

SEPTENI

FY September/2021

Business Results for 2Q

Apr. 27, 2021

SEPTENI HOLDINGS CO., LTD.

01 First Half of FY9/21 Consolidated Earnings Overview

02 Quarterly Consolidated Earnings Overview

03 Digital Marketing Business

04 Media Platform Business

05 Revised Earnings Estimates and Dividend Forecast

06 Appendix

Since the start of FY9/16, IFRS has been applied instead of the previous J-GAAP.

Conventional "net sales" are voluntarily disclosed as reference information, while "revenue" is disclosed as an indicator based on IFRS.

Revenues from advertising agency sales, which account for the majority of the Digital Marketing Business, are recorded on a net basis only for the margin portion.

"Non-GAAP operating profit" is voluntarily disclosed in order to more appropriately express the actual state of the business and refers to the profit indicator used to assess ordinary business conditions after adjustments are made to IFRS-based operating profit pertaining to temporary factors such as stock-based compensation expenses, the impairment losses, and gains or losses on the sales of fixed assets.

Figures in this material are rounded to the nearest unit.

01

First Half of FY9/21

Consolidated Earnings Overview

Revenue increased and Non-GAAP operating profit doubled YoY. Significantly exceeded the initial estimates and revised up the full-year earnings estimates.

Consolidated

Revenue **¥10,642mn (YoY+20.9%)**

**Non-GAAP
Operating Profit** **¥2,378mn (YoY approx. 2x)**

**Digital
Marketing
Business**

**Continued strong momentum and
sustained high growth.**

Revenue **¥9,569mn** (YonY+ **23.3%**) Non-GAAP
Operating Profit **¥3,972mn** (YonY+ **55.3%**)

**Media
Platform
Business**

Revenue increased YonY, but the deficit widened.

Revenue **¥1,253mn** (YonY+ **3.2%**) Non-GAAP
Operating Profit **¥-599mn** (Deficit increased
¥135mn YonY)

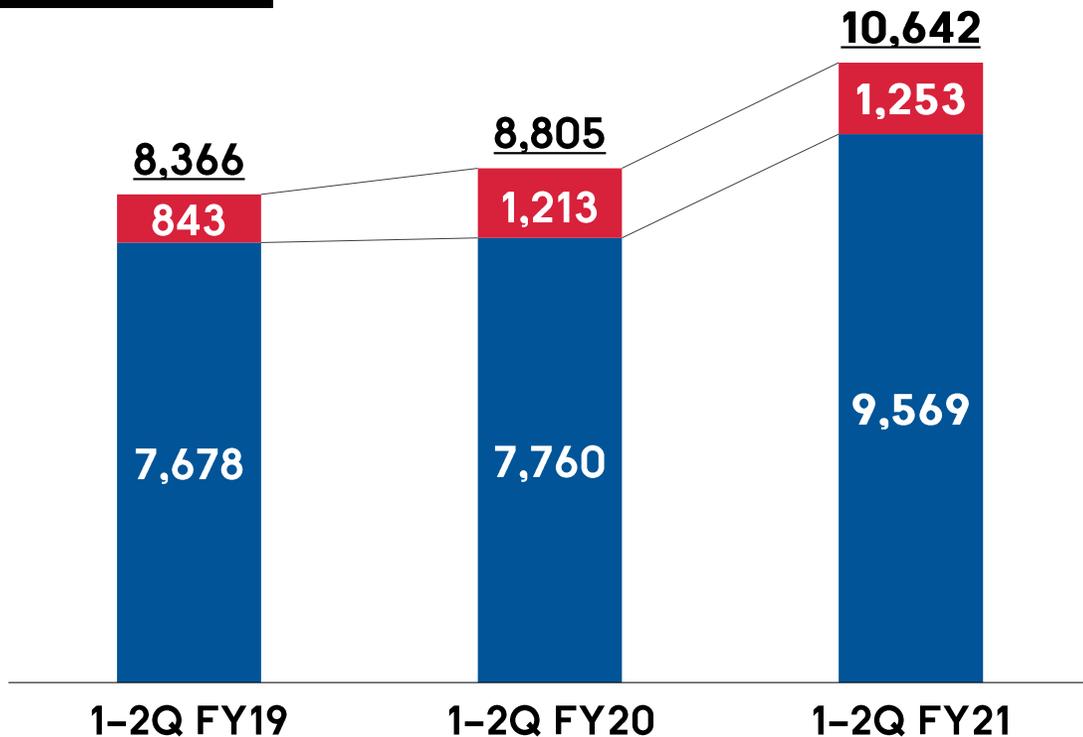
**Growth in revenues absorbed the increase in expenses,
and all profit items doubled year on year.**

(unit: ¥mn)	First Half of FY2021			First Half of FY2020	
	Value	Ratio	YonY	Value	Ratio
Revenue	10,642	100.0%	+20.9%	8,805	100.0%
Gross profit	8,699	81.7%	+21.8%	7,142	81.1%
SG&A expenses	6,441	60.5%	+7.8%	5,976	67.9%
Non-GAAP Operating profit	2,378	22.3%	+103.6%	1,168	13.3%
Operating profit	2,244	21.1%	+115.8%	1,040	11.8%
Profit for the period attributable to owners of the parent	1,580	14.8%	+126.9%	696	7.9%
[Reference] Net sales	47,810	—	+25.2%	38,180	—

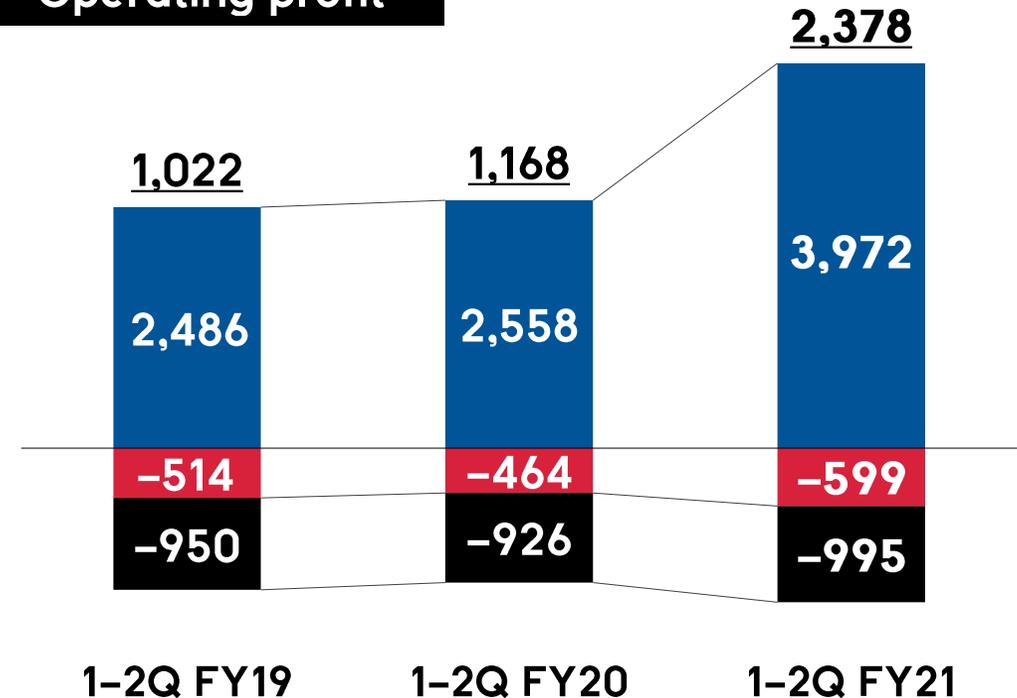
High growth has been driven by Digital Marketing Business.

■ Digital Marketing
 ■ Media Platform
 ■ Adjustments
 (unit: ¥mn)

Revenue



Non-GAAP Operating profit



*As the elimination of intersegment revenues is omitted, the total of each business revenues and consolidated revenues (underlined figures) do not coincide.

02

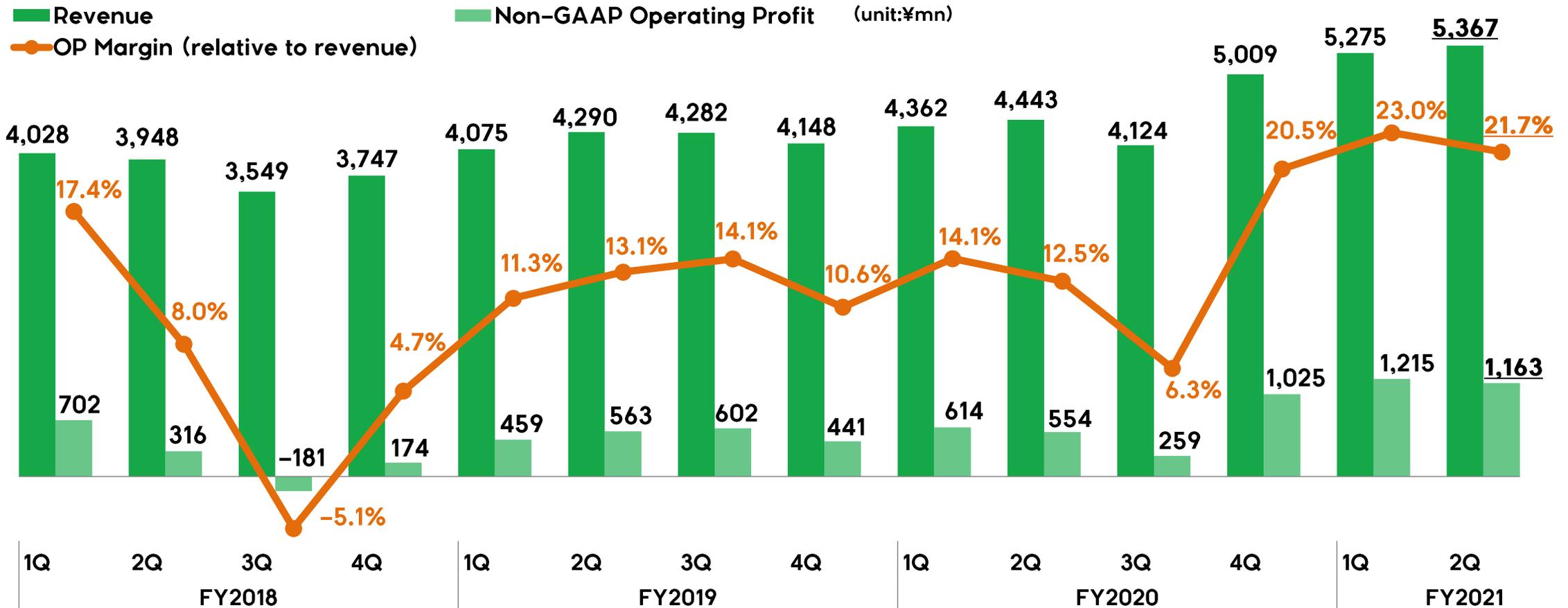
**Quarterly Consolidated
Earnings Overview**

Net Sales largely increased by 30% YoY.

(unit: ¥mn)	2Q FY2021			2Q FY2020	
	Value	Ratio	YoY	Value	Ratio
Revenue	5,367	100.0%	+20.8%	4,443	100.0%
Gross profit	4,428	82.5%	+23.3%	3,590	80.8%
SG&A expenses	3,380	63.0%	+12.3%	3,009	67.7%
Non-GAAP Operating profit	1,163	21.7%	+109.9%	554	12.5%
Operating profit	1,039	19.4%	+122.5%	467	10.5%
Profit for the period attributable to owners of the parent	715	13.3%	+131.6%	309	6.9%
[Reference] Net sales	24,783	—	+30.5%	18,993	—

10 Quarterly Consolidated Earnings Trend

Revenue set a record high and the operating profit margin maintained at a level of over 20%.



11 Constitution of Consolidated Expenses (IFRS)

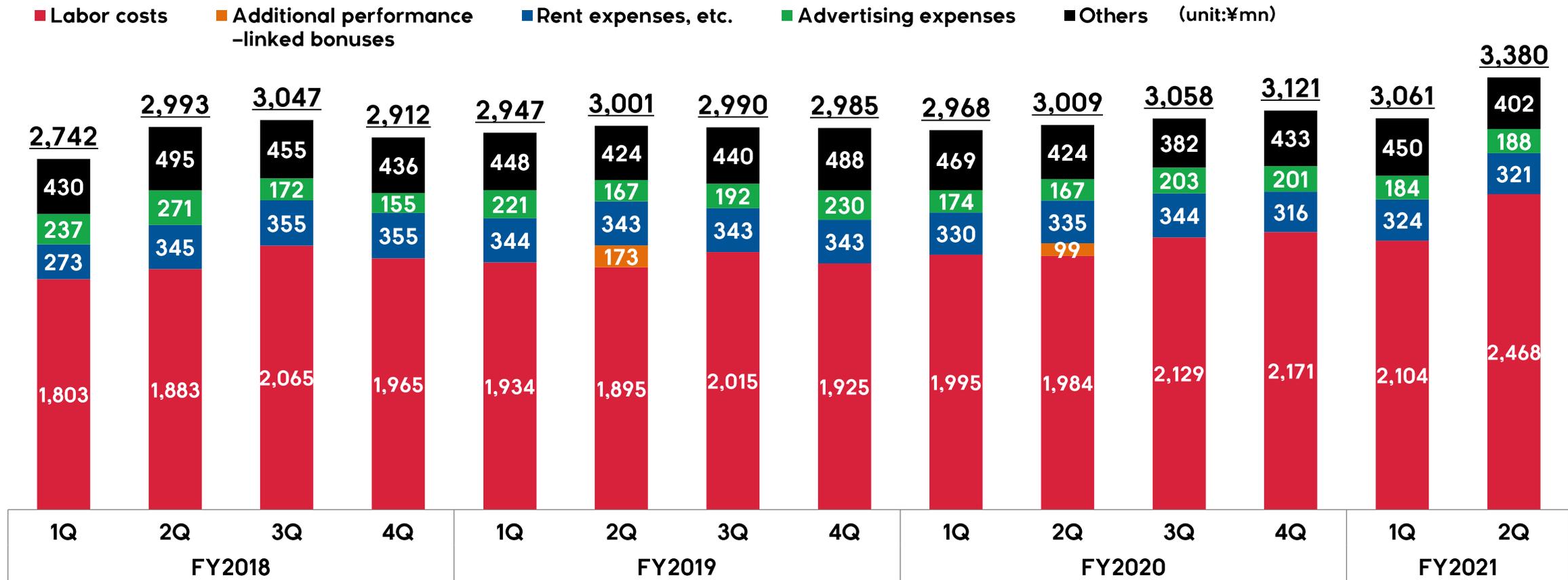
Labor costs increased +24.4% YoY.

(unit:¥mn)	FY2019			FY2020			FY2021			QonQ	YoY
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q		
Total of cost of sales	740	690	730	810	853	810	869	1,005	939	-6.5%	+10.1%
Labor costs	286	230	239	251	257	268	287	296	321	+8.5%	+25.1%
Subcontract costs	143	98	112	118	131	138	84	240	167	-30.5%	+26.9%
Others	311	362	378	441	465	404	499	468	451	-3.7%	-2.9%
Total of SG&A	3,001	2,990	2,985	2,968	3,009	3,058	3,121	3,061	3,380	+10.4%	+12.3%
Labor costs	1,895	2,015	1,925	1,995	1,984	2,129	2,171	2,104	2,468	+17.3%	+24.4%
Additional performance-linked bonus (fixed)	173	—	—	—	99	—	—	—	—	—	—
Rent expenses etc.	343	343	343	330	335	344	316	324	321	-0.7%	-4.0%
Advertising expenses	167	192	230	174	167	203	201	184	188	+2.6%	+12.6%
Others	424	440	488	469	424	382	433	450	402	-10.6%	-5.0%

*Recognized performance-linked stock compensation (BIP trust), a reconciling item from FY2021/2Q to Non-GAAP operating profit, as Labor costs.

12 Quarterly Consolidated SG&A Trend

On the back of strong performance, additional performance-linked bonuses for employees and stock compensation expenses for Directors and Executive Officers (BIP trust) launched provision and increased labor costs.



*Recognized performance-linked stock compensation (BIP trust), a reconciling item from FY2021/2Q to Non-GAAP operating profit, as Labor costs.

03

Digital Marketing Business

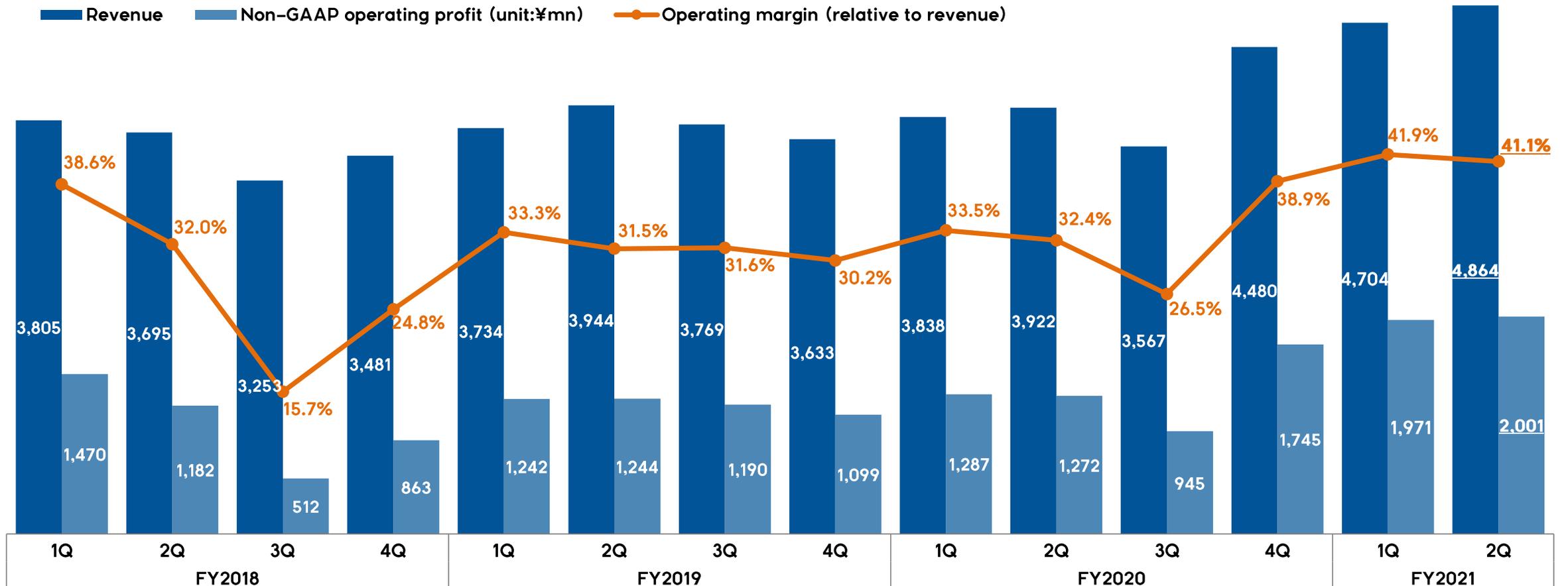
14 Digital Marketing Business Earnings Overview



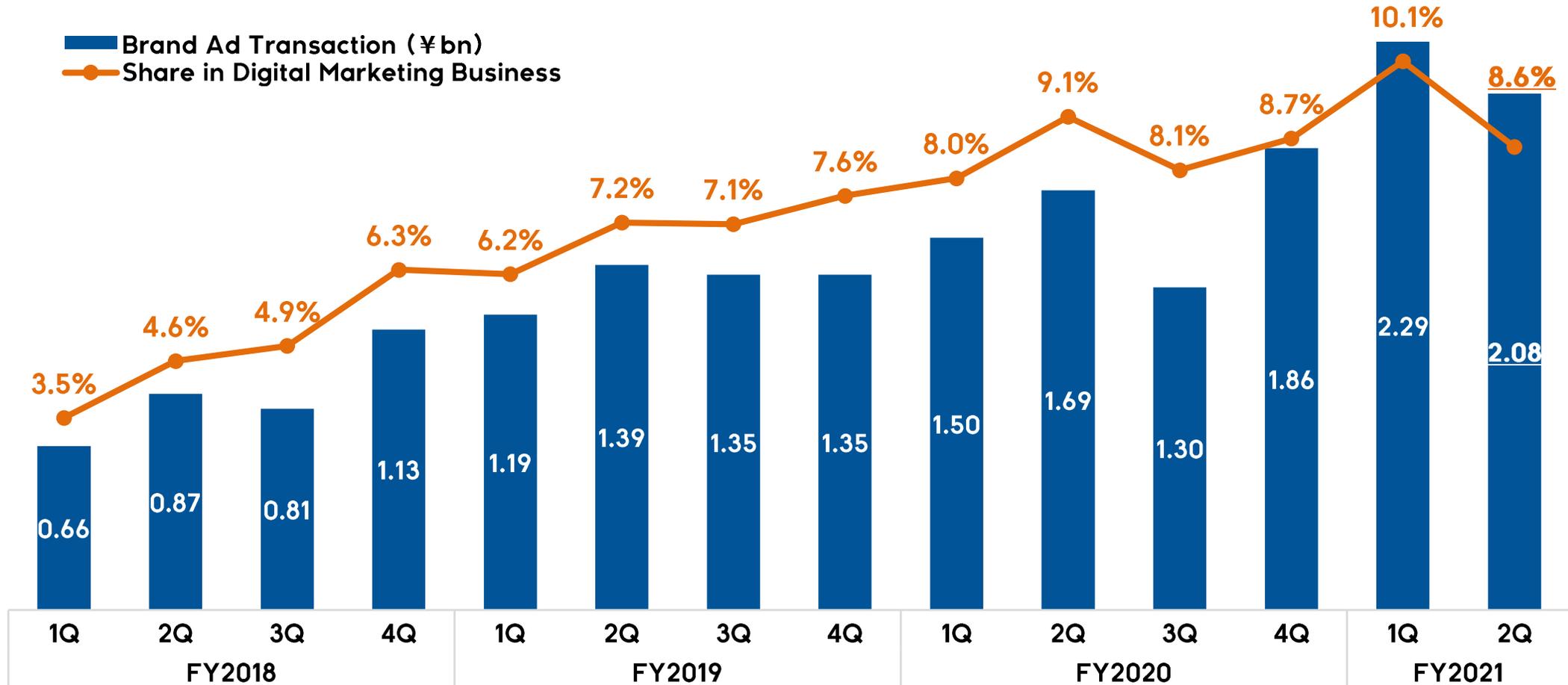
Both domestic and overseas revenues increased YonY.
Quarterly Non-GAAP operating profit exceeded **¥2 billion** for the first time.

(unit:¥mn)	2Q FY2021			2Q FY2020	
	Value	Ratio	YonY	Value	Ratio
Revenue	4,864	100.0%	+ 24.0%	3,922	100.0%
Gross profit	4,237	87.1%	+ 25.0%	3,391	86.5%
SG&A	2,235	46.0%	+ 6.1%	2,107	53.7%
Non-GAAP Operating profit	2,001	41.1%	+ 57.3%	1,272	32.4%
【Reference】 Net Sales	24,370	—	+ 31.6%	18,524	—

Both revenues and Non-GAAP operating profit reached record highs for the third consecutive quarter.

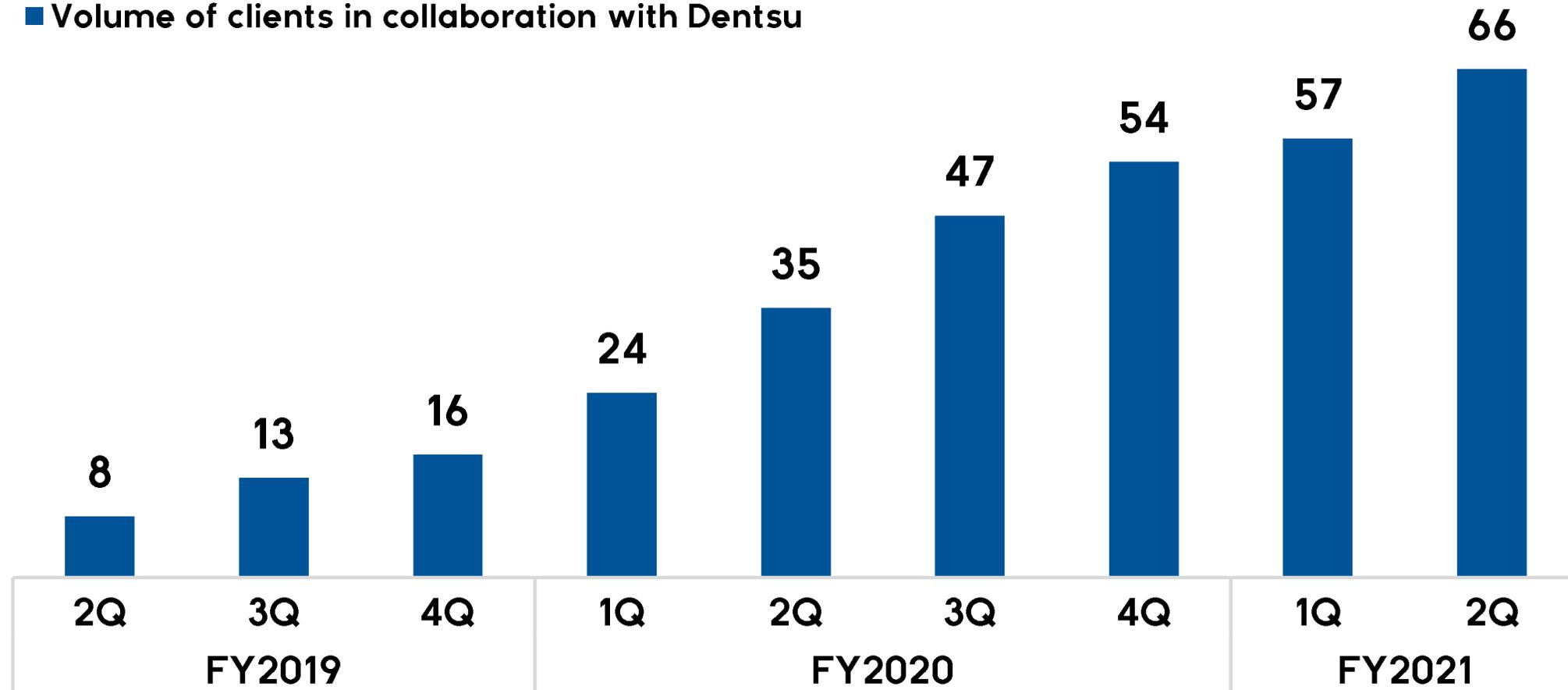


Increased by 23.5% year on year.



The number of clients acquired in the alliance increased by about 1.9 times YonY.

■ Volume of clients in collaboration with Dentsu



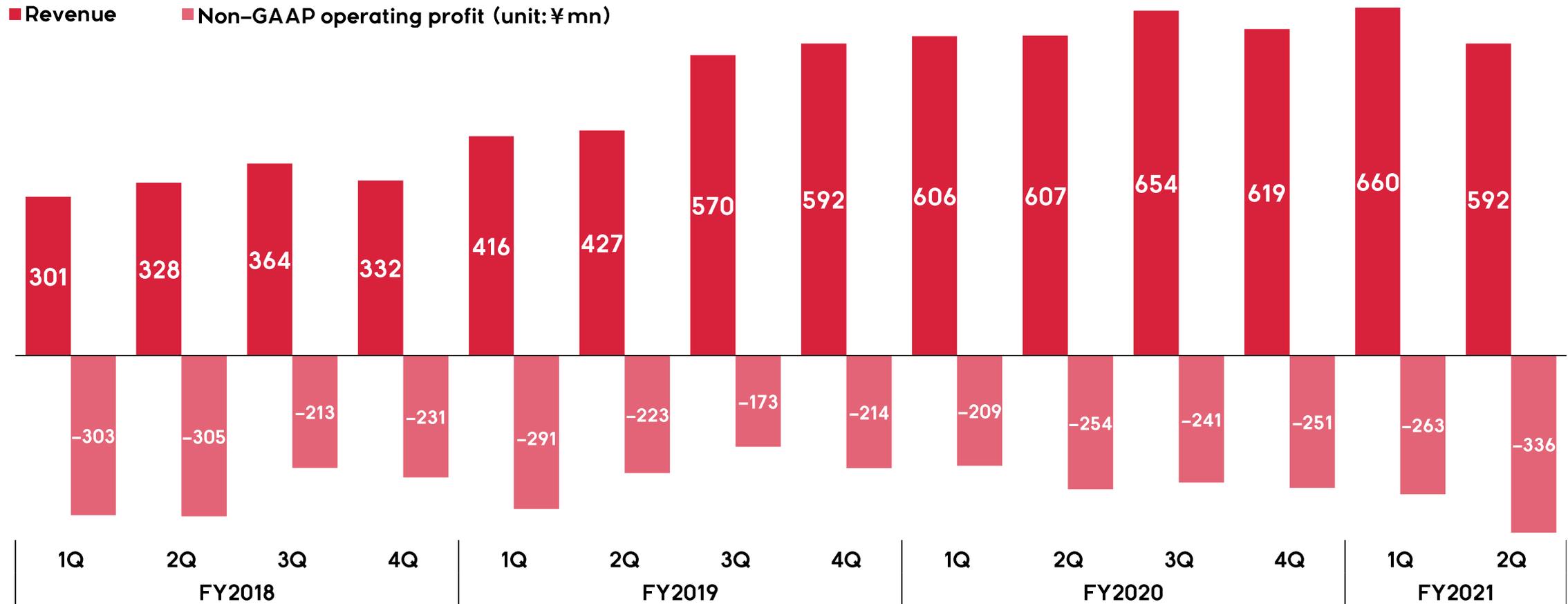
04

Media Platform Business

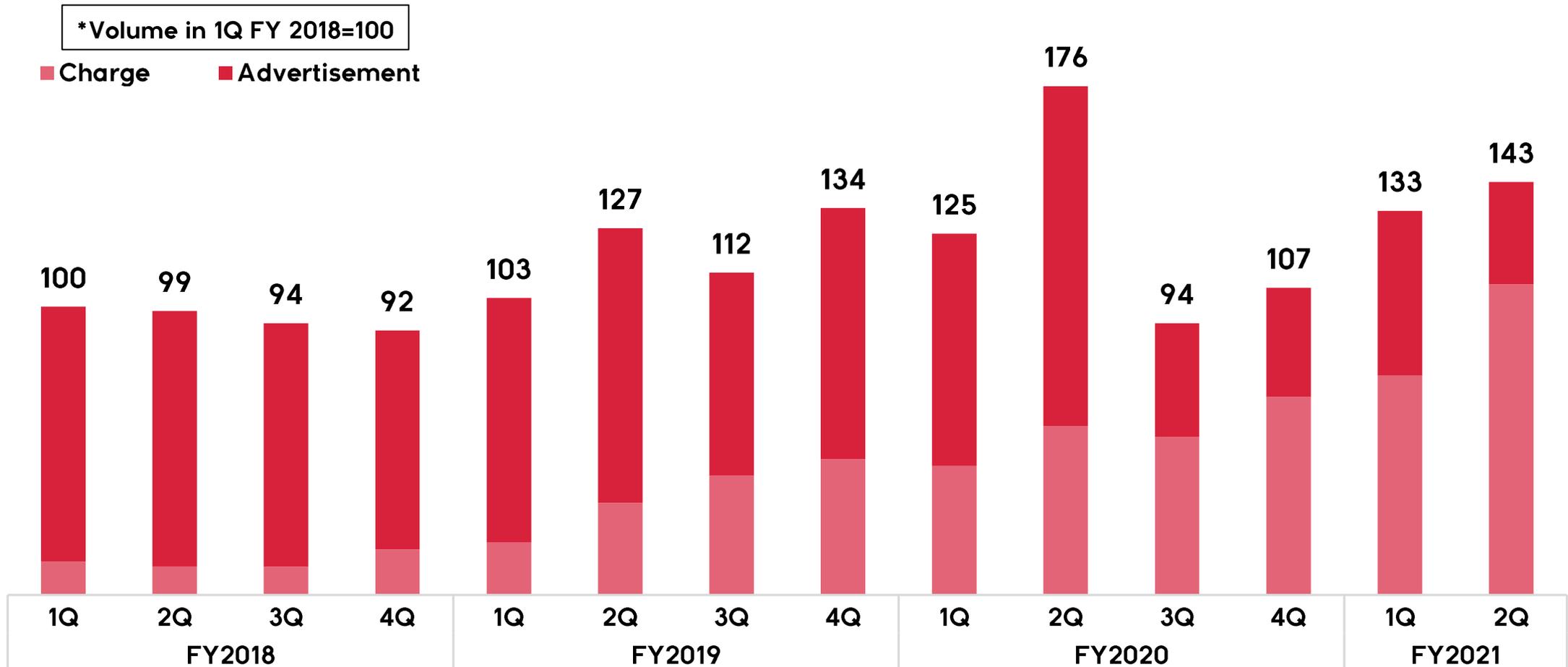
The deficit widened due to sluggish earnings growth and higher costs from upfront investments.

(unit:¥mn)	2Q FY2021			2Q FY2020	
	Value	Ratio	YonY	Value	Ratio
Revenue	592	100.0%	-2.5%	607	100.0%
Gross profit	271	45.7%	-3.0%	279	45.9%
SG&A	606	102.3%	+14.0%	532	87.5%
Non-GAAP Operating profit	-336	—	-82	-254	—

Advance investment in some businesses in order to expand into new business segments.



While revenue from advertisement were sluggish, revenue from charges is **steady for both subscriptions and commerce.**

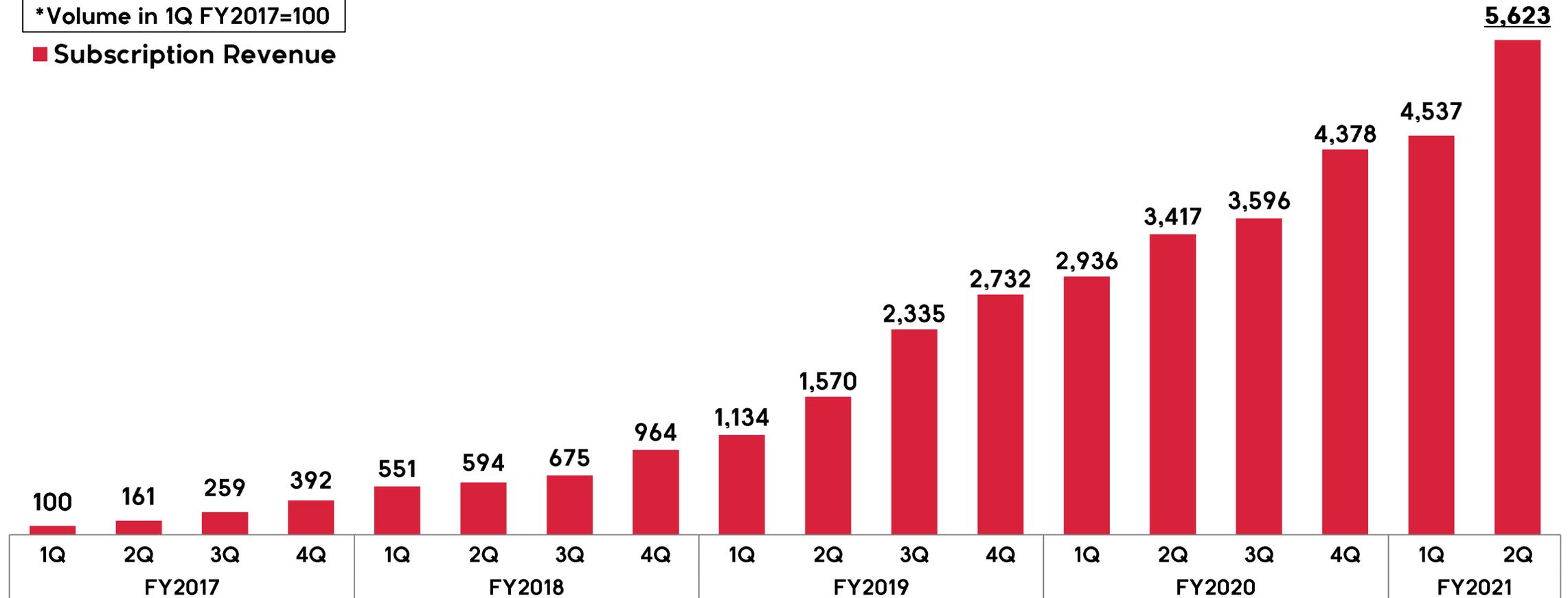


22 Manga Content Business Subscription Revenue Trend

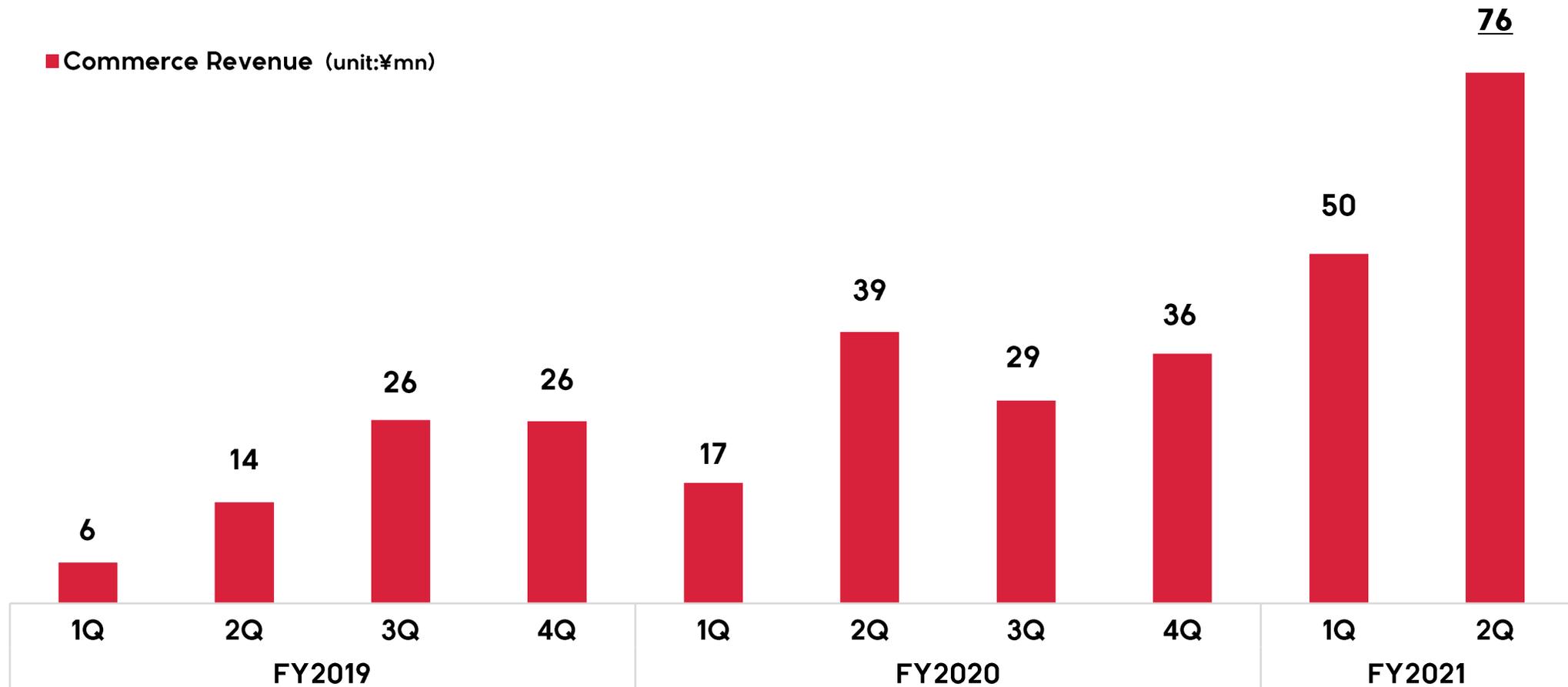
Hit of original content contributed to the acquisition of new users, and subscription revenue increased by **approximately 1.6 times YoY**.

*Volume in 1Q FY2017=100

■ Subscription Revenue



Steady growth in both crowdfunding and e-books.



*Commerce revenue: Revenue from the sales of content, such as e-books and crowdfunding.

By reviewing its business portfolio, the Group transferred 100% of the shares of Pharmarket, a consolidated subsidiary, to KAKEHASHI Inc.

Pharmarket Co., Ltd.



Business Activities

Operation of “Sentry”, a personal business support system
Operation of Pharmarket, a secondary distribution business for ethical drugs

KAKEHASHI Inc.



Business Activities

Development and provision of services for dispensing pharmacies

Outline of the share transfer

Number of transferred stock	2200 shares
Date of the share transfer agreement	March 23, 2021
Effective date of the share transfer	April 1, 2021
Impact on business performance of FY9/21	Scheduled to record a gain on sale as other income in the 3Q. Expects minor impact on the consolidated results.

05

**Revised Earnings Estimates and
Dividend Forecast**

Revised up earnings estimates on the back of high growth in the Digital Marketing Business and plan to increase the term-end dividend.

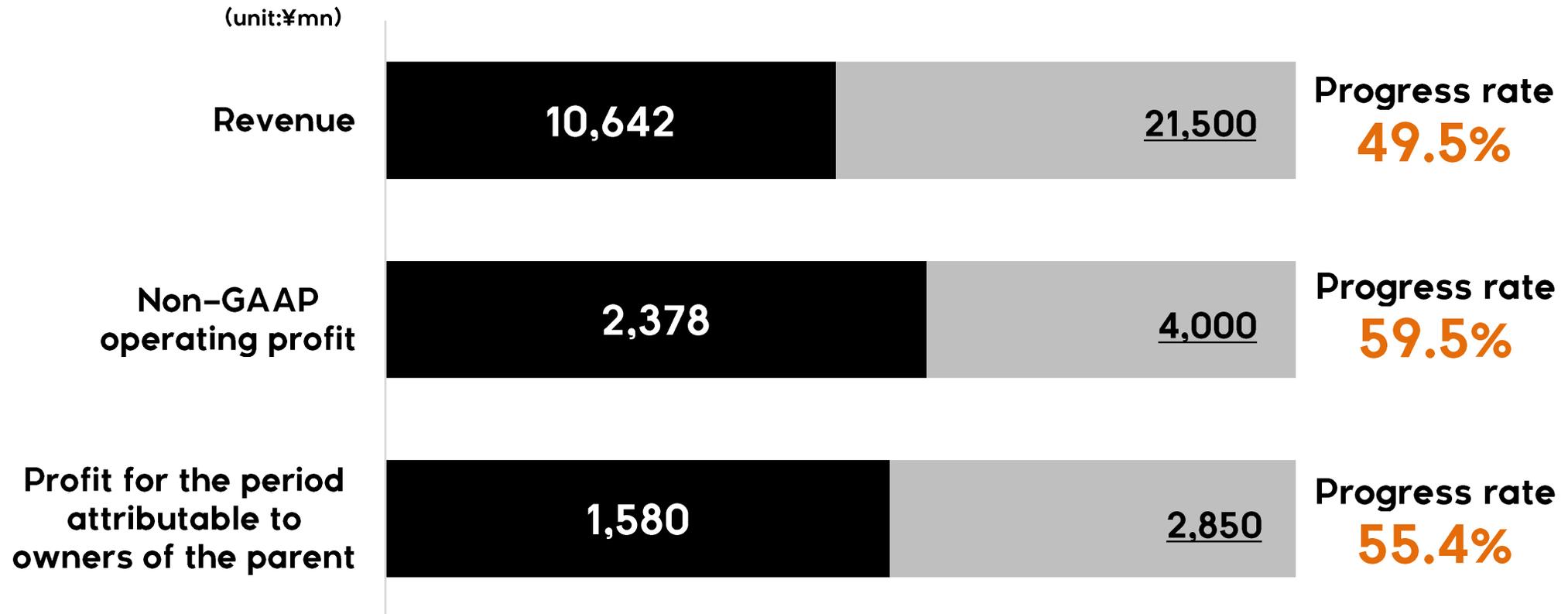
(unit: ¥mn)	Revenue	Non-GAAP Operating profit	Profit attributable to owners of the parent	Basic earnings per share
Previously announced estimate (A)	20,000	2,850	1,785	¥14.12
Estimate as revised this time (B)	21,500	4,000	2,850	¥22.54
Change (B-A)	1,500	1,150	1,065	
Change (%)	7.5	40.4	59.7	
Results for the previous fiscal year (FY2020)	17,938	2,452	1,464	¥11.58
	FY9/21 (Current terms forecast)		FY9/20 (previous year)	
DPS (¥) /Dividend payout ratio (%)	¥3.4	15.1%	¥2.0	17.3%

27 Revision of Full-Year Earnings (by Segment)

In the Media Platform Business through the 2H higher sales is expected mainly in existing businesses; wider loss due to upfront investment in new segments.

(unit: ¥mn)	Revenue			Non-GAAP Operating profit		
	Previous Estimate	Revised Estimate	Change (%)	Previous Estimate	Revised Estimate	Change (%)
Digital Marketing	17,300	18,800	+8.7	5,700	7,050	+23.7
Media Platform	3,000	3,100	+3.3	-800	-1,000	-
Eliminations and Corporate	-300	-400	-	-2,050	-2,050	-
Consolidated	20,000	21,500	+7.0	2,850	4,000	+40.4

Steady progress against revised earnings estimates.



29 Progress on Earnings Estimates (by Business Segment)

Digital Marketing Business

(unit:¥mn)

Revenue

9,569

18,800

Progress rate 50.9%

Non-GAAP
operating
profit

3,972

7,050

Progress rate 56.3%

Media Platform Business

(unit:¥mn)

Revenue

1,253

3,100

Progress rate 40.4%

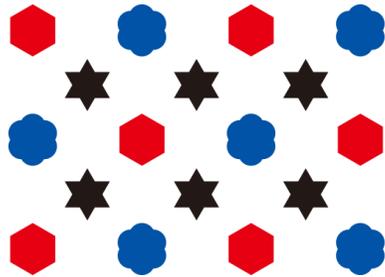
Non-GAAP
operating
profit

-599

-1,000

Relative to Estimates 59.9%

Thank you for your interest!



SEPTENI

Contact Information

SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

www.septeni-holdings.co.jp/en/

E-mail: ir@septeni-holdings.co.jp

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 April 27, 2021 and we do not guarantee their accuracy. Therefore, our actual results may differ due to various unforeseen risk factors and changes in global economies.

06

Appendix

[Mission]

**Inspiring the world with
entrepreneurship**

[Vision]

**Creating a strong and
great company**

[Creed]

Hinerankai

Speed

Speed is preferred over sophisticated but slow. We place speed first and follow a process of repeated trial and error to achieve a higher level of completion.

Stretch

Set challenging targets. We believe it is important to make innovations that meet challenging targets. The steady accumulation of day-to-day changes ultimately leads to remarkable growth.

Partnership

Achieving mutual growth. We all work hard, in competition and in cooperation, from the perspective of the management team to build a better company.

Fair & Open

Make things simple and easy for anybody to understand. We ensure fairness and openness in constructing an environment and relations.

Diversity

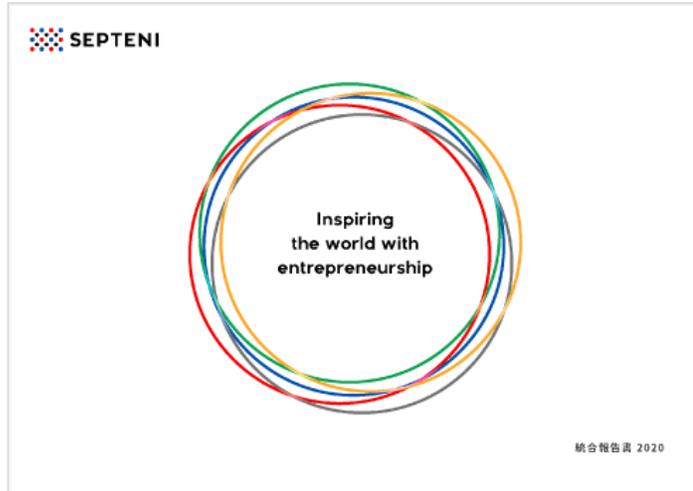
Use diversity as a competitive edge. We respect all human rights and mutually recognize diversity. We work to realize working styles in which individuals can exhibit and apply their respective strengths.

Passion

Remain passionate. We believe that passion will help us increase our capacity and consistently produce positive results. We continue our own personal development to stimulate corporate growth and contribute to society.

Free & Rule

Freedom within discipline. The decisions we make are not dictated by whether something is beneficial, but whether it is right. We comply with the corresponding regulations and ordinance and with the spirit of law, while concentrating on doing our jobs seriously yet happily.



Integrated Report 2020

The Integrated Report 2020 is available on the website, discussing mid-long-term management policy, business strategy, and the framework of value creation in the businesses.

Please check the details from the link or the code.

(https://www.septeni-holdings.co.jp/en/ir/library/integrated-report/integratedreport2020_en.pdf)



Septeni Group official “note”

Septeni Group official blog on “note” started in December 2019, introducing various approaches around its people and culture that cannot be talked enough on other materials.

*only available in Japanese.

Please check the details from the link or the code.

(https://note.com/septeni_group)



Expands the existing domain

Digital Marketing Business

- Strengthening development of e-commerce ad domain
- Enhancing the Group system of data & solutions domain

Media Platform Business

- Focusing on revenue from charge on users
- Strengthening business development of D2C

New Business Segment

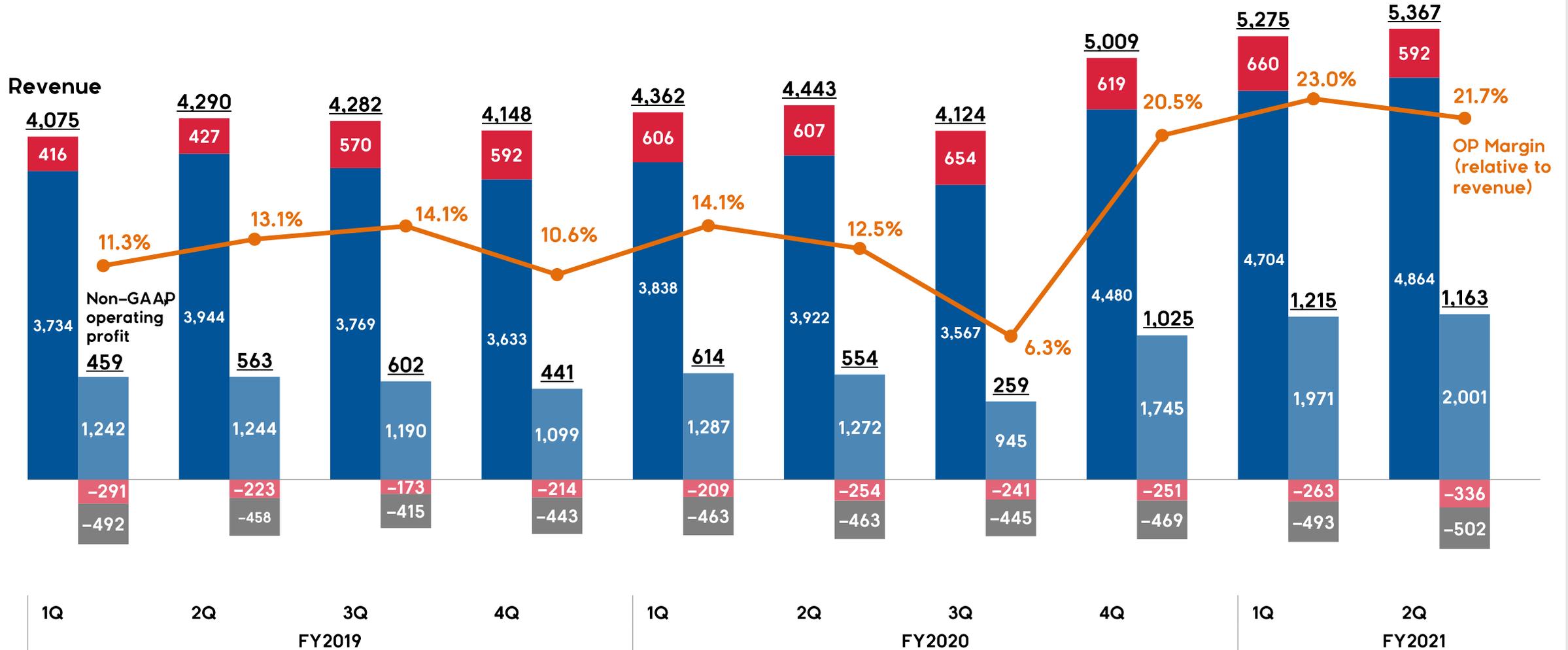
- Absorbing demand for DX focusing on selected industries
- Commercialization of HR technology domain

Expands into the new domain

35 Quarterly Consolidated Earnings Trend (by Business Segments)



■ Digital Marketing
 ■ Media Platform
 ■ Adjustment (unit: ¥mn)



*The Statement of intersegment revenue elimination is omitted, so the sum of revenues in each business does not match consolidated revenue (underlined numbers).

36 Digital Marketing Business Quarterly Trend



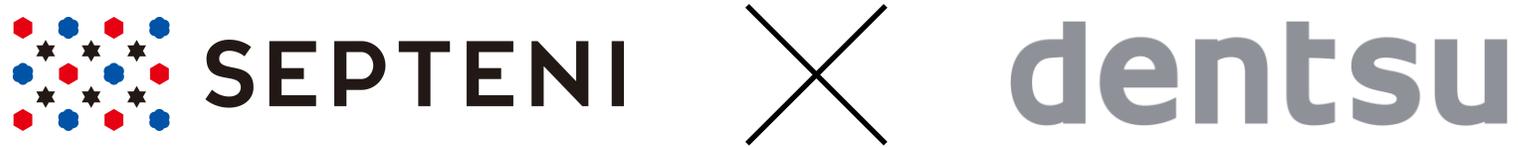
(unit:¥mn)	FY2019				FY2020				FY2021	
	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	
Net Sales	19,491	19,012	17,639	18,770	18,524	16,041	21,393	22,605	24,370	
Revenue	3,944	3,769	3,633	3,838	3,922	3,567	4,480	4,704	4,864	
Domestic Revenue	3,557	3,391	3,356	3,468	3,702	3,380	4,293	4,429	4,607	
Overseas Revenue	387	378	277	370	220	187	187	275	257	
Ratio of Overseas Revenue	9.8%	10.0%	7.6%	9.6%	5.6%	5.2%	4.2%	5.8%	5.3%	
Ratio of Revenue to Net Sales	20.2%	19.8%	20.6%	20.4%	21.2%	22.2%	20.9%	20.8%	20.0%	
Non-GAAP Operating Profit	1,244	1,190	1,099	1,287	1,272	945	1,745	1,971	2,001	
Operating Margin to Revenue	31.5%	31.6%	30.2%	33.5%	32.4%	26.5%	38.9%	41.9%	41.1%	
Domestic Brand Advertising Transaction (¥bn)	1.39	1.35	1.35	1.50	1.69	1.30	1.86	2.29	2.08	
Share in Digital Marketing Business	7.2%	7.1%	7.6%	8.0%	9.1%	8.1%	8.7%	10.1%	8.6%	
Volume of Clients in collaboration with Dentsu	8	13	16	24	35	47	54	57	66	

37 Manga Content Business Quarterly Trend



	FY2019				FY2020			FY2021	
	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q
Revenue (Volume in 1Q FY2018=100)	127	112	134	125	176	94	107	133	143
Subscription Revenue (Volume in 1Q FY2017=100)	1,570	2,335	2,732	2,936	3,417	3,596	4,378	4,537	5,627
GANMA! ARPU (¥)*	53.3	48.9	60.5	51.3	39.8	31.9	29.9	44.0	67.3
Commerce Revenue (¥mn)	14	26	26	17	39	29	36	50	76

*Numbers from the last months of every quarter



Both Septeni Group and Dentsu Group aim to be **the largest digital marketing partners in Japan that lead the industry's development in **an environment where people with various talents assemble with the joy of working** and **by providing the best solutions** to clients.**

Making use of differences in specialties and strengths in both companies, we add values to provide for our clients by creating synergy through short and medium-term initiatives.



Offering knowledge and technology of the Digital Marketing Business

Sales of the Company group's media, mainly GANMA! by Dentsu Group

The Company supports the implementation of advertisements for digital marketing projects handled by the Dentsu Group

Mutual use of data assets held by both companies

Propose integrated marketing of online/offline utilizing the client bases of both companies

Proposal of Integrated Marketing of online/offline advertising through the utilization of the two companies' clients bases (conceptual image)



Build online and offline integrated proposal-making systems by sharing and utilizing all of the two companies' assets, including strategies, creative production, media buying and tools/solutions.

Septeni

- Digital planning including complementary measures to increase the reach of TV commercials.
 - Customization of creatives in sync with TV commercials.
 - Implementation of digital advertisements by leveraging linkage with data for the mass media area.
- etc.

Close collaboration

Dentsu Group

- Planning of mass marketing based on the results of the validation of digital advertisements and digital data such as those available from search patterns and access to social media.
 - Utilization of original solutions.
- etc.

Client company

Joint proposal

Submission of manuscripts/Operation

Measurement of effects by integrating online/offline data

Delivery of solutions

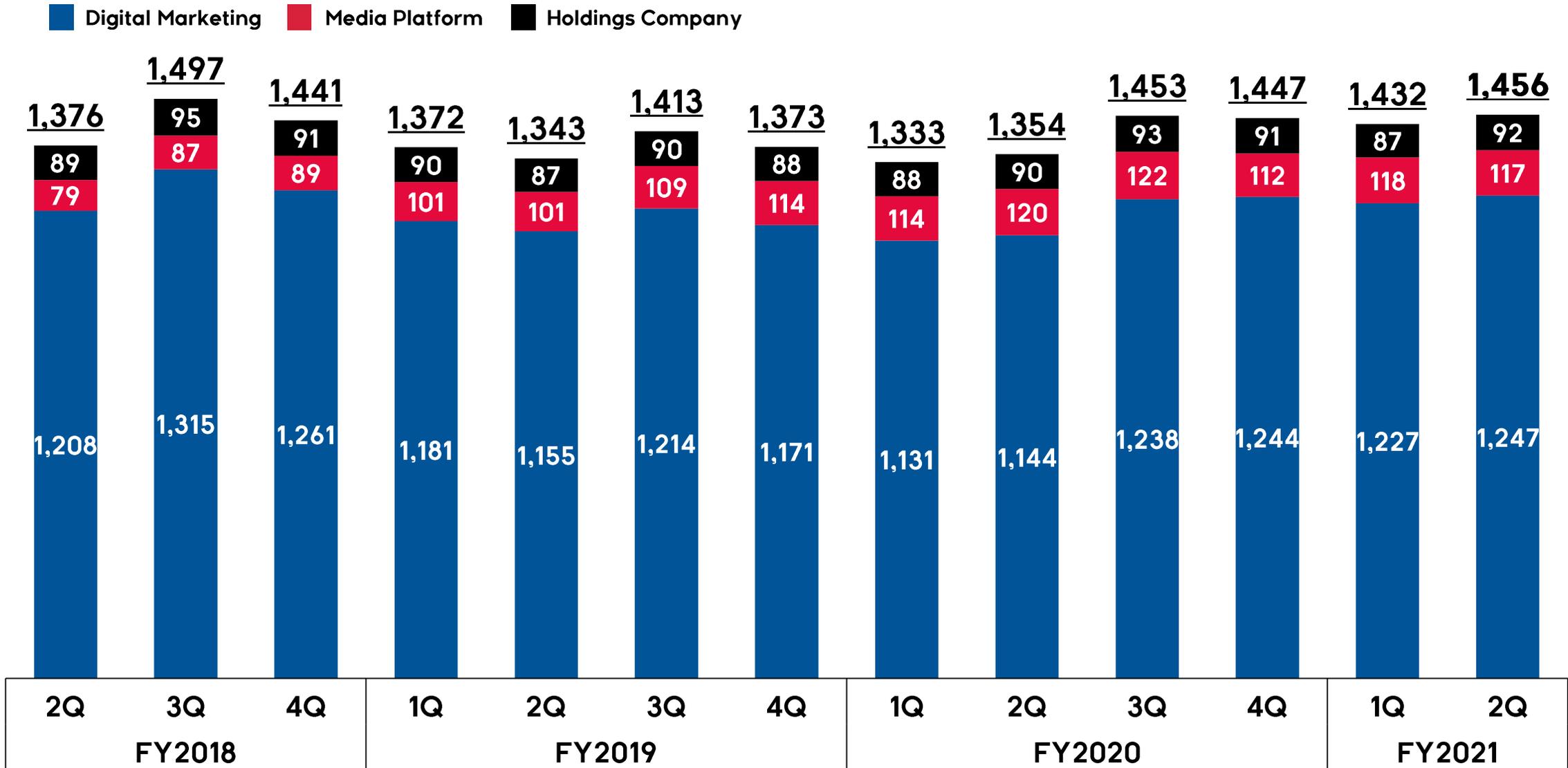
Digital media



Mass media



41 Septeni Group Workforce Number Trend



42 Main Group Companies by Business Segment

As of April 27, 2021



Holding Company	SEPTENI HOLDINGS CO., LTD		
------------------------	----------------------------------	--	--

Digital Marketing Business

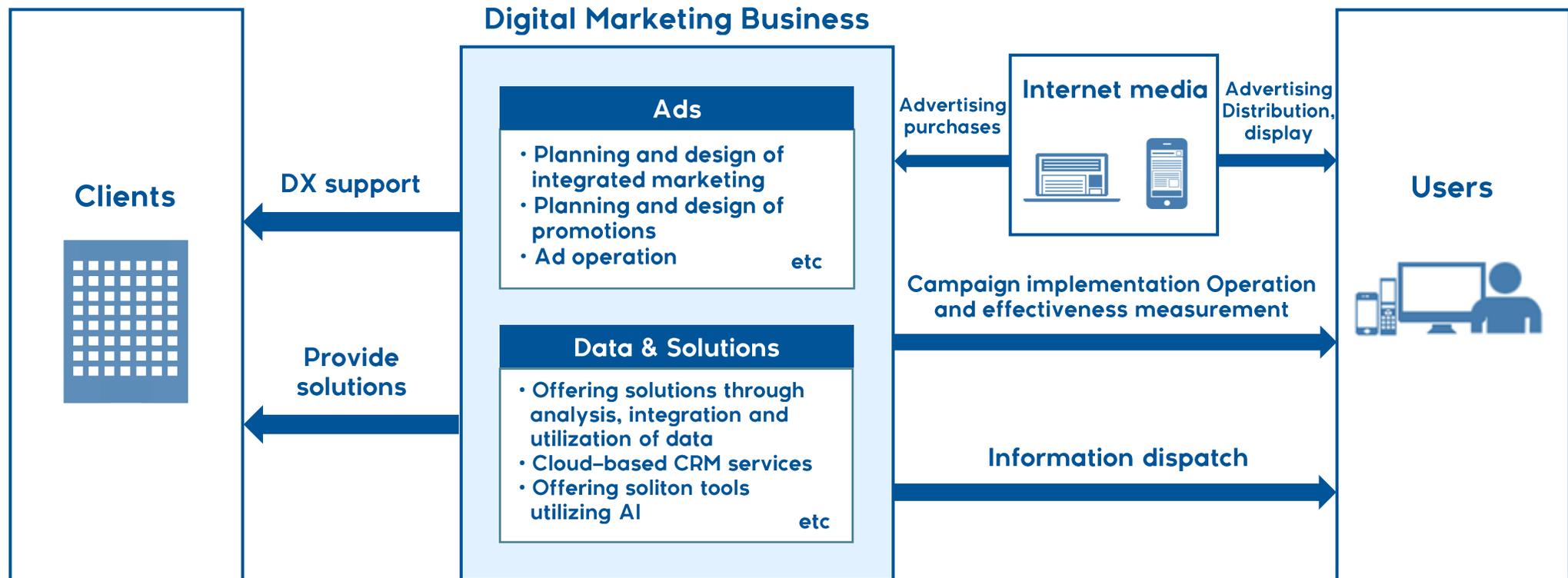
SEPTENI Japan, Inc.	Digital marketing support business	FLINTERS, Inc.	Planning, development and sales in digital solution area
SETPENI CROSSGATE CO., LTD.	Ad network and platform business	Tricorn Corporation	CRM service business
Septeni America, Inc.	Digital marketing support business based in North America region	Milogos, Inc.	Digital marketing support business
JNJ INTERACTIVE INC.	Digital marketing support in South Korea	Lion Digital Global LTD	Digital marketing support based in Southeast Asia

Media Platform Business

COMICSMART, Inc.	Manga Content Business	gooddo Inc.	Platform business of social contribution
ViViVit, Inc.	Recruitment platform business	TowaStela, Inc.	Childcare platform business
Delight Tube, Inc.	Planning, production and management of Internet media	New business development	SEPTENI INCUBATE Co., Ltd.

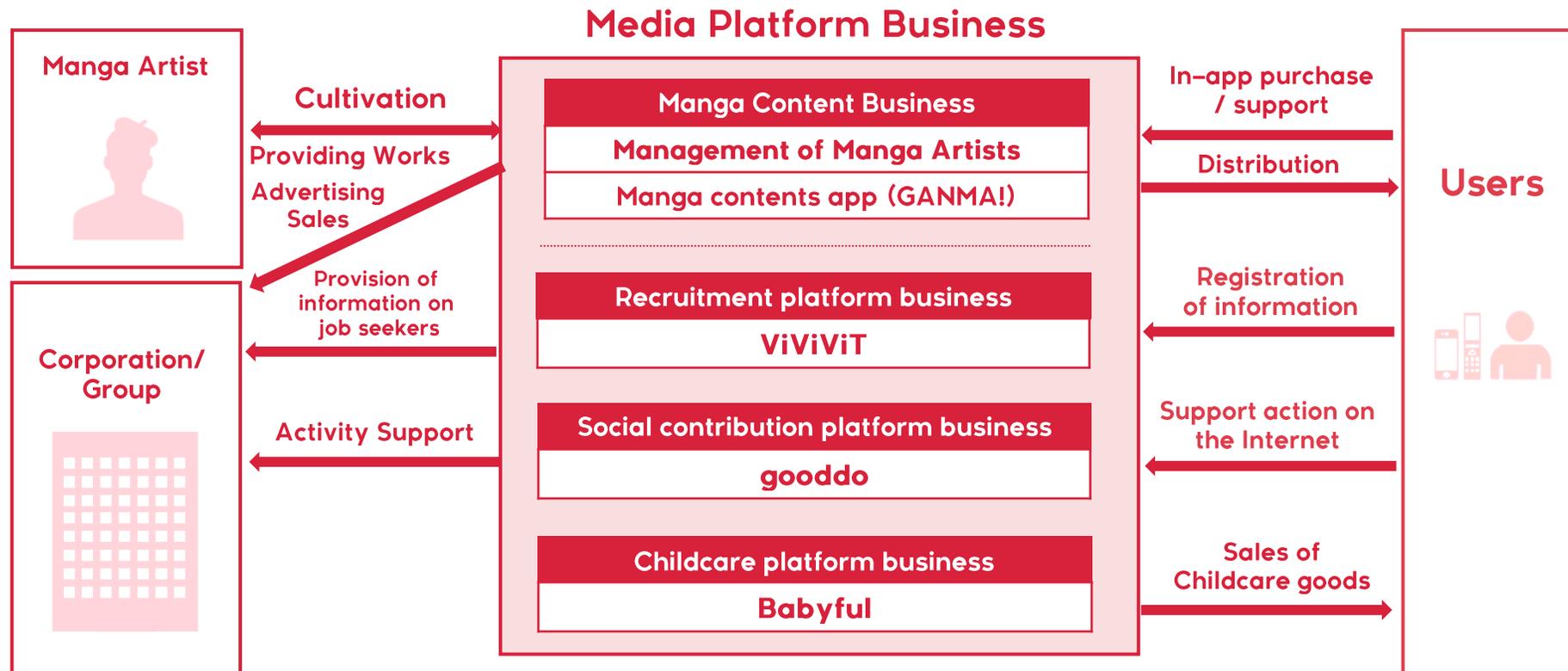
43 Business Model for the Digital Marketing Business

We engage in **the overall support of digital transformation (DX) of companies**, focusing on digital marketing such as the sale and operation of digital advertisements, offering solutions through the utilization of data and AI, and supporting marketing activities through the integration of online and offline advertisements in collaboration with the Dentsu Group.



44 Business Model for the Media Platform Business

In the Manga Content Business, efforts are being made to nurture and support manga artists for the purpose of **planning and developing the Company's own intellectual property (IP)**.
At the same time, **GANMA!** manga application, which consists of original products by dedicated artists, is operated as the **Company's own media**.
In addition, the Company develops platform-type businesses related to "recruitment," "social contribution" and "childcare" as new businesses born from intrapreneurship.



45 Consolidated Statement of Financial Position



(unit:¥mn)	End of 2Q FY2021	End of FY2020	Change
Current Assets	30,587	27,373	+3,212
Non-Current Assets	8,461	7,052	+1,410
Total Assets	39,048	34,425	+4,623
Current Liabilities	17,582	15,314	+2,268
Non-Current Liabilities	4,041	3,299	+742
Total Liabilities	21,623	18,613	+3,010
Total Capital	17,424	15,811	+1,613
Total Liabilities and Capital	39,048	34,425	+4,623

*In line with the adoption of IFRS16 (lease accounting standards), some rents we will pay in the future are posted as Right-of-use assets in Assets and financial liabilities in Liabilities.