



SEPTENI

SEPTENI HOLDINGS CO., LTD.

<https://www.septeni-holdings.co.jp/en/>

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SEPTENI

Integrated Report 2018



Septeni's Standards

Corporate Philosophy and Code of Conduct

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, this means "Think outside the box."

Code of Conduct

The 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.

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Editorial Policy

The Septeni Group aims to realize a sustainable society by working to resolve social issues through its businesses. We publish the *Integrated Report* to give our stakeholders an overall image of the Group's progress and value creation through its business activities. This report presents management policies and business strategies from a medium-to-long-term perspective, as well as financial and non-financial information, using as reference the International Integrated Reporting Framework issued by the International Integrated Reporting Council and the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation" compiled by the Ministry of Economy, Trade and Industry of Japan.

For more detailed IR and CSR information, please visit our website.
<https://www.septeni-holdings.co.jp/en/>

Forward-Looking Statements

Statements other than historical facts contained in this report are forward-looking statements that have been prepared on the basis of certain assumptions and the judgments of the Company's management derived from currently available information. Therefore, information such as actual business results announced in the future may differ depending on various factors, and the Company is not responsible for any damages resulting from the use of the information in this report.



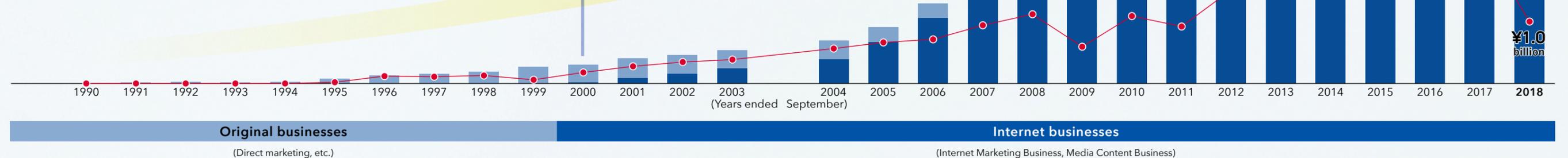
Steady Achievement

Growth Potential of the Septeni Group

The Septeni Group started its Internet businesses in 2000. Since then, the Internet has made broad and deep inroads into people's lives and brought about changes in all industries, becoming information infrastructure essential to today's society. At the same time, the Internet advertising market has grown rapidly, establishing a position as an advertising medium on a par with television. The Group regards changes in society as new growth opportunities and will continue to provide services that exceed client expectations and remain in tune with the times.

Net Sales and Operating Profit

■ Original businesses ■ Internet businesses ● Operating profit



Average annual growth rates of net sales and operating profit since 2000

Net sales: approx. **16%** Operating profit: approx. **10%**

Net sales FY ended Sept. 2000: ¥4.9 billion → Net sales FY ended Sept. 2018: ¥72.4 billion (14.7 times)

Operating profit FY ended Sept. 2000: ¥180 million → Operating profit FY ended Sept. 2018: ¥1.0 billion (5.6 times)

Note: Figures presented are based on Japanese GAAP for the fiscal year ended September 2000 and IFRS for the fiscal year ended September 2018.

History of the Internet and Changes in the Internet Advertising Market

Source: Based on Information Media White Paper 2016, Dentsu Innovation Institute, with revisions

1994–1998	1999–2003	2004–2007	2008–2013	2014–present
<p>The Internet becomes widespread among the general public</p> <p>Era of banner ads</p> <p>1994 Dial-up connection through telephone lines begins</p> <p>1995 Windows 95 is launched</p>	<p>The Internet becomes available anytime and anywhere</p> <p>Diversification of advertising methods (affiliate marketing, reward ads, burst campaigns, listings)</p> <p>1999 Advent of i-mode, which enables sending and receiving of email and web browsing using mobile phones</p> <p>2001 Spread of ADSL increases communication speed and lowers prices for home Internet environments</p>	<p>Dawn of social media</p> <p>Attempts at cross-advertising with existing media</p> <p>2004 onward Successive launches of social media platforms, including Facebook, mixi, YouTube and Twitter</p>	<p>Evolution of ad technology</p> <p>Conceptual shift from “buying ad space” to “buying a number of people to reach with information”</p> <p>2008 iPhone 3G is launched</p> <p>Influx of financial engineering professionals into the Internet market triggered by the global financial crisis</p> <p>2011 LINE services begin</p>	<p>Double-digit growth in Internet advertising expenditures</p> <p>Mobile advertising drives the Internet advertising market</p> <p>2017 Internet advertising in Japan approaches the level of television advertising in terms of advertising expenditures</p>

History of the Septeni Group

In 1990, Mamoru Nanamura, currently the honorary chairman, established SUB & LIMINAL CO., LTD., a forerunner of SEPTENI HOLDINGS CO., LTD., to embark on the recruitment consulting business. In 1993, we launched the Direct Marketing Business (an agency service for sending direct mail). Business grew steadily, laying the foundation of the Septeni Group. Later, Koki Sato, the current Representative Director and President, launched the Internet Advertising Business, which is the main business of the Septeni Group today.



Mamoru Nanamura, founder of the Company



The Septeni Group is not affiliated with any conglomerate. We commenced business with hardly any capital, human resources or operations. Our staff's wisdom and ideas alone were our initial assets. We have adopted this phrase as our corporate creed in order to bear this inaugural spirit in mind as we continue to grow.

Achieving Strong Growth through the Internet Advertising Business

- March 2000**
Changed trade name to SEPTENI CO., LTD.
- April 2000**
Started the Internet Advertising Business
- August 2001**
Listed on JASDAQ
- September 2001**
Acquired Hi-z Inc. as a subsidiary (Changed trade name to AXEL MARK INC. in November 2005)
- July 2003**
Established Osaka sales office (currently Kansai Branch office of SEPTENI CO., LTD.)
- June 2004**
Acquired Tricorn Corporation as a subsidiary
- July 2004**
Established Fukuoka sales office (currently Fukuoka Branch office of SEPTENI CO., LTD.)
- January 2005**
Established SEPTENI CROSSGATE CO., LTD.
- July 2005**
Established Nagoya sales office (currently Nagoya Branch office of SEPTENI CO., LTD.)
- April 2006**
Established SEPTENI DIRECTMARKETING CO., LTD.
- October 2006**
Converted into a holding company under the trade name SEPTENI HOLDINGS CO., LTD.
The Internet Advertising Business was taken over by SEPTENI CO., LTD. through an incorporation-type company split, and the Direct Marketing Business was taken over by SEPTENI DIRECTMARKETING CO., LTD. through an absorption-type company split

Focusing on Growth Areas for a Further Leap Forward

- October 2009**
Established MANGO Inc.
- November 2010**
Established High Score, Inc.
- October 2011**
Established SEPTENI VENTURES Co., Ltd.
- March 2012**
Began conducting the Internet Advertising Business outside Japan
- February 2013**
Established COMICSMART, Inc. and started the Manga Content Business
- March 2013**
Established SEPTENI TECHNOLOGY CO., LTD.
- October 2013**
Established Vivivit, Inc.
- January 2014**
Established Septeni Original, Inc.
- October 2014**
Sold all shares of SEPTENI DIRECTMARKETING CO., LTD.
Established gooddo Inc.
- October 2016**
Established TowaStela, Inc.
Acquired the shares of Lion Digital Global LTD through Septeni Asia Pacific Pte. Ltd. and made it a subsidiary
- April 2017**
Established Septeni Ad Creative, Inc.
- September 2017**
Established Delight Tube, Inc.
- April 2018**
Established SIGNCOSIGN, INC.
- October 2018**
Established HEDGEHOG PRODUCTS, Inc.
SEPTENI HOLDINGS CO., LTD. entered a capital and business alliance with Dentsu Inc.

Septeni's Value Creation

The Septeni Group's Value Creation Model

The Septeni Group has grown as a result of two factors. First, it has a corporate culture of hiring and cultivating individuals who possess a sense of ownership, who then create new businesses. Second, unbiased by previous experience or common practice, the Group picks up on signs of social change to provide those new businesses as services to clients. By establishing an environment and organization that make it easy for individuals who possess a good sense of ownership and a strong entrepreneurial spirit to create new services, we aim to fulfill our mission of "Inspiring the world with entrepreneurship," and thus to contribute to society.

The Key Source of Our Value

Human resources who possess a good sense of ownership and a strong entrepreneurial spirit

The Septeni Group's mission, "Inspiring the world with entrepreneurship," expresses our reason for existence and our purpose in society. To us, entrepreneurship means individuals who possess a good sense of ownership and a strong entrepreneurial spirit, and we believe that such individuals are the key source of the Company's value.

The Septeni Group's Growth Engine

Corporate culture and measures that cultivate human resources

We have created a unique model in which we use our original methods for hiring and cultivating individuals who have the potential to develop a good sense of ownership and a strong entrepreneurial spirit, and proactively invest in a working environment and measures to instill our corporate philosophy and code of conduct. These individuals then develop and cultivate businesses and services. Through this model, the Septeni Group is achieving sustainable growth.



Inspiring the world with entrepreneurship

Empowering people and industry through our businesses



Becoming a group that can take the lead in social change

STRENGTH

Measures to instill and pass on our unique philosophy

► Pages 7-8

- Vigorous measures by top management to instill and promote the corporate philosophy and code of conduct
- 7th Code Project programs to establish the corporate philosophy and code of conduct

STRENGTH

An organizational culture of taking on challenges

► Pages 9-10

- Average age of 29
- Human resources with enthusiasm, speed and flexibility
- A culture of empowering young employees

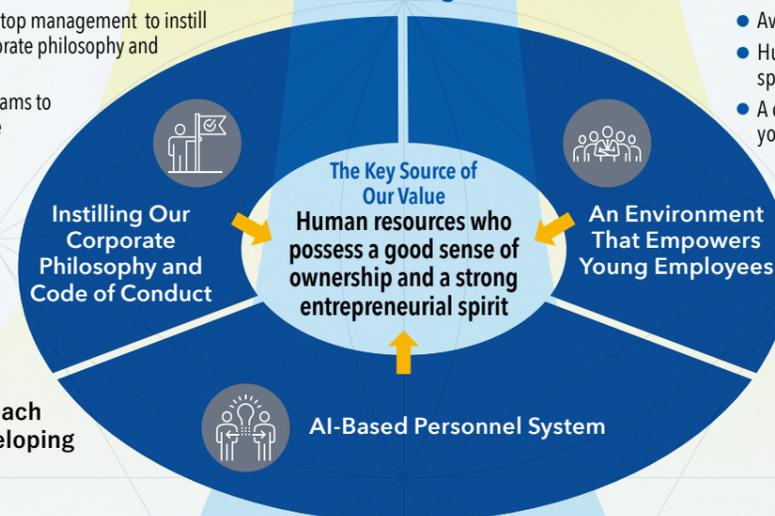
STRENGTH

A scientific approach to hiring and developing human resources

► Pages 11-12

- Combining AI with personnel programs (Human Capital Lab)
- Online recruiting
- Human Capital Lab, etc.

The Septeni Group's Growth Engine



Code of Conduct: The Septeni Way

Strengths

Measures to Instill and Pass on Our Unique Philosophy



Instilling Our Corporate Philosophy and Code of Conduct

Approach to Corporate Philosophy and Code of Conduct

Since its founding, the Septeni Group has responded flexibly to changing client needs amid the rapid transformation that society has undergone in recent years due to technological innovation and the diversification of values. As it conducts business on a global scale, the Septeni Group must constantly evolve while responding accurately to change in order to continue meeting the expectations of clients and society. At the same time, we will remain committed to our unwavering corporate philosophy, which comprises the fundamental concepts behind our aims and the kind of value the Group creates.



Specific Initiatives

The spirit of the Septeni Group's creed of "Hinerankai" (Think outside the box) and the Septeni Way, its code of conduct, summarize the ideas and values we cherish, and serve as guidelines for all the actions of Group employees. Regarding the Septeni Way, which was revised in 2016, we have been conducting the 7th Code Project (programs to instill the corporate philosophy and code of conduct), chaired by President Koki Sato and comprising volunteer members from throughout the Group.

Main Programs of the 7th Code Project

Program	Overview
7th Code Awards	All employees vote to choose and honor employees and a team that embody the corporate philosophy and code of conduct.
Email Relay	A program in which employees take turns sharing examples of how they have embodied the code of conduct via Company-wide email, in the form of a relay.
7th Code Training	Training for understanding and practicing the corporate philosophy and code of conduct. Employee volunteers are invited to share experiences that embody the corporate philosophy and code of conduct, and President Sato and other Company officers present their personal experiences.

Learn about the Septeni Group through Its People!

Employees Who Embody Septeni's Standards

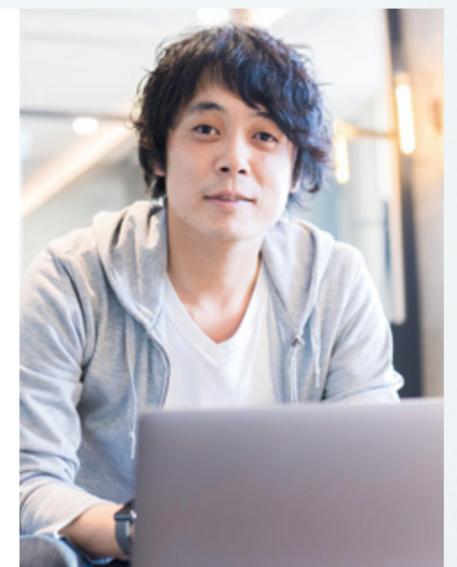
Koki Kaku

President and CEO, SIGNCOSIGN, INC.
Head of Corporate Design Office,
SEPTENI HOLDINGS CO., LTD.

2006 Entered SEPTENI CO., LTD. after graduating from university
April 2018 Established SIGNCOSIGN, INC. and took office as President and CEO

Ever since entering the Septeni Group, I have been working with an awareness of the creed of "Hinerankai" (Think outside the box) and mission of "Inspiring the world with entrepreneurship." I support the view that "entrepreneurship is the pursuit of opportunity beyond resources currently controlled." In rapidly changing markets and an era of great uncertainty, we must come up with ways to get things done, not reasons for why we cannot.

In the creative field, I believe that human resources with a firm footing in this philosophy grow by continuing to take on unprecedented challenges. If each of us in every company and division continues to pursue and create mechanisms for change, the Septeni Group is sure to overcome all adversities and continue to grow.



An Organizational Culture of Taking on Challenges



An Environment That Empowers Young Employees

Approach to Organizational Culture

To fulfill its mission of “Inspiring the world with entrepreneurship,” the Septeni Group intends to use its human resources as the basis for developing its businesses, with each employee fully demonstrating his/her capabilities. We have set up a variety of environments that encourage employees to take on challenges so they can demonstrate entrepreneurship, and we are also focusing on expanding our system to create opportunities to take on challenges.



Specific Initiatives

With the Septeni Group’s history of ongoing transformation due to the strong will of its young employees, we believe that an environment that fosters youthful passion and potential is essential for the Group’s evolution. We conduct various programs and events that include opportunities for employees to take on challenges and to talk directly with management.

Main Programs

	Program	Overview
Support for employee growth	Self-Development Support System	Introduced to create opportunities for developing capabilities outside the Company, this system provides subsidies covering 70% of the total cost (¥70,000 maximum) of study at external seminars, business schools and elsewhere.
	Job Rock Festival	Aimed at cultivating human resources and vitalizing the organization through job rotation, this is an event where employees can consult with Company officers about their personal career plans.
	BLP Management	A development program specializing in management to train future senior management candidates. Applicants who are selected attend an external business school for two years free of charge.
Provision of opportunities to take on challenges	Gen-ten	An in-house contest for new business plans held once a year for the past eight years. Applicants whose plans are highly rated and who show strong enthusiasm for developing their proposed businesses are given an opportunity to pursue their commercialization at SEPTENI VENTURES Co., Ltd.
	Proposals to Management	Once a year, regardless of department or length of employment, employees have an opportunity to make proposals to management.
	Essay Contest	Each year, a theme related to the Company’s future is chosen, and entrants submit essays on what they can and should do.
Creation of opportunities for praise	Seven Star Awards	Outstanding employees, regardless of job title or years of employment, are chosen twice yearly for honors by a vote of all employees.

Note: The Job Rock Festival, BLP Management, Proposals to Management and Seven Star Awards programs are implemented at main Group companies only.

Learn about the Septeni Group through Its People!

Daichi Komiya

President and Representative Director, Vivivit, Inc.

2010 Entered SEPTENI HOLDINGS CO., LTD. after graduating from university
2013 Established Vivivit, Inc.

I believe that in the Septeni Group a culture has taken root that provides venues and environments where employees can play an active role regardless of age or length of service, prioritizing each person’s enthusiasm for taking on challenges. Until the end of my third year in the Company, I conducted recruiting in the Human Resources and General Affairs Department. At that time, I had no experience and no track record to take pride in. However, I entered the Group’s new business plan contest, which any member can take part in. Thanks to the high evaluation of my enthusiasm and my plan, I was given the opportunity to put my ideas to the test. Today, I am entrusted with great authority as president and representative director of Vivivit, Inc., which conducts a recruiting platform business.

Vivivit is now entering its sixth year, and I feel that I have grown significantly over that time because the Septeni Group provides an environment in which we are all individually responsible. I intend to continue to grow by taking on challenges that I enjoy, without fear of failure, in order to play a central role in the Septeni Group’s Media Content Business. You can look forward to it.



A Scientific Approach to Hiring and Developing Human Resources



AI-Based Personnel System

Approach to Human Resource Development

The Septeni Group's concept of human resource development is not to bring people up but to allow them to grow by building upon high-quality experiences in the workplace. The Group conducts development based on its theoretical "Formula of Development" derived from that concept. The formula expresses the principle by which the interaction between an individual's innate personality and the surrounding environment has an impact on his/her growth. The workplace environment (E) is defined as team (T) and work (W) in this formula; the stronger the compatibility between T and W with the individual's personality (P), the higher the potential for significant growth (G).

⇒ For details, see "The Septeni Group's CSR" on page 23.

Formula of Development

$$\overset{\text{Growth}}{G} = \overset{\text{Personality}}{P} \times \overset{\text{Environment}}{E} (\overset{\text{Team}}{T} + \overset{\text{Work}}{W})$$

Specific Initiatives

For about seven years, the Septeni Group has been researching human resource development with the aim of maximizing each employee's performance. Since the fiscal year ended September 2014, we have been using the techniques obtained from this research in our recruiting, and in 2016 we established the Human Capital Lab.

Application in Recruiting

The Septeni Group has been working to quantify compatibility using its unique human resource development formula. To roll out this theory to recruiting activities, we have used data on approximately 6,000 individuals compiled since 2009 to build a model for predicting each person's degree of success in future employment. Therefore, in recruiting, we acquire information mainly on the personality, surrounding environment, and behavior of job applicants to predict their degree of success. Specifically, we use about 100 items of information from sources including a personality diagnosis test, a questionnaire at the time of job application, career history and evaluation during the selection process.

By combining these techniques with the power of technology, we provide information and a selection process that is unbiased by conventional ideas about job searching.

Human Capital Lab

In 2016, the Septeni Group established the Human Capital Lab, which specializes in human resource data research focusing on the four fields of recruitment, adaptation, development and alumni networks. Based on the lab's research findings, we develop and conduct science-based personnel programs for use in management decision-making and human resource development, in addition to publicizing those findings once they have been verified.

Learn about the Septeni Group through Its People!

Tatsuya Shindo

Director, Human Capital Lab
SEPTENI HOLDINGS CO., LTD.

2011 Entered SEPTENI HOLDINGS CO., LTD. after graduating from university. Provided technical support for analytics to the fields of recruiting, development and placement. Currently devotes his time exclusively to research in those fields.

As shown in its mission of "Inspiring the world with entrepreneurship," the Company has a culture of providing each employee with ample opportunities to take on challenges for growth, regardless of length of service. Moreover, rather than adopting a specified style of achieving growth, the Company offers support that makes the most of each employee's own personality and strengths. One mechanism that has arisen from the Company's commitment to its human resources is its AI-based personnel system for optimizing individual development. At the Human Capital Lab, we aim to realize a system for consistently achieving high-quality recruitment and development by studying and using our aggregated data on people's growth in different environments.



Strategies

The Group President and Chief Executive Officer on Strategy



Koki Sato

Representative Director and President, SEPTENI HOLDINGS CO., LTD.
Group President and Chief Executive Officer

- 1997 Entered SEPTENI HOLDINGS CO., LTD. (then-named SUB & LIMINAL CO., LTD.) after graduating from university
Launched an Internet advertising agency in his third year after joining the Company, developing it as a new business manager into one of Japan's top Internet advertising companies
- 2006 Appointed as President and Representative Director of the operating company SEPTENI CO., LTD. with the transition to a holding company structure
- 2009 Appointed as Representative Director and President of SEPTENI HOLDINGS CO., LTD. (current position)
- 2017 Appointed as Group President and Chief Executive Officer (current position) following the introduction of an entrusted executive officer system

By applying our unique human resource development strategy to entrepreneurial human resources, we continue to create outstanding businesses that empower both people and industry.

Riding the Great Wave of Social Change to Further Growth

In 2000, the Septeni Group shifted the focus of its business from direct marketing to Internet advertising. Even then, we were convinced that the Internet and digital technology were not short-term fads, but major industries that would change the world in the long run. We have since grown into an organization with more than 30 Group companies, 11 bases in 8 countries and about 1,500 employees centered on the Internet Marketing Business, with a track record of one of the highest levels of transactions in Japan, and the Media Content Business, which includes the Manga Content Business.

Over the past 18 years, we have seen the advent of a new industrial revolution due to digital technology, and society has undergone a rapid digital shift. During that time, we quickly identified and adapted to society's emerging trends and growth areas, including smartphone, social media and video advertising, and have grown by flexibly reallocating management resources. In other words, changes in society and our own progress have largely followed the same track.

Society is now at the dawn of the Digital Industrial Revolution, which is certain to drastically change society's vision by connecting the real space we live in with every industry, including e-mobility, medical care and retail stores. As a key player in the digital advertising market, the Septeni Group intends to grow further by riding this great wave of social change.

Empowering People and Industry Is Our Reason for Existence

For companies like ours that are involved with Internet advertising and media content, investors may find it hard to imagine how the items on our balance sheet lead to profits. I believe that the most important element linking the Group's balance sheet to its sales and profits is human capital. Based on this belief, we have been proactively investing in people who possess a good sense of ownership and a strong entrepreneurial spirit. By placing entrepreneurial individuals who can think and act for themselves at the core of each of our organizations and establishing an environment and systems that make it easy for them to create new services, we aim to be a group that can take the lead in social change. This is the Group's philosophy and the nucleus around which the unique Septeni culture has formed.

The low average age of our employees, 29, is another major strength of our human resources. To provide our clients with the value of the unique strengths of a group of young people – including adaptability to change and flexible thinking – we promote young talent and decisively delegate authority.

In addition, to bolster our activities in the fields of recruitment, development and management, we operate an AI-based personnel system centered on machine learning that we developed in-house. The rapid development of human resources into fully contributing members of the team from the use of this system and the resulting contribution to sales and profits are evidenced by our data.

Our unique philosophy and culture centered on young people and our AI-based personnel system are the “operating system” of the Group, serving as the infrastructure that supports its growth. All of us in management share an awareness that it is because of this infrastructure that we are able to create superior businesses, or “applications,” as it were.

The common strength of the Group’s businesses is empowering people and industry. It is also the essential value we create. Employees, each with a strong entrepreneurial spirit, creating businesses that empower people and ultimately better society: This is the Septeni Group’s reason for existence.

Accelerating the Growth of Our Core Businesses through Organic Growth and a Capital and Business Alliance with the Dentsu Group

In the Group’s Midterm Business Policies for the period starting from the fiscal year ended September 2017, we set three basic policies: expand advertising business globally; enhance our own media; and invest in what comes after the smartphone. The Midterm Business Policies also target non-GAAP operating profit of ¥10 billion as soon as possible. In October 2018, we announced a capital and business alliance with the Dentsu Group. Aiming to increase the value we provide to clients through collaboration between our two groups, we expect to generate synergies in areas including mutual utilization of management assets and economies of scale from sharing knowledge and technologies. For the fiscal year ending September 2019, the Septeni Group will significantly accelerate its growth through the organic growth of its businesses and this alliance.

Midterm Business Policies (From the Fiscal Year Ended September 2017)

Earnings Target	Basic Policies
Non-GAAP Operating Profit ¥10 billion	Expand advertising business globally
	Enhance our own media
	Invest in what comes after the smartphone

Internet Marketing Business

In the Internet Marketing Business in Japan, although we were impacted by factors including a decrease in advertising in existing projects, we worked to establish a robust organizational foundation through investment in human resources and to promote growth in the new field of brand advertising, where demand has been growing. These measures will help to expand our business operations. In addition, through our business alliance with the Dentsu Group, we will increase the value we provide to clients by jointly running the Dentsu Group’s digital advertising projects and establishing an integrated system for proposing online and offline advertisements.

Revenue from overseas markets is increasing, mainly from Southeast Asia and Greater China, and the ratio of overseas revenue to total revenue has reached approximately 13%. We will continue to take a two-pronged approach to global expansion through organic growth and M&A, with plans to increase the ratio of overseas revenue to total revenue to about 50% for the entire Group over the medium term.

Media Content Business

We have been promoting the Media Content Business under a policy of creating strong media and products to establish a new mainstay business alongside the advertising business. Currently, we are focusing investments on expanding the media scale of our manga app “GANMA!”. As of September

2018, the cumulative number of app downloads reached 10.98 million, monthly page views reached 3.16 billion and the number of users is growing, mainly among young people in their teens and twenties. Both the experiential value for the people who access and post about GANMA! on a daily basis and the long-term profits that are generated will be substantial.

We will enhance the value of the Company’s intellectual property by developing works in other genres such as comic books and theatrical productions, and aim to increase revenue from advertising, in-app sales and sales of goods, as well as to grow through global expansion.



Proactive Investment in Our Business Infrastructure to Enhance Medium-to-Long-Term Competitiveness

The Group will actively invest in its business infrastructure (“operating system”) with a view to enhancing its medium-to-long-term competitiveness. During the fiscal year ended September 2018 in particular, we increased investment in the human resources field while conducting Group operation of the AI-based personnel system I mentioned earlier. This system, which uses our vast human resources database to make highly accurate predictions of each person’s degree of success in future employment, has become a robust part of our infrastructure after going through several years of empirical verification and operation. It has generated remarkable results in each organization, eliminating mismatches in assigning employees to departments and getting them up to speed earlier, and has been evaluated highly by external organizations.* Moreover, we are focusing on using the AI-based personnel system in achieving the Midterm Business Policies in areas such as discovering and hiring human resources with latent capabilities.

Our business concept of empowering people and industry applies not only to external stakeholders but also to Group employees. I believe that clients want to patronize companies that have established enjoyable work environments that fill employees with positive emotions and energy, rather than companies that do not, and the results of the former will continue to grow. Every day, I can see for myself that a company with low-stress relationships and a good fit between individuals and organizations experiences less friction when making management decisions.

As the transformation of industry through digital technology gains speed, the Group will combine its unique human resource development strategy with the power of its human resources to offer new value by creating outstanding businesses that others cannot.

Return of Profits

Consolidated profits for the fiscal year ended September 2018 declined due to a decrease in advertising in existing projects and higher costs mainly for investments in human resources aimed at enhancing competitiveness, among other factors. In the fiscal year ending September 2019, we will aim for a V-shaped recovery in business results by returning to growth in our core businesses and strengthening our profit structure through cost controls.

To return profits to our shareholders and investors, we are targeting a payout ratio of 15% of profit for the period attributable to owners of the parent and have set a lower limit for dividends per share of ¥2.0 in consideration of the continuity and stability of dividends. We will continue to allocate profits appropriately in accordance with growth in our business results.

* In August 2018, at the Third HR Technology Awards sponsored by the Ministry of Economy, Trade and Industry, the Septeni Group received the Prize for Innovation in recognition of its efforts in using AI to optimize its entire HR flow, including recruiting, employee dispatch, training and retirement.

In the “Great Place to Work (in Japan)” rankings by the Great Place to Work® Institute Japan in February 2018, the Septeni Group was selected as one of the best companies for the seventh consecutive year.

Strategy by Business: Internet Marketing

The Internet Marketing Business harnesses the Internet to provide comprehensive marketing support services to corporations. In addition to selling Internet advertising, this business also operates marketing platforms as an in-house service, including cloud-based customer relation management (CRM) services and affiliate networks.

Opportunities

- Internet advertising's share of Japan's total advertising expenditure is approaching TV advertising's share
- Acceleration toward a digital shift among leading advertisers going forward

Issues

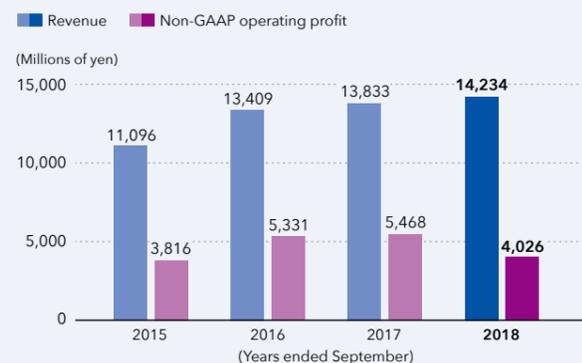
- Growing sophistication and specialization of marketing methods
- Need for establishing a strong foothold for the business by securing and promoting development of human resources

Overview of Results for the Fiscal Year Ended September 2018

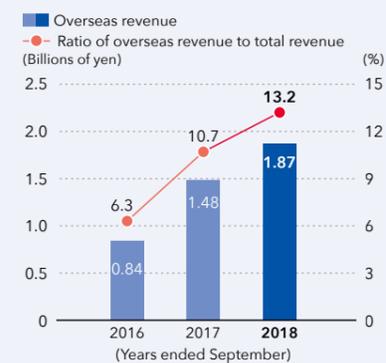
- Revenue from the flagship areas of video advertising and brand advertising increased steadily.
- Profit declined due to a decrease in advertising in some existing large-scale projects, as well as increases in cost prices and personnel expenses.

Note: Starting from the fiscal year ended September 2018, Company-wide expenses are no longer allocated to each segment. In accordance with this new reporting standard, non-GAAP operating profit for the fiscal year ended September 2017 has been restated excluding Company-wide expenses. Unrestated figures for the preceding fiscal years are presented for reference only.

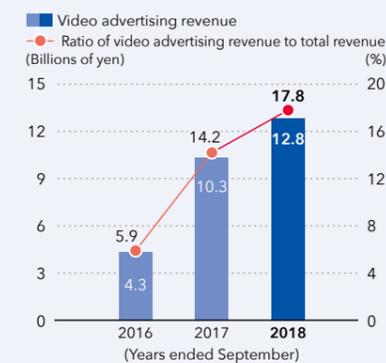
Revenue and Non-GAAP Operating Profit



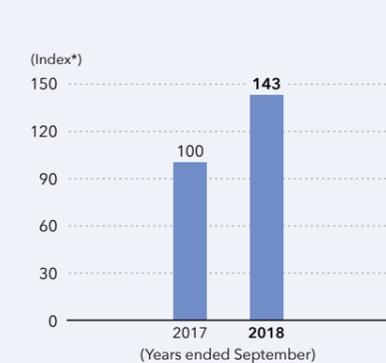
Overseas Revenue



Video Advertising Revenue



Brand Advertising Revenue



* Revenue in fiscal year ended September 2017 = 100

Strengths of the Business

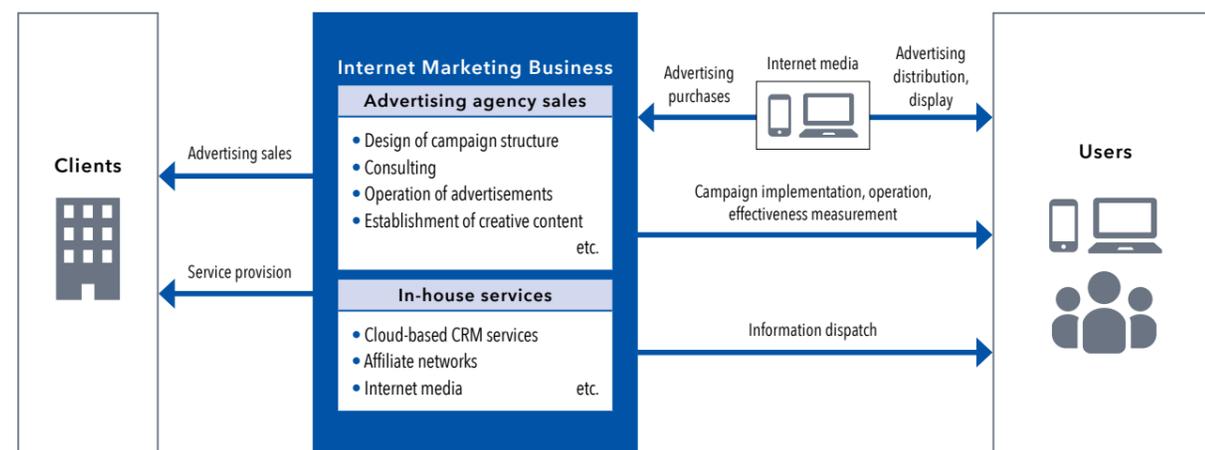
In addition to the foresight to uncover emerging growth fields before others and the flexibility to immediately allocate management resources to those fields, we have a core competence in Internet advertising that we have cultivated since the establishment of the business, creative capabilities and a superior position in smartphone advertising. By taking advantage of these strengths, we can meet client needs with a comprehensive approach based on targets and their likely outcomes.

Future Strategy

For further business growth, we consider it important to develop new market categories in brand advertising and to strengthen our positioning in this field, which is driving market expansion. For the past year or so, the Septeni Group has focused on expanding sales of brand advertisements on its own. Going forward, through our business alliance with the Dentsu Group, we aim to raise the value of the services we provide and resolve our clients' issues by offering comprehensive proposals for online and offline advertising rather than simply delivering conventional discrete advertisements as finished products.

In our overseas operations, we will also work to organically increase earnings, mainly in Southeast Asia and Greater China.

Business Model



Learn about the Septeni Group through Its People!

Yusuke Shimizu

Group Executive Officer
 President and Representative Director, SEPTENI CO., LTD. and Septeni Japan, Inc.
 2006 Joined SEPTENI CO., LTD. after graduating from university
 2018 Appointed as Group Executive Officer (current position)
 Appointed as President and Representative Director of SEPTENI CO., LTD. and Septeni Japan, Inc. (current positions)

Capturing the digital shift as an opportunity, the Internet advertising market is currently expanding. Amid this expansion, it is becoming increasingly challenging to solve the problems faced by clients due to the growing sophistication and specialization of marketing methods. In this business, regardless of the job category, human resources are our greatest asset. The Septeni Group has a culture of encouraging its employees to take on challenges and pursues initiatives such as applying its AI-based personnel system to get the best from its human resources. The Group is also investing in human resources with the aim of strengthening its organizational foundation to secure medium-to-long-term competitiveness. In a market that is becoming ever more complex, we aim to achieve further business growth by taking on new challenges and establishing new partnerships to provide an even greater number of clients with solutions to their problems.



Strategy by Business: Media Content

The Manga Content Business fosters and supports manga artists and operates the manga app GANMA!, which mainly features original works by exclusively-affiliated authors, with the aim of planning and developing the Company's intellectual property (IP).

In addition, the Media Content Business conducts new businesses born from the in-house startup program, such as the recruitment, social contribution, medical and childcare platform businesses.

Opportunities

- Expanding market for manga apps, mainly among the younger generation
- Increasing in-app sales and IP revenue from in-house content

Issues

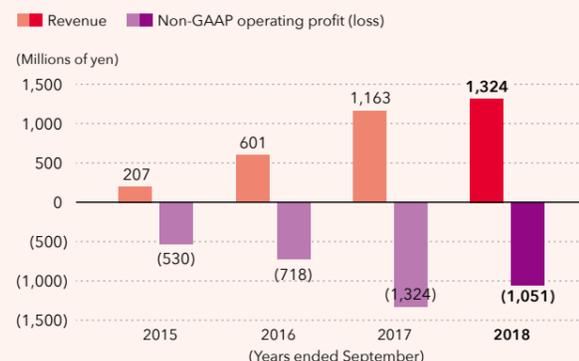
- Intensification of competition for users and authors due to competitors entering the market
- Need for engaging users who are not influenced by the external environment

Overview of Results for the Fiscal Year Ended September 2018

- The cumulative number of downloads for GANMA! reached 10.98 million as of September 2018, and the number of monthly page views increased to 3.16 billion.
- In addition to robust sales growth for advertisements published on GANMA!, app revenue, mainly consisting of advertising revenue, also increased steadily due to the growth of in-app sales.
- Operating loss was reduced due to control of advertising and publicity expenses and efforts to strengthen content and product.

Note: Starting from the fiscal year ended September 2018, Company-wide expenses are no longer allocated to each segment. In accordance with this new reporting standard, non-GAAP operating profit for the fiscal year ended September 2017 has been restated excluding Company-wide expenses. Unrestated figures for the preceding fiscal years are presented for reference only.

Revenue and Non-GAAP Operating Profit (Loss)

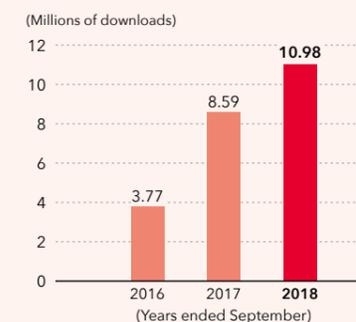


What is GANMA!?

GANMA! is a manga app featuring over 160 original works ranging from suspense to romance, fantasy, action-adventure, horror and comedy. Entire original series can be read at no charge, and content is updated daily.



Cumulative Number of GANMA! App Downloads



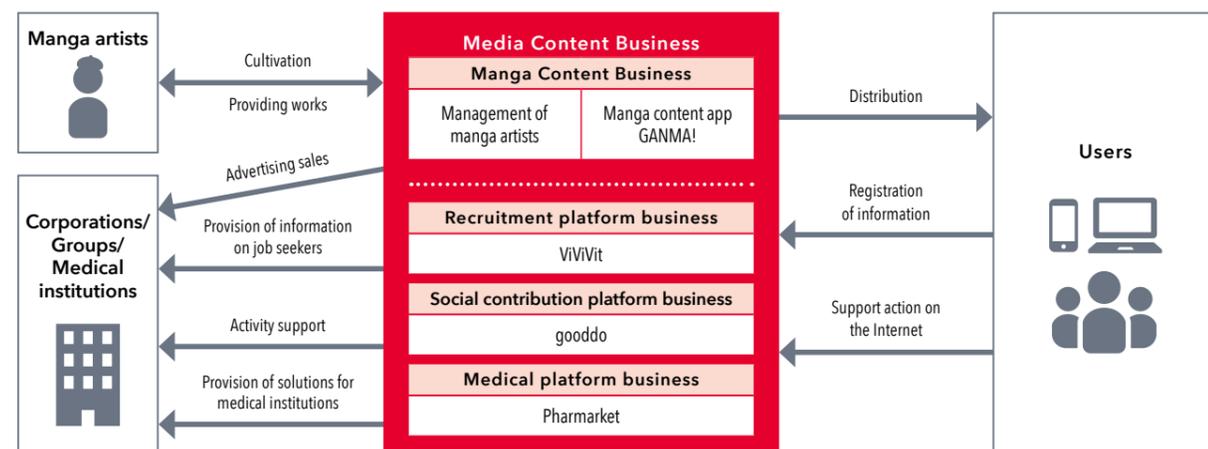
App Revenue



Strengths of the Business

The user base of the GANMA! manga app is growing, mainly among millennials (the generation currently in their teens through thirties). Two points differentiate GANMA! from other services: most of the comics are works by artists nurtured in-house, and they can be read for free. Amid declining television viewership among young people, we are establishing the position of GANMA! as an advertising medium that reaches this demographic, which makes up the great majority of the app's users.

Business Model



Future Strategy

We intend to distribute the in-house content that is a distinctive feature of GANMA! on various platforms that are well-suited for manga (YouTube, Twitter, eBook stores) to create a decentralized traffic structure, thus strengthening growth in the number of users and monetization. At the same time, having conducted a major update of the app in December 2018, we aim to increase subscription revenue by enhancing the user interface and user experience to increase the retention rate and session time, monetizing works produced completely in-house and presenting popular works based on intellectual property from outside the Company. In addition to increased revenue from these sources, in-app sales of goods and expansion of cash points rewarded for merchandise sold, we will enhance our ability to secure brand advertising budgets through our business alliance with the Dentsu Group.

Learn about the Septeni Group through Its People!

Takefumi Okada

Director, COMICSMART, Inc.
Group Executive Officer
2003 Joined SEPTENI CO., LTD. after graduating from university
2018 Appointed as Director of COMICSMART, Inc. (current position)
2019 Appointed as Group Executive Officer (current position)

The shift in manga readership from printed to digital formats is accelerating, mainly among young people, and manga services continue to grow, centered on apps. Although competition is intense in the manga app market, few companies produce original Internet content, and we believe that our current role as a driver of market growth will give us an advantage over the medium to long term.

GANMA! marked its fifth anniversary in 2018, and recognition of the service is increasing with a cumulative total of more than 10.98 million downloads. Initiatives we intend to introduce in the fiscal year ending September 2019 include a rollout of a multi-channel network (MCN) for in-house content as an opportunity for inorganic growth. This will be the culmination of the first chapter since the launch of this business. In addition, everyone in the business will work together to help improve Group profitability.



The Septeni Group's CSR

CSR Policy

We believe that helping to resolve social issues through our businesses is the way of fulfilling our responsibilities to society and stakeholders that best reflects the Septeni Group. Through this approach to CSR, we aim to realize a sustainable society as well as the Septeni Group's mission of "Inspiring the world with entrepreneurship." We continue to carry out activities centered on this approach.

From among the many issues facing society, we have established six priority challenges based on comprehensive judgements concerning what stakeholders expect of the Septeni Group and the importance of the issues to Group businesses, and are promoting CSR activities in line with these challenges.

Priority Challenges and Initiatives

Priority Challenge	CSR Targets	Main Initiatives in the Fiscal Year Ended September 2018	Initiatives Planned for the Fiscal Year Ending September 2019
Promotion of Diversity (Promotion of Women's Participation)	Promotion of women's participation	<ul style="list-style-type: none"> Group-wide support for women's careers 	<ul style="list-style-type: none"> Group-wide support for women's careers
Promotion of Diversity (Measures against Discrimination and Harassment)	Improvement of the soundness of the workplace environment	<ul style="list-style-type: none"> Application of welfare benefits to same-sex partners Implementation of anti-discrimination and harassment training 	<ul style="list-style-type: none"> Support for the LGBT community Introduction of anti-discrimination and anti-harassment training
Development of High-Quality Human Resources	Studying the development of high-quality human resources	<ul style="list-style-type: none"> Lectures at workshops held externally External and internal publication of research reports Expansion of the scope of use of the human resource development engine 	<ul style="list-style-type: none"> Movement toward open innovation for the AI-based personnel system Enhancement and increase of research reports
Workstyle Reform	Promotion of workstyle reform	<ul style="list-style-type: none"> Development of remote work environment 	<ul style="list-style-type: none"> Improvement of labor productivity
Support for the Sound Development of the Internet Advertising Industry	Support for the sound development of the Internet advertising industry	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Raising of Group awareness about themes of strong social interest in Internet advertising 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
Support for Culture and Sport	Support for culture and sport	<ul style="list-style-type: none"> Launch of the "RouteM" manga artist development program Support for top athletes 	<ul style="list-style-type: none"> Launch of the "RouteM" manga artist development program Support for top athletes

The Septeni Group's CSR Policy and Priority Challenges
<https://www.septeni-holdings.co.jp/en/csr/policy/>

Learn about the Septeni Group through Its People!

Eri Aoki

Manager, Recruitment Planning Department, SEPTENI HOLDINGS CO., LTD.

Joined the Company in 2009 after graduating from university. As a member of the Personnel and General Affairs Department, she was responsible for the recruitment of university graduates in Japan and overseas. Having returned to work after taking maternity and childcare leave, she is currently a manager.

The Septeni Group has established several subcommittees for its CSR activities. I am a member of the Subcommittee for the Promotion of Women's Participation, where we provide support for work-life balance and create an environment with a focus on the career issues faced by women. For female empowerment, one of the United Nations' SDGs, we are implementing measures that take advantage of the strengths of the Septeni Group's organizational culture and human resource development system that uses technology, as well as activities aimed at promoting the active participation of women, and ultimately the development of society.

As stated in "Diversity," one of the guidelines of our code of conduct, the Septeni Way, the Septeni Group has an environment that encourages employees to make full use of their individuality to take on challenges autonomously. I will contribute to the realization of working styles and careers tailored to human resources that differ by gender, nationality and age, as well as by characteristics such as values and lifestyles.



Promotion of Diversity (Promotion of Women's Participation)

Basic Approach

The Septeni Group provides highly capable and motivated employees with many opportunities to take on challenges, regardless of their age, gender or nationality. We believe that the autonomous and valuable work of employees from various backgrounds contributes to business results, leading in turn to the sustainable growth of the Group. Based on this belief, we promote and support diverse working styles, as stated in "Diversity," one of the guidelines of our code of conduct, the Septeni Way.

Diversity
(From the Septeni Way)

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.

On the other hand, the career development of women could be interrupted due to life events such as childbirth and childcare. We are promoting relevant initiatives to minimize the factors that could inhibit their career development, create an environment that allows employees to be fairly evaluated regardless of gender, and encourage the active participation of female employees in that environment.

Main Measures

▶ Implementation of Capacity Building Program for Female Employees

We implement a program that teaches problem-solving skills and leadership, as well as a training program in analysis of management issues and the formulation and implementation of remedial measures.

▶ Introduction of Babysitter Subsidy System¹

We have introduced a system that helps employees balance work and childcare by subsidizing 70% of babysitting costs for employees who utilize the babysitting service contracted by the Company.

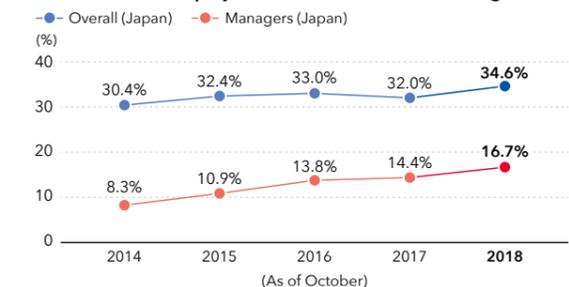
1. Implemented at main Group companies only

Target for the Promotion of Women's Participation

▶ Ratio of female managers: 17% (Target for 2020²)

2. Main Group companies in Japan

Ratio of Female Employees and Ratio of Female Managers



Promotion of Diversity (Measures against Discrimination and Harassment)

Basic Approach

The Septeni Group continuously promotes activities that create an environment that prevents the occurrence of discrimination and harassment based on gender, age, nationality, race, ethnicity, religion, philosophy, beliefs, social status, disability, sexual orientation or gender identity, thus encouraging individuals to fully exercise their strengths.

Main Measures

▶ SEPALLY RAINBOW Network

SEPALLY RAINBOW is a Group-wide LGBT & Allies Network formed to create workplaces where all employees are motivated to work, regardless of whether or not they are LGBT, by deepening understanding of the LGBT community and increasing the number of allies. The network conducts training and exchange sessions with LGBT employees.

▶ Start of the Application of Welfare Benefits to Same-Sex Partners

In January 2018, we revised the definition of spouse in our internal regulations. By submitting the appropriate documentation, employees with same-sex partners can take advantages of the applicable welfare benefit programs.

▶ LGBT Training

We periodically invite outside instructors to conduct training and engage in internal awareness-raising activities on an ongoing basis. Education using e-learning is also carried out to give employees opportunities to acquire basic knowledge relevant to the topic.



SEPALLY RAINBOW



LGBT training session

Development of High-Quality Human Resources

Basic Approach

The Septeni Group was founded in 1990, but it began shifting the focus of its business to the Internet in 2000, when the Internet was still in its infancy. The Group has continued to grow in tandem with the Internet industry, confronting various organizational issues along the way.

At the Human Capital Lab, which was established in 2016, we use AI (i.e. machine learning) and other means to integrate and analyze the extensive volume of human resource data that we have continued to amass in the process of growing the Company. Based on this, we conduct ongoing research to shed light on the structure of human resource development in growth industries from a scientific perspective and widely share the results.

By taking a scientific perspective and using actual data to communicate the organizational issues that the Company experienced in the process of growing, we hope to provide some clues to other corporations on how to solve their issues, particularly corporations facing issues specific to organizational growth.



Basic Concept of Human Resource Development

Human resource development in the Septeni Group is based on the "Formula of Development" concept. This concept expresses the principle by which the interaction between an individual's innate personality and the surrounding environment has an impact on his/her growth. The workplace environment (E) is defined as team (T) and work (W) in this formula; the stronger the compatibility between T and W with the individual's personality (P), the higher the potential for significant growth (G).



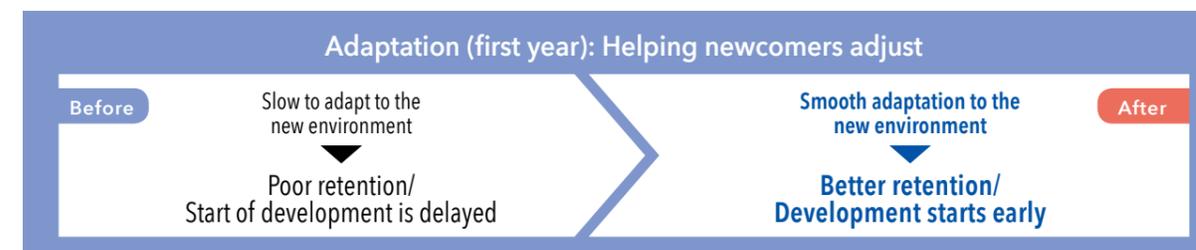
Note: With regard to the compatibility between personality and environment, in cooperation with Human Logic Laboratory, Inc., we derived the calculation method for the formula by combining an algorithm for the relationship clarified by the Five Factors & Stress (FFS) theory and a proprietary algorithm derived from the Company's past trends.

Research Themes

The Human Capital Lab is engaged in research activities in the four broad fields of recruitment, adaptation, development and alumni networks. Research is conducted using actual data collected over the course of the Company's growth from when there were only a few dozen people to the current scale of over 1,000 employees. The aim is to provide numerically grounded solutions for human resource development.

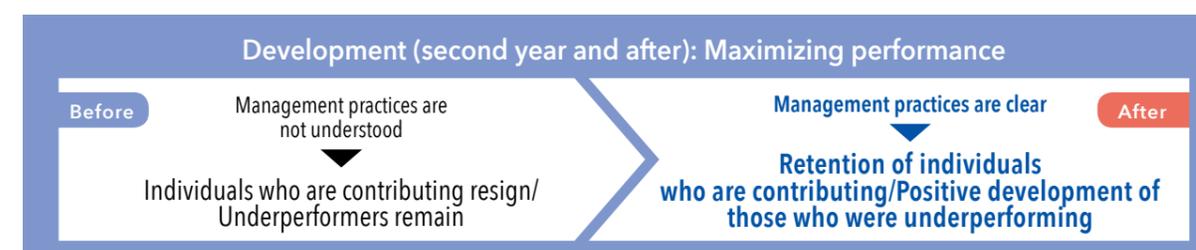


In recruitment, we are continuing research to come up with numerical predictions of the potential of applicants to become contributing members of and stay with the Company, based on the more than 100 items of information per person collected during the selection process. The aim is to uncover, amid cost constraints, individuals who will contribute to the growth of the Company. Through this research, we are working to complete our own set of evaluation criteria as well as a structure for determining whether specific individuals can play an active role in the Company.

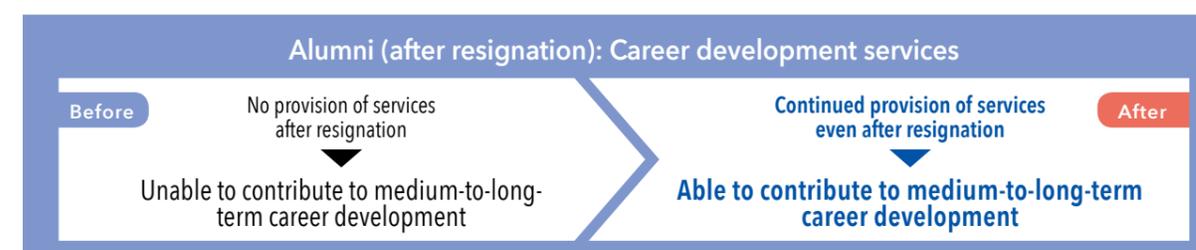


We recognize that the development of individuals begins once they have adapted to the work environment. We assume that this adaptation takes approximately one year for those with little work experience, although the period required varies from person to person.

To ensure that newly hired employees adapt smoothly to the environment, we research how to provide environments that fit their personalities (compatibility-based assignment), provide guidance on how to behave at the workplaces they have been assigned to (adaptation plans), and measure and adjust their actual adaptation levels (evaluation of adaptation).



In order to maximize individual performance, we research human resource development management based on past human resource data to provide an environment that best fits each individual and his/her stage of development. As a result, we retain individuals who are contributing while achieving the development of those who did not initially grow as expected.



Our AI-based personnel system, which was originally designed for in-house use, quantifies compatibility and optimizes the success of our employees. We now provide this system widely to employees who have left our company (alumni) as a career development service beyond the boundaries of the Septeni Group.

Services and Initiatives Based on Research

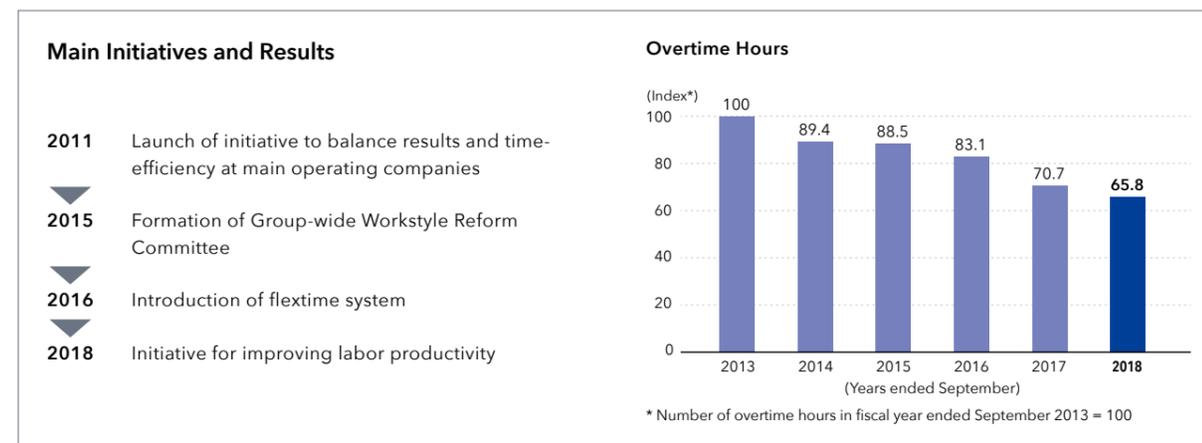
- ▶ Online Recruiting**
 By utilizing predictions of post-employment success, which is one of the outcomes of our research, and our online interview system, we have successfully created a complete Internet-based recruiting system, from job application submission to early informal job offer, for students from regions outside Japan's major urban centers.
 By reducing the burden of transportation and accommodation costs, as well as travel time, incurred by such students in their job-hunting activities, this system has enabled us to secure human resources from a larger pool of candidates.
- ▶ Self-Analysis Tool**
 Based on technology for quantifying the compatibility between personality and environment, and for optimizing participation in the workplace, we have gained an objective understanding of personality and aptitude, and created a self-analysis tool that identifies the points of appeal of job-seekers. We have made this tool available to all students.
 By having students utilize this tool, we hope to provide each of them with the opportunity to choose a more suitable career.

Workstyle Reform

Basic Approach

The Septeni Group envisions creating a situation in which all employees work actively and autonomously on valuable tasks, regardless of time or place. In order to promote new working styles aimed at improving work-life balance, we launched an initiative in 2011 with the slogan "Balancing results and time-efficiency." We have incorporated this slogan into the work evaluation process at our main operating companies, setting new question categories to ascertain whether management is providing members with appropriate guidance on work-life balance, and whether regular employees are carrying out their tasks appropriately with an awareness of it.

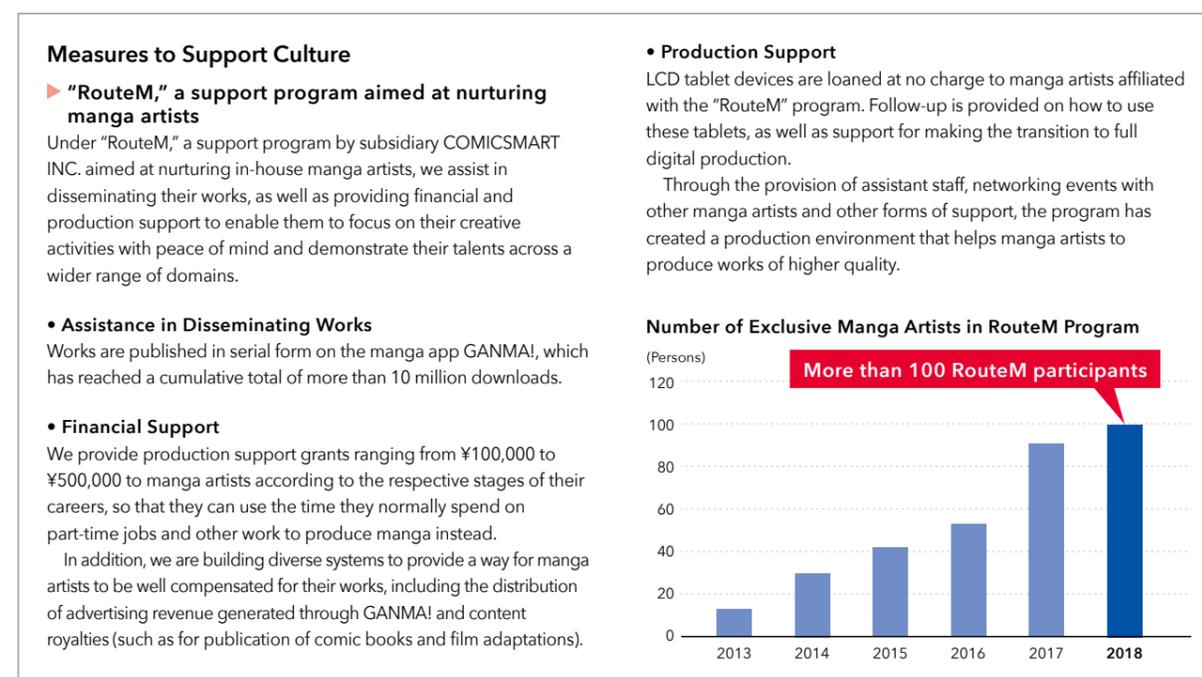
Aiming to further improve motivation and productivity, we subsequently formed the Workstyle Reform Committee as a Group-wide project headed by the President. Led by members selected from respective Group companies, the committee has been engaged in initiatives such as designing and introducing relevant systems and activities to raise awareness.



Support for Culture and Sports

Basic Approach

The Septeni Group supports the activities of a wide range of people, including athletes and artists.



Measures to Support Sports

▶ Recruitment of Fencer Shihomi Fukushima

In April 2018, we recruited top sabre fencer Shihomi Fukushima (23 years old) as a new graduate employee and are supporting her activities as an athlete.



• Major achievements

- 2015 Winner in the women's individual sabre category of the All Japan Intercollegiate Fencing Championships
- 2016 Winner in the sabre team category of the Asian U-23 Championships
Winner in the women's individual sabre category of the All Japan Fencing Championships
15th in the women's individual category of the Mexican Sabre Grand Prix
- 2017 7th in the women's sabre individual category of the World Fencing Championships
4th in the women's team sabre category of the World Fencing Championships
Champion in the women's team sabre category of the Summer Universiade
- 2018 20th in the FIE World Ranking
3rd in the women's team sabre category in the Asian Games

Activities Unrelated to Priority Challenges

Environmental Activities

Aiming to realize a sustainable society, the Septeni Group actively reduces its environmental burden and utilizes resources effectively to mitigate the impact of its business activities on the environment.

Environmental Policy

1. Reduction of the use of printing paper
2. Proactive green procurement
3. Implementation of resource-saving and energy-saving measures, and promotion of recycling

Sponsorship of TOUR de TOHOKU

The Septeni Group has sponsored TOUR de TOHOKU since the event began. Organized by Kahoku Shimpo Publishing Co. and Yahoo Japan Corporation, TOUR de TOHOKU was inaugurated to support reconstruction in the aftermath of the Great East Japan Earthquake, and to ensure that this disaster is never forgotten.



External Commendations

HR Technology Awards

These awards recognize outstanding initiatives in Japan in the field of HR technology and personnel big data (analytics). We received the Excellence Award in the Learning Division in the first year of the awards, the Excellence Award in the Management Systems Division in the second, and the Prize for Innovation in the third.



Japan HR Challenge Awards

These awards recognize corporations that are actively engaged in outstanding new initiatives in the field of human resources. We received the Prize for Encouragement in 2015 and 2017, and the Prize for Innovation in 2018.



Ikuboss Awards

These awards recognize employees in management positions who support subordinates in balancing childcare and work. We received the Grand Prix in 2014 and the Prize for Encouragement in 2016.



Tokyo Metropolitan Government Social Participation of Women Awards

These awards recognize corporations, organizations and individuals for their efforts to promote the active participation of women in society. We received the Award of Excellence in 2016.



PRIDE INDEX

We received the Bronze Award in 2017 and the Gold Award in 2018 in the evaluation index for workplace initiatives for sexual and gender minorities such as the LGBT community.



The Septeni Group's Corporate Governance

Basic Approach

The Company and the corporate group comprising the Company and its subsidiaries (hereinafter called the "Group") understand that effective corporate governance is based on constant improvements and the implementation thereof to ensure that: actions are taken pursuant to the Group's corporate philosophy and code of conduct; decisions are made in a transparent, fair and efficient manner; laws and regulations are strictly observed; and corporate performance is monitored appropriately.

Outline of Our Corporate Governance Structure

The Group is managed under a holding company structure in which the Company, as the ultimate parent company, is a holding company and its subsidiaries are operating companies. By separating the function of managing overall business operations from the function of executing individual businesses, the Group has been working to facilitate the delegation of authority to its operating subsidiaries and strengthen the monitoring of the Group's businesses by the Company.

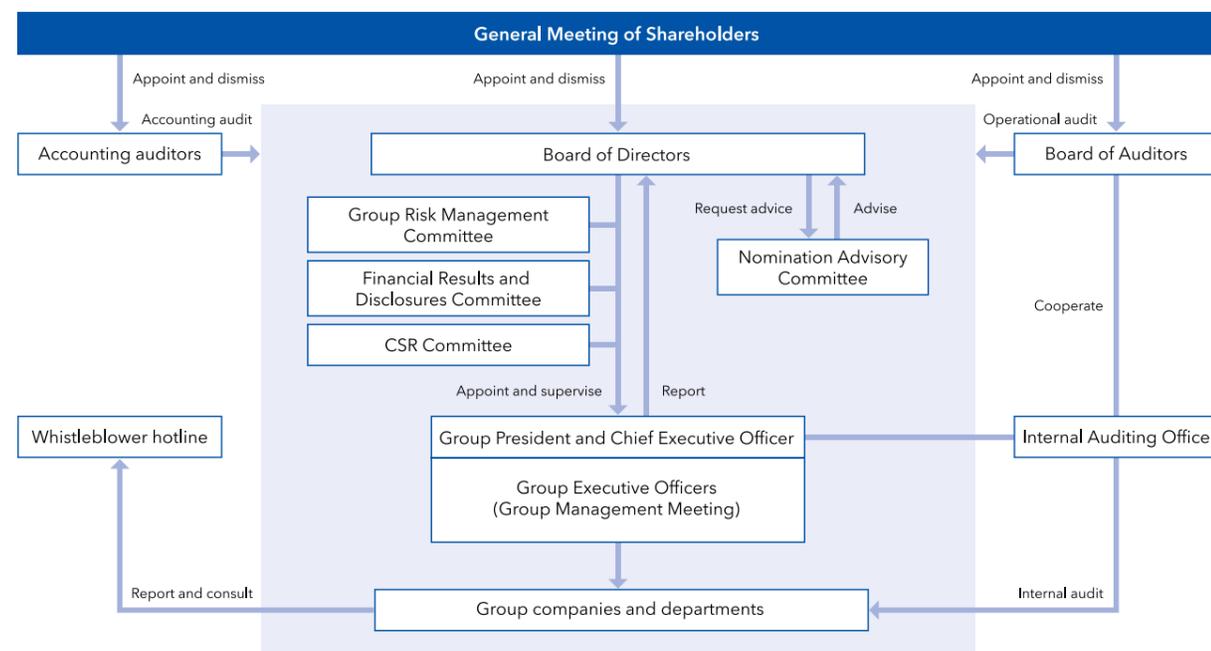
It is the Company's policy that at least half of the Board of Directors be composed of outside directors with independent standpoints. By having outside directors with a high level of management experience and expertise participate in deliberations at Board of Directors' meetings, the Company has established a system that enables the board to effectively and efficiently make decisions on basic management policies and to monitor board members' execution of their duties. Furthermore, half of the Board of Auditors is composed of outside auditors with independent standpoints. Through mutual cooperation between the auditors, who possess specialized knowledge on financial affairs and legal affairs, and the accounting auditors, who conduct external audits, the Company has established an effective and efficient audit system.

Having outside directors monitor directors' execution of their duties through deliberations at Board of Directors' meetings, and independent auditors who are not involved in decisions related to the execution of those duties conduct audits in this way, enhances governance functions and makes corporate governance more efficient. Based on this belief, the Company has adopted the current corporate governance system.

Board of Directors

Given the Company's policy that highly independent outside directors comprise a majority of the Board of Directors, the board is currently composed of seven members including four outside directors. The board makes decisions on matters stipulated by law and the Company's Articles of Incorporation as well as on the execution of important business, and monitors the execution of business. Furthermore, as a part of its efforts to strengthen the corporate governance system, the Company introduced an entrustment-type executive officers system in January 2017. By delegating authority to executive officers (hereinafter called "Group Executive Officers") within a legally accepted scope for decision-making and execution of business, the Company is building a system in which the Board of Directors focuses primarily on monitoring the Group Executive Officers, who carry out business execution (a monitoring-oriented model).

Corporate Governance System



Group Executive Officers

Group Executive Officers are responsible for execution of the Company's business, the business of Group operating companies, and business that spans multiple operating companies. The Board of Directors of the Company appoints Group Executive Officers who will be in charge of business. At the same time, the Group President and Chief Executive Officer, who serves concurrently as a representative director of the Company, supervises the execution of business by Group Executive Officers.

Matters that should be resolved at Board of Directors' meetings, matters for which authority is to be delegated to Group Executive Officers and matters that should be reported to the Board of Directors by Group Executive Officers are set forth clearly in the regulations of the Board of Directors. In addition, we have established the Group Management Meeting as a decision-making system for business execution. The Group Management Meeting supports the decision-making of the Group President and Chief Executive Officer, who is ultimately responsible for Group management, and discusses important matters concerning Group management.

Various Committees

The Company has established a Group Risk Management Committee to supervise the management of risks for the Group, a CSR Committee that is responsible for fulfilling the Group's social responsibilities through CSR activities, and a Financial Results and Disclosures Committee that reviews and evaluates financial results information and timely disclosure information. In this way, the Company is building a system that enables the clarification of authority and responsibilities, as well as prompt and timely decision-making.

To ensure transparency, objectivity and accountability in deliberation of matters such as the appointment and dismissal of Company directors and Group Executive Officers, the Company has established the Nomination Advisory Committee, a delegated committee under the Board of Directors comprising a majority of outside directors.

Executive Sessions

Meetings of outside directors only are held, in principle, once every quarter, providing an opportunity for outside directors to exchange information and share understanding based on independent and objective standpoints. As other independent external parties, including outside auditors and accounting auditors, may attend these meetings, they also provide an opportunity for cooperation among such parties.

Board of Auditors

The Company has adopted a Board of Auditors system. The Board of Auditors is currently composed of four members, including two highly independent outside auditors. Auditors conduct audits of the directors' execution of their duties, based on audit policies and plans prepared by the Board of Auditors.

Learn about the Septeni Group through Its People!

Yusuke Asakura

Outside Director
SEPTENI HOLDINGS CO., LTD.

Main concurrent position: Visiting Scholar, National Graduate Institute for Policy Studies

Trends surrounding digital marketing, such as the penetration of smartphones, the popularization of streaming video, and the emergence of overseas media in Japan, are evolving at a dizzying rate, while the market continues to expand. Given this rapidly changing business environment, I am convinced of the need for management that takes the lead in initiating changes rather than shrinking away from self-transformation. I feel that the Septeni Group, which has grown by continuing to take on challenges in new markets since its founding, has the ability to grow further while enjoying the changes taking place right before our eyes.

As a member of the Board of Directors, I will continue to put my best efforts into ensuring that SEPTENI HOLDINGS is able to meet the expectations of its stakeholders by continuing to take on challenges with the appropriate risk appetite in order to further enhance corporate value.



Board of Directors, Auditors and Executive Officers

(As of January 1, 2019)

Directors



**Representative Director
Koki Sato**

1997 Joined the Company
2001 Director and General Manager of Internet Operations
2003 CMO
2004 COO
2007 Senior Managing Director
2009 Representative Director and President (current position)
2017 Group President and Chief Executive Officer (current position)



**Representative Director
Isamu Ueno**

1998 Joined the Company
2004 Director and Manager of Personnel and Administration
2005 Managing Director
2009 Senior Managing Director
2017 Group Senior Executive Officer (current position)
2018 Representative Director (current position)



**Director
Tadahiro Matsuda**

1998 Joined the Company
2004 Head of Osaka Branch
2005 General Manager of Media Director
2009 Representative Director, SEPTENI CROSSGATE CO., LTD.
2017 Group Executive Officer
2018 Director of the Company (current position)
2019 Group Senior Executive Officer (current position)



**Outside Director
Yusuke Asakura**

2007 Joined McKinsey & Company
2010 Joined Naked Technology Inc. Representative Director, President and CEO, Naked Technology Inc.
2011 Joined mixi Inc.
2013 Representative Director, President and CEO, mixi Inc.
2014 Visiting Scholar, Stanford University
2015 Outside Director, Raksul, Inc. (current position)
2016 Outside Director, Loco Partners
2017 Visiting Scholar, National Graduate Institute for Policy Studies (current position)
Outside Director of the Company (current position)

Auditors



**Internal Auditor
Muneyoshi Nomura**

1998 Joined the Company
1999 Director and General Manager of Management
2000 Managing Director and General Manager of Management
2002 Senior Managing Director, CFO and General Manager of Management
2004 Representative Director, President and CFO
2009 Vice-chairman of the Board
2015 Internal Auditor (current position)



**Internal Auditor
Nobuo Kojima**

1993 Joined Dentsu Inc.
2013 General Manager of Operations Management Department of TV & Entertainment Division, Dentsu Inc.
2014 General Manager of Network 3 Department of Radio & TV Division, Dentsu Inc.
2017 Deputy Managing Director of Digital Platform Center and General Manager of Operations Promotion Office, Dentsu Inc.
2018 Seconded to Dentsu Digital Inc. Executive Officer and Head of Account Planning Unit, Dentsu Digital Inc.
Internal Auditor of the Company (current position)



**Outside Director
Tatsuya Kimura**

2001 Assistant Professor, Graduate School of Business, Nihon University
2003 Assistant Professor, Graduate School of Asia-Pacific Studies, Waseda University
2006 Professor, Graduate School of Asia-Pacific Studies, Waseda University
Outside Auditor of the Company
2007 Professor, Graduate School of Commerce, Waseda University
2014 Outside Director of the Company (current position)
2016 Professor, Waseda Business School (Graduate School of Business and Finance), Waseda University (current position)



**Outside Director
Etsuko Okajima**

1989 Joined Mitsubishi Corporation
2001 Joined McKinsey & Company Incorporated Japan
2002 Joined Globis Management Bank, Inc.
2005 President, Globis Management Bank, Inc.
2007 CEO, ProNova Inc. (current position)
2014 Outside Director, Astellas Pharma Inc. External Director, MARUI GROUP Co., Ltd. (current position)
2015 Outside Director of the Company (current position)
2016 Outside Director, Link and Motivation Inc. (current position)
2018 Outside Director, Euglena Co., Ltd. (current position)



**Outside Director
Seiji Yasubuchi**

1979 Joined Mitsubishi Corporation
1999 Joined Ripplewood Japan, Inc. Executive Director, Ripplewood Japan, Inc.
2001 Joined UBS Securities Japan Co., Ltd. Executive Director in charge of transport and privatization of public organization, UBS Securities Japan Co., Ltd.
2005 Managing Director in charge of transport and privatization of public organization, UBS Securities Japan Co., Ltd.
2006 Joined GE Commercial Finance Asia Executive Vice President in charge of business development, GE Commercial Finance Asia
2007 President and CEO, GE Commercial Finance Japan
2009 President and CEO, GE Capital
2010 Representative Director, GE Japan Corp. President and CEO, GE Capital
2016 Representative Director, President and CEO, SMFL Capital Co., Ltd.
2017 Joined Visa Worldwide Japan Co., Ltd. President and Representative Director, Visa Worldwide Japan Co., Ltd. (current position)
Outside Director of the Company (current position)



**Outside Auditor
Katsuhisa Yanagi**

1963 Joined Saitama Bank, Ltd. (now Resona Bank, Limited)
1998 Director, Asahi Card Co., Ltd. (currently Resona Card Co., Ltd.)
2000 Internal Auditor, Asahi Card Co., Ltd. (now Resona Card Co., Ltd.)
2002 Auditor of the Company
2005 Internal Auditor
2015 Outside Auditor (current position)



**Outside Auditor
Mamoru Furushima**

1993 Joined Chuo Audit Corporation
1997 Registered as a certified public accountant
2000 Joined Fujii Accounting Office
2003 Joined PwC Advisory Co., Ltd.
2007 Joined the Legal Training and Research Institute of Japan under the Supreme Court of Japan
2008 Registered as a member of the Tokyo Bar Association
2009 Joined Okuno & Partners
2015 Representative of Furushima Law & Accounting Office (current position)
Outside Director (Audit and Supervisory Committee Member) of Nippon Chemical Industrial Co., Ltd. (current position)
Outside Auditor of the Company (current position)

Group Executive Officers

Group President and Chief Executive Officer

Koki Sato
Group CEO

Group Senior Executive Officers

Isamu Ueno
Group COO, in charge of Group personnel and general affairs

Tadahiro Matsuda
In charge of Group corporate planning, public relations, new business

Group Executive Officers

Teruyuki Noguchi
In charge of Group legal affairs

Kei Hatano
In charge of Group accounting and financial affairs

Kana Setoguchi
In charge of information systems and business promotion

Masayuki Muto
Internet Marketing Business (domestic)

Daisuke Suefuji
Internet Marketing Business (overseas)

Yusuke Shimizu
Internet Marketing Business (domestic)

Yuichi Kono
Internet Marketing Business (domestic)

Masayuki Takano
Internet Marketing Business (domestic)

Yusuke Fukuhara
Internet Marketing Business (domestic)

Takefumi Okada
Media Content Business

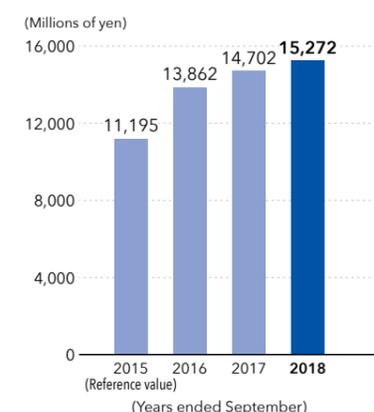
Consolidated Financial and Non-Financial Highlights (IFRS)

(Unless stated otherwise, all figures in this document are based on units of million yen.)

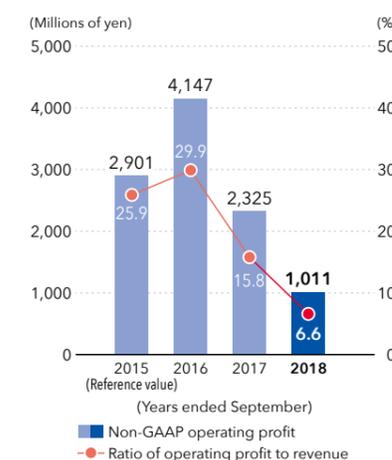
	FY2015/9	FY2016/9	FY2017/9	FY2018/9
Revenue	11,195	13,862	14,702	15,272
Gross profit	10,277	12,478	12,989	12,674
To revenue (%)	91.8%	90.0%	88.3%	83.0%
SG&A	7,404	8,350	10,652	11,693
To revenue (%)	66.1%	60.2%	72.5%	76.6%
Non-GAAP operating profit	2,901	4,147	2,325	1,011
To revenue (%)	25.9%	29.9%	15.8%	6.6%
Operating profit	2,533	4,154	2,248	977
To revenue (%)	22.6%	30.0%	15.3%	6.4%
Profit from continuing operations	1,598	2,717	1,338	847
To revenue (%)	14.3%	19.6%	9.1%	5.5%
Profit for the period attributable to owners of the parent	2,351	2,519	2,211	847
To revenue (%)	21.0%	18.2%	15.0%	5.5%
[Reference] Net sales	61,476	73,203	72,375	72,443
Total assets	25,635	29,981	32,929	33,371
Equity attributable to owners of the parent	11,307	14,156	15,172	15,672
Ratio of equity attributable to owners of the parent to total assets	44.1%	47.2%	46.1%	47.0%
Cash flows from (used in) operating activities	1,874	3,209	(808)	(440)
Cash flows from (used in) investing activities	1,258	(109)	(1,706)	(310)
Cash flows from (used in) financing activities	(124)	801	2,457	112
Cash and cash equivalents at end of period	11,695	15,481	15,519	14,922
Capital	2,070	2,085	2,114	2,120
Shares issued as of term-end	27,700,700	27,728,300	138,819,000	138,856,500
ROE	23.0%	19.8%	15.1%	5.5%
EPS (yen)*	18.21	19.43	17.38	6.71
BPS (yen)*	87.26	109.13	120.08	124.00
Dividends per share (yen)*	2.8	3.2	3.2	2.0
Number of employees at the end of the fiscal year (full-time, regular employees) (persons)	846	930	1,083	1,189

- Notes: 1. The Company has applied IFRS since the fiscal year ended September 2016. Figures for the fiscal year ended September 2015 based on IFRS are provided for reference.
2. Following the sale of part of shares of AXEL MARK INC. held by the Company, on November 10, 2016, this company and its subsidiaries have been excluded from the scope of consolidation, and as for the trends in profit and loss for the 25th and 26th terms, the comparative periods, the said business was reclassified as discontinued operations and retrospective adjustments were made.
3. Revenue is disclosed here as an IFRS-based indicator instead of traditional net sales, which the Company discloses separately as reference information on a voluntary basis. Only the net margins of advertising agency sales, which account for the majority of the revenue of the Internet Marketing Business, are reflected as revenue from this business.
4. Non-GAAP operating profit is disclosed on a voluntary basis to present actual business conditions more appropriately. Non-GAAP operating profit refers to the profit indicator used to assess ordinary business conditions after adjustments are made to IFRS-based operating profit pertaining to temporary factors such as the amortization of intangible assets, impairment losses, and gains or losses on the sales of fixed assets, which are recognized when acquiring subsidiaries.
5. Figures material are rounded to the nearest unit.
6. The Company implemented a 5-for-1 stock split of its common stock on October 1, 2016. EPS and BPS in the above table are calculated on the assumption that the stock split was implemented at the beginning of the fiscal year ended September 2015.

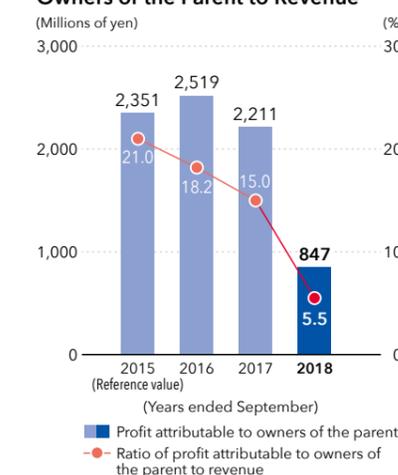
Revenue



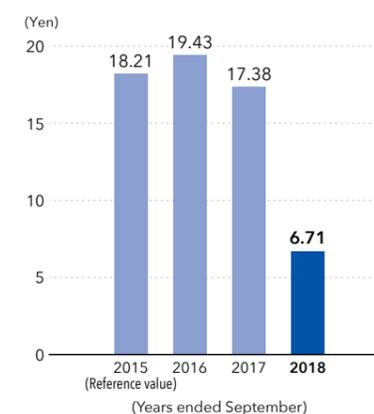
Non-GAAP Operating Profit/Ratio of Operating Profit to Revenue



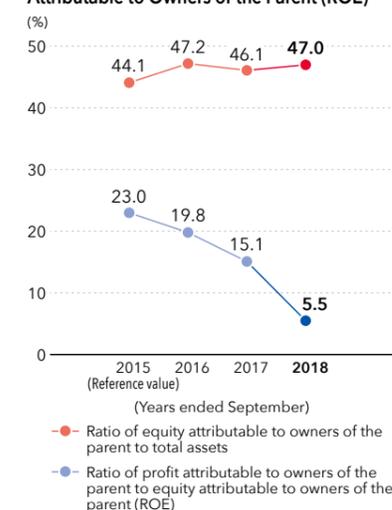
Profit Attributable to Owners of the Parent/Ratio of Profit Attributable to Owners of the Parent to Revenue



Basic Earnings per Share (EPS)



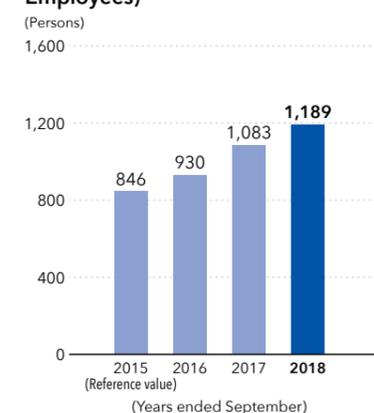
Ratio of Equity Attributable to Owners of the Parent to Total Assets/Ratio of Profit Attributable to Owners of the Parent to Equity Attributable to Owners of the Parent (ROE)



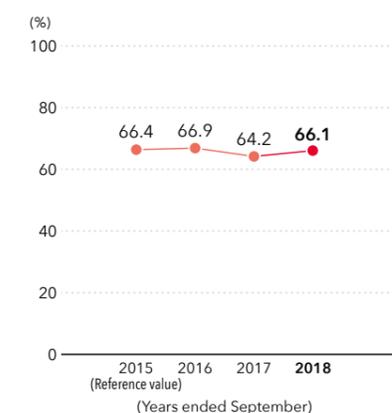
Dividends per Share/Dividend Payout Ratio



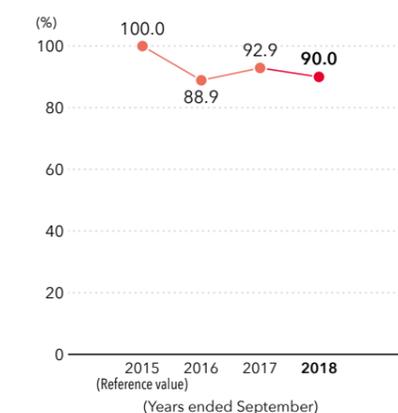
Number of Employees at the End of the Fiscal Year (Full-Time, Regular Employees)



Percentage of Paid Leave Taken by Employees



Percentage of Employees Returning to Work after Childcare Leave



Corporate Profile

(As of October 1, 2018)

Trade Name	SEPTENI HOLDINGS CO., LTD.	Foundation	October 1990
Headquarters	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo	Capital	2,120 million yen
Business Overview	Corporate management and overall control of Group companies through ownership of shares and other forms of equity.	Number of Employees (Consolidated)	Full-time, regular employees: 1,189 Total employees: 1,441

List of Group Companies

▶ Internet Marketing Business (Domestic)

SEPTENI CO., LTD. Internet advertising agency/ Providing assistance for overall promotions on the Internet 	Septeni Japan, Inc. Internet advertising agency 	MANGO Inc. Search engine marketing (SEM) operation business 	Septeni Asia Pacific Pte. Ltd. Internet advertising agency based in Asia-Pacific 	Septeni America, Inc. Internet advertising agency based in North America 
High Score, Inc. Social media marketing support business 	Septeni Original, Inc. Planning and development of web services 	Septeni Ad Creative, Inc. Planning and production of Internet advertisement creatives 	Septeni China Limited Internet advertising agency based in China 	SEPTENI TECHNOLOGY CO., LTD. Web service development 
SEPTENI CROSSGATE CO., LTD. Advertising network and platform business 	Tricorn Corporation Customer relation management (CRM) service business 	Milogos, Inc. Digital marketing support business 	JNJ INTERACTIVE INC. Internet advertising agency based in South Korea 	Lion Digital Global LTD Internet advertising agency based in Southeast Asia 

▶ Media Content Business

COMICSMART, Inc. Manga content business 	Vivivit, Inc. Recruitment platform business 	gooddo Inc. Social contribution platform business 	Pharmarket Co., Ltd. Medical platform business 	TowaStela, Inc. Childcare platform business 
Delight Tube, Inc. Planning, production and management of Internet media 	HEDGEHOG PRODUCTS, Inc. App and advertising development business 			

▶ New Business Development

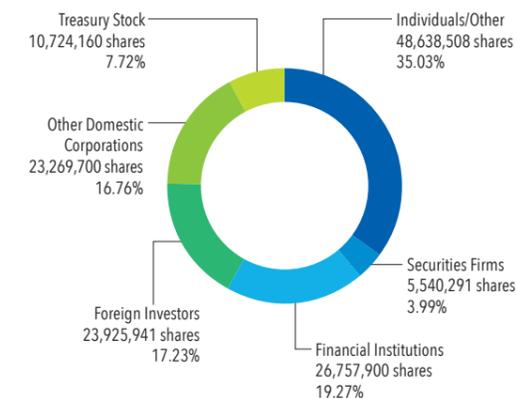
SEPTENI VENTURES Co., Ltd. New business development/ Incubation support 	SIGNCOSIGN, INC. Co-creation of new business and corporate design 
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Stock Information

(As of September 30, 2018)

Number of Shares Authorized	370,080,000
Number of Shares Issued	138,856,500
Number of Shareholders	10,201

Breakdown of Shareholders and Shares Held



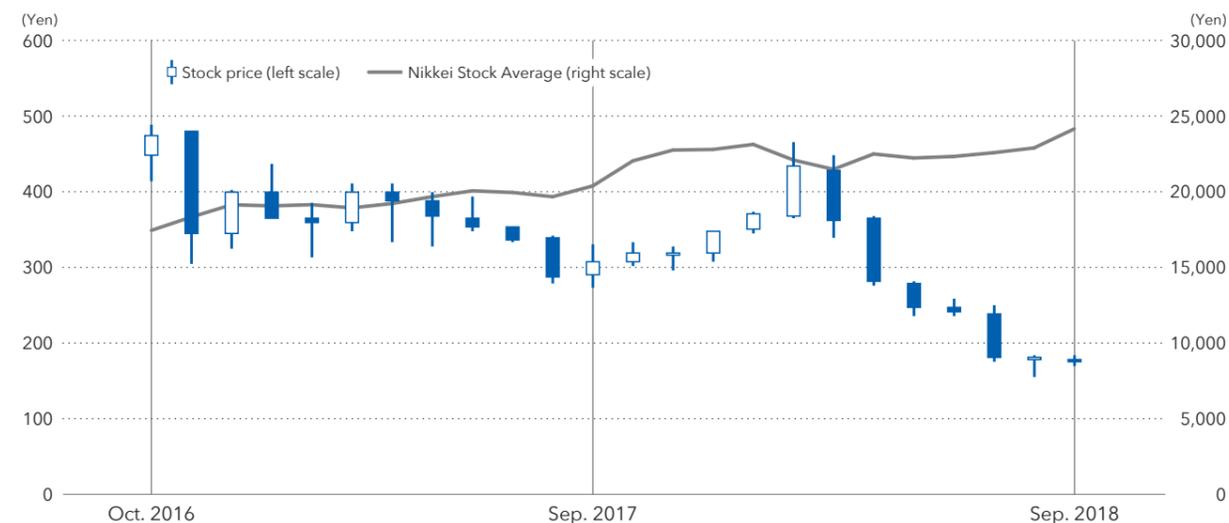
Major Shareholders

Name	Number of shares held	Percentage of total shareholdings (%)
Village seven Co., Ltd.	15,219,000	11.88%
Mamoru Nanamura	13,950,500	10.89%
Japan Trustee Services Bank, Ltd. (Trust Account)	12,695,100	9.91%
Yahoo Japan Corporation	7,000,000	5.46%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND	6,312,400	4.93%
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,193,200	4.83%
STATE STREET BANK AND TRUST COMPANY 505019	3,811,400	2.97%
BNYMSANV RE GCLB RE JP RD LMGC	3,624,700	2.83%
Trust & Custody Service Bank, Ltd. (Securities Investment Trust Account)	2,590,300	2.02%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,268,300	1.77%

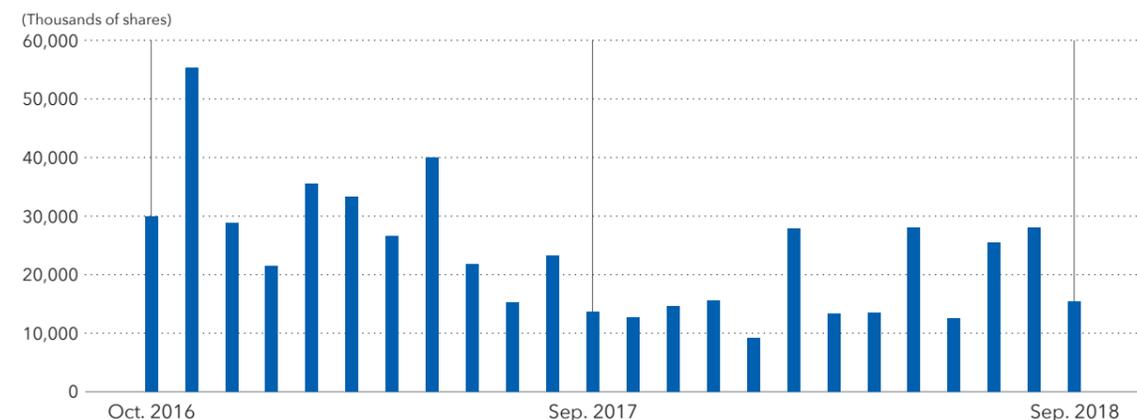
Notes: 1. Excluding shares held by the above major shareholders, the Company holds 10,724,160 shares of treasury stock. The above percentages are calculated excluding treasury stock.

2. As of December 18, 2018, the date of payment by Dentsu Inc. of its tender offer for common shares of the Company, Dentsu became a principal shareholder and the largest shareholder of the Company with the acquisition of 26,895,001 shares of Company stock, or 20.99% of total voting rights.

Stock Price Range



Trading Volume



Our Origin

Thank you for reading *Integrated Report 2018*.

This report introduces our new logo design.

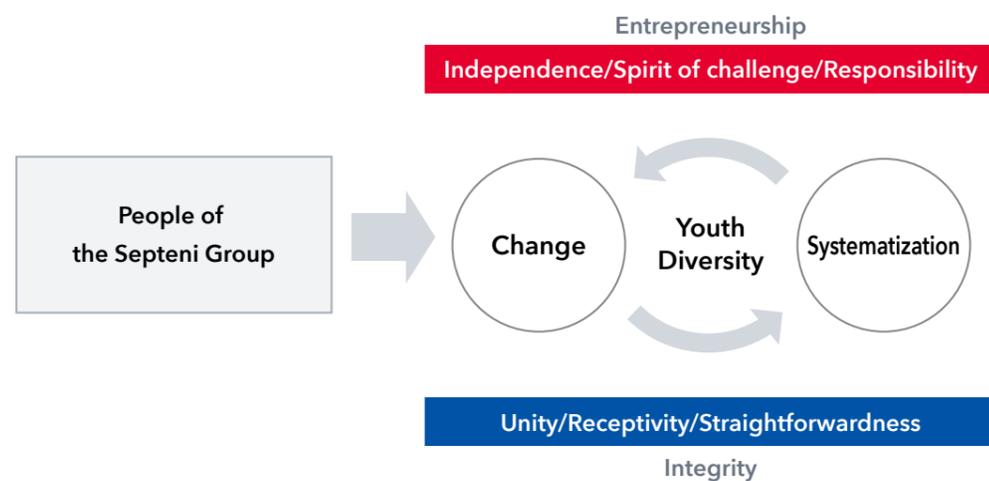
The Septeni Group has gone through various transformations since its foundation. Even now, we are aiming to make a variety of changes. Amid our ongoing evolution, the question arose of what the Septeni Group should aim to be right now. We thought it was time for a redesign that showed our current state as a company. This logo renewal began as part of that effort.

In creating the new logo, we listened to many people inside and outside the Company and have reflected their thoughts in the concept and design. We would like to explain the background to this logo.

First, we began by ascertaining the current position of the Septeni Group. The Septeni Group has set forth a mission of "Inspiring the world with entrepreneurship." How far have we progressed toward the future envisioned in that mission? We visualized our current position relative to that future.

Our current position and future are, of course, a reflection of our past. What events brought us from our past to our current position? What should we let go of? What should we preserve? What kind of future should we aim for?

Next, we identified the elements that form the Septeni Group, to sort out how the value we have created has defined us, and what we should aim for from now on.



The Septeni Group has evolved through an ongoing cycle of the contradictory processes of change and systematization. The youth and diversity of our employees have enabled us to do so. Isn't this cycle itself the identity of the Septeni Group?

Moreover, how will we continue to take advantage of this cycle between these two contradictory aspects of our identity to achieve a sound balance?

To that end, in addition to a proactive (tough) aspect that accepts change, is independent, and takes on challenges, it is also necessary to encompass a reactive (gentle) aspect that is straightforward, highly receptive and attuned to the goodness of people. Enjoying ourselves while balancing these two aspects. Moving forward with our innate optimism while taking delight in our work. This became the concept "Tough, gentle and fun."

Tough, gentle and fun.

Inspiring the world with entrepreneurship

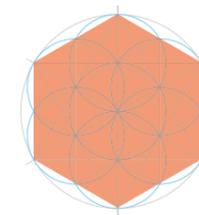
The toughness to get results by always choosing the more substantial change with an entrepreneurial spirit.

The gentleness to share successful experiences and growth opportunities with all through systemization while also accepting diversity.

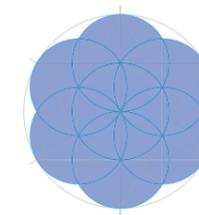
The fun found in accomplishing difficult tasks through our unique methods.

With these three strengths, we take on the challenge of new markets in a new world.

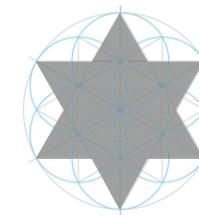
Each of these three characteristics was given a different form. By bringing them together, we intended to convey the unique power and diversity of each of our people, and the unity of the Septeni Group as a whole. Based on the meaning of "Septeni" (seven for each), the symbols are composed of seven circles to express these three characteristics conceptually.



Tough
Solidity
Strong will
Spirit of challenge



Gentle
Tolerance
Cooperation
Flexibility



Fun
Eccentricity
Inspiration
Originality

We believe that the various circumstances and choices in this process ultimately resulted in a design that we can call our "origin."

The Septeni Group will continue working together to take on challenges in order to realize its mission of "Inspiring the world with entrepreneurship."

