



# Business Results for 2 Q Fiscal Year September 2017

May 1, 2017

**SEPTENI HOLDINGS CO., LTD.**  
[www.septeni-holdings.co.jp/en/](http://www.septeni-holdings.co.jp/en/)  
**Securities Code: 4293**

1. Quarterly Consolidated Earnings Overview
2. Internet Marketing Business
3. Media Content Business
4. Accumulated Consolidated Earnings and Earnings Estimates
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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** **¥3,722<sub>mn</sub>** (Up **4.9%** year on year)

**Non-GAAP Operating Profit** **¥528<sub>mn</sub>** (Down **52.4%** year on year)

Non-GAAP operating profit decreased due to the large-scale marketing investment for the Manga Content Business and other reasons.

## Internet Marketing Business

**Revenue** **¥3,521<sub>mn</sub>** (Up **3.1%** year on year)

**Non-GAAP Operating Profit** **¥1,264<sub>mn</sub>** (Down **10.5%** year on year)

Transactions of video advertisements, which is the field of focus, grew substantially.

## Media Content Business

**Revenue** **¥289<sub>mn</sub>** (Up **97.0%** year on year)

**Non-GAAP Operating Profit** **¥-586<sub>mn</sub>** (Down **¥410<sub>mn</sub>** year on year)

The expansion of the media scale of GANMA! accelerated due to the large-scale marketing investment.

# Consolidated Income Statement (Jan-Mar)

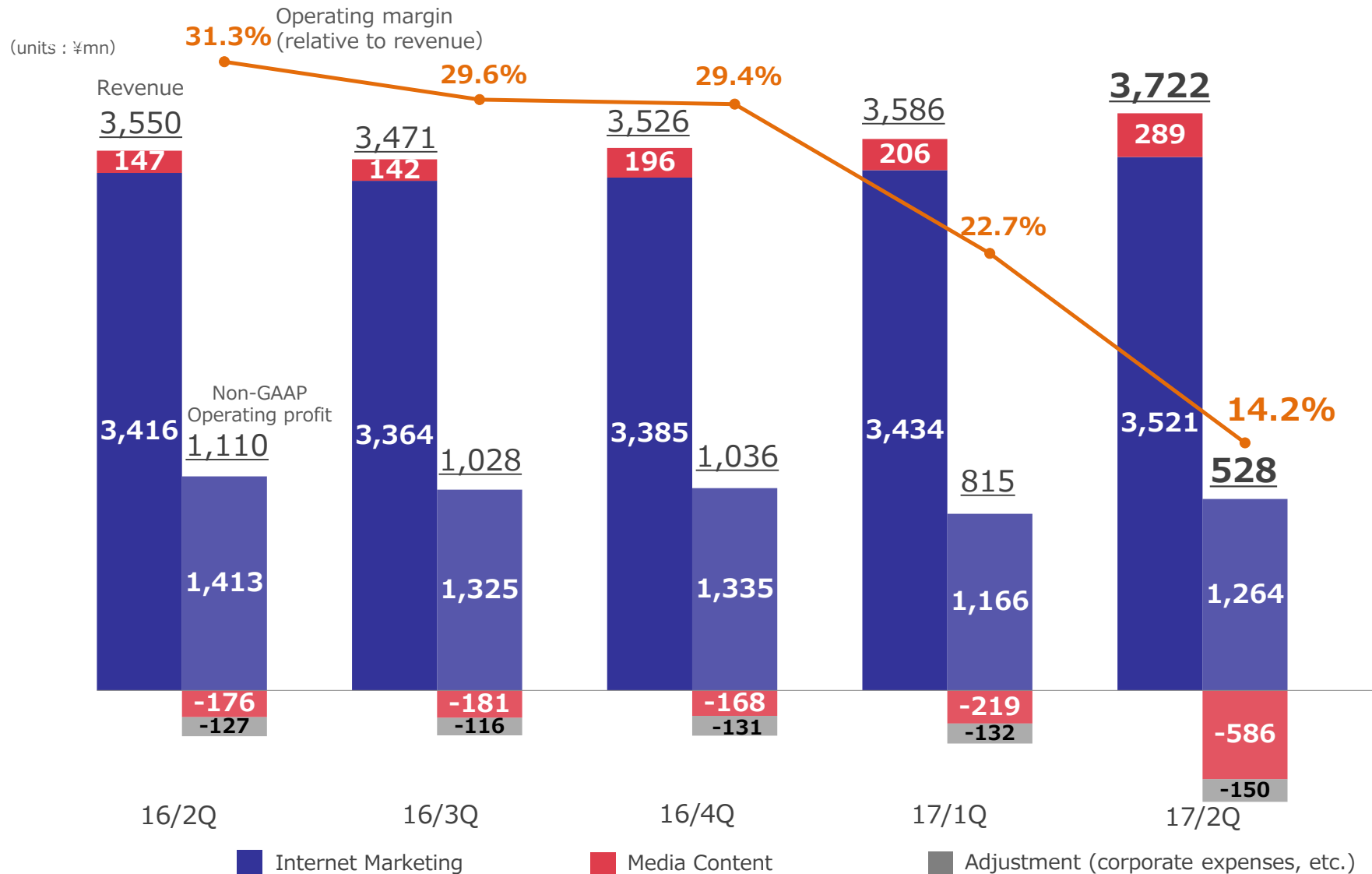
SG&A increased due to the large-scale marketing investment of as much as 400 million yen in the Manga Content Business.

Revenue in the Internet Marketing Business reached a record high, falling below the estimate due to the reduction of some large-scale projects.

(units : ¥mn)	2Q FY9/17			2Q FY9/16		2Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>3,722</b>	100.0%	+4.9%	3,550	100.0%	3,900
Gross profit	<b>3,338</b>	89.7%	+4.5%	3,195	90.0%	—
SG&A	<b>2,812</b>	75.5%	+ 34.7%	2,088	58.8%	—
<b>Non-GAAP Operating profit</b>	<b>528</b>	14.2%	− 52.4%	1,110	31.3%	640
Operating profit	<b>501</b>	13.5%	− 54.8%	1,109	31.2%	—
Profit for the period from continuing operations	<b>318</b>	8.6%	− 55.6%	718	20.2%	—
Profit for the period from discontinued operations	—	— %	(+38)	△38	− 1.1%	—
<b>Profit for the period attributable to owners of the parent</b>	<b>334</b>	9.0%	− 53.1%	711	20.0%	430
【Reference】 Net Sales	<b>18,820</b>	—	− 1.4%	19,078	—	19,500

# Quarterly Consolidated Earnings Trend (by Business Segment)

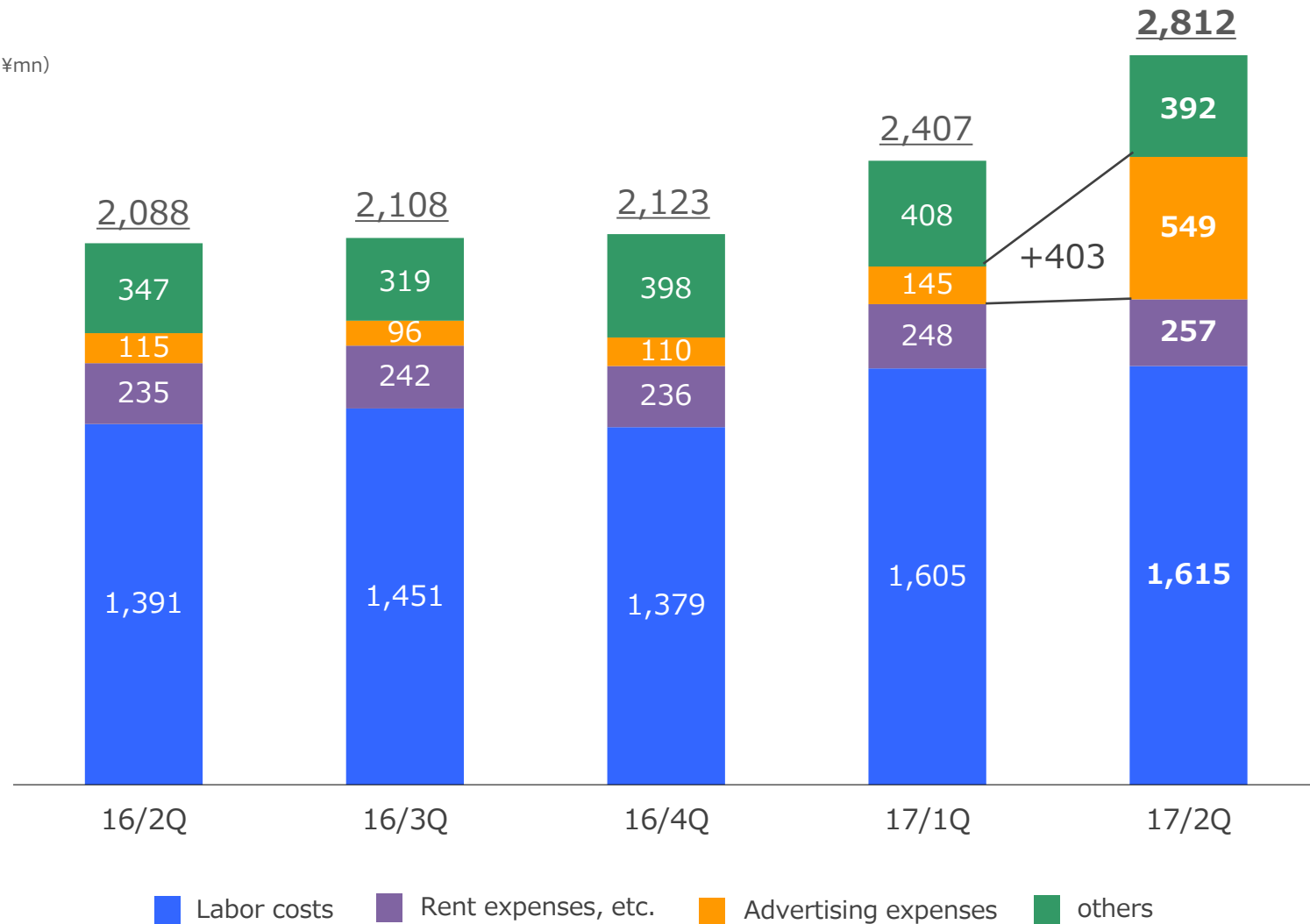
Revenue reached a new record high in both of the businesses



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

SG&A increased ¥405mn year on year, with advertising expenses rising in particular due to the large-scale promotion in the Manga Content Business.

(units : ¥mn)



## 2 . Internet Marketing Business

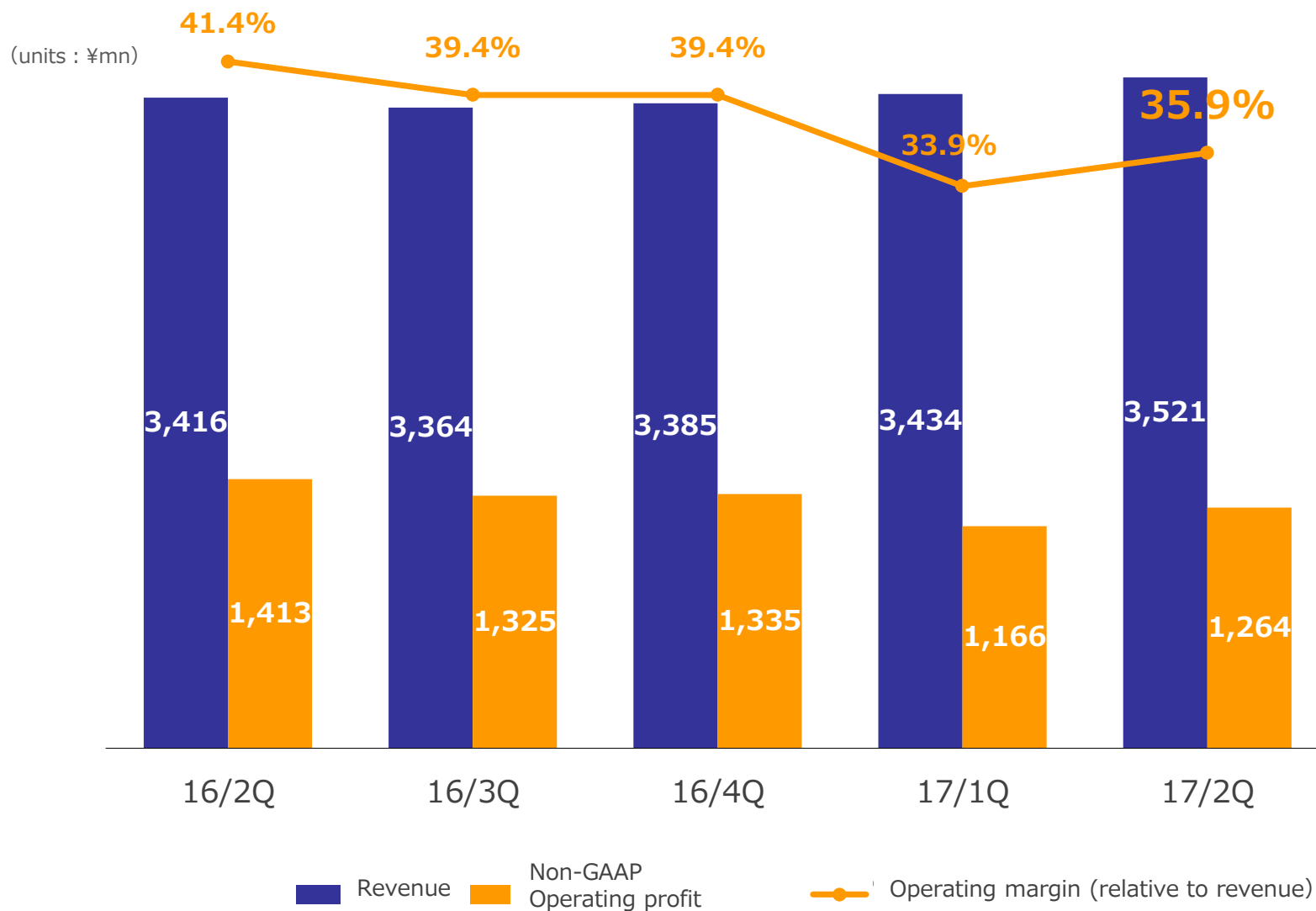


Net sales and revenue did not increase as expected due to a decrease in the existing large-scale projects in excess of the estimate, despite the partial results of the measures for the expansion of the top line such as an increase in new projects.

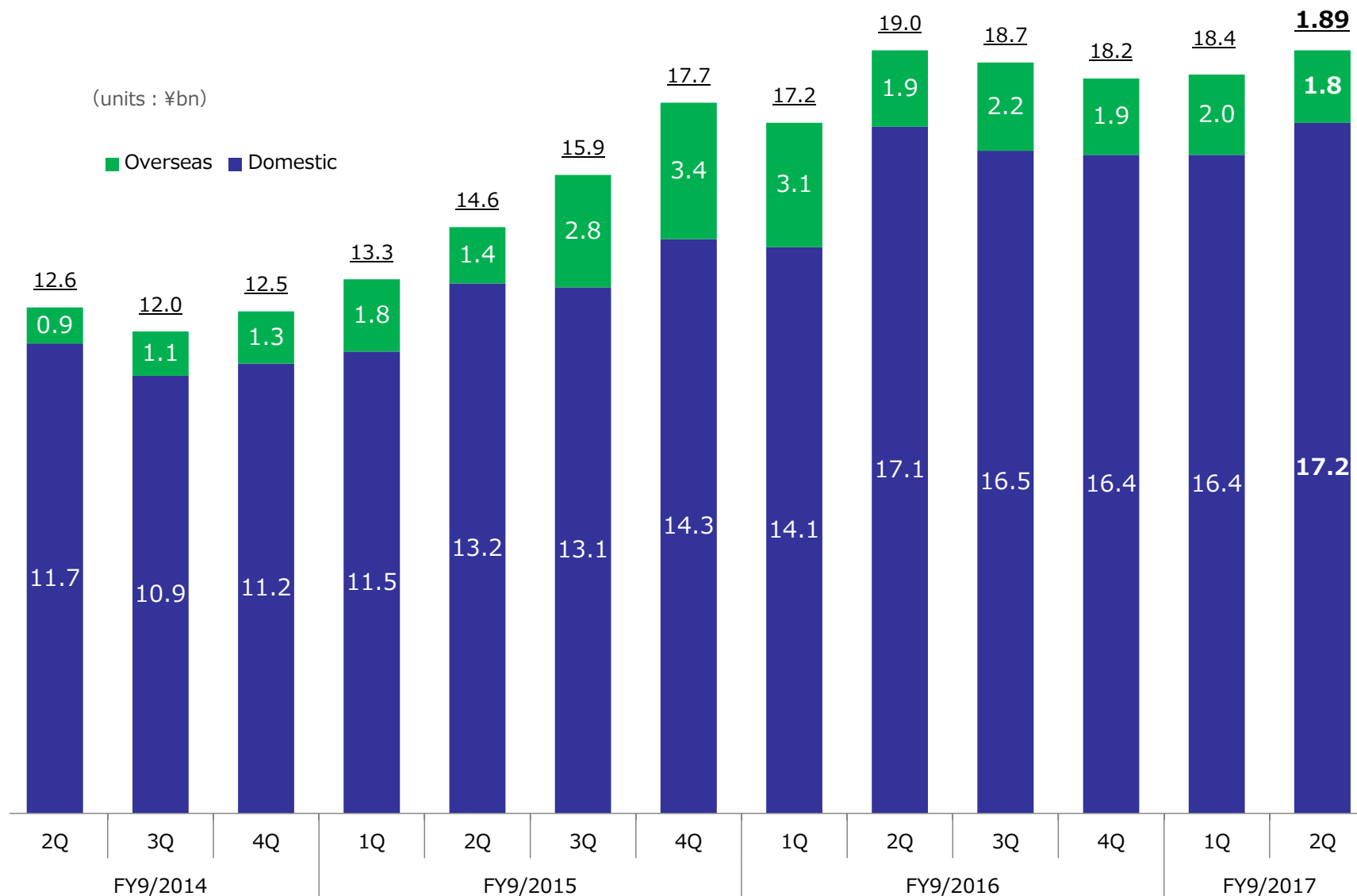
Transactions of video advertisements grew substantially, increasing **about 3.0 times** year on year.

(units : ¥mn)	2Q FY9/17			2Q FY9/16		2Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>3,521</b>	100.0%	+3.1%	3,416	100.0%	3,686
Gross profit	<b>3,225</b>	91.6%	+2.1%	3,160	92.5%	—
SG&A	<b>1,962</b>	55.7%	+12.1%	1,750	51.2%	—
<b>Non-GAAP Operating profit</b>	<b>1,264</b>	35.9%	−10.5%	1,413	41.4%	1,382
【Reference】 Net Sales	<b>18,910</b>	—	−0.7%	19,042	—	

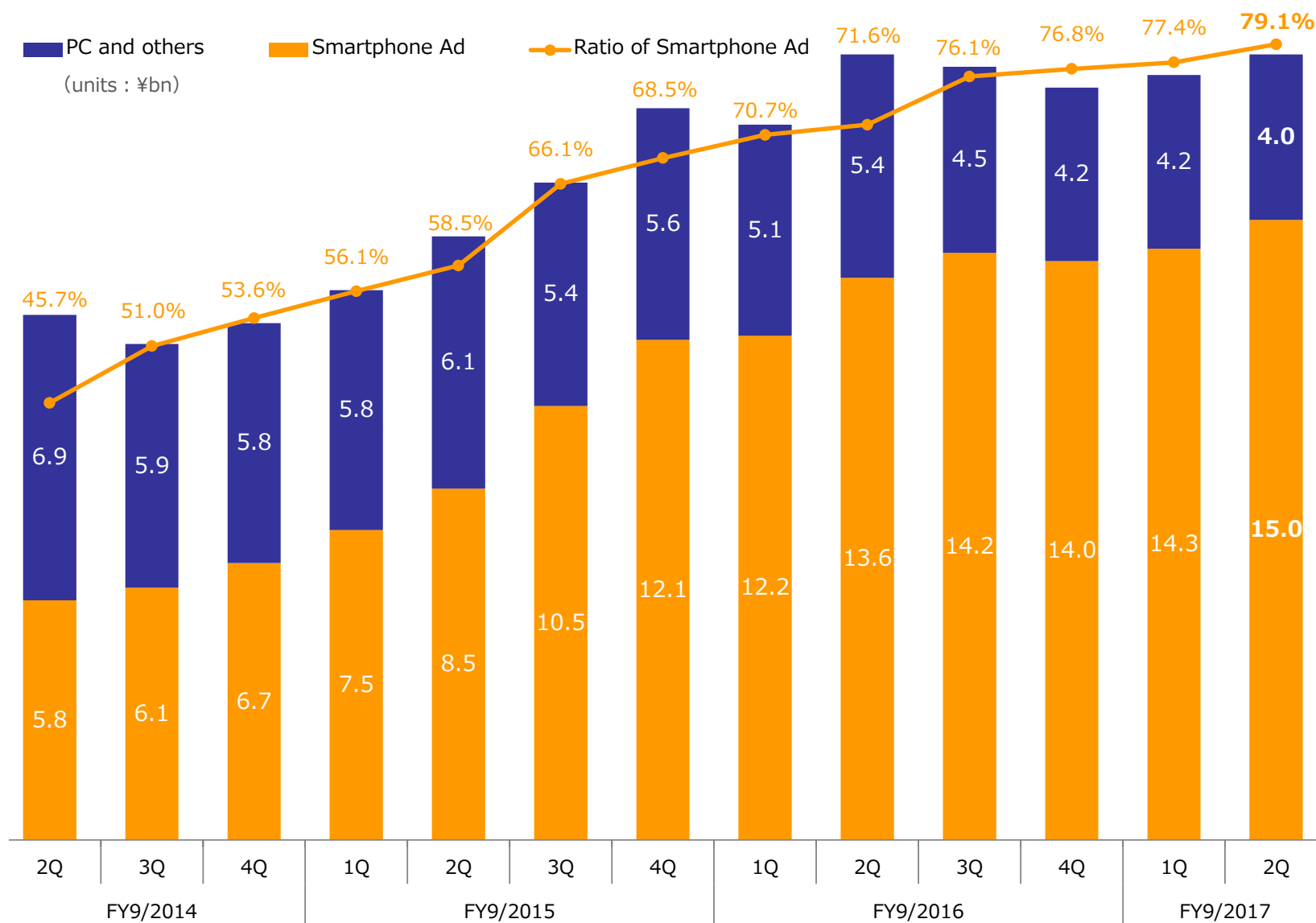
Non-GAAP operating profit and operating margin improved quarter on quarter.



Revenue increased in Japan. The overseas business saw a year-on-year expansion in the scale of business in the Asian region.

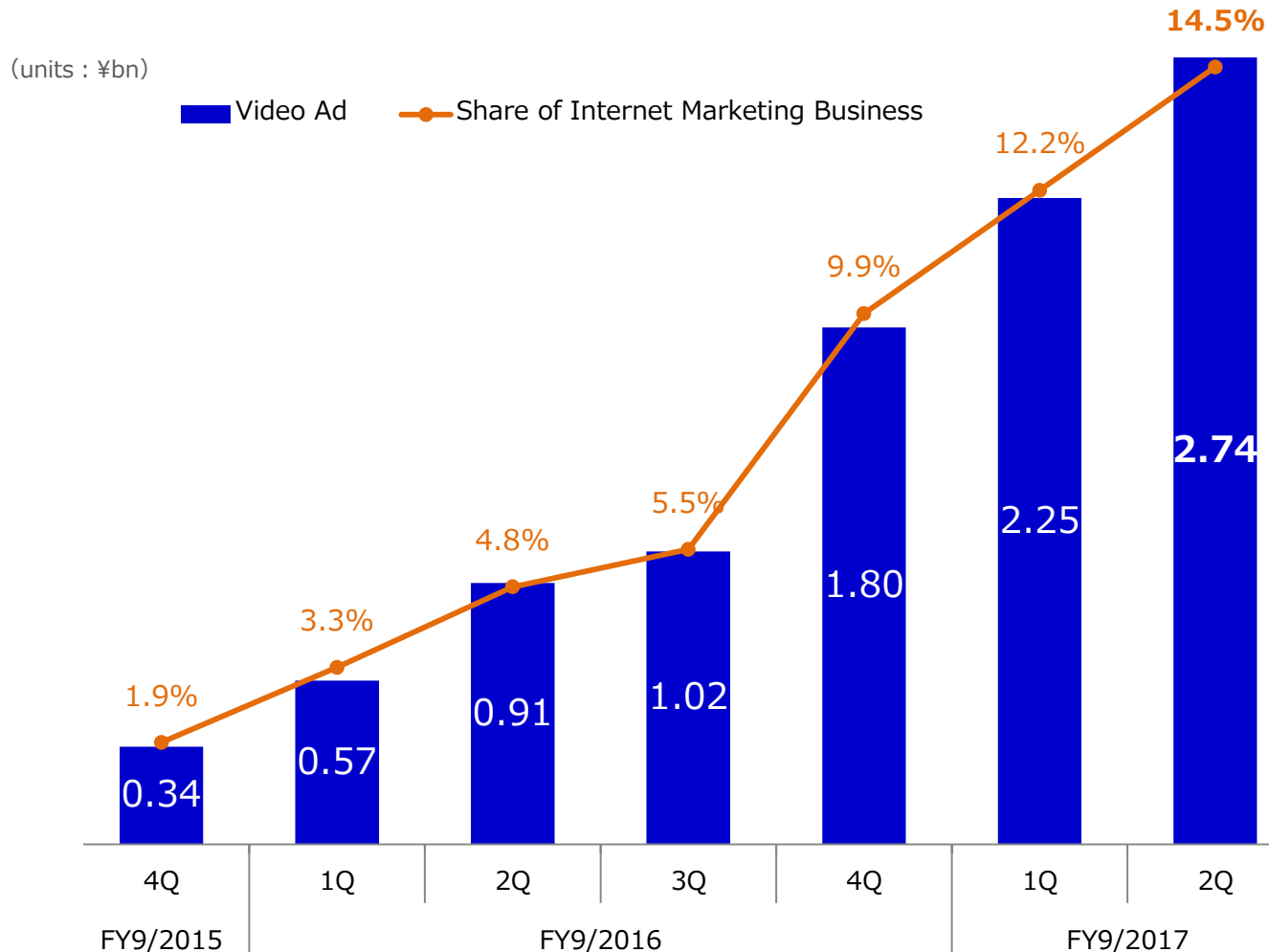


Volume of smartphone advertising increased 10% year on year.



Strong growth continued, mainly on Facebook. Transactions increased about **3.0 times** year on year.

To strengthen the system for producing creative content for advertising, a new company, "Septeni Ad Creative" was established (April 2017).



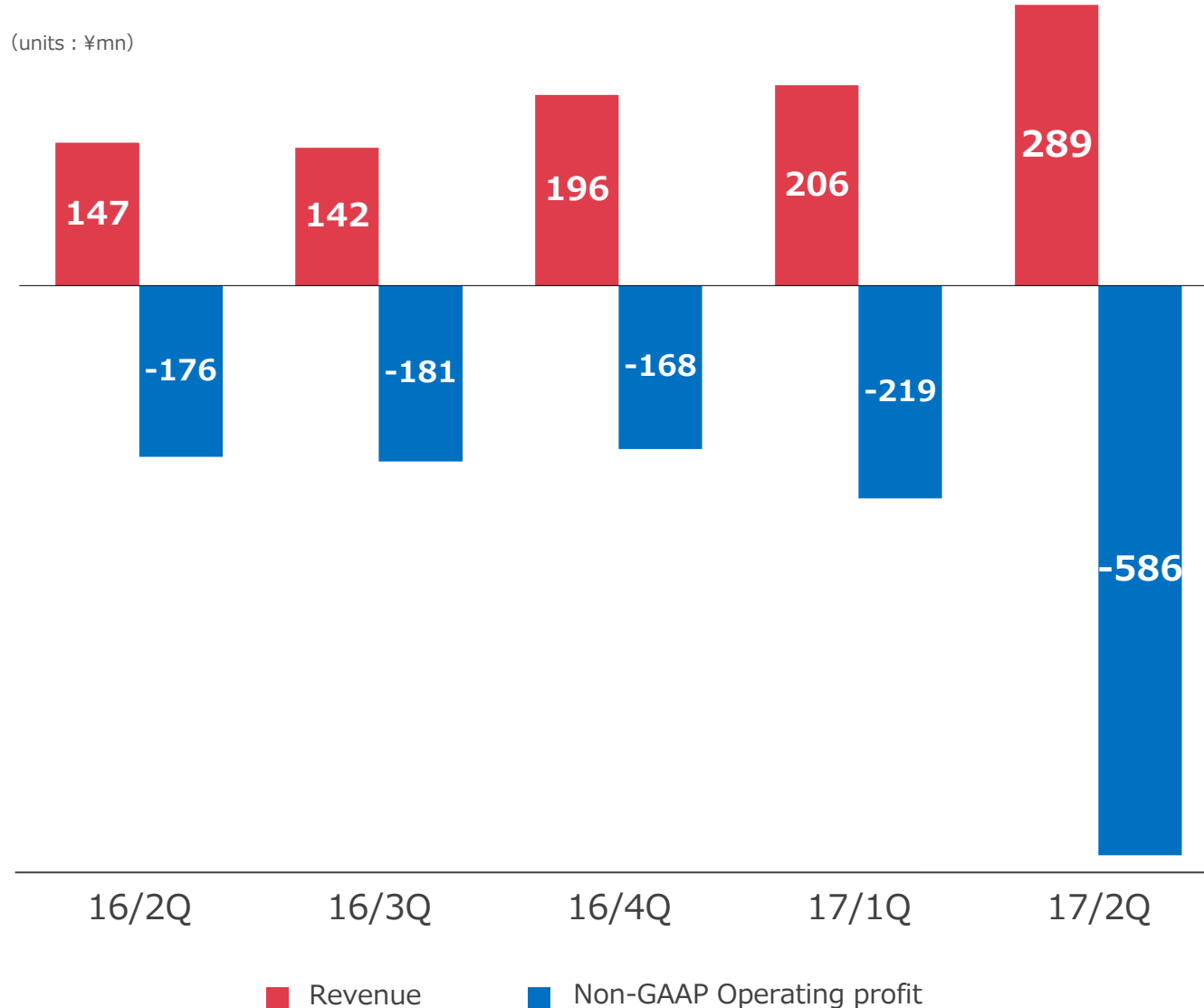
# 3 . Media Content Business

The Manga Content Business saw a temporary cost increase due to the large-scale promotion for GANMA! (scale of 400 million yen) and a steady increase in income from the Company's own media.

Other new businesses also remained firm.

(units : ¥mn)	2Q FY9/17			2Q FY9/16		2Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>289</b>	100.0%	+97.0%	147	100.0%	262
Gross profit	<b>194</b>	67.3%	+194.0%	66	45.1%	—
SG&A	<b>781</b>	270.1%	+222.7%	242	164.9%	—
<b>Non-GAAP Operating profit</b>	<b>−586</b>	−202.7%	(−410)	−176	−119.7%	−581

Operating losses increased temporarily due to the large-scale marketing investment for GANMA!.



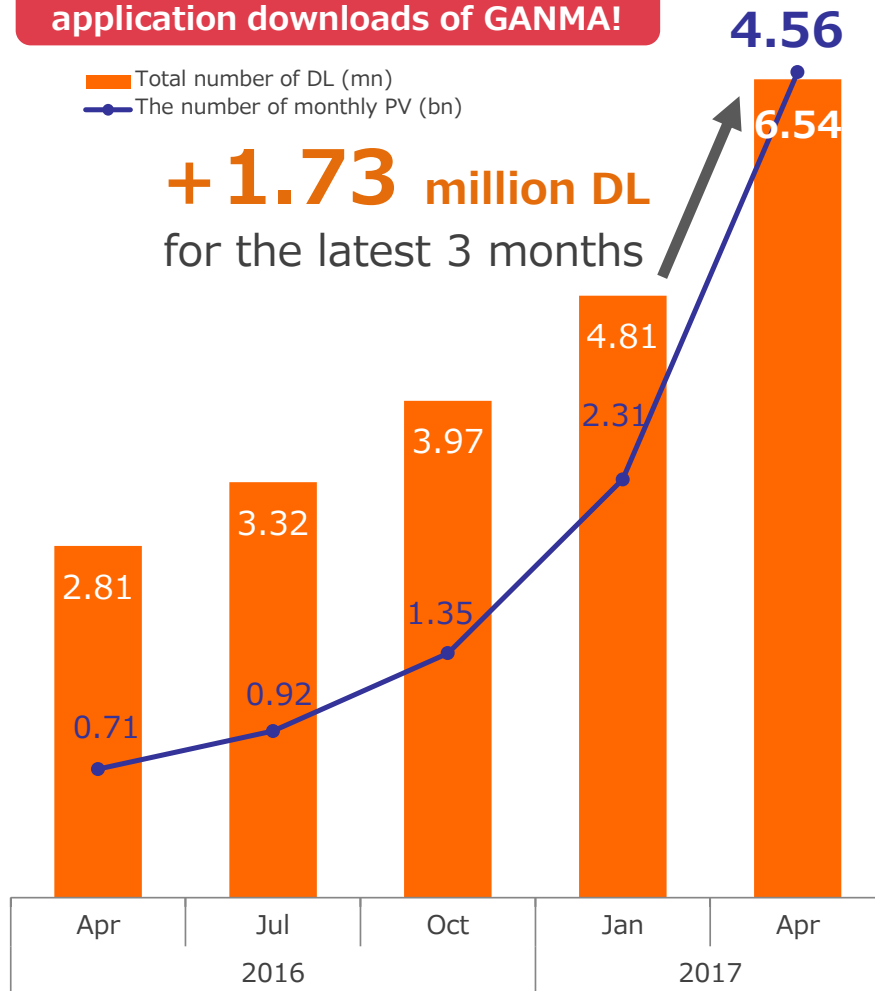


As a result of the large-scale promotion, the speed of the expansion of both the media scale and the application revenue of GANMA! accelerated.

## Monthly page views and accumulated application downloads of GANMA!

■ Total number of DL (mn)  
—●— The number of monthly PV (bn)

**+ 1.73 million DL**  
for the latest 3 months

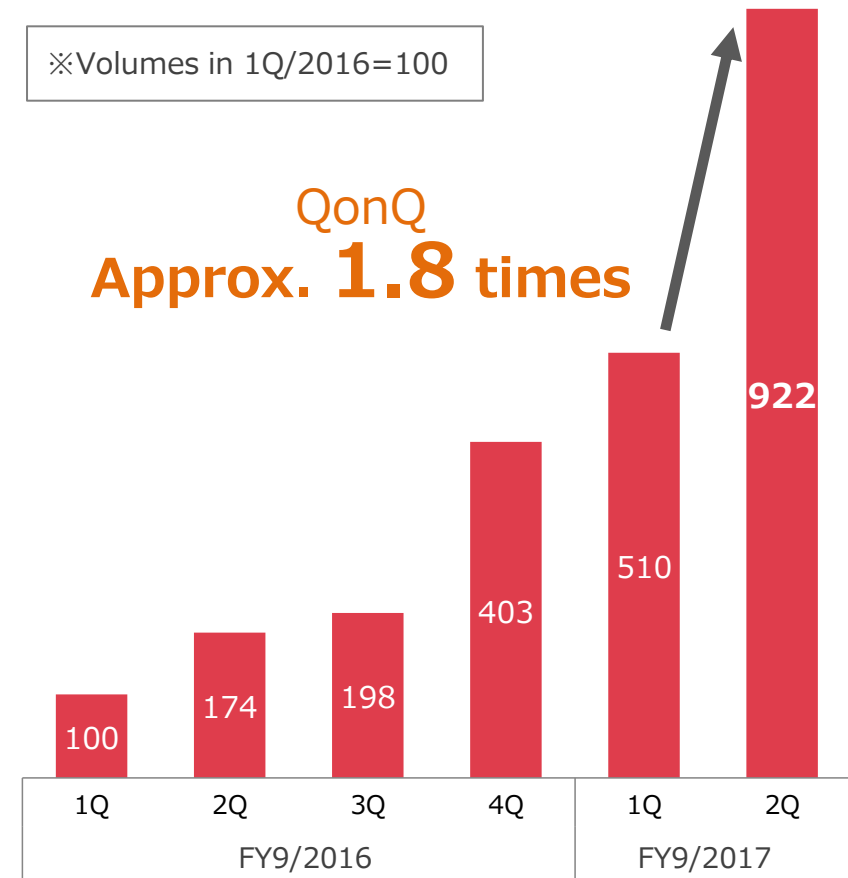


## Application Revenue Trend

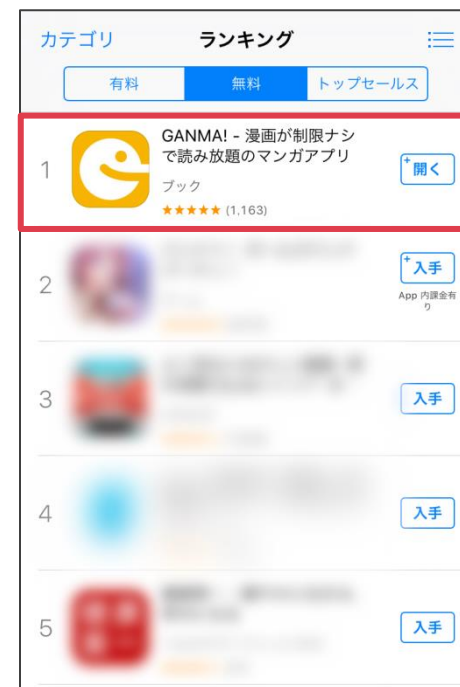
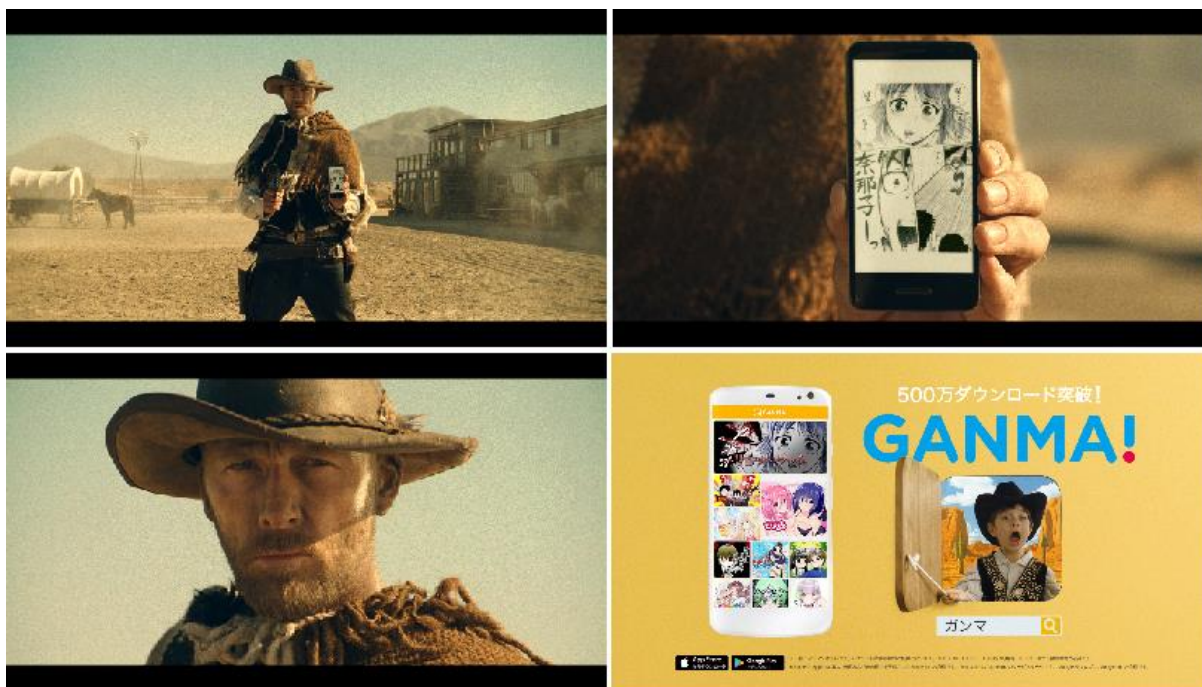
(Total revenue of GANMA!  
in terms of advertising and in-app billing)

※Volumes in 1Q/2016=100

QonQ  
**Approx. 1.8 times**



Broadcasting of TV commercials of GANMA! for the period from March 20, 2017 to April 2, 2017, with GANMA! was ranked **1st** in the free apps download ranking of the App Store.



(As of March 28, 2017)

GANMA! received two awards, the "Award chosen by popular vote" and the "Award for a new app" in the "App Ape Award 2016" (sponsored by Fuller, Inc.).



Start to provide casting and video advertisements utilizing the characteristics of media

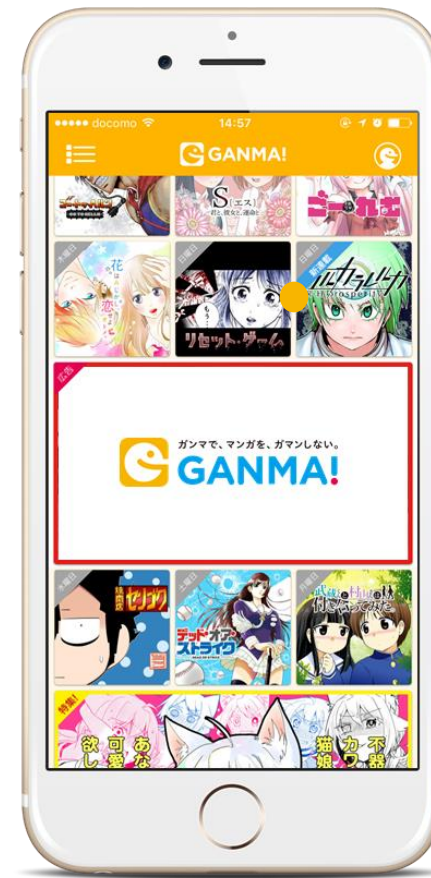
## Casting advertisement

Use of characters of GANMA! works for creative content



## Video advertisement

Large-scale video panel on the top page of GANMA!



## 4 . Accumulated Consolidated Earnings and Earnings Estimates

# Consolidated Income Statement (Oct-Mar)

Operating profit decreased due to active prior investment in the Manga Content Business and poor revenue resulting from the reduction of some large-scale projects in the Internet Marketing Business, among other causes.

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)	First half FY9/17			First half FY9/16		First half FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
<b>Revenue</b>	<b>7,309</b>	100.0%	+6.5%	6,865	100.0%	7,486
Gross profit	<b>6,561</b>	89.8%	+6.0%	6,190	90.2%	—
SG&A	<b>5,219</b>	71.4%	+26.7%	4,120	60.0%	—
<b>Non-GAAP Operating profit</b>	<b>1,343</b>	18.4%	−35.5%	2,083	30.3%	1,455
Operating profit	<b>1,272</b>	17.4%	−38.7%	2,074	30.2%	—
Profit for the period from continuing operations	<b>856</b>	11.7%	−39.0%	1,402	20.4%	—
Profit for the period from discontinued operations	<b>883</b>	12.1%	(+981)	△98	−1.4%	—
<b>Profit for the period attributable to owners of the parent</b>	<b>1,743</b>	23.9%	+29.8%	1,343	19.6%	1,840
【Reference】 Net Sales	<b>37,268</b>	—	+2.6%	36,338	—	37,948

# Earnings by Business Segments (Oct – Mar)

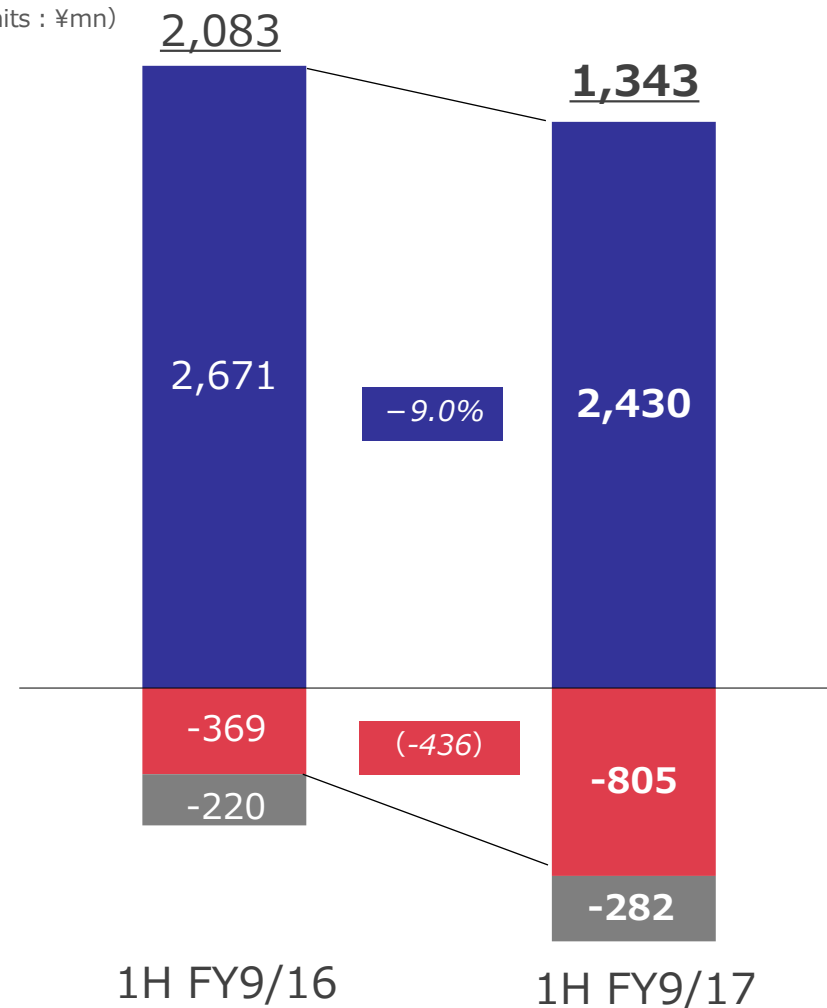
## Revenue

(units : ¥mn)



## Non-GAAP Operating profit

(units : ¥mn)



Internet Marketing

Media Content

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).

# 3 Q FY9/17 Consolidated Earnings Estimates

In April, 116 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 Internet Marketing Business is expected to see higher revenue and lower Non-GAAP operating income year on year. The initiatives for the growth of the top line will be continued.

The Media Content Business is expected to see substantially increased revenue, principally in the Manga Content Business. The loss should contract substantially (about ¥340 million) compared to the second quarter, when the large-scale promotion was conducted.

(units : ¥mn)			Earnings in 1Q-3Q FY9/16			Earnings Estimates for 1Q-3Q FY9/17	Expected growth rate (1Q-3Q)
	Earnings in 1H FY9/16	Earnings in 3Q FY9/16		Earnings in 1H FY9/17	Earnings Estimates for 3Q FY9/17		
Revenue	6,865	3,471	10,336	7,309	<b>3,700</b>	<b>11,009</b>	<b>+6.5%</b>
Non-GAAP Operating Profit	2,083	1,028	3,111	1,343	<b>550</b>	<b>1,893</b>	<b>-39.1%</b>
Profit for the period attributable to owners of the parent	1,343	699	2,042	1,743	<b>310</b>	<b>2,053</b>	<b>+0.5%</b>
【Reference】 Net Sales	36,338	18,680	55,018	37,268	<b>18,000</b>	<b>55,268</b>	<b>+0.5%</b>

# 3Q(Apr-Jun) FY9/17 Earnings Estimates by Business Segment

(units : ¥mn)

	Revenue			Non-GAAP Operating Profit		
	Earnings in 3Q FY9/16	Earnings Estimates for 3Q FY9/17	YY Change	Earnings in 3Q FY9/16	Earnings Estimates for 3Q FY9/17	YY Change
Internet Marketing Business	3,364	<b>3,400</b>	<b>+ 1.1%</b>	1,325	<b>934</b>	<b>− 29.5%</b>
Media Content Business	142	<b>370</b>	<b>+ 160.2%</b>	△181	△ <b>245</b>	<b>( − 64)</b>
Elimination or corporate	△35	△70	( − 35)	△116	△139	( − 23)
<b>Total</b>	<b>3,471</b>	<b>3,700</b>	<b>+ 6.5%</b>	<b>1,028</b>	<b>550</b>	<b>− 46.5%</b>



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

**SEPTENI HOLDINGS CO., LTD.**

[www.septeni-holdings.co.jp/en/](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)

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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 1, 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 March 31, 2017

<b>Company Name</b>	SEPTENI HOLDINGS CO., LTD.
<b>Representative</b>	Representative Director, Group President and Chief Executive Officer 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>	¥2,098 million
<b>Shares Issued</b>	138,732,000 shares (Including 10,724,155 treasury shares)
<b>Consolidated Workforce</b>	986 full time employees, 1,203 full time and contracted employees

\*On the consolidated balance sheet, in addition to the shares stated above, the shares of the Company held by the Board Incentive Plan (BIP) trust (1,739,200 shares) are treated as treasury stock.

## Holding Company

SEPTENI HOLDINGS CO., LTD

May 1, 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
HighScore, Inc.	Social Media Marketing Support Business	Septeni Europe Co.,Ltd	Internet ad agency based in Europe region
Septeni Original,Inc.	Planning and development of web service	SEPTENI China Limited	Internet ad agency based in China
Septeni Ad Creative,Inc.	Planning and production of Internet ads creative	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

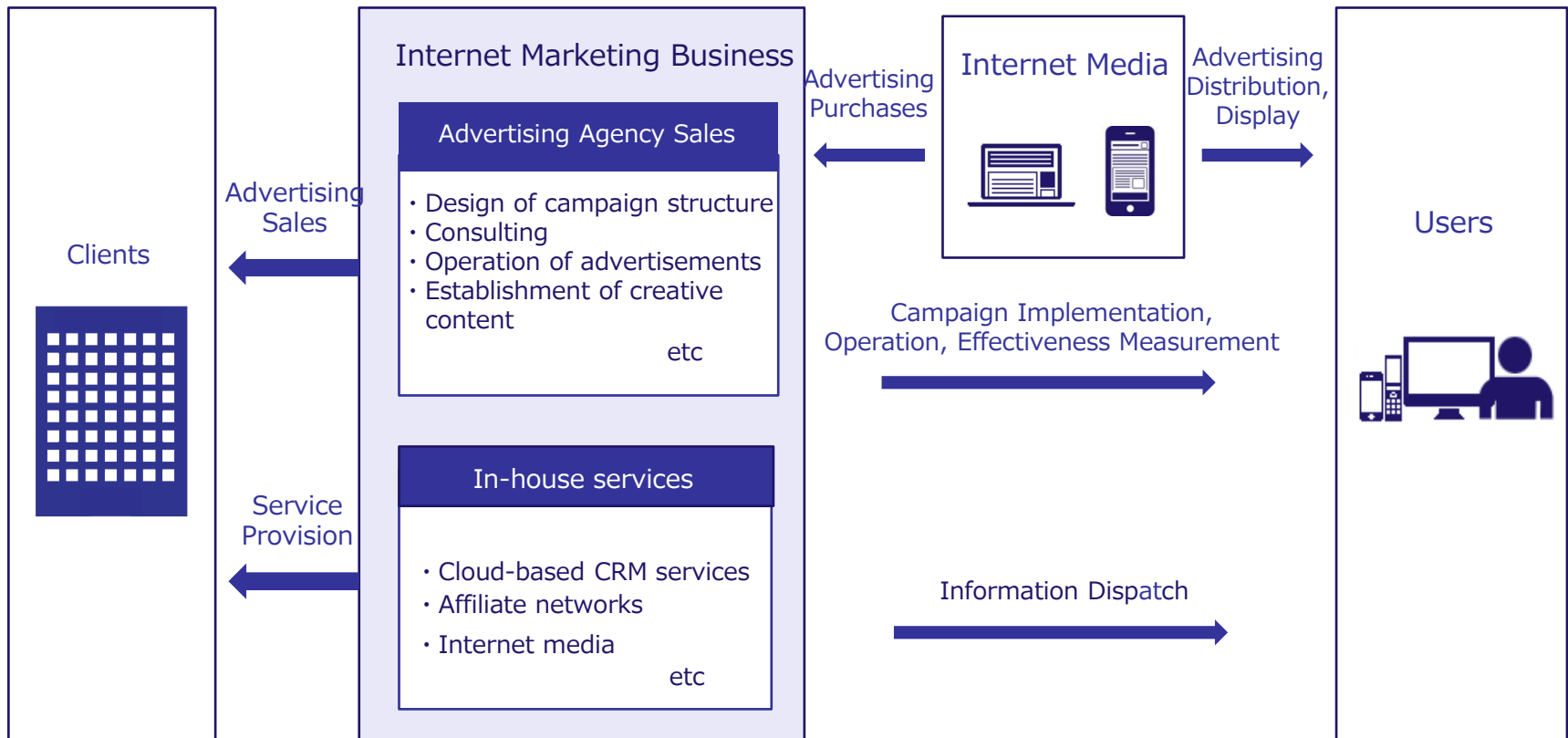
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business
TowaStela, Inc.	Childcare platform business		

## New Business Development

SEPTENI VENTURES Co., Ltd.

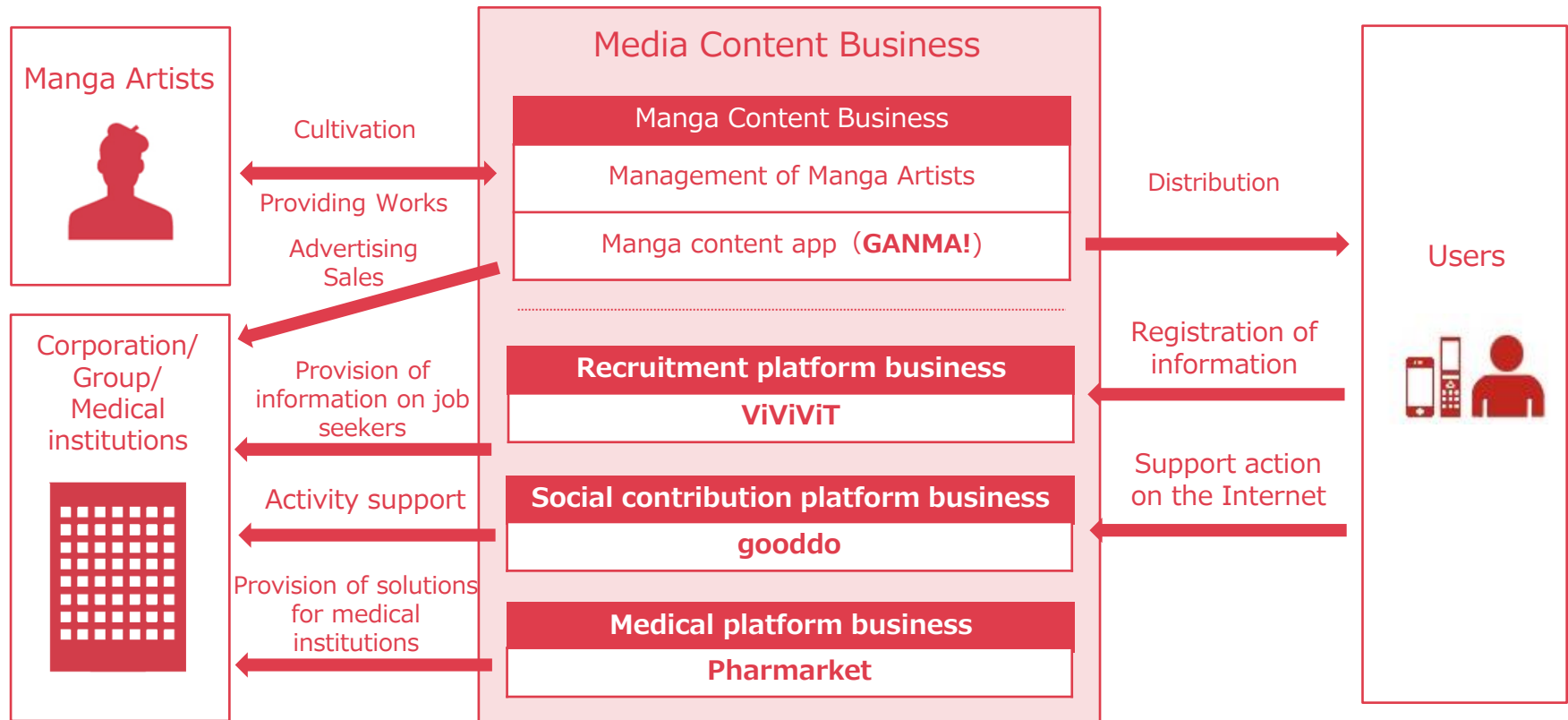
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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 2Q FY9/17	End 1Q FY9/17	Change	Main Changes
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<b>Current Assets</b>	<b>22,107</b>	22,111	− 3	Cash and cash equivalents: + 66 Accounts receivable: -89
<b>Non-current Assets</b>	<b>6,403</b>	6,549	− 146	Goodwill: -59 Investment securities: -50
<b>Total Assets</b>	<b>28,511</b>	28,660	− 149	

<b>Current Liabilities</b>	<b>13,141</b>	13,174	− 33	Accounts payable: + 138 short-term loans payable: -167
<b>Non-current Liabilities</b>	<b>350</b>	336	+ 15	Deposit on contract: + 15
<b>Total Liabilities</b>	<b>13,492</b>	13,510	− 18	

<b>Total Capital</b>	<b>15,019</b>	15,150	− 131	Retained earnings: + 533 Treasury stock(BIP Trust): -576 Other items of owner's equity: -111
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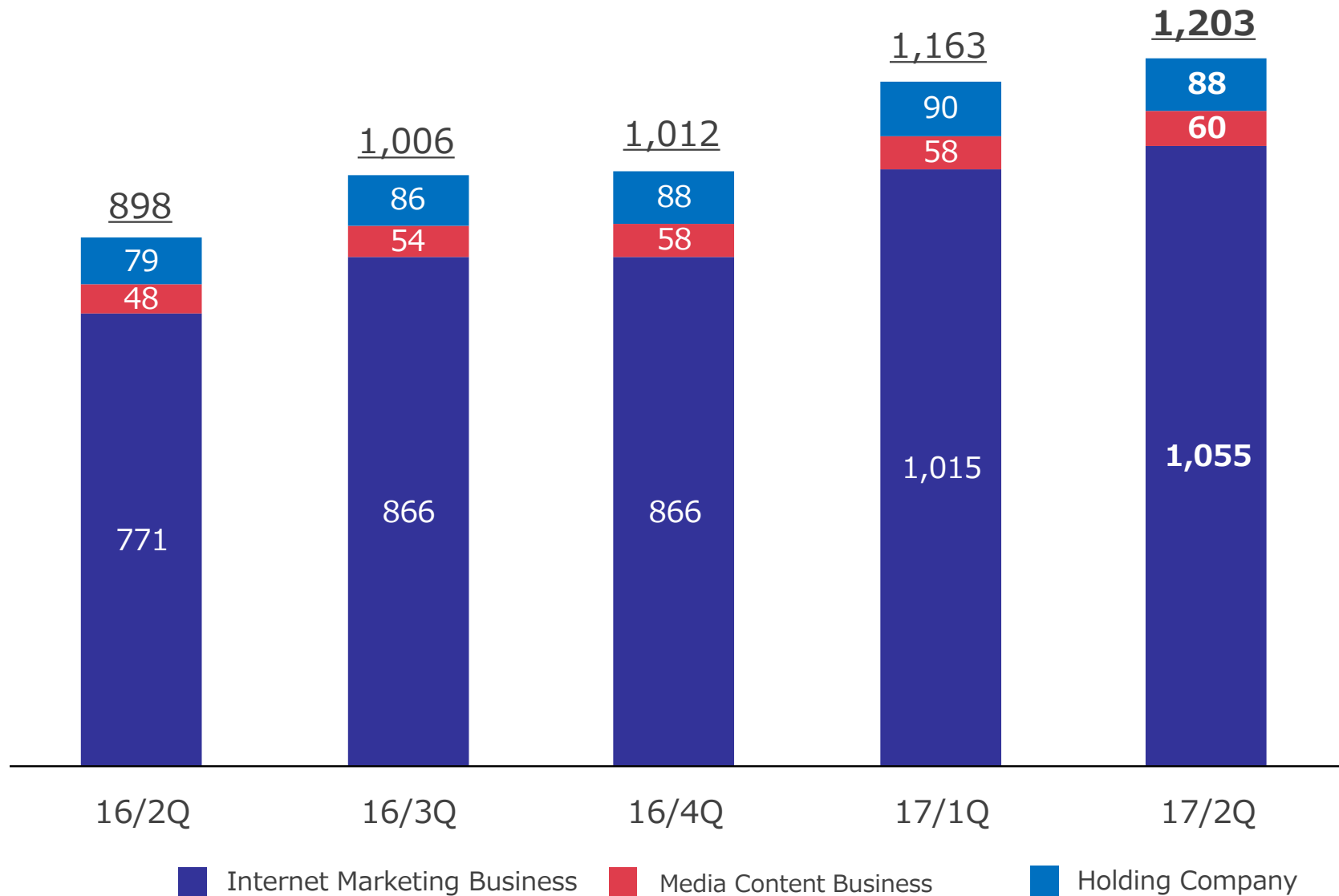
<b>Total Liabilities and Capital</b>	<b>28,511</b>	28,660	− 149	
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# Consolidated Statement of Cash Flows

(units : ¥mn)	2Q FY9/17 (Jan-Mar)	Main Changes	2Q FY9/16 (Jan-Mar)
Cash Flows from Operating Activities	547	Profit before taxes from continuing operations: +488 Decrease in operating receivables: +85	996
Cash Flows from Investing Activities	171	proceeds from sales of investment Securities: +342 Purchase of securities: △100 Purchase tangible fixed asset: △51	128
Cash Flows from Financing Activities	△665	Increase (decrease) in loans payable: △90 Acquisition of treasury stock(BIP Trust): △576	413
Effect of Exchange Rate Changes on Cash and Cash Equivalents	13		△46
Net Increase (Decrease) in Cash and Equivalents	66		1,491
Cash and Equivalents at Term End	12,069		13,238

# SEPTENI Group Workforce Number Trend



\*The number of employees at the non-core business (Axel Mark) is excluded, starting retroactively from 16/2Q.