

SEPTENI

FY December/2023

Business Results for 1Q

Feb. 9, 2023

SEPTENI HOLDINGS CO., LTD.

01 Quarterly Consolidated Earnings Overview

02 Digital Marketing Business

03 Media Platform Business

04 Progress of Earnings Estimates

05 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 appropriately express the actual state of the business. It refers to the profit indicator to assess ordinary business conditions after adjustments are made to IFRS-based operating profit pertaining to 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, the impairment losses, and gains or losses on the sales of fixed assets.

Figures in this material are rounded to the nearest unit.

01

**Quarterly Consolidated
Earnings Overview**

Revenues of each segment increased. Expenses increased due to the strengthening of human capital investment, mainly in recruitment, and new consolidation, resulting in YoY decline in Non-GAAP operating profit.

Consolidated

Revenue	¥6,974mn (YoY+6.1%)
Non-GAAP Operating Profit	¥896mn (YoY -55.6%)
EPS	¥2.78 (YoY -¥7.30)

**Digital
Marketing
Business**

Revenue increased YoY despite the impact of some economic conditions. Profit declined due to an increase in expenses, mainly due to the promoting of hiring and new consolidation.

Revenue	¥6,203mn (YoY+ 3.4%)	Non-GAAP Operating Profit	¥1,736mn (YoY-38.5%)
---------	-------------------------------------	---------------------------------	-----------------------------

**Media
Platform
Business**

Revenue increased driven by the IP Platform Business, and loss narrowed as the topline growth.

Revenue	¥883mn (YoY+ 37.1%)	Non-GAAP Operating Profit	¥-192mn (Deficit narrowed ¥70mn YoY)
---------	------------------------------------	---------------------------------	--

Including investment in new segments of ¥11 mn

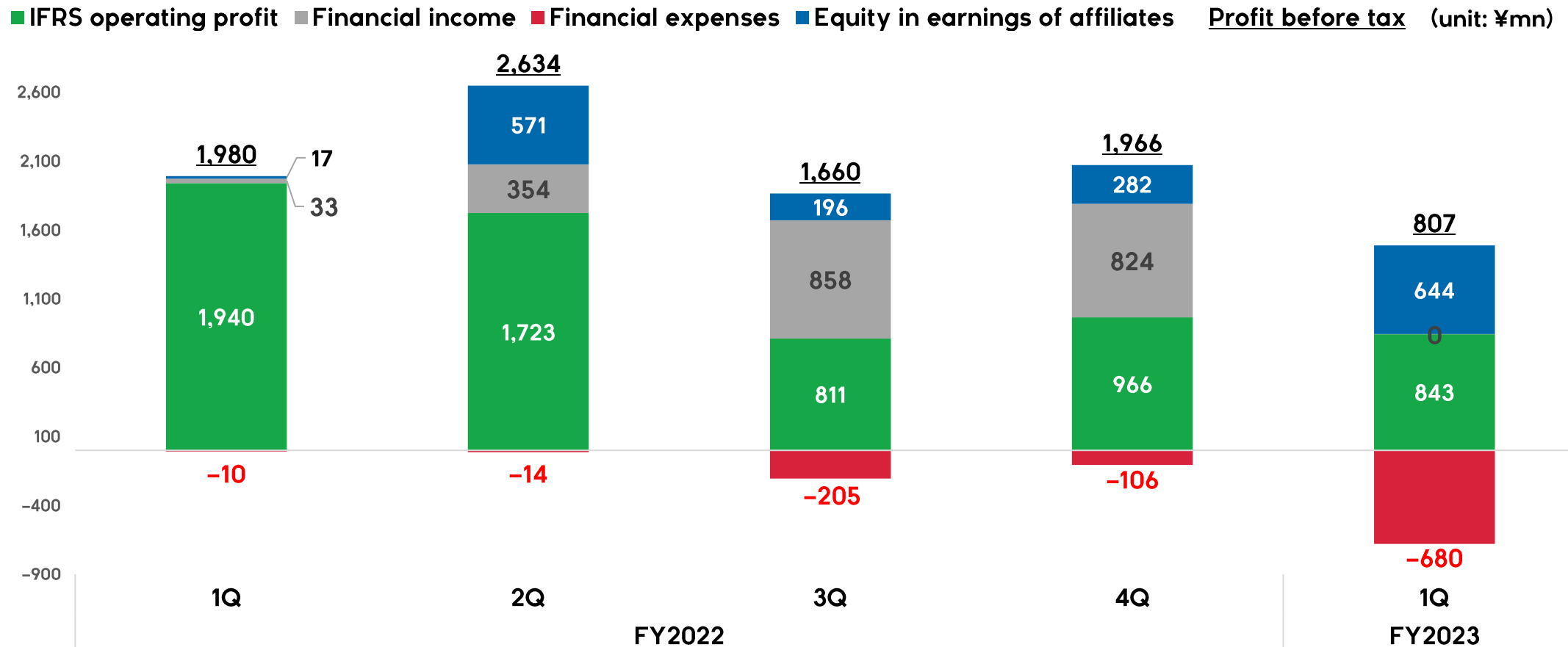
Temporary financial expenses were incurred due to revaluation of investment securities. Equity in earnings of affiliates largely increased.

(unit: ¥mn)	1Q/FY2023			1Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
Revenue	6,974	100.0%	+6.1%	6,572	100.0%
Gross profit	5,405	77.5%	-0.9%	5,452	83.0%
SG&A expenses	4,557	65.3%	+32.2%	3,447	52.4%
Non-GAAP operating profit	896	12.9%	-55.6%	2,020	30.7%
Operating profit	843	12.1%	-56.6%	1,940	29.5%
Financial income	0	0.0%	-98.6%	33	0.5%
Financial expenses	680	9.8%	+6,873.9%	10	0.1%
Equity in earnings of affiliates	644	9.2%	+3,592.0%	17	0.3%
Profit for the period attributable to owners of the parent	583	8.4%	-54.3%	1,275	19.4%
Basic earnings per share (EPS) (¥)	2.78	—	-7.30	10.08	—
[Reference] Net sales	32,064	—	+6.5%	30,110	—

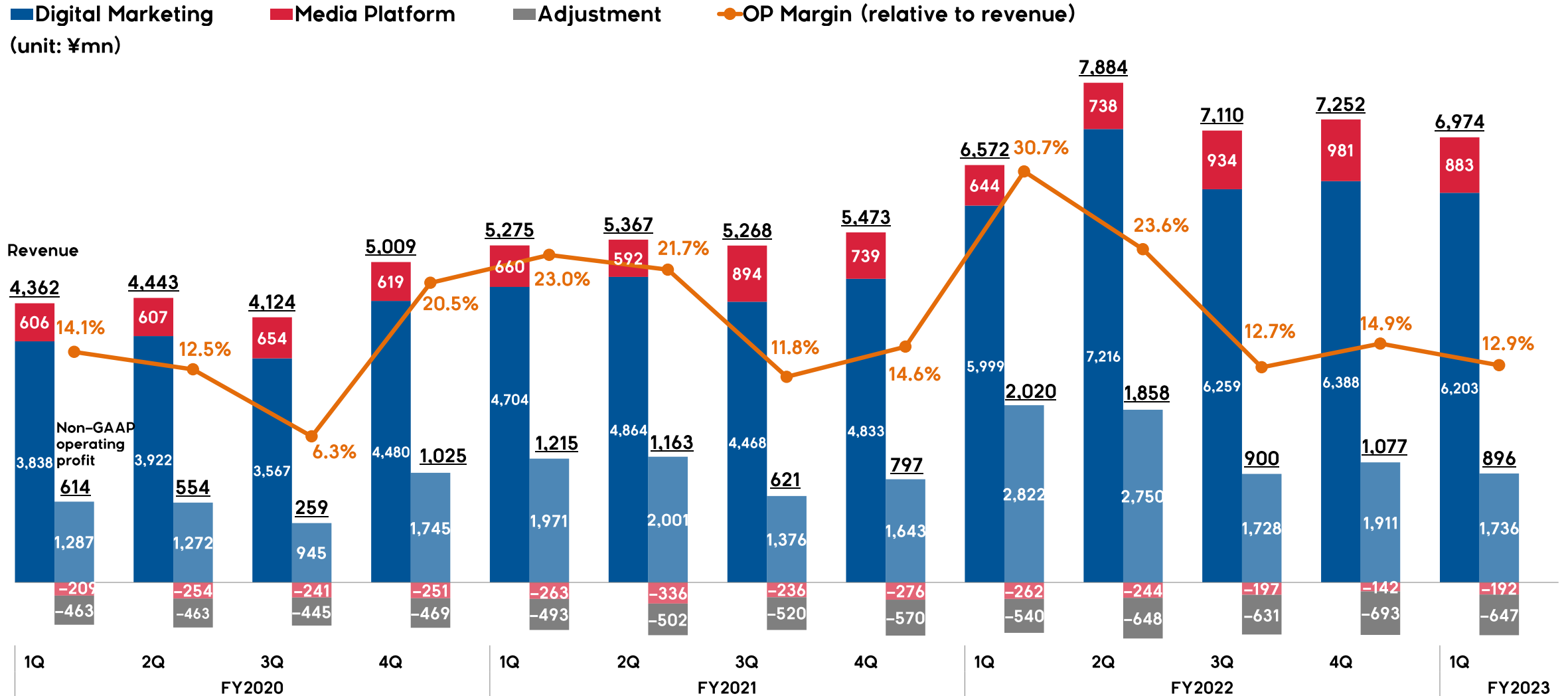
07 Quarterly Trend of Consolidated Profit Before Tax



Equity in earnings of affiliates increased by making Dentsu Digital Inc. into an equity-method affiliate in FY2022/2Q.



08 Quarterly Trend of Earnings by Business Segment



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

09 Constitution of Consolidated Expenses (IFRS)



In addition to an increase in subcontract cost due to new consolidation, other cost of sales also increased as the business growth.

(unit: ¥mn)	FY2021				FY2022				FY2023	QonQ	YonY
	1Q	2Q	3Q	4Q	1Q ^{*3}	2Q	3Q ^{*3}	4Q	1Q		
Total of cost of sales	1,005	939	1,076	1,079	1,120	1,647	1,637	1,694	1,568	-7.4%	+40.0%
Labor costs	296	321	347	344	364	366	388	379	393	+3.5%	+7.7%
Subcontract costs	240	167	204	244	294	779	632	674	545	-19.2%	+85.5%
Others	468	451	525	491	462	503	617	641	631	-1.5%	+36.6%
Total of SG&A	3,061	3,380	3,593	3,711	3,447	4,432	4,636	4,543	4,557	+0.3%	+32.2%
Labor costs ^{*1}	2,019	2,183	2,230	2,337	2,298	2,825	3,002	2,888	3,000	+3.9%	+30.5%
Employee bonuses ^{*2}	85	285	283	270	169	349	236	183	152	-16.7%	-10.0%
Rent expenses etc.	324	321	327	326	266	290	301	312	301	-3.7%	+13.3%
Advertising expenses	184	188	281	242	192	223	280	265	228	-14.2%	+18.8%
Taxes and dues ^{*4}	35	37	41	60	45	126	124	120	107	-11.1%	+139.6%
Others	415	366	431	476	477	619	693	774	770	-0.6%	+1.3%

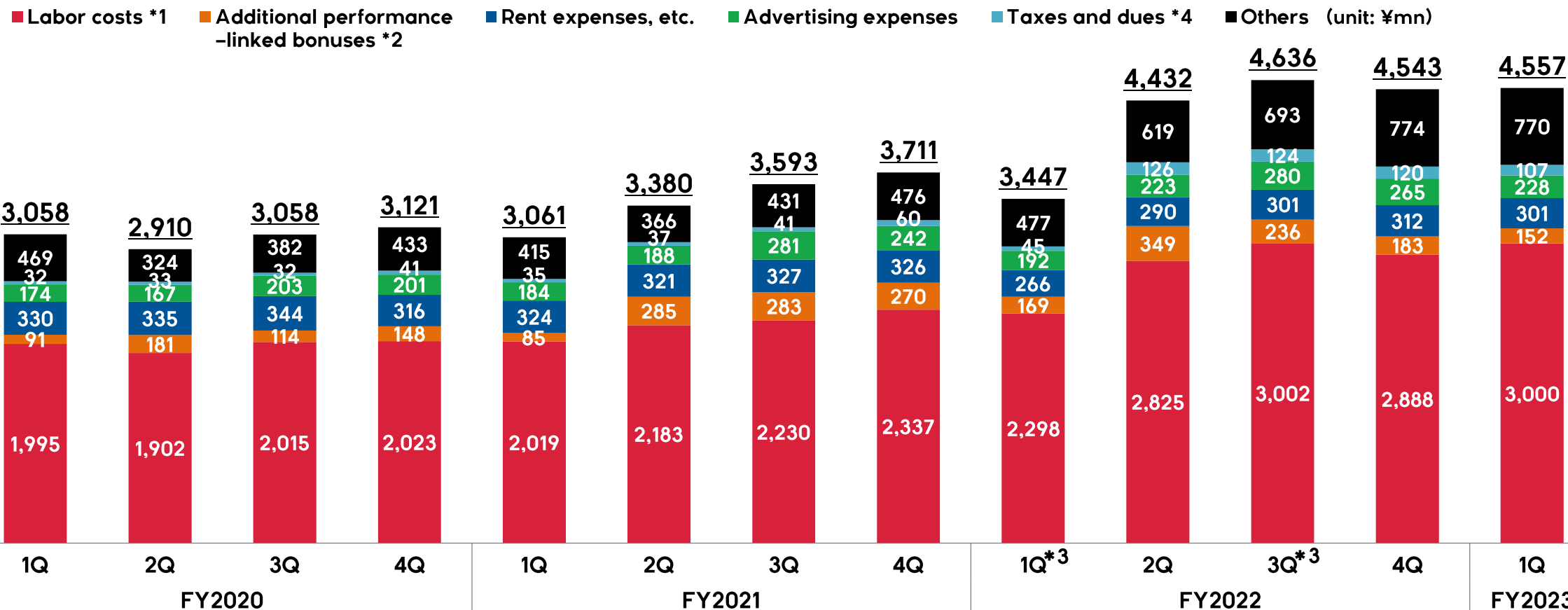
*1 In FY2020/1Q, 2Q and since FY2021/2Q, performance-linked stock compensation (BIP trust), which is a reconciliation to Non-GAAP operating profit, is recognized as labor costs.

*2 Including estimation amount for additional performance-linked bonus.

*3 Labor costs and employee bonuses are revised. *4 Taxes and dues, originally accounted as others, were extracted and calculated.

10 Quarterly Trend of Consolidated SG&A

Expenses increased significantly YonY due to the strengthening of recruitment and the effects of new consolidation. Allowance for doubtful accounts (approximately ¥50mn) related to business partners of overseas subsidiary was recorded as other expenses.



*1 In FY2020/1Q, 2Q and since FY2021/2Q, performance-linked stock compensation (BIP trust), which is a reconciliation to Non-GAAP operating profit, is recognized as labor costs.

*2 Including estimation for additional performance-linked bonus.

*3 Labor costs and employee bonuses are revised. *4 Taxes and dues, originally accounted as others, were extracted and calculated.

02

Digital Marketing Business

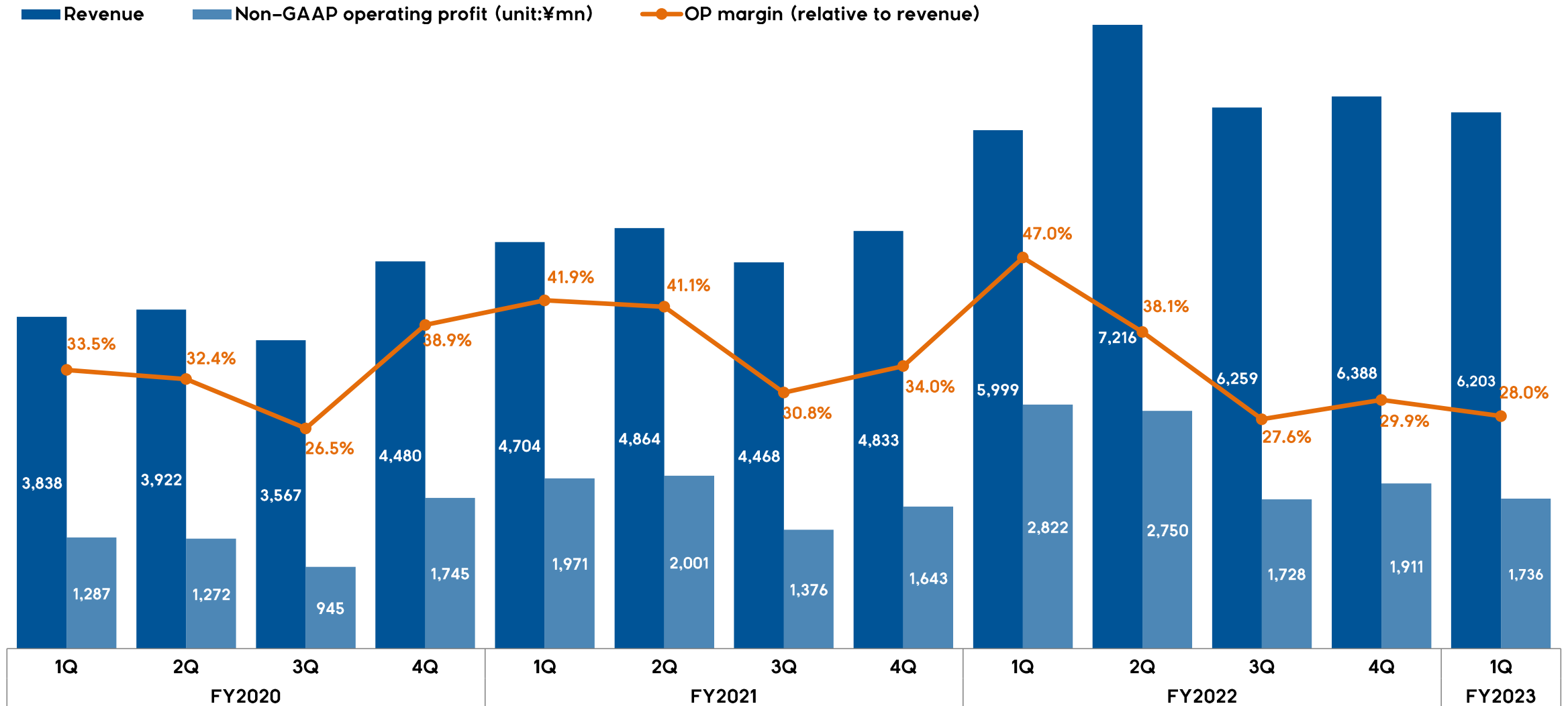
12 Digital Marketing Business Earnings Overview



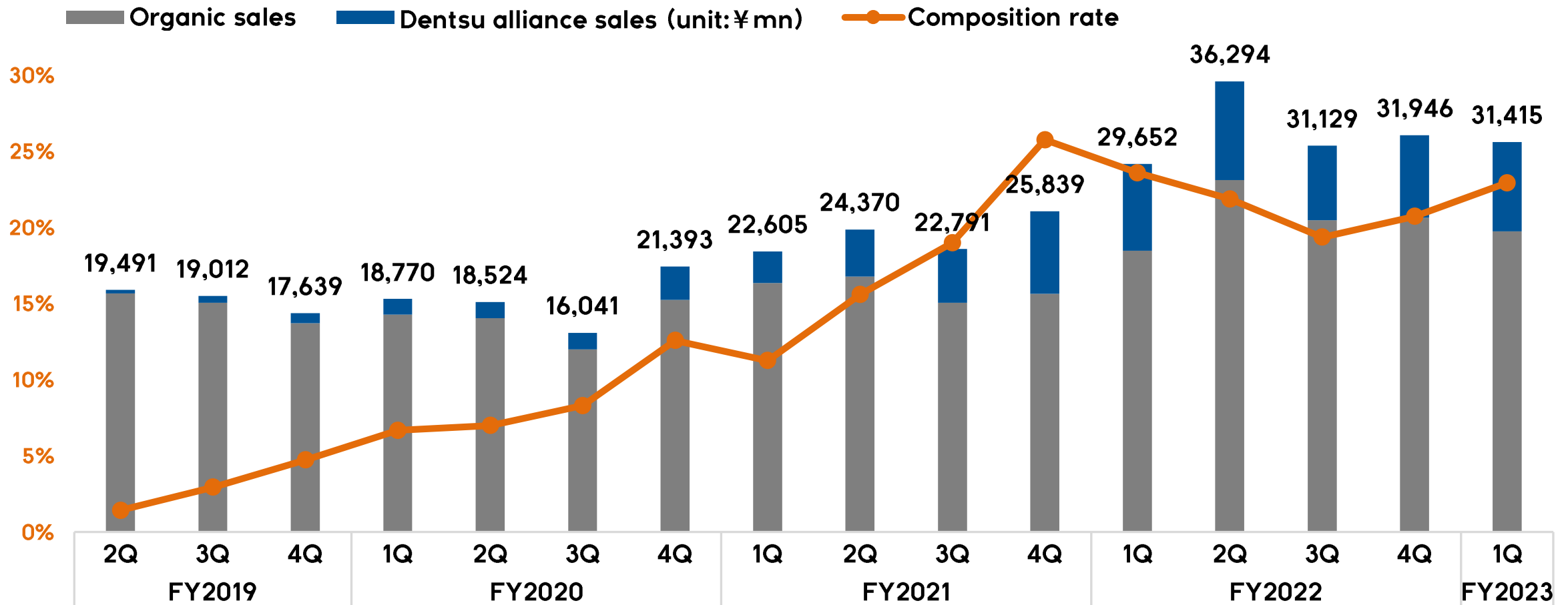
Revenue increased despite the impact of some economic conditions, and Non-GAAP operating profit declined due to upfront investment centered on strengthening personnel structure.

(unit: ¥mn)	1Q/FY2023			1Q/FY2022	
	Value	Ratio	YonY	Value	Ratio
Revenue	6,203	100.0%	+ 3.4%	5,999	100.0%
Gross profit	5,054	81.5%	-2.6%	5,189	86.5%
SG&A	3,337	53.8%	+ 41.0%	2,367	39.5%
Non-GAAP operating profit	1,736	28.0%	-38.5%	2,822	47.0%
[Reference] Net Sales	31,415	—	+ 5.9%	29,652	—
[Reference] Revenue/Net Sales	—	19.7%	-0.5Pt	—	20.2%

13 Digital Marketing Business Quarterly Earnings Trend



The number of clients in collaboration with Dentsu increased to 109.



*Since FY2022/2Q, organic sales include the effects of new consolidation. *Ratio of Net Sales from the Collaboration with Dentsu in FY2022/2Q, 4Q, and FY2023/1Q were revised on Feb. 13, 2023.

03

Media Platform Business

16 Media Platform Business Earnings Overview

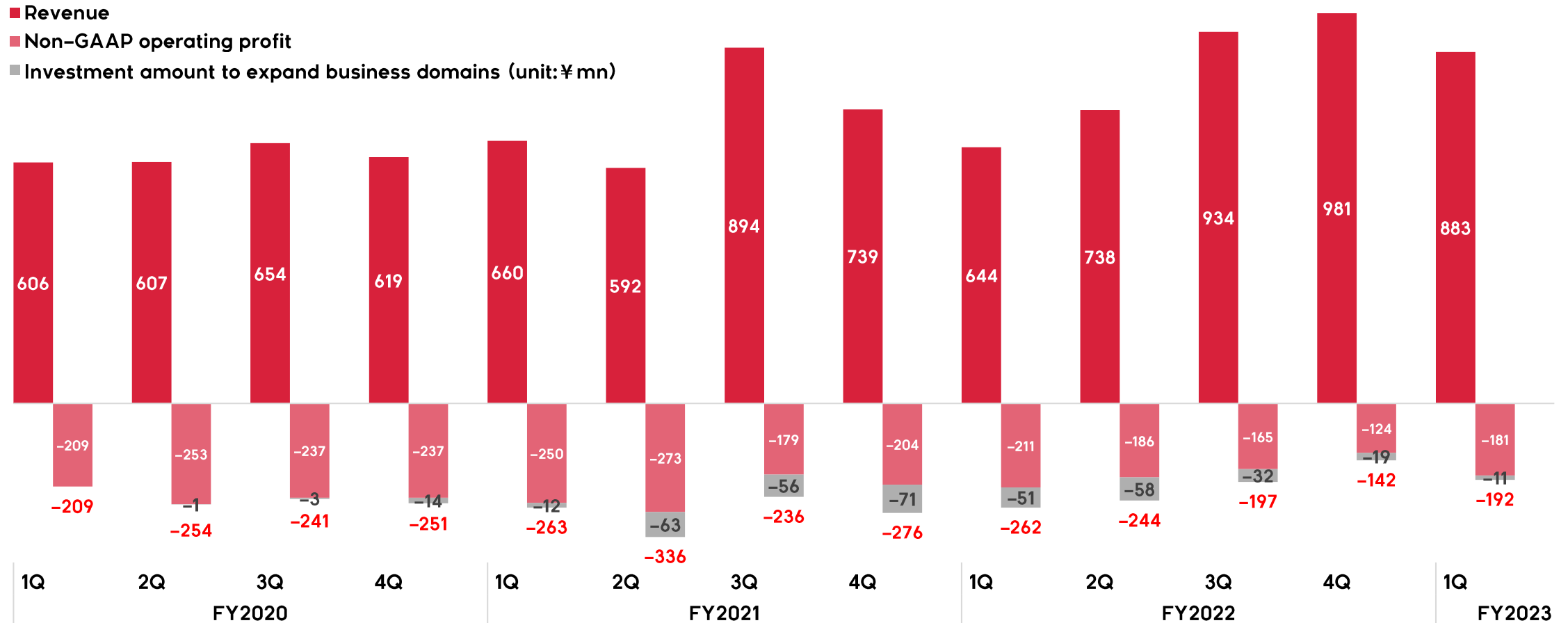


Revenue increased YoY due to the growth of the IP Platform Business and deficit narrowed as the monetization of its own IP is accelerated.

(unit:¥mn)	1Q/FY2023			1Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
Revenue	883	100.0%	+37.1%	644	100.0%
Gross profit	465	52.7%	+40.8%	330	51.3%
SG&A	662	75.0%	+11.8%	592	91.9%
Non-GAAP operating profit	-192	—	+70	-262	—
Investment amount to expand business domains*	-11	—	+40	-51	—

*Total operating profit (loss) from businesses positioned as expansion into new business segments.

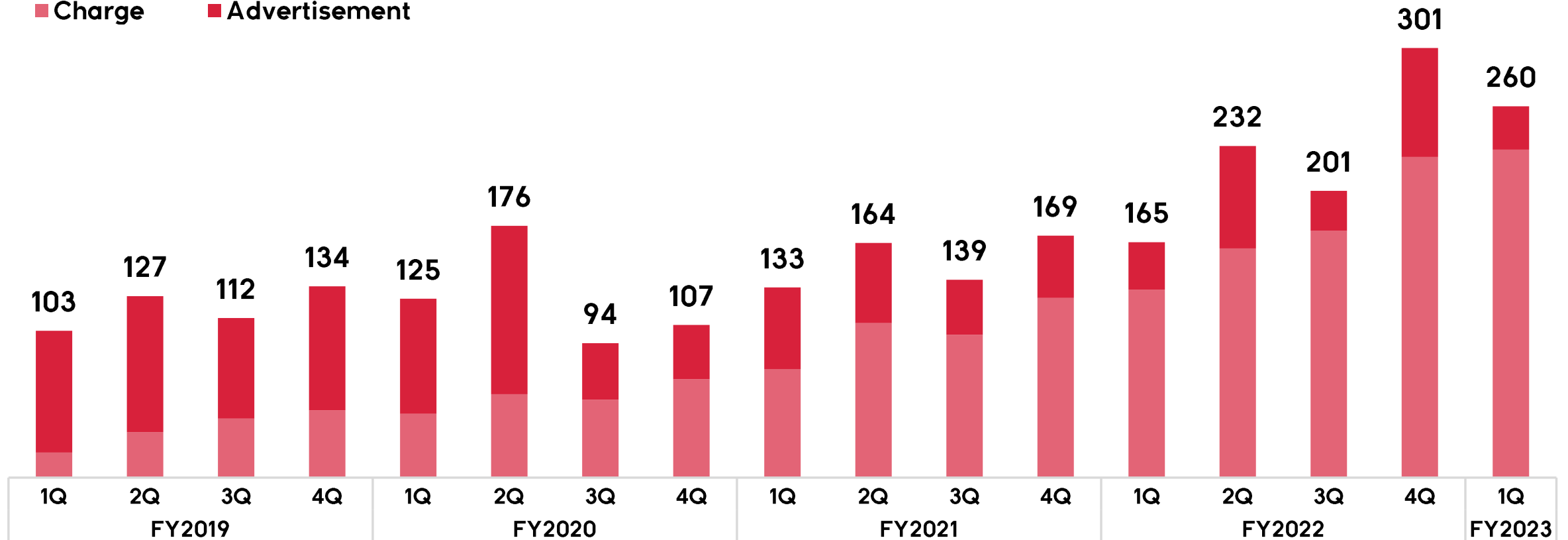
Investment to expand business domains gradually declines.



Charge revenue grew by approximately 1.7 times YoY and drives the growth of the business.

*Volume in 1Q FY2018= 100

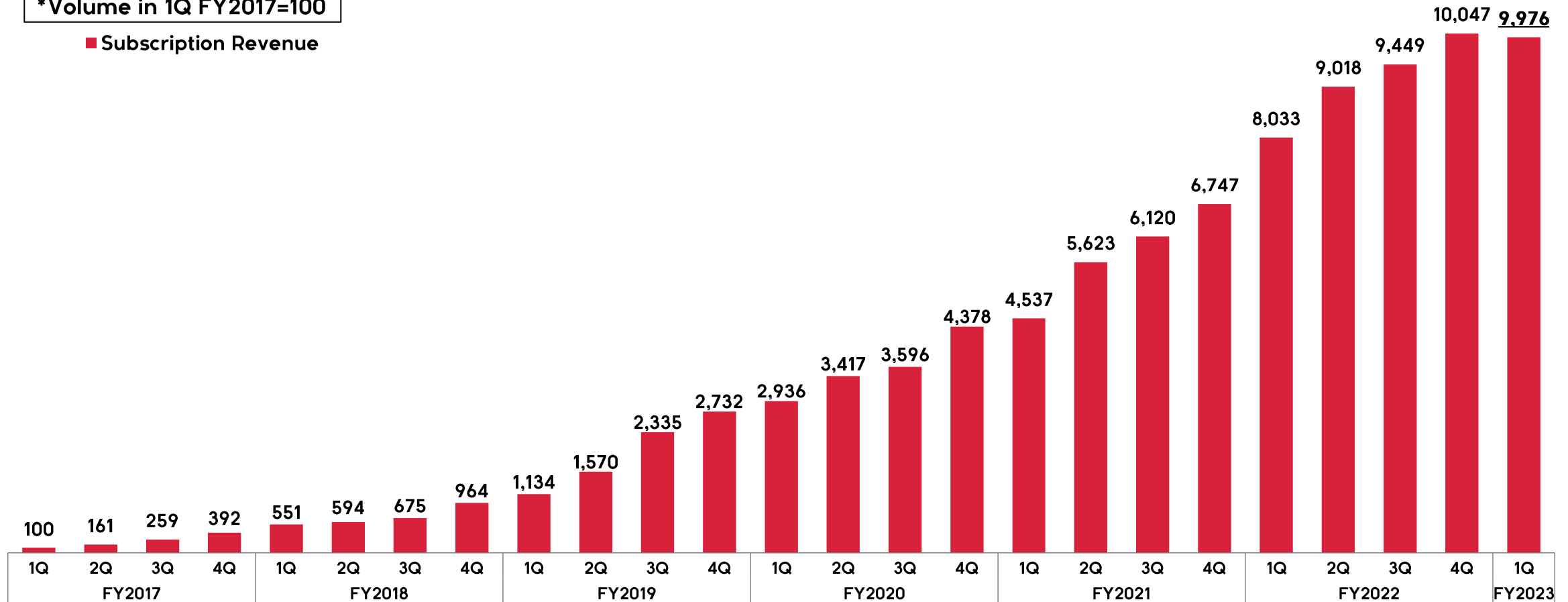
■ Charge ■ Advertisement



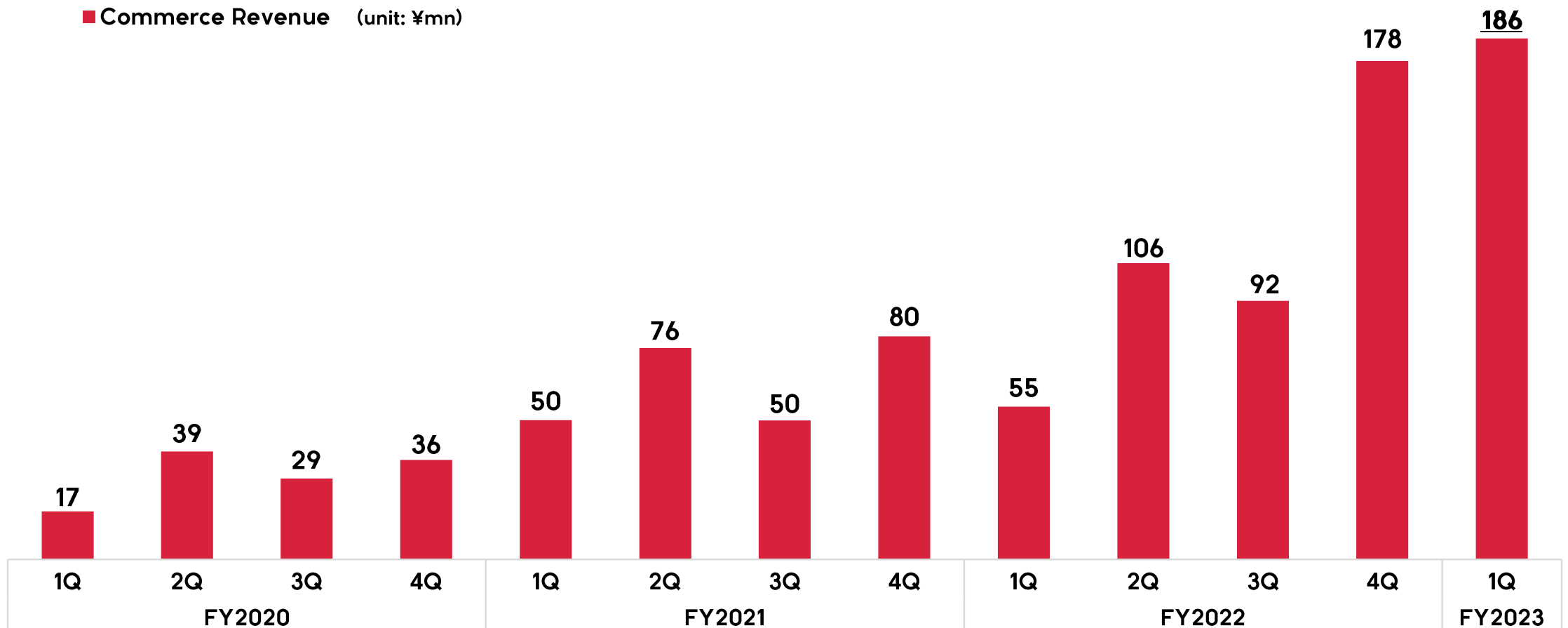
The number of subscribers reached a record high in December, although the revenue slightly decreased QonQ due to the impact of currency fluctuations.

*Volume in 1Q FY2017=100

■ Subscription Revenue



Commerce revenue grew significantly by **approximately 3.4 times YoY** centered on sales of e-books.



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

TV anime of GANMA!'s most popular title
“*My Love Story with Yamada-kun at Lv.999*” will be on air from April 2023.



Awards

- “The 13th anan Manga Awards” **Grand Prize**
- “The 6th TSUTAYA Comic Awards” **Grand Prize**
- “The NEXT MANGA AWARDS” Web manga category **4th Prize**

Cumulative circulation

More than **2 million copies** as of December 2022

*With 6 volumes including e-books (published by KADOKAWA)

04

Progress of Earnings Estimates

Medium-term theme since FY2020 is “Domain Expansion”

Digital Marketing Business: Strengthening DX supporting area

Expansion of on-off integrated services by deepening the alliance with the Dentsu Group

Strengthening development of AI products and data & solutions services

Media Platform Business: Growth acceleration of IP Platform Business*

Enhancing IP values

Strengthening webtoon production system

Expansion into New Business Segment

Business growth in HR technology domain

Promoting business development in the entertainment and sports domain

Reinforcing management foundation

Revision of Corporate Philosophy

Improving human capital value by updating the human resources systems

*Manga Content Business is renamed to IP Platform Business from FY2023.

From April 2023, with the aim of increasing human capital value, human resource investment will be strengthened, including raising salary levels.

Increase in fixed salary

Summary

Starting in April 2023, a pay increase will be implemented for the full-time employees of 9 Group companies. For all qualifications, the annual salary will be increased by about ¥0.8 million (about ¥1 million for some qualifications.)



**Aiming to maximize human capital value
by strengthening competitiveness in the recruitment market**

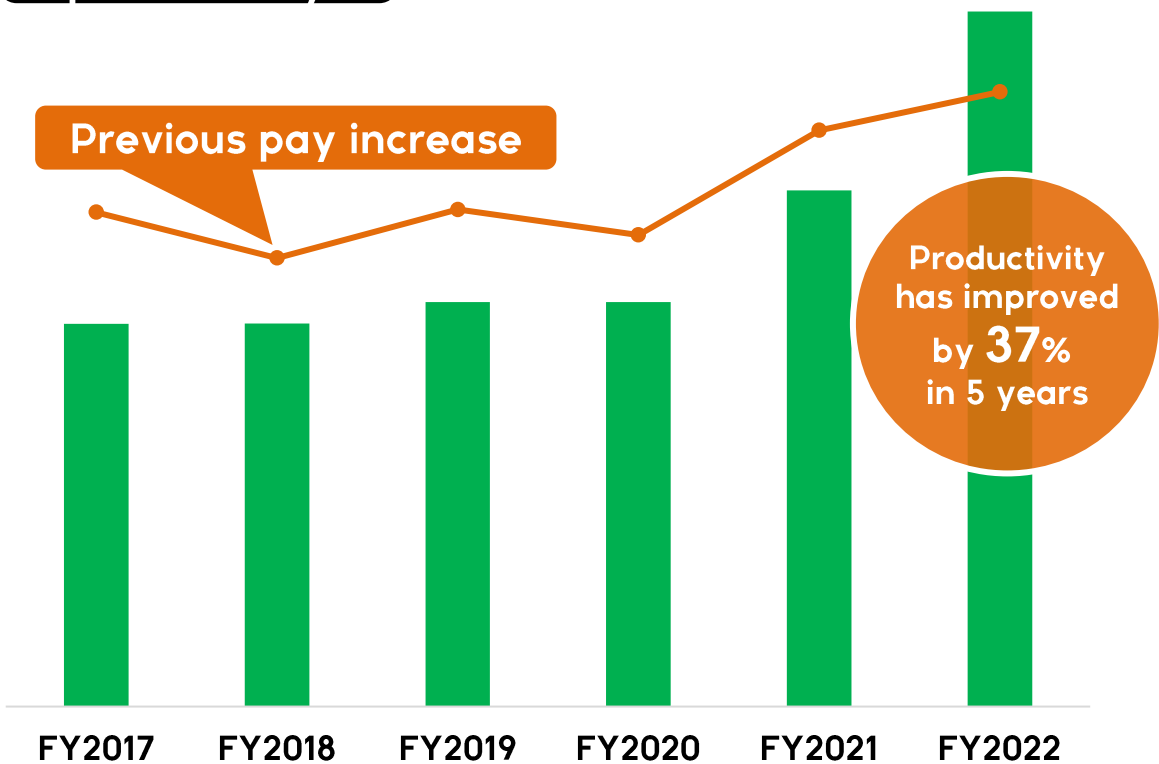
In addition, the Company plans to increase the incentive subsidy rate for the Employee Stock Ownership Plan and invest in new ways of working and office equipment.

Planning to invest approximately ¥230 mn per quarter from FY2023/3Q onward and a total of about ¥680 mn for FY2023 in human resources.

Maximization of financial performance over the medium to long term through active investment in human capital is expected.

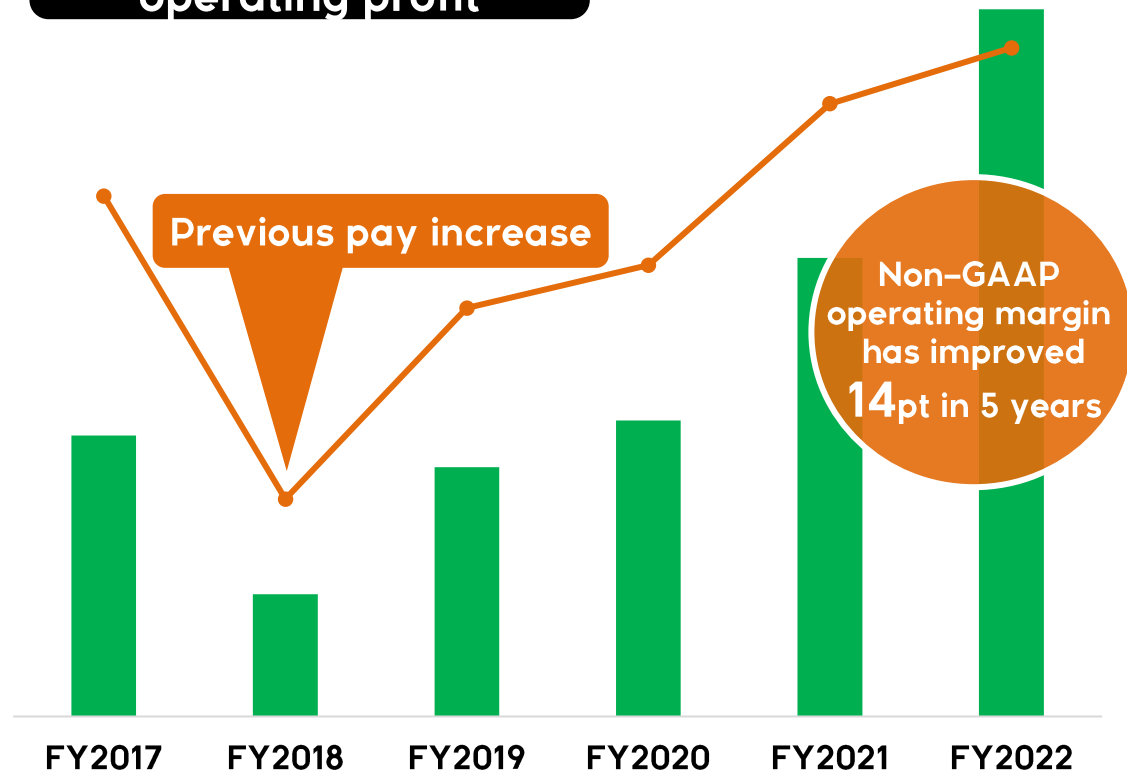
Trend of productivity

■ Consolidated net sales
—●— Net sales per employee



Trend of Non-GAAP operating profit

—●— Operating margin



*Please refer to the press release on November 10, 2022 for the details.

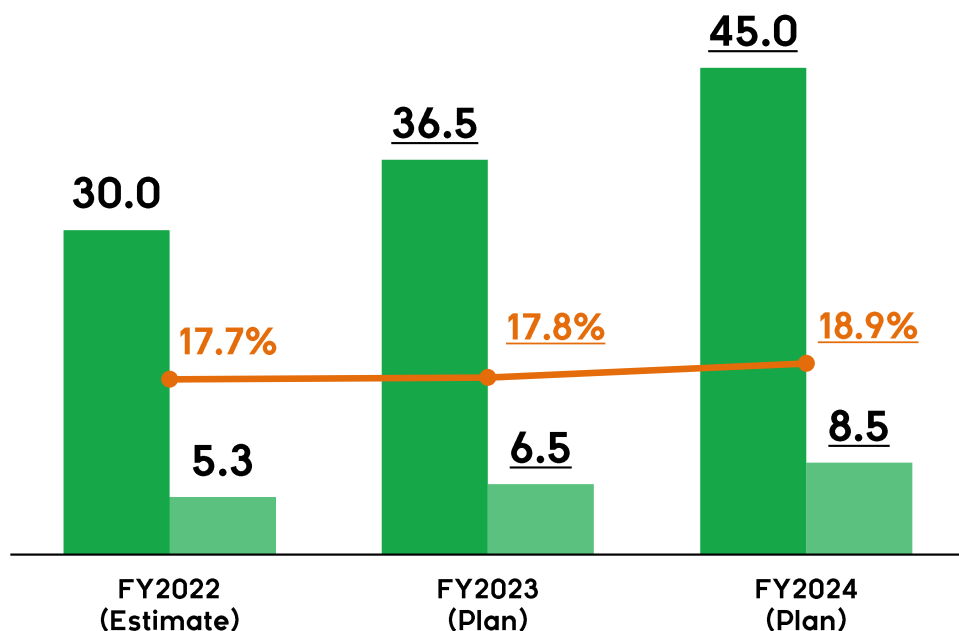
26 Medium-term Business Policies (3-Year Plan)



Aim to increase corporate value and shareholder value by enhancing the effectiveness of long-term business growth through active investment in human capital.

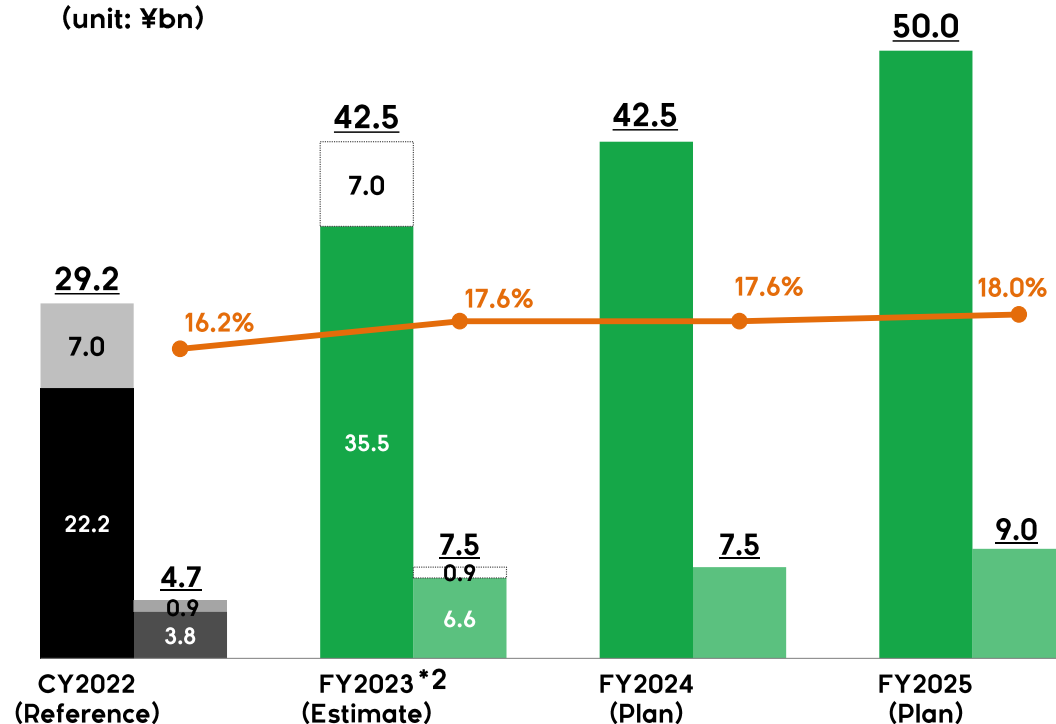
Consolidated (before update*1)

Revenue Non-GAAP operating profit OP margin
(unit: ¥bn)



Consolidated (after update*2)

Revenue Non-GAAP operating profit OP margin
(unit: ¥bn)



*1 The previous accounting period announced on February 10, 2022.

*2 Figures for 2022 are simple totals for the January to December period as reference values. As FY2023 is an irregular account settlement, the totals and operating profit rates are estimates for 15 months.

27 Acquisition of Treasury Shares

As part of its shareholder return policy, the Company will acquire treasury stock.

Details

From February 17, 2023 to March 30, 2023,
the Company plans to acquire its own shares as follows.

Total amount of cost: ¥**1** billion (maximum)

Total number of shares to be acquired: **2.2** million shares
(1.05% of total number of issued shares*) (maximum)

Class of shares to be acquired: Common shares

Method of acquisition: Market purchase on the Tokyo Stock Exchange

28 FY2023 Full Year Earnings Estimates (Consolidated)



(unit: ¥mn)	Estimates for FY2023 (15-month period)	1Q/FY2023	Estimates for 2Q-5Q/FY2023 (12-month period)	Results from Jan to Dec in 2022 (Reference*)	Expected growth rate (YonY, 12-month period)
Revenue	42,500	6,974	35,526	29,220	+21.6%
Non-GAAP operating profit	7,500	896	6,604	4,731	+39.6%
Profit for the period attributable to owners of the parent	5,950	583	5,367	5,042	+6.5%
Earnings per share (EPS) (¥)	28.27	2.78	25.49	24.19	+1.30
[Reference] Net Sales	180,000	32,064	147,936	133,388	+10.9%

*Simple totals for the January to December period.

29 Progress toward Earnings Estimates (Consolidated, 15-month period) SEPTENI

(unit: ¥mn)

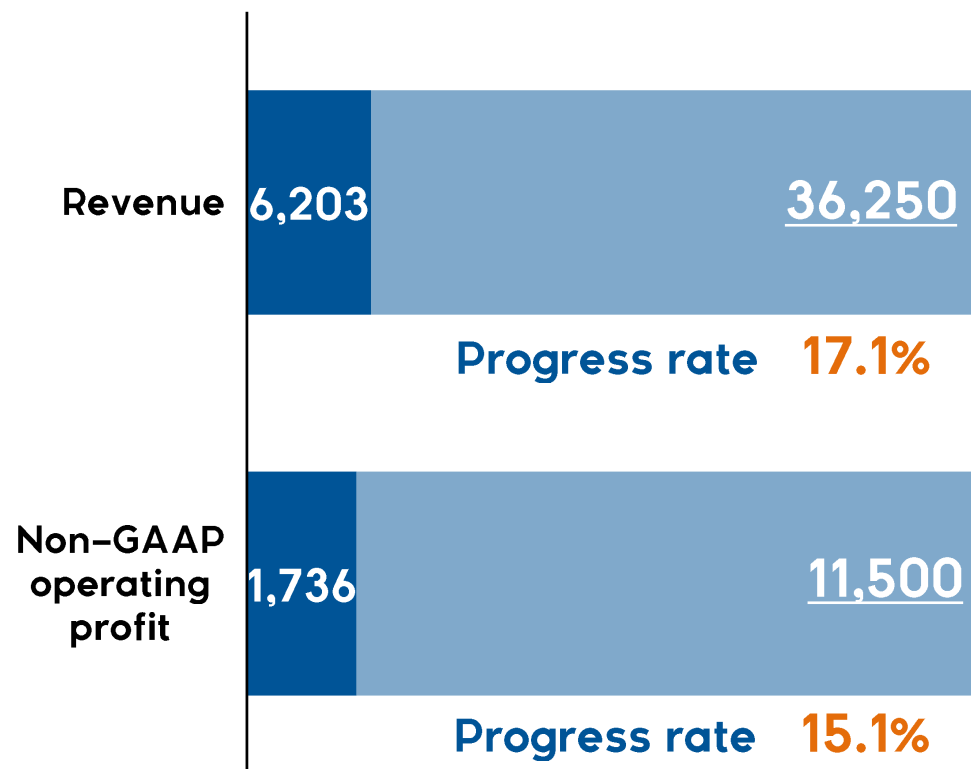


30 Progress toward Earnings Estimates (By Business Segment, 15-month period)



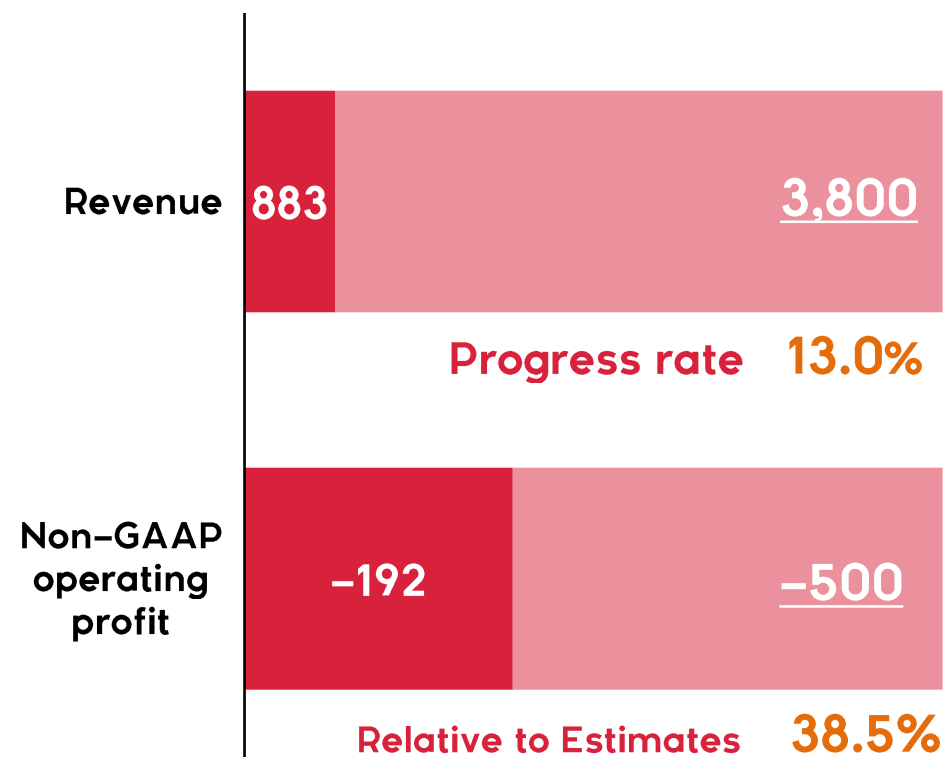
Digital Marketing Business

(unit: ¥mn)

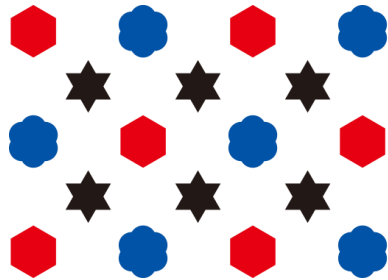


Media Platform Business

(unit: ¥mn)



Thank you for your interest!



SEPTENI

Contact Information

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

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

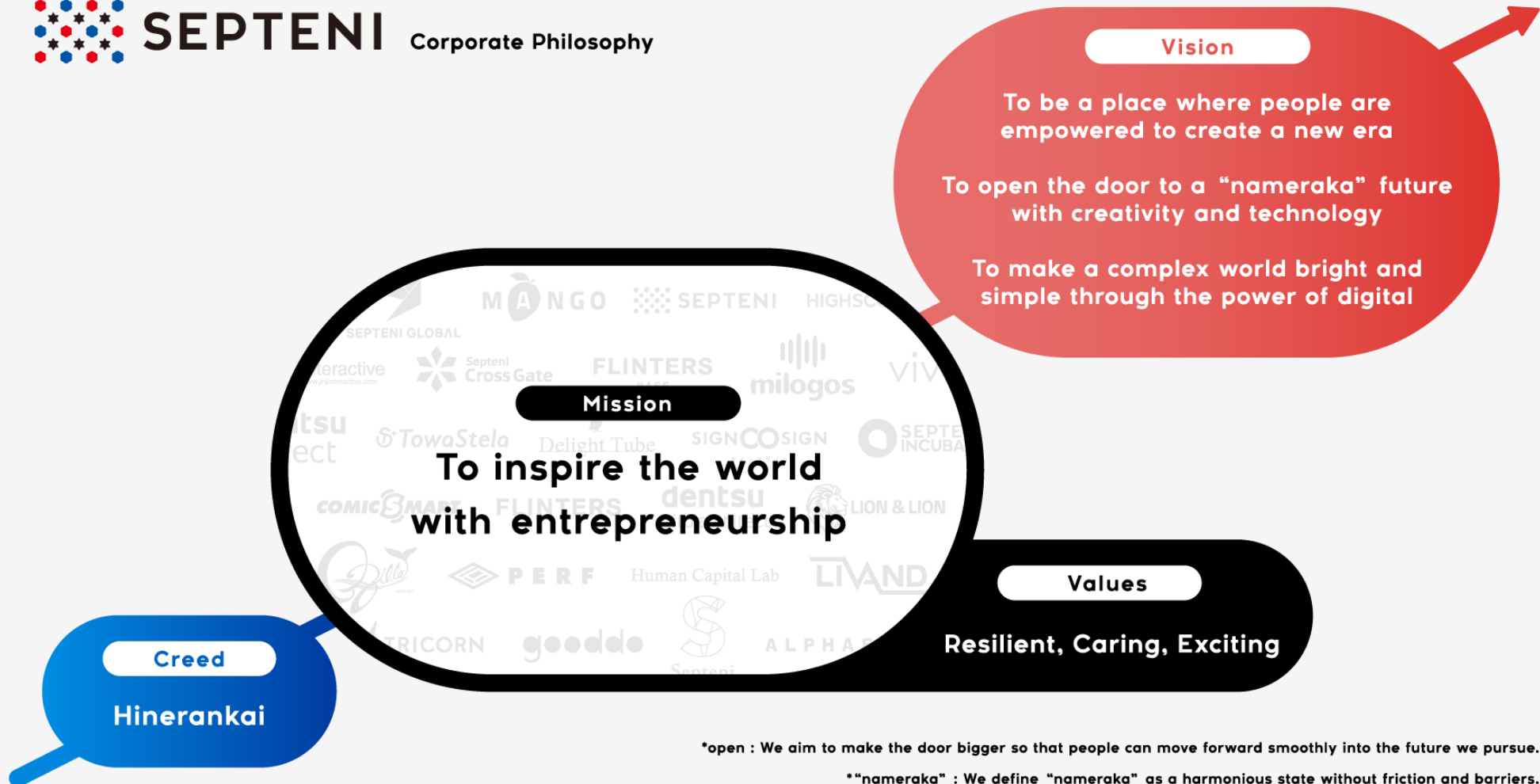
E-mail: ir@septeni-holdings.co.jp

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 Feb. 9, 2023 and we do not guarantee their accuracy. Therefore, our actual results may differ due to various unforeseen risk factors and changes in global economies.

05

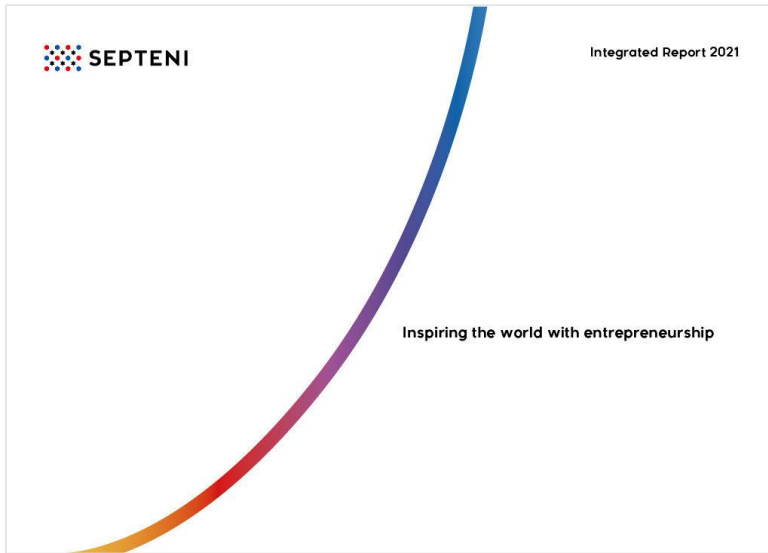
Appendix

33 Group Corporate Philosophy



*open : We aim to make the door bigger so that people can move forward smoothly into the future we pursue.

**"nameraka" : We define "nameraka" as a harmonious state without friction and barriers.



Integrated Report 2021

The Integrated Report 2021 is available on the website, discussing medium-to-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/integratedreport2021_en.pdf)



*2022 ver. is planned to be released in March 2023.



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)



To realize a sustainable society and the Company's mission, continue activities that contribute to solving social issues through business operations.

Our Efforts

SDGs

Environment

- Reduction of printing paper
- Promotion of green purchasing
- Implementation of resource and energy conservation measures and promotion of recycling



Support for culture/sports/entertainment industry

- Recruitment of top athletes and supporting athlete promotion and athletic competition promotion
- Support of professional soccer team and professional dance team
- Support for the development of manga artists



Diversity & Inclusion

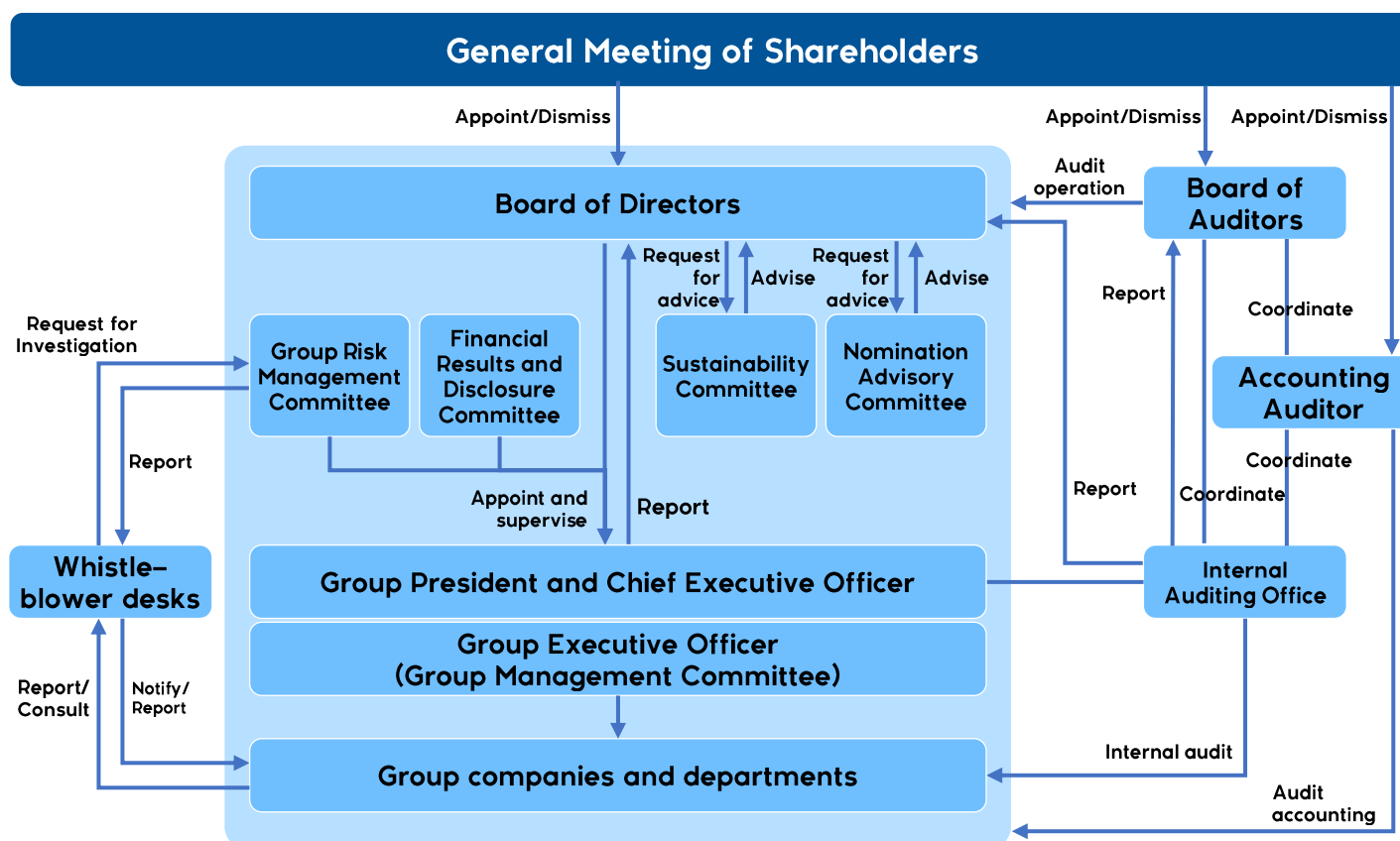
- 28.6% of the Board of Directors is composed of women
- Revised target ratio of female managers: 25% by October 2023 (Previous target: 17% by October 2020)
- Support for employees raising children and introduction of diverse work styles



36 Enhancing Corporate Governance

In addition to conducting business in accordance with our Corporate Philosophy and Code of Conduct and making fair and efficient decisions, the Company focuses on establishing and operating a system to ensure compliance with laws and regulations and appropriate supervision of corporate performance.

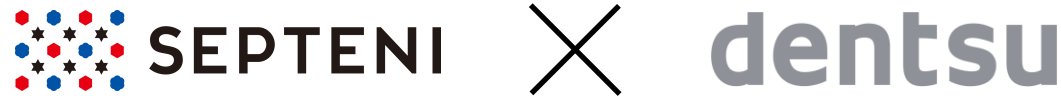
Coporate Management Structure



Transition of Governance Reform

- **FY2015:**
 - Appointed outside directors
- **FY2016:**
 - Introduced an evaluation of the effectiveness of the Board of Directors
 - Strengthen checking functions by establishing various committees
 - Withdrawal of anti-takeover defense measures
- **FY2017:**
 - Introduction of a performance-linked stock compensation system for officers
 - Introduction of a delegated executive officer system
 - Separation of executive and supervisory functions
- **FY2022:**
 - Establishment of the Sustainability Committee and enhancement of awareness of ESG
 - Further Strengthening Representative director Independence and Diversity (Ratio of Outside Directors: 71.4%, Ratio of Female Directors: 28.6%)

Proposal of Integrated Marketing of online/offline advertising through the utilization of the two companies' client 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

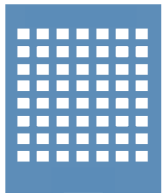
- Digital planning including complementary measures to increase the reach of TV commercials.
 - Customization of creatives in sync with TV commercials.
 - Implementation of digital advertisements by leveraging linkage with data for the mass media area.
- etc.

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

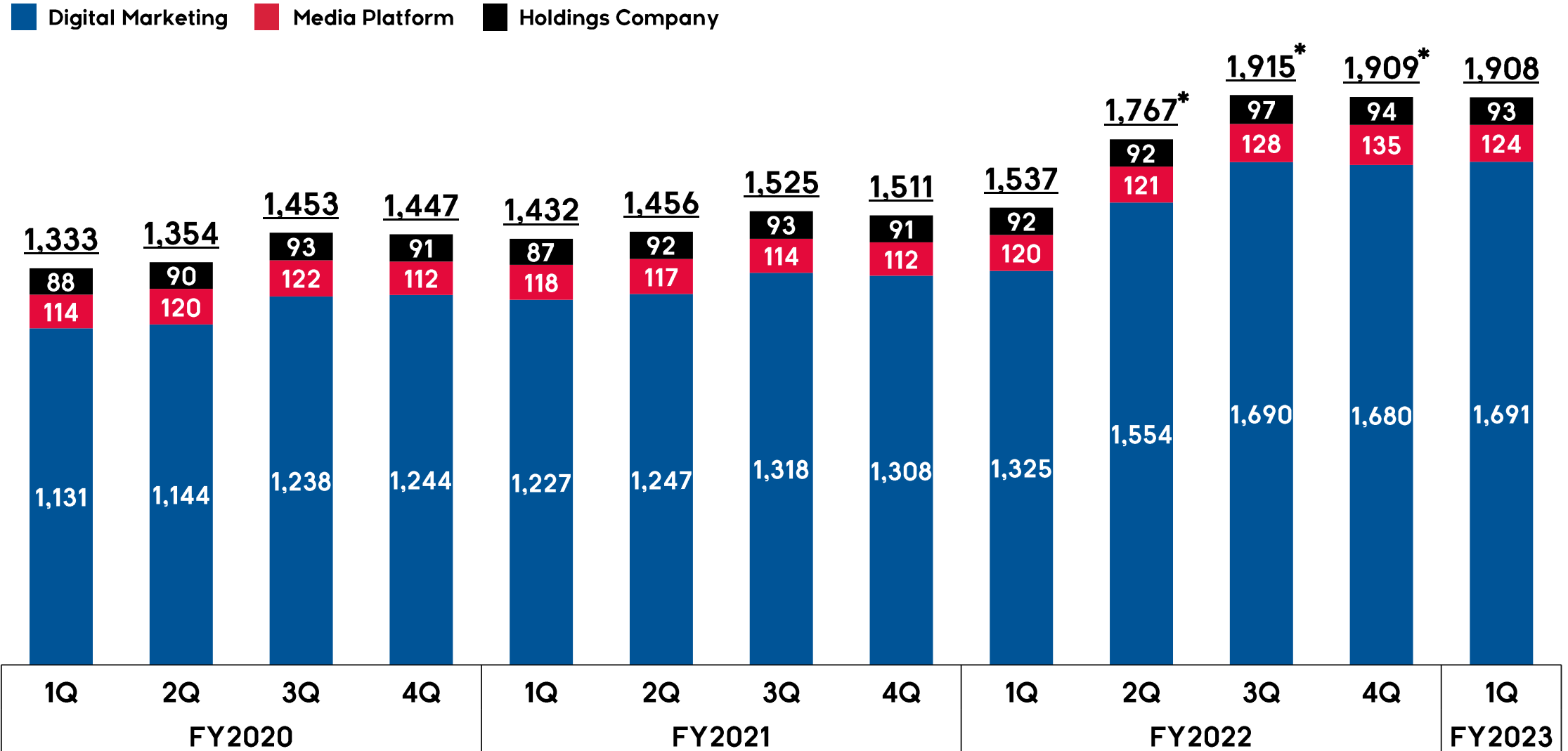


38 FY2023 Full Year Earnings Estimates (By Business Segment) SEPTENI

Revenue	Estimates for FY2023 (15-month period)	1Q/FY2023	Estimates for 2Q-5Q/FY2023 (12-month period)	Results from Jan to Dec in 2022 (Reference*)	Expected growth rate (YoY, 12-month period)
Digital Marketing	36,250	6,203	30,047	26,066	+15.3%
Media Platform	6,800	883	5,917	3,535	+67.4%
Elimination or corporate	-550	-112	-438	-381	-
Consolidated	42,500	6,974	35,526	29,220	+21.6%
Non-GAAP operating profit	Estimates for FY2023 (15-month period)	1Q/FY2023	Estimates for 2Q-5Q/FY2023 (12-month period)	Results from Jan to Dec in 2022 (Reference*)	Expected growth rate (YoY, 12-month period)
Digital Marketing	11,500	1,736	9,764	8,124	+20.2%
Media Platform	-500	-192	-308	-775	(+467)
Elimination or corporate	-3,500	-647	-2,853	-2,618	-
Consolidated	7,500	896	6,604	4,731	+39.6%

*Simple totals for the January to December period.

39 Septeni Group Workforce Number Trend



*The numbers of FY2022/2Q (1,765→1,767), 3Q (1,913→1,915), 4Q (1,907→1,909) are revised due to the recount of new consolidated workforce.

40 Main Group Companies by Business Segment as of Feb. 9, 2022



Digital Marketing Business

Domestic advertising



Data & solutions

FLINTERS

Oversea advertising



dentsu
direct



Media Platform Business



vivivit



TowaStela



Others

Human Capital Lab

New business development



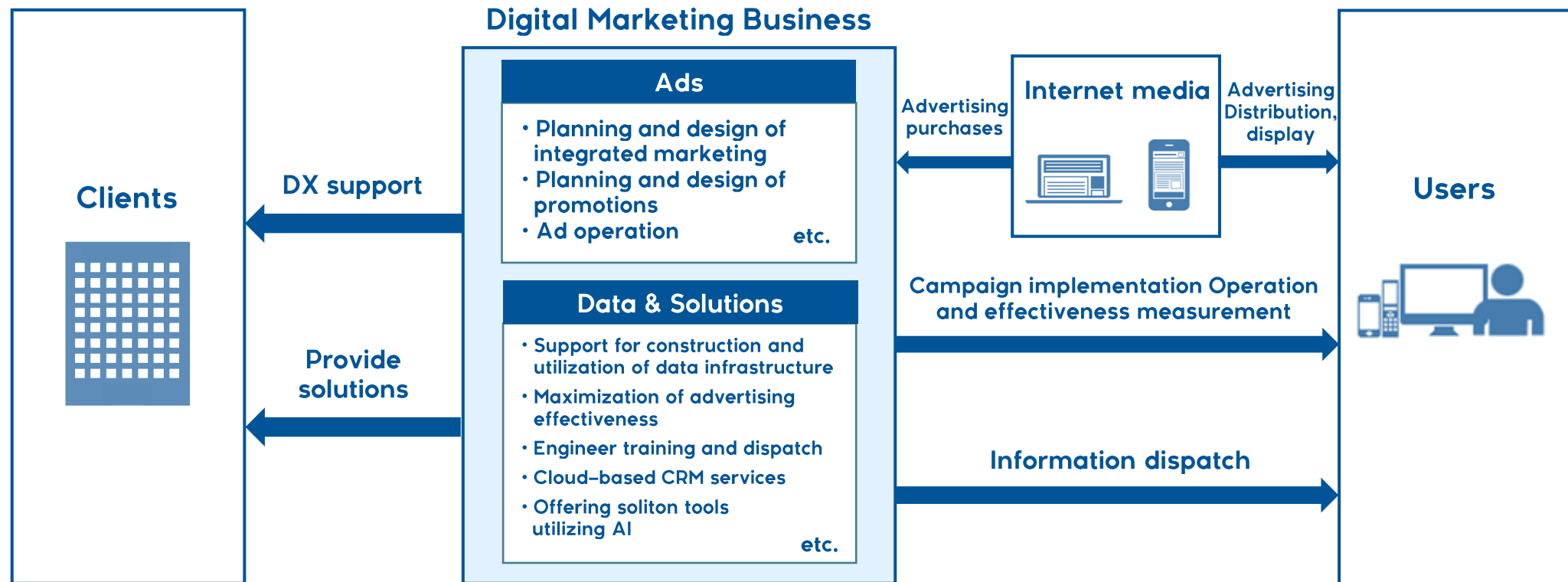
Equity-method affiliates



& and factory

SEPTENI HOLDINGS CO., LTD. (Holding company)

The Digital Marketing Business consists of businesses that provide comprehensive DX support, mainly in the marketing domain, such as marketing support through online–offline integration centered on the sales and operation of digital advertising, and the development and provision of solutions utilizing data and AI.

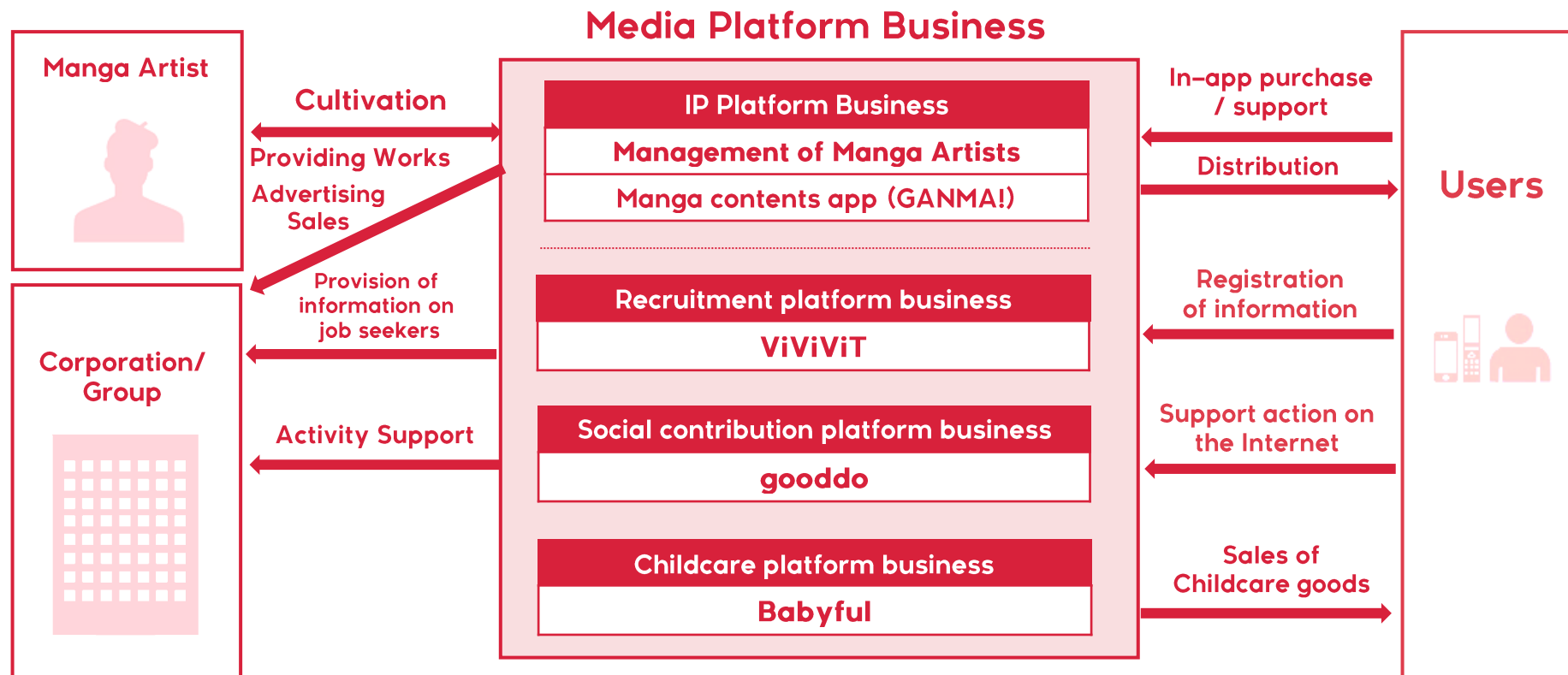


42 Business Model for the Media Platform Business

In the IP Platform Business, the Company nurtures and supports manga artists for the purpose of **planning and developing the Company's own intellectual property (IP)**.

At the same time, manga app called "GANMA!", 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.



43 Consolidated Statement of Financial Position



(unit: ¥mn)	End of 1Q/FY2023	End of FY2022	Change
Current Assets	39,099	40,585	-1,486
Non-Current Assets*1	49,231	48,146	+1,085
Total Assets	88,330	88,731	-401
Current Liabilities	24,409	25,206	-797
Non-Current Liabilities	628	771	-142
Total Liabilities	25,037	25,977	-940
Total Capital	63,293	62,754	+538
Total Liabilities and Capital	88,330	88,731	-401