

Summary of Consolidated Financial Statement for the Six Months Ended March 31, 2022 [IFRS]

May 12, 2022
Listed Market: TSE

SEPTENI HOLDINGS CO., LTD.

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

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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 Six Months Ended March 31, 2022 (From October 1, 2021 to March 31, 2022)

(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	%
2Q FY9/22	14,457	35.8	3,663	63.3	3,878	63.0	4,615	95.9	3,090	95.8	3,084	95.3
2Q FY9/21	10,642	20.9	2,244	115.8	2,378	103.6	2,356	109.9	1,578	125.4	1,580	126.9

(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	
2Q FY9/22	18.57		18.51	
2Q FY9/21	12.49		12.44	

(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		%	
2Q FY9/22	88,979		59,954		59,917		67.3	
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
FY9/21	Yen	Yen	Yen	Yen	Yen
FY9/22	—	—	—	3.40	3.40
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: None

*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	211,079,654	FY9/21	138,916,500
Treasury stock as of term-end:	1Q FY9/22	1,739,243	FY9/21	12,463,440
Average number of shares outstanding:	1Q FY9/22	166,075,050	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 Six Months Ended March 31, 2022 (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.

May 12, 2022 (Thu.) - FY9/22 2nd Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

Index

1. Qualitative Information on Results for the Six Months Ended March 31, 2022.....	2
(1) Explanation for Earnings Performance.....	2
(2) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information.....	3
2. Quarterly Consolidated Financial Statements and Key Notes.....	4
(1) Quarterly Consolidated Statement of Financial Position	4
(2) Quarterly Consolidated Statement of Profit or Loss.....	6
(3) Quarterly Consolidated Statement of Comprehensive Income.....	7
(4) Quarterly Consolidated Statement of Changes in Equity	8
(5) Quarterly Consolidated Statement of Cash Flow.....	9
(6) Notes on Quarterly Consolidated Financial Statement	10
(i) Notes Relating to Assumptions for the Going Concern	10
(ii) Information on Reportable Segments	10

1. Qualitative Information on Results for the Six Months Ended March 31, 2022

(1) Explanation for Earnings Performance

In the 2Q of the current fiscal year, in the main Digital Marketing Business, both revenue and profits increased due to organic growth and the promotion of the alliance with the Dentsu Group, as well as the effects of new consolidation. In the Media Platform Business, growth in the Manga Content Business led to an increase in revenue, and the extent of the loss narrowed.

As a consequence, revenue was ¥14,457 million (up 35.8% year on year), operating profit was ¥3,663 million (up 63.3% year on year), Non-GAAP operating profit was ¥3,878 million (up 63.0% year on year), and profit attributable to owners of the parent was ¥3,084 million (up 95.3% 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)

	2Q FY2021 (Previous Consolidated Cumulative 2Q)	2Q FY2022 (Current Consolidated Cumulative 2Q)	Change	Percentage of change
Operating profit	2,244	3,663	1,419	63.3%
Adjustment (Stock-based compensation expenses)	117	58	△59	
Adjustment (Others)	18	157	139	
Non-GAAP operating profit	2,378	3,878	1,500	63.0%
Net Sales	47,810	66,946	19,136	40.0%

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 sales increased due to organic growth and the effects of new consolidation. In addition, 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 ¥13,215 million (up 38.1% year on year) and Non-GAAP operating profit was ¥5,572 million (up 40.3% 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, revenue increased as advertising revenue and billing revenue in the Manga Content Business expanded compared with the previous fiscal year, and the extent of the loss decreased.

As a result, it recorded revenue of ¥1,382 million (up 10.3% year on year) and Non-GAAP operating loss of ¥506 million (compared to Non-GAAP operating loss of ¥599 million in the previous year).

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

There is no change from the full-year consolidated earnings estimates for the fiscal year ending September 2022, which was revealed in “Notifications on Revisions to the Full-Year Consolidated Earnings Estimates for the FY2022” 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)	2Q FY2022 (Ended March 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	16,899,990	18,866,103
Trade receivables	16,085,450	22,838,627
Inventories	119,530	118,337
Other financial assets	12,941	1,424,405
Other current assets	333,622	424,114
Total current assets	33,451,533	43,671,585
Non-current assets		
Property, plant and equipment	310,284	278,791
Right-of-use assets	1,653,760	1,370,003
Goodwill	—	5,004,571
Intangible assets	67,290	77,221
Investments accounted for using equity method	997,026	32,898,782
Other financial assets	3,929,443	4,079,303
Other non-current assets	32,646	29,295
Deferred tax assets	1,569,185	1,569,323
Total non-current assets	8,559,635	45,307,288
Total assets	42,011,169	88,978,874

(Thousand yen)

	FY2021 (Ended September 30, 2021)	2Q FY2022 (Ended March 31, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade payables	14,043,615	20,136,193
Other financial liabilities	2,549,116	4,664,055
Current income taxes payable	1,024,502	1,147,191
Other current liabilities	2,711,491	2,093,522
Total current liabilities	20,328,724	28,040,961
Non-current liabilities		
Other financial liabilities	3,082,067	816,155
Provisions	155,090	167,265
Total non-current liabilities	3,237,157	983,419
Total liabilities	23,565,881	29,024,380
Equity		
Equity attributable to owners of parent		
Share capital	2,125,384	18,428,004
Capital surplus	3,901,272	25,222,642
Treasury shares	-1,691,842	-575,707
Retained earnings	14,322,283	17,022,510
Other components of equity	-230,678	-180,552
Total equity attributable to owners of parent	18,426,419	59,916,897
Non-controlling interests	18,869	37,596
Total equity	18,445,288	59,954,493
Total liabilities and equity	42,011,169	88,978,874

(2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	2Q FY2021 (From October 1, 2020 to March 31, 2021)	2Q FY2022 (From October 1, 2021 to March 31, 2022)
Revenue	10,642,266	14,456,926
Cost of sales	1,943,658	2,767,104
Gross profit	8,698,609	11,689,822
Selling, general and administrative expense	6,440,797	7,878,652
Other income	4,975	10,831
Other expense	19,132	158,655
Operating profit	2,243,655	3,663,345
Finance income	77,686	386,481
Finance costs	26,279	23,604
Share of profit from investments accounted for using equity method	60,835	588,757
Profit before tax	2,355,897	4,614,979
Income tax expense	777,718	1,524,788
Profit	1,578,178	3,090,191
Profit (loss) attributable to:		
Owners of parent	1,579,512	3,084,301
Non-controlling interests	-1,334	5,890
Total	1,578,178	3,090,191
Earnings per share		
Basic earnings per share (Yen)	12.49	18.57
Diluted earnings per share (Yen)	12.44	18.51

(3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	2Q FY2021 (From October 1, 2020 to March 31, 2021)	2Q FY2022 (From October 1, 2021 to March 31, 2022)
Profit (loss)	1,578,178	3,090,191
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	134,268	45,360
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	32,677	45,566
Cash flow hedges	6,167	5,066
Total other comprehensive income, net of tax	173,112	95,992
Total comprehensive income	<u>1,751,291</u>	<u>3,186,183</u>
Comprehensive income attributable to:		
Owners of parent	1,752,625	3,180,294
Non-controlling interests	-1,334	5,890
Comprehensive income	<u>1,751,291</u>	<u>3,186,183</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 as of 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)	—	—	—	1,579,512	—	1,579,512	-1,334	1,578,178
Other comprehensive income	—	—	—	—	173,112	173,112	—	173,112
Total comprehensive income	—	—	—	1,579,512	173,112	1,752,625	-1,334	1,751,291
Dividends of surplus	—	—	—	-252,906	—	-252,906	—	-252,906
Other	—	116,528	—	—	—	116,528	-1,895	114,634
Total amount of transactions with owners	—	116,528	—	-252,906	—	-136,378	-1,895	-138,272
Balance as of March 31, 2021	<u>2,125,384</u>	<u>3,781,317</u>	<u>-1,691,842</u>	<u>13,297,692</u>	<u>-102,925</u>	<u>17,409,626</u>	<u>14,749</u>	<u>17,424,375</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 as of 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)	—	—	—	3,084,301	—	3,084,301	5,890	3,090,191
Other comprehensive income	—	—	—	—	95,992	95,992	—	95,992
Total comprehensive income	—	—	—	3,084,301	95,992	3,180,294	5,890	3,186,183
Issuance of new shares	16,302,620	16,161,638	—	—	—	32,464,257	—	32,464,257
Dividends of surplus	—	—	—	-429,940	—	-429,940	—	-429,940
Purchase of treasury stock	—	—	-26	—	—	-26	—	-26
Changes due to acquisition of control over subsidiaries	—	5,102,147	1,116,161	—	—	6,218,308	14,902	6,233,210
Other	—	57,585	—	45,866	-45,866	57,585	-2,064	55,521
Total amount of transactions with owners	16,302,620	21,321,370	1,116,135	-384,075	-45,866	38,310,184	12,838	38,323,022
Balance as of March 31, 2022	<u>18,428,004</u>	<u>25,222,642</u>	<u>-575,707</u>	<u>17,022,510</u>	<u>-180,552</u>	<u>59,916,897</u>	<u>37,596</u>	<u>59,954,493</u>

(5) Quarterly Consolidated Cash Flow Statement

(Thousand yen)

	2Q FY 2021 (From October 1, 2020 to March 31, 2021)	2Q FY 2022 (From October 1, 2021 to March 31, 2022)
Cash flows from (used in) operating activities		
Profit before tax	2,355,897	4,614,979
Adjustments:		
Depreciation and amortization expense	489,957	364,449
Interest income and dividend income	-1,005	-867
Interest expenses	16,362	13,340
Share of (profit) loss of entities accounted for using equity method	-60,835	-588,757
Other	70,299	-284,130
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-1,897,807	-3,310,520
Decrease (increase) in inventories	-34,319	1,474
Increase (decrease) in operating payables	1,772,360	3,225,287
Other	620,041	-1,307,687
Subtotal	3,330,949	2,727,568
Interest and dividend income received	1,005	859
Interest expenses paid	-16,489	-13,481
Income taxes paid	-728,939	-1,420,183
Cash flows from (used in) operating activities	2,586,525	1,294,763
Cash flows from (used in) investing activities		
Proceeds from sales of short-term investment securities	—	99,931
Purchase of securities	-199,156	-90,272
Purchase of property, plant and equipment	-50,641	-26,170
Purchase of intangible assets	-6,021	-13,042
Proceeds from acquisition of newly consolidated subsidiaries	—	162,427
Purchases of investments accounted for using the equity method	—	-31,312,999
Proceeds from collection of lease and guarantee deposits	25,179	289,704
Collection of loans receivable	—	244,947
Other	112,409	29,825
Cash flows from (used in) investing activities	-118,230	-30,615,648
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	-425,004	-425,529
Repayments of lease obligations	-414,494	-303,047
Cash dividends paid	-252,906	-429,940
Proceeds from issuance of common stock	—	32,402,037
Purchase of treasury stock, etc.	—	-26
Other	-1,895	-2,064
Cash flows from (used in) financing activities	-1,094,299	-31,241,431
Effect of exchange rate change on cash and cash equivalents	32,677	45,566
Increase (decrease) in cash and cash equivalents	1,406,675	1,966,113
Cash and cash equivalents at beginning of period	14,080,864	16,899,990
Cash and cash equivalents at end of period	15,487,539	18,866,103

(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 2Q (from October 1, 2020 to March 31, 2021)

(Thousand yen)

	Digital Marketing	Media Platform*4	Total	Adjustment	Consolidated
Segment revenue *1	9,568,529	1,252,518	10,821,046	-178,780	10,642,266
Segment profit (loss)*2*3	3,971,705	-598,666	3,373,039	-994,581	2,378,457
Segment sales *1	46,974,836	1,252,518	48,227,353	-416,993	47,810,361

(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 2Q (from October 1, 2021 to March 31, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	13,214,994	1,381,851	14,596,846	-139,920	14,456,926
Segment profit (loss) *2*3	5,572,264	-505,758	5,066,506	-1,188,452	3,878,054
Segment sales *1	65,945,816	1,381,851	67,327,667	-381,576	66,946,091

(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)

	2Q FY2021 (From October 1, 2020 to March 31, 2021)	2Q FY2022 (From October 1, 2021 to March 31, 2022)
Segment profit (non-GAAP operating profit)	2,378,457	3,878,054
Selling, general and administrative expense (stock-based compensation expenses)	-116,528	-57,585
Other profit (loss) (net)	-18,274	-157,123
Financial profit (loss) (net)	51,407	362,877
Share of profit of entities accounted for using equity method	60,835	588,757
Profit before tax	<u>2,355,897</u>	<u>4,614,979</u>