



Business Results for 1Q Fiscal Year September 2017

February 7, 2017

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

1. Quarterly Consolidated Earnings Overview
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-For FY9/17, Non-core Business (Axel Mark) is excluded from the consolidated results. Consolidated profits and losses for FY9/16, with which comparisons are made, are corrected retroactively and presented after being reclassified as those of discontinued businesses.

-Since the start of FY9/16, the IFRS has been applied instead of the J-GAAP, which had been adopted until then.

-Revenue is disclosed as an IFRS-based indicator instead of traditional net sales, which are also disclosed as reference information on a voluntary basis. Revenue from the Advertising Agency Sales, which accounts for the majority of the Internet Marketing Business, shows only the posted net margins.

-Non-GAAP operating profit is disclosed on a voluntary basis to present actual business conditions more appropriately. Non-GAAP operating profit refers to the profit indicator used to assess ordinary business conditions after adjustments are made to IFRS-based operating profit pertaining to temporary factors such as the amortization of intangible assets, impairment losses, and gains or losses on the sales of fixed assets, which are recognized when acquiring subsidiaries.

-Numbers in this material are rounded to the respective nearest unit.

1 . Quarterly Consolidated Earnings Overview

Consolidated
results

Revenue **¥3,586mn** (Up **8.2%** year on year)
Non-GAAP Operating Profit **¥815mn** (Down **16.2%** year on year)

Though revenue increased, profit declined year on year.
Gearing up to achieve the next high level of growth.

Internet
Marketing
Business

Revenue **¥3,434mn** (Up **5.8%** year on year)
Non-GAAP Operating Profit **¥1,166mn** (Down **7.3%** year on year)

Domestic business remained firm, while overseas business continued to decline due to a backlash from the previous year's results.

Media
Content
Business

Revenue **¥206mn** (Up **76.6%** year on year)
Non-GAAP Operating Profit **¥-219mn** (Down **¥25mn** year on year)

Revenue rose mainly in the Manga Content Business.
Prior investments increased more than initially planned.

Consolidated Income Statement (Oct-Dec)

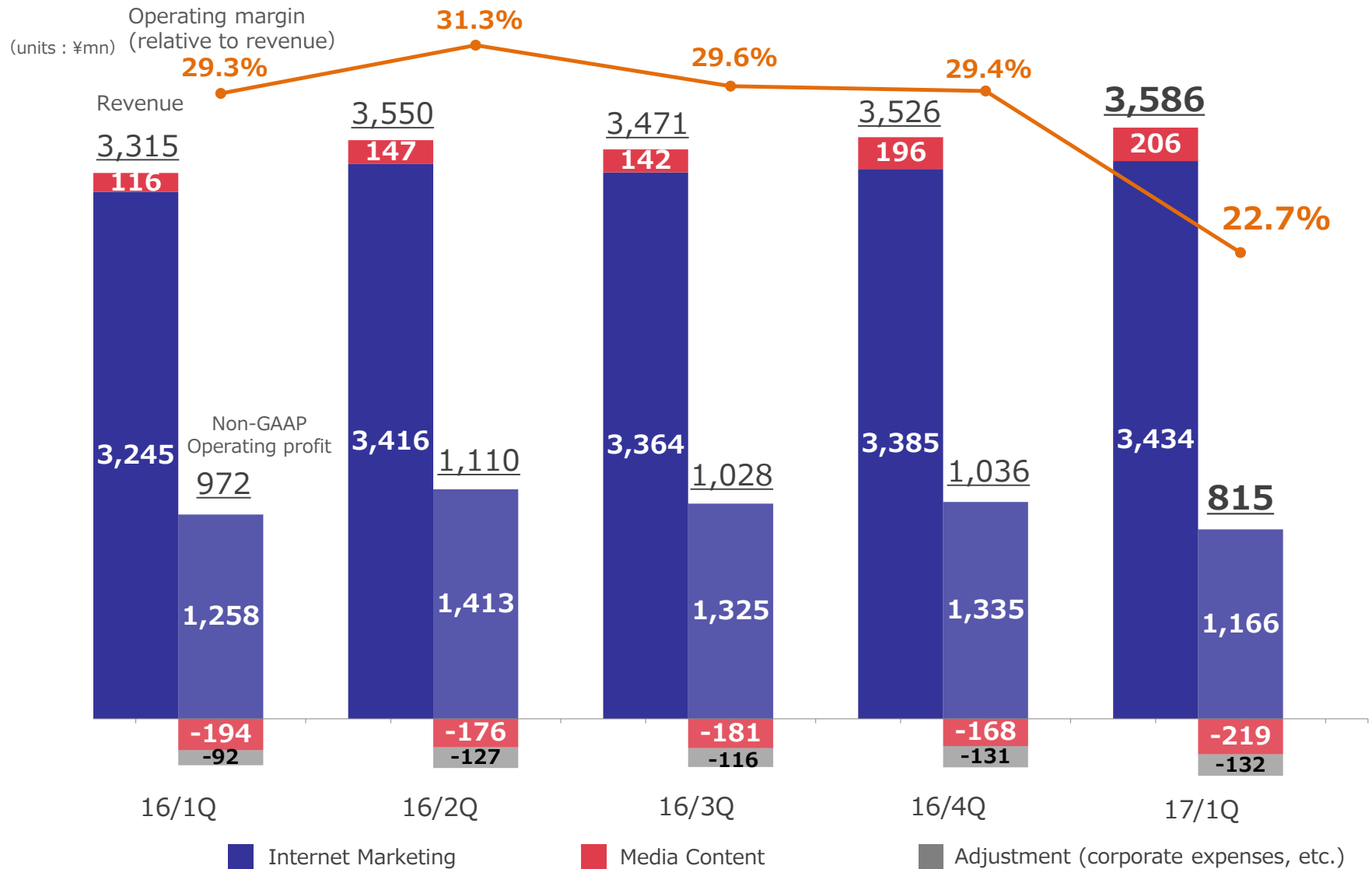
Operating profit decreased, reflecting the lower-than-expected results in the Internet Marketing Business mainly recorded overseas and greater-than-planned increase in prior investments in the Manga Content Business.

Profit for the period from discontinued operations was posted in the amount of ¥883mn due to the sale of the shares of Axel Mark. Profit for the period attributable to owners of the parent increased significantly.

| (units : ¥mn) | 1 Q FY9/17 | | | 1 Q FY9/16 | | 1 Q FY9/17 Estimate |
|---|---------------|--------|-----------|------------|--------|------------------------|
| | Value | Share | YY Change | Value | Share | |
| Revenue | 3,586 | 100.0% | +8.2% | 3,315 | 100.0% | 3,700 |
| Gross profit | 3,223 | 89.9% | +7.6% | 2,995 | 90.4% | — |
| SG&A | 2,407 | 67.1% | +18.5% | 2,031 | 61.3% | — |
| Non-GAAP Operating profit | 815 | 22.7% | -16.2% | 972 | 29.3% | 980 |
| Operating profit | 771 | 21.5% | -20.2% | 966 | 29.1% | — |
| Profit for the period from continuing operations | 537 | 15.0% | -21.5% | 684 | 20.6% | — |
| Profit for the period from discontinued operations | 883 | 24.6% | (+942) | -59 | -1.8% | — |
| Profit for the period attributable to owners of the parent | 1,410 | 39.3% | +122.8% | 633 | 19.1% | 1,700 |
| 【Reference】 Net Sales | 18,448 | — | +6.9% | 17,260 | — | 19,000 |

Quarterly Consolidated Earnings Trend (by Business Segment)

Revenue reached a new record high in both of the businesses

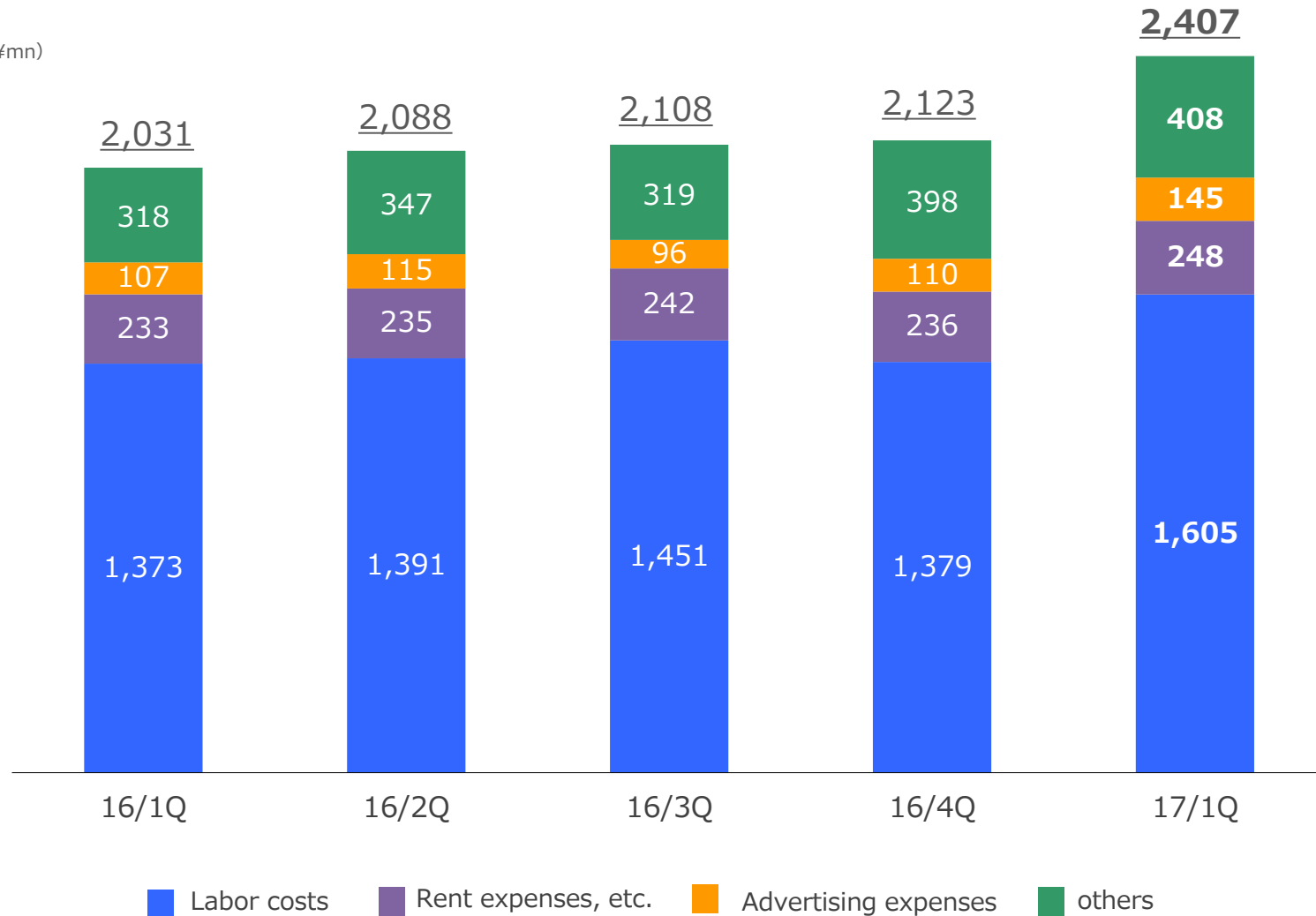


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

Quarterly Consolidated SG&A Trend

SG&A rose ¥284mn from the previous quarter, mainly due to newly consolidated Lion Digital Global and an increase in advertising expenses in the Manga Content Business.

(units : ¥mn)



2. Internet Marketing Business

Net sales and revenue did not increase as expected due to the effect of a decrease in large-scale projects overseas, although businesses in Japan remained firm.

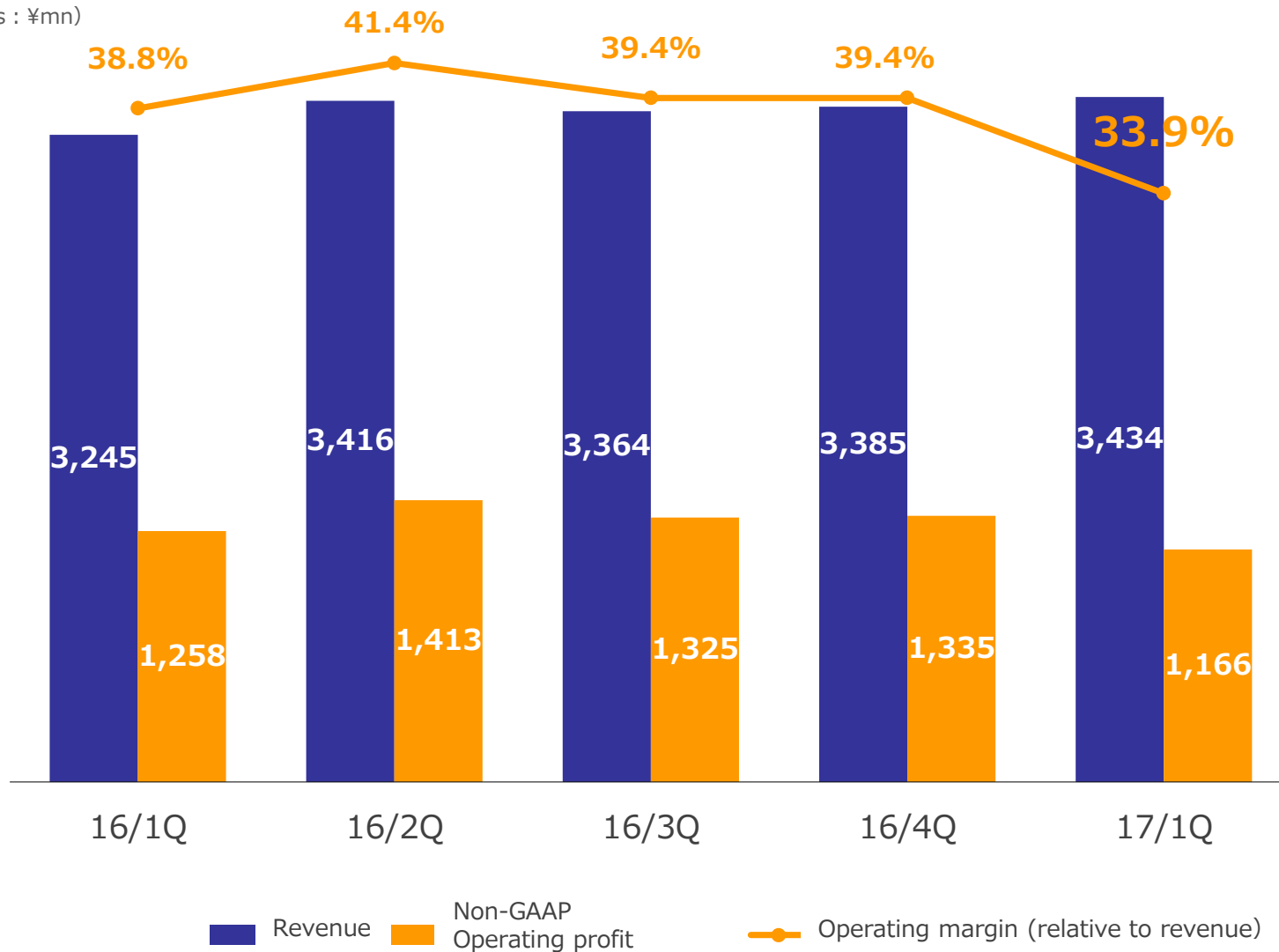
Lion Digital Global, a digital agency in Southeast Asia, became a new consolidated company.

Volumes of video advertising increased significantly.

| (units : ¥mn) | 1Q FY9/17 | | | 1Q FY9/16 | | 1Q FY9/17 Estimate |
|--------------------------------------|---------------|--------|-----------|-----------|--------|-----------------------|
| | Value | Share | YY Change | Value | Share | |
| Revenue | 3,434 | 100.0% | +5.8% | 3,245 | 100.0% | 3,529 |
| Gross profit | 3,150 | 91.7% | +5.7% | 2,980 | 91.9% | — |
| SG&A | 1,985 | 57.8% | +14.7% | 1,730 | 53.3% | — |
| Non-GAAP Operating profit | 1,166 | 33.9% | -7.3% | 1,258 | 38.8% | 1,297 |
| 【Reference】 Net Sales | 18,432 | — | +6.9% | 17,242 | — | |

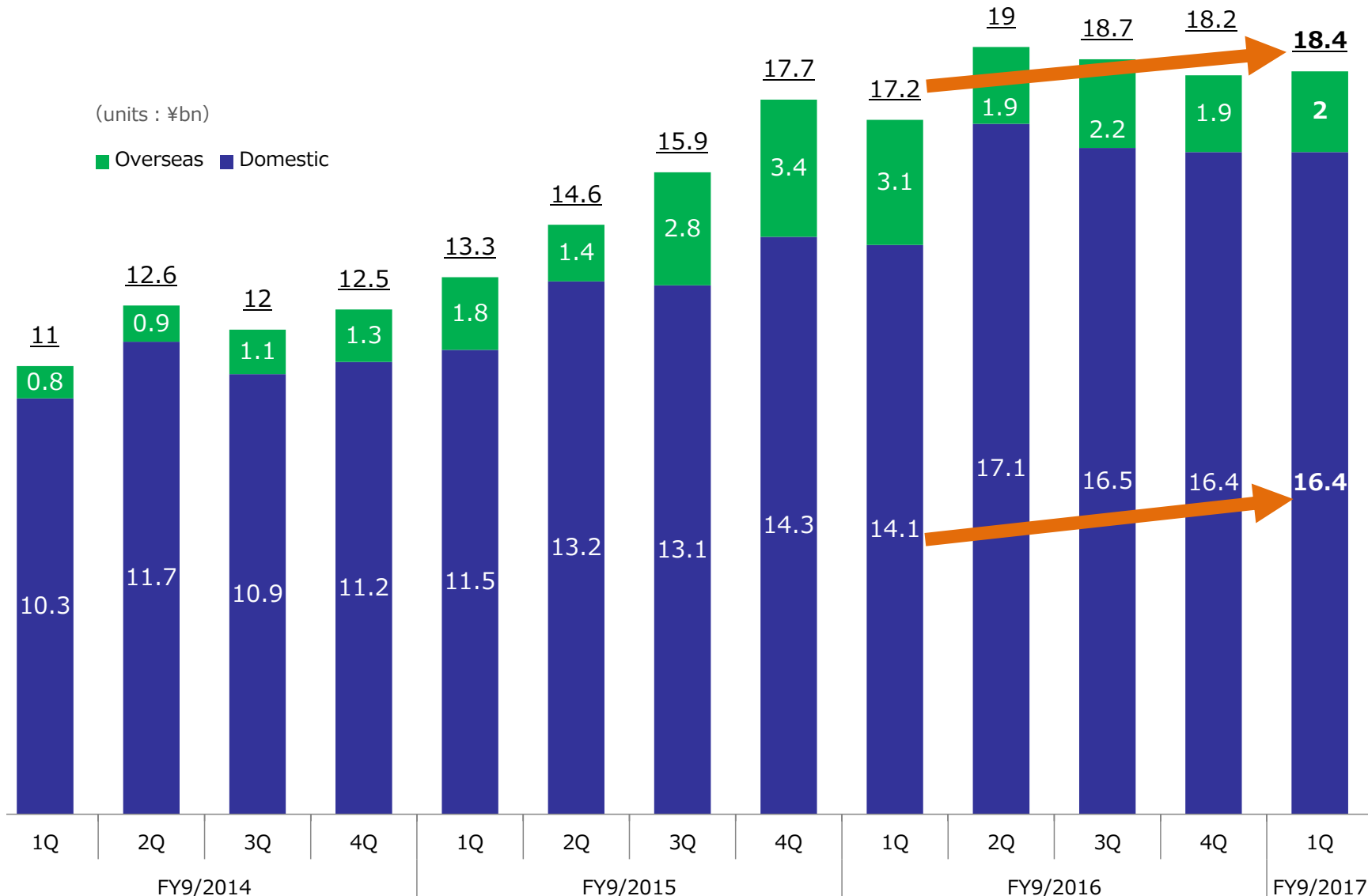
Revenue increased quarter on quarter and year on year.

(units : ¥mn)

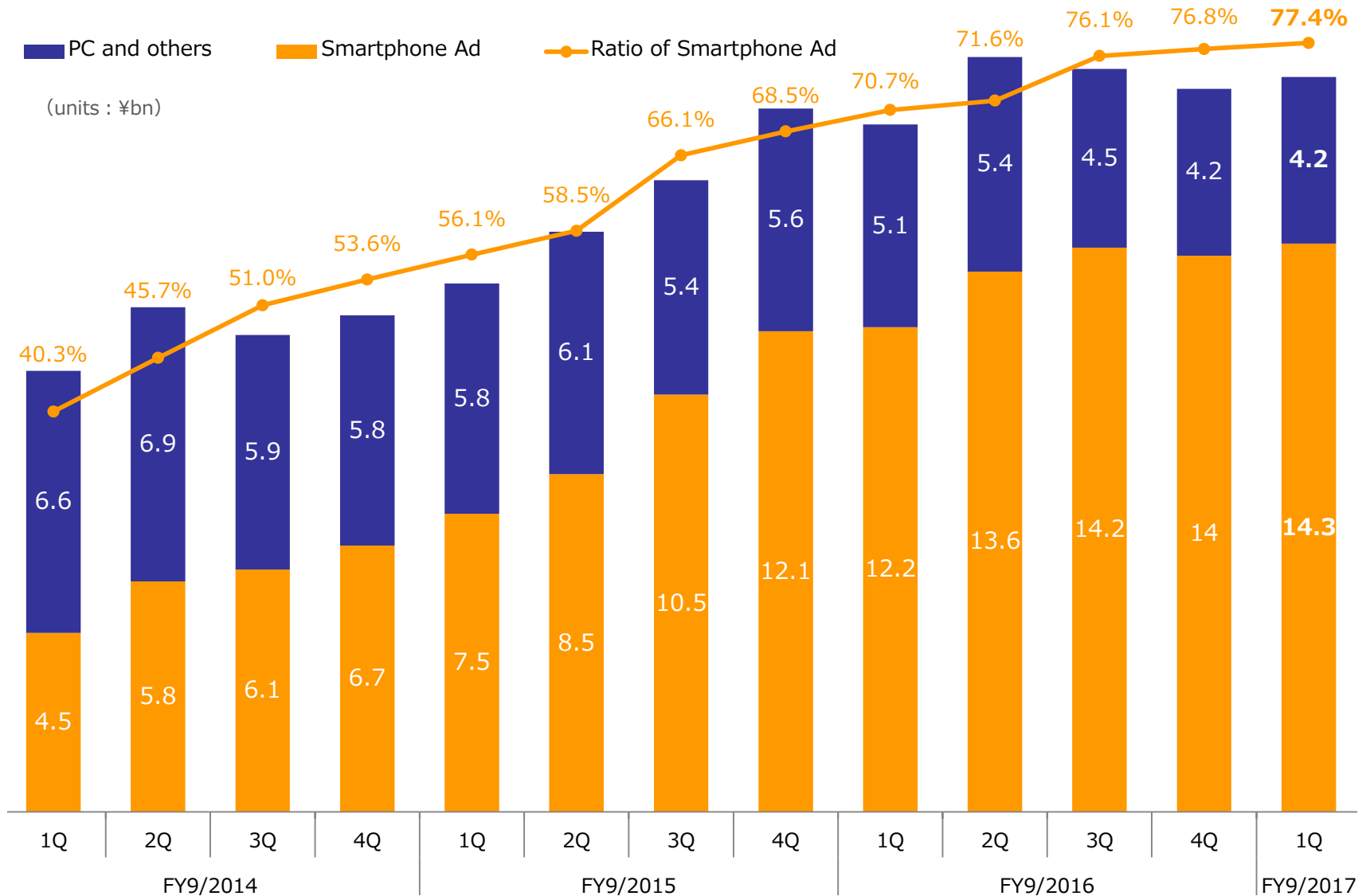


Internet Marketing Business Transactions Trend (by Region)

Transactions increased 16% year on year in Japan. In addition, the number of customers overseas rose due to the strengthened business base.

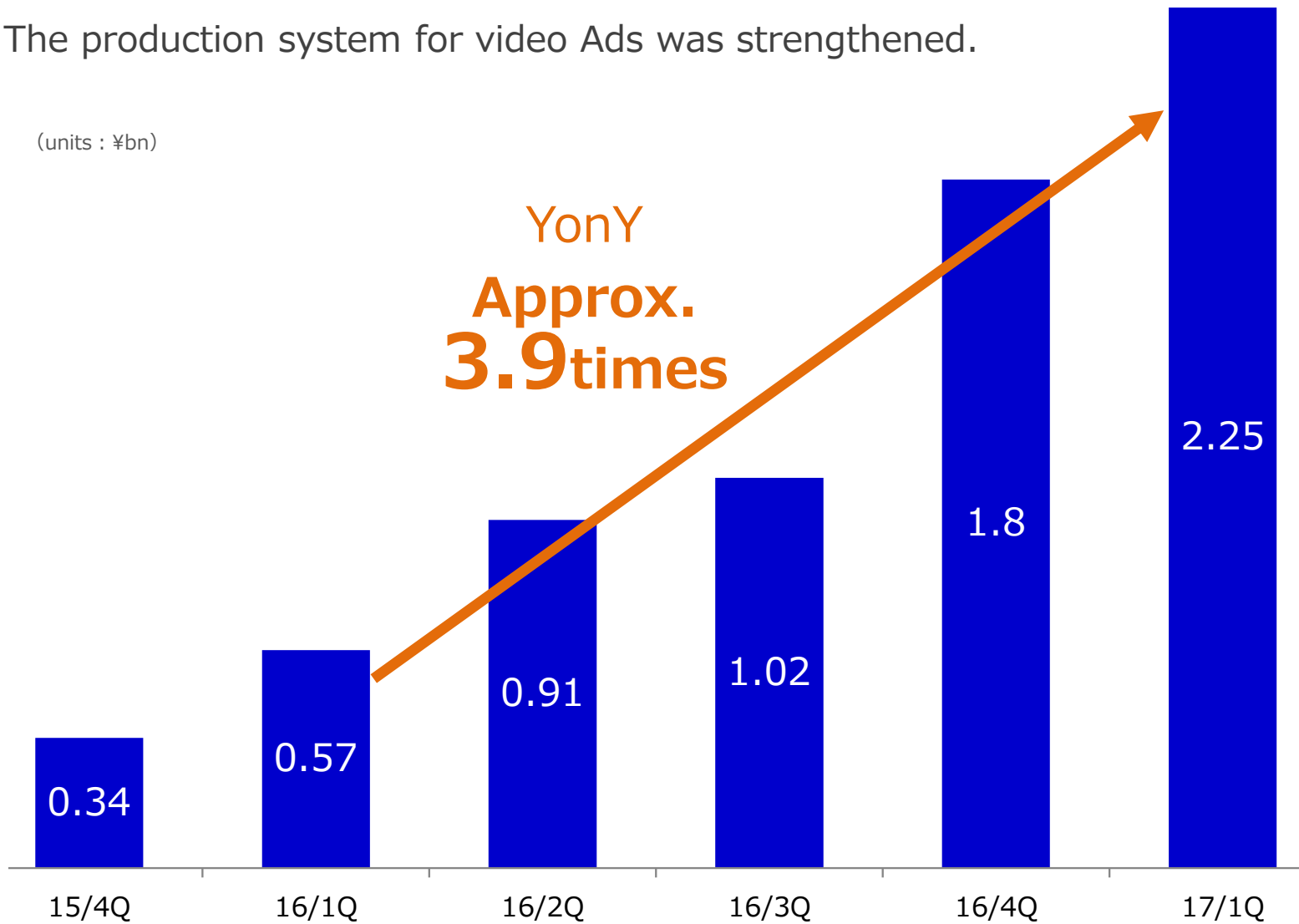


Volume of smartphone advertising increased 17% year on year.



- Transactions increased significantly, mainly driven by Facebook and YouTube.
- The production system for video Ads was strengthened.

(units : ¥bn)



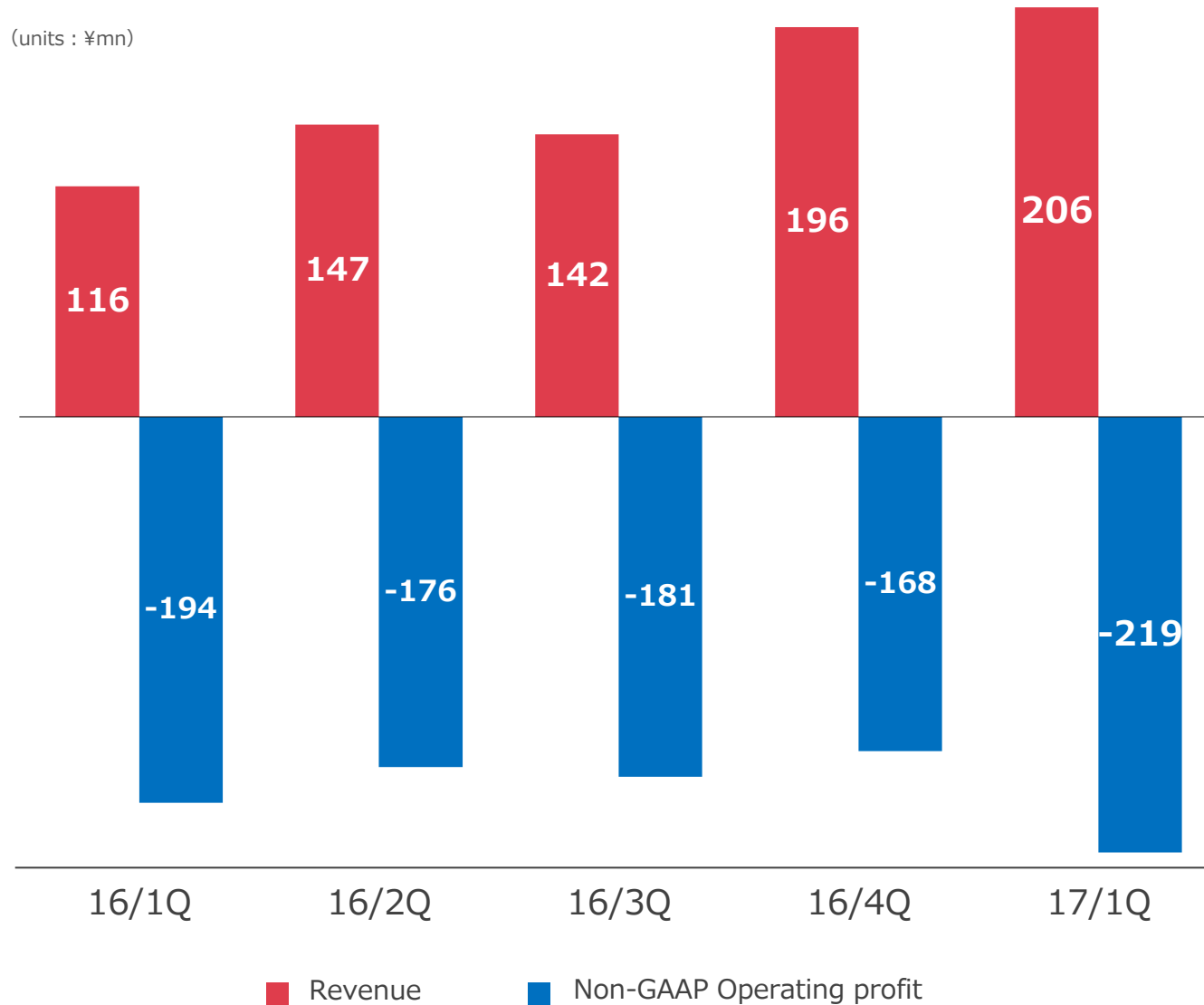
3 . Media Content Business

In the Manga Content Business, revenue from the Company's own media increased steadily. Meanwhile, prior investments increased more than planned from a strategic point of view.

Other new businesses also remained firm.

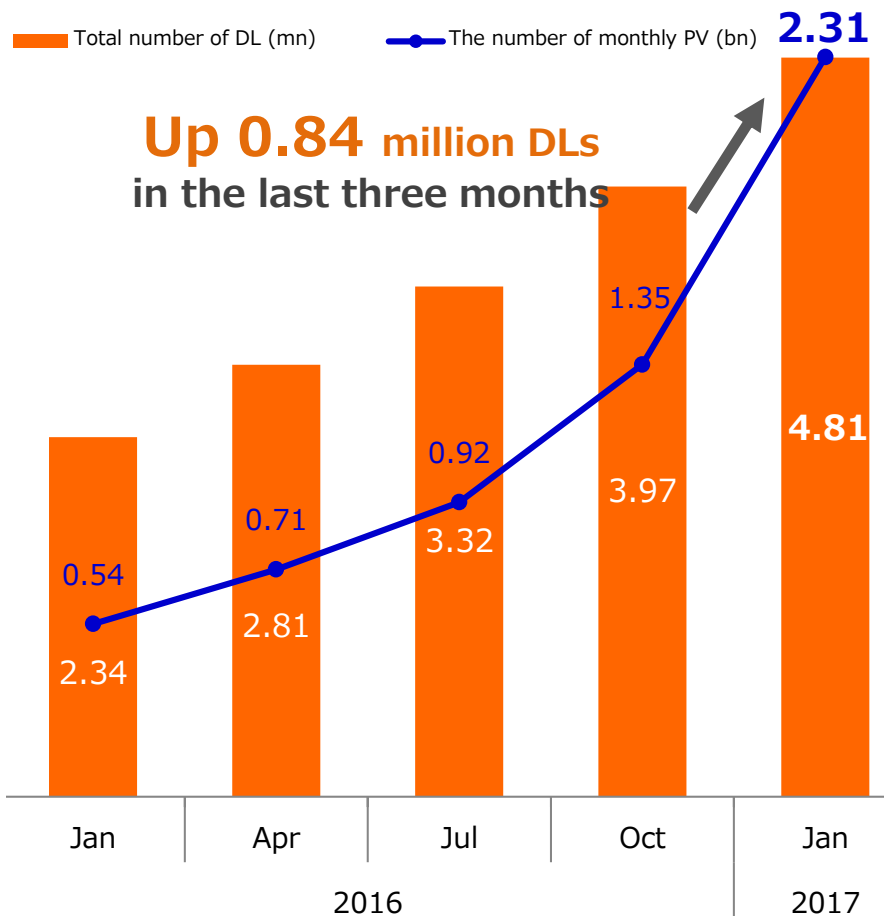
| (units : ¥mn) | 1Q FY9/17 | | | 1Q FY9/16 | | 1Q FY9/17 Estimate |
|--------------------------------------|-------------|---------|-----------|-----------|---------|-----------------------|
| | Value | Share | YY Change | Value | Share | |
| Revenue | 206 | 100.0% | +76.6% | 116 | 100.0% | 207 |
| Gross profit | 123 | 60.1% | +213.6% | 39 | 33.8% | — |
| SG&A | 342 | 166.4% | +46.5% | 233 | 200.5% | — |
| Non-GAAP Operating profit | -219 | -106.5% | (-25) | -194 | -166.3% | -195 |

Prior investment in future earnings continued.



GANMA!, manga applications, spread at an accelerated pace as a result of larger-than-planned marketing investments. Application revenue also increased steadily, mainly in advertising.

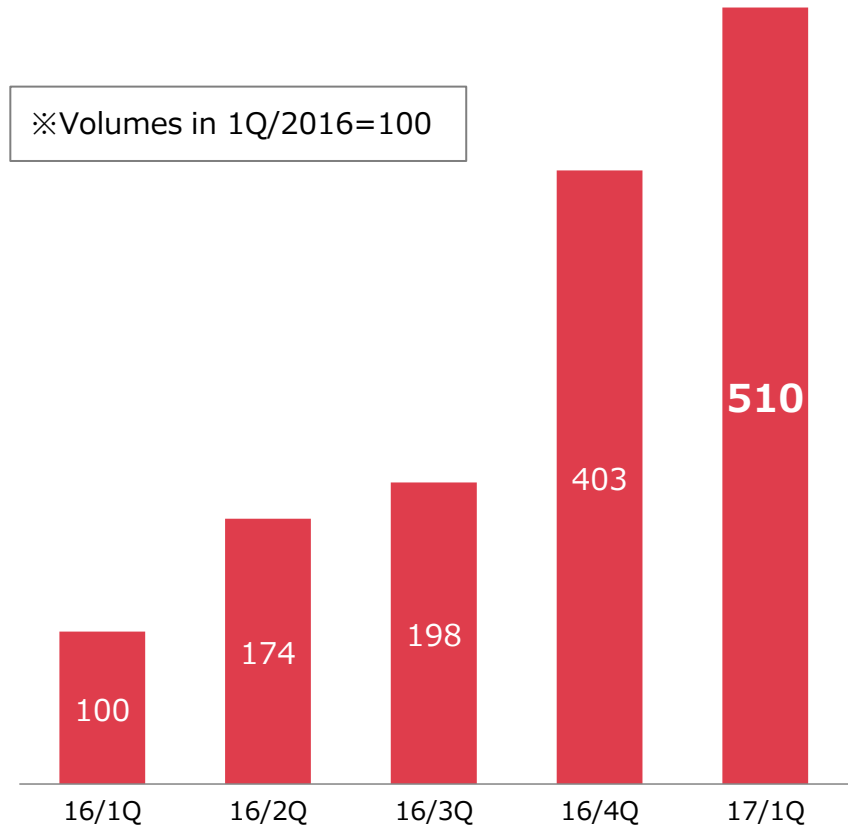
Monthly page views and accumulated application downloads of GANMA!



Application Revenue Trend

(Total revenue of GANMA!
in terms of advertising and in-app billing)

※Volumes in 1Q/2016=100



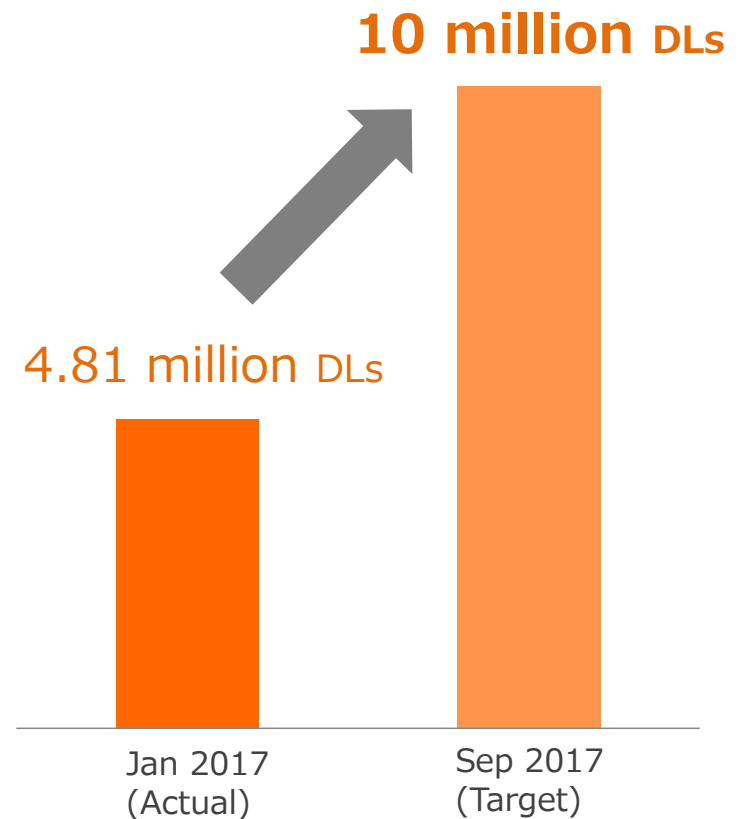
As part of the support for Manga artists, the “CAMPFIRE & GANMA! Project for the Creation of Goods” started. The project achieved its targets for the initial five products and the creation of goods was decided.

A large-scale promotion will be carried out for GANMA! in March 2017.

Overview of the large-scale promotion

| | |
|-----------------------|--|
| Method | Offline – Online (TV commercials – Internet advertising) |
| Scheduled date | March 2017 |
| Investment | Approximately ¥400 million |
| Purpose | <ul style="list-style-type: none"> • Expansion of the user base of GANMA! • Improvement of the awareness of services |

Targeted cumulative DLs of GANMA! applications



4 . Earnings Estimates

Expected to achieve an increase in both revenue and profit from the previous quarter in the Internet Marketing Business, which is showing an increase in revenue and a decrease in profit on a year-on-year basis.

Organizational improvements will be implemented to achieve high topline growth.

In the Media Content Business, revenue is expected to increase by a wide margin. However, the deficit is likely to expand significantly for the time being due to a considerable increase in prior investments associated with the implementation of large-scale GANMA! promotions.

| (units : ¥mn) | | | Earnings in 1H FY9/16 | | | Earnings Estimates for 1H FY9/16 | Expected Growth Rate (1H) |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---|---|------------------------------------|
| | Earnings in 1Q FY9/16 | Earnings in 2Q FY9/16 | | Earnings in 1Q FY9/17 | Earnings Estimates for 2Q FY9/17 | | |
| Revenue | 3,315 | 3,550 | 6,865 | 3,586 | 3,900 | 7,486 | +9.0% |
| Non-GAAP Operating profit | 972 | 1,110 | 2,083 | 815 | 640 | 1,455 | -30.1% |
| Profit for the period attributable to owners of the parent | 632 | 711 | 1,343 | 1,410 | 430 | 1,840 | +36.9% |
| [Reference] Net Sales | 17,260 | 19,078 | 36,338 | 18,448 | 19,500 | 37,948 | +4.4% |

(units : ¥mn)

| | Revenue | | | Non-GAAP Operating profit | | |
|-----------------------------|-----------------------|----------------------------------|---------------|---------------------------|----------------------------------|---------------|
| | Earnings in 2Q FY9/16 | Earnings Estimates for 2Q FY9/17 | YY Change | Earnings in 2Q FY9/16 | Earnings Estimates for 2Q FY9/17 | YY Change |
| Internet Marketing Business | 3,416 | 3,686 | +7.9% | 1,413 | 1,382 | -2.2% |
| Media Content Business | 147 | 262 | +78.6% | △176 | △ 581 | (-405) |
| Elimination or corporate | △12 | △48 | (-36) | △127 | △161 | (-34) |
| Total | 3,550 | 3,900 | +9.9% | 1,110 | 640 | -42.4% |

Earnings target

Non-GAAP Operating Profit : ¥10bn

Basic policies

Expand advertising business **globally**

Enhance our own **media**

Invest in what comes **after the smartphone**

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 February 7, 2017 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 December 31, 2016

| | |
|-------------------------------|--|
| Company Name | SEPTENI HOLDINGS CO., LTD. |
| Representative | Representative Director, Group President and Chief Executive Officer 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 | ¥2,088 million |
| Shares Issued | 138,669,500 shares (Including 10,724,155 treasury shares) |
| Consolidated Workforce | 969 full time employees, 1163 full time and contracted employees |

Holding Company
SEPTENI HOLDINGS CO., LTD

February 7, 2017

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 |

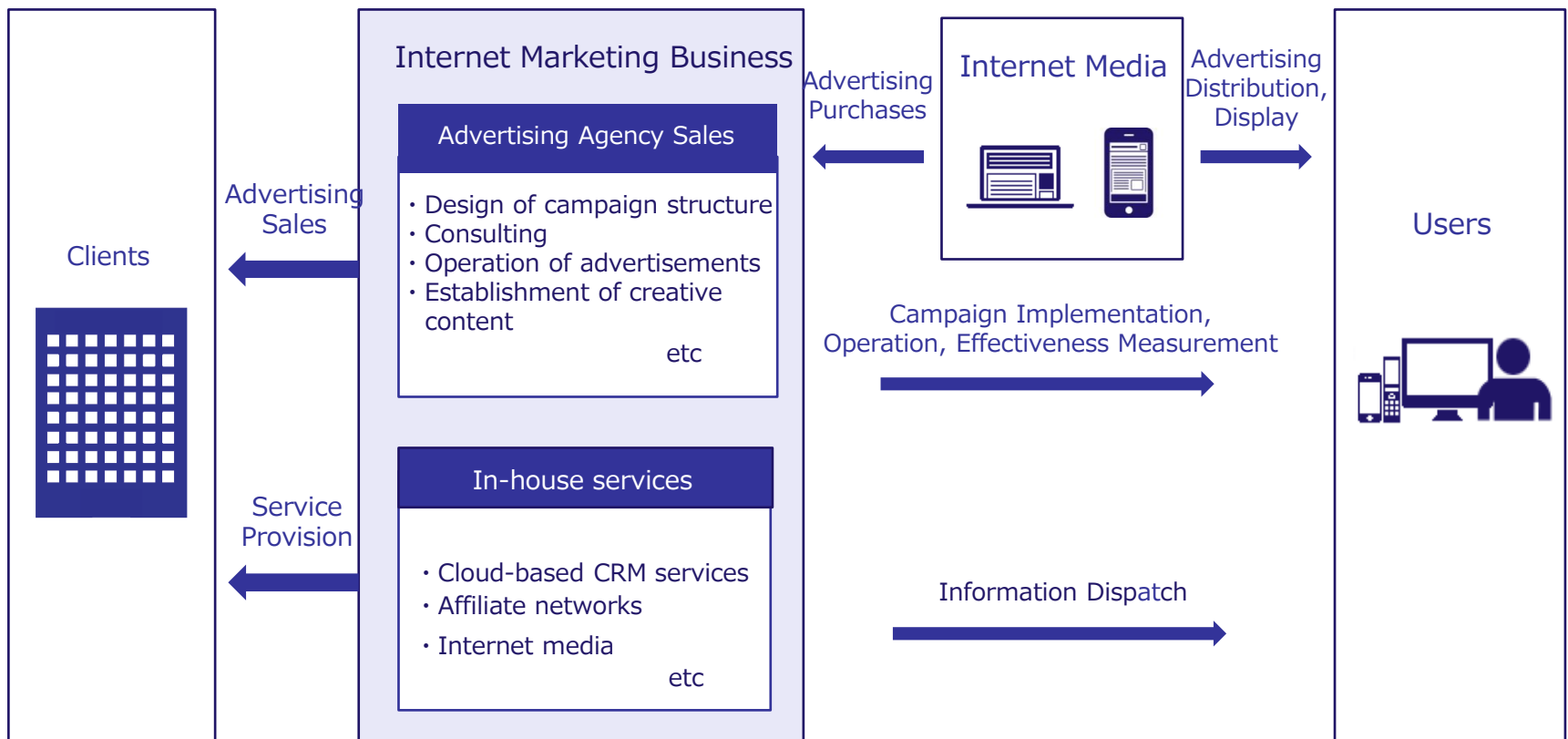
Media Content Business

| | | | |
|-----------------|-------------------------------|------------------|--|
| 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.

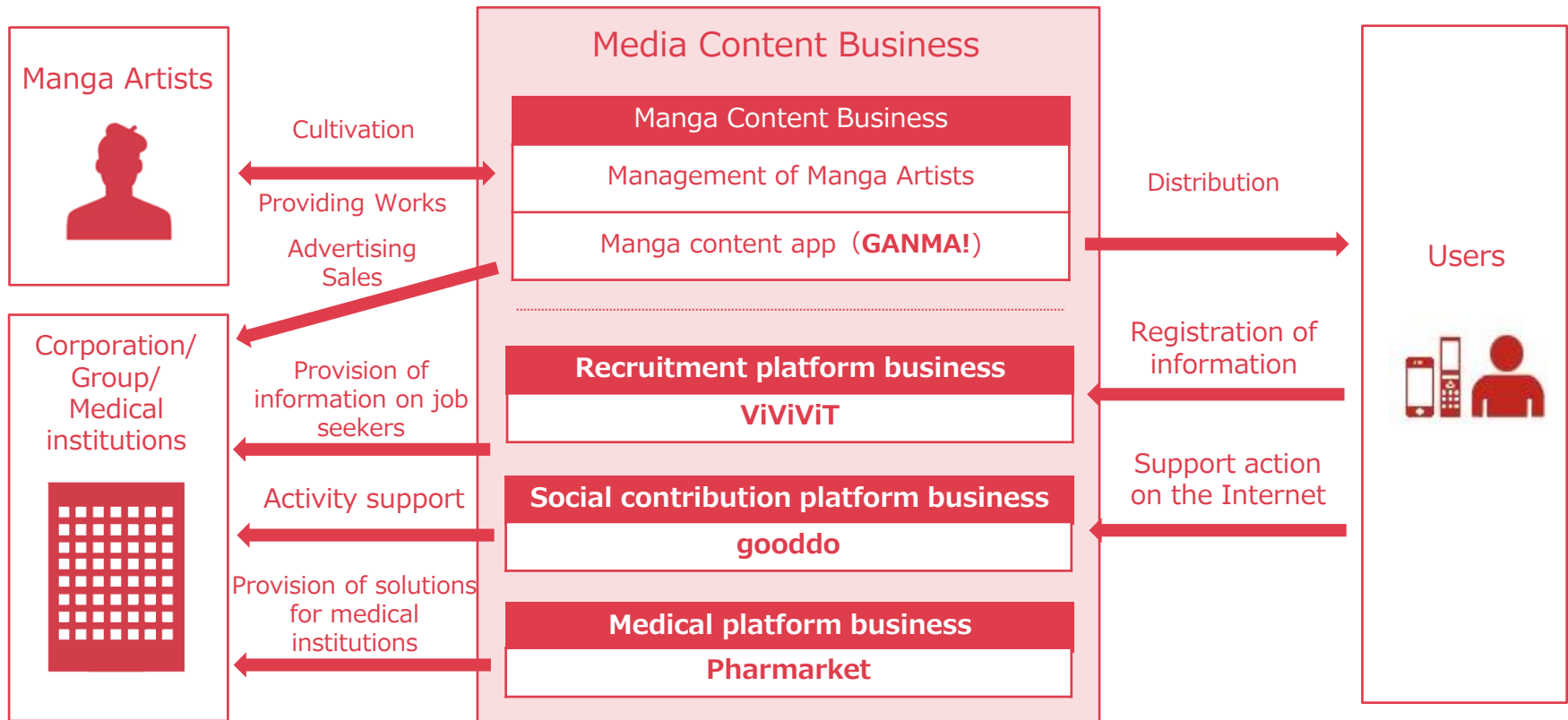
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



In the Manga Content Business, efforts are being made to nurture and support manga artists for the purpose of **planning and developing the Company's own intellectual property (IP)**. At the same time, **GANMA!** manga applications, which consist of original products by dedicated artists, are operated as the **Company's own media**.

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

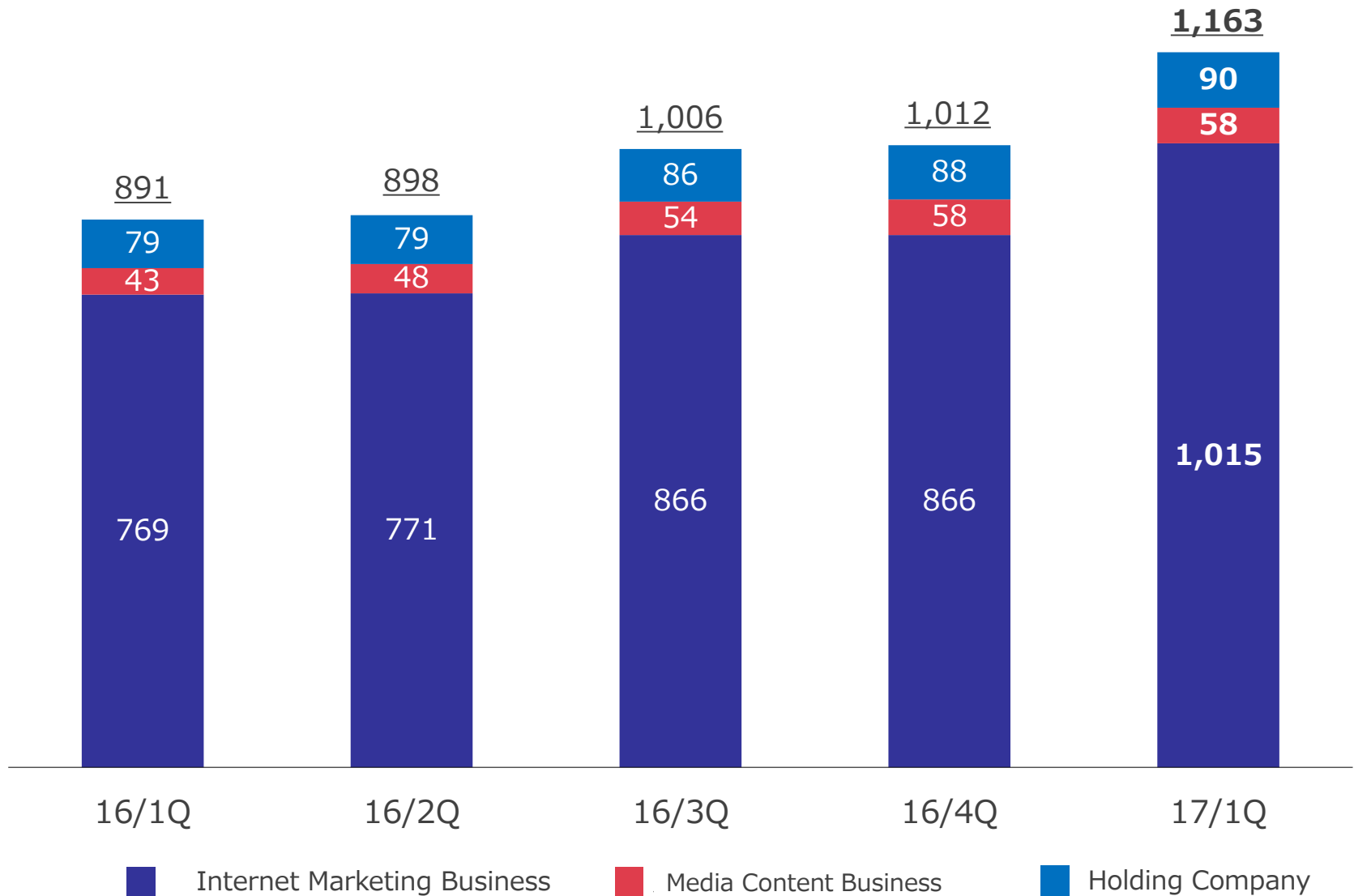


Consolidated Statement of Financial Position

| (units : ¥mn) | End 1Q FY9/17 | End FY9/16 | Change | Main Changes |
|--------------------------------------|------------------|---------------|--------|---|
| Current Assets | 22,111 | 26,268 | -4,158 | Cash and cash equivalents: -3,478 Accounts receivable: -325 |
| Non-current Assets | 6,549 | 3,712 | +2,837 | Goodwill: +1,720 Investments accounted for using the equity method: +1,404 |
| Total Assets | 28,660 | 29,981 | -1,321 | |
| Current Liabilities | 13,174 | 14,191 | -1,017 | Accounts payable: -406 Income taxes payable: -1,110 |
| Non-current Liabilities | 336 | 744 | -408 | Long-term loans payable: -648 Deferred tax liabilities: +235 |
| Total Liabilities | 13,510 | 14,935 | -1,425 | |
| Total Capital | 15,150 | 15,046 | +104 | Retained earnings: +1,199 Changes in ownership interest in subsidiaries that result in a loss of control: -618 Treasury stock: -630 |
| Total Liabilities and Capital | 28,660 | 29,981 | -1,321 | |

Consolidated Statement of Cash Flows

| (units : ¥mn) | 1Q FY9/17 (Oct-Dec) | Main Changes | 1Q FY9/16 (Oct-Dec) |
|---|------------------------|---|------------------------|
| Cash Flows from Operating Activities | △880 | Profit before taxes from continuing operations: +747 Decrease in operating receivables: △366 Payment of corporate income tax: △1,169 | 129 |
| Cash Flows from Investing Activities | △1,775 | Outlays for acquisition of the shares of subsidiaries resulting in a loss of control: △1,373 Outlays for sale of the shares of subsidiaries resulting in a loss of control: △585 | △30 |
| Cash Flows from Financing Activities | △899 | Increase (decrease) in loans payable: +147 Cash dividends paid: △415 Acquisition of treasury stock: △630 | △55 |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 76 | | 8 |
| Net Increase (Decrease) in Cash and Equivalents | △3,478 | | 53 |
| Cash and Equivalents at Term End | 12,003 | | 11,747 |



*The number of employees at the non-core business (Axel Mark) is excluded, starting retroactively from 16/1Q.