

02

Strategy and Performance

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Medium-Term Business Policies

– First Steps Toward Swiftly Achieving "10X"

We utilize a rolling method to review our Medium-Term Business Policies every year so that management can adapt quickly to operating environment changes. This update, which was implemented in conjunction with the announcement of financial results in February 2022, includes deeper alliances with the Dentsu Group to our policies to date, and aims towards the growth of CAGR 30% in the Internet Businesses in both revenue and Non-GAAP operating profit over the next three years.

Forecast the impact of deepening the alliance and update the plan

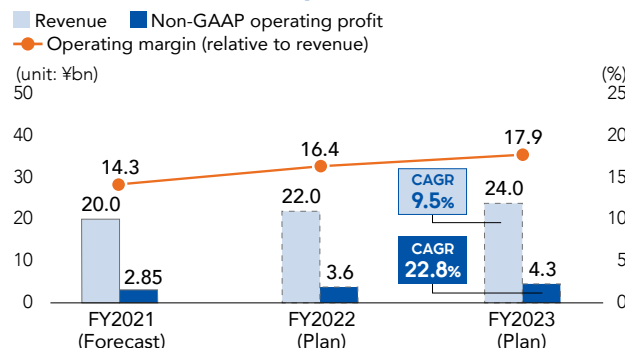
The three-year plan announced this time is calculated with the expectation of synergies and other factors resulting from the deepening of the alliance with the Dentsu Group from January 2022 onward, as well as our organic growth. We have also incorporated aggressive human resource investment into our plans to grow our business and strengthen our organization. In addition, we will consider business investment opportunities while taking into account the business environment. We will also consider updating our dividend policy and flexible shareholder return measures in accordance with the growth phase.

Expand domains in both existing and new directions

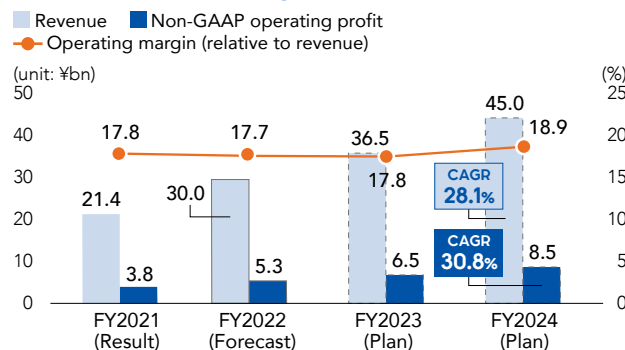
In the Digital Marketing Business, we will place deeper alliances with the Dentsu Group at the core of our growth strategy, and aim to increase market share by acquiring new clients and increasing unit prices while maintaining profitability through growth in solution revenues and other means. In addition, we will pursue organizational growth through aggressive investment in human capital at the same time. In the Media Platform Business, while maintaining appropriate financial discipline, we will strengthen our intellectual property (IP) development capabilities in the Manga Content Business

and enhance the value of our IP, thereby growing earnings and developing it into the next core business.

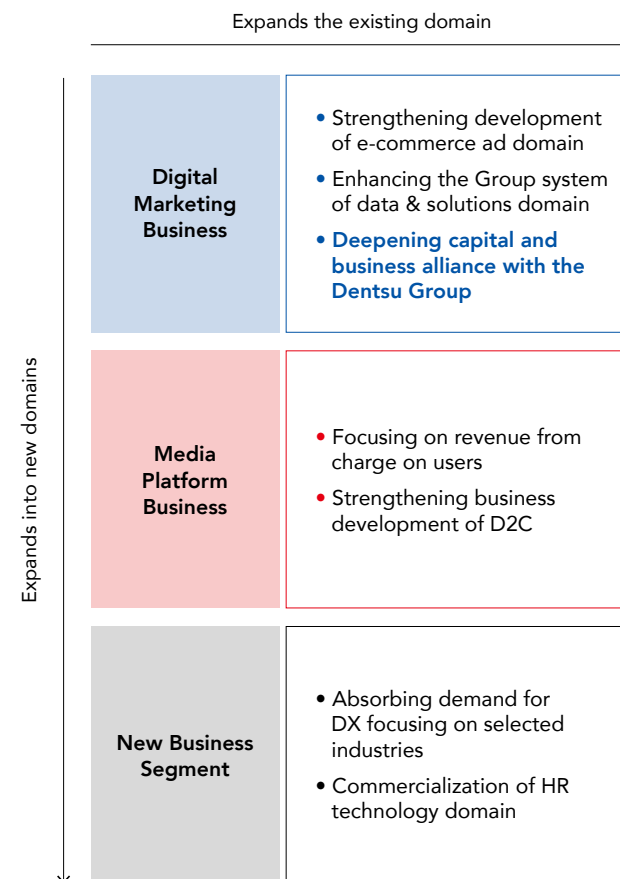
Consolidated (before update)



Consolidated (after update)



Medium-Term Business Policies by Segment



Digital Marketing Business

Business Overview

We engage in the overall support of digital transformation (DX) of companies, focusing on digital marketing such as the sale and operation of digital advertisements, offering solutions through the utilization of data and AI, and supporting marketing activities through the integration of online and offline advertisements in collaboration with the Dentsu Group.

Strengths

- Knowledge and expertise in the digital advertising domain
- Integrated online/offline marketing
- Expanding capabilities through the alliance with the Dentsu Group

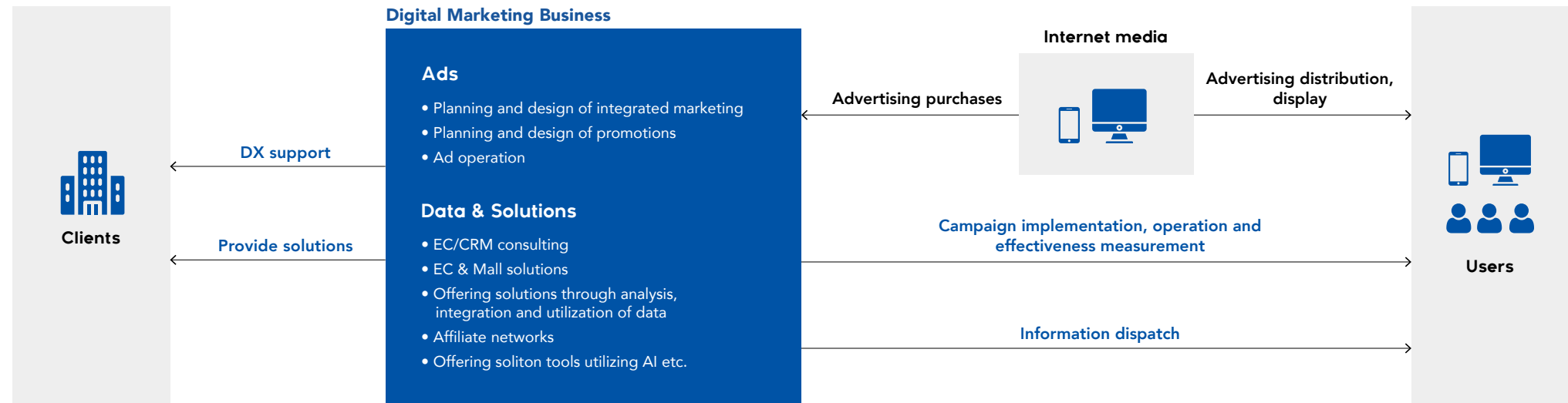
Opportunities

- Society-wide and Industry-wide progress in DX
- Growth of the digital advertising market
- Demand expansion in the solutions domain

Issues

- Knowledge and expertise in the solutions domain
- Connectivity between the digital advertising and solutions domains
- Sophistication and complexity of client needs in the solutions business
- Securing digital marketing personnel

Business Model



Digital Marketing Business

Overview of Results for FY2021

In FY2021, the advertising market as a whole was active against the backdrop of the decline in advertising demand in the previous fiscal year. As we responded quickly to changes in the environment caused by the outbreak of COVID-19, we achieved growth that exceeded the market average, and both net sales and revenues reached record highs.

We are also making steady progress in collaboration with the Dentsu Group, centered on online and offline integrated proposals. In this fiscal year, both the number of clients in collaboration and the unit price per client rose, resulting in a significant improvement in

productivity in the Digital Marketing Business as a whole.

In the data & solutions domain, we strengthened our competitiveness based on our medium-term business policy by establishing an intermediate holding company and reorganizing our organization with the aim of expanding our group structure.

Future Strategy

We will place deepening the alliance with the Dentsu Group at the heart of our business growth strategy, and aim to further expand our market share while maintaining high profitability.

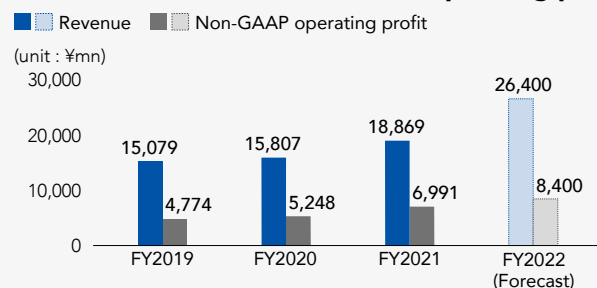
In the digital advertising domain, we will strengthen

collaboration between the Dentsu Group and us and maximize the synergies, thereby increasing the value of services to clients through online and offline integrated proposals and leading to an increase in unit prices. In addition, we will expand our resources and grow our organization through aggressive investment in human capital. Through these multiplications, we will realize earnings growth while maintaining productivity, and accelerate profit expansion as a profit center.

In the data & solutions domain, we will expand target markets by expanding capabilities through deeper collaboration and further expanding our development structure, with the aim of achieving further earnings growth.

At a Glance

Trend of revenue and Non-GAAP operating profit



Revenue

¥ **18,869** million (19.4% increase YoY)

Domestic brand advertising transactions

¥ **9.49** billion (1.5 times increase YoY)

Number of clients in collaboration with Dentsu

108 companies
(1.6 times increase YoY)

Number of employees

1,080

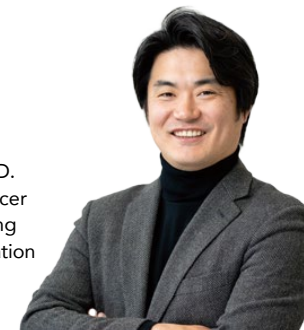
Digital Marketing Business

Message from an Executive Officer

Expanding Our Share of the Digital Marketing Market

Yuichi Kouno

President, SEPTENI CO., LTD.
Group Senior Executive Officer
In charge of Digital Marketing
Business & Dentsu Collaboration



Awareness of the Market Environment and Future Growth Strategy

The size of the advertising market in Japan was ¥6.8 trillion in 2021, an increase of 10% representing a recovery from the market's contraction in 2020. Among those numbers, digital advertising expenditures grew significantly (¥2.7 trillion, 21.4% increase year-on-year) compared to expenditures in the four forms of mass media (¥2.4 trillion, 8.9% increase)*. Going forward, we expect the usage of various types of solutions, including

those related to digital media, to advance at greater speed than ever before.

In these circumstances, we will increase our share of the digital marketing market through organic growth and by creating client value through collaboration with the Dentsu Group as we push forward with initiatives to expand the size of the solutions market. At the same time, we will grow our organization through active investment in the underlying human capital.

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

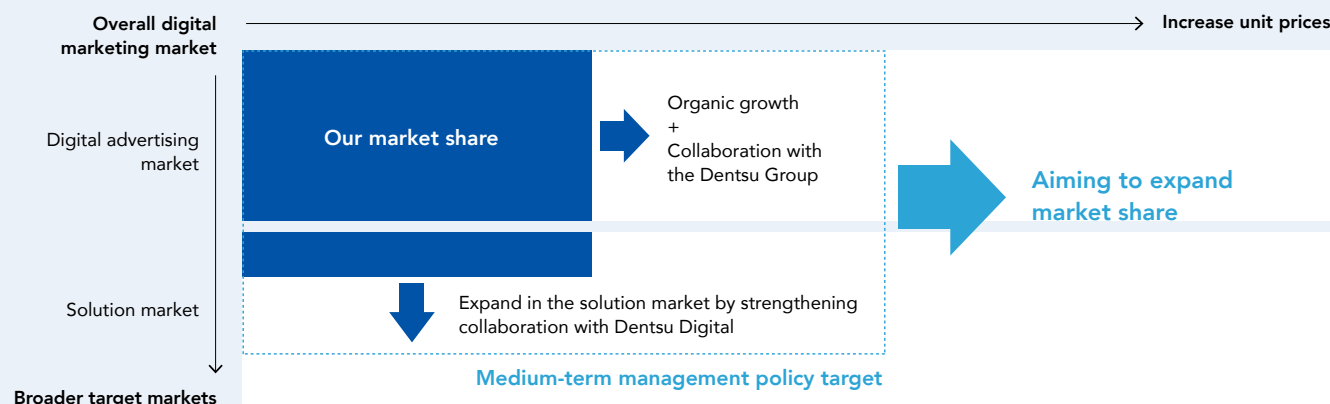
Increasing value provided and sales per client through online-offline integrated marketing proposals

Promotions had previously been handled based on separate planning for digital advertising and mass advertising for each client. Now, an integrated online-offline approach is needed to accommodate diversifying consumer demand.

Based on changes such as these, our group is collaborating with the Dentsu Group and other solutions companies on stronger full-funnel proposals that go beyond online and offline. Additionally, in direct marketing which we have focused on since originally establishing our digital marketing business, we added Dentsu Direct Inc. to the group starting this year in 2022 as we aim to strengthen our all-in-one proposals to our client companies.

There are other companies that handle online-offline integrated promotions, but the decisive difference is that we provide more effective mass media planning linked with digital, as well as creative development, reporting, and more, through our horizontal alliance with companies in the Dentsu Group. We can put together ongoing systems that are a close, familiar presence for our clients.

Illustration of market share growth



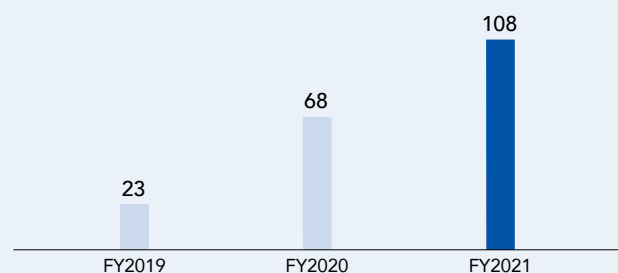
Digital Marketing Business

Message from an Executive Officer

The results are clear in the number of clients and the sales of our collaborative business. Currently, collaborative sales comprise approximately 25% of our total sales, but this proportion will increase significantly over the next several years. We want to provide even higher value through proposals that mutually utilize each other's services, expanding the breadth of areas where we can tackle clients' issues, contribute to clients' business growth, and turn these efforts into higher sales per client.

Trends of collaboration clients by year

■ Number of clients for collaboration with the Dentsu Group



Working in Alliance with Dentsu Digital to Expand the Breadth in the Solutions Market

As more issues can no longer be resolved through advertising alone, the importance of solutions has been increasing. Packages that integrate advertising with solutions are now in demand.

To meet this demand, one example of a solution we offer is "Precog," which links data owned by clients to increase the effectiveness of their advertisements. Also "Odd-AI", a tool that uses AI to predict the creative effects of advertisements before publishing can improve the investment efficiency of advertising. Combining these with solutions from Dentsu Digital which has strength in data for mass advertising, we are striving to provide even greater value to client companies.

Also, Septeni Data Solutions provides solution development and manpower support to clients, in addition to actively working on in-house solution development.



Actively Investing in Human Capital Building Environments Conducive to Growth and Plotting Growth of the Organization

Hiring and development of personnel are essential for our work on these measures. Our hiring has been focused on new graduates, but from the standpoint of handling increasingly diverse solutions, we will be hiring more mid-career professionals going forward.

For human resources development, we have training systems catered to the diversifying market. We are also compiling personnel data to enable each and every employee to harness their skills and experience to the fullest while strengthening our support systems. For initiatives such as promotions skipping multiple ranks in new areas and participation in management for employees who represent our next generation, we are dedicating energy to creating work environments conducive to employee development. In our alliance with the Dentsu Group as well, we are looking to uncover new opportunities that will lead to employee development.

Our employees take the initiative to challenge themselves at providing even better services and new value to our clients. They contribute to the growth of our clients' businesses. By doing so, we ourselves can continue to grow and develop. Through this positive cycle, I hope the Septeni group can achieve even more organizational growth.

▶ See page 46 for more about our human resources development.

Media Platform Business

Business Overview

In the Manga Content Business, efforts are being made to nurture and support manga artists for the purpose of planning and developing the Company's own intellectual property (IP). At the same time, GANMA! manga application, which consists of original products by dedicated artists, is operated as the Company's own media. In addition, the Company develops platform-type businesses related to "recruitment," "social contribution" and "childcare" as new businesses born from intrapreneurship.

Strengths

- Business development capabilities and expansion into other fields
- Knowledge and expertise in developing new IP

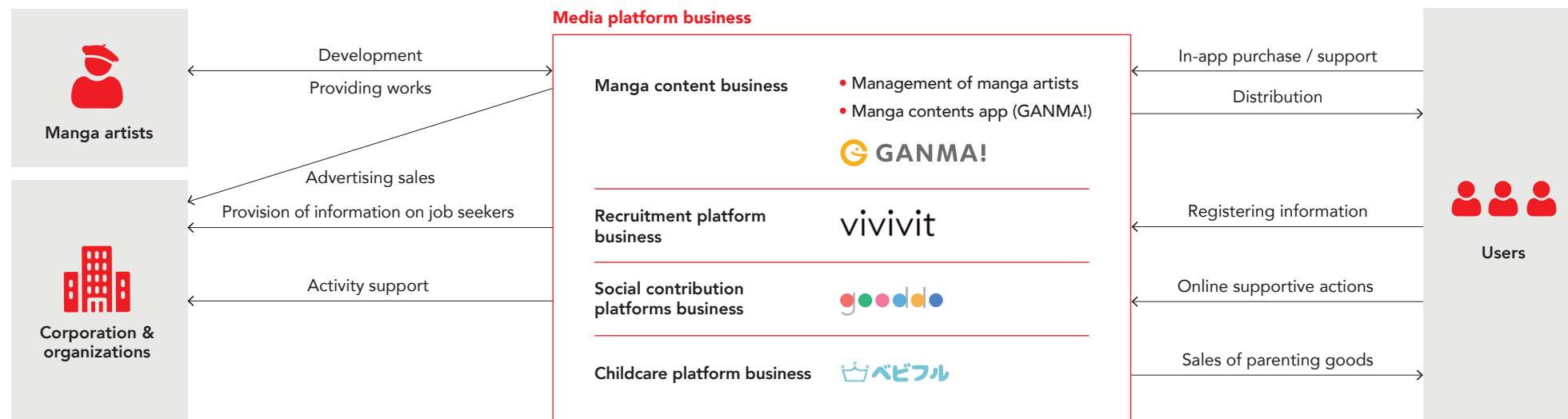
Opportunities

- Domains targeted in each business are growing
- The D2C market is growing

Issues

- The structure of the business is vulnerable to impacts from seasonality and the market environment
- Nurturing in-house IP
- Substantial shifts in the market environment in each business

Business Model



Media Platform Business

Overview of Results for FY2021

In the Manga Content Business, billing revenues increased significantly, driven by strong subscription revenues and e-book sales. In particular, one of GANMA!'s popular titles, "My Lv.999 Love for Yamada-kun," has contributed significantly to growth in e-book sales. It was also a year in which the presence of our original works grew, with the YouTube anime of "Ultra-Fem Shishihara-kun" being well-received.

In other businesses, as each of the businesses grew, existing businesses, which exclude investment to expand

new business domains, posted year-on-year increases in revenues and a smaller loss.

Future Strategy

In the Media Platform Business, our medium-term business policy aims to achieve profitability in existing businesses, excluding investment for the expansion of new business domains. To achieve this goal, we are promoting the development of our next core business while maintaining appropriate financial discipline.

In the Manga Content Business, we will strengthen our

intellectual property (IP) development capabilities in order to generate more hit titles, and also work to further enhance the value of our IP holdings. We will also focus on enhancing our brand as a platform in order to firmly convert the content we create to earnings.

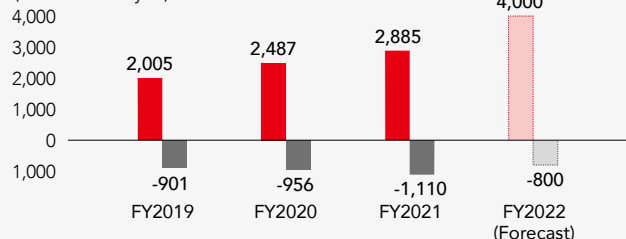
In other businesses, we will aim for further growth in the overall business by further growing each business as a platform.

At a Glance

Revenue and Non-GAAP operating profit

■ Revenue ■ Non-GAAP operating profit

(unit : ¥million yen)



Revenue

¥**2,885** million (16.0% increase YoY)

Number of employees

92

Subscription revenue

Approx. **60**x (for 5 years)

Accumulated application downloads

Approx. **15** million DL

Media Platform Business

Message from an Executive Officer

Focus on creating hit content and improving media profitability to survive growth markets

Yuki Fukunishi

Executive Officer,
COMICSMART Inc.
Group Executive Officer
In charge of
Manga Content Business



Significant increase in earnings due to the functioning of business steps for fostering content and monetization

Since the start of the Manga Content Business, we have in-house editorial departments and platforms, and we have been developing and verifying our service operations and content. As a result, we have improved our brand and IP development capabilities, which have led to the creation of hit content.

As of the end of 2021, many of the top titles in GANMA!'s total rankings were contents launched in the past 3 years. In addition, most of them are by the manga artists who debuted in GANMA! or who created their second and subsequent titles for GANMA!. The opportunities of encounters with talented creators have increased, and we have improved our IP development



Awarded 4th place in the Web manga category of The NEXT MANGA AWARDS, determined by readers' popularity vote

ability through repeated creation of works. For example, "My Lv.999 Love for Yamada-kun," which started in March 2019, has steadily increased readers and engagement. As a result, it has become a hit content that has been supported by many people inside and outside GANMA!

In terms of platforms, amidst an increasingly competitive promotional environment, we will thoroughly improve acquisition efficiency by making full use of the flexibility and speed of being an in-house IP, as well as a media strategy with the scarcity of age ratings of the "12+" in app stores. On top of this, we have refined "GANMA! Premium," a subscription-based billing model, and worked to improve the billing rate. We are currently in the process of implementing measures and verifying data, but as a result in the most recent year, subscription billing revenue has grown approximately 1.8 times.

Another major achievement is the growth of e-books. In this year, we began dealing with all major domestic e-bookstores. We are doubling revenues by deploying the broad range of contents owned by GANMA! in line with the characteristics and demands of each e-bookstore. The business steps of; (1) creating strong contents, (2) increasing awareness by producing them while making them profitable on our own platforms at an early stage, and (3) turning them into e-books when

content volumes accumulate and making them profitable outside of GANMA!, are functioning.

Full-scale expansion into anime areas and further strengthening content production capabilities

In February 2021, we spun off the anime business and launched "Qzil.la," a digital anime studio, in order to more directly engage in the anime domain to boost the content.

The domestic publishing market is growing centered on e-comics, and there is a major surge in Webtoon contents. There are many content studios as well as media platformers newly launched, and competition will intensify in proportion to the rise of the market. However, we will survive this growing market by combining "partnerships" with leading companies, based on the strengths we have built up in-house, such as "editorial departments," "media," and "anime."

Media Platform Business

Close Up 01 Smash Hit Content on YouTube Anime: "Ultra-Fem Shishihara-kun"

At the end of 2020, we began streaming the YouTube anime based on the manga "Ultra-Fem Shishihara-kun" currently appearing serially in GANMA! The characters are a big strength of this manga, and they have also been a huge hit on YouTube. The response has been overwhelmingly positive since almost immediately after the channel was created. It has now become an iconic title among YouTube anime, totaling over 300 million views with more than half million subscribers to the channel.

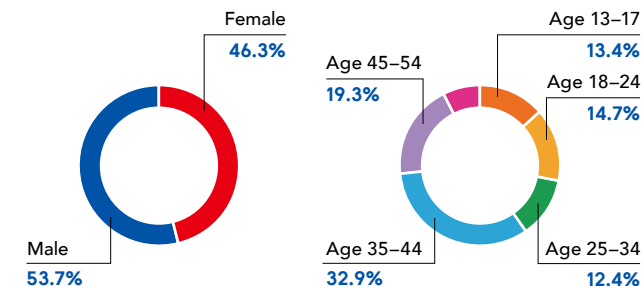


Channel subscribers: 550,000
Average views per video: 2.54 million
Total views: more than 300 million

(Note) As of February 2022

Attracting a broad range of fans regardless of age or gender

Channel subscriber demographics



Close Up 02 Established Digital Anime Studio "Qzil.la"

In February 2021, we established digital animation studio "Qzil.la" with the aim of full-scale expansion into the anime domain.

Including producer Shun Fukudome, who started his career with a major anime production company, the studio is loaded with highly experienced creators, from novelists to animators, art directors and more. Qzil.la is building on its library of works primarily in short anime as they establish their brand.

One example is the collaborative anime music video (MV) which combines the song "AntiSystem's" by jon-YAKITORY with manga production Gabuli by the creative team called No.965. The video has more than 1.8 million views on YouTube.



Comments from the Business Director

With our mission of bringing about a monumental revolution in the animation industry through the power of digital and technology, we aim to be number one in the industry by leveraging high production quality with technology. In FY2021, we also focused efforts on music video production. We pour our heart and soul into every production so that people will say, "The quality of that anime studio is the absolute best!" I hope we can keep inspiring even more people with lots of productions.

Shun Fukudome

Representative
Director & Producer Qzil.la Inc.



Expanding into New Business Segments

In our Medium-Term Business Policies published in October 2019, we are pushing forward with efforts we refer to as "Expanding into New Business Segments," to grow our business beyond the internet and into new territories for us such as real estate, sports, and entertainment. Leveraging the internet-related business expertise that our Group has built up over the years in industries other than the internet, we will seize the momentum in recent years of the digital shift and DX. Doing so, we will help to create a world where the power of technology makes various industries and whole society flow more seamlessly and smoothly, while at the same time creating the drivers of future growth.

Focus Fields

State of Business in FY2021

Future Strategy

HR Technologies

Utilizing our in-house developed AI matching system "HaKaSe" which optimizes human resources development on a person-by-person basis, we support a full series of companies' HR initiatives from hiring to learning and development.

Human Capital Lab

- Providing "HaKaSe Onboard" DX service that supports employee onboarding.
- Received the Encouragement Award for services business operators at the HR Technology Awards 2021

- From providing the cloud services we currently offer for onboarding, we also plan to push forward with expansion into the realm of hiring and build a system of comprehensive DX services from hiring to training.

Sports

Participation in the Dai-Ichi Life D.League, the first ever professional dance league originating in Japan, and team management, learning & development for D.Leaguers



- Participated in the Dai-Ichi Life D.League 2020–2021 season which began in January 2021
- Our team narrowly fell short of advancing to the championship but won the most rounds during the season which tied the league record

- Participated in the Dai-Ichi Life D.League 2021–2022 season which began in November 2021. Currently going all-out in an effort to advance to the championship
- Advancing new business development including partnership sales and casting businesses launched last year, and the league's first club token

Entertainment

We are supporting the digital shift of the entertainment industry, operating in communication design, content management, and business support.



- Launching collaborative products together with major entertainment agency
- Building content production platforms to galvanize fan communities

- Contributing to the further growth of industries by handling operations such as community management, content production, and business development with digital as a starting point amidst growing needs for new business models and shifts to digital

Expanding into New Business Segments

Close Up Commercialization in HR Technology: Employee Adaptation and Development Solutions Using Our Original HR System

The tertiary sector of the economy, the services sector, comprises around 70% of Japan's total GDP^{*1}. In this day and age of rapidly changing business referred to as the VUCA age (Volatility, Uncertainty, Complexity & Ambiguity), it is no exaggeration to say that human resources are the source of economic growth. With Japan's working-age population projected to decrease by 40% over 40 years starting in 2020^{*2}, maximizing human assets is a key topic

in the Septeni Group. We aim to achieve it by leveraging the HR technologies and data we have established through 20 years of research and development.

In January 2021 we launched onboarding service HaKaSe Onboard with the aim of supporting companies in the adaptation and professional development of their employees. We also obtained the relevant patents. Based on AI assessment technology, HaKaSe Onboard

offers highly reproducible employee adaptation and professional development by analyzing employee and workplace data to propose optimized onboarding measures for each individual. User companies of many different sizes in a broad range of industries are already using these services. In response to the extensive feedback received, we are working on improvements to offer even higher value with HaKaSe Onboard services. Going forward, we plan to generate success cases and also devote energy to marketing activities that spread awareness about the advantages of onboarding.

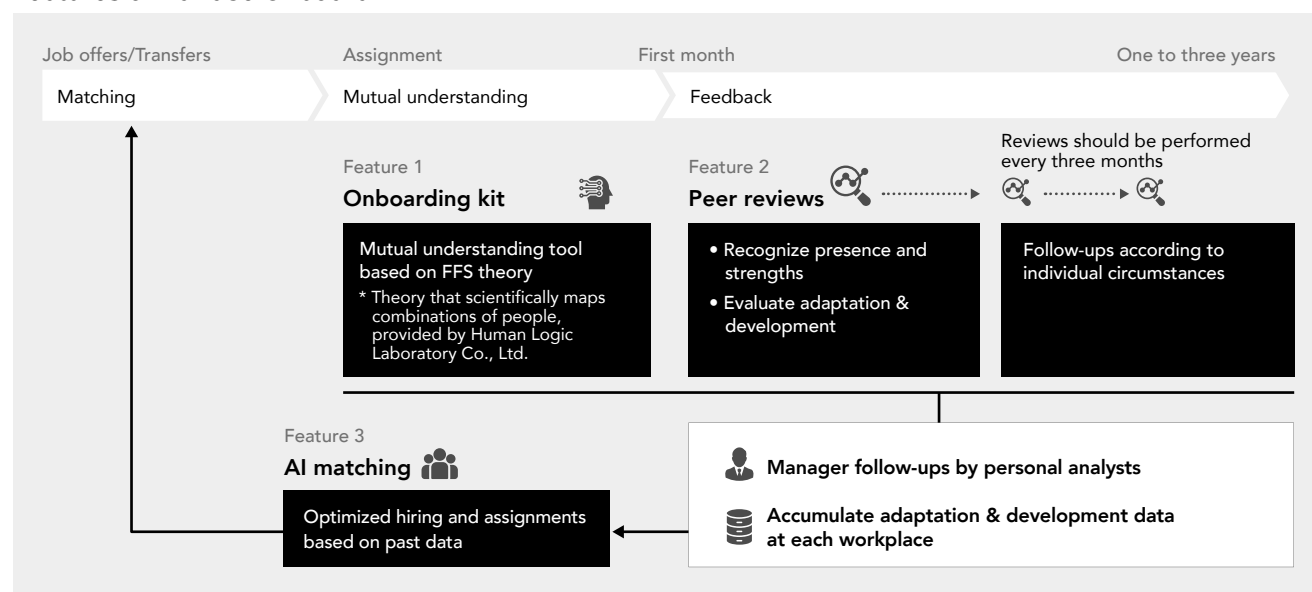
We are also working to leverage the expertise of the Septeni Group to support DX in HR that utilizes data accumulated by each user, with the aim of expanding the value we provide while increasing our profitability.

^{*1} Ministry of Internal Affairs and Communications Japan, Information and Communications in Japan White Paper 2017

^{*2} Cabinet Office, SNA (National Accounts of Japan) Annual Report on National Accounts (GDP by industry, etc.)

▶ See page 46 for more about digital HR and human resources development in the Septeni Group.

Features of HaKaSe Onboard



Tatsuya Shindo

Representative Director
Human Capital Lab, Inc.

