

**Septeni Holdings Co., Ltd.**

**Results of Operations  
Nine months ended June 30, 2007**



August 16, 2007

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# I . Summary

# Third Quarter Summary Consolidated Income Statement



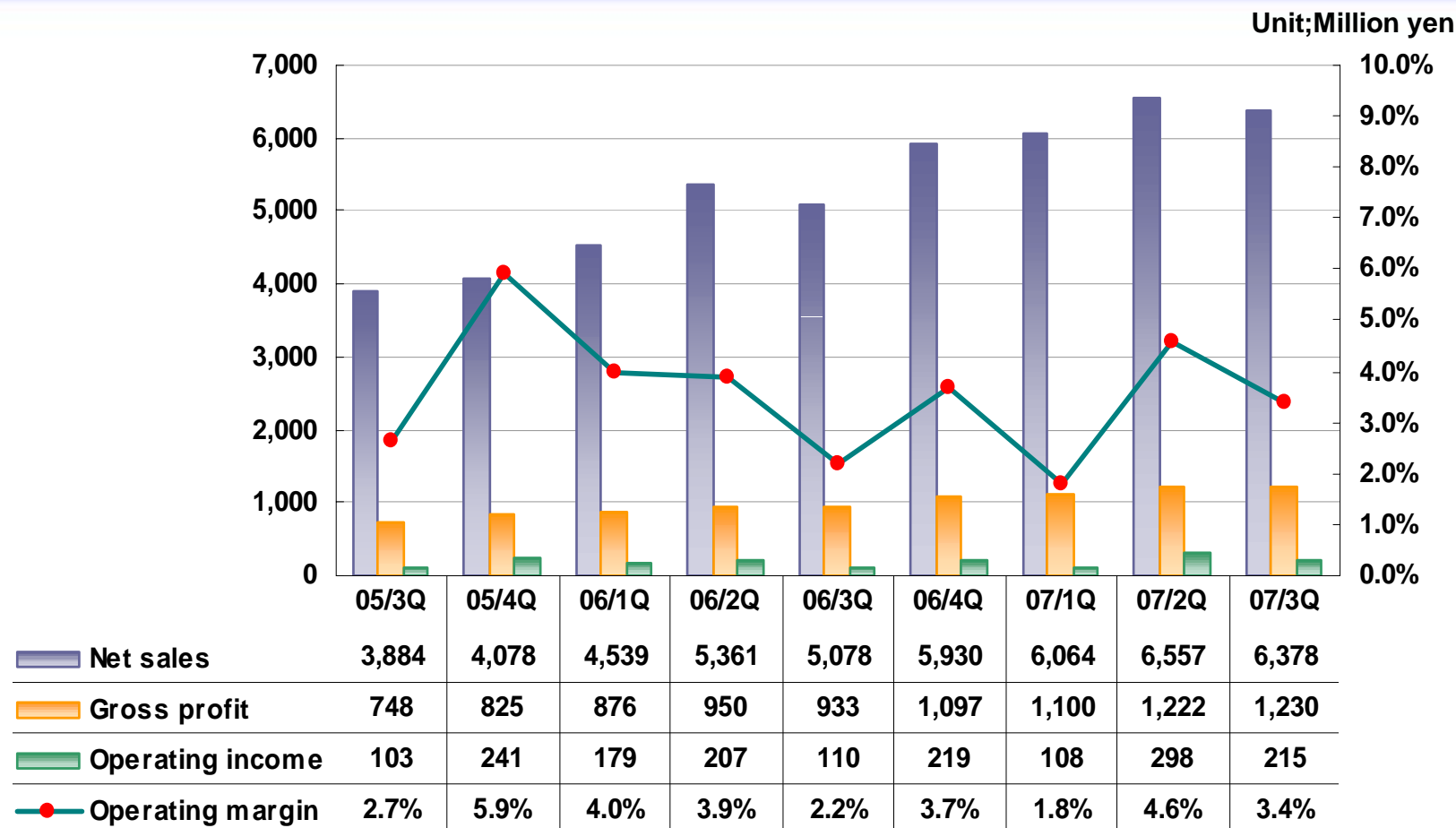
Unit; Million yen

Indicators	First three quarters of FY07			First three quarters of FY06	
	Amount	Pct. of sales	YoY change	Amount	Pct. of sales
Net sales	<b>19,001</b>	100.0%	+ 26.9%	14,979	100.0%
Gross income	<b>3,554</b>	18.7%	+ 28.7%	2,761	18.4%
SG&A expenses	<b>2,932</b>	15.4%	+ 29.6%	2,263	15.1%
Operating income	<b>622</b>	3.3%	+ 25.1%	497	3.3%
Ordinary income	<b>696</b>	3.7%	+ 19.4%	583	3.9%
Net income	<b>356</b>	1.9%	+ 10.2%	323	2.2%

【 Highlights 】 Strong performances in 2Q and 3Q offset 1Q weakness, resulting in double-digit growth in sales and earnings for the first three quarters.

Operating income and other earnings ratios have recovered the same level as in FY06.

# Consolidated Quarterly Performance



Third quarter operating income was up 95.6% year on year and the operating margin improved significantly, rising 1.2 point.

## 【 Major Accomplishments 】

### Higher productivity

- Review of profitability • • • Higher gross profit margin

1Q : 18.2%    2Q : 18.6%    3Q : 19.3%

- Growth in gross profit per employee

FY06/3Q: ¥ 2.6 mil.    FY07/3Q: ¥ 2.73 mil

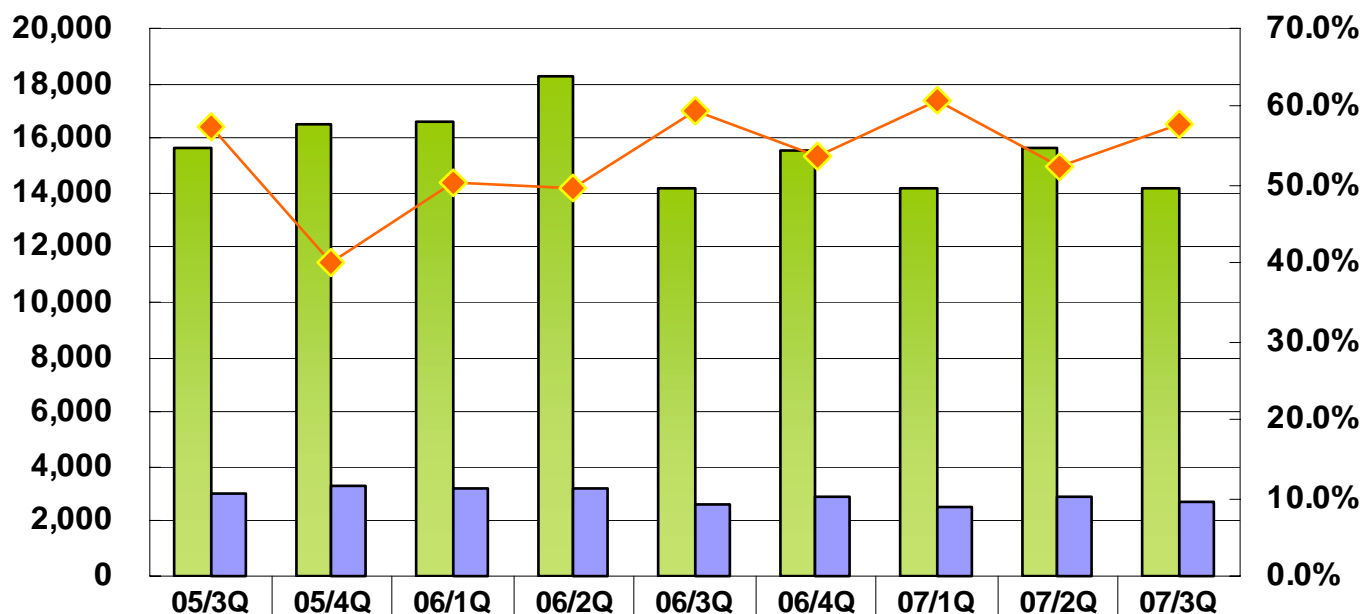
### Reallocation of workforce




- Improved the productive/administrative personnel ratio
  - • • Higher pct. of sales personnel in Network Advertising Business

1Q : 33.9%    2Q : 36.2%    3Q : 42.0%

# Productivity Indicators

thousand-yen



 Sales per employee	15,634	16,536	16,584	18,281	14,134	15,499	14,159	15,676	14,135
 Gross profit per employee	3,011	3,346	3,204	3,241	2,598	2,868	2,570	2,923	2,728
 Gross profit/personnel expense ratio	57.4%	40.0%	50.4%	49.6%	59.6%	53.7%	60.7%	52.5%	57.9%

# Consolidated Balance Sheet

Unit; Million yen

	Q3 of FY September 2007	FY September 2006	YoY change	Remarks
<b>Assets</b>				
Current assets	<b>6,842</b>	6,155	+687	Account receivable +385 Investment securities+264
Fixed assets	<b>2,248</b>	2,301	-52	Buildings and Structures +50 Investment securities - 226
Total assets	<b>9,091</b>	8,456	+634	
<b>Liabilities</b>				
Current liabilities	<b>4,517</b>	3,894	+622	Account payable +241 Short-term loss +301
Long-term liabilities	<b>41</b>	166	-125	Bond with share warrant-100
Total liabilities	<b>4,558</b>	4,061	+497	
<b>Net assets</b>				
Total net assets	<b>4,532</b>	4,395	+137	Retained earnings +269 Minority interest -80
Total liabilities and net assets	<b>9,091</b>	8,456	+634	



# Consolidated Cash Flow Statement



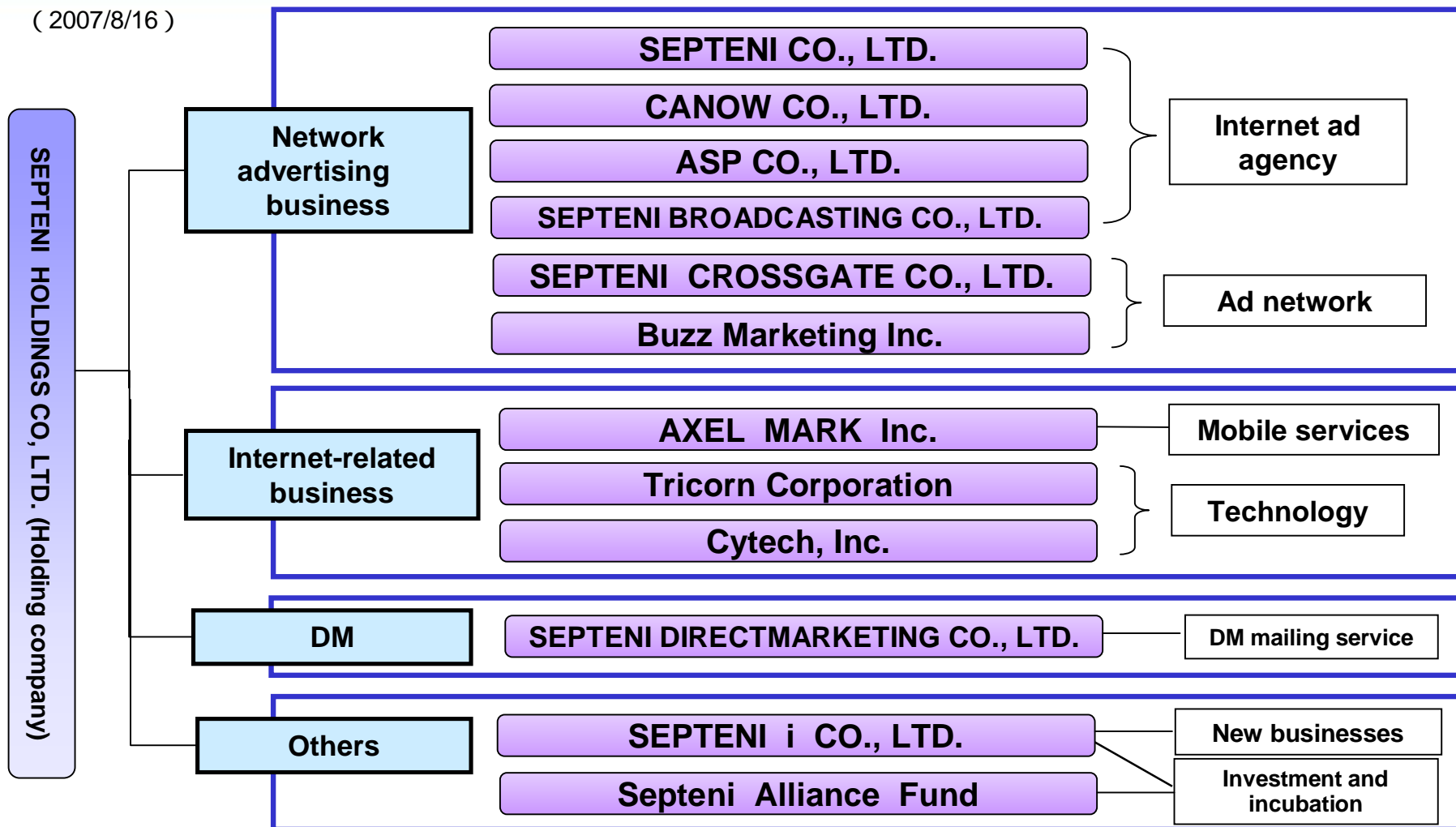
Unit; Million yen

	Q3 of FY September 2007	Q3 of FY September 2006	Remarks
Cash flows from operating activities	<b>221</b>	<b>339</b>	Net income before income taxes +683 Increase in accounts receivables trade 396
Cash flows from investing activities	<b>432</b>	<b>803</b>	Purchase of investment securities 176 Acquisition of property and equipment 135
Cash flows from financing activities	<b>96</b>	<b>377</b>	Increase in short-term loss +301 Dividends paid 87
Net change in cash and cash equivalents	<b>114</b>	<b>87</b>	
Cash and cash equivalents at the end of year	<b>2,771</b>	<b>2,587</b>	



# II . Business Segments

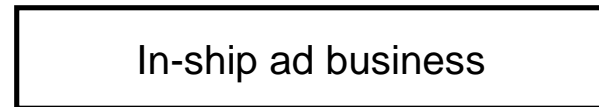
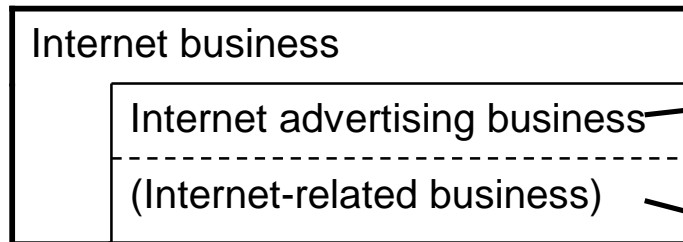
( 2007/8/16 )



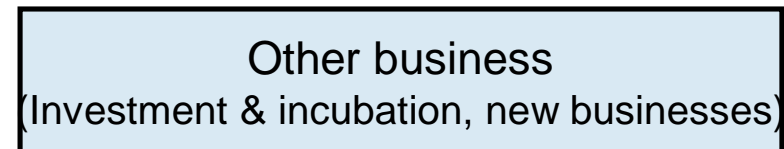
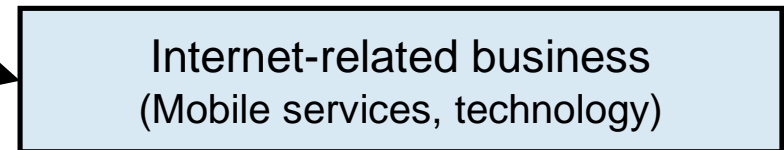
In addition to the above, affiliates accounted for by the equity method are: Prime X Co., Ltd., OPENSIMILE, Inc., Colab Inc.

# Change of Business Segment

## 【Old segment】



## 【New segment】



# Business Segment Sales and Operating Income

Unit: Million yen

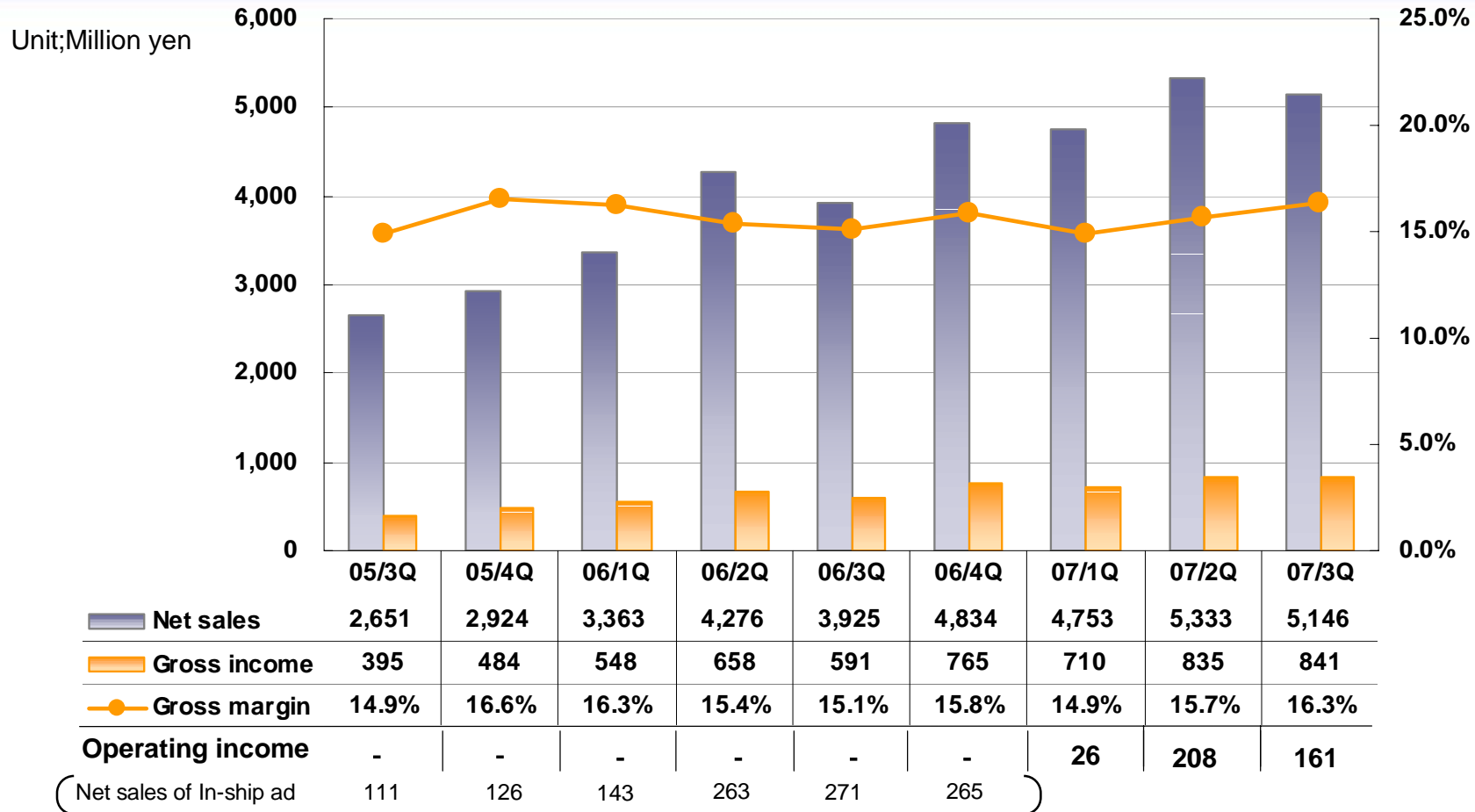
Segment	Net Sales			Operating Income		
	Q3 FY9/07	Q3 FY9/06	YoY change	Q3 FY9/07	Q3 FY9/06	YoY change
Internet Advertising ( )	<b>15,232</b>	11,564	+31.7%	<b>396</b>	352	+12.6%
Internet Businesses	<b>1,803</b>	1,344	+34.1%	<b>197</b>	131	+50.1%
Direct Marketing	<b>2,085</b>	2,233	- 6.6%	<b>241</b>	197	+22.5%
Others	<b>86</b>	—	—	<b>1</b>	—	—
Eliminations and corporate	<b>207</b>	164	—	<b>215</b>	183	—
Consolidated	<b>19,001</b>	14,979	+26.9%	<b>622</b>	497	+25.1%

Sum of Internet Advertising Business and In-Shipments Advertising Business in Q3 FY9/06.

Network Advertising operating income is a higher share of total operating income for the first three quarters than for the first quarter and first half.

Internet-related Businesses and Direct Mail both achieved year-on-year improvements in their operating margins.

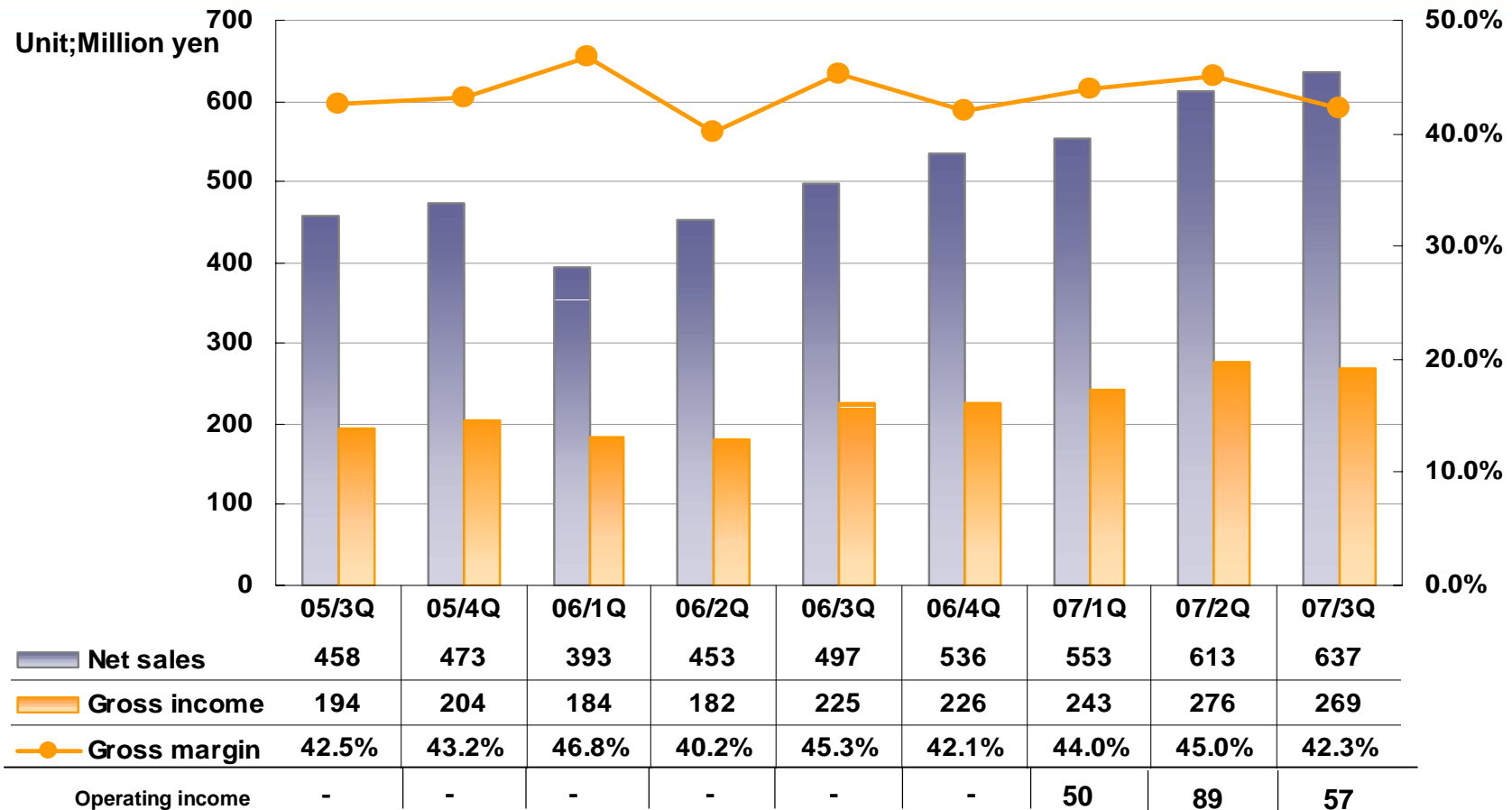
# Performance of Network advertising business by Quarter



Sum of Internet Advertising Business and In-Shipments Advertising Business through FY06/4Q

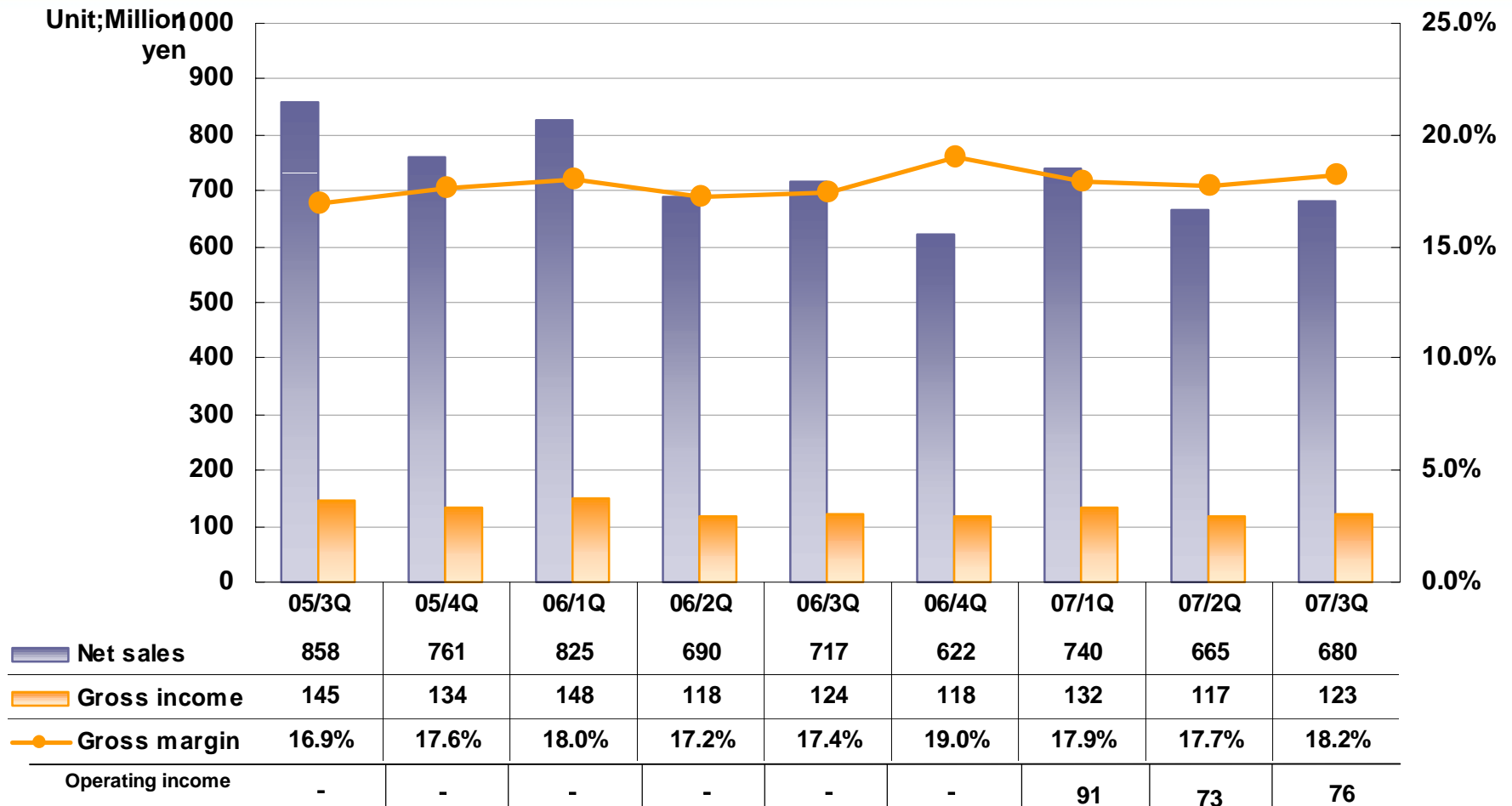
Year-on-year improvement of 1.2 point in gross profit margin, which exceeded 16% for the first time in six quarters

# Performance of Internet related business by Quarter



Sales were strong, increasing 28.0% year on year. But the gross profit margin declined slightly mainly because of higher sales of media of Axel Mark Inc.

# Performance of Direct marketing business by Quarter



Sales and gross profit have been consistently strong.





# . Operation Results by Business Sector

## 1 ) Network Advertising Business

Aggressive development of new growth markets  
(moving images, consumer generated media (CGM), others)

- Started the Collablo buzz marketing service
- Equity investment by TYO in Septeni Broadcasting
- Second Life opened branch office

Received Yahoo! JAPAN Outstanding Achievement Award for an unprecedented third consecutive year

# Network advertising business

Started the Collablo buzz marketing service

The screenshots show the Collablo website interface. The top section includes a navigation menu with items like 'マイページ', 'お問い合わせ', '案件', 'ブログパーツ', '報酬制度', and '会員登録'. Below this is a 'お知らせ' (Notice) section with two items. The middle section is titled '案件一覧' (Case List) and shows a list of cases with columns for '案件名' and '公開日'. The bottom section is 'ブログ一覧' (Blog List) and features a donut chart titled 'カテゴリの割合' (Category Ratio) showing the distribution of blog categories. The chart shows '自動機' (Automatic) at 29.9%, 'カメラ' (Camera), 'ビジネス', 'マナー', 'ゲーム', and 'その他' (Others). Below the chart is a table with the following data:

3.1%	アート	70,523
0.6%	本・書評・文学	15,363
0.6%	その他	14,520
100%	合計	2,473,323

Matches companies and bloggers

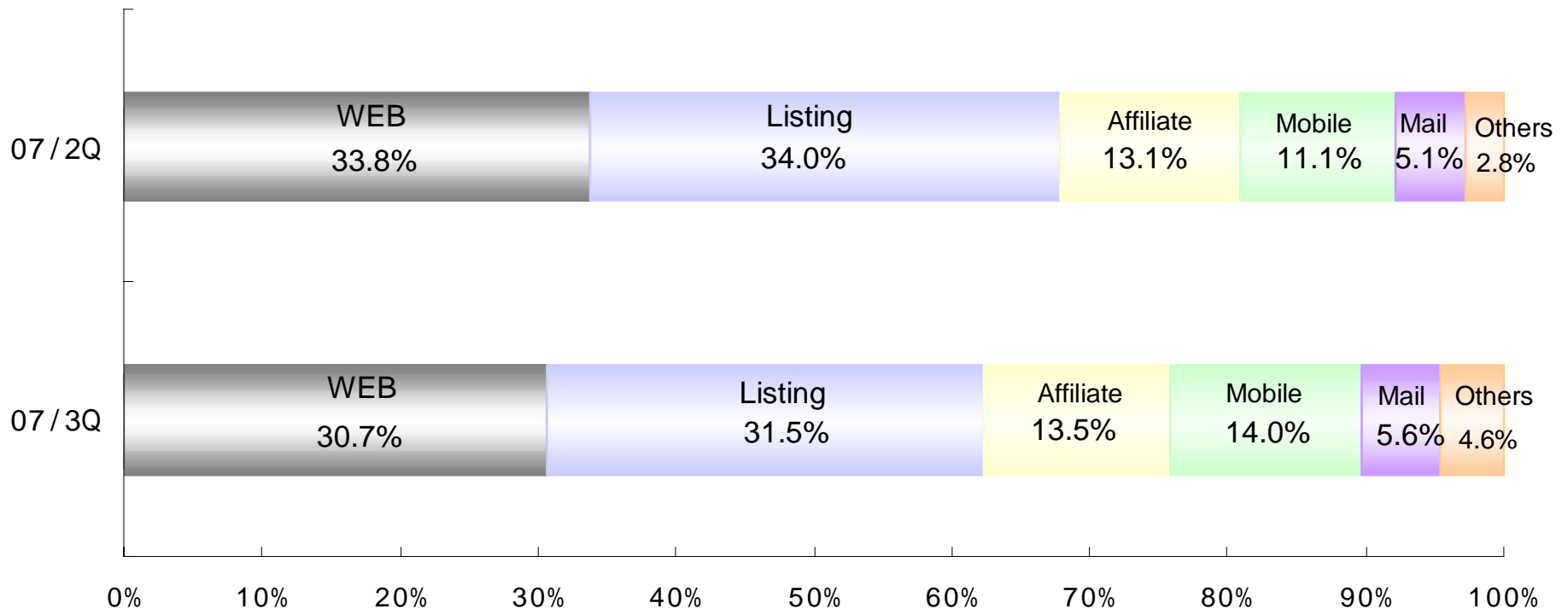
「A blogger relations optimization service」

Targets for December 2007

50,000 members,

100 user companies

## Sales composition ratio by service



## Sales composition ratio by customer's industry

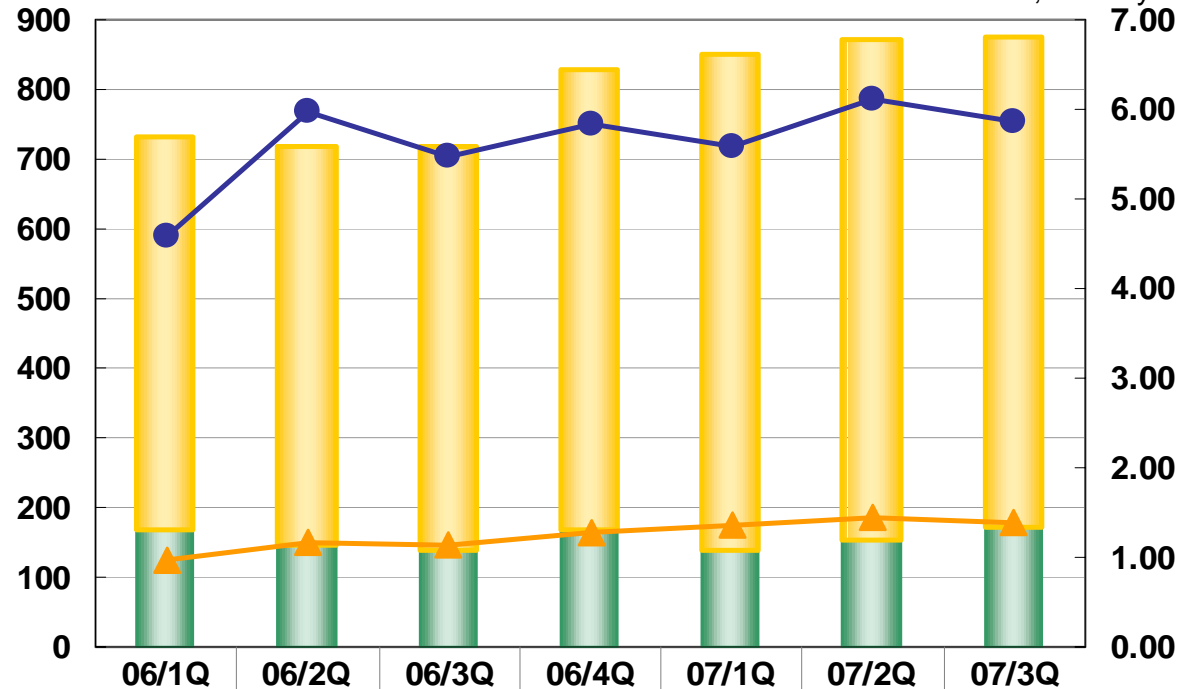
	<u>07/2Q</u>		<u>07/3Q</u>
Finance	19.1%	➔	22.0%
Education · Human resource	15.2%	➔	12.3%
Retail · Mail- order	6.8%	➔	7.6%
Real estate	16.1%	➔	12.7%
Food · Cosmetic	16.2%	➔	18.6%
Automobile	3.8%	➔	4.2%
Others (IT、Travel etc.)	22.8%	➔	22.6%

## Number of clients

( company )

Unit; Million yen

7.00



Total No. of clients	732	718	717	829	851	872	876
No. of new clients	169	145	140	169	141	153	171
Average price per clients	4.59	5.96	5.48	5.83	5.59	6.12	5.87
No. of clients (over 5 million yen sales)	124	150	146	166	176	186	178

Sum of Internet Advertising Business and In-Shipment Advertising Business through FY06/4Q

## 2 ) Internet related business

AXEL MARK : 3Q sales were 7.2% higher than in 2Q

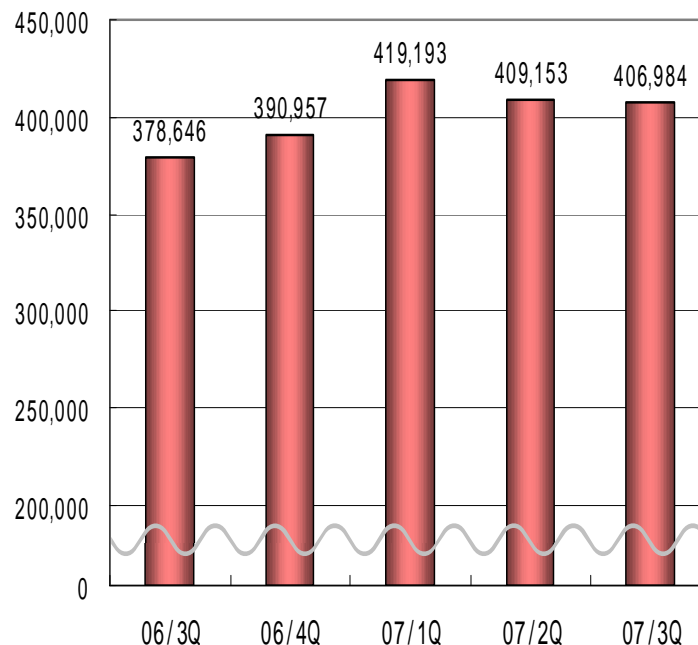
0.5% decrease in content customers billed in 3Q

In the content distribution sector, which includes the core Chaku-uta® and Chaku-uta Full® services, the e-book service posted 29% growth in sales over 2Q.

Added “Best Hits Animation” and “Best Hits Music” to the moving image (streaming video) content lineup



【 Number of Content Billings 】





# . Fiscal Year Plan and Medium-term Plan



# Business Forecast of FY September 2007

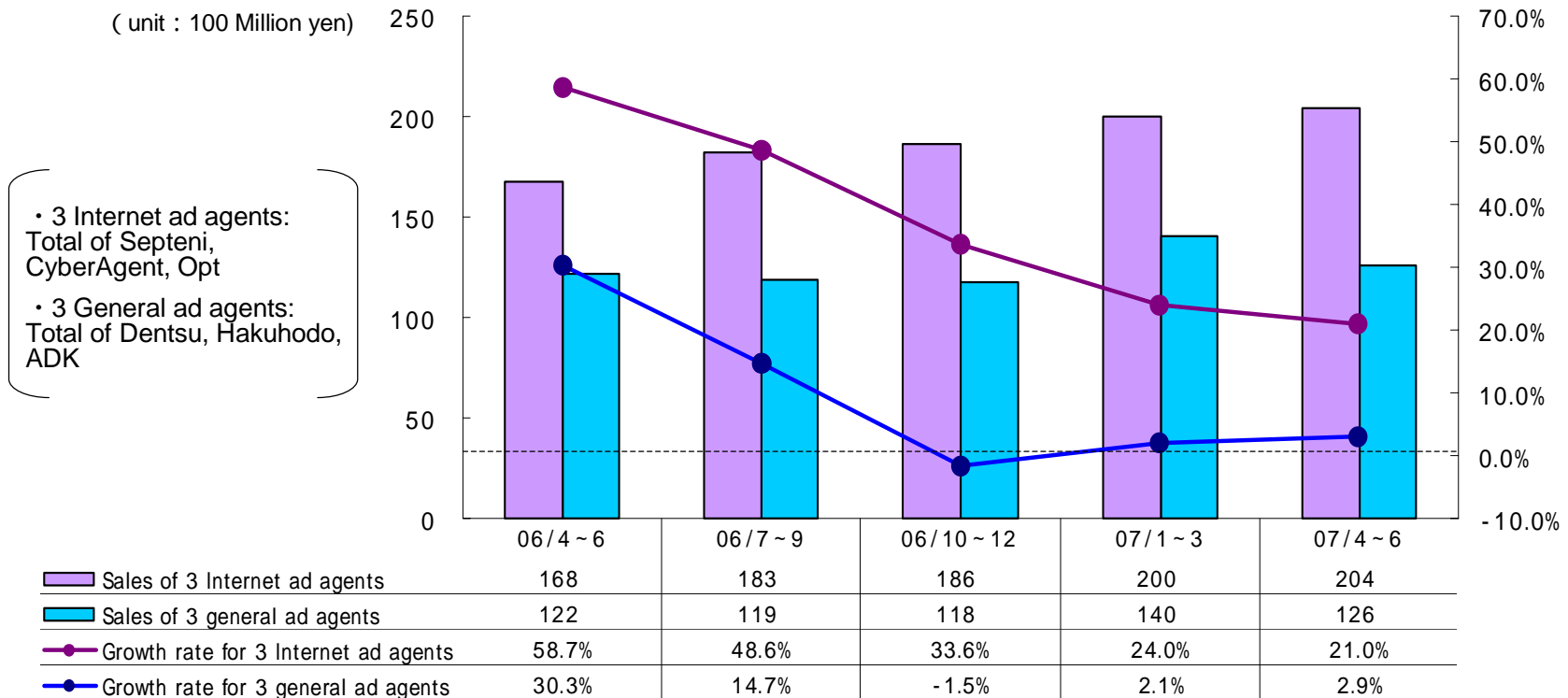
Unit; Million yen

Consolidated	Q3 Result FY 9/2007	Q3 Progress rate	Full-term Forecast FY 9/2007
Net sales	<b>19,000</b>	<b>69%</b>	<b>27,500</b>
Operating income	<b>620</b>	<b>57%</b>	<b>1,100</b>
Ordinary income	<b>690</b>	<b>63%</b>	<b>1,100</b>
Net income	<b>350</b>	<b>65%</b>	<b>550</b>

# The Internet Advertising Market in Japan

## Comparison of Sales at Internet Ad Agencies and General Ad Agencies

### 【Sales of Internet ad and Growth ratio year-over-year basis】



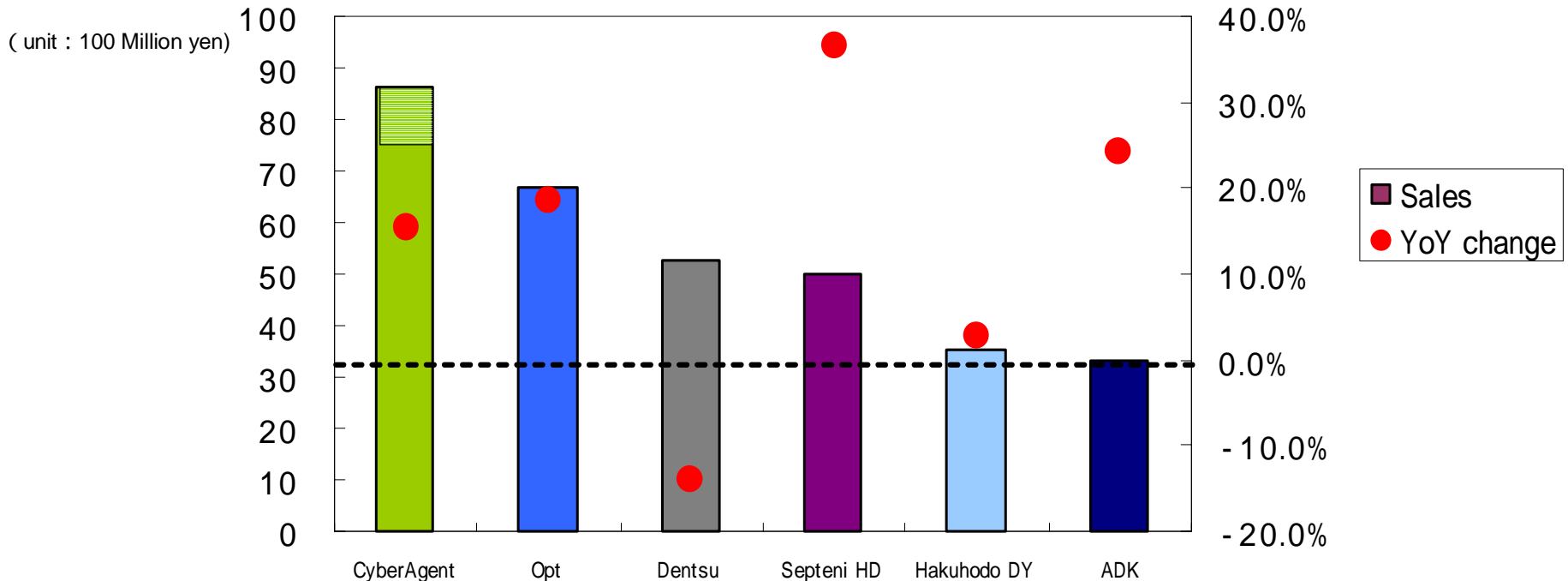
Calculated from the following item of disclosed materials of each companies

- Septeni HD : Internet ad agency sales minus in-ship ad sales
- CyberAgent : Consolidated "Internet ad agency business" sales
- Opt : Consolidated "Ad agency business segment" sales
- Dentsu : Non-consolidated "interactive media" sales
- Hakuhodo DY:Group total "internet media" sales
- ADK : Non-consolidated "Digital media" sales


# The Internet Advertising Market in Japan

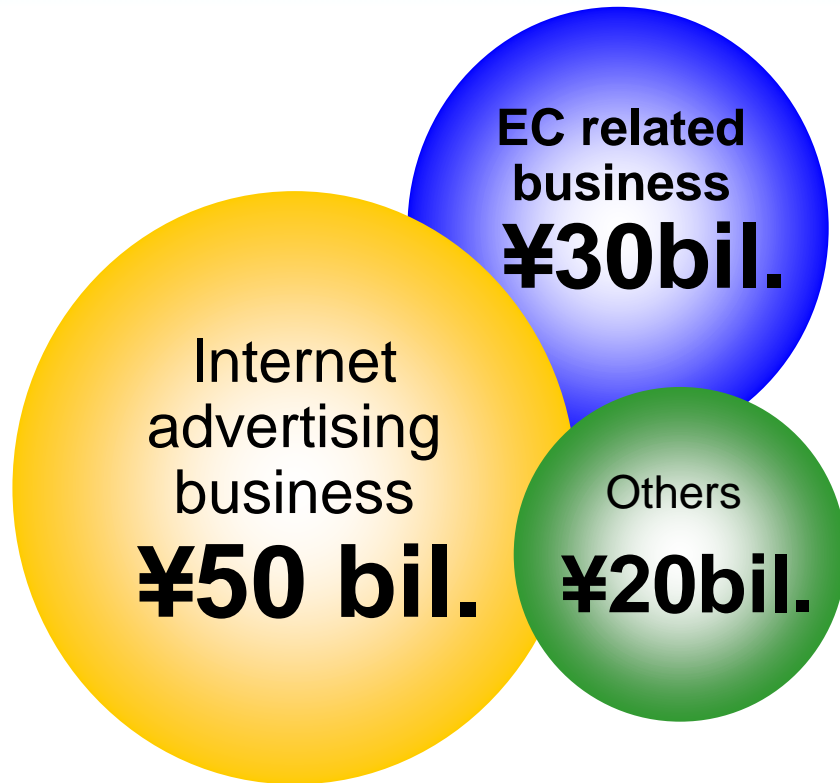
## Sales and Growth ratio of Major companies

【Sales of Three month (April 2007 ~ June 2007)】



Listed from the following item of disclosed materials of each companies

- Septeni HD : Internet ad agency sales minus in-ship ad sales (  ;Sales on its own media )
- CyberAgent : Consolidated “Internet ad agency business” sales
- Opt : Consolidated “Ad agency business segment” sales
- Dentsu : Non-consolidated “interactive media” sales
- Hakuholdo DY:Group total “internet media” sales
- ADK : Non-consolidated “Digital media” sales



## Our Target

Principle “1 · 10 · 100 · 1000 “

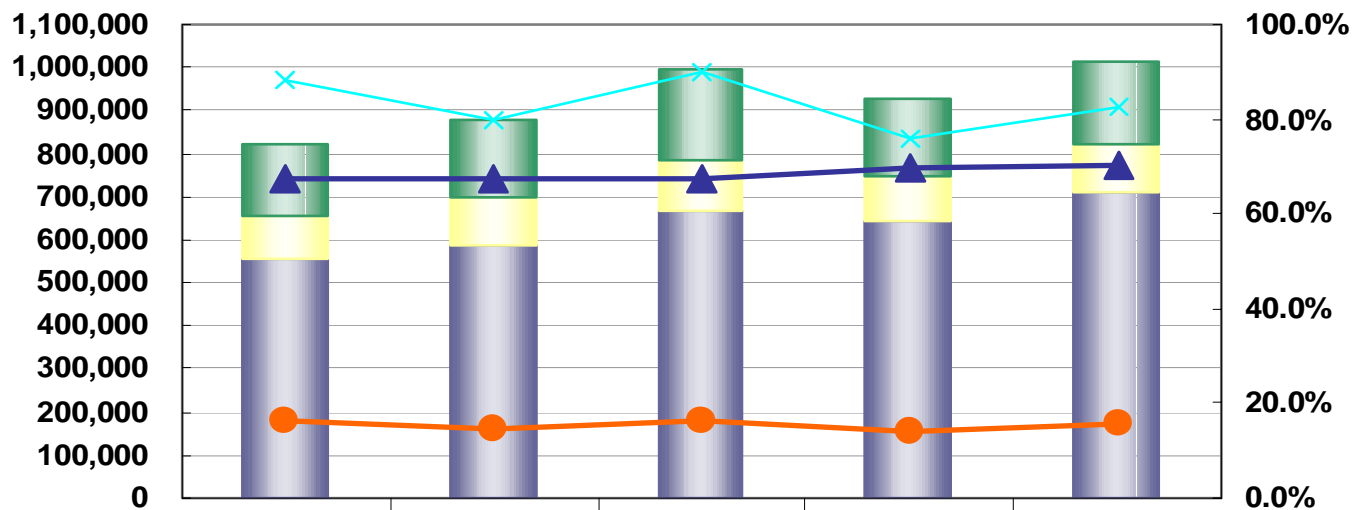
- Net sales per employee **¥100 million**
- Operating income ratio **10%**
- The development of merchants **100 people**
- Net sales(consolidated) **¥100 billion**



# . APPENDIX

# Consolidated SG&A

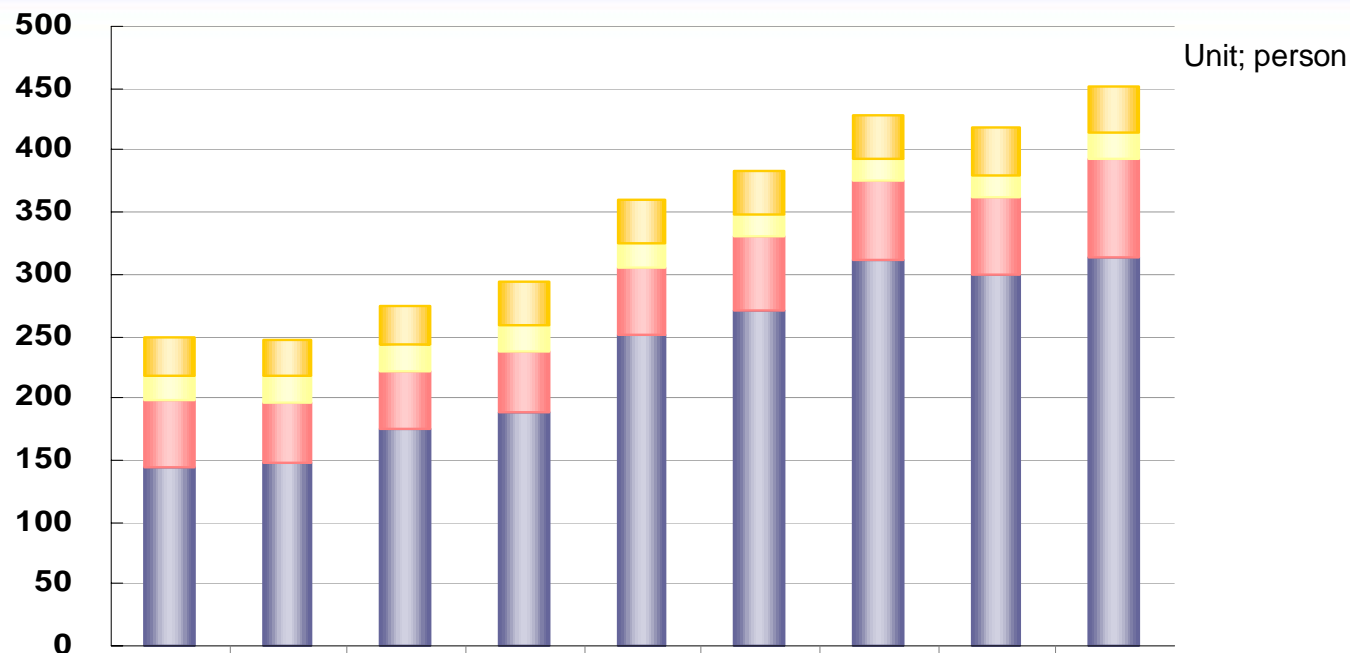
Unit: thousand yen



	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q
Others	168,891	180,758	210,357	173,844	193,236
Office expense	98,150	107,434	113,949	108,866	109,703
Labor cost	556,270	589,296	668,179	641,430	712,560
SG&A ratio to Gros margin	88.2%	80.0%	90.2%	75.6%	82.5%
Labor cost ratio to SG&A	67.6%	67.2%	67.3%	69.4%	70.2%
SG&A ratio to Net sales	16.2%	14.8%	16.4%	14.1%	15.9%

Total SG&A	823,311	877,488	992,486	924,141	1,015,550
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# Septeni Group Number of employees



	05/3Q	05/4Q	06/1Q	06/2Q	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q
<b>Staff others</b>	29.8	28.0	31.0	35.0	34.3	34.3	35.7	39.7	37.0
<b>DM business</b>	20.7	22.0	20.0	20.7	20.3	18.0	17.0	17.7	21.0
<b>Internet related business</b>	54.7	48.7	46.7	48.0	53.0	60.0	65.0	62.3	79.3
<b>Network advertising business</b>	143.3	148.0	176.0	189.6	251.7	270.3	310.7	298.7	314.0
(account executives)	(79.3)	(72.3)	(80.7)	(75.0)	(92.0)	(93.0)	(105.7)	(108.0)	(132.0)
<b>TOTAL</b>	<b>248.4</b>	<b>246.7</b>	<b>273.7</b>	<b>293.3</b>	<b>359.3</b>	<b>382.7</b>	<b>428.3</b>	<b>418.3</b>	<b>451.3</b>

Network advertising business by 06/4Q ; "Internet ad agency business" + "In-ship ad business"