

SEPTENI HOLDINGS (4293)

Consolidated Fiscal Year (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY09/2013		45,982	1,593	1,752	1,207	47.9	7.0	300.3
FY09/2014		54,345	2,259	2,362	1,549	61.2	9.0	361.9
FY09/2015CoE		64,110	2,701	2,897	2,518	97.5	14.0	-
FY09/2014	YoY	18.2%	41.8%	34.8%	28.3%	-	-	-
FY09/2015CoE	YoY	18.0%	19.5%	22.6%	62.5%	-	-	-
Consolidated Quarter (Million Yen)		Sales	OP	RP	NP	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 FY09/2014		12,532	682	737	413	-	-	-
Q2 FY09/2014		14,246	611	642	375	-	-	-
Q3 FY09/2014		13,580	410	399	398	-	-	-
Q4 FY09/2014		13,985	555	582	361	-	-	-
Q1 FY09/2015		14,026	429	480	1,034	-	-	-
Q2 FY09/2015		15,495	616	714	432	-	-	-
Q3 FY09/2015		16,588	755	802	481	-	-	-
Q4 FY09/2015CoE		18,000	900	900	570	-	-	-
Q1 FY09/2015	YoY	11.9%	(37.1%)	(34.9%)	150.2%	-	-	-
Q2 FY09/2015	YoY	8.8%	0.9%	11.3%	15.1%	-	-	-
Q3 FY09/2015	YoY	22.1%	84.1%	100.7%	20.6%	-	-	-
Q4 FY09/2015CoE	YoY	28.7%	61.9%	54.4%	57.8%	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (2 September 2015)

Driven by "In-Feeding Type" Advertising

SEPTENI HOLDINGS, being involved with sales of Internet advertising as the key earnings pillar, is seeing accelerating growth rates in sales and earnings. In May 2015, "Yahoo! Japan", one of the media on which the Company is running own Internet advertising, has newly introduced advertising slot to be displayed between articles, which is called "in-feeding type", in line with reformation of the Smartphone-edition top page. As far as we could gather, the Company is starting to see surging sales stemming from here. At the same time, the Company is seeing expenses as well, due to aggressive frontloaded investments in manga content to be future earnings sources, but this is far more than compensated for by increasing earnings from sales of Internet advertising, i.e., the current earnings pillar. Meanwhile, the Company has come up with a target to quickly "double earnings", as own management policy, since November 2013. When based on operating profit ¥1,593m in FY09/2013, the Company is now going for 1.7 times in two years, i.e., ¥2,701m in FY09/2015.

In Q3 FY09/2015, sales came in at ¥16,588m (up 22.1% YoY), operating profit ¥755m (up 84.1%) and operating profit margin 4.6% (up 1.5% points). By business segment, Internet Marketing Business, basically comprising sales of Internet advertising, saw sales ¥15,910m (up 32.1%), segment profit ¥981m (up 77.0%) and segment profit margin 6.2% (up 1.6% points). Given a fact that this business segment accounted for


115.7% of collective segment profit ¥847m of the Company as a whole, it should be concluded that this business segment is effectively the only driver for overall earnings of the Company. In regards to Internet Marketing Business, the Company discloses sales trends of three domains, i.e., a) mobile (Smartphones), b) social and c) global, while it is the case that a) mobile, holding high share of sales, is most substantially contributing to the strengths with surging sales. Sales in here increased 1.7 times over the year and accounted for 66.1% of total versus 51.0% over the year. This has a lot to do with above-mentioned in-feeding type advertising, which is also called “native” advertising.

FY09/2015 Company forecasts are going for prospective sales ¥64,110m (up 18.0% YoY), operating profit ¥2,701m (up 19.5%) and operating profit margin 4.2% (up 0.1% point). In Q4, prospective sales are ¥18,000m (up 28.7% YoY), operating profit ¥900m (up 61.9%) and operating profit margin 5.0% (up 1.0% point), implying ongoing high growth rates in sales and earnings in the near future, preceded by those in Q3 results. In regards to Internet Marketing Business, prospective sales are ¥17,340m (up 38.3%), operating profit ¥1,138m (up 60.3%) and segment profit margin 6.6% (up 0.9% points). Meanwhile, the Company makes it a rule to come up with Company forecasts for the next quarter in line with the release of any quarterly results. As far as the trends through Q1 to Q3 FY09/2015 are concerned, Company forecasts have been well exceeded, i.e., 43.1% in Q1, 12.0% in Q2 and 64.1% in Q3, in terms of operating profit. Thus, Company forecasts in Q4 could be conservative, as well.

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2.0 Company Profile

Independent Internet Advertising Company

Company Name	SEPTENI HOLDINGS CO., LTD. Company Website IR Information Share Price 
Established	29 October 1990
Listing	9 August 2001: Tokyo Stock Exchange JASDAQ Standard (Ticker: 4293)
Capital	¥2,067m (As of the end of June 2015)
No. of Shares	27,696,400 shares, including 1,784,600 treasury (As of the end of June 2015)
Main Features	<ul style="list-style-type: none"> ● Sales of Internet advertising, the mainstay earnings pillar ● Competitive advantages on capability to cope with Smartphones and social media, while cultivating markets on a global basis ● Started up running specialty website of manga content, while fostering and promoting new artists
Businesses	<ul style="list-style-type: none"> . Internet Marketing Business . Media Content Business
Top Management	President and Representative Director: Koki Sato
Shareholders	Village Seven Co., Ltd. 12.0%, Mamoru Nanamura 11.5%, Japan Trustee Services Bank, Ltd. (trust account) 9.3% (As of the end of March 2015)
Headquarters	Shinjuku-ku, Tokyo JAPAN
No. of Employees	Consolidated: 862 , Member of operations: 1,017 (As of the end of June 2015)

Source: Company Data

3.0 Recent Trading & Prospects

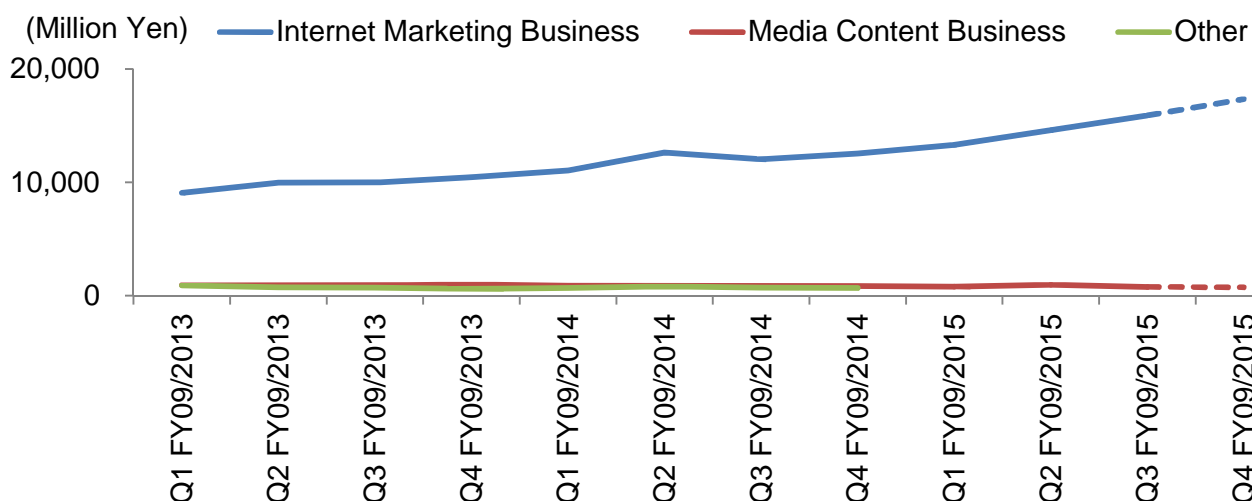
Q3 FY09/2015 Results

In Q3 FY09/2015, sales came in at ¥16,588m (up 22.1% YoY), operating profit ¥755m (up 84.1%), recurring profit ¥802m (up 100.7%) and net profit ¥481m (up 20.6%), while operating profit margin 4.6% (up 1.5% points). Over the year, net profit came in at ¥398m versus recurring profit ¥399m due to one-off factors, while all those factors did not reappear two years in a row.

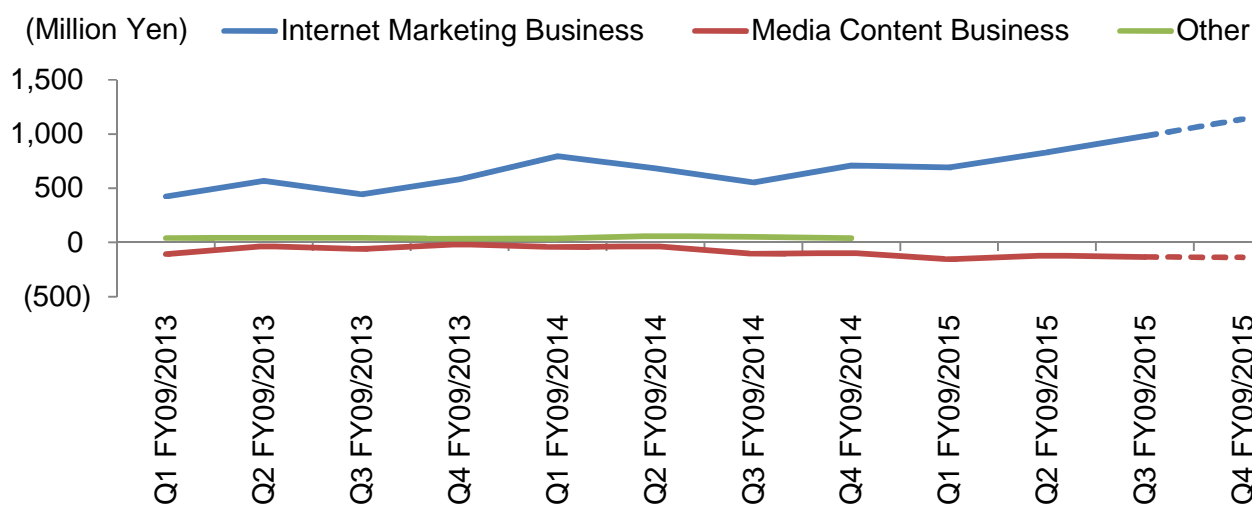
Compared with Company forecasts, released in line with the release of Q2 results, sales were exceeded ¥788m (5.0%), operating profit ¥295m (64.1%), recurring profit ¥332m (70.6%) and net profit ¥171m (55.2%). As far as we could gather, the Company saw impacts far better from in-feeding type advertising to have been distributed to Smartphones in Internet Marketing Business.

Performance by Business Segment

Sales



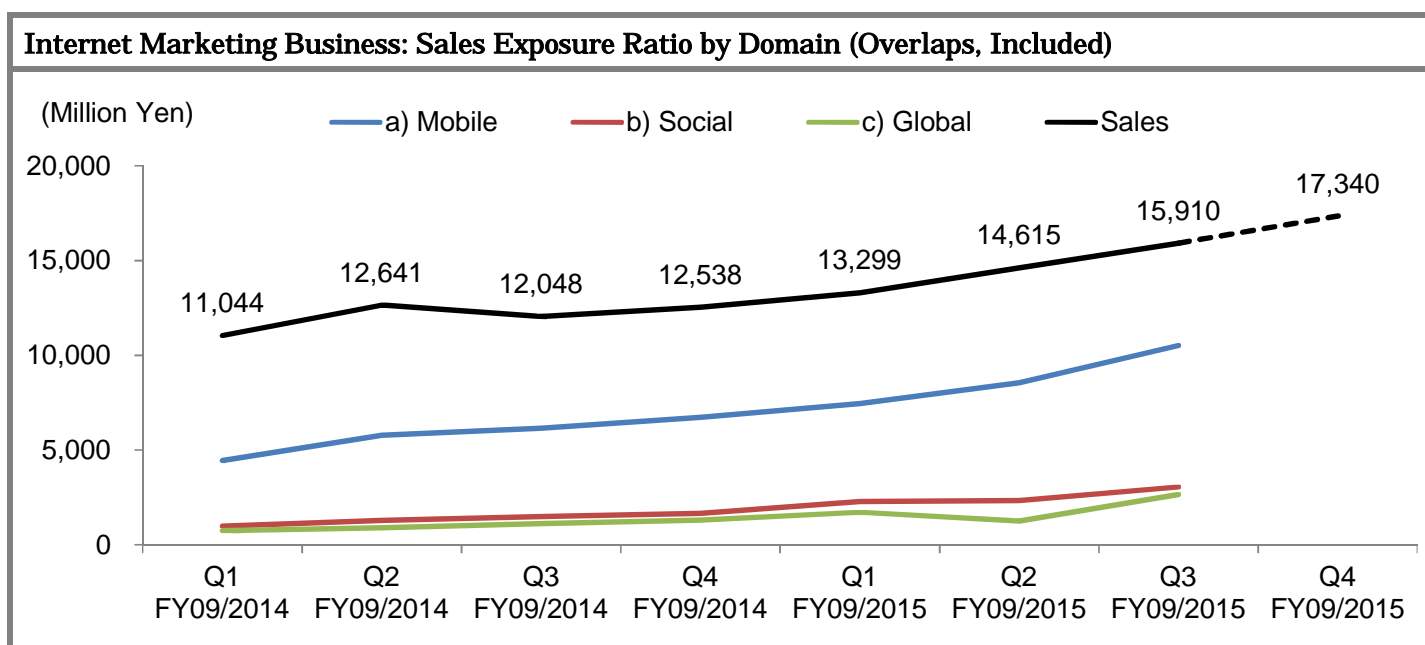
Segment Profit



Source: Company Data, WRJ Calculation

At the moment, earnings of the Company heavily hinge on the performance of Internet Marketing Business where the Company is mainly involved with sales of Internet advertising. Sales of Media Content Business remain far too smaller, when compared with those of Internet Marketing Business and this business segment has been persistently making operating loss. On top of this, the deal to have sold operations to dispatch direct mails for sales promotions on behalf of customers, included in “Other” by business segment, in October 2014, also increased the Company’s exposure to Internet Marketing Business (as the operations used to make money, albeit not much).

In Internet Marketing Business, SEPTENI CO., LTD., i.e., the group’s core company, is in charge of running sales of Internet advertising as an independent player for some 1,500 customers and/or advertisers. All those customers comprise financials, real estate, cosmetics, E-Commerce and Internet services (media, telecom, mobile games, etc.) by sector. Most recently, the number of customers remains rather stable, while sales per customer are on the rise, according to the Company.



Source: Company Data, WRJ Calculation

In Q3, Internet Marketing Business saw sales ¥15,910m (up 32.1%), segment profit ¥981m (up 77.0%) and segment profit margin 6.2% (up 1.6% points), while gross profit margin 17.6% (up 0.6% points) and SG&A expenses ¥1,812m (up 21.1%). It appears to us that increasing exposure to sales of a) mobile and b) social, both carrying gross profit margin relatively higher than average, is the key factor to have boosted gross profit margin as a whole, while the Company saw increases reasonably larger in sales than SG&A expenses.

In regards to Internet Marketing Business, the Company discloses sales trends of three domains, i.e., a) mobile, b) social and c) global, while it is the case that a) mobile, holding high share of sales, is most substantially contributing to the strengths with surging sales. Sales in here increased 1.7 times over the year and accounted for 66.1% of total versus 51.0% over the year. On the b) social side, sales increased 2.0 times to 19.2% from 12.4%, while up 2.4 times to 16.7% from 9.3% on the c) global side.

Meanwhile, it has to be mentioned that sales among all those domains do overlap each other. For example, the bulk of advertising on social media, e.g., “Facebook” and “Twitter”, is currently viewed through Smartphones and thus the bulk of sales stemming from here are also included in a) mobile on top of b) social by domain.

At the end of the day, we have an impression that the Company holds appropriate and comprehensive knowhow, etc. to aggressively cultivate fast-growing parts of Internet advertising, i.e., a) mobile and b) social by domain, while it has been doing so in reality. Meanwhile, the Company argues that it is competitive due to its flexible management to quickly allocate management resources on fast-growing parts and to its capability to successfully pick up next growth parts earlier than competitors with own insight in the market for Internet where changes are so fast. On top of this, the Company also argues that it does have appropriate human resources as well as capability to efficiently manage them as an organization.

For example, the Company has been accumulating knowhow of advertising on social media, i.e., “Facebook” and “Twitter”, taking the lead in in-feeding type advertising on Smartphones by means of having been involved with operations of the advertising since the earliest stages. The strengths in here have a lot to do with own competitiveness in the current operations of in-feeding type advertising for “Yahoo! Japan”, as well as for those of news apps, e.g., “Gunosy”, “SmartNews”, etc., that are to steadily grow, going forward.

Meanwhile, in regards to c) global, the Company claims for establishment of cross-border transaction scheme. Currently, the Company runs two bases in Asia (Seoul and Singapore) and two bases in Europe & America (San Francisco and London), on top of the domestic bases in Japan. The Company’s idea is to set up a system to efficiently distribute Internet advertising of own customers locally cultivated to any target regions across the world. The Company suggests that it is rather advanced also on this side among competitors.

In Q3, as discussed earlier, sales of c) global increased 2.4 times over the year. Meanwhile, sales in Q2, just before Q3, were adjusted. Basically, the Company in here is mainly involved with large-scale global sales promotion projects and thus sales of c) global on a quarterly basis could perform with some volatility. In Q3, sales associated with placing advertising by the mainstay U.S. customers for Japan were firm in particular.

The other thing to be mentioned, in regards to sales of c) global, is that net add-ons have been generated, stemming from new consolidation of Internet advertising company based in Korea to have been merged with in July 2014, since Q1 FY09/2015. The company is JNJ INTERACTIVE INC., known as a player with cutting edge technology in “Facebook” advertising, while holding local major corporations as main advertisers. Thus, the deal in here gave the Company increasing sales of c) global and those of b) social at the same time.

On the other hand, in Media Content Business, where the bulk of sales is accounted for by those of AXEL MARK INC. (TSE-Mothers-listed consolidated subsidiary: 54.9% held by the Company as of the end of Q2 FY09/2015) mainly in charge of developing mobile games, sales came in at ¥750m (down 14.6%), segment loss ¥133m (segment loss ¥104m over the year) and segment profit margin negative 17.8% (down 5.9% points). This business segment also includes manga content, in which the Company is currently at the stage of carrying out frontloaded investments, having been the key negative factor for the loss in this business segment.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015		
Sales	12,532	26,779	40,360	54,345	14,026	29,522	46,110	-		+5,749
Cost of Sales	9,954	21,685	32,807	44,203	11,492	24,187	37,723	-		+4,915
Gross Profit	2,578	5,094	7,552	10,141	2,533	5,334	8,386	-		+833
SG&A Expenses	1,895	3,800	5,848	7,882	2,103	4,288	6,585	-		+736
Operating Profit	682	1,293	1,703	2,259	429	1,046	1,801	-		+97
Non Operating Balance	55	86	75	102	50	148	196	-		+120
Recurring Profit	737	1,380	1,779	2,362	480	1,194	1,997	-		+217
Extraordinary Balance	(6)	(6)	(46)	(46)	1,170	1,170	1,199	-		+1,246
Pretax Profit	731	1,373	1,733	2,316	1,650	2,365	3,197	-		+1,463
Tax Charges, etc.	309	560	530	752	654	944	1,303	-		+772
Minorities' Interests	9	23	14	14	(38)	(46)	(54)	-		(68)
Net Profit	413	789	1,187	1,549	1,034	1,466	1,948	-		+760
Sales YoY	+15.1%	+19.2%	+18.7%	+18.2%	+11.9%	+10.2%	+14.2%	-		-
Operating Profit YoY	+134.9%	+67.9%	+55.8%	+41.8%	(37.1%)	(19.1%)	+5.7%	-		-
Recurring Profit YoY	+118.2%	+56.8%	+45.5%	+34.8%	(34.9%)	(13.4%)	+12.2%	-		-
Net Profit YoY	+121.4%	+7.1%	+30.5%	+28.3%	+150.2%	+85.9%	+64.0%	-		-
Gross Profit Margin	20.6%	19.0%	18.7%	18.7%	18.1%	18.1%	18.2%	-		(0.5%)
SG&A / Sales	15.1%	14.2%	14.5%	14.5%	15.0%	14.5%	14.3%	-		(0.2%)
Operating Profit Margin	5.4%	4.8%	4.2%	4.2%	3.1%	3.5%	3.9%	-		(0.3%)
Recurring Profit Margin	5.9%	5.2%	4.4%	4.3%	3.4%	4.0%	4.3%	-		(0.1%)
Net Profit Margin	3.3%	3.0%	2.9%	2.9%	7.4%	5.0%	4.2%	-		+1.3%
Tax Charges etc. / Pretax Profit	42.2%	40.8%	30.6%	32.5%	39.7%	39.9%	40.8%	-		+10.1%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015		
Sales	12,532	14,246	13,580	13,985	14,026	15,495	16,588	-		+3,007
Cost of Sales	9,954	11,730	11,122	11,395	11,492	12,694	13,535	-		+2,413
Gross Profit	2,578	2,516	2,458	2,589	2,533	2,801	3,052	-		+593
SG&A Expenses	1,895	1,905	2,048	2,033	2,103	2,184	2,297	-		+249
Operating Profit	682	611	410	555	429	616	755	-		+344
Non Operating Balance	55	31	(10)	26	50	97	47	-		+57
Recurring Profit	737	642	399	582	480	714	802	-		+402
Extraordinary Balance	(6)	0	(39)	0	1,170	0	29	-		+69
Pretax Profit	731	641	360	582	1,650	714	831	-		+471
Tax Charges, etc.	309	251	(30)	221	654	290	358	-		+388
Minorities' Interests	9	13	(8)	0	(38)	(8)	(7)	-		+1
Net Profit	413	375	398	361	1,034	432	481	-		+82
Sales YoY	+15.1%	+23.2%	+17.6%	+16.8%	+11.9%	+8.8%	+22.1%	-		-
Operating Profit YoY	+134.9%	+27.4%	+26.7%	+11.4%	(37.1%)	+0.9%	+84.1%	-		-
Recurring Profit YoY	+118.2%	+18.5%	+16.7%	+10.1%	(34.9%)	+11.3%	+100.7%	-		-
Net Profit YoY	+121.4%	(31.6%)	+129.1%	+21.8%	+150.2%	+15.1%	+20.6%	-		-
Gross Profit Margin	20.6%	17.7%	18.1%	18.5%	18.1%	18.1%	18.4%	-		+0.3%
SG&A / Sales	15.1%	13.4%	15.1%	14.5%	15.0%	14.1%	13.9%	-		(1.2%)
Operating Profit Margin	5.4%	4.3%	3.0%	4.0%	3.1%	4.0%	4.6%	-		+1.5%
Recurring Profit Margin	5.9%	4.5%	2.9%	4.2%	3.4%	4.6%	4.8%	-		+1.9%
Net Profit Margin	3.3%	2.6%	2.9%	2.6%	7.4%	2.8%	2.9%	-		(0.0%)
Tax Charges etc. / Pretax Profit	42.2%	39.3%	-	38.1%	39.7%	40.6%	43.1%	-		-

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	09/2015	Net Chg.
Internet Marketing Business	11,044	23,685	35,733	48,271	13,299	27,915	43,825	-	-	+8,092
Media Content Business	873	1,729	2,609	3,458	794	1,747	2,498	-	-	(110)
Other	671	1,482	2,198	2,867	-	-	-	-	-	-
Elimination	(56)	(117)	(180)	(251)	(68)	(141)	(214)	-	-	(33)
Sales	12,532	26,779	40,360	54,345	14,026	29,522	46,110	-	-	+5,749
Internet Marketing Business	+21.8%	+24.4%	+23.1%	+22.3%	+20.4%	+17.9%	+22.6%	-	-	-
Media Content Business	(7.1%)	(5.7%)	(4.2%)	(6.9%)	(9.1%)	+1.1%	(4.2%)	-	-	-
Other	(26.4%)	(9.1%)	(5.5%)	(1.9%)	-	-	-	-	-	-
Sales (YoY)	+15.1%	+19.2%	+18.7%	+18.2%	+11.9%	+10.2%	+14.2%	-	-	-
Internet Marketing Business	87.7%	88.1%	88.1%	88.8%	94.4%	94.1%	94.6%	-	-	-
Media Content Business	6.9%	6.4%	6.4%	6.4%	5.6%	5.9%	5.4%	-	-	-
Other	5.3%	5.5%	5.4%	5.3%	-	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Internet Marketing Business	793	1,476	2,030	2,740	691	1,521	2,502	-	-	+472
Media Content Business	(42)	(77)	(181)	(277)	(155)	(274)	(407)	-	-	(225)
Other	36	97	147	186	-	-	-	-	-	-
Segment Profit	788	1,495	1,996	2,650	535	1,247	2,095	-	-	+98
Elimination	(105)	(202)	(292)	(390)	(105)	(201)	(294)	-	-	(1)
Operating Profit	682	1,293	1,703	2,259	429	1,046	1,801	-	-	+97
Internet Marketing Business	+87.3%	+48.9%	+41.5%	+35.9%	(12.9%)	+3.1%	+23.3%	-	-	-
Media Content Business	-	-	-	-	-	-	-	-	-	-
Other	(7.1%)	+15.5%	+17.7%	+16.5%	-	-	-	-	-	-
Segment Profit (YoY)	+121.5%	+60.2%	+47.0%	+35.3%	(32.1%)	(16.6%)	+4.9%	-	-	-
Internet Marketing Business	100.7%	98.7%	101.7%	103.4%	129.1%	122.0%	119.5%	-	-	-
Media Content Business	(5.4%)	(5.2%)	(9.1%)	(10.5%)	(29.1%)	(22.0%)	(19.5%)	-	-	-
Other	4.6%	6.5%	7.4%	7.1%	-	-	-	-	-	-
Segment Profit (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Internet Marketing Business	7.2%	6.2%	5.7%	5.7%	5.2%	5.5%	5.7%	-	-	+0.0%
Media Content Business	(4.8%)	(4.5%)	(7.0%)	(8.0%)	(19.6%)	(15.7%)	(16.3%)	-	-	(9.3%)
Other	5.4%	6.5%	6.7%	6.5%	-	-	-	-	-	-
Elimination	(0.8%)	(0.8%)	(0.7%)	(0.7%)	(0.8%)	(0.7%)	(0.6%)	-	-	+0.1%
Operating Profit Margin	5.4%	4.8%	4.2%	4.2%	3.1%	3.5%	3.9%	-	-	(0.3%)

Segmented Information	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	09/2014	09/2014	09/2014	09/2014	09/2015	09/2015	09/2015	09/2015	09/2015	Net Chg.
Internet Marketing Business	11,044	12,641	12,048	12,538	13,299	14,615	15,910	-	-	+3,862
Media Content Business	873	855	879	849	794	953	750	-	-	(128)
Other	671	811	715	668	-	-	-	-	-	-
Elimination	(56)	(61)	(62)	(71)	(68)	(72)	(73)	-	-	(10)
Sales	12,532	14,246	13,580	13,985	14,026	15,495	16,588	-	-	+3,007
Internet Marketing Business	+21.8%	+26.8%	+20.7%	+20.1%	+20.4%	+15.6%	+32.1%	-	-	-
Media Content Business	(7.1%)	(4.3%)	(1.1%)	(14.2%)	(9.1%)	+11.4%	(14.6%)	-	-	-
Other	(26.4%)	+12.9%	+2.8%	+12.2%	-	-	-	-	-	-
Sales (YoY)	+15.1%	+23.2%	+17.6%	+16.8%	+11.9%	+8.8%	+22.1%	-	-	-
Internet Marketing Business	87.7%	88.3%	88.3%	89.2%	94.4%	93.9%	95.5%	-	-	-
Media Content Business	6.9%	6.0%	6.4%	6.0%	5.6%	6.1%	4.5%	-	-	-
Other	5.3%	5.7%	5.2%	4.8%	-	-	-	-	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Internet Marketing Business	793	682	554	709	691	830	981	-	-	+426
Media Content Business	(42)	(35)	(104)	(95)	(155)	(118)	(133)	-	-	(29)
Other	36	60	50	39	-	-	-	-	-	-
Segment Profit	788	707	500	653	535	712	847	-	-	+347
Elimination	(105)	(96)	(90)	(97)	(105)	(95)	(92)	-	-	(2)
Operating Profit	682	611	410	555	429	616	755	-	-	+344
Internet Marketing Business	+87.3%	+20.2%	+24.9%	+22.1%	(12.9%)	+21.7%	+77.0%	-	-	-
Media Content Business	-	-	-	-	-	-	-	-	-	-
Other	(7.1%)	+35.4%	+22.0%	+12.1%	-	-	-	-	-	-
Segment Profit (YoY)	+121.5%	+22.5%	+17.8%	+9.0%	(32.1%)	+0.6%	+69.4%	-	-	-
Internet Marketing Business	100.7%	96.4%	110.7%	108.6%	129.1%	116.6%	115.7%	-	-	-
Media Content Business	(5.4%)	(5.0%)	(20.8%)	(14.6%)	(29.1%)	(16.6%)	(15.7%)	-	-	-
Other	4.6%	8.6%	10.1%	6.0%	-	-	-	-	-	-
Segment Profit (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-	-	-
Internet Marketing Business	7.2%	5.4%	4.6%	5.7%	5.2%	5.7%	6.2%	-	-	+1.6%
Media Content Business	(4.8%)	(4.1%)	(11.9%)	(11.2%)	(19.6%)	(12.4%)	(17.8%)	-	-	(5.9%)
Other	5.4%	7.5%	7.1%	5.9%	-	-	-	-	-	-
Elimination	(0.8%)	(0.7%)	(0.7%)	(0.7%)	(0.8%)	(0.6%)	(0.6%)	-	-	+0.1%
Operating Profit Margin	5.4%	4.3%	3.0%	4.0%	3.1%	4.0%	4.6%	-	-	+1.5%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q2 09/2014	Q3 09/2014	Q4 09/2014	Q1 09/2015	Q2 09/2015	Q3 09/2015	Q4 09/2015		
Cash & Deposit	6,771	7,335	7,391	9,293	10,539	10,146	10,878	-	-	+3,486
Accounts Receivables	6,240	7,777	7,411	8,199	7,830	8,925	9,328	-	-	+1,917
Inventory	13	28	19	71	101	9	7	-	-	(12)
Other	709	457	679	590	450	412	406	-	-	(273)
Current Assets	13,735	15,598	15,502	18,155	18,922	19,494	20,620	-	-	+5,118
Tangible Assets	231	239	222	208	200	255	267	-	-	+45
Intangible Assets	664	629	588	897	842	788	706	-	-	+118
Investments & Other Assets	1,594	1,603	1,675	2,405	2,026	2,157	2,145	-	-	+469
Fixed Assets	2,490	2,472	2,487	3,510	3,069	3,202	3,119	-	-	+632
Total Assets	16,225	18,070	17,989	21,665	21,992	22,696	23,740	-	-	+5,751
Accounts Payable	5,091	6,288	5,774	7,569	7,644	7,897	8,626	-	-	+2,851
Short Term Debt	911	871	968	905	1,258	1,138	1,223	-	-	+254
Other	1,513	1,808	1,751	2,595	1,824	2,019	1,784	-	-	+32
Current Liabilities	7,516	8,968	8,495	11,069	10,727	11,055	11,633	-	-	+3,138
Long Term Debt	-	-	-	305	263	222	180	-	-	+180
Other	43	43	43	47	19	19	20	-	-	(22)
Fixed Liabilities	43	43	43	352	283	241	201	-	-	+158
Total Liabilities	7,560	9,012	8,538	11,422	11,010	11,297	11,835	-	-	+3,296
Shareholders' Equity	7,811	8,224	8,625	9,000	9,824	10,261	10,745	-	-	+2,120
Other	852	833	826	10,203	1,157	1,127	1,160	-	-	+334
Total Assets	8,664	9,058	9,451	10,203	10,981	11,389	11,905	-	-	+2,454
Total Liabilities & net Assets	16,225	18,070	17,989	21,625	21,992	22,686	23,740	-	-	+5,751
Equity Capital	7,840	8,247	8,643	9,177	10,008	10,407	10,922	-	-	+2,279
Interest Bearing Debt	911	871	968	1,210	1,522	1,360	1,403	-	-	+435
Net Debt	(5,860)	(6,463)	(6,423)	(8,083)	(9,017)	(8,785)	(9,474)	-	-	(3,050)
Equity Capital Ratio	48.3%	45.6%	48.0%	42.4%	45.5%	45.9%	46.0%	-	-	(2.0%)
Net-Debt-Equity Ratio	(75.0%)	(78.6%)	(74.5%)	(89.8%)	(91.8%)	(85.6%)	(88.2%)	-	-	(13.7%)
ROE (12 months)	19.9%	16.4%	18.7%	18.5%	24.3%	23.9%	23.6%	-	-	+5.0%
ROA (12 months)	14.2%	13.5%	14.0%	12.6%	11.0%	10.7%	12.4%	-	-	(1.6%)
Quick Ratio	173%	168%	174%	158%	171%	173%	174%	-	-	-
Current Ratio	183%	174%	182%	164%	176%	176%	177%	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative, Quarterly)

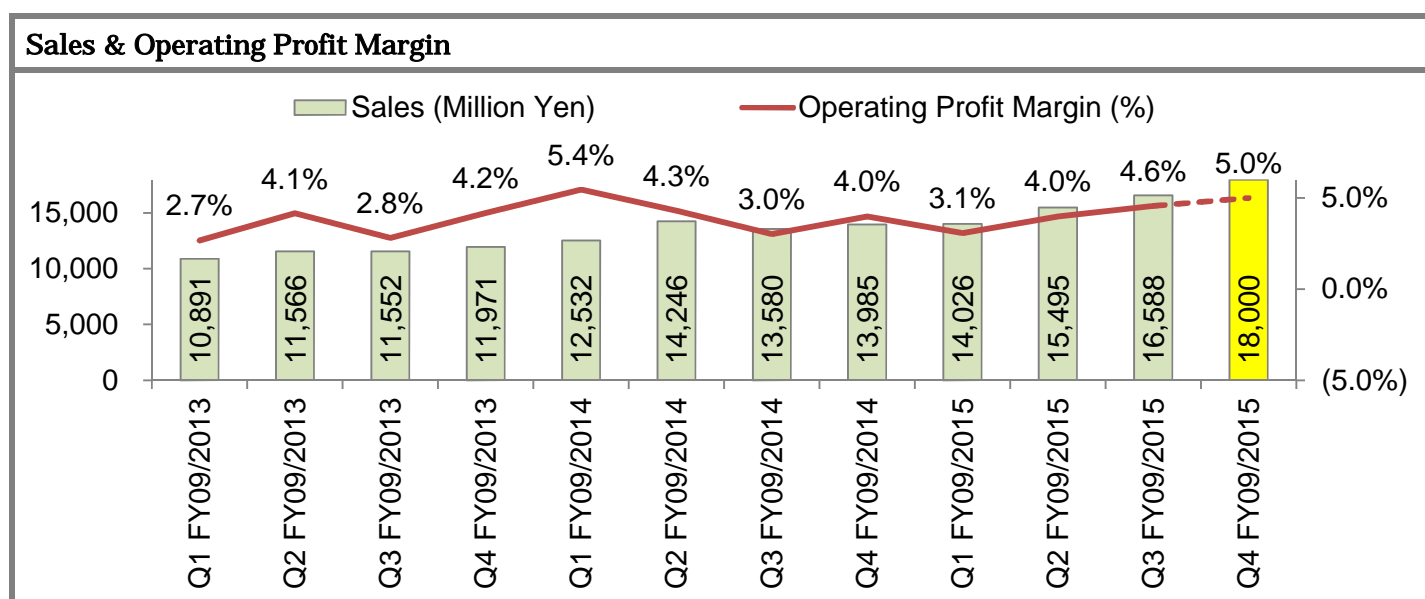
Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q1 to Q2 09/2014	Q1 to Q3 09/2014	Q1 to Q4 09/2014	Q1 09/2015	Q1 to Q2 09/2015	Q1 to Q3 09/2015	Q1 to Q4 09/2015		
Operating Cash Flow	202	785	845	2,830	(150)	(285)	351	-	-	(493)
Investing Cash Flow	1	(477)	(577)	(913)	1,263	1,351	1,414	-	-	+1,991
Operating CF & Investment CF	204	307	268	1,916	1,112	1,065	1,765	-	-	+1,497
Financing Cash Flow	(118)	(158)	(63)	178	85	(75)	(33)	-	-	+30
Cash Flow Statement (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 09/2014	Q2 09/2014	Q3 09/2014	Q4 09/2014	Q1 09/2015	Q2 09/2015	Q3 09/2015	Q4 09/2015		
Operating Cash Flow	202	582	59	1,985	(150)	(135)	637	-	-	+577
Investing Cash Flow	1	(479)	(99)	(336)	1,263	88	62	-	-	+161
Operating CF & Investment CF	204	103	(39)	1,648	1,112	(47)	699	-	-	+739
Financing Cash Flow	(118)	(39)	94	242	85	(160)	42	-	-	(52)

Source: Company Data, WRJ Calculation

FY09/2015 Company Forecasts

FY09/2015 Company forecasts are going for prospective sales ¥64,110m (up 18.0% YoY), operating profit ¥2,701m (up 19.5%), recurring profit ¥2,897m (up 22.6%) and net profit ¥2,518m (up 62.5%), while operating profit margin 4.2% (up 0.1% point).

Meanwhile, prospective divided per share is ¥14.0, implying payout ratio 14.4%. While this implies substantial increases of dividend per share from ¥9.0, implying payout ratio 14.7%, in FY09/2014, payout ratio remains below 15%. As far as we could gather, the Company is currently pursuing the best balance between paying dividends and investing for future earnings as measures to return earnings to shareholders, given the fact the Company is planning to aggressively carry out investments for future earnings in the foreseeable future.



Source: Company Data, WRJ Calculation

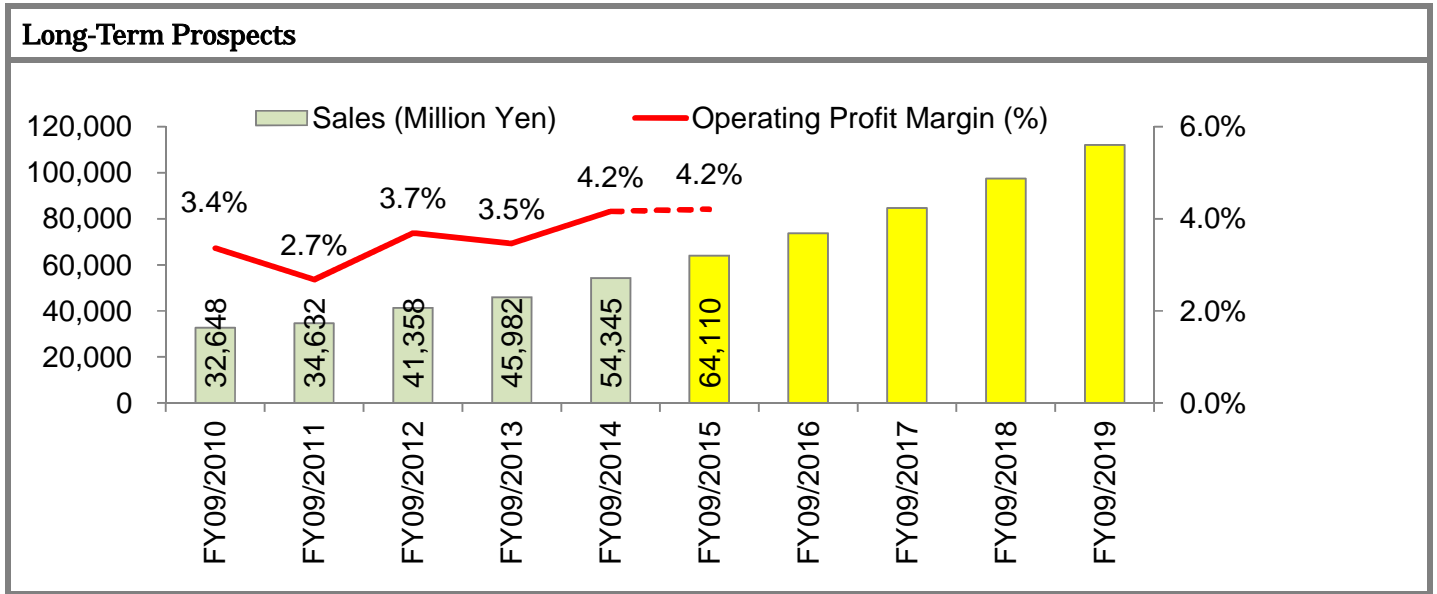
Meanwhile, in Q4, prospective sales are ¥18,000m (up 28.7% YoY), operating profit ¥900m (up 61.9%) and operating profit margin 5.0% (up 1.0% point), implying ongoing high growth rates in sales and earnings in the near future, preceded by those in Q3 results. As discussed earlier, this has a lot to do with increasing sales and earnings in Internet Marketing Business. In regards to Media Content Business, sales in Q4 are expected to be ¥735m (down 13.4%) and segment loss ¥138m (segment loss ¥95m over the year), implying decreasing sales and increasing segment loss over the year.

On the mobile game side, a title called “KINGDOM or The Genealogy of the Hero“, is doing well, while the first investment was made by LLP (Limited Liability Partnership) newly set up to invest in developers of Smartphone game as well as to foster them at the same time. On the manga content side, the Company has been fostering new manga artists through “Route M” which is own program to support them, while their works being distributed on “GANMA !” which is own service platform of new manga series.

In July 2015, the number of accumulated downloads for the app has reached 1.56m and monthly page views more than 300m, while some of the manga series have been published as separate volumes and/or broadcasted on TV as animated cartoon programs. Going forward more importantly, the Company is looking to opportunities for this business to become new earnings sources for the Company, by means of starting up extensive IP (Intellectual Property) business based on hit series. However, to date, expenses to foster new manga artists, etc., have been far larger than sales stemming from here.

Long-Term Prospects

In November 2013, the Company came up with new management policy. Although there were no specifications in figures, periods, etc., the Company revealed its idea and/or concept to quickly “double earnings” by means of “sales mix improvements” and “setting up new earnings pillars”. It was also revealed that the Company was to focus on a) mobile, b) social and c) global by domain.



Source: Company Data, WRJ Calculation

Long-term earnings growth is nothing but accumulated results of short-term business performance, e.g., that of quarterly results and thus the issue to be pursued is just to see steady earnings growth every quarter, which is basic idea with the Company, at present. Due to this, the Company does not specify timing, etc. for its management policy, on top of hesitating to disclose full-year Company forecasts at the beginning of the year.

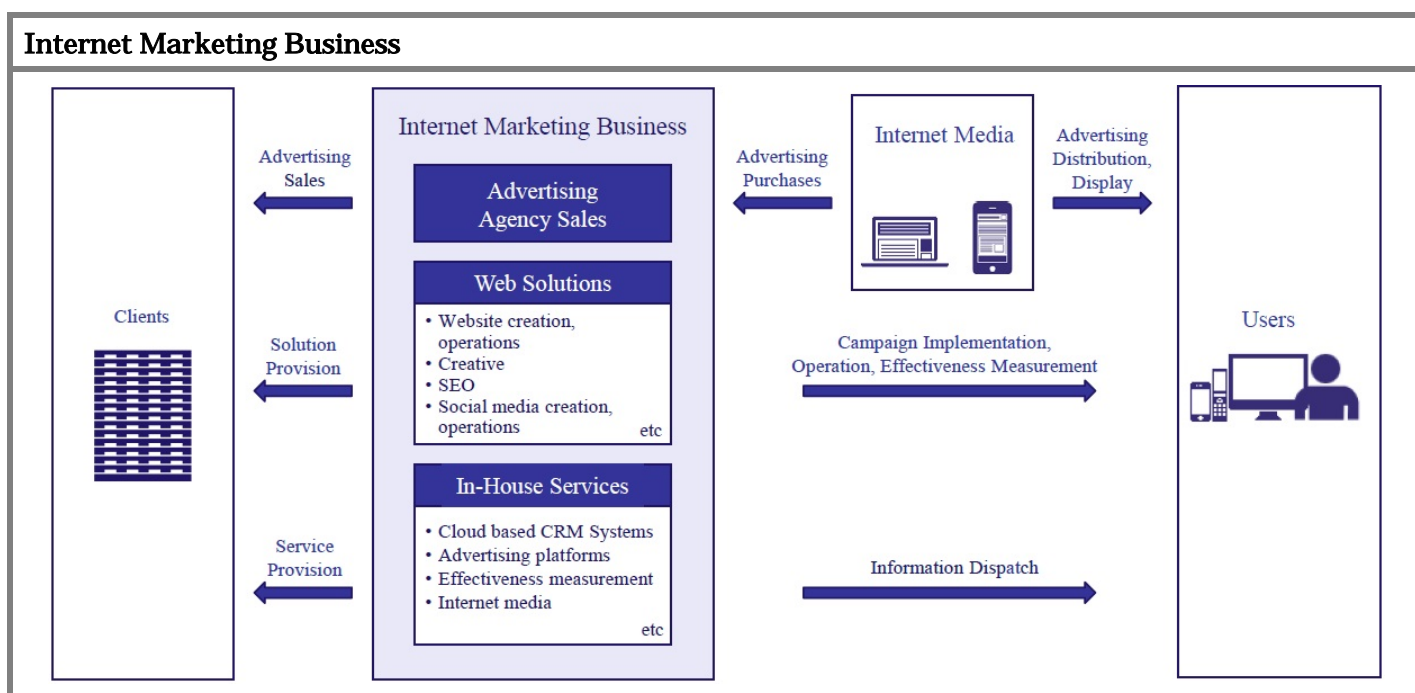
On the other hand, it has been clearly disclosed that steady progresses have been made on a) mobile, b) social and c) global by domain, as discussed earlier. When based on operating profit ¥1,593m in FY09/2013, the Company is now going for 1.7 times in two years, i.e., ¥2,701m in FY09/2015. This suggests that the Company shall quickly “double earnings”.

The other thing is that the Company sees increasing exposure to a) mobile and b) social by domain, in sales of Internet advertising, implying that “sales mix improvements” are going on in reality, in that both are estimated to carry gross profit margin relatively higher than average. Meanwhile, the current situations of mobile games and manga content suggest limited progresses have been made on “setting up new earnings pillars”. This is to be an issue to make progresses in FY09/2016 and later.

4.0 Business Model

Sales of Internet Advertising

The bulk of the Company's earnings come from Internet Marketing Business, where sales of Internet advertising are the mainstay. This business was effectively inaugurated by Koki Sato (born in 1975) in 2000, who is currently president and representative director of the Company. In FY09/2014, this business segment accounted for 88.8% of sales of the Company and 103.4% of collective segment profit, implying this is literally the earnings source for the Company.

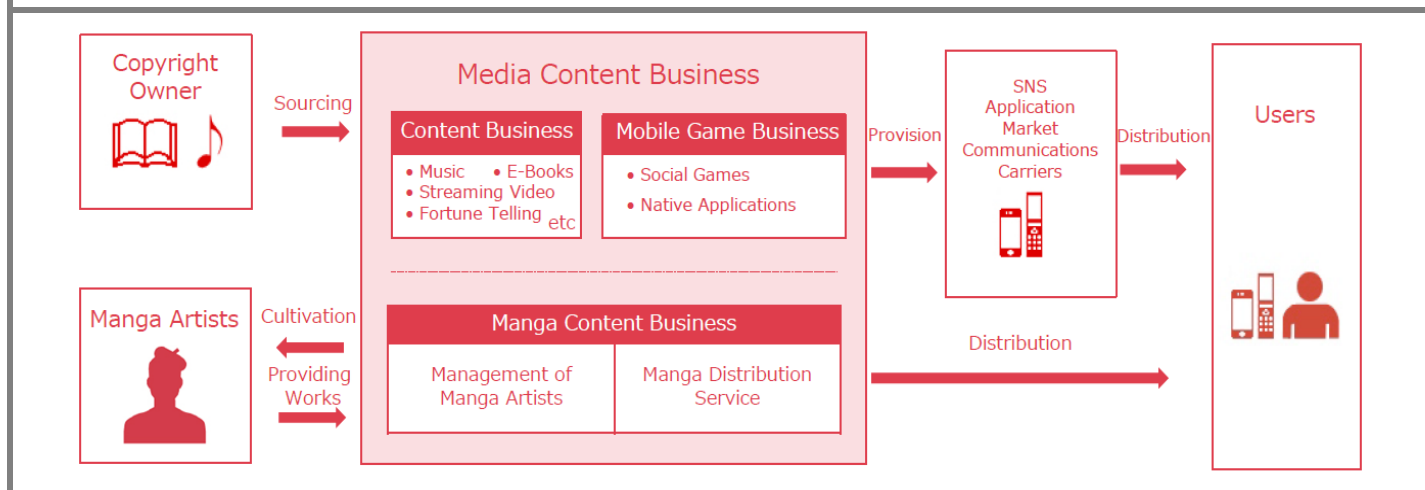


Source: Company Data

In Internet Marketing Business, the Company is involved with comprehensive marketing support services based on the use of Internet for corporate customers. Out of here, overwhelming proportions of sales and earnings come from sales of Internet advertising, where the Company procures Internet advertising slots from diverse Internet media (such as "Google", "Yahoo! Japan" and social media, such as "Facebook", etc.), while selling them to customers, i.e., advertisers. This business accounts for 95% of sales in this business segment, roughly speaking, while the remaining 5% by those of own services comprising diverse web solutions, Cloud-based CRM systems, etc. Generally speaking, the latter carries gross profit margin higher than the former, but the latter accounts for just a tiny proportion of sales in this business segment, likely remaining insignificant as a factor to driver earnings for this business segment as a whole and thus for the Company.

In sales of Internet advertising, diverse operational-type advertising, such as ad network and social media advertising, is offered to customers, i.e., advertisers (more than 90% of sales), on top of existing listing advertising, etc. In a view of advertisers, it could not be always so easy to distinguish the Company from competitors, i.e., CyberAgent, Inc., OPT, Inc. and IREP Co., Ltd. in terms of features, etc., but the Company sees steady results on all those growth domains, i.e., a) mobile, b) social and c) global, as an independent player almost all relying on own sales forces.

Media Content Business



Source: Company Data

In regards to Media Content Business, the other business segment of the Company, the main operations are those of aforementioned AXEL MARK INC. to plan and develop diverse digital contents, represented by those of mobile games mainly for Smartphones. All those contents are provided to users through platforms such as SNS and apps markets. Meanwhile, in this business segment, the Company started up a new business in FY09/2014, which is to foster manga artists to make them appear in public by means of running manga distribution services, in order to eventually develop own IP (Intellectual Property) business in the future.

Disclaimer

Information here is a summary of "IR Information" of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. "IR Information" of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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