

SEPTENI

Business Results for 4Q and Full Fiscal Year September 2020

SEPTENI HOLDINGS CO., LTD.

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

Oct. 29, 2020

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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

Full Year FY9/20 Review

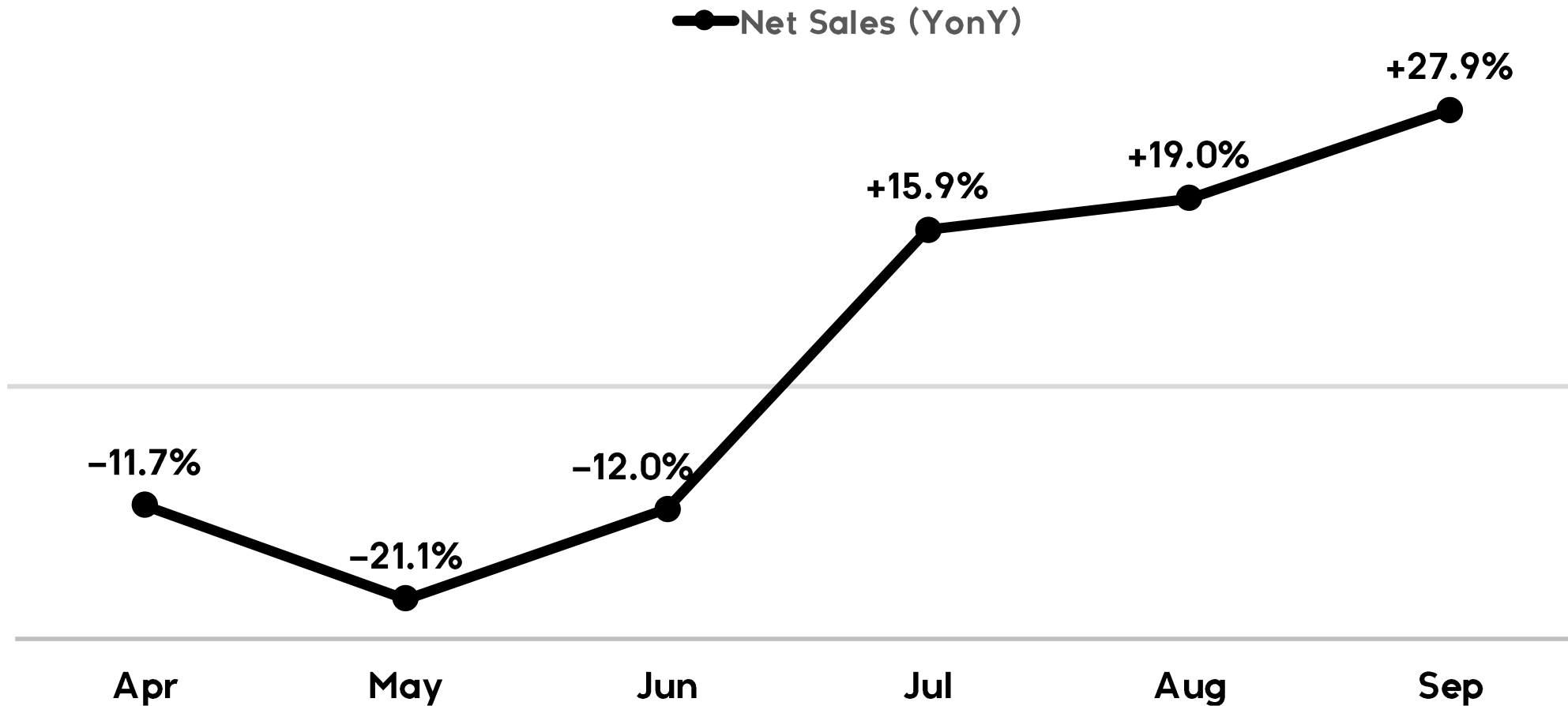
Impact on the market

- The demand for advertisement started to reduce in March, and it seriously decreased after the state of emergency was declared in April.
- After the state of emergency was lifted in May, the demand hit the bottom and continued to recover until September.

Impact on business

- The projects expanded by meeting the demand as online consumption increased.
- The employees are encouraged to work from home, and the cost management especially around operation-related expenses has been progressed.

*Please check the appendix on p.41 for the correspondence regarding securing safety of the employees and anyone related.



*The number in June was modified from -12.1% to -12.0% after the recalculation.

As the state of emergency was lifted, the demand for advertisement bottomed out in May and largely recovered due to the online consumption demand since July.

Consolidated**Revenue**

¥17,938mn (Up **6.8%** year on year)

Non-GAAP Operating Profit

¥2,452mn (Up **18.8%** year on year)

**Both revenue and Non-GAAP operating profit increased YonY,
and revenue reached a record high.**

**Digital
Marketing
Business**

Revenue

¥15,807mn (Up **4.8%** year on year)

Non-GAAP Operating Profit

¥5,248mn (Up **9.9%** year on year)

Despite the impact by COVID-19, both revenue and Non-GAAP operating profit increased.

**Media
Platform
Business**

Revenue

¥2,487mn (**Up 24.0%** year on year)

Non-GAAP Operating Profit

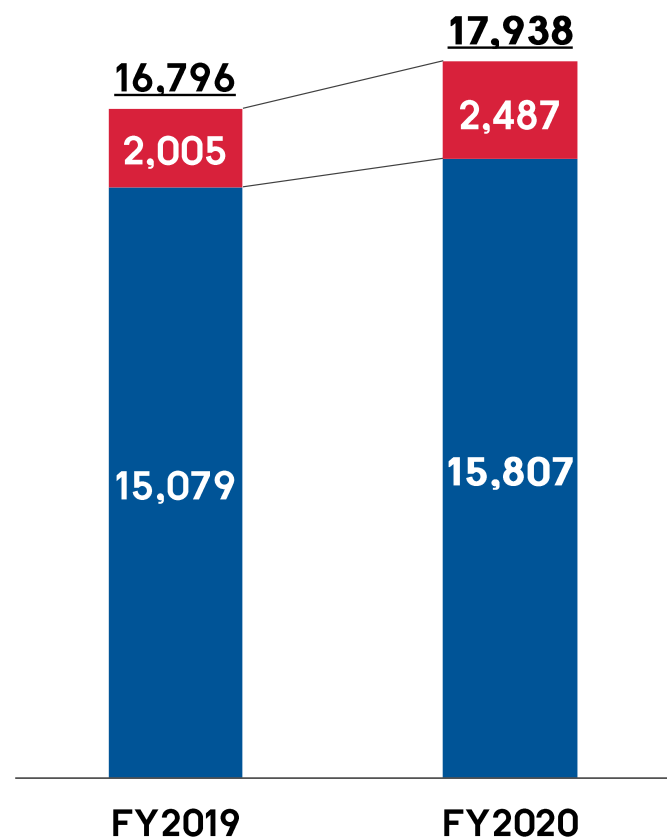
-¥956mn (Deficit increased ¥ **55mn** year on year)

Increase in revenue couldn't cover increase in expenses due to the impact of COVID-19, and deficit increased.

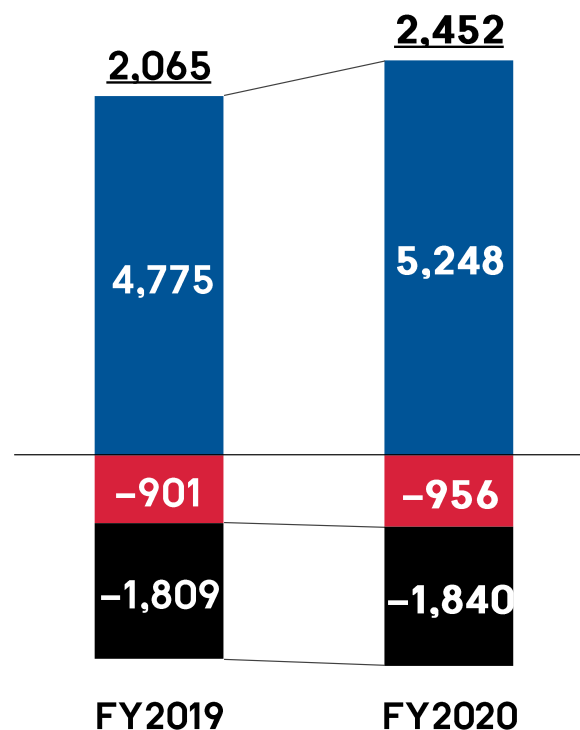
(units:¥mn)	Full year/FY2020			Full year/FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	17,938	100.0%	+6.8%	16,796	100.0%	17,500	102.5%
Gross profit	14,596	81.4%	+4.5%	13,963	83.1%	—	—
SG&A	12,156	67.8%	+1.9%	11,924	71.0%	—	—
Non-GAAP Operating profit	2,452	13.7%	+18.8%	2,065	12.3%	2,000	123.7%
Operating profit	2,274	12.7%	+1,141.9%	183	1.1%	—	—
Profit for the period attributable to owners of the parent	1,464	8.2%	—	-547	—	1,100	133.1%
[Reference] Net Sales	76,489	—	-0.0%	76,501	—	—	—

Each index exceeded the revised earnings estimate.

Revenue



Non-GAAP Operating profit

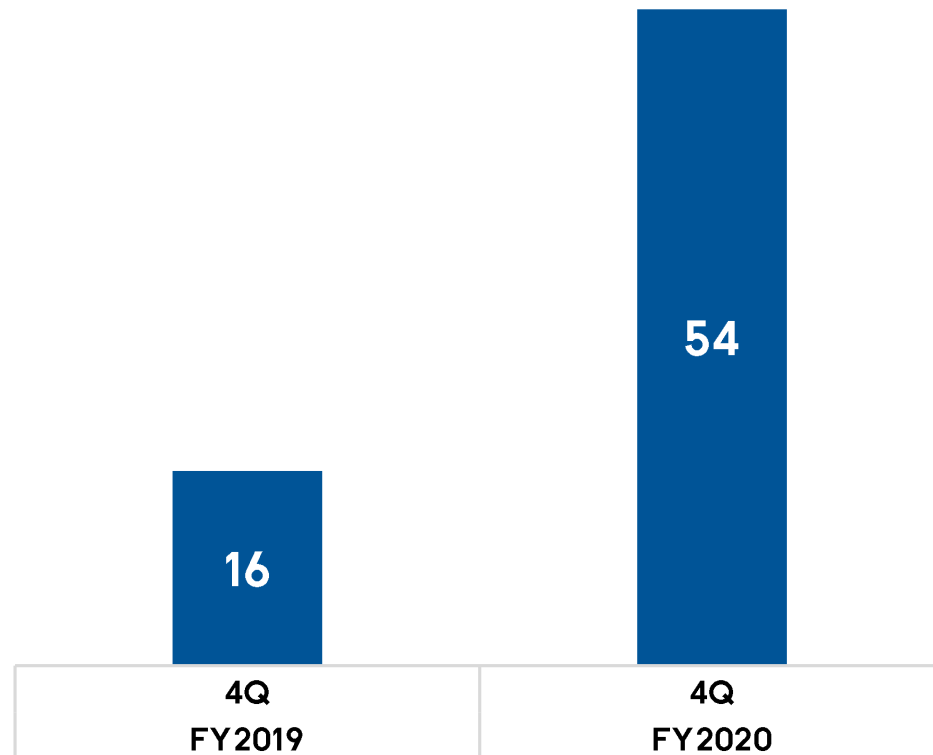


Digital Marketing Business achieved increase in revenue and profit.

Media Platform Business's increase in revenue couldn't cover the expenses, and deficit increased.

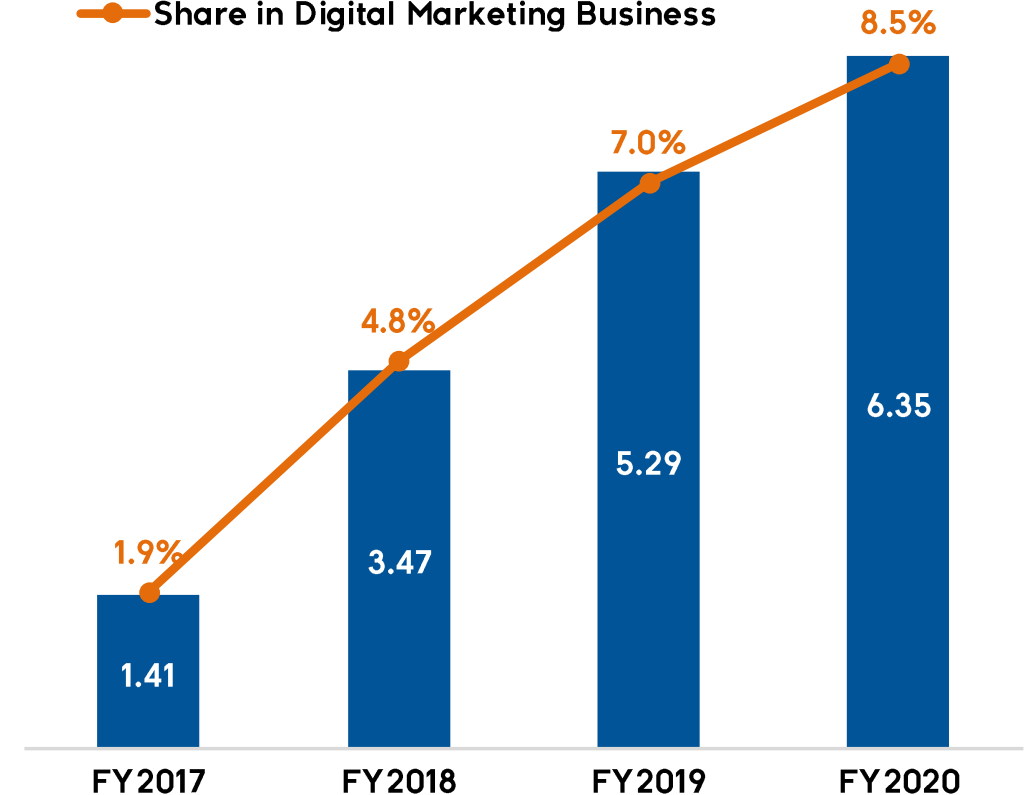
Volume of clients in collaboration with Dentsu

■ Volume of clients



Transaction of Domestic Brand ad

■ Brand Ad Transaction (¥bn)
 ● Share in Digital Marketing Business



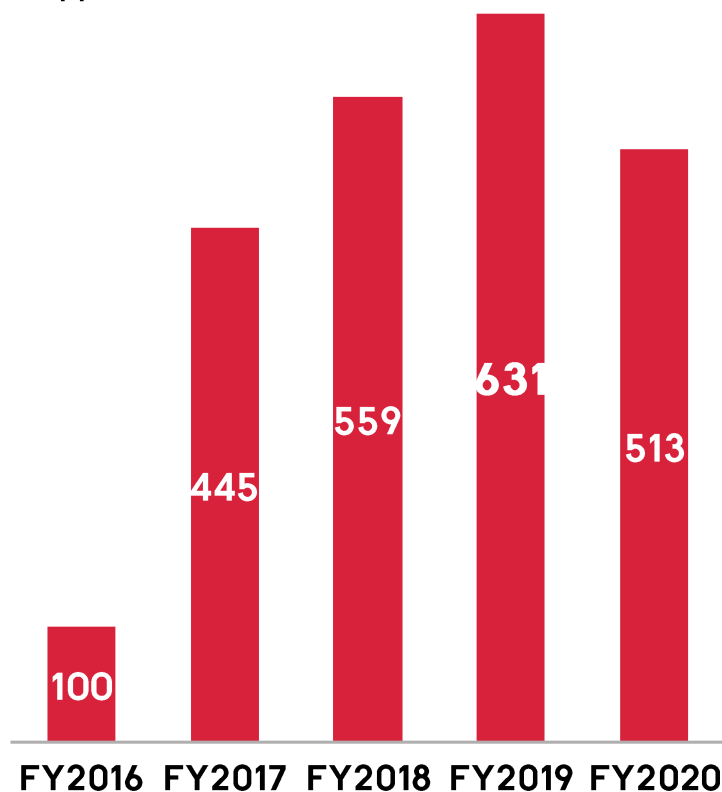
The collaboration with Dentsu progresses well and the volume of clients largely increased. Transaction of domestic brand advertising also favorably increased.



Application Revenue Trend

*Volume in FY2016=100

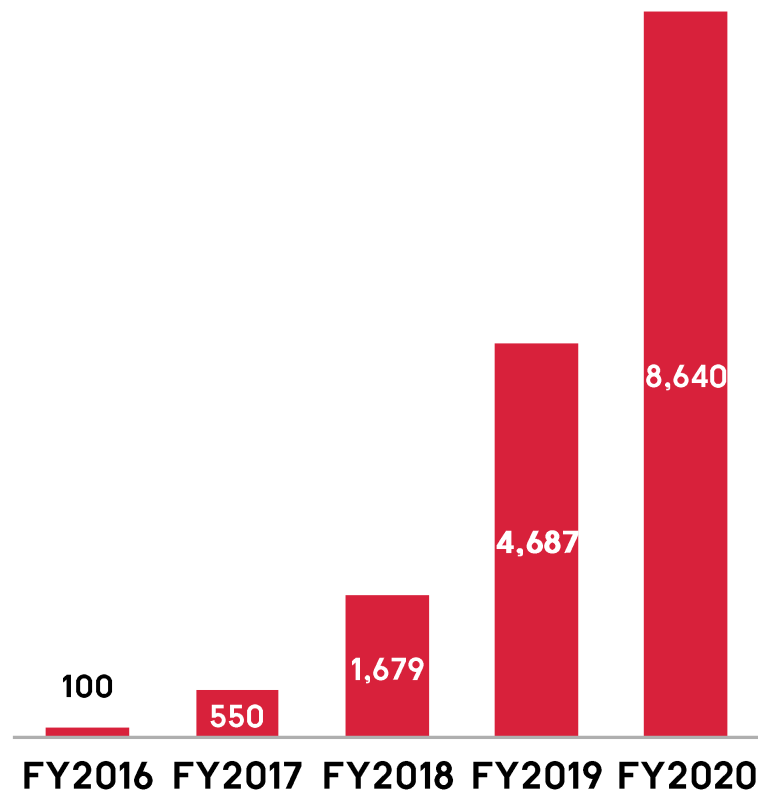
■ Application Revenue (index)



Subscription Revenue Trend

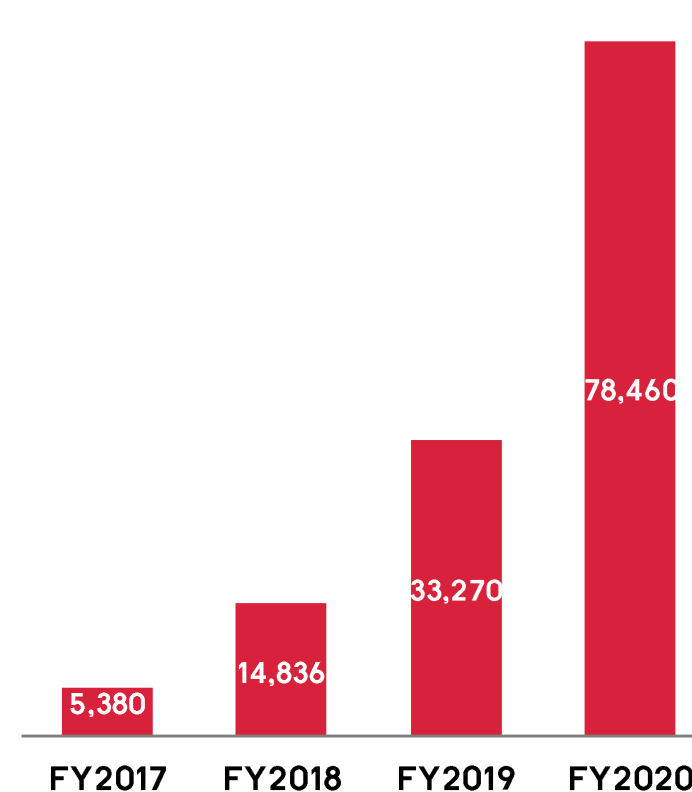
*Volume in FY2016=100

■ Subscription Revenue (index)



Crowdfunding Trend

■ The total of support fund (¥k)



**App revenue decreased along with decrease in ad revenue.
Subscription revenue developed rapidly, and crowdfunding trend is also
developing well.**

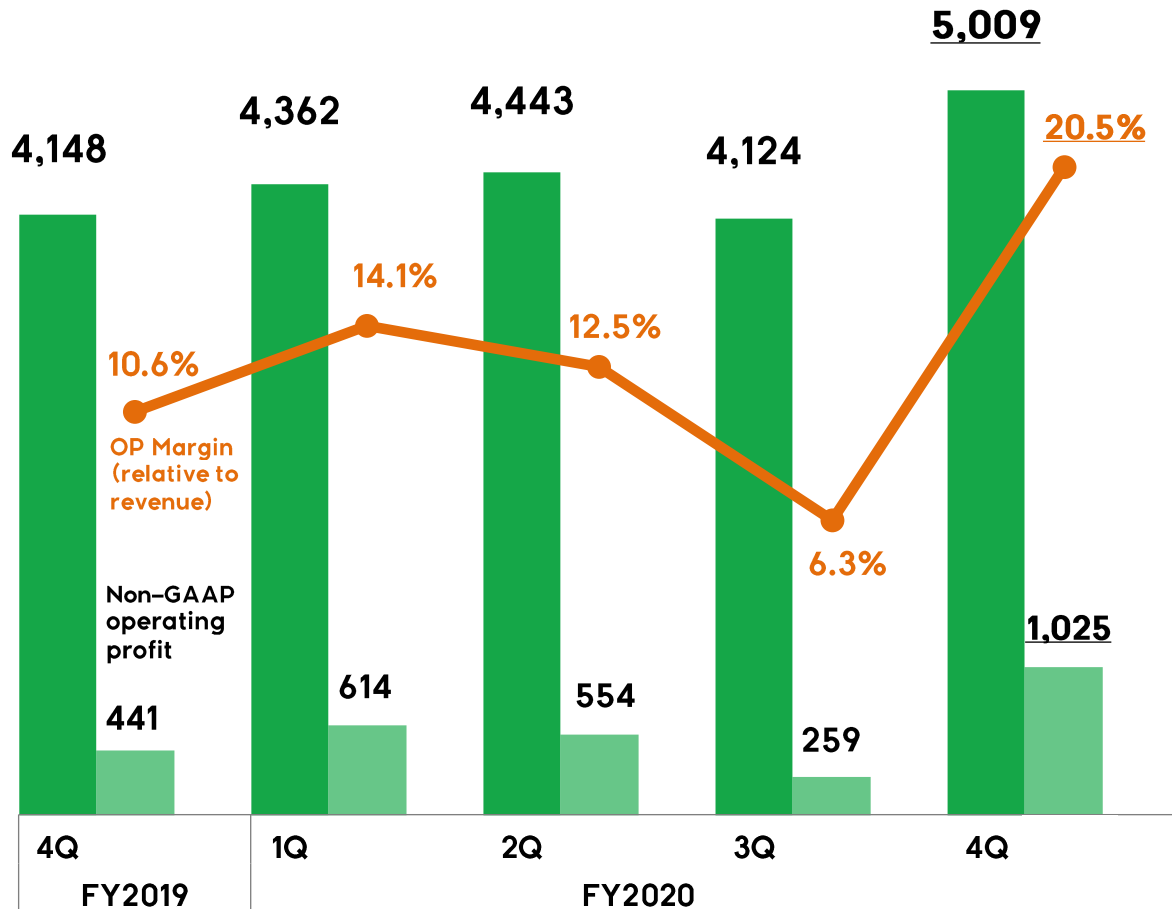
02

Quarterly Consolidated Earnings Overview

(units:¥mn)	4Q FY2020			4Q FY2019	
	Value	Share	YY Change	Value	Share
Revenue	5,009	100.0%	+20.8%	4,148	100.0%
Gross Profit	4,140	82.7%	+21.1%	3,418	82.4%
SG&A	3,121	62.3%	+4.6%	2,985	72.0%
Non-GAAP Operating Profit	1,025	20.5%	+132.5%	441	10.6%
Operating Profit	1,008	20.1%	+136.2%	427	10.3%
Profit for the period attributable to owners of the parent	681	13.6%	+45.8%	467	11.3%
[Reference] Net Sales	21,804	—	+21.0%	18,018	—

Due to the expansion of projects, Non-GAAP operating profit largely increased.

Revenue (units:¥mn)



Revenue

¥5,009mn

(Up 20.8% year on year)

Non-GAAP operating profit

¥1,025mn

(Up 2.3 times more year on year)

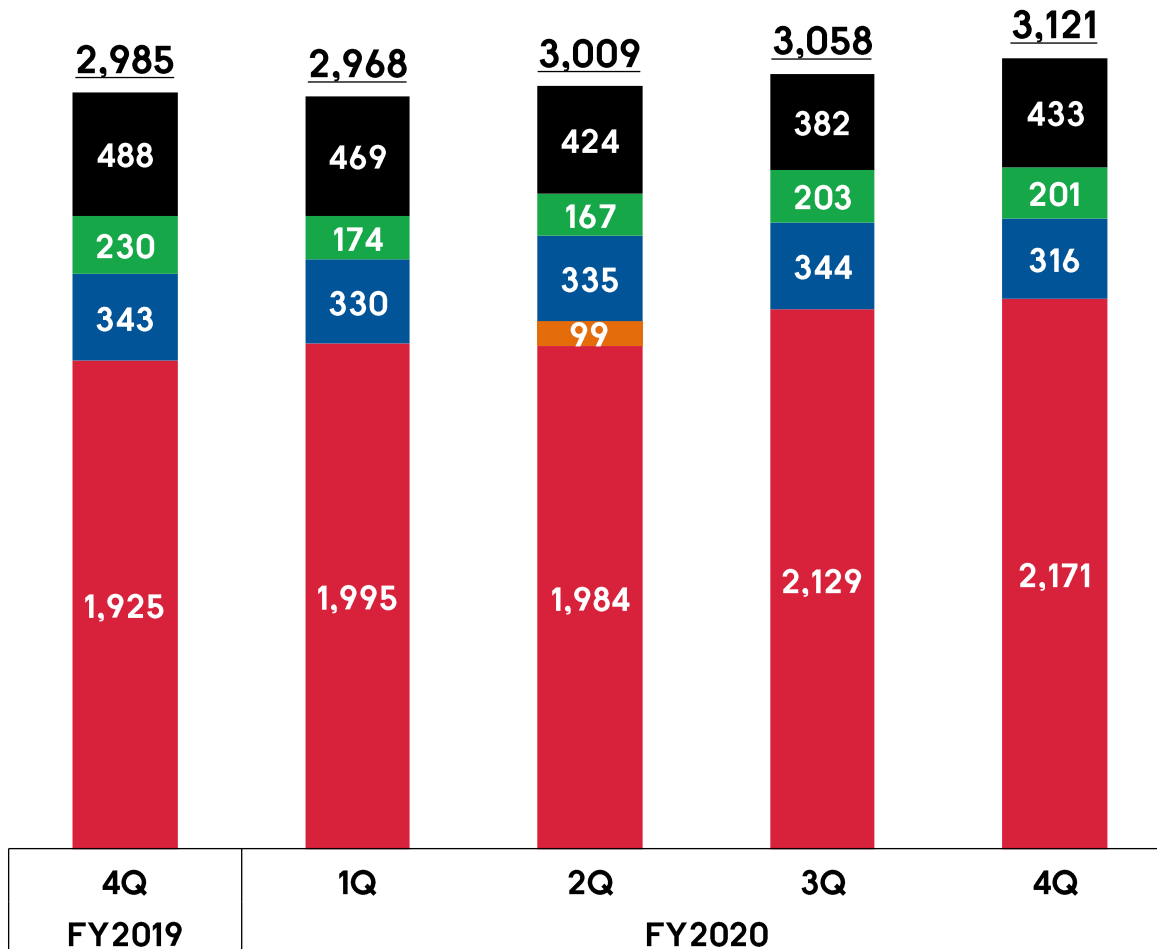
Both revenue and Non-GAAP operating profit made a V-shaped recovery.

(units:¥mn)	FY2019				FY2020				QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Total of cost of sales	673	740	690	730	810	853	810	869	+7.3%	+19.1%
Labor costs	273	286	230	239	251	257	268	287	+6.8%	+19.7%
Subcontract costs	95	143	98	112	118	131	138	84	-39.4%	-25.7%
Others	306	311	362	378	441	465	404	499	+23.6%	+32.1%
Total of SG&A	2,947	3,001	2,990	2,985	2,968	3,009	3,058	3,121	+2.1%	+4.6%
Labor costs	1,934	1,895	2,015	1,925	1,995	1,984	2,129	2,171	+2.0%	+12.8%
Additional performance-linked bonus	—	173	—	—	—	99	—	—	—	—
Rent expenses etc.	344	343	343	343	330	335	344	316	-8.2%	-7.9%
Advertising expenses	221	167	192	230	174	167	203	201	-0.9%	-12.4%
Others	448	424	440	488	469	424	382	433	+13.4%	-11.1%

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

Cost of sales increased, particularly creative production cost since the advertising projects expanded.

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



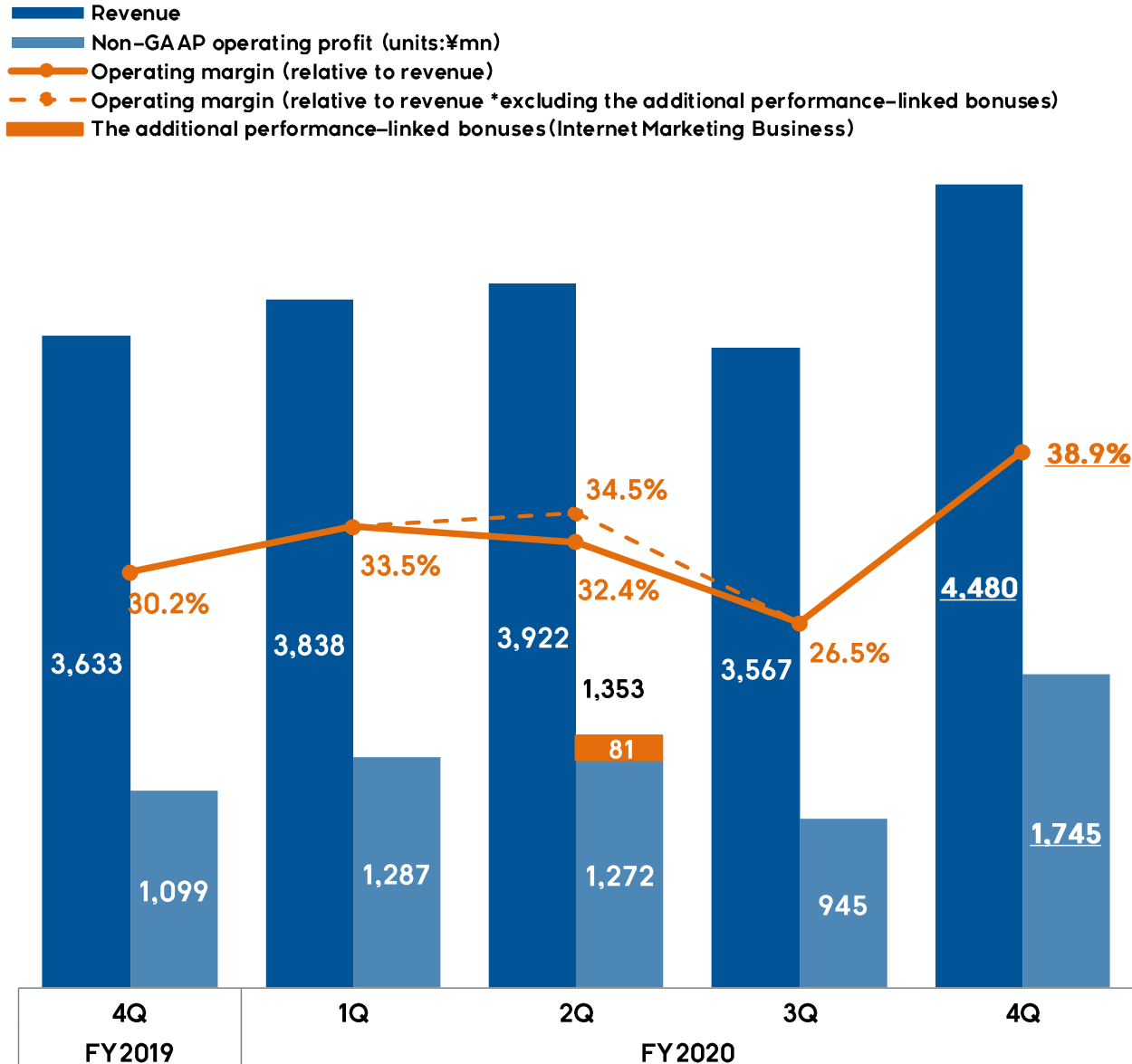
SG&A expenses in Q4 of FY2020 remained stable.

03

Digital Marketing Business

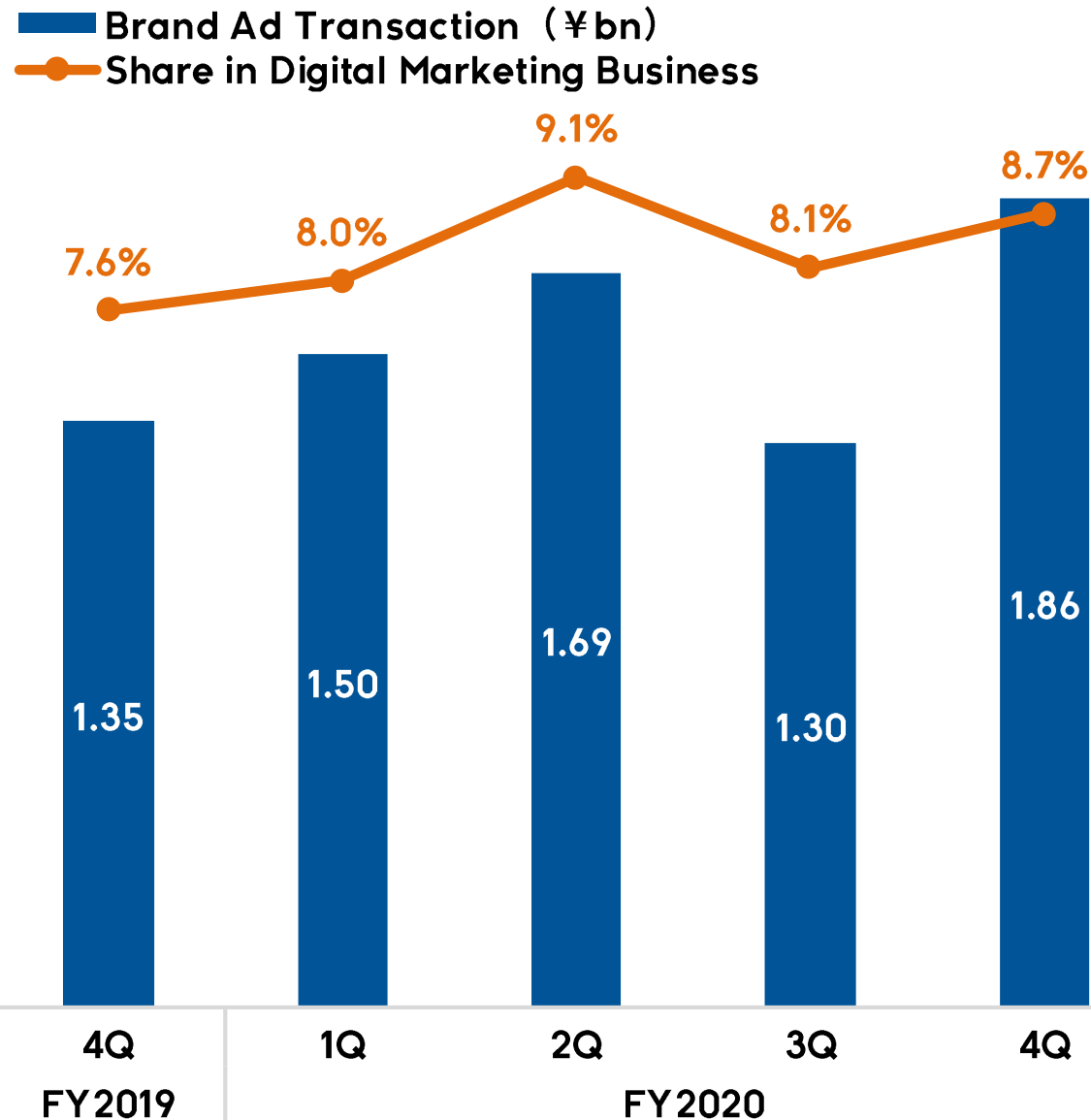
(units:¥mn)	4Q FY2020			4Q FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	4,480	100.0%	+ 23.3%	3,633	100.0%	15,350	103.0%
Gross profit	3,895	86.9%	+ 24.0%	3,142	86.5%	—	—
SG&A	2,156	48.1%	+ 5.1%	2,051	56.5%	—	—
Non-GAAP Operating profit	1,745	38.9%	+ 58.8%	1,099	30.2%	4,800	109.3%
[Reference] Net Sales	21,393	—	+ 21.3%	17,639	—	—	—

Both revenue and Non-GAAP operating profit exceeded the earnings estimates revised up last time.



Revenue largely increased especially in domestic business.

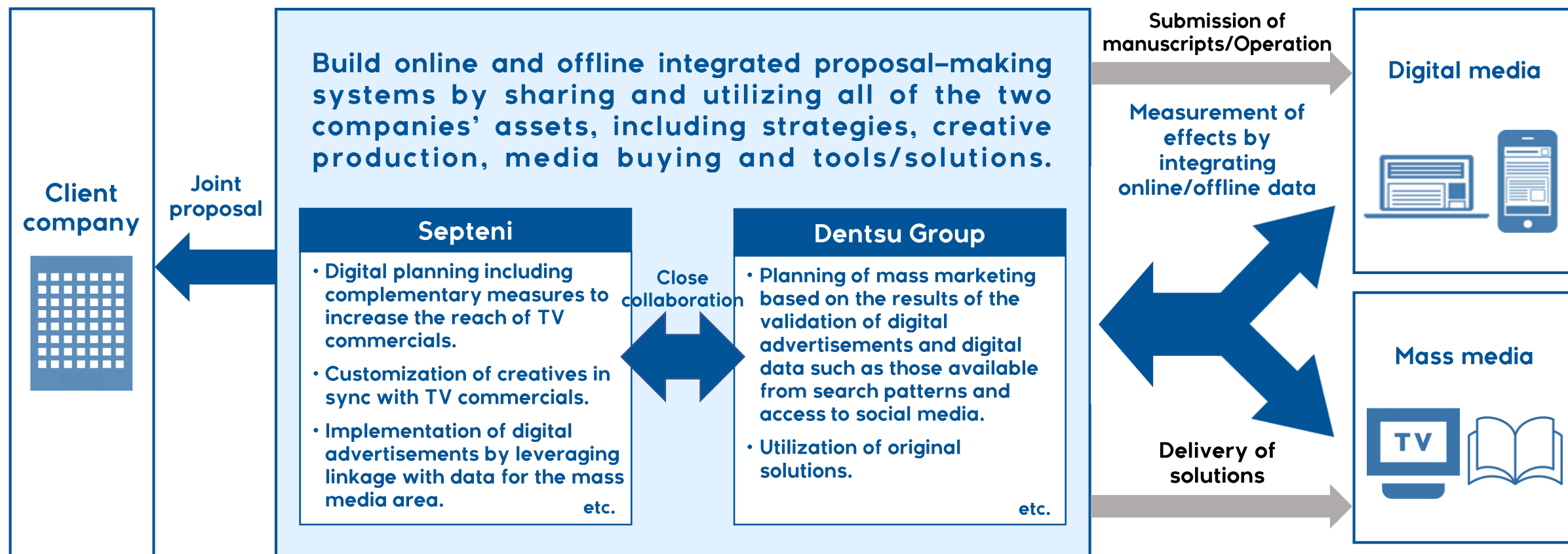
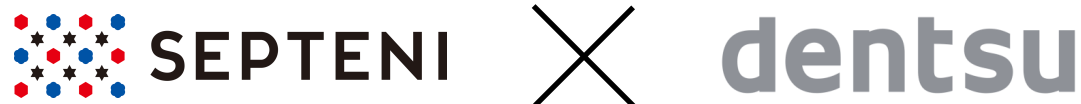
Quarterly operating profit of the segment achieved a record high.



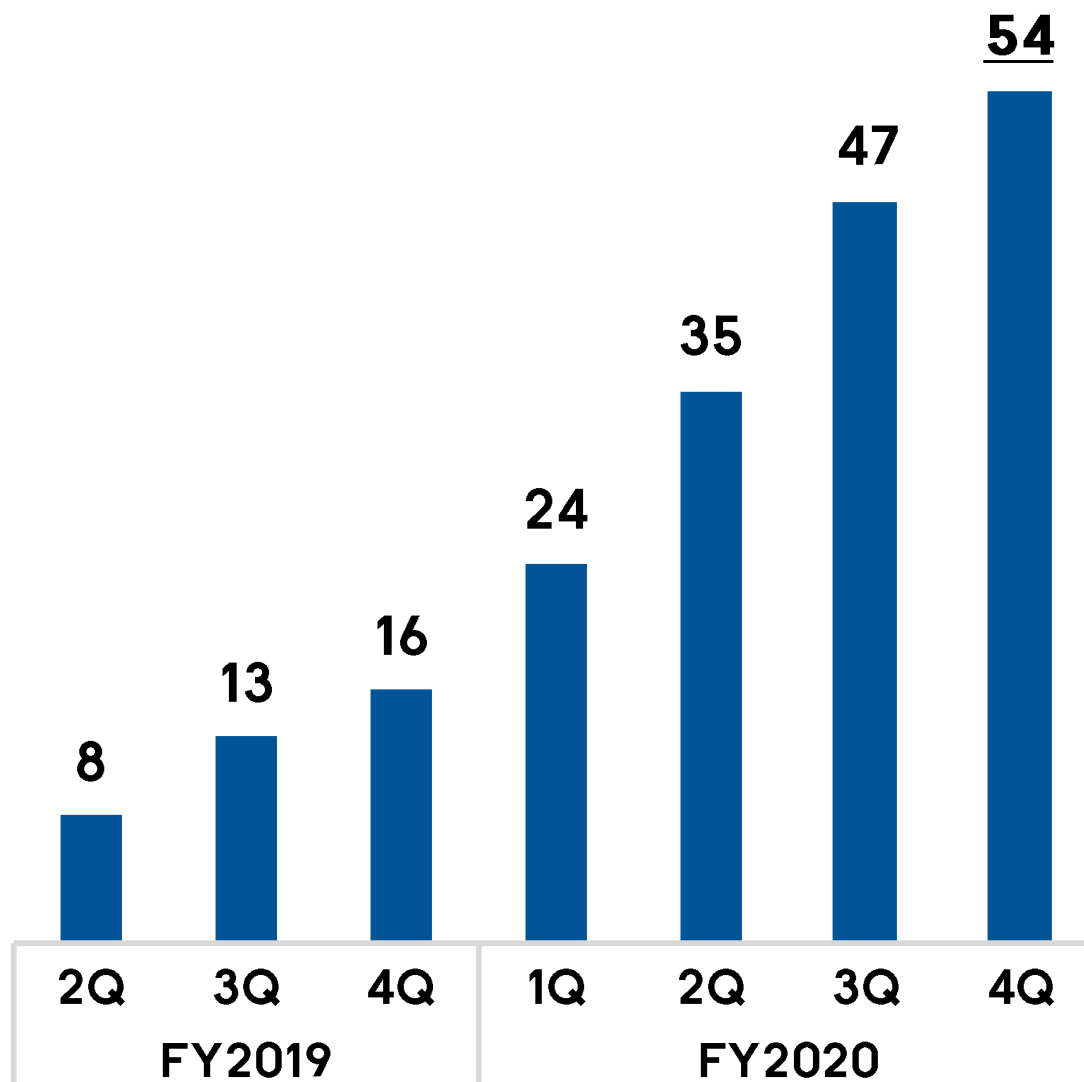
Transaction favorably
increased **42.9% QonQ**
and **38.1% YonY**.

*The calculation method has been modified in this quarter
and the previous numbers have been also revised.

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



■ Volume of clients in collaboration with Dentsu



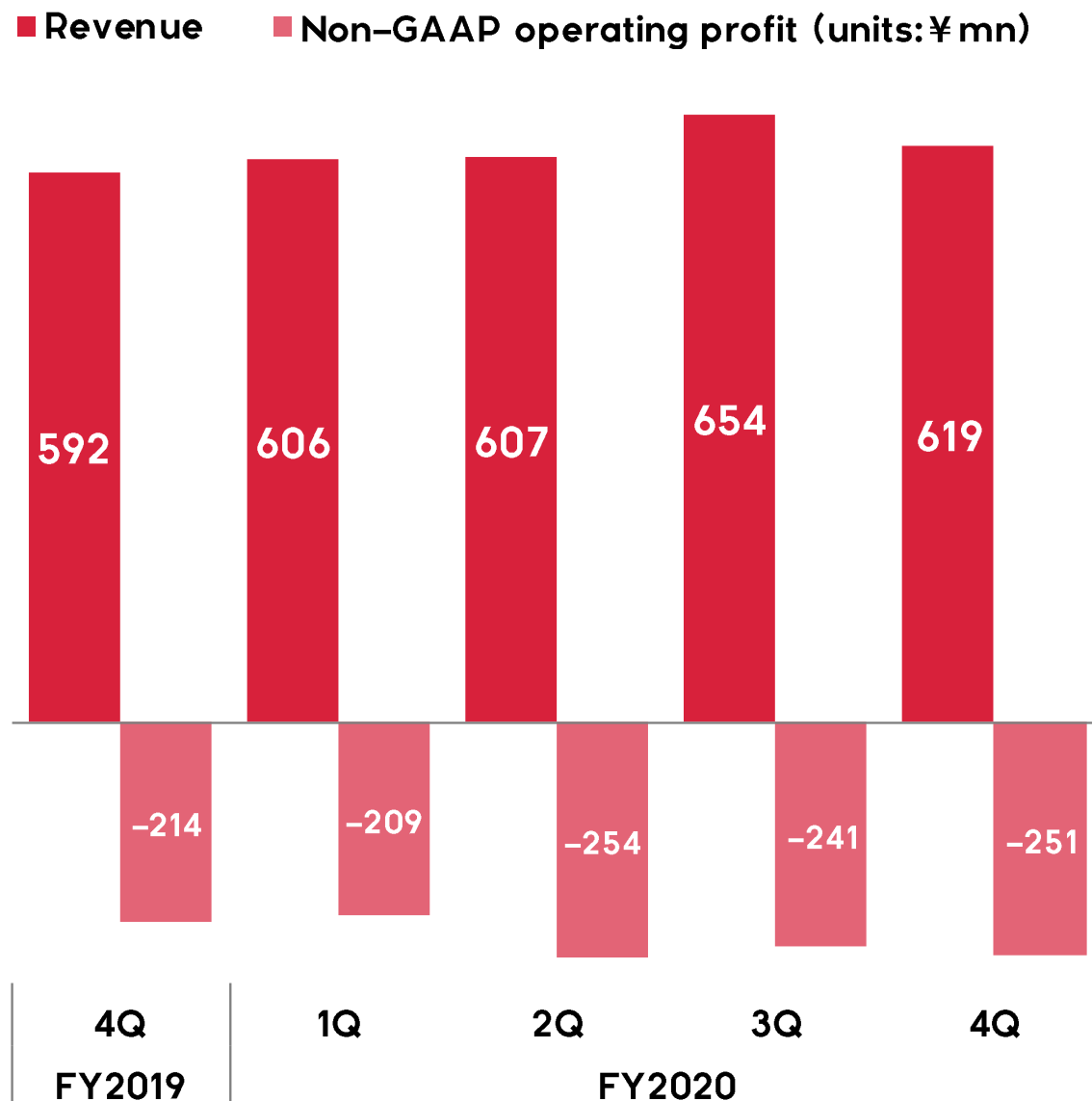
The volume of clients and the unit price in the alliance with Dentsu Group increased YonY as **the alliance progresses steadily.**

04

Media Platform Business

(unit:¥mn)	4Q FY2020			4Q FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	619	100.0%	+4.7%	592	100.0%	2,500	99.5%
Gross profit	336	54.2%	-4.2%	351	59.3%	—	—
SG&A	587	94.9%	+3.9%	565	95.5%	—	—
Non-GAAP Operating profit	-251	—	-37	-214	—	-950	—

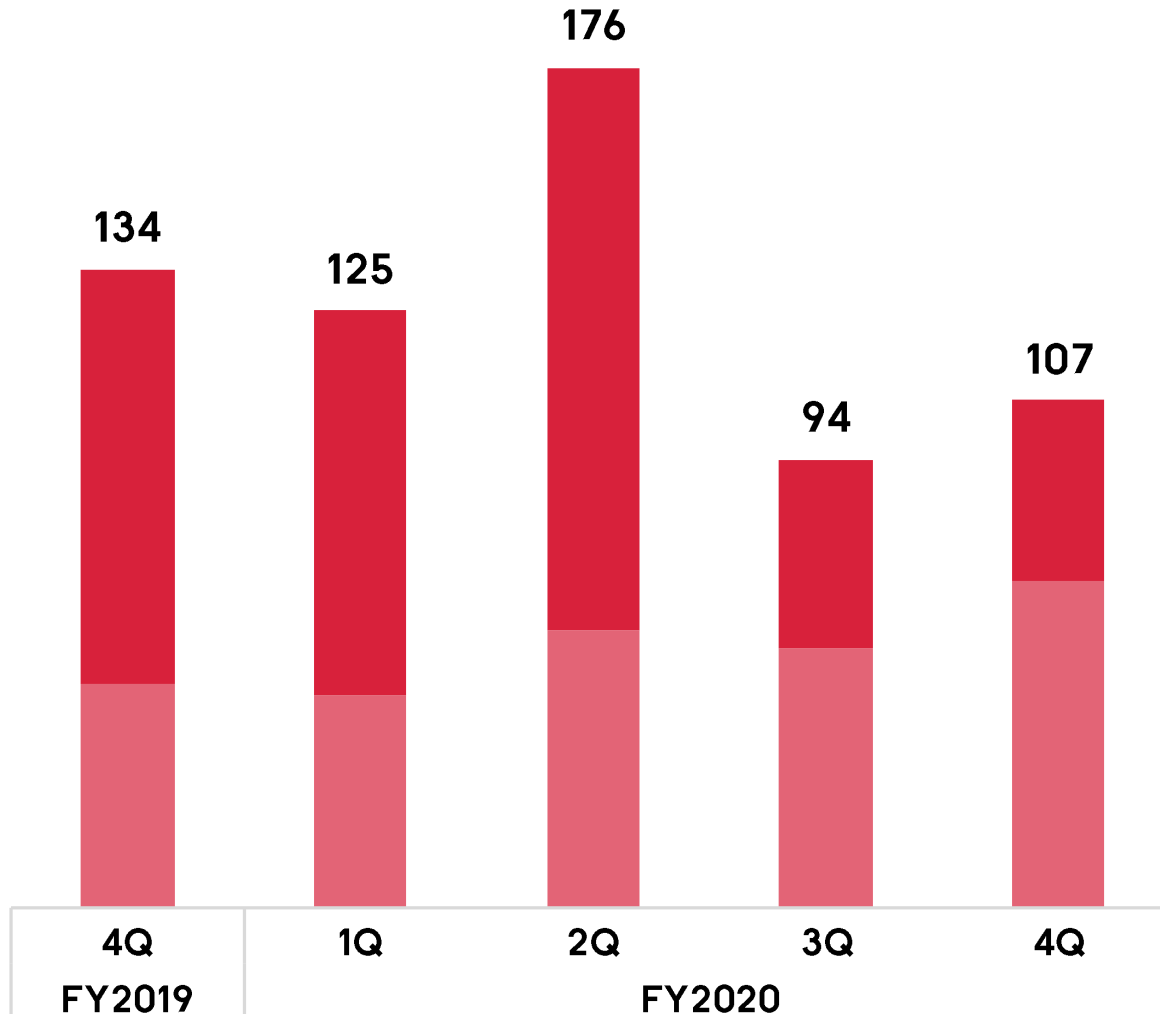
Revenue and Non-GAAP operating profit didn't reach the revised earnings estimate.



Deficit increased due to the decrease in advertising revenue with high profit rate.

※ Volume in 1Q FY 2018=100

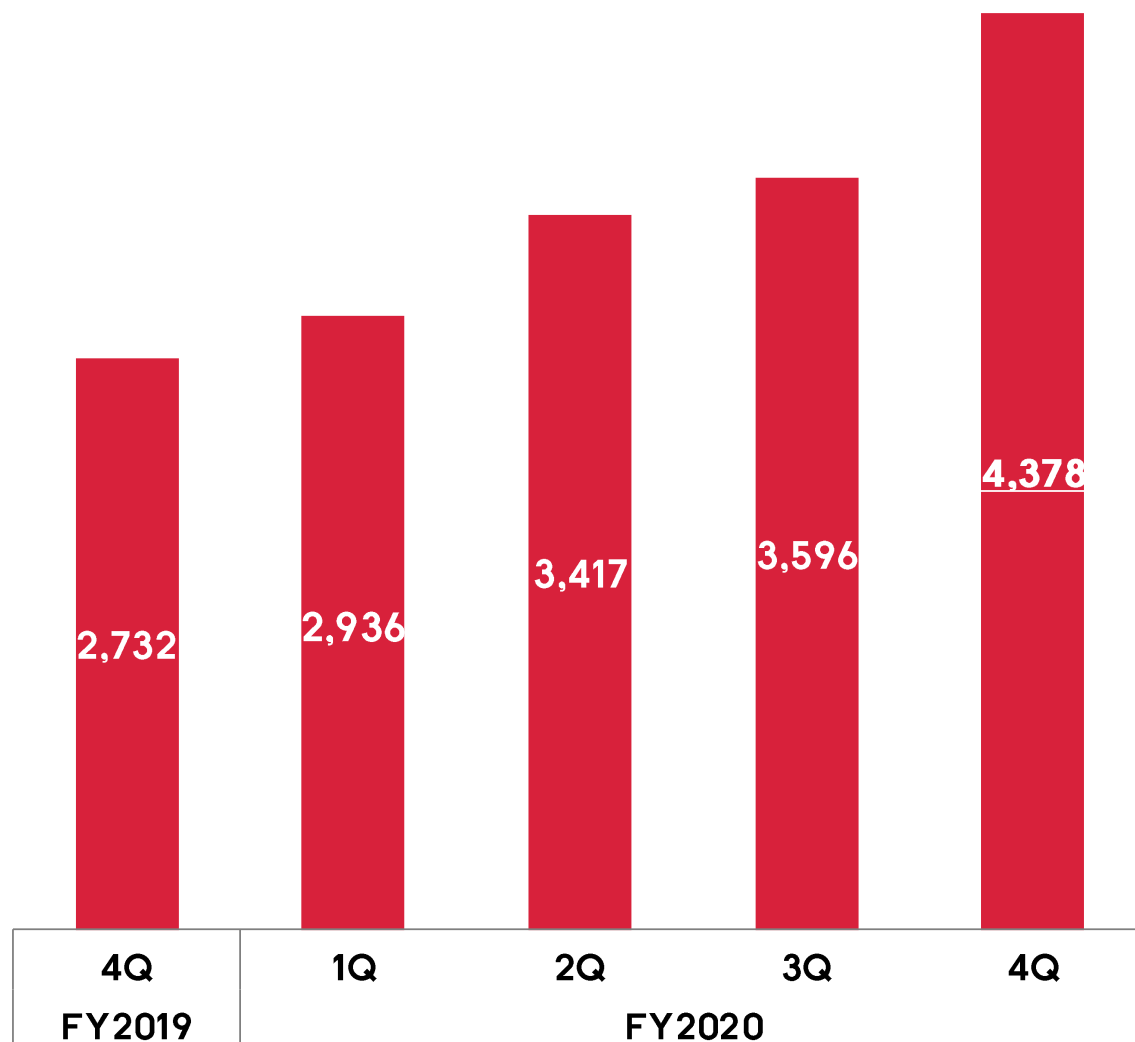
■ Charge ■ Advertisement



Shift the course to increase revenue from charge on users due to the impact of COVID-19.

Revenue from charge is steadily expanding.

※Volumes in 1Q FY2017=100



The number of paying users is steadily increasing and subscription revenue increased about 1.6 times YonY.

05

Update on Midterm Business Policies

Expands the existing domain

Internet Marketing Business

- Performance advertising (Performance ad Market)

Digital Marketing Business

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

From advertising agency to the Data/Solution domain

From Performance advertising to Brand advertising market

From online advertising to the integration of online and offline advertising

Media Content Business



Media Platform Business



From Manga app to the Content platform

From a single media company to a media conglomerate

From each company's independent operation to a growth platform

New Business segment

Considering to expand into the new domain

Expands into the new domain

Expands the existing domain

**Digital
Marketing
Business**

- Strengthening development of e-commerce ad domain
- Enhancing the Group system of data & solutions domain

**Media
Platform
Business**

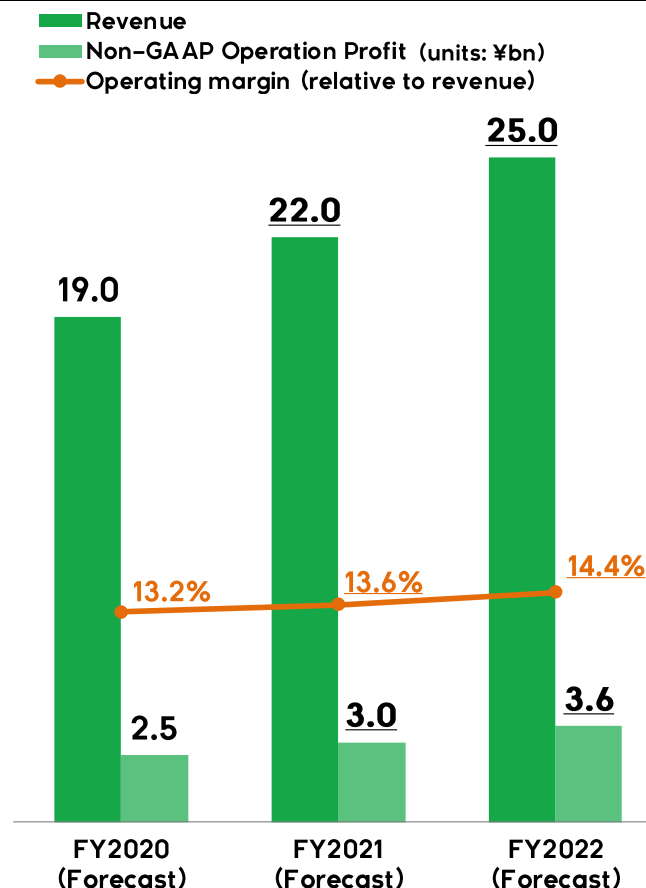
- Focusing on revenue from charge on users
- Strengthening business development of D2C

**New Business
Segment**

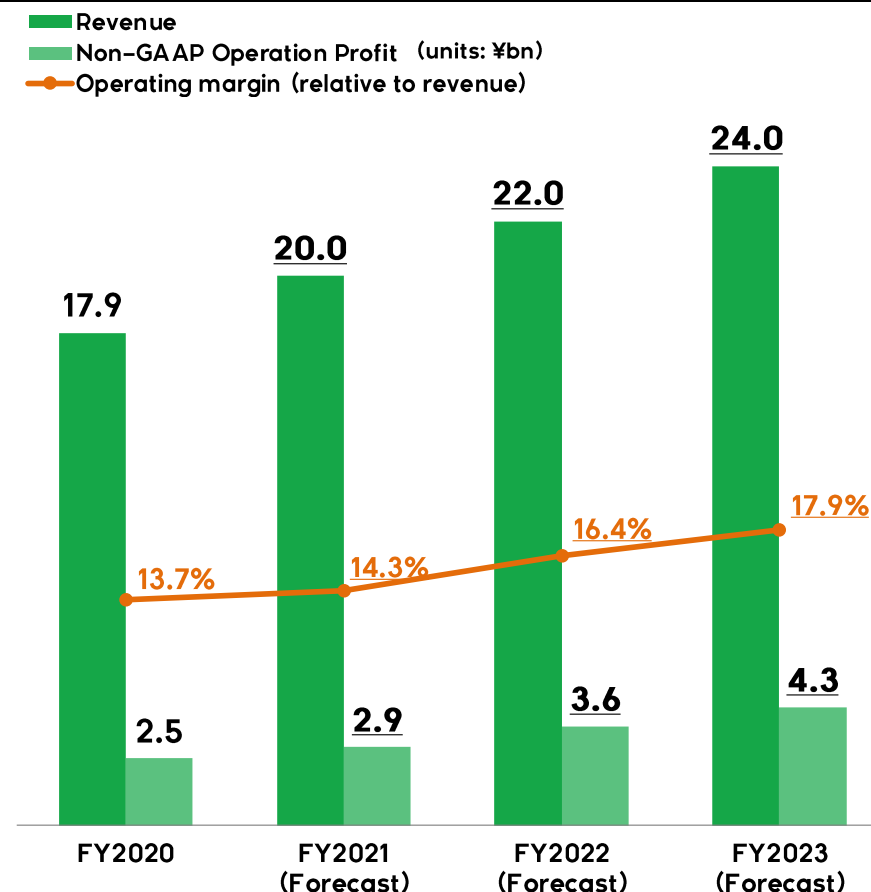
Absorbing demand for DX focusing on selected industries

Expands into the new domain

Consolidated (before update)



Consolidated (after update)



*There's no change to performance-linked stock compensation system for executives.

Although the plan to expand revenue delays while adjusting to the change of environment with COVID-19, the acceleration of expanding profit is expected.

Outlook on each segment

Digital Marketing Business

By adjusting to the environment, continuous development with increase in both revenue and profit is expected.

- E-commerce ad domain and data & solutions domain will be the main drivers of growth.
- By promoting the alliance with Dentsu group, it aims to continue market share expansion.

Media Platform Business

By increasing revenue of each business and decreasing deficit, it aims to achieve primary surplus in three years.

- By focusing on charges from users, stable revenue is expected to expand.
- By strengthening business development of D2C domain, revenue from new business creation is promoted.

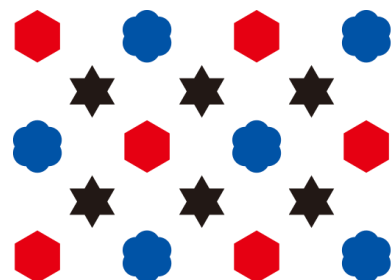
06

Earnings Estimates for FY9/21

(units:¥mn)	FY2020 Full Year Earnings	FY2021 Full year Earnings Estimates	Expected growth rate
Revenue	17,938	20,000	+11.5%
Non-GAAP Operating Profit	2,452	2,850	+16.2%
Profit for the period attributable to owners of the parent	1,464	1,785	+21.9%
【Reference】 Net Sales	76,489	85,000	+11.1%

Both revenue and Non-GAAP operating profit are expected to be increased as each businesses develop.

(units:¥mn)	Revenue			Non-GAAP Operating profit		
	Earnings in FY9/20	Earnings Estimates for FY9/21	Expected growth rate	Earnings in FY9/20	Earnings Estimates for FY9/21	Expected growth rate
Digital Marketing	15,807	17,300	+9.4%	5,248	5,700	+8.6%
Media Platform	2,487	3,000	+20.6%	-956	-800	-
Elimination or corporate	-356	-300	-	-1,840	-2,050	-
Consolidated	17,938	20,000	+11.5%	2,452	2,850	+16.2%



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 October 29, 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

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07

Appendix

Sport Domain

Made an equity participation
in Vegalta Sendai, J1
professional football club



Established of PERF, Inc. and
participated in D.LEAGUE,
a professional dance league
in Japan

The logo for PERF .inc consists of the word "PERF" in a bold, white, sans-serif font, followed by ".inc" in a smaller, white, sans-serif font, all contained within a black rectangular box.**Sharing Asset Domain**

Made an equity participation in
Hosty and started to decelop and
operate smart hotels together



Made an equity participation in
HOMMA, a residential start-up
from Silicon Valley

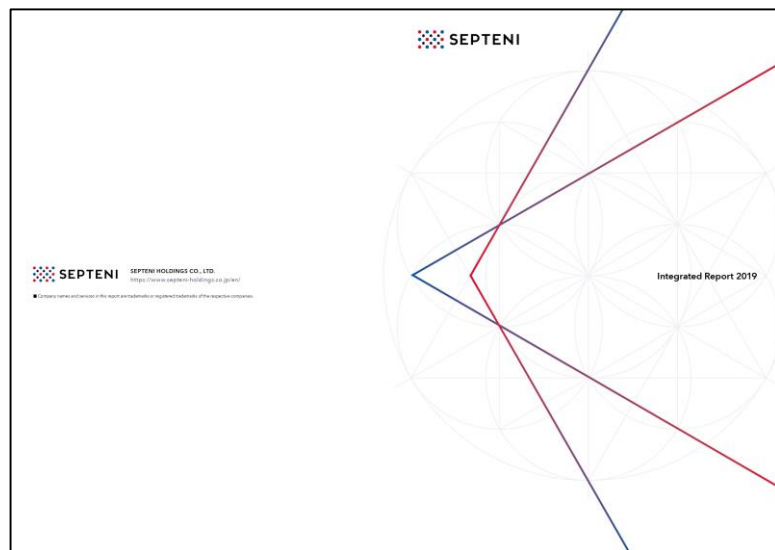
**Entertainment Domain**

Made an equity participation
in Sprout, a holding company
presiding over idol groups
called HKT48 and NGT48



Started to expand into each domain using the capital

Integrated Report

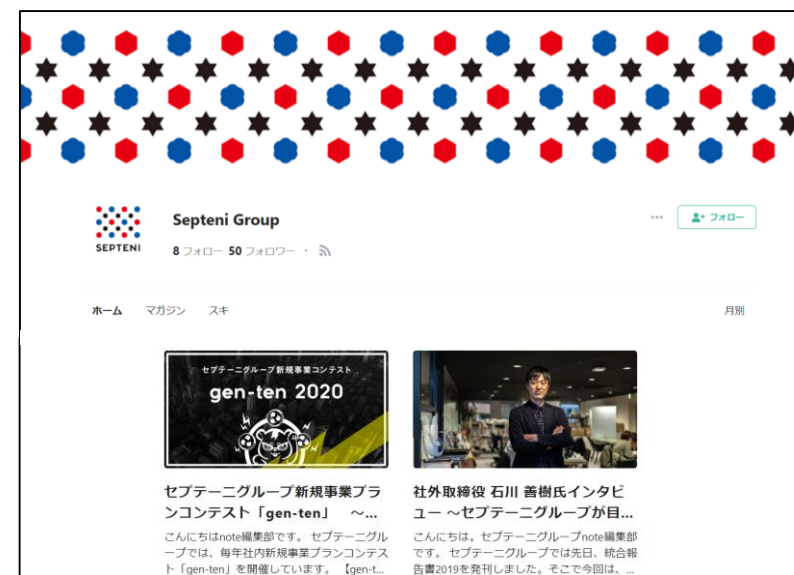


The Integrated Report 2019 is available on the website, discussing mid-long-term management policy, business strategy, and the framework of value creation in the businesses.

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 employees 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.

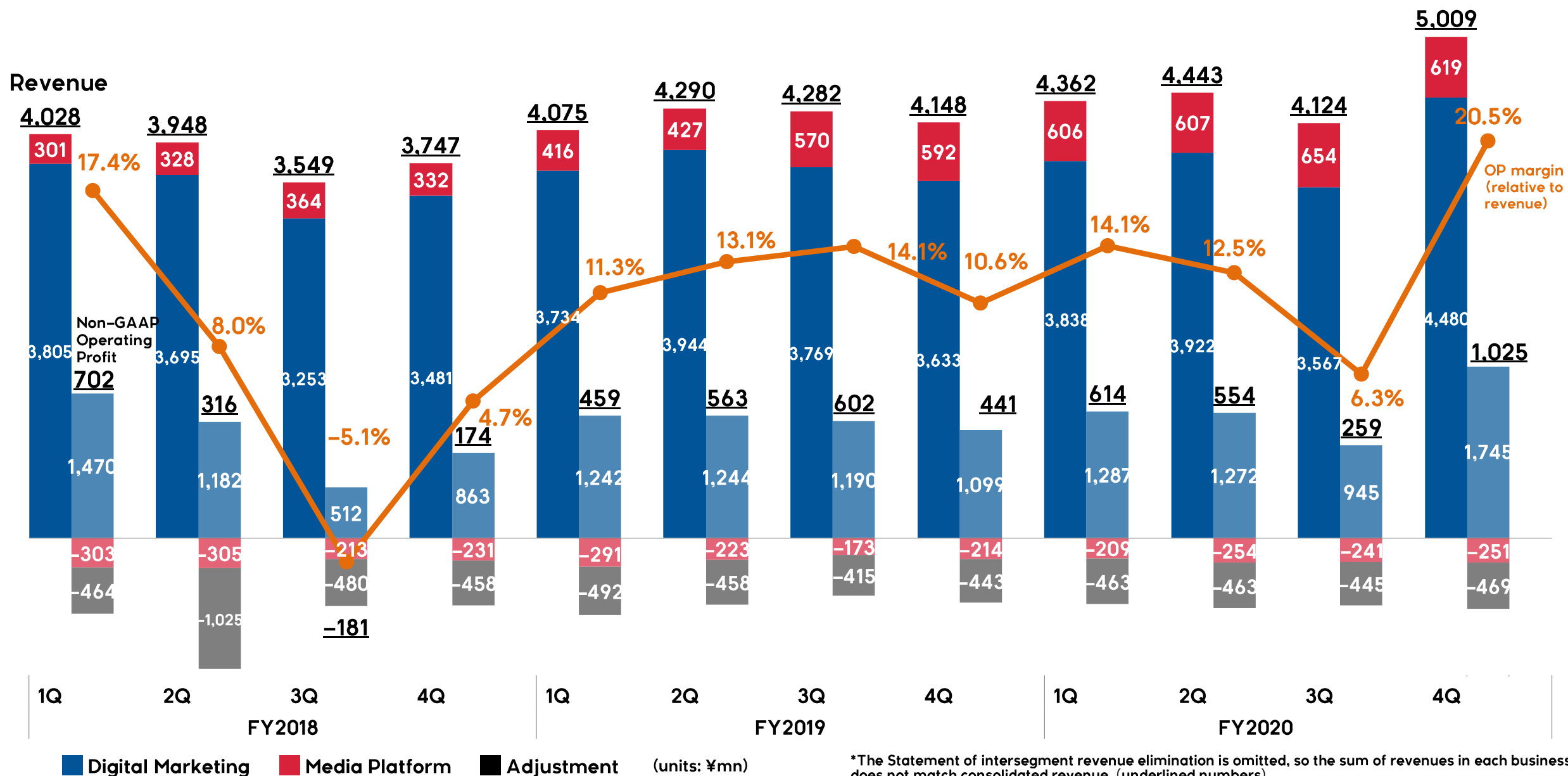
3. Response to suspected infection

a) If falls under the following conditions:

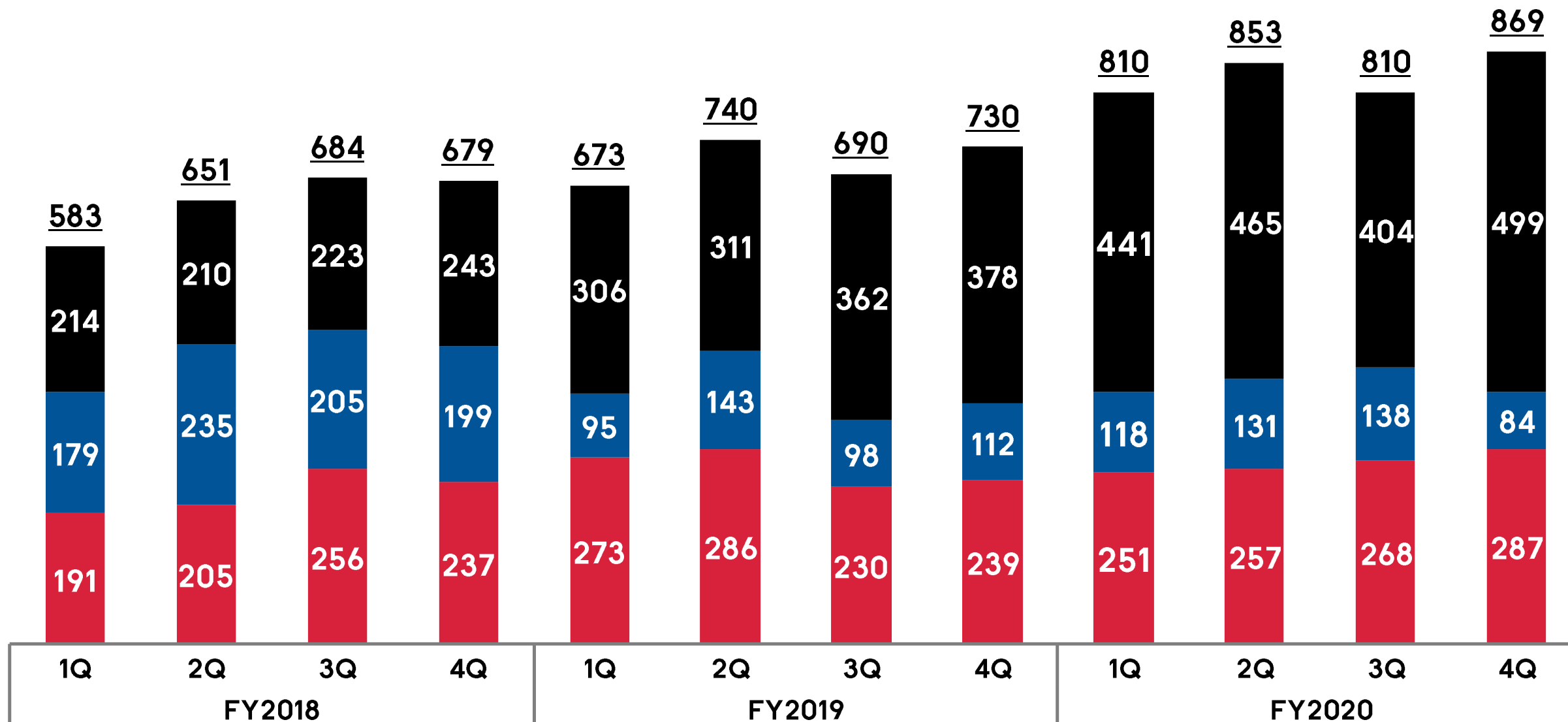
- If an employee or any family members have symptoms of cold such as fever or cough
- If an employee has been overseas within a month
- If an employee feels extreme fatigue or stifled
- If an employee suddenly feels something strange in scent or taste
- If an employee may have close contact with a patient

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.



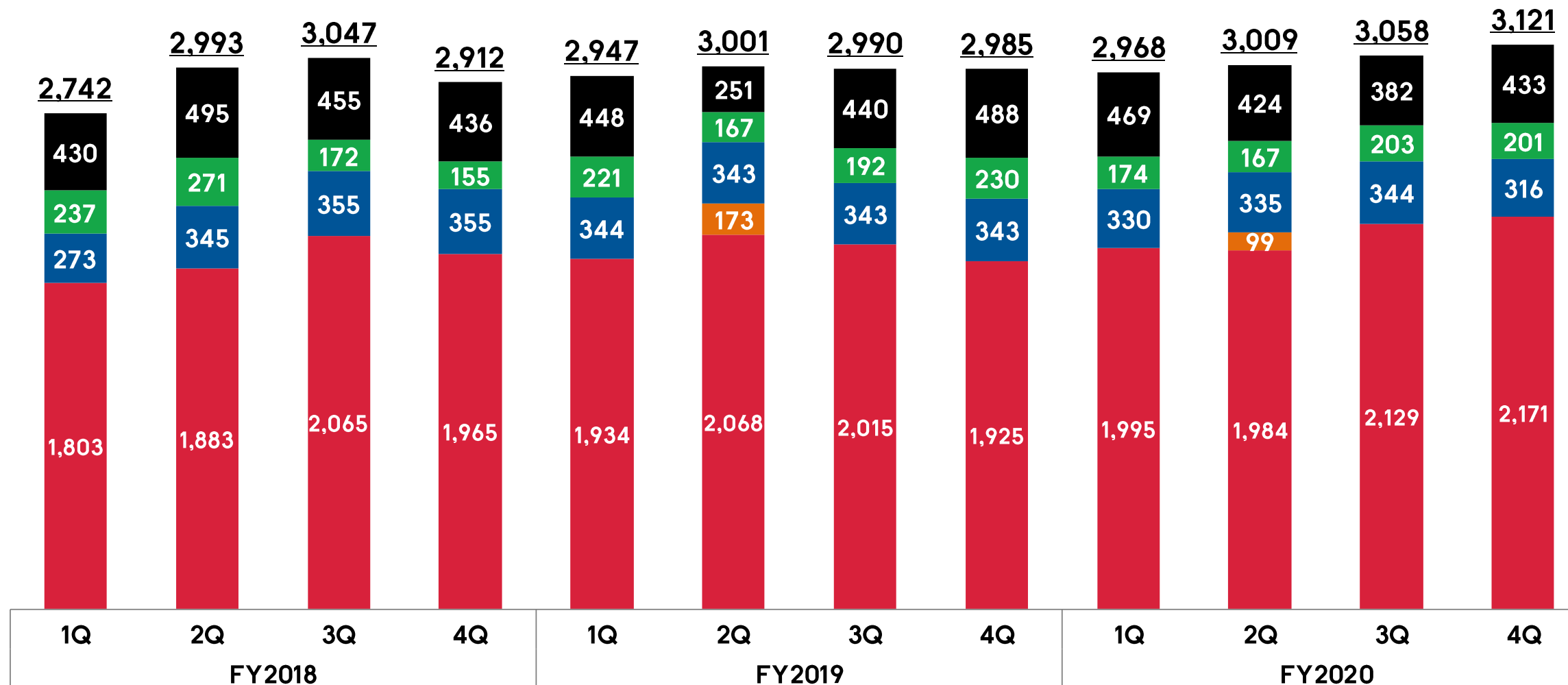
■ Labor costs ■ Subcontract costs ■ Others (units: ¥mn)



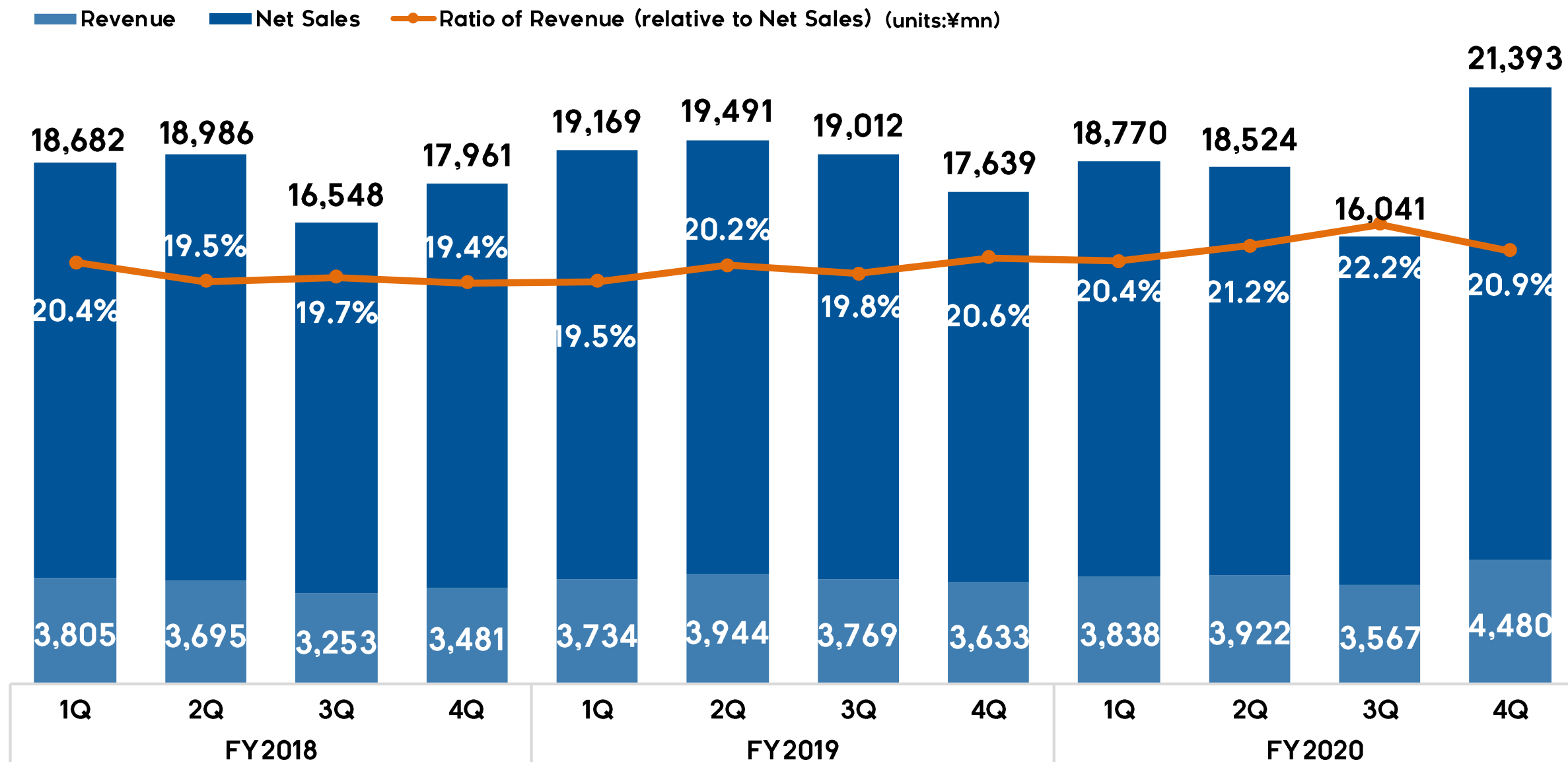
■ Labor costs
■ Rent expenses, etc.
■ Others

■ Additional performance-linked bonuses
■ Advertising expenses

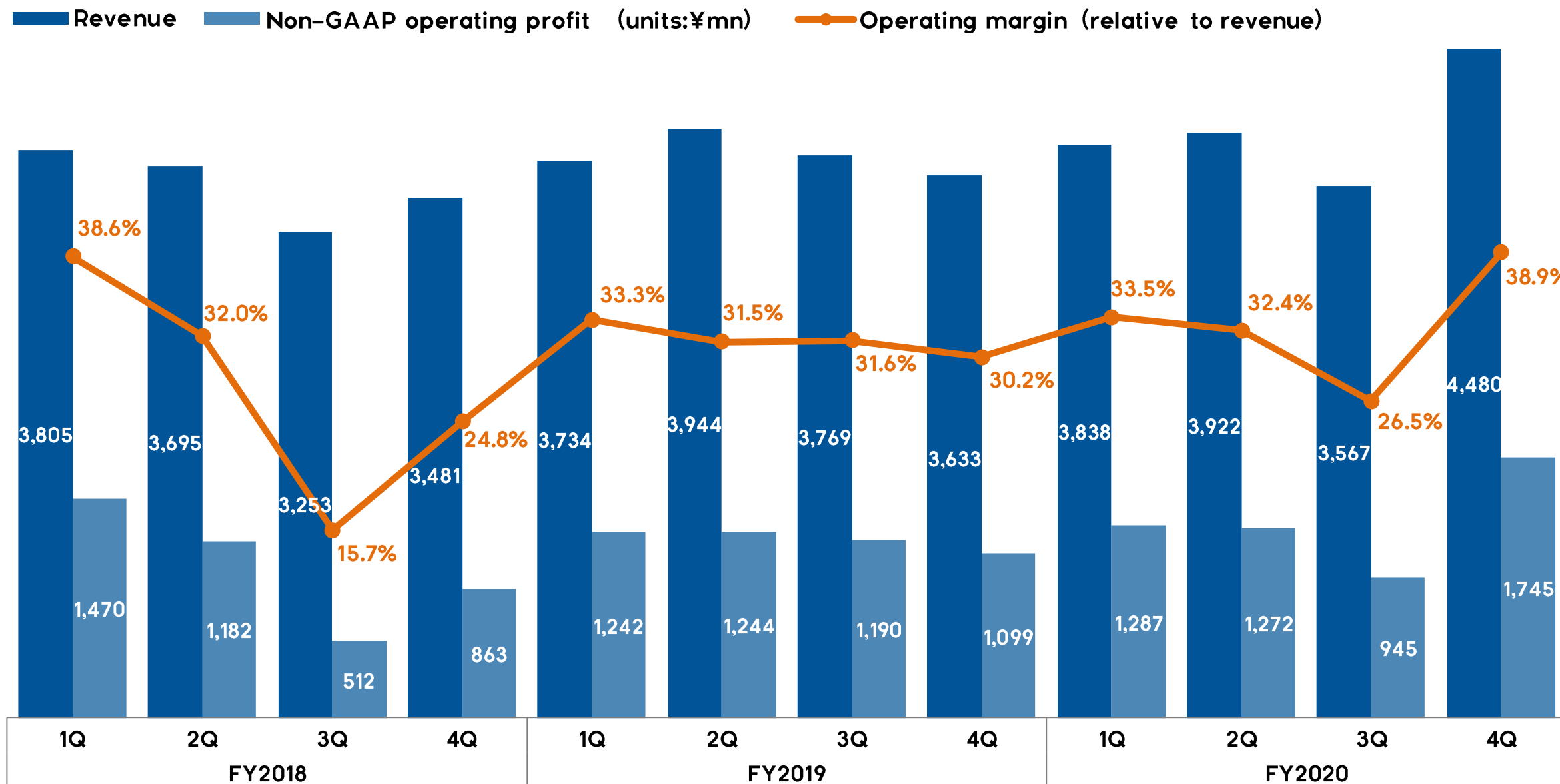
(units:¥mn)



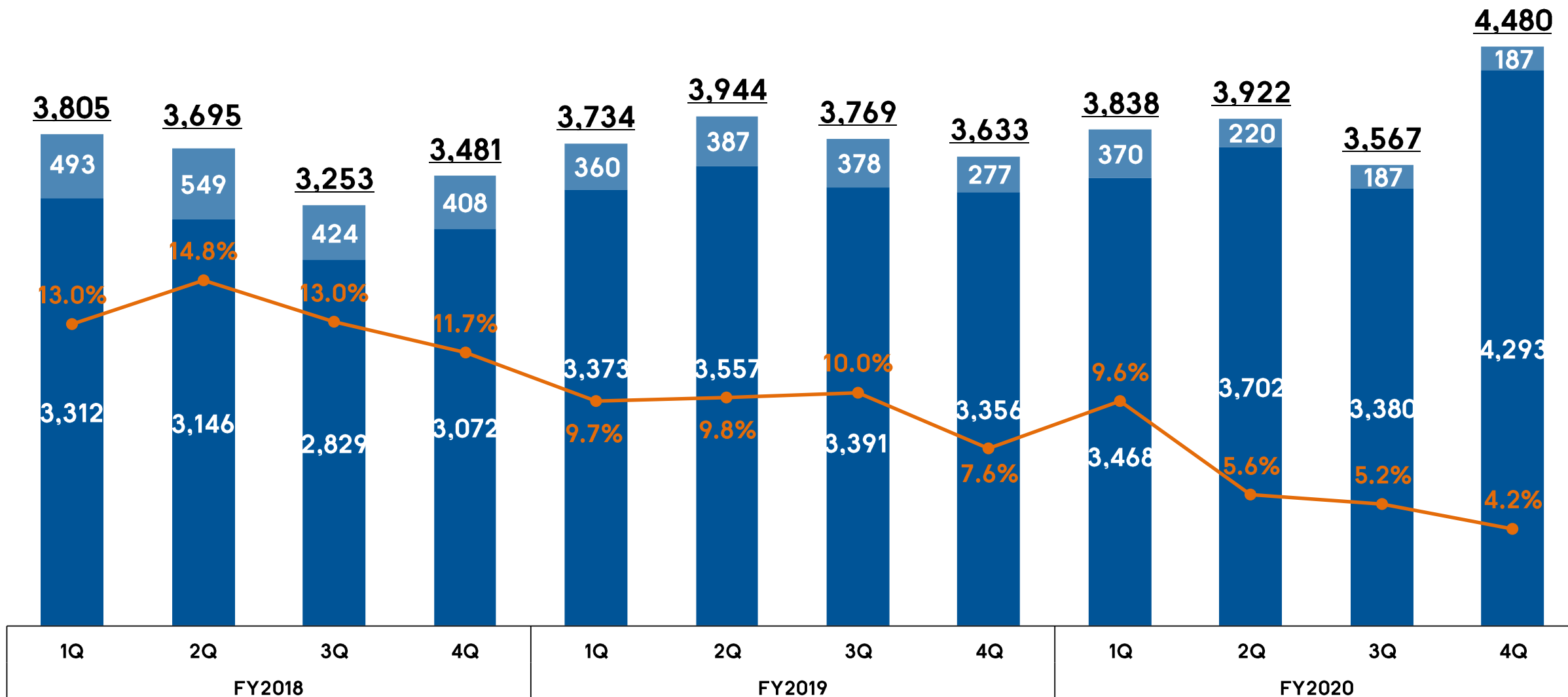
* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020

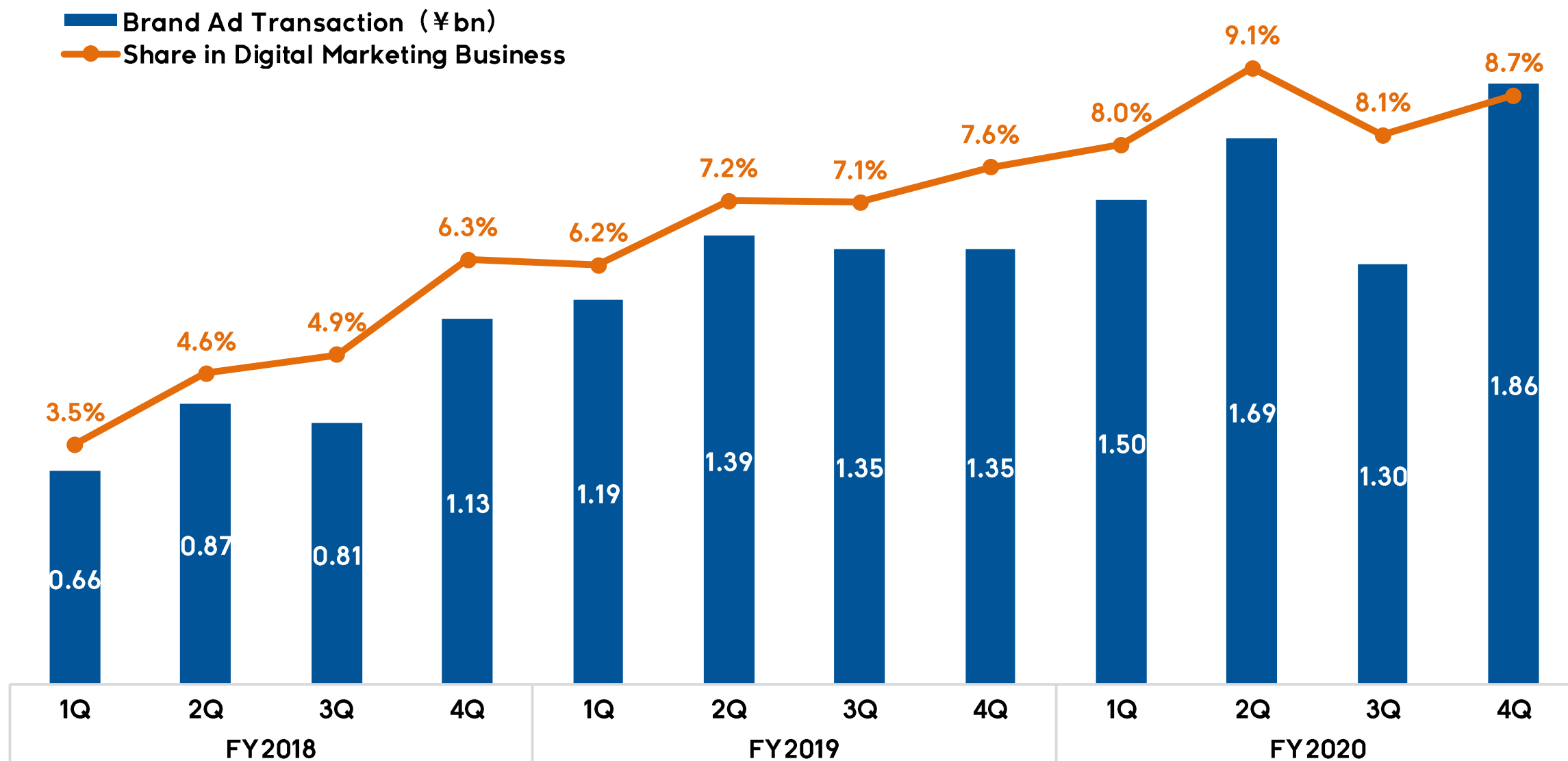


*Net Sales refers to JGAAP-based sales, while revenue indicates IFRS-based revenue.



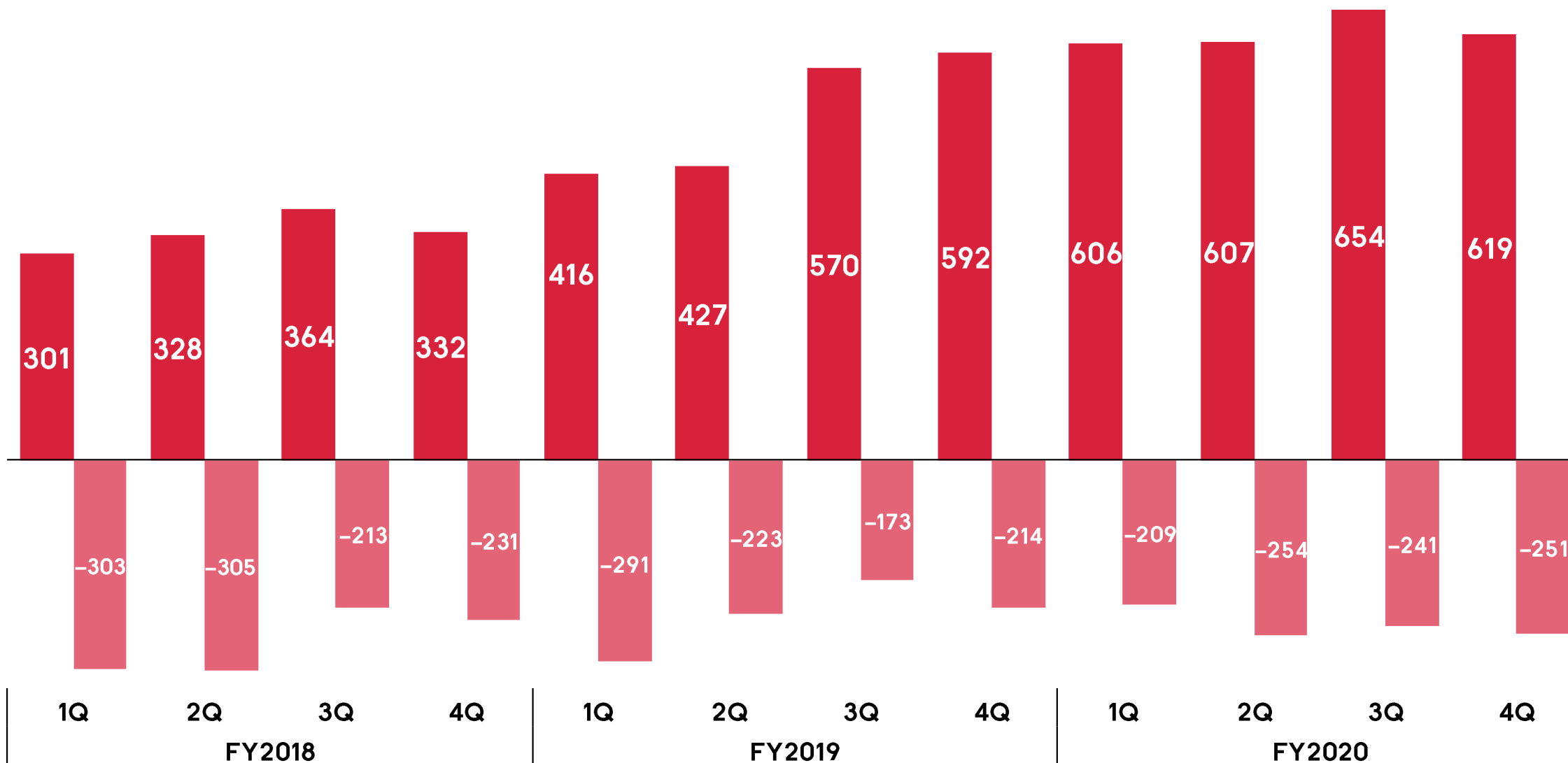
Overseas Revenue Domestic Revenue Ratio of Overseas Revenue (units: ¥mn)





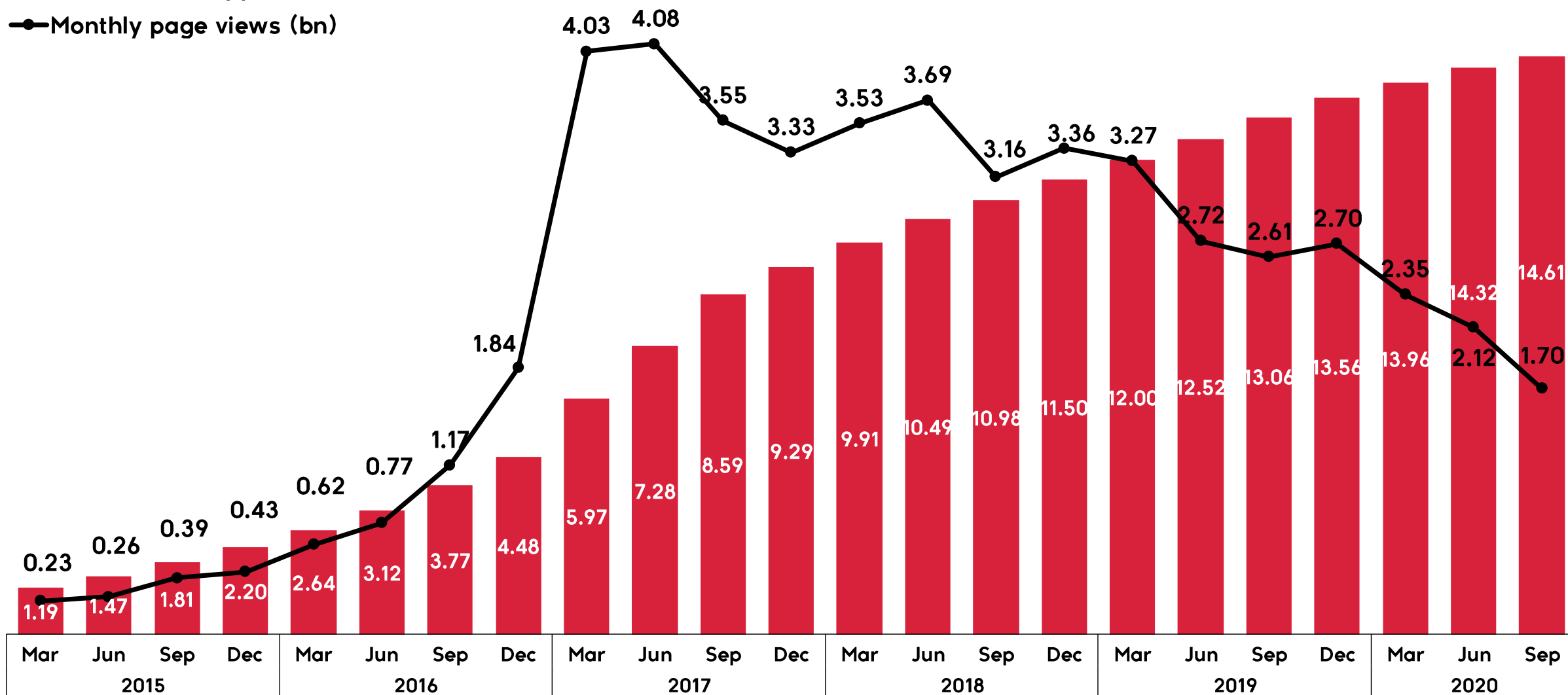
*The calculation method has been modified in this quarter and the previous numbers have been also revised.

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



■ Accumulated application downloads (mn)

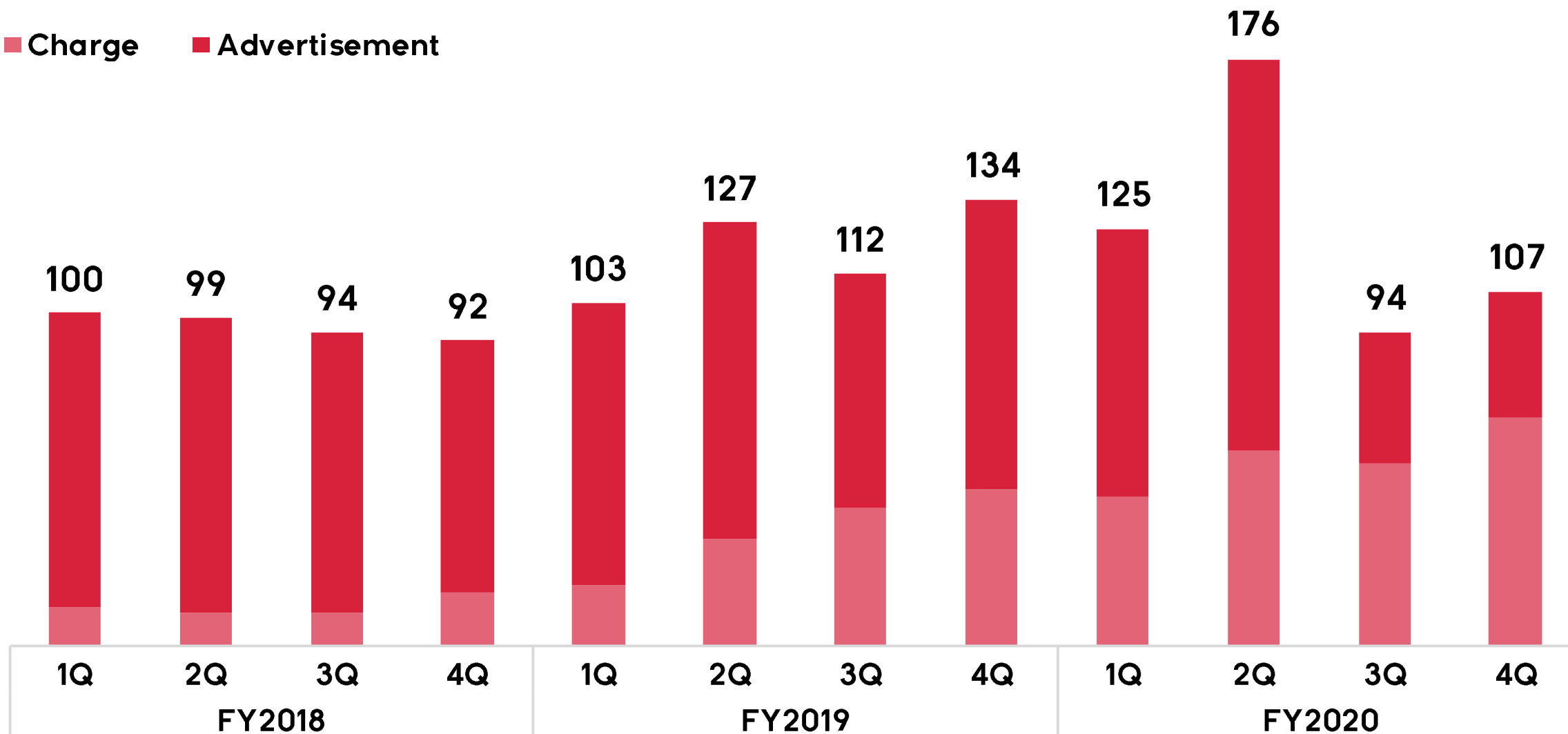
● Monthly page views (bn)



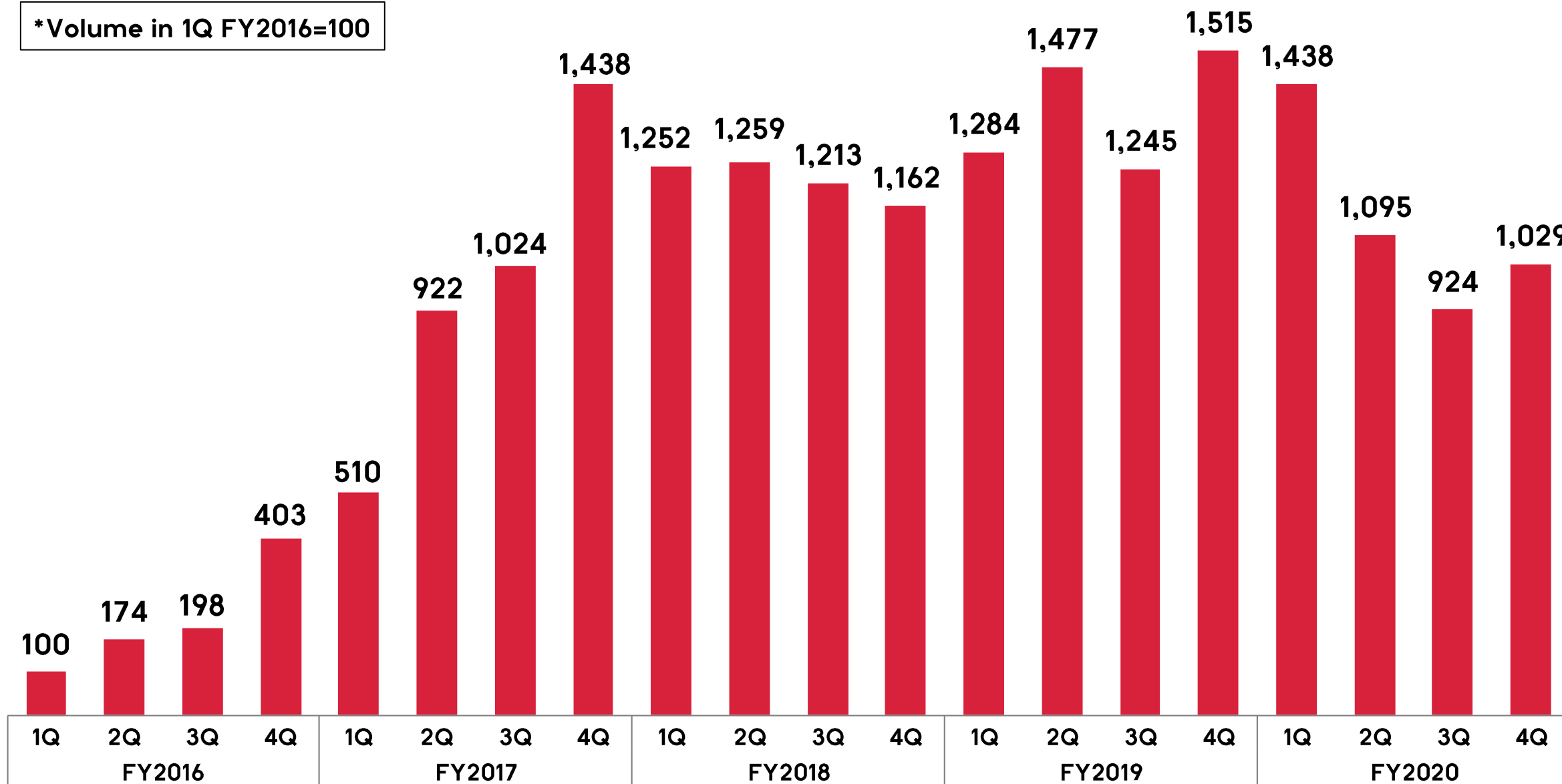
*Volume in 1Q FY2018=100

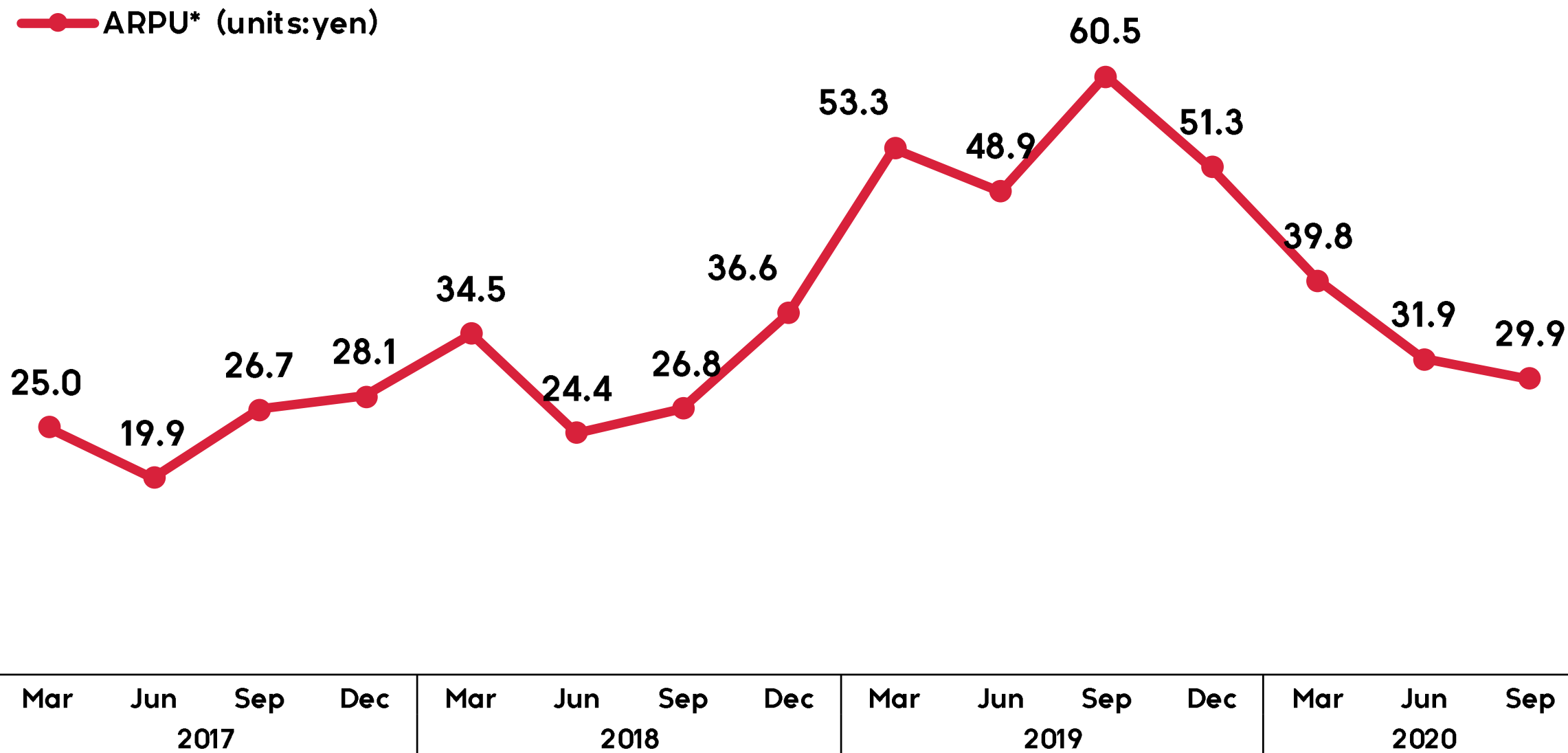
Charge

Advertisement



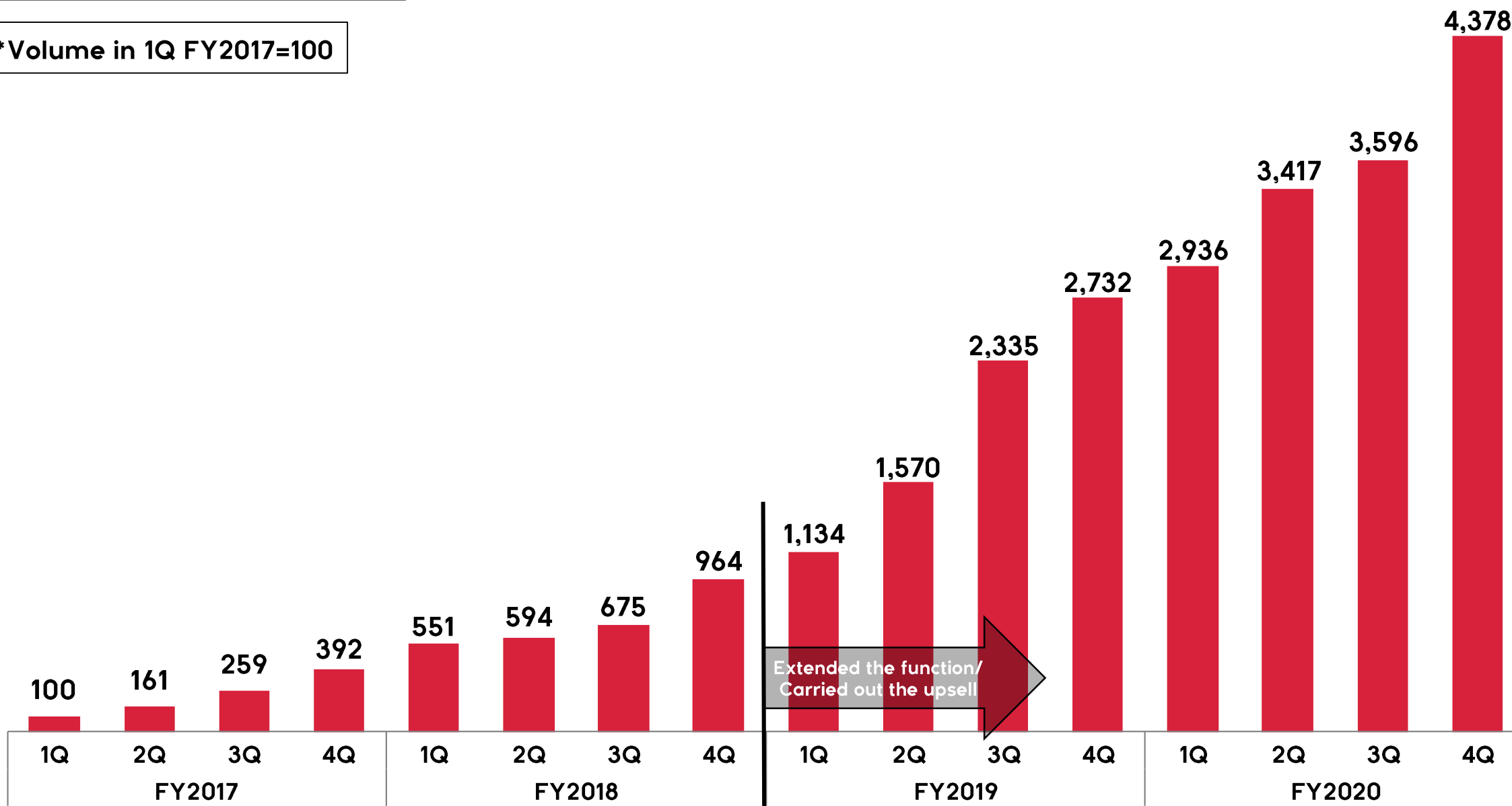
*Volume in 1Q FY2016=100



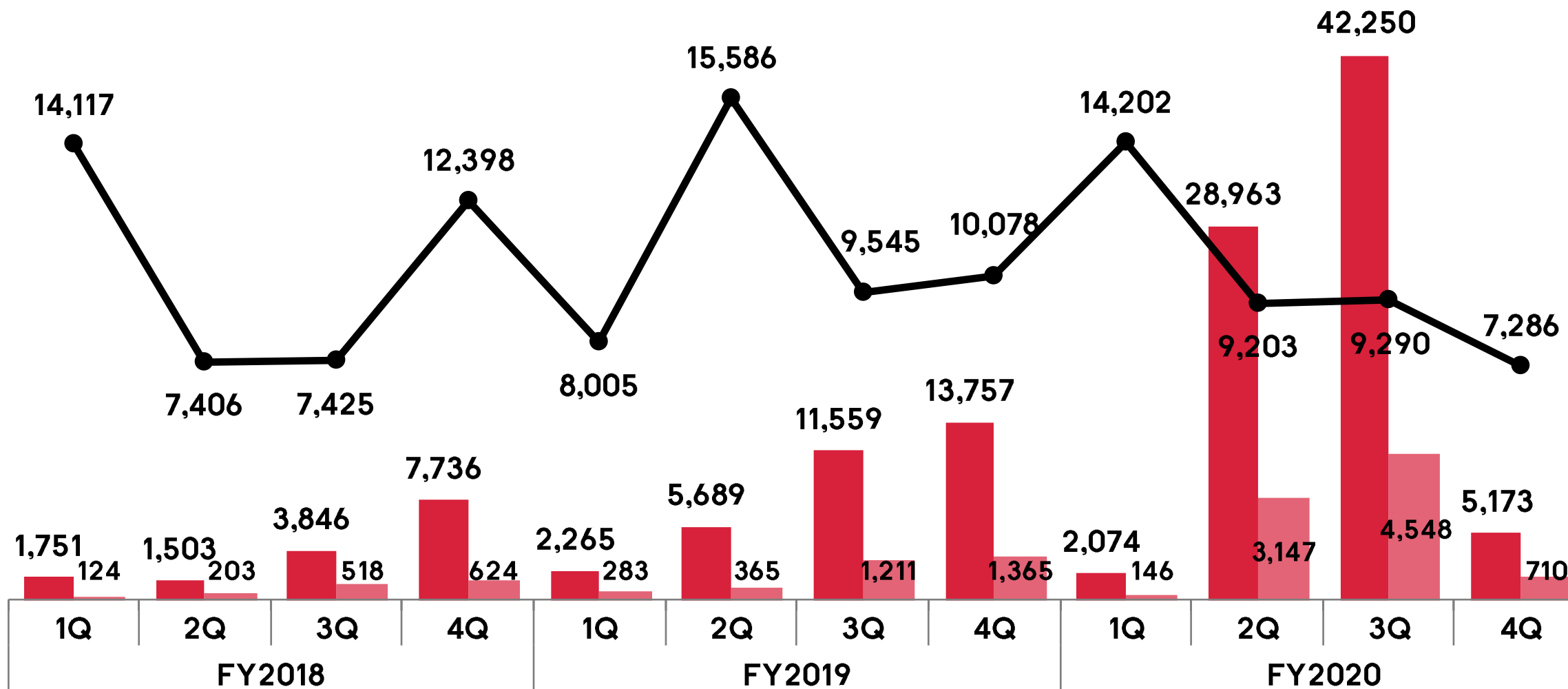


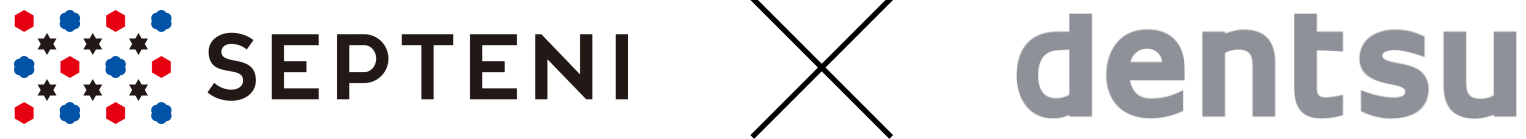
* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU

*Volume in 1Q FY2017=100



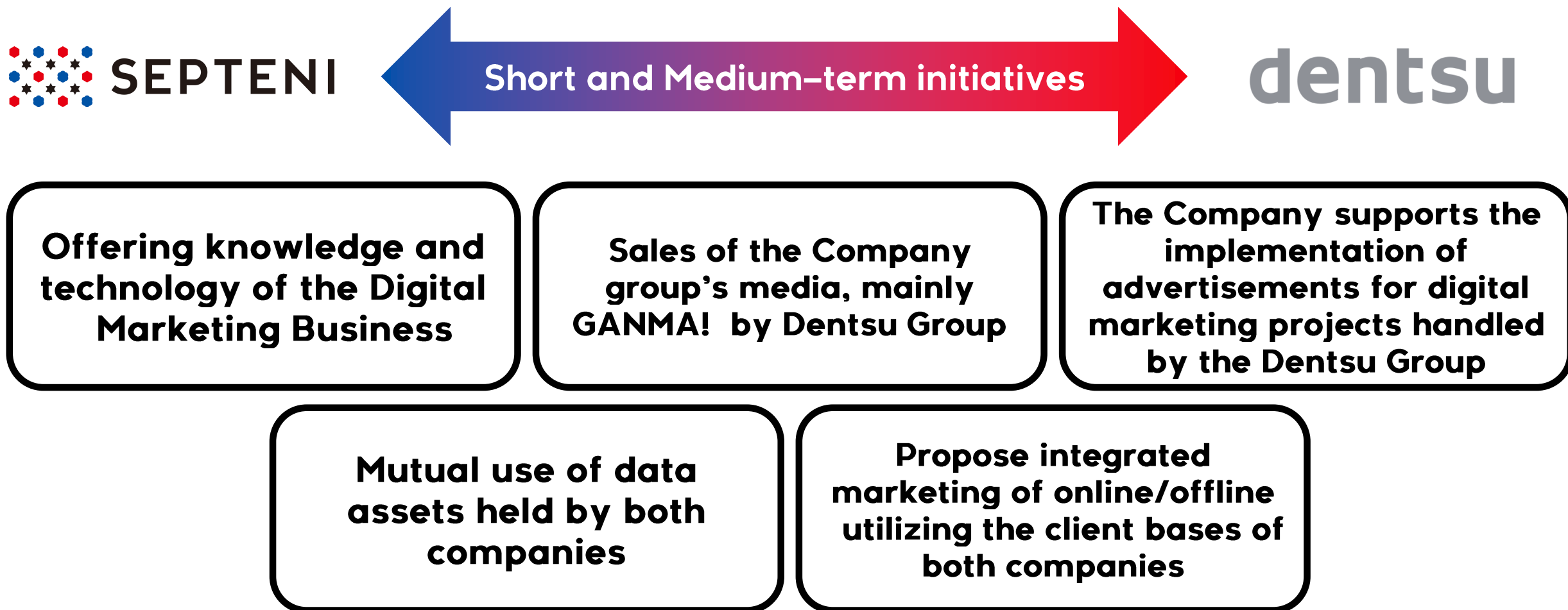
■ The total of support fund (¥k) ■ Supporters ● Average unit price (¥)

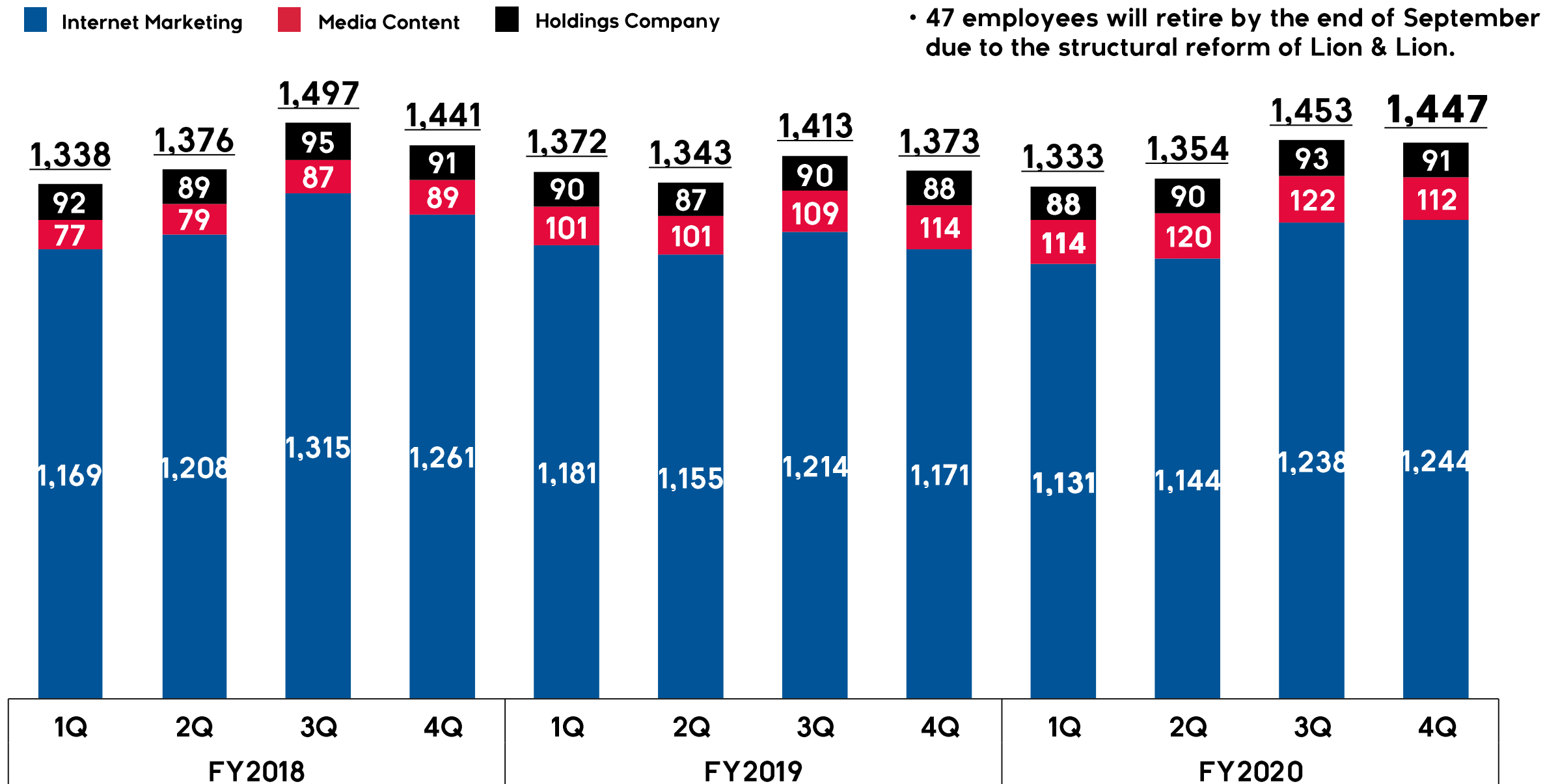




Both Septeni Group and Dentsu Group aim to be **the largest digital marketing partners in Japan that lead the industry's development in an environment where people with various talents assemble with the joy of working and by providing the best solutions to clients.**

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.



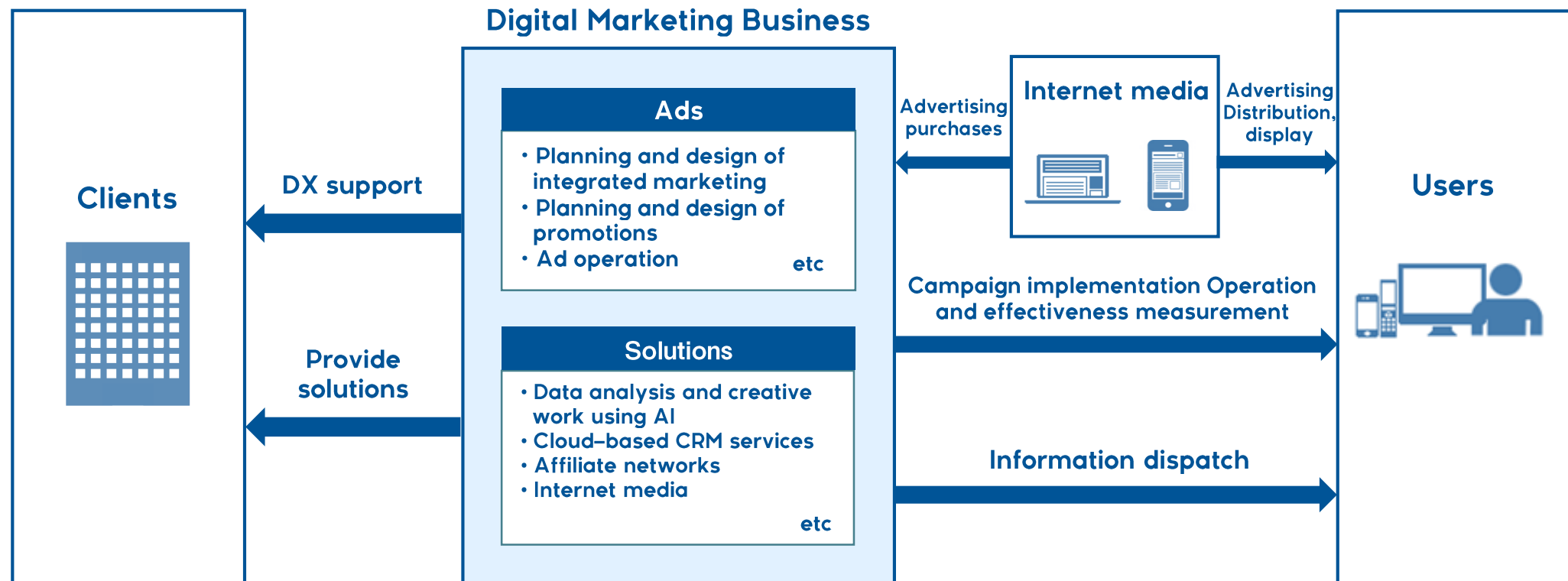


Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	Representative Director, Group President and Chief Executive Officer Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Securities Code	4293 (JASDAQ)
Business Realm	The holding company for a group 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	1,447 full time employees, 1,224 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.

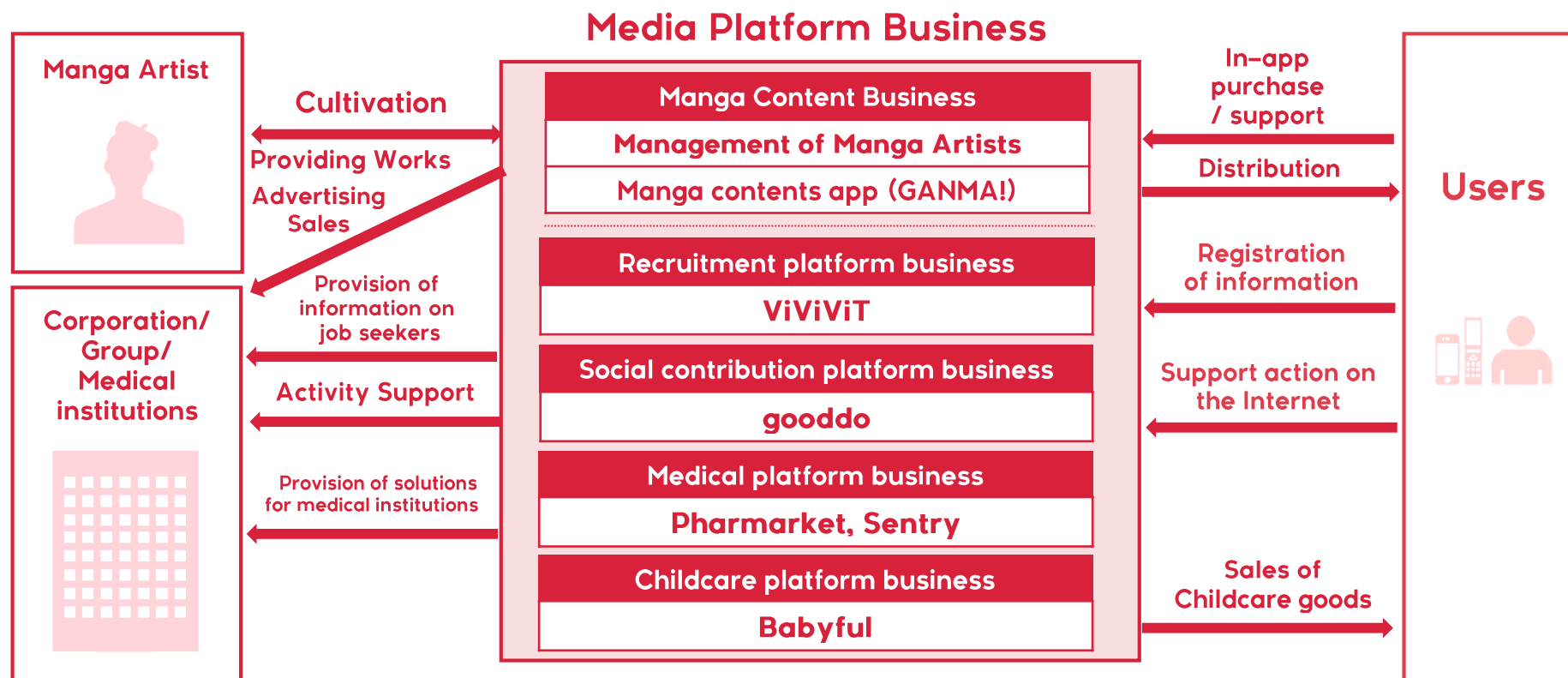
Holding Company		SEPTENI HOLDINGS CO., LTD	
Internet Marketing Business			
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
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
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 FY2020	End FY2019	Change	Main Changes
Current Assets		27,373	25,133	+2,240	Cash and deposit: -408 Operating receivables: +2,715
Non-current Assets		7,052	5,280	+1,772	Other financial assets: +555 Right-of-use asset: +1,008*
Total Assets		34,425	30,413	+4,012	
Current Liabilities		15,314	11,729	+3,585	Operating debt: +2,254 Other financial liabilities: +839*
Non-current Liabilities		3,299	3,875	-575	Other financial liabilities: -644*
Total Liabilities		18,613	15,604	+3,010	
Total Capital		15,811	14,809	+1,002	Retained earnings: +1,220 Other capital components: -223
Total Liabilities and Capital		34,425	30,413	+4,012	

- 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)	End FY9/20	Main Changes	End FY9/19
Cash Flows from Operating Activities	2,340	Depreciation and amortization: +744* Increase in trade receivables: -2,827 Decrease in trade liabilities: +2,555	1,258
Cash Flows from Investing Activities	-804	Proceeds from sales of securities: -602 Purchase of securities: -232	-205
Cash Flows from Financing Activities	-1,941	Repayments of short-term loans payable: +308 Repayments of lease obligations: -837*	-1,411
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-3		-76
Net Increase (Decrease) in Cash and Equivalents	-408		-434
Cash and Equivalents at Term End	14,081		14,488

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