



Business Results for 4Q and Full Fiscal Year September 2016

November 8, 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 ¥4,468mn (up 13.9% year on year)

Non-GAAP Operating Income ¥683mn (Down 32.8% year on year)

Operating income decreased due to the posting of a bad debt expense and large-scale promotional programs for non-core business.

Internet Marketing Business

Revenue ¥3,385mn (Up 6.8% year on year)

Non-GAAP Operating Income ¥1,335mn (Up 10.7% year on year)

A bad debt expense of ¥96mn was posted to cover doubtful accounts receivable. Operating income stood at ¥1,431mn excluding the bad debt expense (up 18.6% year on year).

Media Content Business

Revenue ¥196mn (3.0times year on year)

Non-GAAP Operating Income ¥-168mn (Down ¥18mn year on year)

Revenue expanded, and Operating Loss reduced quarter on quarter.

Consolidated Income Statement (Jul-Sep)

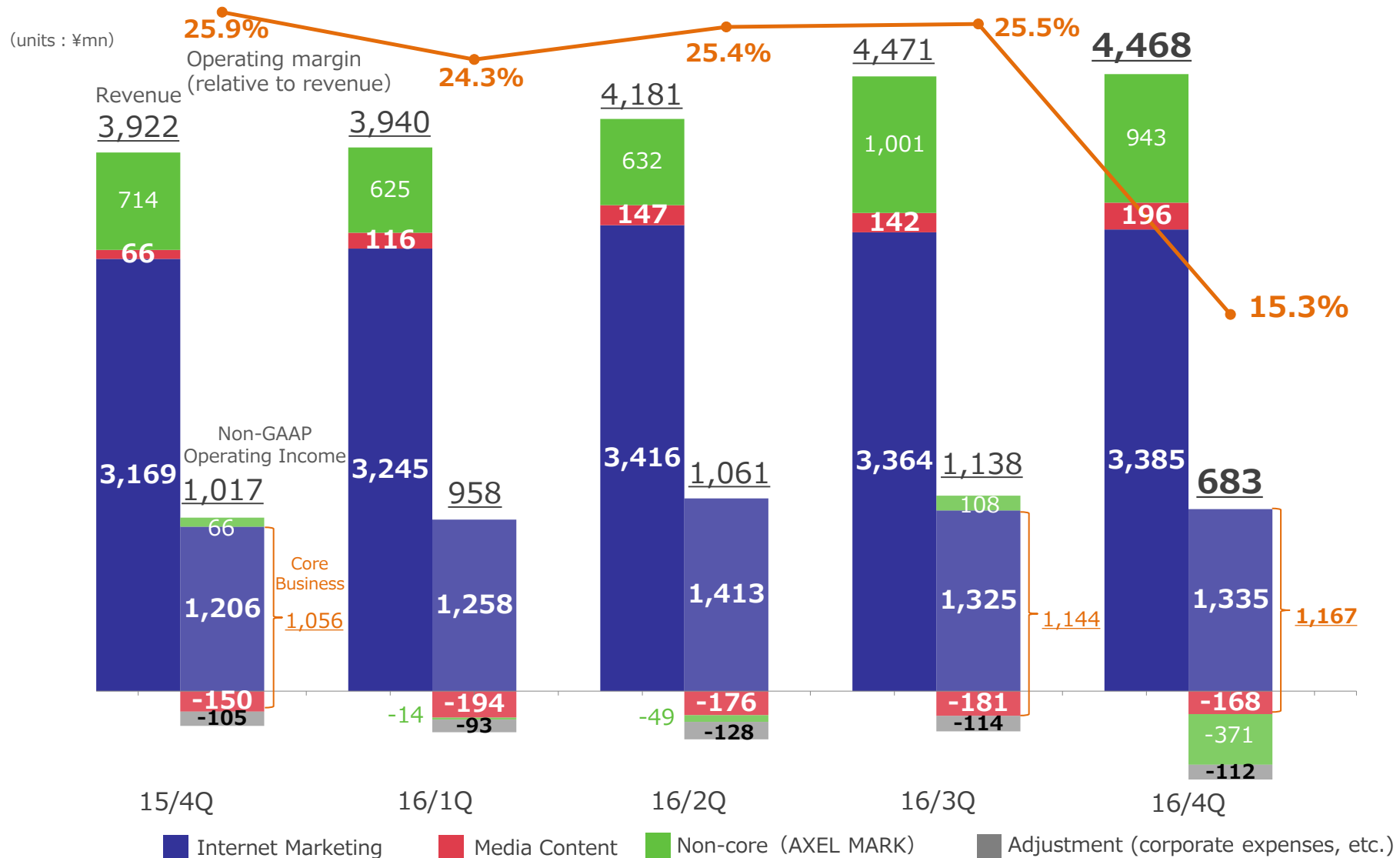
Revenue did not increase as expected, and a bad debt expense of ¥96mn was posted to cover doubtful accounts receivable in the Internet Marketing Business.

In Non-core business, Non-GAAP operating losses stood at ¥371mn due to the implementation of large-scale promotional programs for a game. In addition, an impairment loss of ¥177mn was posted pertaining to investments from a limited liability partnership.

(units : ¥mn)	4 Q FY9/16			4 Q FY9/15		4 Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	4,468	100.0%	+13.9%	3,922	100.0%	4,750
Gross Income	3,459	77.4%	+6.7%	3,243	82.7%	—
SG&A	2,777	62.2%	+24.6%	2,229	56.8%	—
Non-GAAP Operating Income	683	15.3%	−32.8%	1,017	25.9%	850
Operating Income	565	12.7%	−0.7%	569	14.5%	—
Profit for the period from continuing operations	206	4.6%	−14.2%	240	6.1%	—
Profit for the period attributable to owners of the parent	477	10.7%	+54.1%	309	7.9%	654
【Reference】 Net Sales	19,127	—	+3.7%	18,437	—	20,400

Quarterly Consolidated Earnings Trend (by Business Segment)

The total Non-GAAP operating income of Core businesses increased 10.5% year on year.

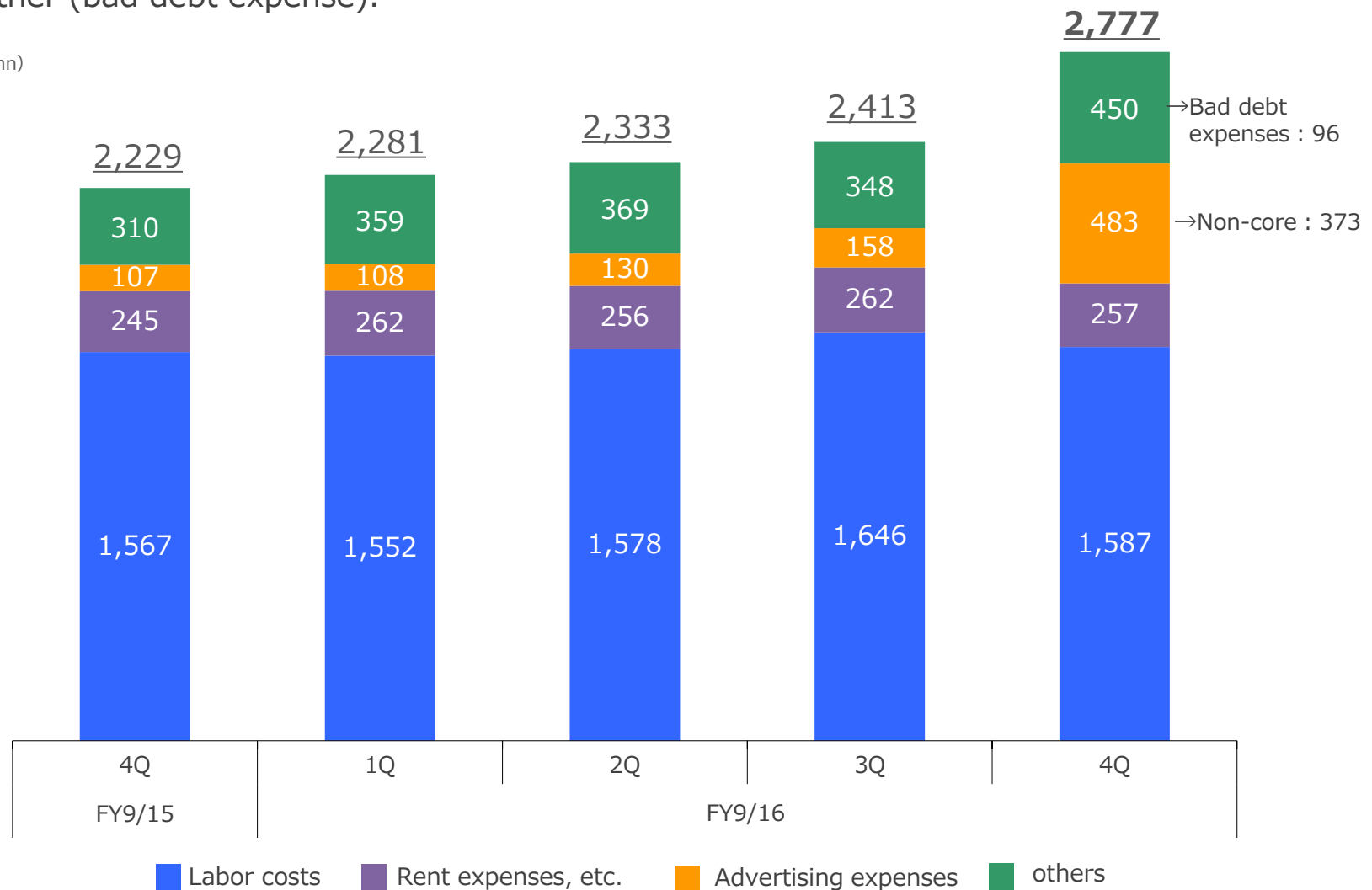


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

Quarterly Consolidated SG&A Trend

Rose ¥548mn year on year, mainly due to increases in advertising expenses and other (bad debt expense).

(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 of 4Q FY9/15).

2 . Internet Marketing Business

Business remained firm in Japan but sluggish overseas due to a decrease in advertising for large-scale projects.

Overall transactions and revenue did not increase as expected.

The operating margin increased despite the posting of ¥96mn as a bad debt expense to cover doubtful accounts receivable.

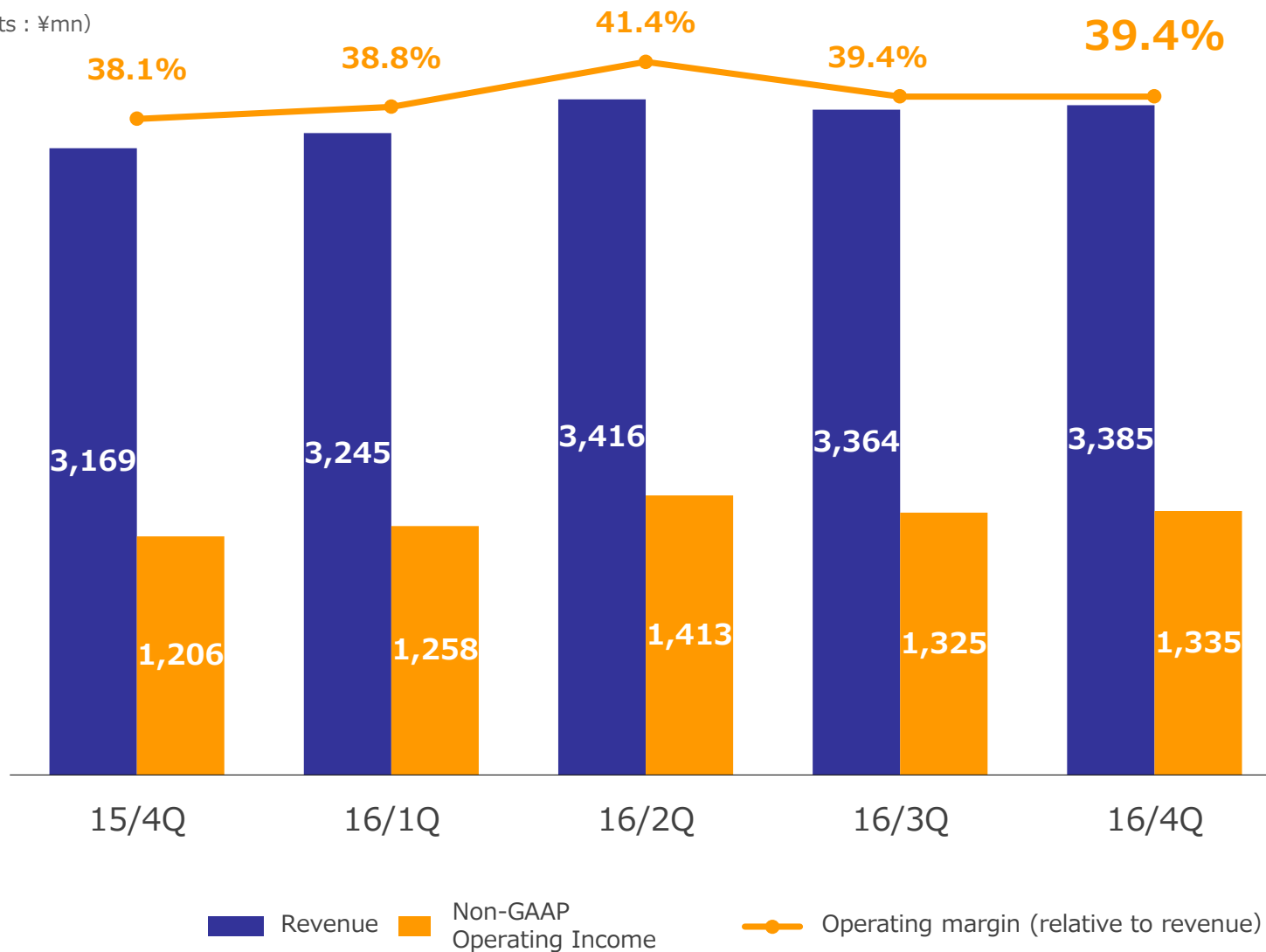
Operating income stood at ¥1,431mn excluding the bad debt expense (gross margin: 42.3%; increase in the margin: up 18.6%).

Earnings from the transactions of advertisement products offered to LINE increased as expected.

(units : ¥mn)	4 Q FY9/16			4 Q FY9/15		4 Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	3,385	100.0%	+6.8%	3,169	100.0%	3,563
Gross Income	3,096	91.5%	+5.3%	2,940	92.8%	—
SG&A	1,763	52.1%	+1.5%	1,738	54.8%	—
Non-GAAP Operating Income	1,335	39.4%	+10.7%	1,206	38.1%	1,456
【Reference】 Net Sales	18,211	—	+2.7%	17,738	—	

The operating margin remained at a high level in 16/4Q despite the posting of ¥96mn as a bad debt expense.

(units : ¥mn)

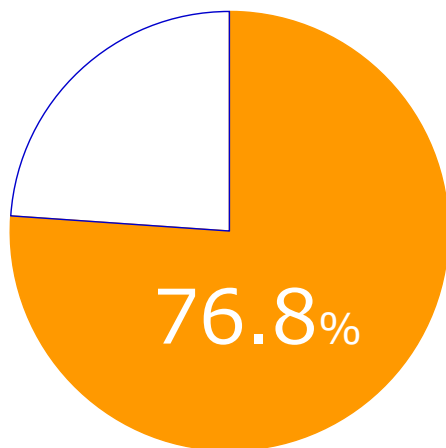


Mobile

(Volumes of smartphone advertising)

¥14.0bn

(YonY + 15%)



(units : ¥100mn)

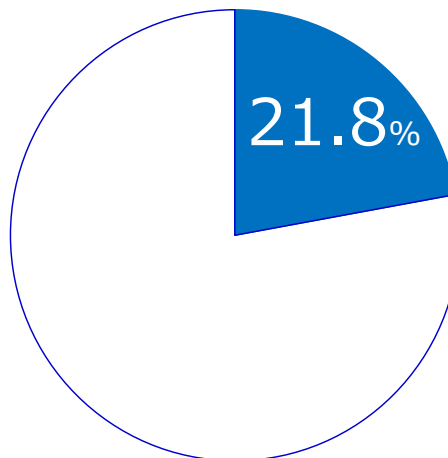
15/4Q	16/1Q	16/2Q	16/3Q	16/4Q
121	122	136	142	140

Social

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

¥4.0bn

(YonY + 12%)



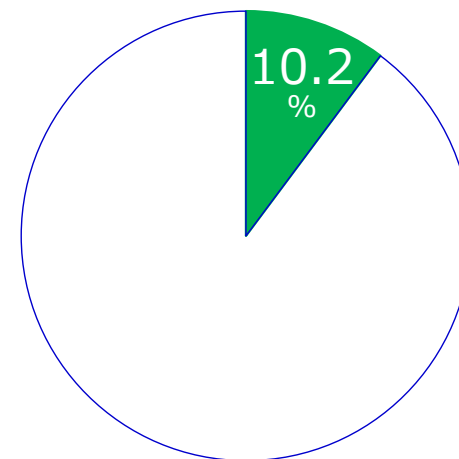
15/4Q	16/1Q	16/2Q	16/3Q	16/4Q
35.5	34.0	39.3	41.2	39.6

Global

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

¥1.9bn

(YonY - 46%)



15/4Q	16/1Q	16/2Q	16/3Q	16/4Q
34.5	31.1	19.0	21.8	18.5

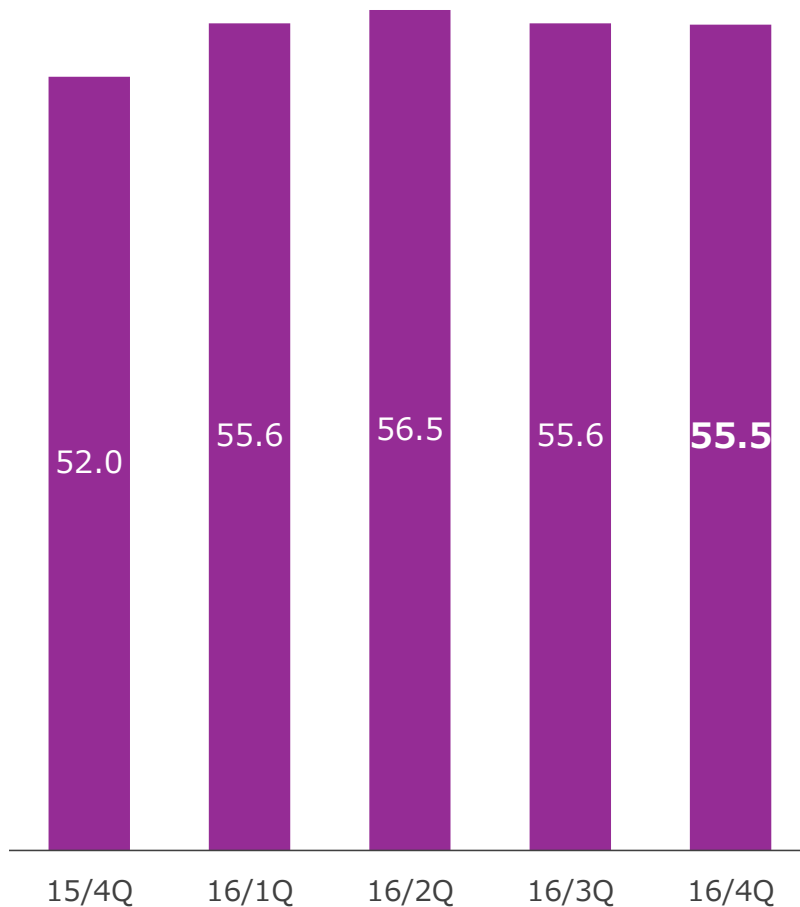
*1. The numbers in the pie chart show the percentage of ¥18.2bn, the overall business sales (volumes) in this quarter.

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

Volumes related Application

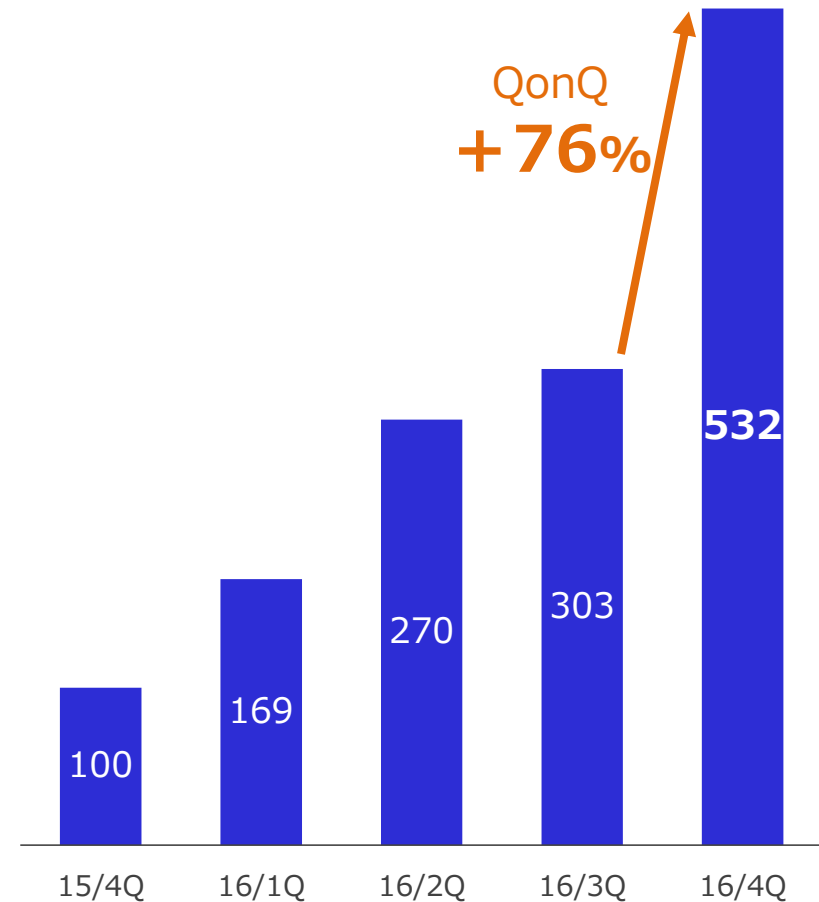
(Volumes of Advertisement promoting application)

(units : ¥100mn)



Video advertising

※Volumes in 4Q/2015=100



Global

Lion Digital Global LTD (Lion & Lion), a top-ranking digital agency in Southeast Asia, was made a subsidiary (in October 2016).

The global network expanded to 14 bases in 8 countries. The aim is to expand operation after FY9/2017.



Outline of Lion & Lion

Date of establishment	June 2012
Operation bases	<ul style="list-style-type: none">• Kuala Lumpur, Malaysia• Jakarta, Indonesia• Hong Kong• Singapore
Sales	Approx. 23 million US dollars (estimate for FY12/16)
Number of employees	Approx. 170
Composition of shareholders	<ul style="list-style-type: none">• The Company group: 96.01% (acquisition at a price of approx. ¥1.4 billion)• Management: 3.99%

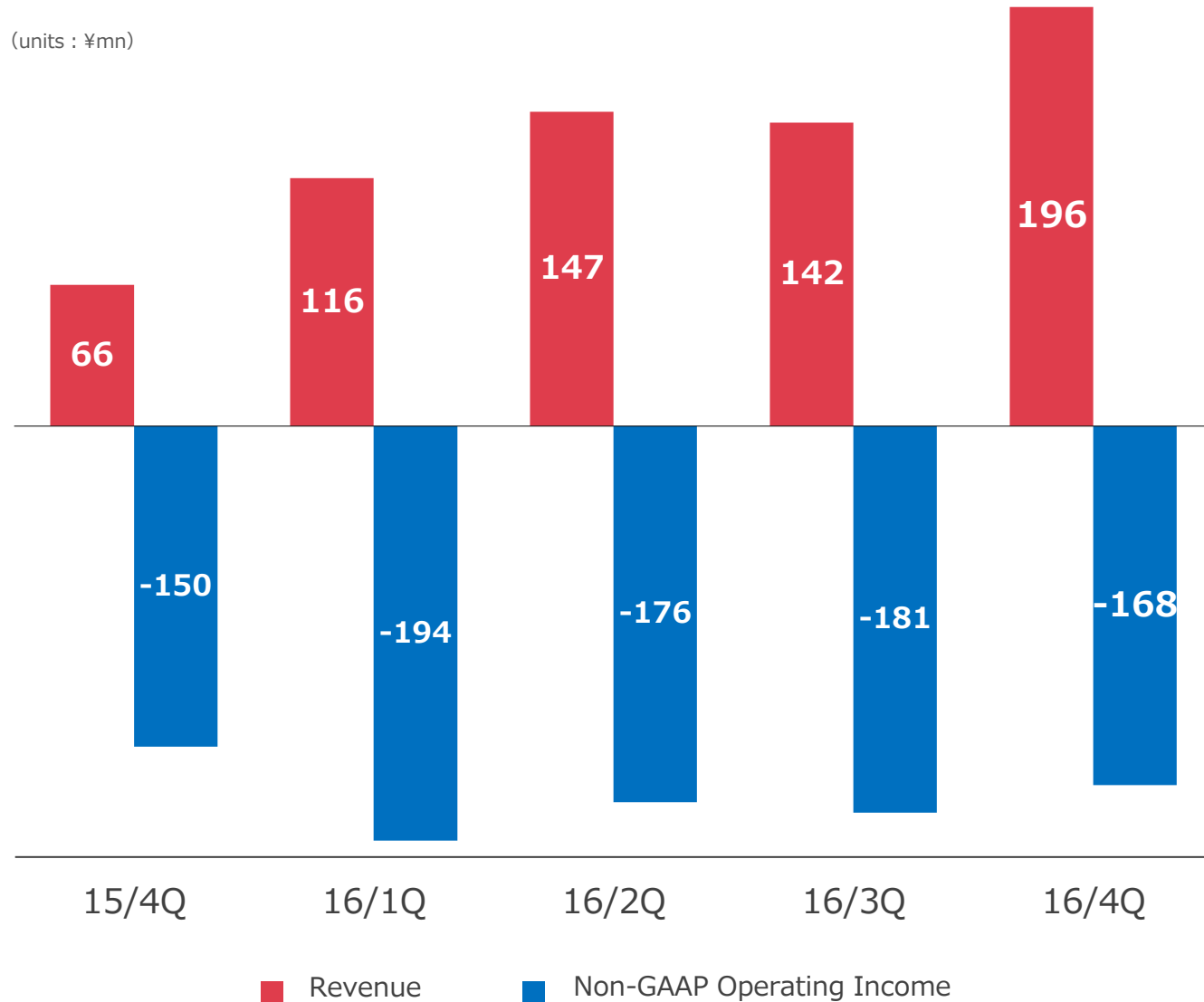
3 . Media Content Business

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

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

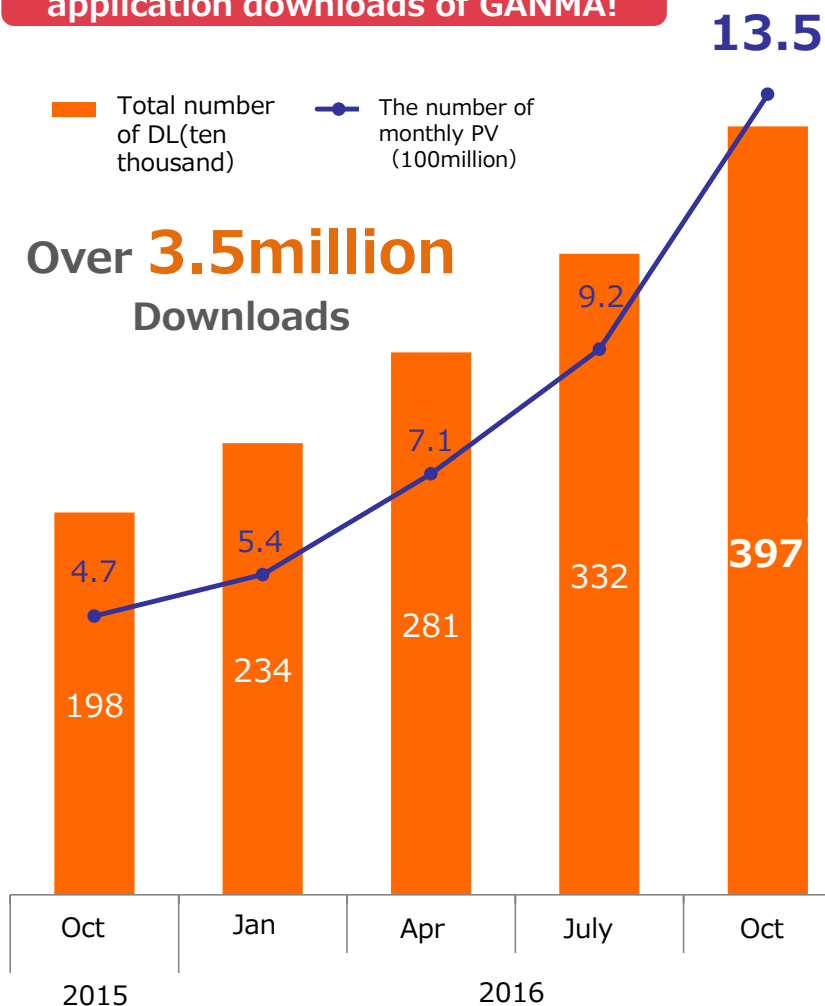
(units : ¥mn)	4Q FY9/16			4 Q FY9/15		4 Q FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	196	100.0%	+196.5%	66	100.0%	185
Gross Income	114	58.4%	+495.8%	19	29.1%	—
SG&A	282	144.1%	+66.2%	170	257.1%	—
Non-GAAP Operating Income	−168	−85.8%	(−18)	−150	−227.7%	−173

Revenue expanded, and Operating Loss reduced quarter on quarter.



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

Monthly page views and accumulated application downloads of GANMA!



Comic books published in this quarter



4 . Full Year FY9/16 Review

Consolidated results

Revenue **¥17,060mn** (Up **19.6%** year on year)

Non-GAAP Operating Income **¥3,841mn** (Up **26.8%** year on year)

Both Revenue and Non-GAAP Operating Income reached
a new record high^{*} for the fifth consecutive year.

Internet Marketing Business

Revenue **¥13,409mn** (Up **20.8%** year on year)

Non-GAAP Operating Income **¥5,331mn** (Up **39.7%** year on year)

Both business expansion and improvement profitability were achieved.

Media Content Business

Revenue **¥601mn** (**2.9times** year on year)

Non-GAAP Operating Income **¥-718mn** (Down **¥187mn** year on year)

Revenue expanded centering Manga Content Business

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

Consolidated Income Statement (Full Year)

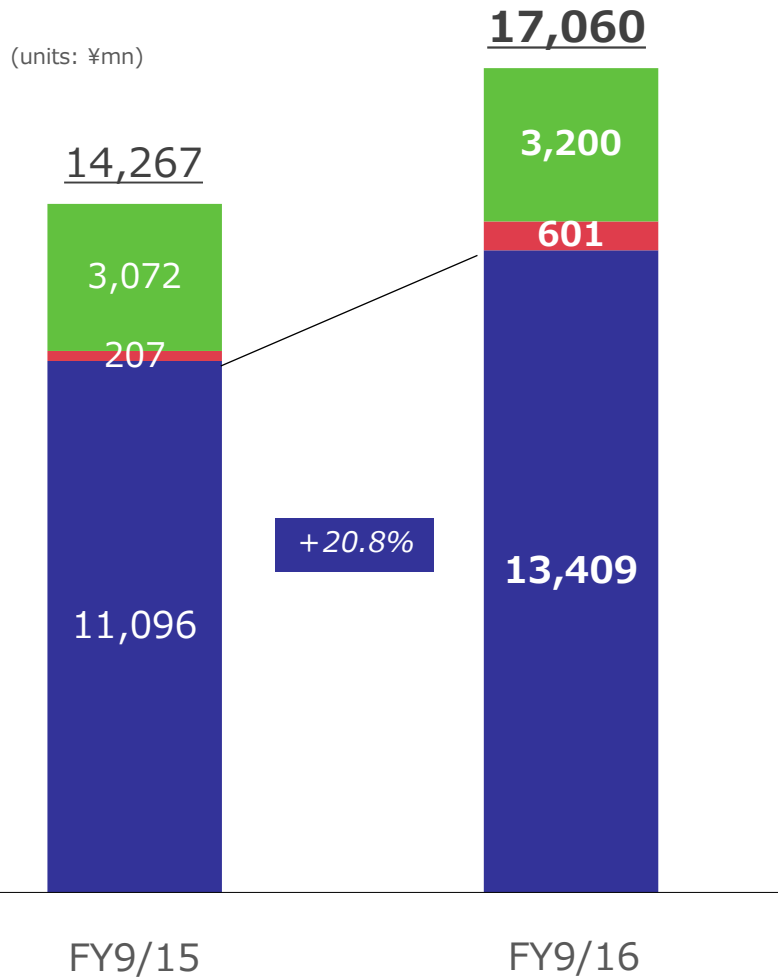
Achieved a significant increase in operating income on the back of profit growth in the Internet Marketing Business, which recovered losses caused by prior investments in the Media Content business and Non-core business.

The dividend will be increased for the fourth consecutive year (to ¥16 per share) thanks to an increase in net income attributable to owners of the parent, offsetting a backlash to the income (¥653mn) posted in the previous year as a result of the sale of the DM Business.

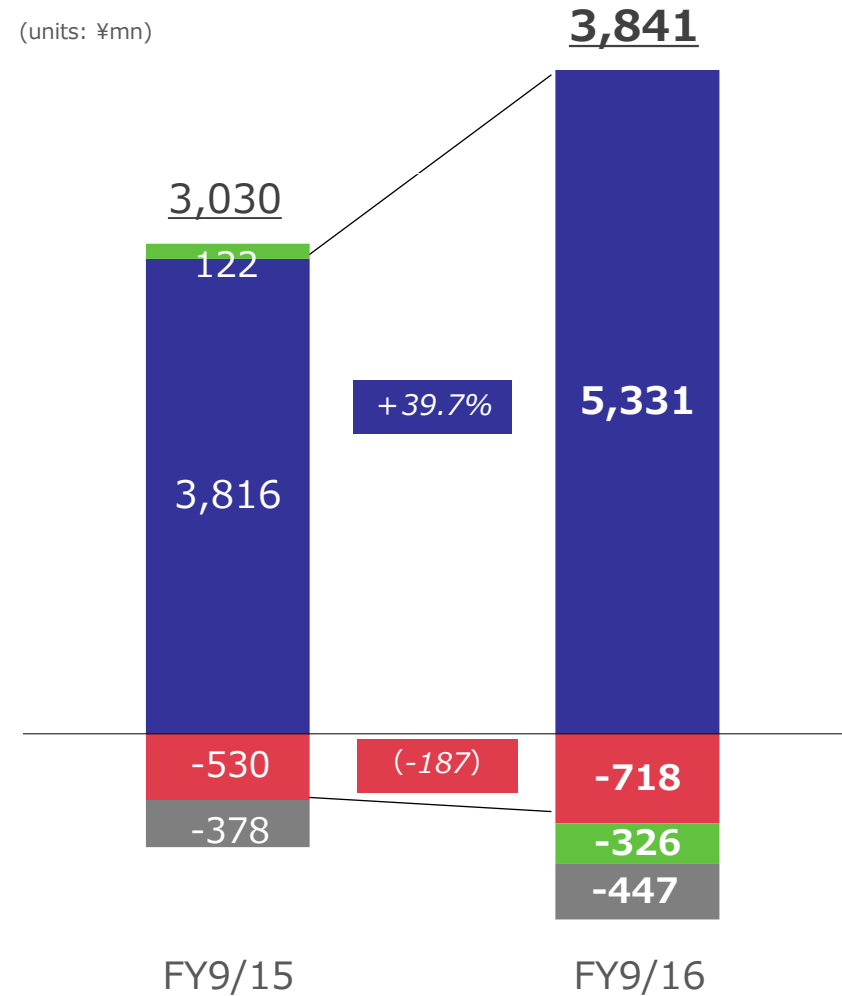
(units : ¥mn)	FY9/16			FY9/15		FY9/16 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	17,060	100.0%	+19.6%	14,267	100.0%	17,342
Gross Income	13,623	79.9%	+18.9%	11,461	80.3%	—
SG&A	9,803	57.5%	+15.9%	8,457	59.3%	—
Non-GAAP Operating Income	3,841	22.5%	+26.8%	3,030	21.2%	4,007
Operating Income	3,730	21.9%	+44.6%	2,579	18.1%	—
Profit for the period from continuing operations	2,252	13.2%	+38.8%	1,622	11.4%	—
Profit for the period attributable to owners of the parent	2,519	14.8%	+7.1%	2,351	16.5%	2,696
【Reference】 Net Sales	76,401	—	+18.4%	64,548	—	77,675

Full Year Consolidated Earnings Trend (by Business Segment)

Revenue



Non-GAAP Operating Income



■ 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).

Revenue		Non-GAAP Operating Income			
Value (¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
13,409	+ 20.8%	5,331	+ 39.7%	39.8%	+ 5.4pt

Earnings

- High-level growth was achieved in both the Mobile and Social media businesses.
- Net sales increased to ¥73.2 billion, raising the operating margin for sales for the fifth straight year to 7.3%.

Mobile

- Earnings from the transactions of smartphone advertising grew approximately 40% year on year to ¥54.0 billion, accounting for approximately 74%.
- The market share rose, driven by the business of in-feed advertising.

Social

- Transactions increased approximately 37% year on year, to ¥15.4 billion.
- Transactions of products related LINE surged.

Global

- Transactions declined approximately 5%, to ¥9.0 billion, due to the impact of a decrease in advertising for large-scale projects.
- New bases were established in New York and Beijing.

Revenue		Non-GAAP Operating Income			
Value(¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
601	+ 190.7%	− 718	(− 187)	− 119.4%	+ 137.1pt

Manga Content Business

- GANMA!, a manga content app., is spreading rapidly.
The latest cumulative downloads are **3,970,000 DLs**, an increase of approximately two times year on year. Monthly page views grew to as many as **1.35 billion PVs**.
- Sales of GANMA! AD, a native advertisement in the application, commenced.
- Initiatives to commercialize the Company's intellectual property.
Twenty-seven new works were published as books. A total of 43 independent volumes were released, including sequels.

Other New Businesses

- The medical platform business was included in the consolidated results from this fiscal year, in addition to the platform businesses for recruitment and social contribution.
- Each business grew steadily.

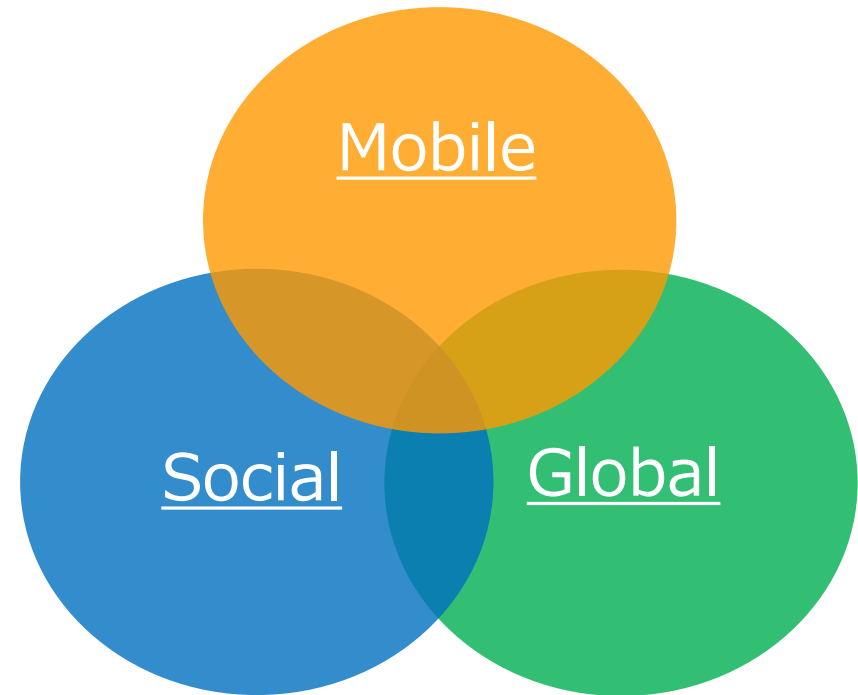
Concept

“Double profits”

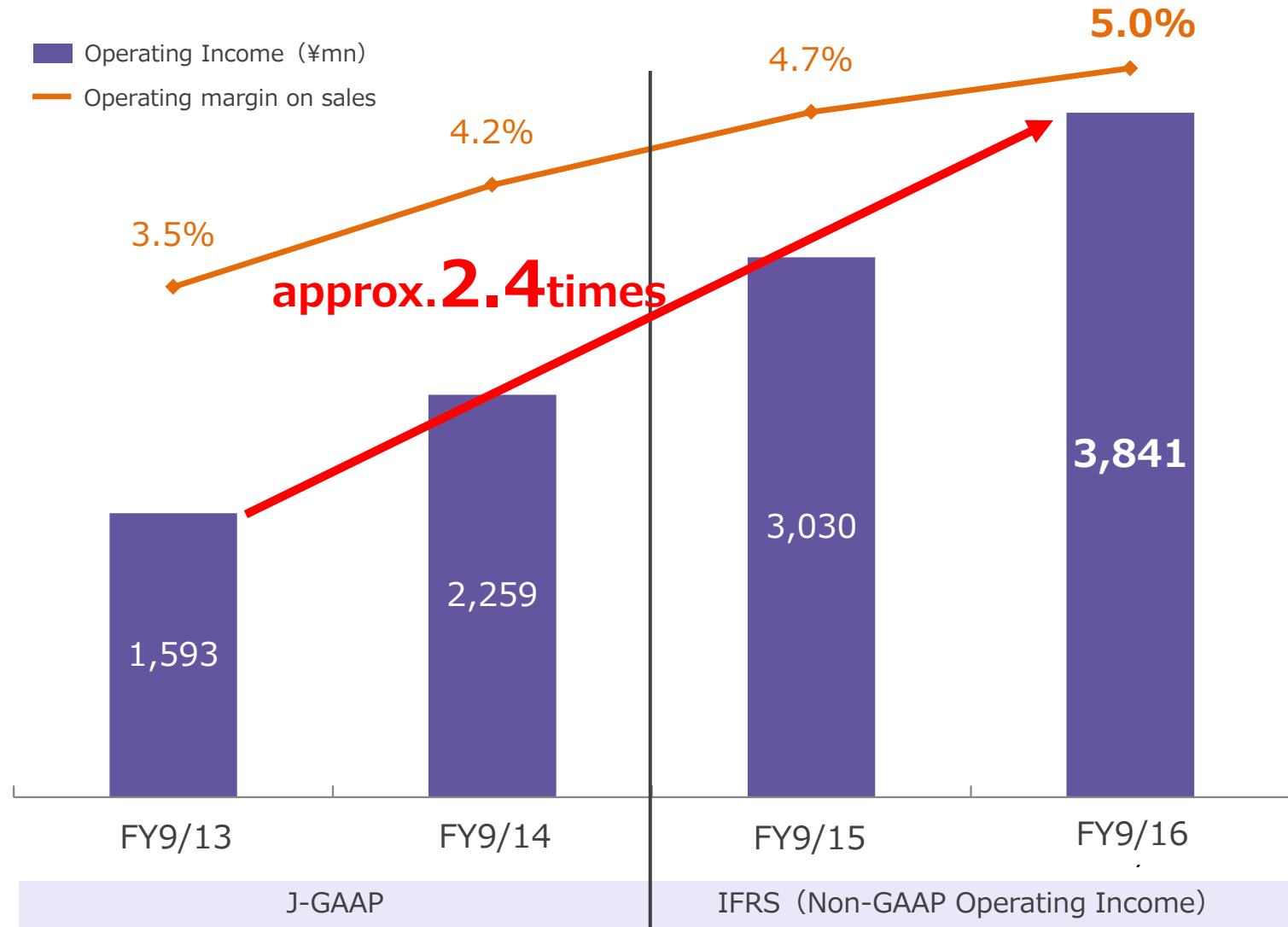
Increase the share of highly profitable businesses

Create a mainstay business second to advertising

Business Focus



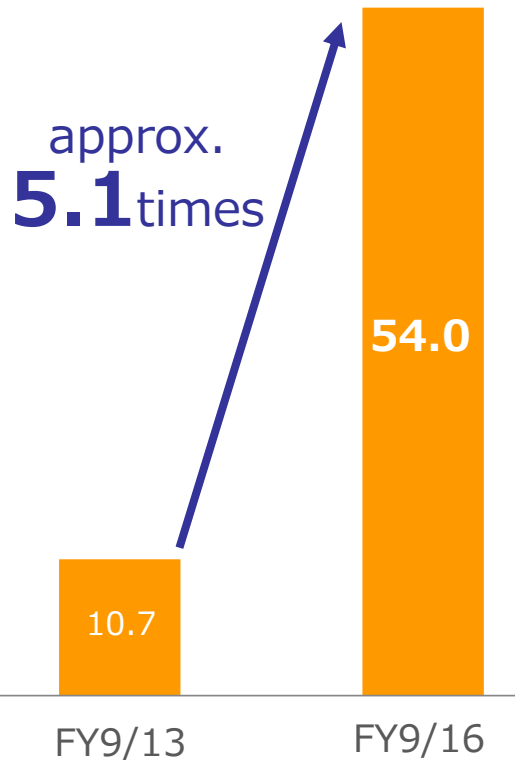
“Double profits” Operating income increased **approximately 2.4 times** in three years, and profitability also improved.



Mobile

(Volumes of smartphone advertising)

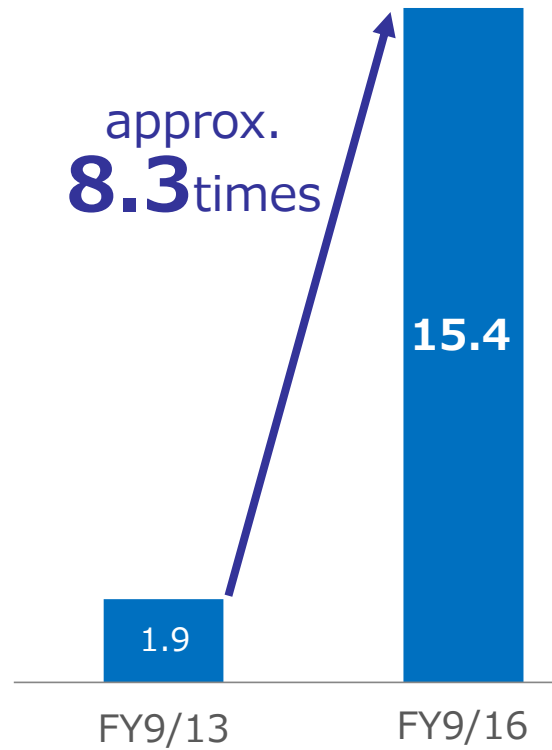
(units : ¥bn)



Social

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

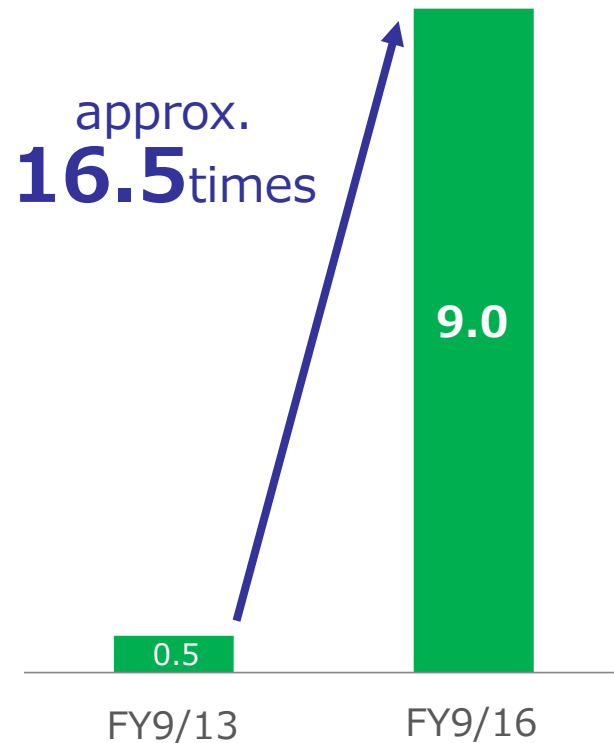
approx. **8.3**times



Global

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

approx. **16.5**times



* The volumes in each area include an overlapped portion.

5. Policies for the Mid-Term Plan and FY9/17, and Earnings Estimates for 1Q FY9/17

Earnings target

Non-GAAP Operating Income : ¥10bn

Basic policies

Expand advertising business **globally**

Enhance our own **media**

Invest in what comes **after the smartphone**

Stance of each business

Internet Marketing Business

Expand advertising business **globally**

[Recognition of the environment in the market for smartphone advertisements]

The domestic market is gradually going to mature.

Strong growth continues globally with an improved ecosystem.

[Domestic market]

By strengthening the position established in the field of smartphones/ social media, the share will be expanded and profitability will be increased.

[Overseas market]

Both organic business growth and M&A will be the engine for subsequent growth.

Media Contents Business

Enhance our own **media**

Development of GANMA! as the company's own medium that constitutes the primary revenue sources of the group.

By expanding the scale of the company's own media, powerful segmental synergy with the Internet marketing business will be generated.

Aim to increase operating income on a consolidated basis through the sustainable growth of the Internet Marketing Business, while at the same time making large investments in the Manga Content Business to accelerate growth in and after the next fiscal year.

Internet Marketing Business

- Aim to increase market share and improve profitability.
- Focus on expanding global business, video advertising and in-house media.

Media Content Business

- Establishment of the foundation for the monetization of the manga content business
With measures for the profitability of the Manga Content Business ready for implementation, large-scale marketing investments will be made in or after the second half to expand the user base of GANMA!.
- Additional investment of about 500 to 600 million yen annually to increase the media scale to more than 10 million DL
- KPI for monetization:
 $LTV(\text{revenue from applications}) > CPI(\text{cost of traffic acquisition})$

Non-core business → Excluded from consolidated financial statements

- Some of the Axel Mark shares held by the Company will be sold in November 2016.
- The ratio of voting rights will be reduced to less than 30% due to the sale. Axel Mark will be excluded from consolidated companies and become an equity method affiliate.

The retroactively corrected profits and losses of non-core businesses in FY9/16, which are to be compared in the next fiscal year and thereafter with the businesses excluded from the consolidated results, are presented after they are reclassified as discontinued businesses.

(units : ¥mn)	Consolidated Income Statement FY9/16		After retroactive corrections (forecast)	
	Value	Share	Value	Share
Revenue	17,060	100.0%	13,862	100.0%
Gross Income	13,623	79.9%	12,478	90.0%
SG&A	9,803	57.5%	8,350	60.2%
Non-GAAP Operating Income	3,841	22.5%	4,147	29.9%
Operating Income	3,730	21.9%	4,154	30.0%
Profit for the period from continuing operations	2,252	13.2%	2,717	19.6%
Profit for the period from discontinued operations	—	—	△465	—
Profit for the period attributable to owners of the parent	2,519	14.8%	2,519	18.2%
[Reference] Net Sales	76,401	—	73,203	—

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

In the Media Content Business, sales are expected to increase significantly year on year, mainly on the back of the Manga Content Business, although the amount of the deficit will remain unchanged due to the continuation of prior investments.

With the sale of Axel Mark, the Company expects to post ¥1.0 billion from discontinued businesses as net income. Based on this assumption, profit for the period attributable to owners of the parent is expected to increase significantly.

(units : ¥mn)	Earnings in 1Q FY9/16	Earnings Estimates for 1Q FY9/17	Expected growth rate
Revenue	3,315	3,700	+ 11.6%
Non-GAAP Operating Income	972	980	+ 0.8%
Profit for the period attributable to owners of the parent	633	1,700	+ 168.7%
【Reference】 Net Sales	17,260	19,000	+ 10.1%

* The numbers in the above results for 1Q of FY9/16 are presented after reclassifying non-core businesses as discontinued businesses.

1Q(Oct-Dec) FY9/17 Earnings Estimates by Business Segment

(units : ¥mn)

	Revenue			Non-GAAP Operating Income		
	Earnings in 1Q FY9/16	Earnings Estimates for 1Q FY9/17	YY Change	Earning in 1Q FY9/16	Earnings Estimates for 1Q FY9/17	YY Change
Internet Marketing Business	3,245	3,529	+8.8%	1,258	1,297	+3.1%
Media Content Business	116	207	+77.9%	△194	△ 195	(-1)
Elimination or corporate	△47	△36	(+10)	△93	△122	(-30)
Total	3,315	3,700	+11.6%	972	980	+0.8%

Thank you for your interest!

Contact Information

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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 November 8, 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.

6 . Appendix

As of September 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	930 full time employees, 1159 full time and contracted employees

Holding Company

SEPTENI HOLDINGS CO., LTD

November 8, 2016

Internet Marketing Business

SEPTENI CO., LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Asia Pacific Pte. Ltd.	Internet ad agency in Asia and Pacific Ocean region
MANGO Inc.	SEM Operation Business	Septeni America, Inc.	Internet ad agency based in North America region
Vasara Inc.	Internet ad agency	Septeni Europe Co.,Ltd	Internet ad agency based in Europe region
HighScore, Inc.	Social Media Marketing Support Business	SEPTENI China Limited	Internet ad agency based in China
Septeni Original,Inc.	Plannig and development of web service	SEPTENI TECHNOLOGY CO., LTD.	Web service development
SETPENI CROSSGATE CO., LTD.	Ad Network and Platform Business	JNJ INTERACTIVE INC.	Internet ad agency in South Korea
Tricorn Corporation	CRM Service Business	Lion Digital Global LTD	Internet ad agency based in Southeast Asia

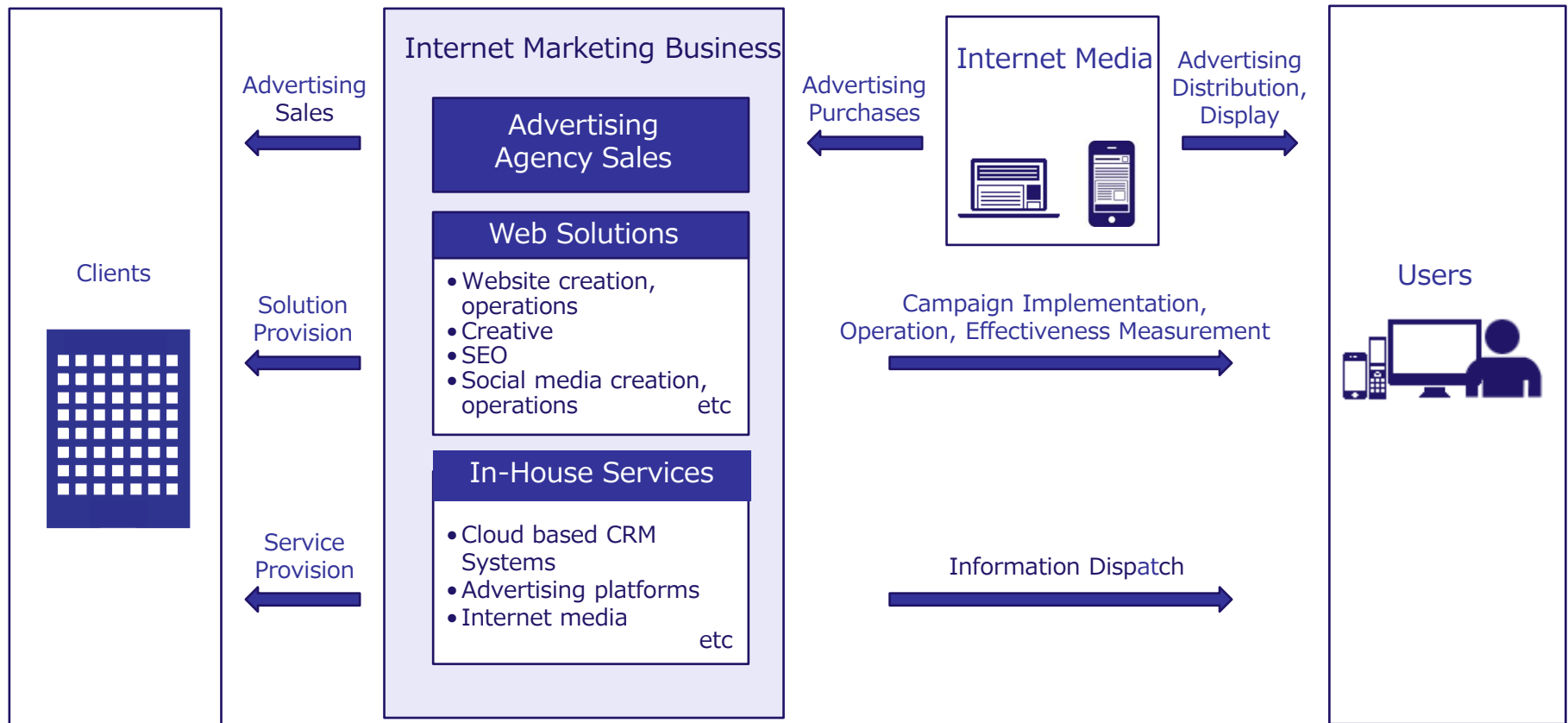
Media Content Business

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

New Business Development

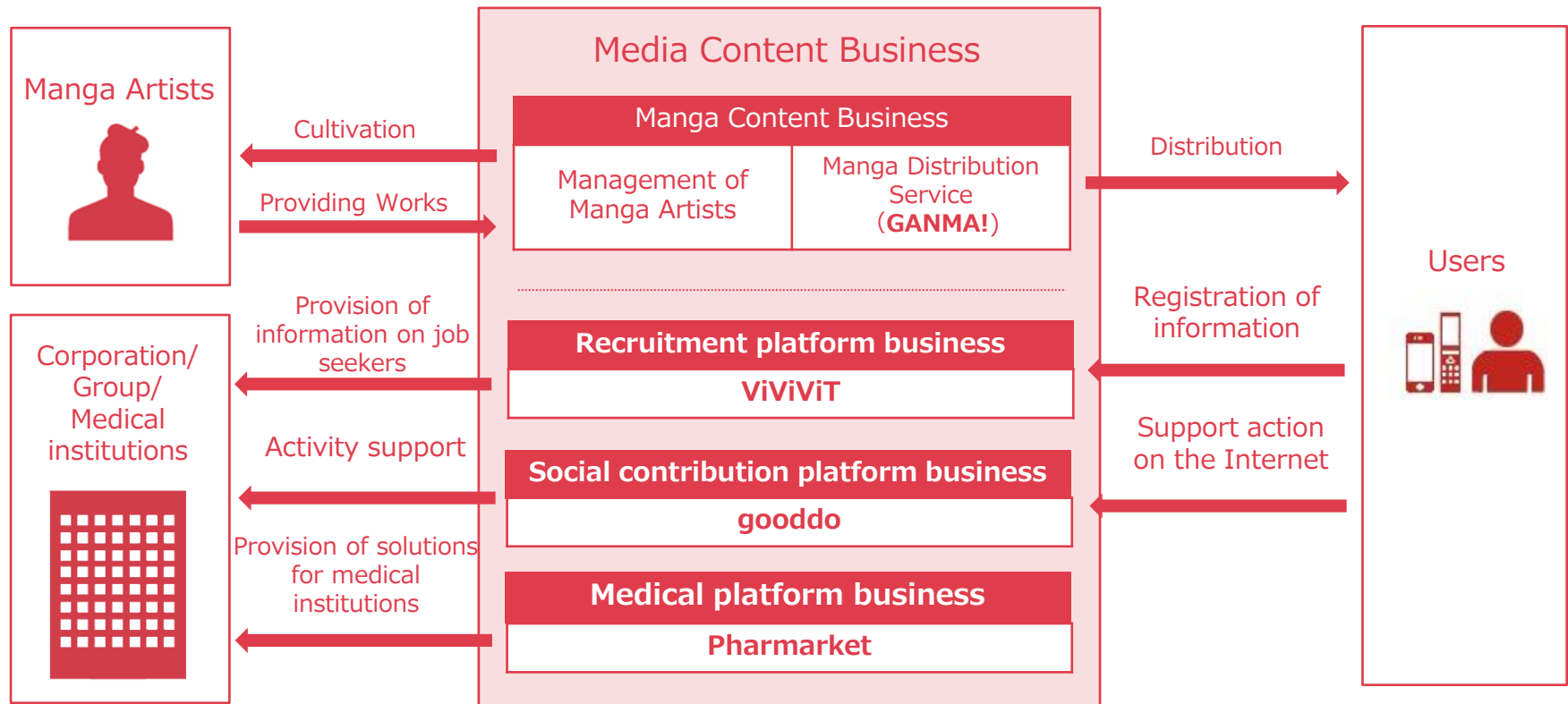
SEPTENI VENTURES Co., Ltd.

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 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 FY9/16	End FY9/15	Change	Main Change
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(units : ¥mn)

Current Assets	26,268	22,275	+ 3,993	Cash and deposits: + 3,786 Accounts receivable: + 165
Non-current Assets	3,712	3,360	+ 352	Investment securities: + 153 Long-term deferred tax assets: + 121
Total Assets	29,981	25,635	+4,346	
Current Liabilities	14,191	13,097	+ 1,095	Accounts payable: + 450 Income taxes payable: + 554
Non-current Liabilities	744	247	+ 497	Long-term loans payable: + 509
Total Liabilities	14,935	13,343	+ 1,592	
Total Capital	15,046	12,292	+ 2,754	Retained earnings: + 2,320 Capital surplus: + 456
Total Liabilities and Capital	29,981	25,635	+ 4,346	

Consolidated Statement of Cash Flows

(units : ¥mn)

	End FY9/16	Main Changes	FY9/15
Cash Flows from Operating Activities	3,209	Profit before taxes from continuing operations: + 3,847 Increase in operating receivables: + 450 Payment of corporate income tax: △1,597	1,874
Cash Flows from Investing Activities	△109	proceeds from sales of investment securities: + 277 Purchase of securities:-197 Purchase of intangible assets:-△262	1,258
Cash Flows from Financing Activities	801	Increase (decrease) in loans payable: + 270 Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control: + 884 Cash dividends paid:△363	△124
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△114		△1
Net Increase (Decrease) in Cash and Equivalents	3,786		3,007
Cash and Equivalents at Term End	15,481		11,695

SEPTENI Group Workforce Number Trend

