

## Summary of Consolidated Financial Statement for the Three Months Ended December 31, 2021 [IFRS]

February 10, 2022  
Listed Market: TSE

SEPTENI HOLDINGS CO., LTD.

Stock Code: 4293 URL: <https://www.septeni-holdings.co.jp/en>

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Anticipated Financial Report Filing Date: February 14, 2022

Anticipated Dividend Payment Date: —

Supplemental Earnings Presentation Materials: Available

Earnings Presentation Meeting: Held for institutional investors, analysts, media

(All figures of less than 1 million yen are rounded down to the nearest digit)

### 1. Consolidated Financial Results for the Three Months Ended December 31, 2021 (From October 1, 2021 to December 31, 2021)

#### (1) Consolidated Earnings

(% figures represent year-over-year change)

	Revenue		Operating Profit		Non-GAAP Operating Profit		Profit before tax		Profit for the period		Profit for the period attributable to owners of the parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1Q FY9/22	6,572	24.6	1,940	61.1	2,020	66.2	1,980	53.7	1,275	47.8	1,275	47.4
1Q FY9/21	5,275	20.9	1,205	110.4	1,215	97.9	1,288	113.5	863	120.5	865	123.2

(Note) Non-GAAP operating profit 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.

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
1Q FY9/22	10.08		10.04	
1Q FY9/21	6.84		6.81	

#### (2) Consolidated Financial Position

	Total Assets		Total Equity		Equity attributable to owners of the parent		Ratio of equity attributable to owners of the parent to total assets	
	Million Yen		Million Yen		Million Yen		%	
1Q FY9/22	43,040		19,347		19,328		44.9	
FY9/21	42,011		18,445		18,426		43.9	

### 2. Dividend Conditions

	Dividends				
	End of 1Q	End of 2Q	End of 3Q	Term-end	Total
	Yen	Yen	Yen	Yen	Yen
FY9/21	—	—	—	3.40	3.40
FY9/22	—	—	—	—	—
FY9/22 Estimate	—	—	—	—	—

(Note) Changes in dividends estimates during the most recent quarter: None

Estimates for dividends in the fiscal year ending September 30, 2022 have yet to be decided.

### 3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2022 (From October 1, 2021 to September 30, 2022)

(% figures represent year-over-year change)

	Revenue		Non-GAAP Operating profit		Profit for the period attributable to owners of the parent		Basic earnings per share	
	Million Yen	%	Million Yen	%	Million Yen	%	Yen	
Full Year	30,000	40.3	5,300	39.6	3,900	49.8	20.68	

(Note) Changes in consolidated earnings estimates during the most recent quarter: Applicable

\*Annotation

(1) Important changes in subsidiaries, including changes in the scope of consolidation: None

(2) Changes in accounting methods, procedures, presentation methods

Changes in accounting policies required by IFRSs: None  
Other changes in accounting methods: None  
Changes in accounting estimates: None

(3) Shares issued (common stock)

Shares issued as of term-end (incl. Treasury stock):	1Q FY9/22	138,916,500	FY9/21	138,916,500
Treasury stock as of term-end:	1Q FY9/22	12,463,440	FY9/21	12,463,440
Average number of shares outstanding:	1Q FY9/22	126,453,060	1Q FY9/21	126,453,060

\*The summary of consolidated financial results for the fiscal year is not subject to the auditing by the Certified Public Accountants or the audit corporation.

\*Disclaimer regarding appropriate use of forecasts and related points of note

(1) Regarding Consolidated Financial Results Forecast

Any description regarding the future in this material, such as financial results forecast and future outlook, is based on the available information and certain conditions which the Company believes to be reasonable at this time, and actual financial results may be substantially different from the forecast due to various factors.

For the conditions which the forecast is based on, please refer to “1. Qualitative Information on Results for the Three Months Ended December 31, 2021 (2) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information.”

(2) Appendix

The Company will hold a financial results briefing as below. The briefing materials will be available on the website after this summary is disclosed. The audio archive of briefing will be also available on the website.

February 10, 2022 (Thu.) - FY9/22 1<sup>st</sup> Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

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1. Qualitative Information on Results for the Three Months Ended December 31, 2021

(1) Explanation for Earnings Performance

In the 1Q of the current fiscal year, in the main Digital Marketing Business, both revenue and profits increased due to the organic growth and the promotion of the alliance with the Dentsu Group. In the Media Platform Business, the loss narrowed due to the growth of Manga Content Business.

As a consequence, revenue was ¥6,572 million (up 24.6% year on year), operating profit was ¥1,940 million (up 61.1% year on year), Non-GAAP operating profit was ¥2,020 million (up 66.2% year on year), and profit attributable to owners of the parent was ¥1,275 million (up 47.4% year on year).

The Group discloses consolidated business results in terms of both its internal measures which the management relies upon in making decisions (hereinafter the “Non-GAAP financial measures”) and those under IFRS. Non-GAAP operating profit is operating profit under IFRS after deducting unusual items to measure constant business results. The management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group and peer companies in the same industry or comparison of its business results with those of prior fiscal years by stakeholders, and can provide useful information in understanding the underlying business results of the Group and its future outlook. Unusual items refer to one-off items, such as stock-based compensation expenses, impairment loss and gain or loss on sales of non-current assets, that the Group believes shall be excluded for the purposes of preparing a future outlook based on certain rules. In addition, because it will be useful for users of financial statement, the Group voluntarily disclose “Net Sales”, which is shown as the total amount for all transactions, although the disclosure is not in accordance with IFRS.

Reconciliation from operating profit to Non-GAAP operating profit and Net Sales are as below:

(unit: ¥mn)

	1Q FY2021 (Previous Consolidated Cumulative 1Q)	1Q FY2022 (Current Consolidated Cumulative 1Q)	Change	Percentage of change
Operating profit	1,205	1,940	735	61.5%
Adjustment (Stock-based compensation expenses)	—	14	14	
Adjustment (Others)	10	66	56	
Non-GAAP operating profit	1,215	2,020	805	66.2%
Net Sales	23,027	30,110	7,083	30.8%

Operating results by reportable segment are as follows.

(i) Digital Marketing Business

The Digital Marketing Business provides comprehensive support for corporate digital transformation (DX), centered on digital marketing.

In the quarter under review, the organic sales increased, and the proportion of sales accounted for by the alliance with the Dentsu Group increased compared with the previous fiscal year, and the number of cooperative clients with the Dentsu Group increased.

As a consequence, revenue was ¥5,999 million (up 27.5% year on year) and Non-GAAP operating profit was ¥2,822 million (up 43.2% year on year).

(ii) Media Platform Business

The Media Platform Business consists of Manga Content Business “GANMA!”, Recruitment Platform Business “ViViViT”, Social Contribution Business “gooddo”, Childcare Platform Business “Babyful” etc.

In the quarter under review, although the Manga Content Business expanded compared with the previous fiscal year, mainly from billing revenues, revenues decreased as a result of a decrease in revenues from other businesses. On the other hand, the loss decreased due to an increase in the mix of high-margin products such as subscriptions.

As a result, it recorded revenue of ¥644 million (down 2.5% year on year) and Non-GAAP operating loss of ¥262 million (compared to Non-GAAP operating loss of ¥263 million in the previous year).

(2) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

For the full-year consolidated earnings estimates for the fiscal year ending September 2022, the Company revised its estimates in consideration of the impact on earnings related to the capital and business alliances with Dentsu Group Inc. Please refer to “Notifications on Revisions to the Full-Year Consolidated Earnings Estimates for the FY2022” revealed on February 10, 2022.

2. Consolidated Financial Statements and Key Notes  
 (1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	FY2021 (Ended September 30, 2021)	1Q FY2022 (Ended December 31, 2021)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	16,899,990	17,389,536
Trade receivables	16,085,450	16,844,852
Inventories	119,530	121,959
Other financial assets	12,941	11,805
Other current assets	333,622	460,875
Total current assets	33,451,533	34,829,027
Non-current assets		
Property, plant and equipment	310,284	294,317
Right-of-use assets	1,653,760	1,512,070
Intangible assets	67,290	63,825
Investments accounted for using equity method	997,026	1,014,472
Other financial assets	3,929,443	3,748,420
Other non-current assets	32,646	27,245
Deferred tax assets	1,569,185	1,550,641
Total non-current assets	8,559,635	8,210,989
Total assets	42,011,169	43,040,015

(Thousand yen)

	FY2021 (Ended September 30, 2021)	1Q FY2022 (Ended December 31, 2021)
<b>Liabilities and Equity</b>		
Liabilities		
Current liabilities		
Trade payables	14,043,615	15,740,197
Other financial liabilities	2,549,116	2,531,189
Current income taxes payable	1,024,502	506,616
Other current liabilities	2,711,491	1,807,592
Total current liabilities	20,328,724	20,585,595
Non-current liabilities		
Other financial liabilities	3,082,067	2,951,226
Provisions	155,090	155,845
Total non-current liabilities	3,237,157	3,107,071
Total liabilities	23,565,881	23,692,666
Equity		
Equity attributable to owners of parent		
Share capital	2,125,384	2,125,384
Capital surplus	3,901,272	3,915,314
Treasury shares	-1,691,842	-1,691,842
Retained earnings	14,322,283	15,167,016
Other components of equity	-230,678	-188,077
Total equity attributable to owners of parent	18,426,419	19,327,796
Non-controlling interests	18,869	19,553
Total equity	18,445,288	19,347,350
Total liabilities and equity	42,011,169	43,040,015

## (2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	1Q FY2021 (From October 1, 2020 to December 31, 2020)	1Q FY2022 (From October 1, 2021 to December 31, 2021)
Revenue	5,275,221	6,572,468
Cost of sales	1,004,558	1,120,078
Gross profit	4,270,663	5,452,390
Selling, general and administrative expense	3,061,119	3,446,791
Other income	5,934	915
Other expense	10,799	66,317
Operating profit	1,204,679	1,940,197
Finance income	61,376	32,607
Finance costs	12,524	9,753
Share of profit from investments accounted for using equity method	34,737	17,445
Profit before tax	1,288,268	1,980,495
Income tax expense	425,086	705,137
Profit	863,182	1,275,358
Profit (loss) attributable to:		
Owners of parent	864,843	1,274,674
Non-controlling interests	-1,661	684
Total	863,182	1,275,358
Earnings per share		
Basic earnings per share (Yen)	6.84	10.08
Diluted earnings per share (Yen)	6.81	10.04

## (3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	1Q FY2021 (From October 1, 2020 to December 31, 2020)	1Q FY2022 (From October 1, 2021 to December 31, 2021)
Profit (loss)	863,182	1,275,358
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net changes in financial assets measured at fair value through other comprehensive income	-2,349	24,503
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-3,994	15,567
Cash flow hedges	3,298	2,531
Total other comprehensive income, net of tax	-3,045	42,601
Total comprehensive income	<u>860,137</u>	<u>1,317,960</u>
Comprehensive income attributable to:		
Owners of parent	861,798	1,317,275
Non-controlling interests	-1,661	684
Comprehensive income	<u>860,137</u>	<u>1,317,960</u>

## (4) Quarterly Consolidated Statement of Changes in Equity

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2020	2,125,384	3,664,788	-1,691,842	11,971,086	-276,037	15,793,379	17,978	15,811,357
Quarterly Profit (loss)	—	—	—	864,843	—	864,843	-1,661	863,182
Other comprehensive income	—	—	—	—	-3,045	-3,045	—	-3,045
Total comprehensive income	—	—	—	864,843	-3,045	861,798	-1,661	860,137
Dividends of surplus	—	—	—	-252,906	—	-252,906	—	-252,906
Other	—	—	—	-1	1	—	-1,895	-1,895
Total amount of transactions with owners	—	—	—	-252,907	1	-252,906	-1,895	-254,801
Balance at December 31, 2020	<u>2,125,384</u>	<u>3,664,788</u>	<u>-1,691,842</u>	<u>12,583,022</u>	<u>-279,081</u>	<u>16,402,271</u>	<u>14,422</u>	<u>16,416,693</u>

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2021	2,125,384	3,901,272	-1,691,842	14,322,283	-230,678	18,426,419	18,869	18,445,288
Quarterly Profit (loss)	—	—	—	1,274,674	—	1,274,674	684	1,275,358
Other comprehensive income	—	—	—	—	42,601	42,601	—	42,601
Total comprehensive income	—	—	—	1,274,674	42,601	1,317,275	684	1,317,960
Dividends of surplus	—	—	—	-429,940	—	-429,940	—	-429,940
Other	—	14,042	—	—	—	14,042	—	14,042
Total amount of transactions with owners	—	14,042	—	-429,940	—	-415,898	—	-415,898
Balance at December 31, 2021	<u>2,125,384</u>	<u>3,915,314</u>	<u>-1,691,842</u>	<u>15,167,016</u>	<u>-188,077</u>	<u>19,327,796</u>	<u>19,553</u>	<u>19,347,350</u>

## (5) Quarterly Consolidated Cash Flow Statement

(Thousand yen)

	1Q FY 2021 (From October 1, 2020 to December 31, 2020)	1Q FY 2022 (From October 1, 2021 to December 31, 2021)
Cash flows from (used in) operating activities		
Profit before tax	1,288,268	1,980,495
Adjustments:		
Depreciation and amortization expense	256,701	182,661
Interest income and dividend income	-60	-123
Interest expenses	7,462	6,863
Share of (profit) loss of entities accounted for using equity method	-34,737	-17,445
Other	-65,188	15,915
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-1,023,156	-759,402
Decrease (increase) in inventories	-14,378	-2,429
Increase (decrease) in operating payables	631,341	1,696,582
Other	551,323	-1,078,492
Subtotal	1,597,576	2,024,625
Interest and dividend income received	60	123
Interest expenses paid	-7,545	-6,944
Income taxes paid	-475,107	-1,015,648
Cash flows from (used in) operating activities	1,114,984	1,002,155
Cash flows from (used in) investing activities		
Purchase of securities	-159,156	-41,414
Purchase of property, plant and equipment	-37,022	-20,717
Purchase of intangible assets	-5,390	-3,047
Proceeds from collection of lease and guarantee deposits	433	289,591
Other	81,200	21,414
Cash flows from (used in) investing activities	-119,935	245,826
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	-191,668	-191,668
Repayments of lease obligations	-208,624	-152,394
Cash dividends paid	-252,906	-429,940
Other	-1,895	—
Cash flows from (used in) financing activities	-655,093	-774,003
Effect of exchange rate change on cash and cash equivalents	-3,993	15,567
Increase (decrease) in cash and cash equivalents	335,963	489,546
Cash and cash equivalents at beginning of period	14,080,864	16,899,990
Cash and cash equivalents at end of period	14,416,827	17,389,536

(6) Notes on Consolidated Financial Statement

(i) Notes Relating to Assumptions for the Going Concern

No applicable items.

(ii) Information on Reportable Segments

1. Overview of reportable segments

The Group has a holding company structure where the Company is a holding company and its subsidiaries (or their groups) are business units. Activities directly related to revenue generation are conducted solely by business units, which consist of the Company's subsidiaries (or their groups).

The Group's reportable segments are based on business segments for which separate financial information is available and that the highest decision-maker examines on a regular basis to determine the distribution of management resources and evaluate the results. In consideration of similarities among the economic characteristics of each business segment and their quantitative importance and for the purpose of enabling the users of the financial statements to appropriately evaluate the Group's businesses and the economic circumstances for the businesses and their effects on the businesses, the Group discloses information on two reportable segments: the Digital Marketing Business and the Media Platform Business,

i. Digital Marketing Business

The Digital Marketing Business consists of business segments that provide comprehensive digital transformation support to clients, mainly in the digital marketing domain such as the sales and operation of advertisement, as well as providing solutions utilizing data and AI and marketing support in integration of online and offline through the alliance with the Dentsu Group.

ii. Media Platform Business

The Media Platform Business consists of Manga Content Business "GANMA!", Recruitment Platform Business "ViViViT", Social Contribution Business "gooddo", Childcare Platform Business "Babyful" etc. This segment includes business units that have commenced operation in recent years and have not made a profit due to prior investment for revenue generation. The highest decision-maker makes decisions on the distribution of management resources to those business units and evaluates their results, assuming risks and economic value that allow the Group to recover the investment costs through future revenue generation.

2. Measurement of reportable segments' profits and losses

Segment profit uses Non-GAAP operating profit based on IFRS adjusted for temporary factors such as stock-based compensation expenses, impairment losses and gains (losses) on sales of property, plant and equipment. Non-GAAP operating profit is a profit indicator that measures the performance of a permanent business from operating profit based on IFRS adjusted for temporary factors. Our managements believe that disclosing Non-GAAP measures facilitates peer and prior year comparisons for stakeholders and provides useful information in understanding our group's permanent results of operations and future prospects. Temporary factors refer to one-time gains and losses, such as stock-based compensation expenses, impairment losses, and gains and losses on sales of fixed assets, that the Group considers should be excluded based on certain rules from the perspective of preparing future forecasts.

The Group voluntarily discloses the total amount of all transactions as net sales. The disclosure of net sales is not disclosure in accordance with IFRS. The management believes, however, that net sales are useful information for users of the financial statements, and voluntarily discloses net sales in its consolidated net profit-and-loss statement and segment information as reference information.

The prices of inter-segment transactions are determined based on the prices of transactions with external customers.

### 3. Information on reportable segments' profits and losses

Previous consolidated cumulative 1Q (from October 1, 2020 to December 31, 2020)

(Thousand yen)

	Digital Marketing	Media Platform*4	Total	Adjustment	Consolidated
Segment revenue *1	4,704,409	660,292	5,364,701	-89,480	5,275,221
Segment profit (loss)*2*3	1,970,899	-262,612	1,708,287	-492,925	1,215,362
Segment sales *1	22,604,862	660,292	23,265,154	-237,859	23,027,295

(Notes) 1. Adjustments include the elimination of profit and loss transactions between reportable segments.

2. The segment profit is non-GAAP operating profit.

3. Adjustment includes the elimination of profit and loss transactions between reportable segments and expenses for the operation of the holding company not attributable to reportable segments. Expenses related to the operation of the holding company consist mainly of personnel expenses for the holding company.

4. Segment revenue, loss and sales of the Media Platform Business include amounts related to the Medical Platform Business "Pharmarket," which was transferred on April 1, 2021.

Current consolidated cumulative 1Q (from October 1, 2021 to December 31, 2021)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment*2	Consolidated
Segment revenue *1	5,998,922	643,967	6,642,888	-70,420	6,572,468
Segment profit (loss) *2*3	2,822,436	-261,831	2,560,605	-540,210	2,020,396
Segment sales *1	29,652,235	643,967	30,296,202	-186,182	30,110,020

(Notes) 1. Adjustments include the elimination of profit and loss transactions between reportable segments.

2. The segment profit is non-GAAP operating profit.

3. Adjustment includes the elimination of profit and loss transactions between reportable segments and expenses for the operation of the holding company not attributable to reportable segments. Expenses related to the operation of the holding company consist mainly of personnel expenses for the holding company.

Reconciliation of segment profit (loss) and profit before tax

(Thousand yen)

	1Q FY2021 (From October 1, 2020 to December 31, 2020)	1Q FY2021 (From October 1, 2021 to December 31, 2021)
Segment profit (non-GAAP operating profit)	1,215,362	2,020,396
Selling, general and administrative expense	—	-14,042
Other profit (loss) (net)	-10,684	-66,157
Financial profit (loss) (net)	48,853	22,853
Share of profit of entities accounted for using equity method	34,737	17,445
Profit before tax	1,288,268	1,980,495

(iii) Subsequent Events

The Company and Dentsu Group Inc. concluded a capital and business alliance agreement ("Capital and Business Alliance Agreement") on October 28, 2021, with the aim of becoming the largest digital marketing partner in Japan that leads the development of the industry by providing the best solutions to clients through collaboration between the two companies, based on an environment where personnel with a wide variety of talents gather to work with full job satisfaction. Based on the Capital and Business Alliance Agreement, on January 4, 2022, the Company implemented a share exchange with Dentsu Direct Inc. ("Dentsu Direct"), a wholly owned subsidiary of Dentsu Group Inc., to exchange shares by making the Company the wholly owning parent company and making Dentsu Direct a wholly owned subsidiary ("Share Exchange"), an issuance of new shares through a third-party allotment to Dentsu Group Inc. as an underwriter ("Third-Party Allotment"), and a share transfer with Dentsu Group Inc. to acquire a portion (25.00%) of the common shares of Dentsu Digital Inc. ("Dentsu Digital") held by Dentsu Group Inc. ("Share Transfer") and making Dentsu Digital an equity method affiliate of the Company.

1. Matters related to the Share Exchange

The Company conducted the Share Exchange with Dentsu Direct on January 4, 2022, and Dentsu Group Inc. conducted the Share Exchange by Dentsu Direct.

i. Method and effective date of the Share Exchange

The Share Exchange is a share exchange in which the Company is a wholly-owning parent company and Dentsu Direct is a wholly-owned subsidiary. The Share Exchange was approved by the resolution of the shareholders of both the Company and Dentsu Direct. The effective date of the Share Exchange is January 4, 2022.

ii. Overview of the Share Exchange

Company Name	Company (Wholly-owning parent company after the Share Exchange)	Dentsu Direct (Wholly-owned subsidiary through the Share Exchange)
Share Exchange Ratio	1	3,274
Number of shares to be delivered upon the Share Exchange	Company's common stock: 12,768,600 shares	

(Note 1) Allocation ratio of shares for the Share Exchange (Share Exchange Ratio)

3,274 common shares of the Company were allotted and delivered per share of Dentsu Direct.

(Note 2) Number of new shares of the Company to be issued as a result of the Share Exchange

The Company has allocated 12,768,600 shares of its common stock through the Share Exchange.

As for the shares to be delivered, the Company decided to allocate 10,724,240 shares of its treasury stock and issue 2,044,360 new shares of common stock.

iii. Outline of accounting procedure

The Share Exchange was accounted for using the acquisition method under IFRS 3, Business Combinations. The following table presents the components of the fair value of assets acquired and liabilities assumed as of the date of acquisition and the purchase consideration.

(Million yen)	
Cash and cash equivalents	162
Trade receivables	3,443
Other current and non-current assets	1,938
Trade payables	-2,867
Other current and non-current liabilities	-804
Non-controlling interests *2	-15
Goodwill *3	4,361
Total	6,218
Common stock of the Company delivered on the acquisition date *4	6,218
Total acquisition consideration	6,218

(Note 1) The fair value of assets acquired and liabilities assumed is calculated by comprehensively taking into account financial and asset conditions scrutinized through due diligence by external specialist agencies and corporate value assessments by external specialist agencies.

(Note 2) Non-controlling interests are measured by multiplying the fair value of the identifiable net assets of the acquired company at the acquisition date by the percentage ownership after the business combination, except for the portion individually attributable to non-controlling interests.

(Note 3) Primarily represents future excess earning power expected from future business development. In addition, as the calculation of the fair value of identifiable assets as of the acquisition date has not been completed and the allocation of the acquisition cost has not been completed as of the acquisition date, goodwill is the amount calculated on a provisional basis based on reasonable information available as of the acquisition date. The goodwill recognized is not expected to be deductible for tax purposes.

(Note 4) The number of shares of our common stock delivered in the Share Exchange includes the appropriation of 10,724,240 shares of treasury stock held by us. Common stock delivered on the acquisition date is measured at the amount valued at the closing price on the day immediately preceding the acquisition.

(Note 5) Acquisition-related costs of ¥63 million related to the business combination are scheduled to be recorded in "Other expenses."

iv. Pro forma information

Assuming that the business combination had taken place at the beginning of the current consolidated fiscal year, revenues in the condensed quarterly consolidated statements of income would have been ¥7,997 million and quarterly profits would have been ¥1,375 million.

The pro forma information has not been audited. The information is not necessarily indicative of events that may occur in the future. It is not meant to be indicative of the results of operations of The Company Group had the investment actually been made as of the beginning of the period.

## 2. Matters related to the Third-Party Allotment

The Company allocated its shares to Dentsu Group Inc. through a third-party allotment of shares under the following conditions after necessary procedures based on laws and regulations, etc., and Dentsu Group Inc. underwrote them.

- The number of shares for subscription: 70,118,794 shares of common stock (Issuance of 70,118,794 new shares)
- Issue price: 465 yen per share
- Amounts designated as stated capital: 232.5 yen
- Amount of fund raising: 32,605,239,210 yen
- Payment date: January 4, 2022
- Uses of funds to be raised: Funds have been allocated principally to funds for the acquisition of shares of Dentsu Digital through the Share Transfer (acquisition consideration: ¥31,250 million).
- Others:
  - ① The Third-Party Allotment shall be subject to the fulfillment of certain preconditions such as the entry into force of the Share Exchange.
  - ② The Third-Party Allotment shall be subject to the entry into force of the notification in accordance with the Financial Instruments and Exchange Law and the approval of the proposal relating to the Third-Party Allotment at the Ordinary General Meeting of Shareholders.

## 3. Matters related to the Share Transfer

On January 4, 2022, Dentsu Group Inc. transferred its 3,675 shares of common stock of Dentsu Digital Inc. to the Company, and the Company acquired them.

- Number of shares and ratio of voting rights held by the Company before and after the transfer.

	Number of shares held	Ratio of voting rights
Before the transfer	—	—
After the transfer	3,675 shares	25.00%