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December 3, 2019

Dear Shareholder

Koki Sato,
Representative Director
Group President and Chief Executive Officer
SEPTENI HOLDINGS CO., LTD.
17-1 Nishishinjuku 8-chome, Shinjuku-ku,
Tokyo, Japan

CONVOCATION NOTICE FOR THE 29TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

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- 1. Date and Time:** Wednesday, December 18, 2019, at 10:00 a.m.
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- 2. Place:** B1 Floor, Crystal Room
Hyatt Regency Tokyo
7-2 Nishishinjuku 2-chome, Shinjuku-ku, Tokyo, Japan
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3. Meeting Agenda

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company's 29th term (from October 1, 2018 to September 30, 2019) and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Company Auditors
2. Non-consolidated Financial Statements for the Company's 29th term (from October 1, 2018 to September 30, 2019)

Matters to be resolved:

- Agenda Item No. 1:** Election of Seven Directors
Agenda Item No. 2: Election of Two Company Auditors
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To Institutional Investors	You may use the Electronic Proxy Voting Platform operated by ICJ Inc., as a method of exercising your voting rights for the General Meetings of Shareholders.
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- When you attend the meeting, you are kindly requested to submit the enclosed Voting Rights Exercise Form to the receptionist at the meeting.

For the purpose of saving resources, please be sure to bring this convocation notice with you.

- The documents to be provided with this convocation notice

- 1) Notes to Consolidated Financial Statements
- 2) Notes to Non-consolidated Financial Statements

Based on relevant laws and regulations and the Article 19 of the Company's Articles of Incorporation, the above items are posted on the Company's website and are therefore not included in the documents accompanying this convocation notice. The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Board of Company Auditors and the Financial Auditor include Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are posted on the Company's website.

If any amendment is made to the Business Report, the Consolidated Financial Statements, the Non-consolidated Financial Statements and the Reference Documents for the General Meeting of Shareholders, the amended information will be disclosed on the Company's website.

The Company's website: <https://www.septeni-holdings.co.jp/en>

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item No. 1: Election of Seven Directors

At the close of this General Meeting of Shareholders, all six directors will retire due to the expiration of their respective terms of office.

In that regard, the Company hereby proposes the election of seven directors, including four outside directors, increasing the number of outside directors by one to further enhance the corporate governance.

To establish a higher level of corporate governance, maintain sustainable growth, and enhance corporate value over the medium to long term, the Company delegates as much of the decision-making and execution relating to business execution as possible to Group Executive Officers, and so the board of directors can perform thorough oversight of the business execution of the Group Executive Officers.

The oversight function of management is continually strengthening under our board of directors whose composition comprises a majority of outside directors.

The Company nominates candidates for director based on a strong sense of ethics and responsibility, and the extensive knowledge and experience, as well as character, required for the Company's management decision-making, or the track record and insight required to enhance the oversight function of management.

In nominating candidates for director, based on the above policy, the Group President and Chief Executive Officer creates a proposed list of candidates, and following deliberation by the Nomination Advisory Committee, composed only of outside directors and the Group President and Chief Executive Officer, the candidates are nominated at a meeting of the board of directors.

The candidates are as follows:

Candidate No.	Name		Important positions held at other companies	Attendance to the board of directors meetings
1	Koki Sato Representative director Group President and Chief Executive Officer	Reelection	Executive Officer, Dentsu Inc.	14/14
2	Isamu Ueno Representative director Group Senior Executive Officer	Reelection		14/14
3	Tadahiro Matsuda Director Group Senior Executive Officer	Reelection		10/10
4	Tatsuya Kimura Outside director	Reelection Outside director Independent officer	Professor, Waseda University Graduate School of Business and Finance	14/14
5	Etsuko Okajima Outside director	Reelection Outside director Independent officer	CEO, ProNova Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Link and Motivation Inc. Outside Director, euglena Co., Ltd. External Director, Money Forward, Inc.	14/14
6	Yusuke Asakura Outside director	Reelection Outside director Independent officer	Representative Director, Signifiant Inc. Visiting scholar, National Graduate Institute for Policy Studies	14/14
7	Yoshiki Ishikawa	New candidate Outside director Independent officer	Director, Cancer Scan Co., Ltd. Director, Campus for H Inc. External Director (Audit & Supervisory Committee Member), Sansan, Inc. External Director, Gaiax Co.Ltd.	-/-

1 Koki Sato (Date of birth: March 11, 1975)	Reelection	
	Number of years in office	18 years and 5 months
	Attendance to the board of directors meetings	14/14
	Number of the Company's common shares held	372,300

Profile and position at the Company

Apr. 1997 Joined the Company
Jul. 2001 Director and General Manager of Internet Operations
Oct. 2003 Managing Director and CMO
Dec. 2004 Senior Managing Director and COO
Oct. 2007 Senior Managing Director
Dec. 2009 Representative Director (current position) and President
Jan. 2017 Group President and Chief Executive Officer (current position)
Jan. 2019 Executive Officer, Dentsu Inc. (current position)

■ Reasons for nomination as candidate for director

Since joining the Company, Mr. Koki Sato established a new field which has become a major pillar of the Group business, always leading from the front. Furthermore, he has led the management of the entire Group over the course of many years, steadily addressing a range of management challenges to enhance corporate value, and because he is expected to continue to exercise strong leadership, he has once again been nominated as candidate for director.

■ Important positions held at other companies

Executive Officer, Dentsu Inc.

2 Isamu Ueno (Date of birth: June 1, 1968)	Reelection	
	Number of years in office	15 years
	Attendance to the board of directors meetings	14/14
	Number of the Company's common shares held	533,999

Profile and position at the Company

Sep. 1998 Joined the Company
Nov. 2003 Officer and Manager of Personnel and Administration
Dec. 2004 Director and Manager of Personnel and Administration
Dec. 2005 Managing Director
Dec. 2009 Senior Managing Director
Jan. 2017 Group Senior Executive Officer (current position)
Dec. 2018 Representative Director (current position)

■ Reasons for nomination as candidate for director

Mr. Isamu Ueno has extensive experience and results, and considerable insight in the field of personnel and administration, and because he is expected to drive the management of the Group and further enhance and drive corporate governance, he is deemed necessary to enhance corporate value, and has once again been nominated as candidate for director.

■ Important positions held at other companies

None.

3 Tadahihiro Matsuda (Date of birth: May 7, 1973)	Reelection	
	Number of years in office	1 year
	Attendance to the board of directors meetings	10/10
	Number of the Company's common shares held	162,500

Profile and position at the Company

Apr. 1998	Joined the Company
Oct. 2004	Head of the Osaka Branch
Jul. 2005	General Manager of Media
Dec. 2005	Director
Aug. 2009	Representative Director, SEPTENI CROSSGATE CO., LTD.
Jan. 2017	Group Executive Officer
Dec. 2018	Director (current position)
Jan. 2019	Group Senior Executive Officer (current position)

■ Reasons for nomination as candidate for director

Mr. Tadahihiro Matsuda has extensive experience and results, and considerable insight in the Group's internet marketing business and new business fields, and because he is expected to further enhance and drive the management of the Group, he has once again been nominated as candidate for director.

■ Important positions held at other companies

None.

4 Tatsuya Kimura (Date of birth: November 24, 1958)	Reelection	
	Outside director	
	Independent officer	
	Number of years in office	5 years
	Attendance to the board of directors meetings	14/14
	Number of the Company's common shares held	4,000

Profile and position at the Company

Jan. 1989	Joined British Airways Plc
Jan. 1992	Joined Philip Morris Limited (currently Philip Morris Japan Limited)
Apr. 1995	Joined Gillette Japan Incorporated (currently The Procter & Gamble Company of Japan Limited)
Apr. 2001	Associate Professor, Nihon University Graduate School of Business
Apr. 2006	Professor, Waseda University Graduate School of Asia-Pacific Studies
Dec. 2006	Outside Company Auditor
Feb. 2008	Visiting scholar, the University of Oxford
Mar. 2012	Visiting fellow, Columbia University
Dec. 2014	Outside Director (current position)
Apr. 2016	Professor, Waseda University Graduate School of Business and Finance (current position)

■ Reasons for nomination as candidate for outside director

Mr. Tatsuya Kimura is very familiar with the field of corporate management, and because he has actively provided useful advice on all aspects of the business administration of the Group based on his experience at global companies, extensive knowledge and considerable insight, he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has once again been nominated as candidate for outside director. Although he has never been involved in corporate management other than serving as an outside officer, he is deemed capable of properly carrying out the duties of an outside director of the Company for the reasons mentioned above.

■ Important positions held at other companies

Professor, Waseda University Graduate School of Business and Finance

5 Etsuko Okajima (Date of birth: May 16, 1966)	Reelection	
	Outside director	
	Independent officer	
	Number of years in office	4 years
	Attendance to the board of directors meetings	14/14
	Number of the Company's common shares held	–

Profile and position at the Company

Apr. 1989	Joined Mitsubishi Corporation
Jan. 2001	Joined McKinsey & Company Incorporated Japan
Mar. 2002	Joined Globis Management Bank, Inc.
Jul. 2005	President, Globis Management Bank, Inc.
Jun. 2007	CEO, ProNova Inc. (current position)
Jun. 2014	Outside Director, Astellas Pharma Inc.
Jun. 2014	External Director, MARUI GROUP Co., Ltd. (current position)
Dec. 2015	Outside Director (current position)
Mar. 2016	Outside Director, Link and Motivation Inc. (current position)
Dec. 2018	Outside Director, euglena Co., Ltd. (current position)
Feb. 2019	External Director, Money Forward, Inc. (current position)

■ Reasons for nomination as candidate for outside director

Ms. Etsuko Okajima has an abundance of experience and knowledge, and considerable insight of corporate management, and because she has actively provided useful advice on all aspects of the business administration of the Group from an independent and objective position, she is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has once again been nominated as candidate for outside director.

■ Important positions held at other companies

CEO, ProNova Inc.; External Director, MARUI GROUP Co., Ltd.; Outside Director, Link and Motivation Inc.; Outside Director, euglena Co., Ltd.; External Director, Money Forward, Inc.

6 Yusuke Asakura (Date of birth: July 23, 1982)	Reelection	
	Outside director	
	Independent officer	
	Number of years in office	2 years
	Attendance to the board of directors meetings	14/14
	Number of the Company's common shares held	–

Profile and position at the Company

Apr. 2007	Joined McKinsey & Company
Aug. 2010	Joined Naked Technology Inc.
Oct. 2010	Representative Director, President and CEO, Naked Technology Inc.
Oct. 2011	Joined mixi Inc.
Jun. 2013	Representative Director, President and CEO, mixi Inc.
Nov. 2014	Visiting scholar, Stanford University
May 2015	Outside director, Raksul, Inc.
Mar. 2016	Outside director, Loco Partners
Mar. 2017	Visiting scholar, National Graduate Institute for Policy Studies (current position)
Jul. 2017	Representative Director, Signifiant Inc. (current position)
Dec. 2017	Outside Director (current position)

■ Reasons for nomination as candidate for outside director

Mr. Yusuke Asakura has professional and extensive experience and results, and considerable insight as an executive at listed internet companies, as a researcher and as an investor, and because he has actively provided useful advice on all aspects of the business administration of the Group, he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has once again been nominated as candidate for outside director.

■ Important positions held at other companies

Representative Director, Signifiant Inc.; Visiting scholar, National Graduate Institute for Policy Studies

7	Yoshiki Ishikawa (Date of birth: February 27, 1981)	New candidate Outside director Independent officer Number of years in office – years Attendance to the board of directors meetings –/– Number of the Company’s common shares held –
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Profile and position at the Company

Nov. 2008 Director, Cancer Scan Co., Ltd. (current position)
 Sep. 2014 Director, Campus for H Inc. (current position)
 Feb. 2019 External Director (Audit & Supervisory Committee Member), Sansan, Inc. (current position)
 Mar. 2019 External Director, Gaiax Co.Ltd. (current position)

■ Reasons for nomination as candidate for outside director

Mr. Yoshiki Ishikawa has professional, extensive experience and results, and considerable insight as both a preventive medicine researcher and as a founder of a company using methods based on behavioral science, and he is deemed capable of providing oversight and advice on the Company’s business administration as an outside director, and has been nominated as candidate for outside director.

■ Important positions held at other companies

Director, Cancer Scan Co., Ltd.; Director, Campus for H Inc.; External Director (Audit & Supervisory Committee Member), Sansan, Inc.; External Director, Gaiax Co.Ltd.

(Notes)

1. The name of Ms. Etsuko Okajima in the family register is Etsuko Mino.
2. Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Yusuke Asakura and Mr. Yoshiki Ishikawa are candidates for outside directors.
3. Ms. Etsuko Okajima is the CEO of ProNova Inc., which has concluded a service contract agreement with the Company for support in the development of leaders with the goal of spreading and implementing the Group’s corporate philosophy.
4. Apart from what is mentioned in 3. above, there are no other special relationships between the Company and each of the candidates.
5. The number of the board of directors meetings included in the scope of attendance for Mr. Tadahiro Matsuda is the 10 meetings held during the time after he was appointed as director on December 19, 2018.
6. The Company has established “Independence Standards for Outside Officers” (<https://www.septeni-holdings.co.jp/ir/pdf/isod.pdf>) (in Japanese only). There is no information showing any violations of these standards for candidates Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Yusuke Asakura, or Mr. Yoshiki Ishikawa, and each candidate is deemed independent.
7. The Company has designated Mr. Tatsuya Kimura, Ms. Etsuko Okajima and Mr. Yusuke Asakura as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange. If the proposed reelection of them is approved, the Company will continue to designate them as independent officers. Furthermore, if the proposed election of Mr. Yoshiki Ishikawa is approved, the Company will designate him as an independent officer in accordance with the rules of Tokyo Stock Exchange, Inc., and will submit a notice of designation to the Tokyo Stock Exchange.
8. The Company has entered into a liability limitation agreement with each of Mr. Tatsuya Kimura, Ms. Etsuko Okajima and Mr. Yusuke Asakura. According to the aforementioned liability limitation agreement, their liability under Article 423, paragraph 1 of the Companies Act will not exceed either ¥5 million or the minimum liability amount stipulated in Article 425, paragraph 1 of the same Act, whichever is higher. If the proposed reelection of them is approved, the Company plans to again enter into the aforementioned liability limitation agreement with them. In addition, if the proposed election of Mr. Yoshiki Ishikawa is approved, the Company plans to enter into the aforementioned liability limitation agreement with him.

Agenda Item No. 2: Election of Two Company Auditors

At the close of this General Meeting of Shareholders, company auditors Mr. Katsuhisa Yanagi and Mr. Mamoru Furushima will retire due to the expiration of their respective terms of office. Therefore, the Company hereby proposes the election of two company auditors.

In addition, the consent of the board of company auditors has been obtained for this proposal.

The candidates are as follows:

Candidate No.	Name		Important positions held at other companies	Attendance to the board of directors meetings	Attendance to the board of company auditors meetings
1	Mamoru Furushima Outside company auditor	Reelection Outside company auditor	Representative, Furushima Law & Accounting Office Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.	14/14	14/14
2	Takeshi Okuyama	New candidate Outside company auditor	Partner, Mori Hamada & Matsumoto	-/-	-/-

1 Mamoru Furushima (Date of birth: February 16, 1970)	Reelection	
	Outside company auditor	
	Number of years in office	4 years
	Attendance to the board of directors meetings	14/14
	Attendance to the board of company auditors meetings	14/14
	Number of the Company's common shares held	–

Profile and position at the Company

Oct. 1993	Joined Chuo Audit Corporation
Apr. 1997	Registered as a certified public accountant
Aug. 2000	Joined the Fuji Accounting Office
Aug. 2003	Joined PwC Advisory Co., Ltd.
Nov. 2007	Joined the Legal Training and Research Institute of Japan under the Supreme Court of Japan
Dec. 2008	Registered as a lawyer (Tokyo Bar Association)
Jan. 2009	Joined Okuno & Partners
Apr. 2015	Representative, Furushima Law & Accounting Office (current position)
Jun. 2015	Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd. (current position)
Dec. 2015	Outside Company Auditor (current position)

■ Reasons for nomination as candidate for outside company auditor

Mr. Mamoru Furushima has extensive experience and specialist knowledge as a certified public accountant and a lawyer and in-depth knowledge of auditing, and because he has provided useful advice and conducted auditing from an independent position, he is expected to provide such auditing, and has once again been nominated as candidate for outside company auditor. Although he has never been involved in corporate management other than serving as an outside officer, he is deemed capable of properly carrying out the duties of an outside company auditor of the Company for the reasons mentioned above.

■ Important positions held at other companies

Representative, Furushima Law & Accounting Office; Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.

2 Takeshi Okuyama (Date of birth: February 11, 1980)	New candidate	
	Outside company auditor	
	Number of years in office	– years
	Attendance to the board of directors meetings	–/–
	Attendance to the board of company auditors meetings	–/–
	Number of the Company's common shares held	–

Profile and position at the Company

Apr. 2002	Joined the Legal Training and Research Institute of Japan under the Supreme Court of Japan
Oct. 2003	Registered as a lawyer (Daini Tokyo Bar Association) Joined Mori Hamada & Matsumoto
Jan. 2011	Partner, Mori Hamada & Matsumoto (current position)
Apr. 2014	Associate Professor, Waseda Law School

■ Reasons for nomination as candidate for outside company auditor

Mr. Takeshi Okuyama has extensive experience and specialist knowledge as a lawyer and in-depth knowledge of corporate governance, corporate legal affairs and auditing, and he is deemed capable of properly carrying out the duties of company auditor, and has been nominated as candidate for outside company auditor. Although he has never been involved in corporate management, he is deemed capable of properly carrying out the duties of an outside company auditor of the Company for the reasons mentioned above.

■ Important positions held at other companies

Partner, Mori Hamada & Matsumoto

(Notes)

1. There are no special relationships between the Company and each of the candidates.
2. Mr. Mamoru Furushima and Mr. Takeshi Okuyama are candidates for outside company auditors.
3. The Company has entered into a liability limitation agreement with Mr. Mamoru Furushima. According to the aforementioned liability limitation agreement, his liability under Article 423, paragraph 1 of the Companies Act will not exceed either ¥5 million or the minimum liability amount stipulated in Article 425, paragraph 1 of the same Act, whichever is higher. If the proposed reelection of him is approved, the Company plans to again enter into the aforementioned liability limitation agreement with him. In addition, if the proposed election of Mr. Takeshi Okuyama is approved, the Company plans to enter into the aforementioned liability limitation agreement with him.

Business Report (From October 1, 2018 to September 30, 2019)

1. Current status of the SEPTENI Group

(1) Business progress and results

Earnings for the fiscal year under review

Individual smartphone ownership in Japan rose to 64.7% in 2018, as the quantitative expansion continued centered on Generation Z and the millennial generation, with the exceptionally high popularization rate of 80-90% of those in their teens through 30s now owning a smartphone. At the same time, the individual objectives for smartphone use are also diversifying with the increasing usage rate of SNS (social networking services), meaning we are also seeing a profound qualitative change in use (source: “Communications Usage Trend Survey in 2018,” Ministry of Internal Affairs and Communications). As such, with the smartphone becoming a mainstream device to access the Internet, in the market for various services and applications, expansion into content such as video, music, and e-books is accelerating. Additionally, social media is being used not only for communication, but is also expanding into fields such as payments and purchases. As its influence is growing even stronger, demand for marketing support utilizing the individual characteristics of different media as well as data and AI is also increasing further.

Amid this business environment, the Group moved forward with the development of the brand advertising market, which is experiencing particularly dramatic growth, began a business alliance with the Dentsu Group, and made steady progress in line with initial plans.

Moreover, to enhance competitiveness in the medium to long term, we proactively hired and developed human resources using AI-type personnel systems based on machine learning, and in our Media Content Business, we made upfront investment to expand the media scale mainly of the manga application “GANMA!” and to enhance the Company’s own content.

Meanwhile, AXEL MARK INC. was removed as an associate accounted for using equity method, and after measuring the residual equity at fair value, we recorded the losses incurred in the second quarter of the fiscal year under review. Moreover, our overseas consolidated subsidiary Lion Digital Global Ltd. is expected to continue to fall below the business plan initially projected at the time of its acquisition. We implemented an impairment test based on IFRS, and based the results of an evaluation of the possibility of future recovery, we recorded impairment losses of ¥1,802 million in the fiscal year under review for the goodwill and business assets we were aware of at the time of the acquisition.

As a result, revenue increased to ¥16,796 million (up 10.0% year on year), non-GAAP operating profit increased to ¥2,065 million (up 104.2% year on year), operating profit decreased to ¥183 million (down 81.3% year on year), loss before tax totaled ¥81 million (compared to profit before tax of ¥1,353 million in the previous term), loss totaled ¥542 million (compared to profit of ¥847 million in the previous term), and loss attributable to owners of parent totaled ¥547 million (compared to profit attributable to owners of parent of ¥847 million in the previous term).

Concerning year-end dividend for the business year under review, after taking into consideration the above-mentioned business performance and the Company’s basic policy on profit distribution, the Company passed a resolution at the board of directors meeting held on November 26, 2019 to pay a year-end dividend of ¥2.0 per share. Based on this decision, total dividends paid will be ¥256 million.

The overview of operating results by major business segment is as follows.

Internet Marketing Business

■ Major business

Development of comprehensive marketing support services for companies leveraging the Internet

In Japan and overseas, the Internet Marketing Business engages in the sales of Internet advertising and the operation of cloud-based CRM services and marketing platforms including affiliate networks.

Both the number of our customers and deliveries for large-scale customers steadily increased in the Japanese market. In the overseas market, business was sluggish for both the North American and Asian regions. Moreover, support for advertising operations for internet marketing projects handled by the Dentsu Group as well as the provision of knowledge and technology progressed according to plan and contributed to revenue expansion.

Revenue: ¥15,079 million
(Up 5.9% year on year)

Non-GAAP operating profit: ¥4,775 million
(Up 18.6% year on year)

Media Content Business

■ Major business

Manga Content Business, recruitment platform business, social contribution platform business, medical platform business, childcare platform business, and other businesses

The Manga Content Business engages in cultivating and supporting manga artists and operates a manga distribution service through the manga application “GANMA!,” the Company’s own media, for the purpose of planning and developing its own intellectual property (IP).

In the Manga Content Business in the business year under review, the business scale of the manga application “GANMA!” steadily expanded. Cumulative downloads of “GANMA!” exceeded approximately 13.00 million as of September 30, 2019, and the top line grew due to expansion in brand advertising and subscription fees, decreasing the deficit.

Revenue: ¥2,005 million
(Up 51.4% year on year)

Non-GAAP operating loss: ¥901 million
(Operating loss of ¥1,051 million
in the previous term)

(2) Trends in financial position and profit and loss

■ IFRS

Category	26th term (ended September 30, 2016) (Note 1)	27th term (ended September 30, 2017)	28th term (ended September 30, 2018)	29th term (ended September 30, 2019)
Revenue (Thousand yen)	13,861,870	14,702,191	15,272,040	16,795,505
Operating profit (Thousand yen)	4,154,446	2,247,808	976,788	183,133
Non-GAAP operating profit (Thousand yen)	4,146,751	2,324,552	1,011,156	2,064,899
Profit attributable to owners of parent (Thousand yen)	2,519,007	2,210,604	847,410	(546,929)
Total assets (Thousand yen)	29,980,944	32,928,735	33,371,240	30,412,576
Basic earnings per share (Yen) (Note 2)	19.43	17.38	6.71	(4.33)
Dividends per share (Yen)	16.00	3.20	2.00	2.00
Return on equity (ROE) (%)	19.8	15.1	5.5	(3.6)

(Notes)

1. Following the sale of part of shares of AXEL MARK INC. held by the Company, on November 10, 2016, this company and its subsidiaries have been excluded from the scope of consolidation, and as for the trends in profit and loss for the 26th term, the comparative period, the said business was reclassified as discontinued operations and retrospective adjustments were made.
2. The Company conducted a share split of common share at a ratio of 5 for 1 on October 1, 2016. Basic earnings per share based on IFRS above have been calculated on the assumption that the share split was conducted at the beginning of the 26th term.

■ Adoption of the IFRS: Aiming to achieve rapid growth as a global company

Since the first quarter of the fiscal year ended September 30, 2016, the Group has applied the International Financial Reporting Standards (IFRS).

What has changed by IFRS?

1. Revenue has changed

The conventional recording of the total amount (gross) has been changed to recording of net amounts in the sale by advertising agents, which comprises a large part of the Internet Marketing Business.

2. The treatment of goodwill has changed

While straight-line amortization was applied to goodwill based on the Japanese GAAP, goodwill is not amortized on IFRS but requires an impairment test every year. This creates an impairment risk.

(3) Issues to be addressed

Aiming to achieve further profit growth and corporate value, the Group has formulated new Midterm Business Policies for the years from the fiscal year ending September 30, 2020. We present the details below.

■ Performance Target (Million yen)

	Fiscal year ending September 30, 2020 Plan	Fiscal year ending September 30, 2021 Plan	Fiscal year ending September 30, 2022 Plan
Revenue	19,000	22,000	25,000
Non-GAAP operating profit	2,500	3,000	3,600

* The Group revises the Midterm Business Policies on a rolling basis each fiscal year.

In the market for various services and applications, expansion into content such as video, music, and e-books is accelerating. Additionally, social media is being used not only for communication, but is also expanding into fields such as payments and purchases. As its influence is growing even stronger, demand for marketing support utilizing the individual characteristics of different media as well as data and AI is also increasing further.

Amid this business environment, we have positioned “domain expansion” as a midterm theme, and from the fiscal year ending September 30, 2020, we will change the names of our reportable segments: the “Internet Marketing Business” to the “Digital Marketing Business,” and the “Media Content Business” to the “Media Platform Business.”

In the Digital Marketing Business, the maturation of the existing direct response market has required us to concentrate our attention on achieving organic growth through the development of new markets and promoting cooperation with the Dentsu Group. We are promoting expansion from advertising agency to the data/solution domain (AI, CRM, SaaS, etc.), from the performance advertising market to the brand advertising market, and from online advertising to a fusion of online and offline advertising.

In the Media Platform Business, with upfront investment in the manga application “GANMA!” past its peak and investment in new businesses contributing to revenue, going forward we will combine the strengths of individual companies and polish Group-wide growth potential. We will work to expand “GANMA!” to create a content platform, to expand individual businesses from single media to media conglomerates, and to expand from the independent operations of individual companies to a growth platform.

Moreover, we will also evaluate expanding into new business segments.

(4) Capital investments

Nothing noteworthy to report.

(5) Financing

Nothing noteworthy to report.

(6) Business transfers, absorption-type company split or incorporation-type company split

Not applicable.

(7) Business transfers from other companies

Not applicable.

(8) Succession of rights and obligations relating to other entities’ business as a result of absorption-type merger or company split

Not applicable.

(9) Acquisition or disposal of shares, other equities or share options of other companies

From August 14 to September 12 in the business year under review, the Company sold all of its 1,041,500 shares of AXEL MARK INC.

(10) Parent and significant subsidiaries

1) Relationship with the parent

Not applicable.

2) Significant subsidiaries

Company name	Capital or investment in capital (Thousand yen)	Ratio of voting right of the Company	Major business
SEPTENI CO., LTD.	300,000	100.0%	Internet ad agency
COMICSMART INC.	350,000	100.0%	Manga Content Business

(Notes)

1. The Company owns a total of 31 consolidated subsidiaries, including the significant subsidiaries described above.
2. The Company does not own any subsidiaries that are specified wholly owned subsidiaries as provided in Article 118, item 4 of the Regulation for Enforcement of the Companies Act.

(11) Major offices (as of September 30, 2019)

Company name	Office name	Location
The Company	Headquarters	Shinjuku-ku, Tokyo
SEPTENI CO., LTD.	Headquarters	Shinjuku-ku, Tokyo
COMICSMART INC.	Headquarters	Shinjuku-ku, Tokyo

(12) Employees (as of September 30, 2019)

Number of employees	Increase/decrease from the previous term-end
1,147	42 decrease

(Note) The number of employees indicates the number of working employees.

(13) Major creditors (as of September 30, 2019)

Creditor	Amount of loans (Million yen)
Mizuho Bank, Ltd.	3,800
Sumitomo Mitsui Banking Corporation	750

(14) Other important matters regarding the current status of the Group

At the board of directors meeting held on October 30, 2018, the Company approved a resolution to express an opinion supporting the tender offer (“Tender Offer”) for common shares of the Company by Dentsu Inc. (“Dentsu”), to leave the decision of whether to tender shares in the Tender Offer to the judgement of the Company’s shareholders, to execute a capital and business alliance agreement with Dentsu (“Capital and Business Alliance Agreement”), and as a result of the Tender Offer, to issue new shares and dispose of treasury shares through third-party allotment to Dentsu (“Transaction”) pursuant to the Capital and Business Alliance Agreement.

As a result of the above, the Tender Offer for common shares of the Company by Dentsu took place during the period starting on October 31, 2018 and ending on December 11, 2018 (payment commencement date: December 18, 2018). The number of shares that was acquired as a result of the Tender Offer was 26,895,000 shares. As a result of the Transaction, as of September 30, 2019, Dentsu owns 20.98% of the Company’s voting rights, and is a major shareholder in the Company, its largest shareholder as a major shareholder, and other affiliate.

2. Status of the Company

(1) Matters regarding shares (as of September 30, 2019)

- 1) Number of shares authorized 370,080,000 shares
- 2) Number of shares issued 138,906,500 shares (including 10,724,240 treasury shares)
- 3) Number of shareholders 7,805 (2,396 decrease from the previous business year-end)
- 4) Major shareholders (top 10 shareholders, excluding treasury shares)

Name of shareholder	Number of shares (shares)	Shareholding ratio (%)
Dentsu Inc.	26,895,001	20.98
Village seven Co., Ltd.	14,719,000	11.48
Mamoru Nanamura	13,950,500	10.88
Japan Trustee Services Bank, Ltd. (Trust Account)	9,428,200	7.36
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,964,900	4.65
GOLDMAN SACHS INTERNATIONAL	3,367,850	2.63
STATE STREET BANK AND TRUST COMPANY 505019	2,133,300	1.66
Hiroshi Shimizu	2,010,000	1.57
The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account 76034)	1,739,200	1.36
JPMorgan Securities Japan Co., Ltd.	1,667,751	1.30

(Notes)

1. The above shareholding ratios exclude treasury shares (10,724,240 shares).
2. The treasury shares do not include the Company's shares owned by the officer remuneration BIP (Board Incentive Plan) trust (1,739,200 shares).

5) Other important matters regarding shares

Not applicable.

(2) Matters regarding share options, etc.

1) Status of share options, etc. held by officers of the Company (as of September 30, 2019)

Date of resolution of issue	June 10, 2004	March 10, 2005	January 25, 2006	
Category	Director	Director	Director	Company Auditor
Number of holders	1	1	2	1
Number of share options	60	45	120	10
Number of shares to be issued upon exercise of share options	120,000 shares	90,000 shares	120,000 shares	10,000 shares
Class of shares to be issued upon exercise of share options	Common shares	Common shares	Common shares	
Issue price	Without contribution	Without contribution	Without contribution	
Amount to be paid per share upon exercise of share options	¥7	¥7	¥7	
Exercise period of share options	From June 29, 2004 to December 18, 2033	From March 16, 2005 to December 16, 2034	From February 1, 2006 to December 20, 2035	
Remarks	Share options in share-based payment arrangement	Share options in share-based payment arrangement	Share options in share-based payment arrangement	

(Notes)

1. Share options are not granted to outside directors.
2. As the Company implemented share splits, the number of shares and issue price provided above were adjusted accordingly.

The share splits for which adjustments were made are listed below.

- (1) Share split at a ratio of two shares per common share on May 20, 2005
- (2) Share split at a ratio of 200 shares per common share on October 1, 2013
- (3) Share split at a ratio of five shares per common share on October 1, 2016

- 2) Status of share options, etc. delivered to employees, etc. during the business year under review

Not applicable.

- 3) Other important matters regarding share options, etc.

Not applicable.

(3) Matters regarding company officers (as of September 30, 2019)

1) Directors and company auditors

Position	Name	Duties and important positions held at other companies
Representative Director	Koki Sato	Executive Officer, Dentsu Inc.
Representative Director	Isamu Ueno	
Director	Tadahiro Matsuda	
Director	Tatsuya Kimura	Professor, Waseda University Graduate School of Business and Finance
Director	Etsuko Okajima	CEO, ProNova Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Link and Motivation Inc. Outside Director, euglena Co., Ltd. External Director, Money Forward, Inc.
Director	Yusuke Asakura	Representative Director, Signifiant Inc. Visiting scholar, National Graduate Institute for Policy Studies
Internal Company Auditor	Muneyoshi Nomura	
Internal Company Auditor	Nobuo Kojima	
Company Auditor	Katsuhisa Yanagi	
Company Auditor	Mamoru Furushima	Representative, Furushima Law & Accounting Office Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.

2) Directors who resigned during the business year under review

Name	Date of retirement	Reason for retirement	Position and duties at the Company and important positions at other companies at the time of retirement
Seiji Yasubuchi	March 31, 2019	Resignation	Outside Director President and Representative Director, Visa Worldwide Japan Co., Ltd.

(Notes)

- Directors Tatsuya Kimura, Etsuko Okajima and Yusuke Asakura are outside directors.
- Company auditors Katsuhisa Yanagi and Mamoru Furushima are outside company auditors.
- Company auditor Mamoru Furushima is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
- The Company has designated directors Tatsuya Kimura, Etsuko Okajima and Yusuke Asakura as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange.
- The Company has entered into agreements with all outside directors and outside company auditors that limit their liability for damages as set forth in Article 423, paragraph 1 of the Companies Act. The limit on liability for damages under said agreement is ¥5 million or the minimum liability amount provided for by Article 425, paragraph 1 of the Companies Act, whichever is higher. In addition, the Company had entered into the same agreement with Seiji Yasubuchi, who retired from his position of outside director on March 31, 2019.

3) Amount of remunerations to directors and company auditors

Category	Number of payees	Officers' remunerations	Remarks
Director	7	¥139,008 thousand	Including ¥26,400 thousand for three outside directors
Company Auditor	4	¥46,500 thousand	Including ¥14,400 thousand for two outside company auditors

(Notes)

- Of all directors, part of remunerations, etc. for serving concurrently as directors of subsidiaries of the Company are borne by the subsidiaries as expenses. Amount of remunerations, etc. to directors, combining the amount borne by the Company above and the amount borne by the subsidiaries, is ¥173,976 thousand.
- The number of payees includes one director who retired at the close of the 28th Ordinary General Meeting of Shareholders held on December 19, 2018. One outside director who serves without remuneration is not included in the number of payees.

4) Outside officers

(a) Relationships between the Company and other companies where outside officers hold important positions

Category	Name	Important positions held at other companies	Relationship with the Company
Director	Tatsuya Kimura	Professor, Waseda University Graduate School of Business and Finance	There is no business relationship.
Director	Etsuko Okajima	CEO, ProNova Inc.	There is no important business relationship.
		External Director, MARUI GROUP Co., Ltd.	There is no business relationship.
		Outside Director, Link and Motivation Inc.	There is no business relationship.
		Outside Director, euglena Co., Ltd.	There is no business relationship.
		External Director, Money Forward, Inc.	There is no business relationship.
Director	Seiji Yasubuchi	President and Representative Director, Visa Worldwide Japan Co., Ltd.	There is no business relationship.
Director	Yusuke Asakura	Representative Director, Signifiant Inc.	There is no business relationship.
		Visiting scholar, National Graduate Institute for Policy Studies	There is no business relationship.
Company Auditor	Mamoru Furushima	Representative, Furushima Law & Accounting Office	There is no business relationship.
		Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.	There is no business relationship.

(Note) The relationship with the Company described for Director Seiji Yasubuchi describes the status that existed before he retired from his position on March 31, 2019.

(b) Major activities in the business year under review

Category	Name	Major activities
Director	Tatsuya Kimura	Mr. Kimura attended all board of directors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as an academic. Moreover, he has expressed opinions, etc. appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company.
Director	Etsuko Okajima	Ms. Okajima attended all board of directors meetings held during the business year under review, where she made comments primarily informed by her experience and insight as a corporate manager. Moreover, she has expressed opinions appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company.
Director	Seiji Yasubuchi	During the business year under review, Mr. Yasubuchi attended 5 of 8 board of directors meetings held before he retired from his position on March 31, 2019, where he made comments primarily from his professional viewpoints as a corporate manager.
Director	Yusuke Asakura	Mr. Asakura attended all board of directors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a person with experience in corporate management. Furthermore, as the chairperson of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company, he has led deliberations on nomination of directors and compiled proposed recommendations as the committee.
Company Auditor	Katsuhisa Yanagi	Mr. Yanagi attended all board of directors meetings and all board of company auditors meetings held during the business year under review, where he made comments as required. In addition, he attended other important management meetings and he performed monitoring of the directors' performance of their duties.
Company Auditor	Mamoru Furushima	Mr. Furushima attended all board of directors meetings and all board of company auditors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a certified public accountant and as a lawyer.

(4) Financial auditor (as of September 30, 2019)

1) Name

Deloitte Touche Tohmatsu LLC

2) Amount of remuneration, etc.

- (a) Remuneration for audit services set forth in Article 2, paragraph 1 of the Certified Public Accountants Act to be paid by the Company

¥41,197 thousand

- (b) Total amount of cash and other economic benefits to be paid to the financial auditor by the Company and its subsidiaries

¥41,197 thousand

(Notes)

1. The audit contract between the Company and the financial auditor does not distinguish between remuneration paid for the audit conducted in accordance with the Companies Act and remuneration paid for the audit conducted in accordance with the Financial Instruments and Exchange Act. Accordingly, the amount above is the aggregate amount.
2. The board of company auditors, based upon the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association, conducts confirmation of the auditing plans of the financial auditor, the status of execution of audit, the grounds for calculation of remuneration estimates and other matters, and having investigated these, gives consent to remuneration, etc. for the financial auditor in accordance with Article 399, paragraph 1 of the Companies Act.

3) Details of limited liability agreement

The Company has entered into an agreement with the financial auditor that limits the liability thereof for damages as set forth in Article 423, paragraph 1 of the Companies Act. The limit on liability for damages under said agreement is ¥30 million or the minimum liability amount provided for by Article 425, paragraph 1 of the Companies Act, whichever is higher.

4) Policy for determining of the dismissal or non-reappointment of financial auditor

In the event that there is an obstacle to the execution of duties by the financial auditor, or when otherwise deeming the action necessary, the board of company auditors will determine the content of an agenda to be proposed to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the financial auditor. In addition, when any of the matters prescribed in the items in Article 340, paragraph 1 of the Companies Act are applicable to the financial auditor, the board of company auditors will dismiss the financial auditor with the unanimous consent of the company auditors.

5) Business suspension order to which the financial auditor was subjected during the past two years

Nothing noteworthy to report.

3. Structure and policy of the Company

(1) Policy regarding the determination of dividends of surplus, etc.

With regard to the dividends of surplus, we will consider our consolidated earnings performance for each business year, the need to fortify our financial position, the Group's forward-looking business strategy, and other factors while at the same time endeavoring to maintain a dividend payout ratio of around 15% of profit attributable to owners of parent and provide a return of profit within the limit of the distributable amount of the Company. Furthermore, taking into consideration the importance of continuity and stability of dividend payments, we have established a general principle to provide a minimum annual dividend of ¥2 per share to follow a basic practice of providing an appropriate level of profit distribution in accordance with the business growth. In addition, we will endeavor to utilize our internal reserves for investments in training personnel, optimizing and reinvigorating our existing businesses, and capturing new business areas that have the potential for high growth and profitability.

Furthermore, as for the acquisition of treasury shares, the Company shall implement it appropriately while taking into account the financial status, trend of the share price and other factors, in order to increase shareholder returns through improvement of the capital efficiency as well as to pursue the agile capital policy that responds to changes in the management environment.

Based on these policies, the Company will pay a year-end dividend of ¥2.0 per share for the business year under review.

(2) Systems to ensure the properness of operations

1) Systems to ensure the properness of operations of the corporate group comprised of the Company and its subsidiaries

- (a) The corporate group comprised of the Company and its subsidiaries (hereinafter referred to as the "Group") is managed under a holding company structure in which the Company, which is the ultimate parent company, is a holding company and its subsidiaries are operating companies. By separating the managerial function from the function of executing its individual businesses, the Group shall work to facilitate the delegation of authority to its operating subsidiaries and strengthen the Company's function of monitoring the Group's businesses.
- (b) The Company's function of managing the business of its operating subsidiaries shall be implemented effectively and efficiently based on the execution of its direct and indirect shareholders' rights and under the "Basic Agreement on Business Management Services for the Group" entered into with the operating subsidiaries.
- (c) The Company shall establish principles, regulations, guidelines and others common to the Group to ensure efficient and proper execution of duties by the Group's directors, Group Executive Officers and employees (hereinafter referred to as "officers and employees").
- (d) The Company shall clarify a system for reporting any situations concerning execution of duties by the Group's officers and employees such as the state of the business and financial results to the Company's board of directors or the Group Management Meeting. In cases where certain significant decisions are made, prior approval of the Company's board of directors or the Group Management Meeting shall be required.
- (e) The Internal Auditing Office of the Company shall provide assurance operations (auditing and guarantee function) and consulting operations (advisory and guidance function) from an independent and objective position to the Group, and examine and assess the status of ensuring the properness of operations of the entire Group.

2) Systems to ensure compliance with laws and regulations and the Articles of Incorporation by directors and employees when executing their duties

- (a) Officers and employees of the Group shall recognize compliance with laws and regulations and social ethics as being one of basic points for the Group to fulfill its corporate social responsibilities (CSR) and achieve sustainable growth, and practice the compliance through the Group's CSR activities.
- (b) The Group's corporate philosophy and code of conduct shall call for compliance with laws and regulations and social ethics and adopt it as the Group's basic policy for the business operation.

- (c) Directors and Group Executive Officers of the Group shall practice and encourage the compliance with laws and regulations and social ethics proactively.
 - (d) Directors and Group Executive Officers shall assign authorities for execution of duties appropriately and clearly and execute the duties in accordance with regulations including the regulations of the board of directors and the regulations of the Executive Officers.
 - (e) In the event that directors and Group Executive Officers find a violation of laws and regulations or other important facts regarding compliance, they shall report to the Company's board of directors or the Group Management Meeting without delay and take corrective measures.
 - (f) The Company shall conduct regular compliance trainings for the Group's officers and employees continuously and have the Internal Auditing Office, which is directly under Group President and Chief Executive Officer, perform internal audits of the Group.
 - (g) In order to respond appropriately to reporting or consultation from the Group's officers and employees on organizational or individual violations of laws and regulations, detect and amend inappropriate actions and others early, and strengthen the compliance, the Company shall establish a whistleblower hotline with external lawyers being as the person who directly receives a report.
- 3) Systems for the storage and management of information regarding the execution of duties by directors
- (a) With regard to information security of the Group, the Company shall set the "Basic Policy on Information Security," develop internal regulations regarding information security in line with laws and regulations, and establish the "Security Management Office" to oversee and manage information security in an integrated and effective manner under the common policy as the Group.
 - (b) With regard to documents, forms and other records related to duties of the Group's officers and employees (including electromagnetic records), the Company shall develop internal regulations regarding document management in line with laws and regulations, and manage and store such documents in an integrated and effective manner under the common policy as the Group.
 - (c) With regard to personal information management of the Group, the Company shall establish "Privacy Policy," develop internal regulations regarding personal information security in line with laws and regulations, and manage such information in an integrated and effective manner under the common policy as the Group.
 - (d) With regard to documents, forms and other records related to duties of the Group's officers and employees (including electromagnetic records), the Company shall establish a system to ensure that directors and company auditors can have access to these records at any time.
 - (e) With regard to insider information on shares of listed companies, the Company shall establish the "Group Regulations on Prevention of Insider Trading," manage such information in an integrated and effective manner under the common policy as the Group, and communicate it to the division in charge of information disclosure appropriately.
 - (f) When storing and managing information through electromagnetic records, the Company shall strive to gather the up-to-date information on threats for electronic information to build the latest system for storage and management possible.
- 4) Regulations and other systems for managing the risk of loss
- (a) In order to recognize significant events that may affect the business management of the Group, identify, analyze and assess risks that may harm the development and growth of the business, and make responses to the risks such as risk aversion, mitigation, transfer and others, the Company shall establish the "Group Risk Management Regulations" and 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.
 - (b) With regard to usual risk management of the Group, each operating subsidiary or division shall make a risk assessment and response to the risk, and the Group Risk Management Committee shall receive a report from the operating subsidiary or division and oversee the risk management of the Group.
 - (c) In case of an emergency, the "Crisis Management Headquarters" with the Group President and Chief Executive Officer as its head shall oversee the risk management of the Group.

- (d) Risk management policies of the entire Group as well as assessment of and responses to the risks related to strategic decision-making such as management strategy and merger and acquisition shall be treated as the exclusive prerogatives of the Company's board of directors. In making these management decisions, the Company shall assess the risks appropriately.
 - (e) The Company shall establish a reporting system for any event or indication that may affect the Group significantly in cases where risks have become apparent, so that its board of directors can figure out such an event or indication in advance.
- 5) Systems to ensure the efficient execution of duties by directors
- (a) The Company's board of directors shall make decisions on matters stipulated in laws and regulations and the Articles of Incorporation and the execution of important operations, and transfer its authority to Group Executive Officers with regard to the execution of other operations pursuant to the "regulations of the board of directors" and the "Resolution and Entrustment Criteria" to ensure swiftness and efficiency of the execution of duties.
 - (b) Multiple subsidiary groups that are part of the same chain of command in the Group shall be deemed as companies without board of directors in terms of institutional design under the Companies Act in order to promote the swiftness and efficiency of the decision-making process. Their information shall be consolidated by the Company's board of directors or the management meeting of the core subsidiary to uniform the decision-making process.
 - (c) Directors and Group Executive Officers shall execute duties efficiently based on the Midterm Business Policies and goals and annual budget set by the Company's board of directors, as well as report the progress of these policies and goals and budget to the Company's board of directors or the Group Management Meeting and implement necessary improvement measures.
 - (d) In cases where subsidiaries make significant decisions, approval of the Company's board of directors or the Group Management Meeting shall be required, and coordination shall be made for the efficient resource allocation avoiding overlaps of business activities and capital investments between the Company and subsidiaries or between subsidiaries.
- 6) Matters relating to employees that assist the company auditors upon the request of such company auditors, independence of the relevant employees from directors and effectiveness of directions given to such employees of the company auditors to be ensured
- (a) Employees that assist the company auditors shall be assigned at the request of company auditors.
 - (b) Employees that assist the company auditors shall not concurrently serve other duties and posts.
 - (c) Matters related to personnel evaluations, personnel transfers, disciplinary actions, etc. for employees that assist the company auditors shall be conducted separately from the other employees and determined with the consent of the company auditors.
- 7) Systems for enabling directors and employees to make reports to company auditors and systems for ensuring that the persons who made such reports shall not be treated disadvantageously on the grounds that they have submitted the said reports
- (a) Company auditors of the Company may attend the board of directors meetings of the Company, Group Management Meeting and other important meetings, and request explanations from officers and employees as necessary.
 - (b) In cases where company auditors request reports on operations or inspections of documents such as minutes, approval documents and accounting books, officers and employees of the Group shall respond to the request in a prompt and appropriate manner.
 - (c) In the event that officers and employees of the Group detect any facts or situations that may cause significant damage to the companies, such officers and employees shall immediately report the matters to company auditors.
 - (d) The Company shall establish regulations for prohibiting removal from duty, discharge and any other disadvantageous treatment to officers and employees of the Group on the grounds that the officers and employees made a report to company auditors, and make the regulations well known.

- (e) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the board of company auditors.
- 8) Matters relating to policies on procedures for prepayment or reimbursement of expenses arising from the execution of duties by company auditors and processing of other expenses or obligations arising from the execution of duties by company auditors
- Expenses that are considered necessary in the execution of duties of company auditors shall be budgeted in advance. In cases where company auditors request payment for reasonable expenses for the execution of their duties, the Company shall accept the request.
- 9) Systems for ensuring the effective functioning of audits by company auditors
- (a) The Company shall ensure that it provides its company auditors with opportunities to sufficiently exchange opinions with the Group President and Chief Executive Officer, outside directors, financial auditor and internal auditors.
- (b) The Company shall establish a system that allows its company auditors to perform audits equivalent to audits of the Company by the company auditors under individual agreements between the Company and its subsidiaries, in addition to investigations of subsidiaries under laws and regulations, so that the company auditors can audit the entire Group effectively and efficiently as needed.
- (3) Overview of status of management of systems to ensure the properness of operations
- 1) Information on compliance and risk management
- With regard to the status of compliance and risk management among the entire Group, the Company shall regularly hold the meeting of the Group Risk Management Committee and share the information relating to the correspondence status, etc.
- Regular compliance trainings for officers and employees have been provided to raise the employee's awareness on compliance. In addition, the Company established the internal reporting system for the Group and informed all employees about it.
- 2) Information on the execution of duties by directors
- The board of directors comprises of six directors, including three outside directors. In addition, four company auditors including two outside company auditors also attend the meetings of the board of directors. During the business year under review, the board of directors held meetings 14 times to ensure the execution of duties in compliance with laws and regulations and the Articles of Incorporation by means of the managerial decision-making through full and thorough discussions and other measures.
- 3) Information on the execution of duties by company auditors
- The board of company auditors comprises of four company auditors, including two outside company auditors. During the business year under review, the board of company auditors held meetings 14 times to mainly receive reports from internal company auditor on the status of operations of the Company and exchange opinions mutually among company auditors.
- In addition to that, company auditors shall provide supervision of execution of duties by directors by attending the important meetings including the meeting of the board of directors and Group Management Meeting, and regularly exchange information with the Group President and Chief Executive Officer, financial auditor and Internal Auditing Office.

(Note) Figures in this Business Report are rounded to the nearest units.

Consolidated Financial Statements

Consolidated Statement of Financial Position

			(Thousand yen)		
Account	29th term (At September 30, 2019)	(Reference) 28th term (At September 30, 2018)	Account	29th term (At September 30, 2019)	(Reference) 28th term (At September 30, 2018)
Assets			Liabilities and Equity		
Current assets			Liabilities		
Cash and cash equivalents	14,488,431	14,922,272	Current liabilities		
Trade receivables	10,032,303	10,144,715	Trade payables	8,799,475	9,112,773
Inventories	19,870	10,072	Other financial liabilities	1,536,893	1,800,640
Other financial assets	102,853	119,284	Income taxes payable	229,836	187,769
Other current assets	489,319	1,027,049	Other current liabilities	1,162,809	1,588,865
Total current assets	25,132,776	26,223,392	Total current liabilities	11,729,013	12,690,047
Non-current assets			Non-current liabilities		
Property, plant and equipment	382,685	493,547	Other financial liabilities	3,765,250	4,624,078
Goodwill	-	1,831,176	Provisions	109,359	109,455
Intangible assets	112,545	173,666	Deferred tax liabilities	-	217,626
Investments accounted for using equity method	887,521	1,827,963	Total non-current liabilities	3,874,609	4,951,159
Other financial assets	2,990,742	2,141,378	Total liabilities	15,603,622	17,641,206
Other non-current assets	12,725	6,674	Equity		
Deferred tax assets	893,582	673,444	Equity attributable to owners of parent		
Total non-current assets	5,279,800	7,147,848	Share capital	2,125,314	2,120,484
			Capital surplus	3,664,788	3,663,023
			Treasury shares	(1,691,842)	(1,691,819)
			Retained earnings	10,750,768	11,493,305
			Other components of equity	(52,914)	87,244
			Total equity attributable to owners of parent	14,796,114	15,672,237
			Non-controlling interests	12,840	57,797
			Total equity	14,808,954	15,730,034
Total assets	30,412,576	33,371,240	Total liabilities and equity	30,412,576	33,371,240

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Profit or Loss

Account	(Thousand yen)	
	29th term (From October 1, 2018 to September 30, 2019)	(Reference) 28th term (From October 1, 2017 to September 30, 2018)
Revenue	16,795,505	15,272,040
Cost of sales	2,832,790	2,597,618
Gross profit	13,962,715	12,674,422
Selling, general and administrative expenses	11,923,796	11,693,238
Other income	41,337	32,991
Other expenses	1,897,123	37,387
Operating profit	183,133	976,788
Finance income	154,334	147,786
Finance costs	80,494	72,344
Share of profit (loss) of investments accounted for using equity method	(338,283)	301,104
Profit (loss) before tax	(81,310)	1,353,334
Income tax expense	460,213	506,732
Profit (loss)	(541,523)	846,602
Profit (loss) attributable to:		
Owners of parent	(546,929)	847,410
Non-controlling interests	5,406	(808)
Total	(541,523)	846,602

(Note) Figures are rounded to the nearest unit.

(Reference) Consolidated Statement of Comprehensive Income

	(Thousand yen)	
Account	29th term (From October 1, 2018 to September 30, 2019)	28th term (From October 1, 2017 to September 30, 2018)
Profit (loss)	(541,523)	846,602
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net changes in financial assets measured at fair value through other comprehensive income	59,516	11,764
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(131,634)	54,822
Cash flow hedges	(2,900)	(13,029)
Share of other comprehensive income of entities accounted for using equity method	(1,717)	300
Total other comprehensive income, net of tax	(76,735)	53,857
Total comprehensive income	(618,258)	900,459
Comprehensive income attributable to:		
Owners of parent	(623,664)	901,267
Non-controlling interests	5,406	(808)
Comprehensive income	(618,258)	900,459

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Changes in Equity

29th term (From October 1, 2018 to September 30, 2019)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2018	2,120,484	3,663,023	(1,691,819)	11,493,305	87,244	15,672,237	57,797	15,730,034
Profit (loss)	–	–	–	(546,929)	–	(546,929)	5,406	(541,523)
Other comprehensive income	–	–	–	–	(76,735)	(76,735)	–	(76,735)
Total comprehensive income	–	–	–	(546,929)	(76,735)	(623,664)	5,406	(618,258)
Issuance of new shares	4,830	1,765	–	–	(6,245)	350	–	350
Dividends of surplus	–	–	–	(252,786)	–	(252,786)	–	(252,786)
Purchase and disposal of treasury shares	–	–	(23)	–	–	(23)	–	(23)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	–	–	–	–	–
Changes in ownership interests in subsidiaries that result in loss of control	–	–	–	–	–	–	(50,363)	(50,363)
Other	–	–	–	57,178	(57,178)	–	–	–
Total transactions with owners	4,830	1,765	(23)	(195,608)	(63,423)	(252,459)	(50,363)	(302,822)
Balance at September 30, 2019	2,125,314	3,664,788	(1,691,842)	10,750,768	(52,914)	14,796,114	12,840	14,808,954

(Note) Figures are rounded to the nearest unit.

(Reference) 28th term (From October 1, 2017 to September 30, 2018)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2017	2,113,611	3,647,815	(1,691,818)	11,018,315	84,355	15,172,278	51,254	15,223,532
Profit	–	–	–	847,410	–	847,410	(808)	846,602
Other comprehensive income	–	–	–	–	53,857	53,857	–	53,857
Total comprehensive income	–	–	–	847,410	53,857	901,267	(808)	900,459
Issuance of new shares	6,874	6,874	–	–	(13,485)	263	–	263
Dividends of surplus	–	–	–	(409,904)	–	(409,904)	–	(409,904)
Purchase and disposal of treasury shares	–	–	(1)	–	–	(1)	–	(1)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	8,334	–	–	–	8,334	7,482	15,816
Changes in ownership interests in subsidiaries that result in loss of control	–	–	–	–	–	–	–	–
Other	(1)	–	–	37,484	(37,483)	–	(131)	(131)
Total transactions with owners	6,873	15,208	(1)	(372,420)	(50,968)	(401,308)	7,351	(393,957)
Balance at September 30, 2018	2,120,484	3,663,023	(1,691,819)	11,493,305	87,244	15,672,237	57,797	15,730,034

(Note) Figures are rounded to the nearest unit.

Non-consolidated Financial Statements
Non-consolidated Balance Sheet

		(Thousand yen)	
Account	29th term (At September 30, 2019)	Account	29th term (At September 30, 2019)
Assets		Liabilities	
Current assets	10,729,371	Current liabilities	992,660
Cash and deposits	8,517,730	Current portion of long-term loans payable	600,000
Accounts receivable - trade	281,608	Accounts payable - other	234,769
Supplies	1,484	Accrued expenses	48,730
Prepaid expenses	116,991	Income taxes payable	45,909
Accounts receivable - other	1,698,187	Deposits received	11,089
Income taxes receivable	111,007	Provision for bonuses	16,000
Other	2,361	Other	36,161
Non-current assets	4,888,694	Non-current liabilities	3,251,016
Property, plant and equipment	197,878	Long-term loans payable	3,200,000
Buildings	105,912	Other	51,016
Tools, furniture and fixtures	91,965	Total liabilities	4,243,677
Intangible assets	115,066	Net Assets	
Software	114,438	Shareholders' equity	11,409,681
Other	627	Capital stock	2,125,314
Investments and other assets	4,575,750	Capital surplus	2,720,904
Investment securities	1,790,885	Legal capital surplus	2,533,932
Shares of subsidiaries and associates	1,737,602	Other capital surplus	186,971
Long-term loans receivable from subsidiaries and associates	200,000	Retained earnings	8,255,305
Lease and guarantee deposits	783,895	Legal retained earnings	70,867
Deferred tax assets	53,766	Other retained earnings	8,184,438
Other	9,600	General reserve	400,000
		Retained earnings brought forward	7,784,438
		Treasury shares	(1,691,841)
		Valuation and translation adjustments	(35,293)
		Valuation difference on available-for-sale securities	(83)
		Deferred gains or losses on hedges	(35,210)
		Total net assets	11,374,388
Total assets	15,618,065	Total liabilities and net assets	15,618,065

(Note) Figures are rounded down to the nearest unit.

Non-consolidated Statement of Income

(Thousand yen)

Account	29th term (From October 1, 2018 to September 30, 2019)
Operating revenue	3,025,894
Operating expenses	1,838,571
Operating profit	1,187,322
Non-operating income	253,172
Interest income	526
Dividend income	66,116
Gain on valuation of investment securities	174,875
Other	11,653
Non-operating expenses	126,641
Interest expenses	32,431
Loss on valuation of investment securities	24,685
Share listing related expenses	17,162
Commission fee	52,359
Other	2
Ordinary profit	1,313,852
Extraordinary income	166,913
Gain on sales of investment securities	166,913
Extraordinary losses	797,662
Loss on valuation of shares of subsidiaries and associates	789,294
Other	8,368
Profit before income taxes	683,104
Income taxes - current	8,607
Income taxes - deferred	1,862
Profit	672,634

(Note) Figures are rounded down to the nearest unit.

Non-consolidated Statement of Changes in Equity

29th term (From October 1, 2018 to September 30, 2019)

(Thousand yen)

	Shareholders' equity										Valuation and translation adjustments			Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surpluses		General reserve	Retained earnings brought forward	Total retained earnings							
Balance at beginning of current period	2,120,484	2,532,167	186,971	2,719,138	70,867	400,000	8,277,628	8,748,495	(1,691,818)	11,896,299	-	(32,309)	(32,309)	6,245	11,870,234
Cumulative effects of error corrections	-	-	-	-	-	-	(909,560)	(909,560)	-	(909,560)	-	-	-	-	(909,560)
Balance at beginning of current period reflecting retrospective application	2,120,484	2,532,167	186,971	2,719,138	70,867	400,000	7,368,068	7,838,935	(1,691,818)	10,986,739	-	(32,309)	(32,309)	6,245	10,960,674
Changes of items during period															
Issuance of new shares	4,829	1,765	-	1,765	-	-	-	-	-	6,595	-	-	-	(6,245)	350
Dividends of surplus	-	-	-	-	-	-	(256,264)	(256,264)	-	(256,264)	-	-	-	-	(256,264)
Profit	-	-	-	-	-	-	672,634	672,634	-	672,634	-	-	-	-	672,634
Purchase of treasury shares	-	-	-	-	-	-	-	-	(22)	(22)	-	-	-	-	(22)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-	(83)	(2,900)	(2,983)	-	(2,983)
Total changes of items during period	4,829	1,765	-	1,765	-	-	416,370	416,370	(22)	422,942	(83)	(2,900)	(2,983)	(6,245)	413,713
Balance at end of current period	2,125,314	2,533,932	186,971	2,720,904	70,867	400,000	7,784,438	8,255,305	(1,691,841)	11,409,681	(83)	(35,210)	(35,293)	-	11,374,388

(Note) Figures are rounded down to the nearest unit.

Audit Report

With respect to the directors' performance of their duties during the 29th business year from October 1, 2018 to September 30, 2019, the board of company auditors has prepared this audit report after deliberations based on the audit reports prepared by each of the company auditors, and hereby reports as follows:

1. Method and Contents of Audit by the Company Auditors and the Board of Company Auditors

- (1) The board of company auditors has established the audit policies, allocation of duties, etc. and received a report from each of the company auditors regarding the status of implementation of their audits and results thereof. In addition, the board of company auditors has received reports from the directors, etc., and the financial auditor regarding the status of performance of their duties, and requested explanations as necessary.
- (2) In conformity with the audit regulations for company auditors established by the board of company auditors, and in accordance with the audit policies and allocation of duties, etc., each of the company auditors endeavored to facilitate a mutual understanding with the directors, the Internal Audit Division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audits based on the methods described below.
 - 1) Each of the company auditors has attended the meetings of the board of directors and other important meetings, received reports on the status of performance of duties from the directors and employees, etc., and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets. Also, with respect to the subsidiaries, each of the company auditors endeavored to facilitate a mutual understanding and exchanged information with the directors and company auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.
 - 2) Each of the company auditors monitored and inspected the status of the establishment and operation of the board of directors' resolutions regarding the development and maintenance of the system to ensure that the directors' performance of their duties complied with all laws, regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group comprised of a joint stock company and its subsidiaries, and the systems (internal control systems) based on such resolutions. With respect to the internal control related to the financial report, the board of company auditors received reports regarding the assessment and status of their audits from the directors, etc. and Deloitte Touche Tohmatsu LLC, and also requested explanations when necessary.
 - 3) Each of the company auditors monitored and verified whether the financial auditor maintained its independence and properly conducted its audit, received a report from the financial auditor on the status of its performance of duties, and requested explanations as necessary. Each of the company auditors was notified by the financial auditor that it had established a "system to ensure that the duties are performed appropriately" (the matters listed in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above-described methods, each of the company auditors examined the business report and the supplementary schedules, the Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements) and the supplementary schedules thereof, as well as the Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements, all prepared by omitting some disclosure items required under IFRS as provided for by Article 120, the latter part of paragraph 1 of the Regulation on Corporate Accounting), for the business year under review.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- 1) We acknowledge that the business report and the supplementary schedules thereof fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the directors' performance of their duties.
- 3) We acknowledge that the board of directors' resolutions with respect to the internal control systems are appropriate. We did not find any material matter to be mentioned with respect to the content of the Business Report or the directors' performance of their duties concerning the internal control systems. Regarding the corrections of errors contained in the Non-consolidated Statement of Changes in Equity, we will continue to monitor and investigate the status of improvements in internal control, for which measures were implemented by the executive sections in order to prevent future reoccurrence.

(2) Results of Audit of Non-consolidated Financial Statements and their Supplementary Schedules

We acknowledge that the methods and results of audit performed by the financial auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the financial auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

November 21, 2019

Board of Company Auditors
SEPTENI HOLDINGS CO., LTD.

Internal Company Auditor	Muneyoshi Nomura	(Seal)
Internal Company Auditor	Nobuo Kojima	(Seal)
Company Auditor	Katsuhisa Yanagi	(Seal)
Company Auditor	Mamoru Furushima	(Seal)

(Note)

Company auditor Katsuhisa Yanagi and company auditor Mamoru Furushima are outside company auditors, as set forth in Article 2, item 16, and Article 335, paragraph 3 of the Companies Act.