



SEPTENI HOLDINGS CO., LTD.

For the year ended September 30, 2017

## **Septeni** Business Report 2017



SEPTENI HOLDINGS CO., LTD.  
Group President and Chief Executive Officer  
**Koki Sato**

## Achieving sustainable growth through steady profitability gains in the Internet Marketing Business and effective investments in the Media Content Business

—What is your view on the recent business environment?

**Generating record revenue for six consecutive fiscal years due to the advancing shift to smartphones and growth in video advertising**

In the Internet-related market, the main business area of the Septeni Group, the ways in which smart devices are used have become more diverse and in-depth. At the same time, globalization is proceeding at a rapid pace, typified by market expansion primarily in developing countries. In 2017 marked two decades since the Internet gained widespread adoption and a decade from the introduction of the first iPhone. It was also a year that provided hints about the next decade for the Internet-related market with the release

of a stream of smart speaker products from the IT companies that drive the industry.

In this environment, in our mainstay Internet Marketing Business we focused on smartphone advertisements, and paid particular attention to enhancing our production and sales systems for the fast-growing area of video advertisements. In conjunction with this approach, we made strides in promoting an expansion of our overseas operations primarily through Lion Digital Global Ltd., an internet advertising agency in the Southeast Asia region that we made a consolidated subsidiary from the fiscal year in review.

In the Media Content Business, we made proactive marketing investments in “GANMA!” Comic app in an effort to expand the size of the user base and media.

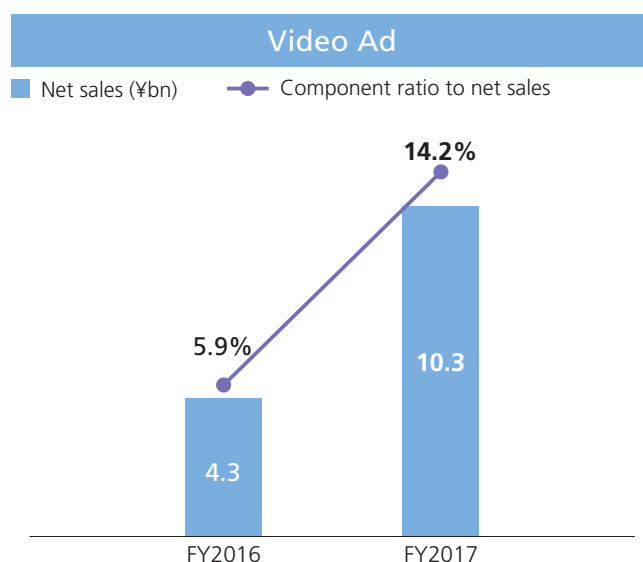
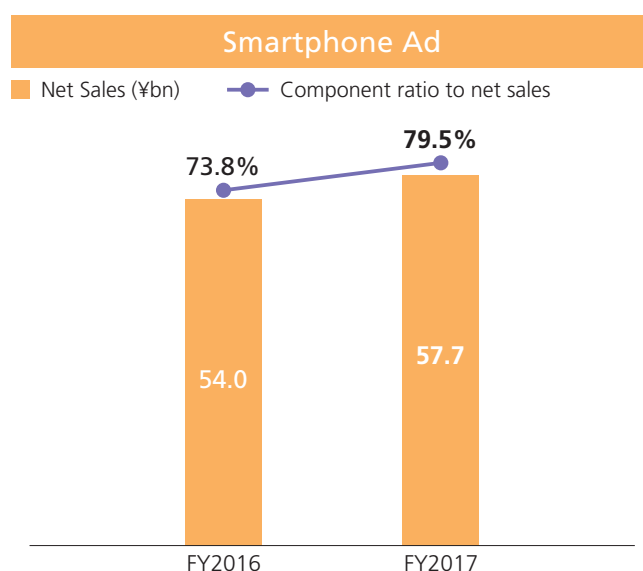
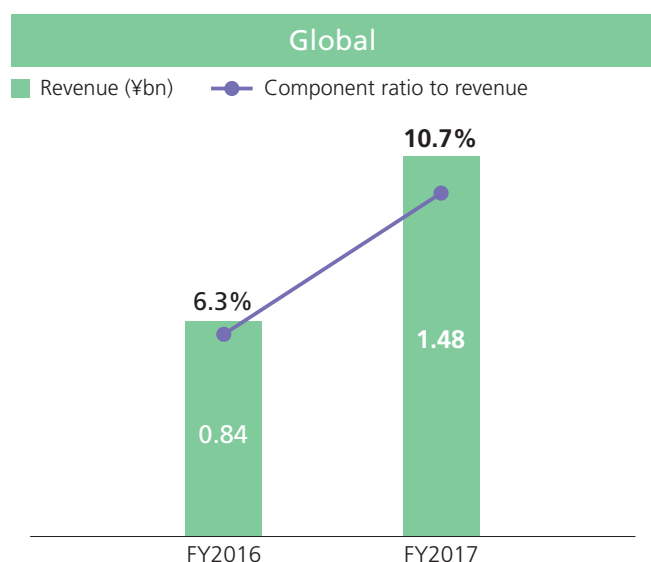
—What initiatives did you take and business results did you record in the fiscal year ended September 30, 2017 under review?

**In the Internet Marketing Business, we expanded overseas revenue mainly in Asia, while achieving steadily improving profitability in Japan**

In the Internet Marketing Business, we have actively rolled out sales activities and expanded operations against a backdrop of a larger internet advertising market, primarily composed of performance-based advertising for smartphones. The percentage of earnings from the transactions of smartphone advertising in this business rose 5.7 points over the previous year, and this type now accounts for a high 80% of advertising. Even within this type, earnings from transactions of video advertising experienced considerable year-on-year growth of around 2.4 times. Meanwhile, while we were affected by a decrease in advertising in some existing large-scale projects, overseas earnings particularly from the Asia region were strong, and as a result we achieved a 3.2% increase in revenue over the previous period to 13.8 billion yen, while Non-GAAP operating profit settled at 4.26 billion yen, a 20.2% drop from

the previous period. Although we ended the period with increased revenue and lower profit, we saw improvements in transactions for our mainstay areas of smartphone advertising and social media advertising, as well as a better product mix thanks to a decrease in low-profitability projects. In terms of the ratio of revenue to net sales for advertising transactions, we recorded a 0.8-point rise over the preceding period. In these ways, we are continuing to make progress in our switch to a high-revenue business model.

On the organizational front, we made organizational changes to better fit the immediate business environment and sought to strengthen our mobility.



## In the Media Content Business, we have steadily expanded our media scale through large-scale marketing investment in the manga content business

In the Media Content Business, we made aggressive marketing investments in GANMA! and ran the first television commercials in March 2017. The investment yielded significant results, with the user base steadily growing primarily among younger demographics. As of October 2017, cumulative downloads of the app stood at 8.95 million, 2.3 times greater than the preceding period, and monthly page views continued to grow to 3.9 billion views. Moreover, in connection with the expanded media scale, app revenue enjoyed considerable growth of approximately 4.5 times over the previous term mainly thanks to expanded sales of “GANMA! AD” in-app advertising.

The effects of television commercials not only enhanced our media scale but also had the effect of raising our recognition among advertisers. In the second half of the year, development of the brand



advertising market made consistent progress and the number of advertisers rose steadily. Consequently, this form of advertising is gaining increased recognition as an alternative medium to television by which to reach younger demographic who are defecting from TV viewership at an increasing rate.

As a result, on a consolidated basis we generated 14.7 billion yen in revenue, a 6.1% jump over the previous year, while Non-GAAP operating profit fell 43.9% to 2.33 billion yen from the previous fiscal year.

## Earning outside recognition for personnel-related initiatives



### “Great Place to Work (in Japan)” rankings

(surveyed by the Great Place to Work® Institute Japan)

**Best Companies  
to Work For**  
<Selected 6 times>



### “The 6th Japan HR Challenge Awards”

(Supported by the Ministry of Health, Labour and Welfare, Toyo Keizai, Inc., etc.)

Received  
**an Prize for  
Encouragement**



### The 2nd HR Technology Awards

(Supported by the Ministry of Economy, Trade and Industry, Toyo Keizai, Inc., etc.)

Management System Division,  
Received  
**an excellence award**  
<for the 2nd consecutive year>

—What is the policy for the next fiscal year?

### **Investing in people, the Group's greatest asset, raises our competitiveness as a company in the medium-to-long term**

To date, Septeni has achieved sustained growth by actively investing in entrepreneurial human resources with a sense of ownership. As a part of our investment in these kinds of human resources, since 2012 we have been promoting an AI-type personnel system based on machine learning in the areas of personnel hiring and development. In recent years, this initiative has progressed to the stage where the prospect of hiring even more talented personnel and bringing junior personnel to full strength at an earlier stage has been backed up by our internal data. We have also built up a track record of having these independent efforts recognized by multiple outside organizations.

Against this backdrop, we decided to make bold revisions to our personnel systems starting from the next fiscal year. Details of the revisions are explained on the following page. Through the revisions, we will confirm to the “workstyle reform” trend advocated

by the national government since September 2016, and also aim to contribute to medium-to-long term business performance and boost competitiveness by the hiring of more talented personnel and developing them to full strength early on.

—What is your message for shareholders?

### **We distributed essentially the same dividends as the preceding fiscal year**

With respect to returning profits to shareholders, we have set roughly 15% of profit attributable to owners of parent as a benchmark, in the interest of maintaining continuity and stability of dividends, as previously. We decided to distribute a dividend per share of 3.2 yen, which is essentially the same amount as the preceding period. Moving forward we will continue to engage in appropriate profit distribution based on business performance.

From the next fiscal year, we will aim to achieve sustainable growth under the Midterm Business Policies that have set non-GAAP operating profit of 10.0 billion yen as a target. I humbly ask for your continued understanding and cooperation.

## **Midterm Business Policies (FY9/2017~)**

### **Earnings target**

**Non-GAAP Operating Profit:  
¥10bn**

### **Basic policies**

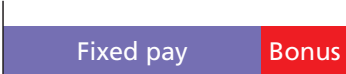
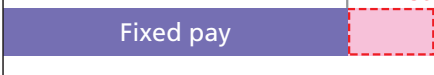
Expand advertising business **globally**

Enhance our own **media**

Invest in what comes **after** the smartphone

## Enhancing competitiveness through ongoing investments in human resources

From the fiscal year ending September 2018, we will revise our personnel system with the aim of hiring more talented human resources, bringing them up to full strength at an earlier stage and contributing to business performance, while operating a machine learning-based AI-type personnel system that we have been developing and operating independently.

Examples of efforts		Summary	Implementation schedule
Systemization of recruitment and development of human resources		Recruitment and development utilizing quantitative information and statistical techniques	Research and development commenced in 2012
Introduction of a flextime system		Effective work styles without any constraints on time will be promoted.	October 2016 ~
Enhancement of salary levels	NEW	<p>Replacement of current annual salary by the payment of fixed pay and new performance-linked bonuses. (Each employee's bonus is to be determined depending on the merit rating.)</p> <div> <p>Previously</p>  </div> <div> <p>October 2017 ~</p>  </div>	October 2017 ~
Introduction of a side business approval scheme	NEW	Engaging in side businesses will be permitted to an approved extent for the improvement of individual skills.	October 2017 ~
Improvement of remote work environments	NEW	Diverse work styles without any constraints on location will be realized.	January 2018 ~

## The new path forged by a unique AI-type personnel system

The Septeni Group established the Human Capital Lab as an internal organization tasks with researching human resource development from a scientific perspective to maximize the business performance of each and every employee. In this section we will introduce the activities led by the Human Capital Lab to date, including the AI-type personnel system behind the new personnel system starting from the fiscal year ending September 2018.



## Our approach to human resource development

Providing the knowledge and skills necessary for business is a common means to human resource development at companies. However, it is extremely difficult to accurately measure the effects of this human resource development, and this has proven to be a major issue at Septeni for many years.

Given this challenge, we chose to redefine human resource development from “providing the knowledge deemed necessary to cultivate human resources” to “building upon good quality experiences in the workplace to cultivate human resources,” and began an effort to scientifically measure and assess the results of this approach.

We also devised a “Formula of Development” that indicates regularity which, by providing a workplace environment conducive to demonstrating skills and having them interact, promotes significant growth and brings personnel up to full strength early on. This approach forms the basis of our human resource development program.

$$\begin{array}{c} \text{Formula of Development} \\ \text{Growth} \quad \text{Personality} \quad \text{Environment} \quad \text{Team} \quad \text{Work} \\ G = P \times E (T + W) \end{array}$$

## AI-type personnel system



Director of the Human Capital Lab  
Tatsuya Shindo

Based on the above approach, the Human Capital Lab independently developed a Human Resource Development Engine equipped with an algorithm that predicts the success levels of human resources based on a vast database on human resources assembled from the entire Group. In addition, the 360-degree Multi-Survey, a unique assessment run by Septeni, we gained the ability to gauge the growth of individual employees. By utilizing human resource development outcomes as quantitative information in this way, we assessed individuals and workplace environments in terms of assigned posts, development and other factors, and established mechanisms to ensure that human resources reach full strength at an early stage.

We verified the outcome of these initiatives in terms of the actual success levels of junior employees, and as a result, confirmed that compared with past trends, more employees reached full strength after joining the company in a shorter time.

As illustrated above, the greater contributions to business growth associated with junior employees reaching full strength earlier led to our decision to expand investment into the personnel area. We will continue to develop an attractive work environment with the aim of hiring more talented personnel, taking them to full strength early on and contributing to business performance, leading to improved medium-to-long-term competitiveness and sustained growth.








## CSR Policy and Priority Challenges

### CSR Policy and promoting system

We have established a CSR policy of helping to resolve social issues through business, and we promote CSR activities with the aim of realizing a sustainable society and the Septeni Group's mission of "Inspiring the world with entrepreneurship." Led by a cross-sectoral CSR Committee chaired by President Sato, we are continually expanding our regular CSR activities as well as efforts to ensure that our corporate philosophy and code of conduct take root.

### The Septeni Group's priority challenges in CSR

Referencing international guidelines and long-term goals such as ISO26000 and the SDGs, we take stock of the many issues facing society and make comprehensive judgments concerning what stakeholders expect of the Septeni Group and the importance of issues to Septeni Group businesses. We then designate priority themes and promote CSR activities accordingly. In light of changing social circumstances, our internal progress on initiatives and other factors, we reviewed the themes we had pursued up to the 27th period and are working on seven priority themes starting with the 28th period.

Priority challenges	CSR targets	Major actions in the 27th period	Actions planned in the 28th period
 Encourage the active participation of women	Encouraging the active participation of women	<ul style="list-style-type: none"> <li>● Running of female leader development workshop throughout the entire group</li> <li>● Settlement of targets for active female participation for the entire group</li> </ul>	<ul style="list-style-type: none"> <li>● Running of female leader development workshop throughout the entire group</li> </ul>
 Take action against discrimination and harassment	Ensuring the integrity of the workplace environment	<ul style="list-style-type: none"> <li>● Launch of LGBT &amp; Allies Network, "SEPALLY RAINBOW", activities</li> <li>● Introduction of anti-discrimination and harassment training</li> </ul>	<ul style="list-style-type: none"> <li>● Application of welfare benefits for same-sex partners</li> <li>● Implementation of anti-discrimination and harassment training</li> </ul>
 Development of high quality human resources	Studying the development of high-quality human resources	<ul style="list-style-type: none"> <li>● Lectures at outside workshops</li> <li>● Publication of research reports to people inside and outside the Group</li> <li>● Start of online recruiting</li> </ul>	<ul style="list-style-type: none"> <li>● Lectures at outside workshops</li> <li>● Publication of research reports to people inside and outside the Group</li> <li>● Expansion of the scope of use of the engine for the development of human resources</li> </ul>
 Implementing measures for Health and Productivity Management	Implementing measures for Health and Productivity Management	<ul style="list-style-type: none"> <li>● Promotion of measures for Health and Productivity Management</li> </ul>	<ul style="list-style-type: none"> <li>● Promotion of measures for Health and Productivity Management</li> </ul>
 Workstyle Reforms	Promoting workstyle reforms	<ul style="list-style-type: none"> <li>● Full-scale introduction of flextime system</li> </ul>	<ul style="list-style-type: none"> <li>● Development of remote work environment</li> </ul>
 Support the sound development of the Internet advertising industry	Supporting the sound development of the Internet advertising industry	<ul style="list-style-type: none"> <li>● Formulation and announcement of the Three Promises by Septeni Group, a policy for the sound development of the Internet advertising industry</li> <li>● Promoting measures to ensure policies take root</li> </ul>	<ul style="list-style-type: none"> <li>● Promotion of measures to reinforce the spread of the Three Promises by Septeni Group, a policy for the sound development of the Internet advertising industry</li> </ul>
 Culture and sports support	Culture and sports support	<ul style="list-style-type: none"> <li>● Launch of the "RouteM" manga artist development program</li> </ul>	<ul style="list-style-type: none"> <li>● Launch of the "RouteM" manga artist development program</li> <li>● Support for top athletes</li> </ul>

\* We will regularly review the priority challenges.

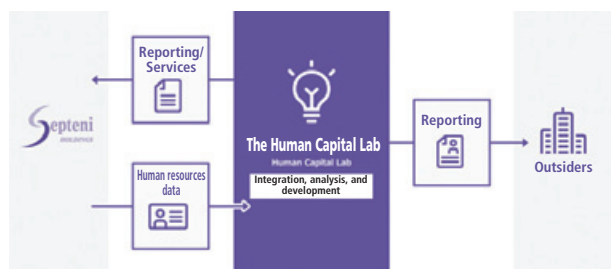


## **Pick out CSR activities (1)** **Development of high quality human resources**

The Septeni Group has set up "The Human Capital Lab", which exclusively studies human resources data, in order to maximize the performance of each and every employee. Its findings are used in the making of management decisions and the development of human resources.

### **Purpose of research and structure**

"The Human Capital Lab" integrates and analyzes the large amount of data on human resources that we have accumulated as our group has expanded over the years. It continues its research activities in an effort to clarify the structure of human resources development in the growth industry from a scientific perspective and broadly share its findings



### **Research Activities**

The Human Capital Lab actively discloses research reports and holds lectures to help hire and cultivate human resources.

In the fiscal period under review, we actively disseminated the results of our research through lectures, announcements and the placement of articles in various media outlets.

We also sought to disseminate our research findings globally by utilizing our subsidiaries located overseas.

### **Online Recruiting**

As a part of efforts to expand the scope of the human resource development engine built by the Human Capital Lab, from the fiscal year under review we began online recruiting aimed at students from regions other than Tokyo area.

Online recruiting allows us to complete the process from entry to informal job offer by utilizing predictions of post-employment success derived from the AI-type personnel system and an online interview system.

Students from regions other than Tokyo area can face a greater burden while job hunting due to transportation fees, accommodation expenses and the time spent on the move. For the Septeni Group, reducing this burden has allowed us to secure talented resources from a broader pool of candidates.

Moving forward, the Septeni Group will continue to pursue initiatives based on research conducted by the Human Capital Lab and activities to strike a balance between creating Group competitiveness and helping to solve social issues.



## Pick out CSR activities (2)

### Anti-discrimination and harassment training

We have Diversity, one of code of conduct, as a guide for day-to-day actions. Diversity means that we respect all human rights and mutually recognize diversity. We work to realize working styles in which individuals can exhibit. We continually promote activities with this guideline to ensure that each individual's strengths are fully demonstrated through creating an environment that will not cause discrimination and harassment by sex, age, nationality, race, ethnicity, religion, thoughts, beliefs, social status, presence of disability, sexual orientation, gender identity, etc.

#### LGBT Support

We are building and acting on the group-wide LGBT & Allies Network SEPALLY RAINBOW to create a workplace where all employees are motivated to work, regardless of whether they are LGBT or not, by deepening the understanding of LGBT and increasing the number of Allies.



SEPALLY  
RAINBOW

#### Extending welfare benefits to same-sex partners

From January 2018, we will revise the definition of "spouse" in our internal regulations. By submitting the appropriate documentation, employees with same-sex partners can now take advantages of the applicable systems.

#### Educational training

We periodically invite outside instructor to conduct training and engage in internal awareness-raising activities on a continual basis.

Education using e-learning is also carried out for the purpose of acquiring basic knowledge of all employees.

#### Outside recognition

We have received a bronze award as part of PRIDE INDEX 2017, an index formulated by the voluntary organization work with Pride to evaluate corporate initiatives aimed at sexual minorities such as LGBT employees.



#### Human rights awareness activities

We regularly offer training to prevent harassment and consider human rights in advertisement expression.

## Pick out CSR activities (3)

### Support the sound development of the Internet advertising industry

The drastic increase in Internet usage and the rapid progression of technologies are causing various challenges for the Internet advertising industry. Aiming to help solve these issues and foster the sound, prosperous and attractive development of the Internet advertising market, the Septeni Group has devised and promoted activities under the Three Promises by Septeni Group, a policy for the sound development of the Internet advertising industry.

#### Three Promises by Septeni Group

##### (1) Sincere response

We consider integrity to be the basis of everything we do and we will act with the resolve of right and wrong rather than profit and loss. We will remain conscious about the communication of useful information to society through appropriate means that will lead to continual trust in Internet advertising and will act to make all of the people involved smile with the cooperation from the stakeholders.

##### (2) Improvement of quality

We will observe the relevant laws and regulations and the rules agreed upon with the parties involved and aim to establish internal operations which preemptively avoids accidents or wrongdoings while moving toward the enhancement of quality service through repeated education and improvement.

##### (3) Challenging the possibilities

We will continue the challenge of using new technologies and techniques to enhance the value of Internet advertisements and improve the satisfaction of the stakeholders.

## Discovering and Solving Issues, Promoting Education and Awareness of Various Rules

All employees involved in Internet advertising are interviewed about business issues based on the Policy and actions for improvement are taken mainly through cross-departmental projects. And education is regularly provided for understanding the laws and regulations relating to business, the guidelines established by the industrial associations and the rules for each advertising medium and for the application of such knowledge to our business operations.



## Reflection of stakeholders' voices

Each year, the Septeni Group conducts a survey on customer satisfaction directed at the relevant companies. The answers are used to improve our services and internal systems. COMICSMART, which operates GANMA!, also strives to improve its services with reference to user reviews.

## Internet Marketing Business

### Point

Growth in our areas of focus and improved profitability

### Main content of business :

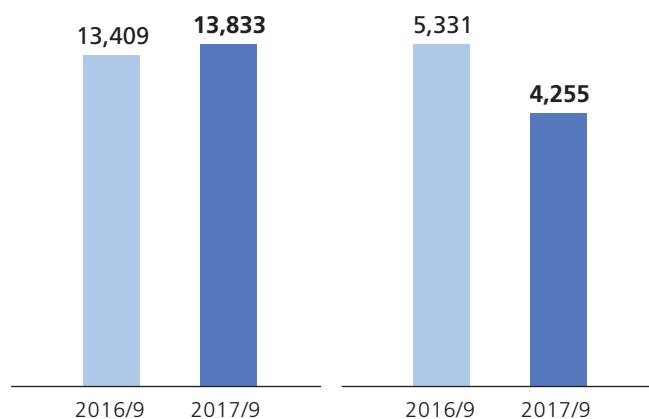
General all-embracing marketing support services using the Internet

### Revenue

(units: ¥mn)

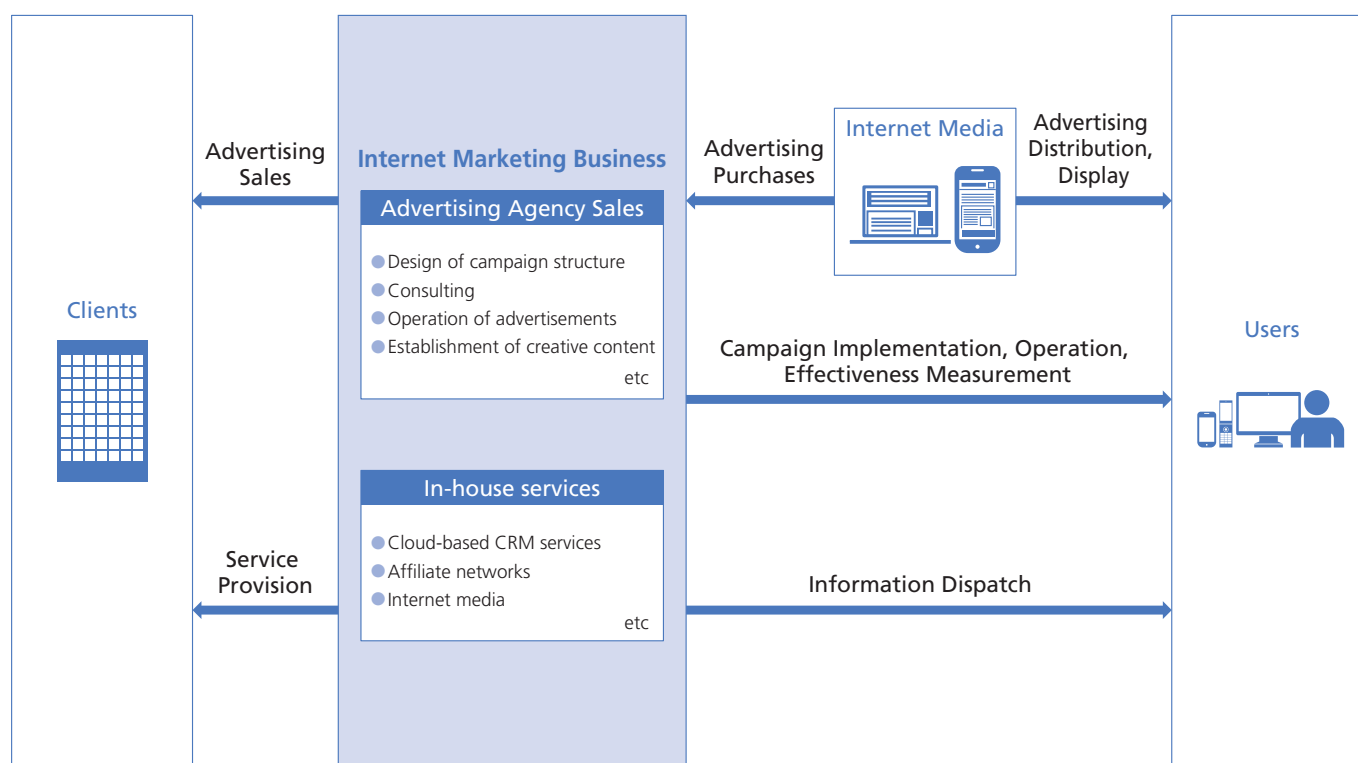
### Non-GAAP Operating profit

(units: ¥mn)



### Summary of FY2017

- We made Lion Digital Global Ltd. (Lion & Lion), a leading digital agency in Southeast Asia, into a consolidated subsidiary. Overseas revenue, primarily from Lion & Lion and the Asia region, expanded to 1.48 billion yen (up 76.2% over the preceding period).
- Transactions of smartphone advertising grew approximately 7% year-on-year to 57.7 billion yen, and accounted for roughly 80% of net sales.
- Transactions from video advertising, one of our areas of focus, grew to 10.3 billion yen, a jump of about 2.4 times from the preceding year.
- Despite a decline in large projects, our product and client mix improved, driving higher profitability.



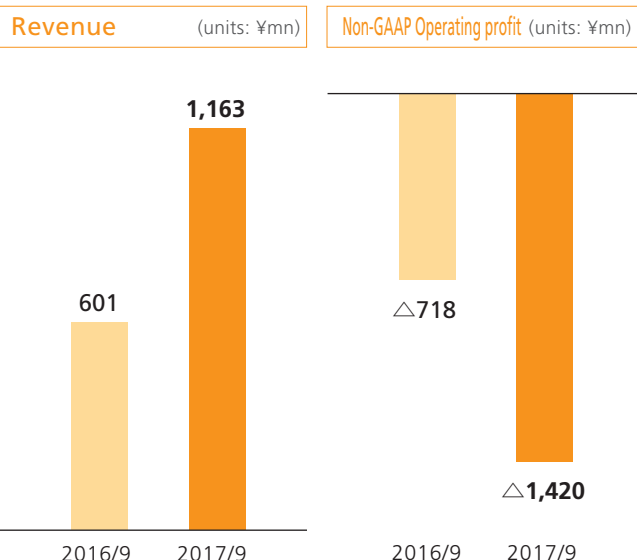
## Media Content Business

### Point

Expanding revenue through large-scale marketing investments

### Main content of business :

Production of Manga artists for the purpose of planning and supporting our own intellectual property (IP) and the operation of the Manga distribution service



### ● Manga Content Business

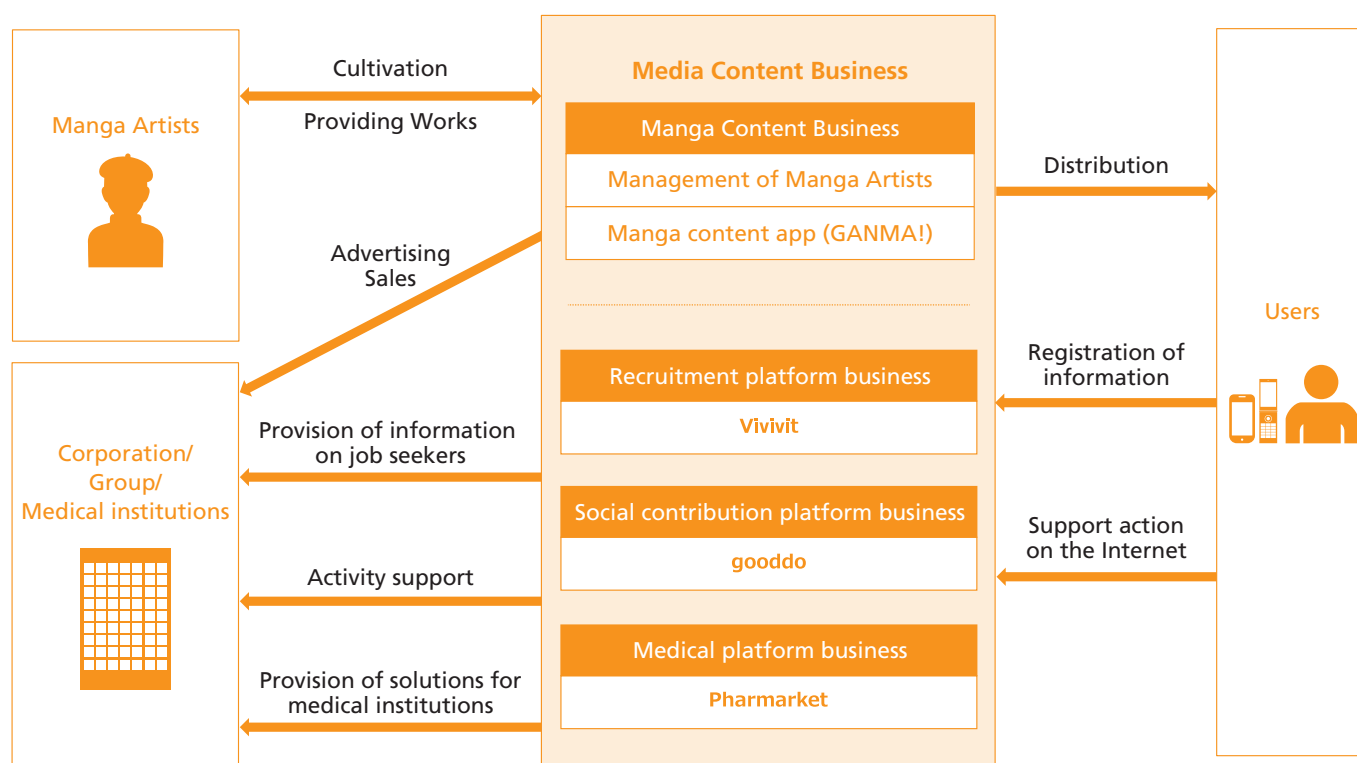
•We conducted large-scale marketing investments including television commercials to expand the media scale of the GANMA! Manga app.

•As a result of large-scale marketing investments, the GANMA! user base increased significantly. As of October 2017, cumulative downloads had risen about 2.3 times compared with the preceding period to 8.95 million, and monthly page views for October 2017 grew to 3.9 billion views.

•Sales of GANMA! AD in-app advertising have expanded steadily, with app revenue growing about 4.5 times year-over-year.

### ● Other New Businesses

•Each business grew steadily.



With the aim of positioning the Manga Content Business as a second pillar of the Septeni Group's business, we are working to develop and support manga artists and operate our own media, the GANMA! Manga comic app. Moving forward, we will continue with prior investments designed to expand our media scale and user base, and will strive to develop exceptional manga works originating on the Internet and boost Group profitability.



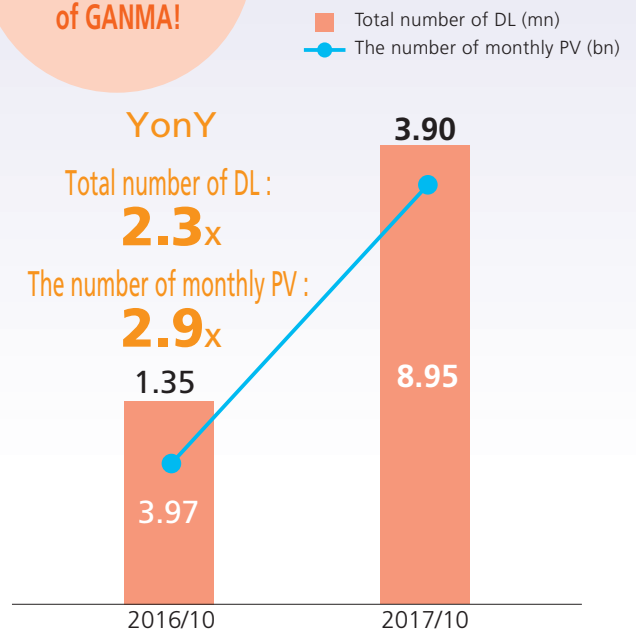
## What is "GANMA!"?

This manga comic app primarily features original manga comics produced by the artists we have cultivated in-house. We maintain a large user base consisting mainly of young readers in their teens and 20s. All the episodes of manga comics from more than 90 varied genres from quest battles to love comedies and science fiction are updated daily and can all be read for free.

Manga content app



## Monthly page views and accumulated application downloads of GANMA!



## Implement of TVCM

From late March to early April 2017, we ran the first television commercials for GANMA!. As a result, app downloads and page views both increased significantly, and after the commercial aired, the app would take the top spot in the free download section of the App Store, greatly contributing to expanded media scale. The television commercials also boosted recognition among young aspiring manga artists and advertisers.



Sales of the GAMMA! AD in-app advertising products have steadily increased proportional to our expanded media scale, resulting in large growth in app revenue, up around 4.5 times compared with the preceding fiscal year. In addition to native advertisements displayed at the end of each manga episode, we have enhanced the quality of advertising types as products, such as large video advertisements shown at the top page of the app, and casting advertisements using characters being serialized on GAMMA!. As a result, the number of advertisers has also risen steadily.

**Video advertisement**



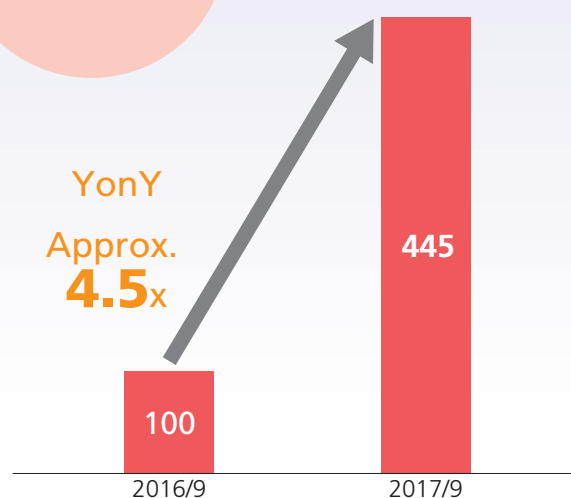
**Casting advertisement**



**Application Revenue Trend**

(Total revenue of GAMMA! in terms of advertising and in-app billing)

\*Volumes in 2016 = 100



In the second half of the year, we managed to advance the development of the brand advertising market. By enhancing GAMMA!'s presence as a form of media, more advertisements were placed by advertisers. In the next fiscal year, we will continue to make prior investments at a certain level, bolster our expanded media scale and the development of the brand advertising market, and drive expanded sales of our in-house advertising products. This will generate a powerful business synergy with the Internet Marketing Business and enhance Group profitability.

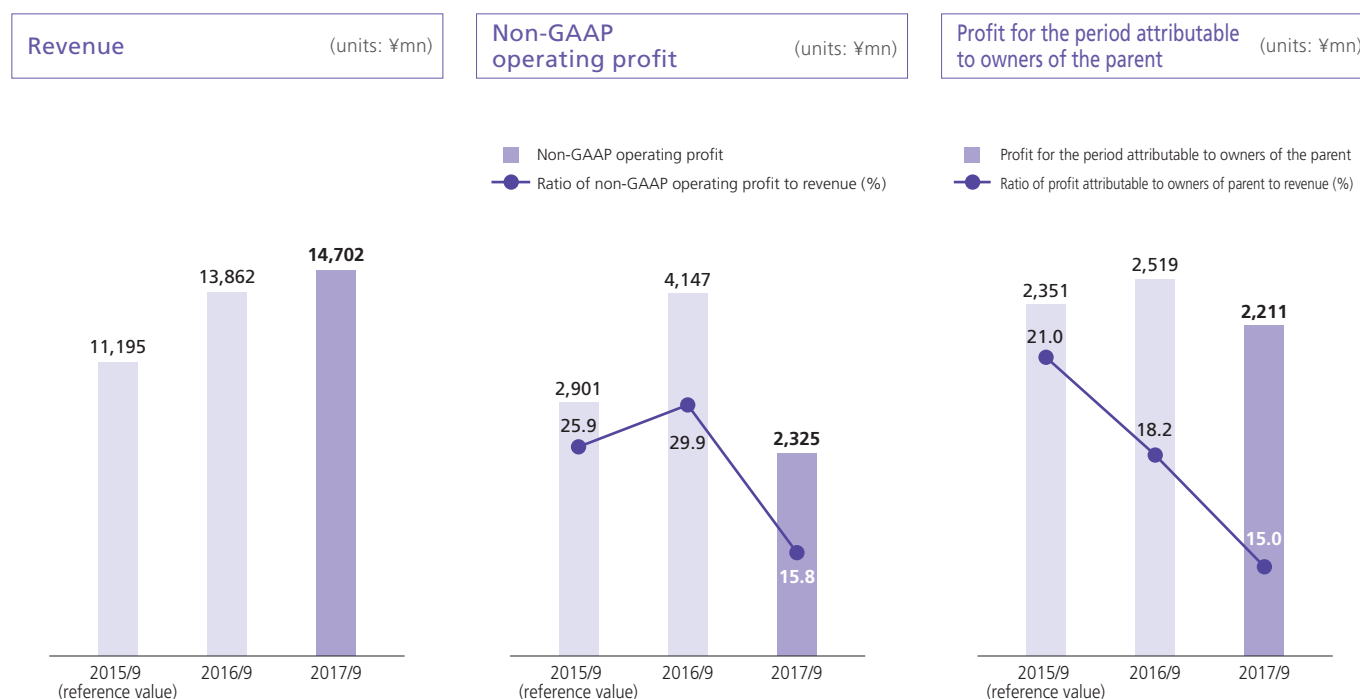


## Consolidated Statement of Profit or Loss (units: ¥mn)

- While there was a contraction in large projects from the Internet Marketing Business, expanded revenues from the Media Content Business helped us secure increased revenue on a consolidated basis.

Account	2016/9	2017/9	Rate of change
Revenue	13,862	14,702	+6.1%
Non-GAAP Operating profit (*)	4,147	2,325	-43.9%
Operating profit	4,154	2,248	-45.9%
Profit from continuing operations	2,717	1,338	-50.7%
Profit for the period attributable to owners of the parent	2,519	2,211	-12.2%
Net sales (Reference)	73,203	72,375	-1.1%

\* A profit indicator of constant business performance determined by adjusting temporary factors such as impairment loss and gains and loss on the sales of non-current assets from the IFRS-based operating profit (or loss)

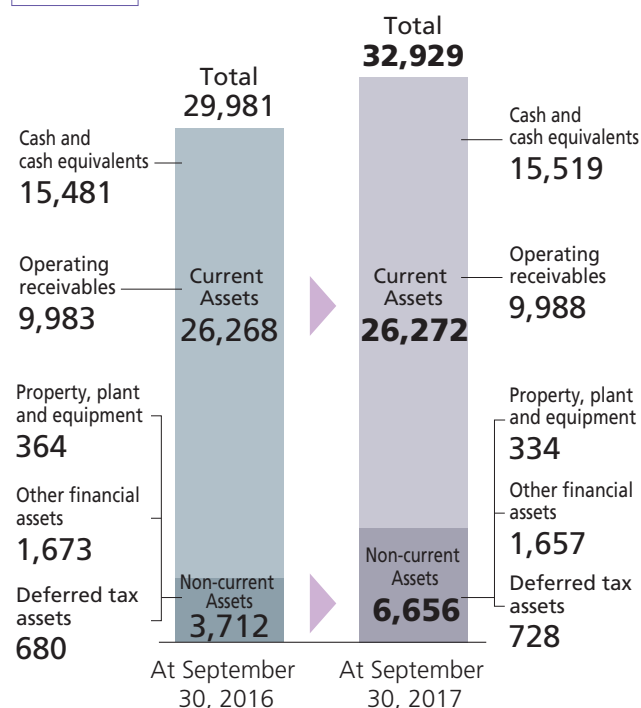


\*For reference purposes, figures based on IFRS for the fiscal year ended September 2015 are listed together.

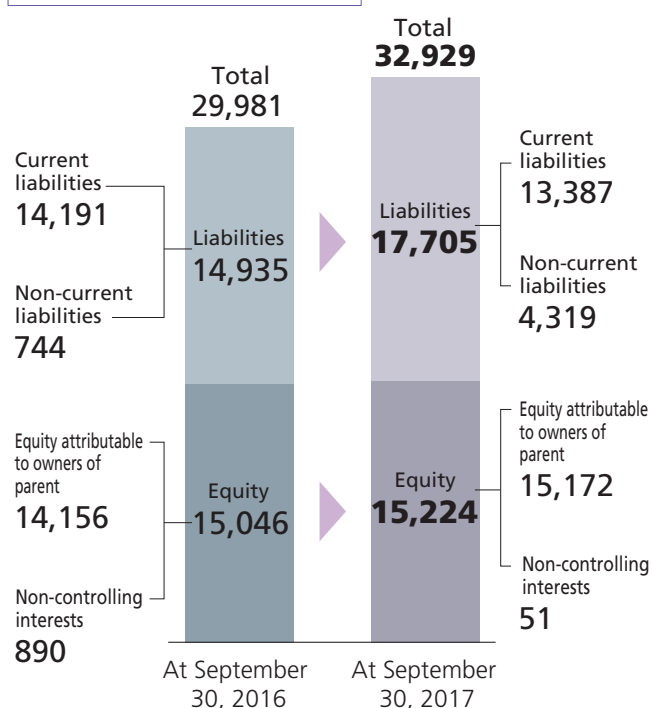
## ● Consolidated Statement of Financial Position (units: ¥mn)

- Assets: Increased 2,948 million yen from the end of the previous fiscal year, chiefly reflecting increases in Goodwill and investments accounted for using the equity method.
- Liabilities: Increased 2,770 million yen from the end of the previous fiscal year mainly due to increases in Other Financial liabilities.
- Capital: Increased 178 million yen from the end of the previous fiscal year chiefly due to increases in retained earnings due to the posting of profit for the period.

### Assets



### Liabilities and Equity



### Basic earnings per share

(units: ¥)

### Ratio of equity attributable to owners of the parent to total assets ROE

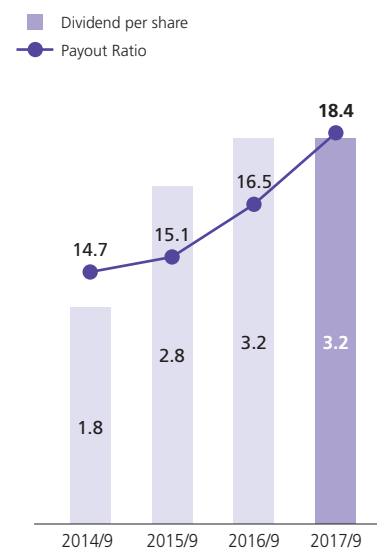
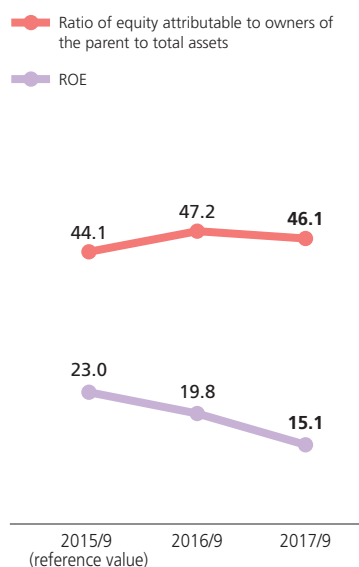
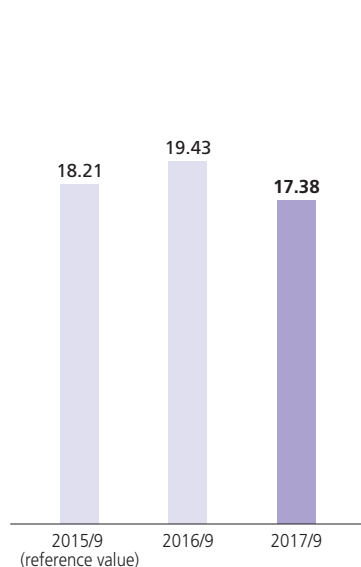
(%)

(%)

### Dividend per share Dividend Payout Ratio

(units: ¥)

(Unit: %)



\* The Company conducted a five-for-one stock split on October 1, 2016. The figures above are calculated as though the stock split had been conducted at the beginning of the fiscal year ended September 30, 2015.

\* The Company conducted a five-for-one stock split on October 1, 2016. The dividends per share for past years in the above graph have been converted into post-split-adjustment amounts for comparison.

## Regarding Management Structure for the Next Year Strengthening Corporate Governance

Two outside directors were appointed by approval at the 27th ordinary meeting of shareholders. This brings the number of outside directors to four, and as a result, outside directors now make up a majority of directors.

To enhance the effectiveness of the Board of Directors, we have proceeded with the development of systems to transition to a monitoring-oriented Board of Directors that places a priority on supervising the execution of business.

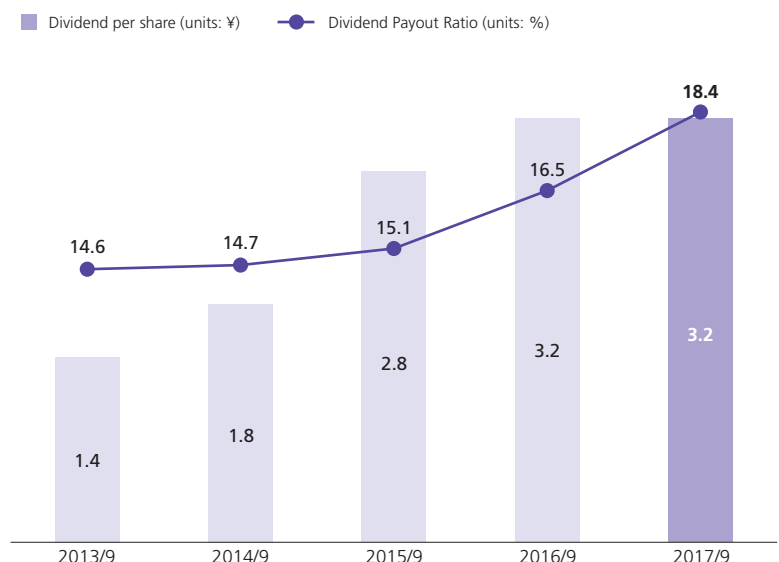
In January 2017, we introduced an entrustment-type executive officers' system to clarify the division of management decision-making functions, auditing functions and business execution functions. We will further develop this system in the next fiscal year, and make every effort to build a robust and dynamic management foundation by minimizing the number of directors serving concurrently as Group Executive Officers, and delegating considerable authority to execute business to the Group Executive Officers. We will also strive to achieve sustained growth of the Septeni Group and enhance corporate value in the medium-to-long-term.

## Policy on Returning Profit to Shareholders

We recognize the return of profit to shareholders as one of our priority management issues.

With regard to the distribution of retained earnings, it has been implementing a flexible and proper distribution of profits, factoring in its consolidated financial results for the respective business years, financial bases, and future group business strategies, among other factors. Under the established policy of paying an annual dividend of 2 yen per share at minimum, it decides dividends to maintain a payout ratio of approximately 15% to profit attributable to owners of the parent, basically.

For the fiscal year under review, we distributed a year-end dividend of 3.2 yen per share. Although dividends were 16 yen the previous year, on October 1, 2016 we conducted a stock split at a rate of five shares for every 1 common share. As the graph on the right shows, when comparing dividends converted into their post-split equivalents, the dividend is essentially the same amount as the previous term.



## Corporate Profile As of September 30, 2017

Trade Name	SEPTENI HOLDINGS CO., LTD.
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo
Tel	+81-03-6863-5623 Fax +81-03-6863-5624
Business Overview	Corporate management and overall control of group companies through ownership of shares and other forms of equity.
Foundation	October 1990
Capital	2,114 million yen
No. of Employees	1,083 permanent staff / 1,306 employees

## Officers As of December 21, 2017

Representative Director	Koki Sato	(front row, center)
Director	Isamu Ueno	(front row, left)
Director	Kazumi Shimizu	(front row, right)
Outside Director	Tatsuya Kimura	(back row, second from right)
Outside Director	Etsuko Okajima	(back row, second from left)
Outside Director	Seiji Yasubuchi	(back row, left)
Outside Director	Yusuke Asakura	(back row, right)
Internal Auditor	Muneyoshi Nomura	
Outside Auditor	Katsuhisa Yanagi	
Outside Auditor	Mamoru Furushima	



## Ownership Structure updated on September 30, 2017

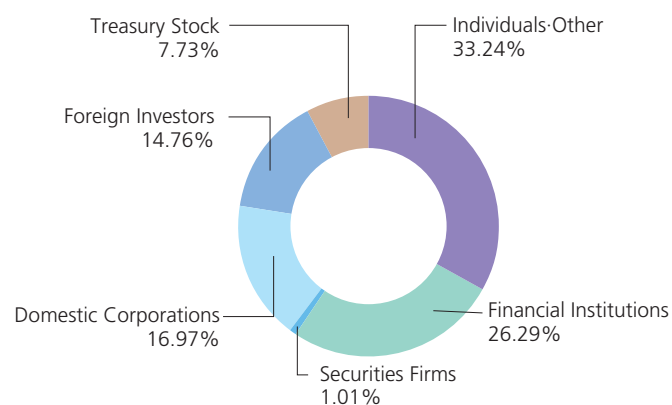
Number of shares authorized	370,080,000 units
Number of shares issued	138,819,000 units
Number of shareholders	10,063

### Major Stockholders

Major shareholders	Number of shares	Shareholding
1. Japan Trustee Services Bank, Ltd. (Trust Account)	19,907,600	15.54
2. Village seven Co., Ltd.	16,219,000	12.66
3. Mamoru Nanamura	13,950,500	10.89
4. Yahoo Japan Corporation	7,000,000	5.46
5. Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,781,200	4.51
6. The Master Trust Bank of Japan, Ltd. (Trust Account)	5,184,100	4.05
7. CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	4,914,605	3.84
8. BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,321,945	1.81
9. Hiroshi Shimizu	2,020,000	1.58
10. NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	1,835,499	1.43

(Note) Excluding our major stockholders above, our company reserve 10,724,155 units of stock in our treasury. The above shareholding ratios exclude treasury stock.

## Breakdown by the Number of Holdings Shares



## Corporate Philosophy

Mission	Inspiring the world with entrepreneurship
Vision	To create a strong and great company
Creed	ひねらんかい "Hinerankai" in Kansai dialect means, "Think outside the box."

## Code of Conduct: Septeni Way

Speed	Speed is preferred—even if it comes with a little bit of roughness—over sophisticated but slow. We place speed first and follow a process of repeated trial and error in an effort to achieve a higher level of completion.
Stretch	Setting challenging targets We believe it is important to make innovations that meet challenging targets. The steady accumulation of day-to-day changes ultimately leads to remarkable growth.
Partnership	Achieving mutual growth We all work hard, in competition and in cooperation, from the perspective of the management team to build a better company.
Fair&Open	Make things simple and easy for anybody to understand We ensure fairness and openness in constructing an environment and relations.
Diversity	Using diversity as a competitive edge We respect all human rights and mutually recognize diversity. We work to realize working styles in which individuals can exhibit and apply their respective strengths.
Passion	Remaining passionate We believe that passion will help us increase our capacity and consistently produce positive results. We continue our own personal development to stimulate corporate growth and contribute to society.
Free&Rule	Freedom within discipline The decisions we make are not dictated by whether something is beneficial, but whether it is right. We comply with the corresponding regulations and ordinance and with the spirit of law, while concentrating on doing our jobs seriously yet happily.



SEPTENI HOLDINGS CO., LTD.  
<https://www.septeni-holdings.co.jp/en>

■ Results forecasts and other forward-looking statements contained in this report were prepared based on information available at the time the report was prepared, and actual results may differ from projected figures due to various factors in the future.

■ The company names and service names in this report are their trademark or registered trademark.