

**Septeni Holdings Co., Ltd.**

**Business Results of  
First Quarter of Fiscal Year  
ending September 2008**

**February 5, 2008**



**Septeni Holdings Co., Ltd.**

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

**Code:4293**

<b>I .</b> Summary	P3~P14
<b>II .</b> Major Business Units	P15~P22
<b>III .</b> For Medium- to Long-term Growth	P23~P26
<b>IV .</b> Appendix	P27~P32

Forecasts, plans and other forward-looking statements contained in this presentation represent the judgment of Septeni as of February 5, 2008. Septeni does not guarantee the accuracy of this information. Actual performance may differ significantly from these forecasts for many reasons.

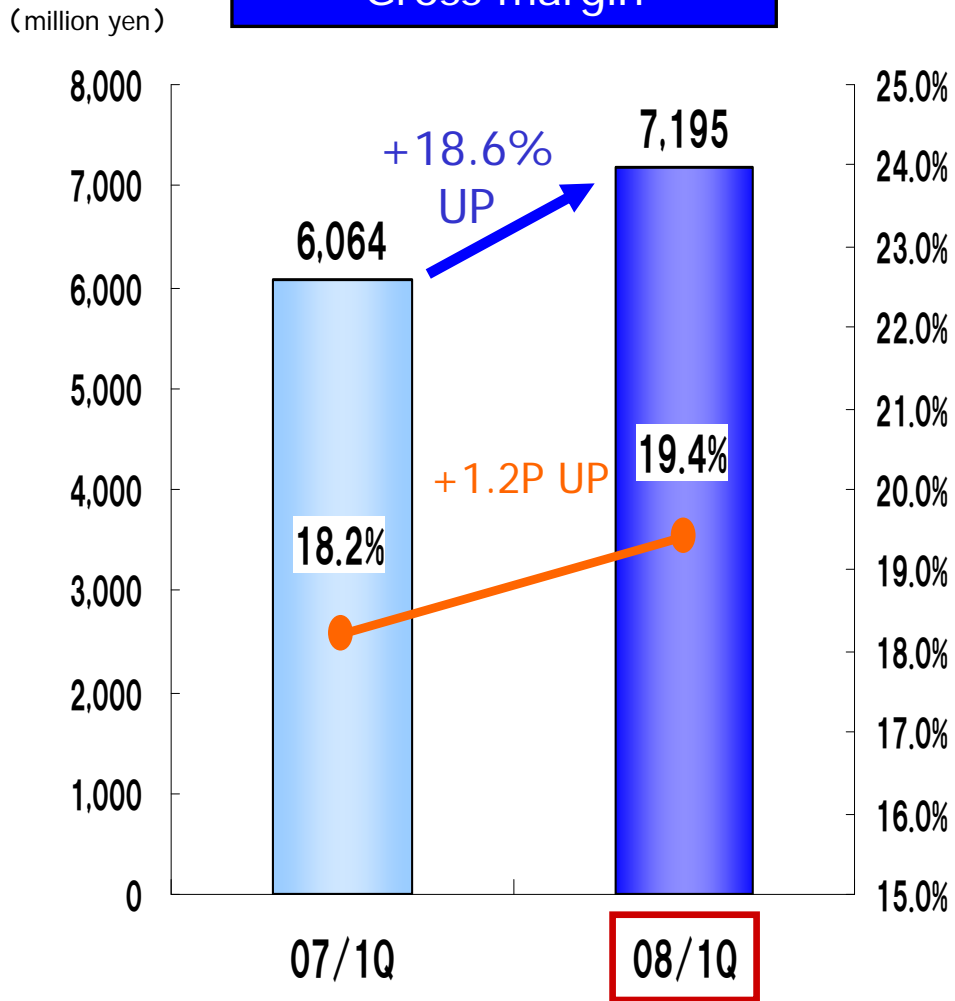


# I . Summary

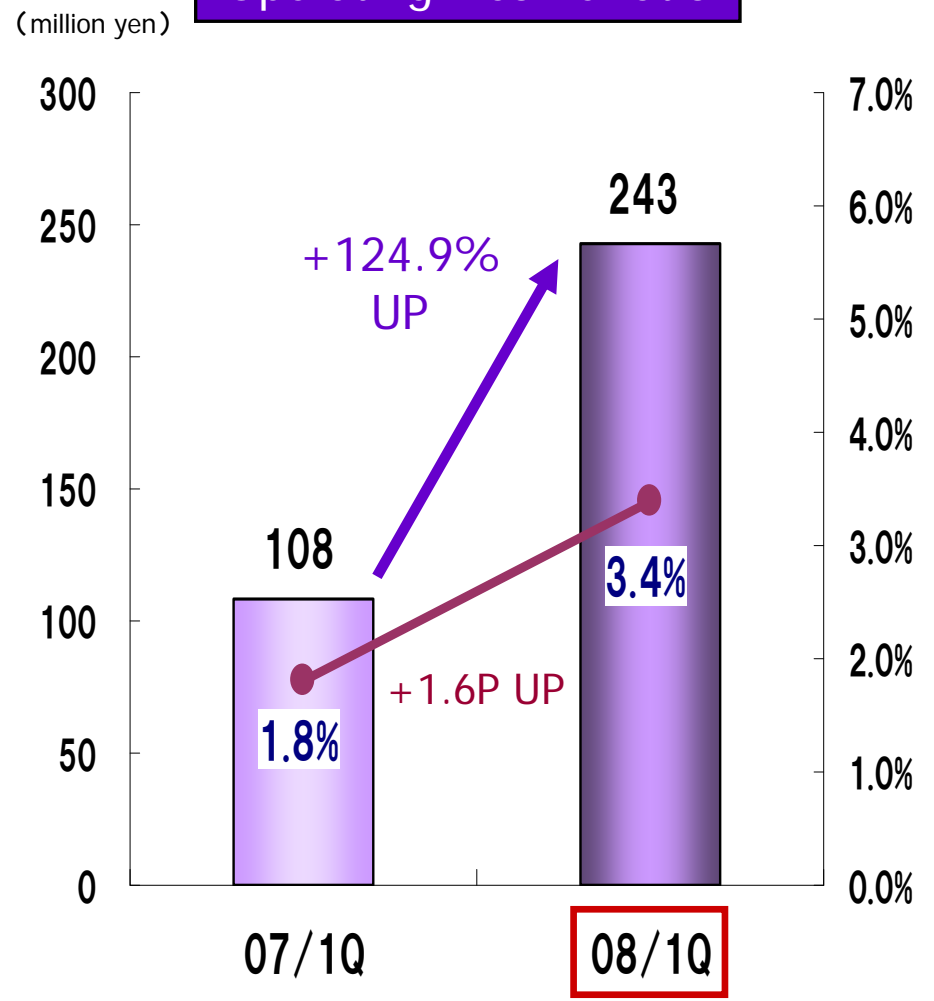
- ◆ First quarter sales rose to ¥7 billion, another all-time high for a quarter. The gross profit margin continued to improve, rising to 19.5%.
- ◆ Operating income was up about 120% from one year earlier as higher earnings in the Internet advertising business outweighed growth in SG&A expenses in Internet-related businesses.

# Highlight of Business Results of Q1 ②

## Net sales • Gross margin



## Operating income • Operating income ratio



# Summary Consolidated Income Statement

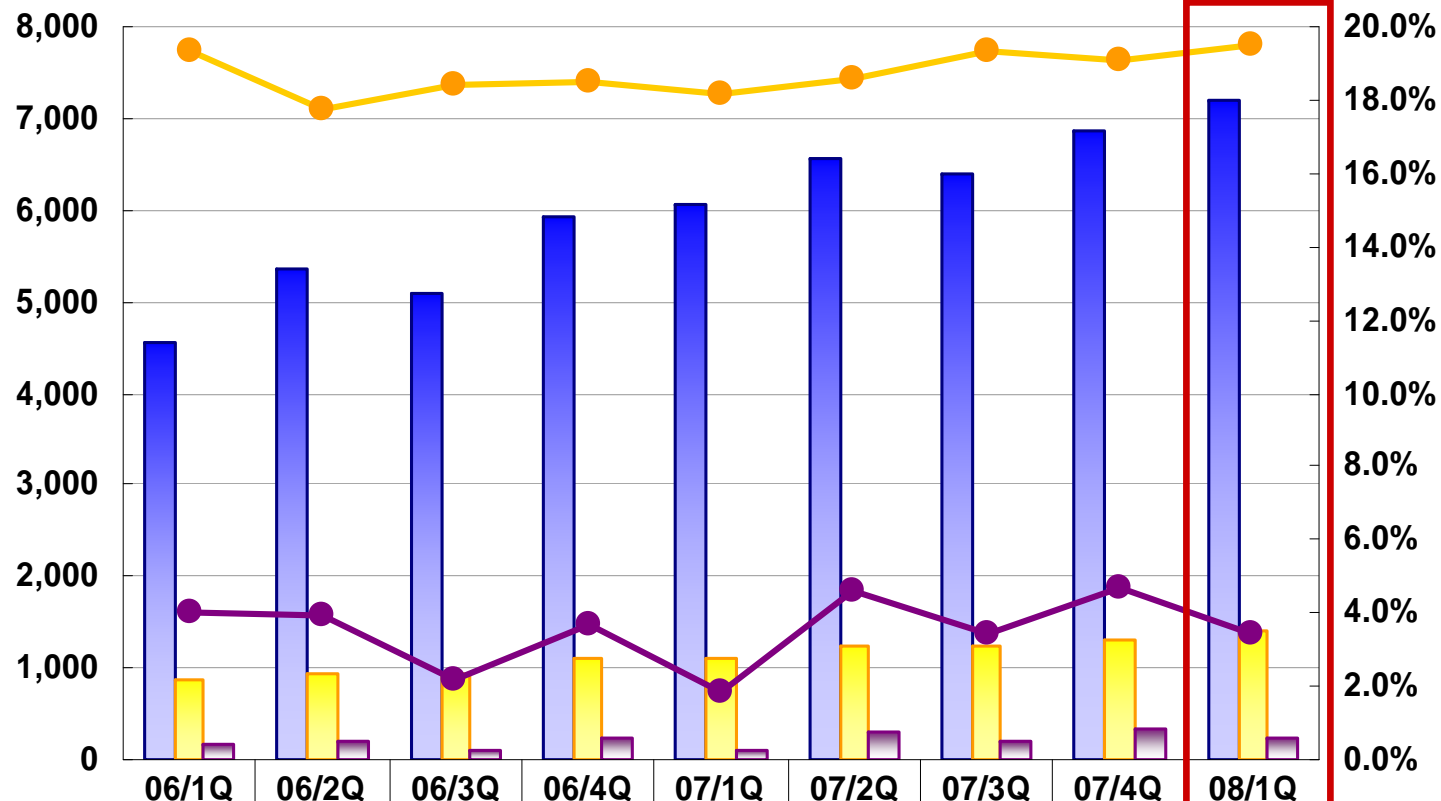


(million yen)

Indicators	Q1 FY September 2008			Q1 FY September 2007	
	Amount	Pct. Of sales	YoY change	Amount	Pct. Of sales
Net sales	<b>7,195</b>	100.0%	+18.6%	6,064	100.0%
Gross income	<b>1,402</b>	19.5%	+27.4%	1,100	18.2%
SG&A	<b>1,158</b>	16.1%	+16.8%	992	16.4%
Operating income	<b>243</b>	3.4%	+124.9%	108	1.8%
Ordinary income	<b>261</b>	3.6%	+95.7%	133	2.2%
Net income	<b>137</b>	1.9%	+51.2%	90	1.5%

# Consolidated Quarterly Performance

(million yen)



Net sales	4,539	5,361	5,078	5,930	6,064	6,557	6,378	6,862	7,195
Gross profit	876	950	933	1,097	1,100	1,222	1,230	1,311	1,402
Ordinary income	179	207	110	219	108	298	215	324	243
Gross margin	19.3%	17.7%	18.4%	18.5%	18.2%	18.6%	19.3%	19.1%	19.5%
Ordinary income ratio	4.0%	3.9%	2.2%	3.7%	1.8%	4.6%	3.4%	4.7%	3.4%



# Consolidated Balance Sheet

(million yen)

	Q1 of FY September 2008	FY September 2007	Change	Remarks
<b>Assets</b>				
Current assets	7,384	7,506	-121	Accrued revenue -106
Fixed assets	1,912	1,977	-65	Investment securities -70
Total assets	9,296	9,483	-186	
<b>Liabilities</b>				
Current liabilities	4,476	4,701	-225	Income tax payable -312 Account payable +108
Long-term liabilities	49	38	11	
Total liabilities	4,525	4,739	-214	
<b>Net assets</b>				
Total net assets	4,771	4,743	27	Retained earnings +49
Total liabilities and net assets	9,296	9,483	-186	



# Consolidated Cash Flow Statement

(million yen)

	Q1 of FY September 2008	Q1 of FY September 2007	Remarks
Cash flows from operating activities	<b>△232</b>	<b>△93</b>	Net income before income taxes +271 Payment of income tax △404
Cash flows from investing activities	<b>22</b>	<b>△70</b>	Sale of investment securities +112 Purchase of investment securities △49
Cash flows from financing activities	<b>△26</b>	<b>△1</b>	Short-term loan +71 Dividends paid △87
Net change in cash and cash equivalents	<b>△237</b>	<b>△166</b>	
Cash and cash equivalents at the end of year	<b>2,871</b>	<b>2,720</b>	

# Business Segment Sales and Operating Income

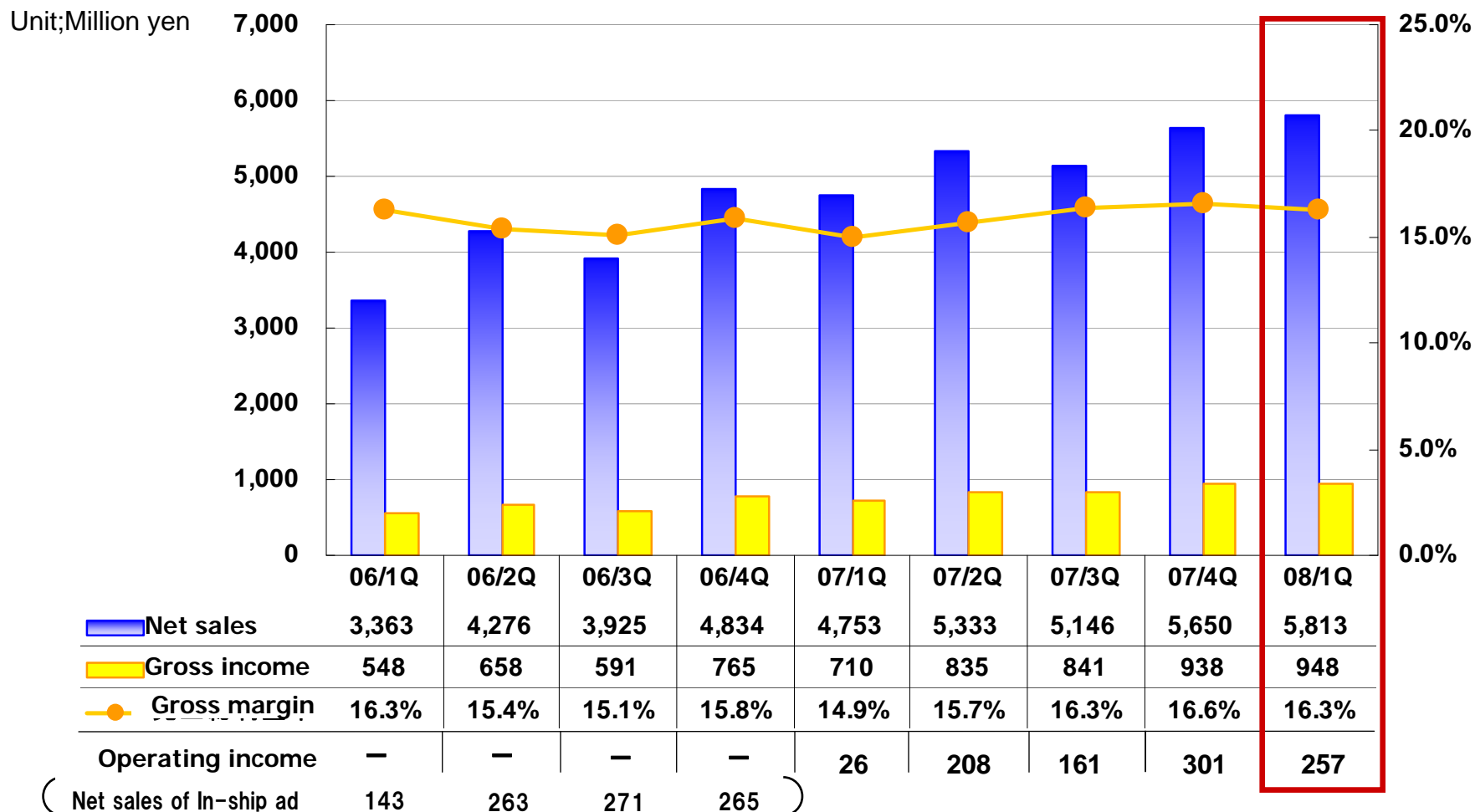
(million yen)

Segment	Net Sales			Operating Income		
	Q1 FY9/08	Q1 FY9/07	YonY change	Q1 FY9/08	Q1 FY9/07	YonY change
Internet Advertising	5,813	4,753	+22.3%	257	26	+870.2%
Internet Businesses	904	553	+63.3%	19	50	-61.9%
Direct Marketing	618	740	-16.5%	72	91	-21.3%
Others	—	80	-100%	△16	13	-224.5%
Eliminations and corporate	△140	△62	—	△88	△73	—
Consolidated	7,195	6,064	+18.7%	243	108	+124.9%

◆ Internet advertising earnings were much higher as the improvement in profitability that began in the 2Q of the prior FY continued.

◆ Although sales were much higher in Internet-related operations, operating income was down because of expenditures to increase the number of mobile content members.

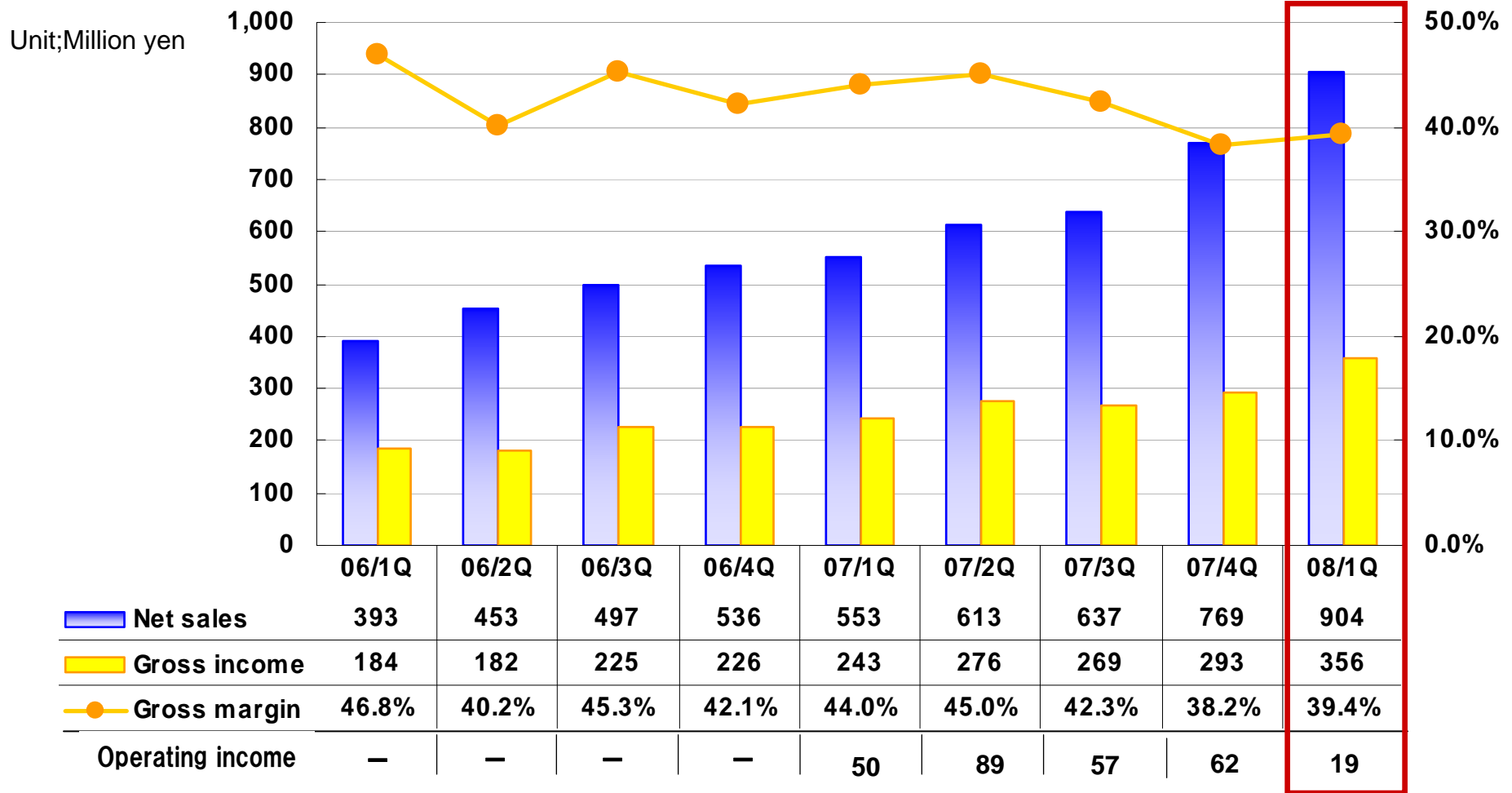
# Performance of Network advertising business by Quarter



※Sum of Internet Advertising Business and In-Shipment Advertising Business through FY06/4Q

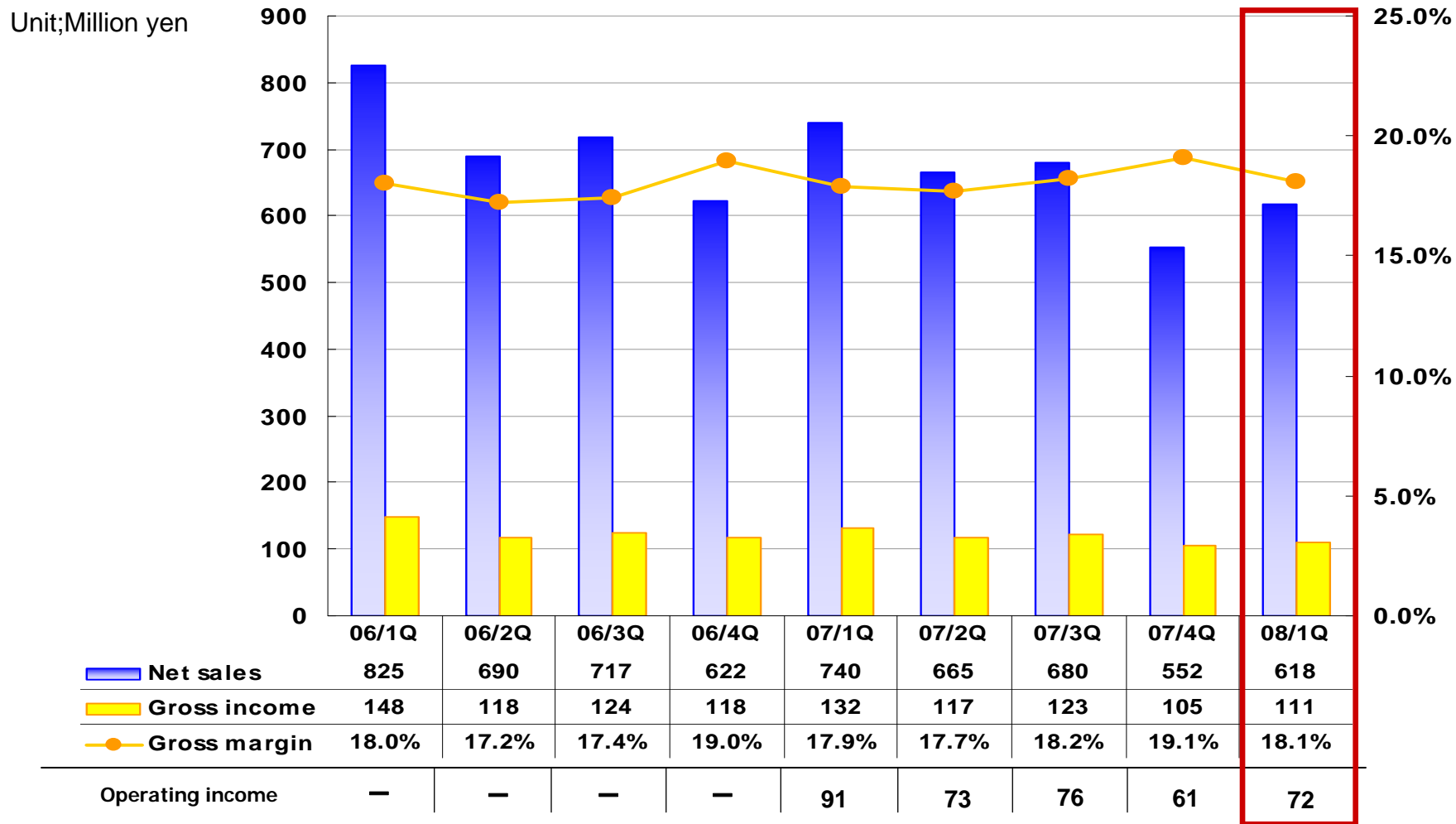
◆ Gross profit margin was 1.4 pct. point higher than one year earlier

# Performance of Internet related business by Quarter



◆ Rapid growth in scale of operations continued and the gross profit margin improved for the first time in three quarters.

# Performance of Direct marketing business by Quarter



◆ A small recovery in sales and earnings compared with the previous quarter.

# Business Forecast of FY September 2008

Unit; Million yen

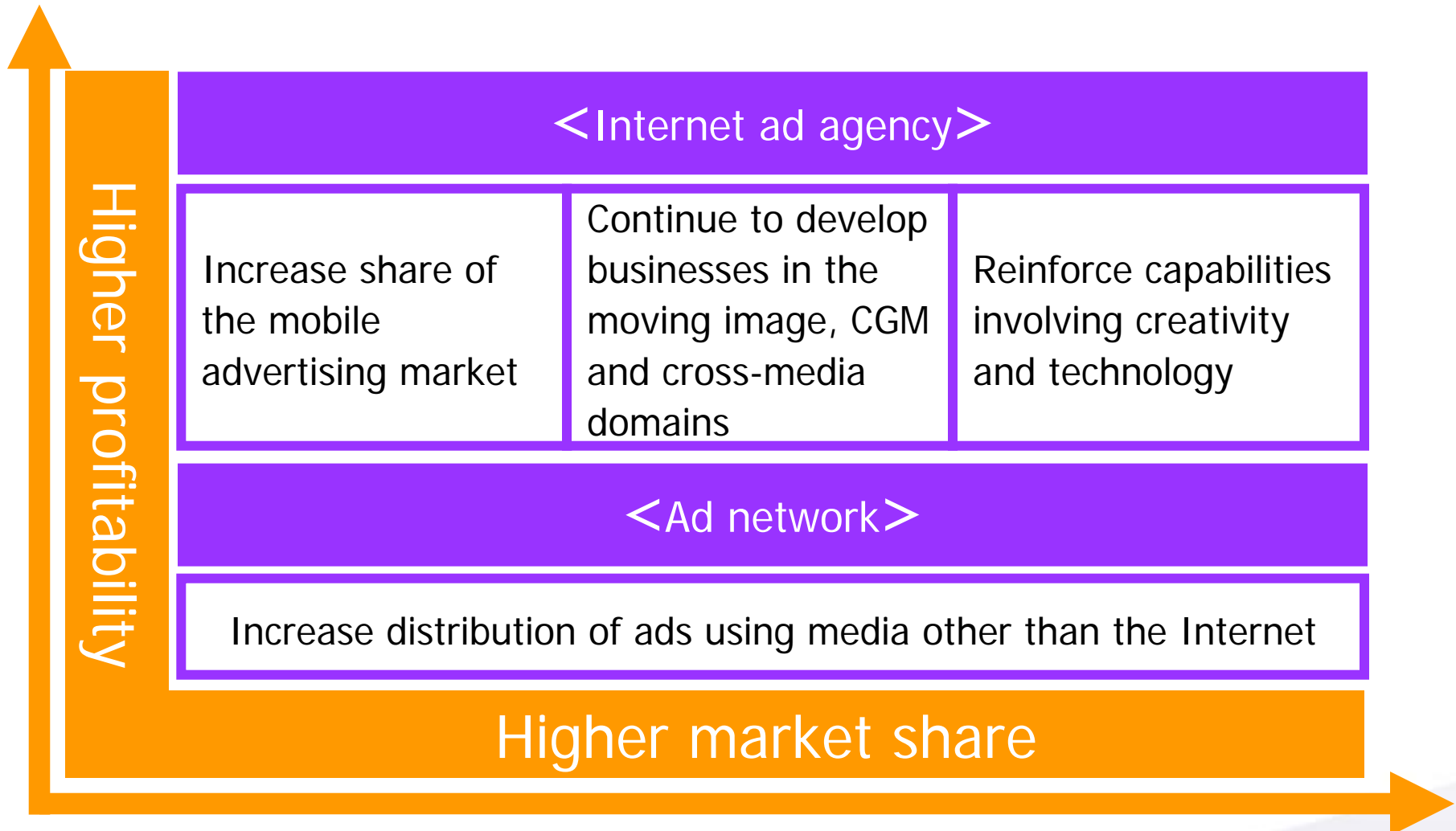
<b>Consolidated</b>	<b>Q1 Results FY 9/2008</b>	<b>Interim forecast FY 9/2008</b>	<b>Progress</b>	<b>Full-term Forecast FY 9/2007</b>
<b>Net sales</b>	<b>7,100</b>	<b>14,500</b>	<b>50%</b>	<b>31,100</b>
<b>Operating income</b>	<b>240</b>	<b>500</b>	<b>49%</b>	<b>1,200</b>
<b>Ordinary income</b>	<b>260</b>	<b>500</b>	<b>52%</b>	<b>1,300</b>
<b>Net income</b>	<b>130</b>	<b>280</b>	<b>49%</b>	<b>700</b>



## **II.** Major Business Units



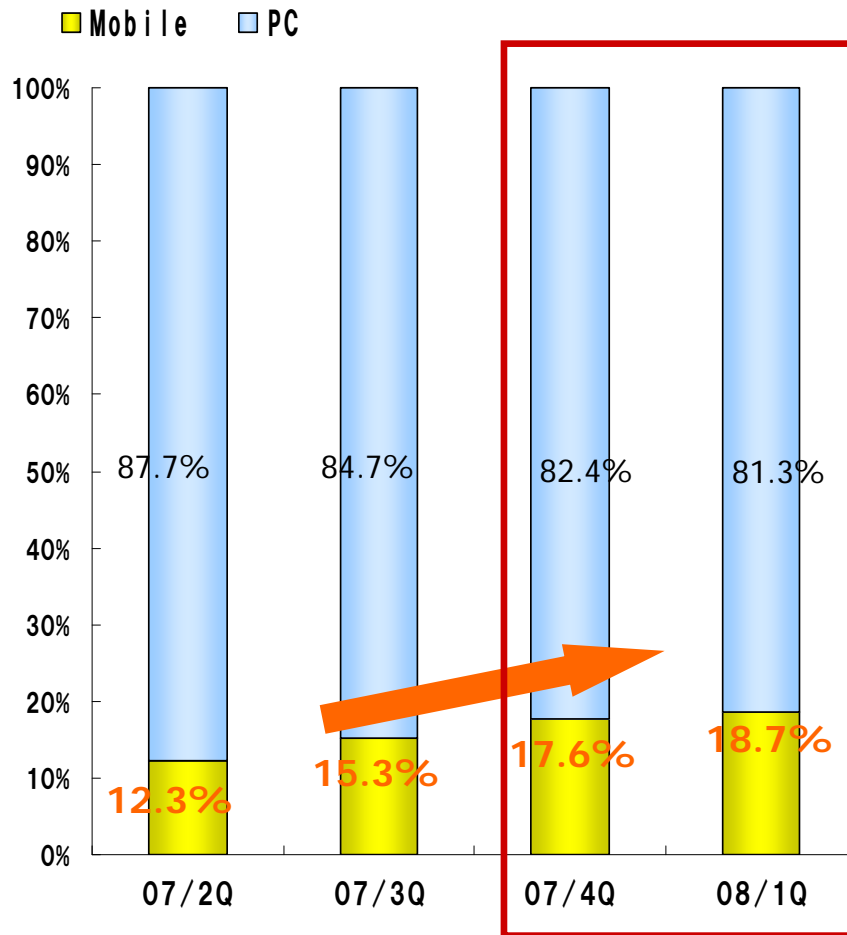
## ■ Business strategy for fiscal 2008



# Business Unit Highlights (Network advertising business)

## ( 1 ) changes in sales by product

【Changes in sales of mobile and PC ads】



breakdown



By service		07/4Q	08/1Q
PC	Portal etc	26.6%	<b>26.7%</b>
	CGM	2.5%	<b>2.8%</b>
	Mail	5.7%	<b>5.0%</b>
	Listing	33.0%	<b>31.4%</b>
	Affiliate	10.0%	<b>10.0%</b>
	SEO	1.9%	<b>2.3%</b>
	Production/ others	2.7%	<b>3.0%</b>
		82.4%	<b>81.3%</b>
モバイル	Portal etc	5.4%	<b>4.1%</b>
	CGM	2.6%	<b>2.4%</b>
	Mail	2.8%	<b>2.6%</b>
	Listing	3.4%	<b>4.5%</b>
	Affiliate	3.1%	<b>4.9%</b>
	SEO	0.3%	<b>0.2%</b>
		17.6%	<b>18.7%</b>
合 計		100.0%	<b>100.0%</b>

※Mobile affiliates are shown separately beginning with this fiscal year. In prior years, mobile affiliates were included in the affiliates category.

## (2) Examples in the moving image and creativity sectors

Streaming video content produced by Septeni Broadcasting

The screenshot shows a website interface for 'Makoto Ozone's Lounge'. At the top, there is a navigation bar with 'PROUD CLUB' and 'トップ ログイン'. Below this, there are promotional banners for 'Proud Club' membership and a 'CM SPECIAL CONTENTS' section. The main content area is titled 'Makoto Ozone's Lounge' and includes a 'Chapter' menu with options like 'CONCEPT', 'RECORDING', 'HOME', and 'INFORMATION'. A video player is embedded on the right side, showing a live performance. Below the video player, there is a profile section for Makoto Ozone and a link to his official website.

PROUD CLUB

トップ ログイン

クラウドクラブ  
入会キャンペーンはこちら

クラウドクラブ会員限定  
来場キャンペーンはこちら

CMスペシャルコンテンツ  
CM-SPECIAL CONTENTS

Makoto Ozone's Lounge  
小曾根 真ラウンジ

Chapter

CONCEPT RECORDING HOME INFORMATION

CMフルバージョン インタビュー1 インタビュー2 インタビュー3 インタビュー4

小曾根 真プロフィール  
父の影響でジャズに興味を持ち独学で音楽を始める。  
83年ボストン・パークリー音楽大学、ジャズ作・編曲科を首席で卒業。  
03年にはゲイリー・バートンとのデュオ作「ヴァーチュオーシ」(Concord)で第45回グラミー賞に初ノミネート。演奏活動の傍ら人気FM番組「OZ MEETS JAZZ」(全国5局ネット)のパーソナリティーを務めるほか、テレビへの出演や舞台音楽も手掛けるなど、ジャズの世界を超えたグローバルな活動へ積極的にアプローチし続けている。

小曾根 真の  
オフィシャルホームページ  
<http://makotoozone.com/>

「小曾根真CDリリース最新情報はこちら」  
ユニバーサル ミュージック公式ページ

## ( 3 ) Activities in the technology sector

started provision of **SearchIgnite**, an automatic bidding tool for a listing advertisement portfolio



- Sophisticated account management
- Automatically optimized bidding based on financial theory
- An extensive menu for measuring ad effectiveness



Use of SEM based on many years of experience Consulting and solutions



Maximize each customer's benefits relative to advertising investments (ROI)

→ Become more competitive in the SEM field



<Control image (English version) >

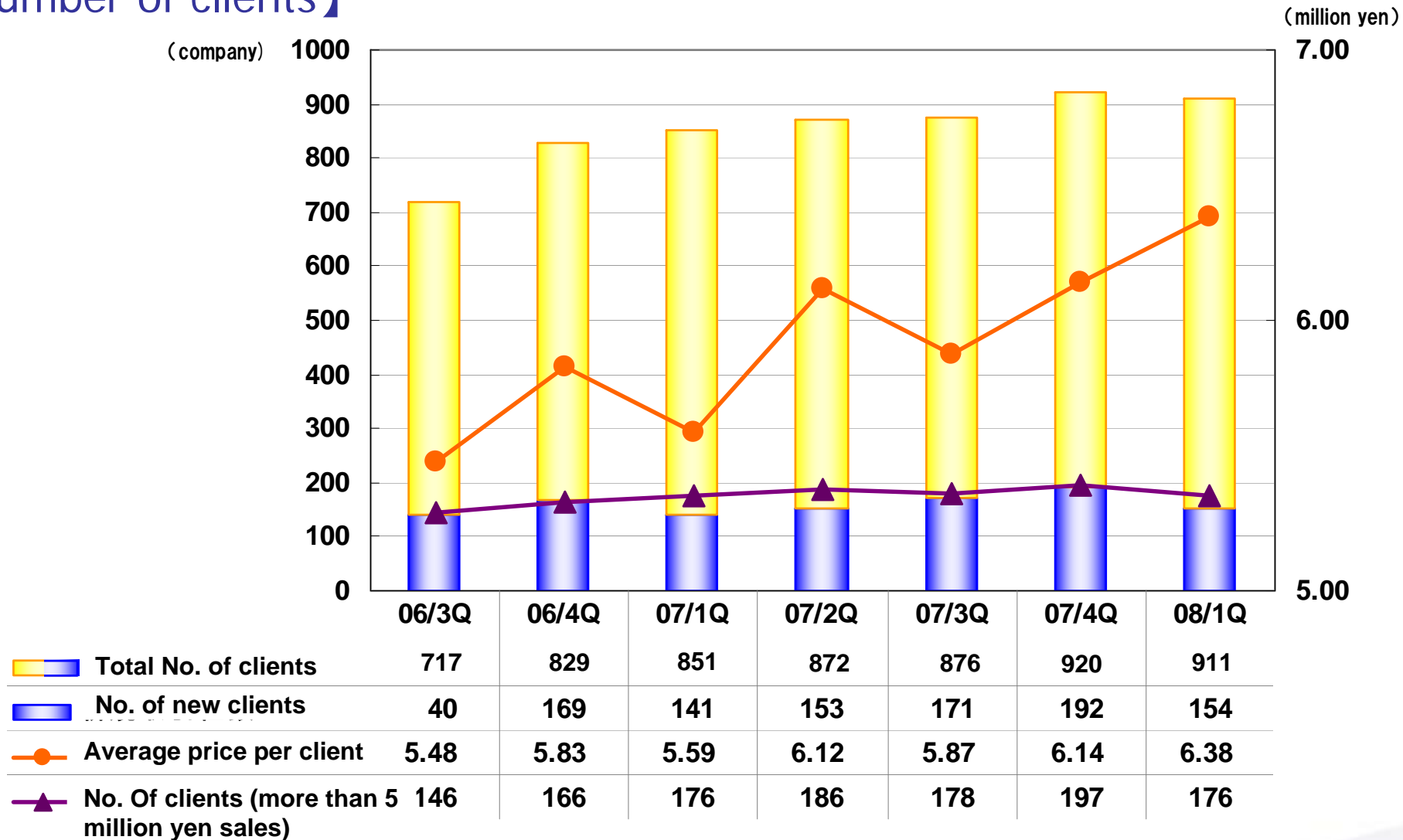
# Business Unit Highlights (Network advertising business)

【Sales composition ratio by customer's industry】

	07/4Q	08/1Q
Finance	18.9%	16.9%
Education • Human resource	12.9%	13.2%
Retail • Mail-order	6.4%	7.2%
Real estate	14.4%	12.6%
Food • Cosmetic	15.2%	14.8%
Automobile	4.3%	4.6%
IT	19.4%	22.4%
Others (Service etc)	8.6%	8.3%

# Business Unit Highlights (Network advertising business)

## 【Number of clients】



※Sum of Internet Advertising Business and In-Shipments Advertising Business through FY06/4Q

# Business Unit Highlights (Internet-related business)

## Mobile services



◆ Achieved a big increase over the prior quarter in content billings due to the start of high-profile promotions in the first quarter of fiscal 2008.

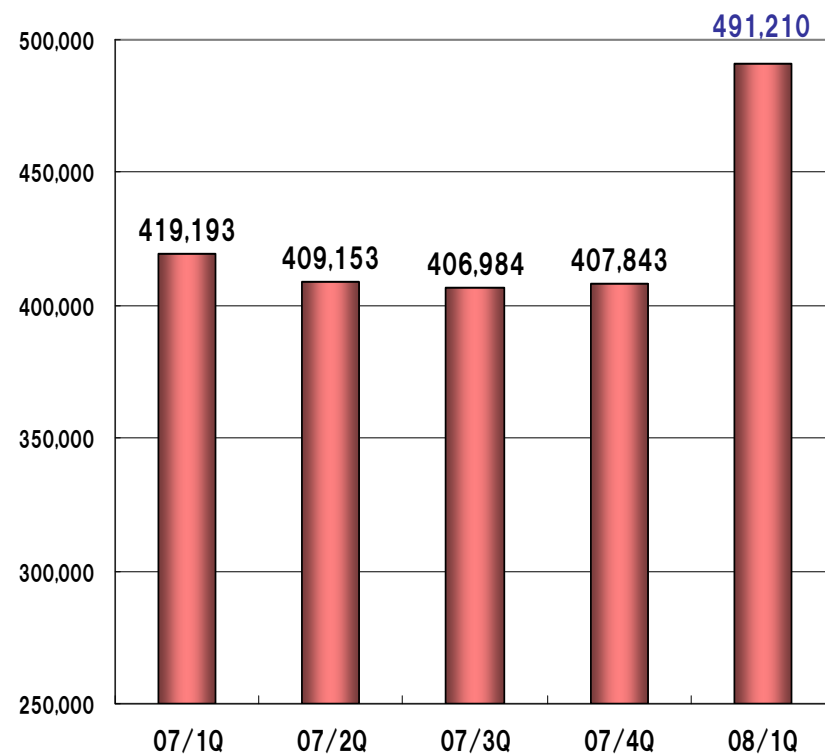
- Chaku-uta Full® = Up to **double**

- Number of billings = Up **20%**

◆ Sales increased rapidly, posting **26%** growth over the prior quarter.

◆ Started the first live streaming video in the mobile content industry, increasing awareness of Septeni in the moving-image content sector.

【Number of billings (total)】





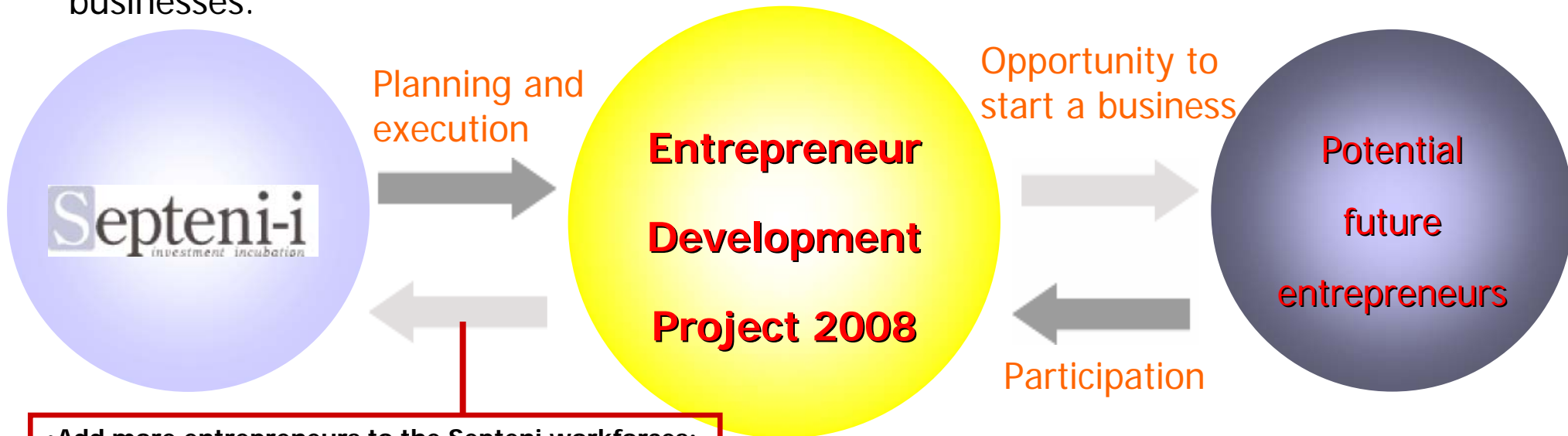


## III. For Medium- to Long-term Growth

# Generation of new business and development of core human resources

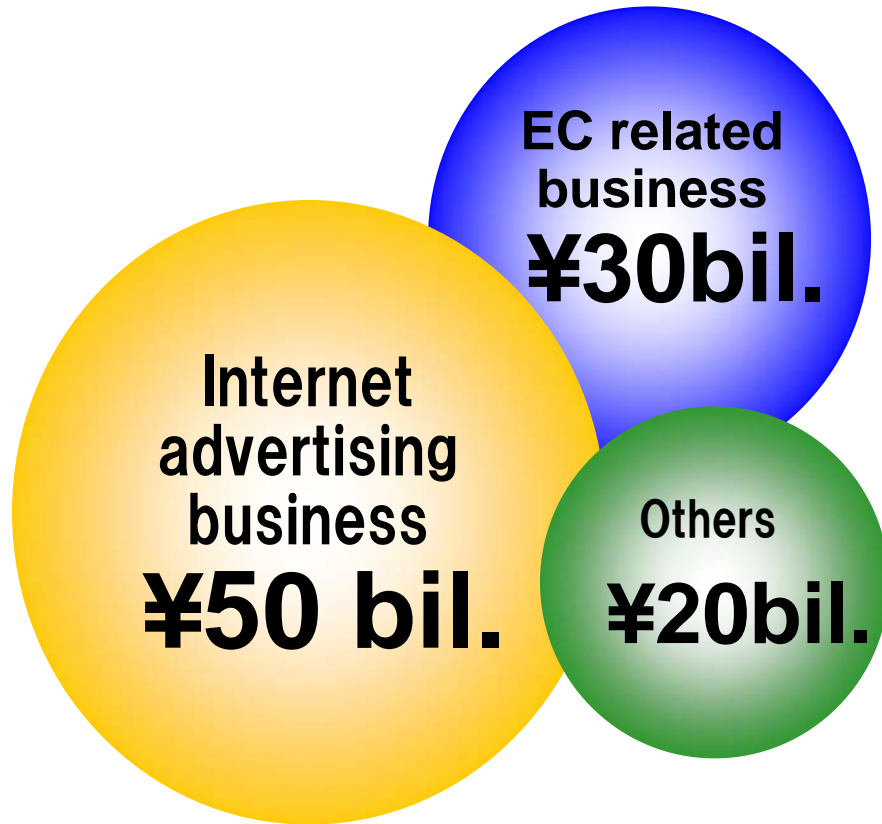
## ■ Started **Entrepreneur Development Project 2008**

- Japan's first full-scale business contest for the general public
- To accelerate Septeni's plan to foster the development of 100 entrepreneurs, the company is starting to search for potential entrepreneurs outside the company along with the existing program that solicits ideas from Septeni Group employees.
- outstanding applicants will receive capital and other forms of support to start their businesses.



- Add more entrepreneurs to the Septeni workforces; encourage the creation of new businesses
- Recruit outstanding individuals with entrepreneurial sprits

# Roadmap to Target Mid-term Plan (By FY September 2011)



## Our Target

Principle “1 • 10 • 100 • 1000 “

- Net sales per employee **¥100 million**
- Operating income ratio **10%**
- The development of merchants **100 people**
- Net sales (consolidated) **¥100 billion**

Contact:

**Septeni Holdings Co., Ltd.**

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

PR • IR Department

TEL : 03-5363-7336 E-mail : [ir@septeni-holdings.co.jp](mailto:ir@septeni-holdings.co.jp)



# VI. Appendix

As of December 31, 2007

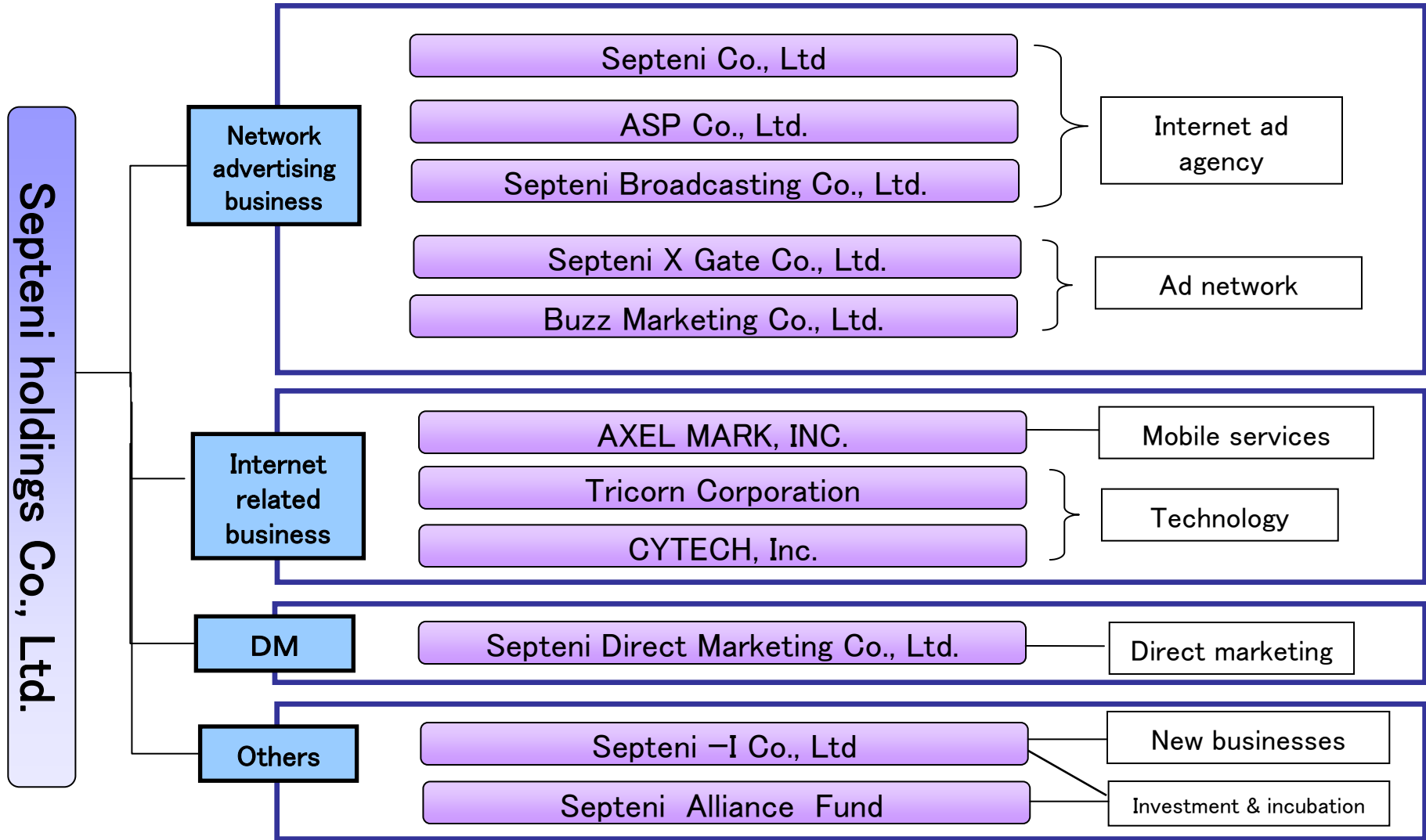
Company name	Septeni holdings Co., Ltd.
Representative	Representative director Muneyoshi Nomura
Head office	Sumitomo-Gaien Building 24 Daikyo-cho, Shinjuku-ku, Tokyo
Stock code	4293 (JASDAQ, J-Stock)
Business activity	Comprehensive support for web-based and conventional marketing programs
Establishment	October 29, 1990
Capital	1,476 million yen
Outstanding shares	126,992.8 shares
Number of employees (consolidated)	375 (Full-time)、472 (Part-time)

As of February 5, 2008

Company name		Business line
Septeni holdings Co., Ltd.		Holding company
Septeni Co., Ltd.	Consolidated subsidiary 100.0%	Internet Ad agency
ASP Co., Ltd.	Consolidated subsidiary 60.0%	e-Marketing Solution
Septeni Broadcasting Co., Ltd.	Consolidated subsidiary 100.0%	Internet moving ad
Septeni X Gate co., Ltd.	Consolidated subsidiary 95.0%	Ad network
Buzz Marketing Co., Ltd.	Consolidated subsidiary 50.3%	Buzz marketing
AXEL MARK, INC.	Consolidated subsidiary 71.3%	Media contents
Tricorn corporation	Consolidated subsidiary 100.0%	Mail marketing
CYTECH, Inc.	Consolidated subsidiary 63.6%	System Integration
Septeni Direct Marketing Co., Ltd.	Consolidated subsidiary 100.0%	Direct marketing
Septeni-I Co., Ltd.	Consolidated subsidiary 100.0%	Incubation, Development of new business
Septeni Alliance Fund	Consolidated subsidiary 100.0% (Indirect investment)	Incubation
Prime X co., Ltd.	Equity method affiliate 40.0%	Internet marketing for real estate companies
Open Smile, Inc.	Equity method affiliate 33.3%	Internet media
colab inc.	Equity method affiliate 44.0%	WEB creator



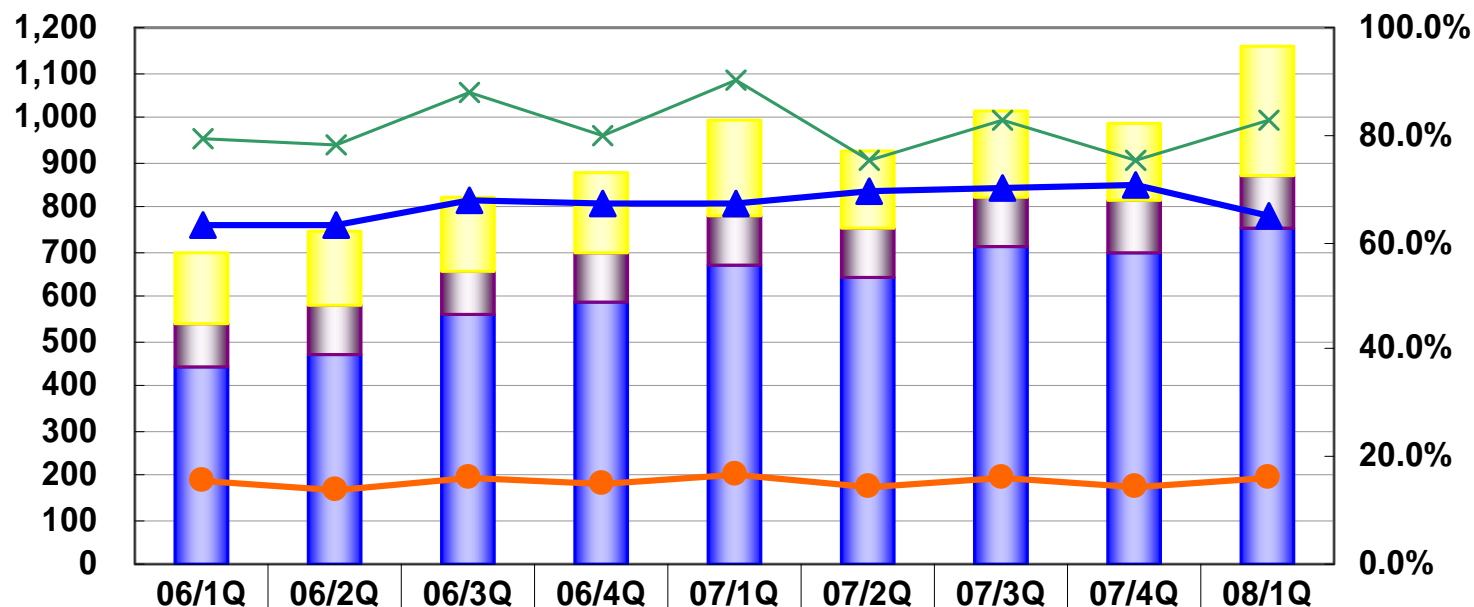
As of February 5, 2008



※Affiliates accounted for under the equity method: Prime X Co., Ltd., Open Smile, Inc., colab inc.

# Consolidated SG&A

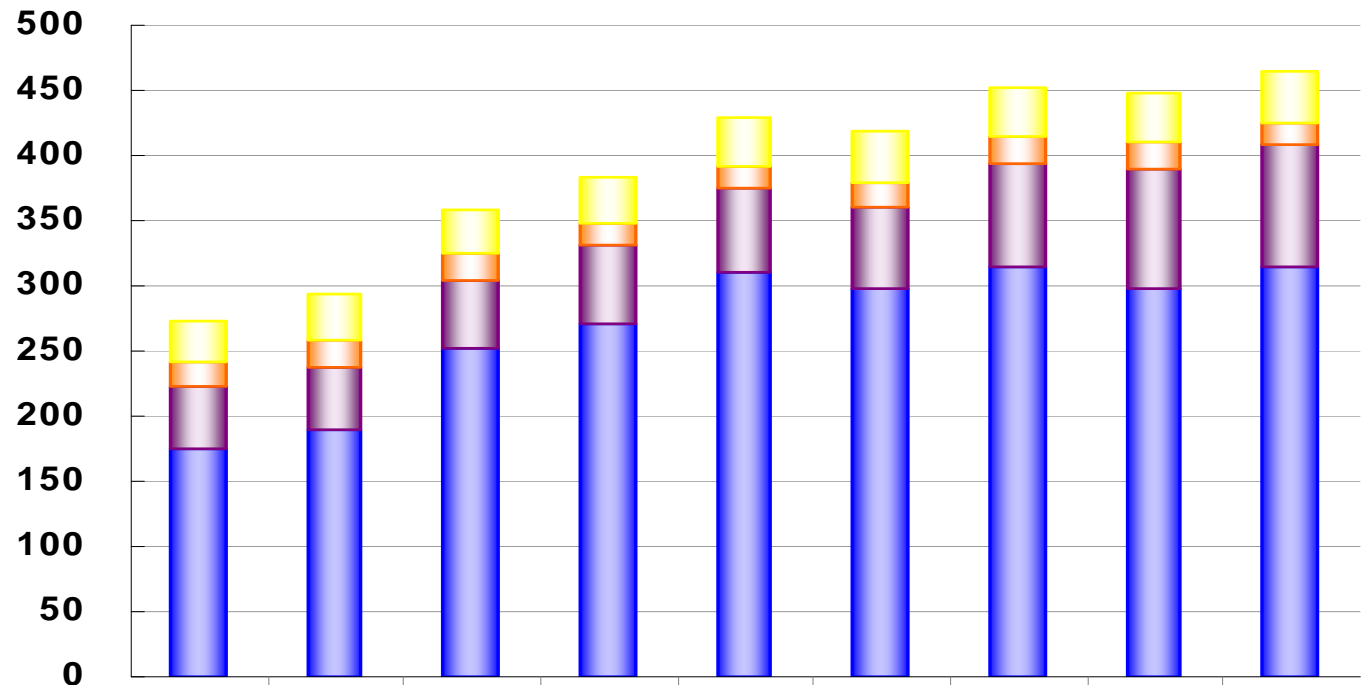
(million yen)



	06/1Q	06/2Q	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q	07/4Q	08/1Q
Others	162	166	169	181	210	174	193	173	288
Office expense	93	106	98	107	114	109	110	114	118
Labor cost	442	471	556	589	668	641	713	700	751
SG&A ratio to Gros margin	79.5%	78.1%	88.2%	80.0%	90.2%	75.6%	82.5%	75.3%	82.6%
Labor cost ratio to SG&A	63.4%	63.4%	67.6%	67.2%	67.3%	69.4%	70.2%	70.9%	64.8%
SG&A ratio to Net sales	15.4%	13.9%	16.2%	14.8%	16.4%	14.1%	15.9%	14.4%	16.1%
<b>Total SG&amp;A</b>	<b>697</b>	<b>743</b>	<b>823</b>	<b>877</b>	<b>992</b>	<b>924</b>	<b>1,015</b>	<b>986</b>	<b>1,158</b>

# Septeni Group Number of employees

(unit: person)



	06/1Q	06/2Q	06/3Q	06/4Q	07/1Q	07/2Q	07/3Q	07/4Q	08/1Q
Staff others	31.0	35.0	34.3	34.3	35.7	39.7	37.0	37.3	40.0
DM business	20.0	20.7	20.3	18.0	17.0	17.7	21.0	20.3	16.3
Internet related business	46.7	48.0	53.0	60.0	65.0	62.3	79.3	91.7	93.7
Network advertising business	176.0	189.6	251.7	270.3	310.7	298.7	314.0	298.7	314.3
(account executives)	(80.7)	(75.0)	(92.0)	(93.0)	(105.7)	(108.0)	(132.0)	(123.7)	(138.0)
<b>TOTAL</b>	<b>273.7</b>	<b>293.7</b>	<b>359.3</b>	<b>382.7</b>	<b>428.3</b>	<b>418.3</b>	<b>451.3</b>	<b>448.0</b>	<b>464.3</b>

※Network advertising business by 06/4Q; "Internet ad agency business" + "In-ship ad business"