

Summary of Consolidated Financial Statements for the Fiscal Year Ended September 30, 2022 [IFRS]

November 10, 2022

Stock exchange listings: TSE

SEPTENI HOLDINGS CO., LTD.

Securities code: 4293

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

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Date of general shareholders' meeting (as planned): December 21, 2021

Dividend payable date (as planned): December 2, 2021

Annual securities report filing date (as planned): December 21, 2021

Supplemental material of annual results: Available

Convening briefing of annual results: 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 Fiscal Year Ended September 30, 2022 (From October 1, 2021 to September 30, 2022)

(1) Consolidated Operating Results (% figures represent year-over-year change)

	Revenue		Operating profit		Non-GAAP operating profit		Profit before tax		Profit		Profit attributable to owners of parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY9/22	28,819	34.8	5,440	49.0	5,855	54.2	8,241	110.7	5,751	120.6	5,734	120.2
FY9/21	21,384	19.2	3,650	60.5	3,796	54.8	3,911	68.2	2,607	77.3	2,604	77.8

(Note) Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions such as amortization of acquisition-related intangible assets and M&A expenses, and temporary factors such as stock-based compensation expenses, impairment losses, and gain and loss on the sales of fixed assets from the IFRS-based operating profit.

	Basic earnings per share	Diluted earnings per share	Profit to equity attributable to owners of parent ratio	Profit before tax to total assets ratio	Operating profit to revenue ratio
	Yen	Yen	%	%	%
FY9/22	30.54	30.45	14.1	12.6	18.9
FY9/21	20.59	20.51	15.2	10.2	17.1

(Reference) Share of profit of entities accounted for using equity method: ¥1,066 million in FY9/22, ¥58 million in FY9/21

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent to total assets ratio	Equity attributable to owners of parent per share
	Million Yen	Million Yen	Million Yen	%	Yen
FY9/22	88,731	62,754	62,705	70.7	299.54
FY9/21	42,011	18,445	18,426	43.9	145.72

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million Yen	Million Yen	Million Yen	Million Yen
FY9/22	3,650	-30,553	31,229	21,340
FY9/21	4,619	91	-1,914	16,900

2. Dividends

	Dividend per share					Total Dividend paid	Payout Ratio (Consolidated)	Ratio of total amount of dividends to equity attributable to owner of parent (Consolidated)
	First quarter	Second quarter	Third quarter	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY9/21	—	—	—	3.40	3.40	436	16.5	2.5
FY9/22	—	—	—	4.60	4.60	971	15.1	2.1
FY9/23 Estimate	—	—	—	—	—		—	

(Note) Dividend forecasts for the fiscal year ending December 2023 are undecided. For dividend policies, please refer to "2. Outlook (2) Basic Policy Regarding the Distribution of Profits, and Dividends in the Current and Next Terms".

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2023 (From October 1, 2022 to December 31, 2023)
(% figures represent year-over-year change)

	Revenue		Non-GAAP operating profit		Profit attributable to owners of parent		Basic earnings per share	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	
FY9/22	42,500	—	7,500	—	5,950	—	28.42	

(Note) The Company plans to change the accounting period from the current September 30 to December 31. For details, please refer to "2. Outlook (1) Outlook". As the next fiscal year is a transitional period for the change in the fiscal year-end, year-over-year changes are not presented.

*Others

(1) Material changes in subsidiaries during this period (Changes in scope of consolidations resulting from changes in subsidiaries): None

(2) Changes in accounting policies and accounting estimates

Changes in accounting policies required by IFRS:	None
Changes in accounting policies other than IFRS requirements:	None
Changes in accounting estimates:	None

(3) Number of issued and outstanding shares (common shares)

Number of issued and outstanding shares at the end of fiscal year (incl. Treasury shares):	FY9/22	211,079,654	FY9/21	138,916,500
Number of treasury shares at the end of fiscal year:	FY9/22	1,739,243	FY9/21	12,463,440
Average number of shares:	FY9/22	187,766,998	FY9/21	126,453,060

(Note) The Company implements the stock incentive plan for the Directors and the Group Executive Officers. The number of treasury shares at the end of fiscal year includes 1,739,200 shares held by the BIP Trust, as well as 43 treasury shares held by the Company. The Company's shares held by the BIP Trust is also included in the number of treasury shares to calculate the average number of shares.

(Reference) Non-Consolidated Financial Results Overview

1. Non-Consolidated Operating Results for the Fiscal Year Ended September 2022 (From October 1, 2021 to September 30, 2022)

(1) Non-Consolidated Operating Results (% figures represent year-over-year change)

	Operating revenue		Operating profit		Ordinary profit		Net income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY9/22	5,495	40.9	2,875	71.0	4,364	133.3	3,673	256.7
FY9/21	3,899	41.0	1,681	83.0	1,870	106.9	1,030	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY9/22	19.56		19.51	
FY9/21	8.14		8.11	

(2) Non-Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio		Net assets per share	
	Million Yen		Million Yen		%		Yen	
FY9/22	57,463		53,982		93.9		257.87	
FY9/21	16,193		11,862		73.3		93.80	

(Reference) Owner's equity: ¥53,982 million in FY9/22, ¥11,862 million in FY9/21

*The summary of consolidated financial statements is not subject to the auditing by the Certified Public Accountants or the audit corporation.

* Notes for using forecasted information and others

(1) Consolidated forecasts

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

For the conditions which the forecasts are based on, please refer to "1. Overview of Operating Results, etc. (1) Overview of Operating Results".

(2) Way of getting-supplemental material of annual results

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

November 10, 2022 (Thu.) - FY9/22 Financial Results Briefing for Institutional Investors, Analysts and the Press

Index

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results	2
(2) Overview of Financial Positions	3
(3) Overview of Cash Flows	3
2. Outlook	4
(1) Outlook	4
(2) Basic Policy Regarding the Distribution of Profits, and Dividends in the Current and Next Terms	5
3. Basic Stance on the Choice of Accounting Standard	5
4. Consolidated Financial Statements	6
(1) Consolidated Statement of Financial Position	6
(2) Consolidated Statement of Profit or Loss.....	8
(3) Consolidated Statement of Comprehensive Income.....	9
(4) Consolidated Statement of Changes in Equity	10
(5) Consolidated Cash Flow Statement.....	11
(6) Notes on Consolidated Financial Statements	12
(Notes on Matters Related to Going Concern Assumption)	12
(Changes in Accounting Policies)	12
(Information on Reportable Segments)	12
(Information on Value per Share)	14
(Subsequent Events)	14

1. Overview of Operating Results, etc.

(1) Overview of Operating Results

(Earnings for the current term)

In 2021, the rate of individuals owning smartphones in Japan increased to 74.3% and exceeded 90% among people in their 20s to 40s, showing the quantitative expansion is ongoing. At the same time, the purpose of using smartphones has diversified with the increase in the rate of social media use, and there have been remarkable qualitative changes (Source: Ministry of Internal Affairs and Communications, "Results of FY2021 Communication Usage Trend Survey"). With smartphones becoming the main Internet devices, in the services and applications markets, the expansion of content business such as video, music, and e-books is accelerating. In addition, the use of social media is expanding beyond communication to include areas such as payments and purchasing, further strengthening its influence. As a result, demand for marketing support using the respective media features, data, and AI is growing further.

Moreover, in the Japanese advertising market in 2021, Internet advertising expenditures reached 2.7052 trillion yen (121.4% compared to the previous year), surpassing four Traditional Media advertising expenditures for the first time (2.4538 trillion yen, or 108.9% compared to the previous year) (Source: Dentsu Inc., "2021 Advertising Expenditures in Japan"). In this way, the COVID-19 crisis has triggered a major wave of digital transformation (DX) in all industries, further increasing demand for digital marketing in the advertising industry.

Under these circumstances, in the main Digital Marketing Business, both revenue and profit increased significantly due to organic growth resulting from capturing increased demand for DX in companies, promotion of collaboration through deepening capital and business alliances with the Dentsu Group, and the impact of new consolidations. In the Media Platform Business, while continuing investments to expand into new business segments, revenue increased, and the extent of the loss narrowed due to the driving force of the manga content business. Regarding the expansion into new business segments, business development progressed in the HR technology field and the sports field.

As a result, revenue increased to ¥28,819 million (up 34.8% year on year), Non-GAAP operating profit increased to ¥5,855 million (up 54.2% year on year), operating profit increased to ¥5,440 million (up 49.0% year on year), profit before tax increased to ¥8,241 million (up 110.7% year on year), profit increased to ¥5,751 million (up 120.6% year on year), and profit attributable to owners of parent increased to ¥5,734 million (up 120.2% year on year).

For non-consolidated operating results, due to an increase in dividend income from subsidiaries etc., operating revenue increased to ¥5,495 million (up 40.9% year on year), operating profit increased to ¥2,875 million (up 71.0% year on year), ordinary profit increased to ¥4,364 million (up 133.3% year on year) and net income increased to ¥3,673 million (up 256.7% year on year).

The Group discloses consolidated operating results in terms of both its internal measures which management relies upon in making decisions (hereinafter the "Non-GAAP financial measures") and those under IFRS. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group and industry peers and year-on-year comparison by stakeholders and can provide useful information in understanding the underlying operating results and outlook of the Group. Gain and loss related to acquisition actions refer to amortization of acquisition-related intangible assets and M&A expenses, and unusual items refer to one-off items, such as stock-based compensation expenses, impairment losses, and gain and loss on sales of non-current assets, which the Group believes shall be excluded for the purposes of preparing an outlook based on certain rules.

Adjustments from operating profit to Non-GAAP operating profit are as below:

(Million yen)

	Fiscal year ended September 30, 2021	Fiscal year ended September 30, 2022	Change of amount	Rate of change
Operating profit	3,650	5,440	1,790	49.0%
Adjustment (Amortization of acquisition-related intangible assets)	—	31	31	
Adjustment (Stock-based compensation expenses)	236	145	-91	
Adjustment (Gains on sales of shares of subsidiaries)	-371	—	371	
Adjustment (Others)	280	240	-40	
Non-GAAP operating profit	3,796	5,855	2,059	

Operating results by reportable segments are as follows.

(i) Digital Marketing Business

The Digital Marketing Business consists of business segments that provide comprehensive DX support, mainly in the digital marketing domain.

In the fiscal year under review, both revenue and profit increased significantly due to organic growth resulting from capturing increased demand for DX in companies, promotion of collaboration through the deepening capital and business alliance with the Dentsu Group, and the impact of new consolidations.

As a result, revenue increased to ¥25,862 million (up 37.1% year on year), and Non-GAAP operating profit increased to ¥9,211 million (up 31.8% year on year).

(ii) Media Platform Business

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

In the fiscal year under review, while continuing investments to expand into new business segments, revenue increased, and the extent of loss narrowed due to the driving force of the Manga Content Business.

As a result, revenue is ¥3,297 million (up 14.3% year on year), and Non-GAAP operating loss is ¥844 million (¥1,110 million in the previous fiscal year).

(2) Overview of Financial Positions

Total assets increased by ¥46,720 million compared to the previous fiscal year and reached ¥88,731 million. This is mainly due to an increase of ¥32,345 million in investment accounted for using equity method, ¥4,693 million in goodwill, and ¥4,440 million in cash and cash equivalents.

Total liabilities increased by ¥2,411 million compared to the previous fiscal year and reached ¥25,977 million. This is mainly due to trade payables increased by ¥2,848 million.

Total equity increased by ¥44,309 million compared to the previous fiscal year and reached ¥62,754 million. This is mainly due to an increase of ¥16,303 million in share capital and ¥21,408 million in capital surplus through third-party allocation of shares, and also because ¥5,751 million is recorded in profit.

(3) Overview of Cash Flows

Cash and cash equivalents increased by ¥4,440 million and reached ¥21,340 million. The following are the details and factors of each cash flows in the fiscal year under review.

(i) Cash flows from operating activities

As a result of operating activities in the fiscal year under review, cash inflows totaled ¥3,650 million (cash inflows of ¥4,619 million in the previous fiscal year). This was mainly because profit before tax of ¥8,241 million was recorded while the Company paid corporate income tax of ¥2,481 million.

(ii) Cash flows from investing activities

As a result of investing activities in the fiscal year under review, cash outflows totaled ¥30,553 million (cash outflows of ¥91 million in the previous fiscal year). This was mainly due to expenditures of ¥31,313 million for the acquisition of investment accounted for using equity method.

(iii) Cash flows from financing activities

As a result of financing activities in the fiscal year under review, cash inflows totaled ¥31,229 million (cash outflows of ¥1,914 million in the previous fiscal year). This was mainly due to proceeds from issuance of stock of ¥32,402 million.

2. Outlook

(1) Outlook

(i) Policies

Regarding the Midterm Business Policies announced in October 2020, the Company has set "expanding domains" as the mid-term theme and has regarded the establishment of a system to capture the increasing demand from the acceleration of DX as an important issue. With the aim of achieving sustainable growth over the medium to long term and enhancing the corporate value, the Company has updated its policies as follows.

In the Digital Marketing Business, with the aim of strengthening DX support area, the Company will strengthen the development of AI products and data solution services while expanding on-off integrated services through deeper collaboration with the Dentsu Group.

In the Media Platform Business, with the aim of further accelerating the growth in the Manga Content Business, the Company will enhance its IP value and strengthen its Webtoon production system.

Regarding the expansion into new business segments, the Company will promote business growth in HR technology field and business development in the entertainment and the sports field.

In addition, in April 2023, the Company will start human investments with the aim of increasing the human capital value, which is also the Company's core value. In particular, the Company will raise the pay scale and the rate of incentive subsidy for the Employee Stock Ownership Plan, and renovate offices in line with the establishment of new working styles. Through these efforts, the Company will maximize the human capital value, realize sustainable growth by increasing the value provided to clients and aim to increase the corporate value over the medium to long term.

(ii) Financial Results Forecasts

In the fiscal year ending December 2023, the Company expects revenue and profit to increase year-on-year while achieving growth in each business and investment in human capital.

Financial Results Forecasts the Fiscal Year Ending December 2023 (October 1, 2022 to December 31, 2023)

Revenue 42,500 million yen

Non-GAAP operating profit 7,500 million yen

Profit attributable to owners of parent 5,950 million yen

Basic earnings per share 28.42 yen

The Company plans to change the fiscal year-end date from the current September 30 to December 31, subject to the approval of "partial amendment to articles of incorporation" at the 32nd General Shareholders' Meeting to be held on December 21, 2022. With regard to the above forecasts for the next fiscal year, the expected period is 15 months from October 1, 2022 to December 31, 2023, because it is the transitional period for the change in the fiscal year-end. The above forecasts are based on estimates and beliefs in light of the information currently available and are subject to a number of uncertainties. Actual results may differ from the above forecasts due to various factors.

(2) Basic Policy Regarding the Distribution of Profits, and Dividends in the Current and Next Terms

The Company recognizes that the profit return to shareholders is one of the most important management issues and will implement flexible and appropriate allocations based on the following policies.

Regarding dividends of surplus, the Company intends to pay dividends aimed at a payout ratio of around 15% of profit attributable to owners of parent, taking into account the consolidated business results for each fiscal year, the strengthening of financial positions, and the business strategy going forward. Furthermore, in principle, the Company has set a minimum annual dividend per share of ¥2.00. In this way, the Company will take into account the continuity and stability of dividends while distributing profits appropriately in line with the expansion of business performances. In addition, retained earnings will be used as investments in business fields with high growth potential and profitability, as well as investments to improve efficiency and revitalize existing businesses and as educational investments for human capital development.

Based on the above basic policies, the Company plans to pay a year-end dividend of ¥4.6 per share for the fiscal year under review.

The year-end dividend for the next fiscal year is undecided. The Company will promptly announce the amount as soon as it is determined.

3. Basic Stance on the Choice of Accounting Standards

The Group has promoted the global operational presence and adopted IFRS since the fiscal year ended September 30, 2016, to improve the quality of business administration through standardized accounting procedures within the Group and to improve convenience for stakeholders, including shareholders and investors in Japan and overseas, by increasing the international comparability of financial information in capital markets.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Thousand yen)

	Previous Term (Ended September 30, 2021)	Current Term (Ended September 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	16,899,990	21,340,076
Operating receivables	16,085,450	18,285,273
Inventories	119,530	103,154
Other financial assets	12,941	98,953
Other current assets	333,622	757,815
Total current assets	33,451,533	40,585,272
Non-current assets		
Property, plant and equipment	310,284	235,022
Right-of-use assets	1,653,760	1,090,965
Goodwill	—	4,693,055
Intangible assets	67,290	525,138
Investments accounted for using equity method	997,026	33,342,226
Other financial assets	3,929,443	6,904,527
Other non-current assets	32,646	24,244
Deferred tax assets	1,569,185	1,330,663
Total non-current assets	8,559,635	48,145,841
Total assets	42,011,169	88,731,112

(Thousand yen)

	Previous Term (Ended September 30,2021)	Current Term (Ended September 30, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating payables	14,043,615	16,891,357
Other financial liabilities	2,549,116	4,910,042
Current income taxes payable	1,024,502	557,879
Other current liabilities	2,711,491	2,847,110
Total current liabilities	20,328,724	25,206,388
Non-current liabilities		
Other financial liabilities	3,082,067	531,226
Provisions	155,090	159,063
Deferred tax liabilities	—	80,366
Total non-current liabilities	3,237,157	770,655
Total liabilities	23,565,881	25,977,043
Equity		
Equity attributable to owners of parent		
Share capital	2,125,384	18,428,004
Capital surplus	3,901,272	25,309,728
Treasury shares	-1,691,842	-575,707
Retained earnings	14,322,283	19,671,818
Other components of equity	-230,678	-128,588
Total equity attributable to owners of parent	18,426,419	62,705,254
Non-controlling interests	18,869	48,815
Total equity	18,445,288	62,754,069
Total liabilities and equity	42,011,169	88,731,112

(2) Consolidated Statement of Profit or Loss

(Thousand yen)

	Previous Term (Ended September 30, 2021)	Current Term (Ended September 30, 2022)
Revenue	21,383,875	28,818,924
Cost of sales	4,098,765	6,098,494
Gross profit	17,285,110	22,720,430
Selling, general and administrative expenses	13,744,932	17,057,829
Other income	395,197	23,332
Other expenses	285,329	246,044
Operating profit	3,650,046	5,439,888
Financial revenue	251,246	2,069,190
Financial expenses	48,331	334,594
Share of profit from investments accounted for using equity method	57,756	1,066,228
Profit (loss) before tax	3,910,716	8,240,713
Income tax expense	1,303,827	2,490,040
Profit	2,606,889	5,750,673
Profit (loss) attributable to:		
Owners of parent	2,604,103	5,733,564
Non-controlling interests	2,786	17,109
Total	2,606,889	5,750,673
Earnings per share		
Basic earnings per share (Yen)	20.59	30.54
Diluted earnings per share (Yen)	20.51	30.45

(3) Consolidated Statement of Comprehensive Income

(Thousand yen)

	Previous Term (Ended September 30, 2021)	Current Term (Ended September 30, 2022)
Profit	2,606,889	5,750,673
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	8,301	25,055
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	24,210	114,591
Cash flow hedges	12,849	8,356
Total other comprehensive income, net of tax	45,359	148,001
Total comprehensive income	<u>2,652,248</u>	<u>5,898,674</u>
Comprehensive income attributable to:		
Owners of parent	2,649,462	5,881,565
Non-controlling interests	2,786	17,109
Comprehensive income	<u>2,652,248</u>	<u>5,898,674</u>

(4) 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
Profit	—	—	—	2,604,103	—	2,604,103	2,786	2,606,889
Other comprehensive income	—	—	—	—	45,359	45,359	—	45,359
Total comprehensive income	—	—	—	2,604,103	45,359	2,649,462	2,786	2,652,248
Dividends of surplus	—	—	—	-252,906	—	-252,906	—	-252,906
Other	—	236,484	—	—	—	236,484	-1,895	234,589
Total amount of transactions with owners	—	236,484	—	-252,906	—	-16,422	-1,895	-18,317
Balance at September 30, 2021	2,125,384	3,901,272	-1,691,842	14,322,283	-230,678	18,426,419	18,869	18,445,288

(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
Profit	—	—	—	5,733,564	—	5,733,564	17,109	5,750,673
Other comprehensive income	—	—	—	—	148,001	148,001	—	148,001
Total comprehensive income	—	—	—	5,733,564	148,001	5,881,565	17,109	5,898,674
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 shares	—	—	-26	—	—	-26	—	-26
Acquisition of subsidiaries	—	5,102,147	1,116,161	—	—	6,218,308	14,902	6,233,210
Other	—	144,672	—	45,911	-45,911	144,671	-2,064	142,606
Total amount of transactions with owners	16,302,620	21,408,456	1,116,135	-384,029	-45,911	38,397,270	12,838	38,410,107
Balance at September 30, 2022	18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069

(5) Consolidated Cash Flow Statement

(Thousand yen)

	Previous Term (Ended September 30,2021)	Current Term (Ended September 30, 2022)
Cash flows from operating activities		
Profit before tax	3,910,716	8,240,713
Adjustments:		
Depreciation and amortization expenses	1,015,233	767,297
Interest income and dividend income	-10,536	-2,446
Interest expenses	31,759	24,920
Share of (profit) loss of entities accounted for using equity method	-57,756	-1,066,228
Other	-369,764	-1,849,431
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-3,360,567	1,242,834
Decrease (increase) in inventories	-92,437	16,657
Increase (decrease) in operating payables	3,009,109	-19,550
Other	1,766,606	-1,234,828
Subtotal	5,842,363	6,119,938
Interest and dividend income received	26,512	36,481
Interest expenses paid	-32,036	-25,202
Income taxes paid	-1,218,071	-2,481,389
Cash flows from operating activities	4,618,768	3,649,828
Cash flows from investing activities		
Proceeds from sales of securities	—	99,998
Purchase of securities	-329,182	-1,311,447
Purchase of property, plant and equipment	-141,626	-37,769
Purchase of intangible assets	-23,712	-72,805
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	162,427
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	280,439	—
Purchase of investments accounted for using equity method	—	-31,312,999
Loan advances	—	-609,149
Proceeds from collection of loans receivable	100,000	2,165,465
Other	204,716	363,304
Cash flows from investing activities	90,635	-30,552,974
Cash flows from financing activities		
Proceeds from long-term borrowings	-850,008	-851,551
Repayments of lease obligations	-809,678	-605,802
Cash dividends paid	-252,906	-429,940
Proceeds from issuance of shares	—	32,402,037
Purchase of treasury shares	—	-26
Other	-1,895	713,924
Cash flows from financing activities	-1,941,487	31,228,641
Effect of exchange rate change on cash and cash equivalents	24,210	114,591
Increase (decrease) in cash and cash equivalents	2,819,126	4,440,086
Cash and cash equivalents at beginning of period	14,080,864	16,899,990
Cash and cash equivalents at end of period	16,899,990	21,340,076

(6) Notes on Consolidated Financial Statements
(Notes on Matters Related to Going Concern Assumption)
No applicable items.

(Changes in Accounting Policies)
No applicable items.

(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 the business units.

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, 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 DX support, mainly in the digital marketing domain such as the sales and operation of digital advertisement, 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!", Employment Platform Business "ViViViT", Platform Business of Social Contribution "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 values that allow the Group to recover the investment costs through future revenue generation.

2. Measurement of reportable segments' profit and loss

Segment profit uses Non-GAAP operating profit based on IFRS adjusted for gain and loss related to acquisition actions such as amortization of acquisition-related intangible assets and M&A expenses and temporary factors such as stock-based compensation expenses, impairment losses, and gain and loss on sales of property, plant and equipment. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes that disclosing Non-GAAP measures facilitates comparison between the Group and industry peers and year-on-year comparison by stakeholders and can provide useful information in understanding the underlying operating results and outlook of the Group. Gain and losses related to acquisition actions refer to amortization of acquisition-related intangible assets and M&A expenses, and unusual items refer to one-off items, such as stock-based compensation expenses, impairment losses, and gain and loss on sales of non-current assets, which the Group believes shall be excluded for the purposes of preparing an outlook based on certain rules.

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

3. Information on reportable segments' profit and loss

Previous consolidated fiscal year (from October 1, 2020 to September 30, 2021)

(Thousand yen)

	Digital Marketing	Media Platform *4	Total	Adjustment	Consolidated
Segment revenue *1	18,869,050	2,885,093	21,754,143	-370,268	21,383,875
Segment profit (loss) *2,3	6,990,734	-1,110,057	5,880,677	-2,084,666	3,796,011

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

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

3. Adjustments include the elimination of profit and loss transactions between reportable segments and expenses for the operation of the holding company. Expenses for the operation of the holding company are Personnel expenses etc.

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.

Fiscal Year Ended September 30, 2021 (from October 1, 2021 to September 30, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	25,861,984	3,296,727	29,158,711	-339,787	28,818,924
Segment profit (loss) *2,3	9,211,291	-844,464	8,366,827	-2,511,599	5,855,229

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

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

3. Adjustments include the elimination of profit and loss transactions between reportable segments and expenses for the operation of the holding company. Expenses for the operation of the holding company are Personnel expenses etc.

Adjustments of segment profit (loss) to profit before tax

(Thousand yen)

	Previous Term (Ended September 30, 2021)	Current Term (Ended September 30, 2022)
Segment profit (non-GAAP operating profit)	3,796,011	5,855,229
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	—	-30,614
Stock-based compensation expenses	-236,484	-144,671
Other profit (loss) (net)	90,519	-240,056
Financial profit (loss) (net)	202,914	1,734,597
Share of profit from investments accounted for using equity method	57,756	1,066,228
Profit before tax	3,910,716	8,240,713

(Information on Value per Share)

The basis of the calculation of earnings per share is as below.

	Previous Term (Ended September 30, 2021)	Current Term (Ended September 30, 2022)
Profit attributable to owners of parent (thousand yen)	2,604,103	5,733,564
Average number of common shares outstanding during the fiscal year (thousand shares)	126,453	187,767
Number of potential shares with dilutive effects		
Number of warrants (thousand shares)	512	513
Average number of shares outstanding in consideration of the number of potential shares with dilutive effects (thousand shares)	126,965	188,280
Basic earnings per share (yen)	20.59	30.54
Diluted earnings per share (yen)	20.51	30.45

(Subsequent Events)

On October 25, 2022, the Company and and factory,inc. ("and factory") concluded a capital and business alliance agreement (the "Capital and Business Alliance Agreement"). Pursuant to the Capital and Business Alliance Agreement, effective November 10, 2022, the Company subscribed for new shares to be issued by and factory through a third-party allocation and acquired the shares of and factory held by Mr. Takamasa Ohara, the Chairman of the Board of Directors of and factory in order to make the company an equity method affiliate of the Company.

For more information, please refer to the "Notice of Capital and Business Alliance Agreement with and factory,inc (Securities code: 7035), Subscription to Third-Party Allocation of New Shares and Acquisition of Shares" announced on October 25, 2022.