



Septeni Holdings Co., Ltd.  
Business Results of Second Quarter of  
Fiscal Year ending September 2009

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May 8, 2009

Septeni Holdings Co., Ltd.  
<http://www.septeni-holdings.co.jp>

Code:4293

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Forecasts, plans and other forward-looking statements contained in this presentation represent the judgment of Septeni as of May 8, 2009. Septeni does not guarantee the accuracy of this information. Actual performance may differ significantly from these forecasts for many reasons.



# I . Summary

# Revisions to Consolidated Business Forecasts (Announced on Mar. 13, 2009)

## ◆ Description of revisions to full year forecasts

(million yen)

Indicators	Initial plan	Revised plan	Amount of revisions	Rate of revisions
Net sales	38,000	35,000	-3,000	-7.9%
Operating income	1,500	770	-730	-48.7%
Ordinary income	1,500	700	-800	-53.3%
Net income	800	130	-670	-83.8%

## ◆ Major factors for revisions

- Slump in Internet-related Business and Commerce Business
- Posting of write-downs and losses on sale of all kinds of securities

- ◆ Sales and profits exceeded the revised forecasts
- ◆ Gross profit margin remained flat YoY due to the effects of decline in gross profit margin in the Internet-related Business and posting of a write-down of securities in Investment Incubation Business.
- ◆ A drastic reduction in SG&A expenses in 2Q (January to March) compared with 1Q resulted in an increase in operating income compared with the previous quarter.
- ◆ Dispose of investment securities to restore financial soundness, went into the red because of posting an extraordinary loss and other factors.

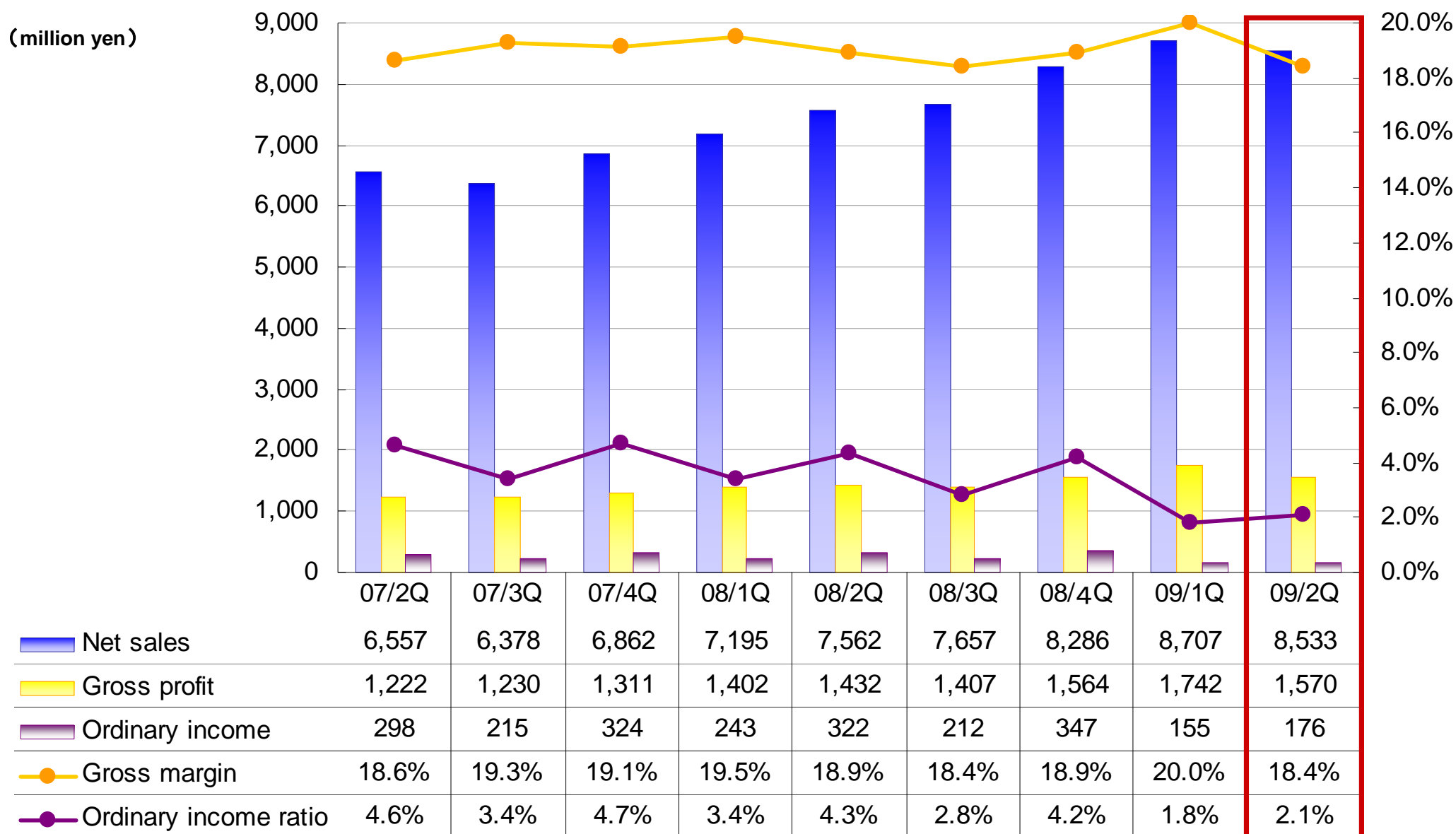
# Summary Consolidated Income Statement



(million yen)

Indicators	2Q FY September 2009				2Q FY September 2008		Revised forecast	
	Amount	Pct. Of sales	YoY change	Change vs.plan	Amount	Pct. Of sales	Amount	Pct. Of sales
Net sales	<b>17,240</b>	100.0%	+ 16.8%	+240	<b>14,757</b>	100.0%	<b>17,000</b>	100.0%
Gross income	<b>3,313</b>	19.2%	+ 16.8%	—	<b>2,835</b>	19.2%	—	—
SG&A	<b>2,980</b>	17.3%	+ 31.3%	—	<b>2,269</b>	15.4%	—	—
Operating income	<b>332</b>	1.9%	− 41.2%	+62	<b>566</b>	3.8%	<b>270</b>	1.6%
Ordinary income	<b>220</b>	1.3%	− 55.5%	+40	<b>495</b>	3.4%	<b>180</b>	1.1%
Net income	<b>-130</b>	-0.8%	—	+39	<b>436</b>	3.0%	<b>-170</b>	-1.0%

# Consolidated Quarterly Performance



※Posted a ¥66mn write-down of operational investment securities associated with Investment Incubation business at cost in FY09/2Q.

# Consolidated Balance Sheet



(million yen)

	2Q of FY September 2009	FY September 2008	Change	Remarks
<b>Assets</b>				
Current assets	<b>9,864</b>	<b>10,090</b>	-225	Notes and accounts receivable -246
Fixed assets	<b>3,061</b>	<b>3,392</b>	-331	Investment securities -338
Total assets	<b>12,925</b>	<b>13,482</b>	-557	
<b>Liabilities</b>				
Current liabilities	<b>5,784</b>	<b>6,620</b>	-836	Accounts payable -370, Debt -205
Long-term liabilities	<b>530</b>	<b>73</b>	+457	Long-term debt +415
Total liabilities	<b>6,315</b>	<b>6,694</b>	-378	
<b>Net assets</b>				
Total net assets	<b>6,610</b>	<b>6,788</b>	-178	Retained earnings -234, Net unrealized gain on other securities +65
Total liabilities and net assets	<b>12,925</b>	<b>13,482</b>	-557	

## ※ Status of holdings of treasury stock

As of 2Q: 2,244 shares (¥258mn) → As of April 31: 6,848 shares (¥418mn)



# Consolidated Cash Flow Statement



(million yen)

	2Q of FY September 2009	2Q of FY September 2008	
Cash flows from operating activities	<b>177</b>	<b>14</b>	Net income before income taxes -16 Write-down of investment securities +123 Loss on sale of investment securities +116
Cash flows from investing activities	<b>-109</b>	<b>-393</b>	Sale of investment securities +171, Acquisition of goodwill -135 Acquisition of intangible fixed assets -66
Cash flows from financing activities	<b>86</b>	<b>1,071</b>	Increase in debt +210 Dividends paid -105
Net change in cash and cash equivalents	<b>155</b>	<b>692</b>	
Cash and cash equivalents at the end of year	<b>4,862</b>	<b>3,801</b>	

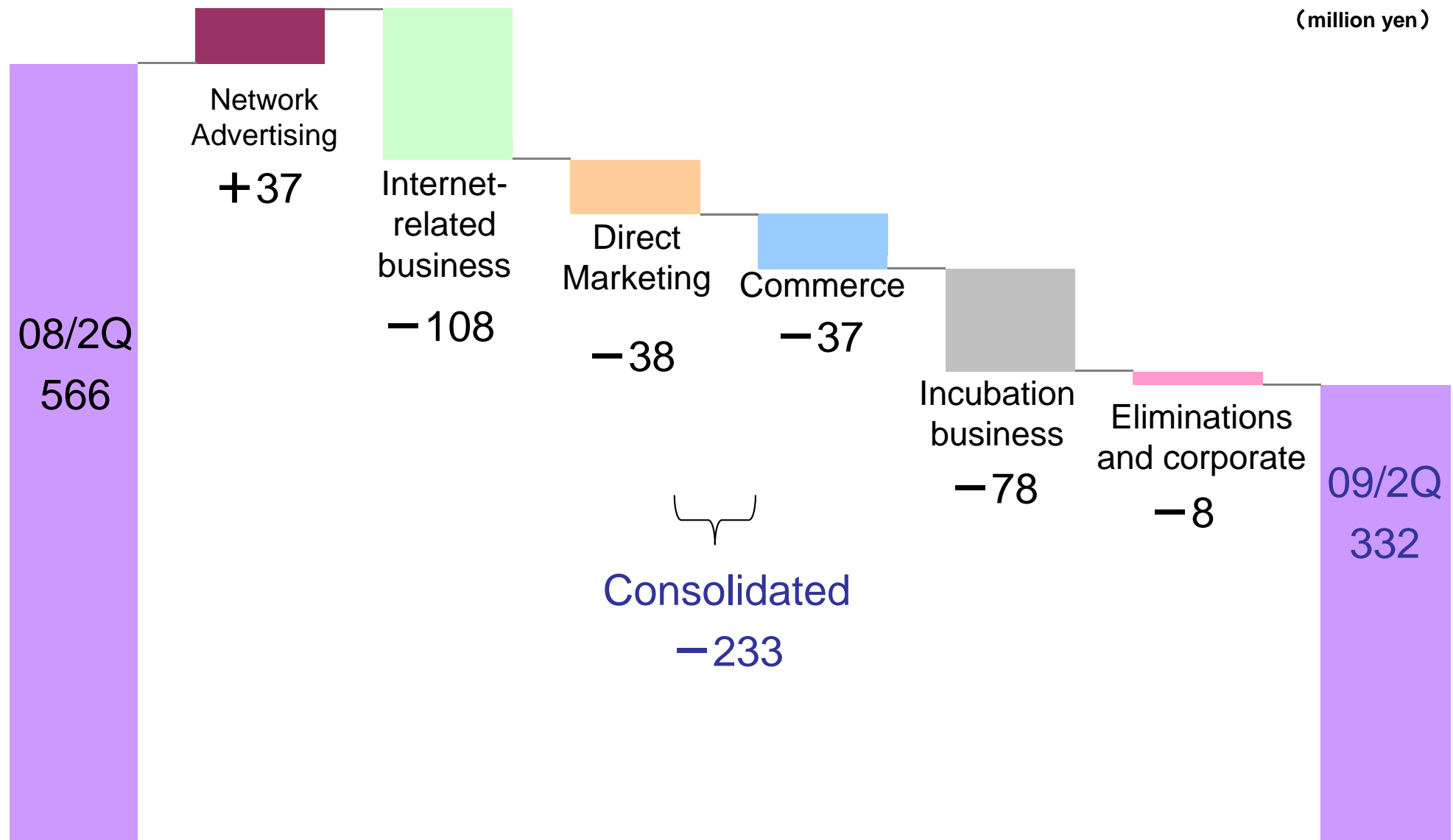
# Business Segment Sales and Operating Income



(million yen)

Segment	Net Sales			Operating Income		
	2Q FY9/09	2Q FY9/08	YoY change	2Q FY9/09	2Q FY9/08	YoY change
Network Advertising	<b>13,865</b>	<b>12,140</b>	+14.2%	<b>550</b>	<b>513</b>	+7.1%
Internet-related business	<b>2,197</b>	<b>1,938</b>	+13.3%	<b>-16</b>	<b>92</b>	—
Direct Marketing	<b>1,089</b>	<b>1,158</b>	-6.0%	<b>96</b>	<b>134</b>	-28.0%
Others	<b>884</b>	<b>18</b>	Approx. 47times	<b>-123</b>	<b>-7</b>	—
Commerce business	884	—	—	-37	—	—
Incubation business	—	18	—	-85	-7	—
Eliminations and corporate	<b>-795</b>	<b>-498</b>	—	<b>-174</b>	<b>-166</b>	—
Consolidated	<b>17,240</b>	<b>14,757</b>	+16.8%	<b>332</b>	<b>566</b>	-41.2%

# Changing Factor for Consolidated Operating Income



## Network Advertising Business

- Despite a decline in sales growth caused by worsening economy, profits increased YoY as a result of reducing SG&A expenses.

## Internet-related Business

- In the content domain, decrease in sales due to reduction of advertisements and increase in costs because of up-front investment continued.
- Although sales increased as a result of a substantial growth of the Rep Business, gross profit margin declined.
- Turned profitable on a quarterly basis as a result of substantially reducing SG&A expenses, mainly advertising expenses.

## Direct Marketing Business

- Failure to receive an order for highly profitable project lowered profit margin.

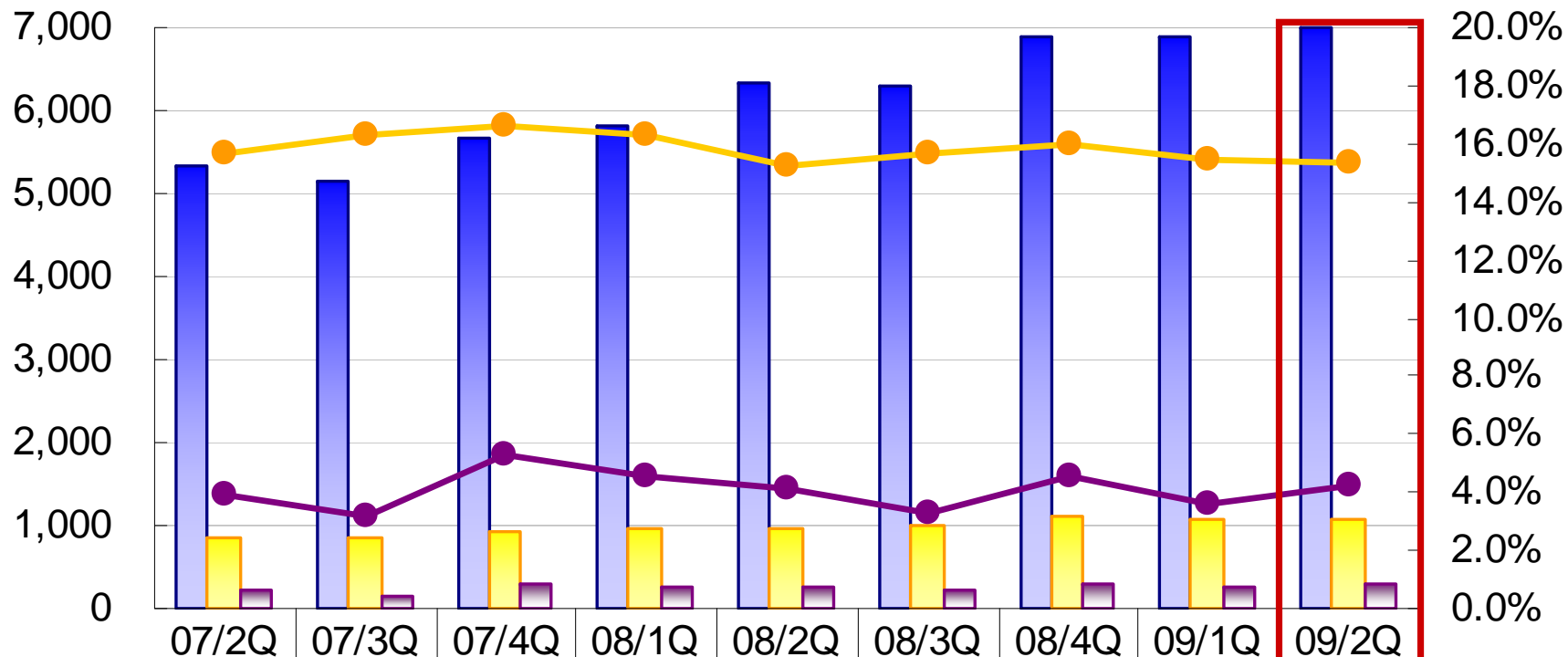
## Commerce Business

- Sales were sluggish but drastically reduced operating loss on a quarterly basis by improving gross profit margin and reducing SG&A expenses.

# Performance of Network advertising business by Quarter



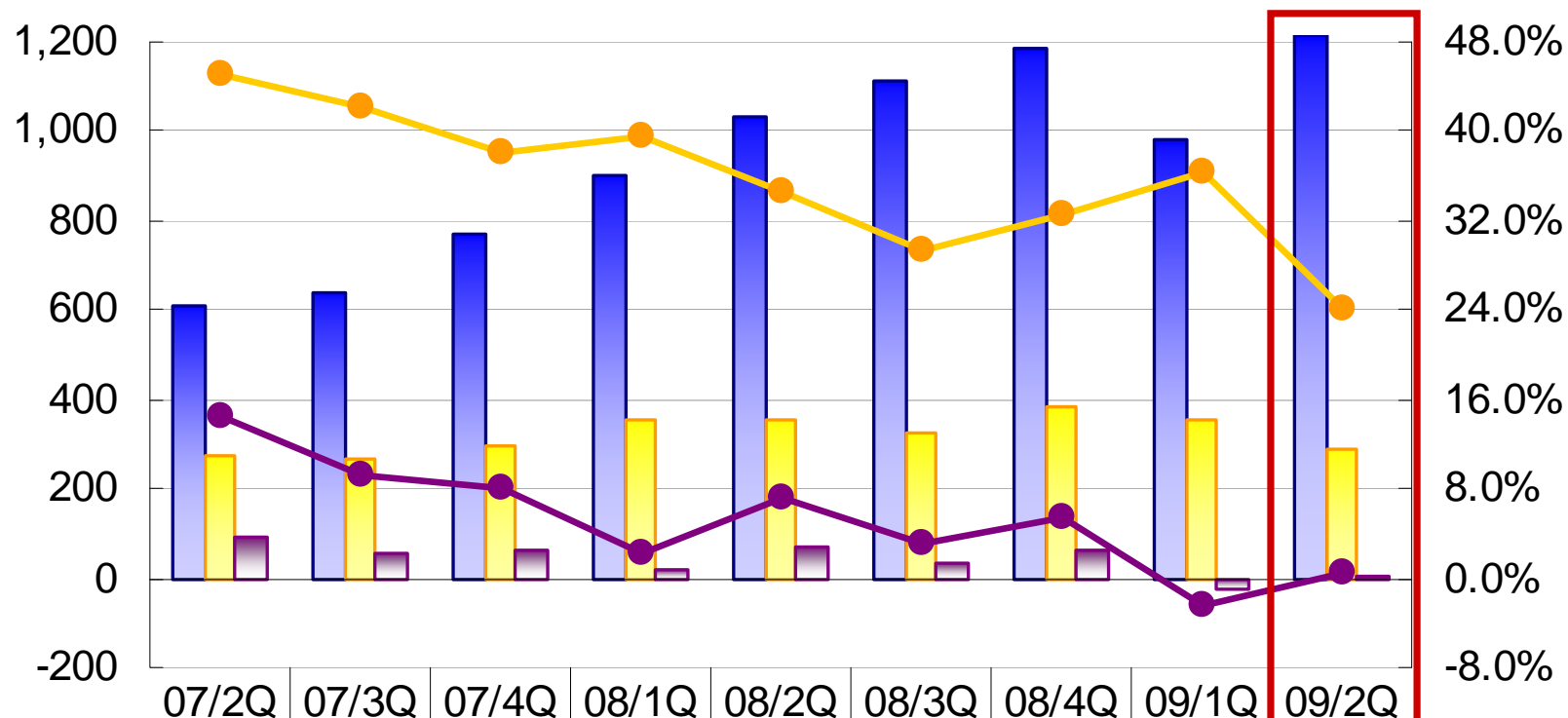
(million yen)



Net sales	5,333	5,146	5,650	5,813	6,327	6,290	6,900	6,875	6,989
Gross profit	835	841	938	948	963	987	1,099	1,059	1,070
Ordinary income	208	161	301	257	256	209	314	250	299
Gross margin	15.7%	16.3%	16.6%	16.3%	15.2%	15.7%	15.9%	15.4%	15.3%
Ordinary income ratio	3.9%	3.1%	5.3%	4.5%	4.1%	3.3%	4.6%	3.6%	4.3%

# Performance of Internet related business by Quarter

(million yen)

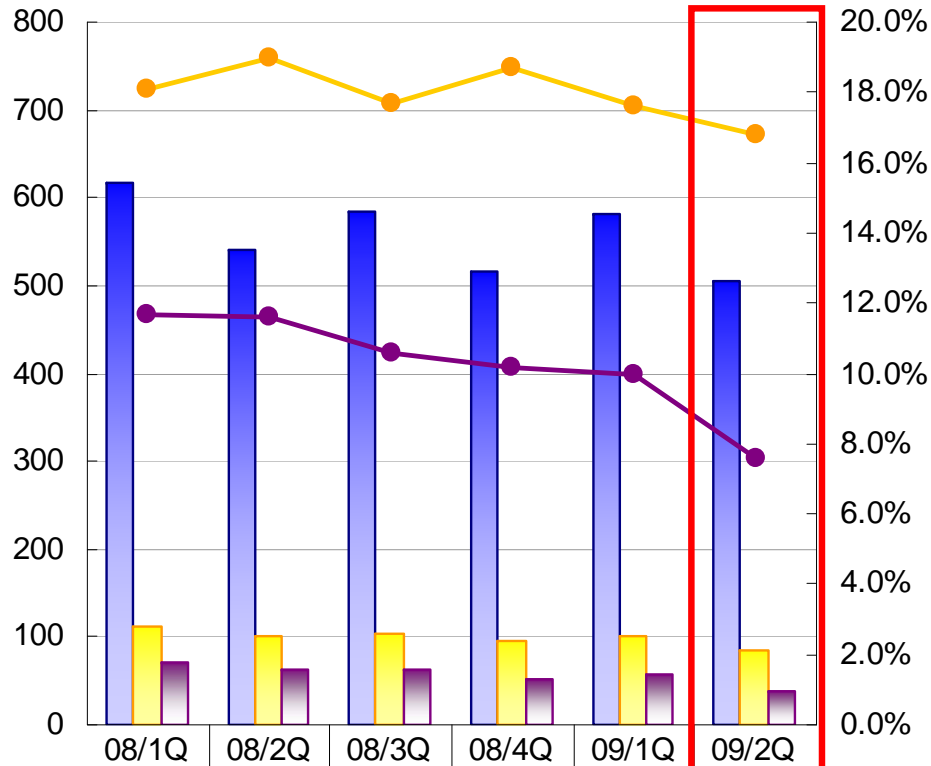


Net sales	613	637	769	904	1,034	1,111	1,183	980	1,216
Gross profit	276	269	293	356	356	327	386	357	291
Ordinary income	89	57	62	19	73	35	64	-23	7
Gross margin	45.0%	42.3%	38.2%	39.4%	34.5%	29.4%	32.6%	36.4%	24.0%
Ordinary income ratio	14.6%	9.1%	8.1%	2.1%	7.1%	3.2%	5.4%	-2.4%	0.6%

# Performance of Direct marketing business and Commerce Business by Quarter

## 【Direct marketing】

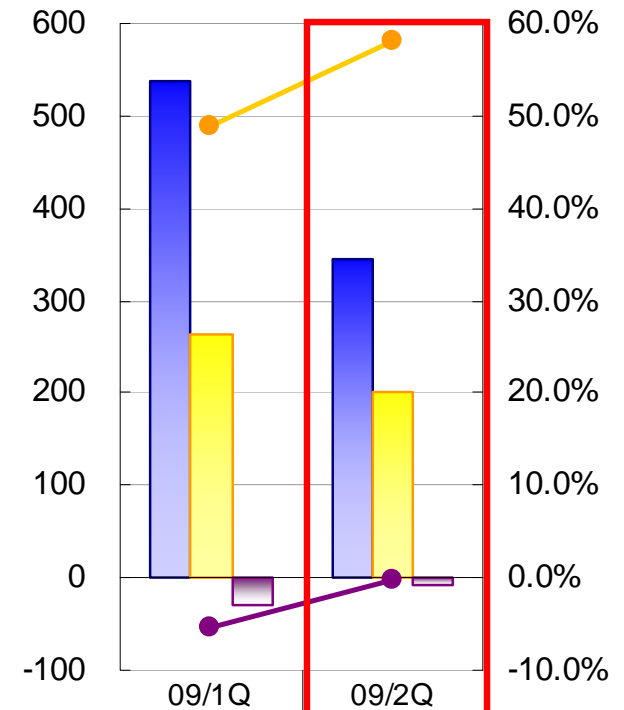
(million yen)



Net sales	618	540	585	515	582	506
Gross profit	111	102	103	96	102	85
Ordinary income	72	62	62	52	58	38
Gross margin	18.1%	19.0%	17.7%	18.7%	17.6%	16.8%
Ordinary income ratio	11.7%	11.6%	10.6%	10.2%	10.0%	7.6%

## 【Commerce】

(million yen)



Net sales	537	346
Gross profit	263	201
Ordinary income	-29	-7
Gross margin	49.0%	58.2%
Ordinary income ratio	-5.5%	-0.2%



## II . Major Business Units



<b>Network advertising business</b>	<b>Focus on expanding share</b>
<b>Internet related business</b>	<b>Promotion of content and technology domains</b>
<b>Commerce business</b>	<b>Establishment of basis and strategic move toward EC</b>

## Network advertising business

### Focus on expanding share

Promotion of account sales system

Strengthen relationship with powerful media

Continue aggressive investment in mobile advertising

Increase productivity by strengthening operations

Development of small-and-medium sized network advertising market through the advertising marketplace

# Business Unit Review -Network advertising business

## Operating environment

Client companies' budget cuts due to worsening economy

Sluggish display advertisements

Expansion of mobile advertisement market

Concentration of demands for affiliates and listings advertisements

## Septeni's measures and situation

Steady orders for new projects, profit margin is improving on order basis

Shift to targeting advertisements

Focus on mobile advertisements, increase share

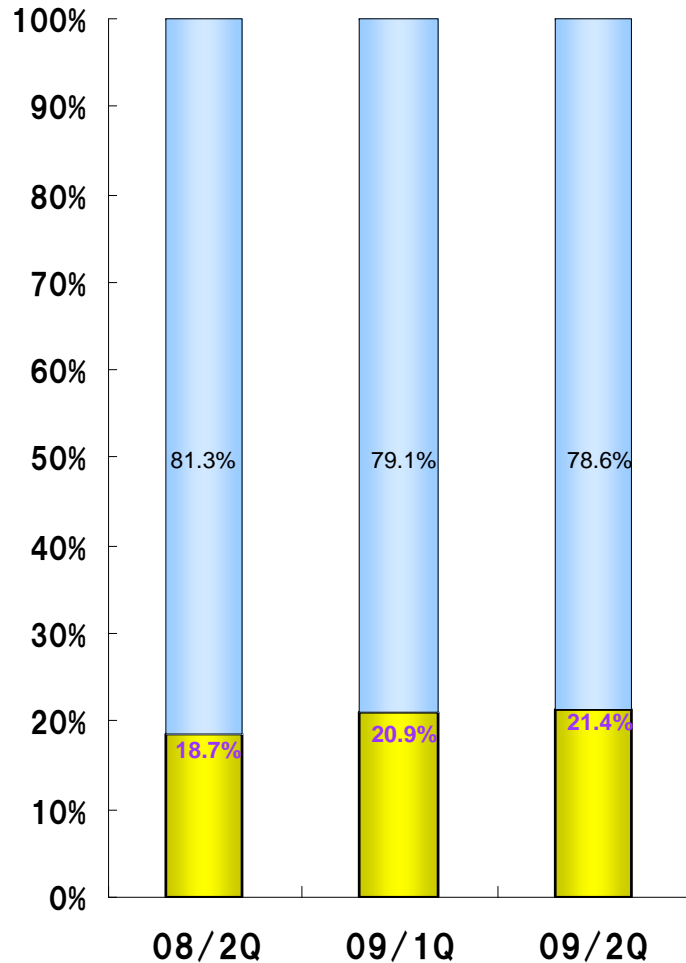
Expand sales of performance-based media, increase share

Aim to continue expanding market share by responding to changes in operating environment

# Business Unit Review - Network advertising business

## 【Changes in sales by product】

■ Mobile ■ PC



breakdown



By service		08/2Q	09/1Q	09/2Q
PC	Portal etc	23.5%	19.3%	18.6%
	CGM	3.0%	2.0%	2.1%
	Mail	4.4%	2.5%	3.2%
	Listing	31.9%	35.4%	33.6%
	Affiliate	10.0%	10.0%	11.0%
	Targeting(※)	2.6%	5.1%	5.3%
	SEO	2.3%	2.4%	2.1%
	Production/ others	3.7%	2.5%	2.7%
		<b>81.3%</b>	<b>79.1%</b>	<b>78.6%</b>
Mobile	Portal etc	3.9%	4.8%	5.0%
	CGM	3.5%	5.4%	4.4%
	Mail	3.0%	2.0%	1.6%
	Listing	4.0%	4.0%	5.2%
	Affiliate	4.1%	4.7%	5.2%
	SEO	0.2%	0.1%	0.1%
		<b>18.7%</b>	<b>20.9%</b>	<b>21.4%</b>
Total		100.0%	100.0%	100.0%

※Behavior targeting、 Interest-match etc.

# Business Unit Review - Network advertising business

## 【Sales composition ratio by customer's industry】

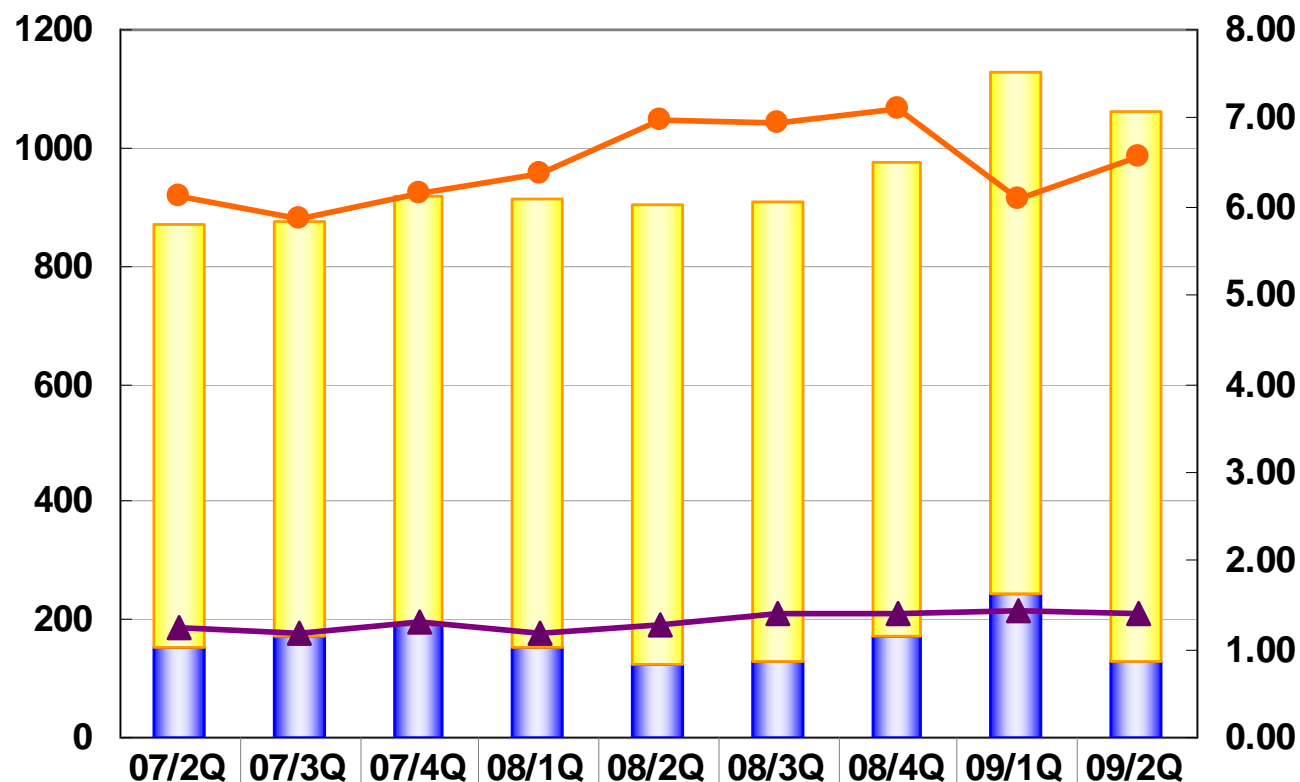
	<b>08/2Q</b>	<b>09/1Q</b>	<b>09/2Q</b>
Finance	<b>17.4%</b>	<b>16.2%</b>	<b>15.2%</b>
Education • Human resource	<b>13.7%</b>	<b>8.6%</b>	<b>5.0%</b>
Retail • Mail-order	<b>7.6%</b>	<b>7.1%</b>	<b>7.3%</b>
Real estate	<b>13.0%</b>	<b>11.8%</b>	<b>13.3%</b>
Food • Cosmetic	<b>14.4%</b>	<b>15.6%</b>	<b>14.9%</b>
Automobile	<b>5.7%</b>	<b>4.8%</b>	<b>4.6%</b>
IT	<b>22.0%</b>	<b>26.0%</b>	<b>30.5%</b>
Others (Service etc)	<b>6.2%</b>	<b>9.8%</b>	<b>9.3%</b>

# Business Unit Review - Network advertising business

## 【Number of clients】

(company)

(million yen)



Total No. of clients	872	876	920	911	905	906	973	1,127	1,063
No. of new clients	153	171	192	154	122	127	170	243	130
Average price per clients	6.12	5.87	6.14	6.38	6.99	6.94	7.09	6.10	6.57
No. of clients (over 5 million yen sales)	186	178	197	176	192	208	210	215	209

(note) Figure of "Mobile MAX" business, mobile affiliate system, was accounted from 09/1Q, due to the transfer of business.

## Internet related business

### **Promotion of content and technology domains**

#### **【Content domain】**

Promote differentiation strategy by enhancing content including popular artist websites and streaming video services

#### **【Technology domain】**

Strengthen WEB marketing function

Develop from e-mail distribution ASP to CRM tool

## ■ Content domain



### ◆ Tie-up with the latest movies

- Establish a special movie web site on major web sites including “Best Hits Hollywood+”
  - Attract customers to video site

### ◆ Handlings of sites of artists

- Expand services by offering “Miliyah Kato/MILIYAH” and “Dragon Ash Mobile” exclusive to members
  - Maintain a high retention rate



## Commerce business

**Establishment of basis and strategic move toward EC**

Obtain a new customer through an aggressive advertisement

Establishment of EC



## ◆ Increase sales of highly profitable products

- Focus on selling core products by using outbound marketing activities

→ Gross profit to 58.2% (up 9.2 points compared with 1Q)

## ◆ Appropriateness of expenses

- Conduct an overall review

→ Reduce about ¥84mn in SG&A expenses compared with 1Q



Drastic reduction in operating loss in 2Q  
(January to March)



## III . Improvement plan from 3Q

# Business Forecast of FY September 2009



(million yen)

Consolidated	2Q Results FY 9/2009	Progress	Full-term Forecast FY 9/2009
Net sales	<b>17,240</b>	<b>49.3%</b>	<b>35,000</b>
Operating income	<b>332</b>	<b>43.2%</b>	<b>770</b>
Ordinary income	<b>220</b>	<b>31.5%</b>	<b>700</b>
Net income	<b>-130</b>	<b>—</b>	<b>130</b>

## Network Advertising Business

- ◆ Reexamine profitability for each contract (improvement in gross profit margin)
- ◆ Hold down recruiting of experienced workers and train new employees to become adaptable fighting potentials (raise productivity)
- ◆ Tightly control all types of expenses (reduce fixed expenses)

## Internet-related Business (Content Domain)

### ◆ Reduction of fixed expenses

- Review the contract for MG project and various SG&A expenses

### ◆ Strengthening of Mobile Solution Business

- Use content business knowhow

Expand highly value added sectors including consignment of mobile web site operation and promotion support

### ◆ Production of original content

- Distribute contents created in-house from the planning stage (photo collections, comedy shows, etc.)

Offer sublicenses to other companies in the future

## Commerce Business

### ◆ Establishment of EC web site

- Realization of Catalog to the Internet  
Strategic move toward the Internet to the Internet



### ◆ Introduction of new products

- Differentiate from other companies in the same trade



### ◆ House list activation

- Increase in the number of customers



# Thank you for Today

## **Contact Us**

Septeni Holdings Co., Ltd.

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

**PR • IR Office**

TEL : 81-3-5363-7336 E-mail : [ir@septeni-holdings.co.jp](mailto:ir@septeni-holdings.co.jp)





# IV. APPENDIX

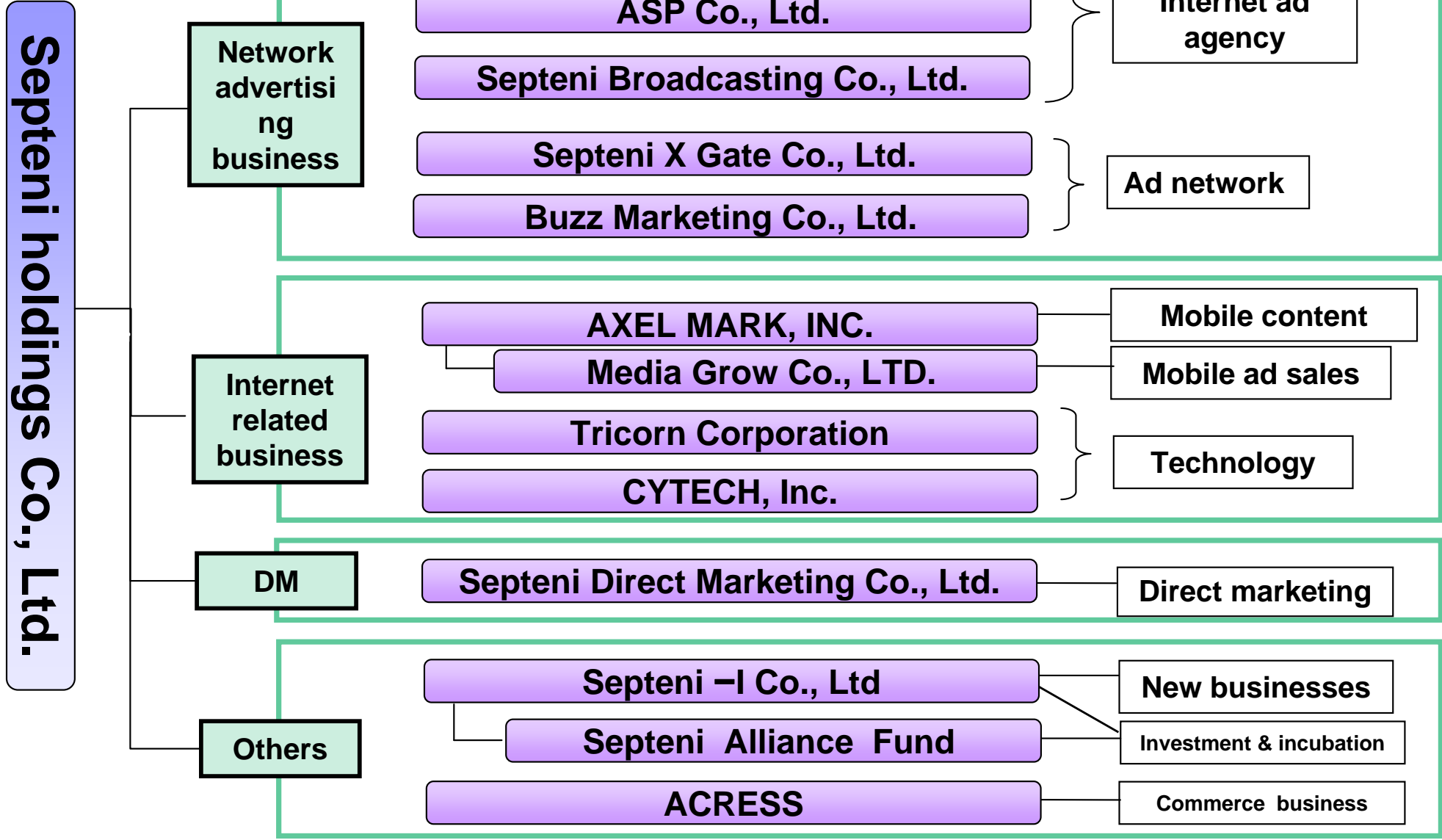
As of March 31, 2009

Company name	SEPTENI HOLDINGS CO., LTD.
Representative	Representative director Muneyoshi Nomura
Head office	24 Daikyo-cyo, Shinjuku, Tokyo
Stock code	4293 (JASDAQ、J-Stock)
Business activity	Management of Group firms, engaged mainly in Internet-related businesses, as a holding company
Establishment	October 29, 1990
Capital	1,992 million yen
Outstanding shares	134,347 shares (Common stock for treasury 2,244 shares )
Number of employees (consolidated)	560(Full-time)、664(Part-time)

As of March 31, 2009

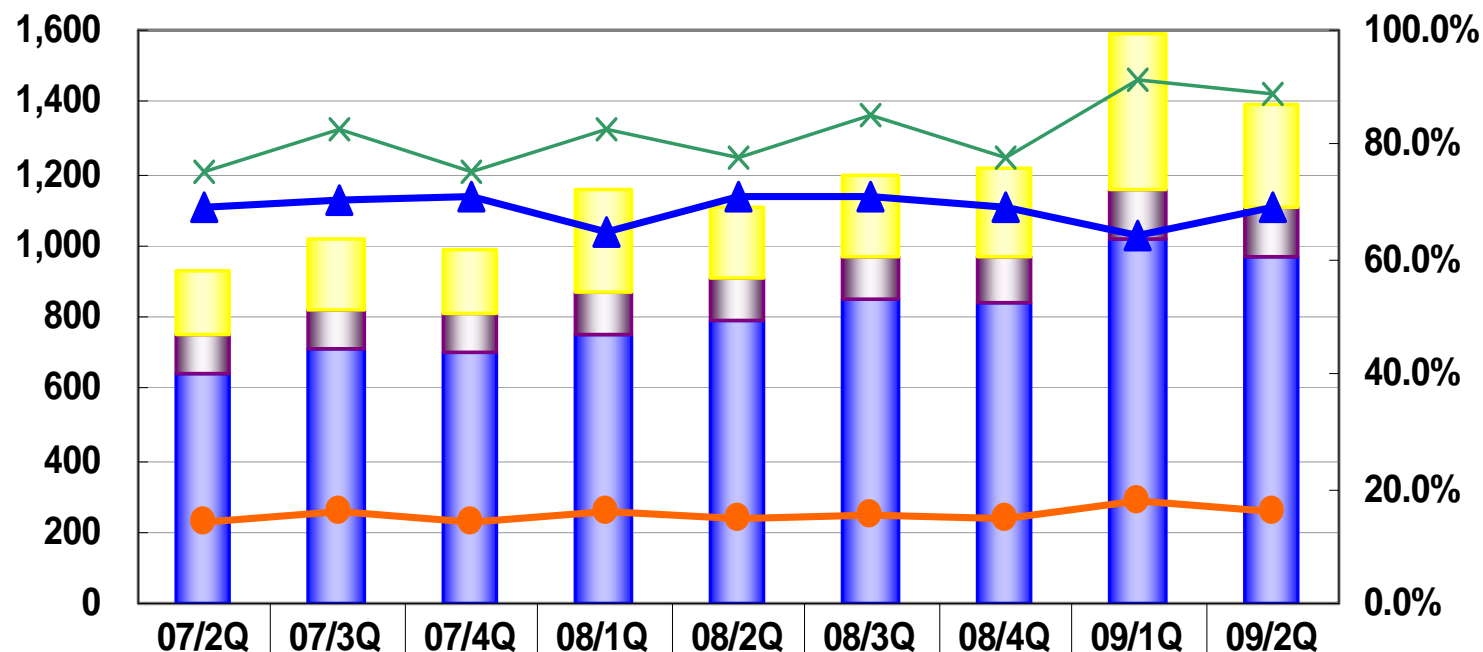
Company name		Business line
Septeni holdings Co., Ltd.		Holding company
Septeni Co., Ltd.	Consolidated subsidiary 100.0%	Internet Ad agency
ASP Co., Ltd.	Consolidated subsidiary 60.0%	e-Marketing Solution
Septeni Broadcasting Co., Ltd.	Consolidated subsidiary 70.0%	Internet moving ad
Septeni X Gate Co., Ltd.	Consolidated subsidiary 95.0%	Ad network
Buzz Marketing Co., Ltd.	Consolidated subsidiary 50.3%	Buzz marketing
AXEL MARK, INC.	Consolidated subsidiary 55.0%	Media contents
Media Grow CO., LTD.	Consolidated subsidiary 54.6% (Indirect investment)	Mobile ad business
Tricorn corporation	Consolidated subsidiary 100.0%	Mail marketing
CYTECH, Inc.	Consolidated subsidiary 63.6%	System Integration
Septeni Direct Marketing Co., Ltd.	Consolidated subsidiary 100.0%	Direct marketing
Septeni-I Co., Ltd.	Consolidated subsidiary 100.0%	Incubation, Development of new business
Septeni Alliance Fund	Consolidated subsidiary 99.0% (Indirect investment)	Incubation
ACRESS	Consolidated subsidiary 100.0%	Mail-order business
Prime X co., Ltd.	Equity method affiliate 40.0%	Internet marketing for real estate companies
Open Smile, Inc.	Equity method affiliate 33.3%	Internet media
colab inc.	Equity method affiliate 44.0%	WEB creator
Power Technology, Inc	Equity method affiliate 22.8%	SEO Business

(2009/5/8)



# Consolidated SG&A

(million yen)

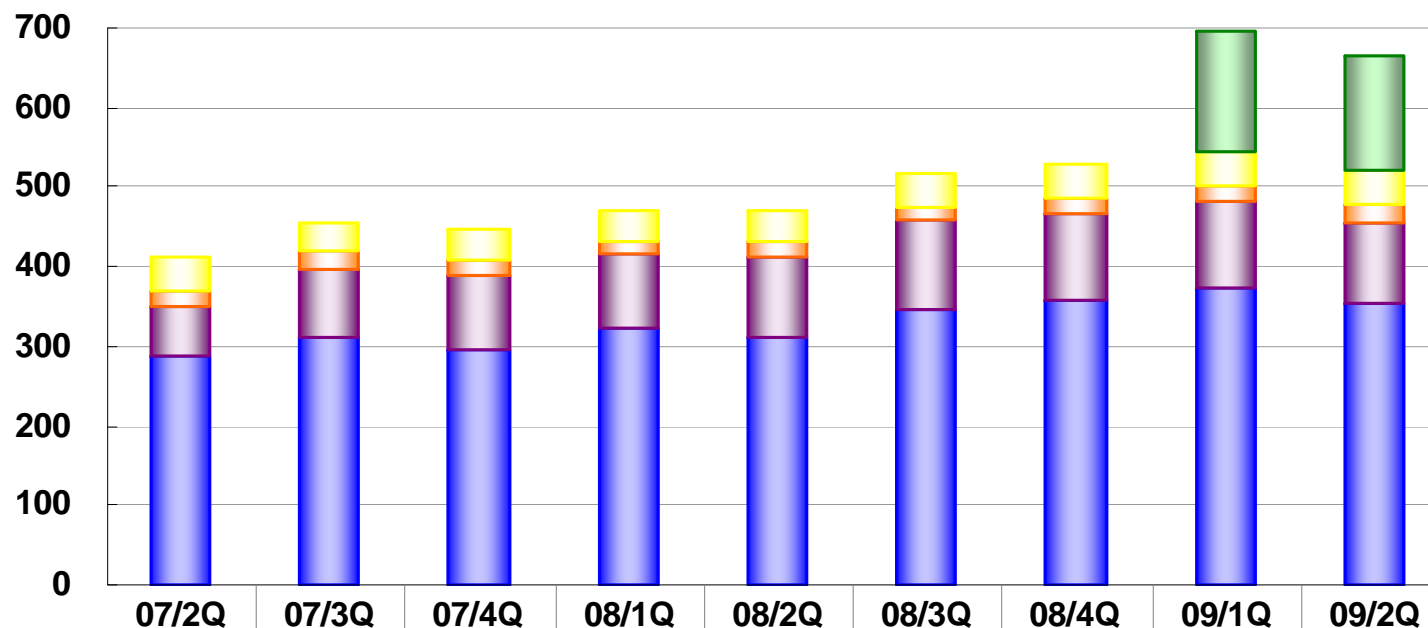


Others	174	193	173	288	203	226	249	432	287
Office expense	109	110	114	118	117	119	123	140	141
Labor cost	641	713	700	751	789	849	844	1,014	965
SG&A ratio to Gros margin	75.6%	82.5%	75.3%	82.6%	77.5%	84.9%	77.8%	91.1%	88.7%
Labor cost ratio to SG&A	69.4%	70.2%	70.9%	64.8%	71.1%	71.1%	69.3%	63.9%	69.3%
SG&A ratio to Net sales	14.1%	15.9%	14.4%	16.1%	14.7%	15.6%	14.7%	18.2%	16.3%
<b>Total SG &amp; A</b>	<b>924</b>	<b>1,015</b>	<b>986</b>	<b>1,158</b>	<b>1,110</b>	<b>1,195</b>	<b>1,217</b>	<b>1,587</b>	<b>1,393</b>

# Septeni Group Number of employees



(person)



	07/2Q	07/3Q	07/4Q	08/1Q	08/2Q	08/3Q	08/4Q	09/1Q	09/2Q
Commerce business	0	0	0	0	0	0	0	152	144
Staff others	43	37	38	40	39	41	43	41	42
DM business	19	21	19	17	19	19	19	22	24
Internet related business	62	85	95	94	99	109	110	107	102
Network advertising business	287	313	294	321	312	348	356	374	352
(account executives)	(108)	(132)	(122)	(148)	(130)	(152)	(148)	(144)	(137)
<b>TOTAL</b>	<b>411</b>	<b>456</b>	<b>446</b>	<b>472</b>	<b>469</b>	<b>517</b>	<b>528</b>	<b>696</b>	<b>664</b>