



Septeni Business Report 2014

For the year ended September 30, 2014

SEPTENI HOLDINGS CO., LTD.



With our focus on growth areas proving effective, we set a record high income for the third consecutive year. We will seek to create businesses that will become a new operational pillar going forward.

—What is your view on the recent business environment?

We achieved growth by optimizing the business structure ahead of changes in the Internet usage environment.

In the Internet industry, high growth is continuing in various areas, and smartphones in particular have entered a period of mass adoption. With the number of domestic contracts totaling 62.48 million at the end of September 2014, making up 50.3% of the total number of mobile phone contracts*¹, smartphones have come to be used not only by advanced users, but also in more general usage scenes. It has become common place to see many passengers intently operating their smartphones on the commuter trains in the morning. There is almost no doubt that all existing media, including television, newspapers and magazines, are shifting toward smartphones. In these days, multiple news applications have acquired millions of users, implying the trend that newspaper content, which was once read on paper in the past, is now read on smartphones. In the field of entertainment, users who enjoy games on their smartphones are increasing, and mega titles are flourishing, with tens of millions of users downloading them. The usage scene of smartphone is also steadily spreading into various other services.

SEPTENI HOLDINGS CO., LTD.
President and Representative Director

Koki Sato

The Septeni Group has achieved significant growth due to its response ahead of this mobile shift in the Internet usage environment and the synergy of “Social” and “Global” domains which the Group has been focusing on in recent years.

— What were the initiatives you took and business results you recorded in FY9/14 under review?

We achieved both the expansion of operations and improvement in profitability in our mainstay Internet Marketing Business.

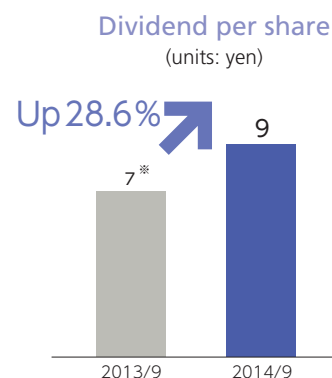
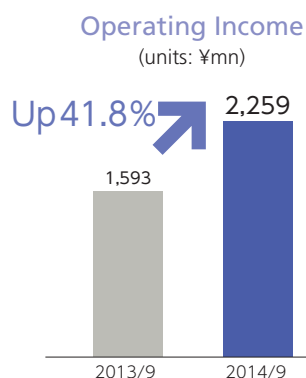
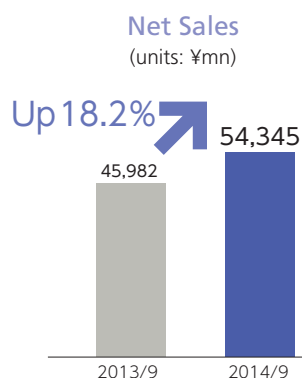
In the year ended September 2014, the Group recorded net sales of 54.3 billion yen and operating income of 2.25 billion yen on a consolidated basis, both of which marked a record high for the third consecutive year.

In the mainstay Internet Marketing Business, sales increased 22.3% year on year, and income rose 35.9%, achieving both an expansion of operations and improvement in profitability. Growth in sales accelerated further from the year ended September 2013 due to the expansion of the Internet advertising market centered on performance-based advertising, at which the Group excels, and our focus on growth areas. To survive in the rapidly changing Internet advertising market, the Group is focusing on the three areas of “Mobile,” “Social” and “Global” where particularly high growth is expected.

In the Mobile domain, high growth continues as products become more diversified in smartphone advertising, along with demand expansion. Sales of smartphone advertising for the full year stood at about 23.0 billion yen, growing to approximately 2.1 times the year ended September 2013, and its business composition ratio rose to about 48%. We take pride in the fact that this is the result of our prompt response to smartphones ahead of the market environment.

In the Social Media Business, sales increased by a factor of about 2.9 from the year ended September 2013 as a result of the expansion of business centered on Facebook-related services. In the year ended September 2014, we were able to receive two authorizations, namely the Twitter “Ads API Partner” and the “Mobile Measurement Partner.” As in Facebook, Twitter advertising billings also increased rapidly as we have established an advertising sales model in the form of added value; that is, improved operational efficiency using a system developed in house.

Meanwhile, as we also actively promoted overseas development, we established a new base in two locations, in London and Seoul, and made an Internet advertising company in South Korea, which has strength in Facebook advertising, our subsidiary*². At existing bases, operations expanded mainly in North America, and overseas sales significantly increased by a factor of about 7.5 from the year ended September 2013. As a result, the “Mobile,” “Social” and “Global” domains grew, and the Group’s results expanded.



*The Company implemented a 200-for-1 stock split for its common stock on October 1, 2013. The figures here reflect the impact of this stock split.

In the Media Content Business, we made upfront investments actively.

In the Media Content Business, our active upfront investments resulted in an increase in operating loss.

In the Mobile Game Business, sales declined as new titles were limited to only one browser game, although sales remained firm for existing titles including our first native application game “Traitorous Ciel Ark.” Meanwhile, in step with changes in the market such as a shift toward smartphones, we proactively promoted the development of native application games and engaged in collaborative projects with major publishers.

In the Manga content business, which we began in the year ended September 2013 as a new business, we started GANMA!, an online distribution service for new serial Manga, in December 2013. We made upfront investments actively in both cultivating Manga artists and expanding the distribution service for future monetization. As for a new business other than Manga,



we promoted the development of businesses centered on the platform business of matching recruitment and the platform business of social contribution. As a result, losses related to upfront investments in new businesses centered on the Manga content business increased to 310 million yen, about twice as much as losses in the year ended September 2013.

— What are the Midterm Business Policies starting from the year ended September 2014 and your initiatives after the year ended September 2015?

We seek to “Double profits” by creating a new mainstay business while raising the composition ratio of profitable businesses.

The concept of the Midterm Business Policies is to “Double profits.” There is no change in our medium- to long-term business policy, and we will continue to increase the ratio of profitable businesses and aim to build a new operational pillar second to advertising. We are also working to review the business portfolio as necessary and have decided to transfer the DM business in the year ended September 2014*³. We will continue to promote the shift toward more profitable businesses.

In the year ended September 2015, we will seek to boost the competitiveness of the Internet Marketing Business, our mainstay operations, and increase sales and profits of the entire Group through the sustainable growth of the Internet Marketing Business.

In the Internet Marketing Business, we will strive to expand our market share and raise profitability by focusing on the growth areas of “Mobile,” “Social” and “Global.”

In the Mobile Game Business in the Media Content Business, we will seek to increase revenues by creating hit titles mainly in native application games, as the device

shift is being completed in the year ended September 2014. In the Manga content business, we will continue to make active upfront investments to expand the platform size.

To materialize these efforts, we want to make the year ended September 2015 the period when we will give momentum to the growth of employees, with each of them having a sense of ownership in company management under our corporate slogan “Invigorate the world with the entrepreneurship of each employee.”

The Septeni Group was ranked eighth in the 2014 Great Place to Work^{*4}, indicating that our efforts for the “growth of individuals” are highly valued. We will continue to develop the environment for our employees to grow further and maximize their abilities through our efforts for the flattening of the organization and diversity, among other initiatives.

— Finally, what is your message for shareholders?

Dividends were increased for the second consecutive year in the year ended September 2014. We seek sustainable and dramatic growth through proactive investments in growth areas.

With respect to profit distribution to shareholders, we have set roughly 15% of the consolidated net income as a benchmark. For the year ended September 2014, as a result of steady growth in net income, we increased dividends for the second consecutive year. Our basic policy continues to be appropriate profit distribution according to the expansion of business performance, while paying attention to the continuation of stable dividends at the same time.

Although we achieved a record high income in the year ended September 2014 as in the year ended September 2013, I believe that there is still a plenty of room to accelerate the speed of our growth, given the

Midterm Business Policies

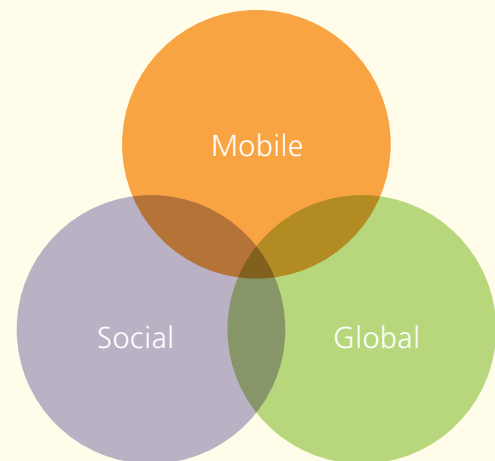
■ Concept

“Double profits”

Increase the share of highly profitable businesses

Create a mainstay business second to advertising

■ Business Focus



current condition and the future potential of the Internet industry surrounding us. We will seek sustainable and dramatic growth by attaining the goal of “Doubling profits” first in the Midterm Business Policies and making proactive investments in growth areas at the same time. We look forward to your continued support for the Septeni Group.

*1: Based on a survey by MM Research Institute, Ltd.

*2: Consolidated on September 30, 2014.

*3: Transferred on October 1, 2014.

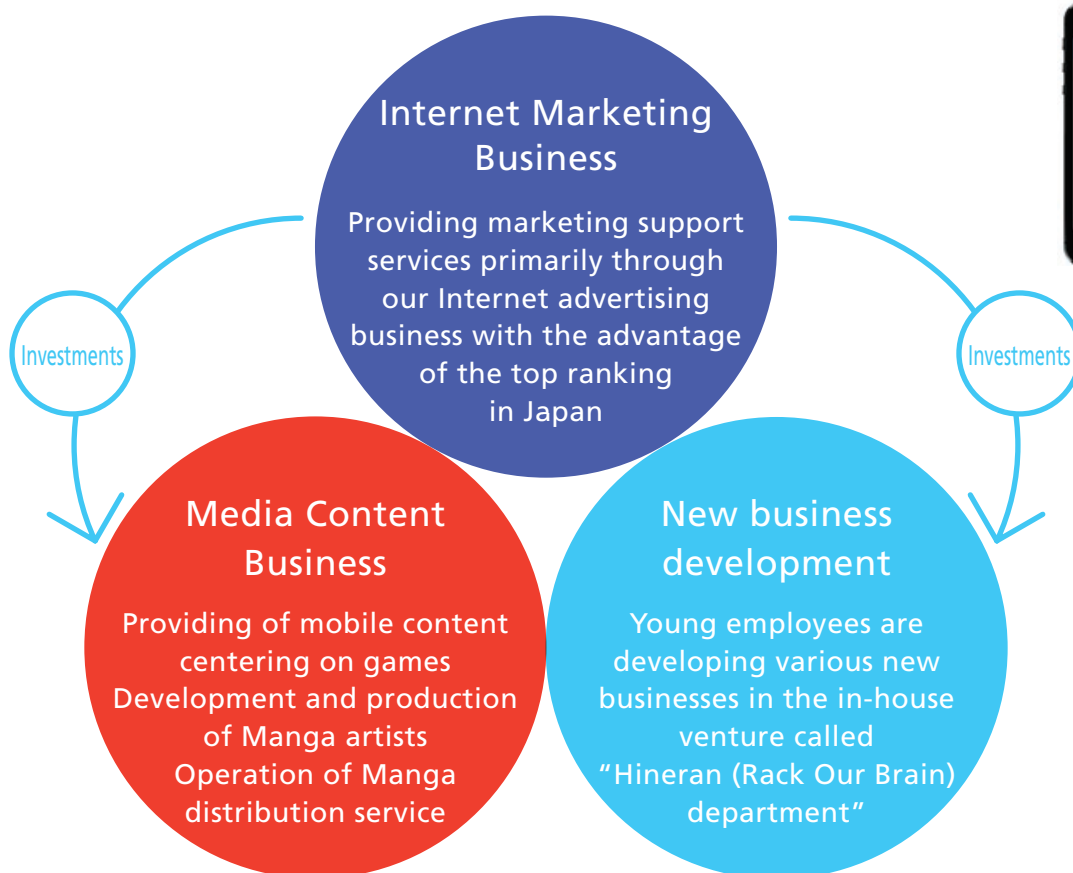
*4: 2014 Great Place to Work (Japanese version) by the Great Place to Work® Institute Japan.

In the category of companies with 100 to 999 employees, the Septeni Group (nine companies covered) was ranked eighth.

Profile of the Group

The Septeni Group is always making progress and evolving by investing in the Media Content Business, which is in the process of growing, and fostering new businesses, with the Internet Marketing Business as the primary source of revenue.

Sustainable growth [Primary source of revenue]



Growth process [Upfront investment]



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Planting seeds for growth

Seeking to develop new businesses



New businesses created
one after another



ViViViT

A Platform of matching
recruitment

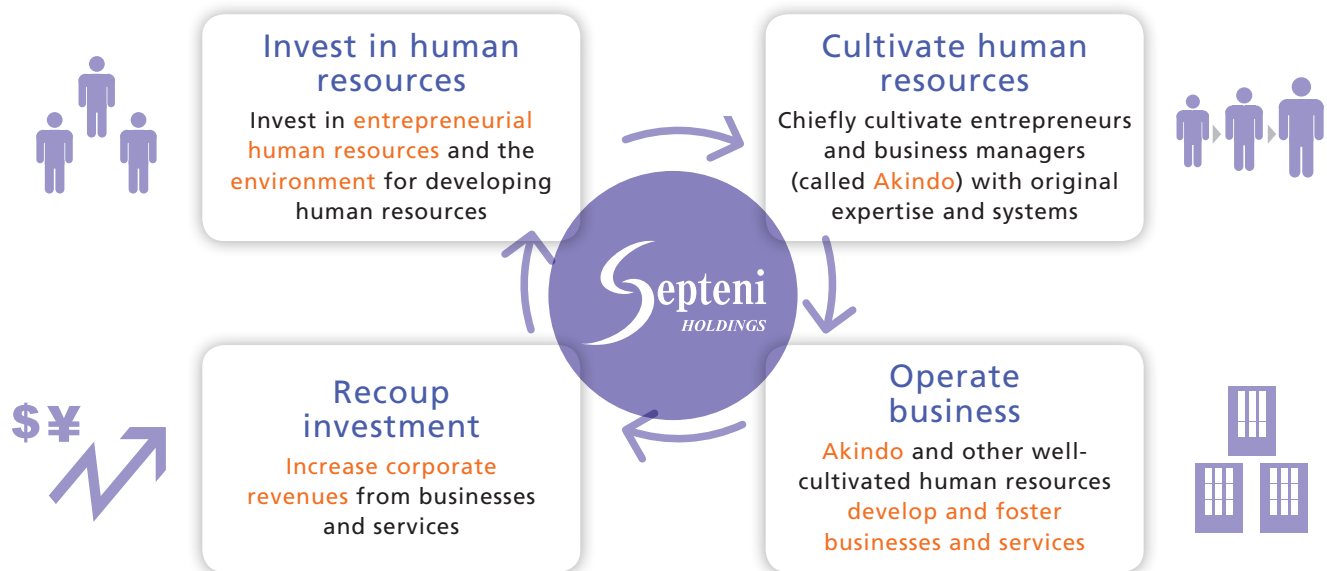


A support platform for
social contribution by
users and companies

The Septeni Group's Growth Cycle

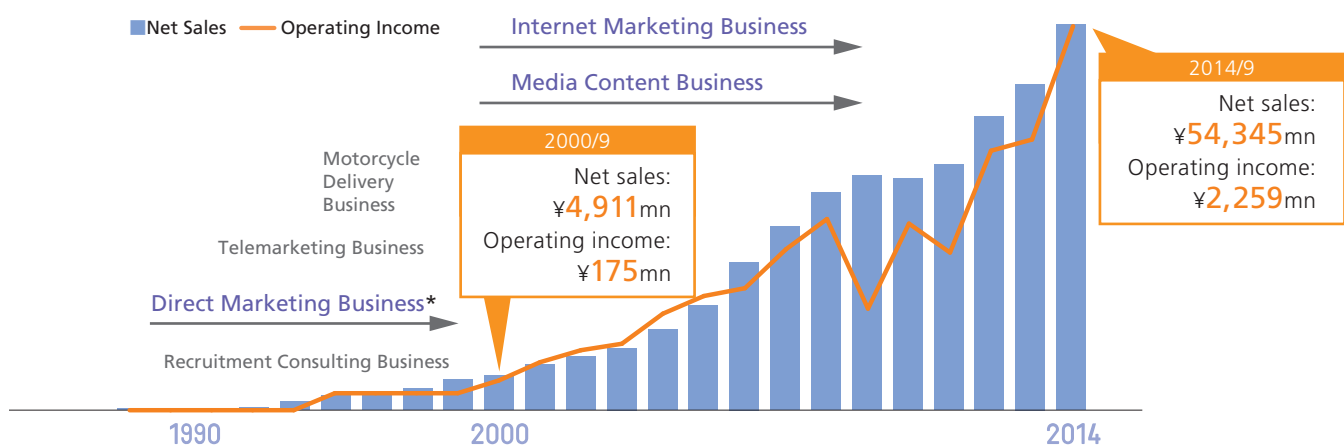
Human resources with a good sense of ownership and a strong entrepreneurial spirit are the Group's biggest asset.

We realize sustaining growth by aggressively investing in entrepreneurial human resources.



History of Change and Growth

The Septeni Group has transformed its primary business several times since its foundation in 1990. Net sales increased approx. **11 times** and operating income grew approx. **13 times** in the 14 years since 2000, when the Internet marketing business was started.



*We transferred all our shareholdings and withdrew from the Direct Marketing Business as of October 1, 2014.

Segment Information

Internet Marketing Business

Points for understanding business performance

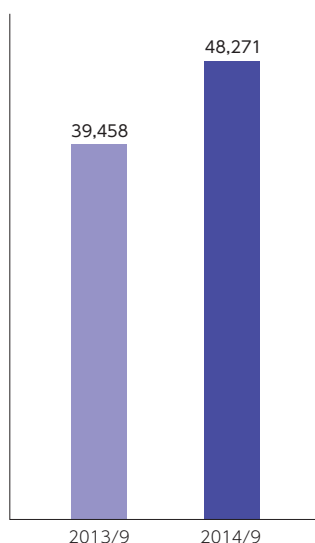
Operations were expanded and profitability was increased

Main content of business

General all-embracing marketing support services using the Internet

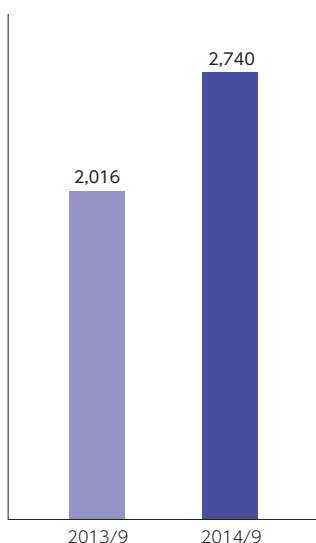
Net Sales

(units: ¥mn)



Operating Income

(units: ¥mn)



Summary

Sales growth accelerated, and profitability improved compared with the previous fiscal year as a result of the expansion of the Internet advertising market particularly in performance-based advertising and our focus on growth areas.

Mobile

Sales of smartphone advertising increased around 2.1 times the year-ago level, and its business composition ratio rose to about 48% due to demand expansion and more diversified products.

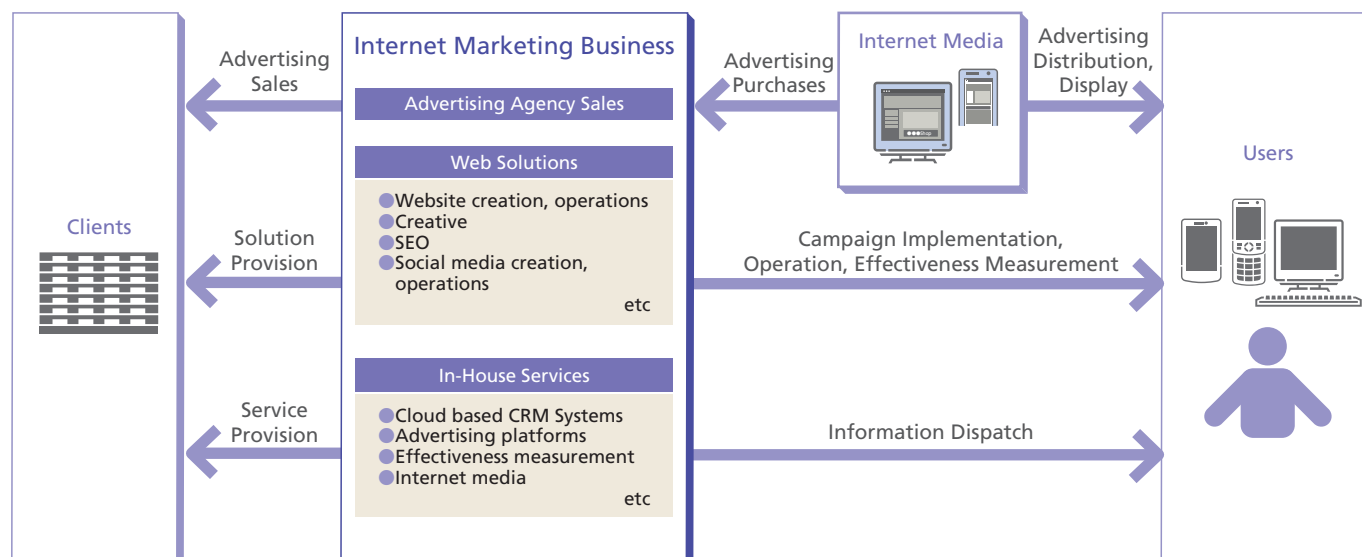
Social

Sales in the Social Media Business increased by a factor of around 2.9 from the previous fiscal year due to the expansion of Facebook-related services and rapid growth in Twitter advertising.

Global

Operations were expanded, mainly at our North American base, and sales increased significantly, approx. 7.5 times year on year.

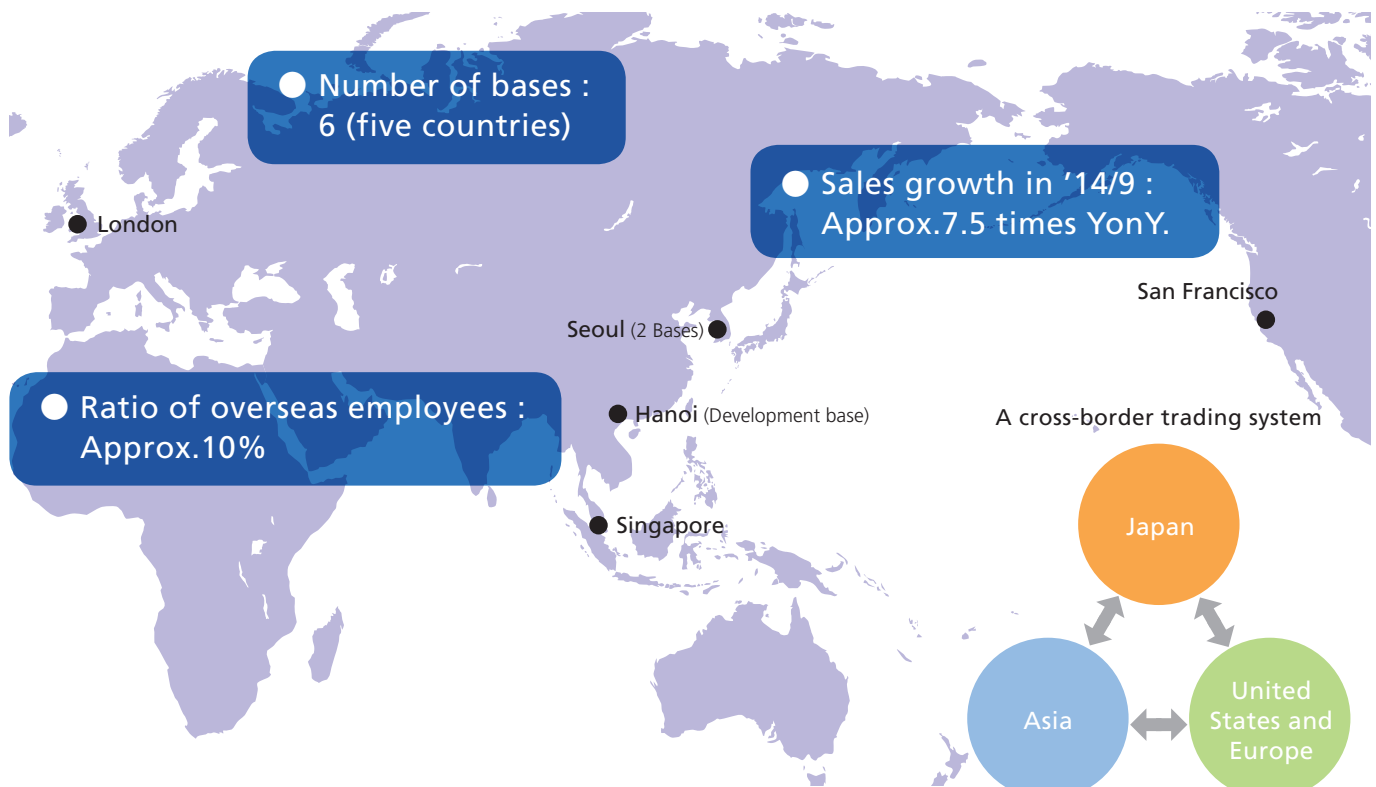
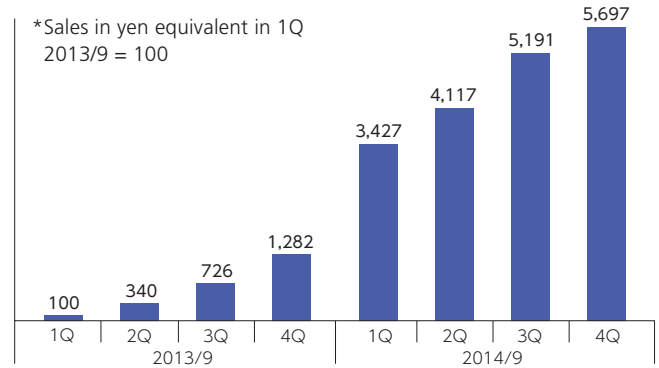
Overseas expansion was promoted aggressively, with the establishment of new bases in two locations (London and Seoul) and the acquisition of an internet ad agency in South Korea as a subsidiary.



FOCUS Overseas expansion

The global development of the Septeni Group began with the establishment of a business base in Singapore in March 2012. Two and a half years later, the global operation of the Group has now grown to include a total of six bases, with five business bases and one development base, which supports the growth of the Group. These business bases have built a cross-border transaction system of Internet advertising with Japan and provide Internet marketing support services to local companies. The development base works on the development of our own services including "PYXIS," an optimization tool for social media advertising operations.

Overseas sales Trend



Media Content Business

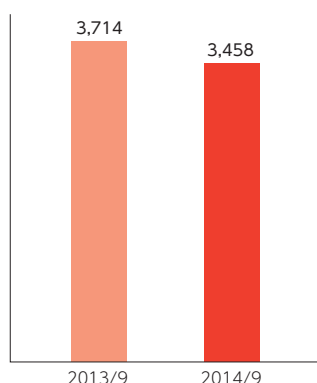
Points for understanding business performance

Operating loss continued due to upfront investments

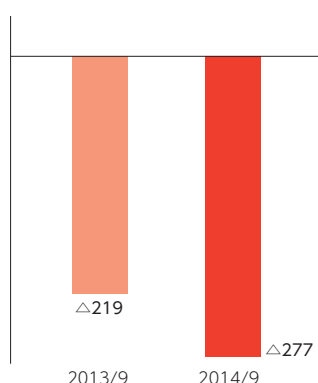
Main content of business

Provision of digital content centering on games for smartphones, the cultivation and production of Manga artists for the purpose of planning and developing our own intellectual property (IP) and the operation of the Manga distribution service, etc.

Net Sales
(units: ¥mn)



Operating Income
(units: ¥mn)



● Mobile Game Business

Existing titles remained firm but a browser game was the only new title that was released. This resulted in a decline in net sales.

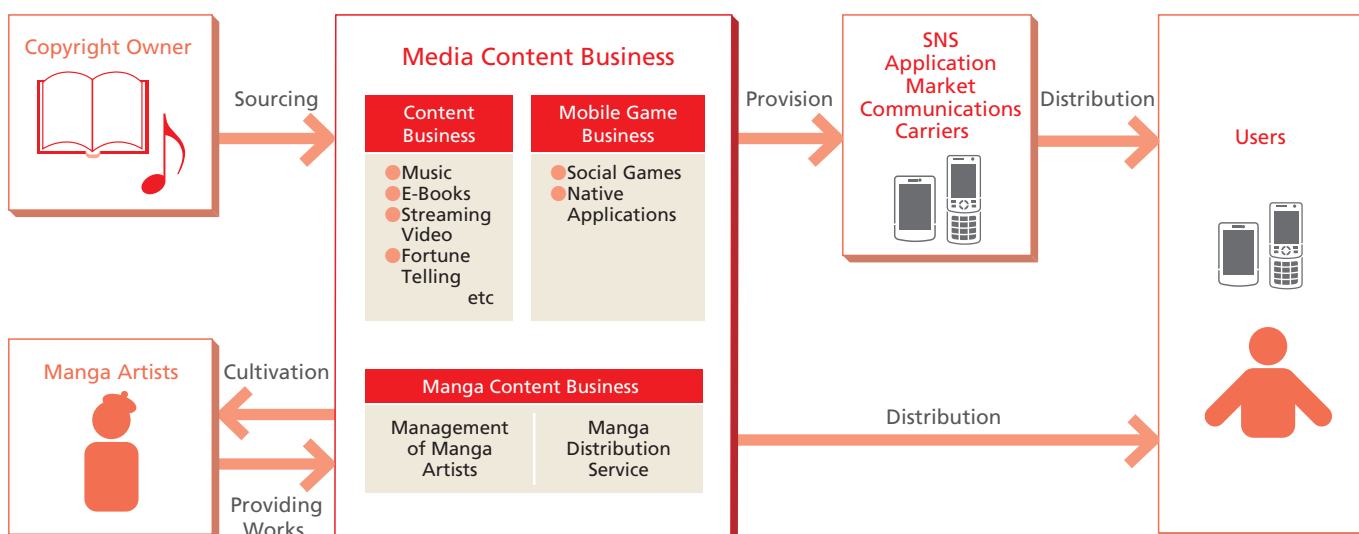
Meanwhile, Efforts were focused on a native application game planned to be released in the year ended September 2015.

● Manga Content Business

GANMA!, an online distribution service for new serial Manga, was launched and full scale operation has started. Upfront investments were actively made in both cultivation of artists and Manga distribution services for future profits.

● New Businesses

As a result of promoting the development of multiple new businesses other than the Manga content business, losses related to upfront investments in new businesses (including the Manga content business) increased to 313 million yen, about twice as much as losses in the previous fiscal year.



FOCUS

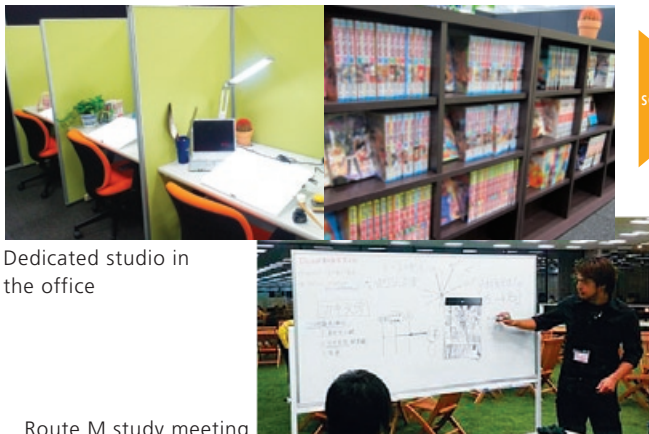
Manga Content Business

The Manga content business, which we fully launched as a core new business in the year ended September 2014, operates the cultivation and production of Manga artists and the Manga distribution service, with the aim of planning and developing our own IP centering on Manga content. We will continue to make proactive upfront investments in cultivating Manga artists and expanding the platform to create excellent Manga works born from the Internet and monetize them as a business.

A program to support new Manga Artists



Providing Manga artists with full support for their creative activities, including access to a dedicated studio in Septeni's office, support from editors and monthly financial support in fixed amounts



Dedicated studio in the office

Route M study meeting

A service to distribute new serial Manga works online



Developing systems for readers to directly encourage and contribute to Manga artists' growth, such as a ranking system based on reader reviews and a system for posting illustrations. The app downloads have exceeded 850,000 and a total of 40 serialized works are distributed as of Nov. 30, 2014.

serialize



Turning popular Manga series into independent books.

We turned popular Manga series that appear serially on GANMA! into independent books in October 2014 and began selling them in series at an electronic bookstore.



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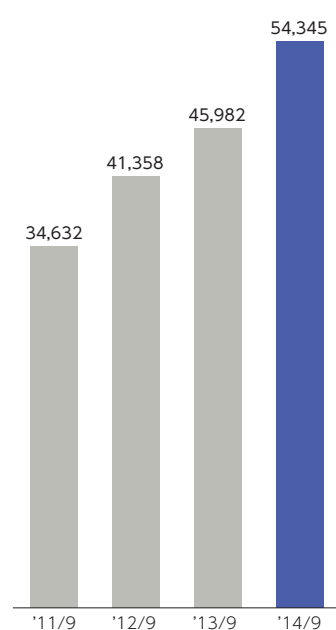
Consolidated Financial Information

Consolidated Income Statement Overview (units: ¥mn)

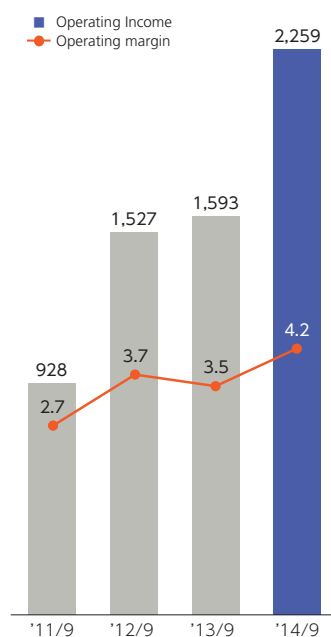
Item	2013/9	2014/9	Rate of change
Net sales	45,982	54,345	+18.2%
Operating Income	1,593	2,259	+41.8%
Ordinary Income	1,752	2,362	+34.8%
Net Income	1,207	1,549	+28.3%

- The buoyant Internet Marketing Business offset an operating loss in the Media Content Business due to upfront investments and became a driving force for the consolidated results.
- Net sales and all incomes reached record highs for the third consecutive year and operating margin improved.

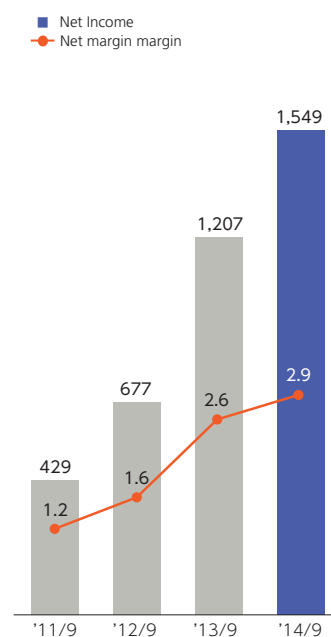
Net Sales (units: ¥mn)



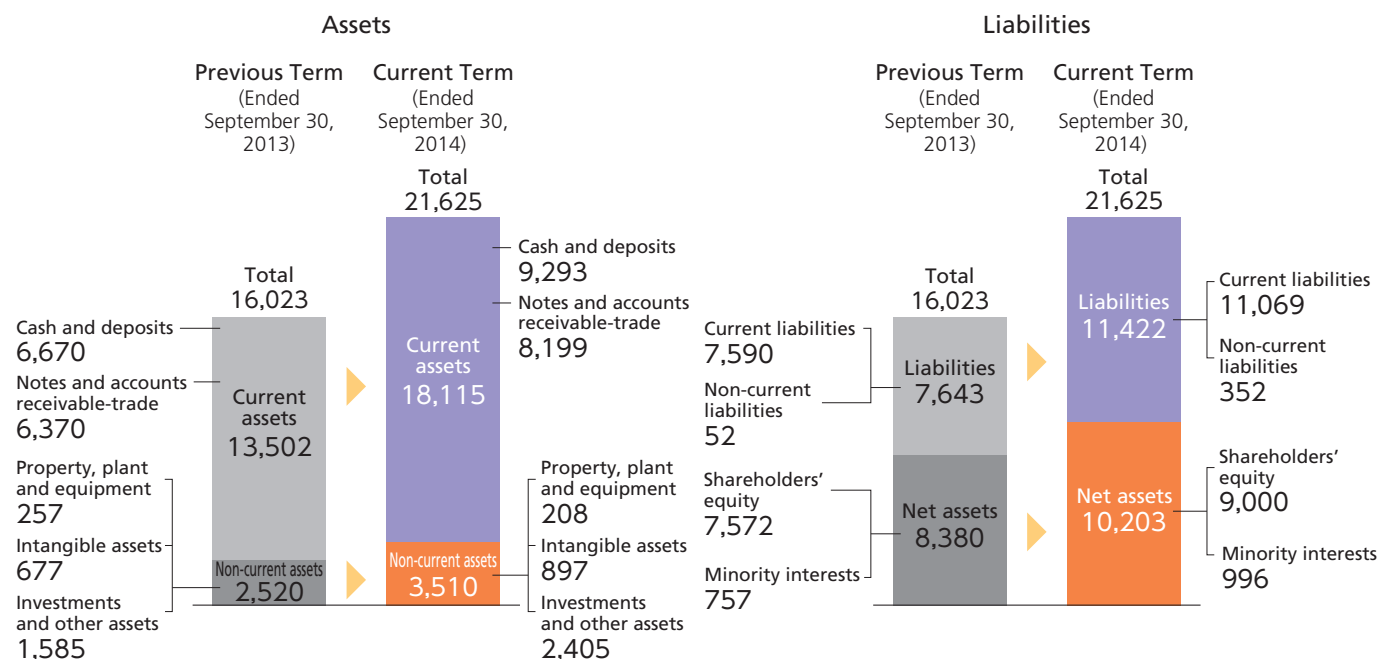
Operating Income (units: ¥mn)
Operating margin (units: %)



Net Income (units: ¥mn)
Net margin margin (units: %)



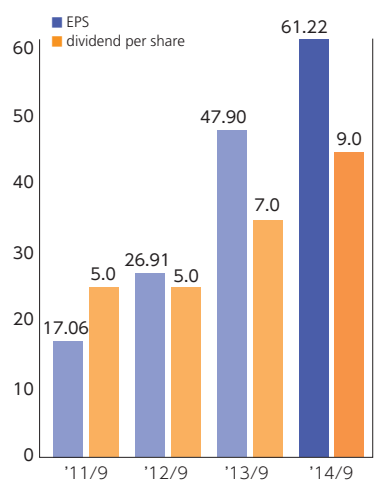
Overview of Consolidated Balance Sheets (units: ¥mn)



- **Assets:** Increased ¥5,602 million from the end of the previous term, due to increases in cash and deposits and notes and accounts receivable-trade, etc.
- **Liabilities:** Increased ¥3,779 million from the end of the previous term, due to increases in accounts payable-trade and unpaid taxes, etc.
- **Net assets:** Increased ¥1,822 million from the end of the previous term due to an increase in retained earnings associated with the posting of net income, etc.

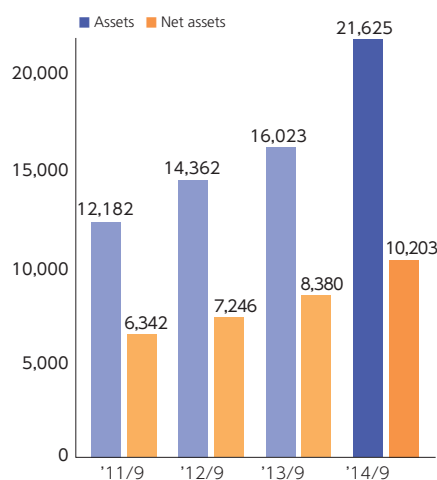
EPS (units: ¥)

dividend per share (units: ¥)

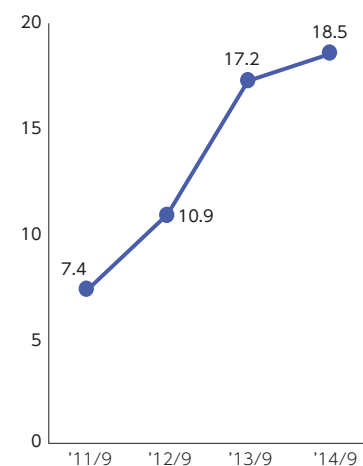


Assets (units: ¥mn)

Net assets (units: ¥mn)



ROE (units: %)



*The Company implemented a 200-for-1 stock split for its common stock on October 1, 2013. The figures here are calculated on the assumption that the stock split was implemented at the beginning of 2011/9.

Main Group Companies

Holding Company



The holding company for a group of companies conducting primarily Internet-related and other businesses

Internet Marketing Business

Domestic



SEPTENI CO.,LTD.
Internet ad agency/Providing assistance for overall promotions on internet



MANGO Inc.
SEM operation business



Vasara Inc.
Internet ad agency



HighScore,Inc.
Social media marketing support business



EAGLE i Co.,Ltd.
Advertising network business



Septeni Original,Inc.
Plannnig and development of in-house service



SEPTENI CROSSGATE CO.,LTD.
Ad network and platform business



ASP CO.,LTD.
e-marketing solutions



Tricorn Corporation
CRM service business

Overseas



Septeni Asia Pacific Pte. Ltd.
Internet ad agency in Asia and Pacific Ocean region



Septeni America, Inc.
Internet marketing business for North America region



Septeni Europe Co., Ltd.
Internet marketing business for Europe region



JNJ INTERACTIVE INC.
Internet ad agency in South Korea



SEPTENI TECHNOLOGY CO., LTD.
Web service development

Media Content Business



AXEL MARK INC.
Mobile content business



COMICSMART,Inc.
Manga content business



ViViVit,Inc.
Platform business of matching recruitment



gooddo Inc.
Platform business of social contribution

New Business Development



SEPTENI VENTURES Co., Ltd.
Incubation support

Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Tel	+81-03-6863-5623
Fax	+81-03-6863-5624
Foundation	October 1990
Capital	2,053 million yen
No.of Employees	809 permanent staff 955 employees



Officers As of December 19, 2014

The President and Representative Director Koki Sato (center)

Senior Managing Director Isamu Ueno (third from right)

Managing Director Kazumi Shimizu (far right)

Director Tadahiro Matsuda (second from right)

Director Shintaro Karaki (second from left)

Director Kana Setoguchi (third from left)

External Director Tatsuya Kimura (far left)

Internal Auditor Katsuhisa Yanagi

Internal Auditor Muneyoshi Nomura

External Auditor Yoshihide Hirowatari

External Auditor Reiji Otaki

*Mamoru Nanamura, the founder of the Company, retired from the position of Director (the Chairman of the Board and Representative Director) as of the closing of the 24th regular general meeting of shareholders held on December 19, 2014. He became Honorary Chairman on the same day to perform his duty symbolizing the Group.

Ownership Structure updated on September 30, 2014

Number of shares authorized 74,016,000units

Number of shares issued 27,147,000units

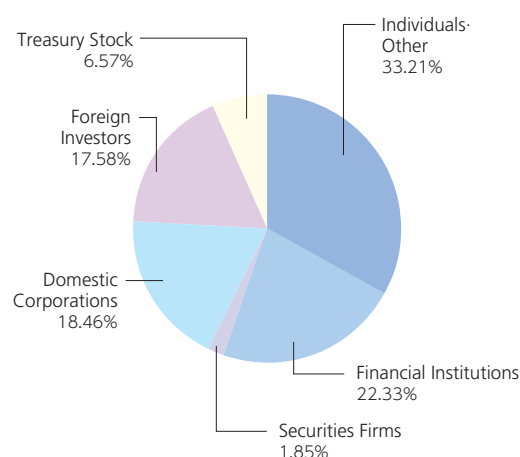
Number of shareholders 5,979

Major Stockholders

Major shareholders	Number of shares	Share holding
Village seven Co.,Ltd.	3,543,800	13.97%
Mamoru Nanamura	2,933,200	11.57%
Japan Trustee Services Bank, Ltd. (Trust account)	2,647,900	10.44%
Yahoo Japan Corporation	1,400,000	5.52%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,393,000	5.49%
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	613,700	2.42%
The Master Trust Bank of Japan ,Ltd. (Trust Account)	555,100	2.19%
GOLDMAN SACHS INTERNATIONAL	553,724	2.18%
Hiroshi Shimizu	454,000	1.79%
JP MORGAN CHASE BANK 385181	446,600	1.76%

(Note) Excluding our major stockholders above, our company reserve 1,784,600 units of stock in our treasury. The above shareholding ratios exclude treasury stock.

Breakdown by the Number of Holdings Shares



Our Creed



“Hinerankai” in Kansai dialect means, “Rack your brain and be creative”

Our 7 Commitments for Success (The Septeni Way)

Speed

As a united team, we are dedicated to serving and responding to our customers needs with no delay and being quick in decision-making without jeopardizing the end results. Our training will assist us in taking full advantage of business opportunities surrounding us while providing our customers with satisfying services and support.

Stretch

We always pursue a higher goal. Since we can not reach the goal we are aiming for by doing the same thing as in the past, we have been achieving growth through continuous innovation and changes.

Partnership

All employees perform their duties with managerial responsibilities regardless of management or employee.

Fair&Open

Our company creates an environment where employees are fairly rewarded for their contributions based on a system of full disclosure.

Originality

What does it take to be passionate in our work? What does it take for us to become and maintain ourselves as pioneers in what we do? What does it take to be fruitful? We believe it's all about being original.

Passion

Our company has the strong will and passion to win the race and contribute to the team's growth and productivity, no matter how tough the challenge is.

Free&Rule

In order to become a strong and great company, one needs both solid rules and the freedom to act under those rules. Our company has made freedom within rules a part of our corporate culture.



SEPTENI HOLDINGS CO., LTD.

<http://www.septeni-holdings.co.jp/en/>

■ Results forecasts and other forward-looking statements contained in this report were prepared based on information available at the time of the report was prepared, and actual results may differ from projected figures due to various factors in the future.

■ The company names and service names in this report are their trademark or registered trademark.