



Business Results for 4Q and Full Fiscal Year September 2012

November 5, 2012

SEPTENI HOLDINGS CO., LTD.
<http://www.septeni-holdings.co.jp/en/>
Securities Code: 4293



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※ Unless stated otherwise, all figures in this document are based on units of million yen.



1 Quarterly Earnings Overview

4Q (Jul-Sep) Consolidated Earnings Highlights

- ||| **Sales: ¥10,478mn (Up 20.3% year-over-year)**
Operating Income: ¥351mn (Up 21.8% year-over-year)
New record highs for the 4th quarter
- ||| **Internet Marketing Business sales and operating income grew by 13.1% and 29.0% year-over-year, acting as a driver of overall consolidated earnings**
- ||| **While social games continued to expand, anticipatory investments were left uncovered and the Media Contents Business saw an operating loss**

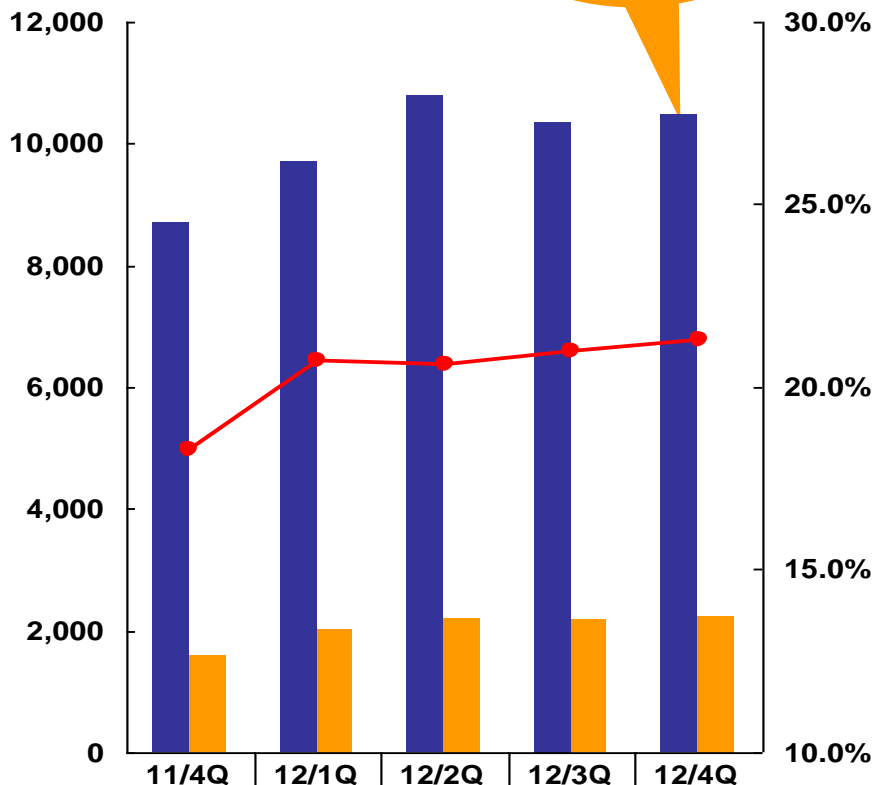
Consolidated Income Statement (Jul-Sep)

	4Q FY9/12				4Q FY9/11		3Q FY9/12	
	Value	Share	YY Change	QQ Change	Value	Share	Value	Share
Net Sales	10,478	100.0%	+20.3%	+1.1%	8,709	100.0%	10,365	100.0%
Gross Income	2,228	21.3%	+39.9%	+2.4%	1,593	18.3%	2,176	21.0%
SG&A	1,877	17.9%	+43.9%	+0.6%	1,304	15.0%	1,865	18.0%
Operating Income	351	3.4%	+21.8%	+13.3%	288	3.3%	310	3.0%
Ordinary Income	382	3.7%	+19.6%	+17.9%	319	3.7%	324	3.1%
Net Income	233	2.2%	+204.2%	+35.0%	76	0.9%	173	1.7%

- ▮ Increase in Internet Marketing Business profitability contributed to improvement in **gross margins**
- ▮ While SG&A expenses rose by ¥572mn year-over-year due to anticipatory investments in human resources and advertising for social games, absorption of these costs by higher sales and improved gross margins allowed operating income to rise
- ▮ Anticipatory investments in new businesses led to a loss of ¥74mn

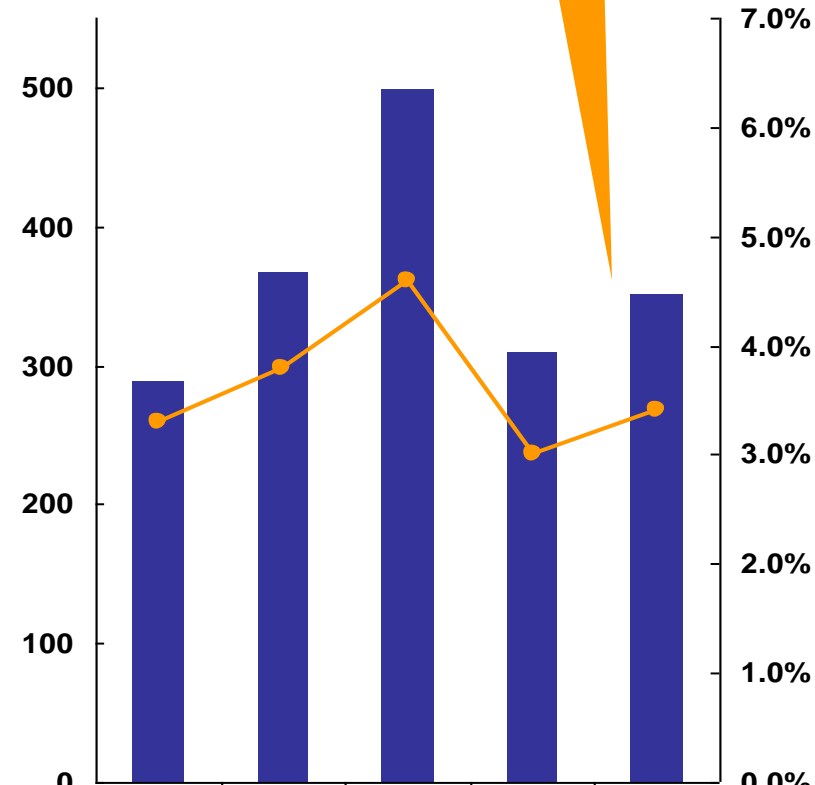
Quarterly Consolidated Earnings Trend

Sales, Gross Income



■ Sales
■ Gross Income
—●— Gross Margin

Operating Income



■ Operating Income
—●— Operating Margin

Changes in Business Segments

Our Business Are Divided into the Three Segments of **Internet Marketing**, **Media Contents**, and **Other Business** from the Current Term

||| FY9/11

Internet Advertising Business
Internet Advertising Agency
Ad Network
Mobile Media Rep

Technology Business
Cloud CRM Type 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

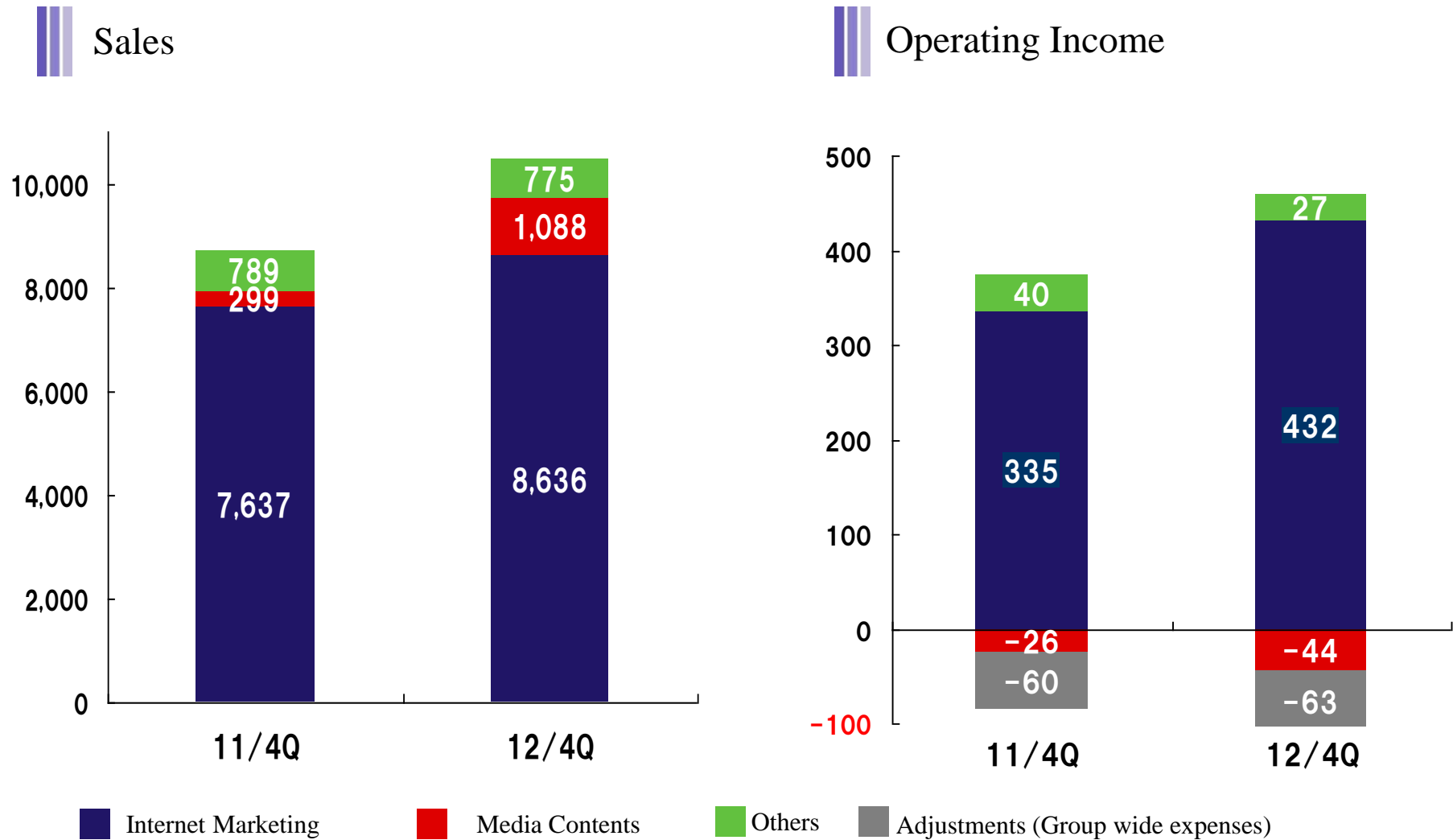
Internet Marketing Business

Media Contents Business

Others

※ Reported segments will include the two segments of Internet Marketing Business and Media Contents Business

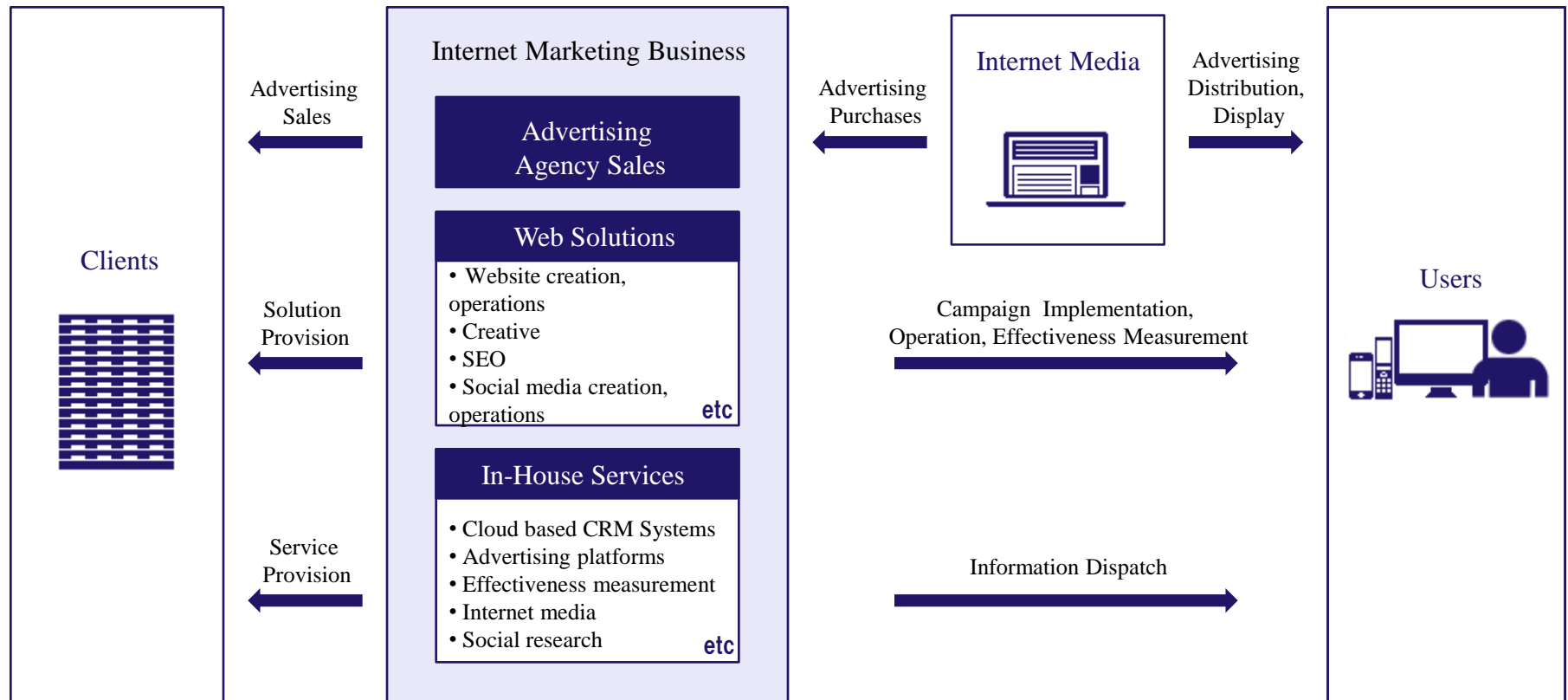
Earnings By Business Segments (Jul-Sep)



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

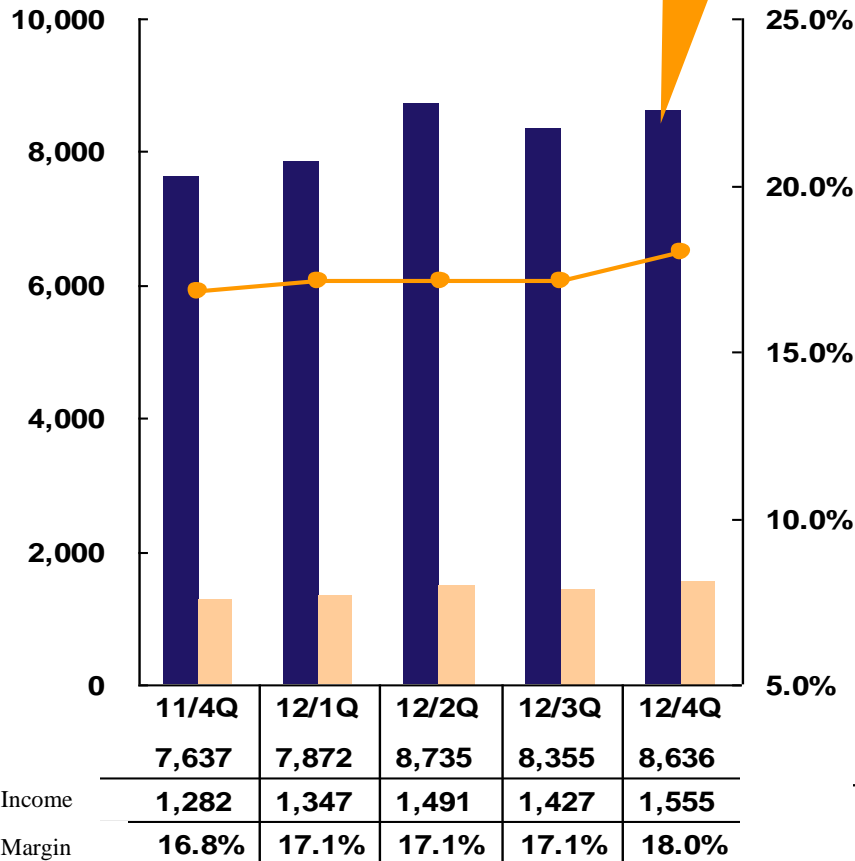
Internet Marketing Business Overview

Comprehensive **Marketing Support Services** for corporations leveraging the Internet. Internet advertising sales and provision of various web solutions, SEPTENI will provide **In-house Services** such as marketing platforms including ad network, and cloud based CRM services.

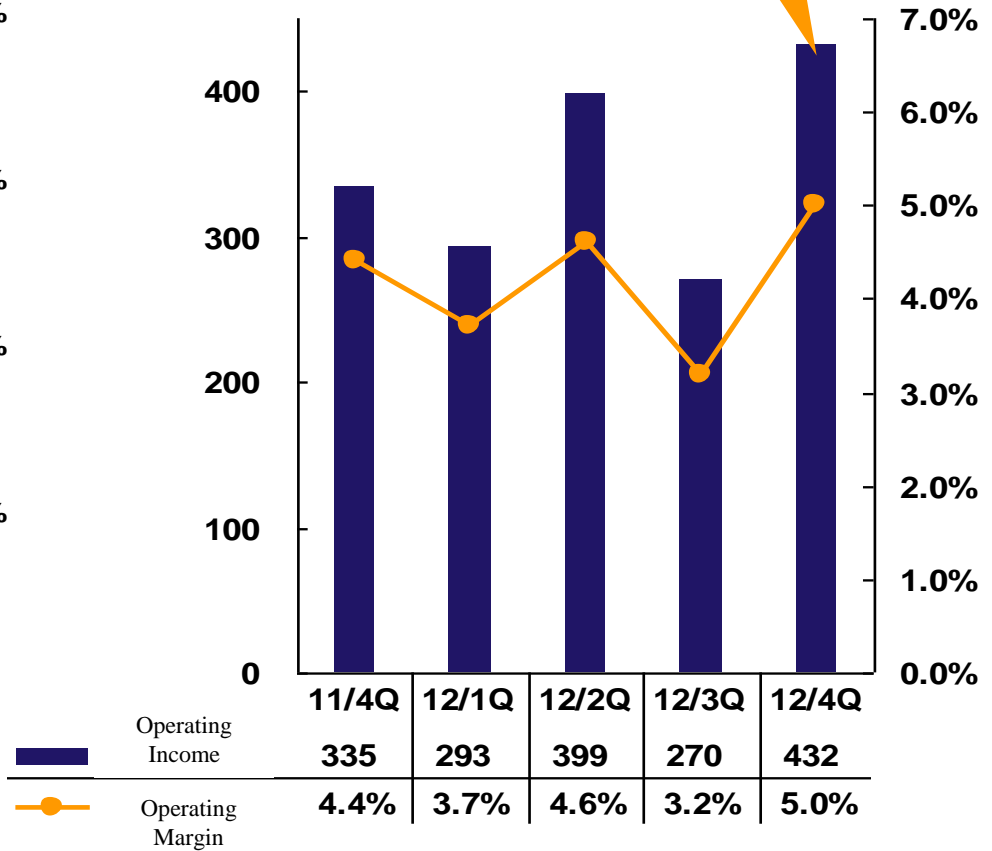


Internet Marketing Business Quarterly Earnings Trend

Sales, Gross Income



Operating Income



※ 4Q FY9/11 earnings data adjusted to reflect new business segment definitions

Internet Marketing Business Overview

4Q FY9/12 Earnings

	Value	YY Change	QQ Change
Sales	8,636	+13.1%	+3.4%
Gross Income	1,555	+21.3%	+9.0%
Gross Margin	18.0%	+1.2pt	+0.9pt
SG&A	1,122	+18.5%	-2.9%
Operating Income	432	+29.0%	+59.6%
Operating Margin	5.0%	+0.6pt	+1.8pt

Comments

- Sales continue to grow by double digits, gross margins rose on back of increase in high profitability orders
- Growth in gross income absorbed higher SG&A expenses and allowed operating income to grow by a large amount and operating margins to rise to **5.0%**
- The focused fields of **Facebook** related services and **Smartphone Advertising** continue to grow

Media Contents Business Overview

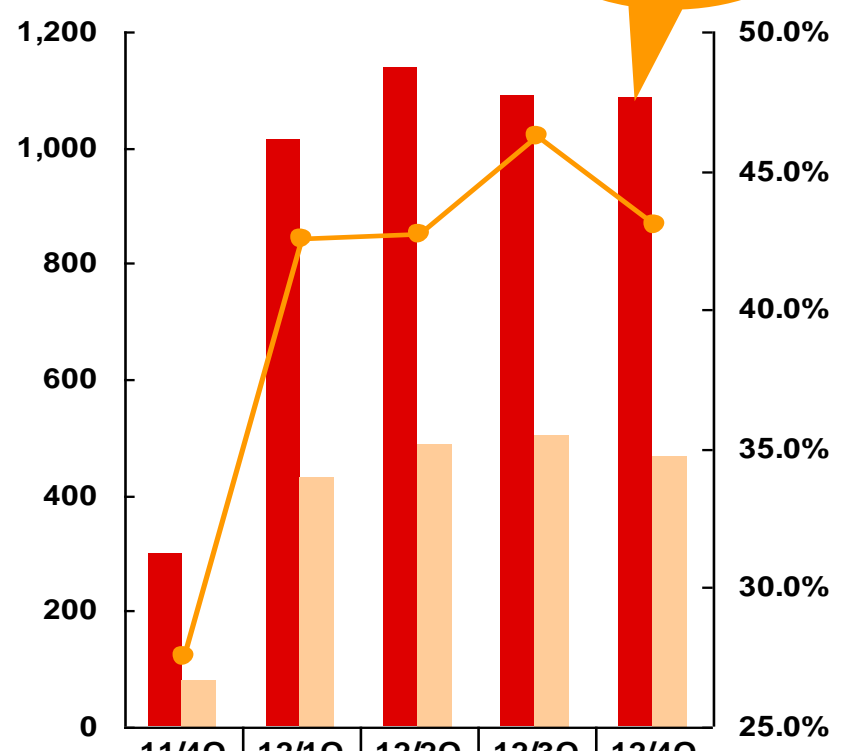
Various digital contents planning and development including social games for smartphones and traditional cellular telephones provided to users across various platforms including SNS and cellular telephone service carriers. Also conduct other mobile media operations.



Media Contents Business Quarterly Earnings Trend

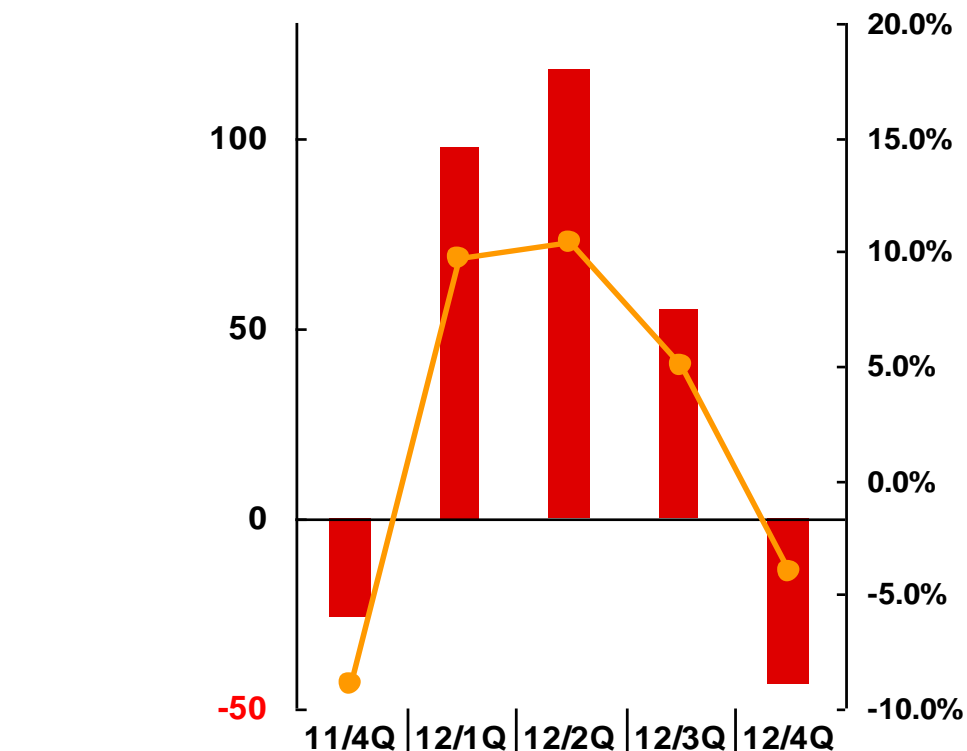
Sales, Gross Income

Up about 3.6 times yy



	Sales	299	1,015	1,138	1,092	1,088
	Gross Income	82	432	486	504	468
	Gross Margin	27.5%	42.5%	42.7%	46.2%	43.0%

Operating Income



	Operating Income	-26	98	118	55	-44
	Operating Margin	-8.9%	9.7%	10.4%	5.0%	-4.0%

※ 4Q FY9/11 earnings data adjusted to reflect new business segment definitions

Media Contents Business Overview

4Q FY9/12 Earnings

	Value	YY Change	QQ Change
Sales	1,088	+264.0%	-0.3%
Gross Income	468	+470.3%	-7.1%
Gross Margin	43.0%	+15.5pt	-3.2pt
SG&A	512	+371.4%	+14.0%
Operating Income	-44	(-17)	(-99)
Operating Margin	-4.0%	+4.9pt	-9.0pt

Comments

- Sales of social games expanded to ¥639mn and 59% of total sales
- Sales of two new games released in July fell below expectations
- Overall sales of this business fell short of plans, inability to cover increased costs from anticipatory investments associated with the fortification of the game development structure contributed to an operating loss



2 ||| FY9/12 Review

Full Year FY9/12 Consolidated Earnings Highlights

- Sales: ¥41,358mn (Up 19.4% year-over-year)
Operating Income: ¥1,527mn (Up 64.5% year-over-year)
Both reached record highs and margins rose
- Internet Marketing Business sales and operating income rose by large margins of 12.1% and 36.8% year-over-year respectively, improving profitability and contributing to profit growth
- Media Contents Business expanded mainly on the back of social games, sales grew by 3.4 times and operating income improved by ¥257mn year-over-year, creating a foundation to act as a new earnings driver

Consolidated Income Statement (Full Year)

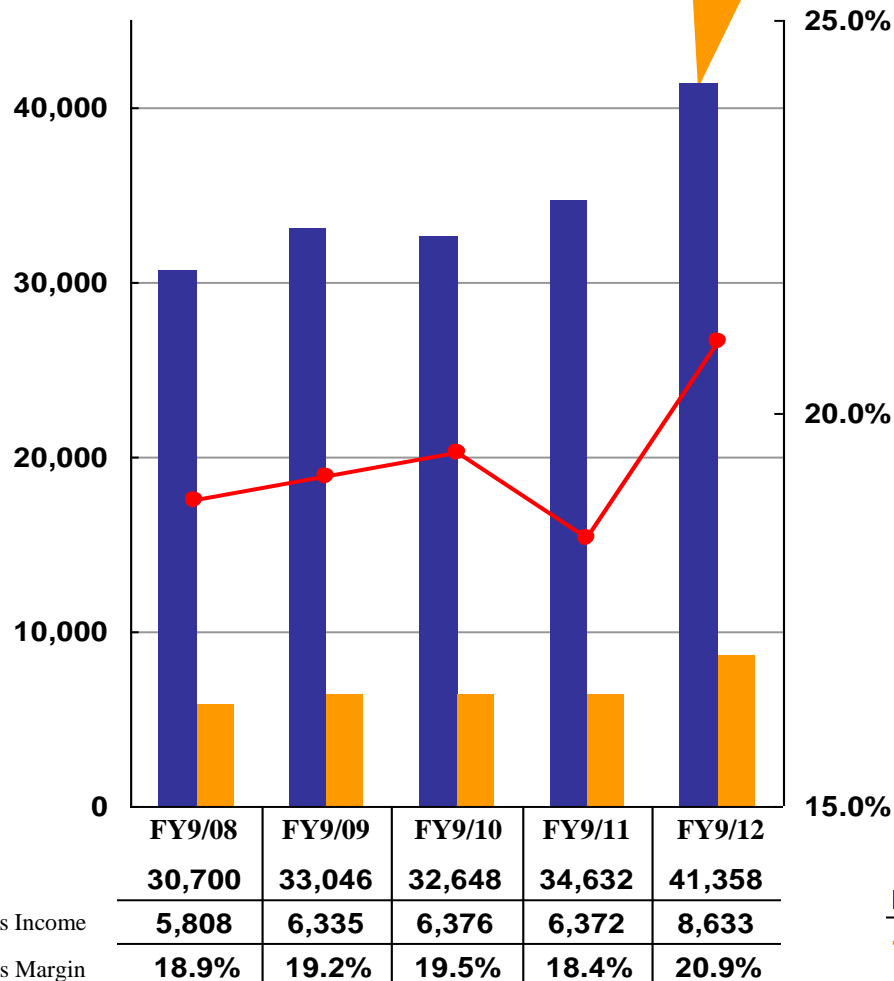
	FY9/12			FY9/11	
	Value	Share	YY Change	Value	Share
Sales	41,358	100.0%	+19.4%	34,632	100.0%
Gross Income	8,633	20.9%	+35.5%	6,372	18.4%
SG&A	7,105	17.2%	+30.5%	5,443	15.7%
Operating Income	1,527	3.7%	+64.5%	928	2.7%
Ordinary Income	1,638	4.0%	+67.2%	980	2.8%
Net Income	677	1.6%	+57.8%	429	1.2%

- ||| Sales and every level of income reached **record highs**
- ||| Expansion of the Media Contents Business and improvement in profitability of the Internet Marketing Business contributed to a 2.5% and 1.0% point increases in gross and operating margins
- ||| Increases in income from equity accounting method investments contributed to a ¥59mn improvement in non-operating income

Full Year Consolidated Earnings Trend

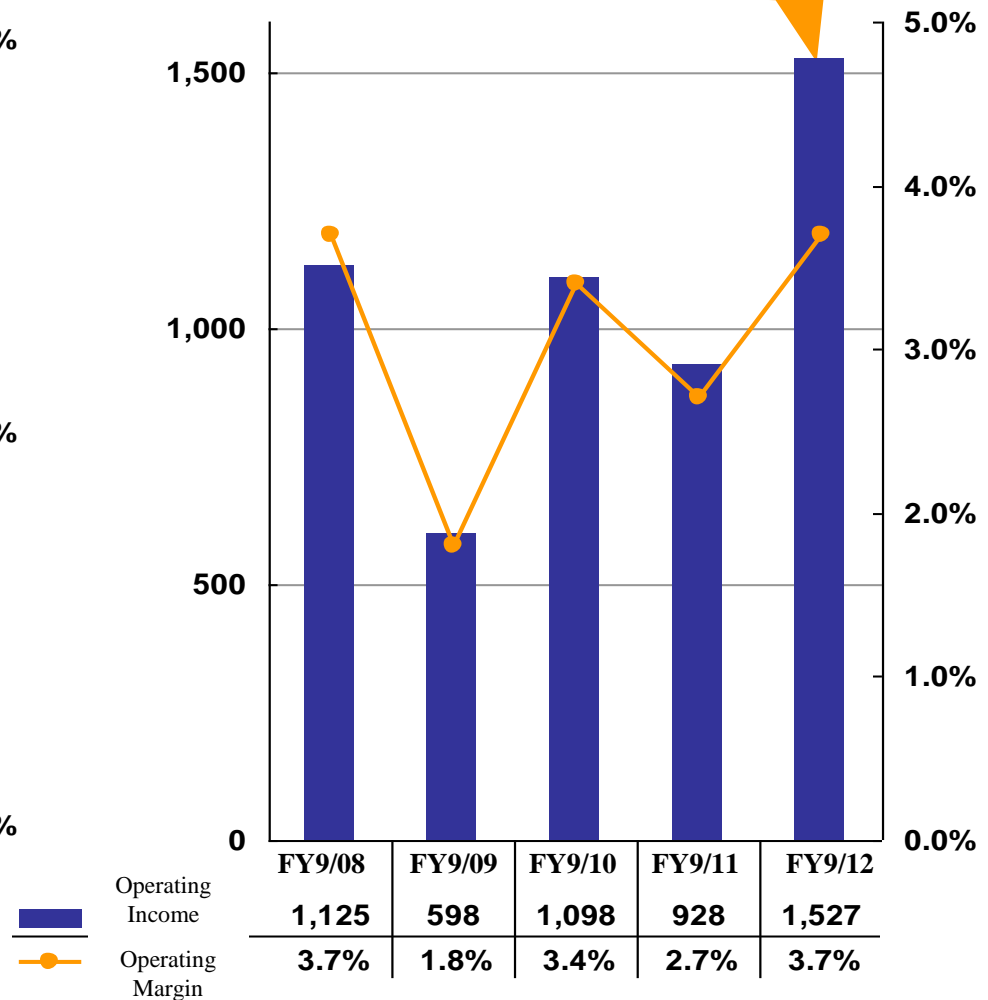
Sales, Gross Income

Record High

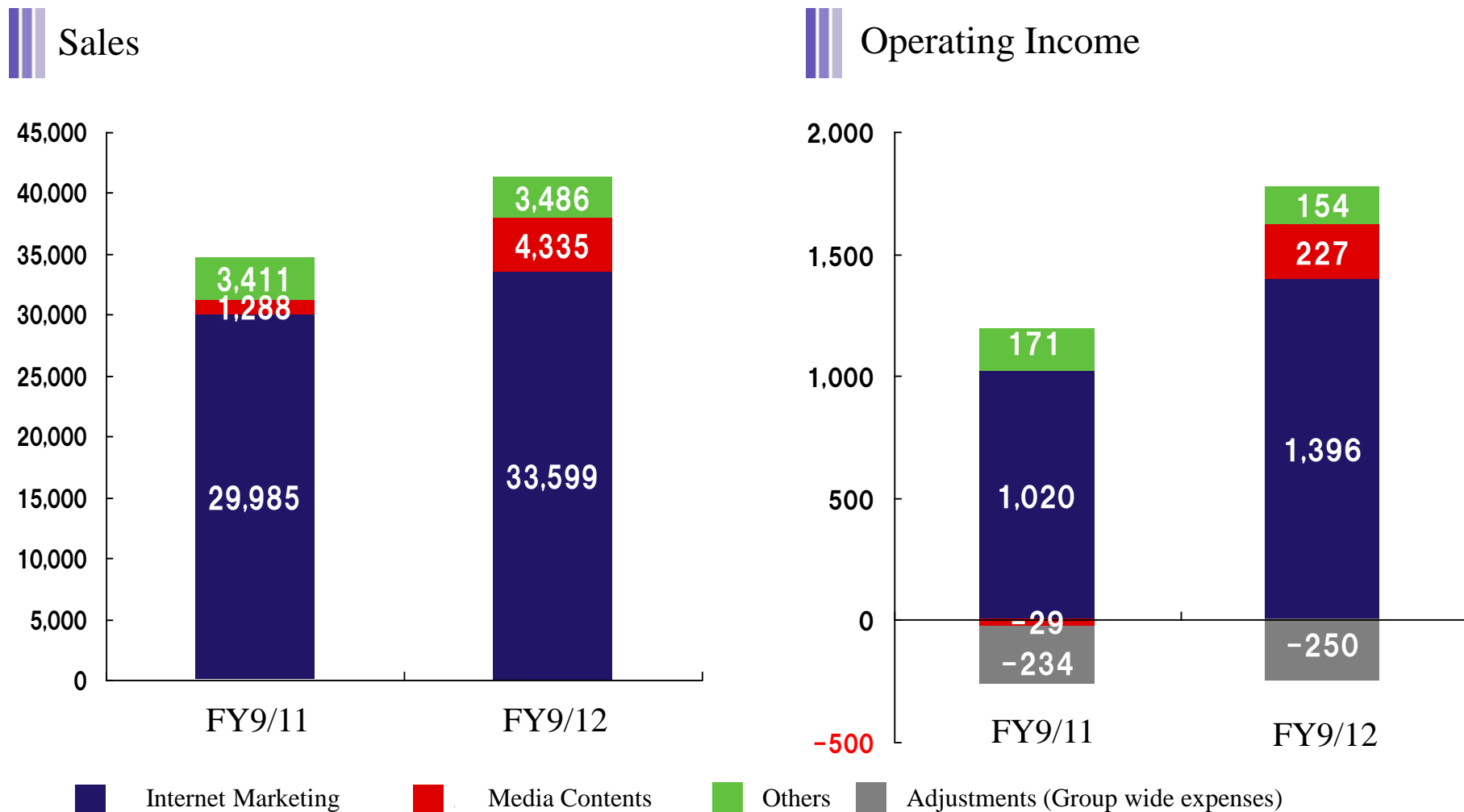


Operating Income

Record High



Earnings By Business Segments (Full Year)



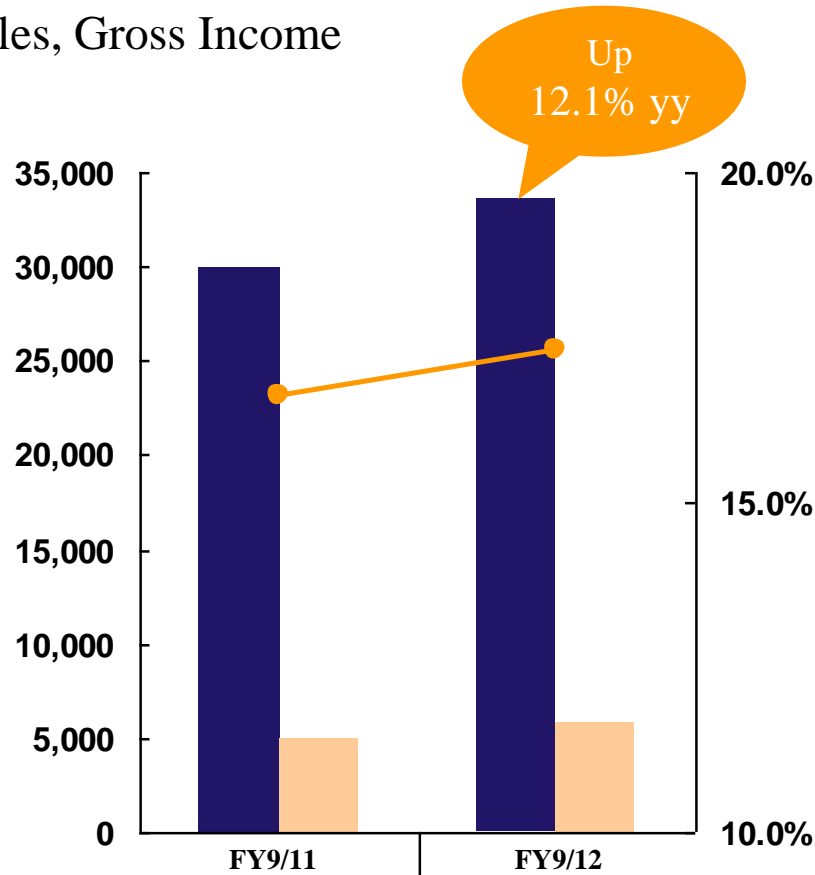
※ FY9/11 Business segment earnings have been revised to reflect the new business segment definitions

Corporate Slogan: *Play to Win !*

- ◆ Grow sales, profits
- ◆ Win in the realm of smartphones, make money in the realm of social media
- ◆ Cultivate new businesses to become cornerstones
- ◆ Expand business overseas

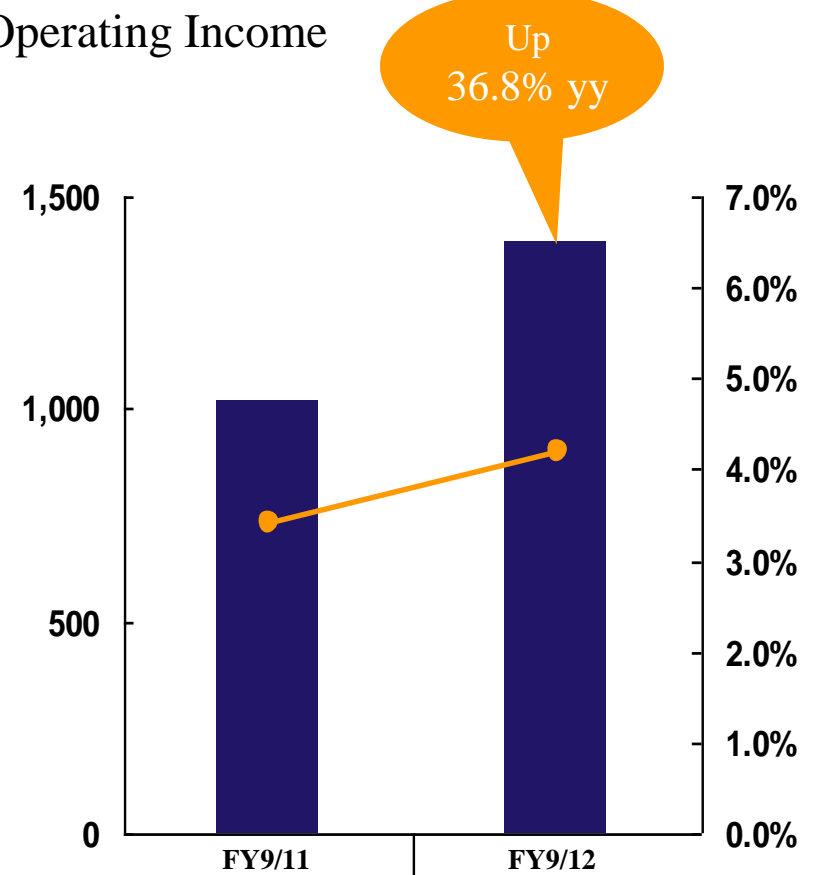
Internet Marketing Business Full Year Earnings Trend

Sales, Gross Income



Sales
 Gross Income
 Gross Margin

Operating Income



Operating Income
 Operating Margin

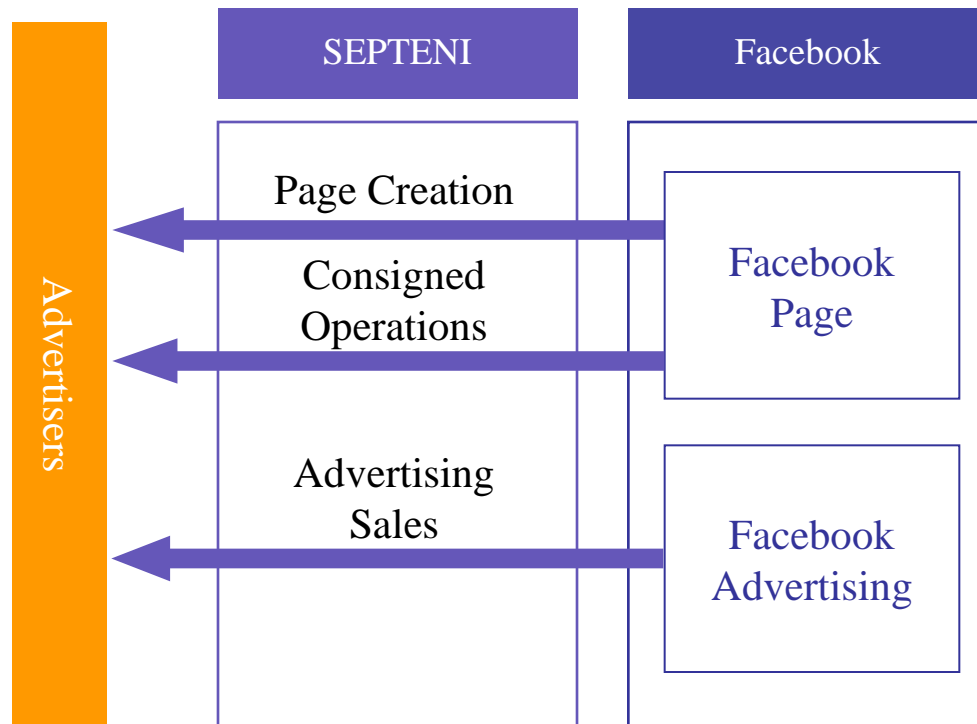
※ FY9/11 earnings data adjusted to reflect new business segment definitions

Internet Marketing Business Fully Year Review

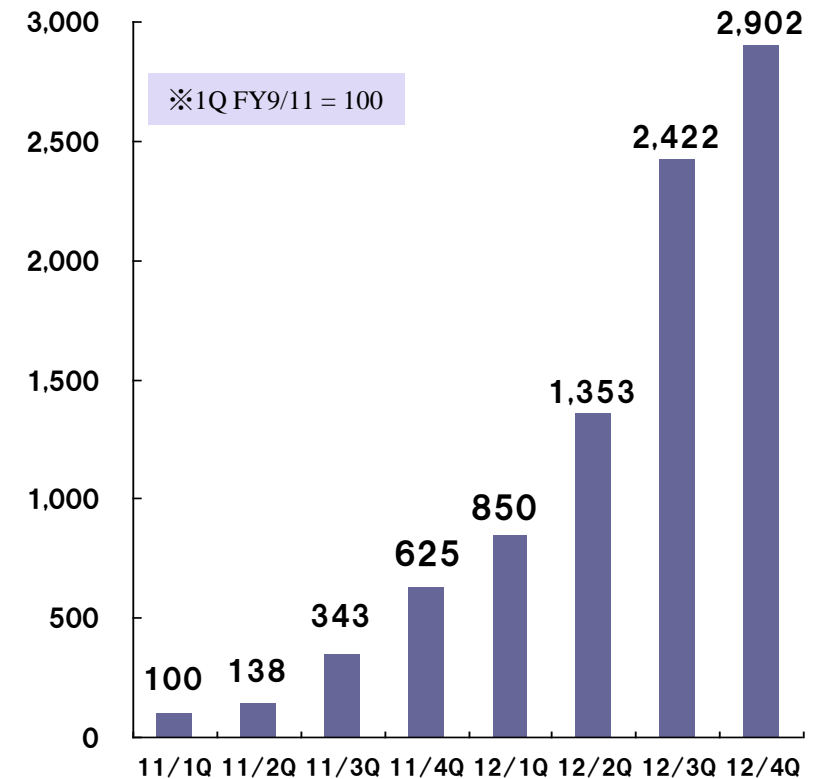
Sales	+ 12.1%	Operating Income	+ 36.8%
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- Sales and income grew by double digits and profit margin increased on firm demand for advertising
- Advertising for smartphones continue to grow strongly with sales rising by about **5 times** year-over-year, exceeding feature phones
- Facebook related services demand expands with sales growing by **6 times** year-over-year, customer pricing also up
- In addition to domestic facilities, overseas facilities will be opened beginning with establishment of companies in Singapore, North America (San Francisco)

Facebook Related Services

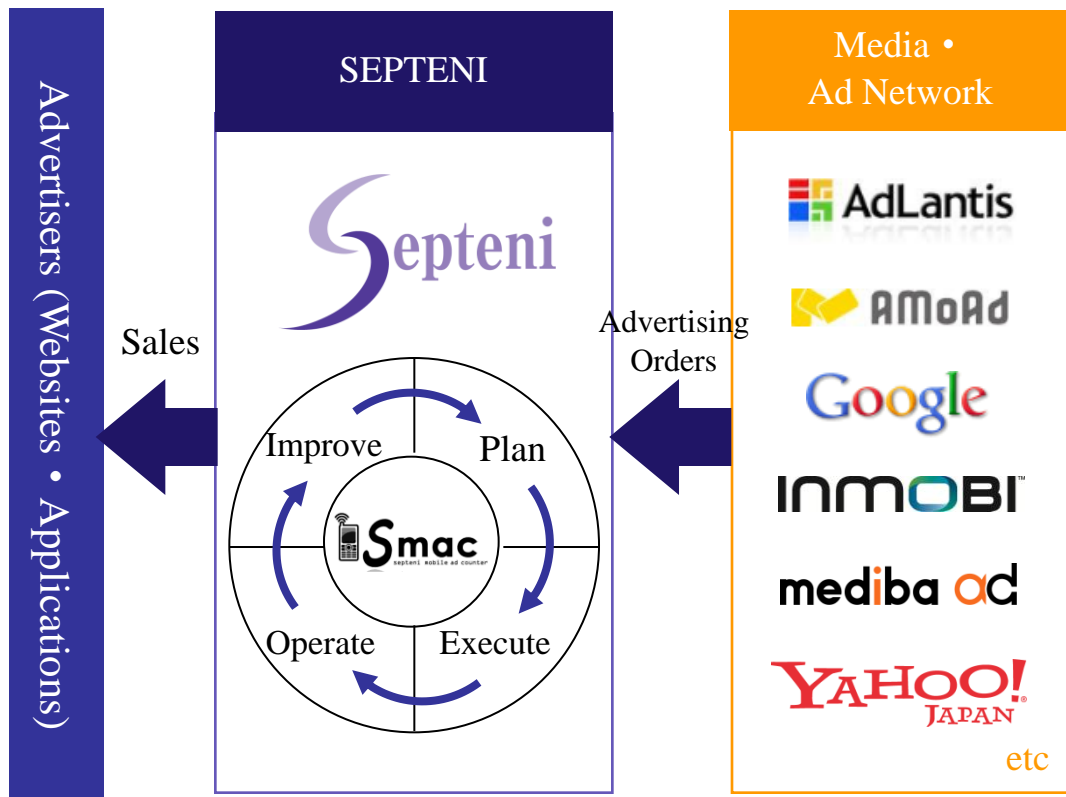


Facebook Related Sales Trend

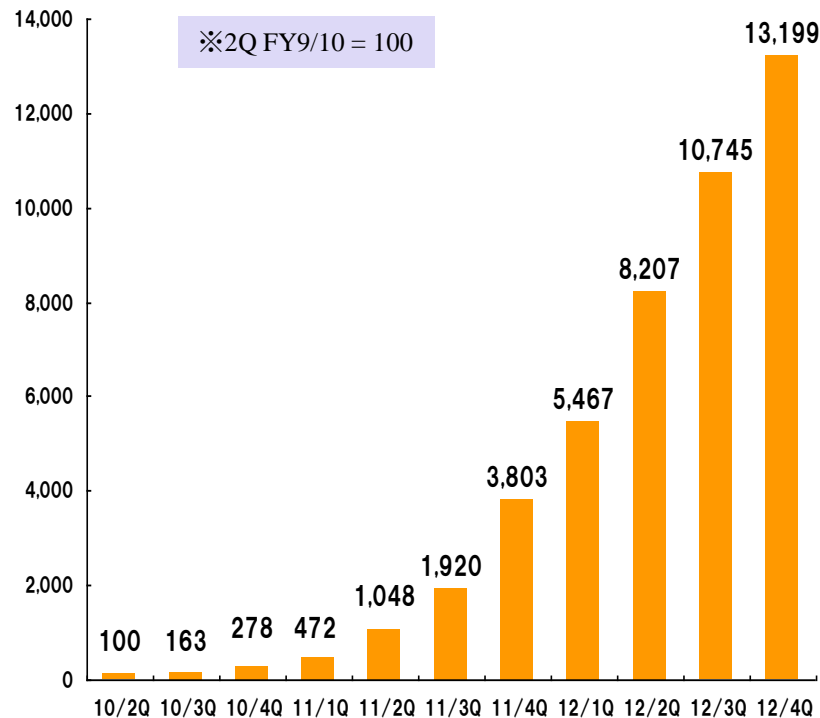


- ||| Became first ad agency certified as an "Official API Partner" by Facebook in Japan
- Developed advertising operation management tool "PYXIS" with provision started in September 2012

Smartphone Advertising



Smartphone Advertising Sales Trend

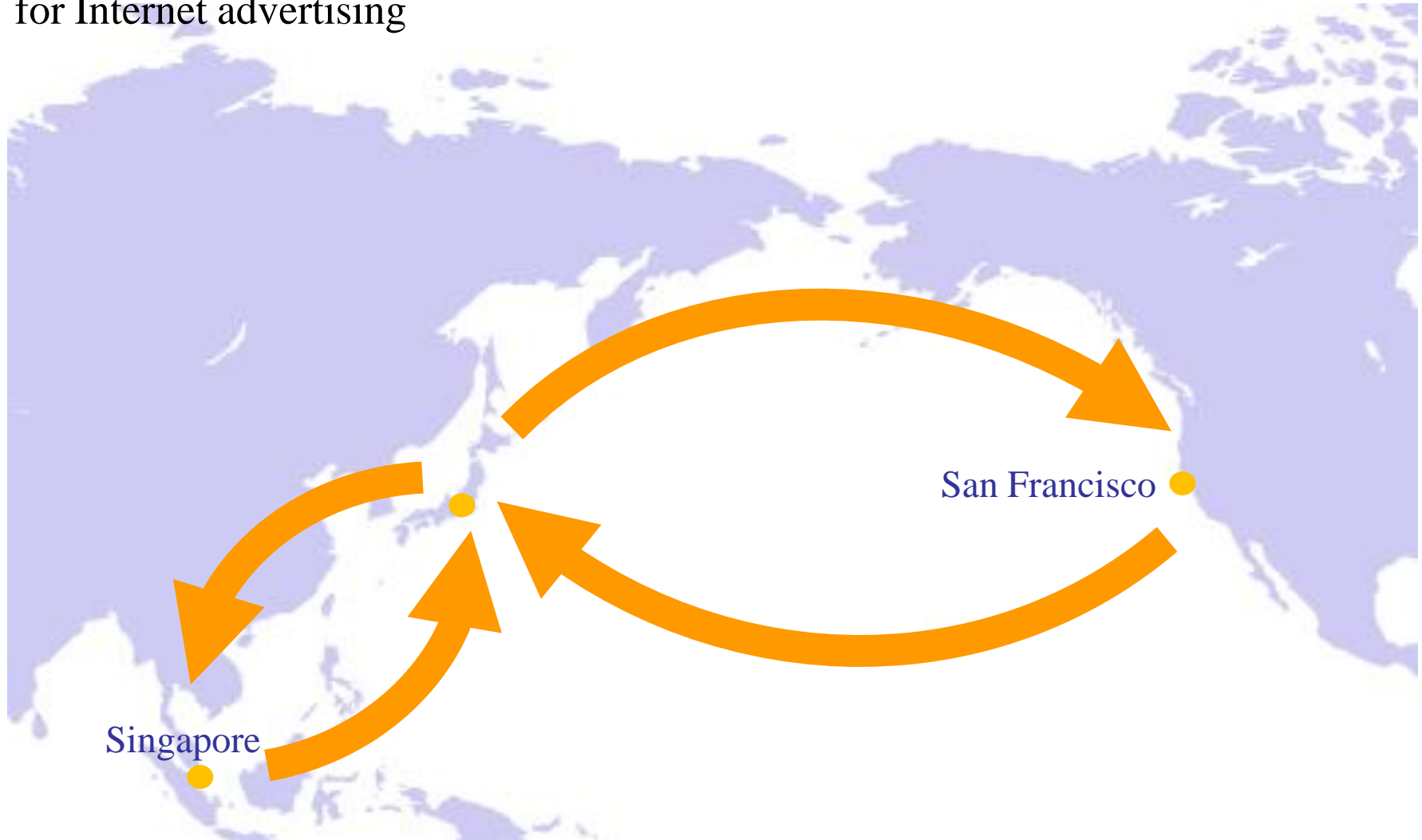


※ From 2Q FY9/12 the definition of advertisements was expanded to include listings

From October 2012, smartphone application reward advertising system “AdThrottle” began being provided

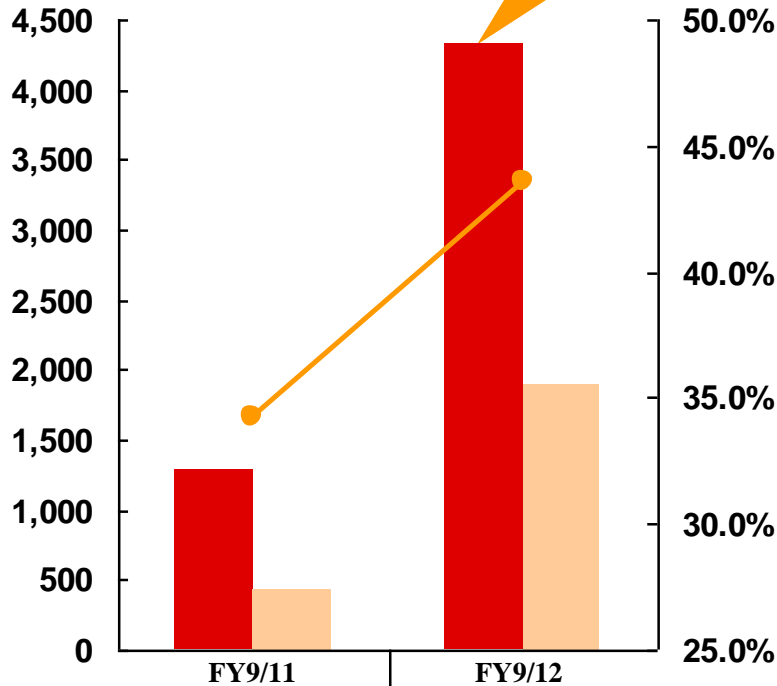
Global Expansion




- III Companies established in Asia and North America to develop cross border market for Internet advertising



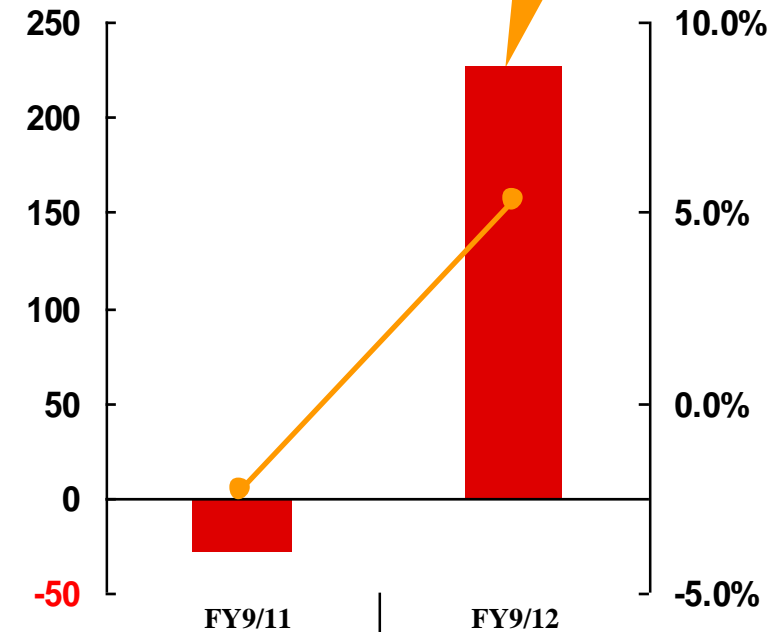
Media Contents Business Full Year Earnings Trend



Sales, Gross Income



	Sales	1,288	4,335
	Gross Income	441	1,891
	Gross Margin	34.2%	43.6%

Operating Income



	Operating Income	-29	227
	Operating Margin	-2.3%	5.3%

※ FY9/11 earnings data adjusted to reflect new business segment definitions

Media Contents Business Full Year Review



Sales	About 3.4 times	Operating Income	+¥257mn (Turn profitable)
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- Growth in social games contributed to expansion in earnings, **turn to profits** in the full year
- AXEL MARK and FROUTE **merged**
- Aggressive anticipatory investments including M&A designed to strengthen the competitive strength of social games from the 3Q onwards, led to frontloading of costs (Game division staff: 28 at term start → 102 at term end)
- AXEL MARK signs **strategic agreement with DeNA**, fortify collaboration for overseas deployment of social games
- Launch new services for smartphones as part of new business development

Social Game Results

Sales Trends and Main Titles Provided

Sales of ¥2.1bn achieved in FY9/12, registered users as of the term end of 2.80mn

			12/1Q	12/2Q	12/3Q	12/4Q												
Sales			350	563	593	639												
Providing Companies	Platforms	Titles	2011			2012												
			10	11	12	1	2	3	4	5	6	7	8	9				
 AXEL MARK AXEL MARK INC.	Mobage	Kingdom Chronicle																
		Osama (King) Game																
		Adventure Chronicle																
		Legions of the sky																
		Professional Baseball Chronicle																
 CYTECH Cytech, Inc.	GREE	Legend of Grimoire Maiden Incarnation																
		War Maidens from Ruined Countries																
		Space-time War Maiden Oracle																



3 ||| Midterm Business Plan

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 Media

Platforms

Earnings Targets (FY9/13)

Sales: **¥50.0bn**

Operating Income: **¥3.0bn**

Review of FY9/12: 2nd Year of Midterm Business Plan

Earnings

Operating Income: ¥1.52bn, 3.7% margin

Earnings structure improves on increase in in-house service sales

Main New Businesses

Social games

Social monitor platform “LIKE!”

Web services for smartphones

New Business Successes

Rapid expansion in social games

Annual sales of ¥2.1bn, registered users reach 2.80 million

“LIKE!” turns profitable on full year basis

Registered companies reach 2,200, individual members 70,000



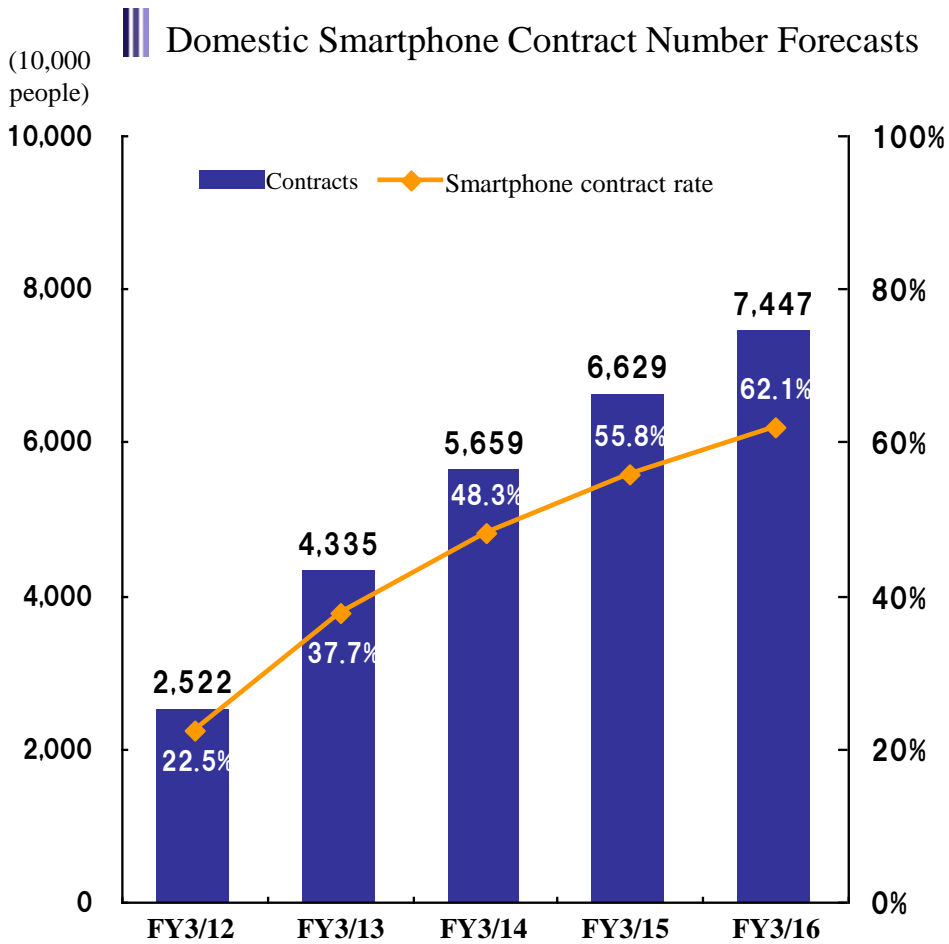
4 ||| FY9/13 Policies



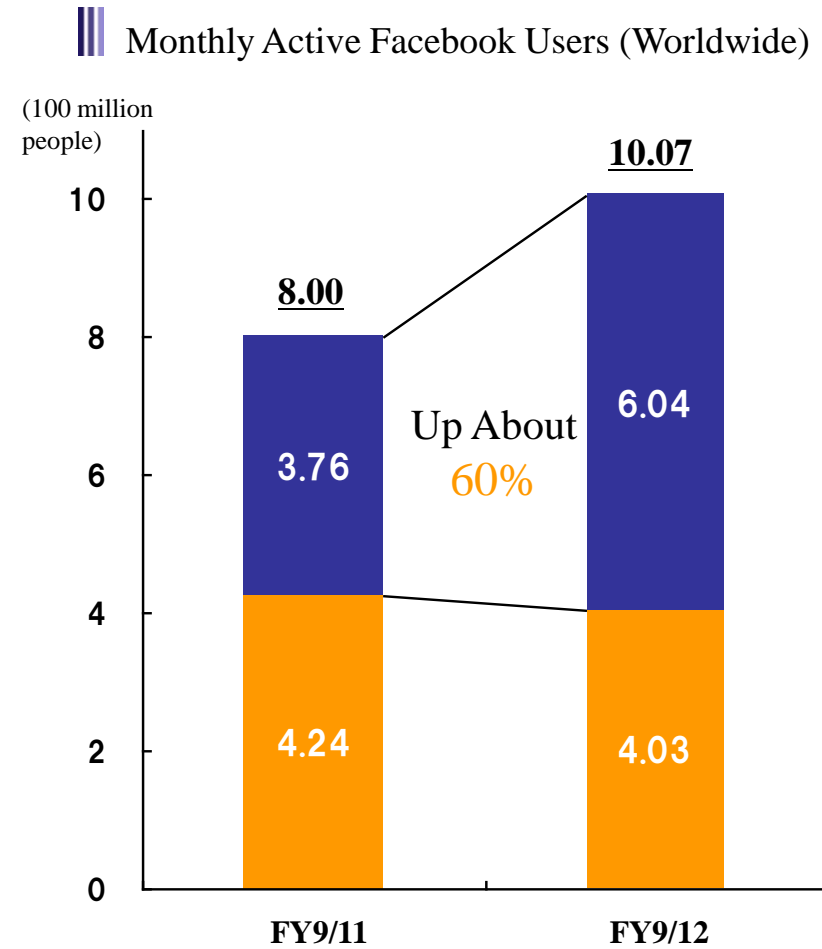
Management Objectives in FY9/13

- ||| Grow sales, profits
- ||| Sustain and grow Internet Marketing Business
- ||| Raise position within the social game market
- ||| Develop new core businesses
- ||| Establish business models in overseas markets

Internet Marketing Business: Macro Environment



(Source: MM Research Institute)



(Source: Created from Facebook earnings announcement document)

※Some duplication of PCs in mobile category

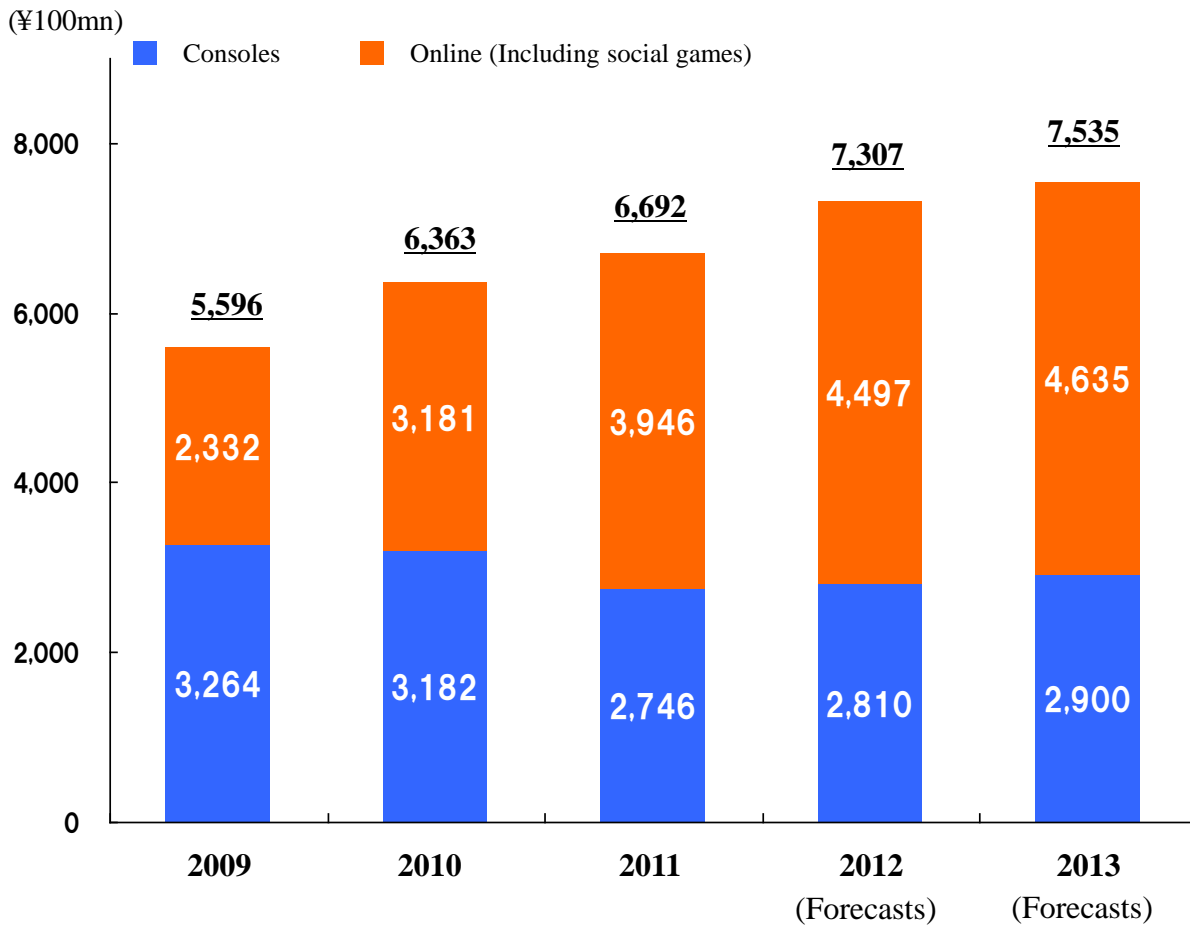
Internet Marketing Business: Growth Strategy

- Focus efforts upon the Facebook related business, lead the social advertising market
- Focus sales upon core media, accelerate growth in smartphone advertising
- Develop cross border market, establish business models through overseas facilities

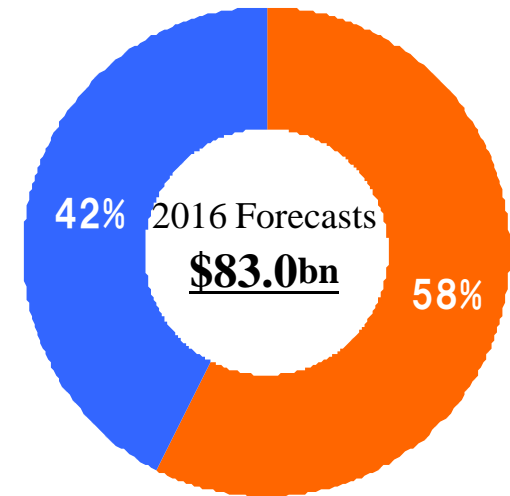
Media Contents Business: Macro Environment

Domestic Game Software Market

Global Game Market



2016 Forecasts



(Created from PwC "Global Entertainment and Media Outlook : 2012-2016")

Created from ENTERBRAIN, INC. "Famitsu Game Hakusho 2012"

Media Contents Business: Growth Strategy

Environment Assessment

- Advance of size and sophistication of games on the back of smartphone diffusion
 - Slowing in domestic market
- Urgent need to **expand business** by making aggressive anticipatory investments for an “offensive strategy” in order to win a place

Strategy

- Evolution of **game systems**: Real time battle, native apps development
- Aggressive development of **large adaptations / collaborative titles**
- Promote **overseas development**

Release Plans

- Expect to release **8 titles** during the first half globally
- Release (AXEL MARK) largely-adapted title “**ARAD SENKI SG**”

- ◆ Anticipated Launch Date: November 2012
- ◆ Platform: Mobage
- ◆ Joint Operator: NEXON Co., Ltd.



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1Q FY9/13 Consolidated Earnings Estimates

Internet Marketing Business Expected to Continue to Trend Favorably

Conditions after the release of new titles in the social game realm for which we are making anticipatory investments could have a large impact upon our earnings

At the current point in time, we have decided to forgo issuing earnings estimates due to difficulty in arriving at rational estimates.

We will quickly disclose estimates as soon as we can make rational estimates based on progress in the coming term

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 November 5, 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.



5 ||| Appendix

Company Overview

As of September 30, 2012

Company Name	SEPTENI HOLDINGS CO., LTD.
Representative	President and Representative Director Koki Sato
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower 28 th Floor, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Stock Code	4293 (JASDAQ)
Business Realm	The holding company for a group of companies conducting primarily Internet related and other businesses
Established	October 29, 1990
Capitalization	¥2,009 million
Shares Issued	134,819 shares (Including 8,923 treasury shares)
Consolidated Workforce	734 Full time employees, 823 Full time and contracted employees

Main Group Companies by Business Segment

Holding Company

SEPTENI HOLDINGS CO., LTD.

November 5, 2012

Internet Marketing Business

SEPTENI CO., LTD.	Internet 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
Septeni America, Inc.	Internet Marketing in North America
SETPENI CROSSGATE 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.

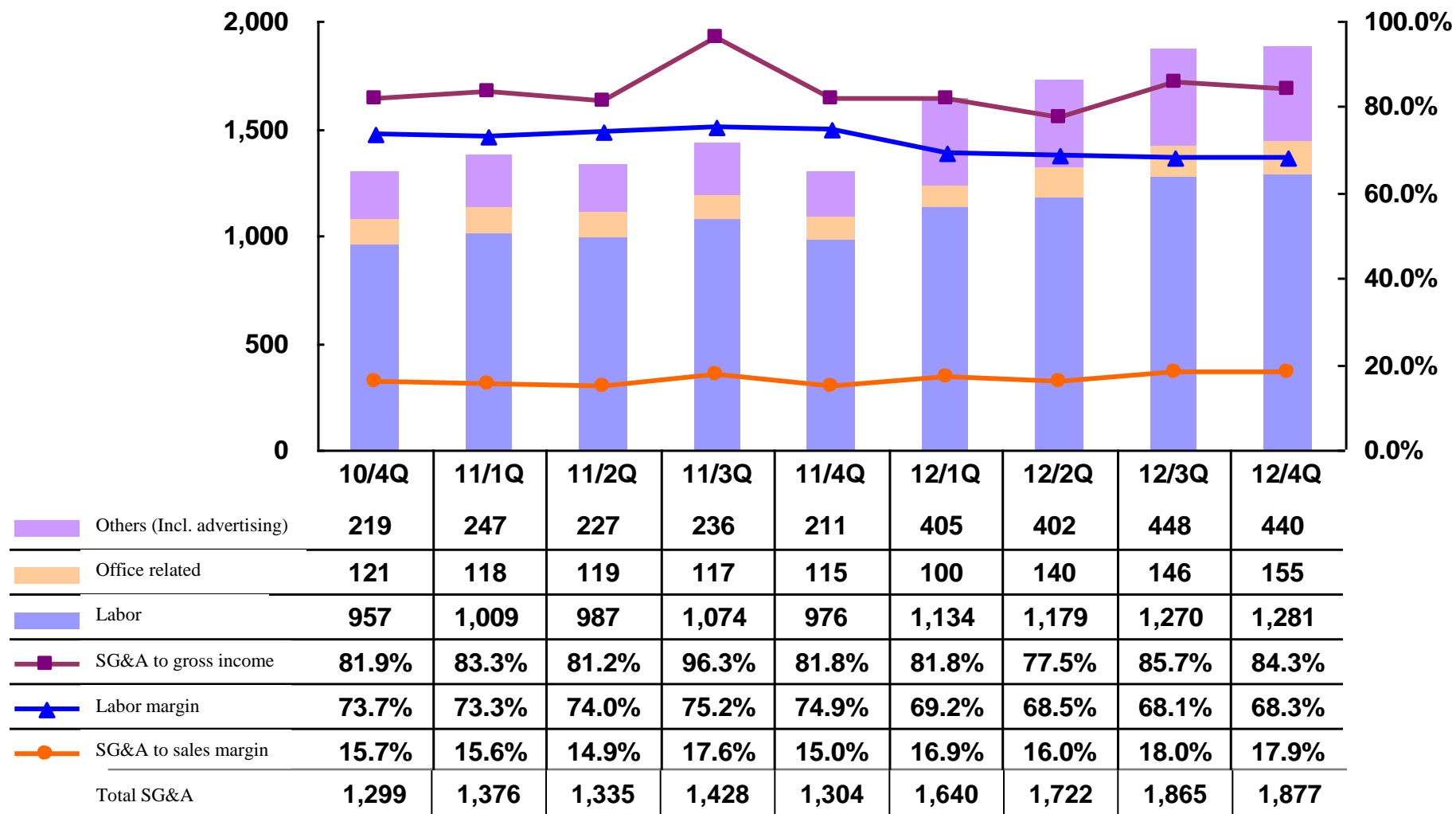
Consolidated Balance Sheet

	End FY9/12	End FY9/11	YY Change	Main Changes
Current Assets	11,381	9,362	+2,018	Cash and equivalents: +678 Notes, accounts receivables: +1,177
Fixed Assets	2,981	2,819	+162	Goodwill: +315 , Buildings: +211 Deposits, security deposits: -345 Marketable securities: -266
Total Assets	14,362	12,182	+2,180	
Current Liabilities	6,889	5,711	+1,177	Receivables: +428 Outstanding payments: +200
Fixed Liabilities	227	127	+99	Long term debt: +135
Total Liabilities	7,116	5,839	+1,277	
Total Net Assets	7,246	6,342	+903	Retained earnings: +551 Minority interests: +355
Total Liabilities, Net Assets	14,362	12,182	+2,180	

Consolidated Cash Flow

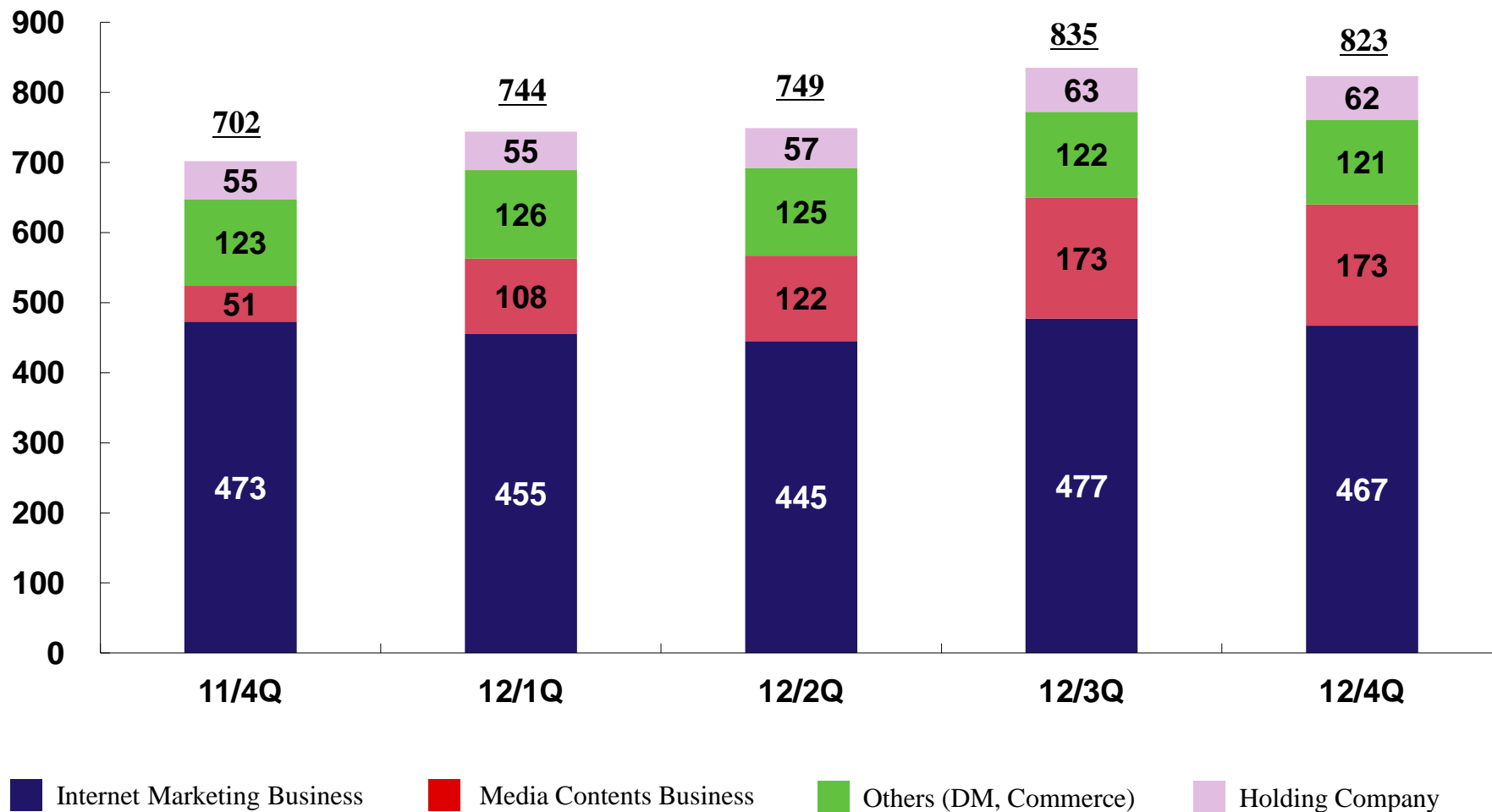
	FY9/12	Main Changes	FY9/11
Cash Flow from Operating Activities	1,183	Income before taxes: +1,310 Corporate tax payment: -534	548
Cash Flow from Investing Activities	-401	Acquisition of tangible fixed assets: -351 Acquisition of subsidiary shares associated with change in scope of consolidation: -120	-932
Cash Flow from Financing Activities	-242	Dividend payment: -125 Change in debt: -95	-738
Translation Gains from Change in Cash and Equivalents	-1		—
Change in Cash and Equivalents	537		-1,122
Change in Cash and Equivalents Resulting from Merger of Consolidated Subsidiaries	140		—
Cash and Equivalents at Term End	5,131		4,453

Consolidated SG&A Expense Trend



SEPTENI Group Work Force Number Trend

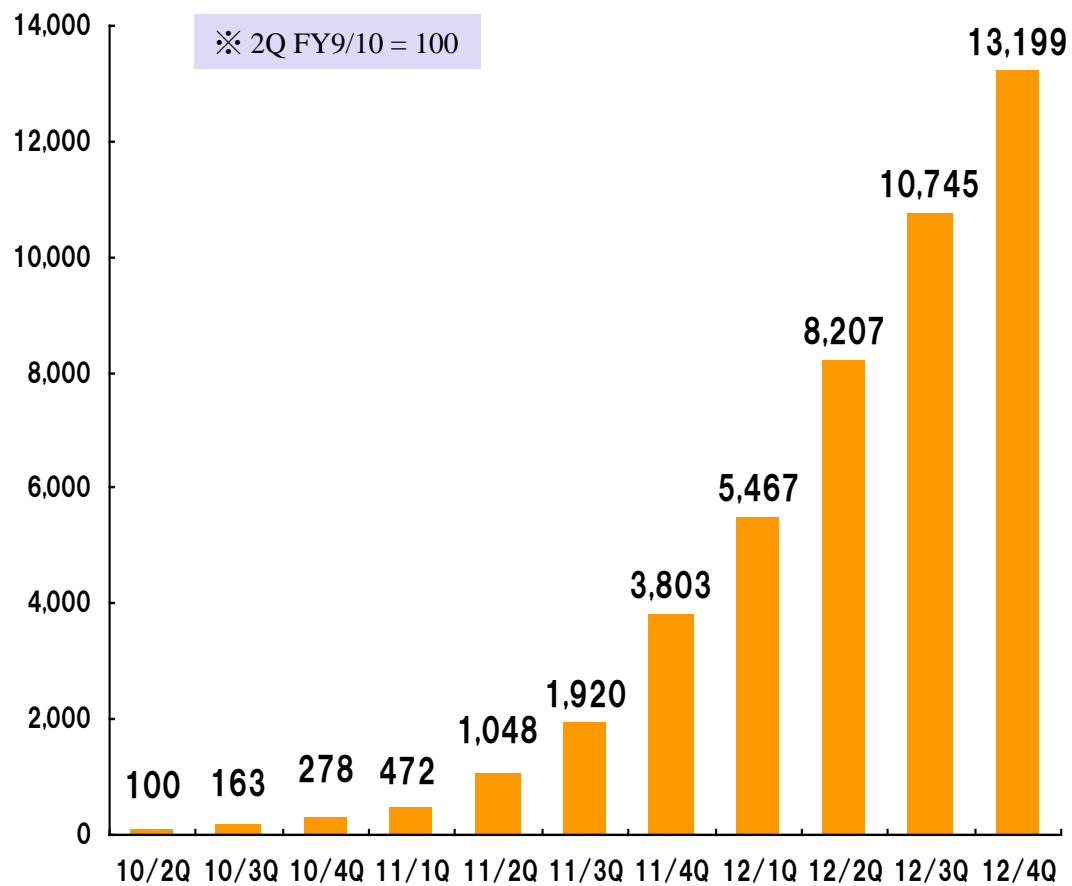
(Units: People)



※ 4Q FY9/11 business division data adjusted to reflect new business division definitions.

Focus of the Internet Marketing Business

Smartphone Advertising Sales Trend



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

Facebook Related Sales Trend

