



# Business Results of First Quarter of Fiscal Year September 2011

February 4, 2011

**SEPTENI HOLDINGS CO., LTD.**

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

Securities Code: 4293

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All forward looking forecasts, opinions, and plans presented in this document are based on the best information available at the time of its creation on February 4, 2011, and their accuracy cannot be guaranteed. Our earnings may diverge from the estimates and projections denoted in this document due to risks arising from changes in global market conditions and various other unforeseen factors.



# I. Quarterly Earnings Overview and Progress in Achieving Full Year Targets

- ◆ First double digits year-over-year sales growth in 7 quarters, achieve new record high on a quarterly basis
- ◆ Internet advertising business trending strongly, boosted consolidated earnings
- ◆ Increased sales allowed operating income to continue to grow by double digits

# Consolidated Income Statement

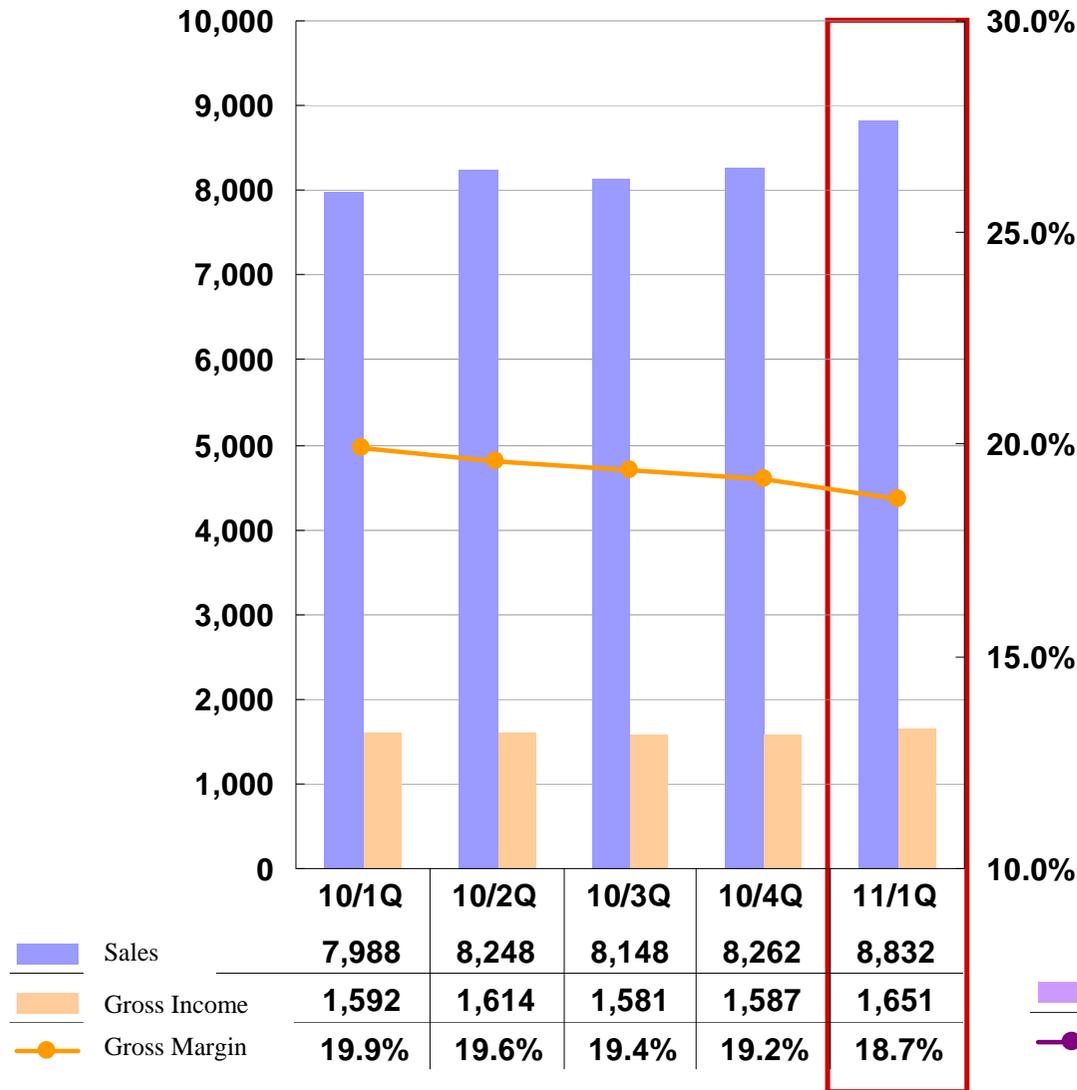
(Units: Million Yen)

Income Statement	1Q FY9/11				1Q FY9/10		4Q FY9/10	
	Value	Share	YoY Change	QoQ Change	Value	Share	Value	Share
Net Sales	<b>8,832</b>	100.0%	+10.6%	+6.9%	7,988	100.0%	8,262	100.0%
Gross Income	<b>1,651</b>	18.7%	+3.7%	+4.0%	1,592	19.9%	1,587	19.2%
SG&A	<b>1,376</b>	15.6%	+2.4%	+5.9%	1,343	16.8%	1,299	15.7%
Operating Income	<b>275</b>	3.1%	+10.8%	-4.6%	248	3.1%	288	3.5%
Ordinary Income	<b>265</b>	3.0%	+22.1%	-7.0%	217	2.7%	285	3.5%
Net Income	<b>127</b>	1.4%	+93.6%	-44.5%	65	0.8%	229	2.8%

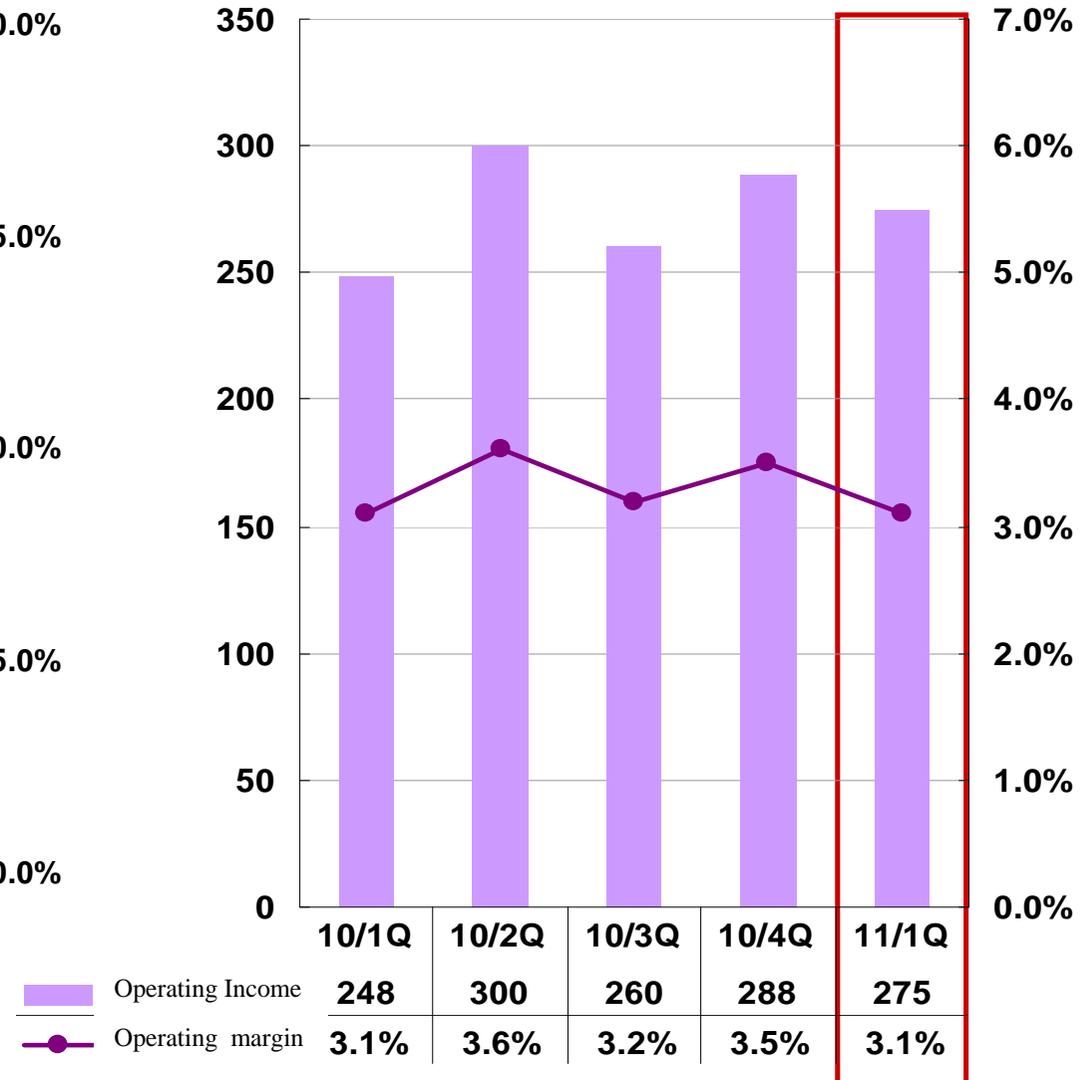
- ◆ Highest quarterly sales since 1Q FY9/09 of ¥8.707 billion
- ◆ Share of Internet advertising business sales rises to 84.8% of total net sales, consolidated gross margins decline
- ◆ Higher SG&A costs due primarily to increase in labor costs arising from expansion of business operations, but absorbed by higher sales

# Trends in Quarterly Consolidated Earnings

(Units: Million Yen) **【Sales, Gross Income】**



**【Operating Income】**



Internet Related Business Split Into Technology and Contents Business Segments

【FY9/10】

Internet Advertising
Internet Advertising Agency
Ad Network
Mobile Media Rep

Internet Related Business
Technology
Mobile Contents

Direct Marketing
Direct Mail Outsourcing Services
In-Ship Advertising

Other Business
Commerce

【From FY9/11】

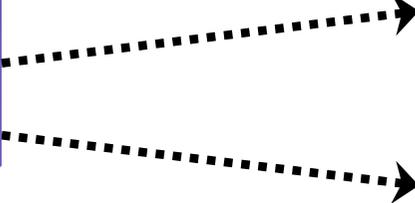
Internet Advertising
Internet Advertising Agency
Ad Network
Mobile Media Rep

Technology Business
Technology

Contents Business
Mobile Contents

Direct Marketing
Direct Mail Outsourcing Services
In-Ship Advertising

Other Business
Commerce



# Main Business Segment Earnings (October to December)

(Units: Million Yen)

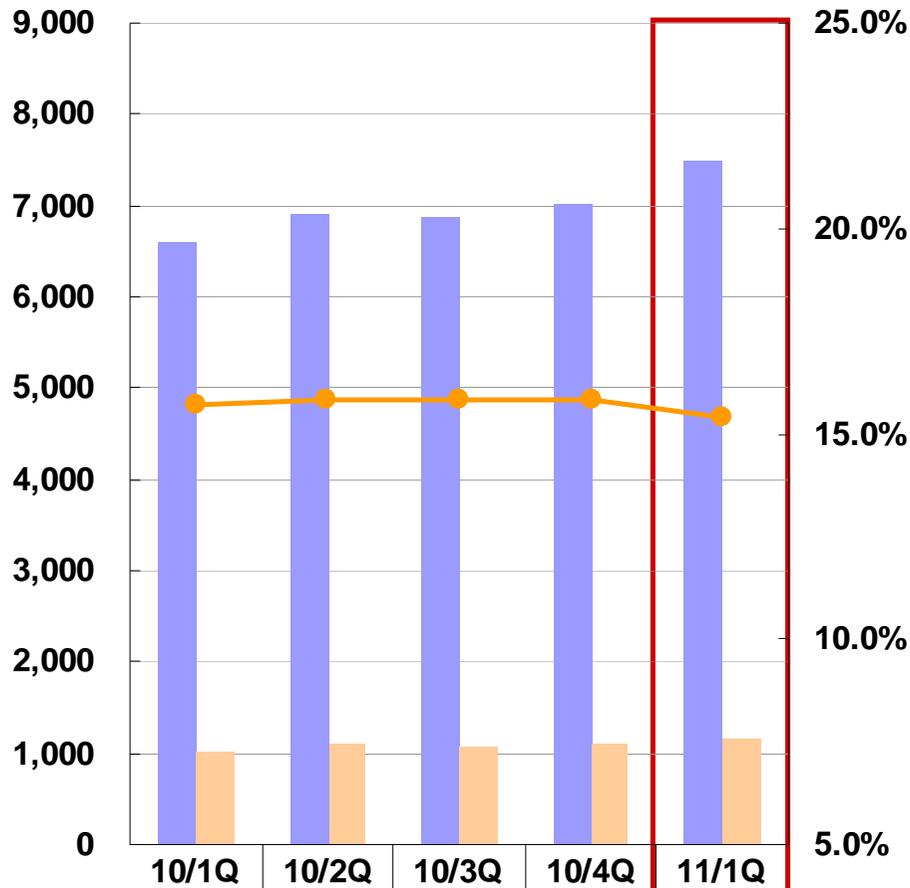
Business Segments	Net Sales			Operating Income		
	1Q FY9/11	1Q FY9/10	YoY Change	1Q FY9/11	1Q FY9/10	YoY Change
Internet Advertising	<b>7,496</b>	6,598	<b>+13.6%</b>	<b>285</b>	263	<b>+8.4%</b>
Technology	<b>174</b>	161	<b>+7.7%</b>	<b>30</b>	32	<b>-6.6%</b>
Contents	<b>311</b>	395	<b>-21.2%</b>	<b>-2</b>	18	<b>(-21)</b>
Direct Marketing	<b>577</b>	557	<b>+3.5%</b>	<b>37</b>	48	<b>-23.8%</b>
Other Business (Commerce)	<b>299</b>	305	<b>-2.0%</b>	<b>9</b>	-5	<b>(+15)</b>
Segment Eliminations	<b>-26</b>	-30	<b>-</b>	<b>-84</b>	-108	<b>-</b>
Consolidated Accounts	<b>8,832</b>	7,988	<b>+10.6%</b>	<b>275</b>	248	<b>+10.8%</b>

※ FY9/10 business segment earnings adjusted to reflect new business segment definitions.

# Internet Advertising Quarterly Earnings Trend

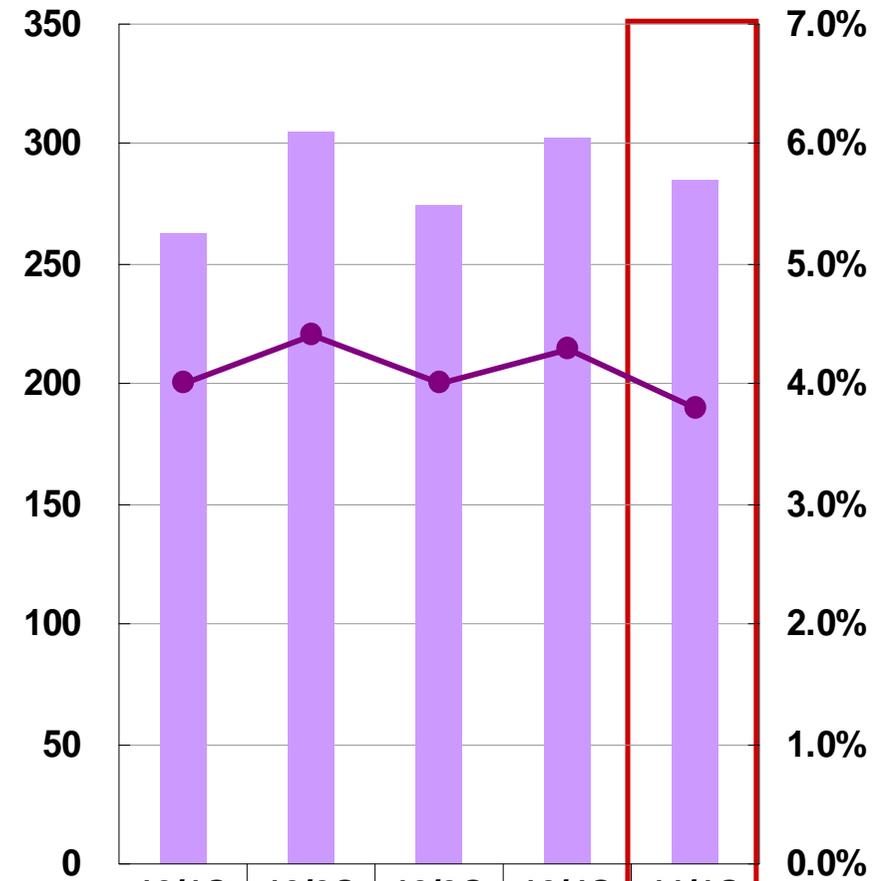
(Units: Million Yen)

## 【Sales, Gross Income】



	Sales	6,598	6,908	6,869	7,009	7,496
	Gross Income	1,032	1,088	1,086	1,104	1,152
	Gross Margin	15.7%	15.8%	15.8%	15.8%	15.4%

## 【Operating Income】



	Operating Income	263	305	274	303	285
	Operating Margin	4.0%	4.4%	4.0%	4.3%	3.8%

# Internet Advertising Business Overview

## 1Q FY9/11

	Value	YoY Change	QoQ Change
Sales	<b>7,496</b>	<b>+13.6%</b>	<b>+6.9%</b>
Gross Income	<b>1,152</b>	<b>+11.6%</b>	<b>+4.4%</b>
Gross Margin	<b>15.4%</b>	<b>-0.3pt</b>	<b>-0.4pt</b>
SG&A	<b>867</b>	<b>+12.7%</b>	<b>+8.3%</b>
Operating Income	<b>285</b>	<b>+8.4%</b>	<b>-5.9%</b>
Operating Margin	<b>3.8%</b>	<b>-0.2pt</b>	<b>-0.5pt</b>

## Overview

- ◆ First double digits sales growth in 7 quarters and achieved new record high (Previous record of ¥7.026 billion recorded in 2Q FY9/09)
- ◆ Mobile advertising rose by 34% year-over-year and its share of sales grew to 29.5%
- ◆ Advertisements for various social media related providers continued to trend strongly
- ◆ Fortifying human resources through stepped up hiring of marketing, technology staff

# Internet Advertising Business Growth Realms, Endeavors (1)

## Social Media

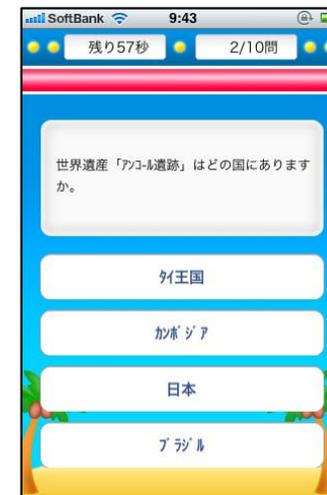
- ◆ Growth trends seen for advertisements placed in Facebook and fan page creation projects

## Smart Phones

- ◆ High growth in advertising for smart phones
- ◆ 85,000 downloads of iPhone applications for mobile quiz site “Kentei Paradise”



- Fan page creation, operational outsourcing for Facebook (NICHIREI FOODS DIRECT INC.)

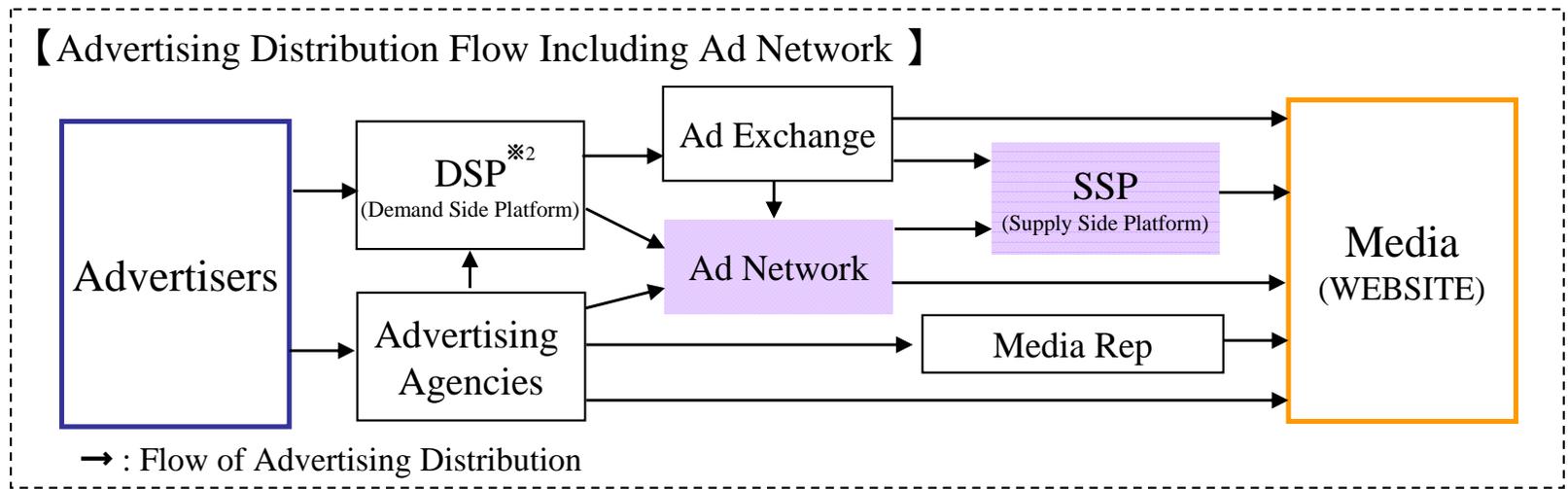


- “Kentei Paradise” iPhone application

# Internet Advertising Business Growth Realms, Endeavors (2)

## Ad Network

- ◆ Ad Network product “Spider!” sales grew 5.6 times year-over-year
- ◆ Contributed capital to SSP operator Kauli as part of strategy to increase collaboration and raise competitive positioning



※1: Service platform designed to maximize advertising income used by website operators listing advertisements  
 ※2: Service platform designed to maximize advertising effectiveness used by advertisers and advertising agencies

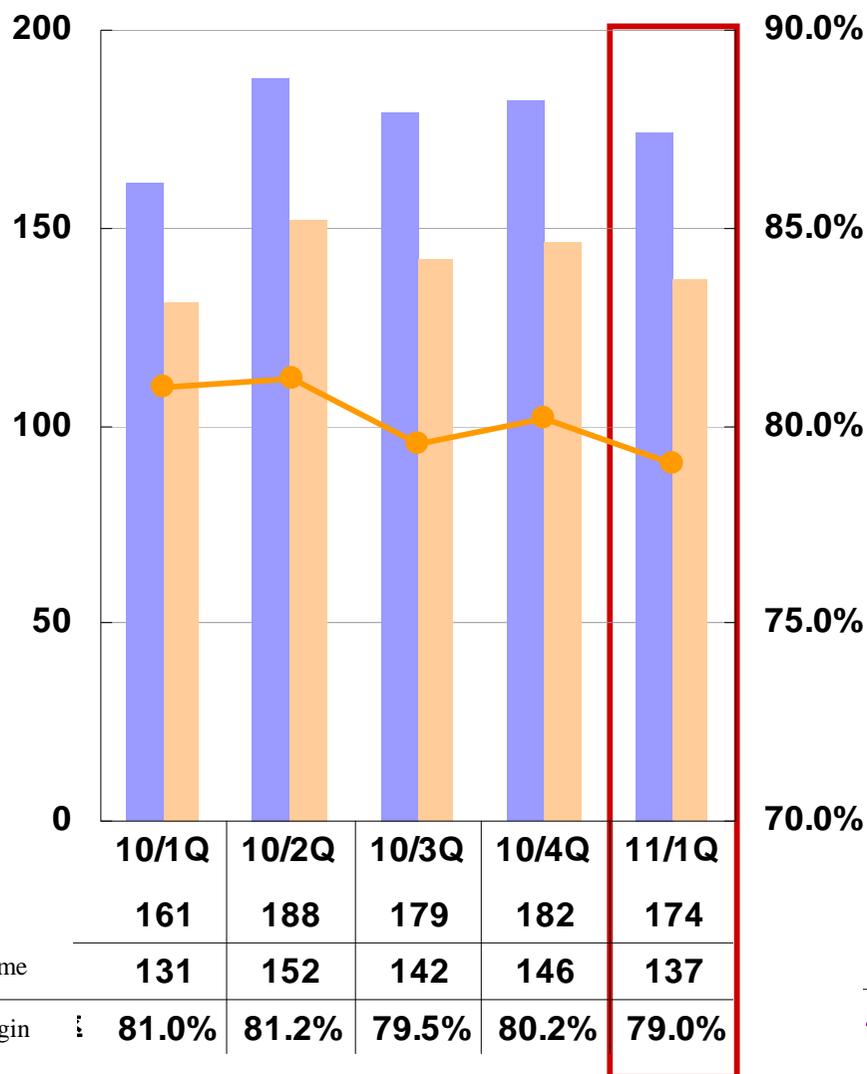
## Local

- ◆ Sales rose 44% year-over-year on successful efforts to cultivate clients through regional offices
- ◆ Sixth domestic regional office opened in Sendai in January

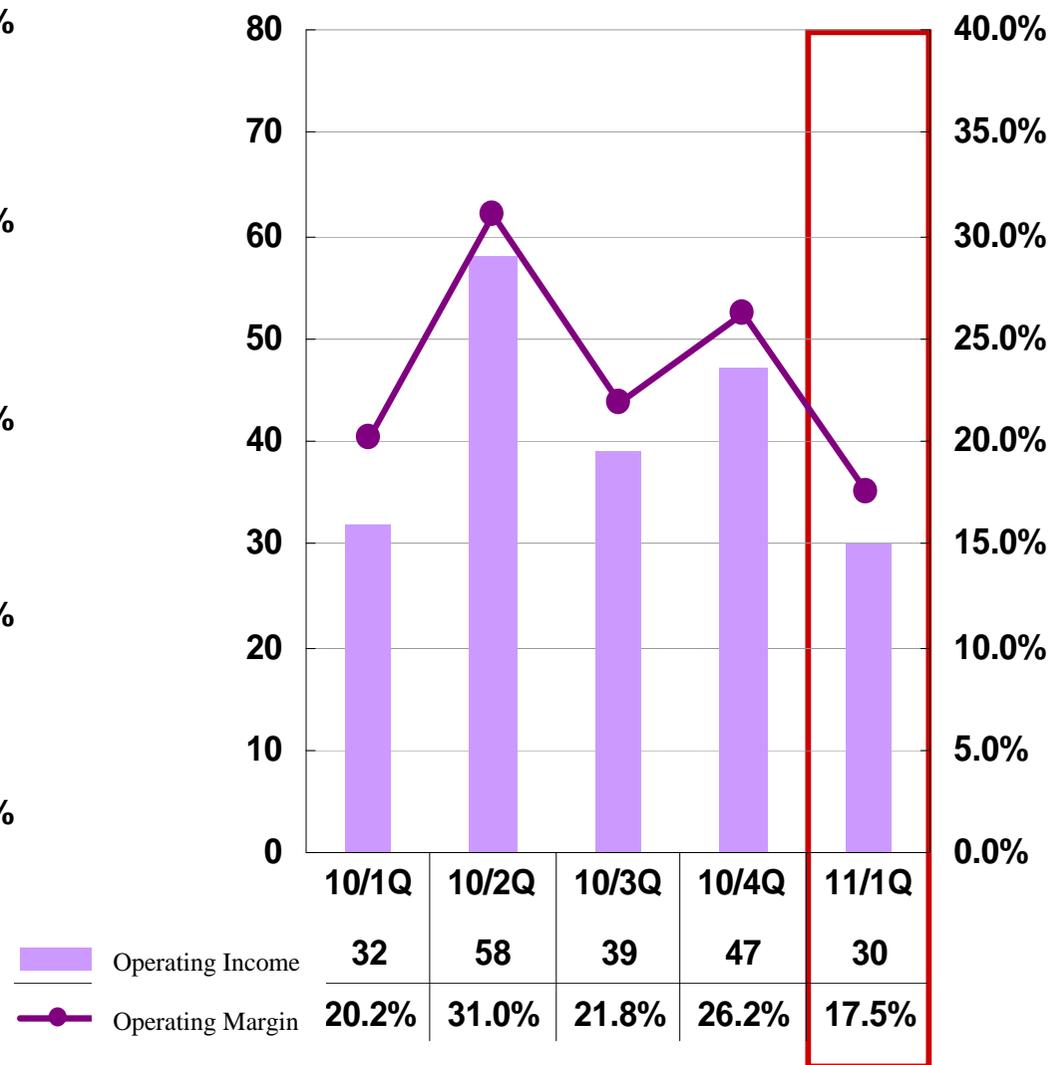
# Technology Business Quarterly Earnings Trends

(Units: Million Yen)

## 【Sales, Gross Income】



## 【Operating Income】



※ 1Q to 4Q FY9/10 earnings data adjusted to reflect new business segment definitions

# Technology Business Overview

## 1Q FY9/11 Earnings

	Value	YoY Change	QoQ Change
Sales	<b>174</b>	<b>+7.7%</b>	<b>-4.3%</b>
Gross Income	<b>137</b>	<b>+5.2%</b>	<b>-5.7%</b>
Gross Margin	<b>79.0%</b>	<b>-2.0pt</b>	<b>-1.2pt</b>
SG&A	<b>107</b>	<b>+9.1%</b>	<b>+9.0%</b>
Operating Income	<b>30</b>	<b>-6.6%</b>	<b>-36.1%</b>
Operating Margin	<b>17.5%</b>	<b>-2.7pt</b>	<b>-8.7pt</b>

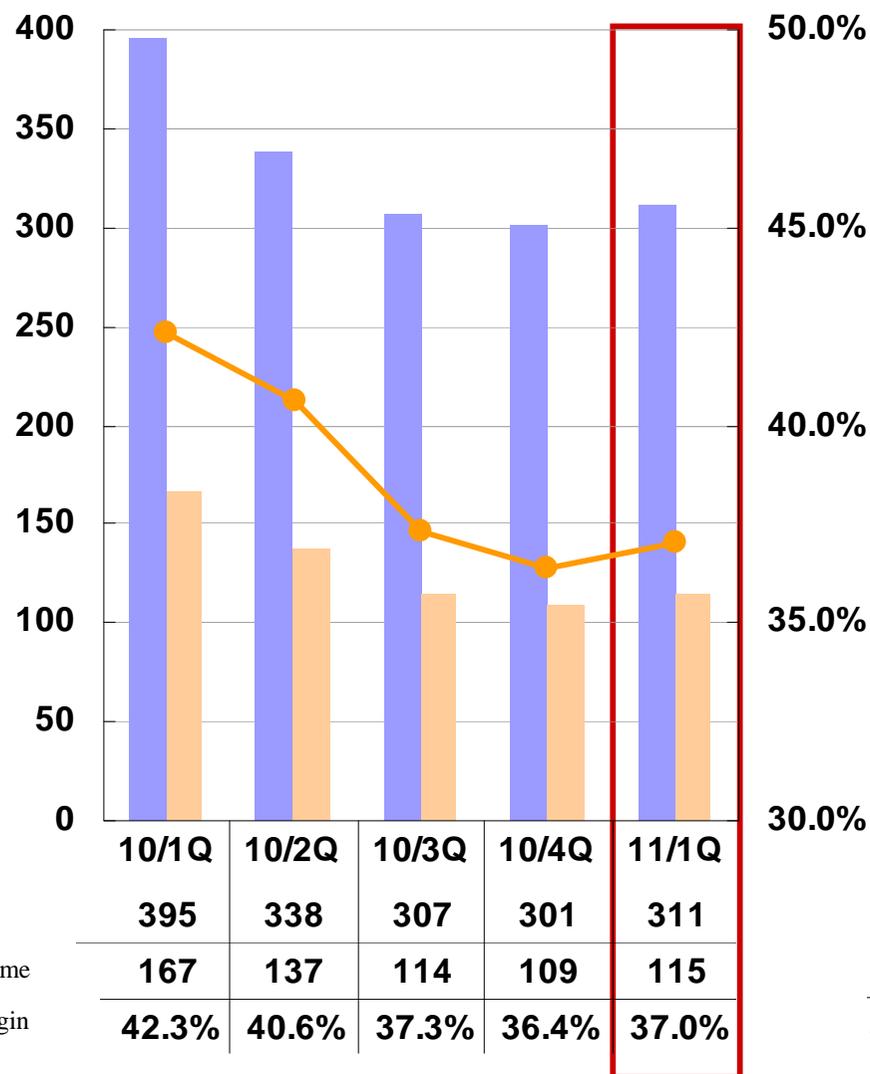
## Overview

- ◆ Shift to CRM services progressing, number of “KREISEL” active accounts rise 1.5 times year-over-year
- ◆ Increases in large projects including supplementary services allow pricing per client to rise by 15% year-over-year
- ◆ Higher costs, including anticipatory sales promotional costs, depress profits

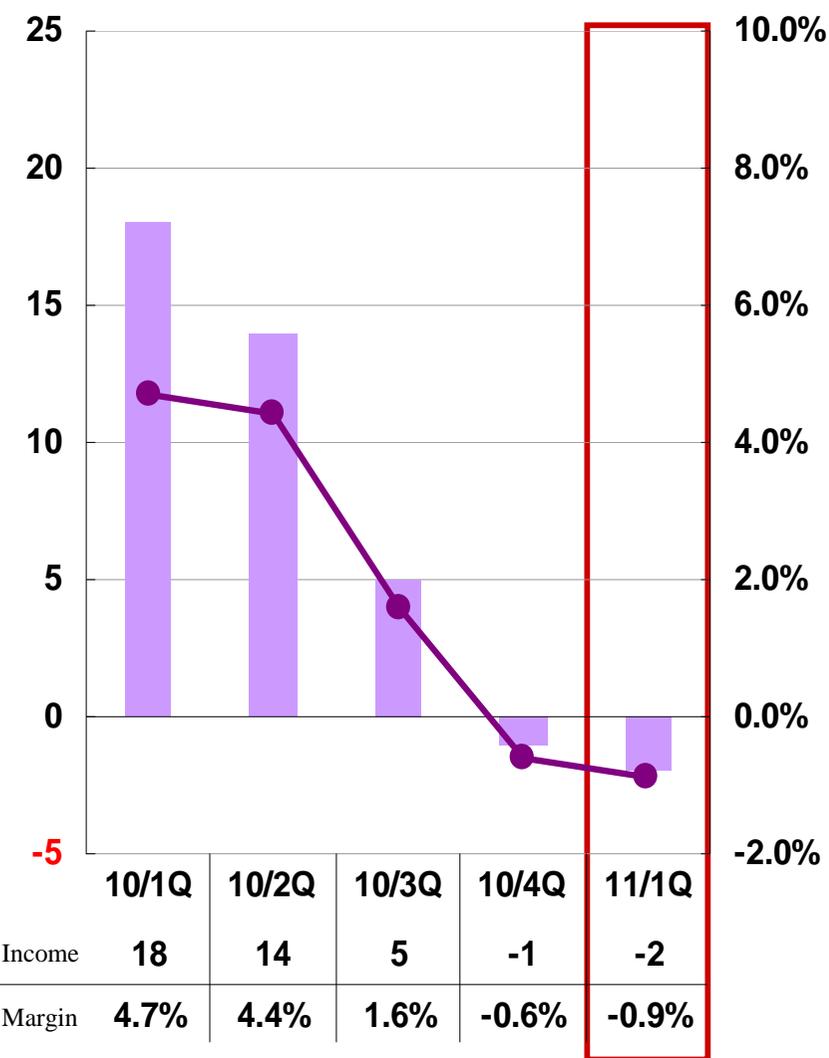
# Contents Business Quarterly Earnings Trends

(Units: Million Yen)

## 【Sales, Gross Income】



## 【Operating Income】



※ 1Q to 4Q FY9/10 earnings data adjusted to reflect new business segment definitions

# Contents Business Overview

## 1Q FY9/11 Earnings

	Value	YoY Change	QoQ Change
Sales	<b>311</b>	-21.2%	+3.2%
Gross Income	<b>115</b>	-31.0%	+5.0%
Gross Margin	<b>37.0%</b>	-5.3pt	+0.6pt
SG&A	<b>118</b>	-20.7%	+5.7%
Operating Income	<b>-2</b>	(-21)	(-0)
Operating Margin	<b>-0.9%</b>	-5.6pt	-0.3pt

## Overview

- ◆ Achieved sales growth on quarter-over-quarter basis
- ◆ Charge volumes for electronic book-centered applications for smart phones and tablets grow by 10 times quarter-over-quarter on the back of strong demand
- ◆ Charge volumes rose by 56,000 quarter-over-quarter to 876,000 (from October to December)

# FY9/11 Consolidated Earnings Conditions

(Units: Million Yen)

	1Q FY9/11	Attainment Rate of 1H Earnings Estimates	1H FY9/11 Earnings Estimates	Attainment Rate of Full Year Earnings Estimates	FY9/11 Earnings Estimates
Net Sales	<b>8,832</b>	<b>52.0%</b>	17,000	<b>25.2%</b>	35,000
Operating Income	<b>275</b>	<b>45.9%</b>	600	<b>23.0%</b>	1,200
Ordinary Income	<b>265</b>	<b>48.3%</b>	550	<b>23.1%</b>	1,150
Net Income	<b>127</b>	<b>42.5%</b>	300	<b>18.2%</b>	700

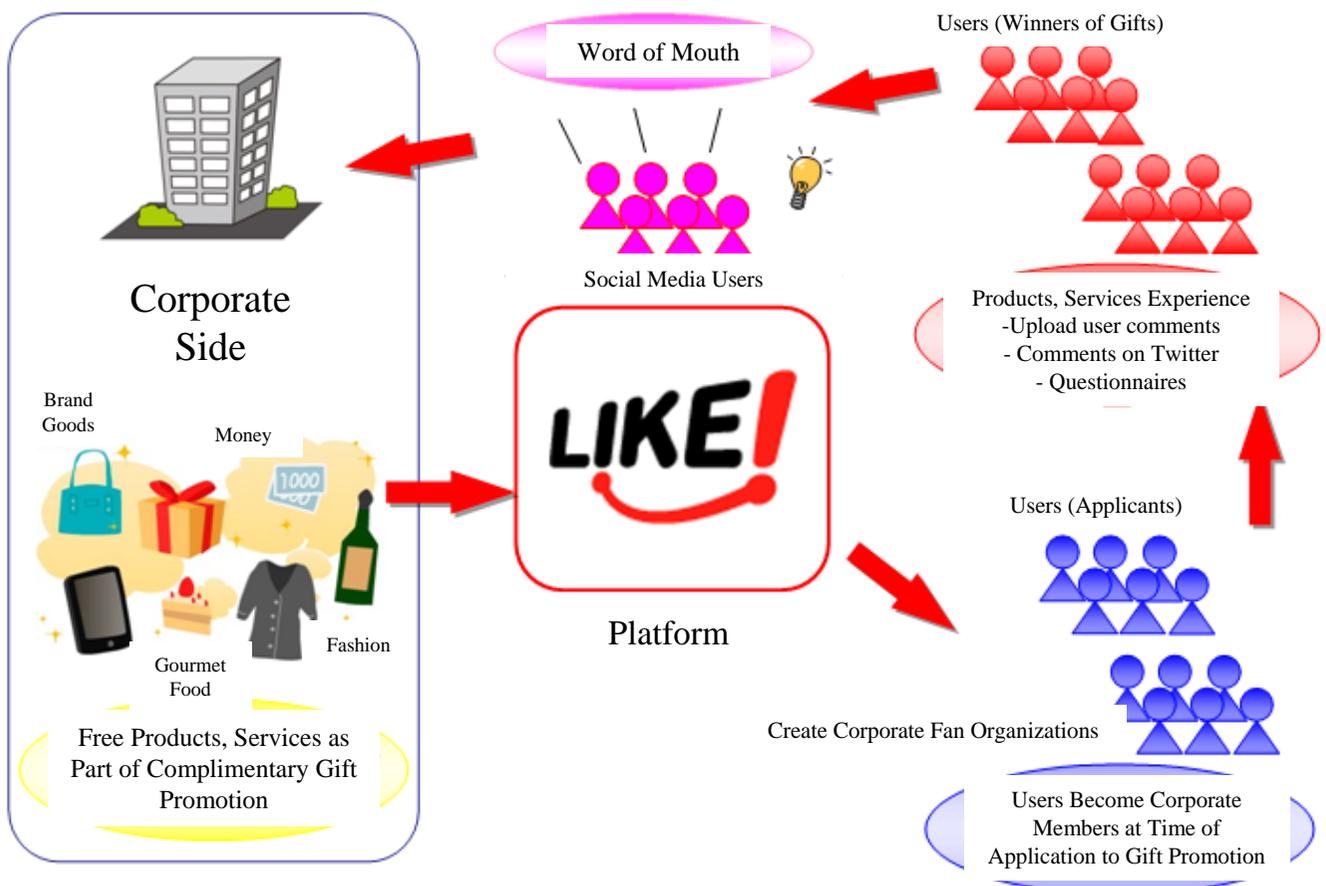


## II. Endeavors to Develop New Businesses, New Realms

# Fortification of In-House Services

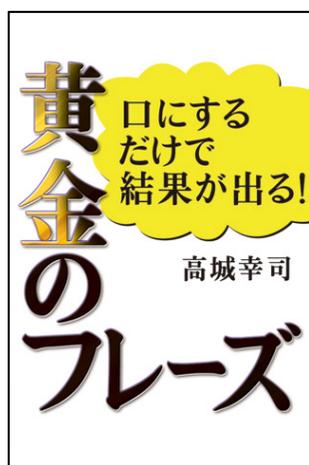
## Social Media Monitor Site “LIKE!” for Small to Medium Sized Businesses

- ◆ Marketing platform leveraging social media
- ◆ Endeavor to cultivate internet marketing demand from small to medium sized businesses (Monthly charge)



## Electronic Publications for Smart Phones, Tablet PCs

- ◆ 6 “AXELBOOK” titles ranked number 1 in book ranking by App Store



- ◆ 100,000 downloads within 6 months of launch of service in July 2010
- ◆ Expect to expand sales channels for various platforms including [Android Market](#)

## Concept

### SEPTENI Original

Converting **in-house services** into new businesses through aggressive investments in growth fields

Create **high growth, high profitability** business models

## Business Focus

Mobile

Social Network

Platform



## III. Appendix

# Company Overview

As of December 31, 2010

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director: Koki Sato
Headquarters	Septeni Gaien Building, 24 Daikyo-cho, Shinjuku-ku, Tokyo
Stock Code	4293 (JASDAQ)
Business Realm	The holding company for a group of companies conducting Internet advertising and other Internet related services
Established	October 29, 1990
Capitalization	¥2,006 million
Shared Issued	134,700 shares (Including treasury stock of 8,923 shares)
Consolidated Workforce	621 Full time employees, 669 Full time and contracted employees

# Main Companies of SEPTENI Group



As of February 4, 2011

Company Name	Status, Ownership	Business Description
SEPTENI HOLDINGS CO., LTD.		Holding company
SEPTENI CO., LTD.	Consolidated, 100%	Internet advertising
mume Inc.	Consolidated, 100%	Mobile advertising
MANGO Inc.	Consolidated, 100%	SEM operation
Vasara Inc.	Consolidated, 100%	Internet advertising
HighScore, Inc.	Consolidated, 100%	Small business support
SEPTENI CROSSGATE CO., LTD.	Consolidated, 95%	Ad network
ASP CO., LTD.	Consolidated, 60%	e-Commerce marketing solutions
Media Grow CO., LTD.	Consolidated, 100%	Mobile media rep
AXEL MARK INC.	Consolidated, 55.0%	Mobile service
Tricorn Corporation	Consolidated, 100%	CRM service
Cytech, Inc.	Consolidated, 100%	System integration
SEPTENI DIRECTMARKETING CO., LTD.	Consolidated, 100%	Direct mail
ACRESS	Consolidated, 100%	Catalog sales
PRIME X Co., Ltd.	Equity Accounting Affiliate, 40.0%	Real estate Internet marketing
OPENSIMILE Inc.	Equity Accounting Affiliate, 33.3%	Internet media
Power Technology	Equity Accounting Affiliate, 22.8%	SEO

# Main Group Companies by Business Segment

As of February 4, 2011

## Holding Company

SEPTENI HOLDINGS CO., LTD.

### Internet Advertising Business

SEPTENI HOLDINGS CO., LTD. Internet Advertising

mume, Inc. Mobile Advertising

MANGO, Inc. SEM Operation

Vasara Inc. Internet Advertising

HighScore, Inc. Small Business Support

SETPENI CROSSGATE CO., LTD. Ad Market Place

ASP CO., LTD. e-Marketing Solutions

Media Grow CO., LTD. Mobile Media Rep

### Technology Business

Tricorn Corporation Mail Distribution • CRM

Cytech, Inc. System Integration

### Contents Business

AXEL MARK INC. Mobile Contents

### Direct Marketing Business

SEPTENI DIRECTMARKETING CO., LTD. Mailing Outsourcing, Inship

### Other Business (Commerce)

ACRESS Catalog Sales • e-Commerce

# Consolidated Balance Sheet

(Units: Million Yen)

	End 1Q FY9/11	End FY9/10	QoQ Change	Main Changes
<b>Assets</b>				
Current Assets	<b>10,020</b>	10,176	-155	Cash and Equivalents: -464 Notes, Accounts Receivable: +305
Fixed Assets	<b>2,124</b>	2,195	-70	
<b>Total Assets</b>	<b>12,145</b>	12,371	-226	
<b>Liabilities</b>				
Current Liabilities	<b>5,909</b>	6,090	-181	Accounts Payable: +72 Short Term Debt: -190
Fixed Liabilities	<b>152</b>	201	-48	Long term Debt: -26
<b>Total Liabilities</b>	<b>6,061</b>	6,291	-229	
<b>Net Assets</b>				
<b>Total Net Assets</b>	<b>6,083</b>	6,079	+3	
<b>Total Liabilities and Net Assets</b>	<b>12,145</b>	12,371	-226	

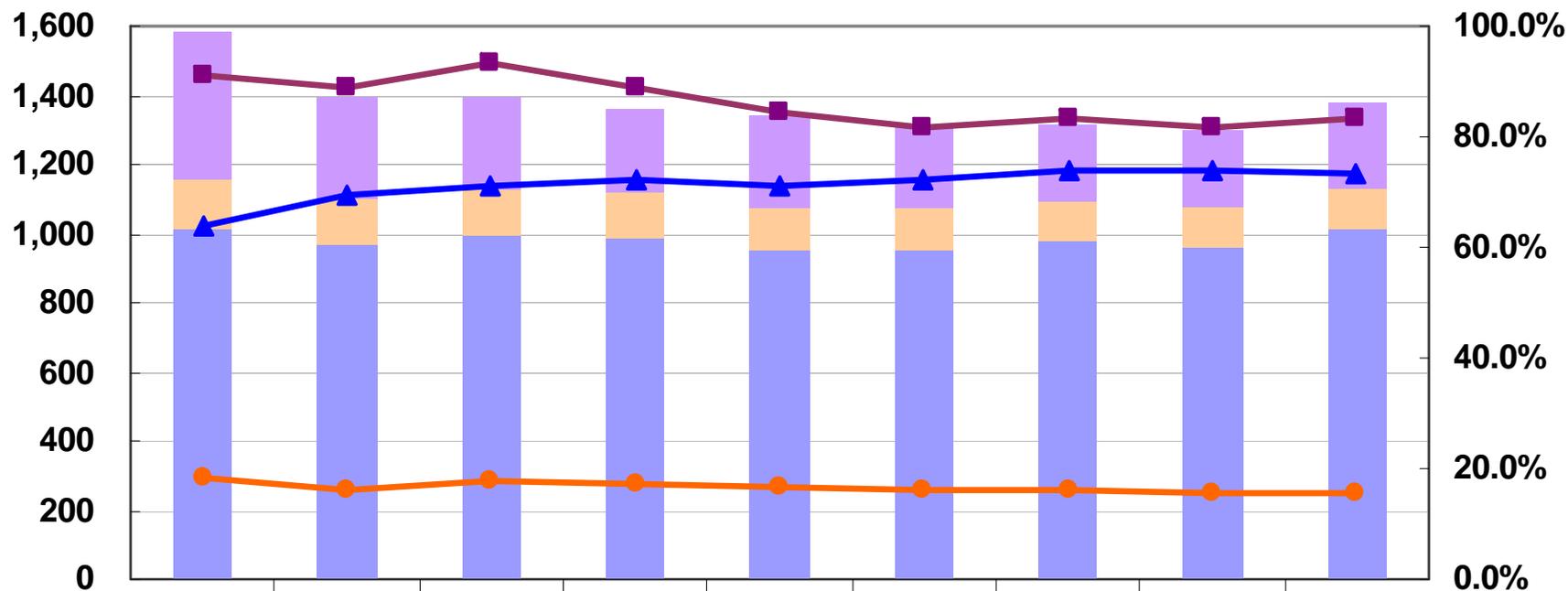
# Consolidated Cash Flow

(Units: Million Yen)

	1Q FY9/11	Main Changes	1Q FY9/10
Cash Flow from Operating Activities	<b>-70</b>	Net Income Before Taxes: <b>+238</b> Corporate Tax Payments: -170 Accounts Receivable: -305 Accounts Payable: <b>+81</b>	<b>209</b>
Cash Flow from Investing Activities	<b>0</b>		<b>-60</b>
Cash Flow from Financing Activities	<b>-394</b>	Debt: -257 Dividend Payments: -125	<b>-54</b>
Change in Cash and Equivalents	<b>-464</b>		<b>94</b>
Cash and Equivalents at Term End	<b>5,111</b>		<b>4,813</b>

# Consolidated SG&A Expense Trend

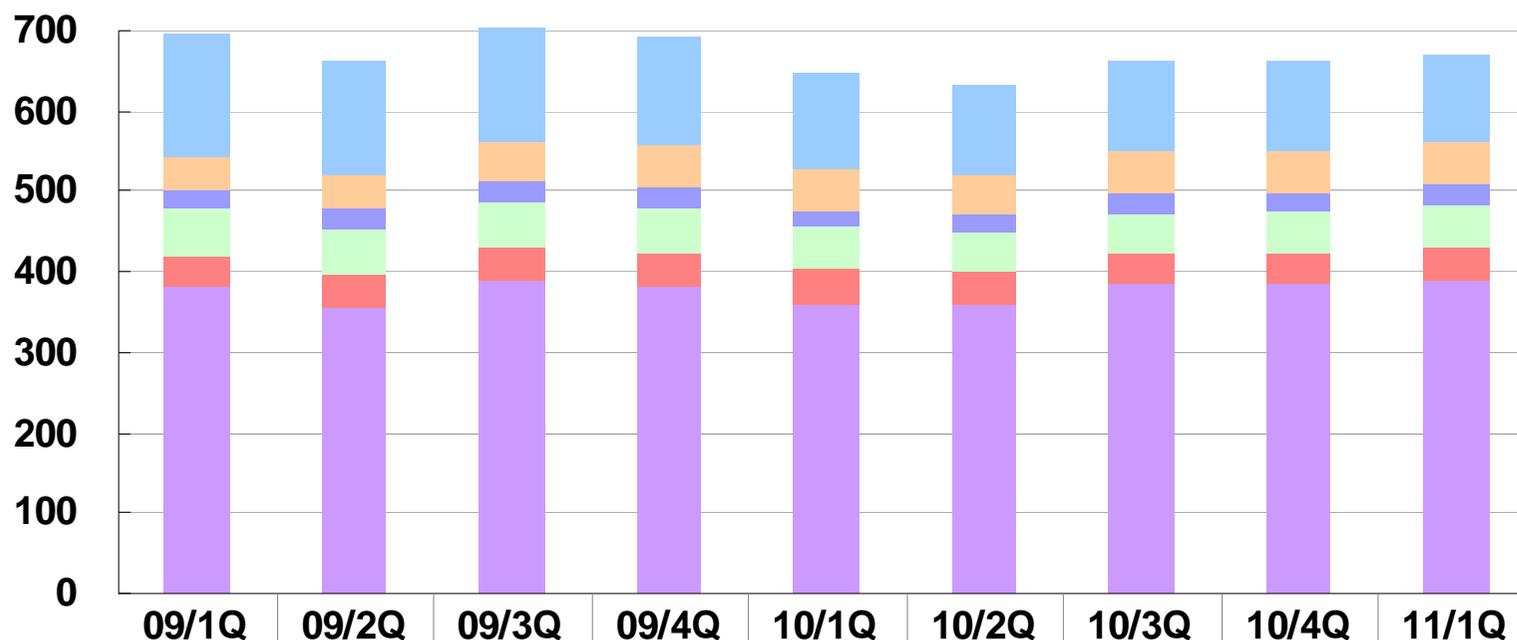
(Units: Million Yen)



	09/1Q	09/2Q	09/3Q	09/4Q	10/1Q	10/2Q	10/3Q	10/4Q	11/1Q
Others (Incl. advertising)	432	287	262	240	265	238	222	219	247
Office related	140	141	138	135	125	124	122	121	118
Labor	1,014	965	995	983	952	950	975	957	1,009
Gross income to SG&A	91.1%	88.7%	93.5%	88.9%	84.4%	81.4%	83.6%	81.9%	83.3%
Labor margin	63.9%	69.3%	71.3%	72.3%	70.9%	72.4%	73.9%	73.7%	73.3%
SG&A margin	18.2%	16.3%	17.8%	17.1%	16.8%	15.9%	16.2%	15.7%	15.6%
Total SG&A	1,587	1,393	1,396	1,359	1,343	1,314	1,321	1,299	1,376

# SEPTENI Group Work Force Number Trend

(Units: Persons)

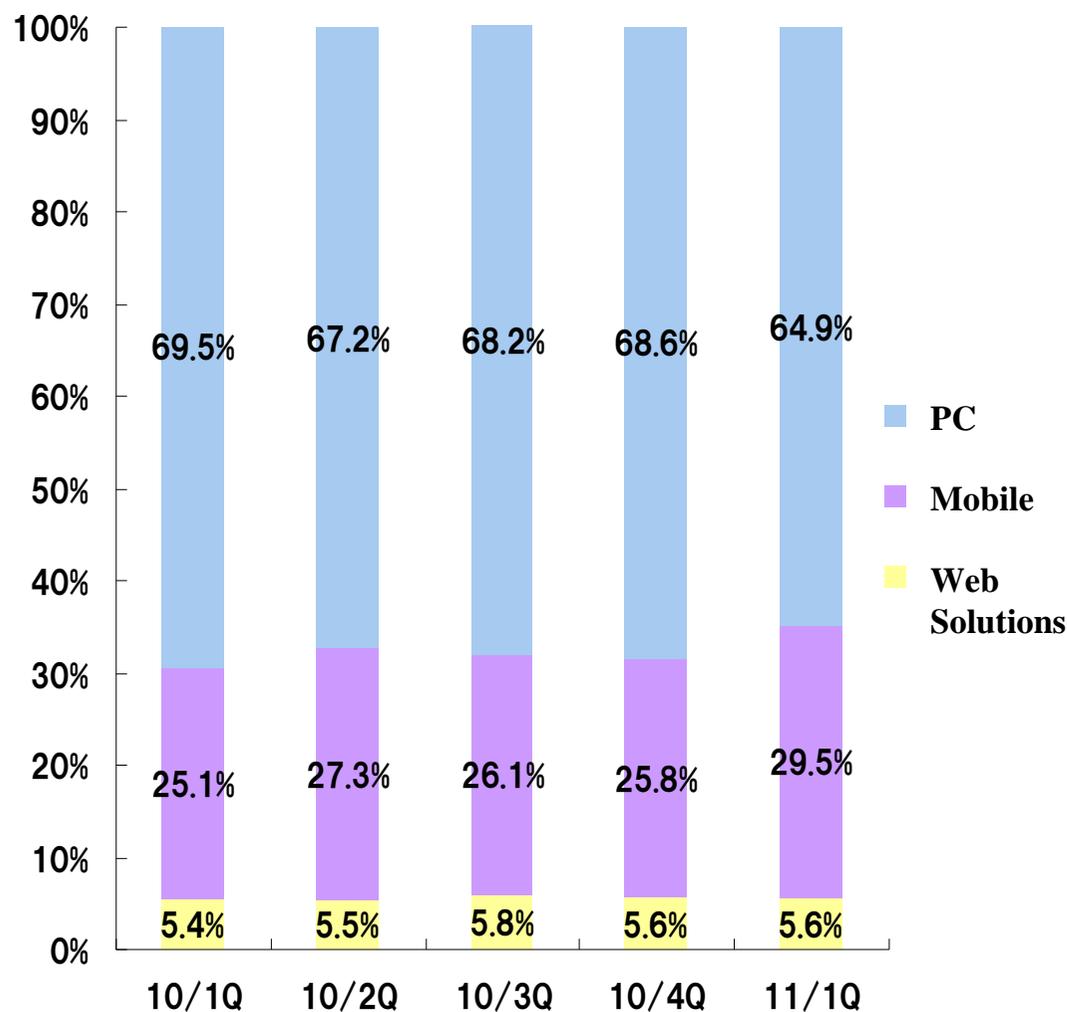


	09/1Q	09/2Q	09/3Q	09/4Q	10/1Q	10/2Q	10/3Q	10/4Q	11/1Q
Commerce	152	144	140	136	118	115	113	113	108
Staff, Others	41	42	50	50	51	49	53	50	53
Direct Marketing	24	26	26	26	22	21	24	24	24
Contents	59	55	55	56	52	47	49	52	53
Technology	37	40	40	41	42	41	39	38	42
Internet Advertising	383	357	391	383	361	361	385	385	389
<b>Total Workforce</b>	<b>696</b>	<b>664</b>	<b>702</b>	<b>692</b>	<b>646</b>	<b>634</b>	<b>663</b>	<b>662</b>	<b>669</b>

※ 1Q FY9/09 to 4Q FY9/10 business division data adjusted to reflect new business division definitions.

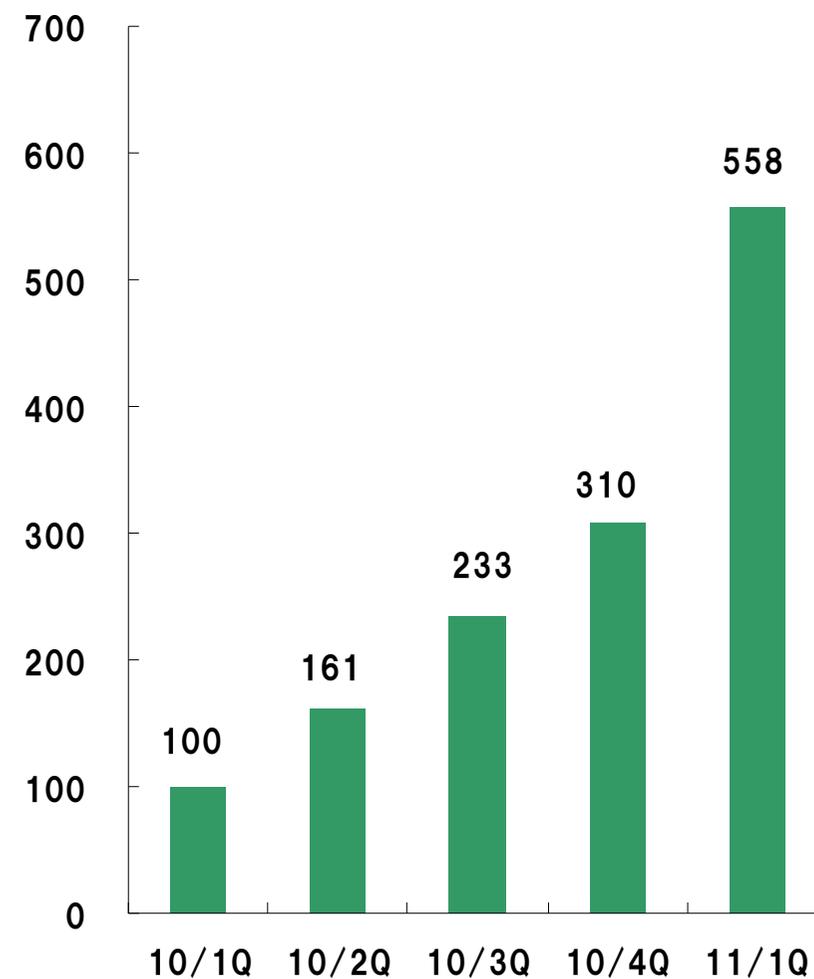
# Internet Advertising Business Product Data

## 【Sales Trend by Product】



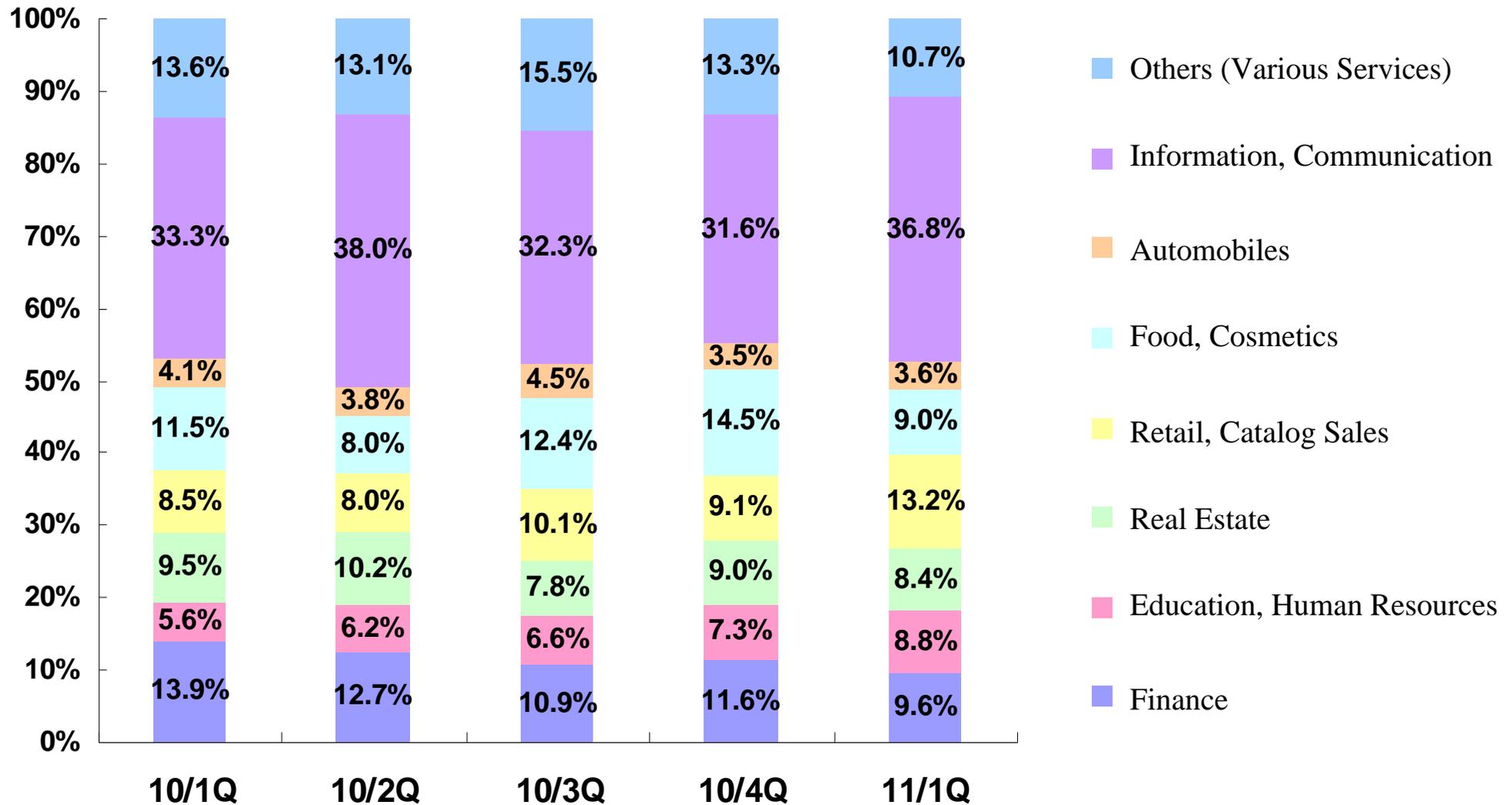
※ Web Solutions: SEO, website creation, site operation support, others

## In-House Ad Network (Spider!) Sales Trend



※ Based on 1Q FY9/10 = 100

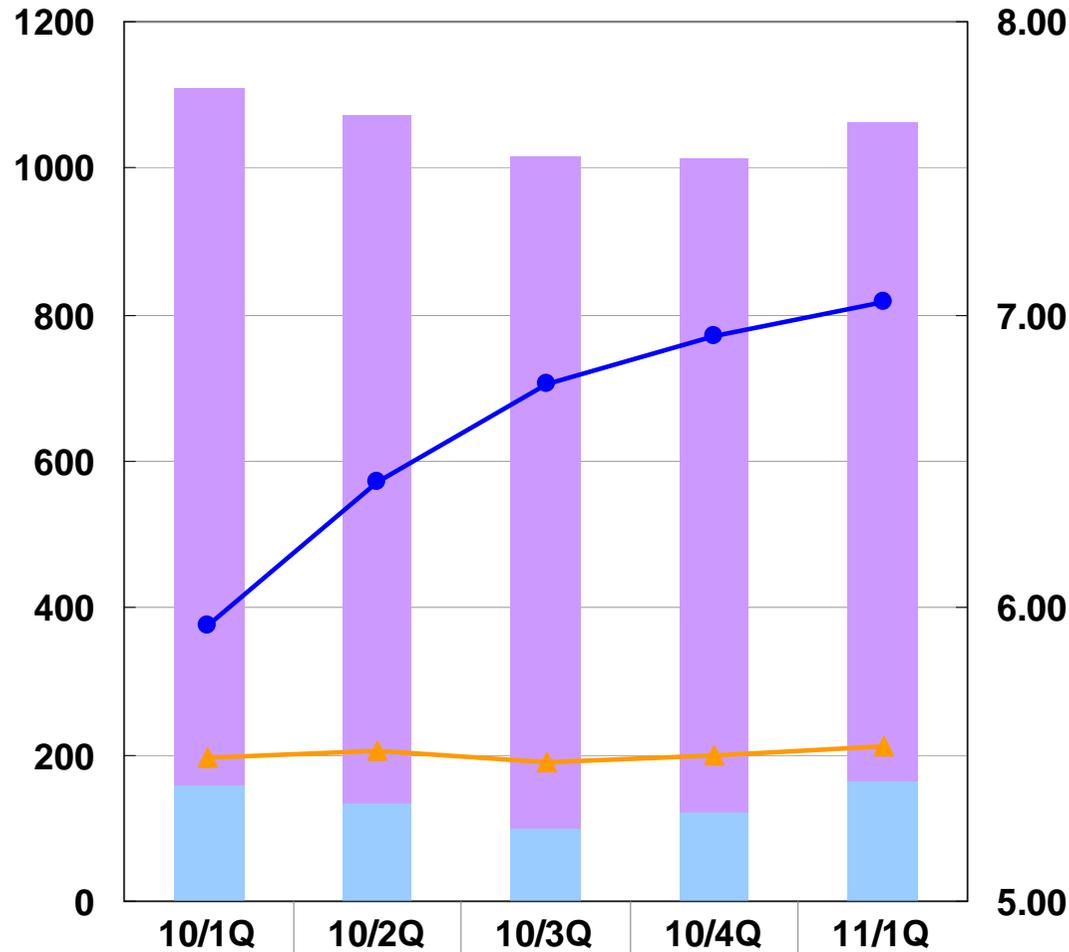
# Internet Advertising Business Client Data



# Internet Advertising Business Client Number Data

(Companies)

(Million Yen)



	<b>Total Clients</b>	<b>1,110</b>	<b>1,074</b>	<b>1,016</b>	<b>1,012</b>	<b>1,064</b>
	<b>New Clients</b>	<b>159</b>	<b>134</b>	<b>100</b>	<b>120</b>	<b>165</b>
	<b>Pricing Per Client</b>	<b>5.94</b>	<b>6.43</b>	<b>6.76</b>	<b>6.93</b>	<b>7.05</b>
	<b>Clients Purchasing Over ¥5mn</b>	<b>197</b>	<b>204</b>	<b>191</b>	<b>199</b>	<b>210</b>