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November 30, 2016

Dear Shareholder

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

CONVOCATION NOTICE FOR THE 26TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: Tuesday, December 20, 2016, at 10:00 a.m.

2. Place: The Company’s Conference Room
Floor 27, Sumitomo Fudosan Shinjuku Grand Tower
17-1 Nishishinjuku 8-chome, Shinjuku-ku, Tokyo, Japan

3. Meeting Agenda

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company’s 26th term (from October 1, 2015 to September 30, 2016) 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 26th term (October 1, 2015 to September 30, 2016)

Matters to be resolved:

- Agenda Item No. 1:** Partial Amendment of the Articles of Incorporation
Agenda Item No. 2: Election of Eight (8) Directors
Agenda Item No. 3: Decision of Amount and Contents of Share-based Remuneration for Directors, etc.
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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 18 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. 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: Partial Amendment of the Articles of Incorporation

1. Reasons for the proposal

- (1) In order to increase the efficiency of managing holders of shares less than one unit, to introduce a provision to limit the rights of shares less than one unit (Article 8 of the proposed amendments).
- (2) From the perspective of improving services to all shareholders, to introduce a system to buy additional shares less than one unit as provided in Article 194 of the Companies Act (Article 9 of the proposed amendments).
- (3) From the perspective of thoroughly informing all shareholders, to determine to give public notice of an administrator or administrators of the shareholder register and its or their handling office or offices (Article 10, paragraph (2) of the proposed amendments).
- (4) In order to provide more flexible management of the shareholders meeting and the board of directors, to change the person who has the right to call a shareholders meeting and a meeting of the board of directors and the chairperson of such meetings to the director who was previously fixed by the board of directors (Article 15 and Article 28 of the proposed amendments).
- (5) In order to clarify procedures concerning the exercise by proxy of voting rights at the shareholders meeting, to make necessary amendments (Article 17 of the proposed amendments).
- (6) In order to ensure a clear separation between the management decision-making function and the business execution function from the perspective of strengthening corporate governance, to introduce a corporate officer system in which business activities are executed in accordance with management policies or the like determined by the board of directors (Article 27 of the proposed amendments). Together with the introduction of the corporate officer system, to abolish directors with titles and remove all those directors' positions (Article 26 of the current articles of incorporation).
- (7) To make other necessary amendments, including correcting wording and renumbering articles together with the amendments mentioned above.

2. Details of the amendments

The details of the amendments are as set forth below.

(Underlined parts denote amendments.)

Current articles of incorporation	Proposed amendments
Chapter I General Provisions Article 1 to Article 5 (Article text omitted)	Chapter I General Provisions Article 1 to Article 5 (Remains the same)
Chapter II Shares Article 6 to Article 7 (Article text omitted) <u>Article 8 (Acquisition of Own Shares)</u> <u>The Company may acquire its own shares based on the resolution of the board of directors.</u> (New article)	Chapter II Shares Article 6 to Article 7 (Remains the same) (Deleted) <u>Article 8 (Rights Concerning Shares Less Than One Unit)</u> <u>The Company's shareholders shall not exercise their rights other than the following rights, with respect to their shares that are less than one unit:</u> <u>(1) rights provided in each item of Article 189, paragraph (2) of the Companies Act;</u> <u>(2) rights to demand for acquisition of shares with put option;</u> <u>(3) rights to receive an allotment of shares for subscription and an allotment of share options in accordance with the number of shares held by shareholders; and</u> <u>(4) rights to make the request set forth in the following article.</u>

Current articles of incorporation	Proposed amendments
<p style="text-align: center;">(New article)</p> <p>Article 9 (Administrator(s) of a Shareholder Register)</p> <ol style="list-style-type: none"> (Article text omitted) The administrator(s) of the shareholder register, and its or their handling office or offices shall be determined by resolution of the board of directors. Preparation, retention, and other administrative matters of, or relating to, the shareholder register and the share option register of the Company shall be entrusted to the administrator(s) of the shareholder register; and the Company shall not handle such matters. <p>Article 10 (Share-handling Regulations)</p> <p>The handling services and fees related to the Company's shares shall be in accordance with the share-handling regulations determined by the board of directors.</p> <p>Article 11 (Article text omitted)</p>	<p><u>Article 9 (Purchase of Additional Shares Less Than One Unit)</u></p> <p><u>The Company's shareholders may request the Company to sell shares that may constitute one share unit together with shares less than one unit that the shareholder is holding in accordance with the share-handling regulations.</u></p> <p>Article 10 (Administrator(s) of a Shareholder Register)</p> <ol style="list-style-type: none"> (Remains the same) <u>The Company shall determine</u> the administrator(s) of the shareholder register, and its or their handling office or offices shall be determined by resolution of the board of directors <u>and a public notice of such resolution shall be given.</u> (Amendments to the Japanese text and no material changes to the provision.) <p>Article 11 (Share-handling Regulations)</p> <p>The handling services and fees related to the Company's shares shall be <u>decided</u> in accordance with the share-handling regulations determined by the board of directors, <u>in addition to laws and regulations or these articles of incorporation.</u></p> <p>Article 12 (Remains the same)</p>
<p style="text-align: center;">Chapter III Shareholders Meeting</p> <p>Article 12 (Calling)</p> <p>An annual shareholders meeting shall be called <u>within three months from the next day of the end of each business year</u>, and an extraordinary shareholders meeting may be called whenever necessary.</p> <p>Article 13 (Record Date for the Annual Shareholders Meeting)</p> <p>The Company <u>determines shareholders stated or recorded in the final shareholder register at the end of each business year, as the shareholders who should exercise their right at the annual shareholders meeting for the business year.</u></p> <p>Article 14 (Person to Call a Shareholders Meeting and Chairperson)</p> <ol style="list-style-type: none"> Unless otherwise prescribed in laws and regulations, the <u>representative</u> director shall call and be <u>appointed as</u> a chairperson of a shareholders meeting. <u>If there are a multiple number of representative directors, the order of priority shall be determined by the board of directors in advance.</u> When the <u>representative</u> director is <u>unable to do so or is absent</u>, another director, <u>in an order of priority</u> established by the board of directors <u>in advance</u>, shall <u>undertake the role.</u> <p>Article 15 (Method of Determining a Resolution)</p> <ol style="list-style-type: none"> Unless otherwise provided by laws and regulations or these articles of incorporation, a resolution of the shareholders meeting shall be determined by majority vote held by the shareholders present who are entitled to exercise voting rights. A resolution of the shareholders meeting pursuant to Article 309, paragraph (2) of the Companies Act shall be adopted by two thirds or more of the voting rights held by the shareholders present who are entitled to exercise voting rights, where shareholders holding one third or more of the voting rights of all the voting shareholders attend. 	<p style="text-align: center;">Chapter III Shareholders Meeting</p> <p>Article 13 (Calling)</p> <p>An annual shareholders meeting shall be called <u>in December</u> each year, and an extraordinary shareholders meeting may be called whenever necessary.</p> <p>Article 14 (Record Date for the Annual Shareholders Meeting)</p> <p>The record date for the voting rights at the annual shareholders meeting of the Company is <u>September 30</u> each year.</p> <p>Article 15 (Person <u>Who Have the Right</u> to Call a Shareholders Meeting and Chairperson)</p> <ol style="list-style-type: none"> Unless otherwise prescribed in laws and regulations, the director, <u>as previously fixed by the board of directors</u>, shall call and be a chairperson of a shareholders meeting. When the director <u>stated in the preceding paragraph is unable to act</u>, another director, <u>in an order of priority</u> established by the board of directors <u>in advance</u>, shall <u>call and act as chairperson of the shareholders meeting.</u> <p>Article 16 (Method of Determining a Resolution)</p> <ol style="list-style-type: none"> (Amendments to the Japanese text and no material changes to the provision.) (Amendments to the Japanese text and no material changes to the provision.)

Current articles of incorporation	Proposed amendments
<p>Article <u>16</u> (Exercise by Proxy of Voting Rights) <u>If shareholders are to exercise their respective voting rights by proxy, the proxy shall be limited to a shareholder of the Company with a voting right.</u></p>	<p>Article <u>17</u> (Exercise by Proxy of Voting Rights) <u>Shareholders are entitled to exercise their respective voting rights by one proxy who is a shareholder of the Company with a voting right. In this case, such shareholder or proxy shall present to the Company a document evidencing the grant of the power of representation for each shareholders meeting.</u></p>
<p>Article <u>17</u> (Minutes) The outline of proceedings and results of the shareholders meeting and other matters provided by relevant laws and regulations shall be stated or recorded in the minutes.</p>	<p>Article <u>18</u> (Minutes) (Amendments to the Japanese text and no material changes to the provision.)</p>
<p>Article <u>18</u> (Internet Disclosure and Deemed Provision of Reference Documents, Etc. for Shareholders Meetings) When calling the shareholders meeting, the Company may disclose information to be indicated or represented in reference documents of a shareholders meeting, business reports, financial statements, and consolidated financial statements through the Internet in accordance with the Ordinance of the Ministry of Justice; and this shall be deemed provision to shareholders.</p>	<p>Article <u>19</u> (Internet Disclosure and Deemed Provision of Reference Documents, Etc. for Shareholders Meetings) (Amendments to the Japanese text and no material changes to the provision.)</p>
<p>Article <u>19</u> (Resolution for Policy on Handling Large scale Purchases of the Company's Share Certificates, Etc. (Anti takeover Measures)) 1. The matters otherwise provided by laws and regulations or these articles of incorporation shall be resolved at a shareholders meeting; furthermore, the introduction, change, continuance, or abolition of the policy on handling large scale purchases of the Company's share certificates, etc. (anti takeover measures) may also be determined by its resolution. 2. The policy on handling large scale purchases of the Company's share certificates, etc. (anti takeover measures) set forth in the preceding article means the procedures where the Company will require those who attempt to conduct large scale purchases to comply with, as well as rules including the requirements for, procedures and details of the countermeasures that the Company will take against the large scale purchases or similar acts, in order to avoid a situation in which inappropriate persons control decisions on the Company's financial and business policies in light of the basic policy concerning what and how a person controlling decisions on the Company's financial and business policies should be.</p>	<p>Article <u>20</u> (Resolution for Policy on Handling Large scale Purchases of the Company's Share Certificates, Etc. (Anti takeover Measures)) 1. (Amendments to the Japanese text and no material changes to the provision.) 2. (Amendments to the Japanese text and no material changes to the provision.)</p>
<p>Article <u>20</u> (Decision on Allotment of Share Options Without Contribution) 1. The Company may determine the matters concerning the allotment of share options without contribution by resolution of the board of directors, as well as by resolution of the shareholders meeting or by a resolution of the board of directors based on the authority delegated by resolution of the shareholders meeting. 2. As one of the countermeasures against the large scale purchases of the Company's share certificates, etc. set forth in paragraph 2 of the preceding article, when determining the matters concerning the allotment of share options without contribution based on the preceding paragraph, the Company may determine different contents of share options such as exercise conditions and call options to certain share option holders from those for other share option holders.</p>	<p>Article <u>21</u> (Decision on Allotment of Share Options Without Contribution) 1. (Amendments to the Japanese text and no material changes to the provision.) 2. (Amendments to the Japanese text and no material changes to the provision.)</p>

Current articles of incorporation	Proposed amendments
<p style="text-align: center;">Chapter IV Directors <u>and</u> the Board of Directors</p> <p>Article <u>21</u> to Article <u>25</u> (Article text omitted)</p> <p><u>Article 26 (Directors with Titles)</u> <u>By resolution of the board of directors, a director and president shall be appointed; and as necessary, a director and chairman, a director and vice chairman, one or more vice presidents, one or more senior managing directors, and one or more managing directors may be appointed.</u></p> <p style="text-align: center;">(New article)</p> <p>Article <u>27</u> (Board of Directors)</p> <p>1. Unless otherwise prescribed in laws and regulations, the director <u>and president</u> shall call and <u>be appointed as</u> the chairperson of a meeting of the board of directors. <u>However, when the director and president is unable to do so or is absent, another director, in an order of priority established by the board of directors in advance, shall undertake the role.</u></p> <p style="text-align: center;">(New provision)</p> <p><u>2.</u> (Article text omitted)</p> <p><u>3.</u> (Article text omitted)</p> <p>Article <u>28</u> (Method of Determining a Resolution of the Board of Directors)</p> <p>1. (Article text omitted)</p> <p>2. In the Company, with respect to a matter that is the purpose of the resolution of the board of directors meeting, <u>if the requirement prescribed by Article 370 of the Companies Act is met</u>, it shall be deemed that the resolution to approve the proposal at the board of directors meeting has been made.</p> <p>Article <u>29</u> (Minutes of a Meeting of the Board of Directors) The outline of proceedings and results of the board of directors meeting and other matters provided by relevant laws and regulations shall be stated or recorded in the minutes, to which the directors and company auditors present at that meeting shall affix their respective names and seal impressions, or electronic signatures.</p>	<p>Chapter IV Directors, the Board of Directors, <u>and Executive Officers</u></p> <p>Article <u>22</u> to Article <u>26</u> (Remains the same) (Deleted)</p> <p><u>Article 27 (Executive Officer)</u></p> <p><u>1. The Company shall appoint executive officers by resolution of the board of directors; and unless otherwise provided by laws and regulations or these articles of incorporation, the Company may have them execute business pertaining to the Company's business, the business of an operating company that belongs to the Company's corporate group, or the business of multiple operating companies that belong to the Company's corporate group.</u></p> <p><u>2. The board of directors may, by its resolution, determine a president and executive officer and a senior executive officer or senior executive officers from among the executive officers.</u></p> <p><u>3. Matters concerning the executive officers shall be decided in accordance with the regulations of the executive officers established by the board of directors, in addition to these articles of incorporation.</u></p> <p>Article <u>28</u> (Board of Directors)</p> <p>1. Unless otherwise prescribed in laws and regulations, the director, <u>as previously fixed by the board of directors</u>, shall call and <u>be</u> the chairperson of a meeting of the board of directors.</p> <p><u>2. When the director stated in the preceding paragraph is unable to act, another director, in an order of priority established by the board of directors in advance, shall call and act as chairperson of the meeting of the board of directors.</u></p> <p><u>3.</u> (Remains the same)</p> <p><u>4.</u> (Remains the same)</p> <p>Article <u>29</u> (Method of Determining a Resolution of the Board of Directors)</p> <p>1. (Remains the same)</p> <p>2. In the Company, <u>in cases where directors submit a proposal</u> with respect to a matter that is the purpose of the resolution of board of directors meeting, <u>if all directors who are entitled to participate in votes with respect to such proposal manifest their intention to agree to such proposal in writing or by means of electromagnetic records (except for the case where a company auditor states his/her objections to such proposal)</u>, it shall be deemed that the resolution to approve such proposal at the board of directors meeting has been made.</p> <p>Article <u>30</u> (Minutes of a Meeting of the Board of Directors) (Amendments to the Japanese text and no material changes to the provision.)</p>

Current articles of incorporation	Proposed amendments
<p>Article 30 (Regulations of the Board of Directors) Matters concerning the board of directors shall be decided in accordance with the regulations of the board of directors established by the board of directors, in addition to laws and regulations or these articles of incorporation.</p> <p>Article 31 (Article text omitted)</p> <p>Article 32 (Exemption from Liability of Directors) 1. (Article text omitted) 2. The Company and the outside directors may conclude an agreement that limits the liability of the outside directors provided in Article 423, paragraph (1) of the Companies Act to the higher of either a prefixed amount exceeding 5 million yen or the amount provided by laws and regulations in cases where the relevant outside directors are without knowledge and are not grossly negligent.</p>	<p>Article 31 (Regulations of the Board of Directors) (Amendments to the Japanese text and no material changes to the provision.)</p> <p>Article 32 (Remains the same)</p> <p>Article 33 (Exemption from Liability of Directors) 1. (Remains the same) 2. (Amendments to the Japanese text and no material changes to the provision.)</p>
<p>Chapter V Company Auditors and the Board of Company Auditors</p> <p>Article 33 to Article 38 (Article text omitted)</p> <p>Article 39 (Minutes of a Meeting of the Board of Company Auditors) The outline of proceedings and results of the board of company auditors meeting and other matters provided by relevant laws and regulations shall be stated or recorded in the minutes, to which the company auditors present at that meeting shall affix their respective names and seal impressions, or electronic signatures.</p> <p>Article 40 (Regulations of the Board of Company Auditors) Matters concerning the board of company auditors shall be decided in accordance with the regulations of the board of company auditors established by the board of company auditors, in addition to laws and regulations or these articles of incorporation.</p> <p>Article 41 (Article text omitted)</p> <p>Article 42 (Exemption from Liability of Company Auditors) 1. (Article text omitted) 2. The Company and the outside company auditors may conclude an agreement that limits the liability of the outside company auditors provided in Article 423, paragraph (1) of the Companies Act to the higher of either a prefixed amount exceeding 5 million yen or the amount provided by laws and regulations in cases where the relevant outside company auditors are without knowledge and are not grossly negligent.</p>	<p>Chapter V Company Auditors and the Board of Company Auditors</p> <p>Article 34 to Article 39 (Remains the same)</p> <p>Article 40 (Minutes of a Meeting of the Board of Company Auditors) (Amendments to the Japanese text and no material changes to the provision.)</p> <p>Article 41 (Regulations of the Board of Company Auditors) (Amendments to the Japanese text and no material changes to the provision.)</p> <p>Article 42 (Remains the same)</p> <p>Article 43 (Exemption from Liability of Company Auditors) 1. (Remains the same) 2. (Amendments to the Japanese text and no material changes to the provision.)</p>
<p>Chapter VI Financial Auditors</p> <p>Article 43 (Article text omitted)</p> <p>Article 44 (Term of Office) 1. (Article text omitted) 2. Unless otherwise resolved at the annual shareholders meeting stated in the preceding paragraph, a financial auditor shall be deemed reelected at the annual shareholders meeting.</p> <p>Article 45 (Exemption from Liability of Financial Auditors) 1. (Article text omitted) 2. The Company and the financial auditors may conclude an agreement that limits the liability of the financial auditors provided in Article 423, paragraph (1) of the Companies Act to the higher of either a prefixed amount exceeding 30 million yen or the amount provided by laws and regulations in cases where the relevant financial auditors are without knowledge and are not grossly negligent.</p>	<p>Chapter VI Financial Auditors</p> <p>Article 44 (Remains the same)</p> <p>Article 45 (Term of Office) 1. (Remains the same) 2. (Amendments to the Japanese text and no material changes to the provision.)</p> <p>Article 46 (Exemption from Liability of Financial Auditors) 1. (Remains the same) 2. (Amendments to the Japanese text and no material changes to the provision.)</p>

Current articles of incorporation	Proposed amendments
<p style="text-align: center;">Chapter VII Accounting</p> <p>Article <u>46</u> (Article text omitted)</p> <p>Article <u>47</u> (Organ to Determine Dividends of Surplus, Etc.) Unless otherwise provided by laws or regulations, the Company shall determine matters prescribed in each item of Article 459, paragraph (1) of the Companies Act including dividends of surplus by resolution of the board of directors, not by resolution of the shareholders meeting.</p> <p>Article <u>48</u> (Record Date of Dividends from Surplus)</p> <p>1. The year-end dividends <u>may be paid to shareholders or registered pledgees of shares stated or recorded in the final shareholders register at the end of each business year.</u></p> <p>2. (Article text omitted)</p> <p>Article <u>49</u> (Article text omitted)</p>	<p style="text-align: center;">Chapter VII Accounting</p> <p>Article <u>47</u> (Remains the same)</p> <p>Article <u>48</u> (Organ to Determine Dividends of Surplus, Etc.) Unless otherwise provided by laws or regulations, the Company shall determine matters prescribed in each item of Article 459, paragraph (1) of the Companies Act including dividends of surplus <u>and the acquisition of its own shares</u> by resolution of the board of directors, not by resolution of the shareholders meeting.</p> <p>Article <u>49</u> (Record Date of Dividends from Surplus)</p> <p>1. The <u>record date of year-end dividends of the Company is September 30 each year.</u></p> <p>2. (Remains the same)</p> <p>Article <u>50</u> (Remains the same)</p>

Agenda Item No. 2: Election of Eight (8) Directors

At the close of this General Meeting of Shareholders, all eight directors will retire due to the expiration of their respective terms of office. The Company hereby proposes that eight directors be elected. The candidates are as follows:

1	Koki Sato (Date of birth: March 11, 1975)	Reelection	
		Number of years in office	15 years
		Attendance to the board of directors meetings	15/15
		Number of the Company's ordinary shares held	71,700

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 President and Representative Director (current position)

■ Important positions held at other companies

President and Representative Director, SEPTENI CO., LTD.

2	Isamu Ueno (Date of birth: June 1, 1968)	Reelection	
		Number of years in office	12 years
		Attendance to the board of directors meetings	15/15
		Number of the Company's ordinary shares held	86,000

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 (current position)

■ Important positions held at other companies

None.

3	Kazumi Shimizu (Date of birth: August 8, 1963)	Reelection	
		Number of years in office	11 years
		Attendance to the board of directors meetings	15/15
		Number of the Company's ordinary shares held	24,000

Profile and position at the Company

Oct. 2004 Joined the Company
Dec. 2005 Director and Manager of Business Management
Dec. 2009 Managing Director (current position)

■ Important positions held at other companies

None.

4 Tadahiro Matsuda (Date of birth: May 7, 1973)	Reelection	
	Number of years in office	11 years
	Attendance to the board of directors meetings	14/15
	Number of the Company's ordinary shares held	24,000

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 (current position)
 Aug. 2009 President and Representative Director, SEPTENI CROSSGATE CO., LTD.

■ Important positions held at other companies
 None.

5 Shintaro Karaki (Date of birth: June 1, 1978)	Reelection	
	Number of years in office	4 years
	Attendance to the board of directors meetings	15/15
	Number of the Company's ordinary shares held	10,000

Profile and position at the Company

Apr. 2001 Joined the Company
 Oct. 2006 President and Representative Director, SEPTENI CROSSGATE CO., LTD.
 Jan. 2010 Manager of Management Planning Dept.
 Dec. 2012 Director and Manager of Management Planning Dept. (current position)

■ Important positions held at other companies
 None.

6 Kana Setoguchi (Date of birth: August 23, 1975)	Reelection	
	Number of years in office	2 years
	Attendance to the board of directors meetings	15/15
	Number of the Company's ordinary shares held	91,700

Profile and position at the Company

Apr. 1998 Joined the Company
 Dec. 2009 Director, SEPTENI CO., LTD.
 Dec. 2011 Managing Director, SEPTENI CO., LTD. (current position)
 Oct. 2013 Manager of Global Business Promotion Dept.
 Dec. 2013 Director and Manager of Global Business Promotion Dept.
 Apr. 2014 Director (current position)

■ Important positions held at other companies
 Managing Director, SEPTENI CO., LTD.

7	Tatsuya Kimura (Date of birth: November 24, 1958)	Reelection	
		Outside director	
		Independent officer	
		Number of years in office	2 years
		Attendance to the board of directors meetings	14/15
		Number of the Company's ordinary shares held	500

Profile and position at the Company

Apr. 2001	Associate Professor, Nihon University Graduate School of Business
Apr. 2003	Associate Professor, Waseda University Graduate School of Asia-Pacific Studies
Apr. 2006	Professor, Waseda University Graduate School of Asia-Pacific Studies
Dec. 2006	Company Auditor
Apr. 2007	Professor, Waseda University Graduate School of Commerce
Dec. 2014	Outside Director (current position)
Apr. 2016	Professor, Waseda University Graduate School of Business and Finance (current position)

■ Important positions held at other companies

Professor, Waseda University Graduate School of Business and Finance

8	Etsuko Okajima (Date of birth: May 16, 1966)	Reelection	
		Outside director	
		Independent officer	
		Number of years in office	1 year
		Attendance to the board of directors meetings	9/10
		Number of the Company's ordinary 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. (current position)
Jun. 2014	External Director, MARUI GROUP Co., Ltd. (current position)
Nov. 2015	Outside Director, Lancers, Inc. (current position)
Dec. 2015	Outside Director (current position)
Mar. 2016	Outside Director, Link and Motivation Inc. (current position)

■ Important positions held at other companies

CEO, ProNova Inc.; Outside Director, Astellas Pharma Inc.; External Director, MARUI GROUP Co., Ltd.; Outside Director, Link and Motivation Inc.

(Notes)

1. The name of Ms. Etsuko Okajima in the family register is Etsuko Mino.
2. Mr. Tatsuya Kimura and Ms. Etsuko Okajima are candidates for outside directors.
3. Ms. Etsuko Okajima is the CEO of ProNova Inc., which has concluded a service contract agreement with SEPTENI CO., LTD., a subsidiary of the Company, for support in the development of female business executives.
4. Apart from what is mentioned in 3. above, there are no other special relationships between the Company and each of the candidates.
5. Mr. Tatsuya Kimura was elected as an outside director of the Company in December 2014. He will have served as such for two years at the close of the General Meeting of Shareholders. He was named as a candidate because he is very familiar with the field of corporate management and because he, as an outside director, has provided useful advice on all aspects of the business administration of the SEPTENI Group on the basis of his extensive knowledge and considerable insight. He has never been involved in corporate management other than by serving as an outside officer. For the reasons mentioned above, he is deemed capable of properly carrying out the duties of an outside director of the Company.
6. Ms. Etsuko Okajima was elected as an outside director of the Company in December 2015. She will have served as such for one year at the close of the General Meeting of Shareholders. She was named as a candidate because she has an abundance of experience and knowledge of corporate management as well as extensive insight, such that she is deemed capable of properly fulfilling the duties of an outside director from an independent and objective position.

7. If the proposed election of Mr. Tatsuya Kimura and Ms. Etsuko Okajima is approved at the General Meeting of Shareholders, they and the Company will enter into liability limitation agreements according to which their liability under Article 423, paragraph 1 of the Companies Act will not exceed either ¥5 million yen or the Minimum Liability Amount stipulated in paragraph (1) of Article 425 of the same Act, whichever is higher.
8. The Company has designated Mr. Tatsuya Kimura and Ms. Etsuko Okajima as independent officers in accordance with the rules of the Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange. If the proposed election of them is approved, the Company will continue to designate them as independent officers.

Agenda Item No. 3: Decision of Amount and Contents of Share-based Remuneration for Directors, etc.

1. Reasons for the proposal and reasons for justifying such remuneration

Remuneration for directors of the Company consists of a “monthly remuneration” and “performance-linked share option remuneration.” The Company now requests approval to introduce a performance-linked and share-based remuneration plan (hereinafter referred to as the “Plan”), by which we will perform the delivery of shares of the Company to directors (excluding outside directors and those who are non-residents of Japan) and executive officers (excluding those who are non-residents of Japan; hereinafter the directors and executive officers collectively referred to as “Directors, etc.”) of the Company, in accordance with factors including the degree of attainment of performance targets.

Under the Plan, officers’ remunerations for the Directors, etc. of the Company and the executive officers (excluding those who are non-residents of Japan; hereinafter the Directors, etc. of the Company and these executive officers are collectively referred to as the “Eligible Directors, etc.”) of its subsidiaries (hereinafter, the “Participating Subsidiaries,” and the Company and the Participating Subsidiaries are collectively referred to as the “Participating Companies”) will be managed in an integrated manner.

Subject to the approval of Agenda Item No. 1: Partial Amendment of the Articles of Incorporation as proposed, the SEPTENI Group plans to introduce the executive officer system based on the delegation of the authority with a clear separation between the management decision-making function and the business execution function, starting from January 1, 2017. The introduction of the Plan aims to make the linkage between the remuneration for the Eligible Directors, etc. and the SEPTENI Group’s medium- to long-term performance and shareholders value clearer, and to serve as a sound incentive toward making contributions to improving performance of the SEPTENI Group over the medium- and long-term and to increasing corporate value. In addition, it is in line with the purport and spirit of the “Corporate Governance Code” of Tokyo Stock Exchange, Inc. concerning remuneration plan linked to medium- to long-term results and based on shares. Accordingly, the Company considers introduction of the Plan justifiable.

This agenda item requests approval to newly pay share-based remuneration to Directors, etc. separate from the current limit on remuneration for directors (up to ¥600 million per year, excluding amounts paid as salaries for employees to directors who serve concurrently as employees) that was approved at the 23rd Ordinary General Meeting of Shareholders held on December 20, 2013.

The number of directors eligible for the Plan will be six provided that Agenda Item No. 2: Election of Eight Directors is approved and adopted as proposed. Furthermore, as the SEPTENI Group adopts a holding company structure, the Plan is established to operate in an integrated manner for the directors of the Company and executive officers of the Participating Companies on the basis of the possibility that executive officers of the Participating Companies may serve concurrently as directors of the Company during the Applicable Period (as provided for in 2. (3) below; the same applies hereinafter) of the Plan (the number of executive officers of the Participating Companies who are eligible for the Plan and do not serve concurrently as directors of the Company are two at the time of introduction of the aforementioned executive officer system based on the delegation of the authority). Therefore, the agenda item suggests the overall amount and contents of remuneration based on the Plan as remuneration, etc. for directors.

Subject to the approval of the introduction of the Plan at this General Meeting of Shareholders, the Company shall abolish the current officers’ remunerations plan as share options for the officers of the Company and therefore will not issue new share options in the future.

2. Amount and other contents of remuneration, etc., under the Plan

(1) Overview of the Plan

The Plan is a share-based remuneration plan by which the Company’s shares are acquired through a trust using the amount of remuneration for the Eligible Directors, etc. contributed by the Participating Companies, and by which the Company’s shares and an amount of money equivalent to the portion of the Company’s shares converted into cash (hereinafter referred to as the “Company’s Shares, etc.”)

are delivered and provided (hereinafter referred to as “Grant, etc.”) to the Eligible Directors, etc. through the trust. (Details are as provided for in (2) below and thereafter.)

(2) Persons eligible for the Grant, etc. of the Company’s Shares, etc. under the Plan

Directors (excluding outside directors and those who are non-residents of Japan; the same applies hereinafter in this agenda item) of the Company and executive officers (excluding those who are non-residents of Japan; the same applies hereinafter in this agenda item) of the Company and its subsidiaries that adopt an executive officer system are the persons eligible for the Grant, etc. of the Company’s Shares, etc. under the Plan.

(3) Maximum amount of money contributed by each Participating Company

The Plan will be applicable to three consecutive business years (initially, the three business years from the business year ending September 30, 2017 to the business year ending September 30, 2019, and, in the event of extension of the trust period as provided for below, every three business years thereafter; hereinafter referred to as “Applicable Period”) from the business year to which the date of establishment of the trust belongs. The Company, along with money contributed by each Participating Subsidiary as remuneration for executive officers of each Participating Subsidiary, contributes money as remuneration for Directors, etc. of the Company (the maximum amount of the sum of money contributed by the Company and Participating Subsidiaries per each Applicable Period shall be ¥700 million), and sets a trust with a trust period of three years and with Eligible Directors, etc. who fulfill the requirements for beneficiaries as beneficiaries of the trust (hereinafter referred to as the “Trust”) (the trust period may be extended as follows; the same applies hereinafter). The Trust purchases the shares of the Company on the stock market or from the Company (disposition of treasury shares) using the trusted money in accordance with the instructions of the trust administrator (no dilution of the Company’s shares occurs under the Plan as the initial purchase shall be made on the stock market). Each Participating Company will, during the trust period, grant points (as provided for in (4) below) to the Eligible Directors, etc., and the Grant, etc. of the Company’s Shares, etc. will be performed by the Trust.

At the expiry of the trust period of the Trust, the Trust may be continued by performing amendment to the trust contract or placing an additional trust as an alternative to newly setting the Trust. In this event, the trust period of the Trust will be extended by a period equal to the initial trust period, and the three business years following the extension of the trust period will be the new Applicable Period. For every trust period extended, the Participating Subsidiaries will provide an additional contribution to the Company as remuneration for executive officers of each Participating Subsidiary within the limit of amount approved by the resolution of their respective General Meeting of Shareholders, and the Company will provide an additional contribution as remuneration for Directors, etc. of the Company to entrust the money along with the money contributed by each Participating Subsidiary (the maximum amount of the sum of money additionally contributed by the Company and the Participating Subsidiaries per each Applicable Period shall be ¥700 million). Each Participating Subsidiary will continue to grant points to the Eligible Directors, etc. and the Grant, etc. of the Company’s Shares, etc. will be continuously performed by the Trust during the trust period extended; provided, however, that, if, in the case of providing the aforementioned additional contribution, there are residual the Company’s shares and money (hereinafter, collectively referred to as “Residual Shares, etc.”) in the trust assets on the last day of the Applicable Period prior to the extension, the total of the amount of Residual Shares, etc. and the trust money for additional contribution shall not be more than ¥700 million.

(4) Calculation method and maximum number of the Company’s Shares, etc., subject to Grant, etc. to the Eligible Directors, etc.

On September 30 of every year during the trust period, certain points hereinafter, referred to as Grant Points, will be granted to each Participating Company according to such factors as titles and the degree of attainment of the performance target for the fiscal year ending September 30 of the same year (initially, the fiscal year ending September 30, 2017; hereinafter, the “Evaluation Fiscal Year”). Furthermore, after the end of the final fiscal year of the Applicable Period, a fixed number of the Grant Points will be granted to Eligible Directors, etc. serving at the respective Participating Company as of September 30 of the final fiscal year of the Applicable Period, respectively for each Participating Company, according to such factors as the level of attainment of the performance targets

in the Midterm Business Policies, in addition to the Grant Points granted according to such factors as the degree of attainment of the performance target for each Evaluation Fiscal Year. The number of the Company's Shares, etc., to be granted to the Eligible Directors, etc. under the Plan is determined on the basis that one point corresponds to one share of the Company, according to the accumulated value of Grant Points (hereinafter, "Accumulated Points"). If the total number of the shares of the Company increases or decreases as a result of a share split, gratuitous allotment of shares, consolidation of shares, etc., the Company will adjust the number of shares of the Company at which Grant, etc., is made for every one point in accordance with the ratio of increase or decrease.

The total number of the Grant Points subject to Grant, etc. to the Eligible Directors, etc. through the Trust shall be no more than 2,800,000 points per three years (equivalent of 2.8 million shares). This maximum number of Grant Points is set by taking into account the maximum amount that the Eligible Company described in (3) above contributes and by referencing the share price trends.

(5) Timing of Grant, etc. of the Company's Shares, etc. to the Eligible Directors, etc.

The Eligible Directors, etc. who fulfill the requirements for beneficiaries will in principle receive Grant, etc. of the Company's Shares, etc. according to Accumulated Points after the end of the Applicable Period. In this case, the Eligible Directors, etc. shall receive grant of shares of the Company corresponding to 50% of the Accumulated Points (shares less than one unit are rounded down). The number of the Company's shares corresponding to the residual number of the points shall be converted into cash within the Trust, and the Eligible Directors, etc. receive provision of money equivalent to the amount of cash converted.

In the event that an Eligible Director, etc. who fulfills the requirements for beneficiaries is to retire from office during the trust period (excluding voluntary resignation and dismissal), the Eligible Director, etc. shall receive grant of shares of the Company corresponding to 50% of the Accumulated Points by the time of retirement (shares less than one unit are rounded down) after required procedures without delay. The number of the Company's shares corresponding to the residual number of the points shall be converted into cash within the Trust, and the Eligible Director, etc. receives provision of money equivalent to the amount of cash converted. In the event that an Eligible Director, etc. at office who fulfills the requirements for beneficiaries passes away during the trust period, the heir of the Eligible Director, etc. will receive provision of money from the Trust equivalent to the number of the Company's shares corresponding to the Accumulated Points by the time of death of the Eligible Director, etc., converted into cash. In the event that an Eligible Director, etc. at office who fulfills the requirements for beneficiaries is posted overseas and become non-resident of Japan during the trust period, the Eligible Director, etc. will receive provision of money from the Trust equivalent to the number of the Company's shares corresponding to the Accumulated Points by the time thereof.

(6) Voting rights concerning the Company's shares in the Trust

In order to ensure neutrality toward management, voting rights of the Company's shares in the Trust shall not be exercised during the trust period.

(7) Handling of dividends from surplus of the Company's shares in the Trust

Dividends from surplus of the Company's shares in the Trust are received by the Trust and appropriated for purposes of trust fees and trust expenses. If, there are residue dividends after paying the trust fees and trust expenses at the termination of the Trust, such dividends shall be distributed to the Eligible Directors, etc.

(8) Other matters of the Plan

Other matters regarding the Plan shall be defined by the board of directors each time the Trust is set, an amendment is performed to the trust contract, and additional contribution is made to the Trust.

(Reference)

For details of the Plan, please refer to the press release "Notice on Introduction of Performance-Linked and Share-Based Remuneration Plan for Officers" dated on November 22, 2016.

Business Report (From October 1, 2015 to September 30, 2016)

1. Current status of the SEPTENI Group

(1) Business progress and results

Adoption of the International Financial Reporting Standards (hereinafter referred to as “IFRS”)

The SEPTENI Group has applied IFRS since the fiscal year ended September 30, 2016 in place of previously used Japanese GAAP, aiming for better convenience for all of the Group’s stakeholders, including shareholders and investors in and outside Japan, while promoting actively its global business development.

In line with the above, while voluntarily providing previously used “net sales” as a reference, the Group discloses “revenue” as an indicator based on IFRS. The recording method of the revenue in the sale by advertising agents, comprising a large part of the Internet Marketing Business, has been changed to record the net amount, indicating only the margin. As a result, the amount of “revenue” has been reduced substantially from the amount of “net sales” previously used when the amounts are compared in the same transaction.

In addition, the SEPTENI Group discloses “non-GAAP operating profit,” an indicator that is not defined in IFRS on a voluntary basis. Non-GAAP operating profit (or loss) is a profit indicator of constant business performance determined by adjusting temporary factors such as impairment losses and gains or losses on the sales of non-current assets from the IFRS-based operating profit (or loss). The management of the Group deems that the information is valuable for users of financial statements.

Earnings for the current term

Looking at the Internet business environment, in which the SEPTENI Group operates, the rapid proliferation of smartphones has continued, with the household ownership rate as of December 31, 2015 accounting for 72.0% (source: “2015 White Paper on Information and Communications in Japan,” Ministry of Internal Affairs and Communications). As such, the smartphone has become a mainstream device for accessing the Internet and the market for smartphone advertising and diverse services and content is expanding. In addition, the power of social media, led by SNS (social networking services), is increasing still further, and this is consequently prompting greater demand for marketing support that makes use of the characteristics of social media. These changes in the operating environment are promoting the global expansion of the Internet business, with overseas business opportunities on the rise.

Under these circumstances, the SEPTENI Group was able to continue both expanding its operations and increasing its profitability in its mainstay Internet Marketing Business by promoting business operations focused on the growth areas of “Mobile,” “Social,” and “Global.” In addition, it proactively made upfront investments in human resources and new businesses, etc. to strengthen its future competitiveness. As a result, revenue increased to ¥17,060 million (up 19.6% year on year), non-GAAP operating profit increased to ¥3,841 million (up 26.8% year on year), operating profit rose to ¥3,730 million (up 44.6% year on year) and profit attributable to owners of parent totaled ¥2,519 million (up 7.1% year on year), with profit practically hitting a record high for the fifth straight fiscal year.

Concerning year-end dividend for the current term, 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 22, 2016 to pay a year-end dividend of ¥16 per share.

Based on this decision, total dividends paid will be ¥415,095,504.

* The Company conducted a share split of common share at a ratio of 5 for 1 on October 1, 2016. However, the year-end dividend for the current term (ended September 30, 2016) will be distributed with respect to the number of shares on a pre-share-split basis.

Revenue: ¥17,060 million Up 19.6% Previous term: ¥14,267 million	Non-GAAP operating profit (Note): ¥3,841 million Up 26.8% Previous term: ¥3,030 million
Profit attributable to owners of parent: ¥2,519 million Up 7.1% Previous term: ¥2,351 million	Dividends: ¥16 Previous term: ¥14

(Note) A profit indicator of constant business performance determined by adjusting temporary factors such as an impairment loss and a gain or loss on sale of non-current assets from the IFRS-based operating profit.

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

We have made a revision to our business segment definitions and added the new reportable segment of “Non-core Business” in addition to the pre-existing segments of “Internet Marketing Business” and “Media Content Business.”

Accordingly, in order to provide year on year comparison data, the operating results of the previous term have been restated to reflect the revision of the business segment definitions.

Internet Marketing Business

■ Major business

Development of comprehensive marketing support services for companies leveraging the Internet

Sales of Internet advertising, provision of web solutions (website creation and operations, SEO, etc.) and provision of marketing platforms including an ad network and cloud-based CRM services

During the current term, amid an expanding Internet advertising market centering on performance-based advertising for smartphones, the SEPTENI Group’s business focus was on the growth areas of “Mobile,” “Social,” and “Global.” As a result, we were able to expand the operations steadily and also improve profitability. In smartphone advertising, high growth continued on the back of expanding demand and the greater diversification of advertising products. Billings amounted to about 1.4 times the size it was in the previous term. In the social business, which centers on support services for marketing that makes use of SNS and in which the SEPTENI Group has strength, the broadening of the media lineup to include Instagram and LINE as well as our mainstay Facebook advertising contributed to increasing the billings to about 1.4 times the size it was in the previous term. Meanwhile, as for global expansion, the Group grew its business foundation in preparation for new market expansion in the future by, for example, establishing two local bases (New York and Beijing). However, owing to a reduction in deliveries for existing large projects, billings decreased slightly from the previous term.

Revenue: ¥13,409 million
(Up 20.8% year on year)

Non-GAAP operating profit: ¥5,331 million
(Up 39.7% year on year)

Media Content Business

■ Major business

Manga Content Business, recruitment platform business, social contribution platform business, and medical platform business

The Manga Content Business engages in the cultivation and production of manga artists and the operation of manga distribution service for the purpose of planning and developing our own intellectual property (IP).

In the Manga Content Business in the current term, we proactively made upfront investments to expand the scale of the manga application “GANMA!” As a result, the number of GANMA! users grew significantly resulting in cumulative downloads of 3.77 million as of September 30, 2016, which is about 2.1 times number it was in the previous term. As part of efforts to improve profitability, we started sales of advertising that appears on GANMA! and forged ahead with commercialization of serialized manga for which we own IP. From such manga, we have created 27 books in the current term, and published 43 volumes in total.

Meanwhile, in the new businesses, we included the medical platform business in the consolidated results.

Revenue: ¥601 million
(Up 190.7% year on year)

Non-GAAP operating loss: ¥718 million
(Operating loss of ¥530 million
in the previous term)

Non-core Business

■ Major business

Mobile game business

Planning, development and operation of varied digital content, primarily of mobile games for smartphones.

During the current term, although performance of new game titles has been robust, advertising expenses increased significantly by the implementation of large-scale promotional programs.

Revenue: ¥3,200 million
(Up 4.2% year on year)

Non-GAAP operating loss: ¥326 million
(Operating profit of ¥122 million
in the previous term)

(2) Trends in financial position and profit and loss

■ J-GAAP

Category	23rd term (ended September 30, 2013)	24th term (ended September 30, 2014)	25th term (ended September 30, 2015)
Net sales (Thousand yen)	45,982,078	54,345,580	64,547,685
Operating profit (Thousand yen)	1,593,301	2,259,953	2,753,969
Ordinary income (Thousand yen)	1,752,653	2,362,887	3,118,052
Profit attributable to owners of parent (Thousand yen)	1,207,196	1,549,187	2,398,059
Basic earnings per share (Yen) (Note 2)	47.90	61.22	92.87
Total assets (Thousand yen)	16,023,329	21,625,786	25,387,848
Net assets (Thousand yen)	8,380,310	10,203,263	12,286,188
Dividends per share (Yen)	7.00	9.00	14.00
Return on equity (ROE) (%) (Note 4)	17.2	18.5	23.4

■ IFRS

Category	25th term (ended September 30, 2015)	26th term (ended September 30, 2016)
Revenue (Thousand yen)	14,266,710	17,060,182
Non-GAAP operating profit (Thousand yen)	3,029,677	3,840,670
Profit attributable to owners of parent (Thousand yen)	2,351,121	2,519,007
Total assets (Thousand yen)	25,635,045	29,980,944
Basic earnings per share (Yen) (Note 3)	18.21	19.43
Dividends per share (Yen)	14.00	16.00
Return on equity (ROE) (%) (Note 4)	23.0	19.8

(Notes)

1. The Company has applied the IFRS since the 26th term (fiscal year ended September 30, 2016.) Figures for the 25th term (fiscal year ended September 30, 2015) based on IFRS are provided for reference.
2. The Company conducted a share split of common share at a ratio of 200 for 1 on October 1, 2013. Basic earnings per share based on J-GAAP above have been calculated on the assumption that the share split was conducted at the beginning of the 23rd term.
3. 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 fiscal year ended September 30, 2015.
4. ROE is calculated as follows:
 J-GAAP: (Profit attributable to owners of parent) / (Net assets - Subscription rights to shares - Non-controlling interests)
 (yearly average)
 IFRS: Profit attributable to owners of parent / equity attributable to owners of parent (yearly average)

■ 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 SEPTENI Group has applied the International Financial Reporting Standards (IFRS).

What has changed by IFRS?

1. Revenue has changed

How to record revenue (top line)

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

The SEPTENI Group has been working on the Midterm Business Policies that were launched in November 2013 based on the concept of “double profits.” In the fiscal year ended September 30, 2016, non-GAAP operating profit was ¥3.84 billion, which is about 2.4 times the Japanese-GAAP operating profit of ¥1.59 billion in the fiscal year ended September 30, 2013, and profitability has improved over that time as well. In addition, the Group has succeeded in achieving dramatic growth in each of the focus areas of “Mobile,” “Social,” and “Global.”

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, 2017. We present the details below.

■ Performance Target

Non-GAAP operating profit: ¥10.0 billion

■ Basic policies

- ◆ Expand advertising business globally
- ◆ Enhance our own media
- ◆ Invest in what comes after the smartphone

In the mainstay Internet Marketing Business, the SEPTENI Group has up until now focused on the smartphone advertising market and worked to expand its share. Looking forward, while the domestic market matures gradually, we expect strong growth to continue in the global market as enhancements are made to the ecosystem. Therefore, the SEPTENI Group will aim to expand its share and increase its profitability in the domestic market by further strengthening the position established in the area of smartphones and social media. At the same time, it will further accelerate the global business development and work to utilize both organic business growth and M&A as the dual engine for subsequent growth.

In the Media Content Business, we will develop the manga application GANMA!, the Company’s own media content, as a mainstay revenue source of the Group. Through this expansion of the Company’s own media content, we aim to leverage strengths from inter-segmental synergy with the Internet Marketing Business and improve profitability of the Group.

We appreciate the continued support and encouragement of our shareholders.

(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

Nothing noteworthy to report.

(7) Business transfers from other companies

Nothing noteworthy to report.

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

Nothing noteworthy to report.

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

Nothing noteworthy to report.

(10) Parent and significant subsidiaries (as of September 30, 2016)

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.	200,000	100.0%	Manga Content Business

(Notes)

1. The Company owns a total of 27 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 Ordinance for Enforcement of the Companies Act.
3. AXEL MARK INC., which was a significant subsidiary of the Company until the previous term is no longer a subsidiary as provided in Article 2, item 3 of the Companies Act, effective the current term. However, the aforesaid company is within the scope of consolidated reporting under IFRS.

(11) Major offices (as of September 30, 2016)

Company name	Office name	Location
The Company	Headquarters	Shinjuku-ku, Tokyo
SEPTENI CO., LTD.	Headquarters	Shinjuku-ku, Tokyo
	Kansai Branch Office	Kita-ku, Osaka-shi
	Nagoya Branch Office	Nakamura-ku, Nagoya-shi
	Fukuoka Branch Office	Chuo-ku, Fukuoka-shi
COMICSMART INC.	Headquarters	Shinjuku-ku, Tokyo

(12) Employees (as of September 30, 2016)

Number of employees	Increase/decrease from the previous term-end
930	84 increase

(13) Major creditors (as of September 30, 2016)

Nothing noteworthy to report.

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

Nothing noteworthy to report.

2. Status of the Company

(1) Matters regarding shares (as of September 30, 2016)

- 1) Number of shares authorized 74,016,000 shares
- 2) Number of shares issued 27,728,300 shares
- 3) Number of shareholders 4,673
- 4) Major shareholders (top 10 shareholders, excluding treasury shares)

Name of shareholder	Number of shares (shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	4,461,200	17.20
Village seven Co., Ltd.	3,243,800	12.50
Mamoru Nanamura	2,790,100	10.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,841,100	7.10
Yahoo Japan Corporation	1,400,000	5.40
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	1,170,000	4.51
BBH FOR MATTHEWS JAPAN FUND	907,100	3.50
GOLDMAN SACHS INTERNATIONAL	847,169	3.27
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	550,000	2.12
Hiroshi Shimizu	404,000	1.56

(Note) The above shareholding ratios exclude treasury shares (1,784,831 shares).

5) Other important matters regarding shares

The Company implemented a share split on October 1, 2016, at a ratio of five shares per common share. The number of shares provided above and in (2) Matters regarding share options, etc. in the following pages represents the number on a pre-share split basis.

(2) Matters regarding share options, etc. (as of September 30, 2016)

1) Status of share options, etc. held by officers of the Company

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	24,000 shares	18,000 shares	24,000 shares	2,000 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	
Date of resolution of issue	January 19, 2007	January 17, 2008	January 15, 2009	
Category	Director	Director	Director	
Number of holders	1	1	1	
Number of share options	20	15	15	
Number of shares to be issued upon exercise of share options	4,000 shares	3,000 shares	3,000 shares	
Class of shares to be issued upon exercise of share options	Common shares	Common shares	Common shares	
Issue price	¥731	¥802	¥304	
Amount to be paid per share upon exercise of share options	¥7	¥7	¥7	
Exercise period of share options	From February 1, 2008 to December 31, 2037	From February 1, 2009 to December 31, 2037	From February 1, 2010 to December 31, 2037	
Remarks	Share remuneration-type share options for officers	Share remuneration-type share options for officers	Share remuneration-type share options for officers	

Date of resolution of issue	January 20, 2015		January 26, 2016	
Category	Director	Company Auditor	Director	Company Auditor
Number of holders	2	1	7	3
Number of share options	99	4	294	33
Number of shares to be issued upon exercise of share options	9,900 shares	400 shares	29,400 shares	3,300 shares
Class of shares to be issued upon exercise of share options	Common shares		Common shares	
Issue price	¥1,035		¥1,798	
Amount to be paid per share upon exercise of share options	¥7		¥7	
Exercise period of share options	From February 1, 2016 to January 31, 2017		From February 1, 2017 to January 31, 2018	
Remarks	Share remuneration-type share options for officers		Share remuneration-type share options for officers	

(Note) As the Company implemented a share split on October 1, 2013 at a ratio of 200 shares per common share, the number of shares and issue price provided above were adjusted accordingly except those for the issue resolved on and after January 20, 2015.

- 2) Status of share options, etc. delivered to employees, etc. during the business year under review
Nothing noteworthy to report.
- 3) Other important matters regarding share options, etc.
Nothing noteworthy to report.

(3) Matters regarding company officers (as of September 30, 2016)

1) Directors and company auditors

Position	Name	Duties and important positions held at other companies
President and Representative Director	Koki Sato	President and Representative Director, SEPTENI CO., LTD.
Senior Managing Director	Isamu Ueno	
Managing Director	Kazumi Shimizu	
Director	Tadahiro Matsuda	
Director	Shintaro Karaki	Manager of Management Planning Dept.
Director	Kana Setoguchi	Managing Director, SEPTENI CO., LTD.
Director	Tatsuya Kimura	Professor, Waseda University Graduate School of Business and Finance
Director	Etsuko Okajima	CEO, ProNova Inc. Outside Director, Astellas Pharma Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Link and Motivation Inc.
Internal Company Auditor	Muneyoshi Nomura	
Company Auditor	Katsuhisa Yanagi	
Company Auditor	Yoshihide Hirowatari	President, AGS Consulting Co., Ltd. Managing Partner, AGS Certified Tax Co.
Company Auditor	Mamoru Furushima	Representative, Furushima Law & Accounting Office Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.

(Notes)

- Directors Tatsuya Kimura and Etsuko Okajima are outside directors as prescribed in Article 2, item 15 of the Companies Act.
- Company auditors Katsuhisa Yanagi, Yoshihide Hirowatari and Mamoru Furushima are outside company auditors as prescribed in Article 2, item 16 of the Companies Act.
- Company auditors Yoshihide Hirowatari and Mamoru Furushima are certified public accountants and have a respectable degree of knowledge in finance and accounting.
- The Company has designated directors Tatsuya Kimura and Etsuko Okajima as independent officers in accordance with the rules of the Tokyo Stock Exchange and has submitted a notice of designation to the Tokyo Stock Exchange.
- Changes in officers during the business year under review are as follows:
 - Ms. Etsuko Okajima was newly elected as a director and Mr. Mamoru Furushima was newly elected as a company auditor at the 25th Ordinary General Meeting of Shareholders held on December 18, 2015.
 - Mr. Reiji Otaki retired as a company auditor due to the expiration of his term of office at the close of the 25th Ordinary General Meeting of Shareholders held on December 18, 2015.

2) Amount of remunerations to directors and company auditors

Category	Number of payees	Officers' remunerations	Remarks
Director	8	¥295,600 thousand	Including ¥12,660 thousand for two outside directors
Company Auditor	5	¥43,977 thousand	Including ¥17,300 thousand for four outside company auditors

(Notes)

- Amount of remunerations, etc. to company auditors includes those paid to a company auditor who has retired at the close of the 25th Ordinary General Meeting of Shareholders held on December 18, 2015 during their term in office.
- Amount of remunerations, etc. above includes the amount that posted as expenses during the current term regarding share options granted as share options to directors and company auditors.
- 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 ¥361,165 thousand.

3) 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.
		Outside Director, Astellas Pharma Inc.	There is no business relationship.
		External Director, MARUI GROUP Co., Ltd.	There is no business relationship.
		Outside Director, Link and Motivation Inc.	There is no business relationship.
Company Auditor	Yoshihide Hirowatari	President, AGS Consulting Co., Ltd.	There is no important business relationship.
		Managing Partner, AGS Certified Tax Co.	There is no important 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.

(b) Major activities in the business year under review

Category	Name	Major activities
Director	Tatsuya Kimura	Mr. Kimura attended 14 of 15 board of directors meetings held during the current term, where he made comments primarily from his professional viewpoints as an academic.
Director	Etsuko Okajima	Ms. Okajima attended 9 of 10 board of directors meetings held since she assumed her position on December 18, 2015, where she made comments primarily informed by her experience and insight as a corporate manager.
Company Auditor	Katsuhisa Yanagi	Mr. Yanagi attended all board of directors meetings and all board of company auditors meetings held during the current term, 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	Yoshihide Hirowatari	Mr. Hirowatari attended 11 of 15 board of directors meetings and 12 of 14 board of company auditors meetings, where he made comments, primarily from the professional viewpoint as a certified public accountant.
Company Auditor	Mamoru Furushima	Mr. Furushima attended all board of directors meetings and all board of company auditors meetings that were held since he assumed his position on December 18, 2015, where he made comments primarily from this professional viewpoints as a certified public accountant and as a lawyer.

4) Details of limited liability agreement

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.

(4) Financial auditor (as of September 30, 2016)

1) Name

Ernst & Young ShinNihon 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

¥37,100 thousand

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

¥66,317 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 Financial Instruments and Exchange Act. Accordingly, the amount above is the aggregate amount.
2. The Company entrusts the financial auditor with advisory services concerning IFRS, which are non-audit services other than the services set forth in Article 2, paragraph 1 of the Certified Public Accountants Act, and duly pays consideration for such services.
3. 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

The Company’s financial auditor has been subject to a disposition from the Financial Services Agency, suspending it from accepting new engagements for three months (from January 1, 2016 to March 31, 2016) on December 22, 2015.

3. Structure and Policy of the Company

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

With regard to the distribution of surplus, we will consider our consolidated earnings performance, the need to fortify our financial position, and the Group's forward-looking business strategy 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 ¥5^(*) 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.

As for the acquisition of treasury shares, the Company recognizes it as one of the effective methods to return profit to shareholders, and therefore, the Company shall address the matter appropriately while taking into account the trend of the share price, financial status and other factors.

* As the Company implemented a share split on October 1, 2016, at a ratio of five shares per ordinary share, the Company changed the amount of the minimum annual dividend to ¥2 per share, starting from the fiscal year ending September 30, 2017. Consequently, the amount of the minimum annual dividend has practically doubled compared with the amount prior to the share split.

(2) Systems to ensure the properness of operations

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

- (a) Based on the recognition that compliance with laws and regulations and social ethics naturally precede all standards for conduct and decision-making, directors shall confirm that they practice and encourage the compliance with laws and regulations, the Articles of Incorporation and social ethics proactively to execute their duties properly.
- (b) Status concerning compliance and risk management in the SEPTENI Group comprised of the Company and its subsidiaries (hereinafter referred to as the "SEPTENI Group") as a whole, and the SEPTENI Group's correspondence on such matters are examined by the Group Risk Management Committee and the results thereof shall be periodically reported to the board of directors.

2) Systems for the storage and management of information regarding the execution of duties by directors

- (a) Directors shall appropriately manage and store the documents related to the execution of duties (including electromagnetic records) pursuant to the provisions stipulated by laws and regulations, Articles of Incorporation and Company's internal regulations. Such documents include the minutes of General Meeting of Shareholders, minutes of meetings of the board of directors, and approval documents, as well as the records of the proceedings of important meetings which directors should attend.
- (b) When storing and managing information through electromagnetic records, directors shall strive to gather the up-to-date information on threats for electronic information, such as hackers, in consultation with the personnel in charge of IT system to build the latest system for storage and management possible.

3) Regulations and other systems for managing the risk of loss

- (a) The Company shall detect and identify all risks of loss (hereinafter referred to as "risk") that may affect the business management of the SEPTENI Group, and control them at the management level, while striving to eliminate and reduce factors that may harm interests of each stakeholder, such as customers, clients, shareholders, investors, and local communities as well as officers and employees with priority given to ensuring the quality and safety of its products and services.
- (b) With regard to the risk management, risk analysis and countermeasures shall be usually deliberated by each business area and the personnel responsible for the relevant area shall report them to the Group Risk Management Committee. Significant items shall be centrally controlled by the Group

Risk Management Committee. In case of an emergency, the Crisis Management Headquarters with the President as its head shall be responsible for the overall risk management process.

- (c) Assessment of and response to the risks affecting the entire SEPTENI Group or the risks related to strategic decision-making such as merger and acquisition shall be treated as the exclusive prerogatives of the board of directors.

4) Systems to ensure the efficient execution of duties by directors

The board of directors shall grant necessary authorities to each director based on a division of duties to establish systems to ensure the efficient execution of duties by directors. In cases where subsidiaries make significant decisions, the board of directors shall proactively coordinate for the efficient resource allocation avoiding overlaps of business activities and capital investments within Group companies in line with the prior consultation with the subsidiaries.

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

- (a) In order to make compliance by employees effective, the Company shall conduct regular compliance trainings continuously and establish an internal reporting system for the Group (alias “Hotline”) that responds appropriately to reporting or consultation from employees on organizational or individual legal violations.
- (b) In cases where wrongful acts are found as a result of investigations following the reporting or consultation from employees, directors shall immediately take corrective actions and measures to prevent a recurrence and make the SEPTENI Group aware thereof.

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

- (a) With regard to the business operation of the SEPTENI Group, the Company shall establish common principles and regulations to ensure compliance with laws and regulations and social ethics, risk management, efficient execution of duties by directors as well as compliance with laws and regulations and the Articles of Incorporation by directors or employees when executing their duties. With regard to the business management of subsidiaries, on the basis of their autonomous management, subsidiaries shall report their financial results at the Group-wide monthly meetings and consult with the Company prior to any significant decision-making as part of a reporting system for items concerning the execution of duties by directors of subsidiaries to the Company.
- (b) The Internal Auditing Office of the Company shall regularly conduct internal audits at the Company and its subsidiaries. In cases where improvements are required, the Internal Auditing Office shall present a letter of recommendation with an approval of the President and check the status of improvements afterwards to oversight the status of ensuring the properness of operations of the entire SEPTENI Group.

7) Systems relating to employees that assist the company auditors upon the request of such company auditors, matters relating to independence of the relevant employees from directors and matters relating to 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 in consultation with directors. The relevant employees shall be subject to orders and instructions of internal company auditor and shall not concurrently serve other duties and posts.
- (b) Decisions on personal transfers involving employees that assist the company auditors shall require prior consent of internal company auditor. Personnel evaluations such as payroll decision for the relevant employees shall be conducted by internal company auditor separately from the other employees.

8) Systems for enabling directors and employees of the Company and its subsidiaries to make reports to company auditors of the Company, 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, matters concerning policy on processing of expenses or obligations arising in relation to the execution of duties by company auditors and other relevant systems for ensuring the effective functioning of audits

- (a) Company auditors may attend the board of directors of the Company and its subsidiaries as well as the important meetings of the Company and its subsidiaries including the Management Committee, and request explanations from directors or employees of the Company and its subsidiaries as necessary. In cases where company auditors request explanations on operations or inspections of documents such as approval documents and accounting books, directors or employees of the Company and its subsidiaries shall respond to the request in a prompt and appropriate manner.
 - (b) In the event that directors or employees of the Company and its subsidiaries, or persons who received reports from them detect any items that may significantly affect the business management and financial condition of the SEPTENI Group, such directors, employees or persons shall immediately report the items to the board of company auditors of the Company.
 - (c) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the board of company auditors.
 - (d) The Company shall ensure that the persons of the Company and its subsidiaries who made the reports as stated above from a) to c) to company auditors or the board of company auditors shall not be treated disadvantageously on the grounds that they have submitted the said reports.
 - (e) All expenses necessary for the execution of duties by company auditors shall be borne by the Company.
- (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 employees have been provided to raise the employee's awareness on compliance. In addition, the Company established the internal reporting system for the Group (alias "Hotline") and informed all employees about it.

2) Information on the execution of duties by directors

The board of directors comprises of eight (8) directors, including two (2) outside directors. In addition, four (4) company auditors including three (3) outside company auditors also attend the meetings of the board of directors. During the business year under review, the board of directors held meetings 15 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 (4) company auditors, including three (3) 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 regularly exchange information with Representative Director, financial auditor and Internal Auditing Office.

(Note) Figures in this Business Report are rounded down to the units indicated only for the J-GAAP monetary values in "(2) Trends in financial position and profit and loss" on page 18. All other figures are rounded to the units indicated.

Consolidated Financial Statements

Consolidated Statement of Financial Position

			(Thousand yen)		
Account	26th term (At September 30, 2016)	(Reference) 25th term (At September 30, 2015)	Account	26th term (At September 30, 2016)	(Reference) 25th term (At September 30, 2015)
Assets			Liabilities and Equity		
Current assets			Liabilities		
Cash and cash equivalents	15,480,970	11,694,507	Current liabilities		
Operating receivables	9,982,708	9,818,035	Operating payables	9,652,601	9,203,035
Inventories	118,517	8,601	Other financial liabilities	1,728,525	1,793,417
Other financial assets	443,788	532,901	Current income taxes payable	1,236,846	682,575
Other current assets	242,480	221,006	Other current liabilities	1,573,264	1,417,687
Total current assets	26,268,463	22,275,050	Total current liabilities	14,191,236	13,096,714
Non-current assets			Non-current liabilities		
Property, plant and equipment	363,519	328,527	Other financial liabilities	654,867	157,949
Goodwill	147,491	147,491	Provisions	88,454	85,520
Intangible assets	232,261	247,403	Other non-current liabilities	518	2,426
Investments accounted for using equity method	611,991	530,722	Deferred tax liabilities	-	664
Other financial assets	1,673,251	1,493,895	Total non-current liabilities	743,839	246,559
Other non-current assets	3,743	52,742	Total liabilities	14,935,075	13,343,273
Deferred tax assets	680,225	559,215	Equity		
Total non-current assets	3,712,481	3,359,995	Equity attributable to owners of parent		
			Share capital	2,085,004	2,070,160
			Share premium	3,617,269	3,160,951
			Treasury shares	(485,685)	(485,012)
			Retained earnings	8,815,259	6,495,103
			Other components of equity	123,875	65,966
			Total equity attributable to owners of parent	14,155,722	11,307,168
			Non-controlling interests	890,147	984,604
			Total equity	15,045,869	12,291,772
Total assets	29,980,944	25,635,045	Total liabilities and equity	29,980,944	25,635,045

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Profit or Loss

Account	(Thousand yen)	
	26th term (From October 1, 2015 to September 30, 2016)	(Reference) 25th term (From October 1, 2014 to September 30, 2015)
Continuing operations		
Revenue	17,060,182	14,266,710
Cost of sales	3,436,710	2,805,567
Gross profit	13,623,472	11,461,143
Distribution and administrative expense	9,803,390	8,457,030
Other income	106,712	49,756
Other expense	196,576	474,445
Operating profit	3,730,218	2,579,424
Finance income	111,955	316,048
Finance costs	104,973	20,878
Share of profit from investments accounted for using equity method	109,755	88,878
Profit before tax	3,846,955	2,963,472
Income tax expense	1,594,946	1,341,075
Profit from continuing operations	2,252,009	1,622,397
Discontinued operations		
Profit from discontinued operations	–	677,894
Profit	2,252,009	2,300,291
Profit attributable to:		
Owners of parent	2,519,007	2,351,121
Non-controlling interests	(266,998)	(50,830)
Total	2,252,009	2,300,291
Net sales (Reference)	76,401,356	64,547,685
Reconciliation from operating profit to non-GAAP operating profit (Reference)		
Operating profit	3,730,218	2,579,424
Other income	78,515	17,555
Other expense	188,967	467,808
Non-GAAP operating profit	3,840,670	3,029,677

(Note) Figures are rounded to the nearest unit.

(Reference) Consolidated Statement of Comprehensive Income

	(Thousand yen)	
Account	26th term (From October 1, 2015 to September 30, 2016)	25th term (From October 1, 2014 to September 30, 2015)
Profit	2,252,009	2,300,291
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	298,883	32,031
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	(114,119)	(23,435)
Cash flow hedges	(5,511)	-
Total other comprehensive income, net of tax	179,253	8,596
Total comprehensive income	2,431,262	2,308,887
Comprehensive income attributable to:		
Owners of parent	2,734,220	2,364,713
Non-controlling interests	(302,958)	(55,826)
Comprehensive income	2,431,262	2,308,887

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Changes in Equity

26th term (From October 1, 2015 to September 30, 2016)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2015	2,070,160	3,160,951	(485,012)	6,495,103	65,966	11,307,168	984,604	12,291,772
Profit	-	-	-	2,519,007	-	2,519,007	(266,998)	2,252,009
Other comprehensive income	-	-	-	-	215,213	215,213	(35,960)	179,253
Total comprehensive income	-	-	-	2,519,007	215,213	2,734,220	(302,958)	2,431,262
Issue of new shares	14,844	14,844	-	-	(29,495)	193	-	193
Dividends of surplus	-	-	-	(362,825)	-	(362,825)	-	(362,825)
Purchase and disposal of treasury shares	-	-	(673)	-	-	(673)	-	(673)
Changes in ownership interests in subsidiaries that do not result in loss of control	-	441,060	-	-	-	441,060	204,114	645,174
Other	-	414	-	163,974	(127,809)	36,579	4,387	40,966
Total amount of transactions with owners	14,844	456,318	(673)	(198,851)	(157,304)	114,334	208,501	322,835
Balance at September 30, 2016	2,085,004	3,617,269	(485,685)	8,815,259	123,875	14,155,722	890,147	15,045,869

(Reference) 25th term (From October 1, 2014 to September 30, 2015)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2014	2,053,011	3,148,095	(485,012)	4,306,242	112,631	9,134,967	994,087	10,129,054
Profit	-	-	-	2,351,121	-	2,351,121	(50,830)	2,300,291
Other comprehensive income	-	-	-	-	13,592	13,592	(4,996)	8,596
Total comprehensive income	-	-	-	2,351,121	13,592	2,364,713	(55,826)	2,308,887
Issue of new shares	17,149	12,856	-	-	(26,129)	3,876	-	3,876
Dividends of surplus	-	-	-	(228,262)	-	(228,262)	-	(228,262)
Purchase and disposal of treasury shares	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-
Other	-	-	-	66,002	(34,128)	31,874	46,343	78,217
Total amount of transactions with owners	17,149	12,856	-	(162,260)	(60,257)	(192,512)	46,343	(146,169)
Balance at September 30, 2015	2,070,160	3,160,951	(485,012)	6,495,103	65,966	11,307,168	984,604	12,291,772

(Note) Figures are rounded to the nearest unit.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

			(Thousand yen)		
Account	26th term (At September 30, 2016)	(Reference) 25th term (At September 30, 2015)	Account	26th term (At September 30, 2016)	(Reference) 25th term (At September 30, 2015)
Assets			Liabilities		
Current assets	7,035,611	5,639,521	Current liabilities	1,039,829	730,358
Cash and deposits	5,829,496	4,137,985	Short-term loans payable	50,002	50,002
Accounts receivable - trade	276,032	365,382	Accounts payable - other	291,882	205,207
Supplies	2,862	3,404	Accrued expenses	40,316	39,126
Prepaid expenses	61,883	64,610	Income taxes payable	605,751	351,168
Accounts receivable - other	810,523	1,038,020	Deposits received	15,403	16,433
Short-term loans receivable from subsidiaries and associates	30,000	10,000	Provision for bonuses	36,472	40,102
Deferred tax assets	22,610	20,116	Other	-	28,318
Other	2,201	-	Non-current liabilities	266	266
Non-current assets	4,032,664	4,338,392	Long-term accounts payable - other	266	266
Property, plant and equipment	136,304	151,214	Total liabilities	1,040,096	730,624
Buildings	28,060	44,027	Net Assets		
Facilities attached to buildings	46,020	61,660	Shareholders' equity	9,972,017	9,212,030
Tools, furniture and fixtures	62,223	45,526	Capital stock	2,085,004	2,070,160
Intangible assets	160,773	222,768	Capital surplus	2,683,658	2,668,814
Software	157,805	219,840	Legal capital surplus	2,496,687	2,481,842
Software in progress	2,340	2,300	Other capital surplus	186,971	186,971
Other	627	627	Retained earnings	5,689,039	4,958,068
Investments and other assets	3,735,586	3,964,409	Legal retained earnings	70,867	70,867
Investment securities	300,607	424,847	Other retained earnings	5,618,172	4,887,201
Shares of subsidiaries and associates	2,512,791	2,740,759	General reserve	400,000	400,000
Lease and guarantee deposits	466,047	467,916	Retained earnings brought forward	5,218,172	4,487,201
Deferred tax assets	442,939	316,485	Treasury shares	(485,684)	(485,011)
Other	13,200	14,400	Valuation and translation adjustments	60	34
Total assets	11,068,275	9,977,913	Valuation difference on available-for-sale securities	60	34
			Subscription rights to shares	56,102	35,222
			Total net assets	10,028,179	9,247,288
			Total liabilities and net assets	11,068,275	9,977,913

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

Non-consolidated Statement of Income

Account	(Thousand yen)	
	26th term (From October 1, 2015 to September 30, 2016)	(Reference) 25th term (From October 1, 2014 to September 30, 2015)
Operating revenue	2,629,657	2,842,459
Operating expenses	1,606,808	1,565,691
Operating profit	1,022,848	1,276,768
Non-operating profit	64,230	290,882
Interest income	584	776
Dividend income	28,488	71,954
Gain on valuation of investment securities	34,172	213,163
Other	985	4,987
Non-operating expenses	123,439	64,613
Interest expenses	284	636
Loss on valuation of investment securities	98,509	4,404
Share listing related expenses	6,931	10,511
Commission fee	16,192	45,600
Other	1,522	3,459
Ordinary income	963,639	1,503,038
Extraordinary income	590,545	1,383,855
Gain on sales of investment securities	-	49,256
Gain on sales of shares of subsidiaries and associates	590,131	1,322,474
Other	414	12,125
Extraordinary losses	451,727	344,724
Loss on valuation of shares of subsidiaries and associates	444,036	344,724
Other	7,691	0
Profit before income taxes	1,102,457	2,542,169
Income taxes - current	137,619	151,680
Income taxes - deferred	(128,958)	356,595
Profit	1,093,796	2,033,894

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

Non-consolidated Statement of Changes in Equity

26th term (From October 1, 2015 to September 30, 2016)

(Thousand yen)

	Shareholders' equity										Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus				Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings						
						General reserve	Retained earnings brought forward							
Balance at beginning of current period	2,070,160	2,481,842	186,971	2,668,814	70,867	400,000	4,487,201	4,958,068	(485,011)	9,212,030	34	34	35,222	9,247,288
Changes of items during period														
Issuance of new shares	14,844	14,844		14,844						29,688				29,688
Dividends of surplus							(362,825)	(362,825)		(362,825)				(362,825)
Profit							1,093,796	1,093,796		1,093,796				1,093,796
Other									(672)	(672)				(672)
Net changes of items other than shareholders' equity										-	25	25	20,879	20,904
Total changes of items during period	14,844	14,844	-	14,844	-	-	730,970	730,970	(672)	759,986	25	25	20,879	780,891
Balance at end of current period	2,085,004	2,496,687	186,971	2,683,658	70,867	400,000	5,218,172	5,689,039	(485,684)	9,972,017	60	60	56,102	10,028,179

(Reference) 25th term (From October 1, 2014 to September 30, 2015)

(Thousand yen)

	Shareholders' equity										Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus				Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings						
						General reserve	Retained earnings brought forward							
Balance at beginning of current period	2,053,010	2,468,987	186,971	2,655,958	70,867	400,000	2,681,568	3,152,435	(485,011)	7,376,393	68	68	29,604	7,406,065
Changes of items during period														
Issuance of new shares	17,149	12,855		12,855						30,005				30,005
Dividends of surplus							(228,261)	(228,261)		(228,261)				(228,261)
Profit							2,033,894	2,033,894		2,033,894				2,033,894
Other										-				-
Net changes of items other than shareholders' equity										-	(33)	(33)	5,618	5,585
Total changes of items during period	17,149	12,855	-	12,855	-	-	1,805,632	1,805,632	-	1,835,637	(33)	(33)	5,618	1,841,222
Balance at end of current period	2,070,160	2,481,842	186,971	2,668,814	70,867	400,000	4,487,201	4,958,068	(485,011)	9,212,030	34	34	35,222	9,247,288

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

Audit Report

With respect to the directors' performance of their duties during the 26th business year from October 1, 2015 to September 30, 2016, 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 Ordinance 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 Ernst & Young ShinNihon 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 Ordinance on Accounting of Companies) 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 Income Statement, Changes in Non-consolidated Shareholders' Equity Statement 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 Ordinance on Accounting of Companies), 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 matter to be mentioned with respect to the directors' performance of their duties concerning the internal control systems including the internal control related to the financial report.

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

We acknowledge that the methods and results of audit performed by the financial auditor, Ernst & Young ShinNihon 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, Ernst & Young ShinNihon LLC, are appropriate.

November 22, 2016

Board of Company Auditors
SEPTENI HOLDINGS CO., LTD.

Internal Company Auditor	Muneyoshi Nomura	(Seal)
Company Auditor	Katsuhisa Yanagi	(Seal)
Company Auditor	Yoshihide Hirowatari	(Seal)
Company Auditor	Mamoru Furushima	(Seal)

(Note)

Company auditor Katsuhisa Yanagi, company auditor Yoshihide Hirowatari 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.