

Summary of Consolidated Financial Statement for the Six Months Ended March 31, 2023 [IFRS]

May 11, 2023
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: May 12, 2023

Anticipated Dividend Payment Date: —

Supplemental Earnings Presentation Materials: Available

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

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

1. Consolidated Financial Results for the Six Months Ended March 31, 2023 (From October 1, 2022 to March 31, 2023)

(1) Consolidated Financial 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	%
2Q FY12/23	14,540	0.6	2,064	-43.5	2,202	-43.2	3,075	-32.9	2,134	-30.3	2,156	-29.5
2Q FY9/22	14,457	35.8	3,653	62.8	3,878	63.0	4,585	94.6	3,063	94.1	3,057	93.5

(Note) 1. 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 loss, and gain or loss on the sales of fixed assets from the IFRS-based operating profit.

2. The provisional accounting treatment for business combinations has been finalized in the consolidated third quarter of the fiscal year ended September 2022. Therefore, for each numerical value for the six months of the fiscal year ended September 2022, the finalization of the provisional accounting treatment is reflected.

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
2Q FY12/23	10.28		10.26	
2Q FY9/22	18.41		18.35	

(2) Consolidated Financial Position

	Total Assets		Total Equity		Equity attributable to owners of parent		Ratio of equity attributable to owners of parent to total assets	
	Million Yen		Million Yen		Million Yen		%	
2Q FY12/23	91,354		63,866		63,790		69.8	
FY9/22	88,731		62,754		62,705		70.7	

2. Dividends

	Dividends					
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Term-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY9/22	—	—	—	—	4.60	4.60
FY12/23	—	—	—	—	—	—
FY12/23 Estimate	—	—	—	—	—	—

(Note) Revisions to the most recently announced dividends estimates: None

Dividend forecasts for the fiscal year ending December 2023 are undecided.

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 for the period attributable to owners of parent		Basic earnings per share	
	Million Yen	%	Million Yen	%	Million Yen	%	Yen	
Full Year	42,500	—	7,500	—	5,950	—	28.47	

(Note) Revisions to the most recently announced consolidated forecasts: None

For the fiscal year-end is changed from September 30 to December 31 and FY12/2023 is a transitional period, the year-on-year change rate is not stated.

*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 requirement:	None
Changes in accounting estimates:	None

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

Issued and outstanding shares as of term-end (incl. Treasury shares):	2Q FY12/23	211,079,654	FY9/22	211,079,654
Treasury shares as of term-end:	2Q FY12/23	2,564,545	FY9/22	1,739,243
Average number of shares:	2Q FY12/23	209,667,696	2Q FY9/22	166,075,050

*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. Qualitative Information on the Quarterly Financial Results (2) Explanation of Earnings Forecasts and Other Forward-Looking Information.”

(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.

May 11, 2023 (Thu.) – FY12/2023 Second Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Financial Results

In the consolidated cumulative second quarter of the fiscal year under review (hereinafter “the current quarter”), in the main Digital Marketing Business, both revenue and operating profit decreased year on year due to the impact of budget cuts by some advertisers, as well as increased expenses resulting from the strengthening of investment in human capital centered on recruitment. In the Media Platform Business, revenue increased and the loss decreased due to the growth of the IP Platform Business (the name changed from the Manga Content Business from the first quarter of the current fiscal year) centered on billing revenue.

As a result, revenue was ¥14,540 million (up 0.6% year on year), operating profit was ¥2,064 million (down 43.5% year on year), Non-GAAP operating profit was ¥2,202 million (down 43.2% year on year), and quarterly profit attributable to owners of parent was ¥2,156 million (down 29.5% year on year).

The provisional accounting treatment for business combinations has been finalized in the consolidated third quarter of the fiscal year ended September 2022. Therefore, for each numerical value for the six months of the fiscal year ended September 2022, the finalization of the provisional accounting treatment is reflected.

The Group discloses consolidated financial 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 comparisons by stakeholders and can provide useful information in understanding the underlying financial 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 loss, and gain or 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.

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

(unit: ¥mn)

	2Q FY2022 (Previous Consolidated Cumulative 2Q)	2Q FY2023 (Current Consolidated Cumulative 2Q)	Change	Percentage of change
Operating profit	3,653	2,064	-1,589	-43.5%
Adjustment (Amortization of acquisition-related intangible assets)	10	20	10	
Adjustment (Stock-based compensation expenses)	58	62	4	
Adjustment (Others)	157	56	-101	
Non-GAAP operating profit	3,878	2,202	-1,676	-43.2%

Operating results by reportable segment are as follows.

(i) Digital Marketing Business

The Digital Marketing Business consists of business segments that provide comprehensive DX support, such as proposals that integrate online and offline, centered on digital marketing.

In the current quarter, it was affected by budget cuts by some advertisers, as well as increased expenses due to the strengthening of investment in human capital centered on recruitment.

As a result, revenue was ¥12,896 million (down 2.4% year on year), and Non-GAAP operating profit was ¥3,887 million (down 30.2% year on year).

(ii) Media Platform Business

The Media Platform Business consists of IP Platform Business "GANMA!", Employment Platform Business "ViViViT", Platform Business of Social Contribution "gooddo", Childcare Platform Business "Babyful" etc.

In the current quarter, revenue increased due to the growth of the IP Platform Business centered on billing revenue. Furthermore, the loss narrowed due to accelerated monetization of own IP.

As a result, revenue was ¥1,892 million (up 36.9% year on year) and Non-GAAP operating loss was ¥329 million (compared with an Non-GAAP operating loss of ¥506 million in the same quarter of the previous year).

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

There is no change from the consolidated earnings forecasts for the fiscal year ending December 2023 announced on November 10, 2022.

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

(Thousand yen)

	FY2022 (Ended September 30, 2022)	2Q FY2023 (Ended March 31, 2023)
Assets		
Current assets		
Cash and cash equivalents	21,340,076	20,838,176
Operating receivables	18,285,273	19,821,195
Inventory	103,154	110,140
Other financial assets	98,953	1,875,375
Other current assets	757,815	499,543
Total current assets	40,585,272	43,144,429
Non-current assets		
Property, plant, and equipment	235,022	320,885
Right-of-use assets	1,090,965	805,456
Goodwill	4,693,055	4,693,055
Intangible assets	525,138	481,069
Investments accounted for using equity method	33,342,226	33,575,740
Other financial assets	6,904,527	6,850,776
Other non-current assets	24,244	26,606
Deferred tax assets	1,330,663	1,455,588
Total non-current assets	48,145,841	48,209,175
Total assets	88,731,112	91,353,604
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating payables	16,891,357	18,803,992
Other financial liabilities	4,910,042	5,853,183
Current income taxes payable	557,879	798,409
Other current liabilities	2,847,110	1,543,027
Total current liabilities	25,206,388	26,998,610
Non-current liabilities		
Other financial liabilities	531,226	257,410
Provisions	159,063	158,155
Deferred tax liabilities	80,366	73,289
Total non-current liabilities	770,655	488,854
Total liabilities	25,977,043	27,487,463
Equity		
Equity attributable to owners of parent		
Share capital	18,428,004	18,428,004
Capital surplus	25,309,728	25,560,156
Treasury shares	-575,707	-865,193
Retained earnings	19,671,818	20,864,495
Other components of equity	-128,588	-197,943
Total equity attributable to owners of parent	62,705,254	63,789,518
Non-controlling interests	48,815	76,622
Total equity	62,754,069	63,866,141
Total liabilities and equity	88,731,112	91,353,604

(2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	2Q FY2022 (From October 1, 2021 to March 31, 2022)	2Q FY2023 (From October 1, 2022 to March 31, 2023)
Revenue	14,456,926	14,539,980
Cost of sales	2,767,104	3,329,977
Gross profit	11,689,822	11,210,003
Selling, general and administrative expenses	7,888,856	9,088,821
Other income	10,831	8,343
Other expenses	158,655	65,433
Operating profit	3,653,141	2,064,092
Financial income	386,481	1,618
Financial expenses	23,604	108,818
Share of profit from investments accounted for using equity method	568,568	1,118,236
Profit before tax	4,584,586	3,075,128
Income tax expenses	1,521,664	941,054
Profit	3,062,922	2,134,075
Profit (loss) attributable to:		
Owners of parent	3,057,033	2,155,643
Non-controlling interests	5,890	-21,568
Total	3,062,922	2,134,075
Earnings per share		
Basic earnings per share (Yen)	18.41	10.28
Diluted earnings per share (Yen)	18.35	10.26

(3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	2Q FY2022 (From October 1, 2021 to March 31, 2022)	2Q FY2023 (From October 1, 2022 to March 31, 2023)
Profit (loss)	3,062,922	2,134,075
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	45,360	-24,492
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	45,566	-47,853
Cash flow hedges	5,066	2,990
Total other comprehensive income, net of tax	95,992	-69,354
Total comprehensive income	<u>3,158,915</u>	<u>2,064,720</u>
Comprehensive income attributable to:		
Owners of parent	3,153,025	2,086,289
Non-controlling interests	5,890	-21,568
Comprehensive income	<u>3,158,915</u>	<u>2,064,720</u>

(4) Quarterly Consolidated Statement of Changes in Equity

(Thousand yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
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
Profit (loss)	—	—	—	3,057,033	—	3,057,033	5,890	3,062,922
Other comprehensive income	—	—	—	—	95,992	95,992	—	95,992
Total comprehensive income	—	—	—	3,057,033	95,992	3,153,025	5,890	3,158,915
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 of subsidiaries	—	5,102,147	1,116,161	—	—	6,218,308	14,902	6,233,210
Other	—	57,585	—	45,866	-45,866	57,585	-2,064	55,521
Total amount of transactions with owners	16,302,620	21,321,370	1,116,135	-384,075	-45,866	38,310,184	12,838	38,323,022
Balance as of March 31, 2022	18,428,004	25,222,642	-575,707	16,995,241	-180,552	59,889,628	37,596	59,927,225

(Thousand yen)

	Equity attributable to owners of parent					Total	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance as of October 1, 2022	18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069
Profit (loss)	—	—	—	2,155,643	—	2,155,643	-21,568	2,134,075
Other comprehensive income	—	—	—	—	-69,354	-69,354	—	-69,354
Total comprehensive income	—	—	—	2,155,643	-69,354	2,086,289	-21,568	2,064,720
Dividends of surplus	—	—	—	-962,966	—	-962,966	—	-962,966
Purchase of treasury shares	—	-2,506	-744,512	—	—	-747,018	—	-747,018
Disposal of treasury shares	—	-455,025	455,025	—	—	—	—	—
Changes without loss of control of subsidiaries	—	646,457	—	—	—	646,457	51,060	697,516
Other	—	61,503	—	—	—	61,503	-1,684	59,818
Total amount of transactions with owners	—	250,428	-289,487	-962,966	—	-1,002,025	49,375	-952,649
Balance as of March 31, 2023	18,428,004	25,560,156	-865,193	20,864,495	-197,943	63,789,518	76,622	63,866,141

(5) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	2Q FY 2022 (From October 1, 2021 to March 31, 2022)	2Q FY 2023 (From October 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before tax	4,584,586	3,075,128
Adjustments:		
Depreciation and amortization expenses	374,653	384,720
Interest income	-867	-1,618
Interest expenses	13,340	12,210
Share of loss (profit) of entities accounted for using equity method	-568,568	-1,118,236
Loss (profit) on valuation of securities	-368,385	66,007
Other	84,255	76,915
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-3,310,520	-1,535,922
Decrease (increase) in inventories	1,474	-6,986
Increase (decrease) in operating payables	3,225,287	1,912,635
Other	-1,307,687	-433,847
Subtotal	2,727,568	2,431,006
Interest income received	859	1,618
Interest expenses paid	-13,481	-21,629
Income taxes refund	—	64,843
Income taxes paid	-1,420,183	-1,063,071
Cash flows from operating activities	1,294,763	1,412,767
Cash flows from investing activities		
Proceeds from sale of securities	99,931	—
Purchase of securities	-90,272	-327,744
Purchase of property, plant, and equipment	-26,170	-53,275
Purchase of intangible assets	-13,042	-4,065
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	162,427	—
Purchases of investments accounted for using the equity method	-31,312,999	-932,830
Proceeds from refund of leasehold and guarantee deposits	289,704	123
Collection of loans receivable	244,947	—
Other	29,825	273,556
Cash flows from investing activities	-30,615,648	-1,044,235
Cash flows from financing activities		
Proceeds from short-term borrowings	—	3,000,000
Repayments of long-term borrowings	-425,529	-2,000,350
Repayments of lease obligations	-303,047	-301,057
Cash dividends paid	-429,940	-962,966
Proceeds from issuance of shares	32,402,037	—
Proceeds from sales of treasury shares	—	221,993
Purchase of treasury shares	-26	-747,018
Other	-2,064	-33,181
Cash flows from financing activities	31,241,431	-822,579
Effect of exchange rate change on cash and cash equivalents	45,566	-47,853
Increase (decrease) in cash and cash equivalents	1,966,113	-501,900
Cash and cash equivalents at beginning of period	16,899,990	21,340,076
Cash and cash equivalents at end of period	18,866,103	20,838,176

(6) Notes on Quarterly Consolidated Financial Statements

(i) Notes on Matters Related to Going Concern Assumption

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 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 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.

ii. Media Platform Business

The Media Platform Business consists of IP Platform 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 loss, 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 comparisons 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 loss, 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 cumulative 2Q (from October 1, 2021 to March 31, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	13,214,994	1,381,851	14,596,846	-139,920	14,456,926
Segment profit (loss) *2*3	5,572,264	-505,758	5,066,506	-1,188,452	3,878,054

(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.

Current consolidated cumulative 2Q (from October 1, 2022 to March 31, 2023)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	12,895,666	1,892,077	14,787,743	-247,762	14,539,980
Segment profit (loss) *2*3	3,887,047	-328,882	3,558,164	-1,356,536	2,201,629

(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) and profit before tax

(Thousand yen)

	2Q FY2022 (From October 1, 2021 to March 31, 2022)	2Q FY2023 (From October 1, 2022 to March 31, 2023)
Segment profit (Non-GAAP operating profit)	3,878,054	2,201,629
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	-10,205	-20,409
Stock-based compensation expenses	-57,585	-61,503
Other profit (loss) (net)	-157,123	-55,625
Financial profit (loss) (net)	362,877	-107,200
Share of profit from investments accounted for using equity method	568,568	1,118,236
Profit before tax	<u>4,584,586</u>	<u>3,075,128</u>

(Note) The provisional accounting treatment for business combinations conducted in the consolidated second quarter of the previous fiscal year has been finalized in the consolidated third quarter of the fiscal year ended September 2022. Therefore, for each numerical value for the six months of the fiscal year ended September 2022, the finalization of the provisional accounting treatment is reflected.