

Business Results for 2Q Fiscal Year September 2015

April 30, 2015

SEPTENI HOLDINGS CO., LTD.
<http://www.septeni-holdings.co.jp/en/>
Securities Code: 4293



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1. Quarterly Consolidated Earnings Overview

**Consolidated
results**

Net Sales: **¥15,495mn** (Up 8.8% year on year)

Operating income: ¥616mn (Up 0.9% year on year)

Operating income **exceeded** the initial forecast by approx. **12%**,
securing a year-on-year **increase**.

**Internet
Marketing
Business**

Net Sales: **¥14,615mn** (Up 15.6% year on year)

Operating income: ¥ 830mn (Up 21.7% year on year)

Profitability improved with steady business growth.
Operating income reached **a new record high**.

**Media
Content
Business**

Net Sales: **¥ 953 mn** (Up 11.4% year on year)

Operating income: ¥ -118 mn (Down ¥ 83mn year on year)

The Mobile Game Business released a couple of new native games.

Income growth in the Internet Marketing Business led to the consolidated performance.

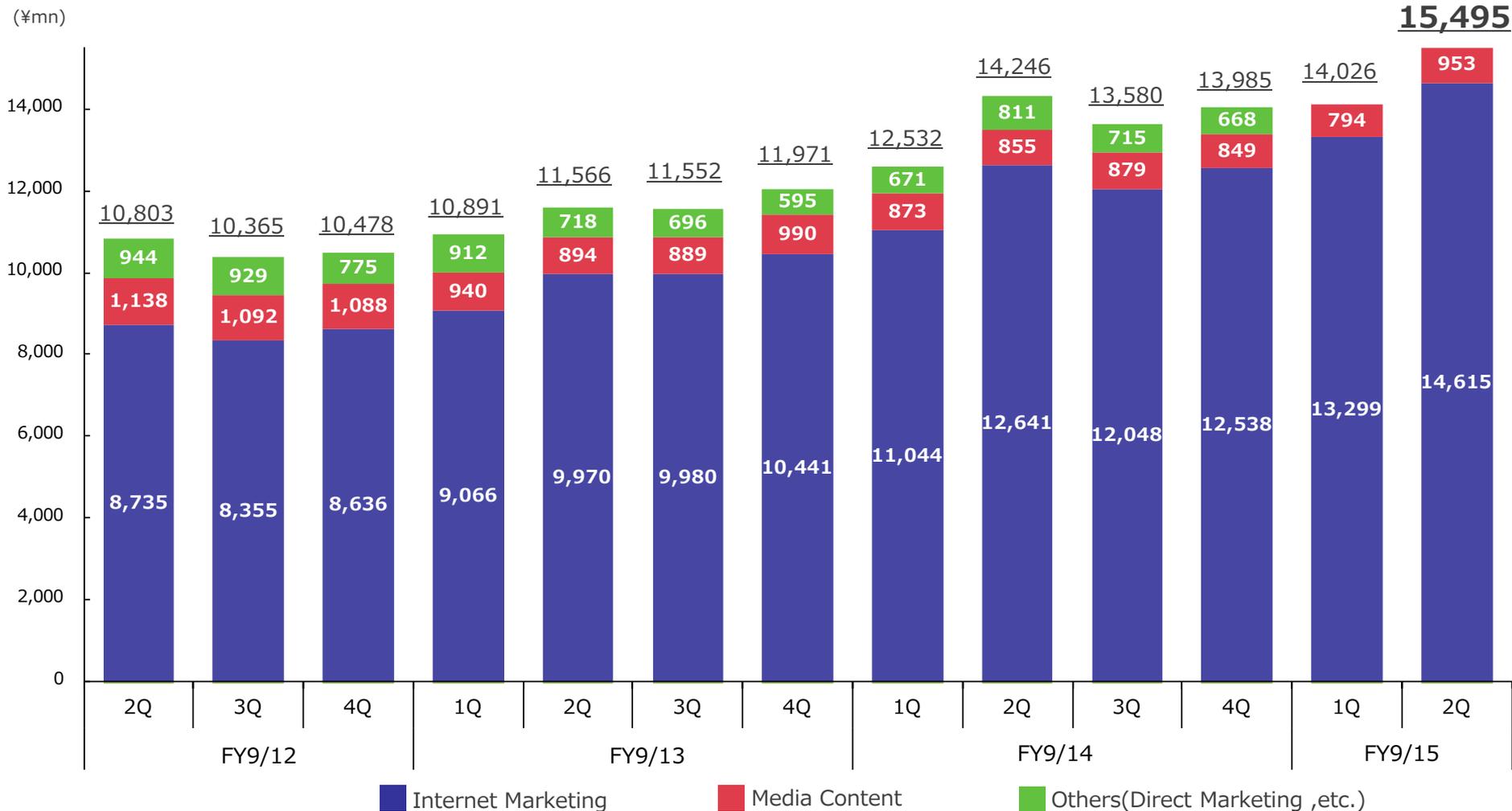
- Both net sales and gross income reached **new record highs**, and the gross margin also improved year on year.
- **The higher operating income** year on year was secured by offsetting upfront investments in the Media Content Business and the negative impact from the sales of the Direct Marketing Business.

(units: ¥mn)	2Q FY9/15			2Q FY9/14		2Q FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	15,495	100.0%	+8.8%	14,246	100.0%	15,200
Gross Income	2,801	18.1%	+11.3%	2,516	17.7%	—
SG&A	2,184	14.1%	+14.7%	1,905	13.4%	—
Operating Income	616	4.0%	+0.9%	611	4.3%	550
Ordinary Income	714	4.6%	+11.3%	642	4.5%	590
Net Income	432	2.8%	+15.1%	375	2.6%	350
EBITDA	719	4.6%	+4.5%	688	4.8%	

※ EBITDA = Operating Income + Depreciation and amortization + Amortization of goodwill

Net Sales
(by Business Segment)

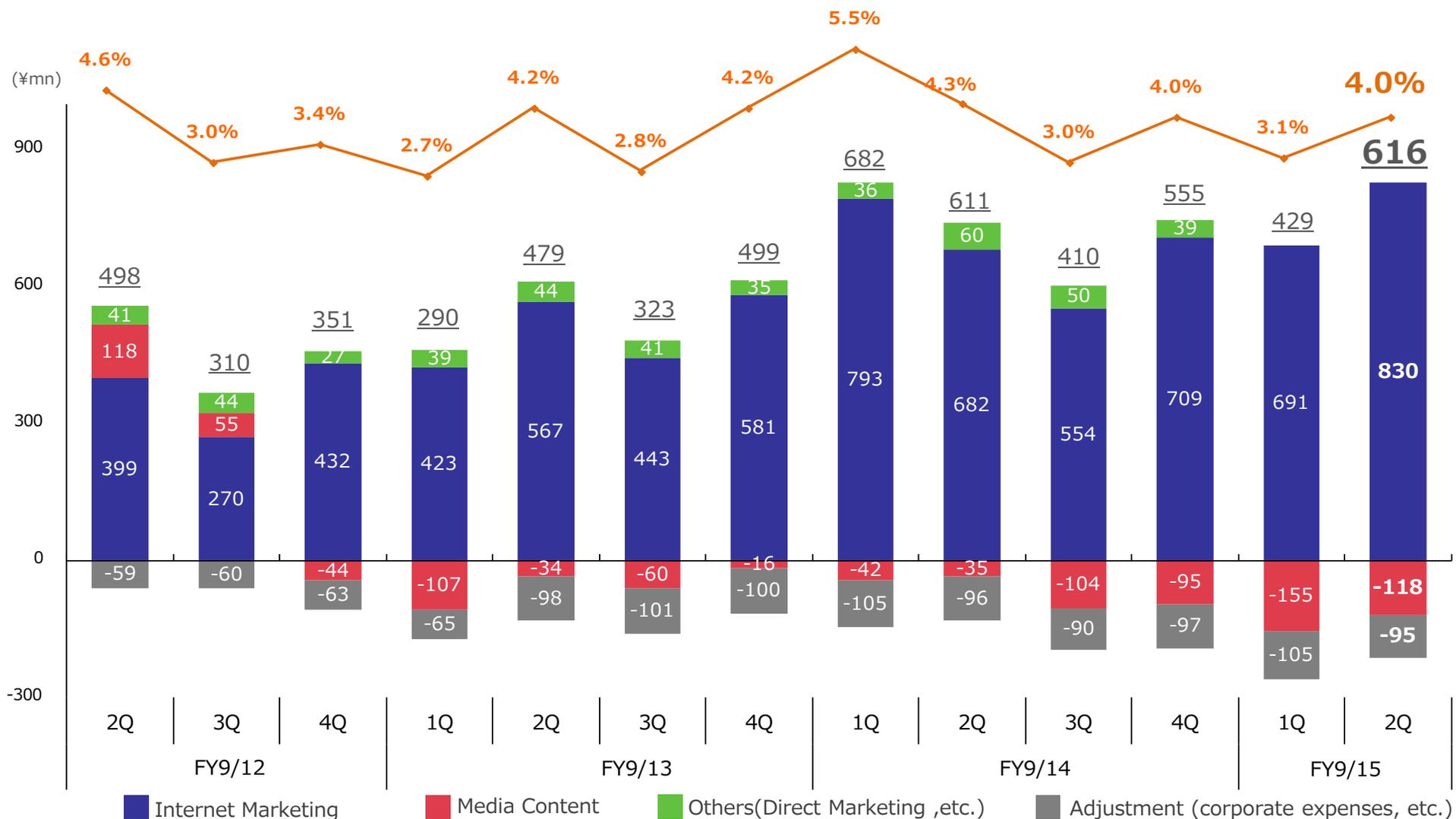
Consolidated net sales were up 10.5% quarter on quarter ,
and reached **a new record high**.



*Because the net sales of each business include inter-segment sales, the total net sales of each business do not match the consolidated net sales (underlined figures).

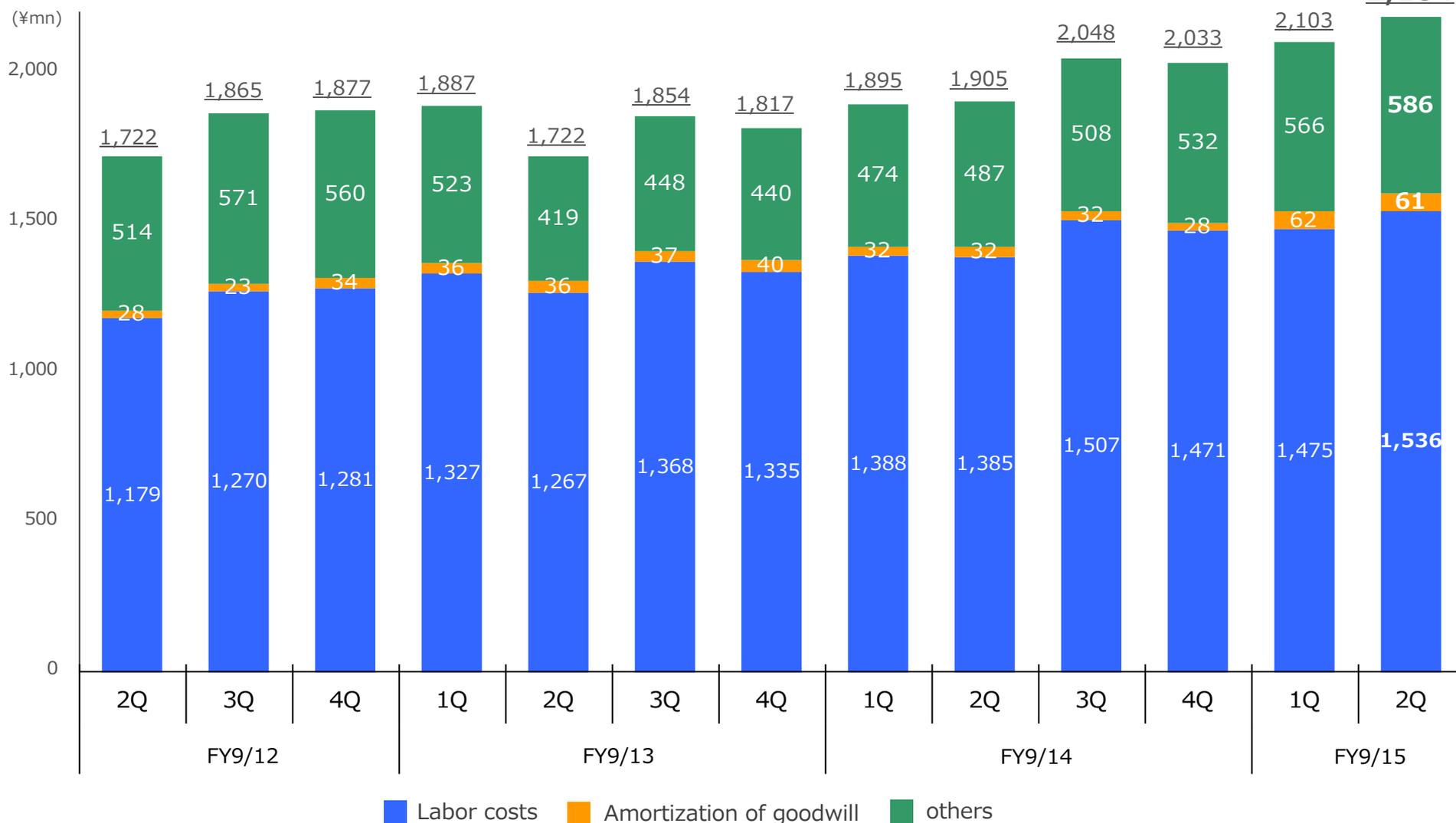
Operating Income (by Business Segment)

Consolidated operating income came to a record level for the 2Q results



SG&A

Labor costs, amortization of goodwill, office rents and other items increased year on year.



2. Internet Marketing Business

All indicators, net sales, gross income and operating income, reached **new record highs**.

The gross margin improved significantly.

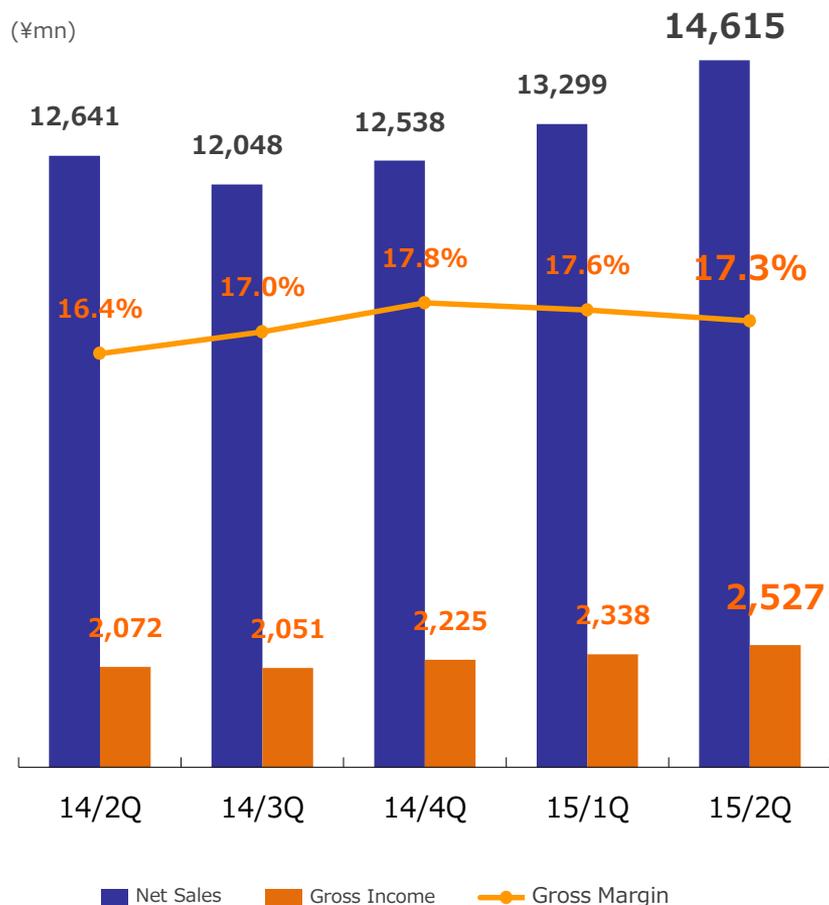
The operating margin rose to **5.7%** by offsetting an increase in SG&A expenses, mainly reflecting labor costs and the amortization of goodwill.

Smartphone advertising continued to grow, its constitution ratio in the Internet Marketing Business amounting to a **58%** share.

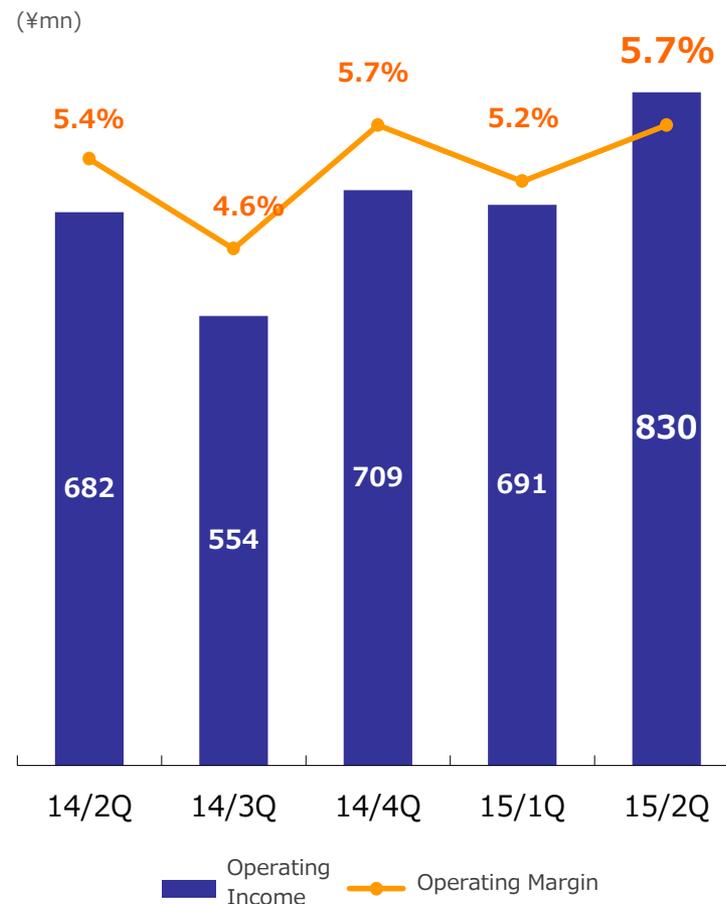
(units: ¥mn)	2Q FY9/15			2Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	14,615	100.0%	+15.6%	12,641	100.0%
Gross Income	2,527	17.3%	+21.9%	2,072	16.4%
SG&A	1,696	11.6%	+22.0%	1,390	11.0%
Operating Income	830	5.7%	+21.7%	682	5.4%

**Net Sales
Gross Income**

Both net sales and gross income reached **new record highs**.


Operating Income

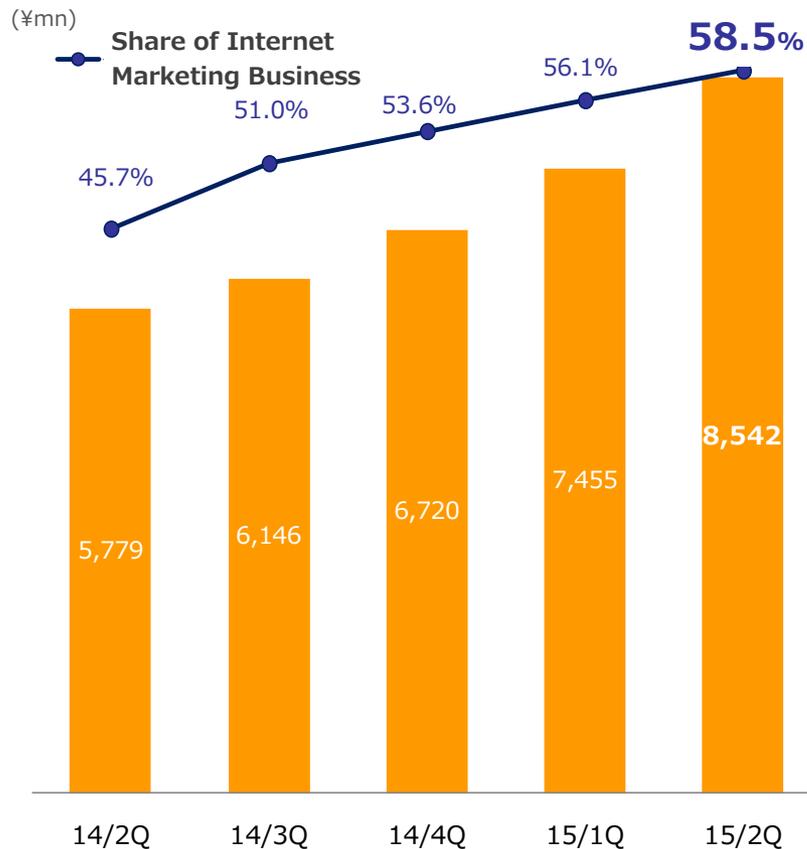
Operating income hit **a new record high**.



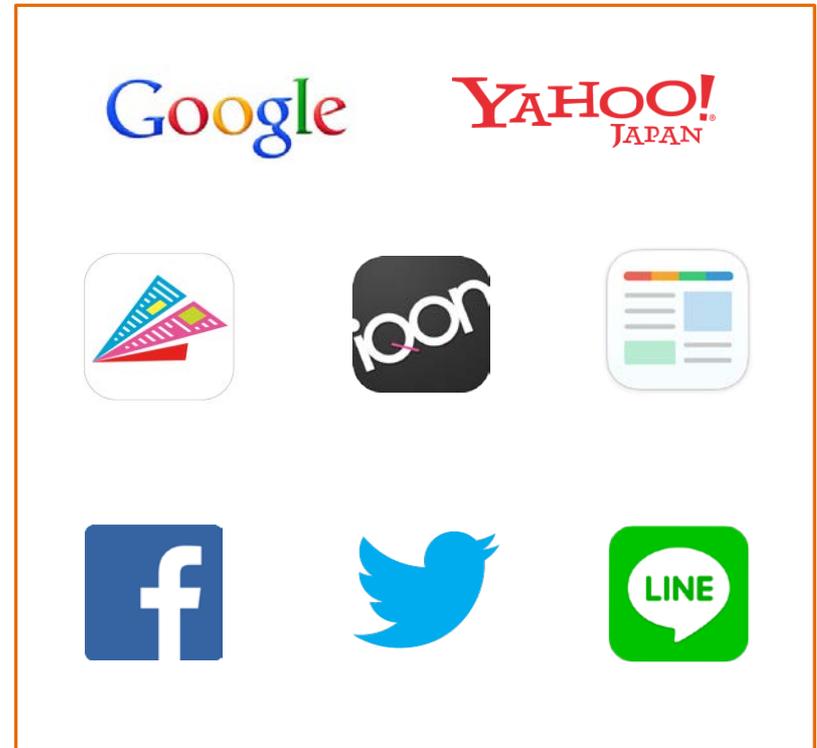
Sales were around **1.5 times** the level one year ago.

Native advertising, centered in Gunosy and SmartNews, continued its solid performance.

Smartphone Advertising Sales Trend



Main business media

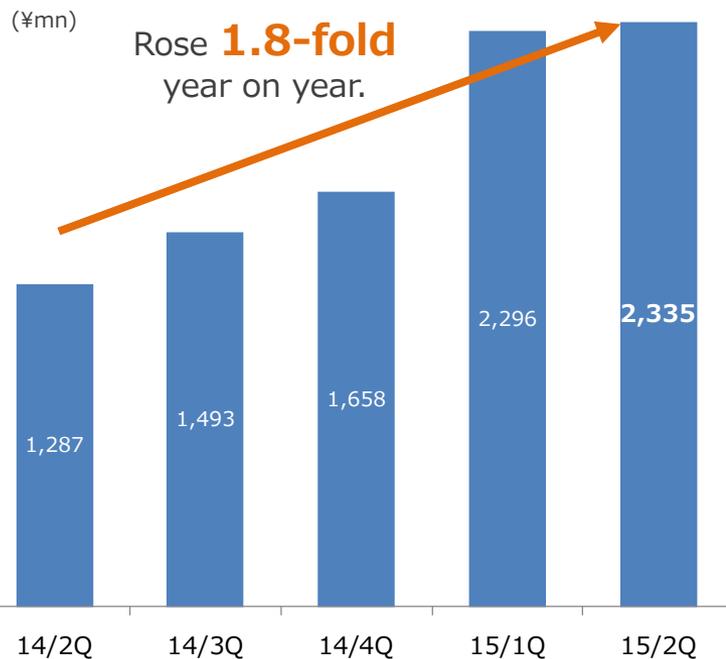


Facebook advertising remained steady in Japan chiefly reflecting the expansion of overseas distribution, but Facebook advertising handled by the subsidiary in South Korea fell quarter on quarter due to seasonal factors.

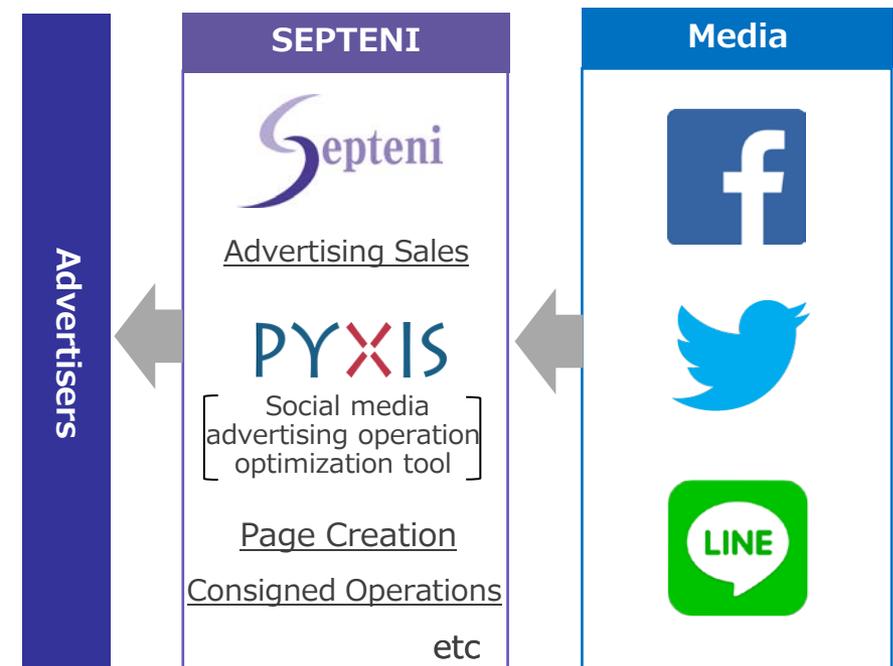
Twitter advertising continued to record strong growth, and net sales of the Social Media Business rose approx. **1.8-fold** year on year.

Social Media Business Sales Trend

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



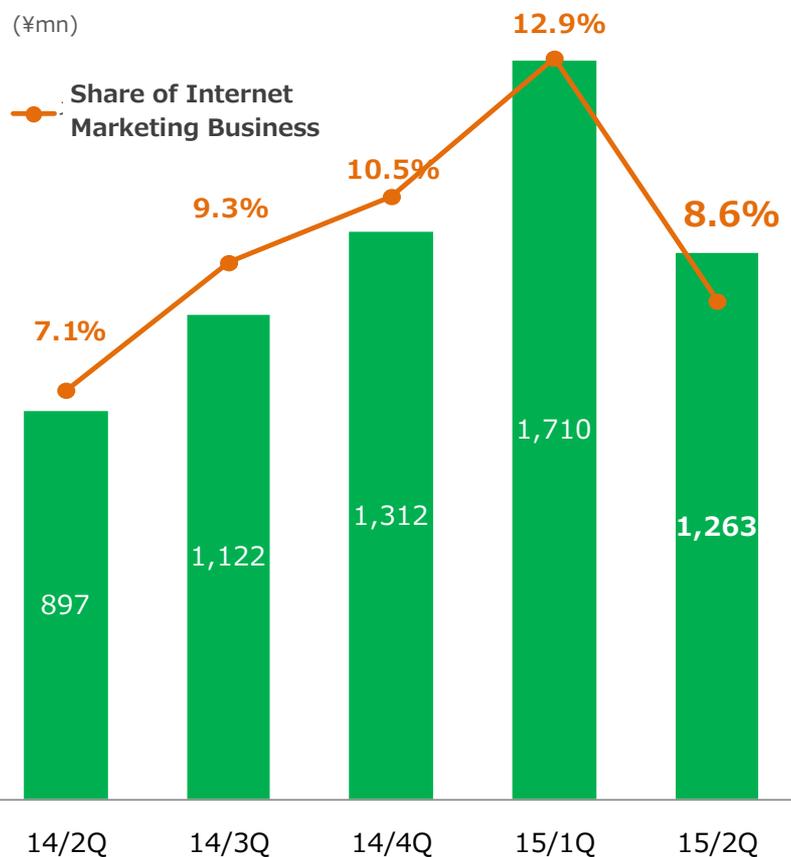
Business Model



Sales were around **1.4 times** the level one year ago.

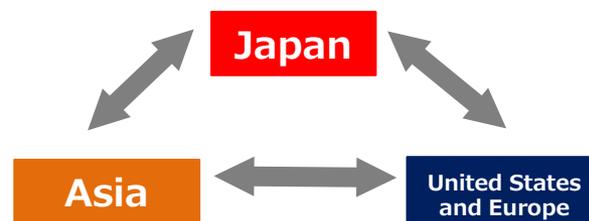
Partly due to seasonal factors, advertising in certain large-scale projects was restrained, resulting in lower net sales quarter on quarter.

Overseas sales Trend



Business model

Operating out of **sales bases in four locations** overseas with **a cross-border trading system** established for Internet advertising



3. Media Content Business

Net sales increased as a result of the release of the mobile games *dragon parade* and *KINGDOM–Eiyuno keifu–*.

Axel Mark secured an operating income partly reflecting expense control by reviewing recruiting and advertising plans.

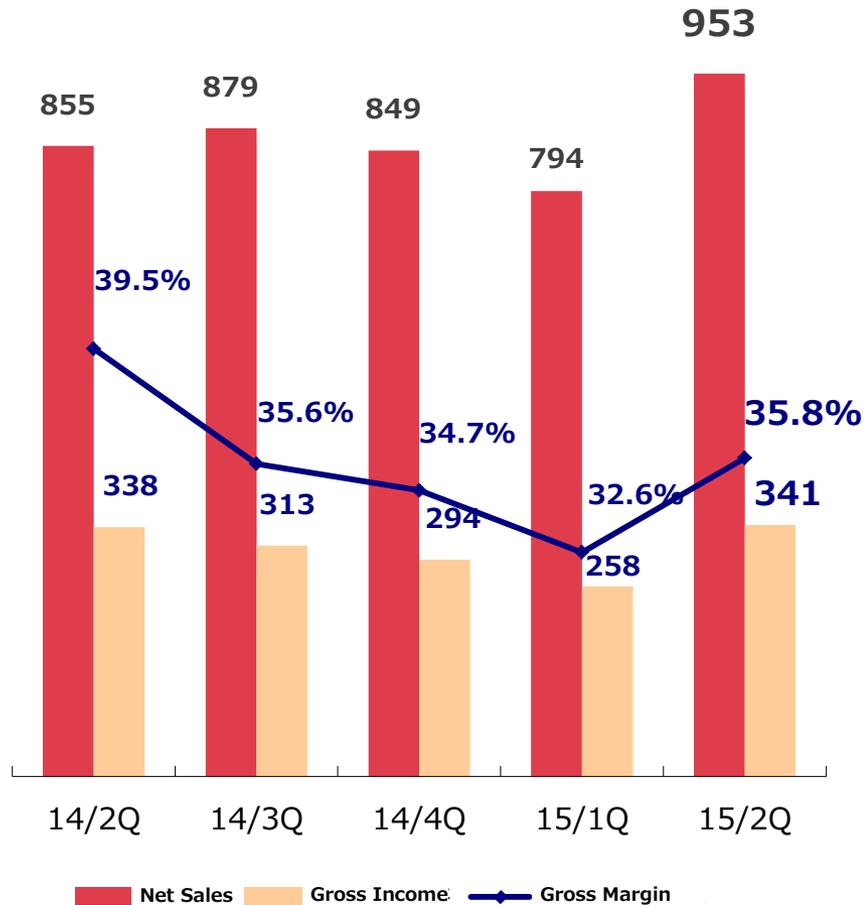
The Manga Content Business strengthened initiatives to commercialize its own intellectual property.

Operating losses associated with new businesses amounted to ¥120 million, due to continued upfront investments for the cultivation of Manga artists and the enhancement of the distribution service.

(units: ¥mn)	2Q FY9/15			2Q FY9/14	
	Value	Share	YY Change	Value	Share
Net Sales	953	100.0%	+11.4%	855	100.0%
Gross Income	341	35.8%	+0.9%	338	39.5%
SG&A	459	48.2%	+23.1%	373	43.7%
Operating Income	- 118	- 12.4%	(- 83)	- 35	- 4.1%

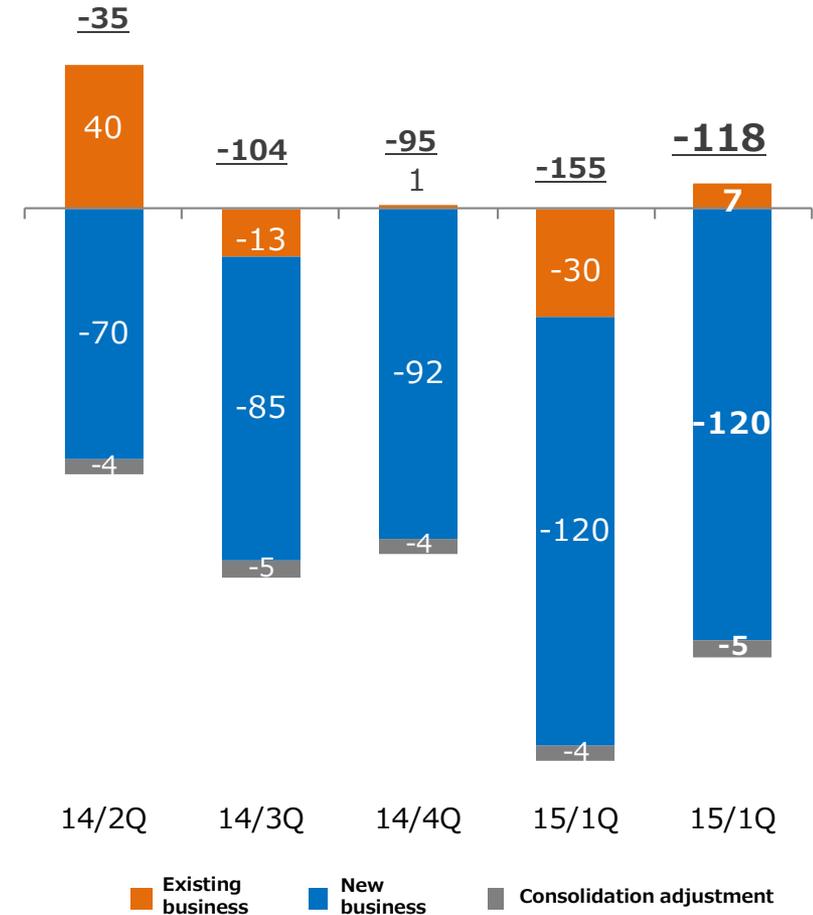
Net Sales, Gross Income

(¥mn)



Operating Income

(¥mn)



New titles released in 2Q

dragon parade

(A native game to start being distributed in January 22 in 2015)



©SEGA / AXEL GameStudio

KINGDOM-Eiyuno keifu-

(A native game to start being distributed in March 12 in 2015)



©YASUHISA HARA, SHUEISHA/NHK, NEP, PIERROT
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Development in the future

A major update for *dragon parade* is planned for May 2015.



©SEGA / AXEL GameStudio

DIRGE OF ROAR (provisional name) is currently under development. The release is expected once partner companies are determined.



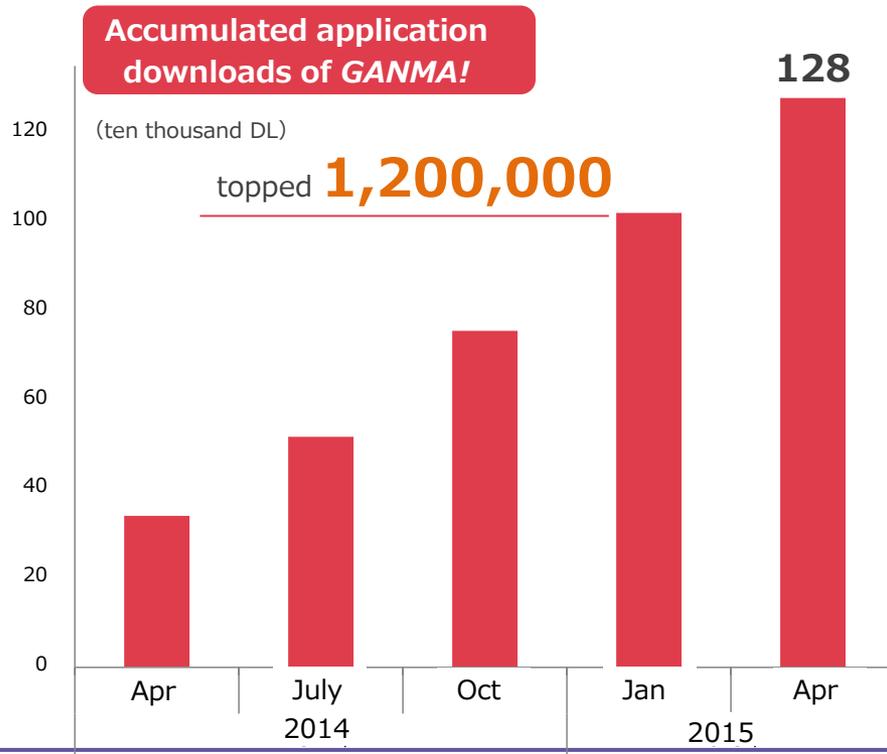
The number of monthly PV for *GANMA!* topped **250 million** (April 2015).

The iOS application has been renewed.

It has been decided that *Million Doll* will be made into a TV cartoon (scheduled to be aired in the summer of 2015).

Prior to the broadcasting of the cartoon, a radio program with the cast (voice actors) started in April.

Cat is silver vine was published (on April 30, 2015).



© Ai/COMICSMARTINC./
"milliondoll" Committee



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4. First half FY9/15 Consolidated Earnings and 3Q Earning Estimates

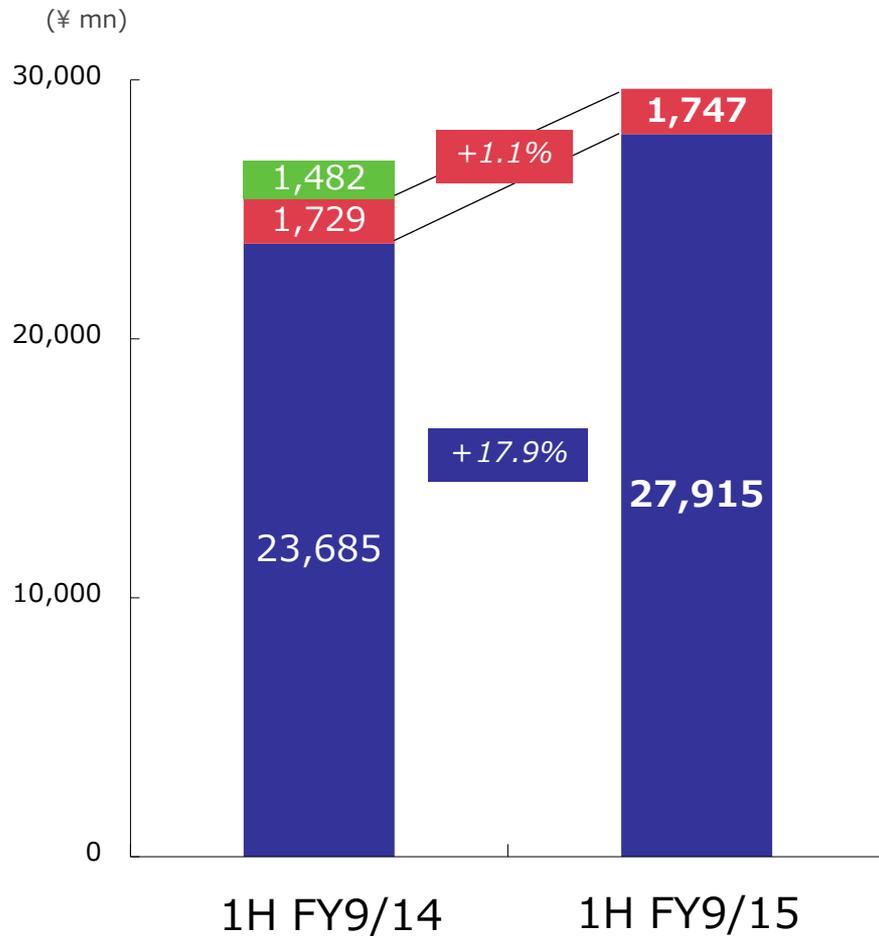
Net sales maintained double-digit growth, reflecting steady business expansion in the Internet Marketing Business.

Operating income exceeded the initial forecast, but it declined year on year, mainly reflecting upfront investments in the Media Content Business.

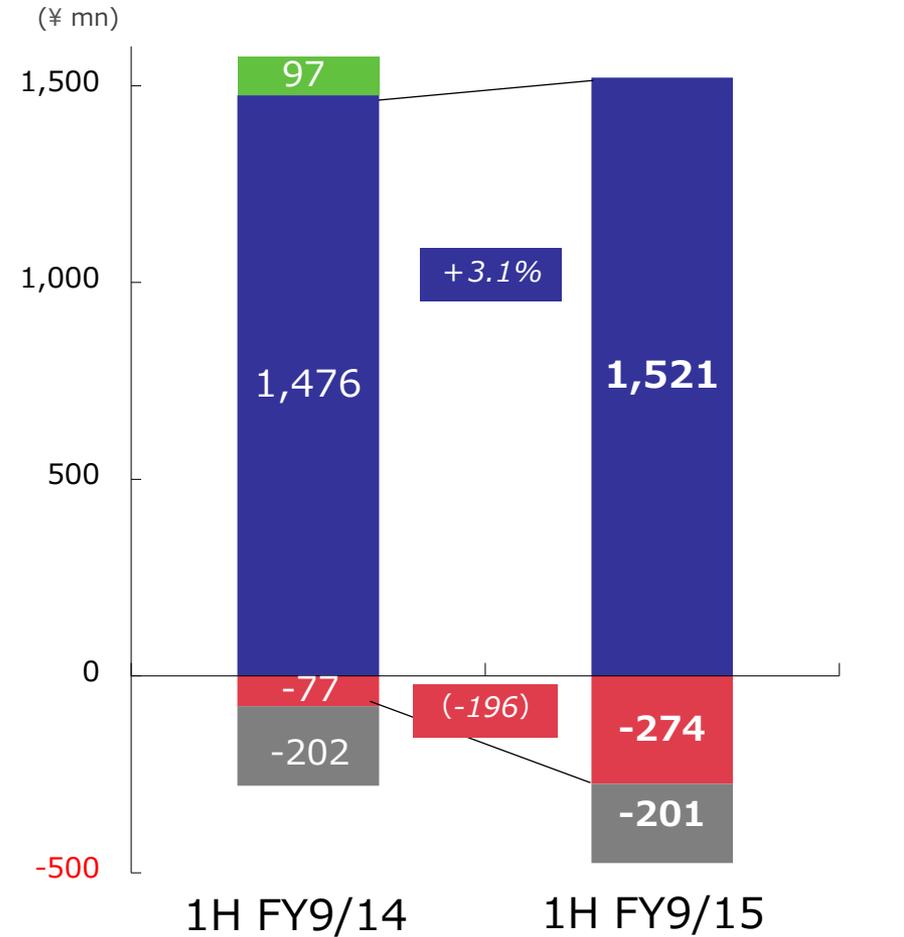
Net income grew significantly, given extraordinary income as a result of the sales of the Direct Marketing Business subsidiary.

(units: ¥mn)	First half FY9/15			First half FY9/14		First half FY9/15 Estimate
	Value	Share	YY Change	Value	Share	
Net Sales	29,522	100.0%	+10.2%	26,779	100.0%	29,226
Gross Income	5,334	18.1%	+4.7%	5,094	19.0%	—
SG&A	4,288	14.5%	+12.8%	3,800	14.2%	—
Operating Income	1,046	3.5%	-19.1%	1,293	4.8%	979
Ordinary Income	1,194	4.1%	-13.4%	1,380	5.2%	1,070
Net Income	1,466	5.0%	+85.9%	789	3.0%	1,384
EBITDA	1,244	4.2%	-13.8%	1,444	5.4%	

Net Sales



Operating Income



■ Internet Marketing

■ Media Content

■ Others(Direct Marketing ,etc.)

■ Adjustment (corporate expenses, etc.)

The consolidated operating income in 3Q (Apr-Jun) is expected to rise 12% year on year.

In April, 104 new graduate employees joined the company.

In 3Q (Apr-Jun), the typical period for upfront investment in human resources, SG&A expense burdens will increase, centered on labor costs.

The Internet Marketing Business is expected to achieve year-on-year growth in both sales and income.

The Media Content Business is expected to record lower sales and the extent of the losses is likely to grow, reflecting the fact that there will be no new game releases and upfront investments in the Manga Content Business will also continue.

(units: ¥mn)			Earnings in 1Q-3Q FY9/14			Earnings Estimates for1Q-3Q FY9/15	Expected growth rate (1Q-3Q)
	Earnings in 1H FY9/14	Earnings in 3Q FY9/14		Earnings in 1H FY9/15	Earnings Estimate for 3Q FY9/15		
Net Sales	26,779	13,580	40,360	29,522	15,800	45,322	+ 12.3%
Operating Income	1,293	410	1,703	1,046	460	1,506	- 11.6%
Ordinary Income	1,380	399	1,779	1,194	470	1,664	- 6.5%
Net Income	789	398	1,187	1,466	310	1,776	+49.5%

(units: ¥mn)

	Net Sales			Operating Income		
	Earnings in 3Q FY9/14	Earnings Estimates for 3Q FY9/15	YY Change	Earnings in 3Q FY9/14	Earnings Estimates for 3Q FY9/15	YY Change
Internet Marketing Business	12,048	15,100	+25.3%	554	706	+27.4%
Media Content Business	879	775	-11.9%	-104	-146	(-41)
Other (Direct Marketing)	715	-	(-715)	50	-	(-50)
Elimination or corporate	-62	-75	(-12)	-90	-100	(-10)
Total	13,580	15,800	+16.3%	410	460	+12.2%

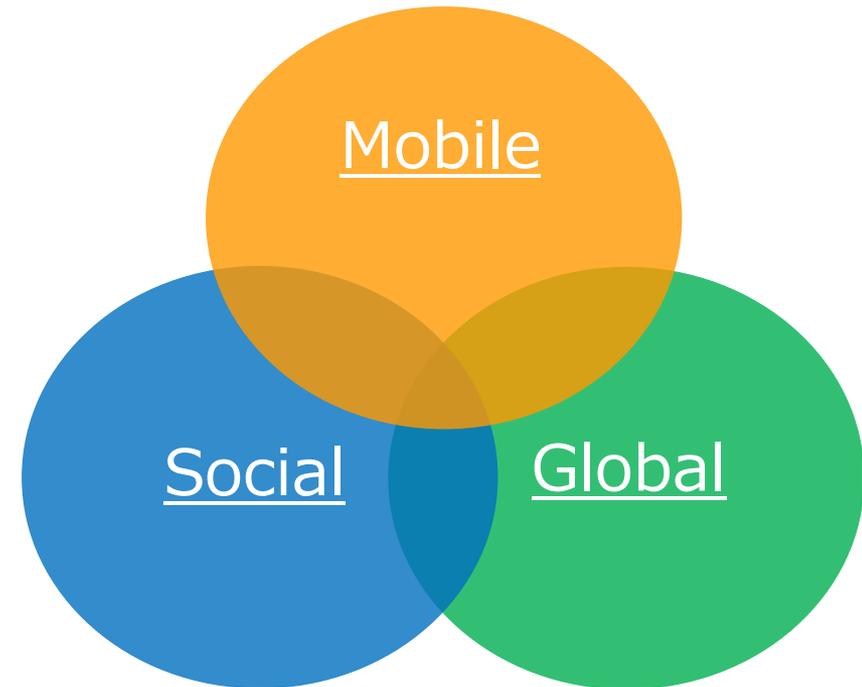
Concept

“Double profits”

Increase the share of highly profitable businesses

Create a mainstay business second to advertising

Business Focus



Thank you for your interest!

Contact Information

SEPTENI HOLDINGS CO., LTD.

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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 April 30, 2015 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.

5. Appendix

As of March 31, 2015

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Securities Code	4293 (JASDAQ)
Business Realm	The holding company for a group of companies conducting primarily Internet-related and other businesses
Established	October 29, 1990
Capitalization	¥2,066 million
Shares Issued	27,693,200 shares (Including 1,784,600 treasury shares)
Consolidated Workforce	769 full time employees, 922 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

April 30, 2015

Internet Marketing Business

SEPTENI CO., LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni America, Inc.	Internet marketing business for North America region
MANGO Inc.	SEM Operation Business	Septeni Europe Co.,Ltd	Internet marketing business for Europe region
Vasara Inc.	Internet ad agency	SEPTENI TECHNOLOGY CO., LTD.	Web service development
HighScore, Inc.	Social Media Marketing Support Business	JNJ INTERACTIVE INC.	Internet ad agency in South Korea
EAGLE i Co., Ltd.	Advertising Network Business	SETPENI CROSSGATE CO., LTD.	Ad Network and Platform Business
Septeni Original,Inc.	Planning and developing its own services	ASP CO., LTD.	e-marketing solutions
Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region	Tricorn Corporation	CRM Service Business

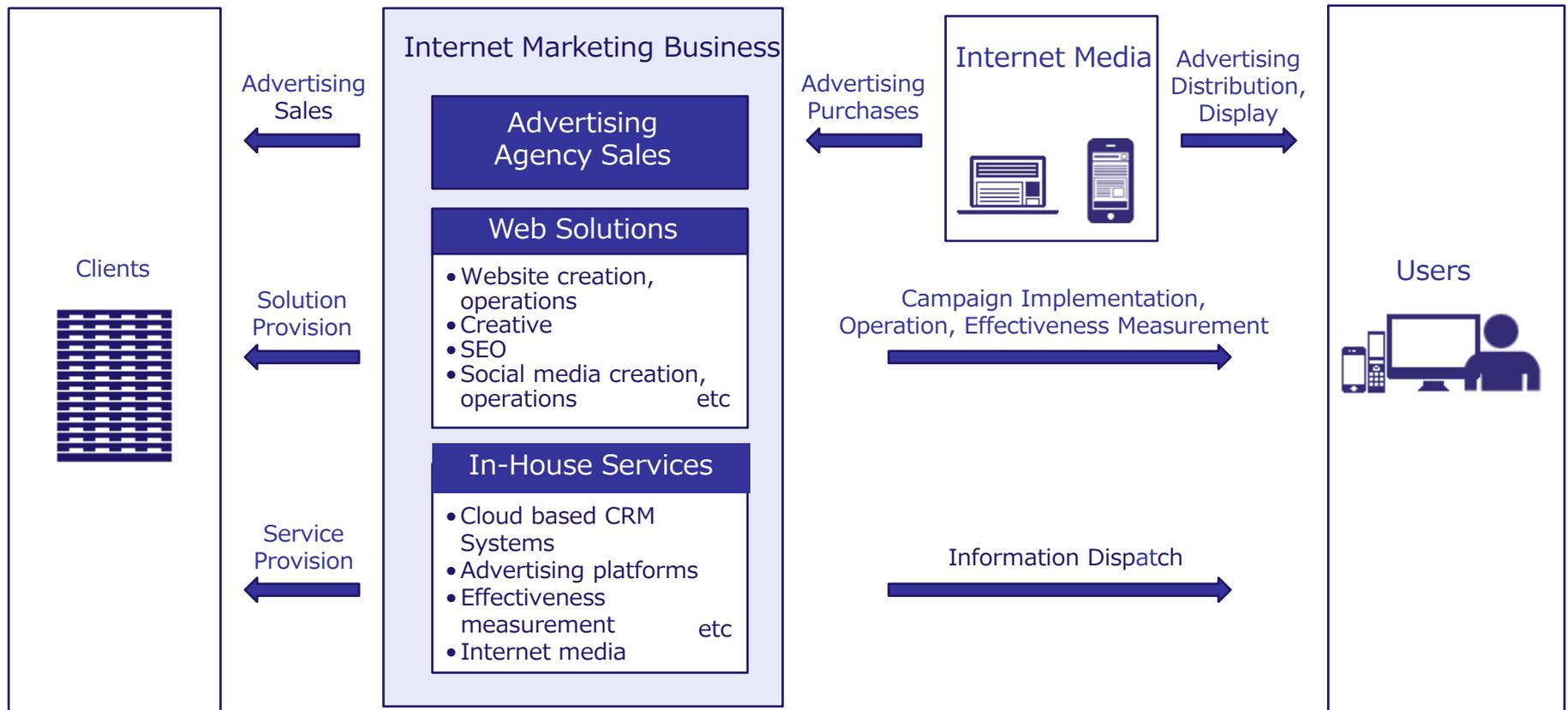
Media Content Business

AXEL MARK INC.	Mobile Content Business	ViViVit, Inc.	Matching-type recruitment platform
COMICSMART Inc.	Manga Content Business	gooddo, Inc.	Platform business of social contribution

New Business Development

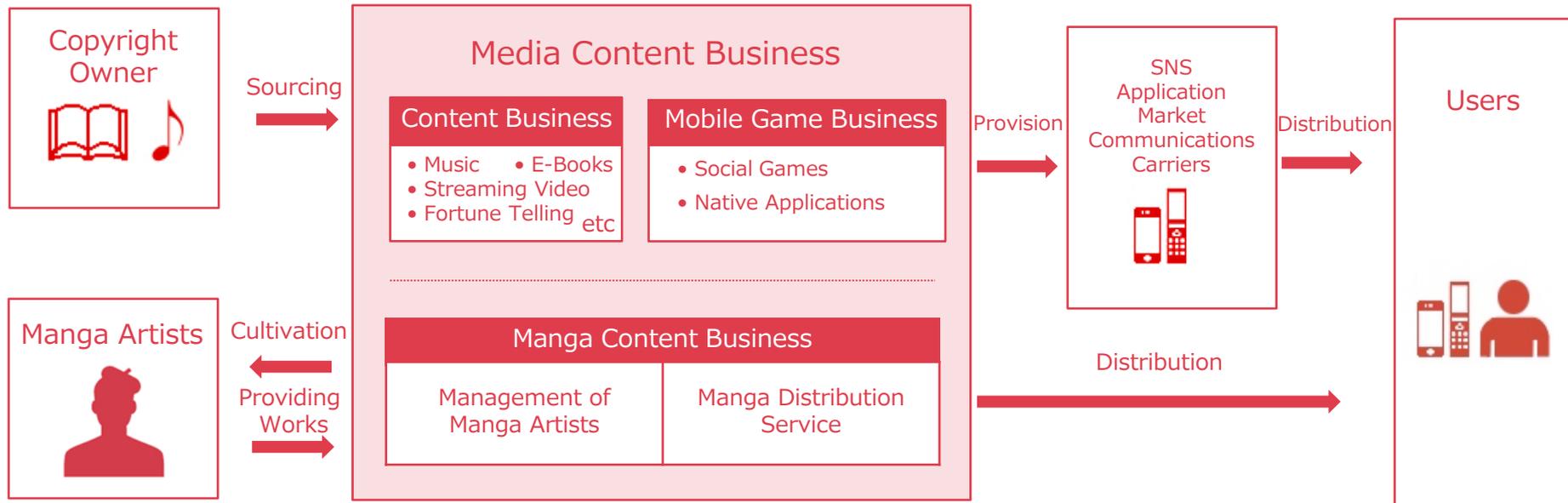
SEPTENI VENTURES Co., Ltd.

Comprehensive **Marketing Support Services** for corporations leveraging the Internet. Internet advertising sales and provision of various web solutions, We will **provide In-House Services** such as marketing platforms including an ad network and cloud-based CRM services.



The Media Content Business **plans and develops digital content**, including social games, primarily for smartphones, and provides it to users through SNS, the application market, and other platforms.

The business also develops and produces Manga artists and distributes Manga works, aiming to **plan and develop our own intellectual property**.



	End 2Q FY9/15	End 1Q FY9/15	Change	Main Changes
(units: ¥mn)				
Current Assets	19,494	18,922	+ 571	Cash and deposits: – 393 Notes and accounts receivable-trade: +1,094 Unfinished products: – 98
Non-current Assets	3,192	3,069	+ 122	Deferred tax assets: + 58 Investment securities: + 55
Total Assets	22,686	21,992	+ 693	
Current Liabilities	11,055	10,727	+ 328	Accounts Payable: + 253 Short-term loans payable: – 119 Unpaid taxes: + 364
Non-current Liabilities	241	283	– 41	Long-term loans payable: – 41
Total Liabilities	11,297	11,010	+ 286	
Total Net Assets	11,389	10,981	+ 407	Retained earnings: + 432
Total Liabilities, Net Assets	22,686	21,992	+ 693	

(units: ¥mn)

	2Q FY9/15 (Jan-Mar)	Main Changes	2Q FY9/14 (Jan-Mar)
Cash Flows from Operating Activities	-108	Net income before taxes: +714 Increase in notes and accounts receivable-trade: -1,094 Increase in accounts payable: +253	582
Cash Flows from Investing Activities	88	Time deposits: +204 Acquisition of non-current assets: -78	-479
Cash Flows from Financing Activities	-160	Decrease in loans payable: -161	-39
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-8		-6
Net Increase (Decrease) in Cash and Equivalents	-189		57
Cash and Equivalents at Term End	9,740		6,729

(units : people)

