

## SEPTENI HOLDINGS (4293)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY09/2013		45,982	1,593	1,752	1,207	47.9	7.0	300.3
FY09/2014		54,345	2,259	2,362	1,549	61.2	9.0	361.9
FY09/2014	YoY	18.2%	41.8%	34.8%	28.3%	-	-	-
Consolidated Quarter (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY09/2014		12,532	682	737	413	-	-	-
Q2 FY09/2014		14,246	611	642	375	-	-	-
Q3 FY09/2014		13,580	410	399	398	-	-	-
Q4 FY09/2014		13,985	555	582	361	-	-	-
Q1 FY09/2015		14,026	429	480	1,034	-	-	-
Q2 FY09/2015CoE		15,200	550	590	350	-	-	-
Q1 FY09/2015	YoY	11.9%	(37.1%)	(34.9%)	150.2%	-	-	-
Q2 FY09/2015CoE	YoY	6.7%	(10.0%)	(8.1%)	(6.9%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (12 March 2015)

#### Competitive Advantages & New Business Domains

SEPTENI HOLDINGS, being involved with sales of Internet advertising as the key earnings pillar, is running the business together with own competitive advantages to a meaningful extent. Meanwhile, the Company is trying to get at accelerating earnings growth in a long-term view by means of aggressively fostering operations associated with media content, comprising new business domains, i.e., manga (comics) and mobile game, as the second earnings pillars to additionally drive earnings of the Company. In regards to Internet advertising, sales are growing more than 20%, driven by own competitive advantages associated with capability to cope with Smartphones and social media, while also driven by ongoing market cultivations on a global basis at the same time. On the mobile game side, the Company is calling for near-term contributions to earning, while anticipating future contributions to earnings on the manga content side where aggressive frontloaded investments are currently carried out. In November 2013, the Company came up with midterm management plan calling for “doubled earnings” to be achieved as early as possible by means of a) “sales mix improvements” and b) “setting up new earnings pillars”.

In Q1 (October to December) FY09/2015, sales came in at ¥14,026m (up 11.9% YoY), operating profit ¥429m (down 37.1%) and operating profit margin 3.1% (down 2.4% points). In regards to Internet Marketing Business, being basically involved with sales of Internet advertising, sales came in at ¥13,299m (up 20.4%), operating profit ¥691m (down 12.9%) and operating profit margin 5.2% (down 2.0% points). This business segment accounted for 129.1% of operating profit of the Company before elimination (negative ¥105m), which was ¥535m, and the details are as follows: The Company saw favorable progresses in coping with increasing needs associated with Smartphones and social media, while newly consolidating Internet


advertising company based in Korea to have been merged with in July 2014 as a subsidiary, starting in Q1. Thus, sales increased nicely over the year, but gross profit margin came down 1.8% points to 17.6% from 19.4% over the year. The Company mentions that gross profit over the year was boosted by one-off issues as the primary reason for this, while suggesting that gross profit margin but for this was rather going up over the year due to sales mix improvements in line with increasing exposure to Smartphones and social media where the Company is competitive. Meanwhile, SG&A expenses increased more than sales due largely to goodwill write-offs of above-mentioned Internet advertising company based in Korea. As a result, operating profit margin came down more than gross profit margin.

Q2 FY09/2015 Company forecasts are going for prospective sales ¥15,200m (up 6.7% YoY), operating profit ¥550m (down 10.0%) and operating profit margin 3.6% (down 0.7% points). Meanwhile, in regards to Internet Marketing Business, prospective sales are ¥14,300m (up 13.1%), operating profit ¥817m (up 19.7%) and operating profit margin 5.7% (up 0.3% points). Gross profit margin is to be on the rise due to increasing exposure to Smartphones and social media as in the trends in Q1. Meanwhile, in regards to Media Content Business, prospective sales are ¥970m (up 13.1%) and operating loss ¥162m (operating loss ¥35m over the year). Thus, the Company is to see increasing operating loss by ¥126m in here. Although new titles of mobile game are to be launched and sales are to be enhanced, expenses associated with advertising and developments are to increase at the same time. On top of this, the Company continues to carry out frontloaded investments on the manga content side.

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## 2.0 Company Profile

### Independent Internet Advertising Company

<b>Company Name</b>	SEPTENI HOLDINGS CO., LTD. <a href="#">Company Website</a> <a href="#">IR Information</a> <a href="#">Share Price</a> 
<b>Established</b>	29 October 1990
<b>Listing</b>	9 August 2001: Tokyo Stock Exchange JASDAQ Standard (Ticker: 4293)
<b>Capital</b>	¥2,064m (As of the end of December 2014)
<b>No. of Shares</b>	27,690,000 shares, including 1,784,600 treasury (As of the end of December 2014)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Sales of Internet advertising, the mainstay earnings source</li> <li>● Competitive advantages on capability to cope with Smartphones and social media, while cultivating markets on a global basis</li> <li>● Started up running specialty website of manga content, while fostering and promoting new artists</li> </ul>
<b>Businesses</b>	<ul style="list-style-type: none"> <li>. Internet Marketing Business</li> <li>. Media Content Business</li> </ul>
<b>Top Management</b>	President and Representative Director: Koki Sato
<b>Shareholders</b>	Village Seven Co., Ltd. 14.0%, Mamoru Nanamura 11.6%, Japan Trustee Services Bank, Ltd. (trust account) 10.4% (As of the end of September 2014)
<b>Headquarters</b>	Shinjuku -ku, Tokyo JAPAN
<b>No. of Employees</b>	Consolidated (fulltime) 775 , (overall ) 921 (As of the end of December 2014)

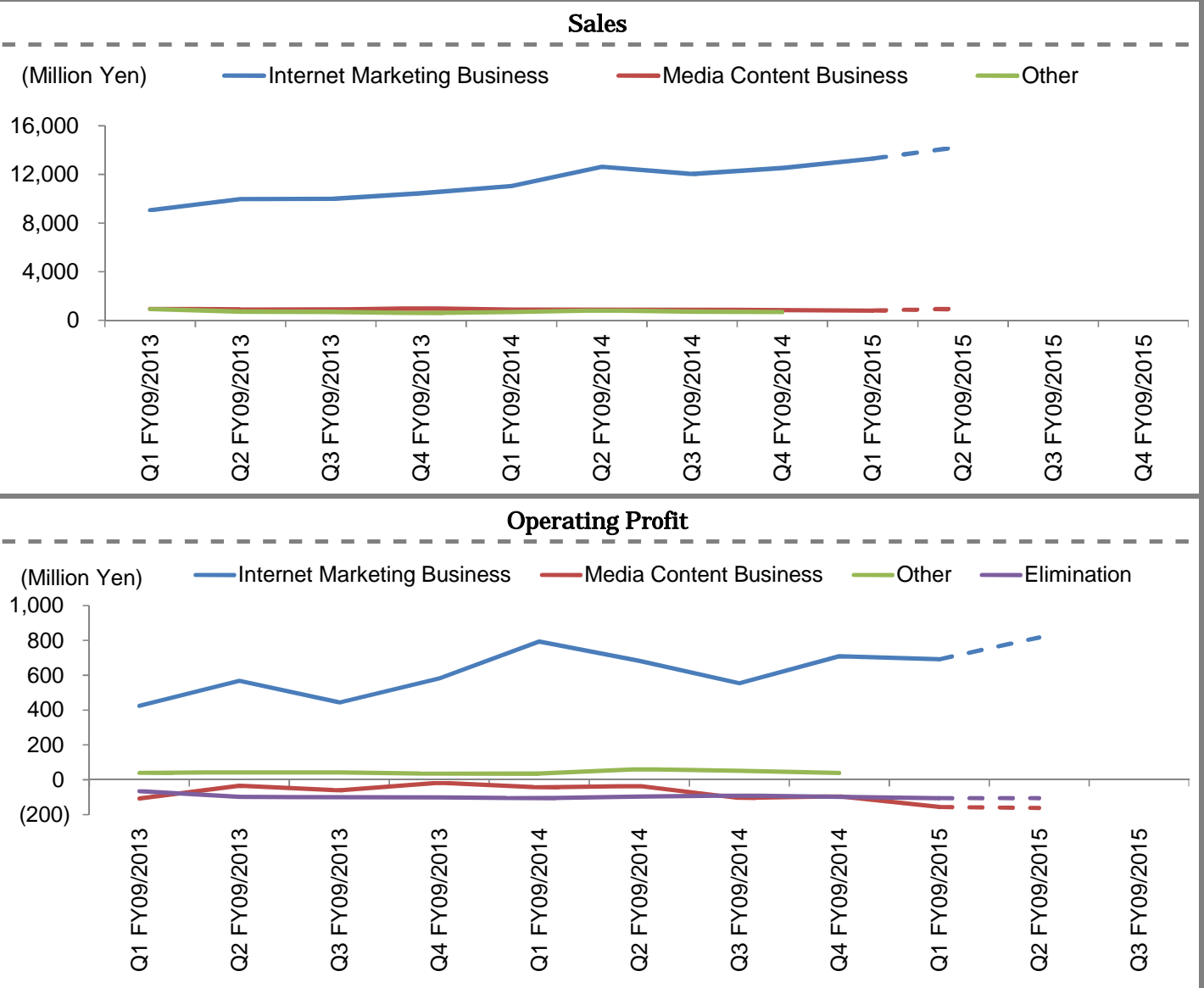
Source: Company Data

## 3.0 Recent Trading & Prospects

### Q1 FY09/2015 Results

In Q1 (October to December) FY09/2015, sales came in at ¥14,026m (up 11.9% YoY), operating profit ¥429m (down 37.1%), recurring profit ¥480m (down 34.9%) and net profit ¥1,034m (up 150.2%). Compared with Company forecasts, released on 6 November 2014, sales were exceeded ¥26m (0.2%), operating profit ¥129m (43.1%), recurring profit ¥180m (60.1%) and net profit ¥34m (3.4%). As in operating profit and recurring profit, earnings were far better than expected, due mainly to delayed expenses to develop new mobile game titles in Media Content Business.

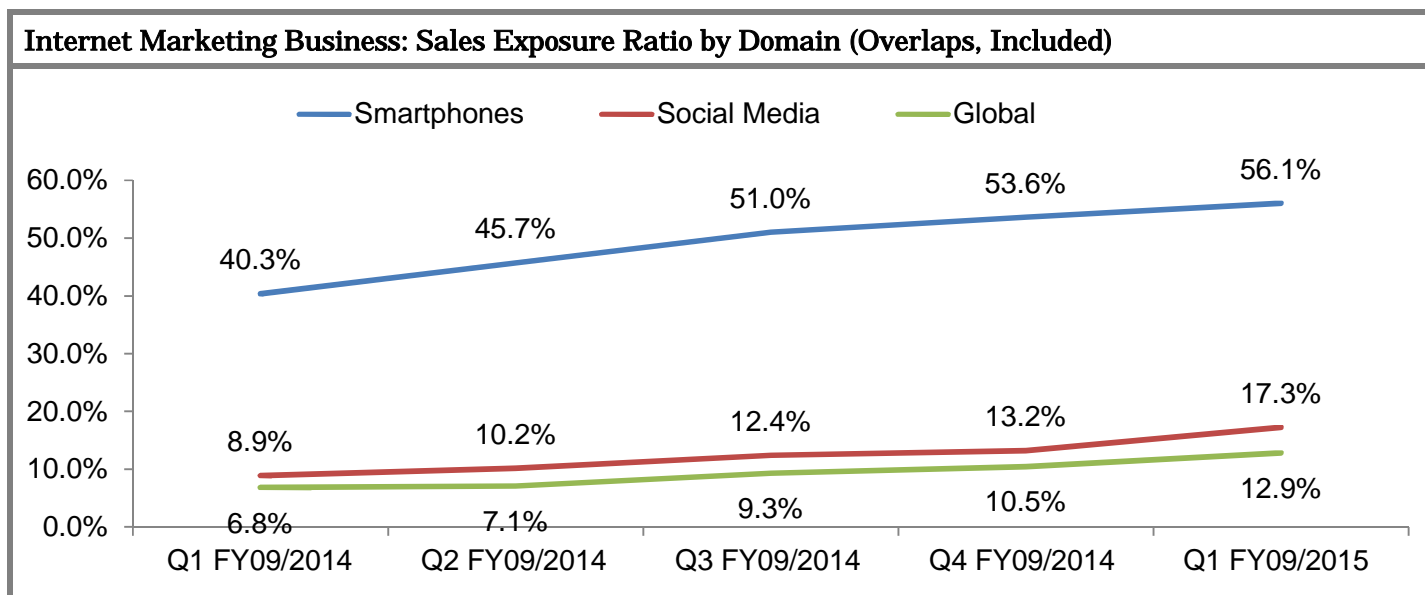
#### Quarterly Performance by Business Segment



Source: Company Data, WRJ Calculation

At the moment, earnings of the Company heavily hinge on the performance of Internet Marketing Business where the Company mainly sells Internet advertising. Sales of Media Content Business remain far too small, when compared with those of Internet Marketing Business and this business segment has been persistently seeing operating loss. On top of this, the deal to have sold operations to dispatch direct mails for sales promotions on behalf of customers, included as “Other” by business segment, in October 2014, also increased the Company’s reliance on Internet Marketing Business (as this business segment used to make money at the operating level, albeit not much).

In Internet Marketing Business, SEPTENI CO., LTD., which is the key company of the SEPTENI HOLDINGS CO., LTD. (the Company), runs sales of Internet advertising as an independent player, for some 1,500 customers and/or advertisers. They mainly comprise financials, real estate, cosmetics, E-Commerce and Internet services (media, telecom, mobile game, etc.) by sector. Most recently, the number of customers remains roughly unchanged, while sales per customer are on the rise, according to the Company.



Source: Company Data, WRJ Calculation

In Internet Marketing Business, sales have been driven by firmness associated with Smartphones, social media and market cultivations on a global basis. Sales of this business segment have increased 20% or more over the year for five quarters in a row through Q1 FY09/2014 to Q1 FY09/2015, while sales associated with all those three domains during the same periods have kept on chronologically increasing their shares out of sales as a whole for this business segment.

At the end of the day, we presume that the Company holds appropriate and comprehensive knowhow, etc. to aggressively cultivate all those three domains that have particularly high growth potentials, out of high growth market for Internet advertising. Meanwhile, the Company argues that it is competitive due to its flexible management to quickly allocate management resources on fast-growing domains and to its capability to successfully pick up next growth domains earlier than competitors with own insight in the market for Internet where changes are so fast. Meanwhile, the Company does have sufficient human resources and capability to manage them as an organization.

Advent of Smartphones has decreased shares of personal computers in terms of devices for people to be exposed to Internet advertising, while having lowered growth rates of existing banner advertising and listing advertising at the same time. On the expenses of all those same old ones, so-called timeline advertising (native advertising) is increasing its importance. The Company finds rooms to add value more than existing ones in here. Since early stages of “Facebook” and “Twitter”, the Company has been involved with operations to run timeline advertising on those social media, having resulted in own competitive advantages now. As far as we could gather, the strengths in here are well utilized in operations of timeline advertising on new media on Smartphones such as news apps to see substantial growth, going forward, e.g., Gunosy, SmartNews, etc.

Meanwhile, in regards to market cultivations on a global basis, the Company claims for establishment of cross-border transaction scheme. Currently, the Company runs two bases in Asia (Seoul and Singapore) and two bases in Europe & America (San Francisco and London) on top of the domestic bases in Japan. The Company’s idea is to set up a system to efficiently distribute advertisers’ Internet ad to any target region across the world, while cultivating advertisers in own bases at the same time. The Company suggests that it is rather advanced also on this side among fellow traders. Meanwhile, sales in here are not supposed to always go up quarter on quarter, given that the business in here comprises global promotion projects whose sales per customer are large while the number of customers is small, generating some volatility in sales on a quarterly basis.

In Q1, however, sales in here just kept on increasing nicely quarter on quarter, due to net add-ons stemming from new consolidation of Internet advertising company based in Korea to have been merged with in July 2014, which is JNJ INTERACTIVE INC. known as a player with cutting edge technology in “Facebook” advertising while holding local major corporations as main advertisers. Thus, the deal in here gave the Company increasing sales associated with market cultivations on a global basis as well as those of social media at the same time, as far as we could see.

Meanwhile, in Media Content Business, where the bulk of sales is accounted for by those of AXEL MARK INC. (TSE-Mothers-listed consolidated subsidiary: 54.9% held by the Company as of the end of FY09/2014) mainly in charge of developing mobile game, sales came in at ¥794m (down 9.1%), operating loss ¥155m (operating loss ¥42m over the year) and operating profit margin negative 19.6% (down 14.8% points). This business segment also includes manga content, in which the Company is currently at the stage of frontloaded investments and this business also makes operating loss.

### Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	Net Chg.
<b>Sales</b>	<b>12,532</b>	<b>26,779</b>	<b>40,360</b>	<b>54,345</b>	<b>14,026</b>	-	-	-	<b>+1,493</b>
Cost of Sales	9,954	21,685	32,807	44,203	11,492	-	-	-	+1,538
Gross Profit	2,578	5,094	7,552	10,141	2,533	-	-	-	(44)
SG&A Expenses	1,895	3,800	5,848	7,882	2,103	-	-	-	+208
<b>Operating Profit</b>	<b>682</b>	<b>1,293</b>	<b>1,703</b>	<b>2,259</b>	<b>429</b>	-	-	-	<b>(253)</b>
Non Operating Balance	55	86	75	102	50	-	-	-	(4)
<b>Recurring Profit</b>	<b>737</b>	<b>1,380</b>	<b>1,779</b>	<b>2,362</b>	<b>480</b>	-	-	-	<b>(257)</b>
Extraordinary Balance	(6)	(6)	(46)	(46)	1,170	-	-	-	+1,176
Pretax Profit	731	1,373	1,733	2,316	1,650	-	-	-	+918
Tax Charges, etc.	309	560	530	752	654	-	-	-	+345
Minorities' Interests	9	23	14	14	(38)	-	-	-	(47)
<b>Net Profit</b>	<b>413</b>	<b>789</b>	<b>1,187</b>	<b>1,549</b>	<b>1,034</b>	-	-	-	<b>+620</b>
Sales YoY	+15.1%	+19.2%	+18.7%	+18.2%	+11.9%	-	-	-	-
Operating Profit YoY	+134.9%	+67.9%	+55.8%	+41.8%	(37.1%)	-	-	-	-
Recurring Profit YoY	+118.2%	+56.8%	+45.5%	+34.8%	(34.9%)	-	-	-	-
Net Profit YoY	+121.4%	+7.1%	+30.5%	+28.3%	+150.2%	-	-	-	-
Gross Profit Margin	20.6%	19.0%	18.7%	18.7%	18.1%	-	-	-	(2.5%)
SG&A / Sales	15.1%	14.2%	14.5%	14.5%	15.0%	-	-	-	(0.1%)
Operating Profit Margin	5.4%	4.8%	4.2%	4.2%	3.1%	-	-	-	(2.4%)
Recurring Profit Margin	5.9%	5.2%	4.4%	4.3%	3.4%	-	-	-	(2.5%)
Net Profit Margin	3.3%	3.0%	2.9%	2.9%	7.4%	-	-	-	+4.1%
Tax Charges etc. / Pretax Profit	42.2%	40.8%	30.6%	32.5%	39.7%	-	-	-	(2.6%)

Income Statement	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	Net Chg.
<b>Sales</b>	<b>12,532</b>	<b>14,246</b>	<b>13,580</b>	<b>13,985</b>	<b>14,026</b>	-	-	-	<b>+1,493</b>
Cost of Sales	9,954	11,730	11,122	11,395	11,492	-	-	-	+1,538
Gross Profit	2,578	2,516	2,458	2,589	2,533	-	-	-	(44)
SG&A Expenses	1,895	1,905	2,048	2,033	2,103	-	-	-	+208
<b>Operating Profit</b>	<b>682</b>	<b>611</b>	<b>410</b>	<b>555</b>	<b>429</b>	-	-	-	<b>(253)</b>
Non Operating Balance	55	31	(10)	26	50	-	-	-	(4)
<b>Recurring Profit</b>	<b>737</b>	<b>642</b>	<b>399</b>	<b>582</b>	<b>480</b>	-	-	-	<b>(257)</b>
Extraordinary Balance	(6)	0	(39)	0	1,170	-	-	-	+1,176
Pretax Profit	731	641	360	582	1,650	-	-	-	+918
Tax Charges, etc.	309	251	(30)	221	654	-	-	-	+345
Minorities' Interests	9	13	(8)	0	(38)	-	-	-	(47)
<b>Net Profit</b>	<b>413</b>	<b>375</b>	<b>398</b>	<b>361</b>	<b>1,034</b>	-	-	-	<b>+620</b>
Sales YoY	+15.1%	+23.2%	+17.6%	+16.8%	+11.9%	-	-	-	-
Operating Profit YoY	+134.9%	+27.4%	+26.7%	+11.4%	(37.1%)	-	-	-	-
Recurring Profit YoY	+118.2%	+18.5%	+16.7%	+10.1%	(34.9%)	-	-	-	-
Net Profit YoY	+121.4%	(31.6%)	+129.1%	+21.8%	+150.2%	-	-	-	-
Gross Profit Margin	20.6%	17.7%	18.1%	18.5%	18.1%	-	-	-	(2.5%)
SG&A / Sales	15.1%	13.4%	15.1%	14.5%	15.0%	-	-	-	(0.1%)
Operating Profit Margin	5.4%	4.3%	3.0%	4.0%	3.1%	-	-	-	(2.4%)
Recurring Profit Margin	5.9%	4.5%	2.9%	4.2%	3.4%	-	-	-	(2.5%)
Net Profit Margin	3.3%	2.6%	2.9%	2.6%	7.4%	-	-	-	+4.1%
Tax Charges etc. / Pretax Profit	42.2%	39.3%	-	38.1%	39.7%	-	-	-	(2.6%)

Source: Company Data, WRJ Calculation

## Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	09/2015	Net Chg.
Internet Marketing Business	11,044	23,685	35,733	48,271	13,299	-	-	-	-	+2,255
Media Content Business	873	1,729	2,609	3,458	794	-	-	-	-	(79)
Other	671	1,482	2,198	2,867	-	-	-	-	-	(671)
Elimination	(56)	(117)	(180)	(251)	(68)	-	-	-	-	(11)
<b>Sales</b>	<b>12,532</b>	<b>26,779</b>	<b>40,360</b>	<b>54,345</b>	<b>14,026</b>	-	-	-	-	<b>+1,493</b>
Internet Marketing Business	+21.8%	+24.4%	+23.1%	+22.3%	+20.4%	-	-	-	-	-
Media Content Business	(7.1%)	(5.7%)	(4.2%)	(6.9%)	(9.1%)	-	-	-	-	-
Other	(26.4%)	(9.1%)	(5.5%)	(1.9%)	-	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+15.1%</b>	<b>+19.2%</b>	<b>+18.7%</b>	<b>+18.2%</b>	<b>+11.9%</b>	-	-	-	-	-
Internet Marketing Business	87.7%	88.1%	88.1%	88.8%	94.4%	-	-	-	-	-
Media Content Business	6.9%	6.4%	6.4%	6.4%	5.6%	-	-	-	-	-
Other	5.3%	5.5%	5.4%	5.3%	-	-	-	-	-	-
<b>Sales (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-
Internet Marketing Business	793	1,476	2,030	2,740	691	-	-	-	-	(102)
Media Content Business	(42)	(77)	(181)	(277)	(155)	-	-	-	-	(113)
Other	36	97	147	186	-	-	-	-	-	(36)
<b>Operating Profit (Before Elimination)</b>	<b>788</b>	<b>1,495</b>	<b>1,996</b>	<b>2,650</b>	<b>535</b>	-	-	-	-	<b>(252)</b>
Elimination	(105)	(202)	(292)	(390)	(105)	-	-	-	-	0
<b>Operating Profit</b>	<b>682</b>	<b>1,293</b>	<b>1,703</b>	<b>2,259</b>	<b>429</b>	-	-	-	-	<b>(253)</b>
Internet Marketing Business	+87.3%	+48.9%	+41.5%	+35.9%	(12.9%)	-	-	-	-	-
Media Content Business	-	-	-	-	-	-	-	-	-	-
Other	(7.1%)	+15.5%	+17.7%	+16.5%	-	-	-	-	-	-
<b>Operating Profit (YoY)</b>	<b>+134.9%</b>	<b>+67.9%</b>	<b>+55.8%</b>	<b>+41.8%</b>	<b>(37.1%)</b>	-	-	-	-	-
Internet Marketing Business	100.7%	98.7%	101.7%	103.4%	129.1%	-	-	-	-	-
Media Content Business	(5.4%)	(5.2%)	(9.1%)	(10.5%)	(29.1%)	-	-	-	-	-
Other	4.6%	6.5%	7.4%	7.1%	-	-	-	-	-	-
<b>Operating Profit (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-
Internet Marketing Business	7.2%	6.2%	5.7%	5.7%	5.2%	-	-	-	-	(2.0%)
Media Content Business	(4.8%)	(4.5%)	(7.0%)	(8.0%)	(19.6%)	-	-	-	-	(14.8%)
Other	5.4%	6.5%	6.7%	6.5%	-	-	-	-	-	-
Elimination	(0.8%)	(0.8%)	(0.7%)	(0.7%)	(0.8%)	-	-	-	-	+0.1%
<b>Operating Profit Margin</b>	<b>5.4%</b>	<b>4.8%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>3.1%</b>	-	-	-	-	<b>(2.4%)</b>

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	09/2015	Net Chg.
Internet Marketing Business	11,044	12,641	12,048	12,538	13,299	-	-	-	-	+2,255
Media Content Business	873	855	879	849	794	-	-	-	-	(79)
Other	671	811	715	668	-	-	-	-	-	(671)
Elimination	(56)	(61)	(62)	(71)	(68)	-	-	-	-	(11)
<b>Sales</b>	<b>12,532</b>	<b>14,246</b>	<b>13,580</b>	<b>13,985</b>	<b>14,026</b>	-	-	-	-	<b>+1,493</b>
Internet Marketing Business	+21.8%	+26.8%	+20.7%	+20.1%	+20.4%	-	-	-	-	-
Media Content Business	(7.1%)	(4.3%)	(1.1%)	(14.2%)	(9.1%)	-	-	-	-	-
Other	(26.4%)	+12.9%	+2.8%	+12.2%	-	-	-	-	-	-
<b>Sales (YoY)</b>	<b>+15.1%</b>	<b>+23.2%</b>	<b>+17.6%</b>	<b>+16.8%</b>	<b>+11.9%</b>	-	-	-	-	-
Internet Marketing Business	87.7%	88.3%	88.3%	89.2%	94.4%	-	-	-	-	-
Media Content Business	6.9%	6.0%	6.4%	6.0%	5.6%	-	-	-	-	-
Other	5.3%	5.7%	5.2%	4.8%	-	-	-	-	-	-
<b>Sales (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-
Internet Marketing Business	793	682	554	709	691	-	-	-	-	(102)
Media Content Business	(42)	(35)	(104)	(95)	(155)	-	-	-	-	(113)
Other	36	60	50	39	-	-	-	-	-	(36)
<b>Operating Profit (Before Elimination)</b>	<b>788</b>	<b>707</b>	<b>500</b>	<b>653</b>	<b>535</b>	-	-	-	-	<b>(252)</b>
Elimination	(105)	(96)	(90)	(97)	(105)	-	-	-	-	0
<b>Operating Profit</b>	<b>682</b>	<b>611</b>	<b>410</b>	<b>555</b>	<b>429</b>	-	-	-	-	<b>(253)</b>
Internet Marketing Business	+87.3%	+20.2%	+24.9%	+22.1%	(12.9%)	-	-	-	-	-
Media Content Business	-	-	-	-	-	-	-	-	-	-
Other	(7.1%)	+35.4%	+22.0%	+12.1%	-	-	-	-	-	-
<b>Operating Profit (YoY)</b>	<b>+134.9%</b>	<b>+27.4%</b>	<b>+26.7%</b>	<b>+11.4%</b>	<b>(37.1%)</b>	-	-	-	-	-
Internet Marketing Business	100.7%	96.4%	110.7%	108.6%	129.1%	-	-	-	-	-
Media Content Business	(5.4%)	(5.0%)	(20.8%)	(14.6%)	(29.1%)	-	-	-	-	-
Other	4.6%	8.6%	10.1%	6.0%	-	-	-	-	-	-
<b>Operating Profit (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	-	-
Internet Marketing Business	7.2%	5.4%	4.6%	5.7%	5.2%	-	-	-	-	(2.0%)
Media Content Business	(4.8%)	(4.1%)	(11.9%)	(11.2%)	(19.6%)	-	-	-	-	(14.8%)
Other	5.4%	7.5%	7.1%	5.9%	-	-	-	-	-	-
Elimination	(0.8%)	(0.7%)	(0.7%)	(0.7%)	(0.8%)	-	-	-	-	+0.1%
<b>Operating Profit Margin</b>	<b>5.4%</b>	<b>4.3%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>3.1%</b>	-	-	-	-	<b>(2.4%)</b>

Source: Company Data, WRJ Calculation



## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q2 09/2014	Q3 09/2014	Q4 09/2014	Q1 09/2015	Q2 09/2015	Q3 09/2015	Q4 09/2015		
Cash & Deposit	6,771	7,335	7,391	9,293	10,539	-	-	-	-	+3,767
Accounts Receivables	6,240	7,777	7,411	8,199	7,830	-	-	-	-	+1,589
Inventory	13	28	19	71	101	-	-	-	-	+87
Other	709	457	679	590	450	-	-	-	-	(258)
<b>Current Assets</b>	<b>13,735</b>	<b>15,598</b>	<b>15,502</b>	<b>18,155</b>	<b>18,922</b>	-	-	-	-	<b>+5,187</b>
Tangible Assets	231	239	222	208	200	-	-	-	-	(30)
Intangible Assets	664	629	588	897	842	-	-	-	-	+178
Investments & Other Assets	1,594	1,603	1,675	2,405	2,026	-	-	-	-	+432
<b>Fixed Assets</b>	<b>2,490</b>	<b>2,472</b>	<b>2,487</b>	<b>3,510</b>	<b>3,069</b>	-	-	-	-	<b>+579</b>
<b>Total Assets</b>	<b>16,225</b>	<b>18,070</b>	<b>17,989</b>	<b>21,665</b>	<b>21,992</b>	-	-	-	-	<b>+5,767</b>
Accounts Payable	5,091	6,288	5,774	7,569	7,644	-	-	-	-	+2,553
Short Term Debt	911	871	968	905	1,258	-	-	-	-	+346
Other	1,513	1,808	1,751	2,595	1,824	-	-	-	-	+310
<b>Current Liabilities</b>	<b>7,516</b>	<b>8,968</b>	<b>8,495</b>	<b>11,069</b>	<b>10,727</b>	-	-	-	-	<b>+3,210</b>
Long Term Debt	-	-	-	305	263	-	-	-	-	+263
Other	43	43	43	47	19	-	-	-	-	(24)
<b>Fixed Liabilities</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>352</b>	<b>283</b>	-	-	-	-	<b>+239</b>
<b>Total Liabilities</b>	<b>7,560</b>	<b>9,012</b>	<b>8,538</b>	<b>11,422</b>	<b>11,010</b>	-	-	-	-	<b>+3,449</b>
<b>Shareholders' Equity</b>	<b>7,811</b>	<b>8,224</b>	<b>8,625</b>	<b>9,000</b>	<b>9,824</b>	-	-	-	-	<b>+2,012</b>
Other	852	833	826	10,203	1,157	-	-	-	-	+304
<b>Total Assets</b>	<b>8,664</b>	<b>9,058</b>	<b>9,451</b>	<b>10,203</b>	<b>10,981</b>	-	-	-	-	<b>+2,317</b>
<b>Total Liabilities &amp; net Assets</b>	<b>16,225</b>	<b>18,070</b>	<b>17,989</b>	<b>21,625</b>	<b>21,992</b>	-	-	-	-	<b>+5,767</b>
Equity Capital	7,840	8,247	8,643	9,177	10,008	-	-	-	-	+2,168
Interest Bearing Debt	911	871	968	1,210	1,522	-	-	-	-	+610
Net Debt	(5,860)	(6,463)	(6,423)	(8,083)	(9,017)	-	-	-	-	(3,157)
Equity Capital Ratio	48.3%	45.6%	48.0%	42.4%	45.5%	-	-	-	-	(2.8%)
Net-Debt-Equity Ratio	(75.0%)	(78.6%)	(74.5%)	(89.8%)	(91.8%)	-	-	-	-	(16.8%)
ROE (12 months)	19.9%	16.4%	18.7%	18.5%	24.3%	-	-	-	-	+4.4%
ROA (12 months)	14.2%	13.5%	14.0%	12.6%	11.0%	-	-	-	-	(3.1%)
Quick Ratio	173%	168%	174%	158%	171%	-	-	-	-	-
Current Ratio	183%	174%	182%	164%	176%	-	-	-	-	-

Source: Company Data, WRJ Calculation

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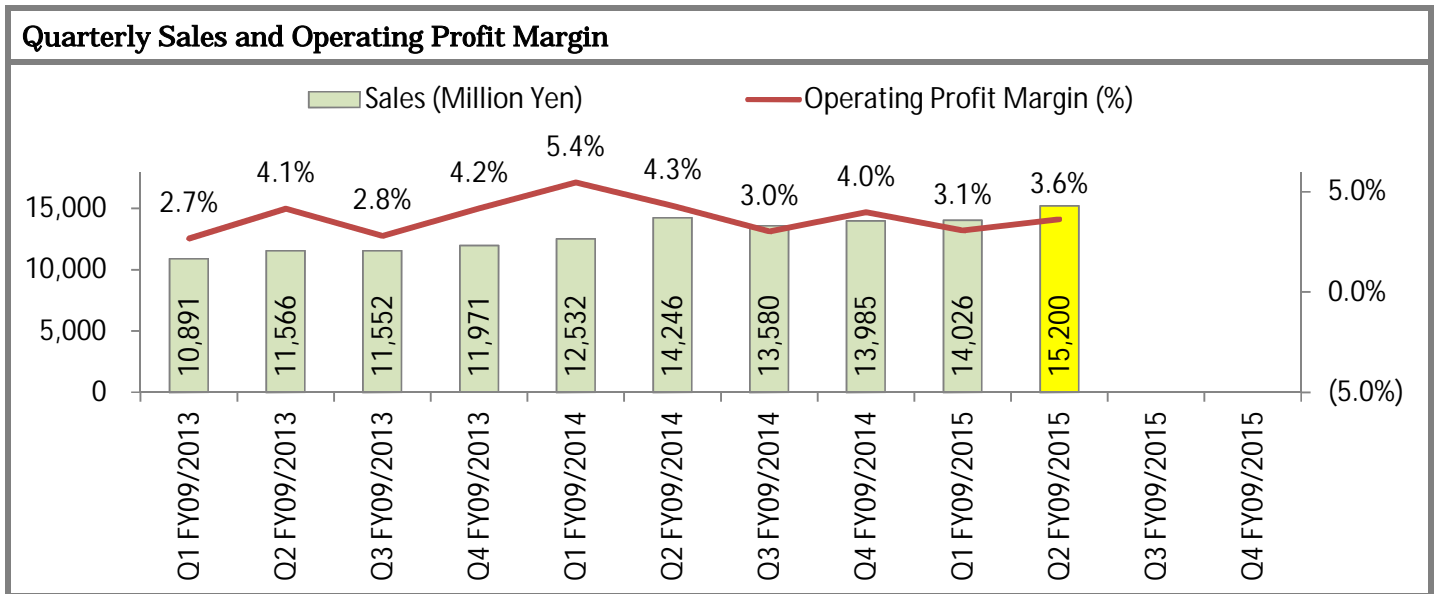
## Cash Flow Statement (Cumulative, Quarterly)

Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q1 to Q2 09/2014	Q1 to Q3 09/2014	Q1 to Q4 09/2014	Q1 09/2015	Q1 to Q2 09/2015	Q1 to Q3 09/2015	Q1 to Q4 09/2015		
Operating Cash Flow	202	785	845	2,830	(150)	-	-	-	-	(353)
Investing Cash Flow	1	(477)	(577)	(913)	1,263	-	-	-	-	+1,261
<b>Operating CF &amp; Investment CF</b>	<b>204</b>	<b>307</b>	<b>268</b>	<b>1,916</b>	<b>1,112</b>	-	-	-	-	<b>+908</b>
Financing Cash Flow	(118)	(158)	(63)	178	85	-	-	-	-	+203
Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q2 09/2014	Q3 09/2014	Q4 09/2014	Q1 09/2015	Q2 09/2015	Q3 09/2015	Q4 09/2015		
Operating Cash Flow	202	582	59	1,985	(150)	-	-	-	-	(353)
Investing Cash Flow	1	(479)	(99)	(336)	1,263	-	-	-	-	+1,261
<b>Operating CF &amp; Investment CF</b>	<b>204</b>	<b>103</b>	<b>(39)</b>	<b>1,648</b>	<b>1,112</b>	-	-	-	-	<b>+908</b>
Financing Cash Flow	(118)	(39)	94	242	85	-	-	-	-	+203

Source: Company Data, WRJ Calculation

## Q2 FY09/2015 Company Forecasts

Q2 (January to March) FY09/2015 Company forecasts, released in line with the release of Q1 FY09/2015 results, are going for prospective sales ¥15,200m (up 6.7% YoY), operating profit ¥550m (down 10.0%), recurring profit ¥590m (down 8.1%) and net profit ¥350m (down 6.9%).



Source: Company Data, WRJ Calculation

Prospective operating profit ¥550m (down 10.0%) suggests that the Company is to see net decreases ¥61m over the year in operating profit, comprising net increases ¥134m in Internet Marketing Business and net decrease ¥126m in Media Content Business. Increasing expenses stemming from frontloaded investments in the latter will be the key negative factor for overall operating profit for the Company. Elsewhere, operating profit of business segment of “Other” ¥60m over the year is not to reappear due to the deal to have had sold it, while elimination (negative impacts) is to see net increases ¥8m.

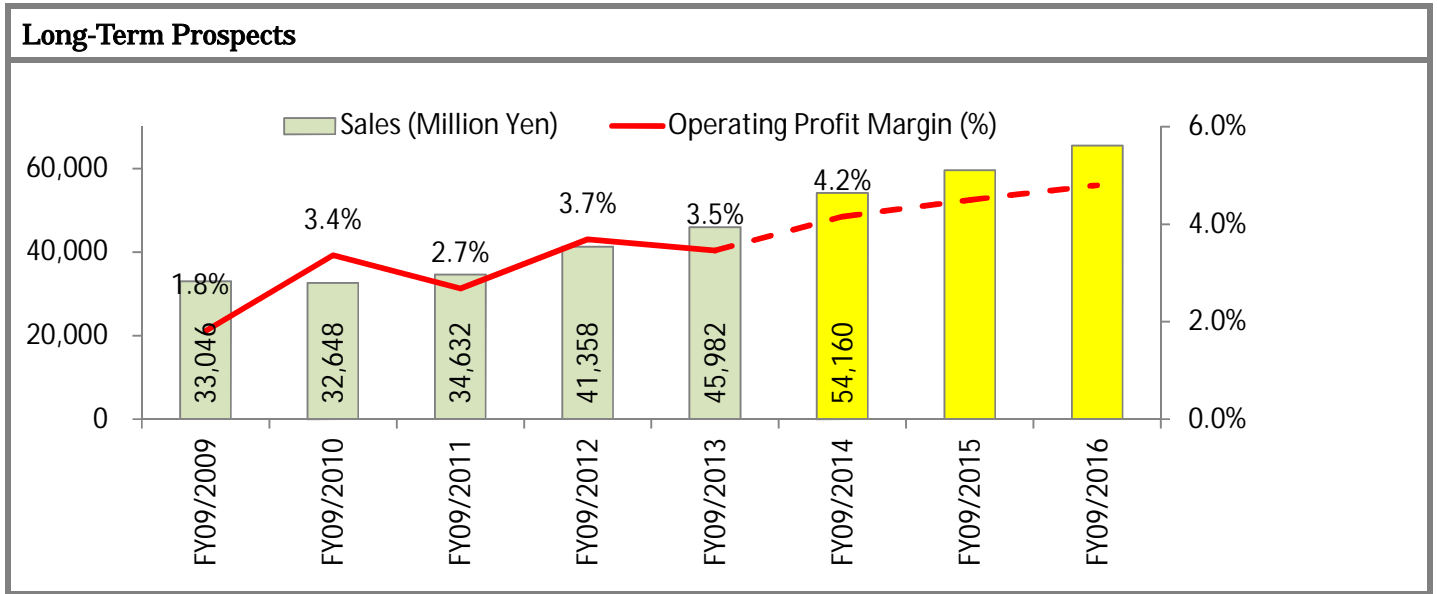
In regards to Internet Marketing Business, recent trading remains buoyant, due mainly to ongoing strengths of aforementioned 3 domains. Meanwhile, the Company suggests that Company forecasts could be conservative, based on recent trading.

In regards to mobile game, the Company started up distribution of “Major Brawl !! Dragon Parade” on 22 January 2015, which was co-developed with SEGA Networks Co., Ltd. as the first title based on full-spec native apps scheme. The number of downloads for the apps stood at more than 80 million as of 18 February and some billing revenues are anticipated in Q2 as far as we could gather. On the manga content side, the Company launched new work manga delivering services, called “GANMA !”, in December 2013, having seen the number of downloads for the apps more than a million to date. However, billing revenues remain insignificant and this is far too small to compensate for expenses to run “Route M” which is a program to foster and support new manga artists and those to enrich the delivering services.

Going forward, meanwhile, the Company is looking to opportunities for all those operations in here to make money to drive overall earnings for the Company, in line with release of manga titles serialized on “GANMA !” by manga artists fostered by the Company and with developments of extensive IP (Intellectual Property) business based on hit titles. In fact, it was announced on 10 February 2015 that one of the popular series works called “Million Doll” was going to get animated in the summer of 2015. Meanwhile, “GANMA !” is expected to get increasingly valuable as advertising media in line with increasing number of users and titles available, going forward, suggesting future advertising income generation as an operator of media for the Company.

## Long-Term Prospects

In November 2013, the Company came up with midterm management plan. Although there were no specifications in figures for the periods, etc., the Company revealed its plan to see “doubled earnings” as early as possible, as a concept, by means of a) “sales mix improvements” and b) “setting up new earnings pillars”. It was also revealed that the Company was to focus on “mobile”, “social” and “global” by domain.



Source: Company Data, WRJ Calculation

Long-term earnings growth is nothing but accumulated results of short-term business performance, e.g., on a quarterly basis and thus the issue to be pursued is just to see steady earnings growth every quarter, which is basic idea with the Company, at present. Due to this, the Company does not specify timing, etc. for its target of midterm management plan on top of hesitating to disclose full-year Company forecasts at the beginning of the year.

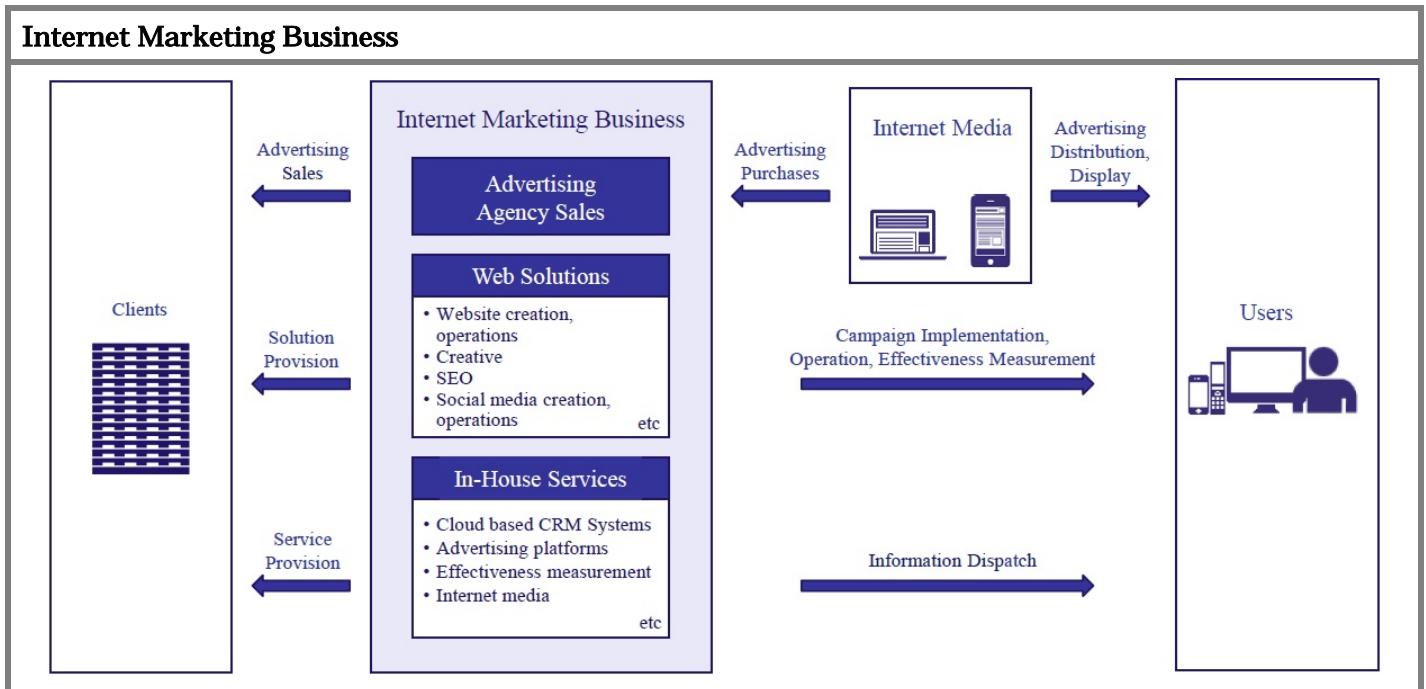
On the other hand, it has been clearly disclosed that steady progresses have been made on “mobile”, “social” and “global” domains as discussed earlier. Assuming operating profit in FY09/2013 as the basis for prospective “doubled earnings”, the Company had achieved “1.4 times earnings” in FY09/2014, which is the first year of the periods for the midterm management plan, having implied early achievement of the target, i.e., “doubled earnings”.

As far as we could see, meanwhile, the Company is seeing steady progresses on a) “sales mix improvements”, in that sales of Internet advertising associated with new media like social media and news apps, being estimated to carry gross profit margin relatively higher, are increasing rapidly. On the other hand, there have been almost no progresses on b) “setting up new earnings pillars” in that recent trading remains not so inspiring for mobile game and manga content due to frontloaded investments, etc. More importantly, however, the Company is looking to prospective major returns from mobile game and manga contents, when they do take off.

## 4.0 Business Model

### Sales of Internet Advertising

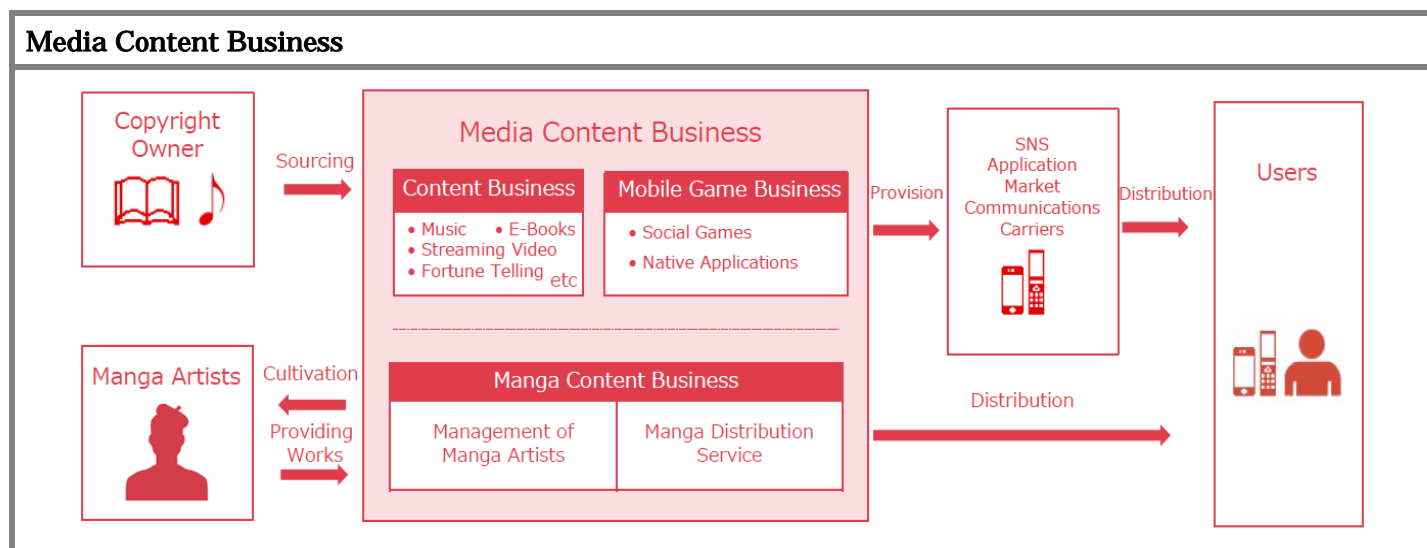
The bulk of earnings with the Company come from Internet Marketing Business where sales of Internet advertising are the mainstay. This business was effectively inaugurated by Koki Sato (born in 1975) in 2000, who is currently president and representative director of the Company. In FY09/2014, this business segment accounted for 88.8% of sales of the Company and 103.4% of operating profit (before elimination).



Source: Company Data

In Internet Marketing Business, the Company is involved with comprehensive marketing support services based on the use of Internet for corporate customers. Out of here, overwhelming proportions of sales and earnings come from operations of Internet advertising where the Company procures Internet advertising frames from diverse Internet media (such as “Facebook”, “Google”, “YAHOO! Japan”, etc.), while selling them to customers, i.e., advertisers and being involved with operations of advertising as well. This business accounts for 95% of sales in this business segment, roughly speaking, while the remaining 5% by those of own services comprising diverse web solutions, Cloud-based CRM systems, etc. Generally speaking, the latter carries gross profit margin higher than the former, but the latter accounts for just a tiny proportion of sales in this business segment, likely remaining insignificant as a factor to driver earnings for this business segment as a whole and thus for the Company.

In sales of Internet advertising, diverse operational-type advertising, such as ad network, is offered to customers, i.e., advertisers on top of existing listing advertising, etc. In a view of advertisers, it is not very easy to distinguish the Company from competitors like CyberAgent, Inc., OPT, Inc. and IREP Co., Ltd. in terms of features, etc., but the Company sees steady results on all those growth domains, i.e., “mobile”, “social” and “global”, as an independent player almost all relying on own sales forces, while allocating increasing resources on timeline advertising, etc., where the Company is competitive in particular.



Source: Company Data

In regards to Media Content Business, the other business segment of the Company, the main operations are those of aforementioned AXEL MARK INC. to plan and develop diverse digital contents, represented by those of mobile game mainly for Smartphones. All those contents are provided to users through platforms such as SNS and apps markets. Meanwhile, in this business segment, the Company is also involved with operations to foster manga artists to make them appear in public as well as with those to run manga distribution services to eventually develop own IP (Intellectual Property) business, having started them up as new business in FY09/2014.

## Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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