

# Response to Climate Change

## Building an Advanced Governance System to Support Discontinuous Growth

Environment

—Reinforcing Our  
Management Foundation—

Governance

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# Response to Climate Change

## Disclosure of information based on TCFD recommendations

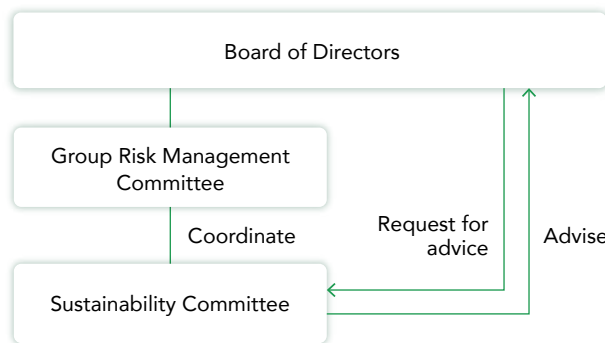
Given that a sustainable and sound Earth and society are prerequisites for business operations, we have identified the response to climate change as a materiality.

Against this backdrop, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in October 2023 and will disclose information related to the response to climate change based on the TCFD framework.

### 1. Governance

As an advisory body to the Board of Directors, the Sustainability Committee, chaired by the Group CEO, discusses and examines sustainability activities and climate-related issues. The committee's activities are regularly reported to the Board of Directors, and resolutions are sought at the Board of Directors for particularly important themes.

#### Governance Structure Regarding Climate Change



(Note) The image is an excerpt from the governance structure diagram. Please refer to the full diagram below.  
<https://www.septeni-holdings.co.jp/en/company/governance.html>

### 2. Strategy

We recognize the risks, measures, and opportunities brought about by climate change as follows at the present time. In scenario analysis, we assumed a world with a temperature rise of 2°C and 4°C\*, and evaluated the importance of climate-related risks and

opportunities that could potentially impact our business. Based on this scenario, we aim to enhance resilience by mitigating risks and expanding opportunities.

\*In scenario analysis, we refer to reports from the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), etc.

#### Results of Scenario Analysis

Classification of Risks and Opportunities based on TCFD Recommendations		Assumed Main Risks and Opportunities	Impact Level	Occurrence Time*
Transition Risks	Policy/Regulation	Costs arising from carbon taxes, etc.	Medium	Short to medium term
	Technology	Increased costs due to delays in adapting to low-carbon technologies	Small	Medium to long term
	Market	Increased costs due to rising electricity prices	Small	Short to long term
	Reputation	Loss of trust from clients, investors, and employees and decrease in corporate value due to delays in climate change measures	Medium	Medium to long term
Physical Risks	Acute	Operational stoppage of services and impact on internal infrastructure due to intensification of abnormal weather and frequent natural disasters	Large	Long term
		Self-restraint/reduction in advertising due to disasters	Large	Long term
	Chronic	Increased costs for air conditioning, etc. due to changes in weather patterns	Small	Medium to long term
Opportunities	Products/Services	Acquisition of new business opportunities due to major changes in industry and society	Small	Medium to long term
	Market	Increase in advertising due to expanding demand for environmentally friendly products/services	Small	Medium to long term
	Resilience	Changes in work styles due to dispersion of residences accompanying changes in weather patterns	Medium	Short to long term

\*Short-term: to 2025 Mid-term: 2025 to 2030 Long-term: 2030 to 2050

# Response to Climate Change

## 3. Risk management

The Sustainability Promotion Department, which serves as the secretariat for the Sustainability Committee, evaluates and determines the importance of risks and opportunities related to climate change based on their impact on our businesses. In the evaluation, we conduct hearings with related group companies and departments as necessary.

We have established the "Group Risk Management Rules" in order to recognize significant events that affect our business management, identifies, analyzes, and evaluates risks that hinder the development and growth of our business, and implement measures such as risk avoidance, reduction, and transfer. Furthermore, under the common policy of our Group, we have established the Group Risk Management Committee as an institution to oversee and manage risk management activities in an integrated and effective manner. We are building a PDCA cycle of risk management activities and working on promoting risk management

throughout the Group to achieve sustainable growth. We are also working on promoting risk management in collaboration with the Group Risk Management Committee and the Sustainability Committee in order to manage risks related to climate change in an integrated manner with other risks of the Group.

## 4. Metrics and targets

We have set a goal to reduce the GHG emissions of Scope 1+2 by 70% by fiscal year 2030 compared to fiscal year 2023.

The actual GHG emissions are as follows. In the fiscal year ended December 2023, the GHG emissions of the relevant department increased due to the increase in business trips and commuting resulting from the implementation of a hybrid work style that leveraged the benefits of both remote work and office work, as well as the opening of a new location. Going forward, we will continue to explore initiatives to reduce emissions.

## Change in GHG Emissions

	FY2020		FY2021		FY2022		FY2023 <sup>*2</sup>	
	Emissions (t-CO <sub>2</sub> )	Ratio (%)	Emissions (t-CO <sub>2</sub> )	Ratio (%)	Emissions (t-CO <sub>2</sub> )	Ratio (%)	Emissions (t-CO <sub>2</sub> )	Ratio (%)
Scope 1	5.5	0.1	6.9	0.1	7.3	0.1	7.0	0.1
Scope 2	768.5	15.9	719.6	14.8	817.0	12.8	940.6	9.1
Scope 3 <sup>*1</sup>	4,071.1	84.0	4,138.1	85.1	5,548.6	87.1	9,386.9	90.8
Total	4,845.1		4,864.6		6,372.9		10,334.5	

\*1 Category 1 (Purchased goods & services), Category 2 (Capital goods), Category 3 (Fuel & energy-related activities), Category 6 (Business travel), Category 7 (Employee commuting), Category 8 (Leased assets (upstream))

\*2 Due to the irregular fiscal year, the figures cover a period of 15 months.

▶ Please refer to the link at right for more details. <https://www.septeni-holdings.co.jp/en/ir/esg.html>

## Other Environmental Activities

Our Environmental Policy advocates "reduction of printing paper," "proactive green purchasing," and "implementation of resource and energy saving measures and promotion of recycling." A Group-wide volunteer project, "ECHO by Septeni Group," plays a central role in our environmental initiatives, working to raise environmental awareness within the Group by sharing information through email magazines for employees and by organizing in-house events such as online seminars on renewable energy.

### • Participation in "One Day for Change"

We participated in the community activity "One Day for Change," which the Dentsu Group is engaged in globally, and conducted office area clean-up activities in Tokyo, Sapporo, and Miyazaki. Approximately 60 participants took part in the Tokyo location, fostering interaction within the Group and providing an opportunity to learn about social issues.



▶ Please refer to the link below for more details. [https://note.com/septeni\\_group/n/n6ce1c7430296](https://note.com/septeni_group/n/n6ce1c7430296) (Only available in Japanese)

# Corporate Governance

## Progress of governance reforms

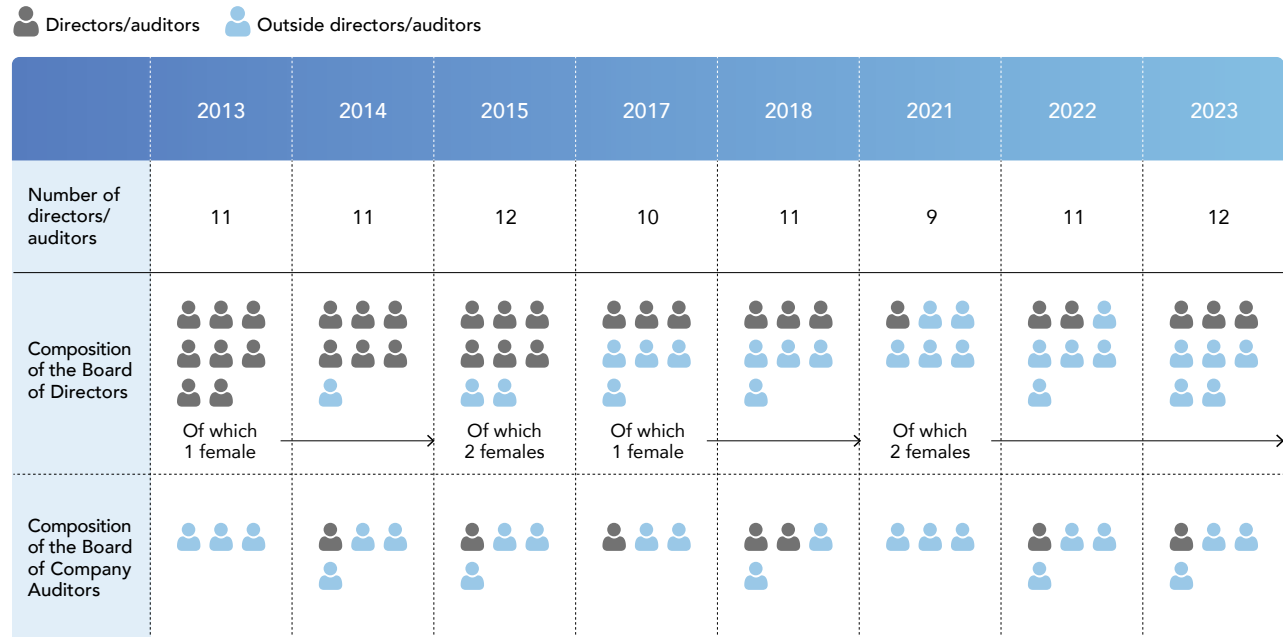
We have identified the efforts in corporate governance as a materiality, recognizing the need for an advanced governance structure to fulfill our obligations as a listed company and to aim for the pursuit of discontinuous growth and the realization of a "nameraka" future.

Since around 2015, we have been advancing governance reforms, positioning the first three years as a promotion phase, where we implemented various measures to improve governance and introduced new systems. Since 2018, we have been striving to establish an effective governance structure that goes beyond mere formality and focusing on improving the application and operation of the introduced systems.

In the fiscal year ended December 2023, we made progress in formulating our sustainability policy within the Sustainability Committee. Additionally, as an advisory body to the Board of Directors, we established a Nomination and Remuneration Advisory Committee. In the committee, which is chaired by an outside director and consists of a majority of outside directors, we ensure independence, objectivity, and accountability in the deliberation process, and discuss topics such as succession plans and the selection of the next generation of management.

### Changes in Composition of Directors/Auditors

We have been appointing female executives since 2013 and outside directors since 2014.



(Note) At the end of the General Meetings of Shareholders in each year. Only years where there were changes in the composition of the Board of Directors are listed.

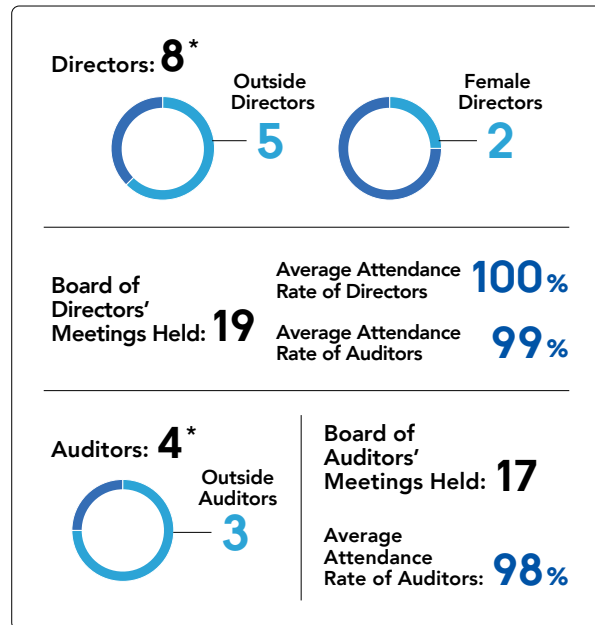
### Measures Implemented from 2015 Onwards to Improve Governance

- Systematization of governance for greater effectiveness
- Introduction of effectiveness evaluation to enhance the functioning of the Board of Directors
- Establishment of the Financial Results and Disclosures Committee
- Abolition of anti-takeover measures
- Establishment of Group Risk Management Committee
- Creation of Corporate Governance Guidelines
- Introduction of Performance-Linked Share Compensation Plan for Directors and Officers
- Separation of execution and monitoring through the introduction of an entrustment-type executive system
- Outside directors become the majority of the Board of Directors
- Establishment of Sustainability Committee and formulation of sustainability policy
- Establishment of Nomination and Remuneration Advisory Committee

## Basic approach to corporate governance

The corporate governance of the Company is based on the development and operation of a system to ensure that actions are based on the company's corporate philosophy and decisions are made in a transparent, fair, and efficient manner, and compliance with laws and regulations and appropriate supervision (monitoring) of corporate performance are carried out under the mission of "To inspire the world with entrepreneurship."

### Governance Highlights (FY2023/12)



\*As of March 2024

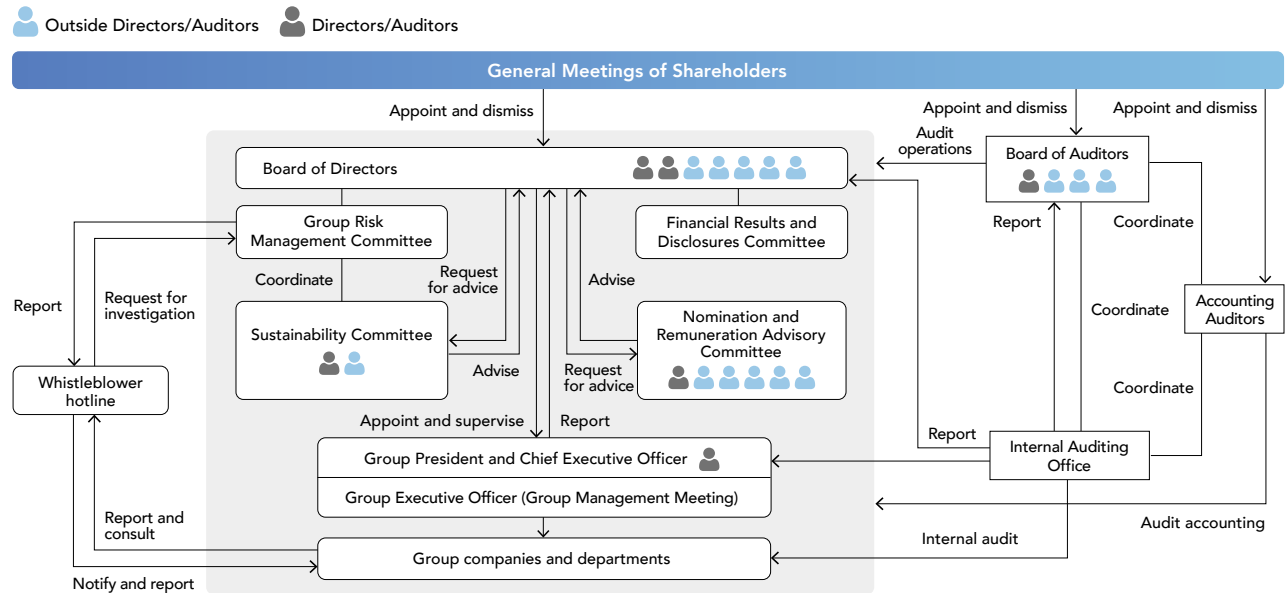
## The outline of corporate governance structure

The Group is managed under a holding company structure in which the 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 consists of eight Directors, five of whom are

Outside Directors, as of March 2024. 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 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).

### Corporate Governance System (as of April 2024)



▶ Please refer to the link below for an overview of the corporate governance system.  
<https://www.septeni-holdings.co.jp/en/company/governance.html>

## Board of Directors

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.

## Group Management Meetings

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.

## Board of Auditors

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.

## Committees

The Company has established a Group Risk Management Committee that supervises risk management of the Group, a Sustainability Committee that promotes

sustainability activities to enhance the corporate value, and a Financial Results and Disclosures Committee that reviews and evaluates financial results information. 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 and Remuneration 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.

## Executive Sessions

Meetings attended only by the Outside Directors (Executive Session) are held once a month in principle,

## Composition of Committees, etc.

	Sustainability Committee	Nomination and Remuneration Advisory Committee	Executive Session
Yuichi Kouno	✓	✓	
Yusuke Shimizu			
Etsuko Okajima		✓	✓
Yoshiki Ishikawa	✓	✓	✓
Akie Iriyama		✓	✓
Mio Takaoka		✓	✓
Makoto Shiono		✓	✓
Tadashi Kitahara			

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.

## Major agenda items at the Board of Directors meetings

### FY2023/12 (from October 2022 to December 2023) (excluding regularly scheduled agenda items)

- Revision of officer compensation system
- M&A
- Consideration of IR measures
- Revision of share issuance regulations
- Partial amendment of insider trading prevention regulations
- Formulation of sustainability policy
- Share repurchase, etc.
- Disclosure of human capital
- Transition to an Innovation Board
- Revision of materiality
- Restructuring of the Nomination and Remuneration Advisory Committee
- Renewal of core systems
- Change in dividend policy
- Transfer of shares of JNJ INTERACTIVE INC.
- Overseas advertising business
- Transfer of shares of COMICSMART INC.

## Officer compensation plan

In the fiscal year ended September 2017, the Group introduced a new compensation plan (a board incentive plan (BIP) trust) to more clearly define the relationship between the remuneration of the Company's directors (excluding outside directors and non-residents of Japan) and executive officers (excluding non-residents of Japan; collectively, "Directors, etc.") and the Group's business results in the medium-to-long term as well as the Company's shareholder value, while creating a sound incentive to enhance business results and corporate value in the medium-to-long term. As a result, remuneration for

directors of the Company consists of monthly compensation and share compensation, and remuneration for outside directors who are independent from business execution consists of monthly compensation only.

### BIP Trust

This is a performance-linked share compensation plan that aims to establish a clearer relationship between remuneration for Directors, etc. and the value of the Group's share. The Company's shares are purchased from the market as officer compensation, kept in a trust account and delivered in accordance with the recipient's position and degree of achievement of the performance targets in the Midterm Business Policies.

## Risk management

In order to recognize significant events that may affect the Group's business management, to identify, analyze and assess risks that may harm the growth and development of the business and to make responses to the risks such as aversion, mitigation, transfer and others, the Group shall establish the "Group Risk Management Regulations." In addition, it 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. It constructs the PDCA cycle of risk management operations and promotes risk management in the Group as a whole to achieve sustainable development.

"In the fiscal year ended December 2023, considering social trends, the Company selected the following risks as priority risks among those that are common across the Group, and has been actively addressing them."

### Director and Auditor Remuneration (FY2023/12)

Category	Number of payees	Total amount of officers' remuneration, etc.	Total amount of remuneration, etc. by type	
			Basic remuneration	Performance-linked remuneration, etc.
				Non-monetary remuneration, etc.
Directors (of whom Outside Directors)	6 (5)	261,066 thousand yen (90,000 thousand yen)	254,670 thousand yen (90,000 thousand yen)	6,396 thousand yen (-)
Company Auditors (of whom Outside Auditors)	3 (3)	30,000 thousand yen (30,000 thousand yen)	30,000 thousand yen (30,000 thousand yen)	- (-)

▶ Please refer to the link below for supplementary information on remuneration of Directors and Auditors.  
<https://www.septeni-holdings.co.jp/en/company/governance.html#directors-compensation>

Priority Risks
The risk of inadequate supervision of external contractors, including the handling of information
The risk of harm to officers and employees and impact on operations resulting from natural disasters, etc.

## Evaluation of the effectiveness of the Board of Directors

With the aim of enhancing the function of the Board of Directors, the Company conducts analysis, evaluation and follow-up examinations of issues on the effectiveness of the Board of Directors once a year in principle. The Company also conducts large-scale and detailed surveys by external third-party institutions once every 3 years.

With an external third-party survey conducted in the fiscal year ended September 2022, the Company confirmed that the Board of Directors completed the transition to a monitoring board type, enabling advanced and lively discussions. In addition, in terms of operation, practical measures such as devising the agenda of the Board of Directors, providing materials in advance, creating opportunities for discussions through camps, and strengthening cooperation among outside directors through executive sessions had already been sufficiently carried out, and that effectiveness has been confirmed. On the other hand, it was also confirmed that with the substantial reform of the Board of Directors, a common awareness of issues has emerged, such as how to think of the innovation board, which lies ahead of the monitoring board, how to realize the “co-creation of value between supervision and execution,” and how to think of the succession of the Board of Directors.

In response to this, in the fiscal year ended December 2023, the transition to the innovation board was discussed at the Board of Directors and the officer camp on an ongoing basis, and as part of measures to co-create value between supervision and execution, the Company revised organizational and divisional structures and regulations. Also, in response to some advice by the Nomination and Remuneration Advisory Committee, which has been discussing succession plans to realize sustainable growth, the Company

resolved to reform its management structure. By building and promoting a new collective leadership system, the Company aims to further increase its corporate value, and will continue initiatives to enhance the effectiveness of the Board of Directors.

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

The Company's parent company is Dentsu Group Inc. One of the Company's directors concurrently serves as an executive officer of Dentsu Japan Network of the Dentsu Group Inc. and an executive officer of Dentsu Inc., a subsidiary of Dentsu Group Inc. However, this director is in a position to supervise the execution of business in order to enhance its corporate value as a non-executive director of the Company. In addition, with respect to transactions with the parent company, management support fees are determined by agreements between the parties taking into account the content of operations, and interest rates on fund transactions are determined in the same manner as in general transactions with reference to market interest rates. Through these various measures, the Company believes that its business operations are sufficiently independent from the parent company, etc. As a publicly traded company with the parent company, the Company has agreed to maintain its autonomy and independence in the relationship with the parent company under an agreement between the parties. In addition, the majority of the Company's Board of Directors is independent outside directors, and decisions concerning its management are made through discussions based on the viewpoint of protecting minority shareholders. As a result, the Company does not anticipate any harm to the interests of itself or its minority shareholders.

### Governance since the Capital and Business Alliance with the Dentsu Group Inc.

#### Appointment of Directors and Member Structure

- One director and one auditor (part-time auditor) will be appointed by Dentsu Group Inc.
- Even after the capital and business alliance, the majority of our directors shall be independent outside directors, and our representative director shall be a director who is not an outside director and who is not appointed by Dentsu Group Inc.

#### Cooperation in Management Autonomy and Maintaining Listing

- Even after the execution of various transactions associated with the capital and business alliance, the Dentsu Group Inc. shall respect our autonomy, act in such a manner as not to violate the delisting standards to maintain our listing, and cooperate with us to a reasonable extent.

#### Handling of Shares

- Dentsu Group Inc. will not acquire any additional shares of ours without obtaining our prior written approval.





### High expectations for the leadership of the new management team in realizing “10X”

**Etsuko Okajima**

Chair of the Nomination and  
Remuneration Advisory Committee  
Outside Director

The Group is continuously working to strengthen its governance to maximize corporate value. As part of this process, the Nomination and Remuneration Advisory Committee (hereinafter referred to as “the Committee”), which was established in July 2023 and consists of outside directors and the Group President and CEO, received a request from former CEO Sato to resign after completing his term, and for the Committee to appoint a new management team.

Mr. Sato led the Group as a whole for some 15 years, showing strong leadership to enhance our corporate value. Given his excellent managerial skills, his presence will be hard to replace, and the Committee has been discussing whether this is the optimal timing for the succession with respect to our stakeholders.

As a result, in order to respond ahead of time to future changes in the environment, the decision was

made to reform the management structure by establishing a collective leadership structure, based on the concept of replacing the current generation with a new generation that will “create a new era,” as stated in the Group vision, and the Committee has been leading the selection process.

Specifically, the Committee created a pool of candidates and, through a dialogue process that included numerous interviews and presentations, selected Yuichi Kouno as Representative Director, Group President and Chief Executive Officer and Yusuke Shimizu as Director, Group Executive Vice President and Executive Officer, based on a comprehensive assessment of the clarity of their strategy to realize “10X” and their leadership to accelerate digital marketing, the core of our Group.

Mr. Kouno and Mr. Shimizu have complementary

strengths and experience in collaborative management. These selections envisage a division of role in which Mr. Kouno, as President, will be responsible for external communications with shareholders and other stakeholders, while Mr. Shimizu, as Executive Vice President, will be responsible for internal communications, including improving the engagement of employees, who are extremely important human capital for the Company.

We have high expectations that Mr. Kouno and Mr. Shimizu will provide strong leadership to achieve the discrete growth represented by “10X,” and we will do our utmost to support the new executive structure. The Committee believes that this renewal of the management structure is a very positive way to pass on the baton.