



# **Business Results for 2<sup>nd</sup> Quarter of Fiscal Year September 2012**

May 7, 2012

SEPTENI HOLDINGS CO., LTD.

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

Securities Code: 4293



# Index

1	Quarterly Earnings Overview	P2～P21
2	1H Earnings, 3Q Estimates	P22～P27
3	Appendix	P28～P35

\* All data in this document are in units of million yen unless otherwise stated



# 1 ||| Quarterly Earnings Overview



## 2Q Consolidated Earnings Highlights (Jan-Mar)

- Sales: ¥10,803 million (Up 20.7 % yy)  
Operating Income: ¥498 million (Up 61.6% yy)  
Achieved record high profits in 1<sup>st</sup> and 2<sup>nd</sup> quarters
- Both Internet Marketing and Media Contents Business saw higher sales and profits
- Facebook related service sales rose by 10 times year-over-year
- Social games related sales continue to grow

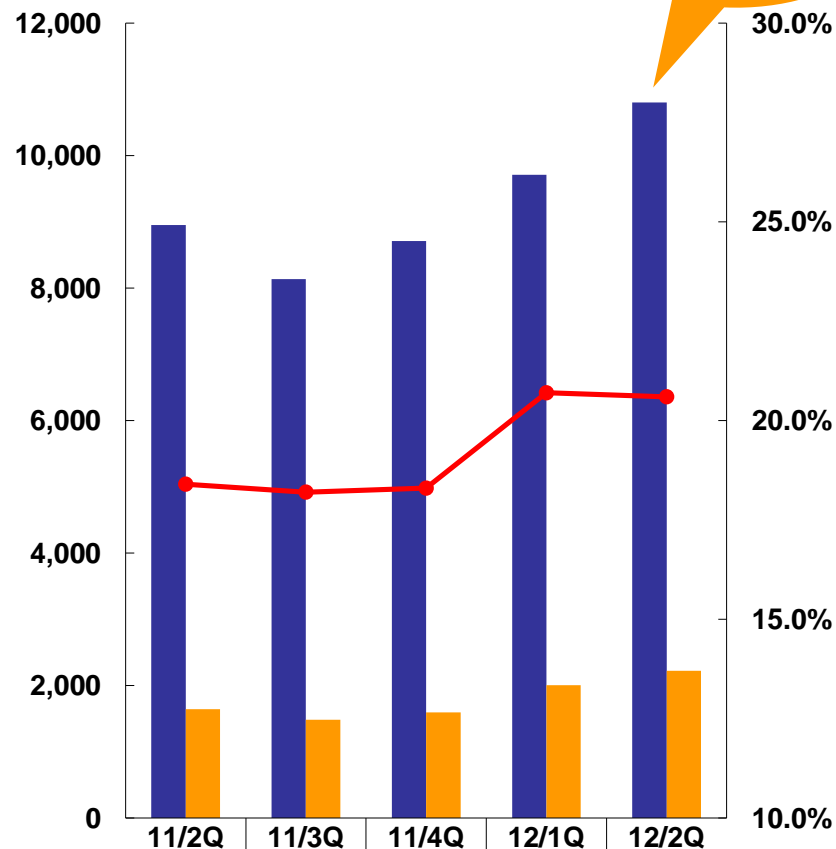
# Consolidated Income Statement (Jan-Mar)

	2Q FY9/12				2Q FY9/11		1Q FY9/12	
	Value	Share	YY Change	QQ Change	Value	Share	Value	Share
Sales	<b>10,803</b>	100.0%	+20.7%	+11.3%	8,953	100.0%	9,710	100.0%
Gross Income	<b>2,221</b>	20.6%	+35.1%	+10.7%	1,643	18.4%	2,006	20.7%
SG&A	<b>1,722</b>	16.0%	+29.0%	+5.0%	1,335	14.9%	1,640	16.9%
Operating Income	<b>498</b>	4.6%	+61.6%	+36.2%	308	3.5%	366	3.8%
Ordinary Income	<b>524</b>	4.9%	+75.9%	+28.6%	297	3.3%	407	4.2%
Net Income	<b>141</b>	1.3%	-14.9%	+10.2%	166	1.9%	128	1.3%

- || Sales exceeded ¥10.0 billion for the first time on quarterly basis, gross margins also remained at high levels
- || **Operating income rose by large margin** as higher sales was able to absorb increases in SG&A expense due to higher personnel, advertising costs
- || ¥59 million loss arising from anticipatory investments for new businesses
- || An extraordinary loss of ¥148 million was recorded (Impairment loss of ¥130 million from Commerce Business goodwill)

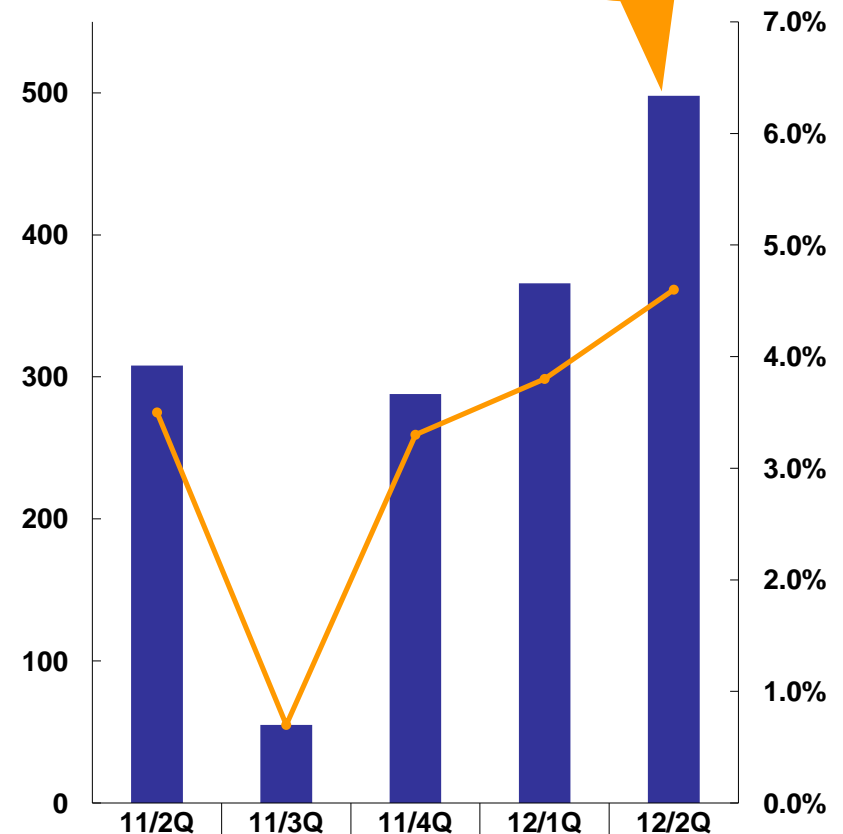
# Trend in Consolidated Quarterly Earnings

**Sales, Gross Income**



<span style="color: blue;">■</span>	Sales
<span style="color: orange;">■</span>	Gross Income
<span style="color: red;">●</span>	Gross Margin

**Operating Income**



<span style="color: blue;">■</span>	Operating Income
<span style="color: orange;">—●—</span>	Operating Margin

# Change in Business Segments

Our business is divided between three segments of **Internet Marketing**, **Media Contents**, **Others** from the current term

||| FY9/11

Internet Advertising Business
Internet Advertising Agency
Ad Network
Mobile Media Rep

Technology Business
Cloud Type CRM Services (Tricorn Corporation)
Social Application Development (Cytech, Inc.)

Contents Business
Mobile Contents

Direct Marketing Business
Direct Mail Outsourcing Services
In-Ship Advertising

Other Business
Commerce

||| From FY9/12

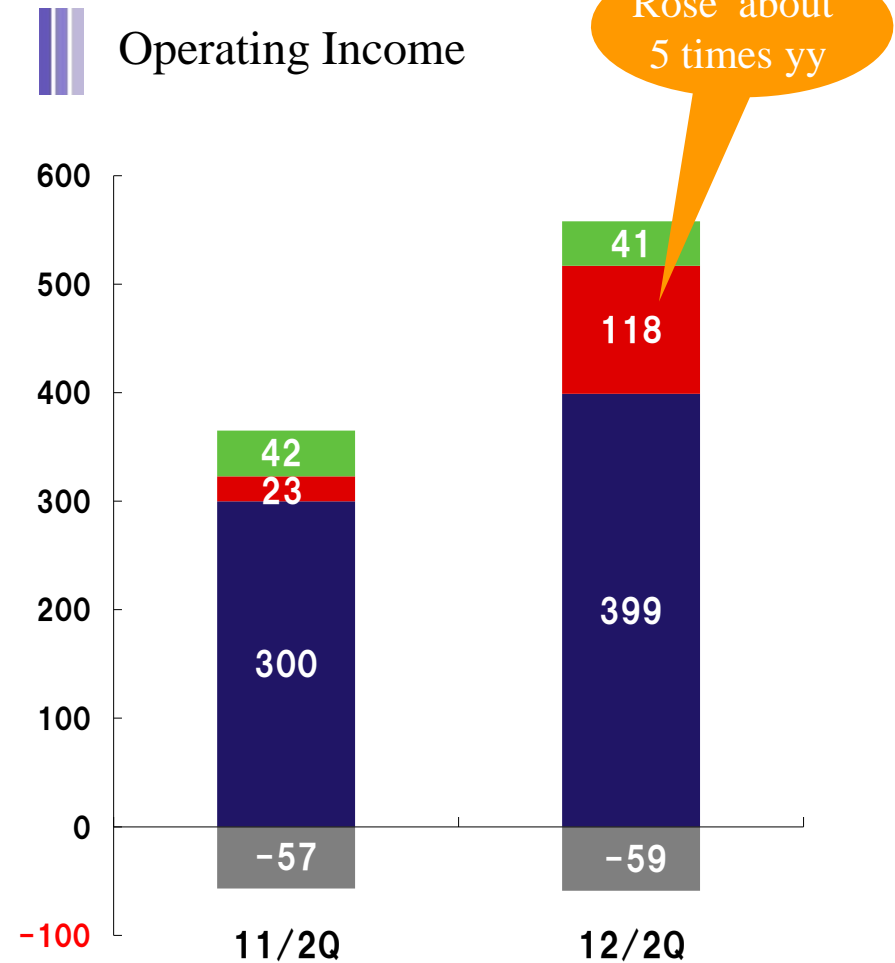
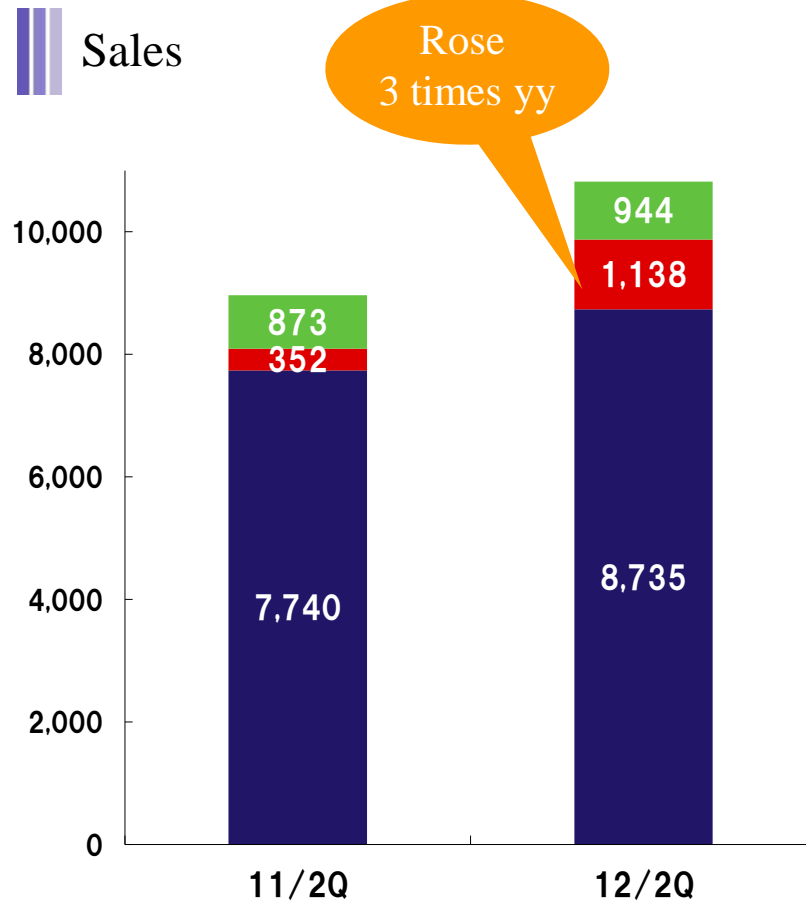
Internet Marketing Business
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Media Contents Business
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Others
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\* Reported business segments in this document are the Internet Marketing and Media Contents Businesses

# Business Segment Earnings (Jan-Mar)



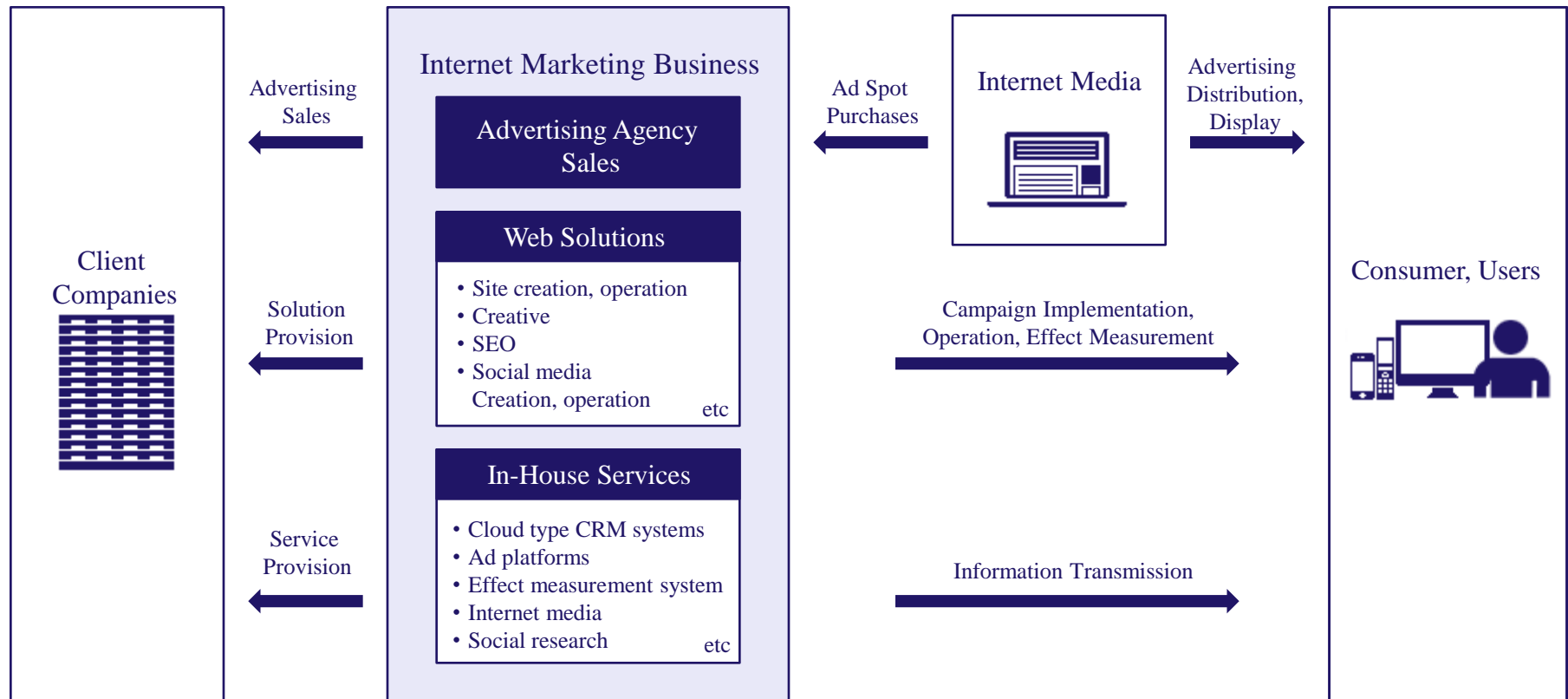
Internet Marketing
  Media Contents
  Others
  Adjustments (Company wide expenses)

\* 2Q FY9/11 earnings by business segment have been revised to reflect the new business segments definitions

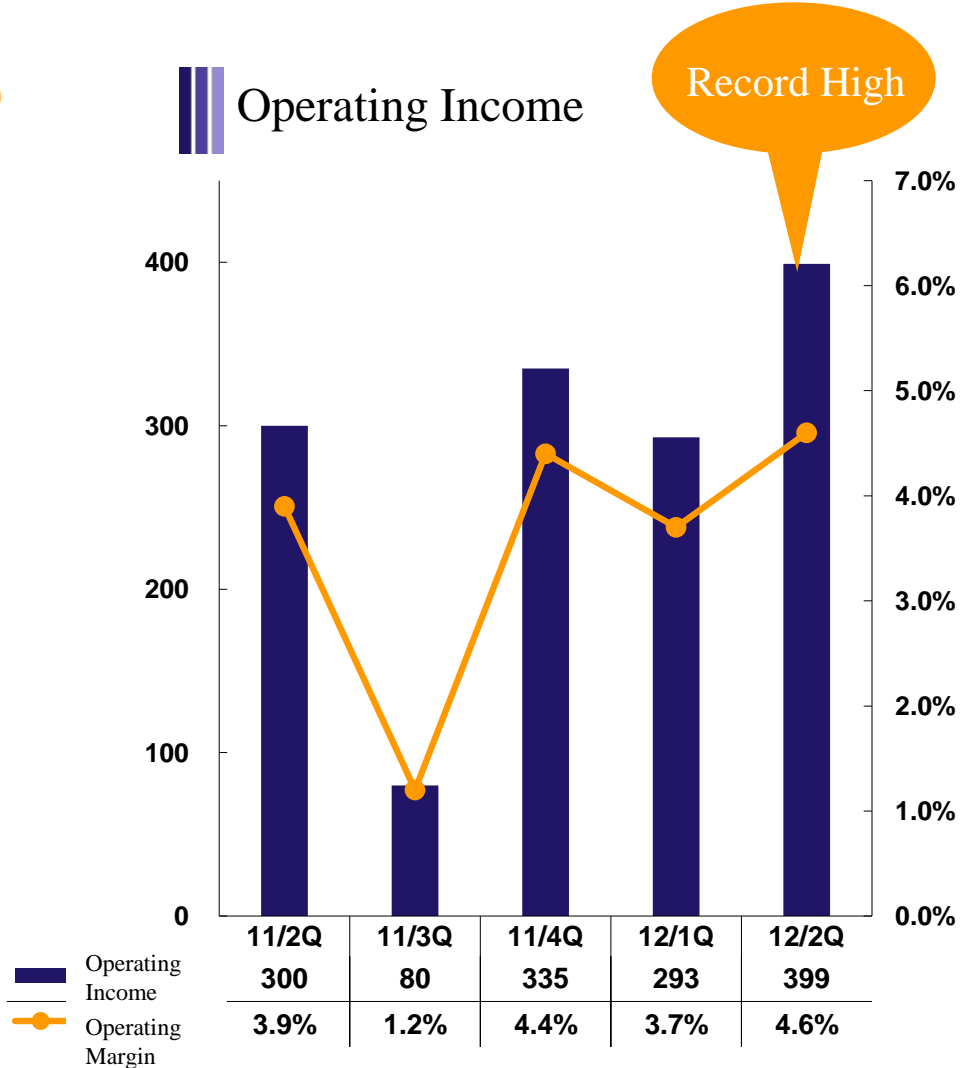
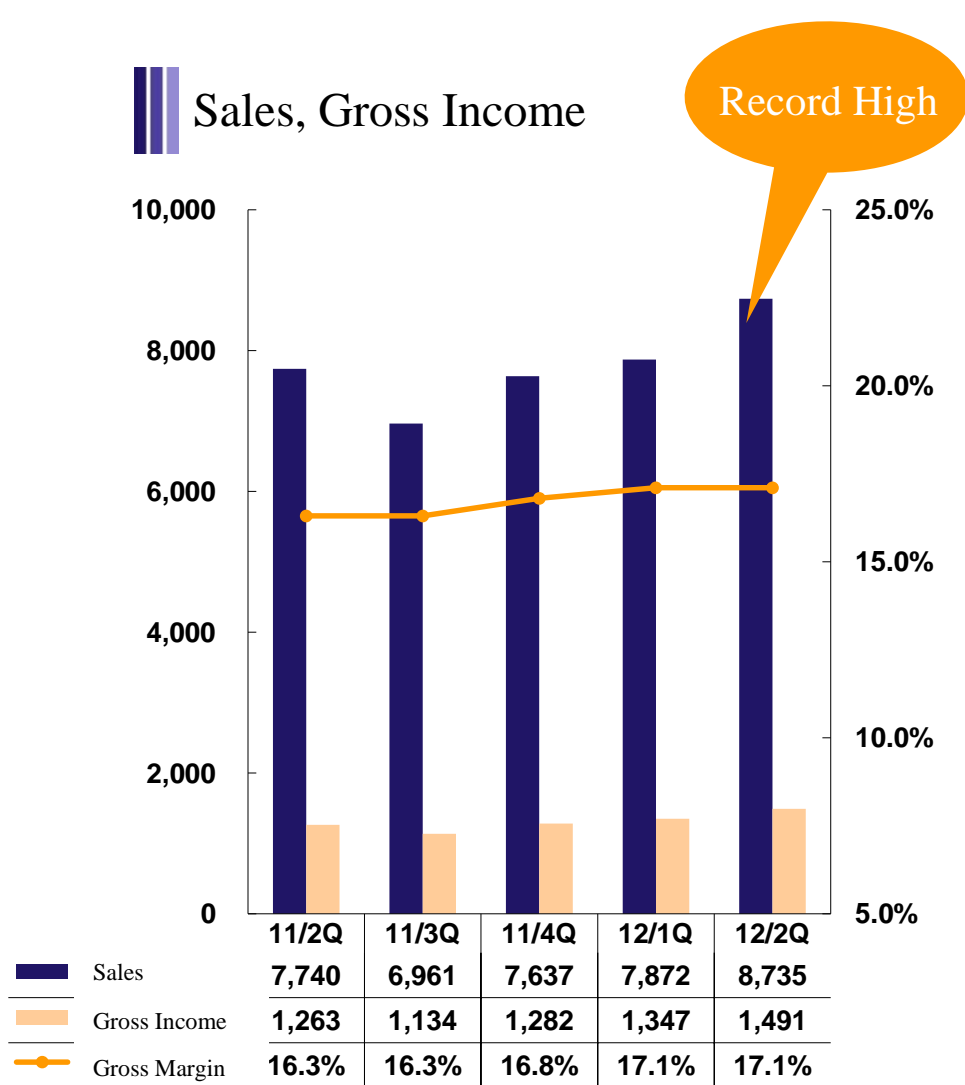
# Internet Marketing Business Overview

Comprehensive **marketing support services** leveraging the Internet provided to corporations

Providing a wide range of web solutions including sales of Internet advertising, and **in-house services** including marketing platforms for ad network and operation of cloud type CRM services



# Internet Marketing Business Quarterly Earnings Trend



\* 2Q FY9/11 to 4Q FY9/11 earnings data have been revised to reflect the new business segments definitions

# Internet Marketing Business Conditions

## 2Q FY9/12 Earnings

	Value	YY Change	QQ Change
Sales	8,735	+12.8%	+11.0%
Gross Income	1,491	+18.0%	+10.6%
Gross Margin	17.1%	+0.8%pt	+0.0%pt
SG&A	1,091	+13.3%	+3.5%
Operating Income	399	+33.1%	+36.0%
Operating Margin	4.6%	+0.7%pt	+0.9%pt

## Comments

Increase in large projects, endeavors to capture term end demand led to **double digit sales growth**

Increases in SG&A arising from higher personnel costs absorbed by higher sales, allowing operating income to grow by large margin

**Facebook** related services and **smartphone advertising** continue to grow strongly

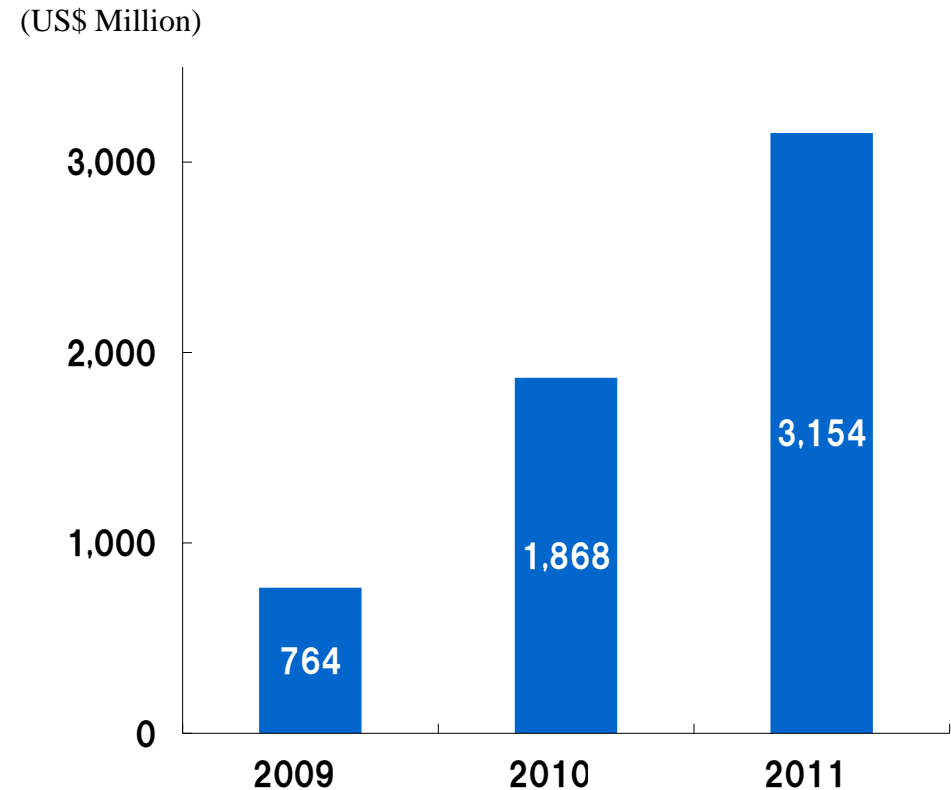
# Facebook Related Services – Macro Environment

Facebook Active Monthly User Numbers

	User Numbers (millions)	Relative to Population
Worldwide	901	About 13%
US	169	About 55%
Japan	10	About 8%

(Source: Compiled from Facebook data)

Facebook Advertising Sales Trend



(Source: Facebook application for listing)

# Creation

## FB Page Creation

## FB Page Creation

# Operations

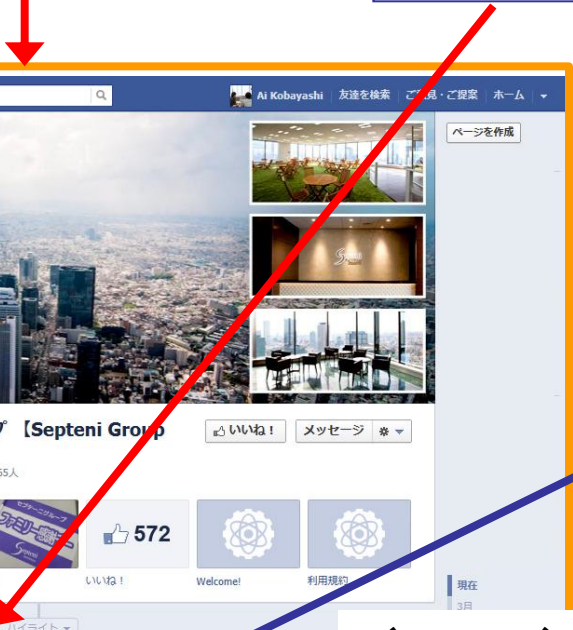
- Wall Posts
- Edge Rank Optimization ✖
- Campaign Implementation

Wall Posts  
Edge Rank Optimization ✖  
Campaign Implementation

## Attracting guests

### FB Ad Postings

## FB Ad Postings



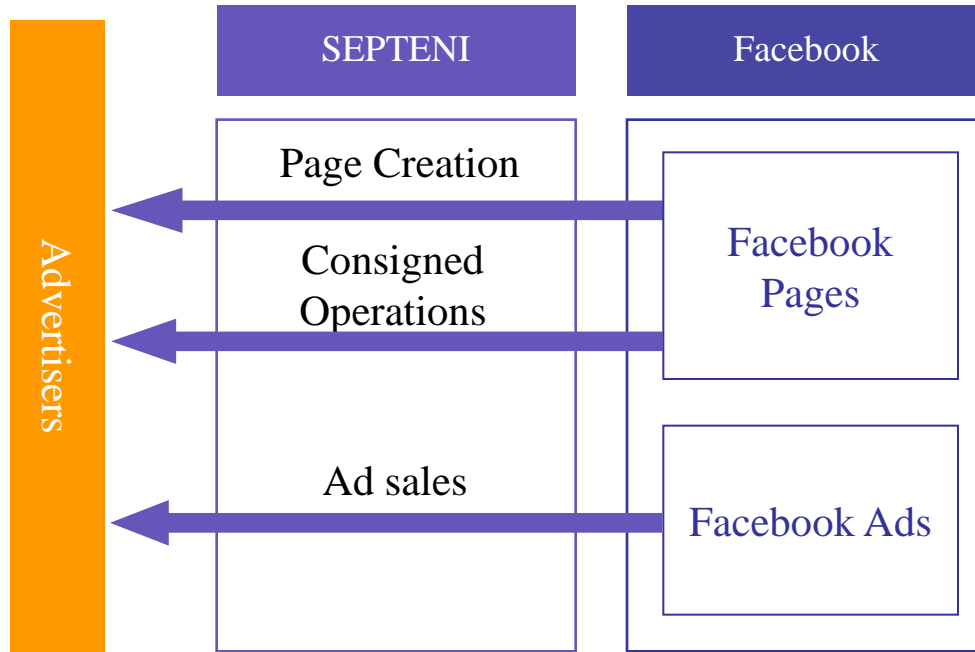
【User Page】



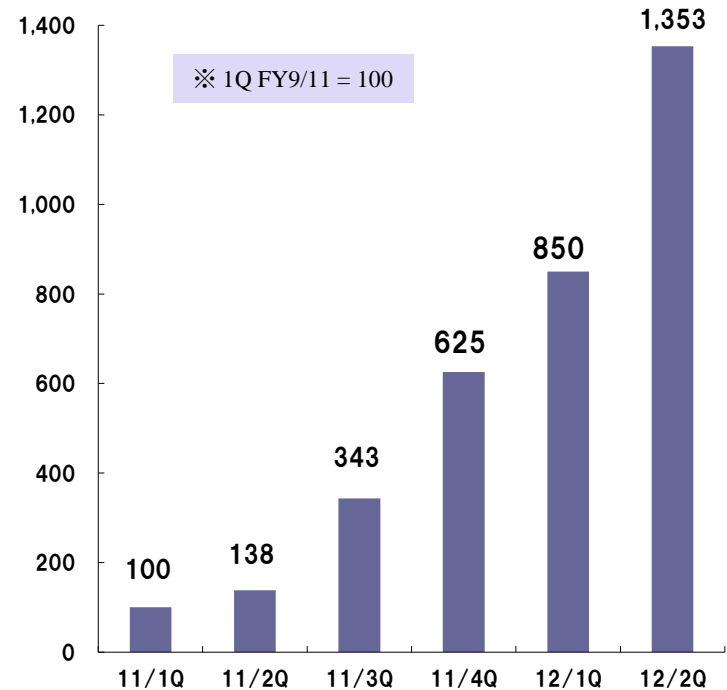
✖Edge Rank	An algorithm used to match contents to the individual users newsfeeds
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An algorithm used to match contents to the individual users newsfeeds

# Facebook Related Services – Our Endeavors and Superiority



Facebook Related Sales Trend



- Provide one-stop services ranging from Facebook page creation to consigned operation, and foot traffic accumulation (Ads)
- Advantage of knowhow accumulation from specialized social media division through early market entry (July 2010)
- Currently transactions with over 100 companies
- Develop in-house services such as “BIRTHDAY CLAPPER” (Social Commerce)

# Facebook Related Services – Case Study

## Campaigns Leveraging Facebook Applications

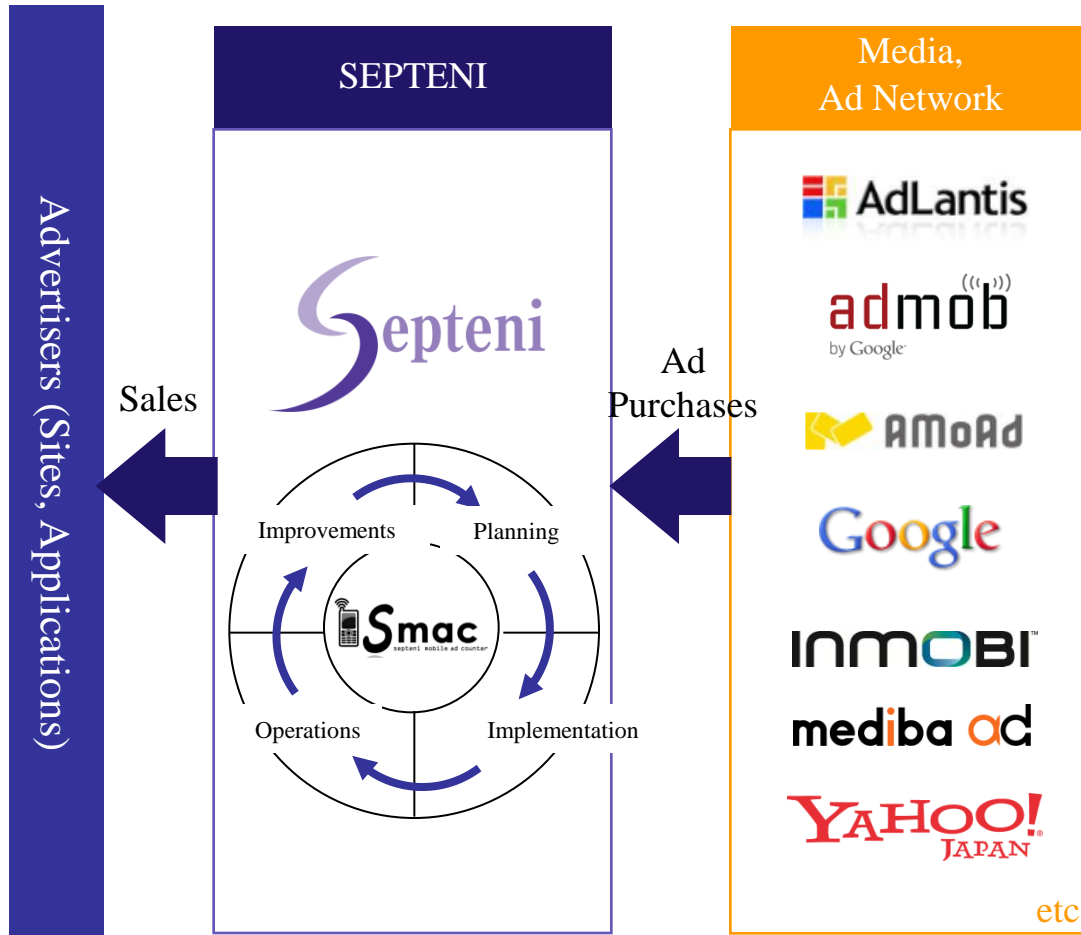
### SAPPORO BREWERIES LTD. “Kanpai Challenge”



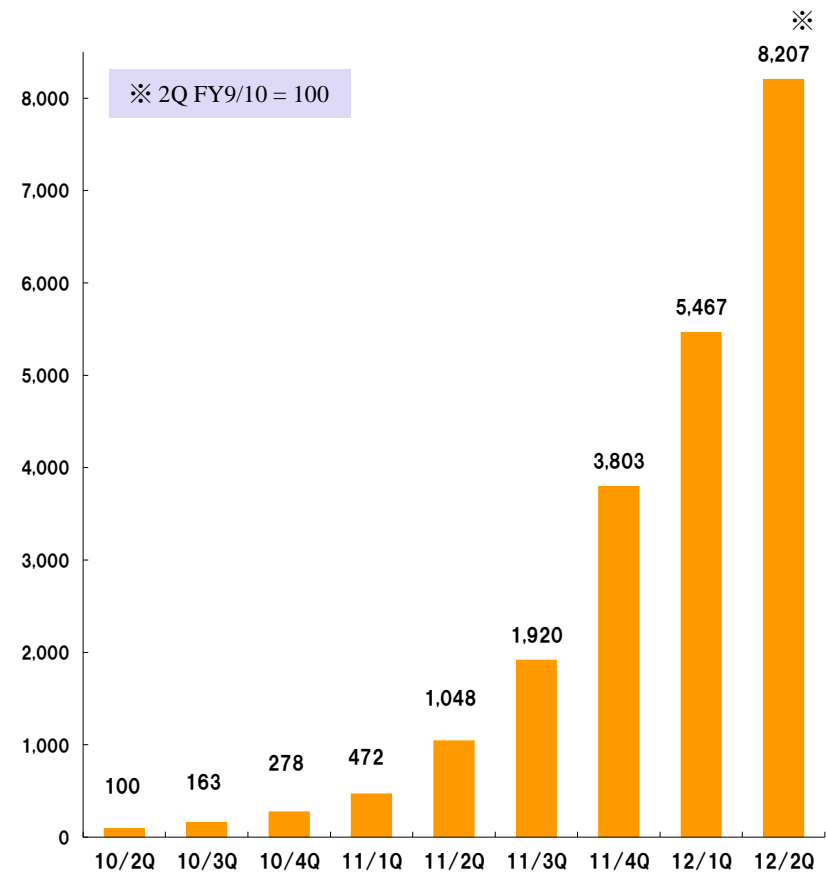
### JTB Corp. “First Time Visits, Deciding on Experience in Each Prefecture”



# Smartphone Advertising



Smartphone Ad Sales Trend



※ Scope of listing advertisements expanded from 2Q FY9/12

# Operate Facilities Within and Outside of Japan



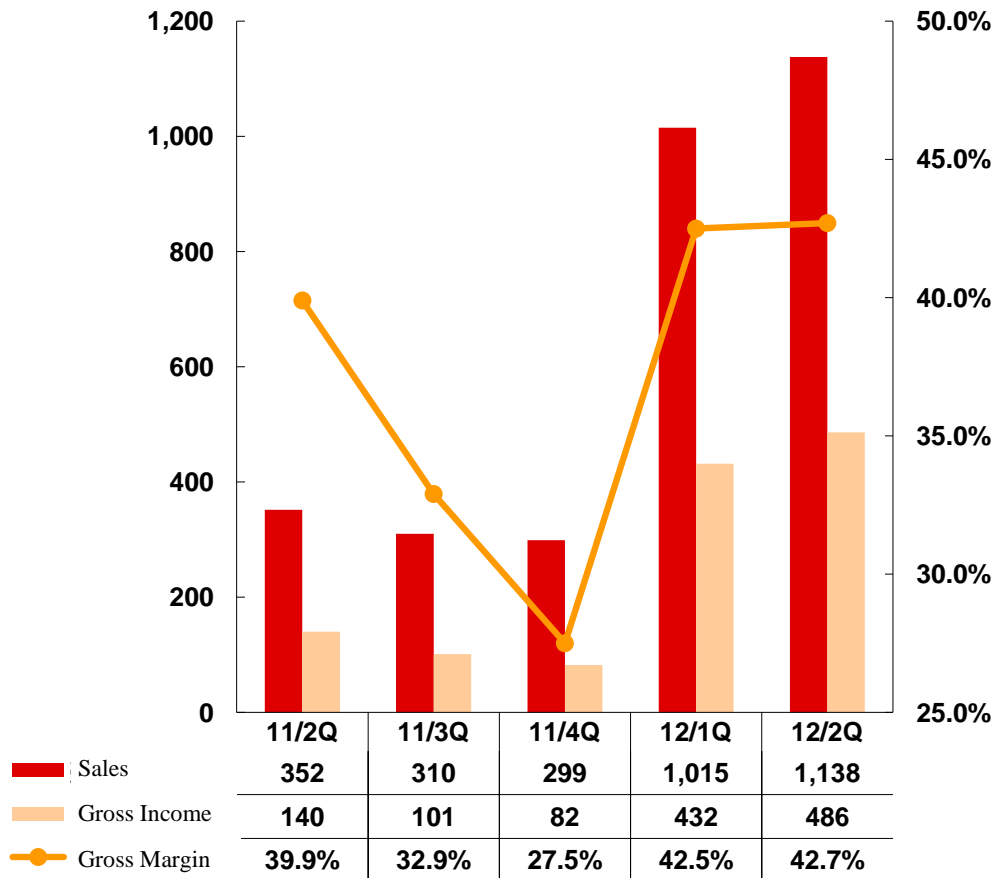
# Media Contents Business Overview

Planning, development of various digital contents including social games for smartphones and conventional feature phones, provision of various platforms to users including SNS and cellular service carriers. Also operations for mobile media.

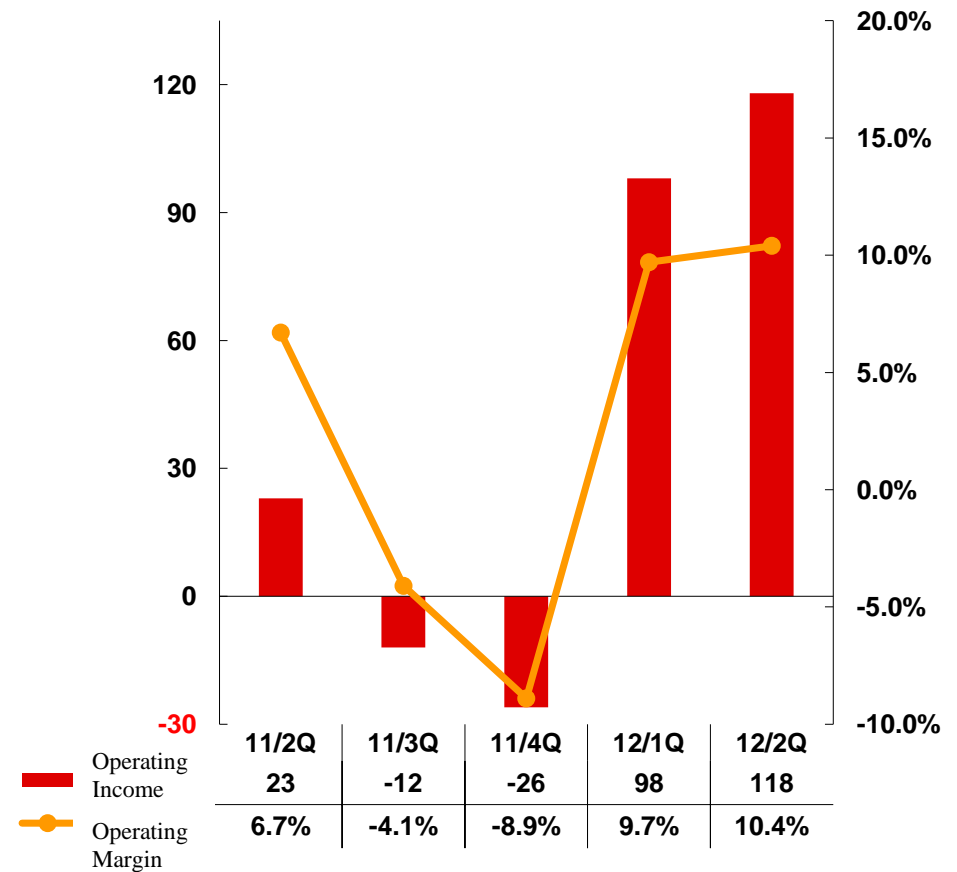


# Media Contents Business Quarterly Earnings Trends

## Sales, Gross Income



## Operating Income



※ 2Q to 4Q FY9/11 earnings data have been revised to reflect new business segment definitions

# Media Contents Business Overview

## 2Q FY9/12 Earnings

	Value	YY Change	QQ Change
Sales	1,138	+222.6%	+12.1%
Gross Income	486	+245.4%	+12.5%
Gross Margin	42.7%	+2.8%pt	+0.2%pt
SG&A	367	+214.2%	+10.4%
Operating Income	118	+399.5%	+19.8%
Operating Margin	10.4%	+3.7%pt	+0.7%pt

## Comments

- Social game sales rose 1.6 times quarter-over-quarter to ¥563 million to account for about half of total segment sales
- Promoted fortification of social game division staffing
- Total registered social games users of AXEL MARK exceeded 1.0 million

# Social Games

## Aggressive Introduction of New Titles

Providing 6 Titles in Total Including Existing Titles

Providing Company	 <b>AXEL MARK</b> AXEL MARK INC.		 <b>CYTECH</b> Cytech, Inc.
Platform	mobage		GREE
Title	 Adventure Chronicle	 Legions of the sky※	 War Maidens from Ruined Countries
Start of Provision	March 2, 2012	Mid-May 2012 (Anticipated)	April 13, 2012
Genre	Card Battle Games		

※ Additions: This title has been changed from “Ogre Battle Chronicle” to “Legion in the sky” on May 11, 2012.



## 2 || 1H Earnings and 3Q Estimates

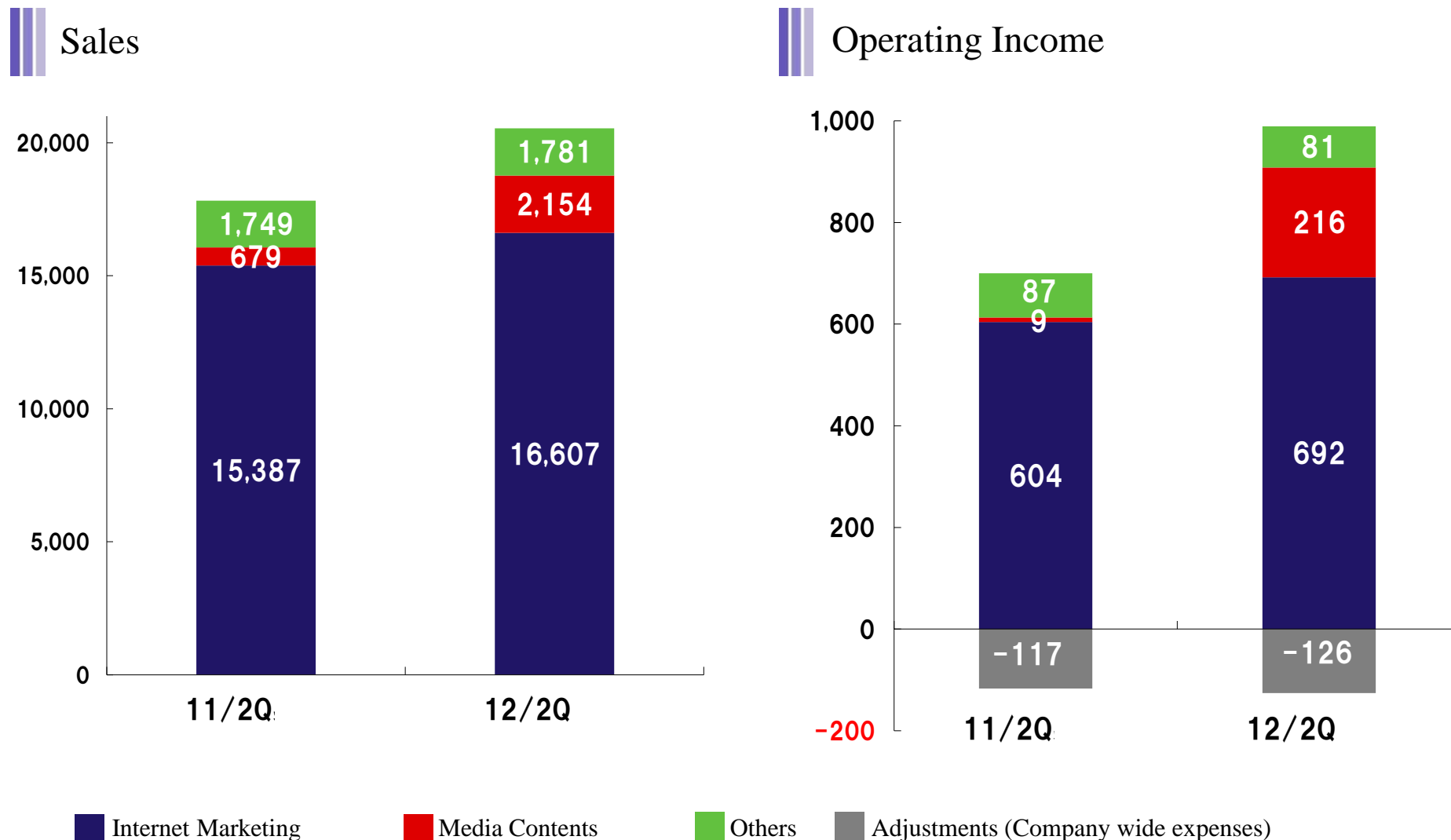
# Consolidated Income Statement (Oct to Mar)

	1H FY9/12			1H FY9/11	
	Value	Share	YY Change	Value	Share
Sales	<b>20,514</b>	100.0%	<b>+15.3%</b>	17,786	100.0%
Gross Income	<b>4,228</b>	20.6%	<b>+28.3%</b>	3,295	18.5%
SG&A	<b>3,363</b>	16.4%	<b>+24.0%</b>	2,711	15.2%
Operating Income	<b>865</b>	4.2%	<b>+48.1%</b>	584	3.3%
Ordinary Income	<b>931</b>	4.5%	<b>+65.2%</b>	563	3.2%
Net Income	<b>270</b>	1.3%	<b>-8.0%</b>	293	1.7%

||| Sales, and operating and ordinary incomes all achieved new record highs by exceeding previous records by large margins

||| Extraordinary loss of ¥310 million recorded (Valuation loss resulting from staged acquisition was ¥154 million, impairment loss from goodwill was ¥130 million)

# Business Segments Earnings (Oct to Mar)



※ 2Q FY9/11 earnings data have been revised to reflect new business segment definitions

# 3Q FY9/12 Consolidated Earnings Estimates

In consideration of changes in the business environment, **earnings estimates** for only the quarter immediately following the term for which results have been released will be issued

(Aggregated subsequent quarterly earnings estimates announced at the quarterly earnings announcement)

	1-3Q FY9/11	First Half FY9/11	3Q FY9/11 Est.	1-3Q FY9/12 Est.	YY Change
Sales	25,922	20,514	10,200	30,714	+18.5%
Operating Income	639	865	240	1,105	+72.7%
Ordinary Income	660	931	260	1,191	+80.4%
Net Income	352	270	140	410	+16.4%

- Aggressive anticipatory investments in human resources (77 new employees hired in April, mid-career hires in the social game division)
- Advertising expenses are expected to trend at high levels in order to expand social game sales

# 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

Platforms

## Earnings Targets (FY9/13)

Sales: **¥ 50.0bn**

Operating Profit: **¥3.0bn**

# Thank you for your interest!



Contact Information:

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All estimates, opinions and plans provided in this document are based on the best information available at the time of the creation of this document on May 7, 2012 and we do not guarantee their accuracy. Therefore our actual results may differ due to various unforeseen risk factors and changes in global economies.



## 3 ||| Appendix

# Company Overview

As of March 31, 2012

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower 28 <sup>th</sup> Floor, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Stock Code	4293 (JASDAQ)
Business Realm	The holding company for a group of companies conducting Internet advertising and other businesses
Established	October 29, 1990
Capitalization	¥2,007 million
Shares Issued	134,749 shares (Including 8,923 treasury shares)
Consolidated Workforce	668 Full time employees, 749 Full time and contracted employees

# Main Group Companies by Business Segment

## Holding Company

SEPTENI HOLDINGS CO., LTD.

As of May 7, 2012

### Internet Marketing Business

SEPTENI CO., LTD.	Internet Advertising
mume, Inc	Mobile Advertising
MANGO, Inc.	SEM Operation
Vasara Inc.	Internet Advertising
HighScore, Inc.	Social Media, Marketing Support
GRP Co., Ltd.	Television Advertising
EAGLE i Co., Ltd.	Ad Network
Septeni Asia Pacific Pte. Ltd.	Internet Advertising for the Asia Pacific Region
SETPENICROSSGATE CO., LTD.	Affiliate Network
ASP CO., LTD.	e-Marketing Solutions
Tricorn Corporation	CRM Services
TRIGGER INC.	Social Research

### Media Contents Business

AXEL MARK INC.	Mobile Contents
Cytech, Inc.	Social Applications

### Others

SEPTENI DIRECTMARKETING CO., LTD.	Direct Mail
ACRESS	Mail-order

### New Business Development

SEPTENI VENTURES Co., Ltd.

# Consolidated Balance Sheet

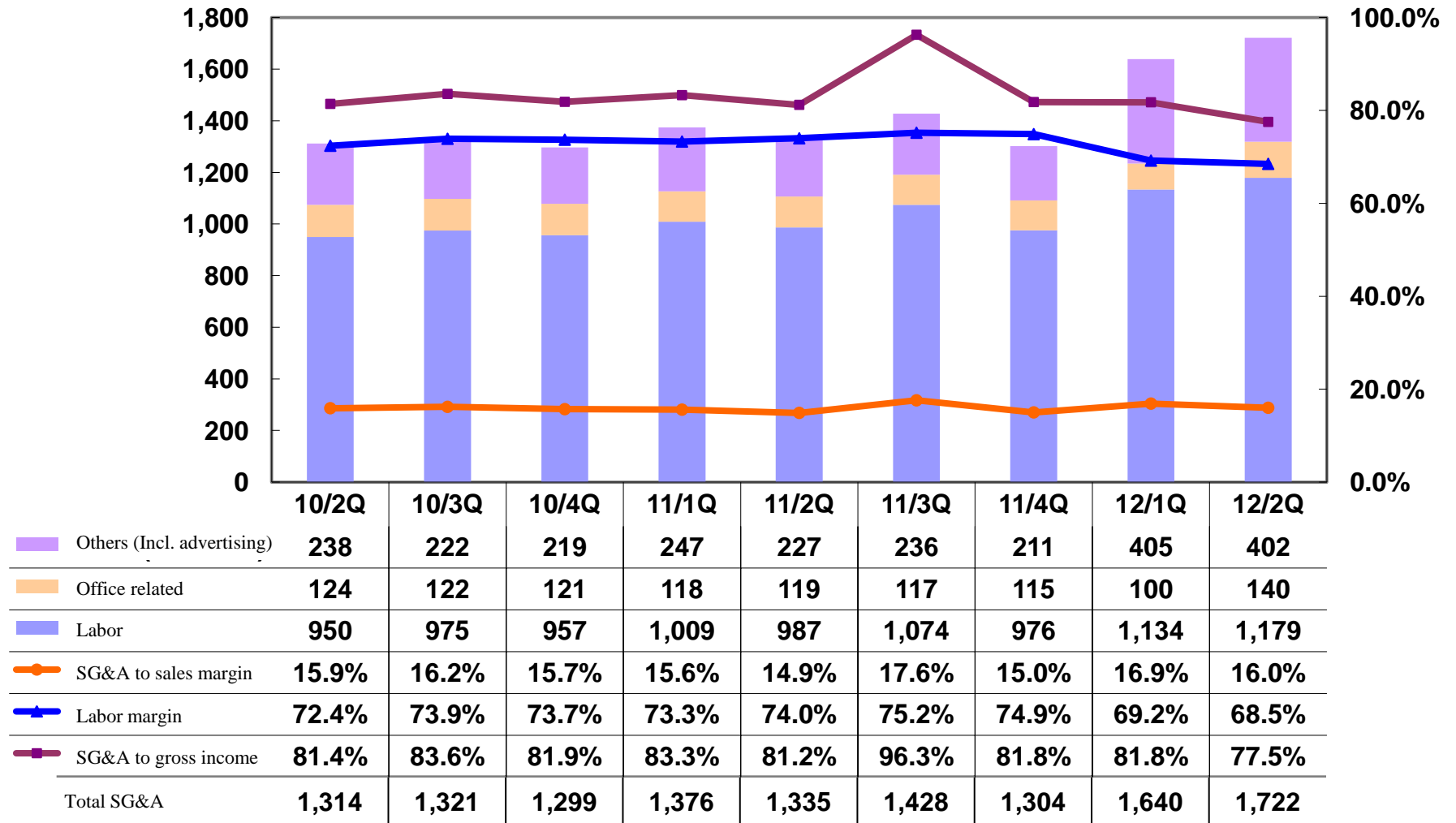
(Units: Million Yen)

	End 2Q FY9/12	End 1Q FY9/12	Change	Main Changes
Current Assets	<b>11,596</b>	10,119	<b>+1,477</b>	Cash, equivalents: +596 Notes, accounts receivables: +865
Fixed Assets	<b>2,618</b>	3,127	<b>-509</b>	Security deposits, deposits: -485 Goodwill: -158
Total Assets	<b>14,214</b>	13,247	<b>+967</b>	
Current Liabilities	<b>7,105</b>	6,277	<b>+827</b>	Accounts payables: +705 Unpaid taxes: +254
Fixed Liabilities	<b>264</b>	296	<b>-32</b>	
Total Liabilities	<b>7,369</b>	6,574	<b>+795</b>	
Total Net Assets	<b>6,845</b>	6,673	<b>+172</b>	Retained earnings: +141
Total Liabilities, Net Assets	<b>14,214</b>	13,247	<b>+967</b>	

# Consolidated Cash Flow

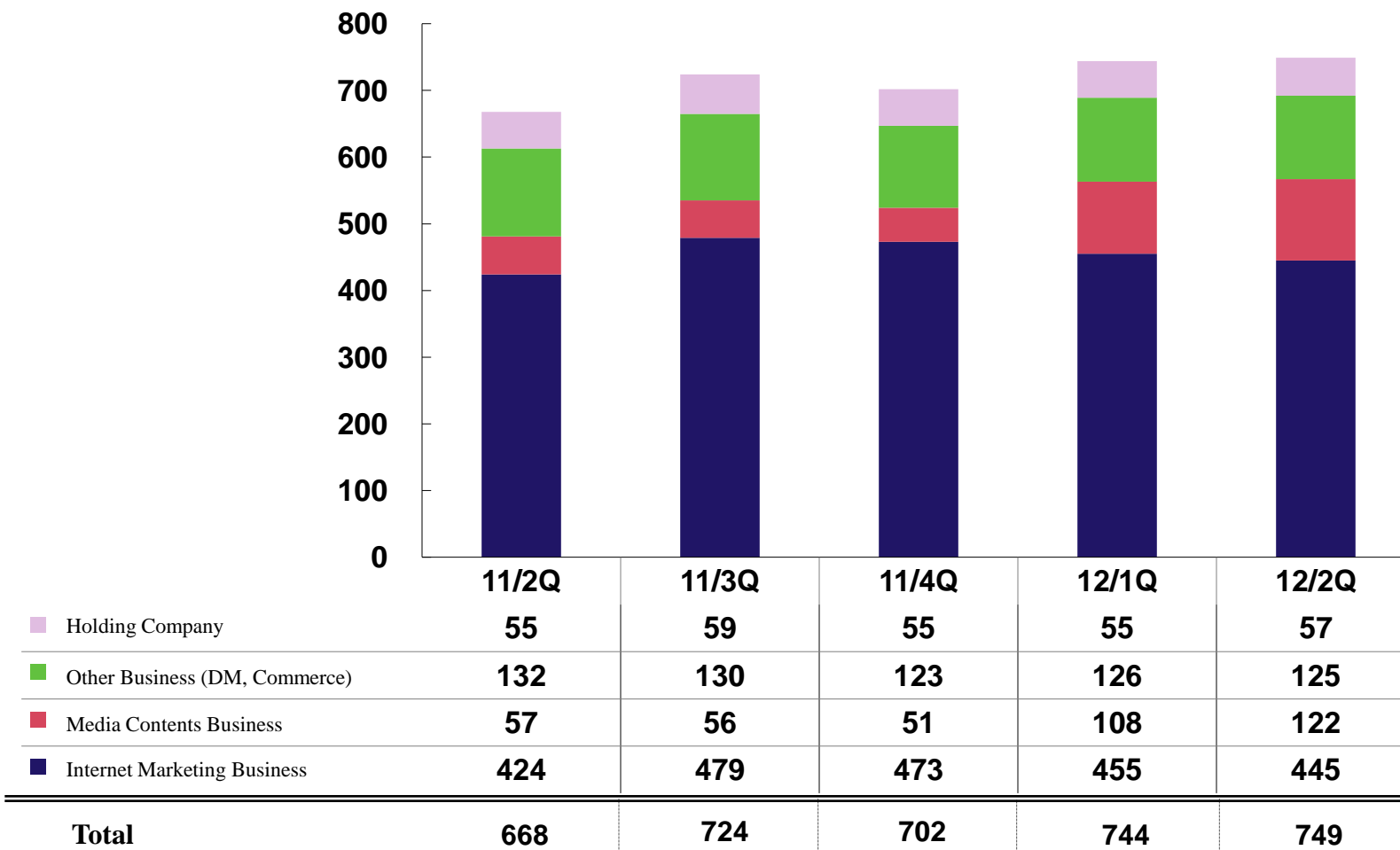
	2Q FY9/12 (Jan-Mar)	Main Changes	2Q FY9/11 (Jan-Mar)
Cash Flow from Operating Activities	<b>594</b>	Net income before taxes, adjustments: <b>+378</b> Bonus reserves: <b>+136</b> Impairment loss: <b>+130</b>	<b>88</b>
Cash Flow from Investing Activities	<b>39</b>	Deposit Returns: <b>+356</b> Tangible fixed asset acquisition: <b>-305</b>	<b>-252</b>
Cash Flow from Financing Activities	<b>- 37</b>	Decline in debt: <b>-30</b>	<b>-175</b>
Change in Cash and Equivalents	<b>596</b>		<b>-339</b>
Cash and Equivalents at Term End	<b>5,149</b>		<b>4,772</b>

# Consolidated SG&A Expense Trend



# SEPTENI Group Work Force Number Trend

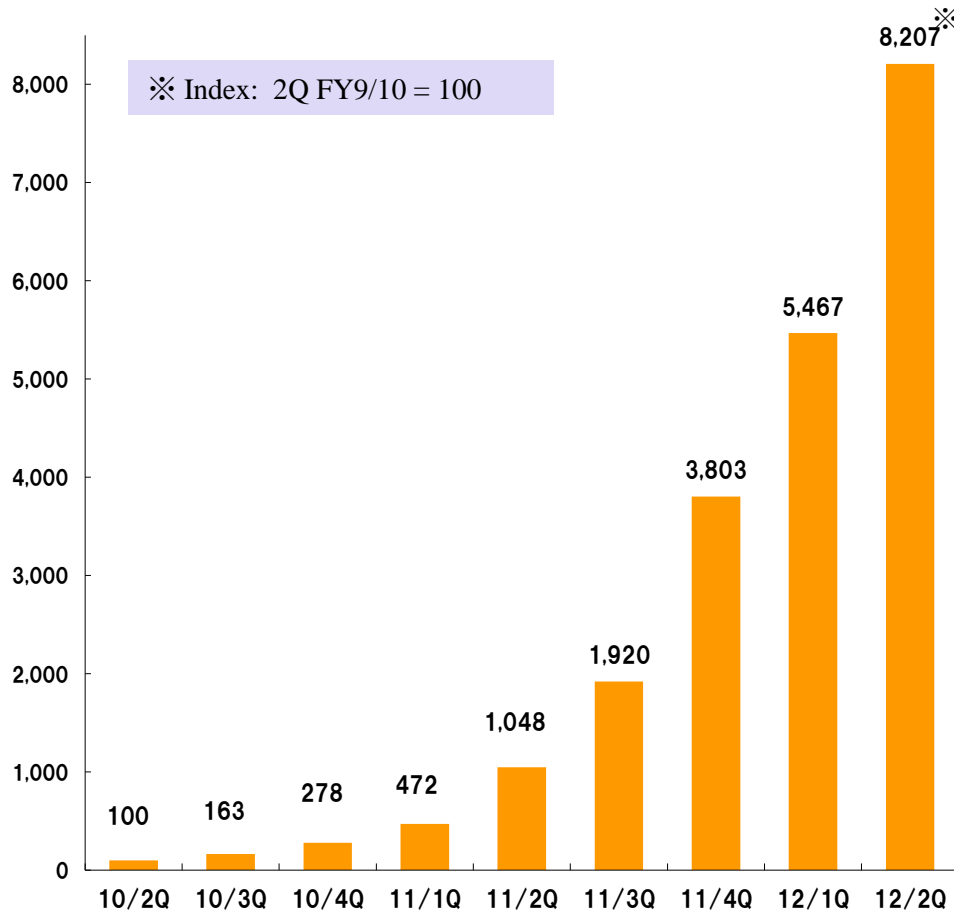
(Units: Persons)



※ 2Q FY9/11 to 4Q FY9/11 data have been revised to reflect new business segment definitions.

# Focus of the Internet Marketing Business

## Smartphone Advertising Sales Trend



※ From 2Q FY9/12 the scope of listing advertising was expanded

## Facebook Related Sales Trend

