

Strategies

The Group President and Chief Executive Officer on Strategy

Combining emotion and technology to provide unprecedented value for industry

The Fiscal Year Ended September 2019 Was the Starting Point for Midterm Growth. Moving Forward, We Will Establish a Competitive Advantage through Our Alliance with the Dentsu Group.

Nowadays, more and more of our clients have declared their intention to make digital operations the core of their management. Basing market development strategy and business models on Digital Transformation (DX) is already taken for granted. I feel that top executives at each company are conducting management with a strong commitment to this transformation, which they view as a choice between making the shift or ceasing to grow. The Septeni Group has been quick to take advantage of the move to digital advertising, which is a major market shift, to grow its business.

Looking at our latest business results, consolidated revenue for the fiscal year ended September 2019 increased 10% year on year, and non-GAAP operating profit roughly doubled. In fact, over the past four years, operating profit has actually been undergoing a V-shaped recovery.

In October 2018, at the beginning of the fiscal year under review, we entered into a mutual and comprehensive capital and business alliance with the Dentsu Group. I believe this alliance will generate two benefits. First, having Dentsu Inc. as our largest shareholder strengthens our operations in terms of capital. Second, it enables us to secure a superior position in the field of digital marketing, beyond conventional digital advertising. During the fiscal year ended September 2019, organic growth and the increase in the value we were able to provide to customers due to our alliance with the Dentsu Group contributed to stronger results compared with the previous fiscal year. More importantly, this alliance will be the engine that drives our medium-to-long-term growth strategies and establishes a competitive advantage. Going forward, we will be a key player in the digital marketing field, supporting our clients' evolution and business model innovation, centered on DX. During the fiscal year ended September 2019, we clearly showed stakeholders our determination to take a leading role in empowering such change.



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

- 1977 Entered SUB & LIMINAL CO., LTD. (which subsequently became SEPTENI HOLDINGS 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
- 2019 Appointed Executive Officer of Dentsu Inc. (currently Dentsu Group Inc.) in conjunction with signing of capital and business alliance with Dentsu Inc.
- 2020 Appointed as Member of Dentsu Japan Network Board (current position)



The Theme of Our New Midterm Business Policies: Domain Expansion

Performance advertising and other businesses that we have been involved in have gradually matured. We forecast that results from stepping up our efforts in this market will be limited, so we are facing the prospect of slowing growth if we do not change. In light of this situation, we have made “domain expansion” the theme of our new Midterm Business Policies for the three-year period from 2020 to 2022. We will broaden the DX market beyond online advertising, starting with the expansion of the Septeni Group’s operations into fields contiguous to our core businesses.

In keeping with these moves, we have changed the names of our business segments to match the Midterm Business Policies. The Internet Marketing Business has been renamed the Digital Marketing Business to reflect our intention to focus on a wider digital domain as a partner that offers clients strong support in promoting DX. The Media Content Business is now in a monetization phase as a result of intensive investment in the manga app GANMA! over the past few years. With the addition of the smooth launches of new businesses created within the Group, we are building a platform that will link multiple media and products, rather than relying on GANMA! alone. In this way, we are delineating our vision for a future in which each business helps the others grow through their comprehensive strengths. This concept has been reflected in the segment’s new name, the Media Platform Business.

Digital Marketing Business Support clients in promoting DX and act as a standard-bearer for promoting DX throughout the industry.

Media Platform Business Use various media as a platform for growth using the comprehensive strength of the Group.

Our Midterm Business Policies are announced based on a rolling plan that is reviewed each year. This is because our uncertain operating environment requires management to respond promptly and decisively to change. Today, it is almost impossible to make accurate predictions of what lies three to five years ahead, unlike in Japan’s postwar period of rapid economic growth. Consequently, we have decided to update our view each year in the form of Midterm Business Policies that are compatible with our unique way of doing business. We also have a view of the near future based on our understanding of the direction of major societal changes. However, since such a view can get out of step with the times over three to five years, we have decided to revise it each year. Of course, these revisions do not result in a completely different view, but rather serve to connect the dots in an ongoing story. Our view is a message that describes the kind of role we want to play as part of our relationship with society in responding to change.

Our current quantitative targets for the fiscal year ending September 2022 are revenue of ¥25 billion and non-GAAP operating profit of ¥3.6 billion. As we expand into new business segments, we aim to increase profit by growing revenue.

Using Human Resources Who Possess a Good Sense of Ownership and a Strong Entrepreneurial Spirit to Drive Group Growth

The Septeni Group distinguishes itself by continuously creating markets that have potential rather than following other companies into existing markets. This is because our corporate culture instills in each employee the entrepreneurship to be the first to focus on the growth fields and social issues of the near future, and to create major trends and work toward solutions. Most likely, the key to creating markets is the ability to sense signs of potential and growth in what seems to be, at present, no more than a chaotic situation. In order to drive the entire Septeni Group, we aim to give free reign to capable, sharp people with the ambition and confidence to think and act on their own, without waiting for instructions from top management or their bosses.

In the three years from 2020 to 2022, we intend to concentrate our management resources in rapidly changing fields that have growth potential – fields we find truly interesting. We will also continue to invest in our business infrastructure, or our “operating system,” with a focus on human resources, as we did in our previous Midterm Business Policies. Over the past few years, we have been stepping up such investment, including the AI-based personnel system centered on machine learning that we developed in-house. This system uses our enormous database to rapidly develop employees into fully contributing members and optimally deploy them. The system has received positive feedback from many external organizations, and its effectiveness in improving business productivity is clearly evident within the Group. For example, tasks formerly requiring human involvement, such as personnel-related meetings and coordination, have been substantially automated. We have achieved a high level of accuracy in predicting outcomes when assigning or transferring human resources, with the ability to forecast exactly how much a specific person will improve his/her performance if assigned to a specific department. In today’s Septeni Group, our accumulated data and technology infrastructure for human resources thus function as an operating system, which we use to create a series of appealing applications (businesses). In addition, viewing social change as an opportunity for new growth, the operating system incorporates our unique corporate culture in which employees create new businesses. These are strengths of the Septeni Group.

Meaningful initiatives such as the business development and investment activities described above have enabled us to provide clearer answers when society questions Septeni’s significance and the value it provides. By combining people’s energy and emotion with our sophisticated technological infrastructure, the Septeni Group will enable people to demonstrate their unique energy to provide unprecedented value to industry. Based on their good sense of ownership and strong entrepreneurial spirit, our human resources will continue to help make the world a better place.

Return of Profits

To return profits to our shareholders and investors, we have set a target 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 need for continuity and stability in dividends. We will continue to allocate profits appropriately, commensurate with growth in our business results.


Our Values

Corporate Philosophy and Code of Conduct

Corporate Philosophy

Mission
Inspiring the world with entrepreneurship

Vision
To create a strong and great company

Creed

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 help 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.