

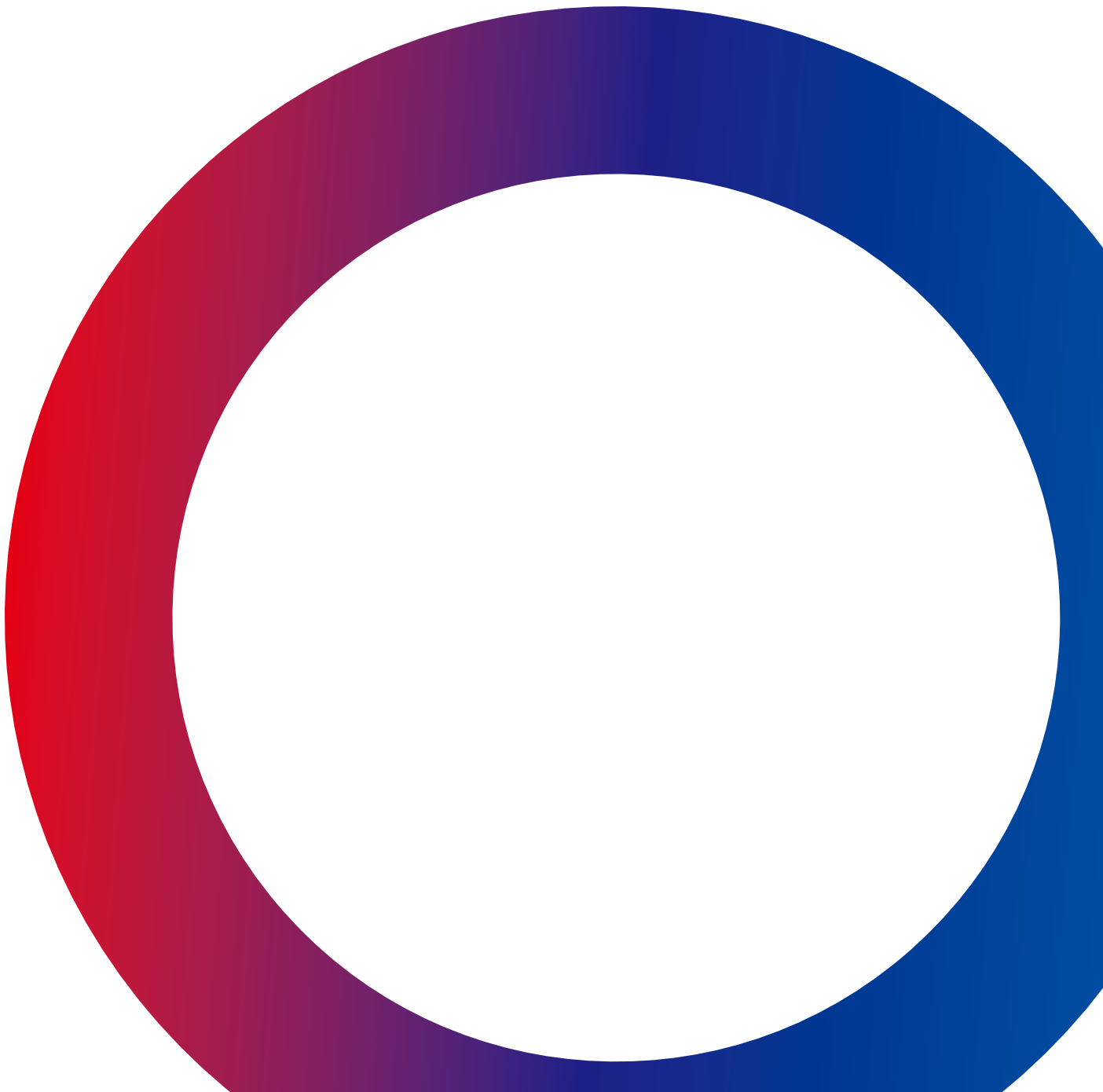
04

Corporate Governance

Corporate Governance 50

Stakeholder Engagement 04

Message from an Outside Director 55



Corporate Governance

■ Progress of Governance Reforms















The Group has been progressing with governance reforms since around 2015. The three-year period between 2015 and 2017 was the promotion phase where we implemented various policies to improve governance and introduced new systems. From 2018, we have been striving to improve the application and operation of systems introduced in order to build an effective governance structure that is not a mere formality.

Measures implemented from 2015 onwards to improve governance

- Systematization of governance for greater effectiveness
- Introduction of effectiveness evaluation to enhance the functioning of the Board of Directors
- Establishment of the Financial Results and Disclosures Committee and the CSR Committee
- Abolition of anti-takeover measures
- Establishment of Group Risk Management Committee
- Creation of Corporate Governance Guidelines
- Introduction of Performance-Linked Stock Compensation Plan for Directors and Officers
- Separation of execution and monitoring through the introduction of an entrustment-type executive system
- Outside directors become the majority of the Board of Directors

Changes in composition of directors/auditors

 Internal directors/auditors  Outside directors/auditors

	2013	2014	2015	2017	2018	2021	2022
Number of directors/auditors	11	11	12	10	11	9	11
Composition of the Board of Directors	 Of which 1 female		 Of which 2 females	 Of which 1 female		 Of which 2 females	
Composition of the Board of Company Auditors							
		Appointment of outside directors (2014 onwards)					
	Appointment of female directors (2013 onwards)						

(Note 1) As at the end of the General Meetings of Shareholders in each year.

Only years where there were changes in the composition of the Board of Directors are listed.

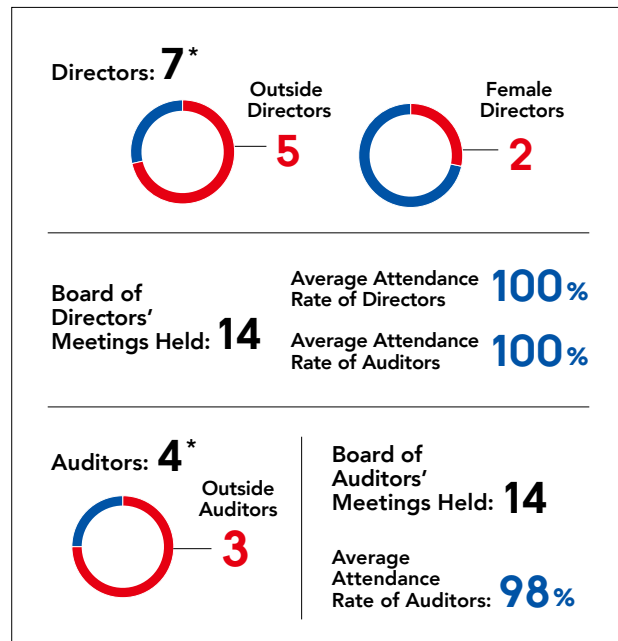
(Note 2) As of December 2022, representative director Koki Sato is the only director with executive duties.

Corporate Governance

Basic approach to corporate governance

The corporate governance of the Company is based on the development and operation of a system to ensure that actions are based on the company's corporate philosophy and decisions are made in a transparent, fair, and efficient manner, and compliance with laws and regulations and appropriate supervision (monitoring) of corporate performance are carried out under the mission of "To inspire the world with entrepreneurship."

Governance Highlights (FY2022/9)



*As of December 2022

The outline of corporate governance structure

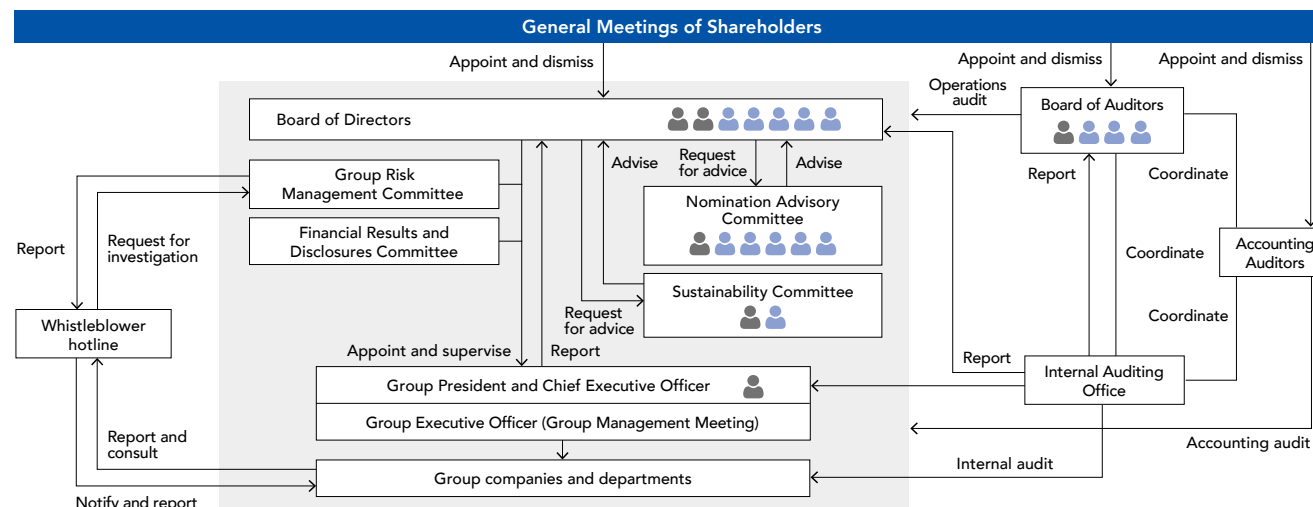
The Group is managed under a holding company structure in which the Company is a holding company and its group companies are operating companies. By separating the function of administering its overall business from executing its individual businesses, the Group has been working to facilitate the delegation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

The Board of Directors shall consist of a majority, at the minimum, of highly independent Outside Directors. The Board consists of seven Directors, five of whom are

Outside Directors, as of December 2022. It determines matters prescribed by laws and regulations and the Articles of Incorporation and matters concerning the execution of important business and oversees the execution of business. Furthermore, as part of strengthening of its corporate governance system, the Company introduced an executive officer system in January 2017. Under this system, the authority for making decisions and executing business operation is delegated to Executive Officers to the extent permitted by relevant laws and regulations, in order for the Board of Directors to mainly focus on the oversight (monitoring) of the Group Executive Officers who are responsible for the execution of business (monitoring model-oriented).

Corporate Governance System (as of December 2022)

Outside Directors/Auditors Directors/Auditors



(Note) Please refer to the link below for an overview of the corporate governance system.
<https://www.septeni-holdings.co.jp/en/company/governance.html>

Corporate Governance

Board of Directors

The Group Executive Officers are responsible for the execution of business of the Company, that of the business companies in its group or that across several business companies. The Board of Directors appoints Group Executive Officers in charge of respective areas of business operation, and the Group President and Chief Executive Officer who concurrently serves as Representative Director oversees the execution of business operations by the Group Executive Officers.

Moreover, matters to be resolved by meetings of the Board of Directors, those regarding which authority is to be delegated to the Group Executive Officers and those to be reported by the Group Executive Officers to the Company's Board of Directors are clearly stipulated in the regulations of the Board of Directors.

Group Management Meetings

Group Management Meeting has been established, as a system regarding decision-making on the execution of business, with the functions of supporting decision-making by the Group President and Chief Executive Officer and of considering important managerial matters of the group.

Board of Auditors

The Company has adopted a company auditor system. Under the system, there are currently four Company Auditors including three highly independent Outside Auditors. Each Company Auditor audits the execution of business by the Directors, in accordance with the auditing policy, audit plans and so forth determined by the Board of Company Auditors.

Committees

The Company has established a Group Risk Management Committee that supervises risk management of the group, a Sustainability Committee that promotes sustainability activities to enhance the corporate value and a Financial

Results and Disclosures Committee that reviews and evaluates financial results information, information for timely disclosure, among other things. In doing so, the Company has put in place a system that clarifies authority and responsibilities and enables prompt and appropriate decision-making. On the other hand, Nomination Advisory Committee, the majority of which consists of Outside Directors, has been established as an optional committee of the Board of Directors to handle personnel matters regarding the group's management team (appointment, removal etc. of Directors of the Company, Group Executive Officers and others), in order to ensure the independence, objectivity and accountability of the deliberation process.

Executive Sessions

Meetings attended only by the Outside Directors (Executive Session) are held once a month in principle, thereby securing a place for information exchange and shared awareness from objective standpoints. Outside Auditors, external accounting auditors and other

Composition of Committees, etc.

	Sustainability Committee	Nomination Advisory Committee	Executive Session
Koki Sato	✓	✓	
Etsuko Okajima		✓	✓
Yusuke Asakura		✓	✓
Yoshiki Ishikawa	✓	✓	✓
Akie Iriyama		✓	✓
Mio Takaoka		✓	✓
Shuji Yamaguchi			

independent outside persons may attend such meetings, thereby providing a place for promoting cooperation among independent outside persons.

Major Agenda Items at the Board of Directors Meetings

Major agenda items in FY2022/9
(from October 2021 to September 2022)
(excluding regularly scheduled agenda items)

Deepening Capital and Business Alliance with the Dentsu Group
Establishment of Sustainability Committee
Revision of Board of Directors Regular Meeting Agenda
Revision of Group Management Meetings Regulations
Revision of Corporate Governance Guideline
Asset Allocation and Business Portfolio
Business Continuity Criteria
M&A
Agenda of Executive Training Session
Impact of the Situation in Ukraine
Investment in Kamiyama Marugoto College of Technology Scholarship Fund
Change in Fiscal Year-End
Partial Amendment to Articles of Incorporation
Partial Amendments to Share Handling Regulations
Revision of Group Philosophy
Revision of HR System

Corporate Governance

■ 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 remuneration 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 sound incentive to enhance business results and corporate value in the medium-to-long term. As a result, remuneration for

directors of the Company consists of monthly compensation and stock compensation, and remuneration for outside directors who are independent from business execution consists of monthly compensation only.

BIP Trust

This is a performance-linked stock compensation plan that aims to establish a clearer relationship between remuneration 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.

Director and Auditor Remuneration

Category	Number of payees	Total amount of officers' remunerations, etc.	Total amount of remunerations, etc. by type	
			Basic remuneration	Performance-linked remuneration, etc.
				Non-monetary remuneration, etc.
Directors (of whom Outside Directors)	8 (5)	228,228 thousand yen (69,000 thousand yen)	196,440 thousand yen (69,000 thousand yen)	31,788 thousand yen (-)
Company Auditors (of whom Outside Auditors)	4 (3)	27,000 thousand yen (24,000 thousand yen)	27,000 thousand yen (24,000 thousand yen)	- (-)

(Note) Please refer to the link below for supplementary information on remuneration of Directors and Auditors.
<https://www.septeni-holdings.co.jp/en/company/governance.html#directors-compensation>

■ Risk management

In order to recognize significant events that may affect the Group's business management, to identify, analyze and assess risks that may harm the growth and development of the business and to make responses to the risks such as aversion, mitigation, transfer and others, the Group shall establish the "Group Risk Management Regulations." In addition, it set up the "Group Risk Management Committee" as a body to oversee and manage such risks in an integrated and effective manner under the common policy as the Group. It constructs the PDCA cycle of risk management operations and promotes risk management in the Group as a whole to achieve sustainable development.

In the fiscal year ended September 2022, among the risks common to our entire group, we selected the following as priority risks to be addressed, taking into account social trends.

Priority Risks
Information leakage risks
Security risks
Management insufficiency risk

Corporate Governance

■ Evaluation of the effectiveness of the Board of Directors

With the aim of enhancing the function of the Board of Directors, the Company conducts analysis, evaluation and follow-up examinations of issues on the effectiveness of the Board of Directors once a year in principle. The Company also conducts large-scale and detailed surveys by external third-party institutions once every 3 years. In the fiscal year 2022, based on the advice of an external third-party organization, the Company conducted a questionnaire survey of all directors and company auditors, and interviewed directors.

As a result, it was confirmed that the Board of Directors has completed the transition to a Board of Directors (Monitoring Board) centered on outside directors, and has been able to engage in highly sophisticated and lively discussions. In addition, in terms of operation, practical measures such as devising the agenda of the Board of Directors, providing materials in advance, creating opportunities for discussions through camps, and strengthening cooperation among outside directors through executive sessions have already been sufficiently carried out, and that effectiveness has been confirmed.

On the other hand, it was confirmed that with the substantial reform of the Board of Directors, a common awareness of issues, such as how to think of the innovation board, which lies ahead of the monitoring board, how to realize the “co-creation of value between supervision and execution,” and how to think of the succession of the Board of Directors, has emerged. Going forward, the Company will advance initiatives to further enhance the effectiveness of the Board of Directors, while taking into account the awareness of these issues.

■ Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

The Company's parent company is Dentsu Group Inc. One of the Company's directors concurrently serves as an executive officer of Dentsu Japan Network of the Dentsu Group Inc. and an executive officer of Dentsu Inc., a subsidiary of Dentsu Group Inc. However, this director is in a position to supervise the execution of business in order to enhance its corporate value as a non-executive director of the Company. In addition, with respect to transactions with the parent company, management support fees are determined by agreements between the parties taking into account the content of operations, and interest rates on fund transactions are determined in the same manner as in general transactions with reference to market interest rates. Through these various measures, the Company believes that its business operations are sufficiently independent from the parent company, etc. As a publicly traded company with the parent company, the Company has agreed to maintain its autonomy and independence in the relationship with the parent company under an agreement between the parties. In addition, the majority of the Company's Board of Directors is independent outside directors, and decisions concerning its management are made through discussions based on the viewpoint of protecting minority shareholders. As a result, the Company does not anticipate any harm to the interests of itself or its minority shareholders.

Governance since the Capital and Business Alliance with the Dentsu Group

Appointment of Directors and Member Structure

- One director and one auditor (part-time auditor) will be appointed by Dentsu Group Inc.
- Even after the capital and business alliance, the majority of our directors shall be independent outside directors, and our representative director shall be a director who is not an outside director and who is not appointed by Dentsu Group Inc.

Cooperation in Management Autonomy and Maintaining Listing

- Even after the execution of various transactions associated with the capital and business alliance, the Dentsu Group shall respect our autonomy, act in such a manner as not to violate the delisting standards to maintain our listing, and cooperate with us to a reasonable extent.

Handling of Shares

- Dentsu Group Inc. will not acquire any additional shares of our stock without obtaining our prior written approval.

Stakeholder Engagement 04

Message from an Outside Director



Etsuko Okajima
Outside Director

The Board of Directors' long-term vision for the Septeni Group

The discussion at the executive training session last fiscal year about the Septeni Group's fundamental long-term corporate value brought up key concepts ranging from technology that empowers people and technology that enables data-driven organizational development to a business structure linking 2B and 2C, combining art and science, emotional management, emotional intelligence, and *nameraka** relationship between our people and organization.

The Septeni Group boldly delegates authority over business execution to Group Executive Officers, and the Board of Directors discusses medium- and long-term strategic issues in areas related to the above concepts.

*The Japanese word *nameraka* means a harmonious state without friction and barriers.

The Septeni Group's pursuit of a *nameraka* future

Septeni maintains an excellent balance of “credibility and independence” among its board members by complementing the regular Board of Director meetings with executive sessions for exclusive discussions between the outside directors and outside corporate auditors and an annual executive training session. The directors each contribute their expertise and knowledge, and some of the discussions have been quite heated, such as when we talked about the balance of long-term investment in human capital and the pursuit of short-term performance targets or discussed the business portfolio strategy. The discussions often progress well beyond what I've experienced at other companies, and there are many examples where the thoroughness of a discussion dovetailed into a *nameraka* path to the solution. I truly believe the level of effectiveness of the Board of Directors is unparalleled.

One of the items on the board's discussion agenda was the Group vision, which we revised and then adopted in fiscal 2022. Creative input was provided from various perspectives, such as about what the ideal system of philosophy should be and whether the wording was emotionally appealing to each stakeholder. We talked in depth about the kind of worldview that we should have and the kind of value the Company should be providing to the people, organizations, and society that are our stakeholders. I believe those discussions are what led to a new vision that each board member can truly get enthusiastic about. I also think that this is another example Septeni's co-creation, with the Board of Directors itself

demonstrating it, and also an example of progressive corporate leadership with an innovation-oriented board that leads to growth in new directions.

The Septeni Group Board of Directors' view of the future

As the Group has progressed through growth stages, the Board of Directors has gone through an evolutionary process from a board focused on management to focuses on providing advisory and monitoring functions. As we look to the future, the board will have to become even more advanced so it can develop and lead with an innovative mindset. Our Board of Directors consists of a majority of outside directors who are management professionals with diverse expertise and experience. Even analyzing the board's personality matrix using the Company's Five Factors & Stress (FFS) theory that is incorporated into its AI-based personnel system, the board members have an extremely good balance for both risk management and creating the Septeni Group's future.

The Septeni Group Board of Directors is accelerating efforts to achieve its 10X growth plan by actively working to improve its ability to apply its collective intelligence for co-creation and to make swift and timely decisions. We intend to further update our core competencies so we can formulate a well-balanced portfolio strategy, use technologies to continue refining our data-driven organizational capabilities, and develop a robust risk management system to support our business endeavors. We appreciate your support as we seek to engage in constructive dialogue with all of our stakeholders.