



For the year ended September 30, 2018
Septeni Business Report 2018

SEPTENI HOLDINGS CO.,LTD.

Strengthening of an organizational base through investment in human resources with the aim of improving competitiveness in the medium to long term.

Transition to the next growth phase through organic growth and a capital/business alliance with Dentsu Inc.

In FY9/18 (28th term), starting from October 2017, we actively made upfront investments in human resources, which were mainly related to personnel system reform, with the aim of improving competitiveness in the medium to long term.

As a result, we were able to strengthen the organizational conditions of the Group steadily from both qualitative and quantitative perspectives.

In terms of results by business segment, we achieved solid growth in our focus areas in the Internet Marketing Business, as shown by increases in overseas revenue and video ads and the successful development of brand advertising markets.

In the Media Content Business, we increased cumulative application downloads and application revenue by strengthening the content and products of GANMA!, while at the same time controlling promotion expenses.

However, due to the sluggish growth of the domestic Internet Marketing Business, we were not able to offset the increased costs, which were mainly attributable to investment in human resources, with increased revenue in the two Businesses. As a result, consolidated profit decreased from the previous year.

In FY9/19 (29th term), with the aim of strengthening our management foundation to cope with the changing business environment, we will shift to a collective leadership system by appointing two



SEPTENI HOLDINGS CO., LTD.
Representative director /
Group President and Chief Executive Officer

Koki Sato

Representative Directors at both the Company and our major subsidiaries.

We will aim to accelerate growth significantly and enhance profitability through seeking to achieve organic growth by leveraging the investment in human resources carried out in FY9/18, and the synergy effects of the capital/business alliance with Dentsu Inc.

With respect to the dividend policy for shareholders, we will make dividend payments with a payout ratio of approximately 15% for profit attributable to owners of the parent, while taking into consideration, as usual, a range of factors such as the consolidated results of each fiscal year, the improvement of financial conditions and the Group's future business strategies etc.

In addition, we will give consideration to the continuity and stability of dividend payments by setting the minimum amount of the annual dividend per share at 2 yen.

Based on this policy, we have decided to pay 2.0 yen, the minimum amount, for the dividend per share for FY9/18.

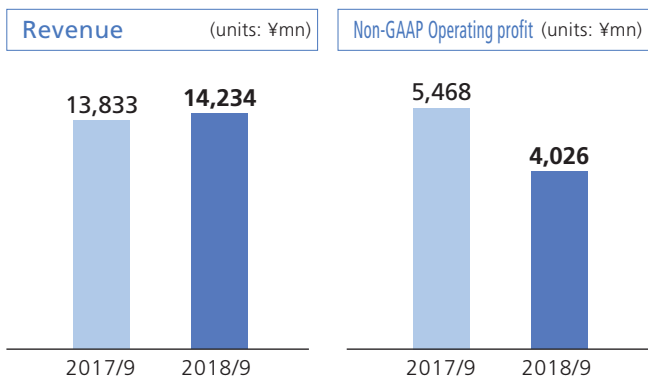
Going forward, we will continue to distribute profits appropriately in line with earnings growth.

I humbly ask for your continued understanding and cooperation.

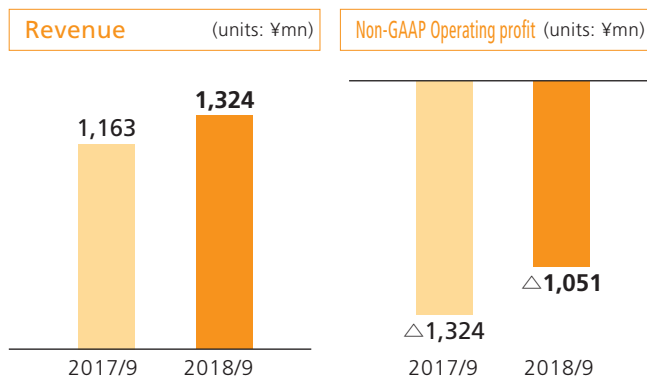
Segment Information

[Previous figures have been corrected retroactively due to the change in allocation, starting from FY9/18.]

Internet Marketing Business



Media Content Business



Summary of FY2018

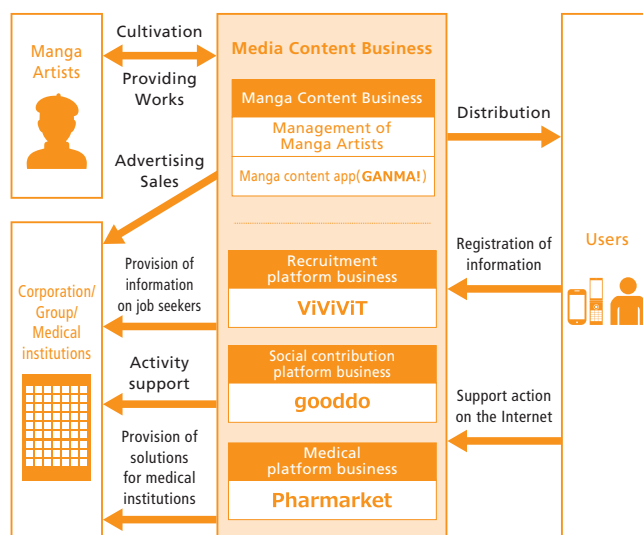
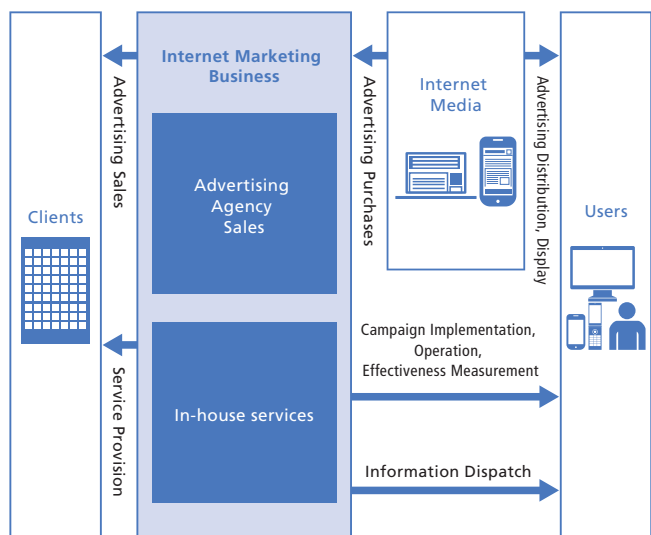
- In the overseas business, revenue increased by approximately 26% year on year, to ¥1.87 billion, due to business expansion mainly in Southeast Asia and Greater China.
- Transactions of video ads increased by approximately 24% year on year, to ¥12.8 billion year on year.
- In brand advertising, revenue increased by approximately 43% year on year due to the progress of market development, mainly in Japan.
- Profit decreased because increased revenue did not offset increased costs attributable to active investment in human resources that was carried out to strengthen the management foundation with a view to maintaining competitiveness in the medium to long term.

Manga Content Business

- Efforts were made to reinforce content and products with the aim of increasing revenue per user etc., while controlling promotions for expansion of media scale of GANMA!, a Manga application, to a certain degree.
- The number of GANMA! users rose steadily, and cumulative application downloads reached approximately 10.98 million at the end of September 2018.
- The deficit decreased due to the curtailment of promotion expenses.

Other New Businesses

- Each business grew steadily



Financial Highlights

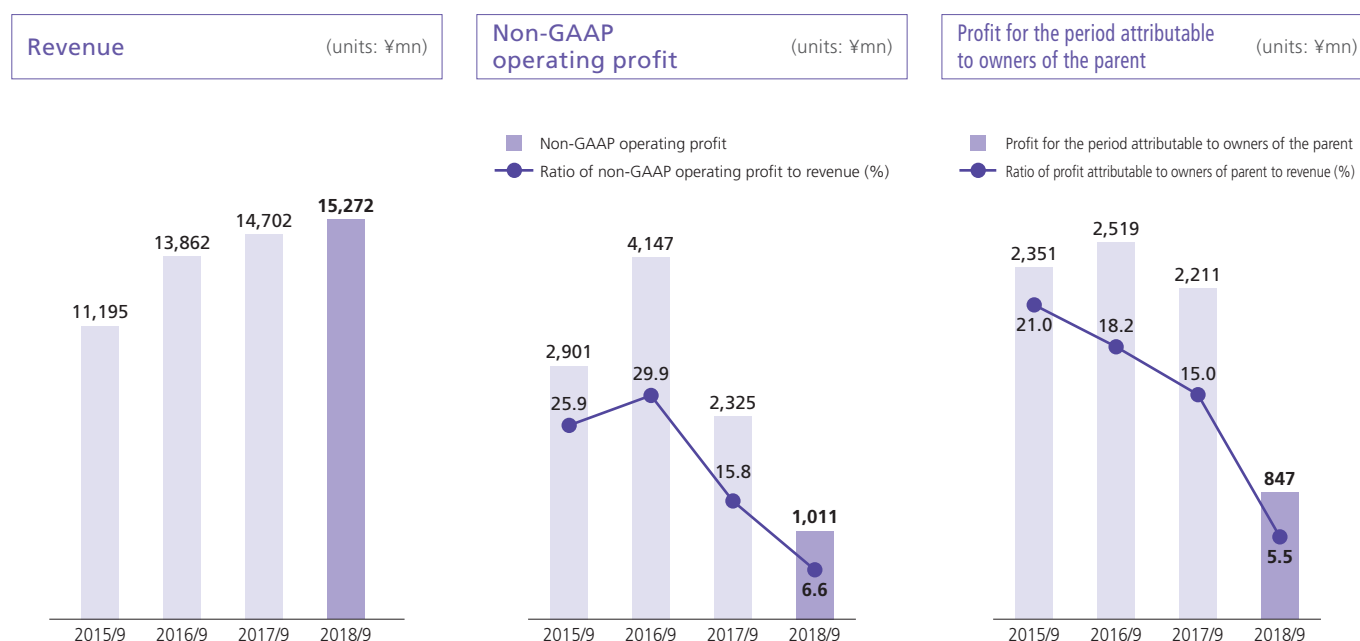
[Effective from FY9/17, Axel Mark is excluded from consolidation. Consolidated profits and losses for FY9/16 and before, with which comparisons are made, are corrected retroactively and presented after being reclassified as those of discontinued businesses.]

Consolidated Statement of Profit or Loss (units: ¥mn)

- Profits decreased on a consolidated basis due to upfront investment with the aim of strengthening competitiveness in the medium term. Even so, consolidated revenue increased due to the solid performances of areas of focus in the Internet Marketing Business such as overseas revenue, video ads, and brand advertising.

Account	2017/9	2018/9	Rate of change
Revenue	14,702	15,272	+3.9%
Non-GAAP Operating profit (*)	2,325	1,011	-56.5%
Operating profit	2,248	977	-56.5%
Profit from continuing operations	1,338	847	-36.7%
Profit for the period attributable to owners of the parent	2,211	847	-61.7%
Net sales (Reference)	72,375	72,443	+0.1%

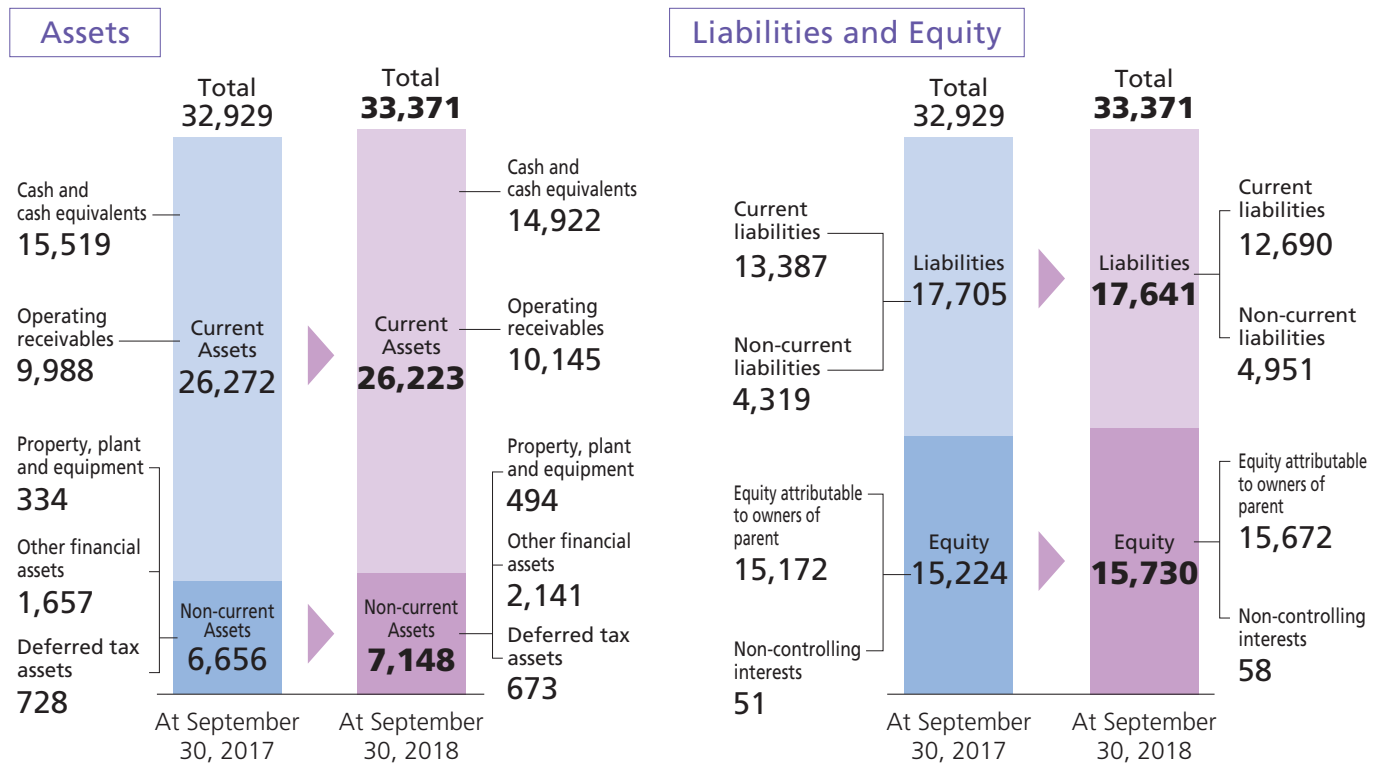
* A profit indicator of constant business performance determined by adjusting temporary factors such as impairment loss and gains and loss on the sales of non-current assets from the IFRS-based operating profit (or loss)



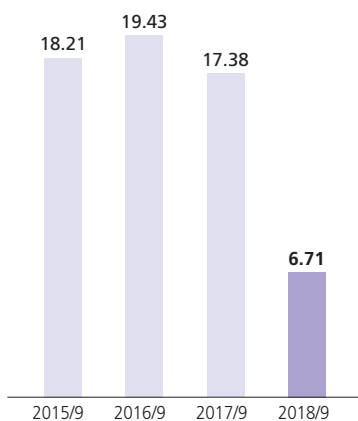
* For reference purposes, figures based on IFRS for the fiscal year ended September 2015 are listed together.

Consolidated Statement of Financial Position (units: ¥mn)

- Assets: Increased ¥443 million from the end of the previous year, mainly due to a rise in other financial assets.
- Liabilities: Decreased ¥64 million from the end of the previous year, chiefly due to a decline in trade payables.
- Capital: Increased ¥507 million from the end of the previous year, primarily reflecting an increase in retained earnings due to the posting of net profit.

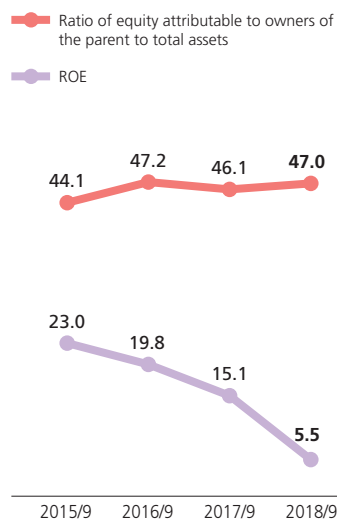


Basic earnings per share (units: ¥)

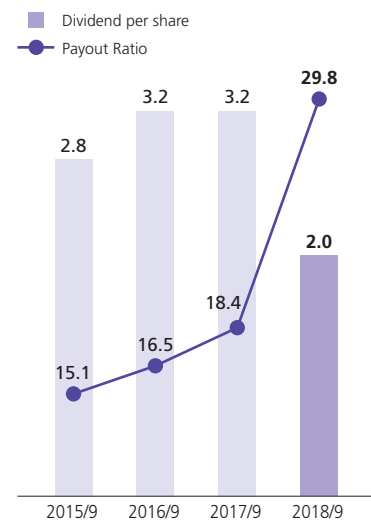


* The Company conducted a five-for-one stock split on October 1, 2016. The figures above are calculated as though the stock split had been conducted at the beginning of the fiscal year ended September 30, 2015.

Ratio of equity attributable to owners of the parent to total assets ROE (%)



Dividend per share Dividend Payout Ratio (units: ¥) (Unit: %)



* The Company conducted a five-for-one stock split on October 1, 2016. The dividends per share for past years in the above graph have been converted into post-split-adjustment amounts for comparison.

■ TOB by Dentsu Inc. and Capital/Business Alliance with Dentsu

■ Shared principle and objective of the alliance

The Company announced that it had decided to conclude a capital and business alliance agreement with Dentsu Inc. on October 30, 2018.

Through the alliance, the two companies aim to create Japan's largest digital marketing partnership that drives the industry's development, and by doing so, they will provide the best solutions to clients under an organizational environment that attracts different types of talented people from the two companies for rewarding work.

■ Capital Side

Tender offer for shares by Dentsu Inc. (hereinafter, "the TOB") and a third-party allotment	Implementation of the tender offer (TOB) by Dentsu Inc. for the Company's shares (upper limit: 20.99% in terms of the voting rights)	In the case of having reached 20.99% , resulted in TOB ⇒ No implementation of a third-party allotment In the case of being below 20.99% , resulted in TOB ⇒ Implement a third-party allotment (-20.99%)
Management policy after the completion of the TOB*	Converted into an equity-method affiliate company of Dentsu Inc. (Maintains TSE JASDAQ listing)	
	Business management is mutually independent	

* The TOB had not been completed as of the day when this report was prepared. (Tender offer period: October 31 – December 11, 2018)
 For the result of the TOB and the implementation of the third-party allotment, please see the materials for timely disclosure that will be released on or after December 11, 2018.

■ Business Side

Through the alliance, the Dentsu Group and the Company Group will be able to provide optimum solutions to clients by mutually utilizing human resources, knowledge and the technologies developed by the respective companies.

We will aim to take the following measures and create synergies, while at the same time leveraging the differences and strengths in expertise nurtured by the two companies.

Synergy expected from the alliance	Enhance the value to be offered to clients by the integrated proposal structure of online and offline advertising
	Reinforce the business foundation by mutually utilizing the management assets of both companies
	Benefits of scale by sharing knowledge and technology

Corporate Profile / Stock Information

Corporate Profile As of September 30, 2018

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	2,120 million yen
No.of Employees	1,189 permanent staff / 1,441 employees

Officers As of December 19, 2018

Representative Director	Koki Sato	(front row, second from right)
Representative Director	Isamu Ueno	(front row, third from right)
Director	Tadahiro Matsuda	(back row, center)
Outside Director	Tatsuya Kimura	(front row, right)
Outside Director	Etsuko Okajima	(front row, left)
Outside Director	Seiji Yasubuchi	(back row, right)
Outside Director	Yusuke Asakura	(back row, left)
Internal Auditor	Muneyoshi Nomura	
Internal Auditor	Nobuo Kojima	
Outside Auditor	Katsuhisa Yanagi	
Outside Auditor	Mamoru Furushima	



Ownership Structure updated on September 30, 2018

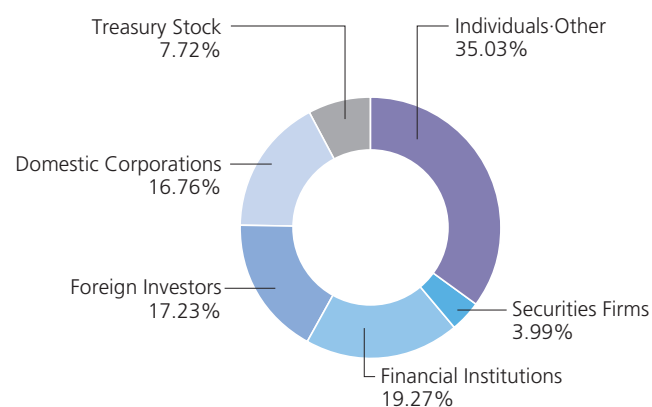
Number of shares authorized	370,080,000 units
Number of shares issued	138,856,500 units
Number of shareholders	10,201

Major Stockholders

Major shareholders	Number of shares	Shareholding
1. Village seven Co., Ltd.	15,219,000	11.88
2. Mamoru Nanamura	13,950,500	10.89
3. Japan Trustee Services Bank, Ltd. (Trust Account)	12,695,100	9.91
4. Yahoo Japan Corporation	7,000,000	5.46
5. BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/JANUS HENDERSON HORIZON FUND	6,312,400	4.93
6. The Master Trust Bank of Japan, Ltd. (Trust Account)	6,193,200	4.83
7. STATE STREET BANK AND TRUST COMPANY 505019	3,811,400	2.97
8. BNYMSANV RE GCLB RE JP RD LMGC	3,624,700	2.83
9. Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,590,300	2.02
10. Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,268,300	1.77

(Note) Excluding our major stockholders above, our company reserve 10,724,160 units of stock in our treasury.
The above shareholding ratios exclude treasury stock.

Breakdown by the Number of Holdings Shares



Corporate Philosophy

Mission	Inspiring the world with entrepreneurship
Vision	To create a strong and great company
Creed	ひねらんかい "Hinerankai" in Kansai dialect means, "Think outside the box."

Code of Conduct: Septeni Way

Speed	Speed is preferred—even if it comes with a little bit of roughness—over sophisticated but slow. We place speed first and follow a process of repeated trial and error in an effort to achieve a higher level of completion.
Stretch	Setting challenging targets We believe it is important to make innovations that meet challenging targets. The steady accumulation of day-to-day changes ultimately leads to remarkable growth.
Partnership	Achieving mutual growth We all work hard, in competition and in cooperation, from the perspective of the management team to build a better company.
Fair&Open	Make things simple and easy for anybody to understand We ensure fairness and openness in constructing an environment and relations.
Diversity	Using diversity as a competitive edge We respect all human rights and mutually recognize diversity. We work to realize working styles in which individuals can exhibit and apply their respective strengths.
Passion	Remaining passionate We believe that passion will help us increase our capacity and consistently produce positive results. We continue our own personal development to stimulate corporate growth and contribute to society.
Free&Rule	Freedom within discipline The decisions we make are not dictated by whether something is beneficial, but whether it is right. We comply with the corresponding regulations and ordinance and with the spirit of law, while concentrating on doing our jobs seriously yet happily.