



Business Results for 3Q Fiscal Year September 2016

August 2, 2016

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

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- From FY9/16, we have applied the IFRS in place of J-GAAP, and we present the results for FY9/15 by rearranging them on the basis of IFRS.
- We voluntarily disclose “net sales” in the past as reference information and disclose “revenue” as an indicator based on the IFRS. For revenue in Advertising Agency Sales, which make up most of the Internet Marketing Business, only the margin portion is posted as a net amount.
- To appropriately express the actual condition of business, we voluntarily disclose “Non-GAAP operating income.” Non-GAAP operating income is a profit indicator of constant business performance determined by adjusting temporary factors, such as the amortization of intangible assets that are recognized at the time of acquiring a subsidiary, impairment losses and gains or losses on the sales of fixed assets from the IFRS-based operating income.
- The numbers in this material are rounded to the nearest unit.

1 . Quarterly Consolidated Earnings Overview

Consolidated results

Revenue **¥4,471mn** (Up **24.2%** year on year)

Non-GAAP Operating income **¥1,138mn** (Up **38.2%** year on year)

Both Revenue and Non-GAAP Operating Income reached
a new record high.*

Internet Marketing Business

Revenue **¥3,364mn** (Up **17.0%** year on year)

Non-GAAP Operating income **¥1,325mn** (Up **30.2%** year on year)

Business expansion and improvement in profitability continue.

Media Content Business

Revenue **¥142mn** (**2.3times** year on year)

Non-GAAP Operating income **¥ - 181mn** (Down **¥50mn** year on year)

The Manga Content Business achieved steady growth.

*Prior to FY9/14, comparison was made by calculating the numbers equivalent to those in the Japanese standards.

Consolidated Income Statement (Apr-Jun)

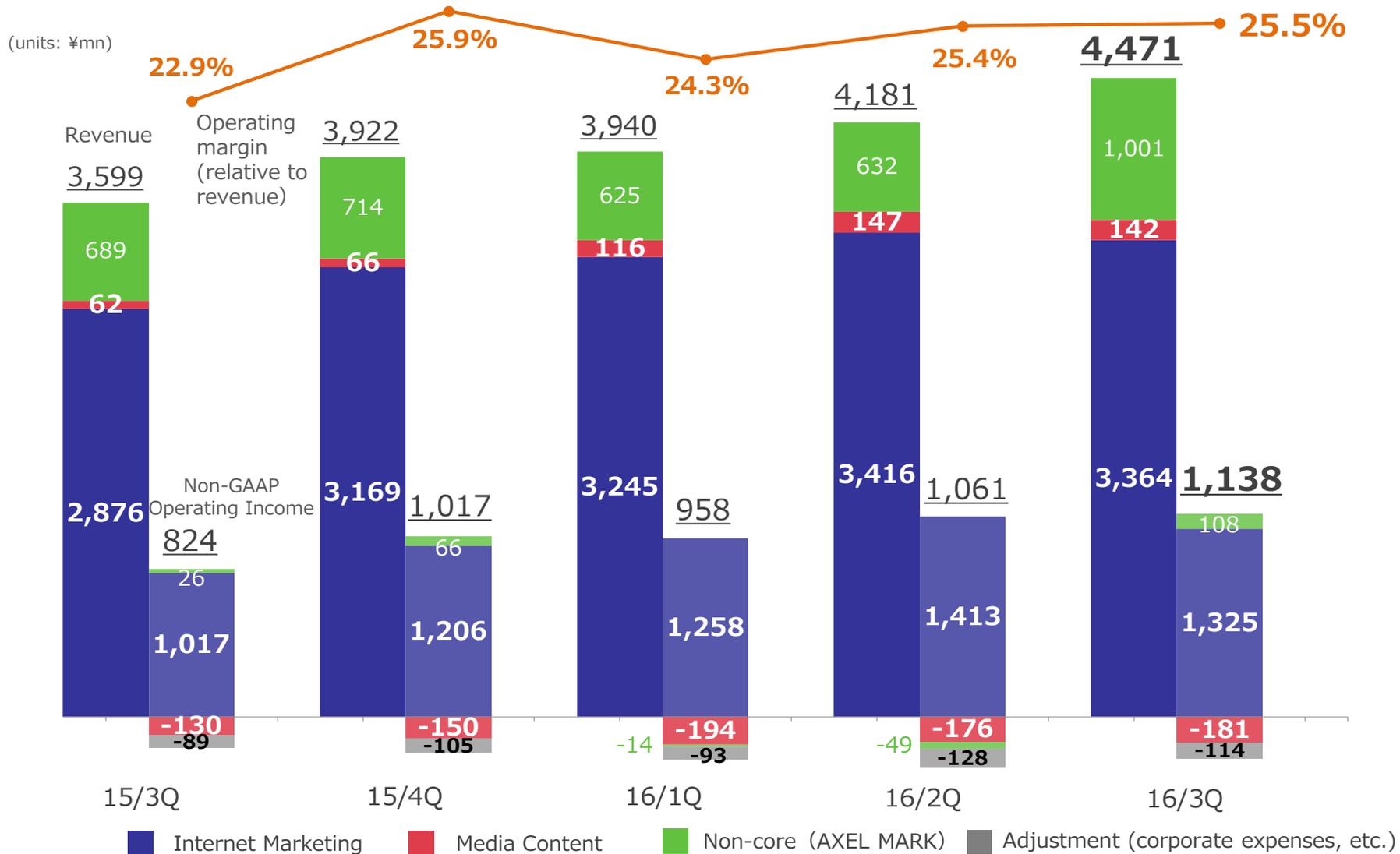
Increased profit in the Internet Marketing Business contributed to an increase in Non-GAAP operating income and profit for the period attributable to owners of the parent exceeding the forecast.

Non-core businesses achieved a significant increase in sales and profit thanks to new games, but failed to reach the forecast.

(unit : ¥mn)	3 Q FY9/16			3 Q FY9/15		3 Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	4,471	100.0%	+24.2%	3,599	100.0%	4,800
Gross Income	3,545	79.3%	+18.5%	2,993	83.1%	—
SG&A	2,413	54.0%	+11.0%	2,174	60.4%	—
Non-GAAP Operating Income	1,138	25.5%	+38.2%	824	22.9%	1,100
Operating Income	1,155	25.8%	+40.2%	824	22.9%	—
Profit for the period from continuing operations	741	16.6%	+38.0%	537	14.9%	—
Profit for the period attributable to owners of the parent	699	15.6%	+32.1%	529	14.7%	680
【Reference】 Net Sales	19,680	—	+18.6%	16,588	—	20,500

Quarterly Consolidated Earnings Trend (by Business Segment)

Non-core businesses earned profits, despite revenue being ¥202mn below the forecast.

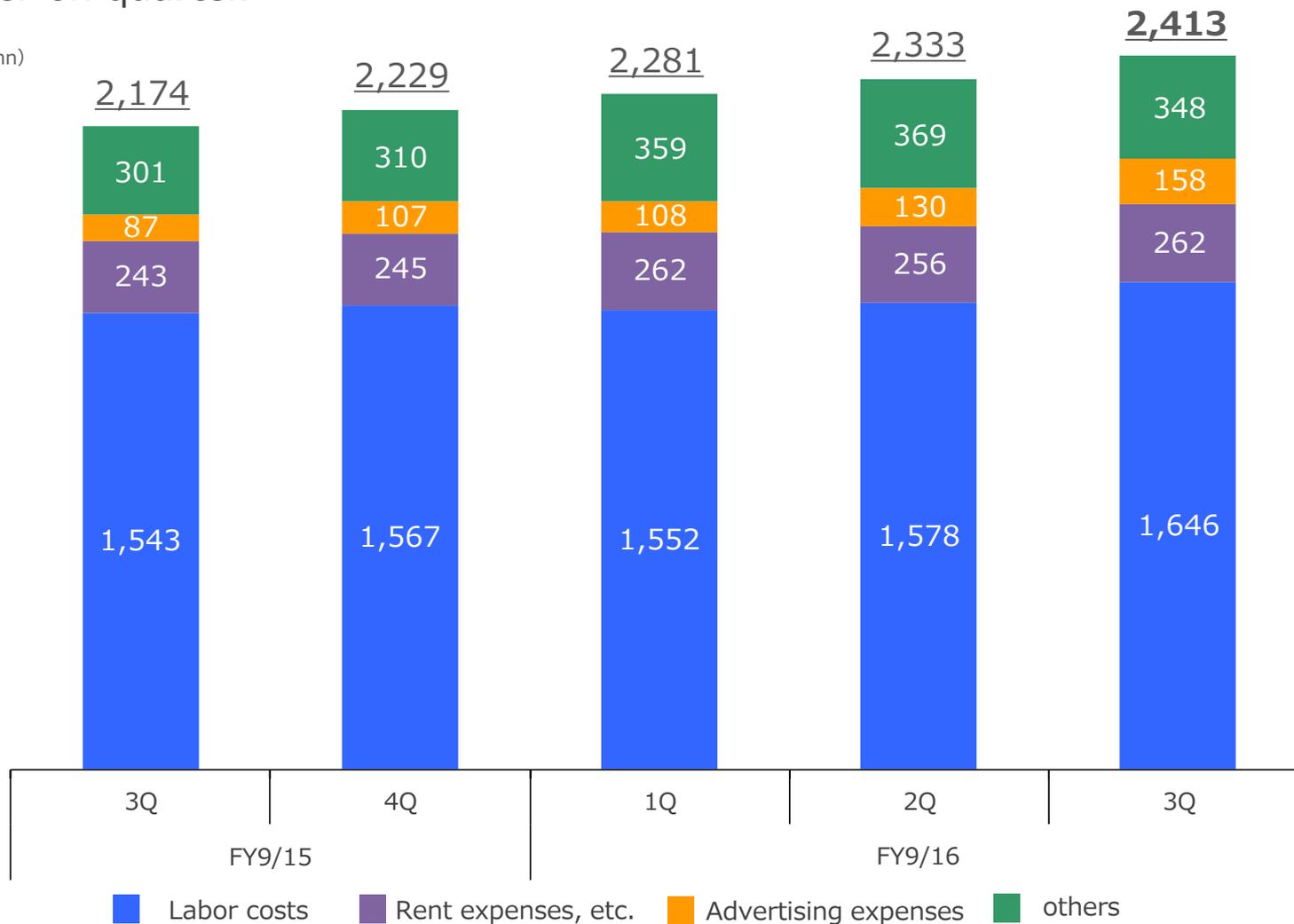


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

Quarterly Consolidated SG&A Trend

SG&A increased ¥80mn centering Labor costs and advertising expenses quarter on quarter.

(units : ¥mn)



*The booking rules have changed by transferring some of the labor costs in the Internet Marketing Business to costs and terminating the amortization of goodwill as a result of applying the IFRS (numbers are presented by rearranging them from 3Q to 4Q FY9/15).

2 . Internet Marketing Business

Sales in both the Mobile and the Social media businesses increased steadily, thanks in part to the contribution of LINE Ad Platform that was launched in June.

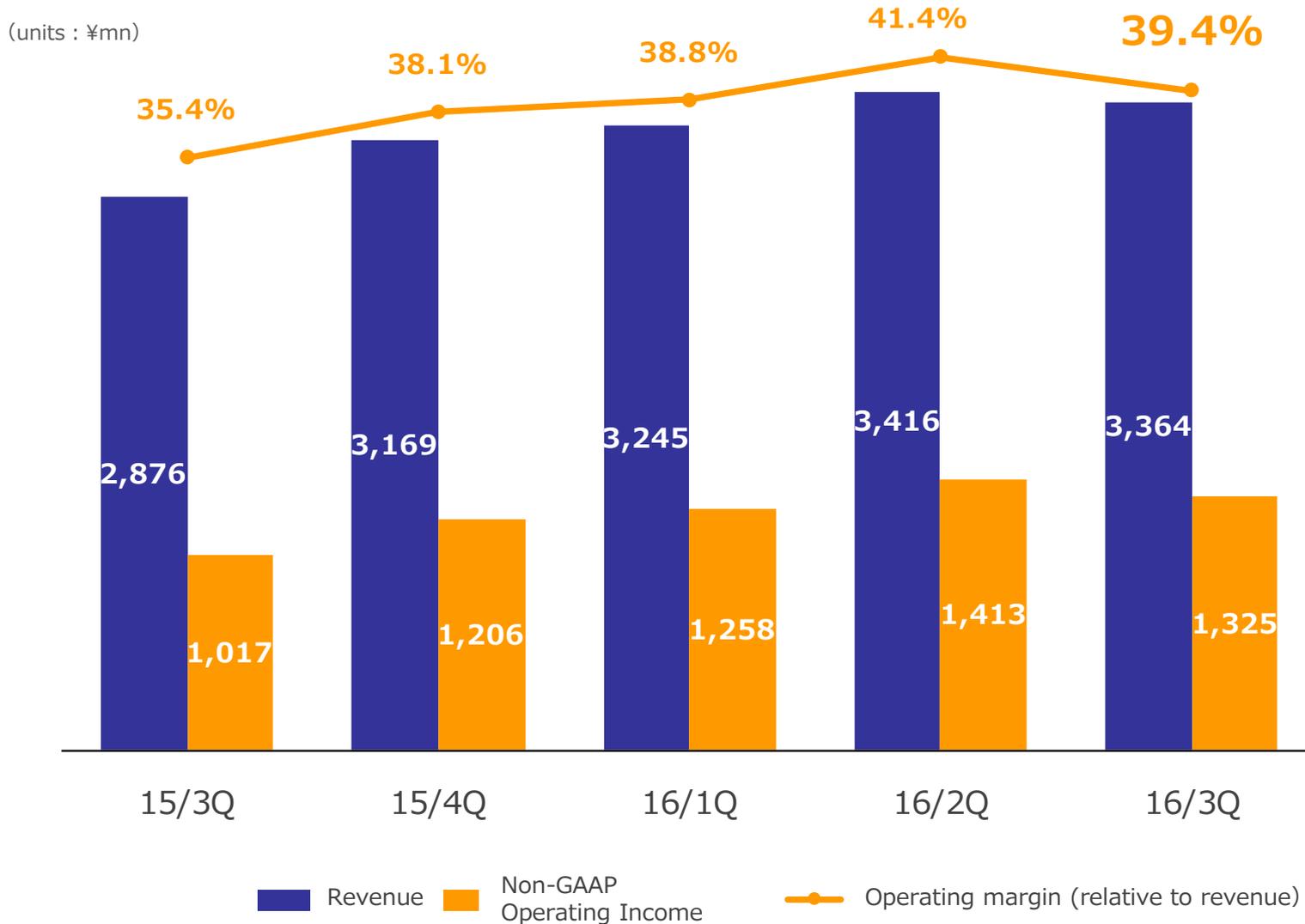
Sales in the Global business grew quarter on quarter.

While personnel increased, particularly for new employees, the increase in SG&A expenses was limited to 6% year on year, pushing up the operating margin.

(units : ¥mn)	3 Q FY9/16			3 Q FY9/15		3 Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	3,364	100.0%	+17.0%	2,876	100.0%	3,447
Gross Income	3,100	92.2%	+15.2%	2,692	93.6%	—
SG&A	1,780	52.9%	+6.1%	1,678	58.3%	—
Non-GAAP Operating Income	1,325	39.4%	+30.2%	1,017	35.4%	1,242
【Reference】 Net Sales	18,665	—	+17.3%	15,911	—	

*Prior to FY9/14, comparison was made by calculating the numbers equivalent to those in the Japanese standards.

The operating margin for 3Q rose 4 points year on year, and high profitability was maintained.

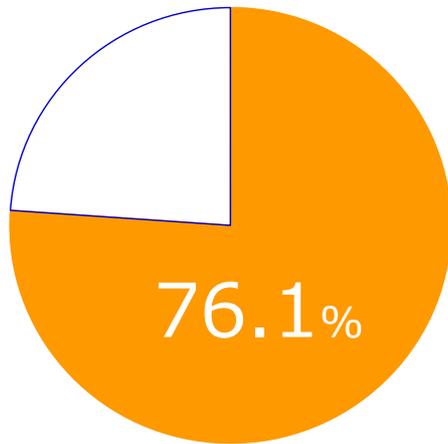


Mobile

(Volumes of smartphone advertising)

¥14.2bn

(YonY + 35%)



(units : ¥100mn)

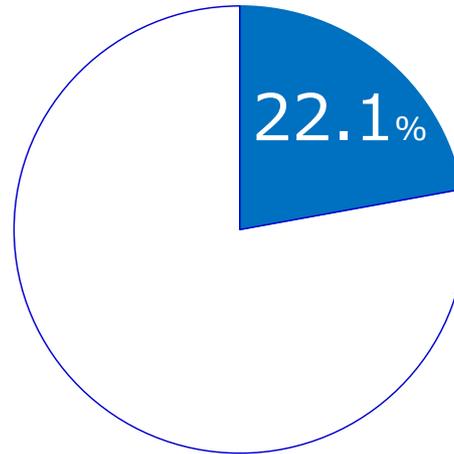
15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
105	121	122	136	142

Social

(Sum of volumes for Facebook, Twitter, LINE and Instagram)

¥4.1bn

(YonY + 35%)



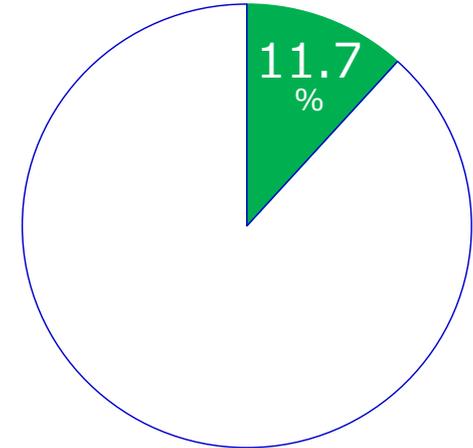
15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
30.5	35.5	34.0	39.3	41.2

Global

(Sum of volumes for overseas customers and volumes of distribution of domestic customers for overseas)

¥2.2bn

(YonY - 23%)



15/3Q	15/4Q	16/1Q	16/2Q	16/3Q
28.2	34.5	31.1	19.0	21.8

*1. The numbers in the pie chart show the percentage of ¥18.7bn, the overall business sales (volumes) in this quarter.

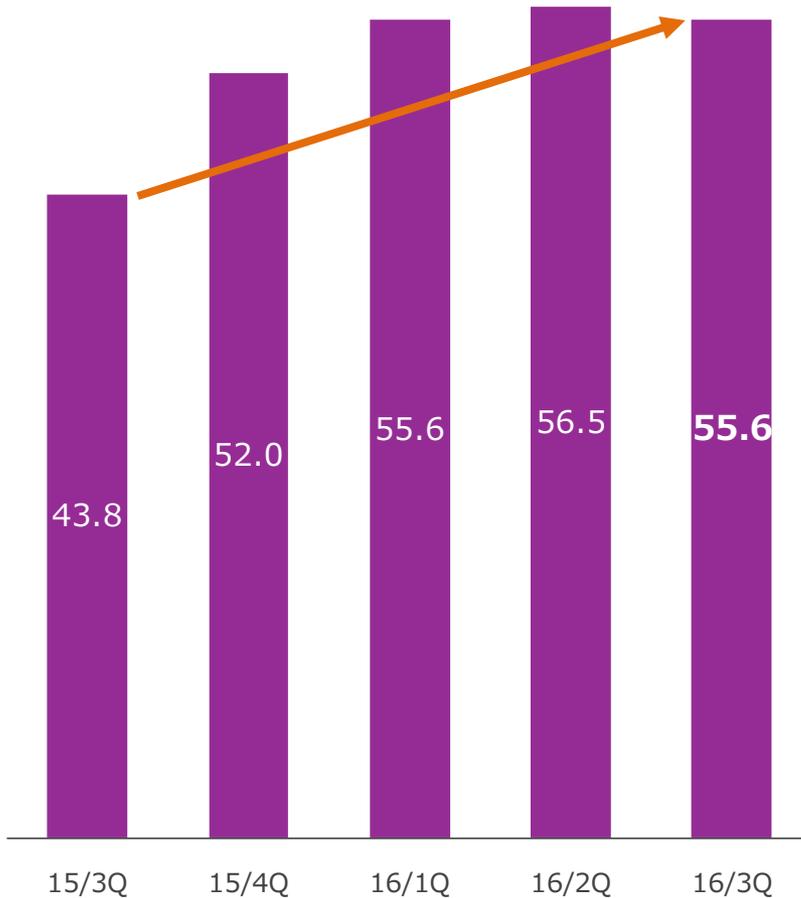
*2. The volumes in each area include an overlapped portion.

Volumes related Application

(Volumes of Advertisement promoting application)

(units : ¥100mn)

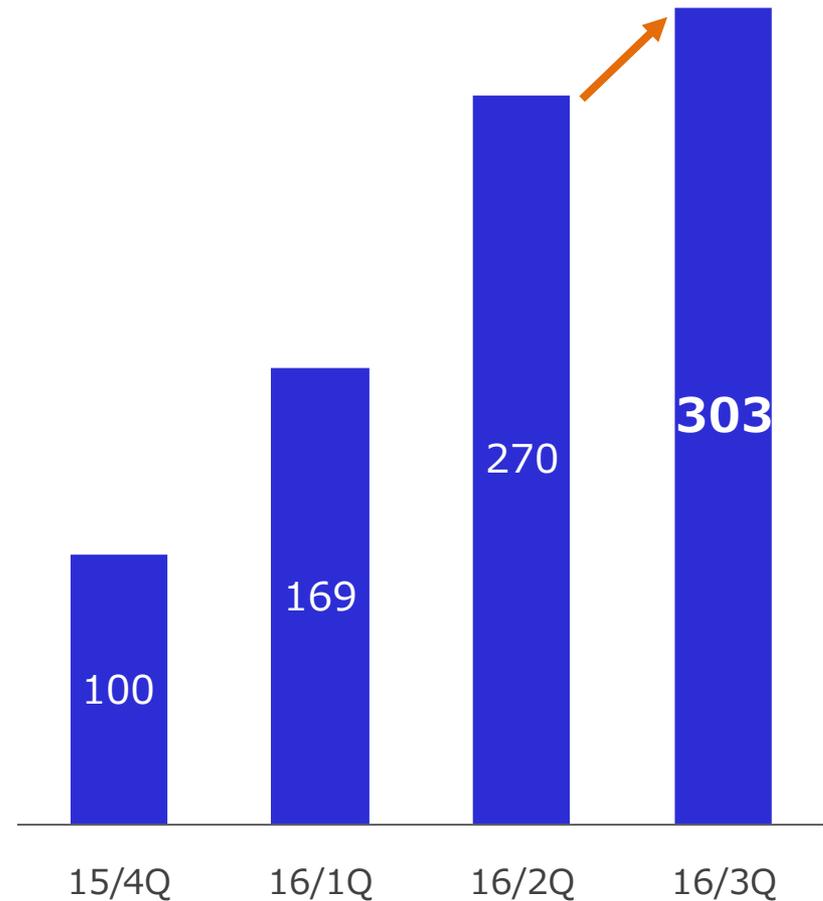
YoY
+ 27%



Video advertising

※Volumes in 4Q/2015=100

QonQ
+ 12%



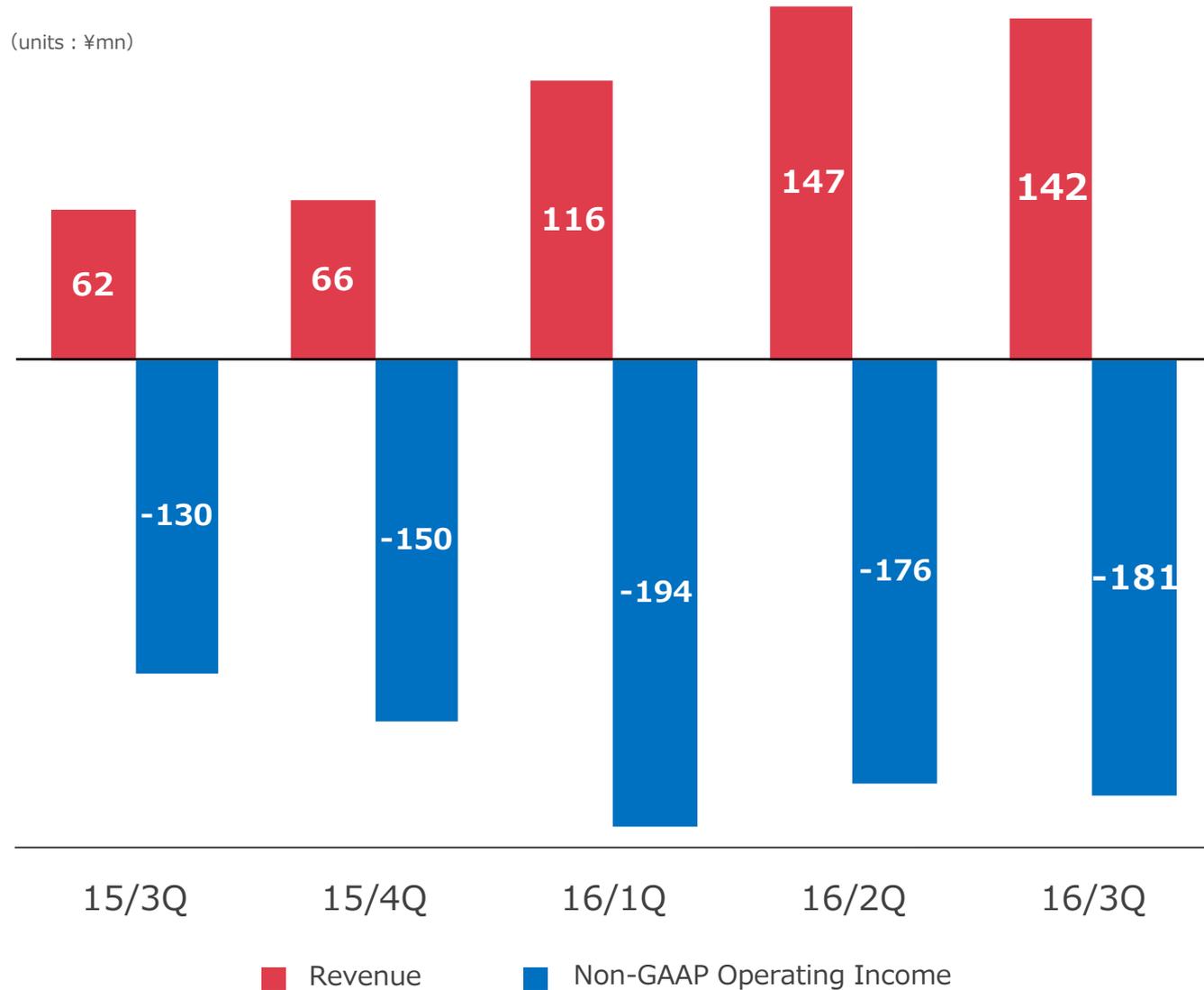
3 . Media Content Business

In the Manga Content Business, while the platform expanded and revenue growth continued, expenses for prior investment also increased.

Revenue in other new businesses struggled to grow.

(units : ¥mn)	3 Q FY9/16			3Q FY9/15		3Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	142	100.0%	+130.7%	62	100.0%	173
Gross Income	63	44.6%	+133.9%	27	44.0%	—
SG&A	244	171.8%	+55.0%	158	255.6%	—
Non-GAAP Operating Income	-181	-127.0%	(-50)	-130	-211.6%	-158

Prior investment in future earnings continued.

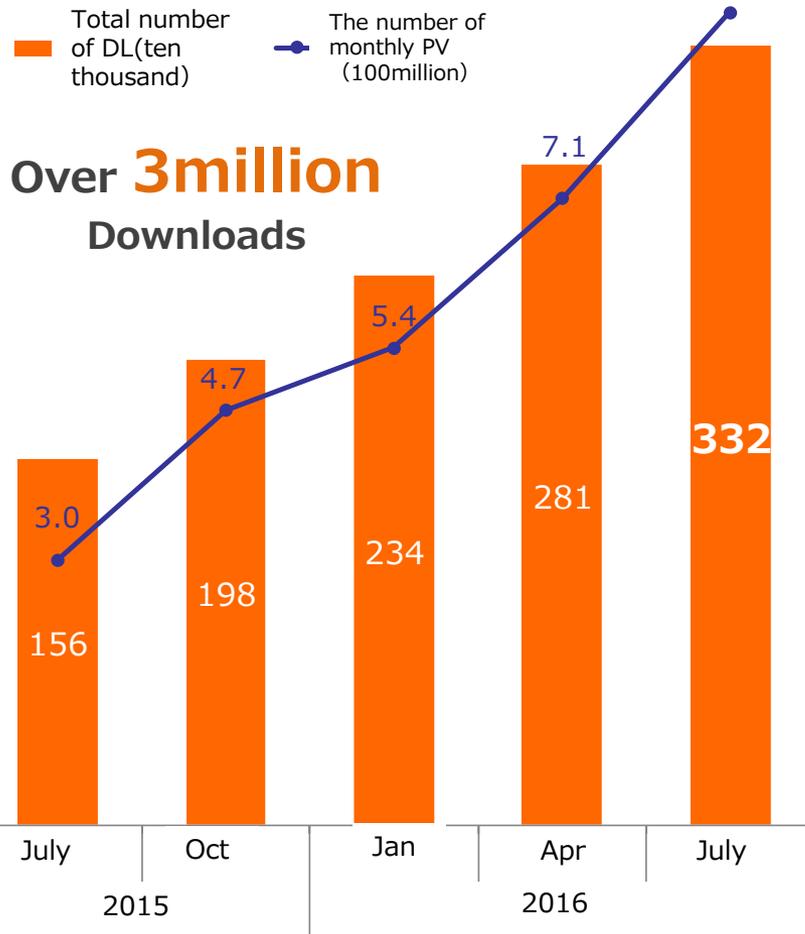


Manga Content Business Overview

Seven new works, including “Yumekui”, were published as books in 3Q, and a total of 13 books were published, including new volumes from ongoing series.

A program to support new Manga Artists “**Route M**” was renewed. Part of the advertising revenue from GANMA! was returned to the artists (from July 2016).

Monthly page views and accumulated application downloads of GANMA!



Support for each stage of Route M

	M1	M2	M3	M4	M5
Financial support (monthly)					
	¥100,000	¥150,000	¥200,000	¥300,000	¥500,000
Publication on GANMA!					
Stage of complete story series	Serials				
Support provided					
					Comprehensive production
			Production assistance provided by exclusive assistant		
	Comic book publication (in paper and electronic forms)				
	Editor				
	Free loan of LCD tablet PC				
Compensation other than financial support					
					Content royalties
	Proceeds from comic books				
	GANMA! bonus ※				
	GANMA! advertising sales				

※Compensation paid to manga artists based on GANMA! rankings

4 . Accumulated Consolidated Earnings and Earning Estimates

Non-GAAP operating income exceeded the full-year result of the previous year.

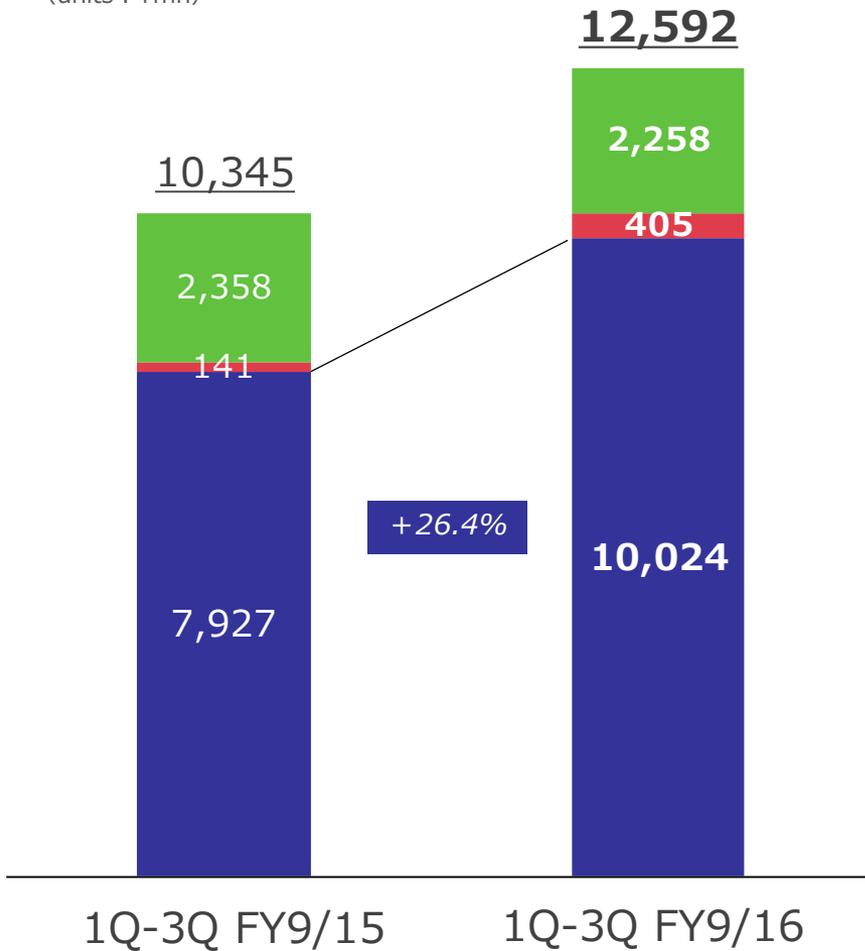
Profit for the period attributable to owners of the parent increased, despite the reaction to profits associated with the sale of the Direct Marketing Business in 1Q of the previous year.

(units : ¥mn)	1Q-3Q FY9/16			1Q-3Q FY9/15		1Q-3Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	12,592	100.0%	+21.7%	10,345	100.0%	12,921
Gross Income	10,164	80.7%	+23.7%	8,219	79.5%	—
SG&A	7,026	55.8%	+12.8%	6,228	60.2%	—
Non-GAAP Operating Income	3,157	25.1%	+56.9%	2,012	19.5%	3,119
Operating Income	3,165	25.1%	+57.4%	2,010	19.4%	—
Profit for the period from continuing operations	2,046	16.3%	+48.0%	1,383	13.4%	—
Profit for the period attributable to owners of the parent	2,042	16.2%	+0.0%	2,042	19.7%	2,023
【Reference】 Net Sales	57,275	—	+24.2%	46,110	—	58,094

Earnings By Business Segments (Oct-Jun)

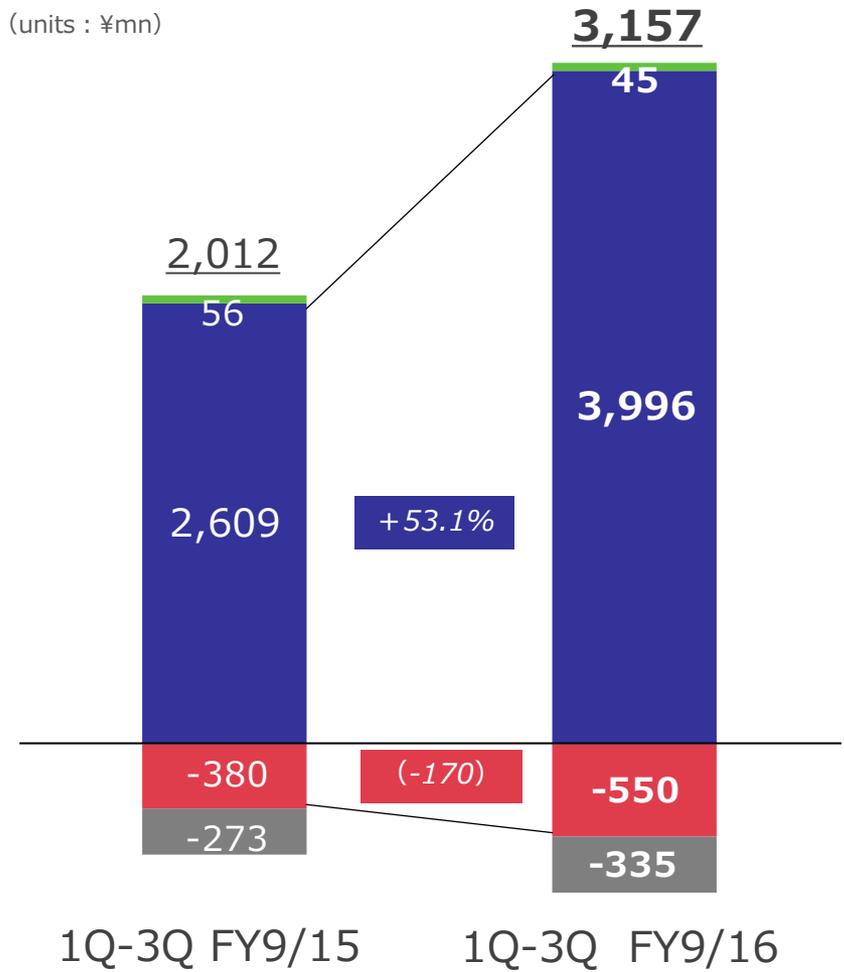
Revenue

(units : ¥mn)



Non-GAAP Operating Income

(units : ¥mn)



■ Internet Marketing
 ■ Media Content
 ■ Non-core (AXEL MARK)
 ■ Adjustment (corporate expenses, etc.)

*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

4 Q (Full Year) Consolidated Earnings Estimates

The Internet Marketing Business is expected to achieve an increase in revenue and profit.

Significant revenue growth is expected in the Media Content Business.

The loss in 4Q (July to September) is expected to decrease from the previous quarter, and the year-on-year increase in loss will also be limited.

The Non-core Business is expecting a substantial operating loss due to considerable upfront expenses for large-scale promotions for games and other purposes.

Consolidated operating income for 4Q (July to September) is expected to be reduced by loss in the Non-core Business; however, total operating income from the Core Business is expected to grow.

(units : ¥mn)			Earnings in FY9/15				Expected growth rate (Full Year)
	Earnings in 1Q-3Q FY9/15	Earnings in 4Q FY9/15		Earnings in 1Q-3Q FY9/16	Earnings Estimates for 4Q FY9/16	Earnings Estimates for FY9/16	
Revenue	10,345	3,922	14,267	12,592	4,750	17,342	+ 21.6%
Non-GAAP Operating Income	2,012	1,017	3,030	3,157	850	4,007	+ 32.3%
Profit for the period attributable to owners of the parent	2,042	309	2,351	2,042	654	2,696	+ 14.7%
[Reference] Net Sales	46,110	18,437	64,548	57,275	20,400	77,675	+ 20.3%

4Q(Jul-Sep) FY9/16 Earnings Estimates by Business Segment

(units : ¥mn)

	Revenue			Non-GAAP Operating Income		
	Earnings in 4Q FY9/15	Earnings Estimates for 4Q FY9/16	YY Change	Earning in 4Q FY9/15	Earnings Estimates for 4Q FY9/16	YY Change
Internet Marketing Business	3,169	3,563	+12.4%	1,206	1,456	+20.7%
Media Content Business	66	185	+180.5%	△150	△ 173	(-23)
Total of Core Business	3,235	3,748	+15.9%	1,056	1,283	+21.5%
Non-core Business (AXEL MARK)	714	1,025	+43.5%	66	△342	(-408)
Elimination or corporate	△27	△23	(+4)	△105	△91	(+14)
Total	3,922	4,750	+21.1%	1,017	850	-16.4%

Expected dividend per share

A **dividend increase** is scheduled for the **fourth consecutive year**.

	FY 9/12 Results	FY 9/13 Results	FY 9/14 Results	FY 9/15 Results	FY 9/16 Forecasts	YoY change
Dividend per share	5.0 yen	7.0 yen	9.0 yen	14.0 yen	16.0 yen	+ 2.0 yen
Gross Dividends	¥125mn	¥176mn	¥228mn	¥362mn	¥415mn	+ 14.4%
Dividend payout ratio	18.6%	14.6%	14.7%	15.1%	15.4%	+ 0.3pt

- Note: 1. The dividend per share for the year ended September 2012 and the year ended September 2013 are the amounts after the adjustment for the 1:200 stock split carried out on October 1, 2013.
2. The dividend payout ratio until the year ended September 2015 is the amount calculated using J-GAAP.
3. The dividend for the year ending September 2016 is the amount based on the number of shares before the stock split scheduled for October 1, 2016.

Stock split

To expand the investor base and increase stock liquidity, a **1:5** stock split is scheduled with an effective date of October 1, 2016 (the record date is September 30).

Due to the stock split, the minimum amount of the annual dividend per share will be changed from the standard 5 yen to 2 yen, which will, in essence, double the minimum amount of the annual dividend per share.

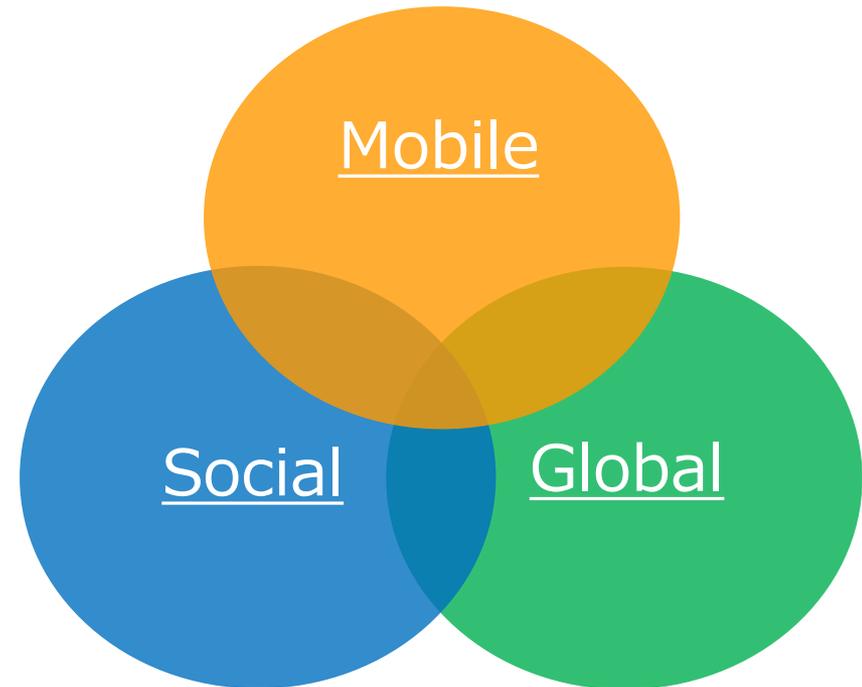
Concept

“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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Corporate Planning, IR Division

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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 August 2, 2016 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, 2016

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	¥2,085 million
Shares Issued	27,728,300 shares (Including 1,784,831 treasury shares)
Consolidated Workforce	929 full time employees, 1144 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

August 2, 2016

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 China Limited	Internet marketing business for China
HighScore, Inc.	Social Media Marketing Support Business	SEPTENI TECHNOLOGY CO., LTD.	Web service development
EAGLE i Co., Ltd.	Advertising Network Business	JNJ INTERACTIVE INC.	Internet ad agency in South Korea
Septeni Original,Inc.	Planning and developing its own services	SETPENI CROSSGATE CO., LTD.	Ad Network and Platform Business
Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region	Tricorn Corporation	CRM Service Business

Media Content Business

COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
Vivivit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business

New Business Development

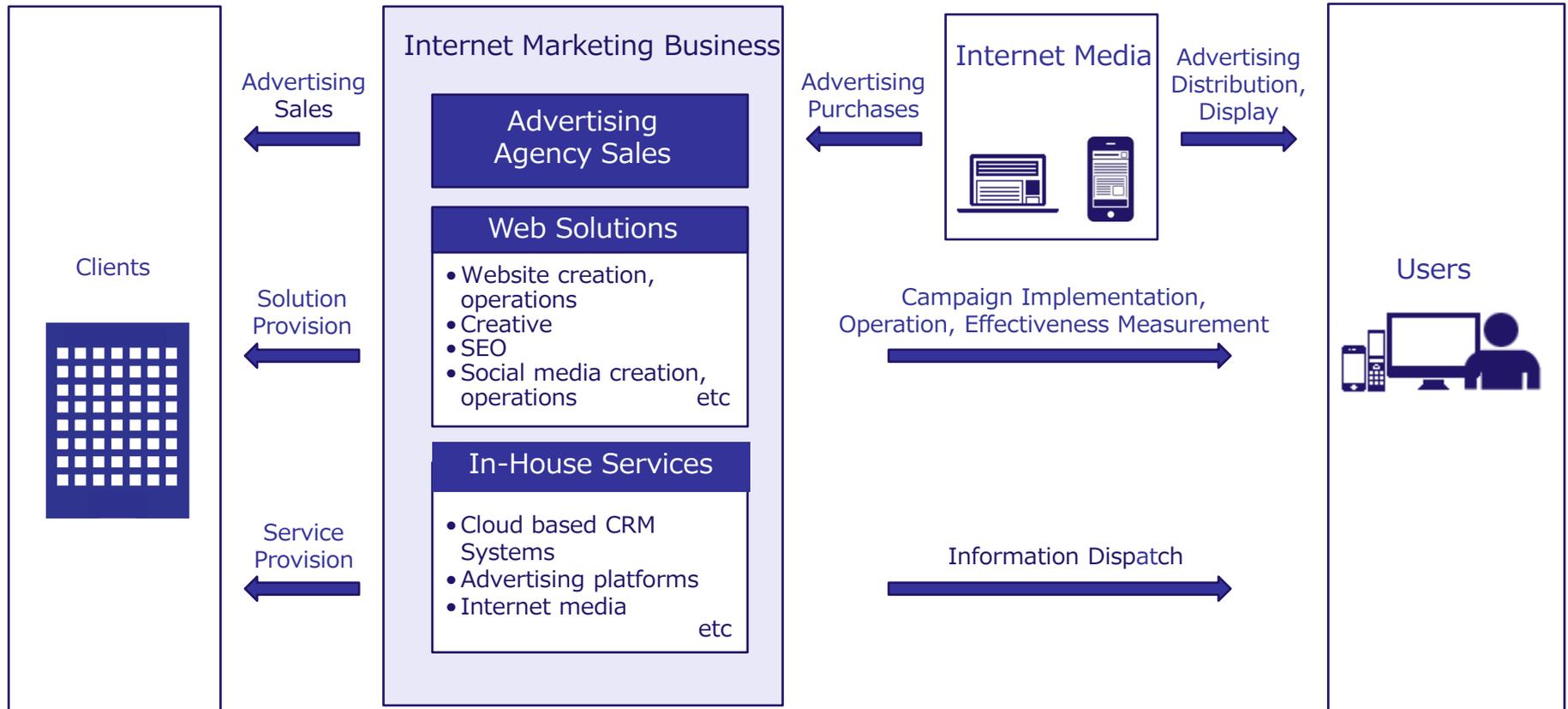
SEPTENI VENTURES Co., Ltd.

Non-Core Business

AXEL MARK INC.

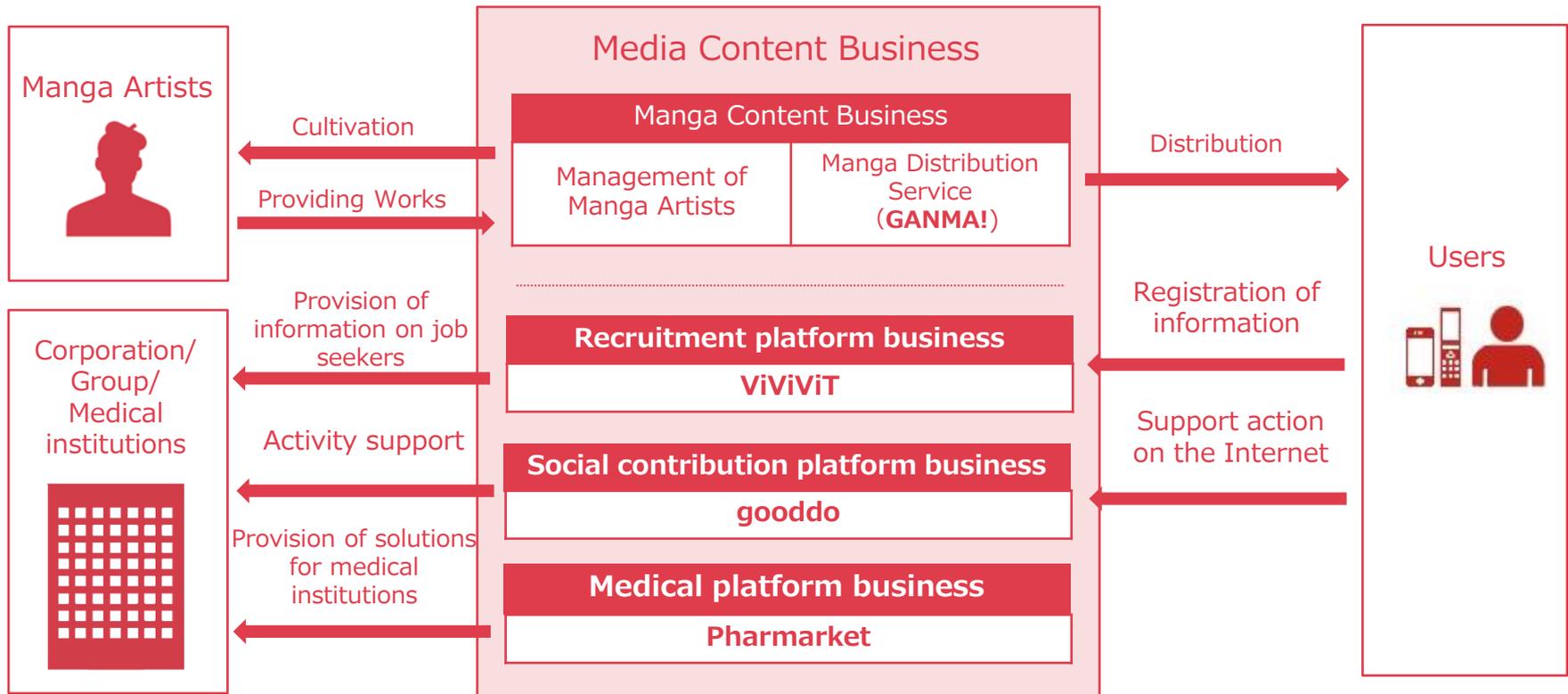
Mobile Game Business

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 Manga Content Business engages in the cultivation and production of Manga artists and the Manga distribution service for the purpose of **planning and developing our own intellectual property (IP)**.

In addition, the business develops platform-type businesses related to “recruitment,” “social contribution” and “medical services” as a new business born from intrapreneurship.



Consolidated Statement of Financial Position

	End 3Q FY9/16	End 2Q FY9/16	Change	Main Change
(units : ¥mn)				
Current Assets	25,831	25,038	+ 794	Cash and cash equivalents: + 1,337 Operating receivables: - 679
Non-current Assets	3,467	3,518	- 50	
Total Assets	29,299	28,555	+743	
Current Liabilities	13,847	14,058	- 211	Operating debt: - 283
Non-current Liabilities	766	816	- 50	Long-term loans payable: - 50
Total Liabilities	14,613	14,874	- 261	
Total Capital	14,685	13,681	+ 1,004	Retained earnings: + 699 Capital surplus: + 210
Total Liabilities and Capital	29,299	28,555	+ 743	

Consolidated Statement of Cash Flows

(units : ¥mn)

	3Q FY9/16 (Apr-Jun)	Main Changes	3Q FY9/15 (Apr-Jun)
Cash Flows from Operating Activities	903	Profit before taxes from continuing operations: +1,189 Decrease in operating receivables: +679 Payment of corporate income tax: △789	610
Cash Flows from Investing Activities	△27	Purchase tangible fixed asset: △34	62
Cash Flows from Financing Activities	537	Increase (decrease) in loans payable: +126 Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control: +409	42
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△76		10
Net Increase (Decrease) in Cash and Equivalents	1,337		725
Cash and Equivalents at Term End	14,576		10,466

SEPTENI Group Workforce Number Trend

