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**CONVOCATION NOTICE FOR THE 31ST ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

**SEPTENI HOLDINGS CO., LTD.**

# Top Message

On behalf of SEPTENI HOLDINGS CO., LTD., I would like to express our thanks for your exceptional support. Please find herein the convocation notice for the 31st Ordinary General Meeting of Shareholders.

I believe that the fiscal year ended September 30, 2021 was a year in which we were able to recover significantly from the impact of COVID-19 by expanding projects compatible with the online shift in overall consumption and by promoting alliance operations with the Dentsu Group. We recorded our highest level of revenue ever, centered on growth in the Digital Marketing Business and Media Platform Business. Furthermore, in October 2021, we announced that we would deepen our capital and business alliance with the Dentsu Group to enhance our corporate value further.

Under the Group's mission of "inspiring the world with entrepreneurship," we will work to enhance our corporate and shareholder value. Going forward, we would very much appreciate your continuous understanding and support.

November 2021

**Koki Sato,**

Representative Director

Group President and Chief Executive Officer

December 2, 2021

Dear Shareholder

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

## CONVOCATION NOTICE FOR THE 31ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

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**1. Date and Time:** Wednesday, December 22, 2021, at 10:00 a.m.  
(Reception will begin at 9:00 a.m.)

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**2. Place:** B1 Floor, Crystal Room  
Hyatt Regency Tokyo  
7-2 Nishishinjuku 2-chome, Shinjuku-ku, Tokyo, Japan

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### 3. Meeting Agenda

#### Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company's 31st term (from October 1, 2020 to September 30, 2021) 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 31st term (from October 1, 2020 to September 30, 2021)

#### Matters to be resolved:

- Agenda Item No. 1:** Approval of Share Exchange Agreement  
**Agenda Item No. 2:** Issue of Shares Offered for Subscription through Third-Party Allotment  
**Agenda Item No. 3:** Election of Six Directors  
**Agenda Item No. 4:** Election of One Director in Association with Capital and Business Alliance  
**Agenda Item No. 5:** Election of One Company Auditor in Association with Capital and Business Alliance  
**Agenda Item No. 6:** Election of Financial Auditor
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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
- 3) (3) A. Dentsu Direct's financial statements for its last financial year (from January 1, 2020 to December 31, 2020), in the Reference Documents for the General Meeting of Shareholders, Agenda Item No. 1: Approval of Share Exchange Agreement, 3. Overview of Matters Provided for in Article 193 of the Ordinance for Enforcement of the Companies Act Based on relevant laws and regulations and the Article 19 of the Company's Articles of Incorporation, the above items are posted on the Company's website and are therefore not included in the documents accompanying this convocation notice. The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by company auditors and the financial auditor include Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are posted on the Company's website.

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

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

## Reference Documents for the General Meeting of Shareholders

### Agenda Items and Reference Matters

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#### **Agenda Item No. 1: Approval of Share Exchange Agreement**

As announced by the “Notice of: Capital and Business Alliance with Dentsu Group Inc.; Acquisition of 100% Ownership of Dentsu Direct Inc. through Share Exchange; Issue of New Shares through Third-Party Allotment to Dentsu Group Inc.; Partial Acquisition of Shares (Conversion into Equity-Method Affiliate) of Dentsu Digital Inc.; and Changes in Parent Company and Subsidiaries” dated October 28, 2021 (“Capital and Business Alliance Press Release”), Septeni Holdings Co., Ltd. (“Company”) approved a resolution to execute a capital and business alliance agreement with Dentsu Group Inc. (“Capital and Business Alliance Agreement”; the capital and business alliance pursuant to such agreement is referred to as the “Capital and Business Alliance”) at its Board of Directors meeting held on the same date and, as part of the Capital and Business Alliance, executed a share exchange agreement as of the same date with Dentsu Direct Inc. (“Dentsu Direct”), a wholly-owned subsidiary of Dentsu Group Inc., regarding a share exchange whereby the Company will be a wholly-owning parent company in share exchange and Dentsu Direct will be a wholly-owned subsidiary in share exchange (“Share Exchange”) (“Share Exchange Agreement”).

This proposal requests your approval of the Share Exchange Agreement.

The reasons for the Share Exchange, the terms and conditions of the Share Exchange Agreement, and other matters concerning this proposal are as follows:

#### 1. Reasons for Share Exchange

The Company, which was established in Shibuya-ku, Tokyo as Sub & Liminal Co., Ltd. in October 1990 with the aim of providing personnel recruiting consulting services, entered the direct marketing business (DM business) whereby it undertakes outsourcing services focusing on direct mail etc. surrogate dispatching for companies in October 1993. The Company changed its trade name to Septeni Co., Ltd. in March 2000 and launched an Internet advertising business in April of that year. On August 9, 2001, the Company’s shares were listed on the over-the-counter market operated by the Japan Securities Dealers Association (the JASDAQ exchange was reorganized into JASDAQ Securities Exchange, Inc.). Along with the Osaka Securities Exchange (“OSE”)’s making the JASDAQ Securities Exchange into its subsidiary, and the integration of the Tokyo Stock Exchange (“TSE”) and the OSE, the Company is currently listed on the TSE’s JASDAQ (Standard) exchange. Later, the Company shifted to a holding company structure in October 2006 and changed its trade name to Septeni Holdings Co., Ltd. At that time, the Company transferred its Internet advertising business to Septeni Holdings Co., Ltd by means of an incorporation-type corporate demerger and its DM business to Septeni Direct Marketing Co., Ltd., established in April of that year, through an absorption-type corporate demerger, respectively. In February 2013, the Company established COMICSMART, Inc. and entered the manga content business. The Company transferred all shares of Septeni Direct Marketing Co., Ltd. and sold its DM business in October 2014. In October 2018, the Company executed a capital and business alliance agreement with Dentsu Group Inc., pursuant to which a tender offer for share certificates of the Company was subsequently carried out by Dentsu Group Inc., making the Company an equity-method affiliate of Dentsu Group Inc. based on the premise that the Company would remain listed. Through these measures, the Company has to this day moved forward with the comprehensive business alliance with the intention of becoming the nation’s largest digital marketing partner that leads the development of the industry, by providing most excellent solutions to its clients, including not only advertisers and media but also companies and consumers facing various challenges, from an environment where personnel with a wide variety of talents gather to work with full job satisfaction.

As of this day, the Company constitutes a corporate group comprising the Company, 37 consolidated subsidiaries, 6 equity-method affiliates and equivalents (i.e., companies affiliated with the Company and businesses under common control with the Company), and 1 other affiliate (the corporate group is hereinafter referred to as the “Company Group”). The Company has developed its business by centering on two business segments namely digital marketing business and media platform business. In accordance with its corporate creed of “hinerankai,” which means “think outside the box,” since the Company Group’s foundation in 1990, the Company has viewed exceptional human resources with an entrepreneurial spirit and an abundance of passion as well as a corporate culture and environment that attracts this type of human resource to be the

Company Group's greatest source of corporate value, and the Company has carried out management that focuses on "people" in the pursuit of growth of existing businesses and the creation of new business to increase corporate value and provide ever higher returns to shareholders.

On the other hand, as of June 30, 2021 Dentsu Group Inc. constitutes a corporate group comprising Dentsu Group Inc., 969 consolidated subsidiaries and 90 equity-method affiliates (the corporate group is hereinafter referred to as the "Dentsu Group"). The Dentsu Group has promoted its business in its domestic and overseas business segments in accordance with its group vision of "an invitation to the never before." Dentsu Japan Network, which covers the group's domestic businesses, speeds up its evolution into an "Integrated Growth Partner," a true partner committed to the sustainable growth of its clients and society, in response to its client companies' demand for a partner that is capable of solving complicated challenges together and keeping running together for business innovation and growth. Dentsu International, which covers the group's overseas businesses, promotes the thorough simplification of business structure in order to accomplish a transformation into a network that provides the world's most integrated media and digital marketing communication services. Dentsu International also provides expert knowledge, goods and services, and the industry's top-level consumer insights by organizing optimal teams for client companies. The Dentsu Group intends to strive to increase the value of all stakeholders by continuing to bring new values to society through the business growth of its client companies in both domestic and overseas businesses and by achieving sustainable growth of the Dentsu Group and its client companies and society, all as a whole.

In the digital marketing business, in which the Company Group mainly operates and on which the Dentsu Group is focused, the percentage of digital advertising expenditures in Japan to total advertising expenditures continues on an upward trend, reaching 36.2% in 2020 (source: "Advertising Expenditures in Japan 2020" by Dentsu Inc.). This has created a situation where barriers between online and offline are gradually disappearing for marketing issues that clients are confronting, and solutions are being sought that will maximize clients' advertising effect by utilizing various data through more integrated and comprehensive approaches. In light of these circumstances, since January 2019 the Company and the Dentsu Group ("Two Groups") have promoted the expansion and deepening of their business alliance while improving the value of their services provided to clients by bringing together the advantages and resources of the Two Groups. Specifically, the Company Group has provided its knowledge and technology in the digital marketing business to the Dentsu Group and has supported the operation of advertisements in digital marketing projects handled by the Dentsu Group. In addition, the development of new collaborative projects has been promoted through integrated marketing proposals for online and offline advertisements by utilizing Both Group's client bases. In 2020, while the performance of the Two Groups was temporarily affected by the major impact of the COVID-19 pandemic on Japan's economy, the COVID-19 situation has resulted in a big wave of digital transformation across all industries, further increasing demand for digital marketing in the advertising industry as well.

Under this business environment surrounding the Two Groups, they continued discussions towards further expansion of growth through their business collaboration aimed at becoming Japan's largest digital marketing partner. In the course of these discussions, they reached an agreement that enhancing their capital relationship would be necessary to accelerate such business collaboration. The Two Groups thus decided to proceed to discussions on a deeper capital and business alliance between the Company and Dentsu Group Inc., including the Company's consolidated subsidiaries, for the purpose of increasing the corporate value of both companies.

The Company and Dentsu Group Inc. thus engaged in repeated dialogue on multiple occasions regarding the synergies that can be expected from a deeper capital and business alliance and regarding specific methods, particulars, etc. of the capital and business alliance.

As a result of these discussions, the Company and Dentsu Group Inc. determined that making the Company a consolidated subsidiary of Dentsu Group Inc. would allow the promotion of the Two Groups' businesses through the smooth mutual utilization of the Two Groups' management resources and under a stronger cooperative relationship between the Two Groups. In October 2021, the Company and Dentsu Group Inc. reached a conclusion that they should execute the Capital and Business Alliance Agreement, pursuant to

which the Share Exchange would be carried out and the Company would issue new shares to Dentsu Group Inc. through a third-party allotment (“Third-Party Allotment”) and would acquire part (25.00%) of the common shares of Dentsu Digital Inc. (“Dentsu Digital”) held by Dentsu Group Inc. (“Share Transfer”; collectively with the Share Exchange and the Third-Party Allotment, hereinafter referred to as the “Transaction”). Meanwhile, the Company and Dentsu Group Inc. believe that the best choice for the Two Groups in moving forward with the Capital and Business Alliance is to maintain the independent management of the Company as a listed company because, considering the clear differences between the Two Groups in their areas of specialization as mentioned below, it would be desirable for increasing the corporate value of the Two Groups to stick to the independence of the management of the two companies as listed companies and to maintain the Two Groups’ existing businesses and the brands associated with them as before. (Dentsu Group Inc. will be entitled to nominate one director and one (part-time) company auditor of the Company. However, after consummation of the Transaction, a majority of the directors of the Company will be independent outside directors. In addition, the Company will have a nomination advisory committee a majority of whose members will be outside directors, in order to secure the independence, objectivity and accountability of members of the Company Group’s management teams in the deliberation process.) The Company and Dentsu Group Inc. also reached a decision that, in order to help the Company’s efforts to become the nation’s largest digital marketing partner while further accelerating its business cooperation with Dentsu Group Inc., it is desirable, for the Company’s further growth through expanding and enhancing the target domains of the Company’s main business of digital marketing, to accelerate the business cooperation in the Two Groups as a whole by making Dentsu Direct, which has advantages in direct advertising and mass advertising, a wholly-owned subsidiary of the Company, and by making Dentsu Digital, which has advantages in digital marketing and solutions, an equity-method affiliate of the Company. Based on the above, the Company and Dentsu Group Inc. agreed that the specific procedure toward making the Company a consolidated subsidiary of Dentsu Group Inc. would be to issue new shares of the Company to Dentsu Group Inc. and to allocate the funds so raised by the Company to consummate the Share Transfer and to realize other growth strategies.

The Company Group has built its competitive edge based on: in the digital marketing business, having large client channels and capability to operate ads in the digital advertising market, which is among the fastest growing advertising markets, and having development capabilities in data solutions, among other things; and in the media platform business, having capability to develop new businesses, including the manga content business, and having know-how on hiring and training digital human resources using data-driven AI personnel systems as a base supporting business growth. On the other hand, the Dentsu Group has around six thousand client channels in Japan. The group provides planning know-how that integrates mass media and digital media, as well as providing digital services not limited to media, and also provides its client companies with integrated solutions through its business foundation etc. that have been developed globally, with many business assets that can be utilized in the domestic market.

It will be possible to provide optimal solutions to clients through the reciprocal use of the human resources of the Two Groups, which have the different attributes described above. Therefore, the Two Groups will aim to raise the value of services provided by the Two Groups and to drive the development of advertising markets through the reciprocal use of the human resources of Two Groups.

In addition, the Two Groups aim to achieve the following synergy effects by taking advantage of their respective attributes through making the Company a consolidated subsidiary of Dentsu Group Inc. and making Dentsu Direct and Dentsu Digital a wholly-owned subsidiary and an equity-method affiliate, respectively of the Company.

- (a) A further expansion of the commercial distribution from the Dentsu Group at the Company towards achievement of the Two Groups’ common goals, with the aim of increasing the value provided to clients, and based on the premise of further deepening and acceleration of the collaboration for integrated marketing proposals that have been promoted by the Two Groups.
- (b) Improvement of the Company’s presence in the direct marketing domain through acquiring capabilities not only in digital advertising but also in mass media advertising as a result of making Dentsu Direct a wholly-owned subsidiary of the Company.

- (c) An advantage of scale and the attribution to the Company of equity in net income of affiliates as a result of making Dentsu Digital an equity-method affiliate of the Company, through integrating operations and development platforms in digital marketing and data solution projects.
- (d) Achievement of cost synergies through improving efficiency, such as by sharing business process outsourcing (BPO) services, conducting collaborative development projects, and achieving higher procurement capabilities, by promoting the integration of the Two Groups' business foundations.

As described above, the two companies agreed that execution of the Transaction will be an extremely effective means of raising the corporate value and shareholder value of Two Groups. Therefore, the Company and Dentsu Group Inc. decided to execute the Capital and Business Alliance Agreement and reached a conclusion that the two companies would carry out the Transaction.

## 2. Overview of Terms and Conditions of Share Exchange Agreement

The terms and conditions of the Share Exchange Agreement are as follows.

## Share Exchange Agreement

Septeni Holdings Co., Ltd. (“Septeni HD”) and Dentsu Direct Inc. (“Dentsu Direct”) hereby enter into this Share Exchange Agreement dated October 28, 2021 (“Agreement”), as follows.

### Article 1 (Share Exchange)

Subject to the provisions contained herein, Septeni HD and Dentsu Direct shall conduct a share exchange in which Septeni HD shall become the wholly-owning parent company in share exchange and Dentsu Direct shall become the wholly-owned subsidiary in share exchange (“Share Exchange”). As a result of the Share Exchange, Septeni HD shall acquire all of the issued shares of Dentsu Direct.

### Article 2 (Trade Names and Addresses of Parties)

Septeni HD’s and Dentsu Direct’s respective trade names and addresses are as follows:

|               |                                                                                                       |
|---------------|-------------------------------------------------------------------------------------------------------|
| Septeni HD    | Trade name: Septeni Holdings Co., Ltd.<br>Address: 8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo           |
| Dentsu Direct | Trade name: Dentsu Direct Inc.<br>Address: Dentsu Building, 1-8-1 Higashi-Shinbashi, Minato-ku, Tokyo |

### Article 3 (Number of Shares to Be Delivered in Share Exchange and Terms of Their Allotment)

1. In the Share Exchange, Septeni HD shall deliver to each shareholder of Dentsu Direct as at the time immediately prior to the point in time at which Septeni HD shall acquire all of the issued shares of Dentsu Direct through the Share Exchange (“Target Shareholder”) such number of common shares of Septeni HD as calculated by multiplying the total number of common shares of Dentsu Direct held by the Target Shareholder by a factor of 3,274, in exchange for the common shares of Dentsu Direct held by the Target Shareholder.
2. In the Share Exchange, Septeni HD shall allot common shares of Septeni HD to each Target Shareholder at the ratio of 3,274 common shares of Septeni HD per common share of Dentsu Direct held by the Target Shareholder.
3. If the number of common shares of Septeni HD to be otherwise allotted to a Target Shareholder pursuant to the provisions of the preceding two paragraphs includes any fraction less than one share, Septeni HD shall dispose of such fraction pursuant to the provisions of Article 234 of the Companies Act and other applicable laws and regulations.

### Article 4 (Effective Date of Share Exchange)

The date on which the Share Exchange becomes effective (“Effective Date”) shall be January 4, 2022. However, the Effective Date may be changed by consultation and agreement between Septeni HD and Dentsu Direct if necessary for reasons related to the progress of the procedure for the Share Exchange or for any other reason.

### Article 5 (Amounts of Stated Capital and Reserves)

The amounts by which the stated capital and reserves of Septeni HD will increase as a result of the Share Exchange shall be appropriately determined by Septeni HD separately pursuant to the provisions of Article 39, paragraph (2) of the Regulation on Corporate Accounting.

### Article 6 (Approval of Share Exchange Agreement)

1. No later than the day immediately preceding the Effective Date, Septeni HD shall seek a resolution for approval of this Agreement and for other matters necessary for the Share Exchange at a shareholders meeting as set forth in Article 795, paragraph (1) of the Companies Act.

2. No later than the day immediately preceding the Effective Date, Dentsu Direct shall seek a resolution for approval of this Agreement and for other matters necessary for the Share Exchange at a shareholders meeting as set forth in Article 783, paragraph (1) of the Companies Act (including a case where such resolution is deemed to have been passed at such shareholders meeting under Article 319, paragraph (1) of the Companies Act).

Article 7 (Management of Company Assets)

During the period from the date of execution of this Agreement to the day immediately preceding the Effective Date, each party hereto shall execute its operations and manage and operate its assets by exercising the due care of a prudent manager, and shall consult and agree with the other party before engaging in any act that may have a material impact on any of its own assets or its own rights or obligations.

Article 8 (Amendment and Termination)

At any time during the period from the date of execution of this Agreement to the day immediately preceding the Effective Date, the parties hereto may amend or terminate this Agreement by consultation and agreement between them.

Article 9 (Effect of Agreement)

This Agreement shall become null and void if, no later than the day immediately preceding the Effective Date: (i) this Agreement is not approved by a resolution at a shareholders' meeting of Septeni HD or Dentsu Direct as set forth in Article 6; (ii) the approval, etc. of any relevant government agency, etc. required to consummate the Share Exchange is not obtained; or (iii) this Agreement is terminated pursuant to the preceding article.

Article 10 (Governing Law and Jurisdiction)

This Agreement shall be governed by, and construed in accordance with, the laws of Japan. The parties hereto agree that the Tokyo District Court shall have exclusive jurisdiction as the court of first instance over any dispute related to this Agreement.

Article 11 (Matters for Consultation)

Other than as set forth herein, any matter necessary for the Share Exchange shall be determined by consultation and agreement between the parties hereto in accordance with the spirit of this Agreement.

In Witness Whereof, this Agreement has been executed in duplicate, with Septeni HD and Dentsu Direct to retain one copy each after both have hereunto affixed their respective names and seals.

October 28, 2021

|                |                                                                                                                                                                    |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Septeni HD:    | Koki Sato, Representative Director<br>Septeni Holdings Co., Ltd.<br>8-17-1 Nishishinjuku, Shinjuku-ku, Tokyo                                                       |
| Dentsu Direct: | Kazunari Kondo, President, Representative<br>Director and Executive Officer<br>Dentsu Direct Inc.<br>Dentsu Building, 1-8-1 Higashi-Shinbashi,<br>Minato-ku, Tokyo |

### 3. Overview of Matters Provided for in Article 193 of the Ordinance for Enforcement of the Companies Act

#### (1) Matters regarding the Appropriateness of Consideration

##### A. Details of Allotment in the Share Exchange

| Company name                                                | Company<br>(Wholly-owning parent<br>company in share exchange) | Dentsu Direct<br>(Wholly-owned subsidiary in<br>share exchange) |
|-------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------|
| Share exchange ratio                                        | 1                                                              | 3,274                                                           |
| Number of shares to be delivered<br>upon the share exchange | Company's common shares: 12,768,600 shares                     |                                                                 |

(Notes)

1. Allotment ratio of shares for the Share Exchange (share exchange ratio)  
3,274 common shares of the Company will be allotted and delivered per share of Dentsu Direct.
2. Number of new shares of the Company to be issued as a result of the Share Exchange  
The Company will allot and deliver 12,768,600 common shares of the Company through the Share Exchange. Of the shares to be so delivered, 10,724,240 shares will be allotted from the Company's treasury shares and 2,044,360 common shares will be newly issued.

##### B. Grounds, etc. for the Details of Allotment in Share Exchange

###### 1) Grounds and Reasons for the Details of Allotment

In calculating the share exchange ratio specified in A. above ("Share Exchange Ratio"), the Company appointed Mizuho Securities Co., Ltd. ("Mizuho Securities") as its financial advisor and third-party appraisal organization that is independent from the Company as well as from Dentsu Group Inc. and Dentsu Direct, in order to ensure the fairness and validity of the Share Exchange Ratio and other aspects of the Share Exchange as described in "4) Measures for Ensuring Fairness (Including Measures for Avoiding Conflicts of Interest)" below. As described in "4) Measures for Ensuring Fairness (Including Measures for Avoiding Conflicts of Interest)" below, the Company repeated careful negotiations and discussions with Dentsu Group Inc. on the Share Exchange Ratio, based on the share exchange ratio valuation report received from Mizuho Securities, advice from Nishimura & Asahi which is the Company's legal advisor, and the results of a due diligence conducted on Dentsu Direct, and by comprehensively taking into account the Company's share price, the Company's and Dentsu Direct's financial condition and future prospects, and other factors. As a result, the Company determined that the Share Exchange Ratio was appropriate and, at the Board of Directors held on October 28, 2021, passed a resolution to execute the Share Exchange Agreement, including the Share Exchange Ratio specified therein.

###### 2) Matters Relating to Calculations

###### (i) Name of the Appraisal Organization and Its Relationship with the Company and Dentsu Direct

Mizuho Securities is an appraisal organization independent from the Company as well as from Dentsu Group Inc. and Dentsu Direct. Mizuho Securities is not a related party to the Company or to Dentsu Group Inc. or Dentsu Direct. Mizuho Securities has no material interest required to be disclosed in the Share Exchange.

###### (ii) Overview of Calculations

In the case of the Company, Mizuho Securities conducted the valuation by using: (i) the market price method (in which the reference date was set at the valuation reference date of October 27, 2021 and the analysis was performed based on the average closing price of the Company's common shares on the TSE's JASDAQ (Standard) exchange over the preceding six-month period from April 28, 2021 to the valuation reference date, that over the preceding three-month period from July 28, 2021 to the valuation reference date, and that over the preceding one-month period from September 28, 2021 to the valuation reference date, and the closing price of the Company's common shares on the reference date), because the Company is listed on a financial instruments exchange and market prices of its shares are available; (ii) the comparable company method, because comparable listed companies similar to the Company

exist and an analogical inference of the share value of the Company's common shares is possible through a comparison with those comparable companies; and (iii) the Discounted Cash Flow method ("DCF method") to reflect the state of future business activities in the valuation.

As for Dentsu Direct, the market price method was not used because Dentsu Direct is an unlisted company and market prices of its shares are not available. The valuation was conducted by using: (i) the comparable company method, because comparable listed companies similar to Dentsu Direct exist and an analogical inference of the share value of Dentsu Direct's common shares is possible through a comparison with those comparable companies; and (ii) the DCF Method to reflect the state of future business activities in the valuation.

The results of the valuation using the above valuation methods when a value of one is assigned to the value per share of the Company are as follows:

| Method used               |                           | Valuation result of share exchange ratio |
|---------------------------|---------------------------|------------------------------------------|
| Company                   | Dentsu Direct             |                                          |
| Market price method       | Comparable company method | 3,259 to 5,005                           |
| Comparable company method | Comparable company method | 2,919 to 5,231                           |
| DCF method                | DCF method                | 3,115 to 6,217                           |

In evaluating the Share Exchange Ratio, Mizuho Securities used information provided by the Company and Dentsu Direct and information available to the public, assuming that these materials, information, etc. were all accurate and complete, and thus has not independently verified the accuracy or completeness of such information. Moreover, with respect to the assets and liabilities (including contingent liabilities) of the Company, Dentsu Direct and their respective affiliates, Mizuho Securities has not performed any independent evaluation, appraisal or calculation, including analysis and evaluation of individual assets and liabilities, nor has it delegated such appraisal or assessment to a third party. The valuation of the Share Exchange Ratio by Mizuho Securities reflects the information available and the economic conditions up to valuation reference date. Mizuho Securities assumed that Company's and Dentsu Direct's respective financial forecasts, including profit plans and other information, were reasonably reviewed or prepared by the respective managements of the Company and Dentsu Direct based on the best estimation and judgment which could be obtained at this point.

In the business plans prepared by the Company and Dentsu Direct based on which Mizuho Securities performed valuation using the DCF method, considerable income increases or decreases are expected in some fiscal periods. Specifically, the Company expects at least a 30% increase in non-GAAP operating profit for the fiscal year ending in September 2023 from the previous fiscal year, due to: organic growth, and creation of new clients through promoting cooperation with the Dentsu Group companies under existing capital and business alliance agreement, in the digital marketing business; increase in client unit price; and expected improvement in productivity by enhancing the recruiting and development of digital human resources, and reducing the time required to make new personnel industry-ready, through the utilization of AI personnel systems. For the same reasons, the Company expects at least a 30% increase in non-GAAP operating profit for the fiscal year ending in September 2024 from the previous fiscal year. On the other hand, Dentsu Direct expects at least a 30% decrease in operating profit and at least a 40% decrease in net income for the fiscal year ending in December 2021 from the previous fiscal year, due to the impact of loss of orders from some advertisers in the course of reorganization of the digital marketing business. However, Dentsu Direct expects at least a 30% increase in net income for the fiscal year ending in December 2022 from the previous fiscal year, due to organic growth, creation of new clients, and increase in client unit price through online and offline cross-selling, in the online and offline marketing business. For the same reasons and due to the expected start of direct purchase transactions of certain media, Dentsu Direct expects at least a 30% increase in both operating profit and net income for the fiscal year ending in December 2023 from the previous fiscal year. The financial forecasts for the Company and Dentsu Direct based on which the valuation was performed using the DCF method are not subject to the implementation of the Transaction.

### 3) Prospects of Becoming Delisted and Reasons Therefor

As of this day, the Company's shares are listed on the TSE's JASDAQ (Standard) exchange. Even after the Share Exchange has been carried out, the Company's shares are expected to remain listed.

### 4) Measures for Ensuring Fairness (Including Measures for Avoiding Conflicts of Interest)

In light of the fact that Dentsu Group Inc. is the Company's largest shareholder that is a major shareholder and other affiliate holding 26,895,001 shares of the Company (which corresponds to 20.98% in terms of ownership percentage of voting rights), and that Dentsu Group Inc. has a capital and business alliance relationship with the Company under the existing capital and business alliance agreement, the Company has taken measures for ensuring fairness (including measures for avoiding conflicts of interest) as follows, in order to carefully ensure the fairness of the Transaction, including the Share Exchange.

#### (i) Company's Receipt of Valuation Report from Independent Third-Party Appraisal Organization

To ensure the fairness and validity of the Share Exchange Ratio, the Company appointed Mizuho Securities as its financial advisor and third-party appraisal organization that is independent from the Company as well as from Dentsu Group Inc. and Dentsu Direct, and received from Mizuho Securities a share exchange ratio valuation report on the Share Exchange on October 28, 2021 ("Valuation Report"). For a summary of the Valuation Report, please see "2) Matters Relating to Calculations" above. However, the Company has not obtained from any third-party appraisal organization a written opinion that the Share Exchange Ratio is appropriate from a financial perspective (fairness opinion).

#### (ii) Company's Receipt of Advice from Independent Law Firm

The Company appointed Nishimura & Asahi as its legal advisor independent from the Company as well as from Dentsu Group Inc. and Dentsu Direct, and has received from Nishimura & Asahi advice from legal perspectives on the procedures for the Transaction and on the approach, process, etc. of the decision-making of the Company's Board of Directors. Nishimura & Asahi is independent from the Company as well as from Dentsu Group Inc. and Dentsu Direct and does not have any material interest in any of them.

#### (iii) Unanimous Approval of Company Directors and Unanimous Opinion of No Objections by Company Auditors Having No Conflicts of Interests

At the Company's Board of Directors meeting held on October 28, 2021 at which all eight directors of the Company were present, the attending directors unanimously approved a resolution to execute the Capital and Business Alliance Agreement, including the carrying out of the Transaction specified therein. In addition, at the Board of Directors meeting referenced above, all company auditors except Mr. Nobuo Kojima expressed an opinion supporting the above resolution without objection.

Mr. Nobuo Kojima, who is a company auditor of the Company, did not in any way participate in the deliberation at the Board of Directors meeting referenced above but refrained from expressing his opinion with respect to the resolution referenced above adopted at the same Board of Directors meeting, owing to his position as an employee of Dentsu Inc., a consolidated subsidiary of Dentsu Group Inc., in order to eliminate the possibility that the Transaction is affected by the issue of structural conflicts of interest and the issue of information asymmetry.

### C. Matters Relating to the Appropriateness of the Amounts of Increase in the Company's Stated Capital and Reserves upon the Share Exchange

The amounts of increase in the Company's stated capital and reserves upon the Share Exchange are as follows. The Company considers this arrangement appropriate as it has been determined within the limits of legal restrictions by comprehensively taking into account and considering the Company's capital policy and other circumstances after the Share Exchange.

(a) Amount of increase in stated capital: JPY0

(b) Amount of increase in capital reserve: The amount to be separately determined by the Company pursuant to the provisions of Article 39 of the Regulation on Corporate Accounting

(c) Amount of increase in legal reserve of retained earnings: JPY0

(2) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights in the Share Exchange  
Not applicable.

(3) Matters Relating to Dentsu Direct

A. Content of Financial Statements, etc. for the Last Financial Year

The content of Dentsu Direct's financial statements for its last financial year (from January 1, 2020 to December 31, 2020) is posted on the Company's website (<https://www.septeni-holdings.co.jp/ir/stock/shareholders/>), pursuant to applicable laws and regulations and the provisions of Article 19 of the Company's Articles of Incorporation.

B. Provisional Financial Statements, etc. Whose Provisional Account Closing Date Is Set at a Date after the Last day of the Last Fiscal Year

Not applicable.

C. Disposal, etc. of Important Assets after the Last Day of the Last Fiscal Year

On July 1, 2021, Dentsu Direct absorbed and merged with DA search & link inc., a wholly-owned subsidiary of Dentsu Group Inc.

(4) Company's Disposal, etc. of Important Assets after the Last Day of Its Last Fiscal Year

At its Board of Directors meeting held on November 25, 2021, the Company passed a resolution to distribute, no later than the effective date of the Share Exchange, a dividend of surplus of JPY3.4 per share (for a total amount of JPY435,853,684) with a record date of September 30, 2021, as the term-end dividend for the fiscal year ending in September 2021.

## **Agenda Item No. 2: Issue of Shares Offered for Subscription through Third-Party Allotment**

Subject to your approval of Agenda Item No. 1, “Approval of Share Exchange Agreement,” the Company proposes you to approve, by ordinary resolution, the Third-Party Allotment to Dentsu Group Inc. as described in “1. Overview of Third-Party Allotment” below for the reasons described in section “2” below, as announced by the Capital and Business Alliance Press Release.

The number of common shares to be issued to Dentsu Group Inc. through the Third-Party Allotment is 70,118,794 shares (representing 701,187 votes), which corresponds to 50.48% of the total number of the Company’s issued shares as of September 30, 2021 (138,916,500 shares) and 54.70% of the total number of the Company’s voting rights as of the same date (1,281,868 votes). This is expected to result in an at least 25% dilution of the Company’s shares held by the existing shareholders.

This proposal intends to confirm the intent of shareholders pursuant to the provisions of Rule 432, item (2) of the Securities Listing Regulations established by the TSE, because the Third-Party Allotment will result in an at least 25% dilution of the Company’s shares held by the existing shareholders as mentioned above, and because Dentsu Group Inc. will become the controlling shareholder (i.e., the parent company) of the Company as a result of the Third-Party Allotment.

This proposal also intends to obtain approval of a contract as referred to in Article 205, paragraph (1) of the Companies Act by a resolution of the shareholders meeting pursuant to Article 206-2, paragraph (4) of the Companies Act.

### 1. Overview of Third-Party Allotment

|     |                                                           |                                                                                                                                                                                                                                                                                                                                                                                                |
|-----|-----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) | Class and number of shares                                | Common shares: 70,118,794 shares                                                                                                                                                                                                                                                                                                                                                               |
| (2) | Pay-in amount                                             | JPY465 per share                                                                                                                                                                                                                                                                                                                                                                               |
| (3) | Total pay-in amount                                       | JPY32,605,239,210                                                                                                                                                                                                                                                                                                                                                                              |
| (4) | Amount of increase in stated capital and capital reserves | Amount of increase in stated capital: JPY16,302,619,605<br>Amount of increase in capital reserves: JPY16,302,619,605 (Note)                                                                                                                                                                                                                                                                    |
| (5) | Method of offering subscription                           | All shares offered for subscription will be allotted to Dentsu Group Inc. by means of third-party allotment                                                                                                                                                                                                                                                                                    |
| (6) | Payment due date                                          | January 4, 2022                                                                                                                                                                                                                                                                                                                                                                                |
| (7) | Other matters                                             | (i) The Third-Party Allotment is subject to the satisfaction of certain conditions precedent, including the Share Exchange’s becoming effective.<br>(ii) The Third-Party Allotment is subject to: the submission of a Securities Registration Statement becoming effective pursuant to the Financial Instruments and Exchange Act; and approval of this proposal at this shareholders meeting. |

Note: The amount of increase in stated capital will be the amount equivalent to one half of the Maximum Amount of Increase in Stated Capital calculated pursuant to Article 14, paragraph (1) of the Regulation on Corporate Accounting, with any fraction less than JPY1 arising from the estimation rounded up. The total amount of increase in capital reserves will be the amount of Maximum Amount of Increase in Stated Capital so calculated minus the amount of increase in stated capital.

### 2. Reasons for Third-Party Allotment

#### (1) Reasons for Selection of the Allottee

The Company has selected Dentsu Group Inc. as the proposed allottee because, as described in Agenda Item No. 1, the Company considers that its becoming a consolidated subsidiary of Dentsu Group Inc. through the Transaction will, in the medium-to-long term, lead to an increase in the Company’s corporate value and shareholder value which will more than compensate for the dilution mentioned above.

#### (2) Basis for Calculating Pay-in Amount and Details Thereof

The issue price for the Third-Party Allotment (“Issue Price”) was set at JPY465 (as rounded to a whole number; the same applies hereinafter to the calculation of a share price), which is the simple average

closing price of the Company's common shares on TSE's JASDAQ (Standard) exchange ("Closing Price") over the one-month period ending on October 27, 2021, which is the trading day immediately before the date on which the Board of Directors passed a resolution for the Third-Party Allotment ("Immediately Preceding Trading Day") ("Immediately Preceding One Month's Average").

The reasons for using the Immediately Preceding One Month's Average in calculating the Issue Price are as follows. First, because the market price of the Company's shares tended to fluctuate considerably (with the yearly low and high for 2021 up to the Immediately Preceding Trading Day being JPY366 and JPY555, respectively), the Company and the proposed allottee discussed, during price negotiations between them, the idea that referring to an average share price as an equalized value instead of using the share price on a specific day (i.e., the Immediately Preceding Trading Day) in calculating the Issue Price would be more objective and reasonable as a basis for calculation, since this would allow elimination of the effect of short-term fluctuations in share price and such other factors. In fact, the market price of the Company's shares has more recently fluctuated significantly in a short period, with a drop in response to the Business Results for 3Q Fiscal Year September 2021 announced on July 29, 2021 (from the Closing Price of JPY487 on July 29, 2021 to the Closing Price of JPY413 on the following day [July 30, 2021], further to the Closing Price of JPY374 on August 20, 2021), followed by a rise over late September 2021 (to the Closing Price of JPY482 on September 27 and 28, 2021), then by a dwindle over early October 2021 (to the Closing Price of JPY444 on October 6, 2021), and further by another rise over mid October 2021 (to the Closing Price of JPY492 on October 15 and 18, 2021). Considering these circumstances, the Company believes that it is more objective and reasonable as a basis for calculation to refer to an average share price as an equalized value instead of using the share price on a specific day (i.e., the Immediately Preceding Trading Day) in calculating the Issue Price, since this would allow elimination of the effect of short-term fluctuations in share price and such other factors. In this regard, the Company considers that using the average share price over the immediately preceding one-month period, which is closest to the most recent market price, would be more objective and reasonable as a basis for calculation than that over the immediately preceding three- or six-month period.

The Issue Price includes a premium of 9.93% (as rounded to the second decimal place; the same applies hereinafter to the calculation of a premium rate) over the Closing Price of JPY423 on the Immediately Preceding Trading Day, a premium of 6.90% over the average Closing Price of JPY435 over the three-month period preceding the Immediately Preceding Trading Day (from July 28, 2021 to October 27, 2021), and a premium of 3.56% over the average Closing Price of JPY449 over the six-month period preceding the Immediately Preceding Trading Day (from April 28, 2021 to October 27, 2021).

The Issue Price is compliant with the "Guidelines on Handling of Third-Party Allotment" established by the Japan Securities Dealers Association. The Company considers that the Issue Price is not an especially favorable issue price. As for the Third-Party Allotment, a resolution to approve the Third-Party Allotment was unanimously passed by all attending directors at the Company's Board of Directors meeting held on October 28, 2021 at which all eight directors of the Company were present. In addition, the Company has received from all company auditors of the Company, except Mr. Nobuo Kojima, an opinion that the Issue Price is not an especially favorable issue price and is thus legal, since the Issue Price is based on the market price, which is an objective indicator for the value of the Company's common shares, and since the Issue Price has been determined by taking into account the Japan Securities Dealers Association's Guidelines on Handling of Third-Party Allotment.

Mr. Nobuo Kojima, who is a company auditor of the Company, did not in any way participate in the deliberation at the Board of Directors meeting referenced above but refrained from expressing his opinion with respect to the resolution referenced above adopted at the same Board of Directors meeting, owing to his position as an employee of Dentsu Inc., in order to eliminate the possibility that the Transaction is affected by the issue of structural conflicts of interest and the issue of information asymmetry.

### (3) Reasons for Judgment that the Number of Shares to be Issued and Extent of Share Dilution are Reasonable

The number of new shares to be issued through the Third-Party Allotment is 70,118,794 shares (representing 701,187 votes), which corresponds to 50.48% of the total number of the Company's issued shares as of September 30, 2021 (138,916,500 shares) and 54.70% of the total number of the Company's voting rights as of the same date (1,281,868 votes). This will result in a certain dilution of the Company's existing shares.

However, the Company plans to apply the funds raised through the Third-Party Allotment to: (i) funds for acquiring shares of Dentsu Digital through the Share Transfer; and (ii) working capital (i.e., advertising expenses and recruitment advertising expenses). In addition, as described in Agenda Item No. 1, the Company believes that, in order to help the Company's efforts to become the nation's largest digital marketing partner while further accelerating its business cooperation with Dentsu Group Inc., it is desirable, for the Company's further growth through expanding and enhancing the target domains of the Company's main business of digital marketing, to accelerate the business cooperation in the Two Groups as a whole by making Dentsu Direct, which has advantages in direct advertising and mass advertising, a wholly-owned subsidiary of the Company, and by making Dentsu Digital, which has advantages in digital marketing and solutions, an equity-method affiliate of the Company.

Therefore, the Company judges that the number of shares to be issued through, and the extent of share dilution resulting from, the Third-Party Allotment are reasonable, because the Third-Party Allotment will be carried out within the limits necessary to ensure an increase in the Company's corporate value and shareholder value through the Third-Party Allotment, and because the Company's becoming a consolidated subsidiary of Dentsu Group Inc. through the Transaction will, in the medium-to-long-term, lead to an increase in the Company's corporate value and shareholder value which will more than compensate for the dilution mentioned above.

Since the Third-Party Allotment will result in an at least 25% dilution of the Company's shares held by the existing shareholders as mentioned above, and since Dentsu Group Inc. will become the controlling shareholder (i.e., the parent company) of the Company as a result of the Third-Party Allotment, the Company intends to confirm the intent of its shareholders through obtaining their approval of this proposal, pursuant to the provisions of Rule 432, item (2) of the Securities Listing Regulations established by the TSE, as described above.

**Agenda Item No. 3: Election of Six 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.

In that regard, the Company hereby proposes the election of six directors, including five outside directors.

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

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

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

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

The candidates are as follows:

| Candidate No. | Name                                                                                          |                                                       | Important positions held at other companies                                                                                                                                                                        | Attendance to the Board of Directors meetings |
|---------------|-----------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1             | <b>Koki Sato</b><br>Representative director<br>Group President and Chief<br>Executive Officer | Reelection                                            | External Director, FOOD & LIFE COMPANIES LTD.                                                                                                                                                                      | 13/13                                         |
| 2             | <b>Etsuko Okajima</b><br>Outside director                                                     | Reelection<br>Outside director<br>Independent officer | CEO, ProNova Inc.<br>External Director, MARUI GROUP Co., Ltd.<br>External Director, LANCERS, Inc.<br>Outside Director, Yappli, Inc.<br>External Director, Money Forward, Inc.<br>Director, CHRO, Euglena Co., Ltd. | 13/13                                         |
| 3             | <b>Yusuke Asakura</b><br>Outside director                                                     | Reelection<br>Outside director<br>Independent officer | Representative Director, Signifiant Inc.                                                                                                                                                                           | 13/13                                         |
| 4             | <b>Yoshiki Ishikawa</b><br>Outside director                                                   | Reelection<br>Outside director<br>Independent officer | Director, Cancer Scan Co., Ltd.<br>Director, Campus for H Inc.<br>Outside Director (Audit & Supervisory Committee Member), Sansan, Inc.<br>External Director, Gaiax Co. Ltd.                                       | 13/13                                         |
| 5             | <b>Akie Iriyama</b><br>Outside director                                                       | Reelection<br>Outside director<br>Independent officer | Professor, Business School, Waseda University<br>External Director, ROHTO Pharmaceutical Co., Ltd.<br>Outside Director, Sanoh Industrial Co., Ltd.                                                                 | 9/10                                          |
| 6             | <b>Mio Takaoka</b><br>Outside director                                                        | Reelection<br>Outside director<br>Independent officer | Outside director, KAYAC Inc.<br>Partner, DNX Ventures                                                                                                                                                              | 10/10                                         |

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|   |                                                     |                                               |                          |
|---|-----------------------------------------------------|-----------------------------------------------|--------------------------|
| 1 | <b>Koki Sato</b><br>(Date of birth: March 11, 1975) | Reelection                                    |                          |
|   |                                                     | Number of years in office                     | 20 years<br>and 5 months |
|   |                                                     | Attendance to the Board of Directors meetings | 13/13                    |
|   |                                                     | Number of the Company's common shares held    | 372,300                  |

**Profile, position and duties at the Company**

|           |                                                                                                                |
|-----------|----------------------------------------------------------------------------------------------------------------|
| Apr. 1997 | Joined the Company                                                                                             |
| Jul. 2001 | Director and General Manager of Internet Operations                                                            |
| Oct. 2003 | Managing Director and CMO                                                                                      |
| Dec. 2004 | Senior Managing Director and COO                                                                               |
| Oct. 2007 | Senior Managing Director                                                                                       |
| Dec. 2009 | Representative Director (current position) and President                                                       |
| Jan. 2017 | Group President and Chief Executive Officer (current position)                                                 |
| Jan. 2019 | Executive Officer, Dentsu Inc.                                                                                 |
| Dec. 2020 | External Director, Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES LTD.) (current position) |

■ Reasons for nomination as candidate for director

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

■ Important positions held at other companies

External Director, FOOD & LIFE COMPANIES LTD.

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2 **Etsuko Okajima**  
(Date of birth: May 16, 1966)

Reelection  
Outside director  
Independent officer  
Number of years in office 6 years  
Attendance to the Board of Directors meetings 13/13  
Number of the Company's common shares held –

**Profile, position and duties at the Company**

Apr. 1989 Joined Mitsubishi Corporation  
Jan. 2001 Joined McKinsey & Company  
Mar. 2002 Joined Globis Management Bank, Inc.  
Jul. 2005 President, Globis Management Bank, Inc.  
Jun. 2007 CEO, ProNova Inc. (current position)  
Jun. 2014 Outside Director, Astellas Pharma Inc.  
Jun. 2014 External Director, MARUI GROUP Co., Ltd. (current position)  
Nov. 2015 External Director, LANCERS, Inc. (current position)  
Dec. 2015 Outside Director of the Company (current position)  
Mar. 2016 Outside Director, Link and Motivation Inc.  
Jul. 2018 Outside Director, Yappli, Inc. (current position)  
Dec. 2018 Outside Director, Euglena Co., Ltd.  
Feb. 2019 External Director, Money Forward, Inc. (current position)  
Dec. 2020 Director, CHRO, Euglena Co., Ltd. (current position)

■ Reasons for nomination as candidate for outside director and outline of expected roles

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

■ Important positions held at other companies

CEO, ProNova Inc.; External Director, MARUI GROUP Co., Ltd.; External Director, LANCERS, Inc.; Outside Director, Yappli, Inc.; External Director, Money Forward, Inc.; Director, CHRO, Euglena Co., Ltd.

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|   |                                                         |                                               |         |
|---|---------------------------------------------------------|-----------------------------------------------|---------|
| 3 | <b>Yusuke Asakura</b><br>(Date of birth: July 23, 1982) | Reelection                                    |         |
|   |                                                         | Outside director                              |         |
|   |                                                         | Independent officer                           |         |
|   |                                                         | Number of years in office                     | 4 years |
|   |                                                         | Attendance to the Board of Directors meetings | 13/13   |
|   |                                                         | Number of the Company's common shares held    | –       |

**Profile, position and duties at the Company**

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

■ Reasons for nomination as candidate for outside director and outline of expected roles

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

■ Important positions held at other companies

Representative Director, Signifiant Inc.

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|   |                                                               |                                               |         |
|---|---------------------------------------------------------------|-----------------------------------------------|---------|
| 4 | <b>Yoshiki Ishikawa</b><br>(Date of birth: February 27, 1981) | Reelection                                    |         |
|   |                                                               | Outside director                              |         |
|   |                                                               | Independent officer                           |         |
|   |                                                               | Number of years in office                     | 2 years |
|   |                                                               | Attendance to the Board of Directors meetings | 13/13   |
|   |                                                               | Number of the Company's common shares held    | –       |

**Profile, position and duties at the Company**

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

■ Reasons for nomination as candidate for outside director and outline of expected roles

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

■ Important positions held at other companies

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

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|                                                            |                                               |        |
|------------------------------------------------------------|-----------------------------------------------|--------|
| <b>5 Akie Iriyama</b><br>(Date of birth: December 8, 1972) | 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 common shares held    | –      |

**Profile, position and duties at the Company**

|           |                                                                              |
|-----------|------------------------------------------------------------------------------|
| Apr. 1998 | Joined Mitsubishi Research Institute, Inc.                                   |
| Sep. 2008 | Assistant Professor, University at Buffalo, the State University of New York |
| Sep. 2013 | Associate Professor, Business School, Waseda University                      |
| May 2016  | Outside Director, Macromill, Inc.                                            |
| Apr. 2019 | Professor, Business School, Waseda University (current position)             |
| Jun. 2019 | External Director, ROHTO Pharmaceutical Co., Ltd. (current position)         |
| Jun. 2020 | Outside Director, Sanoh Industrial Co., Ltd. (current position)              |
| Dec. 2020 | Outside Director of the Company (current position)                           |

■ Reasons for nomination as candidate for outside director and outline of expected roles

Mr. Akie Iriyama has operational experience as a consultant, along with professional, extensive experience and results and considerable insight as a researcher specialized in the management strategies and the global management fields, and because he has actively provided useful advice on all aspects of the business administration of the Group, he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has once again been nominated as candidate for outside director. Although he has never been involved in corporate management other than serving as an outside officer, he is deemed capable of properly carrying out the duties of an outside director of the Company for the reasons mentioned above.

■ Important positions held at other companies

Professor, Business School, Waseda University; External Director, ROHTO Pharmaceutical Co., Ltd.; Outside Director, Sanoh Industrial Co., Ltd.

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|                                                      |                                               |        |
|------------------------------------------------------|-----------------------------------------------|--------|
| <b>6 Mio Takaoka</b><br>(Date of birth: May 3, 1979) | Reelection                                    |        |
|                                                      | Outside director                              |        |
|                                                      | Independent officer                           |        |
|                                                      | Number of years in office                     | 1 year |
|                                                      | Attendance to the Board of Directors meetings | 10/10  |
|                                                      | Number of the Company's common shares held    | –      |

**Profile, position and duties at the Company**

|           |                                                                                             |
|-----------|---------------------------------------------------------------------------------------------|
| Jul. 1999 | Joined Goldman Sachs Japan Securities                                                       |
| Jun. 2002 | Joined Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.) |
| Mar. 2006 | Joined Lehman Brothers Japan Securities                                                     |
| Jan. 2009 | Joined Monex Group, Inc.                                                                    |
| Feb. 2014 | Executive, General Manager of new business, Monex Group, Inc.                               |
| May 2014  | Director, Monex Ventures, Inc.                                                              |
| Sep. 2017 | Joined MedicalNote, Inc.                                                                    |
| Sep. 2017 | Partner, Arbor Ventures                                                                     |
| Mar. 2018 | Director, MedicalNote, Inc.                                                                 |
| Dec. 2020 | Outside Director of the Company (current position)                                          |
| Mar. 2021 | Outside director, KAYAC Inc. (current position)                                             |
| Apr. 2021 | Partner, DNX Ventures (current position)                                                    |

■ Reasons for nomination as candidate for outside director and outline of expected roles

Ms. Mio Takaoka has professional, extensive experience and results, and considerable insight of strategic investment, new business development and finance, and because she has actively provided useful advice on all aspects of the business administration of the Group, she is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has once again been nominated as candidate for outside director.

■ Important positions held at other companies

Outside director, KAYAC Inc.; Partner, DNX Ventures

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(Notes)

1. The name of Ms. Etsuko Okajima in the family register is Etsuko Mino.
2. Ms. Etsuko Okajima, Mr. Yusuke Asakura, Mr. Yoshiaki Ishikawa, Mr. Akie Iriyama and Ms. Mio Takaoka are candidates for outside directors.
3. Ms. Etsuko Okajima is the CEO of ProNova Inc., which has concluded a service contract agreement with the Company for the planning and operation of a next-generation leader development program.
4. Apart from what is mentioned in 3. above, there are no other special relationships between the Company and each of the candidates.
5. The number of the Board of Directors meetings included in the scope of attendance for Mr. Akie Iriyama and Ms. Mio Takaoka is the 10 meetings held during the time after they were appointed as director on December 22, 2020.
6. The Company has established “Independence Standards for Outside Officers” (<https://www.septeni-holdings.co.jp/ir/pdf/isod.pdf>) (in Japanese only). There is no information showing any violations of these standards for candidates Ms. Etsuko Okajima, Mr. Yusuke Asakura, Mr. Yoshiaki Ishikawa, Mr. Akie Iriyama or Ms. Mio Takaoka, and each candidate is deemed independent.
7. The Company has designated Ms. Etsuko Okajima, Mr. Yusuke Asakura, Mr. Yoshiaki Ishikawa, Mr. Akie Iriyama and Ms. Mio Takaoka as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc., and has submitted a notice of designation to the Tokyo Stock Exchange. If the proposed reelection of them is approved, the Company will continue to designate them as independent officers.
8. The Company has entered into a liability limitation agreement with each of Ms. Etsuko Okajima, Mr. Yusuke Asakura, Mr. Yoshiaki Ishikawa, Mr. Akie Iriyama and Ms. Mio Takaoka. According to the aforementioned liability limitation agreement, their liability for damages under Article 423, paragraph (1) of the Companies Act will not exceed either ¥5 million or the minimum liability amount stipulated in Article 425, paragraph (1) of the same Act, whichever is higher. If the proposed reelection of them is approved, the Company plans to again enter into the aforementioned liability limitation agreement with them.
9. The Company has entered into a directors and officers liability insurance policy (management risk protection insurance policy) as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. If each candidate is elected and assumes office as director, he or she will be included as an insured in the policy. This insurance policy covers amounts of indemnification, litigation expenses and other costs that an insured, including the Company’s directors, would be liable for due to corporate litigation, a third-party lawsuit, a shareholder derivative lawsuit, etc. However, as a measure to ensure that the proper performance of duties by an insured is not impaired, the insurance policy does not cover any damages, etc. arising from criminal acts, etc. committed by the insured. The full amount of the insurance premiums for the policy is borne by the Company. In addition, when the policy is renewed (July 2022), the Company plans to renew the policy with the same terms.

**Agenda Item No. 4: Election of One Director in Association with Capital and Business Alliance**

Subject to your approval of Agenda Item No. 1, “Approval of Share Exchange Agreement,” and Agenda Item No. 2, “Issue of Shares Offered for Subscription through Third-Party Allotment,” the Company proposes the election of one new director in association with the Capital and Business Alliance.

Subject to your approval of the resolutions for Agenda Items No. 1 and 2 as per originally proposed, and subject to the Share Exchange and the Third-Party Allotment becoming effective, the election of the candidate director will become effective on the effective date of the Share Exchange and the Third-Party Allotment (scheduled for January 4, 2022).

The candidate is as follows.

| Name            |               | Important positions held at other companies                                                  | Attendance to the Board of Directors meetings | Attendance to the Board of Company Auditors meetings |
|-----------------|---------------|----------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------|
| Shuji Yamaguchi | New candidate | Executive Officer, Dentsu Japan Network, Dentsu Group Inc.<br>Executive Officer, Dentsu Inc. | -/-                                           | -/-                                                  |

**Shuji Yamaguchi**

(Date of birth: January 4, 1966)

New candidate

Number of years in office – years

Attendance to the Board of Directors meetings -/-

Number of the Company’s common shares held –

**Profile, position and duties at the Company**

- Apr. 1989 Joined Dentsu Inc. (currently Dentsu Group Inc.)
- Jan. 2017 Managing Director of Digital Platform Center, Dentsu Inc.
- Feb. 2017 Director, D2C Inc. (current position)
- Jan. 2018 Representative Director and CEO, Dentsu Digital Inc.
- Dec. 2018 Director, Dentsu Digital Inc. (current position)
- Jan. 2019 Executive Officer and Managing Director of Digital Business Center, Dentsu Inc. (currently Dentsu Group Inc.)
- Jan. 2020 Executive Officer (current position) and Managing Director of Digital Business Center, Dentsu Inc.
- Jan. 2020 Director, Rakuten Data Marketing, Inc. (current position)
- Mar. 2020 Director, Information Services International-Dentsu, Ltd. (current position)
- Mar. 2020 Director, CARTA HOLDINGS, INC. (current position)
- Jan. 2021 Executive Officer, Dentsu Japan Network, Dentsu Group Inc. (current position)

■ Reasons for nomination as candidate for director

Mr. Shuji Yamaguchi joined Dentsu Inc. in 1989 and has extensive operational experience and management experience, including serving as an Executive Officer in charge of the Digital Business of that company since 2019. Therefore, because he is expected to provide useful advice, etc. to the Company’s management and contribute to the promotion of alliance operations with the Dentsu Group, he has been nominated as candidate for director.

■ Important positions held at other companies

Executive Officer, Dentsu Japan Network, Dentsu Group Inc.; Executive Officer, Dentsu Inc.

(Notes)

1. There is no special relationship between the Company and Mr. Shuji Yamaguchi.
2. The Company has entered into a directors and officers liability insurance policy (management risk protection insurance policy) as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. If the candidate is elected and assumes office as director, he will be included as an insured in the policy. This insurance policy covers amounts of indemnification, litigation expenses and other costs that an insured, including the Company's directors, would be liable for due to corporate litigation, a third-party lawsuit, a shareholder derivative lawsuit, etc. However, as a measure to ensure that the proper performance of duties by an insured is not impaired, the insurance policy does not cover any damages, etc. arising from criminal acts, etc. committed by the insured. The full amount of the insurance premiums for the policy is borne by the Company. In addition, when the policy is renewed (July 2022), the Company plans to renew the policy with the same terms.
3. If Agenda Item No. 1 and Agenda Item No. 2 are approved and adopted as originally proposed, and the Share Exchange and the Third-Party Allotment take effect, Dentsu Group Inc. will become the parent company of the Company on the effective date. In such case, Mr. Shuji Yamaguchi will be serving concurrently as an Executive Officer, Dentsu Japan Network of Dentsu Group Inc., which is the Company's parent company, and as an Executive Officer of Dentsu Inc., which is a subsidiary of Dentsu Group Inc.

**Agenda Item No. 5: Election of One Company Auditor in Association with Capital and Business Alliance**

Subject to your approval of Agenda Item No. 1, “Approval of Share Exchange Agreement,” and Agenda Item No. 2, “Issue of Shares Offered for Subscription through Third-Party Allotment,” the Company proposes the election of one new company auditor in association with the Capital and Business Alliance.

Subject to your approval of the resolutions for Agenda Items No. 1 and 2 as per originally proposed, and subject to the Share Exchange and the Third-Party Allotment becoming effective, the election of the candidate company auditor will become effective on the effective date of the Share Exchange and the Third-Party Allotment (scheduled for January 4, 2022).

Mr. Nobuo Kojima, who currently serves as a company auditor, will leave his office by resignation at the close of this General Meeting of Shareholders.

This proposal has been approved by the Board of Company Auditors.

The candidate is as follows.

| Name          | Important positions held at other companies                                                                                             | Attendance to the Board of Directors meetings | Attendance to the Board of Company Auditors meetings |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------|
| Yoshinobu Ise | Executive Director of Group Planning Office, Dentsu Group Inc.<br>Executive Director of Dentsu Innovation Initiative, Dentsu Group Inc. | -/-                                           | -/-                                                  |

**Yoshinobu Ise**

(Date of birth: September 11, 1967)

New candidate  
 Number of years in office – years  
 Attendance to the Board of Directors meetings -/-  
 Attendance to the Board of Company Auditors meetings -/-  
 Number of the Company’s common shares held –

**Profile, position and duties at the Company**

Apr. 1991 Joined Dentsu Inc. (currently Dentsu Group Inc.)  
 Jan. 2010 General Manager of Planning Department I, Executive Office, Dentsu Inc.  
 Aug. 2014 Deputy General Manager of Executive Office, Dentsu Inc.  
 Jan. 2017 Assistant General Manager of Executive Office, Dentsu Inc.  
 Mar. 2017 Director, Prime Partners, Inc. (current position)  
 Jul. 2018 Executive Project Director of Dentsu Innovation Initiative, Dentsu Inc.  
 Mar. 2020 Audit & Supervisory Board Member, Information Services International-Dentsu, Ltd.  
 Aug. 2020 Executive Director of Dentsu Innovation Initiative, Dentsu Group Inc. (current position)  
 Jan. 2021 Executive Director of Group Planning Office, Dentsu Group Inc. (current position)

■ Reasons for nomination as candidate for company auditor

Mr. Yoshinobu Ise has extensive operational experience and insight related to auditing, and because he is deemed capable of properly carrying out the duties of company auditor, he has been nominated as candidate for company auditor.

■ Important positions held at other companies

Executive Director of Group Planning Office, Dentsu Group Inc.; Executive Director of Dentsu Innovation Initiative, Dentsu Group Inc.

(Notes)

1. There is no special relationship between the Company and Mr. Yoshinobu Ise.
2. The Company has entered into a directors and officers liability insurance policy (management risk protection insurance policy) as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. If the candidate is elected and assumes office as company auditor, he will be included as an insured in the policy. This insurance policy covers amounts of indemnification, litigation expenses and other costs that an insured, including the Company's company auditors, would be liable for due to corporate litigation, a third-party lawsuit, a shareholder derivative lawsuit, etc. However, as a measure to ensure that the proper performance of duties by an insured is not impaired, the insurance policy does not cover any damages, etc. arising from criminal acts, etc. committed by the insured. The full amount of the insurance premiums for the policy is borne by the Company. In addition, when the policy is renewed (July 2022), the Company plans to renew the policy with the same terms.
3. If Agenda Item No. 1 and Agenda Item No. 2 are approved and adopted as originally proposed, and the Share Exchange and the Third-Party Allotment take effect, Dentsu Group Inc. will become the parent company of the Company on the effective date. In such case, Mr. Yoshinobu Ise will be serving concurrently as an Executive Director of Group Planning Office and an Executive Director of Dentsu Innovation Initiative, Dentsu Group Inc., which is the Company's parent company.

## Agenda Item No. 6: Election of Financial Auditor

At the close of this General Meeting of Shareholders, the term of office of the financial auditor, Deloitte Touche Tohmatsu LLC, will expire. Therefore, the Company proposes the election of a new financial auditor according to the decision made by the Board of Company Auditors.

The reason for the Board of Company Auditors' selection of KPMG AZSA LLC as candidate financial auditor is that, since the Company will become a consolidated subsidiary of Dentsu Group Inc. as a result of the Capital and Business Alliance, the Board of Company Auditors considered that having the same financial auditor as Dentsu Group Inc., which has appointed KPMG AZSA LLC as its financial auditor, would ensure improvement in the effectiveness, efficiency, etc. of consolidated accounting audit and governance of the Company Group.

If the resolution for this proposal becomes effective, KPMG AZSA LLC will assume the office of the Company's financial auditor at the close of this General Meeting of Shareholders, prior to the effective date of the Share Exchange and the Third-Party Allotment (scheduled for January 4, 2022). The Company believes that KPMG AZSA LLC is qualified to assume the office of the Company's financial auditor prior to the effective date of the Share Exchange and the Third-Party Allotment, since KPMG AZSA LLC has the expertise, independence and internal control system required of the Company's financial auditor.

The candidate financial auditor

(As of August 31, 2021)

|                             |                                     |                                                                                   |
|-----------------------------|-------------------------------------|-----------------------------------------------------------------------------------|
| Name                        | KPMG AZSA LLC                       |                                                                                   |
| Principal office address    | 1-2 Tsukudo-cho, Shinjuku-ku, Tokyo |                                                                                   |
| History                     | July 1969                           | Audit firm Asahi & Co. established.                                               |
|                             | July 1985                           | Audit firm Asahi Shinwa & Co. established through merger with Shinwa Audit Corp.  |
|                             | October 1993                        | Asahi Audit Corp. established through merger with Inoue Saito Eiwa Audit Corp.    |
|                             | January 2004                        | Renamed AZSA & Co. due to merger with AZSA & Co.                                  |
|                             | July 2010                           | Renamed KPMG AZSA LLC due to transition to a limited liability audit corporation. |
| Number of companies audited | 3,650 companies                     |                                                                                   |
| Stated capital              | JPY3,000 million                    |                                                                                   |
| Number of employees         | CPA:                                | 3,121 (including 30 representative partners and 503 partners)                     |
|                             | Newly certified and junior CPA:     | 1,250                                                                             |
|                             | Professionals:                      | 1,075 (including 35 specified partners including 2 representing partners)         |
|                             | Administration:                     | 764                                                                               |
|                             | Total:                              | 6,210                                                                             |

(Notes)

1. If the election of the candidate financial auditor KPMG AZSA LLC is approved, regarding liability for damages under Article 423, paragraph (1) of the Companies Act, a liability limitation agreement will be executed between the Company and KPMG AZSA LLC whereby the maximum amount of compensation will be limited to the higher of JPY30 million or the Minimum Liability Account as referred to in Article 425, paragraph (1) of the Companies Act.
2. During the past two years, the candidate financial auditor KPMG AZSA LLC has received from the Company remuneration for financial advice.

## **Business Report (From October 1, 2020 to September 30, 2021)**

### **1. Current status of the SEPTENI Group**

#### (1) Business progress and results

##### **Earnings for the fiscal year under review**

Individual smartphone ownership in Japan rose to 69.3% in 2020, as the quantitative expansion continued centered on Generation Z and the millennial generation, with the exceptionally high popularization rate of more than 90% of those in their 20s through 30s now owning a smartphone. At the same time, the individual objectives for smartphone use are also diversifying with the increasing usage rate of SNS (social networking services), meaning we are also seeing a profound qualitative change in use (source: “Communications Usage Trend Survey in 2020,” Ministry of Internal Affairs and Communications). As such, with the smartphone becoming a mainstream device to access the Internet, in the market for various services and applications, expansion into content such as video, music, and e-books is accelerating. Additionally, social media is being used not only for communication, but is also expanding into fields such as payments and purchases. As its influence is growing even stronger, demand for marketing support utilizing the individual characteristics of different media as well as data and AI is also increasing further.

COVID-19 had a significant impact on the Japanese economy through its global spread in 2020, and this has temporarily affected the Group’s business results. On the other hand, the COVID-19 pandemic has also been a catalyst for bringing about a massive wave of digital transformation (DX) across all industries, and even in the advertising industry, we have seen further growth in demand for digital marketing.

Amid this business environment, our mainstay Digital Marketing Business enjoyed increased revenue and profit due to the expansion of existing projects and new customer acquisition against the backdrop of increasing demand for digital marketing from the online shift in overall consumption and from promoting alliance operations with the Dentsu Group. The Media Platform Business suffered expanded deficit due to partial up-front investment to expand into new business segments, despite increased revenue. To expand into new business segments, we utilized our capital to make progress in business development in the sports domain, sharing asset domain, entertainment domain, and HR technology domain.

As a result, revenue increased to ¥21,384 million (up 19.2% year on year), non-GAAP operating profit increased to ¥3,796 million (up 54.8% year on year), operating profit increased to ¥3,650 million (up 60.5% year on year), and profit attributable to owners of parent increased to ¥2,604 million (up 77.8% year on year).

Concerning year-end dividend for the business year under review, after taking into consideration the above-mentioned business performance and the Company’s basic policy on profit distribution, the Company passed a resolution at the Board of Directors meeting held on November 25, 2021 to pay a year-end dividend of ¥3.4 per share. Based on this decision, total dividends paid will be ¥436 million.



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

### Digital Marketing Business

#### ■ Major business

**The Digital Marketing Business provides comprehensive support for corporate DX centered on digital marketing that includes the provision of solutions using data and AI starting with the sales and operations of digital advertisements, as well as marketing support integrating online and offline solutions through our business alliance with the Dentsu Group.**

Against the backdrop of increasing demand for digital marketing from the online shift in overall consumption, we expanded existing projects and acquired new projects while making progress in alliance operations with the Dentsu Group. Furthermore, we improved our profit and loss in the overseas Digital Marketing Business.

Revenue: ¥18,869 million  
(Up 19.4% year on year)

Non-GAAP operating profit: ¥6,991 million  
(Up 33.2% year on year)

### Media Platform Business

#### ■ Major business

**The Media Platform Business consists of Manga Content Business, recruitment platform business, social contribution platform business, childcare platform business, and other businesses. The Manga Content Business engages in cultivating and supporting manga artists and operates a manga distribution service through the manga application “GANMA!,” the Company’s own media, for the purpose of planning and developing its own intellectual property (IP).**

Although revenue increased compared to the previous fiscal year, the deficit expanded due to partial up-front investment to expand new business segments.

Revenue: ¥2,885 million  
(Up 16.0% year on year)

Non-GAAP operating loss: ¥1,110 million  
(Operating loss of ¥956 million in the previous term)

(2) Trends in financial position and profit and loss

■ IFRS

| Category                                                  | 28th term<br>(ended<br>September 30,<br>2018) | 29th term<br>(ended<br>September 30,<br>2019) | 30th term<br>(ended<br>September 30,<br>2020) | 31st term<br>(ended<br>September 30,<br>2021) |
|-----------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Revenue (Thousand yen)                                    | 15,272,040                                    | 16,795,505                                    | 17,937,745                                    | 21,383,875                                    |
| Operating profit (Thousand yen)                           | 976,788                                       | 183,133                                       | 2,274,396                                     | 3,650,046                                     |
| Non-GAAP operating profit (Thousand yen)                  | 1,011,156                                     | 2,064,899                                     | 2,452,413                                     | 3,796,011                                     |
| Profit attributable to owners of parent<br>(Thousand yen) | 847,410                                       | (546,929)                                     | 1,464,342                                     | 2,604,103                                     |
| Total assets (Thousand yen)                               | 33,371,240                                    | 30,412,576                                    | 34,424,711                                    | 42,011,169                                    |
| Basic earnings per share (Yen)                            | 6.71                                          | (4.33)                                        | 11.58                                         | 20.59                                         |
| Dividends per share (Yen)                                 | 2.00                                          | 2.00                                          | 2.00                                          | 3.40                                          |
| Return on equity (ROE) (%)                                | 5.5                                           | (3.6)                                         | 9.6                                           | 15.2                                          |

(Note) Figures in parentheses represent losses.

(3) Issues to be addressed

The Group has made the following updates to its Midterm Business Policies announced in October 2020. With “domain expansion” as a continued midterm theme, we aim to capture issues to handle the creation of a system to respond to the acceleration in DX and to achieve sustainable growth and enhance corporate value over the medium to long term.

In the Digital Marketing Business, we will strengthen our expansion into the EC advertising domain, promote an improved Group system in the data solutions domain, and promote a capital and business alliance with the Dentsu Group.

In the Media Platform Business, we will concentrate management resources in higher-growth domains, focus on the user billing domain, and strengthen business development in the D2C domain.

In our expansion into new business segments, we will work to capture DX demand through an industry focus and promote the commercialization of the HR technology domain.

Furthermore, in terms of the three-year performance targets in the Midterm Business Policies announced in October 2020, the effects of promoting the capital and business alliance with the Dentsu Group are currently difficult to reasonably calculate, and we have left them as undetermined. At the stage in which the performance targets can be disclosed, we will promptly announce them.

(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

Effective April 1, 2021, the Company transferred all shares of Pharmarket Co., Ltd. to KAKEHASHI Inc.

(7) Business transfers from other companies

Not applicable.

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

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

1) Relationship with the parent

Not applicable.

2) Significant subsidiaries

| Company name      | Capital or investment in capital<br>(Thousand yen) | Ratio of voting right of the<br>Company | Major business         |
|-------------------|----------------------------------------------------|-----------------------------------------|------------------------|
| SEPTENI CO., LTD. | 300,000                                            | 100.0%                                  | Internet ad agency     |
| COMICSMART INC.   | 475,000                                            | 100.0%                                  | Manga Content Business |

(Notes)

1. The Company owns a total of 36 consolidated subsidiaries, including the significant subsidiaries described above.
2. The Company does not own any subsidiaries that are specified wholly-owned subsidiaries as provided in Article 118, item 4 of the Regulation for Enforcement of the Companies Act.

(11) Major offices (as of September 30, 2021)

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

(12) Employees (as of September 30, 2021)

| Number of employees | Increase/decrease from the previous term-end |
|---------------------|----------------------------------------------|
| 1,251               | 27 increase                                  |

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

(13) Major creditors (as of September 30, 2021)

| Creditor                            | Amount of loans<br>(Million yen) |
|-------------------------------------|----------------------------------|
| Mizuho Bank, Ltd.                   | 2,600                            |
| Sumitomo Mitsui Banking Corporation | 250                              |

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

At a Board of Directors meeting held on October 28, 2021, the Company approved a resolution to conclude a capital and business alliance agreement (“Capital and Business Alliance Agreement”) with Dentsu Group Inc. Furthermore, at the same Board of Directors meeting, based on the Capital and Business Alliance Agreement, the Company approved a resolution to conclude a share exchange agreement with Dentsu Direct Inc. (“Dentsu Direct”), a wholly-owned subsidiary of Dentsu Group Inc., to conduct a share exchange (“Share Exchange”) with Dentsu Direct, whereby the Company will be a wholly-owning parent company through the share exchange and Dentsu Direct will be a wholly-owned subsidiary through the share exchange, to issue new shares through third-party allotment to Dentsu Group Inc. (“Third-Party Allotment”), and to conclude a share transfer agreement with Dentsu Group Inc. to acquire a part of the common shares (25.00%) of Dentsu Digital Inc. (“Dentsu Digital”) owned by Dentsu Group Inc. The Share Exchange and the Third-Party Allotment are collectively referred to as the “Transaction” below.

Through the Transaction, we plan to make Dentsu Direct a wholly-owned subsidiary of the Company. Furthermore, because the Transaction will result in Dentsu Group Inc. holding 52.01% of the Company’s voting rights, we plan to make Dentsu Group Inc., which had been one of the other affiliates, the parent company of the Company. Moreover, through the Transaction, we plan to make Dentsu Digital an equity-method affiliate.

## 2. Status of the Company

### (1) Matters regarding shares (as of September 30, 2021)

- 1) Number of shares authorized 370,080,000 shares
- 2) Number of shares issued 138,916,500 shares (including 10,724,240 treasury shares)
- 3) Number of shareholders 8,805 (961 decrease from the previous business year-end)
- 4) Major shareholders (top 10 shareholders, excluding treasury shares)

| Name of shareholder                                                                 | Number of shares (shares) | Shareholding ratio (%) |
|-------------------------------------------------------------------------------------|---------------------------|------------------------|
| Dentsu Group Inc.                                                                   | 26,895,001                | 20.98                  |
| Village seven Co., Ltd.                                                             | 14,419,000                | 11.25                  |
| Mamoru Nanamura                                                                     | 12,450,500                | 9.71                   |
| Custody Bank of Japan, Ltd. (Trust Account)                                         | 10,174,800                | 7.94                   |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                | 5,939,400                 | 4.63                   |
| STATE STREET BANK AND TRUST COMPANY 505001                                          | 2,252,200                 | 1.76                   |
| Hiroshi Shimizu                                                                     | 2,000,000                 | 1.56                   |
| STATE STREET BANK AND TRUST COMPANY 505019                                          | 1,961,300                 | 1.53                   |
| J.P. MORGAN BANK LUXEMBOURG S. A. 381572                                            | 1,771,200                 | 1.38                   |
| The Master Trust Bank of Japan, Ltd. (officer remuneration BIP trust account 76034) | 1,739,200                 | 1.36                   |

#### (Notes)

1. The above shareholding ratios exclude treasury shares (10,724,240 shares).
2. The treasury shares do not include the Company's shares owned by the officer remuneration BIP (Board Incentive Plan) trust (1,739,200 shares).
- 5) Status of shares delivered to the Company's officers as remuneration for the execution of duties during the business year under review  
Not applicable.
- 6) Other important matters regarding shares  
Not applicable.

(2) Matters regarding share options, etc.

1) Status of share options, etc. held by officers of the Company (as of September 30, 2021)

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

(Notes)

1. Share options are not granted to outside directors.
2. As the Company implemented share splits, the number of shares and issue price provided above were adjusted accordingly.  
The share splits for which adjustments were made are listed below.
  - (1) Share split at a ratio of two shares per common share on May 20, 2005
  - (2) Share split at a ratio of 200 shares per common share on October 1, 2013
  - (3) Share split at a ratio of five shares per common share on October 1, 2016
- 2) Status of share options, etc. delivered to employees, etc. during the business year under review  
Not applicable.
- 3) Other important matters regarding share options, etc.  
Not applicable.

(3) Matters regarding company officers (as of September 30, 2021)

1) Directors and company auditors

| Position and duties                                                       | Name             | Important positions held at other companies                                                                                                                                                                                           |
|---------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director<br>Group President and Chief<br>Executive Officer | Koki Sato        | External Director, FOOD & LIFE COMPANIES LTD.                                                                                                                                                                                         |
| Representative Director<br>Group Senior Executive<br>Officer              | Isamu Ueno       |                                                                                                                                                                                                                                       |
| Director<br>Group Senior Executive<br>Officer                             | Tadahiro Matsuda |                                                                                                                                                                                                                                       |
| Director                                                                  | Etsuko Okajima   | CEO, ProNova Inc.<br>External Director, MARUI GROUP Co., Ltd.<br>External Director, LANCERS, Inc.<br>Outside Director, Yappli, Inc.<br>External Director, Money Forward, Inc.<br>Director, CHRO, Euglena Co., Ltd.                    |
| Director                                                                  | Yusuke Asakura   | Representative Director, Signifiant Inc.                                                                                                                                                                                              |
| Director                                                                  | Yoshiki Ishikawa | Director, Cancer Scan Co., Ltd.<br>Director, Campus for H Inc.<br>Outside Director (Audit & Supervisory Committee Member),<br>Sansan, Inc.<br>External Director, Gaiax Co. Ltd.                                                       |
| Director                                                                  | Akie Iriyama     | Professor, Business School, Waseda University<br>External Director, ROHTO Pharmaceutical Co., Ltd.<br>Outside Director, Sanoh Industrial Co., Ltd.                                                                                    |
| Director                                                                  | Mio Takaoka      | Outside director, KAYAC Inc.<br>Partner, DNX Ventures                                                                                                                                                                                 |
| Full-time Company Auditor                                                 | Nobuo Kojima     |                                                                                                                                                                                                                                       |
| Full-time Company Auditor                                                 | Tadahiro Mouri   |                                                                                                                                                                                                                                       |
| Company Auditor                                                           | Mamoru Furushima | Senior Partner, Trident Lawyer Corporation<br>Outside Director (Audit and Supervisory Committee Member),<br>Nippon Chemical Industrial Co., Ltd.<br>Outside Director (Audit & Supervisory Committee Member), B-Lot<br>Company Limited |
| Company Auditor                                                           | Takeshi Okuyama  | Partner, Mori Hamada & Matsumoto                                                                                                                                                                                                      |

2) Company auditors who resigned during the business year under review

| Name             | Date of retirement | Reason for retirement | Position at the Company and important positions at other companies at the time of retirement |
|------------------|--------------------|-----------------------|----------------------------------------------------------------------------------------------|
| Muneyoshi Nomura | December 22, 2020  | Resignation           | Full-time company auditor                                                                    |

(Notes)

- Directors Etsuko Okajima, Yusuke Asakura, Yoshiki Ishikawa, Akie Iriyama and Mio Takaoka are outside directors.
- Company auditors Tadahiro Mouri, Mamoru Furushima and Takeshi Okuyama are outside company auditors.
- Company auditor Mamoru Furushima is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
- The Company has designated directors Etsuko Okajima, Yusuke Asakura, Yoshiki Ishikawa, Akie Iriyama and Mio Takaoka as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange.
- The Company has entered into agreements with all outside directors and outside company auditors that limit their liability for damages as set forth in Article 423, paragraph (1) of the Companies Act. The limit on liability for damages under said agreement is ¥5 million or the minimum liability amount provided for by Article 425, paragraph (1) of the Companies Act, whichever is higher.
- The Company has entered into a directors and officers liability insurance policy (management risk protection insurance policy) as provided for in Article 430-3, paragraph (1) of the Companies Act with an insurance company. The scope of insureds in the insurance policy includes all directors, company auditors, and executive officers at the Company and all of

its subsidiaries, and the insureds will not bear the insurance premiums. This insurance policy covers amounts of indemnification, litigation expenses and other costs that an insured would be liable for due to corporate litigation, a third-party lawsuit, a shareholder derivative lawsuit, etc. However, as a measure to ensure that the proper performance of duties by an insured is not impaired, the insurance policy does not cover any damages, etc. arising from criminal acts, etc. committed by the insured.

### 3) Remunerations, etc. to directors and company auditors

#### (a) Policy for determining details of remunerations, etc. for officers

The Company adopted a resolution on the policy for determining details of individual remunerations, etc. for directors, etc. at the Board of Directors meeting held on November 22, 2016.

Furthermore, regarding remuneration, etc. for individual directors in the business year under review, the Board of Directors has deemed that the method of determining the details of the remuneration, etc. and the details of the decided remuneration, etc. are consistent with the determination policy. The Board of Directors has also reported on performance evaluations including the approach to evaluating independent outside directors and their personal evaluation to confirm the validity of remuneration levels, and has confirmed that they were decided while referencing the opinions of independent outside directors and that the evaluations follow the determination policy.

The details of the policy for determining details of individual remunerations, etc. for directors, etc. are as follows.

#### a. Basic policy

Remuneration for directors (excluding outside directors) is composed of basic remuneration (monthly cash remuneration) and performance-linked remuneration. The amount of basic remuneration paid will be an amount that considers the rate of change in performance of the controlling company in the business year under review on top of the amount of remuneration paid in the previous business year. However, fixed upper and lower limits will be set in the remuneration revisions. Furthermore, the total amount of remuneration paid as cash every month must be within the total remuneration limit for directors decided by the general meeting of shareholders. Performance-linked remuneration will take the form of share-based remuneration using the officers remuneration BIP trust.

Remuneration for outside directors is composed of only monthly basic remuneration (fixed with no changes based on performance).

Remuneration for company auditors is composed of only monthly basic remuneration (fixed with no changes based on performance).

#### b. Concerning other determination for remunerations, etc.

Following the above basic policy a., basic remuneration for directors (excluding outside directors) will be within the total limit of director remuneration set by a resolution of the general meeting of shareholders (Note 1), and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the opinions of outside directors. Regarding performance-linked remuneration, based on the share-based remuneration system using the officers remuneration BIP trust resolved by the general meeting of shareholders, "share delivery rules" will be concluded with the trustee of the trust (Note 2), and according to these rules, the trustee will delivery shares and pay cash.

Following the above basic policy a., remuneration for outside directors will be within the total limit of director remuneration set by a resolution of the general meeting of shareholders (Note 1), and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the opinions of outside directors.

Following the above basic policy a., remuneration for company auditors will be within the total limit of company auditor remuneration set by a resolution of the general meeting of shareholders (Note 3), and individual and specific allocations will be decided through

discussions with the company auditors.

(Notes)

1. Up to ¥600 million per year for the Company's directors (decided by a resolution at the 23rd Ordinary General Meeting of Shareholders held on December 20, 2013).
2. Trust-related operations will be conducted by Mitsubishi UFJ Trust and Banking Corporation, etc. and share-related operations will be conducted by DSB Co., Ltd.
3. Up to ¥50 million per year for the Company's company auditors (decided by a resolution at the 9th Ordinary General Meeting of Shareholders held on December 14, 1999).

(b) Total amount of remunerations, etc.

| Category                                           | Number of payees | Total amount of officers' remunerations, etc. | Total amount of remunerations, etc. by type |                                                                          |
|----------------------------------------------------|------------------|-----------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------|
|                                                    |                  |                                               | Basic remuneration                          | Performance-linked remuneration, etc.<br>Non-monetary remuneration, etc. |
| Director (of which Outside Director)               | 8<br>(5)         | ¥319,703 thousand<br>(¥54,000 thousand)       | ¥223,110 thousand<br>(¥54,000 thousand)     | ¥96,593 thousand<br>(¥- thousand)                                        |
| Company Auditor (of which Outside Company Auditor) | 5<br>(3)         | ¥37,500 thousand<br>(¥21,000 thousand)        | ¥37,500 thousand<br>(¥21,000 thousand)      | ¥- thousand<br>(¥- thousand)                                             |

(Notes)

1. 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 ¥329,033 thousand.
2. The number of payees includes one company auditor who retired at the close of the 30th Ordinary General Meeting of Shareholders held on December 22, 2020.
3. The Company is introducing a performance-linked share-based remuneration system using the officers remuneration BIP (Board Incentive Plan) trust scheme for directors of the Company (excluding outside directors and those who are non-residents of Japan). Covenants, etc. at the time of allotments are provided in "(a) Policy for determining details of remunerations, etc. for officers," and the delivery status in the business year under review is provided in "2. (1) 5) Status of shares delivered to the Company's officers as remuneration for the execution of duties during the business year under review."
4. The performance indicator associated with performance-linked remuneration, etc. is consolidated Non-GAAP operating profit, and those results are provided in "1. (1) Business progress and results," and "1. (2) Trends in financial position and profit and loss." As the reason for selecting this indicator, the Company has deemed that this is an appropriate indicator for evaluating the achievement of improvements to the medium- to long-term corporate value. In calculating performance-linked remuneration, basic points are allotted in a set period during each business year according to the role of each director and the level of achievement, etc. of performance targets during the covered trust period of the officers remuneration BIP trust. After the conclusion of the covered period, additional points allotted to persons covered by the system on the last day of the final business year of the covered period are cumulatively added to the cumulative value of basic points ("Cumulative Points").  
A number of the Company's shares equal to the number of Cumulative Points is delivered or paid to persons covered by the system as share-based remuneration. Furthermore, 50% of the shares corresponding to the points in question (share of less than one unit rounded down) will be delivered as shares, and from the standpoint of securing funds to pay taxes, the remainder will be converted into cash, and cash corresponding to the amount converted to cash will be paid.
5. At the 23rd Ordinary General Meeting of Shareholders held on December 20, 2013, the amount of cash remuneration for directors was set at up to ¥600 million annually (not including the portion of employee salaries paid to directors concurrently serving as employees). The number of directors as of the conclusion of this ordinary general meeting of shareholders is eight.  
Furthermore, in a separate framework from cash remuneration, at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016, the amount of trust funds provided to the trust as funds for the acquisition of the Company's shares associated with the points allotted to directors (excluding outside directors and non-residents of Japan) as performance-linked share-based payments (officers remuneration BIP trust) was set at a maximum of ¥700 million, and the total points at a maximum of 2,800,000 points (corresponding to 2,800,000 shares) for three business years. The number of directors as of the conclusion of this ordinary general meeting of shareholders (excluding outside directors and non-residents of Japan) is six.
6. The amount of cash remuneration for company auditors was set at a maximum of ¥50 million annually at the 9th Ordinary General Meeting of Shareholders held on December 14, 1999. The number of company auditors as of the conclusion of this ordinary general meeting of shareholders is one.

7. The Board of Directors has delegated the decisions on the amounts of individual director remuneration to Koki Sato, Representative Director, Group President and Chief Executive Officer. The reason for the delegation is that the Board of Directors deemed that the Group President and Chief Executive Officer is best suited to conduct evaluations of the division for which each director is responsible while considering the Company's overall performance, etc. Furthermore, in deciding the details to be delegated, the Board of Directors reports on performance evaluations including the approach to evaluating independent outside directors and their personal evaluation to confirm the validity of remuneration levels, and decides remuneration levels while referencing the opinions of independent outside directors.

#### 4) Outside officers

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

| Category        | Name             | Important positions held at other companies                                                     | Relationship with the Company                |
|-----------------|------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------|
| Director        | Etsuko Okajima   | CEO, ProNova Inc.                                                                               | There is no important business relationship. |
|                 |                  | External Director, MARUI GROUP Co., Ltd.                                                        | There is no business relationship.           |
|                 |                  | External Director, LANCERS, Inc.                                                                | There is no business relationship.           |
|                 |                  | Outside Director, Yappli, Inc.                                                                  | There is no business relationship.           |
|                 |                  | External Director, Money Forward, Inc.                                                          | There is no business relationship.           |
|                 |                  | Director, CHRO, Euglena Co., Ltd.                                                               | There is no business relationship.           |
| Director        | Yusuke Asakura   | Representative Director, Signifiant Inc.                                                        | There is no business relationship.           |
| Director        | Yoshiki Ishikawa | Director, Cancer Scan Co., Ltd.                                                                 | There is no business relationship.           |
|                 |                  | Director, Campus for H Inc.                                                                     | There is no business relationship.           |
|                 |                  | Outside Director (Audit & Supervisory Committee Member), Sansan, Inc.                           | There is no business relationship.           |
|                 |                  | External Director, Gaiax Co. Ltd.                                                               | There is no business relationship.           |
| Director        | Akie Iriyama     | Professor, Business School, Waseda University                                                   | There is no business relationship.           |
|                 |                  | External Director, ROHTO Pharmaceutical Co., Ltd.                                               | There is no business relationship.           |
|                 |                  | Outside Director, Sanoh Industrial Co., Ltd.                                                    | There is no business relationship.           |
| Director        | Mio Takaoka      | Outside director, KAYAC Inc.                                                                    | There is no business relationship.           |
|                 |                  | Partner, DNX Ventures                                                                           | There is no business relationship.           |
| Company Auditor | Tadahiro Mouri   | None.                                                                                           | There is no business relationship.           |
| Company Auditor | Mamoru Furushima | Senior Partner, Trident Lawyer Corporation                                                      | There is no business relationship.           |
|                 |                  | Outside Director (Audit and Supervisory Committee Member), Nippon Chemical Industrial Co., Ltd. | There is no business relationship.           |
|                 |                  | Outside Director (Audit & Supervisory Committee Member), B-Lot Company Limited                  | There is no business relationship.           |
| Company Auditor | Takeshi Okuyama  | Partner, Mori Hamada & Matsumoto                                                                | There is no business relationship.           |

##### (b) Outline of major activities and duties carried out in relation to expected roles in the business year under review

| Category | Name           | Outline of major activities and duties carried out in relation to expected roles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director | Etsuko Okajima | Ms. Okajima attended all Board of Directors meetings held during the business year under review, where she made comments primarily informed by her experience and insight as a corporate manager. Moreover, she has expressed opinions appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company. She has also exchanged information and shared understanding on the Group's management, the Board of Directors' activities, and the successor development plan for managers, etc. in regular executive sessions composed of outside directors held quarterly. |

| Category        | Name             | Outline of major activities and duties carried out in relation to expected roles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director        | Yusuke Asakura   | Mr. Asakura attended all Board of Directors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a corporate manager, as a researcher and as an investor. Moreover, as the chairperson of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company, he has led deliberations on nomination of directors and compiled proposed recommendations as the committee. He has also exchanged information and shared understanding on the Group's management, the Board of Directors' activities, and the successor development plan for managers, etc. in regular executive sessions composed of outside directors held quarterly.                                                                                                               |
| Director        | Yoshiki Ishikawa | Mr. Ishikawa attended all Board of Directors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a preventive medicine researcher and as a founder of a company using methods based on behavioral science. Moreover, he has expressed opinions appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company. He has also exchanged information and shared understanding on the Group's management, the Board of Directors' activities, and the successor development plan for managers, etc. in regular executive sessions composed of outside directors held quarterly.                                                                                                                                        |
| Director        | Akie Iriyama     | During the business year under review, Mr. Iriyama attended 9 of the 10 Board of Directors meetings held after he assumed his position on December 22, 2020, where he made comments primarily from his operational experience as a consultant, along with professional, extensive experience and results and considerable insight as a researcher specialized in management strategies and the global management field. Moreover, he has expressed opinions appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company. He has also exchanged information and shared understanding on the Group's management, the Board of Directors' activities, and the successor development plan for managers, etc. in regular executive sessions composed of outside directors held quarterly. |
| Director        | Mio Takaoka      | During the business year under review, Ms. Takaoka attended all 10 Board of Directors meetings after she assumed her position on December 22, 2020, where she made comments primarily from her professional, extensive experience and results and considerable insight of strategic investment, new business development and finance. Moreover, she has expressed opinions appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company. She has also exchanged information and shared understanding on the Group's management, the Board of Directors' activities, and the successor development plan for managers, etc. in regular executive sessions composed of outside directors held quarterly.                                                                                 |
| Company Auditor | Tadahiro Mouri   | During the business year under review, Mr. Mouri attended all 10 Board of Directors meetings and all 10 Board of Company Auditors meetings after he assumed his position on December 22, 2020, where he made comments primarily from his considerable insight and extensive operational experience of auditing. He has also collaborated with and exchanged information with outside officers by participating in regular executive sessions composed of independent outside directors.                                                                                                                                                                                                                                                                                                                                                            |
| Company Auditor | Mamoru Furushima | Mr. Furushima attended all Board of Directors meetings and all Board of Company Auditors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a certified public accountant and as a lawyer. He has also collaborated with and exchanged information with outside officers by participating in regular executive sessions composed of independent outside directors.                                                                                                                                                                                                                                                                                                                                                                                                          |
| Company Auditor | Takeshi Okuyama  | Mr. Okuyama attended all Board of Directors meetings and 13 of 14 Board of Company Auditors meeting held in business year under review, where he made comments primarily from his professional viewpoints as a lawyer. He has also collaborated with and exchanged information with outside officers by participating in regular executive sessions composed of independent outside directors.                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

(4) Financial auditor (as of September 30, 2021)

1) Name

Deloitte Touche Tohmatsu LLC

2) Amount of remuneration, etc.

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

¥51,001 thousand

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

¥51,001 thousand

(Notes)

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

3) Details of limited liability agreement

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

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

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

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

Nothing noteworthy to report.

### 3. Structure and policy of the Company

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

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

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

Based on these policies, the Company will pay a year-end dividend of ¥3.4 per share for the business year under review.

#### (2) Systems to ensure the properness of operations

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

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

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

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

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

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

(e) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the Board of Company Auditors.

8) Matters relating to policies on procedures for prepayment or reimbursement of expenses arising from the execution of duties by company auditors and processing of other expenses or obligations arising from the execution of duties by company auditors

Expenses that are considered necessary in the execution of duties of company auditors shall be budgeted in advance. In cases where company auditors request payment for reasonable expenses for the execution of their duties, the Company shall accept the request.

9) Systems for ensuring the effective functioning of audits by company auditors

(a) The Company shall ensure that it provides its company auditors with opportunities to sufficiently exchange opinions with the Group President and Chief Executive Officer, outside directors, financial auditor and internal auditors.

(b) The Company shall establish a system that allows its company auditors to perform audits equivalent to audits of the Company by the company auditors under individual agreements between the Company and its subsidiaries, in addition to investigations of subsidiaries under laws and regulations, so that the company auditors can audit the entire Group effectively and efficiently as needed.

(3) Overview of status of management of systems to ensure the properness of operations

1) Information on compliance and risk management

With regard to the status of compliance and risk management among the entire Group, the Company shall regularly hold the meeting of the Group Risk Management Committee and share the information relating to the correspondence status, etc.

Regular compliance trainings for officers and employees have been provided to raise the employee's awareness on compliance. In addition, the Company established the internal reporting system for the Group and informed all employees about it.

2) Information on the execution of duties by directors

The Board of Directors comprises of eight directors, including five outside directors. In addition, four company auditors including three outside company auditors also attend the meetings of the Board of Directors. During the business year under review, the Board of Directors held meetings 13 times to ensure the execution of duties in compliance with laws and regulations and the Articles of Incorporation by means of the managerial decision-making through full and thorough discussions and other measures.

3) Information on the execution of duties by company auditors

The Board of Company Auditors comprises of four company auditors, including three outside company auditors. During the business year under review, the Board of Company Auditors held meetings 14 times to mainly receive reports from full-time company auditor on the status of operations of the Company and exchange opinions mutually among company auditors.

In addition to that, company auditors shall provide supervision of execution of duties by directors by attending the important meetings including the meeting of the Board of Directors and Group Management Meeting, and regularly exchange information with the Group President and Chief Executive Officer, financial auditor and Internal Auditing Office.

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

## Consolidated Financial Statements

### Consolidated Statement of Financial Position

|                                               |                                         |                                                        | (Thousand yen)                                |                                         |                                                        |
|-----------------------------------------------|-----------------------------------------|--------------------------------------------------------|-----------------------------------------------|-----------------------------------------|--------------------------------------------------------|
| Account                                       | 31st term<br>(At September<br>30, 2021) | (Reference)<br>30th term<br>(At September<br>30, 2020) | Account                                       | 31st term<br>(At September<br>30, 2021) | (Reference)<br>30th term<br>(At September<br>30, 2020) |
| <b>Assets</b>                                 |                                         |                                                        | <b>Liabilities and Equity</b>                 |                                         |                                                        |
| Current assets                                |                                         |                                                        | Liabilities                                   |                                         |                                                        |
| Cash and cash equivalents                     | 16,899,990                              | 14,080,864                                             | Current liabilities                           |                                         |                                                        |
| Trade receivables                             | 16,085,450                              | 12,747,068                                             | Trade payables                                | 14,043,615                              | 11,053,053                                             |
| Inventories                                   | 119,530                                 | 45,372                                                 | Other financial liabilities                   | 2,549,116                               | 2,375,975                                              |
| Other financial assets                        | 12,941                                  | 14,520                                                 | Income taxes payable                          | 1,024,502                               | 477,315                                                |
| Other current assets                          | 333,622                                 | 485,044                                                | Other current liabilities                     | 2,711,491                               | 1,407,583                                              |
| Total current assets                          | 33,451,533                              | 27,372,868                                             | Total current liabilities                     | 20,328,724                              | 15,313,926                                             |
| Non-current assets                            |                                         |                                                        | Non-current liabilities                       |                                         |                                                        |
| Property, plant and equipment                 | 310,284                                 | 319,851                                                | Other financial liabilities                   | 3,082,067                               | 3,121,500                                              |
| Right-of-use assets                           | 1,653,760                               | 1,007,726                                              | Provisions                                    | 155,090                                 | 177,928                                                |
| Intangible assets                             | 67,290                                  | 83,577                                                 | Total non-current liabilities                 | 3,237,157                               | 3,299,428                                              |
| Investments accounted for using equity method | 997,026                                 | 963,570                                                | Total liabilities                             | 23,565,881                              | 18,613,354                                             |
| Other financial assets                        | 3,929,443                               | 3,546,126                                              | Equity                                        |                                         |                                                        |
| Other non-current assets                      | 32,646                                  | 9,528                                                  | Equity attributable to owners of parent       |                                         |                                                        |
| Deferred tax assets                           | 1,569,185                               | 1,121,465                                              | Share capital                                 | 2,125,384                               | 2,125,384                                              |
| Total non-current assets                      | 8,559,635                               | 7,051,843                                              | Capital surplus                               | 3,901,272                               | 3,664,788                                              |
| Total assets                                  | 42,011,169                              | 34,424,711                                             | Treasury shares                               | (1,691,842)                             | (1,691,842)                                            |
|                                               |                                         |                                                        | Retained earnings                             | 14,322,283                              | 11,971,086                                             |
|                                               |                                         |                                                        | Other components of equity                    | (230,678)                               | (276,037)                                              |
|                                               |                                         |                                                        | Total equity attributable to owners of parent | 18,426,419                              | 15,793,379                                             |
|                                               |                                         |                                                        | Non-controlling interests                     | 18,869                                  | 17,978                                                 |
|                                               |                                         |                                                        | Total equity                                  | 18,445,288                              | 15,811,357                                             |
|                                               |                                         |                                                        | Total liabilities and equity                  | 42,011,169                              | 34,424,711                                             |

(Note) Figures are rounded to the nearest unit.

## Consolidated Statement of Profit or Loss

| Account                                                          | (Thousand yen)                                                        |                                                                             |
|------------------------------------------------------------------|-----------------------------------------------------------------------|-----------------------------------------------------------------------------|
|                                                                  | <b>31st term<br/>(From October 1, 2020<br/>to September 30, 2021)</b> | (Reference)<br>30th term<br>(From October 1, 2019<br>to September 30, 2020) |
| Revenue                                                          | 21,383,875                                                            | 17,937,745                                                                  |
| Cost of sales                                                    | 4,098,765                                                             | 3,341,576                                                                   |
| Gross profit                                                     | 17,285,110                                                            | 14,596,169                                                                  |
| Selling, general and administrative expenses                     | 13,744,932                                                            | 12,155,667                                                                  |
| Other income                                                     | 395,197                                                               | 13,063                                                                      |
| Other expenses                                                   | 285,329                                                               | 179,169                                                                     |
| Operating profit                                                 | 3,650,046                                                             | 2,274,396                                                                   |
| Finance income                                                   | 251,246                                                               | 17,851                                                                      |
| Finance costs                                                    | 48,331                                                                | 80,385                                                                      |
| Share of profit of investments accounted for using equity method | 57,756                                                                | 113,258                                                                     |
| Profit before tax                                                | 3,910,716                                                             | 2,325,120                                                                   |
| Income tax expense                                               | 1,303,827                                                             | 854,462                                                                     |
| Profit                                                           | 2,606,889                                                             | 1,470,658                                                                   |
| Profit attributable to:                                          |                                                                       |                                                                             |
| Owners of parent                                                 | 2,604,103                                                             | 1,464,342                                                                   |
| Non-controlling interests                                        | 2,786                                                                 | 6,316                                                                       |
| Total                                                            | 2,606,889                                                             | 1,470,658                                                                   |

(Note) Figures are rounded to the nearest unit.

**(Reference) Consolidated Statement of Comprehensive Income**

|                                                                                              | (Thousand yen)                                               |                                                              |
|----------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| Account                                                                                      | 31st term<br>(From October 1, 2020<br>to September 30, 2021) | 30th term<br>(From October 1, 2019<br>to September 30, 2020) |
| Profit                                                                                       | 2,606,889                                                    | 1,470,658                                                    |
| Other comprehensive income                                                                   |                                                              |                                                              |
| Items that will not be reclassified to profit or loss                                        |                                                              |                                                              |
| Net changes in financial assets measured at fair value<br>through other comprehensive income | 8,301                                                        | (209,500)                                                    |
| Items that may be reclassified to profit or loss                                             |                                                              |                                                              |
| Exchange differences on translation of foreign operations                                    | 24,210                                                       | (2,743)                                                      |
| Cash flow hedges                                                                             | 12,849                                                       | 11,016                                                       |
| Total other comprehensive income, net of tax                                                 | 45,359                                                       | (201,227)                                                    |
| Total comprehensive income                                                                   | 2,652,248                                                    | 1,269,431                                                    |
| Comprehensive income attributable to:                                                        |                                                              |                                                              |
| Owners of parent                                                                             | 2,649,462                                                    | 1,263,115                                                    |
| Non-controlling interests                                                                    | 2,786                                                        | 6,316                                                        |
| Comprehensive income                                                                         | 2,652,248                                                    | 1,269,431                                                    |

(Note) Figures are rounded to the nearest unit.

## Consolidated Statement of Changes in Equity

31st term (From October 1, 2020 to September 30, 2021)

(Thousand yen)

|                                | Equity attributable to owners of parent |                 |                 |                   |                            |            | Non-controlling interests | Total equity |
|--------------------------------|-----------------------------------------|-----------------|-----------------|-------------------|----------------------------|------------|---------------------------|--------------|
|                                | Share capital                           | Capital surplus | Treasury shares | Retained earnings | Other components of equity | Total      |                           |              |
| Balance at October 1, 2020     | 2,125,384                               | 3,664,788       | (1,691,842)     | 11,971,086        | (276,037)                  | 15,793,379 | 17,978                    | 15,811,357   |
| Profit                         | –                                       | –               | –               | 2,604,103         | –                          | 2,604,103  | 2,786                     | 2,606,889    |
| Other comprehensive income     | –                                       | –               | –               | –                 | 45,359                     | 45,359     | –                         | 45,359       |
| Total comprehensive income     | –                                       | –               | –               | 2,604,103         | 45,359                     | 2,649,462  | 2,786                     | 2,652,248    |
| Issuance of new shares         | –                                       | –               | –               | –                 | –                          | –          | –                         | –            |
| Dividends of surplus           | –                                       | –               | –               | (252,906)         | –                          | (252,906)  | –                         | (252,906)    |
| Other                          | –                                       | 236,484         | –               | –                 | –                          | 236,484    | (1,895)                   | 234,589      |
| Total transactions with owners | –                                       | 236,484         | –               | (252,906)         | –                          | (16,422)   | (1,895)                   | (18,317)     |
| Balance at September 30, 2021  | 2,125,384                               | 3,901,272       | (1,691,842)     | 14,322,283        | (230,678)                  | 18,426,419 | 18,869                    | 18,445,288   |

(Note) Figures are rounded to the nearest unit.

(Reference) 30th term (From October 1, 2019 to September 30, 2020)

(Thousand yen)

|                                        | Equity attributable to owners of parent |                 |                 |                   |                            |            | Non-controlling interests | Total equity |
|----------------------------------------|-----------------------------------------|-----------------|-----------------|-------------------|----------------------------|------------|---------------------------|--------------|
|                                        | Share capital                           | Capital surplus | Treasury shares | Retained earnings | Other components of equity | Total      |                           |              |
| Balance at October 1, 2019             | 2,125,314                               | 3,664,788       | (1,691,842)     | 10,750,768        | (52,914)                   | 14,796,114 | 12,840                    | 14,808,954   |
| Cumulative effect of accounting change | -                                       | -               | -               | (13,035)          | -                          | (13,035)   | -                         | (13,035)     |
| Restated balance                       | 2,125,314                               | 3,664,788       | (1,691,842)     | 10,737,733        | (52,914)                   | 14,783,079 | 12,840                    | 14,795,919   |
| Profit                                 | -                                       | -               | -               | 1,464,342         | -                          | 1,464,342  | 6,316                     | 1,470,658    |
| Other comprehensive income             | -                                       | -               | -               | -                 | (201,227)                  | (201,227)  | -                         | (201,227)    |
| Total comprehensive income             | -                                       | -               | -               | 1,464,342         | (201,227)                  | 1,263,115  | 6,316                     | 1,269,431    |
| Issuance of new shares                 | 70                                      | -               | -               | -                 | -                          | 70         | -                         | 70           |
| Dividends of surplus                   | -                                       | -               | -               | (252,886)         | -                          | (252,886)  | -                         | (252,886)    |
| Other                                  | -                                       | -               | -               | 21,897            | (21,896)                   | 1          | (1,178)                   | (1,177)      |
| Total transactions with owners         | 70                                      | -               | -               | (230,989)         | (21,896)                   | (252,815)  | (1,178)                   | (253,993)    |
| Balance at September 30, 2020          | 2,125,384                               | 3,664,788       | (1,691,842)     | 11,971,086        | (276,037)                  | 15,793,379 | 17,978                    | 15,811,357   |

(Note) Figures are rounded to the nearest unit.

**Non-consolidated Financial Statements**  
**Non-consolidated Balance Sheet**

|                                                                                |                                      | (Thousand yen)                                                |                                      |
|--------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------|--------------------------------------|
| Account                                                                        | 31st term<br>(At September 30, 2021) | Account                                                       | 31st term<br>(At September 30, 2021) |
| <b>Assets</b>                                                                  |                                      | <b>Liabilities</b>                                            |                                      |
| <b>Current assets</b>                                                          | <b>9,158,702</b>                     | <b>Current liabilities</b>                                    | <b>2,049,448</b>                     |
| Cash and deposits                                                              | 6,284,250                            | Current portion of long-term borrowings                       | 600,000                              |
| Accounts receivable - trade                                                    | 400,412                              | Accounts payable - other                                      | 563,887                              |
| Supplies                                                                       | 1,001                                | Accrued expenses                                              | 19,340                               |
| Prepaid expenses                                                               | 112,004                              | Income taxes payable                                          | 747,985                              |
| Accounts receivable - other                                                    | 1,919,999                            | Deposits received                                             | 13,723                               |
| Short-term loans receivable from subsidiaries and associates                   | 140,000                              | Provision for bonuses                                         | 63,975                               |
|                                                                                |                                      | Other                                                         | 40,536                               |
| Current portion of long-term loans receivable from subsidiaries and associates | 70,000                               | <b>Non-current liabilities</b>                                | <b>2,281,708</b>                     |
| Other                                                                          | 253,522                              | Long-term borrowings                                          | 2,000,000                            |
| Allowance for doubtful accounts                                                | (22,489)                             | Provision for share awards for directors (and other officers) | 260,053                              |
| <b>Non-current assets</b>                                                      | <b>7,034,032</b>                     | Other                                                         | 21,654                               |
| <b>Property, plant and equipment</b>                                           | <b>119,088</b>                       | <b>Total liabilities</b>                                      | <b>4,331,156</b>                     |
| Buildings                                                                      | 26,278                               | <b>Net Assets</b>                                             |                                      |
| Tools, furniture and fixtures                                                  | 83,224                               | <b>Shareholders' equity</b>                                   | <b>11,866,696</b>                    |
| Other                                                                          | 9,584                                | <b>Share capital</b>                                          | <b>2,125,384</b>                     |
| <b>Intangible assets</b>                                                       | <b>69,748</b>                        | <b>Capital surplus</b>                                        | <b>2,720,904</b>                     |
| Software                                                                       | 69,120                               | Legal capital surplus                                         | 2,533,932                            |
| Other                                                                          | 627                                  | Other capital surplus                                         | 186,971                              |
| <b>Investments and other assets</b>                                            | <b>6,845,196</b>                     | <b>Retained earnings</b>                                      | <b>8,712,250</b>                     |
| Investment securities                                                          | 2,334,705                            | Legal retained earnings                                       | 70,867                               |
| Shares of subsidiaries and associates                                          | 2,303,098                            | Other retained earnings                                       | 8,641,383                            |
|                                                                                |                                      | General reserve                                               | 400,000                              |
| Long-term loans receivable from subsidiaries and associates                    | 1,280,000                            | Retained earnings brought forward                             | 8,241,383                            |
| Leasehold and guarantee deposits                                               | 779,978                              | <b>Treasury shares</b>                                        | <b>(1,691,841)</b>                   |
| Deferred tax assets                                                            | 93,666                               | <b>Valuation and translation adjustments</b>                  | <b>(5,118)</b>                       |
| Other                                                                          | 128,161                              | <b>Valuation difference on available-for-sale securities</b>  | <b>6,227</b>                         |
| Allowance for doubtful accounts                                                | (74,415)                             | <b>Deferred gains or losses on hedges</b>                     | <b>(11,345)</b>                      |
|                                                                                |                                      | <b>Total net assets</b>                                       | <b>11,861,578</b>                    |
| <b>Total assets</b>                                                            | <b>16,192,735</b>                    | <b>Total liabilities and net assets</b>                       | <b>16,192,735</b>                    |

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

## Non-consolidated Statement of Income

(Thousand yen)

| Account                                                                     | 31st term<br>(From October 1, 2020<br>to September 30, 2021) |
|-----------------------------------------------------------------------------|--------------------------------------------------------------|
| <b>Operating revenue</b>                                                    | <b>3,899,443</b>                                             |
| <b>Operating expenses</b>                                                   | <b>2,218,155</b>                                             |
| <b>Operating profit</b>                                                     | <b>1,681,288</b>                                             |
| <b>Non-operating income</b>                                                 | <b>291,501</b>                                               |
| Interest income                                                             | 16,964                                                       |
| Dividend income                                                             | 24,299                                                       |
| Gain on valuation of investment securities                                  | 249,075                                                      |
| Other                                                                       | 1,162                                                        |
| <b>Non-operating expenses</b>                                               | <b>102,352</b>                                               |
| Interest expenses                                                           | 23,476                                                       |
| Loss on valuation of investment securities                                  | 57,509                                                       |
| Listing expenses                                                            | 13,150                                                       |
| Other                                                                       | 8,216                                                        |
| <b>Ordinary profit</b>                                                      | <b>1,870,437</b>                                             |
| <b>Extraordinary income</b>                                                 | <b>346,082</b>                                               |
| Gain on sale of shares of subsidiaries and associates                       | 300,000                                                      |
| Reversal of allowance for doubtful accounts for subsidiaries and associates | 46,081                                                       |
| <b>Extraordinary losses</b>                                                 | <b>1,111,977</b>                                             |
| Loss on valuation of shares of subsidiaries and associates                  | 791,665                                                      |
| Loss on valuation of investment securities                                  | 234,449                                                      |
| Other                                                                       | 85,863                                                       |
| <b>Profit before income taxes</b>                                           | <b>1,104,541</b>                                             |
| Income taxes - current                                                      | 131,556                                                      |
| Income taxes - deferred                                                     | (56,912)                                                     |
| <b>Profit</b>                                                               | <b>1,029,897</b>                                             |

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

## Non-consolidated Statement of Changes in Equity

31st term (From October 1, 2020 to September 30, 2021)

(Thousand yen)

|                                                      | Shareholders' equity |                       |                       |                         |                         |                   |                                   |                         | Valuation and translation adjustments |                            |                                                       |                                    | Total net assets |                                             |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-------------------|-----------------------------------|-------------------------|---------------------------------------|----------------------------|-------------------------------------------------------|------------------------------------|------------------|---------------------------------------------|
|                                                      | Share capital        | Capital surplus       |                       |                         | Legal retained earnings | Retained earnings |                                   |                         | Treasury shares                       | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges |                  | Total valuation and translation adjustments |
|                                                      |                      | Legal capital surplus | Other capital surplus | Total capital surpluses |                         | General reserve   | Retained earnings brought forward | Total retained earnings |                                       |                            |                                                       |                                    |                  |                                             |
| Balance at beginning of period                       | 2,125,384            | 2,533,932             | 186,971               | 2,720,904               | 70,867                  | 400,000           | 7,467,870                         | 7,938,737               | (1,691,841)                           | 11,093,183                 | (717)                                                 | (24,194)                           | (24,912)         | 11,068,271                                  |
| Changes during period                                |                      |                       |                       |                         |                         |                   |                                   |                         |                                       |                            |                                                       |                                    |                  |                                             |
| Dividends of surplus                                 | -                    | -                     | -                     | -                       | -                       | -                 | (256,384)                         | (256,384)               | -                                     | (256,384)                  | -                                                     | -                                  | -                | (256,384)                                   |
| Profit                                               | -                    | -                     | -                     | -                       | -                       | -                 | 1,029,897                         | 1,029,897               | -                                     | 1,029,897                  | -                                                     | -                                  | -                | 1,029,897                                   |
| Net changes in items other than shareholders' equity | -                    | -                     | -                     | -                       | -                       | -                 | -                                 | -                       | -                                     | -                          | 6,945                                                 | 12,848                             | 19,793           | 19,793                                      |
| Total changes during period                          | -                    | -                     | -                     | -                       | -                       | -                 | 773,513                           | 773,513                 | -                                     | 773,513                    | 6,945                                                 | 12,848                             | 19,793           | 793,306                                     |
| Balance at end of period                             | 2,125,384            | 2,533,932             | 186,971               | 2,720,904               | 70,867                  | 400,000           | 8,241,383                         | 8,712,250               | (1,691,841)                           | 11,866,696                 | 6,227                                                 | (11,345)                           | (5,118)          | 11,861,578                                  |

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

## Audit Report

With respect to the directors' performance of their duties during the 31st business year from October 1, 2020 to September 30, 2021, 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 contents of the Board of Directors' resolutions regarding the development and maintenance of the systems to ensure compliance with laws and regulations and the Articles of Incorporation by directors when executing their duties stated in the Business Report and other systems that are set forth in Article 100, paragraphs (1) and (3) of the Regulation for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group comprised of a stock company and its subsidiaries, and the status of the establishment and operation of the systems (internal control systems) based on such resolutions. With respect to the internal control related to the financial report, the Board of Company Auditors received reports regarding the assessment and status of their audits from the directors, etc. and Deloitte Touche Tohmatsu LLC, and also requested explanations when necessary.
  - 3) Each of the company auditors monitored and verified whether the financial auditor maintained its independence and properly conducted its audit, received a report from the financial auditor on the status of its performance of duties, and requested explanations as necessary. Each of the company auditors was notified by the financial auditor that it had established a "system to ensure that the duties are performed appropriately" (the matters listed in the items of Article 131 of the Regulation on Corporate Accounting) in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

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

**2. Results of Audit**

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

- 1) We acknowledge that the Business Report and the supplementary schedules thereof fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the directors' performance of their duties.
- 3) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any material matter to be mentioned with respect to the content of the Business Report or the directors' performance of their duties concerning the internal control systems, including the internal control related to the financial report.

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

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

(3) Results of audit of Consolidated Financial Statements

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

November 25, 2021

Board of Company Auditors  
SEPTENI HOLDINGS CO., LTD.

- Full-time Company Auditor Nobuo Kojima (Seal)
- Full-time Company Auditor Tadahiro Mouri (Seal)
- Company Auditor Mamoru Furushima (Seal)
- Company Auditor Takeshi Okuyama (Seal)

(Note)

Full-time company auditor Tadahiro Mouri, company auditor Mamoru Furushima and company auditor Takeshi Okuyama are outside company auditors, as set forth in Article 2, item 16, and Article 335, paragraph (3) of the Companies Act.