






Processes That Are the Source of Value Creation

CSR

CSR Policy

We believe that helping to resolve social issues through our businesses is a means 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 will continue to carry out CSR activities centered on this approach.

Priority Challenges and Initiatives

Priority Challenge (Related SDGs)	Social Value Provided	Main Initiatives in the Fiscal Year Ended September 2020
Diversity and Inclusion 	<ul style="list-style-type: none"> Contribution to creating a society in which everyone can participate Contribution to improving labor productivity 	<p>Promotion of women's participation Promotion of Group-wide support for women's careers, including an online seminar on "Building Careers for Women's Participation" given by an external lecturer</p> <p>LGBT initiatives Ongoing awareness-raising activities through LGBT & Allies Network; received the Gold Award (highest rating) on the PRIDE INDEX for the third consecutive year</p> <p>Measures against discrimination and harassment Implementation of anti-harassment training for managers and e-learning for all employees</p>
Support for Culture, Sports and the Entertainment Industry 	<ul style="list-style-type: none"> Contribution to creating a fulfilling society Contribution to industrial development through DX 	<p>Support for culture Provision of the "RouteM" manga artist development support program, which has more than 100 exclusive participants Hosting of classes at an art university to support creative students</p> <p>Support for sports Provision of support for top sabre fencer Shihomi Fukushima; formation of SEPTENI RAPTURES professional dance team Note: From the fiscal year ending September 2021, we are adding support for the entertainment industry.</p>
Support the Sound Development of the Digital Advertising Industry 	<ul style="list-style-type: none"> Contribution to creating a safe and secure digital society 	<p>Implementation of in-house educational activities using owned media and e-learning for all employees, and external activities including speaking at seminars</p>
Industry Development through Utilization of AI 	<ul style="list-style-type: none"> Generation of innovation Contribution to improving labor productivity 	<p>Utilization/application of data in HR technology Formulation and publication of Digital HR Guidelines for safe and secure handling of data</p> <p>Utilization/application of data in digital marketing Provision of original AI and data & solutions such as PRECOG and Odd-AI to corporate advertisers</p>
Development of High-Quality Human Resources 	<ul style="list-style-type: none"> Contribution to improving labor productivity Contribution to revitalization of regions outside of major urban centers 	<p>Promotion of initiatives based on research at the Human Capital Lab, including expansion of the target area for online recruiting in response to the COVID-19 pandemic, and development and implementation of an original online selection process in collaboration with Group company MANGO, Inc. In recognition of its efforts, Septeni received the Excellence Award for Recruiting at the 5th HR Technology Awards sponsored by the Ministry of Economy, Trade and Industry (fifth consecutive year to receive an HR Technology Award).</p>



Highlights

Development of High-Quality Human Resources

Research concepts, research themes and initiatives based on research

At the Human Capital Lab, which we established in 2016 as our research and development division, we use AI (i.e., machine learning) and other means to integrate and analyze the extensive volume of human resource data that we have accumulated. 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.



Ken Kubo

SEPTENI HOLDINGS CO., LTD.

The Company-wide introduction of telework in response to the COVID-19 pandemic has significantly changed the ways we communicate within the Company. Employees have not all adapted in the same way to this change in working conditions—their behavior tends to differ depending on their personality and individual traits. I thought that conducting an analysis might help us optimize human resource development and management for a telework environment, so I carried out a study of the impact of the telework environment on the adaptation of new employees to their workplace.

When we released my report on the study results, it received a very strong response. We want to continue providing valuable information to both employees and society at large through various kinds of research.

Based on Human Capital Lab research, since recruitment of 2018 graduates, we have been conducting online recruiting for students living in regions outside major urban centers, who would otherwise face substantial burdens in terms of time and costs. In February 2020, in response to the COVID-19 pandemic we decided to leverage this know-how to bring new graduate recruiting online for students living in all regions. We conducted recruiting activities that kept the need to visit the Company to a minimum so that students could take part in the selection process with peace of mind.



Nozomi Hirano

SEPTENI HOLDINGS CO., LTD.

We published more detailed data on recruiting and selection as well as information to help students understand the Company so that they could be confident in their choice of companies to apply to. In terms of individual feedback to new employees, we provided personal career simulations based on the information they gave during the selection process. Many students said that the information we provided was persuasive and reassuring.

I will keep in mind the need to provide information more openly as I continue working to support each employee's growth and participation.

Diversity and Inclusion

Main initiative

We believe that the independent 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 work styles, as stated in "Diversity," which is part of our code of conduct, the Septeni Way.



Group representative Koki Sato and Outside Director Etsuko Okajima conducted an online diversity workshop, with the aim of instilling understanding of the significance of diversity and inclusion. Approximately 200 employees attended.

Support for Culture and Sports

Main initiative

We support the activities of our human resources in a wide range of endeavors including individual and team sports and the arts. From the fiscal year ending September 2021, we are adding support for the entertainment industry.



Shihomi Fukushima

SEPTENI HOLDINGS CO., LTD.

I won in my category at the All Japan Fencing Championships in September 2020, achieving my second victory there in four years. The tournament was presented online only, but my co-workers at the Septeni Group supported me by watching my matches via streaming from the preliminary round, which was very encouraging. After winning, I received many messages. Some told me how inspired and impressed they were by my swordplay, and I was delighted to know that I could make people feel that way. I will continue doing my best to inspire and thrill more and more people through fencing.

Corporate Governance

Basic Approach

The Company and the company group comprising its subsidiaries (hereinafter called the “Group”) consider that their corporate governance is based on 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.

Governance Highlights

Number of Directors (Outside Directors Included in Total)
(As of January 2021)

> **8 (5)**

Average Attendance Rates at Board of Directors’ Meetings
(Fiscal year ended September 2020)

Directors > **100%** (13 meetings)

Auditors > **98%** (13 meetings)

Number of Auditors (Outside Auditors Included in Total)
(As of January 2021)

> **4 (3)**

Average Auditor Attendance Rate at Board of Auditors’ Meetings
(Fiscal year ended September 2020)

> **98%** (14 meetings)

Evaluation of the Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors once a year in principle with the goal of enhancing its effectiveness. The evaluation for the fiscal year ended September 2020 was based largely on the results of interviews and surveys regarding the operation of the Board that we conducted in accordance with the advice of third-party institutions as well as discussions by the Board and among corporate officers at training sessions. As a result, it was confirmed that the Board of Directors operates appropriately and that its effectiveness has been ensured through specific, voluntary initiatives for improvement based on clearly defined goals.

Moreover, recognizing that there is room for improvement in balancing discussions, in decision-making and in reporting, among other matters, the Board of Directors is actively working to enhance its effectiveness by implementing initiatives that address outstanding issues.

Officer Compensation Plan

In the fiscal year ended September 2017, the Group introduced a new compensation plan (a board incentive plan (BIP) trust) to more clearly define the relationship between the compensation of the Company’s directors (excluding outside directors and non-residents of Japan) and executive officers (excluding non-residents of Japan; collectively, “Directors, etc.”) and the Group’s business results in the medium-to-long term as well as the Company’s shareholder value, while creating a strong incentive to enhance business results and corporate value in the medium-to-long term. As a result, compensation for directors of the Company consists of monthly compensation and stock compensation, and compensation for outside directors who are

independent from business execution consists of monthly compensation only.

Director and Auditor Compensation

(Fiscal Year Ended September 2020)

Category	Number of Recipients	Officer Compensation	Remarks
Directors	7	¥158,966 thousand	4 outside directors included in left ¥39,200 thousand
Auditors	4	¥43,800 thousand	3 outside auditors included in left ¥12,600 thousand

Notes:

1. Certain directors of the Company concurrently serve as directors of Group subsidiaries, which pay part of the compensation expense for their service as subsidiary directors. The total of director compensation paid by the Company and by Group subsidiaries was ¥194,852 thousand.
2. The number of recipients includes one outside director who retired on August 31, 2020 and one outside auditor who retired at the close of the 29th Ordinary General Meeting of Shareholders held on December 18, 2019.
3. In addition to the above compensation, the Company is paying a retirement benefit of ¥266 thousand to an outside auditor who retired at the close of the 29th Ordinary General Meeting of Shareholders held on December 18, 2019. This payment is based on the resolution to make termination payments upon the abolition of the retirement allowance system for officers approved at the 13th Ordinary General Meeting of Shareholders held on December 18, 2003.

BIP Trust

This is a performance-linked stock compensation plan that aims to establish a clearer relationship between compensation for Directors, etc. and the value of the Group’s stock. The Company’s shares are purchased from the market as officer compensation, kept in a trust account, and delivered in accordance with the recipient’s position and degree of achievement of the performance targets in the Midterm Business Policies.



Outline of the Group's Corporate Governance Structure

Group management involves a holding company structure in which the Company is a holding company and the ultimate parent company for Group operating companies. This system separates Group-wide management and administration from execution in discrete Group businesses by delegating authority to Group operating companies while enhancing the holding company's ability to supervise and monitor Group businesses.

Outside directors involved in Board deliberation supervise the execution of duties, and independent corporate auditors who are not involved in executive decisions conduct audits. The Company employs this system because both of these functions help ensure more effective corporate governance.

Board of Directors

- Introduced an entrustment-type executive officer system in January 2017 with a monitoring-oriented model that focuses primarily on monitoring Group Executive Officers.
- Presents the overall direction of basic policies and other management matters, creates an environment that supports appropriate risk-taking by the management team, and takes responsibility for monitoring the business execution of the management team.
- Consists of eight directors, a majority of five of whom are independent outside directors.
- In principle, meetings are held once a month and on extraordinary occasions as required.

Group Management Meeting

- In charge of decision-making on execution of business matters throughout the Company and the Group's operating companies, and those that involve multiple operating companies.
- The Board of Directors appoints Group Executive Officers in charge of businesses. The Group President and Chief Executive Officer,

who is concurrently a representative director, oversees the business execution of Group Executive Officers.

- The Group Management Meeting supports decision-making by the Group President and Chief Executive Officer, and discusses important management matters for the Group.
- In principle, meetings are held twice a month and on extraordinary occasions as required.

Board of Auditors

- Conducts audits of directors' execution of duties based on audit policies, audit plans and other criteria established by the Board of Auditors.
- The Company has adopted a Board of Auditors system consisting of four auditors, three of whom are highly independent outside auditors.

Committees

The Company has established various committees to create a system that enables clarification of authority and responsibility, as well as prompt and appropriate decision-making.

Group Risk Management Committee

Responds promptly and effectively to the increasingly diverse, complex and decentralized risks faced by the Group, and oversees risk management for the entire Group.

Financial Results and Disclosures Committee

In charge of reviewing and evaluating financial information and timely disclosure information.

CSR Committee

In charge of fulfilling social responsibility through CSR activities.

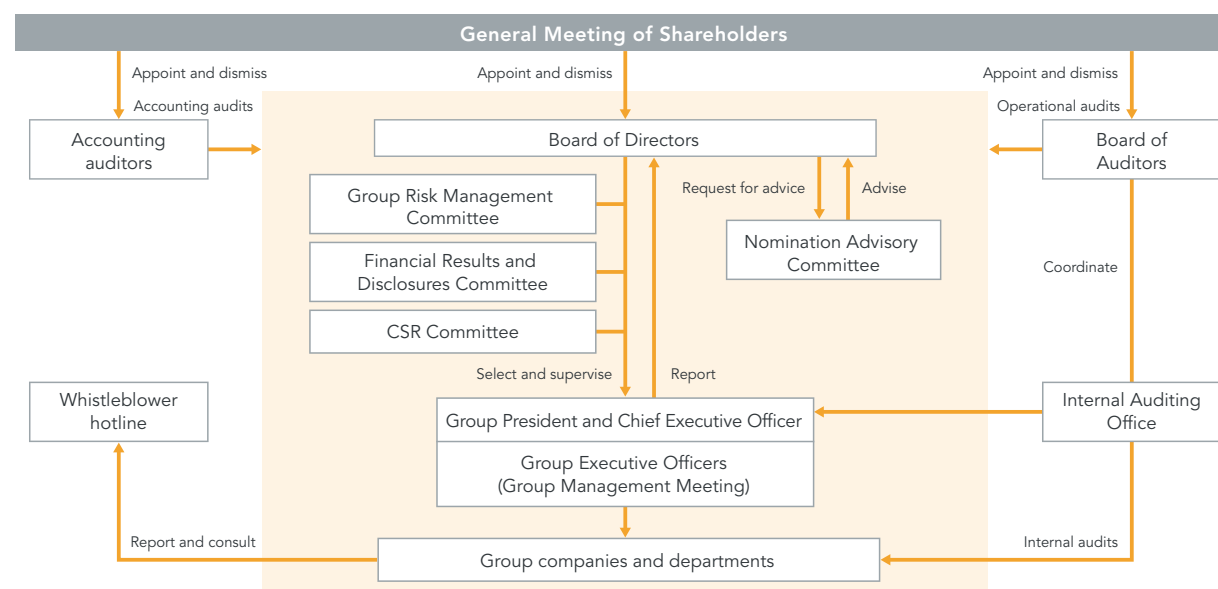
Nomination Advisory Committee

Ensures independence, objectivity and accountability in the deliberation process for matters related to the appointment and dismissal of management team personnel (including Company directors and Group Executive Officers) as a discretionary committee of the Board of Directors.

Executive Sessions

- Attended only by outside directors to ensure an opportunity for exchanging information and sharing understanding based on independent and objective standpoints.
- Other independent external parties, including outside auditors and accounting auditors, may attend the sessions, which also provides increased opportunities for cooperation among participants.
- In principle, meetings are held once every quarter.

Corporate Governance System (As of December 23, 2020)



Structuring a Management Team Using FFS Theory

The Company has incorporated the Five Factors & Stress (FFS) theory into its AI-based personnel system and other aspects of human resource management. Developed by Human Logic Laboratory, Inc., this theory can be used to scientifically build teams of people. It quantifies five factors as well as stress levels for individuals to understand their thought processes and behavior.

By examining the characteristics of Board members based on the FFS theory, the Company has structured a Board of Directors with leaders who drive a team that can readily adapt to emerging situations and relationships. This enables operational flexibility in a rapidly changing business environment. Following here are a personality matrix of the Company's Board of Directors and the results of an individual member personality analyses.

Name	Personality Profile
Koki Sato	A leader who embraces change. Has excellent judgment and determination. Good at missions that require pushing the boundaries.
Isamu Ueno	A team-builder who embraces change. Persuades others to get on board and cooperate. Good at reconnaissance missions for innovation.
Tadahiro Matsuda	Multi-skilled with excellent judgement. Balances offense and defense well. Good at missions that require resourcefulness.
Etsuko Okajima	A team-builder who embraces change. Persuades others to get on board and cooperate. Good at reconnaissance missions for innovation.
Yusuke Asakura	A rationalist and team-builder. Persuades others to get on board and cooperate. Good at missions that require planning.
Yoshiki Ishikawa	A team-builder who embraces change. Persuades others to get on board and cooperate. Good at reconnaissance missions for innovation.
Akie Iriyama	Multi-skilled with excellent flexibility. Balances offense and defense well. Good at missions that require resourcefulness.
Mio Takaoka	A rationalist and team-builder. Persuades others to get on board and cooperate. Good at missions that require planning.

Note: Personality profiles provided with the consent of each director.

Management Team Personality Matrix

