

SEPTENI

Business Results for 2Q Fiscal Year September 2020

SEPTENI HOLDINGS CO., LTD.

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

April, 28, 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

Regarding COVID-19

Influence on the first half year

- There are no apparent problems in the first half year, each segment progressed as planned.
 - From March, the demand of advertisements tend to be decreased due to COVID-19.
 - Since April, after the declaration of the state of emergency, the reduction has become serious.
- ➔ A slight reduction of operating profit in the result of the first half fiscal year.
: Non-GAAP operating profit approx.–¥50mn
(Digital Marketing Business: approx.–¥40mn, Media Platform Business: approx.–¥10mn)

Prospect of the second half year

- Earnings estimates for the second half year are defensively revised based on the supposition that the influence of COVID-19 will continue until the end of the fiscal year (the end of September 2020).
- ➔ The amount of impact is assumed 20% off on sales in the second half year at this point.
Sales: –¥9.8bn, Revenue: –¥2.0bn, Non-GAAP operating profit: –¥1.4bn, Net profit: –¥0.8bn



Influence on each segment

	Digital Marketing Business	Media Platform Business
—	Reduction of demand for ads (The advertisers in offline-based industries slacken business activity/ big advertisers decrease advertising budget)	Reduction of revenue from advertisements in Media business
+	The expand of demand by accelerating digital transformation (DX)	Increase in traffic in news media/entertainment services
+	The expand of demand due to the quarantine/ accelerating growth in the EC market	Revenue from charges on consumers such as subscription, EC services remains steadily

Future management policy

Short-term

Make great effort to improve operating performances by minimizing the negative impacts, chasing new opportunities to gain profit and managing costs strictly.

Mid-term

Quickly build a management model that is compatible with the post COVID-19 society and use this as an opportunity for innovation to recover our business performance.

02

First Half FY9/20 Consolidated Earnings Overview

Consolidated

Revenue

¥8,805mn (Up 5.2% year on year)

Non-GAAP Operating Profit

¥1,168mn (Up 14.3% year on year)

Revenue and profit continued to increase year on year.

Digital
Marketing
Business

Revenue

¥7,760mn (Up 1.1% year on year)

Non-GAAP Operating Profit

¥2,558mn (Up 2.9% year on year)

Both revenue and profit increased, despite a partial influence of COVID-19.

Media
Platform
Business

Revenue

¥1,214mn (Up 43.9% year on year)

Non-GAAP Operating Profit

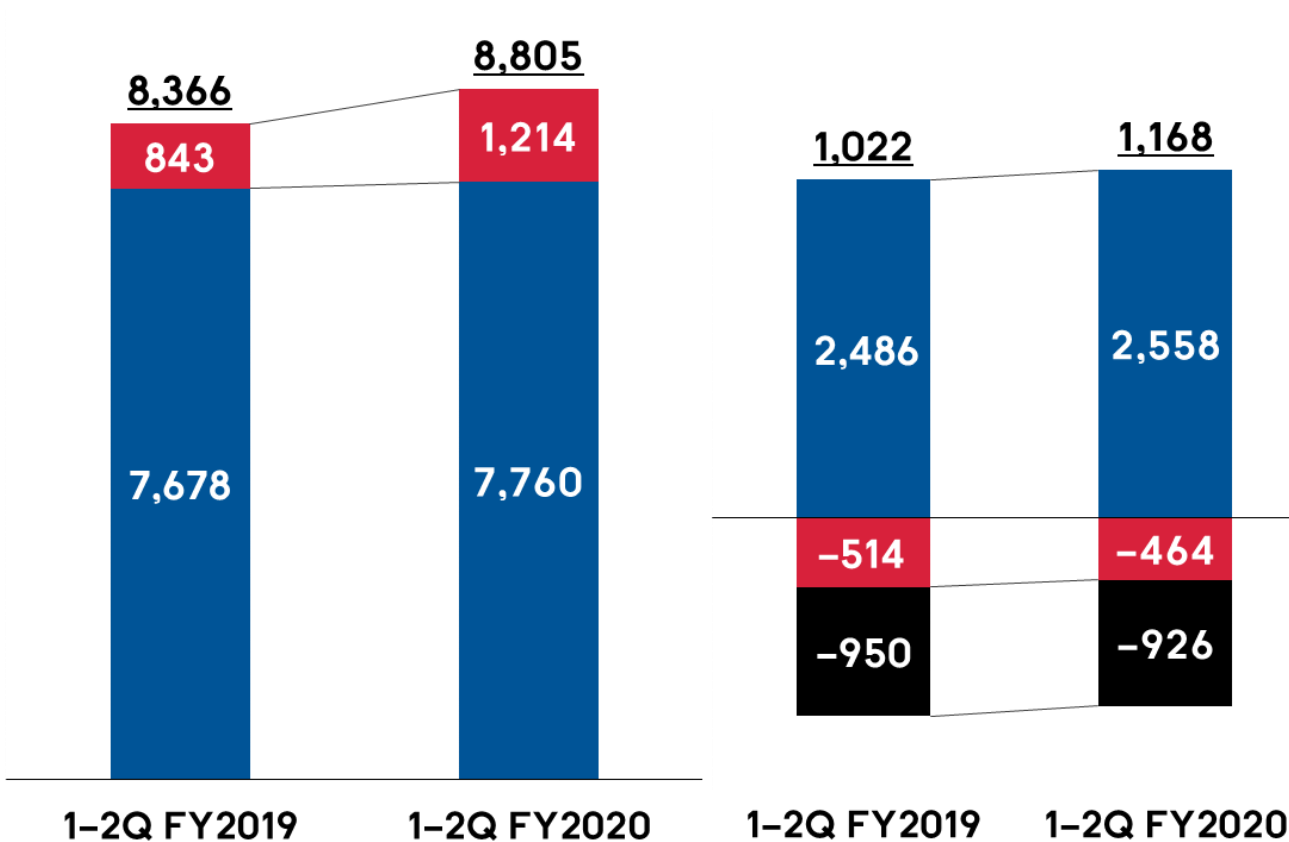
–¥464mn (Deficit shrank ¥50mn year on year)

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

(units:¥mn)	First half FY2020			First half FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	8,805	100.0%	+5.2%	8,366	100.0%	19,000	46.3%
Gross profit	7,142	81.1%	+2.7%	6,952	83.1%	—	—
SG&A	5,976	67.9%	+0.5%	5,949	71.1%	—	—
Non-GAAP Operating profit	1,168	13.3%	+14.3%	1,022	12.2%	2,500	46.7%
Operating profit	1,040	11.8%	+7.1%	971	11.6%	—	—
Profit for the period attributable to owners of the parent	696	7.9%	+95.2%	357	4.3%	1,400	49.7%
[Reference] Net Sales	38,180	—	-2.3%	39,073	—	84,000	45.5%

Net profit largely increased year on year.

Revenue

Non-GAAP
Operating Profit

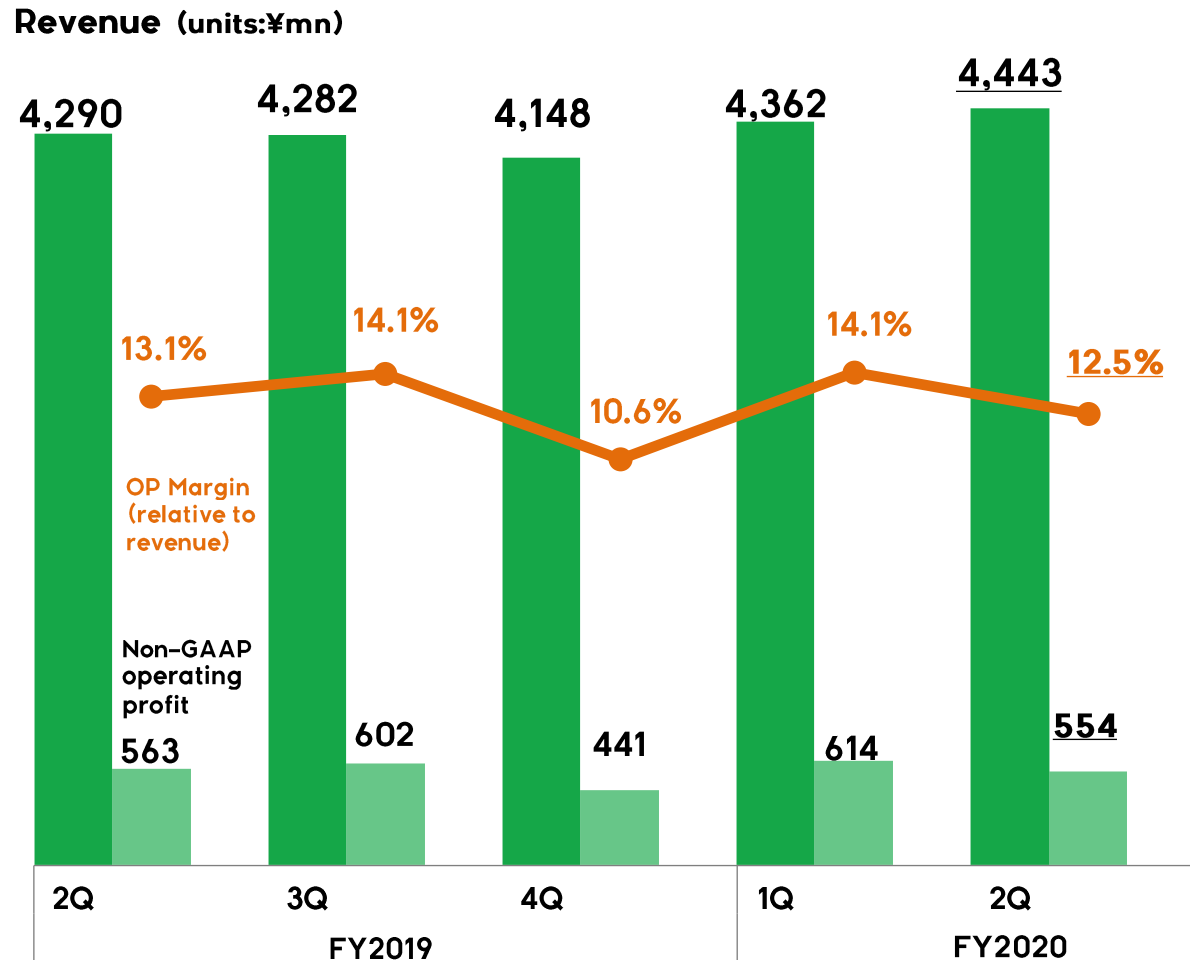
Revenue and profit increased year on year in both segments.

03

Quarterly Consolidated Earnings Overview

(units:¥mn)	2Q FY2020			2Q FY2019	
	Value	Share	YY Change	Value	Share
Revenue	4,443	100.0%	+3.6%	4,290	100.0%
Gross profit	3,590	80.8%	+1.1%	3,550	82.8%
SG&A	3,009	67.7%	+0.2%	3,001	70.0%
Non–GAAP Operating profit	554	12.5%	-1.6%	563	13.1%
Operating profit	467	10.5%	-17.1%	563	13.1%
Profit for the period attributable to owners of the parent	309	6.9%	+153.4%	122	2.8%
[Reference] Net Sales	18,993	—	-3.7%	19,730	—

**Revenue increased year on year,
while Non–GAAP operating profit levelled off.**



Revenue **¥4,443mn**
(Up **3.6%** year on year)

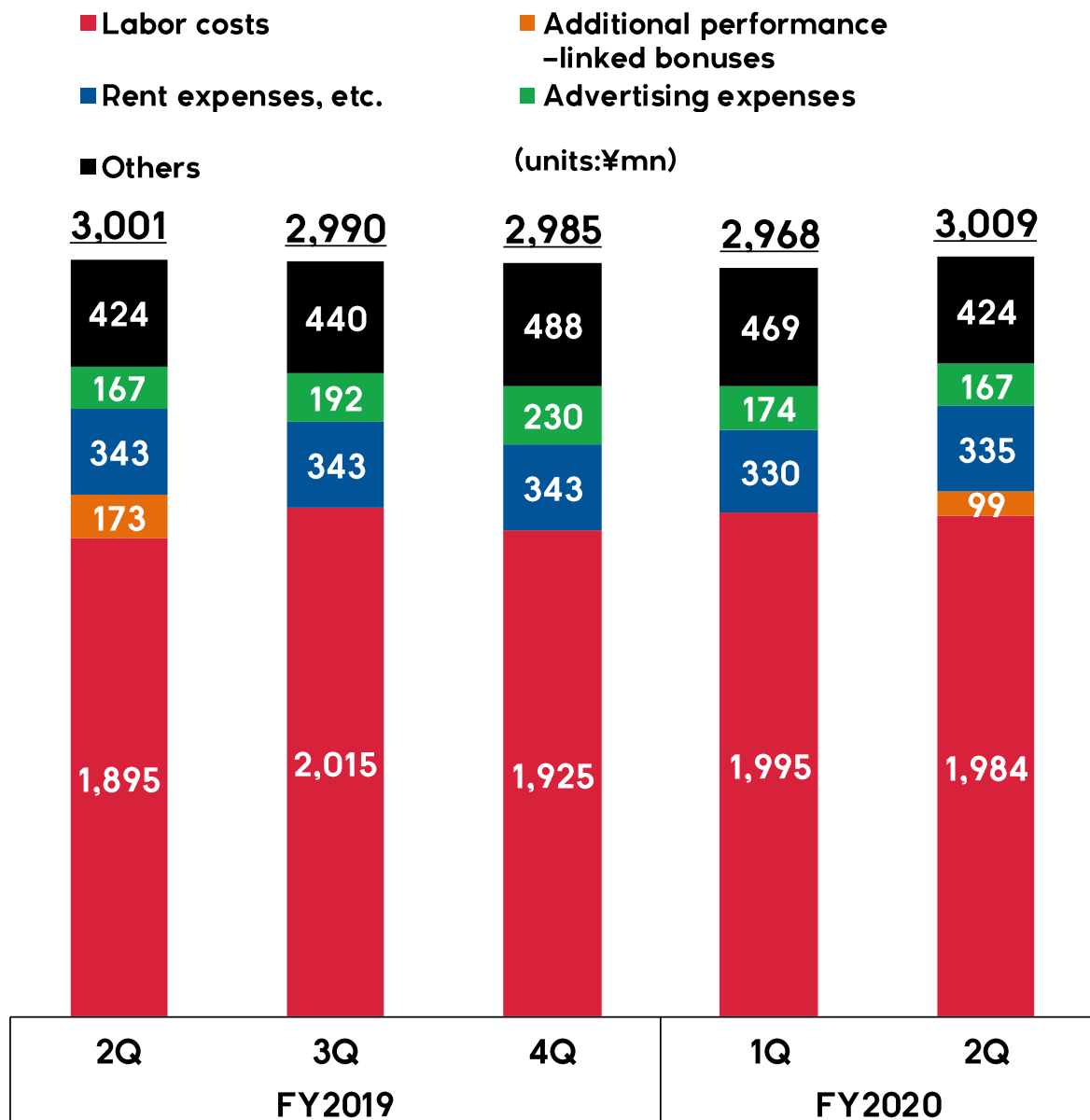
Non-GAAP operating profit
¥554mn
(Decreased **¥9mn** year on year)

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

(units:¥mn)	FY2019				FY2020		QonQ	YonY
	1Q	2Q	3Q	4Q	1Q	2Q		
Total of cost of sales	673	740	690	730	810	853	+5.3%	+15.2%
Labor costs	273	286	230	239	251	257	+2.1%	-10.2%
Subcontract costs	95	143	98	112	118	131	+11.6%	-8.4%
Others	306	311	362	378	441	465	+5.5%	+49.5%
Total of SG&A	2,947	3,001	2,990	2,985	2,968	3,009	+1.4%	+0.2%
Labor costs	1,934	1,895	2,015	1,925	1,995	1,984	-0.5%	+4.7%
Additional performance-linked bonus	—	173	—	—	—	99	—	-42.6%
Rent expenses etc.*	344	343	343	343	330	335	+1.4%	-2.4%
Advertising expenses	221	167	192	230	174	167	-3.9%	+0.1%
Others	448	424	440	488	469	424	-9.6%	-0.0%

*. 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 the expansion of Media Platform Business.



SG&A expenses remained stable.

* Additional performance-linked bonuses: approx. ¥99mn

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

04

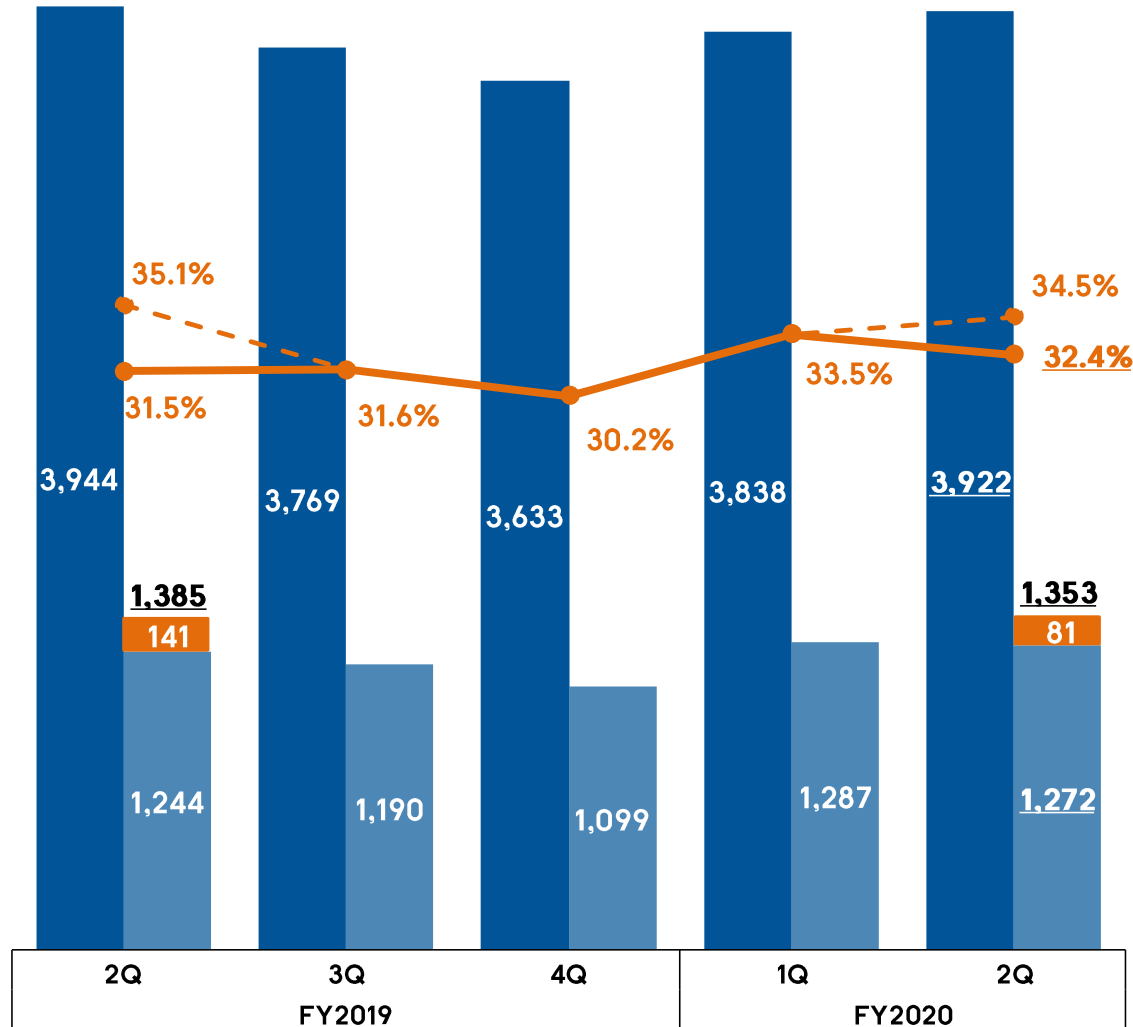
Digital Marketing Business

(units:¥mn)	2Q FY2020			2Q FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	3,922	100.0%	-0.6%	3,944	100.0%	16,500	47.0%
Gross profit	3,391	86.5%	+0.1%	3,386	85.9%	—	—
SG&A	2,107	53.7%	-1.8%	2,147	54.4%	—	—
Non-GAAP Operating profit	1,272	32.4%	+2.2%	1,244	31.5%	5,300	48.3%
[Reference] Net Sales	18,524	—	-5.0%	19,491	—	—	—

※ Reduction by COVID-19: Revenue and Non-GAAP operating profit approx.-¥40mn

Revenue slightly decreased year on year partially affected by COVID-19, while it progressed favorably compared to the estimates.

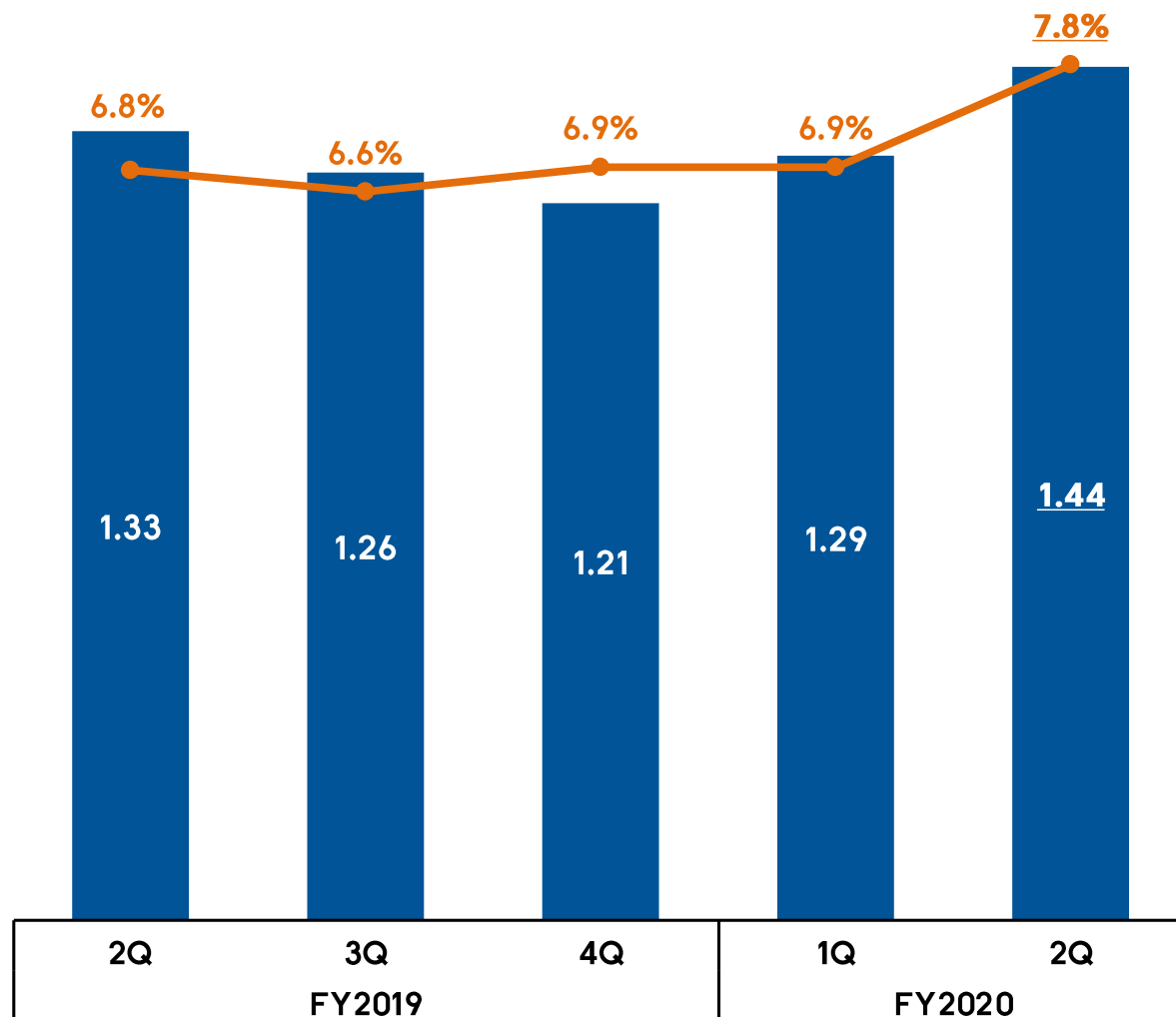
- Revenue
- Non-GAAP operating profit (units:¥mn)
- Operating margin (relative to revenue)
- Operating margin (relative to revenue×excluding the additional performance-linked bonuses)
- The additional performance-linked bonuses(Internet Marketing Business)



Revenue increased year on year in Japan when it decreased overseas, as overall it decreased 0.6%.

■ Brand Ad Transaction (¥bn)

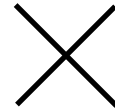
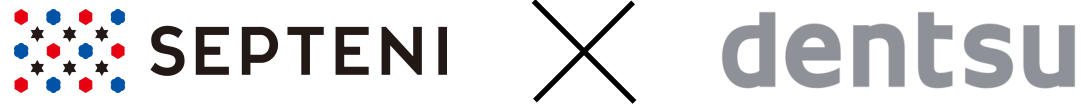
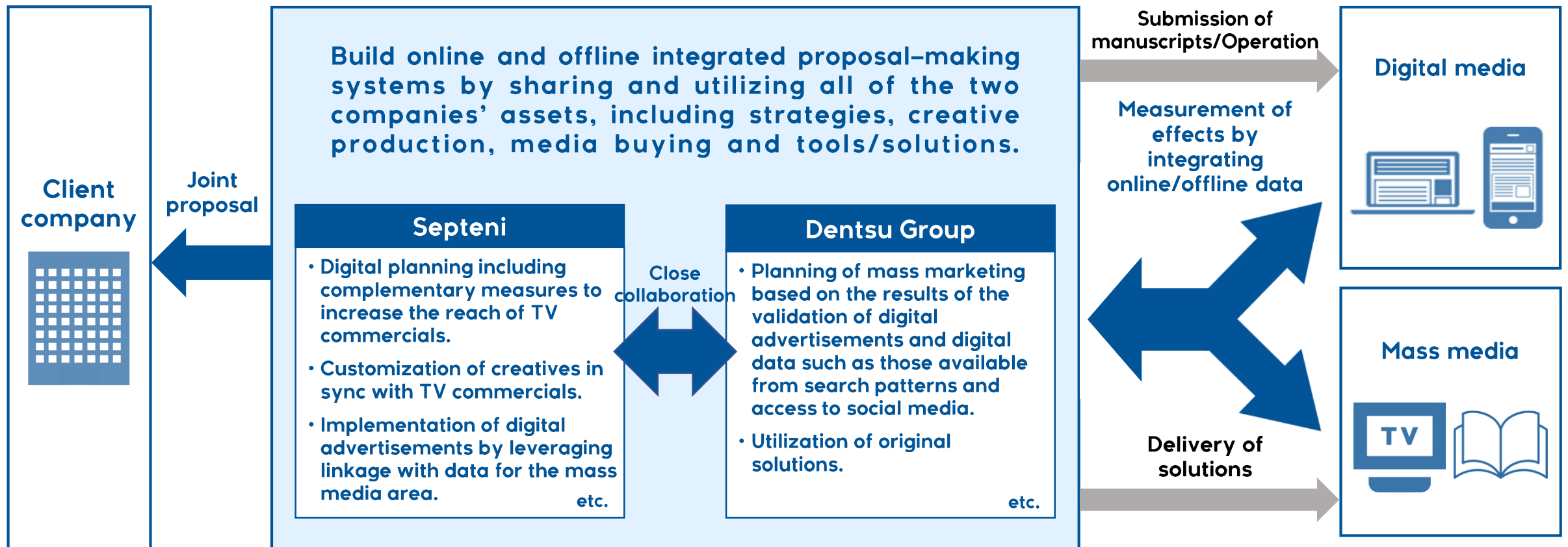
● Share of Internet Marketing Business



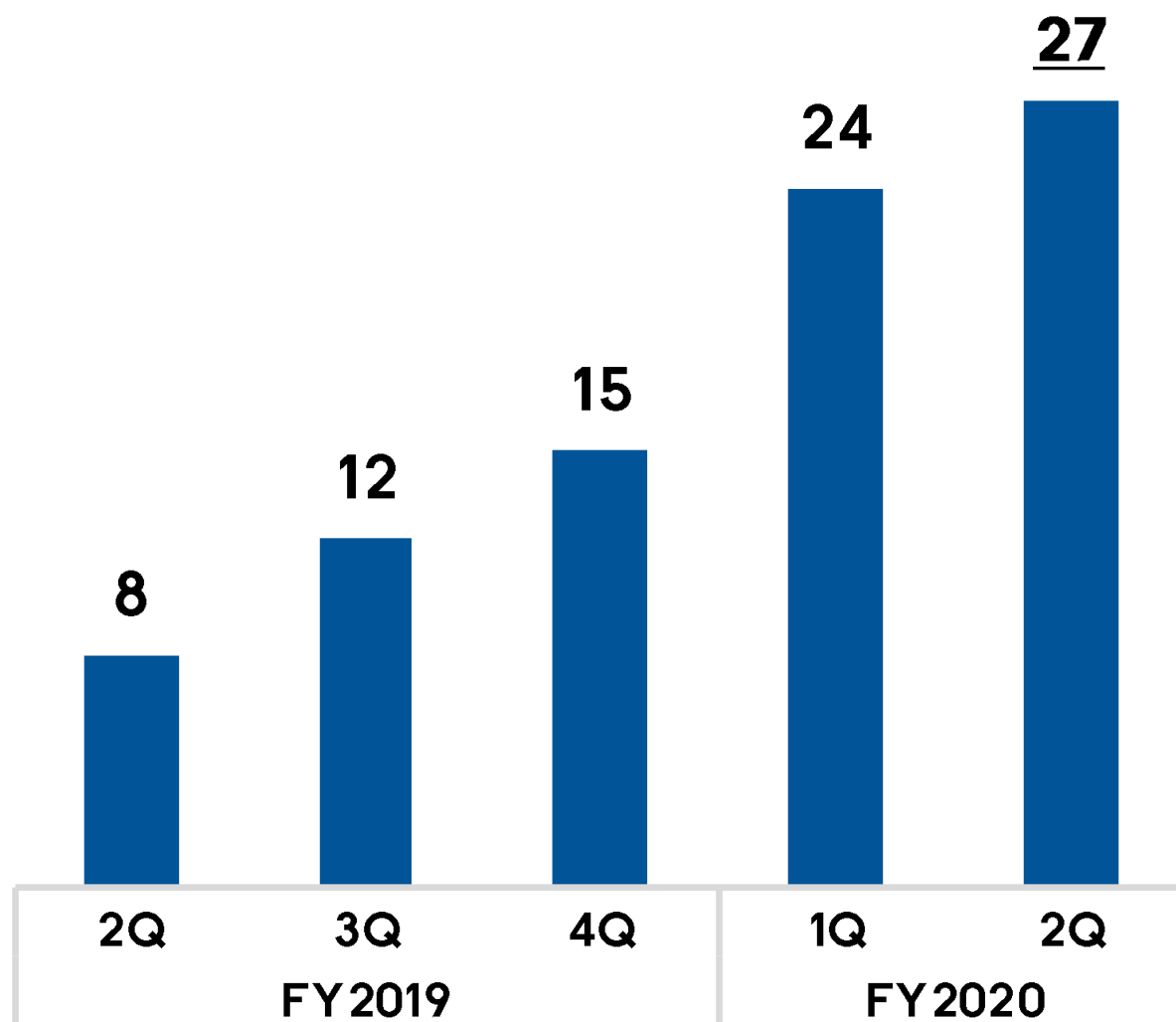
Achieved growth of
12.1% quarter on quarter,
and **8.4%** year on year

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


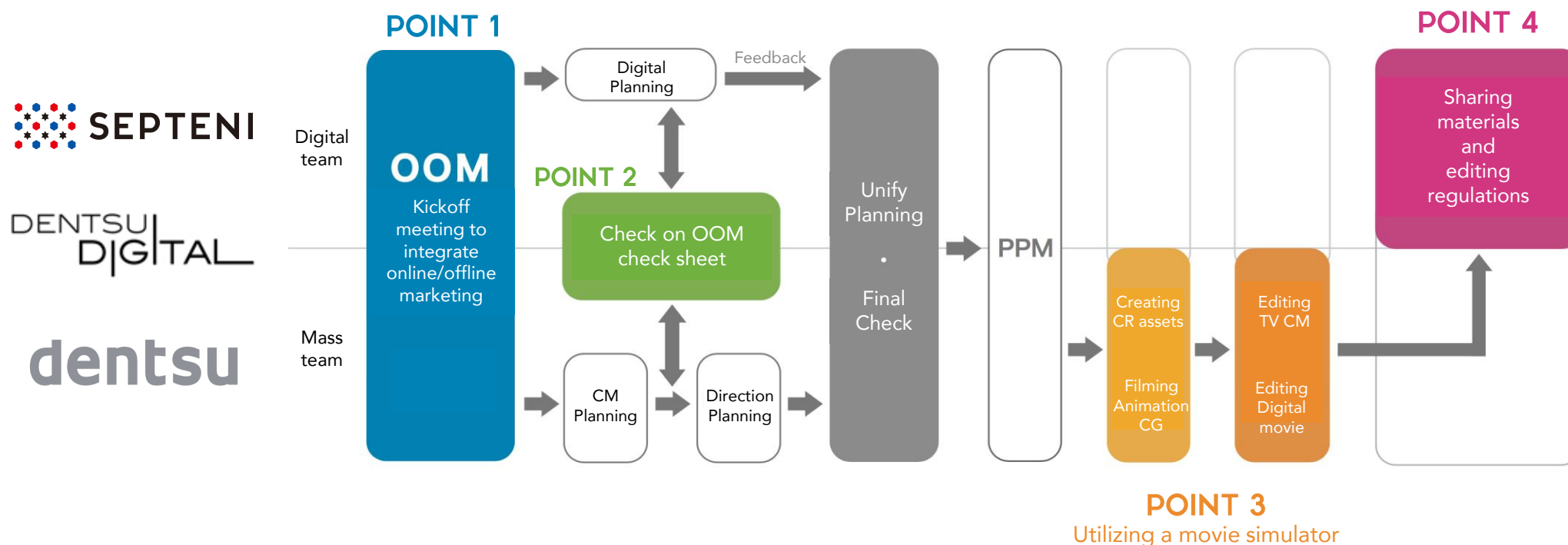
■ Volume of clients in the alliance with Dentsu Group



**Volume of clients
in the Alliance with
Dentsu Group increases
steadily.**

Business alliance with Dentsu Group

Septeni, Dentsu and Dentsu Digital have developed and started to operate “Creative workflow of integrated marketing of online/offline” maximizing multiple effects of digital ads and mass ads.

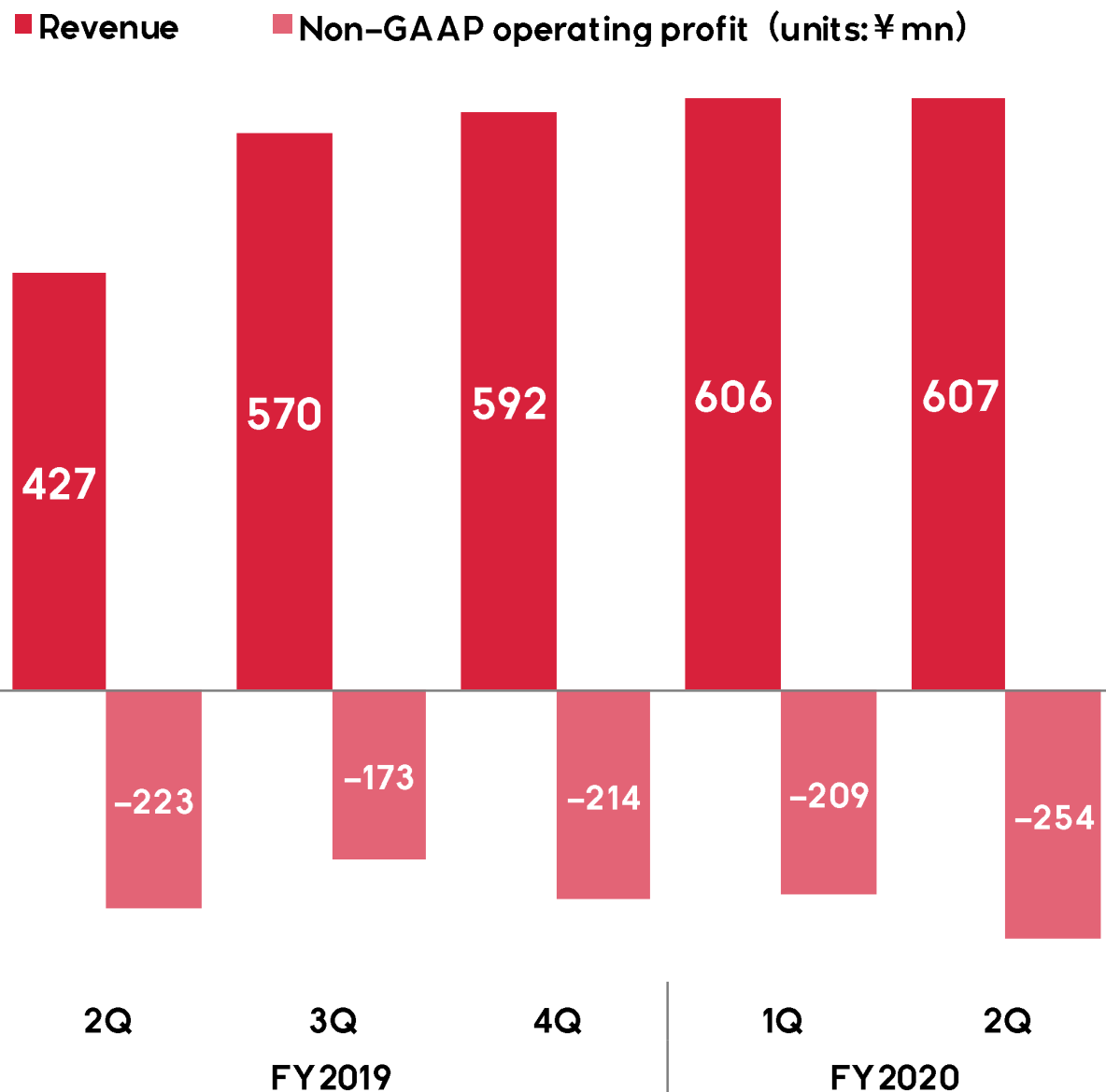


05

Media Platform Business

(unit:¥mn)	2Q FY2020			2Q FY2019		FY2020 Estimate (Previous Forecast)	Progress rate
	Value	Share	YY Change	Value	Share		
Revenue	607	100.0%	+42.1%	427	100.0%	2,900	41.8%
Gross profit	279	45.9%	+13.3%	246	57.6%	—	—
SG&A	532	87.5%	+13.3%	469	109.8%	—	—
Non-GAAP Operating profit	-254	—	-31	-223	—	-850	—

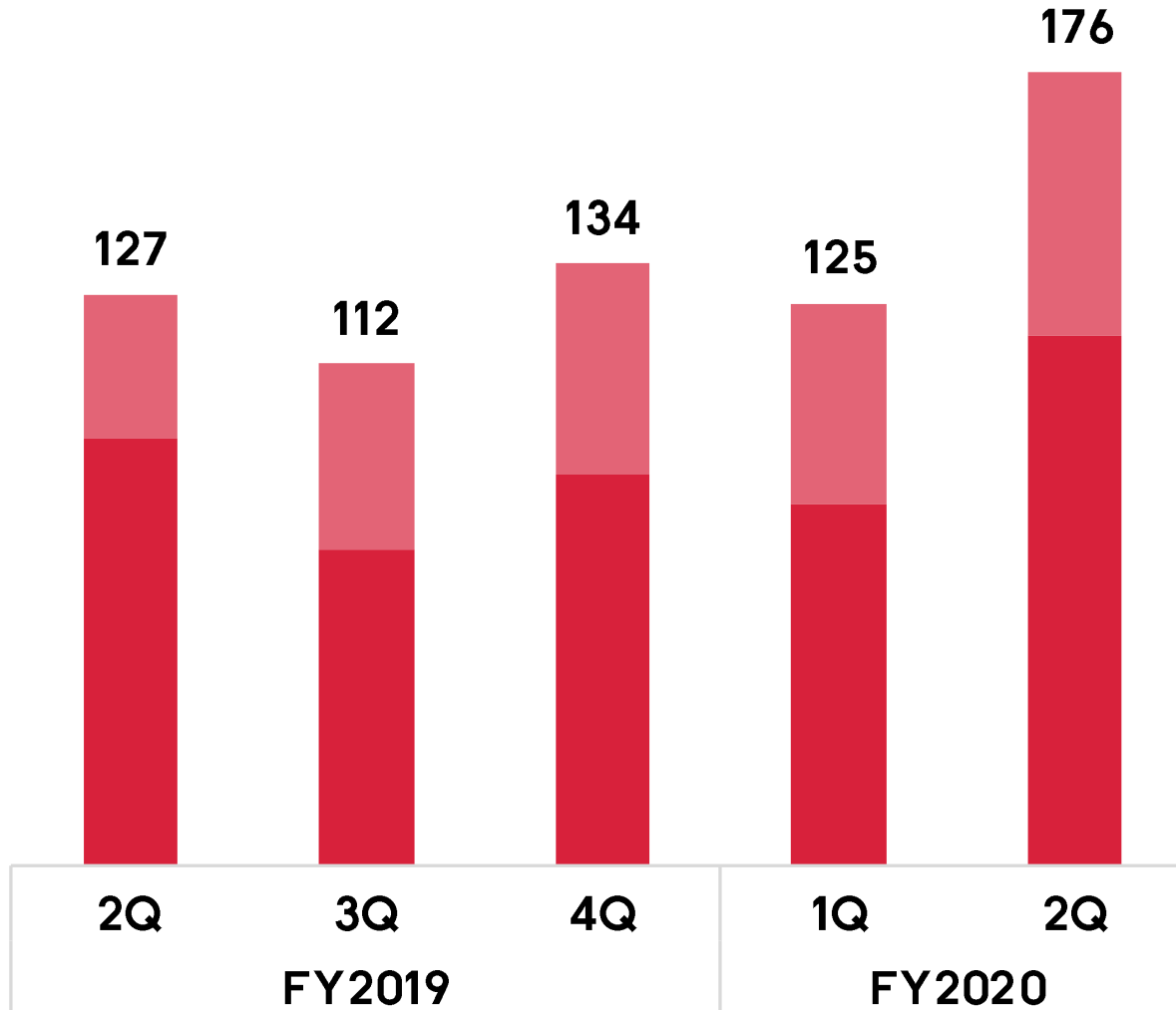
The growth of brand advertising and subscription is the driving force of revenue growth.



Revenue grew up
especially in
Manga Content Business.

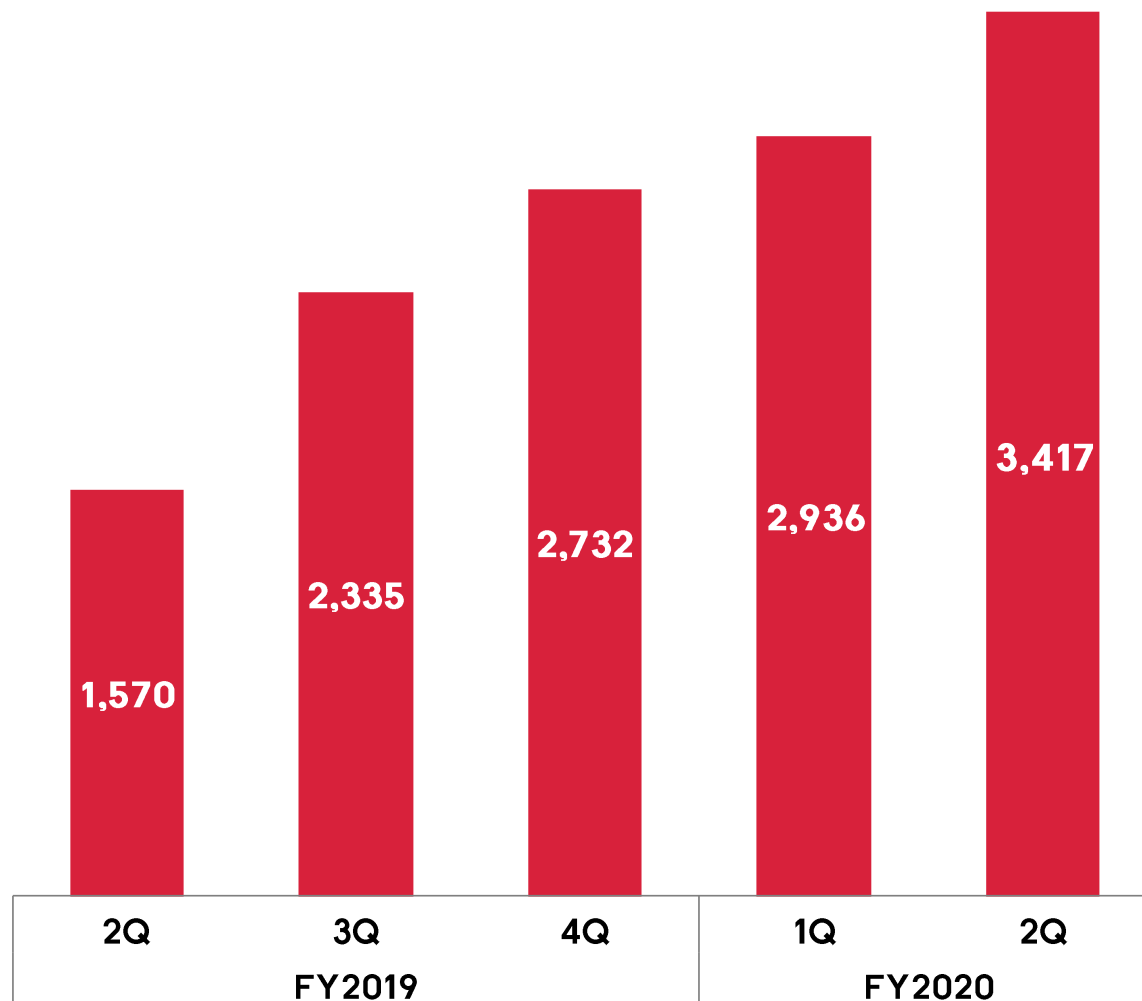
*Volume in 1Q FY2018=100

■ Advertisements ■ Charges



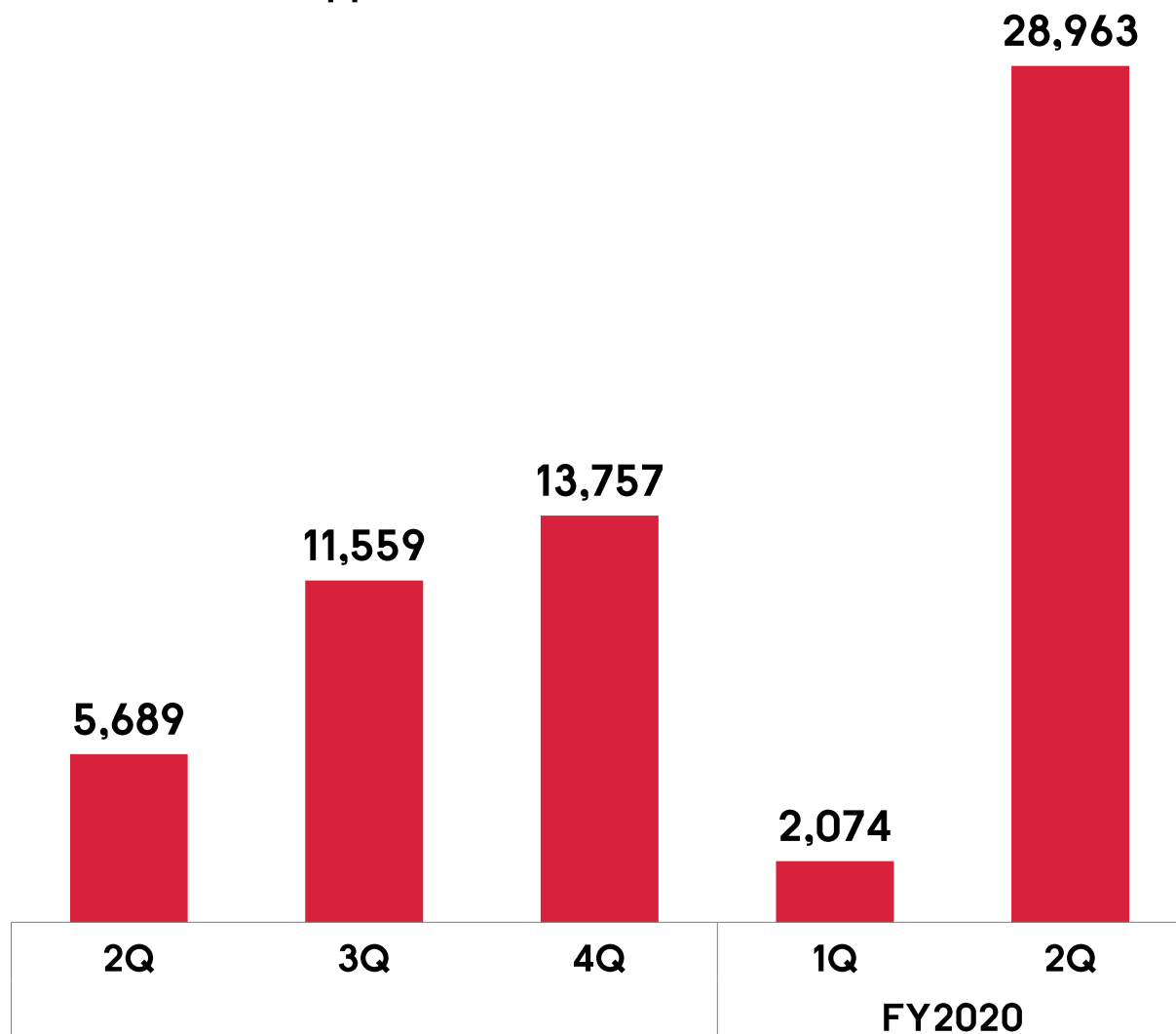
Revenue of both
**advertisements and
charges** increased
steadily.

*Volume in 1Q FY2017=100

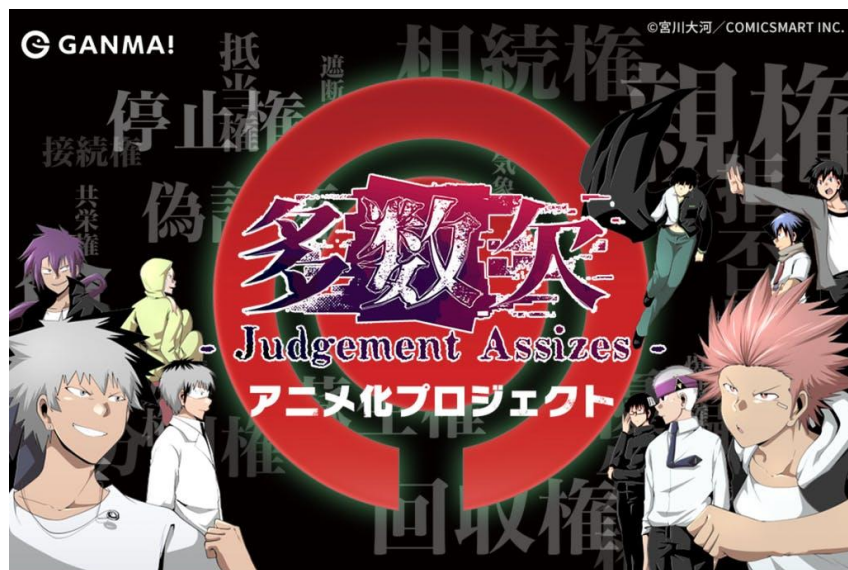


Subscription revenue increased approximately 2.2 times year on year as the rise of number of charged people.

■ The total of supports (\1k)



The user engagement for GANMA!'s original contents is raised and the crowdfunding record gradually expanded.



Crowdfunding project to create an animated film of “Judgement Assizes”, the popular comic of GANMA! was launched supported by MARUI GROUP CO., LTD.

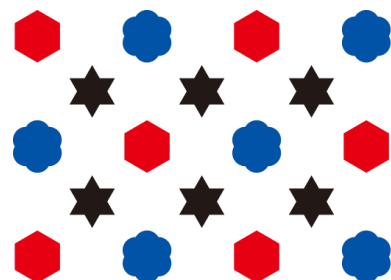
06

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)	19,000	2,500	1,400	¥11.07
Current Estimates (B)	17,000	1,250	720	¥5.69
Increased/Decreased Amount (B-A)	-2,000	-1,250	-680	
Rate of Change(%)	-10.5%	-50.0%	-48.6%	
Results in previous year (FY9/2019)	16,796	2,065	-547	
Reason of revision	As the expansion of COVID-19, there is a prospective change in the business results this year. * If a recovery in the external environment due to COVID-19 is evident prior to September 2020, the Company expects a corresponding increase in earnings and will disclose information as soon as possible.			

Affected by COVID-19, the earnings estimate for the fiscal year is revised down.

(units:¥mn)	Revenue			Non-GAAP Operating profit		
	Previous Estimates	Current Estimates	Rate of Change	Previous Estimates	Current Estimates	Rate of Change
Digital Marketing	16,500	14,800	-10.3%	5,300	4,050	-23.6%
Media Platform	2,900	2,450	-15.5%	-850	-1,000	-
Adjustment	-400	-250	-	-1,950	-1,800	-
Consolidated	19,000	17,000	-10.5%	2,500	1,250	-50.0%



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 April 28, 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

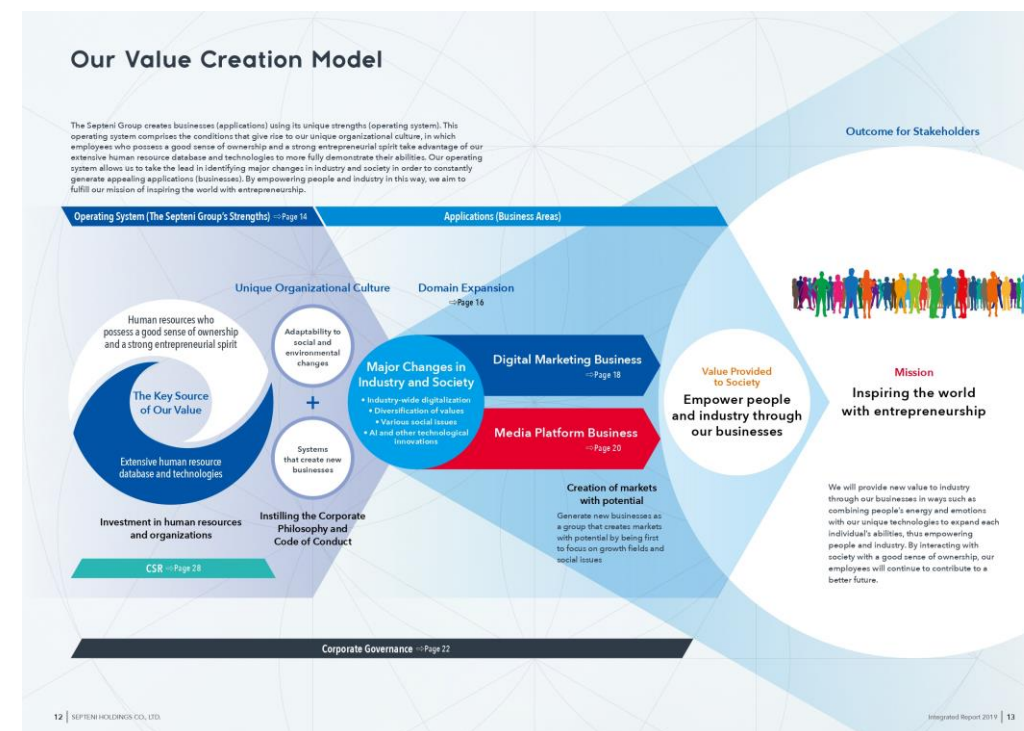
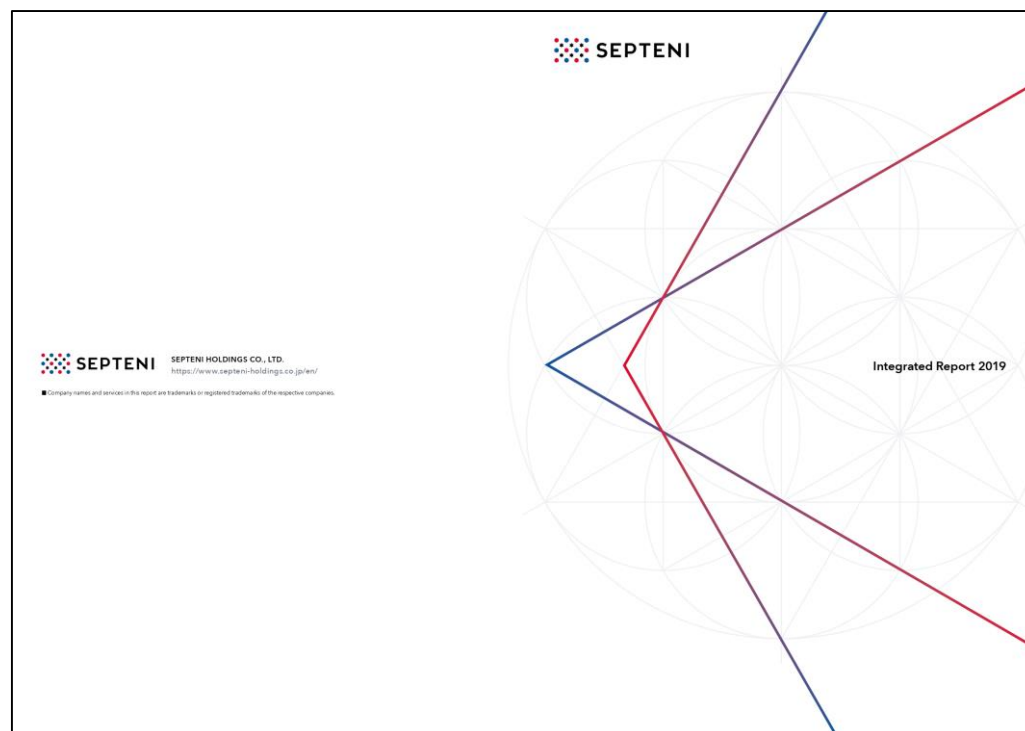
SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

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

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

07

Appendix



The Integrated Report 2019 is launched 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 website or the code.

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

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.

**Since February 27 we are following strictly the policy.*

1. Working Form

- All employees work from home as a general rule.
- If it's necessary to go to the office, it has to be approved by the Group executive officers or representatives of each company.

2. Responding to Business

- All meetings are conducted online as a general rule.
- Visiting, business trips and dinner are prohibited.

3. Response to suspected infection

If an employee or any family members have fever (37.0° or higher)

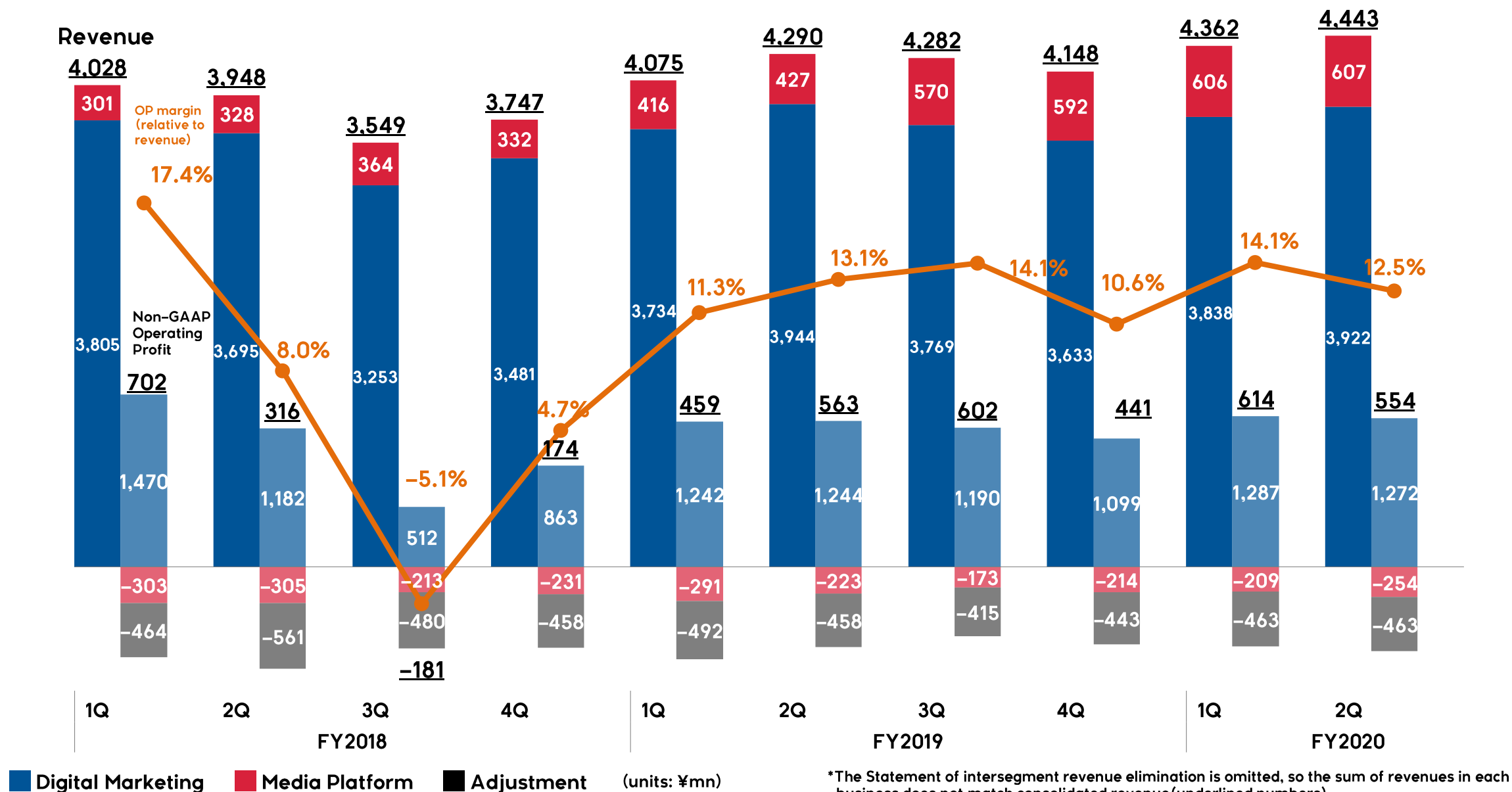
- Report to the Crisis Management Task Force and stay at home (Telecommute if a cohabitant has a fever).
- A 14 day health observation period is set and temperature measurement and reporting are mandatory during the observation period.

If in close contact with an infected person

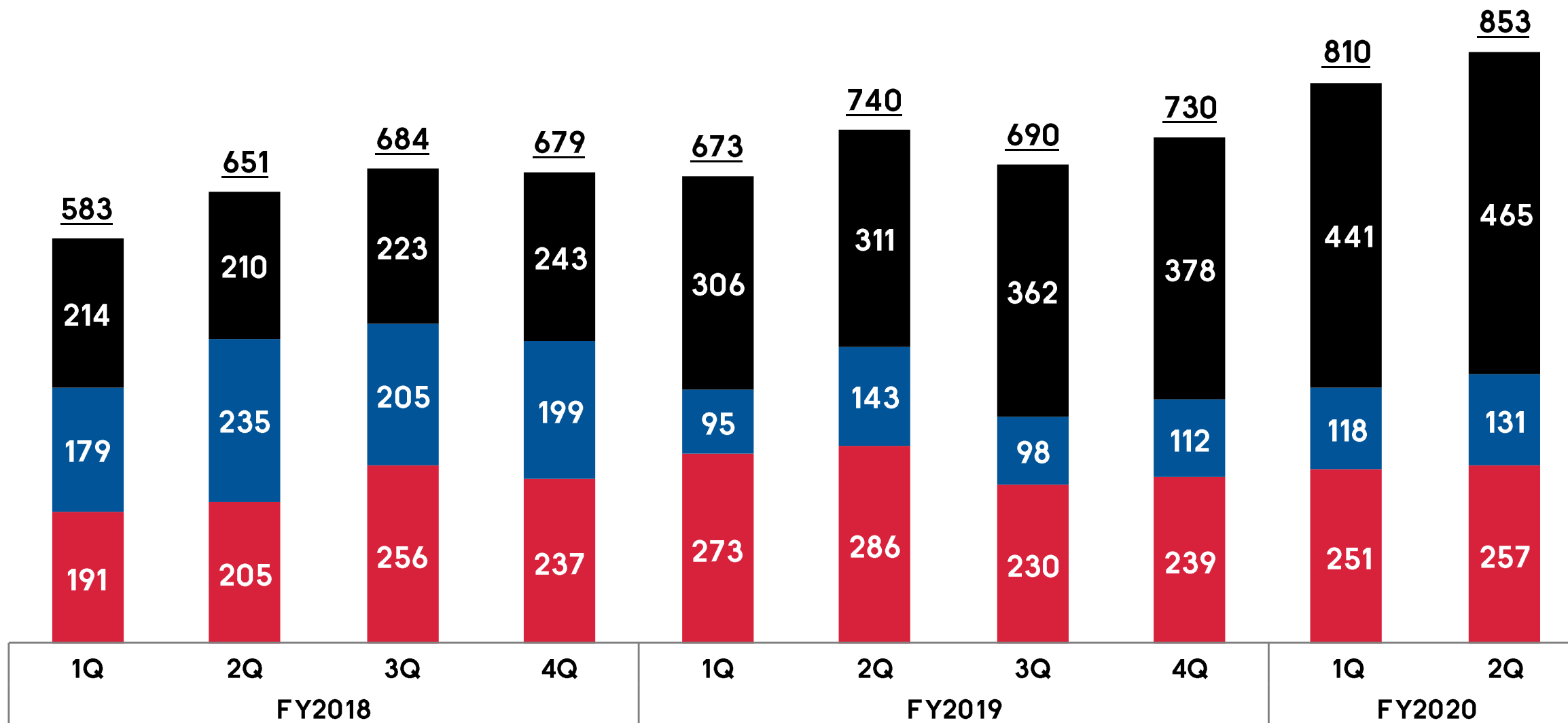
- Report to the Crisis Management Task Force and work from home
- A 14 day health observation period is set and temperature measurement and reporting are mandatory during the observation period.

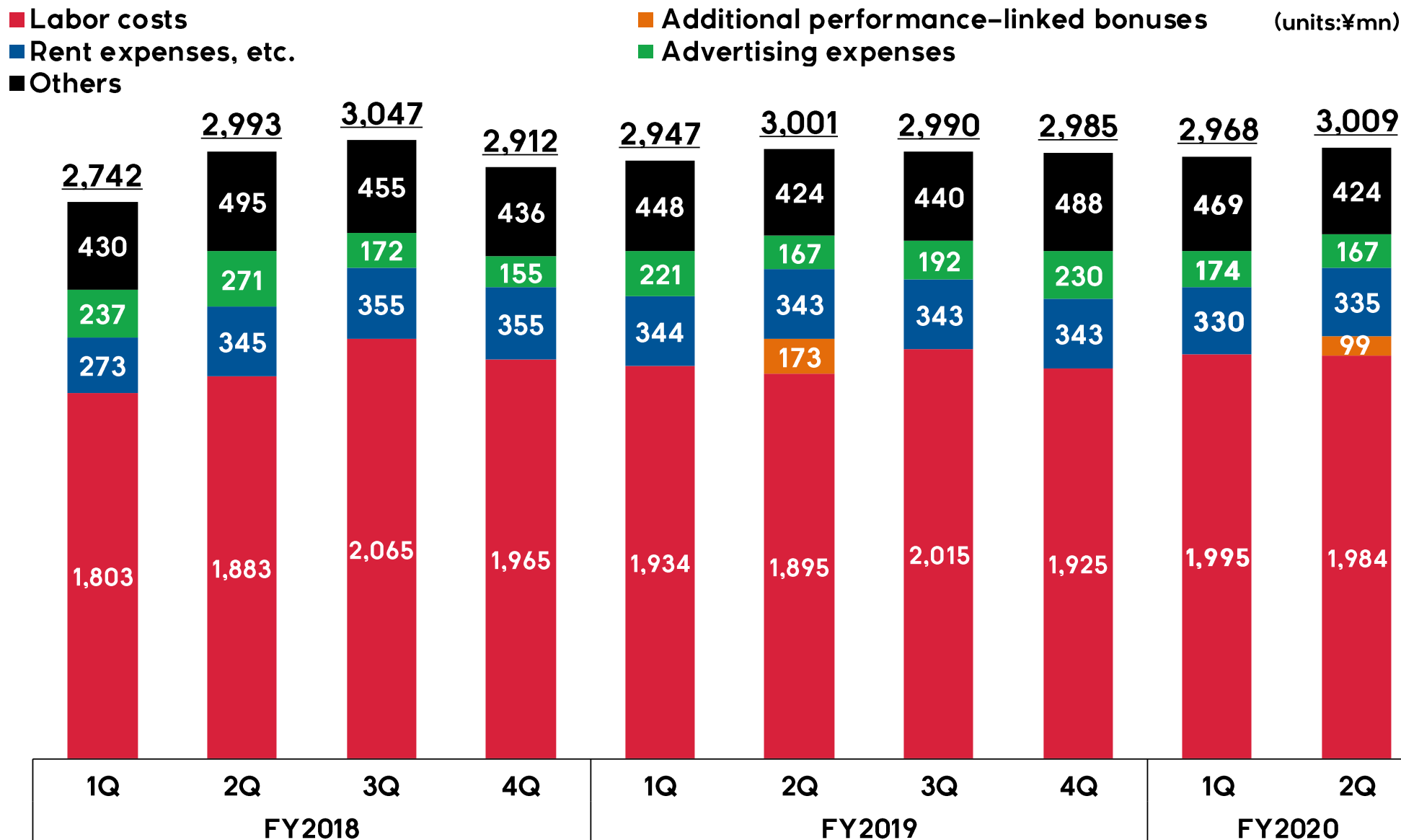
4. Others

- Washing hands and gurgles, use of alcohols for sterilization are strictly recommended.
- Following a cough etiquette and wearing a mask are recommended.

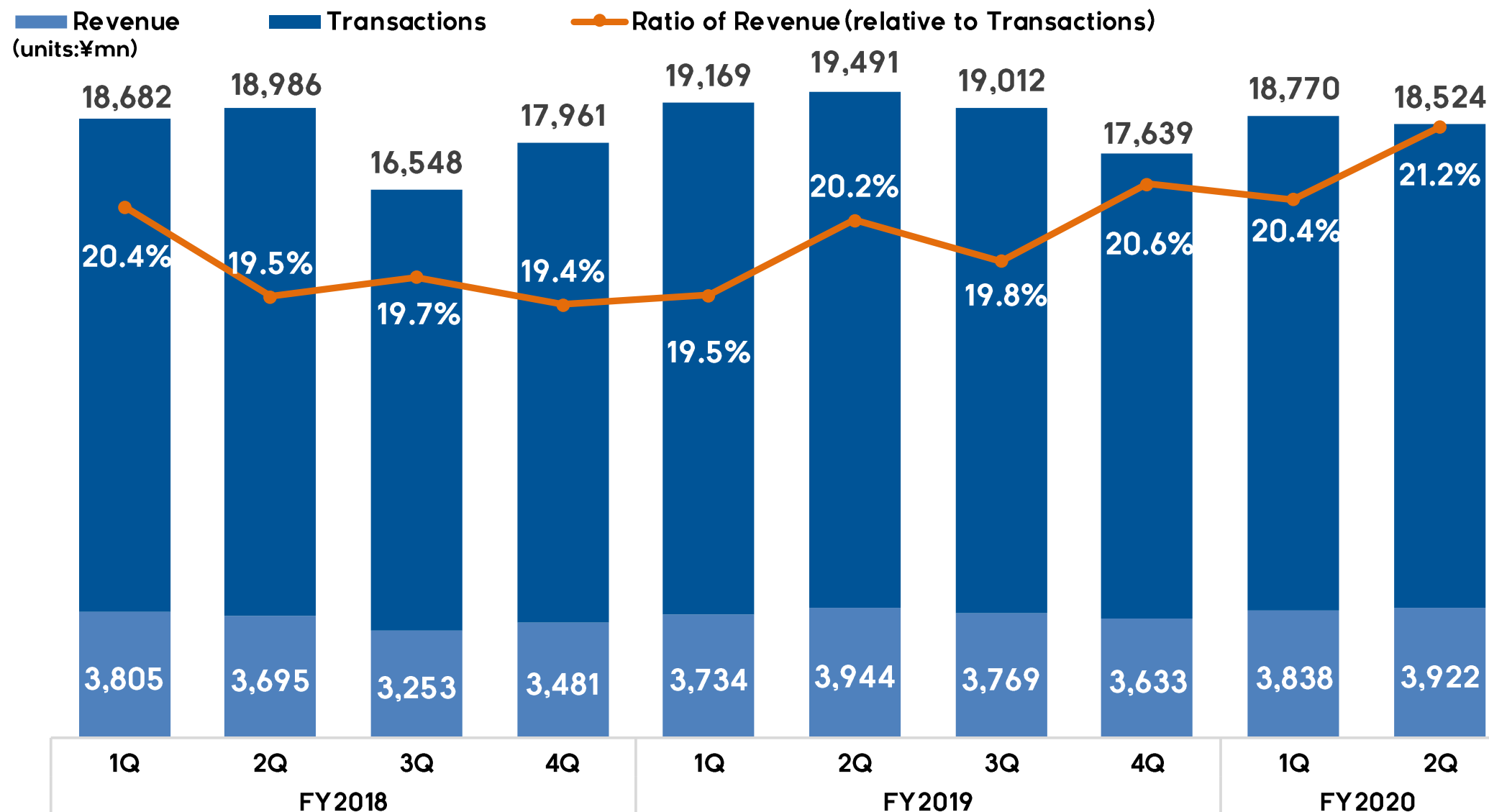


■ Labor costs ■ Subcontract costs ■ Others (units:¥mn)

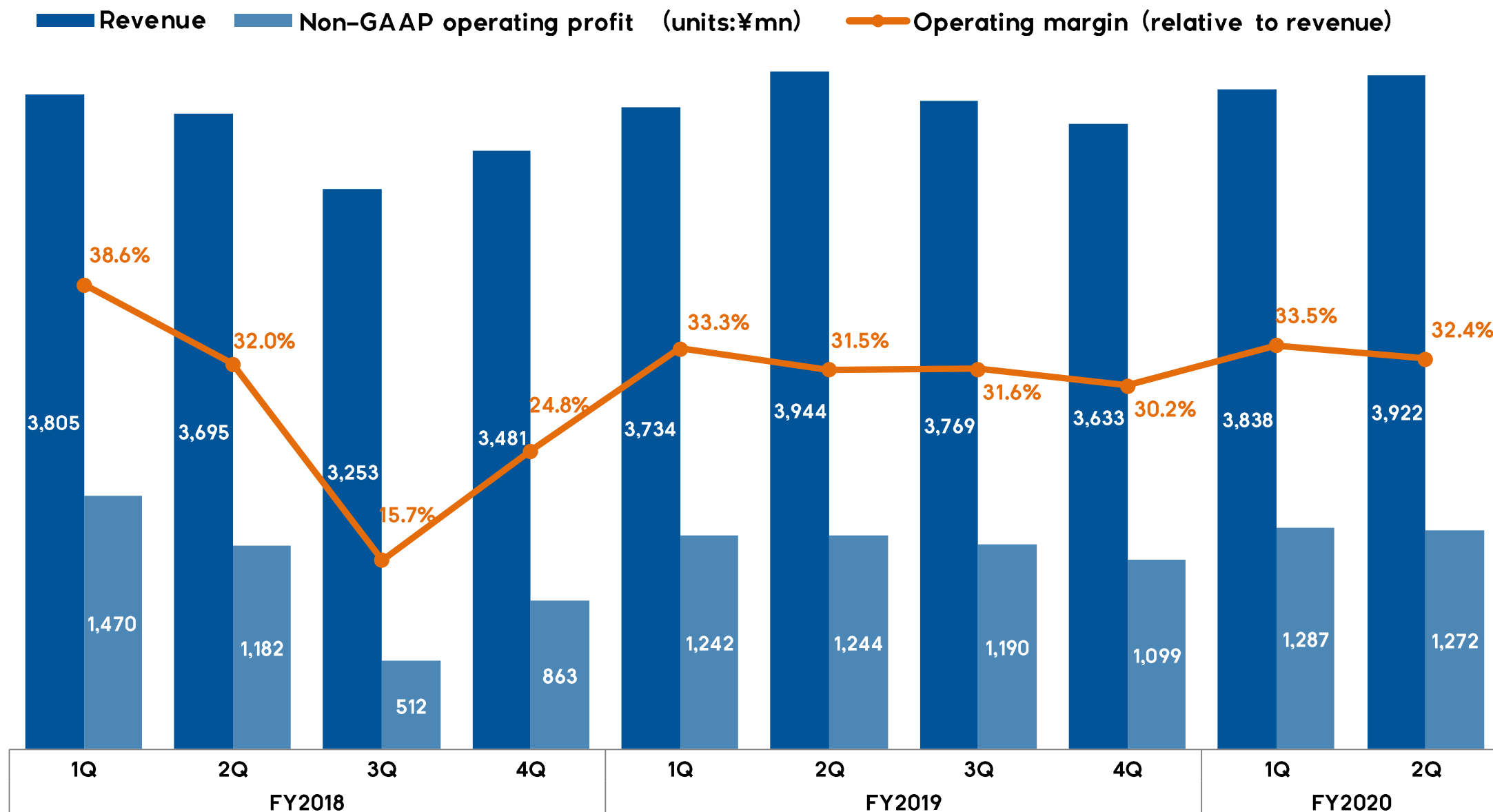


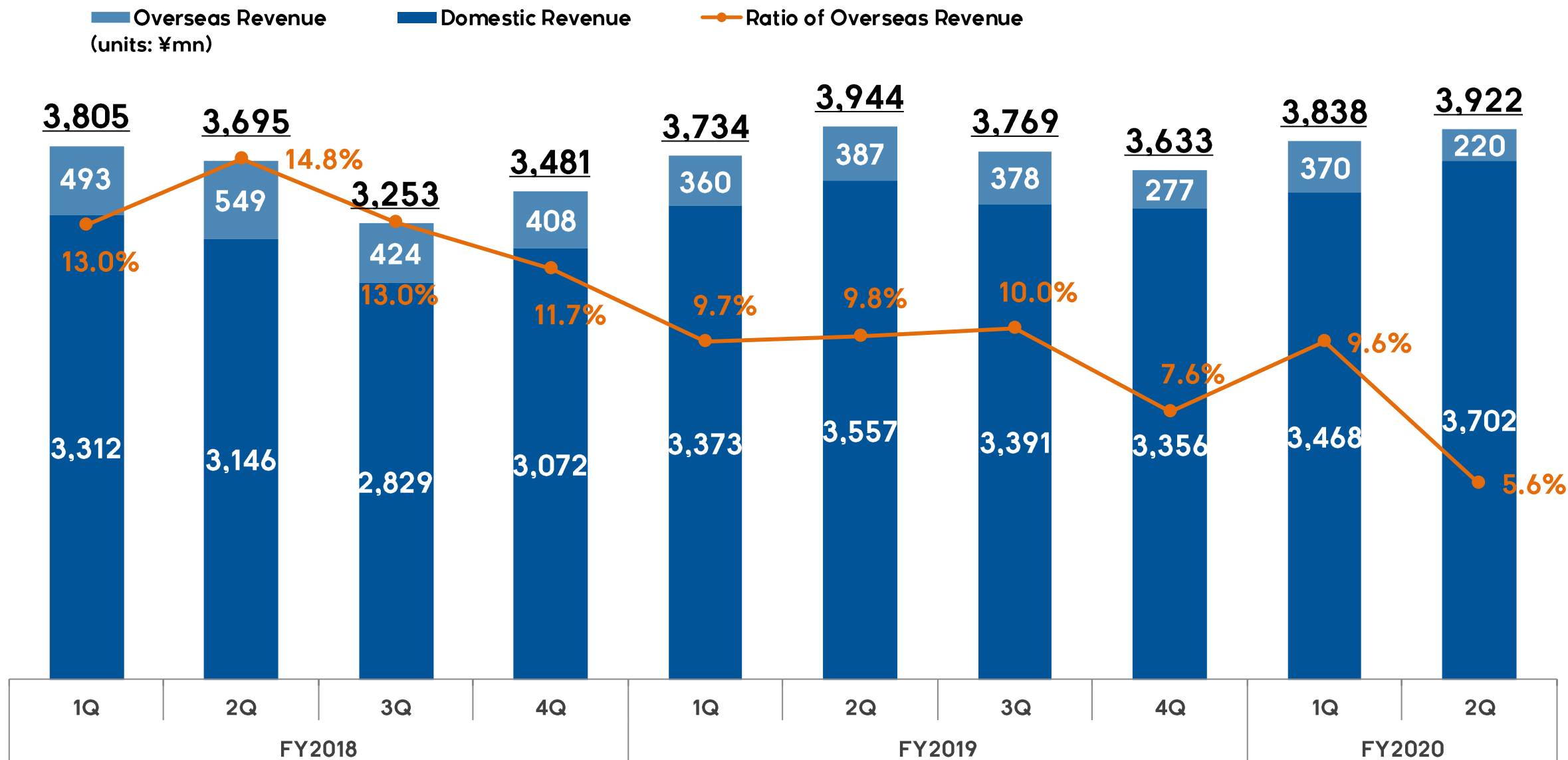


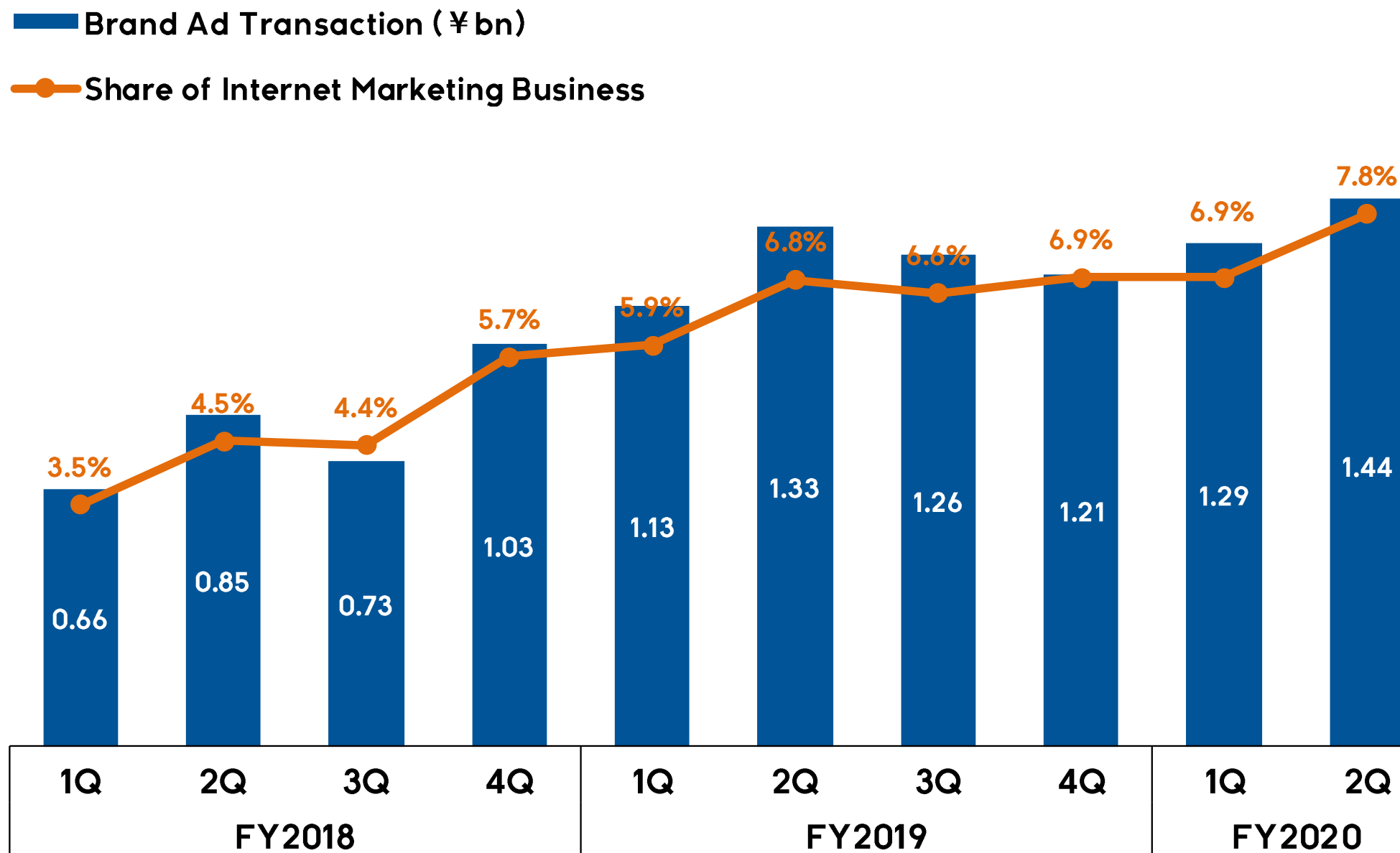
* In line with the adoption of IFRS16 (lease accounting standards), some rents are posted as financial expenses from FY9/2020.



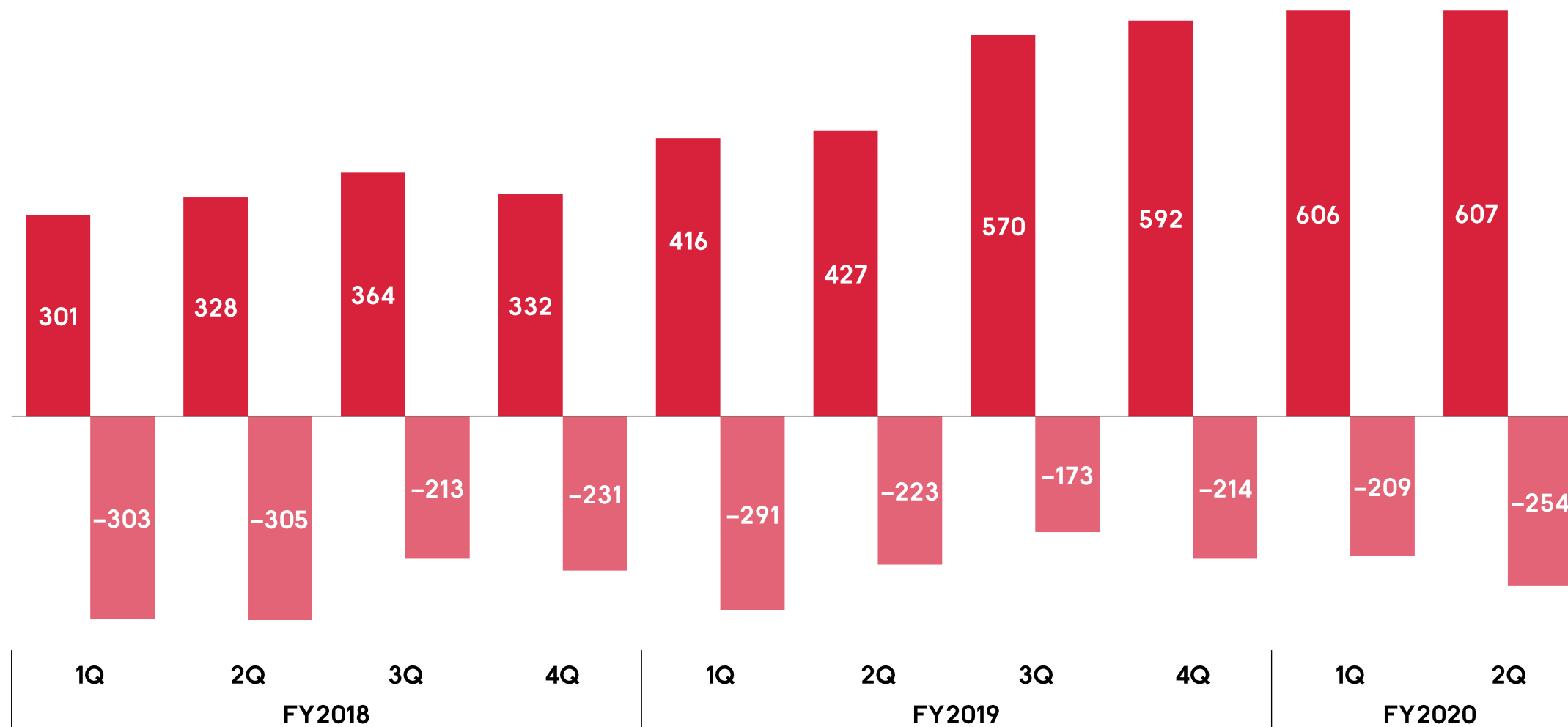
*Transaction refers to JGAAP-based sales, while revenue indicates IFRS-based revenue.







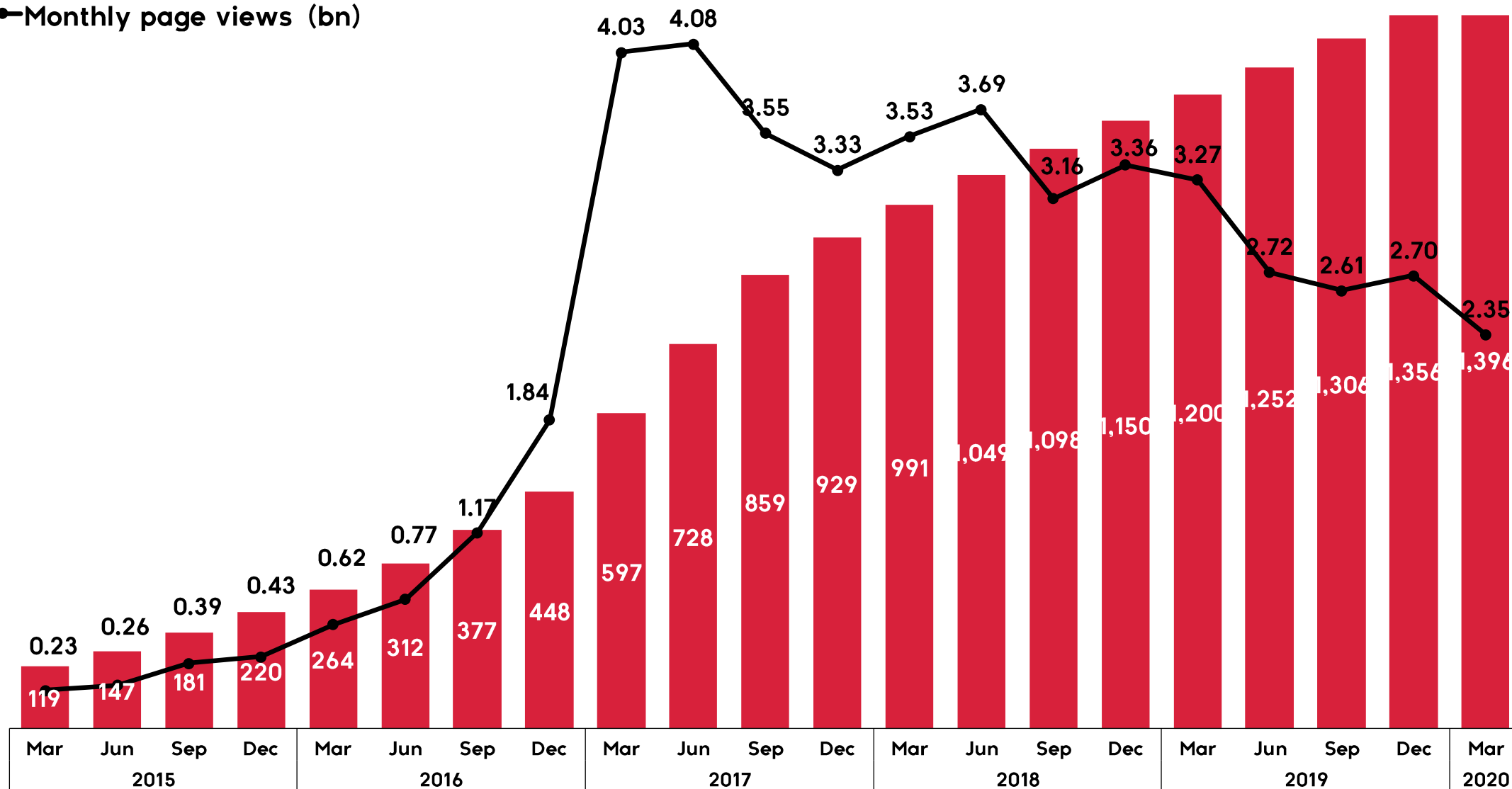
■ Revenue ■ Non-GAAP operating profit (units: ¥ mn)





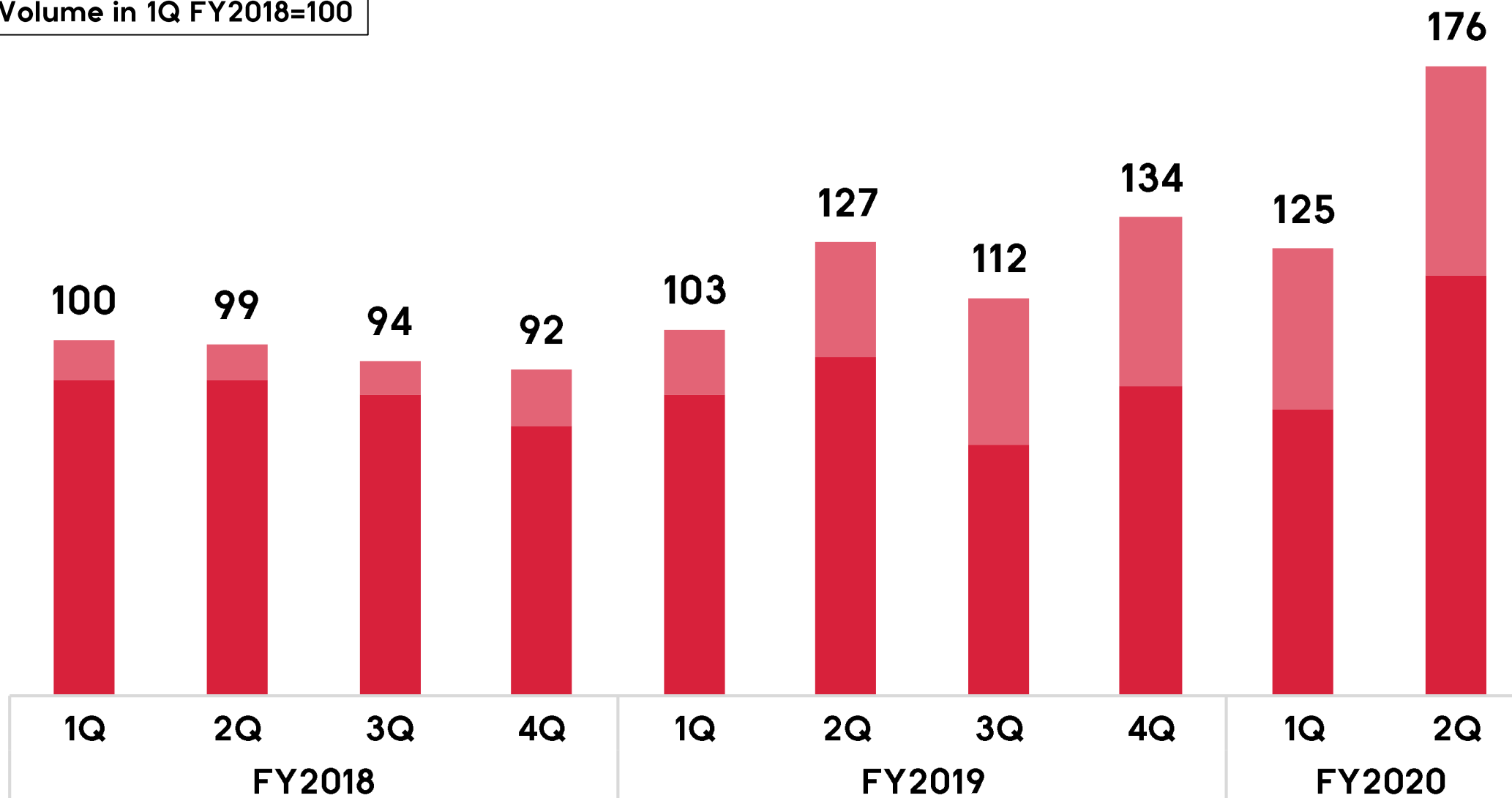
■ Accumulated application downloads (mn)

● Monthly page views (bn)

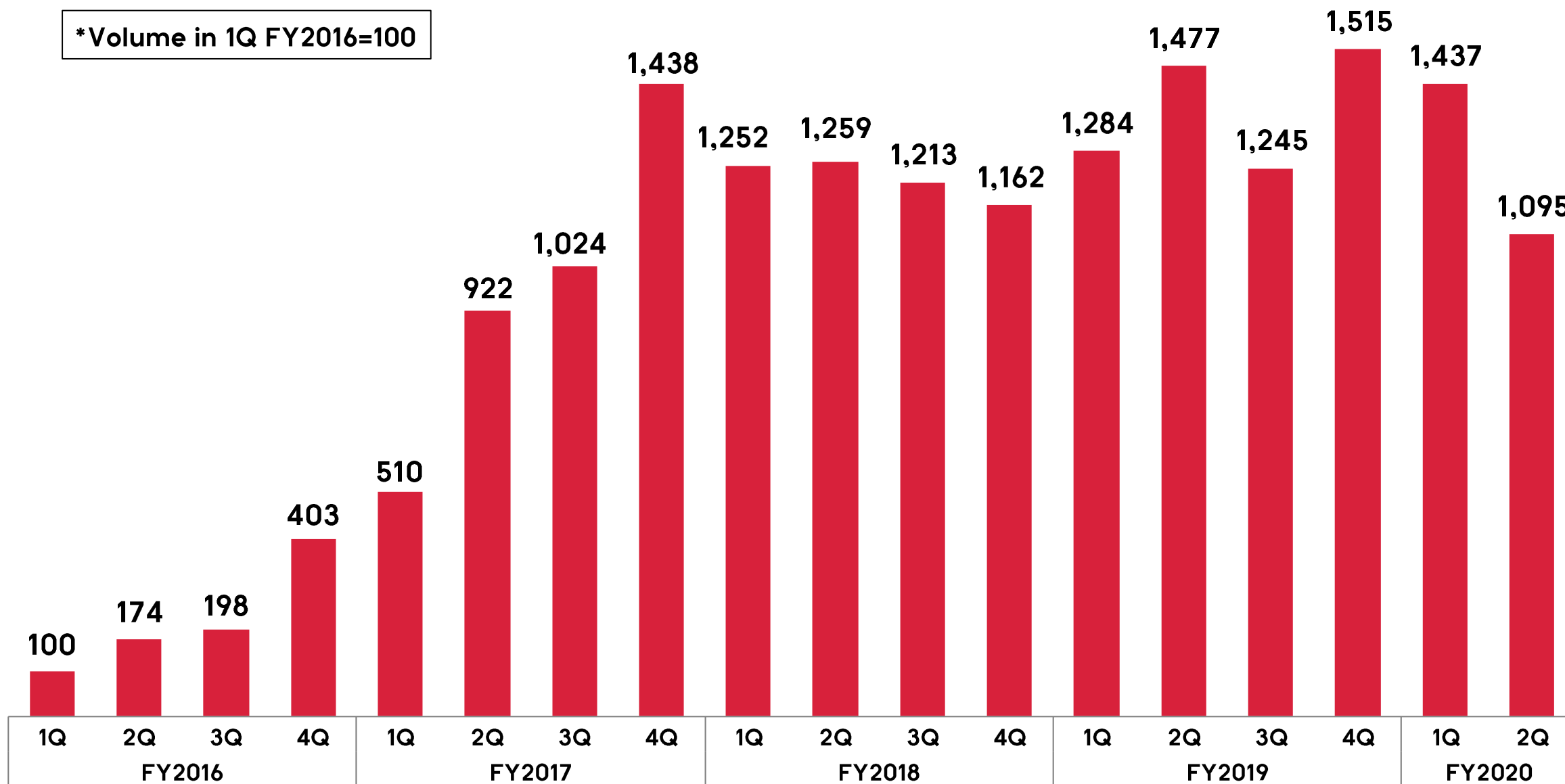


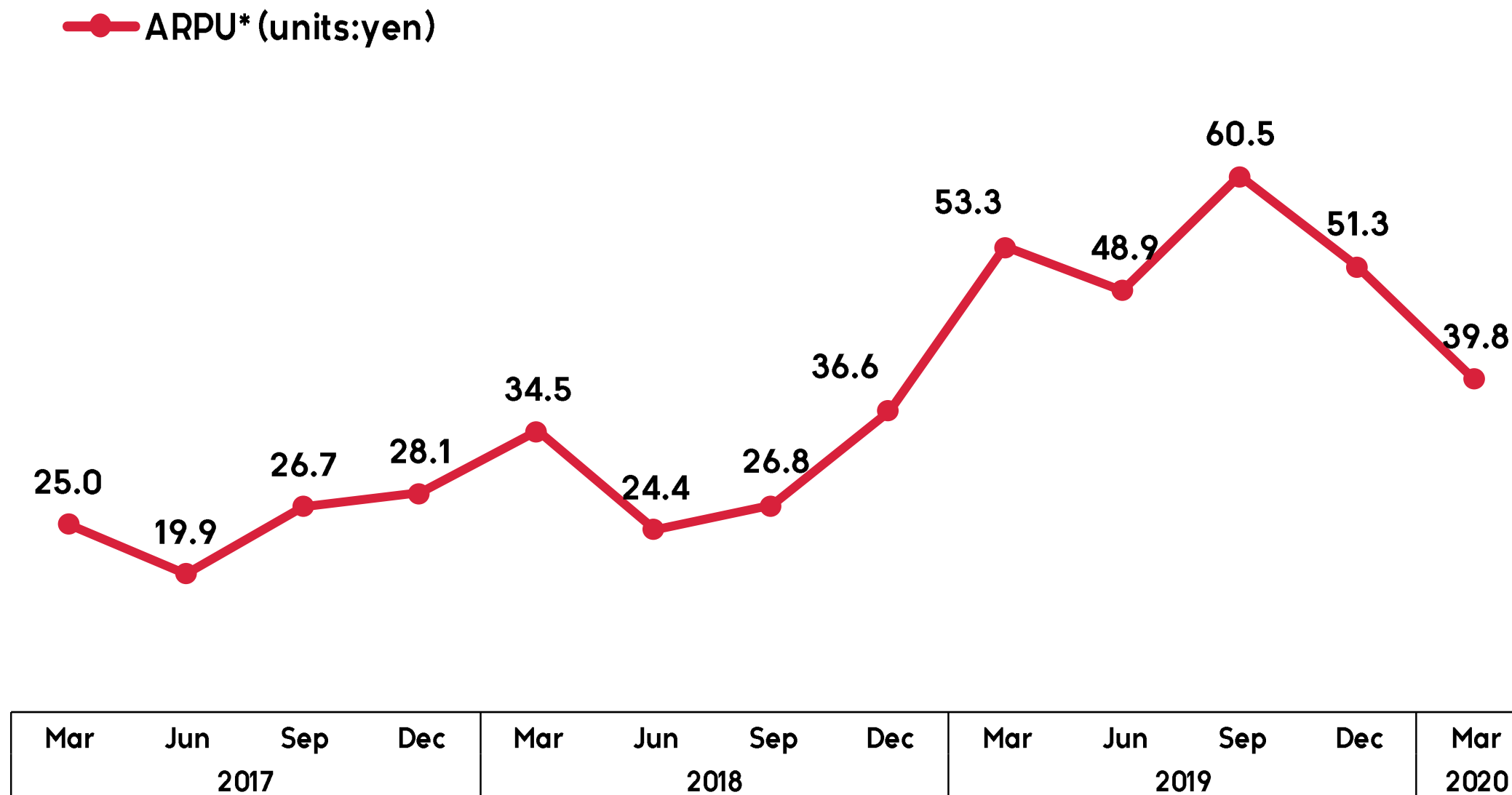
■ Advertisements ■ Charges

*Volume in 1Q FY2018=100



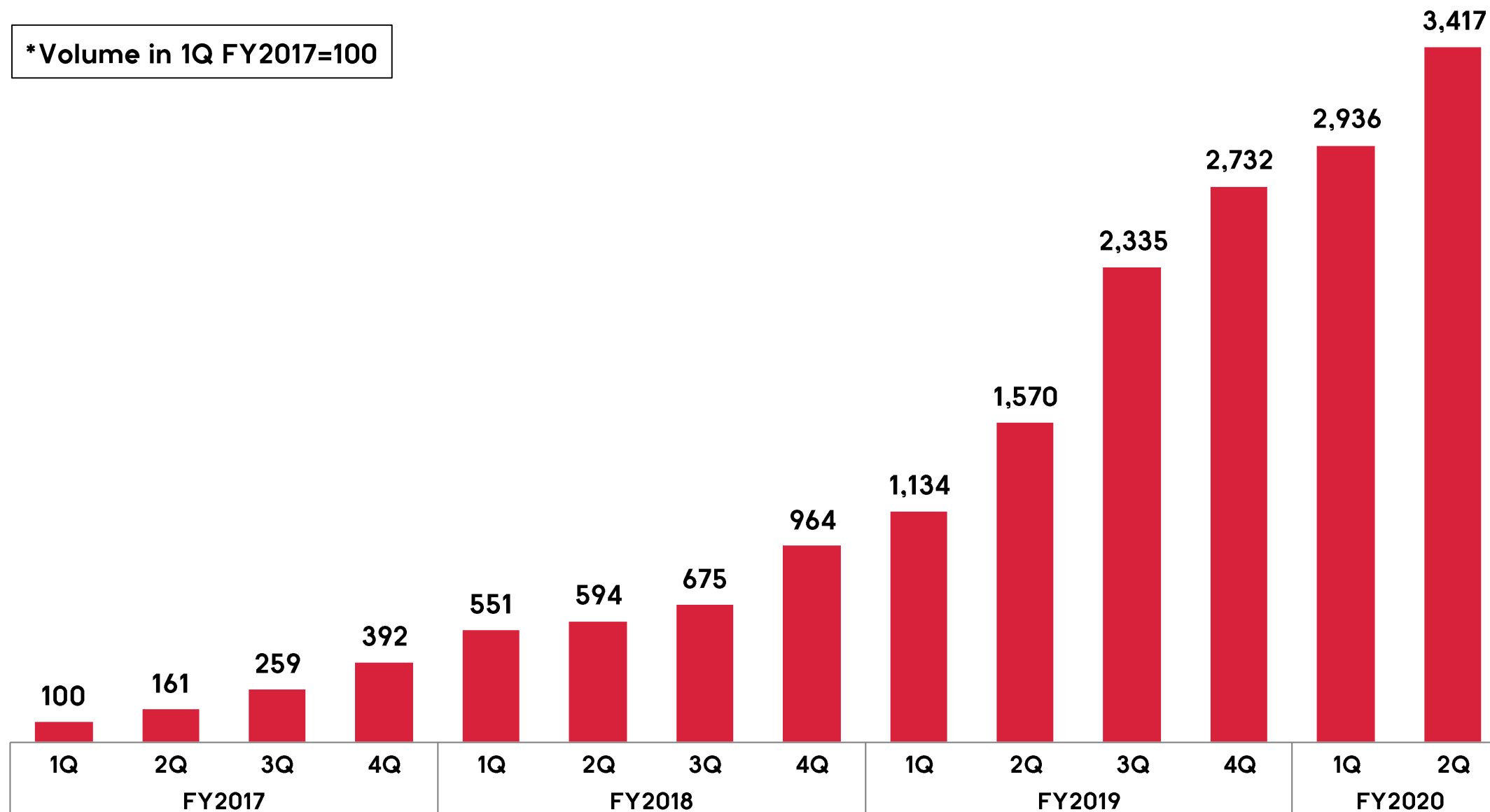
*Volume in 1Q FY2016=100

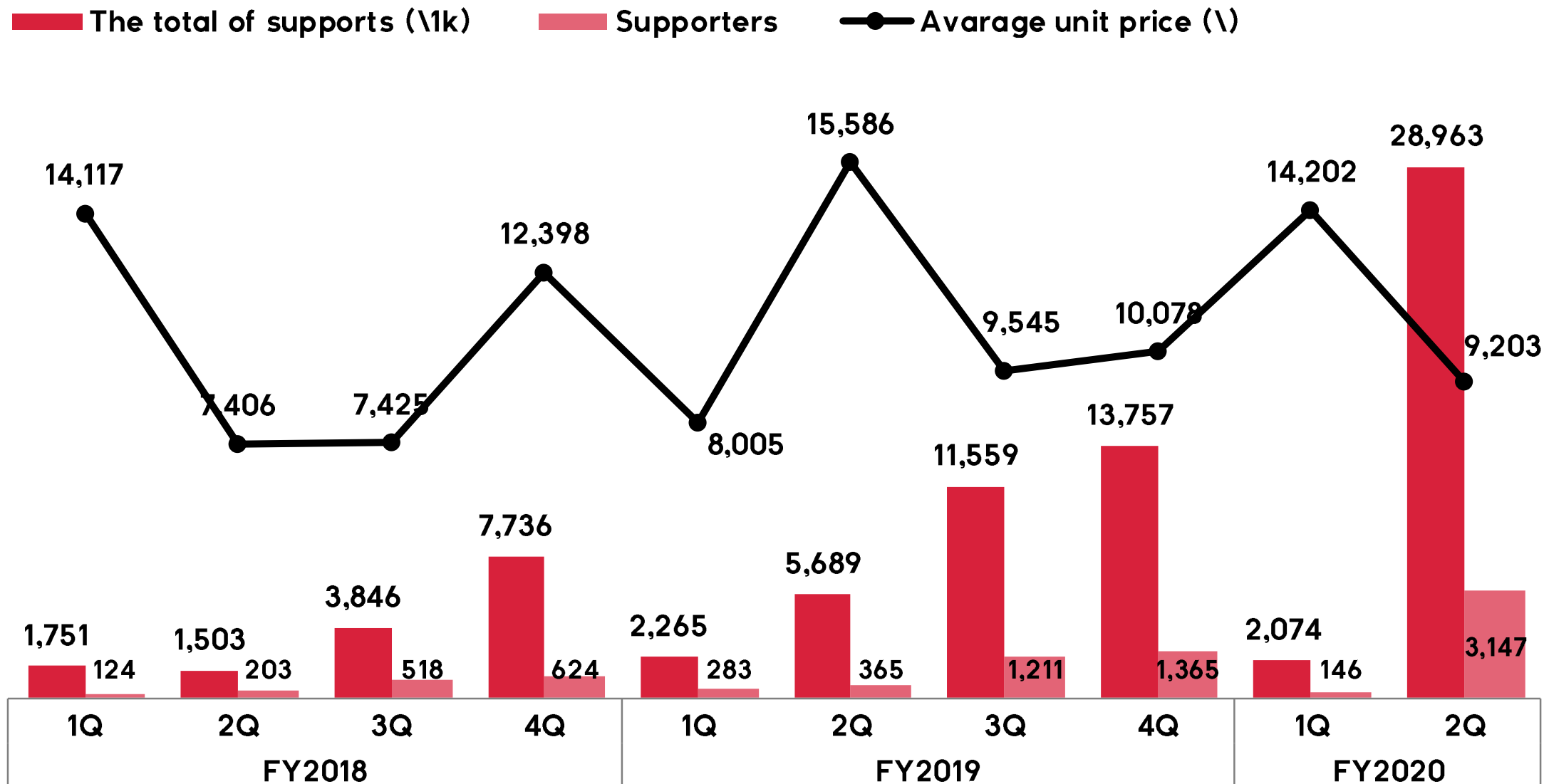


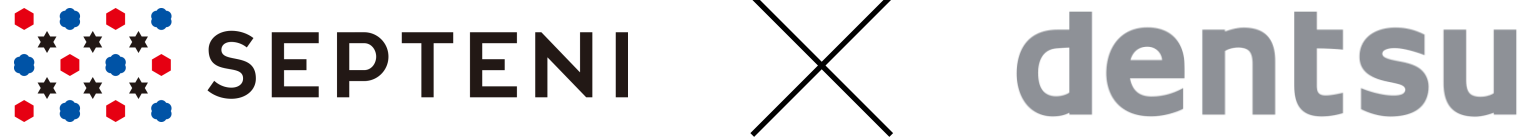


* ARPU : Revenue of Manga Content Business from users(incl. Advertisement, App-billing etc.) /MAU

*Volume in 1Q FY2017=100

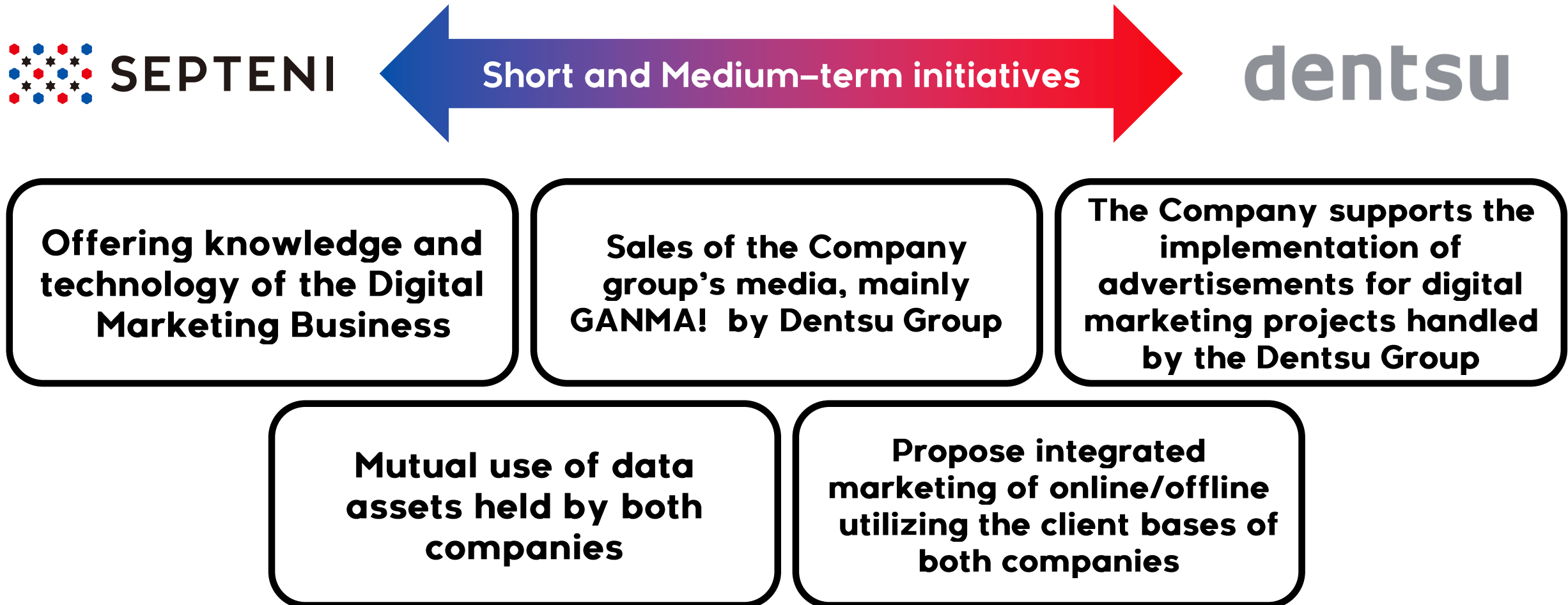






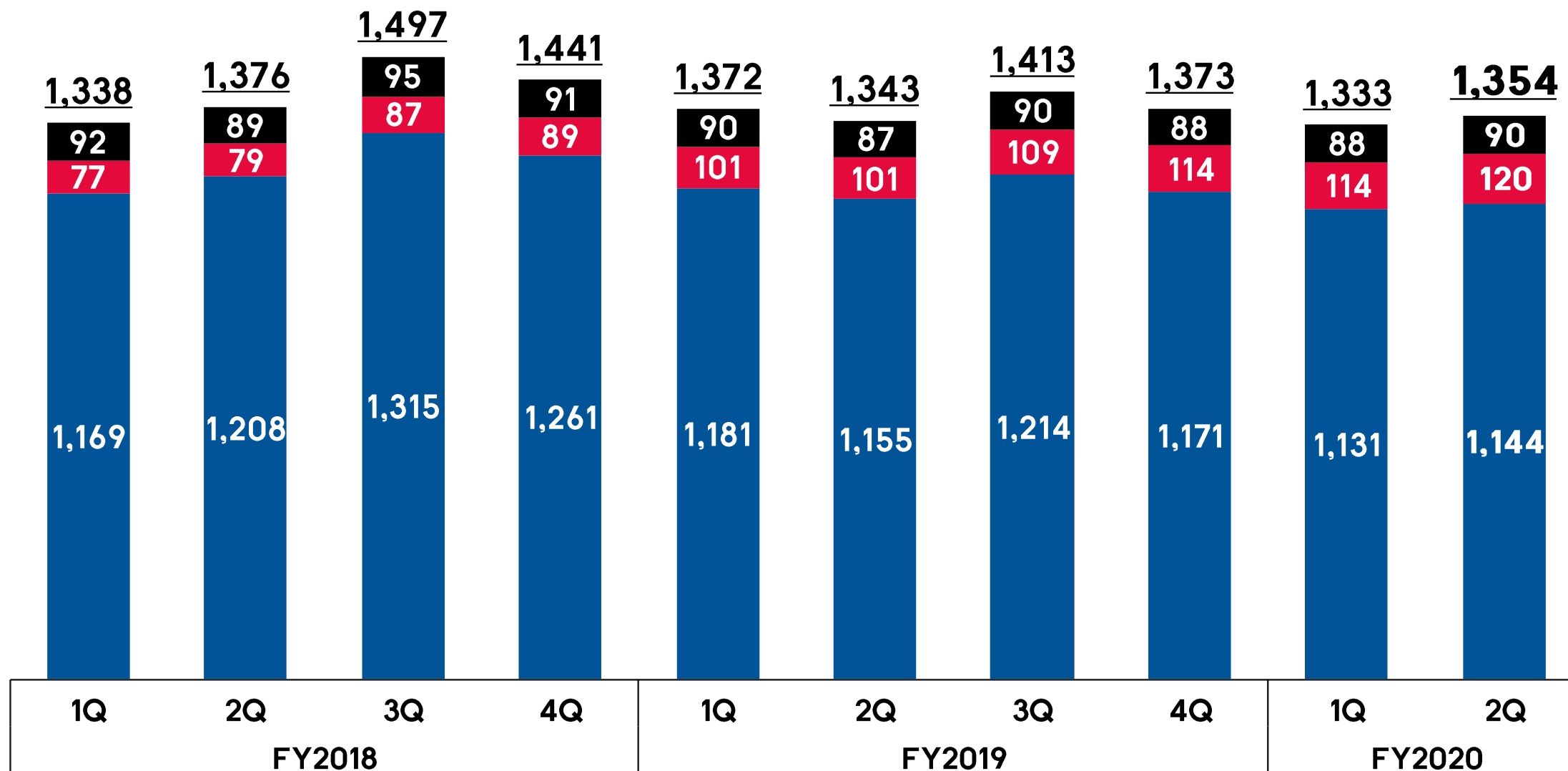
Both Septeni Group and Dentsu Group aim to be **the largest digital marketing partners in Japan that lead the industry's development in an environment where people with various talents assemble with the joy of working and by providing the best solutions to clients.**

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.



■ Digital Marketing
 ■ Media Platform
 ■ Holdings Company

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

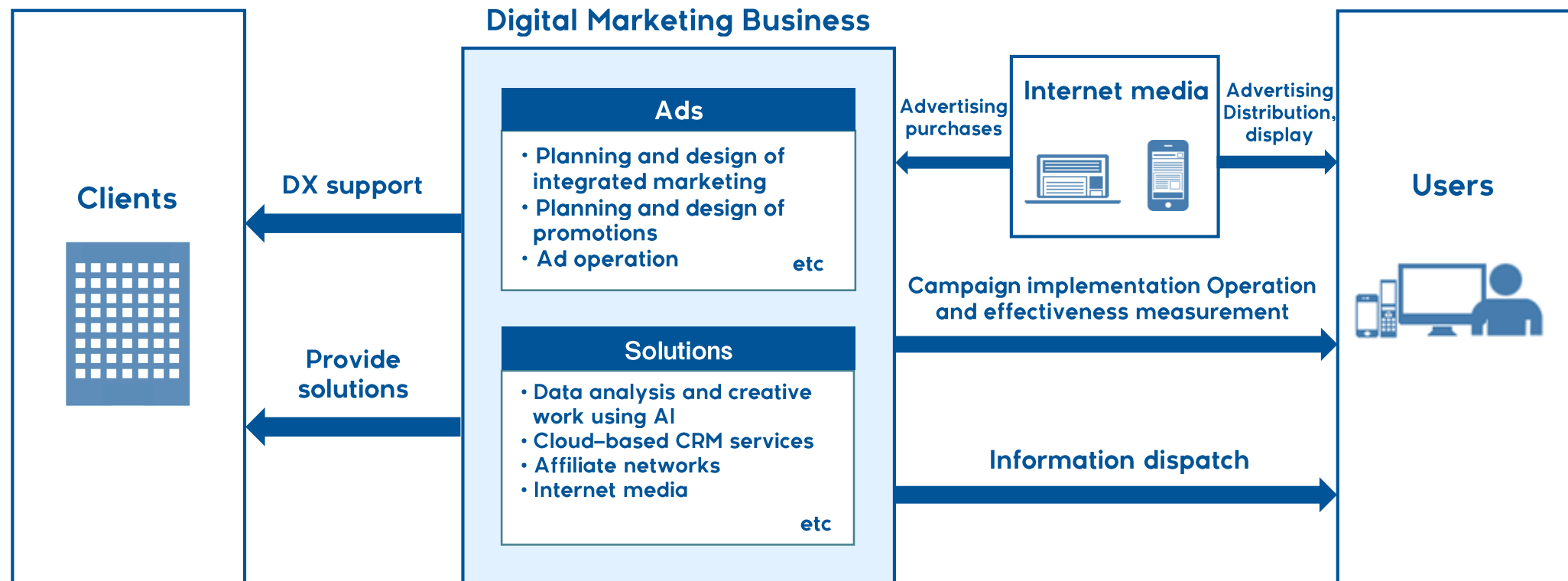


Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	Representative Director, Group President and Chief Executive Officer Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Securities Code	4293 (JASDAQ)
Business Realm	The holding company for a group 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	1,354 full time employees, 1,129 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.

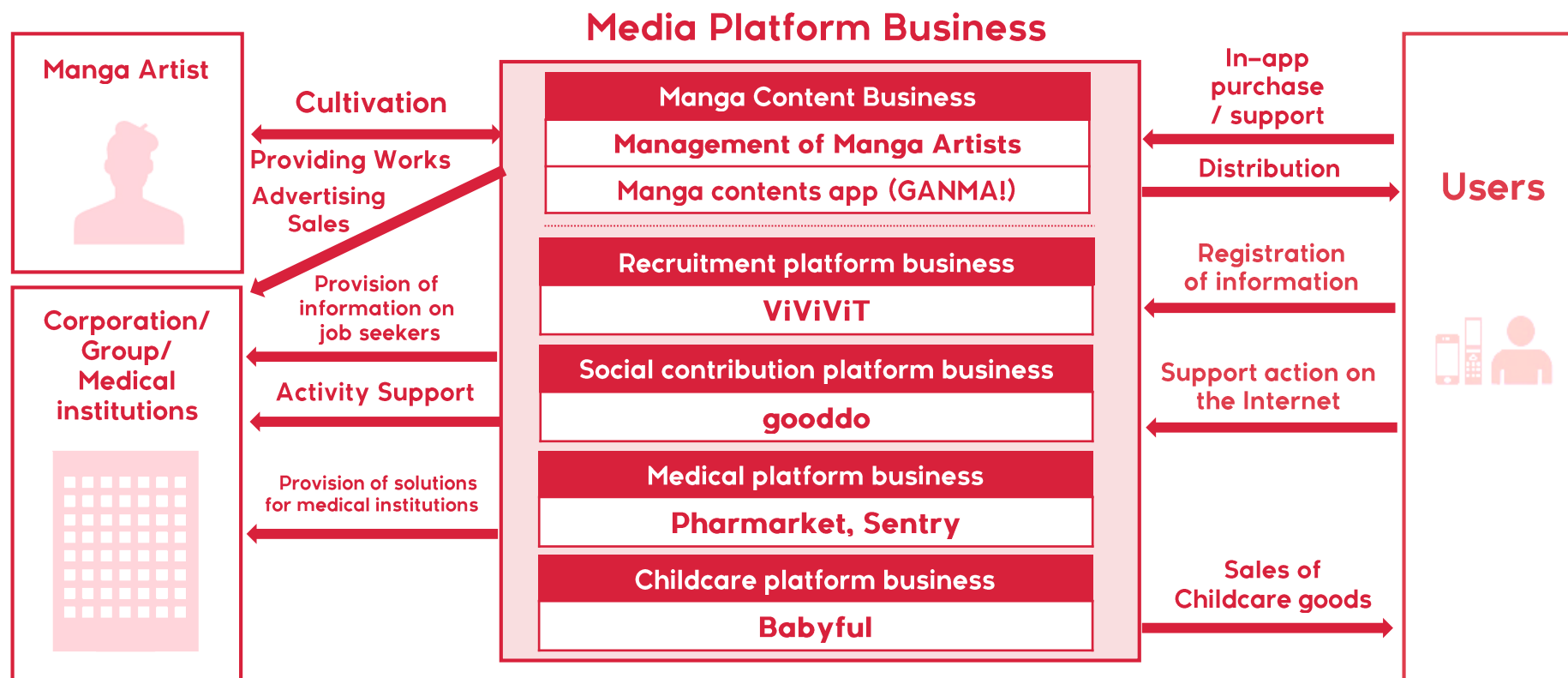
Holding Company		SEPTENI HOLDINGS CO., LTD	
Internet Marketing Business			
SEPTENI CO.,LTD	Internet ad agency/Providing assistance for overall promotions on internet	Septeni Japan, Inc.	Internet ad agency in Japan
MANGO Inc.	SEM Operation Business	HighScore,Inc.	Social Media Marketing Support Business
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 2Q FY2020	End Of FY2019	Change	Main Changes
Current Assets		24,985	25,133	-148	Operating receivables -203
Non-current Assets		7,273	5,280	+1,994	Other financial assets: +589 Right-of-use asset +1,363※
Total Assets		32,258	30,413	+1,846	
Current Liabilities		13,084	11,729	+1,355	Operating debt: +444 Other financial liabilities: +748※
Non-Current Liabilities		4,007	3,875	+132	Other financial liabilities: +94※
Total Liabilities		17,090	15,604	+1,487	
Total Capital		15,168	14,809	+359	Posting of net profit: +452
Total Liabilities and Capital		32,258	30,413	+1,846	

- 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)	2Q FY2020 (Oct–Mar)	Main Changes	2Q FY2019 (Oct–Mar)
Cash Flows from Operating Activities	468	Depreciation and amortization: +383* Equity Losses of Affiliated Companies: –443 Increase in trade receivables: –275 Corporate income tax refund: –341	1,288
Cash Flows from Investing Activities	–626	Purchase of securities: –580	–227
Cash Flows from Financing Activities	–1,093	Decrease in short-term loans payable: +308 Repayments of lease obligations: –414*	–969
Effect of Exchange Rate Changes on Cash and Cash Equivalents	–1		–35
Net Increase (Decrease) in Cash and Equivalents	–1,253		58
Cash and Equivalents at Term End	13,235		14,980

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