



**Explanatory Material for
Deepening Capital and Business Alliance
with the Dentsu Group**

October 28, 2021

SEPTENI HOLDINGS CO., LTD.

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03 Outline of the company to acquire its shares

04 Structure of the Capital and Business Alliance

01

Executive Summary

Purpose and Philosophy of Deepening Capital and Business Alliances

By maximizing the collaboration between the two groups in the areas of digital marketing and data solutions, we aim to be No. 1 in the domestic digital marketing domain.

Background to deepening capital and business alliances

Started discussions on further deepening capital and business alliances with the Dentsu Group with the aim of enhancing our corporate value through business growth.

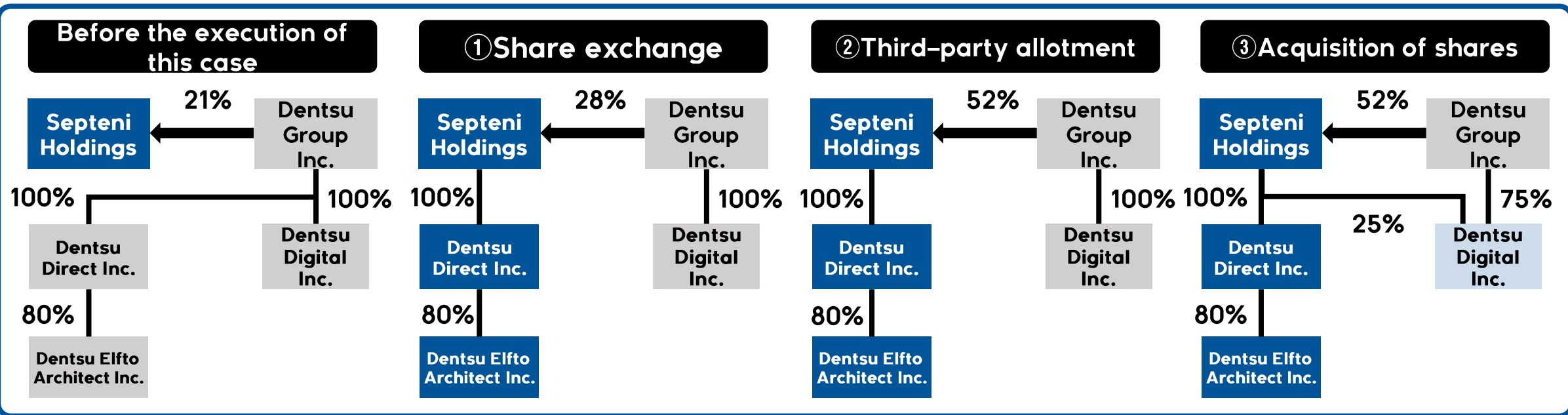
- **Recognizing the dramatic results of collaboration since the capital and business alliance between the two companies since 2018.**
- **In light of the rapid acceleration of digital transformation in the current advertising market, the two companies agreed to strengthen the relationship, and in order to further promote business collaboration, strengthening the relationship in terms of capital would be an effective means.**
- **In order to increase shareholder value in a sustainable and long-term manner by deepening the alliance, the two companies and our Board of Directors held repeated discussions on the scheme (capital increase through third-party allotment, acquisition by us of a portion of the core businesses of the Dentsu Group's digital domain) and the validity of the scheme.**

As a result of the discussions, the two companies agreed that the deepening of the capital and business alliance is effective as means to realize the maximization of our corporate value and sustainable and long-term shareholder value, and reached an agreement to implement the alliance.

05 Overview of Deepening Capital and Business Alliances SEPTENI

Scheme of the Capital and Business Alliance

- ① Make Dentsu Direct Inc., a subsidiary of the Dentsu Group Inc., a wholly owned subsidiary through a share exchange. (Allotted 3,274 shares of our common stock for each share of Dentsu Direct Inc.)
- ② Implement third-party allotment of shares to Dentsu Group Inc. as underwriter.
(70,118,794 shares of our common stock, 52.01% of the voting rights of Dentsu Group Inc. after the capital increase, and a total amount paid in of ¥32.61 bn)
- ③ Acquire 25% shares of Dentsu Digital Inc. and make it our equity-method affiliate. (acquisition cost: ¥31.25 bn)



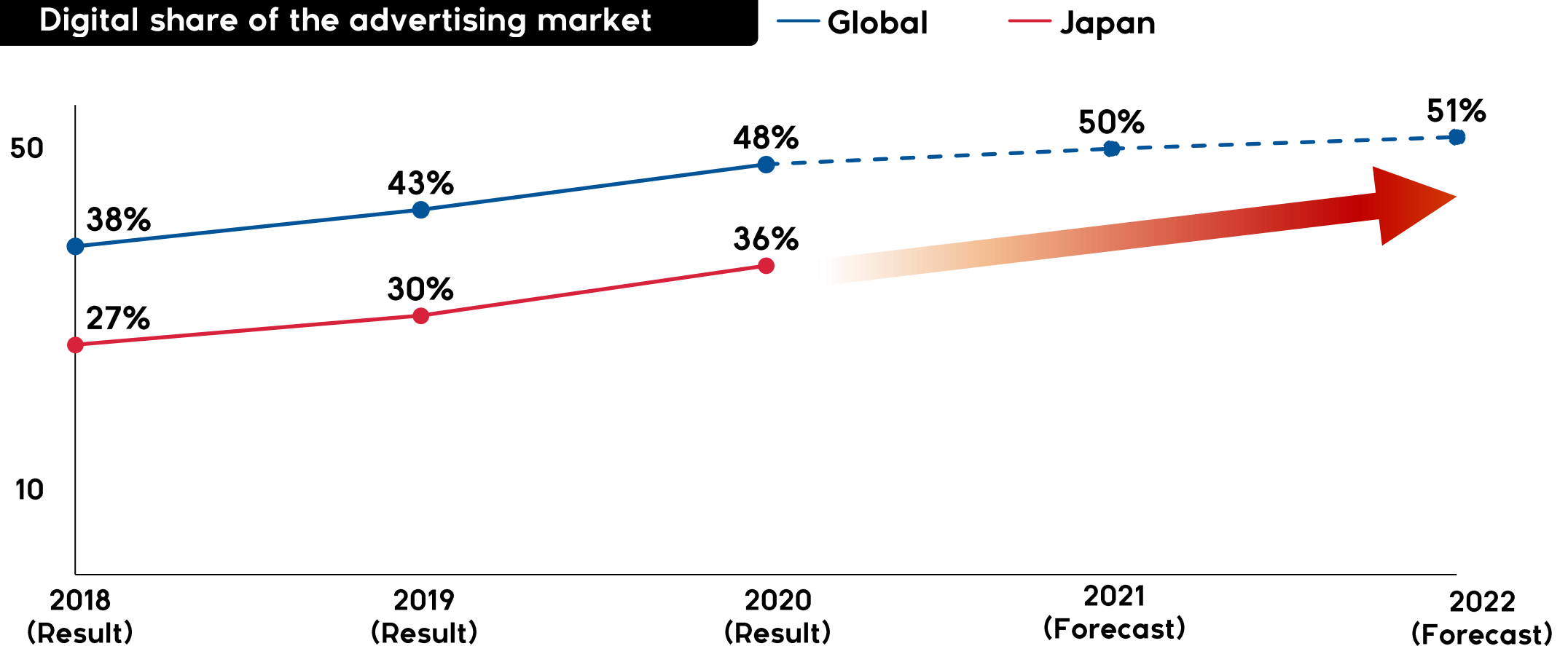
※For details, please refer to the Timely Disclosure Material on the Capital and Business Alliance announced on the same day.

02

**Background and Purpose of Deepening
the Capital and Business Alliance
with the Dentsu Group**

Compared to the global market, the digital ratio in Japan's advertising market is at a low level and approaching the global level in the future

Digital share of the advertising market



08 Our Growth Potential Based on the Transaction

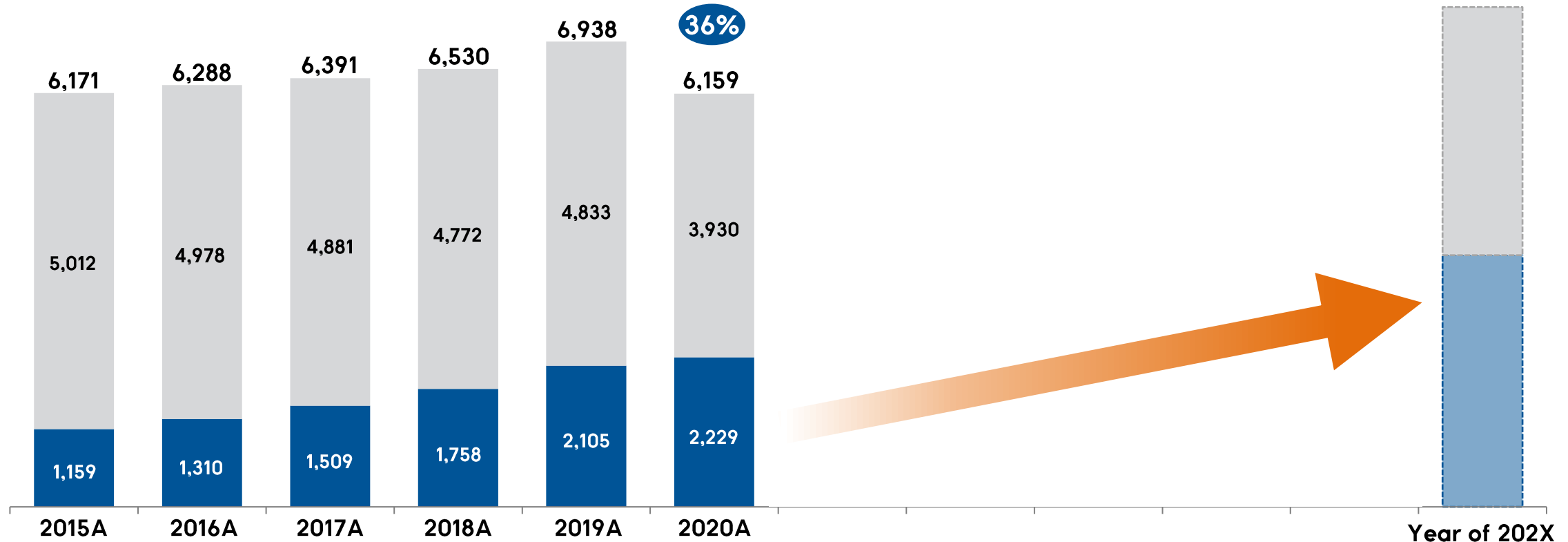
The digital advertising market in Japan is expected to grow to a scale close to ¥1 tn in the future.

Trends in Total Advertising Expenditures in Japan

Non-digital Digital (Unit: ¥1 bn)

Digital ratio

36%



*Source: Dentsu Group materials (Detailed analysis of Internet advertising media spending in Japan)

Achievements to date

Dramatic improvement in profitability and productivity due to capital and business alliance implemented in 2018.

- The number of cooperative clients has increased to 80 clients for 4Q/FY2021, and the quarterly sales from the collaboration have grown approximately 3 times in the past year.
- Average spend per client approximately doubled.
- Higher spending per client raised sales per employee by about 35%, resulting in a significant improvement in productivity.

Deepen alliance through this capital and business alliance

Aiming to be No. 1 in the Domestic Digital Marketing Domain by maximizing the collaboration between the two groups in the areas of digital marketing and data solutions.

- Acquisition of new collaborations and large-scale clients by expanding the commercial distribution from the Dentsu Group.
- Contribution to results from the consolidation of Dentsu Direct Inc. and the acquisition of capabilities in the direct marketing area.
- Strengthen solutions and development areas and capture equity in earnings of affiliates by making Dentsu Digital Inc. an equity-method affiliate.
- Achieve synergies by sharing BPO domains, joint development, and improving procurement capabilities through the promotion of integration of business foundations.

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11 Previous Capital and Business Alliance Scheme (as shown before) SEPTENI



- As the result of **the tender offer (TOB)** made by Dentsu Group Inc. during the period from October 31, 2018 through December 11, 2018, the number of shares tendered by general shareholders reached **20.99% in terms of the Company's voting rights**. (No third-party allotments were offered.)
- The Company was **converted into an equity-method company** of Dentsu Group Inc. on December 18, 2018. (Maintains TSE JASDAQ listing)
- Full-scale operations under the business alliance will start in **FY2019/2Q**.

12 Details of the previous capital and business alliance



Based on the results of collaboration, it will start midterm measures envisaged at the time of the capital and business alliance in 2018 toward further growth.

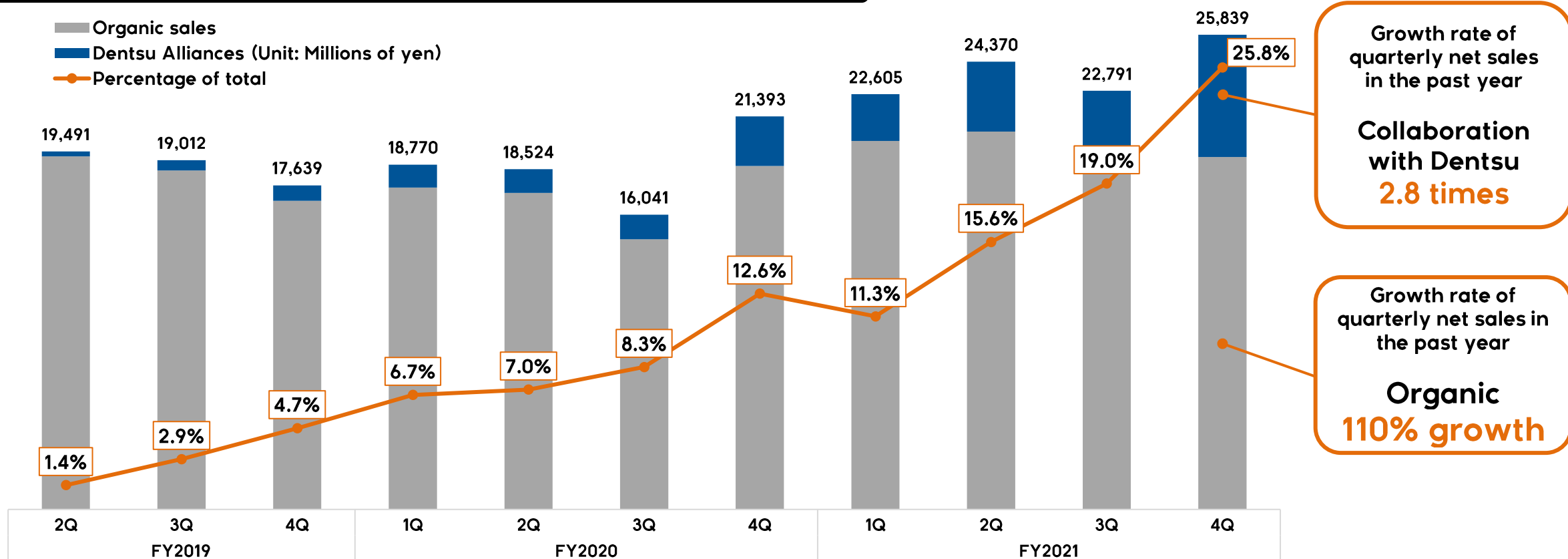


Short-term	Providing the knowledge and technology of the digital marketing business from our group to the Dentsu Group
	Sales of our media and products through the Dentsu Group, centered on GANMA!
	Providing support for advertising management for digital marketing projects handled by the Dentsu Group
Mid-term	Integrated marketing proposals for online and offline advertising utilizing both companies' customer bases
Foundation	Mutual use of data assets held by the two companies' groups

13 Trends in sales since the capital and business alliance with the Dentsu Group

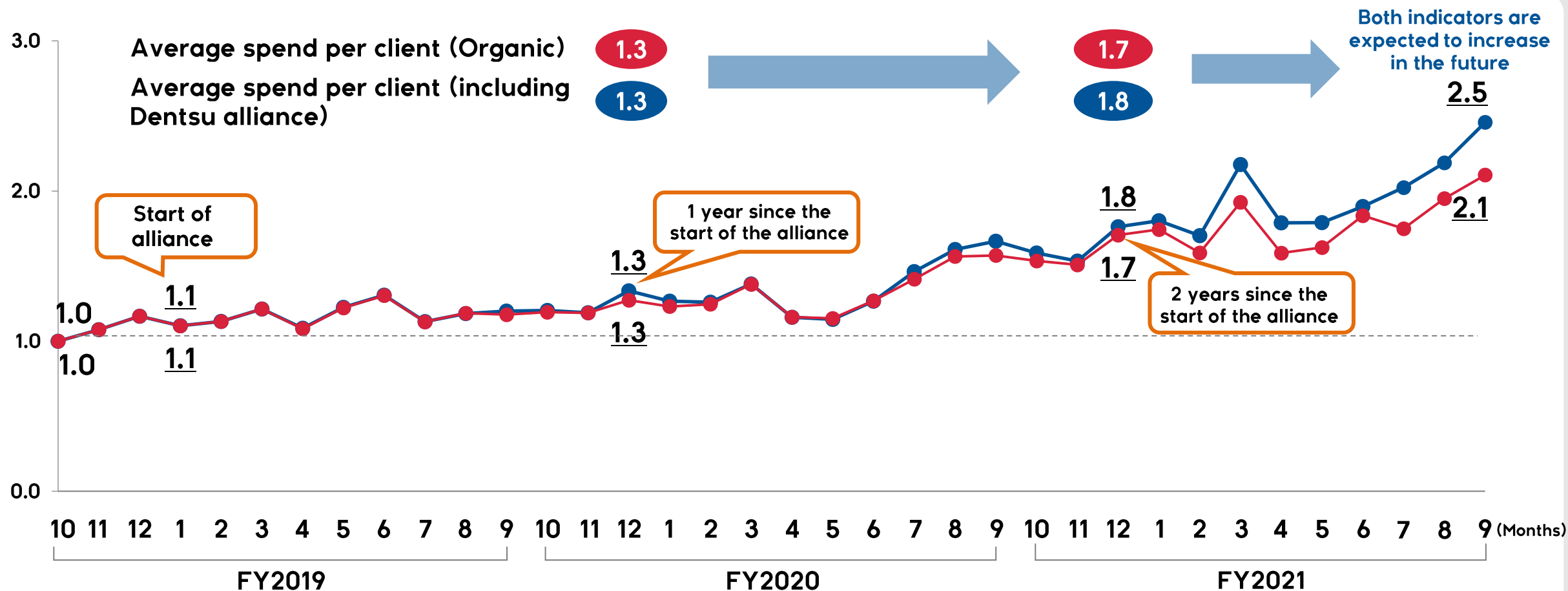
Ratio of the sales from the collaboration with Dentsu steadily expands since the start of business alliance. Achieved high growth through organic growth and the addition-on of the collaboration with Dentsu.

Digital Marketing business segment sales trends



14 Trends in unit price per client since the capital and business alliance with the Dentsu Group

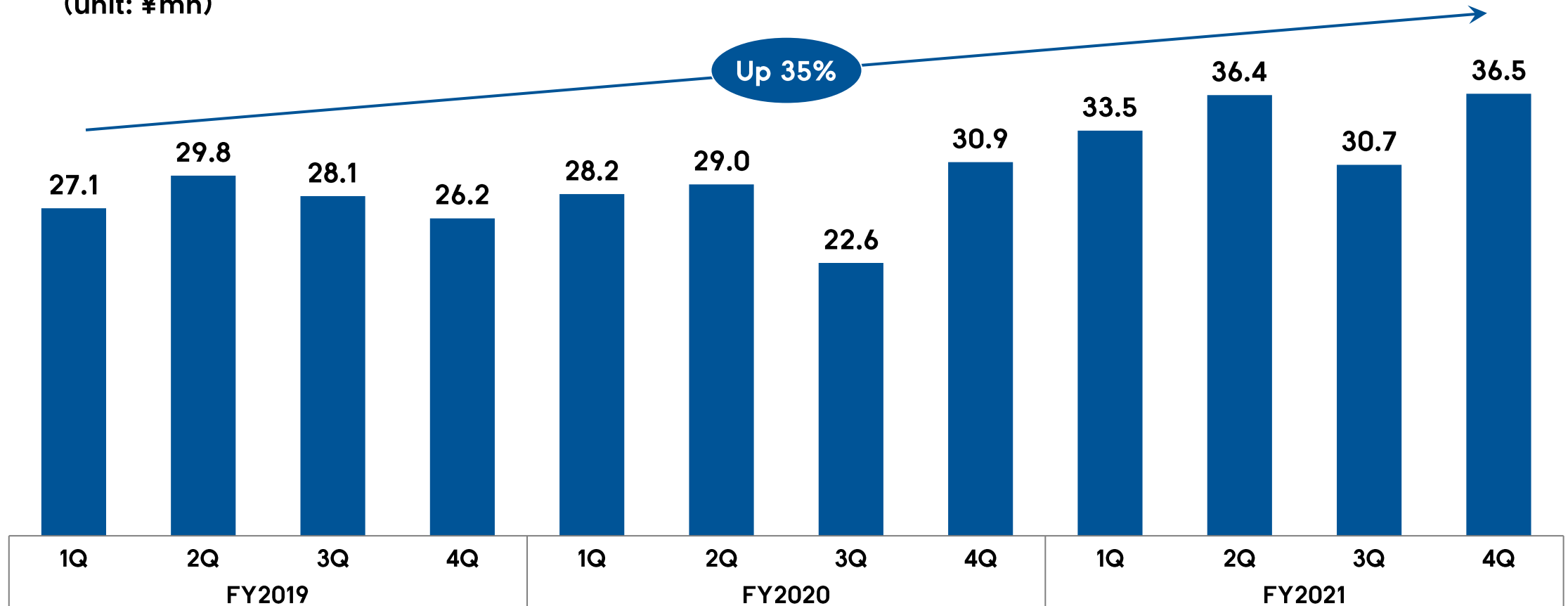
Since the start of the alliance, the acquisition of large-scale clients has progressed, and the unit price per client has increased 2.5 times in the past 3 years. Organic spending per client also rises (competition rate also rises).



15 Trends in sales per employee since the capital and business alliance with the Dentsu Group

Sales per employee also increased by about 35% after the start of the alliance with Dentsu. Further improvement in productivity is expected in the future in line with the increase in the unit price of each client as explained in the previous page.

(unit: ¥mn)



16 Achievements since 2018 and deepening of future alliances SEPTENI

Achievements to date

Dramatic improvement in profitability and productivity due to capital and business alliance implemented in 2018.

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- Average spend per client approximately doubled.
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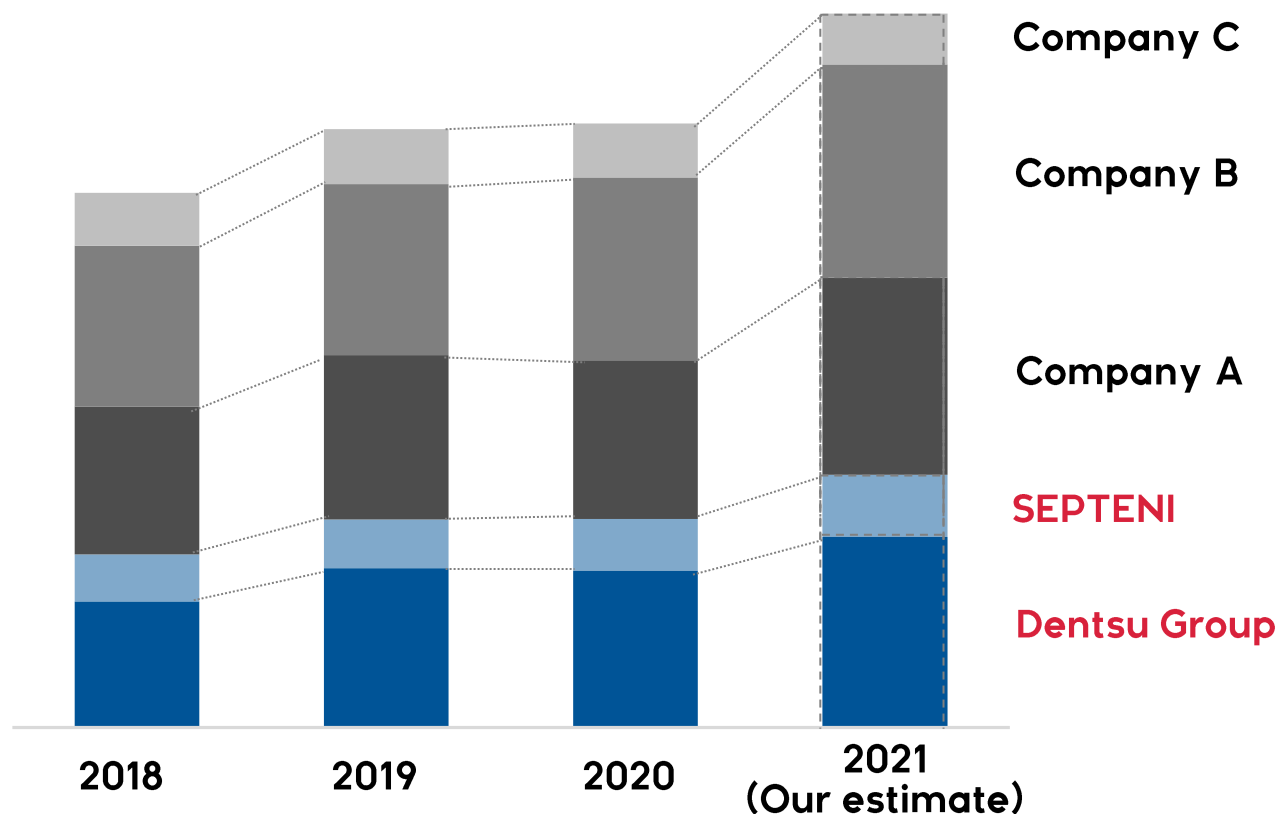
Deepen alliance through this capital and business alliance

Aiming to be No. 1 in the Domestic Digital Marketing Domain by maximizing the collaboration between the two groups in the areas of digital marketing and data solutions.

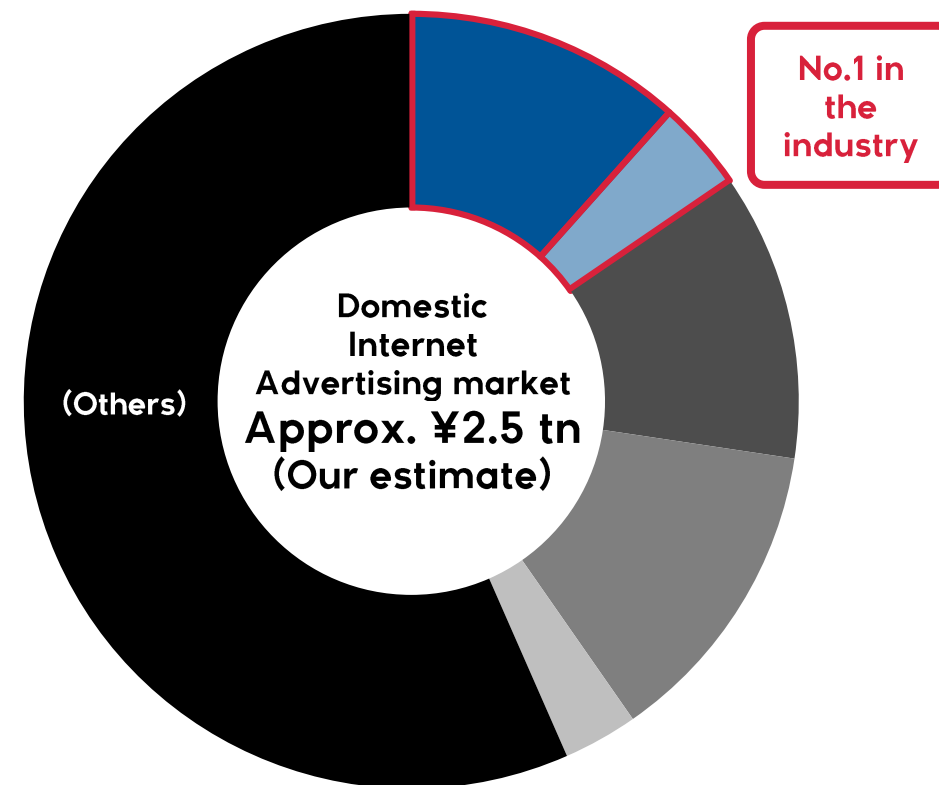
- Acquisition of new collaborations and large-scale clients by expanding the commercial distribution from the Dentsu Group.
- Contribution to results from the consolidation of Dentsu Direct Inc. and the acquisition of capabilities in the direct marketing area.
- Strengthen solutions and development areas and capture equity in earnings of affiliates by making Dentsu Digital Inc. an equity-method affiliate.
- Achieve synergies by sharing BPO domains, joint development, and improving procurement capabilities through the promotion of integration of business foundations.

By deepening the capital and business alliance, aim to become a digital marketing partner with the industry's top-level growth rate and scale.

**Domestic Internet Advertising Sales Trends
(our survey)**



Market Share (2021, our estimate)

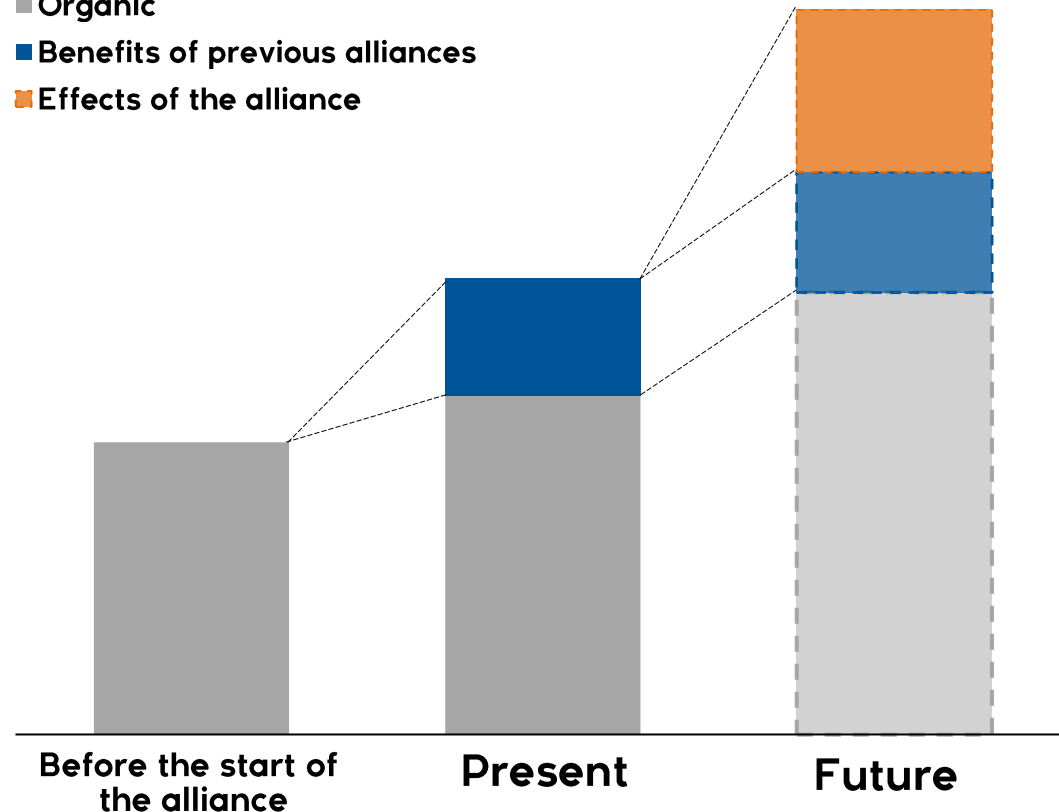


*Based on each company's IR data. Estimates for 2021 are based on 6 months of results from January to June 2021.
2021 Internet Advertising Market is calculated based on CAGR (2018–2020) from Dentsu Group Inc. material (Japanese advertising expenditures)

Through organic growth and expansion of Dentsu collaboration Aim for business growth well above the market average

Image of future growth

- Organic
- Benefits of previous alliances
- Effects of the alliance



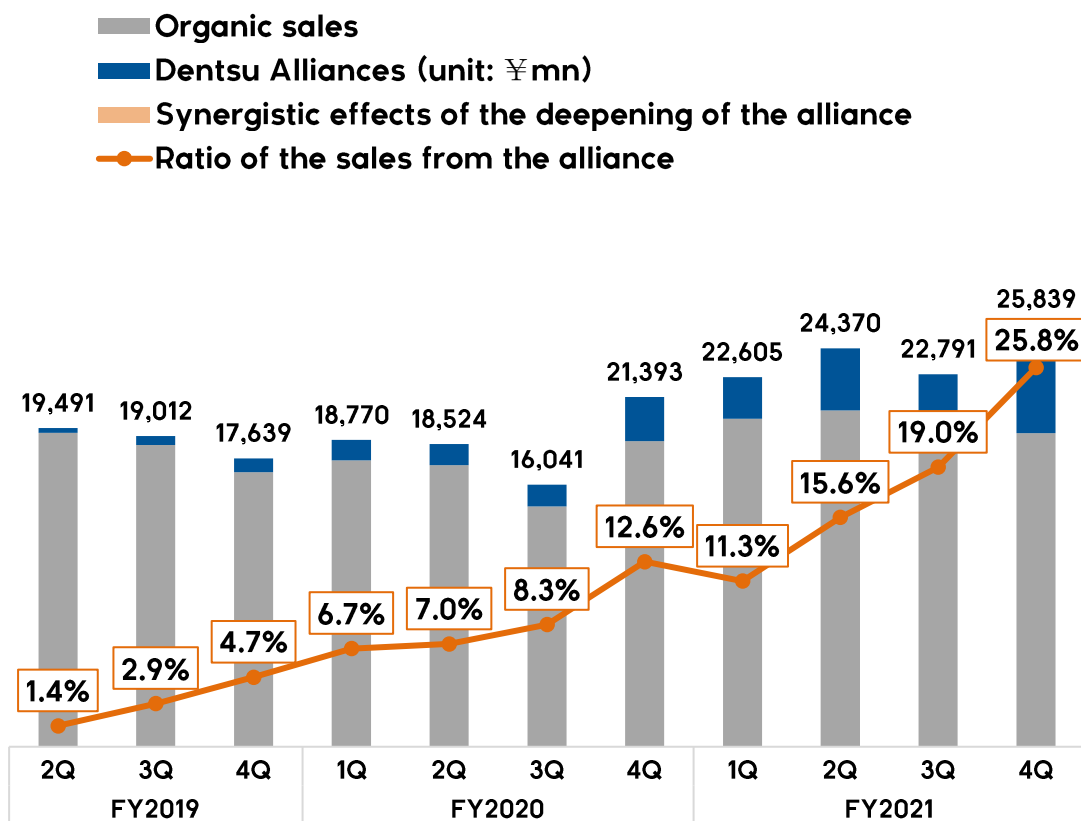
- Acquisition of new collaborations and large-scale clients through expansion of commercial distribution
- Strengthen the direct marketing domain through acquisitions and development and solutions domains through investment.
- Synergies in multiple domains by promoting the integration of business foundations

- Advertising management support for digital marketing projects handled by the Dentsu Group
- Online/offline integrated marketing proposals by leveraging the client bases of both companies' groups, etc.

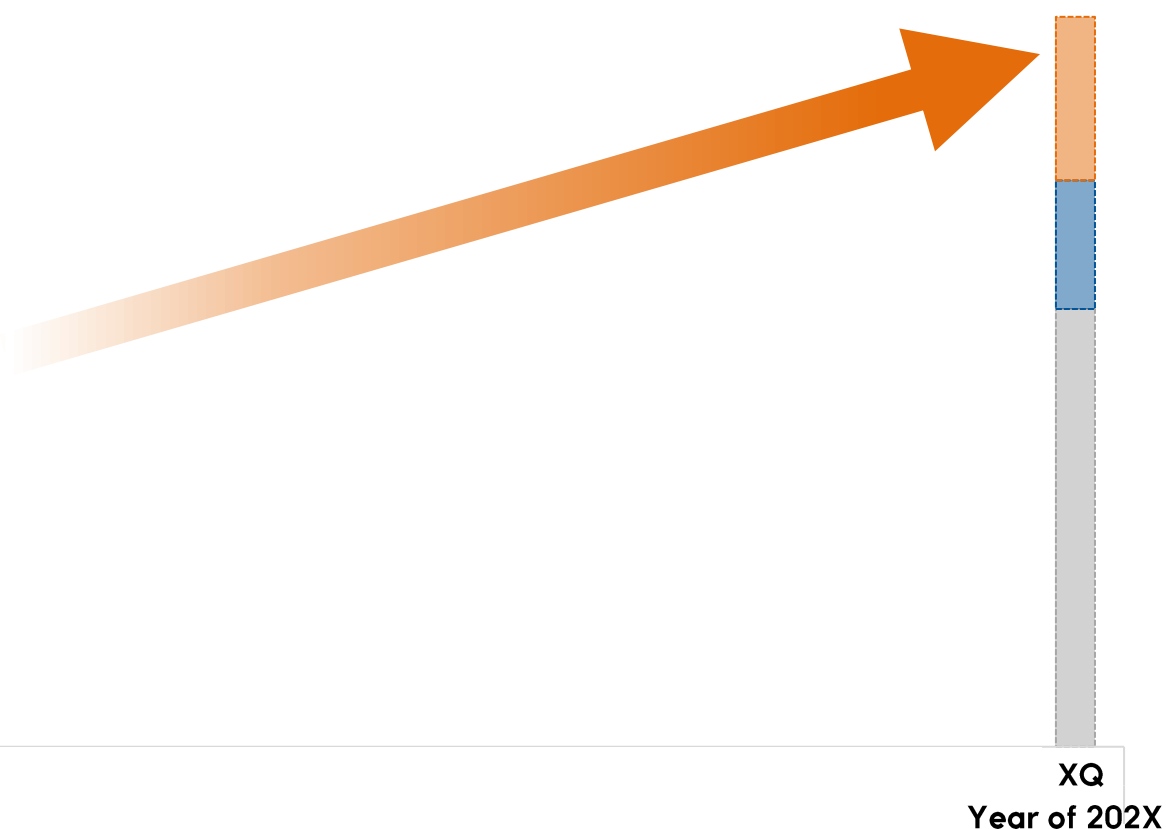
- Enhancing our presence in growing markets through alliances
- Strengthen organizational foundation through collaboration (human resources and product development)
- Increase in per capital productivity due to increase in unit price per client

In addition to ongoing organic growth, aiming for further top-line growth by accelerating collaboration.

Achievements to Date



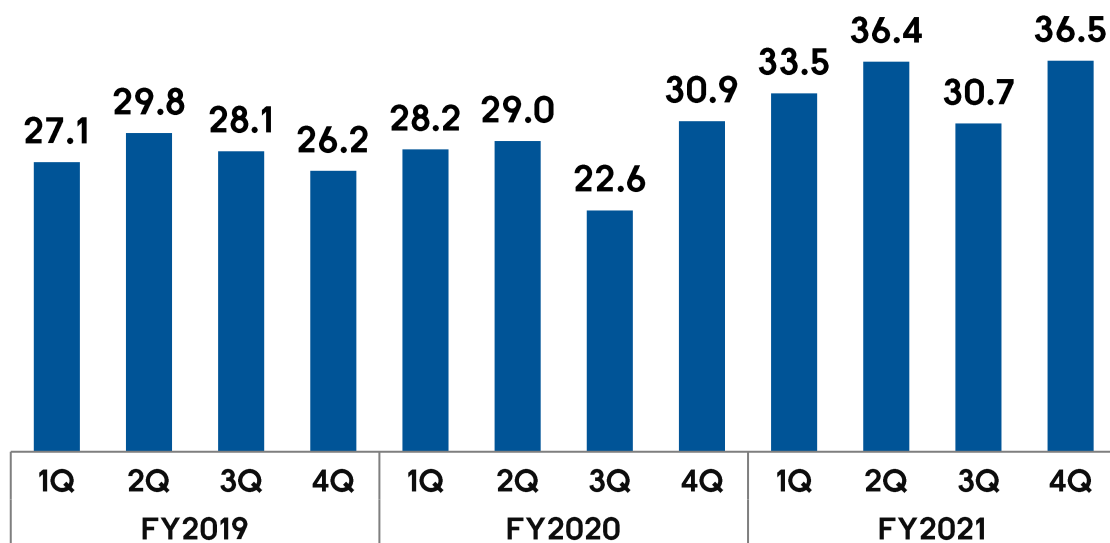
Future Trends (Image)



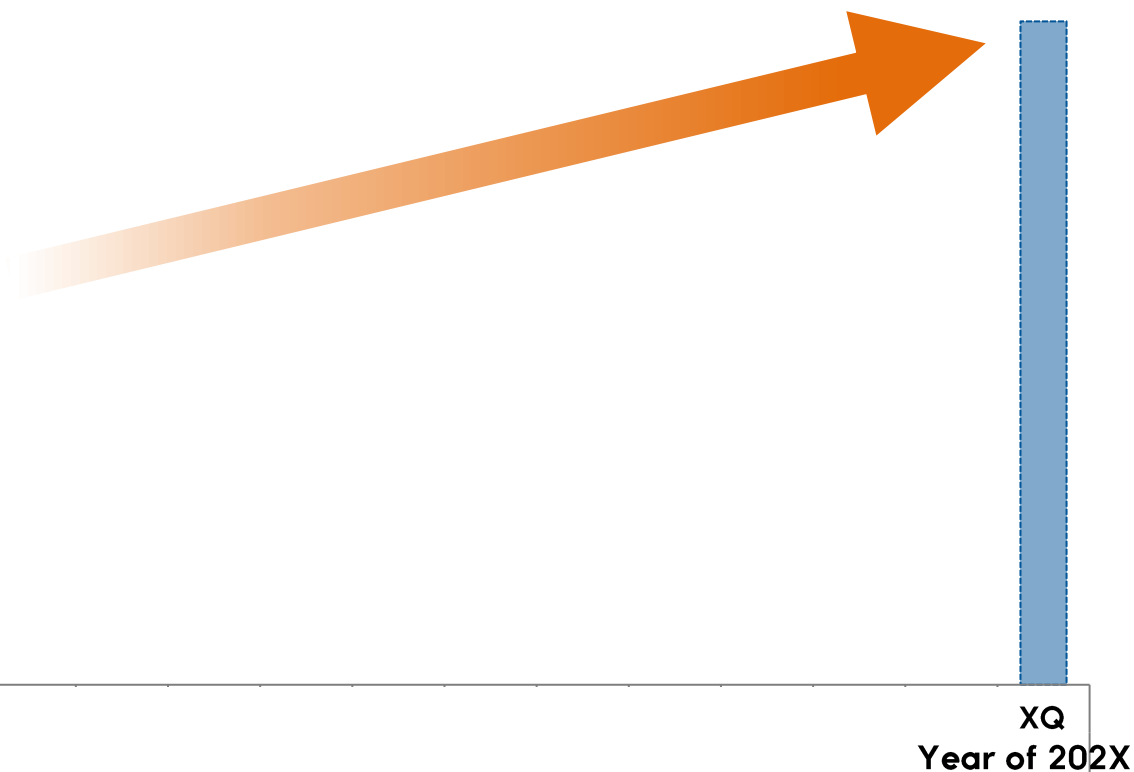
The sales per employee in the future expects further productivity growth while expanding organization.

Achievements to Date

(unit: ¥mn)



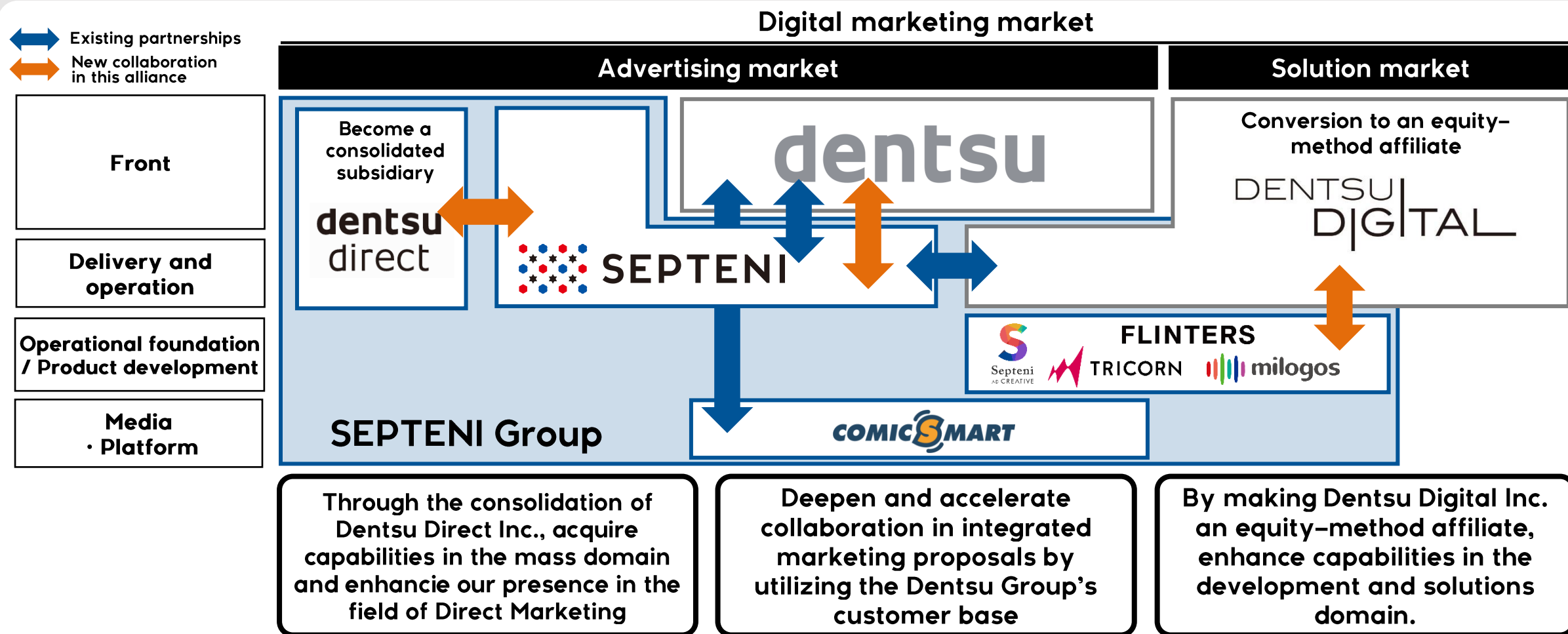
Future Trends (Image)



21 Framework for expanding the scope of the Group's business and deepening alliances



Anticipate further collaborative synergies in both domains and functions.



Aiming to generate synergies at an early stage through collaboration between the two groups.

**Expected
Synergy**

Further deepening collaboration related to integrated marketing proposals and further expanding the commercial distribution from the Dentsu Group.

Through the consolidation of Dentsu Direct Inc., enhance our presence through acquiring both digital and mass capabilities in the direct marketing field.

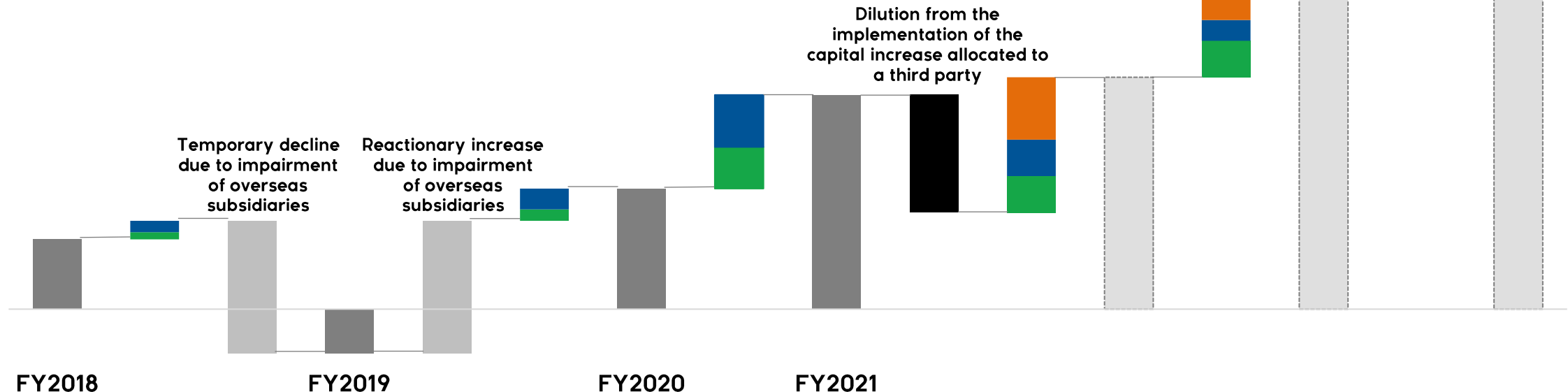
Through the conversion of Dentsu Digital Inc. into an equity-method affiliate, strengthen the solution domain, which is a growth market, and incorporate equity in earnings of affiliates.

By promoting the integration of the business bases of the two groups, realize cost synergies by sharing BPO areas, joint development, and improving procurement capabilities.

EPS dilution from this scheme is expected to improve at an early stage through growth of both our organic growth and synergies in business alliance in a few years.

Trends in EPS (current expected image from FY2022 onward)

1	Synergy effect from deepening this alliance* (forecast)
2	Synergies from existing alliances
3	Sustainable organic growth



*Includes 100% inclusion of income from the consolidation of Dentsu Direct Inc. and 25% inclusion of equity in earnings of affiliates of Dentsu Digital Inc.

Both groups aim to be the largest digital marketing partner to provide our clients the best solutions in an environment where people with various talents assemble with the joy of working.



dentsu

Digital Marketing	Accelerate collaboration on digital marketing projects through expansion of the commercial distribution from Dentsu Group.
	Strengthen the Direct Marketing domain and joint developing solutions utilizing the strengths of both Dentsu Direct Inc. and our group.
	Expand collaboration with the Dentsu Group in the Septeni Group's advertising management and creative areas.
Data Solutions	Strengthen the development structure and promote product development of both groups by accelerating collaboration with Dentsu Digital Inc.
Others	Consideration of integrated programs for recruitment and development of digital human resources, mutual use of tools, etc.

03

**Outline of the Company
to acquire its shares**

26 Overview of Dentsu Direct Inc.

Name	Dentsu Direct Inc.	dentsu direct
Address	1-8-1, Higashi-Shinbashi, Minato-ku, Tokyo	
Representative	Kazunari Kondo, Representative Director	
Business Activities	Business Strategy & Development, Creative Development & Analysis, EC & Mall Solutions Development, Advertising Management & Agency, CRM & Customer Development, etc.	
Paid-in Capital (As of October 28, 2021)	¥301 mn	
Date of Incorporation	June 11, 2007 (date of establishment of the former Dentsu Direct Marketing Inc.)	
Number of Employees	214 (as of July 1, 2021)	
Status of Shareholders (As of October 28, 2021)	Dentsu Group Inc.: 100%	

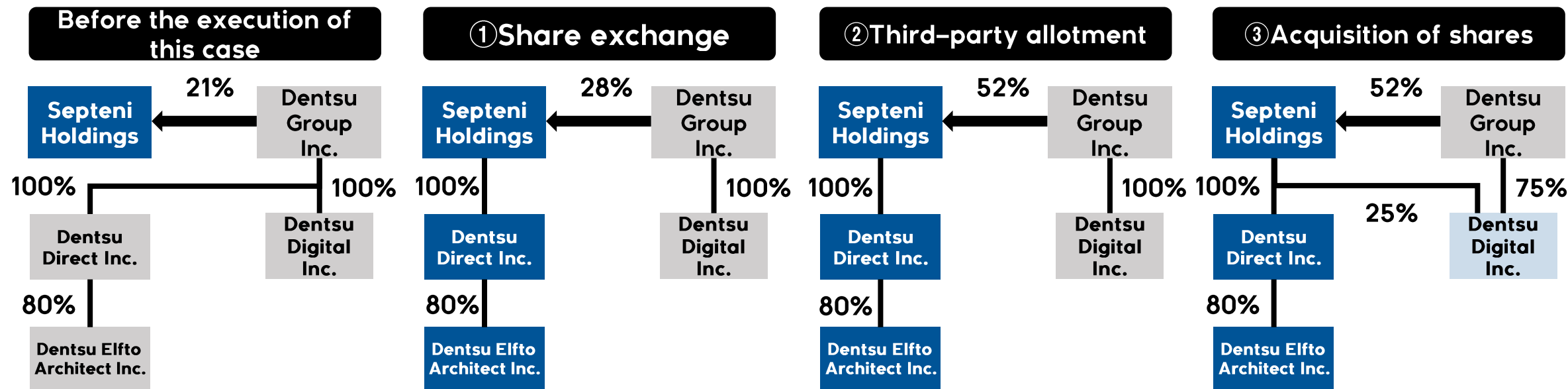
04

Structure of the Capital and Business Alliance

28 Structure of Capital and Business Alliances



Structure of the Capital and Business Alliance



Future schedule

Resolution of the Board of Directors	October 28, 2021 (today)
Date of conclusion of the Capital and Business Alliance Agreement	October 28, 2021 (today)
Ordinary General Meeting of Shareholders (for Septeni Holdings)	December 22, 2021 (planned)
Closing (Effective share exchange, payment by third-party allotment, execution of share transfer)	January 4, 2022 (planned)

※For details, please refer to the Timely Disclosure Material on the Capital and Business Alliance announced on the same day.

Structure of the Board of Directors (from January 4, 2022)



**Representative
Director
Koki Sato**



**Part-time director
Shuji Yamaguchi
(new candidate)**



**Outside Director
Etsuko Okajima**



**Outside Director
Yusuke Asakura**



**Outside Director
Yoshiki Ishikawa**

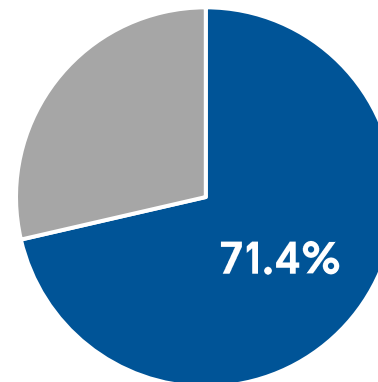


**Outside Director
Akiei Iriyama**

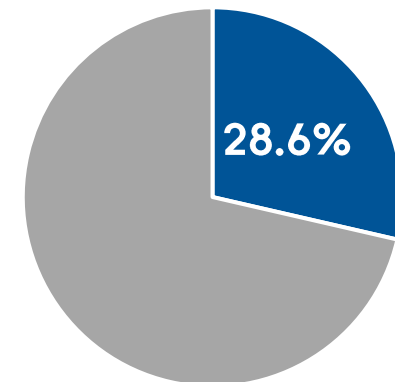


**Outside Director
Mio Takaoka**

Ratio of outside directors



Ratio of Female Directors



Structure of Group Executive Officers (from January 1, 2022)

Name	Title	Name	Title
Koki Sato	Group President and Chief Executive Officer (CEO)	Daisuke Suefuji	Group Executive Officers
Isamu Ueno	Group Senior Executive Officer (COO)	Masayuki Takano	Group Executive Officers
Tadahiro Matsuda	Group senior corporate officer	Yusuke Fukuhara	Group Executive Officers
Yusuke Shimizu (newly appointed)	Group senior corporate officer	Takefumi Okada	Group Executive Officers
Yuichi Kono (newly appointed)	Group senior corporate officer	Yuki Fukunishi (newly appointed)	Group Executive Officers
Kei Hatano (newly appointed)	Group senior corporate officer	Tei Go (newly appointed)	Group Executive Officers
Teruyuki Noguchi	Group Executive Officers	Shuhei Ezaki (newly appointed)	Group Executive Officers
Kana Setoguchi	Group Executive Officers	Yuta Suzuki (newly appointed)	Group Executive Officers
Masayuki Muto	Group Executive Officers		

Appointment of directors and composition of officers

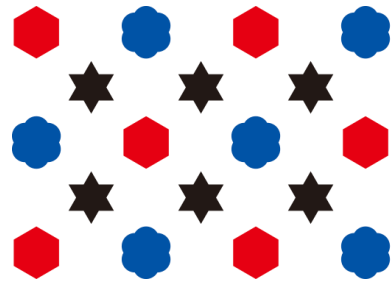
- One director and one auditor (part-time auditor) will be appointed by Dentsu Group Inc.
- Even after the capital and business alliance, the majority of our directors will be independent outside directors, and our representative directors will be the directors who are not outside directors and who are not appointed by Dentsu Group Inc.

Cooperation in management autonomy and maintaining listing

- Even after the execution of this alliance, the Dentsu Group respects our autonomy, acts in such a manner as not to conflict with the delisting standards to maintain our listing, and cooperates with us to the reasonable extent.

Handling of Shares

- Dentsu Group Inc. will not acquire any additional shares of our stock without obtaining our prior written approval.



SEPTENI

Contact Information

SEPTENI HOLDINGS CO., LTD. Corporate Planning, IR Division

www.septeni-holdings.co.jp/en/

E-mail: ir@septeni-holdings.co.jp

All estimates, opinions and plans concerning the future in this presentation materials are our judgments at the time of publication, and we cannot guarantee their accuracy. Actual results may differ materially from those anticipated in the forward-looking statements as a result of risks related to fluctuations in global conditions and various other uncertain factors.