

# SEPTENI

## **Business Results for 4Q and Full Fiscal Year September 2019**

SEPTENI HOLDINGS CO., LTD.

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

Oct. 29, 2019

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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

**Full Year FY9/19 Review**

**Consolidated****Revenue**

**¥16,796mn** (Up 10.0% year on year)

**Non-GAAP Operating Profit**

**¥2,065mn** (Approx. 2x year on year)

**Revenue increased year on year, and Non-GAAP operating profit grew to twice that of the previous year.**

**Internet  
Marketing  
Business**

**Revenue**

**¥15,079mn** ( **Up 5.9%** year on year )

**Non-GAAP Operating Profit**

**¥4,775mn** ( **Up 18.6%** year on year )

**Both revenue and profit increased due to organic growth and progress of alliance with Dentsu.**

**Media  
Content  
Business**

**Revenue**

**¥2,005mn** (Up 51.4% year on year)

**Non-GAAP Operating Profit**

**¥-901mn** (Decreased ¥150mn year on year)

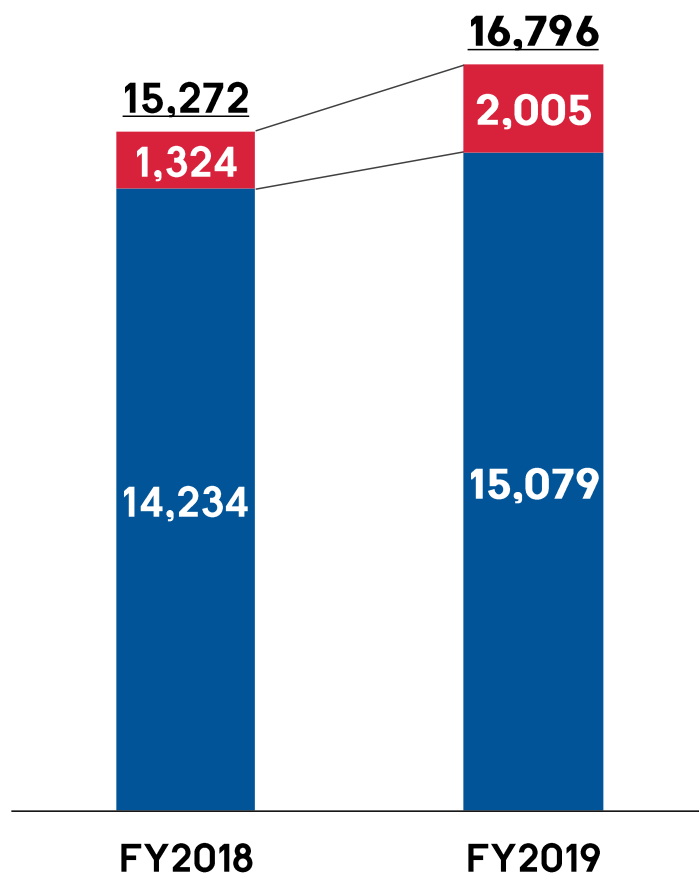
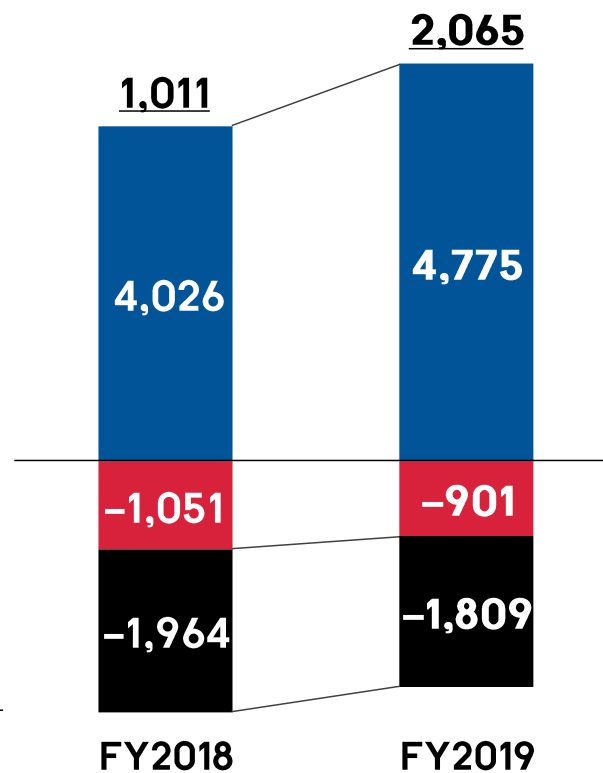
**Due to the increase in revenue, the deficit fell year on year.**

(units:¥mn)	FY9/19			FY9/18		FY2019 Estimates	Progress rate
	Value	Share	YY Change	Value	Share		
<b>Revenue</b>	16,796	100.0%	+10.0%	15,272	100.0%	17,200	97.6%
Gross profit	13,963	83.1%	+10.2%	12,674	83.0%	—	—
SG&A	11,924	71.0%	+2.0%	11,693	76.6%	—	—
<b>(i) Non-GAAP Operating profit</b>	2,065	12.3%	+104.2%	1,011	6.6%	2,000	103.2%
(ii) Adjustments (other revenues/expenses)	-1,882	—	—	-34	—	—	—
(iii) Operating profit ( (i) + (ii) )	183	1.1%	-81.3%	977	6.4%	—	—
(iv)) Share of profit of entities accounted for using equity method	-264	—	—	377	0.5%	—	—
(v) Corporate income tax expenses	466	2.8%	-8.1%	507	0.7%	—	—
<b>(vi) Profit for the period attributable to owners of the parent ( (iii) + (iv) - (v) )</b>	-547	—	—	847	5.6%	-734	—
<b>[Reference] Net Sales</b>	76,501	—	+5.6%	72,443	—	77,000	99.4%

※\*The amount of adjustments is the total of an temporary income in other revenues and temporary expenses in other expenses.  
It mainly includes the impairment loss of 1,802 million yen on goodwill etc. related to Lion & Lion.

**Revenue was below the forecast slightly,  
but Non-GAAP operating profit achieved the forecast.**

## Revenue

Non-GAAP  
Operating profit

Revenue and profit increased year on year in each segments.

Internet Marketing Business achieved its first profit growth in three fiscal years.

■ Internet Marketing ■ Media Content ■ Adjustment (Corporate Expenses etc.) (units:¥mn)

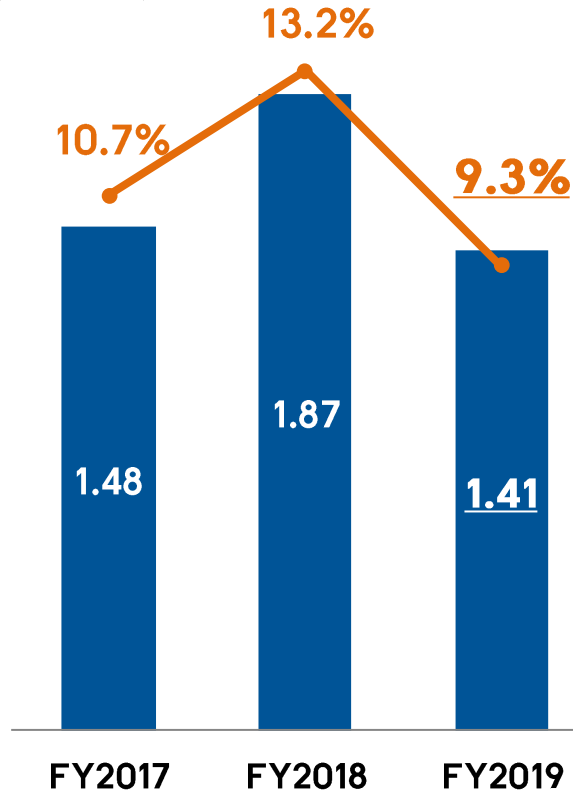
※The statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).



## Overseas Revenue

—●— Component ratio to revenue

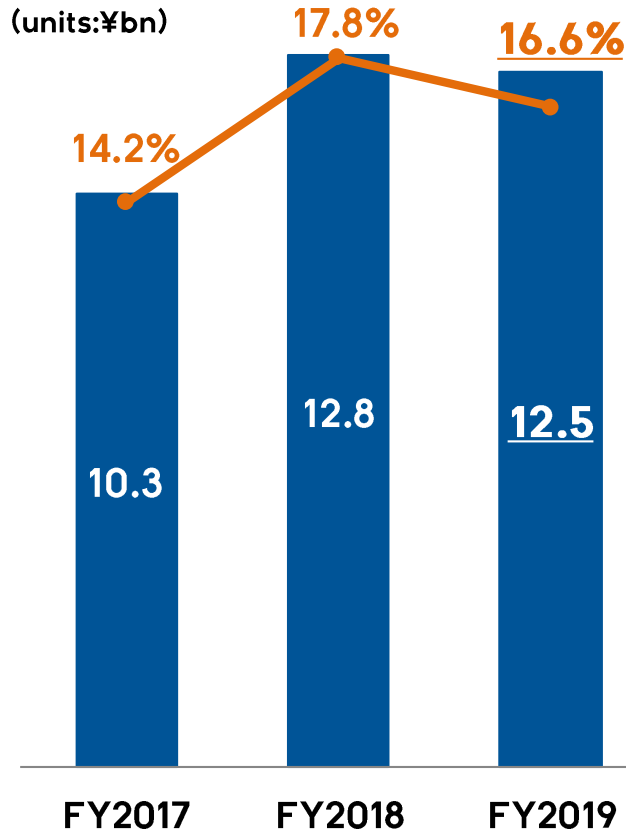
(units:¥bn)



## Transaction of Video ad

—●— Component ratio to net sales

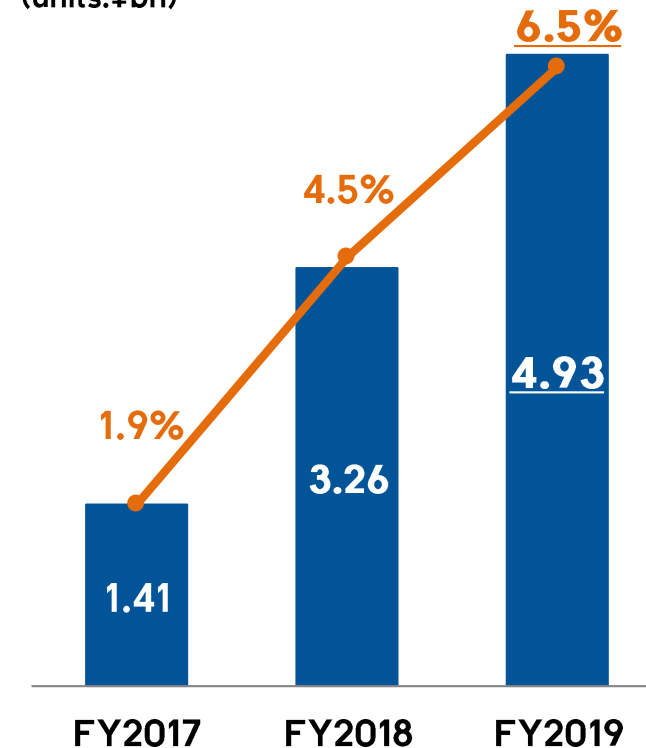
(units:¥bn)



## Transaction of Domestic Brand ad

—●— Component ratio to net sales

(units:¥bn)

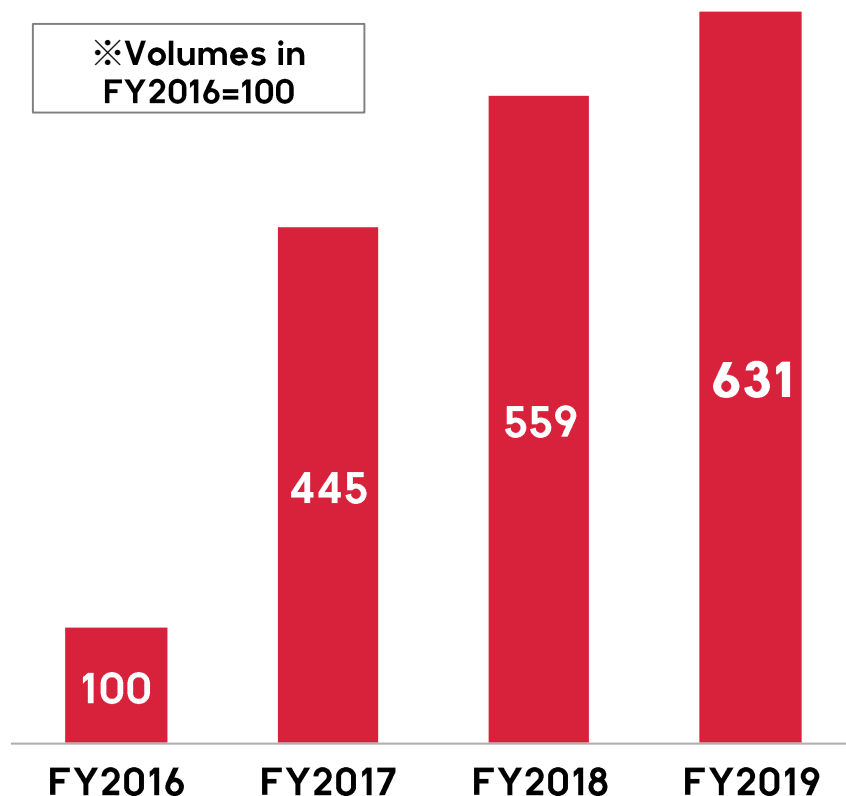


Overseas revenue decreased and video ad revenue decreased slightly, but transaction of brand ad grew rapidly by 3.5 times in two years.

### Application Revenue Trend

■ Application Revenue (Index)

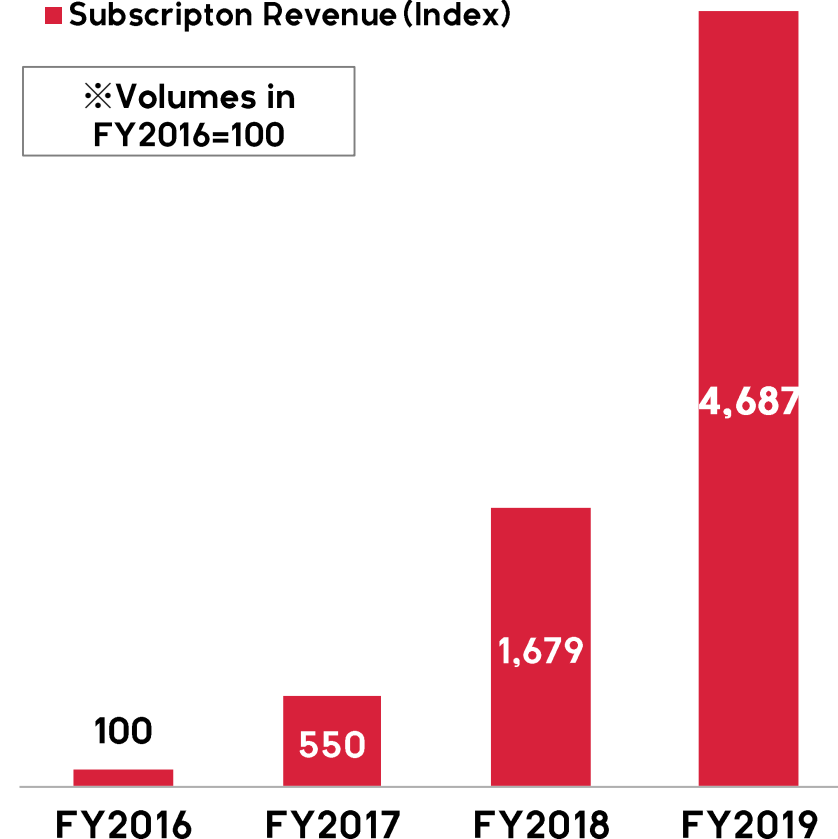
※ Volumes in  
FY2016=100



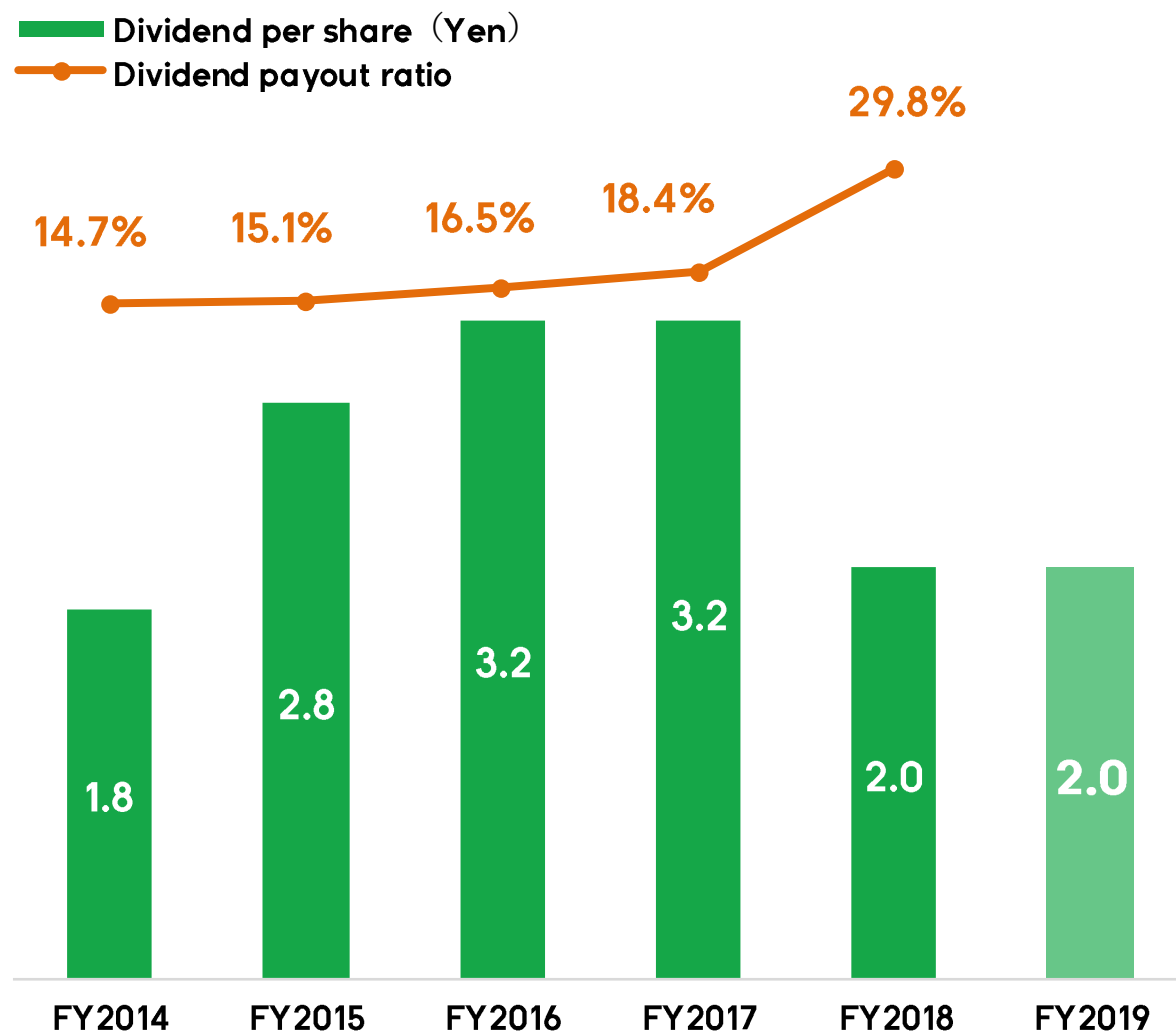
### Subscription Revenue Trend

■ Subscription Revenue (Index)

※ Volumes in  
FY2016=100



**Increase in brand ad and subscription revenues drove growth, and app revenue increased.**



Although profit for the period declined temporarily due to impairment losses, cash flows for the current fiscal year will remain unaffected.

In consideration of the consistent and stable payment of dividends, **¥2.0** (lower limit) will be paid as the annual dividends for the fiscal year ending September 30, 2019.

※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.

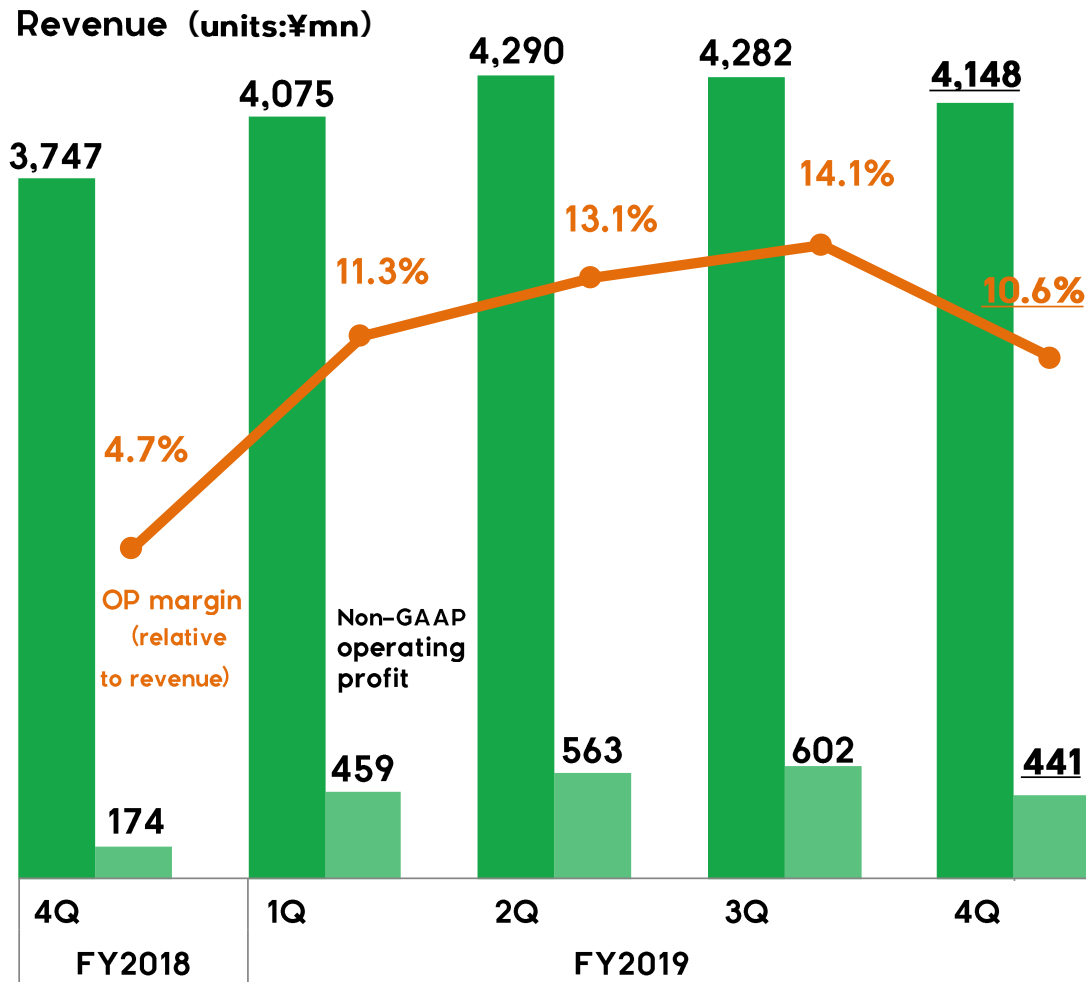
# 02

## Quarterly Consolidated Earnings Overview

(units:¥mn)	4Q FY2019			4Q FY2018	
	Value	Share	YY Change	Value	Share
<b>Revenue</b>	4,148	100.0%	+10.7%	3,747	100.0%
Gross Profit	3,418	82.4%	+11.4%	3,068	81.9%
SG&A	2,985	72.0%	+2.5%	2,912	77.7%
<b>Non-GAAP Operating Profit</b>	441	10.6%	+152.7%	174(※)	4.7%
Operating Profit	427	10.3%	+183.7%	150	4.0%
<b>Profit for the period attributable to owners of the parent</b>	467	11.3%	+488.3%	79	2.1%
<b>[Reference] Net Sales</b>	18,018	—	-0.5%	18,107	—

An incorrect value in the presentation material for the first quarter of the fiscal year ended September 30, 2019 was corrected in the quarter under review. Before correction 179; after correction 174. The same correction has been made to all applicable pages.

**Organic growth contributed to revenue and profit growth despite a temporary increase in SG&A expenses due to the cost of 52 million yen incurred for the structural reform of Lion & Lion.**



Revenue **¥4,148mn**  
(Up **10.7%** year on year)

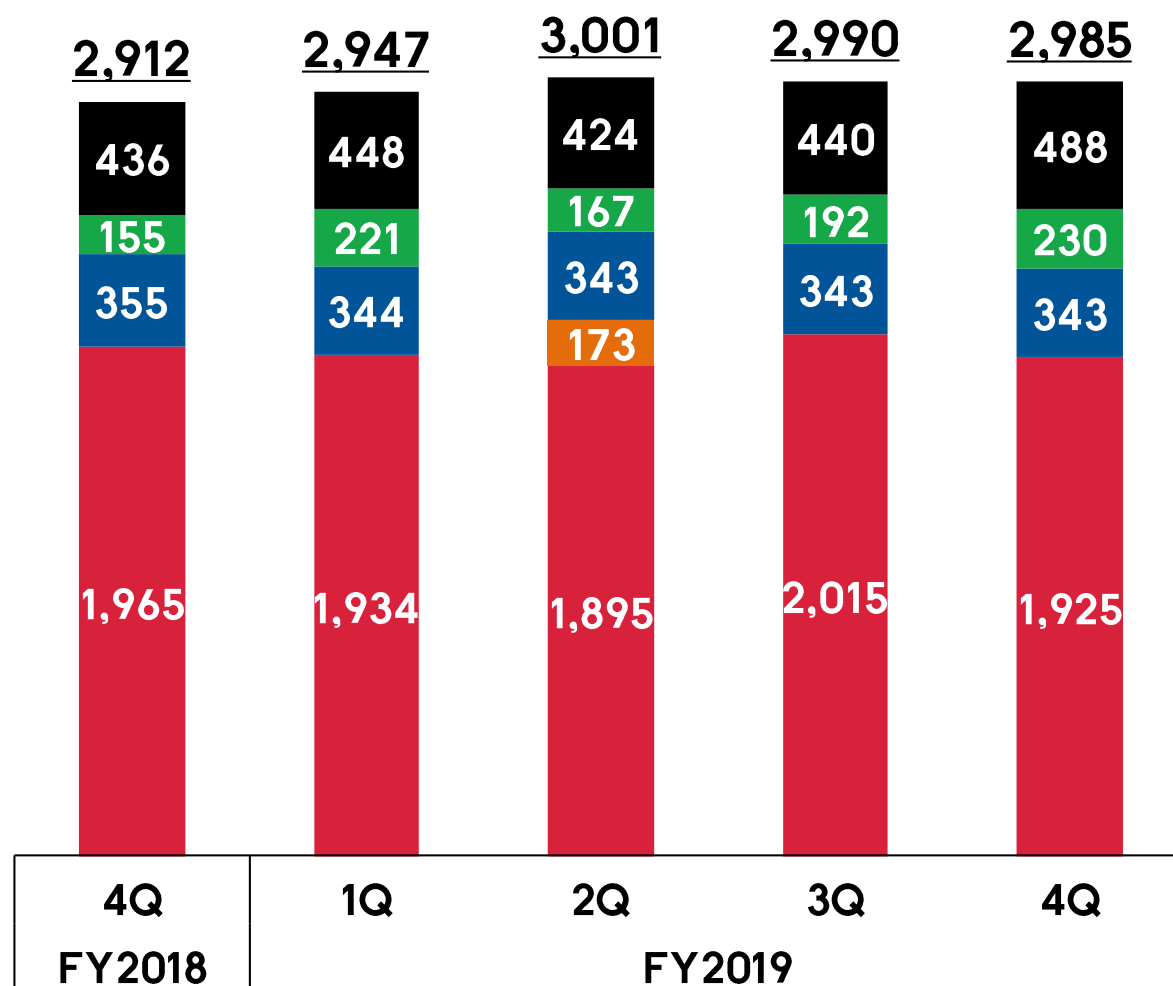
Non-GAAP  
operating profit **¥441mn**  
(Approx. **2.5x** year on year)

**Revenue growth continued year on year, and  
Non-GAAP operating profit recovered substantially.**

(units:¥mn)	FY2018	FY2019				QonQ	YonY
	4Q	1Q	2Q	3Q	4Q		
<b>Total of cost of sales</b>	679	673	740	690	728	+5.6%	+7.2%
Labor costs	237	273	286	230	238	+3.3%	+0.4%
Subcontract costs	199	95	143	98	112	+15.2%	-43.6%
Others	243	306	311	362	378	+4.3%	+55.3%
<b>Total of SG&amp;A</b>	2,912	2,947	3,001	2,990	2,985	-0.2%	+2.5%
Labor costs	1,965	1,934	1,895	2,015	1,925	-4.5%	-2.1%
Additional performance-linked bonus	—	—	173	—	—	—	—
Rent expenses etc.	355	344	343	343	343	-0.1%	-3.5%
Advertising expenses	155	221	167	192	230	+19.7%	+48.7%
Others	436	448	424	440	488	+10.9%	+11.7%

**Costs increased due to the expansion of the Media Content Business.  
The Company will continue to implement cost control.**

- Labor costs
- Additional performance-linked bonuses
- Rent expenses, etc.
- Advertising expenses
- Others (units:¥mn)



**The effect of cost control continued, and SG&A expenses remained in line with the plan in Q4 of FY2019.**

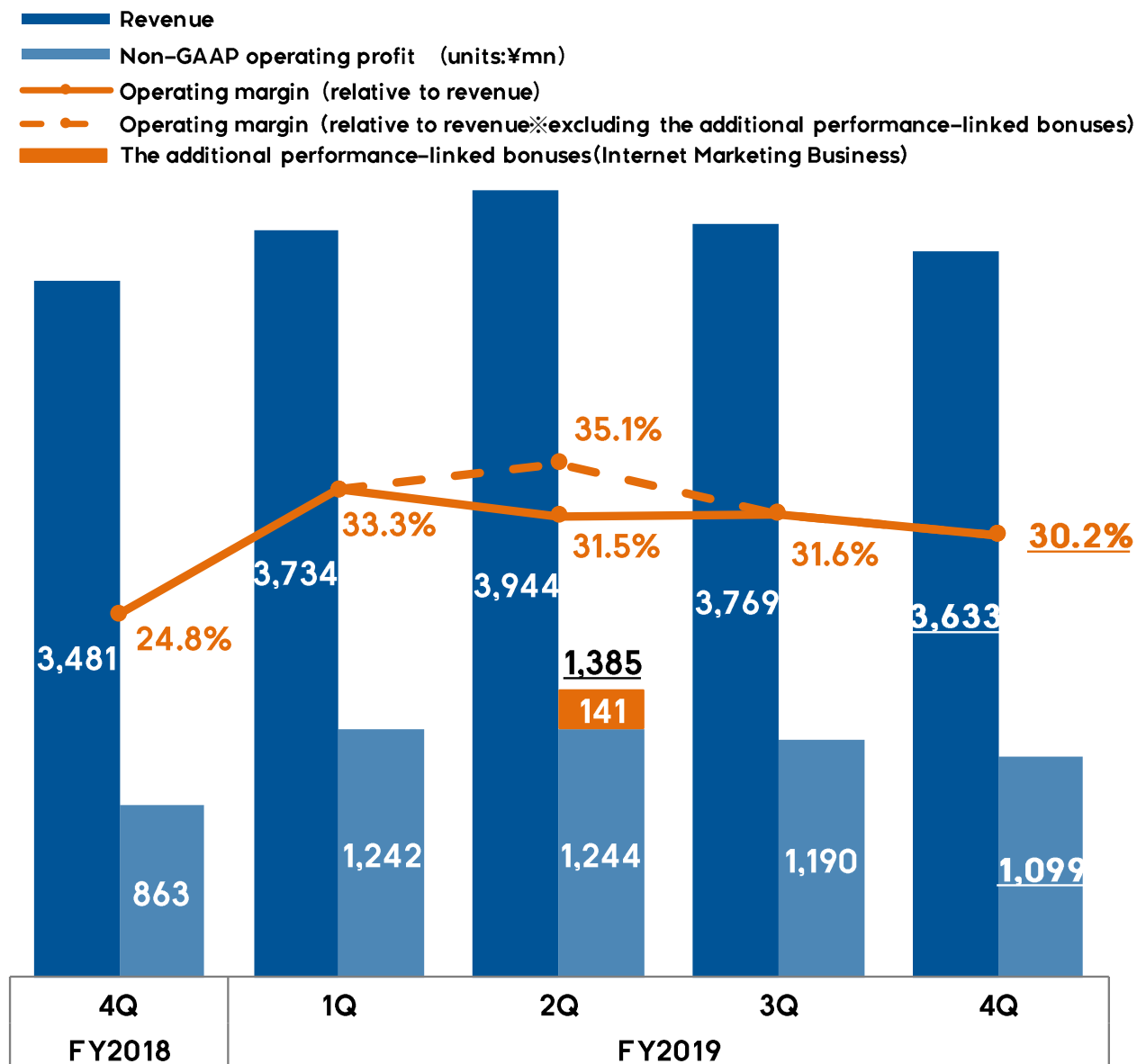


03

**Internet Marketing Business**

(units:¥mn)	4Q FY2019			4Q FY2018	
	Value	Share	YY Change	Value	Share
<b>Revenue</b>	3,633	100.0%	+4.4%	3,481	100.0%
<b>Gross profit</b>	3,142	86.5%	+6.2%	2,957	85.0%
<b>SG&amp;A</b>	2,051	56.5%	− 2.6%	2,106	60.5%
<b>Non-GAAP Operating profit</b>	1,099	30.2%	+27.4%	863	24.8%
<b>【Reference】 Net Sales</b>	17,639	—	− 1.8%	17,961	—

**Revenue increased and profit grew significantly due to the steady expansion of short-term measures for the alliance with Dentsu.**



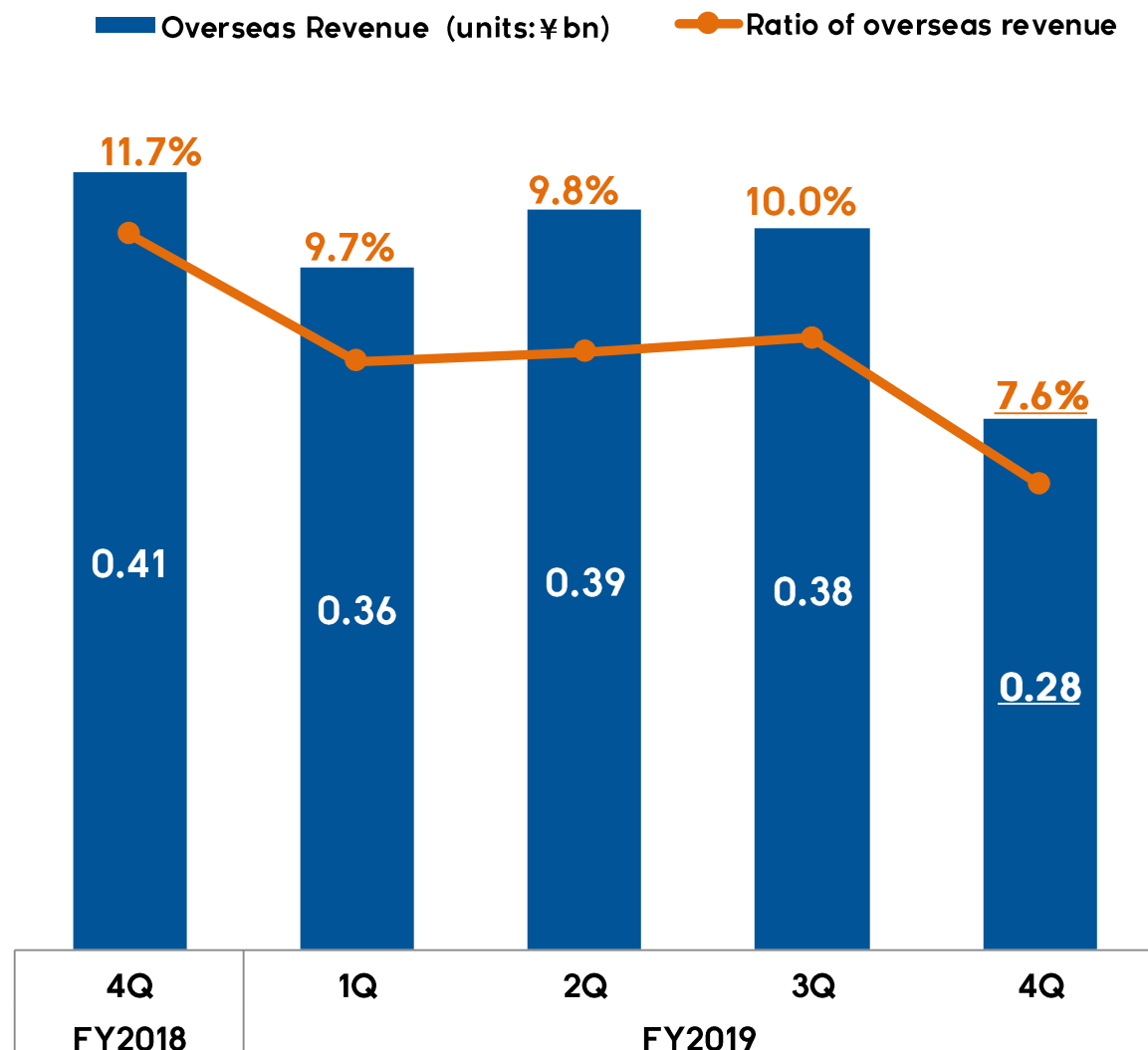
Profit decreased quarter on quarter, largely due to cost for structural reform related to Lion & Lion.

Revenue increased **4.4%** and profit increased **27.4%** year on year.



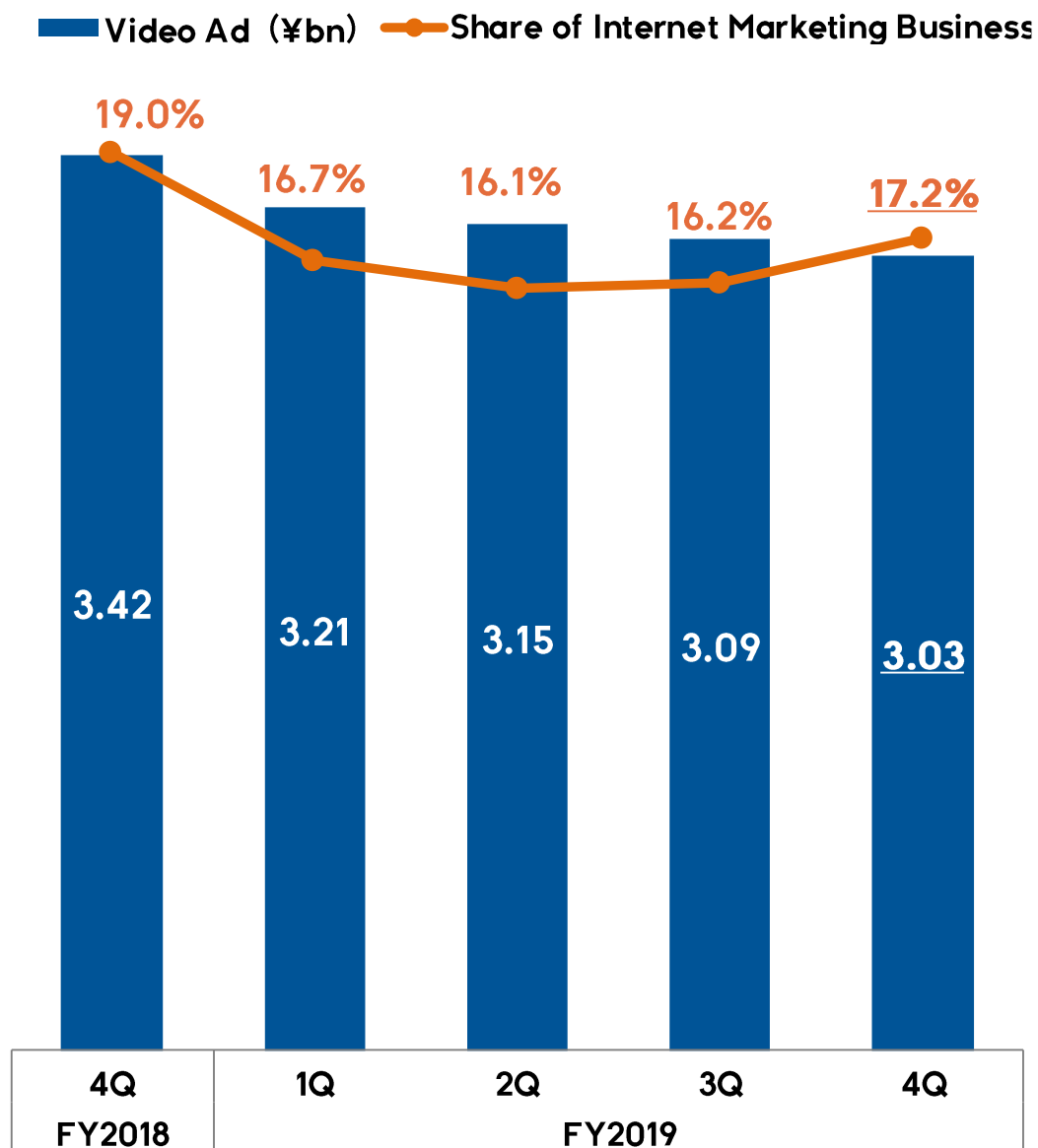
Initiatives	Progress	Timing of contribution to operating results
Offering knowledge and technology of the Internet Marketing Business	Continued to offer knowledge and technologies for operation in the digital marketing.	From FY2019/2Q
Sales of the Company group's media, mainly GANMA! by Dentsu Group	Sales commenced with the Dentsu Group in March. The amount of sales remains steadily.	From FY2019/2Q
The Company supports the implementation of advertisements for net marketing projects handled by the Dentsu Group.	Employees of the Group, who were seconded to the Dentsu Group, supported the operation of advertisements.	From FY2019/2Q
Mutual use of data assets held by both companies	Preparations are in process for the mutual connection of data held by the two companies, DMP utilization and data analysis.	No direct impact on earnings.
Propose integrated marketing of online/offline utilizing the client bases of both companies	The number of projects in process is increasing steadily.	From FY2020/2Q

**Short-term initiatives are being implemented as planned.  
The number of orders for integrated proposals increased.**

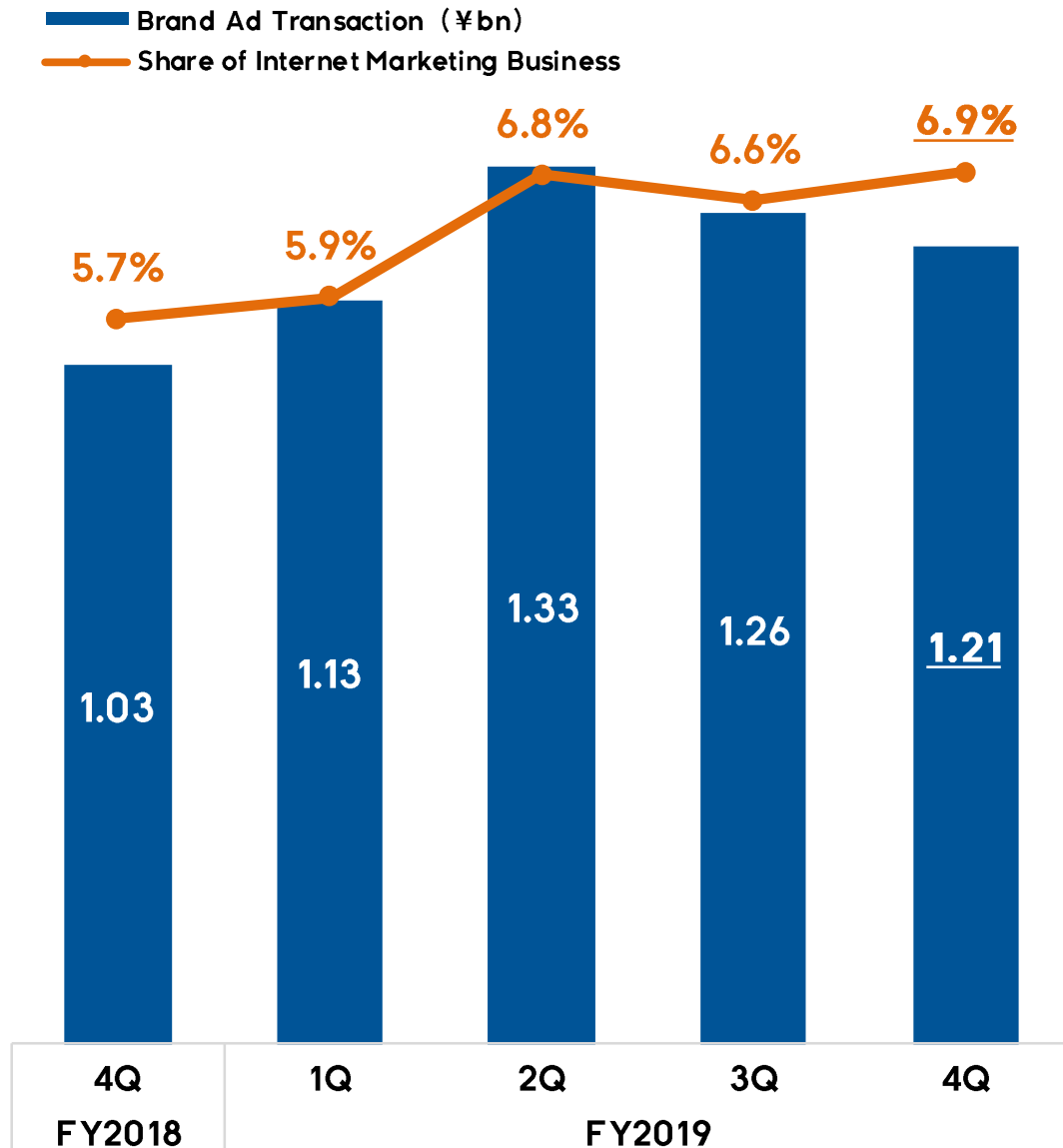


**Lion & Lion carried out structural reforms in light of its new business plan.**

**Aims for regrowth by changing the management structure and facilitating the selection and concentration of operation bases.**



**Both transaction volume and shares remained almost unchanged.**



Remained unchanged  
quarter on quarter,  
but achieved growth  
of **18.1%** year on year

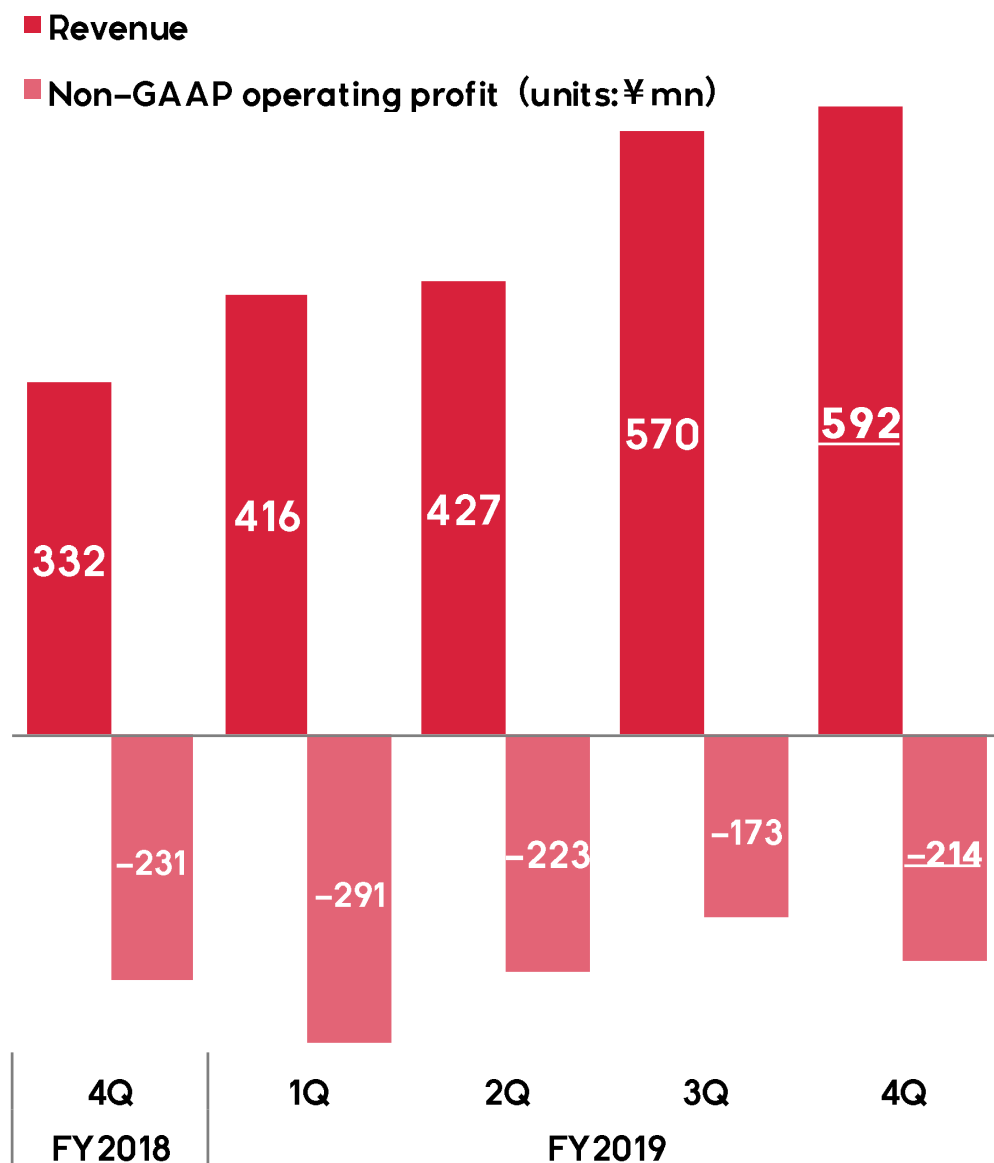
# 04

## Media Content Business



(units:¥mn)	4Q FY2019			4Q FY2018	
	Value	Share	YY Change	Value	Share
<b>Revenue</b>	<b>592</b>	100.0%	+78.4%	332	100.0%
<b>Gross profit</b>	<b>351</b>	59.3%	+102.0%	174	52.3%
<b>SG&amp;A</b>	<b>565</b>	95.5%	+39.9%	404	121.8%
<b>Non-GAAP Operating profit</b>	<b>-214</b>	—	+16	-231	—

**Revenue increased significantly by expanding of each business.  
Continued to implement cost control, and deficits decreased.**



Revenue grew,  
particularly in  
**Manga Content  
Business.**

## 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~

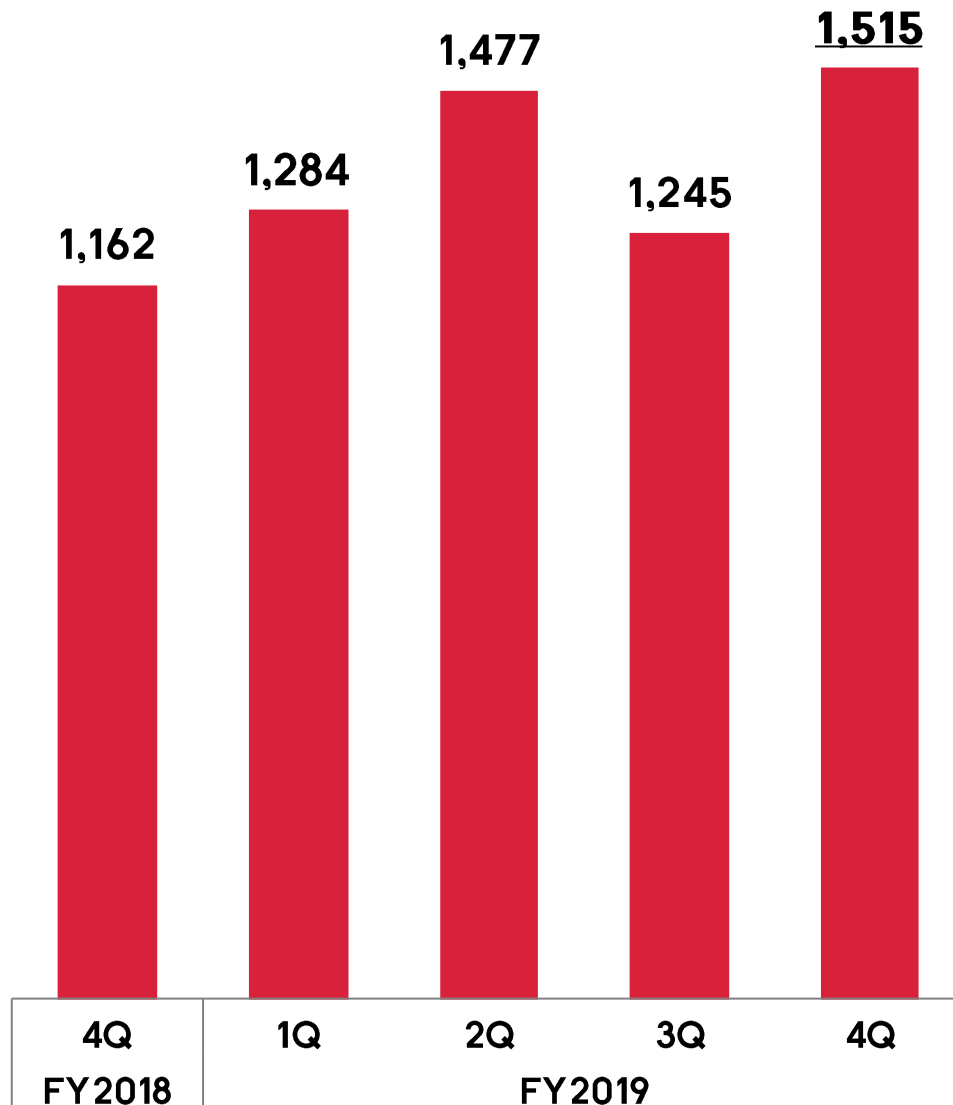
Accumulated application downloads of GANMA! : 13.1mn

Monthly Page Views : 2.61bn

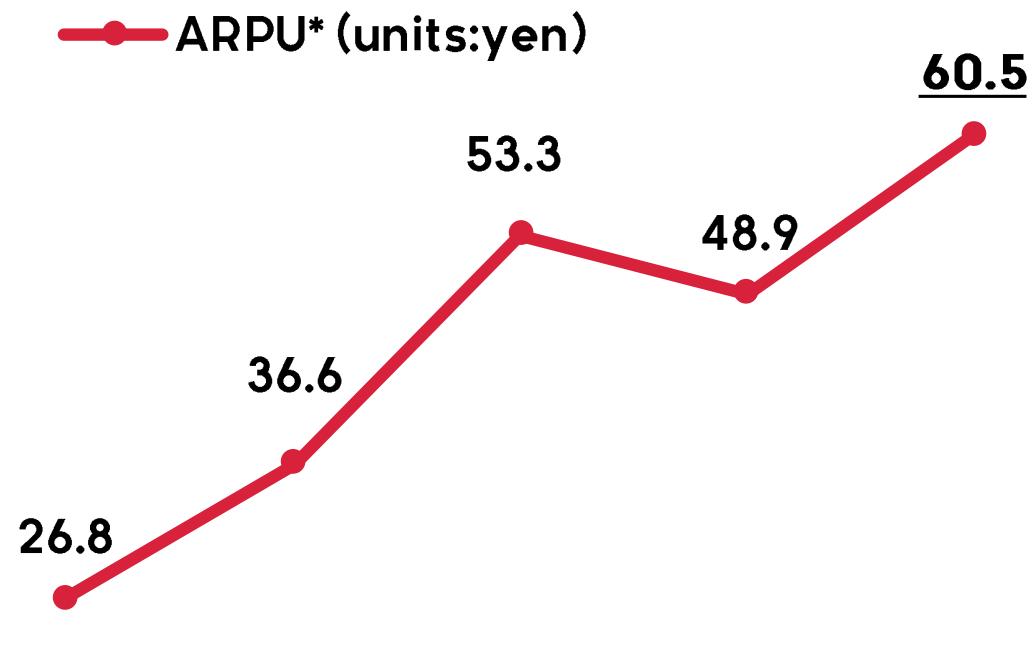
(as of end of September. 2019)

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

※ Volumes in 1Q FY 2016=100



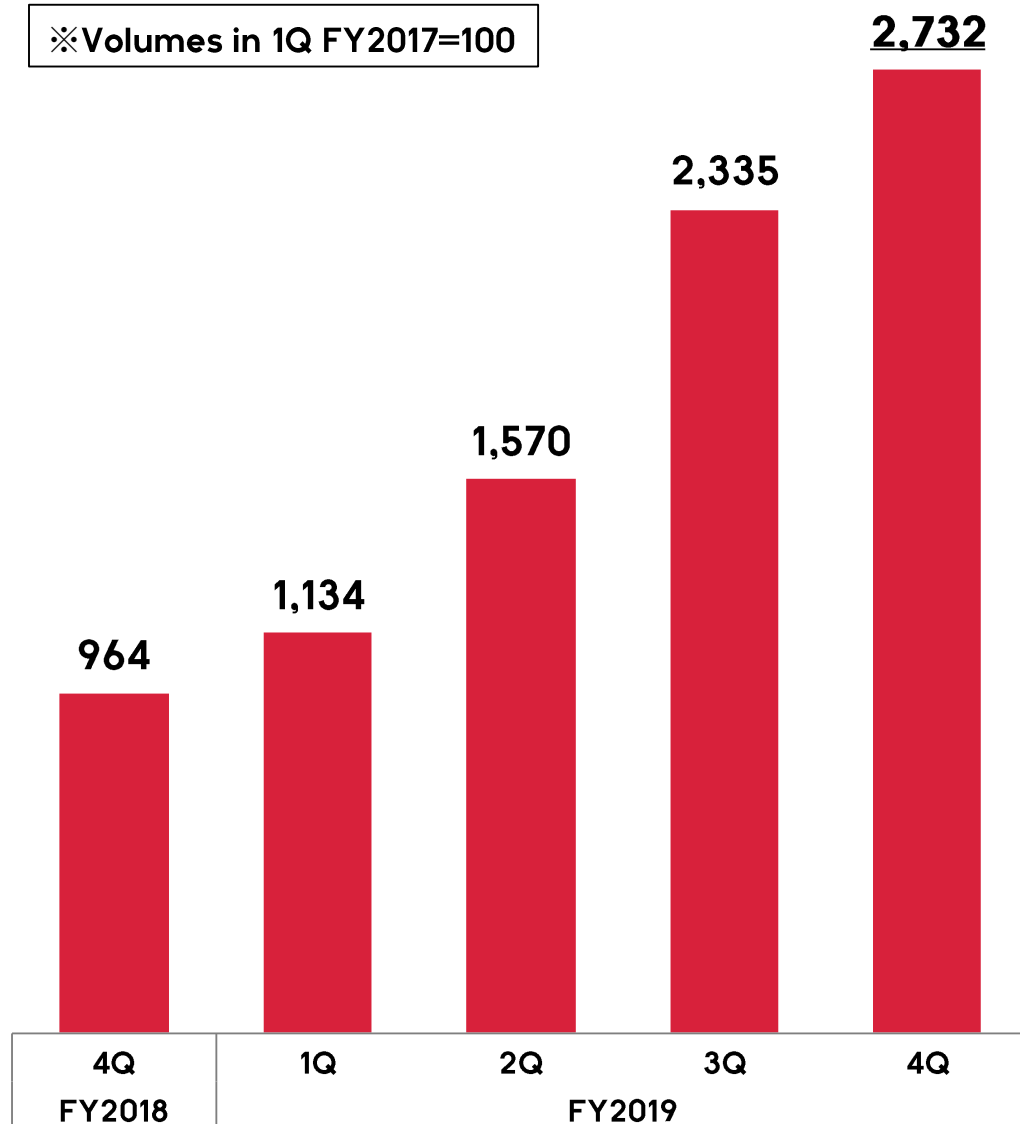
Revenue grew,  
due to increase in **brand ad**  
and **subscription** revenue.



Sep	Dec	Mar	Jun	Sep
2018			2019	

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

※Volumes in 1Q FY2017=100



**Steady growth has continued since the application update in December 2018.**

**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



The special live-action movie project for **“Reset Game”** created in December 2018 received a Bronze award at **“Spikes Asia 2019”**, one of the largest advertising awards in the Asia Pacific region.



**Spikes Asia 2019**

BRAND EXPERIENCE & ACTIVATION  
BRONZE WINNER



**“Choyo Hanayo”,**  
a popular manga in GANMA!,  
was placed the **third in the Web  
Manga section** of the **“Tsugi ni  
Kuru Manga Award 2019”**.\* \*\*

A decision was made to **reprint**  
Vol.1 of the novelized version  
**shortly after sales commenced.**

\*” Tsugi ni Kuru” means “Next Coming”.

\*\*” User-participatory” manga awards created by Da Vinci and niconico

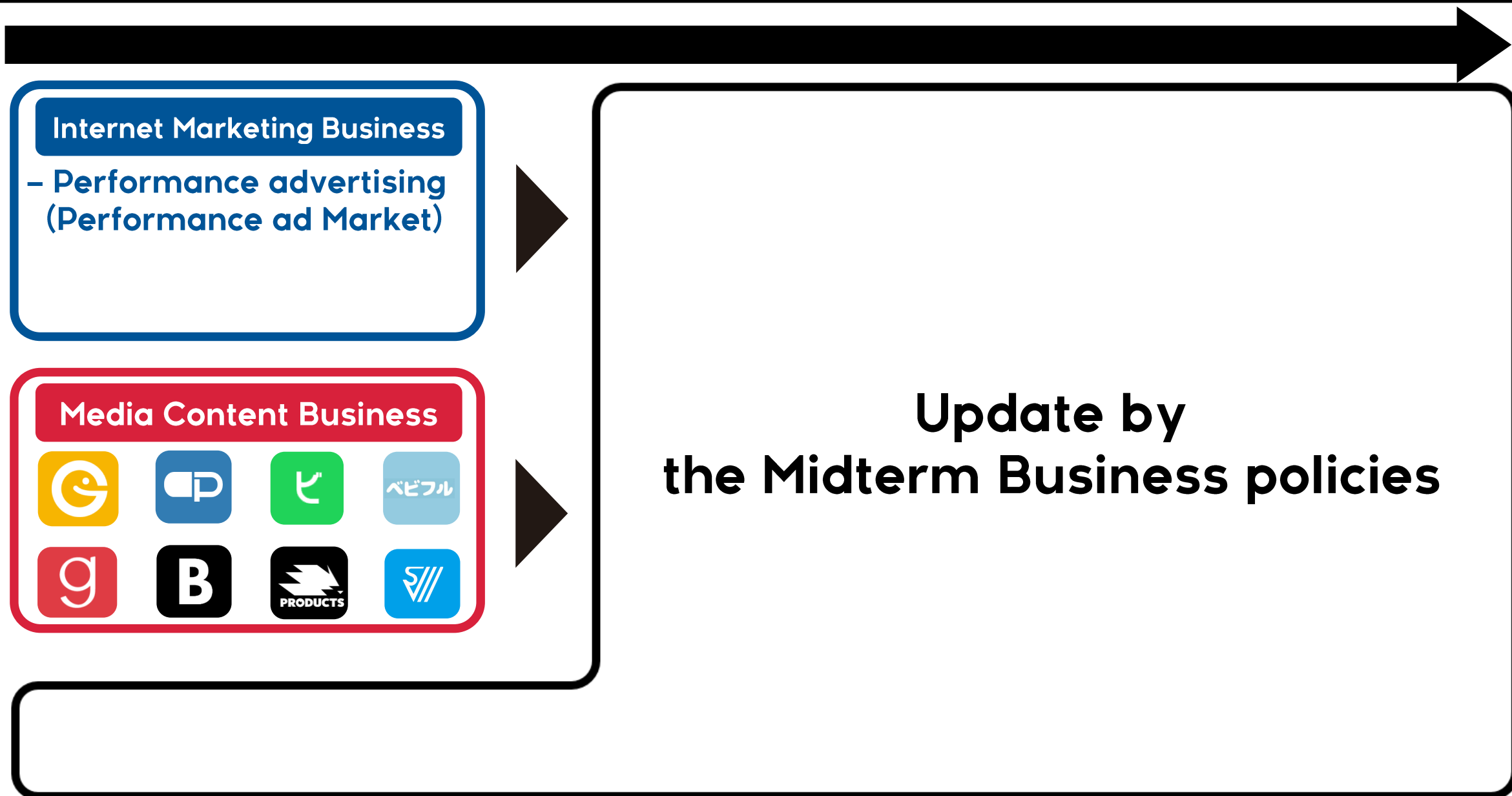


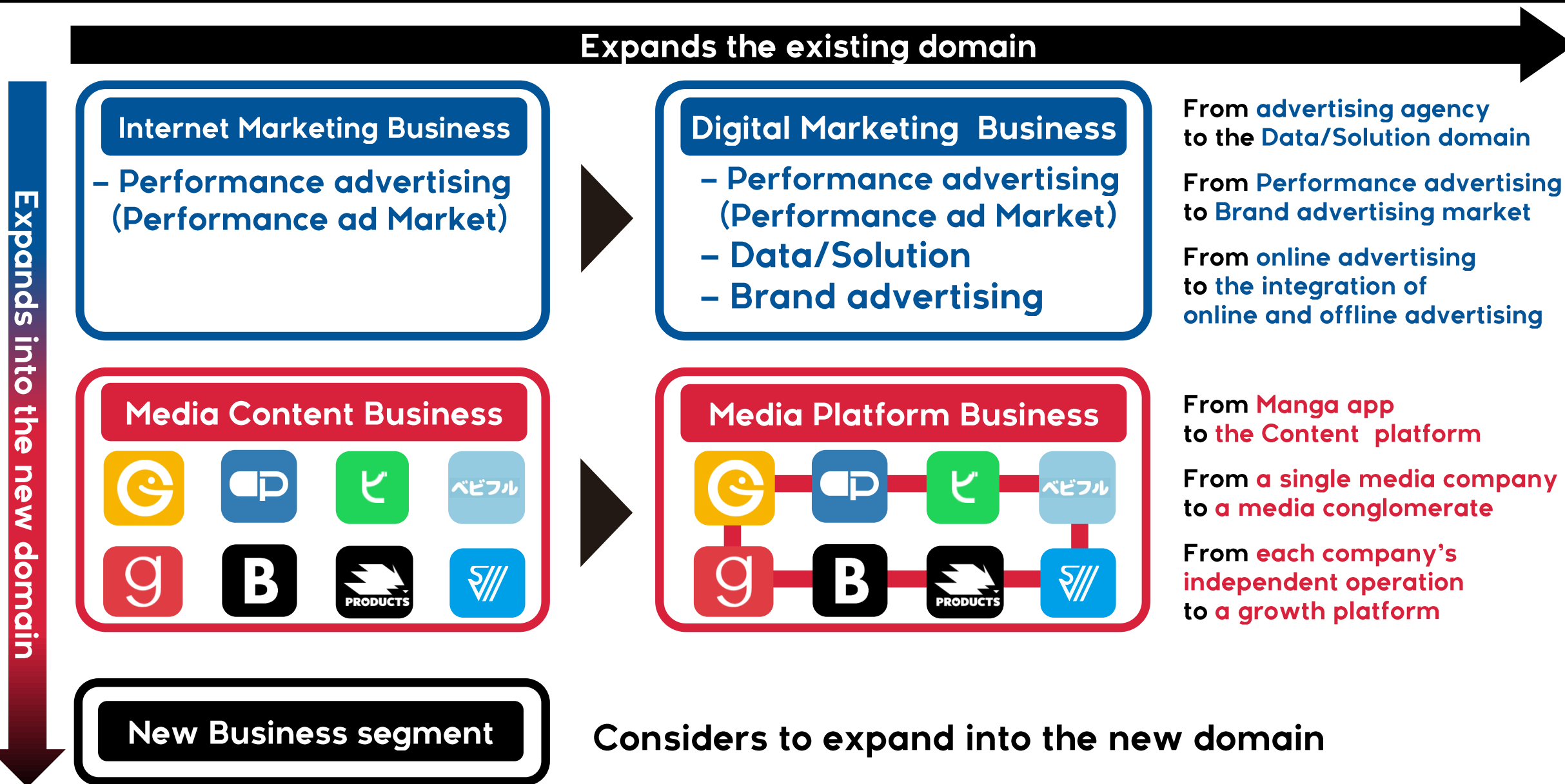
# 05

**Update on Midterm Business Policies**

# Midterm Theme

# Domain Expansion







Former segment name

New segment name

**Internet  
Marketing Business**



**Digital  
Marketing Business**

**Media  
Content Business**



**Media  
Platform Business**

※The change is only for name, there is no change in breakdowns of each segment.

**Changes each segment name  
along with Domain Expansion.**

	FY2020	FY2021	FY2022	FY2023	FY2024
Mid Term Policies (FY2019)	Update (at FY9/19)				
Mid Term Policies (FY2020)		Update			
Mid Term Policies (FY2021)			Update		

**Midterm Business Policies is reviewed every single fiscal year based on Rolling Plan.**

## Basic policy

**Aim for organic growth through development of new markets  
+  
Progress in the alliance with Dentsu**

### Digital Marketing Business

- **Performance advertising (Performance ad Market)**
- **Data/Solution**
- **Brand advertising**

Expansion from **advertising agency** to the **Data/Solution domain**

Expansion from **Performance advertising** to **Brand advertising market**

Expansion from **online advertising** to the **integration of online and offline advertising**

Promotion of integrated Digital Transformation (hereinafter called “DX”)  
based on an integration of online/offline advertising



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dentsu

Ability to operate  
digital advertising

Mass advertising, sales promotion  
analytics and CX, EC,  
and CRM operation

- Use the expertise and strengths of both companies in the digital domain
- Plan to further increase personnel for DX promotion based on a combination of online and offline advertising

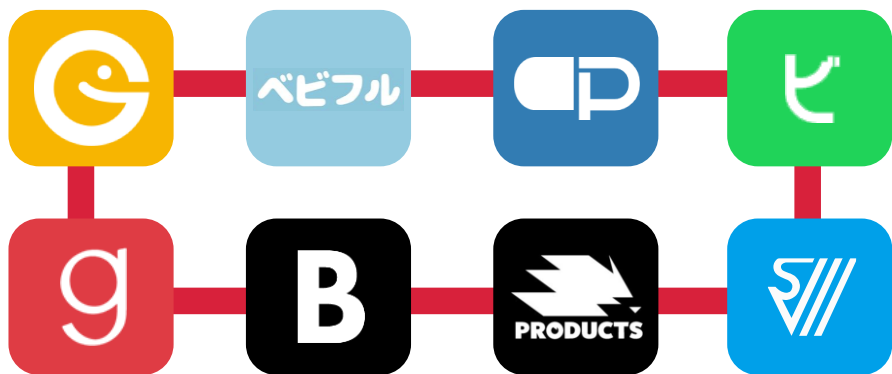
**Implement DX in the entire industry  
by promoting an alliance with Dentsu group.**



## Basic policy

Prior investment in GANMA! passed the peak, and the investment in each business is beginning to contribute to revenue.  
The companies mutually provide their strengths and increase their growth potential as an entire group.

### Media Platform Business

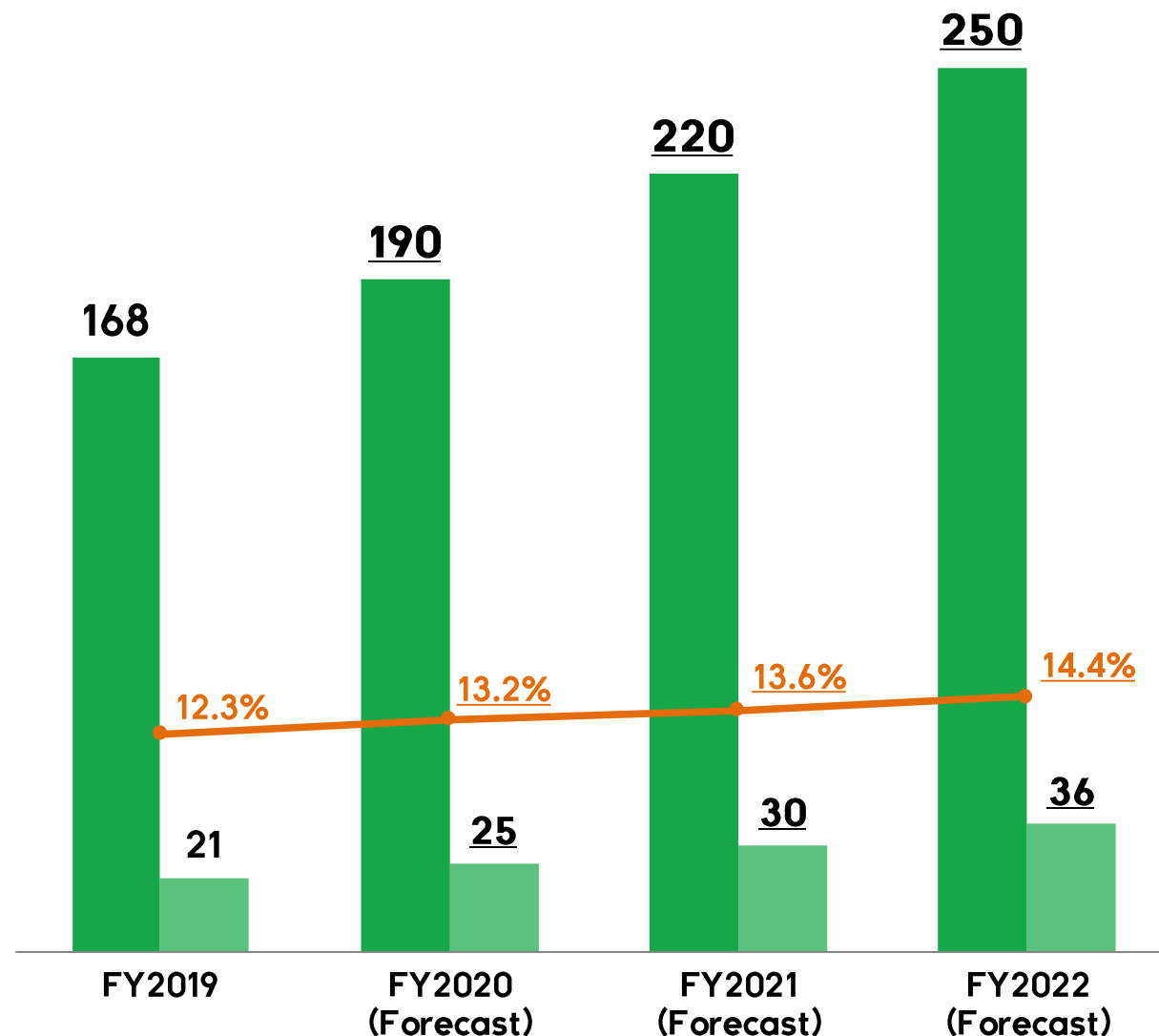


Expansion from **Manga app** to **the Content platform**

Expansion from **a single media company** to **a media conglomerate**

Expansion from **each company's independent operation** to **a growth platform**

■ Revenue  
■ Non-GAAP Operation Profit (units: mn)  
— Operating margin (relative to revenue)



**Aim for business growth based on profit growth through revenue growth while expanding in new business segments.**

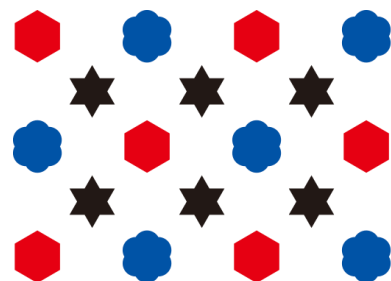
06

**Earnings Estimates for FY9/20**

(units:¥mn)	FY2019 Full Year Earnings	FY2020 Full year Earnings Estimates	Expected growth rate
<b>Revenue</b>	16,796	<b>19,000</b>	<b>+13.1%</b>
<b>Non-GAAP Operating Profit</b>	2,065	<b>2,500</b>	<b>+21.1%</b>
<b>Profit for the period attributable to owners of the parent</b>	-547	<b>1,400</b>	—
<b>【Reference】 Net Sales</b>	76,501	<b>84,000</b>	<b>+9.8%</b>

**Aim for revenue and profit growth by developing a new market and promoting the Dentsu alliance, and growth of each new business.**

	Revenue			Non-GAAP Operating profit		
	Earnings in FY9/19	Earnings Estimates for FY9/20	Expected growth rate	Earnings in FY9/19	Earnings Estimates for FY9/20	Expected growth rate
(units:¥mn)						
Digital Marketing	15,079	16,500	+9.4%	4,775	5,300	+11.0%
Media Platform	2,005	2,900	+44.6%	-901	-850	-
Elimination or corporate	-289	-400	-	-1,809	-1,950	-
Consolidated	16,796	19,000	+13.1%	2,065	2,500	+21.1%



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## Thank you for your interest!

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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 29, 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

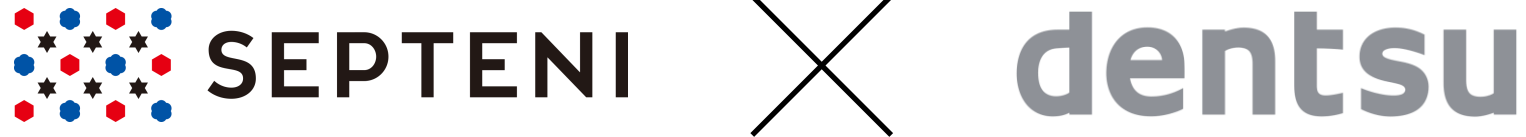
SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

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

TEL: +813-6857-7258 E-mail: [ir@septeni-holdings.co.jp](mailto:ir@septeni-holdings.co.jp)

07

Appendix



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.**

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**Short and Medium-term initiatives**

**dentsu**

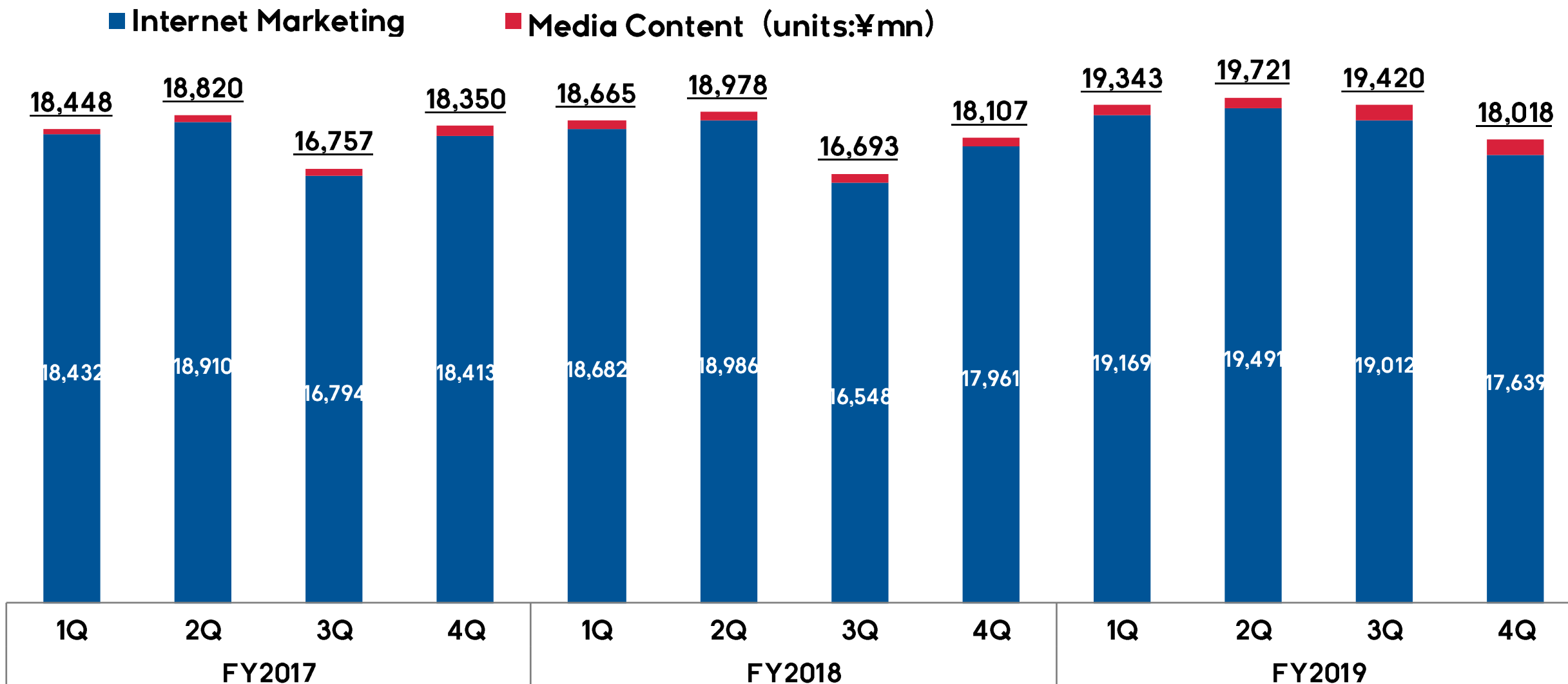
**Offering knowledge and  
technology of the  
Internet  
Marketing Business**

**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.**

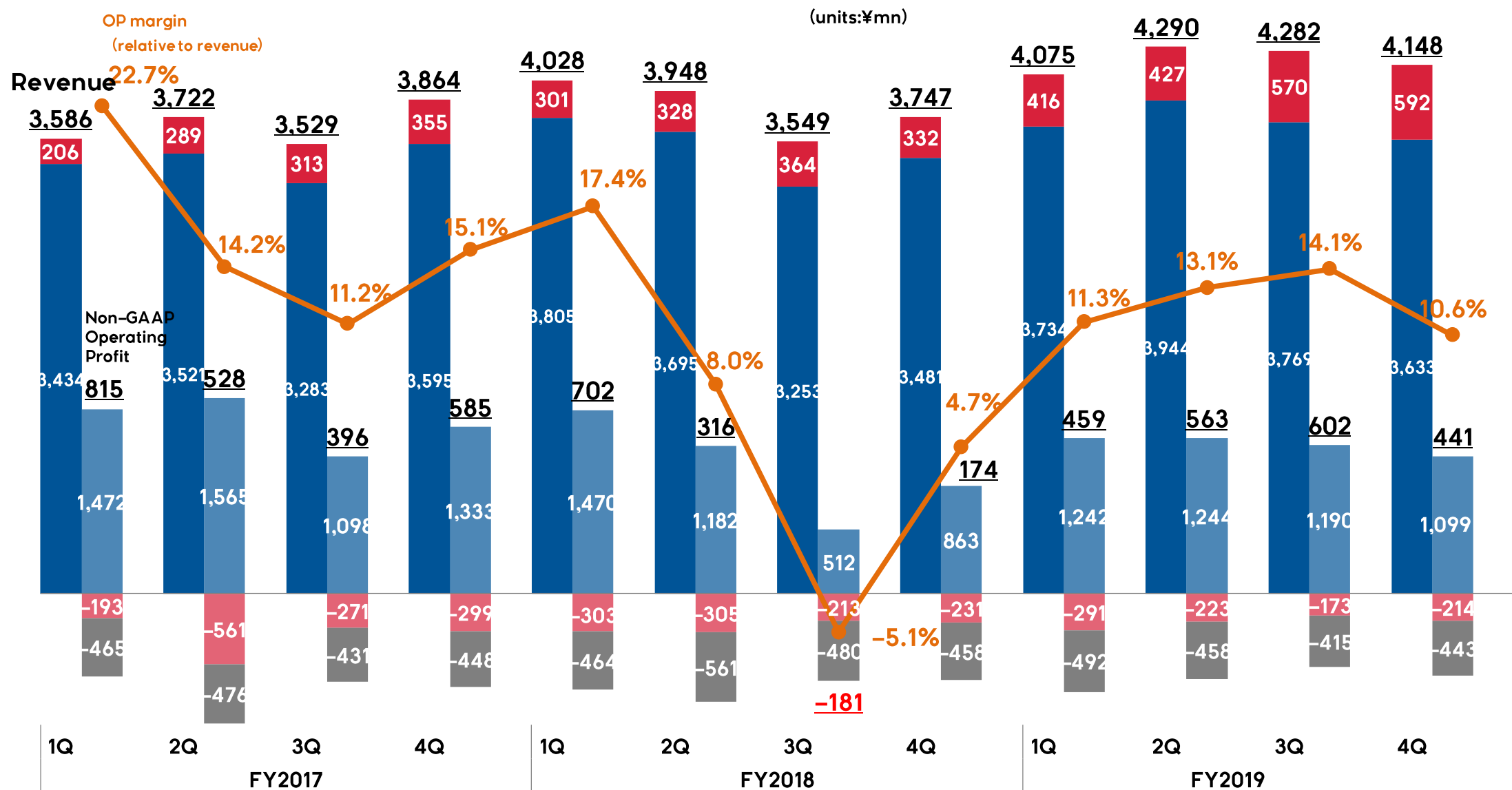
**Mutual use of data  
assets held by both  
companies**

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



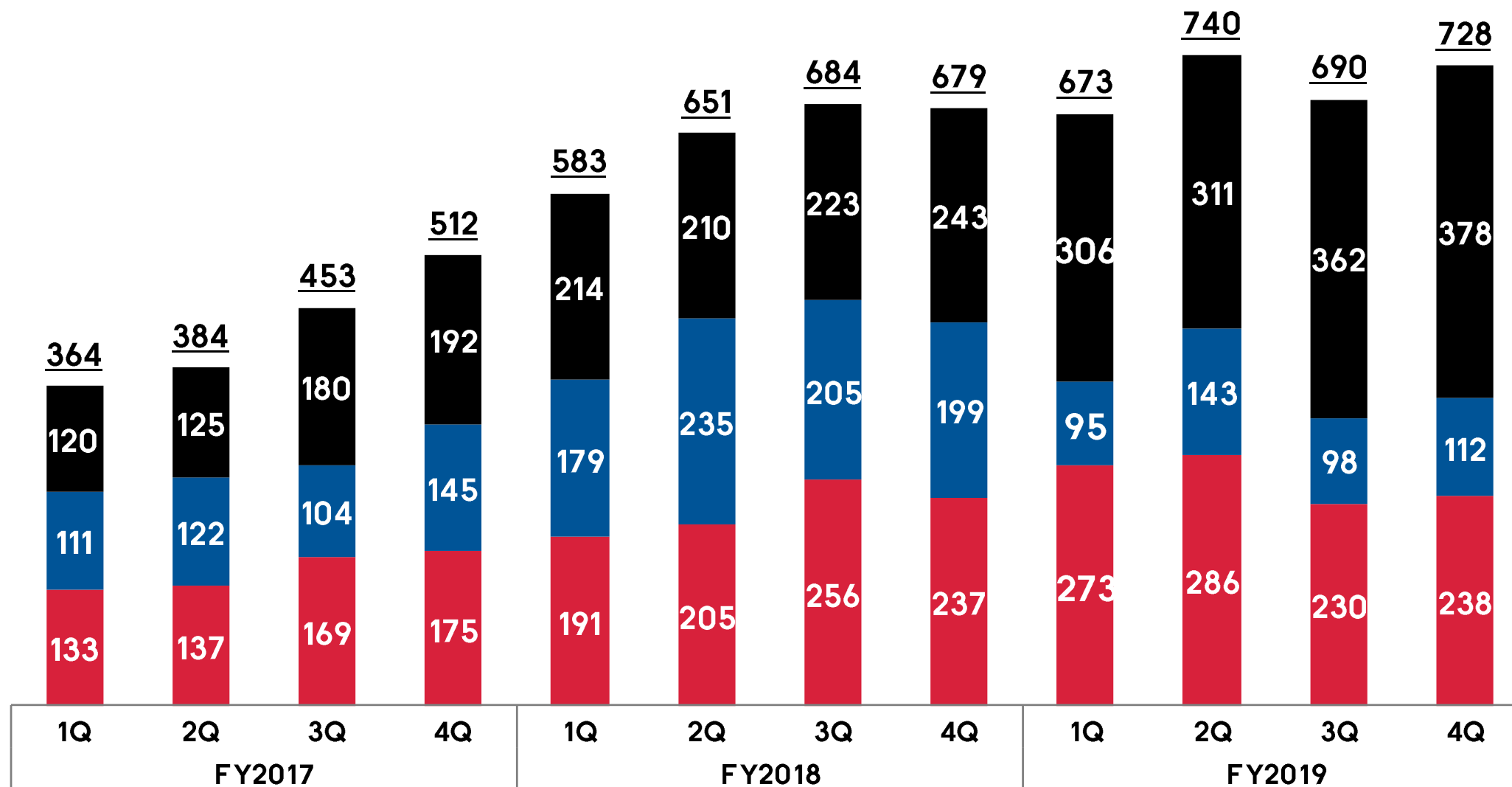
\* The Statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers)

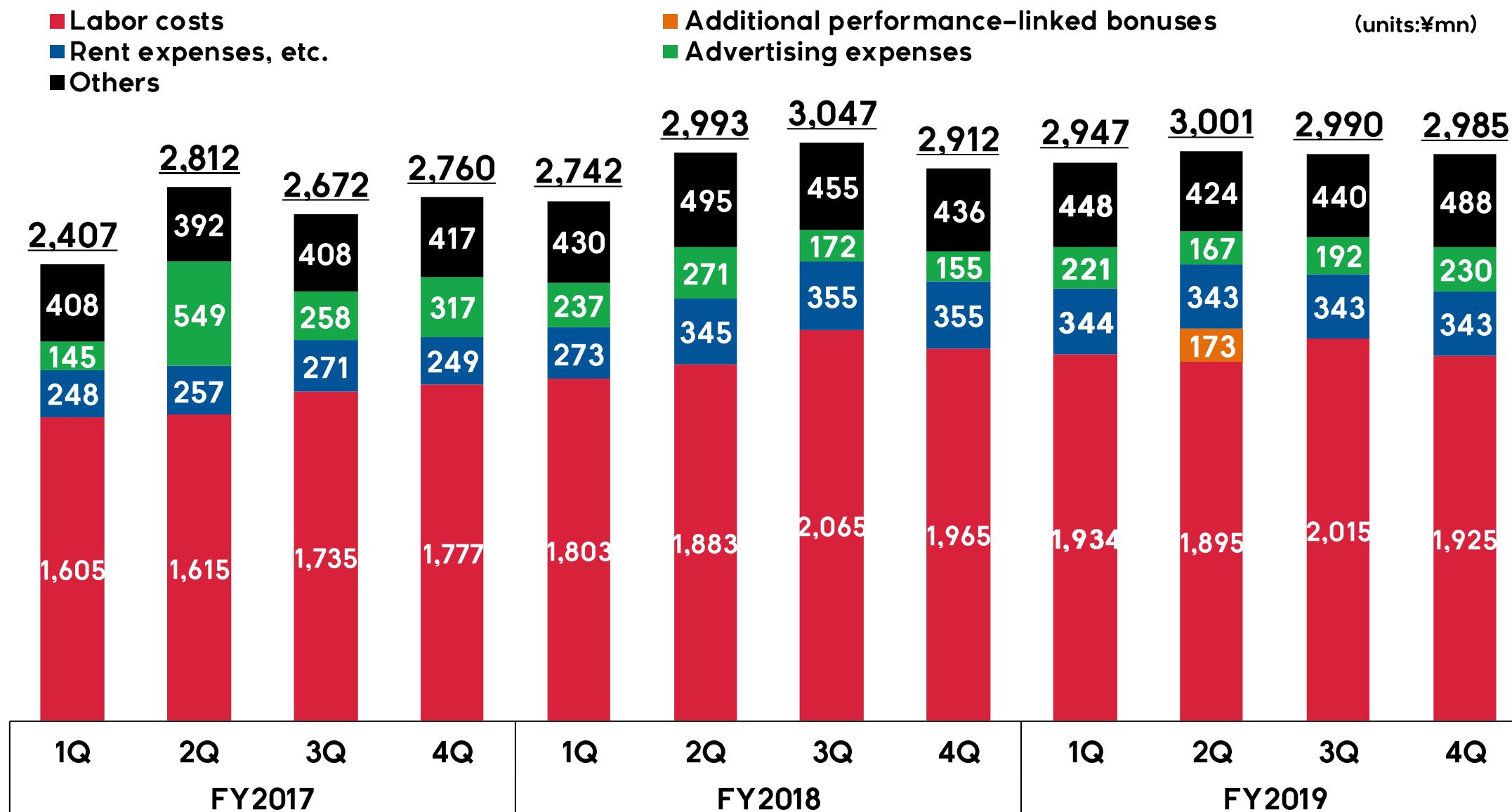
\* As the media content business has equal sales and revenue, the detailed figures refer to the "Media Content Business Quarterly Earnings Trend" described below.

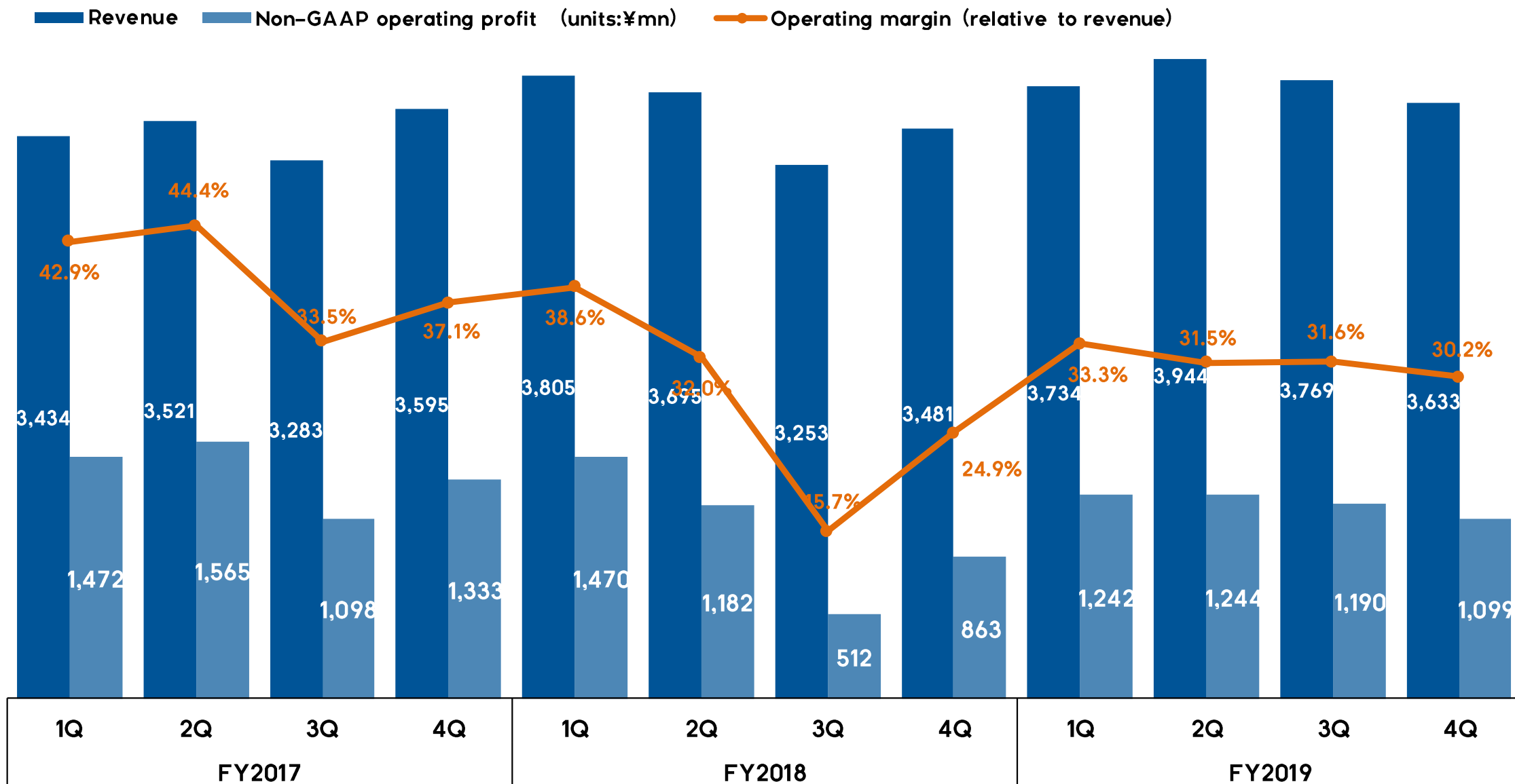


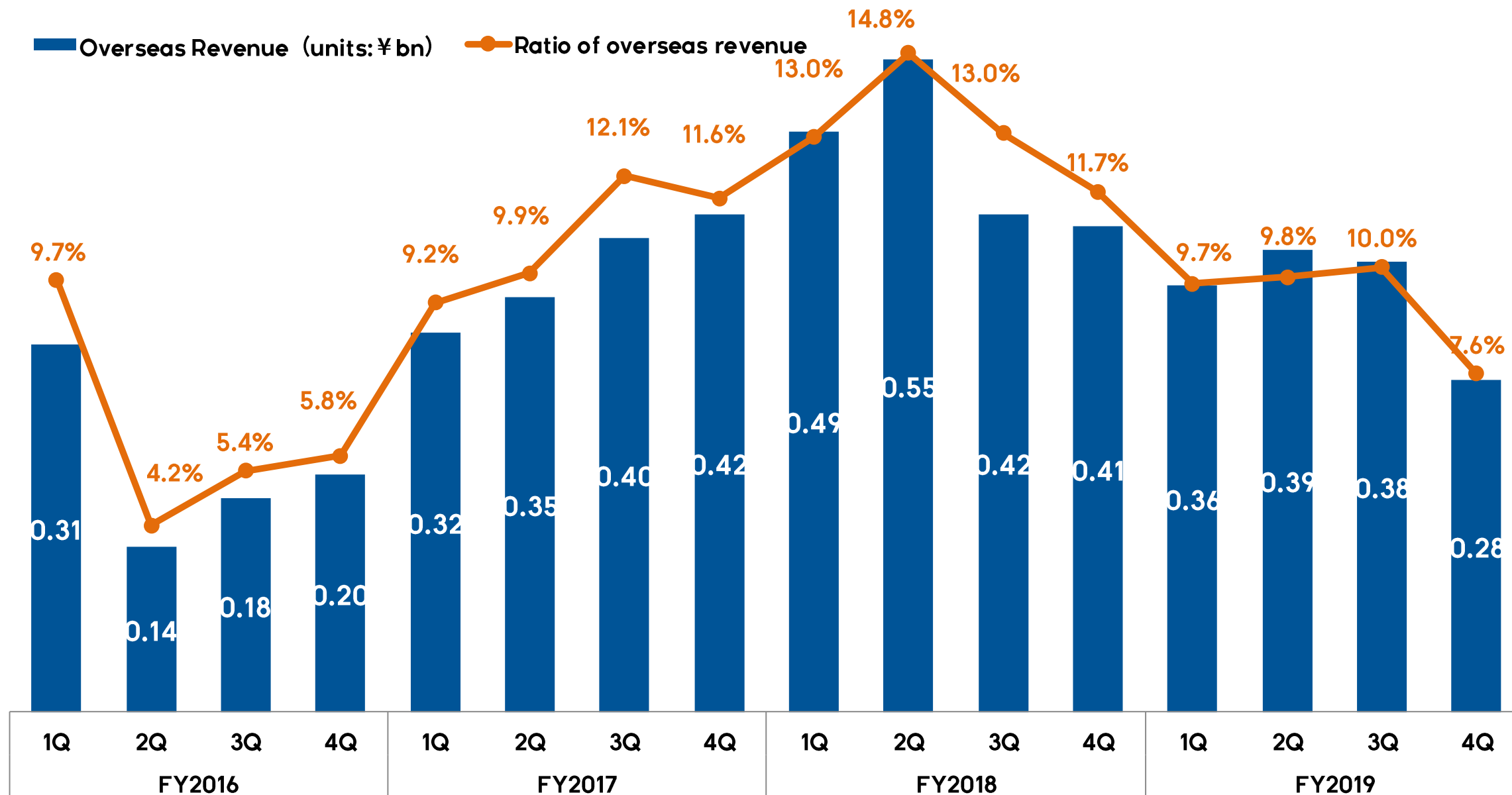
(units:¥mn)	FY2017				FY2018				FY2019				QonQ	YonY
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2Q	3Q	4Q		
<b>Total of cost of sales</b>	364	384	453	512	583	651	684	679	673	740	690	728	+5.6%	+7.2%
Labor costs	133	137	169	175	191	205	256	237	273	286	230	238	+3.3%	+0.4%
Subcontract costs	111	122	104	145	179	235	205	199	95	143	98	112	+15.2%	-43.6%
Others	120	125	180	192	214	210	223	243	306	311	362	378	+4.3%	+55.3%
<b>Total of SG&amp;A</b>	2,407	2,812	2,672	2,760	2,742	2,993	3,047	2,912	2,947	3,001	2,990	2,985	-0.2%	+2.5%
Labor costs	1,605	1,615	1,735	1,777	1,803	1,883	2,065	1,965	1,934	1,895	2,015	1,925	-4.5%	-2.1%
Additional performance-linked bonus	—	—	—	—	—	—	—	—	—	173	—	—	—	—
Rent expenses etc.	248	257	271	249	273	345	355	355	344	343	343	343	-0.1%	-3.5%
Advertising expenses	145	549	258	317	237	271	172	155	221	167	192	230	+19.7%	+48.7%
Others	408	392	408	417	430	495	455	436	448	424	440	488	+10.9%	+11.7%

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

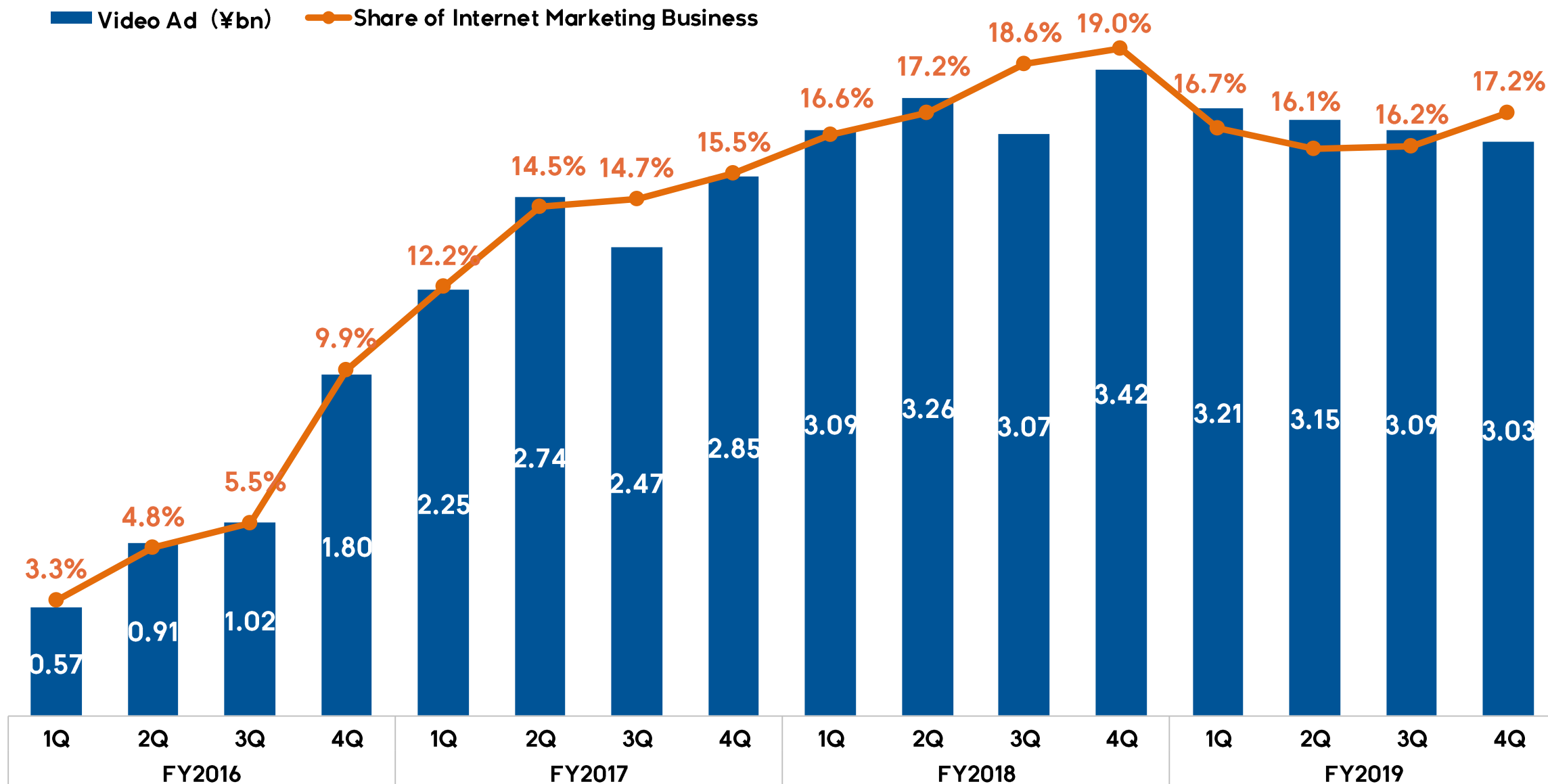


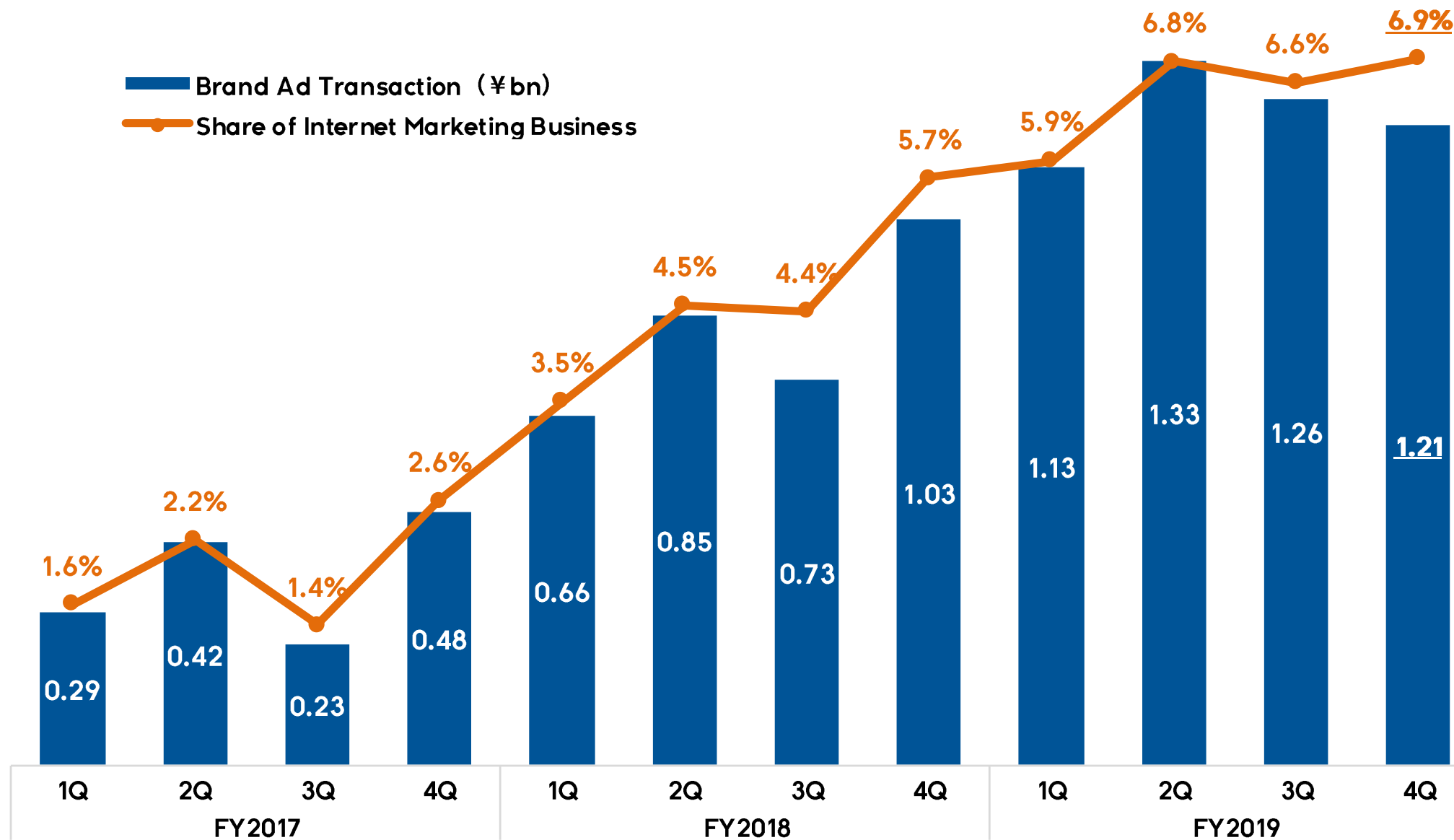


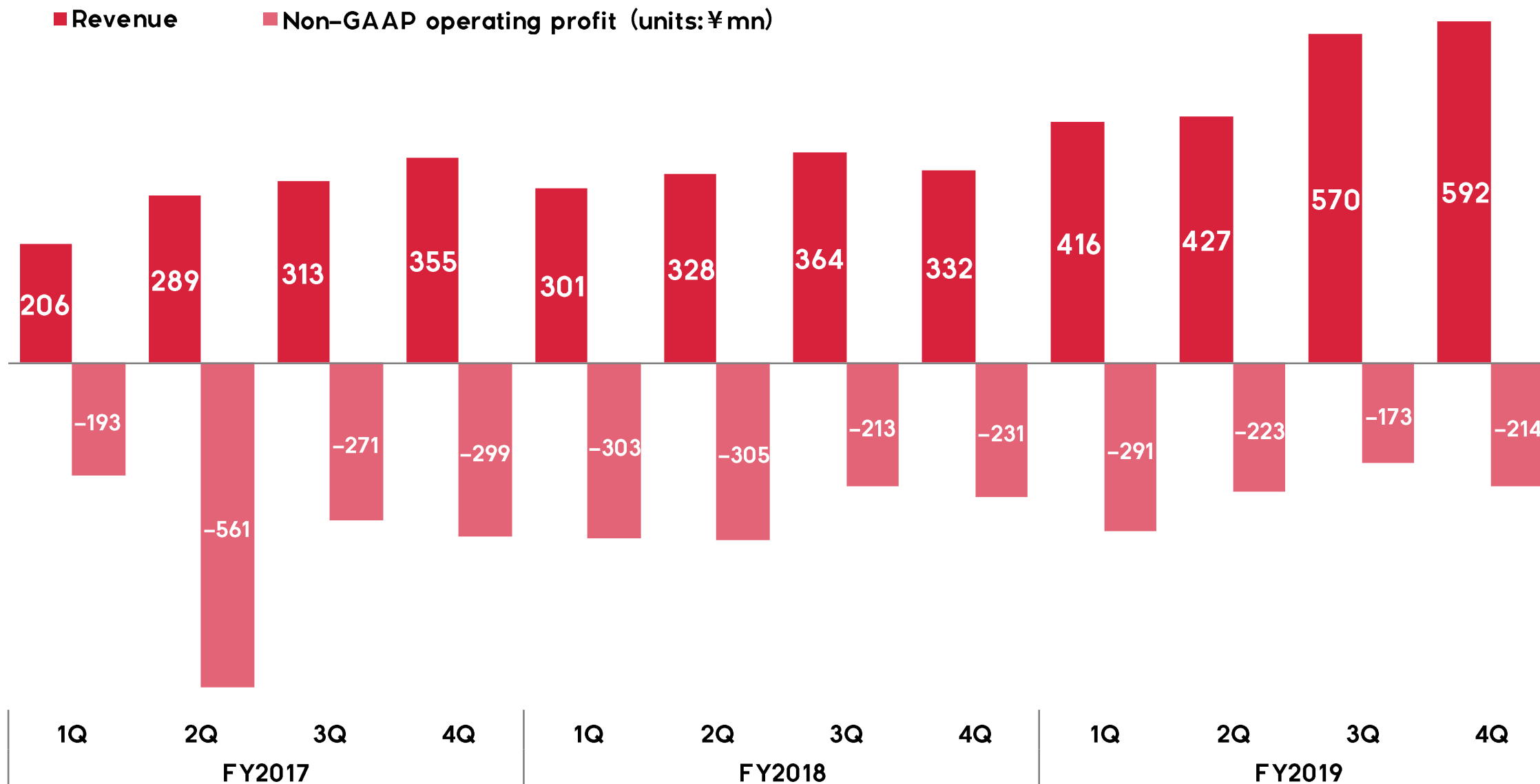


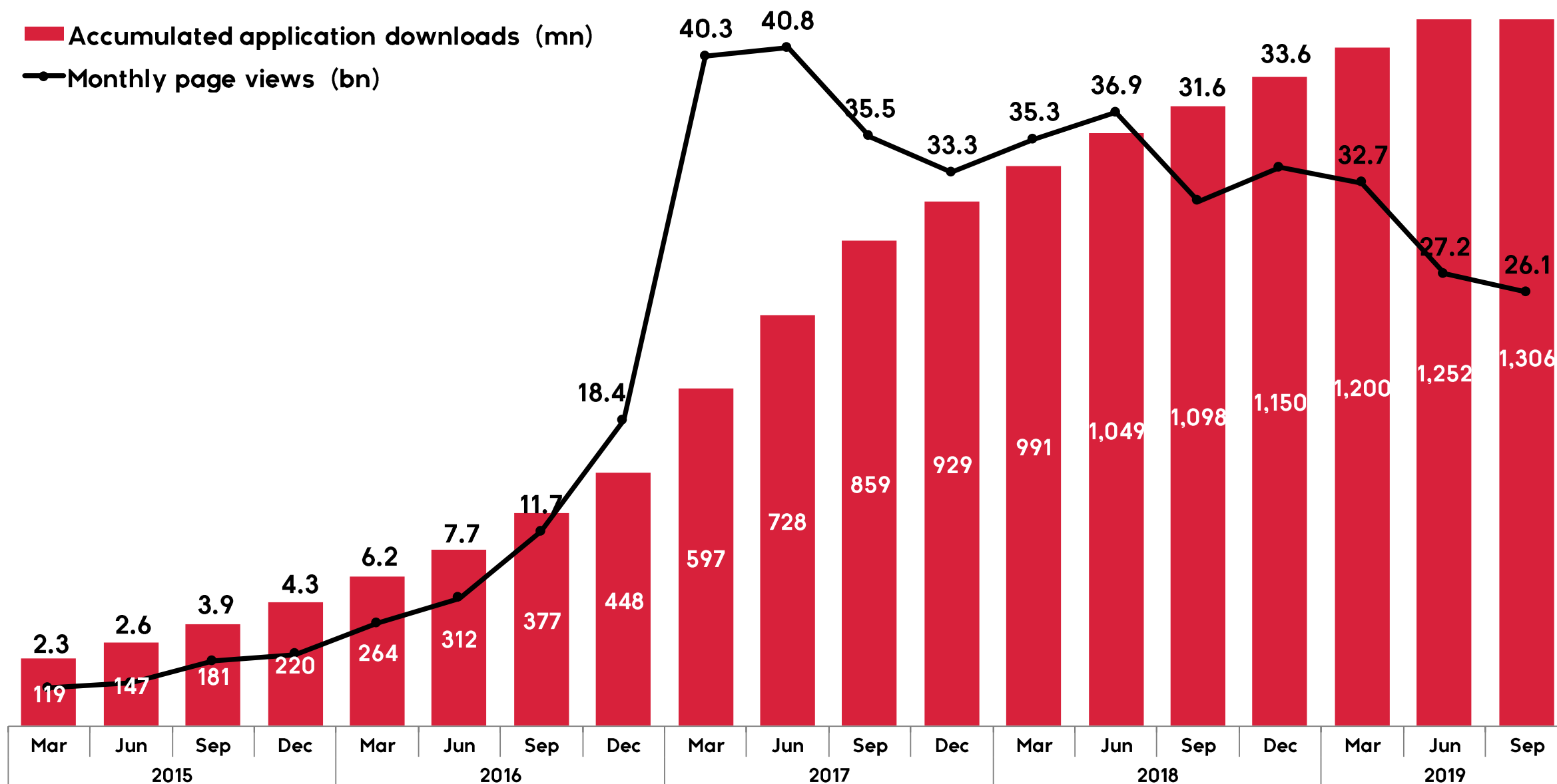


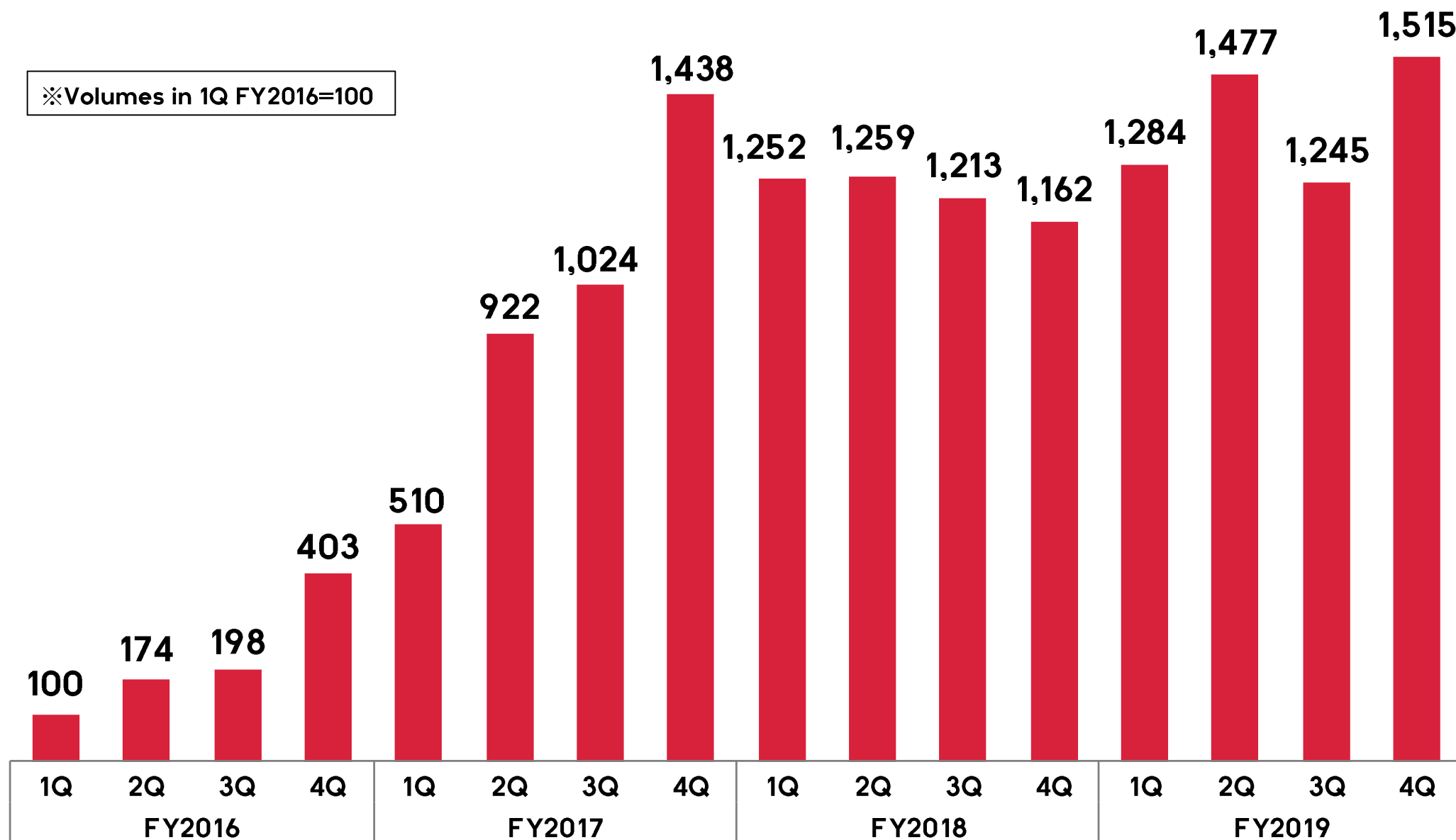


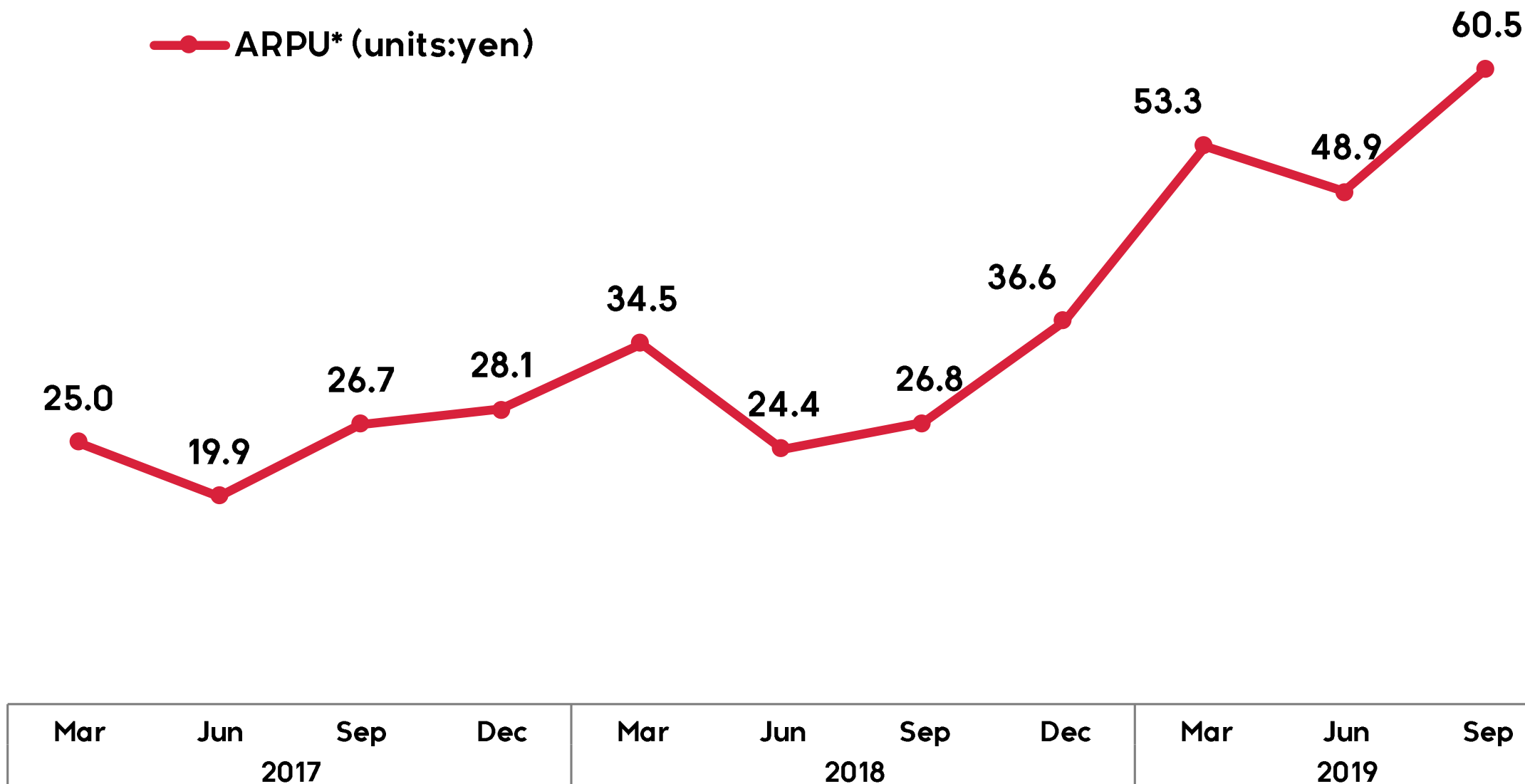








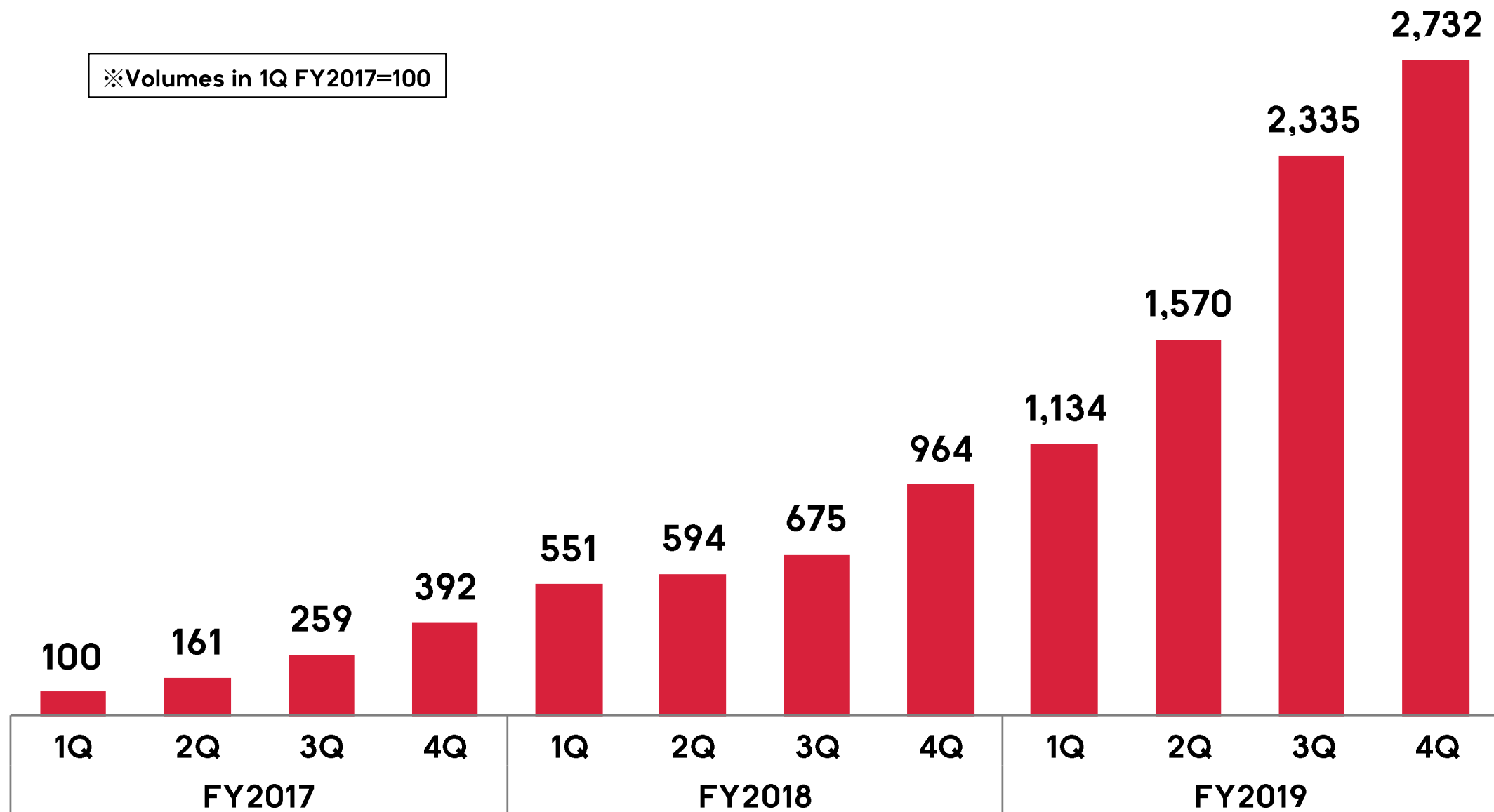


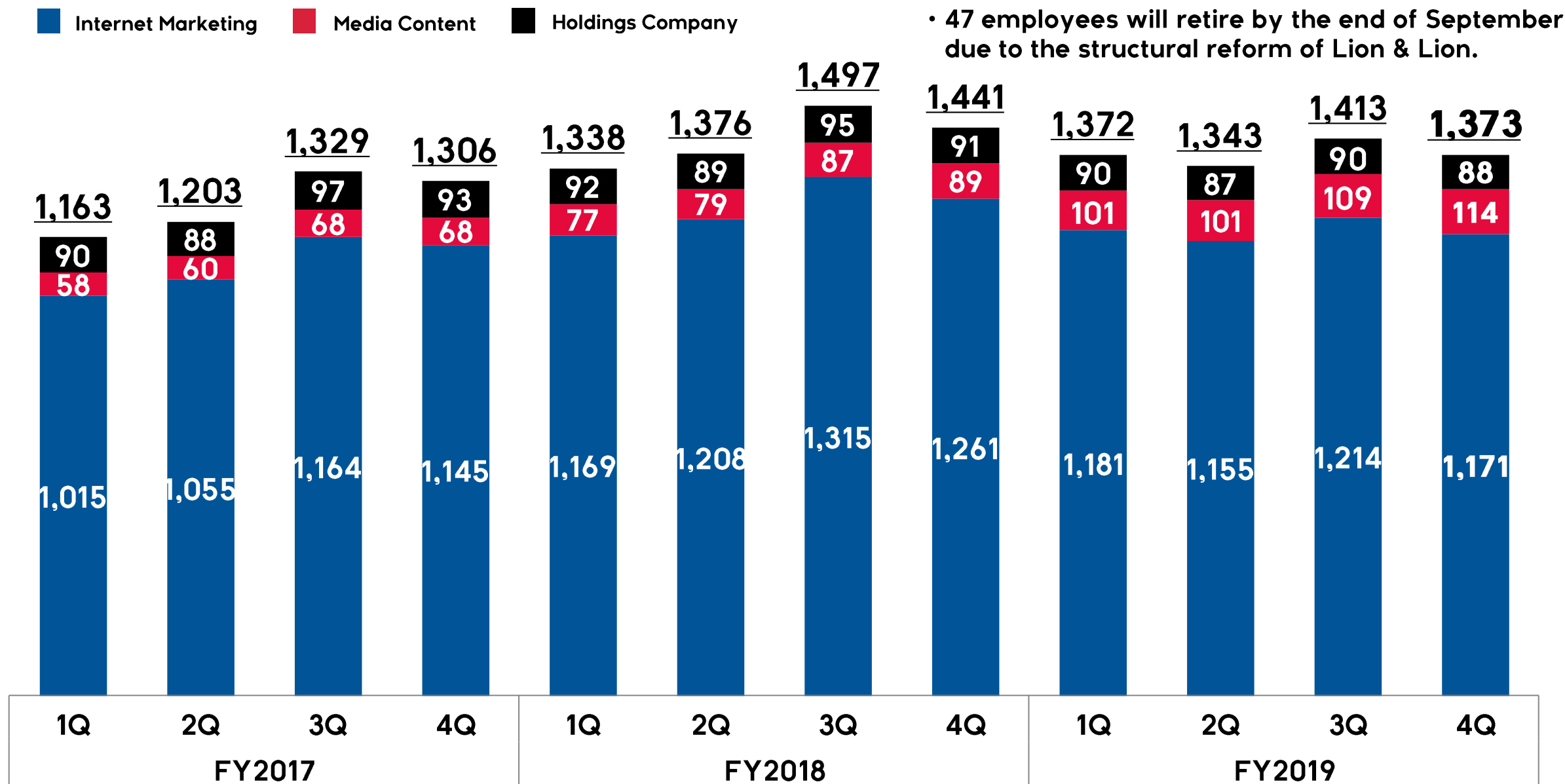


\* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU



※Volumes in 1Q FY2017=100







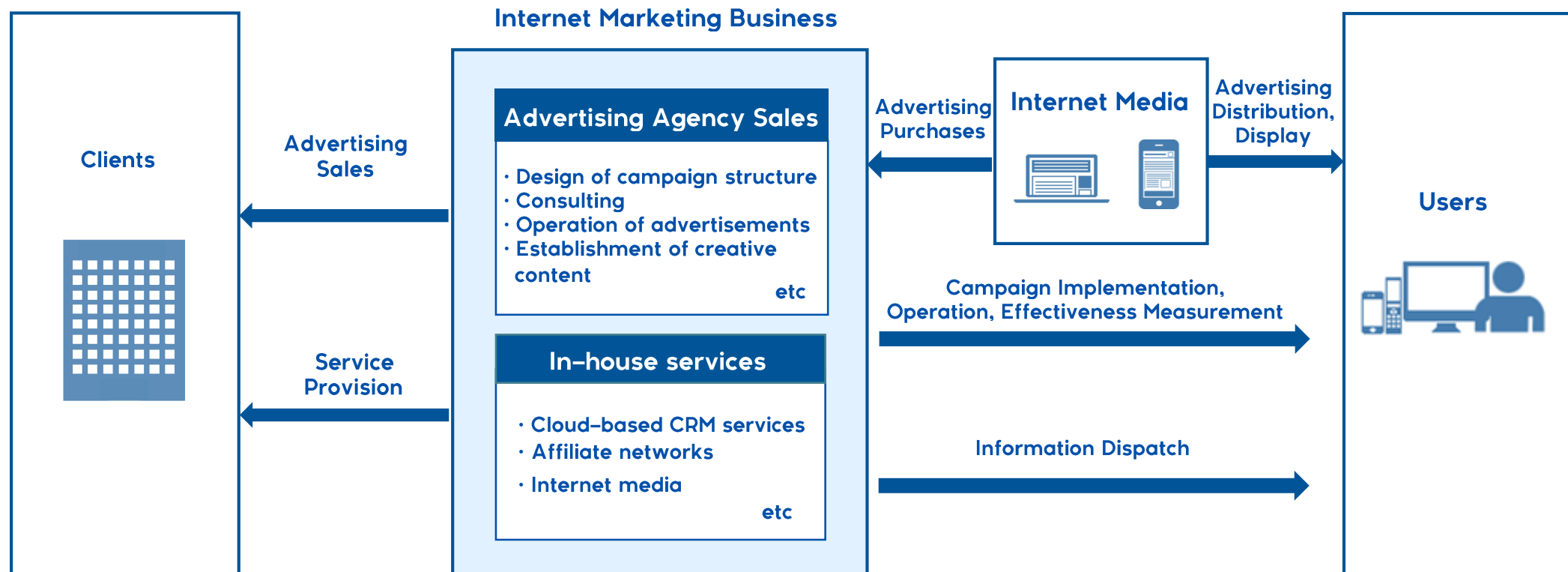
<b>Company Name</b>	SEPTENI HOLDINGS CO., LTD.
<b>Representative</b>	Representative Director, Group President and Chief Executive Officer Koki Sato
<b>Headquarters</b>	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
<b>Securities Code</b>	4293 (JASDAQ)
<b>Business Realm</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>	¥2,125 million
<b>Shares Issued</b>	138,906,500 shares (including 10,724,240 treasury shares) <sup>※</sup>
<b>Consolidated Workforce</b>	1,373 full time employees, 1,147 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.	

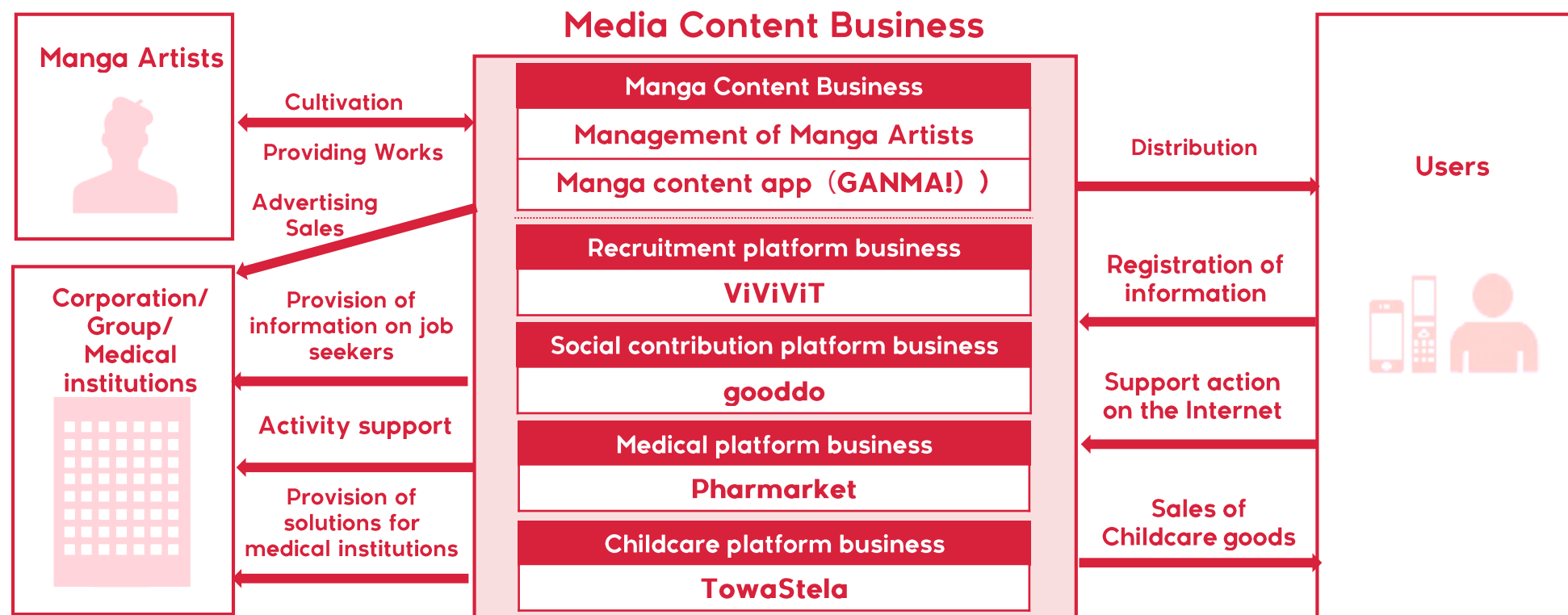
Comprehensive **marketing support services** are implemented through the utilization of the Internet.

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 FY2019	End FY2018	Change	Main Changes
	Current Assets	25,133	26,223	-1,091	Other current assets: -538
	Non-current Assets	5,280	7,148	-1,868	Goodwill: 1,831
	Total Assets	30,413	33,371	-2,959	
	Current Liabilities	11,729	12,690	-961	Operating debt: -313 Other financial liabilities: -264 Other current liabilities: -426
	Non-current Liabilities	3,875	4,951	-1,077	Other financial liabilities: -859 Deferred tax liabilities -218
	Total Liabilities	15,604	17,641	-2,037	
Total Capital		14,809	15,730	-921	Posting of net profit: -743 Other capital components: -140
Total Liabilities and Capital		30,413	33,371	-2,959	

(units:mn)	End FY9/19	Main Changes	End FY9/18
Cash Flows from Operating Activities	1,258	Posted impairment loss: +1,804 Increase(decrease) in trade receivables: -301	-440
Cash Flows from Investing Activities	-205	Gain on sales of securities: +654 Purchase of properties: -730	-310
Cash Flows from Financing Activities	-1,411	Repayment of loans payable: -1,158 Cash dividend paid: -253	112
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-76		41
Net Increase (Decrease) in Cash and Equivalents	-434		-597
Cash and Equivalents at Term End	14,488		14,922