Sports domain**

**Sharing assets  
domain**

**Other domains  
(in preparation)**

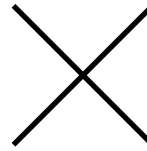


We implemented capital participation in Vegalta Sendai, professional soccer club of J1.

As a digital marketing partner, we will provide support club operation and help the team grow.



SEPTENI



\*For details of this matter, please see the press release announced on February 4<sup>th</sup>.

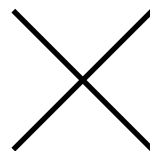


Collaboration will be established with Hosty, a company that engages in the development and operation of unstaffed compact hotels.

We will start to expand to into Sharing assets domain through the capital participation in Hosty and the joint development and operation of properties



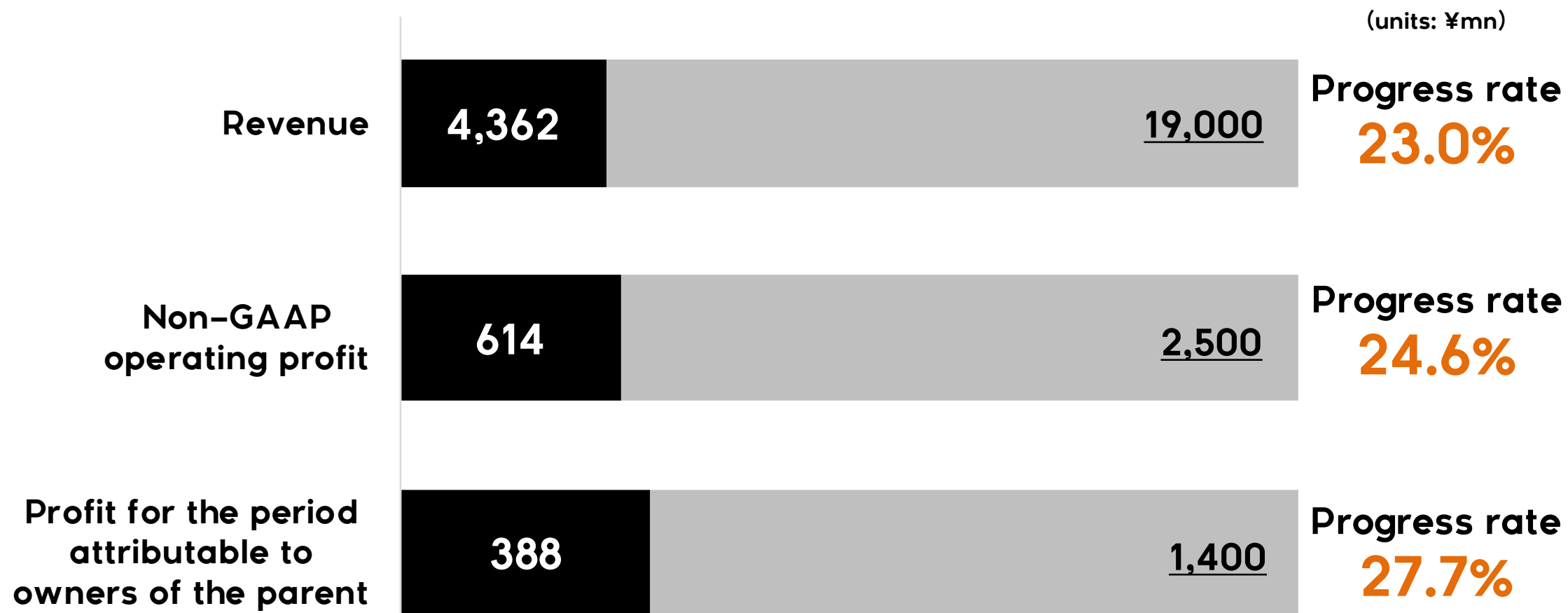
SEPTENI

HOSTY

\*These are images of one room of “mizuka”, which is a chained-brand hotel operated by Hosty

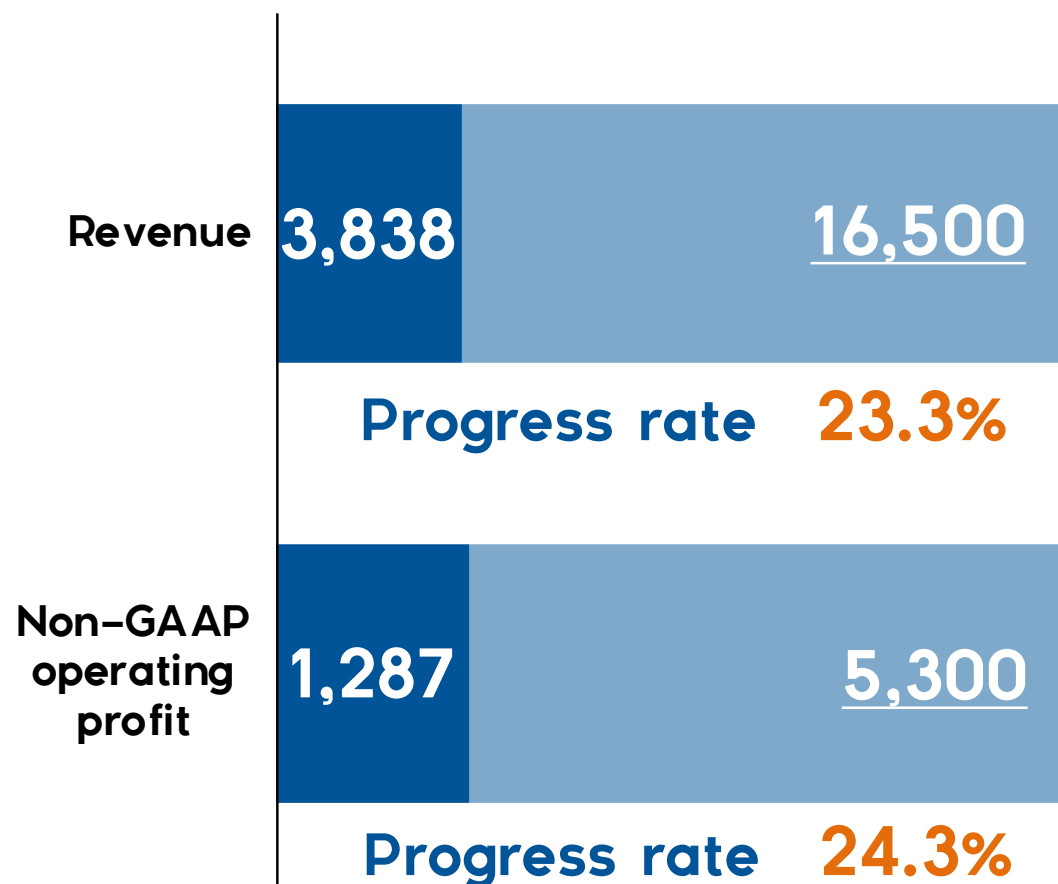
# 05

## Progress on Earnings Estimates

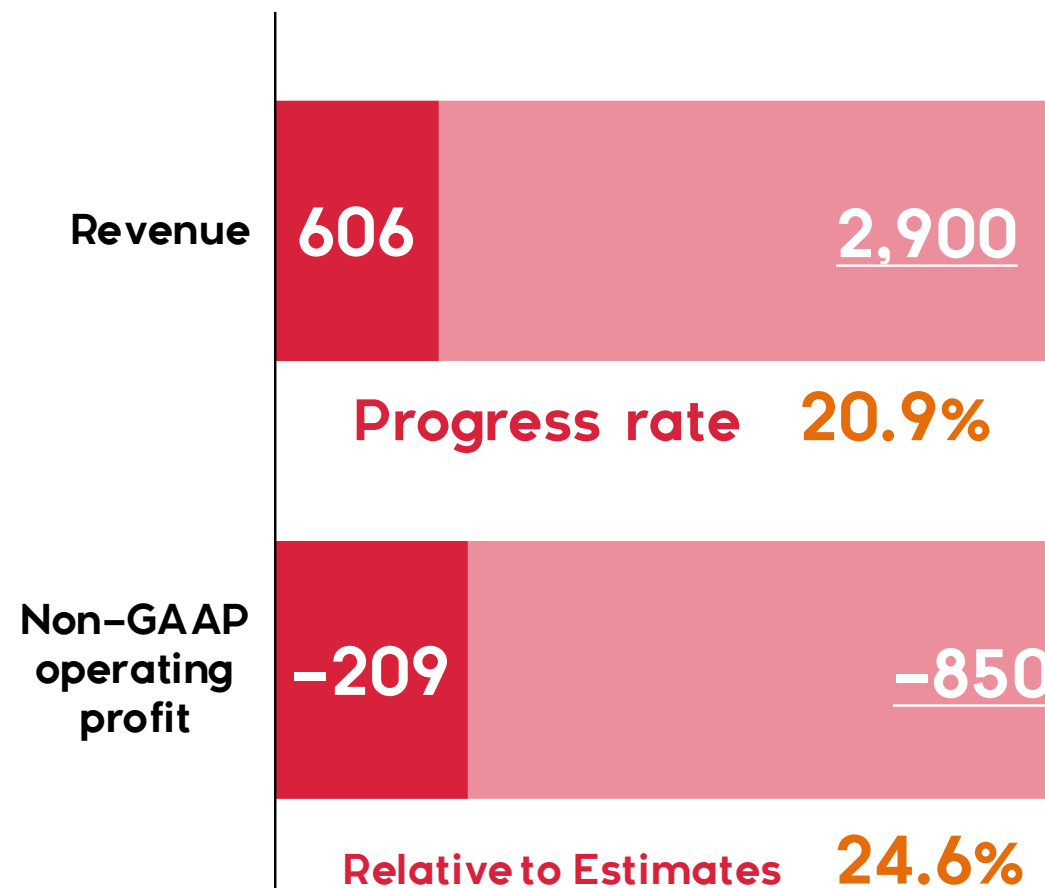


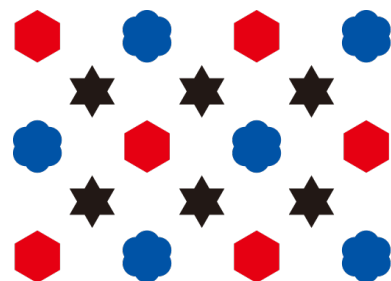
**Progress on earnings estimates of this fiscal year remains firm.**

## Digital Marketing Business



## Media Platform Business





# 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 February 4, 2020 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

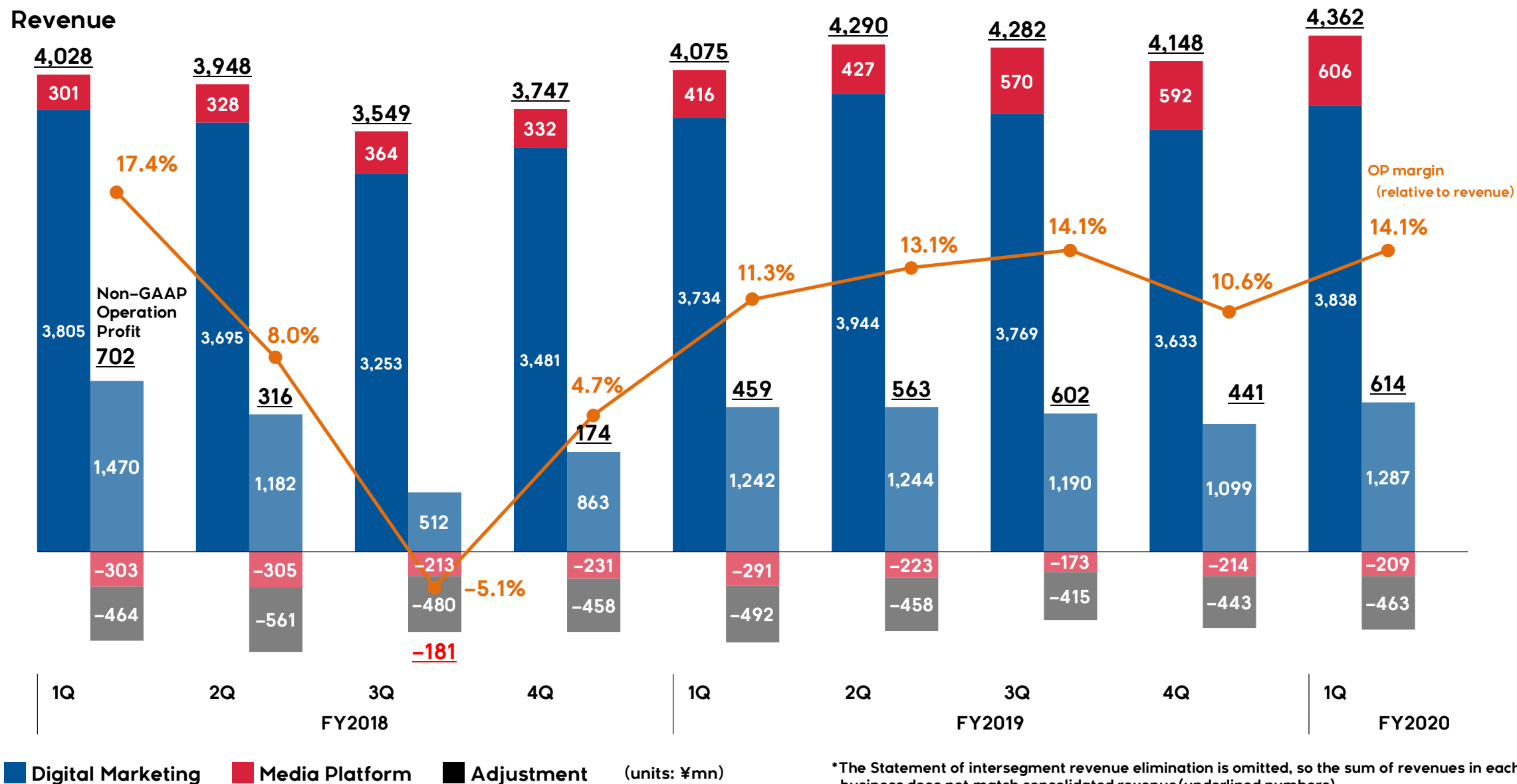
**SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division**

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

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

06

Appendix



| (units:¥mn)                         | FY2018 |       |       |       | FY2019 |       |       |       | FY2020 | QonQ   | YonY   |
|-------------------------------------|--------|-------|-------|-------|--------|-------|-------|-------|--------|--------|--------|
|                                     | 1Q     | 2Q    | 3Q    | 4Q    | 1Q     | 2Q    | 3Q    | 4Q    | 1Q     |        |        |
| <b>Total of cost of sales</b>       | 583    | 651   | 684   | 679   | 673    | 740   | 690   | 730   | 810    | +11.0% | +20.3% |
| Labor costs                         | 191    | 205   | 256   | 237   | 273    | 286   | 230   | 239   | 251    | +5.0%  | -7.8%  |
| Subcontract costs                   | 179    | 235   | 205   | 199   | 95     | 143   | 98    | 112   | 118    | +4.7%  | +23.9% |
| Others                              | 214    | 210   | 223   | 243   | 306    | 311   | 362   | 378   | 441    | +16.6% | +44.2% |
| <b>Total of SG&amp;A</b>            | 2,742  | 2,993 | 3,047 | 2,912 | 2,947  | 3,001 | 2,990 | 2,985 | 2,968  | -0.6%  | +0.7%  |
| Labor costs                         | 1,803  | 1,883 | 2,065 | 1,965 | 1,934  | 1,895 | 2,015 | 1,925 | 1,995  | +3.6%  | +3.1%  |
| Additional performance-linked bonus | —      | —     | —     | —     | —      | 173   | —     | —     | —      | —      | —      |
| Rent expenses etc.                  | 273    | 345   | 355   | 355   | 344    | 343   | 343   | 343   | 330    | -3.7%  | -4.1%  |
| Advertising expenses                | 237    | 271   | 172   | 155   | 221    | 167   | 192   | 230   | 174    | -24.3% | -21.2% |
| Others                              | 430    | 495   | 455   | 436   | 448    | 424   | 440   | 488   | 469    | -3.9%  | +4.6%  |

\* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

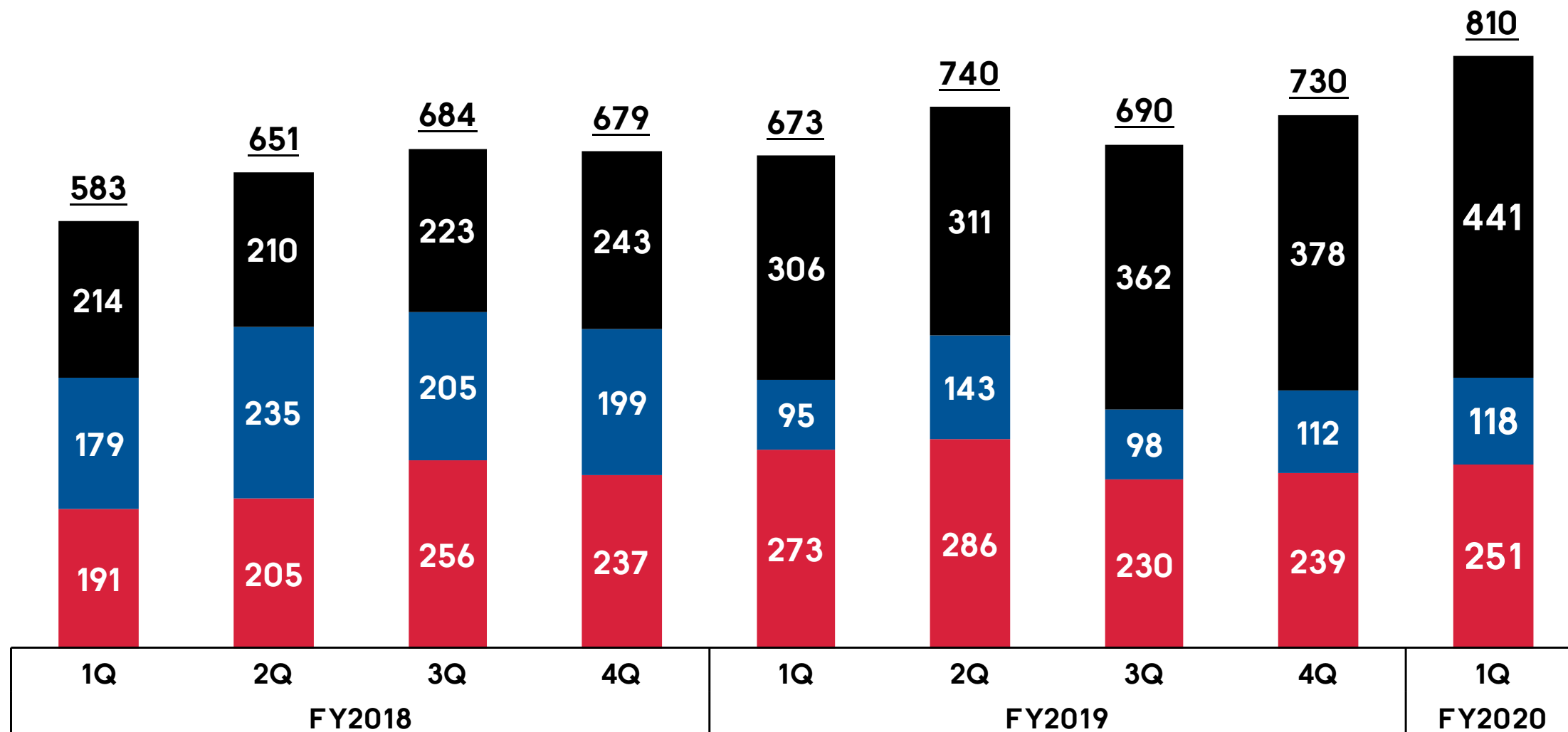


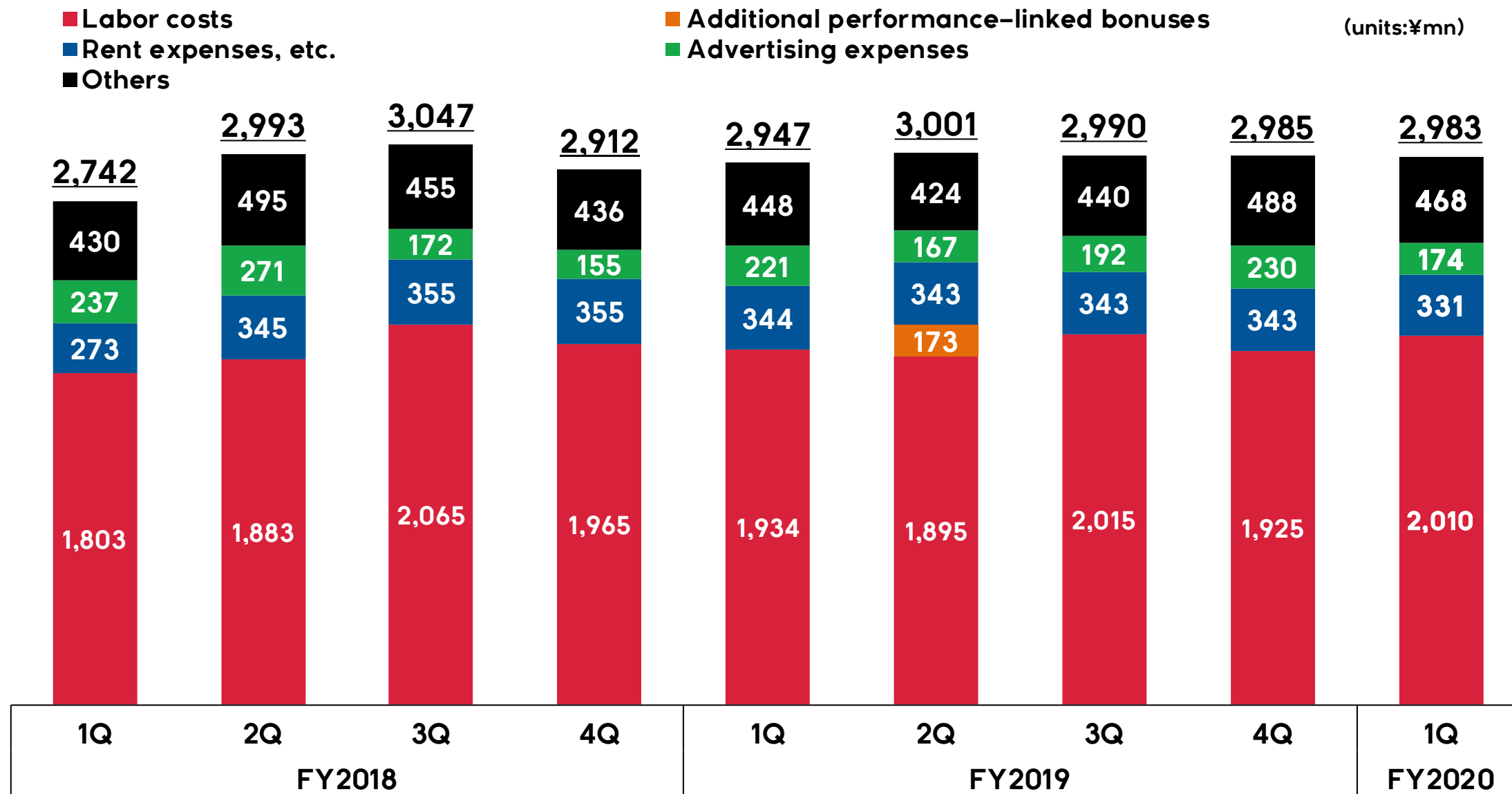
■ Labor costs

■ Subcontract costs

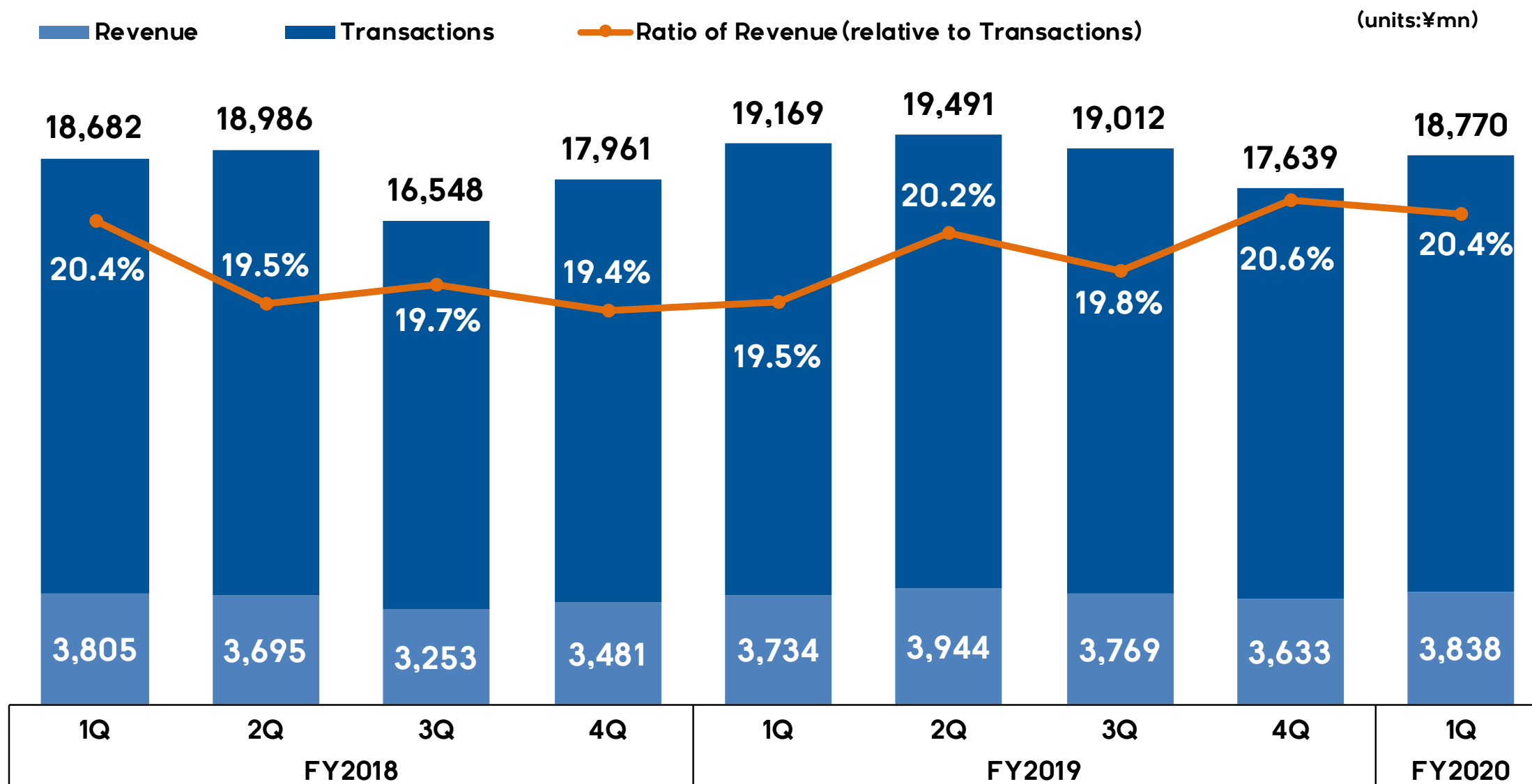
■ Others

(units:¥mn)



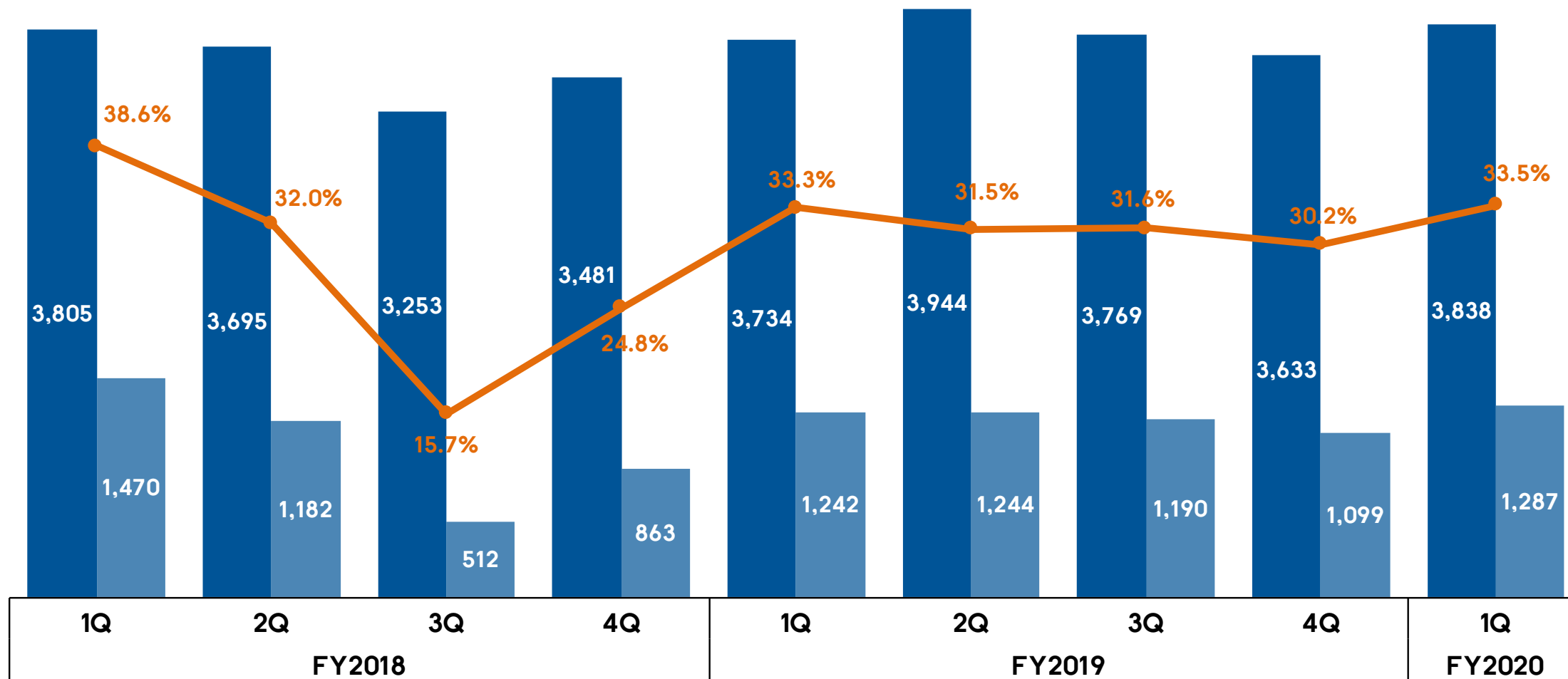


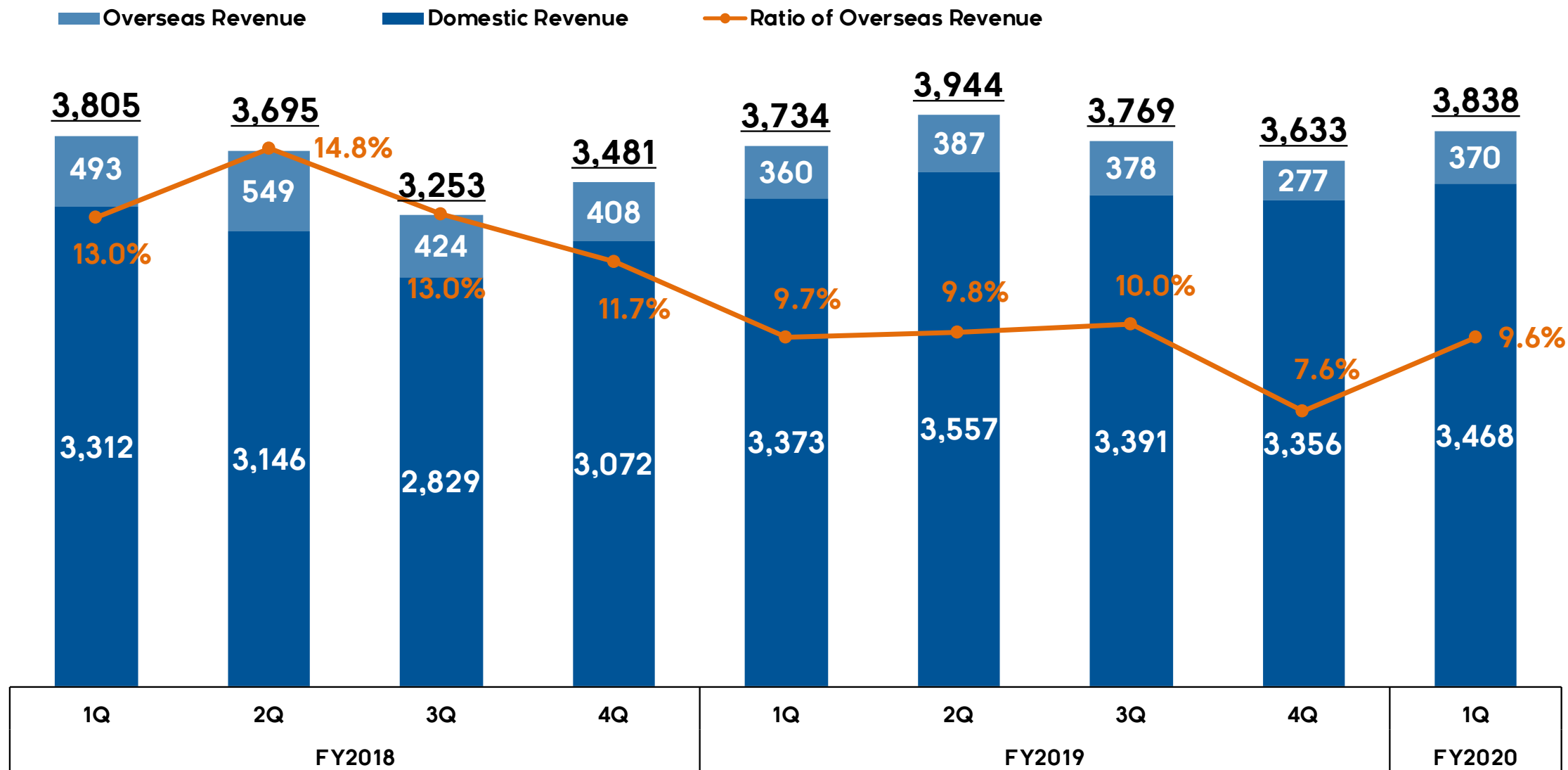
\* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

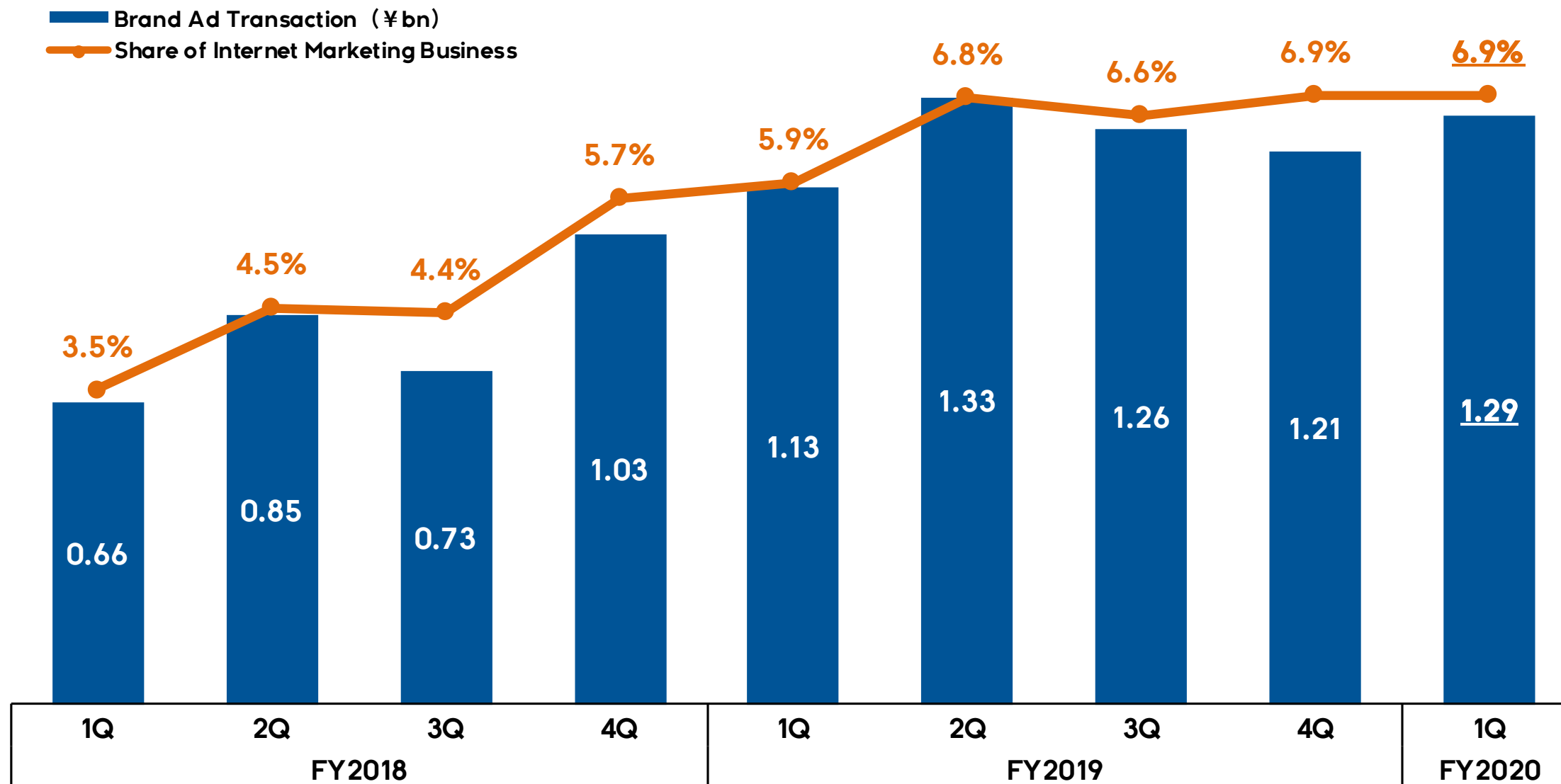


\*Transaction refers to JGAAP-based sales, while revenue indicates IFRS-based revenue.

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

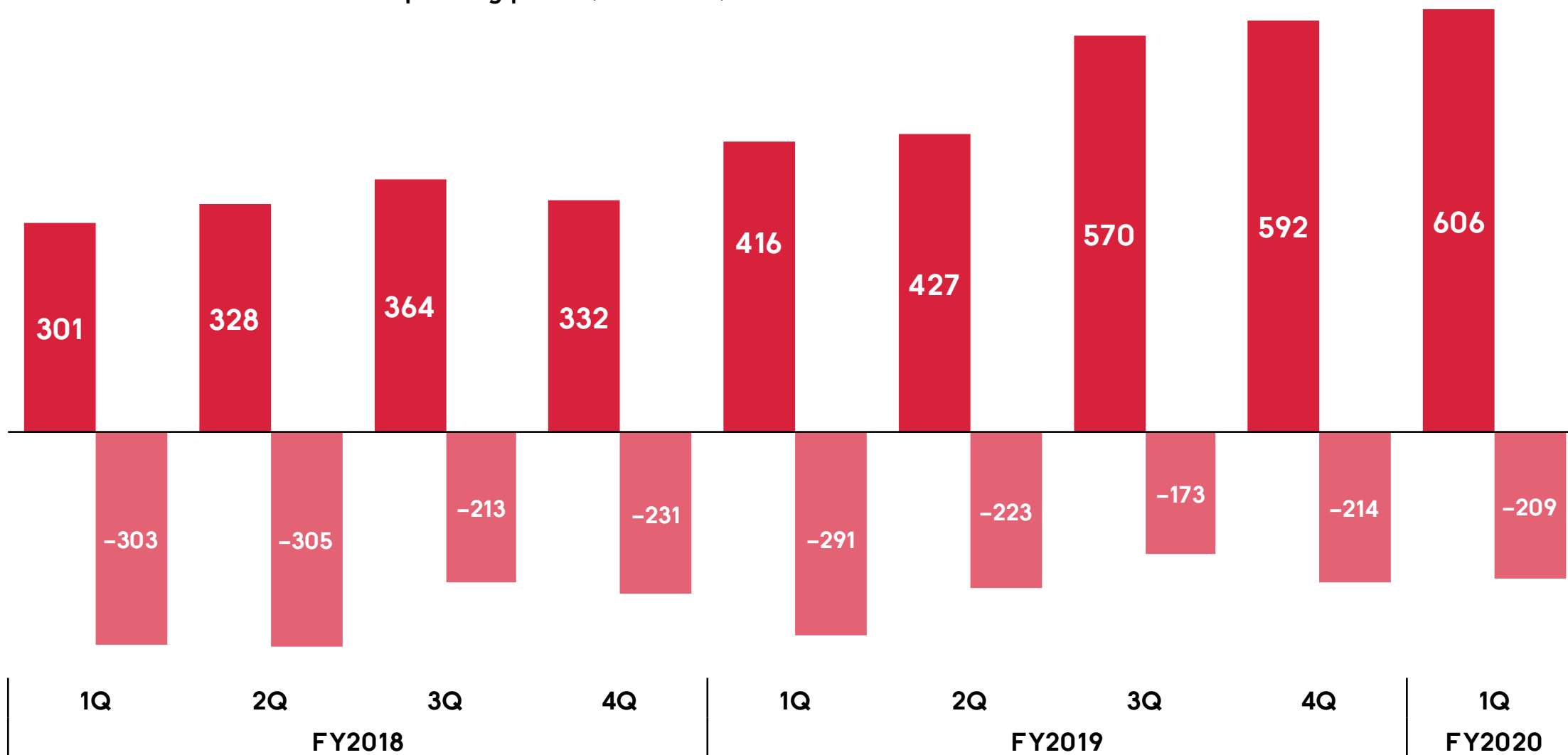


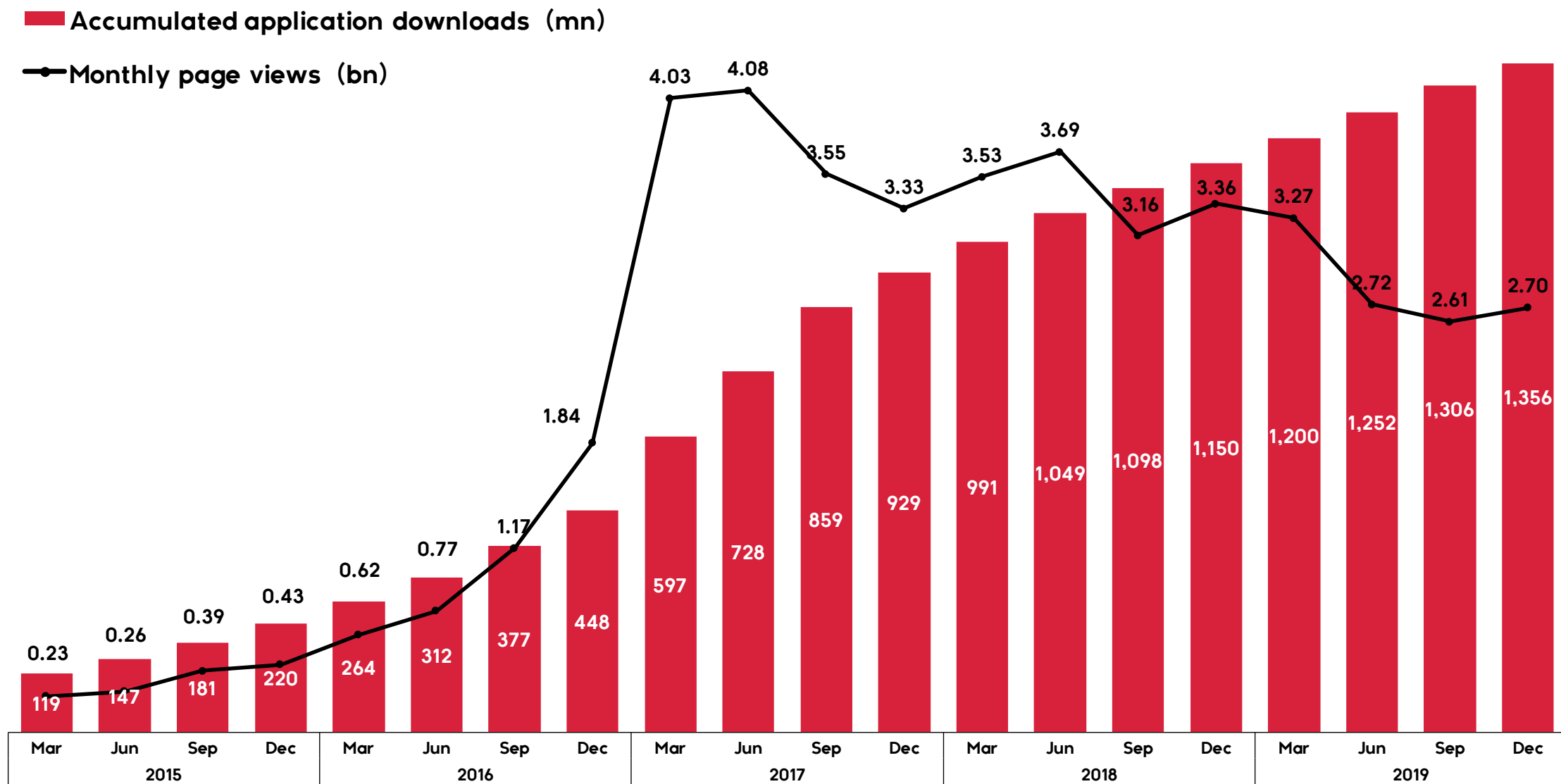




■ Revenue

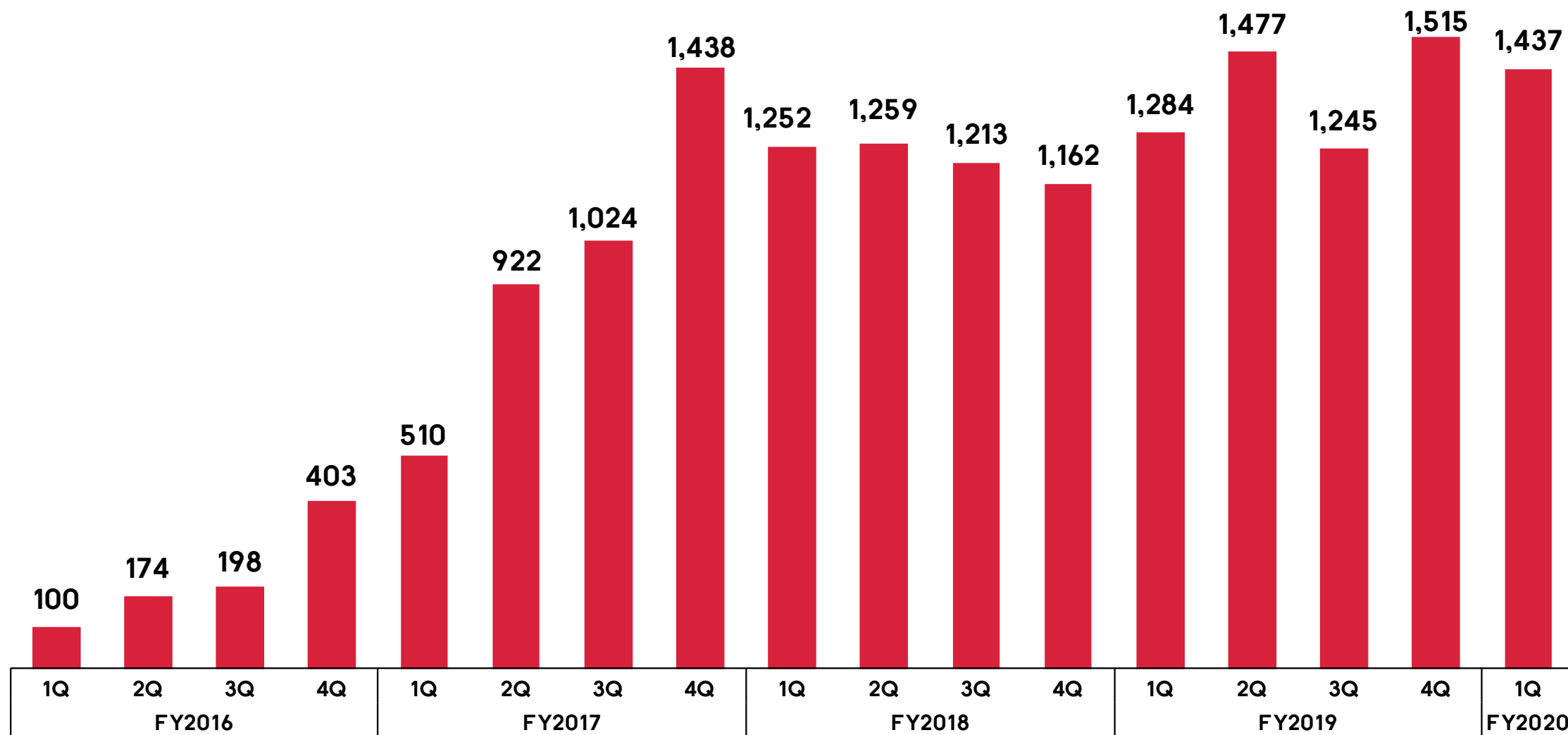
■ Non-GAAP operating profit (units: ¥ mn)

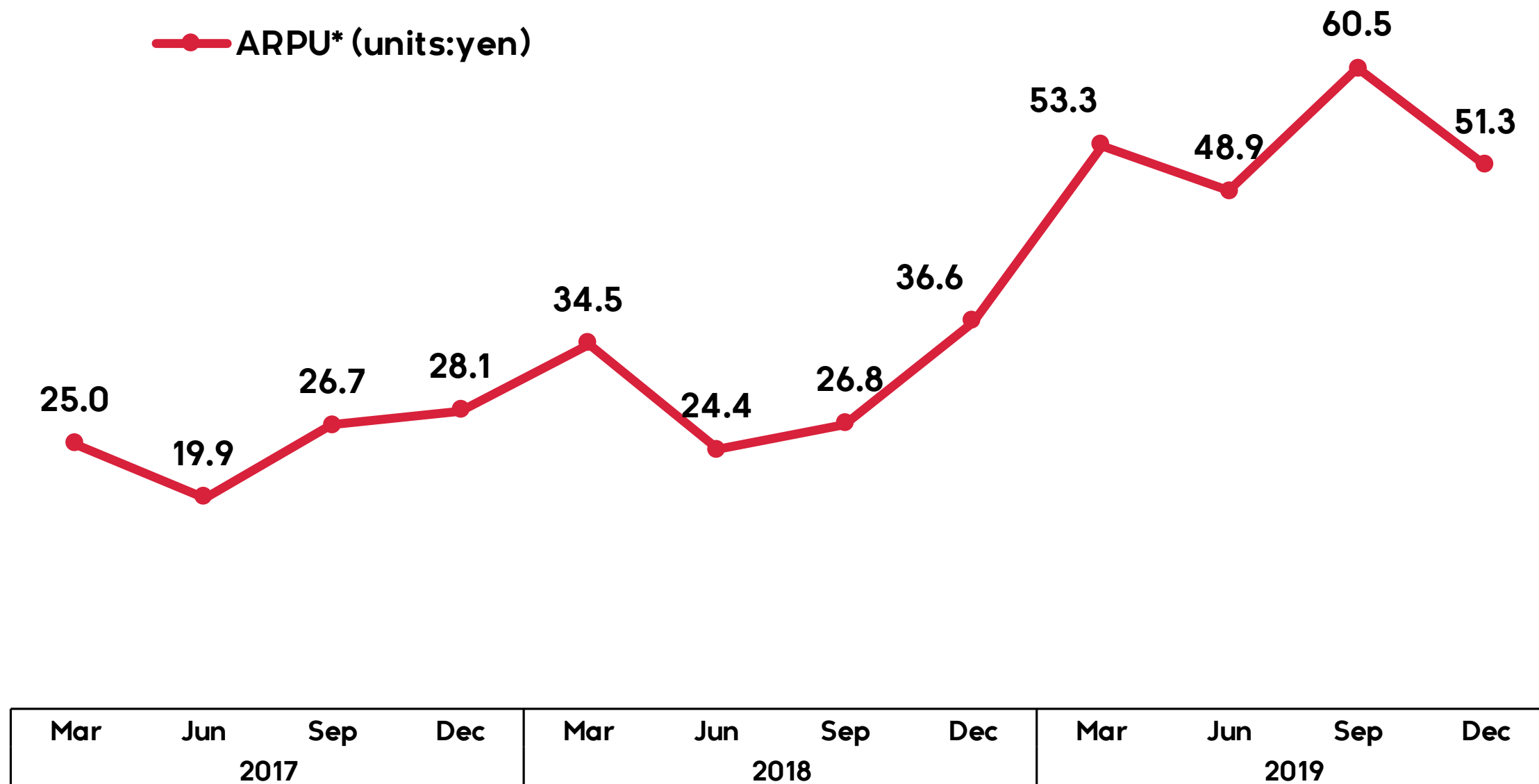






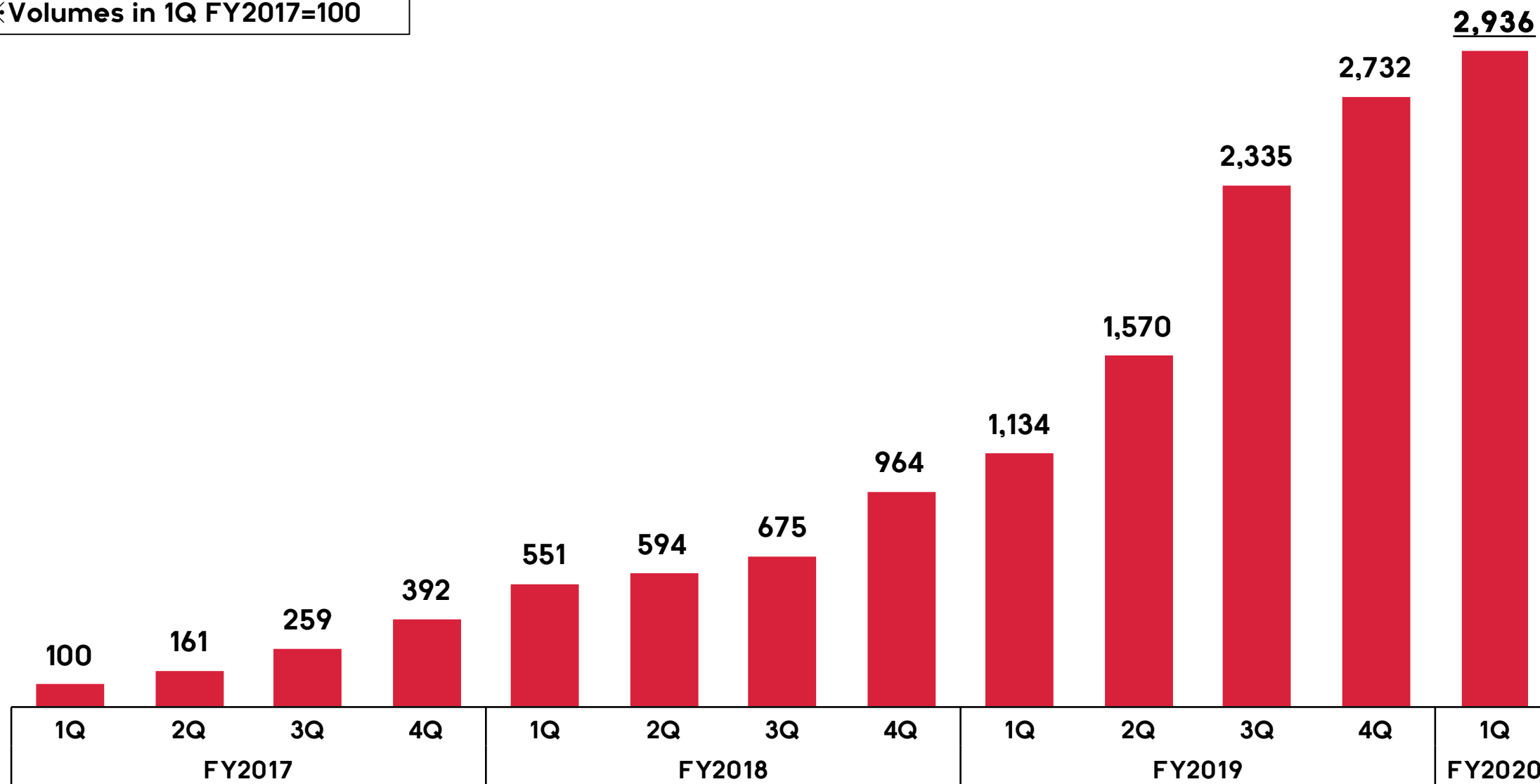
※Volumes in 1Q FY2016=100





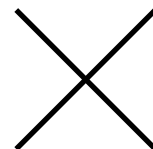
\* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU

※ Volumes in 1Q FY2017=100





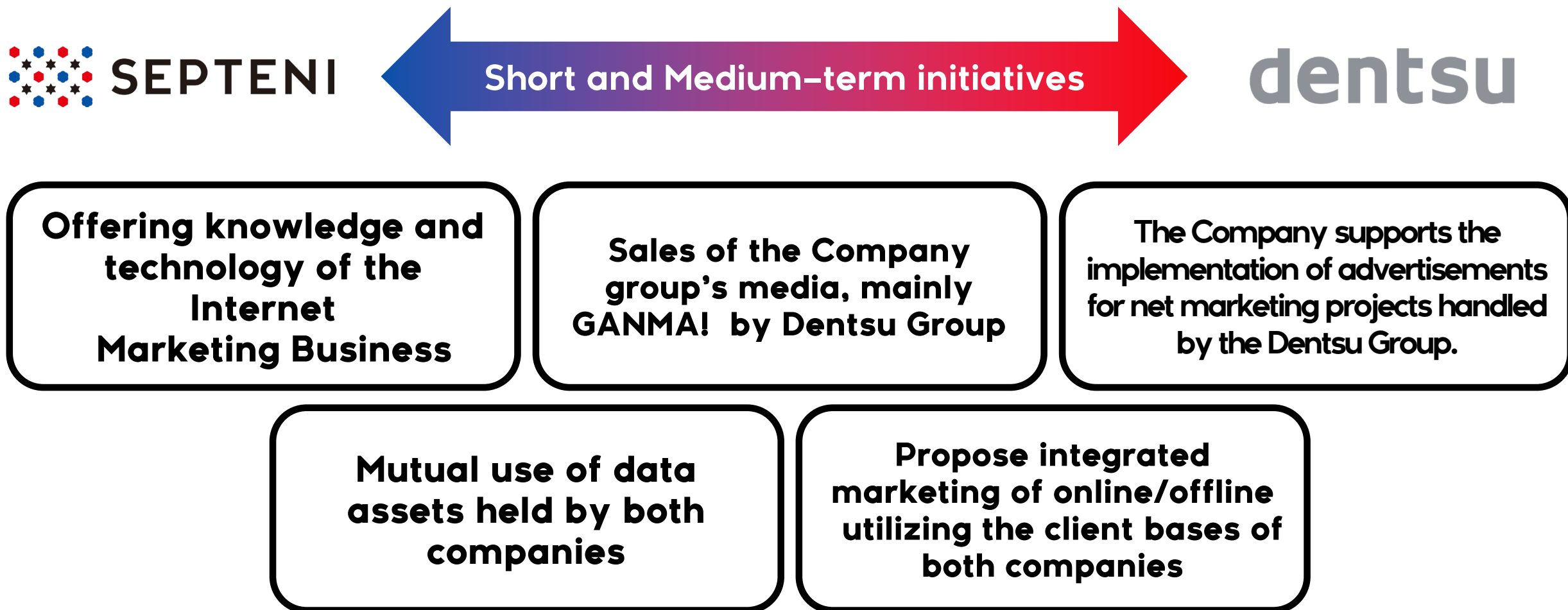
SEPTENI



dentsu

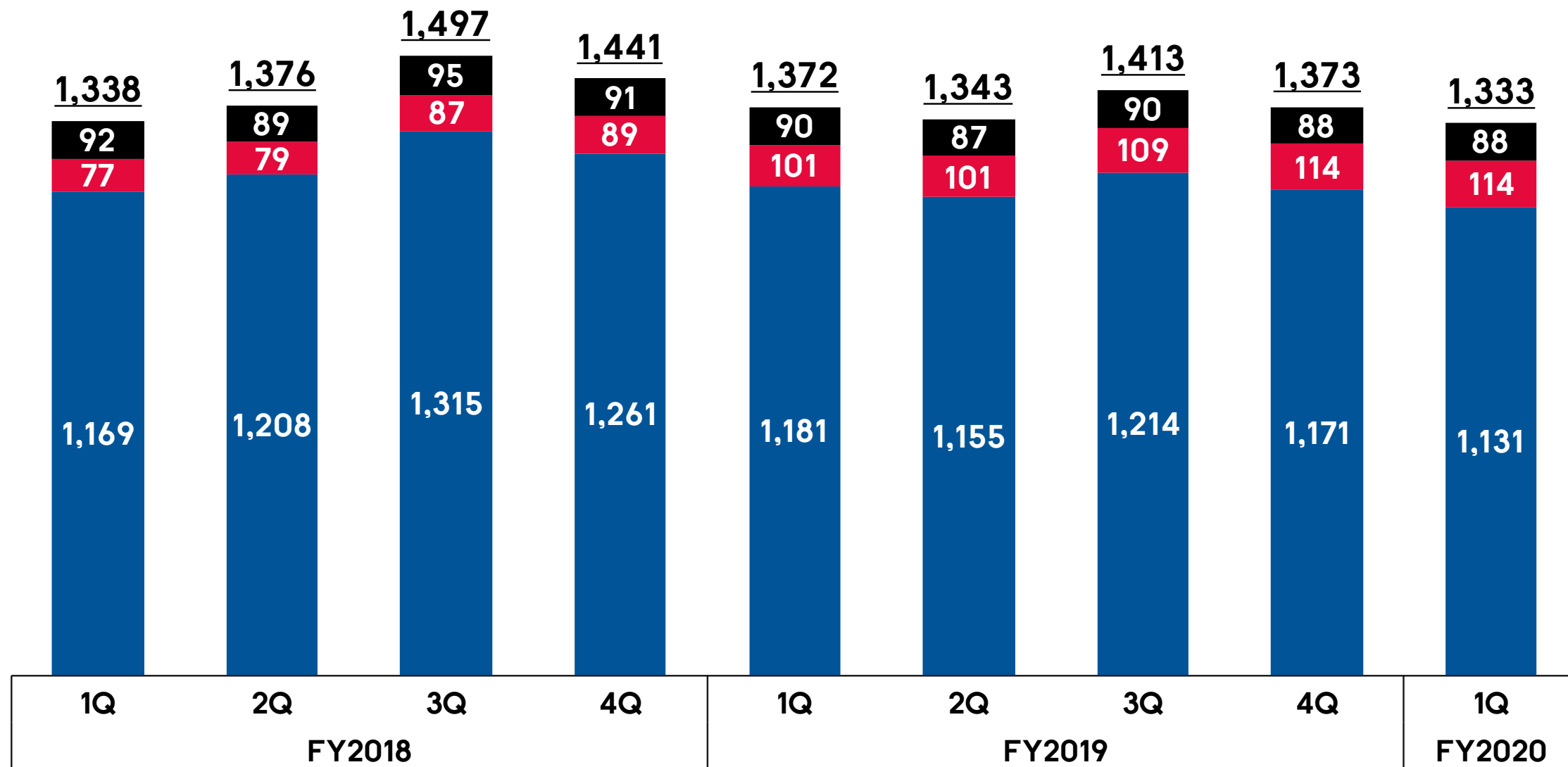
Both company (Septeni Group and Dentsu group) aim to be **the largest digital marketing partners in Japan** that lead the industry's development in **an environment where persons with various talents** assemble **with the joy of labor** and **by providing the best solutions** to clients and that pursue 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.**



■ Internet Marketing ■ Media Content ■ Holdings Company

• 47 employees will retire by the end of September due to the structural reform of Lion & Lion.



December 31, 2019

|                               |  |
|-------------------------------|--|
| <b>Company Name</b>           | SEPTENI HOLDINGS CO., LTD.   |
| <b>Representative</b>         | Representative Director,<br>Group President and Chief Executive Officer Koki Sato                          |
| <b>Headquarters</b>           | Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku,<br>Shinjuku-ku, Tokyo                         |
| <b>Securities Code</b>        | 4293 (JASDAQ)  |
| <b>Business Realm</b>         | The holding company for a group of companies conducting primarily<br>Internet-related and other businesses |
| <b>Established</b>            | October 29, 1990   |
| <b>Capitalization</b>         | ¥2,125 million   |
| <b>Shares Issued</b>          | 138,916,500 shares (including 10,724,240 treasury shares) ※  |
| <b>Consolidated Workforce</b> | 1,333 full time employees, 1,125 full time and contracted employees  |

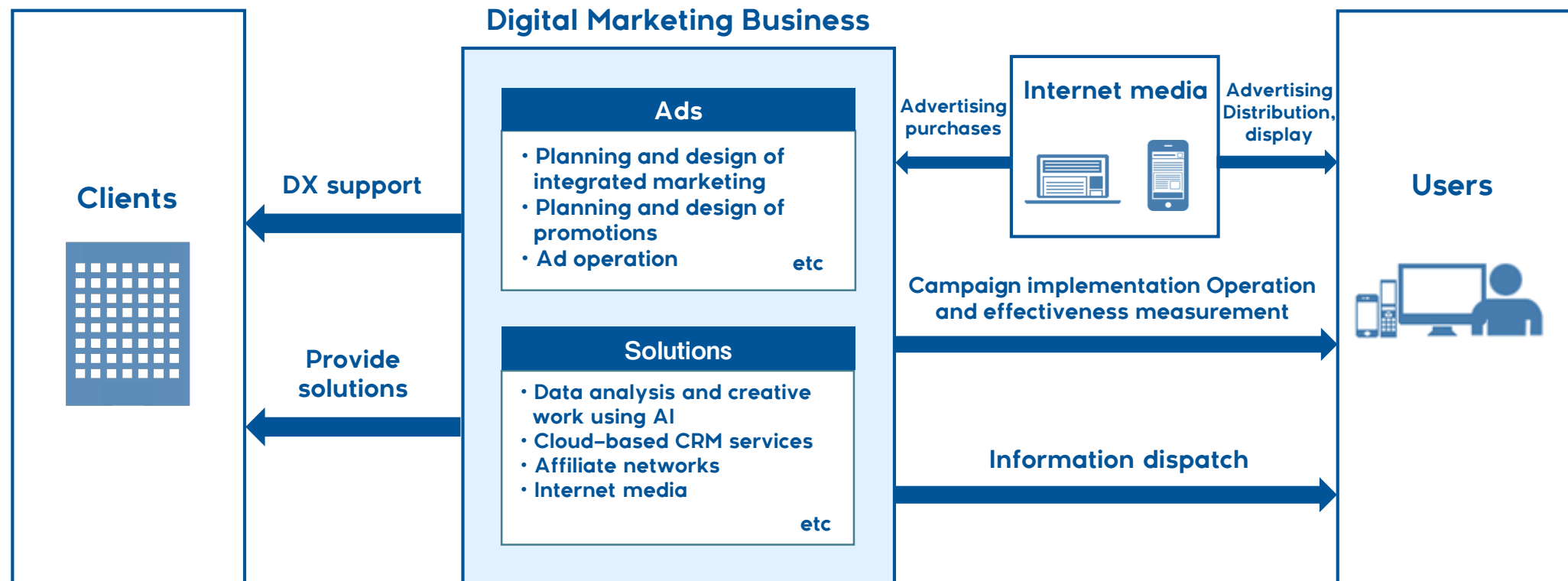
\* On the consolidated balance sheet, in addition to the shares stated above, the shares of the Company held by the Board Incentive Plan (BIP) trust (1,739,200 shares) are treated as treasury stock.

February 4, 2020

| 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.                            |



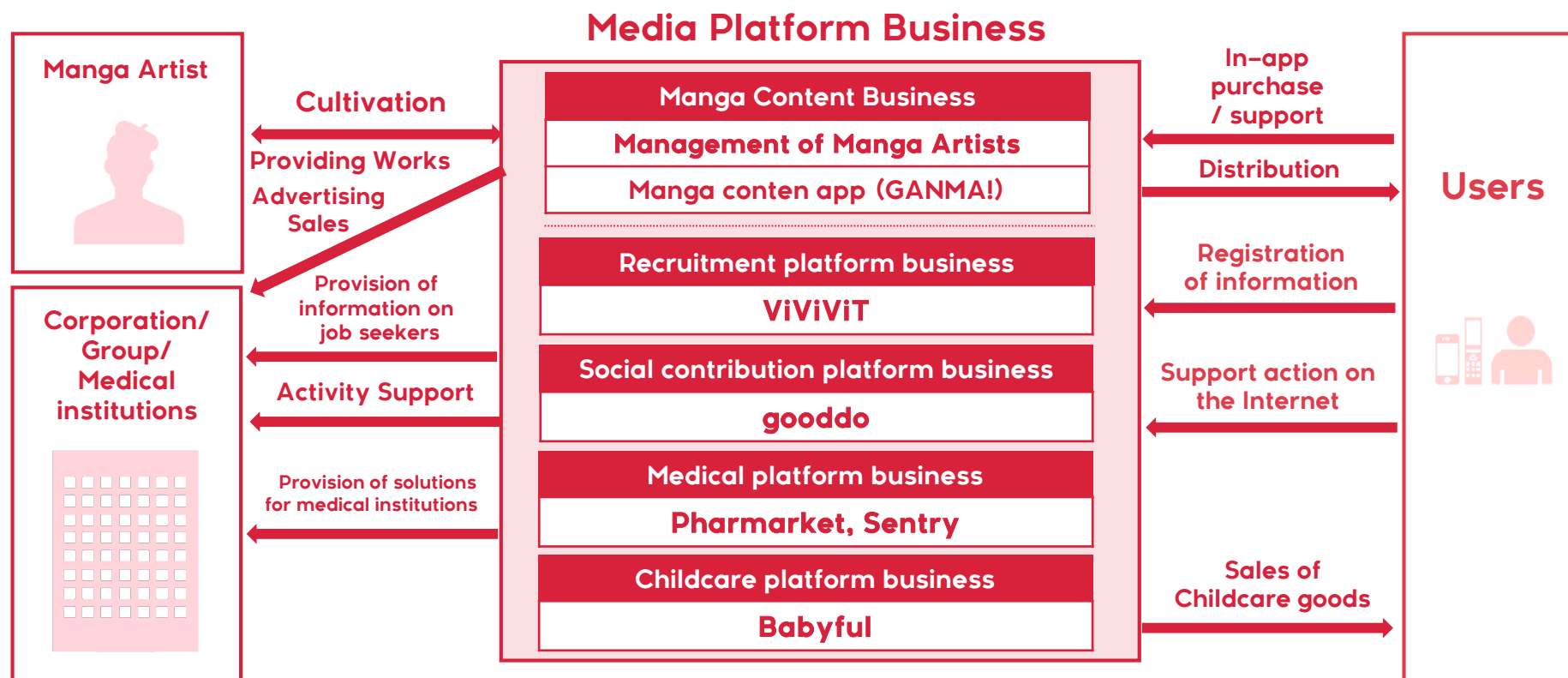
We will engage in the overall support of digital transformation (DX) of companies, focus on digital marketing such as (i) the sale and operation of digital advertisements, and (ii) offering solutions through the utilization of data and AI, and supporting marketing activities through the integration of online and offline advertisements under collaboration with the Dentsu Group.



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 FY2020 | End FY2019 | Change | Main Changes   |
|--------------------------------------|--|---------------|------------|--------|--|
| <b>Current Assets</b>                |  | <b>26,012</b> | 25,133     | +879   | Operating receivables +912                                   |
| <b>Non-current Assets</b>            |  | <b>6,995</b>  | 5,280      | +1,715 | Other financial assets: +145<br>Right-of-use asset +1,578※   |
| <b>Total Assets</b>                  |  | <b>33,007</b> | 30,413     | +2,594 |  |
| <b>Current Liabilities</b>           |  | <b>13,581</b> | 11,729     | +1,851 | Operating debt: +771<br>Other financial liabilities: +1,086※ |
| <b>Non -Current Liabilities</b>      |  | <b>4,409</b>  | 3,875      | +534   | Other financial liabilities: +534※                           |
| <b>Total Liabilities</b>             |  | <b>17,990</b> | 15,604     | +2,386 |  |
| <b>Total Capital</b>                 |  | <b>15,017</b> | 14,809     | +208   | Posting of net profit: +143                                  |
| <b>Total Liabilities and Capital</b> |  | <b>33,007</b> | 30,413     | 2,594  |  |

- In line with the adoption of IFRS16 (lease accounting standards), some rents we will pay in the future are posted as Right-of-use assets in Assets and financial liabilities in Liabilities.

| (units: ¥mn)   | 1Q FY2020<br>(Oct-Dec) | Main Changes   | 1Q FY2019<br>(Oct-Dec) |
|--|------------------------|--|------------------------|
| Cash Flows from Operating Activities                         | 728                    | Depreciation and amortization: +189※<br>Payment of corporate income tax: -106        | 636                    |
| Cash Flows from Investing Activities                         | △112                   | Gain of sales of securities: +52<br>Purchase of securities: -82<br>Others: +36       | △140                   |
| Cash Flows from Financing Activities                         | △649                   | Decrease in short-term loans payable: +275<br>Repayments of lease obligations: -204※ | △723                   |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 34                     |  | △36                    |
| Net Increase (Decrease) in Cash and Equivalents              | 0                      |  | △263                   |
| Cash and Equivalents at Term End                             | 14,488                 |  | 14,660                 |

\* Influence in line with the adoption of IFRS16 (lease accounting standards)