

01

Value Creation Process for "10X"

Value Creation Process to Achieve "10X" **P16**

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Three-Person Discussion: Social Value Created by
Our Alliance with the Dentsu Group

Value Creation Process to Achieve "10X"

The Septeni Group's core values are human resources with a good sense of ownership and a strong entrepreneurial spirit and extensive human resource database and technologies. By maximizing human capital, we will demonstrate high performance and empower stakeholders and industries through business.

We are striving to achieve our mission in anticipation of "10X."

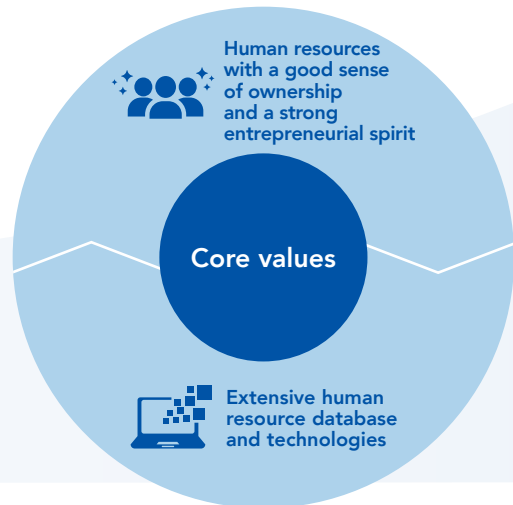
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Responding to
major changes in
industry and society
▶ pp17-18



- Digital Marketing Business
- Media Platform Business
- Expansion into New Business Segments



Accelerating growth to realize "10X"

- Improved employee job satisfaction
- Return of profits to shareholders
- Improved quality of life for users
- Mutual development with partner companies
- Growth of clients' businesses

MISSION
Inspiring the world with entrepreneurship

Improvement of core values
(further acquisition of human resources/improvement of data accuracy)

Inputs

History of linking changes in industry and society to growth

Since its establishment, the Septeni Group has continued to grow by transforming its mainstay businesses from the recruitment consulting business to the Direct Marketing Business to the Internet Advertising Business. In 2020, the Group celebrated its 30th anniversary. In 2021, our group made a new start. Aiming to be a company that all stakeholders rely on, we will view social changes as new growth opportunities and provide services that exceed client expectations, looking ahead to the times.

Founded in 1990

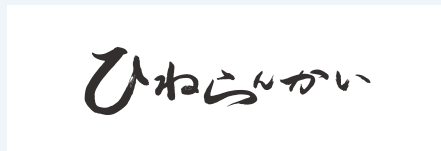
Establishment of SUB & LIMINAL CO., LTD.

In 1990, our founder Mamoru Nanamura established SUB & LIMINAL CO., LTD., the 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.

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 constantly bear this inaugural spirit in mind as we continue to grow.



Mamoru Nanamura,
Founder of
the Company



Creed
In Kansai dialect, this means "Think outside the box."

2000–2011

Achieved Strong Growth through the Internet Advertising Business

In 2000, current Representative Director Koki Sato launched the Internet Advertising Business. The Septeni Group grew rapidly as it continued to steadily scale up its business operations for a speedy response to the expansion of the Internet advertising market and constantly changing advertising needs. In addition to opening regional bases, we also expanded our business domains through M&A and other methods.

- 2000 Apr. Started the Internet Advertising Business
- 2001 Aug. Listed on JASDAQ
- 2006 Apr. Became 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

2012–

Toward Further Growth through Organic Growth and Alliances with the Dentsu Group

We have continued to grow while adapting to changes in industry and society, including focusing on smartphone advertising and social media advertising, and launching our manga content business. In addition, we aim to achieve further growth through the Capital and Business Alliance with the Dentsu Group, Inc. and its deepening. Going forward, we will focus on online-and-offline integrated proposals, for which needs are growing, and strengthening capabilities in the data domain, which will lead to earnings growth.

- 2012 Mar. Began conducting the Internet Advertising Business outside Japan
- 2013 Feb. Established COMICSMART, Inc. and started the Manga Content Business
- 2014 Oct. Sold all shares of SEPTENI DIRECTMARKETING CO., LTD.
- 2018 Oct. SEPTENI HOLDINGS CO., LTD. entered a capital and business alliance with Dentsu Inc. (currently Dentsu Group Inc.)
- 2021 Oct. Announced deepening of Capital and Business Alliance with the Dentsu Group

2022

Inputs

History of linking changes in industry and society to growth

In 2021, digital advertising expenditures amounted to ¥2,705.2 billion, exceeding mass advertising expenditures, including television advertising, for the first time.

Digital advertising is establishing its position as the largest advertising media in the Japanese advertising market. Since the launch of the digital advertising business in 2000, our group has achieved sustainable growth and established its current core value by flexibly responding to the shift from mass advertising to digital advertising and to changes in the format and objectives of Internet advertising.

*Reference: Dentsu Inc. Marketing Report: 2021 Advertising Expenditures in Japan, published February 24, 2022

Average annual growth rates of
net sales and operating profit
since the fiscal year ended
September 2000

Net sales: **approx. 15%**
Operating profit: **approx. 16%**

*Combined net sales and operating
profit of Original Businesses and
Internet Businesses.

FY2000
Net sales
¥4.9 billion

approx. 20 times

FY2021
Net sales
¥97.6 billion

FY2000
Operating profit
¥0.18 billion

approx. 22 times

FY2021
Operating profit
¥3.8 billion

Note: Figures presented are based on J-GAAP for FY2000 and IFRS for FY2021.

Net sales and Operating profit

■ Net sales ● Operating profit

1990 1995 2000 2005 2010 2015 2020 2021

Original Businesses (Direct marketing, etc.)

Internet Businesses (Digital Marketing Business, Media Platform Business)

1994–1998

Internet usage becomes
widespread among the
general public
Era of banner ads

1999–2003

The Internet becomes available
anytime and anywhere
Diversification of advertising methods
(affiliate marketing, keyword search)

2004–2007

Dawn of social media
Attempts at cross-advertising
with existing media

2008–2013

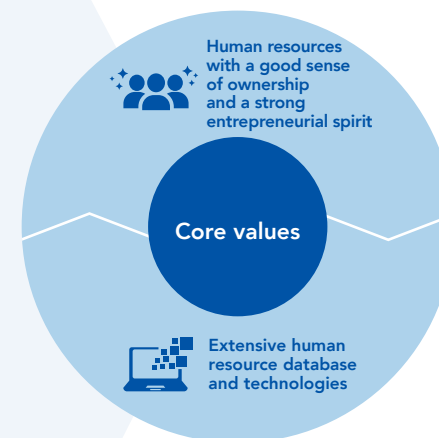
Evolution of ad technology
Conceptual shift from "buying ad
space" to "buying a number of
people to reach with information"

2014–

Double-digit growth in Internet advertising expenditures
continues, with mobile advertising driving market expansion
The COVID-19 pandemic accelerates the digital shift and DX

"Core values" cultivated by responding to changes

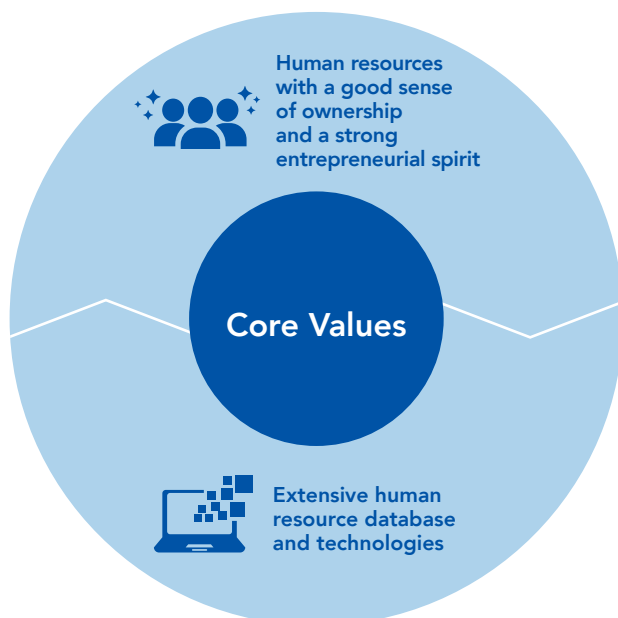
We have created values in
response to changes in the market
by combining data with human
resources with shared values.



Core Values × Inputs

The Competitive Advantage of the Septeni Group

Promptly focusing on the growth markets and social issues of the near future, making big waves and taking it upon ourselves to find solutions - This is driven by our core values, of human resources with a good sense of ownership and a strong entrepreneurial spirit, and our extensive human resource database and technologies.



Instilling our philosophy and utilizing our database to bolster our core values

To create an environment for our human resources with a good sense of ownership and a strong entrepreneurial spirit to leverage their capabilities to the fullest, we actively invest in instilling our philosophy and utilizing our database.

Instilling the philosophy to develop human resources with a good sense of ownership and a strong entrepreneurial spirit

We hire employees according to our own proprietary success prediction model, which predicts how well they will perform after joining the company. We also implement measures to instill our corporate philosophy such as assisting employees in formulating their own personal philosophies. We have a distinctive organizational culture of flexible adaptation to change and mechanisms for generating new business, which our employees acquire through challenging work. Based on this culture, we are building our own original model for human resources who continue to grow as professionals to develop and nurture new business and services, with our corporate philosophy as the foundation.

Utilizing our human resources database accumulated over more than twenty years

For our human resources with a good sense of ownership and a strong entrepreneurial spirit to be able to further harness their abilities, the Septeni Group is engaged in research on human resources (HR) development based on the vast amount of our own HR data accumulated over more than 20 years. We seek to build an HR value

chain for designing services that are consistent every step of the way from hiring to onboarding to learning and development.

For the hiring stage, we use AI to calculate candidates' chances of success after joining the company, which we use as reference material for HR evaluations. Through efforts such as providing "career feedback" for hired candidates to envision their own career paths after joining the company, we have also reduced the ratio of candidates who decline our job offers. In onboarding, we are building a system that enables employee retention and helps them quickly become contributors, including optimal personnel placement utilizing compatibility models derived from our own original "HR development equation." For new employees, we also offer "adaptation plans" based on their own strengths and stumbling points and devote significant effort in HR development to helping them quickly become contributors.

Based on these technologies and experiences accumulated in our group over the years, we established digital HR cloud services and consulting company Human Capital Lab, Inc. in 2021. Human Capital Lab ("HCL") helps to solve companies' problems in HR development through its "HaKaSe Onboard" DX service that supports employee onboarding.

► For details, see Key Sustainability Topic 1: Industry Development through Utilization of AI/ Key Sustainability Topic 2: Development of High-Quality Human Resources on pages 46-47.

Core Values × Inputs

The Competitive Advantage of the Septeni Group

Number of employees

1,511 
(as of the end of FY2021)

Employees with strong sense of ownership volunteering for cross-departmental committees

138 in total 

Major initiatives

Adapting to Change: Smooth Transition to Remote Work

Since late February 2020, we have been implementing various measures in response to the COVID-19 pandemic such as encouraging all employees to work from home and establishing the corresponding infrastructure. As a result, we were able to keep our physical workplace attendance rate to only 14% on average from March 2020 to April 2021. We will continue building systems that adapt to changes in our environment going forward.

HR Technology Awards recipient

6 consecutive years



Employee job satisfaction

2022 edition of Best Workplaces in Japan rankings

Large company category:

10th place



Embracing Diverse Work Styles: Side Job System

We have implemented a side job system with the idea that individuals can experience additional success in their main line of work through skills and experience gained away from the job. We will continue promoting diverse work styles in accordance with changes in society and personnel.



The Source of Our Core Values Company Culture Conducive to Innovation



The Septeni Group has environments and systems conducive to taking on various challenges and creating new services. This includes Business Leadership Program (BLP), a learning and development program specialized in the field of management, Gen-Ten (new business plan contest), and written submission contests for proposals about the future of our company.

Based on a culture of voluntarily stepping forward, a culture that encourages challenge, each and every one of our entrepreneurial personnel enjoy the process of seeking out even greater opportunity as they harness their abilities in our organizations.

New business plan contest Gen-Ten Cumulative entries

227 teams (over 10 years)

Outputs

The Path to Achieving "10X"

The COVID-19 pandemic has triggered a major wave of DX in all industries, further increasing demand for digital marketing in the advertising industry as well. Under these circumstances, the Company Group deepened its Capital and Business Alliance with the Dentsu Group with the aim of becoming No.1 in the domestic digital marketing domain.

Strengthen core domains through a deeper alliance with Dentsu

Barriers between online and offline are gradually being eliminated in the marketing challenges faced by our clients, and marketing companies are being asked to provide solutions that maximize advertising effectiveness with a more integrated and comprehensive approach and utilizing various types of data.

In light of this situation, since the Capital and Business Alliance in 2018, our Group and the Dentsu Group have brought together each other's strengths and resources, enhanced the value of the services both provide, and promoted collaboration.

- Offering knowledge and technology of the digital marketing business from our group to the Dentsu Group
- Advertising management support for digital marketing projects handled by the Dentsu Group
- Development of new collaborative projects through integrated marketing proposals for online and offline advertising utilizing both companies' client bases

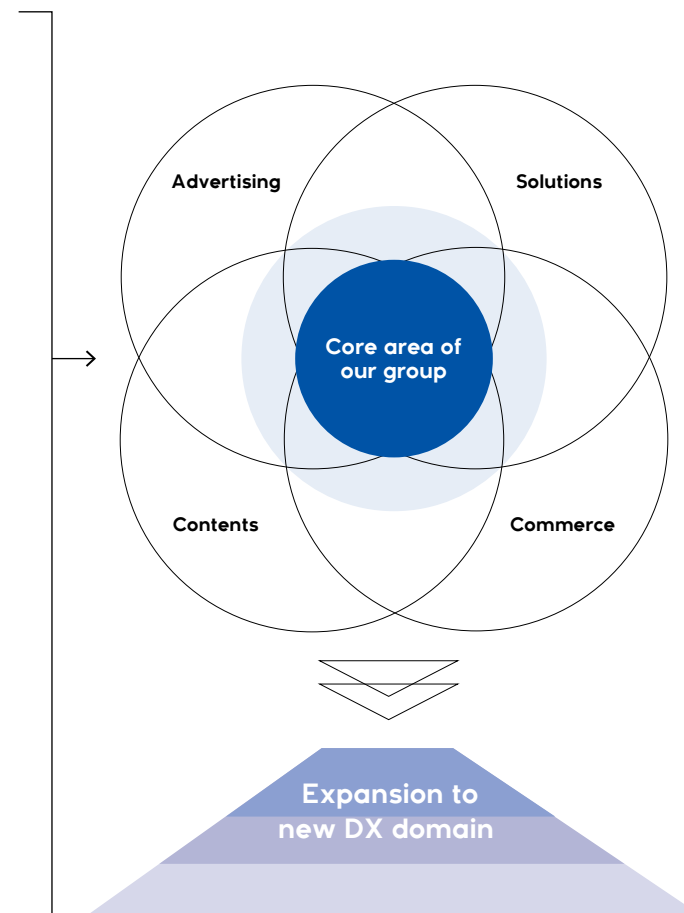
In order to further strengthen and expand such business collaboration, we deepened the alliance with the Dentsu Group in 2021.

Philosophy Targeted in the Capital and Business Alliance

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



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



Outputs

The Path to Achieving "10X"

Long-Term Growth Strategy to Achieve "10X"

CAGR on net sales in the 21 years since launching our internet advertising business in the Septeni Group has been 34%*. Going forward, the scale of our business will be important to maintaining CAGR of at least 30%. We will expand our domain by refining our existing businesses, bolstering our competitive capabilities, and generating one new business after another.

Our deeper alliance with the Dentsu Group will further accelerate these efforts. The Septeni Group has client channels, advertising operation capabilities in the digital advertising market, and development capabilities in the field of data solutions. The Dentsu Group has approximately 6,000 client channels in Japan and provides planning and integrated solutions combining mass media with digital media. The synergies generated between these two groups with different characteristics will be leveraged in terms of both business areas and functionality.

*Excluding original businesses

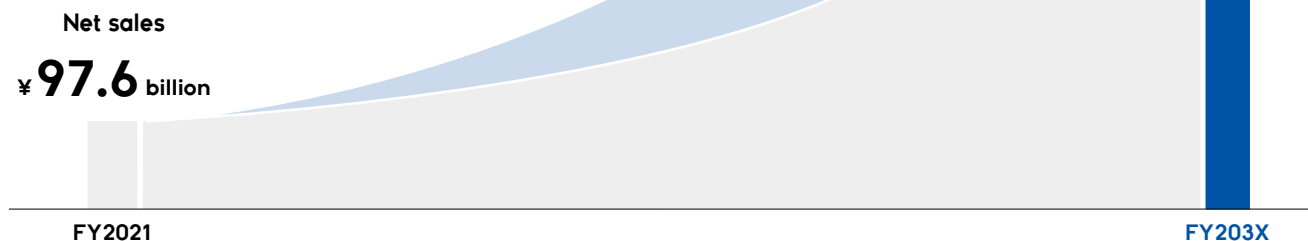
Next stage of growth (expansion into new business domains)

- Developing and deploying business development personnel, and transitioning to ecosystems
- Changing to environments conducive to launching new business in new territories geared toward achieving discontinuous growth

Strengthen our existing business infrastructure

(addition through deeper alliance + strengthening of organic competitive capability)

- Further refine existing advertising management services
- Improve the level of services to clients by strengthening our organizational infrastructure
- Raise gross profit productivity per staff member by increasing unit prices for projects and improving solutions offered



Strengthening organizational infrastructure

- Be more competitive in the human resources market by improving job satisfaction
- Grow the organization through increased hirings and M&A
- Utilize data-driven human resources systems that employ our original HR technology platforms

Outputs × Outcomes

Three-Person
Discussion

Social Value Created by Our Alliance with the Dentsu Group

What kind of changes will our deeper capital and business alliance with the Dentsu Group bring about? Norihisa Ashida and Yuko Wakatsuki of Septeni Japan, Inc. and Tetsuji Hirose, Alliance Office and Growth Officer of Dentsu Japan Network discussed the effects of the alliance thus far, efforts to improve value offered, human resources, and the social value brought about by the alliance.



Three Years of Tangible Effects Onward to the Next Step with the Deeper Alliance

Ashida: Since the capital and business alliance with the Dentsu Group began in 2018, we have achieved a growth trajectory that I had never experienced before. Now, this deeper alliance feels like recognition also from the Dentsu Group for the activities that have taken place over the past three years.

As clients' marketing needs have gotten more sophisticated and diversified, companies need to be able to handle comprehensive marketing that goes beyond the boundaries of mass and digital advertising. Through this deeper alliance, I think we have been able to establish a positioning as an indispensable business partner for our clients.

Wakatsuki: There was some grasping with uncertainty in some areas over these past three years, but I have felt enough effects from it to know that it has undeniably led to greater value provided to our clients. It was excellent timing to take the next step in the evolution by deepening the alliance.

Hirose: In the three years since the alliance began, I have gotten a feel for the knowledge and skills, expertise, and the depth of the digital human resources of the Septeni Group as a digital agency. Client response to our collaborative projects has also been very positive.

Outputs × Outcomes

Three-Person Discussion Social Value Created by Our Alliance with the Dentsu Group



Online-Offline Integrated Marketing Further Enhances Value Provided to Clients

Wakatsuki: Contact time with television and digital have reversed in recent years, and contact time with digital media is increasing among younger people in particular. Communicating with consumers will therefore also require changes in marketing methods on the company side. The issue in the industry is that agencies for digital and mass advertising have existed separately until now and that they are fragmented.

As changes like these take place, maximizing the results for clients requires integrated online-offline marketing that sees marketing as neutral without any segmentation between online and offline. The alliance with the Dentsu Group makes it possible to merge our

highly professional capabilities in order to construct integrated marketing that combines online with offline. That helps to significantly expand the range of planning and increase value provided to clients.

In online-offline integrated marketing cases that we actually proposed, we have been able to build integrated marketing combining digital and mass advertising by teaming up with the diverse personnel of the Dentsu Group. I am really feeling the effects of the alliance.

Hirose: The strengths of the Septeni Group are their planning capability in digital media, operation capability, expertise, and skills, and their diverse roster of human resources in digital.

I think that having this new force in digital added to the Dentsu Group is extremely beneficial for our efforts in integrated marketing.

Wakatsuki: The Dentsu Group does business with companies in a broad variety of industries, which gives



their group a solid client base. I want to leverage our capabilities as a digital agency to expand the domain of online-offline integrated marketing incorporating offline media to these clients.

Leveraging Each Other's Strengths to Harness Synergies With a Common Client-First Attitude

Wakatsuki: To further solidify our alliance with the Dentsu Group, it is important that we maximize our synergies by combining our expert personnel. Our group has large numbers of experts in digital on staff, but I think we may have also been too obsessed with digital as a method. For our efforts in integrated marketing going forward, we need to make digital the

Outputs × Outcomes

Three-Person Discussion Social Value Created by Our Alliance with the Dentsu Group



entry point while bringing aboard more personnel who are capable of coming up with a broad range of solutions and new ideas.

The Dentsu Group has a diverse range of personnel in its ranks with expertise that our group lacks, from mass advertising planning capabilities to production capabilities that can identify clients' needs, strategists who think up business strategies, and powerful creative thinking, all built up through their years of experience. I think that joining project teams with personnel such as these is also playing a part in advancing human resources development at Septeni Group.

Hirose: People in the Septeni Group have practical experience in digital marketing starting early in their careers. They face the clients as the company's front line and take responsibility as they provide a variety of solutions. I think this is an enormous asset for an organization.

We will be able to accomplish many great things if we can share our expertise, skills, and experience with each other while raising each other's level, and get a good understanding of each other's personnel, resources, and client bases.

Ashida: Our personnel always have a client-first mentality. I also feel that both companies share the customer-first approach. Since both companies emphasize this mentality as part of their culture, I think that makes it easier to harness synergies.

Continuing to Be a Good Partner for Clients Leads to Sustainability

Ashida: Our clients' business growth has a ripple effect on society, so I think if we continue being a good partner

to our clients, it will lead to sustainability. The digital industry is continuously churning out new services and solutions. It is volatile and the changes are happening at breakneck speed. To stay ahead of these changes, we will need to increase the value of our Septeni Group personnel even more, while leveraging the expertise of the Dentsu Group to continuously generate synergies with each other.

Hirose: The vision of the Dentsu Group is to be an Integrated Growth Partner (IGP). We aim to be a partner that supports companies' growth by providing integrated services. To be a presence that our clients can call a partner, I think we inevitably need to become No.1 in the digital marketing domain.

Wakatsuki: I agree with Mr. Hirose. Both of our companies can achieve sustainable growth by being a partner that goes beyond the conventional ways of marketing and position as advertising agency standpoint to be a closer presence for our clients and think together with them about their growth.

As expressed by our mission to "Inspiring the world with entrepreneurship," I want us to inspire the world. This starts with each and every one of our employees engaging earnestly with those around them, from the clients in front of them to our colleagues in the Dentsu Group, workplace colleagues, and others, to make our clients' businesses grow.