

Summary of Consolidated Financial Statement for the Three Months Ended December 31, 2022 [IFRS]

February 9, 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: February 10, 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 Three Months Ended December 31, 2022 (From October 1, 2022 to December 31, 2022)

(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	%
1Q FY9/23	6,974	6.1	843	-56.6	896	-55.6	807	-59.2	568	-55.4	583	-54.3
1Q FY9/22	6,572	24.6	1,940	61.1	2,020	66.2	1,980	53.7	1,275	47.8	1,275	47.4

(Note) 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.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
1Q FY9/23	2.78	2.78
1Q FY9/22	10.08	10.04

(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 FY9/23	88,330	63,293	63,209	71.6
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		28.27

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

For the fiscal year-end is changed from September 30 to December 31 and FY12/23 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):

1Q FY12/23	211,079,654	FY9/22	211,079,654
1Q FY12/23	1,050,945	FY9/22	1,739,243
1Q FY12/23	209,382,163	1Q FY9/22	126,453,060

Treasury shares as of term-end:

Average number of shares:

*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.

February 9, 2023 (Thu.) – FY12/23 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

In the first quarter of the fiscal year under review (hereinafter “the current quarter”), in the main Digital Marketing Business, revenue increased despite the impact of the economic downturn, and operating profit decreased year on year due to an increase in expenses resulting from the strengthening of investment in human capital centered on recruitment and the consolidation of new subsidiaries. In the Media Platform Business, the loss decreased due to the growth of the IP Platform Business (the name changed from the Manga Content Business from the current quarter) centered on billing revenue.

As a result, revenue was ¥6,974 million (up 6.1% year on year), operating profit was ¥843 million (down 56.6% year on year), Non-GAAP operating profit was ¥896 million (down 55.6% year on year), and quarterly profit attributable to owners of parent was ¥583 million (down 54.3% year on year).

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 comparison 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.

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

(unit: ¥mn)

	1Q FY2022 (Previous Consolidated Cumulative 1Q)	1Q FY2023 (Current Consolidated Cumulative 1Q)	Change	Percentage of change
Operating profit	1,940	843	-1,097	-56.6%
Adjustment (Amortization of acquisition-related intangible assets)	—	10	10	
Adjustment (Stock-based compensation expenses)	14	44	30	
Adjustment (Others)	66	-0	-66	
Non-GAAP operating profit	2,020	896	-1,124	-55.6%

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, revenue increased despite the impact of economic conditions. On the other hand, expenses increased due to the strengthening of investment in human capital centered on recruitment and the consolidation of new subsidiaries.

As a result, revenue was ¥6,203 million (up 3.4% year on year), and Non-GAAP operating profit was ¥1,736 million (down 38.5% year on year).

(ii) Media Platform Business

The Media Platform Business consists of IP Platform Business (the previously Manga Content 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 decreased due to the acceleration of monetization of own IP.

As a result, revenue was ¥883 million (up 37.1% year on year) and Non-GAAP operating loss was ¥192 million (compared with an Non-GAAP operating loss of ¥262 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)	1Q FY2023 (Ended December 31, 2022)
Assets		
Current assets		
Cash and cash equivalents	21,340,076	20,165,692
Operating receivables	18,285,273	18,337,880
Inventories	103,154	108,822
Other financial assets	98,953	47,495
Other current assets	757,815	439,218
Total current assets	40,585,272	39,099,107
Non-current assets		
Property, plant, and equipment	235,022	230,905
Right-of-use assets	1,090,965	950,629
Goodwill	4,693,055	4,693,055
Intangible assets	525,138	503,995
Investments accounted for using equity method	33,342,226	34,919,131
Other financial assets	6,904,527	6,666,365
Other non-current assets	24,244	23,119
Deferred tax assets	1,330,663	1,243,631
Total non-current assets	48,145,841	49,230,831
Total assets	88,731,112	88,329,937
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating payables	16,891,357	16,712,485
Other financial liabilities	4,910,042	5,781,452
Current income taxes payable	557,879	—
Other current liabilities	2,847,110	1,915,070
Total current liabilities	25,206,388	24,409,007
Non-current liabilities		
Other financial liabilities	531,226	383,187
Provisions	159,063	158,041
Deferred tax liabilities	80,366	86,065
Other non-current liabilities	—	1,136
Total non-current liabilities	770,655	628,428
Total liabilities	25,977,043	25,037,435
Equity		
Equity attributable to owners of parent		
Share capital	18,428,004	18,428,004
Capital surplus	25,309,728	25,999,727
Treasury shares	-575,707	-347,880
Retained earnings	19,671,818	19,291,478
Other components of equity	-128,588	-162,599
Total equity attributable to owners of parent	62,705,254	63,208,730
Non-controlling interests	48,815	83,773
Total equity	62,754,069	63,292,503
Total liabilities and equity	88,731,112	88,329,937

(2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	1Q FY2022 (From October 1, 2021 to December 31, 2021)	1Q FY2023 (From October 1, 2022 to December 31, 2022)
Revenue	6,572,468	6,973,648
Cost of sales	1,120,078	1,568,231
Gross profit	5,452,390	5,405,417
Selling, general and administrative expenses	3,446,791	4,557,192
Other income	915	3,408
Other expenses	66,317	8,735
Operating profit	1,940,197	842,898
Financial income	32,607	470
Financial expenses	9,753	680,193
Share of profit from investments accounted for using equity method	17,445	644,075
Profit before tax	1,980,495	807,249
Income tax expenses	705,137	239,041
Profit	1,275,358	568,208
Profit (loss) attributable to:		
Owners of parent	1,274,674	582,626
Non-controlling interests	684	-14,418
Total	1,275,358	586,208
Earnings per share		
Basic earnings per share (Yen)	10.08	2.78
Diluted earnings per share (Yen)	10.04	2.78

(3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	1Q FY2022 (From October 1, 2021 to December 31, 2021)	1Q FY2023 (From October 1, 2022 to December 30, 2022)
Profit (loss)	1,275,358	568,208
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	24,503	2,028
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	15,567	-37,894
Cash flow hedges	2,531	1,856
Total other comprehensive income, net of tax	42,601	-34,010
Total comprehensive income	<u>1,317,960</u>	<u>534,198</u>
Comprehensive income attributable to:		
Owners of parent	1,317,275	548,616
Non-controlling interests	684	-14,418
Comprehensive income	<u>1,317,960</u>	<u>534,198</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, 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)	—	—	—	1,274,674	—	1,274,674	684	1,275,358
Other comprehensive income	—	—	—	—	42,601	42,601	—	42,601
Total comprehensive income	—	—	—	1,274,674	42,601	1,317,275	684	1,317,960
Dividends of surplus	—	—	—	-429,940	—	-429,940	—	-429,940
Other	—	14,042	—	—	—	14,042	—	14,042
Total amount of transactions with owners	—	14,042	—	-429,940	—	-415,898	—	-415,898
Balance as of December 31, 2021	<u>2,125,384</u>	<u>3,915,314</u>	<u>-1,691,842</u>	<u>15,167,016</u>	<u>-188,077</u>	<u>19,327,796</u>	<u>19,553</u>	<u>19,347,350</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, 2022	18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069
Profit (loss)	—	—	—	582,626	—	582,626	-14,418	568,208
Other comprehensive income	—	—	—	—	-34,010	-34,010	—	-34,010
Total comprehensive income	—	—	—	582,626	-34,010	548,616	-14,418	534,198
Dividends of surplus	—	—	—	-962,966	—	-962,966	—	-962,966
Purchase 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	—	45,543	—	—	—	43,543	-1,684	41,858
Total amount of transactions with owners	—	689,999	227,827	-962,966	—	-45,140	49,375	4,235
Balance as of December 31, 2022	<u>18,428,004</u>	<u>25,999,727</u>	<u>-347,880</u>	<u>19,291,478</u>	<u>-162,599</u>	<u>63,208,730</u>	<u>83,773</u>	<u>63,292,503</u>

(5) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	1Q FY 2022 (From October 1, 2021 to December 31, 2021)	1Q FY 2023 (From October 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before tax	1,980,495	807,249
Adjustments:		
Depreciation and amortization expenses	182,661	192,091
Interest income	-123	-470
Interest expenses	6,863	6,287
Share of loss (profit) of entities accounted for using equity method	-17,445	-644,075
Loss (profit) on valuation of securities	-27,005	645,192
Other	42,920	47,655
Increase or decrease in working capital		
Decrease (increase) in operating receivables	-759,402	-52,606
Decrease (increase) in inventories	-2,429	-5,668
Increase (decrease) in operating payables	1,696,582	-178,872
Other	-1,078,492	-25,677
Subtotal	2,024,625	791,106
Interest income received	123	470
Interest expenses paid	-6,944	-9,707
Income taxes paid	-1,015,648	-845,777
Cash flows from operating activities	1,002,155	-63,908
Cash flows from investing activities		
Purchase of securities	-41,414	-211,332
Purchase of property, plant, and equipment	-20,717	-19,020
Purchase of intangible assets	-3,047	-3,525
Purchases of investments accounted for using the equity method	—	-932,830
Proceeds from collection of security deposits and guarantee deposits	289,591	5
Other	21,414	19,645
Cash flows from investing activities	245,826	-1,147,056
Cash flows from financing activities		
Proceeds from short-term borrowings	—	1,000,000
Repayments of long-term borrowings	-191,668	-350
Repayments of lease obligations	-152,394	-151,021
Cash dividends paid	-429,940	-962,966
Proceeds from sales of treasury shares	—	221,993
Other	—	-33,181
Cash flows from financing activities	-774,003	74,475
Effect of exchange rate change on cash and cash equivalents	15,567	-37,894
Increase (decrease) in cash and cash equivalents	489,546	-1,174,384
Cash and cash equivalents at beginning of period	16,899,990	21,340,076
Cash and cash equivalents at end of period	17,389,536	20,165,692

(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 (the previously Manga Content 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 comparison 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 1Q (from October 1, 2021 to December 31, 2021)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	5,998,922	643,967	6,642,888	-70,420	6,572,468
Segment profit (loss)*2*3	2,822,436	-261,831	2,560,605	-540,210	2,020,396

(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 1Q (from October 1, 2022 to December 31, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	6,203,082	882,656	7,085,739	-112,091	6,973,648
Segment profit (loss) *2*3	1,735,530	-192,267	1,543,263	-646,779	896,484

(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)

	1Q FY2022 (From October 1, 2021 to December 31, 2021)	1Q FY2023 (From October 1, 2022 to December 31, 2022)
Segment profit (Non-GAAP operating profit)	2,020,396	896,484
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	—	-10,205
Stock-based compensation expenses	-14,042	-43,543
Other profit (loss) (net)	-66,157	161
Financial profit (loss) (net)	22,853	-679,724
Share of profit from investments accounted for using equity method	17,445	644,075
Profit before tax	<u>1,980,495</u>	<u>807,249</u>

(iii) Information on Subsequent Events

In order to enhance the interests of shareholders by improving capital efficiency and to implement a flexible capital policy in response to changes in the business environment, the Company has resolved the matters concerning the acquisition of own shares at the Board of Directors meeting held in February 9, 2023.

For details, please refer to "Notice Concerning Determination of Matters Related to Acquisition of Own Shares" announced on February 9, 2023.