

SEPTENI

Business Results for 1Q Fiscal Year September 2020

SEPTENI HOLDINGS CO., LTD.

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

Feb, 4, 2020

01 Quarterly Consolidated Earnings Overview

02 Digital Marketing Business

03 Media Platform Business

04 Expansion into New Business Segments

05 Progress on Earnings Estimates

06 Appendix

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

Quarterly Consolidated Earnings Overview

Consolidated

Revenue

¥4,362mn (Up 5.2% quarter on quarter
Up 7.0% year on year)

Non-GAAP Operating Profit

¥614mn (Up 39.3% quarter on quarter
Up 33.8% year on year)

**Revenue and profit increased both year on year
and quarter on quarter.**

Digital
Marketing
Business

Revenue

¥3,838mn (Up 5.6% quarter on quarter
Up 2.8% year on year)

Non-GAAP Operating Profit

¥1,287mn (Up 17.1% quarter on quarter
Up 3.6% year on year)

Both revenue and profit increased, reflecting progress in the alliance with Dentsu Group as planned.

Media
Platform
Business

Revenue

¥606mn (Up 2.5% quarter on quarter
Up 45.8% year on year)

Non-GAAP Operating Profit

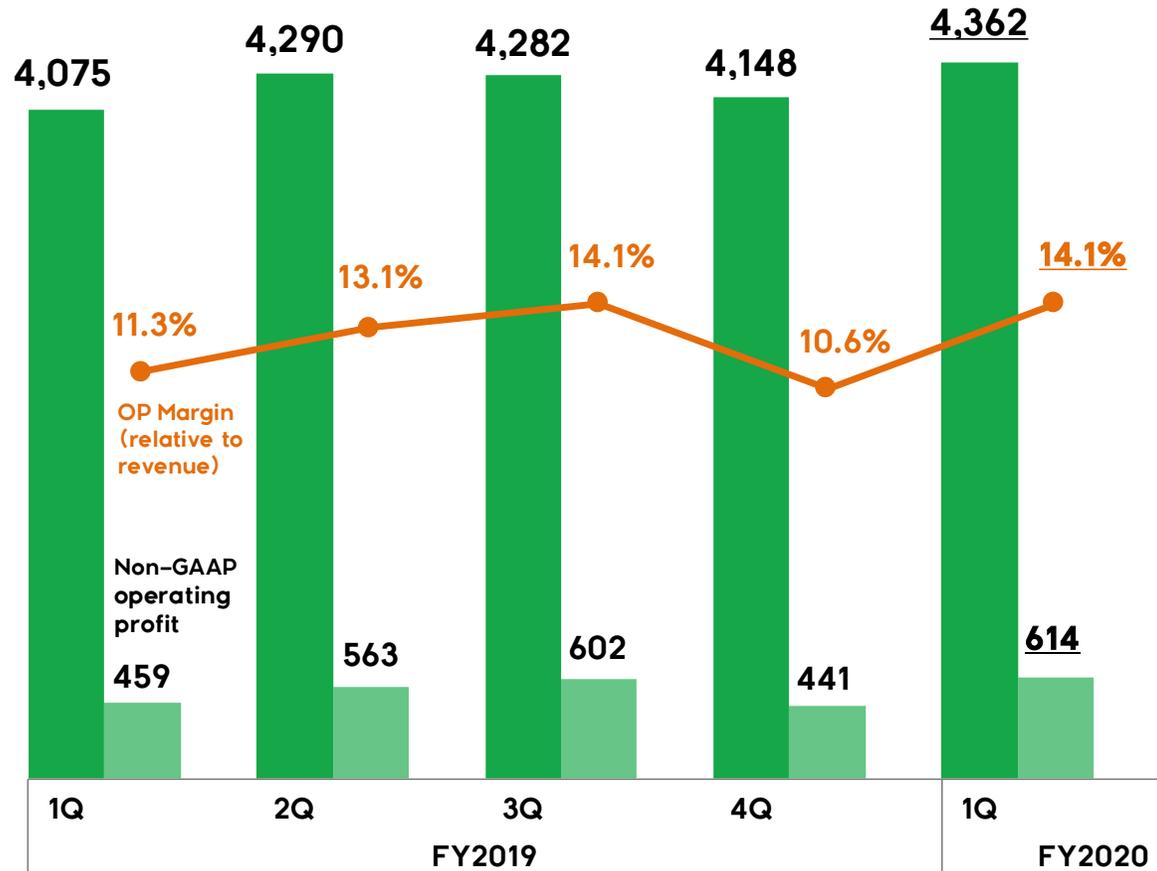
¥-209mn (Decreased ¥5mn year on year
Decreased ¥81mn year on year)

Due to the growth of the respective businesses, revenue increased sharply year on year, coupled with a significant decrease in deficit.

(units:¥mn)	1Q FY2020			1Q FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	4,362	100.0%	+7.0%	4,075	100.0%	19,000	23.0%
Gross profit	3,552	81.4%	+4.4%	3,402	83.5%	—	—
SG&A	2,968	68.0%	+0.7%	2,947	72.3%	—	—
Non-GAAP Operating profit	614	14.1%	+33.8%	459	11.3%	2,500	24.6%
Operating profit	572	13.1%	+40.5%	408	10.0%	—	—
Profit for the period attributable to owners of the parent	388	8.9%	+65.0%	235	5.8%	1,400	27.7%
[Reference] Net Sales	19,187	—	-0.8%	19,343	—	84,000	22.8%

Both revenue and profit increased year on year.

Revenue (units:¥mn)



Revenue **¥4,362mn**
 (Up 7.0% year on year)

Non-GAAP operating profit **614mn**
 (Up 33.8% year on year)

**Revenue achieved a record high,
 and Non-GAAP operating profit remained firm.**

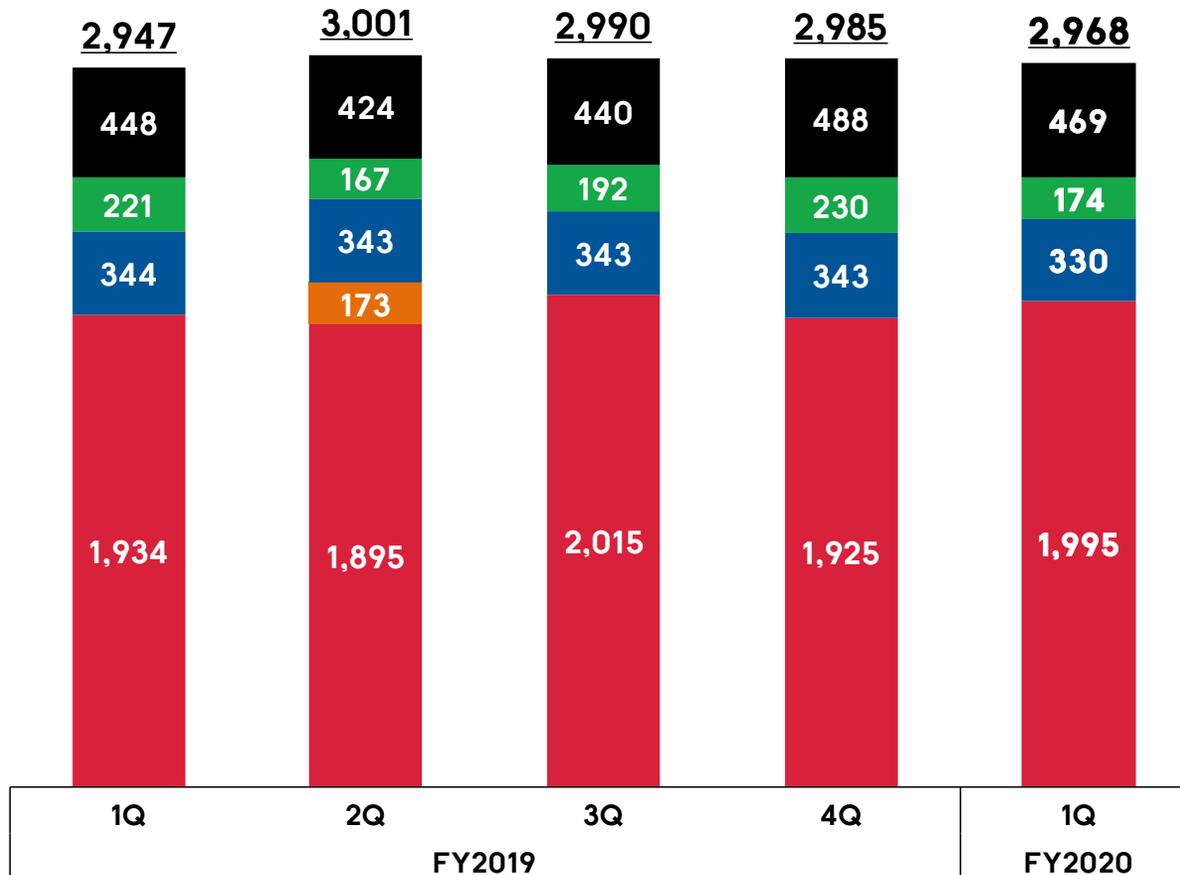
(units:¥mn)	FY2019				FY2020	QonQ	YonY
	1Q	2Q	3Q	4Q	1Q		
Total of cost of sales	673	740	690	730	810	+11.0%	+20.3%
Labor costs*1	273	286	230	239	251	+5.0%	-7.8%
Subcontract costs	95	143	98	112	118	+4.7%	+23.9%
Others	306	311	362	378	441	+16.6%	+44.2%
Total of SG&A	2,947	3,001	2,990	2,985	2,968	-0.6%	+0.7%
Labor costs	1,934	1,895	2,015	1,925	1,995	+3.6%	+3.1%
Additional performance-linked bonus	—	173	—	—	—	—	—
Rent expenses etc.*2	344	343	343	343	330	-3.7%	-4.1%
Advertising expenses	221	167	192	230	174	-24.3%	-21.2%
Others	448	424	440	488	469	-3.9%	+4.6%

*1. A corrections has been made in the current quarter to a partial error of labor costs, which are part of the cost of sales, found in the presentation materials for the business results for 4Q and the full fiscal year ended September 30, 2019. The correction is reflected in the subsequent pages where applicable.

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

Cost of sales increased due to expansion of Media Platform Business.

- Labor costs
- Rent expenses, etc.
- Others
- Additional performance-linked bonuses
- Advertising expenses



SG&A expenses for 1Q of FY2020 remained in line with the plan.

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

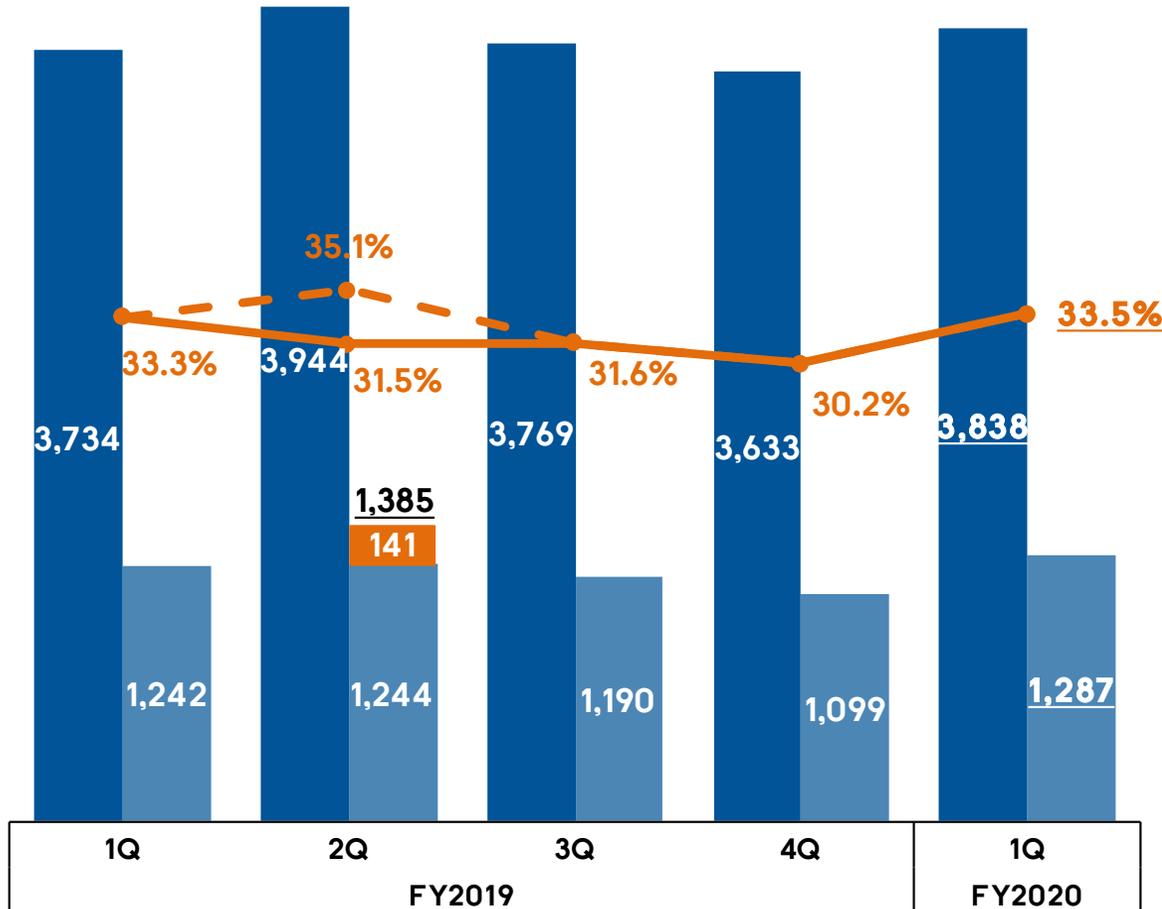
02

Digital Marketing Business

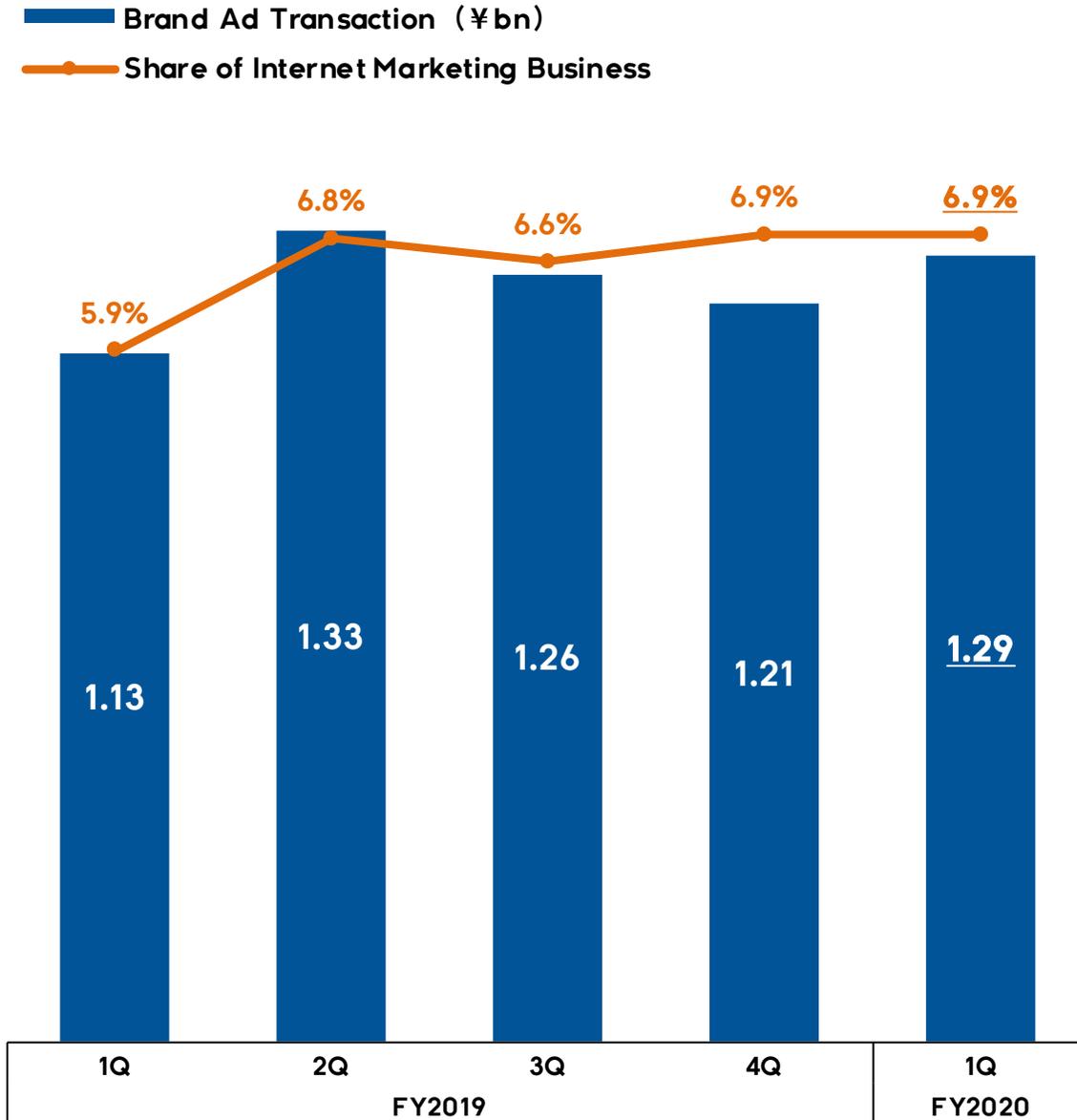
(units:¥mn)	1Q FY2020			1Q FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	3,838	100.0%	+2.8%	3,734	100.0%	16,500	23.3%
Gross profit	3,319	86.5%	+2.1%	3,249	87.0%	—	—
SG&A	2,046	53.3%	+1.8%	2,009	53.8%	—	—
Non-GAAP Operating profit	1,287	33.5%	+3.6%	1,242	33.3%	5,300	24.3%
[Reference] Net Sales	18,770	—	-2.1%	19,169	—	—	—

Both revenue and profit increased, aided by short-term initiative of alliance of Dentsu Group.

- 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)



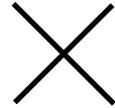
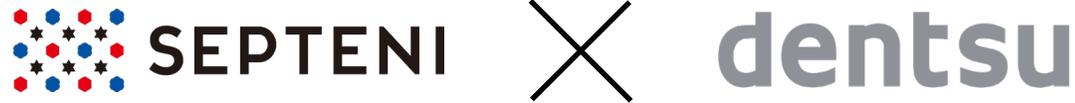
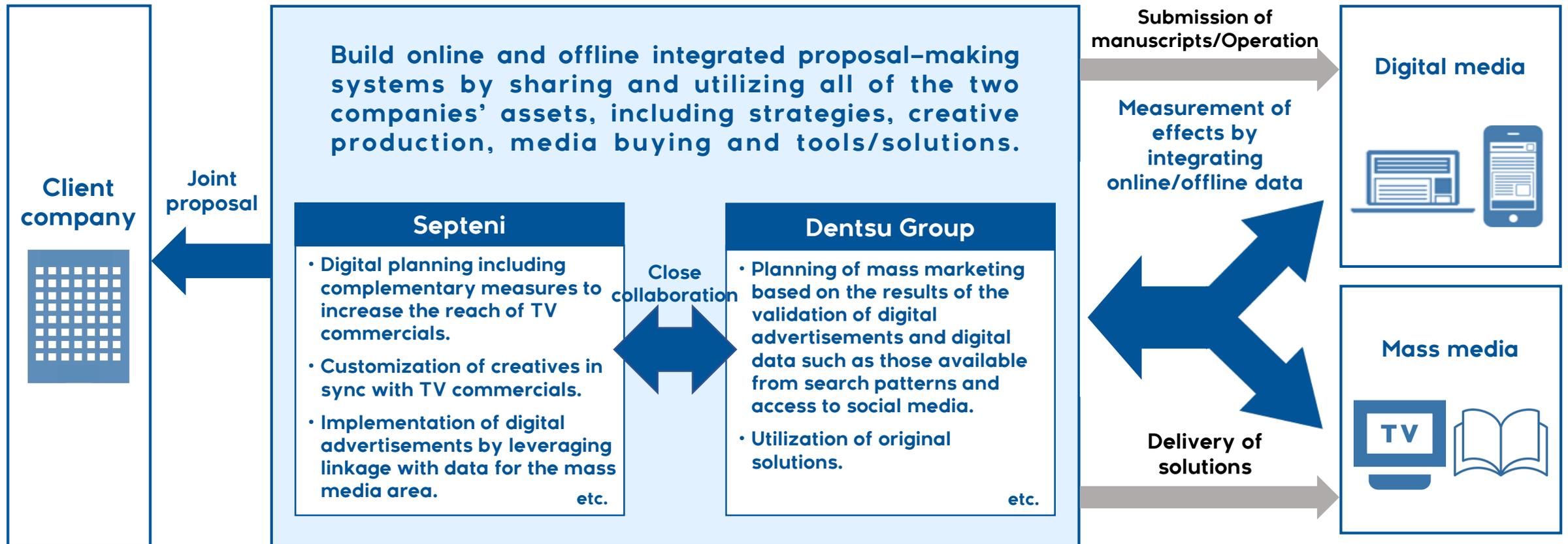
Revenue increased year on year both in Japan and overseas, resulting in rises in revenue of **2.8% and profit of **3.6%**.**



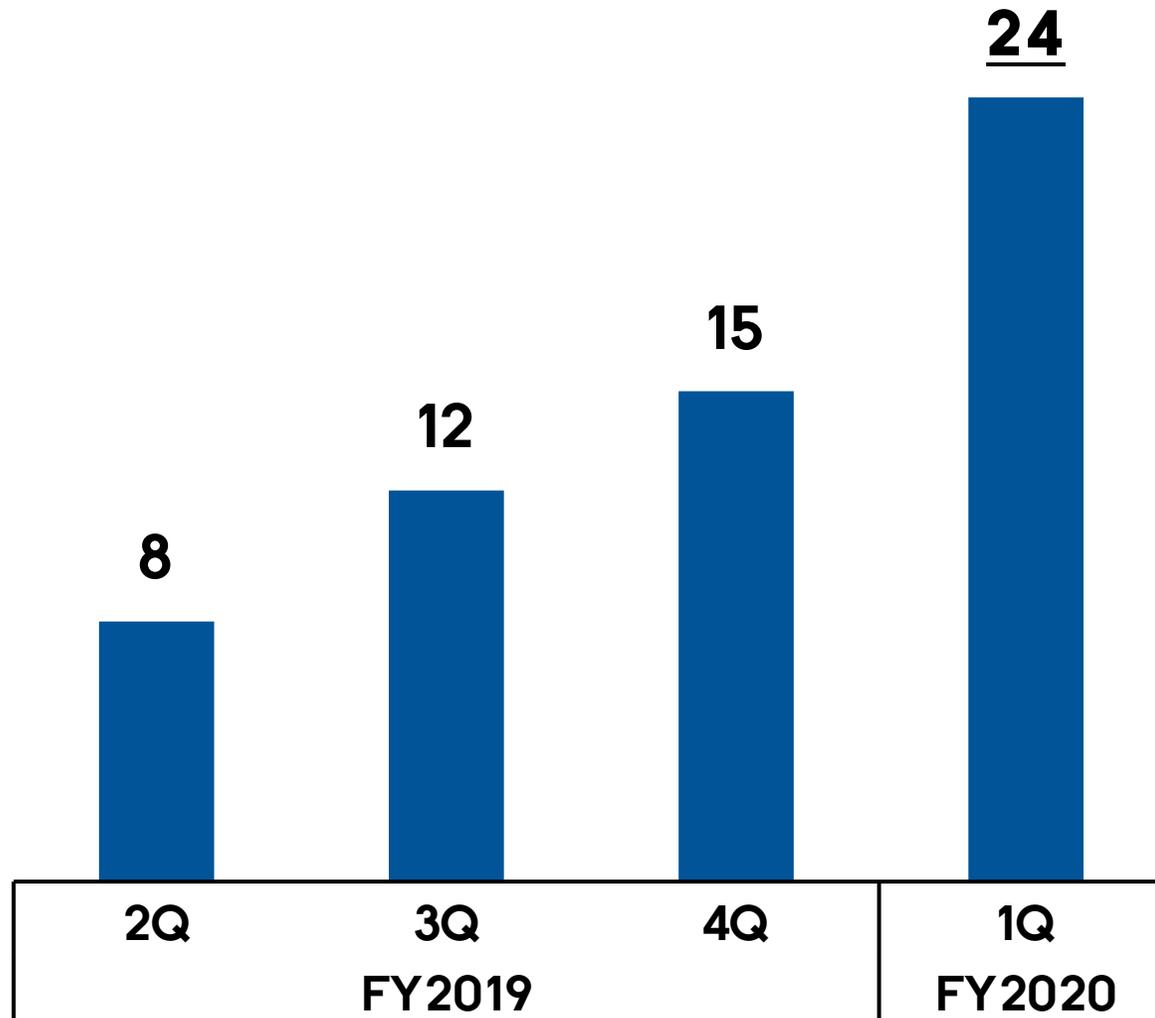
Achieved growth of **6.4%** quarter on quarter, and **14.3%** year on year

In addition, the ratio to transactions also increased steadily.

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


dentsu


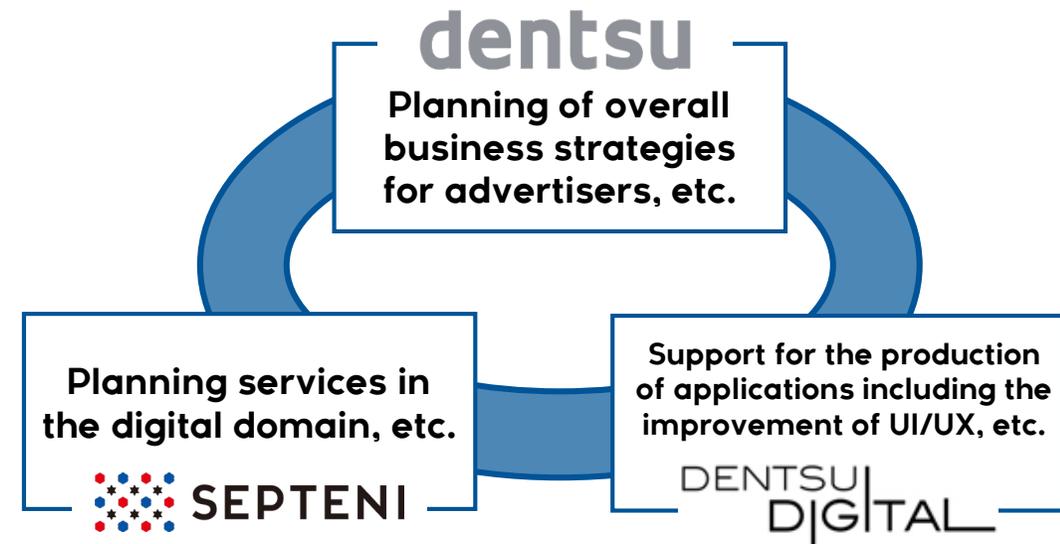
■ Volume of clients in the alliance with Dentsu Group



Volume of clients in the Alliance of Dentsu Group and Septeni increase steadily.

Business alliance with Dentsu Group

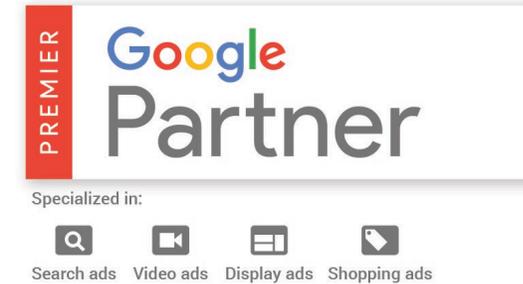
Launched **App Growth Mall**, a project featuring the collaboration of Septeni, Dentsu and Dentsu Digital, to provide one-stop support that help companies grow their businesses by utilizing smartphone applications.



More integrated and efficient smartphone application-based support for businesses can be provided through the cross-functional use of solutions and human resources owned by the three companies.

Advertisement

Received the grand prize in the Application Advertisements section in the Premier Partner Awards 2019 sponsored by Google Partners.



Certified as the nation's only company with the highest Platinum Partner ranking in the corporate section in the performance category of the TikTok Ads Award 2019.

The image shows the TikTok Ads logo, with "TikTok" in a bold, black, sans-serif font and "Ads" in a slightly smaller, black, sans-serif font.

Solutions

Launched the external provision of Creative Rally, a creative operation tool of advertisements featuring complete coverage of the main media, which was developed by Septeni Original, Inc.

The image shows the Creative Rally logo. It features the word "CRALRY" in a large, bold, black, sans-serif font, with a green triangle above the letter "A". Below it, the words "Creative Rally" are written in a smaller, black, sans-serif font.

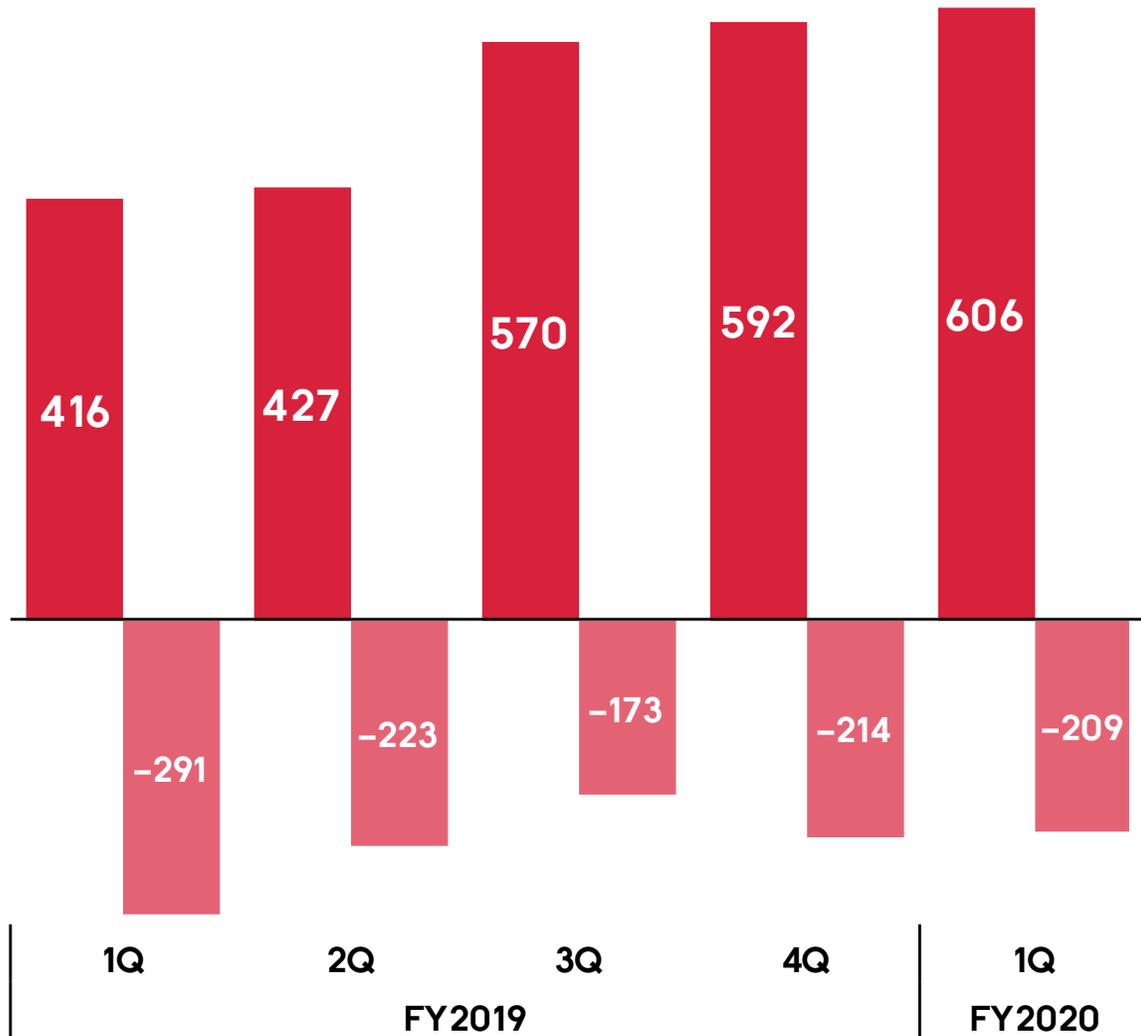
03

Media Platform Business

(units:¥mn)	1Q FY2020			1Q FY2019		FY2020 Estimate	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	606	100.0%	+45.8%	416	100.0%	2,900	20.9%
Gross profit	309	51.1%	+38.4%	224	53.8%	—	—
SG&A	521	85.9%	+1.2%	515	123.8%	—	—
Non-GAAP Operating profit	-209	—	+81	-291	—	-850	—

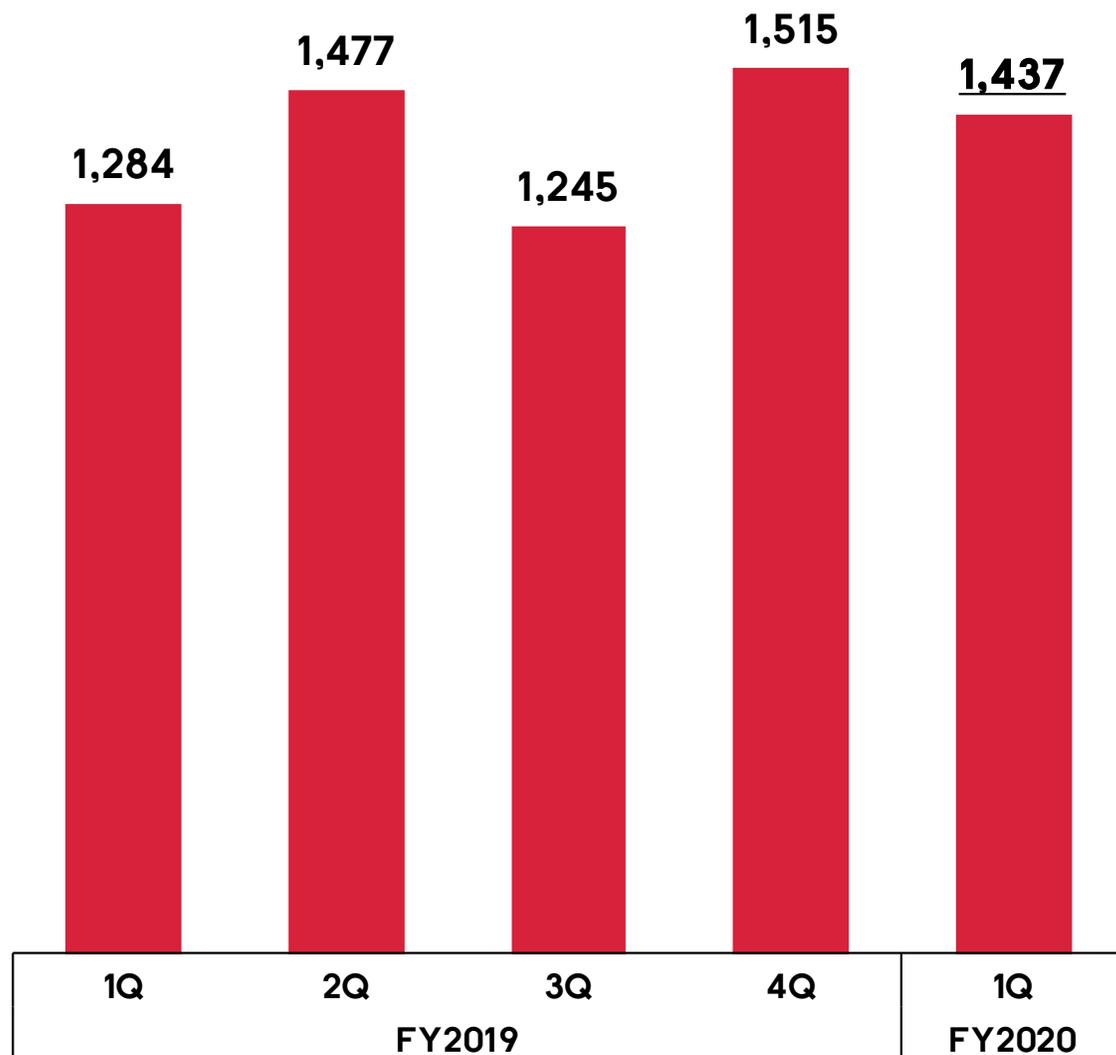
Increase in costs was absorbed by significant revenue growth, and deficits decreased.

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



Revenue grew,
in each business including
Manga Content Business.

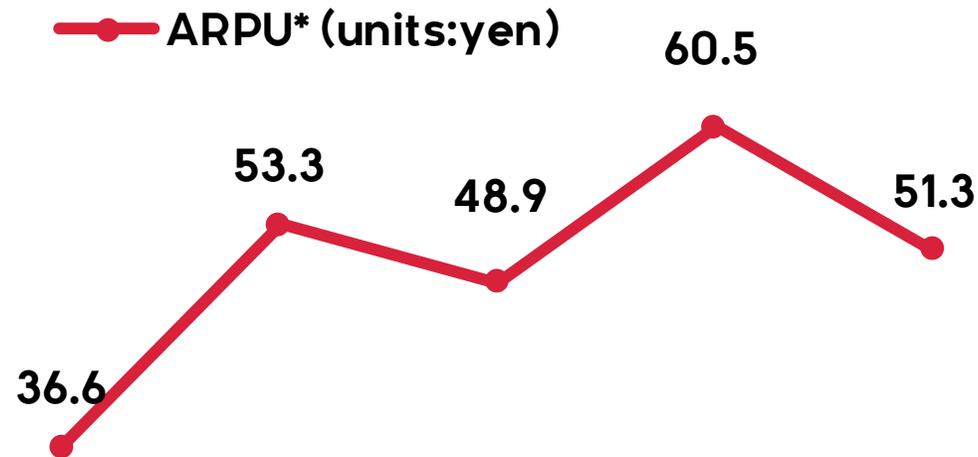
※Volumes in 1Q FY2016=100



Decrease of Performance ad revenue was absorbed by expansion of brand ad and subscription revenue, and achieved growth of 12.0% year on year.

Accumulated application downloads of GANMA! : **13.6mn**

Monthly Page Views : **2.70bn**

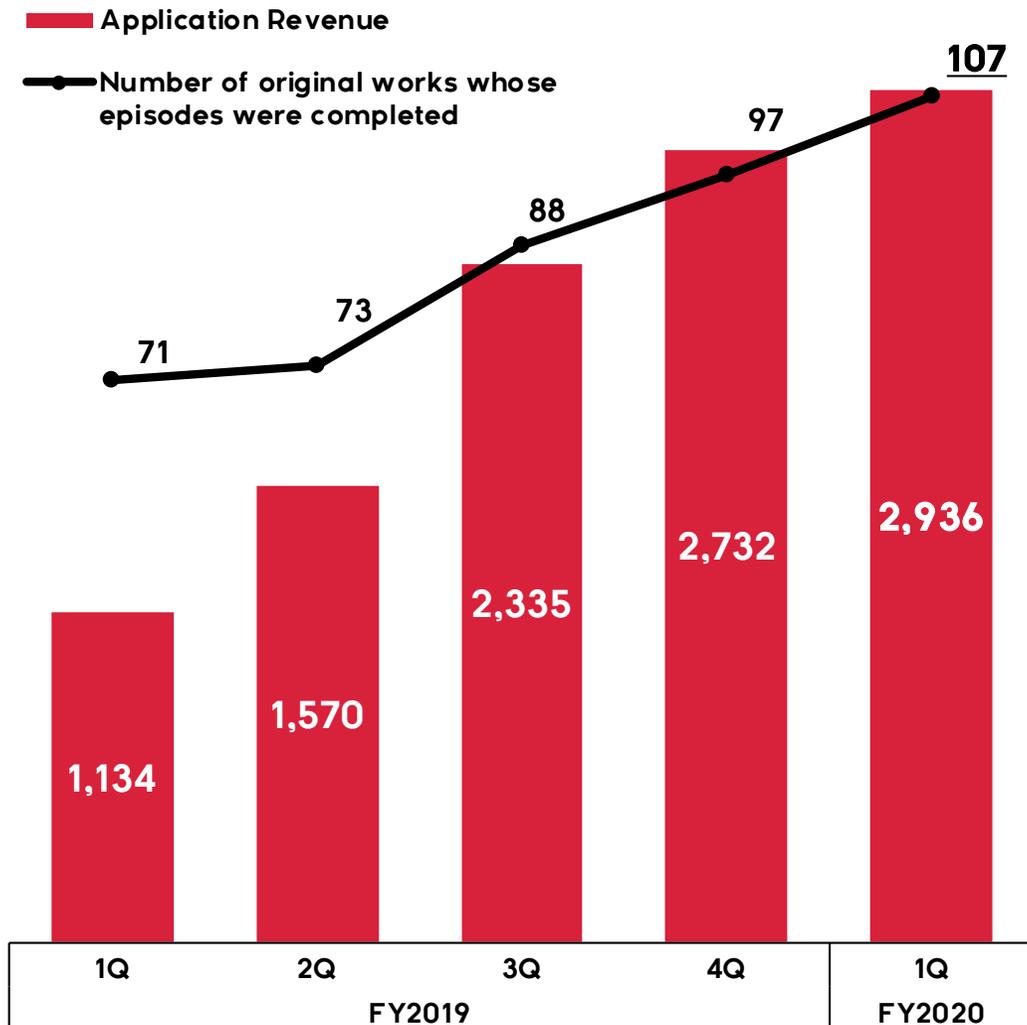


ARPU rose significantly from its level in the same month of the previous year due to an increase in revenue resulting from the start of subscriptions.

Dec 2018	Mar	Jun	Sep	Dec
		2019		

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

※Volumes in 1Q FY2017=100



One year has passed since the full-scale launch of the subscription service.

Subscription Revenue increased steadily to approximately 2.6 times that of the year before.



© “JAPAN SINKS : 2020”Project Partners

NETFLIX

A decision was made to participate in the production committee of “**JAPAN SINKS: 2020**”, a Netflix original anime series directed by Mr. Masaaki Yuasa, which is scheduled to be released in 2020.

Strengthen the power of our contents by collaboration with the excellent IP

Media Platform Business



In the Media Platform Business, we will seek to **expand into combined platform-style**, starting from the current period.

TowaStela (TowaStela, Inc.)

The company forms a user-community of in the childcare domain with its Instagram account, which has over 400,000 followers in total.

It operates the “**Babyful**” and “**amanoppo**” EC websites with the community as the starting-point.

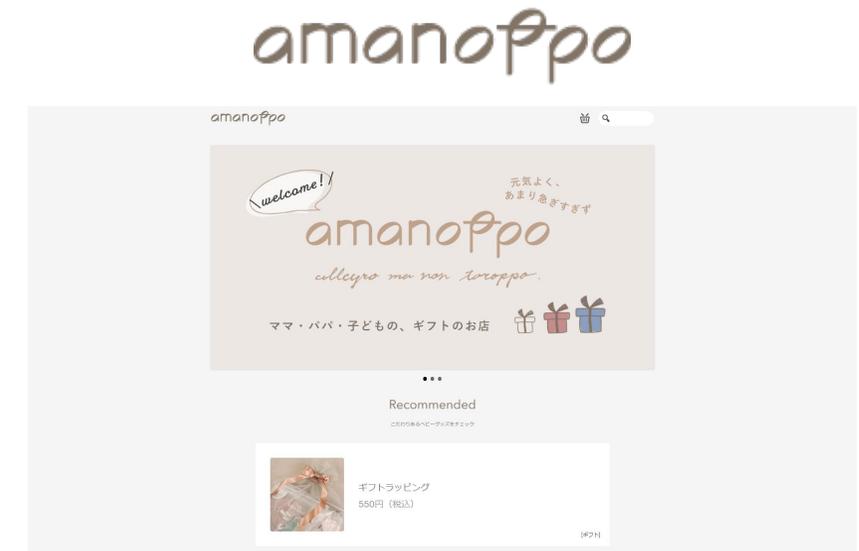
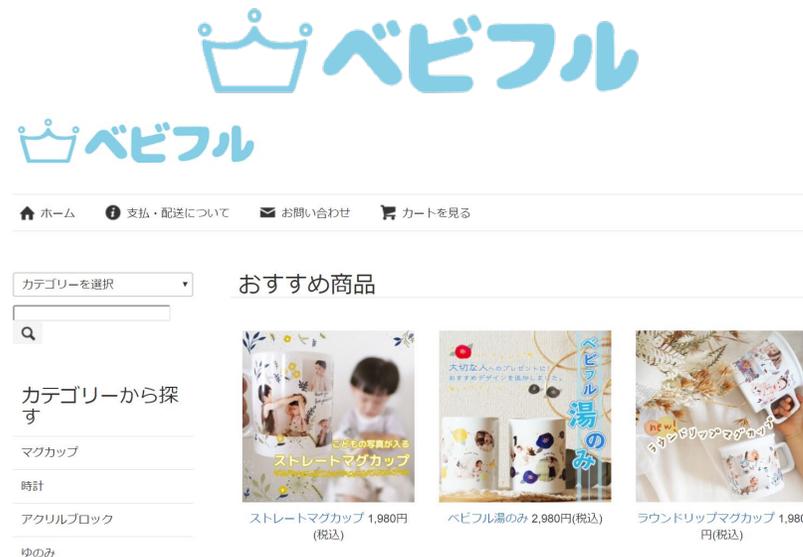
Vision

Create an era in which the joy of raising children is maximized.

Services

EC website that records the important days of family members

A store offering gifts for moms, dads and kids



04

Expansion into New Business Segments

Expands the existing domain

Expands into the new 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

Considers to expand into the new segment



Digital Marketing Business

Media Platform Business

Existing domains (former Internet Industry)

Consist mainly of digital stand-alone markets providing advertisements, media, content, etc.

New Business Segment

- Sports domain
- Sharing assets domain
- Other domains (in preparation)

New domains (Existing Industries × Internet)

Digital Transformation(DX) in the existing markets progress, thereby new growth markets are created

Focus on the markets such as sports domain and assets (real estate, automobiles, etc.) domain, where the industries themselves are redefined through DX.

Basic Policy

We assume that existing asset domains will continue to be redefined based on technologies.

The markets that create emotions (feelings and excitement) and the consumption of experiences expands.

We will make investments with a view toward expansion into new business segments. The impact of the investments on P/L is limited because we seek to develop businesses with use of the assets we own.

New business segments

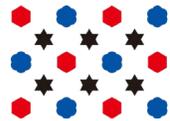
Sports domain

Sharing assets
domain

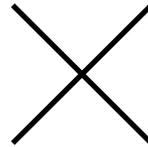
Other domains
(in preparation)

We implemented capital participation in Vegalta Sendai, professional soccer club of J1.

As a digital marketing partner, we will provide support club operation and help the team grow.



SEPTENI



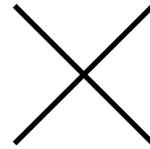
*For details of this matter, please see the press release announced on February 4th.

Collaboration will be established with Hosty, a company that engages in the development and operation of unstaffed compact hotels.

We will start to expand to into Sharing assets domain through the capital participation in Hosty and the joint development and operation of properties



SEPTENI

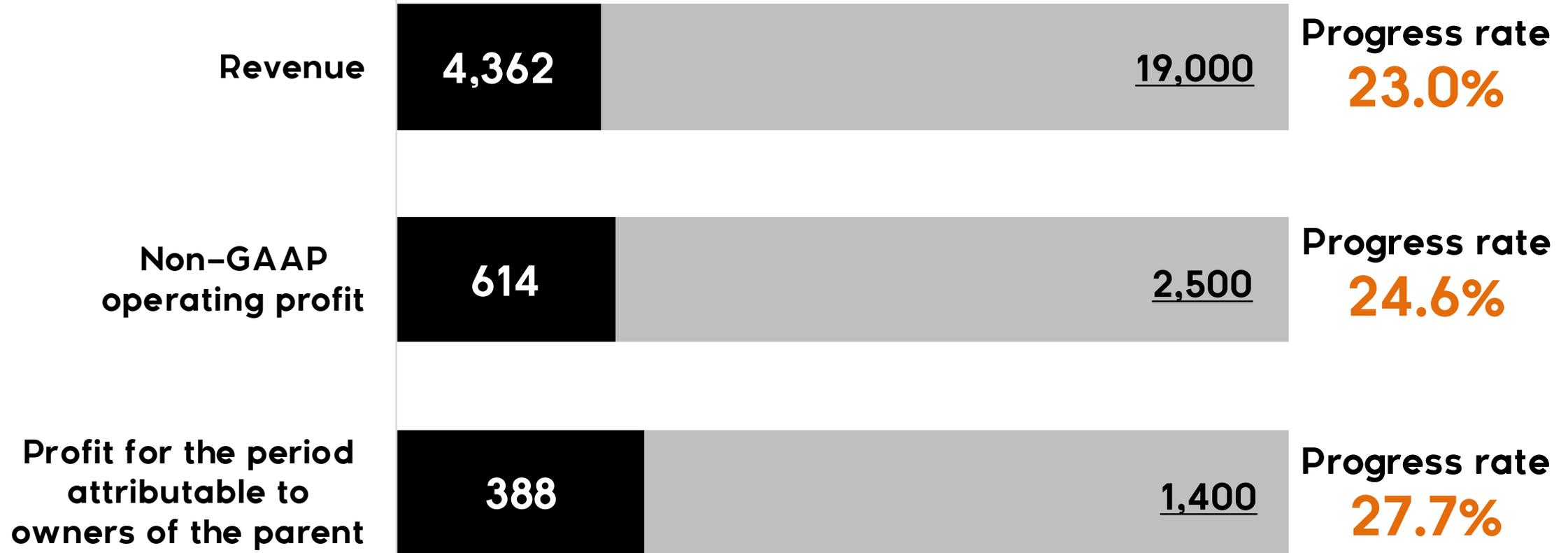
 HOSTY

*These are images of one room of “mizuka”, which is a chained-brand hotel operated by Hosty

05

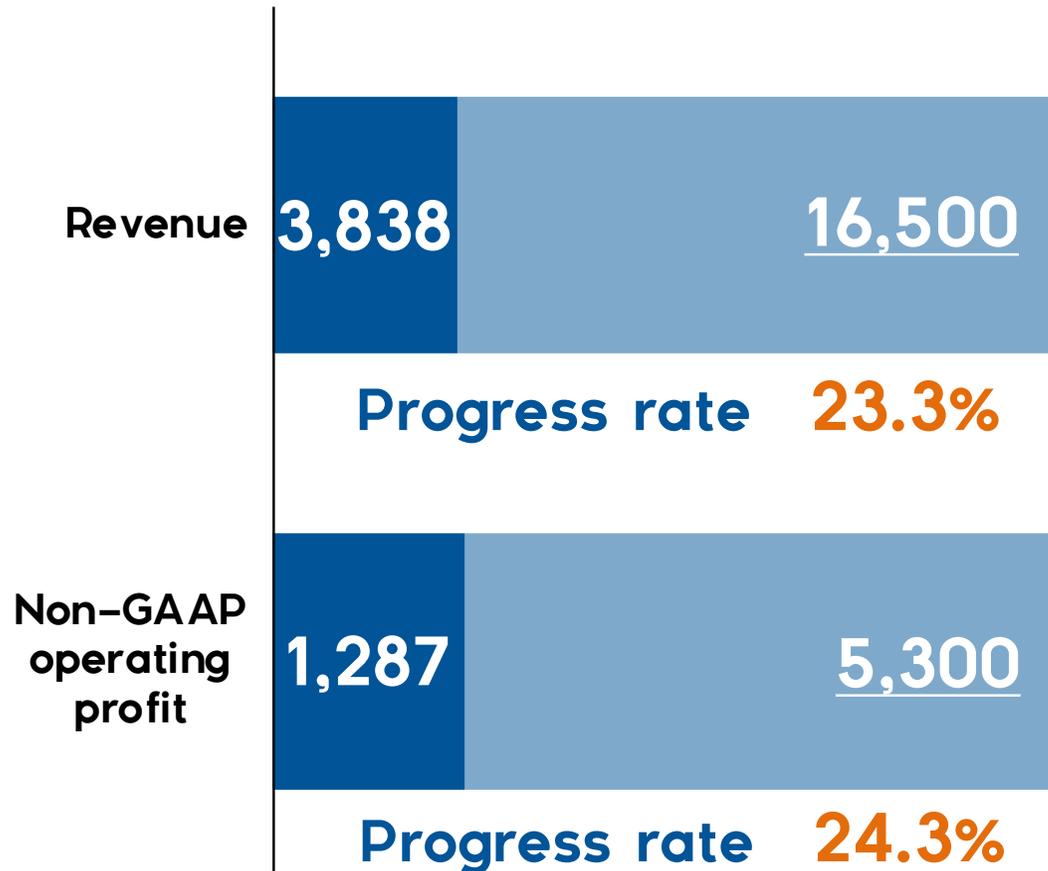
Progress on Earnings Estimates

(units: ¥mn)

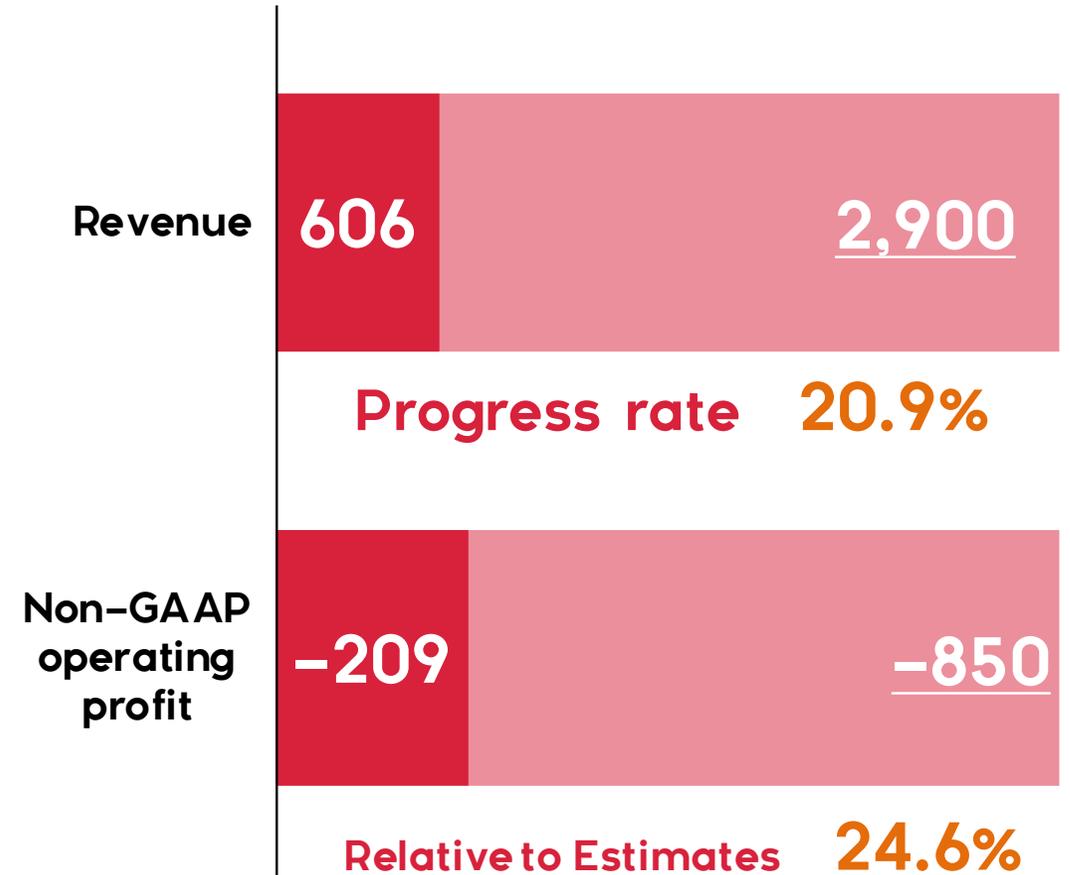


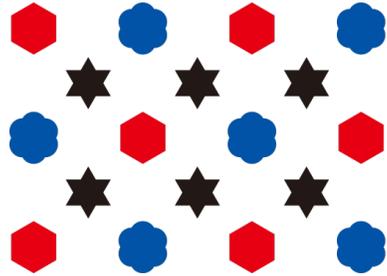
Progress on earnings estimates of this fiscal year remains firm.

Digital Marketing Business



Media Platform Business





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 February 4, 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

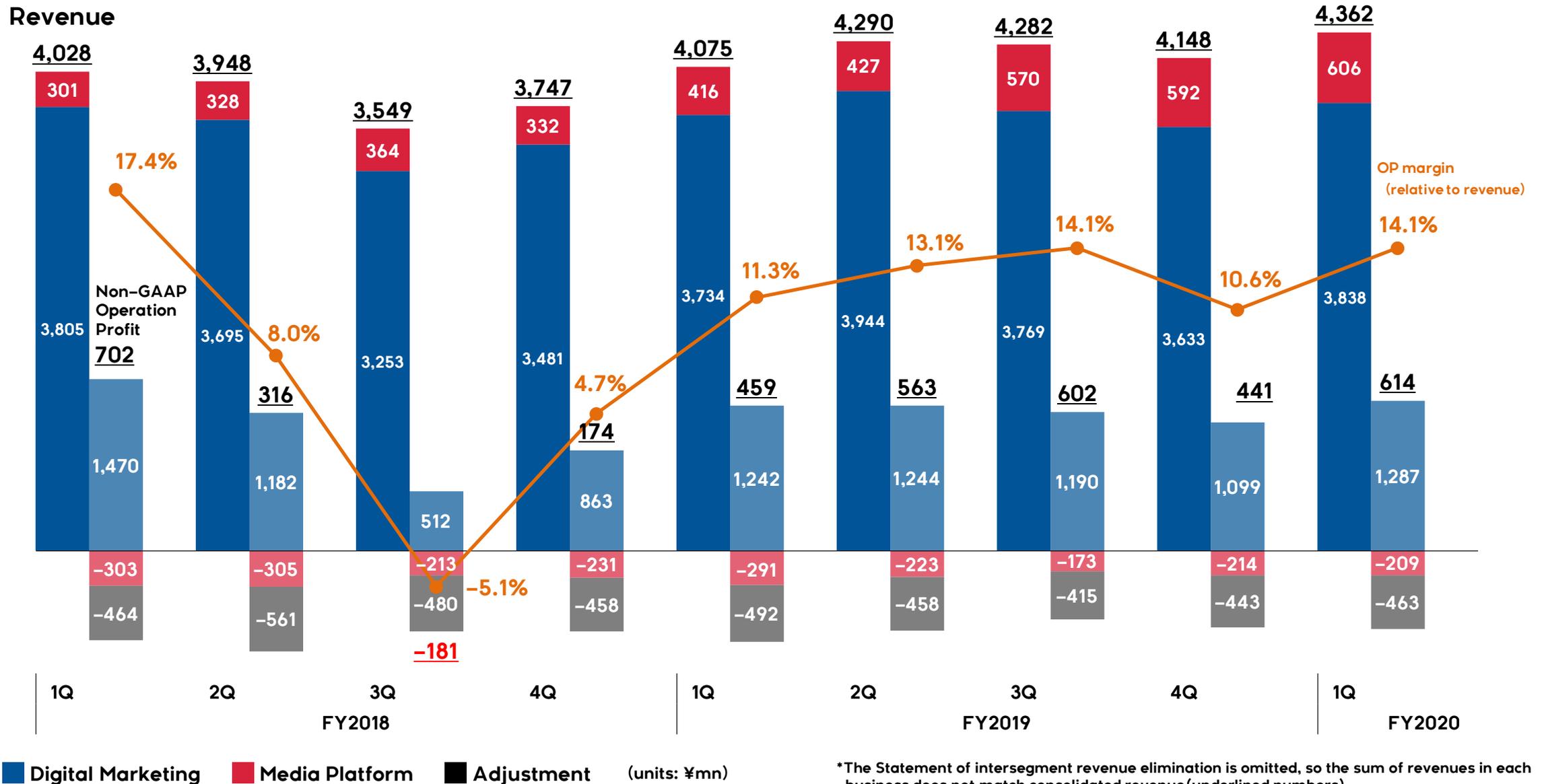
SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

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

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

06

Appendix

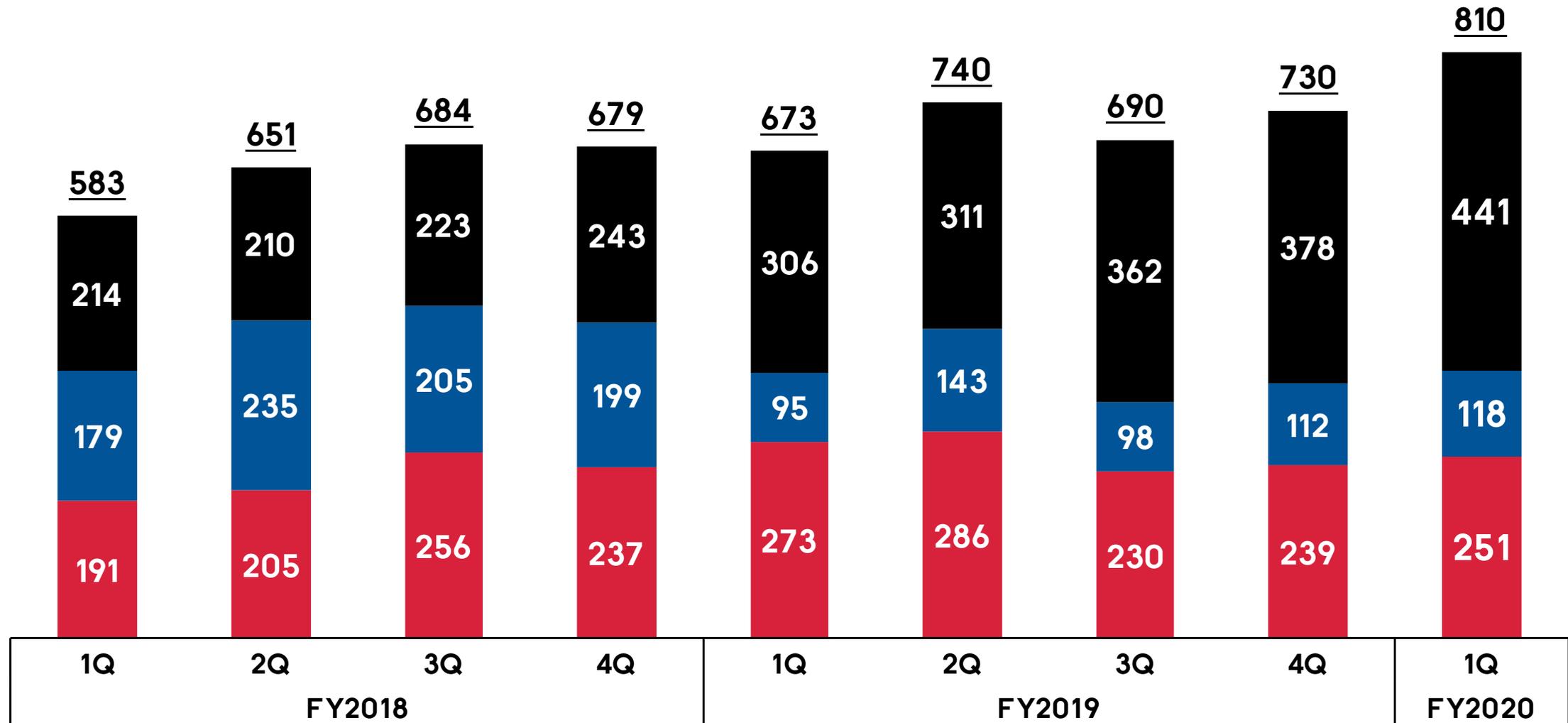


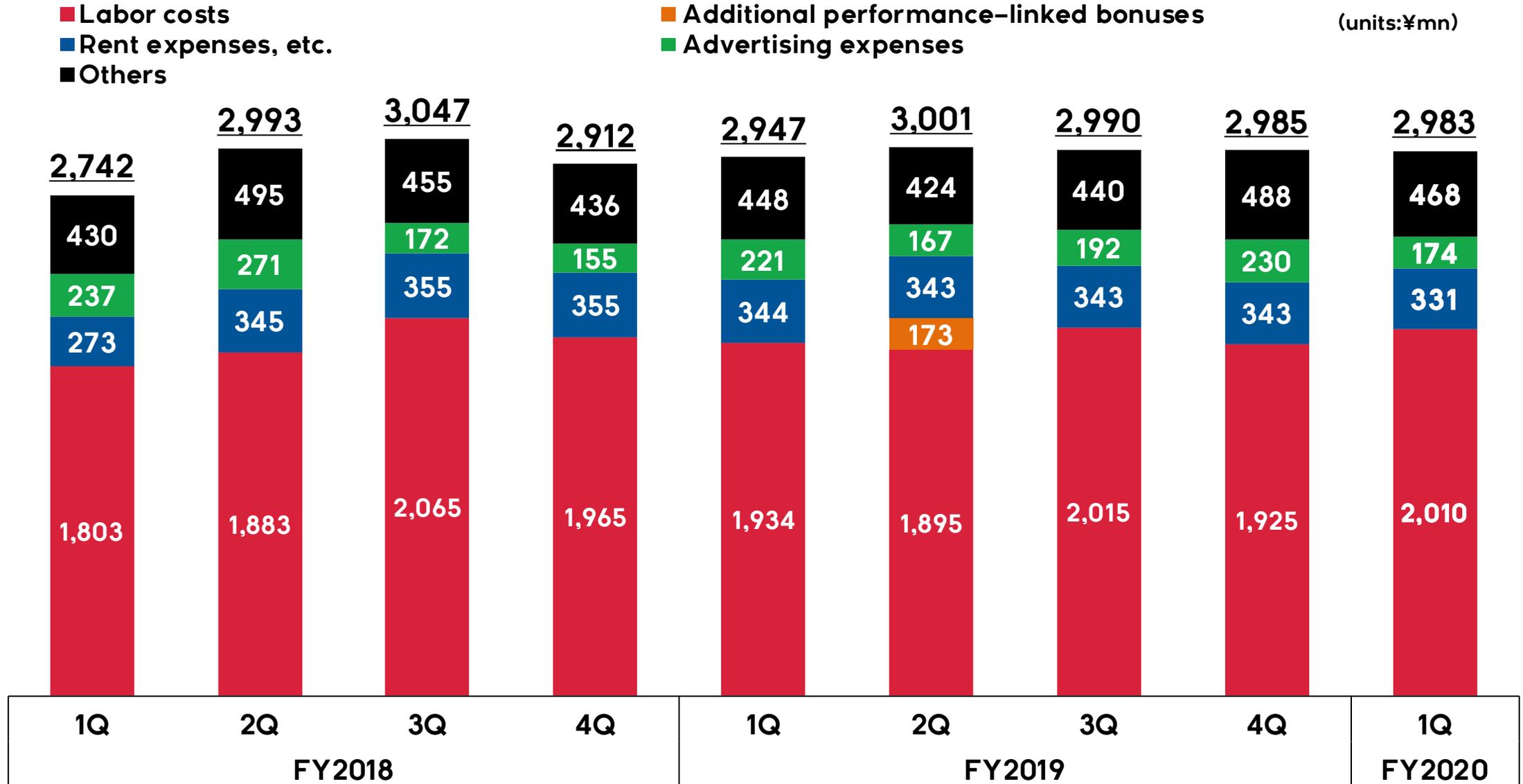
(units:¥mn)	FY2018				FY2019				FY2020	QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q		
Total of cost of sales	583	651	684	679	673	740	690	730	810	+11.0%	+20.3%
Labor costs	191	205	256	237	273	286	230	239	251	+5.0%	-7.8%
Subcontract costs	179	235	205	199	95	143	98	112	118	+4.7%	+23.9%
Others	214	210	223	243	306	311	362	378	441	+16.6%	+44.2%
Total of SG&A	2,742	2,993	3,047	2,912	2,947	3,001	2,990	2,985	2,968	-0.6%	+0.7%
Labor costs	1,803	1,883	2,065	1,965	1,934	1,895	2,015	1,925	1,995	+3.6%	+3.1%
Additional performance-linked bonus	—	—	—	—	—	173	—	—	—	—	—
Rent expenses etc.	273	345	355	355	344	343	343	343	330	-3.7%	-4.1%
Advertising expenses	237	271	172	155	221	167	192	230	174	-24.3%	-21.2%
Others	430	495	455	436	448	424	440	488	469	-3.9%	+4.6%

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

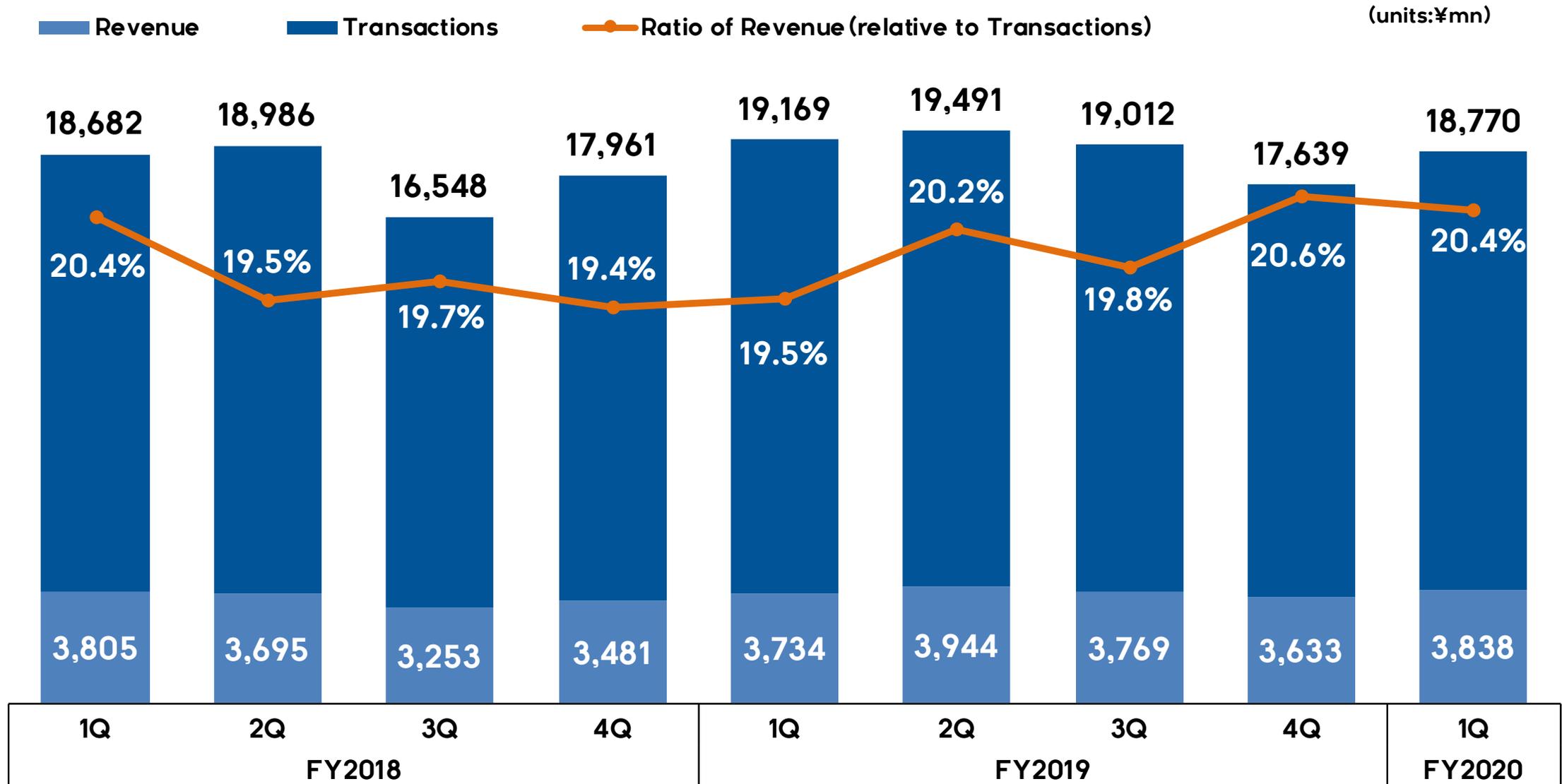
■ Labor costs ■ Subcontract costs ■ Others

(units:¥mn)



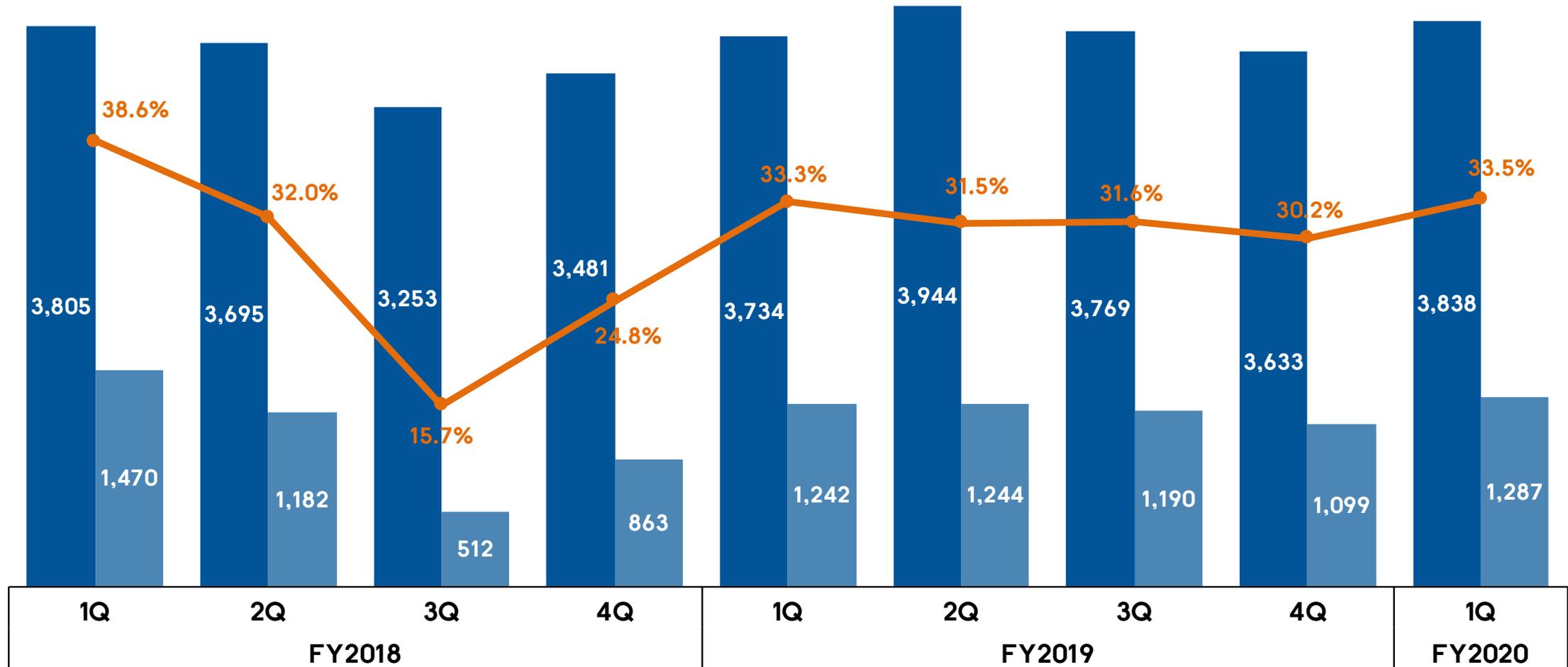


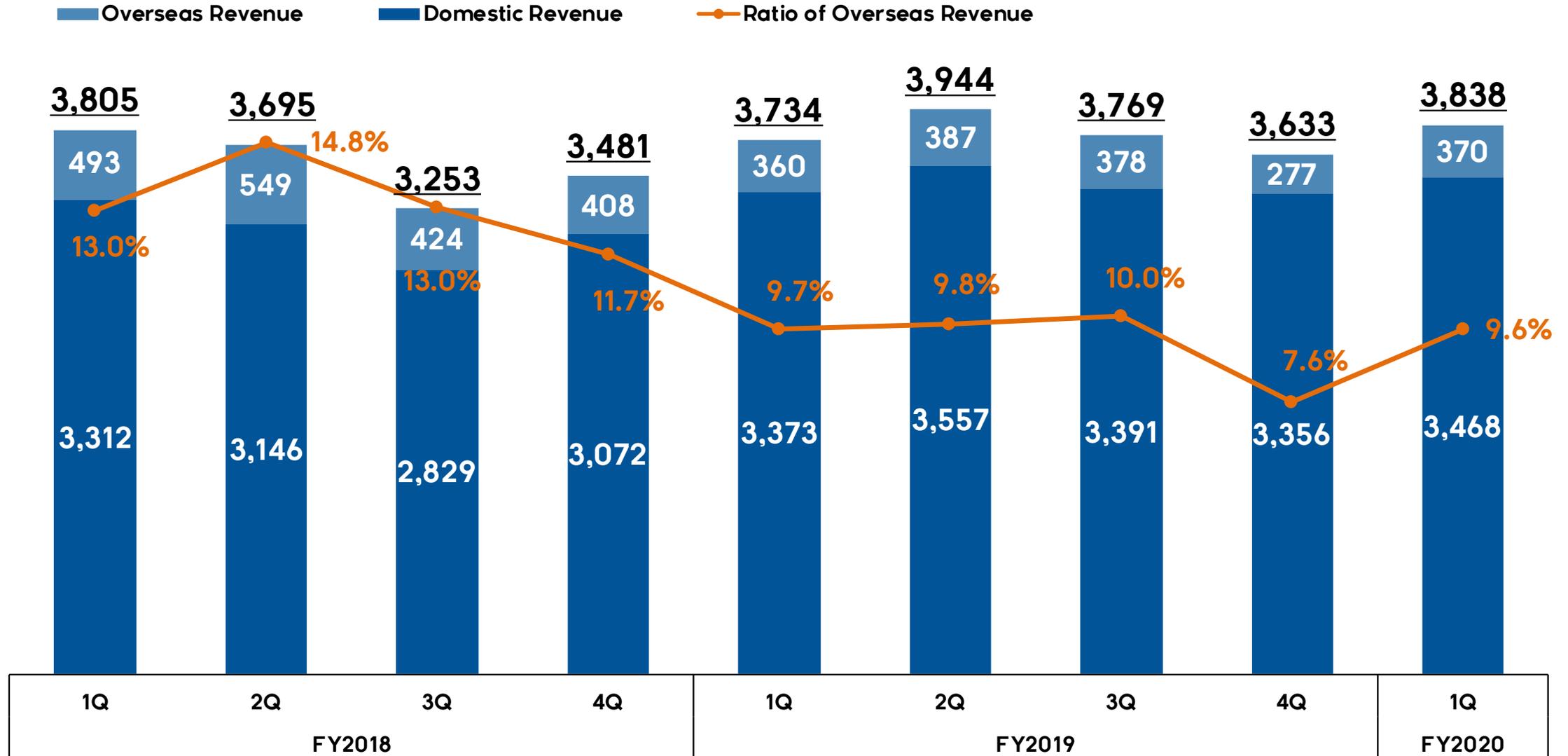
* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.

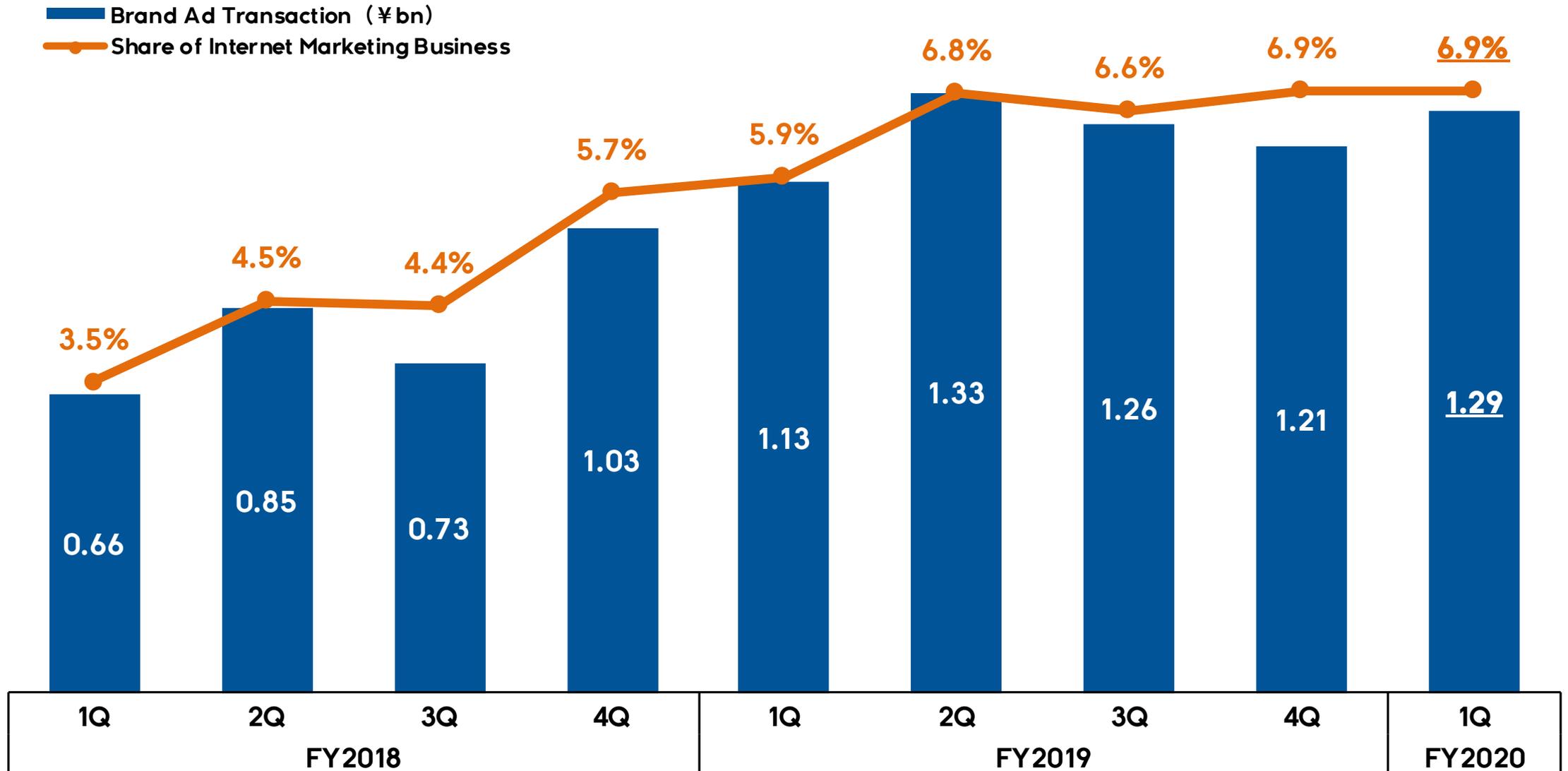


*Transaction refers to JGAAP-based sales, while revenue indicates IFRS-based revenue.

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

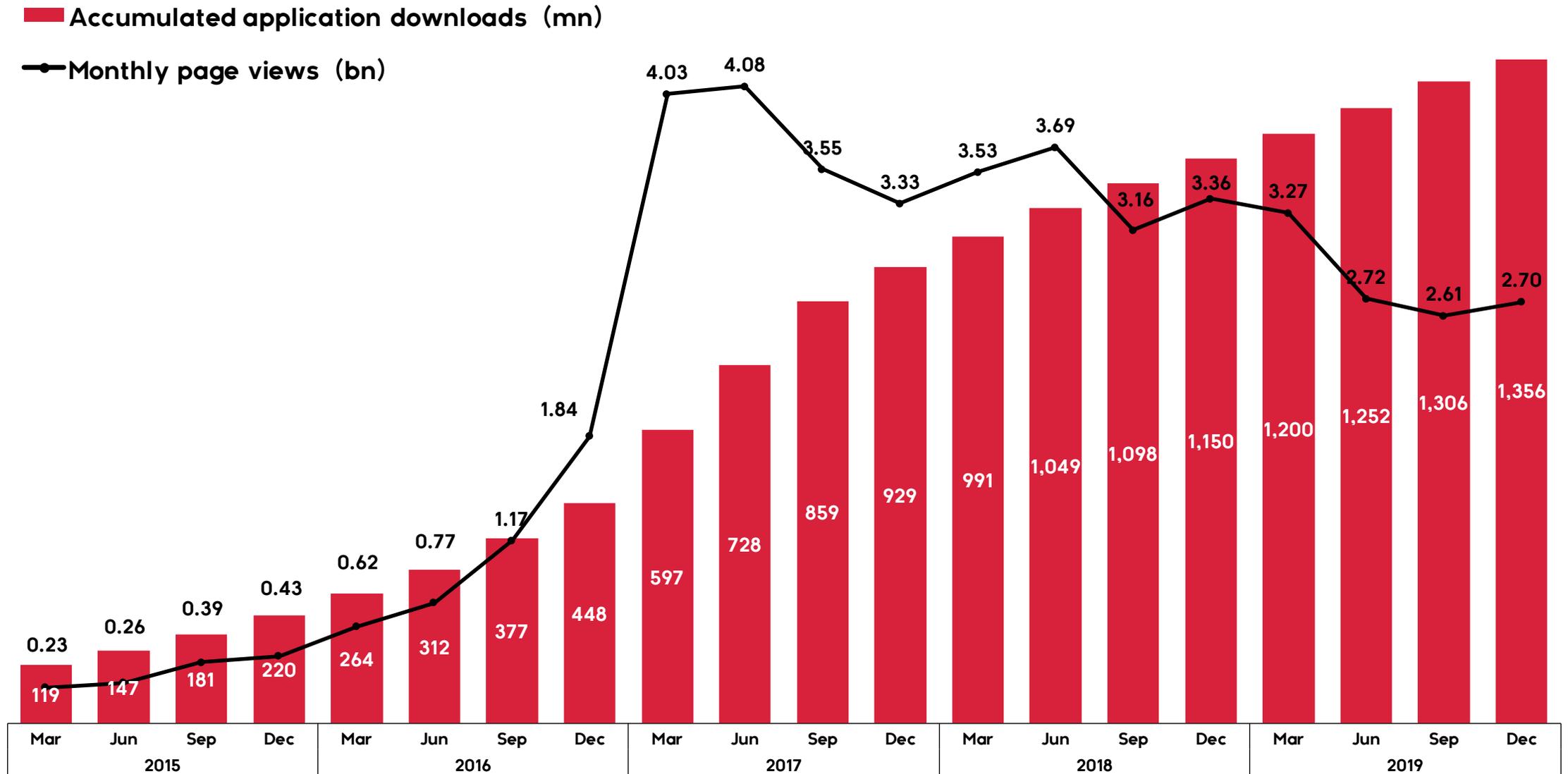




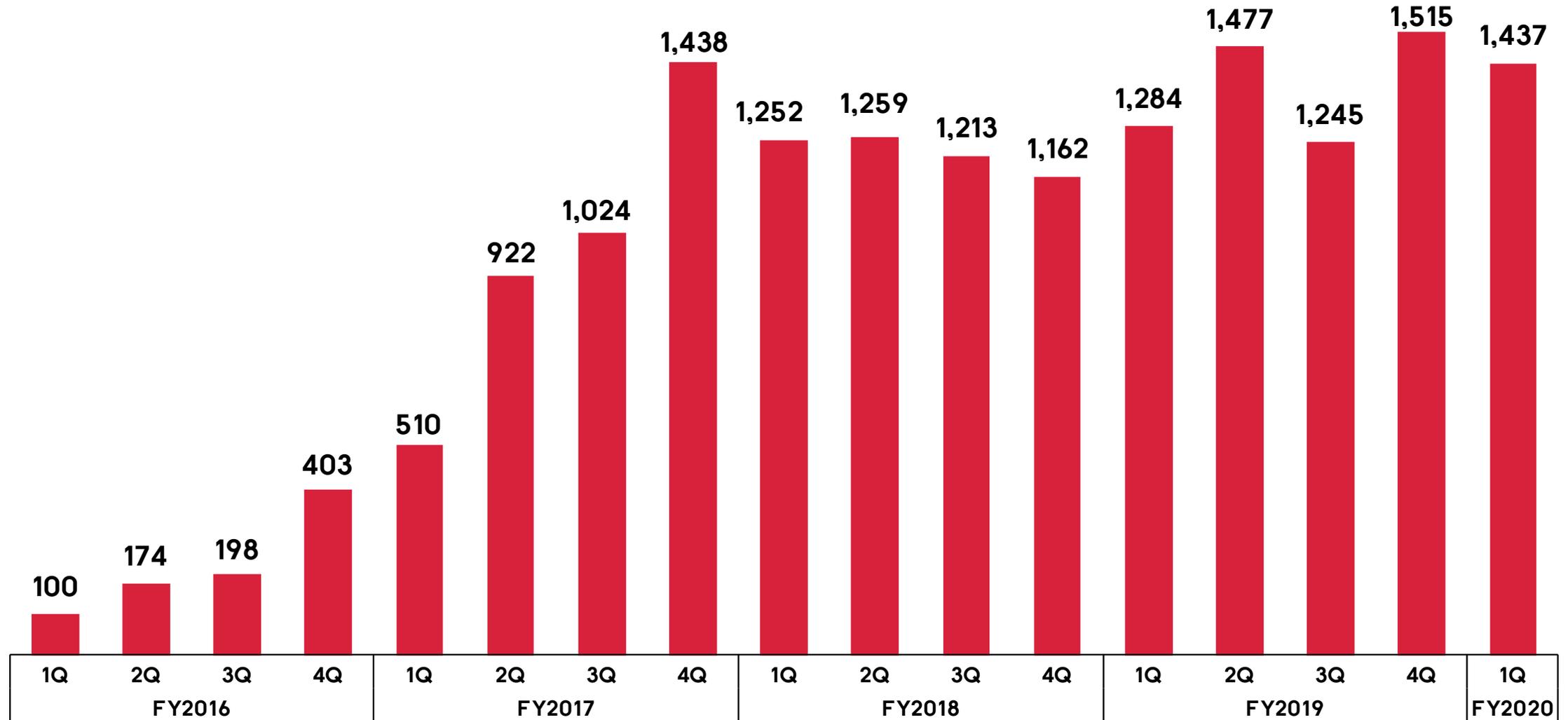


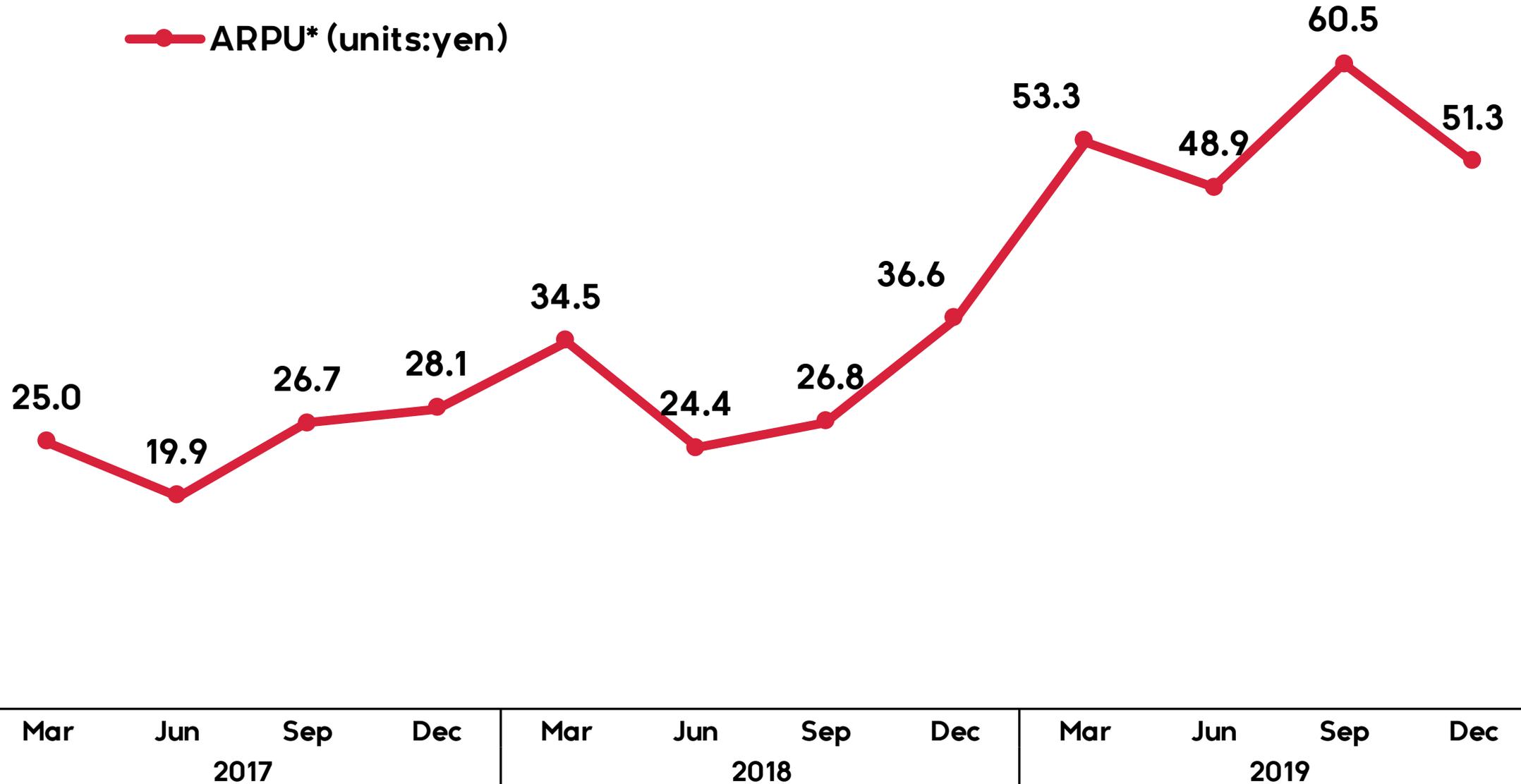
■ Revenue ■ Non-GAAP operating profit (units: ¥ mn)





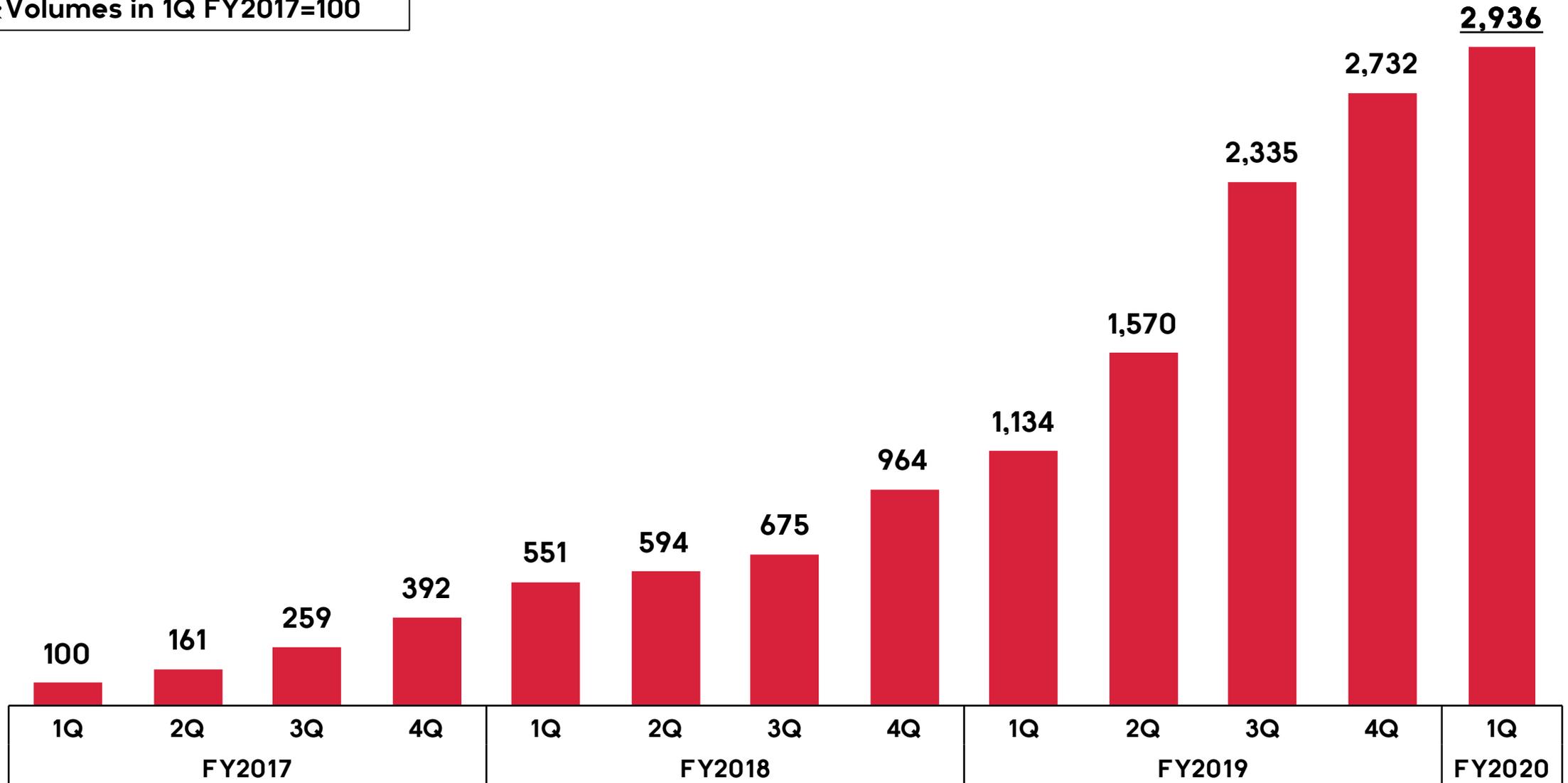
※Volumes in 1Q FY2016=100

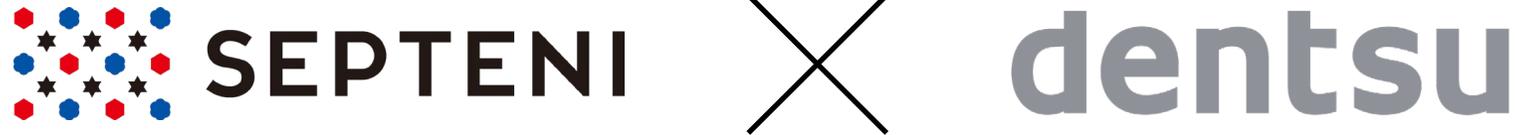




* ARPU : Revenue of Manga Content Business (incl. Advertisement, App-billing etc.) /MAU

※Volumes in 1Q FY2017=100





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

Offering knowledge and technology of the Internet Marketing Business

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

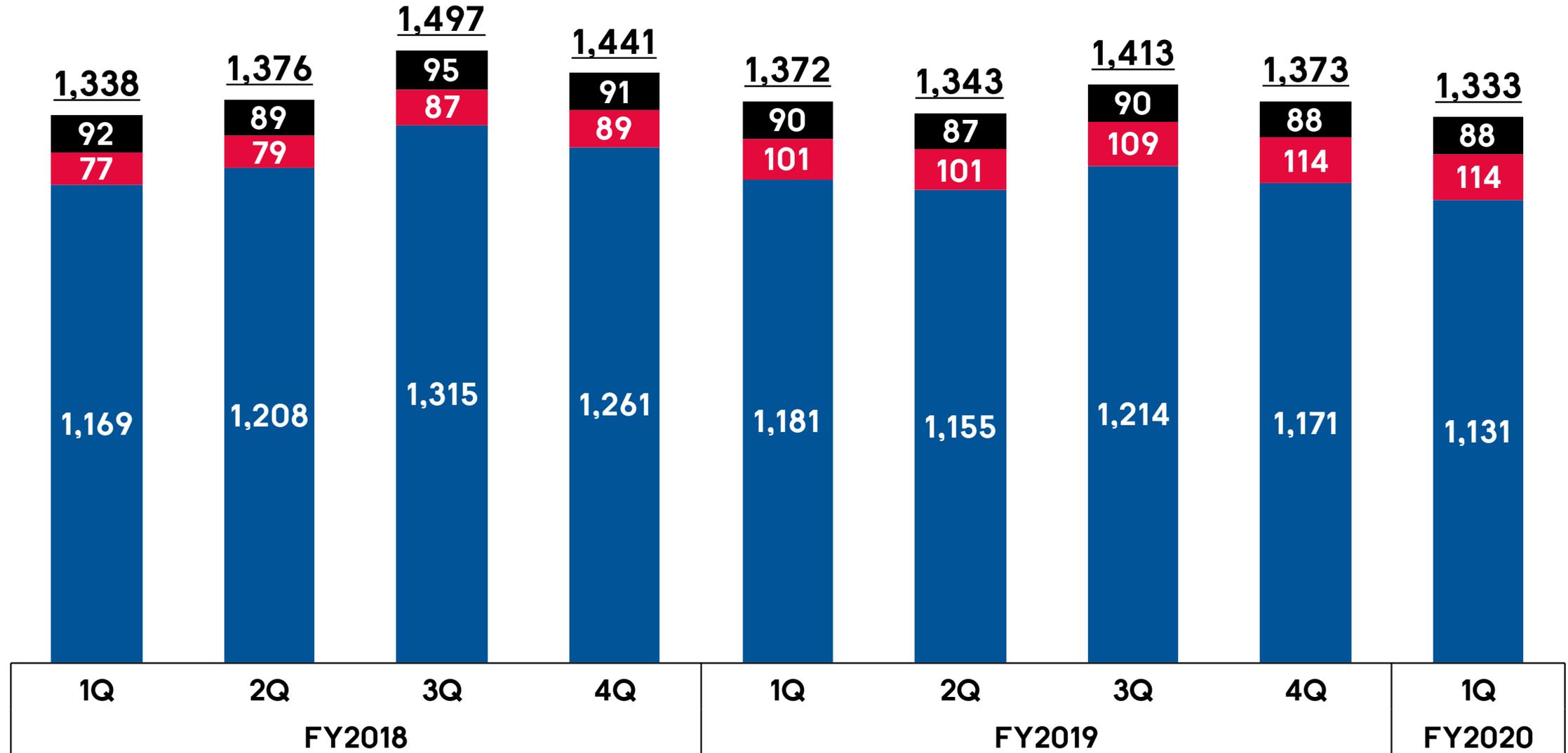
The Company supports the implementation of advertisements for net marketing projects handled by the Dentsu Group.

Mutual use of data assets held by both companies

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

■ Internet Marketing
 ■ Media Content
 ■ Holdings Company

• 47 employees will retire by the end of September due to the structural reform of Lion & Lion.



December 31, 2019

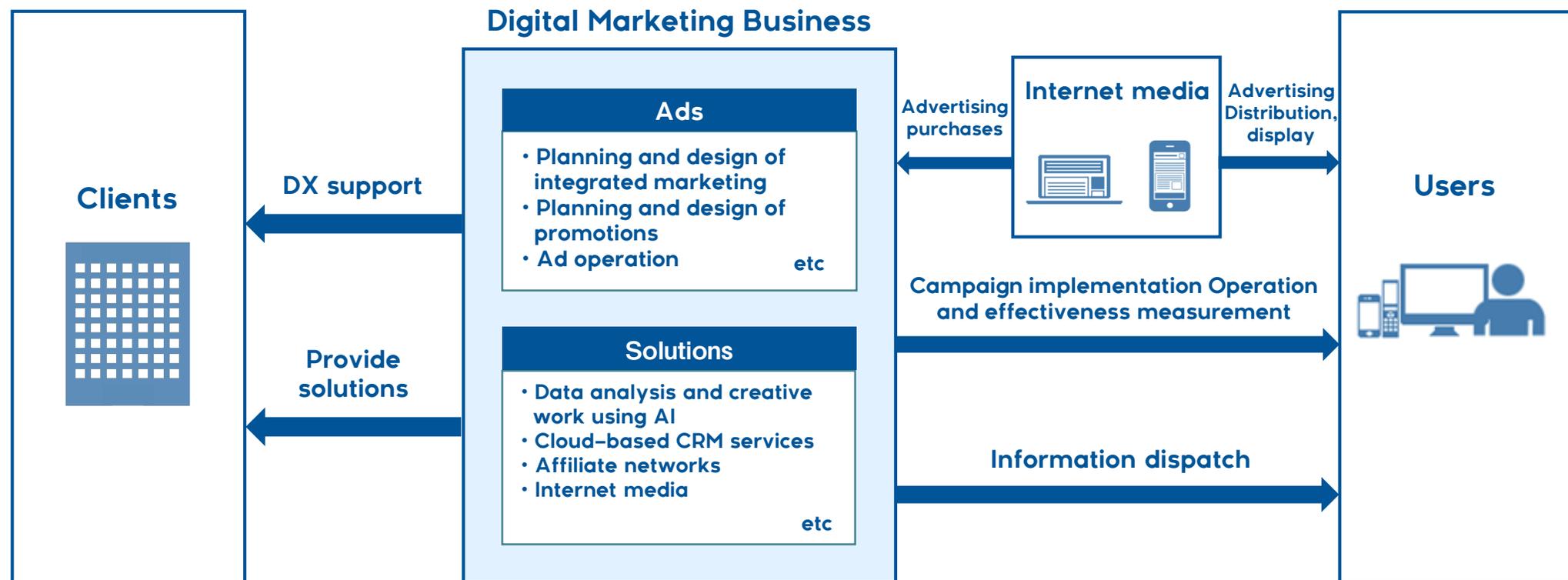
Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	Representative Director, Group President and Chief Executive Officer Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Securities Code	4293 (JASDAQ)
Business Realm	The holding company for a group 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	1,333 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.

February 4, 2020

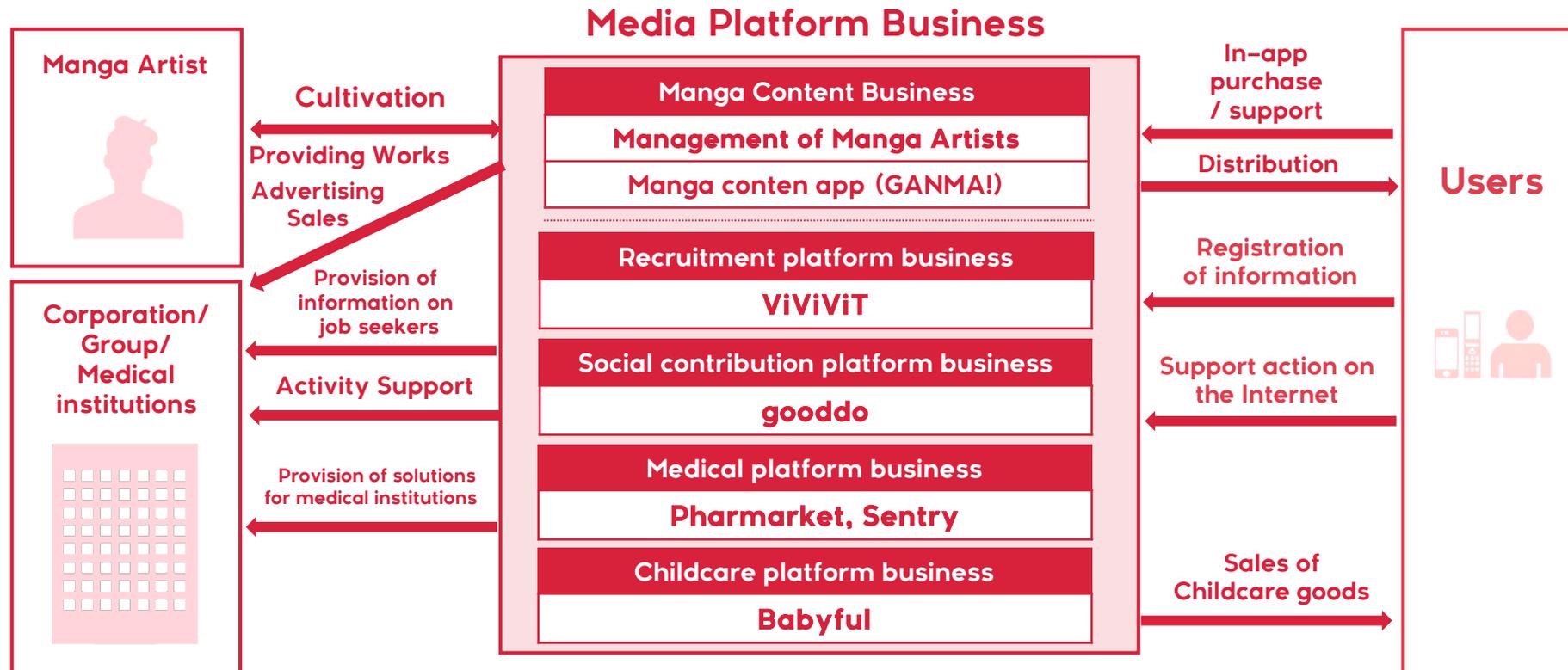
Holding Company		SEPTENI HOLDINGS CO., LTD	
Internet Marketing Business			
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
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 will engage in the overall support of digital transformation (DX) of companies, focus on digital marketing such as (i) the sale and operation of digital advertisements, and (ii) offering solutions through the utilization of data and AI, and supporting marketing activities through the integration of online and offline advertisements under 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 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 1Q FY2020	End FY2019	Change	Main Changes
Current Assets	26,012	25,133	+879	Operating receivables +912
Non-current Assets	6,995	5,280	+1,715	Other financial assets: +145 Right-of-use asset +1,578※
Total Assets	33,007	30,413	+2,594	
Current Liabilities	13,581	11,729	+1,851	Operating debt: +771 Other financial liabilities: +1,086※
Non -Current Liabilities	4,409	3,875	+534	Other financial liabilities: +534※
Total Liabilities	17,990	15,604	+2,386	
Total Capital	15,017	14,809	+208	Posting of net profit: +143
Total Liabilities and Capital	33,007	30,413	2,594	

- 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)	1Q FY2020 (Oct-Dec)	Main Changes	1Q FY2019 (Oct-Dec)
Cash Flows from Operating Activities	728	Depreciation and amortization: +189※ Payment of corporate income tax: -106	636
Cash Flows from Investing Activities	△112	Gain of sales of securities: +52 Purchase of securities: -82 Others: +36	△140
Cash Flows from Financing Activities	△649	Decrease in short-term loans payable: +275 Repayments of lease obligations: -204※	△723
Effect of Exchange Rate Changes on Cash and Cash Equivalents	34		△36
Net Increase (Decrease) in Cash and Equivalents	0		△263
Cash and Equivalents at Term End	14,488		14,660

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