

Summary of Consolidated Financial Statement for the Twelve Months Ended September 30, 2023 [IFRS]

November 9, 2023
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: November 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 Twelve Months Ended September 30, 2023 (From October 1, 2022 to September 30, 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	%
4Q FY12/23	29,108	—	3,023	—	3,163	—	4,174	—	2,724	—	2,769	—
FY9/22	28,819	34.8	5,440	49.0	5,855	54.2	8,241	110.7	5,751	120.6	5,734	120.2

(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. As the fiscal year ending 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.

3. Figures for the fiscal year ended September 30, 2022 are for the full year.

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
4Q FY12/23	13.28		13.24	
FY9/22	30.54		30.45	

(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	%
4Q FY12/23	90,470	63,999	63,957	70.7
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	—	—	—	—	4.60	4.60

(Note) Revisions to the most recently announced dividends estimates: Yes

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	36,700	—	4,200	—	3,650	—	17.53

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

2. As the fiscal year-end is changed from September 30 to December 31 and FY12/2023 is a transitional period, the year-over-year change rate 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 as of term-end (incl. Treasury shares):	4Q FY12/23	211,079,654	FY9/22	211,079,654
Treasury shares as of term-end:	4Q FY12/23	3,964,545	FY9/22	1,739,243
Average number of cumulative shares outstanding:	4Q FY12/23	208,579,826	FY9/22	187,766,998

*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.

November 9, 2023 (Thu.) – FY12/2023 Fourth Quarter Financial Results Briefing for Institutional Investors, Analysts and the Press

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1. Qualitative Information on the Quarterly Financial Results

Due to a change in the fiscal year-end, the fiscal year under review is the 15-month period from October 1, 2022 to December 31, 2023, and year-on-year comparisons are made with the previous fiscal year's full-year figures.

(1) Explanation of Financial Results

In the consolidated cumulative fourth quarter of the fiscal year under review (hereinafter “the current quarter”), in the main Digital Marketing Business, despite steady progress in acquiring new clients, revenue declined year on year, and operating profit decreased reflecting an increase in expenses centered on the strengthening of investment in human capital. In the Media Platform Business, revenue increased, and the loss decreased due to the growth of the IP Platform Business (the name was changed from the Manga Content Business from the first quarter of the current fiscal year) centered on billing revenue.

As a result, revenue was ¥29,108 million (up 1.0% year on year), operating profit was ¥3,023 million (down 44.4% year on year), Non-GAAP operating profit was ¥3,163 million (down 46.0% year on year), and quarterly profit attributable to owners of parent was ¥2,769 million (down 51.7% 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 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 unusual items refer to one-off items, such as stock-based compensation expenses, impairment losses, and gains or losses 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 is as follows:

	(Million yen)			
	FY9/2022 (Previous consolidated fiscal year)	4Q FY12/2023 (Current consolidated cumulative 4Q)	Change	Percentage of change
Operating profit	5,440	3,023	-2,417	-44.4%
Adjustment (Amortization of acquisition-related intangible assets)	31	41	10	
Adjustment (Stock-based compensation expenses)	145	33	-112	
Adjustment (Others)	240	66	-174	
Non-GAAP operating profit	5,855	3,163	-2,692	-46.0%

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, despite steady progress in acquiring new clients, expenses increased due to the strengthening of investment in human capital.

As a result, revenue was ¥25,191 million (down 2.6% year on year), and Non-GAAP operating profit was ¥6,453 million (down 29.9% 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 ¥4,437 million (up 34.6% year on year) and Non-GAAP operating loss was ¥544 million (compared with an Non-GAAP operating loss of ¥844 million in the same quarter of the previous 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 2023 from estimates in “Notification on Revisions to the Full-Year Consolidated Earnings Estimates for the FY2023” announced on August 8, 2023.

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

(Thousand yen)

	FY2022 (Ended September 30, 2022)	4Q FY2023 (Ended September 30, 2023)
Assets		
Current assets		
Cash and cash equivalents	21,340,076	19,778,728
Operating receivables	18,285,273	19,494,106
Inventory	103,154	116,397
Other financial assets	98,953	81,725
Other current assets	757,815	1,687,854
Total current assets	40,585,272	41,158,809
Non-current assets		
Property, plant, and equipment	235,022	309,363
Right-of-use assets	1,090,965	2,018,359
Goodwill	4,693,055	4,693,055
Intangible assets	525,138	446,988
Investments accounted for using equity method	33,342,226	33,775,203
Other financial assets	6,904,527	6,642,457
Other non-current assets	24,244	15,559
Deferred tax assets	1,330,663	1,410,234
Total non-current assets	48,145,841	49,311,218
Total assets	88,731,112	90,470,027
Liabilities and Equity		
Liabilities		
Current liabilities		
Operating payables	16,891,357	18,128,577
Other financial liabilities	4,910,042	4,703,493
Current income taxes payable	557,879	—
Other current liabilities	2,847,110	1,907,374
Total current liabilities	25,206,388	24,739,444
Non-current liabilities		
Other financial liabilities	531,226	1,489,048
Provisions	159,063	175,839
Deferred tax liabilities	80,366	66,211
Total non-current liabilities	770,655	1,731,098
Total liabilities	25,977,043	26,470,542
Equity		
Equity attributable to owners of parent		
Share capital	18,428,004	18,428,004
Capital surplus	25,309,728	25,502,729
Treasury shares	-575,707	-1,396,624
Retained earnings	19,671,818	21,479,159
Other components of equity	-128,588	-56,045
Total equity attributable to owners of parent	62,705,254	63,957,223
Non-controlling interests	48,815	42,262
Total equity	62,754,069	63,999,485
Total liabilities and equity	88,731,112	90,470,027

(2) Quarterly Consolidated Statement of Profit or Loss

(Thousand yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	4Q FY2023 (From October 1, 2022 to September 30, 2023)
Revenue	28,818,924	29,107,604
Cost of sales	6,098,494	7,147,318
Gross profit	22,720,430	21,960,286
Selling, general and administrative expenses	17,057,829	18,898,530
Other income	23,332	40,035
Other expenses	246,044	79,008
Operating profit	5,439,888	3,022,784
Financial income	2,069,190	5,024
Financial expenses	334,594	209,382
Share of profit from investments accounted for using equity method	1,066,228	1,355,914
Profit before tax	8,240,713	4,174,340
Income tax expenses	2,490,040	1,449,866
Profit	5,750,673	2,724,474
Profit (loss) attributable to:		
Owners of parent	5,733,564	2,768,957
Non-controlling interests	17,109	-44,483
Total	5,750,673	2,724,474
Earnings per share		
Basic earnings per share (Yen)	30.54	13.28
Diluted earnings per share (Yen)	30.45	13.24

(3) Quarterly Consolidated Statement of Comprehensive Income

(Thousand yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	4Q FY2023 (From October 1, 2022 to September 30, 2023)
Profit (loss)	5,750,673	2,724,474
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	25,055	14,657
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	114,591	56,247
Cash flow hedges	8,356	2,990
Total other comprehensive income, net of tax	148,001	73,894
Total comprehensive income	<u>5,898,674</u>	<u>2,798,368</u>
Comprehensive income attributable to:		
Owners of parent	5,881,565	2,842,851
Non-controlling interests	17,109	-44,483
Comprehensive income	<u>5,898,674</u>	<u>2,798,368</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)	—	—	—	5,733,564	—	5,733,564	17,109	5,750,673
Other comprehensive income	—	—	—	—	148,001	148,001	—	148,001
Total comprehensive income	—	—	—	5,733,564	148,001	5,881,565	17,109	5,898,674
Issuance of new shares	16,302,620	16,161,638	—	—	—	32,464,257	—	32,464,257
Dividends of surplus	—	—	—	-429,940	—	-429,940	—	-429,940
Purchase of treasury stock	—	—	-26	—	—	-26	—	-26
Changes due to acquisition of control of subsidiaries	—	5,102,147	1,116,161	—	—	6,218,308	14,902	6,233,210
Other	—	144,671	—	45,911	-45,911	144,671	-2,064	142,606
Total amount of transactions with owners	16,302,620	21,408,456	1,116,135	-384,029	-45,911	38,397,270	12,838	38,410,107
Balance as of September 30, 2022	18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069

(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)	—	—	—	2,768,957	—	2,768,957	-44,483	2,724,474
Other comprehensive income	—	—	—	—	73,894	73,894	—	73,894
Total comprehensive income	—	—	—	2,768,957	73,894	2,842,851	-44,483	2,798,368
Dividends of surplus	—	—	—	-962,966	—	-962,966	—	-962,966
Purchase of treasury shares	—	-2,506	-1,275,942	—	—	-1,278,448	—	-1,278,448
Disposal of treasury shares	—	-455,025	455,025	—	—	—	—	—
Changes without loss of control of subsidiaries	—	617,902	—	—	—	617,902	39,614	657,516
Other	—	32,629	—	1,351	-1,351	32,629	-1,684	30,945
Total amount of transactions with owners	—	193,001	-820,917	-961,615	-1,351	-1,590,882	37,930	-1,552,953
Balance as of September 30, 2023	18,428,004	25,502,729	-1,396,624	21,479,159	-56,045	63,957,223	42,262	63,999,485

(5) Quarterly Consolidated Statement of Cash Flow

(Thousand yen)

	FY2022 (From October 1, 2021 to September 30, 2022)	4Q FY2023 (From October 1, 2022 to September 30, 2023)
Cash flows from operating activities		
Profit before tax	8,240,713	4,174,340
Adjustments:		
Depreciation and amortization expenses	767,297	772,290
Interest income	-2,446	-3,817
Interest expenses	24,920	21,394
Share of loss (profit) of entities accounted for using equity method	-1,066,228	-1,355,914
Loss (profit) on valuation of securities	-2,032,753	111,886
Other	183,323	50,901
Increase or decrease in working capital		
Decrease (increase) in operating receivables	1,242,834	-1,208,833
Decrease (increase) in inventories	16,657	-13,243
Increase (decrease) in operating payables	-19,550	1,237,220
Other	-1,234,828	-737,712
Subtotal	6,119,938	3,048,513
Interest income received	2,255	3,717
Dividends received	34,227	1,855,868
Interest expenses paid	-25,202	-26,182
Income taxes refund	—	65,648
Income taxes paid	-2,481,389	-3,128,166
Cash flows from operating activities	3,649,828	1,819,398
Cash flows from investing activities		
Proceeds from sale of securities	99,998	1,948
Purchase of securities	-1,311,447	-429,078
Purchase of property, plant, and equipment	-37,769	-159,651
Purchase of intangible assets	-72,805	-9,361
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	162,427	—
Payments of contingent considerations	—	-828,080
Purchases of investments accounted for using the equity method	-31,312,999	-932,830
Payments for loans receivable	-609,149	—
Collection of loans receivable	2,165,465	—
Other	363,304	606,320
Cash flows from investing activities	-30,552,974	-1,750,732

	(Thousand yen)	
	FY2022 (From October 1, 2021 to September 30, 2022)	4Q FY2023 (From October 1, 2022 to September 30, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	3,000,000
Repayments of long-term borrowings	-851,551	-2,000,350
Repayments of lease obligations	-605,802	-603,308
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	-1,278,448
Other	713,924	-63,181
Cash flows from financing activities	31,228,641	-1,686,260
Effect of exchange rate change on cash and cash equivalents	114,591	56,247
Increase (decrease) in cash and cash equivalents	4,440,086	-1,561,348
Cash and cash equivalents at beginning of period	16,899,990	21,340,076
Cash and cash equivalents at end of period	21,340,076	19,778,728

(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 gains and losses 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 losses, and gains and losses on sales of property, plant and equipment. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gains and losses related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes that disclosing Non-GAAP measures facilitates 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 stock-based compensation expenses, impairment losses, and gains and losses 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 fiscal year (from October 1, 2021 to September 30, 2022)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	25,861,984	3,296,727	29,158,711	-339,787	28,818,924
Segment profit (loss) *2*3	9,211,291	-844,464	8,366,827	-2,511,599	5,855,229

(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 4Q (from October 1, 2022 to September 30, 2023)

(Thousand yen)

	Digital Marketing	Media Platform	Total	Adjustment	Consolidated
Segment revenue *1	25,191,379	4,437,289	29,628,668	-521,064	29,107,604
Segment profit (loss) *2*3	6,453,425	-543,539	5,909,887	-2,747,213	3,162,674

(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)

	FY2022 (From October 1, 2021 to September 30, 2022)	4Q FY2023 (From October 1, 2022 to September 30, 2023)
Segment profit (Non-GAAP operating profit)	5,855,229	3,162,674
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	-30,614	-40,818
Stock-based compensation expenses	-144,671	-32,629
Other profit (loss) (net)	-240,056	-66,443
Financial profit (loss) (net)	1,734,597	-204,358
Share of profit from investments accounted for using equity method	1,066,228	1,355,914
Profit before tax	8,240,713	4,174,340