



Septeni Holdings Co., Ltd.
Business Results of
Fiscal Year Ended September 2009

November 6, 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 November 6, 2009. Septeni does not guarantee the accuracy of this information. Actual performance may differ significantly from these forecasts for many reasons.



I . Summary

- ◆ Sales increased 7.6% to ¥33,046 million, the 16th consecutive year of sales growth, but operating income was down 46.8% to ¥598 million.
- ◆ 4Q (July-Sept.) operating income was higher than in 3Q due to progress in controlling expenses.
- ◆ Extraordinary losses totaling ¥243 million, mainly in the Internet-related business, were posted in 4Q. Fiscal year extraordinary losses totaled ¥887 million, resulting in a net loss of ¥585 million.

Summary Consolidated Income Statement



(unit; Million yen)

Indicators	FY9/2009				FY9/2008		Latest forecast	
	Amount	Pct. Of sales	YoY change	Change vs. latest forecast	Amount	Pct. Of sales	Amount	Pct. Of sales
Net sales	33,046	100.0%	+7.6%	+546	30,700	100.0%	32,500	100.0%
Gross income	6,335	19.2%	+9.1%	—	5,808	18.9%	—	—
SG&A	5,736	17.4%	+22.5%	—	4,682	15.2%	—	—
Operating income	598	1.8%	−46.8%	+98	1,125	3.7%	500	1.5%
Ordinary income	421	1.3%	−58.2%	+101	1,010	3.3%	320	1.0%
Extra ordinary income	41	0.1%	−92.0%	—	511	1.7%	—	—
Extra ordinary loss	887	2.7%	+46.9%	—	604	2.0%	—	—
Income tax	362	1.1%	+6.0%	—	341	1.1%	—	—
Net income	△585	△1.8%	—	−115	563	1.8%	△470	△1.4%

Extraordinary Losses

◆ Major extraordinary losses posted in 4Q

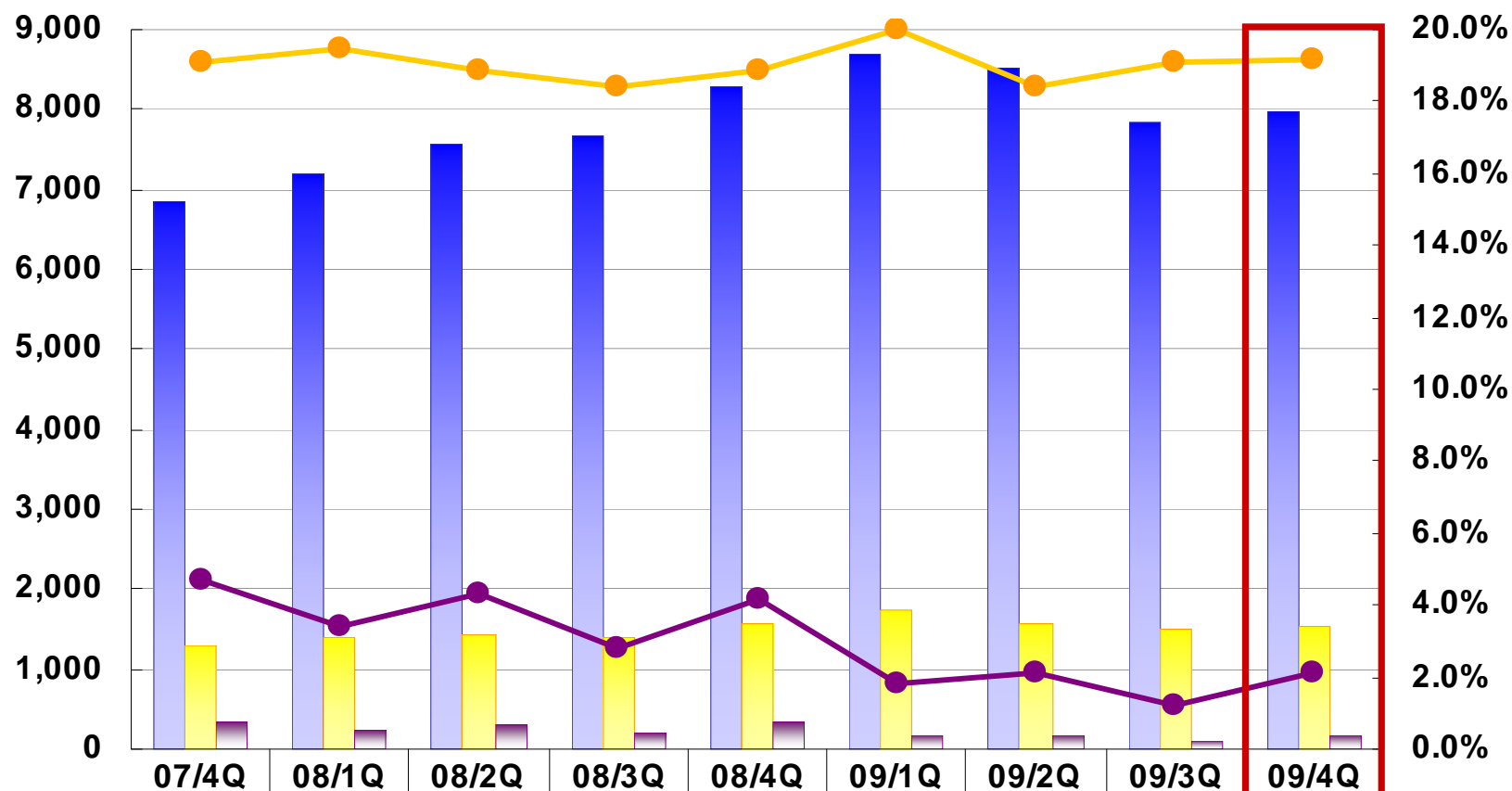
(unit; Million yen)

	Amount	Business segment	Description
Provision for allowance for business losses	100	Internet-related business (Content)	For the movie site, made a provision in advance for the portion of MG to be paid starting in the next fiscal year that is not expected to be recovered by business earnings.
Provision for allowance for doubtful accounts	33	Internet-related business (Content)	An additional provision was made due to an unexpected worsening in August of the outlook for recovering a deposit paid to a rights holder concerning the operation of artist sites.
Office relocations and downsizing (Expenses in several categories)	30	Network advertising Internet-related business	Loss on disposal of fixed assets, expenses for restoration of leased space and other items associated with office relocations and downsizing.

Consolidated Quarterly Performance



(unit: Million yen)



Net sales

Gross profit

Operating income

Gross margin

Operating income ratio

※Posted a ¥66mn in FY09/2Q, a ¥34mn in FY09/4Q for write-down of operational investment securities associated with Investment Incubation business at cost.

Consolidated Balance Sheet



(unit; Million yen)

	FY9/2009	FY9/2008	Change	Remarks
Assets				
Current assets	9,494	10,090	-596	Notes and accounts receivable -492
Fixed assets	2,417	3,392	-975	Investment securities -451 Differed tax asset -191 Prepaid expenses -131
Total assets	11,911	13,482	-1,571	
Liabilities				
Current liabilities	5,769	6,620	-851	Account payable -562 Accrued income taxes -207
Long-term liabilities	371	73	+298	Long-term debt +279
Total liabilities	6,140	6,694	-553	
Net assets				
Total net assets	5,770	6,788	-1,018	Retained earnings -691 Minority interest -264
Total liabilities and net assets	11,911	13,482	-1,571	

Consolidated Cash Flow Statement



(unit; Million yen)

	FY9/2009	FY9/2008	Remarks
Cash flows from operating activities	266	394	Net income before income taxes Δ 424 Write-down and loss on sales of investment securities +265 Increase in allowance +245 Depreciation +140
Cash flows from investing activities	Δ165	Δ1,183	Sale of investment securities +254 Acquisition of goodwill Δ 135 Acquisition of intangible fixed assets Δ 111 Acquisition of subsidiary stocks Δ 96
Cash flows from financing activities	Δ89	2,387	Increase in debt +193 Acquisition of treasury stocks Δ 159 Dividends paid Δ 105
Net change in cash and cash equivalents	11	1,598	
Cash and cash equivalents at the end of year	4,719	4,707	

Business Segment Sales and Operating Income

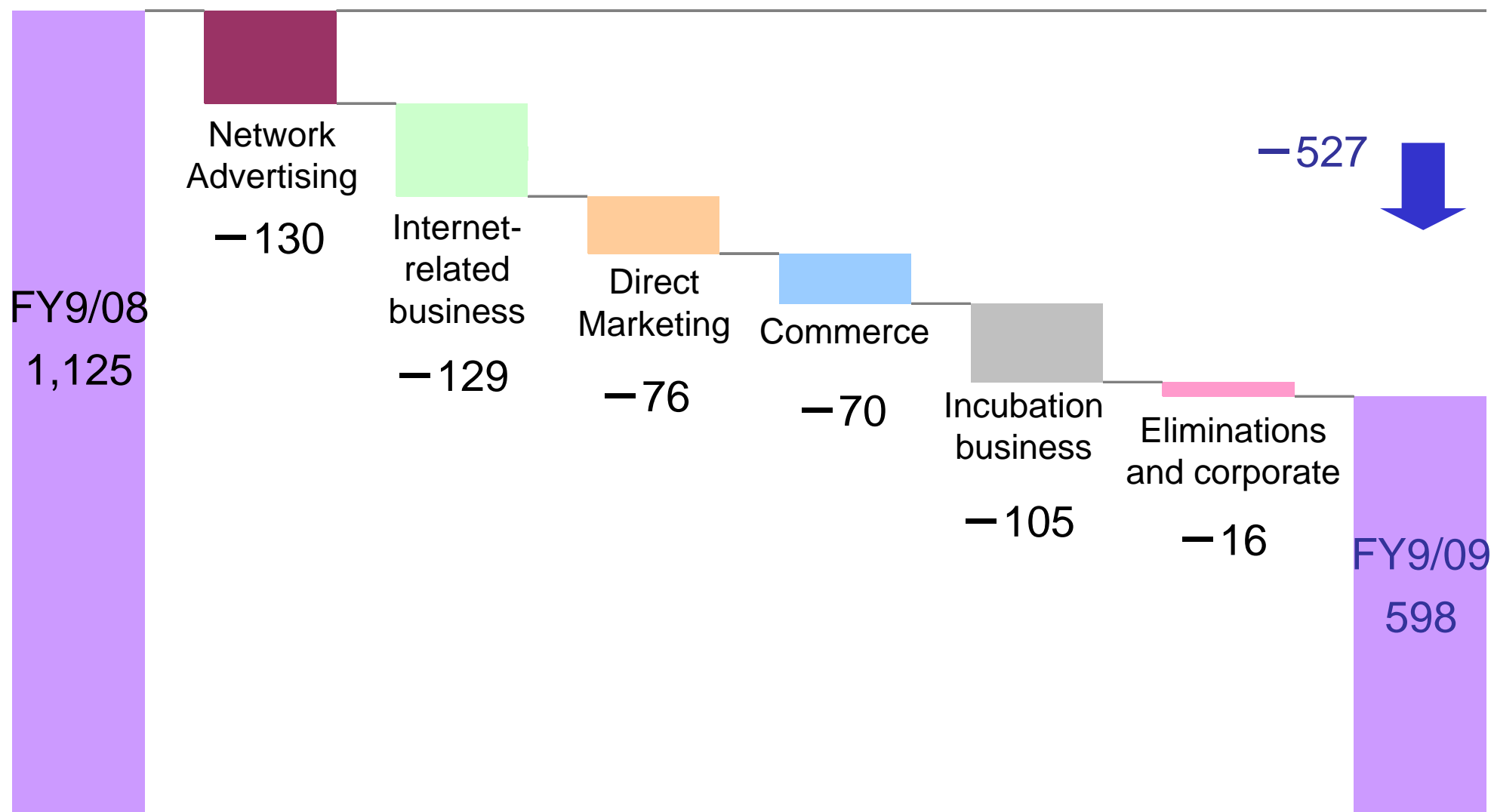


(unit; Million yen)

Segment	Net sales			Operating income		
	FY9/09	FY9/08	YoY change	FY9/09	FY9/08	YoY change
Network Advertising	26,706	25,330	+5.4%	908	1,037	-12.5%
Internet-related business	4,578	4,233	+8.1%	62	191	-67.2%
Direct Marketing	2,100	2,259	-7.1%	173	249	-30.5%
Others	1,501	49	Approx. 30times	Δ210	Δ34	—
Commerce business	1,501	—	—	Δ70	—	—
Incubation business	—	49	—	Δ139	Δ34	—
Eliminations and corporate	Δ1,839	Δ1,172	—	Δ335	Δ319	—
Consolidated	33,046	30,700	+7.6%	598	1,125	-46.8%

Changing Factor for Consolidated Operating Income

(unit; Million yen)



Network Advertising Business

- Performance is still impacted by the weak economy; 4Q (Jul-Sept.) sales down 4.8% YoY but up 4.8% from 3Q.

Internet-related Business

- Sales continued to fall in the content domain due mainly to declining advertising volume; 4Q (Jul-Sept.) gross profit increased because of actions taken to reduce all cost categories.
- Axel Mark became profitable in the 4Q.

Direct Marketing Business

- In the process of rebuilding this business

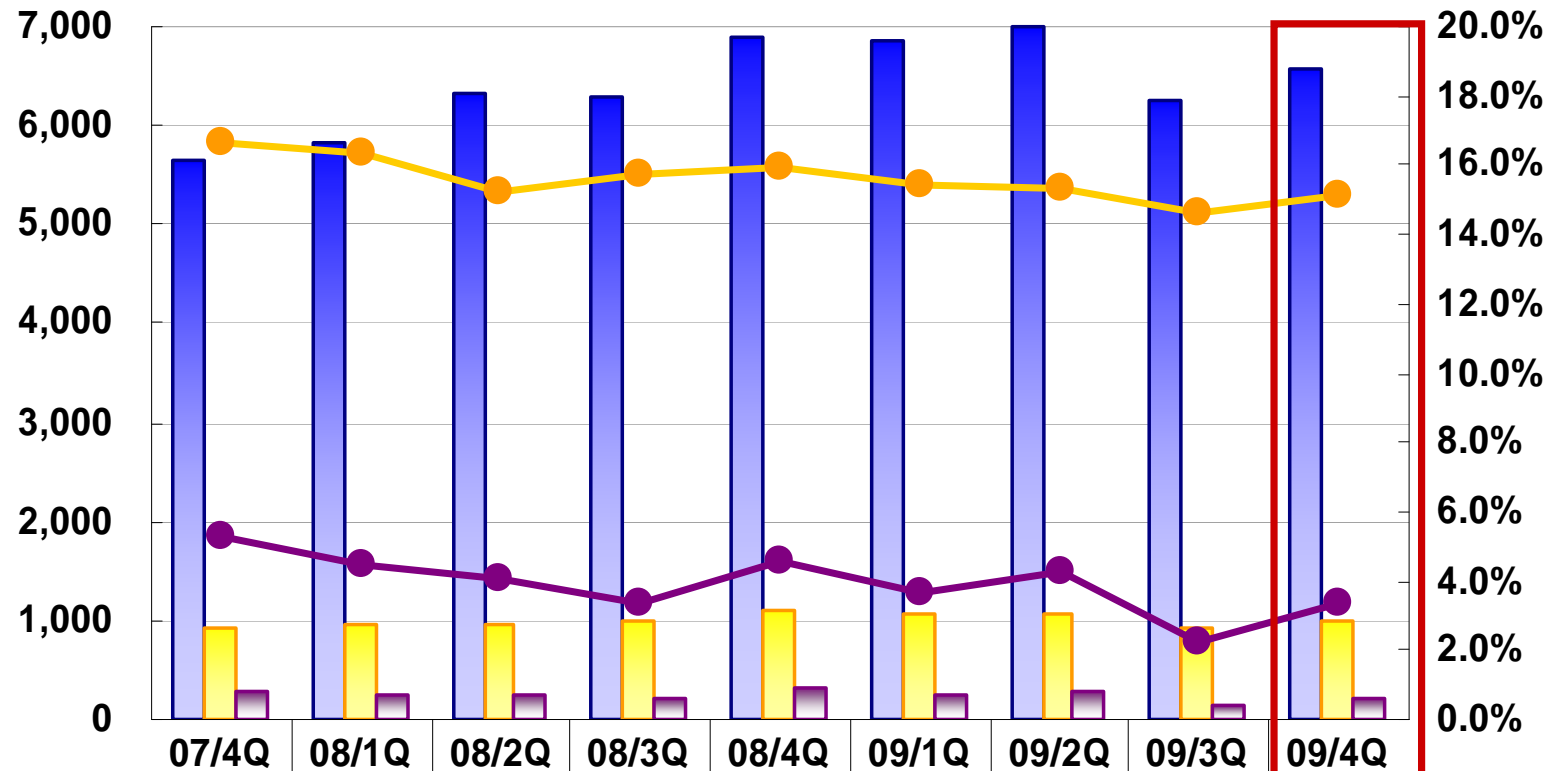
Commerce Business

- The continuing decline in sales resulted in a higher operating loss despite actions to hold down SG&A expenses.

Performance of Network advertising business by Quarter



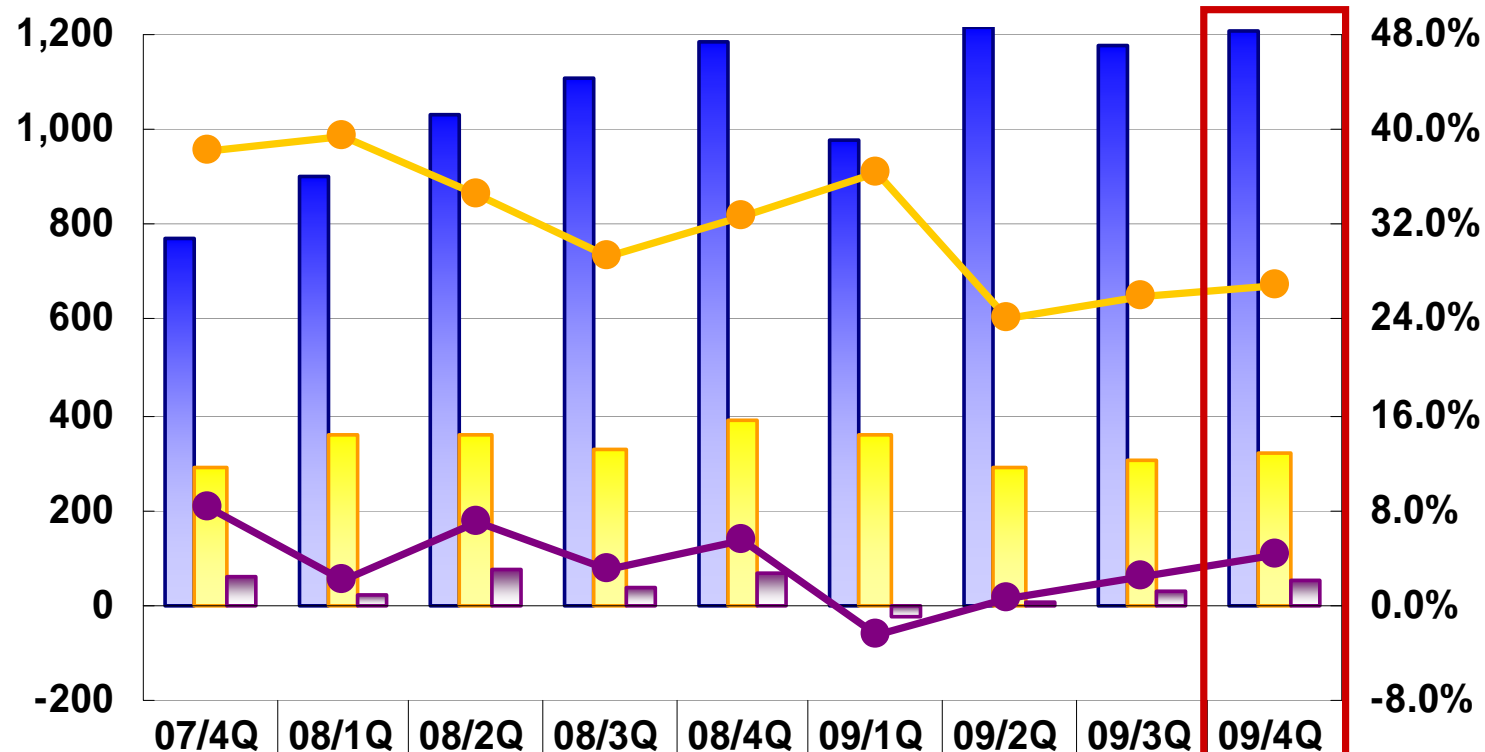
(unit: Million yen)



Net sales	5,650	5,813	6,327	6,290	6,900	6,875	6,989	6,271	6,569
Gross profit	938	948	963	987	1,099	1,059	1,070	918	994
Operating income	301	257	256	209	314	250	299	135	222
Gross margin	16.6%	16.3%	15.2%	15.7%	15.9%	15.4%	15.3%	14.6%	15.1%
Operating income ratio	5.3%	4.5%	4.1%	3.3%	4.6%	3.6%	4.3%	2.2%	3.4%

Performance of Internet related business by Quarter

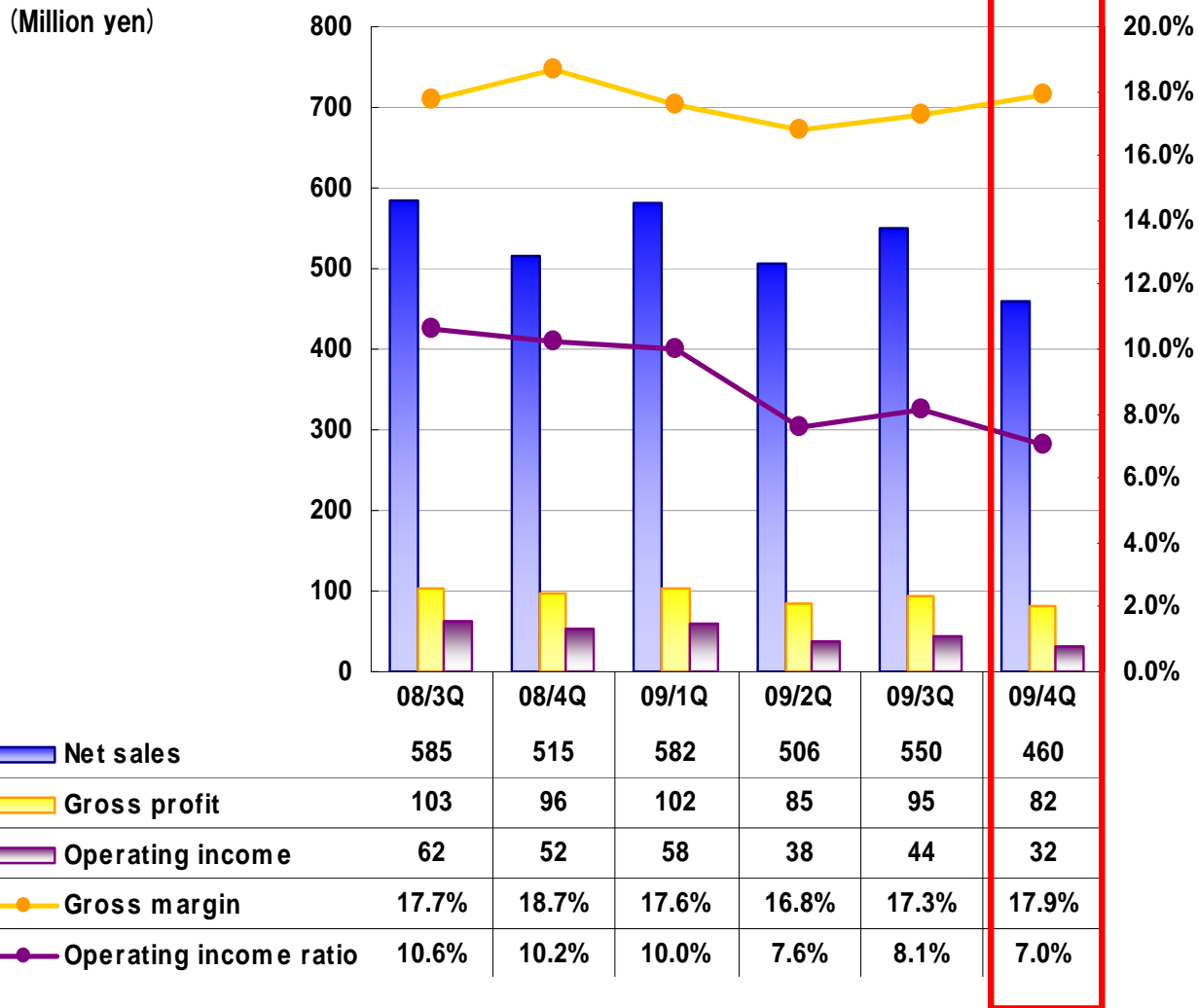
(unit: Million yen)



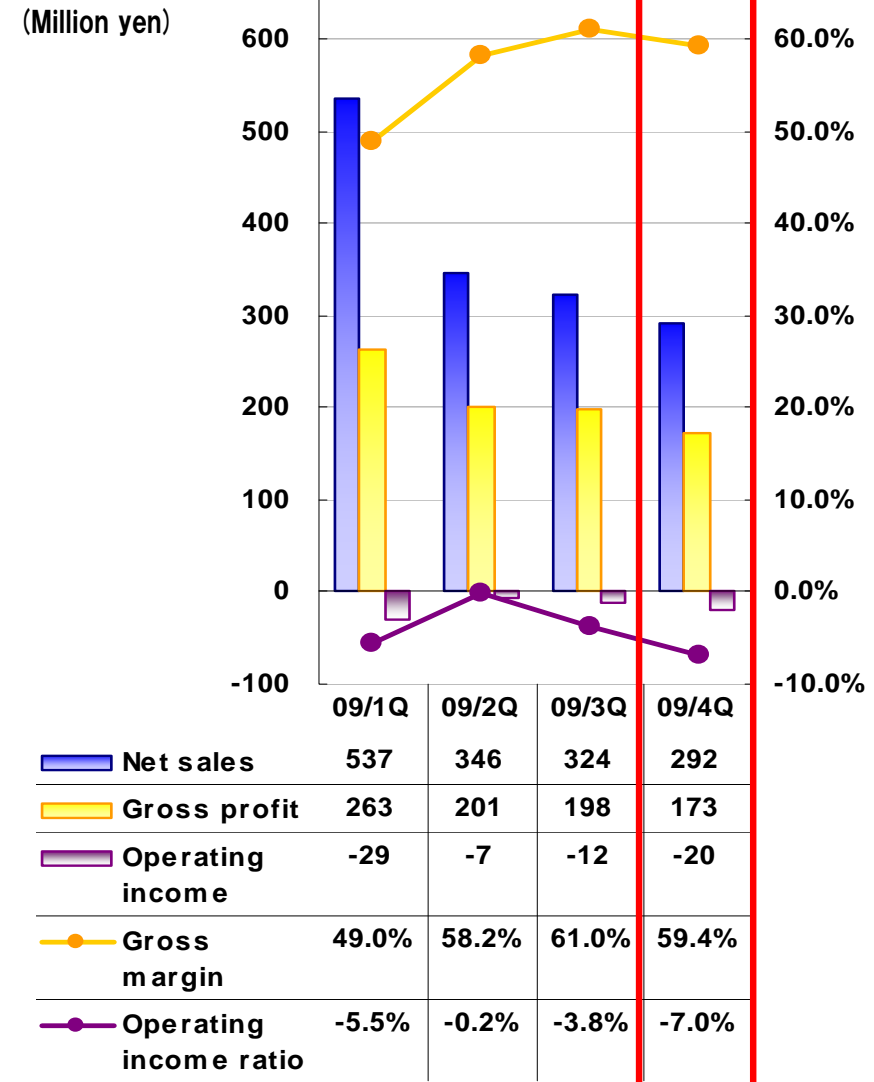
	07/4Q	08/1Q	08/2Q	08/3Q	08/4Q	09/1Q	09/2Q	09/3Q	09/4Q
Net sales	769	904	1,034	1,111	1,183	980	1,216	1,174	1,206
Gross profit	293	356	356	327	386	357	291	305	324
Operating income	62	19	73	35	64	-23	7	28	50
Gross margin	38.2%	39.4%	34.5%	29.4%	32.6%	36.4%	24.0%	26.0%	26.9%
Operating income ratio	8.1%	2.1%	7.1%	3.2%	5.4%	-2.4%	0.6%	2.5%	4.2%

Performance of Direct marketing business and E-commerce Business by Quarter

【Direct marketing】



【Commerce】





II. Fiscal 2009 Strategic Review

Network Advertising Business

Focused on expanding market share

Market share continued to increase despite the impact of the economic downturn

Internet-related Business

Grew in the content and technology domains

Up-front investments for content were not performing well

Commerce Business

Built a base of operations and started an EC business

Made progress in establishing an infrastructure but didn't become profitable

Promotion of an account sales framework

➤ Reduced dependence on current core client industries (finance, human resources, real estate) and increased sales from companies in the household products, transportation, leisure, etc.

(Core industry ratio: FY9/08 39.9% = FY9/09 33.4%)

➤ Improved the gross profit margin for individual transactions by conducting sales activities that prioritize profitability

Raised productivity by improving operations

➤ Started full-scale operations at the SEM Miyazaki office; established MANGO (Oct. 1, 2009), a subsidiary devoted exclusively to SEM operations

Continued making large investments in mobile advertising

- Rapid growth in the mobile listing sector raised the group's mobile advertising sales by 20% YoY, increasing mobile advertising to 21.4% of total group's sales
- Became Japan's leading ad agency in the volume of mobile ads handled (FY09 estimate, MIC Research Institute)
- Reorganization placed Media Grow, which operates the mobile rep business, under the direct oversight of Septeni Holdings
- Established subsidiary mume (Oct. 1, 2009) as a company specializing in mobile advertising

Focus on creating an operating framework that can grow even in the current difficult economy by adapting to changes in the operating environment.

【Content domain】

Promote a differentiation strategy by enlarging the content lineup, including web sites for popular artists and streaming video services

- Maintain a high retention rate by offering more original content for “Miliyah Kato/MILIYAH” and “Dragon Ash Mobile”
- Unable to generate earnings from some artist and movie sites where up-front investments were made to acquire rights
 - Posted extraordinary loss in FY9/09 for the write-off of most assets and planned MG payments in next FY associated with these sites

【Technology domain】

Strengthen Web marketing functions

Expansion from e-mail distribution ASP to CRM tool

- Develop CRM tools into another profit center alongside the current e-mail distribution ASP even during the economic recession

Use aggressive advertising activities to attract new customers

- Aggressive 1Q advertising campaign, mainly in newspapers and radio, added about 10,000 new customers, but sales decreased due to the lack of progress in the shift to the products

Establishment of EC operations

- Started operating a test website in April

Moving ahead with preparations for a full-scale launch in February 2010

✘ Earnings were much lower because of rapid changes in market conditions, items involving the group's operations, and other factors.

△ Financial soundness was improved by writing down or writing off non-performing and underperforming assets.

○ The operating framework was improved by achieving the optimum size for the group's organization and achieving big cost reductions.

	1 Q		4 Q
Workforce	696	→	692(※)
SG&A expenses	1,587 million yen	→	1,359 million yen

*Includes 83 employees hired in April 2009



III. Fiscal 2010 Vision

Aiming for a V-shaped Recovery

- ① Sales and earnings growth in the Network Advertising Business
- ② Make AXEL MARK and ACRESS profitable
- ③ Build a base for the launch of new businesses

A new management team → more powerful governance

Name	New title	Responsibilities
Koki Sato	President and CEO	Entire group, Network Advertising, new businesses
Mamoru Nanamura	Chairman and CEO	AXEL MARK (Chairman)
Muneyoshi Nomura	Deputy Chairman	ACRESS (President)

Continue to cut costs

- Only a small increase in SG&A expenses

Examine the business models of each company

- “Scrap and build”

Network Advertising Business

<p>Operating environment</p>	<ul style="list-style-type: none"> •Japan's economy will remain weak, but demand for network ads has stopped falling. •When the economy starts to recover, large companies will probably start to use network ads extensively in response to shifts in the economic environment and in the method of contact between consumers and various media. (diversity in the types of companies using network ads, shift budgets to network ads)
<p>Strategies</p>	<ul style="list-style-type: none"> ➤ Focus on the mobile advertising sector Become the leader in the mobile Internet advertising market ➤ Strengthen the Web solutions sector Increase opportunities to earn profits by targeting web site production, SEO, web site promotion, etc. ➤ Investment in the ad technology sector Improve the ROI in media marketing activities for advertisers.

Internet-related Business (AXEL MARK)

- Strengthen profit structure by using organizational and personnel reforms to create a new framework.
- Differentiate services from those of competitors by offering more content that is highly appealing to specific fan segments, such as people interested in specific artists or anime programs.

Commerce Business (ACRESS)

- Add many innovative new products to the lineup
- Start full-scale EC operations (scheduled for Feb. 2010)

(unit; Million yen)

Indicators	FY9/2009 Results	FY9/2010 Forecasts	Growth rate Forecasts
Net sales	33,046	34,000	+2.9%
Operating income	598	800	+33.6%
Ordinary income	421	700	+65.9%
Net income	△585	400	—

- The sales forecast use assumptions based on current market conditions.
- SG&A expenses will be held to a small increase over fiscal 2009.

Thank you for Today

Contact Us

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IV. Appendix

As of September 30, 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	134,417 shares (Common stock for treasury 6,848 shares)
Number of employees (consolidated)	629(Full-time)、692(Part-time)

As of September 30, 2009

Company name		Business line
Septeni holdings Co., Ltd.		Holding company
Septeni Co., Ltd.	Consolidated subsidiary 100.0%	Internet ad agency
Mume Co., Ltd.	Consolidated subsidiary 100.0% (Indirect investment)	Mobile ad agency
MANGO Co., Ltd	Consolidated subsidiary 100.0% (Indirect investment)	SEM Operation
ASP Co., Ltd.	Consolidated subsidiary 60.0%	e-Marketing Solution
Septeni X Gate co., Ltd.	Consolidated subsidiary 95.0%	Ad marketplace
Media Grow CO., LTD.	Consolidated subsidiary 100.0%	Mobile media rep
AXEL MARK, INC.	Consolidated subsidiary 54.6%	Mobile contents
Tricorn corporation	Consolidated subsidiary 100.0%	Mail marketing
CYTECH, Inc.	Consolidated subsidiary 100.0%	System Integration
Septeni Direct Marketing Co., Ltd.	Consolidated subsidiary 100.0%	Direct marketing
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

The Septeni Group by Business Segment



As of September 30, 2009

Holding company

Septeni holdings Co., Ltd.

Network advertising business

Septeni Co., Ltd.

Internet ad agency

mume Co., Ltd.

NEW

Mobile ad agency

MANGO Co., Ltd

NEW

SEM Operation

ASP Co., Ltd.

e-Marketing Solution

Septeni X Gate co., Ltd.

Ad marketplace

Media Grow CO., LTD.

Mobile media rep

Internet related business

AXEL MARK, INC.

Mobile contents

Tricorn corporation

Mail marketing

CYTECH, Inc.

System Integration

DM business

Septeni Direct Marketing Co., Ltd.

Shipping outsourcing
In-ship

Commerce business

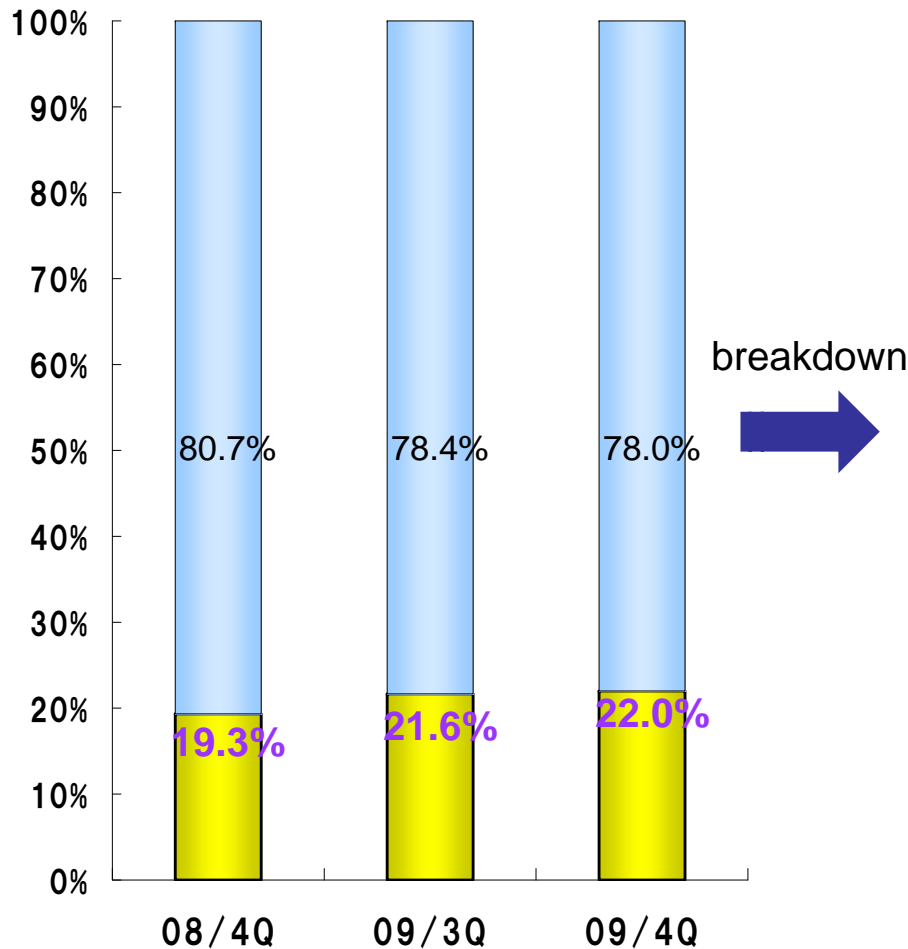
ACRESS

Mail-order business
E-commerce

Business Unit Review - Network advertising business

【Changes in sales by product】

■ Mobile ■ PC



※Behavior targeting, Interest-match etc.

By service		08/4Q	09/3Q	09/4Q
PC	Portal etc	21.3%	18.9%	16.5%
	CGM	2.3%	2.1%	1.5%
	Mail	3.8%	2.5%	2.2%
	Listing	34.1%	33.8%	35.5%
	Affiliate	9.9%	10.9%	9.7%
	Targeting (※)	4.0%	5.3%	6.8%
	SEO	2.2%	2.2%	2.1%
	Production/others	3.0%	2.6%	3.8%
		80.7%	78.4%	78.0%
Mobile	Portal etc	5.1%	4.6%	5.4%
	CGM	4.3%	4.3%	4.5%
	Mail	2.5%	2.6%	1.7%
	Listing †	4.2%	6.6%	8.0%
	Affiliate	3.2%	3.2%	2.3%
	Production/others	0.1%	0.1%	0.1%
			19.3%	21.6%
Total		100.0%	100.0%	100.0%

Business Unit Review - Network advertising business

【Sales composition ratio by customer's industry】

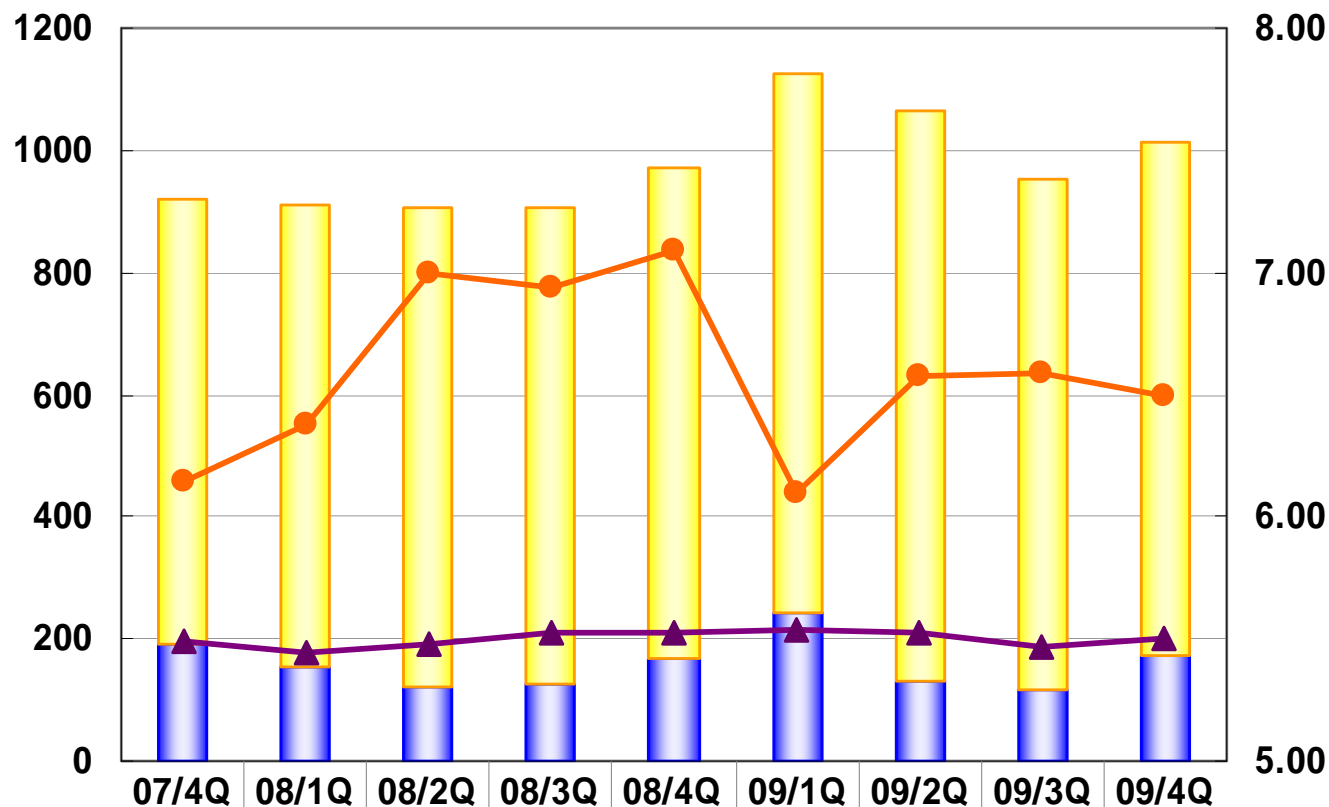
	08/4Q	09/3Q	09/4Q
Finance	16.2%	15.9%	15.9%
Education • Human resource	8.6%	4.8%	4.4%
Retail • Mail-order	7.1%	8.0%	9.2%
Real estate	11.8%	11.0%	11.3%
Food • Cosmetic	15.6%	16.4%	15.1%
Automobile	4.8%	3.7%	4.0%
IT	26.0%	27.1%	27.7%
Others (Service etc)	9.8%	13.1%	12.5%

Business Unit Review - Network advertising business

【Number of clients】

(Company)

(Million yen)

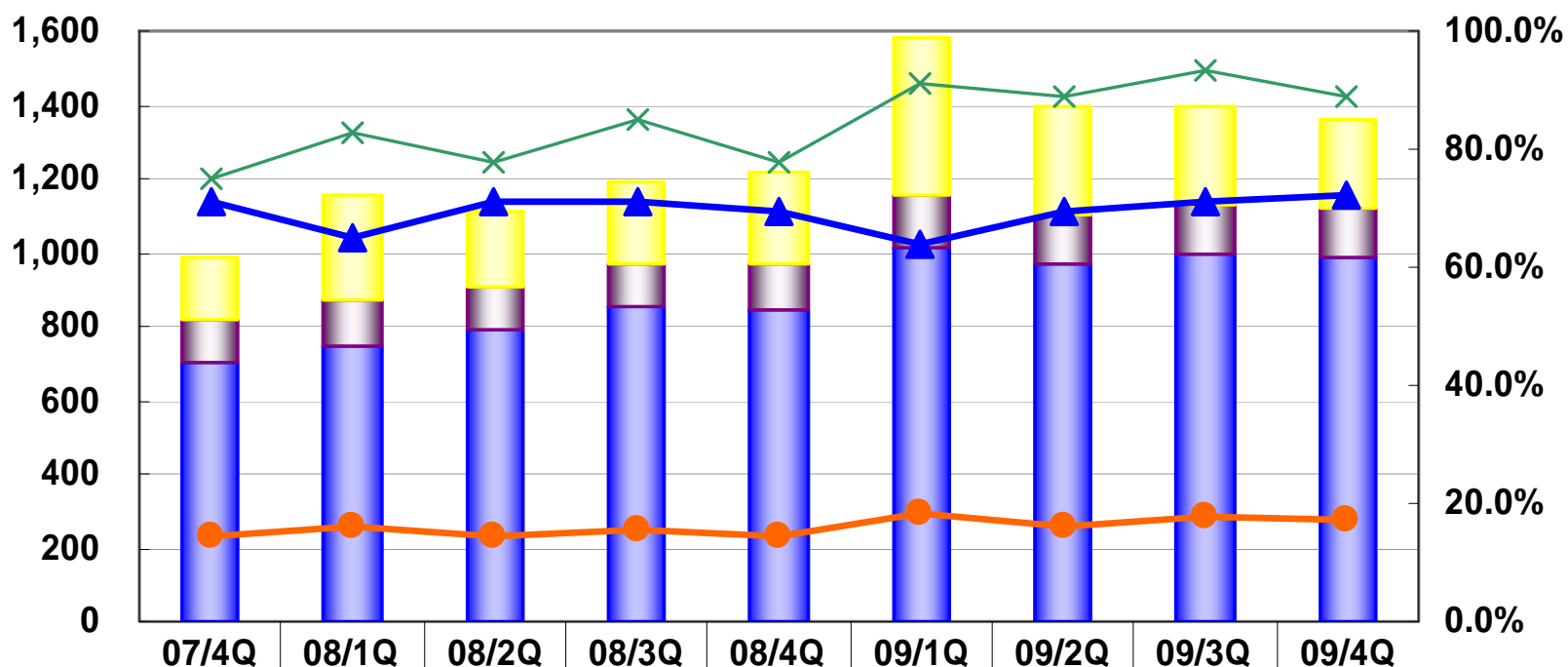


Total No. of clients	920	911	905	906	973	1,127	1,063	952	1,011
No. of new clients	192	154	122	127	170	243	130	116	175
Average price per clients	6.14	6.38	6.99	6.94	7.09	6.10	6.57	6.59	6.49
No. of clients (over 5 million yen sales)	197	176	192	208	210	215	209	188	203

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

Consolidated SG&A

(Unit: Million yen)

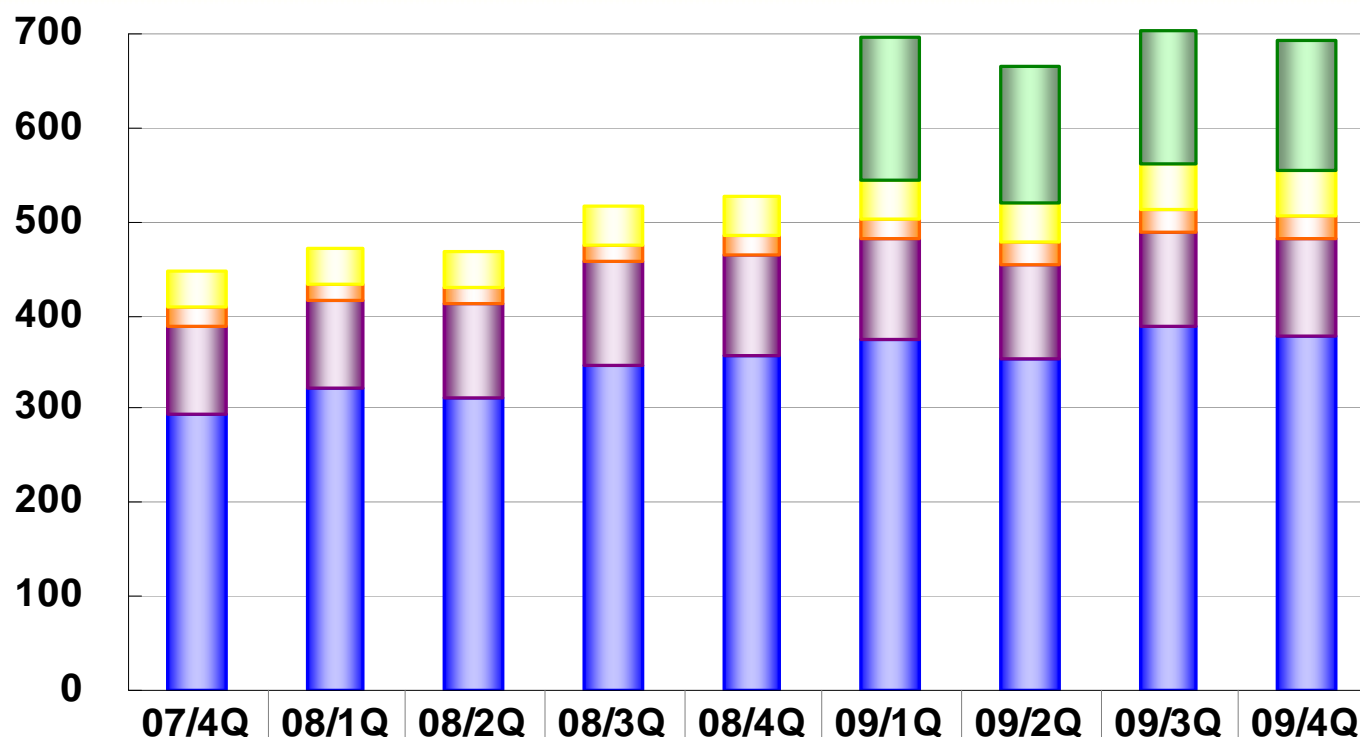


Others	173	288	203	226	249	432	287	262	240
Office expense	114	118	117	119	123	140	141	138	135
Labor cost	700	751	789	849	844	1,014	965	995	983
SG&A ratio to Gros margin	75.3%	82.6%	77.5%	84.9%	77.8%	91.1%	88.7%	93.5%	88.9%
Labor cost ratio to SG&A	70.9%	64.8%	71.1%	71.1%	69.3%	63.9%	69.3%	71.3%	72.3%
SG&A ratio to Net sales	14.4%	16.1%	14.7%	15.6%	14.7%	18.2%	16.3%	17.8%	17.1%
Total SG&A	986	1,158	1,170	1,195	1,217	1,587	1,393	1,396	1,359

Septeni Group Number of employees



(Unit;Person)



■ Commerce business	0	0	0	0	0	152	144	140	136
■ Staff others	38	40	39	41	43	41	42	50	50
■ DM business	19	17	19	19	19	22	24	24	24
■ Internet related business	95	94	99	109	110	107	102	101	103
■ Network advertising business	294	321	312	348	356	374	352	387	379
(account executives)	(122)	(148)	(130)	(152)	(148)	(144)	(137)	(174)	(165)
TOTAL	446	472	469	517	528	696	664	702	692