

Summary of Consolidated Financial Statement for the Nine Months Ended June 30, 2021 [IFRS]

July 29, 2021
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: —

Anticipated Financial Report Filing Date: July 30, 2021

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 Nine Months Ended June 30, 2021 (From October 1, 2020 to June 30, 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	%
3Q FY9/21	15,911	23.1	3,205	153.1	2,999	110.1	3,350	163.6	2,253	185.0	2,254	187.7
3Q FY9/20	12,928	2.2	1,267	-	1,428	-12.1	1,271	-	790	-	783	-

(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 the impairment losses and gains or losses on the sales of fixed assets.

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
3Q FY9/21	17.82		17.75	
3Q FY9/20	6.19		6.17	

(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 FY9/21	38,115		18,082		18,067		47.4	
FY9/20	34,425		15,811		15,793		45.9	

2. Dividend Conditions

	Dividends					
	End of 1Q	End of 2Q	End of 3Q	Term-end	Total	
	Yen		Yen		Yen	
FY9/20	—	—	—	2.00	2.00	
FY9/21	—	—	—	—	—	
FY9/21 (Estimate)	—	—	—	3.40	3.40	

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2021 (From October 1, 2020 to September 30, 2021)

(% 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	21,500	19.9	4,000	63.1	2,850	94.6	22.54	

(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):	3Q FY9/21	138,916,500	FY9/20	138,916,500
Treasury stock as of term-end:	3Q FY9/21	12,463,440	FY9/20	12,463,440
Average number of shares outstanding:	3Q FY9/21	126,453,060	3Q FY9/20	126,449,957

*The summary of consolidated financial results 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 assumptions underlying the earnings forecasts, please refer to "1. Qualitative Information on Results for the Nine Months Ended June 30, 2021, (2) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information."

(2) Method of Obtaining Supplementary Briefing Materials on Financial Results

The Company holds a financial results briefing as follows. Materials for the briefing are available on the website after the timely disclosure of this quarterly financial statement. In addition, video recording of the result briefing will be available on the website at a later date.

July 29, 2021 (Thu.) - FY9/20 3rd Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

○Accompanying Materials – Contents

1. Qualitative Information on Results for the Nine Months Ended June 30, 2021.....	2
(1) Explanation of 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 Statements of Profit or Loss	6
(3) Quarterly Consolidated Statements of Comprehensive Income	7
(4) Quarterly Consolidated Statements of Changes in Equity	8
(5) Quarterly Consolidated Statements of Cash Flows.....	9
(6) Notes to Quarterly Consolidated Financial Statements	10
(i) Notes Relating to Assumptions for the Going Concern	10
(ii) Information on Reportable Segments	10

1. Qualitative Information on Results for the Nine Months Ended June 30, 2021

(1) Explanation of Earnings Performance

In the 3Q of the current fiscal year, in the main Digital Marketing Business, both revenue and profits increased due to the expansion of existing projects and the acquisition of new clients against the backdrop of rising demand for digital marketing in line with the shift to online consumption in general, and the promotion of alliance with the Dentsu Group. In the Media Platform Business, although revenue increased, the loss widened due to upfront investment in some areas aimed at expanding into new business segments.

As a consequence, revenue was ¥15,911 million (up 23.1% year on year), operating profit was ¥3,205 million (up 153.1% year on year), Non-GAAP operating profit was ¥2,999 million (up 110.1% year on year), and profit attributable to owners of the parent was ¥2,254 million (up 187.7% 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 income 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 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 follows:

(Millions of yen)				
	3Q FY2020 (Previous Consolidated Cumulative 3Q)	3Q FY2021 (Current Consolidated Cumulative 3Q)	Change	Percentage of change
Operating profit	1,267	3,205	1,939	153.1%
Adjusted amount (Gain on sale of subsidiary)	—	-371	-371	
Adjusted amount (Other)	161	164	3	
Non-GAAP operating profit	1,428	2,999	1,571	110.1%
Net sales	54,685	71,248	16,563	30.3%

Results by reportable segment are as follows.

(i) Digital marketing business

This business segment provides comprehensive support for corporate digital transformation (DX), centered on digital marketing.

In the quarter under review, against the backdrop of rising demand for digital marketing accompanying the shift to online consumption in general, it made progress in expanding existing projects, acquiring new projects, and collaborating with the Dentsu Group. Earnings also improved in the overseas business.

As a consequence, revenue was ¥14,036 million (up 23.9% year on year) and Non-GAAP operating profit was ¥5,348 million (up 52.6% 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, while revenue increased year on year, the loss widened due to upfront investment in some businesses in order to expand into new business segments.

As a result, it recorded revenue of ¥2,146 million (up 14.9% year on year) and Non-GAAP operating loss of

¥834 million (compared to Non-GAAP operating loss of ¥704 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 forecast for the fiscal year ending September 2021, which was revealed in “Notifications on Revisions to the Full-Year Consolidated Earnings Estimates for the FY2021 and on the Term-end Dividend Forecast” on April 27, 2021.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	FY2020 (Ended September 30, 2020)	3Q FY2021 (Ended June 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	14,080,864	16,064,822
Operating receivables	12,747,068	13,208,026
Inventories	45,372	140,779
Other financial assets	14,520	15,962
Other current assets	485,044	387,732
Total current assets	27,372,868	29,817,322
Non-current assets		
Property, plant and equipment	319,851	364,857
Goodwill	1,007,726	1,857,246
Intangible assets	83,577	73,551
Investments accounted for using equity method	963,570	978,587
Other financial assets	3,546,126	3,910,211
Other non-current assets	9,528	41,727
Deferred tax assets	1,121,465	1,071,041
Total non-current assets	7,051,843	8,297,221
Total assets	34,424,711	38,114,543

(Thousand yen)

	FY2020 (Ended September 30, 2020)	3Q FY2021 (Ended June 30, 2020)
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating payables	11,053,053	11,447,079
Other financial liabilities	2,375,975	2,367,136
Current income taxes payable	477,315	346,368
Other current liabilities	1,407,583	2,211,965
Total current liabilities	15,313,926	16,372,549
Non-current liabilities		
Other financial liabilities	3,121,500	3,445,190
Provisions	177,928	214,479
Total non-current liabilities	3,299,428	3,659,669
Total liabilities	18,613,354	20,032,217
Equity		
Equity attributable to owners of parent		
Share capital	2,125,384	2,125,384
Capital surplus	3,664,788	3,801,880
Treasury shares	-1,691,842	-1,691,842
Retained earnings	11,971,086	13,972,072
Other components of equity	-276,037	-140,147
Total equity attributable to owners of parent	15,793,379	18,067,347
Non-controlling interests	17,978	14,978
Total equity	15,811,357	18,082,325
Total liabilities and equity	34,424,711	38,114,543

(2) Quarterly Consolidated Statements of Profit or Loss

(Thousand yen)

	3Q FY2020 (From October 1, 2019 to June 30, 2020)	3Q FY2021 (From October 1, 2020 to June 30, 2021)
Revenue	12,928,443	15,910,589
Cost of sales	2,472,457	3,019,719
Gross profit	10,455,986	12,890,870
Selling, general and administrative expenses	9,034,579	10,034,168
Other income	7,102	378,051
Other expenses	161,875	29,281
Operating profit	1,266,634	3,205,471
Finance income	8,221	143,725
Financing cost	90,501	37,217
Equity in earnings of affiliates	86,623	37,905
Quarterly profit before tax	1,270,977	3,349,884
Income tax expense	480,501	1,097,097
Quarterly profit	790,476	2,252,787
Quarterly profit attributable to:		
Owners of the parent	783,302	2,253,893
Non-controlling interests	7,174	-1,105
Total	790,476	2,252,787
Quarterly earnings per share:		
Basic quarterly earnings per share (yen)	6.19	17.82
Quarterly diluted earnings per share (yen)	6.17	17.75

(3) Quarterly Consolidated Statements of Comprehensive Income

(Thousand yen)

	3Q FY2020 (From October 1, 2019 to June 30, 2020)	3Q FY2021 (From October 1, 2020 to June 30, 2021)
Quarterly profit	790,476	2,252,787
Other comprehensive income		
Items not reclassified to profit or profit or loss		
Net change in fair value of financial assets measured through other comprehensive income	-160,454	92,608
Items that may be reclassified subsequently to profit or gain or loss		
Exchange differences on translating foreign operations	-1,147	33,671
Cash flow hedge	12,976	9,610
Total other comprehensive income, net of tax	-148,625	135,890
Total quarterly comprehensive income	641,851	2,388,677
Quarterly comprehensive income attributable to:		
Owners of the parent	634,677	2,389,782
Non-controlling interests	7,174	-1,105
Quarterly comprehensive income	641,851	2,388,677

(4) Quarterly Consolidated Statements of Changes in Equity

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2019	2,125,314	3,664,788	-1,691,842	10,750,768	-52,914	14,796,114	12,840	14,808,954
Cumulative effects of changes in accounting policies	—	—	—	-13,035	—	-13,035	—	-13,035
Restated balance as of October 1, 2019	2,125,314	3,664,788	-1,691,842	10,737,733	-52,914	14,783,079	12,840	14,795,919
Quarterly profit	—	—	—	783,302	—	783,302	7,174	790,476
Other comprehensive income	—	—	—	—	-148,625	-148,625	—	-148,625
Total comprehensive income	—	—	—	783,302	-148,625	634,677	7,174	641,851
Issue of new shares	70	—	—	—	—	70	—	70
Dividends of surplus	—	—	—	-252,886	—	-252,886	—	-252,886
Other	—	—	—	21,897	-21,896	1	-1,179	-1,178
Total amount of transactions with owners	70	—	—	-230,989	-21,896	-252,815	-1,179	-253,994
Balance at June 30, 2020	2,125,384	3,664,788	-1,691,842	11,290,046	-223,435	15,164,941	18,835	15,183,776

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2020	2,125,314	3,664,788	-1,691,842	11,971,086	-276,037	15,793,379	17,978	15,811,357
Quarterly Profit	—	—	—	2,253,893	—	2,253,893	-1,105	2,252,787
Other comprehensive income	—	—	—	—	135,890	135,890	—	135,890
Total comprehensive income	—	—	—	2,253,893	135,890	2,389,782	-1,105	2,388,677
Issue of new shares	—	—	—	—	—	—	—	—
Dividends of surplus	—	—	—	-252,906	—	-252,906	—	-252,906
Other	—	137,092	—	—	—	137,092	-1,895	135,198
Total amount of transactions with owners	—	137,092	—	-252,906	—	-115,814	-1,895	-117,709
Balance at June 30, 2021	2,125,384	3,801,880	-1,691,842	13,972,072	-140,147	18,067,347	14,978	18,082,325

(5) Quarterly Consolidated Statements of Cash Flows

	(Thousand yen)	
	3Q FY 2020 (From October 1, 2019 to September 30, 2019)	3Q FY2021 (From October 1, 2020 to September 30, 2020)
Cash flows from (used in) operating activities		
Profit before tax	1,270,977	3,349,884
Adjustments:		
Depreciation and amortization expense	735,183	747,743
Interest income and dividend income	-2,319	-9,569
Interest expenses	27,861	24,324
Share of (profit) loss of entities accounted for using equity method	-86,623	-37,905
Other	130,681	-360,597
Increase or decrease in working capital		
Decrease (increase) in operating receivables	329,558	-483,144
Decrease (increase) in inventories	-14,425	-113,686
Increase (decrease) in operating payables	-935,357	412,573
Other	-122,111	979,562
Subtotal	1,333,425	4,509,185
Interest and dividend income received	38,831	24,132
Interest expenses paid	-28,074	-24,534
Income taxes refund	116,529	—
Income taxes paid	-762,397	-1,217,236
Cash flows from (used in) operating activities	698,314	3,291,548
Cash flows from (used in) investing activities		
Proceeds from sales of securities	51,649	—
Purchase of securities	-803,095	-264,182
Purchase of property, plant and equipment	-53,686	-86,810
Purchase of intangible assets	-7,906	-20,137
Proceeds by selling shares of subsidiaries resulting in change in scope of consolidation	—	280,439
Collection of loans receivable	—	100,000
Other	171,205	163,715
Cash flows from (used in) investing activities	-641,833	173,025
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	-637,506	-637,506
Repayments of lease obligations	-623,831	-621,979
Cash dividends paid	-252,886	-252,906
Other	-1,107	-1,895
Cash flows from (used in) financing activities	-1,515,330	-1,514,286
Effect of exchange rate change on cash and cash equivalents	-1,146	33,671
Increase (decrease) in cash and cash equivalents	-1,459,995	1,983,958
Cash and cash equivalents at beginning of period	14,488,431	14,080,864
Cash and cash equivalents at end of period	13,028,436	16,064,822

(6) Notes on Consolidated Financial Statements

(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 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 is Non-GAAP operating income, which is the sum of operating income in compliance with IFRS and temporary factors, including impairment losses and gains (losses) on sales of property, plant and equipment.

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 3Q (from October 1, 2019 to June 30, 2020)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment*2	Consolidated
Segment revenue	11,326,527	1,867,729	13,194,256	-265,813	12,928,443
Segment profit (loss)*1	3,503,381	-704,360	2,799,021	-1,371,506	1,427,515
Segment sales	53,335,054	1,867,729	55,202,783	-517,987	54,684,796

(Notes) 1. The segment profit is non-GAAP operating profit.

2. 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.

3. Segment revenue and segment loss of the Media Platform Business include segment revenue and segment loss related to the medical platform business "Pharmarket", which were transferred on April 1, 2021.

Current consolidated cumulative 3Q (from October 1, 2020 to June 30, 2021)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment *2	Consolidated
Segment revenue	14,036,313	2,146,121	16,182,434	-271,846	15,910,589
Segment profit (loss) *1	5,347,714	-834,325	4,513,390	-1,514,376	2,999,014
Segment sales	69,765,906	2,146,121	71,912,027	-664,070	71,247,957

(Notes) 1. The segment profit is non-GAAP operating profit.

2. 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.

3. Segment revenue and segment loss of the Media Platform Business include segment revenue and segment loss related to the medical platform business "Pharmarket", which were transferred on April 1, 2021.

Reconciliation of segment profit (loss) and profit before tax

(Thousand yen)

	3Q FY2020 (From October 1, 2019 to June 30, 2020)	3Q FY2021 (From October 1, 2020 to June 30, 2021))
Segment profit (non-GAAP operating income)	1,427,515	2,999,014
Impairment loss	—	-137,092
Other profit (loss) (net)	-160,881	343,549
Financial profit (loss) (net)	-82,280	106,508
Share of profit of entities accounted for using equity method	86,623	37,905
Profit before tax	<u>1,270,977</u>	<u>3,349,884</u>