

# Business Results for 3Q Fiscal Year September 2015

July 30, 2015

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



1. Quarterly Consolidated Earnings Overview
2. Internet Marketing Business
3. Media Content Business
4. 1Q-3Q FY9/15 Consolidated Earnings and 4Q(Full Year) Earning Estimates
5. Appendix

# 1. Quarterly Consolidated Earnings Overview

**Consolidated  
results**

**Net Sales:**                    **¥16,588mn** (Up **22.1%** year on year)

**Operating income:** **¥755mn** (Up **84.1%** year on year)

Both Net Sales and Operating income reached  
**new record highs** on a quarterly basis.

---

**Internet  
Marketing  
Business**

**Net Sales:**                    **¥15,910mn** (Up **32.1%** year on year)

**Operating income:** **¥981mn** (Up **77.0%** year on year)

High growth was achieved in key businesses focused on  
“Mobile,” “Social,” and “Global.”

---

**Media  
Content  
Business**

**Net Sales:**                    **¥750mn** (Down 14.6% year on year)

**Operating income:** **¥ – 133mn** (Down ¥29mn year on year)

Upfront Investment in the Manga Content Business is continued.

---

The growth rate in net sales reached the 20% range for the first time in five quarters, driven by significant business expansion in the Internet Marketing Business.

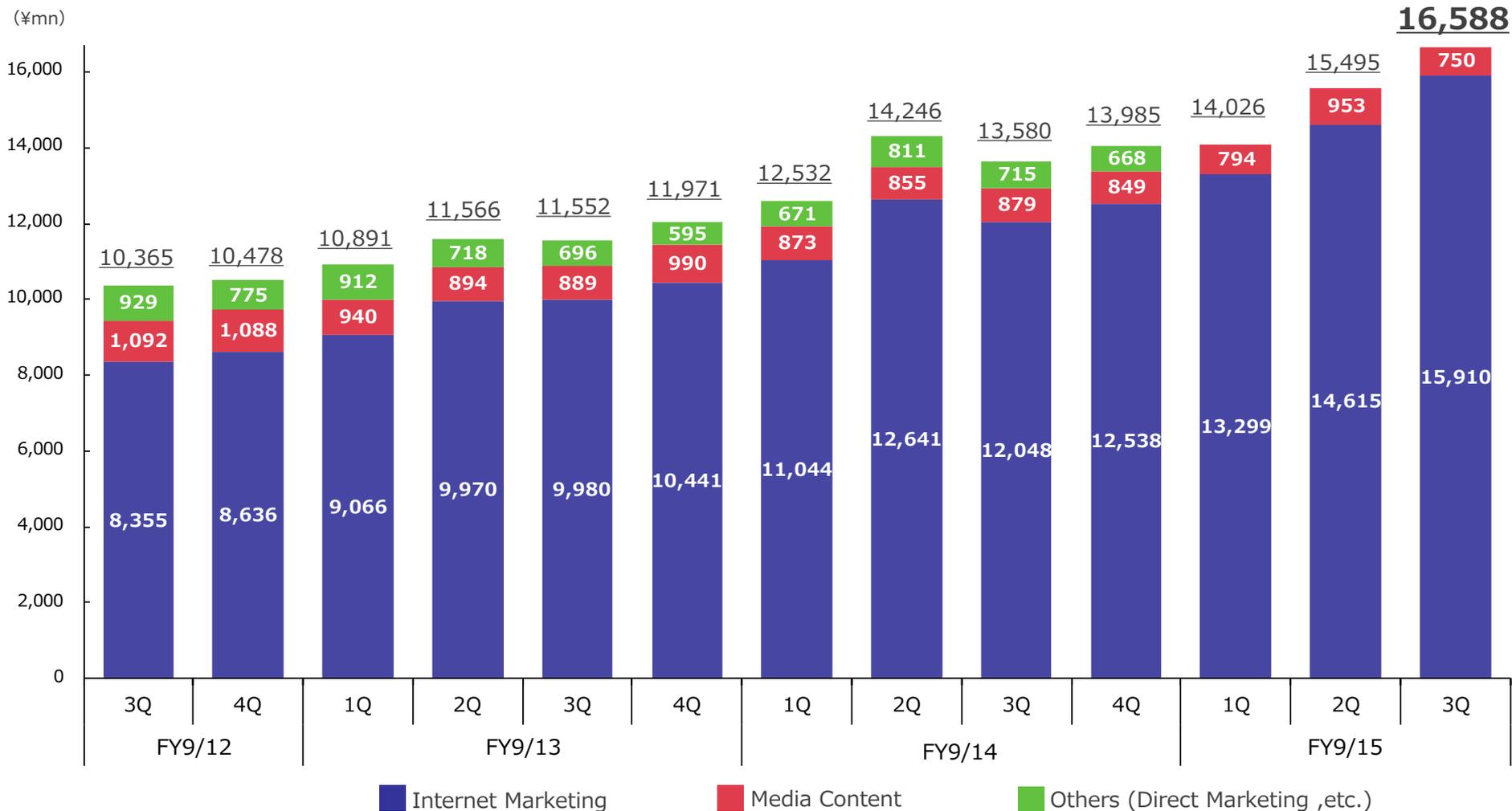
Operating income was **up 84.1%** year on year, achieving significant growth in profit thanks to the impact of higher sales. This profit growth absorbed the increase in SG&A, which largely stemmed from the labor expenses of hiring 104 new graduate employees throughout the entire group.

| (units: ¥mn)     | 3Q FY9/15     |        |              | 3Q FY9/14 |        | 3Q<br>FY9/15<br>Estimate |
|------------------|---------------|--------|--------------|-----------|--------|--------------------------|
|                  | Value         | Share  | YY<br>Change | Value     | Share  |                          |
| Net Sales        | <b>16,588</b> | 100.0% | +22.1%       | 13,580    | 100.0% | 15,800                   |
| Gross Income     | <b>3,052</b>  | 18.4%  | +24.2%       | 2,458     | 18.1%  | —                        |
| SG&A             | <b>2,297</b>  | 13.9%  | +12.2%       | 2,048     | 15.1%  | —                        |
| Operating Income | <b>755</b>    | 4.6%   | +84.1%       | 410       | 3.0%   | 460                      |
| Ordinary Income  | <b>802</b>    | 4.8%   | +100.7%      | 399       | 2.9%   | 470                      |
| Net Income       | <b>481</b>    | 2.9%   | +20.6%       | 398       | 2.9%   | 310                      |
| EBITDA           | <b>858</b>    | 5.2%   | +74.4%       | 492       | 3.6%   |                          |

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

## Net Sales (by Business Segment)

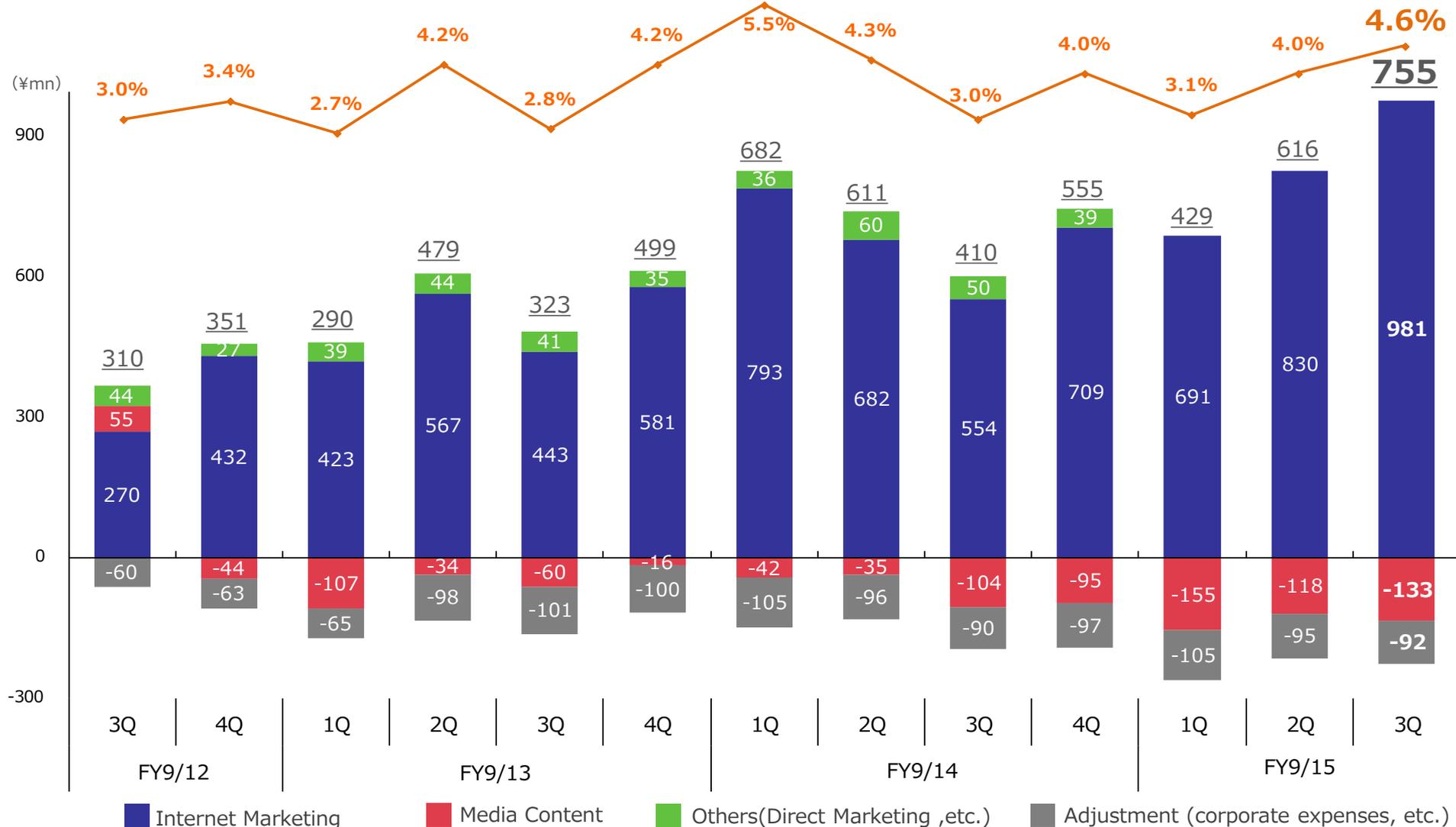
Net Sales reached a new record high on a quarterly basis.



\*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).

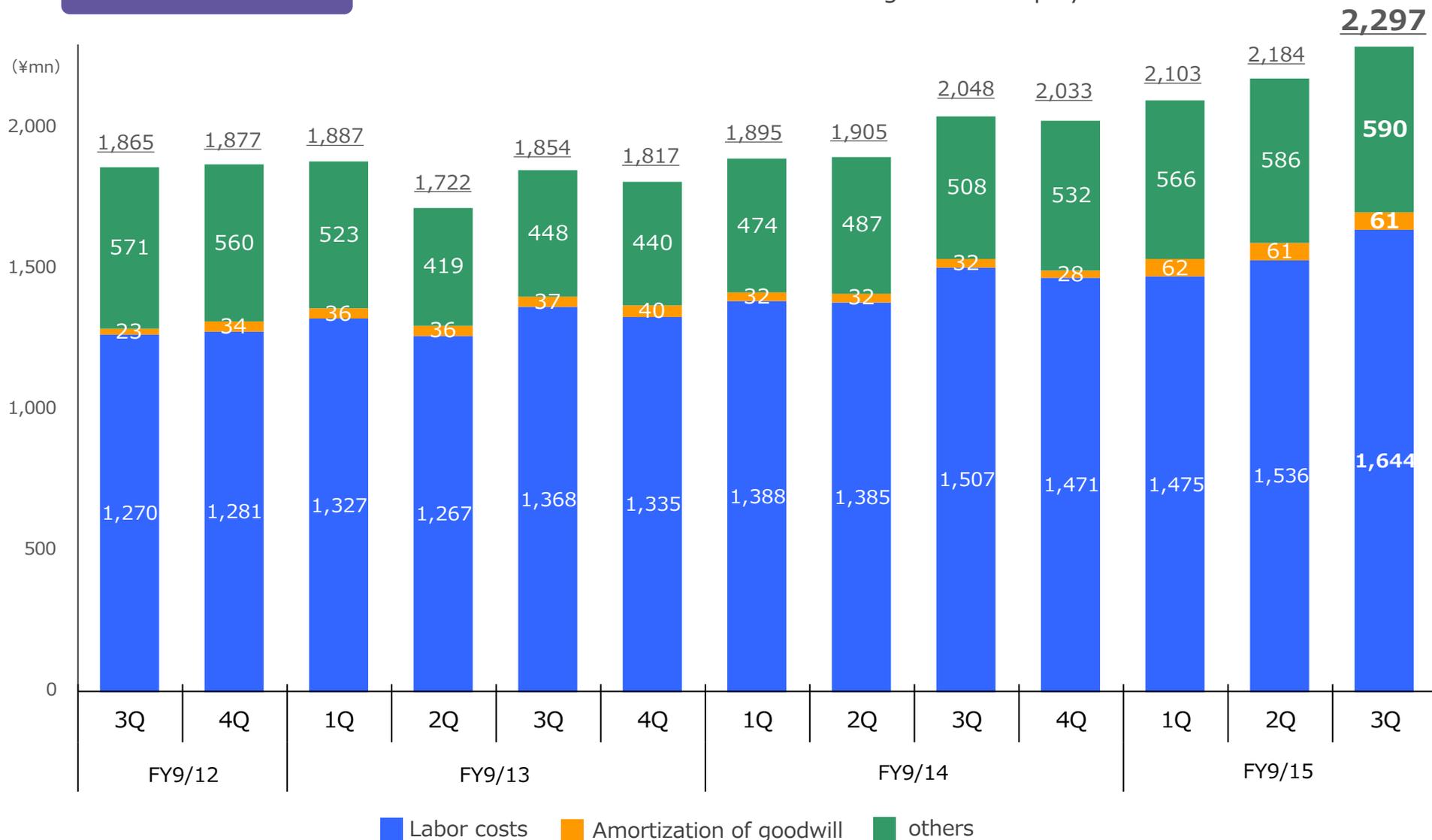
## Operating Income (by Business Segment)

Operating Income reached a new record high on a quarterly basis.



## SG&A

Labor cost increased due to hire 104 new graduate employees.



## 2. Internet Marketing Business

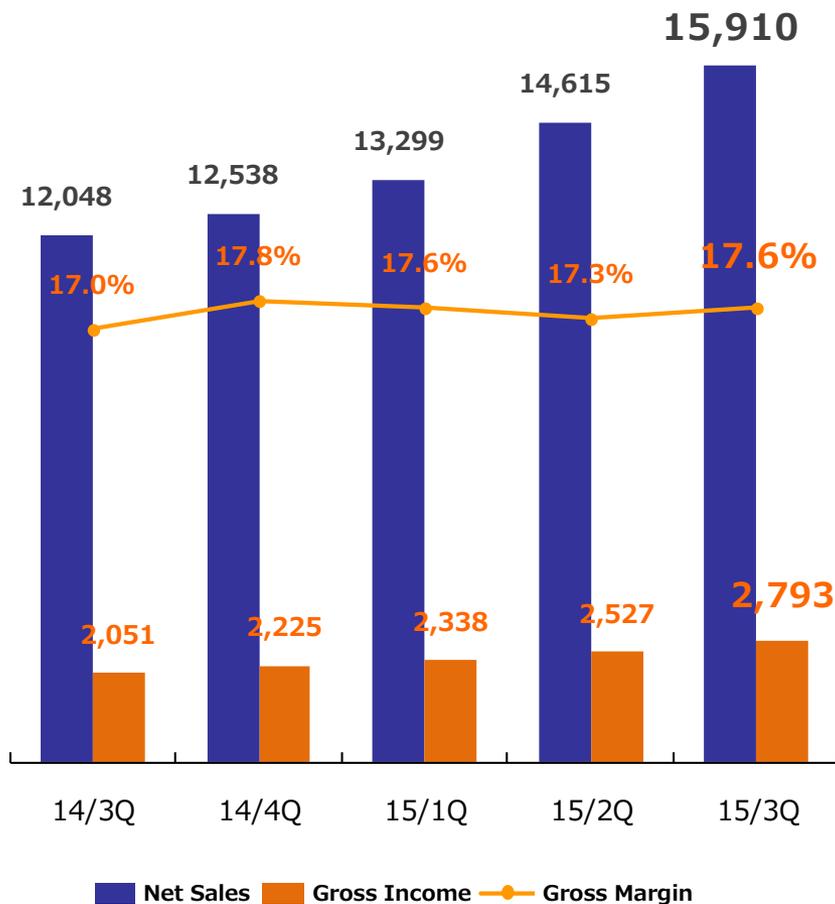
- Advertising by online service providers in Japan and overseas grew. The business expanded further than initially forecast, and the growth rate in net sales reached a record high of **32.1%** for the current segment.
- The higher sales absorbed the increase in SG&A of hiring 87 new graduate employees. The segment achieved significant growth in operating income of **77.0%** year on year. The operating margin also reached a record high of **6.2%** for 3Q.
- Substantial growth in smartphone advertising caused its share to rise to **66%**. There was also an acceleration of growth in the Social Media and Global Business.

| (units : ¥mn)    | 3Q FY9/15     |        |           | 3Q FY9/14 |        |
|------------------|---------------|--------|-----------|-----------|--------|
|                  | Value         | Share  | YY Change | Value     | Share  |
| Net Sales        | <b>15,910</b> | 100.0% | +32.1%    | 12,048    | 100.0% |
| Gross Income     | <b>2,793</b>  | 17.6%  | +36.2%    | 2,051     | 17.0%  |
| SG&A             | <b>1,812</b>  | 11.4%  | +21.1%    | 1,497     | 12.4%  |
| Operating Income | <b>981</b>    | 6.2%   | +77.0%    | 554       | 4.6%   |

### Net Sales Gross Income

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

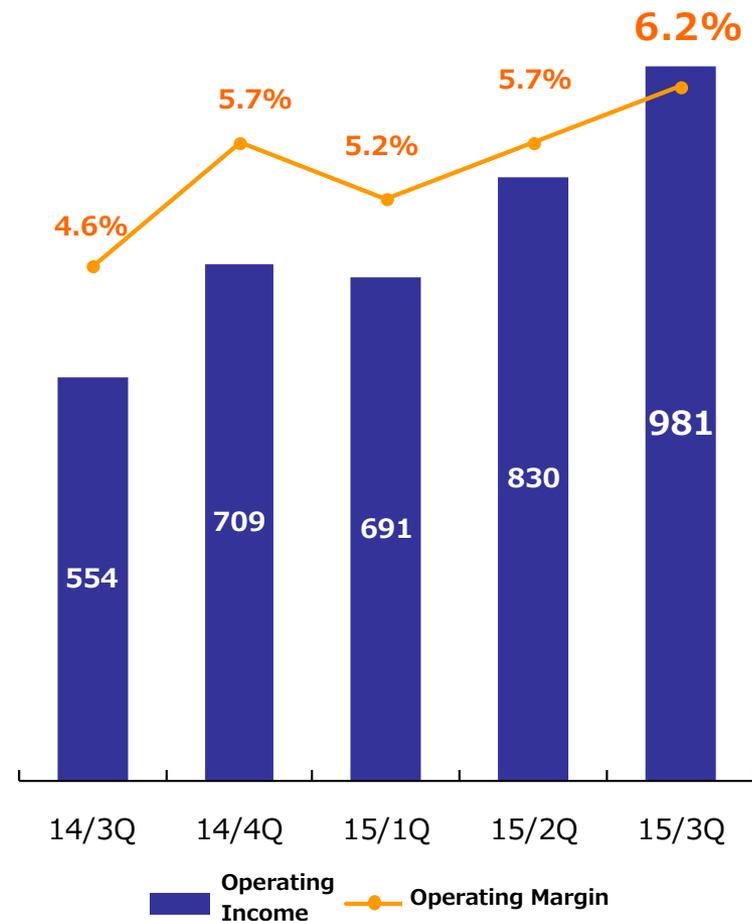
(¥mn)



### Operating Income

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

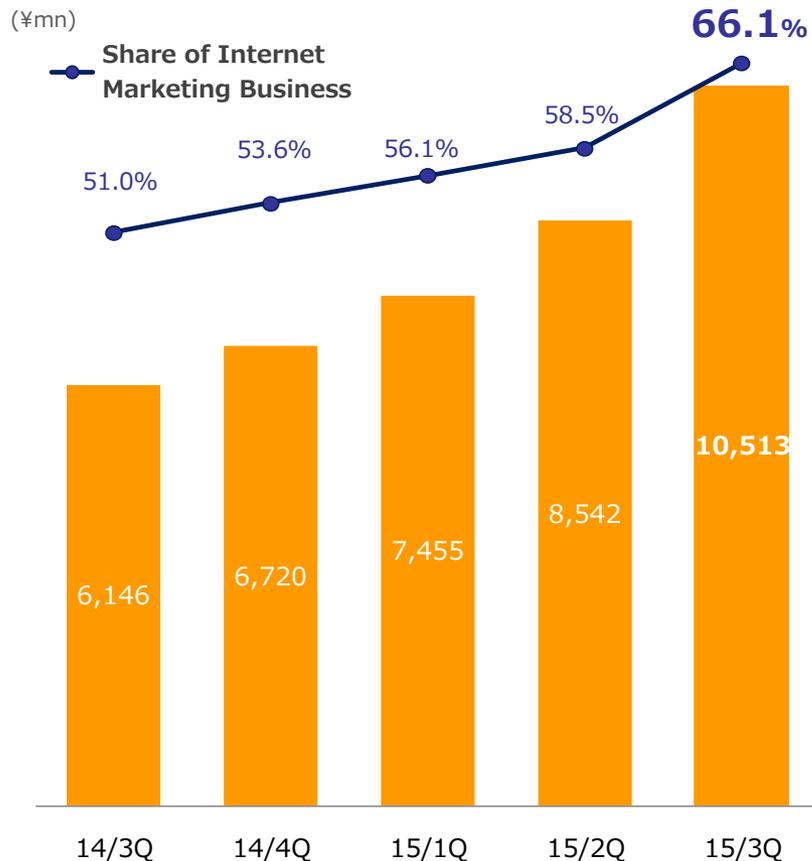
(¥mn)



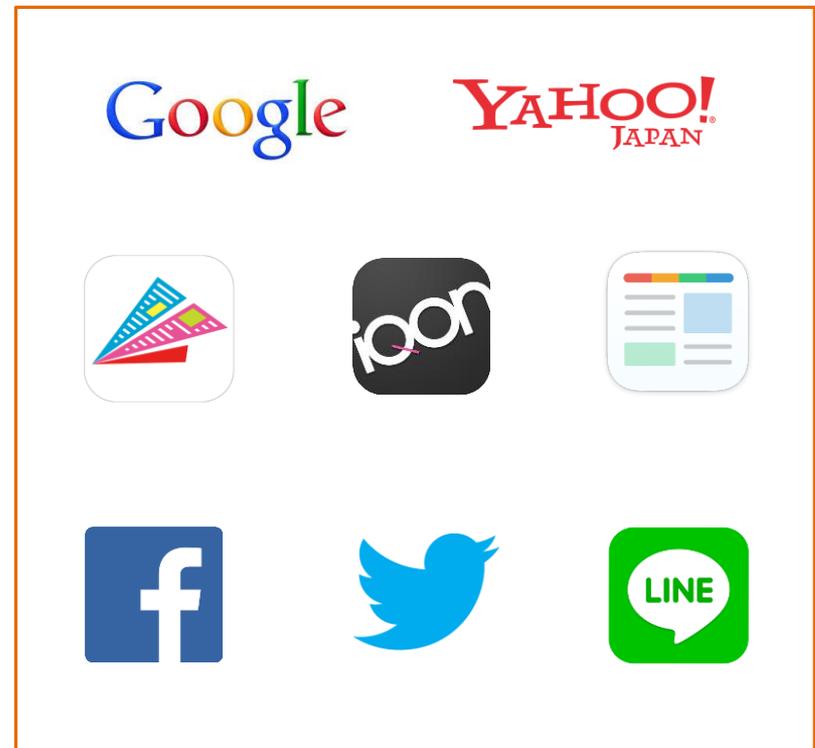
Sales were around **1.7 times** the level one year ago and broke the **¥100bn** barrier.

This growth was driven by the expansion of the lineup of native advertising products.

### Smartphone Advertising Sales Trend



### Main business media

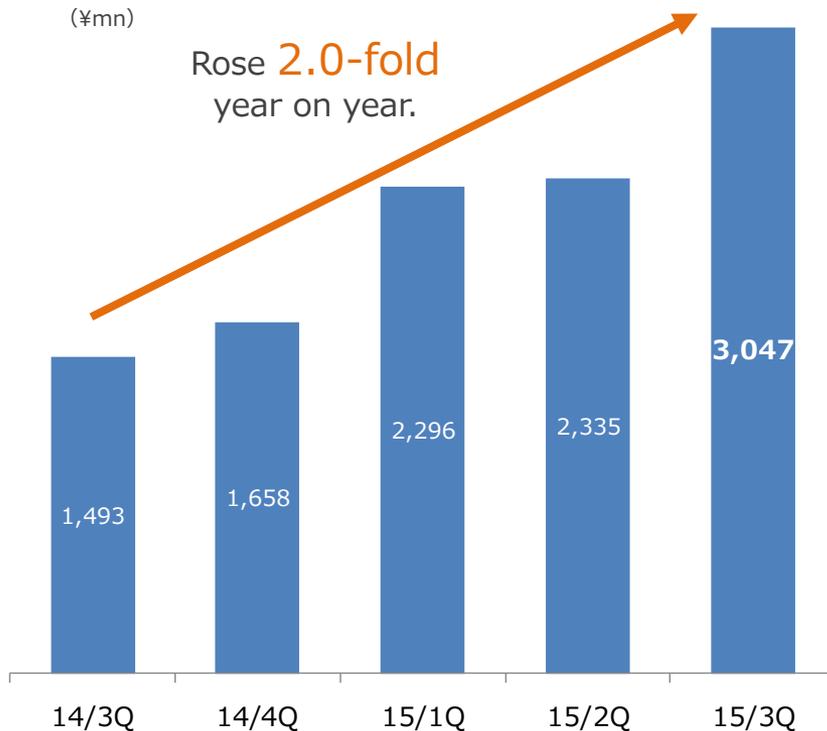


Facebook advertising remained firm in Japan and overseas.

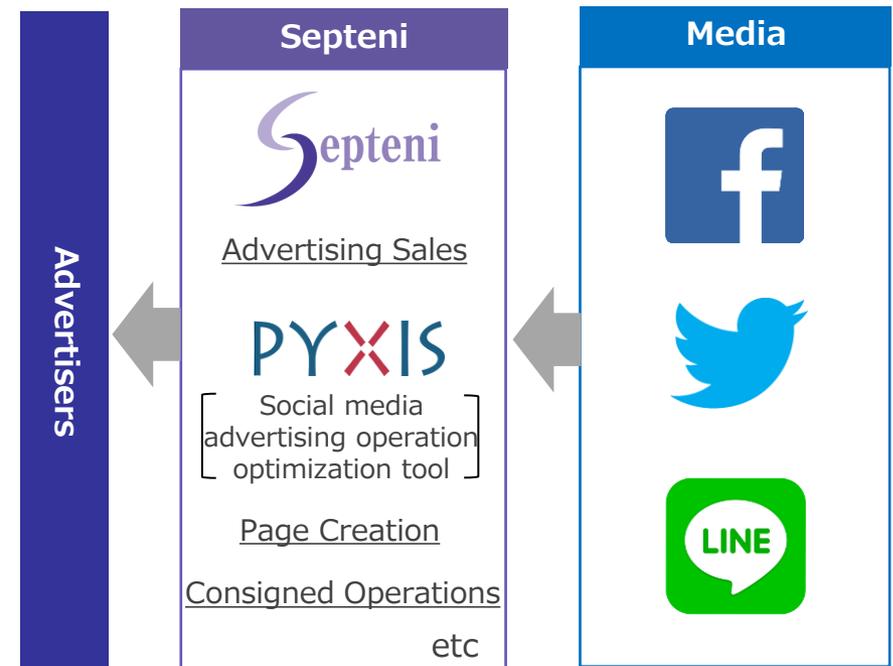
The growth of Twitter ad accelerated, and net sales of the Social Media Business rose approx. **2.0-fold** year on year.

### Social Media Business Sales Trend

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



### Business Model

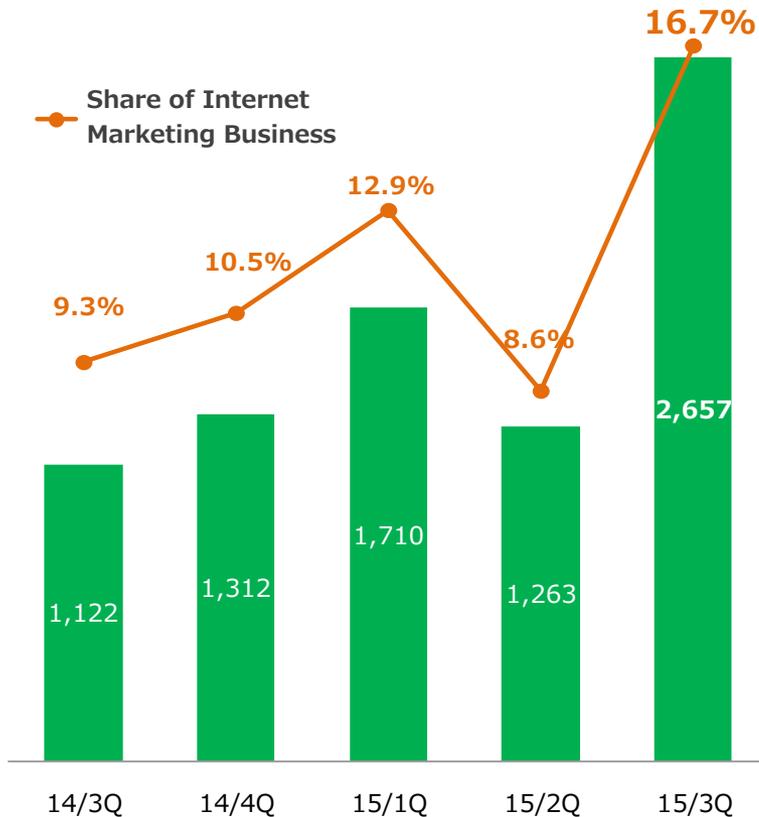


Sales rose about **2.4 times** year on year, with strong growth in billings in North America and Asia.

Advertising of large-scale projects expanded, and the number of customers also increased.

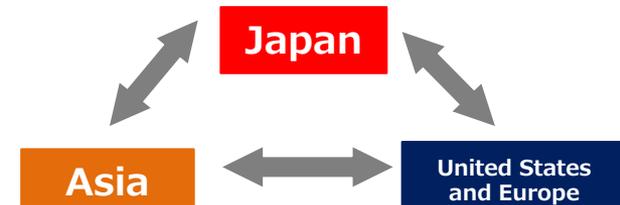
### Overseas sales Trend

(¥mn)



### 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

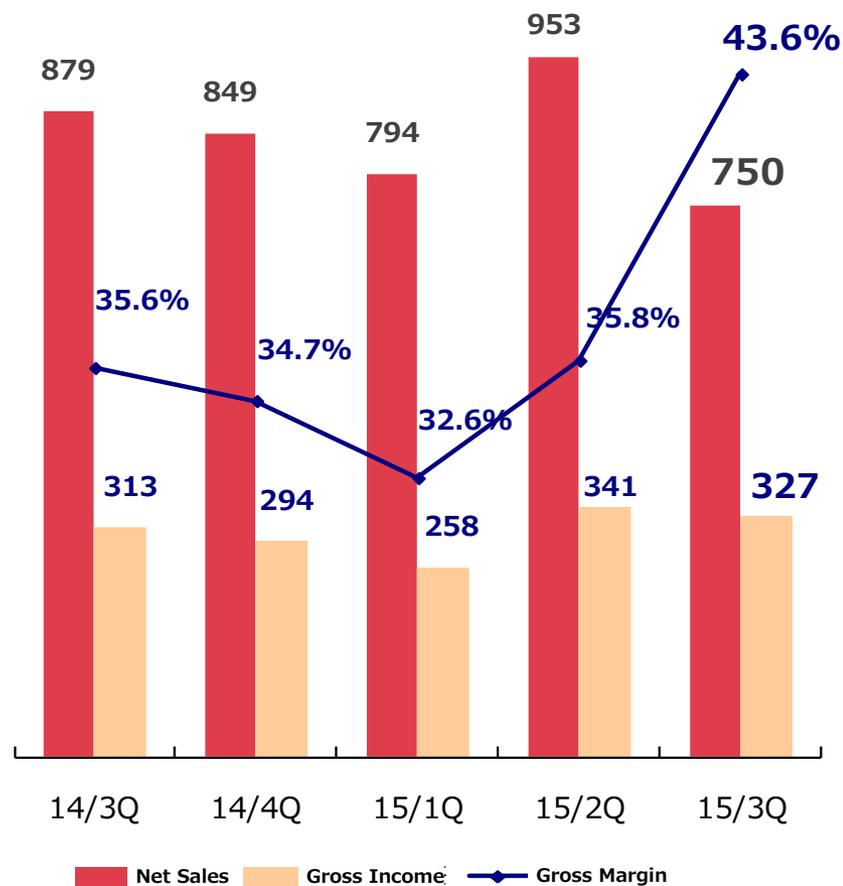
Despite solid growth of the mobile game, *KINGDOM –Eiyuno keifu–*, the net sales of Axel Mark decreased because no new titles were released.

The Manga Content Business started to commercialize its own intellectual property. On the other hand, Operating losses associated with new businesses amounted to ¥125 million, due to continued upfront investments for the cultivation of Manga artists and the enhancement of the distribution service.

| (units: ¥mn)     | 3 Q FY9/15   |         |           | 3 Q FY9/14 |         |
|------------------|--------------|---------|-----------|------------|---------|
|                  | Value        | Share   | YY Change | Value      | Share   |
| Net Sales        | <b>750</b>   | 100.0%  | – 14.6%   | 879        | 100.0%  |
| Gross Income     | <b>327</b>   | 43.6%   | +4.6%     | 313        | 35.6%   |
| SG&A             | <b>460</b>   | 61.4%   | +10.4%    | 417        | 47.4%   |
| Operating Income | <b>– 133</b> | – 17.8% | (– 29)    | – 104      | – 11.9% |

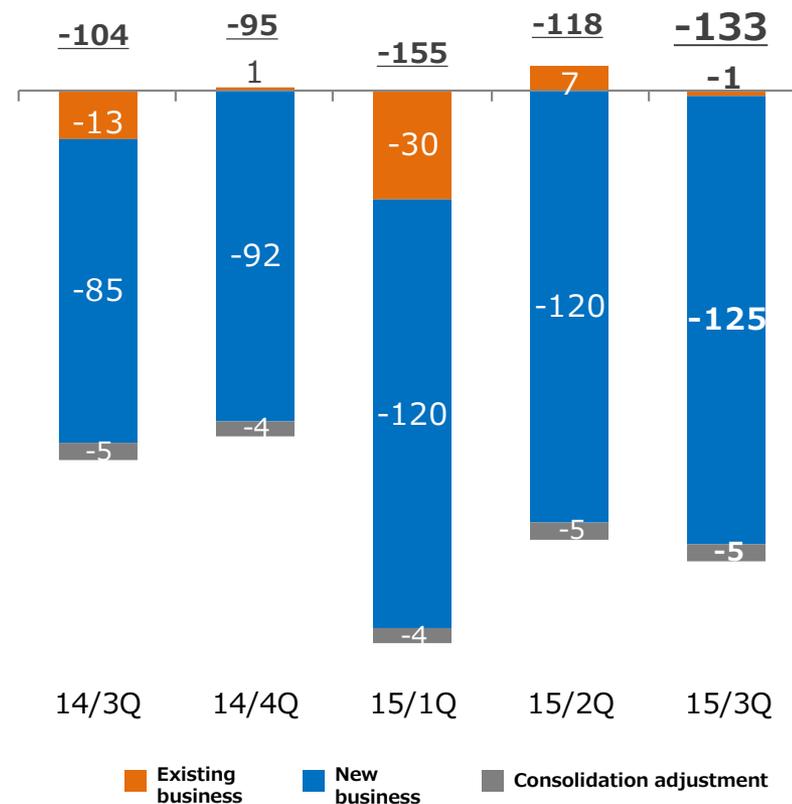
## Net Sales, Gross Income

(¥mn)



## Operating Income

(¥mn)



*KINGDOM –Eiyuno keifu–* showing strong growth

Ranks in the top 35 for App Store sales (June 30, 2015)



©YASUHISA HARA, SHUEISHA/NHK, NEP, PIERROT

©DeNA Co., Ltd. All rights reserved. / Developed by AXEL GameStudio Inc.

The first investment was made by the LLP company, which was established for the purpose of investing in and cultivating smartphone game development companies.

**Flaggs**  
Flagship Game Studio

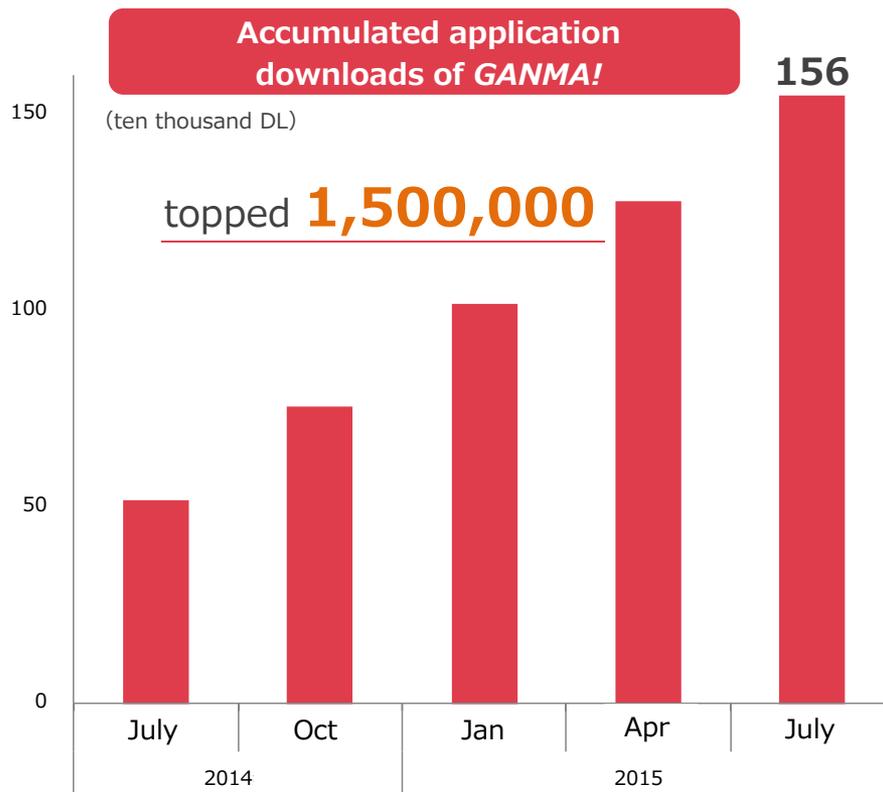
The number of monthly PV for *GANMA!* topped **300 million** (July 2015).

The book ***Million Doll*** was published, and TV anime began broadcasting on July 6.

***Musashikunn to Murayamasann ha tukiatteremita*** was published.



© Naruasuku / COMICSMART INC. 2015



© Ai/ COMICSMART INC. 2015



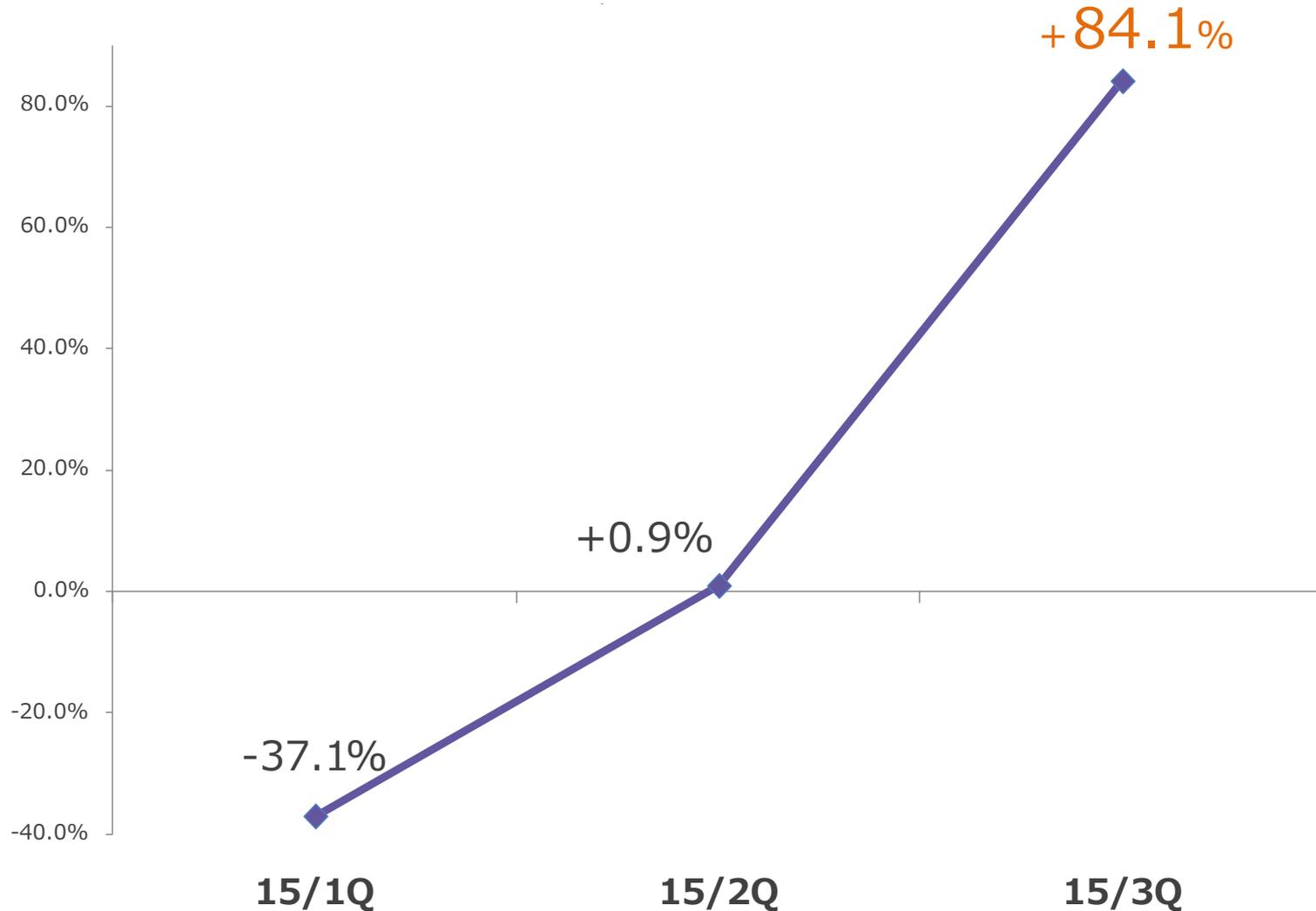
## 4.1Q-3Q FY9/15 Consolidated Earnings and 4Q(Full Year) Earning Estimates

With higher operating income in the Internet Marketing Business, **an increase was posted for consolidated operating income.**

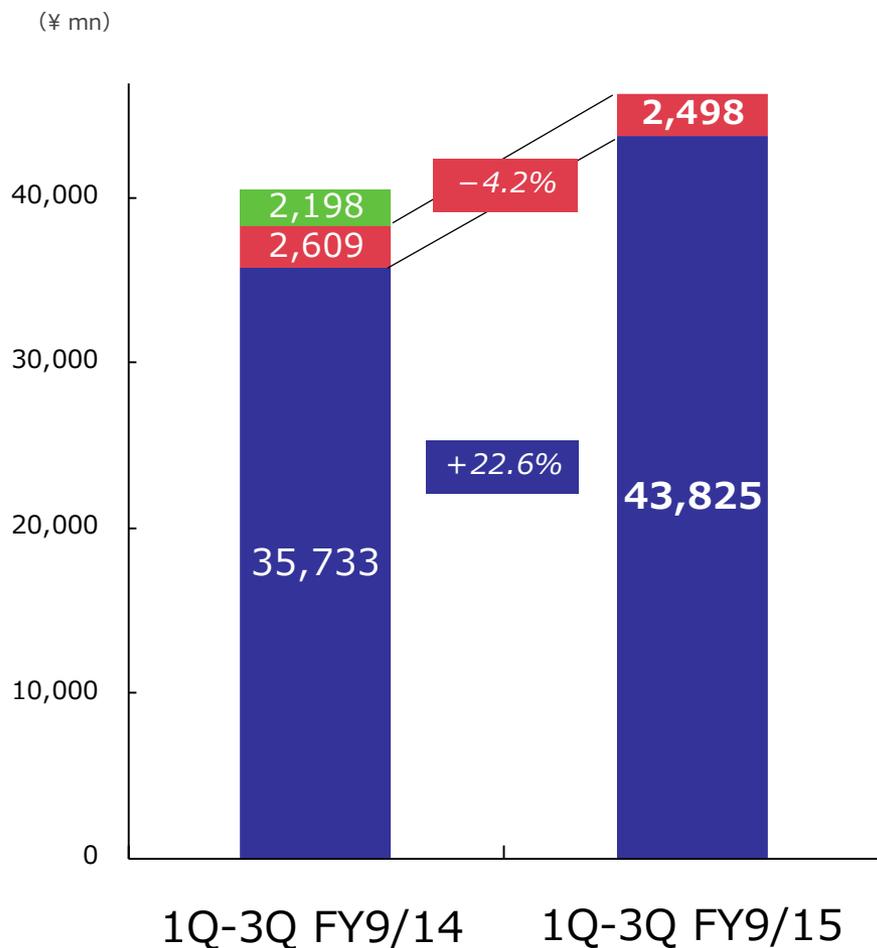
Net income grew significantly, given extraordinary income as a result of the sales of the Direct Marketing Business subsidiary.

| (units: ¥mn)     | 1Q-3Q FY9/15  |        |           | 1Q-3Q FY9/14 |        | 1Q-3Q<br>FY9/15<br>Estimate |
|------------------|---------------|--------|-----------|--------------|--------|-----------------------------|
|                  | Value         | Share  | YY Change | Value        | Share  |                             |
| Net Sales        | <b>46,110</b> | 100.0% | +14.2%    | 40,360       | 100.0% | 45,322                      |
| Gross Income     | <b>8,386</b>  | 18.2%  | +11.0%    | 7,552        | 18.7%  | —                           |
| SG&A             | <b>6,585</b>  | 14.3%  | +12.6%    | 5,848        | 14.5%  | —                           |
| Operating Income | <b>1,801</b>  | 3.9%   | +5.7%     | 1,703        | 4.2%   | 1,506                       |
| Ordinary Income  | <b>1,997</b>  | 4.3%   | +12.2%    | 1,779        | 4.4%   | 1,664                       |
| Net Income       | <b>1,948</b>  | 4.2%   | +64.0%    | 1,187        | 2.9%   | 1,776                       |
| EBITDA           | <b>2,102</b>  | 4.6%   | +8.6%     | 1,936        | 4.8%   |                             |

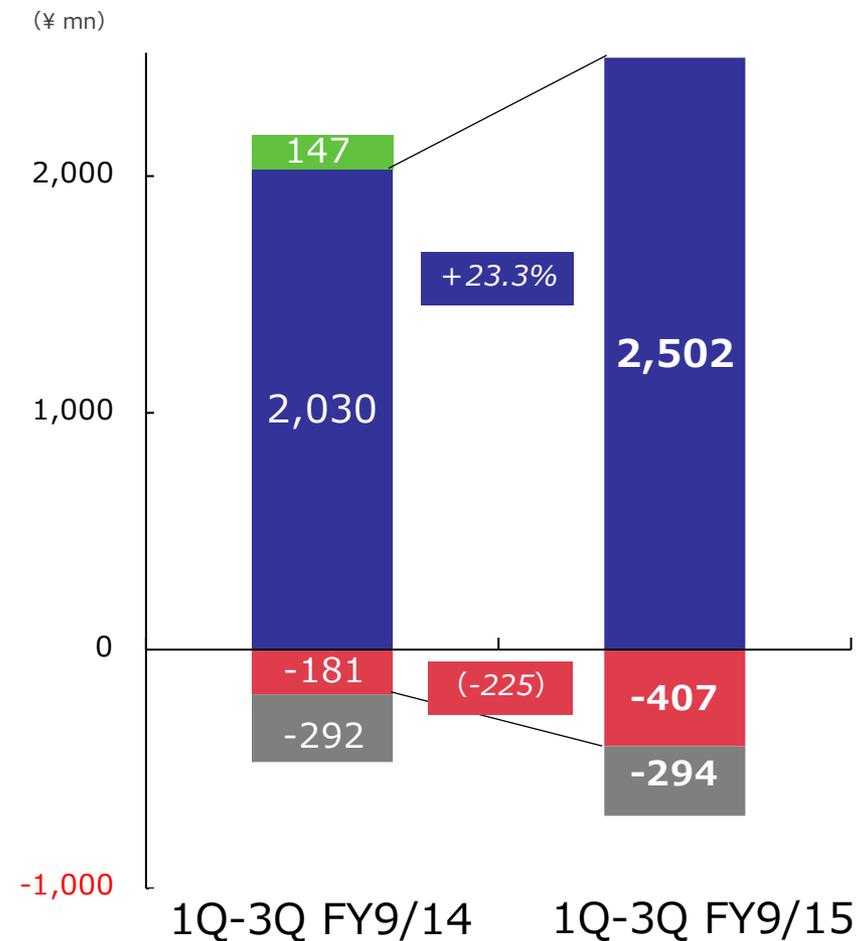
Starting from a loss in FY9/15, improvement progressed to mark a significant increase in operating income in 3Q.



### Net Sales



### Operating Income



■ Internet Marketing

■ Media Content

■ Others (Direct Marketing, etc.)

■ Adjustment (corporate expenses, etc.)

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

The Media Content Business is expected to record lower sales and greater losses, reflecting the fact that there are no new games to be released as of this time as well as the continued upfront investment in the Manga Content Business.

All indicators are expected to reach record highs in the full year, with double-digit growth in operating income.

As net income increases, the dividend will be increased for three consecutive years.

| (units : ¥mn)      |                           |                       | Earnings in FY9/14 | Earnings Estimates for FY9/15 |                                  | Earnings Estimates for FY9/15 | Expected growth rate (Full Year) |
|--------------------|---------------------------|-----------------------|--------------------|-------------------------------|----------------------------------|-------------------------------|----------------------------------|
|                    | Earnings in 1Q-3Q FY 9/14 | Earnings in 4Q FY9/14 |                    | Earnings in 1Q-3Q FY9/15      | Earnings Estimates for 4Q FY9/15 |                               |                                  |
| Net Sales          | 40,360                    | 13,985                | 54,345             | 46,110                        | <b>18,000</b>                    | <b>64,110</b>                 | <b>+ 18.0%</b>                   |
| Operating Income   | 1,703                     | 555                   | 2,259              | 1,801                         | <b>900</b>                       | <b>2,701</b>                  | <b>+ 19.5%</b>                   |
| Ordinary Income    | 1,779                     | 582                   | 2,362              | 1,997                         | <b>900</b>                       | <b>2,897</b>                  | <b>+ 22.6%</b>                   |
| Net Income         | 1,187                     | 361                   | 1,549              | 1,948                         | <b>570</b>                       | <b>2,518</b>                  | <b>+ 62.5%</b>                   |
| Dividend Per Share | ¥9.0                      |                       |                    | ¥14.0                         |                                  |                               | <b>+ 55.5%</b>                   |

(units : ¥mn)

|                                | Net Sales                |  |               | Operating Income         |                                       |               |
|--------------------------------|--------------------------|--|---------------|--------------------------|---------------------------------------|---------------|
|                                | Earnings in 4Q<br>FY9/14 | Earnings<br>Estimates for<br>4Q FY9/15 | YY Change     | Earnings in 4Q<br>FY9/14 | Earnings<br>Estimate for<br>4Q FY9/15 | YY Change     |
| Internet Marketing<br>Business | 12,538                   | <b>17,340</b>                          | <b>+38.3%</b> | 709                      | <b>1,138</b>                          | <b>+60.3%</b> |
| Media Content<br>Business      | 849                      | <b>735</b>                             | <b>-13.4%</b> | -95                      | <b>-138</b>                           | <b>(-42)</b>  |
| Other<br>(Direct Marketing)    | 668                      | -                                      | <b>(-668)</b> | 39                       | -                                     | <b>(-39)</b>  |
| Elimination<br>or corporate    | -71                      | <b>-75</b>                             | <b>(-3)</b>   | -97                      | <b>-100</b>                           | <b>(-2)</b>   |
| <b>Total</b>                   | <b>13,985</b>            | <b>18,000</b>                          | <b>+28.7%</b> | <b>555</b>               | <b>900</b>                            | <b>+61.9%</b> |

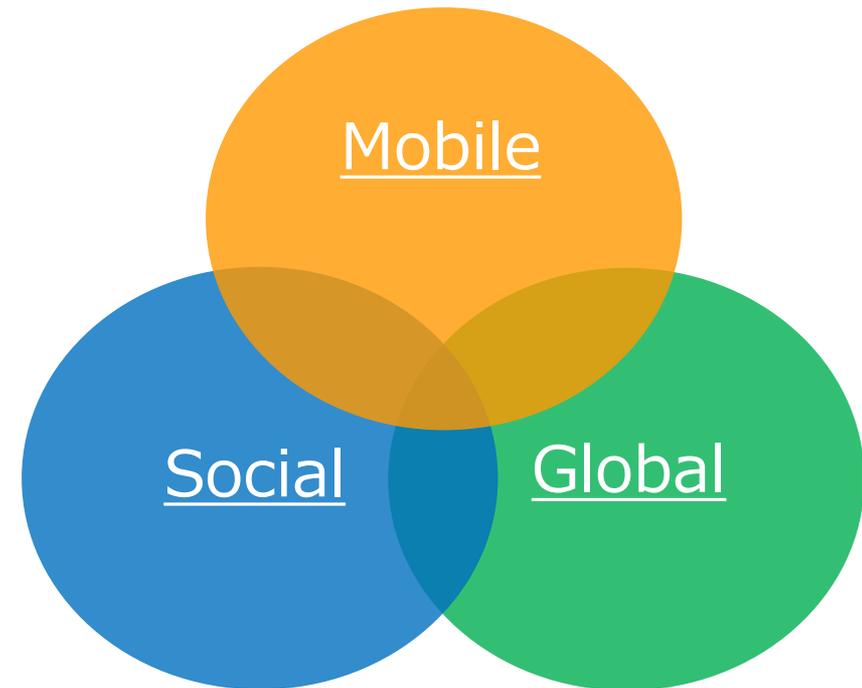
## Concept

# “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.**

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

**Corporate Planning, IR Division**

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

---

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 July 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 June 30, 2015

|                               |   |
|-------------------------------|---|
| <b>Company Name</b>           | SEPTENI HOLDINGS CO., LTD.  |
| <b>Representative</b>         | President and Representative Director Koki Sato   |
| <b>Headquarters</b>           | Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo                         |
| <b>Securities Code</b>        | 4293 (JASDAQ)   |
| <b>Business Realm</b>         | The holding company for a group of companies conducting primarily Internet-related and other businesses |
| <b>Established</b>            | October 29, 1990  |
| <b>Capitalization</b>         | ¥2,067 million  |
| <b>Shares Issued</b>          | 27,696,400 shares (Including 1,784,600 treasury shares)   |
| <b>Consolidated Workforce</b> | 862 full time employees, 1017 full time and contracted employees  |

**Holding Company**

SEPTENI HOLDINGS CO., LTD

July 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                                 |

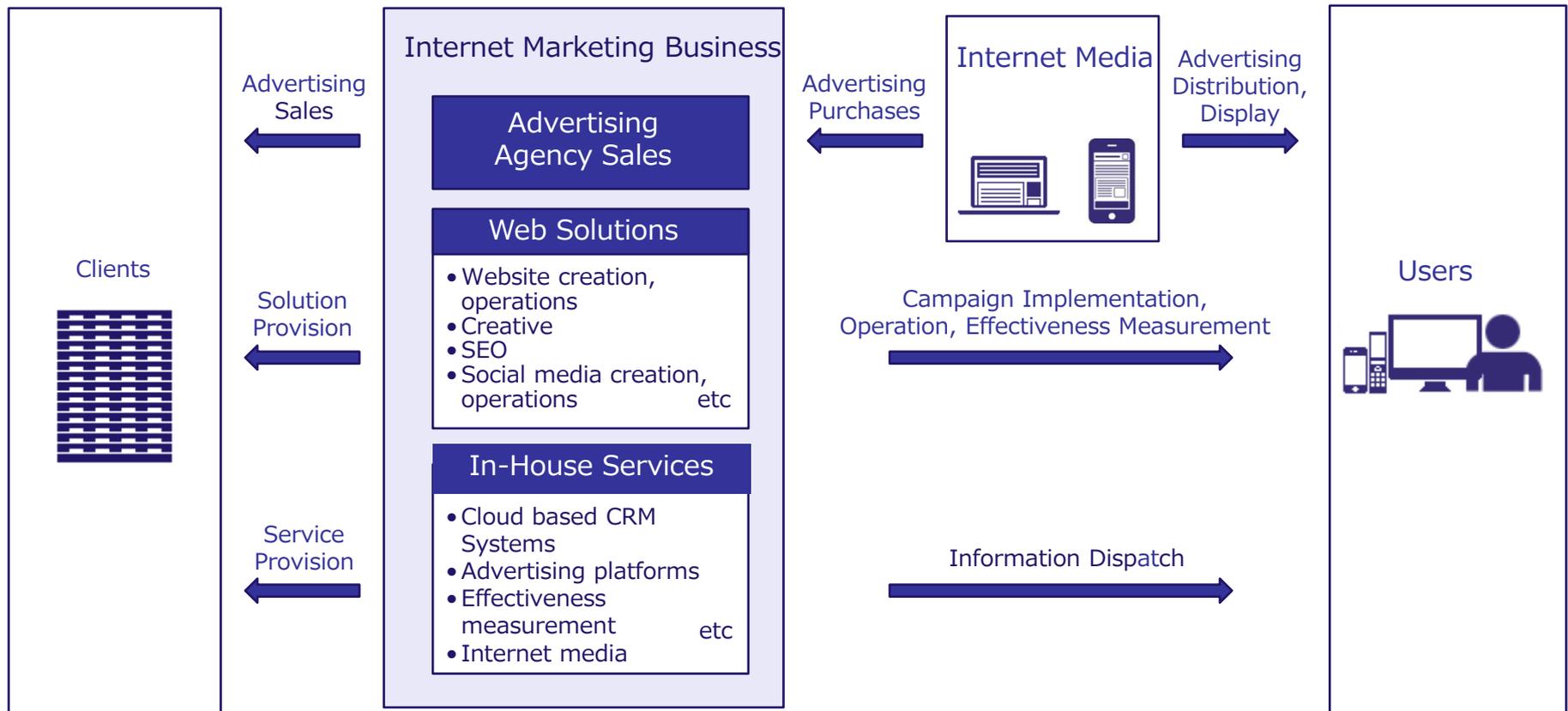
**Media Content Business**

|                 |                         |               |  |
|-----------------|-------------------------|---------------|--|
| 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**

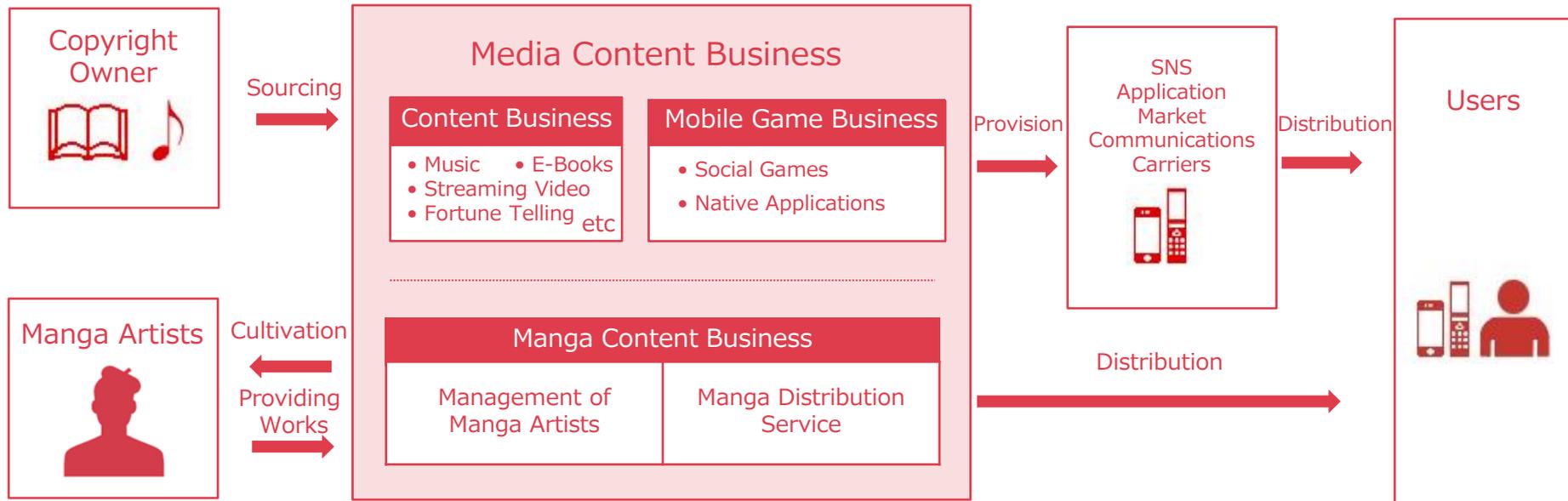
SEPTENI VENTURES Co., Ltd.

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 3Q<br>FY9/15 | End 2Q<br>FY9/15 | Change  | Main Changes  |
|--|------------------|------------------|---------|---|
| (units : ¥mn)                            |                  |                  |         |   |
| <b>Current Assets</b>                    | <b>20,620</b>    | 19,494           | + 1,126 | Cash and deposits: + 731<br>Notes and accounts<br>receivable-trade: + 403 |
| <b>Non-current Assets</b>                | <b>3,119</b>     | 3,192            | - 72    | Goodwill: - 59  |
| <b>Total Assets</b>                      | <b>23,740</b>    | 22,686           | + 1,054 |   |
| <b>Current Liabilities</b>               | <b>11,633</b>    | 11,055           | + 578   | Accounts Payable: + 728<br>Unpaid taxes: - 292                            |
| <b>Non-current Liabilities</b>           | <b>201</b>       | 241              | - 40    | Long-term loans payable:<br>- 41  |
| <b>Total Liabilities</b>                 | <b>11,835</b>    | 11,297           | + 538   |   |
| <b>Total Net Assets</b>                  | <b>11,905</b>    | 11,389           | + 516   | Retained earnings: + 481  |
| <b>Total Liabilities,<br/>Net Assets</b> | <b>23,740</b>    | 22,686           | + 1,054 |   |

| (units : ¥mn)  | 3Q FY9/15<br>(Apr-Jun) | Main Changes   | 3Q FY9/14<br>(Apr-Jun) |
|--|------------------------|--|------------------------|
| Cash Flows from Operating Activities                         | <b>610</b>             | Net income before taxes: +831<br>Increase in accounts payable: +728<br>Corporate and other taxes: △622 | 59                     |
| Cash Flows from Investing Activities                         | <b>62</b>              | Sales of investment securities: +58  | △99                    |
| Cash Flows from Financing Activities                         | <b>42</b>              | Increase in loans payable: +43   | 94                     |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | <b>10</b>              |  | △4                     |
| Net Increase (Decrease) in Cash and Equivalents              | <b>725</b>             |  | 50                     |
| Cash and Equivalents at Term End                             | <b>10,466</b>          |  | 6,779                  |

