

Corporate Governance Report

Last Update: December 23, 2020

SEPTENI HOLDINGS CO., LTD.

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TSE Securities Code: 4293

<https://www.septeni-holdings.co.jp/en/>

I. Basic views on corporate governance, capital structure, corporate profile, and other basic information

1. Basic views

The Company and the company group comprising its subsidiaries (hereinafter called the "Group") consider that their corporate governance is based on improvements and the implementation thereof to ensure that actions are taken pursuant to the Group's corporate philosophy and code of conduct, decisions are made in a transparent, fair and efficient manner, laws and regulations are strictly observed, and corporate performance is monitored appropriately.

[Reasons for Non-compliance with the Principles of Corporate Governance Code]

Supplementary Principle 4.8.2 Developing a Framework for Communication and Cooperation among Independent Outside Directors and Management, Company Auditors and Other Officers

Independent outside directors actively participate in discussions and express opinions at board of directors meetings. In addition, the board of directors meeting's secretariat responds appropriately if communication and coordination are required between the independent outside directors and the senior management and company auditors (and the board of company auditors). Moreover, regarding cooperation with company auditors (and the board of company auditors), no lead independent outside director has been appointed as they have been responding appropriately through joint training conducted by directors and company auditors, and the participation of outside company auditors in a periodic meeting (Executive Session), whose members are only independent outside directors. Going forward, the Company will review as necessary.

[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]

Principle 1.4 Cross-Shareholdings

<Policy on cross-shareholdings>

The Company takes dividends and other returns into consideration and holds shares of listed companies only if they offer benefits toward the execution of operations or if it is decided that they will contribute toward the maintenance and improvement of the Group's corporate value. In line with good corporate governance, the Company avoids being simply a stable shareholder through cross-shareholdings. Additionally, for each shareholding held by the Company, there will be a review held periodically to determine whether or not the benefits and risks associated with that shareholding cover the Company's cost of capital, and if a shareholding is deemed to be lacking in significance, it will be sold. In addition, where the Company has a high voting rights ratio, the Company will fulfill its stewardship responsibilities with respect to the investee as a responsible investor through engagement.

<Criteria for exercise of voting rights>

In exercising the voting rights of shares held, appropriate decisions on supporting or opposing each agenda item will be made based on the view of improving the Group's corporate value, in addition to improving the medium- to long-term corporate value of investee companies. Additionally, if it is necessary to confirm the purpose of the agenda item, the Company will have constructive discussions with the investee company.

Principle 1.7 Related Party Transactions

The Company stipulates appropriate procedures to ensure that related parties such as directors, company auditors, etc. do not use their position and engage in transactions that damage the common interests of the Company and its shareholders. Regarding related party transactions by directors and company auditors, a confirmation report on the examination related to the existence of transactions will be created, and if there are important matters, they will be reported to the Company's board of directors. Regarding transactions with directors by the Company, approval must be received from the board of directors based on laws and regulations and the regulations of the board of directors.

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

The Company has not introduced corporate pension plan.

Principle 3.1 Full Disclosure

(1) Company objectives (e.g., management philosophy), management strategies and management plans

The Company set its corporate philosophy and Midterm Business Policies, which are posted on its website.

- Corporate Philosophy : <https://www.septeni-holdings.co.jp/en/company/philosophy.html>
- Midterm Business Policies : <https://www.septeni-holdings.co.jp/en/ir/medium-term.html>

(2) Basic views and basic policies on corporate governance

Basic views and basic policies on corporate governance are described in I-1 "Basic Approach" in this report.

- (3) Policies and procedures in determining the remuneration of the senior management and directors

The Company's board of directors has established a Group unified management remuneration system (hereinafter referred to as the "Group Management Remuneration"), in order to demonstrate appropriate risk taking and an entrepreneurial spirit by directors and key management personnel of the Group, such as Group Executive Officers, through the remuneration program, and formulated the policy for determining matters related to the Group Management Remuneration. Under this policy, not only short-term incentives linked to each term's business performance, but also the proportion of remuneration linked to medium- to long-term results and the balance of cash and stock has been set appropriately. Additionally, based on this policy, the decision of specific remuneration amounts is decided after taking the opinions of outside directors into account.

- (4) Policies and procedures in the appointment/dismissal of the senior management and the nomination of director and company auditor candidates

The Company's board of directors established the "Policy Regarding the Appointment of Senior Management and the Nomination of Candidates for Director" from the viewpoint of guaranteeing transparency and fairness of nomination, appointment and dismissal standards for candidates for director and Group Executive Officer of the Company (hereinafter referred to as "candidates for director, etc."), and the "Procedures Regarding the Appointment and Nomination of Officers of the Group" from the viewpoint of guaranteeing transparency and fairness of the appointment, dismissal and nomination process. Based on these, the candidates for director, etc. are nominated, appointed and dismissed. Additionally, the Company aims to strengthen independence, objectivity and accountability regarding the appointment, dismissal and nomination of candidates for director, etc., and a Nomination Advisory Committee was established as an optional committee under the Company's board of directors with the Group President and Chief Executive Officer and all independent outside directors. The final decision regarding the nomination of candidates for director and the appointment and dismissal of Group Executive Officers will be made by the board of directors after review and reporting from the Nomination Advisory Committee.

- (5) Explanation with respect to individual appointments/dismissals of the senior management and nominations of director and company auditor candidates

Reasons for nomination of all candidates for director and company auditor are disclosed on the convocation notice for the general meeting of shareholders.

Supplementary principle 4.1.1 Agenda items for resolution by the Board of Directors and scope of delegation to management

Given its accountability to shareholders, in order to promote sustainable corporate growth of the Group and the increase of corporate value over the medium to long term and enhance earnings power and capital efficiency, the Company's board of directors fulfills its responsibilities as follows.

- (1) Setting the broad direction of basic management policy;
- (2) Developing an environment where appropriate risk-taking by the senior management is supported; and
- (3) Carrying out effective oversight (monitoring) of the execution of business by senior management from an independent and objective standpoint.

By delegating the authorities for decision making and execution of the business to Executive Officers (hereinafter referred to as "Group Executive Officers") to the fullest extent of the laws and regulations, the Company's board of directors is oriented toward the so-called monitoring model regarding the basic policy of the board of directors, which mainly places a priority on overseeing (monitoring) the Group Executive Officers.

Principle 4.9 Independence standards and qualification for independent Board of Directors

The Company established its own "Independence Standards for Outside Officers" based on the independence criteria set by securities exchanges. Independent outside directors are appointed based on these standards. The reasoning for appointing the independent outside directors who are currently assigned is stated in II-1 "Organizational Composition and Operation [Directors]" in this report.

Supplementary principle 4.11.1 Precondition to ensure effectiveness of Board of Directors and Company Auditor

Concerning the appointment of directors, the Company's board of directors requires a high level of ability and takes diversity into consideration in order to adequately fulfill responsibilities. The eight currently appointed directors have varied backgrounds regarding their specialized areas, experience, etc. and within those directors five are independent outside directors, two of whom is a female director.

Supplementary principle 4.11.2 Precondition to ensure effectiveness of Board of Directors and Company Auditor

The status of directors and company auditors having concurrent positions is disclosed in the convocation notice of the general meeting of shareholders.

Supplementary principle 4.11.3 Precondition to ensure effectiveness of Board of Directors and Company Auditor

With the aim of enhancing the function of the board of directors, the Company analyzes and evaluates the effectiveness of the board of directors once a year in principle. The evaluation of the function was implemented through the meetings and a training camp of the board of directors, especially to follow up the survey and hearing regarding the operation status of the board of directors, based on advice by external third-party institutions in FY2020. As a result, the board of director is managed appropriately and the specific initiatives to improve effectiveness of this are promoted voluntarily under the clear sense of purpose. In addition, ensuring effectiveness of the board of director was confirmed.

Also, as we recognized that there is each room for improvement on balanced discussion, decision-making and reporting etc. for further enhancing the quality of the discussion, the board of directors of the Company should advance efforts to heighten its effectiveness even more, by proactively implementing measures that lead to resolve these issue.

Supplementary principle 4.14.2 Training policy for Board of Directors and Company Auditors

When new outside directors and outside company auditors assume their offices, the Company's board of directors explains the basic points related to the Group's corporate philosophy and business, finances, and organization.

Additionally, with the aim of deepening understanding regarding the Group's corporate philosophy, business activities, financial activities and organizational structure, the Company provides all directors and company auditors with information related to the above aspects when necessary, and provides training opportunities regarding highly important, specialized, and urgent matters, such as revisions to laws and taxation directly related to the corporate management and knowledge related to current issues of high social concern, from third party institutions at the Company's expense.

Principle 5.1 Policy for constructive dialogue with shareholders

The Company is aiming to continually increase corporate value, and is actively working on IR activities, focusing on dialogue with markets. Specifically, the Group President and Chief Executive Officer explains operating results and policy at financial results briefings for institutional investors and analysts held each quarter. After financial results briefings, the Group President and Chief Executive Officer and the Executive Officer in charge of the Corporate Planning Department conduct individual meetings with shareholders and investors through the IR Division of Corporate Planning Department. The contents of the meetings are reported to the Company's board of directors on a quarterly basis. Additionally, from FY2018, the Company has been publishing annual Integrated Reports, creating opportunities for dialogue with markets and mutually deepening understanding. Through these activities, the Company is aiming to further increase corporate value by having constructive dialogue with markets, which will be appropriately reflected in management.

2. Capital structure

Foreign shareholding ratio	From 10 to less than 20%
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Major shareholders [Updated]

Name / Company name	Number of shares owned	Percentage (%)
Dentsu Group Inc.	26,895,001	19.36
Village seven Co., Ltd.	14,719,000	10.59
Mamoru Nanamura	13,950,500	10.04
Septeni Holdings CO.,LTD.	10,724,240	7.71
Custody Bank of Japan, Ltd. (Trust Account)	6,100,000	4.39
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,935,000	3.55
NOMURA PB NOMINEES LIMITED OMNIBUS – MARGIN (CASHPB)	3,954,400	2.84
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND	3,102,900	2.23
STATE STREET BANK AND TRUST COMPANY 505019	2,719,600	1.95
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS – SEGR ACCT	2,236,300	1.60

Controlling shareholder (except for parent company)	None
Parent company	None

3. Corporate profile

Listed stock market and market section	Tokyo Stock Exchange, JASDAQ
Fiscal year-end	September
Type of business	Service
Number of employees (consolidated) as of the previous fiscal year-end	More than 1,000
Net sales (consolidated) in the previous fiscal year	From 10 to less than 100 billion yen
Number of consolidated subsidiaries as of the previous fiscal year-end	From 10 to less than 50

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

None

5. Other special circumstances that may have material impact on corporate governance

None

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with company auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	11
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors [Updated]	8
Appointment of Outside Directors	Appointed
Number of Outside Directors [Updated]	5
Number of Independent Officers Designated from among Outside Directors [Updated]	5

Outside Directors' relationships with the Company: 1 [Updated]

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Etsuko Okajima	From another company								○			
Yusuke Asakura	From another company											
Yoshiki Ishikawa	From another company											
Akie Iriyama	Scholar											
Mio Takaoka	From another company											

* Categories for "Relationship with the Company"

"○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

"●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Board Directors' relationships with the Company: 2 [Updated]
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Etsuko Okajima

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company:

Ms. Okajima is the CEO of ProNova Inc., which has concluded a service contract agreement with the Company for workshops on themes such as "The Importance of Diversity and Inclusion" and "Career Building for the Advancement of Women." However, the remuneration from the Company is not a substantial amount, and as such will not affect the Company's decision making.

Reason(s) for appointment:

Reason(s) for appointment as an Outside Board Director

Ms. Etsuko Okajima has an abundance of experience and knowledge, and considerable insight of corporate management, and because she is deemed capable of providing useful advice on all aspects of the business administration of the Group from an independent and objective position, she has been appointed as an outside director. Additionally, because she does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, she is unlikely to cause a conflict of interest with general shareholders, so she has been appointed as an independent officer.

Yusuke Asakura

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an Outside Board Director

Mr. Yusuke Asakura has professional and extensive experience and results, and considerable insight as an executive at listed internet companies, as a researcher and as an investor, and because he is deemed capable of providing useful advice on all aspects of the business administration of the Group, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is

unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

Yoshiki Ishikawa

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an Outside Board Director

Mr. Yoshiki Ishikawa has professional, extensive experience and results, and considerable insight as both a preventive medicine researcher and a founder of a company using methods based on behavioral science, and because he is deemed capable of providing useful advice on all aspects of the business administration of the Group, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

Akie Iriyama

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an Outside Board Director

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 is deemed capable of providing oversight and advice on the Company's business administration as an outside director, he has been appointed as an outside director. Additionally, because he does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, he is unlikely to cause a conflict of interest with general shareholders, so he has been appointed as an independent officer.

Mio Takaoka

Designation as an Independent Officer: Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an Outside Board Director

Ms. Mio Takaoka has professional, extensive experience and results, and considerable insight of strategic investment, new business development and finance, and because she is deemed capable of providing oversight and advice on the Company's business administration as an outside director, she has been appointed as an outside director. Additionally, because she does not fall under "Independence Standards for Outside Officers" set forth by the Company or the independence criteria set forth by the Tokyo Stock Exchange, she is unlikely to cause a conflict of interest with general shareholders, so she has been appointed as an independent officer.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee	Established
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Status of Establishment of Voluntary Committee, Composition of Committee and Attributes of Committee Chair (Chairperson) [Updated]

	Voluntary committee corresponding to a nominating committee	Voluntary committee corresponding to a remuneration committee
Name of committee	Nomination Advisory Committee	—
Total number of members	6	—
Number of full-time members	6	—
Number of internal directors	1	—
Number of outside directors	5	—
Number of external experts	0	—
Number of other members	0	—
Committee chair (chairman)	Outside director	—

Supplementary information

The Nomination Advisory Committee, which consists of a majority of outside directors, was established as an optional advisory body to the Company's board of directors in order to guarantee the transparency and objectivity of the deliberation process regarding the Group's management personnel (matters concerning the appointment and dismissal of the Company's directors, Group Executive Officers, representative directors of important subsidiaries, etc.).

[Company Auditors]

Establishment of the Board of Company Auditors	Established
Maximum Number of Company Auditors Stipulated in Articles of Incorporation	4
Number of Company Auditors	4

Cooperation among Company Auditors, Financial Auditor and Internal Audit Division

Concerning audits performed by company auditors, company auditors will receive reports such as audit plans and audit results from the Internal Auditing Office, which is the division

in charge of internal auditing, and the audit corporation, in addition to accessing important matters when necessary and working to increase the efficiency and effectiveness of audits through cooperation.

Additionally, the Internal Auditing Office exchanges information and opinions with the board of company auditors and the audit corporation when necessary and facilitates cooperation in order to increase the effectiveness and efficiency of auditing functions.

Appointment of Outside Company Auditors	Appointed
Number of Outside Company Auditors [Updated]	3
Number of Independent Officers Designated from among Outside Company Auditors	0

Outside Company Auditors' relationships with the Company: 1 [Updated]

Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Tadahiro Mouri	From another company													
Mamoru Furushima	Lawyer													
Takeshi Okuyama	Lawyer													

* Categories for "Relationship with the Company"

"○" when the company auditor presently falls or has recently fallen under the category;

"△" when the company auditor fell under the category in the past;

"●" when a close relative of the company auditor presently falls or has recently fallen under the category; and "▲" when a close relative of the company auditor fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiary

c. Non-executive director or executive of the parent of the Company

d. Company auditor of the parent of the Company

e. Executive of a fellow subsidiary of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a company auditor

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)

j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the company auditor himself/herself only)

k. Executive of a corporation to which outside officers are mutually appointed (the company auditor himself/herself only)

l. Executive of a corporation that receives a donation from the Company (the company auditor himself/herself only)

m. Other

Outside Company Auditors' relationships with the Company: 2 [Updated]

Tadahiro Mouri

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an outside company auditor

Mr. Tadahiro Mouri has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his considerable insight and extensive operational experience of auditing, and he is deemed capable of properly carrying out the duties of company auditor.

Mamoru Furushima

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an outside company auditor

Mr. Mamoru Furushima has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his extensive experience and specialist knowledge as a certified public accountant and a lawyer and in-depth knowledge of auditing, and he is deemed capable of properly carrying out the duties of company auditor.

Takeshi Okuyama

Designation as an Independent Officer: Not Applicable

Supplementary information on the relationship with the company: Not applicable

Reason(s) for appointment:

Reason(s) for appointment as an outside company auditor

Mr. Takeshi Okuyama has been appointed as an outside company auditor because the Company expects that he can carry out the oversight of management from a perspective independent of the management team due to his extensive experience and specialist knowledge as a lawyer and in-depth knowledge of corporate governance, corporate legal affairs and auditing, and he is deemed capable of properly carrying out the duties of company auditor.

[Independent Officers]

Number of Independent Officers [Updated]	5
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Matters relating to Independent Officers
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The Company has established Independence Standards for Outside Officers as follows.

<Independence Standards for Outside Officers>

The Company believes that, for appropriate corporate governance of the Company, independence of outside directors and outside company auditors to the extent possible is desirable in order to guarantee the necessary objectivity and transparency, and the independence standards for outside officers of the Company are stipulated as follows. When an outside officer (including candidates; hereinafter, the same) falls under any of the following items, he/she is deemed not to have sufficiently satisfied the requirements for independence of the Company.

1. Is not currently or has not been in the past an executive^(Note 1) of the Company or of an affiliate of the Company (hereinafter referred to as the "Group").
2. Is not a major shareholder^(Note 2) of the Company.
3. Has not met any of the following conditions in the past 10 years, including the present.
 - (1) A party whose major client or supplier is the Group^(Note 3) or an executive thereof
 - (2) A major client or supplier of the Group^(Note 4) or an executive thereof
 - (3) A major creditor^(Note 5) of the Group
 - (4) An executive of a party of which the Group is a major equity holder^(Note 6)
 - (5) A party belonging to an auditing firm performing statutory audits of the Group
 - (6) A consultant, certified accountant, certified public tax accountant, lawyer, judicial scrivener, patent attorney or other professional who receives substantial amount^(Note 7) of cash and/or other assets from the Group besides officer remuneration (when a person who receives such assets is an organization such as a corporation or an association, a person who belongs to such organization)
 - (7) A recipient of substantial amount^(Note 7) of donations from the Group or an executive thereof
 - (8) An executive of another company with which there is a relationship involving cross-assumption of office^(Note 8) of outside officers
4. A close relative^(Note 9) of the party who does not meet any of the conditions of 1. - 3. above.
5. Notwithstanding the stipulations above, does not have special grounds that would cause a conflict of interest with the Group.

(Note 1) "Executive" refers to an executive director, Executive Officer (*shikkoyaku*), executive officer (*shikkoyakuin*), other equivalent person, or other employee.

(Note 2) "Major shareholder" refers to a shareholder that holds, directly or indirectly, 10% of shares or more in voting rights under their own name or another person's name. If the shareholder is an organization such as a corporation or an association, an executive who belongs to such organization.

(Note 3) "A party whose major client or supplier is the Group" is one whose transaction amount with the Group is equivalent to 2% or more of its consolidated annual sales.

(Note 4) "A major client or supplier of the Group" is one where the transaction amount with that client or supplier is equivalent to 2% or more of the Company's consolidated annual revenue.

(Note 5) "Major creditor" refers to a financial institution on which the Company is dependent to the extent that it is indispensable for its financing and is not substitutable.

(Note 6) "Major equity holder" refers to a party where 10% of its shares or more in voting rights are held, directly or indirectly, by the Group.

(Note 7) "Substantial amount" refers to an amount of at least ¥10 million in one fiscal year in the case of an individual, and an amount of at least 2% of the organization's annual sales or annual total revenue or ¥10 million, whichever is higher, in the case of an organization.

(Note 8) "Relationship involving cross-assumption of office" refers to a relationship where an executive of the Group serves as an outside officer of another company and an executive of that company serves as an outside officer of the Company.

(Note 9) "Close relative" refers to a spouse or persons within the second degree of kinship.

[Incentives]

Implementation of Measures to Provide Incentives to Directors

Performance-linked remuneration

Supplementary Explanation [Updated]

The Company resolved, at its board of directors meeting and the extraordinary shareholders meetings of its subsidiaries held in November 2019, to continue the performance-linked share-based remuneration plan (hereinafter referred to as the "Plan"), which was introduced in FY2017, for directors (excluding outside directors and those who are non-residents of Japan) and Group Executive Officers (excluding those who are non-residents of Japan; hereinafter the directors and Group Executive Officers collectively referred to as "Directors, etc.") of the Company.

The Plan aims to make the linkage between the remuneration for Directors, etc. and the Group's medium- to long-term performance and shareholders value clearer, and to serve as a sound incentive toward making contributions to improving performance of the Group over the medium- and long-term and to increasing corporate value. Also, although the trust period of the BIP (Board Incentive Plan) trust that has been set will be extended (hereinafter referred to as the "Extension") to February 28, 2023 as a result of continuing the Plan, the Company will not contribute additional money or acquire additional shares of the Company for the Extension.

As the indicators for the performance-linked remuneration, the Company has set the titles of Directors, etc. and the degree of attainment of performance targets, etc. according to the non-GAAP operating profit targets for each business year in the Midterm Business Policies for the fiscal year ending September 30, 2020 and thereafter. As the reason for selecting these indicators, the Company has deemed that they are appropriate indicators for evaluating the achievement of improvements to the medium- to long-term corporate value.

When the Plan is introduced, the Company shall abolish the current stock-option remuneration plan for the officers of the Company.

Grantees of Stock Options	None
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Supplementary Information

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No individual disclosure
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Supplementary Explanation [Updated]

- Total amount of remuneration, etc. the Company paid to directors in the fiscal year ended September 30, 2020.
¥158,966 thousand

Policy for Determining Remuneration Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof
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The policy for determining remuneration for the management of the Group (directors, Group Executive Officers, etc.) is decided by the Company's board of directors. Under this policy, the proportion of not only short-term incentives linked to each term's business performance, but also remuneration linked to medium- to long-term results and the balance of cash and stock has been set appropriately. Additionally, based on this policy, the decision of specific remuneration amounts is decided after taking the opinions of outside directors into account.

[Support system of outside directors (company auditors)]

Currently, there is no full-time employees that assist the outside directors and company auditor. If there is a request from outside directors, decision will be made a decision based on the board of directors. Additionally, the employees is put under the control of the supervising and commanding right by the outside directors and ensured their independence.

2. Matters regarding Decision-making Functions related to the Execution of Duties, Audit and Supervision, Appointments, Compensation, Etc. (Outline of the current corporate governance system) [Updated]

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 group companies are operating companies. By separating the function of administering its overall business from executing its individual businesses, the Group has been working to facilitate the delegation of authority and strengthen the Company's function of monitoring the Group's businesses.

The Board of Directors shall consist of a majority, at the minimum, of highly independent Outside Directors. The Board currently consists of eight Directors, five of whom are Outside Directors. It determines matters prescribed by laws and regulations and the Articles of Incorporation and matters concerning the execution of important business and oversees the execution of business. Furthermore, as part of strengthening of its corporate governance system, the Company introduced an executive officer system in January 2017. Under this system, the authority for making decisions and executing business operation is delegated to Executive Officers (hereinafter, "Group Executive Officers") to the extent permitted by relevant laws and regulations, in order for the Board of Directors to mainly focus on the oversight (monitoring) of the Group Executive Officers who are responsible for the execution of business (monitoring model- oriented).

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

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

In addition to the above, Group Management Meeting has been established, as a system regarding decision-making on the execution of business, with the functions of supporting decision-making by the Group President and Chief Executive Officer and of considering important managerial matters of the group. The Company has also established a Group Risk Management Committee that supervises risk management of the group, a CSR Committee that has authority for discharging corporate social responsibilities through CSR activities and a Financial Results and Disclosures Committee that reviews and evaluates financial results information, information for timely disclosure, among other things. In doing so, the Company has put in place a system that clarifies authority and responsibilities and enables prompt and appropriate decision-making.

On the other hand, Nomination Advisory Committee, the majority of which consists of Outside Directors, has been established as an optional committee of the Board of Directors to handle personnel matters regarding the group's management team (appointment, removal etc. of Directors of the Company, Group Executive Officers and others), in order to ensure the independence, objectivity and accountability of the deliberation process. In

addition, meetings attended only by the Outside Directors (Executive Session) are held once every quarter in principle, thereby securing a place for information exchange and shared awareness from objective standpoints. Outside Auditors, external accounting auditors and other independent outside persons may attend such meetings, thereby providing a place for promoting cooperation among independent outside persons.

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

3. Reasons for Adoption of Current Corporate Governance System

As a policy of the Company, the board of directors shall consist of a majority, at the minimum, of independent outside directors, and has established a system that functions effectively and efficiently to make decisions with regard to the basic management policy and oversee business execution by the board of directors through the involvement of outside directors, who have abundant experience and keen insight regarding management, in deliberation at the Company's board of directors meetings. Additionally, the board of company auditors consists of a majority of independent outside company auditors, and the company auditors, who have expertise in finances, law, etc., have established an auditing system that functions effectively and efficiently through mutual cooperation with the financial auditor as an external auditor. As described above, as a result of the functioning of both oversight of the execution of duties by outside directors through deliberation of the board of directors, as well as auditing by independent company auditors who are not involved in decisions regarding the execution of duties, the Company is utilizing the current corporate governance system as it believes that it will guarantee further enhanced governance functions and will further increase the effectiveness of corporate governance.

III. Implementation of measures for shareholders and other stakeholders

1. Measures to vitalize the General Meeting of Shareholders and enable smooth exercise of voting rights [Updated]

	Supplementary information
Early Delivery of Convocation Notice for General Meeting	The latest date for the 30 th Ordinary General Meeting of Shareholders - Delivery of Convocation Notice: November 27, 2020 - Event Date: December 22, 2020
Scheduling General Meeting of Shareholders Avoiding the Peak Day	The Company holds the Ordinary General Meeting of Shareholders around December 20 every year. • The date of the latest 30 th Ordinary General Meeting of Shareholders: December 22, 2020.
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company has adopted the exercise of voting rights via the Internet, and shareholders can exercise their voting rights from a computer, smartphone, etc.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company has used the Electronic Proxy Voting Platform operated by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	English translations of the convocation notices are available on the Company's website.
Others	The convocation notices are available on the Company's website before delivery.

2. IR Activities [Updated]

	Supplementary Explanation	Explanation by Representative
Preparation and publication of disclosure policy	The Company makes a disclosure policy and the policy is posted on the Company's website. https://www.septeni-holdings.co.jp/en/ir/disclosure.html	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings once every quarter, and the representative will explain the details of financial results and future business developments, etc.	Yes

Regular Investor Briefings for Overseas Investors	The Company will not hold a briefing, but it will continually hold individual meetings domestically and overseas with overseas investors.	Yes
Posting of IR Materials on Website	Materials requiring timely disclosure, such as the summary of consolidated financial statement, materials for financial results briefings, and Integrated Report are posted on the IR section of the Company's website in a timely manner. Additionally, videos of the financial results briefings and audio data of their English translation are also distributed on the IR section of the Company's website.	
Establishment of Department and/or Manager in Charge of IR	The IR Division of Corporate Planning Department is in charge of IR operations.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Implementation of environmental activities, CSR activities etc.	<p>The Group believes that helping to resolve social issues through business is its unique way of fulfilling the corporate social responsibility (CSR) placed upon the Group by society and stakeholders. This contribution aims to realize a sustainable society and realize the Group's mission of "Inspiring the world with entrepreneurship." Inspired by this notion, the Group will move forward with its activities.</p> <p>Specific details of activities are posted on the Company's website. https://www.septeni-holdings.co.jp/en/csr/</p>

IV. Matters Related to Internal Control System

1. Basic Views on Internal Control System and Progress of System Development

A. Systems to ensure the properness of operations of the corporate group comprised of the Company and its subsidiaries

- (1) 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.
- (2) 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.
- (3) 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").
- (4) 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.
- (5) 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.

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

- (1) 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.
- (2) 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.
- (3) Directors and Group Executive Officers of the Group shall practice and encourage the compliance with laws and regulations and social ethics proactively.
- (4) 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.

- (5) 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.
- (6) 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
- (7) 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.

C. Systems for the storage and management of information regarding the execution of duties by directors

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.

D. Regulations and other systems for managing the risk of loss

- (1) 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.
- (2) 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.
 - (3) 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.
 - (4) 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.
 - (5) 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.

E. Systems to ensure the efficient execution of duties by directors

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.

F. 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

- (1) Employees that assist the company auditors shall be assigned at the request of company auditors.
- (2) Employees that assist the company auditors shall not concurrently serve other duties and posts.
- (3) 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.

G. 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

- (1) 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.
- (2) 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.
- (3) 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.
- (4) 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.
- (5) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the board of company auditors.

H. 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

- (1) 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.

I. Systems for ensuring the effective functioning of audits by company auditors

- (1) 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.

- (2) 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.

2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts

The Company will stand up to antisocial forces that potentially pose a threat to social order and safety with a resolute attitude, and prevent any relationship with such entities.

In the unlikely event that the Company receives contact from antisocial forces, it will appropriately respond in a systematic manner and cooperate with external institutions, such as the police, lawyers, etc.

V. Other

1. Adoption of anti-takeover measures

Adoption of Anti-takeover Measures	Not adopted
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Supplementary Explanation

2. Other matters concerning the corporate governance systems

Status of internal system for timely disclosure of Company information is as follows.

(1) Information handling officer and department in charge

The person responsible for handling information for timely disclosure at the Company is the Executive Officer in charge of the Corporate Planning Department. The IR Division of Corporate Planning Department and the Accounting Department handle the collection of information disclosures, and the creation and disclosure procedures of disclosure statements.

(2) System of understanding each information

a. Information on decisions made by the company

Important business execution under the Company's decision is, in principle, decided by the board of directors and always understood by the person responsible for handling information. Additionally, the representative of each company will promptly report information related to the decision of group companies to the person responsible for handling information (or in some cases, the IR Division of Corporate Planning Department and the Accounting Department). After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the board of directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer.

b. occurrence of material facts

Regarding information related to material events, the representative of the company where the material event occurred or the division head of the division where it occurred (within the Company) will be the manager in charge. In the event that material facts are generated, they will be promptly reported to the person responsible for handling information (or in some cases, the IR Division of Corporate Planning Department and the Accounting Department). After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the board of directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer. The person responsible for handling information will work to gather information related to material events through periodic meetings and reports with the representatives of each company.

c. Business result

The Accounting Department is in charge of quarterly financial information and will report it to the board of directors. After this, the specific details of any matters to be disclosed will be reviewed at the Financial Results and Disclosures Committee, to which the board of directors delegates decision making related to disclosure, and then the matter will be disclosed upon receiving approval from the Group President and Chief Executive Officer.

(3) Judge of necessity for timely disclosure

Regarding important decisions, material events and financial information collected by the person responsible for handling information (or in some cases, the IR Division of Corporate Planning Department and the Accounting Department), after discussing with and reporting to the board of directors or reporting to the Group President and Chief Executive Officer, the IR Division of Corporate Planning Department will decide on the necessity for disclosure based on the related laws and regulations including the Financial Instruments and Exchange Act and the rules of timely disclosure stipulated by the Tokyo Stock Exchange, and will decide on the details and specific timing.

Additionally, when necessary, they will receive advice from external specialists including audit corporations, lawyers, etc., and work to guarantee objectivity, compliance and validity.

(4) Procedure of timely disclosure to Tokyo Stock Exchange

Finally, after the above procedures, they will be verified by the person responsible for handling information, and disclosure procedures will be conducted by the IR Division of Corporate Planning Department for the Tokyo Stock Exchange.

【Governance Chart】

