

SEPTENI

Business Results for 2Q Fiscal Year September 2019

SEPTENI HOLDINGS CO., LTD.

www.septeni-holdings.co.jp

Apr. 26, 2019

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02 Quarterly Consolidated Earnings Overview

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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.

01

First half FY9/19 Consolidated Earnings Overview

Consolidated

Revenue

¥8,366mn (Up 4.9% year on year)

Non-GAAP Operating Profit

¥1,022mn (Up 0.4% year on year)

Both revenue and profit increased year on year,
suggesting a continuing recovery trend.

**Internet
Marketing
Business**

Revenue

¥7,678mn(Up 2.4% year on year)

Non-GAAP Operating Profit

¥2,486mn(Down 6.3% year on year)

In addition to organic growth, an alliance with the Dentsu Group started in FY2019/2Q.

**Media
Content
Business**

Revenue

¥843mn(Up 34.1% year on year)

Non-GAAP Operating Profit

¥-514mn(Decreased ¥94mn year on year)

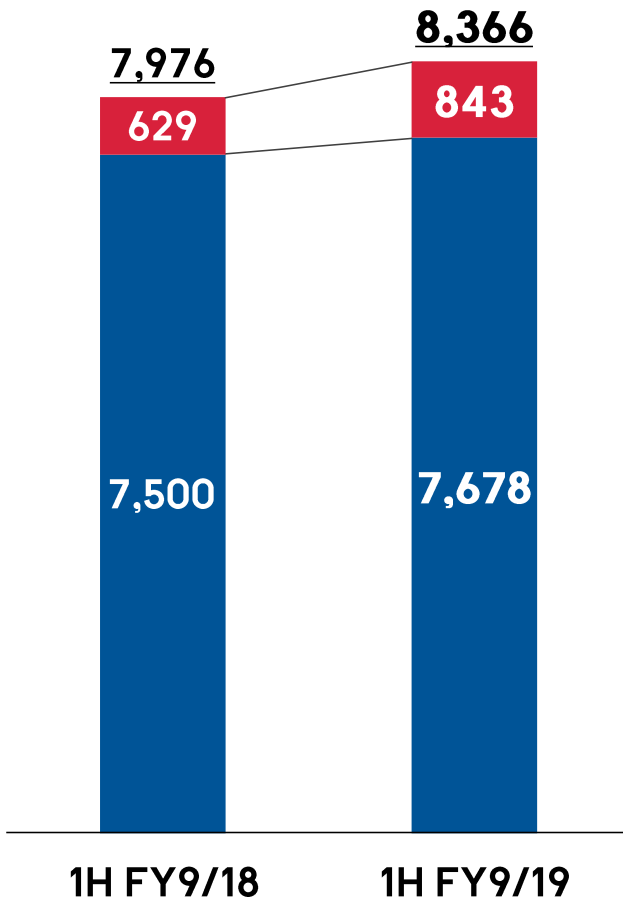
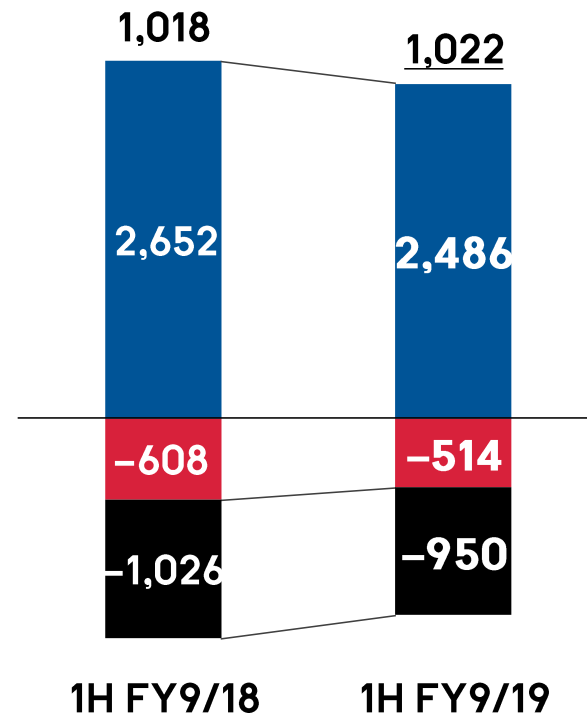
**The increase of deficit reduced year on year,
because Increasing costs was covered by increasing revenue**

(units:¥mn)	First half FY9/19			First half FY9/18		FY2019 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	8,366	100.0%	+4.9%	7,976	100.0%	17,200	48.6%
Gross profit	6,952	83.1%	+3.1%	6,741	84.5%	—	—
SG&A	5,949	71.1%	+3.7%	5,735	71.9%	—	—
Non-GAAP Operating profit	1,022	12.2%	+0.4%	1,018	12.8%	2,000	51.1%
Operating profit	971	11.6%	-3.8%	1,009	12.7%	—	—
Profit for the period attributable to owners of the parent	357	4.3%	-52.7%	754	9.5%	1,300	27.4%
【Reference】 Net Sales	39,073	—	+3.8%	37,643	—	77,000	50.7%

※Although we have recorded a loss on investment caused by the exclusion of AXEL MARK INC. from the scope of equity method, we are expecting a ¥100mn reduction in net income for the full fiscal year, taking into consideration the effects of tax effects.

Net income decreased by exclusion of AXEL MARK INC. from the scope of equity method, despite an increase in revenue and profit.

Revenue

Non-GAAP
Operating profit

Revenue increased year on year in each segment.

Despite the impact of additional performance-linked bonuses* paid for the strong results, profit growth was secured.

*Additional performance-linked bonus: approx. ¥173 mn

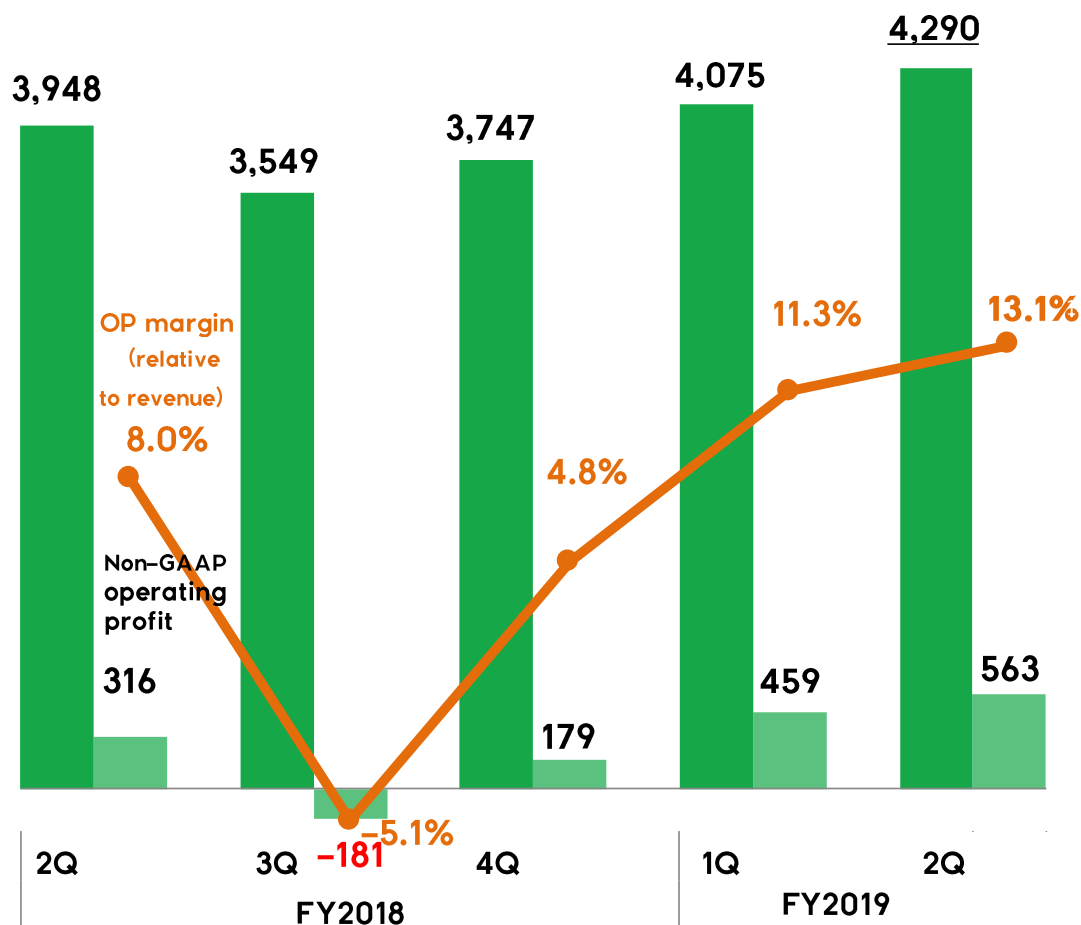
02

Quarterly Consolidated Earnings Overview

(units:¥mn)	2Q FY2019			2Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	4,290	100.0%	+8.7%	3,948	100.0%
Gross profit	3,550	82.8%	+7.7%	3,297	83.5%
SG&A	3,001	70.0%	+0.3%	2,993	75.8%
Non-GAAP Operating profit	563	13.1%	+78.4%	316	8.0%
Operating profit	563	13.1%	+78.9%	315	8.0%
Profit for the period attributable to owners of the parent	122	2.8%	-38.7%	199	5.0%
【Reference】 Net Sales	19,730	—	+4.0%	18,978	—

Non-GAAP operating profit increased substantially due to revenue growth and cost control.

Revenue (units:¥mn)



Revenue **¥4,290mn**
 (Up 8.7% year on year)

Non-GAAP operating profit **¥563mn**
 (Up 78.4% year on year)

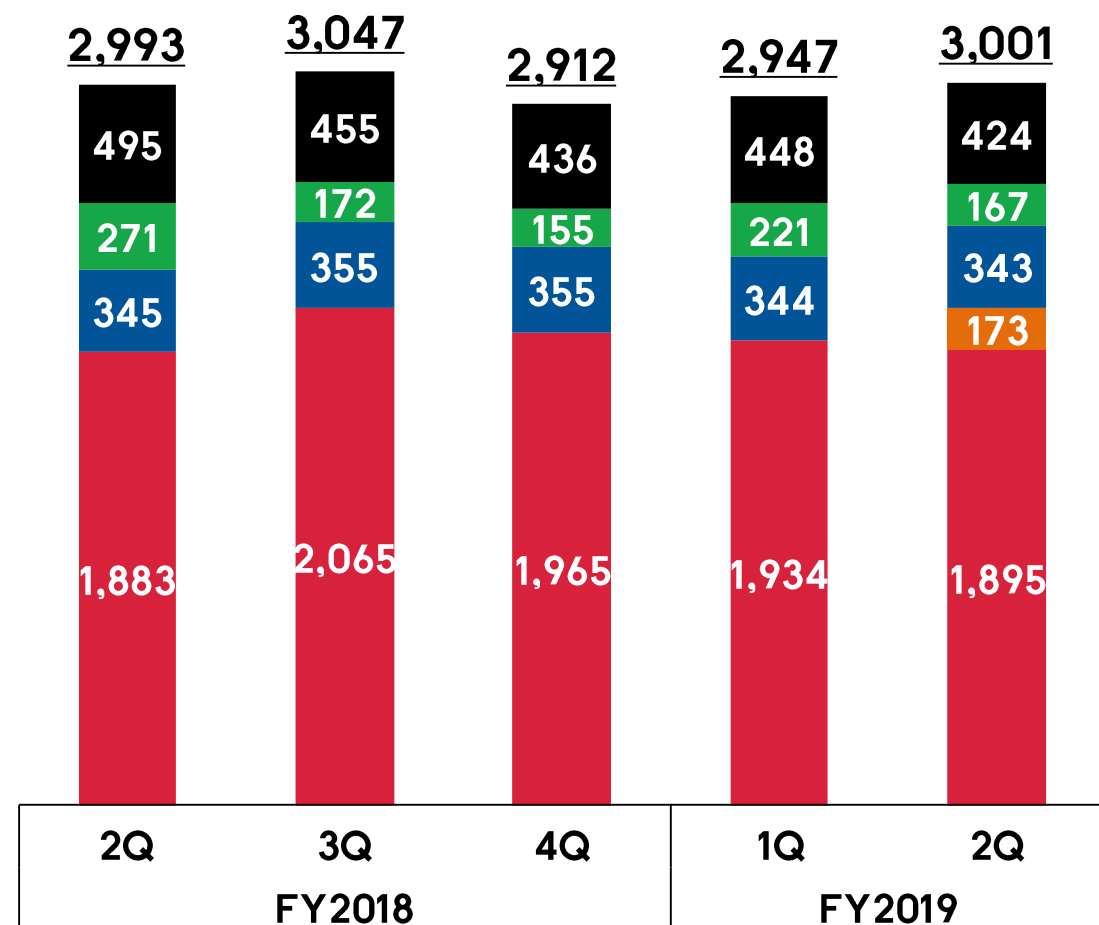
**Profit grew year on year for the first time in 11 quarters.
 Profitability continued to improve.**

(units : ¥mn)	FY2018			FY2019		QonQ	YonY
	2 Q	3 Q	4 Q	1 Q	2 Q		
Total of cost of sales	651	684	679	673	740	+9.9%	+13.7%
Labor costs	205	256	237	273	286	+4.8%	+39.4%
Subcontract costs	235	205	199	95	143	+51.0%	-39.1%
Others	210	223	243	306	311	+1.7%	+47.7%
Total of SG&A	2,993	3,047	2,912	2,947	3,001	+1.8%	+0.3%
Labor costs	1,883	2,065	1,965	1,934	1,895	-2.1%	+0.7%
Additional performance-linked bonus	—	—	—	—	173	—	—
Rent expenses etc.	345	355	355	344	343	-0.3%	-0.5%
Advertising expenses	271	172	155	221	167	-24.4%	-38.3%
Others	495	455	436	448	424	-5.4%	-14.4%

Expenses increased due to business expansion amid continuing cost control.

■ Labor costs
 ■ Rent expenses, etc.
 ■ Others (units:¥ mn)

■ Additional performance-linked bonuses
 ■ Advertising expenses



Continued to control costs to keep expenses from exceeding the FY2018/3Q level.

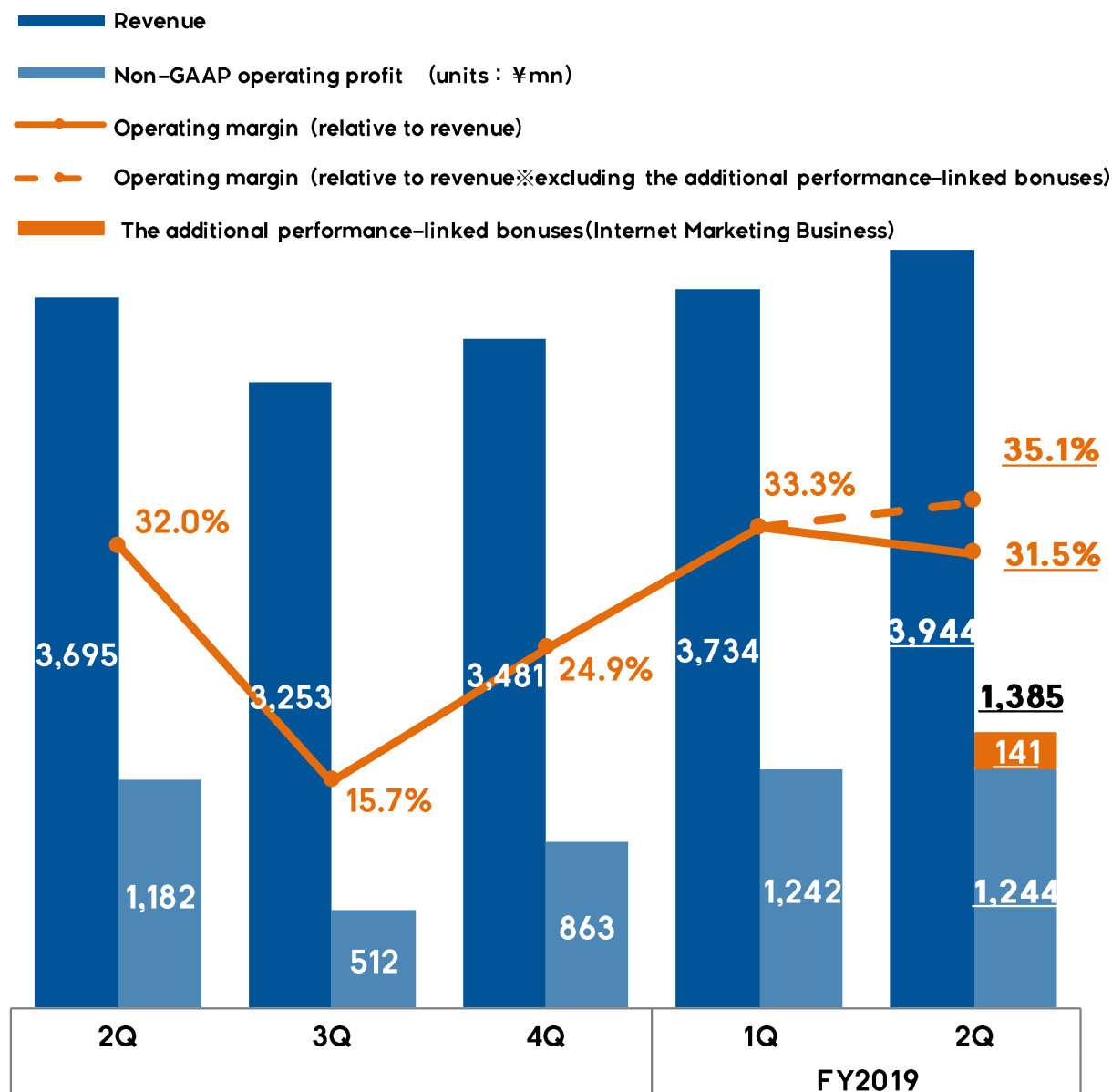
In FY2019/2Q, advertising expenses were outlaid in line with the plan while performance-linked bonuses increased due to strong results.

03

Internet Marketing Business

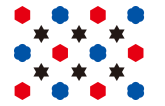
(units:¥mn)	2Q FY2019			2Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	3,944	100.0%	+6.7%	3,695	100.0%
Gross profit	3,386	85.9%	+6.9%	3,168	85.8%
SG&A	2,147	54.4%	+7.7%	1,993	53.9%
Non-GAAP Operating profit	1,244	31.5%	+5.3%	1,182	32.0%
【Reference】 Net Sales	19,491	—	+2.7%	18,986	—

Both revenue and profit increased year on year and the recovery trend continued from 1Q.



In addition to organic growth, the business alliance with the Dentsu Group progressed in line with the plan.

The profit margin excluding the additional performance-linked bonus continued to improve.



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Short and Medium-term initiatives

**Offering knowledge and
technology of the Internet
Marketing Business**

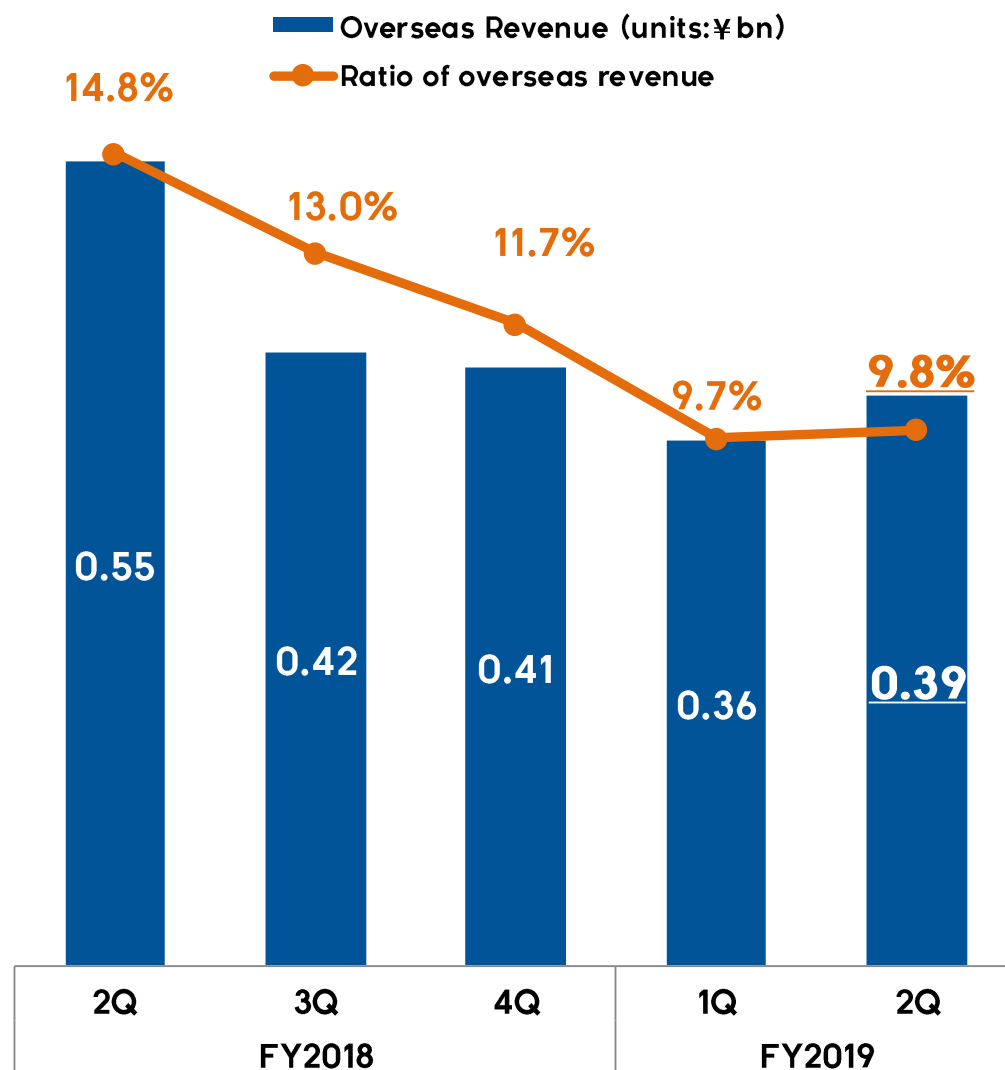
**Sales of the Company
group's media, mainly
GANMA! by Dentsu Group**

**The Company supports the
implementation of advertisements
for net marketing projects handled
by the Dentsu Group.**

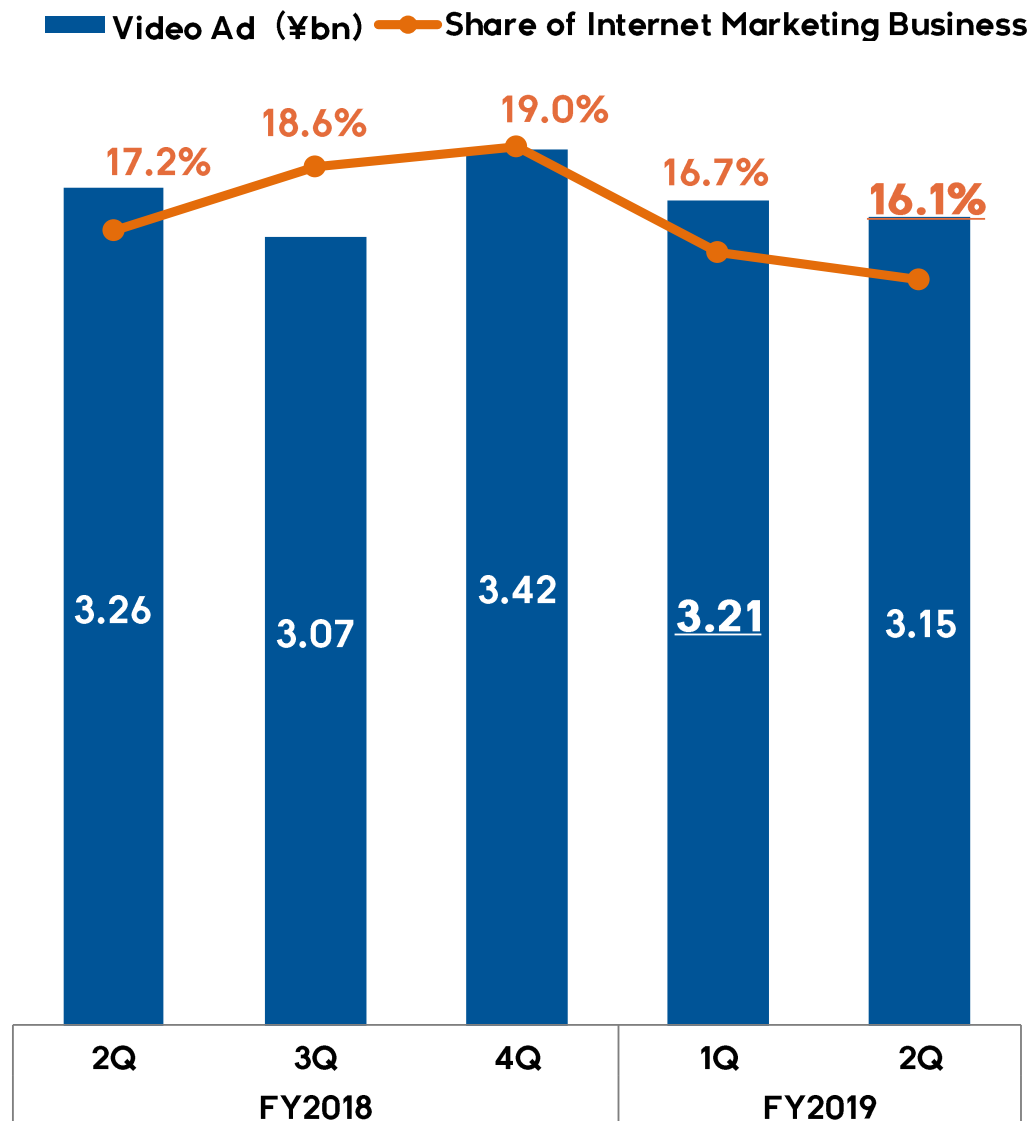
**Mutual use of data
assets held by both
companies**

**Propose integrated
marketing of online/offline
utilizing the client bases of
both companies**

**Progress of short-term measures taken since FY2019/2Q was in line with the plan.
The Company will focus on medium-term measures from the second half of the fiscal year.**



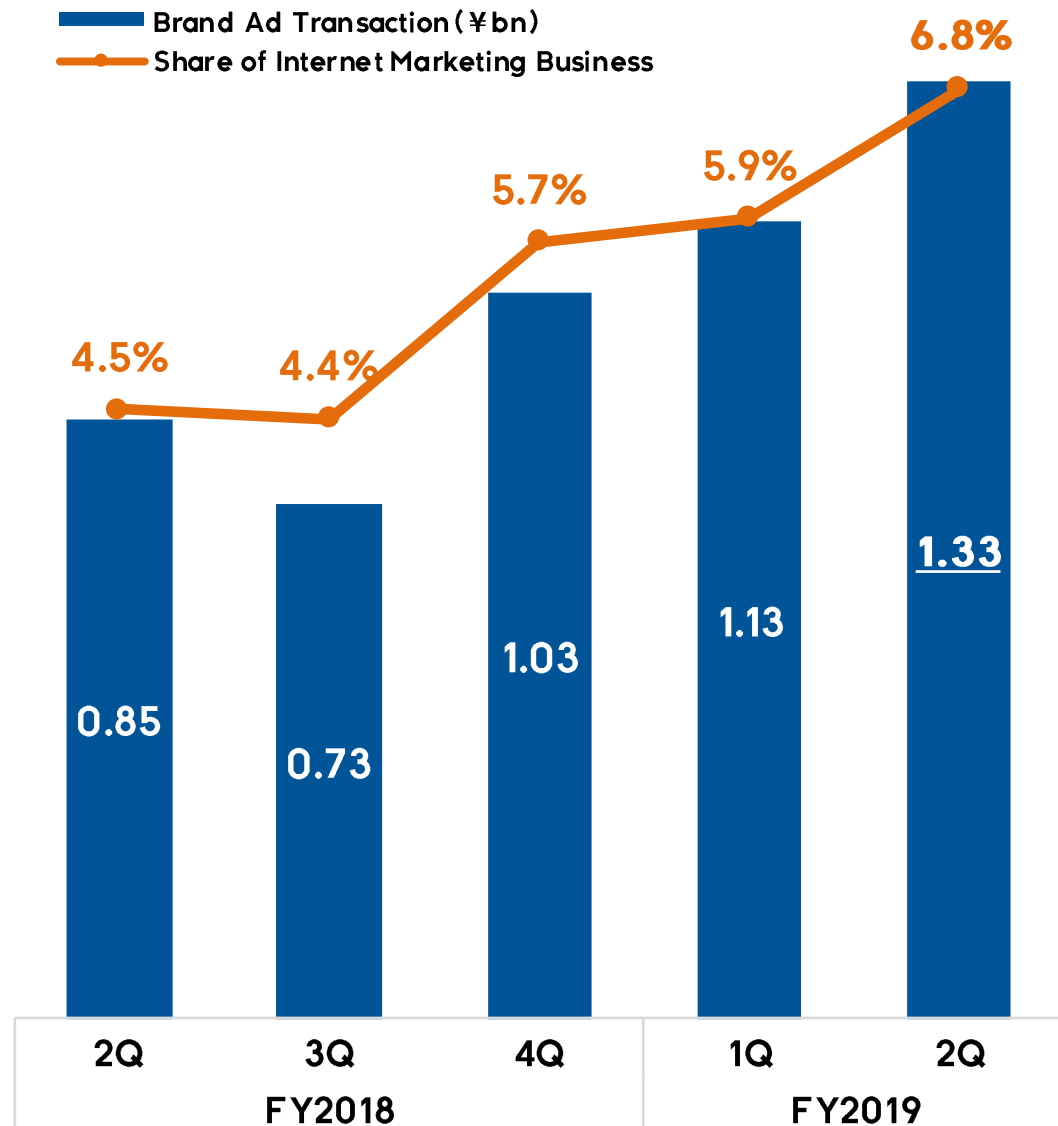
North America remained strong, while the performance in Asian countries continued to struggle.



Both volume and share decreased slightly.

QonQ : -1.9%

YonY : -3.4%



**Achieved a sharp
1.6 time-growth over
the same period of the
previous year.**

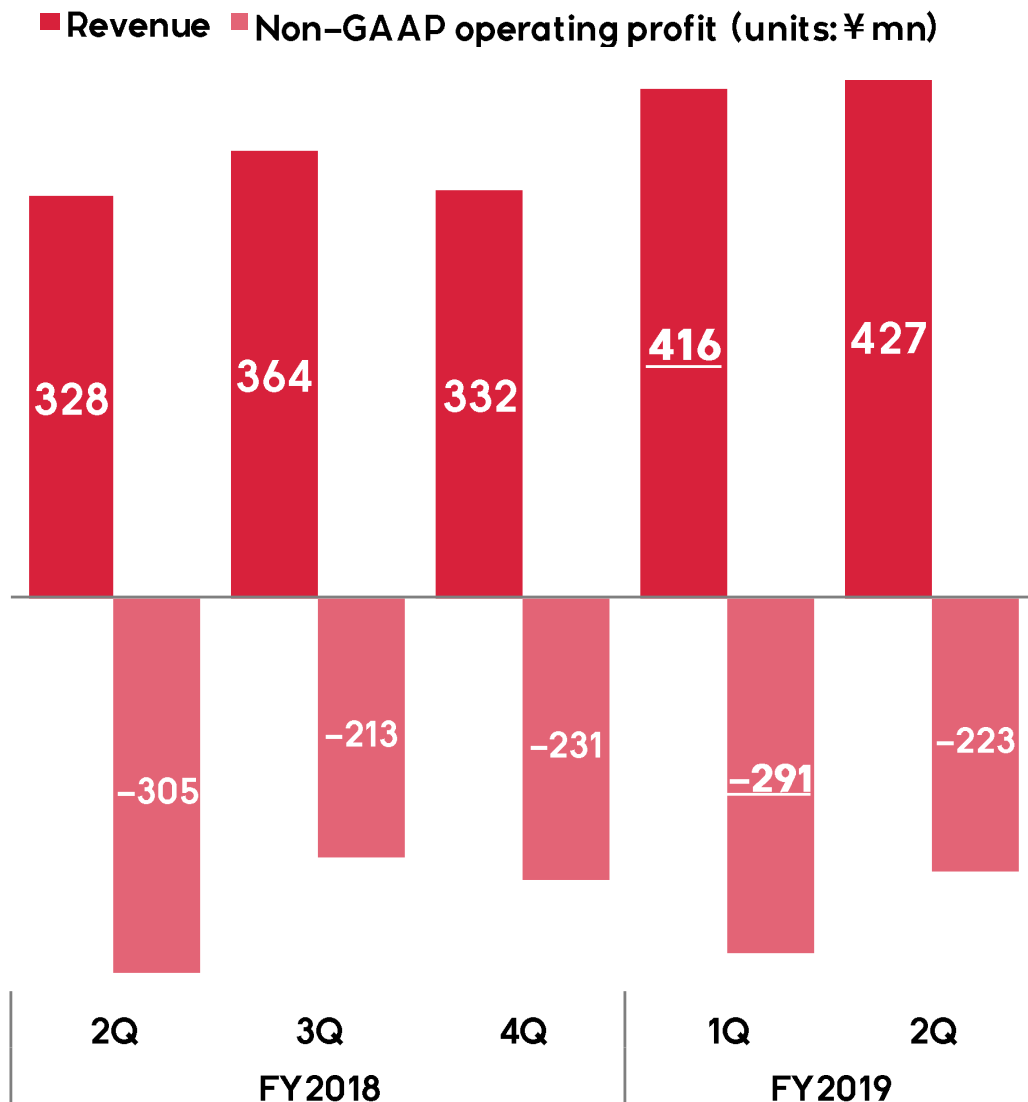
**The weighting of brand
advertising also rose
steadily.**

04

Media Content Business

(units:¥mn)	2Q FY2019			2Q FY2018	
	Value	Share	YY Change	Value	Share
Revenue	427	100.0%	+30.4%	328	100.0%
Gross profit	246	57.6%	+22.7%	201	61.2%
SG&A	469	109.8%	-7.3%	506	154.5%
Non-GAAP Operating profit	-223	—	+83	-305	—

Operating loss decreased due to the control over SG&A expenses in addition to revenue growth.



Growth in net sales continued due to the increase in earnings, particularly for GANMA!



Revenue model of GANMA!



- Multi media expanding of contents
- Crowdfunding etc

New plan by major update of application

Revenue from IP

Subscription

Brand Advertisement

Performance Advertisement

~FY2017

FY2018

FY2019~

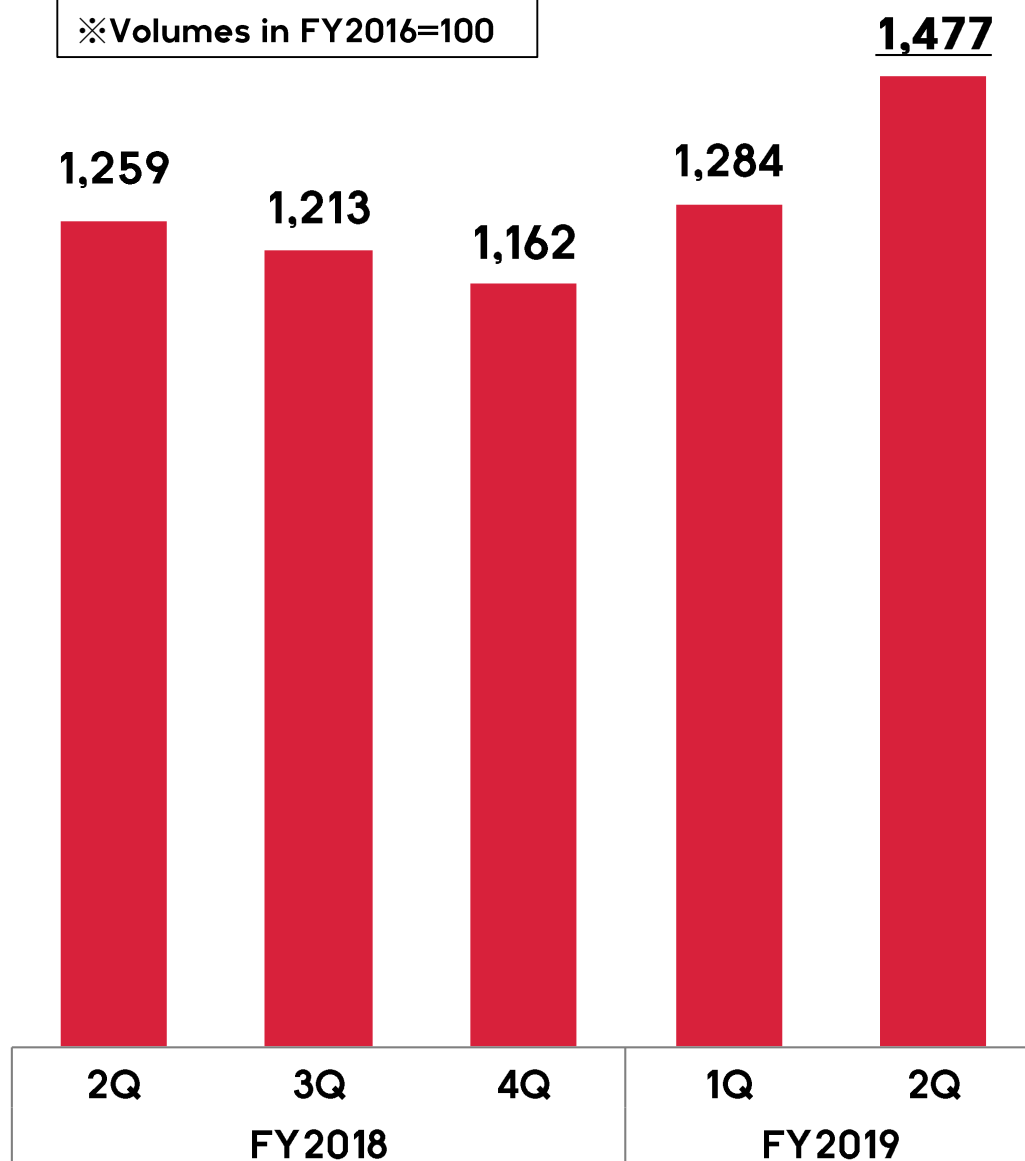
Accumulated application downloads of GANMA! : **12mn**

Monthly Page Views : **3.27bn**

(as of end of March. 2019)

Aimed to accumulate revenue from **brand ad** and **subscription revenue**, in addition to **performance ad**

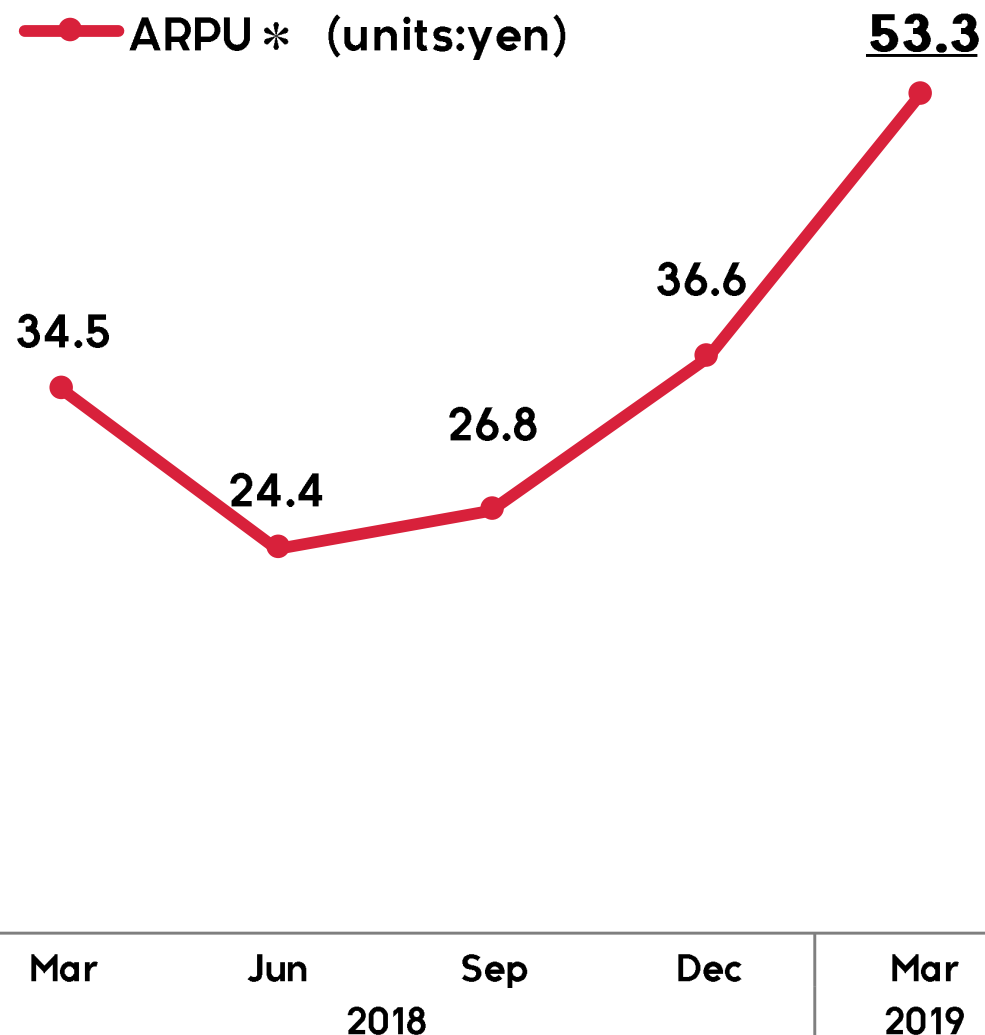
※Volumes in FY2016=100



**Application revenue
increased due to
growth in brand
advertising.**

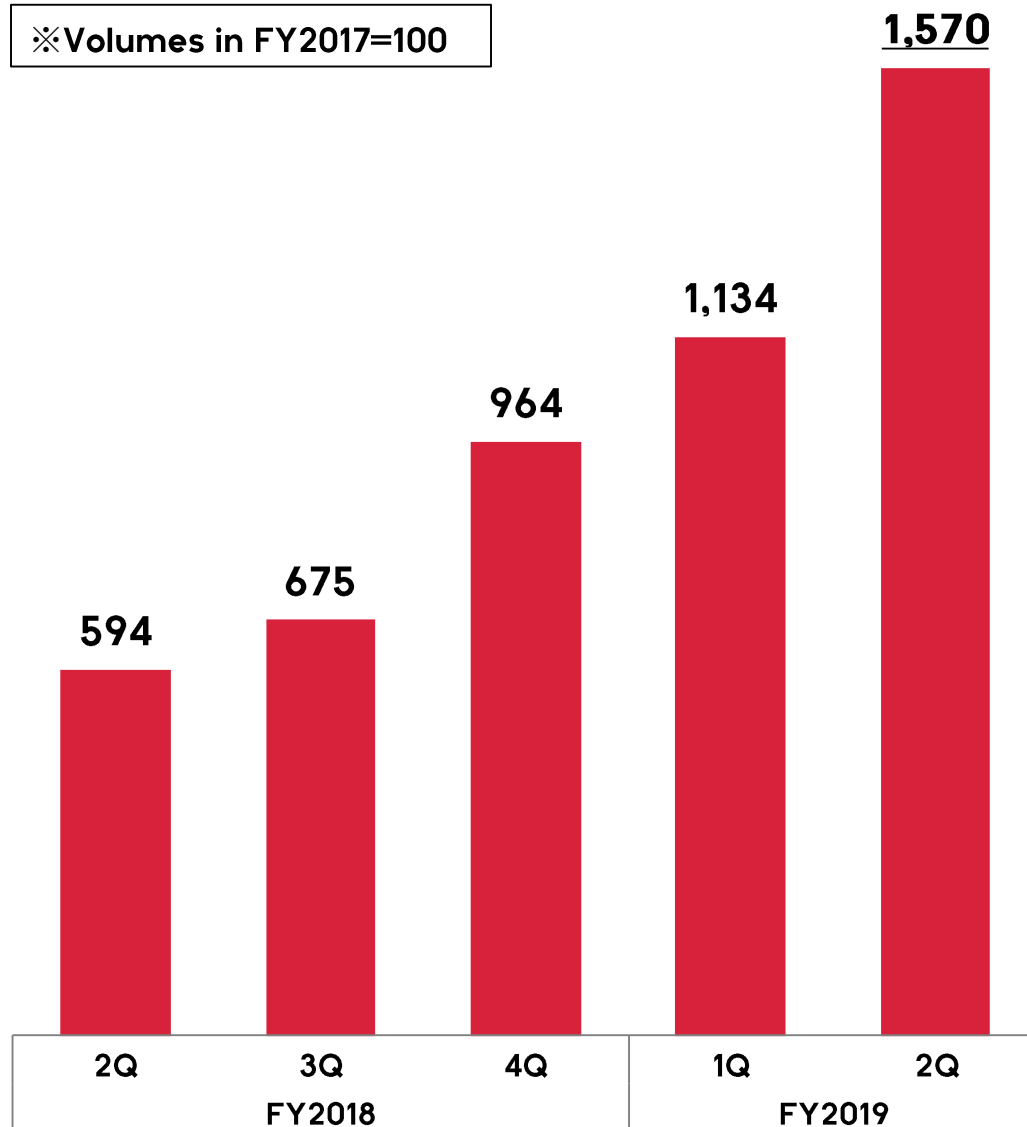
QonQ : +15.0%

YonY : +17.3%



**Revenue per user
increased
quarter on quarter.**

※Volumes in FY2017=100



Steady growth has continued since the application update.

Subscription revenue* increased due to a rise in the number of members who are billed and the amount spent by each.

* Disclosed as “App-billing revenue” on previous year

05

Progress on Earnings Estimates



Revenue and non-GAAP operating profit are steadily growing in light of the forecast. Meanwhile, net income decreased by exclusion of AXEL MARK INC. from the scope of equity method.

Internet Marketing Business

Revenue

7,678

15,300

Progress rate 50.2%

Non-GAAP
operating
profit

2,486

4,500

Progress rate 55.2%

Media Content Business

(units:¥mn)

Revenue

843

2,250

Progress rate 37.5%

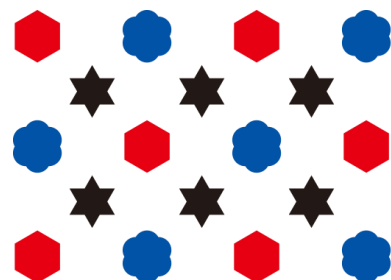
Non-GAAP
operating
profit

-514

-650

Progress rate 79.1%

*** For trend of each numerical data in the past, refer the appendix from the next page.**



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Thank you for your interest!

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 January 31, 2019 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.

Contact Information

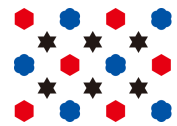
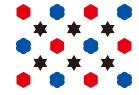
SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

www.septeni-holdings.co.jp/en/

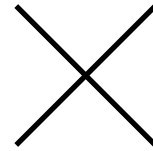
TEL: +813-6857-7258 E-mail: ir@septeni-holdings.co.jp

06

Appendix



SEPTENI



dentsu

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.

**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.**

**SEPTENI**

Short and Medium-term initiatives

dentsu

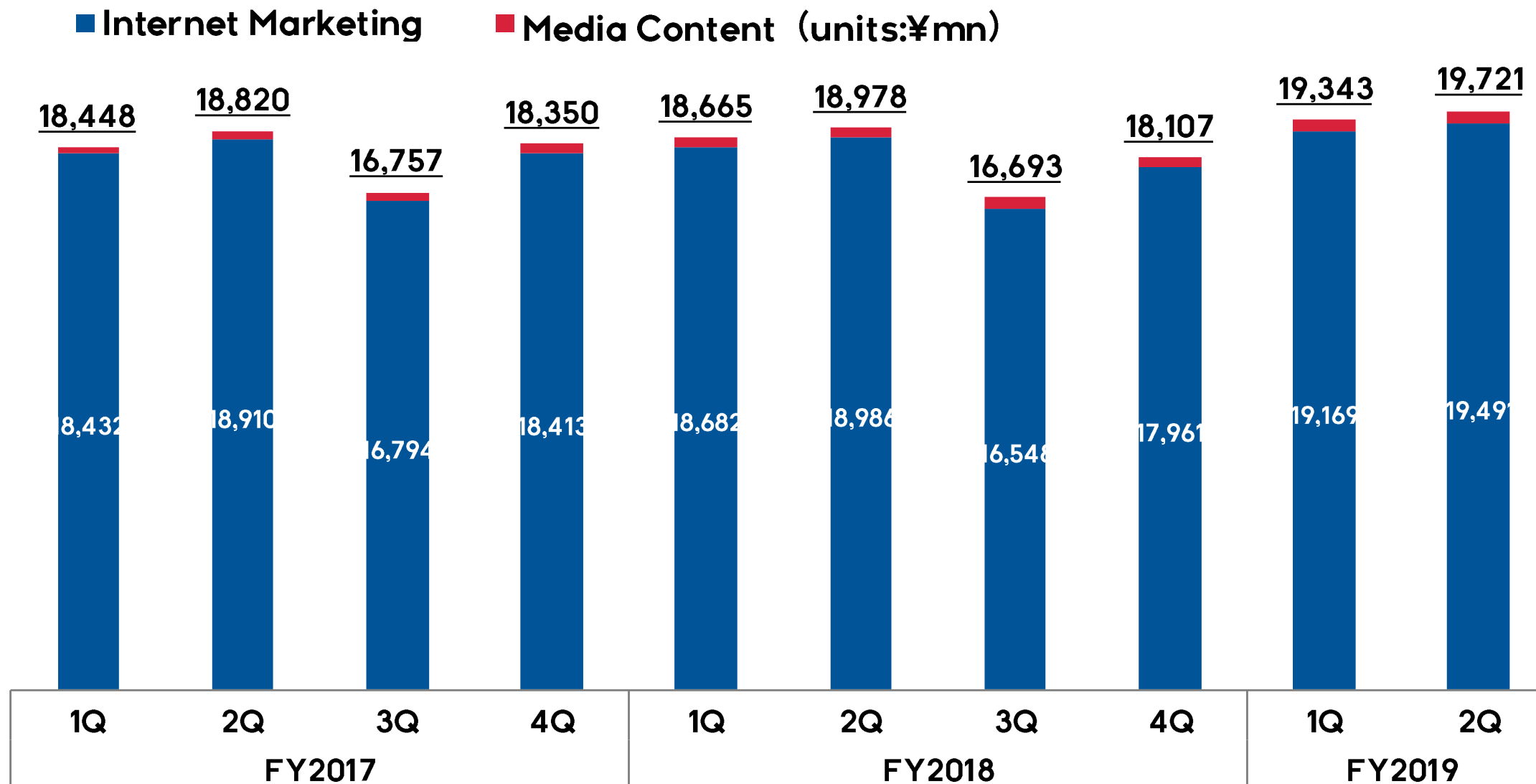
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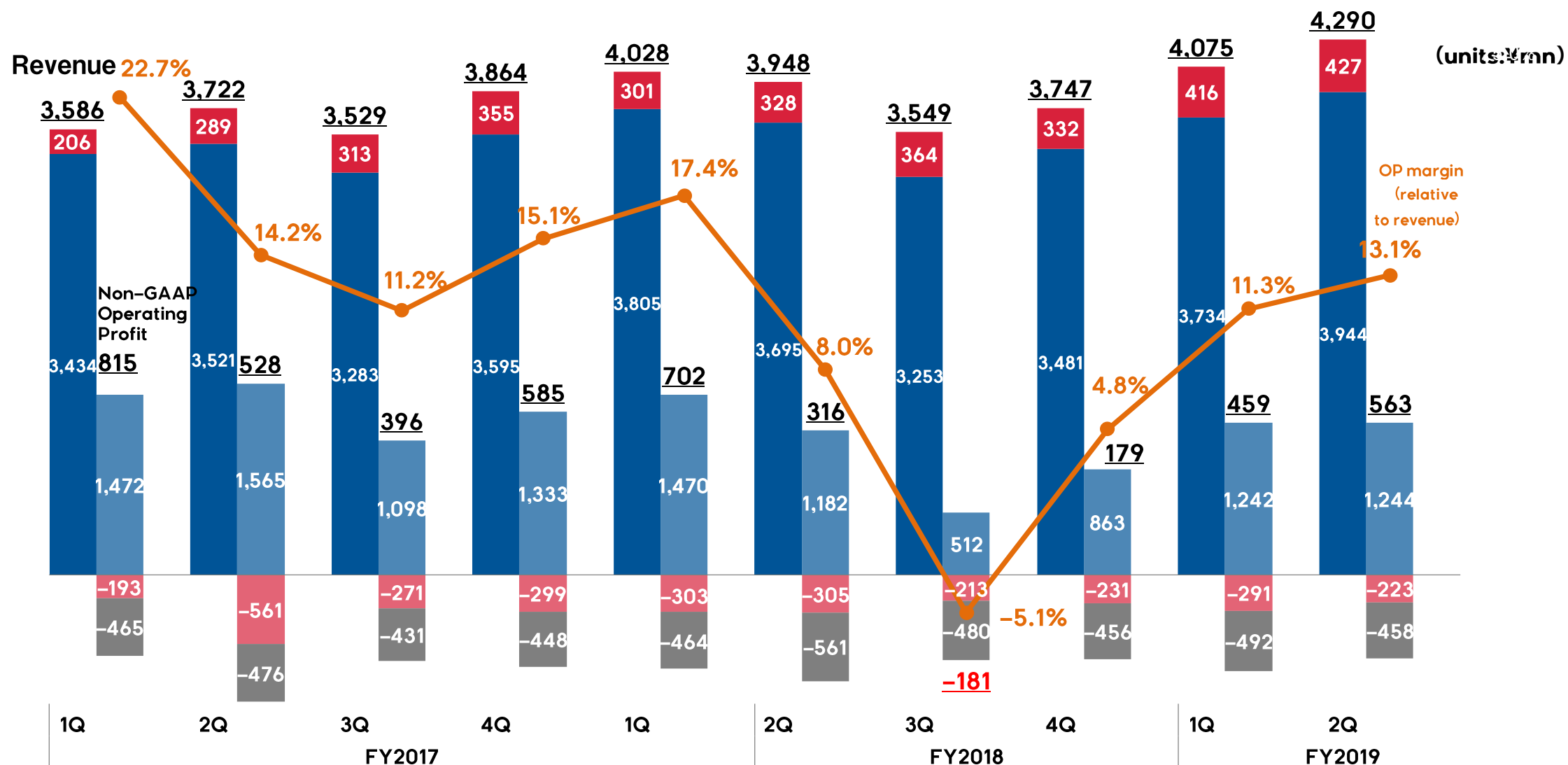
**Mutual use of data
assets held by both
companies**

**Propose integrated
marketing of online/offline
utilizing the client bases of
both companies**



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

* As the media content business has equal sales and revenue, the detailed figures refer to the "Media Content Business Quarterly Earnings Trend" described below.

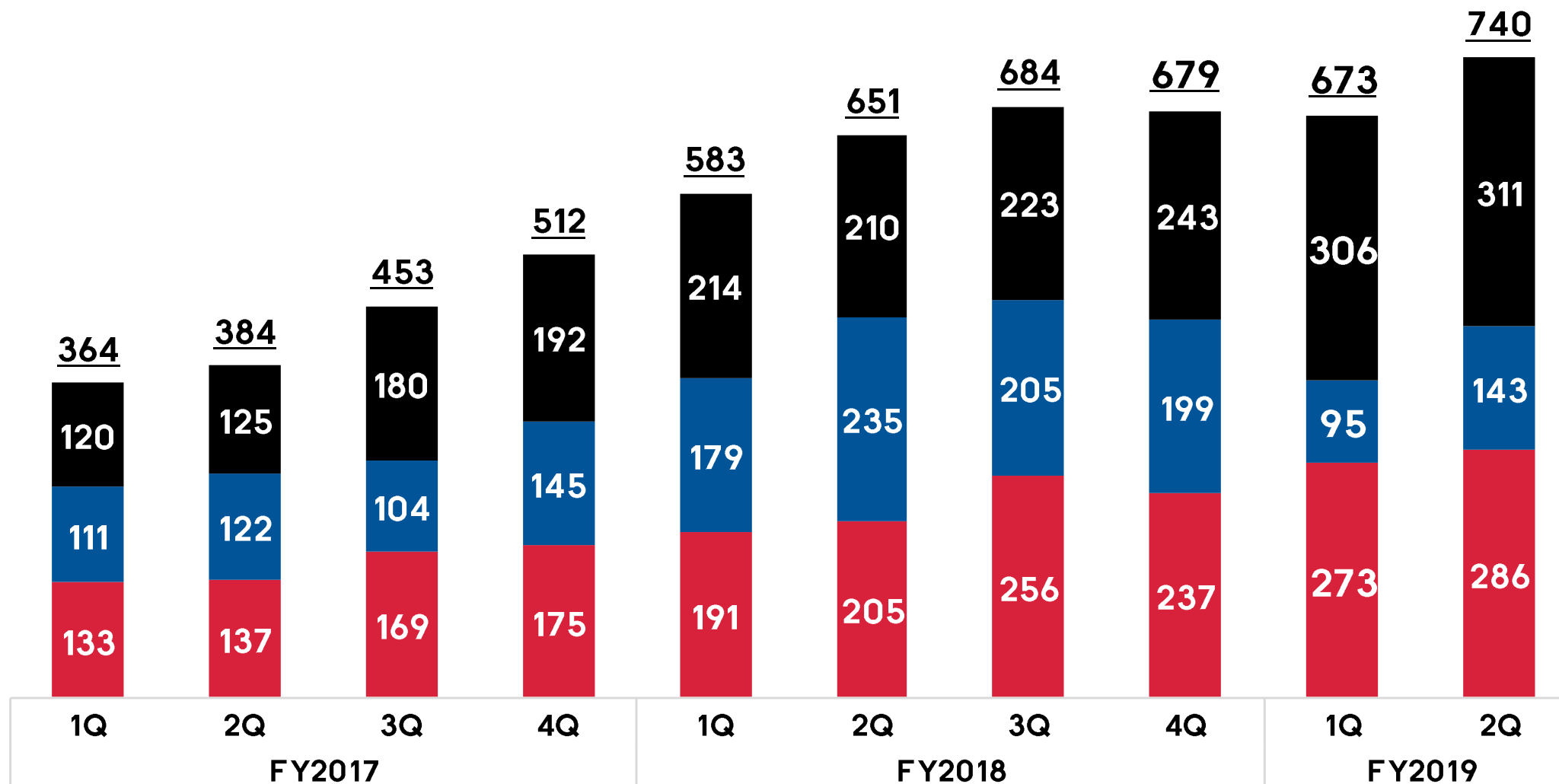


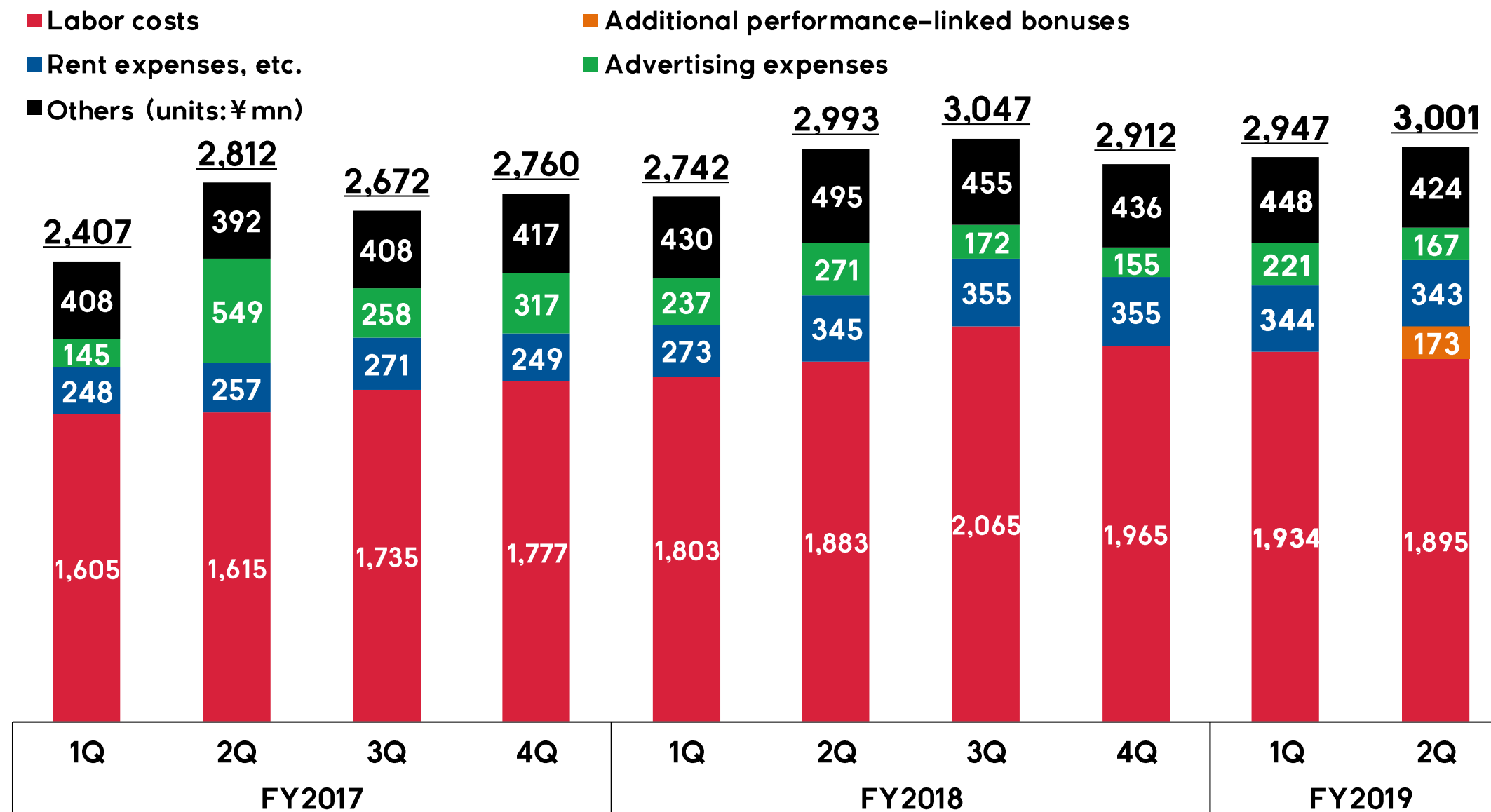
■ Internet Marketing ■ Media Content ■ Adjustment (corporate expenses, etc)

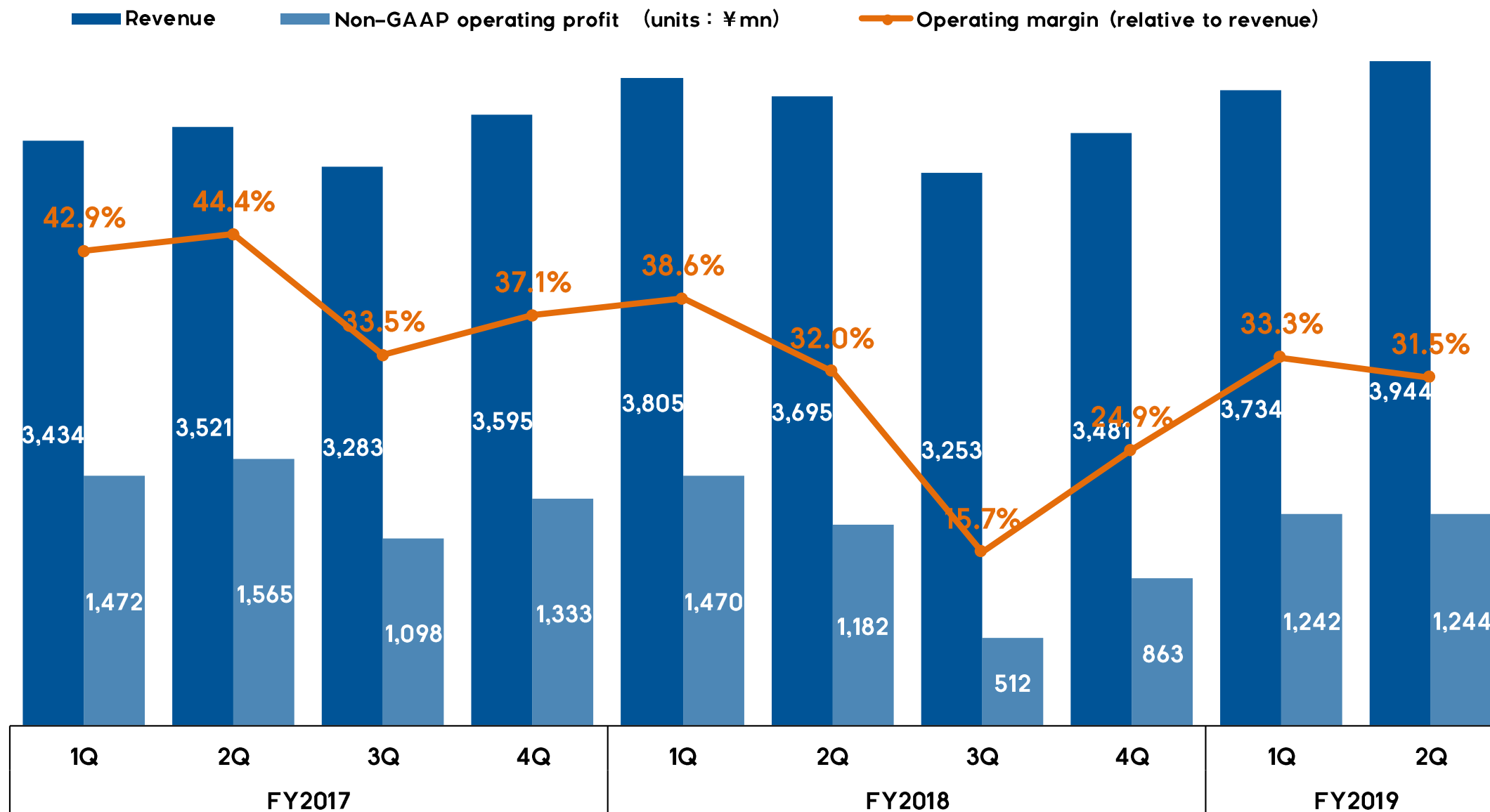
* The Statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).
 * Previous figures were revised retroactively because a change was made to the method of allocating corporate expenses to each segment, effective from FY9/18

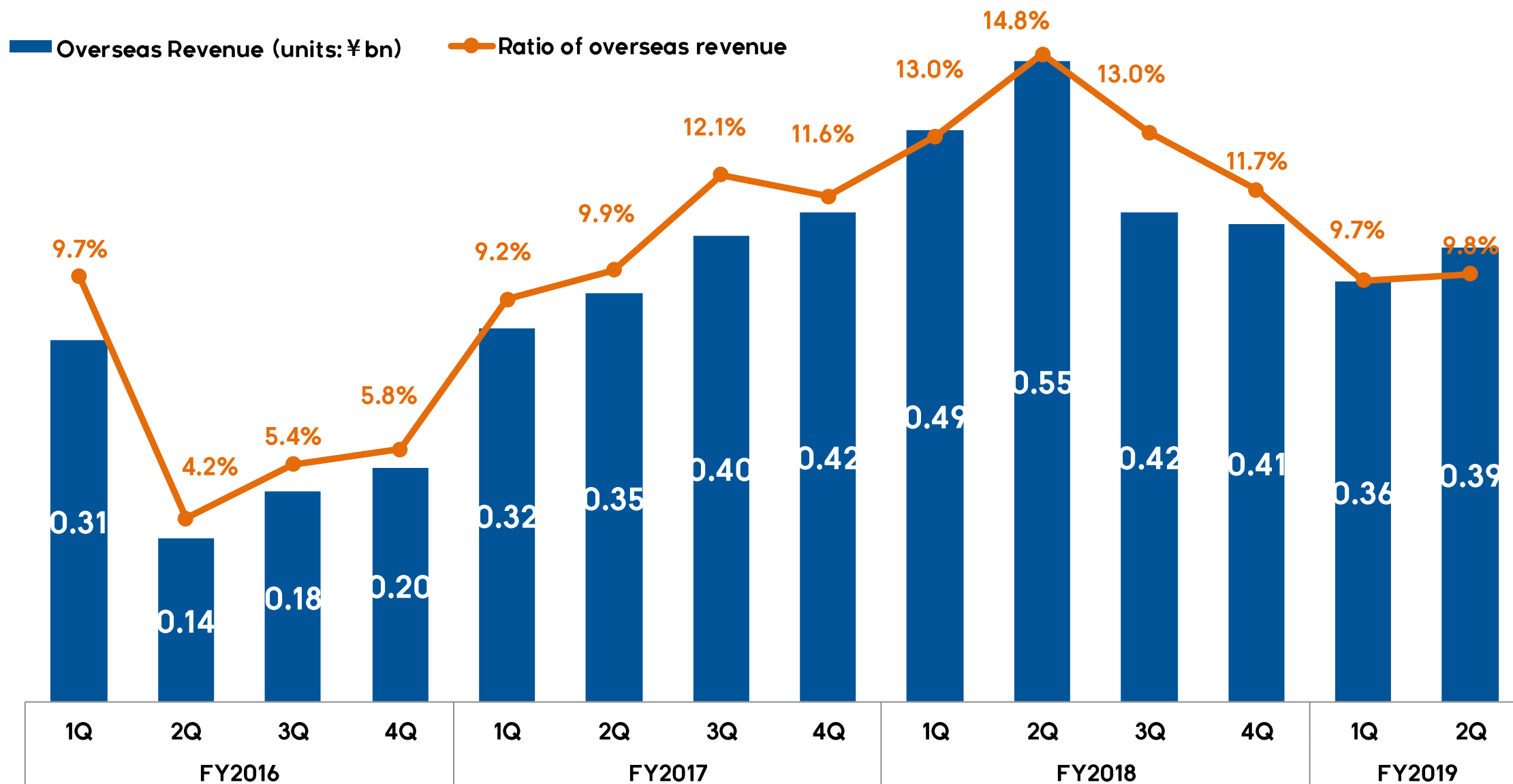
(units : ¥mn)	FY2017				FY2018				FY2019		QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q		
Total of cost of sales	364	384	453	512	583	651	684	679	673	740	+9.9%	+13.7%
Labor costs	133	137	169	175	191	205	256	237	273	286	+4.8%	+39.4%
Subcontract costs	111	122	104	145	179	235	205	199	95	143	+51.0%	-39.1%
Others	120	125	180	192	214	210	223	243	306	311	+1.7%	+47.7%
Total of SG&A	2,407	2,812	2,672	2,760	2,742	2,993	3,047	2,912	2,947	3,001	+1.8%	+0.3%
Labor costs	1,605	1,615	1,735	1,777	1,803	1,883	2,065	1,965	1,934	1,895	-2.1%	+0.7%
Additional performance-linked bonus	—	—	—	—	—	—	—	—	—	173	—	—
Rent expenses etc.	248	257	271	249	273	345	355	355	344	343	-0.3%	-0.5%
Advertising expenses	145	549	258	317	237	271	172	155	221	167	-24.4%	-38.3%
Others	408	392	408	417	430	495	455	436	448	424	-5.4%	-14.4%

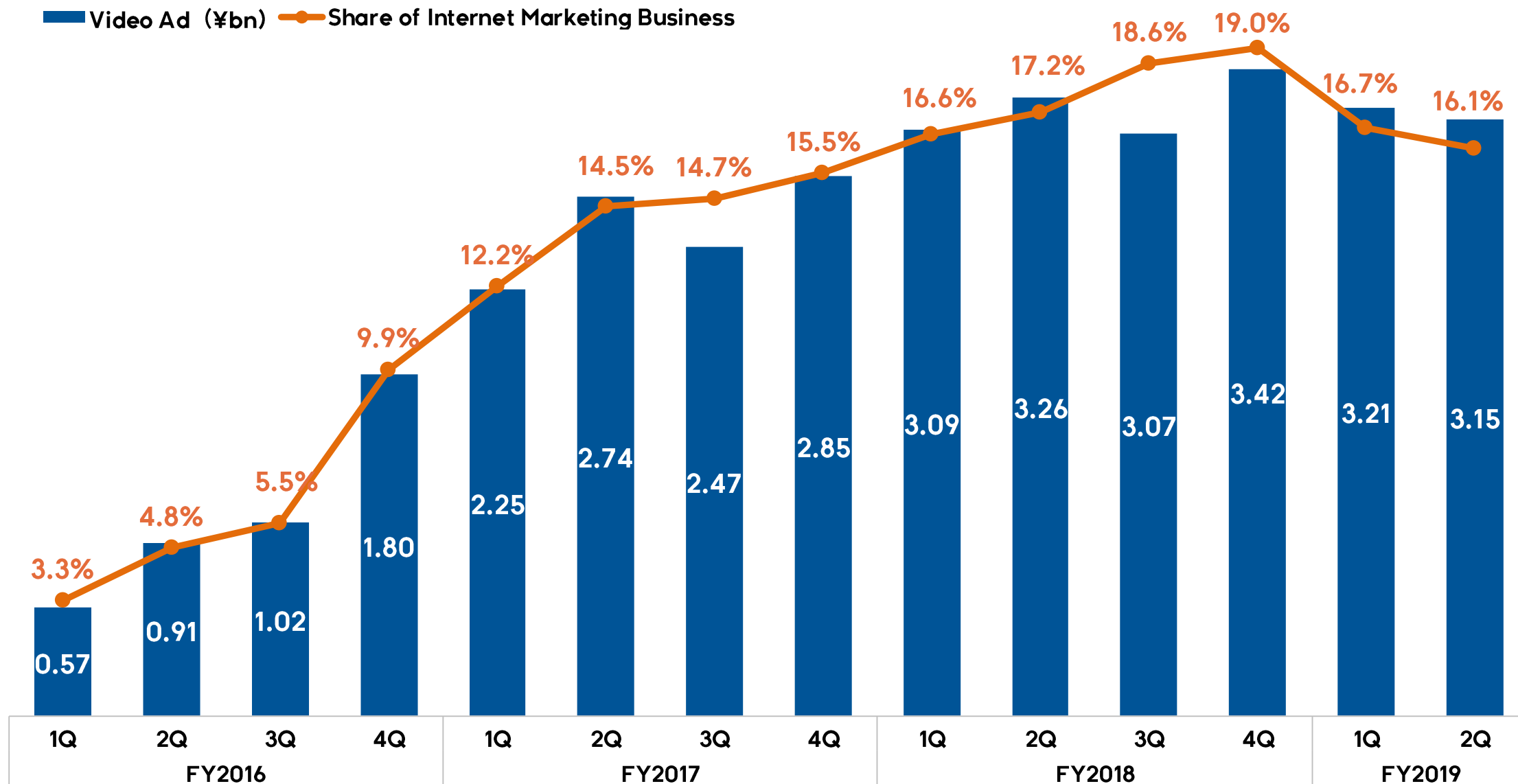
■ Labor costs ■ Subcontract costs ■ Others (units : ¥mn)

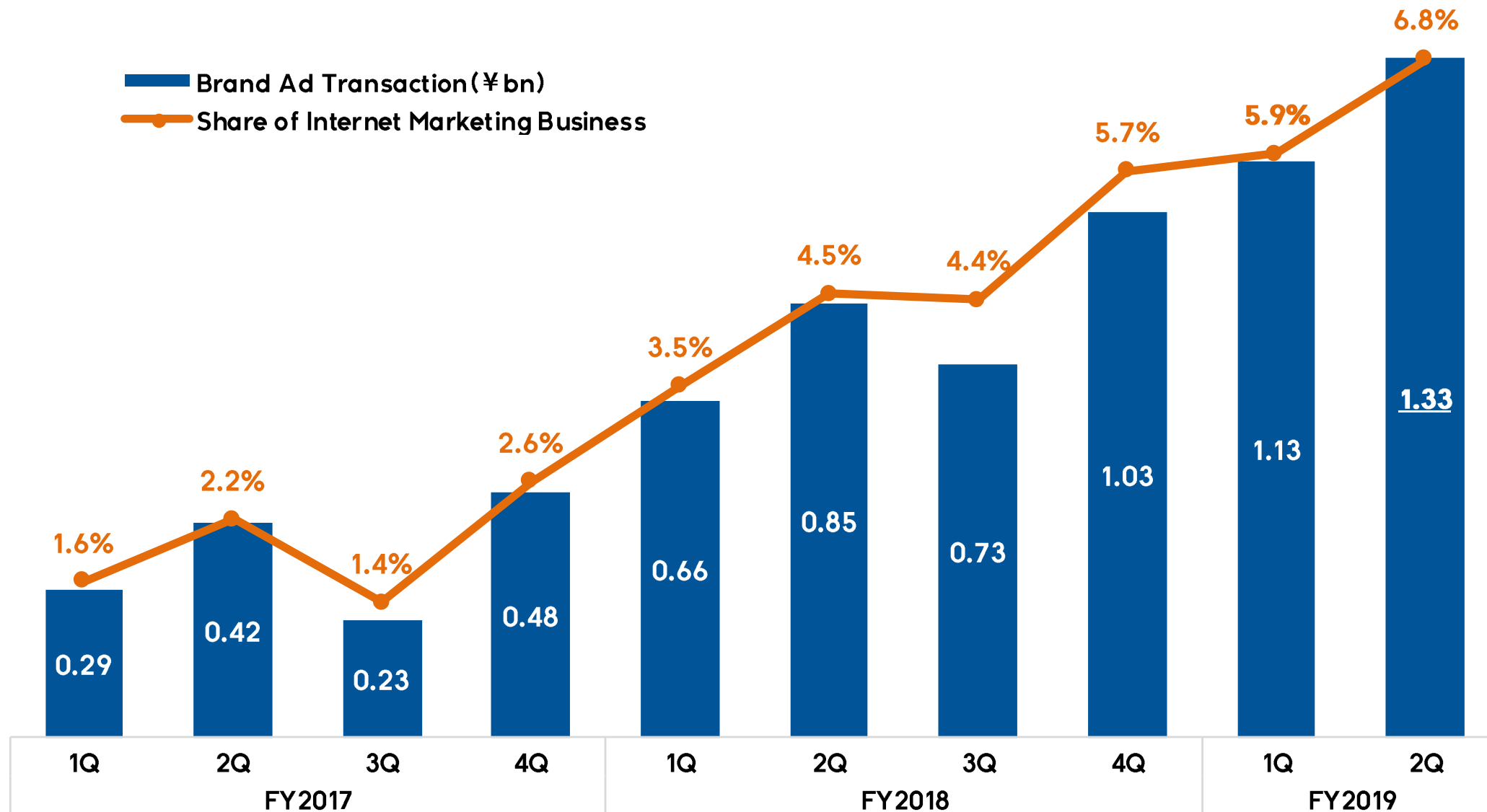


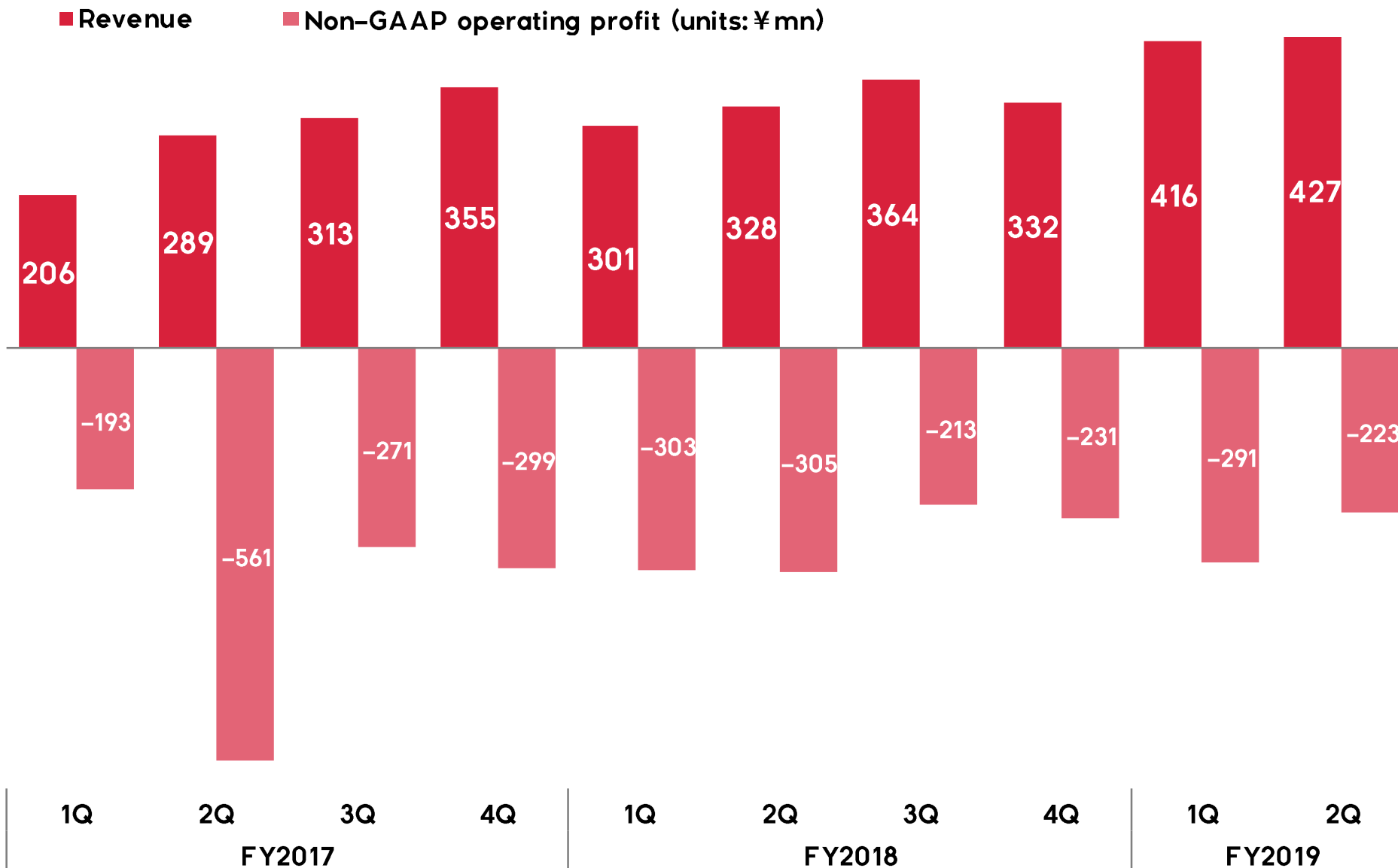


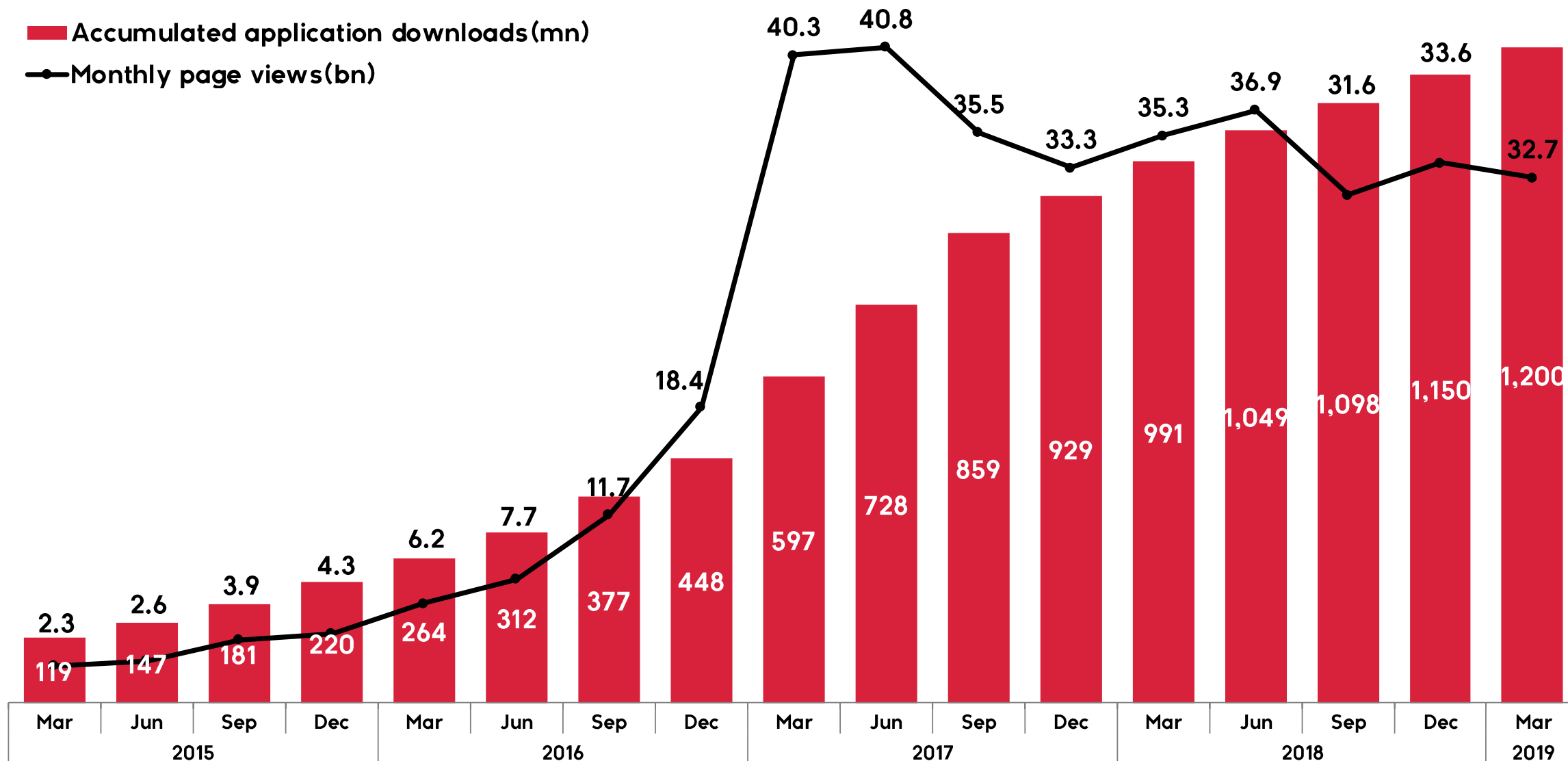


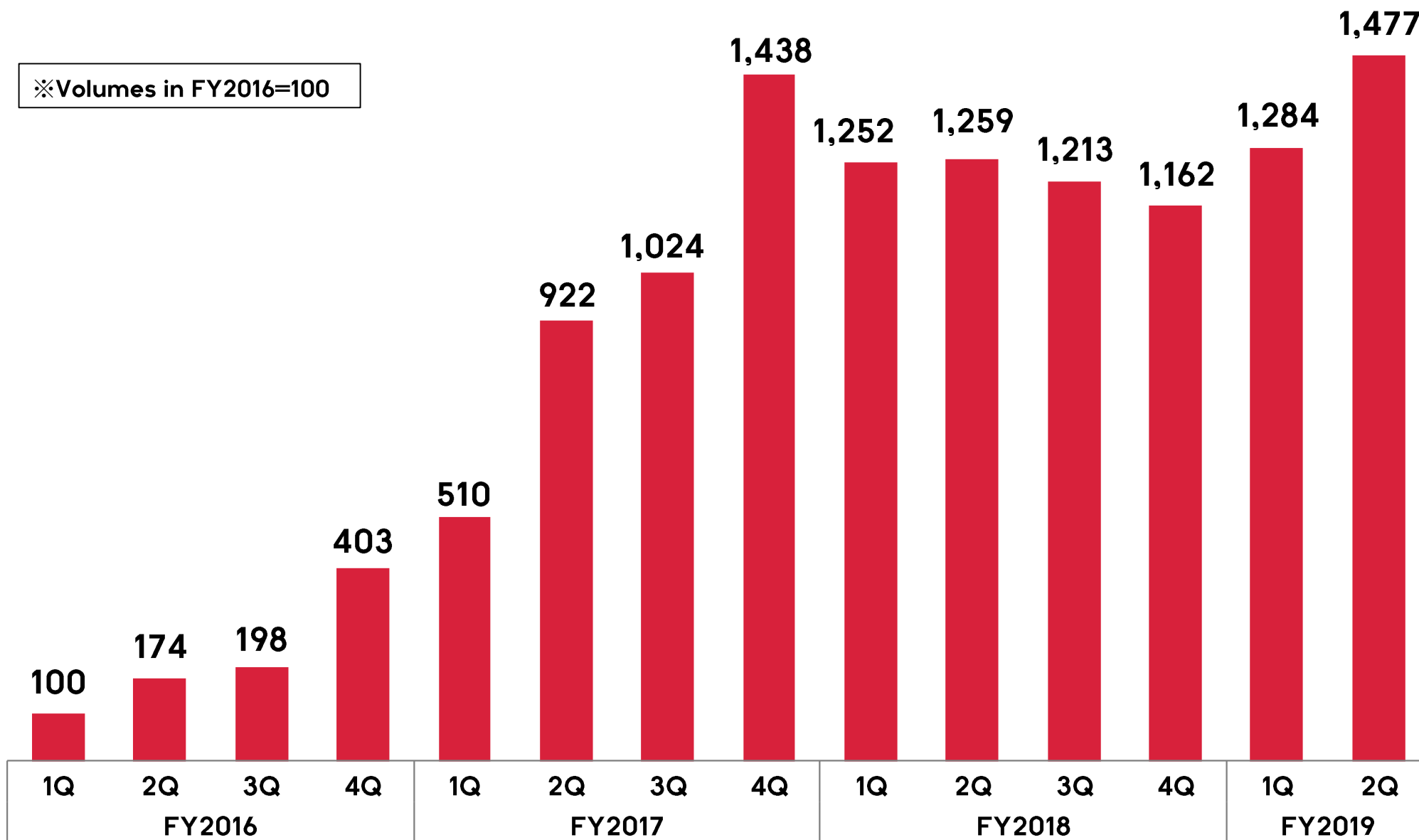


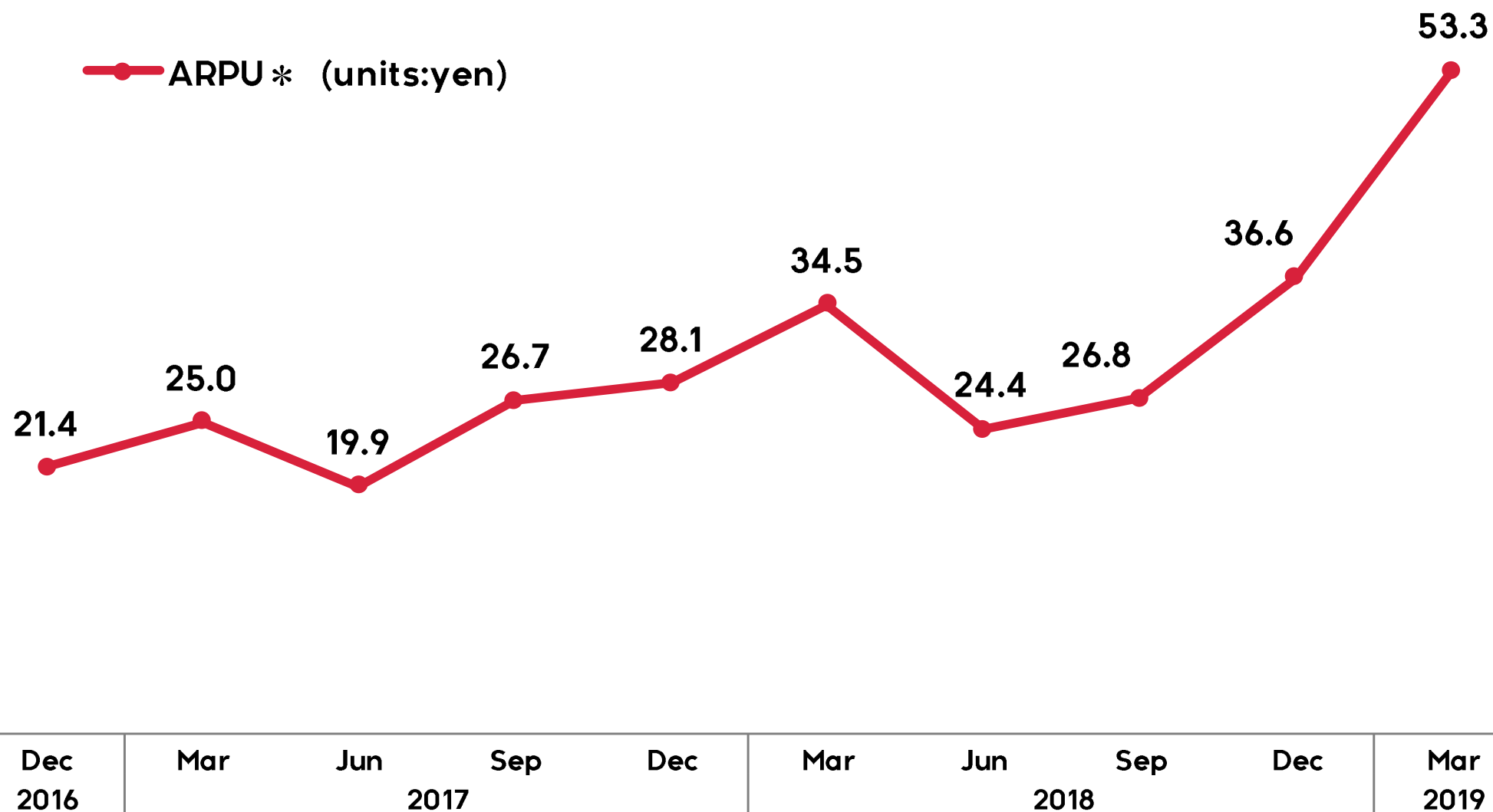








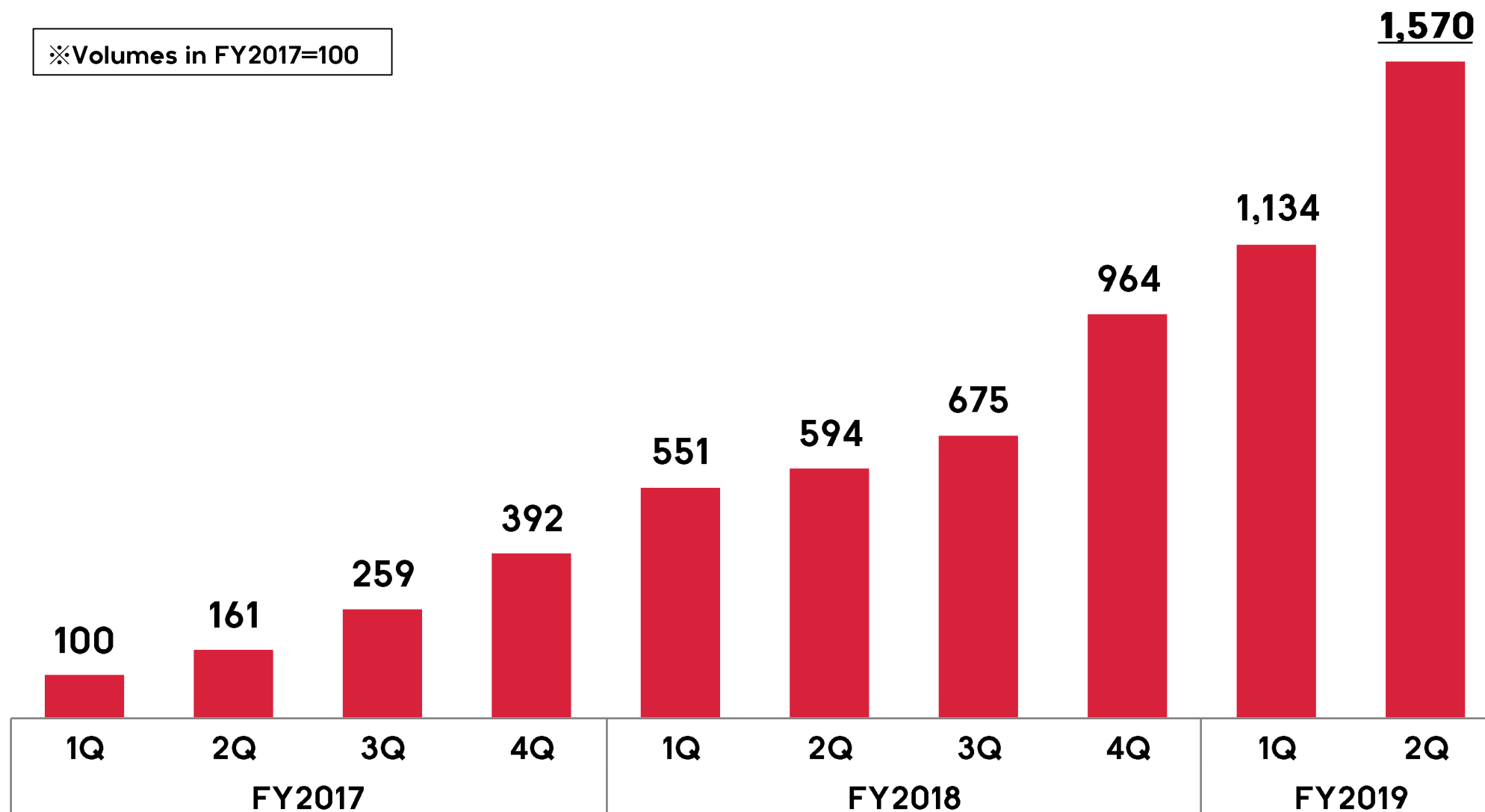




* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU



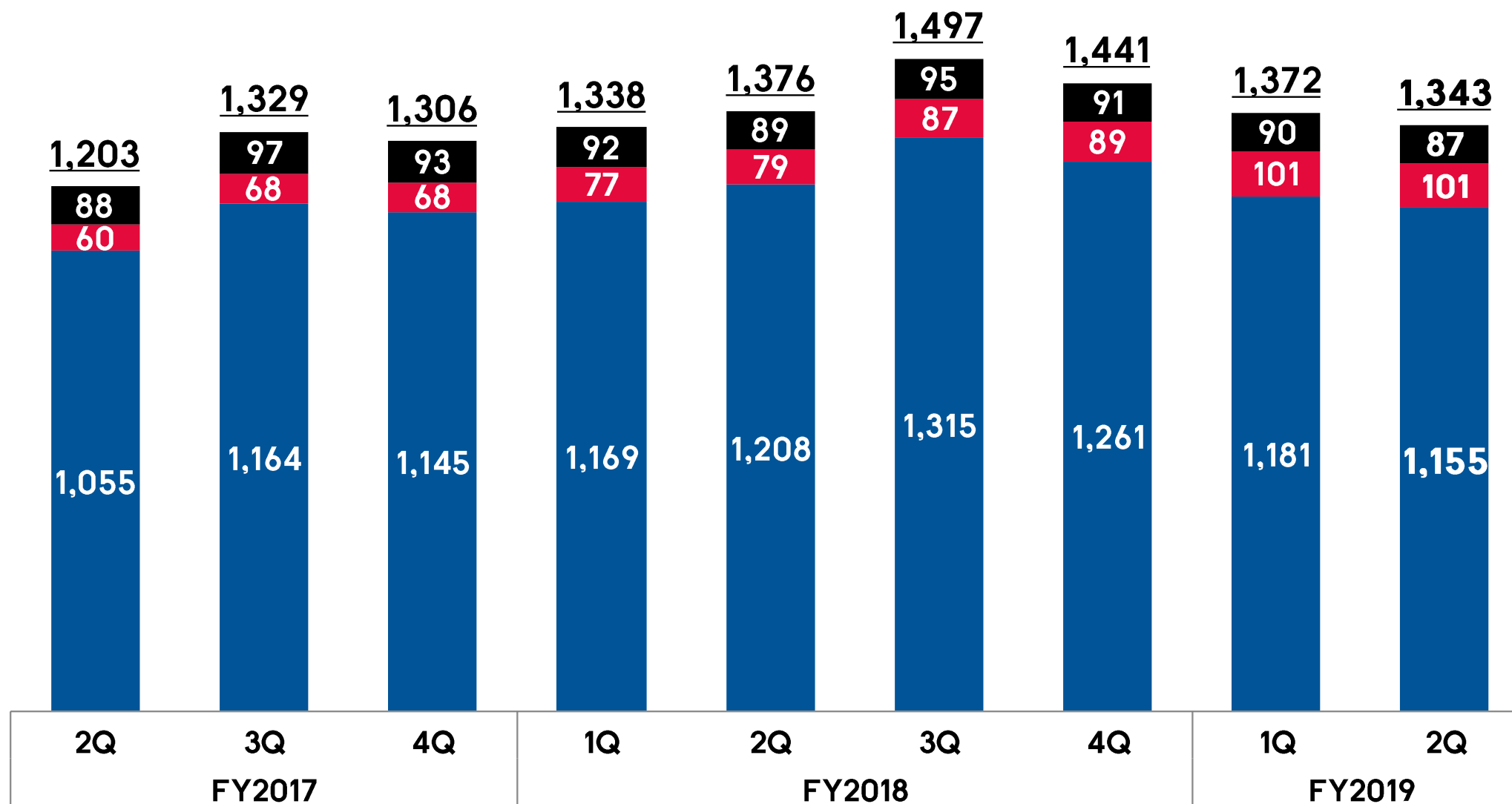
※Volumes in FY2017=100



Internet Marketing

Media Content

Holdings Company



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	¥2,125 million
Shares Issued	138,906,500 shares (including 10,724,240 treasury shares)
Consolidated Workforce	1,343 full time employees, 1,125 full time and contracted employees

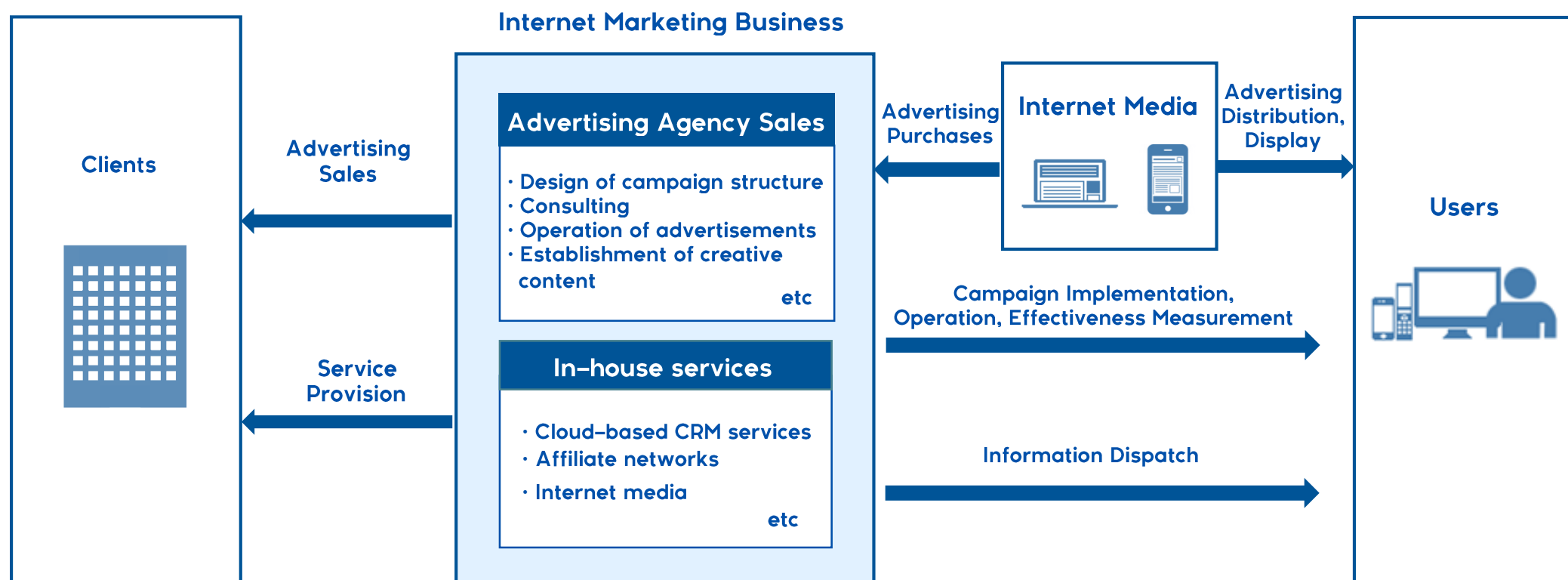
* On the consolidated balance sheet, in addition to the shares stated above, the shares of the Company held by the Board Incentive Plan (BIP) trust (1,739,200 shares) are treated as treasury stock.



Holding Company		SEPTENI HOLDINGS CO., LTD	
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	Delight Tube,Inc.	Planning, production and management of Internet media
HEDGEHOG PRODUCTS, Inc.	Internet realty marketing business	New Business Development	SEPTENI VENTURES Co., Ltd.

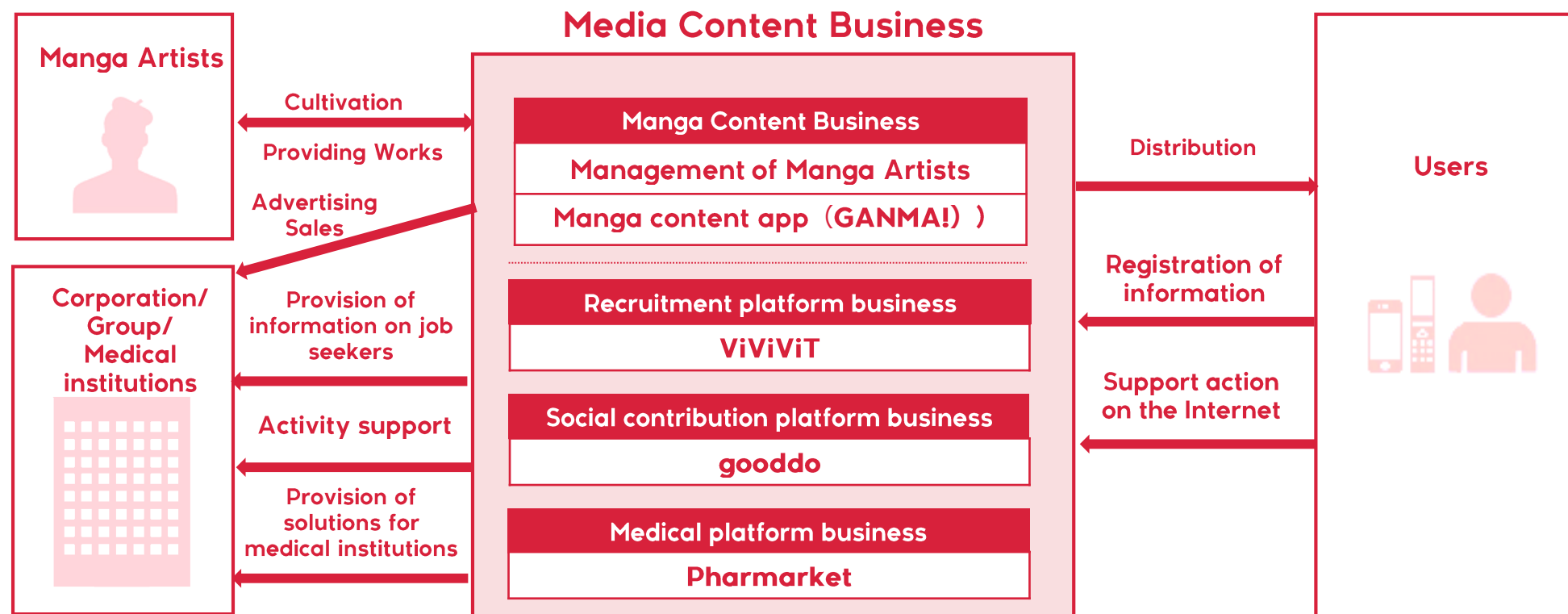
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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.



(units : ¥mn)		End 2Q FY2019	End FY2018	Change	Main Changes
Current Assets		26,615	26,223	+392	Trade receivables:+1,061 Other current assets:-682
Non-current Assets		6,952	7,148	△196	investments accounted for using the equity method:-922 Other financial assets:+784
Total Assets		33,568	33,371	+196	
Current Liabilities		13,518	12,690	+828	Trade receivables:+626
Non-current Liabilities		4,335	4,951	△616	Other financial liabilities:-399 Deferred tax liabilities:-218
Total Liabilities		17,853	17,641	+212	
Total Capital		15,714	15,730	△16	Posting of net profit:+100 Other capital components:-75 Non-controlling interests:-47
Total Liabilities and Capital		33,568	33,371	+196	

(units : ¥mn)	FY2019 2Q (Oct–Mar)	Main Changes	2Q FY2018 (Oct–Mar)
Cash Flows from Operating Activities	1,288	Profit before tax from continuing operations: +606 Equity in losses of affiliates: +371	△47
Cash Flows from Investing Activities	△227	Purchase of securities: -176 Purchase of properties: -28	△180
Cash Flows from Financing Activities	△969	Increase (decrease) in loans payable: -404 Cash dividend paid: -256	△590
Effect of Exchange Rate Changes on Cash and Cash Equivalents	△35		△7
Net Increase (Decrease) in Cash and Equivalents	58		△824
Cash and Equivalents at Term End	14,980		14,695