

AXEL MARK INC. Merger Announcement

A decision was made in a Board of Directors meeting held today to merge AXEL MARK INC., a consolidated subsidiary of SEPTENI HOLDINGS CO., LTD., with FROUTE Corporation effective from October 1, 2011, and a merger agreement was formed between the two companies. The newly merged company will become a consolidated subsidiary of SEPTENI HOLDINGS, and its listing on the Mothers Market of the Tokyo Stock Exchange will also be maintained.

Furthermore, SEPTENI HOLDINGS expects to acquire 43.79% of the total shares issued by FROUTE from existing shareholders effective on June 17, 2011 and to become its top shareholder.

1. Purpose of The Merger

AXEL MARK is responsible for the contents business of the SEPTENI GROUP and has extensive knowhow in licensing rights acquired through its distribution of music, publications, streaming video and other contents to conventional cellular telephones. In addition, AXEL MARK has also started development and provision of applications for smart phones from last year, and now also provides electronic publications, games, fortune telling services and other contents to smart phones.

FROUTE has a contents distribution business in which “music,” “electronic publications,” and other contents are provided to mobile terminals, social application business in which social applications for mobile terminals are planned and developed, media syndication business in which an optimized advertising distribution service called “focas” focused upon mobile media is provided, and an overseas business in which knowhow accumulated in its domestic businesses are applied to business expansion in overseas markets. In particular, FROUTE is putting an emphasis upon its social applications and overseas businesses because of the strong potential for growth.

The decision to merge these two companies is taken out of the need to be able to respond to changes within the mobile contents markets in recent years, and is designed to promote synergies, fortify competitive standing, and optimize management of the two companies. By pursuing these objectives, the contents licensing rights knowhow accumulated by AXEL MARK will complement the marketing strength and information distribution channels, including search and advertising functions of FROUTE to fortify their ability to capture clients and raise profitability. At the same time this move is expected to expand the contents business and fortify the competitive standing of SEPTENI HOLDINGS.

2. Merger Summary, Overview of Merging Companies and Conditions After the Merger

Please refer to the document “Notice of Merger Agreement between AXEL MARK INC. and FROUTE Corporation” announced separately by AXEL MARK.

3. Outlook Going Forward

The impact of this merger upon SEPTENI HOLDINGS’ consolidated earnings during fiscal year September 2011 is expected to be negligible. Moreover SEPTENI is currently assessing the impact of this merger upon its consolidated earnings in fiscal year September 2012, and its earnings announcements which have yet to be announced for the coming fiscal year are expected to reflect any potential impact of the merger.

**Notice of Merger Agreement between AXEL MARK INC. and
FROUTE Corporation**

A decision was made in a Board of Directors meeting held today to merge AXEL MARK INC. (Mothers Market of the Tokyo Stock Exchange, Stock Code 3624) with FROUTE Corporation in accordance with the details of the merger listed below.

1. Background and Purpose of the Merger

While the contents market for conventional cellular telephones has matured, the environment surrounding the overall mobile contents market continues to change with strong growth expected in the contents market for smart phones and tablet terminals. Furthermore the market for social applications, in particular games, is continuing to expand. The number of members of large domestic social network services has exceeded 20 million, and demand for social games is expected to continue to grow.

AXEL MARK leverages its knowhow in licensing rights obtained in its business dealings with license holding companies in its “music,” “publications,” “streaming video,” and other cellular telephone contents distribution business, and operates over 150 official sites for various communications carriers. In fiscal year September 2011, the Company is focusing its efforts upon development and provision of applications for smart phones, including electronic publications, games, fortune telling services and other contents. In addition, the number of downloads of electronic publications has exceeded 200,000 via “App Store” since its service started in July 2010.

FROUTE operates a search service called “froute.jp” in its search portal site business, an optimized advertising distribution service focused upon mobile media called “focas” in its syndication business, and “music,” “electronic publications,” and eight other genre of contents distribution to mobile terminals over 110 sites operated as official sites for communications carriers in its contents business. Furthermore FROUTE RECS Corporation, FROUTE’s 100% owned subsidiary, provides social application planning and development in its social application business, and Froute Mobile Technology Inc., FROUTE’s 100% owned subsidiary, provides business deployment services in overseas markets based on knowhow developed in its businesses within Japan. Currently efforts are being focused upon the social applications business and overseas business, which are expected to grow strongly.

AXEL MARK had ongoing transactions with FROUTE for the provision of advertising services, but beyond this there was no relationship between the two companies. While growth in the contents market for conventional cellular telephones is stagnating, the expansion in the diffusion of smart phones and other new devices is contributing to growth in the market for social applications and electronic

publications. Against this backdrop, the two companies began discussions about various collaborations since the latter half of last year to leverage “the knowhow in licensing rights and contents development” of both companies in addition to the “marketing strength, search and advertising network information distribution channels” of FROUTE to help expand the customer base for contents, raise profitability, and create new synergies.

Furthermore results from synergies were realized through these discussions. Also the merger was agreed upon because it was determined that the best way to realize increased efficiencies in business operations and management was to merge the two companies.

Through this merger both companies will endeavor to raise management efficiency, expand their businesses, and fortify their competitive positioning by realizing new synergies. Therefore they will become a “comprehensive contents service company” that will be able to quickly provide bountiful contents and services to a wide range of users of mobile devices, and they will endeavor to expand their corporate value by large margins.

2. Merger Summary

(1) Merger Timeline

Approval of merger in Board of Directors’ Meeting (Both companies)	June 16, 2011
Signing of merger agreement (Both companies)	June 16, 2011
Reference date for announcement of the holding of an extraordinary shareholders meeting to approve the merger agreement (AXEL MARK)	June 30, 2011 (Anticipated)
Reference date for extraordinary shareholders meeting to approve the merger agreement (AXEL MARK)	July 15, 2011 (Anticipated)
Regular shareholders meeting to approve the merger agreement (FROUTE)	August 30, 2011 (Anticipated)
Date of extraordinary shareholders meeting to approve the merger agreement (AXEL MARK)	September 5, 2011 (Anticipated)
Merger date (Effective date)	October 1, 2011 (Anticipated)
Merger registration	First half October 2011 (Anticipated)

Details above are projections as of the current date, and the actual dates may be subject to change as the merger procedures progress.

(2) Merger Method

AXEL MARK will become the surviving company and FROUTE will be dissolved through its absorption.

(3) Merger Ratio Details

	AXEL MARK (Surviving company)	FROUTE (Dissolved company)
Details of ratio of the merger	1	0.0057

*1 Number of shares issued through the merger (anticipated): 16,530 common stock

*2 AXEL MARK will issue 0.0057 common shares for every common stock of FROUTE

(4) Treatment of Stock Options and Bonds with Stock Options

FROUTE will acquire all of the stock options from stock options holders free of charge and retire all of these options after it has officially approved the merger agreement in its regularly scheduled shareholders' meeting.

(5) Changes in Shareholder Structure and Shares Accompanying the Merger

Two stages of the transfer of shares and shareholders will result in the process of this merger.

① SEPTENI HOLDINGS CO., LTD., the parent company of AXEL MARK, is expected to conduct off market trading on June 17, 2011 to acquire 577 shares of AXEL MARK (2.00% of total shares issued) from President Yasuhiro Kobayashi. At the same time AXEL MARK will acquire a total of 1,270,000 shares (43.79% of total shares issued) from existing shareholders of FROUTE.

② The effective date of the merger is October 1, 2011. As stated above in "(3) Merger Ratio Details," the new company will issue 16,530 shares in accordance with the ratio listed above.

As a result of the above factors, SEPTENI will own 23,554 (51.87% of total shares issued) of the 45,407 shares issued by the newly formed company, and the new company will be maintained as a consolidated subsidiary.

For further details please refer to the diagrams attached separately.

3. Assumptions for the Calculation of the Merger Ratio

(1) Fundamental Calculation

AXEL MARK has ordered an analysis to be performed of the merger ratio by Loyal Strategy Co., Ltd. as a third party independent of both companies in order to ensure fairness and appropriateness of the merger ratio calculation.

Loyal Strategy calculated the theoretical stock price based on discounted cash flow and average market pricing methods for AXEL MARK, because it is a publicly traded company, and comparative pricing of competitors and discounted cash flow methods for FROUTE because it is a non-listed company.

Loyal Strategy also based their calculations upon analysis of the scale of both of the companies and other conditions of the merger.

The results of these valuations are provided as follows. The merger ratio calculation range is presented in terms of the number of AXEL MARK shares issued to be exchanged per each common share issued of FROUTE.

AXEL MARK	FROUTE	Merger Ratio
Discounted Cash Flow, Average Market Price Methods	Discounted Cash Flow, Comparative Companies Pricing Method	1 : 0.0047 ~ 0.0060

Moreover the market price valuation method is based on a reference date of June 16, 2011, and uses simple average pricing (Closing price basis) for one, three and six months leading up to the day before the reference date.

In calculating the merger ratio Loyal Strategy uses information provided by both companies, information derived from interviews, and public information readily available. It is assumed that those documents and other information used are complete and accurate and validation of the completeness and accuracy of this information has not been performed. Furthermore appraisal and assessment of the assets and liabilities (Including off balance sheet and contingent liabilities) have not been performed by any third party. In addition, all financial forecasts are assumed to have been created from the most rational and best forecasts of the company management at the current time. Moreover Loyal Strategy has not expressed its opinion on the fairness of the results of the calculations for the merger ratio which have been presented.

Loyal Strategy fundamentally bases its DCF valuation method calculations upon AXEL MARK's and FROUTE's earnings estimates in a fiscal year when earnings are expected to rise by a large margin. This outlook is premised on the outlook for both sales and profits of AXEL MARK and FROUTE to grow on the back of fortification of both contents development and marketing capabilities, and on growth in the market for social applications and other applications for smart phones.

(2) Calculation Process

As stated above, Loyal Strategy performed the calculation for the merger ratio using appropriate third party calculation results as reference, AXEL MARK and FROUTE's financial conditions, asset conditions, future outlook, and careful discussions with FROUTE to formulate a rational decision with regards to the merger ratio. Consequently they arrived at the valid merger ratio stated above in section 2. (3), which was agreed upon on June 16, 2011.

(3) Relationship to Calculating Party

Loyal Strategy, the party responsible for calculating the merger ratio, was not a concerned party of either AXEL MARK or FROUTE and therefore did not have any vested interests in the merger.

(4) Regarding the Listing

AXEL MARK will become the surviving company and it will maintain its listing on the Mothers Market of the Tokyo Stock Exchange.

4. Overview of Companies in the Merger

(AXEL MARK: As of March 31, 2011, FROUTE: As of May 31, 2011)

(1) Name	AXEL MARK INC.	FROUTE Corporation
(2) HQ Address	Nishi-shinjuku 6-24-1, Shinjuku-ku, Tokyo	Honmachi 1-32-2, Nakano-ku, Tokyo
(3) Representative	Yasuhiro Kobayashi, Representative Director, President	Junji Oshita, Representative Director, President
(4) Business Description	Cellular telephone, smart phone contents distribution	Search portal site, contents, media syndication, social application businesses
(5) Capital	¥563.9 million	¥210 million
(6) Established Date	March 2, 1994	July 1, 2003
(7) Shares Issued	28,877 shares	2,900,000 shares
(8) Fiscal Year End	September 30	May 31
(9) Employees	Non-consolidated: 34 ※ Does not include dispatched, contracted, part time workers	Non-consolidated: 56 ※ Does not include dispatched, contracted, part time workers
(10) Main Customers	• NTT DOCOMO, INC. • KDDI Corporation • SOFTBANK MOBILE Corp.	• NTT DOCOMO, INC. • KDDI Corporation • SOFTBANK MOBILE Corp.
(11) Main Banks	• Mizuho Bank, Ltd. • SUMITOMO MITSUI BANKING COPRATION • The Bank of Tokyo-Mitsubishi UFJ, Ltd.	• Mizuho Bank, Ltd. • SUMITOMO MITSUI BANKING COPRATION • Resona Bank, Limited
(12) Major Shareholders	• SEPTENI HOLDINGS CO., LTD.: 54.50% • Yasuhiro Kobayashi: 10.11%	• Incubate Fund Number 1, Limited Partnership for Investment: 30.39% • ICP Inc.: 17.24% • Junji Oshita: 12.72%

(13) Relationship Between the Two Companies	
Capital	None
Personnel	None
Business Transactions	AXEL MARK had a relationship with FROUTE for advertising, but the value amount was marginal.
Vested Interest	None

(14) Earnings and Financial Benchmarks in the Most Recent Three Years						
Fiscal Year	AXEL MARK			FROUTE		
	FY9/08	FY9/09	FY9/10	FY5/08	FY5/09	FY5/10
Net Assets	1,372	888	820	211	312	374
Total Assets	2,067	1,534	1,411	415	641	757
Net Assets Per Share (Yen)	47,533.51	30,659.03	28,746.87	72.78	107.61	129.19
Sales	3,586	2,759	1,342	843	1,422	1,436
Operating Income	101	-46	36	-60	107	41
Ordinary Income	75	-53	28	-59	107	43
Net Income	33	-457	-56	-62	101	62
EPS (Yen)	1,291.44	-15,872.26	-2,005.79	-21.59	34.83	21.58
Dividend per Share (Yen)	1,000	—	—	—	—	—

Note 1: Units are million yen unless otherwise stated.

Note 2: FROUTE earnings in FY5/11 are expected to be as follows: Sales and operating income of ¥1,748 and ¥145 million respectively.

Note 3: All earnings and financial benchmarks for both AXEL MARK and FROUTE are for non-consolidated accounts.

5. Post Merger Information

(1) Name	AXEL MARK INC.
(2) HQ Address	Nishi-shinjuku 6-24-1, Shinjuku-ku, Tokyo
(3) Representative	Yasuhiro Kobayashi, Representative Director, Chairman Junji Oshita, Representative Director, President
(4) Business Description	Cellular telephone and smart phone contents distribution, search portal site, media syndication, social application businesses

(5)	Capital	Undetermined (To be announced)
(6)	Fiscal Year End	September 30
(7)	Net Assets	Undetermined (To be announced)
(8)	Total Assets	Undetermined (To be announced)

Mamoru Nanamura who is currently AXEL MARK Chairman (External Director) is expected to resign from his position effective October 1, 2011, but is expected remain as a Director (External Director).

6. Accounting Process Overview

This merger falls under the jurisdiction of the accounting standards for corporate combination through acquisition, and is assumed to use the purchase method procedures. Furthermore, goodwill is expected to result from this merger. The value of the goodwill and the number of years over which it will be amortized will be announced as soon as they are determined.

7. Future Outlook

The impact of this merger upon the surviving company during fiscal year September 2011 is expected to be negligible. Furthermore the impact of the merger (Effective on October 1, 2011) upon earnings from fiscal year September 2012 forward will be announced as soon as it is determined.

8. Others

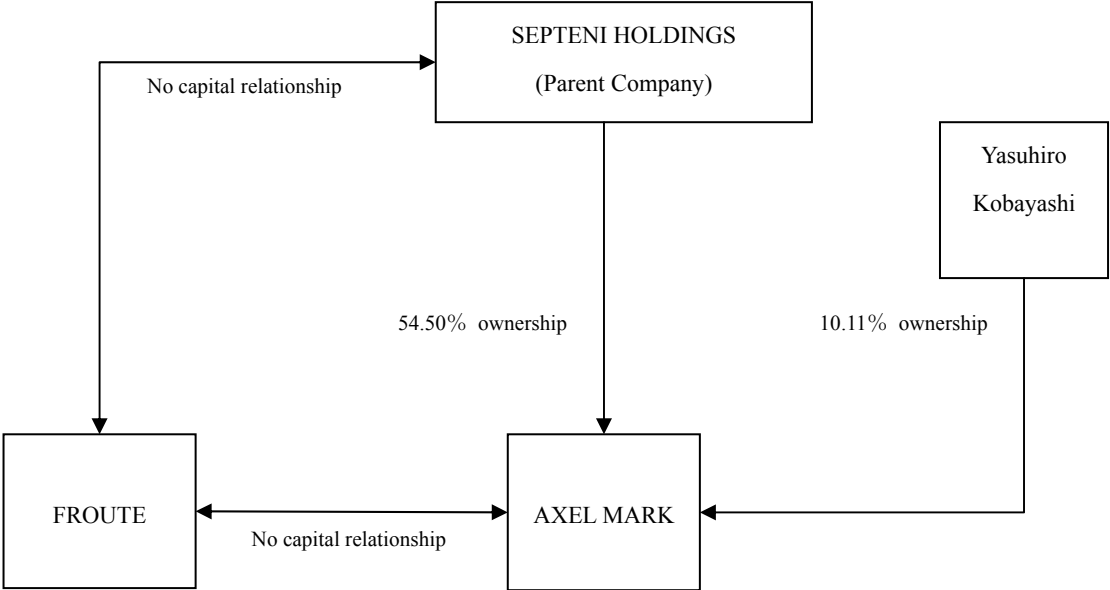
This merger is based on the assumption that it will be accepted of both companies in their shareholder meetings and is in compliance with laws and other regulations.

(Reference) AXEL MARK Earnings and Estimates

	Sales	Operating Income	Ordinary Income	Net Income
FY9/11 Estimates	¥1,200	¥20	¥13	¥7
FY9/10	¥1,342	¥36	¥28	-¥56

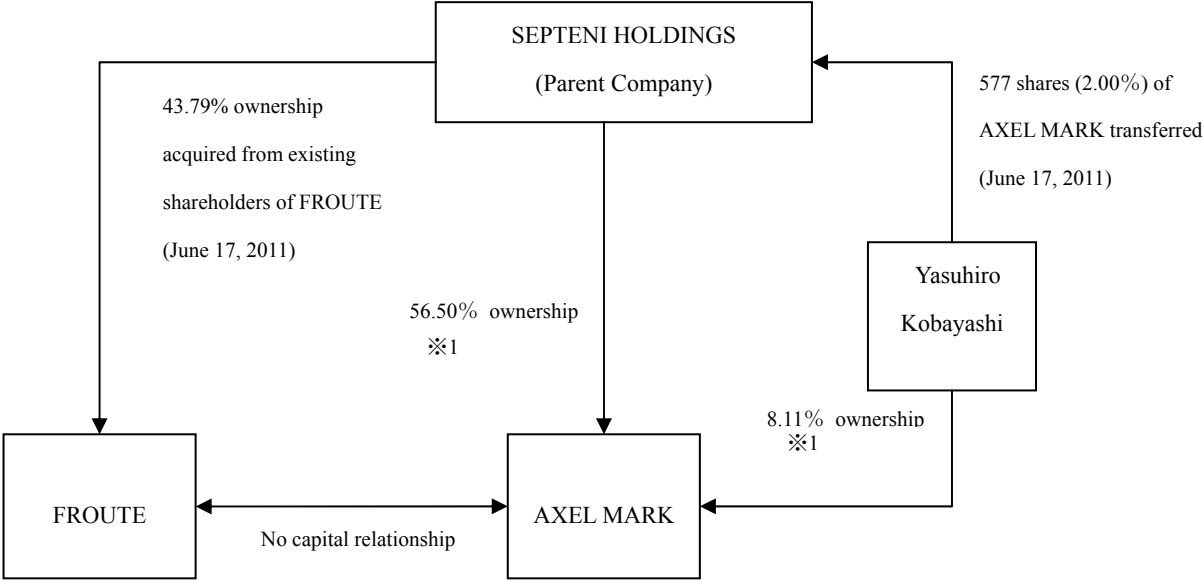
(Units: Million Yen)

<Diagram> 1. Capital Relationship as of June 16, 2011



※Percentage figures reflect ratio of total shares issued of AXEL MARK owned

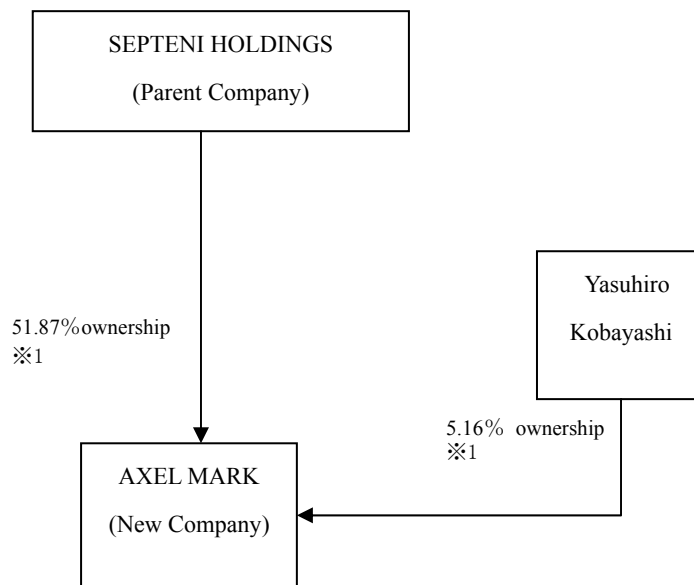
<Diagram> 2. Capital Relationship as of Share Transfer on June 17, 2011 (Anticipated)



※1 Percentage figures reflect ratio of total shares issued of AXEL MARK owned

※2 Percentage figures reflect ratio of total shares issued of FROUTE owned

<Diagram> 3. Capital Relationship as of Effective Merger Date on October 1, 2011 (Anticipated)



※1 Percentage figures reflect ratio of total shares issued of AXEL MARK owned

※2 FROUTE is eliminated as a result of the merger.

■ For information regarding this release, please contact:
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