

**SEPTENI**

**FY December/2023**

# **Business Results for 3Q**

**Aug. 8, 2023**

**SEPTENI HOLDINGS CO., LTD.**

- 01 Revisions to Earnings Forecasts and Outlook for This Fiscal Year**
- 02 Consolidated Cumulative Third Quarter Earnings Overview**
- 03 Quarterly Consolidated Earnings Overview**
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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.

Revenue 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 loss, and gain or loss on the sales of fixed assets.

Figures in this material are rounded to the nearest unit.

# 01

**Revisions to Earnings Forecasts and  
Outlook for This Fiscal Year**

## Lowered earnings forecasts due to changes in the external environment in the Digital Marketing Business.

(unit: ¥mn)	Revenue	Non-GAAP operating profit	Profit attributable to owners of parent	Basic earnings per share (EPS) (¥)
Prior forecast (A)	42,500	7,500	5,950	28.42
Revised forecast (B)	<b>36,700</b>	<b>4,200</b>	<b>3,650</b>	<b>17.53</b>
Change (B-A)	-5,800	-3,300	-2,300	
Change (%)	-13.6	-44.0	-38.7	
(Reference) Results for the previous fiscal year (FY2022)	28,819	5,855	5,734	30.54

## Changes in the external environment

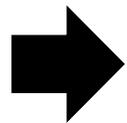
- Demand trends and the business environment has significantly changed due to reopening
- Negative impact in the Digital Marketing Business has become evident

## Measures for adaptation to the environment

- Review client portfolio
- Strengthen acquisition of new clients
- Strengthen human capital investment for medium-term growth
- Review costs other than human capital investment

## Outlook

- Top line is expected to grow toward 4Q
- SG&A expenses is expected to decline after peaking in 3Q



**Revisions to earnings forecasts have been made** due to divergences from the initial forecasts.

Meanwhile, we have confirmed that the implementation of various measures has begun to lead to **a turnaround in business results.**

In the revised estimates, we expect **an increase in revenue in 4Q and an increase in profit in 5Q.**

**Net sales turned positive in 3Q. Revenue turnaround in 4Q and Non-GAAP operating profit turnaround in 5Q are also expected.**

## Trends and Outlook of YoY Changes in Each Item (Consolidated)

 Timing of reversal

	FY2023					FY2024
	1Q	2Q	3Q	4Q	5Q	
Net sales	+6.5%	-5.4%	3.3%	Increase in sales growth	Double-digit growth	Revenue growth
Revenue	+6.1%	-4.0%	-0.2%	Revenue turnaround	Double-digit growth	
SG&A expenses	+32.2%	+2.0%	+7.8%	Decline in the increase pace	Decline in the increase pace	Increase at cruising speed
Non-GAAP operating profit	-55.6%	-29.7%	-77.0%	Decline in the decrease pace	Profit turnaround	Substantial profit growth

# 02

## **Consolidated Cumulative Third Quarter Earnings Overview**

Revenue remained almost flat from the previous fiscal year.  
Profit decreased due to increased expenses mainly from  
the strengthening of human capital investment.

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Consolidated

**Revenue** **¥21,638mn** (YoY + **0.3%**)

**Non-GAAP  
Operating Profit** **¥2,408mn** (YoY -49.6%)

**EPS** **¥9.71** (YoY -¥13.01)

**Digital  
Marketing  
Business**

While acquisition of new clients has steadily progressed, revenue and profit declined due to budget cuts by some clients.

Revenue **¥18,872mn** (YoY–3.1%)      Non-GAAP Operating Profit **¥4,957mn** (YoY–32.1%)

**Media  
Platform  
Business**

Continued high growth in the IP Platform Business resulted in a YoY revenue increase and a smaller loss.

Revenue **¥3,151mn** (YoY +**36.1%**)      Non-GAAP Operating Profit **–¥455mn** (Deficit narrowed YoY **¥247mn**)

Including investment in new segments of –¥24 mn

# 10 Consolidated Income Statement (Oct–Jun)

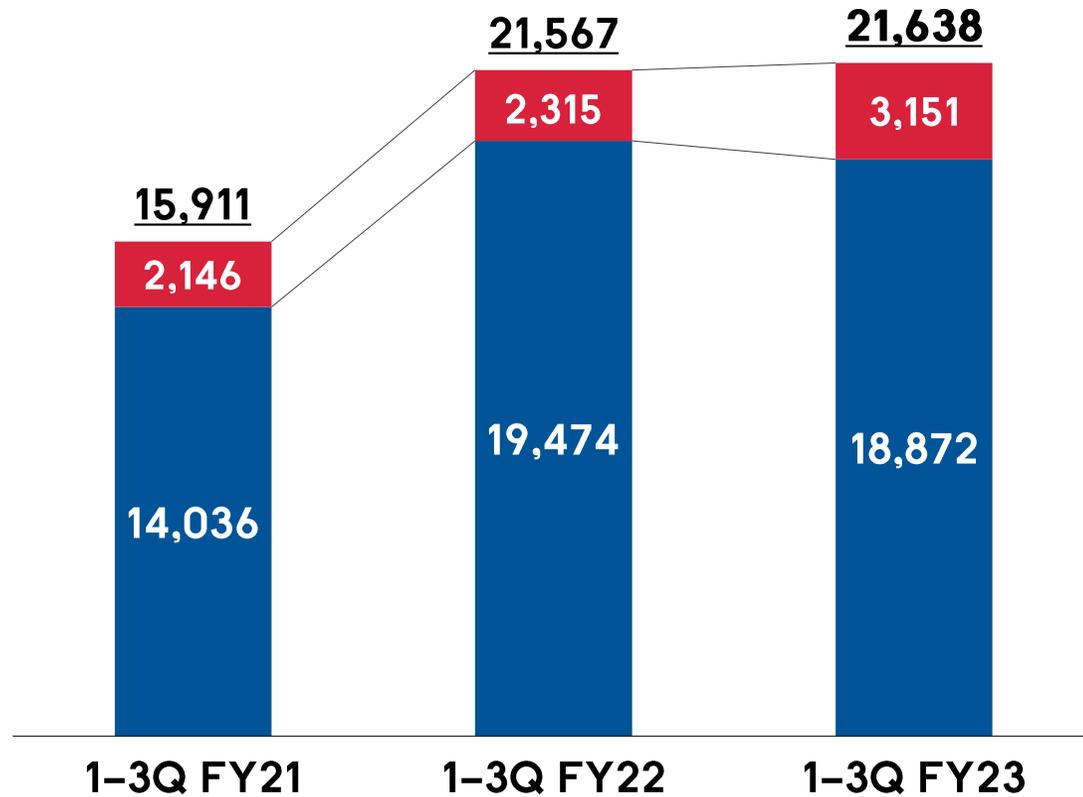


(unit: ¥mn)	1–3Q/FY2023			1–3Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
Revenue	21,638	100.0%	+0.3%	21,567	100.0%
Gross Profit	16,414	75.9%	-4.4%	17,162	79.6%
SG&A expenses	14,077	65.1%	+12.5%	12,515	58.0%
Non-GAAP operating profit	2,408	11.1%	-49.6%	4,778	22.2%
Operating profit	2,285	10.6%	-48.9%	4,474	20.8%
Financial income	5	0.0%	-99.6%	1,245	5.8%
Financial expenses	237	1.1%	+3.8%	229	1.1%
Equity in earnings of affiliates	1,043	4.8%	+33.0%	784	3.6%
Profit for the period attributable to owners of parent	2,031	9.4%	-50.5%	4,101	19.0%
Basic earnings per share (EPS) (¥)	9.71	—	-13.01	22.72	—
[Reference] Net sales	99,778	—	+1.0%	98,782	—

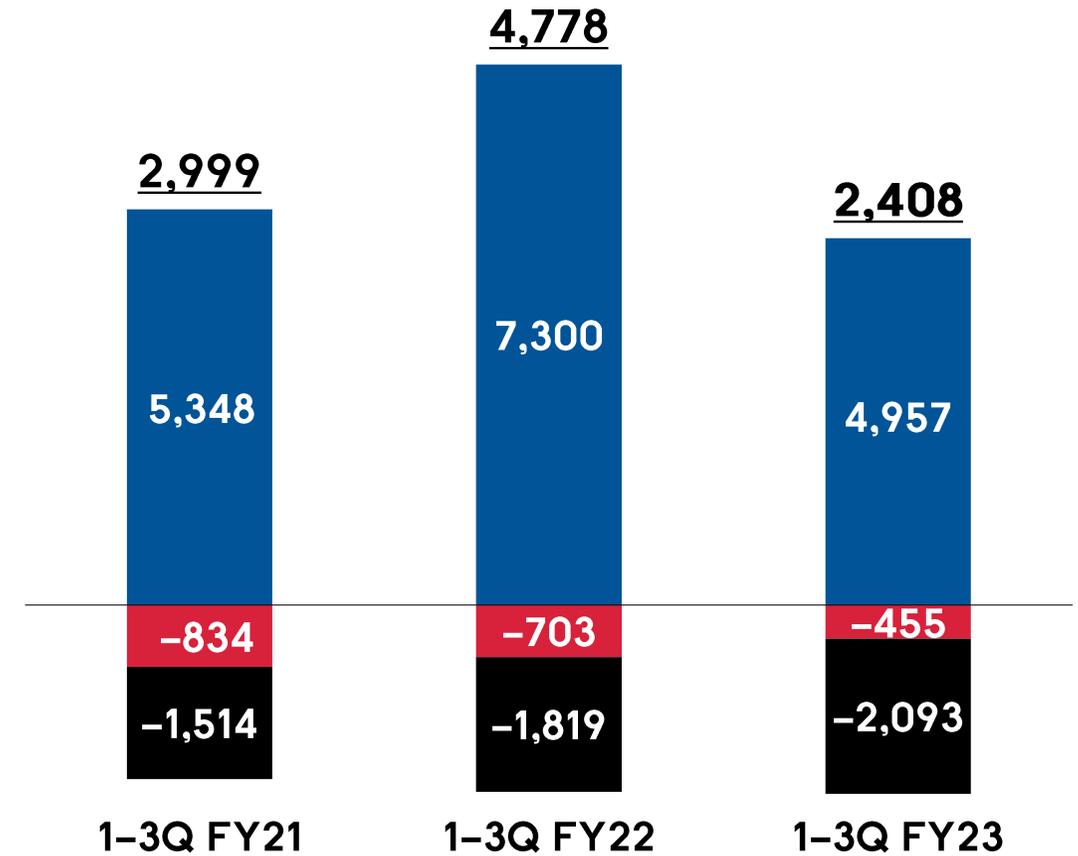
# 11 Earnings Trend by Business Segment (Oct–Jun)

■ Digital Marketing   
 ■ Media Platform   
 ■ Adjustments   
 (Unit: ¥mn)

## Revenue



## Non-GAAP Operating Profit



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

**03**

**Quarterly Consolidated  
Earnings Overview**

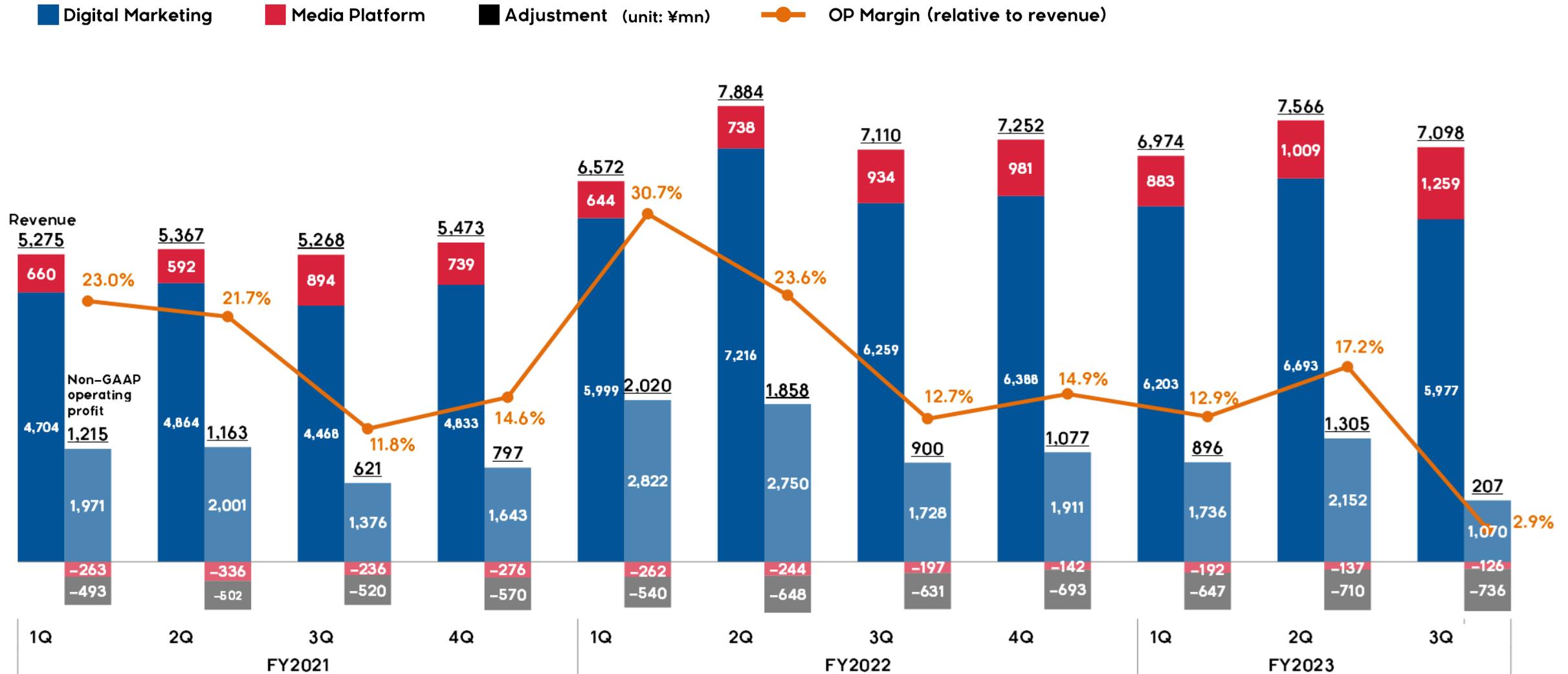
# 13 Consolidated Income Statement (Apr–Jun)



**Net sales increased YoY, and operating profit decreased due to an increase in SG&A expenses, mainly in human capital investment.**

(unit: ¥mn)	3Q/FY2023			3Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
Revenue	7,098	100.0%	-0.2%	7,110	100.0%
Gross Profit	5,204	73.3%	-4.9%	5,473	77.0%
SG&A expenses	4,988	70.3%	+7.8%	4,626	65.1%
Non-GAAP operating profit	207	2.9%	-77.0%	900	12.7%
Operating profit	221	3.1%	-73.1%	821	11.5%
Financial income	5	0.1%	-99.5%	858	12.1%
Financial expenses	130	1.8%	-36.6%	205	2.9%
Equity in earnings of affiliates	-75	—	—	216	3.0%
Profit for the period attributable to owners of parent	-125	—	—	1,044	14.7%
[Reference] Net sales	32,871	—	+3.3%	31,836	—

# 14 Quarterly Trend of Earnings by Business Segment

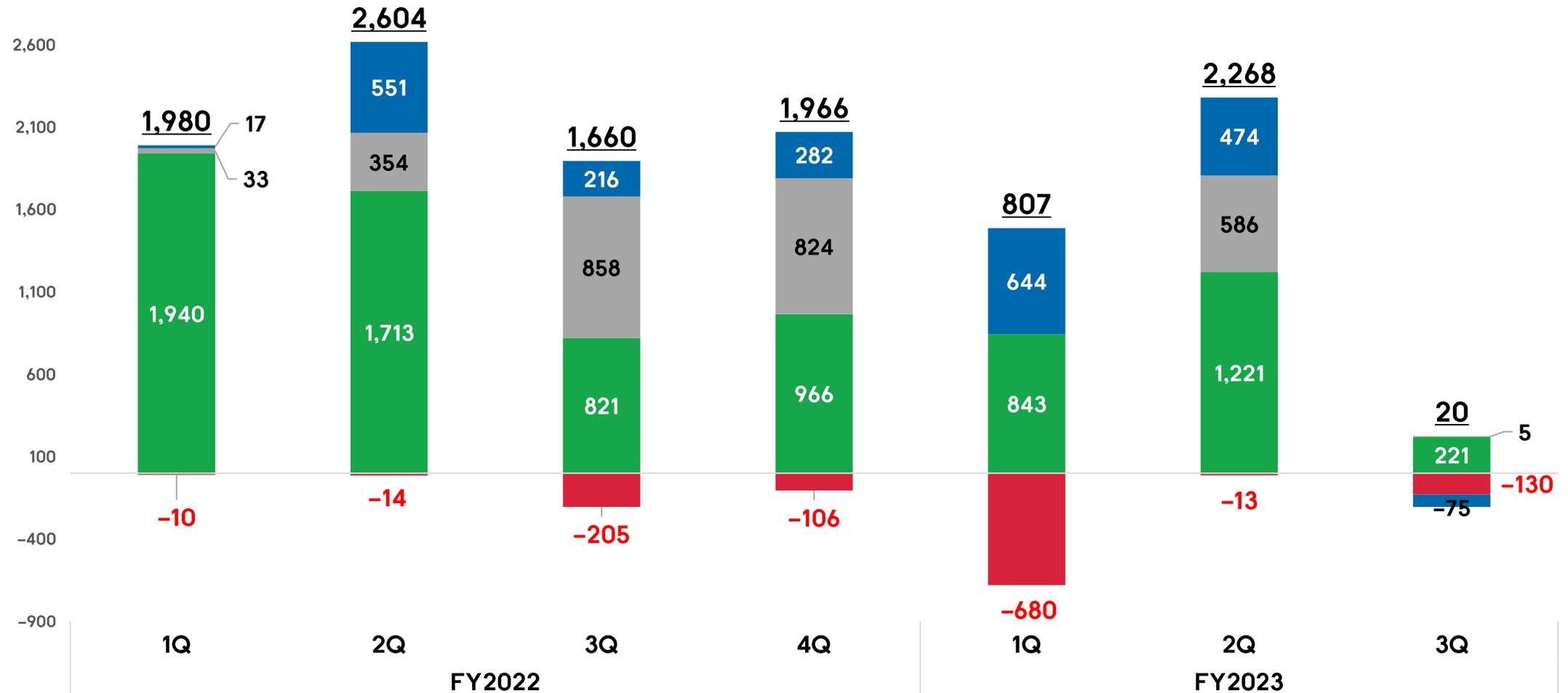


\*As the elimination of intersegment revenue is omitted, the total of each business revenue and consolidated revenue (underlined figures) do not coincide.

# 15 Quarterly Trend of Consolidated Profit Before Tax



■ IFRS operating profit 
 ■ Financial income 
 ■ Financial expenses 
 ■ Equity in earnings of affiliates 
 Profit before tax (unit: ¥mn)



# 16 Constitution of Consolidated Expenses (IFRS)

**Sales of e-books in the IP Platform Business were strong, resulting in increased other cost of sales.**

(unit: ¥mn)	FY2021				FY2022				FY2023			QoQ	YoY
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
<b>Total of cost of sales</b>	1,005	939	1,076	1,079	1,120	1,647	1,637	1,694	1,568	1,762	1,894	+7.5%	+15.7%
Labor costs	296	321	347	344	364	366	388	379	393	408	453	+10.9%	+16.8%
Subcontract costs	240	167	204	244	294	779	632	674	545	659	623	-5.6%	-1.5%
Others	468	451	525	491	462	503	617	641	631	695	819	+17.9%	+32.6%
<b>Total of SG&amp;A expenses</b>	3,061	3,380	3,593	3,711	3,447	4,442	4,626	4,543	4,557	4,532	4,988	+10.1%	+7.8%
Labor costs <sup>*1</sup>	2,019	2,183	2,230	2,337	2,298	2,825	3,002	2,888	3,000	3,004	3,400	+13.2%	+13.3%
Employee bonuses <sup>*2</sup>	85	285	283	270	169	349	236	183	152	163	155	-4.8%	-34.2%
Rent expenses etc.	324	321	327	326	266	290	301	312	301	298	311	+4.5%	+3.2%
Advertising expenses	184	188	281	242	192	223	280	265	228	190	245	+28.9%	-12.4%
Taxes and dues <sup>*3</sup>	35	37	41	60	45	126	124	120	107	107	100	-7.3%	-20.0%
Others	415	366	431	476	477	629	683	774	770	769	777	+1.1%	+13.8%

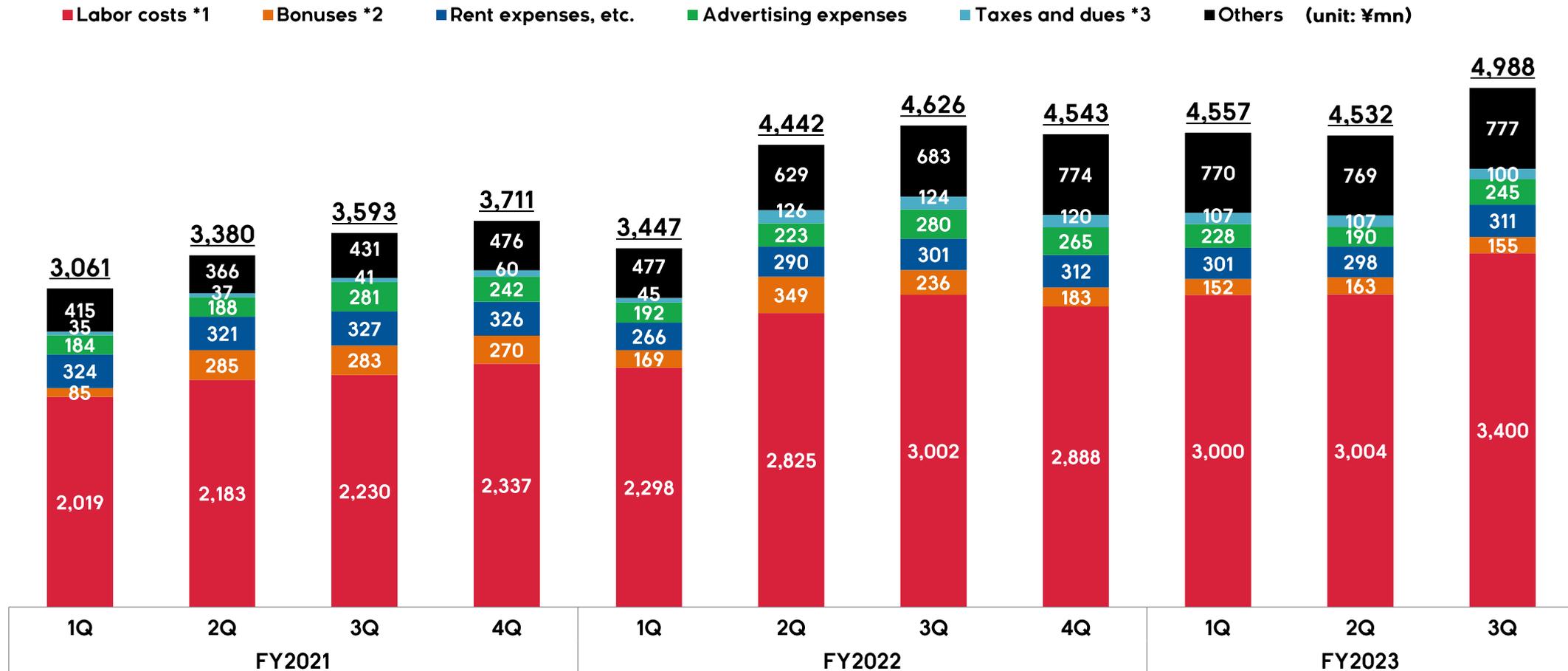
\*1 Performance-linked stock compensation (BIP trust), which is a reconciliation to Non-GAAP operating profit, is recognized as labor costs since FY2021/2Q.

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

\*3 Taxes and dues, originally accounted as others, were extracted and calculated.

# 17 Quarterly Trend of Consolidated SG&A Expenses

**Labor costs increased due to human capital investment including the hiring of 136 new graduates and raising salary levels.**



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

\*2 Including estimation amount for additional performance-linked bonus. \*3 Taxes and dues, originally accounted as others, were extracted and calculated.

**04**

**Digital Marketing Business**

**Revenue declined due to budget cuts by some clients,  
and profit declined due to the strengthening of human capital investment.**

(unit: ¥mn)	3Q/FY2023			3Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
<b>Revenue</b>	5,977	100.0%	-4.5%	6,259	100.0%
<b>Gross profit</b>	4,682	78.3%	-7.3%	5,051	80.7%
<b>SG&amp;A expenses</b>	3,622	60.6%	+ 8.3%	3,344	53.4%
<b>Non-GAAP operating profit</b>	1,070	17.9%	-38.1%	1,728	27.6%
<b>[Reference] Net Sales</b>	31,855	—	+2.3%	31,129	—
<b>[Reference] Revenue/Net Sales</b>	—	18.8%	-1.3Pt	—	20.1%

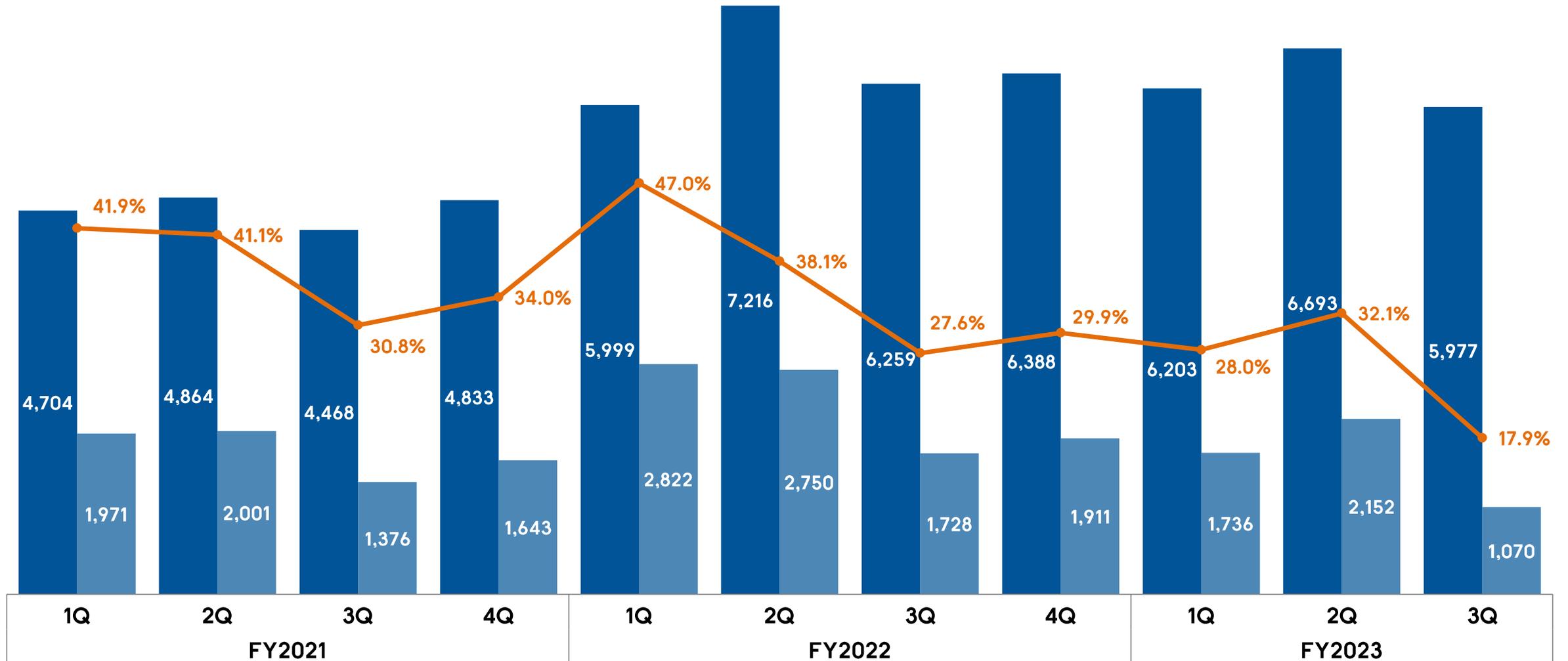
# 20 Digital Marketing Business Quarterly Earnings Trend



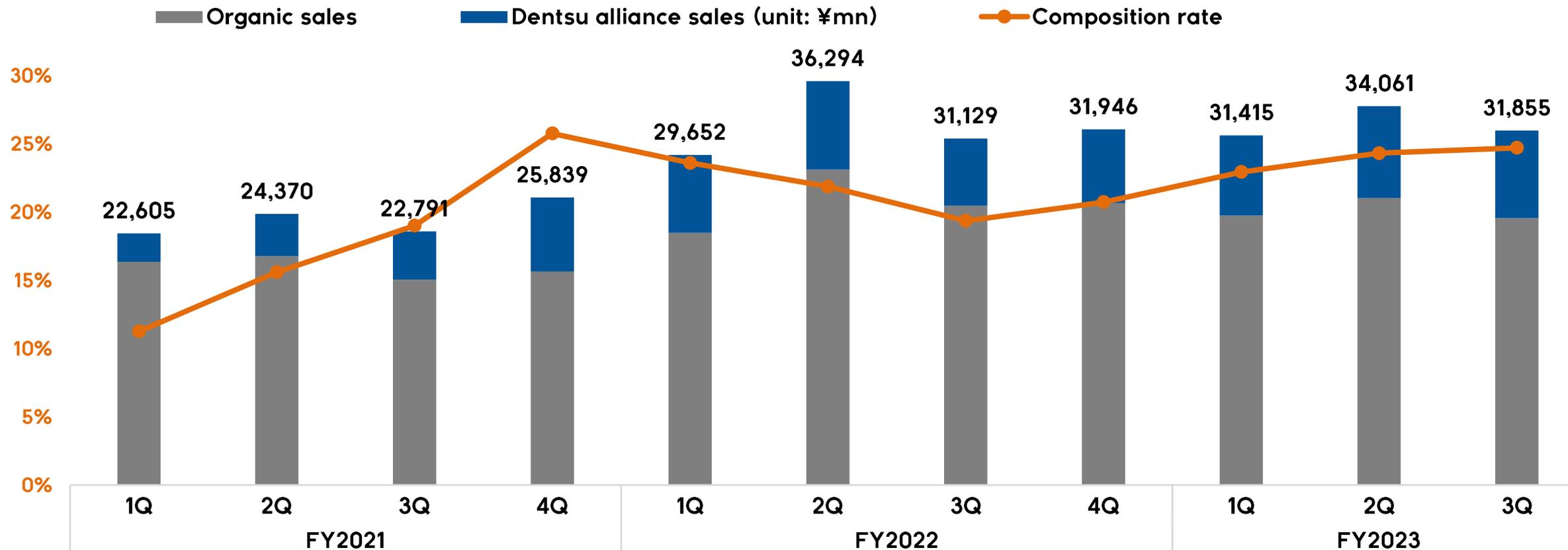
Revenue

Non-GAAP operating profit (unit:¥mn)

OP margin (relative to revenue)



## Dentsu alliance sales expanded YoY, and its composition rate increased.



\*Since FY2022/2Q, organic sales include the effects of new consolidation.

**05**

**Media Platform Business**

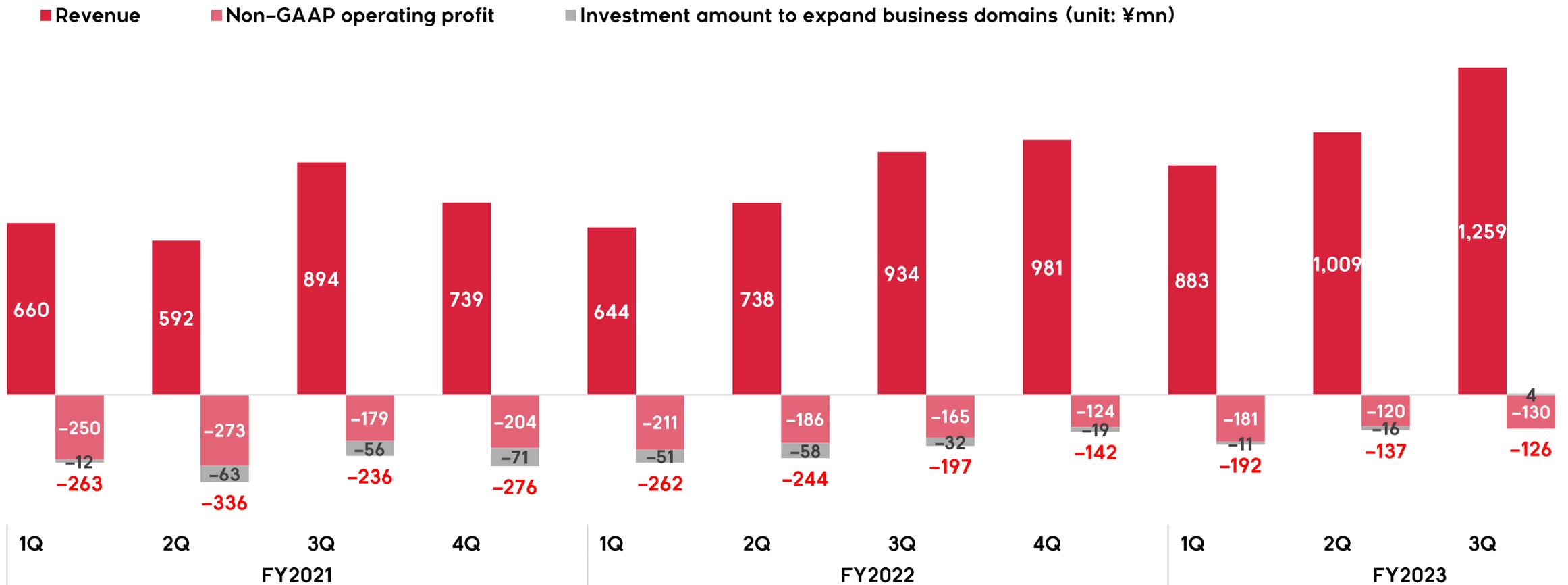
## 23 Media Platform Business Earnings Overview

**Revenue increased driven by the IP Platform Business, and the loss narrowed, absorbing upfront investment in a Webtoon studio.**

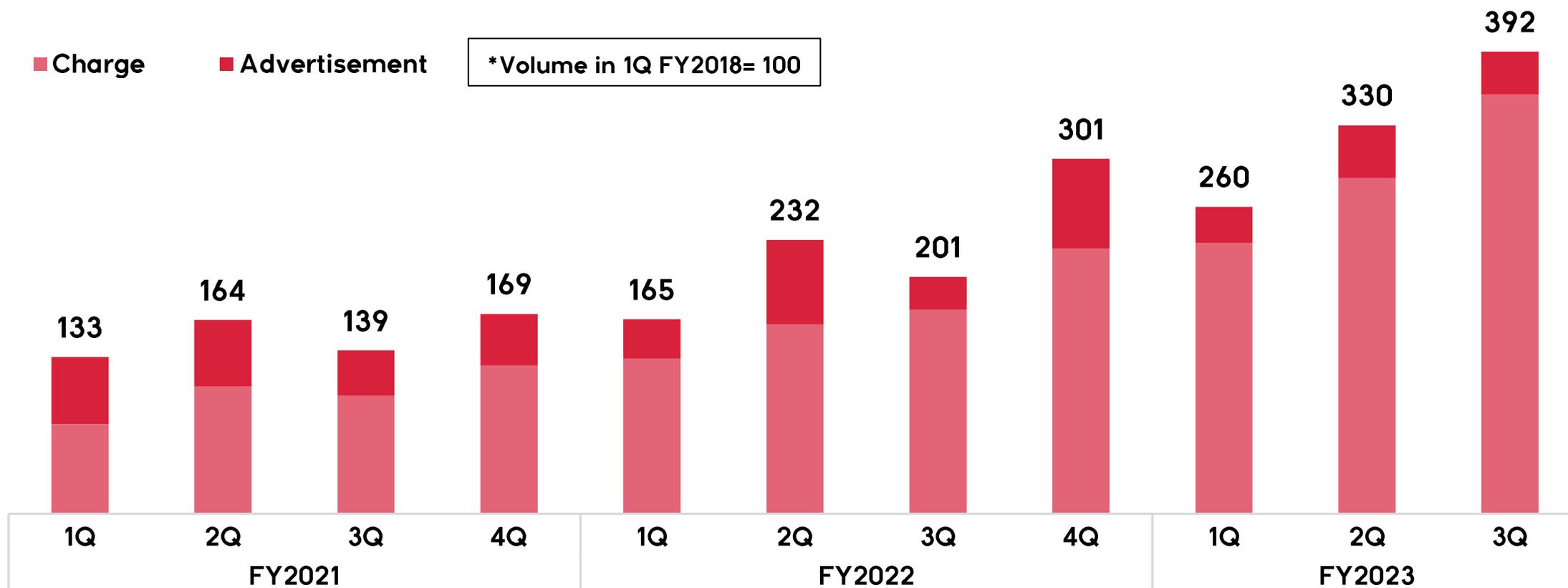
(unit:¥mn)	3Q/FY2023			3Q/FY2022	
	Value	Ratio	YoY	Value	Ratio
Revenue	1,259	100.0%	+34.9%	934	100.0%
Gross profit	658	52.2%	+32.6%	496	53.1%
SG&A expenses	782	62.1%	+12.8%	693	74.2%
Non-GAAP operating profit	-126	—	+71	-197	—
Investment amount to expand business domains*	4	—	+36	-32	—

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

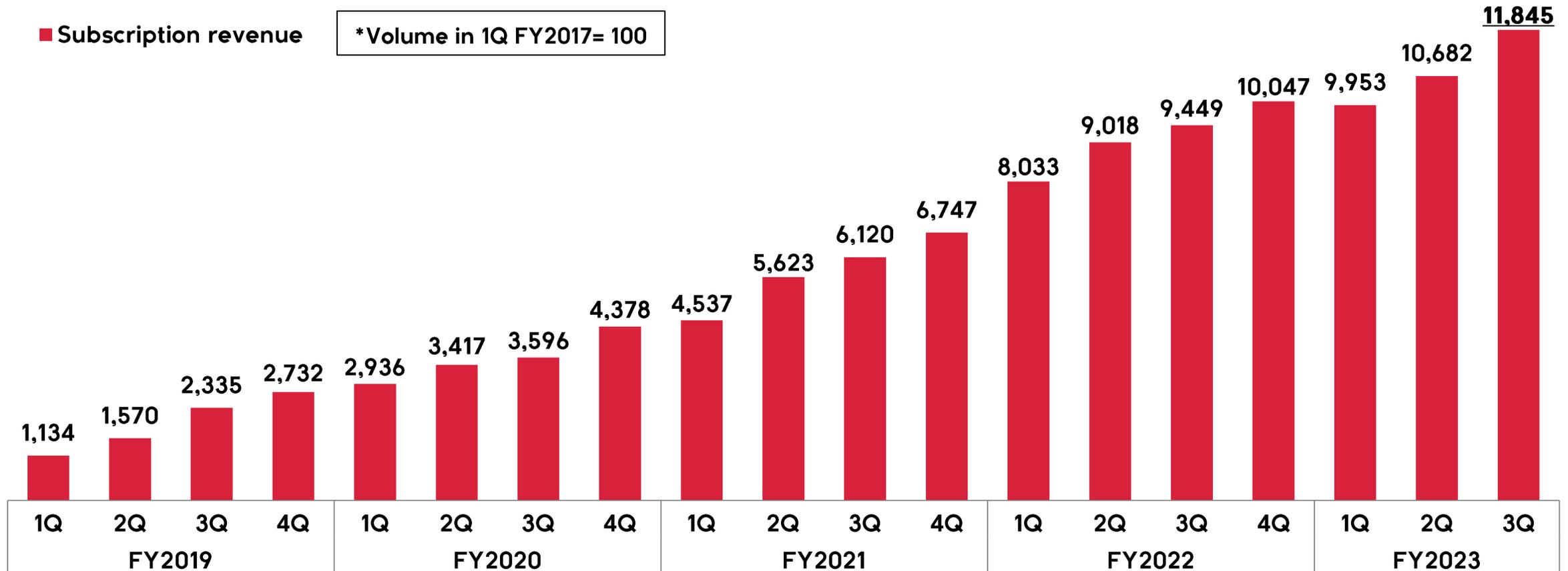
Revenue set a new record high, and the loss narrowed YoY.



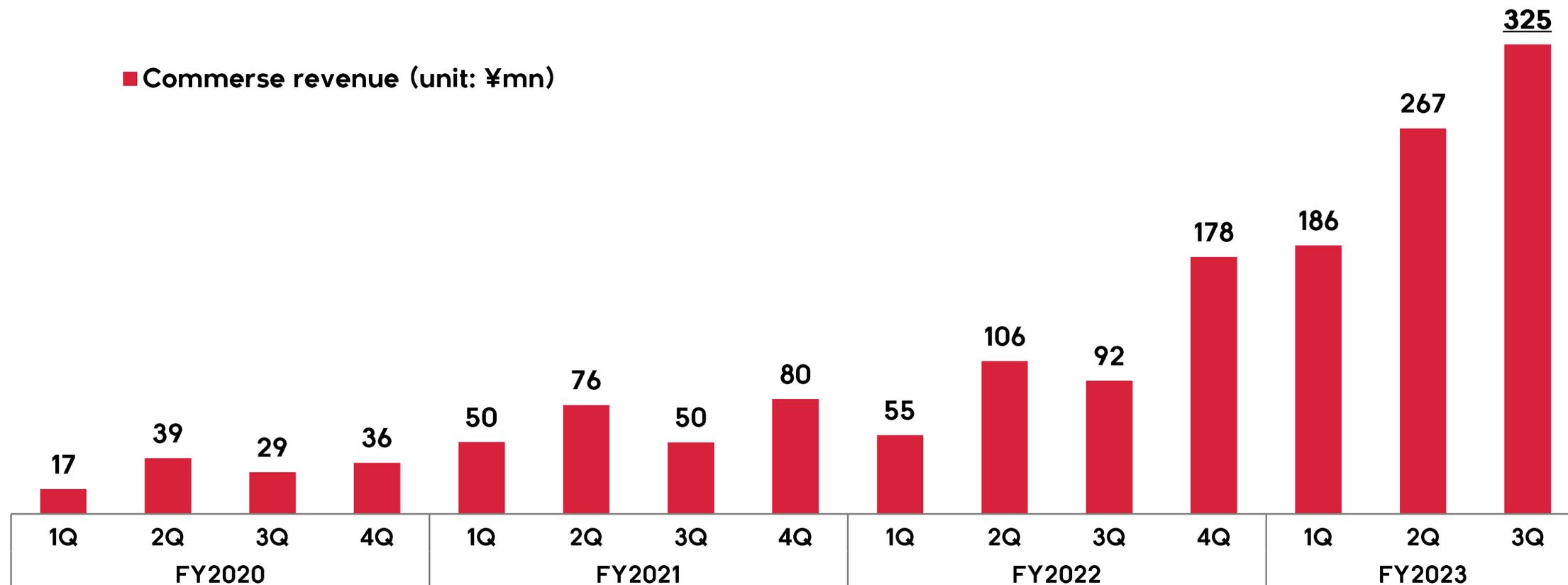
Growth in billing revenue accelerated thanks to anime broadcast of *“My Love Story with Yamada-kun at Lv999,”* increasing by about 2.1 times YoY.



The pace of increase in the number of subscribers accelerated due to the effect of anime broadcast.



**Commerce revenue grew by approximately 3.5 times YoY due to steady growth in e-book sales.**



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

The animation of GANMA!'s main work, “My Love Story with Yamada-kun at Lv999,” was broadcast from April to June and received well, contributing to the increase in sales.



©MASHIRO/COMICSMART INC./  
Production Committee with Yamada-kun at Lv999

[Domestic Distribution Platforms] \*Highest rankings

**ABEMA** **dアニメストア** **U-NEXT** **1st place**

**hulu** 2nd place / Netflix 4th place

[Books and e-books] (published by KADOKAWA)

Cumulative circulation exceeded **3 million** (As of May 2023)

Major bookstore rankings

**としま** **1st place**\*1 (Manga Overall)

**LINEマンガ** **1st place**\*1 (Overall)

[Global Expansion] \*Rankings of Spring 2023 Anime Lineup

**Crunchyroll** **8th place** / **bilibili** **5th place**

**06**

**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.

## Lowered earnings forecasts due to changes in the external environment in the Digital Marketing Business.

(unit: ¥mn)	Revenue	Non-GAAP operating profit	Profit attributable to owners of parent	Basic earnings per share (EPS) (¥)
Prior forecast (A)	42,500	7,500	5,950	28.42
Revised forecast (B)	<b>36,700</b>	<b>4,200</b>	<b>3,650</b>	<b>17.53</b>
Change (B-A)	-5,800	-3,300	-2,300	
Change (%)	-13.6	-44.0	-38.7	
(Reference) Results for the previous fiscal year (FY2022)	28,819	5,855	5,734	30.54

# 32 Revisions to Earnings Forecasts (By Business Segment)

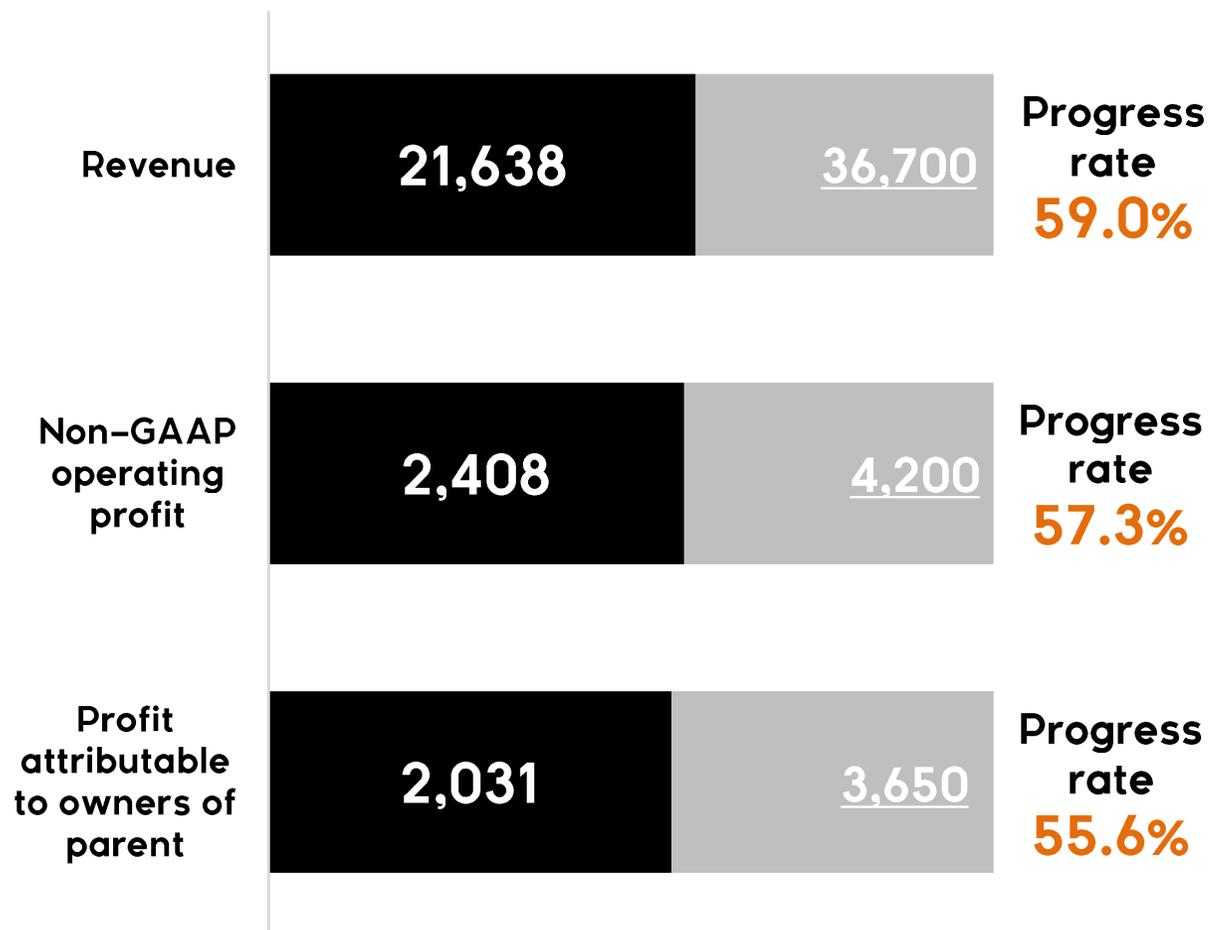


(unit: ¥mn)

	Revenue			Non-GAAP operating profit		
	Prior forecast	Revised forecast	Change (%)	Prior forecast	Revised forecast	Change (%)
Digital Marketing Business	36,250	31,100	-14.2	11,500	8,250	-28.3
Media Platform Business	6,800	6,300	-7.4	-500	-550	(-50)
Eliminations/Corporate	-550	-700	-	-3,500	-3,500	-
<b>Consolidated</b>	42,500	36,700	-13.6	7,500	4,200	-44.0

# 33 Progress toward Earnings Estimates (Consolidated, 15-month period)

(unit: ¥mn)



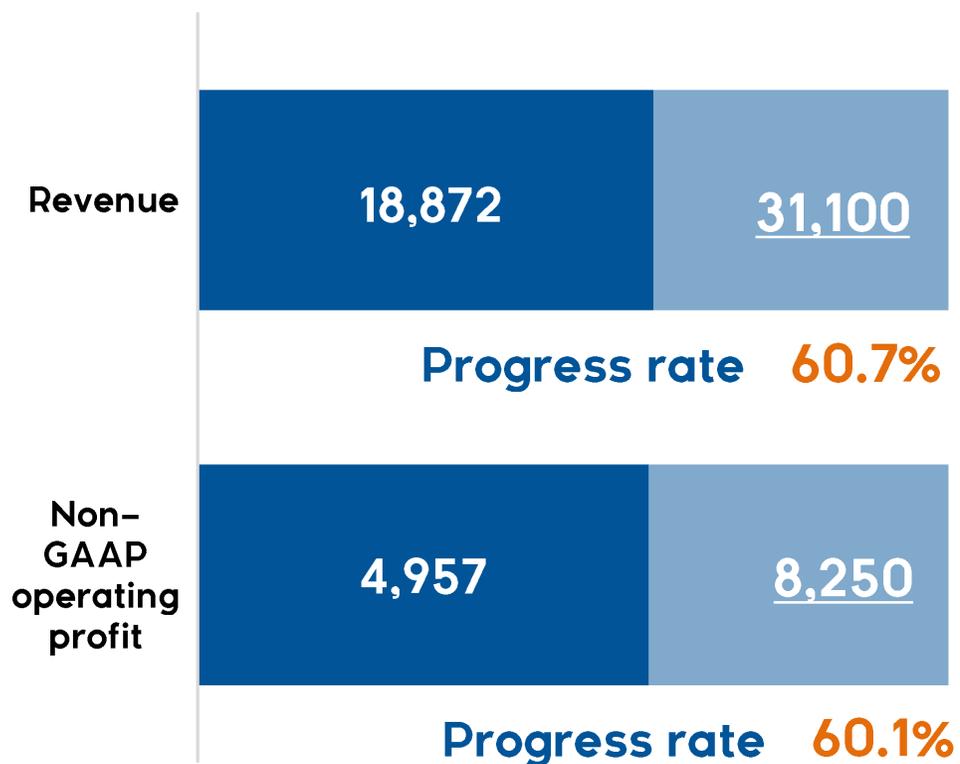
	1-3Q/ FY2023	Full-year forecast
EPS(¥)	9.71	17.53
<b>*Reference</b>	<b>1-3Q/ FY2023</b>	<b>1-3Q/ FY2022</b>
EPS(¥)	9.71	22.72
Profit attributable to owners of parent(¥mn)	2,031	4,101
Average number of shares outstanding (1,000 shares)	209,073	180,497

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



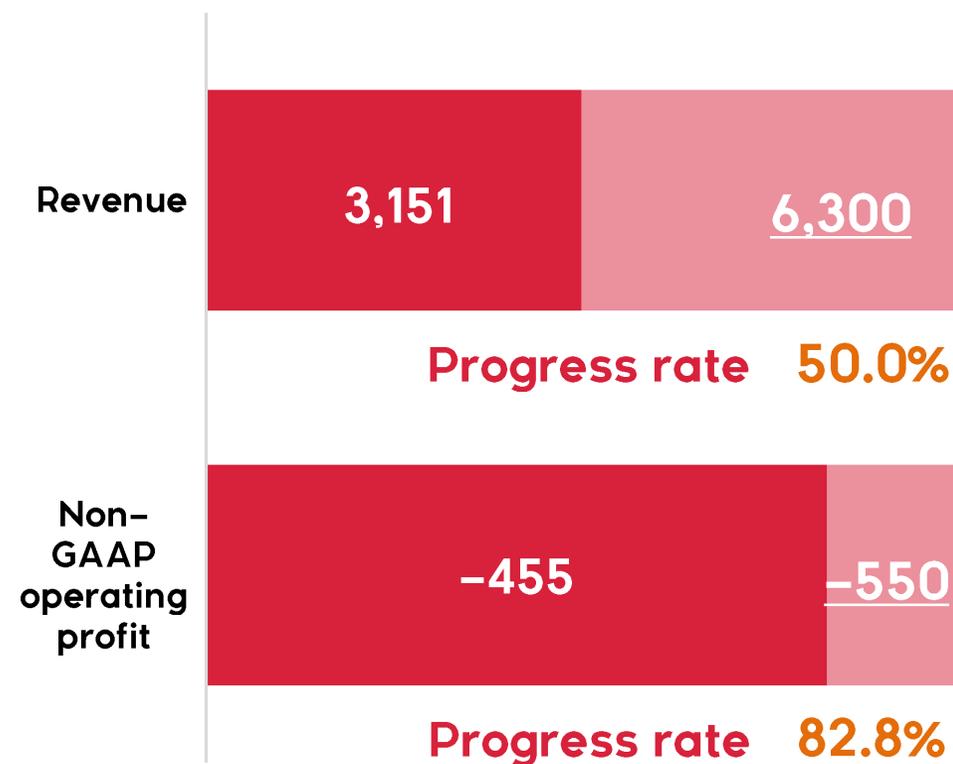
## Digital Marketing Business

(unit: ¥mn)

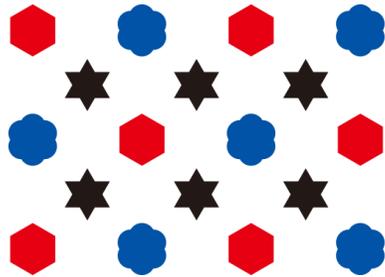


## Media Platform Business

(unit: ¥mn)



# Thank you for your interest!



# SEPTENI

## Contact Information

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

**[www.septeni-holdings.co.jp/en/](http://www.septeni-holdings.co.jp/en/)**

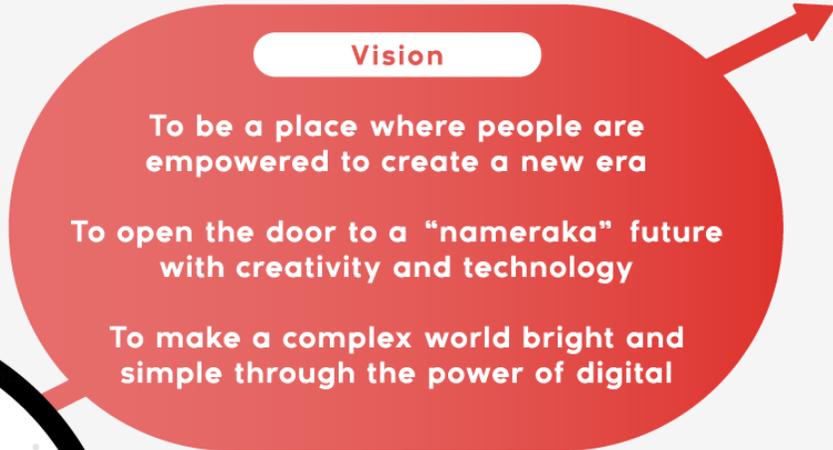
**E-mail: [ir@septeni-holdings.co.jp](mailto:ir@septeni-holdings.co.jp)**

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 Aug 8, 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.

**07**

**Appendix**

# 37 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 2022

The Integrated Report 2022 is available on our 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/integratedreport2022\\_en.pdf](https://www.septeni-holdings.co.jp/en/ir/library/integrated-report/integratedreport2022_en.pdf))



## 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](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



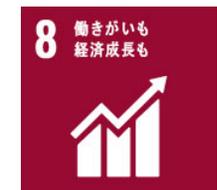
### Support for culture/sports/entertainment industries

- 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

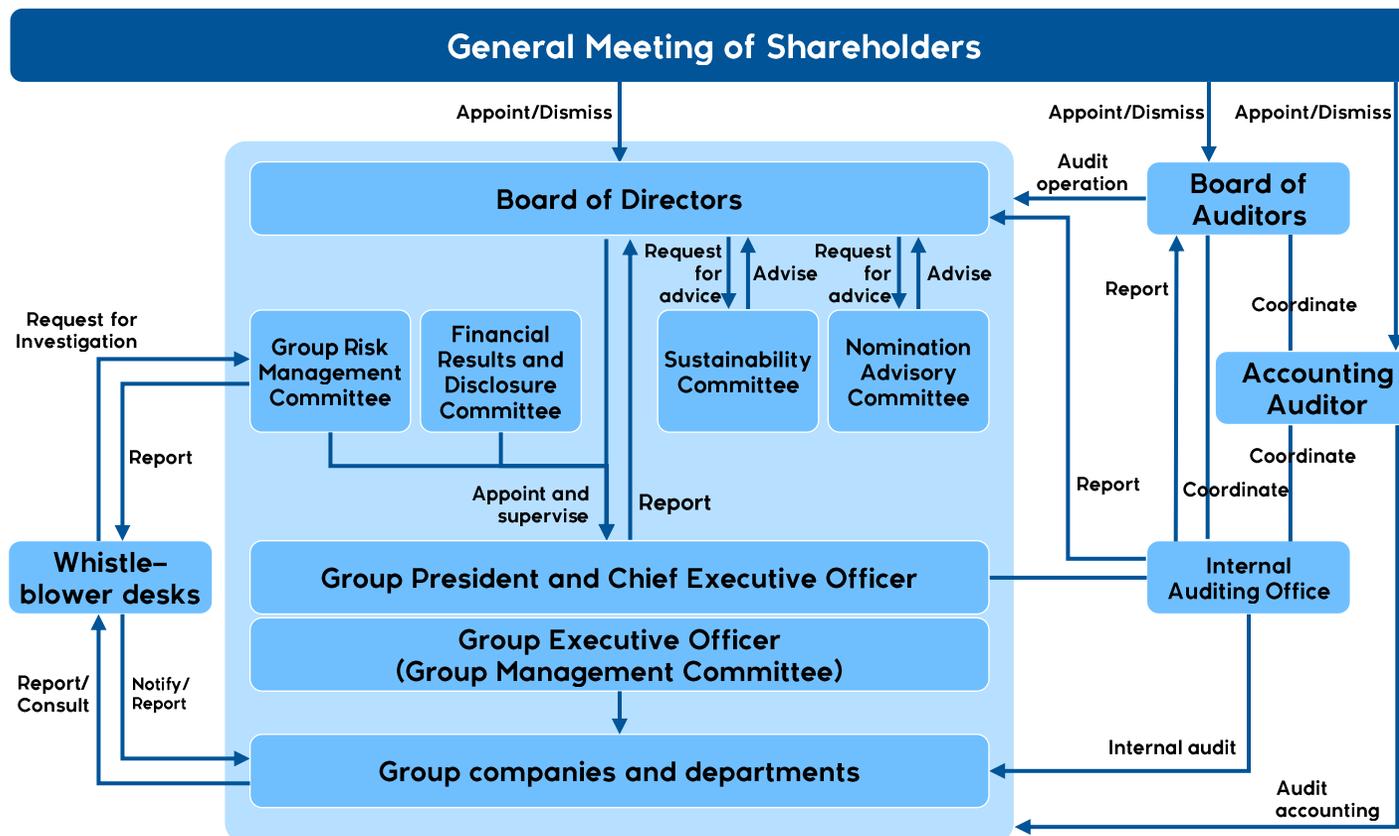
- 28.6% of the Board of Directors is composed of women
- Revised target ratio of female managers: 25% by October 2023 (Previous target: 17% by October 2020)
- Support for employees raising children and introduction of diverse work styles



# 40 Enhancing Corporate Governance

In addition to conducting business in accordance with our Corporate Philosophy 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.

## Corporate 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

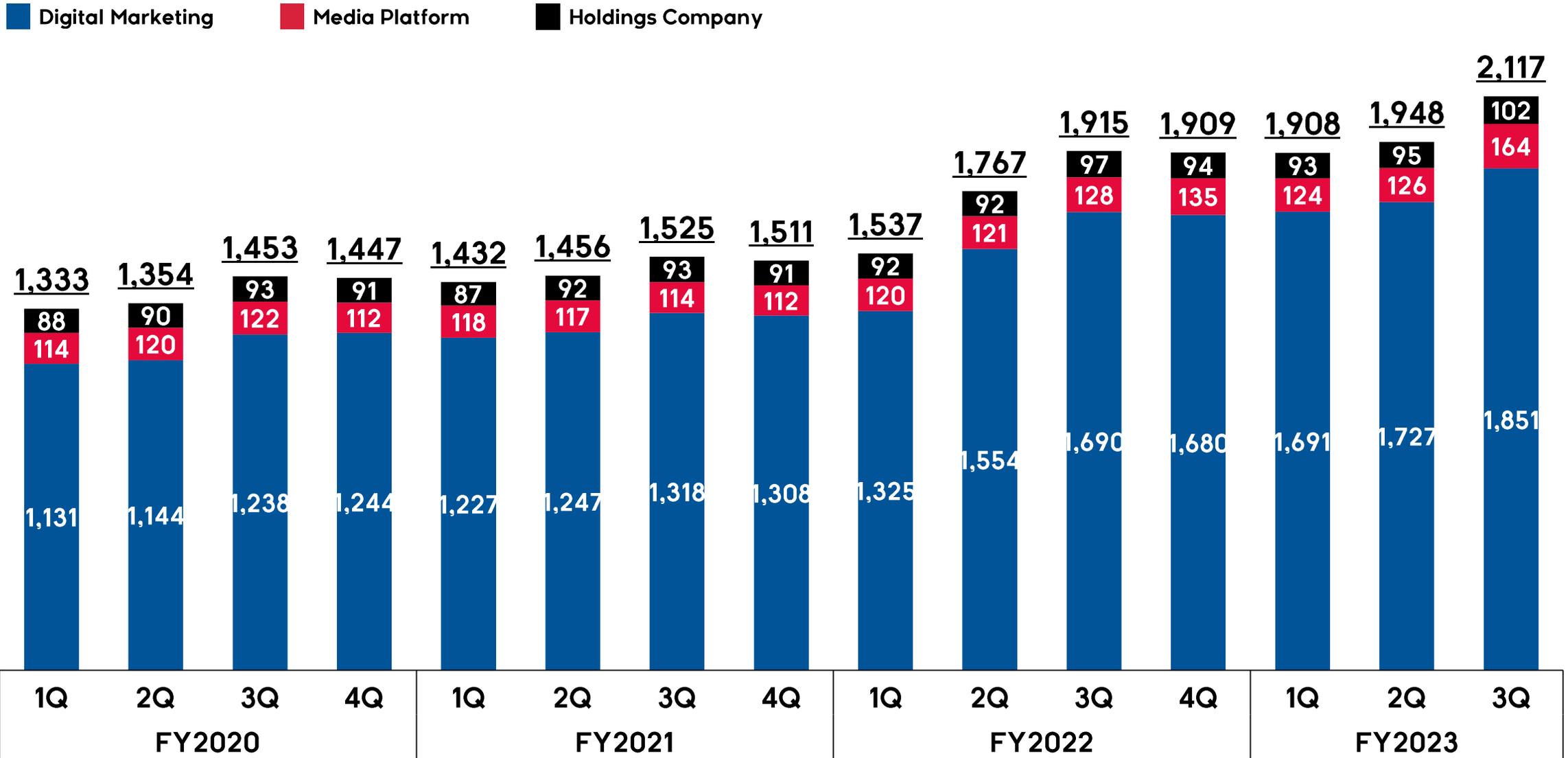
Digital media



Mass media



# 42 Septeni Group Workforce Number Trend



# 43 Main Group Companies by Business Segment

as of August 8, 2023



## Digital Marketing Business

Domestic advertising



Data & solutions

FLINTERS

Oversea advertising



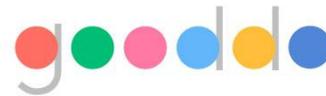
dentsu  
direct



## Media Platform Business



vivivit



TowaStela



Others

Human Capital Lab

New business development

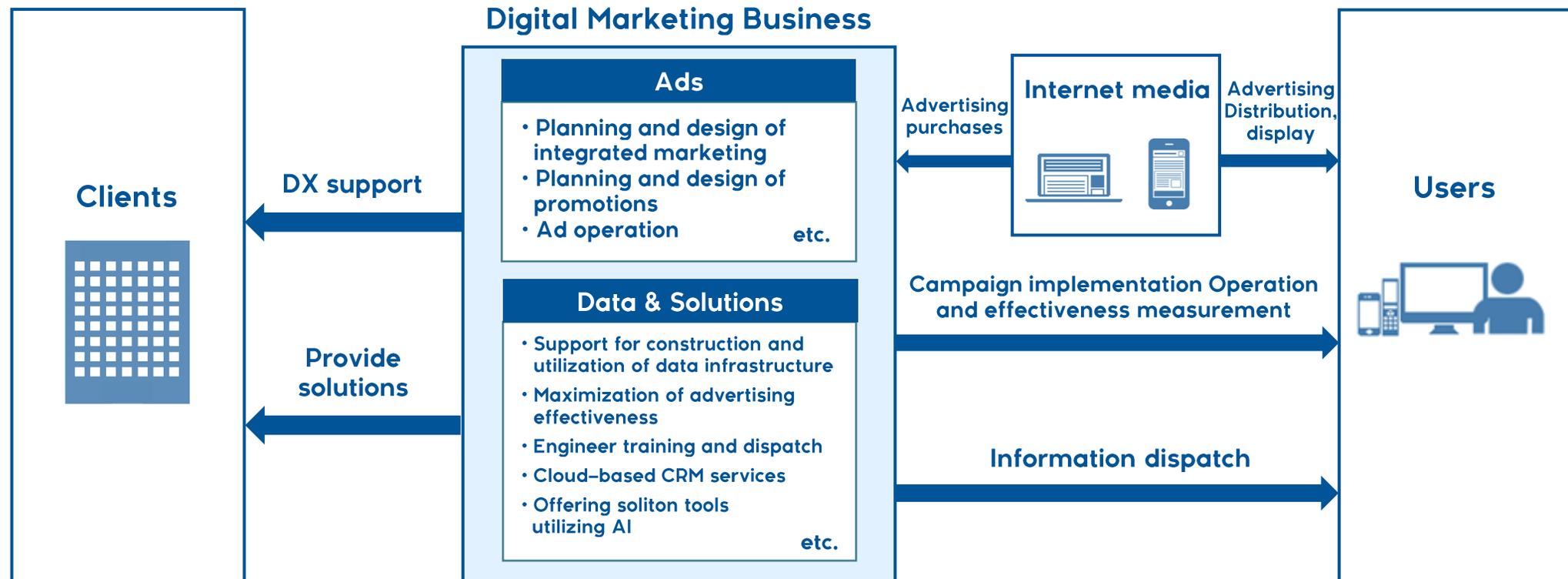


Equity-method affiliates



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.

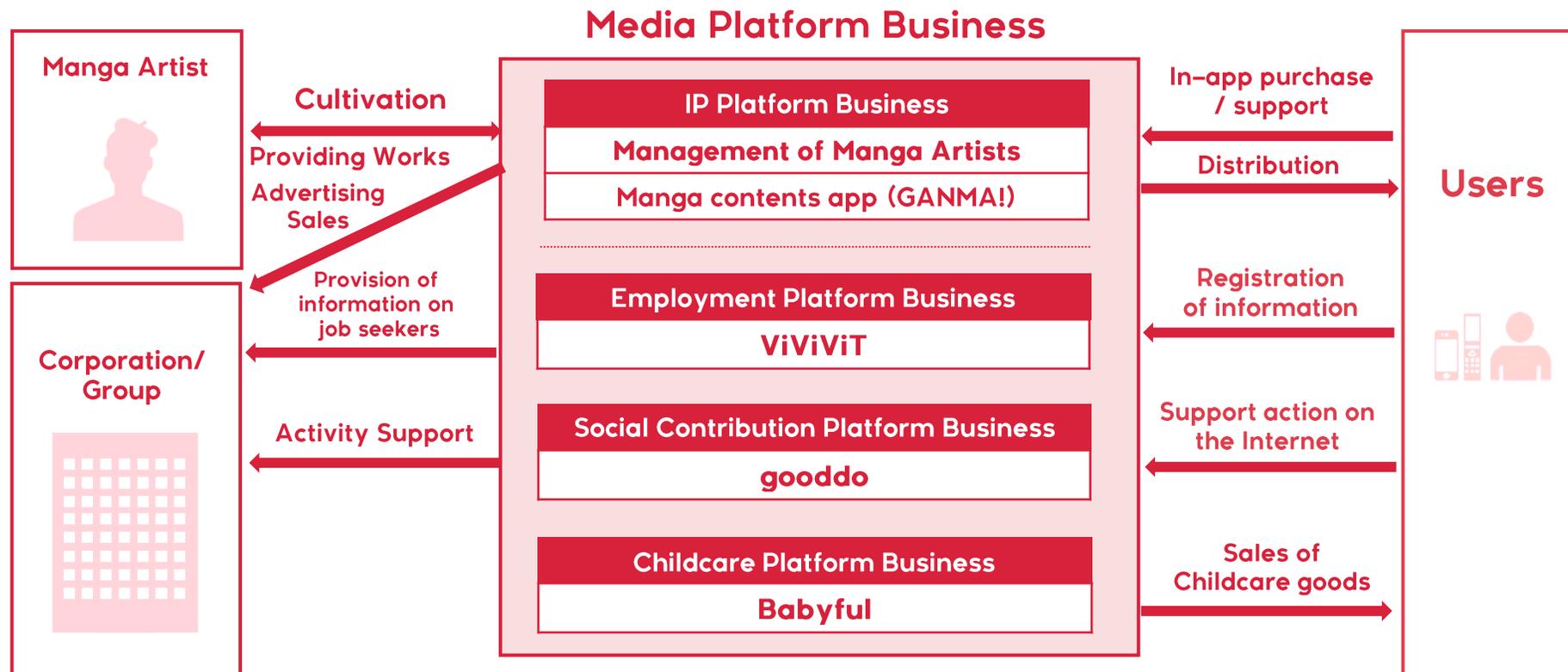


# 45 Business Model for the Media Platform Business

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.



# 46 Consolidated Statement of Financial Position



(unit: ¥mn)	End of 3Q/FY2023	End of FY2022	Change
<b>Current Assets</b>	<b>39,337</b>	<b>40,585</b>	-1,248
<b>Non-Current Assets</b>	<b>49,128</b>	<b>48,146</b>	+982
<b>Total Assets</b>	<b>88,465</b>	<b>88,731</b>	-267
<b>Current Liabilities</b>	<b>23,361</b>	<b>25,206</b>	-1,846
<b>Non-Current Liabilities</b>	<b>1,873</b>	<b>771</b>	+1,103
<b>Total Liabilities</b>	<b>25,234</b>	<b>25,977</b>	-743
<b>Total Capital*</b>	<b>63,231</b>	<b>62,754</b>	+477
<b>Total Liabilities and Capital</b>	<b>88,465</b>	<b>88,731</b>	-267

\*change of - ¥745 million in treasury shares in shareholders' equity due to share repurchase conducted from February 17 to March 17, 2023