Septeni Holdings Co., Ltd.

Financial Results Briefing for Q3 FY2024/12

November 7, 2024

Event Summary

[Company Name]	Septeni Holdings Co., Ltd.
[Listed Market]	TSE
[Stock Code]	4293
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	FY2024 3rd Quarter Financial Results Briefing
[Date]	November 7, 2024
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[Number of Speakers]	4

Yuichi Kouno	Representative Director, Group President and Chief Executive Officer
Yusuke Shimizu	Director, Group Executive Vice President and Executive Officer
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 Q3 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.

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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.

Kouno: I am Kouno, Representative Director, Group President and Chief Executive Officer, Septeni Holdings Co., Ltd. I will explain the financial results for Q3 FY2024.

The second page is the agenda for today.

First, in the executive summary, I will explain the downward revision of our earnings estimates disclosed in the "Notice of Revisions to the Full-Year Consolidated Earnings Estimates for the FY2024," which was announced today along with the release of the Summary of Consolidated Financial Statement.

After that, I will explain the results for the cumulative 3Q and 3Q alone, and the status of each segment.

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01

Executive Summary

This is the first agenda item, and I will begin with the executive summary.

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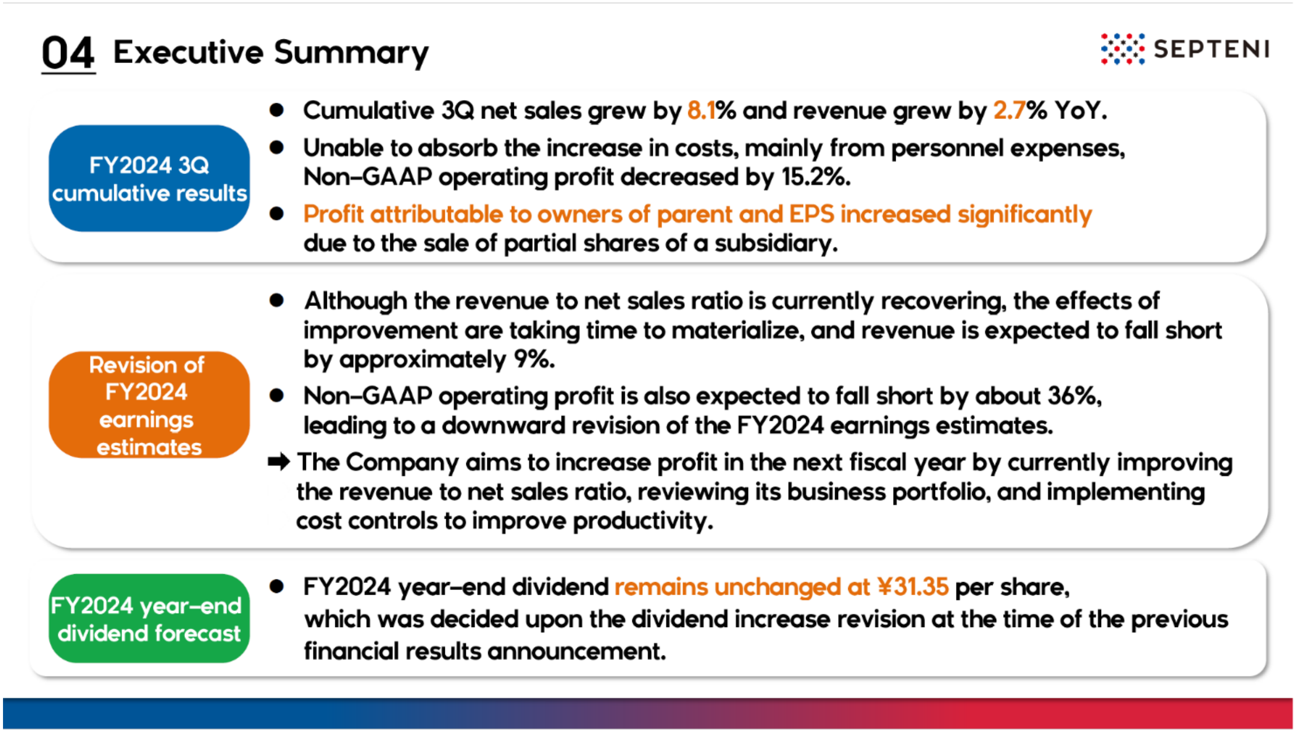

Page 4 is the executive summary of this financial results briefing.

There are three major points, and the first is the status of cumulative results up to 3Q.

To give an overview of cumulative 3Q results, first of all, net sales grew steadily, growing by 8.1% YoY. Revenue increased by 2.7%. One of the factors for the lower growth rate of revenue compared to net sales is the so-called take rate, or revenue to net sales ratio. However, as the results of our improvement measures are beginning to show, we are seeing steady improvement, albeit gradually, with 1Q marking the bottom.

On the other hand, the improvement in the revenue to net sales ratio has not been as fast as originally anticipated, and the recovery of human capital investment, such as base pay increases implemented last year and the hiring of new graduates in April this year, is still in the middle of the way. As a result, operating profit declined by about 15% compared to the previous fiscal year.

Bottom-line profit attributable to owners of parent and EPS increased substantially compared with the previous fiscal year, partly due to gain on the sale of partial shares of a subsidiary recorded in 1Q.

The second point is the revision of the earnings estimates, which was decided this time based on the progress made to 3Q.

Despite positive factors such as the growth in net sales and the improvement in the revenue to net sales ratio on a quarterly basis, we revised each of revenue, Non-GAAP operating profit, and profit attributable to owners of parent due to divergence from the initial estimates.

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For the next fiscal year, we will continue to work on improving our profitability and reviewing our business portfolio. Additionally, we aim to achieve a turnaround in profitability through cost control measures aimed at enhancing productivity.

The third point is the year-end dividend forecast for the current fiscal year.

At the time of the previous earnings announcement, we disclosed changes to our dividend policy and revised our dividend forecast. Although we have made a downward revision to our earnings estimates this time, the current fiscal year remains a preparatory period for the next growth, so the dividend per share will be left unchanged from the previously announced ¥31.35.

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05 Revision of Full Year Earnings Estimates for FY12/2024 (Consolidated)

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While net sales are expanding, the revenue to net sales ratio and productivity have declined, leading to a widening gap between the initial estimates for revenue and Non-GAAP operating profit. As a result, the earnings estimates have been revised downward.

(unit: ¥mn)		Previous estimates (A)	Revised estimates (B)	Change (B–A)	Change (B/A・%)	CY2023 results[1] (C)	YoY (B/C・%)
Revenue		31,000	28,100	–2,900	–9.4%	27,674	+1.5%
Non-GAAP operating profit		4,700	3,000	–1,700	–36.2%	4,016	–25.3%
Profit attributable to owners of parent		6,500	5,150	–1,350	–20.8%	3,736	+37.8%
Earnings per share (¥) (EPS)		31.35	24.84	–6.51	–	17.97[2]	(+6.87)
[Reference]	Net sales	150,000	146,200	–3,800	–2.5%	138,036	+5.9%
	Revenue to net sales ratio	20.7%	19.2%	–1.4Pt	–	20.0%	(–0.8Pt)
Dividend per share (¥)		31.35	31.35	–	–	–	–
Dividend payout ratio		100%	126.2%	–	–	–	–

*1 The performance of the IP Platform Business have been reclassified as discontinued operations. *2 Calendar year EPS is for reference only.

Page 5 shows the revisions to the full-year earnings estimates, including the previous estimates and comparisons with the results of the previous fiscal year.

The revised estimates are for revenue of ¥28.1 billion, Non-GAAP operating profit of ¥3 billion, and profit attributable to owners of parent of ¥5.15 billion.

The main factors leading to this revision are perceived to be two points: the decline in the revenue to net sales ratio and the decline in productivity. Against this backdrop, there has been a widening gap between the results of revenue and Non-GAAP operating profit and the initial estimates, and we have decided to revise the earnings estimates downward this time.

Regarding the current status of each issue, as mentioned earlier, the revenue to net sales ratio has been improving with each successive quarter. With regard to the decline in productivity, we will continue to control costs in line with the growth rates of net sales and revenue.

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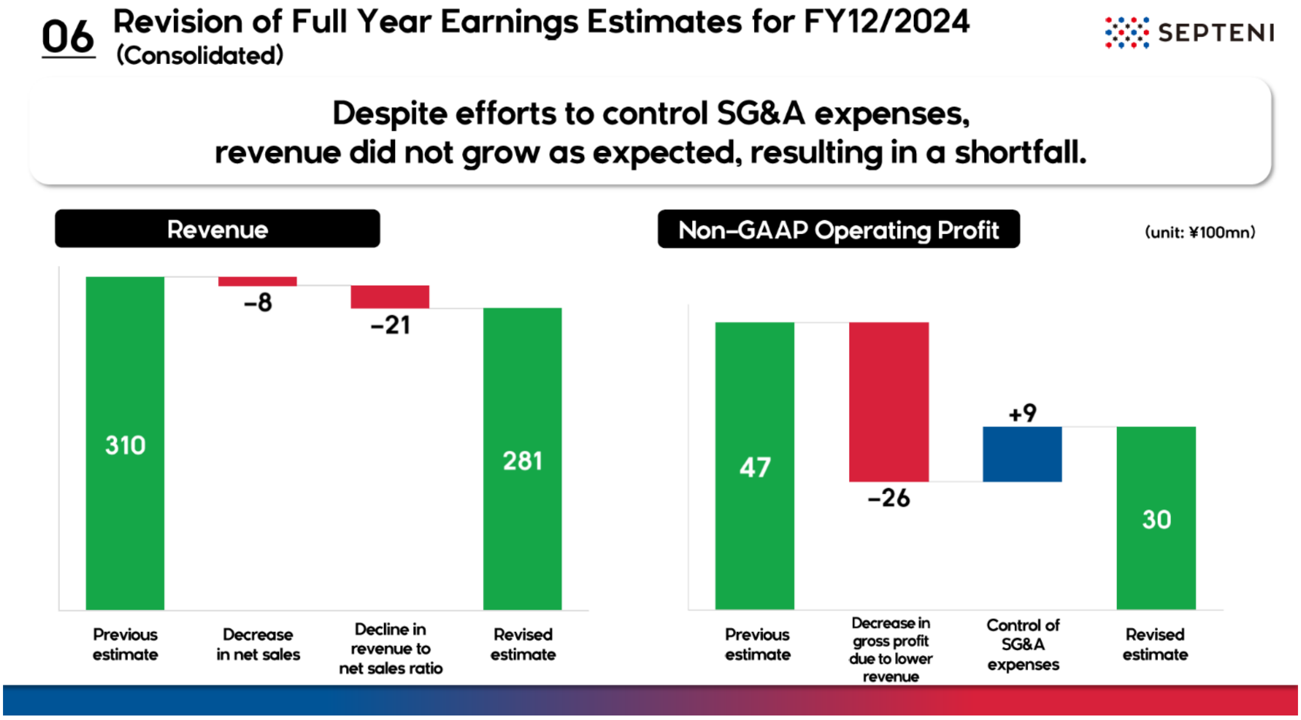

Next, page 6 shows the analysis of factors in revenue and Non-GAAP operating profit.

First, regarding revenue, while the progress of net sales is basically on-line compared to the initial estimate, there has been a divergence in the revenue to net sales ratio from the initial forecast, so the full-year estimate has been lowered from ¥31 billion to ¥28.1 billion.

In light of this situation, we were able to control SG&A expenses to a certain extent compared to the initial estimates, but in terms of Non-GAAP operating profit, we have decided to lower the full-year forecast of ¥4.7 billion to ¥3 billion, mainly due to a downturn in revenue caused by a gap in the revenue to net sales ratio.

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Page 7 reiterates the capital allocation policy. This is what I mentioned at the time of the previous financial results announcement, but I would like to explain it again.

The Board of Directors has decided to aim to achieve both high growth and high returns in the future as a policy for capital allocation.

In the first year of the new management structure, we will place this fiscal year as a preparatory period for making steady investments in the medium to long term growth strategies for the next few years.

From the perspective of growth investment, we will invest in organic growth and the creation of new businesses, and aggressively conduct M&A in each area of the Digital Marketing Business. However, as we do not anticipate large-scale and specific investment projects in the current fiscal year, we increase the weight of shareholder returns.

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08 FY2024 Year-End Dividend Forecast

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In positioning FY2024 as a preparatory period for strategic growth investments in the coming years, and considering the profit-boosting effect from the gain on the sale of subsidiary shares, the Company will distribute the full ¥6.5 billion as dividends as previously announced, in order to promote balance sheet management.

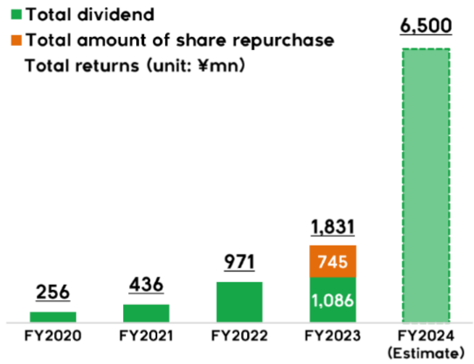
Shareholder Return Policy in FY2024

Total dividend amount of ¥6.5 billion
(dividend payout ratio 126.2%)
(incl. gain on sale of investments in subsidiaries)

FY2024 Year-End Dividend Forecast

	Forecast	Previous year results
Dividend per share	¥31.35	¥5.20

Total Shareholder Returns Trend



On page 8, I would like to once again explain the year-end dividend for the current fiscal year.

As I mentioned at the time of the previous financial results announcement, in order to realize medium-to long-term business growth, the current fiscal year has been positioned as a preparatory period for strategic growth investment.

Furthermore, in the current fiscal year, the gain on the sale of subsidiary shares was recorded, thereby boosting profit.

For these reasons, in order to promote appropriate balance sheet management, we have decided to return the entire previously forecasted profit of ¥6.5 billion to shareholders as dividends.

As disclosed in the timely disclosure today, we announced a downward revision to our earnings estimates, but we have left the year-end dividend forecast unchanged at the previous forecast of ¥31.35. In the previous fiscal year, we acquired treasury shares in addition to the dividend increase, and the total return amount was around ¥1.8 billion. In the current fiscal year, we plan to return ¥6.5 billion to our shareholders, a 3.5-fold increase from that amount.

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02

Consolidated Cumulative Third Quarter Earnings Overview

Next, I move on to the second item on the agenda, a summary of the cumulative 3Q.

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10 FY2024/3Q (Jan-Sep) Highlights
(After reclassification of discontinued operations)

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- Net sales reached a record high,* driven by the Marketing Communication Area.
- Revenue increased YoY, despite a decline in the revenue to net sales ratio.
- Personnel expenses increased due to base pay raises implemented in April 2023 and new graduate hires, resulting in a profit decrease in cumulative 3Q.

		Value	YoY
Revenue		¥20,887mn	+2.7%
Non-GAAP operating profit		¥2,253mn	-15.2%
Profit attributable to owners of parent		¥4,271mn	+95.4%
Earnings per share (EPS)		¥20.60	+¥10.12
[Reference]	Net sales	¥108,883mn	+8.1%
	Revenue to net sales ratio	19.2%	-1.0Pt

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

Page 10 is a consolidated financial highlight for the cumulative 3Q.

Net sales totaled approximately ¥109 billion, a record high for the cumulative 3Q, driven by the Marketing Communication Area.

Compared with the previous fiscal year, the revenue to net sales ratio declined by 1pt, but revenue increased by 2.7%, to approximately ¥20.9 billion.

On the other hand, expenses increased primarily due to investments in human capital, resulting in Non-GAAP operating profit landing at approximately ¥2.3 billion.

Cumulatively for 3Q, this is a decline of around 15% compared to the previous year.

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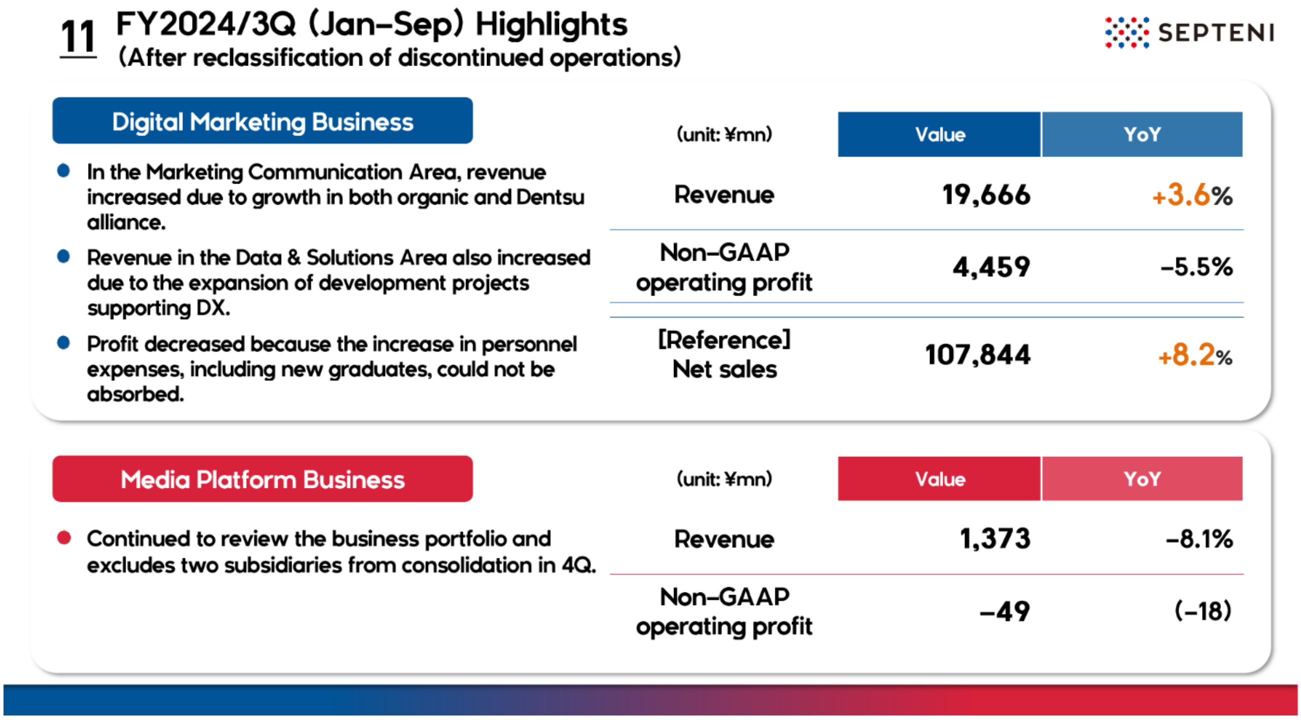

Page 11 is a financial highlight by segment for the cumulative 3Q.

In the Digital Marketing Business, revenue increased by 3.6% to approximately ¥19.7 billion and Non-GAAP operating profit decreased by 5% to approximately ¥4.5 billion. On the other hand, net sales increased by 8.2% YoY to ¥107.8 billion.

In 2024, we forecast that the market growth rate for online advertising will be in the range of 6% to 8%, so we believe that we are making a slight outperformance in market growth.

The Digital Marketing Business has been divided into three new business areas from the current fiscal year. While I will cover the conditions of each area in detail in the later segment section, the Marketing Communication Area, which mainly focuses on the digital advertising operations, is the main contributor to growth.

In the Media Platform Business, revenue decreased, and the loss increased. Revenue decreased to approximately ¥1.4 billion and Non-GAAP operating loss was ¥50 million.

In the Media Platform business, as announced at the time of the previous financial results announcement, we have reviewed our business portfolio and decided to exclude two companies from consolidation in the ongoing 4Q. We will continue to optimize costs.

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12 FY2024/3Q (Jan–Sep) Consolidated Income Statement
(After reclassification of discontinued operations)

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Profit attributable to owners of parent and EPS significantly increased due to the boost from the gain on sale of shares related to the partial share transfer of COMICSMART INC. recorded in 1Q.

(unit: ¥mn)	3Q/FY2024 (Jan–Sep)			Jan–Sep 2023	
	Value	Ratio	YoY	Value	Ratio
Revenue	20,887	100.0%	+2.7%	20,334	100.0%
Gross profit	16,518	79.1%	+2.3%	16,141	79.4%
SG&A expenses	14,336	68.6%	+5.8%	13,548	66.6%
Non-GAAP operating profit	2,253	10.8%	-15.2%	2,656	13.1%
Operating profit	2,192	10.5%	-14.4%	2,559	12.6%
Equity in earnings of affiliates	915	4.4%	+28.6%	712	3.5%
Profit from continuing operations	2,051	9.8%	-19.1%	2,536	12.5%
Profit from discontinued operations	2,210	10.6%	—	-380	—
Profit attributable to owners of parent	4,271	20.4%	+95.4%	2,186	10.8%
[Reference] Net sales	108,883	—	+8.1%	100,741	—

The performance of the IP Platform Business have been reclassified as discontinued operations in January-September 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 each quarter.

Page 12 shows the consolidated income statement for the cumulative 3Q.

In the above highlights, I explained that revenue increased, and profit decreased in cumulative 3Q. I would like to supplement the items below operating profit here as well.

Equity in earnings of affiliates has accumulated a cumulative total of about ¥920 million, an increase of about 30% from the previous fiscal year. In addition, the gain on the sale of partial shares of COMICSMART INC., which was recorded in 1Q, was recorded in profit from discontinued operations at ¥2.2 billion.

As a result, profit attributable to owners of parent was about ¥4.3 billion, a nearly double increase from the previous fiscal year.

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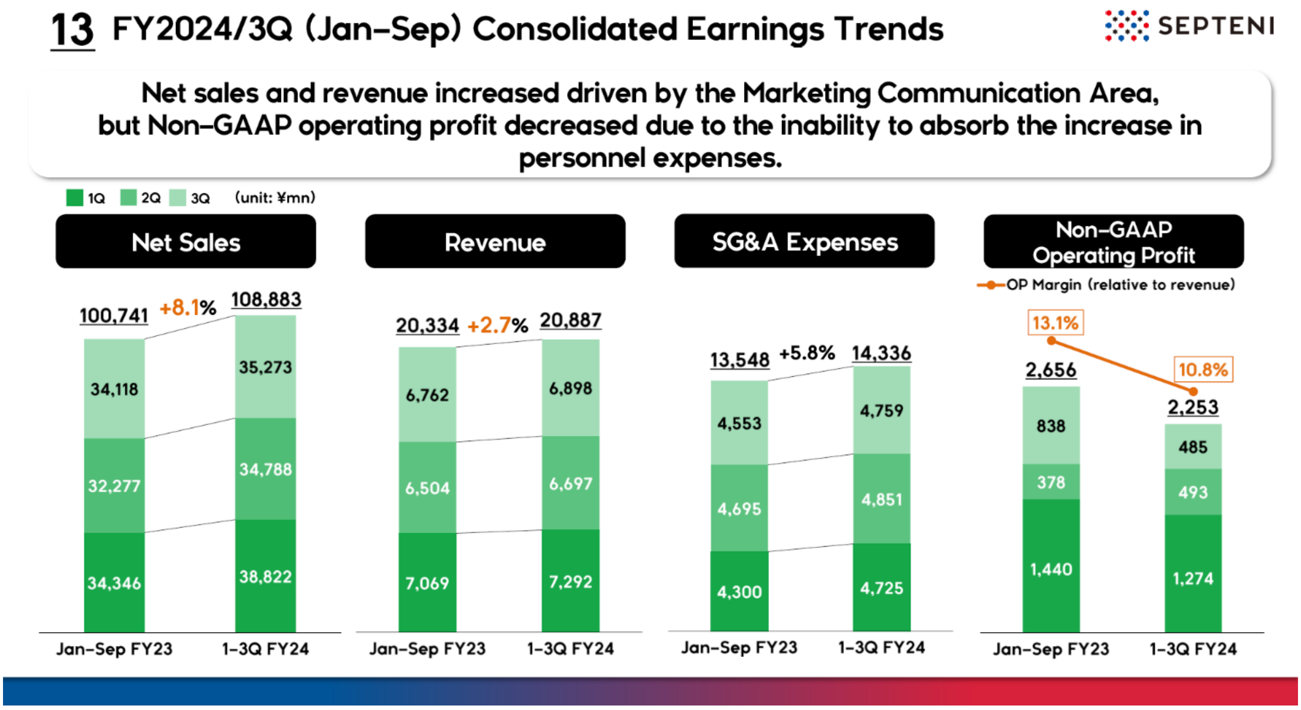

Page 13 shows a slide showing the cumulative 3Q performance.

While net sales and revenue increased YoY, profit declined due to factors such as an increase in SG&A expenses, mainly personnel expenses.

Looking at Non-GAAP operating profit on a quarterly basis, we see a trend of decreased profit in 1Q, increased profit in 2Q, and a decline again in 3Q.

Through further top-line growth, improved profitability, and cost revisions, we intend to aim for an increase in profit from the next fiscal year onward.

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03

Quarterly Consolidated Earnings Overview

I move on to the third agenda item, a financial summary for 3Q alone.

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15 FY2024/3Q (Jul–Sep) Consolidated Income Statement
(After reclassification of discontinued operations)

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Despite the higher net sales benchmark from the previous year and the slower growth rate due to the reduction in dealings with some major clients, revenue still increased.

(unit: ¥mn)	3Q/FY2024 (Jul-Sep)			4Q/FY2023 (Jul-Sep)	
	Value	Ratio	YoY	Value	Ratio
Revenue	6,898	100.0%	+2.0%	6,762	100.0%
Gross profit	5,231	75.8%	-2.5%	5,363	79.3%
SG&A expenses	4,759	69.0%	+4.5%	4,553	67.3%
Non-GAAP operating profit	485	7.0%	-42.1%	838	12.4%
Operating profit	450	6.5%	-45.2%	822	12.2%
Equity in earnings of affiliates	144	2.1%	-54.1%	313	4.6%
Profit from continuing operations	270	3.9%	-67.0%	817	12.1%
Profit from discontinued operations	—	—	—	-86	—
Profit attributable to owners of parent	266	3.9%	-63.9%	738	10.9%
[Reference] Net sales	35,273	—	+3.4%	34,118	—

The performance of the IP Platform Business have been reclassified as discontinued operations in FY2023/4Q results.
In FY2024/3Q, it is recorded in equity in earnings of affiliates based on the Company's equity as of the end of the quarter.

Page 15 shows a summary of the consolidated financial results for the July-September period.

Revenue increased by 2.0% YoY to ¥6.9 billion and Non-GAAP operating profit decreased to ¥485 million.

The shift from profit growth in 2Q to a decline in 3Q can be attributed to a slower net sales growth compared to 1Q and 2Q. This was impacted by a reduction in transactions with some major clients in the Marketing Communication Area, along with continued ad spending reductions in certain industries within the Direct Business Area.

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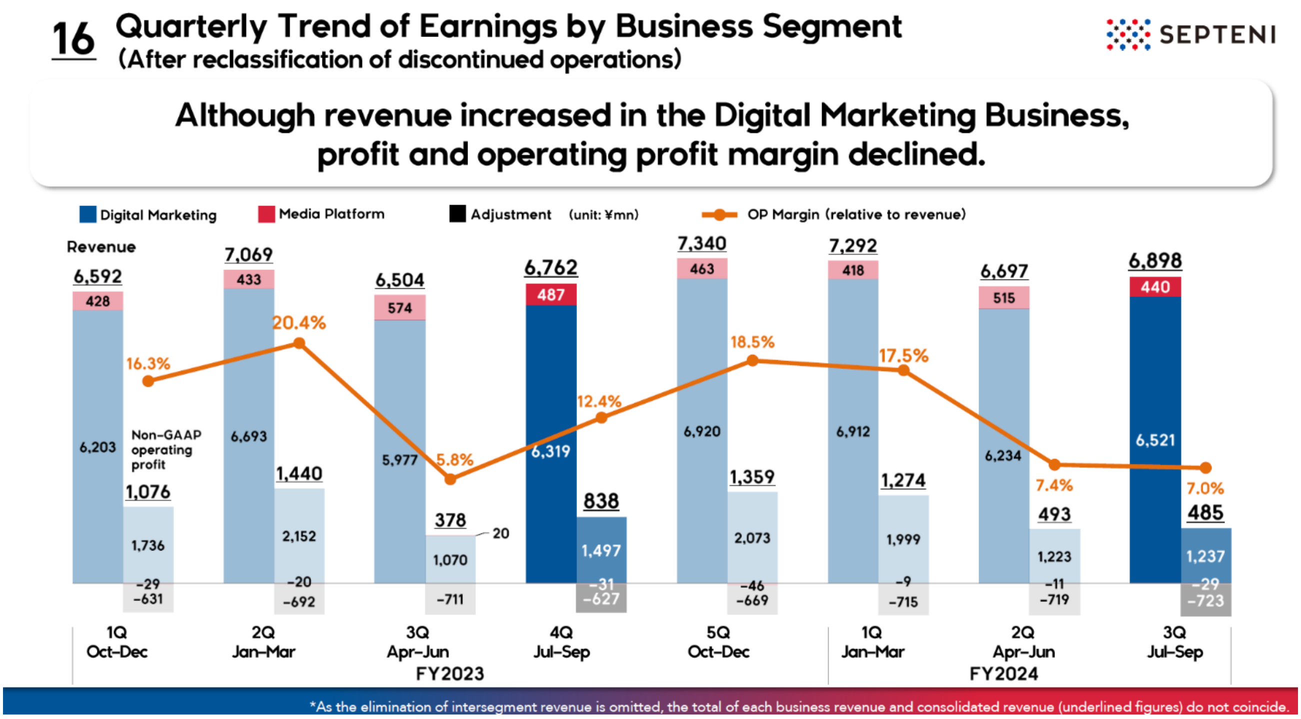

Page 16 is quarterly performance trends by segment.

Revenue in the Digital Marketing Business increased, but profit declined YoY, and the operating profit margin declined by about 5pt.

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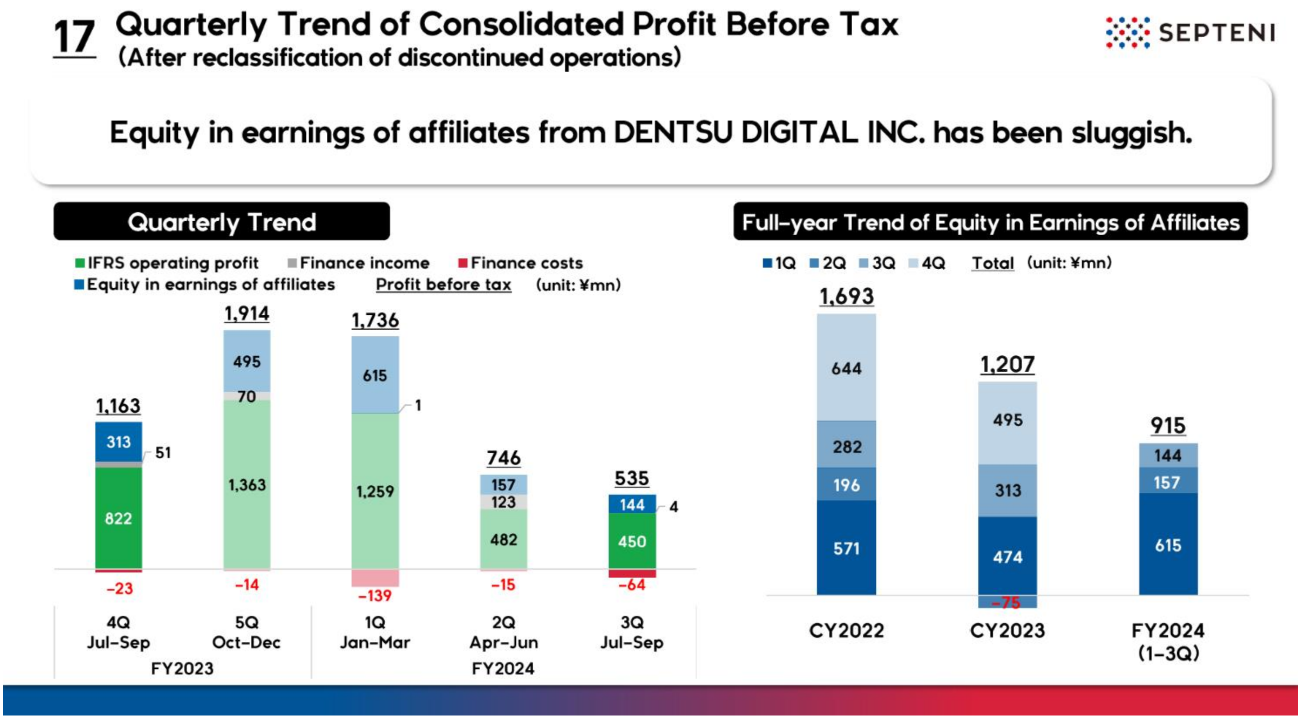

Page 17 is the breakdown to profit before tax and cumulative trend in equity in earnings of affiliates.

The chart on the left shows the breakdown up to profit before tax. In 3Q, due to a decrease in IFRS operating profit and equity in earnings of affiliates, profit before tax was halved compared to the previous fiscal year.

On the other hand, the graph on the right shows the cumulative total of equity in earnings of affiliates. Compared to the cumulative total of approximately ¥700 million for 3Q FY2023, this figure has increased to ¥900 million for FY2024, representing a YoY increase of slightly less than 30%.

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

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In addition to an increase in subcontract costs for creative production, personnel expenses and other SG&A expenses increased due to an increase in the number of employees.

(unit: ¥mn)	FY2023					FY2024			QonQ	YonY
	1Q Oct-Dec	2Q Jan-Mar	3Q Apr-Jun	4Q Jul-Sep	5Q Oct-Dec	1Q Jan-Mar	2Q Apr-Jun	3Q Jul-Sep		
Total of cost of sales	1,232	1,370	1,424	1,400	1,374	1,310	1,392	1,668	+19.8%	+19.1%
Labor costs	393	408	453	442	439	422	443	430	-2.9%	-2.7%
Subcontract costs	545	659	623	650	596	592	606	932	+53.9%	+43.5%
Others	294	303	349	308	339	296	343	305	-11.1%	-0.9%
Total of SG&A expenses	4,329	4,300	4,695	4,553	4,623	4,725	4,851	4,759	-1.9%	+4.5%
Labor costs *1	2,878	2,892	3,248	3,154	3,149	3,227	3,334	3,236	-2.9%	+2.6%
Employee bonuses *2	147	155	148	195	204	177	130	156	+20.1%	-19.7%
Rent expenses etc.	293	284	297	294	295	266	266	267	+0.3%	-9.2%
Advertising expenses	160	124	154	164	157	180	198	193	-2.4%	+17.7%
Taxes and dues	105	105	97	61	97	104	102	102	-0.4%	+67.6%
Others	747	740	751	685	721	772	820	804	-1.9%	+17.5%

*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 18 shows changes in consolidated cost of sales and SG&A expenses.

With regard to cost of sales, subcontract costs related to creative production increased mainly in the Direct Business Area and Marketing Communication Area.

As for SG&A expenses, the number of employees increased by about 120 YoY, and this increase was mainly attributable to increases in personnel expenses and other system expenses, etc.

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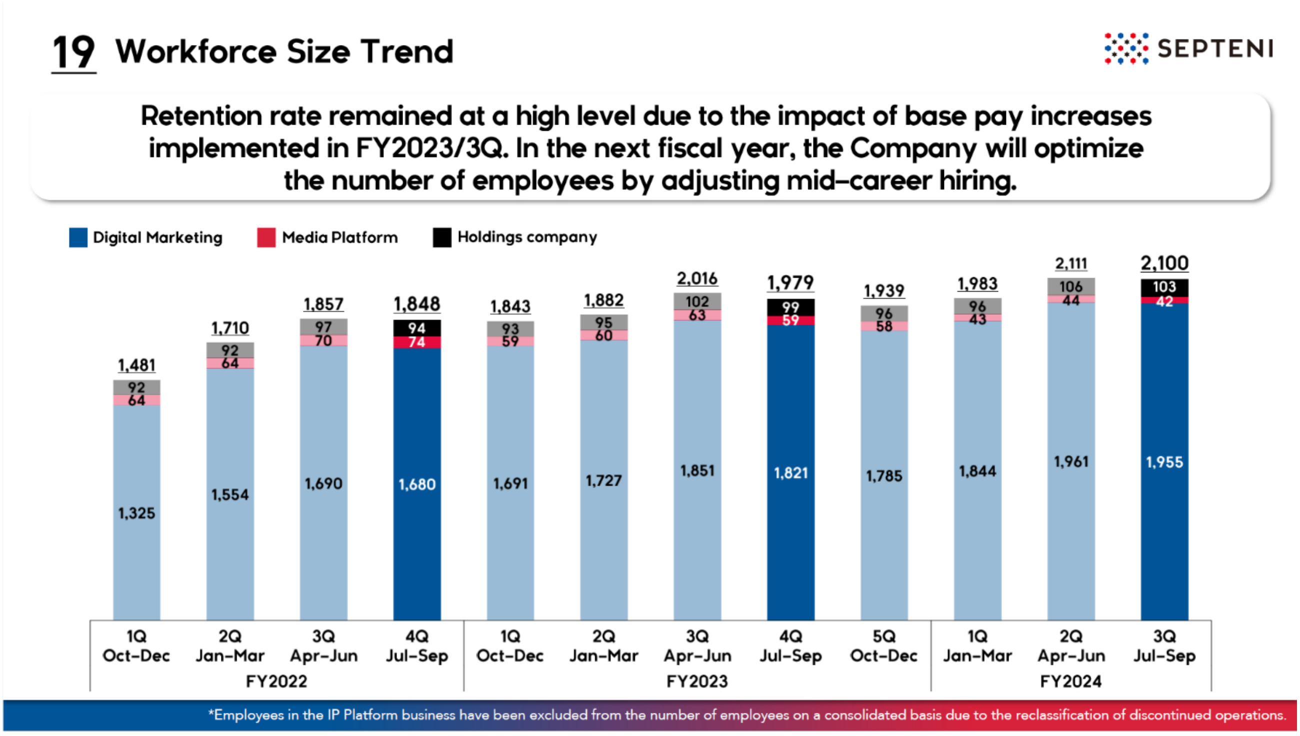

Page 19 is the changes in the number of employees on a consolidated basis.

The retention rate has remained at a high level since the reinforcement of human capital investment was implemented in April last year.

In light of this situation, we have begun to make adjustments for mid-career recruitment. Furthermore, with regard to the personnel plan for the next fiscal year, we plan to redeploy personnel within the Group more appropriately. In addition, we intend to proceed with a policy of flexibly adopting new hires, including mid-career hires, in line with the pace of business growth.

In line with this policy, we plan to reduce the number of new graduates hires in April next year compared to this year.

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04

Digital Marketing Business

Next, I move on to the fourth agenda item. The following pages provide an overview of our performance by business segment.

First is the Digital Marketing Business.

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21 Digital Marketing Business Earnings Overview

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Although the revenue to net sales ratio improved by 0.6 points QoQ, the reduction in dealings with some major clients led to a slowdown in net sales growth and a decrease in profit.

(unit: ¥mn)		3Q/FY2024 (Jul-Sep)			4Q/FY2023 (Jul-Sep)	
		Value	Ratio	YoY	Value	Ratio
Revenue		6,521	100.0%	+3.2%	6,319	100.0%
Gross profit		4,929	75.6%	-1.7%	5,012	79.3%
SG&A expenses		3,703	56.8%	+4.9%	3,529	55.8%
Non-GAAP operating profit		1,237	19.0%	-17.4%	1,497	23.7%
[Reference]	Net sales	34,944	—	+3.5%	33,772	—
	Revenue to net sales ratio	—	18.7%	±0.0Pt	—	18.7%
	OP margin (relative to net sales)	—	3.5%	-0.9Pt	—	4.4%

Page 21 is an overview of the results of the Digital Marketing Business.

Revenue increased by 3.2% to ¥6.52 billion and Non-GAAP operating profit decreased by 17% to ¥1.24 billion.

Net sales were ¥34.9 billion, up 3.5% YoY. A slowdown in the growth rate in net sales and an increase in SG&A expenses resulted in a decrease in profit.

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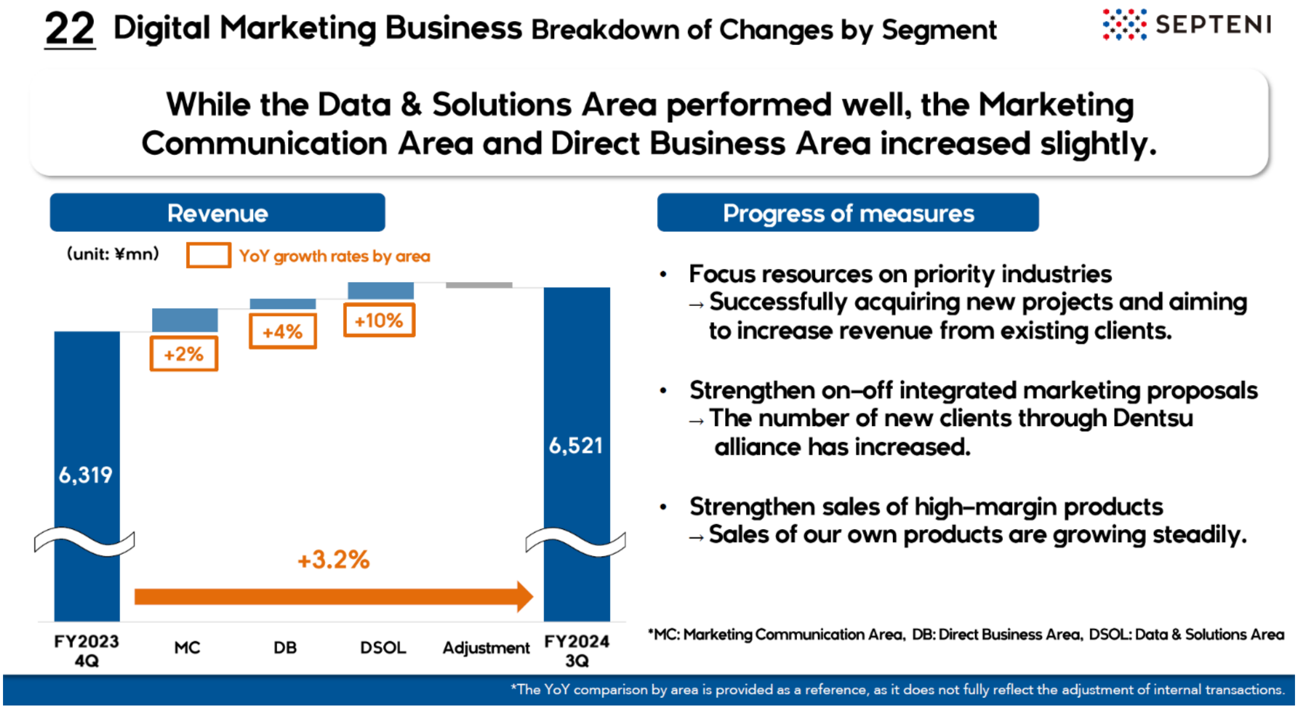

Page 22 is a slide to provide an overview of conditions in each area of the Digital Marketing Business.

This slide is an additional material from this fiscal year. As the adjustment of internal transactions is not fully reflected, the actual amounts for each area are not disclosed, but a waterfall graph shows the YoY change in revenue.

The segment as a whole saw an increase of 3.2% in revenue. The Marketing Communication Area, the core of our group, saw a somewhat weak quarter, growing by 2% YoY.

In the Direct Business Area, although some industries continue to hold back on advertising expenditures, we have reversed the revenue momentum in 3Q to a 4% increase by expanding new transactions in other industries.

In the Data & Solutions Area, revenue rose 10% YoY due to an increase in development project supporting DX.

The right side of the slide shows measures for the growth of each area. We will continue to focus resources on priority industries, strengthen on-off integrated marketing proposals, and strengthen sales of high-margin products.

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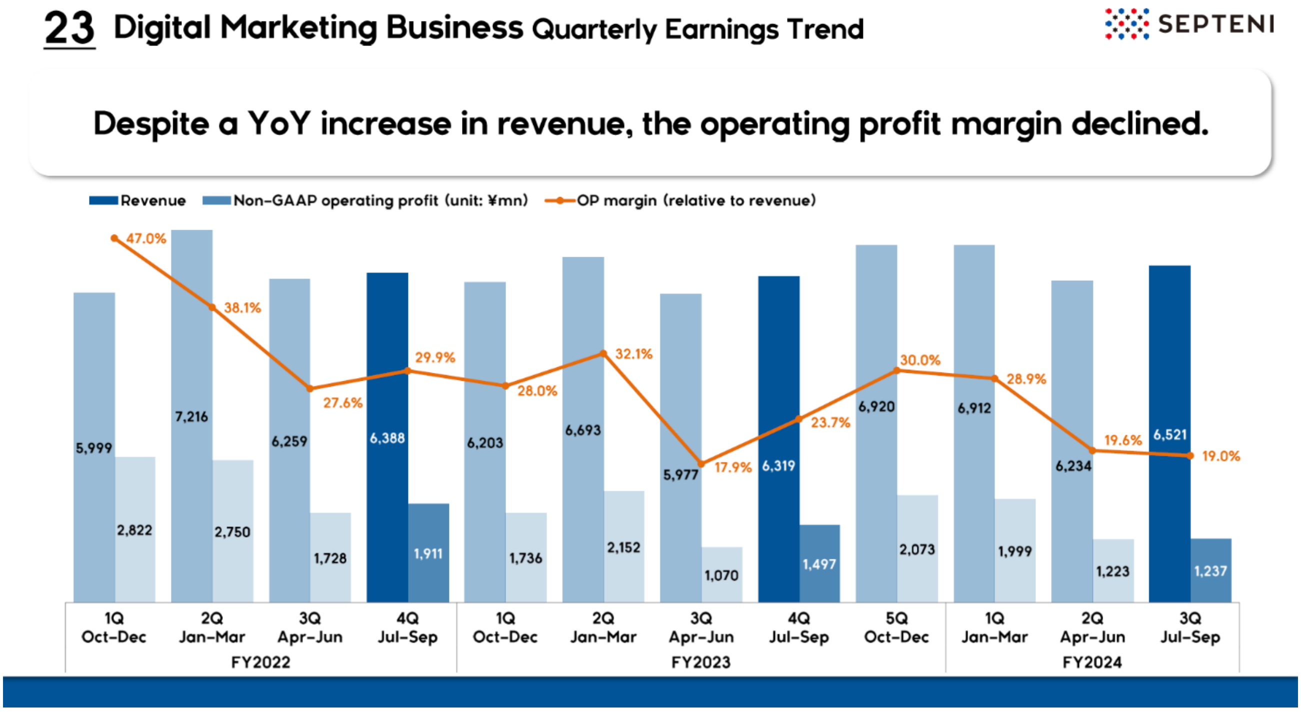

Page 23 shows the quarterly performance of the Digital Marketing Business.

The dark blue bars represent previous periods comparable to the current 3Q. While revenue has been growing, the operating profit margin has continued to decline.

As I mentioned earlier, we will continue to work to improve productivity and operating margin by implementing cost optimization, such as restraining the number of new hires and reallocating existing personnel.

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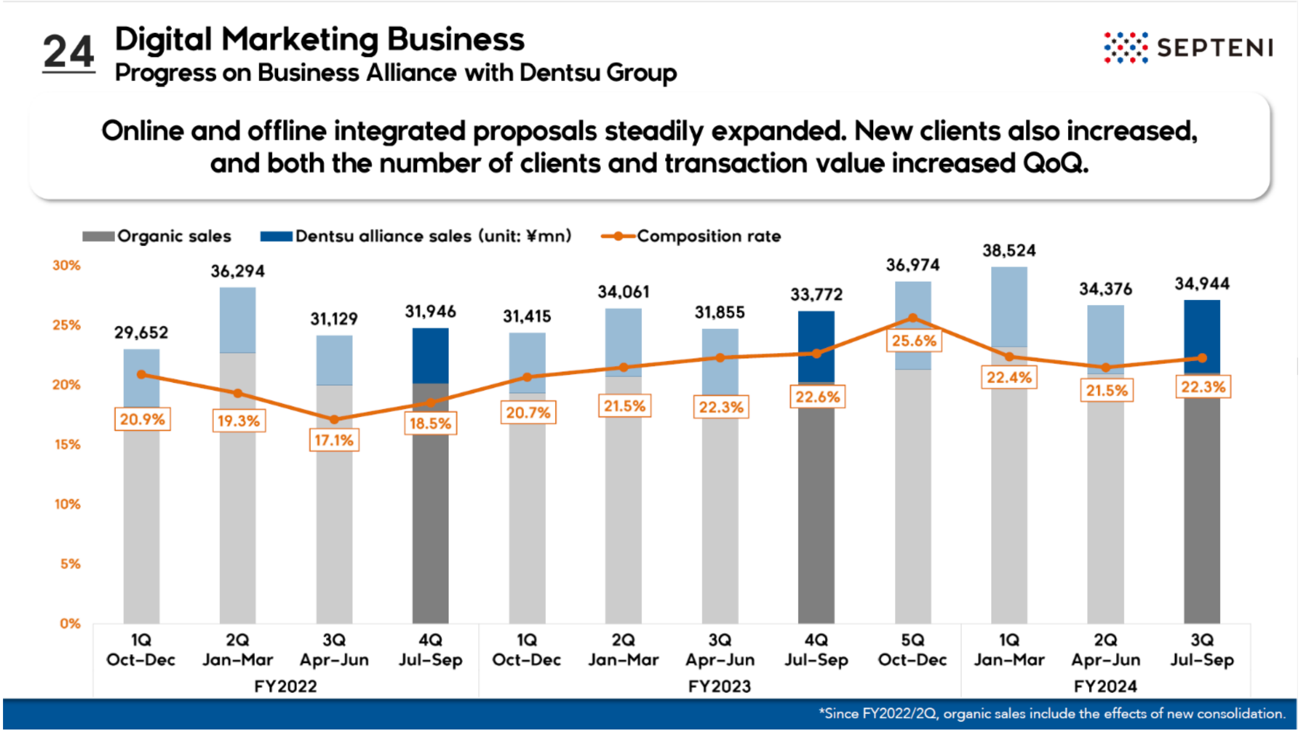

Page 24 shows the progress of collaboration with the Dentsu Group.

In 3Q, the transaction volume and the number of clients for the Dentsu Alliance both increased YoY and QoQ. In particular, integrated proposals are steadily expanding through the combination of offline advertising, which is the strength of the Dentsu Group, and online advertising, which is the strength of our group.

The gap between the win rate between proposals that include only online advertising and those that integrate both offline advertising, such as TV, and online advertising has become approximately twofold since the beginning of this fiscal year. This indicates a growing demand from clients for integrated online and offline marketing.

While the Dentsu Group as a whole has a higher proportion of clients focused on branding, we are characterized by our strength in the performance area, often referred to as acquisition budgets, and by having front-end functions that allow us to make direct proposals to clients.

By collaborating with the Dentsu Group, which has an overwhelming share in the branding area, and the Septeni Group, which is strong in the performance area, we aim to better meet the expectations of our clients.

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05

Media Platform Business

Next is the fifth agenda item, the explanation of the Media Platform Business.

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

SEPTENI

Revenue decreased in Childcare Platform Business and Social Contribution Platform Business. Losses steadily narrowed as a result of cost revisions.

(unit:¥mn)	3Q/FY2024 (Jul-Sep)			4Q/FY2023 (Jul-Sep)	
	Value	Ratio	YoY	Value	Ratio
Revenue	440	100.0%	-9.8%	487	100.0%
Gross profit	359	81.7%	-8.5%	392	80.5%
SG&A expenses	388	88.2%	-8.4%	424	86.9%
Non-GAAP operating profit	-29	—	+2	-31	—

Page 26 shows an overview of the results of the Media Platform Business.

As for 3Q, the Childcare Platform Business and the Social Contribution Platform Business recorded lower revenue. At the same time, we are currently working to optimize costs, and we have been able to reduce the loss, albeit only slightly, despite a decline in revenue.

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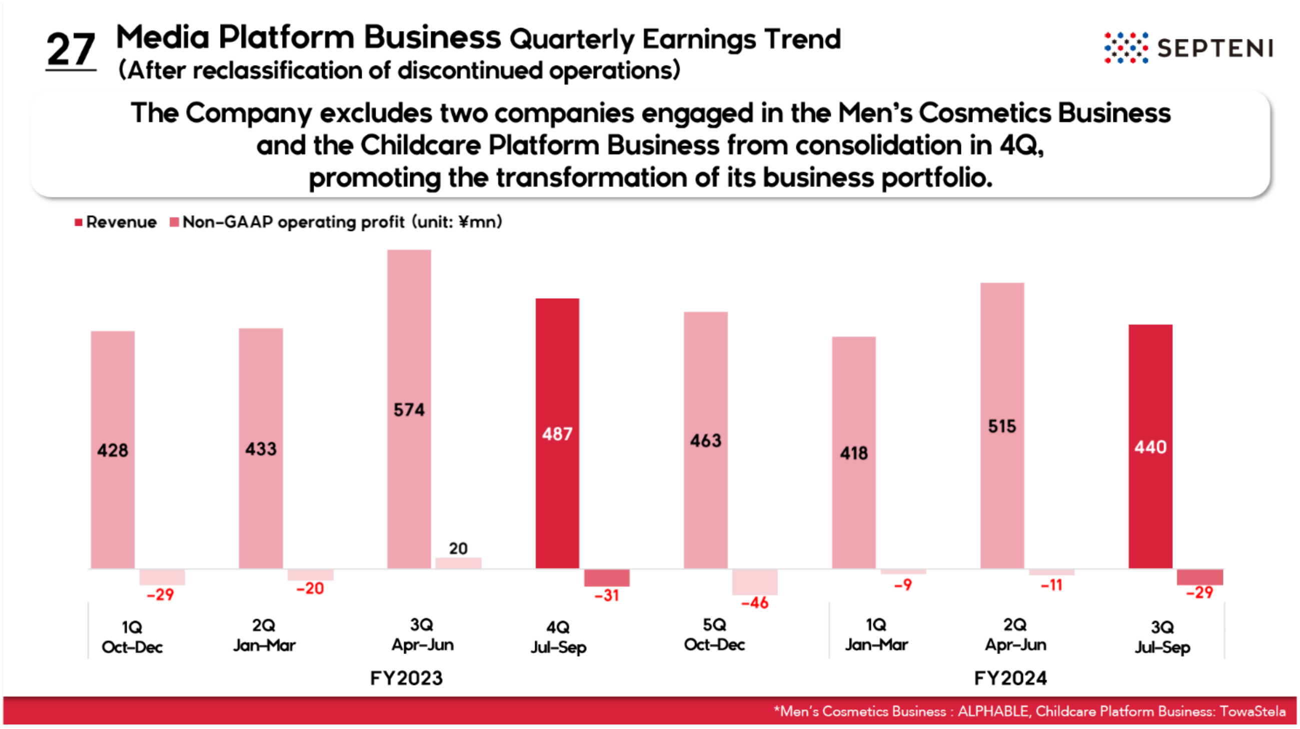

Page 27 shows the quarterly performance of the Media Platform Business.

In 3Q, revenue decreased YoY and the loss narrowed slightly.

In the Media Platform Business as well, we plan to continue to implement the reorganization within the Group and consolidation and closure from the next fiscal year onwards in line with the business continuity criteria, as we have been proceeding from the current fiscal year.

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06

Progress of Earnings Estimates

Finally, this is the sixth agenda item. I will explain the progress made in relation to the revised estimates.

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29 Revision of Full Year Earnings Estimates for FY12/2024 (Consolidated)

SEPTENI

While net sales are expanding, the revenue to net sales ratio and productivity have declined, leading to a widening gap between the initial forecasts for revenue and Non-GAAP operating profit. As a result, the earnings forecast has been revised downward.

(unit: ¥mn)	Previous forecast (A)	Revised forecast (B)	Change (B–A)	Change (B/A・%)	CY2023 results[*1] (C)	YoY (B/C・%)
Revenue	31,000	28,100	–2,900	–9.4%	27,674	+1.5%
Non-GAAP operating profit	4,700	3,000	–1,700	–36.2%	4,016	–25.3%
Profit attributable to owners of parent	6,500	5,150	–1,350	–20.8%	3,736	+37.8%
Earnings per share (¥) (EPS)	31.35	24.84	–6.51	–	17.97[*2]	(+6.87)
[Reference] Net sales	150,000	146,200	–3,800	–2.5%	138,036	+5.9%
[Reference] Revenue to net sales ratio	20.7%	19.2%	–1.4Pt	–	20.0%	(–0.8Pt)
Dividend per share (¥)	31.35	31.35	–	–	–	–
Dividend payout ratio	100%	126.2%	–	–	–	–

*1 The performance of the IP Platform Business have been reclassified as discontinued operations. *2 Calendar year EPS is for reference only.

On page 29, we have reiterated the revised earnings estimates for FY2024.

Again, the revised estimates are for revenue of ¥28.1 billion, Non-GAAP operating profit of ¥3 billion, and profit attributable to owners of parent of ¥5.15 billion.

The dividend per share remains unchanged at ¥31.35.

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30 Revision of Full Year Earnings Estimates for FY12/2024 (By business segment)

SEPTENI

In the Digital Marketing Business, the improvement in the revenue to net sales ratio is ongoing, but in the current fiscal year the Company has been unable to absorb the increase in expenses, and in the Media Platform Business, due in part to the impact of the review of the business portfolio, both segments were revised downward.

(unit: ¥mn)	Revenue					Non-GAAP operating profit				
	Previous estimates	Revised estimates	Change (%)	CY2023 results*	YoY	Previous estimates	Revised estimates	Change (%)	CY2023 results*	YoY
Digital Marketing	28,900	26,600	-8.0%	25,908	+2.7%	7,500	6,100	-18.7%	6,791	-10.2%
Media Platform	2,300	1,700	-26.1%	1,958	-13.2%	10	-90	(-100)	-77	(-13)
Elimination or corporate	-200	-200	-	-192	-	-2,810	-3,010	-200	-2,698	(+312)
Consolidated	31,000	28,100	-9.4%	27,674	+1.5%	4,700	3,000	-36.2%	4,016	-25.3%

*The performance of the IP Platform Business have been reclassified as discontinued operations.

Page 30 is the revised earnings estimates for each segment.

In the Digital Marketing Business, the decline in the revenue to sales ratio has had an impact, and the increase in costs such as human capital investment could not be absorbed. As a result, revenue is expected to decrease by approximately 8% from the initial estimate, and Non-GAAP operating profit is expected to deviate by 18.7%.

In addition, although we were able to secure an increase in revenue compared to the results of the previous fiscal year, we expect Non-GAAP operating profit to decline by around 10%.

In the Media Platform Business, due in part to the impact of a review of the business portfolio, revenue is expected to decline by about 26% from the initial estimate and Non-GAAP operating loss is expected to expand by about ¥100 million.

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This is the final page, and page 31 shows progress toward the revised estimates.

Revenue has progressed to 74%, Non-GAAP operating profit to 75%, and profit attributable to owners of parent to 83%.

With two months remaining in the current fiscal year, we are preparing for the next fiscal year while aiming to establish a consistent trend of increased revenue and profit. We also plan to actively pursue growth investments moving forward.

That concludes my explanation of the cumulative 3Q financial results. Although we have revised our earnings estimates for FY2024, we are currently making various preparations for growth in the coming fiscal years. We will inform our shareholders and investors as soon as we are able to provide further updates. We appreciate your continued support for our group.

Thank you very much for today.

[END]

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