

For Immediate Release

Company name: SEPTENI HOLDINGS CO., LTD.  
 Representative: Representative Director, Group President and Chief Executive Officer  
 Koki Sato  
 (JASDAQ code: 4293)

**Notice of: Capital and Business Alliance with Dentsu Group Inc.;**  
**Acquisition of 100% Ownership of Dentsu Direct Inc. through Share Exchange;**  
**Issue of New Shares through Third-Party Allotment to Dentsu Group Inc.;**  
**Partial Acquisition of Shares (Conversion into Equity-Method Affiliate) of Dentsu Digital Inc.;**  
**and Changes in Parent Company and in Subsidiaries**

Septeni Holdings Co., Ltd. ("Company") announces that the Board of Directors at a meeting held today resolved to conclude a capital and business alliance agreement ("Capital and Business Alliance Agreement" and the capital and business alliance based on this agreement will be referred to as the "Capital and Business Alliance") with the Dentsu Group, Inc., as described below in "I. Regarding the Capital and Business Alliance Agreement."

In addition, at the meeting of the Board of Directors held today, based on the Capital and Business Alliance Agreement, the Company concluded a share exchange agreement ("Share Exchange Agreement") with Dentsu Direct Inc. (Dentsu Direct), a wholly-owned subsidiary of Dentsu Group Inc., to exchange shares by making the Company a wholly-owning parent company and making Dentsu Direct a wholly owned subsidiary, as described in "II. Regarding the Share Exchange" ("Share Exchange"). The Company also concluded to issue new shares through a third-party allotment ("Third-Party Allotment") to Dentsu Group Inc. as an underwriter, as described in "III. Issuance of New Shares through Third-Party Allotment," and a share transfer ("Share Transfer"; collectively with the Share Exchange and the Third-Party Allotment, hereinafter referred to as the "Transaction") agreement with Dentsu Group Inc. to acquire a portion (25%) of the common shares of Dentsu Digital Inc. ("Dentsu Digital") held by Dentsu Group Inc. as described in "I. 2. (4) Matters Related to the Share Transfer." As described in "I. 1. Purposes and Reasons of the Capital and Business Alliance" below, the Dentsu Group, Inc. aims to make the Company a consolidated subsidiary of the Dentsu Group, Inc. through this Transaction, but do not intend to delist the Company's shares, and its policy is to continue to maintain the listing of the shares on the Tokyo Stock Exchange, Inc. ("TSE") JASDAQ (Standard) after this Transaction.

In addition, in connection with this Transaction, the Company expects a change in the parent company and a change in the subsidiaries, so it is announced as well. As a result of the Share Transfer, Dentsu Digital will become an equity-method affiliate of the Company.

## **I. Regarding the Capital and Business Alliance Agreement**

### **1. Purposes and Reasons of the Capital and Business Alliance**

In October 1990, the Company was established as Sub & Liminal Co., Ltd. with the aim of providing personnel recruiting consulting services in Shibuya, Tokyo, and launched a direct marketing business (DM business), which provides outsourcing services centered on corporate direct mail and other shipping agency services in October 1993. The Company changed the trade name to Septeni Co., Ltd in March 2000 and began the Internet advertising business in April 2000. On August 9, 2001, the Company registered its stock on the over-the-counter market operated by the Japan Securities Dealers Association (the JASDAQ exchange was reorganized into JASDAQ Stock Exchange, Inc.). Along with the Osaka Securities Exchange ("OSE")'s making the JASDAQ Securities Exchange into its subsidiary, and the integration of the TSE and the OSE, the Company is currently listed on the TSE's JASDAQ (Standard) exchange. Subsequently, in October 2006, the Company shifted to a holding company structure and changed its trade name to Septeni Holdings Co., Ltd., and the Internet advertising business was transferred to Septeni Co., Ltd. by an incorporation-type company demerger, and the DM business to Septeni Direct Marketing Co., Ltd., established in April 2006, through an absorption-type company demerger. In February 2013, the Company established COMICSMART, Inc. and launched the Manga Content Business, and in October 2014, the Company transferred all shares of Septeni Direct Marketing Co., Ltd. and sold the DM business. In October 2018, the Company concluded a capital and business alliance agreement with Dentsu Group Inc., pursuant to which a tender offer for share certificates of the Company was subsequently carried out by Dentsu Group Inc. making the Company an equity-method affiliate of Dentsu Group Inc. based on the premise that the Company would remain listed. Through these measures, the Company has been promoting a comprehensive business alliance to date with the aim of becoming the largest digital marketing partner in Japan to drive the development of the industry by providing the best solutions to clients (not only advertisers and media, but also companies and consumers

facing various challenges) in an environment where people with diverse talents can work together with full job satisfaction.

As of the date of this report, the Company has 37 consolidated subsidiaries, 6 equity-method affiliates (affiliated companies and joint operations), and 1 other affiliated company in the group (hereinafter referred to as the "Company Group"). The Company operates its business mainly in two business segments: The Digital Marketing Business and the Media Platform Business. Since its founding in 1990, the Company Group has worked to increase its corporate value and consequently the common interests of the shareholders by promoting management that focuses on human resources, based on its corporate motto of "Hinerankai (think outside the box)," and considering a corporate culture and environment that brings passionate and outstanding human resources with rich entrepreneurship and such human resources as the greatest source of the Company Group's corporate value. The Company has worked to grow existing businesses and create new businesses based on this philosophy.

On the other hand, as of June 30, 2021 Dentsu Group Inc. constitutes a corporate group comprising Dentsu Group Inc., 969 consolidated subsidiaries and 90 equity-method affiliates (the corporate group is hereinafter referred to as the "Dentsu Group"). The Dentsu Group has promoted its business in its domestic and overseas business segments in accordance with its group vision of "an invitation to the never before." Dentsu Japan Network, which covers the group's domestic businesses, speeds up its evolution into an "Integrated Growth Partner," a true partner committed to the sustainable growth of its clients and society, in response to its client companies' demand for a partner that is capable of solving complicated challenges together and keeping running together for business innovation and growth. Dentsu International, which covers the group's overseas businesses, promotes the thorough simplification of business structure in order to accomplish a transformation into a network that provides the world's most integrated media and digital marketing communication services. Dentsu International also provides expert knowledge, goods and services, and the industry's top-level consumer insights by organizing optimal teams for client companies. The Dentsu Group intends to strive to increase the value of all stakeholders by continuing to bring new values to society through the business growth of its client companies in both domestic and overseas businesses and by achieving sustainable growth of the Dentsu Group and its client companies and society, all as a whole.

In the digital marketing business, which is the core business of the Company Group and the focus area of the Dentsu Group, the ratio of digital advertising expenditures in Japan to total advertising expenditures continues on an upward trend, reaching 36.2% in 2020 (Source: Dentsu Inc., "Advertising Expenditures in Japan 2020"). This has created a situation where barriers between offline and online are gradually disappearing for marketing issues that clients are confronting, and there is a need for problem-solving methods to maximize the effectiveness of advertising by utilizing various data through more integrated and comprehensive approaches. In light of these circumstances, since January 2019, the Company Group and the Dentsu Group ("Two Groups") have brought together the strengths and resources of the Two Groups and promoted the expansion and deepening of business alliances while improving the value of services provided to clients. Specifically, the Company Group provided knowledge and technology in the digital marketing business to the Dentsu Group, supported the advertising management of digital marketing projects handled by the Dentsu Group, and promoted the development of new collaborative projects through integrated marketing proposals for online and offline advertising utilizing the Two Groups' client base.

In 2020, the global pandemic of the COVID-19 had a major impact on the domestic economy, and the performance of the Two Groups was also temporarily affected. On the other hand, the COVID-19 situation has resulted in a major wave of digital transformation across all industries, further increasing demand for digital marketing in the advertising industry as well.

Under this business environment surrounding the Two Groups, they continued discussions towards further expansion of growth through their business collaboration aimed at becoming Japan's largest digital marketing partner. In the course of these discussions, they reached an agreement that enhancing their capital relationship would be necessary to accelerate such business collaboration. The Two Groups thus decided to proceed to discussions on a deeper capital and business alliance between the Company and the Dentsu Group Inc., including the Company's consolidated subsidiaries, for the purpose of increasing the corporate value of both companies.

In late July 2021, the Company and Dentsu Group Inc. began full-fledged discussions on the deepening of the capital and business alliance including making the Company consolidated subsidiaries of Dentsu Group Inc. Since then, they have held multiple discussions on the synergies expected from the deepening of the capital and business alliance, and the specific methods and content of the capital and business alliance.

As a result of these discussions, the Company and Dentsu Group Inc. decided to make the Company a consolidated subsidiary of Dentsu Group, Inc. and that it would be possible to smoothly utilize the management resources of the Two Groups and promote the businesses of Two Groups under stronger cooperative relationships. Accordingly, in October 2021, the Company and Dentsu Group Inc. reached a conclusion that they should execute the Capital and Business Alliance Agreement. Considering that the differences in expertise between the Two Groups are clearly present, the Company and Dentsu Group Inc. have come to the conclusion that it is best for both companies to maintain the independence of their management as listed companies and to maintain the existing businesses of both companies and their related brands as before. (Accordingly, Dentsu Group Inc. has the right to designate one director and one (part-time) corporate auditor as described in "2. (6) Our governance, etc." below. Even after the Transaction, the majority of the directors will be independent outside directors, and regarding the management personnel of the Company Group, it has established the Nomination Advisory Committee, of which more than half members are outside directors, to ensure independence, objectivity, and accountability in the deliberation process.) In addition, the Company decided to make Dentsu Direct a wholly-owned subsidiary, which has strengths in the areas of direct advertising and mass advertising, and to make Dentsu Digital an equity-method affiliate, which has strengths in the areas of digital marketing and solutions, in

order to become the largest digital marketing partner in Japan while further accelerating business collaboration with Dentsu Group Inc. This decision was made to be desirable for further growth by expanding and strengthening the target areas of the core Digital Marketing business. Based on the above, the Company and Dentsu Group Inc. agreed that the specific procedure toward making the Company a consolidated subsidiary of Dentsu Group Inc. would be to issue new shares of the Company to Dentsu Group Inc. and to allocate the funds so raised by the Company to consummate the Share Transfer and to realize other growth strategies.

In the Digital Marketing business, the Company Group has established a competitive edge by possessing large-scale client channels, advertising management capabilities, and development capabilities in the data solution domain in the digital management-type advertising market, which is growing rapidly within the advertising market. In the Media Platform business, the Company Group has developed the Manga Content business and other new business development capabilities, as well as know-how in the recruitment and development of digital human resources through a data-driven AI personnel system as a foundation for business growth.

On the other hand, the Dentsu Group has approximately 6,000 client channels in Japan. In addition, the Dentsu Group provides integrated solutions to client companies through its planning know-how that combines mass media and digital media, the provision of digital services that go beyond media, and its business foundation that is deployed globally, and also possesses a large number of business assets that can be utilized in the domestic market.

It will be possible to provide optimal solutions to clients through the reciprocal use of the human resources of the Two Groups, which have the different attributes described above. Therefore, the Two Groups will aim to raise the value of services provided by the Two Groups and to drive the development of advertising markets through the reciprocal use of the human resources of Two Groups.

In addition, the Two Groups aim to achieve the following synergy effects by taking advantage of their respective attributes through making the Company a consolidated subsidiary of Dentsu Group Inc. and making Dentsu Direct and Dentsu Digital a wholly-owned subsidiary and an equity-method affiliate, respectively of the Company.

- (a) Aiming at enhancement of the value offered to clients, based on further deepening and accelerating the collaboration related to the integrated marketing proposals promoted by the Two Groups, expand the commercial distribution from the Dentsu Group in the Company to achieve the shared purpose.
- (b) By making Dentsu Direct a wholly-owned subsidiary, increase the presence in the direct marketing domain not only through digital but also through the acquisition of capabilities in the mass media field.
- (c) Acquire economies of scale through integration of operations and development infrastructure in digital marketing and data solutions projects and equity in earnings of affiliates through the conversion of Dentsu Digital into an equity-method affiliate.
- (d) Achieve cost synergies by sharing BPO areas, joint development, and streamlining procurement capabilities through the promotion of consolidation of the Two Groups' business bases

As described above, the two companies agreed that the implementation of this Transaction is extremely effective as a means to improve the corporate and shareholder value of each of the Two Groups. Accordingly, the Company and Dentsu Group, Inc. decided to conclude the Capital and Business Alliance Agreement and concluded that this Transaction will be implemented.

## 2. Details of the Alliance, etc.

The Company has entered into the Capital and Business Alliance Agreement with Dentsu Group Inc. on this date. The outline of the agreement based on the Capital and Business Alliance Agreement is as follows.

### (1) Purpose

The Company and the Dentsu Group Inc., through collaboration between the Two Groups, aim to become the largest digital marketing partner in Japan, driving the development of the industry by providing the best solutions to clients in an environment where people with diverse talents can work together with the joy of working.

### (2) Matters relating to the Share Exchange

The Company will conduct the Share Exchange with Dentsu Direct on January 4, 2022, and Dentsu Group Inc. will conduct the Share Exchange through Dentsu Direct. The Share Exchange Ratio for the Share Exchange shall be 3,274 shares of the Company's common stock for each share of Dentsu Direct's common stock.

(3) Matters relating to the Allocation to a Third Party

The Company allocate its shares to Dentsu Group Inc. through a Third-Party Allotment of shares under the following conditions after necessary procedures based on laws and regulations, etc., and the Dentsu Group, Inc. undertakes this.

- ① Class and number of shares offered: the total of 70,118,794 shares of the Company (70,118,794 new issued shares)
- ② Paid-in amount: ¥465 per share
- ③ Total amount paid: ¥32,605,239,210
- ④ Payment date: January 4, 2022

(4) Matters related to the Share Transfer

On January 4, 2022, Dentsu Group, Inc. will transfer 3,675 shares of common stock of Dentsu Digital held by it to the Company, and the Company will accept them.

(5) Scope of the alliance

The Company and the Dentsu Group Inc. will form the following business alliance in this Capital and Business Alliance.

- ① Collaboration between the Dentsu Group and Septeni Co., Ltd.  
To strengthen the digital advertising domain of the Company and Dentsu Group Inc., they will build a framework for the transfer of employees of Dentsu Inc. to the Company Group. At the same time, in the digital advertising domain of the Dentsu Group, the Dentsu Group will increase the percentage of projects that will be handled by Septeni Co., Ltd, and aims to increase sales at Septeni Co., Ltd.
- ② Collaboration between Dentsu Digital and the Company Group  
Dentsu Group Inc. and the Company shall implement the following measures Dentsu Digital and Septeni Japan Inc., FLINTERS, Inc., MANGO Inc. and Septeni Ad Creative Inc.
  - (a) Strengthening Dentsu Digital's development system by supporting development of Dentsu Digital by FLINTERS, Inc.
  - (b) Deepening the Group strategic client response and sales collaboration.
  - (c) Cooperation between Dentsu Digital and MANGO Inc. and Septeni Ad Creative Inc. as operational support
- ③ Collaboration in the area of direct marketing between Dentsu Direct and the Dentsu Group  
In order to strengthen the direct marketing area of the Dentsu Group, they confirmed that there is a policy that Dentsu Direct will play a central role to deal with clients in the direct marketing area, and separately discussing the commercial distribution of projects.
- ④ In addition, the following collaborations between the Dentsu Group and the Company Group (details are discussed separately)
  - (a) Integrated marketing/public relations strategy for both internal and external clients
  - (b) Considering integrated management programs for recruitment of digital human resources, education, and retention
  - (c) Deepening collaboration on on-off integrated marketing
  - (d) Mutual use of tools

(6) Our governance, etc.

① Right to appoint officers

At the Company's Ordinary General Meeting of Shareholders to be held in December 2021 (the "Ordinary General Meeting of Shareholders"), the Dentsu Group Inc. may request that the Company proposes to appoint one person as a director and one person as an auditor (part-time auditor) nominated by Dentsu Group Inc., subject to the execution of this Transaction. At the Ordinary General Meeting of Shareholders, the Company nominate persons nominated by Dentsu Group Inc. as candidates, submit proposals for the election of directors and proposals for the election of auditors subject to the execution of this Transaction, and endeavor to the extent practicable to ensure that such proposals are approved by resolution of the Ordinary General Meeting of Shareholders.

In the event that the Capital and Business Alliance Agreement is terminated, if a person appointed by the Dentsu Group Inc. is appointed as a director or an auditor of the Company, the Dentsu Group Inc. will make a director or an auditor resign as soon as practicable, in accordance with the Company's instructions.

② Composition of Directors and Auditors

Even after the execution of the Transaction, a majority of the directors will be independent outside directors. The Company's representative director is a director who is not an outside director and a person other than a director appointed by the Dentsu Group Inc.

③ Cooperation to Maintain Listing

Even after the execution of this Transaction, the Dentsu Group Inc. will respect the Company's autonomy, act in a manner that does not violate the delisting standards stipulated in the rules and regulations of the TSE in order to maintain the listing of the Company's common stock on the TSE, and cooperate with us to the extent reasonable.

④ Handling of Shares

Dentsu Group Inc. will consult with us in good faith in advance in cases where Dentsu Group Inc. or each of the Dentsu Group companies, excluding itself, intend to assign, transfer, or success (including comprehensive succession) to third parties, collateralise, or otherwise dispose the Company's shares owned by itself, unless based on laws and regulations, otherwise specified in the Capital and Business Alliance Agreement or obtained the prior written consent from the Company in advance. Dentsu Group Inc. approves Dentsu Group Inc. or each of the Dentsu Group companies, excluding itself, will not acquire additional shares of the Company without obtaining the prior written consent in advance, excluding in cases Dentsu Group Inc. maintains the voting rights of the Company's shares at the time immediately after the execution of this Transaction.

(7) Dentsu Digital Inc.'s Governance, etc.

① Director

The Company has the right, subject to the execution of the Transaction, to designate one director of Dentsu Digital (however, in the event of a change in the number of directors of Dentsu Digital after the execution of the Transaction, a number (rounded to the nearest decimal point) equal to the number of directors of Dentsu Digital multiplied by the ratio of the number of voting rights related to the shares of Dentsu Digital held by us to the total number of voting rights of Dentsu Digital). However, in the event that the number of Directors of Dentsu Digital changes after the execution of this Transaction, the Company will respond in good faith to such discussions when Dentsu Group Inc. has applied to it to change the number of Directors related to this appointment.

② Matters for Prior Approval and Consultation

- I. Dentsu Group Inc. shall not allow Dentsu Digital to conduct any of the acts listed in the following items after the execution of the Transaction, except with the Company's prior written consent:
  - (a) Issuance, grant or disposal of shares, split or consolidation of shares, repurchase or cancellation of treasury shares, stock acquisition rights or other treasury shares, or other actions that could affect shareholding ratio of Dentsu Group Inc. or the Company (provided that, as a result of these actions, the ratio of the number of voting rights related to Dentsu Digital's shares to the total number of voting rights held by us decreases by 1%

or more).

- (b) Dissolution and liquidation
- II. In the event Dentsu Digital engages in any of the following acts after the execution of the Transaction, Dentsu Group Inc. shall personally or through Dentsu Digital negotiate or have Dentsu Digital negotiate with the Company in good faith in advance.
- (a) The establishment, amendment or repeal of the Articles of Incorporation or other important internal rules (including, but not limited to, the Regulations of the Board of Directors)
  - (b) Issuance, grant or disposition of shares, split or consolidation of shares, treasury stock, treasury stock acquisition rights, and other treasury stock, etc., repurchase or cancellation of treasury stock, etc., organizational restructuring, etc., acquisition or transfer of shares, etc. of a third party, capital contribution, business tie-up, and other similar acts (excluding the cases where both fall under the above I items of prior approval)
  - (c) Establishment, dissolution and liquidation of subsidiaries
  - (d) Start of a new business or change or abolishment of an existing business
  - (e) Change in accounting policy
  - (f) Borrowings in excess of ¥50 million per transaction, issuance of bonds and other financing
  - (g) Acquisition or disposal of assets in excess of ¥50 million per transaction
  - (h) Changes in the Dentsu Group's policy on dividends
  - (i) Conclusion, modification or modification, renewal, refusal to renew, cancellation, cancellation, or termination of a contract, etc. between Dentsu Digital and the Dentsu Group (excluding, however, a contract, etc. concluded with the Dentsu Group within the scope of normal business operations, but including contracts, etc. pertaining to margin share, incentives, and business support)
- III. In the event Dentsu Digital issues, grants or disposes of its shares with the Company's prior written consent or after prior consultation with us in accordance with the provisions of I (a) or II (b) above, the Company shall be entitled to assume the quantity of shares, etc. required to maintain the ratio of the number of voting rights in Dentsu Digital shares held by the Company to the total number of voting rights at the time immediately prior to such issuance, grant or disposition, to the extent permitted by law or otherwise, under the same terms and conditions as those applicable to persons other than us in such issuance, grant or disposition (however, when there are several of those who are involved in, the most favorable terms and conditions among them will be applied).

③ Prohibition of transfer of shares

The Company and Dentsu Group Inc. shall not assign, transfer or success (including general succession) to third parties, collateralize, or otherwise dispose Dentsu Digital's shares held by themselves except in the following cases:

- (a) With the prior written consent of the other party (in the case of assignment by Dentsu Group Inc., only if the transferee agrees to be bound by the provisions regarding Dentsu Digital's governance, etc., and in the case of assignment by the Company, only if the transferee agrees to be bound by the provisions regarding the prohibition of transfer of shares and other provisions of this Capital and Business Alliance Agreement as required by Dentsu Group Inc.).
- (b) If a subsidiary of the Company or Dentsu Group Inc. is the transferee (in the case of assignment by Dentsu Group Inc., only if the subsidiary has agreed to be bound by the provisions on Dentsu Digital's governance, etc. and in the case of assignment by the Company, only if the subsidiary has agreed to be bound by the provisions regarding the prohibition of transfer of shares and other provisions of this Capital and Business Alliance Agreement as required by Dentsu Group Inc.).

(8) Termination of the current capital and business alliance agreement

As a result of the conclusion of the Capital and Business Alliance Agreement, the capital and business alliance agreement dated October 30, 2018 (the "Current Capital and Business Alliance Agreement") between Dentsu Group Inc. and the Company will be terminated. However, the provisions of definitions, business alliances, indemnities, etc. and miscellaneous rules among the Current Capital and Business Alliance Agreement will continue to be effective,

and such provisions will expire upon execution of the Transactions.

(9) Termination of the Capital and Business Alliance Agreement

The Capital and Business Alliance Agreement will be terminated in the following cases.

- (a) With the prior written consent of the other party (in the case of assignment by Dentsu Group Inc., only if the transferee agrees to be bound by the provisions regarding Dentsu Digital's governance, etc.)
- (b) With regard to the provisions on the Company's governance, etc., in the event that the ratio of voting rights related to the Company's shares held by Dentsu Group Inc. is less than 40% to the number of the total voting rights after the execution of this Transaction.
- (c) With regard to the provisions on Dentsu Digital's governance, etc., if the ratio of the voting rights related to Dentsu Digital's shares to the total number of voting rights of Dentsu Digital after the execution of this Transaction is less than 15%.
- (d) In the event of termination of this agreement.

3. Number of Shares Newly Acquired and Percentage of Shares Outstanding to the Other Party

On January 4, 2022, the Dentsu Group, Inc. plans to acquire 82,887,394 shares of the Company's common stock (representing 59.67% of the outstanding 138,916,500 shares) through this Transaction.

4. Overview of the Partner in the Alliance

(1)	Name	Dentsu Group Inc.		
(2)	Offices Address	8-1, Higashi-Shinbashi 1-chome, Minato-ku, Tokyo		
(3)	Job Title/Name of Representative	Toshihiro Yamamoto, Representative Director, President and Chief Executive Officer		
(4)	Details of Business	Establishing and supporting a variety of environments to sustain growth and strengthen competitiveness for the Group as a whole, and promoting Group governance		
(5)	Capital	¥746,981 million (as of December 31, 2020)		
(6)	Foundation	July 1, 1901		
(7)	Number of shares outstanding	288,410,000 Shares (As of December 31, 2020)		
(8)	Annual Fiscal Year	December		
(9)	Number of Employees	(Consolidated) 64,533 (As of December 31, 2020)		
(10)	Major shareholders and percentage of shares (As of June 30, 2021)	The Master Trust Bank of Japan, Ltd. (Trust account): 14.97% Kyodo News: 6.74% Jiji Press, Ltd.: 5.68% Custody Bank of Japan, Ltd. (Trust account): 5.61% SMBC Nikko Securities Inc.: 2.49% Group Employees' Stockholding Association: 2.06% Yoshida Hideo Memorial Foundation: 1.76% Recruit Holdings Co., Ltd.: 1.74% Merkle Group Inc: 1.61% Custody Bank of Japan, Ltd. (Trust account 9): 1.61%		
(11)	Relationship between the Company and Dentsu Group Inc.			
	Capital Relationship	Dentsu Digital Inc. holds 26,895,001 shares of the Company's common stock (20.98% of the voting rights) and make it an equity-method affiliate.		
	Personnel Relationship	Nobuo Kojima, an employee of Dentsu Inc., a consolidated subsidiary of Dentsu Group Inc., concurrently serves as the Company's corporate auditor.		
	Business Relationship	Not applicable.		
	Status to Relevant Party	The Company is an equity-method affiliate of Dentsu Group Inc. and therefore qualify as a related party.		
(12)	Operating Results and Financial Position for the Past Three Years			
	Fiscal Year-End (Consolidated)	FY2018 ended December 31	FY2019 ended December 31	FY2020 ended December 31
	Equity attributable to owners of the parent	1,047,619 Millions of yen	974,977 Millions of yen	756,870 Millions of yen
	Total equity	3,638,488 Millions of yen	3,795,729 Millions of yen	3,380,412 Millions of yen
	Equity attributable to owners of the parent per share	3,716.33 Yen	3,523.11 Yen	2,690.36 Yen

Net sales	5,357,278 Millions of yen	5,146,802 Millions of yen	4,498,216 Millions of yen
Revenue	1,018,521 Millions of yen	1,047,881 Millions of yen	939,243 Millions of yen
Operating profit (Loss)	111,638 Millions of yen	-3,358 Millions of yen	-140,625 Millions of yen
Net profit (loss) attributable to owners of the parent	90,316 Millions of yen	-80,893 Millions of yen	-159,596 Millions of yen
Basic profit (loss) per share	320.39 Yen	-287.92 Yen	-571.19 Yen
Dividend per share	90.00 Yen	95.00 Yen	71.25 Yen

(NOTE) The shareholding ratio in "Major shareholders and shareholding ratio" is the ratio of the number of shares held to the total number of issued shares of Dentsu Group Inc. excluding treasury shares (rounded to the third decimal place).

## 5. Schedule of the Alliance

Board resolution	2021 October 28 (Today)
Date of conclusion of the Capital and Business Alliance Agreement	2021 October 28 (Today)
Date of the Share Exchange agreement	2021 October 28 (Today)
Ordinary General Meeting of Shareholders (the Company)	2021 December 22 (planned)
Extraordinary General Meeting of Shareholders (Dentsu Direct)	2021 December 22 (planned)
Effective date of the Share Exchange	2022 January 4 (planned)
Due date for payment by allotment to a third party	2022 January 4 (planned)
Effective date of the Share Transfer	2022 January 4 (planned)

## 6. Future Outlook

The Company will announce the earnings forecasts and other information after this Transaction as soon as it becomes clear.

## II. Regarding the Share Exchange

### 1. Purpose of the Share Exchange

Please refer to "I.1. Purposes and Reasons of the Capital and Business Alliance" above.

### 2. Summary of the Share Exchange

#### (1) Schedule of the Share Exchange

Please refer to "I.5. Schedule of the Alliance" above.

#### (2) Method of the Share Exchange

The Share Exchange is a share exchange in which the Company is a wholly-owning parent company and Dentsu Direct is wholly-owned subsidiaries. The Share Exchange is scheduled to take effect on January 4, 2022, upon approval of the Share Exchange Agreement by resolution of the respective shareholders of the Company and Dentsu Direct.

#### (3) Details of allotment pertaining to Share Exchange

Company Name	Company (Wholly-owning parent company in Share Exchange)	Dentsu Direct (Wholly-owned subsidiary in Share Exchange)
Share Exchange Ratio	1	3,274
Number of shares to be delivered upon the Share Exchange	Company's common shares: 12,768,600 shares	

(Note 1) Allocation ratio of shares for the Share Exchange (Share Exchange Ratio)

3,274 common shares of the Company will be allotted and delivered per share of Dentsu Direct.

(Note 2) Number of new shares of the Company to be issued as a result of the Share Exchange

The Company will allot and deliver 12,768,600 common shares of the Company through the Share Exchange. Of the shares to be so delivered, 10,724,240 shares will be allotted from the Company's treasury shares, and 2,044,360 common shares will be newly issued.



#### (4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights upon the Share Exchange

Dentsu Direct does not have any stock acquisition rights or bonds with stock acquisition rights, so there are no applicable items.

### 3. Grounds, etc. for the Details of Allotment in Share Exchange

#### (1) Ground and reasons for the details of allotment

The Company has selected Mizuho Securities Co., Ltd. ("Mizuho Securities") as a financial advisor and a third-party calculation organization independent of us, Dentsu Group, Inc. and Dentsu Direct in order to ensure the fairness and appropriateness of the Share Exchange, as described in "2. (3) Details of allotment pertaining to Share Exchange Ratio (hereinafter referred to as the "Share Exchange Ratio") above, as described in "(4) Measures to Ensure Fairness (including Measures to Avoid Conflicts of Interest)" below.

#### (2) Matters related to the calculation

##### ① Name of the accounting organization and the relationship between the two companies

Mizuho Securities is an independent calculation organization from the Company, Dentsu Group Inc., and Dentsu Direct, and does not correspond to the related parties of the Company, Dentsu Group Inc. and Dentsu Direct, and does not have any material interests to be stated in connection with the Share Exchange.

##### ② Overview of calculation

Mizuho Securities adopted the following methods respectively for calculation; As the Company is listed on the Financial Instruments Exchange, and given the existence of market share prices, the market share price method (based on the record date of October 27, 2021, the valuation date, they analyzed the average closing price of the Company's common stock on the TSE JASDAQ (Standard) for the most recent 6-month period from April 28, 2021 to the valuation date, the average closing price for the most recent 3-month period from July 28, 2021 to the valuation date, the average closing price for the most recent 1-month period from September 28, 2021 to the valuation date, and the closing price on the valuation date), as there are multiple comparable publicly traded companies and stock values can be analogized by comparable company comparisons, the comparable company method, and to reflect future business activity conditions in the valuation, the discounted cash flow method (hereinafter the "DCF method").

Dentsu Direct is an unlisted company and has no market share price. Accordingly, they have not adopted the market share price method. However, Dentsu Direct has several comparable listed similar companies, and it is possible to analogize the share value based on comparable company comparisons. In addition, the DCF method was adopted to reflect the status of future business activities.

The calculation results based on the method with the share value per share of the Company's stock set at 1 are as follows.

Method used		Result of calculation of the Share Exchange Ratio
Company	Dentsu Direct	
Market share price method	Comparable company method	3,259~5,005
Comparable company method	Comparable company method	2,919~5,231
DCF method	DCF method	3,115~6,217

In calculating the Share Exchange Ratio, Mizuho Securities used information provided by the Company and Dentsu Direct, as well as information available to the public in general, assumed that all such materials, information, etc. are accurate and complete, and have not independently verified the accuracy and completeness of these materials. Regarding the Company, Dentsu Direct and other related companies, they did not independently evaluate, appraise or calculate the assets or liabilities (including contingent liabilities) of these companies, including the analysis and valuation of individual assets and liabilities, nor do they request third-party appraisals or calculation. The calculation of the Share Exchange Ratio by Mizuho Securities reflects information and economic conditions up to the valuation date, and the financial projections (including profit plans and other information) of the Company and Dentsu Direct are based on the assumption that they were reasonably reviewed or prepared based on the best forecasts and judgments currently available to Dentsu Direct's and the Company's management.

The business plan prepared by the Company and Dentsu Direct as the basis for calculating the DCF method by Mizuho Securities includes a fiscal year in which significant increases or decreases are expected. Specifically, the Company expects non-GAAP operating profit to increase by more than 30% year-on-year in the fiscal year ending September 2023 due to organic growth in the Digital Marketing Business and the acquisition of new clients by promoting collaboration with Dentsu Group companies based on existing capital and business alliance agreement, an increase in the unit price per client, as well as the anticipated improvement in productivity through the hiring and strengthening of digital human resources through the utilization of the AI personnel system and the early commercialization of human resources. For the same reason, non-GAAP operating profit is expected to increase by more than 30% year-on-year in the fiscal year ending September 2024. At Dentsu Direct, on the other hand, due to the impact of the loss of orders from some advertisers in the process of the reorganization of the digital marketing business, operating profit is expected to decrease by more than 30% and net profit by more than 40% year-on-year in the fiscal year ending December 31, 2021. However, net income is expected to increase by more than 30% year-on-year in the fiscal year ending December 31, 2022 due to organic growth in the online and offline marketing business, the development of new clients, and an increase in client unit prices through online and offline cross-sales. In addition to these reasons, Dentsu Direct expects that the initiation of direct purchase trade in some media will increase operating profit and net profit by more than 30% in the fiscal year ending December 31, 2023 compared with the previous year. The financial forecasts of the Company and Dentsu Direct as the basis for the calculation of the DCF method are not based on the implementation of this Transaction.

(3) Prospect of delisting and the reason

As of today, the Company's shares are listed on the TSE JASDAQ (Standard), but even if we implement this Share Exchange, its shares will continue to be listed.

(4) Measures to ensure fairness, including measures to avoid conflicts of interest

Since Dentsu Group Inc. is the largest shareholder and other affiliated company that holds 26,895,001 shares of the Company (representing 20.98% of the voting rights) and has a relationship with the Company under the Current Capital and Business Alliance Agreement, the Company will carefully ensure the fairness of this Transaction, including the Share Exchange, and measures to ensure fairness (including measures to avoid conflicts of interest) are implemented as below.

① Acquire a statement of accounts from an independent third-party valuation agency

In order to ensure the fairness and validity of the Share Exchange Ratio, the Company, Dentsu Group Inc. and Dentsu Direct have selected Mizuho Securities as an independent financial advisor and third-party calculation organization, and on October 28, 2021, we acquired the Share Exchange Ratio Calculation Sheet (the "Calculation Sheet") related to the Share Exchange. For an overview of this calculation, please refer to "(2) Matters related to the calculation" above.

② Obtain advice from the independent law firm

The Company has selected Nishimura & Asahi as a legal advisor independent of the Company, Dentsu Group Inc. and Dentsu Direct, and have received advice from a legal perspective on the various procedures for this Transaction and the method and process of the decision-making of the Board of Directors.

③ Approval of all directors and the opinion of all auditors who do not have an interest in the Company have no objection

At the meeting of the Company's Board of Directors held today, all eight of its directors attended, and the all directors unanimously approved the conclusion of the Capital and Business Alliance Agreement. At the meeting of the Board of Directors mentioned above, all Audit & Supervisory Board Members, except Mr. Nobuo Kojima, expressed an opinion that there were no objections to the above resolution.

Mr. Nobuo Kojima, the Company's corporate auditor, has a position as an employee of Dentsu Inc., a consolidated subsidiary of Dentsu Group Inc. Therefore, from the standpoint of eliminating the risk of being affected by the issue of structural conflicts of interest and the question of information asymmetry in this Transaction, he has not participated in any of the deliberations by the Board of Directors and has refrained from expressing his opinions on the resolution of the Board of Directors mentioned above.

#### 4. Overview of the Companies as a Party to the Share Exchange

##### ① The Company

(1)	Name	Septeni Holdings Co., Ltd.		
(2)	Office Address	17-1 Nishishinjuku 8-chome, Shinjuku-ku, Tokyo		
(3)	Job Title/Name of Representative	Representative Director, Group President and Chief Executive Officer, Koki Sato		
(4)	Details of Business	Control, management, etc. of group companies through shareholdings, etc.		
(5)	Capital	2,125 millions of yen (As of September 30, 2021)		
(6)	Foundation	October 29, 1990		
(7)	Number of shares outstanding	138,916,500 shares (As of September 30, 2021)		
(8)	Annual Fiscal Year	September		
(9)	Number of Employees	(Consolidated) 1,511 (As of September 30, 2021)		
(10)	Main Financing Banks	MUFG Bank, Ltd., Mizuho Bank, Sumitomo Mitsui Banking Corporation		
(11)	Major shareholders and percentage of shares (As of September 30, 2021)	Dentsu Group Inc.: 19.36% Village Seven Co., Ltd.: 10.38% Mamoru Nanamura: 8.96% Septeni Holdings Co., Ltd.: 7.71% Custody Bank of Japan, Ltd. (Trust Account): 7.32% The Master Trust Bank of Japan, Ltd. (Trust Account): 4.28% STATE STREET BANK AND TRUST COMPANY 505001: 1.62% Hiroshi Shimizu: 1.44% STATE STREET BANK AND TRUST COMPANY 505019: 1.41% J.P. MORGAN BANK LUXEMBOURG S.A. 381572: 1.28% The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account 76034): 1.25%		
(12)	Operating Results and Financial Position for the Past Three Years			
	Fiscal Year-End (Consolidated)	FY2018 ended September 31	FY2019 ended September 31	FY2020 ended September 31
	Total Equity	14,808,954 Thousands of yen	15,811,357 Thousands of yen	18,445,288 Thousands of yen
	Total Assets	30,412,576 Thousands of yen	34,424,711 Thousands of yen	42,011,169 Thousands of yen
	Equity attributable to owners of parent per share	117.02 Yen	124.90 Yen	145.72 Yen
	Revenue	16,795,505 Thousands of yen	17,937,745 Thousands of yen	21,383,875 Thousands of yen
	Operating profit	183,133 Thousands of yen	2,274,396 Thousands of yen	3,650,046 Thousands of yen
	Profit (loss) for the period attributable to owners of the parent	-546,929 Thousands of yen	1,464,342 Thousands of yen	2,604,103 Thousands of yen
	Basic earnings per share	-4.33 Yen	11.58 Yen	20.59 Yen
	Dividend per share	2.0 Yen	2.0 Yen	3.4 Yen

② Denstu Direct

(1)	Name	Dentsu Direct Inc.		
(2)	Office Address	8-1, Higashi-Shinbashi 1-chome, Minato-ku, Tokyo		
(3)	Job Title/Name of Representative	Representative Director, Issei Kondo		
(4)	Details of Business	Business Strategy & Development, Creative Development & Analysis, EC & Mall Solutions Development, Advertising Management & Agency, CRM & Customer Development, etc.		
(5)	Capital	301 millions of yen (As of July 1, 2021)		
(6)	Foundation	June 11, 2007		
(7)	Number of shares outstanding	3,900 Shares (As of July 1, 2021)		
(8)	Annual Fiscal Year	December		
(9)	Number of Employees	214 (As of July 1, 2021)		
(10)	Main Financing Banks	Mizuho Bank and Sumitomo Mitsui Banking Corporation		
(11)	Major shareholders and percentage of shares (As of July 1, 2021)	Dentsu Group Inc.: 100%		
(12)	Relationship between the Company and Dentsu Direct Inc.			
	Capital Relationship	Not applicable.		
	Personnel Relationship	Not applicable.		
	Business Relationship	Dentsu Direct conducts transactions with the Company's subsidiaries relating to the sale of advertising products.		
	Status to Relevant Party	Not applicable.		
(13)	Operating Results and Financial Position for the Past Three Years			
	Fiscal Year-End	FY2018 ended December 31	FY2019 ended December 31	FY2020 ended December 31
	Net Asset	1,042,989 Thousands of yen	802,694 Thousands of yen	1,087,659 Thousands of yen
	Total Assets	3,653,510 Thousands of yen	2,533,078 Thousands of yen	3,258,370 Thousands of yen
	Book value Per Share	267,433.08 Yen	205,818.97 Yen	278,886.92 Yen
	Net Sales	12,702,710 Thousands of yen	12,382,209 Thousands of yen	15,997,881 Thousands of yen
	Operating Profit	428,775 Thousands of yen	190,502 Thousands of yen	411,280 Thousands of yen
	Ordinary Profit	427,668 Thousands of yen	183,759 Thousands of yen	411,476 Thousands of yen
	Net Profit	365,054 Thousands of yen	124,760 Thousands of yen	284,964 Thousands of yen
	Net Profit Per Share	93,603.72 Yen	31,989.75 Yen	73,067.86 Yen
	Dividend Per Share	93,603.72 Yen	0.00 Yen	73,067.86 Yen

(NOTE) Dentsu Direct Marketing Inc. ("Dentsu Direct Marketing") conducted an absorption-type merger with Dentsu Direct Marketing Inc. as the surviving company and DA search & link inc. ("DA search & link") as the dissolving company on July 1, 2021 and changed its corporate name to Dentsu Direct Inc. on the same day. Dentsu Direct Marketing made Dentsu Elfto Architect Inc. ("Dentsu Elfto Architect") a subsidiary in January 2020, but has not prepared consolidated financial statements. Therefore, the above figures describe the management indices for Dentsu Direct Marketing (non-consolidated). For the period from FY2018 to FY2019, the simple sum of Dentsu Direct Marketing (non-consolidated) and DA search & link (non-consolidated), and for the period of FY2020, the simple sum of Dentsu Direct Marketing (non-consolidated), DA Search & Link (non-consolidated) and Dentsu Elfto Architect (non-consolidated) are shown below. The year-on-year decrease in sales and profits in the fiscal years ended December 31, 2019 and 2020 was due to a decrease in sales of DA search & link as a change in the commercial distribution of the digital marketing business within the Dentsu Group.

Fiscal Year-End	FY2018 ended December 31	FY2019 ended December 31	FY2020 ended December 31
Net Asset	2,576,381 Thousands of yen	3,093,420 Thousands of yen	2,117,319 Thousands of yen
Total Assets	15,773,382 Thousands of yen	8,566,137 Thousands of yen	6,053,771 Thousands of yen
Net Sales	59,381,827 Thousands of yen	42,900,455 Thousands of yen	29,007,405 Thousands of yen
Operating Profit	1,834,494 Thousands of yen	1,279,543 Thousands of yen	1,004,079 Thousands of yen
Ordinary Profit	1,839,133 Thousands of yen	1,276,846 Thousands of yen	1,015,776 Thousands of yen
Net Profit	1,338,898 Thousands of yen	882,093 Thousands of yen	700,465 Thousands of yen

#### 5. Situation After the Share Exchange

	Wholly-owning parent company after Share Exchange
(1) Name	Septeni Holdings Co., Ltd.
(2) Office Address	8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
(3) Job Title/Name of Representative	Representative Director, Group President and Chief Executive Officer, Koki Sato
(4) Details of Business	Control, management, etc. of group companies through shareholdings, etc.
(5) Capital	Not determined yet.
(6) Annual Fiscal Year	September
(7) Net Asset	Not determined yet.
(8) Total Assets	Not determined yet.

#### 6. Outline of Accounting Procedure

The Company expects to adopt the acquisition method of accounting under the Accounting Standard for Business Combinations. As a result, goodwill (or negative goodwill) is expected to be generated, but the amount has not been determined at this time.

#### 7. Future Outlook

Please refer to "I.6. Future Outlook" above.

### III. Issuance of New Shares through Third-Party Allotment

#### 1. Overview of Offering

(1) Payment date	January 4, 2022
(2) Number of new shares to be issued	70,118,794 of offered shares
(3) Issue price	¥465 per common stock
(4) Amount of fund raising	32,605,239,210 yen
(5) Method of Offering or Allotment (Allottee)	Based on third-party allotment (Dentsu Group Inc., 70,118,794 shares)
(6) Others	① This allocation to a third party is subject to the fulfillment of certain reconditions, such as the entry into force of the share exchange. ② This allocation to a third party shall be subject to the entry into force of the notification in accordance with the Financial Instruments and Exchange Law and the approval of the proposal relating to the allocation to a third party at the Ordinary General Meeting of Shareholders.

#### 2. Purpose and Reason of the Offering

##### (1) Purpose of this third-party allocation

In conjunction with the Share Exchange, the Third-Party Allotment is intended for the Capital and Business Alliance and the conversion of the Company to a consolidated subsidiary of Dentsu Group Inc. The details of this allocation are described in "I. 1. Purposes and Reasons of the Capital and Business Alliance" and "I. 2. Details of the Alliance, etc." above. Details of the use of funds are described in "3. Amount, Use, and Scheduled Timing of Expenditures of Funds to be Raised" and "4. Approach to Rationality of Use of Funds" below.

### 3. Amount, Use, and Scheduled Timing of Expenditures of Funds to be Raised

#### (1) Amount of funds to be raised

①	Total amount of payment	32,605,239,210 yen
②	Estimated amount of issuance costs	360,000,000 yen
③	Estimated amount of net proceeds	32,245,239,210 yen

(Note 1) Consumption taxes are not included in the approximate amount of issuance costs.

(Note 2) The estimated amount of issuance costs is comprised of advisory fees, legal fees, registration-related expenses and other expenses.

#### (2) Specific uses of funds to be raised

The approximate net proceeds described in "(1) Amount of funds to be raised" above will be appropriated to "① Funds for acquiring shares of Dentsu Digital through the Share Transfer" and "② Working capital (advertising and recruiting expenses)" as follows:

	Specific uses	Amount (Millions of yen)	Scheduled spending time
①	Funds for acquiring shares of Dentsu Digital through the Share Transfer	31,250	2022 January
②	Working capital (advertising and recruiting expenses)	995	From January 2022 to December 2023
	Total	32,245	-

(NOTE) Priorities for appropriating funds are planned to be appropriated in the order described in "Specific uses" in the above table. Fund management up to disbursement will be managed by bank deposits and other safe methods.

As described in "I.1. Purposes and Reasons of the Capital and Business Alliance" above, the Company and the Dentsu Group Inc. have concluded that making the Company a consolidated subsidiary of Dentsu Group Inc. will enable them to smoothly utilize the management resources of Two Groups and promote the businesses of Two Groups under a stronger cooperative relationship. Accordingly, they have concluded that they should implement this Transaction and conclude the Capital and Business Alliance Agreement between the two companies.

By mutually utilizing the human resources of Two Groups with different characteristics, they believe that they will be able to provide optimal solutions to clients. Therefore, by mutually utilizing the human resources of both groups, they will aim to improve the value of the services provided by both groups and drive the development of the advertising market.

In addition, by making the Company a consolidated subsidiary of the Dentsu Group, Inc., and by making Dentsu Direct a wholly-owned subsidiary and making Dentsu Digital an equity-method affiliate of the Company, the Two Groups will leverage the characteristics of both groups and aim to realize synergies as described in "I. 1. Purposes and Reasons for the Capital and Business Alliance" above.

As described above, the two companies agreed that the implementation of this Transaction would be extremely effective in improving the corporate value and shareholder value of each of the Two Groups. Accordingly, the Company and Dentsu Group Inc. decided to enter into the Capital and Business Alliance Agreement and concluded that this Transaction would be implemented.

"① Funds for acquiring shares of Dentsu Digital through the Share Transfer" will be used as funds for this Share Transfer, which is part of the Transaction with the above significance, and are expected to be appropriated by January 2022.

In addition, with regard to "② Working capital (advertising and recruiting expenses)," (i) as funds for promotional investments centering on online advertising to enhance the value of the Company's subsidiary, COMICSMART, Inc.'s own media "GANMA!" etc., and (ii) at the Company's subsidiaries, such as Septeni Japan Inc., FLINTERS, Inc., FLINTERS BASE, Inc. and MANGO Inc., to acquire digital human resources (human resources that create new value for companies by making use of the latest digital technologies) with a view to deepening the Capital and Business Alliances with Dentsu Group Inc. Recruiting expenses will be allocated from January 2022 to December 2023, the majority of which will be appropriated through investments in and loans to subsidiaries.

With regard to ② above, the Company believes that by allocating funds raised through this third-party allocation rather than allocating cash on hand to them, it will be able to secure excess funds for expanding and strengthening the Digital Marketing Business, which is the Company's main business in the future.

#### 4. Approach to Rationality of Use of Funds

As described in "3. (2) Specific uses of funds to be raised," in the event that this Third-Party Allotment is implemented, the funds will be used to: ① funds for acquiring shares of Dentsu Digital through the Share Transfer, and ② working capital (advertising and recruiting expenses). As stated in "1. Purposes and Reasons of the Capital and Business Alliance," in the previous fiscal year, the Company believes that, in order to help the Company's efforts to become the nation's largest digital marketing partner while further accelerating its business cooperation with Dentsu Group Inc., it is desirable, for the Company's further growth through expanding and enhancing the target domains of the Company's main business of digital marketing, to accelerate the business cooperation in the Two Groups as a whole by making Dentsu Digital, which has advantages in digital marketing and solutions, an equity-method affiliate of the Company. Accordingly, the Company considers the use of funds described in "3. (2) Specific uses of funds to be raised" above to be reasonable.

#### 5. Rationality of Issuance Conditions, etc.

##### (1) Basis for calculating the amount to be paid and the specific contents thereof

The issue price for the Third-Party Allotment ("Issue Price") was set at 465 yen (as rounded to a whole number; the same applies hereinafter to the calculation of a share price), which is the simple average closing price of the Company's common shares on TSE's JASDAQ (Standard) exchange ("Closing Price") over the one-month period ending on October 27, 2021, which is the trading day immediately before the date on which the Board of Directors passed a resolution for the Third-Party Allotment ("Immediately Preceding Trading Day") ("Immediately Preceding One Month's Average").

The reasons for using the Immediately Preceding One Month's Average in calculating the Issue Price are as follows. First, because the market price of the Company's shares tended to fluctuate considerably (with the yearly low and high for 2021 up to the Immediately Preceding Trading Day being 366 yen and 555 yen, respectively), the Company and the proposed allottee discussed, during price negotiations between them, the idea that referring to an average share price as an equalized value instead of using the share price on a specific day (i.e., the Immediately Preceding Trading Day) in calculating the Issue Price would be more objective and reasonable as a basis for calculation, since this would allow elimination of the effect of short-term fluctuations in share price and such other factors. In fact, the market price of the Company's shares has more recently fluctuated significantly in a short period, with a drop in response to the Business Results for 3Q Fiscal Year September 2021 announced on July 29, 2021 (from the Closing Price of 487 yen on July 29, 2021 to the Closing Price of 413 yen on the following day [July 30, 2021], further to the Closing Price of 374 yen on August 20, 2021), followed by a rise over late September 2021 (to the Closing Price of 482 yen on September 27 and 28, 2021), then by a dwindle over early October 2021 (to the Closing Price of 444 yen on October 6, 2021), and further by another rise over mid October 2021 (to the Closing Price of 492 yen on October 15 and 18, 2021). Considering these circumstances, the Company believes that it is more objective and reasonable as a basis for calculation to refer to an average share price as an equalized value instead of using the share price on a specific day (i.e., the Immediately Preceding Trading Day) in calculating the Issue Price, since this would allow elimination of the effect of short-term fluctuations in share price and such other factors. In this regard, the Company considers that using the average share price over the immediately preceding one-month period, which is closest to the most recent market price, would be more objective and reasonable as a basis for calculation than that over the immediately preceding three- or six-month period.

The Issue Price includes a premium of 9.93% (as rounded to the second decimal place; the same applies hereinafter to the calculation of a premium rate) over the Closing Price of 423 yen on the Immediately Preceding Trading Day, a premium of 6.90% over the average Closing Price of 435 yen over the three-month period preceding the Immediately Preceding Trading Day (from July 28, 2021 to October 27, 2021), and a premium of 3.56% over the average Closing Price of 449 yen over the six-month period preceding the Immediately Preceding Trading Day (from April 28, 2021 to October 27, 2021).

The Issue Price is compliant with the "Guidelines on Handling of Third-Party Allotment" established by the Japan Securities Dealers Association. The Company considers that the Issue Price is not an especially favorable issue price. As for the Third-Party Allotment, a resolution to approve the Third-Party Allotment was unanimously passed by all attending directors at the Company's Board of Directors meeting held on October 28, 2021 at which all eight directors of the Company were present. In addition, the Company has received from all company auditors of the Company, except Mr. Nobuo Kojima, an opinion that the Issue Price is not an especially

favorable issue price and is thus legal, since the Issue Price is based on the market price, which is an objective indicator for the value of the Company's common shares, and since the Issue Price has been determined by taking into account the Japan Securities Dealers Association's Guidelines on Handling of Third-Party Allotment.

Mr. Nobuo Kojima, who is a company auditor of the Company, did not in any way participate in the deliberation at the Board of Directors meeting referenced above but refrained from expressing his opinion with respect to the resolution referenced above adopted at the same Board of Directors meeting, owing to his position as an employee of Dentsu Inc., in order to eliminate the possibility that the Transaction is affected by the issue of structural conflicts of interest and the issue of information asymmetry.

(2) Reasons for determining that the volume of issuance and the scale of dilution of shares are reasonable

The number of new shares to be issued through the Third-Party Allotment is 70,118,794 shares (representing 701,187 votes), which corresponds to 50.48% of the total number of the Company's issued shares as of September 30, 2021 (138,916,500 shares) and 54.70% of the total number of the Company's voting rights as of the same date (1,281,868 votes). This will result in a certain dilution of the Company's existing shares.

However, as described in "3. (2) Specific uses of funds to be raised," the Company plans to apply the funds raised through the Third-Party Allotment to: ① funds for acquiring shares of Dentsu Digital through the Share Transfer; and ② working capital (advertising and recruiting expenses). In addition, as described in "I.1. Purposes and Reasons for the Capital and Business Alliance," the Company believes that, in order to help the Company's efforts to become the nation's largest digital marketing partner while further accelerating its business cooperation with Dentsu Group Inc., it is desirable, for the Company's further growth through expanding and enhancing the target domains of the Company's main business of digital marketing, to accelerate the business cooperation in the Two Groups as a whole by making Dentsu Direct, which has advantages in direct advertising and mass advertising, a wholly-owned subsidiary of the Company, and by making Dentsu Digital, which has advantages in digital marketing and solutions, an equity-method affiliate of the Company.

Therefore, the Company judges that the number of shares to be issued through, and the extent of share dilution resulting from, the Third-Party Allotment are reasonable, because the Third-Party Allotment will be carried out within the limits necessary to ensure an increase in the Company's corporate value and shareholder value through the Third-Party Allotment, and because the Company's becoming a consolidated subsidiary of Dentsu Group Inc. through the Transaction will, in the medium-to-long-term, lead to an increase in the Company's corporate value and shareholder value which will more than compensate for the dilution mentioned above.

Since the Third-Party Allotment will result in an at least 25% dilution of the Company's shares held by the existing shareholders as mentioned above, and since Dentsu Group Inc. will become the controlling shareholder (the parent company) of the Company as a result of the Third-Party Allotment, the Company intends to confirm the intent of its shareholders through obtaining their approval of this proposal at the Ordinary General Meeting of Shareholders, pursuant to the provisions of Rule 432, item (2) of the Securities Listing Regulations established by the TSE. Specifically, please refer to "9. Items Regarding Procedures in the Corporate Code of Conduct" below.

In the event of this Third-Party Allotment, the voting rights of the Dentsu Group Inc., which is scheduled to be allotted, will be 52.01% and will become a specified underwriter as stipulated in Article 206-2-1 of the Companies Act.

At the meeting of the Company's Board of Directors held today, all of the Company Auditors excluding Mr. Nobuo Kojima, stated their opinions that the Third-Party Allotment is reasonable while the Company experience certain dilution if the Third-Party Allotment is implemented. This is because, as stated in "5. (2) Reasons for determining that the volume of issuance and the scale of dilution of shares are reasonable " above, this Third-Party Allotment will be implemented to the extent necessary to improve the Company's corporate value through it, and because it is considered that becoming a consolidated subsidiary of Dentsu Group Inc. through the Transaction will result in an increase in the corporate value and shareholder value in excess of the dilution described above in the medium-to long-term. In addition, the opinions of the Company's Outside Directors are not different from those of the Board of Directors.

Mr. Nobuo Kojima, who is a company auditor of the Company, did not in any way participate in the deliberation at the Board of Directors meeting referenced above but refrained from expressing his opinion with respect to the resolution referenced above adopted at the same Board of Directors meeting, owing to his position



as an employee of Dentsu Inc., in order to eliminate the possibility that the Transaction is affected by the issue of structural conflicts of interest and the issue of information asymmetry.

## 6. Reasons for Selection of the Allottee

### (1) Information of the allottee

Please refer to "I. 4. Overview of the Partner in the Alliance" above. Since Dentsu Group Inc. is listed on the First Section of the TSE, the Company believes that Dentsu Group Inc. and its officers do not have any relationship with antisocial forces by referring to the description that says "the Company has established a dedicated section to facilitate the termination of business relationships with antisocial forces and organizations and to resolutely refuse any demands made by them. This section fulfills its role by liaising with relevant entities within and outside the Company. Furthermore, following the nationwide enforcement of ordinances on the exclusion of antisocial forces in October 2011, we revised various internal rules, established a framework to terminate business relationships with antisocial forces, and resolved to strengthen the screening procedures of antisocial forces" in the "Basic Policy on the Rejection of Antisocial Forces and Status of its Development" described in the Corporate Governance Report submitted by Dentsu Group Inc. to the TSE (final update: March 31, 2021).

### (2) Reasons for selection of the allottee

As described in "I. 1. Purposes and Reasons for the Capital and Business Alliance" above, the Company selected Dentsu Group Inc. as the target company for the allocation of shares because it is believed that becoming a consolidated subsidiary of Dentsu Group Inc. through this Transaction will result in an increase in the Company's corporate value and shareholder value in excess of the above-mentioned dilution in the medium to long term.

### (3) Holding policy of the allottee

This Third-Party Allotment is conducted as part of the consolidation of the Company to Dentsu Group Inc., and the Company has confirmed in writing that Dentsu Group Inc. intends to hold the shares to be acquired through the Third-Party Allotment for a long period of time. In addition, in the Capital and Business Alliance Agreement, as described in "I. 2. (6) ④ Handling of Shares," after the date of this Third-Party Allotment, Dentsu Group Inc. will consult with us in good faith in advance in cases where Dentsu Group Inc. or each of the Dentsu Group companies, excluding itself, intend to assign, transfer, or succeed (including comprehensive succession) to third parties, collateralise, or otherwise dispose the Company's shares owned by itself, unless based on laws and regulations, otherwise specified in the Capital and Business Alliance Agreement or obtained the prior written consent from the Company in advance. Dentsu Group Inc. also approves Dentsu Group Inc. or each of the Dentsu Group companies, excluding itself, will not acquire additional shares of the Company without obtaining the prior written consent in advance. The Company plans to obtain a written assurance from Dentsu Group Inc. that if all or part of the shares are transferred within two years from the payment of this allotment to a third-party, Dentsu Group Inc. will agree that it reports the details in writing to the Company, the Company will report the content to the TSE, and that the content of the report will be made available for public inspection.

### (4) Details of confirmation of the existence of the assets required for payment in the place to be allotted

The Company has confirmed that Dentsu Group Inc. has sufficient cash and cash equivalents (¥508,906 million) to pay for the Third-Party Allotment, and is not aware of any circumstances that might cause such financial condition to worsen significantly thereafter, in the Second Quarterly Report for the fiscal year ending December 2021 submitted by Dentsu Group Inc. to the Director-General of the Kanto Finance Bureau (on August 11, 2021.) Accordingly, the Company has determined that there are no problems with the certainty of making the subscription in relation to the Third-Party Allotment.

## 7. Major Shareholders and Shareholding Ratio after the Offering

Before the offering (As of September 30, 2021)		After the offering	
Dentsu Group Inc.	19.36%	Dentsu Group Inc.	52.01%
Village Seven Co., Ltd.	10.38%	Village Seven Co., Ltd.	6.83%
Mamoru Nanamura	8.96%	Mamoru Nanamura	5.90%
Custody Bank of Japan, Ltd. (Trust Account)	7.32%	Custody Bank of Japan, Ltd. (Trust Account)	4.82%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4.28%	The Master Trust Bank of Japan, Ltd. (Trust Account)	2.81%
STATE STREET BANK AND TRUST COMPANY 505001	1.62%	STATE STREET BANK AND TRUST COMPANY 505001	1.07%
Hiroshi Shimizu	1.44%	Hiroshi Shimizu	0.95%
STATE STREET BANK AND TRUST COMPANY 505019	1.41%	STATE STREET BANK AND TRUST COMPANY 505019	0.93%
J.P. MORGAN BANK LUXEMBOURG S.A. 381572	1.28%	J.P. MORGAN BANK LUXEMBOURG S.A. 381572	0.84%
The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account 76034)	1.25%	The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account 76034)	0.82%

(Note 1) As of September 30, 2021, the Company held 10,724,240 shares of treasury stock, which is excluded from the above shareholders.

(Note 2) Percentage of shares held is rounded to the nearest third decimal place.

## 8. Future Outlook

Please refer to "I. 6. Future Outlook" above.

## 9. Items Regarding Procedures in the Corporate Code of Conduct

The dilution rate associated with the Third-Party Allotment will be 25% or more. In addition, if the Share Exchange and the Third-Party Allotment are completed, the voting rights held by Dentsu Group, Inc., which is scheduled to be allotted, will be 52.01%, and will become the parent company of the Company from the other affiliates.

Accordingly, this Third-Party Allotment corresponds to a large-scale third-party allotment with a dilution rate of 25% or more, and in the event of this Third-Party Allotment, in which Dentsu Group Inc. is scheduled to become the Company's controlling shareholder, it is expected to change the Company's controlling shareholder. Therefore, this Third-Party Allotment is subject to the "Compliance Matters Regarding Third-Party Allocation" stipulated in Article 432 of the Tokyo Stock Exchange Ownership Securities Listing Regulations, and it is necessary to either "Obtain opinions on the necessity and appropriateness of such allotment through a certain degree of independence from the management" in Article 1 of this Article or "Confirmation of shareholder's intention through a resolution at a general meeting of shareholders relating to such allotment" in Item 2. For this reason, the Company plans to confirm its shareholders' will through shareholder approval of the proposal related to the Third-Party Allotment at this Ordinary General Meeting of Shareholders. In this Third-Party Allotment, Dentsu Group Inc., which is expected to be the allottee, shall be a specified underwriter as set forth in Paragraph 1 of Article 206-2 of the Corporate Law. Therefore, in the event a notice of dissent is given by a shareholder who holds at least one-tenth of the voting rights of all shareholders with respect to the subscription of the Shares for Subscription by a specified underwriter, the approval of the General Meeting of Shareholders is required (Article 206-2, Paragraph 4 of the Corporate Law). In view of the importance of this Third-Party Allotment, the Company intends to propose a proposal concerning the Third-Party Allotment at the Ordinary General Meeting of Shareholders regardless of whether or not such notice of dissenting is given.

## 10. Performance and Equity Financing Over the Past Three Years

### (1) Consolidated Results for the Past Three Years

Please refer to "II. 4. ① (12) Operating Results and Financial Position for the Past Three Years" above.

### (2) Current Number of Issued Shares and Dilutive Shares (As of September 30, 2021)

	Number of shares	Ratio to the number of shares outstanding
Number of shares outstanding	138,916,500 Shares	100%
Number of dilutive shares at the current conversion price (exercise price)	520,000 Shares	0.37%
Number of dilutive shares at the conversion price (exercise price) at the lower limit	-	-
Number of dilutive shares at the conversion price (exercise price) at the higher limit	-	-

### (3) Recent stock price conditions

#### ① Situation over the past three years

	FY2019 ended Sep. 30	FY2020 ended Sep. 30	FY2021 ended Sep. 30
Opening Price	178 Yen	314 Yen	319 Yen
High Price	429 Yen	344 Yen	555 Yen
Low Price	132 Yen	132 Yen	290 Yen
Closing Price	316 Yen	314 Yen	475 Yen

#### ② Situation during the Last Six Months

	May	June	July	August	September	October
Opening Price	499 Yen	456 Yen	485 Yen	410 Yen	405 Yen	472 Yen
High Price	517 Yen	489 Yen	511 Yen	415 Yen	485 Yen	496 Yen
Low Price	437 Yen	428 Yen	407 Yen	366 Yen	403 Yen	416 Yen
Closing Price	454 Yen	489 Yen	413 Yen	404 Yen	475 Yen	423 Yen

(NOTE) Stock prices in October are as of October 27, 2021.

#### ③ Stock price on the business day before the issue resolution date

	October 27, 2021
Opening Price	434 Yen
High Price	439 Yen
Low Price	416 Yen
Closing Price	423 Yen

### (4) Equity financing during the past three years

Not applicable

## 11. Offering Memorandum

(1) The number of Shares for Subscription	70,118,794 shares of common stock (Issuance of 70,118,794 new shares)
(2) Amount to be paid in	465 yen per share
(3) Total amount paid	32,605,239,210 yen
(4) Amounts designated as stated capital	232.5 yen
(5) Total amount designated as stated capital	16,302,619,605 yen
(6) Method of Offering or Allotment	Method of allocating to a third party
(7) Allottee	Dentsu Group Inc., 70,118,794 shares
(8) Application date	January 4, 2022
(9) Payment date	January 4, 2022
(10) Others	①This allocation to a third party shall be subject to the fulfillment of certain preconditions such as the entry into force of the Share Exchange. ②This allocation to a third party shall be subject to the entry into force of the notification in accordance with the Financial Instruments and Exchange Law and the approval of the proposal relating to the allocation to a third party at the Ordinary General Meeting of Shareholders.

## IV. Regarding the Change of Parent Company

### 1. Scheduled Date of Change

January 4, 2022

### 2. Background to the Change

As a result of this Transaction, Dentsu Group Inc. will acquire 82,887,394 new shares of the Company's stock, and as described below, it is expected that there will be a change to the parent company.

### 3. Outline of Shareholders (Companies) to be Transferred

Please refer to "I. 4. Overview of Partner in the Alliance" above.

### 4. Number and Percentage of Voting Rights Held by Dentsu Group Inc. Before and After the Change

	Attribute	Number of voting rights (Percentage of voting rights)			Major shareholder ranking
		Direct ownership	Amount to be totaled	Total	
Before the Change (As of September 30, 2021)	Major shareholder, the largest shareholder as a major shareholder and other affiliated company	268,950 (20.98%)	— (—%)	268,950 (20.98%)	1st
After the Change	Parent company and the largest shareholder as a major shareholder	1,097,823 (52.01%)	— (—%)	1,097,823 (52.01%)	1st

(Note 1) Total number of shares outstanding as of September 30, 2021 138,916,500 shares

Number of shares deducted from the total number of issued shares as shares without voting rights 10,724,240 shares

Total number of voting rights as of September 30, 2021 1,281,868

(Note 2) "Percentage to total voting rights" after the change is calculated based on the number of voting rights of the total shareholders as of September 30, 2021 (1,281,868 units) plus the number of voting rights to be increased by the Share Exchange (127,686 units) and the number of voting rights to be increased by the Third-party Allocation (701,187 units). Percentage to the total shareholder voting rights is rounded to the nearest third decimal place.

### 5. Future Outlook

Please refer to "I.6. Future Outlook" above.

## V. Regarding the Change of Subsidiary

### 1. Scheduled Date of Change

January 4, 2022

### 2. Background to the Change

As a result of the Share Exchange, Dentsu Direct will become a consolidated subsidiary of the Company on the effective date of the Share Exchange, and as a result, it is expected that there will be a change in the Company's subsidiaries, as described below.

### 3. Outline of Shareholders (Companies) to be Transferred

Please refer to "II. 4. Overview of the Companies as a Party to the Share Exchange" above.

### 4. Number of Shares Owned and Percentage of Voting Rights Owned by the Company Before and After the Transfer

	Number of shares held	Percentage of voting rights held
Before the change	—	—
After the change	3,900	100%

### 5. Future Outlook

Please refer to "I. 6. Future Outlook" above.