Septeni Holdings Co., Ltd.

Financial Results Briefing for Q2 FY2024/12

August 6, 2024

Event Summary

[Company Name]	Septeni Holdings Co., Ltd.
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[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	FY2024 2nd Quarter Financial Results Briefing
[Date]	August 6, 2024
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Kei Hatano	Group Senior Executive Officer
Tei Go	Group Senior Executive Officer

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Presentation

Moderator: It is now time to begin the presentation of the financial results briefing of Septeni Holdings Co., Ltd. for Q2 FY2024/12.

Thank you very much for taking time out of your busy schedule to participate in our financial results briefing.

At today's meeting, Mr. Kouno, Group President and Chief Executive Officer, will first explain an overview of the financial results, and business topics. We will have a question-and-answer session after that. Please allow up to one hour. If there are any problems during the briefing, please contact the IR department address shown on the slide.

Let me now introduce our attendees. Mr. Yuichi Kouno, Representative Director, Group President and Chief Executive Officer. Mr. Yusuke Shimizu, Director, Group Executive Vice President and Executive Officer. Mr. Kei Hatano, Group Senior Executive Officer. Mr. Tei Go, Group Senior Executive Officer.

Now, Group President and Chief Executive Officer, Kouno, will explain. Please refer to the financial results briefing materials posted on our corporate website. In addition, a fact sheet is available in the IR Library of the corporate website as a supplemental material to the presentation materials. Please go ahead.

Kouno: I am Kouno, Representative Director, Group President and Chief Executive Officer, Septeni Holdings Co., Ltd. I will explain the financial results for Q2 FY2024.

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Download the fact sheet here (in xlsx format)

From FY2023, IP Platform Business has been reclassified as discontinued operations.
As a result, revenue, operating profit, and Non-GAAP operating profit for continuing operations are presented excluding discontinued operations.
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 share-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.

The second page is the agenda for today. First of all, I will explain the interim results for H1 FY2024 and the quarterly results for Q2. Next, I will explain the status of each segment.

Today, along with the announcement of the financial results, we have also disclosed information regarding the change in our shareholder return policy and the revision to our year-end dividend forecast. I will explain this in more detail later in the presentation.

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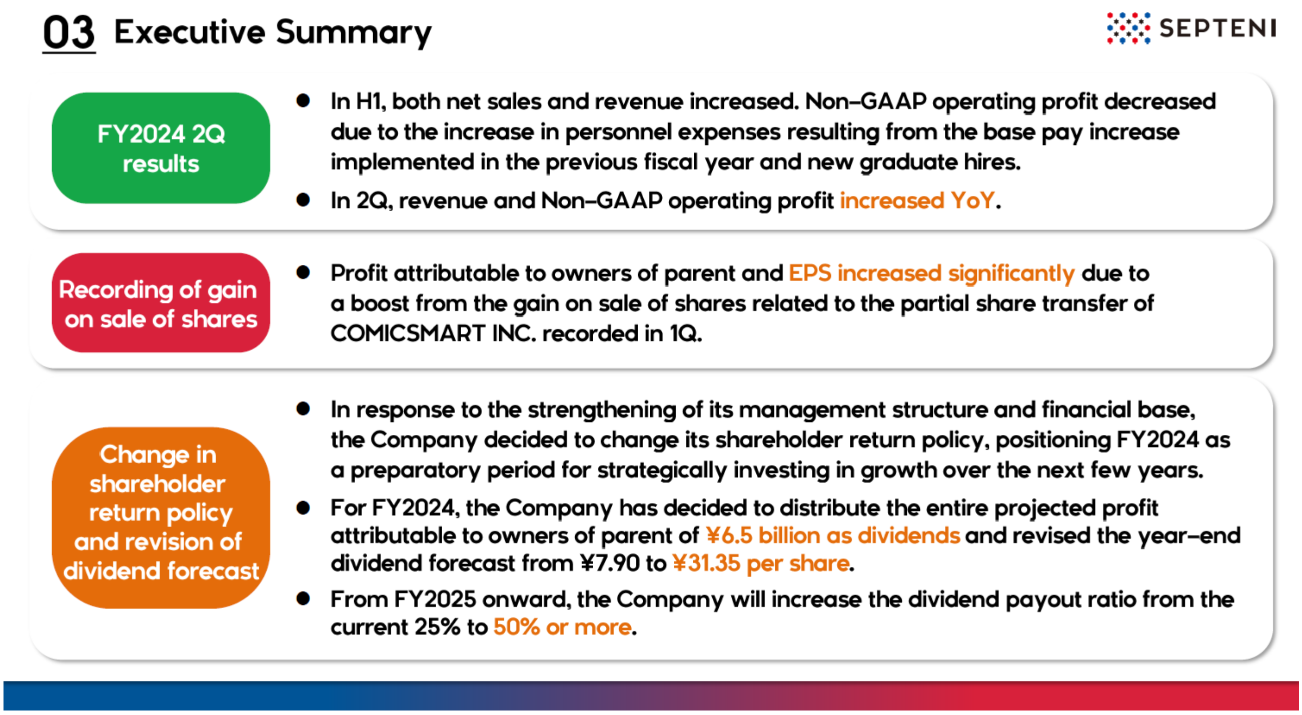

Page 3 is the executive summary of this financial results briefing. There are three major points, and the first is the financial highlights. In H1, we achieved an increase in revenue, but experienced a decline in profit. However, in Q2 alone, we have been able to turn the momentum around with both revenue and profit growth.

The second point is the recording of gain on sale of shares. Although it was actually recorded in Q1, it has also contributed significantly to boosting net profit and EPS on a cumulative basis.

Finally, the third point is the change in our shareholder return policy. This is particularly important this time. With regard to the dividend policy for the current fiscal year and the dividend policy for the next fiscal year and beyond, we have decided to raise the dividend payout ratio from the current level. Accordingly, as announced earlier in timely disclosure, the dividend forecast has been significantly increased. I will explain the details again later.

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05 FY2024/2Q (Jan–Jun) Highlights
(After reclassification of discontinued operations)

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- Cumulative net sales in H1 reached a record high*, driven by the Marketing Communication Area.
- Personnel expenses increased due to the base pay increase implemented in April 2023 and new graduate hires, resulting in a decline in profit as of H1.
- Profit attributable to owners of parent and EPS increased significantly due to a boost from the gain on sale of shares related to the partial share transfer of COMICSMART INC. recorded in 1Q.

	Value	YoY	Progress against earnings estimates
Revenue	¥13,989mn	+3.1%	45.1%
Non-GAAP operating profit	¥1,767mn	-2.8%	37.6%
Profit attributable to owners of parent	¥4,005mn	+176.5%	61.6%
Earnings per share (EPS)	¥19.32	+¥12.38	–
【Reference】 Net sales	¥73,610mn	+10.5%	–

*Comparison with the aggregated figures for the period of January to June, and those figures prior to FY2023 are before the reclassification of discontinued operations.

This is the first of the agenda, and I will begin with the interim results for H1 FY2024.

Page 5 shows consolidated financial highlight of H1 FY2024.

In H1, revenue increased by 3% to approximately ¥13.99 billion and regrettably, Non-GAAP operating profit decreased to approximately ¥1.77 billion. As a result, consolidated results showed a YoY increase in revenue but a decrease in profit. On the other hand, net sales amounted to ¥73.6 billion, continuing the double-digit growth from Q1, and achieving a record high in H1.

The profit attributable to owners of parent was ¥4 billion, which includes a boost of approximately ¥2.2 billion from the gain on sale of shares associated with the partial share transfer of COMICSMART INC., which closed in March of this year. As a result, EPS rose to ¥19.32, up ¥12.38 from the previous fiscal year.

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06 FY2024/2Q (Jan-Jun) Highlights
(After reclassification of discontinued operations)

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Digital Marketing Business

- In the Marketing Communication Area, both revenue and profit increased due to top-line growth.
- Revenue and profit declined in the Direct Business Area due to external factors.
- In the Data & Solutions Area, revenue increased, and profit decreased due to upfront investment centered on recruitment.

(unit: ¥mn)	Value	YoY	Progress against earnings estimates
Revenue	13,146	+3.8%	45.5%
Non-GAAP operating profit	3,222	+0.0%	43.0%

Media Platform Business

- Currently implementing cost optimization measures.
- Reviewing the business portfolio in H2.

(unit: ¥mn)	Value	YoY	Progress against earnings estimates
Revenue	933	-7.3%	40.6%
Non-GAAP operating profit	-20	(-20)	(-30)

Next, page 6 shows a financial highlight by segment of H1.

In the Digital Marketing Business as a whole, revenue increased by 3.8% year on year to ¥13.1 billion and Non-GAAP operating profit remained almost unchanged from the previous fiscal year at ¥3.2 billion. Since this segment has been divided into three areas from the current fiscal year, conditions for each area are described in detail in the segment part. The results of the Digital Marketing Business were mainly driven by the Marketing Communication Area, which focuses on the operations of digital advertising.

In the Media Platform Business, revenue decreased to ¥900 million and Non-GAAP operating loss was ¥20 million. The operating loss unfortunately expanded. In the Media Platform Business, we are currently optimizing costs, as our performance is somewhat weak. We are also preparing to revise our business portfolio in H2 and beyond.

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07 FY2024/2Q (Jan–Jun) Consolidated Income Statement

(After reclassification of discontinued operations)

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Equity in earnings of affiliates increased significantly by 93.4% YoY due to the strong performance of DENTSU DIGITAL INC. The gain on sale of shares related to the partial share transfer of COMICSMART INC. was recorded in profit from discontinued operations.

(unit: ¥mn)	2Q/FY2024 (Jan–Jun)			Jan–Jun 2023	
	Value	Ratio	YoY	Value	Ratio
Revenue	13,989	100.0%	+3.1%	13,572	100.0%
Gross Profit	11,288	80.7%	+4.7%	10,778	79.4%
SG&A expenses	9,577	68.5%	+6.5%	8,995	66.3%
Non-GAAP operating profit	1,767	12.6%	-2.8%	1,818	13.4%
Operating profit	1,742	12.5%	+0.3%	1,737	12.8%
Equity in earnings of affiliates	772	5.5%	+93.4%	399	2.9%
Profit from continuing operations	1,781	12.7%	+3.6%	1,719	12.7%
Profit from discontinued operations	2,210	15.8%	—	-294	—
Profit attributable to owners of parent	4,005	28.6%	+176.5%	1,448	10.7%
【Reference】 Net sales	73,610	—	+10.5%	66,623	—

The performance of the IP Platform Business have been reclassified as discontinued operations in January-June 2023 results.
From FY2024/2Q onwards, it is recorded in equity in earnings of affiliates based on the Company's equity as of the end of June 2024.

Page 7 is the consolidated income statements of H1. While I have already explained that revenue increased and profit declined in the earlier highlights, I would also like to provide additional details on items below operating profit.

Equity in earnings of affiliates totaled approximately ¥770 million, a significant increase of approximately 1.9 times compared with the previous fiscal year. In addition, with regard to the gain on sale of shares related to the partial share transfer of COMICSMART INC., which was recorded in Q1, we have recorded ¥2.2 billion as profit from discontinued operations. As a result, the profit attributable to owners of parent was ¥4 billion, about 2.8 times that of the previous fiscal year.

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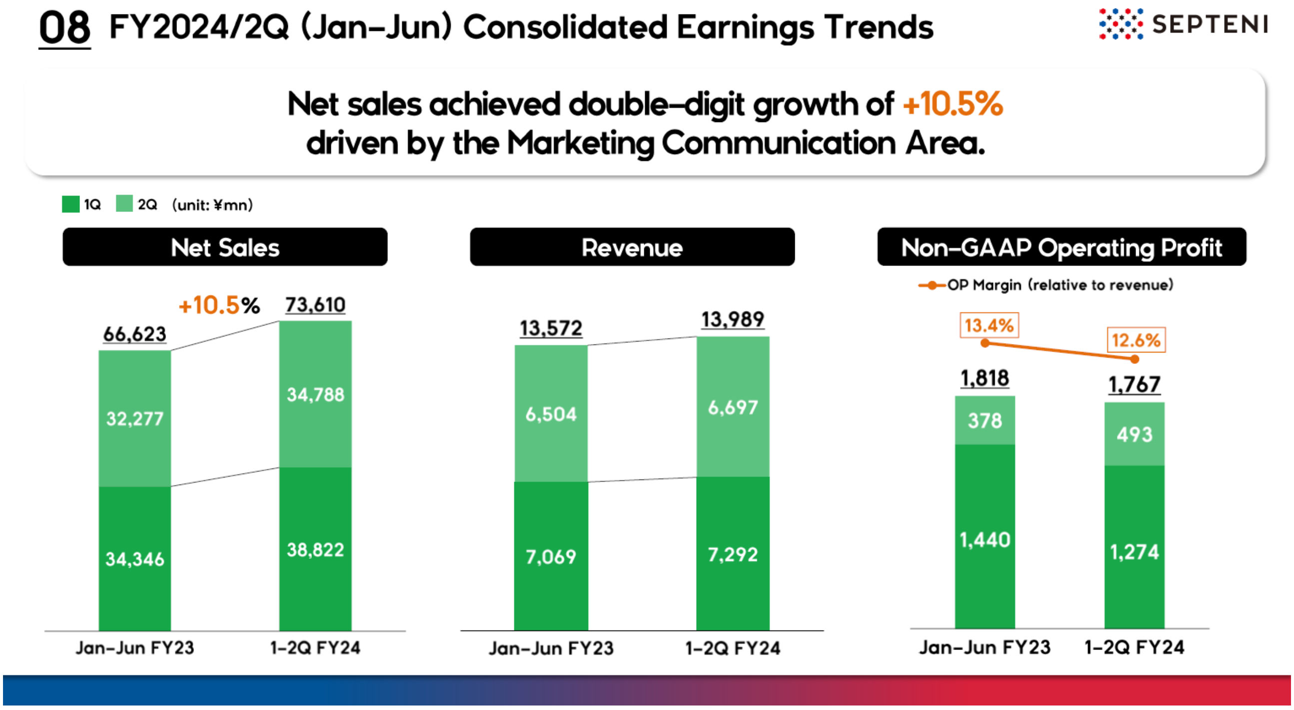

Next, page 8 is a slide showing the changes in the H1 performance.

We achieved double-digit growth in net sales, which grew 10.5% compared to the previous fiscal year, thanks to the expansion of the Marketing Communication Area. As mentioned earlier, revenue increased and Non-GAAP operating profit decreased.

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10 FY2024/2Q (Apr–Jun) Consolidated Income Statement
(After reclassification of discontinued operations)

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The impact of the base pay increase implemented in the previous fiscal year has subsided, and Non-GAAP operating profit increased YoY, absorbing the increase in expenses, mainly for new graduate hires.

(unit: ¥mn)	2Q/FY2024			3Q/FY2023	
	Value	Ratio	YoY	Value	Ratio
Revenue	6,697	100.0%	+3.0%	6,504	100.0%
Gross Profit	5,306	79.2%	+4.4%	5,080	78.1%
SG&A expenses	4,851	72.4%	+3.3%	4,695	72.2%
Non-GAAP operating profit	493	7.4%	+30.5%	378	5.8%
Operating profit	482	7.2%	+23.6%	390	6.0%
Equity in earnings of affiliates	157	2.3%	—	-75	—
Profit from continuing operations	520	7.8%	+1,748.4%	28	23.9%
Profit from discontinued operations	—	—	—	-169	—
Profit attributable to owners of parent	516	7.7%	—	-125	—
【Reference】 Net sales	34,788	—	+7.8%	32,277	—

The performance of the IP Platform Business have been reclassified as discontinued operations in January-June 2023 results.
From FY2024/2Q onwards, it is recorded in equity in earnings of affiliates based on the Company's equity as of the end of June 2024.

Next, I move on to the second item on the agenda, a summary of the financial results for Q2 alone.

Page 10 is an overview of the consolidated results from April to June.

Revenue was ¥6.7 billion, an increase of 3% YoY, and Non-GAAP operating profit was ¥490 million, an increase of 30% YoY. The impact of the base pay increase implemented in April 2023 has subsided in this quarter, and the increase in expenses is mainly due to an increase in personnel expenses for the 121 new graduates who joined the Company this April. In the current fiscal year, profit declined in Q1, but in Q2 we were able to return to the momentum of increased profit.

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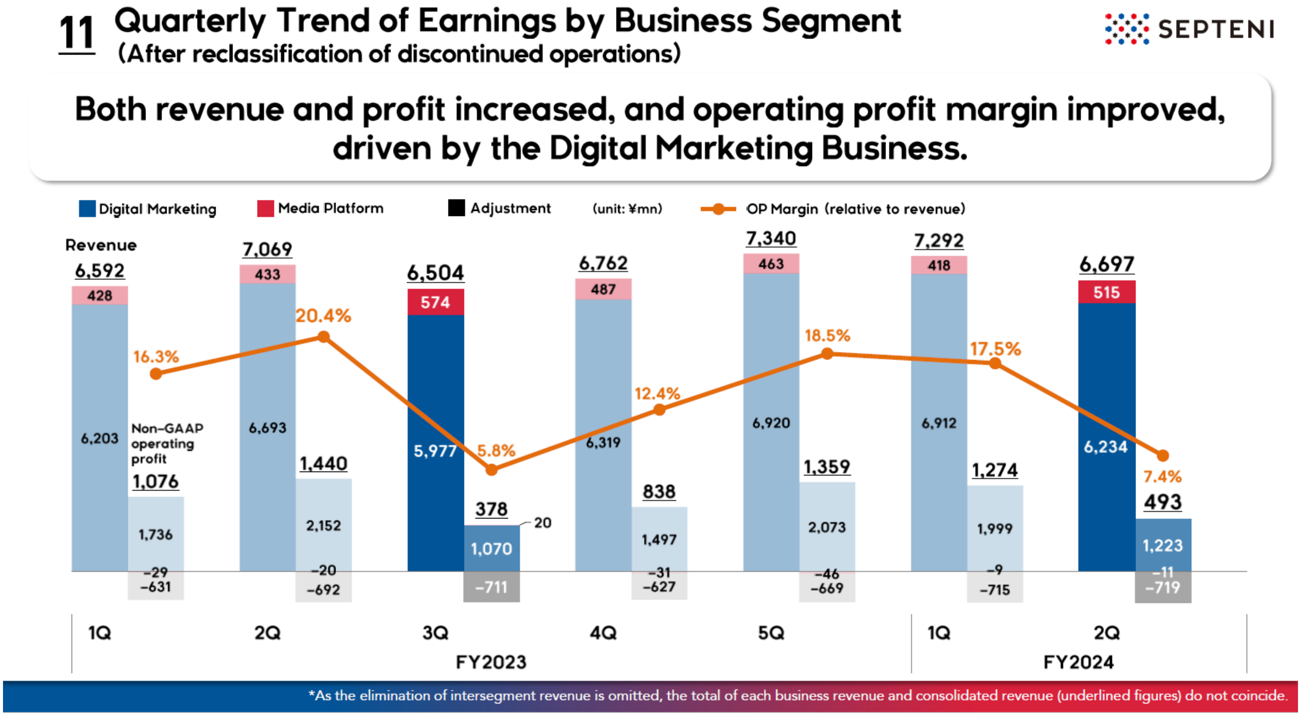

Page 11 is the quarterly performance by segment.

Compared to the busy season of the January-March period, this April-June is the lowest in the industry trend. However, we have successfully onboarded new graduate employees and achieved a turnaround in profit growth.

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12 Quarterly Trend of Consolidated Profit Before Tax
(After reclassification of discontinued operations)

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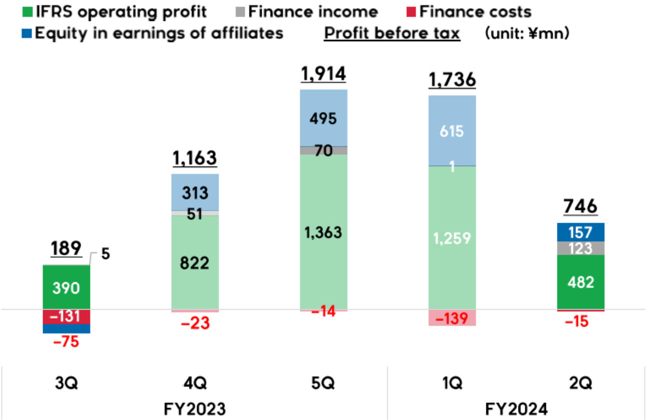
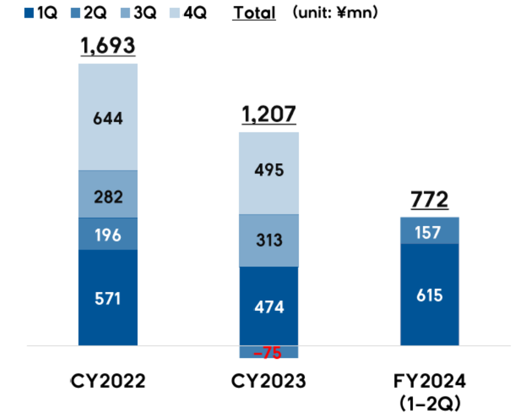
Equity in earnings of affiliates increased YoY due to the strong performance of DENTSU DIGITAL INC.





*Comparison with the aggregated figures for the period of January to June, and those figures prior to FY2023 are before the reclassification of discontinued operations.

Page 12 shows the breakdown to profit before tax and a trend of equity in earnings of affiliates on a cumulative basis.

First, the graph on the left shows a breakdown to profit before tax. Profit before tax was approximately four times higher compared to the previous fiscal year, mainly due to an increase in IFRS operating profit and a turnaround to profit in equity in earnings of affiliates.

The graph on the right shows the cumulative trend of equity in earnings of affiliates. DENTSU DIGITAL INC. became our equity-method affiliate in January 2022, and we have been promoting stronger support from our Group. Last year, as rebound effects from COVID-19, the market sentiment was challenging, centered on brand advertising budgets, but in the current fiscal year, the market is trending very favorably. Thanks in part to this, equity in earnings of affiliates in H1 FY2024 has also surpassed the results of the previous fiscal year and two years ago.

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13 Constitution of Consolidated Expenses
(IFRS, After reclassification of discontinued operations)

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Other costs related to the Media Platform Business increased QoQ.

(unit: ¥mn)	FY2023					FY2024		QoQ	YoY
	1Q	2Q	3Q	4Q	5Q	1Q	2Q		
Total of cost of sales	1,232	1,370	1,424	1,400	1,374	1,310	1,392	+6.3%	-2.3%
Labor costs	393	408	453	442	439	422	443	+5.1%	-2.1%
Subcontract costs	545	659	623	650	596	592	606	+2.3%	-2.7%
Others	294	303	349	308	339	296	343	+16.0%	-1.6%
Total of SG&A expenses	4,329	4,300	4,695	4,553	4,623	4,725	4,851	+2.7%	+3.3%
Labor costs *1	2,878	2,892	3,248	3,154	3,149	3,227	3,334	+3.3%	+2.7%
Employee bonuses *2	147	155	148	195	204	177	130	-26.2%	-11.8%
Rent expenses etc.	293	284	297	294	295	266	266	+0.1%	-10.3%
Advertising expenses	160	124	154	164	157	180	198	+9.8%	+28.2%
Taxes and dues	105	105	97	61	97	104	102	-2.0%	+5.2%
Others	747	740	751	685	721	772	820	+6.3%	+9.2%

*1 Performance-linked share compensation (BIP trust), which is a reconciliation to Non-GAAP operating profit, is recognized as labor costs. *2 Including estimation amount for additional performance-linked bonus.

Page 13 shows changes in consolidated costs and SG&A expenses.

Due to seasonality, other costs related to the Media Platform Business increased from Q1, but overall costs increased at a cruising speed.

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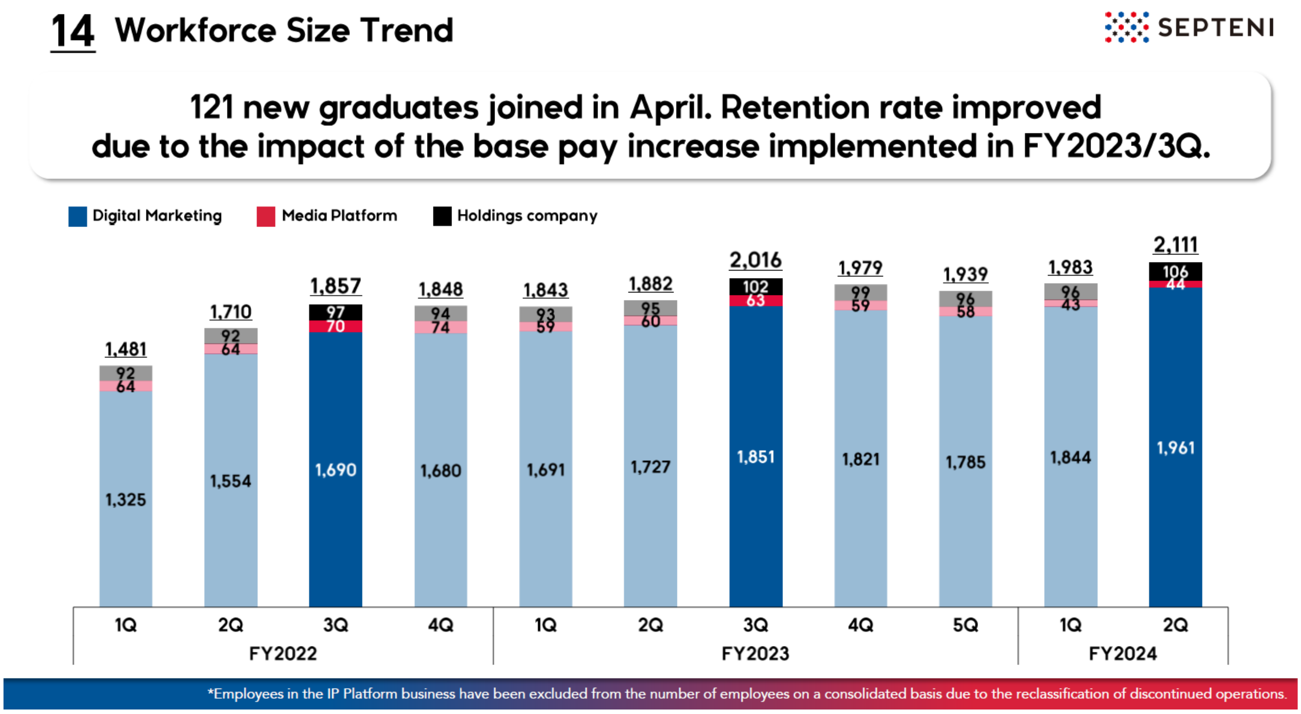

Page 14 shows the changes in the number of employees.

As mentioned earlier, 121 new graduates joined the Group in April. Also, employee retention rate has recently improved significantly due to the effects of the base pay increase implemented last year.

The complexity and difficulty of recent comprehensive mass and digital (integrated online-offline) proposals, alliances with a wide variety of partners, and marketing methods that are not limited to advertising have been increasing. Accordingly, we recognize the importance of securing highly skilled members and focusing on retention rates. Therefore, we implemented base pay increases last year and have already seen positive results in terms of improved retention rates. Under these circumstances, we intend to thoroughly consider the policy of hiring new graduates in April from the next fiscal year onward and the number of new graduates hired in the future.

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The increase in SG&A expenses was kept low despite the top-line growth, and the operating profit margin rose YoY.

(unit: ¥mn)	2Q/FY2024			3Q/FY2023	
	Value	Ratio	YoY	Value	Ratio
Revenue	6,234	100.0%	+4.3%	5,977	100.0%
Gross profit	4,948	79.4%	+5.7%	4,682	78.3%
SG&A expenses	3,740	60.0%	+3.3%	3,622	60.6%
Non-GAAP operating profit	1,223	19.6%	+14.4%	1,070	17.9%
【Reference】Net sales	34,376	—	+7.9%	31,855	—
Take rate	—	18.1%	-0.6Pt	—	18.8%
OP margin (relative to net sales)	—	3.6%	+0.2Pt	—	3.4%

Next, I move on to the third agenda item. The following pages provide an overview of our performance by business segment. First is the Digital Marketing Business.

Page 16 is an overview of the results of the Digital Marketing Business.

Revenue increased 4.3% YoY to ¥6.23 billion and Non-GAAP operating profit increased 14% to ¥1.2 billion. Net sales for Q2 was ¥34.3 billion, an increase of approximately 8% from the previous fiscal year. Take rates improved by 0.2 of a percentage point from Q1, although it decreased by 0.6 of a percentage point compared to the previous year. As a result, OP margin (relative to net sales) rose 0.2 percentage points YoY.

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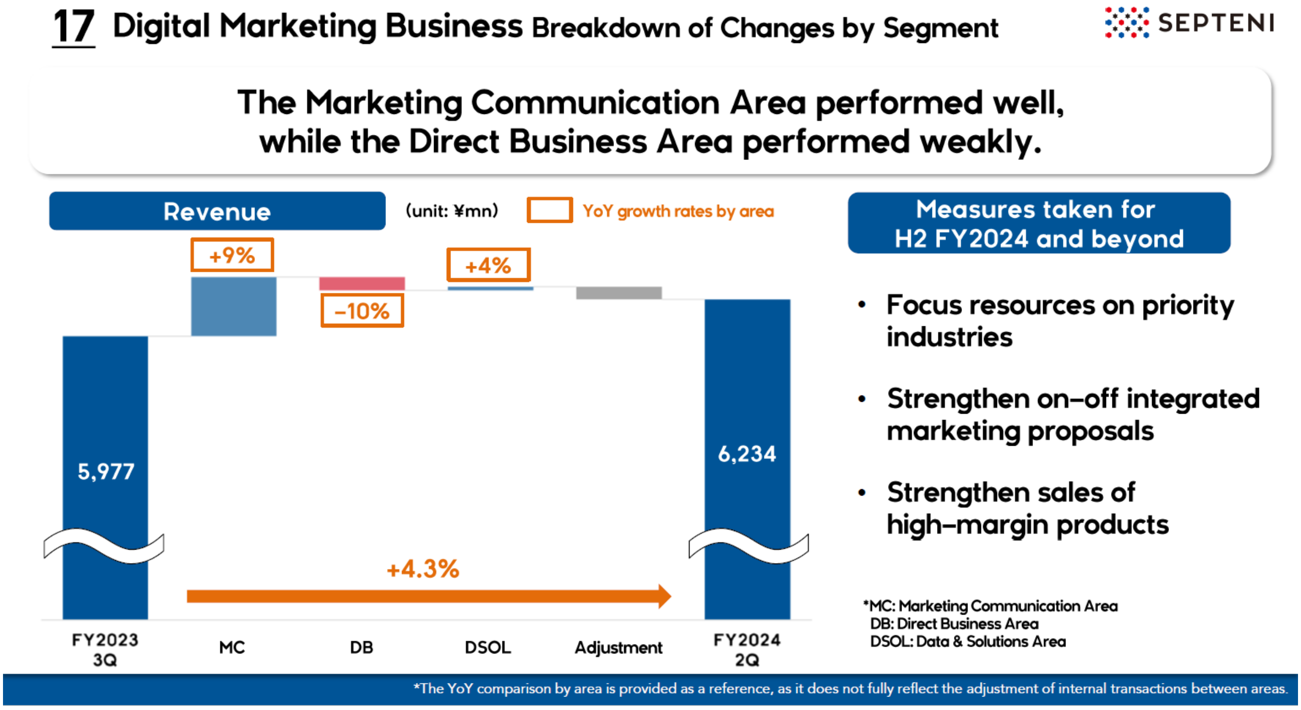

Page 17 is the breakdown of the increase or decrease to convey an overview of conditions in each area of the Digital Marketing Business. This slide by area is a new document that has been added this time. Due to certain internal transactions within the business areas not being fully reflected in the aggregation of figures, we will refrain from disclosing actual amount by individual areas at this time. However, we have included a waterfall graph illustrating the YoY changes in revenue.

The segment as a whole saw a 4.3% increase in revenue, while the Marketing Communication Area, our core business, grew by 9% YoY, marking a strong quarter. In the Direct Business Area, there was a decrease in advertising placements from certain industries, resulting in a slightly underperforming result with a 10% decline compared to the previous year.

From H2, we will focus our resources on priority industries and work to strengthen our integrated online and offline proposals, which we are currently focusing on, with the aim of achieving our earnings estimates.

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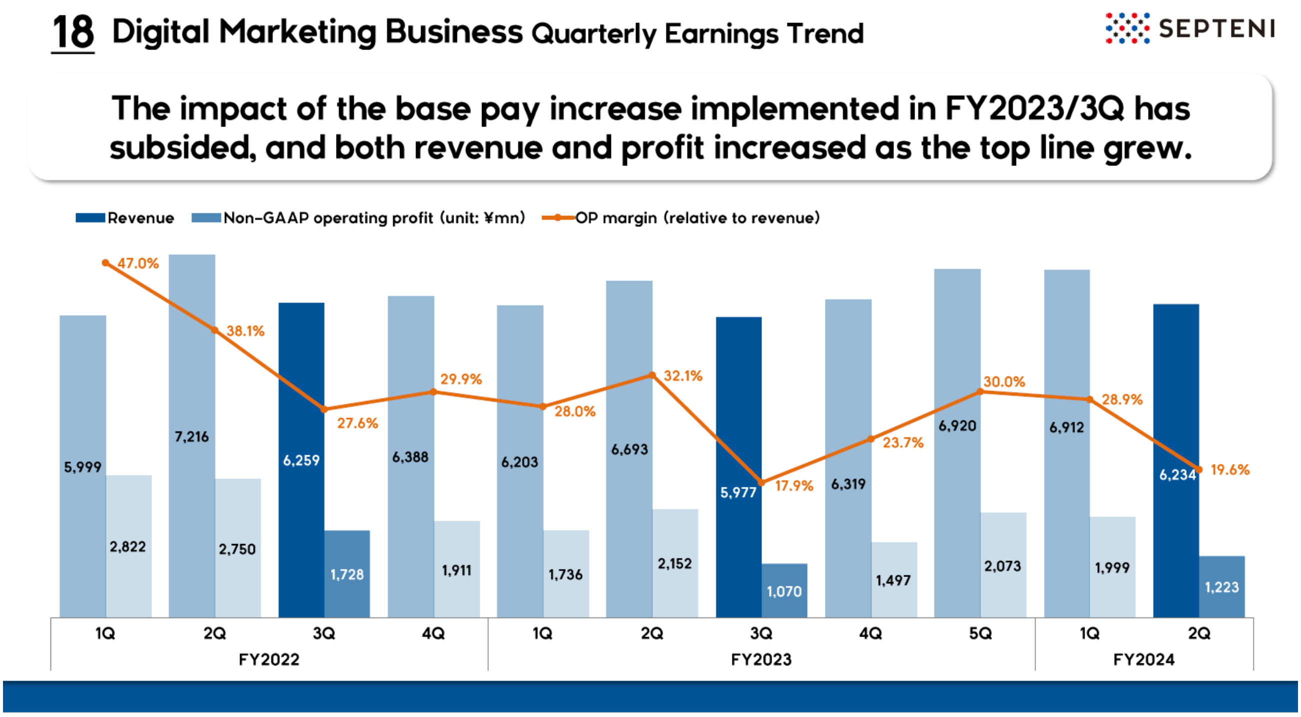

Page 18 shows the quarterly performance of the Digital Marketing Business.

The impact of the base pay increase implemented in April 2023 has subsided in this quarter, and the top-line growth has resulted in increased revenue and profit. In terms of the operating profit margin, the period from April to June tends to experience a cool-off effect from the strong performance in the period from January to March, according to industry trends. However, for Q2, the operating profit margin improved by 1.7 percentage points YoY, indicating a positive trend.

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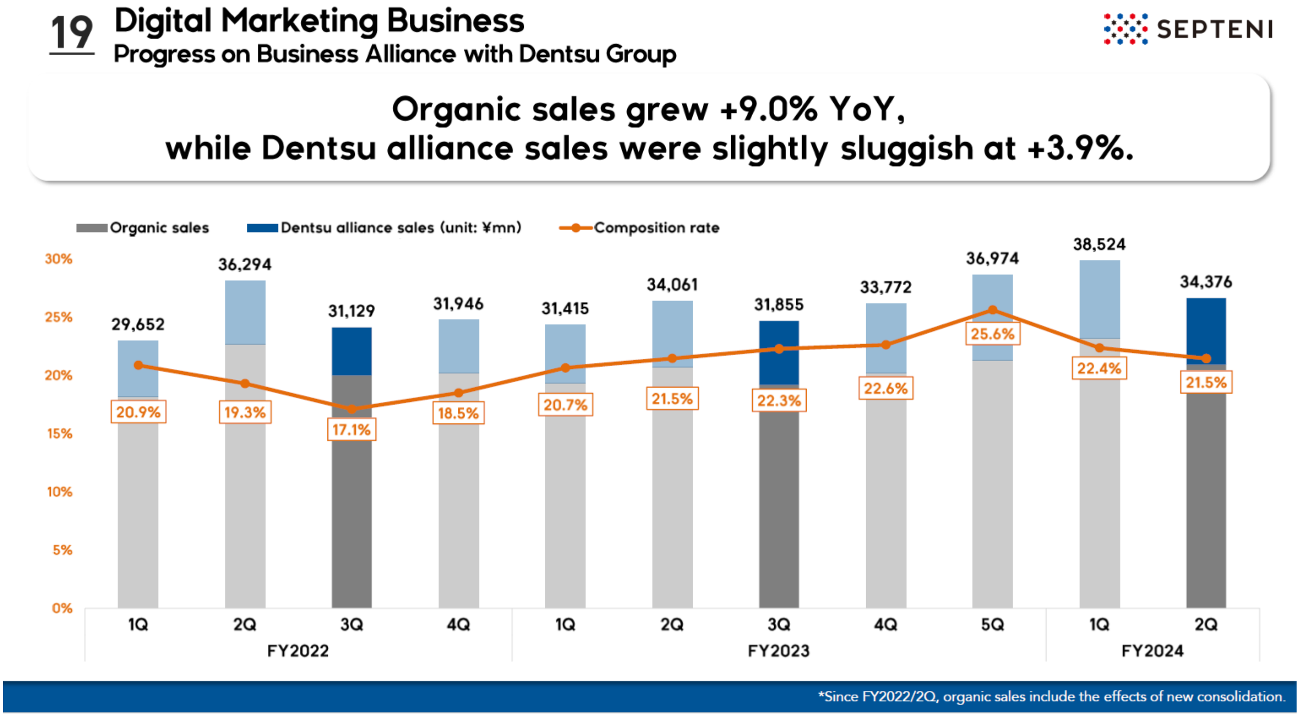

Page 19 is the progress of business alliance the Dentsu Group.

In Q2, while organic sales achieved a YoY growth rate of +9%, Dentsu alliance showed a slightly subdued performance with a growth rate of +3.9% due to not fully expanding existing projects. This quarter has been characterized by strong growth in organic sales.

In addition, this graph shows data on collaborative sales among clients at which Dentsu Group companies are in charge of the front function. The alliance has progressed considerably over the past six years, and the provision of services and products of Dentsu Group companies to clients where the Company is in charge of the front have also progressed in parallel. This is the sixth year since the two Groups began collaborating, and we are steadily expanding our collaboration.

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21 Media Platform Business Earnings Overview
(After reclassification of discontinued operations)

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Childcare Platform Business, which is in its peak season, could not grow and revenue decreased. Profit also declined despite efforts to control SG&A expenses.

(unit:¥mn)	2Q/FY2024			3Q/FY2023	
	Value	Ratio	YoY	Value	Ratio
Revenue	515	100.0%	-10.2%	574	100.0%
Gross profit	410	79.6%	-7.3%	443	77.1%
SG&A expenses	422	81.8%	-0.1%	422	73.6%
Non-GAAP operating profit	-11	—	-31	20	—

I move on to the fourth agenda item. This is an explanation of the Media Platform Business.

Page 21 is an overview of the results of the Media Platform Business.

Revenue was ¥520 million, and operating loss was ¥11 million. From April to June, although the Childcare Platform Business could not grow despite a busy season, and revenue declined. Also, despite curbing SG&A expenses, segment profit declined.

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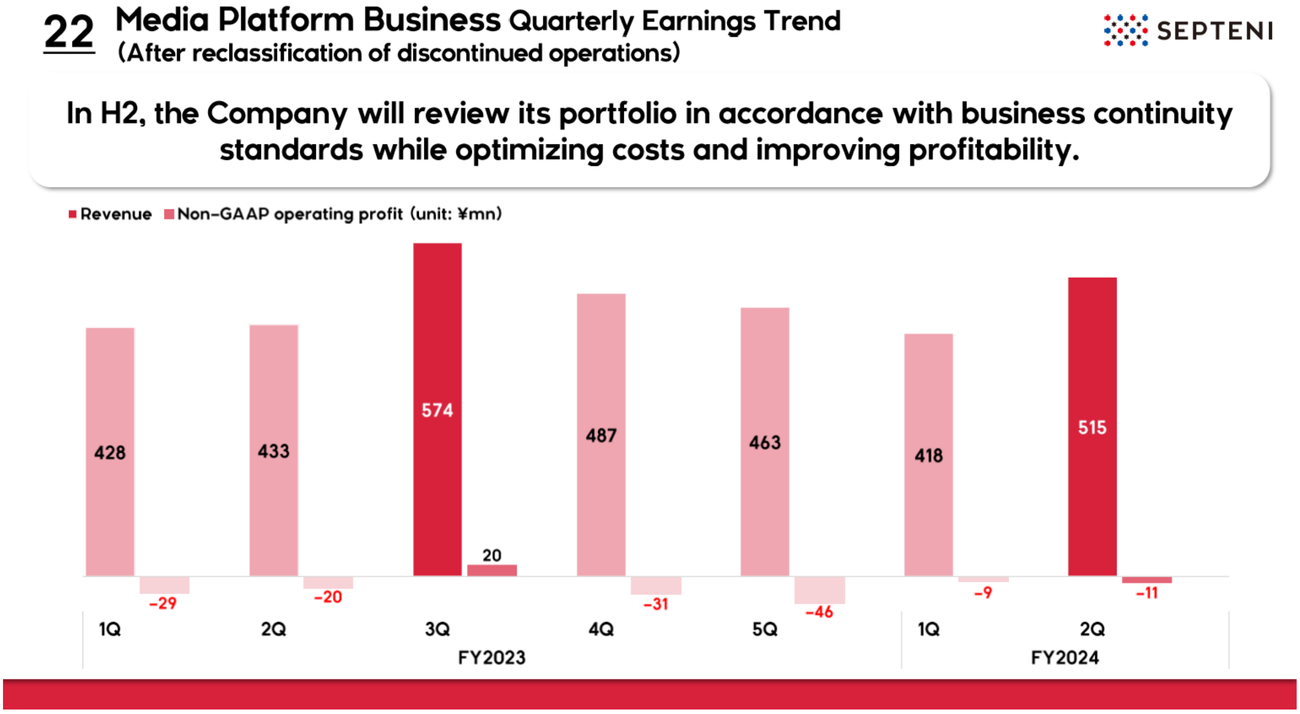

Page 22 shows the quarterly performance of the Media Platform Business.

Although revenue and profit declined in Q2, we plan to optimize costs in order to improve profitability in line with the scale of the business from the present time to H2. At the same time, we will review our business portfolio in line with our business continuity criteria, reorganizing and preparing for the next fiscal year of this domain.

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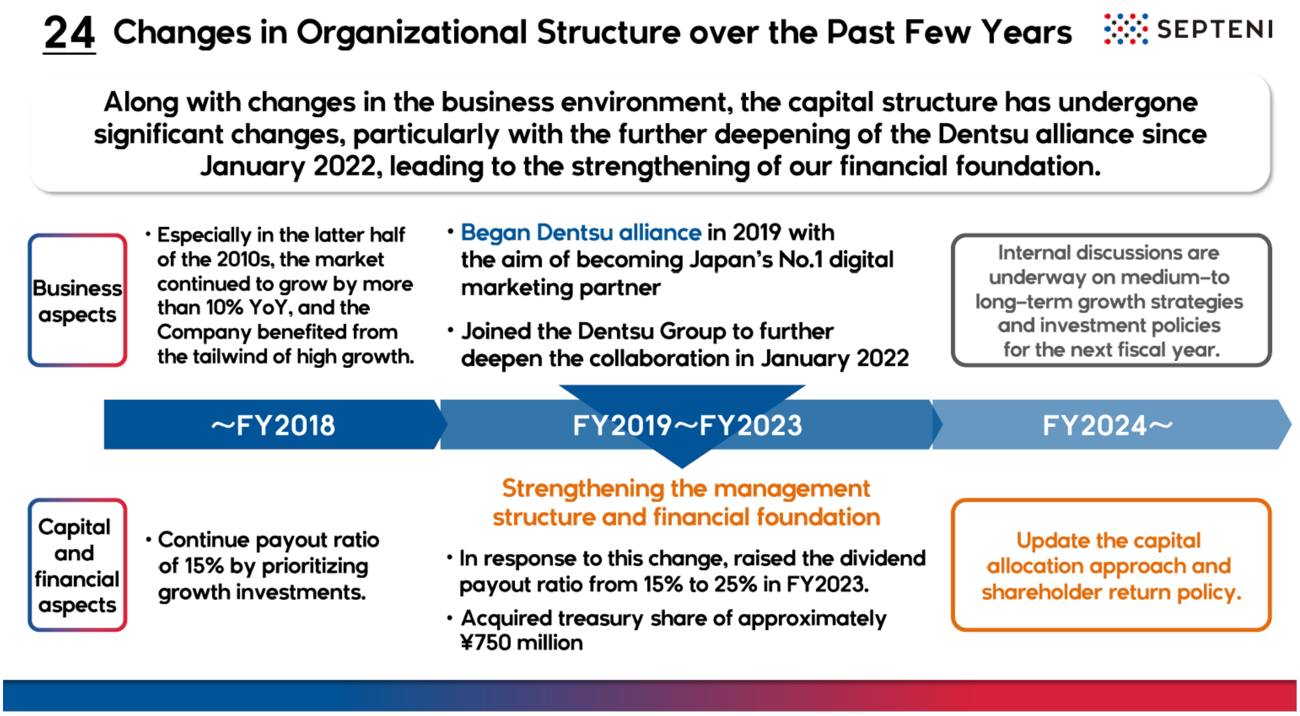

Next is the fifth agenda item. This is the important explanation for today's presentation. As announced in the timely disclosure released at the same time as today's financial results, I will explain the update of the shareholder return policy.

We have shifted to a new management system since this fiscal year, and six months have now passed. On page 24, before explaining the update on our shareholder return policy, I would like to review our changes in our management structure over the past few years. Following the start of the new structure in April of this year, we have been discussing medium-to long-term business growth strategies and capital policies. As a result, we have decided to update the capital allocation approach.

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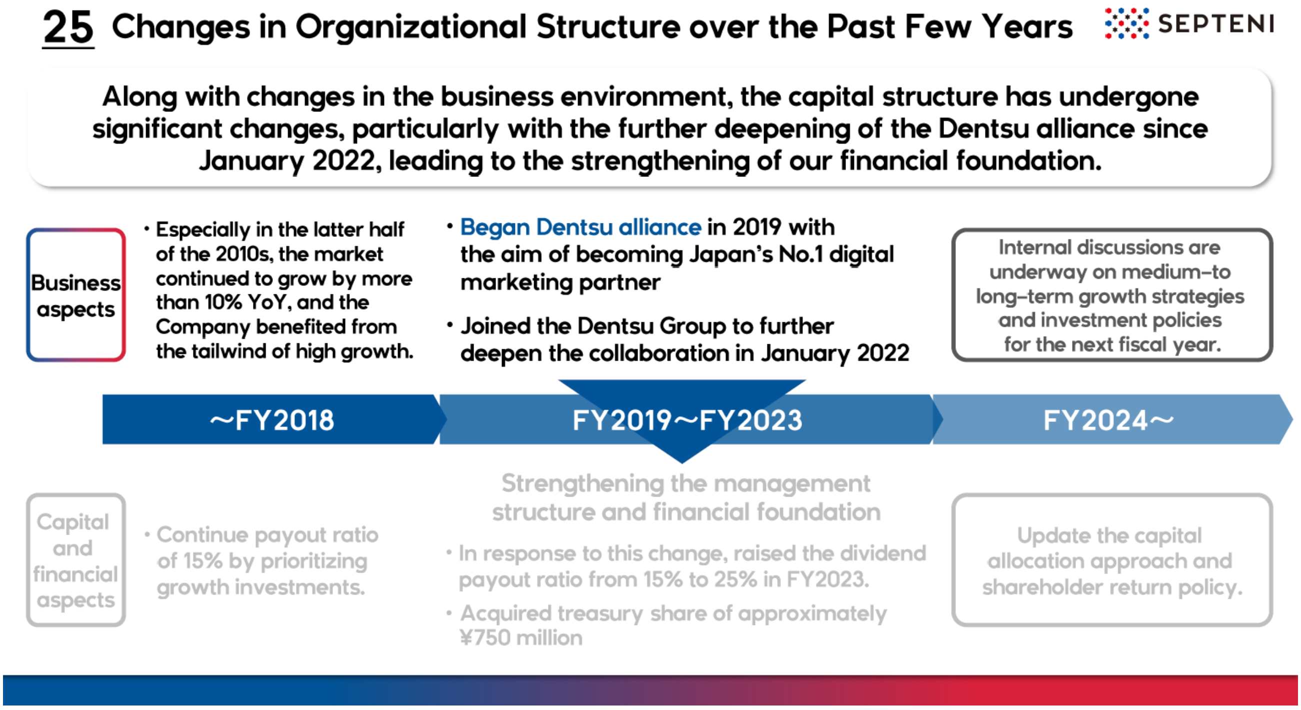
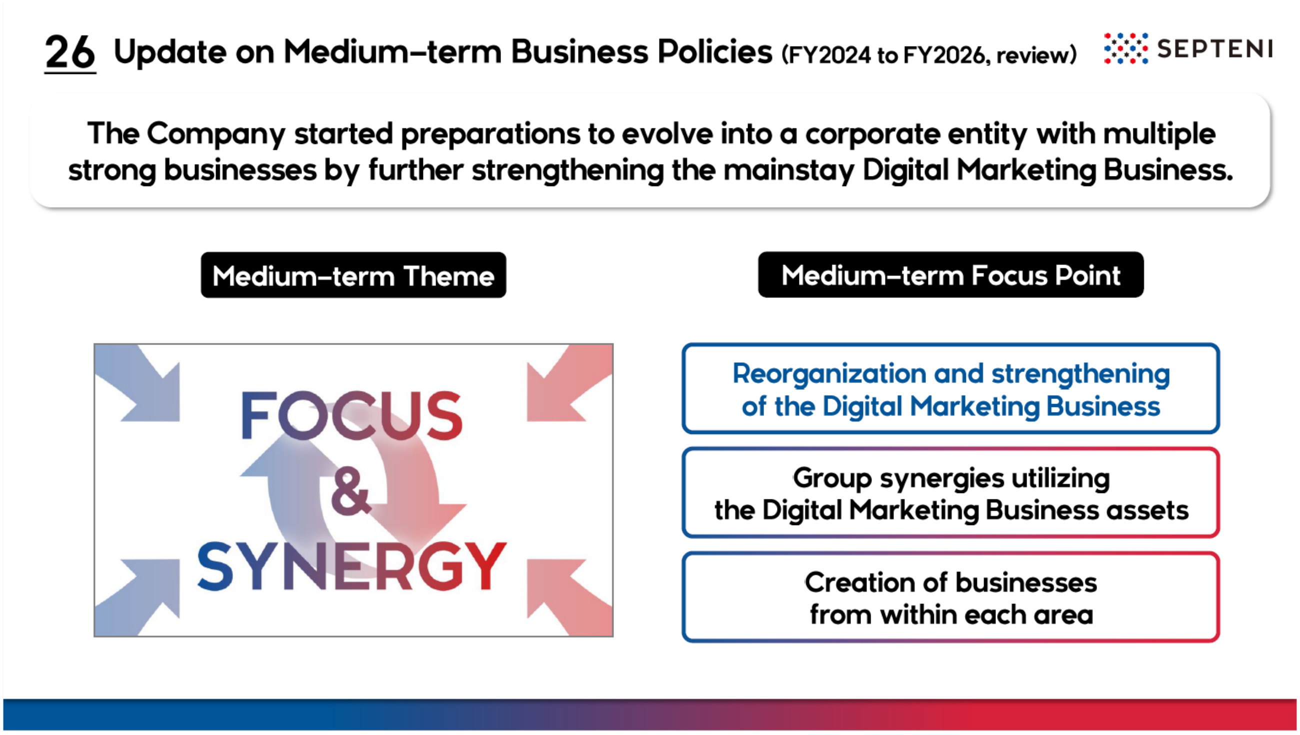


First of all, I would like to take a look back at the changes we have made in our business over the past few years to the current policy update, from page 25.

Until 2018, there was a series of launches of advertising products from mega-platforms, primarily focused on smartphone devices. We took this tailwind firmly and have expanded our business beyond market growth. We then began a capital and business alliance with the Dentsu Group in 2019. After confirming the results of the three-year collaboration from 2019, we deepened the alliance in January 2022, thereby entering the Dentsu Group. At the same time, we conducted a third-party allotment of shares to Dentsu Group as the underwriter, and with the inclusion of Dentsu Direct into our Group and Dentsu Digital as an equity-method affiliate, we have been strengthening our management structure and financial foundation.



On page 26, as I mentioned on page 25, we have strengthened our management structure foundation, and we have established a new system in FY2024. This is the mid-term theme and focus points that we have listed from this term.

We have communicated that our medium-term theme is "focus & synergy" and our aim to further deepen the Digital Marketing Business and create synergies among our business segments and areas. Focus points include the "reorganization and strengthening of the Digital Marketing Business," "group synergies utilizing the Digital Marketing Business assets," and "creation of businesses from within each area."

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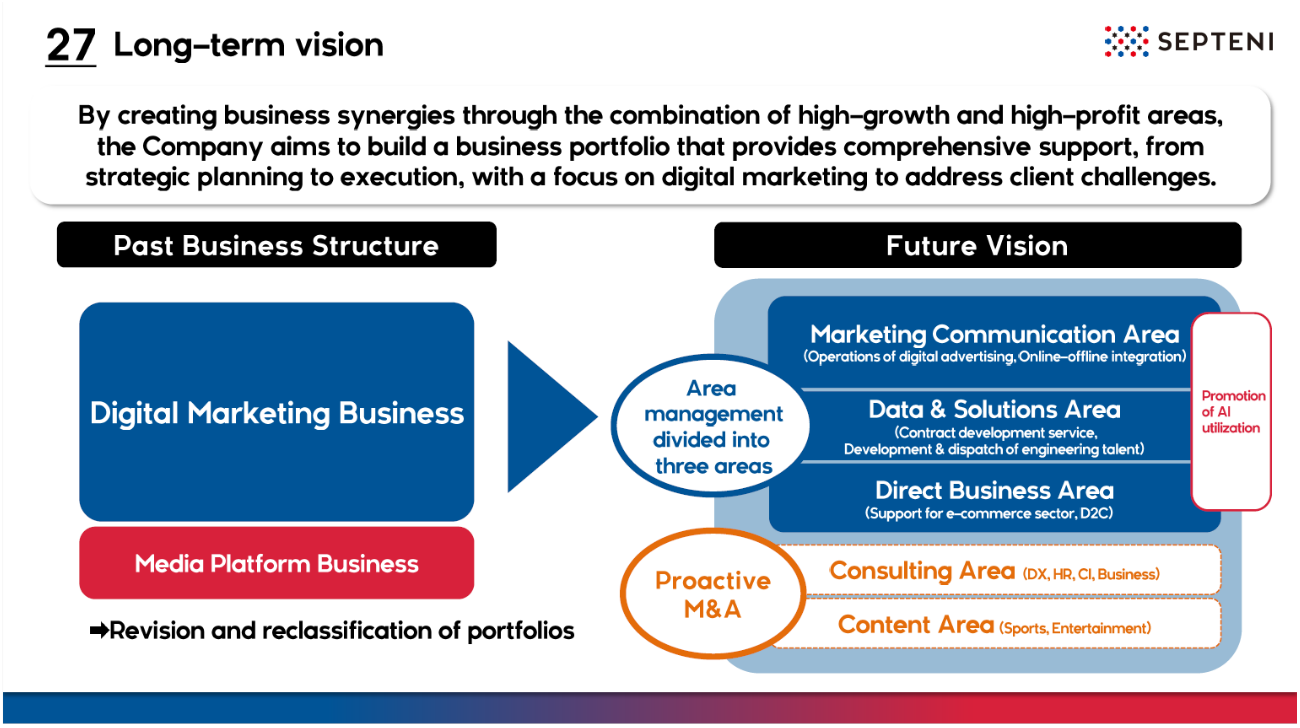

Page 27 shows the vision we want to achieve over the long term after the medium-term plan that started this fiscal year.

Until last year, each of the more than 30 group companies operated their own business, centered on the Digital Marketing Business and the Media Platform Business. From FY2024, however, the Digital Marketing Business has been divided into three areas and synergies within the areas have been strengthened as an area management based on the policy of "focus & synergy."

Furthermore, we are strengthening the group-wide synergy of cross-area client assets and talent assets, and the utilization of AI, which has become increasingly crucial in the industry. To strengthen the capabilities of our Group, in addition to our existing three areas, we intend to aggressively pursue M&A in the Consulting Area and Content Area. Our policy is to create a business portfolio that can provide comprehensive support from strategic planning to execution, centered on digital marketing, in response to the issues faced by our Group's clients.

Regarding our current market perception, we believe that Japan's advertising market still has a lower digital ratio compared to the global average. In the advertising market in 2023, digital ratio accounted for about 45% of the total. We believe that this will expand to about 60% in the latter half of the 2020s or the first half of 2030 and become a market that will form the majority of the advertising market. In this context, we intend to form a high-growth and high-profit portfolio by firmly securing the growth rate of our Group in the Marketing Communications Area, and by strengthening our investment, including organizational strengthening and aggressive M&A, in the four other areas with high profitability.

Based on this medium-to long-term aggressive business investment policy, I would like to discuss the update of our shareholder return policy on the next page and beyond.

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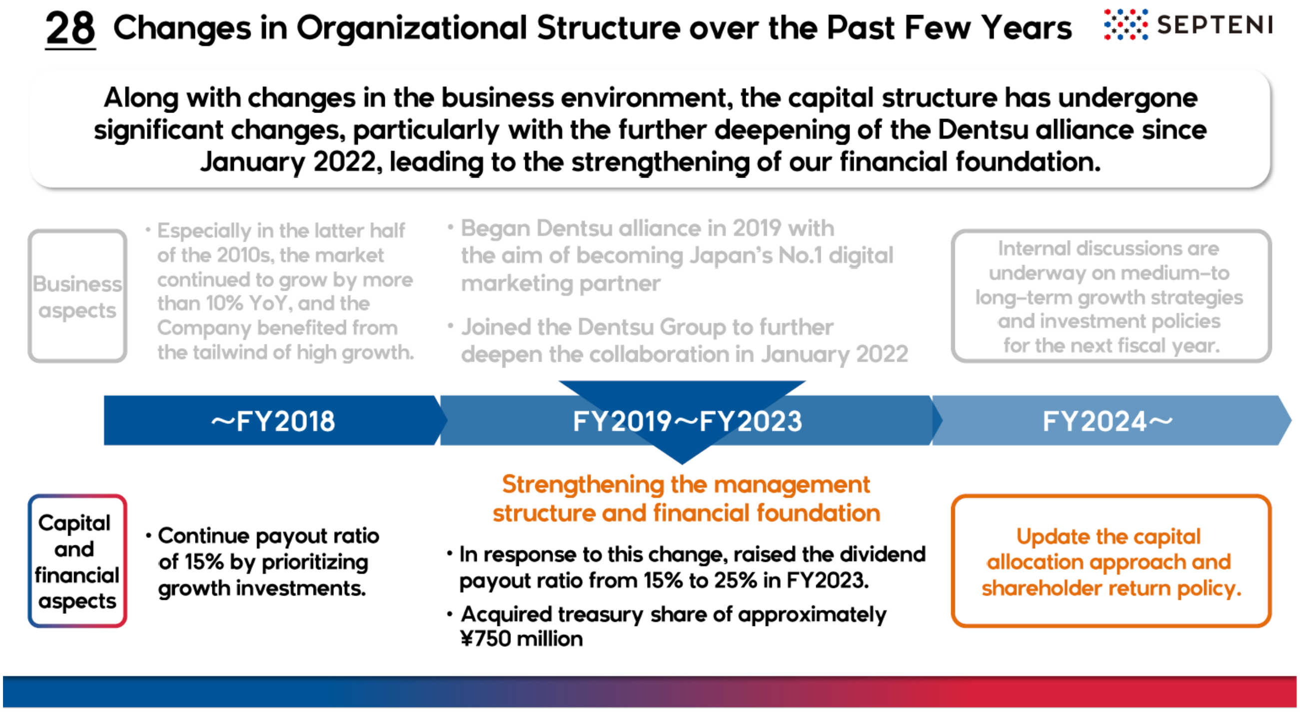

On page 28, I would first like to review the changes over the past few years in terms of capital and financial aspects.

Until 2018, we prioritized business growth within the Company, invested in all of our businesses, including areas other than the digital advertising industry, and continued our policy of a dividend payout ratio of 15%. Since 2019, we have strengthened our management structure and financial foundation through the Dentsu alliance. In 2023, we raised the dividend payout ratio from 15% to 25%, and implemented a shareholder return measure through the acquisition of treasury share of approximately ¥750 million. We have internally discussed capital allocation and decided to update our shareholder return policy, which we are announcing today, as a way to move this forward.

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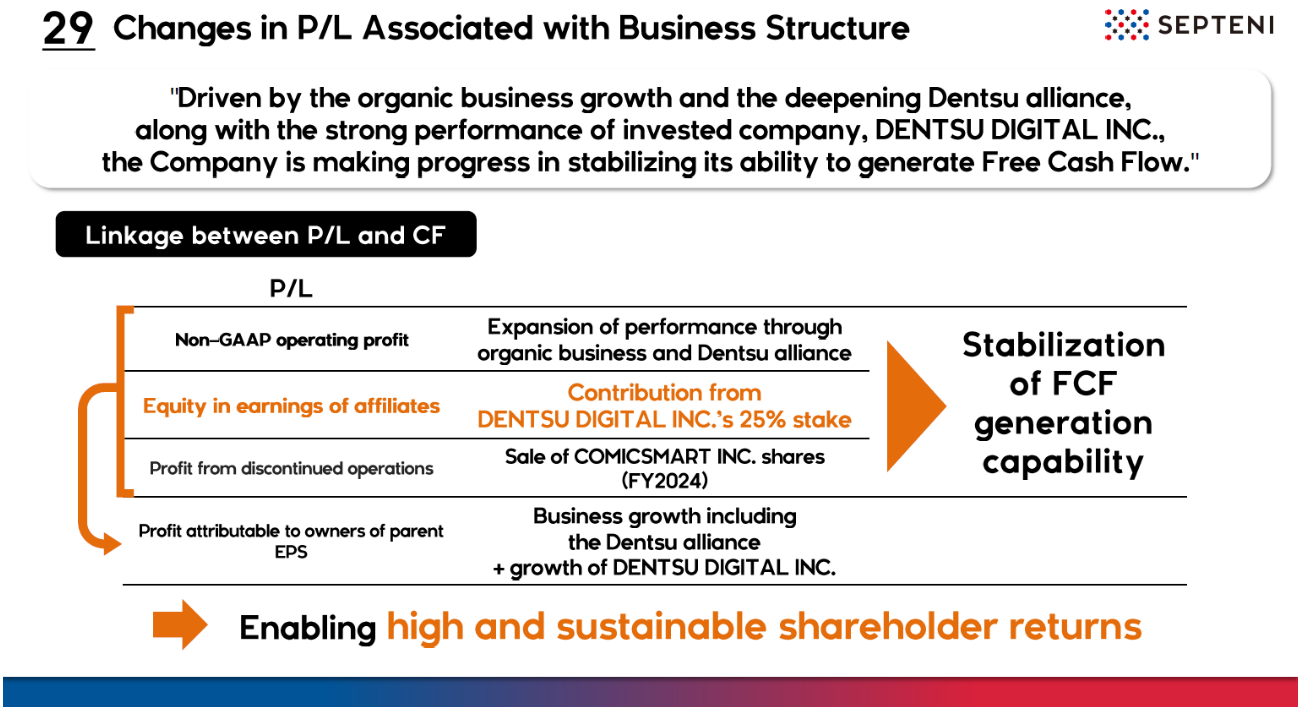

Page 29 explains the changes in our P/L and cash flow since deepening the Dentsu alliance in 2022, which is a prerequisite for the update of our shareholder return policy.

First of all, through organic growth and Dentsu alliance, we aim to continuously increase revenue and profit in our core Digital Marketing Business and continue to aim to maximize operating cash flow by accumulating Non-GAAP operating profit.

In addition, DENTSU DIGITAL INC., which is 25% owned by the Company, has achieved steady growth in part through business collaboration with the Company, and equity in earnings of affiliates, the item below operating profit, have expanded. As it is expected to continue growing steadily in the future, it will contribute as a factor to boost net profit and EPS.

As a result of these factors, we are stabilizing our ability to generate free cash flow. Based on this judgment that we are now able to achieve high and sustainable shareholder returns, we have decided to update our shareholder return policy.

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The Company has decided to update the shareholder return policy, aiming to achieve both proactive execution of growth investments in each area for realizing high growth and fulfilling shareholder returns.

Future Capital Allocation Approach

Investments for Business Growth

- Investment for organic growth and new business creation
- Actively pursuing M&A for growth in each area of Digital Marketing Business

➡ FY2024 is positioned as a preparatory period for strategic growth investments in the coming years.

Shareholder Return

- Substantial enhancement of returns
- Consideration and execution of flexible share repurchases while considering the balance with the tradable share ratio

On page 30, I will explain the update of the capital allocation approach.

As a capital allocation approach, the Board of Directors has decided to aim at both high growth and high return in the future.

Firstly, we position FY2024 as a preparatory period in order to make strategic growth investments for the medium-to long-term in the coming years. From the perspective of growth investment, we intend to invest in organic growth and new business creation, or actively pursuing M&A in each area of the Digital Marketing Business. However, as we do not anticipate large-scale specific investment projects at this time, we have decided to increase the weight of shareholder returns in this fiscal year and to return all of the net profit forecasts that we have announced as year-end dividends.

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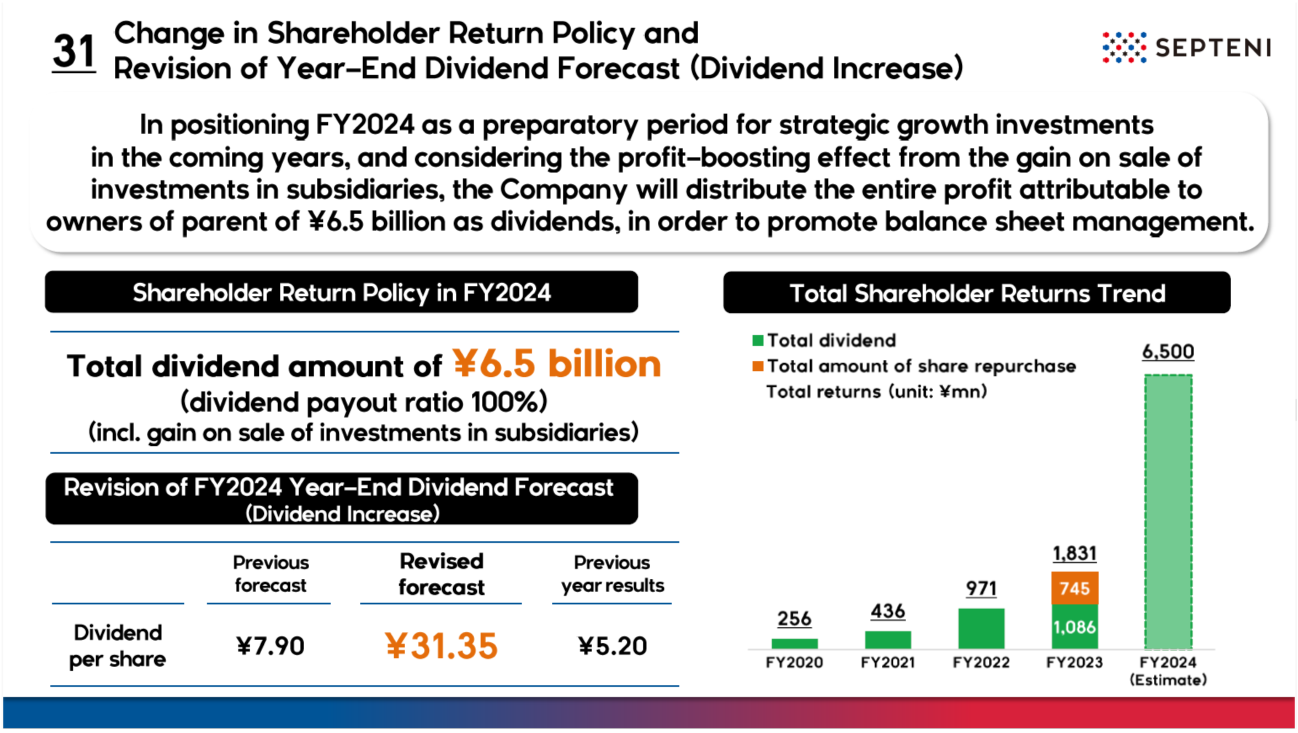

Page 31 shows the details.

As explained on page 30, in order to realize medium-to long-term business growth, we have positioned the current fiscal year as a preparatory period for strategic growth investment. In addition, in the current fiscal year, the gain on sale of investments in subsidiaries was recorded, which helped to boost net profit.

For these reasons, in order to promote appropriate balance sheet management, we have decided to return the entire profit attributable to owners of parent of 6.5 billion yen, which is currently announced, to shareholders as year-end dividends at a dividend payout ratio of 100%. In accordance with this change in policy, we have revised the year-end dividend forecast upward, as announced in the timely disclosure today. The revised dividend per share is ¥31.35, a significant increase from the previous forecast.

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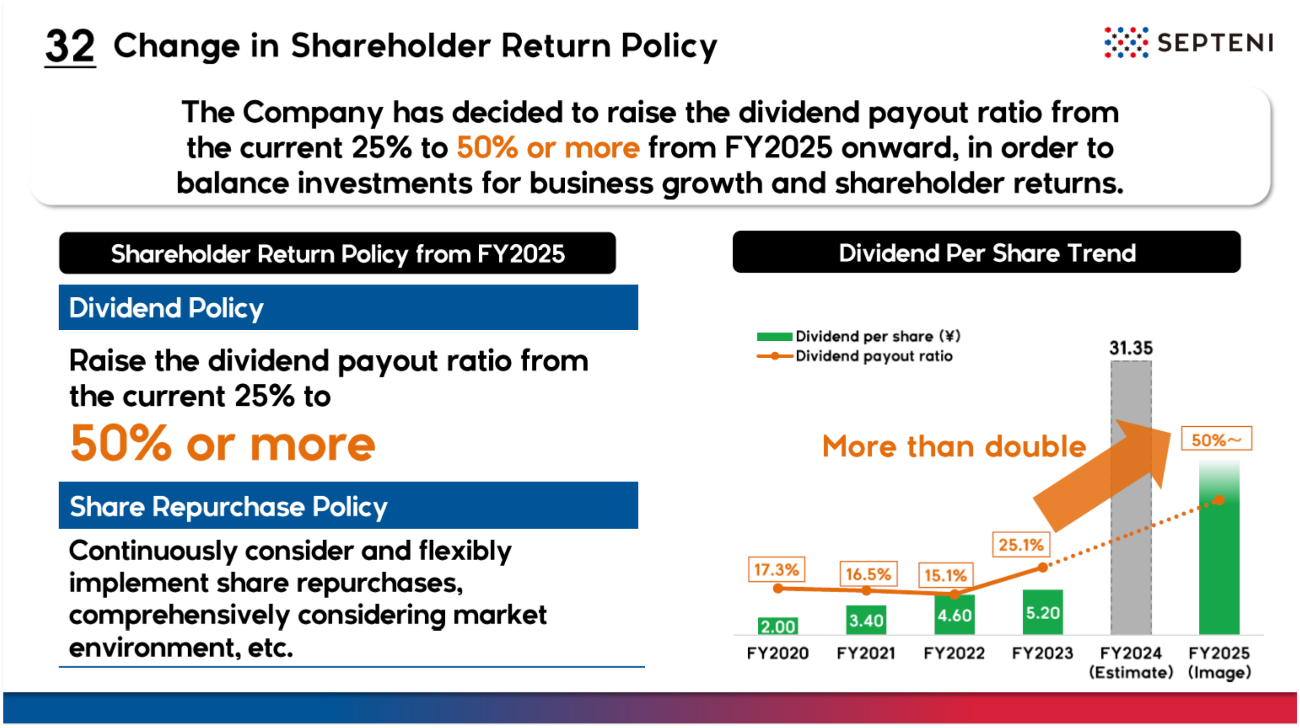

Page 32 is our shareholder return policy from the next fiscal year onward.

With regard to our shareholder return policy for 2025 and beyond, we have decided to increase our base dividend payout ratio from the current 25% to 50% or more, which is double the current level. As I explained earlier, we have decided to temporarily increase the weight of shareholder returns in FY2024, because it is a preparatory period for growth investment. From the next fiscal year onwards, we plan to allocate a certain amount of cash to growth investment, such as organic growth investment and M&A investment. We have raised the basis for the dividend payout ratio based on our desire to firmly secure stable dividends while realizing high growth and strengthening our commitment to increasing EPS.

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33 Toward Medium to Long Term Growth and Further Enhancement of Corporate Value

SEPTENI

Began preparations to apply for market segment change to the Tokyo Stock Exchange Prime Market, aiming to enhance corporate value over the medium to long term by strengthening the corporate governance system and effectiveness.

Initial Listing Criteria on Prime Market	Initial requirements	The Company's Status (As of June 2024)	Compliance status
Number of shareholders	800 or more	approx. 7,000	O
Number of tradable shares	20,000 units or more	approx. 860,000 units	O
Market Cap of tradable shares	¥10 billion or more	approx. ¥35.4 billion	O
Tradable share ratio	35% or higher	approx. 41%	O
Market capitalization	¥25 billion or more	approx. 77.0 billion	O
Amount of net assets	¥5 billion or more	approx. 57.1 billion	O
Profit (aggregated profits over the last two years)	¥2.5 billion or more	approx. 15.6billion*	O

At present, the date for the change application has not been determined. The Company will promptly disclose information through timely disclosure and other means when preparations for the market segment change application have progressed and the items to be notified have occurred.

*As the Company is an IFRS-compliant entity, the figures shown are the amount obtained by adjusting the profit or loss attributable to non-controlling interests from the total of progit before tax for the past two years.

On page 33, I would like to explain our future policy.

We are currently listed on the Tokyo Stock Exchange Standard Market. I would like to inform you that we will make preparations, such as strengthening corporate governance and improving internal controls, so that we can apply for a market segment change to the Tokyo Stock Exchange Prime Market with appropriate timing from the next fiscal year onward. At the present time, we have cleared all of the requirements for prime listing as described, but by continuing to evolve our governance system at a higher level as a listed company and further broadening our shareholder base centered on individual shareholders, we intend to realize a sustainable increase in corporate value.

At this time, the application date for the change has yet to be determined, but we will disclose information promptly through timely disclosure and other means when preparations for the application have progressed and matters to be notified have occurred.

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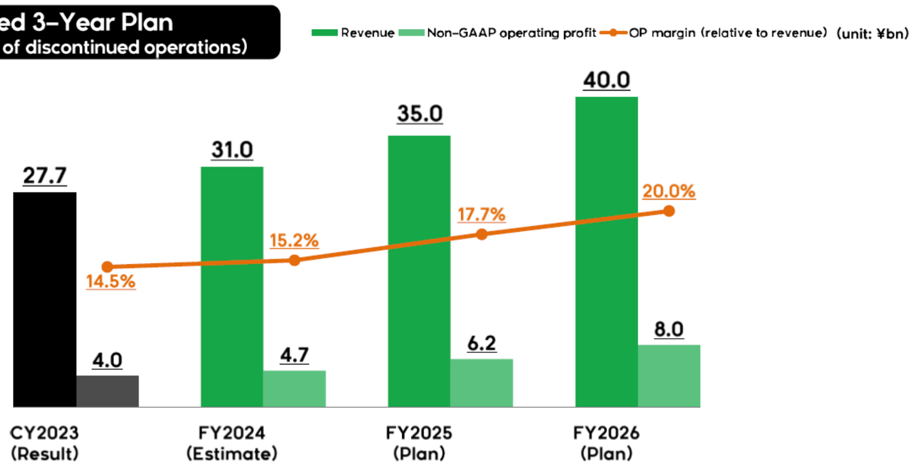
35 Medium-term Business Policies
(After reclassification of discontinued operations, review)

Growth centered on the Digital Marketing Business is expected to lead to increases in revenue and profit and higher operating margins.

Consolidated 3-Year Plan
(After reclassification of discontinued operations)



I move on to the sixth agenda items. I would like to explain the progress made in relation to the estimates for the current fiscal year.

On page 35, we have re-listed the three-year plan in our medium-term business policies. There is no particular change at this time.

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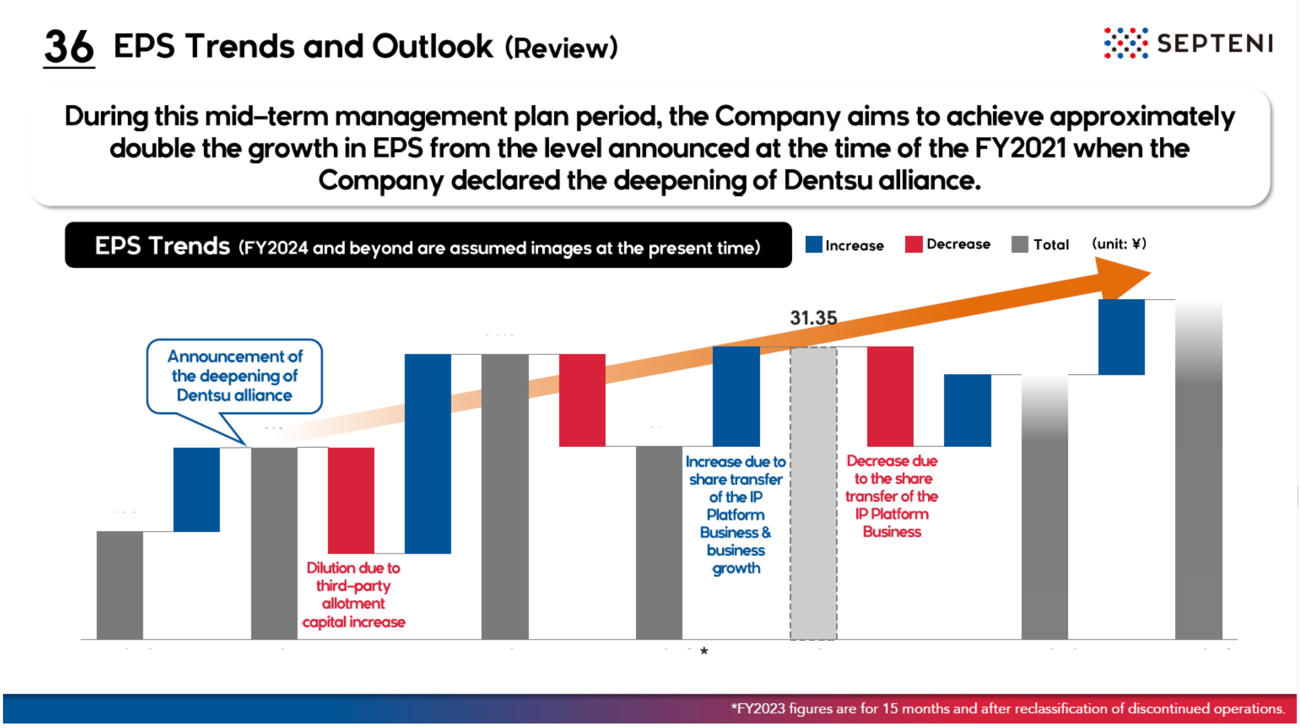

Page 36 is also re-listed, but we intend to expand our EPS in the medium term. EPS at the time of the collaboration in 2021, when we announced the deepening alliance with the Dentsu Group, was 20 yen, and we intend to firmly double this to grow our EPS.

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37 Full Year Consolidated Earnings Estimates for FY12/2024

SEPTENI

With the change in the shareholder return policy, the Company has revised its year-end dividend forecast to increase the dividend. The dividend per share is expected to be approximately four times higher compared to the previous forecast.

(unit: ¥mn)	Jan to Dec 2023 (Calendar year basis)	Earnings estimates for FY12/2024	Expected growth rate	Previous forecast
Revenue	27,674	31,000	+12.0%	–
Non-GAAP operating profit	4,016	4,700	+17.0%	–
Profit attributable to owners of parent	3,736	6,500	+74.0%	–
Earnings per share (¥) (EPS)	17.97*	31.35	+13.38	–
[Reference] Net sales	138,036	150,000	+8.7%	–
Dividend per share (¥)	–	31.35	–	7.90
Dividend payout ratio (%)	–	100%	–	25.1%

*Calendar year EPS is for reference only.

Page 37 re-lists the earnings estimates for FY2024 and shows the revised dividend forecasts explained today. Earnings forecasts remain unchanged.

As for the dividend per share, due to the change in the shareholder return policy explained today, the dividend per share has increased approximately four times from previous forecasts of 7.9 yen to 31.35 yen.

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38 Full Year Earnings Estimates for FY12/2024
(By business segment, review)

SEPTENI

The Company aims for growth above the market growth rate, centered on the Digital Marketing Business.

(unit: ¥mn)	Revenue			Non-GAAP operating profit		
	Results in Jan-Dec 2023 (calendar year basis)	Earnings estimates for FY12/2024	Expected growth rate	Results in Jan-Dec 2023 (calendar year basis)	Earnings estimates for FY12/2024	Expected growth rate
Digital Marketing	25,908	28,900	+11.5%	6,791	7,500	+10.4%
Media Platform	1,958	2,300	+17.5%	-77	10	(+87)
Elimination or corporate	-192	-200	-	-2,698	-2,810	-
Consolidated	27,674	31,000	+12.0%	4,016	4,700	+17.0%

Page 38 shows the earnings estimates for each segment. We plan to achieve double-digit growth in both revenue and operating profit compared with the previous year.

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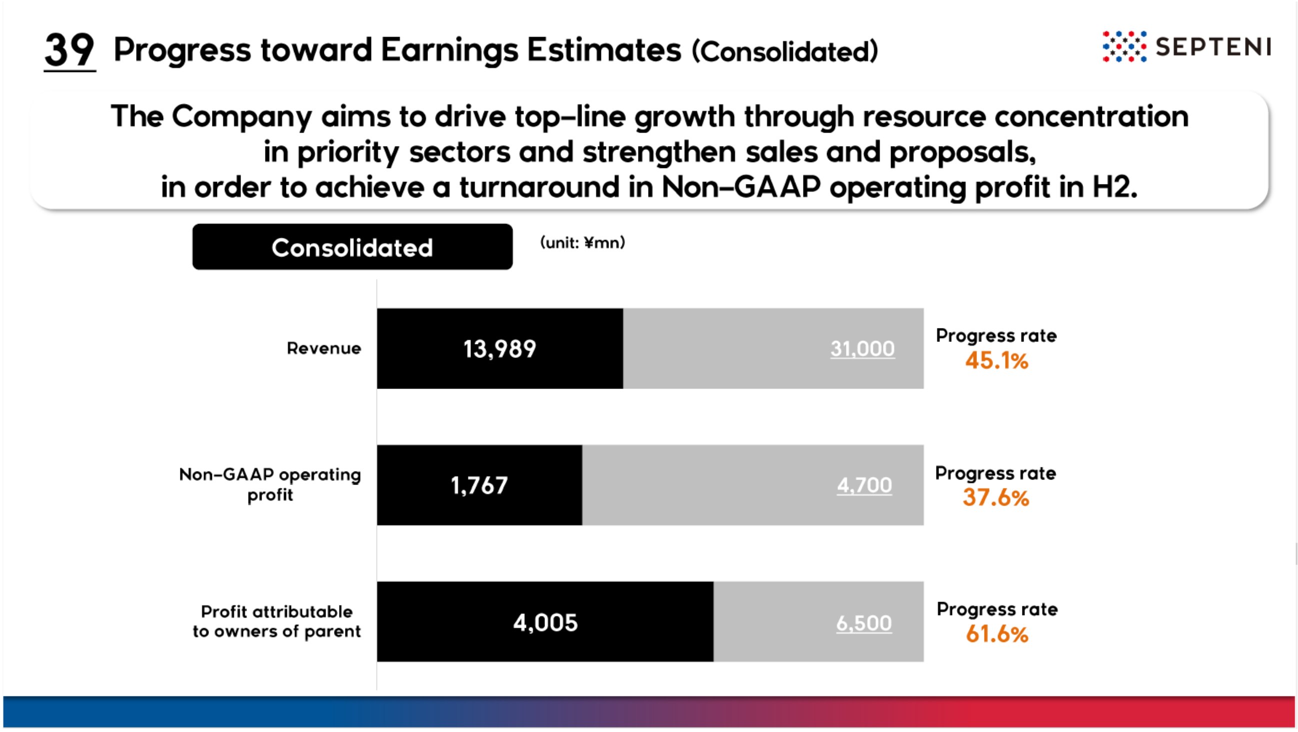

This is the final page, and page 39 shows the current progress toward the earnings estimates.

The initial forecast is also based on a budget that is inclined toward H2 from July to December compared to H1. We are making progress online in terms of revenue. Operating profit is slightly lower than the internal plan. However, in H2, we intend to recover Non-GAAP operating profit in particular by steadily increasing the top line by concentrating resources in priority sectors and strengthening sales.

This concludes all for the explanation of H1 FY2024. I would like to ask for your continued support for our Group. Thank you very much for today.

[END]

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