

Summary of Consolidated Financial Statement for the Three Months Ended March 31, 2024 [IFRS]

May 9, 2024
Listed Market: TSE

SEPTENI HOLDINGS CO., LTD.

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

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Anticipated Financial Report Filing Date: May 10, 2024

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 Three Months Ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(1) Consolidated Financial Result (Cumulative) (% 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	%
1Q FY12/24	7,292	—	1,259	—	1,274	—	1,736	—	3,471	—	3,489	—
1Q FY12/23	6,592	—	1,027	—	1,076	—	993	—	568	—	583	—

(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 share-based payment expenses, impairment loss, and gain or loss on the sales of fixed assets from the IFRS-based operating profit.

2. As the fiscal year ended December 31, 2023 is 15 months due to a change in the fiscal year-end, 1Q of FY12/23 is from October 1, 2022 to December 31, 2022 and 1Q of FY 12/24 is from January 1, 2024 to March 31, 2024, and the rate of year-over-year change is not stated.

3. As the results of COMICSMART INC. and its subsidiaries, etc. have been reclassified as discontinued operations, revenue, operating profit, Non-GAAP operating profit and profit before tax represent the amount of continuing operations, excluding discontinued operations.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1Q FY12/24	16.85	16.81
1Q FY12/23	2.78	2.78

(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	%
1Q FY12/24	99,176	68,121	68,069	68.6
FY12/23	93,606	65,705	65,594	70.1

2. Dividends

	Dividends					
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Term-end	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY12/23	—	—	—	—	5.20	5.20
FY12/24	—	—	—	—	—	—
FY12/24 Estimate	—	—	—	—	7.90	7.90

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

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2024 (From January 1, 2024 to December 31, 2024)

(% 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	31,000	—	4,700	—	6,500	—	31.35

(Note) 1. Revision to the most recently announced consolidated forecasts: None

2. As the fiscal year ended December 31, 2023 is 15 months due to a change in the fiscal year-end, the rate of year-over-year change is not stated.

*Others

(1) Material changes in subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidations) :
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 at the end of fiscal year (incl. Treasury shares):	1Q FY12/24	211,079,654	FY12/23	211,079,654
Treasury shares at the end of fiscal year	1Q FY12/24	3,964,545	FY12/23	3,964,545
Average number of shares outstanding:	1Q FY12/24	207,115,109	1Q FY12/23	209,382,163

*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 Result (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 transcript of the briefing will be also available on the website.

May 9, 2024 (Thu.) – FY12/2024 First 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

Due to a change in the fiscal year-end, the previous fiscal year is the 15-month period from October 1, 2022 to December 31, 2023, and the rate of year-over-year change in consolidated results on a financial reporting basis is not stated.

As the results of COMICSMART INC. and its subsidiaries, etc. have been reclassified as discontinued operations, revenue, operating profit, Non-GAAP operating profit represent the amount of continuing operations, excluding discontinued operations.

In the first quarter of the fiscal year under review (hereinafter “the current quarter”), in the main Digital Marketing Business, in addition to expansion of existing projects centered on large clients, the Company promoted the collaboration with the Dentsu Group. In the Media Platform Business, the Company advanced efforts to create new profit opportunities with the aim of adapting to the post-COVID environment.

Quarterly profit attributable to owners of parent increased significantly due to the gain on the partial transfer of shares of COMICSMART INC.

As a result, revenue was ¥7,292 million, operating profit was ¥1,259 million, Non-GAAP operating profit was ¥1,274 million, and quarterly profit attributable to owners of parent was ¥3,489 million.

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 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 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 temporary factors refer to one-off items, such as share-based payment expenses, impairment losses, and gains or losses on sales of fixed assets, which the Group believes shall be excluded for the purposes of preparing an outlook based on certain rules.

Adjustments from operating profit to Non-GAAP operating profit are as follows.

(Million yen)

	1Q FY2023 (Previous Consolidated Cumulative 1Q)	1Q FY2024 (Current Consolidated Cumulative 1Q)	Change of amount	Rate of change
Operating profit	1,027	1,259	232	—
Adjustment (Amortization of acquisition-related intangible assets)	10	10	—	
Adjustment (Share-based payment expenses)	39	—	-39	
Adjustment (Others)	-0	4	4	
Non-GAAP operating profit	1,076	1,274	198	—

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, centered on digital marketing.

In the fiscal year under review, in addition to expansion of existing projects centered on large clients, the Company promoted the collaboration with the Dentsu Group.

As a result, revenue was ¥6,912 million, and Non-GAAP operating profit was ¥1,999 million.

(ii) Media Platform Business

The Media Platform Business consists of Employment Platform Business “ViViViT”, Platform Business of Social Contribution “gooddo”, Childcare Platform Business “TowaStela” etc.

In the fiscal year under review, the Company advanced efforts to create new profit opportunities with the aim of adapting to the post-COVID environment.

As a result, revenue was ¥418 million, and Non-GAAP operating loss was ¥9 million.

(Reference)

The following figures show the status of profit and loss and the rate of year-over-year change on a calendar year basis, assuming that the accounting period of the Group was the 12-month period from January to December for the previous fiscal year.

Revenue was ¥7,292 million (up 3.2% year on year), operating profit was ¥1,259 million (down 6.5% year on year), Non-GAAP operating profit was ¥1,274 million (down 11.5% year on year), and quarterly profit attributable to owners of parent was ¥3,489 million (up 121.8% year on year).

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

There is no change in the consolidated earnings forecasts for the fiscal year ending December 2024 from estimates revealed on February 8, 2024.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Statement of Financial Position

(Thousand yen)

	FY2023 (As of December 31, 2023)	1Q FY2024 (As of March 31, 2024)
Assets		
Current assets		
Cash and cash equivalents	20,873,416	25,439,736
Trade receivables	19,830,799	21,427,577
Inventories	72,849	64,895
Other financial assets	101,550	1,221,511
Other current assets	1,997,253	582,174
Subtotal	42,875,867	48,735,893
Assets held for sale	807,491	—
Total current assets	43,683,358	48,735,893
Non-current assets		
Property, plant, and equipment	257,486	249,214
Right-of-use assets	1,899,500	1,764,127
Goodwill	4,693,055	4,693,055
Intangible assets	432,366	494,110
Investments accounted for using equity method	34,249,351	35,008,250
Other financial assets	7,106,364	7,088,158
Other non-current assets	13,260	5,624
Deferred tax assets	1,271,250	1,137,994
Total non-current assets	49,922,632	50,440,532
Total assets	93,605,990	99,176,424

Liabilities and Equity

Liabilities

Current liabilities

Trade payables	19,031,397	21,685,973
Other financial liabilities	4,414,965	4,761,009
Income taxes payable	421,929	1,084,143
Other current liabilities	2,227,759	1,978,607
Subtotal	26,096,050	29,509,732
Liabilities directly associated with assets held for sale	236,525	—
Total current liabilities	26,332,575	29,509,732

Non-current liabilities

Other financial liabilities	1,369,940	1,236,438
Provisions	152,549	153,555
Deferred tax liabilities	46,137	155,433
Total non-current liabilities	1,568,627	1,545,426

Total liabilities	27,901,201	31,055,157
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Equity

Equity attributable to owners of parent

Share capital	18,428,004	18,428,004
Capital surplus	25,426,993	25,426,993
Treasury shares	-1,396,624	-1,396,624
Retained earnings	23,185,222	25,597,425
Other components of equity	-49,731	13,231

Total equity attributable to owners of parent	65,593,864	68,069,028
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Non-controlling interests	110,925	52,239
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Total equity	65,704,788	68,121,267
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Total liabilities and equity	93,605,990	99,176,424
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(2) Quarterly Consolidated Statement of Profit or Loss and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Profit or Loss)

(Thousand yen)

	1Q FY2023 (From October 1, 2022 to December 31, 2022)	1Q FY2024 (From January 1, 2024 to March 31, 2024)
Continuing operations		
Revenue	6,592,461	7,291,526
Cost of sales	1,231,527	1,309,524
Gross profit	5,360,934	5,982,002
Selling, general and administrative expenses	4,328,895	4,725,398
Other income	3,408	7,416
Other expenses	8,725	4,631
Operating profit	1,026,723	1,259,389
Finance income	470	1,342
Finance costs	678,725	139,075
Share of profit of investments accounted for using equity method	644,075	614,818
Profit before tax	992,542	1,736,474
Income tax expenses	250,202	476,090
Quarterly profit from continuing operations	742,341	1,260,384
Discontinued operations		
Quarterly profit (loss) from discontinued operations	-174,133	2,210,177
Quarterly profit	568,208	3,470,561
Quarterly profit (loss) attributable to:		
Owners of parent	582,626	3,489,202
Non-controlling interests	-14,418	-18,640
Total	568,208	3,470,561
Quarterly earnings per share		
Basic quarterly earnings (loss) per share (Yen)		
Continuing operations	3.53	6.11
Discontinued operations	-0.74	10.73
Total	2.78	16.85
Diluted quarterly earnings (loss) per share (Yen)		
Continuing operations	3.52	6.10
Discontinued operations	-0.74	10.71
Total	2.78	16.81

(Quarterly Consolidated Statement of Comprehensive Income)

(Thousand yen)

	1Q FY2023 (From October 1, 2022 to December 31, 2022)	1Q FY2024 (From January 1, 2024 to March 31, 2024)
Quarterly profit	568,208	3,470,561
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	2,028	24,214
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	-37,894	38,748
Cash flow hedges	1,856	—
Total other comprehensive income, net of tax	-34,010	62,961
Total quarterly comprehensive income	<u>534,198</u>	<u>3,533,522</u>
Quarterly comprehensive income attributable to:		
Owners of parent	548,616	3,552,163
Non-controlling interests	-14,418	-18,640
Quarterly comprehensive income	<u>534,198</u>	<u>3,533,522</u>

(3) 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 at October 1, 2022	18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069
Quarterly profit	—	—	—	582,626	—	582,626	-14,418	568,208
Other comprehensive income	—	—	—	—	-34,010	-34,010	—	-34,010
Total quarterly comprehensive income	—	—	—	582,626	-34,010	548,616	-14,418	534,198
Dividends of surplus	—	—	—	-962,966	—	-962,966	—	-962,966
Disposal of treasury shares	—	—	227,827	—	—	227,827	—	227,827
Changes without loss of control of subsidiaries	—	646,457	—	—	—	646,457	51,060	697,516
Other	—	43,543	—	—	—	43,543	-1,684	41,858
Total transactions with owners	—	689,999	227,827	-962,966	—	-45,140	49,375	4,235
Balance at December 31, 2022	18,428,004	25,999,727	-347,880	19,291,478	-162,599	63,208,730	83,773	63,292,503

(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 at January 1, 2024	18,428,004	25,426,993	-1,396,624	23,185,222	-49,731	65,593,864	110,925	65,704,788
Quarterly profit	—	—	—	3,489,202	—	3,489,202	-18,640	3,470,561
Other comprehensive income	—	—	—	—	62,961	62,961	—	62,961
Total quarterly comprehensive income	—	—	—	3,489,202	62,961	3,552,163	-18,640	3,533,522
Dividends of surplus	—	—	—	-1,076,999	—	-1,076,999	—	-1,076,999
Disposal of subsidiaries	—	—	—	—	—	—	-35,620	-35,620
Other	—	—	—	—	—	—	-4,426	-4,426
Total transactions with owners	—	—	—	-1,076,999	—	-1,076,999	-40,045	-1,117,044
Balance at March 31, 2024	18,428,004	25,426,993	-1,396,624	25,597,425	13,231	68,069,028	52,239	68,121,267

(4) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	1Q FY2023 (From October 1, 2022 to December 31, 2022)	1Q FY2024 (From January 1, 2024 to March 31, 2024)
Cash flows from operating activities		
Profit before tax from continuing operations	992,542	1,736,474
Profit (loss) before tax from discontinued operations	-185,293	3,209,136
Adjustments:		
Depreciation and amortization	192,091	171,786
Interest and dividend income	-470	-1,344
Interest expenses	6,287	4,776
Share of loss (profit) of investments accounted for using equity method	-644,075	-614,818
Loss (profit) on valuation of securities	645,192	105,692
Loss (profit) from loss of control of subsidiaries	—	-3,333,342
Other	47,655	186,568
Changes in working capital		
Decrease (increase) in trade receivables	-52,606	-1,495,453
Decrease (increase) in inventories	-5,668	7,954
Increase (decrease) in trade payables	-178,872	2,653,056
Other	-25,677	-11,204
Subtotal	791,106	2,619,279
Interest received	470	671
Dividends received	—	673
Interest paid	-9,707	-14,170
Income taxes refund	—	1,311,196
Income taxes paid	-845,777	-431,167
Cash flows provided by (used in) operating activities	-63,908	3,486,482
Cash flows from investing activities		
Purchase of securities	-211,332	-52,719
Purchase of property, plant, and equipment	-19,020	-2,947
Purchase of intangible assets	-3,525	-2,414
Proceeds from sale of shares of subsidiaries with loss of control (net of cash of disposed subsidiaries)	—	1,820,365
Purchases of investments accounted for using equity method	-932,830	—
Other	19,650	73,301
Cash flows provided by (used in) investing activities	-1,147,056	1,835,585

	(Thousand yen)	
	1Q FY2023 (From October 1, 2022 to December 31, 2022)	1Q FY2024 (From January 1, 2024 to March 31, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,000,000	—
Repayments of long-term borrowings	-350	—
Repayments of lease liabilities	-151,021	-139,508
Dividends paid	-962,966	-1,076,999
Proceeds from sales of treasury shares	221,993	—
Other	-33,181	-4,426
Cash flows provided by (used in) financing activities	74,475	-1,220,932
Effect of exchange rate changes on cash and cash equivalents	-37,894	38,748
Net increase (decrease) in cash and cash equivalents	-1,174,384	4,139,883
Net increase (decrease) in cash and cash equivalents from transfer to assets held for sale	—	426,437
Cash and cash equivalents at beginning of period	21,340,076	20,873,416
Cash and cash equivalents at end of period	<u>20,165,692</u>	<u>25,439,736</u>

(5) 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 Employment Platform Business "ViViViT," Platform Business of Social Contribution "gooddo," Childcare Platform Business "TowaStela" 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.

On March 29, 2024, the Company sold a portion of shares of COMICSMART INC., and as a result, COMICSMART INC. and its subsidiaries, etc. were excluded from its consolidation and became equity-method affiliates. As the results of these operations are presented as discontinued operations for the 1Q of the previous fiscal year and for the period from January 1, 2024 to the date of loss of control, the disclosure requirements of IFRS No. 8, "Business Segments" have not been applied.

2. Measurement of reportable segments' profit and loss

Segment profit uses Non-GAAP operating profit based on IFRS adjusted for gains and losses related to acquisition actions such as amortization of acquisition-related intangible assets and M&A expenses and temporary factors such as share-based payment expenses, impairment losses, and gains and losses on sales of fixed assets. 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 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. 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 share-based payment expenses, impairment losses, and gains and losses on sales of fixed 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 1Q (from October 1, 2022 to December 31, 2022)

(Thousand yen)

	Digital Marketing *2	Media Platform	Total	Adjustments *3	Consolidated
Segment revenue	6,203,082	428,207	6,631,289	-38,828	6,592,461
Segment profit (loss) *1	1,735,530	-29,357	1,706,173	-630,531	1,075,641

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

2. The segment revenue and segment profit in the Digital Marketing Business include segment revenue and segment loss related to JNJ INTERACTIVE INC., which was transferred on November 30, 2023.

3. Adjustments include expenses related to the operation of the holding company and the elimination of the profit or loss transactions between reportable segments. Expenses related to the operation of the holding company consist of personnel expenses, etc.

Current consolidated cumulative 1Q (from January 1, 2024 to March 31, 2024)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustments *2	Consolidated
Segment revenue	6,911,595	417,731	7,329,326	-37,800	7,291,526
Segment profit (loss) *1	1,998,659	-9,192	1,989,467	-715,475	1,273,992

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

2. Adjustments include expenses related to the operation of the holding company and the elimination of the profit or loss transactions between reportable segments. Expenses related to the operation of the holding company consist of personnel expenses, etc.

Adjustments of segment profit (loss) and quarterly profit before tax

(Thousand yen)

	1Q FY2023 (From October 1, 2022 to December 31, 2022)	1Q FY2024 (From January 1, 2024 to March 31, 2024)
Segment profit (Non-GAAP operating profit)	1,075,641	1,273,992
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	-10,205	-10,205
Share-based payment expenses	-38,875	—
Other profit (loss) (net)	161	-4,399
Financial profit (loss) (net)	-678,255	-137,733
Share of profit of investments accounted for using equity method	644,075	614,818
Quarterly profit before tax	<u>992,542</u>	<u>1,736,474</u>