

SEPTENI

Message from Management

Entering our third entrepreneurial phase, we aim to evolve into a stronger corporate entity through teamwork and cohesion.

Yuichi Kouno

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





Building a collective leadership structure in line with industrial changes. The medium-term theme is “Focus & Synergy.”

I am pleased to announce that I have been appointed as the Representative Director of SEPTENI HOLDINGS CO., LTD. This marks the first change in the Company's representative director in approximately 15 years, and I am the fourth individual to assume this role. In July 2023, our group established a Nomination and Remuneration Advisory Committee as a voluntary committee of the Board of Directors, chaired by an outside director and composed of a majority of outside directors. The Committee discussed the need for a generational change to ensure sustainable growth in the future, and as a result, I was selected as the Representative Director.

The digital marketing market is one that experiences rapid changes, and the organizations and talent within this sector are considerably younger compared to other industries. With the recent change of our management structure, we aim to swiftly respond to changes in the business environment and create

opportunities for young talent to thrive as we pursue our vision. Looking at the industry as a whole, there is a noticeable trend of renewing executive systems and passing the baton to the younger generation. Comparing the dawn of the Internet industry with the present, the Internet has evolved to a position that supports various industries. For this reason, I believe that the required management approach is also shifting from a leadership type that leads the way in creating one from zero to an inclusive type that involves collaboration with many people inside and outside a company.

Considering these internal and external changes, it can be said that our company is now entering its third entrepreneurial phase, following the establishment of the company in 1990 and the launch of the Internet Advertising Business in 2000. By building and promoting a collective leadership structure in line with industrial changes, we will work as a group to achieve sustainable growth and increase corporate value. As the first three-year medium-term theme under the new structure, I have adopted the concept “Focus & Synergy.”

The importance of synergies felt through various new challenges.

I joined Septeni in 2006. At that time, the so-called Galapagos phones (feature phones) were the mainstream, and I was assigned to a team tasked with launching an advertising business for feature phones. The business grew rapidly as the market expanded, and we also established a group company specializing in this business. This experience laid the foundation for my career at Septeni, as it taught me how to expand business into new areas. While we aimed for further business expansion, the advent of smartphones

dramatically changed the landscape. We tried to shift to smartphone advertising, but did not succeed. In the end, the Group decided to withdraw from the advertising business for feature phones and dissolve the company I belonged to.

While I was contemplating my future career, the former president, Mr. Sato, approached me with an offer to start something new, which led to my return to Septeni. To my surprise, I was tasked with smartphone advertising. Although I thought “why this, right after a failure?,” I was encouraged to grow the business by fully utilizing all the assets and resources of the group companies. Embracing this challenge, I was able to once again launch and succeed in the smartphone advertising business. During this time, I felt a significant broadening of my horizons as I worked passionately with many colleagues. It is also true that there was a strong tailwind of the growing smartphone advertising market, but what I learned by experiencing both failure and success in the same area taught me the importance of “teamwork,” which involves people around me to face challenges, and the importance of utilizing the Group's assets and resources. This has led to the word “synergy” as set out in the medium-term theme.

As we reformed our management structure, we also reviewed our Group Executive Officer structure with an eye towards “generational change.” This time, we have divided our businesses into multiple areas, and Group Executive Officers have been appointed to oversee each area. Going forward, we will shift to “area management,” where we set targets not only for individual companies but also for each area and aim to generate synergies within those areas. This will allow us, for example, to put together a sales structure for each area, sharing each company's strengths and assets, and then be able to efficiently demonstrate our value.

Message from Management

“Focusing” on current business areas and involving the entire Group in new businesses.

Our group has taken on the challenge of venturing into new business areas adjacent to our existing businesses and into entirely new domains, under the theme of “domain expansion.” Going forward, I believe it is crucial to deepen our focus on our current business areas.

Along with the change in our medium-term theme, we will also alter the way our organization operates. Previously, we would promote talented individuals and send them into areas that differ greatly from those that we had been involved in, relying on their “individual strength” to pioneer those areas. This approach could be described as “stand-alone × centrifugal force,” where placing oneself in challenging environments by design generates the energy to create something from zero. However, from now on, I believe the importance of “teamwork × cohesion” in growing our existing domains or in generating new businesses within them. The word “focus” represents this concept.

Until now, there may have been a perception among



our employees that only a select few were tasked with the challenge of new business. However, looking around the company, I feel that there are actually many people who want to try something new. I believe that lowering the barriers to taking on new initiatives, not only by creating entirely new businesses from scratch, but also by changing the approach within our existing businesses, will lead to a “cohesion” that draws people in. Our mission is “To inspire the world with entrepreneurship.” I see the practice of “teamwork × cohesion” as an opportunity for many, not some, employees to recognize and demonstrate their own entrepreneurship.

Further strengthening the human capital management that we have been promoting.

In discussing the path towards future business growth, I must emphasize that our most important capital is our people, our employees. I believe that creating an environment where employees can feel the impact of their contributions and work with high motivation is essential for them to succeed. To achieve this, in addition to our ongoing efforts in utilizing artificial intelligence (AI) for recruitment and training, we have also made investments in human capital in 2023, including a base salary increase. These initiatives have led to the establishment of a solid environment, and in recent years, we have seen a rapid advancement of our younger employees into effective roles. Our personnel evaluation system utilizing 360-degree multi survey has shown that the level of evaluation that used to be attained by employees in their fourth or fifth year after joining as new graduates is now being achieved by those in their second or third year.

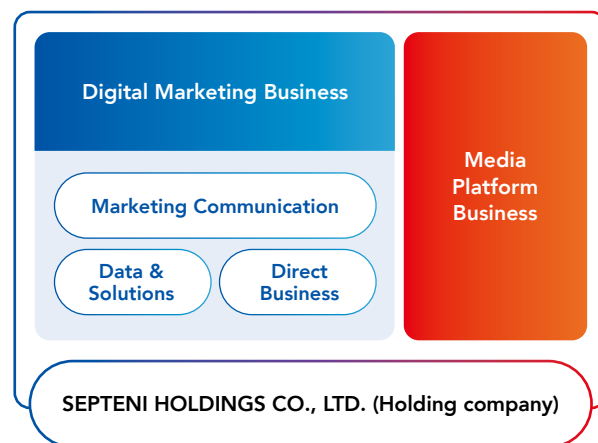
To further engage a diverse range of talents, I believe

it is necessary to increase the variety of attractive businesses, which are the stages where people can excel, especially from a long-term perspective. Some individuals may wish to continue delivering results in existing businesses, while others may be eager to take on challenges in new fields. By developing businesses that attract excellent talent and increasing the number of people who work with high motivation, we can draw a diverse group of people from both inside and outside the company to launch new ventures. If we can further strengthen our human capital management in this way and combine it with multiple attractive businesses, we can create a cycle that will enable our group to grow into a stronger company. I consider this to be the key element in our third entrepreneurial stage.

Reviewing the business area classifications and building a system that can better respond to client needs.

This time, we reorganized our business areas and divided the Digital Marketing Business into three areas: “Marketing Communication,” “Direct Business,” and “Data & Solutions.” Our mainstay, the internet advertising agency business, falls under the “Marketing Communication Area.” The current Internet advertising market is estimated to be around ¥3.3 trillion as of 2023 and is expected to reach the ¥4 trillion level in the next few years, beginning to enter a mature phase. Looking ahead to the future, we need to not only focus on digital marketing, but also expand the scope in which we can contribute value to our clients. In terms of what kind of “value,” it has become increasingly important to support our clients’ businesses by combining internet advertising and digital solutions with mass advertising, which we have been advancing through collaboration

Business Areas After Reorganization



with the Dentsu Group over the past few years. Today, there are various media, and the points at which users contact with media have diversified. What is needed is to design a total user experience across various media. There is a growing client need for marketing support with a bird's-eye view of the entire business rather than partial optimization, and we have found that integrated proposals that combine online and offline strategies have a higher acceptance rate than online-only proposals.

In this context, the synergy with the assets of the Dentsu Group, particularly mass advertising, are our strength. Leveraging this strength will be one of the important policies in the Marketing Communication Area for the 2020s.

Looking ahead to new challenges and business development in “Direct Business” and “Data & Solutions.”

Moving on to the “Direct Business Area,” since the subsidiary integration of Dentsu Direct in 2022, our company has been supporting the sale of our clients’ products with an orientation towards integrated online and offline direct marketing. Based on the “know-how of selling products” gained here, we will now venture into OEM and D2C businesses, where we create and sell our own products. In marketing support, the business structure of purchasing advertising media and selling them with added value has a limit to how much profit margins can be improved. By selling and marketing our own products, we can significantly increase profit margins, deepen our knowledge and know-how, and actively return these benefits to our clients whom we support with marketing. We aim to create a highly profitable business model in this Direct Business Area.

In the “Data & Solutions Area,” we will strengthen the business that supports our clients’ solution development by utilizing the resources of our data engineers. Our group has a few hundreds of engineers both domestically and internationally, who have been involved in solution development both inside and outside the company. I believe that the technical expertise and know-how in talent development and organizational management cultivated there can be leveraged to support our clients’ solution development. Expanding this business hinges on increasing our engineering workforce, but acquiring in-demand engineering talent from the market can be costly. Therefore, we are considering expanding our educational business that trains engineers from scratch

and our personnel dispatch business that involves dispatching trained personnel to companies seeking engineers. By supporting companies through solution development and talent provision, we aim to produce a large number of engineers.

In addition, in the Media Platform Business, previously we had been promoting business independently within each subsidiary, but by creating synergies that transcend business segments, such as utilizing the knowledge and human resources of the Digital Marketing Business, I believe that we can open up new perspectives, lead to new actions, and accelerate business growth, just as I used to do in the past.

Coming up are three pivotal years that lead towards the realization of “10X.”

“10X”—enhancing the value we provide to our multi-stakeholders to ten times the current level—remains our long-term goal, and as we enter our third entrepreneurial phase, we aim to become a company with multiple strong business entities to achieve “10X.” To this end, in the next three years from the fiscal year ending December 2024, we will focus more than ever on our core Digital Marketing Business, leveraging synergies within the Group to grow it into a stronger and larger business. In parallel, we will continue to create new businesses in the Direct Business and Data & Solutions areas by utilizing our existing assets.

Please look forward to the Septeni Group, which is aiming for new growth as one team.

Septeni Group x dentsu Japan Dialogue

Harnessing each other's strengths to become Japan's No. 1 digital marketing partner

The Septeni Group and dentsu Japan have established a new management structure. Yuichi Kouno, Representative Director, Group President and Chief Executive Officer of Septeni Holdings, and Takeshi Sano, CEO of dentsu Japan and Representative Director, President and CEO of Dentsu Inc., discussed the relationship that has emerged through the collaboration to date, and the future prospects for achieving the collaboration's goals.

Yuichi Kouno
Representative Director,
Group President and
Chief Executive Officer
Septeni Holdings Co., Ltd.



Takeshi Sano
CEO, dentsu Japan and
Representative Director,
President and CEO,
Dentsu Inc.



Launch of the new structure and commonalities in leadership

Kouno: Mr. Sano assumed his current position in January 2024, and our group also renewed its management structure this year. Although our two companies have only just established these new structures, I hope that we can work towards further strengthening our collaboration. Since the start of our capital and business alliance in 2018, we have had ongoing discussions with you on the topic of how our group and the Dentsu Group can grow the digital domain together.

Sano: Of the four business regions in which the Dentsu Group operates globally, dentsu Japan has the function of overseeing and supporting the Japanese business, which includes one of the world's largest

agencies, Dentsu Inc., and also represents the Japanese business brand. With the Septeni Group joining the Dentsu Group in January 2022 and becoming a member of dentsu Japan, we are now even more closely aligned.

Kouno: We struck up a rapport from our first meeting and have since worked to build the relationship we have today. Mr. Sano is a very energetic, dynamic and flexible person who combines humor with strong leadership. I was impressed by the way he inspires the organization and leads the company while following things up with a light touch.

Sano: Mr. Kouno has always been active in sports, which gives him vitality and a proactive attitude. When I say "sport," I don't mean the type of sport where you master individual skills; it's team sports. I believe that

he has the ability to bring in others around him to deliver success. Overall, he gives the impression of a well-rounded personality, also showing listening skills and adaptability.

Kouno: I appreciate that.

Looking at our past work history, we share the common experience of bringing together sales organizations over a long period of time, and I think we have a very similar commitment to contributing to the client's business. In terms of the way we lead our organizations, I feel that our leadership styles are similar in that we both have long experience in sales and are very conscious of the process from strategic planning to execution to ensure that the field is operating properly, rather than being the type to draw up broad strategies and leave it to people on the front lines.

Our company's values are "Resilient, Caring, Exciting," and I feel that our similarities and mutual strengths lie in our ability to balance these three values and use them as appropriate for the environment and situation.

A complementary relationship that leverages strengths to drive collaboration toward a common goal

Sano: I think the business structures of the two companies are very well matched, not only in terms of our individual similarities but also in terms of organizational units. From my perspective as not only the CEO of dentsu Japan but also as the President and CEO of Dentsu Inc., sales representatives from Dentsu Inc. and the Septeni Group work as a team to make proposals to clients, and I believe this is because they share the same client-first approach of acting as



partners to support client growth, leveraging their respective strengths to enhance the value they offer.

Kouno: The Dentsu Group has a strong client base and expertise cultivated over many years, particularly in the domain of mass media advertising. On the other hand, our group's strength lies in the knowledge, skills, and expertise we have built up as a digital agency, as well as in our diverse group of digital talent. As the need for integrated online and offline marketing grows and the services demanded by clients become increasingly sophisticated and complex, we are confident in our ability to bring together our respective strengths in the online and offline domains and work together as one team.

Sano: In addition to the fact that we are building a solid structure aimed at our common goal of "becoming the No. 1 digital marketing partner in Japan," we also have differences that complement each other. The Septeni Group is a relatively new company within dentsu Japan, and I like that it has the energy for new initiatives such as acquiring new business and developing new markets, and the power to move forward together as a team.

Kouno: Because we deal with the fast-changing digital industry every day, we operate in an environment that demands speed and adaptability, and I believe this has created a corporate culture that excels at adapting to change. By contrast, the Dentsu Group's sense of responsibility and passion for anticipating market and client needs and leading the development of industry-leading products and services is embedded in its DNA as a core competence.

Sano: I believe that we are prepared not only to perform the work assigned to us, but also to remain proactive in our role and mission to keep providing new added value to society and the marketplace.

Synergies from earlier collaborations and establishment of a management structure

Kouno: More than five years have passed since the start of our capital and business alliance, which began with the exchange of some personnel, and we have since built up a track record of success. In addition, we are gradually obtaining confirmation that integrated online/offline proposals are more likely to increase order rates than digital ad-only proposals. The value that can be provided through this alliance matches the needs of clients, and has been widely recognized, indicating that the synergy is a result of a complementary relationship that harnesses the strengths of both parties.

Sano: We see this synergy as a key initiative in promoting dentsu Japan's vision of being an "Integrated Growth Partner (IGP)." We feel that there are still many clients in the Japanese advertising market who are facing challenges that this collaboration could solve. By collaborating with the Septeni Group, our sales capabilities and expertise in digital marketing have become stronger than ever, and we are building a structure for becoming a presence that solves our clients' problems and then exceeds their expectations.

Kouno: I feel that over the past five years, we have come to a point where we understand the assets each group company possesses, and are ready to move toward even stronger organizational collaboration. Starting with collaboration between some group companies in the advertising domain, we are now seeing progress in the creative and data & solutions areas as well, enabling coordination across many group companies.

Sano: That's right. For example, in the data & solutions area, which makes use of data and AI, collaboration

Septeni Group x dentsu Japan Dialogue

between the Septeni Group, which has engineering talent, and Dentsu Digital Inc. is already underway. The Septeni Group, which plays a central role in the digital domain within dentsu Japan, and Dentsu Digital Inc. have established a structure that can cover the entire digital marketing process from upstream to downstream by combining the strengths and assets of the two companies.

Driving growth in the digital domain from a long-term perspective

Sano: I myself have just assumed the position of CEO, and I believe that the timing of the change in representative will generate expectations both internally and externally. I hope that Mr. Kouno will lead the Septeni Group with an eye to the next 10

years and beyond, and drive our growth once more. As for dentsu Japan, it is my hope that our collaboration reaches ever new heights.

Kouno: There is always a long-term perspective in my conversations with Mr. Sano. We have had numerous discussions about what the Septeni Group should look like 10 to 20 years from now and what we can do over the long term to strengthen the four business domains that the Dentsu Group has identified. When considering the future and role of our group from this long-term perspective, I believe that one of the key points for continuing to expand our collaboration is to maintain Septeni's distinctive identity while participating in the Dentsu Group.

Sano: Of the four business domains, A to DX, the Septeni Group is strongest in AX, the "advertising transformation" domain that seeks to deliver more



sophisticated and efficient advertising, and which we anticipate will drive our growth. As mass media advertising moves to digital, and the market and advertising itself undergo a digital shift, I believe that Septeni's qualities, which have grown as it has established its own unique culture, has brought new energy to dentsu Japan, and is helping to step up initiatives like online/offline integrated marketing.

Kouno: Amidst the drastic changes in the business environment, I believe that the considerable differences in functions, capabilities, human resources, and cultures between the two groups will bring diversity to the organization and continue to generate stronger synergies. It is important to develop closer partnerships with dentsu Japan companies while honing our own unique Septeni identity, and to ensure that our young talent continues to show entrepreneurial spirit and a willingness to take on new challenges. I believe that it is the unique role of our group to continue as a company supporting the growth of dentsu Japan's digital domain, working cheerfully and enthusiastically toward a smooth future alongside our colleagues in the Dentsu Group.

Collaboration with Dentsu Inc. and Dentsu Group Companies in Various Domains

