



Business Results for 3 Q Fiscal Year September 2017

Aug 1, 2017

SEPTENI HOLDINGS CO., LTD.
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 **¥3,529_{mn}** (Up **1.7%** year on year)

Non-GAAP Operating Profit **¥396_{mn}** (Down **61.5%** year on year)

Increased revenue was secured due to a rise in revenue in the Media Content Business

Internet Marketing Business

Revenue **¥3,283_{mn}** (Down **2.4%** year on year)

Non-GAAP Operating Profit **¥792_{mn}** (Down **40.2%** year on year)

Revenue decreased due to the decrease of existing large-scale projects, although video advertisements increased significantly year on year.

Media Content Business

Revenue **¥313_{mn}** (Up **120.0%** year on year)

Non-GAAP Operating Profit **¥-294_{mn}** (Down **¥113_{mn}** year on year)

Revenue increased mainly in the Manga Content Business, and the operating loss decreased quarter on quarter.

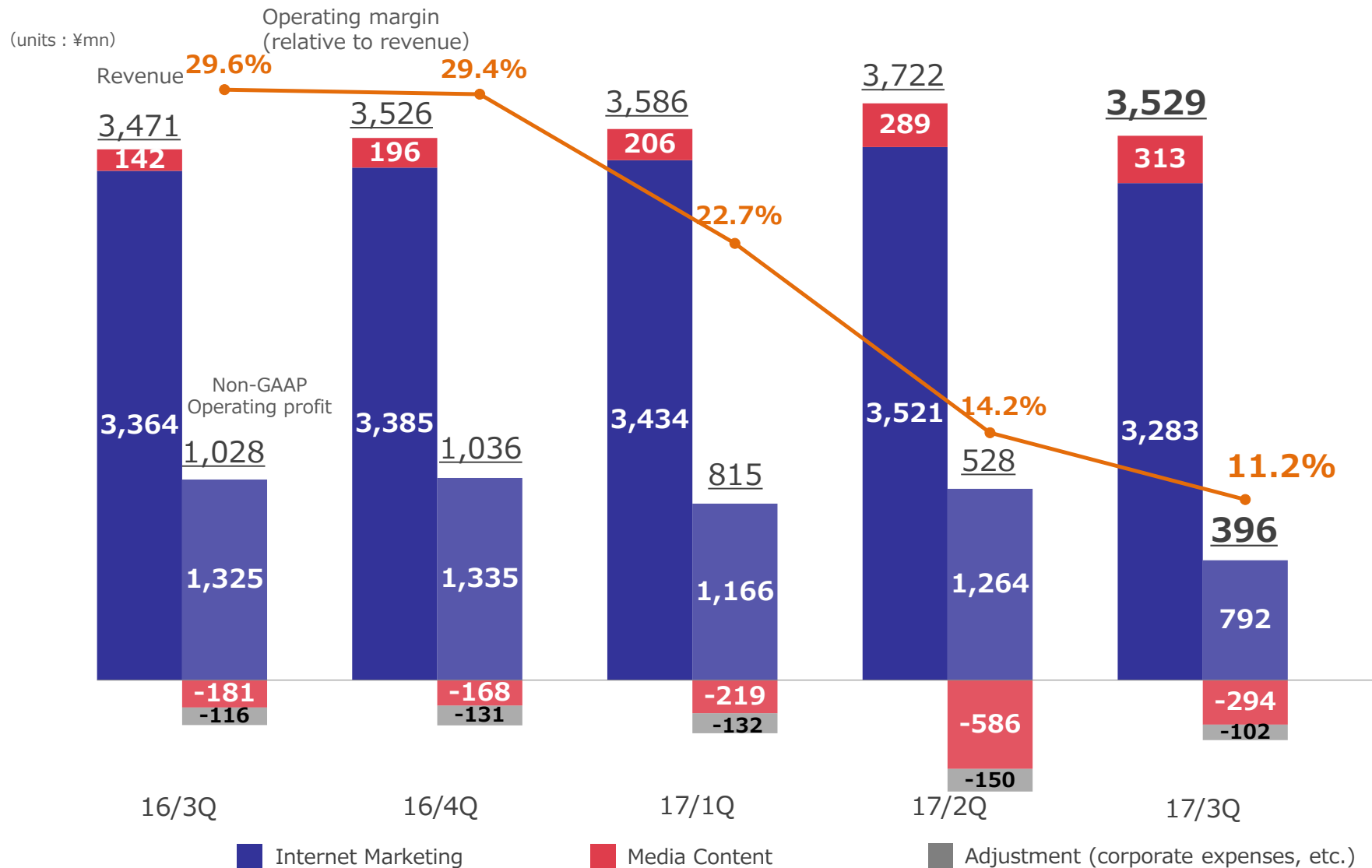
Consolidated Income Statement (Apr-Jun)

Non-GAAP operating profit decreased because the Internet Marketing Business did not grow as expected. However, revenue increased.

SG&A expenses increased ¥564 mn year on year, mainly reflecting increases in personnel expenses due to the hiring of new employees (116 persons) and advertising expenses in the Manga Content Business.

(units : ¥mn)	3 Q FY9/17			3Q FY9/16		3 Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	3,529	100.0%	+1.7%	3,471	100.0%	3,700
Gross profit	3,079	87.2%	− 1.7%	3,131	90.2%	—
SG&A	2,672	75.7%	+ 26.8%	2,108	60.7%	—
Non-GAAP Operating profit	396	11.2%	− 61.5%	1,028	29.6%	550
Operating profit	394	11.2%	− 62.3%	1,045	30.1%	—
Profit for the period from continuing operations	136	3.8%	− 79.2%	652	18.8%	—
Profit for the period from discontinued operations	—	— %	(− 89)	89	2.6%	—
Profit for the period attributable to owners of the parent	136	3.8%	− 80.6%	699	20.1%	310
【Reference】 Net Sales	16,757	—	− 10.3%	18,680	—	18,000

Non-GAAP operating loss fell quarter on quarter in the Media Content Business.

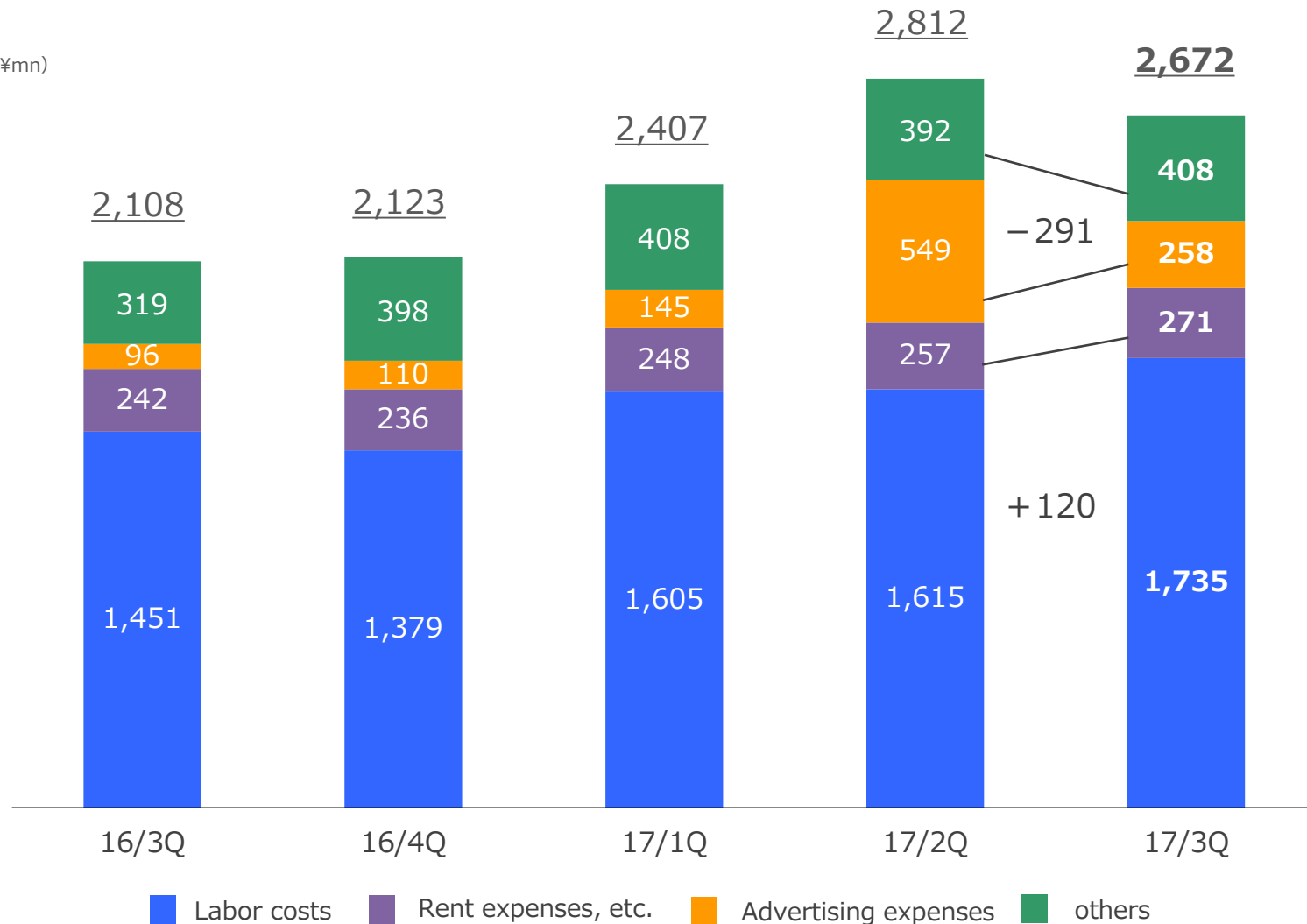


*The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

Quarterly Consolidated SG&A Trend

SG&A expenses increased mainly due to the hiring of new employees. However, the Manga Content Business, for which a large-scale promotion had been carried out in 2Q, saw advertising expenses decrease quarter on quarter.

(units : ¥mn)



2 . Internet Marketing Business

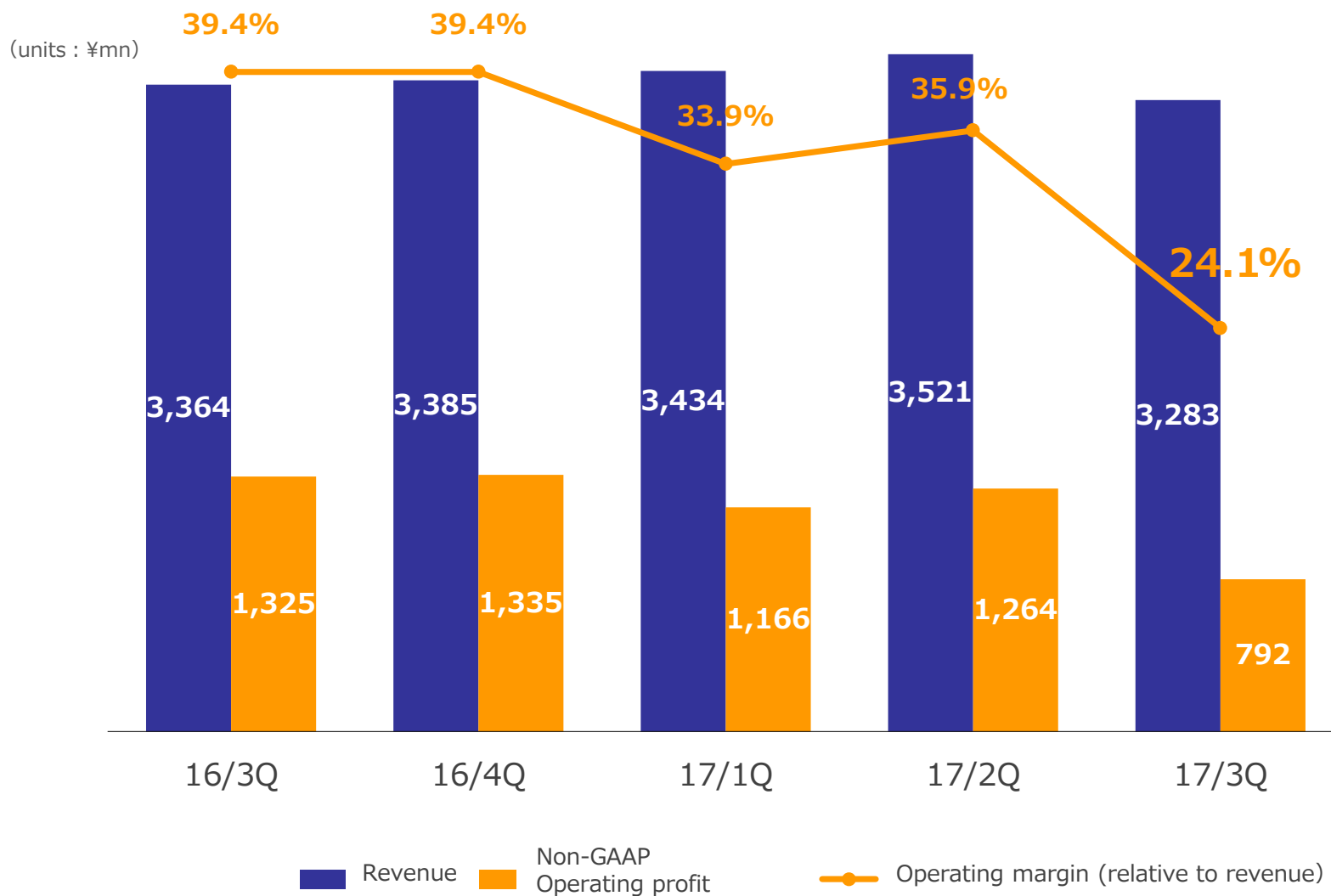
Net sales and revenue did not increase as expected because increased revenue, which was mainly attributable to the securing of new projects, did not offset the effects of a decrease in existing large-scale projects.

The weighting of social media Ad increased.

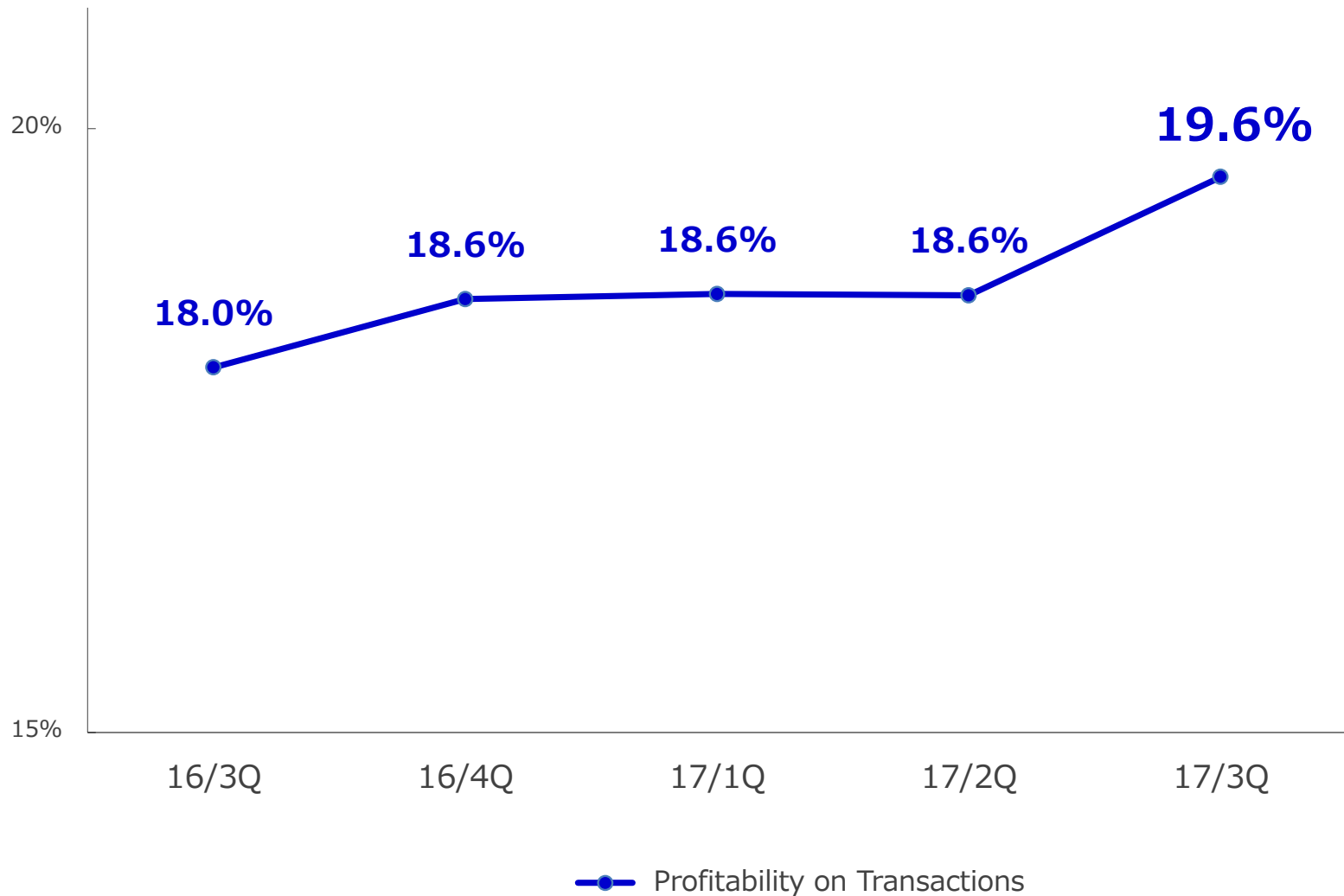
Transactions of video advertisements increased **about 2.4 times** year on year.

(units : ¥mn)	3Q FY9/17			3Q FY9/16		3Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	3,283	100.0%	− 2.4%	3,364	100.0%	3,400
Gross profit	2,946	89.7%	− 5.0%	3,100	92.2%	—
SG&A	2,145	65.3%	+ 20.5%	1,780	52.9%	—
Non-GAAP Operating profit	792	24.1%	− 40.2%	1,325	39.4%	934
【Reference】 Net Sales	16,794	—	− 10.0%	18,665	—	

Internet Marketing Business Quarterly Earnings Trend

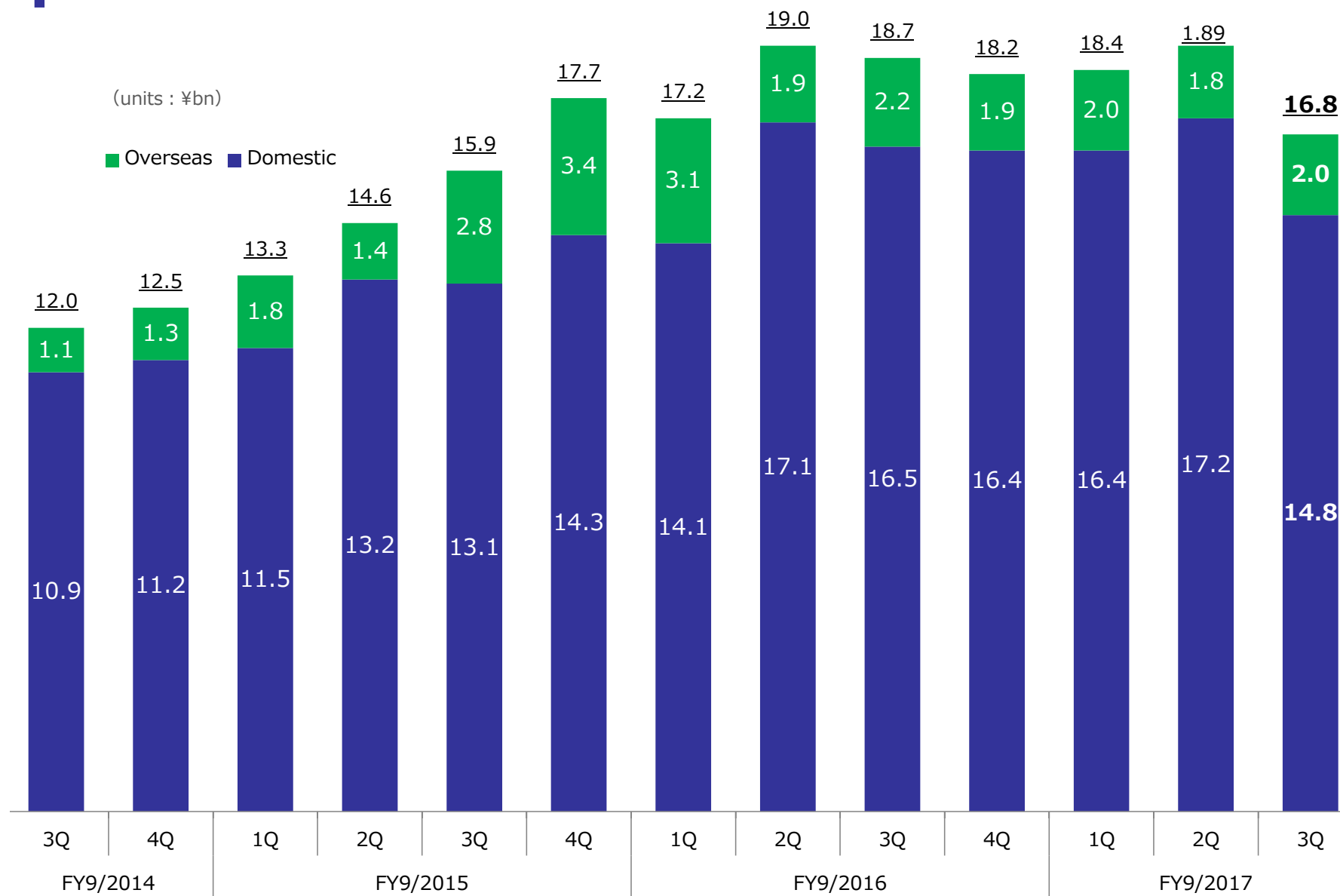


The profitability ratio to transactions (Net sales) rose **1.6 points** year on year because low-margin projects decreased, hitting a record high after the transition to IFRS.

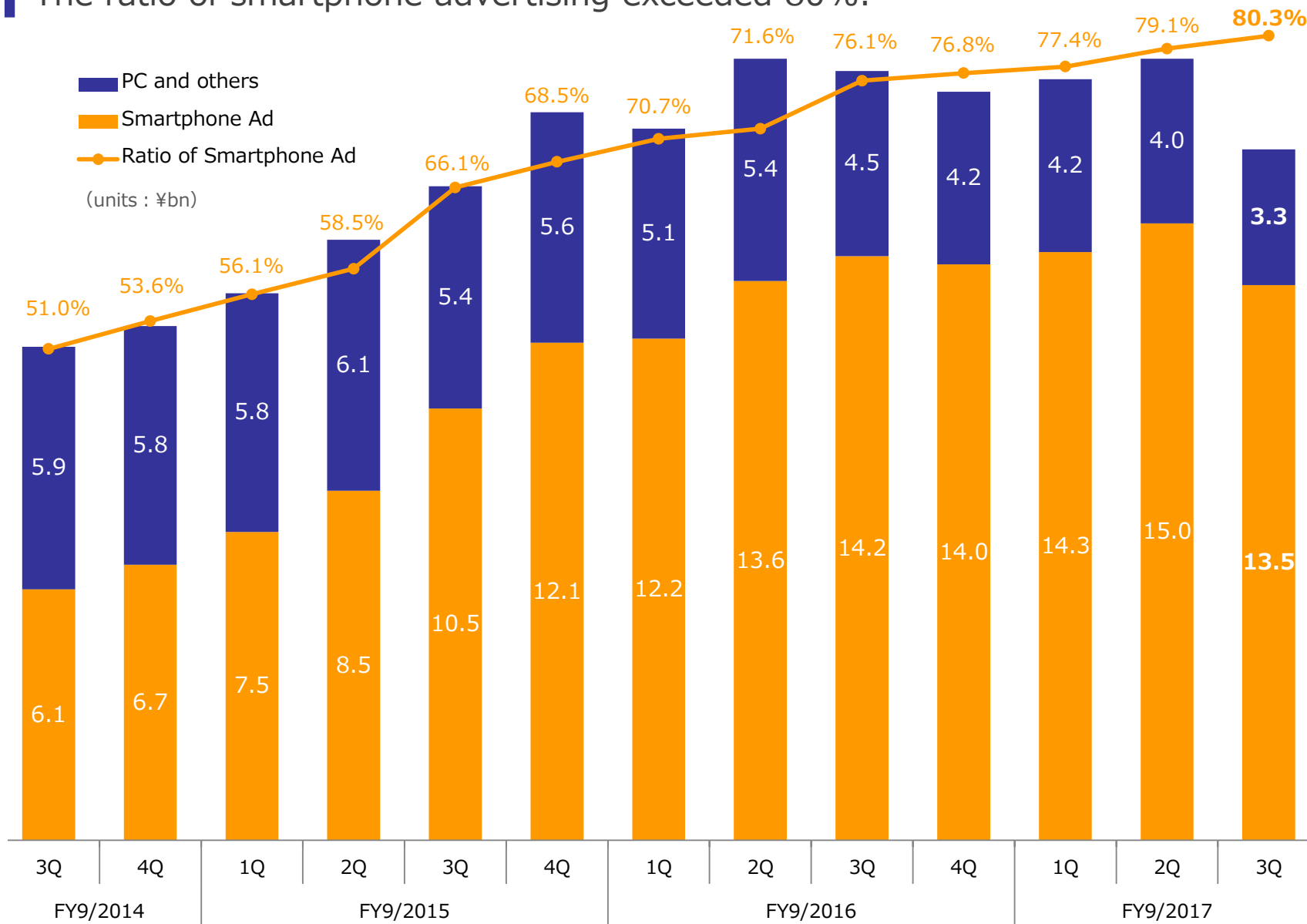


Internet Marketing Business Transactions Trend (by Region)

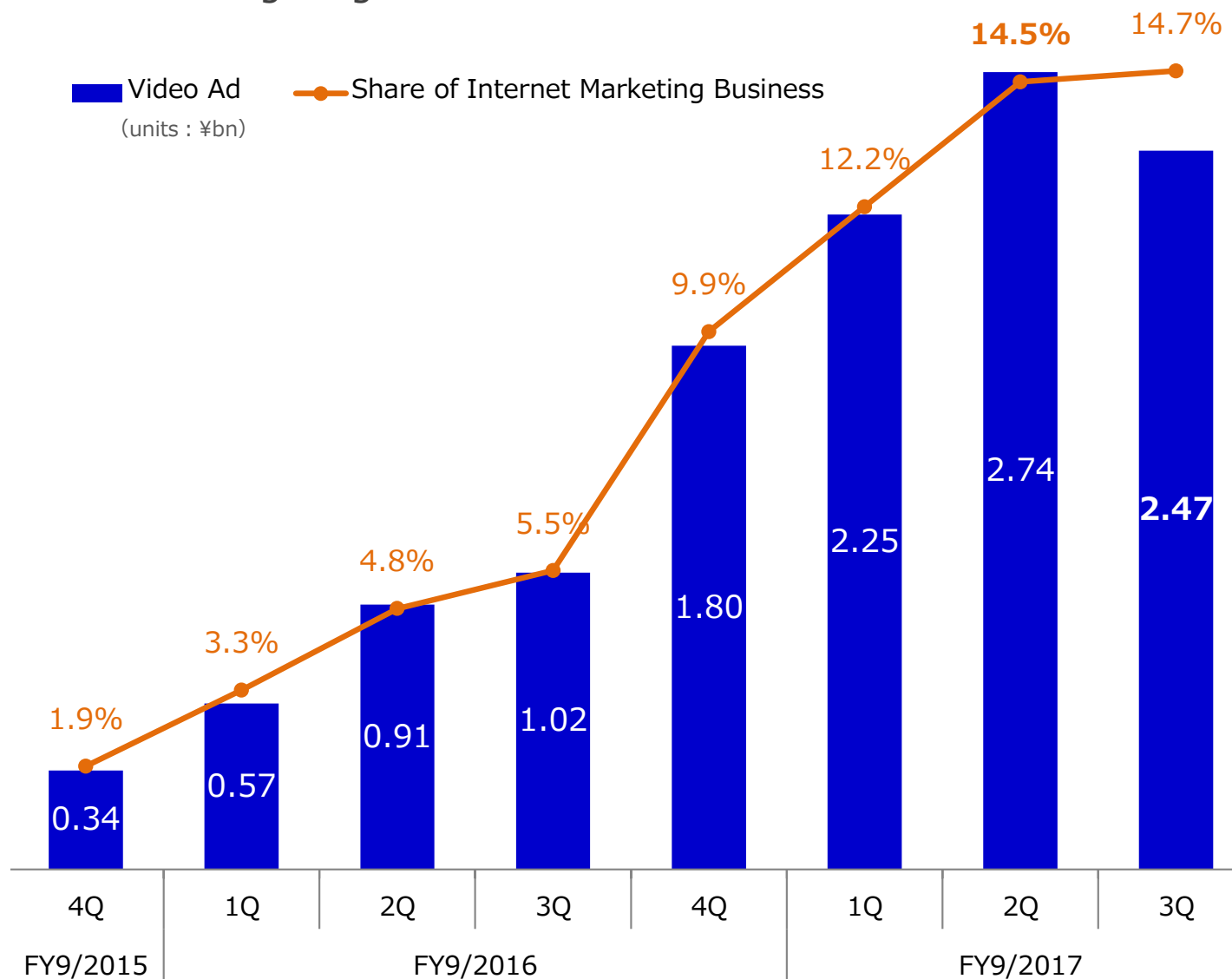
The sales of overseas increased quarter on quarter.



The ratio of smartphone advertising exceeded 80%.



Transactions expanded **about 2.4 times** year on year, rising to **14.7%** in terms of the weighting.



The Company was preliminarily appointed as an agency for the provision of services to Japanese advertisers in Uni Marketing*, a new marketing platform of the Alibaba Group.

Japanese companies' efforts to establish their brand in China will be supported.

Uni Marketing

powered by Alibaba

*Uni Marketing, the provisioning of which will start from the autumn of 2017, integrates the data of services owned by the Alibaba Group and analyzes big data covering over 500 million internet users throughout China. The process achieves a more detailed segmentation of consumer behavioral patterns and the implementation of strategic targeted marketing.

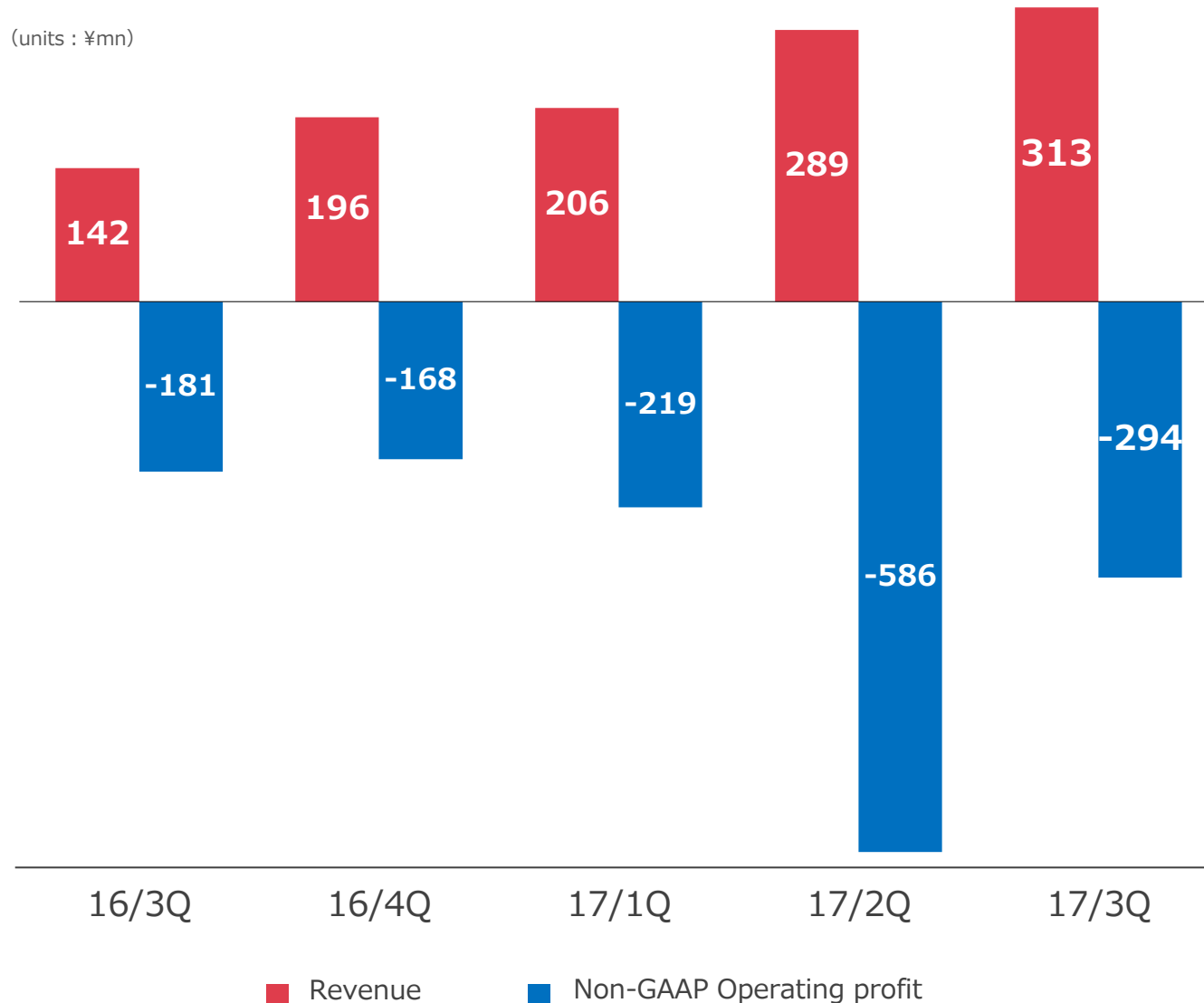
3 . Media Content Business

In the Manga Content Business, the application revenue of GANMA! increased significantly, mainly due to advertisements, and marketing investment was enhanced through internet advertisements compared with a year ago.

Other new businesses also remained firm.

(units : ¥mn)	3Q FY9/17			3Q FY9/16		3Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	313	100.0%	+120.0%	142	100.0%	370
Gross profit	201	64.3%	+217.0%	63	44.6%	—
SG&A	496	158.7%	+103.2%	244	171.8%	—
Non-GAAP Operating profit	−294	−93.9%	(−113)	−181	−127.0%	−245

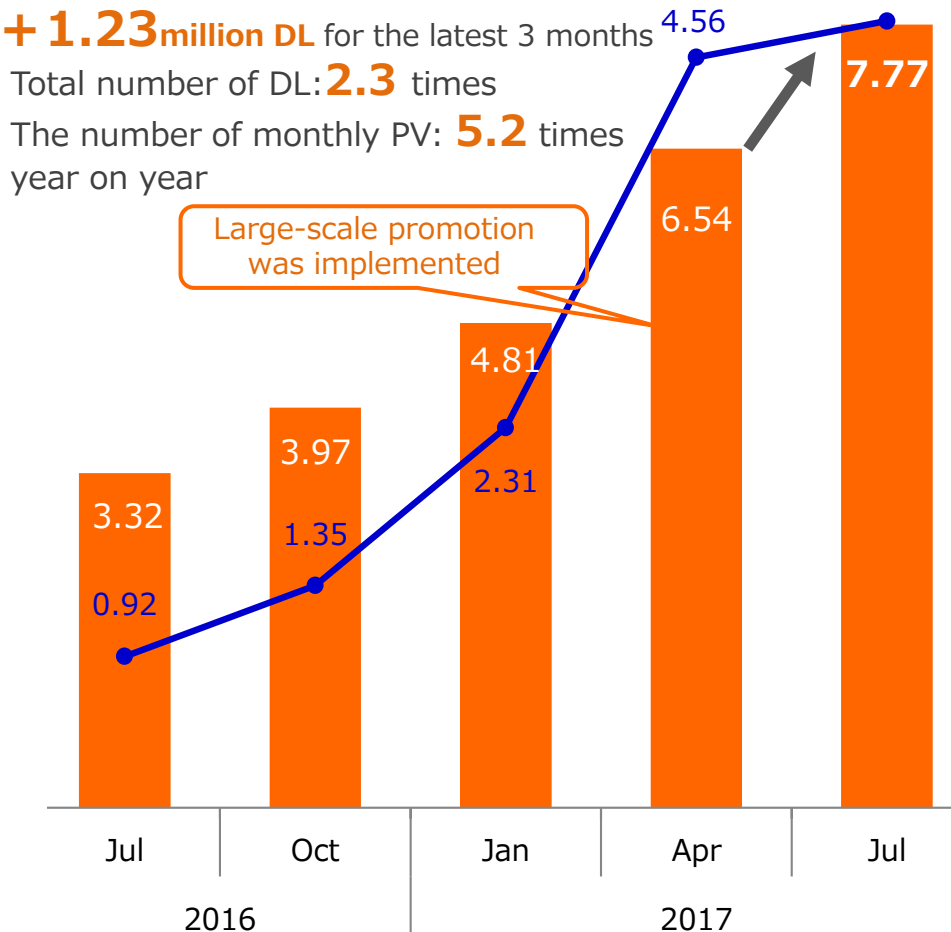
Non-GAAP operating loss decreased significantly compared with 2Q, when large-scale promotion had been implemented for GANMA!.



The number of GANMA! users increased steadily, mainly among the younger generation, and the media scale and application revenue remained firm.

Monthly page views and accumulated application downloads of GANMA!

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

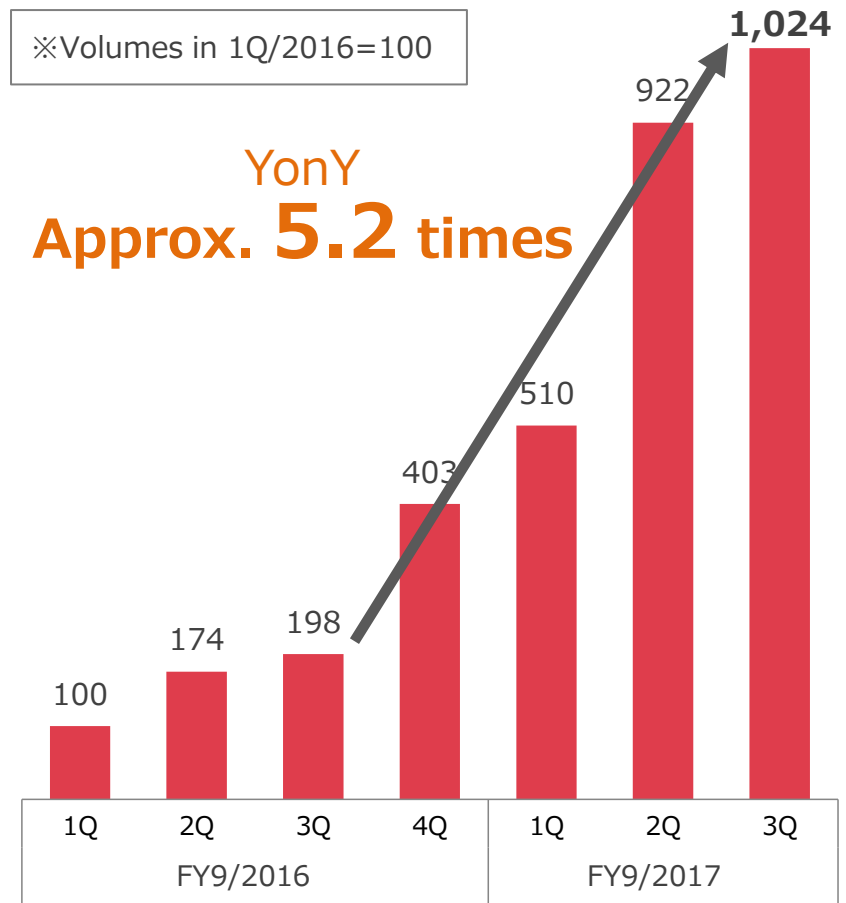


Application Revenue Trend

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

※Volumes in 1Q/2016=100

YonY
Approx. 5.2 times



“Mummy Dark Stories,” original manga created in synchronization with “The Mummy: Curse of the Desert Queen” starring Tom Cruise, and a trailer for the movie were distributed through GANMA!.



4 . Accumulated Consolidated Earnings and Earnings Estimates

Consolidated Income Statement (Oct-Jun)

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.

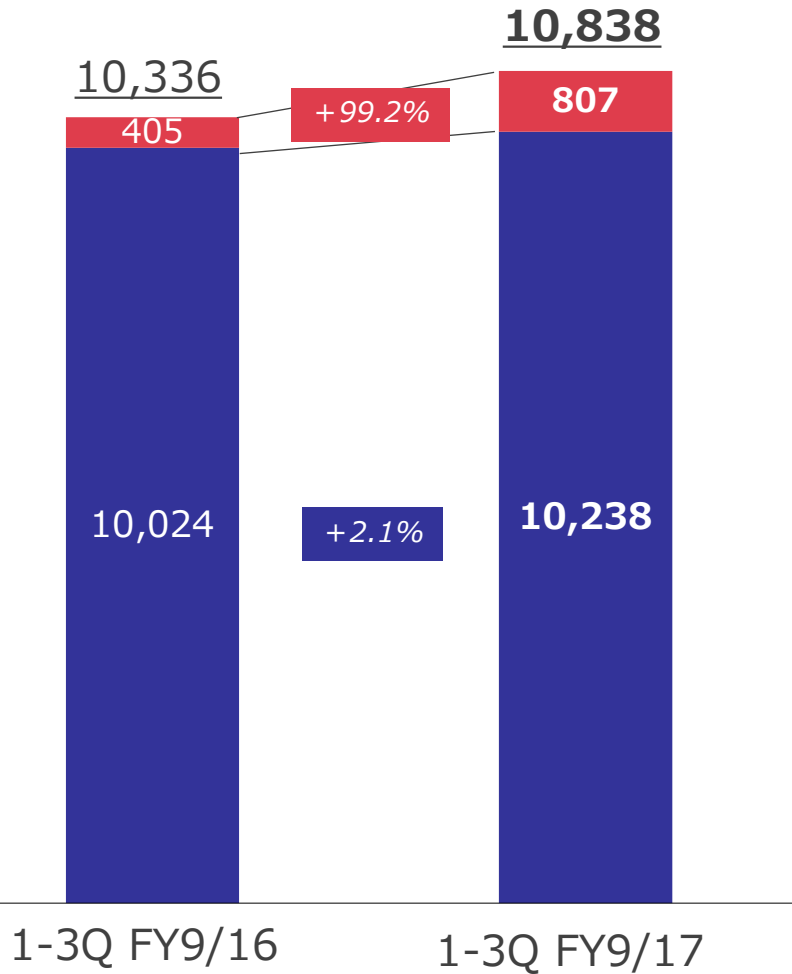
Profit for the period from discontinued operations was posted in the amount of ¥883mn due to the sale of the shares of Axel Mark.

(units : ¥mn)	1-3Q FY9/17			1-3Q FY9/16		1-3Q FY9/17 Estimate
	Value	Share	YY Change	Value	Share	
Revenue	10,838	100.0%	+4.9%	10,336	100.0%	11,009
Gross profit	9,637	88.9%	+3.4%	9,230	90.2%	—
SG&A	7,891	72.8%	+ 26.7%	6,227	60.3%	—
Non-GAAP Operating profit	1,739	16.0%	− 44.1%	3,111	30.1%	1,893
Operating profit	1,665	15.4%	− 46.6%	3,119	30.2%	—
Profit for the period from continuing operations	991	9.2%	− 51.7%	2,054	19.9%	—
Profit for the period from discontinued operations	883	8.2%	(+891)	△8	− 0.1%	—
Profit for the period attributable to owners of the parent	1,879	17.3%	− 8.0%	2,042	19.8%	2,053
【Reference】 Net Sales	54,026	—	− 1.8%	55,018	—	55,268

Earnings by Business Segments (Oct – Jun)

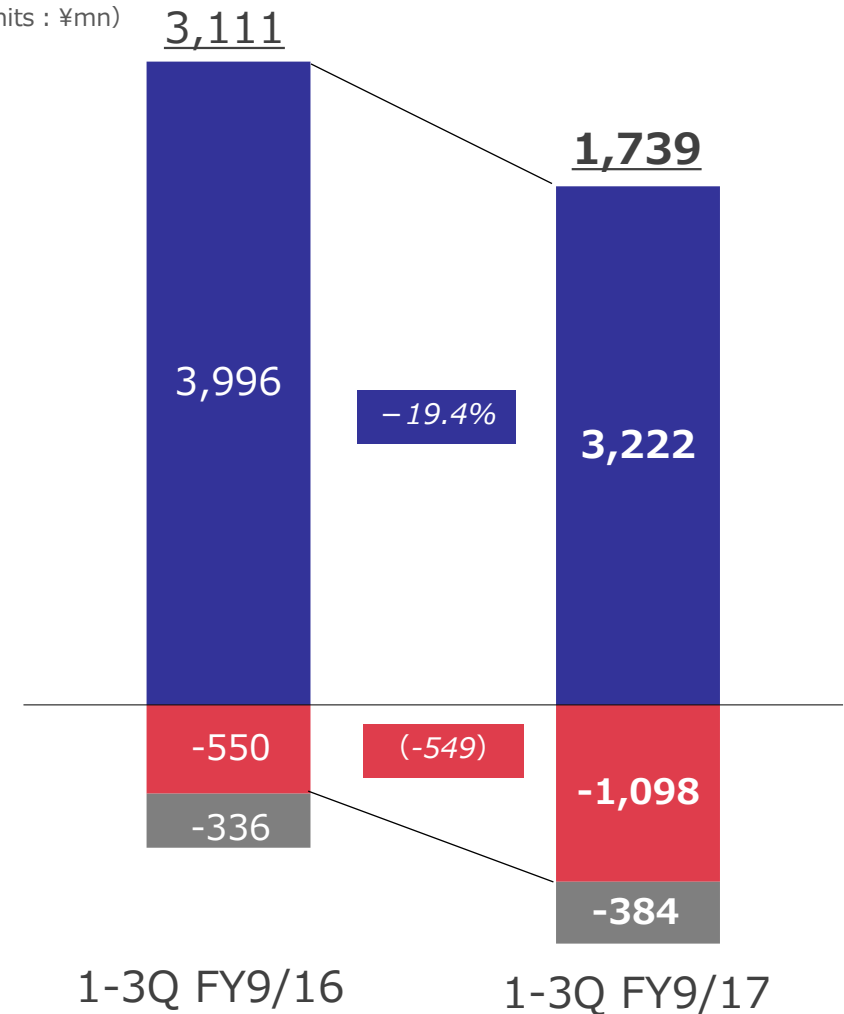
Revenue

(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).

4 Q (Full Year) Consolidated Earnings Estimates

4Q of the Internet Marketing Business is expected to achieve an increase in revenue and profit quarter on quarter, and see higher revenue and lower Non-GAAP operating profit year on year.

The Media Content Business is expected to see substantially increased revenue, principally in the Manga Content Business

The dividend per share is expected to remain unchanged year on year.

	Earnings in 1-3Q FY9/16	Earnings in 4Q FY9/16	Earnings in FY9/16	Earnings in 1-3Q FY9/17	Earnings Estimates for 4 Q FY9/17	Earnings Estimates for FY9/17	Expected growth rate (Full year)
Revenue	10,336	3,526	13,862	10,838	3,720	14,558	+ 5.0%
Non-GAAP Operating Profit	3,111	1,036	4,147	1,739	420	2,159	- 47.9%
Profit for the period attributable to owners of the parent	2,042	477	2,519	1,879	164	2,043	- 18.9%
【Reference】 Net Sales	55,018	18,185	73,203	54,026	16,974	71,000	- 3.0%
Dividend per share	¥3.2 (Adjusted for stock splits)			¥3.2			¥±0
Dividend payout ratio	16.5%			19.9%			+ 3.4pt

4Q(Jul-Sep) FY9/17 Earnings Estimates by Business Segment

	Revenue			Non-GAAP Operating Profit		
	Earnings in 4Q FY9/16	Earnings Estimates for 4Q FY9/17	YY Change	Earnings in 4Q FY9/16	Earnings Estimates for 4Q FY9/17	YY Change
(units : ¥mn)						
Internet Marketing Business	3,385	3,411	+0.8%	1,335	904	-32.3%
Media Content Business	196	383	+95.9%	△168	△ 359	(-191)
Elimination or corporate	△54	△74	(-)	△131	△125	(-)
Total	3,526	3,720	+5.5%	1,036	420	-59.5%

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 August 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 June 30, 2017

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	¥2,101 million
Shares Issued	138,749,000 shares (Including 10,724,155 treasury shares)
Consolidated Workforce	1,096 full time employees, 1,329 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

August 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

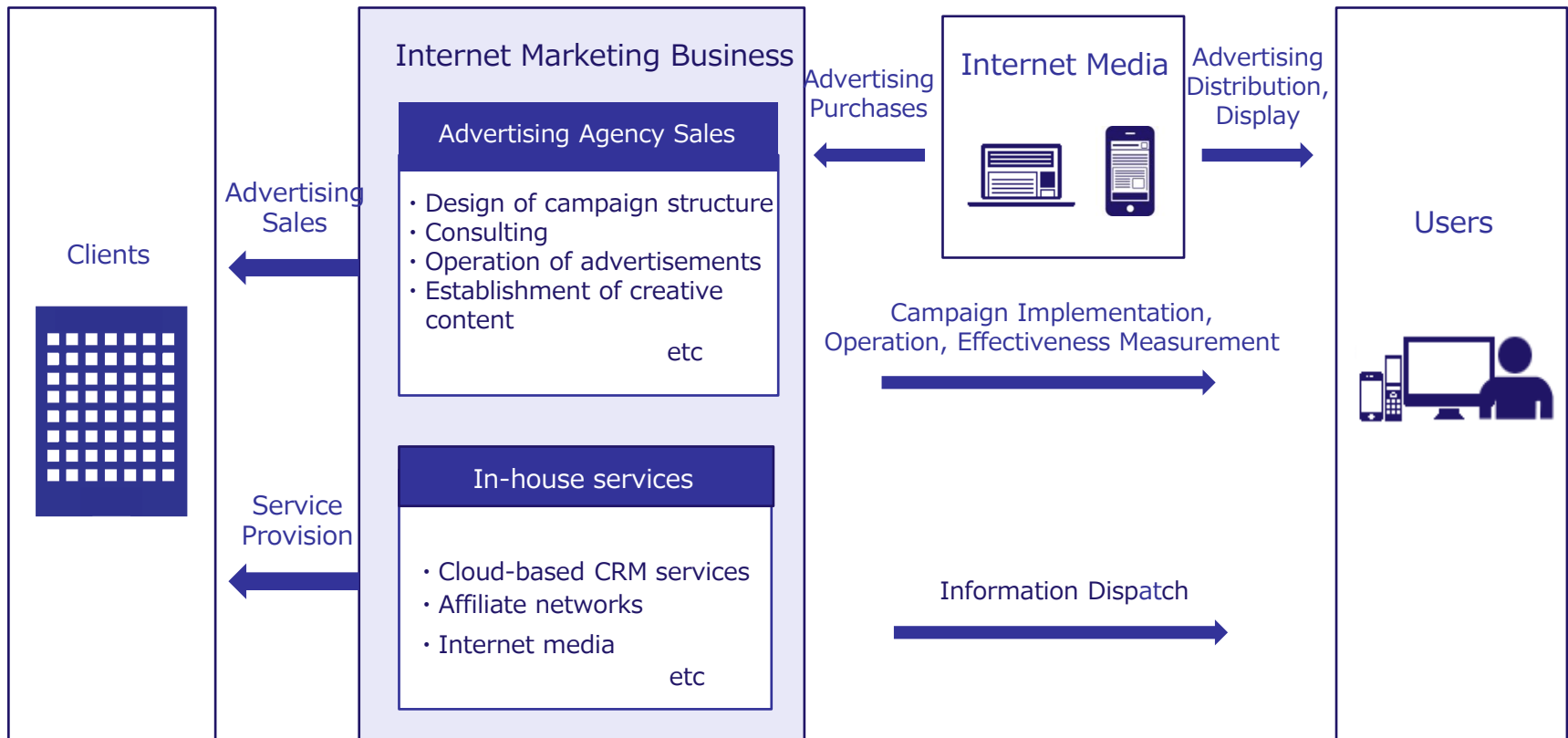
COMICSMART INC.	Manga Content Business	gooddo, Inc.	Platform business of social contribution
ViViVit Inc.	Recruitment platform business	Pharmarket, Inc.	Medical platform business
TowaStela, Inc.	Childcare platform business		

New Business Development

SEPTENI VENTURES Co., Ltd.

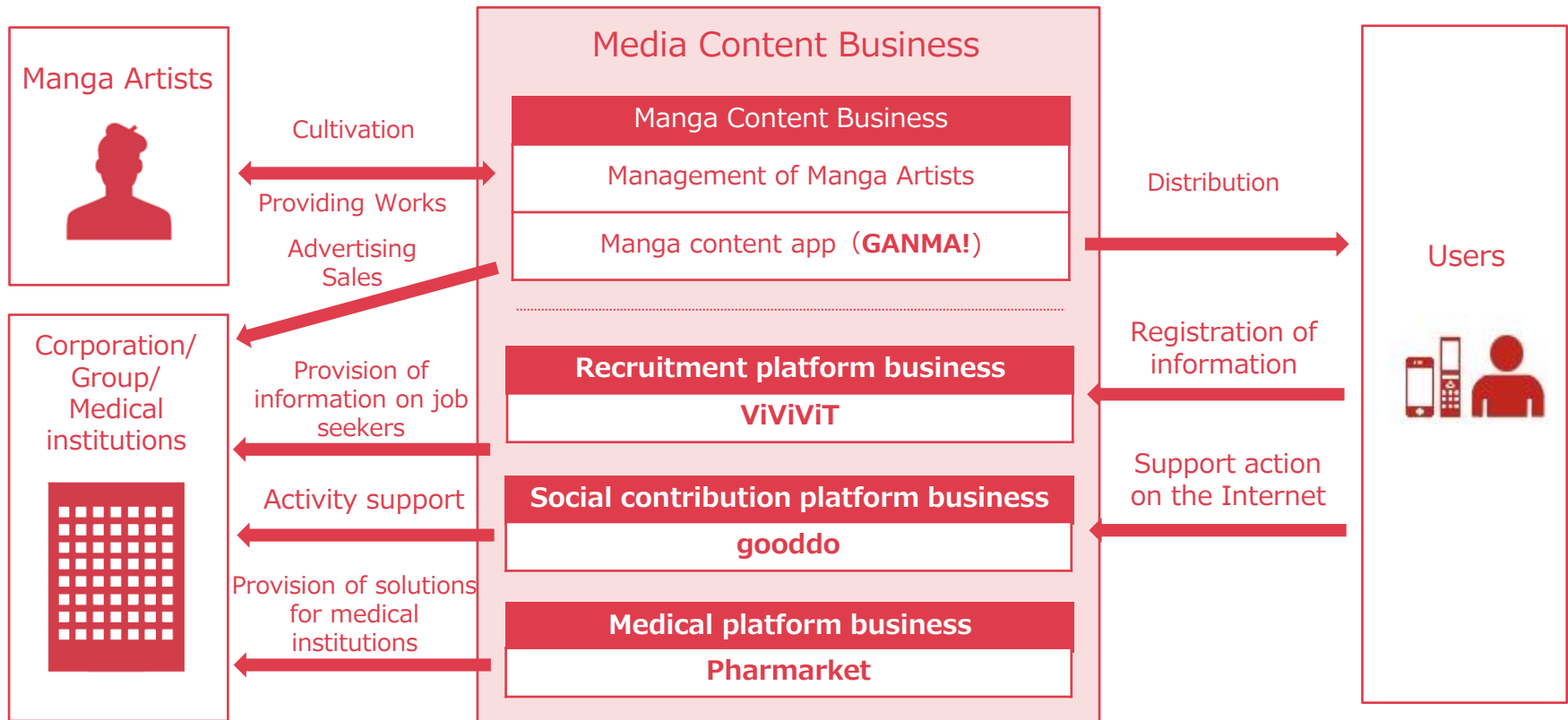
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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)

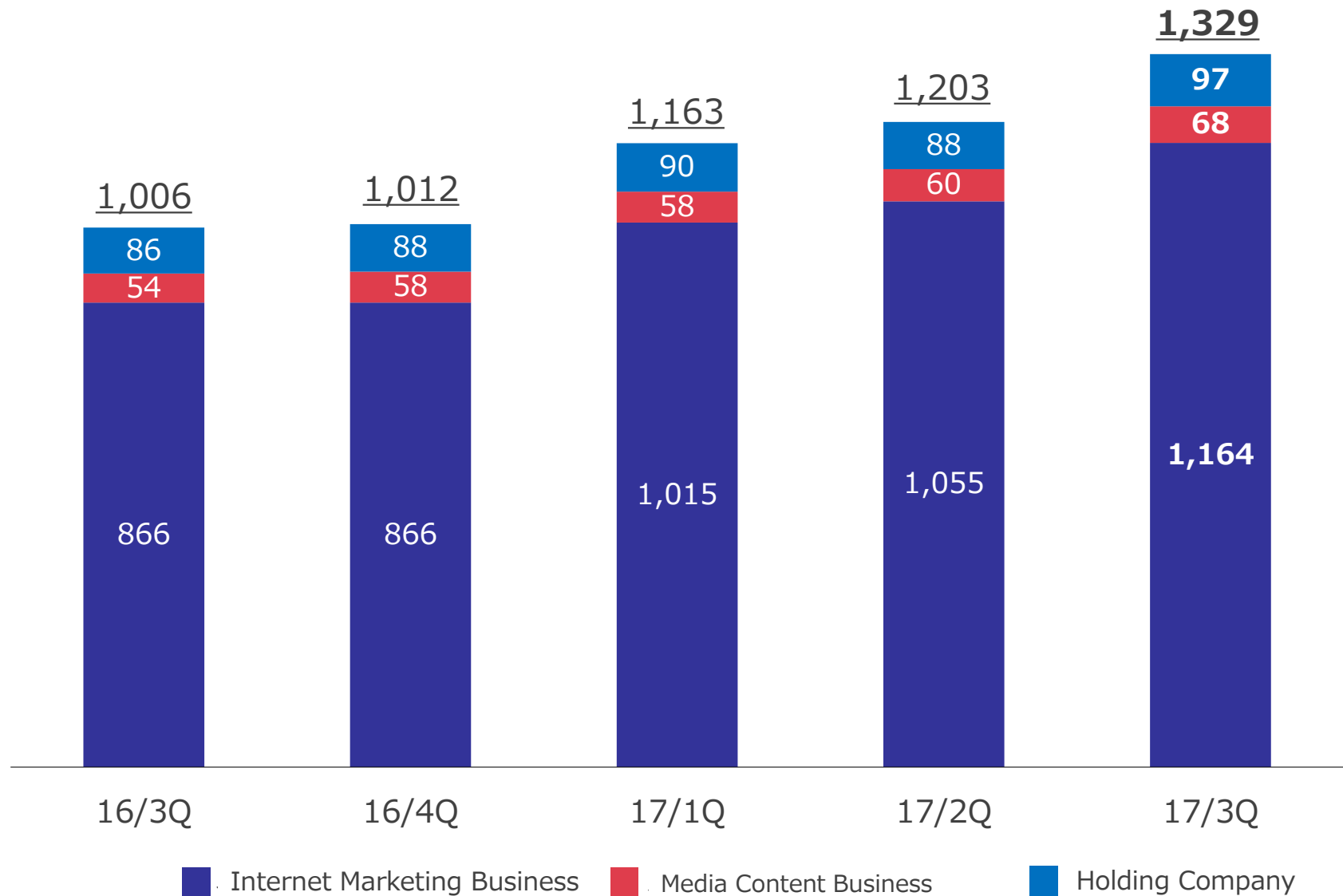
	End 3Q FY9/17	End 2Q FY9/17	Change	Main Changes
Current Assets	20,393	22,107	– 1,715	Cash and cash equivalents: – 917 Accounts receivable: – 1,433 Income taxes payable: + 604
Non-current Assets	6,414	6,403	+ 10	
Total Assets	26,806	28,511	– 1,705	
Current Liabilities	11,569	13,141	– 1,572	Accounts payable: – 1,170 Income taxes payable: – 396
Non-current Liabilities	345	350	– 5	
Total Liabilities	11,914	13,492	– 1,577	
Total Capital	14,892	15,019	– 127	Retained earnings: + 136 Non-controlling interest: – 214
Total Liabilities and Capital	26,806	28,511	– 1,705	

Consolidated Statement of Cash Flows

(units : ¥mn)

	3 Q FY9/17 (Apr-Jun)	Main Changes	3Q FY9/16 (Apr-Jun)
Cash Flows from Operating Activities	△698	Profit before taxes from continuing operations: + 354 Payment of corporate income tax: △1,209	903
Cash Flows from Investing Activities	△178	Purchase of securities: △21 Others: △136	△27
Cash Flows from Financing Activities	△35	Increase (decrease) in loans payable: + 181 Decrease due to change of ownership interest in a subsidiary that does not result in the loss of control: △216	537
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△7		△76
Net Increase (Decrease) in Cash and Equivalents	△917		1,337
Cash and Equivalents at Term End	11,152		14,576

SEPTENI Group Workforce Number Trend



*The number of employees at the non-core business (Axel Mark) is excluded, starting retroactively from 16/3Q.