



# Business Results of Third Quarter of Fiscal Year September 2011

August 2, 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 August 2, 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

# 3Q (Apr-Jun) Consolidated Earnings Highlights

- ◆ Earthquake caused Internet advertising business revenues to decline, consolidated sales to fall by small margin
- ◆ Inability to absorb higher labor costs from large increase in new graduates hired and anticipatory investments for new businesses caused profits to fall by a large margin
- ◆ Having created a strategy to bring about improvements in Internet advertising business earnings, in response to changes in the business environment

# Consolidated Income Statement (Apr-Jun)

(Units: Million Yen)

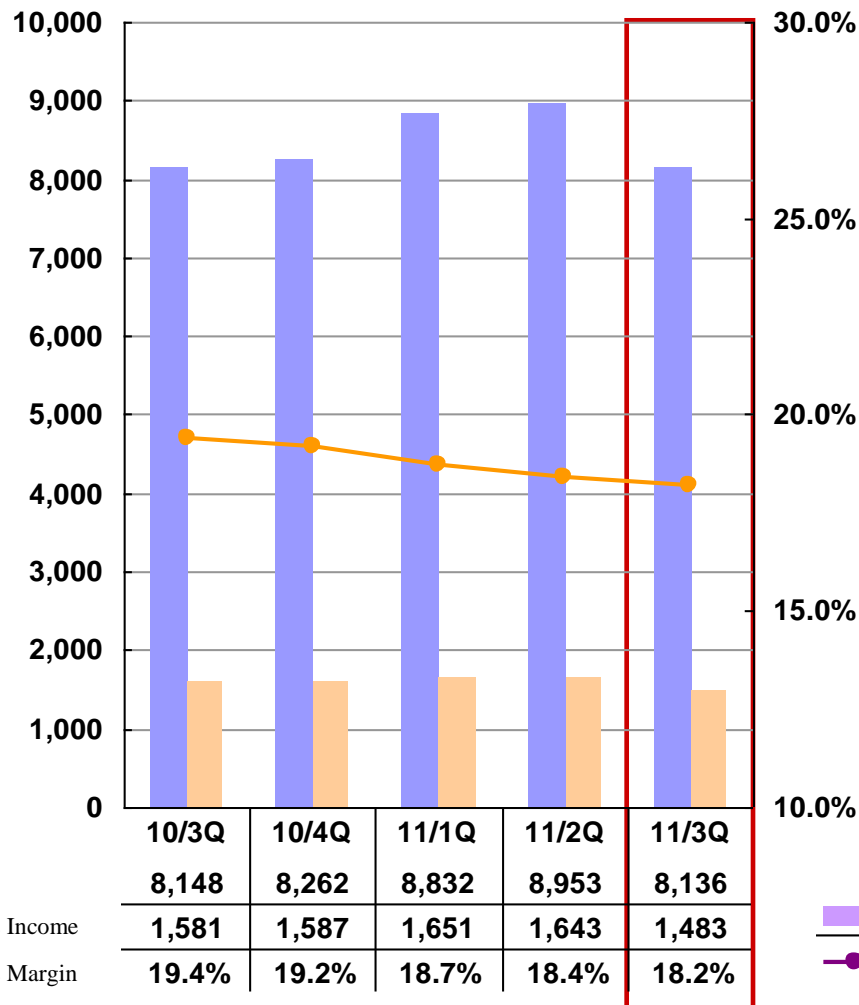
Income Statement	3Q FY9/11				3Q FY9/10		2Q FY9/11	
	Value	Share	YY Change	QQ Change	Value	Share	Value	Share
Net Sales	<b>8,136</b>	100.0%	-0.1%	-9.1%	8,148	100.0%	8,953	100.0%
Gross Income	<b>1,483</b>	18.2%	-6.2%	-9.8%	1,581	19.4%	1,643	18.4%
SG&A	<b>1,428</b>	17.6%	+8.1%	+7.0%	1,321	16.2%	1,335	14.9%
Operating Income	<b>55</b>	0.7%	-78.7%	-82.0%	260	3.2%	308	3.5%
Ordinary Income	<b>96</b>	1.2%	-58.4%	-67.5%	232	2.9%	297	3.3%
Net Income	<b>58</b>	0.7%	-31.1%	-64.8%	85	1.0%	166	1.9%

- ◆ Main Internet advertising business saw ¥762 million quarter-over-quarter decline
- ◆ SG&A rose by ¥106 million year-over-year on back of 70 new graduate hires for entire SEPTENI Group and higher labor costs
- ◆ Loss on anticipatory investments for new businesses amounted to ¥39 million
- ◆ Loss from minority holdings improved, allowing non-operating income to turn positive

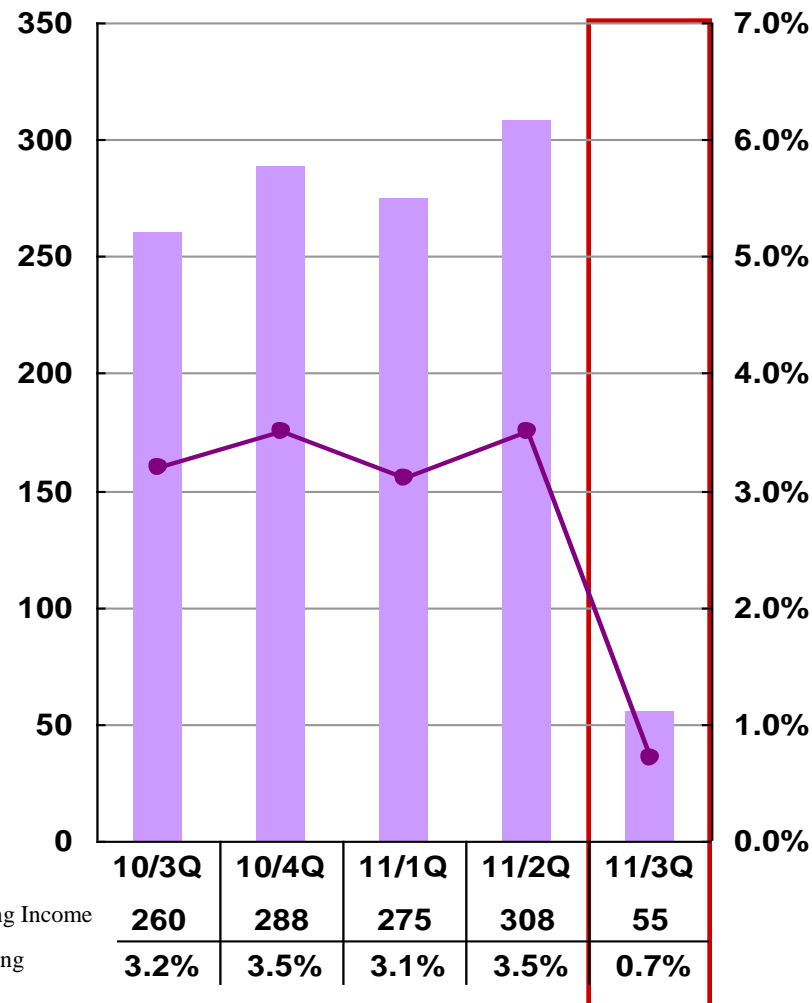
# Trends in Quarterly Consolidated Earnings

## 【 Sales, Gross Income 】

(Units: Million Yen)



## 【 Operating Income 】



# Changes in Business Segments

## Internet Related Business Split Into Technology and Contents Businesses

【 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 】

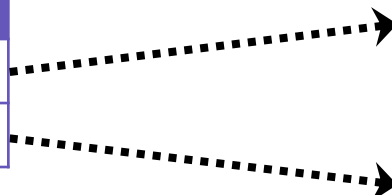
Internet Advertising
Internet Advertising Agency
Ad Network
Mobile Media Rep

Technology Business
Technology

Contents Business
Mobile Contents

Direct Marketing
Direct Mail Outsourcing Services
In-Ship Advertising

Other Business
Commerce



# Earnings by Business Segment (Apr-Jun)

(Units: Million Yen)

Business Segments	Net Sales			Operating Income		
	3Q FY9/11	3Q FY9/10	YY Change	3Q FY9/11	3Q FY9/10	YY Change
Internet Advertising	<b>6,819</b>	6,869	-0.7%	<b>78</b>	274	-71.5%
Technology	<b>160</b>	179	-10.8%	<b>19</b>	39	-50.0%
Contents	<b>299</b>	307	-2.6%	<b>-1</b>	5	(-6)
Direct Marketing	<b>598</b>	561	+6.5%	<b>39</b>	44	-11.9%
Other Business (Commerce)	<b>273</b>	260	+5.1%	<b>5</b>	-7	(+13)
Segment Eliminations	<b>-13</b>	-30	—	<b>-86</b>	-95	—
Consolidated Accounts	<b>8,136</b>	8,148	-0.1%	<b>55</b>	260	-78.7%

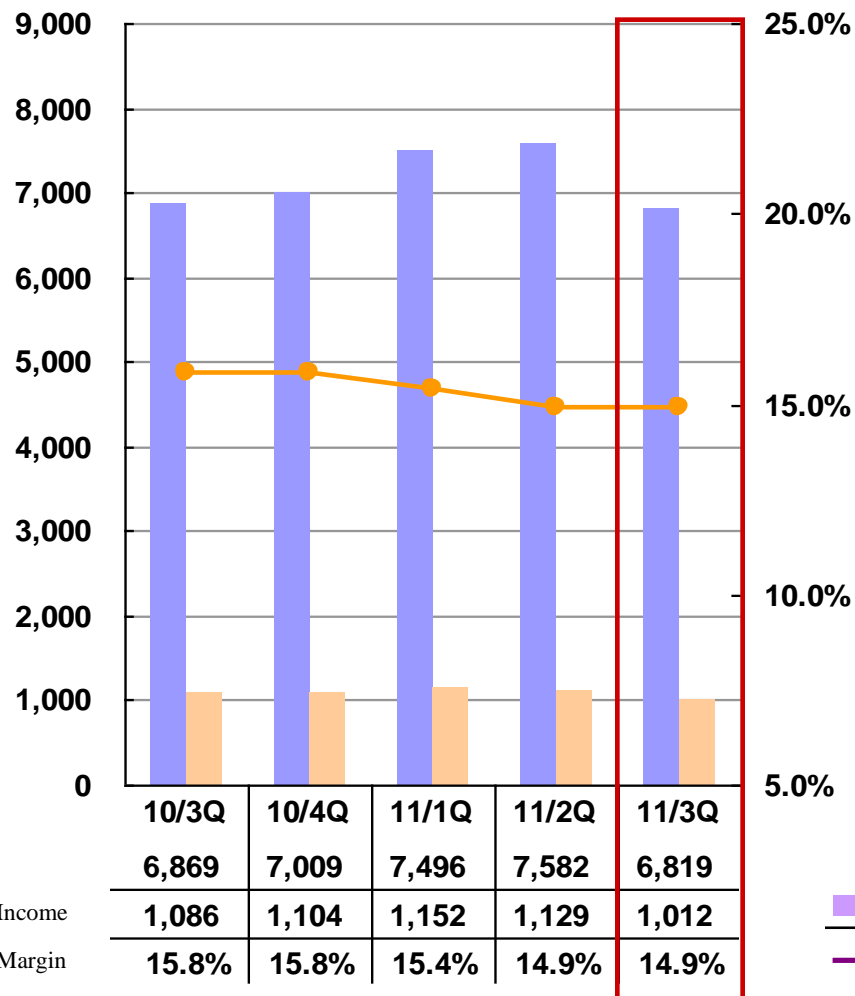
※ FY9/10 business segment earnings adjusted to reflect new business segment definitions.



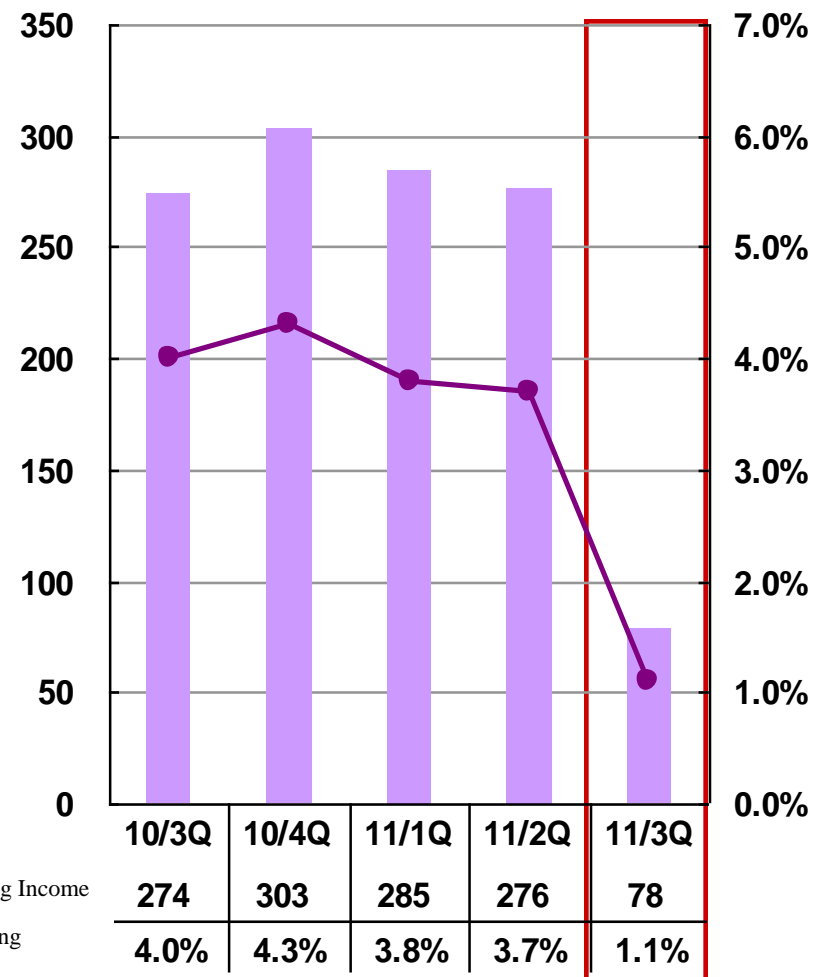
# Internet Advertising Business Quarterly Earnings Trend

## 【 Sales, Gross Income 】

(Units: Million Yen)



## 【 Operating Income 】



# Internet Advertising Business Overview

## 3Q FY9/11

	Value	YY Change	QQ Change
Sales	<b>6,819</b>	-0.7%	-10.1%
Gross Income	<b>1,012</b>	-6.8%	-10.3%
Gross Margin	<b>14.9%</b>	-0.9pt	-0.0pt
SG&A	<b>934</b>	+15.0%	+9.6%
Operating Income	<b>78</b>	-71.5%	-71.8%
Operating Margin	<b>1.1%</b>	-2.9pt	-2.6pt

## Overview

- ◆ Earthquake disaster contributed to weakening in the economy and large declines in display advertisements
- ◆ Listing advertisement demand remains strong
- ◆ Higher labor costs resulting from hiring of 56 new graduates contributed to ¥112 million rise in SG&A expenses
- ◆ Earnings bottomed in April, and have started to recover from May

## Social Media

- ◆ Facebook related service sales rose by 2.5 times quarter-over-quarter

## Smart Phones

- ◆ Smart phone measuring function loaded onto mobile advertising impact measurement tool “Smac”
- ◆ Advertising for smart phones continue to grow by a large margin (about 12 times year-over-year)

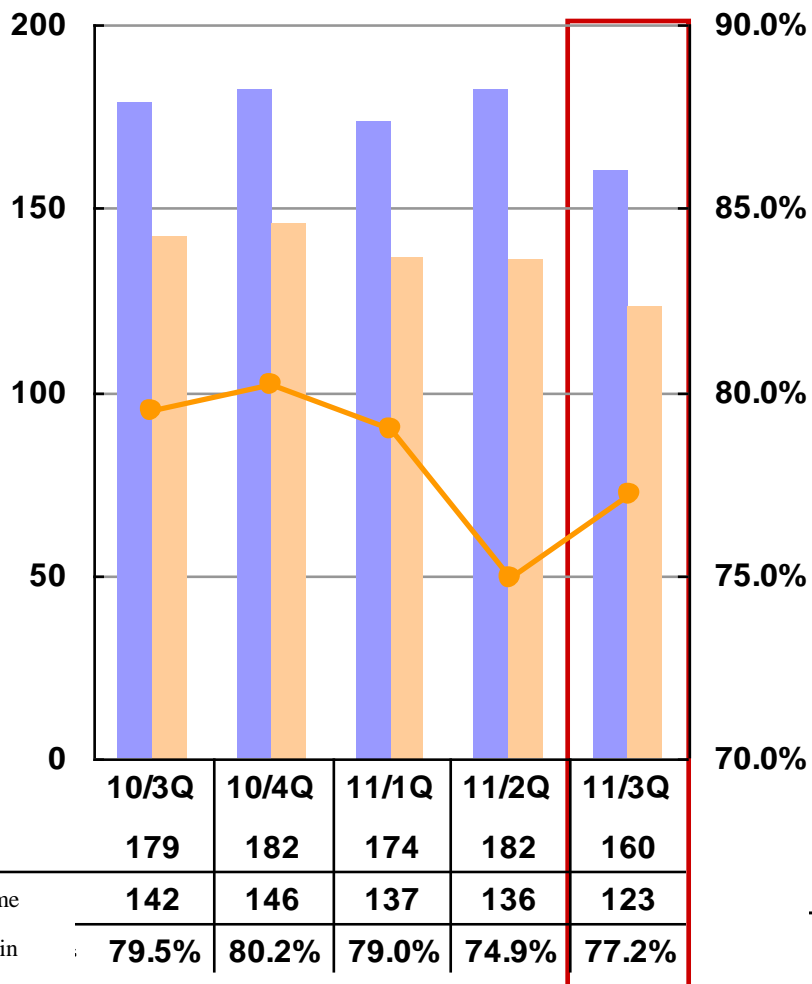
## Local

- ◆ Niigata and Kanazawa sales offices opened (July 7),  
Boast of largest number of nationwide regional offices in the industry of 8 locations,  
accelerate our regional business strategy

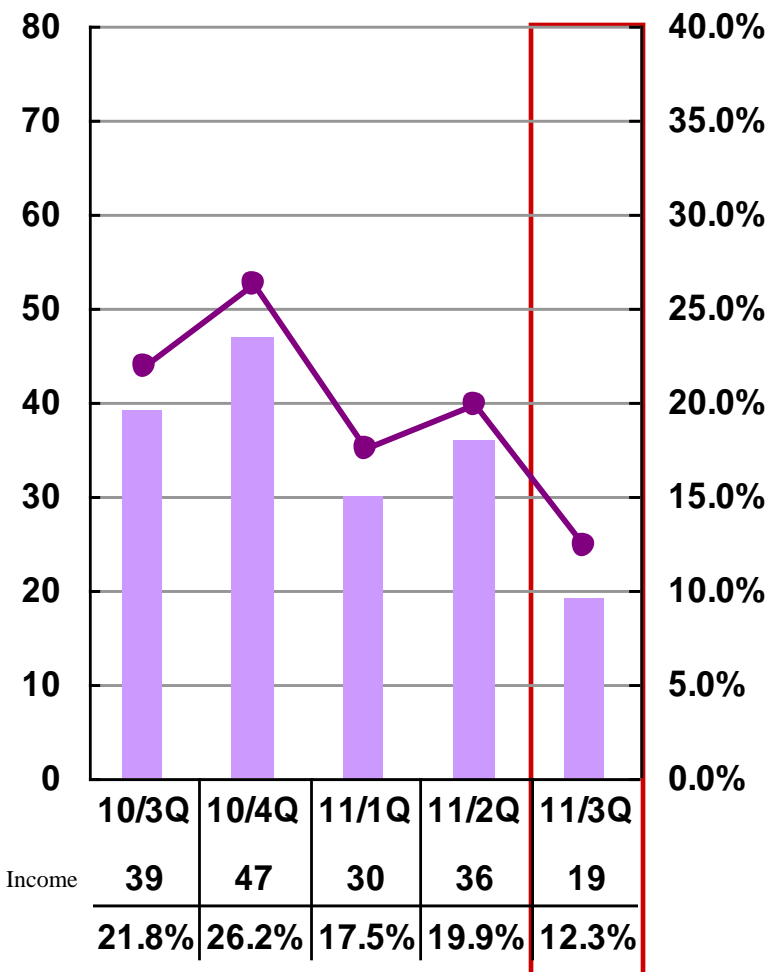
# Technology Business Quarterly Earnings Trend

(Units: Million Yen)

## 【 Sales, Gross Income 】



## 【 Operating Income 】



※ 3Q to 4Q FY9/10 earnings data adjusted to reflect new business segment definitions

# Technology Business Overview

## 3Q FY9/11 Earnings

	Value	YY Change	QQ Change
Sales	<b>160</b>	-10.8%	-12.4%
Gross Income	<b>123</b>	-13.5%	-9.6%
Gross Margin	<b>77.2%</b>	-2.3pt	+2.3pt
SG&A	<b>104</b>	+0.4%	+3.5%
Operating Income	<b>19</b>	-50.0%	-46.0%
Operating Margin	<b>12.3%</b>	-9.5pt	-7.6pt

## Overview

### 【Tricorn Corporation】

- ◆ Strong trend in Cloud type CRM services

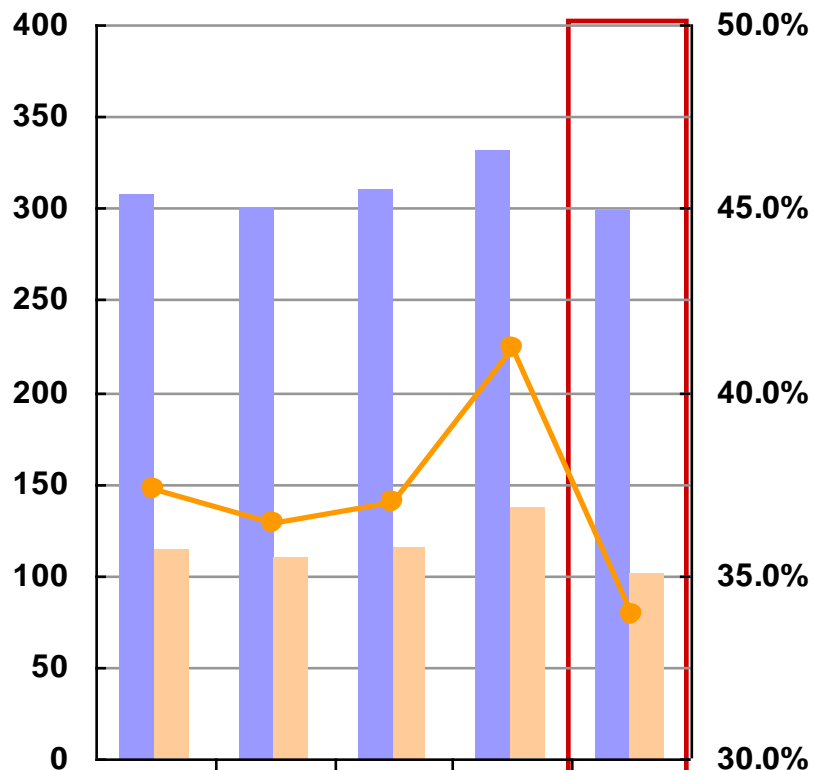
### 【Cytech, Inc.】

- ◆ Anticipatory investments for social games negatively impacting earnings
- ◆ Expect to release one new game title in 4Q

# Contents Business Quarterly Earnings Trends

(Units: Million Yen)

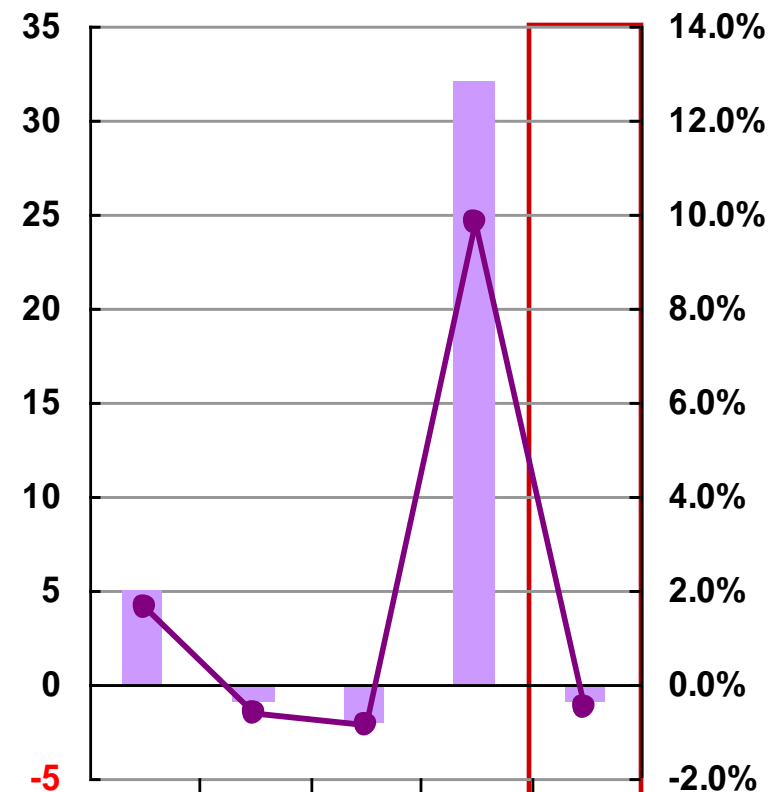
## 【 Sales, Gross Income 】



■ Sales  
■ Gross Income  
● Gross Margin

10/3Q	10/4Q	11/1Q	11/2Q	11/3Q
307	301	311	332	299
114	109	115	136	101
37.3%	36.4%	37.0%	41.2%	33.9%

## 【 Operating Income 】



■ Operating Income  
● Operating Margin

10/3Q	10/4Q	11/1Q	11/2Q	11/3Q
5	-1	-2	32	-1
1.6%	-0.6%	-0.9%	9.8%	-0.5%

※ 3Q to 4Q FY9/10 earnings data adjusted to reflect new business segment definitions

# Contents Business Overview

## 3Q FY9/11 Earnings

	Value	YY Change	QQ Change
Sales	<b>299</b>	-2.6%	-10.1%
Gross Income	<b>101</b>	-11.6%	-26.0%
Gross Margin	<b>33.9%</b>	-3.4pt	-7.3pt
SG&A	<b>102</b>	-14.7%	-11.6%
Operating Income	<b>-1</b>	(-6)	(-34)
Operating Margin	<b>-0.5%</b>	-2.1pt	-10.3pt

## Overview

- ◆ Smart phone applications trending favorably with fee charges rising 80% quarter-over-quarter
- ◆ The number of application titles other than games, certifications, and other electronic publications, have reached 295 as a result of aggressive development
- ◆ Total downloads of electronic publications to smart phones have exceeded 300,000
- ◆ Merger between AXEL MARK INC. and FROUTE Corporation decided



## II. 3Q Aggregated Consolidated Earnings and Progress in Achieving Full Year Targets



# Consolidated Income Statement (Oct-Jun)

(Units: Million Yen)

	3Q FY9/11			3Q FY9/10	
	Value	Share	YY Change	Value	Share
Net Sales	<b>25,922</b>	100.0%	<b>+6.3%</b>	24,386	100.0%
Gross Income	<b>4,779</b>	18.4%	<b>-0.2%</b>	4,788	19.6%
SG&A	<b>4,139</b>	16.0%	<b>+4.0%</b>	3,979	16.3%
Operating Income	<b>639</b>	2.5%	<b>-20.9%</b>	809	3.3%
Ordinary Income	<b>660</b>	2.6%	<b>-10.5%</b>	738	3.0%
Net Income	<b>352</b>	1.4%	<b>+11.4%</b>	316	1.3%

- ◆ While high sales growth during the first half allowed aggregated 3Q sales to rise, operating income fell year-over-year
- ◆ Net income grew on the back of the large decline in extraordinary losses recorded during the previous year

# Earnings by Business Segment (Oct-Jun)

(Units: Million Yen)

Business Segments	Sales			Operating Income		
	3Q FY9/11	3Q FY9/10	YY Change	3Q FY9/11	3Q FY9/10	YY Change
Internet Advertising	<b>21,897</b>	20,377	+7.5%	<b>640</b>	843	-24.1%
Technology	<b>517</b>	529	-2.3%	<b>86</b>	130	-33.6%
Contents	<b>943</b>	1,040	-9.4%	<b>28</b>	38	-25.9%
Direct Marketing	<b>1,786</b>	1,717	+4.0%	<b>121</b>	148	-18.0%
Other Business (Commerce)	<b>834</b>	820	+1.8%	<b>14</b>	-46	(+60)
Segment Eliminations	<b>-57</b>	-98	—	<b>-251</b>	-304	—
Consolidated Accounts	<b>25,922</b>	24,386	+6.3%	<b>639</b>	809	-20.9%

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

# Progress in Achieving Full Year FY9/11 Consolidated Earnings Estimates

(Units: Million Yen)

	3Q FY9/11	Attainment Rates of FY9/11 Estimates	Full Year FY9/11 Estimates
Net Sales	<b>25,992</b>	<b>74.1%</b>	35,000
Operating Income	<b>639</b>	<b>53.3%</b>	1,200
Ordinary Income	<b>660</b>	<b>57.4%</b>	1,150
Net Income	<b>352</b>	<b>50.3%</b>	700

# Earnings Recovery Strategy

The following measures will be implemented during 4Q in the Internet advertising business to bring about an early recovery in earnings, which have been negatively impacted by changes in the business environment in the wake of the earthquake.

- ◆ Focus upon sales of operation-type products (Listing, ad network realms)
- ◆ Reform the sales division (Increase personnel, create specialized teams)
- ◆ Change earnings management system (Fortify client support at the operating level)



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

## AXEL MARK and FROUTE to Merge

- ◆ Merger expected to take place on October 1, 2011 with AXEL MARK INC. to become surviving company
- ◆ To remain a subsidiary of SEPTENI HOLDINGS after the merger, Mothers Market listing to be maintained
- ◆ “AXEL MARK” will become company name, current FROUTE President Junji Oshita appointed as President of merged company



AXEL MARK INC.	Company Name	FROUTE Corporation
Yasuhiro Kobayashi	President	Junji Oshita
March 2, 1994	Established	July 1, 2003
¥563 million	Capital	¥210 million
Contents distribution to cellular telephones, smart phones	Business	Search portal site, contents, social applications, overseas businesses
37 as of end June 2011	Employees	56 as of end May 2011
¥1,342 million (FY9/10)	Sales	¥1,737 million (FY5/11)

# Fortification of Contents Business

## Direction, Strategies of the New AXEL MARK



Licensing knowhow of intellectual property rights for contents, development capabilities

+



Marketing capabilities, information distribution channels

Responding to changes in the business environment, endeavor to become a highly profitable “Comprehensive Contents Service Company”

Overall Business

Raise profitability by optimizing management and reducing costs

Smart Phones

Aggressively deploy the “AXEL BOOK” electronic publications business

Feature Phones

Fortify the client development capabilities of the contents business by leveraging the marketing capability of FROUTE

Social Applications

Promote development of games that leverage the copyrights of contents

Overseas Business

Plan to provide search engines for communications carriers in Southeast Asia

# Development of In-House Services

## Social Monitor Site “LIKE!”

- ◆ Started fee charging to companies from April, 945 companies registered as of end July (Including non-fee charging companies)
- ◆ “LIKE! Recommender”, where members of “LIKE!” become recommenders of companies and are compensated based on performance for disseminating information about services and products, has been launched

## “Intext Advertising” has been developed as a new service in the realm of Ad Network

- ◆ Advertising directly distributed by key word function linked to text in Website articles
- ◆ Service expected to be launched for smart phones in the near future

### Intext Advertising





# Midterm Business Plan Overview

## 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

## Earnings Targets (FY9/13 )

Net Sales

¥50.0bn

Operating  
Income

¥3.0bn



## IV. Appendix

# Company Overview

As of June 30, 2011

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	¥2,007 million
Shares Issued	134,745 shares (Including 8,923 treasury shares)
Consolidated Workforce	670 Full time employees, 724 Full time and contracted employees

# Main Companies of SEPTENI Group

As of August 2, 2011

Company Name		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
GRP Co., Ltd.	Consolidated, 100%	Television advertising
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, 57.0%	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
OPENSMILE Inc.	Equity Accounting Affiliate, 33.3%	Internet media
Power Technology	Equity Accounting Affiliate, 22.8%	SEO

# Main Group Companies by Business Segment

As of August 2, 2011

## Holding Company

SEPTENI HOLDINGS CO., LTD.

### Internet Advertising Business

SEPTENI CO., LTD.

Internet Advertising

mume, Inc.

Mobile Advertising

MANGO, Inc.

SEM Operation

Vasara Inc.

Internet Advertising

HighScore, Inc.

Small Business Support

GRP Co., Ltd.

Television Advertising

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 3Q FY9/11	End 2Q FY9/11	QQ Change	Main Changes
Current Assets	<b>8,972</b>	9,782	- 809	Cash and Equivalents: -437 Notes, Accounts Receivable: -437
Fixed Assets	<b>2,750</b>	2,330	+ 420	Investment Securities: +454
<b>Total Assets</b>	<b>11,723</b>	12,112	- 388	
Current Liabilities	<b>5,273</b>	5,697	- 423	Accounts Payable: -250 Unpaid Taxes: -167
Fixed Liabilities	<b>138</b>	145	- 7	
<b>Total Liabilities</b>	<b>5,412</b>	5,843	- 430	
<b>Net Assets</b>	<b>6,310</b>	6,269	+ 41	Retained Earnings: +58
<b>Total Liabilities, Net Assets</b>	<b>11,723</b>	12,112	- 388	

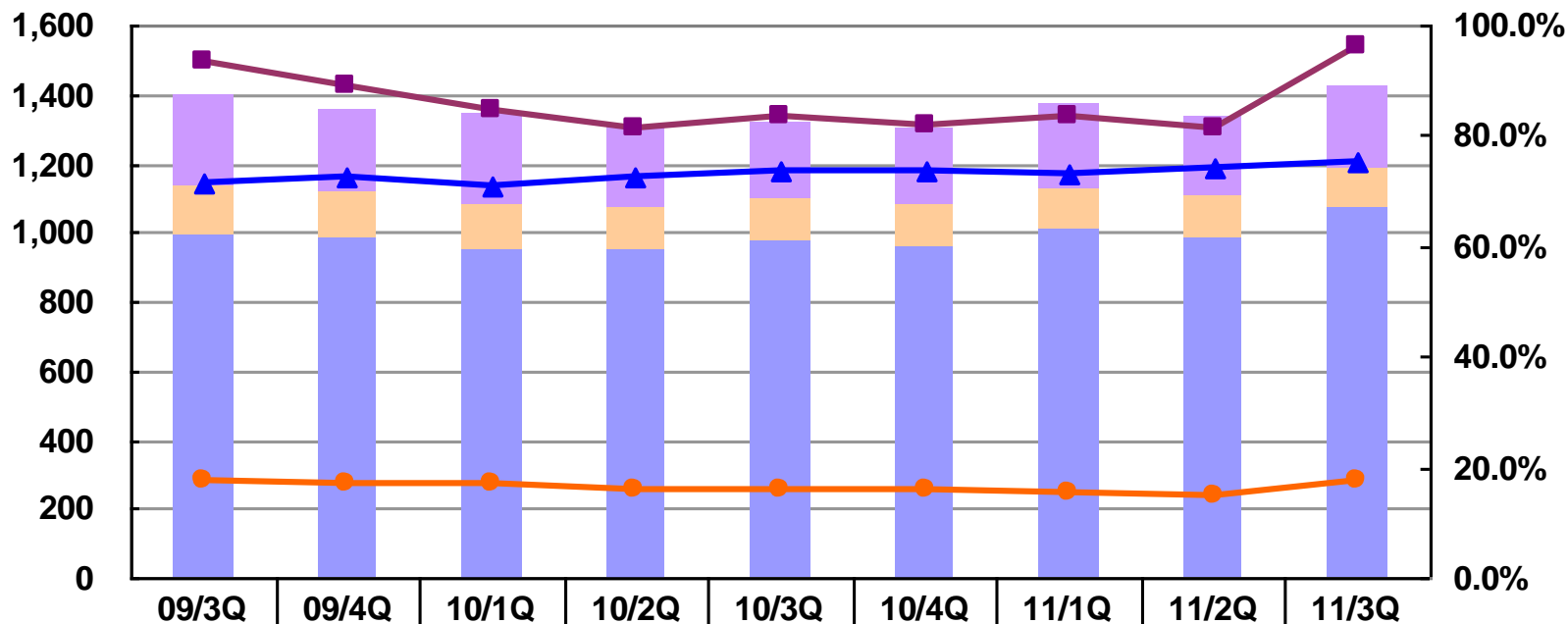
# Consolidated Cash Flow

(Units: Million Yen)

	3Q FY9/11 (Apr-Jun)	Main Changes	3Q FY9/10 (Apr-Jun)
Cash Flow from Operating Activities	<b>78</b>	Net Income Before Taxes: +99	41
Cash Flow from Investing Activities	<b>-473</b>	Acquisition of affiliate shares: -398 Acquisition of subsidiary shares: -31	-18
Cash Flow from Financing Activities	<b>-42</b>	Decline in debt: -34	17
Change in Cash and Equivalents	<b>-437</b>		41
Cash and Equivalents at Term End	<b>4,335</b>		5,038

# Consolidated SG&A Expense Trend

(Units: Million Yen)

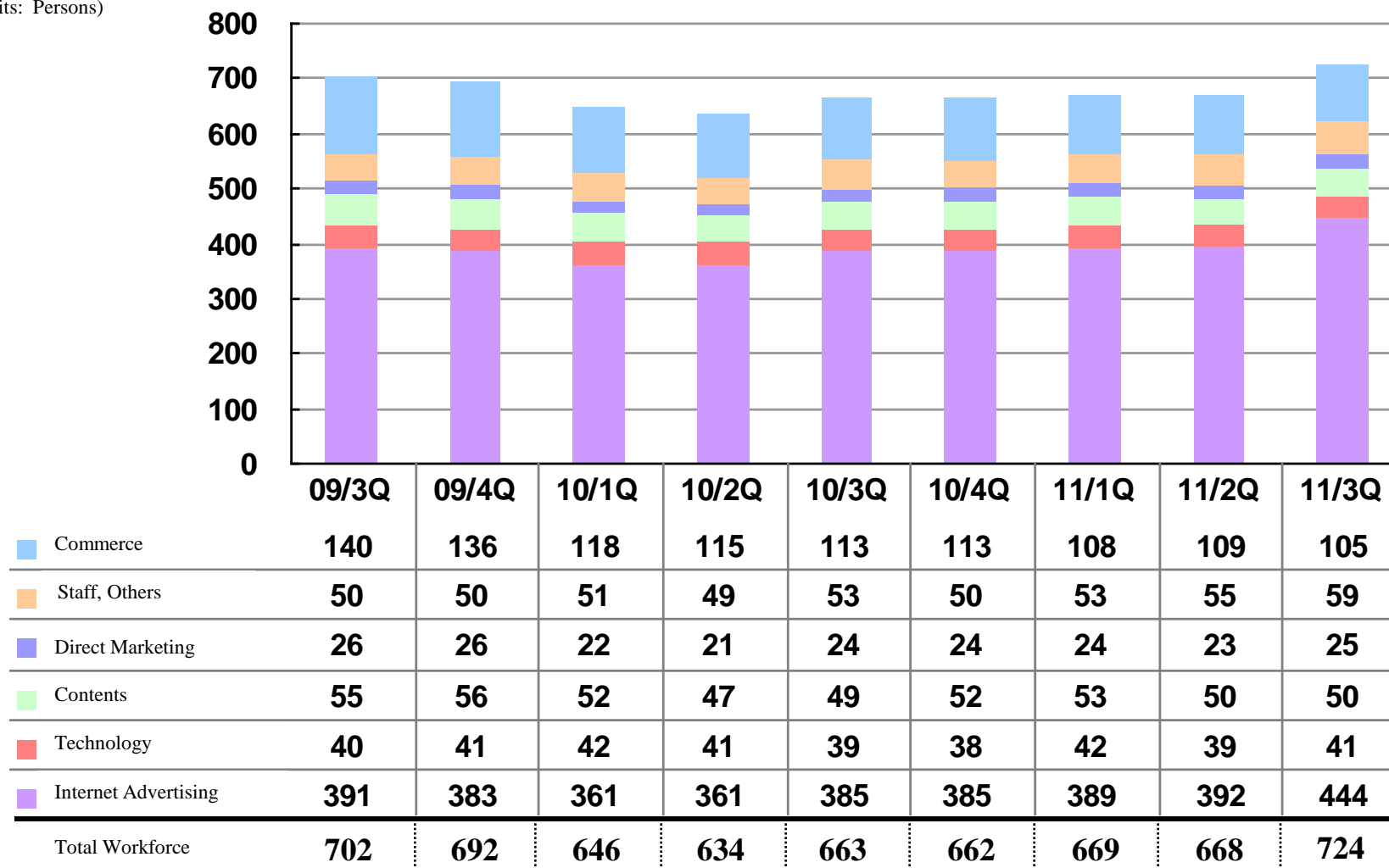


	Others (Incl. advertising)	262	240	265	238	222	219	247	227	236
	Office related	138	135	125	124	122	121	118	119	117
	Labor	995	983	952	950	975	957	1,009	987	1,074
	Gross income to SG&A	93.5%	88.9%	84.4%	81.4%	83.6%	81.9%	83.3%	81.2%	96.3%
	Labor margin	71.3%	72.3%	70.9%	72.4%	73.9%	73.7%	73.3%	74.0%	75.2%
	SG&A margin	17.8%	17.1%	16.8%	15.9%	16.2%	15.7%	15.6%	14.9%	17.6%
	Total SG&A	1,396	1,359	1,343	1,314	1,321	1,299	1,376	1,335	1,428



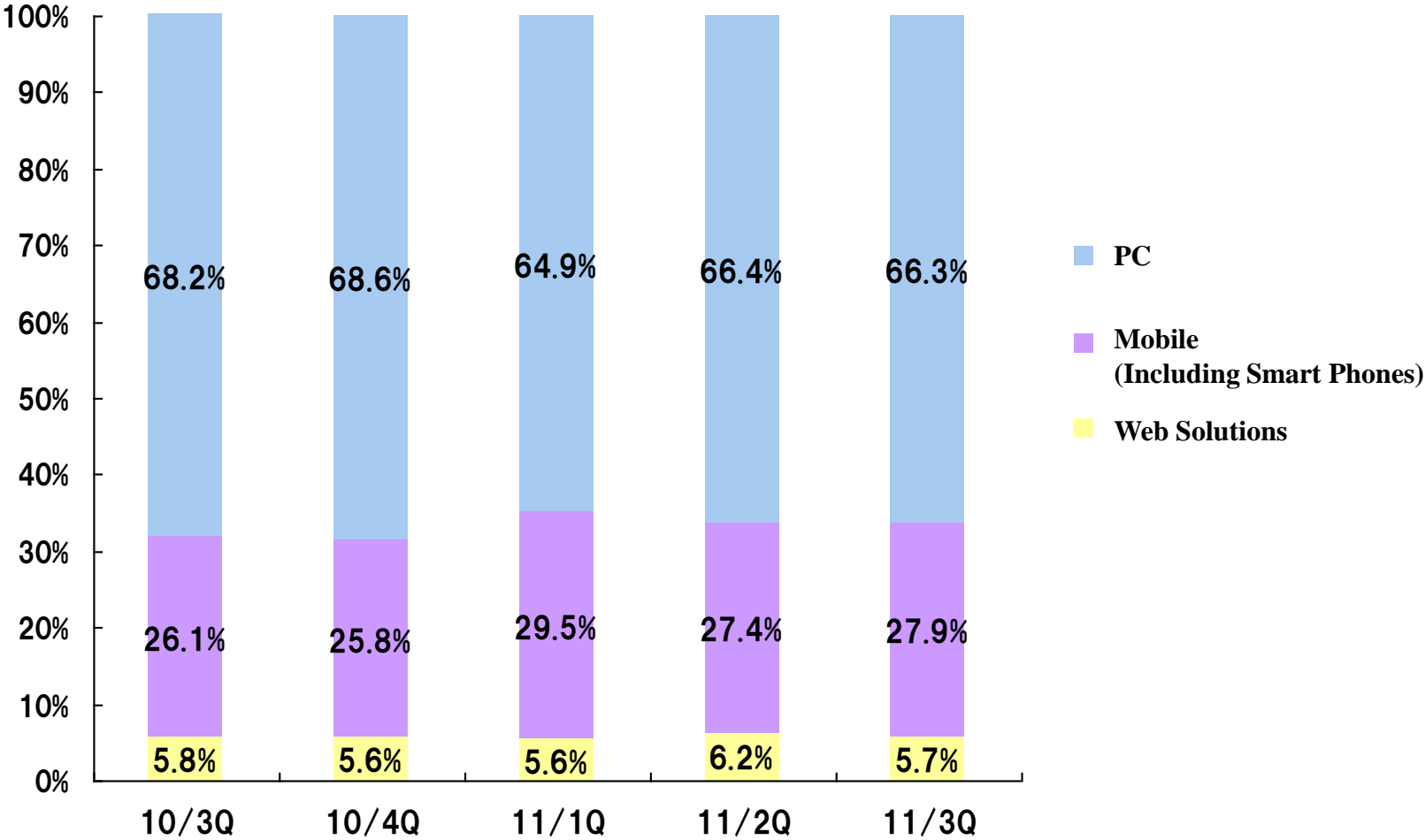
# SEPTENI Group Work Force Number Trend

(Units: Persons)



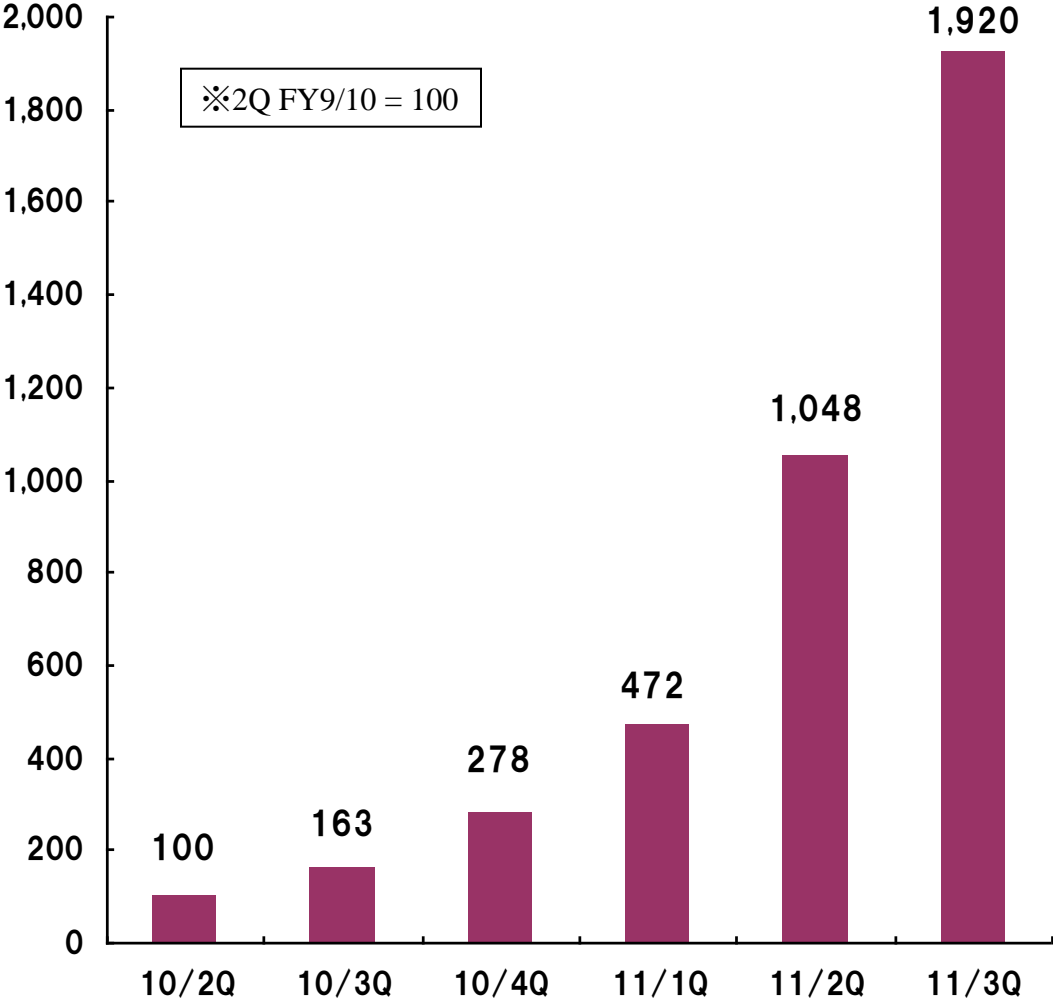
※ 3Q FY9/09 to 4Q FY9/10 business segment data adjusted to reflect new business segment definitions.

## 【 Sales Trend by Product 】

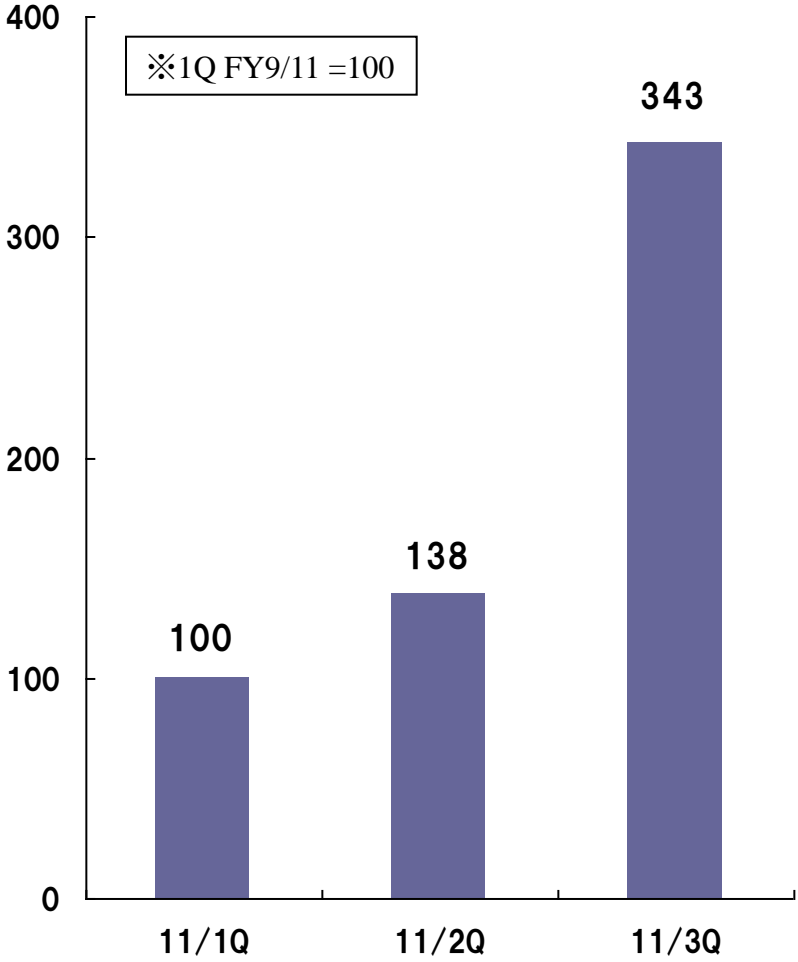


※ Web Solutions: SEO, website creation, site operation support, others

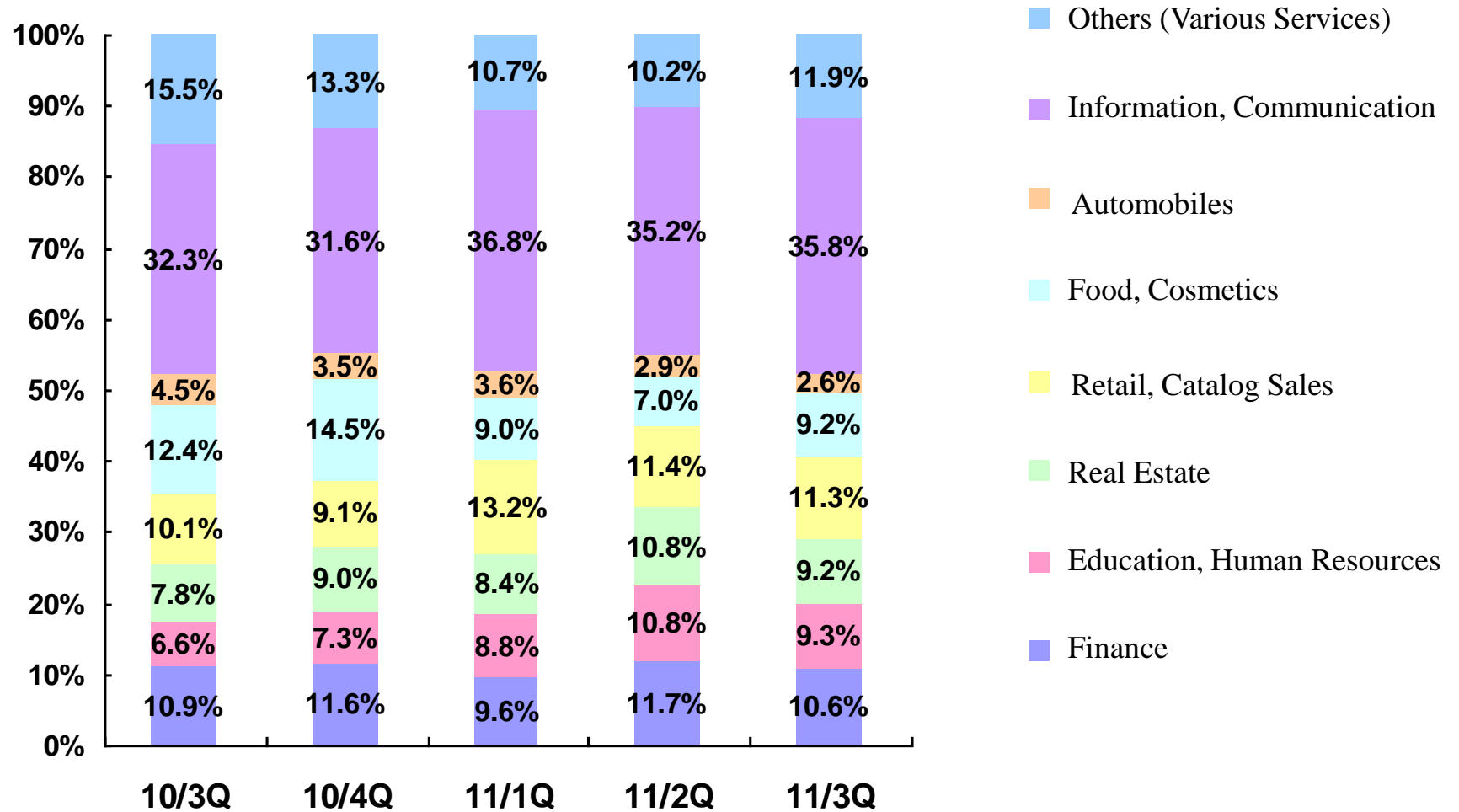
Smart Phone Advertising Sales Trend



Facebook Related Sales Trend



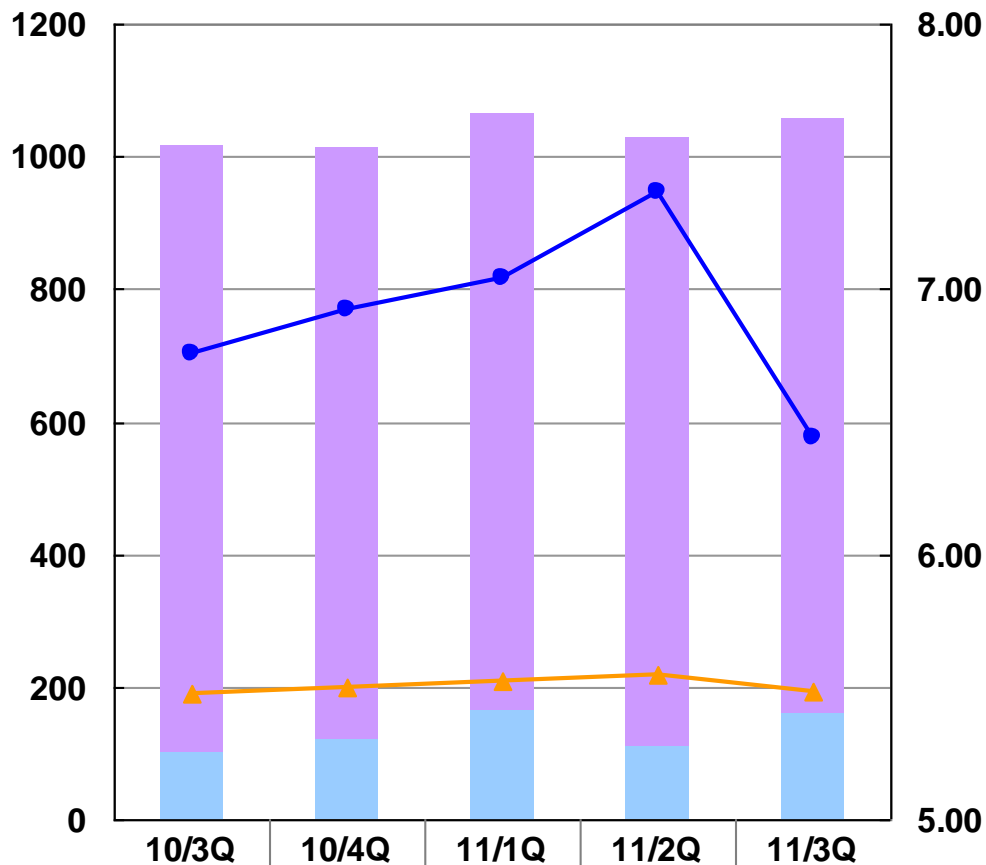
# Internet Advertising Business Client Data







# Internet Advertising Business Client Number Data

(Companies)

(Million Yen)



 Total Clients	1,016	1,012	1,064	1,029	1,059
 New Clients	100	120	165	112	160
 Pricing Per Client	6.76	6.93	7.05	7.37	6.44
 Clients Purchasing Over ¥5mm	191	199	210	217	193