



Business Results for 4Q and Full Fiscal Year September 2018

October. 30, 2018

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

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- 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 impairment losses, and gains or losses on the sales of fixed assets.
- Numbers in this material are rounded to the respective nearest unit.
- We have changed our policy and decided not to allocate corporate expenses that had been allocated to each segment, effective from FY9/18 onward. As a result of the change, Non-GAAP operating profits by segment for previous years have been revised retroactively based on the understanding that corporate expenses are not allocated.

1. Full Year FY9/18 Review

Consolidated

Revenue **¥15,272mn** (Up **3.9%** year on year)

Non-GAAP Operating Profit **¥1,011mn** (Down 56.5% year on year)

An increase in costs due to upfront investment was unable to be offset by increased revenue, resulting in a sharp decrease.

Internet Marketing Business

Revenue **¥14,234mn** (Up **2.9%** year on year)

Non-GAAP Operating Profit **¥4,026mn** (Down 26.4% year on year)

Profit decreased due to shrinkage of large scale projects and increase in cost of sales and personnel expenses.

Media Content Business

Revenue **¥1,324mn** (Up **13.9%** year on year)

Non-GAAP Operating Profit **¥-1,051mn** (Up **¥272mn** year on year)

Focused on product enhancements while curtailing promotional costs

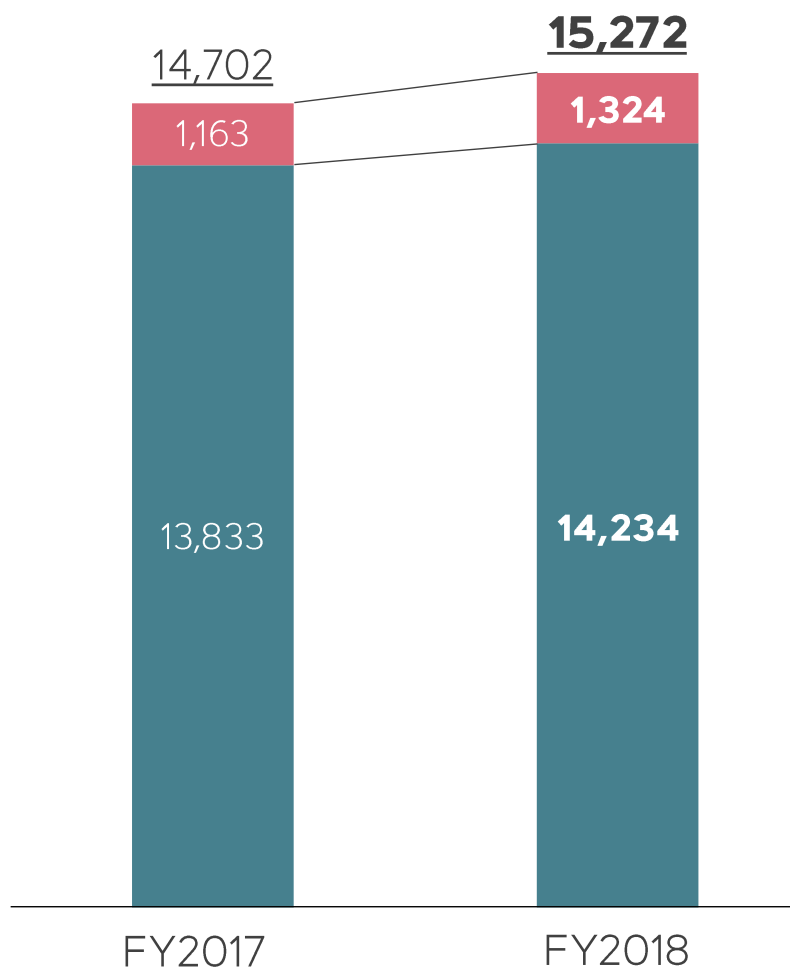
Consolidated Income Statement (Full Year)

- Revenue increased by **3.9%** year on year, achieving our revised forecast.
- Profit decrease sharply year on year due to be unable to cover an increase in cost of upfront investment aimed to strengthen competitiveness in mid-term by stretching revenue

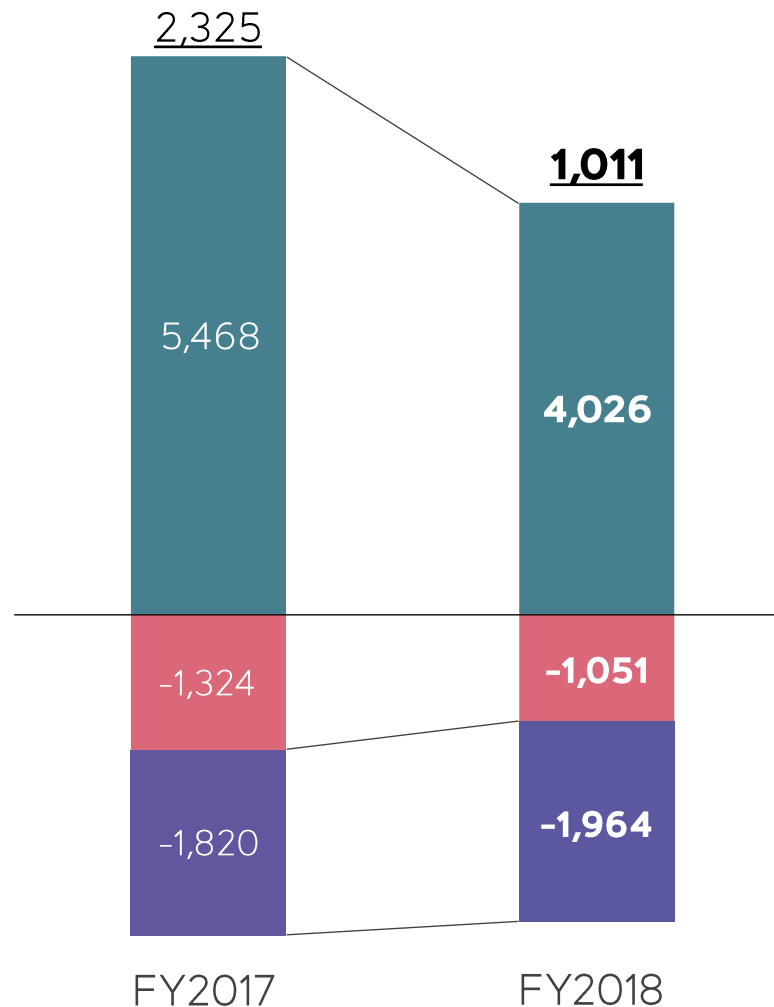
(units:¥mn)	FY9/18			FY9/17		Full Year FY9/18 Estimate	Achievement Rate
	Value	Share	YY Change	Value	Share		
Revenue	15,272	100.0%	+3.9%	1,4702	100.0%	15,225	100.3%
Gross profit	12,674	83.0%	-2.4%	12,989	88.4%	—	—
SG&A	11,693	76.6%	+9.8%	10,652	72.5%	—	—
Non-GAAP Operating profit	1,011	6.6%	-56.5%	2,325	15.8%	862	117.3%
Operating profit	977	6.4%	-56.5%	2,248	15.3%	—	—
Profit for the period from continuing operations	847	5.5%	-36.7%	1,338	9.1%	—	—
Profit for the period from discontinued operations	—	—	—	868	5.9%	—	—
Profit for the period attributable to owners of the parent	847	5.6%	-61.7%	2,211	15.0%	720	117.7%
【Reference】 Net Sales	72,443	—	+0.1%	72,375	—		

Earnings by Business Segments(Full Year)

Revenue



Non-GAAP Operating profit



■ Internet Marketing ■ Media Content

■ Adjustment (corporate expenses, etc.) (units:¥mn)

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

Fluctuate analysis from the previous year (Revenue/Non-GAAP operating profit)

Revenue

(units:bn)

Domestic Internet
Marketing Business

+0.01

Overseas Internet
Marketing Business

+0.40

Media Content Business

+0.16

14.70

15.27

Revenue in FY2017

Revenue in FY2018

Non-GAAP Operating profit

Promotion expense
decrease

+0.44

Personnel
Expense increase

-0.99

Increase in salaries, etc.
based on the personnel
system change and
because of the increased
number of employees
due to campus
recruitment and mid-
career recruitment

Rent expenses
etc. increase

-0.30

Increase in rents,
etc. due to the
expansion of the
Head Office area
for increased
personnel

Other SG&A
increase

-0.19

An increase in costs
related to creatives

-0.27

2.33

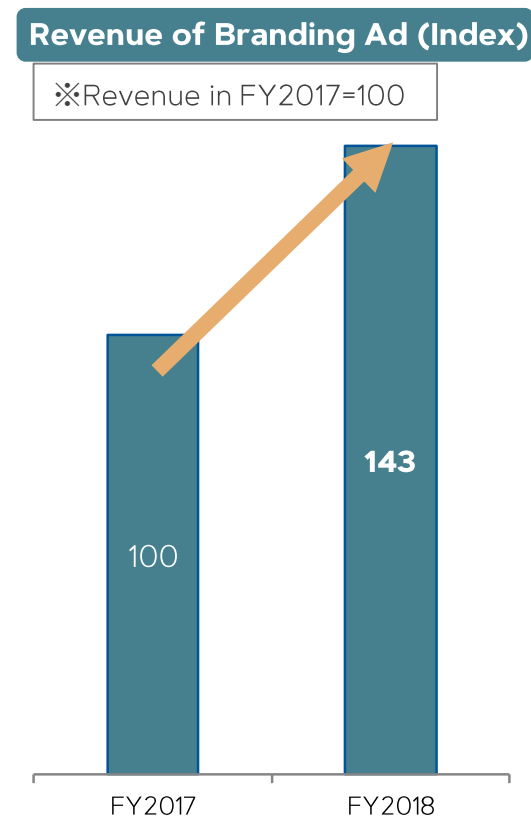
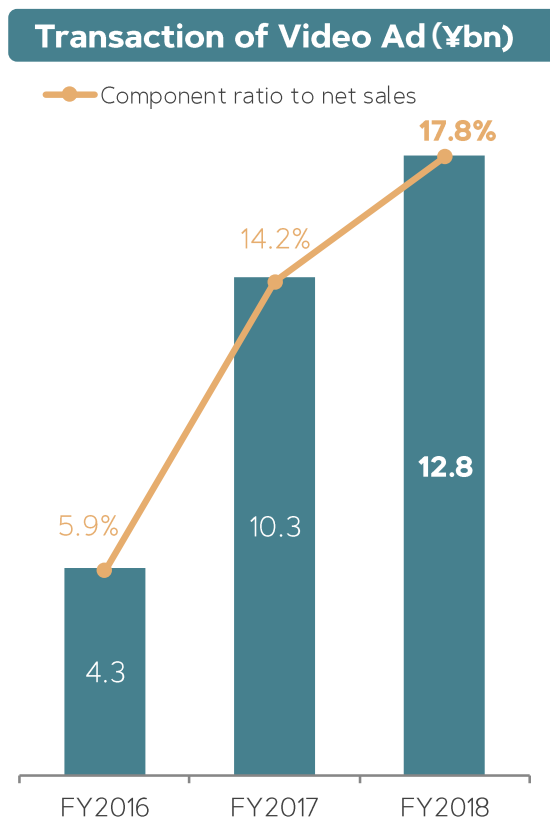
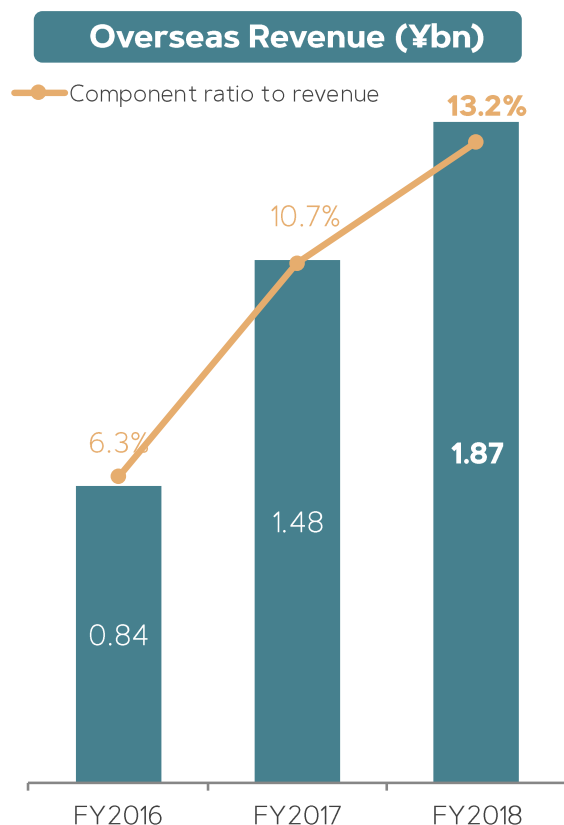
1.01

Non-GAAP operating
profit in FY2017

Non-GAAP operating
profit in FY2018

- Global, video ads, and branding ads, our focus areas, all showed solid growth year on year.
- Meanwhile, the domestic Internet Marketing Business was sluggish due to the impact of the shrinkage of large projects, resulting in a sharp fall in profit.

Revenue		Non-GAAP Operating profit			
Value (¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
14,234	+2.9%	4,026	-26.4%	28.3%	-11.2pt

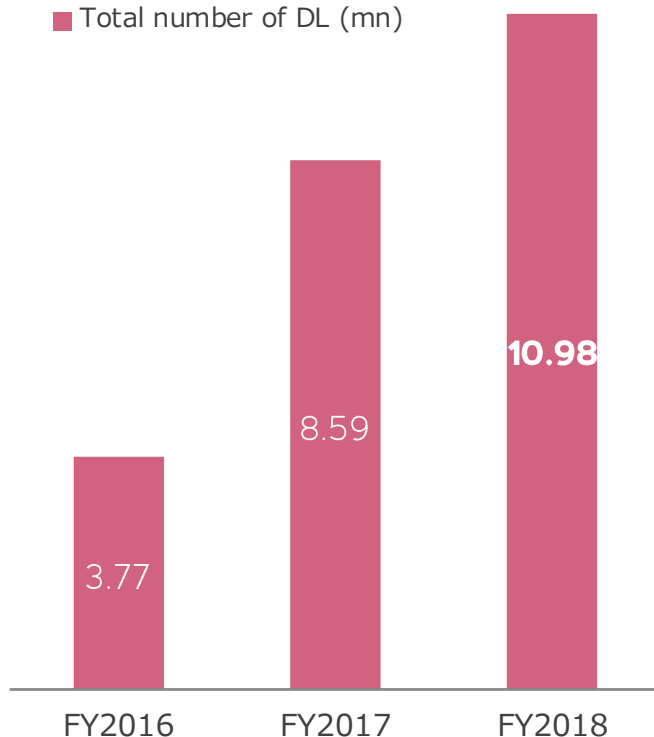


- Accumulated application downloads of GANMA! exceeded 10 million, and advertisement revenue and application revenue increased steadily.
- Operating loss reduced due to more efficient of advertise expense to improve contents.

Revenue		Non-GAAP Operating profit			
Value (¥mn)	YY Change	Value (¥mn)	YY Change	Operating margin	YY Change
1,324	+13.9%	-1,051	+272	-	-

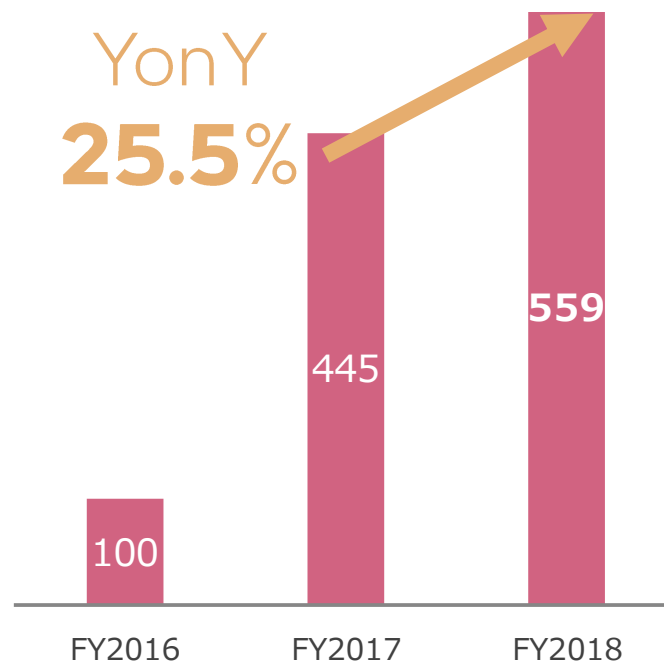
Accumulated application downloads of GANMA!

■ Total number of DL (mn)

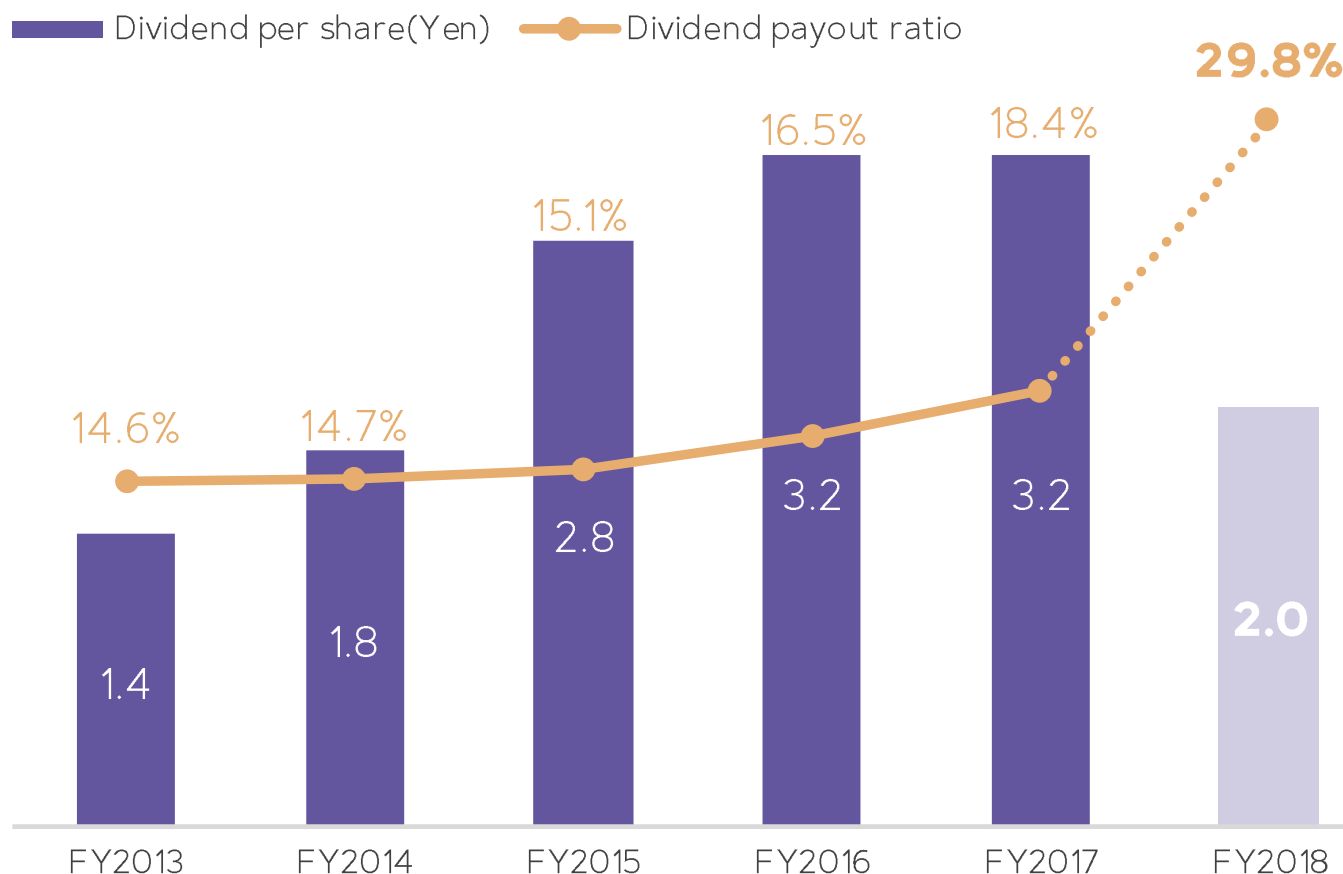


Application Revenue Trend (Index)

※Volumes in FY2016=100



- The continuity and stability of dividend payments is considered based on appropriate profit distribution corresponding to earnings growth, and dividend is implemented with a payout ratio of approximately 15% for profit attributable to owners of parent. In principle, the minimum amount of the annual dividend per share is set at 2 yen.
- The dividend per share in FY2018 is expected ¥2.0yen (minimum).



※A 1-for-200 stock split was implemented on October 1, 2013, and a 1-for-5 stock split was implemented on October 1, 2016. For dividends per share in previous years in the above graph, comparisons are made through the calculation of adjustments for the splits.

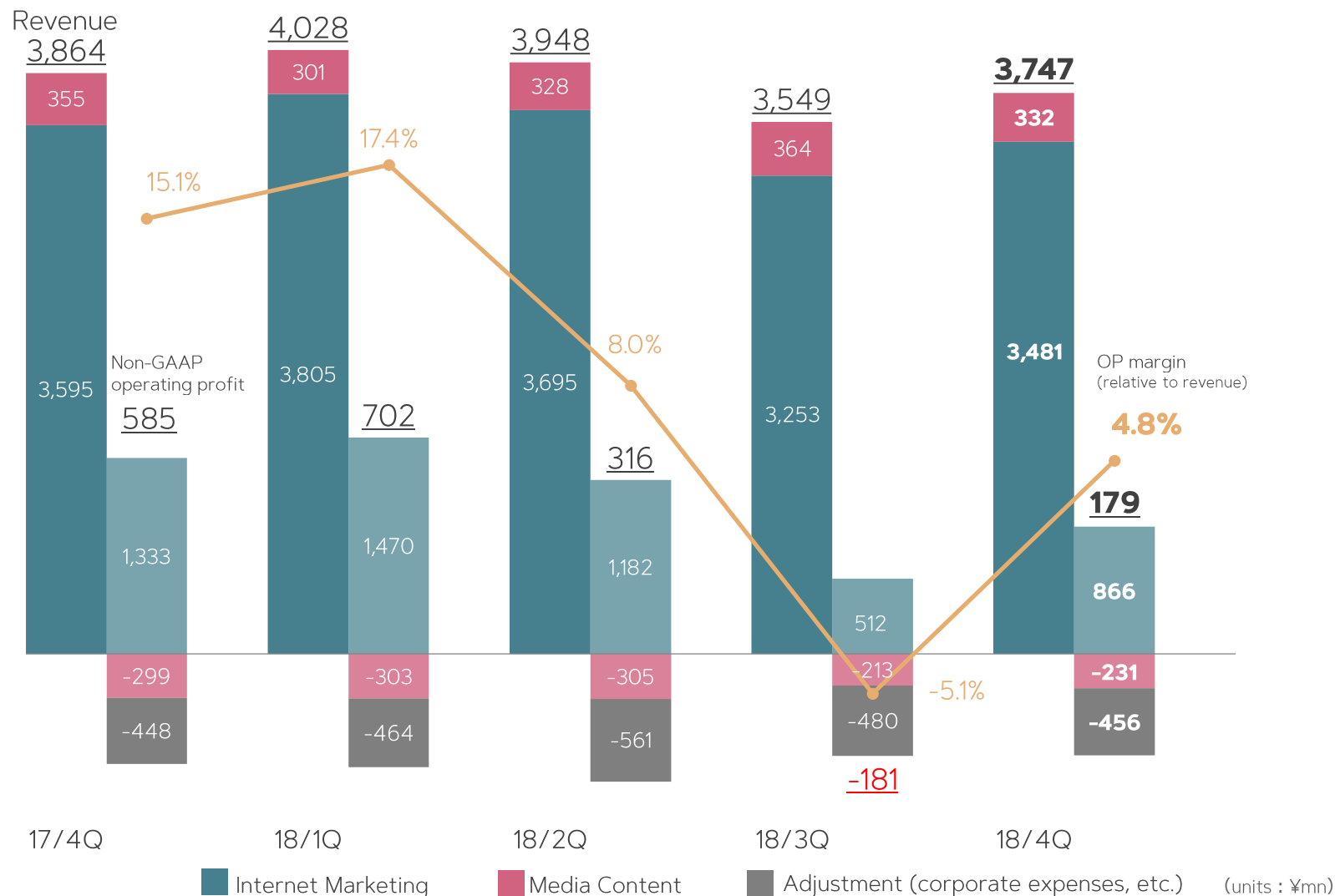
2. Quarterly Consolidated Earnings Overview

- Although it exceeded our revised forecast, revenue decreased year on year due to a weak domestic Internet Marketing Business.
- Efforts were made to control costs, and SG&A expenses contracted quarter on quarter, but these factors were unable to absorb an increase in personnel expenses due to the personnel system reform, and income decreased year on year.

(units:¥mn)	4Q FY9/18			4Q FY9/17		4Q FY9/18 Estimate	Achievement rate
	Value	Share	YY Change	Value	Share		
Revenue	3,747	100.0%	-3.0%	3,864	100.0%	3,700	101.3%
Gross profit	3,068	81.9%	-8.5%	3,352	86.7%	—	—
SG&A	2,912	77.7%	+5.5%	2,760	71.4%	—	—
Non-GAAP Operating profit	174	4.7%	-70.2%	585	15.1%	25	680.0%
Operating profit	150	4.0%	-74.2%	583	15.1%	—	—
Profit for the period from continuing operations	79	2.1%	-77.3%	347	9.0%	—	—
Profit for the period attributable to owners of the parent	79	2.1%	-76.1%	332	8.6%	-48	—
【Reference】 Net Sales	18,107	—	-1.3%	18,350	—		

Quarterly Consolidated Earnings Trend (by Business Segment)

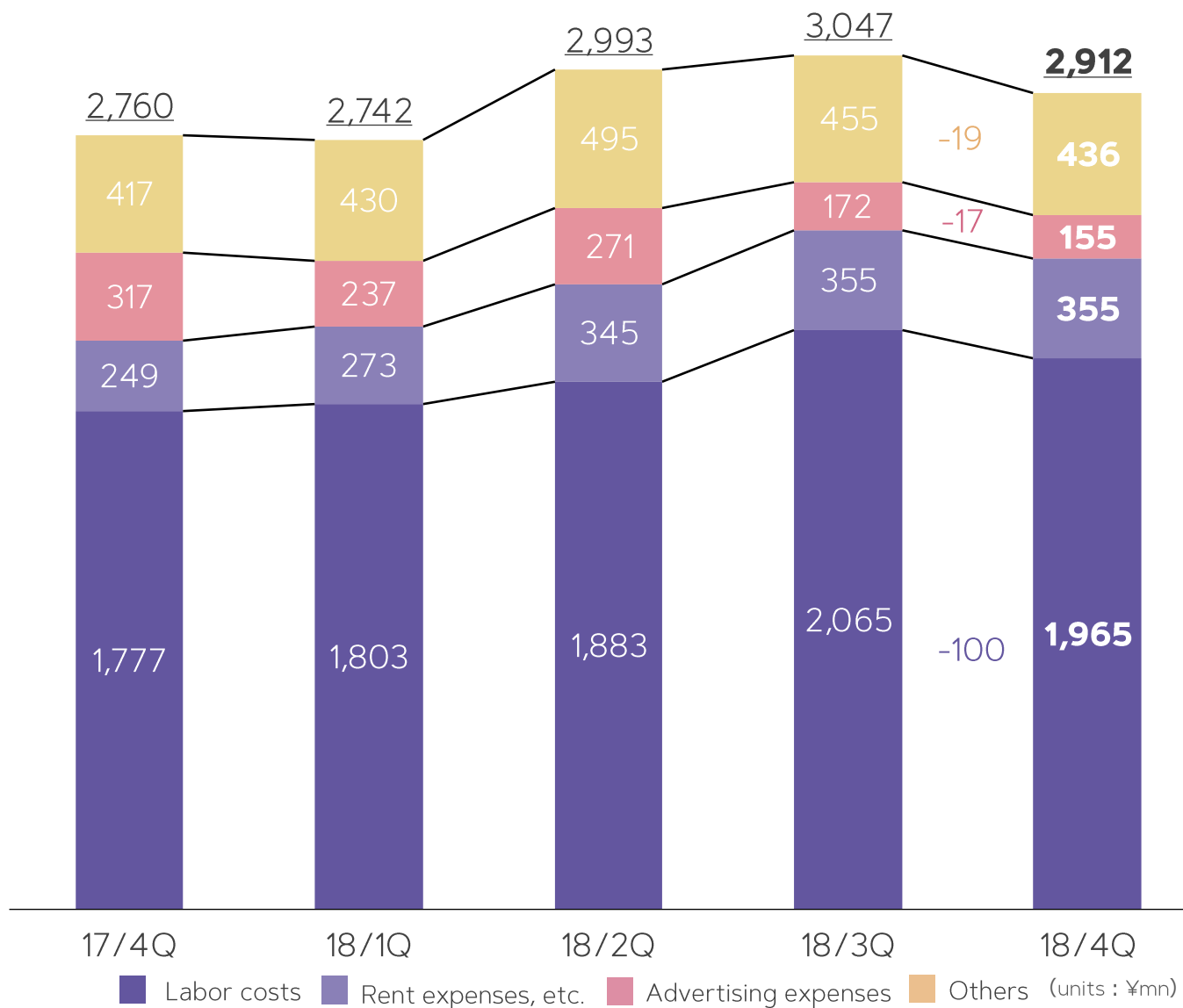
- The ratio of operating profit to revenue is recovering thanks to cost control.
- Topline inverted quarter on quarter at the bottom of 3rd quarter.



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

*Previous figures were revised retroactively because a change was made to the method of allocating corporate expenses to each segment, effective from FY9/18.

- **Cost control initiated from the current quarter is beginning to show results.**

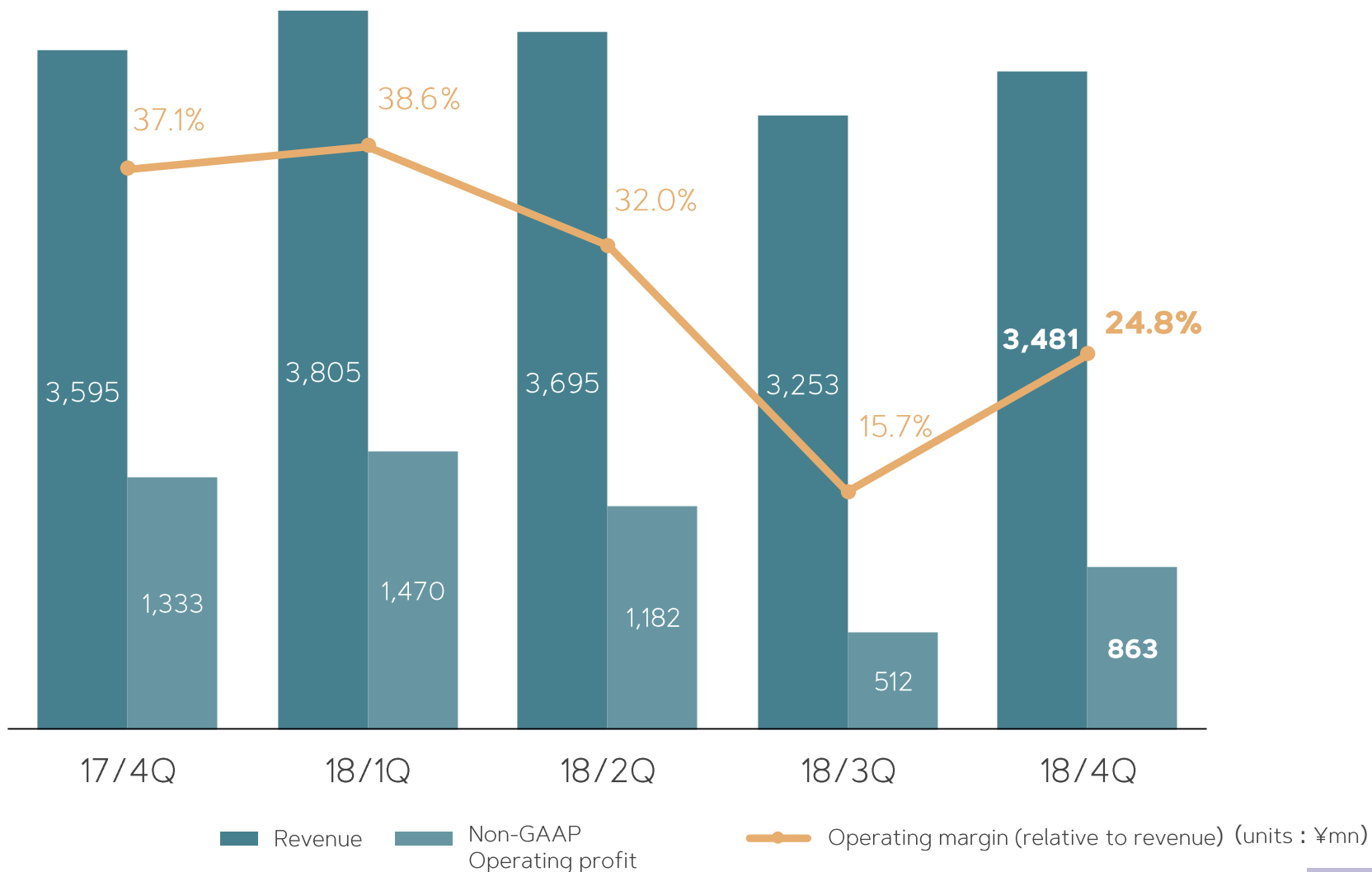


3. Internet Marketing Business

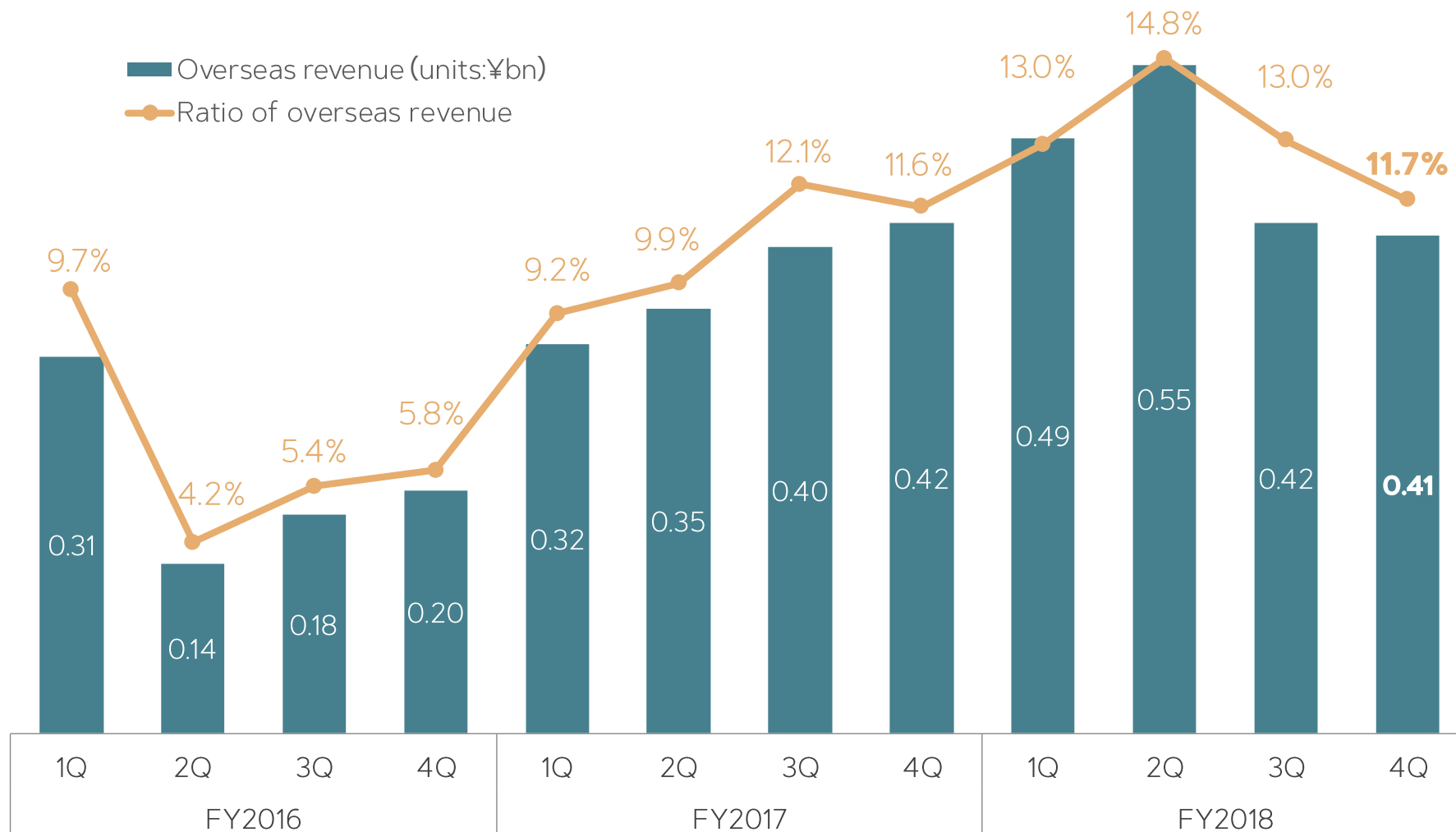
- **Upfront investments were made in human resources, and growth in the topline was unable to catch up. Revenue decreased year on year.**
- **As for our revised forecast, both revenue and Non-GAAP operating profit were achieved.**
- **Steady progress was made on control of costs and SG&A expenses.**

(units : ¥mn)	4Q FY9/18			4Q FY9/17		4Q FY9/18 Estimate	Achievement rate
	Value	Share	YY Change	Value	Share		
Revenue	3,481	100.0%	-3.2%	3,595	100.0%	3,415	101.9%
Gross profit	2,957	85.0%	-7.6%	3,201	89.0%	—	—
SG&A	2,106	60.5%	+13.0%	1,865	51.9%	—	—
Non-GAAP Operating profit	863	24.8%	-35.3%	1,333	37.1%	734	117.5%
【Reference】 Net Sales	17,961	—	-2.5%	18,413	—		

- Signs of recovery are beginning to show for both revenue and Non-GAAP operating profit quarter on quarter.

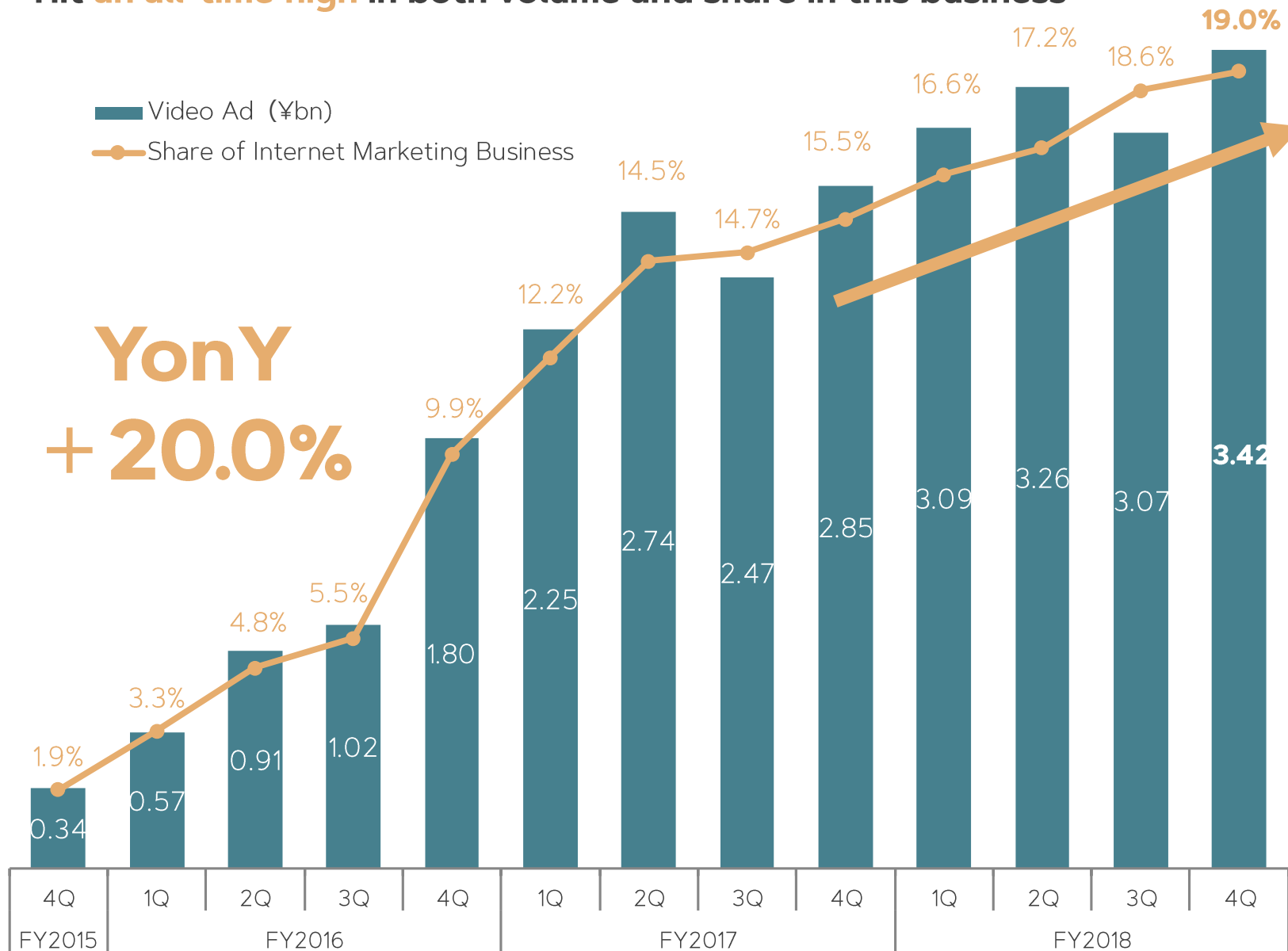


- Revenue decreased slightly year on year due to the ongoing impact of the contraction of a specific project that occurred in the previous quarter.



※Definition of overseas revenue: the aggregation of revenues from advertising for Japan by foreign clients (Out-In) and advertising for overseas by foreign clients (Out-Out)

- Hit **an all-time high** in both volume and share in this business

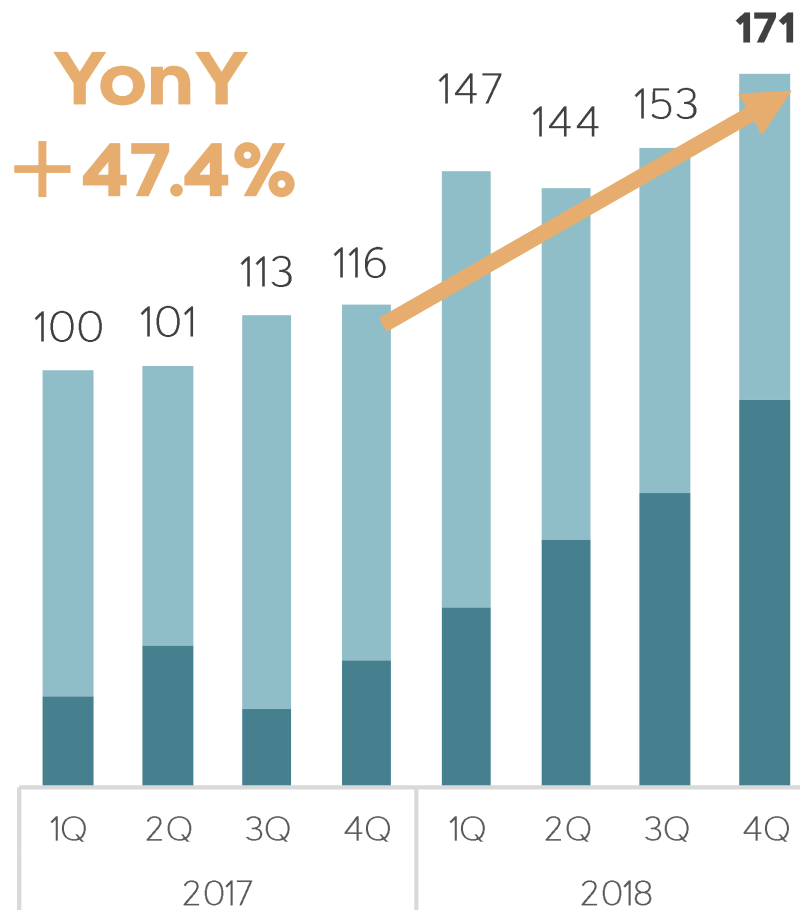


- Revenue expanded steadily thanks to the growth of the domestic brand advertising project

Revenue trend

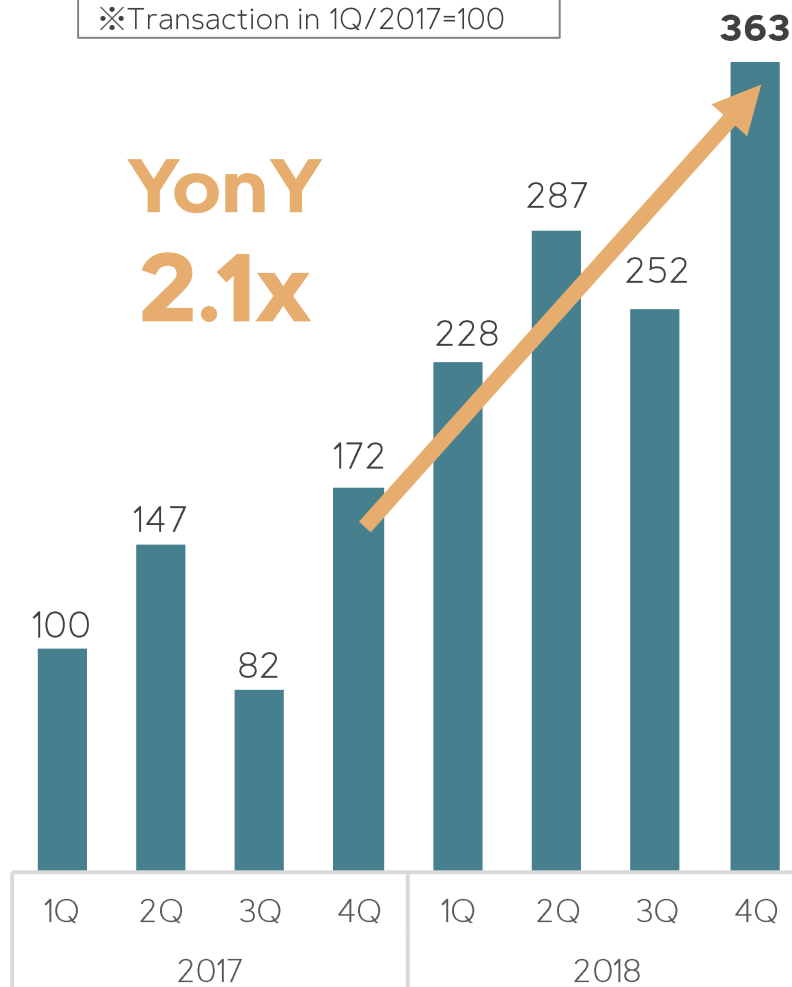
■ Domestic ■ Overseas

※Revenue in 1Q/2017=100



Transactions Trend of performance advertising in brand advertising

※Transaction in 1Q/2017=100



Partner certification obtained

- We obtained **two certifications** in the LINE Biz-Solutions Partner Program that LINE recognizes sales/development partners for services for corporations



- We obtained the top-ranked Gold Partner for **two consecutive periods** in the certified partner program of the job search engine “Indeed”.



Suspension of consideration of M&A project in South Korea

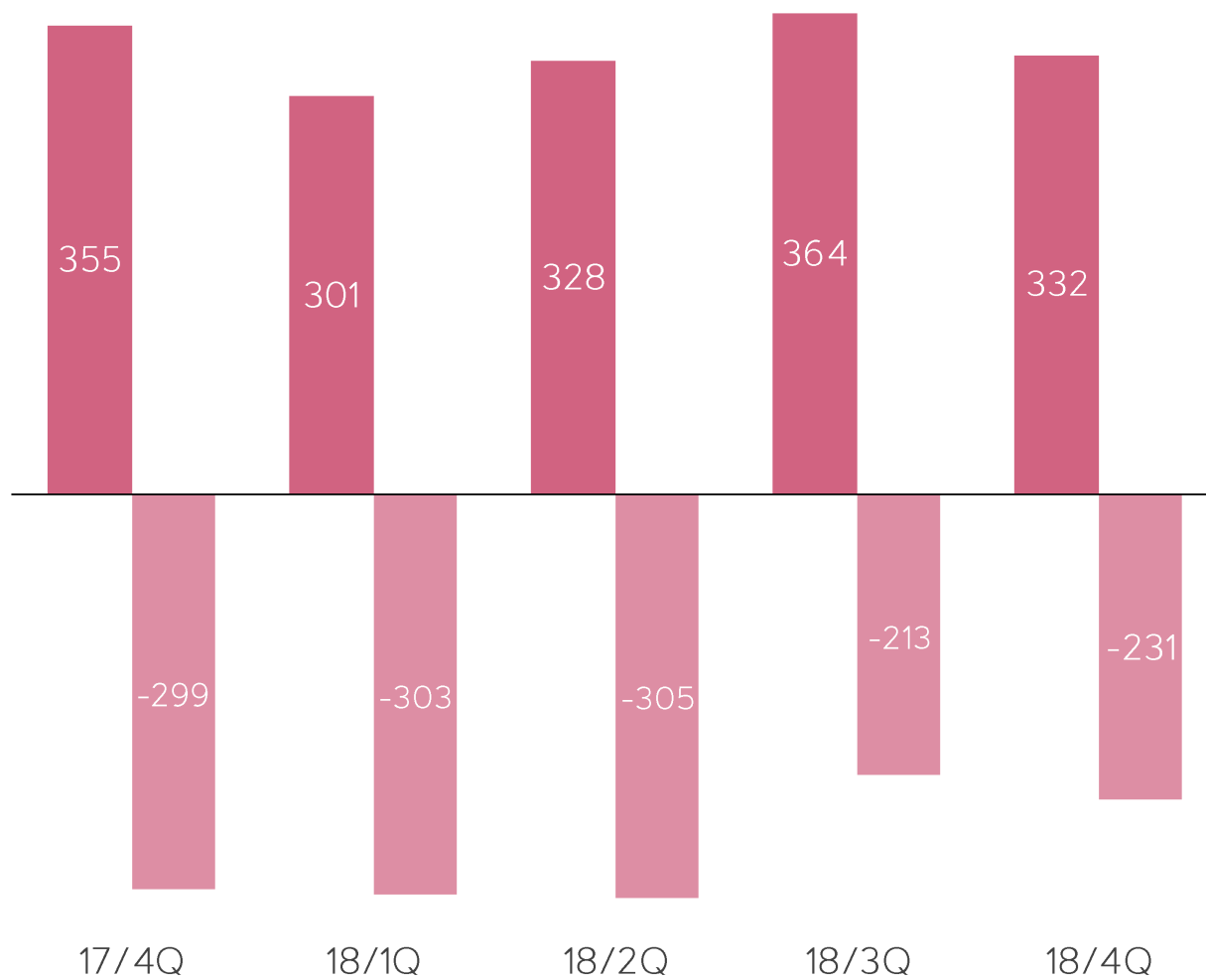
- Suspended consideration of acquiring shares of eMFORCE Inc., South Korea’s digital agency and a subsidiary of OPT Holding Inc., which was disclosed on July 26. (Announced on October 23)

4. Media Content Business

- **Revenue decreased year on year due to the impact of controlled advertising expenses.**
- **Costs expanded, mainly due to investments to reinforce contents and product aimed to increase revenue per user in the Manga Content Business, and the gross profit margin also declined.**

(units:¥mn)	4Q FY9/18			4Q FY9/17		4Q FY9/18 Estimate	Achievement rate
	Value	Share	YY Change	Value	Share		
Revenue	332	100.0%	-6.7%	355	100.0%	345	96.2%
Gross profit	174	52.3%	-26.4%	236	66.3%	—	—
SG&A	404	121.8%	-24.6%	535	150.6%	—	—
Non-GAAP Operating profit	-231	—	+69	-299	—	-244	—

- **Curtailed promotional investments in GANMA! and focused on the reinforcing content.**

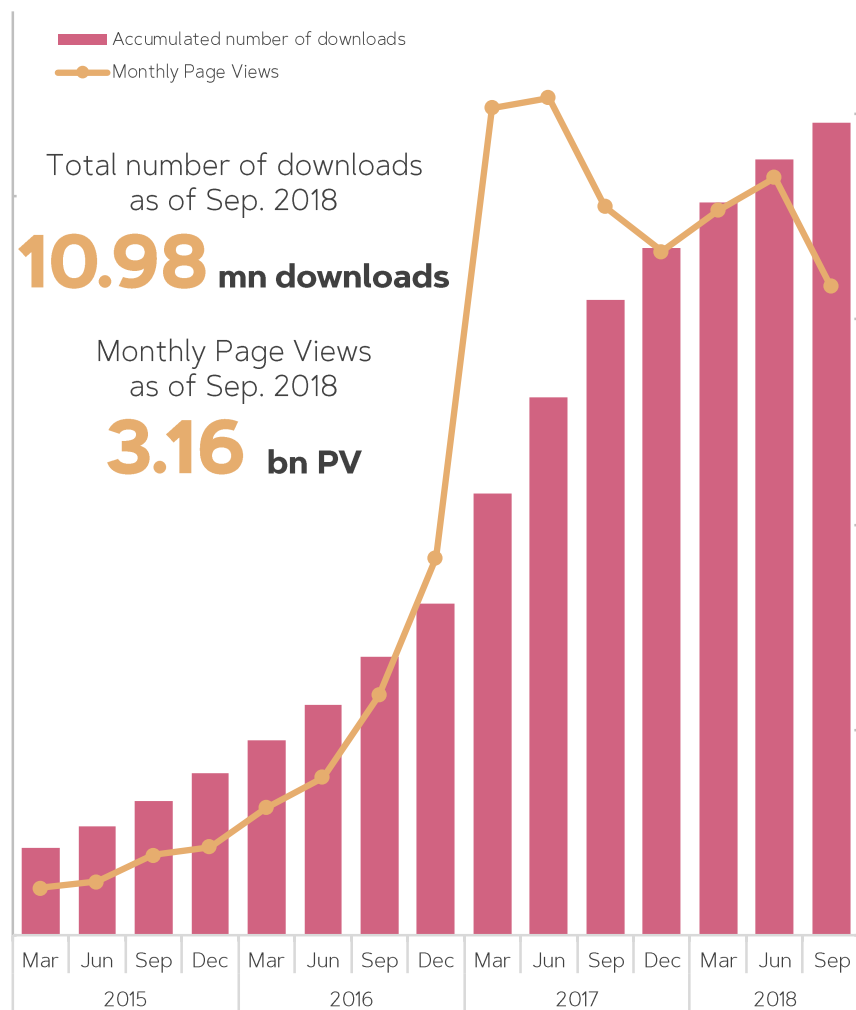


■ Revenue ■ Non-GAAP Operating profit (units : ¥mn)

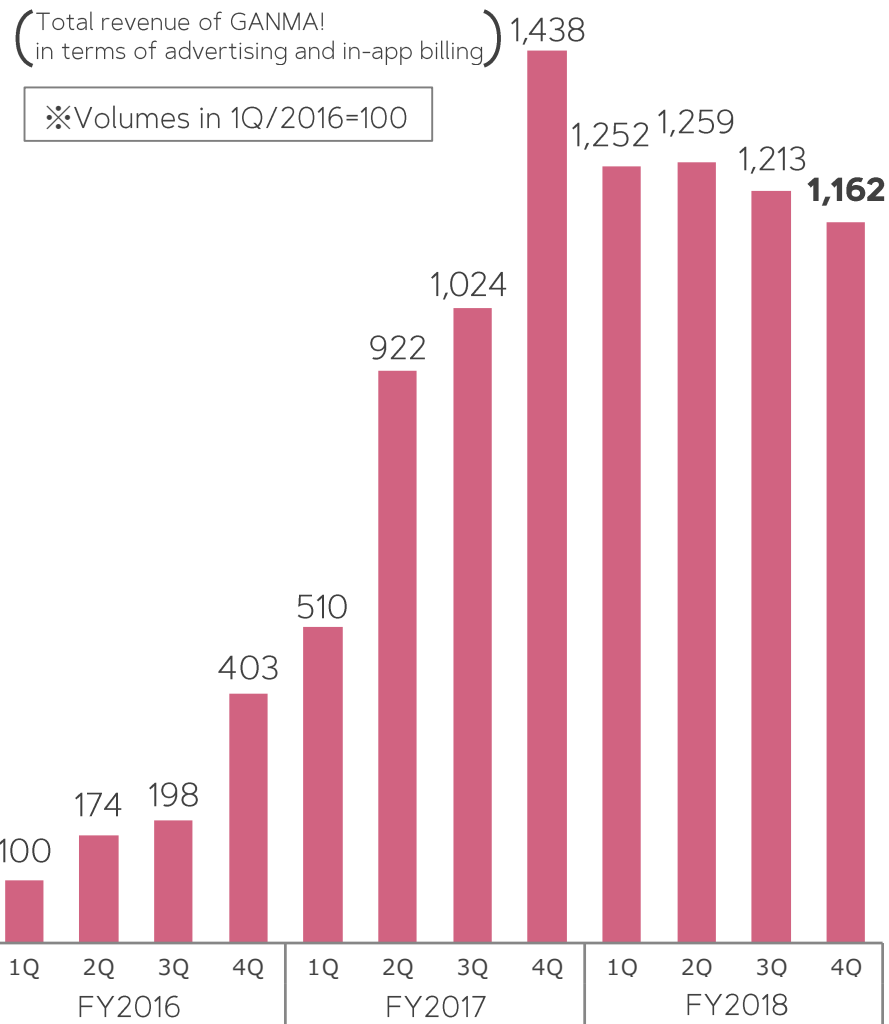


Although the number of DL increased steadily, the number of PV and application revenue decreased in reaction to the busy period.

Accumulated application downloads of GANMA!
And Monthly page views



Application Revenue Trend

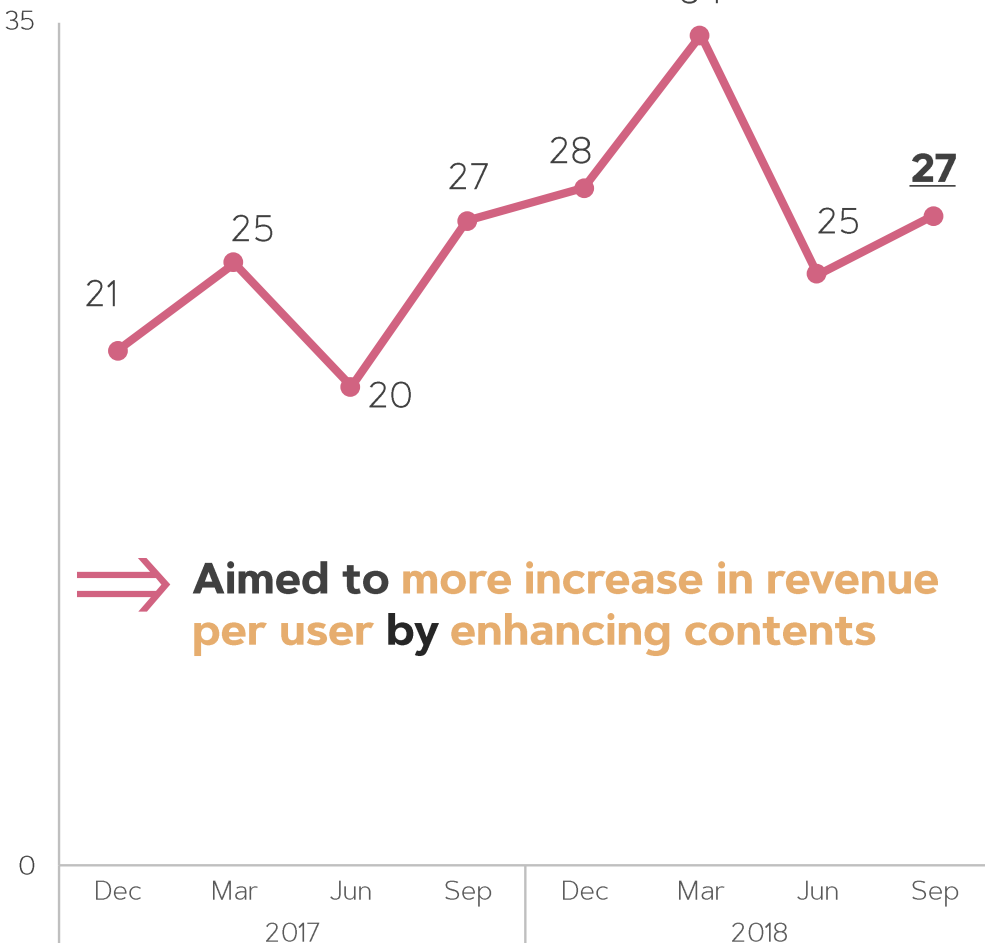




Billing revenue, which we started focusing on in the 2H year, grew substantially.

Trend of Revenue per user

—●— ARPU* (¥ Yen)



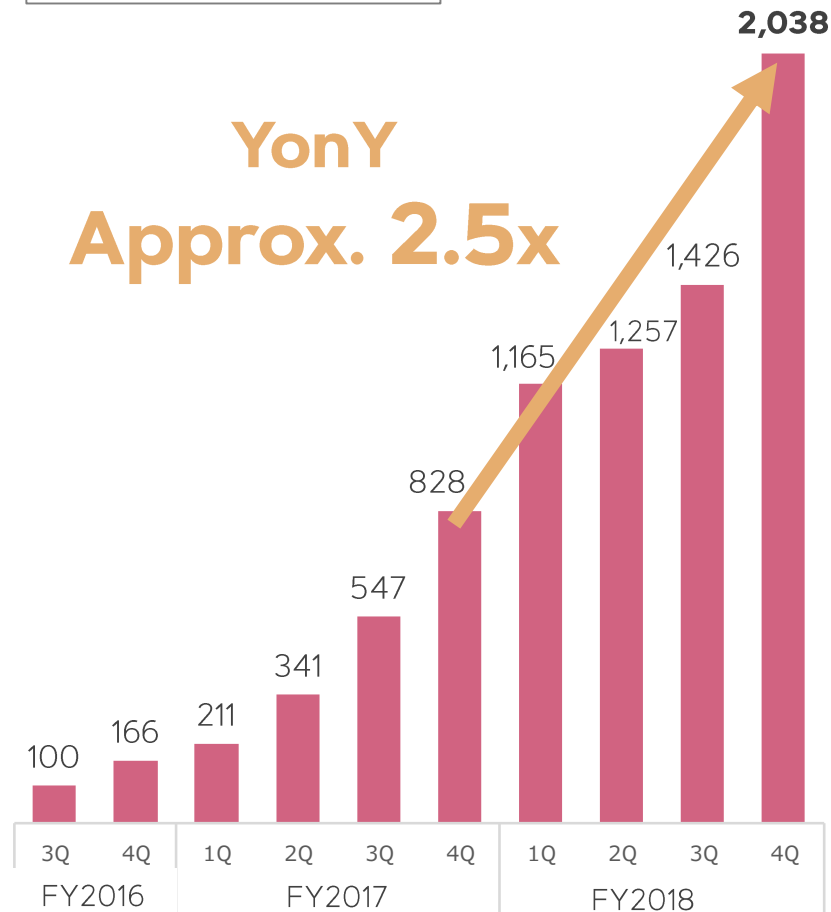
⇒ **Aimed to more increase in revenue per user by enhancing contents**

*ARPU: Revenue of Manga Content Business (incl. Advertisement, App-billing etc)/MAU

Trend of in-app billing revenue*

※Volumes in 3Q/2016=100

**YonY
Approx. 2.5x**



*Revenue by billing based on the premium member registration in the GANMA! app

5. TOB by Dentsu Inc. and Capital/Business Alliance with Dentsu

Outline of TOB

Assuming the business alliance, Dentsu Inc. acquires the Company's shares with an upper limit of the ratio of voting rights of 20.99%.

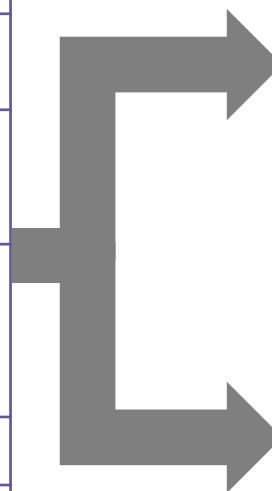


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TOB + Subscription for a third-party allotment

- As a result of **TOB** by Dentsu Inc., when the number of shares planned to be purchased by general shareholders is less than 20.99% of the ratio of voting rights of the Company, implement **a third-party allotment** until the ratio of voting rights reaches 20.99% after the allotment.
- Converted into an equity-method affiliate company of Dentsu Inc. (Maintains TSE JASDAQ listing)

Tender offer price	260 yen /share
Tender offer period	October 31, 2018 – December 11, 2018 (29 business days)
Number of shares to be purchased	Lower limit: — Upper limit: 26,895,000 shares (ratio of voting rights 20.99%)
Relationship with the tender offeror after the conclusion of TOB	Into an equity-method associated company based on the International Financial Reporting Standards (IFRS)
The Company's stance on TOB	Expresses a favorable opinion
Management policy after TOB	Business management is mutually independent.



In the case of **having reached 20.99%**, resulted in TOB
⇒ **No implementation of a third-party allotment**

In the case of being below **20.99%**, resulted in TOB
⇒ **Implement a third-party allotment (- 20.99%)**

Objective of the shared principle and the alliance between the two companies

Both company (Septeni Group and Dentsu group) aim to be the largest digital marketing partners in Japan that lead the industry's development in an environment where persons with various talents assemble with the joy of labor and by providing the best solutions to clients and that pursue maximum benefits of both companies through the Transaction by sharing both companies' resources and mutually utilizing them to realize the above aim.

Synergy expected from the alliance

- 1 **Enhance the value to be offered to clients** by the integrated proposal structure of online and offline advertising
- 2 Reinforce the business foundation by **mutually utilizing the management assets** of both companies (Media buying, advertising operations, creative provision, data assets, etc.)
- 3 **Benefits of scale by sharing knowledge and technology** (Method to improve advertising effects, various ad tech products, operation process management, etc.)

Specific initiatives in this alliance

Making use of differ in their specialties and strength in both company, added value to provide for clients by creating synergy through short and medium-term initiatives are improved.



Short and Medium-term initiatives

- **Joint operations of digital advertising projects held by the Dentsu Group**
- **Offering knowledge and technology of the Internet Marketing Business**
- **Sales of the Company group's media, mainly GANMA! by Dentsu Group**
- **Mutual use of data assets held by both companies**
- **Propose integrated marketing of online/offline utilizing the client bases of both companies**

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6. Policies for FY9/19 and Earnings Estimates for FY9/19

- Starting from FY9/19, we will change the disclosure policy with regard to earnings estimates. While we will continue to see unpredictable factors that may contribute to fluctuations of market environments, we are better positioned at present to forecast the future outlook to some extent. In addition, to more improve the quality of communications with stakeholders, we have decided to change our disclosure policy on earnings estimates from the previous policy of disclosing earnings estimates or the next half year on a semiannual basis to the policy of disclosing full year earnings estimates.

- With the aim of strengthening our management foundation to deal with the changing business environment, we are striving to shift to a collective leadership system by appointing **two** Representative Directors at both the Company and our major subsidiaries in the Internet Marketing Business.

Septeni Holdings Co., Ltd.

**Representative Director
Group President and
Chief Executive Officer
(Group CEO)**

Koki Sato



**Representative Director
Group Senior Executive
Officer (Group COO)**

Isamu Ueno



- New Representative Directors of important subsidiaries (unofficial decision)**

Septeni Co., Ltd. Septeni Japan, Inc.

**President and
Representative Director (CEO)**

Yusuke Shimizu

2006	Joined Septeni Co., Ltd.
2014	Executive Officer of Septeni Co., Ltd.
2017	Director of Septeni Japan, Inc.
2018	Group Executive Officer of Septeni Holdings Co., Ltd. (current post)



Representative Director (COO)

Yuichi Kono

2006	Joined Septeni Co., Ltd.
2014	Executive Officer of Septeni Co., Ltd.
2017	Director of Septeni Japan, Inc.
2018	Group Executive Officer of Septeni Holdings Co., Ltd. (current post)



- **Aimed to a drastic acceleration due to organic growth and the effects of the collaboration with Dentsu Inc.**
- **Expenses increased due to the completion of investments in human resources implemented during this period, and we are poised to yield a sustainable profit.**
- **Degree of deficit of Media Content Business reduce by initiatives to improve revenue per user of GANMA!**

(units:¥mn)	FY2018 Full Year Earnings	FY2019 Full year Earnings Estimates	Expected growth rate
Revenue	15,272	17,200	+12.6%
Non-GAAP Operating profit	1,011	2,000	+97.8%
Profit for the period attributable to owners of the parent	847	1,300	+53.4%
【Reference】 Net Sales	72,443	77,000	+6.3%
Dividend per share	¥2.0	TBA	—
Dividend payout ratio	29.8%	—%	—

Full Year FY9/19 Earnings Estimates by Business Segment

(units:¥mn)	Revenue			Non-GAAP Operating profit		
	Earnings in FY9/18	Earnings Estimates for FY9/19	Expected growth rate	Earnings in FY9/18	Earnings Estimates for FY9/19	Expected growth rate
Internet Marketing Business	14,234	15,300	+7.5%	4,026	4,500	+11.8%
Media Content Business	1,324	2,250	+69.9%	-1,051	-650	+401
Elimination or corporate	-286	-350	—	-1,964	-1,850	—
Consolidated	15,272	17,200	+12.6%	1,011	2,000	+97.8%

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 October 30, 2018 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.

7. Appendix

As of September 30, 2018

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	¥2,120 million
Shares Issued	138,856,500 shares (including 10,724,160 treasury shares) [※]
Consolidated Workforce	1,189 full time employees, 1,441 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

October 30, 2018

Internet Marketing Business

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

Media Content Business

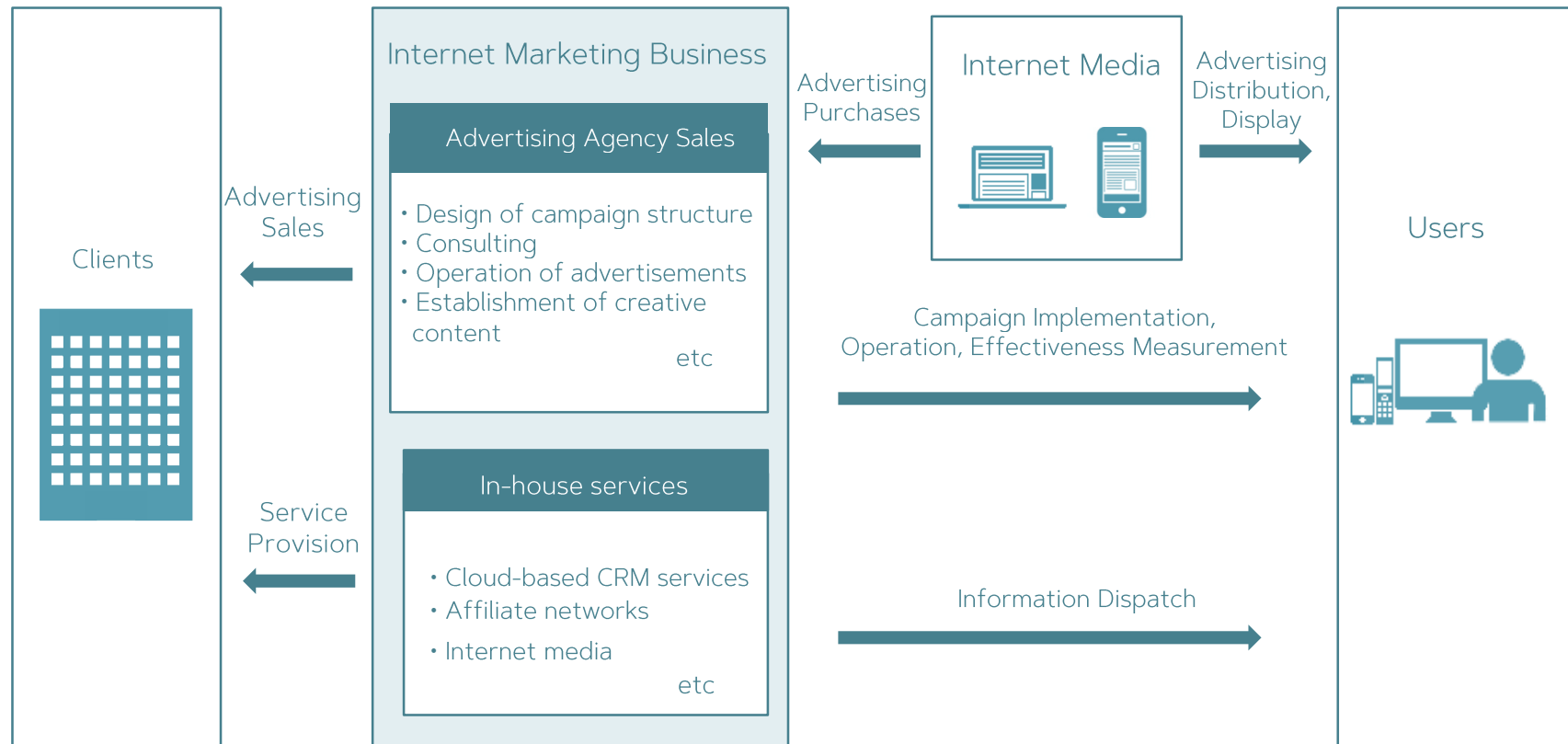
COMICSMART,Inc.	Manga Content Business	gooddo Inc.	Platform business of social contribution
ViViVit, Inc.	Recruitment platform business	Pharmarket Co.,Ltd.	Medical platform business
TowaStela, Inc.	Childcare platform business		

New Business Development

SEPTENI VENTURES Co., Ltd.

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

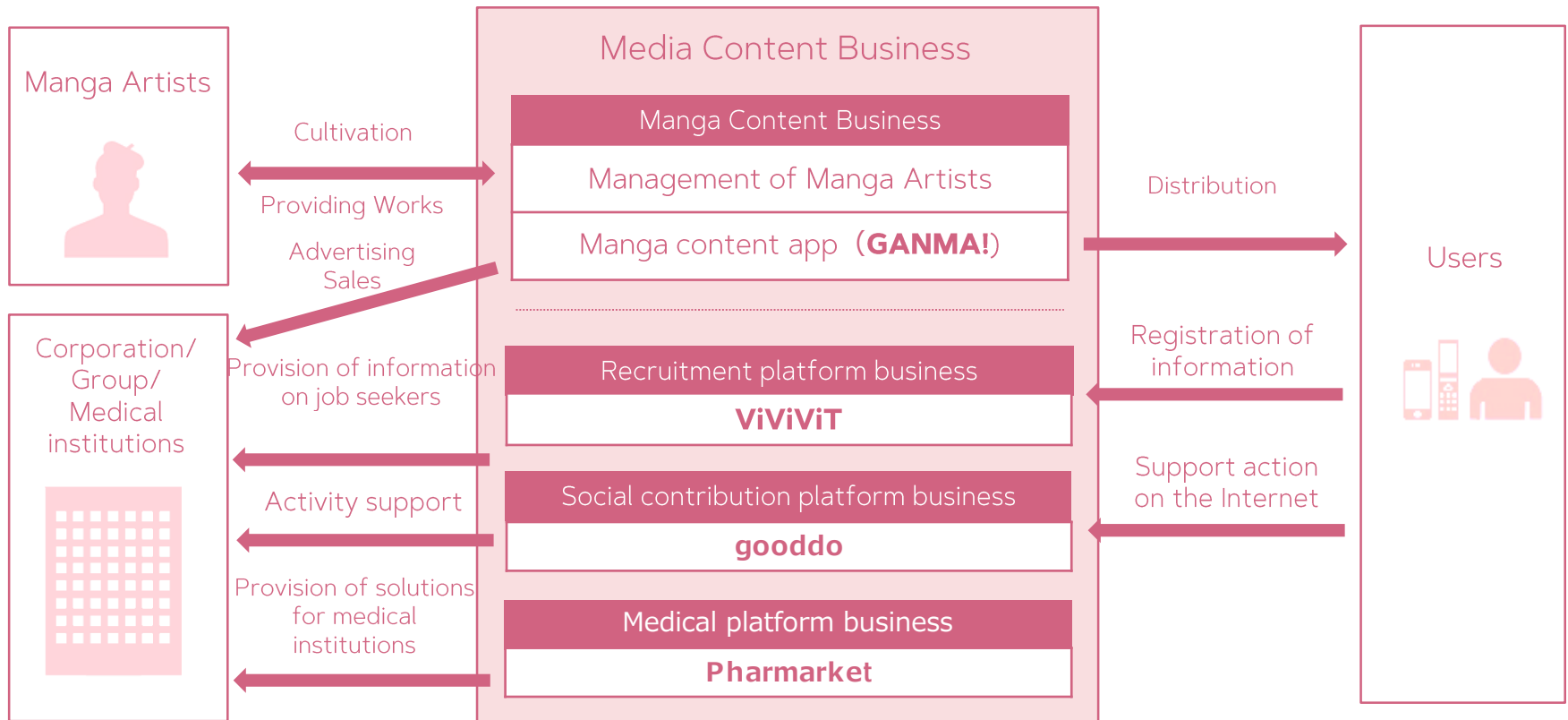
The operation of marketing platforms such as cloud-based CRM services and affiliate networks is undertaken as **the Company's own services**, in addition to the sale of smartphone-based Internet advertising.



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 FY9/18	End FY9/17	Change	Main Changes
Current Assets	26,223	26,272	△49	Cash and cash equivalents: -597 Other current assets: +481
Non-current Assets	7,148	6,656	+492	Tangible fixed assets: +160 Investments accounted for using the equity method: -99 Other financial assets: +484
Total Assets	33,371	32,929	+ 443	
Current Liabilities	12,690	13,387	△697	Trade payables: -236 Long-term debts: -150 Other current liabilities: -208
Non-current Liabilities	4,951	4,319	+633	Long-term debts: +617
Total Liabilities	17,641	17,705	△64	
Total Capital	15,730	15,224	+507	Cash dividend paid: -410 Posting of net profit: +768
Total Liabilities and Capital	33,371	32,929	+ 443	

(units : ¥mn)

	End FY9/18	Main Changes	End FY9/17
Cash Flows from Operating Activities	△440	Profit before tax from continuing operations: +1,353 Payment of corporate income tax: -1,124	△808
Cash Flows from Investing Activities	△310	Gain on sales of subsidiaries and affiliates' stocks: +372 Purchase of securities: -497 Purchase of tangible fixed assets: -304	△1,706
Cash Flows from Financing Activities	112	Increase (decrease) in loans payable: +467 Cash dividend paid: -410	2,457
Effect of Exchange Rate Changes on Cash and Cash Equivalents	41		95
Net Increase (Decrease) in Cash and Equivalents	△597		39
Cash and Equivalents at Term End	14,922		15,519

