



Septeni Business Report 2015

For the year ended September 30, 2015



SEPTENI HOLDINGS CO., LTD.

With our focus on our distinctive growth areas producing results, we achieved record income for the fourth consecutive year. We continue to aim for sustainable and rapid growth.

—What is your view on the recent business environment?

We outperformed the competition in terms of growth by promptly responding to the rapid globalization of the market.

In the Internet industry, our main business area, the market size is expanding steadily and globalization is proceeding rapidly. These trends are noticeable, especially in the field of smartphones. The domestic smartphone market is mature, and smartphones are used in increasingly sophisticated ways. Meanwhile, overseas, especially in emerging countries, the use of mobile devices to access the Internet will become more popular. In this environment, increasing numbers of companies are providing Internet services globally. Services in multiple countries and the advertising and marketing initiatives associated with them are no longer unusual.

The Septeni Group has achieved solid results in the domestic market by rapidly shifting its business resources to smartphone advertising, which has been growing, and by becoming involved in global social media platforms early and accumulating sophisticated expertise. In addition, the Group has built a cross-border transaction system of Internet advertising among Japan, Asia, Europe, and the United States. Thanks to this system, the Group has seized business opportunities associated with the globalization of



SEPTENI HOLDINGS CO.,LTD.
President and Representative Director

Koki Sato



the Internet industry. In the fiscal year under review, sales overseas, primarily in North America, expanded to 13.8% of consolidated net sales. Overseas sales are becoming an important growth driver of the Group.

—What were the initiatives you took and business results you recorded in FY9/15 under review?

In our mainstay Internet Marketing Business, the operating margin improved for the fourth consecutive fiscal year as the key businesses became more profitable.

Consolidated results were driven by the Internet Marketing Business. Net sales stood at 64.5 billion yen, and operating income was 2.75 billion yen. All indicators were at record highs for the fourth consecutive year.

In the mainstay Internet Marketing Business, growth in sales accelerated and productivity improved as high growth continued in our key businesses: Mobile, Social and Global.

Operating income rose significantly, and as a result, operating margin stood at 6.0%, improving for the fourth consecutive year. Operations are increasingly high-growth and profitable.

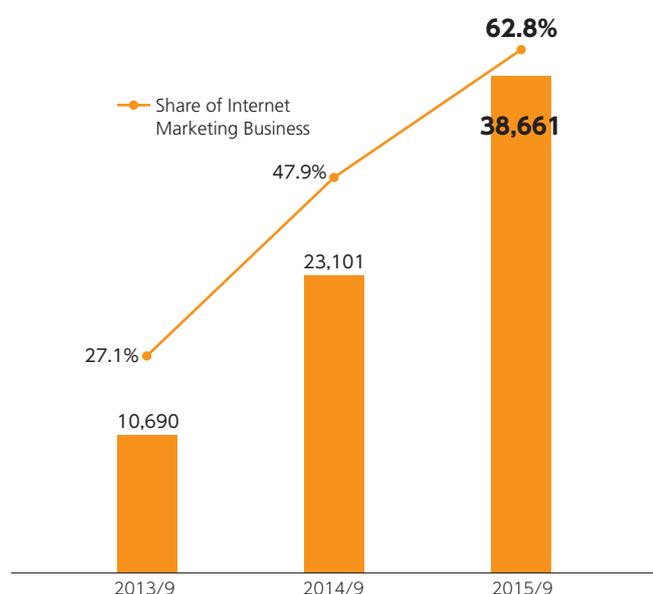
In the Mobile domain, sales of smartphone advertising increased by around 1.7 times year on year, to 38.6 billion yen, which accounted for approximately 63% of total sales in the domain. As demand for smartphone advertising is expanding, products are becoming more and more diversified. Results in the domain were driven especially by native advertising (in-feed advertising), at which the Group excels. Market share increased.

In the Social Media Business, sales rose by a factor of about 2.1 from the previous fiscal year, to 11.2 billion yen, reflecting an acceleration in growth in Twitter advertising as well as the mainstay Facebook advertising.

In the Global business, overseas sales increased by a factor of about 2.2, to 8.8 billion yen, mainly because of an increase in billings in our North American operation

Mobile Business

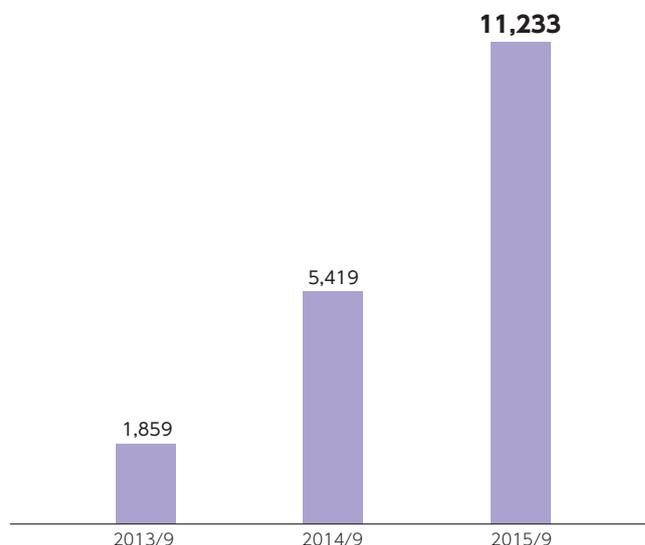
Smartphone Advertising Sales Trend (unit:¥mn)



Social Business

Social Media Business Sales Trend (unit:¥mn)

(Aggregate of sales in Facebook, Twitter, and LINE)



and the inclusion of our subsidiary in South Korea in the scope of consolidation. Overseas sales accounted for 14.4% of sales in the Internet Marketing Business, indicating further progress in globalization.

We will put more emphasis on the three growing business fields—Mobile, Social, and Global—to expand market share and improve profitability.

In the Media Content Business, we are refining the focus and will make the Mobile Game Business a non-core business.

Two native application game titles were released. While the sales of KINGDOM –Eiyuno keifu– remained strong, other titles struggled, resulting in a decrease in both the net sales and operating income of Axel Mark.

In the Manga Content Business, we made aggressive upfront investments in both cultivating Manga artists and expanding GANMA!, an online distribution platform. In October 2015, the number of monthly page views reached 470 million. In November, the

cumulative number of downloads expanded to 2 million. We believe that we can anticipate further growth. Meanwhile, we are commercializing our own intellectual property (IP). By November, one TV anime work and ten books were released. In the fiscal year under review, losses associated with those upfront investments in new businesses, primarily in the Manga Content Business, expanded by a factor of about 1.6 year on year, to 511 million yen. In the Manga Content Business, we aim to expand the size of our platform and make a profit.

To optimize our business portfolio, in November 2015, we decided to change the position of the Mobile Game Business (Axel Mark) to a non-core business from the fiscal year ending September 30, 2016. We have decided that we need to increase the degree of independence and freedom in the management of Axel Mark, so that the Company and Axel Mark can maximize their corporate value in response to changes in the business environment. On November 9, the Company sold part of its holding of Axel Mark shares, and the ratio of voting rights it held has been reduced to less than 50%. On December 16, interlocking directorates were abolished. As a result, Axel Mark has ceased to be a subsidiary of the Company but remains within the scope of consolidation under the International Financial Reporting Standards (IFRS).

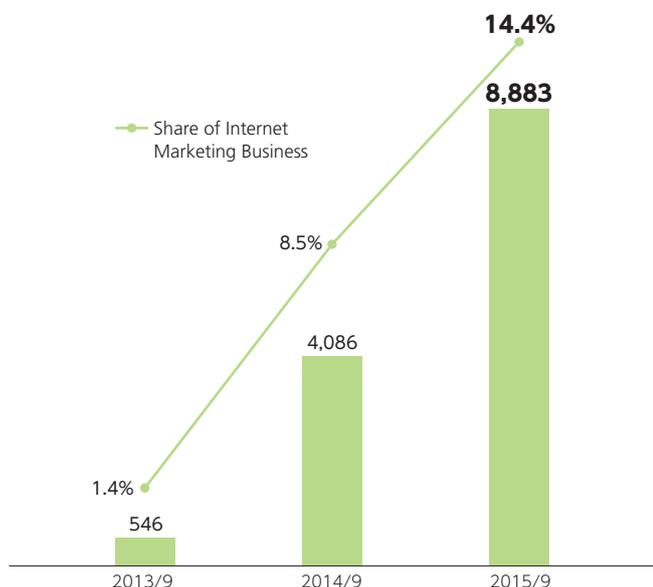
—Could you describe progress in the Midterm Business Policies and the future direction of the policies?

We will achieve sustainable growth in the medium to long term, and at the same time, will make investments for the future, taking into consideration our future after we double profits.

The concept of the Midterm Business Policies that we announced in November 2013 is to “Double Profits.”

Global Business

Overseas sales Trend (unit: ¥mn)



We aim to increase our corporate value by raising the ratio of profitable businesses and building a new operational pillar second to advertising. Two years after the announcement of the Midterm Business Policies, we believe that we have increased competitiveness steadily in our three areas of focus—Mobile, Social and Global—and have begun to take the lead in growth markets. We aim to “Double Profits” in the next fiscal year.

We are performing well. We feel that we have entered a period to consider the next steps. We believe that after doubling profits, it will be the time to focus on building a system to achieve sustainable growth. Sustainable growth in the medium to long term and investment in future primary businesses sometimes conflict. However, we believe that we should pursue them both simultaneously. We will do our best to pursue them in our management. We hope that we can rely on your continued understanding and support.

We need excellent human resources to achieve sustainable growth. In the category of companies with 100 to 999 employees of 2015 Great Place to Work (Japanese version) by the Great Place to Work® Institute Japan, the Septeni Group was ranked fourth (it was ranked eighth last year). Under the Group’s mission “Energizing the world with the entrepreneurship of each individual,” we will continue to promote diversity, primarily by supporting women’s participation and improving work-life balance, and will seek to establish a flat and appealing organization that enables all members worldwide to fully express their talent.



—Finally, what is your message for shareholders?

Dividends were increased for the third consecutive year in the year ended September 2015.

We seek further growth through proactive investments in growth areas.

With respect to profit distribution to shareholders, we have set roughly 15% of the consolidated net income as a benchmark. Given a significant increase in net income, we have decided to distribute a dividend per share of 14 yen, up 5 yen from a year ago, for the fiscal year under review. We have raised dividends for the third consecutive year. Our basic policy continues to be appropriate profit distribution based on business performance, while paying attention to maintaining stable dividends.

We will seek sustainable and dramatic growth by attaining the goal of “Doubling profits” first in the Midterm Business Policies and making proactive investments in growth areas at the same time. We look forward to your continued support for the Septeni Group.

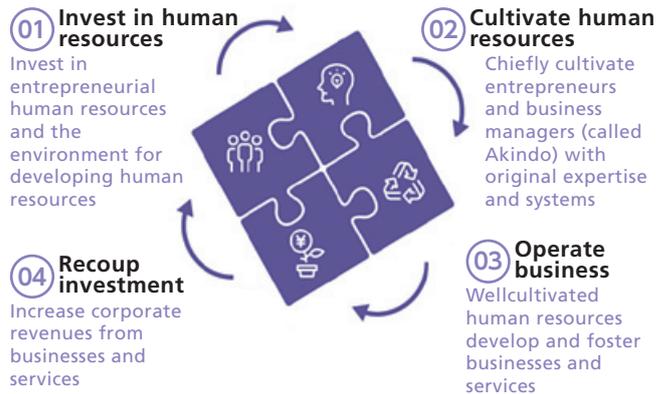
Human resources with a good sense of ownership and a strong entrepreneurial spirit are the Group's biggest asset.

Under the mission below, as a company, we will achieve sustainable growth by proactively investing in entrepreneurial human resources.

Mission

**Energizing the world
with the entrepreneurship
of each individual**

Growth Cycle

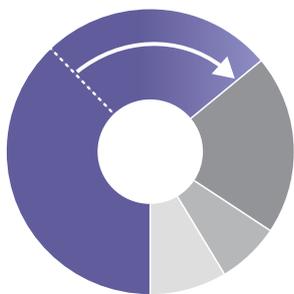


Midterm Business Policies

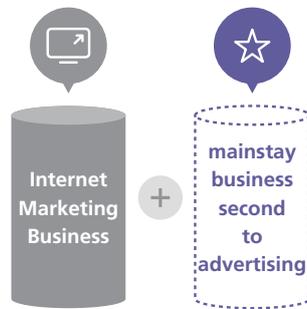
In November 2013, we announced the Midterm Business Policies.
Since the announcement, growth has been accelerating.
In the fiscal year ending September 30, 2016, we will work to "Double Profits."

|| Concept

"Double profits"

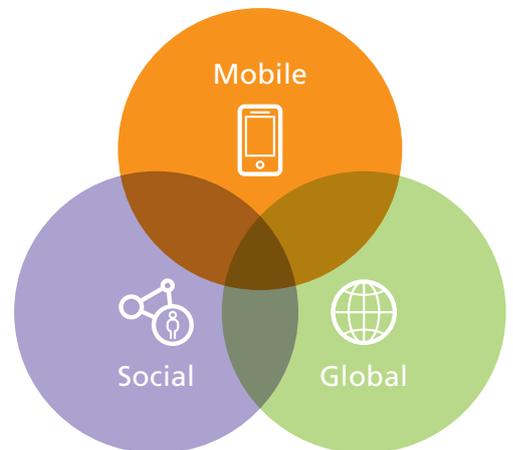


Increase the share of highly profitable businesses



Create a mainstay business second to advertising

|| Business Focus





In the fiscal year under review, we launched a number of initiatives under our mission and Midterm Business Policies.

 <p>Mission</p> <p>October 2014 Pharmarket, Inc. started the intermediate distribution of ethical drugs.</p> 	<p>October 2014 Social contribution platform operator gooddo, Inc. was established.</p> 	<p>February 2015 In the Great Place to Work (Japanese version) rankings (the category of companies with 100 to 999 employees), the Septeni Group was fourth.</p> 
 <p>Mainstay business second to advertising</p> <p>April 2015~ The Manga Content Business has been promoting the commercialization of the Company's own intellectual property, including books.</p> 		 <p>Social</p> <p>September 2015 PYXIS for Instagram using Instagram Ads API was launched.</p> 
 <p>Mobile</p> <p>September 2015 Septeni formed an alliance with Fukurou Labo, inc. as strategic partners and began to provide a "deep link" service for smartphone applications.</p> 		 <p>Global</p> <p>FY2015 Overseas sales expanded to account for 13.8% of sales at the entire Group.</p> 

The business achieved sustainable growth, with Group companies actively taking on challenges.

 **SEPTENI CO.,LTD.**
Internet ad agency / Providing assistance for overall promotions on internet

 **Septeni Original, Inc.**
Plannig and development of web service

 **Tricorn Corporation**
CRM service business

 **Septeni America, Inc.**
Internet marketing business for North America region

 **COMICSMART, Inc.**
Manga Content Business

 **ViViVit, Inc.**
Platform business of matching recruitment

 **SEPTENI VENTURES Co., Ltd.**
New business development

etc...

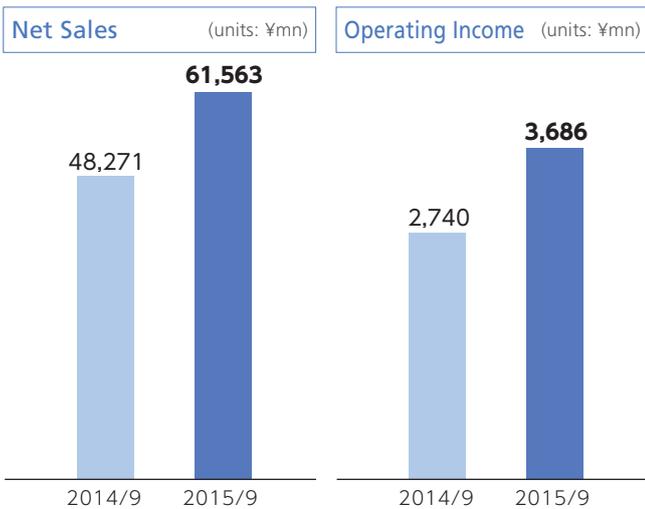
Internet Marketing Business

Points for understanding business performance

Operations were expanded, and at the same time profitability was increased.

Main content of business:

General all-embracing marketing support services using the Internet



Summary

- High growth in the key businesses of “Mobile,” “Social,” and “Global” continued to drive growth in net sales.
- Operating income rose sharply thanks to increased productivity, driving up the operating margin for the fourth consecutive year to 6.0%.

Mobile

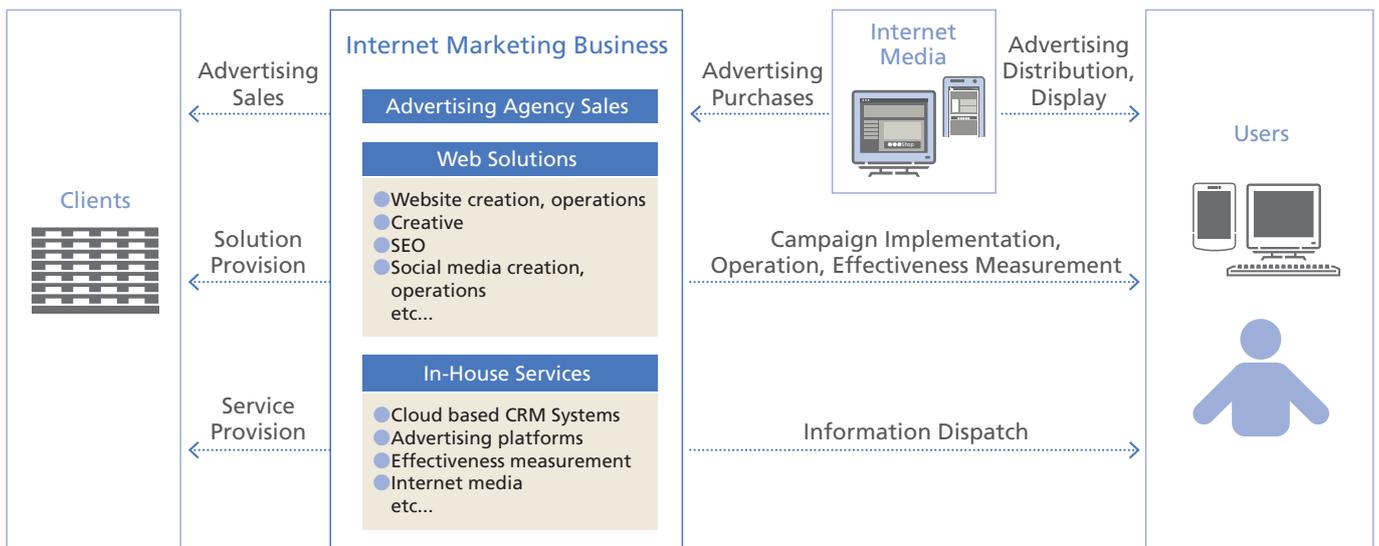
- Net sales from Smartphone Advertising grew approximately 1.7 times year on year to ¥38.6 billion, with the share reached approximately 63%.
- An increased market share was driven by the native advertising segment.

Social

- Net sales rose approximately 2.1 times year on year to ¥11.2 billion.
- In addition to Facebook advertising as the core segment, accelerated expansion of Twitter advertising contributed to the growth.

Global

- Overseas sales increased approximately 2.2 times year on year to ¥8.8 billion, with the share of overseas sales rising to approximately 14%.
- The volume of businesses in North America increased, and a Korean subsidiary was newly consolidated.





Media Content Business

Points for understanding business performance

Aggressive upfront investments were made.

Main content of business:

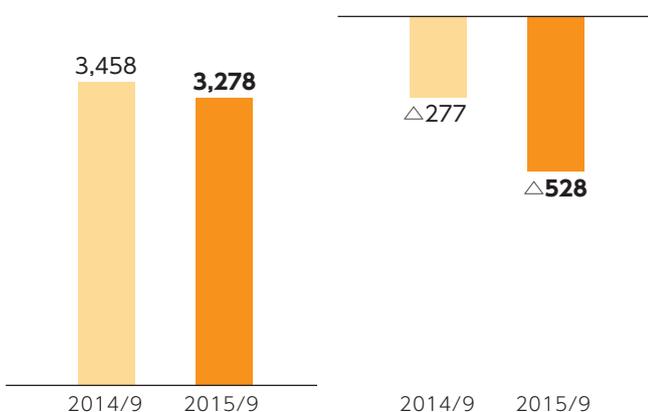
Provision of digital content centering on games for smartphones, the cultivation and production of Manga artists for the purpose of planning and developing our own intellectual property (IP) and the operation of the Manga distribution service, etc.

Net Sales

(units: ¥mn)

Operating Income

(units: ¥mn)

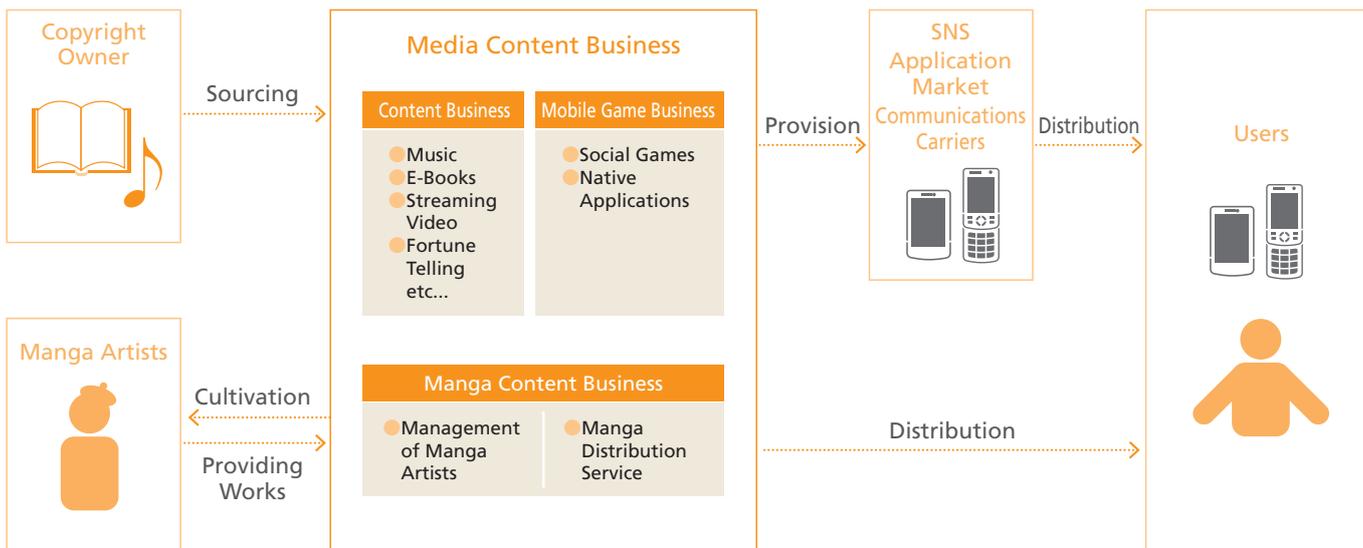


Mobile Game Business

- Two native application game titles were released.
- While the sales of KINGDOM –Eiyuno keifu– remained strong, other titles struggled, resulting in a decrease in both the net sales and operating income of Axel Mark.

Manga Content Business

- The distribution platform is steadily growing larger.
- Latest total number of downloads is over 2 million and the number of monthly page views has reached 470 million.
- The company is promoting the commercialization of its own intellectual property. One anime work (Million Doll) and three books are released during the fiscal year.
- Loss on prior investment in new businesses, primarily in the Manga Content Business, increased approximately 1.6 times year on year to ¥511 million.



※Mobile Game Business and Content Business have been changed into Non-Core Business since FY9/16.

Manga Content Business

~We want to get children to aspire to be manga artists.

The Manga content business operates the cultivation and production of Manga artists and the Manga distribution service, with the aim of planning and developing our own IP centering on Manga content.

We will continue to make proactive upfront investments in cultivating Manga artists and expanding the platform to create excellent Manga works born from the Internet and monetize them as a business.



A service to distribute new serial Manga works online GANMA!

This service enables users to read as many new original Manga works as they like free of charge. In November 2015, a total of 57 serialized works are distributed.



GANMA! AD started

The distribution of advertising in GANMA! started in the fiscal year under review.

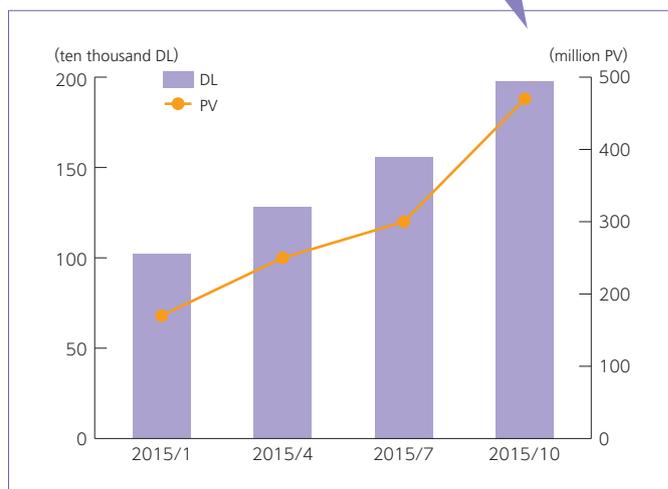
The advertising distribution service, GANMA! AD, distributes native advertising, including ads using pictures like Manga displayed on the entire screen of the smartphone.

We expect that the advertising distribution service will generate synergy between the Group's mainstay Internet Marketing Business and the Manga Content Business, which is intended to become a new operational pillar.



Total number of downloads: over 2 million (7 November, 2015)

The number of monthly page views : 470 million (October, 2015)





The company is promoting the commercialization of its own intellectual property.

From April to December, 2015, a total of 12 titles were released as books. Many other titles are planned to be released.



The Company's own intellectual property has been used and commercialized in other forms than books:

Animations



© Ai/COMICSMARTINC./ "milliondoll" Committee

Goods



Events



Consolidated Income Statement Overview (units: ¥mn)

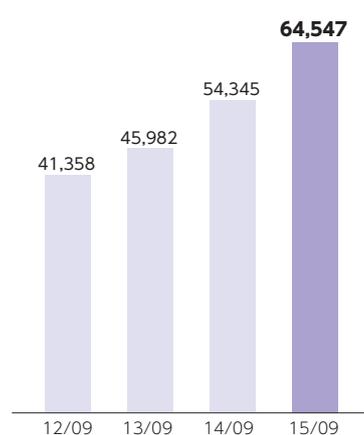
All indicators were at **record highs** for the fourth consecutive year.

Consolidated results were driven by the strong performance of the Internet Marketing Business, which offset the expansion of upfront investments in the Manga Content Business.

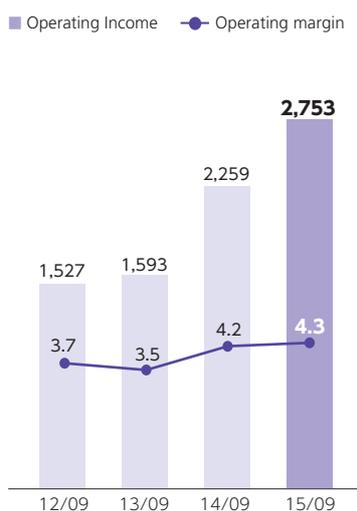
ROE increased significantly, reflecting a rise in operating income and an extraordinary gain associated with the sale of the DM business.

Item	2014/9	2015/9	Rate of change
Net sales	54,345	64,547	+18.8%
Operating Income	2,259	2,753	+21.9%
Ordinary Income	2,362	3,118	+32.0%
Net Income	1,549	2,398	+54.8%
ROE	18.5%	23.4%	+4.9pt

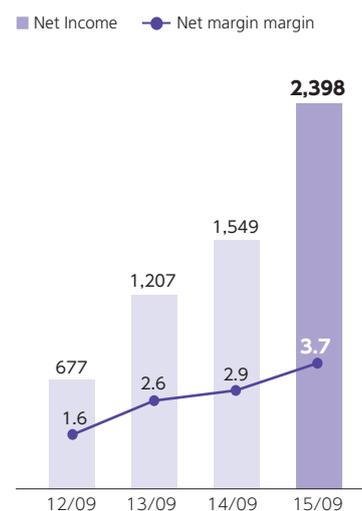
Net Sales (units: ¥mn)



Operating Income (units: ¥mn)
Operating margin (units: %)

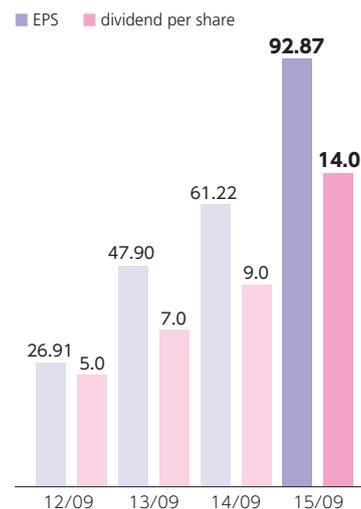
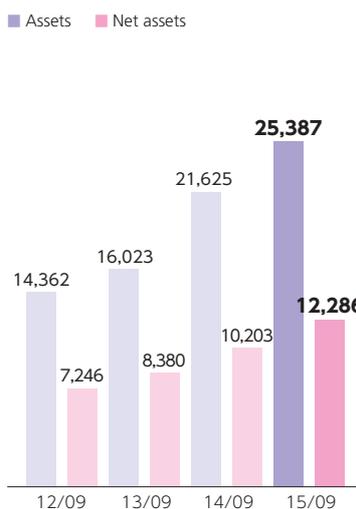
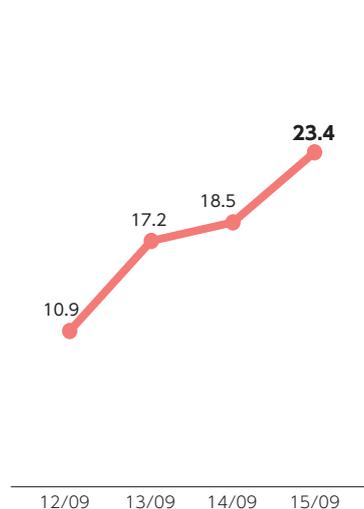
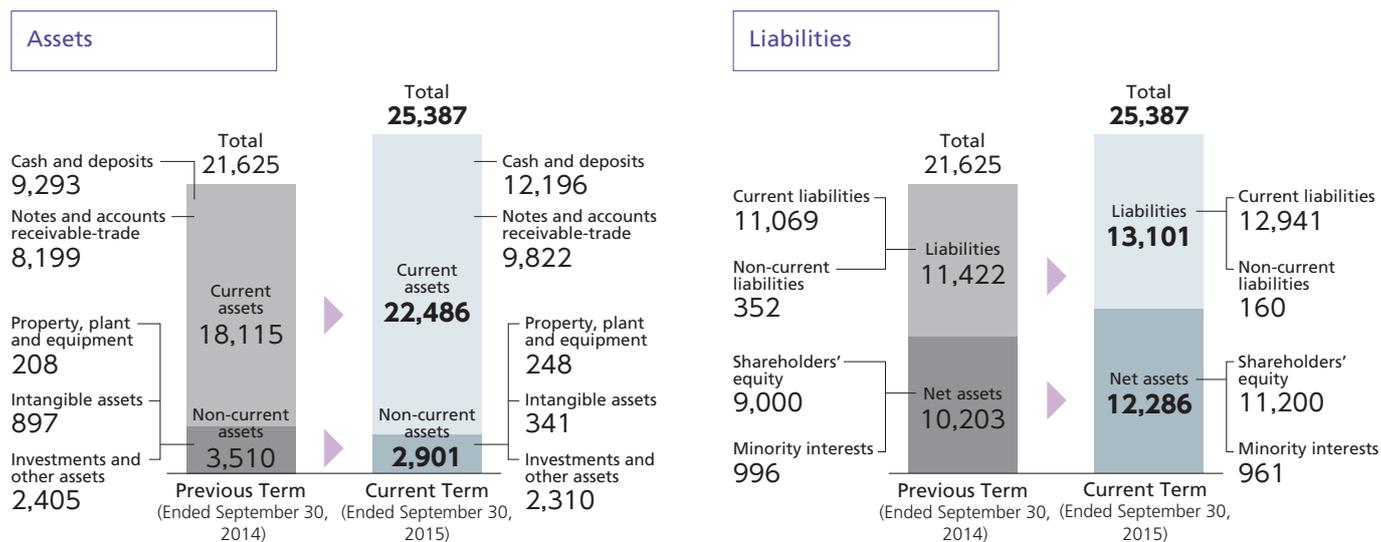


Net Income (units: ¥mn)
Net margin margin (units: %)



Overview of Consolidated Balance Sheets (units: ¥mn)

- Assets: Increased ¥3,762 million from the end of the previous term, due to increases in cash and deposits and notes and accounts receivable-trade, etc.
- Liabilities: Increased ¥1,679 million from the end of the previous term, due to increases in accounts payable trade and Short-term loans payable, etc.
- Net assets: Increased ¥2,082 million from the end of the previous term due to an increase in retained earnings associated with the posting of net income, etc.



※ The Company implemented a 200-for-1 stock split for its common stock on October 1, 2013. The figures here are calculated on the assumption that the stock split was implemented at the beginning of 2012/9.

Improve business selection and concentration

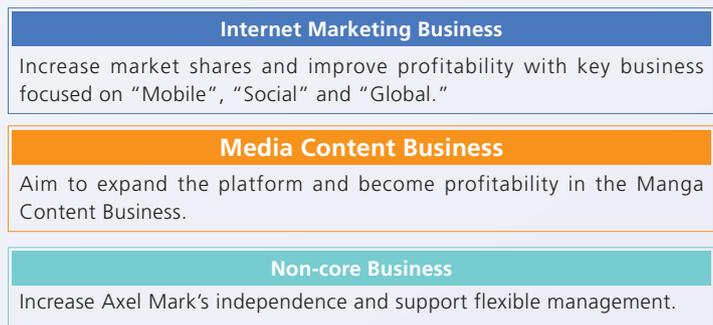
Change the Mobile Game Business (Axel Mark) to a non-core business

- ◆ The Company sold part of its holding of Axel Mark shares on November 9, 2015, and as a result, the ratio of voting rights of the Company has been reduced to less than 50%.
- ◆ All of the Directors holding multiple positions resigned at Axel Mark's 23rd ordinary general meeting of shareholders, which held on December 16.
- ◆ Axel Mark ceases to be a subsidiary of the Company but remains within the scope of consolidation under the IFRS.

Business Segments in FY ended Sept. 2015



Business Segments and Policy for FY ending Sept. 2016



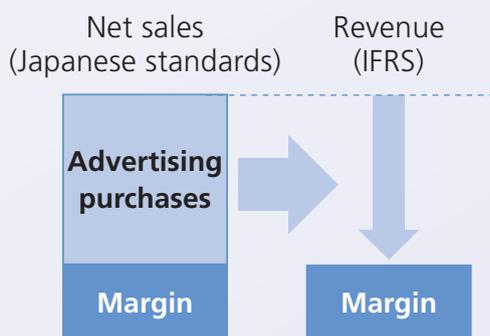
Adoption of the IFRS ~Aiming to achieve rapid growth as a global company

From the first quarter of the fiscal year ending September 30, 2016, the Septeni Group is applying the International Financial Reporting Standards (IFRS).

What will change by IFRS?

1 Revenue will change.

How to record earnings (Top Line)



The conventional recording of the total amount (gross) will be changed to recording of net amounts in the sale by advertising agents, which comprises a large part of the Internet Marketing Business.

2 The treatment of goodwill will change.

While straight-line amortization was applied to goodwill based on the Japanese standards, goodwill is not amortized on IFRS but requires an impairment test every year. This creates an impairment risk.

3 Non-GAAP operating income will be disclosed voluntarily.

Non-GAAP operating income is a profit indicator of constant business performance determined by adjusting temporary factors, such as an impairment loss and gain or loss on the sales of fixed assets from the IFRS-based operating income.

Corporate Profile

Trade Name	SEPTENI HOLDINGS CO.,LTD.
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Tel	+81-03-6863-5623 Fax +81-03-6863-5624
Business Overview	Corporate management and overall control of group companies through ownership of shares and other forms of equity.
Foundation	October 1990
Capital	2,070 million yen
No.of Employees	846 permanent staff 1002 employees

Officers As of December 18, 2015

The President and Representative Director	Koki Sato (front row, center)
Senior Managing Director	Isamu Ueno (front row, left)
Managing Director	Kazumi Shimizu (front row, right)
Director	Tadahiro Matsuda (back row, second from right)
Director	Shintaro Karaki (back row, second from left)
Director	Kana Setoguchi (back row, center)
External Director	Tatsuya Kimura (back row, right)
External Director	Etsuko Okajima (back row, left)
Internal Auditor	Muneyoshi Nomura
External Auditor	Katsuhisa Yanagi
External Auditor	Yoshihide Hirowatari
External Auditor	Mamoru Furushima



Ownership Structure updated on September 30, 2015

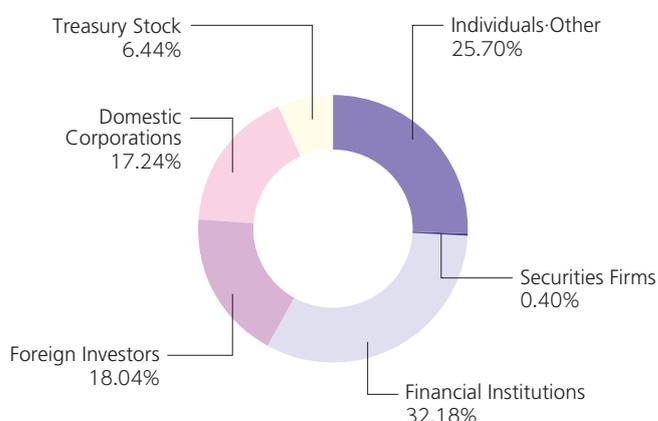
Number of shares authorized	74,016,000units
Number of shares issued	27,700,700units
Number of shareholders	2,983

Major Stockholders

Major shareholders	Number of shares	Share holding
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	4,251,300	16.40%
Village seven Co.,Ltd.	3,343,800	12.90%
Mamoru Nanamura	3,190,100	12.31%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	2,183,900	8.43%
Yahoo Japan Corporation	1,400,000	5.40%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,111,800	4.29%
GOLDMAN SACHS INTERNATIONAL	804,132	3.10%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	505,600	1.95%
MSCO CUSTOMER SECURITIES	481,500	1.86%
Hiroshi Shimizu	440,000	1.70%

(Note) Excluding our major stockholders above, our company reserve 1,784,600 units of stock in our treasury.
The above shareholding ratios exclude treasury stock.

Breakdown by the Number of Holdings Shares



Our Creed



"Hinerankai" in Kansai dialect means, "Rack your brain and be creative"

Mission

**Energizing the world with the entrepreneurship
of each individual**

Vision

To create a strong and great company

Our 7 Commitments for Success (The Septeni Way)

Speed

As a united team, we are dedicated to serving and responding to our customers needs with no delay and being quick in decision-making without jeopardizing the end results. Our training will assist us in taking full advantage of business opportunities surrounding us while providing our customers with satisfying services and support.

Stretch

We always pursue a higher goal. Since we can not reach the goal we are aiming for by doing the same thing as in the past, we have been achieving growth through continuous innovation and changes.

Partnership

All employees perform their duties with managerial responsibilities regardless of management or employee.

Fair&Open

Our company creates an environment where employees are fairly rewarded for their contributions based on a system of full disclosure.

Originality

What does it take to be passionate in our work? What does it take for us to become and maintain ourselves as pioneers in what we do? What does it take to be fruitful? We believe it's all about being original.

Passion

Our company has the strong will and passion to win the race and contribute to the team's growth and productivity, no matter how tough the challenge is.

Free&Rule

In order to become a strong and great company, one needs both solid rules and the freedom to act under those rules. Our company has made freedom within rules a part of our corporate culture.



SEPTENI HOLDINGS CO., LTD.

<https://www.septeni-holdings.co.jp/en/>

■ Results forecasts and other forward-looking statements contained in this report were prepared based on information available at the time of the report was prepared, and actual results may differ from projected figures due to various factors in the future.

■ The company names and service names in this report are their trademark or registered trademark.