

SEPTENI

Business Results for 3Q Fiscal Year September 2020

SEPTENI HOLDINGS CO., LTD.

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

July, 30, 2020

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02 Consolidated Earnings Overview in 1-3Q FY2020

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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.

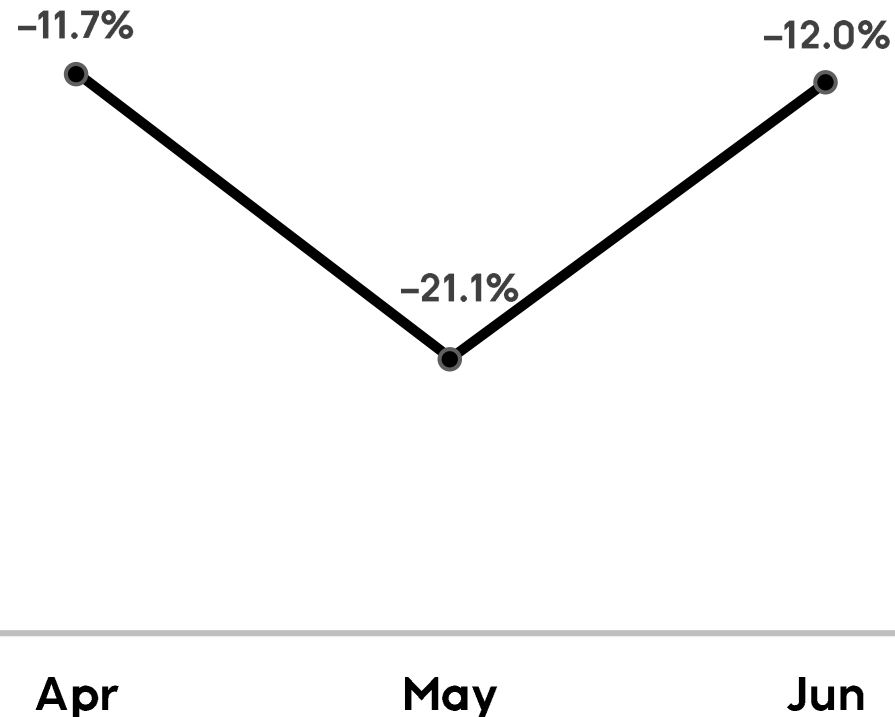
Numbers in this material are rounded to the respective nearest unit.

01

Regarding COVID-19

Impact by COVID-19

—●— Net Sales (YonY)



After the state of emergency was lifted in May, economic activity is slowly recovering.

The demand for advertising hit the bottom in May and shows a recovery more quickly since June.

From July, the recovery is expected to be better than June.

*Please check the appendix on p.36 for the correspondence regarding securing the safety of the employees and anyone related.

Impact on each segment

Digital Marketing Business	Media Platform Business
<p>— Direct impact: Offline-based clients such as fitness and beauty companies are largely declining, as well as the industry such as finance, human resource and real estate. Indirect impact: Mainly big clients or brand clients are reducing ad placements due to the economic deterioration.</p>	<p>Advertising revenue decreased mainly in a manga app called GANMA!</p>
<p>+ Clients involved in apps such as game or manga company tend to increase</p>	<p>Revenue from charges such as subscription fee of GANMA! or sales of media e-commerce sites are steadily increasing</p>
<p>Impact on revenue in 3Q: ¥-540mn</p>	<p>Impact on revenue in 3Q: ¥-40mn</p>

Outlook

- The most pessimistic scenario we expected last time is avoided and the strong recovery of demand for advertising is estimated.
- The employees continue to work from home and the cost management has progresses mainly for operation activity-related expenses.

**In such situation, the earnings estimates are revised up expecting to exceed the last estimates.
The amount of increase: Revenue +¥500mn, Non-GAAP operating profit +¥750mn, Profit for the period +¥380mn.**

The amount of impact by COVID-19 in the year (Mar-Sep): Net sales -¥2,900mn, Revenue -¥700mn, Non-GAAP operating profit -¥580mn

*Please look at p.31-32 for the revised earnings estimates.

02

Consolidated Earnings Overview in 1–3Q/FY2020

Consolidated

Revenue

¥12,928mn (Up 2.2% year on year)

Non-GAAP Operating Profit

¥1,428mn (Decreased 12.1% year on year)

Revenue increased while profit decreased year on year.

Digital
Marketing
Business

Revenue

¥11,327mn (Decreased 1.0% year on year)

Non-GAAP Operating Profit

¥3,503mn (Decreased 4.7% year on year)

Both revenue and profit decreased because of COVID-19.

Media
Platform
Business

Revenue

¥1,868mn (**Up 32.1%** year on year)

Non-GAAP Operating Profit

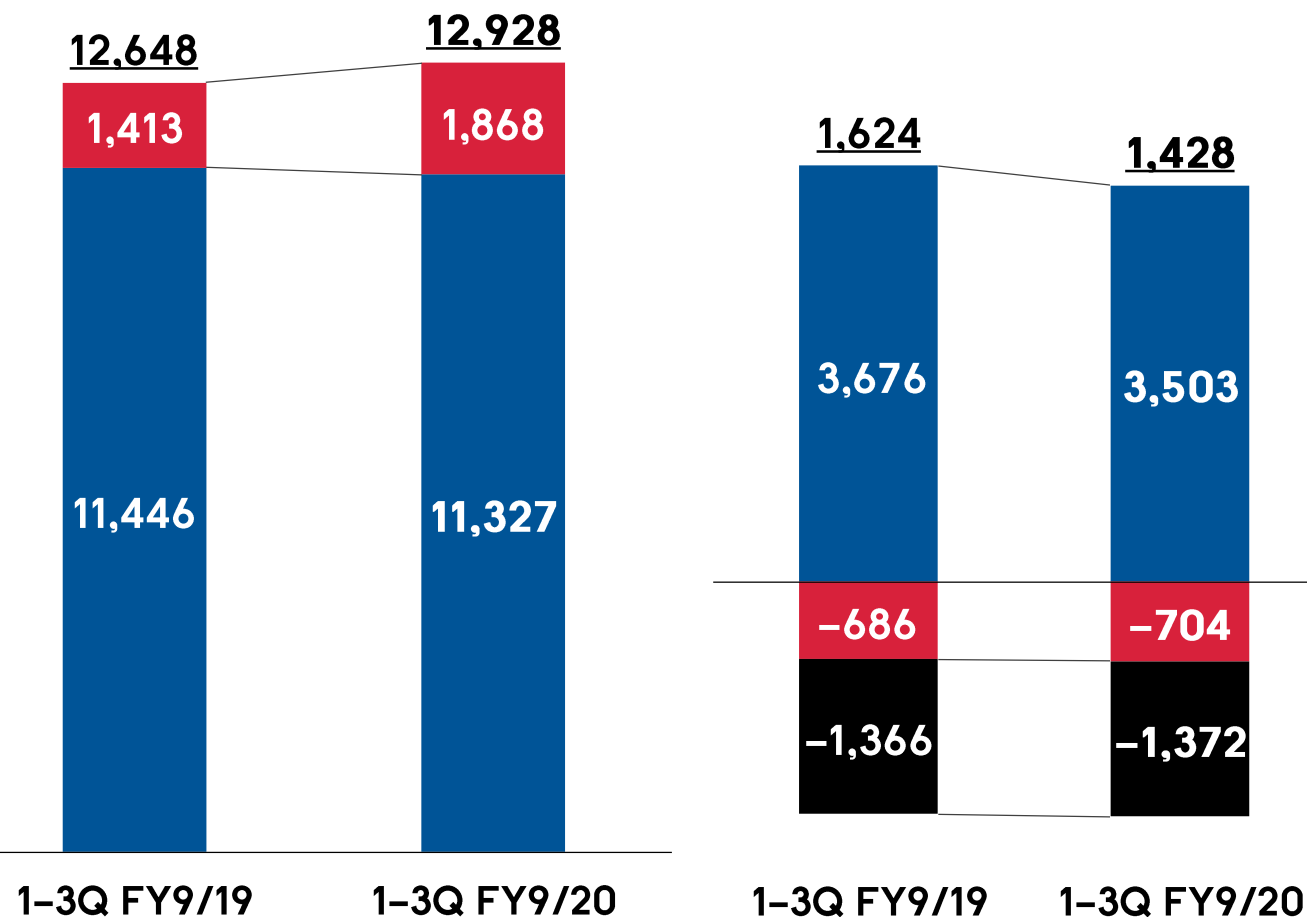
-¥704mn (Deficit increased **¥18mn** year on year)

Due to the growth of the respective businesses, revenue continuously increased year on year, coupled with a slight increase in deficit.

(units:¥mn)	1–3Q/FY2020			1–3Q/FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	12,928	100.0%	+2.2%	12,648	100.0%	17,000	76.0%
Gross profit	10,456	80.9%	-0.8%	10,544	83.4%	—	—
SG&A	9,035	69.9%	+1.1%	8,939	70.7%	—	—
Non–GAAP Operating profit	1,428	11.0%	-12.1%	1,624	12.8%	1,250	114.2%
Operating profit	1,267	9.8%	—	-244	-1.9%	—	—
Profit for the period attributable to owners of the parent	783	6.1%	—	-1,014	-8.0%	720	108.8%
[Reference] Net Sales	54,685	—	-6.5%	58,483	—	—	—

Non–GAAP operating profit and profit for the period surpassed the last estimates.

Revenue

Non-GAAP
Operating Profit

Due to COVID-19, revenue and profit decreased in Digital Marketing business, while overall revenue continued to increase thanks to the development of Media Platform business.

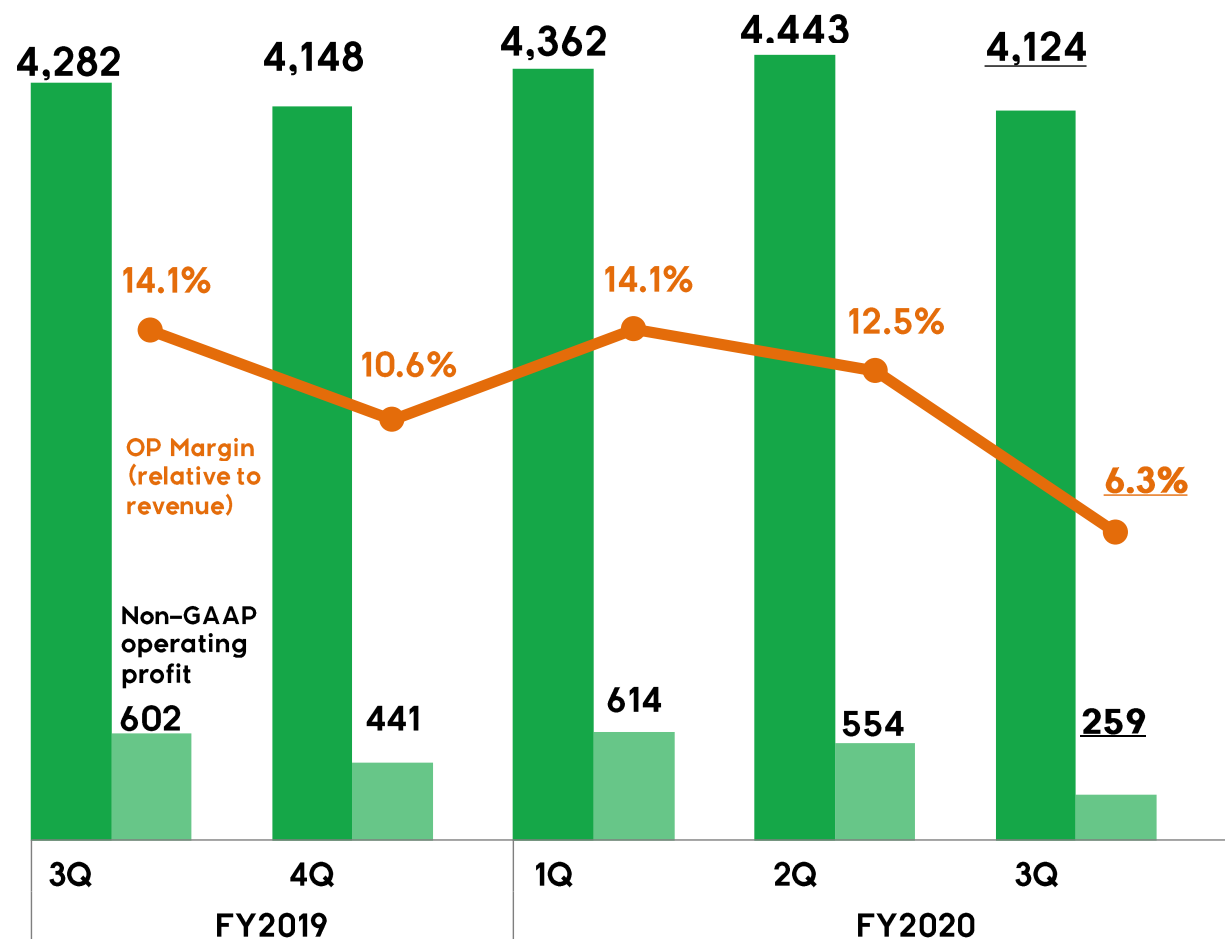
03

Quarterly Consolidated Earnings Overview

(units:¥mn)	3Q FY2020			3Q FY2019	
	Value	Share	YY Change	Value	Share
Revenue	4,124	100.0%	-3.7%	4,282	100.0%
Gross profit	3,314	80.4%	-7.7%	3,592	83.9%
SG&A	3,058	74.2%	+2.3%	2,990	69.8%
Non-GAAP Operating profit	259	6.3%	-56.9%	602	14.1%
Operating profit	227	5.5%	—	-1,214	-28.4%
Profit for the period attributable to owners of the parent	87	2.1%	—	-1,371	-32.0%
[Reference] Net Sales	16,504	—	-15.0%	19,410	—

Both revenue and profit decreased because of COVID-19.

Revenue (units:¥mn)



Revenue

¥4,123mn

(Decreased 3.7% year on year)

Non-GAAP operating profit

¥259mn

(Decreased 56.9% year on year)

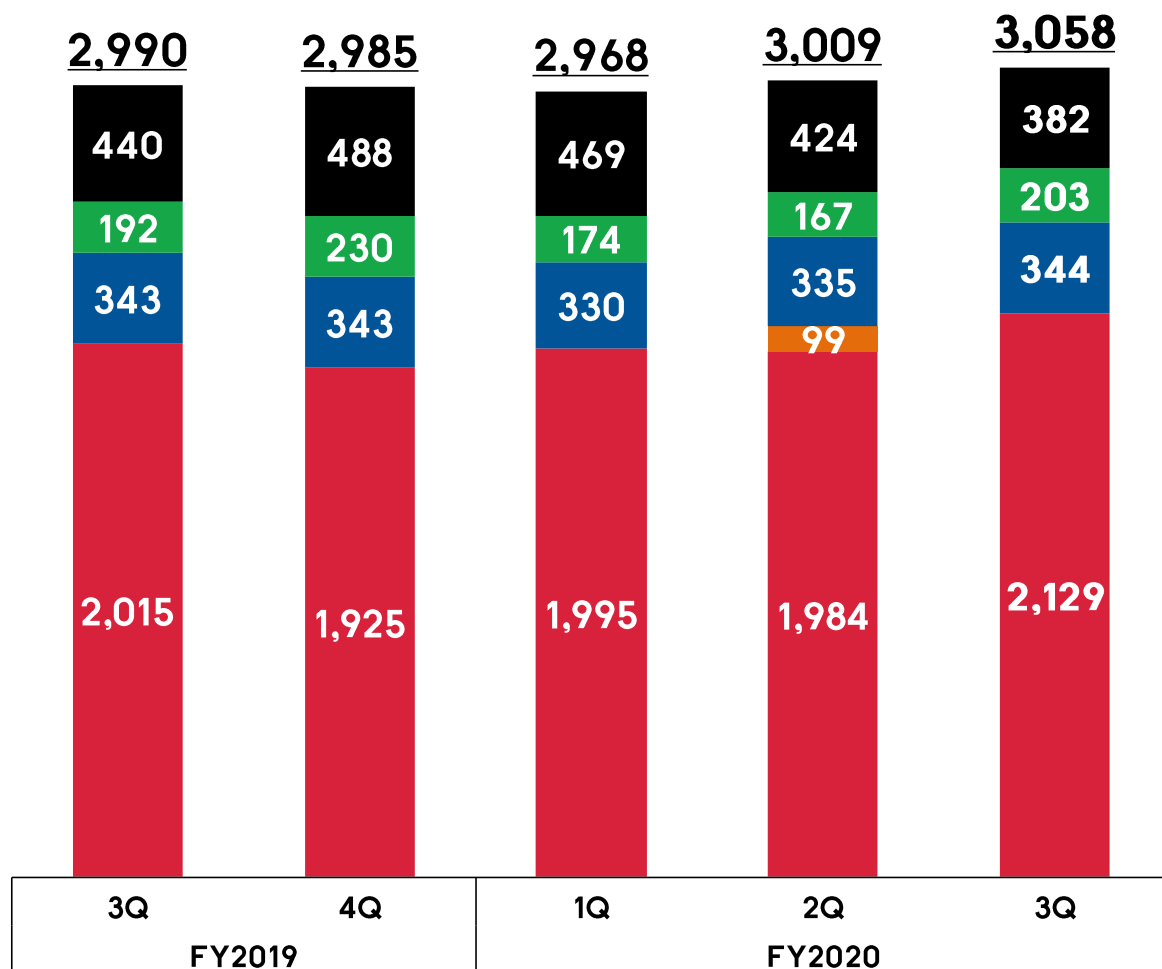
Revenue and Non-GAAP operating profit have softened.

(units:¥mn)	FY2019				FY2020			QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Total of cost of sales	673	740	690	730	810	853	810	-5.0%	+17.4%
Labor costs	273	286	230	239	251	257	268	+4.6%	+16.6%
Subcontract costs	95	143	98	112	118	131	138	+4.9%	+41.4%
Others	306	311	362	378	441	465	404	-13.1%	+11.4%
Total of SG&A	2,947	3,001	2,990	2,985	2,968	3,009	3,058	+1.6%	+2.3%
Labor costs	1,934	1,895	2,015	1,925	1,995	1,984	2,129	+7.3%	+5.7%
Additional performance-linked bonus	—	173	—	—	—	99	—	—	—
Rent expenses etc.*	344	343	343	343	330	335	344	+2.7%	+0.2%
Advertising expenses	221	167	192	230	174	167	203	+21.4%	+5.8%
Others	448	424	440	488	469	424	382	-9.8%	-13.1%

*In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

**Cost of sales increased YonY,
but an increase of SG&A is suppressed.**

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



Labor cost increased QonQ because about 110 new employees joined the Group.

* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

04

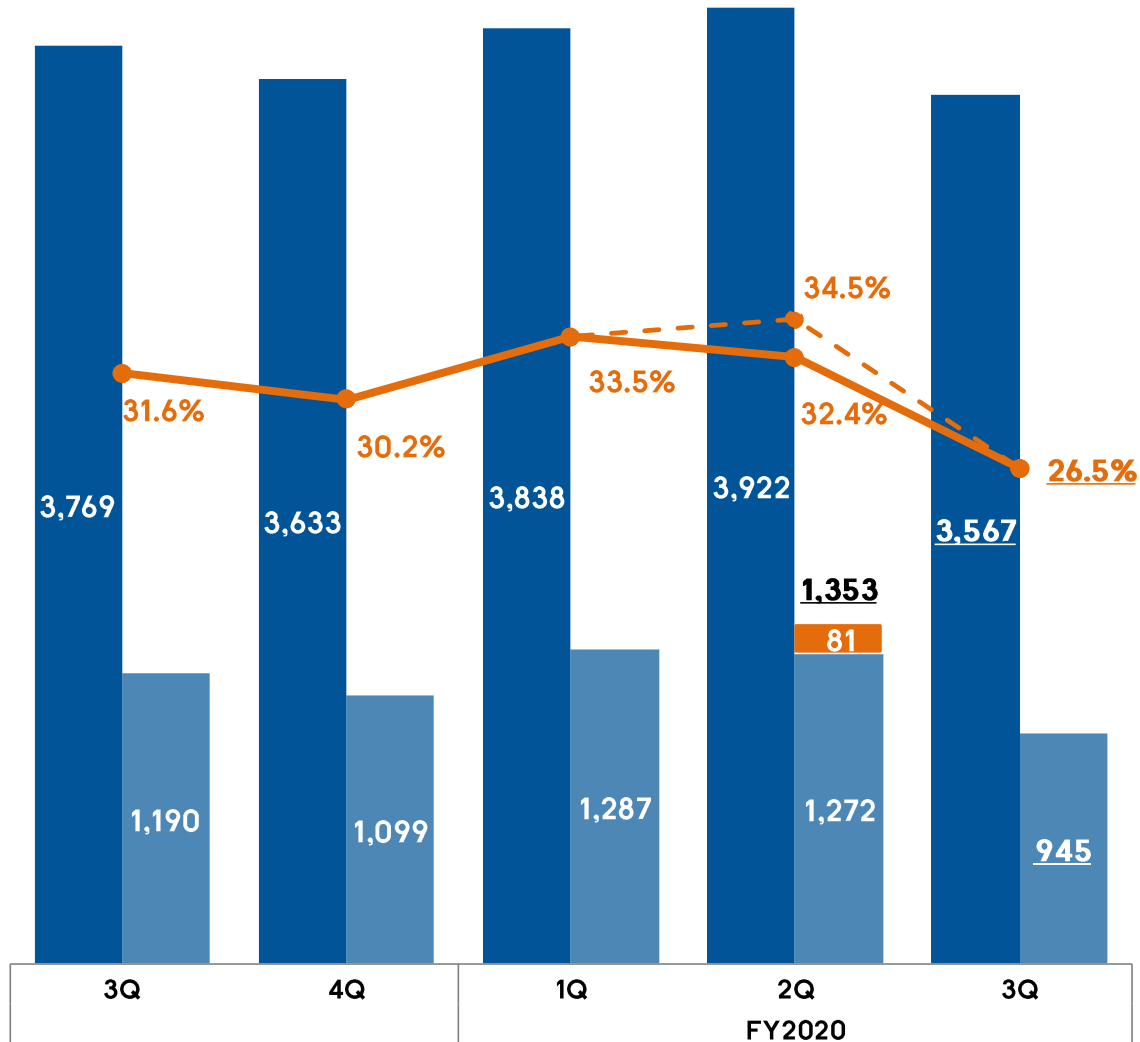
Digital Marketing Business

(units:¥mn)	3Q FY2020			3Q FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	3,567	100.0%	-5.4%	3,769	100.0%	14,800	76.5%
Gross profit	3,035	85.1%	-8.3%	3,308	87.8%	—	—
SG&A	2,093	58.7%	-1.2%	2,118	56.2%	—	—
Non-GAAP Operating profit	945	26.5%	-20.6%	1,190	31.6%	4,050	86.5%
[Reference] Net Sales	16,041	—	-15.6%	19,012	—	—	—

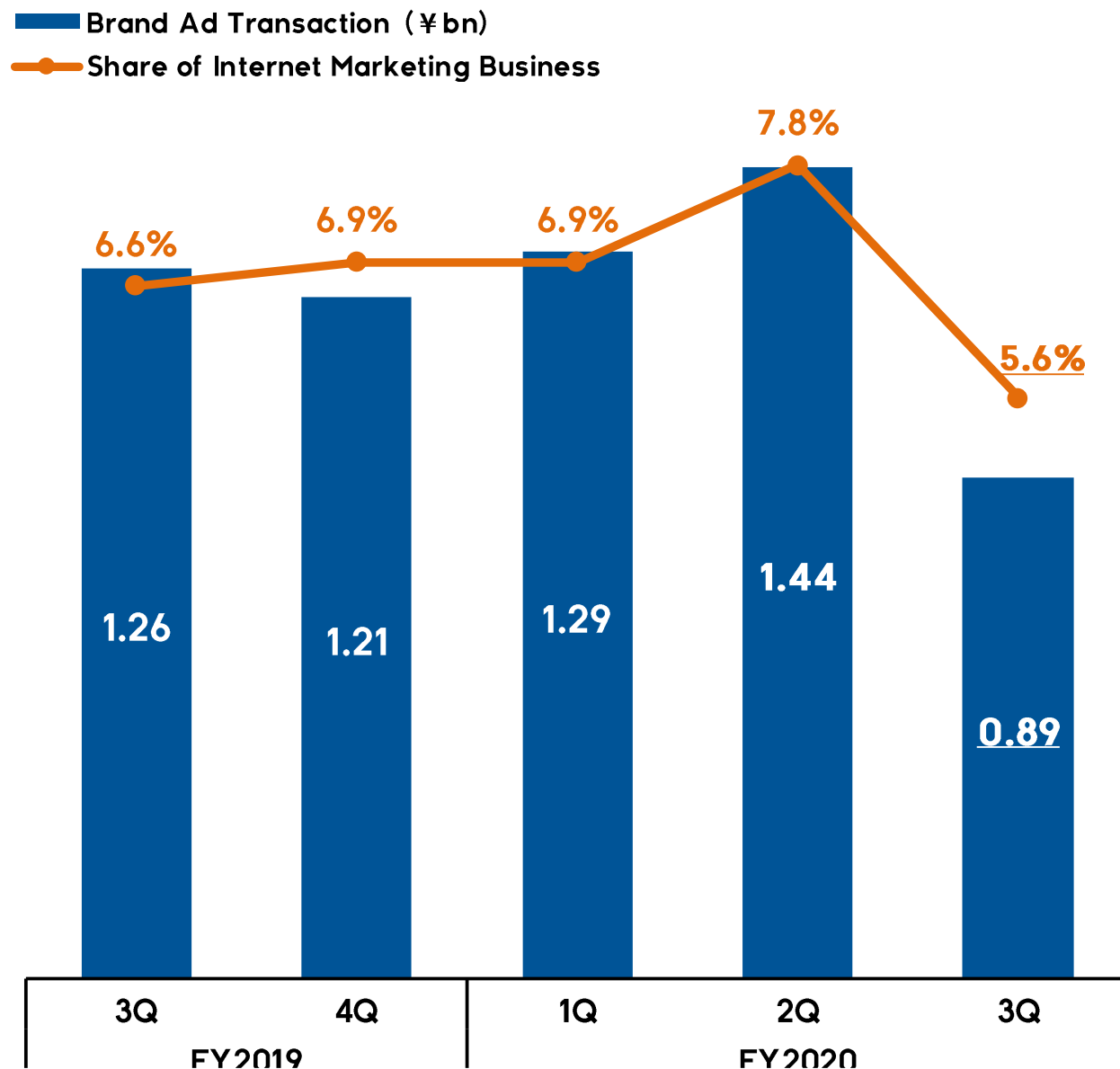
*Reduction in revenue by COVID-19: approx.-¥540mn

**Although being affected by COVID-19,
revenue only decreased 5% in the quarter year on year.**

- Revenue
- Non-GAAP operating profit (units:¥mn)
- Operating margin (relative to revenue)
- - - Operating margin (relative to revenue *excluding the additional performance-linked bonuses)
- The additional performance-linked bonuses (Internet Marketing Business)

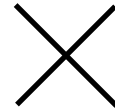
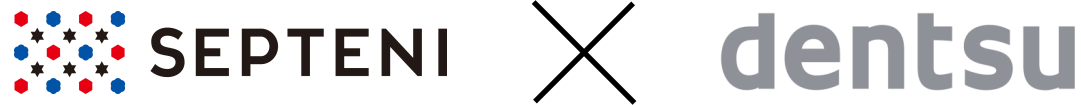
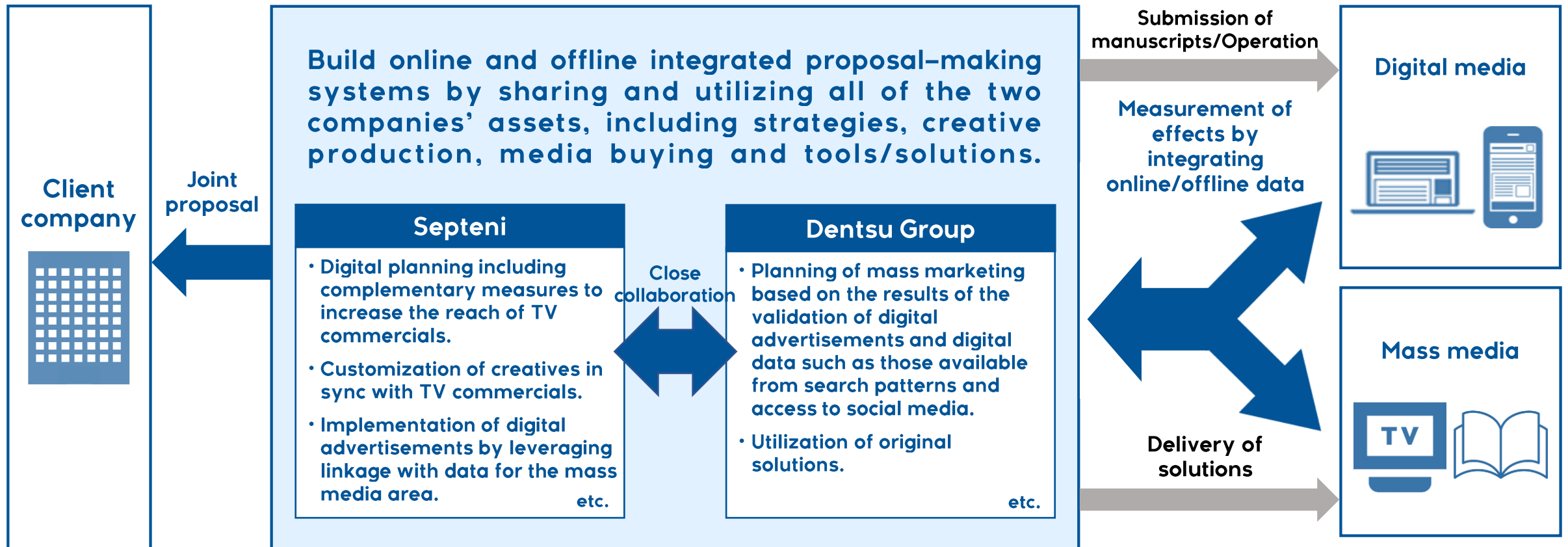


Revenue decreased slightly in Japan, while decreased considerably overseas, as overall went down 5.4% year on year.

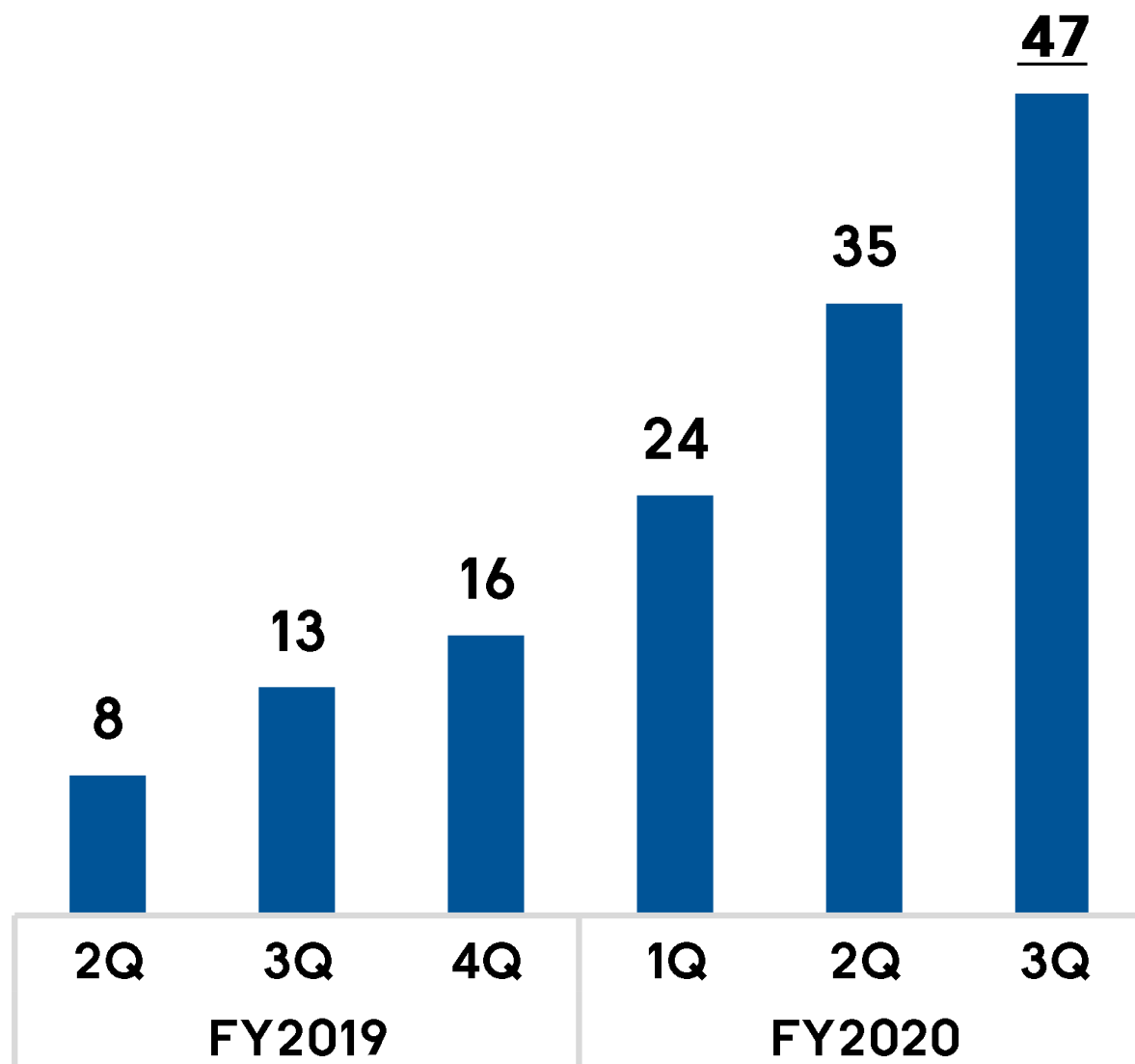


Decreased **38.2%** QonQ
and **29.2%** on YonY,
as a result of the huge
impact by COVID-19.

Proposal of Integrated Marketing of online/offline advertising through the utilization of the two companies' clients bases (conceptual image)


dentsu


■ Volume of clients in the collaboration with Dentsu



The volume of clients in the alliance with Dentsu Group considerably increases, especially through proposals of integrated marketing of on/off advertising as a mid-term collaboration.

*As a result of re-count, the previous numbers are revised.

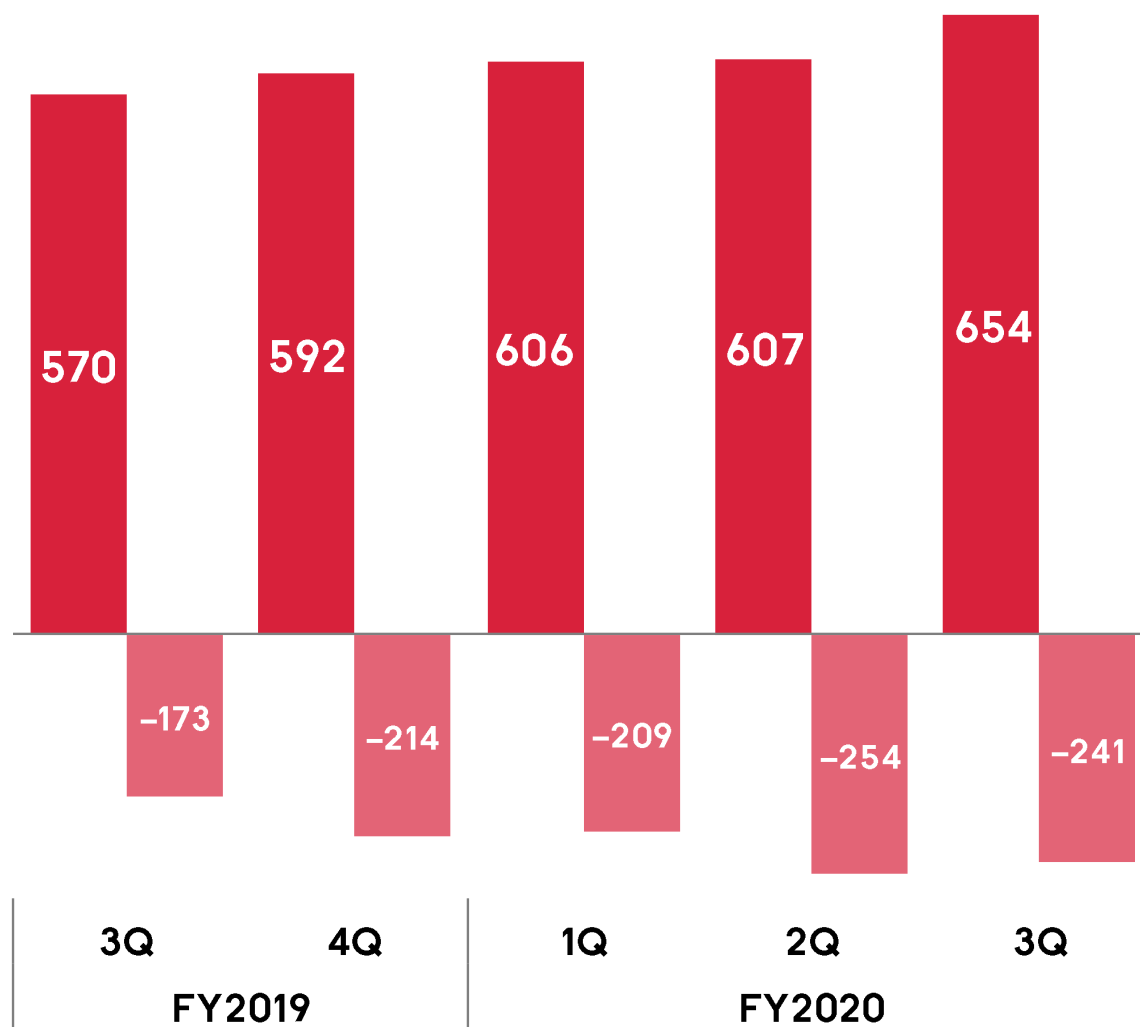
05

Media Platform Business

(unit:¥mn)	3Q FY2020			3Q FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	654	100.0%	+14.7%	570	100.0%	2,450	76.2%
Gross profit	373	57.1%	+11.0%	337	59.0%	—	—
SG&A	614	93.9%	+20.6%	509	89.3%	—	—
Non-GAAP Operating profit	-241	—	-68	-173	—	-1000	—

**Mainly advertising revenue is affected by COVID-19,
but overall revenue increased thanks to charges on customers.**

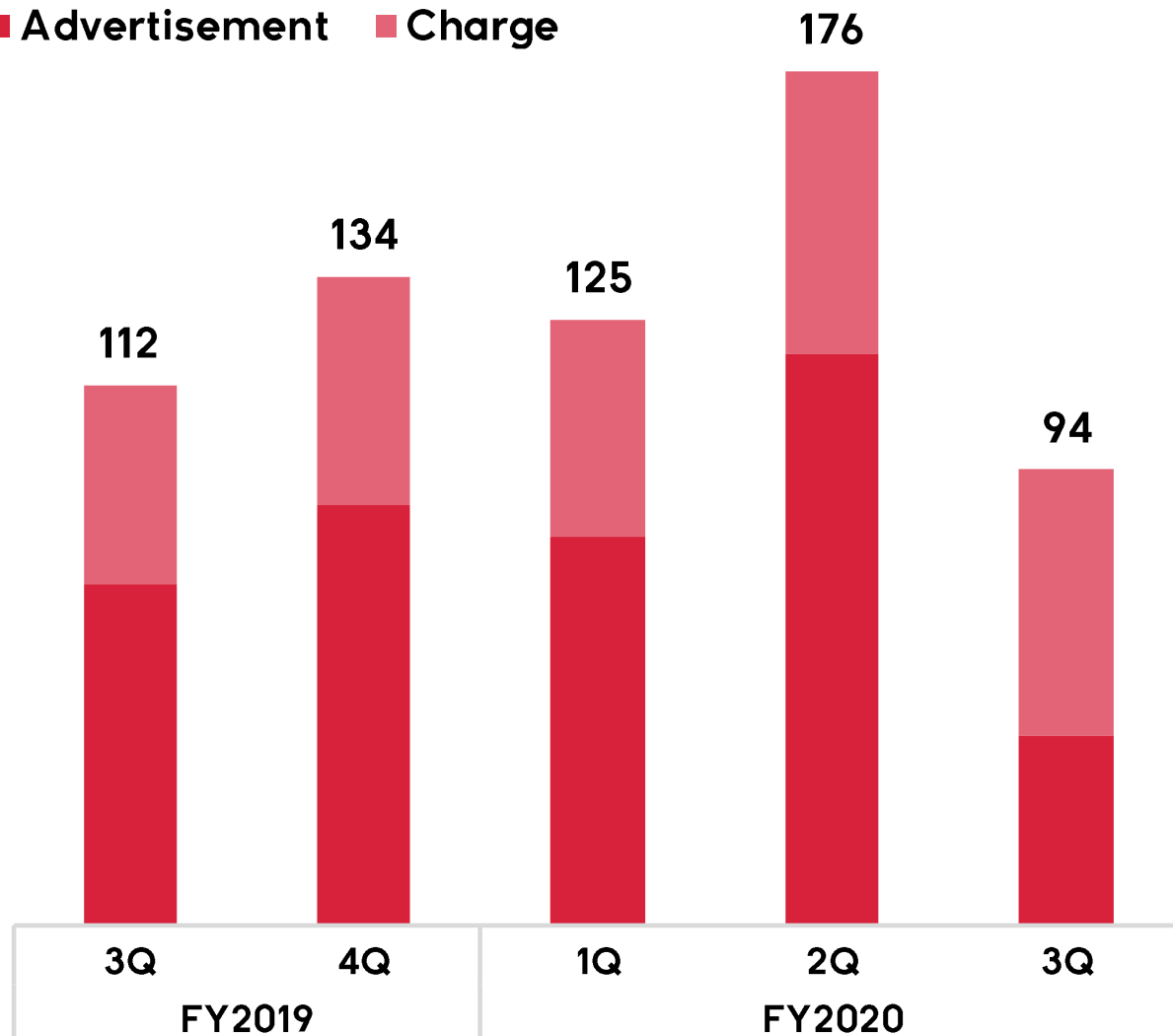
■ Revenue ■ Non-GAAP operating profit (units: ¥mn)



Charges such as subscription fee or sales on e-commerce sites that didn't get affected by COVID-19 **largely increased.**

*Volume in 1Q FY2018=100

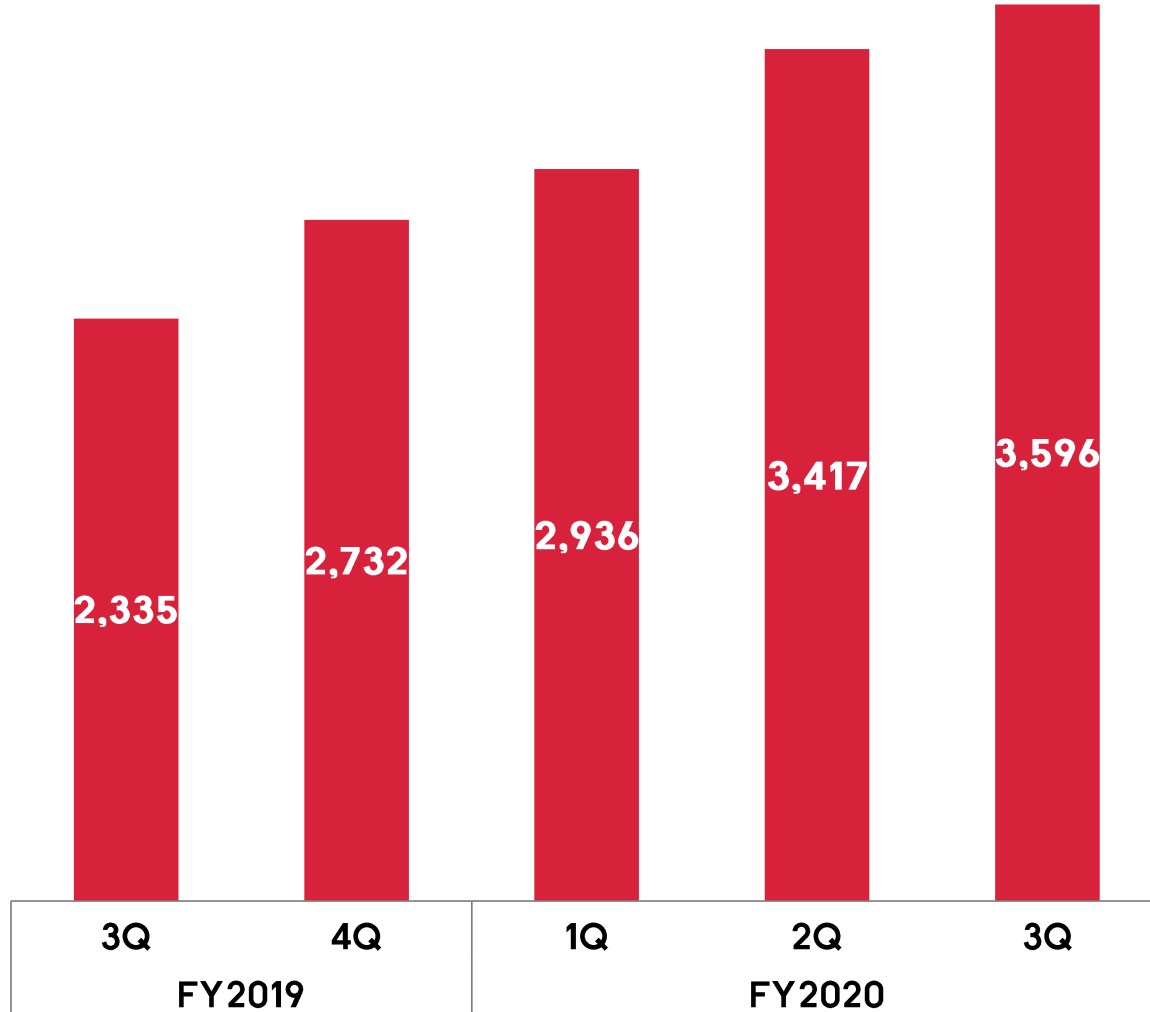
■ Advertisement ■ Charge



Advertising revenue is largely affected by COVID-19.

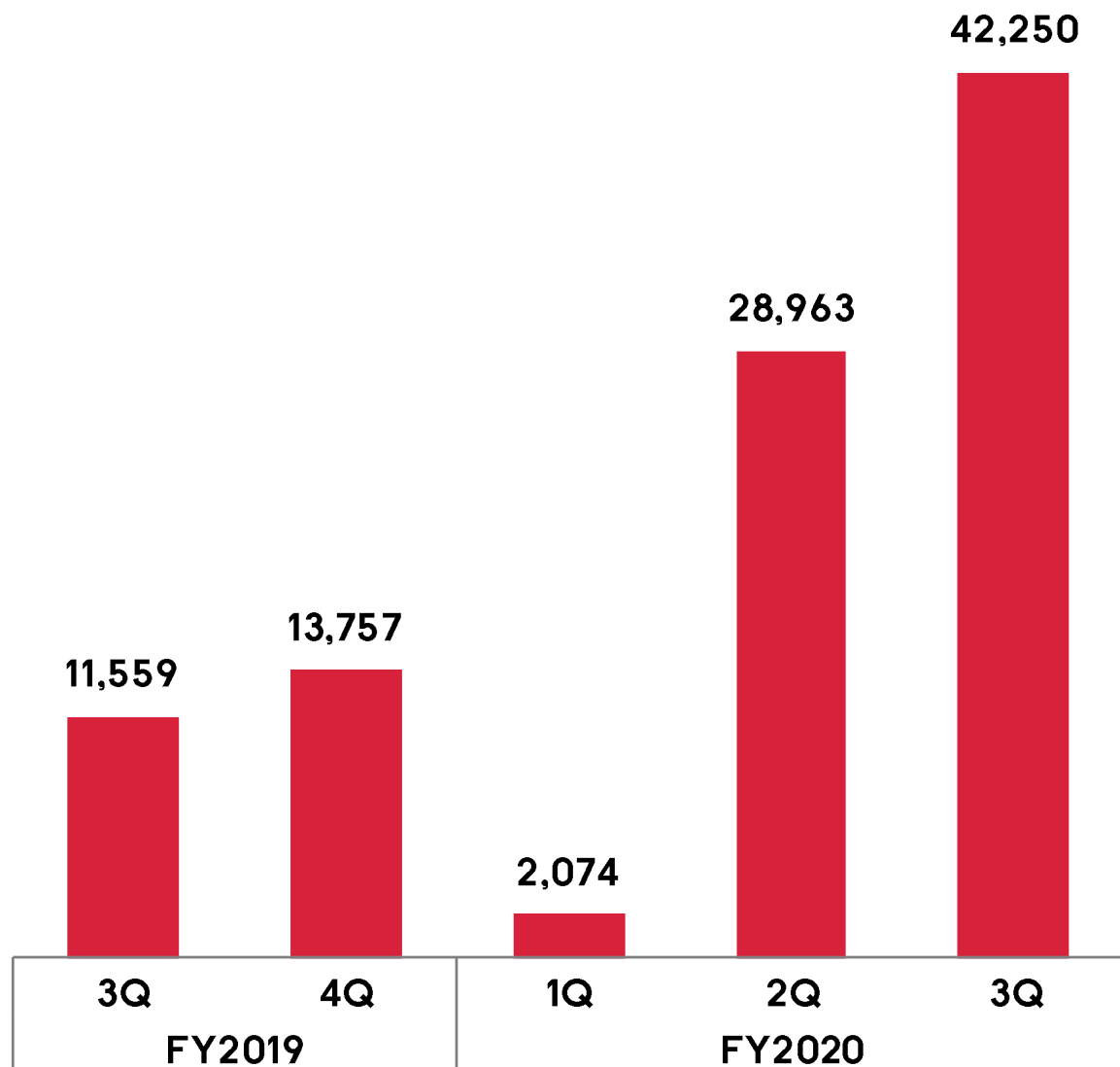
Revenue from charge increased steadily and exceeded advertising revenue for the first time.

* Volume in 1Q FY2017=100



Subscription revenue increased approx. 1.6 times YonY as the rise of number of charged users.

■ The total of support fund

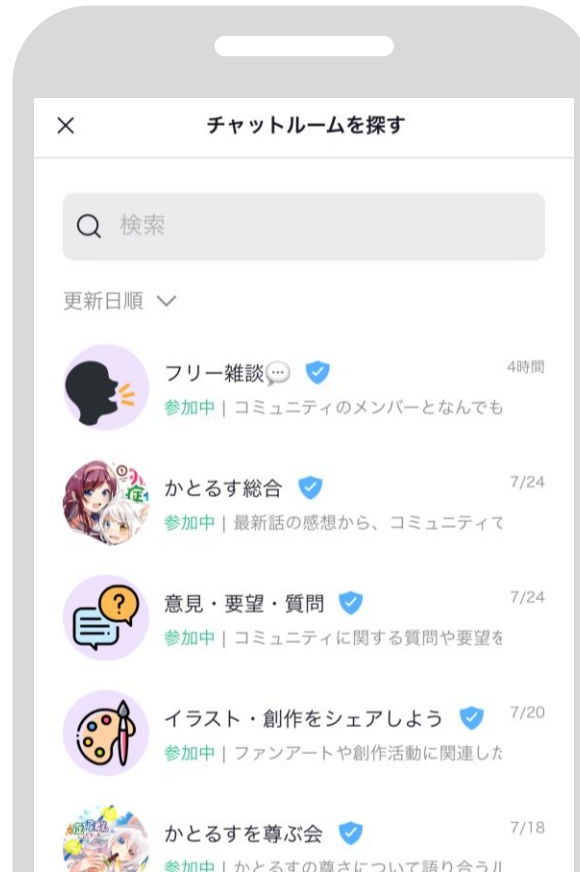


The crowdfunding record largely expanded by the contribution of GANMA!'s popular works including “Judgement Assizes” anime project.

Top screen of co-creative fan community



Chat room of co-creative fan community



COMICSMART contracts business association with **Gaudi**, a blockchain venture company, and will start to **construct co-creative fan community** and offer “**data ownership type e-book**” utilizing public blockchain technology together.

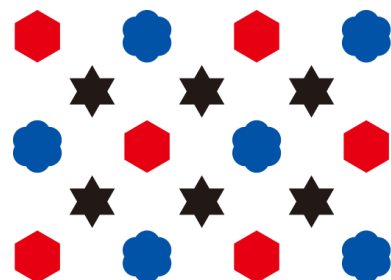
06

Revised Earnings Estimates

(units:¥mn)	Revenue	Non-GAAP Operating profit	Profit for the period attributable to owners of the parent	Basic EPS
Previous Estimates (A)	17,000	1,250	720	¥5.69
Current Estimates (B)	17,500	2,000	1,100	¥8.70
Increased/Decreased Amount (B-A)	500	750	380	
Rate of Change(%)	2.9	60.0	52.8	
Results in previous year (FY9/2019)	16,796	2,065	-547	-¥4.33
Reason of revision	The estimates are expected to exceed the last revised estimates due to the recovery of demand for advertising since economic activities resumed and the cost management progressing mainly for operating activity-related expenses.			

The earnings estimates are revised up by the recovery of demand for advertising and the cost management.

(units:¥mn)	Revenue			Non-GAAP Operating profit		
	Previous Estimates	Current Estimates	Rate of Change	Previous Estimates	Current Estimates	Rate of Change
Digital Marketing	14,800	15,350	+3.7%	4,050	4,800	+18.5%
Media Platform	2,450	2,500	+2.0%	-1000	-950	-
Adjustment	-250	-350	-	-1,800	-1,800	-
Consolidated	17,000	17,500	+2.9%	1,250	2,000	+60.0%



SEPTENI

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 July 30th, 2020 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

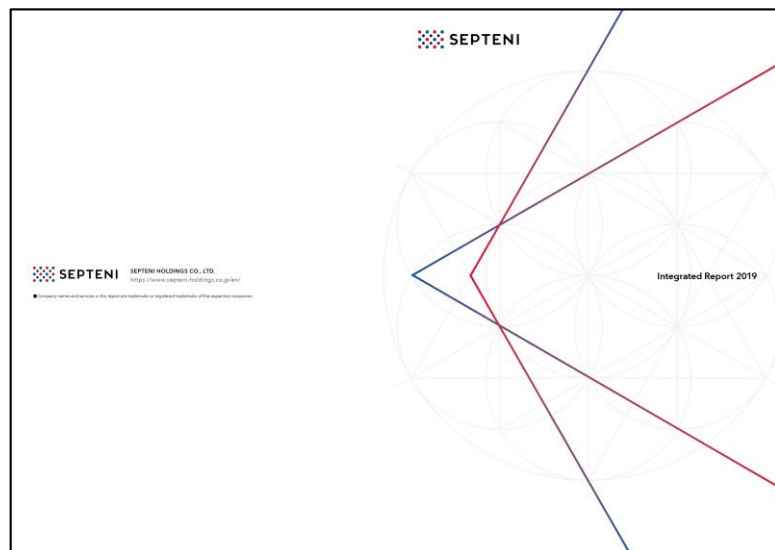
www.septeni-holdings.co.jp/en/

E-mail: ir@septeni-holdings.co.jp/en/

08

Appendix

Integrated Report

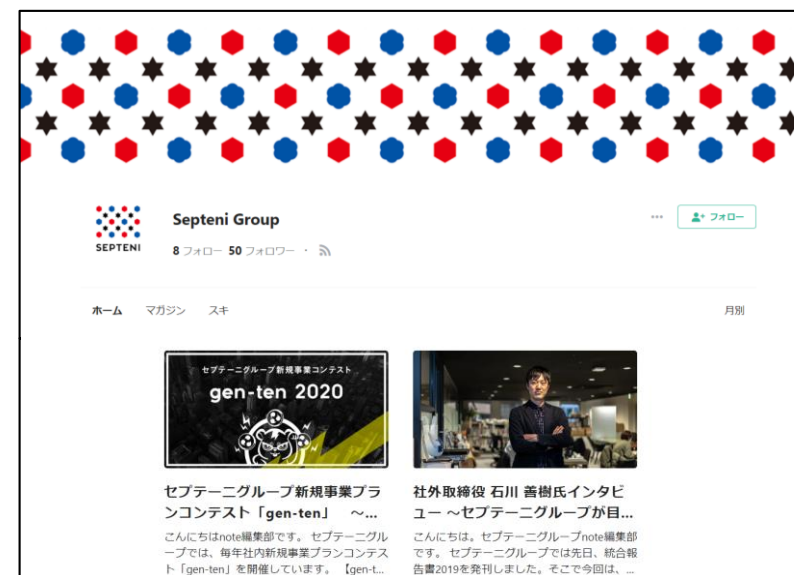


The Integrated Report 2019 is available on the website, discussing mid-long-term management policy, business strategy, and the framework of value creation in the businesses.

Please check the details from the link or the code.

(https://www.septeni-holdings.co.jp/en/ir/pdf/integratedreport2019_en.pdf)

note



Septeni Group official blog on “note” started in December 2019, introducing various approaches around its people and culture that cannot be talked enough on other materials.

*only available in Japanese

Please check the details from the link or the code.

(https://note.com/septeni_group)

Correspondence

Securing the safety of the employee and anyone related is the top priority, then we consider and implement appropriate countermeasures while closely monitoring the spread of infection.

*Updated on June 12.

1. Working Form

- **Working from home is recommended.** *It will be decided till when upon the government policy and social situations.
- If it's necessary to go to the office, they should avoid rush hour.
- If it's necessary to go to office, they have to follow "the guideline to work after the state of emergency".

2. Meetings etc.

- All meetings with more than 20 people are prohibited to hold.
- Online meetings are recommended.
- Any unnecessary visiting, business trips and dinner should be avoided.

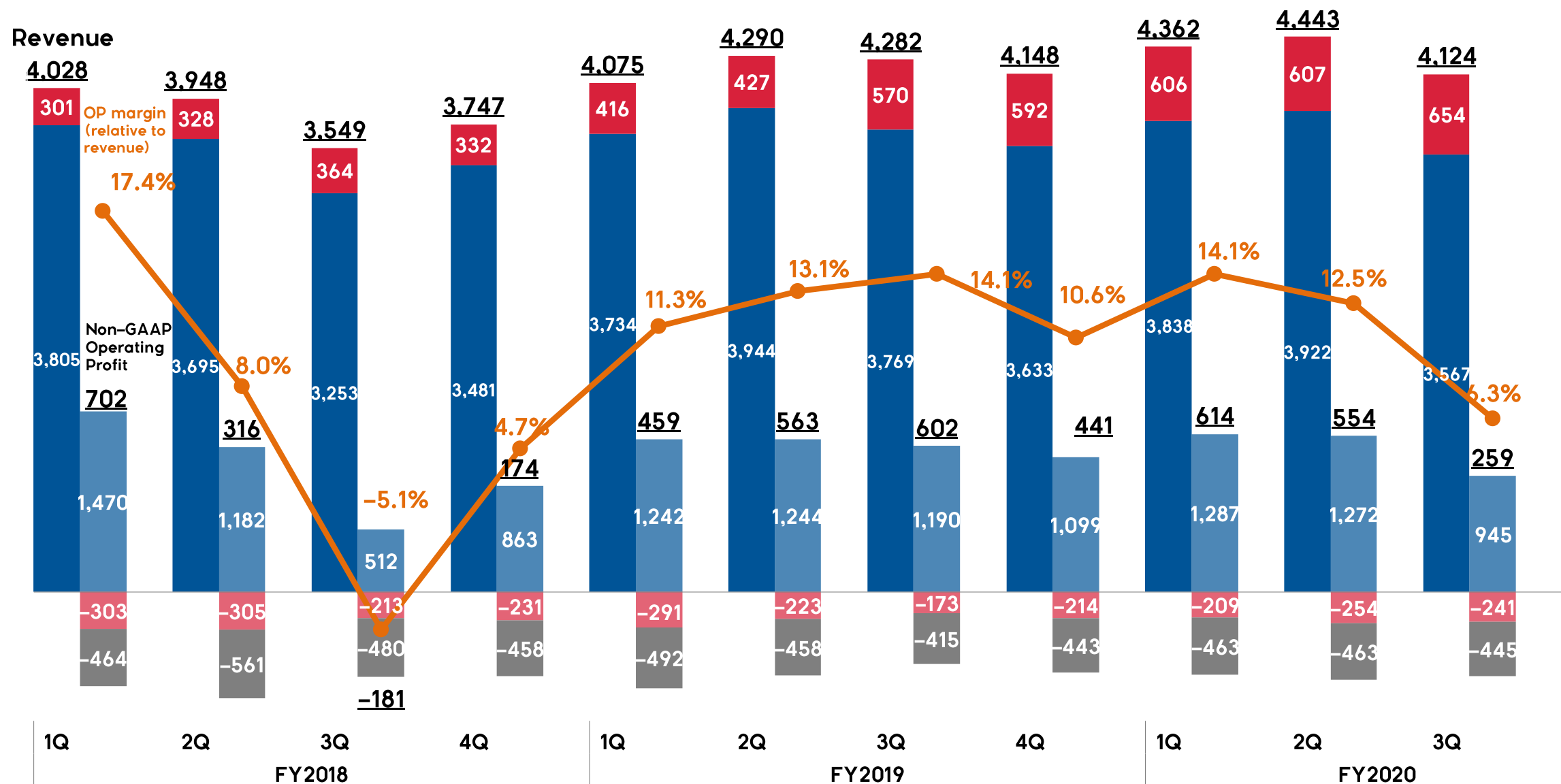
3. Response to suspected infection

a) If falls under the following conditions:

- If an employee or any family members have symptoms of cold such as fever or cough
- If an employee has been overseas within a month
- If an employee feels extreme fatigue or stifled
- If an employee suddenly feels something strange in scent or taste
- If an employee may have close contact with a patient

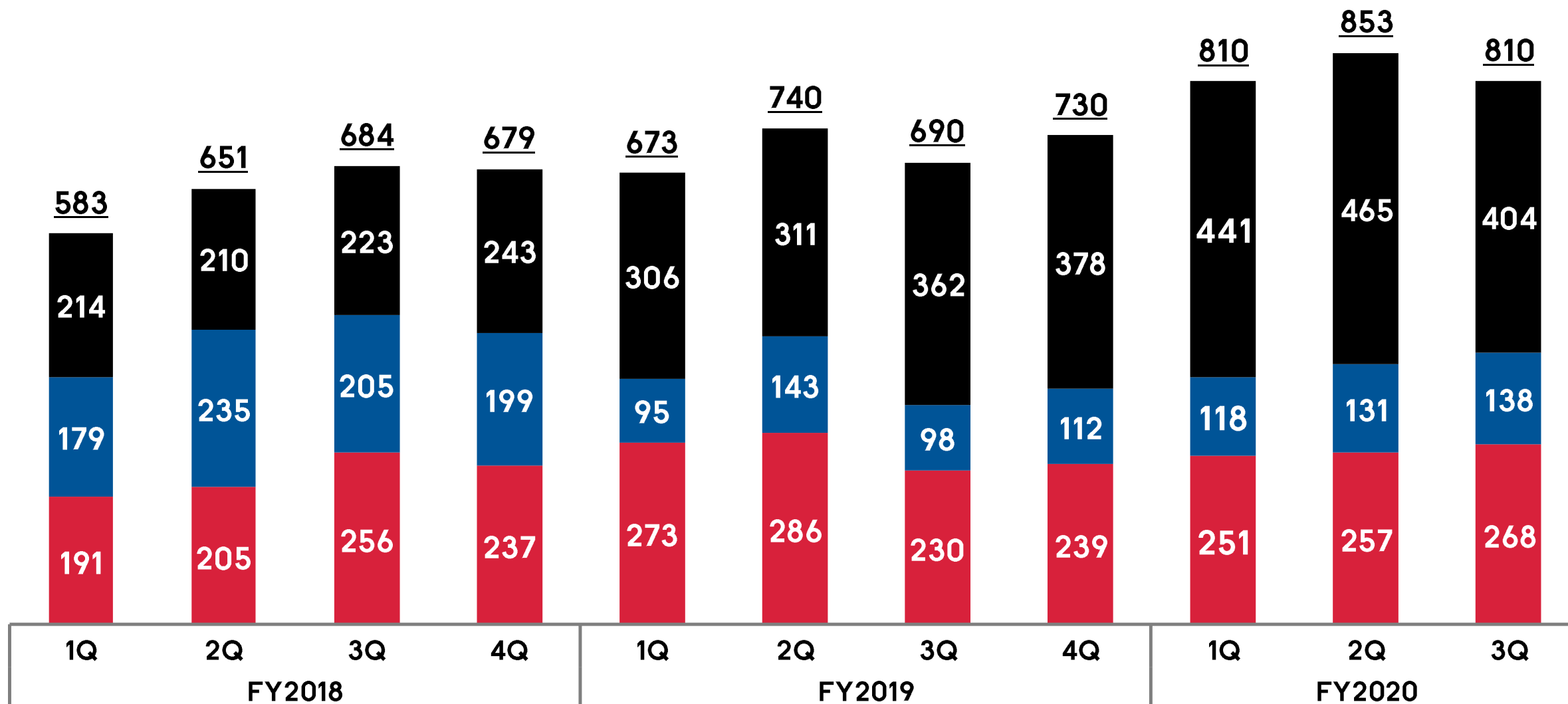
b) A person has to follow as below

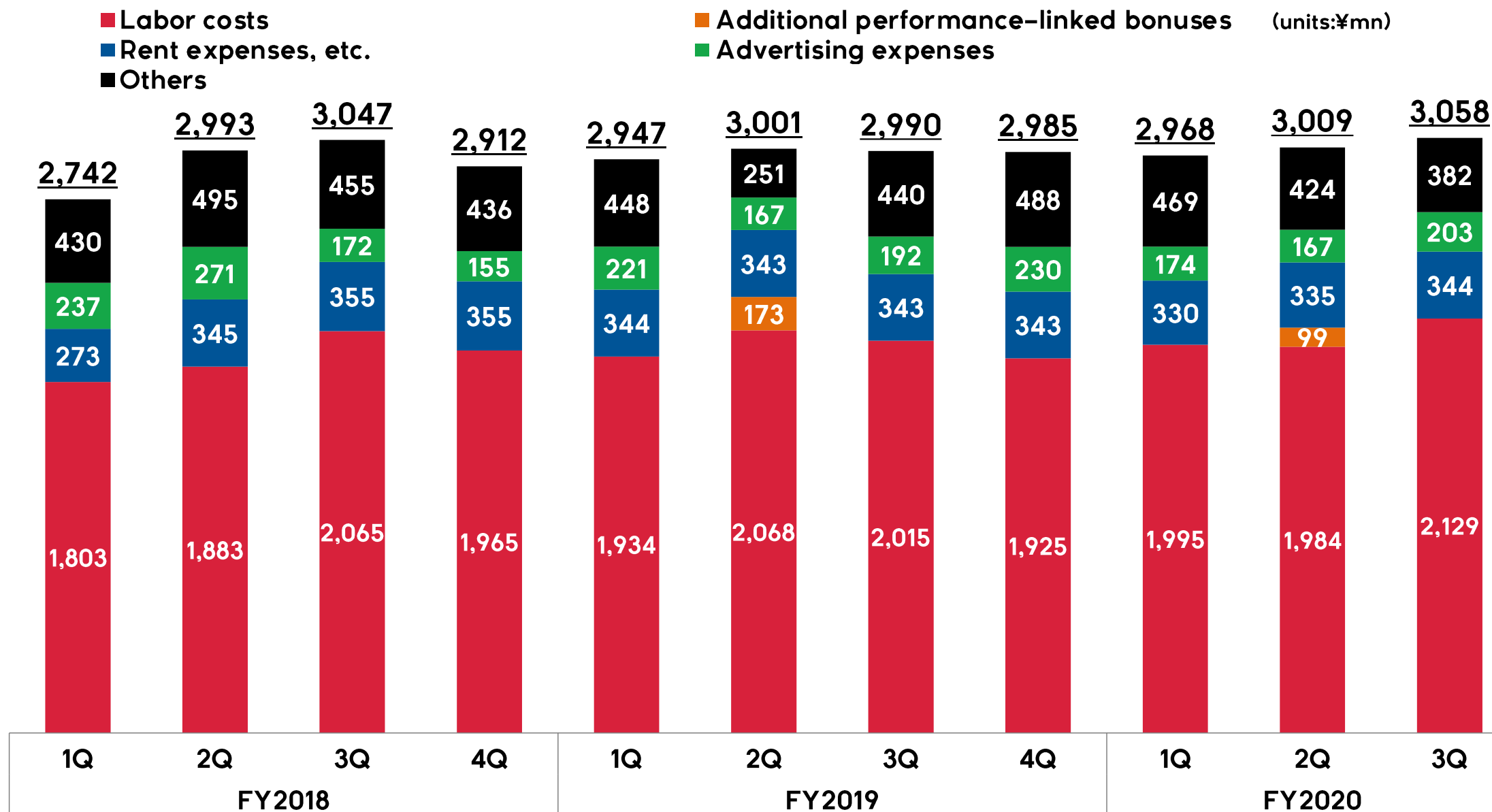
- reports to the crisis-management committee and stay home (or work from home if someone in the same house has a cold.
- sets 14-day health care period and make sure to measure temperature and report.



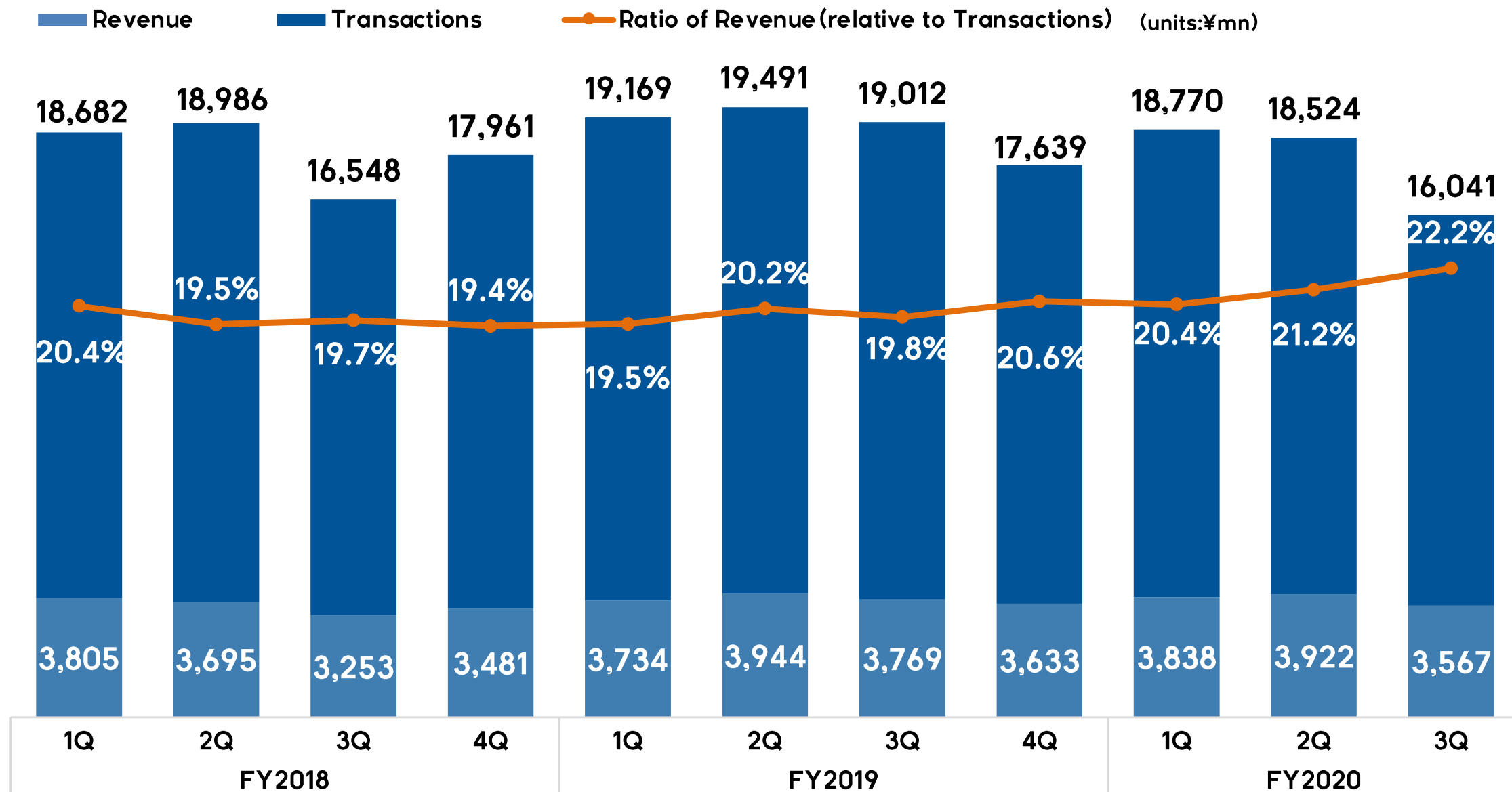
*The Statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

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



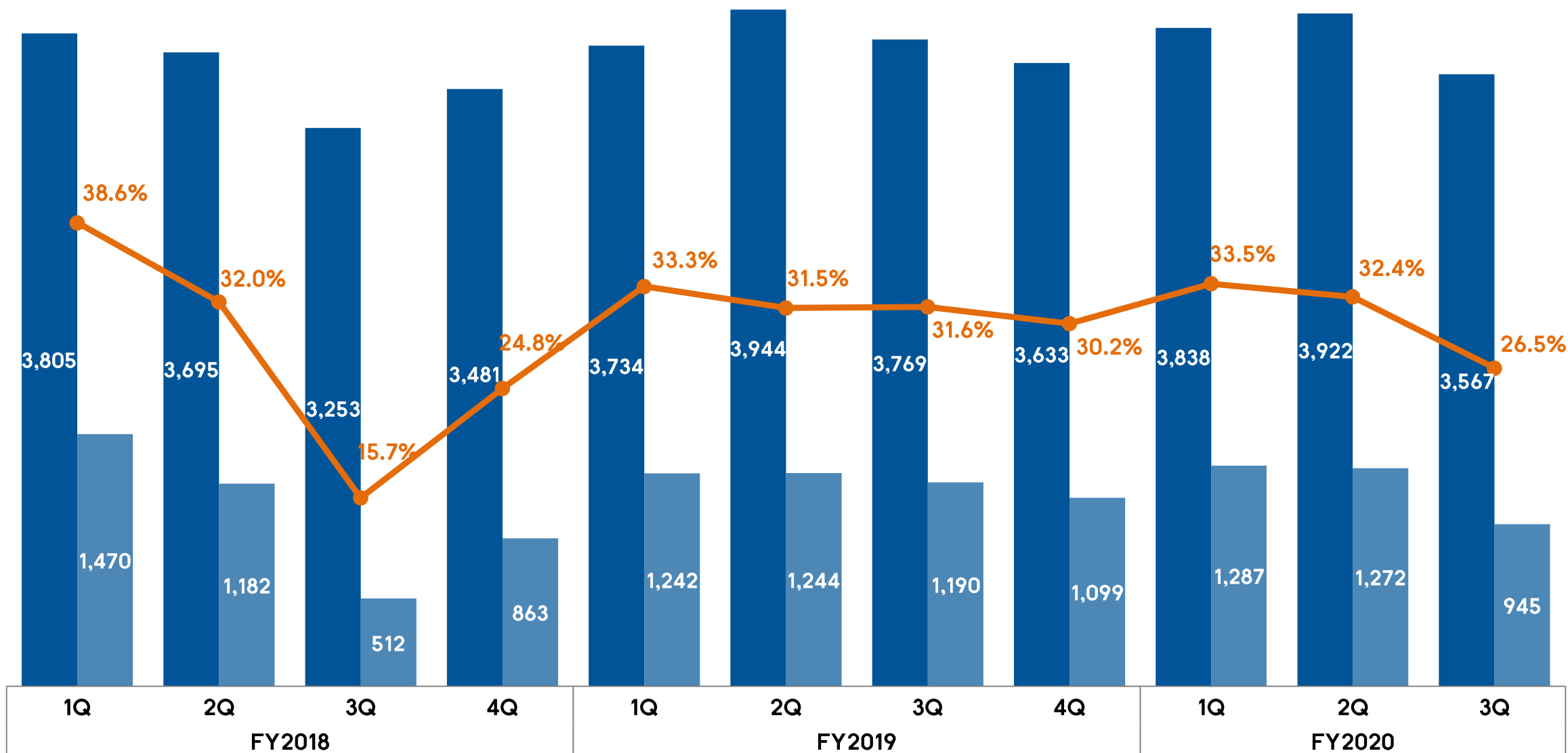


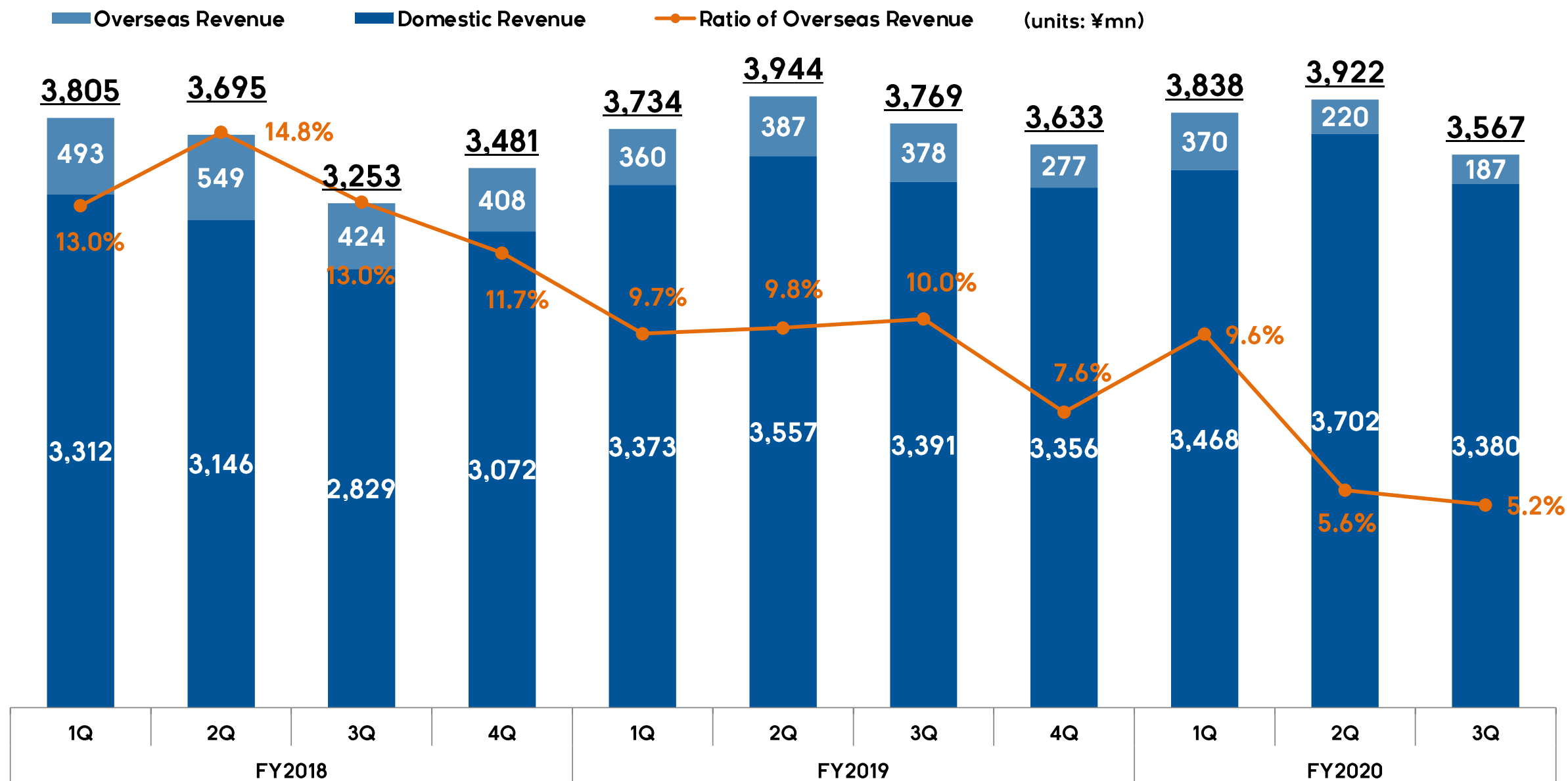
* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.



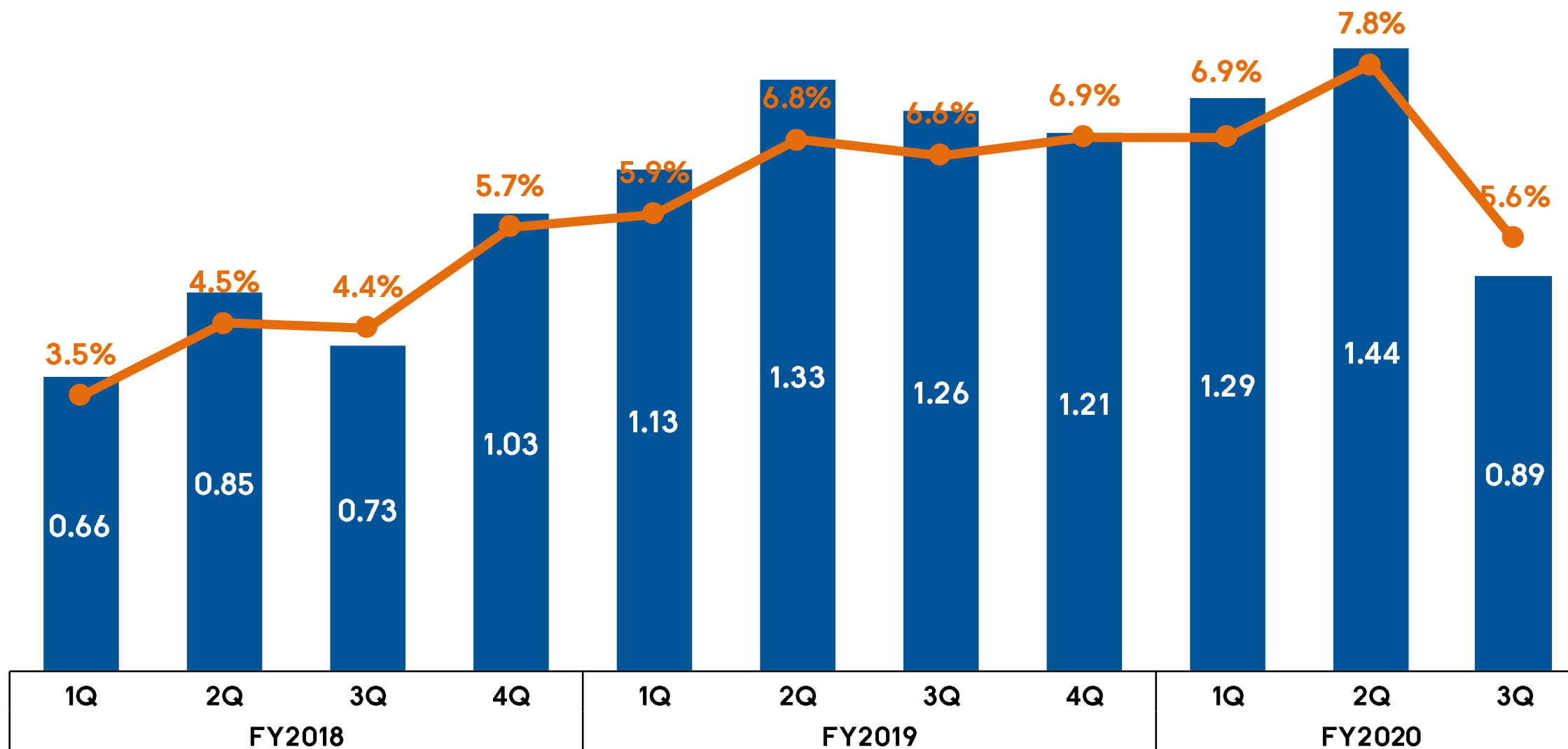
*Transaction refers to JGAAP-based sales, while revenue indicates IFRS-based revenue.

Revenue
Non-GAAP operating profit (units:¥mn)
Operating margin (relative to revenue)



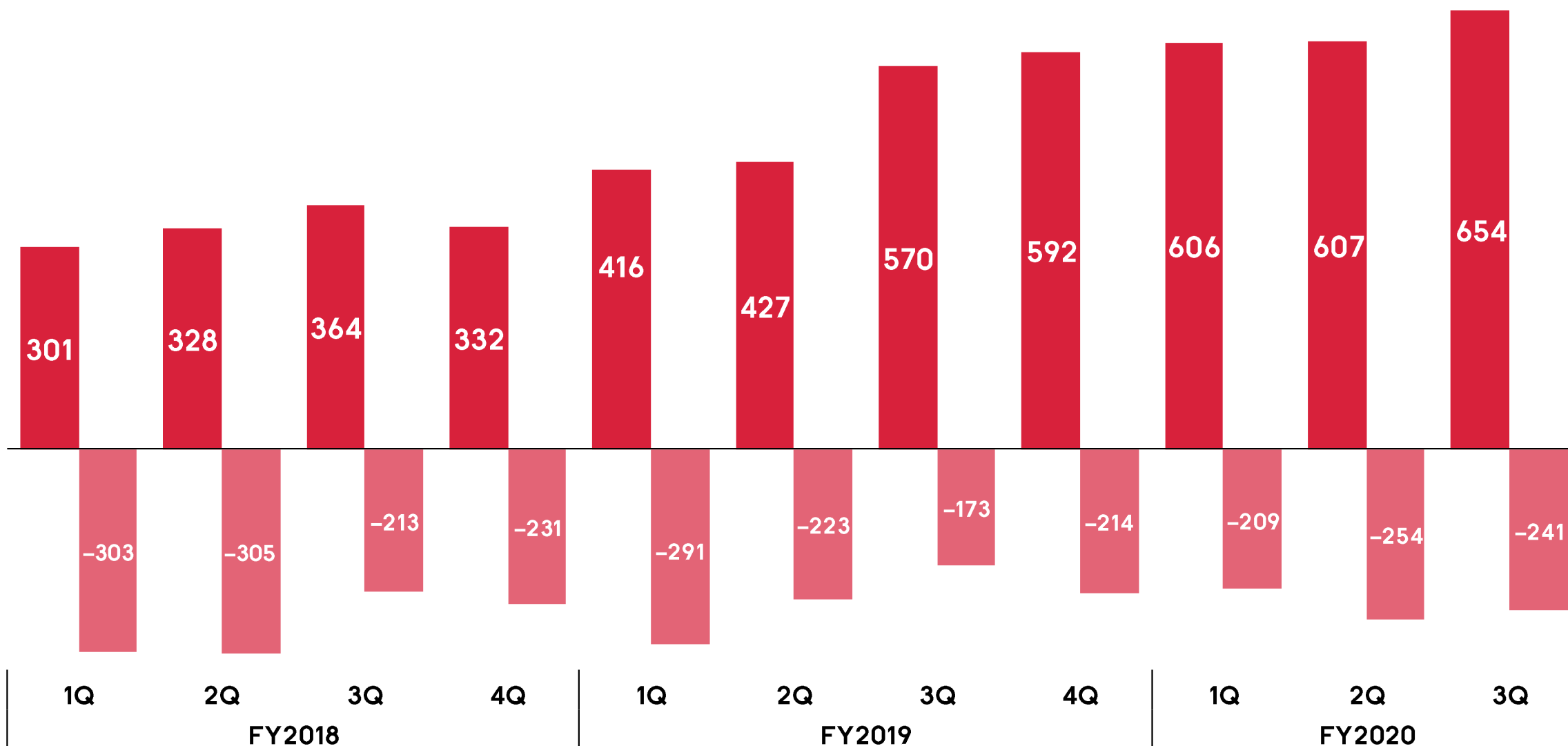


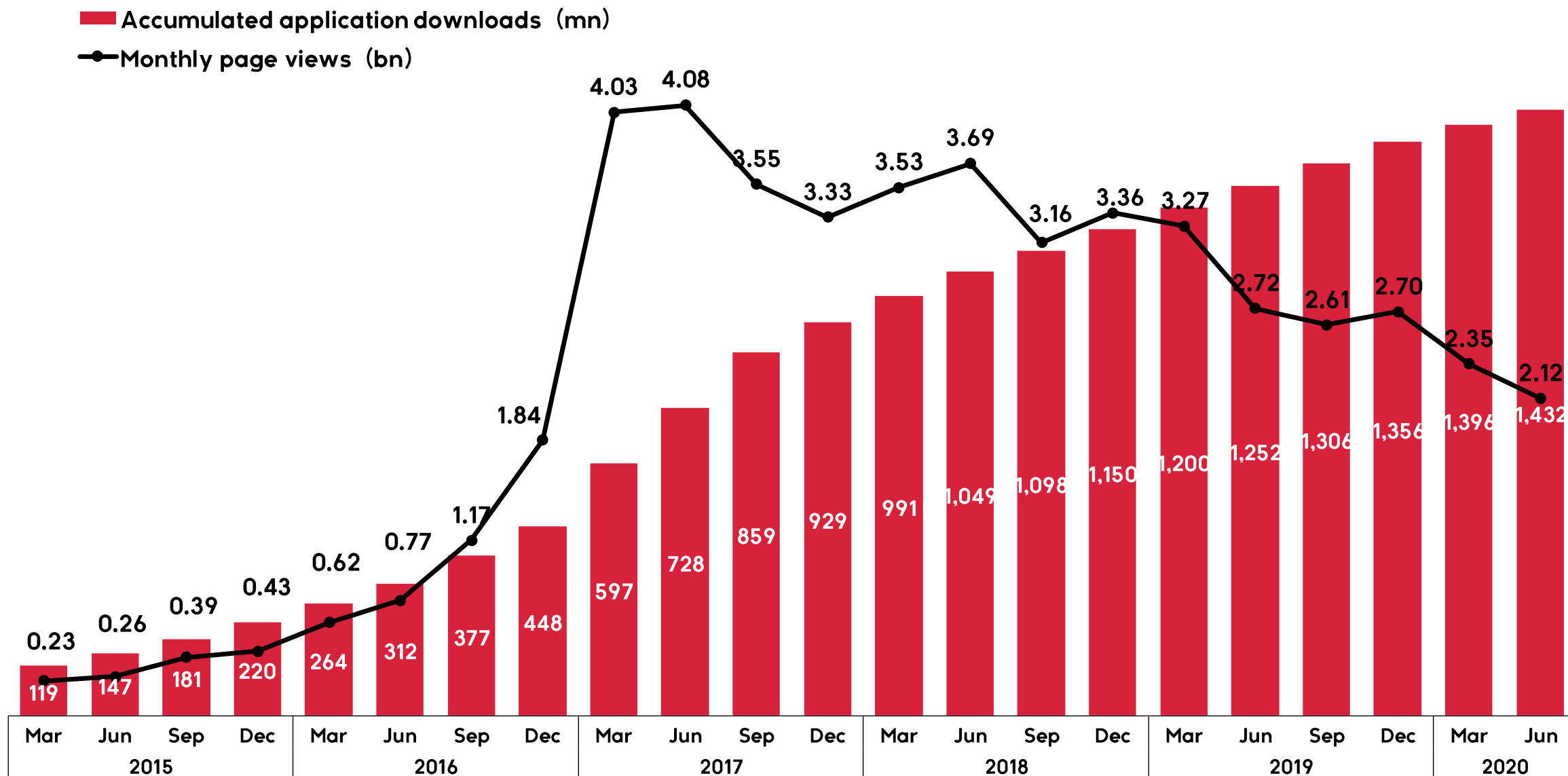
Brand Ad Transaction (¥bn)
Share of Internet Marketing Business



■ Revenue

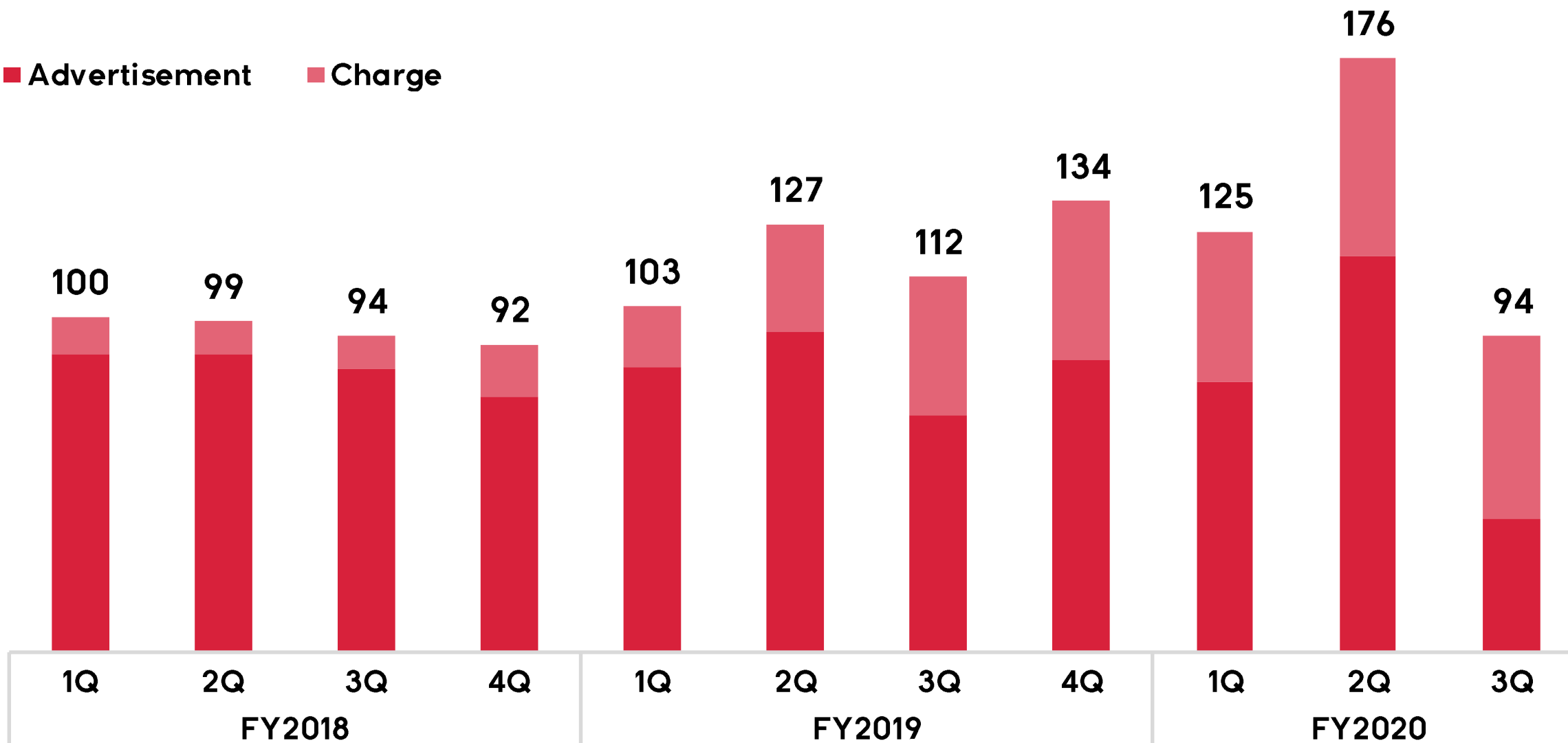
■ Non-GAAP operating profit (units:¥ mn)



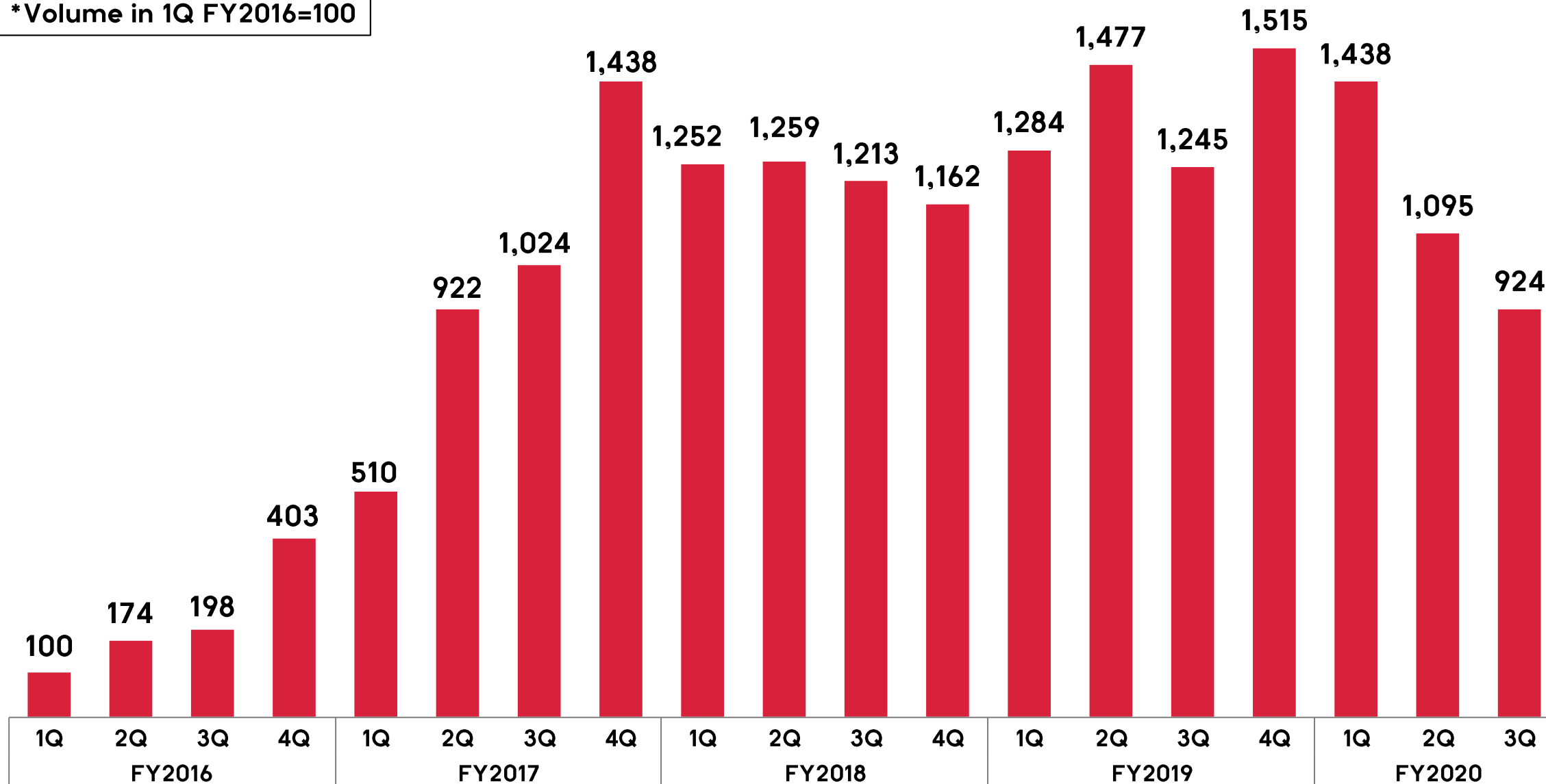


*Volume in 1Q FY2018=100

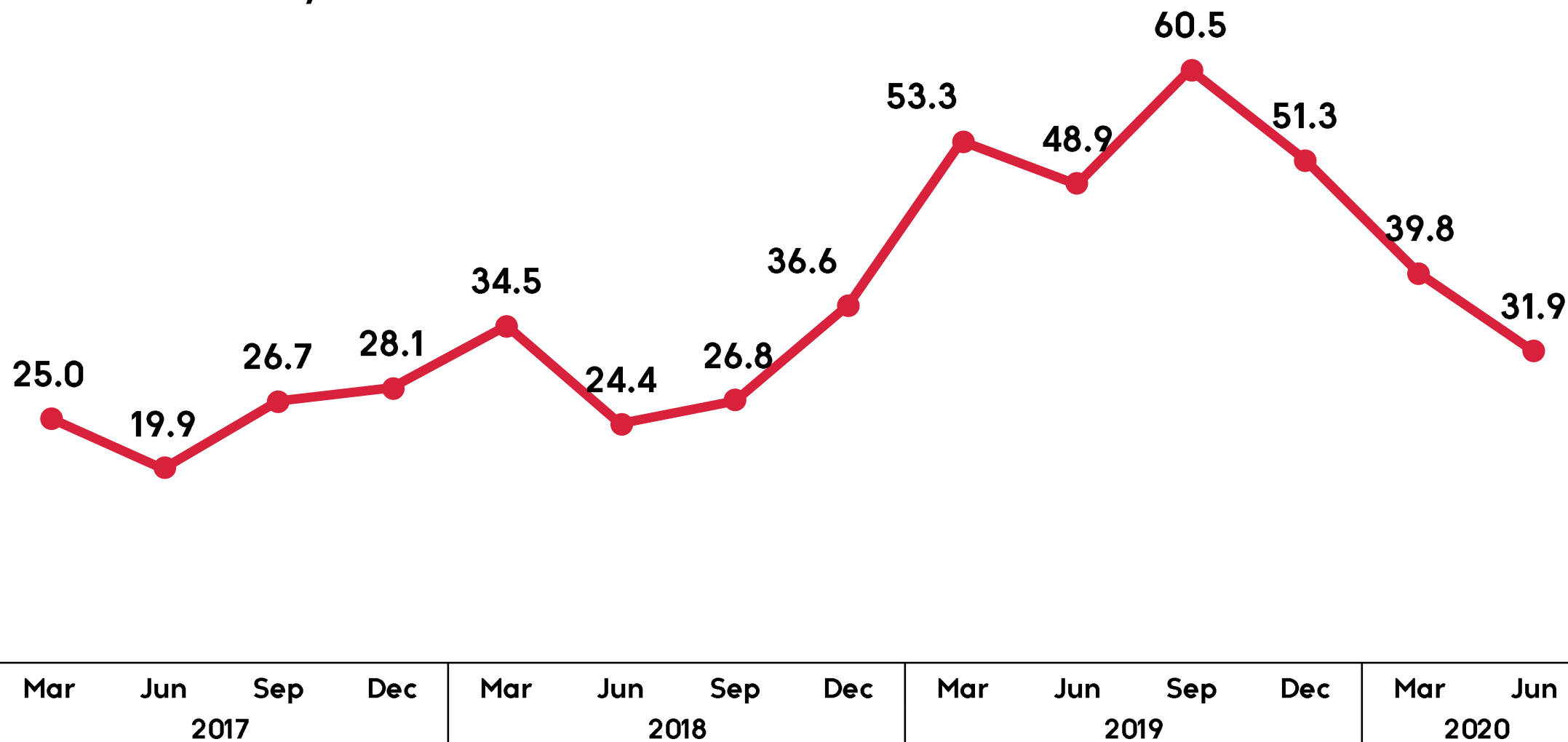
■ Advertisement ■ Charge



* Volume in 1Q FY2016=100

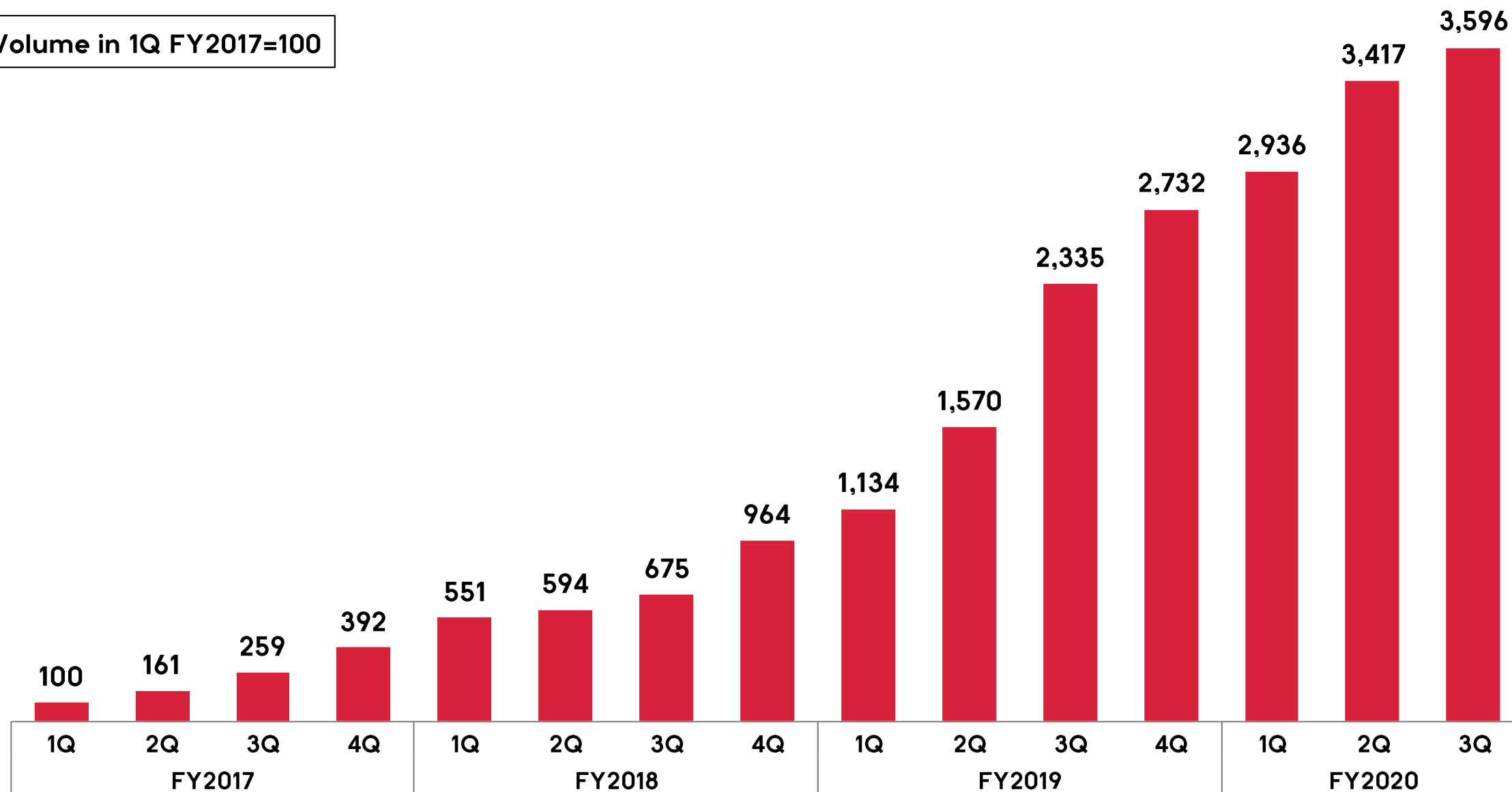


● ARPU* (units:yen)

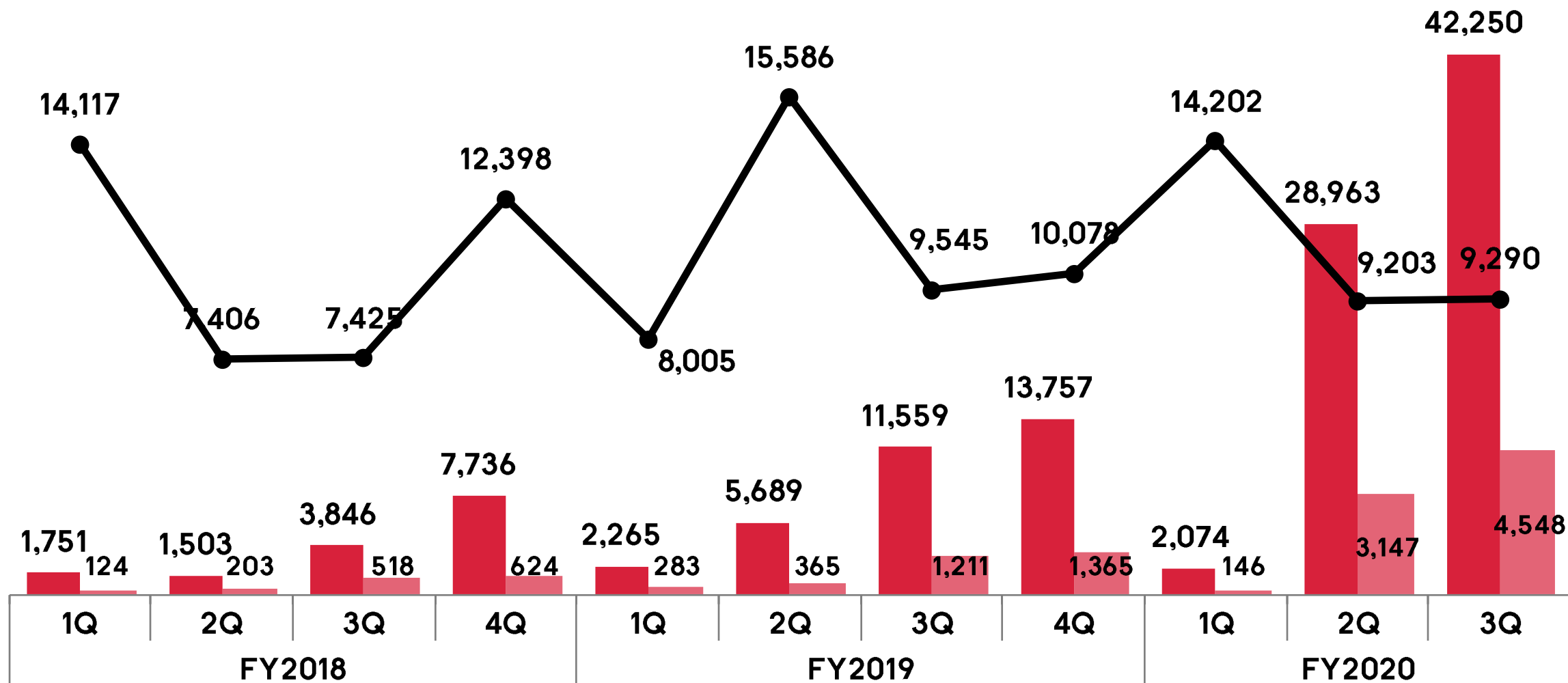


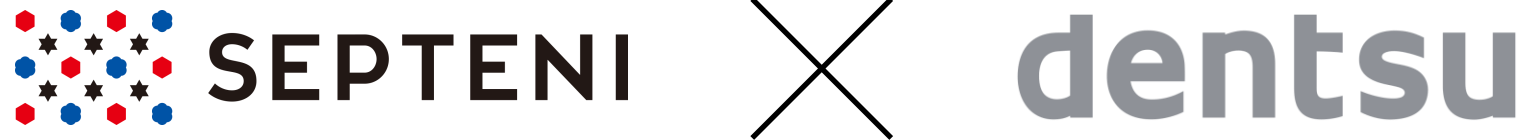
* ARPU : Revenue of Manga Content Business from users(incl. Advertisement, App-billing etc.) /MAU

*Volume in 1Q FY2017=100



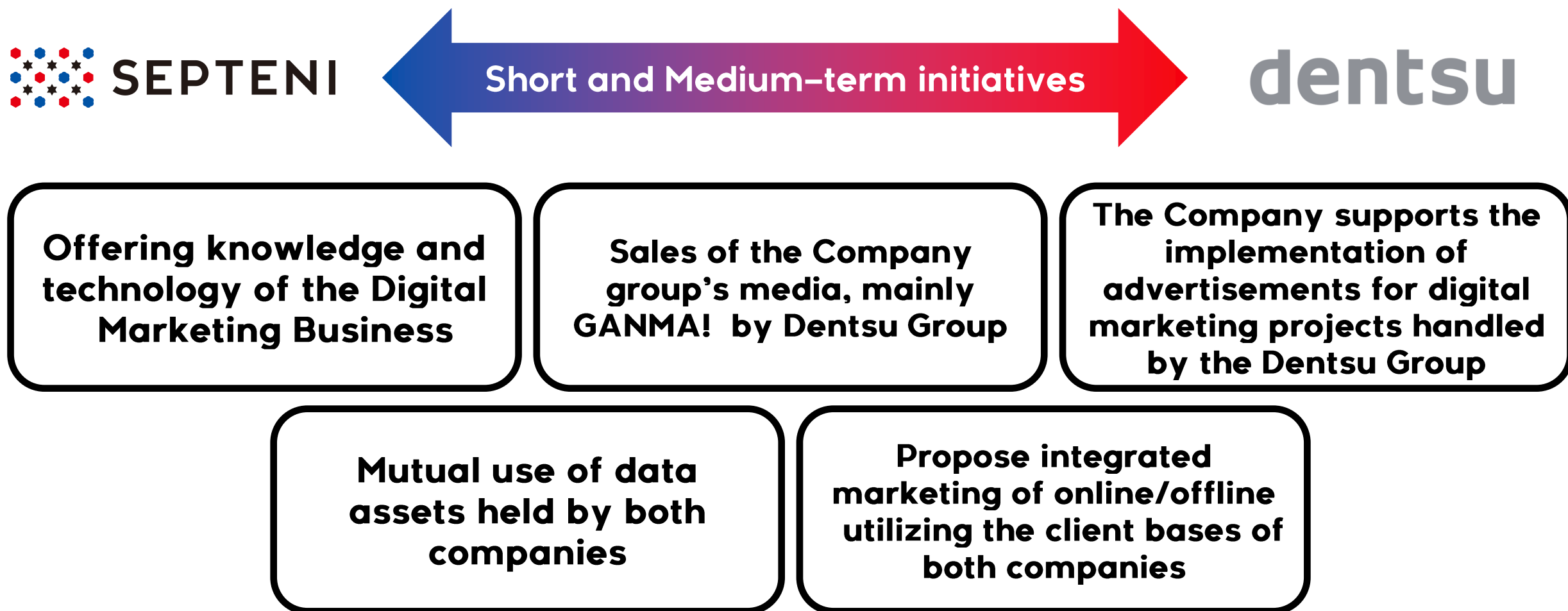
■ The total of support fund (¥k) ■ Supporters ● Average unit price (¥)

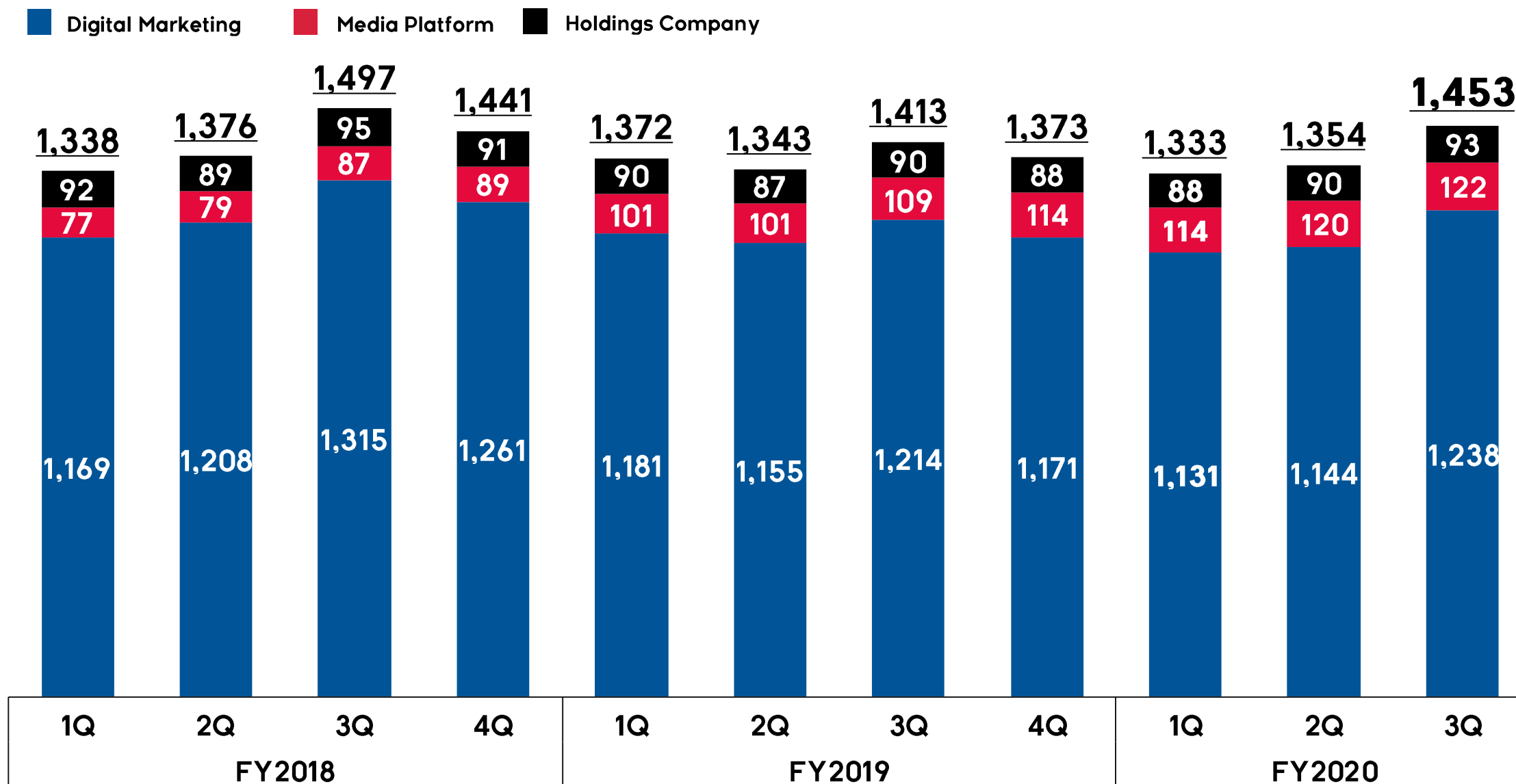




Both Septeni Group and Dentsu Group aim to be **the largest digital marketing partners in Japan** that lead the industry's development in **an environment where people with various talents assemble with the joy of working** and **by providing the best solutions** to clients.

Making use of differences in specialties and strengths in both companies, we add values to provide for our clients by creating synergy through short and medium-term initiatives.





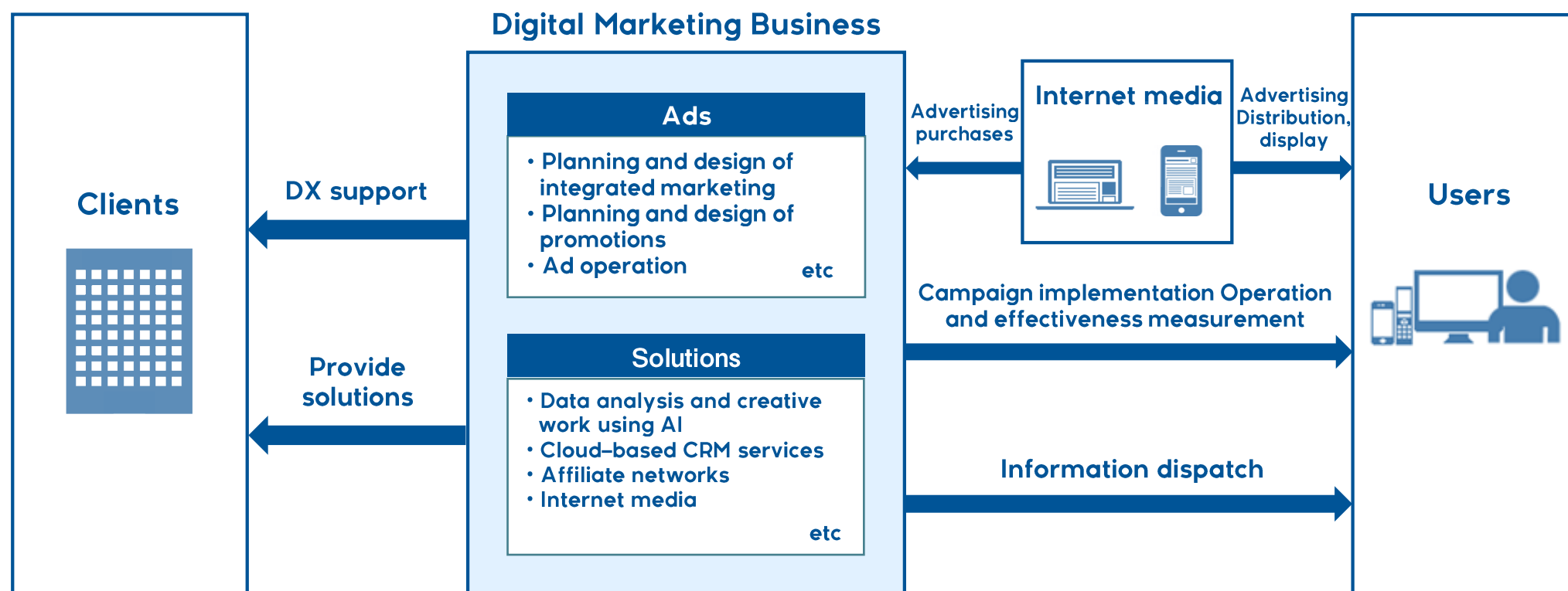
• 47 employees retired by the end of September, 2019 due to the structural reform of Lion & Lion.

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	138,916,500 shares (including 10,724,240 treasury shares*)
Consolidated Workforce	1,453 full time employees, 1,218 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.

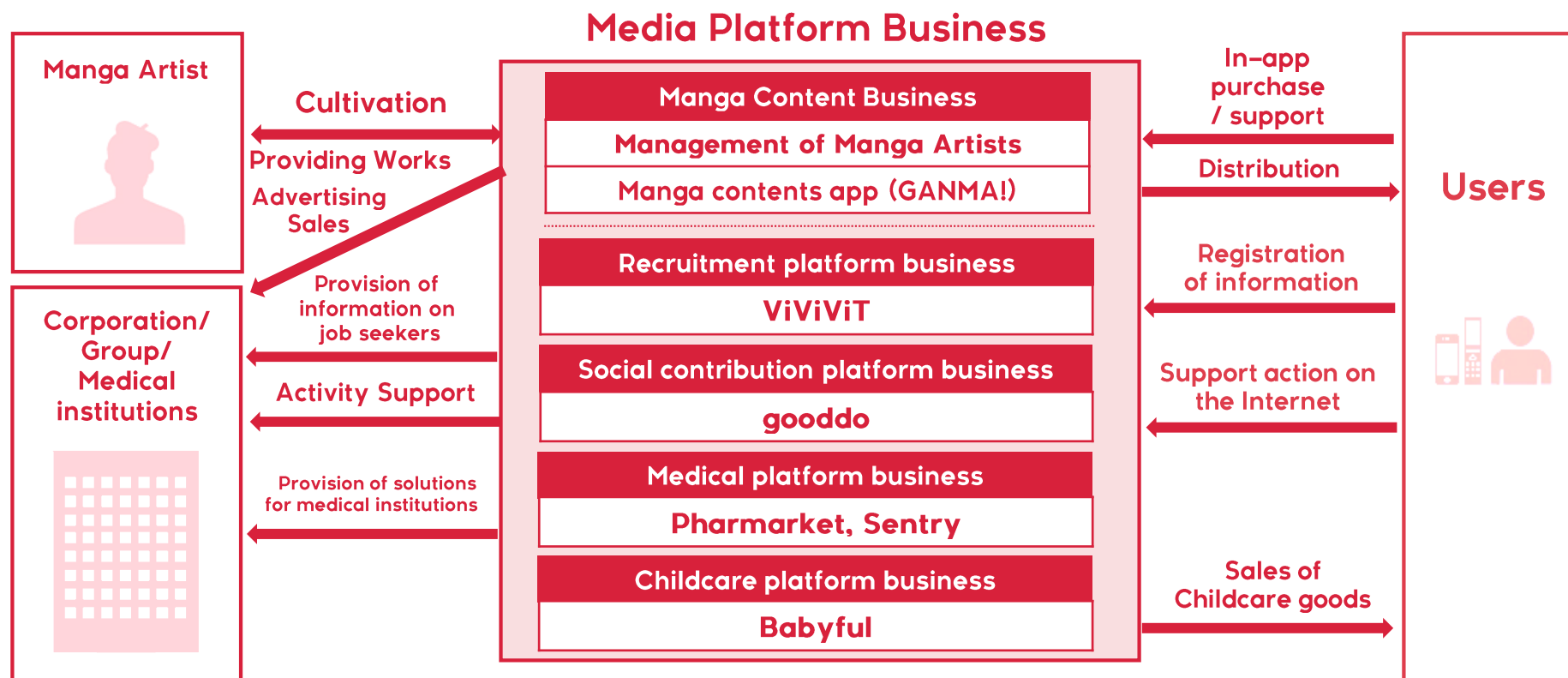
Holding Company		SEPTENI HOLDINGS CO., LTD	
Internet Marketing Business			
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
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.

We engage in **the overall support of digital transformation (DX) of companies**, focusing on digital marketing such as the sale and operation of digital advertisements, offering solutions through the utilization of data and AI, and supporting marketing activities through the integration of online and offline advertisements in collaboration with the Dentsu Group.



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 application, which consists of original products by dedicated artists, is operated as the **Company's own media**.

In addition, the Company develops platform-type businesses related to “recruitment,” “social contribution” and “medical services” as new businesses born from intrapreneurship.



(units: ¥mn)		End of 3Q FY2020	End Of FY2019	Change	Main Changes
Current Assets		23,300	25,133	-1,833	Cash and deposit: -1,460 Operating receivables -330
Non-current Assets		6,959	5,280	+1,679	Other financial assets: +430 Right-of-use asset +1,212*
Total Assets		30,259	30,413	-154	
Current Liabilities		11,434	11,729	-295	Operating debt: -935 Other financial liabilities: +862*
Non-Current Liabilities		3,641	3,875	-234	Other financial liabilities: -278*
Total Liabilities		15,075	15,604	-529	
Total Capital		15,184	14,809	+375	Posting of net profit: +539
Total Liabilities and Capital		30,259	30,413	-154	

- In line with the adoption of IFRS16 (lease accounting standards), some rents we will pay in the future are posted as Right-of-use assets in Assets and financial liabilities in Liabilities.

(units: ¥mn)	3Q FY2020 (Oct–Jun)	Main Changes	3Q FY2019 (Oct–Jun)
Cash Flows from Operating Activities	698	Depreciation and amortization: +575* Equity Losses of Affiliated Companies: –434 Decrease in trade receivables: +908 Decrease in trade liability: –1,680	1,579
Cash Flows from Investing Activities	–642	Purchase of securities: –526 Others: +217	–387
Cash Flows from Financing Activities	–1,515	Decrease in short-term loans payable: +308 Repayments of lease obligations: –624*	–1,178
Effect of Exchange Rate Changes on Cash and Cash Equivalents	–1		–78
Net Increase (Decrease) in Cash and Equivalents	–1,460		–63
Cash and Equivalents at Term End	13,028		14,859

* Influence in line with the adoption of IFRS16 (lease accounting standards)