



Business Results for 2Q Fiscal Year September 2016

May 10, 2016

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

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- 2 . Internet Marketing Business
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- From FY9/16, we have applied the IFRS in place of the Japanese standards, 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 ¥4,181mn (Up 17.6% year on year)

Non-GAAP Operating income ¥1,061mn (Up 53.5% year on year)

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

Internet Marketing Business

Revenue ¥3,416mn (Up 29.9% year on year)

Non-GAAP Operating income ¥1,413mn (Up 63.0% year on year)

Business expansion and improvement in profitability continue,
and ratio of Non-GAAP Operating Income exceed 40%.

Media Content Business

Revenue ¥147mn (3.2times year on year)

Non-GAAP Operating income ¥-176mn (Down ¥51mn year on year)

Revenue expanded, and Operating Loss reduced quarter on quarter.

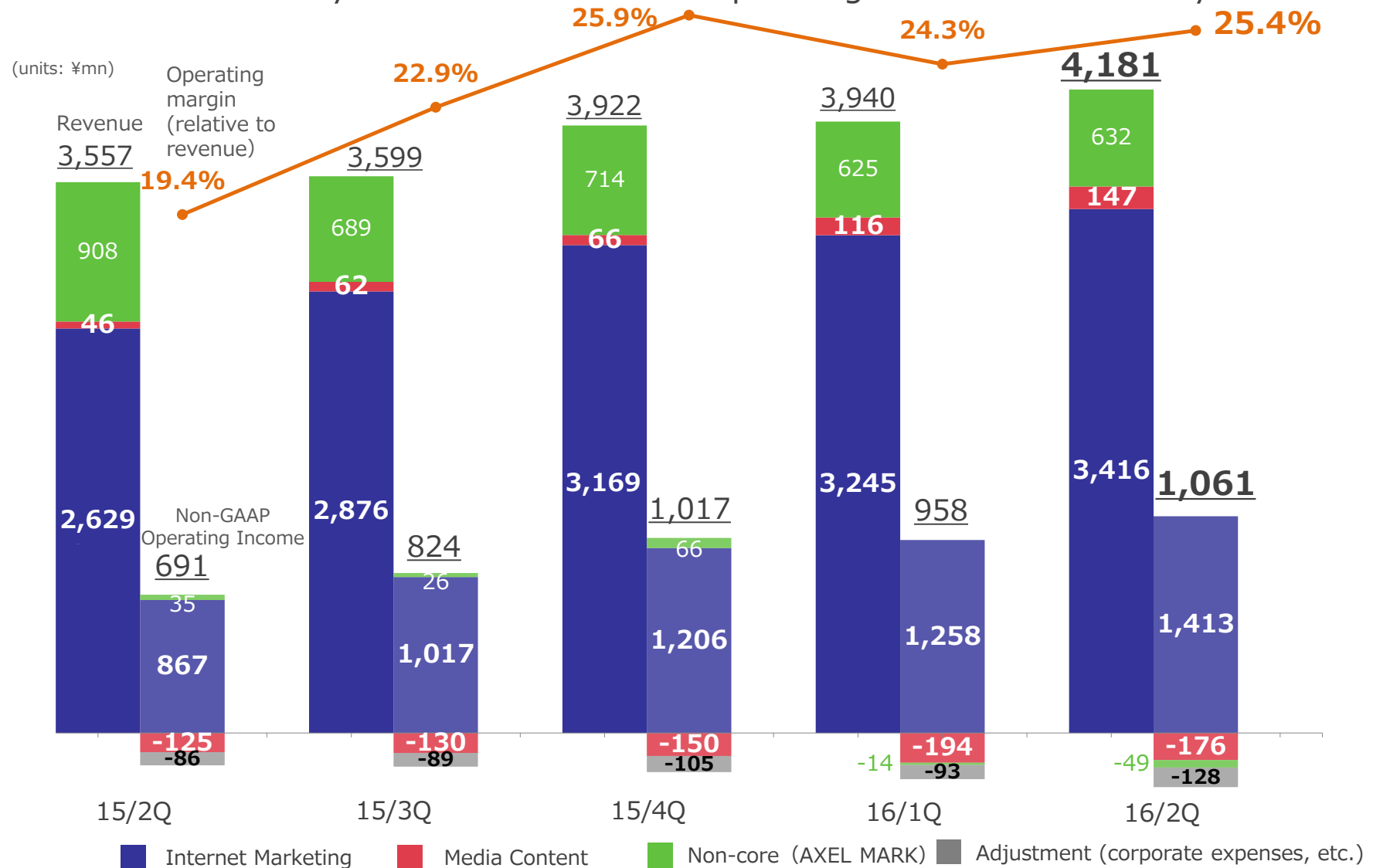
*Prior to FY9/14, comparison was made by calculating the numbers equivalent to those in the Japanese standards.

Revenue expanded steadily centering on Internet Marketing Business.

(units : ¥mn)	2Q FY9/16			2Q FY9/15		2Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	4,181	100.0%	+17.6%	3,557	100.0%	4,200
Gross Income	3,389	81.1%	+23.4%	2,746	77.2%	—
SG&A	2,333	55.8%	+12.9%	2,067	58.1%	—
Non-GAAP Operating Income	1,061	25.4%	+53.5%	691	19.4%	1,000
Operating Income	1,059	25.3%	+53.3%	691	19.4%	—
Profit for the period from continuing operations	680	16.3%	+41.0%	482	13.6%	—
Profit for the period attributable to owners of the parent	711	17.0%	+50.1%	473	13.3%	650
【Reference】 Net Sales	19,709	—	+27.2%	15,496	—	19,800

Quarterly Consolidated Earnings Trend (by Business Segment)

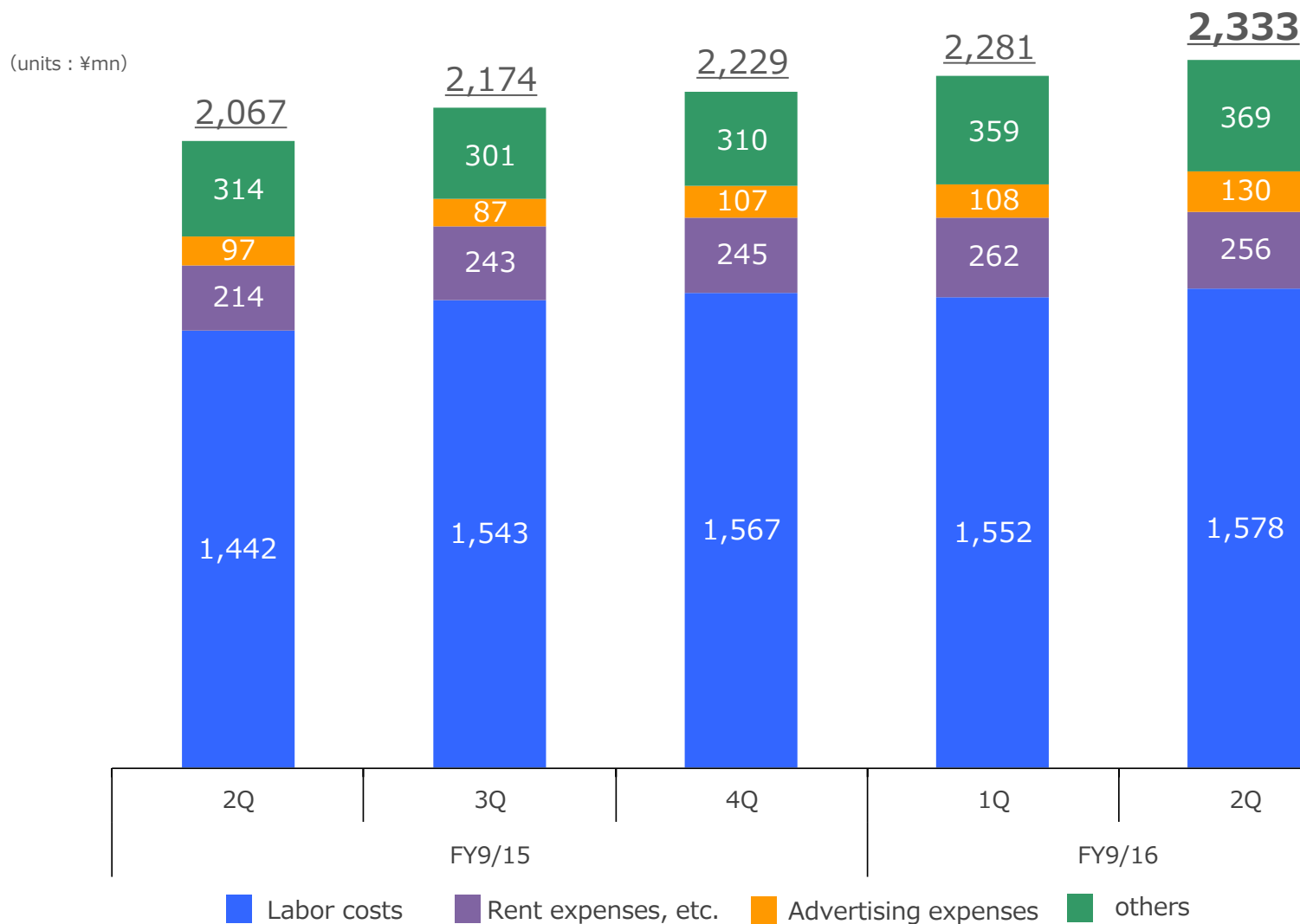
In the core businesses (Internet Marketing + Media Content),
Revenue increased by **33%** and Non-GAAP Operating Income increased by **67%**



*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 ¥266mn year on year, but the pace of increase slowed.



*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 2Q to 4Q FY9/15).

2 . Internet Marketing Business

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

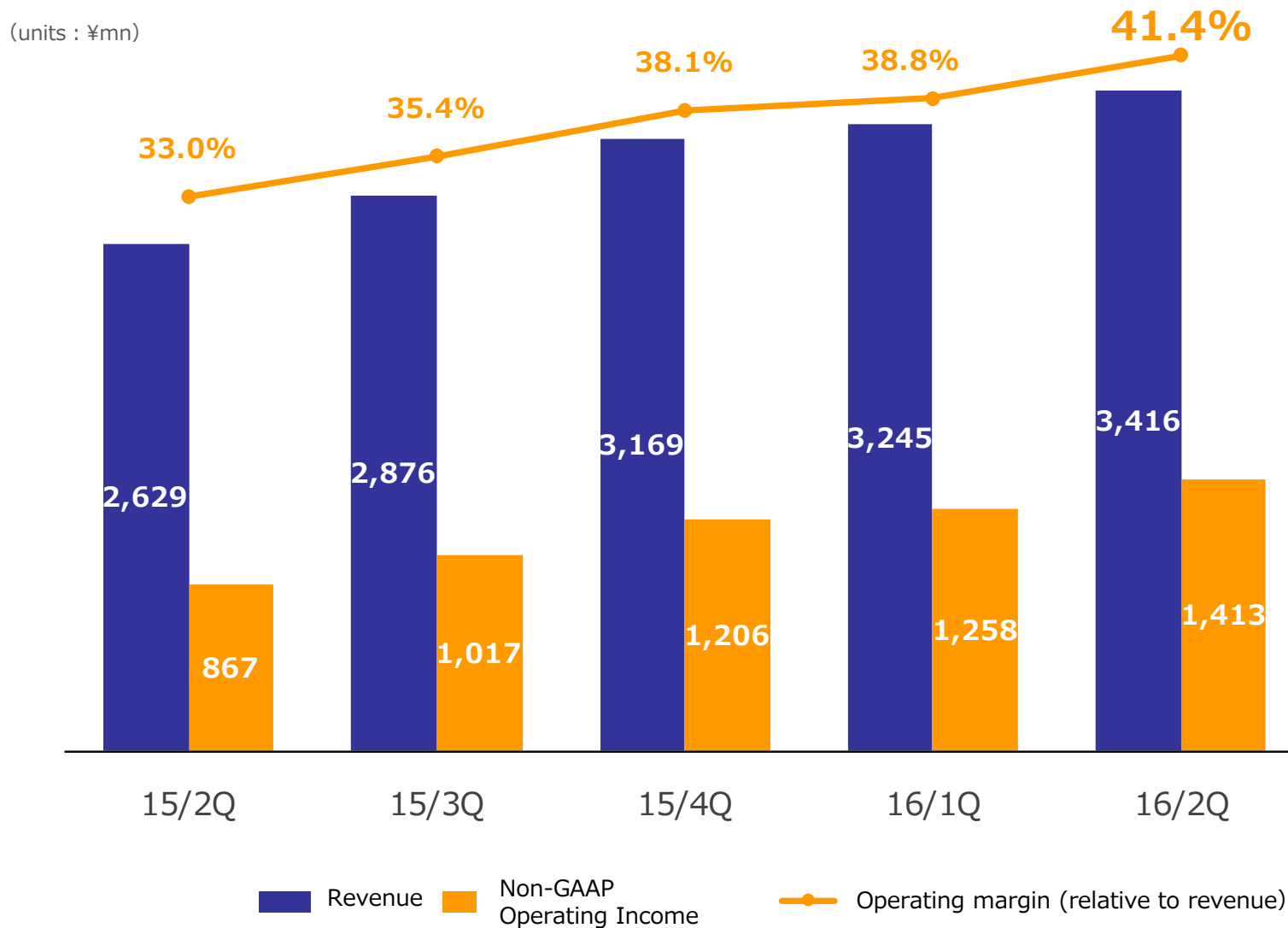
Volume (net sales) rose significantly, over **30%** year on year, reflecting expansion in both the Mobile and the Social media businesses.

Revenue continued to expand at a much higher pace than the pace of increase in costs. The operating margin exceeded **40%**.

(units : ¥mn)	2Q FY9/16			2Q FY9/15		2Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	3,416	100.0%	+29.9%	2,629	100.0%	3,497
Gross Income	3,160	92.5%	+29.9%	2,433	92.5%	—
SG&A	1,750	51.2%	+11.4%	1,570	59.7%	—
Non-GAAP Operating Income	1,413	41.4%	+63.0%	867	33.0%	1,398
【Reference】 Net Sales	19,042	—	+30.3%	14,615	—	

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

Improvement in Ratio of Non-GAAP Operating Income continued.

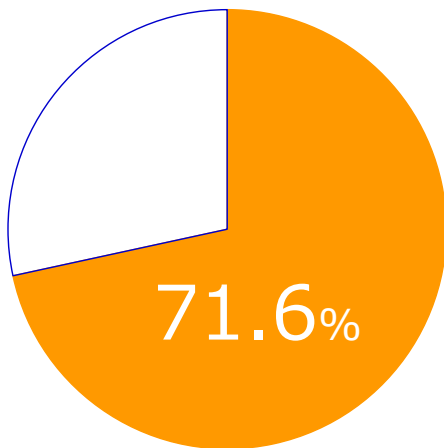


Mobile

(Volumes of smartphone advertising)

¥13.6bn

(YonY + 60%)



(units : ¥100mn)

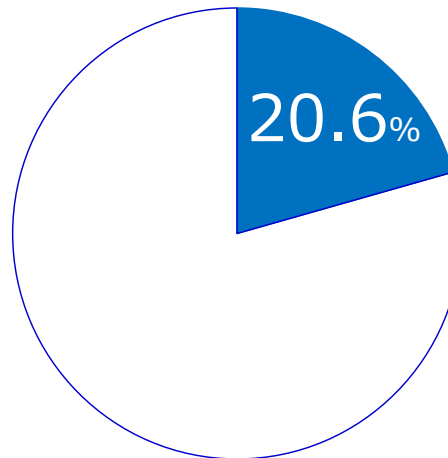
15/2Q	15/3Q	15/4Q	16/1Q	16/2Q
85	105	121	122	136

Social

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

¥3.9bn

(YonY + 68%)



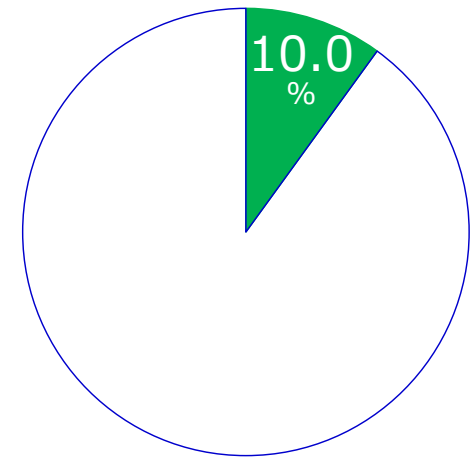
15/2Q	15/3Q	15/4Q	16/1Q	16/2Q
23.4	30.5	35.5	34.0	39.3

Global

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

¥1.9bn

(YonY + 33%)

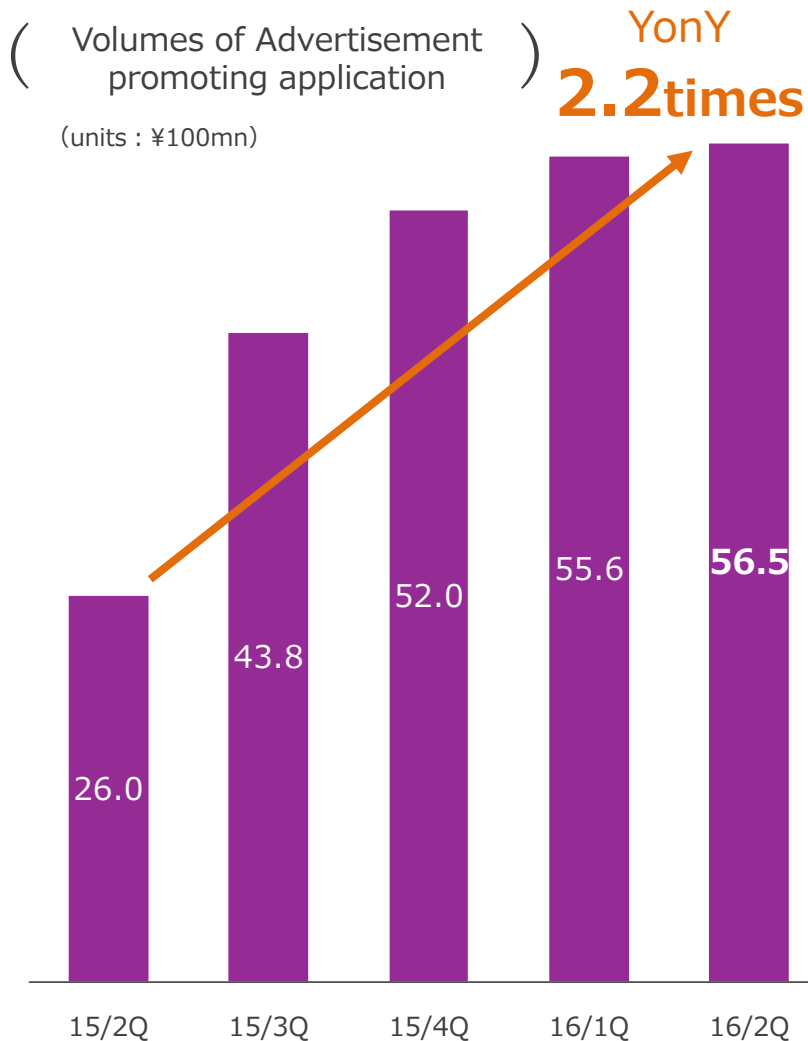


15/2Q	15/3Q	15/4Q	16/1Q	16/2Q
14.3	28.2	34.5	31.1	19.0

*1. The numbers in the pie chart show the percentage of ¥19.0bn, the overall business sales (volumes) in this quarter.

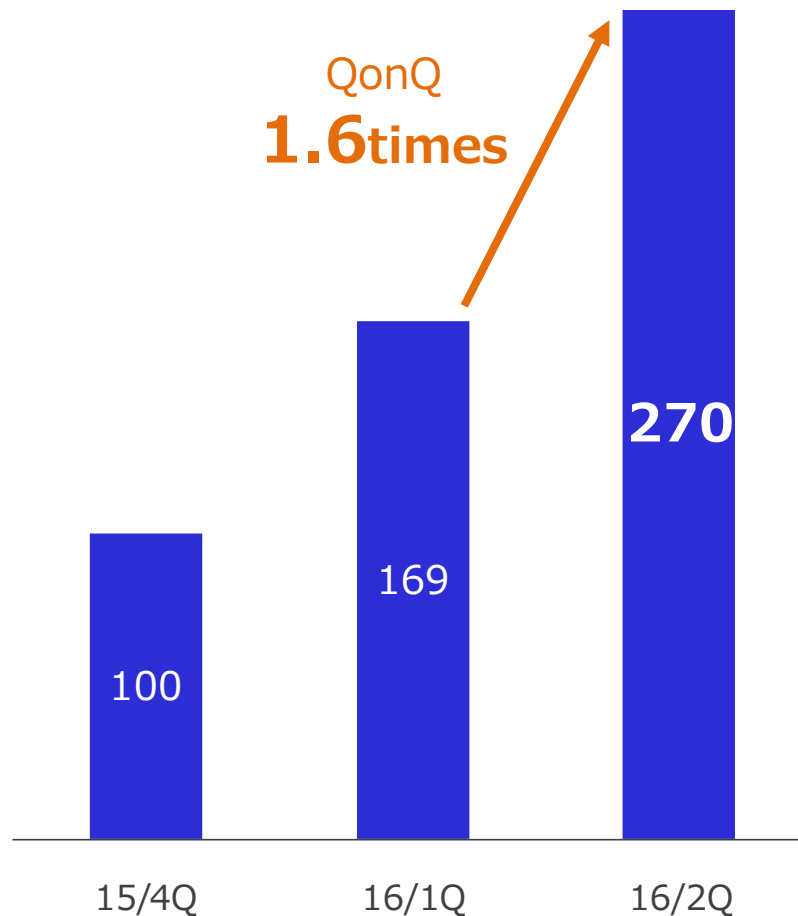
*2. The volumes in each area include an overlapped portion.

Volumes related Application



Video advertising

※Volumes in 4Q/2015=100



3 . Media Content Business

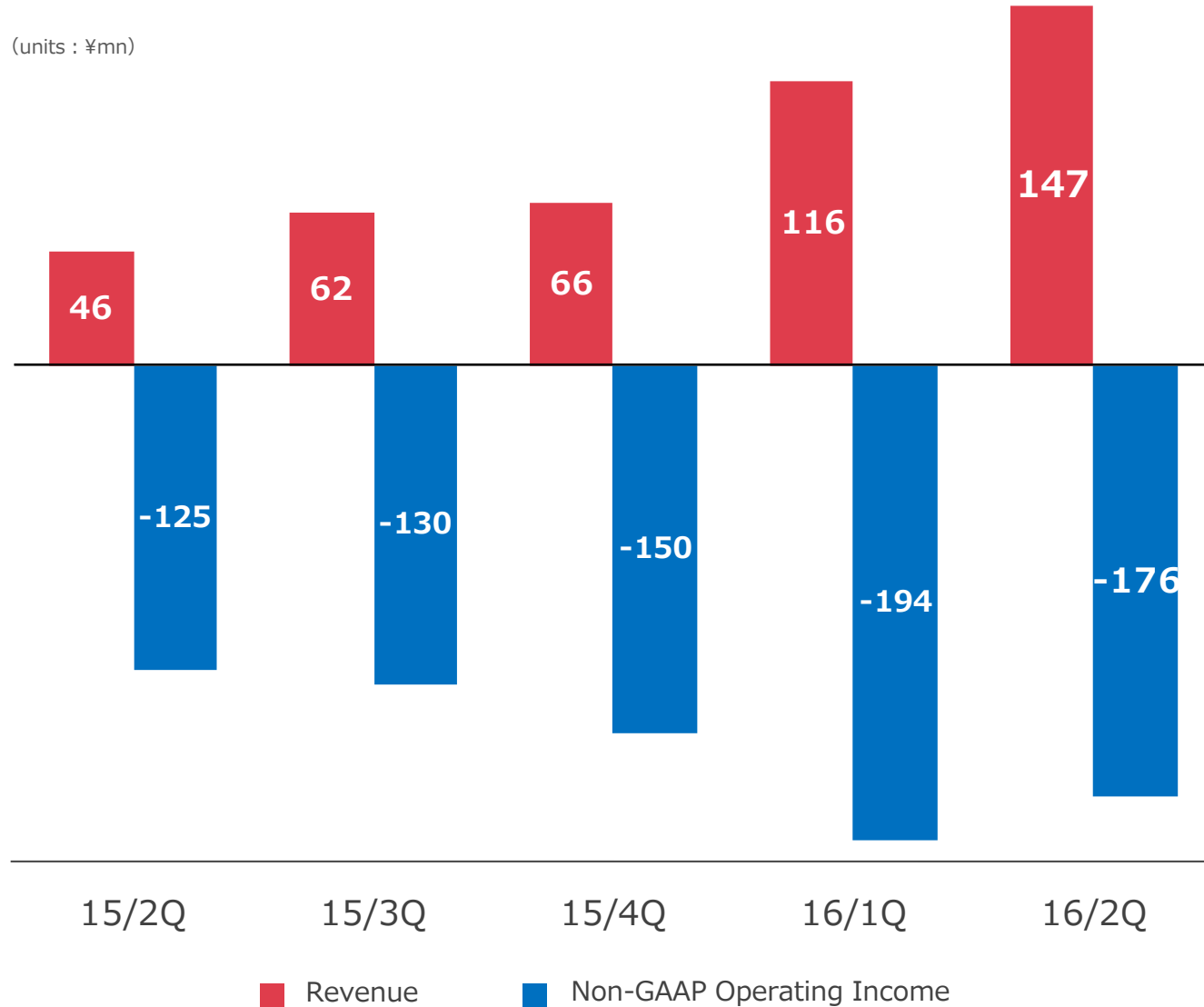
In the Manga Content Business, the scale of platform expanded steadily and advertisement revenue also increased.

Other new businesses grew firmly.
Operating Loss in the Media Content Business reduced from the previous quarter.

(units : ¥mn)	2Q FY9/16			2Q FY9/15		2Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	147	100.0%	+ 220.1%	46	100.0%	134
Gross Income	66	45.1%	+267.2%	18	39.3%	—
SG&A	242	164.9%	+ 69.1%	143	312.3%	—
Non-GAAP Operating Income	− 176	− 119.7%	(− 51)	− 125	− 272.7%	− 179

In 2Q FY9/16, Revenue expanded,
and Operating Loss reduced quarter on quarter.

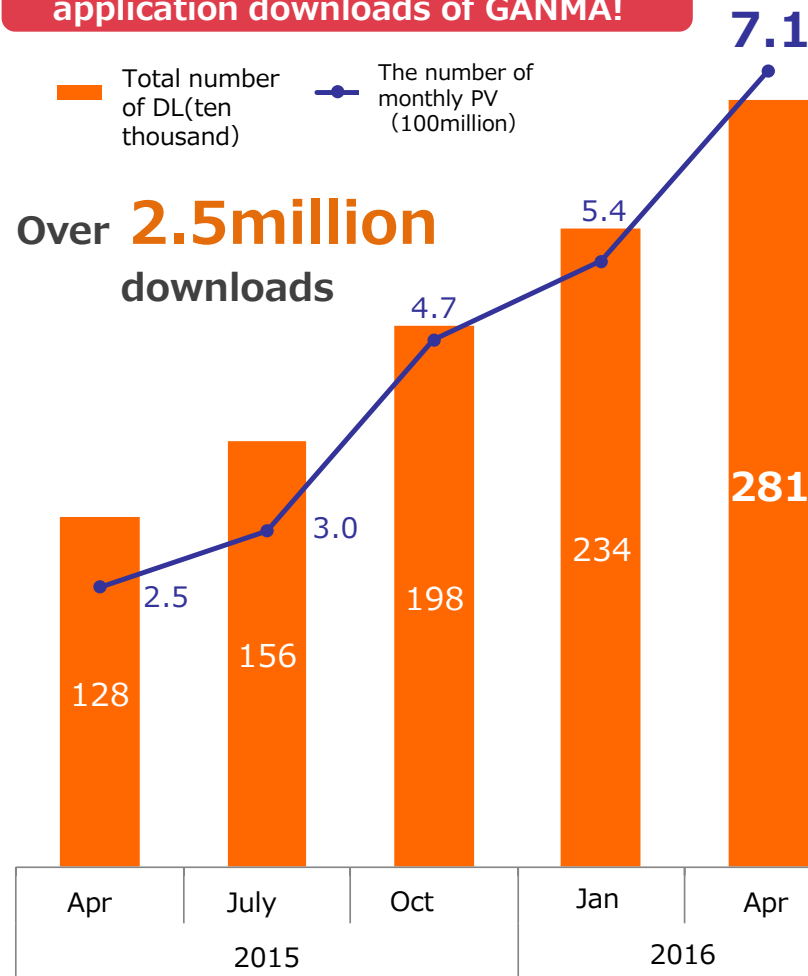
(units : ¥mn)



Sales of native advertising in the application “**GANMA!AD**” extended steadily.

Established “*ANIMAGE COMICS GANMA!*”, a new comic book label solely for works of GANMA!, in collaboration with Tokuma Shoten Publishing.

Monthly page views and accumulated application downloads of GANMA!



Comic books published in this quarter



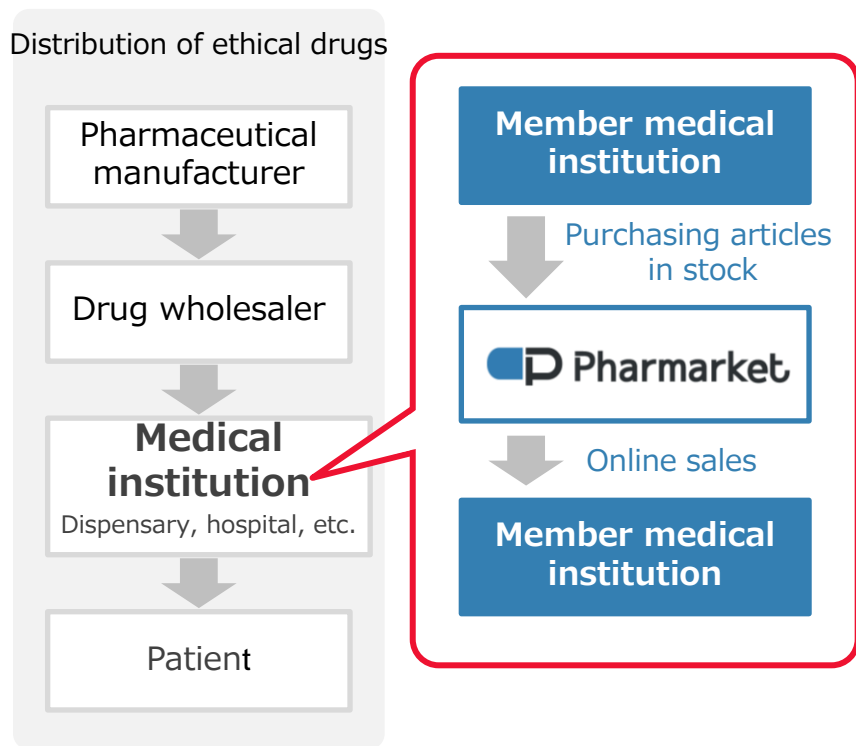
Medical platform business **Pharmarket** expanded steadily.

The number of registered member stores exceeded **4,000**. We aim to increase the number to 10,000 in the near future.

We plan to launch "*Pharmarket-IM*", a solution for medical institutions, in May. We will provide tablets equipped with the inventory control and medicine ordering functions free of charge.

Business model of Pharmarket

Distribution of ethical drugs



Pharmarket-IM



Appropriate inventory control

Automatic online ordering

Automatic extraction of immovable stored items

4 . Accumulated Consolidated Earnings and Earning Estimates

High growth continued, driven by the Internet Marketing Business.

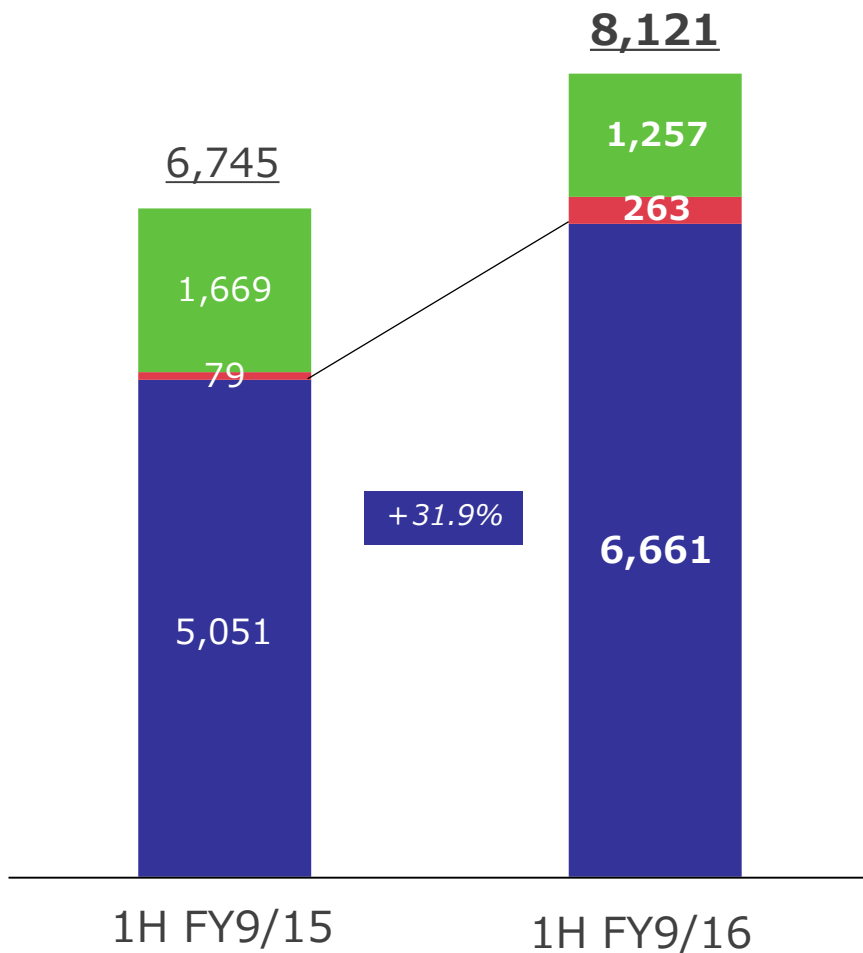
Profit for the period attributable to owners of the parent declined in reaction to profits associated with the sale of the Direct Marketing Business in 1Q of the previous year.

(units : ¥mn)	First half FY9/16			First half FY9/15		First half FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	8,121	100.0%	+20.4%	6,745	100.0%	8,140
Gross Income	6,619	81.5%	+26.7%	5,226	77.5%	—
SG&A	4,614	56.8%	+13.8%	4,055	60.1%	—
Non-GAAP Operating Income	2,019	24.9%	+69.8%	1,189	17.6%	1,958
Operating Income	2,011	24.8%	+69.4%	1,187	17.6%	—
Profit for the period from continuing operations	1,305	16.1%	+54.3%	845	12.5%	—
Profit for the period attributable to owners of the parent	1,343	16.5%	–11.2%	1,513	22.4%	1,283
【Reference】 Net Sales	37,594	—	+27.3%	29,522	—	37,685

Earnings By Business Segments (Oct-Mar)

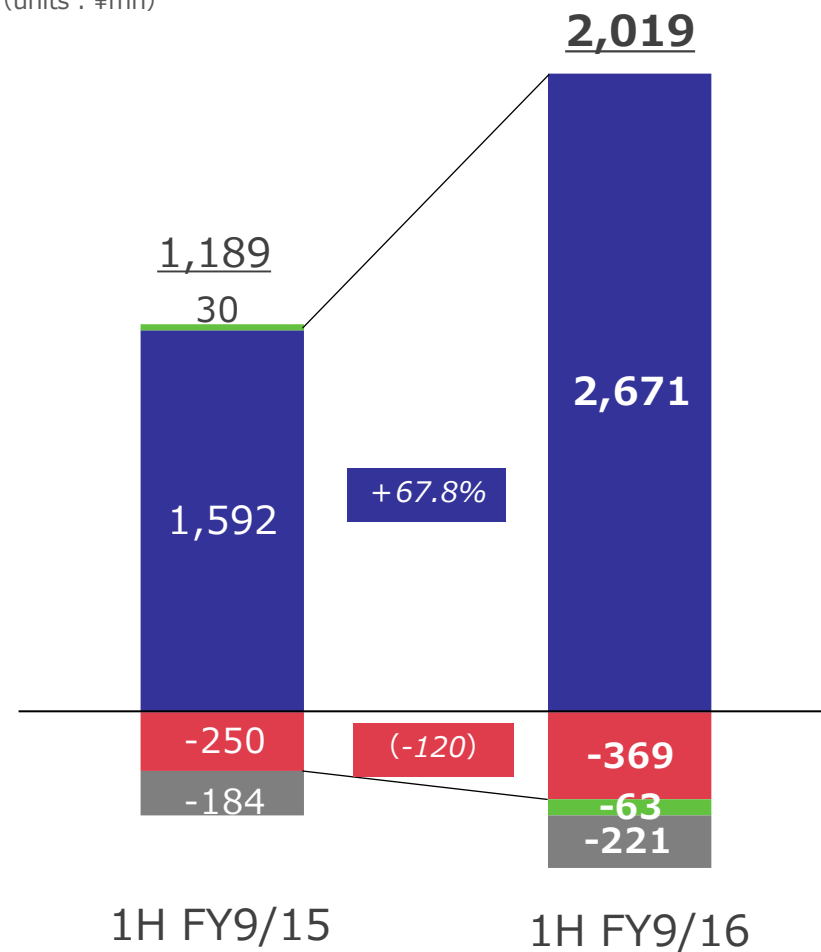
Revenue

(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).

The Internet Marketing Business is expected to increase in Revenue and Non-GAAP Operating Income year on year.

The Media Content Business is expected to see much higher revenue. Loss in 3Q (Apr-Jun) are expected to expand year on year, but decline quarter on quarter.

In April, 102 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 Non-core Business is expected to see a significant increase in revenue and income, thanks to the contribution made by a new game.

(units : ¥mn)							Expected growth rate (1Q-3Q)
	Earnings in 1H FY9/15	Earnings in 3Q FY9/15	Earnings in 1Q-3Q FY9/15	Earnings in 1H FY9/16	Earnings Estimates for 3Q FY9/16	Earnings Estimates for 1Q-3Q FY9/16	
Revenue	6,745	3,599	10,345	8,121	4,800	12,921	+ 24.9%
Non-GAAP Operating Income	1,189	824	2,012	2,019	1,100	3,119	+ 55.0%
Profit for the period attributable to owners of the parent	1,513	529	2,042	1,343	680	2,023	- 0.9%
【Reference】 Net Sales	29,522	16,588	46,110	37,594	20,500	58,094	+ 26.0%

3Q(Apr-Jun) FY9/16 Earnings Estimates by Business Segment

(units : ¥mn)

	Revenue			Non-GAAP Operating Income		
	Earnings in 3Q FY9/15	Earnings Estimates for 3Q FY9/16	YY Change	Earning in 3Q FY9/15	Earnings Estimates for 3Q FY9/16	YY Change
Internet Marketing Business	2,876	3,447	+19.9%	1,017	1,242	+22.1%
Media Content Business	62	173	+180.7%	△130	△ 158	(-28)
Total of Core Business	2,938	3,620	+23.2%	887	1,084	+22.2%
Non-core Business (AXEL MARK)	689	1,203	+74.5%	26	126	+389.6%
Elimination or corporate	△27	△23	(+4)	△89	△110	(-21)
Total	3,599	4,800	+33.4%	824	1,100	+33.6%

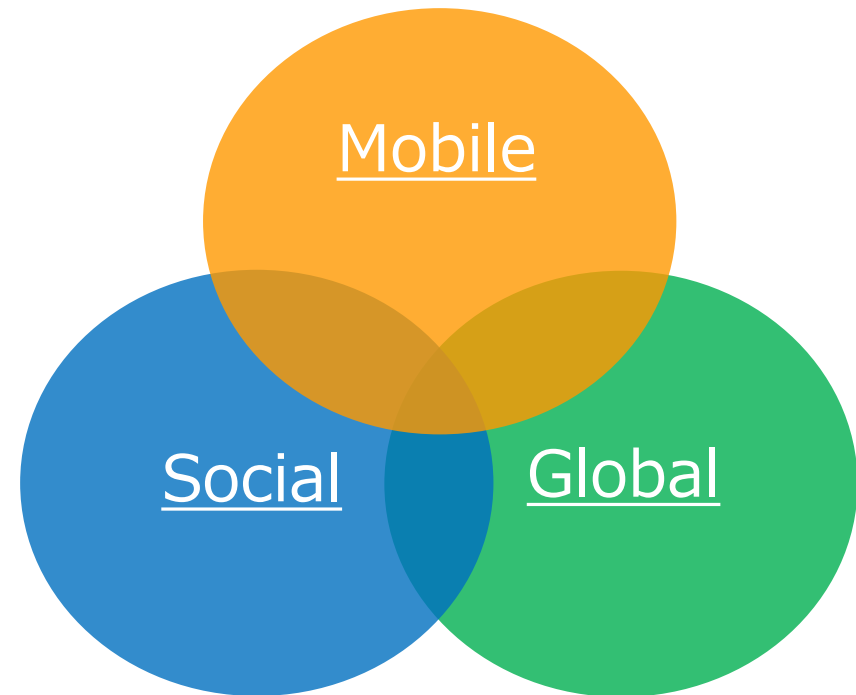
Concept

“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 May 10, 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 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	¥2,085 million
Shares Issued	27,728,300 shares (Including 1,784,756 treasury shares)
Consolidated Workforce	845 full time employees, 1031 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

May 10, 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

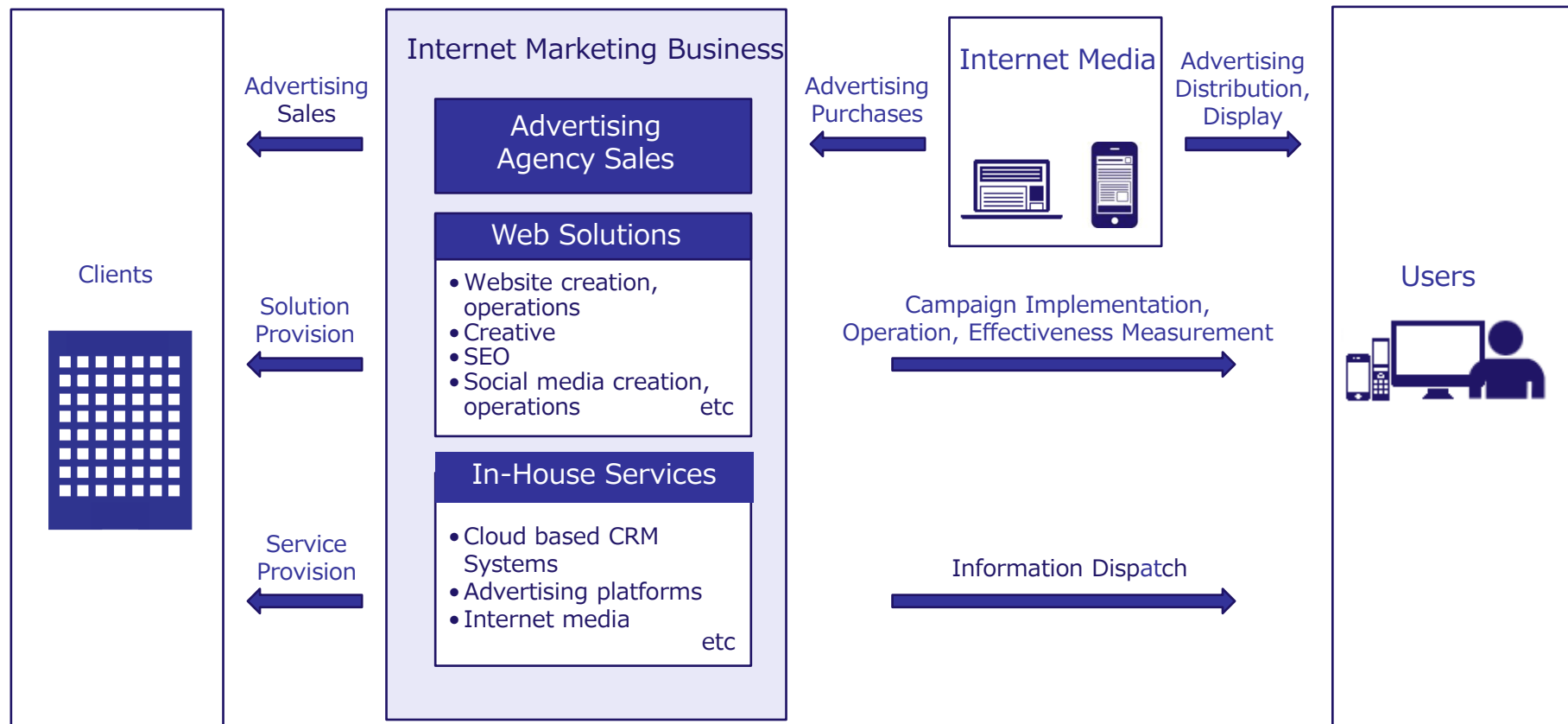
SEPTENI VENTURES Co., Ltd.

Non-Core Business

AXEL MARK INC.

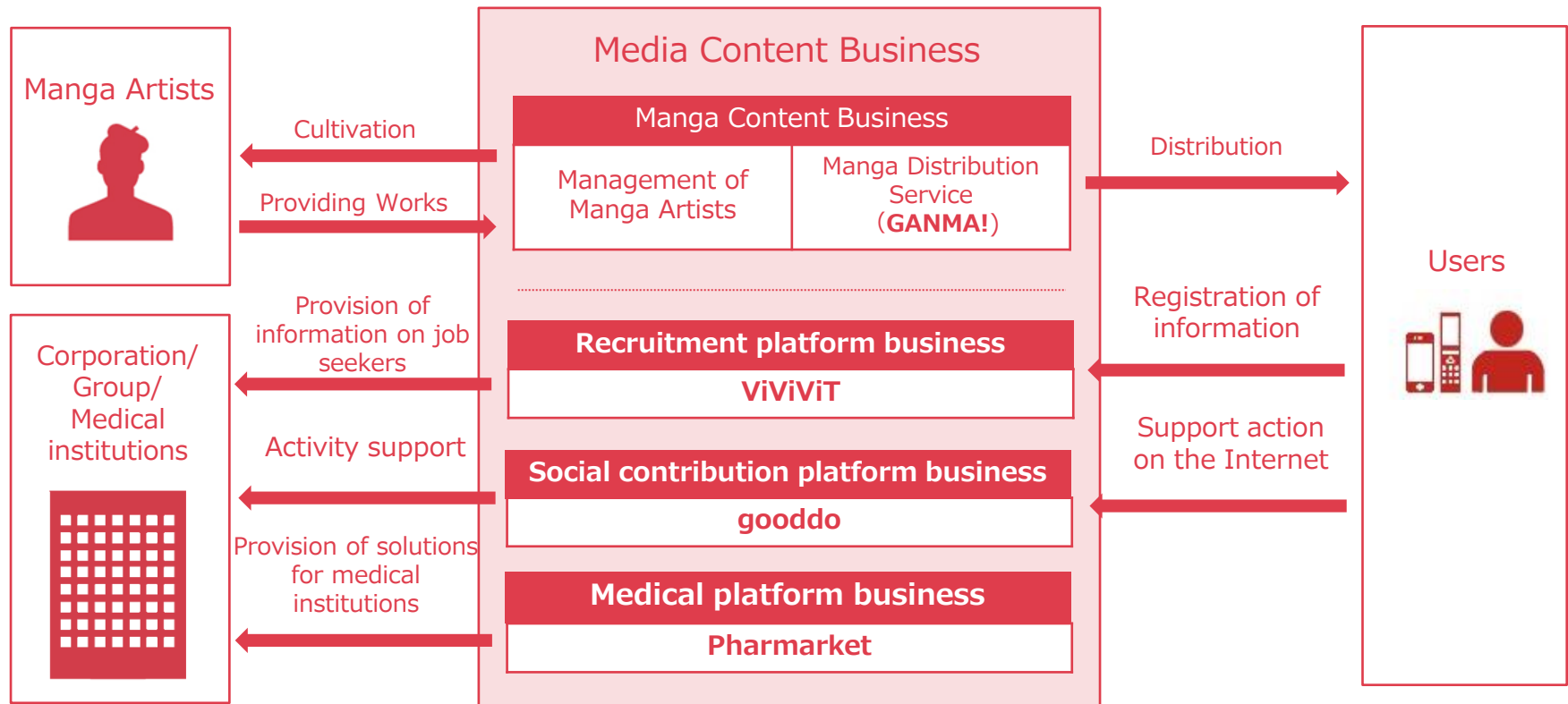
Mobile Game Business

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

(units : ¥mn)

	End 2Q FY9/16	End 1Q FY9/16	Change	Main Change
Current Assets	25,038	22,525	+ 2,513	Cash and cash equivalents: + 1,491 Operating receivables: + 911
Non-current Assets	3,518	3,689	− 171	Investment securities: − 223
Total Assets	28,555	26,213	+ 2,342	
Current Liabilities	14,058	12,958	+ 1,101	Operating debt: + 833 Corporate income taxes payable: + 480
Non-current Liabilities	816	193	+ 623	Long-term loans payable: + 623
Total Liabilities	14,874	13,150	+ 1,724	
Total Capital	13,681	13,063	+ 618	Retained earnings: + 785 Other items of owner's equity: − 150
Total Liabilities and Capital	28,555	26,213	+ 2,342	

Consolidated Statement of Cash Flows

(units : ¥mn)

	2Q FY9/16 (Jan-Mar)	Main Changes	2Q FY9/15 (Jan-Mar)
Cash Flows from Operating Activities	996	Profit for the period from continuing operations: +1,070 Increase in operating receivables:-911 Increase (decrease) in operating debt+833	-108
Cash Flows from Investing Activities	128	Sales of securities: +117	88
Cash Flows from Financing Activities	413	Increase (decrease) in loans payable: +413	-160
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-46		-8
Net Increase (Decrease) in Cash and Equivalents	1,491		-189
Cash and Equivalents at Term End	13,238		9,740

SEPTENI Group Workforce Number Trend

