

Summary of Consolidated Financial Statement for the Nine Months Ended June 30, 2022 [IFRS]

August 9, 2022
Listed Market: TSE

SEPTENI HOLDINGS CO., LTD.

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

Representative: Representative Director, Group President and Chief Executive Officer Koki Sato

Contact Person: Group Executive Officer Tei Go, Telephone: +81-3-6857-7258

Anticipated Financial Report Filing Date: August 10, 2022

Anticipated Dividend Payment Date: —

Supplemental Earnings Presentation Materials: Available

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

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

1. Consolidated Financial Results for the Nine Months Ended June 30, 2022 (From October 1, 2021 to June 30, 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	%
3Q FY9/22	21,567	35.5	4,474	39.6	4,778	59.3	6,275	87.3	4,112	82.5	4,101	82.0
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

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
3Q FY9/22	22.72		22.66	
3Q FY9/21	17.82		17.75	

(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	%
3Q FY9/22	85,923	61,077	61,034	71.0
FY9/21	42,011	18,445	18,426	43.9

2. Dividend Conditions

	Dividends				
	End of 1Q	End of 2Q	End of 3Q	Term-end	Total
	Yen	Yen	Yen	Yen	Yen
FY9/21	—	—	—	3.40	3.40
FY9/22	—	—	—		
FY9/22 Estimate				3.90	3.90

(Note) Changes in dividends estimates during the most recent quarter: Yes

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	6,000	58.1	4,850	86.2	25.71

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

*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 FY9/22	211,079,654	FY9/21	138,916,500
Treasury stock as of term-end:	3Q FY9/22	1,739,243	FY9/21	12,463,440
Average number of shares outstanding:	3Q FY9/22	180,496,836	3Q 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 Nine Months Ended June 30, 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.

August 9, 2022 (Tue.) - FY9/22 3rd Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

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1. Qualitative Information on Results for the Nine Months Ended June 30, 2022

(1) Explanation for Earnings Performance

In the 3Q 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 ¥21,567 million (up 35.5% year on year), operating profit was ¥4,474 million (up 39.6% year on year), Non-GAAP operating profit was ¥4,778 million (up 59.3% year on year), and profit attributable to owners of the parent was ¥4,101 million (up 82.0% year on year).

The Group discloses consolidated business 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 gains and losses 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 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. Gains 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 loss and gains or losses 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.

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

(unit: ¥mn)

	3Q FY2021 (Previous Consolidated Cumulative 3Q)	3Q FY2022 (Current Consolidated Cumulative 3Q)	Change	Percentage of change
Operating profit	3,205	4,474	1,269	39.6%
Adjustment (Amortization of acquisition-related intangible assets)	—	20	20	
Adjustment (Stock-based compensation expenses)	137	101	-36	
Adjustment (Gains on sales of subsidiaries)	-371	—	371	
Adjustment (Others)	27	182	155	
Non-GAAP operating profit	2,999	4,778	1,779	59.3%

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 ¥19,474 million (up 38.7% year on year) and Non-GAAP operating profit was ¥7,300 million (up 36.5% 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 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 ¥2,315 million (up 7.9% year on year) and Non-GAAP operating loss of ¥703 million (compared to Non-GAAP operating loss of ¥834 million in the previous year).

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

Regarding the full-year consolidated earnings estimates for the fiscal year ending September 2022, the Company revised its estimates announced on February 10, 2022, in consideration of the quarterly results under review. Please refer to “Notice of Revision of Earnings Estimates, Year-End Dividend Forecast and Recording of Valuation Gain on Securities Held” announced on August 9, 2022.

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

(Thousand yen)

	FY2021 (Ended September 30, 2021)	3Q FY2022 (Ended June 30, 2022)
Assets		
Current assets		
Cash and cash equivalents	16,899,990	19,414,453
Trade receivables	16,085,450	17,674,936
Inventories	119,530	107,408
Other financial assets	12,941	1,990,078
Other current assets	333,622	521,504
Total current assets	33,451,533	39,708,379
Non-current assets		
Property, plant and equipment	310,284	262,207
Right-of-use assets	1,653,760	1,237,111
Goodwill	—	4,693,055
Intangible assets	67,290	504,263
Investments accounted for using equity method	997,026	33,062,153
Other financial assets	3,929,443	4,955,887
Other non-current assets	32,646	29,520
Deferred tax assets	1,569,185	1,470,327
Total non-current assets	8,559,635	46,214,524
Total assets	42,011,169	85,922,903

(Thousand yen)

	FY2021 (Ended September 30, 2021)	3Q FY2022 (Ended June 30, 2022)
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade payables	14,043,615	16,413,246
Other financial liabilities	2,549,116	4,707,886
Current income taxes payable	1,024,502	733,726
Other current liabilities	2,711,491	2,097,249
Total current liabilities	20,328,724	23,952,107
Non-current liabilities		
Other financial liabilities	3,082,067	680,384
Provisions	155,090	158,878
Deferred tax liabilities	-	55,007
Total non-current liabilities	3,237,157	894,269
Total liabilities	23,565,881	24,846,376
Equity		
Equity attributable to owners of parent		
Share capital	2,125,384	18,428,004
Capital surplus	3,901,272	25,266,185
Treasury shares	-1,691,842	-575,707
Retained earnings	14,322,283	18,039,490
Other components of equity	-230,678	-123,764
Total equity attributable to owners of parent	18,426,419	61,034,208
Non-controlling interests	18,869	42,318
Total equity	18,445,288	61,076,527
Total liabilities and equity	42,011,169	85,922,903

(2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	3Q FY2021 (From October 1, 2020 to June 30, 2021)	3Q FY2022 (From October 1, 2021 to June 30, 2022)
Revenue	15,910,589	21,566,758
Cost of sales	3,019,719	4,404,408
Gross profit	12,890,870	17,162,351
Selling, general and administrative expense	10,034,168	12,514,844
Other income	378,051	12,672
Other expense	29,281	185,871
Operating profit	3,205,471	4,474,307
Finance income	143,725	1,244,847
Finance costs	37,217	228,607
Share of profit from investments accounted for using equity method	37,905	784,448
Profit before tax	3,349,884	6,274,996
Income tax expense	1,097,097	2,163,101
Profit	2,252,787	4,111,894
Profit (loss) attributable to:		
Owners of parent	2,253,893	4,101,282
Non-controlling interests	-1,105	10,612
Total	2,252,787	4,111,894
Earnings per share		
Basic earnings per share (Yen)	17.82	22.72
Diluted earnings per share (Yen)	17.75	22.66

(3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	3Q FY2021 (From October 1, 2020 to June 30, 2021)	3Q FY2022 (From October 1, 2021 to June 30, 2022)
Profit (loss)	2,252,787	4,111,894
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	92,608	41,810
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	33,671	104,023
Cash flow hedges	9,610	6,947
Total other comprehensive income, net of tax	135,890	152,780
Total comprehensive income	<u>2,388,677</u>	<u>4,264,674</u>
Comprehensive income attributable to:		
Owners of parent	2,389,782	4,254,062
Non-controlling interests	-1,105	10,612
Comprehensive income	<u>2,388,677</u>	<u>4,264,674</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)	—	—	—	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
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 as of June 30, 2021	<u>2,125,384</u>	<u>3,801,880</u>	<u>-1,691,842</u>	<u>13,972,072</u>	<u>-140,147</u>	<u>18,067,347</u>	<u>14,978</u>	<u>18,082,325</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)	—	—	—	4,101,282	—	4,101,282	10,612	4,111,894
Other comprehensive income	—	—	—	—	152,780	152,780	—	152,780
Total comprehensive income	—	—	—	4,101,282	152,780	4,254,062	10,612	4,264,674
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 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	—	101,128	—	45,866	-45,866	101,128	-2,064	99,063
Total amount of transactions with owners	16,302,620	21,364,913	1,116,135	-384,075	-45,866	38,353,727	12,838	38,366,565
Balance as of June 30, 2022	<u>18,428,004</u>	<u>25,266,185</u>	<u>-575,707</u>	<u>18,039,490</u>	<u>-123,764</u>	<u>61,034,208</u>	<u>42,318</u>	<u>61,076,527</u>

(5) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	3Q FY 2021 (From October 1, 2020 to June 30, 2021)	3Q FY 2022 (From October 1, 2021 to June 30, 2022)
Cash flows from (used in) operating activities		
Profit before tax	3,349,884	6,274,996
Adjustments:		
Depreciation and amortization expense	747,743	567,705
Interest income and dividend income	-9,569	-1,326
Interest expenses	24,324	19,351
Share of (profit) loss of entities accounted for using equity method	-37,905	-784,448
Other	-360,597	-885,837
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-483,144	1,853,171
Decrease (increase) in inventories	-113,686	12,403
Increase (decrease) in operating payables	412,573	-497,660
Other	979,562	-1,325,833
Subtotal	4,509,185	5,232,523
Interest and dividend income received	24,132	33,628
Interest expenses paid	-24,534	-19,562
Income taxes paid	-1,217,236	-2,452,592
Cash flows from (used in) operating activities	3,291,548	2,793,996
Cash flows from (used in) investing activities		
Proceeds from sales of short-term investment securities	—	99,931
Purchase of securities	-264,182	-133,772
Purchase of property, plant and equipment	-86,810	-34,440
Purchase of intangible assets	-20,137	-24,421
Proceeds from acquisition of newly consolidated subsidiaries	—	162,427
Proceeds from sales of newly consolidated subsidiaries	280,439	—
Purchases of investments accounted for using the equity method	—	-31,312,999
Proceeds from collection of lease and guarantee deposits	25,954	289,873
Payment of loans receivable	—	-609,149
Collection of loans receivable	100,000	244,947
Other	137,761	56,740
Cash flows from (used in) investing activities	173,025	-31,260,862
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	-637,506	-638,556
Repayments of lease obligations	-621,979	-454,144
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	-1,514,286	30,877,306
Effect of exchange rate change on cash and cash equivalents	33,671	104,023
Increase (decrease) in cash and cash equivalents	1,983,958	2,514,463
Cash and cash equivalents at beginning of period	14,080,864	16,899,990
Cash and cash equivalents at end of period	16,064,822	19,414,453

(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 amortization of acquisition-related intangible assets, gains and losses related to acquisition actions, stock-based compensation expenses, impairment losses and gains (losses) on sales of property, plant and equipment. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gains and losses related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes 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. Gains and losses related to acquisition actions refer to amortization of acquisition-related intangible assets and M&A expenses, and 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 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, 2020 to June 30, 2021)

(Thousand yen)

	Digital Marketing	Media Platform*4	Total	Adjustment	Consolidated
Segment revenue *1	14,036,313	2,146,121	16,182,434	-271,846	15,910,589
Segment profit (loss)*2*3	5,347,714	-834,325	4,513,390	-1,514,376	2,999,014

(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 sales and losses of the Media Platform Business include amounts related to the Medical Platform Business "Pharmarket," which was transferred on April 1, 2021.

Current consolidated cumulative 3Q (from October 1, 2021 to June 30, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	19,474,477	2,315,462	21,789,939	-223,181	21,566,758
Segment profit (loss) *2*3	7,300,077	-702,741	6,597,337	-1,819,057	4,778,280

(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)

	3Q FY2021 (From October 1, 2020 to June 30, 2021)	3Q FY2022 (From October 1, 2021 to June 30, 2022)
Segment profit (non-GAAP operating profit)	2,999,014	4,778,280
Selling, general and administrative expense		
Amortization of acquisition-related intangible assets	—	-20,409
Stock-based compensation expenses	-137,092	-101,128
Other profit (loss) (net)	343,549	-182,436
Financial profit (loss) (net)	106,508	1,016,240
Share of profit of entities accounted for using equity method	37,905	784,448
Profit before tax	<u>3,349,884</u>	<u>6,274,996</u>