Annual Securities Report
(Excerpt)

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year From: January 1, 2024
(The 34th term) To: December 31, 2024

SEPTENI HOLDINGS CO., LTD.

(E05206)

Contents

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[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	March 26, 2025
[Fiscal year]	The 34th term (from January 1, 2024 to December 31, 2024)
[Company name]	Kabushiki Kaisha SEPTENI HOLDINGS
[Company name in English]	SEPTENI HOLDINGS CO., LTD.
[Title and name of representative]	Yuichi Kouno, Representative Director, Group President and Chief Executive Officer
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[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

I Overview of Company

1. Key Financial Data

(1) Key consolidated financial data

(Thousand yen, unless otherwise stated)

Term		International Financial Reporting Standards (IFRS)				
		30th Term	31st Term	32nd Term	33rd Term	34th Term
Fiscal year ended:		September 2020	September 2021	September 2022	December 2023	December 2024
Revenue		17,937,745	21,383,875	27,589,386	34,266,611	28,284,209
Profit before tax		2,325,120	3,910,716	8,966,365	6,652,148	4,867,117
Profit attributable to owners of parent		1,464,342	2,604,103	5,733,564	4,318,831	5,525,805
Comprehensive income attributable to owners of parent		1,263,115	2,649,462	5,881,565	4,555,228	5,364,231
Equity attributable to owners of parent		15,793,379	18,426,419	62,705,254	65,593,864	69,880,279
Total assets		34,424,711	42,011,169	88,731,112	93,605,990	97,637,290
Owners' equity per share	(Yen)	124.90	145.72	299.54	316.70	336.89
Basic earnings per share	(Yen)	11.58	20.59	30.54	20.74	26.65
Diluted earnings per share	(Yen)	11.53	20.51	30.45	20.68	26.61
Ratio of owners' equity to gross assets	(%)	45.9	43.9	70.7	70.1	71.6
Return on equity	(%)	9.6	15.2	14.1	6.7	8.2
Price-earnings ratio	(Times)	27.12	23.07	14.67	25.42	14.86
Cash flows provided by (used in) operating activities		2,340,478	4,618,768	3,649,828	3,785,405	3,677,135
Cash flows provided by (used in) investing activities		-804,267	90,635	-30,552,974	-2,020,045	336,350
Cash flows provided by (used in) financing activities		-1,941,037	-1,914,487	31,228,641	-1,834,702	-1,631,723
Cash and cash equivalents at end of period		14,080,864	16,899,990	21,340,076	20,873,416	23,730,478
Number of employees (Average number of temporary employees, separately)	(Persons)	1,224 (–)	1,251 (–)	1,602 (–)	1,735 (405)	1,800 (272)

(Notes)
1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
2. Figures shown are rounded to the nearest unit.
3. The number of employees represents the number of regular employees. The number of temporary employees (including temporary staff from staffing agencies, part-time workers, and contract employees) is shown separately as the annual average in parentheses.
4. The accounting period for the 33rd term is a 15-month period from October 1, 2022 to December 31, 2023, due to a change in the fiscal year-end.
5. The operating results of COMICSMART INC. (current trade name: COMISMA INC.) and its subsidiaries, etc. for the 33rd and 34th term are classified as discontinued operations. As a result, revenue and profit before tax for the 32nd term have been retroactively adjusted.
6. The average numbers of temporary employees for the 32nd term and earlier are omitted as they are not considered significant.

(2) Key financial data of reporting company

(Thousand yen, unless otherwise stated)

Term		30th Term	31st Term	32nd Term	33rd Term	34th Term
Fiscal year ended:		September 2020	September 2021	September 2022	December 2023	December 2024
Operating revenue		2,765,909	3,899,443	5,494,812	6,853,704	5,236,153
Ordinary profit		904,042	1,870,437	4,364,140	5,123,199	3,466,848
Profit (loss)		-60,203	1,029,897	3,673,348	4,826,991	3,271,689
Share capital		2,125,384	2,125,384	18,428,003	18,428,003	18,430,173
Number of shares issued	(Shares)	138,916,500	138,916,500	211,079,654	211,079,654	211,389,654
Net assets		11,068,271	11,861,578	53,982,437	57,128,688	59,198,323
Total assets		14,995,971	16,192,735	57,463,089	59,524,310	62,363,457
Net assets per share	(Yen)	87.53	93.80	257.87	275.83	285.40
Dividend per share	(Yen)	2.00	3.40	4.60	5.20	31.35
Basic earnings (loss) per share	(Yen)	-0.48	8.14	19.56	23.17	15.78
Diluted earnings per share	(Yen)	–	8.11	19.51	23.12	15.76
Capital adequacy ratio	(%)	73.8	73.3	93.9	96.0	94.9
Rate of return on equity	(%)	-0.5	9.0	11.2	8.7	5.6
Price-earnings ratio	(Times)	–	58.32	22.90	22.74	25.10
Dividend payout ratio	(%)	–	41.8	23.5	22.4	198.7
Number of employees (Average number of temporary employees, separately)	(Persons)	82 (–)	79 (–)	80 (–)	86 (13)	91 (11)
Total shareholder return	(%)	100.0	152.0	144.9	171.6	140.0
(Comparison benchmark: TOPIX (total return))	(%)	(104.9)	(133.7)	(124.2)	(164.5)	(198.1)
Highest share price	(Yen)	344	555	699	535	520
Lowest share price	(Yen)	132	290	392	314	325

(Notes) 1. Figures are rounded down to the nearest unit.

2. The number of employees represents the number of regular employees. The number of temporary employees (including temporary staff from staffing agencies, part-time workers, and contract employees) is shown separately as the annual average in parentheses.
3. The highest and lowest share prices refer to those recorded on the Tokyo Stock Exchange JASDAQ (Standard) on or before April 3, 2022, and those recorded on the Tokyo Stock Exchange Standard Market on or after April 4, 2022.
4. The price-earnings ratio and dividend payout ratio for the 30th term are not listed due to the basic loss per share.
5. The diluted earnings per share for the 30th term is not listed due to the basic loss per share, despite the existence of potential shares.
6. The accounting period for the 33rd term is a 15-month period from October 1, 2022 to December 31, 2023, due to a change in the fiscal year-end.
7. The average numbers of temporary employees for the 32nd term and earlier are omitted as they are not considered significant.

2. History

Oct. 1990	Founded SUB & LIMINAL CO., LTD. to provide human resources consulting services at 31-12 Yoyogi 3-chome, Shibuya-ku, Tokyo.
Jul. 1992	Moved the headquarters to 10-4 Yoyogi 2-chome, Shibuya-ku, Tokyo.
Oct. 1993	Launched the Direct Marketing Business (agency service to send direct mails).
Oct. 1995	Moved the headquarters to 13-4 Yoyogi 2-chome, Shibuya-ku, Tokyo.
Apr. 1997	Moved the headquarters to 2-18 Shinjuku 4-chome, Shinjuku-ku, Tokyo.
Mar. 1999	Moved the headquarters to 6-1 Nishishinjuku 2-chome, Shinjuku-ku, Tokyo.
Mar. 2000	Changed the company name to SEPTENI CO., LTD.
Apr. 2000	Commenced the Internet Advertising Business.
Aug. 2001	Listed our stock on the over-the-counter market (JASDAQ).
Sep. 2001	Acquired AXELMARK INC. (then Hi-z Inc.) as a subsidiary.
Mar. 2002	Moved the headquarters to 6-1 Nishishinjuku 1-chome, Shinjuku-ku, Tokyo.
Sep. 2003	Moved the headquarters to 8-1 Nishishinjuku 6-chome, Shinjuku-ku, Tokyo.
Jun. 2004	Acquired Tricorn Corporation as a subsidiary.
Apr. 2006	Established SEPTENI DIRECTMARKETING CO., LTD.
Oct. 2006	Converted into a holding company under the trade name SEPTENI HOLDINGS CO., LTD. Concurrently, the Internet Advertising Business was taken over by SEPTENI CO., LTD. through an incorporation-type company split, and the Direct Marketing Business was taken over by SEPTENI DIRECTMARKETING CO., LTD. through an absorption-type company split.
Apr. 2007	Moved the headquarters to 24 Daikyocho, Shinjuku-ku, Tokyo.
Oct. 2011	AXELMARK INC. and FROUTE Corporation merged.
Dec. 2011	Moved the headquarters to 17-1 Nishishinjuku 8-chome, Shinjuku-ku, Tokyo.
Feb. 2013	Established COMICSMART INC. and started the Manga Contents Business.
Oct. 2014	Transferred all shares of SEPTENI DIRECTMARKETING CO., LTD.
Oct. 2016	Acquired the shares of Lion Digital Global LTD through Septeni Asia Pacific Pte. Ltd., making it a subsidiary.
Nov. 2016	Transferred a portion of the shares of AXELMARK INC., converting it into an equity-method associate.
Oct. 2018	Concluded a capital and business alliance with DENTSU INC. (now Dentsu Group Inc.)
Mar. 2019	Excluded AXELMARK INC. from the equity-method associates.
Apr. 2021	Transferred all shares of Pharmarket Co., Ltd.
Oct. 2021	Concluded a new capital and business alliance with Dentsu Group Inc.
Jan. 2022	Conducted a third-party allotment of new shares to Dentsu Group Inc., resulting in the Company becoming its subsidiary.
Jan. 2022	Acquired Dentsu Direct INC. as a subsidiary through a share exchange.
Jan. 2022	Acquired a portion of the shares of Dentsu Digital Inc., making it an equity-method associate.
Apr. 2022	Transitioned to the Tokyo Stock Exchange Standard Market due to the revision of the market classifications by the Tokyo Stock Exchange.
Mar. 2024	Transferred the part of shares of COMICSMART INC. and converting it into an equity-method associate.

3. Description of Business

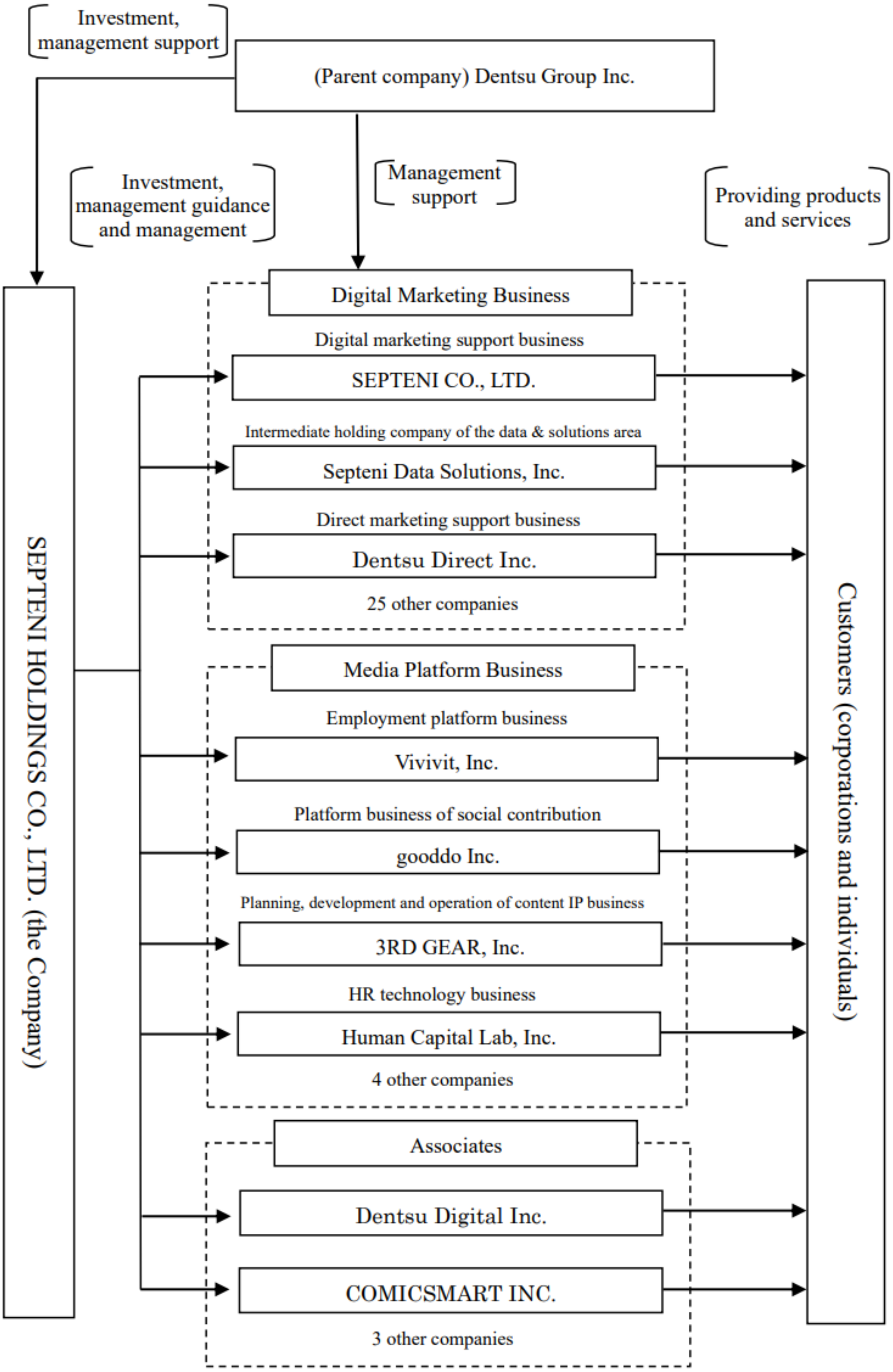
As of December 31, 2024, the Company group ("the Group") consists of the holding company SEPTENI HOLDINGS CO., LTD. ("the Company"), 36 consolidated subsidiaries, 5 entities accounted for using the equity method, and one parent company. The Group operates the Digital Marketing Business and Media Platform Business.

The Company is classified as a "specified Listed Company, etc.," as stipulated in Article 49, paragraph (2) of the Cabinet Office Order on Restrictions on Securities Transactions. Therefore, the criteria for considering a material fact to be of minor importance under insider trading regulations are judged based on consolidated figures.

The business activities of the Group and the positioning of the Company and its subsidiaries and associates in relation to these activities are as follows.

Name of business	Details of business	Main consolidated subsidiaries
Digital Marketing Business	Comprehensive support for corporate DX centered on digital marketing that includes the sales and operations of digital advertisements, the provision of solutions utilizing data and AI as well as marketing support with integrated online and offline solutions through its business alliance with the Dentsu Group.	SEPTENI CO., LTD. Septeni Data Solutions, Inc. Dentsu Direct Inc.
Media Platform Business	Employment Platform Business, Social Contribution Platform Business, etc.	–

(Business Flow Diagram)



4. Subsidiaries and Associates

(As of December 31, 2024)

Name	Address	Capital or investment in capital (Thousand yen)	Principal business (Note 1)	Voting rights holding or held (%)	Related details
(Parent company) Dentsu Group Inc. (Note 2)	Minato-ku, Tokyo	74,609,812	Pure holding company	52.5 (held)	Capital and business alliance
(Consolidated subsidiaries) SEPTENI CO., LTD. (Notes 3, 4)	Shinjuku-ku, Tokyo	300,000	Digital Marketing Business	100.0	Sublease of office space/ Two concurrent officers/ Management guidance
Septeni Data Solutions, Inc.	Shinjuku-ku, Tokyo	100,000	Digital Marketing Business	100.0	Sublease of office space/ One concurrent officer/ Management guidance
Dentsu Direct Inc. (Note 5)	Minato-ku, Tokyo	301,000	Digital Marketing Business	100.0	Management guidance
Other 33 companies					
(Equity-method associates, etc.) PRIME X.Co., Ltd	Shinjuku-ku, Tokyo	100,000	Digital Marketing Business	40.0	–
Dentsu Digital Inc.	Minato-ku, Tokyo	442,500	Digital Marketing Business	25.0	–
COMICSMART INC.	Shinjuku-ku, Tokyo	100,000	Media Platform Business	25.9	Sublease of office space/ Management guidance
Other 2 companies					

(Notes) 1 The names of the reportable segments are listed in the "Principal business" column for consolidated subsidiaries and equity-method associates, etc.

2 The company submits Annual Securities Reports.

3 The company is classified as a specified subsidiary.

4 The revenue of SEPTENI CO., LTD. (excluding inter-company revenues among consolidated companies) accounts for more than 10% of consolidated revenue. The main profit and loss information in the financial statements prepared in accordance with accounting standards generally accepted in Japan is as follows.

Main profit and loss information

Revenue	17,661 million yen
Ordinary profit	2,163 million yen
Profit	1,298 million yen
Net assets	5,009 million yen
Total assets	23,484 million yen

5 The revenue of Dentsu Direct Inc. (excluding inter-company revenues among consolidated companies) accounts for more than 10% of consolidated revenue. The main profit and loss information in the financial statements prepared in accordance with accounting standards generally accepted in Japan is as follows.

Main profit and loss information

Revenue	4,794 million yen
Ordinary profit	958 million yen
Profit	667 million yen
Net assets	2,586 million yen
Total assets	5,155 million yen

5. Employees

(1) Information about consolidated companies

(As of December 31, 2024)

Segment name	Number of employees (persons) (Note 1)
Digital Marketing Business	1,679 (251)
Media Platform Business (Note 3)	30 (10)
Reportable segment total	1,709 (261)
Corporate (company-wide) (Note 2)	91 (11)
Total	1,800 (272)

(Notes)
1. The number of employees represents the number of regular employees. The number of temporary employees (including temporary staff from staffing agencies, part-time workers, and contract employees) is indicated separately as the annual average in parentheses.
2. The number of employees indicated under Corporate (company-wide) represents the number of employees of the holding company (the reporting company).
3. The numbers of employees in the Media Platform Business and temporary employees decreased by 82 and 50 from the previous term-end, respectively, mainly due to the sale of a portion of the Company's share in COMICSMART INC. on March 29, 2024, which resulted in the company being excluded from the scope of consolidation and becoming an equity-method associate.

(2) Information about the reporting company

(As of December 31, 2024)

Number of employees (persons)	Average age (years old)	Average years of service (years)	Average annual salary (yen)
91 (11)	32.6	6.0	6,648,686

(Notes)
1. The number of employees represents the number of regular employees. The number of temporary employees (including temporary staff from staffing agencies, part-time workers, and contract employees) is indicated separately as the annual average in parentheses.
2. Average annual salary includes bonuses and extra wages.

(3) Labor union

Although no labor union has been formed, the labor-management relations have remained cordial.

(4) Ratio of female employees in management positions, percentage of male employees taking childcare leave, and gender wage gap

(i) Reporting company

The information is omitted because the reporting company is not subject to the mandatory disclosure obligations provided for in the Act on the Promotion of Women's Active Engagement in Professional Life (Act No.64 of 2015) and Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

(ii) Consolidated subsidiaries

Current fiscal year					
	Ratio of female employees in management positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 3)	Gender wage gap (%) (Notes 1, 2, 3)		
			All employees	Regular employees	Part-time and fixed-term employees
Septeni Japan, Inc.	26.4	–	85.3	85.6	–
Septeni Ad Creative, Inc.	18.2	–	–	–	–
Dentsu Direct Inc.	33.3	–	72.7	80.1	49.1

(Notes)
1. The ratio is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No.64 of 2015).
2. "Gender wage gap" for "Part-time and fixed-term employees" at Septeni Japan, Inc. is indicated as "–" because all of the workers in this category are women.
3. With the exception of (Note 2), the data is indicated as "–" because this item is not included in disclosures based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015) and is not subject to the mandatory disclosure requirements of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

II Business Operations

1. Management Policies, Management Environment, and Issues to be Addressed, etc.

The Group's management policies, management environment, and issues to be addressed, etc. are as follows.

Any description regarding the future below is based on the available information and certain conditions which the Group believes to be reasonable at the end of the fiscal year ended December 31, 2024.

On the business and financial issues of the Group to be addressed

Under the medium-term theme of "Focus & Synergy" continued from the fiscal year ended December 31, 2024, the Group will move forward with organizational restructuring to hone the strengths of each business while maintaining strict discipline in business portfolio management. For growth investments in each business, we will consider investments for organic growth and creation of new businesses, as well as M&A to strengthen alliances with external partners.

In addition, while working on short-term challenges of improving profitability and productivity, we aim to continuously increase revenues through the growth of each business, thereby achieving a V-shaped recovery through a turnaround to growth in operating profit.

From the first quarter of the fiscal year ending December 31, 2025, the three areas that had been classified under the Digital Marketing Business will be Marketing Communication Segment, the Direct Business Segment, and the Data & Solutions Segment, and these three will be the new reportable segments. In addition, each of the businesses previously classified in the Media Platform Business will be integrated into the Marketing Communication Segment or classified into the Other Business, taking into account the perspective of generating synergies with existing businesses.

2. Sustainability Approach and Initiatives

The Group's approach and initiatives on sustainability are as follows.

Any description regarding the future in the text is based on the available information and certain conditions which the Group believes to be reasonable at the end of the fiscal year under review.

(1) Sustainability

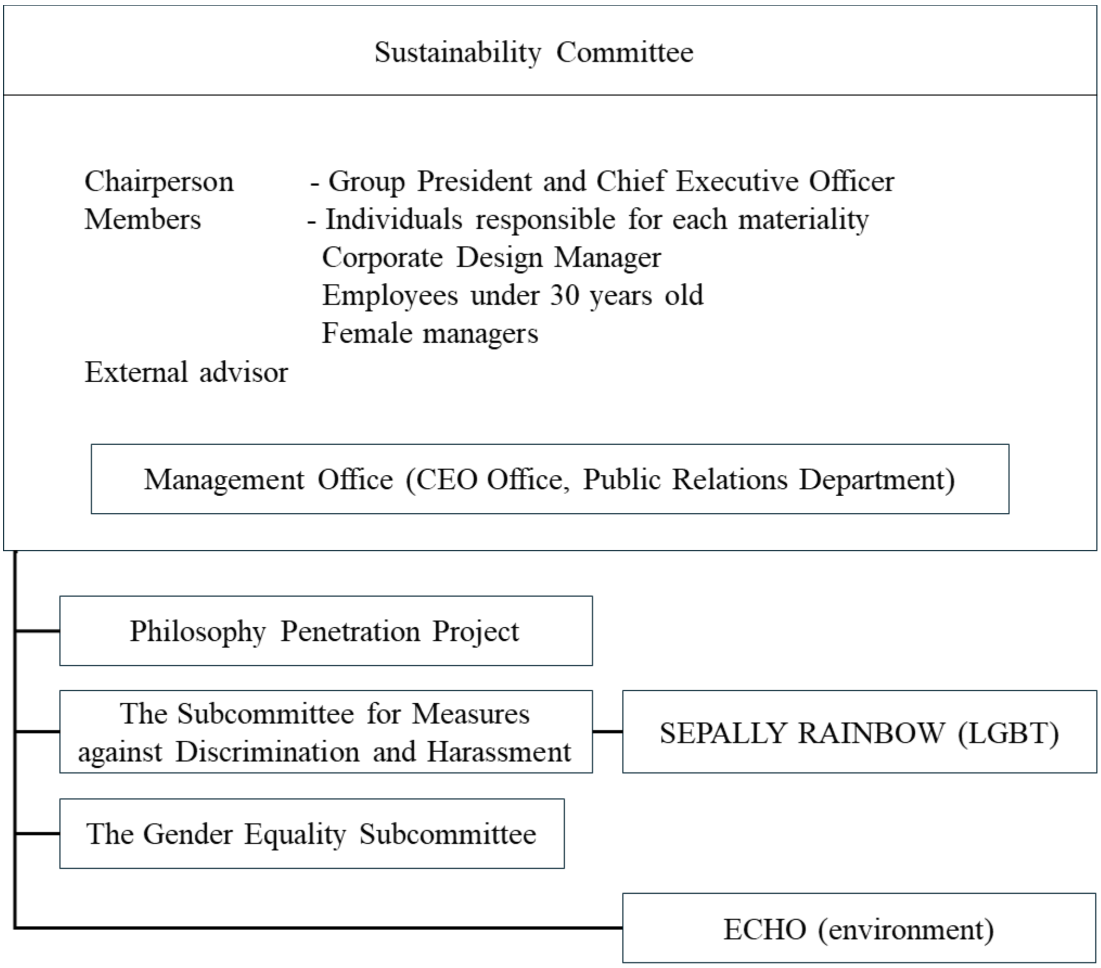
The Group believes that contributing to the resolution of social issues through its businesses and corporate activities is what is required by its stakeholders to realize the Group's mission of "To inspire the world with entrepreneurship" and thus, it is promoting sustainability activities.

In its sustainability activities, the Group has set out its mission and vision as a basic policy, and it is actively promoting activities with the aim of achieving sustainable growth of the Group, improving corporate value, and realizing a sustainable society.

(i) Governance

The Group reorganized the CSR Committee in January 2022 and launched the Sustainability Committee as an advisory body to the Board of Directors. Chaired by the Group President and Chief Executive Officer, this committee is comprised of future generation employees aged 30 and below, female managers, individuals responsible for each materiality, and external advisors. The Sustainability Committee examines policies, themes, and measures related to sustainability and reports the status of activities to the Board of Directors on a regular basis. In addition, particularly important matters related to sustainability are resolved at meetings of the Board of Directors.

Sustainability Committee Organizational Chart



(ii) Strategy

The Group has set forth the following four materialities as key issues for realizing the sustainable growth of the Group and the enhancement of corporate value.

I. Enhancement of Corporate Value by Empowering People Who Create a New Era
II. Realization of a “Nameraka*” Society Through Creativity and Technology
III. Response to Climate Change
IV. Building an Advanced Governance System to Support Discontinuous Growth

By addressing the aforementioned materialities, the Group aims to achieve its vision and realize its mission of "To inspire the world with entrepreneurship."

*“nameraka”: the Company defines “nameraka” as a harmonious state without friction and barriers.

(iii) Risk management

The Sustainability Committee of the Group assesses sustainability-related risks and opportunities, and deliberates on issues that need to be addressed. The Committee reports on its deliberations to the Board of Directors on a regular basis. In addition, particularly important matters related to sustainability are resolved at meetings of the Board of Directors.

For sustainability-related risks, the Committee works together with the Group Risk Management Committee as a body to oversee and manage risks of the entire Group in an integrated and effective manner to promote risk management.

(iv) Indicators and targets

The Group has set KPIs and targets linked to subcategories for the four materialities.

The Sustainability Committee monitors the performance and progress of each indicator, and promotes efforts to achieve the targets, mainly by the person in charge of each materiality.

Materiality	Subcategory of Materiality
Enhancement of Corporate Value by Empowering People Who Create a New Era	・Human resource development with reproducibility through digital HR ・DEI (Diversity, Equity & Inclusion) ・Democratization of entrepreneurship
Realization of a “Nameraka” Society Through Creativity and Technology	・Value creation leading to a “nameraka” society
Response to Climate Change	・Reduction of GHG emissions and disclosure of information in accordance with TCFD recommendations
Building an Advanced Governance System to Support Discontinuous Growth	・Efforts for discontinuous growth ・Efforts for risk reduction

Please refer to the Group’s website below for details of initiatives.
https://www.septeni-holdings.co.jp/en/csr/policy.html

(2) Climate change

Given that a sustainable and sound global environment are prerequisites for business operations, the Group recognizes the high importance of addressing climate change and promotes activities with this in place as the materiality of sustainability activities.

In light of this, the Group endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2023 and has implemented information disclosure based on the TCFD framework.

(i) Governance

The Sustainability Committee, an advisory body to the Board of Directors and chaired by the Group President and Chief Executive Officer, discusses and examines sustainability activities and climate-related issues. The status of activities related to climate issues is reported regularly to the Board of Directors.

(ii) Strategy

The Group recognizes the risks, measures, and opportunities brought about by climate change as follows at the present time.

In the scenario analysis, we assumed a world with a temperature rise of 2℃ and 4℃, and evaluated the materiality of climate-related risks and opportunities that could potentially impact our business.

We aim to enhance resilience by mitigating risks and expanding opportunities.

Classification of Risks and Opportunities based on TCFD Recommendations		Assumed Main Risks and Opportunities	Response
Transition Risks	Policy/ Regulation	Costs arising from carbon taxes, etc.	Transition to renewable energy
	Technology	Increased costs due to delays in adapting to low-carbon technologies	Rapid conversion to energy-efficient equipment
	Market	Increased costs due to rising electricity prices	Promotion of energy conservation through educational activities for employees
	Reputation	Loss of trust from clients, investors, and employees and decrease in corporate value due to delays in climate change measures	Disclosure through TCFD, CDP, etc.
Physical Risks	Acute	Operational stoppage of services and impact on internal infrastructure due to intensification of abnormal weather and frequent natural disasters	Maintenance and enhancement of BCP and crisis management systems
		Self-restraint/reduction in advertising due to disasters	Promotion of proactive initiatives to realize a decarbonized society
	Chronic	Increased costs for air conditioning, etc. due to changes in weather patterns	Implementation of ongoing energy conservation measures in offices
Opportunities	Products/ Services	Acquisition of new business opportunities due to major changes in industry and society	Acquisition of new clients emerging from the promotion of decarbonization
	Market	Increase in advertising due to expanding demand for environmentally friendly products/services	
	Resilience	Changes in work styles due to dispersion of residences accompanying changes in weather patterns	Promotion of diverse work styles through remote work

Please refer to the Group's website below for details of scenario analysis.
https://www.septeni-holdings.co.jp/en/csr/activity/environment.html

(iii) Risk management

The Group identifies climate change risks as one of the themes related to sustainability. The Sustainability Promotion Department evaluates the importance of risks and opportunities related to climate change based on their impact on the Group businesses, and the Sustainability Committee makes decisions. In the evaluation, the Group conducts hearings with related group companies and departments as necessary.

The Group Risk Management Committee and the Sustainability Committee work together to promote risk management in order to comprehensively manage risks related to the identified climate change with other risks of the Group.

(iv) Indicators and targets

The Group has set a target of reducing Scope 1+2 GHG emissions by 70% by fiscal year 2030 compared to fiscal year 2023.

To reduce GHG emissions, we will consider promoting energy-saving measures and effectively utilizing renewable energies.

Please refer to the Group’s website below for details of GHG emissions results.

https://www.septeni-holdings.co.jp/en/csr/activity/environment.html

(3) Human capital

As stated in the first clause of the Group’s vision, “To be a place where people are empowered to create a new era,” the Septeni Group regards people as the most valuable asset and focuses on their development.

Since starting the Digital Marketing Business in 2000, the Group has continued to expand business along with the development of the market. However, in growth industries like the Group’s business sector, the competition for acquiring skilled talent has been extremely fierce. In such a business environment, the Group believes that how it recruits, develops, and retains high-potential human resources is a critical factor that significantly influences corporate competitiveness.

For this reason, the Company has focused on achieving “individual optimization and reproducibility in human resource development” and “creation of an environment in which individual employees can demonstrate their abilities.” Through these initiatives, the Group aims to sustainably increase the value of its human capital.

(i) Strategy

a. Human resource development policy

The Group defines the concept of human resources development not as a matter of “being developed” but rather as one of “developing through the accumulation of positive experiences in the workplace.” The idea is that mutual interaction between the individual personality (P) people are born with and the environments (E) surrounding them influences their growth (G). The Group expresses this in the form of its HR Development Equation (G=P×E).

The Group has been working on achieving individual optimization and reproducibility in talent development by combining a talent database accumulated over more than 20 years and technology for analysis, with the “development equation” as the foundation of human resource development (Note).

In addition, the Company established the Human Capital Lab in one of the Group’s organizations in 2016 with the aim of further developing its human resource development. The Group is working to improve quality by building a system of close collaboration with experts and researchers both inside and outside the company.

Please refer to the Group’s website below for the various initiatives and research results related to human resource development.

https://www.septeni-holdings.co.jp/en/csr/activity/new-era/hr.html

b. Internal environment improvement policy

The Company has been continuously investing in human capital with the aim of “creating an environment in which individual abilities can be easily demonstrated.” For example, based on the concept of “creating a state where everyone is working autonomously and actively in valuable jobs regardless of time and place,” the Company has developed a system that allows for diverse work styles.

The Company also has been working on creating a conducive environment for women, including implementing women’s skills development programs, supporting work-life balance, and providing assistance to employees returning from childcare leave. In addition to these efforts, the Company has been committed to achieving equity and inclusion across other attributes such as gender, age, nationality, and race.

In addition to initiatives to support the diverse work styles of employees, the Company seeks to build a system for employee growth and maximizing performance by enhancing educational programs for employees and optimally deploying in-house human resources.

The scope of the policy initiatives covers the reporting company and its major consolidated subsidiaries in Japan, because specific initiatives based on the internal environment improvement policy are implemented at these companies, but not at all of the consolidated group companies such as foreign subsidiaries.

(Note) With regard to employee data, the Company has established and implemented HR Guidelines, a basic policy for the utilization of human resource data. Based on the philosophy that “the improvement of corporate value is achieved through the growth of individuals,” the Company has established an appropriate management and operation system.

(ii) Indicators and targets

The Company has set the ratio of female employees in managerial positions at the Company and domestic consolidated subsidiaries as a KPI for measuring the active participation of diverse human resources, aiming to achieve a target of 30% by FY2030 (FY2024 results: 28.15%).

The Company believes that the reporting company and its consolidated subsidiaries in Japan have more pressing issues to address regarding this indicator. For this reason, the indicator and target apply only to these companies, and not to foreign subsidiaries.

3. Business Risks

The main matters that may constitute risk factors among the information related to the Group’s business conditions are presented hereunder. Information that is not necessarily considered a business risk by the Group but constitutes important information necessary for making investment decisions or for understanding the Group’s business activities is also actively presented from the standpoint of information disclosure for investors. The Group’s policy is to recognize the potential for risks to materialize and then work to mitigate that potential and appropriately address any risk that does materialize.

Unless otherwise described, forward-looking statements in the following risks are based on the Group’s judgement made on the filing date of Annual Securities Report and may therefore differ from actual results due to potential uncertain factors.

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 has established 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. 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 Group’s board of directors. In making these management decisions, the Group assesses the risks appropriately.

(i) Trends in Internet advertising market and competitive environment

The Internet advertising industry, in which the Group conducts its principal business operations, has rapidly expanded over the past decade or so. However, the advertising business, and not just Internet advertising, tends to be highly susceptible to prevailing business conditions. If business conditions deteriorate going forward and the market size does not expand as much as expected due to the reduction of advertising expenses by advertisers, among other factors, the Group’s business activities, financial position and operating results may be significantly affected.

In addition, the competitive environment remains intense, so the Group is taking a variety of measures to establish a competitive advantage and bolster its overall competitiveness. However, these measures may not bear fruit and may not necessarily lead to the establishment of a competitive advantage, and if this is the case, the Group’s business activities, financial position and operating results could be impacted considerably.

(ii) Securing and development of human resources

The Group considers human resources to be the greatest asset that underpins its growth. It also recognizes that the recruitment and development of outstanding individuals and continuous efforts to secure human resources in line with its business expansions and global development are key challenges for the Company. With this in mind, the Group places its maximum effort into the securing and development of competent human resources by preparing a better environment to work, constructing a satisfying support system and promoting work style reforms. That said, failure to secure or develop the necessary human resources due to intensifying competition for human resources, a supply-demand balance in the staffing market or other factors may have a material impact on the business activities, financial position and operating results of the Group.

(iii) New Businesses

Going forward, the Group will continue to create and develop new businesses and expand into new business areas proactively to achieve sustainable growth and diversify revenue sources. However, the launch of new businesses may lead to the inclusion of risk factors that are uniquely associated with such businesses, while at the same time numerous unpredictable risks including sudden changes in the business environment may arise in the course of the execution of new businesses. As a result, if the goals of the initial business plan cannot be achieved, there is the potential for the Group’s business activities, financial position and operating results to be substantially impacted.

(iv) Business expansion through mergers and acquisitions (M&As)

The Group's policy is to use M&As effectively as a measure to accelerate business expansion. It makes decisions on M&As after conducting a preliminary survey of target companies in conjunction with a range of subjects, including financial details and contract related matters, and examining risks exhaustively. Nevertheless, the Group may experience a problem that it does not understand during preliminary surveys, such as contingent liabilities or unrecognized liabilities that occur or are identified after the completion of relevant M&As, or need to post impairment losses on goodwill if it does not make expected progress in business development. In such cases, there is potential for the Group's business activities, financial position and operating results to be substantially impacted. In addition, if any new business that the Group has not traditionally engaged in is included as the result of the acquisition of a company, there will be an additional risk factor related to such business.

(v) Overseas business

The Group has been developing businesses aggressively in numerous countries and regions overseas, including the United States and Asia. Consequently, the presence of its overseas business is increasing steadily. However, overseas business involves risks, including changes in global economic trends, fluctuations in foreign currency exchange rates, enactment and amendment of laws and regulations governing investment and competition, differences in business practices, labor relations, conflicts and terrorism, and international politics, and the Group makes its maximum efforts to implement some measures. If these risks materialize, the Group's business activities, financial position and operating results may be impacted considerably.

(vi) Personal information management

A number of the Group companies handle personal information in the ordinary course of business. These companies have been improving their management system based on their personal information protection policy established chiefly pursuant to the Act on the Protection of Personal Information, while also proactively working to acquire certificates on information security, such as the Privacy Mark and ISMS. By doing so, they have been exercising the utmost care to manage personal information properly and prevent any leak. In addition, they are in the process of examining and adopting a framework for personal information protection in various countries, including the General Data Protection Regulation and the California Consumer Privacy Act, from a range of perspectives. Even so, there is no denying the possibility of the leak of personal information attributable to any system failures, intentional or unintentional errors committed by internal or outside concerned parties, and/or criminal acts, among other factors. If this is the case, the Group may face claims for damages and losses, lose its credibility, and its business activities, financial position and operating results may be significantly affected.

(vii) System risk

The Group provides some services to clients from server-based computer systems via the Internet. We are constantly taking measures to ensure stable operation of these systems, including system augmentation and reinforcement of backup systems. However, if computer systems or communication networks are shut down by device failure, natural disaster, dramatic and unanticipated increases in access, computer viruses, etc., or if programs are damaged by malicious access, service interruptions may be unavoidable, and this could diminish the trust placed in us by clients and lead to compensation claims. Such a turn of events has the potential to seriously impact the Group's business activities, financial position and operating results.

(viii) Risks associated with the use of generative AI

The Group promotes the use of generative AI in its services and operations to increase its business competitiveness and operational efficiency. The use of generative AI involves potential risks such as the leakage of personal information, data tampering, breach of intellectual property rights, the spread of misinformation, and the unintentional reinforcement of bias. To avoid or mitigate these risks, we create, implement, and constantly review guidelines for the use of generative AI, carry out educational activities, and introduce technology-based measures. However, if such risks materialize, public trust in the Group may be damaged, leading not only to customer and user defections but also to possible claims for damages. Consequently, these events could have a substantial impact on the Group's business activities, financial position and operating results.

In addition, the regulatory framework for the development, provision and use of AI technology, including generative AI, is changing rapidly, with potential for new laws and regulations to be enacted. Due to the lack of a single global regulatory framework for AI, the situation may remain uncertain for the time being, making it impossible to determine at this point the impact of future laws and regulations on the Group's business activities. Since it is not always possible to foresee how to respond to these new laws and regulations, the need to expend additional resources could have a substantial impact on the Group's business activities, financial position and operating results.

(ix) Intellectual property rights

The Group recognizes the importance of protecting and controlling intellectual property rights and operating each business with the utmost care to avoid infringement of any third party's intellectual property rights. However, in the case that we infringe on a third party's intellectual property rights, due to procedural flaws or errors caused by officers and employees, there is a possibility that we will be requested to pay compensation for damages or stop using such rights, and this has the potential to seriously impact the Group's business activities, financial position and operating results.

On the other hand, the Group is taking proper measures to protect its intellectual property rights, pertaining to services and content owned by the Group, from infringement by third parties. However, if, for some reason, the Group's intellectual rights are infringed, there is the possibility that the Group's business activities, financial position and operating results will be materially affected, due to such effects as a decline in competitive advantage.

(x) Internal control systems

Positioning the enhancement of corporate governance as a key management challenge, the Group is implementing diverse measures to maximize its corporate value. In addition, to secure the proper implementation of operations and the reliability of financial reports, it is working to establish, improve and operate a system that makes the relevant internal control systems function effectively. However, if sufficient internal control systems are not established in a timely fashion due to a rapid expansion of business or other factors, the Company may have difficulties operating businesses appropriately, which may have a significant impact on the Group's business activities, financial position and operating results.

(xi) Dependence on a specific client

In the Group's main business domain, transactions with a specific client may expand sharply against the backdrop of an increase in the advertising budget and an improvement in the cost-effectiveness of Internet advertising, among other factors, thereby leading to an increased presence in the sales breakdown. In this case, if transactions with the relevant client decline significantly due to a change in its business policy or other reasons such as operating results trends, the Group's business activities, financial position and operating results may be significantly affected.

(xii) Laws and regulations

The Group's main business domain is subject to a variety of laws and regulations as well as guidance and guidelines issued by regulatory authorities. Such law and regulations include the Act against Unjustifiable Premiums and Misleading Representations; the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices; the Act on Specified Commercial Transactions; the Unfair Competition Prevention Act; the Act on the Prohibition of Unauthorized Computer Access; the Act on the Protection of Personal Information; the Consumer Contract Act; the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors; and the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators. Furthermore, going forward new laws and regulations relevant to the Group's business may be enacted; existing laws and regulations may be revised or interpreted differently; and/or voluntary industrial restrictions may be established as rules equivalent to laws and regulations, coupled with a request for compliance therewith. If this is the case, the Group's business activities, financial position and operating results may be substantially impacted, depending on the details of the requirements.

(xiii) Operational risks

When executing operations, the Group takes a variety of measures, such as double checking through third parties excluding those in charge of relevant operations and the use of a range of information systems to improve accuracy, efficiency and a security level in operations. However, with some operations carried out by people, there may be errors in paperwork due to misrecognition on the part of officers and employees or malfunctions, among other factors. Depending on the type of operation, errors in paperwork may result in a hindrance to stable services, the occurrence of economic losses and/or the leak of personal information, among other issues, which may seriously impact the Group's business activities, financial position and operating results.

The Group has been working on the standardization and documentation of internal regulations and paperwork processes. Nevertheless, knowledge necessary for the execution of operations may not be fully shared or possessed due to organizational restructuring and an increase in the number of employees resulting from the expansion of the Group's businesses. An increase in paperwork errors and decline in productivity that may occur as a result could seriously impact the Group's business activities, financial position and operating results.

(xiv) Corporate social responsibility

The Group understands that corporate social responsibility, such as the implementation of environmentally friendly initiatives, the improvement of working conditions and respect for human rights, constitutes important management issues for the sustainable development of society. With this in mind, the Group has been acting to create such a society in all business activities in which it engages, including those related to supply chains. However, despite the Group's efforts, if it has any issues related to environmental contamination, industrial safety and health such as the occurrence of industrial accidents, and/or any issues related to human rights such as discrimination of foreign workers, the Group's social credibility will be downgraded, which could cause clients to terminate transactions or the Group to withdraw from some businesses. If this is the case, the Group's business activities, financial position and operating results may be affected significantly.

(xv) Severe fluctuations in asset prices of securities holdings

The Group may hold marketable securities whose prices have the potential for substantial fluctuations (declines) due to the performance of individual companies and trends in financial markets, including shares in business partners and investment targets, etc. and various financial instruments for effectively utilizing surplus funds. If these asset values substantially decline due to drastic changes in the economic environment, etc., it could exert a major impact on the Group's business activities, financial position and operating results; for example, profits may decline as a result of being forced to recognize valuation losses or sales losses.

(xix)Impacts of disasters

Natural disasters, fires, abnormal weather conditions attributable to climate change (torrential rainfall, floods and water shortages), the global spread (pandemic) of severe infections with high fatality rates, wars, and/or terrorist attacks, among other matters, may seriously affect the Group's business activities, financial position and operating results if they take place in countries or regions in which the Group conducts its businesses.

In addition, the Group, along with the implementation of preliminary disaster reduction programs, has been taking proactive measures through the placement of a system for confirming the safety of employees and providing training and educational programs according to its business continuity plan (BCP), in which procedures for recovery and action guidelines are described in the event of an emergency. Even so, if additional expenses need to be allocated for countermeasures due to the occurrence of large-scale disasters, there is the potential for the Group's business activities, financial position and operating results to be substantially impacted.

The Company will also continue to closely monitor and respond appropriately to geopolitical risks associated with the situation in Ukraine, etc., as well as the impact of these risks on the economy. The Group recognizes that there is little direct impact, however, if the military conflict between the two countries intensifies or prolongs, indirect risks such as persistently high raw material and fuel prices and the acceleration of global inflation may emerge and increase uncertainty, which could have a material impact on its business activities, financial condition and results of operations.

Furthermore, with the penetration of ESG, there is a possibility that there will be a rise in environmental awareness, such as climate change measures, a rapid change in social awareness, and the strengthening of environmental regulations worldwide and changes in various governmental policies, such as disaster countermeasures, associated with them. While the Group will endeavor to respond promptly while constantly monitoring trends and changes in the external environment, its business activities, financial condition and results of operations may be seriously affected if the Group needs to review its business strategies and systems.

(xvii) Reputational risks

Information about the Group's businesses, officers and employees may be disseminated through various media such as social media. The dissemination of such information may contain information that is not based on accurate information and that is based on speculation. Regardless of the accuracy of the content or whether it is applicable to the Group, the perception or behavior of clients, users, investors, etc. may be affected. The Company will disclose appropriate information in the capital markets to enable investors to value the Company's shares in accordance with the correct information, including immediate disclosure of the Group's views on this unclear information in the event of unclear information that could have a material impact on the stock price. At the same time, the Company endeavors to provide appropriate information through the Group's corporate website. However, the dissemination of such information could result in damage to the social credibility of the Group and cause the departure of its clients and users, which could seriously harm its business activities, financial condition and results of operations.

(xviii) Capital and business alliance with Dentsu Group Inc.

The Company concluded a capital and business alliance agreement with Dentsu Inc. (current trade name: Dentsu Group Inc.) on October 30, 2018 and concluded a new capital and business alliance agreement with Dentsu Group Inc. on October 28, 2021. As of the end of the fiscal year under review, the Dentsu Group Inc., the largest shareholder holding 52.48% of the total number of shares issued by the Company (52.49% of the voting rights), has dispatched one director and one company auditor to the Company. Currently, the Company is working on a range of measures to maximize business synergies through the establishment of a close collaborative business relationship with Dentsu Group Inc. pursuant to the agreement, while maintaining our independence and autonomy as a listed company. That being said, initially expected results may not occur due to unexpected incidents following the conclusion of the agreement or changes in the business environment, among other factors. Besides, the capital and business alliance may be terminated in the future for certain reasons. Taking these factors into consideration, the capital and business alliance with Dentsu Group Inc. may have a significant impact on the Group’s business activities, financial position and operating results.

4. Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows

(1) Analysis of operating results

Due to a change in the fiscal year-end, the previous fiscal year is the 15-month period from October 1, 2022 to December 31, 2023, and the rate of year-over-year change in consolidated results on a financial reporting basis is not stated.

As a result of COMICSMART INC. and its subsidiaries, etc. have been reclassified as discontinued operations, revenue, operating profit, Non-GAAP operating profit represent the amount of continuing operations, excluding discontinued operations.

(Earnings for the fiscal year under review)

Individual smartphone ownership in Japan rose to 78.9% in 2023, as the quantitative expansion continued, with the exceptionally high popularization rate of more than 90% of those in their 20s through 50s 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 there are also have been a profound qualitative change in use (source: "Communications Usage Trend Survey in 2023," 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, the expansion into content such as video, music, and e-books is accelerating. Additionally, the use of social media is not limited to communication, but is also expanding into fields such as payments and purchases, further strengthening its influence. As a result, the demand for marketing support utilizing the unique characteristics of different media as well as data and AI is also increasing significantly. Furthermore, internet advertising expenditures in the Japanese advertising market in 2023 reached ¥3,333.0 billion (up 7.8% year on year), exceeding that of the four traditional mass media advertising expenditures (¥2,316.1 billion, down 3.4% year on year, source: "2023 Advertising Expenditures in Japan" by Dentsu Inc.). As such, 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, there has been further growth in demand for digital marketing.

Under these circumstances, in the main Digital Marketing Business, the Marketing Communication Area, which sells and operates digital advertising and provides integrated online-offline marketing support, led the business growth. In the Media Platform Business, the Company reviewed its business portfolio and optimized costs.

As a result, revenue was ¥28,284 million, operating profit was ¥3,129 million, Non-GAAP operating profit was ¥3,197 million, profit before tax was ¥4,867 million, profit was ¥5,520 million and profit attributable to owners of parent was ¥5,526 million.

The Group discloses consolidated operating results in terms of both its internal measures which management relies upon in making decisions (the "Non-GAAP financial measures") and those under IFRS. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes that the disclosure of Non-GAAP financial measures facilitates comparison between the Group and industry peers and year-on-year comparison by stakeholders and can provide useful information in understanding the underlying operating results and outlook of the Group. Gain and loss related to acquisition actions refer to amortization of acquisition-related intangible assets, M&A expenses, etc., and unusual items refer to one-off items, such as share-based payment expenses, impairment losses, and gain and loss on sales of fixed assets, which the Group believes shall be excluded for the purposes of preparing an outlook based on certain rules.

Adjustments from operating profit to Non-GAAP operating profit are as follows. Due to a change in the fiscal year-end, the previous fiscal year is the 15-month period from October 1, 2022 to December 31, 2023, and the rate of year-over-year change in consolidated results on a financial reporting basis is not stated:

(Million yen)

	Fiscal year ended December 31, 2023 (From October 1, 2022 to December 31, 2023)	Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)	Change of amount	Rate of change
Operating profit	4,949	3,129	–	–
Adjustment (Amortization of acquisition-related intangible assets)	51	41	–	
Adjustment (Stock-based compensation expenses)	39	–	–	
Adjustment (Others)	52	27	–	
Non-GAAP operating profit	5,091	3,197	–	–

Operating results by reportable segments are as follows.

(i) Digital Marketing Business

The Digital Marketing Business consists of business segments that provide comprehensive DX support, centered on digital marketing.

In the fiscal year under review, the Marketing Communication Area led the business growth.

As a result, revenue was ¥26,810 million, and Non-GAAP operating profit was ¥6,357 million.

(ii) Media Platform Business

The Media Platform Business consists of Employment Platform Business “ViViViT”, Platform Business of Social Contribution “gooddo”, Childcare Platform Business “TowaStela” etc.

In the fiscal year under review, the Company reviewed its business portfolio and optimized costs.

As a result, revenue was ¥1,703 million, and Non-GAAP operating loss was ¥93 million.

(Reference)

The following figures show the status of profit and loss and the rate of year-over-year change on a calendar year basis, assuming that the accounting period of the Group was the 12-month period from January to December for the previous fiscal year. As the results of COMICSMART INC. and its subsidiaries, etc. have been reclassified as discontinued operations, revenue, operating profit, Non-GAAP operating profit and profit before tax represent the amount of continuing operations, excluding discontinued operations.

Revenue was ¥28,284 million (up 2.2% year on year), operating profit was ¥3,129 million (down 20.2% year on year), Non-GAAP operating profit was ¥3,197million (down 20.4% year on year), profit before tax was ¥4,867 million (down 14.0% year on year), profit was ¥5,520 million (up 49.2% year on year), and profit attributable to owners of parent was ¥5,526 million (up 47.9% year on year).

(2) Overview of financial positions

Total assets increased by ¥4,031 million compared to the previous fiscal year and reached ¥97,637 million. This is mainly due to increases of ¥2,857 million in cash and cash equivalents, ¥890 million in operating receivables, and ¥1,763 million in investments accounted for using equity method.

Total liabilities decreased by ¥219 million compared to the previous fiscal year and reached ¥27,683 million. This is mainly due to a 385 million increase in deferred tax liabilities offset by decreases of ¥161 million in trade payables and ¥237 million in liabilities directly associated with assets held for sale.

Total equity increased by ¥4,250 million compared to the previous fiscal year and reached ¥69,955 million. This is mainly due to a record of profit of ¥5,520 million, while dividends of ¥1,077 million were paid.

(3) Overview of cash flows

“Cash and cash equivalents” increased by ¥2,857 million and totaled ¥23,730 million. The following are the details and factors of each cash flows in the fiscal year under review.

(i) Cash flows from operating activities

As a result of operating activities in the fiscal year under review, cash inflows totaled ¥3,677 million (cash inflows of ¥3,785 million in the previous fiscal year). This is mainly due to a record of 4,867 million in profit before tax from continuing operations, ¥3,209 million in profit before tax from discontinued operations, ¥1,214 million in dividends received and ¥1,466 million in income tax refund, while a record of ¥1,465 million in equity in earnings of associates, ¥3,334 million in profit from loss of control of subsidiaries, ¥813 million in increase in trade receivables and ¥1,484 million in income taxes paid.

(ii) Cash flows from investing activities

As a result of investing activities in the fiscal year under review, cash inflows totaled ¥336 million (cash outflows of ¥2,020 million in the previous fiscal year). This is mainly due to a record of ¥1,175 million in purchase of securities, while a record of ¥1,833 million in proceeds from sale of shares of subsidiaries with loss of control (net of cash of disposed subsidiaries).

(iii) Cash flows from financing activities

As a result of financing activities in the fiscal year under review, cash outflows totaled ¥1,632 million (cash outflows of ¥1,835 million in the previous fiscal year). This is mainly due to dividends paid of ¥1,077 million and repayments of lease liabilities of ¥558 million.

(4) Actual purchases and sales

(i) Actual purchases

The information is omitted as purchasing is generally in line with sales.

(ii) Actual sales

The actual sales (net sales) of the segments in the fiscal year ended December 31, 2024 are as follows:

Segment name	Amount (Million yen)
Digital Marketing Business	144,740
Media Platform Business	1,703
Adjustments	-447
Total	145,996

(Notes) 1. Inter-segment transactions have been eliminated.

2. Net sales represent the sum of the amount billed to clients and the amount billable to clients by the Group (excluding discounts), and are not disclosures in accordance with IFRS.

3. Due to a change in the fiscal year-end, the previous fiscal year is the 15-month period from October 1, 2022 to December 31, 2023, and the rate of year-over-year change is not stated.

4. Adjustments include revenue related to the operation of the holding company and the elimination of profit and loss transactions between reportable segments.

5. The actual sales to each major transaction counterparty and its ratio to the total actual sales in the past two fiscal years are as follows. Due to a change in the fiscal year-end, the previous fiscal year is the 15-month period from October 1, 2022 to December 31, 2023.

Major transaction counterparty	Fiscal year ended December 31, 2023 (From October 1, 2022 to December 31, 2023)		Fiscal year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)	
	Amount (Million yen)	Ratio (%)	Amount (Million yen)	Ratio (%)
Dentsu Inc.	22,753	13.4	19,747	13.5

(5) Factors with a significant impact on operating results

Details that correspond to the factors with a significant impact on operating results are described in “3. Business Risks.”

(6) Management’s awareness of issues and policies for the future

Details regarding management’s awareness of issues and policies for the future are described in “1. Management Policies, Management Environment, and Issues to be Addressed, etc.”

Note that matters related to future developments mentioned in this section are our judgments made as of the end of the fiscal year under review.

(7) Fund sources and fund liquidity

The Group is determined to work to develop new services and businesses, with a view toward achieving sustainable growth by maintaining and enhancing our business competitiveness, while expanding the scale of its business operations and diversifying our sources of revenue. These demands for funds shall basically be financed by cash on hand, while raising funds as appropriate.

Liquidity risk and its management method are described in “29. Financial instruments” in “Notes to the Consolidated Financial Statements” in “1. Consolidated Financial Statements, etc.” of “V. Financial Information.”

(8) Material accounting estimates and assumptions used for the estimates

The Group's consolidated financial statements are prepared in accordance with IFRS, pursuant to the provisions of Article 312 of the "Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements." Estimates that are deemed necessary for preparing these consolidated financial statements are carried out in accordance with reasonable standards.

Material accounting policies, accounting estimates, and assumptions used for such estimates, as adopted in the Group's consolidated financial statements, are described in "2. Basis of preparation" and "3. Material accounting policies" in "Notes to the Consolidated Financial Statements" in "1. Consolidated Financial Statements, etc." of "V. Financial Information."

5. Material Contracts for Operations

(1) Group's business management agreement

The Company has concluded Basic Agreement on the Provision of SEPTENI Group Business Management Services with each of its domestic subsidiaries for the business management the Company undertakes for each subsidiary.

(2) Capital and business alliance agreement

The Company and Dentsu Group Inc. entered into a capital and business alliance agreement on October 28, 2021. Details of the capital and business alliance are as follows.

Details of the Capital Alliance

i) Share Exchange

The Company conduct the Share Exchange with Dentsu Direct on January 4, 2022, and Dentsu Group Inc. conduct the Share Exchange through Dentsu Direct. The Share Exchange Ratio for the Share Exchange shall be 3,274 shares of the Company's common stock for each share of Dentsu Direct's common stock.

ii) Third-Party Allotment

The Company allocate 70,118,794 shares of its stock to Dentsu Group Inc. through a Third-Party Allotment of shares under the following conditions after necessary procedures based on laws and regulations, etc., and the Dentsu Group, Inc. undertakes this.

iii) Share Transfer

On January 4, 2022, the Company acquires 3,675 shares of common stock of Dentsu Digital held by Dentsu Group Inc. in exchange for ¥31,249,998,675. As a result, Dentsu Digital becomes the Company's equity-method associate.

Details of the Business Alliance

The Company and the Dentsu Group Inc. form the following business alliance in this Capital and Business Alliance.

i) Collaboration between the Dentsu Group and Septeni Co., Ltd.

To strengthen the digital advertising domain of the Company and Dentsu Group Inc., they will build a framework for the transfer of employees of Dentsu Inc. to the Company Group (consisting of the Company, its consolidated subsidiaries, equity-method associates (associates and joint ventures) and other associates. The same shall apply hereinafter.) At the same time, within the digital advertising domain of the Dentsu Group (consisting of Dentsu Group Inc., its consolidated subsidiaries and equity-method associates. The same shall apply hereinafter.), the Dentsu Group will increase the portion of projects allocated to Septeni Co., Ltd, among those assigned to Dentsu Digital and Septeni Co., Ltd, aiming to increase sales at Septeni Co., Ltd.

ii) Collaboration between Dentsu Digital and the Company Group

Dentsu Group Inc., through Dentsu Digital, and the Company, through Septeni Japan Inc., FLINTERS, Inc., MANGO Inc. and Septeni Ad Creative Inc., shall implement the following measures.

(a) Strengthening Dentsu Digital's development system by supporting development of Dentsu Digital by FLINTERS, Inc.

(b) Deepening the Group strategic client response and sales collaboration.

(c) Cooperation between Dentsu Digital and MANGO Inc. and Septeni Ad Creative Inc. as operational support

iii) Collaboration in the area of direct marketing between Dentsu Direct and the Dentsu Group

In order to strengthen the direct marketing area of the Dentsu Group, they confirmed that there is a policy that Dentsu Direct will play a central role to deal with clients in the direct marketing area, and separately discussing the commercial distribution of projects.

iv) In addition, the following collaborations between the Dentsu Group and the Company Group (details are discussed separately)

(a) Integrated marketing/public relations strategy for both internal and external clients

(b) Considering integrated management programs for recruitment of digital human resources, education, and retention

(c) Deepening collaboration on on-off integrated marketing

(d) Mutual use of tools

6. Research and Development Activities

There are no matters of particular note.

III Facilities

1. Overview of Capital Expenditure

There are no matters of particular note.

2. Major Facilities

The major facilities of the Group are as follows:

(1) Reporting company

(As of December 31, 2024)

Office name (location)	Segment name	Description of facilities	Book value (thousand yen)						Number of employees (persons)
			Buildings	Tools, furniture and fixtures	Right-of-use assets	Software	Software in progress	Total	
Headquarters (Shinjuku-ku, Tokyo)	Corporate (company-wide)	Interior furnishings of the Headquarters	57,878	154,005	1,327,533	17,237	348,482	1,556,652	91 (11)

(2) Domestic subsidiaries

(As of December 31, 2024)

Company name	Office name (location)	Segment name	Description of facilities	Book value (thousand yen)						Number of employees (persons)
				Buildings	Tools, furniture and fixtures	Right-of-use assets	Software	Software in progress	Total	
SEPTENI CO., LTD.	Headquarters (Shinjuku-ku, Tokyo)	Digital Marketing Business	System device and other equipment	733	933	–	16,758	–	18,424	12 (6)
Septeni Japan, Inc.	Headquarters (Shinjuku-ku, Tokyo)	Digital Marketing Business	System device and other equipment	–	14,038	12,472	–	–	26,511	749 (70)

(3) Overseas subsidiaries (As of December 31, 2024)

The information is omitted as it is considered to be immaterial.

3. Planned Addition, Retirement and Other Changes of Facilities

(1) Addition of significant facilities, etc.

(As of December 31, 2024)

Segment name	Description of facilities	Amount of planned investment		Funding method	Start date	Scheduled completion
		Total amount (thousand yen)	Amount paid (thousand yen)			
Corporate (company-wide)	Enterprise system	540,000	348,482	Own funds	January 2024	May 2025

(2) Retirement of significant facilities, etc.

Not applicable

IV Information about the Reporting Company

1. Information about Shares, etc.

(1) Total number of shares and other related information

(i) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common share	370,080,000
Total	370,080,000

(ii) Number of shares issued

Class	Number of issued shares as of the end of the fiscal year (shares) (as of December 31, 2024)	Number of issued shares as of the filing date (shares) (as of March 26, 2025)	Names of stock exchanges on which the Company is listed or names of authorized financial instruments firms association	Description
Common share	211,389,654	211,389,654	Standard Market of the Tokyo Stock Exchange	The number of shares constituting one unit: 100 shares
Total	211,389,654	211,389,654	―	―

(2) Share acquisition rights

(i) Share option plans

The details of share acquisition rights granted pursuant to the provisions of Articles 280-20 and 280-21 of the Act Partially Amending the Commercial Code (Act No. 79 of 2001) are as follows:

Approved by the special resolution of the general meeting of shareholders (December 18, 2003)

	As of the end of the fiscal year (December 31, 2024)	As of the end of the month preceding the filing date (February 28, 2025)
Number of share acquisition rights (unit)	90	Same as on the left
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Same as on the left
Number of shares to be issued upon exercise of share acquisition rights (shares)	180,000	Same as on the left
Paid-in amount of upon exercise of share acquisition rights (yen)	7	Same as on the left
Exercise period of share acquisition rights	From June 29, 2004 to December 18, 2033	Same as on the left
Issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (yen)	Issue price: 7 Additional paid-in capital per share: 7	Same as on the left
Conditions for exercising share acquisition rights	(i) Holders of share acquisition rights may exercise their rights from the day following the day on which they lose their position as a director (including executive officers and equivalent positions in companies with committees, etc.) or auditor of the Company (hereinafter referred to as the “Commencement Date of Exercise of Rights”). (ii) Other conditions are as stipulated in the “Agreement on Allotment of Share Acquisition Rights” concluded between the Company and the holders of share acquisition rights.	Same as on the left
Transfer of share acquisition rights	Transfer of share acquisition rights requires approval by the board of directors.	Same as on the left
Delivery of share acquisition rights in the event of organizational structuring activities	—	—

(Note) The number of shares to be issued upon exercise of share acquisition rights has been adjusted through share splits.
The relevant stock splits are as follows:
(1) 2-for-1 stock split of common share effective on May 20, 2005
(2) 200-for-1 stock split of common share effective on October 1, 2013
(3) 5-for-1 stock split of common share effective on October 1, 2016

Approved by the special resolution of the general meeting of shareholders (December 20, 2005)

	As of the end of the fiscal year (December 31, 2024)	As of the end of the month preceding the filing date (February 28, 2025)
Number of share acquisition rights (unit)	30	Same as on the left
Class of shares to be issued upon exercise of share acquisition rights	Common shares	Same as on the left
Number of shares to be issued upon exercise of share acquisition rights (shares)	30,000	Same as on the left
Paid-in amount of upon exercise of share acquisition rights (yen)	7	Same as on the left
Exercise period of share acquisition rights	From February 1, 2006 to December 20, 2035	Same as on the left
Issue price and additional paid-in capital per share in the event of issuance of shares upon exercise of share acquisition rights (yen)	Issue price: 7 Additional paid-in capital per share: 7	Same as on the left
Conditions for exercising share acquisition rights	(i) Holders of share acquisition rights may exercise their rights from the day following the day on which they lose their position as a director (including executive officers and equivalent positions in companies with committees, etc.) or auditor of the Company (hereinafter referred to as the “Commencement Date of Exercise of Rights”). (ii) Other conditions are as stipulated in the “Agreement on Allotment of Share Acquisition Rights” concluded between the Company and the holders of share acquisition rights.	Same as on the left
Transfer of share acquisition rights	Transfer of share acquisition rights requires approval by the board of directors.	Same as on the left
Delivery of share acquisition rights in the event of organizational structuring activities	—	—

(Note) The number of shares to be issued upon exercise of share acquisition rights has been adjusted through share splits.
The relevant stock splits are as follows:
(1) 200-for-1 stock split of common share effective on October 1, 2013
(2) 5-for-1 stock split of common share effective on October 1, 2016

(ii) Rights plans

Not applicable.

(ii) Rights plans

Not applicable.

(3) Exercise of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in total number of issued shares, share capital and legal capital surplus

Date	Increase in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Increase in share capital (thousand yen)	Balance of share capital (thousand yen)	Increase in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
October 1, 2019 through September 30, 2020 (Note 1)	10,000	138,916,500	70	2,125,384	–	2,533,932
January 4, 2022 (Note 2)	2,044,360	140,960,860	–	2,125,384	–	2,533,932
January 4, 2022 (Note 3)	70,118,794	211,079,654	16,302,619	18,428,003	16,302,619	18,836,552
January 1, 2024 through December 31, 2024 (Note 1)	310,000	211,389,654	2,170	18,430,173	–	18,836,552

(Notes) 1. The increases are attributed to the exercise of share options.

2. The increase is attributable to a share exchange with the Company as the wholly-owning parent and Dentsu Direct Inc. as the wholly-owned subsidiary.

3. Paid third-party allotment
Issue price: 465 yen
Additional paid-in capital per share: 232.5 yen
Receiving party: Dentsu Group Inc.

(5) Shareholding by shareholder category

(As of December 31, 2024)

Category	Shareholding status (number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	–	10	28	66	120	41	15,254	15,519	–
Number of shares held (unit)	–	42,793	19,664	1,239,843	337,464	240	473,652	2,113,656	24,054
Ratio of shareholdings (%)	–	2.02	0.93	58.66	15.97	0.01	22.41	100.00	–

(Notes) 1. Of the 2,200,043 treasury shares held by the Company, 22,000 units are included in “Individuals and others,” and 43 shares are included in “Shares less than one unit.”

2. “Financial institutions” and “Shares less than one unit” include 17,645 voting rights and 2 shares of the Company held by the BIP (Board Incentive Plan) trust, respectively.

(6) Major shareholders

(As of December 31, 2024)

Name	Address	Number of shares held (shares)	Ratio of shares held to the total number of issued shares (excluding treasury shares) (%)
Dentsu Group Inc.	1-8-1, Higashi-Shimbashi, Minato-ku, Tokyo, Japan	109,782,395	52.48
Village seven Co., Ltd.	3-6-21, Konan, Minato-ku, Tokyo, Japan	12,783,500	6.11
Mamoru Nanamura	Shibuya-ku, Tokyo, Japan	10,450,500	5.00
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	MERRILL LYNCH FINANCIAL CENTRE 2 KING EDWARD STREET LONDON UNITED KINGDOM (1-4-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	6,553,870	3.13
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) (Standing proxy: Nomura Securities Co., Ltd.)	1 ANGEL LANE, LONDON, EC4R 3AB, UNITED KINGDOM (1-13-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	5,980,879	2.86
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE SEGREGATION ACC FOR THIRD PARTY (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	10 HAREWOOD AVENUE LONDON NW1 6AA (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	5,863,652	2.80
MSIP CLIENT SECURITIES (Standing proxy: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)	25 Cabot Square, Canary Wharf, London E14 4QA, U.K. (1-9-7, Otemachi, Chiyoda-ku, Tokyo, Japan)	4,771,389	2.28
Hiroshi Shimizu	Yomitan-son, Nakagami-gun, Okinawa, Japan	1,900,000	0.91
The Master Trust Bank of Japan, Ltd. (Officer renumeration BIP trust account 76034)	1-8-1, Akasaka, Minato-ku, Tokyo, Japan	1,764,502	0.84
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	BAHNHOFSTRASSE 45, 8001 ZURICH, SWITZERLAND (6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan)	1,760,286	0.84
Total	–	161,610,973	77.26

(Notes)
1. In addition to the shares listed above, the Company holds treasury shares of 2,200,043 shares.
2. The shares held by The Master Trust Bank of Japan, Ltd. (Officer renumeration BIP trust account 76034) are shares of the Company under the share-based remuneration plan described in (8) Share ownership plan for directors and other officers and employees.
3. According to the statement of large-volume holdings made available for public inspection on December 28, 2023, the shares of the Company were held by Oasis Management Company Ltd. as of December 21, 2023 with the detail shown below. However, the Company did not include such information in the table above because it was not able to confirm the number of shares on a beneficial ownership basis as of December 31, 2024.
The detail of the statement of large-volume holdings is as follows.

Name	Address	Number of share certificates held (shares)	Shareholding ratio (%)
Oasis Management Company Ltd.	Maples Corporate Services Limited Ugland House PO Box 309, Grand Cayman KY1-1104, Cayman Islands	20,896,886	9.90

(7) Voting rights

(i) Issued shares

(As of December 31, 2024)

Category	Number of shares (shares)	Number of voting rights (unit)	Description
Shares with no voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common shares 2,200,000	–	Standard shares of the Company without any restrictions on rights
Shares with full voting rights (Other)	Common shares 209,165,600	2,091,656	Same as above
Shares less than one unit	Common shares 24,054	–	Same as above
Total number of issued shares	211,389,654	–	–
Number of voting rights held by all shareholders	–	2,091,656	–

(Notes) 1. Shares with full voting rights (Other) include 1,764,500 shares (17,645 voting rights) of the Company held by the BIP (Board Incentive Plan) trust.

2. Shares less than one unit include 43 treasury shares held by the Company and 2 shares of the Company held by the BIP trust.

(ii) Treasury shares

(As of December 31, 2024)

Name of shareholder	Address of shareholder	Number of shares held in own name (shares)	Number of shares held in others' names (shares)	Total number of shares held (shares)	Shareholding ratio (%)
(Treasury shares) SEPTENI HOLDINGS CO., LTD.	17-1 Nishishinjuku 8-chome, Shinjuku-ku, Tokyo, Japan	2,200,000	–	2,200,000	1.04
Total	—	2,200,000	–	2,200,000	1.04

(Notes) 1. The 1,764,502 shares of the Company held by the BIP trust are treated as treasury shares on the consolidated and non-consolidated financial statements.

2. The Company holds treasury shares less than one unit of 43 shares.

(8) Share ownership plan for directors and other officers and employees

The Company has introduced a share-based remuneration plan (the "Plan") for the Company's directors (excluding outside directors and those who are non-residents of Japan) and the executive officers of the Group (excluding those who are non-residents of Japan; collectively referred to as "Directors, etc.") by a resolution of the Board of Directors' meeting held on November 22, 2016.

The Group introduced the Plan for the purpose of clarifying the linkage between the remuneration of the Directors, etc. and the Group's medium-to long-term performance and shareholder value, and to ensure that the remuneration functions as a sound incentive to improve medium-to long-term performance and increase corporate value.

The Plan is designed on the premise to be managed in an integrated manner for the directors of the Company and the executive officers of the Group, with the Group operating under a holding company structure. In addition, the executive officers of the Group may also concurrently serve as directors of the Company. As such, the overall remuneration under the Plan has been approved as remuneration for the directors of the Company at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016.In addition, the Company resolved at the Board of Directors' meeting held on November 26, 2019 to continue the Plan.

Subsequently, the Company resolved at the Board of Directors' meeting held on November 22, 2022 to continue and partially revise the Plan, and submitted a proposal on the partial revision of the Plan to the 32nd Ordinary General Meeting of Shareholders held on December 21, 2022, and obtained approval.

i) Overview of the Plan

The Plan adopts the scheme called the directors' remuneration board incentive plan (BIP) trust (hereinafter, the "BIP Trust"). The BIP Trust is an incentive plan for officers organized with reference to the performance-based stock compensation plan and the plan for compensation by shares with restriction on transfer of the U.S. The plan will issue (and pay) the Company's share that the BIP Trust obtains (and the money equivalent to the portion of the Company's shares converted into cash from the realization and disposal of the Company's share) to the eligible directors, etc. according to their position and the degree of performance achievement, etc.

ii) Details of the trust agreement

Type of trust:	Money held in trust other than money trusts managed on a specific nonconsolidated basis (other profit trusts)
Purpose of the trust:	Granting of incentives to eligible directors, etc.
Trustor:	The Company
Trustee:	Mitsubishi UFJ Trust and Banking (Joint Trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiary:	Eligible Directors, etc. who meet the beneficiary requirements
Trust administrator:	Third party who is a practitioner and has no interest in the target company
Date of the trust agreement:	February 10, 2017
Trust period:	February 10, 2017 to the end of May 2026 (scheduled)
Start date:	February 10, 2017
Exercise of voting rights:	The voting rights shall not be exercised.
Class of acquired shares:	Shares of the Company's common stock
Maximum amount of trust money:	¥700 million (including trust fees and trust expenses)
Period of stock acquisition:	February 13, 2017 to February 28, 2017 May 17, 2023 to June 16, 2023
Method of acquisition of shares:	Acquisition from the stock market
Holder of a vested right:	The Company
Residual assets:	The residual assets to be received by the Company as the vesting right holder shall be within the scope of the reserve for trust expenses obtained by deducting the funds for acquisition of shares from the trust fund.

(iii) Total number of shares to be acquired by the eligible Directors, etc.

2,800,000 shares (maximum) per three business years.

(iv) Scope of persons who can receive beneficiary rights and other rights under the Plan

Eligible Directors, etc. who fulfill the requirements for beneficiaries as the trust beneficiaries

2. Acquisition and Disposal of Treasury Shares

Class of shares

Common shares

(1) Acquisition by resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by resolution of Board of Directors

Not applicable.

(3) Acquisition not based on resolution of General Meeting of Shareholders or Board of Directors

Not applicable.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Current fiscal year		Subsequent period (to the filing date)	
	Number of shares (shares)	Total amount disposed (thousand yen)	Number of shares (shares)	Total amount disposed (thousand yen)
Acquired treasury shares for which subscribers were solicited	–	–	–	–
Acquired treasury shares that were cancelled	–	–	–	–
Acquired treasury shares that were transferred due to merger, stock swap, share delivery, or company split	–	–	–	–
Other (–)	–	–	–	–
Treasury shares held	2,200,043	–	2,200,043	–

(Notes) 1. The number of treasury shares held does not include 1,764,502 shares of the Company held by the BIP trust.

2. The number of treasury shares held in the subsequent period does not include shares purchased or sold in less than one unit during the period from March 1, 2025 to the filing date of this Annual Securities Report.

3. Dividend Policy

The Company recognizes that returning profits to shareholders is one of the key management issues and will implement a flexible and appropriate allocation based on the following policy.

[Fiscal year ended December 31, 2024]

Regarding the dividends of surplus, in consideration of our consolidated earnings performance of each fiscal year, the strengthening of our financial position, the Group's business strategy going forward and other factors, we endeavor to return profits to shareholders within the range of our distributable amount, with a dividend payout ratio of 100% to profit attributable to owners of parent. 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.

[Fiscal year ending December 31, 2025 and beyond]

Considering its consolidated earnings performance of each fiscal year, the strengthening of its financial position, the Group's business strategy going forward and other factors, the Company aims to achieve sustainable corporate value enhancement by appropriately and actively promoting business foundation strengthening and growth investments for high growth, while also pursuing continuous improvement in shareholder returns based on appropriate profit distribution in line with business expansion.

Regarding dividends of surplus, the minimum annual dividend per share will be ¥18. If 50% of the profit attributable to owners of parent per share exceeds this ¥18 minimum, a dividend will be paid based on 50% of the profit attributable to owners of parent per share. This approach prioritizes dividend consistency and stability while ensuring profit distribution remains within our distributable earnings. Retained earnings will be used for investments in high-growth and profitable business domains, as well as for investments to improve the efficiency and vitalization of existing businesses, and for educational investment to develop human resources.

In accordance with the provisions of Article 459, paragraph (1) of the Companies Act, the Company has determined that dividends of surplus may be decided by a resolution of the Board of Directors. The Company's basic policy for the dividends in each fiscal year is to pay a year-end dividend once a year. However, the Articles of Incorporation of the Company stipulate that it may pay dividends with a record date in addition to the year-end dividend so that it can flexibly respond to the expected increase in the number of dividends in the future.

Based on the above basic policy, the Company has decided to pay dividends as follows for the fiscal year.

Date of resolution		Total amount of dividends (Thousand yen)	Dividend per share (Yen)
Feb 25, 2025	Resolution by the Board of Directors	6,558,094	31.35

(Note) The above total dividends include 55,317,000yen for dividends on our shares held by the directors' remuneration BIP trust.

4. Corporate Governance

(1) The outline of corporate governance

Basic approach to corporate governance

The corporate governance of the Company and the company group comprising its subsidiaries (hereinafter called the "Group") is based on the development and operation of a system to ensure that 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 and code of conduct.

(i) Corporate governance structure

a. 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.

As a matter of policy, the Board of Directors shall consist of a majority, at the minimum, of highly independent Outside Directors. As of the filing date, the Board consists of seven Directors, four 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 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 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, 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.

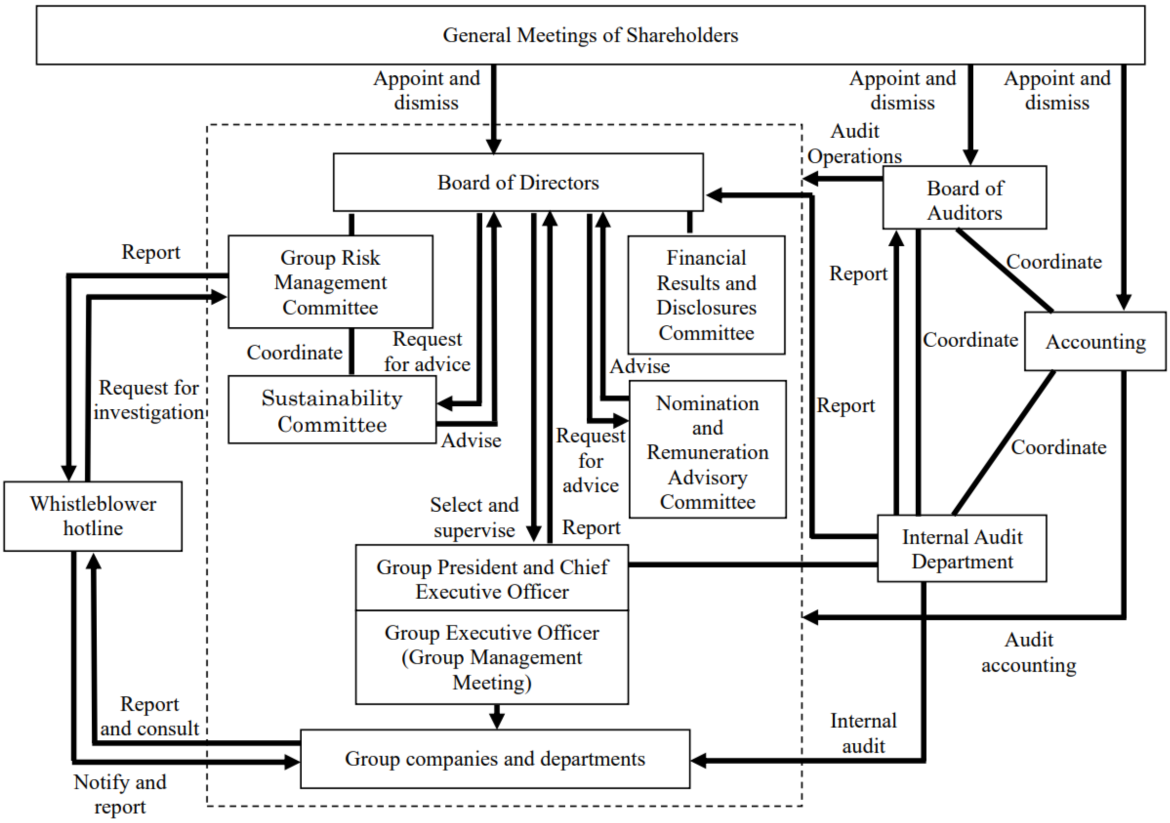
On the other hand, Nomination and Remuneration Advisory Committee, the majority of which consists of Outside Directors, has been established as an optional committee of the Board of Directors to handle personnel matters regarding the group's management team (appointment, removal etc. of Directors of the Company, Group Executive Officers and others), in order to ensure the independence, objectivity and accountability of the deliberation process. In addition, meetings attended only by the Outside Directors (Executive Session) are held once a month 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 four Company Auditors including three highly independent Outside Auditors as of the filing date. 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 auditors.

b. 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. Thus, by ensuring the functionality of both the oversight of executive duties by outside directors through the deliberation of the Board of Directors and the audit by independent company auditors who do not participate in the decision-making of executive duties, the Company believes that a more robust governance function will be secured, and the effectiveness of corporate governance will be enhanced. Therefore, the Company has adopted its current corporate governance system.

The organizational structure and internal control system of the Company as of the filing date are shown in the figure below.



[organizational structure]

- Yuichi Kouno (Representative Director) serves as the Chairperson of the Board of Directors.
  For information on other members (six directors, including four outside directors), please refer to (i) List of board members, which is described below (2) Board members.
- Tadahiro Mouri (full-time company auditor, outside company auditor) serves the Chairperson of the Board of Auditors.
  For information on the other members (three auditors, including two outside auditors), please refer to (i) List of board members, which is described below (2) Board members.
- The Group has established the Nomination and Remuneration Advisory Committee to deliberate on personnel (appointment and dismissal of directors and Group Executive Officers) and remuneration for the Group’s management team, and to report to the Board of Directors (to provide advice, make proposals, and draft proposals). As of the filing date, members of the Committee are as follows:
  Chairperson: Yoshiki Ishikawa (outside director)
  Members: Akie Iriyama (outside director), Mio Takaoka (outside director), Makoto Shiono (outside director), Yuichi Kouno (Representative Director)

[Activities of the Board of Directors]

In principle, the board of directors meets once a month. The status of the activities of the board of directors in the current fiscal year is as follows.

Title	Name	Attendance
Representative Director	Yuichi Kouno	11/11 (*1)
Director	Yusuke Shimizu	11/11 (*1)
Director (Outside)	Etsuko Okajima	15/15
Director (Outside)	Yoshiki Ishikawa	15/15
Director (Outside)	Akie Iriyama	15/15
Director (Outside)	Mio Takaoka	14/15
Director (Outside)	Makoto Shiono	11/11 (*1)
Director	Tadashi Kitahara	11/11 (*1)
Full-time Company Auditor (Outside)	Tadahiro Mouri	15/15
Company Auditor (Outside)	Mamoru Furushima	15/15
Company Auditor (Outside)	Takeshi Okuyama	15/15
Company Auditor	Hideo Hatano	11/11 (*1)
Representative Director	Koki Sato	4/4 (*2)
Director (Outside)	Yusuke Asakura	4/4 (*2)
Director	Shuji Yamaguchi	4/4 (*2)

(*1) The attendance at the Board of Directors meetings represents the attendance after their taking office on March 27, 2024.

(*2) The attendance at the Board of Directors meetings represents the attendance before their retiring from office on March 27, 2024.

The board of directors mainly reported and discussed monthly management conditions, the status of each business and personnel, the progress of the medium-term business policies, the succession plan, sustainability, risk management, and other important management issues and revisions to internal regulations.

[Activities of the Nomination and Remuneration Advisory Committee]

The status of activities of the Nomination and Remuneration Advisory Committee in the current fiscal year is as follows.

	Title	Name	Attendance
Chairperson/ Vice-chairperson	Director (Outside)	Etsuko Okajima	5/5 (o/w 2 times as chairperson)
Member/Chairperson	Director (Outside)	Yoshiki Ishikawa	5/5 (o/w 3 times as chairperson)
Member	Director (Outside)	Akie Iriyama	5/5
Member	Director (Outside)	Mio Takaoka	5/5
Member	Director (Outside)	Makoto Shiono	3/3 (*1)
Member	Representative Director	Yuichi Kouno	3/3 (*1)
Member	Director (Outside)	Yusuke Asakura	1/2 (*2)
Member	Representative Director	Koki Sato	2/2 (*2)

(*1) The attendance at the Nomination and Remuneration Advisory Committee meetings represents the attendance after their taking office on March 27, 2024.

(*2) The attendance at the Nomination and Remuneration Advisory Committee meetings represents the attendance before their retiring from office on March 27, 2024.

The Nomination and Remuneration Advisory Committee mainly deliberated and decided on the next term management system and the remuneration system, and reported the details to the Board of Directors.

c. Status of internal control systems development

In accordance with applicable laws and regulations, the board of directors has resolved the basic policy concerning the internal control systems development. Based on this resolution, we are appropriately developing and operating the internal control system for the Group, and regularly report the status of the system's development and operation to the board of directors. The details of the basic policy concerning the internal control systems development, as established by the board of directors, are as follows:

[Basic policy concerning the internal control systems development]

1. 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 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 Audit Department 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
   (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, improve corporate value and achieve sustainable growth, and practice the compliance through the Group's sustainability 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 Audit Department, 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.

3. 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.

4. 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.

5. 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 Medium-Term 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.

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

(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.

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

(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 Audit Department 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

(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.

9. 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.

d. Status of risk management systems development

The Company has established a code of conduct for compliance with laws and social ethics, as well as guidelines for each risk category. The Company has established a system for organizationally responding to such issues as the Group Risk Management Committee, the Security Management Office, and the internal reporting system, and are developing a system for managing various risks.

In concluding contracts, responding to complaints from business partners, and applying and interpreting various laws and regulations, the Company receives advice from attorney or judicial scriveners under consulting agreements as necessary. Furthermore, the Company also receives appropriate advice as needed from tax advisors under consulting agreements regarding tax-related matters.

In addition to enhancing and strengthening its internal regulations on the protection of personal information, concluding confidentiality agreements with business partners, and conducting in-house training and educational activities, the Company is working to strengthen the protection of personal information throughout the Group.

(ii) Outline of the contents of the liability limitation agreement

In order for outside directors and outside company auditors to fulfill their expected roles adequately, the Company has established a stipulation on liability limitation agreement in the Articles of Incorporation. The outline of the content of the liability limitation agreement that the Company concluded pursuant to the provisions of such Articles of Incorporation is as follows.

- Liability limitation agreement with outside directors and outside company auditors
  Outside directors and outside company auditors, acting in good faith and without gross negligence in the performance of their duties, shall assume liability for damages under Article 423, paragraph (1) of the Companies Act, limited to the greater of ¥5 million or the minimum liability amount stipulated in Article 425, paragraph (1) of the same Act.

(iii) Outline of the contents of the directors and officers liability insurance policy

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 insured parties under the insurance policy are all directors, company auditors, and executive officers of the Company and all of its subsidiaries, and no premiums are paid by the insured parties. 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.

(iv) Resolution requirements for the number of directors and appointment and dismissal of directors

The contents of the Articles of Incorporation concerning the number of directors of the Company and the requirements for resolutions on the appointment and dismissal of directors are as follows.

a. The Articles of Incorporation stipulate that the number of directors shall be no more than 10.

b. The Articles of Incorporation stipulate that resolutions for the appointment of directors shall be made by the majority of voting rights exercised by shareholders who hold at least one-third of the voting rights eligible to vote, and that cumulative voting shall not be applied.

c. The Articles of Incorporation stipulate that resolutions for the dismissal of directors shall be made by a two-thirds majority of voting rights exercised by shareholders who hold at least one-third of the voting rights eligible to vote.

(v) Matters delegated to the board of directors by general meetings of shareholders

a. The Articles of Incorporation stipulate that, except as otherwise provided by laws and regulations, matters stipulated in each item of Article 459, paragraph (1) the Companies Act, such as dividends from retained earnings and the acquisition of treasury shares, shall be determined by a resolution of the board of directors, not by a resolution of a general meetings of shareholders. This is based on the belief that reinvestment of surplus into business activities and distribution to shareholders (dividends, share repurchases) are the most basic and important matters belonging to the management decisions of the board of directors. The basic concepts behind this are as described in 3. Dividend policy which is described below II Information about reporting company.

b. The Articles of Incorporation stipulate, pursuant to the provisions of Article 426, paragraph (1) of the Companies Act, that the liability of directors (including former directors) and company auditors (including former company auditors) under Article 423, paragraph (1) of the Companies Act may be exempted, within the limits prescribed by law, by resolution of the board of directors, provided that such liability arises without gross negligence and in good faith. This provision is intended to enable directors and company auditors to fully perform their expected roles in the execution of their duties.

(vi) Requirements for special resolution at general meetings of shareholders

The Articles of Incorporation stipulate that the requirements for special resolutions of general meetings of shareholders as set forth in each item of Article 309, paragraph (2) of the Companies Act shall be made by attendance of the shareholders who hold at least one-third of the voting rights eligible to vote and by a two-thirds majority of voting rights exercised by shareholders who hold at least one-third of the voting rights eligible to vote. This provision is intended to facilitate the smooth operation of the general meetings of shareholders by relaxing the quorum for special resolutions at the general meetings of shareholders.

(vii) Basic policy regarding the control of a stock company

a. Basic policy regarding the control of a company

As a publicly listed company on a financial instruments exchange, the Company respects the free trading of its shares, etc., in the market. Even in cases of large-scale purchase activities of its shares, etc., by a specific party, the Company does not categorically reject such actions as long as they contribute to securing and enhancing the corporate value of the Group and the common interests of shareholders. Furthermore, the Company believes that the ultimate decision on whether to accept a proposal for a large-scale purchase of shares, etc., should rest with its shareholders.

However, some large-scale purchase proposals for its shares, etc., may pose risks to the Group's corporate value and, ultimately, the common interests of shareholders, such as the possibility of failing to maintain good relationships with shareholders. Additionally, there may be proposals that do not adequately reflect the value of the Group, or that do not provide sufficient time or information for shareholders to make an informed final decision.

In response to such proposals, the board of directors believes it is their responsibility, entrusted by the shareholders, to secure the necessary time and information, and engage in negotiations with the proposer of the large-scale share purchase, all for the benefit of the shareholders.

b. Initiatives that contribute to the realization of the basic policy regarding the control of a company

1. Corporate philosophy and sources of corporate value

Since its founding in 1990, the Group has continued to grow while transforming its mainstay businesses several times, in the spirit of the Company creed, "Hinerankai (think outside the box)." The Company believes that human resources have consistently supported such growth. The corporate culture and environment in which passionate and talented people filled with entrepreneurial spirit gather are the greatest source of the Group's corporate value.

Currently, the Company is developing its business in two business fields: the Digital Marketing Business, which is centered on the Internet advertising agency business, and the Media Platform Business, which is engaged in numerous media, products, etc. In order to maintain a competitive advantage in such rapidly changing and highly competitive business sectors, it is essential to have a sense of speed in business operations and the ability to adapt to changes. Achieving these largely depends on the capabilities of our talent and organization.

The Group will continue to focus on management centered around "people," striving for the growth of existing businesses and the creation of new ventures, while working to enhance corporate value and, ultimately, the common interests of shareholders.

2. Initiatives to enhance corporate value (Medium-Term Business Policies)

The Group will accelerate profit growth based on the Medium-Term Business Policies described in "On the business and financial issues of the Group to be addressed, in 1. Management Policies, Management Environment, and Issues to be Addressed, etc., in I Business Operations.

3. Corporate Governance

As described in (i) to (vii) which is described below (1) Corporate governance, the Group will continue to strive to further enhance corporate governance in order to achieve sustainable increases in corporate value.

(2) Board members

(i) List of board members

10 males, 1 female (female representation among board members: 9%)

Title	Name	Date of birth	Career Summary		Tenure	Number of shares held (shares)
Representative Director	Yuichi Kouno	September 22, 1982	Apr. 2006 Oct. 2014 Oct. 2015 Jan. 2017 Jan. 2018 Dec. 2018 Dec. 2018 Jan. 2022 Nov. 2022 Dec. 2022 Mar. 2024 Apr. 2024	Joined the Company Officer of Third Account Division, SEPTENI CO., LTD. Officer of Second Account Division, Septeni Japan, Inc. Officer and General Manager of Second Account Division, Septeni Japan, Inc. Group Executive Officer of the Company Representative Director, SEPTENI CO., LTD. Representative Director, Septeni Japan, Inc. Group Senior Executive Officer of the Company Outside Director, and factory,inc. Director, Dentsu Digital Inc. Representative Director of the Company (current position) Group President and Chief Executive Officer (current position)	(Note 3)	130,200
Director	Yusuke Shimizu	June 19, 1982	Apr. 2006 Oct. 2014 Oct. 2015 Jan. 2017 Jan. 2018 Dec. 2018 Dec. 2018 Jan. 2022 Mar. 2024 Apr. 2024	Joined the Company Officer of Media Solutions Division, SEPTENI CO., LTD. Officer of Media Growth Division, Septeni Japan, Inc. Officer and General Manager of Media Division, Septeni Japan, Inc. Group Executive Officer of the Company Representative Director and President, SEPTENI CO., LTD. (current position) Representative Director and President, Septeni Japan, Inc. (current position) Group Senior Executive Officer of the Company (current position) Director of the Company (current position) Group Executive Vice President and Executive Officer (current position)	(Note 3)	52,000
Director	Yoshiki Ishikawa	February 27, 1981	Nov. 2008 Sep. 2014 Sep. 2018 Feb. 2019 Mar. 2019 Dec. 2019 Dec. 2024	Director, Cancer Scan Co., Ltd. Director, Campus for H Inc. Representative Director, Well-being for Planet Earth Foundation (current position) Outside Director (Audit & Supervisory Committee Member), Sansan, Inc. External Director, Gaiax Co. Ltd. (current position) Outside Director of the Company (current position) Representative Director and President, Unson, Inc. (current position)	(Note 3)	–
Director	Akie Iriyama	December 8, 1972	Apr. 1998 Sep. 2008 Sep. 2013 May 2016 Apr. 2019 Jun. 2019 Jun. 2020 Dec. 2020 Jun. 2021	Joined Mitsubishi Research Institute, Inc. Assistant Professor, University at Buffalo, the State University of New York Associate Professor, Business School, Waseda University Outside Director, Macromill, Inc. Professor, Business School, Waseda University (current position) Outside Director, ROHTO Pharmaceutical Co., Ltd. (current position) Outside Director, Sanoh Industrial Co., Ltd. (current position) Outside Director of the Company (current position) Outside Director (Audit & Supervisory Committee Member), SORACOM, INC. (current position)	(Note 3)	–

Title	Name	Date of birth	Career Summary		Tenure	Number of shares held (shares)
Director	Mio Takaoka	May 3, 1979	Jul. 1999 Jun. 2002 Mar. 2006 Jan. 2009 Feb. 2014 May 2014 Sep. 2017 Sep. 2017 Mar. 2018 Dec. 2020 Mar. 2021 Apr. 2021 Dec. 2021 Mar. 2022 Mar. 2022	Joined Goldman Sachs Japan Securities Joined Morgan Stanley Japan Securities (currently Morgan Stanley MUFG Securities Co., Ltd.) Joined Lehman Brothers Japan Securities Joined Monex Group, Inc. Executive, General Manager of new business, Monex Group, Inc. Director, Monex Ventures, Inc. Joined MedicalNote, Inc. Partner, Arbor Ventures Director, MedicalNote, Inc. Outside Director of the Company (current position) Outside director, KAYAC Inc. Partner, DNX Ventures (current position) Outside Director, HENNGE K.K. (current position) Outside Director, DENTSU SOKEN INC. (current position) Outside director (Audit & Supervisory Committee Member), KAYAC Inc.	(Note 3)	–
Director	Makoto Shiono	November 12, 1975	Apr. 1998 Oct. 1999 Aug. 2000 Sep. 2001 Apr. 2003 Jul. 2008 Jan. 2012 Jun. 2017 Apr. 2018 Oct. 2018 Jun. 2020 Jun. 2022 Mar. 2024 Oct. 2024 Oct. 2024	Joined Citibank, N.A., Tokyo Branch Joined Goldman Sachs Japan Co., Ltd., Tokyo Branch Joined Members Co., Ltd. (seconded to EC-watch.com Co., Ltd. as CFO) Joined Bain & Company Inc. Joined livedoor Co., Ltd Joined Industrial Growth Platform, Inc. Partner/Managing Director, Industrial Growth Platform Inc. Executive Managing Director, CIO, JBIC IG Partners External Director, NewsPicks, Inc. Director, JB Nordic Ventures Oy Outside Director, beBit, Inc. (current position) Outside Director, INCLUSIVE, INC. (current position) Outside Director of the Company (current position) Partner/CLO, IGPI Group, Inc. (current position) Managing Director, Industrial Growth Platform Inc. (current position)	(Notes 3)	–
Director	Tadashi Kitahara	July 15, 1968	Apr. 1991 Jan. 2019 Mar. 2019 Jan. 2022 Jan. 2022 Jan. 2022 Dec. 2022 Mar. 2023 Jun. 2023 Jan, 2024 Mar. 2024	Joined Dentsu Inc. (currently Dentsu Group Inc.) Managing Director of the Business Produce Division, Dentsu Inc. Director, NewsPicks Studios Inc. Executive Officer, Dentsu Inc. (current position) Director, Rakuten Data Marketing, Inc. (current position) Representative Director, Dentsu Digital Inc. Director, Dentsu Digital Inc. (current position) Director, CARTA HOLDINGS, INC. (current position) Director, Japan Interactive Advertising Association (current position) Director, LIVE BOARD, INC. (current position) Director of the Company (current position)	(Notes 3)	–
Full-time Auditor	Tadahiro Mouri	August 5, 1957	Apr. 1980 Apr. 2012 Apr. 2014 Nov. 2014 Apr. 2018 Jun. 2018 Dec. 2020	Joined Taiyo Fishery Co., Ltd. (currently Maruha Nichiro Corporation) General Manager of Administration Department, Maruha Nichiro Foods, Inc. (currently Maruha Nichiro Corporation) General Manager of Logistics Department, Maruha Nichiro Corporation General Manager of Risk Management Department, Maruha Nichiro Corporation Advisor, DAITO GYORUI CO., LTD. Director (Full-time Audit & Supervisory Committee Member), DAITO GYORUI CO., LTD. Full-time Company Auditor of the Company (current position)	(Note 4)	–

Title	Name	Date of birth	Career Summary	Tenure	Number of shares held (shares)
Auditor	Mamoru Furushima	February 16, 1970	Oct. 1993 Joined Chuo Audit Corporation (currently PricewaterhouseCoopers Japan LLC) Apr. 1997 Registered as a certified public accountant Aug. 2000 Joined the Fuji Accounting Office (currently Moore Mirai & Co.) Aug. 2003 Joined PwC Advisory Co., Ltd. Nov. 2007 Joined the Legal Training and Research Institute of Japan under the Supreme Court of Japan Dec. 2008 Registered as a lawyer (Tokyo Bar Association) Jan. 2009 Joined Okuno & Partners Apr. 2015 Representative, Furushima Law & Accounting Office Jun. 2015 Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd. (current position) Dec. 2015 Outside Company Auditor of the Company (current position) Mar. 2020 Outside Director (Audit & Supervisory Committee Member), B-Lot Company Limited (current position) Mar. 2020 Outside Audit & Supervisory Board Member, SECURE, INC. (current position) Jan. 2021 Representative Partner, Trident Lawyer Corporation (current position) Jun. 2024 Outside Director (Audit & Supervisory Committee Member), Wel-Dish. Incorporated (current position)	(Note 5)	–
Auditor	Takeshi Okuyama	February 11, 1980	Apr. 2002 Joined the Legal Training and Research Institute of Japan under the Supreme Court of Japan Oct. 2003 Registered as a lawyer (Daini Tokyo Bar Association), Joined Mori Hamada & Matsumoto Jan. 2011 Partner, Mori Hamada & Matsumoto (current position) Apr. 2014 Associate Professor, Waseda Law School Dec. 2019 Outside Company Auditor of the Company (current position)	(Note 5)	–
Auditor	Hideo Hatano	September 17, 1971	Apr. 1994 Joined General Sekiyu K.K. Nov. 2005 Credit Control Advisor of the Asia-Pacific region, ExxonMobil Yugen Kaisha Apr. 2015 General Manager of Audit, GYXIS CORPORATION May 2016 Senior Manager of Integration Promotion and Group Management Preparation Office, TonenGeneral Sekiyu K.K. (currently ENEOS Corporation) Oct. 2016 Internal Audit Manager, Amazon Japan G.K. Aug. 2019 Head of Japan Internal Audit Office, Nissan Motor Co., Ltd. Apr. 2021 Chief Internal Auditor (Supervisor of Global Monozukuri and audit of Japan-ASEAN region), Nissan Motor Co., Ltd. Aug. 2022 Executive Director of DJN Internal Audit Office, Dentsu Group Inc. Oct. 2022 Executive Director of Internal Audit Office, Dentsu Group Inc. Jan. 2023 Executive Officer in charge of internal audit, dentsu Japan, Dentsu Group Inc. Mar. 2023 Supervisory Board Member, CARTA HOLDINGS, INC. (current position) Jan. 2024 Group Management and Head of Internal Audit, Dentsu Group Inc. Mar. 2024 Company Auditor of the Company (current position) Jan. 2025 Group Management and Global Head of Internal Audit, Dentsu Group Inc. (current position)	(Note 4)	–
Total					182,200

(Notes) 1. Mr. Yoshiki Ishikawa, Mr. Akie Iriyama, Ms. Mio Takaoka, and Mr. Makoto Shiono are outside directors.
2. Mr. Tadahiro Mouri, Mr. Mamoru Furushima, and Mr. Takeshi Okuyama are outside company auditors.
3. From the conclusion of the annual shareholders meeting for the fiscal year ended December 2024 to the conclusion of the annual shareholders meeting for the fiscal year ending December 2025.
4. From the conclusion of the annual shareholders meeting for the fiscal year ended December 2023 to the conclusion of the annual shareholders meeting for the fiscal year ending December 2027.

5. From the conclusion of the annual shareholders meeting for the fiscal year ended December 2022 to the conclusion of the annual shareholders meeting for the fiscal year ending December 2025.
6. The Company and some of its subsidiaries have introduced a delegated executive officer system. The number of executive officers scheduled to be appointed on April 1, 2025 is 17, and the composition is as follows.

Group President and Chief Executive Officer	Yuichi Kouno
Group Executive Vice President and Executive Officer	Yusuke Shimizu
Group Executive Vice President and Executive Officer	Isamu Ueno
Group Senior Executive Officer	Kei Hatano
Group Senior Executive Officer	Tei Go
Group Senior Executive Officer	Daisuke Suefuji
Group Senior Executive Officer	Masayuki Takano
Group Senior Executive Officer	Kazunari Kondo
Group Executive Officer	Teruyuki Noguchi
Group Executive Officer	Shuhei Ezaki
Group Executive Officer	Yoko Miyazaki
Group Executive Officer	Norihisa Ashida
Group Executive Officer	Ryo Okubo
Group Executive Officer	Takahiro Yamasaki
Group Executive Officer	Yuta Suzuki
Group Executive Officer	Masayuki Muto
Group Executive Officer	Yusuke Fukuhara

(ii) Outside directors

a. The number of outside directors

The Company prioritizes the supervisory function provided by outside directors and outside company auditors. In addition, the Company appoints outside directors and outside company auditors so that the majority of the board of directors and more than half of the board of auditors, in principle, consist of outside officers, in expectation that they will provide advice based on their expertise in specialized fields and extensive practical experience.

As of the filing date, the Company has four outside directors and three outside company auditors.

b. Functions and roles of outside directors and outside company auditors

Outside directors and outside company auditors perform supervisory or auditing functions by leveraging their respective expertise, wide-ranging experience and insights into management from an objective and neutral standpoint, free from conflicts of interest with general shareholders. They assume the functions and roles of ensuring the appropriateness and fairness of decision-making and business execution by the board of directors.

In particular, under the monitoring model approach to the board of directors (as previously mentioned), the appropriate involvement and advice of independent outside officers are considered essential to its effective functioning.

c. Independence standards for outside directors and outside company auditors

The specific criteria for determining the independence of outside directors and outside company auditors are based on the independence standards for outside officers that the Company has established. The standards are outlined as follows:

[Independence standards for outside officers]

To ensure the objectivity and transparency necessary for proper corporate governance, the Company believes that outside directors and outside company auditors possess as much independence as possible. Accordingly, the Company has established the following independence criteria for outside officers (including candidates, hereinafter referred to as the same). If an outside officer falls under any of the following items, they shall be deemed to lack sufficient independence for the Company:

1. Not being a current or former executive (Note 1) of the Company or any of its associates (hereinafter referred to as the "Group").
2. Not being a major shareholder (Note 2) of the Company.
3. Not falling under any of the following categories during the past 10 years, including the present:
   (1) Party whose major client or supplier is the Group (Note 3) or an executive thereof.
   (2) Major client or supplier of the Group (Note 4) or an executive thereof.

(3) A major lender (Note 5) to the Group.
(4) An executive of an entity in which the Group is a major investor (Note 6).
(5) A member of an auditing firm conducting statutory audits of the Group.
(6) A consultant, accountant, tax accountant, attorney, judicial scrivener, patent attorney, or other professional who has received a large amount (Note 7) of monetary consideration or other property from the Group outside of remuneration as a director (if such benefits are received by an organization, such as a corporation or partnership, this includes members of that organization).
(7) A person or executive who has received a large amount (Note 7) of donations from the Group.
(8) An executive of another company with a mutual appointment relationship as an outside director (Note 8)

4. The person's close relatives (Note 9) do not fall under any of the above categories (1) to (3).
5. Regardless of the above provisions, there are no other circumstances that may cause conflicts of interest with the Group.

(Note 1) An "executive" refers to executive directors, executive officers, officers holding equivalent roles and employees.
(Note 2) A "major shareholder" refers to a shareholder who directly or indirectly holds 10% or more of the voting rights in their own name or in the name of others. If the major shareholder is a corporation, union, or other organization, it refers to the executives of that organization.
(Note 3) A "person whose main client is the Group" refers to the case where the amount of transactions with the Group is 2% or more of the person's annual consolidated net sales.
(Note 4) A "person who is a major business partner of the Group" refers to the case where the amount of transactions with that person is 2% or more of the Group's annual consolidated net sales.
(Note 5) A "major lender" refers to a financial institution that is essential for the Group's financing and to which we are dependent to an extent that no alternative is available.
(Note 6) A "major investor" refers to a person in which the Group holds 10% or more of the voting rights, either directly or indirectly.
(Note 7) "Significant amounts" refers, for individuals, 10 million yen or more in a fiscal year, and for organizations, the higher of 2% of the organization's annual net sales or total income, or 10 million yen.
(Note 8) "Mutual appointment relationship" refers to a relationship in which an executive of the Group serves as an outside officer of another company, and an executive of that other company serves as an outside officer of the Company.
(Note 9) "Close relatives" refers to a spouse and relatives within the second degree of kinship.

d. Approach to appointments of outside directors and outside company auditors

Outside director Mr. Yoshiki Ishikawa has professional, extensive experience and results, and considerable insight as both a preventive medicine researcher and as a founder of a company using methods based on behavioral science. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

Outside 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. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

Outside director Ms. Mio Takaoka has professional, extensive experience and results, and considerable insight of strategic investment, new business development and finance. Accordingly, she has been elected in expectation of management oversight from a standpoint independent of management.

Outside director Mr. Makoto Shiono has extensive experience and results, and considerable insight in strategic planning and implementation consulting and M&A advisory services for domestic and foreign companies and government agencies. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

Outside company auditor Mr. Tadahiro Mouri has considerable insight and extensive operational experience of auditing. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

Outside company auditor Mr. Mamoru Furushima has extensive experience and specialist knowledge as a certified public accountant and a lawyer, and in-depth knowledge and experience of auditing. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

Outside company auditor Mr. Takeshi Okuyama has extensive experience and specialist knowledge as an attorney, and in-depth knowledge of corporate governance, corporate legal affairs, and auditing. Accordingly, he has been elected in expectation of management oversight from a standpoint independent of management.

The Company has notified the Tokyo Stock Exchange of the appointment of four independent directors: Mr. Yoshiki Ishikawa, Mr. Akie Iriyama, Ms. Mio Takaoka, Mr. Makoto Shiono.

e. Relationship between outside directors and outside company auditors and the Group

There are no particular relationships between the outside directors, outside company auditors, and the Company that should be disclosed, including relationships where an outside director or outside company auditor is or has been an officer or employee of another company or organization, or any relationship between that other company or organization and the Company. Disclosure of items that do not violate the independence standards for outside officers (as mentioned above) is omitted because it is judged that there is no risk of impact on the judgment of shareholders and investors.

The status of shareholdings by outside directors and outside company auditors is described in (i) List of board members.

(iii) Relationship between supervision or auditing by an outside director or outside company auditor and internal audits, audits by company auditors and accounting audits, and relationships with internal audit departments

At meetings of the board of directors, outside directors receive regular reports on the results of internal audits by the Internal Audit Department, audits by company auditors and accounting audits by accounting auditors, and on the status of initiatives by the internal control department. Outside company auditors receive reports on audits and reviews by accounting auditors and reports on internal controls and internal audits by the internal control department, mainly through the board of auditors.

(3) Status of audits

(i) Audits by company auditors

a. Organization, personnel and procedures of audits by company auditors

As of the filing date, the board of auditors comprises four company auditors, including three highly independent outside company auditors. Each company auditor conducts its auditing operations in accordance with the auditing policies, audit plans and methods, and division of duties established by the board of auditors.

In addition to the regular monthly meetings of the board of auditors, the board of auditors holds extraordinary meetings as necessary. During these meetings, the full-time company auditor provides reports on the Group's status and challenges, while outside auditors, who possess high independence and expertise in various fields with substantial practical experience, engage in exchanges of opinions and discussions among the auditors. This ensures that the audits conducted by company auditors are effective.

In the fiscal year under review, the board of auditors held a total of 14 meetings, and the attendance of each company auditor is as follows.

Title	Name	Attendance
Full-time company auditor	Tadahiro Mouri	14/14
Company auditor	Mamoru Furushima	14/14
Company auditor	Takeshi Okuyama	14/14
Company auditor	Hideo Hatano	10/10*

* The attendance of Mr. Hideo Hatano at the board of auditors meetings represents the attendance after his taking office on March 27, 2024.

b. Activities of company auditors and the board of auditors

The board of auditors is held to receive reports on important matters related to audits, hold discussions, and approve and resolve them.

Specific activities at the board of auditors include: 1. formulation of an annual audit plan that includes the selection of key audit items; 2. reporting on the status of execution of duties by full-time company auditors; 3. reporting on quarterly reviews by the accounting auditor; 4. consenting to the accounting auditor's evaluation and remuneration; 5. confirming the status of the establishment and operation of the internal control system; and 6. preparing audit reports.

Company auditors attend meetings of the board of directors and other important meetings, audit decisions on important matters and the execution of directors' duties, and express opinions as necessary. In addition, mainly full-time company auditor attends the Group Management Meeting, the Nomination and Remuneration Advisory Committee, the Group Risk Management Committee, the Health Committee, and the executive meetings of important subsidiaries to hear the status of the execution of duties from directors and group executive officers, etc., and conduct surveys on the business activities of the Group's operating companies.

In conducting audits, the board of auditors receives reports on audit plans and results from the Internal Audit Department and the accounting auditor, and works to enhance the efficiency and effectiveness of audits in collaboration with them by, for example, checking important matters as needed.

In addition, regular meetings are held twice a year between the board of auditors and the representative director. In addition to reviews of business activities and business plans, the board of auditors fully communicates issues related to auditing issues such as internal controls and corporate governance, and audit results and audit-related requests, and exchanges opinions to deepen mutual awareness and relationships of trust.

(ii) Internal audits

With regard to internal audits, as of the filing date, the Company has an Internal Audit Department (seven staff members) under the direct control of the Group President and Chief Executive Officer as a division in charge of internal audits of the Group. The Internal Audit Department formulates an annual audit implementation plan and audit policy, and conducts internal audits of the business execution status of each department and business site subject to audit based on a preliminary understanding of the status of the development of each business process.

The results of internal audits are reported to the board of directors, the board of auditors, the Group President and Chief Executive Officer, company auditors, and persons responsible for the departments and offices of the Group that are subject to audits. In addition, for those departments and offices that are deemed to require improvement, business improvement recommendations are submitted to confirm the status of improvement and other matters. In addition to conducting audits on the status of the development and operation of internal controls in cooperation with relevant departments, the Internal Audit Department exchanges information and opinions with the board of auditors and the accounting auditor, and seeks cooperation to enhance the effectiveness and efficiency of the auditing function.

(iii) Accounting audits

Accounting audits are audited by KPMG AZSA LLC in accordance with the Companies Act and the Financial Instruments and Exchange Act. When accounting audits are conducted, the scope of audits, the scope of on-site audits, the volume of audits, and audit risks are mutually confirmed and clarified when the accounting auditor formulates an audit plan. At the time of audit completion, the accounting auditor and the Group’s senior executive officers and company auditors hold audit report meetings. In addition to periodic audits based on audit plans, the Company exchanges opinions with the Finance & Accounting Department and the internal control department on accounting issues to ensure the appropriateness of accounting treatment.

During the fiscal year under review, the auditing system of the auditing firm that performed audits is as follows.

a. Name of certified public accountant who performed a. accounting audits
Kentaro Hayashi, designated limited liability partner
Tomokazu Kayama, designated limited liability partner

b. Composition of assistants involved in audit activities
11 certified public accountants and 27 others

c. Continuous audit period
Three years

d. Policy and reason for selecting the auditing firm

The Company has selected KPMG AZSA LLC as the accounting auditor based on a comprehensive consideration of the expertise, independence, quality control system, audit implementation system, global audit system, audit fees, etc. required of the accounting auditor.

In the event that an accounting auditor is deemed to fall under any of the items of Article 340, paragraph (1) of the Companies Act, the board of auditors shall decide to dismiss the accounting auditor based on the consent of all company auditors.

e. Assessment of auditing firm by company auditors and the board of auditors

In accordance with the “Guidelines for Auditors Regarding the Evaluation and Selection Criteria for Accounting Auditors” issued by the Japan Audit & Supervisory Board Members Association, the company auditors and the board of auditors evaluate the audit firm based on various factors, including quality control, the audit team, audit fees, communication with company auditors, relationships with management, group audits, and risks of fraud.

(iv) Details of audit fees

a. Remuneration for auditing certified public accountants

(unit: thousand yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration based on audit certification services	Remuneration based on non-audit services	Remuneration based on audit certification services	Remuneration based on non-audit services
Reporting company	87,200	295	98,750	–
Consolidated subsidiaries	–	2,500	–	–
Total	87,200	2,795	98,750	–

(Note) Details of non-audit services provided by certified public accountants, etc.

(For the previous consolidated fiscal year)

The non-audit services for which the Company and its consolidated subsidiaries paid fees to auditing certified public accountants, etc. included advisory and guidance services related to financial matters.

(For the current consolidated fiscal year)

Not applicable.

b. Fees paid to organizations belonging to the same network as the certified public accountants, etc. (excluding item a.)

(unit: thousand yen)

Category	Previous fiscal year		Current fiscal year	
	Remuneration based on audit certification services	Remuneration based on non-audit services	Remuneration based on audit certification services	Remuneration based on non-audit services
Reporting company	–	4,500	–	1,700
Consolidated subsidiaries	–	2,533	–	2,576
Total	–	7,033	–	4,276

(Note) Details of non-audit services provided by organizations belonging to the same network as the certified public accountants, etc.

(For the previous consolidated fiscal year)

The non-audit services for which the Company and its consolidated subsidiaries paid fees to organizations belonging to the same network as the certified public accountants, etc. included tax consulting.

(For the current consolidated fiscal year)

The non-audit services for which the Company and its consolidated subsidiaries paid fees to organizations belonging to the same network as the certified public accountants, etc. included tax consulting.

c. Fees based on other important assurance services

Not applicable.

d. Policy for determining auditing fees

Audit fees are determined with the consent of the board of auditors, taking into consideration the details of the audit and the number of days required for the audit.

e. Reasons for board of auditors' Consent to audit fees

Regarding the fees for the accounting auditor, the board of auditors obtained and reviewed the necessary materials and reports from the directors, internal departments, and the accounting auditor. It confirmed the past performance and remuneration of the accounting auditor, examined the appropriateness of the accounting auditor's activity plans and the basis for the fee estimates for the current consolidated fiscal year, and deliberated on these matters. As a result, the board of auditors judged them to be reasonable and provided consent for the amount of the accounting auditor's fees in accordance with Article 399, paragraph (1) of the Companies Act.

(4) Directors' remuneration, etc.

(i) Matters related to the policy for determining the amount or calculation method of directors' remuneration, etc.

The Company has resolved to establish a policy for determining the details of individual remuneration, etc., for directors and other officers at a board of directors' meeting held on November 22, 2016 (partially revised on December 19, 2023 and January 28, 2025).

In addition, with respect to the individual remuneration, etc., for directors for the current fiscal year, the board of directors has confirmed that the method for determining remuneration, as well as the determined content is consistent with the aforementioned policy. The board of directors also has confirmed the appropriateness of the compensation level by referring to the recommendations of the Nomination and Remuneration Advisory Committee. Based on these processes, the board of directors has determined that the compensation aligns with the established policy.

a. Policy for determining the details of individual remuneration, etc., for directors and other officers

1. Basic policy

Remuneration for directors (excluding outside directors) is composed of basic remuneration (monthly cash remuneration) and performance-linked remuneration.

The basic remuneration is positioned as a fixed compensation, the amount of which is determined for each grade according to the size (magnitude) of responsibilities of each director. 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 is composed of short-term performance-linked remuneration, medium- to long-term performance-linked share-based remuneration, and medium- to long-term performance-linked cash remuneration.

Short-term performance-linked remuneration will be paid as a cash reward in an amount calculated by multiplying the fixed compensation by the performance growth rate of the controlling company in the business year under review multiplied by 0.5. Provided, however, the maximum amount payable is 40% of the fixed remuneration amount.

Medium- to long-term performance-linked share-based remuneration will be paid for directors who are residents of Japan, and will take the form of share-based remuneration using the directors' remuneration BIP trust. Details are described in "e. Non-cash remuneration, etc." below.

Medium- to long-term performance-linked cash remuneration will be paid for directors who are non-resident of Japan, and will take the form of cash reward linked to the medium- to long-term performance.

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).

2. Concerning other determination for remunerations, etc.

Following the above basic policy, basic remuneration, short-term performance-linked remuneration, and medium- to long-term performance-linked cash 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, and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the proposed recommendations of the Nomination and Remuneration Advisory Committee. Regarding medium- to long-term performance-linked share-based remuneration, the "share delivery rules" will be concluded with the trustee of the trust based on the share-based remuneration system using the officer's remuneration BIP trust resolved by the general meeting of shareholders, and according to these rules, the trustee will delivery shares and pay cash.

Following the above "1. basic policy," remuneration for outside directors will be within the total limit of director remuneration set by a resolution of the general meeting of shareholders, and individual and specific allocations will be decided by the Group President and Chief Executive Officer referencing the proposed recommendations of the Nomination and Remuneration Advisory Committee.

Following the above "1. basic policy," remuneration for company auditors will be within the total limit of company auditor remuneration set by a resolution of the general meeting of shareholders, and individual and specific allocations will be decided through discussions with the company auditors.

b. Matters related to the resolution of the general meeting of shareholders regarding directors' remuneration, etc.

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' 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 continuation of this system was resolved at the 32nd Ordinary Annual General Meeting of Shareholders held on December 21, 2022.) 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. (The number of directors as of the conclusion of the 32nd Ordinary General Meeting of Shareholders is two.) 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.

c. Matters regarding delegation related to the determination of individual remuneration for directors, etc.

The board of directors has delegated the decisions on the amounts of individual director remuneration to Representative Director, Group President and Chief Executive Officer. The reason for the delegation is that the board of directors deemed that the Representative Director, 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 recommendations of the Nomination and Remuneration Advisory Committee.

d. Activities of the board of directors and the Nomination and Remuneration Advisory Committee in the decision-making process for the directors' remuneration for the fiscal year

The cash remuneration for the fiscal year 2024 was discussed and decided upon in March 2024. The cash remuneration for the fiscal year 2025 was discussed and decided upon in March 2025. Details of the activities of the Nomination and Remuneration Advisory Committee are provided in (1) The outline of corporate governance, in 4. Corporate governance, in II Information about reporting company.

e. Non-cash remuneration, etc.

[Performance-based stock remuneration linked to achievement of performance targets]

The Company has introduced a stock-based remuneration system (hereinafter referred to as "this system") for directors and other officers. The details of this system are outlined in (8) in 1. Company's shares, etc., in II Information about reporting company.

1. Medium- to long-term performance-based remuneration indicator and the reasons for selecting this indicator

The medium- to long-term performance indicator associated with performance-linked remuneration, etc. is consolidated Non-GAAP operating profit (Note). 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.

(Note) Non-GAAP operating profit (or Non-GAAP operating loss) is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions such as amortization of acquisition-related intangible assets and M&A expenses, and temporary factors such as share-based payment expenses, impairment loss, and gain or loss on the sales of fixed assets from the IFRS-based operating profit (or operating loss). Non-GAAP operating profit (or Non-GAAP operating loss) is not a measure defined by IFRS. However, management believes that this information is useful to users of the financial statements, and therefore, it is disclosed voluntarily as reference information in "4. Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows," in "II Business Operations."

2. Method for determining medium- to long-term performance-based remuneration

For individuals who are serving as eligible participants in the program as of December 31 each year (including those who were appointed during the fiscal year ending on the same date, but excluding those who were non-residents of Japan for all or part of the target fiscal year), the calculation of points for the target fiscal year will be carried out under the system, and these points will be granted to the eligible participants on March 1 of the following year.

The calculation of points will be carried out by accumulating the basic points granted on March 1 each year for each target fiscal year. This accumulated value, up to the basic points granted on March 1 of the year following the end of the target fiscal year, will then be further increased by adding the additional points granted on the same day to those who are eligible as of the last day of the final fiscal year in the target period (hereinafter referred to as "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.

If a participant resigns during the target period (excluding voluntary resignations and dismissals), the cumulative points up to the date of resignation will be multiplied by the number of shares per point to determine the number of shares to be granted to the participant as stock compensation. Fifty percent of the shares corresponding to these points (with fractional shares being discarded) will be delivered as stock, while the remaining shares will be liquidated for tax payment purposes, with the equivalent amount of cash paid out from the liquidation proceeds.

The target indicators for the basic point allocation (consolidated Non-GAAP operating profit) are 7.5 billion yen for the fiscal year ended December 2023, 7.5 billion yen for the fiscal year ending December 2024, and 9 billion yen for the fiscal year ending December 2025. These targets have been set with reference to the Medium-term Business Policies for the period from December 2023 to December 2025.

- Basic points

Target achievement / Position	Less than 85%	85% or more but less than 100%	100% or more
Group President and Chief Executive Officer	0 P	56,250 P	75,000 P
Group Executive Vice President and Executive Officer	0 P	42,188 P	56,250 P
Group Senior Executive Officer	0 P	28,125 P	37,500 P
Group Executive Officer	0 P	18,750 P	25,000 P

The degree of target achievement will be calculated as follows, rounded to the first decimal place:

Degree of Target Achievement (%) = (Consolidated Non-GAAP operating profit for each fiscal year during the applicable period) / (Target value for basic point grant) × 100

At the 33rd Ordinary Annual General Meeting of Shareholders held on March 27, 2024, a resolution was passed to partially amend the Articles of Incorporation, establishing basic points for Group Executive Vice President and Executive Officer.

- Average stock acquisition price through trust

The average acquisition price of the Company's shares through trust is used for this system. The acquisition of the Company's shares through the trust was completed in May 2023.

- Share grant and cash payment conditions

Eligible individuals who remain in office as of the end of the final fiscal year of the target period, or who retire during the target period (excluding retirement due to personal reasons or dismissal), or who become non-residents of Japan due to overseas assignment, will be deemed to have satisfied the conditions for receiving the Company shares and their sale proceeds under this system. Following prescribed procedures, the right to receive the Company shares and their sale proceeds under this system will be vested on the vesting date.

- Vesting date and timing of share grant and cash payment

For eligible individuals who remain in office as of the end of the final fiscal year of the target period, the vesting date will be April 1st immediately following the end of the target period.

For eligible individuals who retire during the target period (excluding retirement due to personal reasons or dismissal), the vesting date will be April 1st immediately following the retirement date.

For eligible individuals whose overseas assignment is determined during the target period, the vesting date will be the date of the overseas assignment.

The Company shares and their sale proceeds will be delivered and paid 15 business days after the vesting date.

The performance result for the medium- to long-term performance-linked remuneration for the current fiscal year is consolidated Non-GAAP operating profit of 3.2 billion yen.

(ii) Total remuneration by director category, total remuneration, etc. by type, and the number of directors covered

Director category	Total amount of remuneration, etc. (thousand yen)	Total amount of remuneration, etc. by type (thousand yen)			Number of directors covered
		Basic remuneration	Performance-linked remuneration	Of the foregoing, non-cash remuneration	
Directors (excluding outside directors)	146,889	146,889	–	–	3
Company auditors (excluding outside company auditors)	–	–	–	–	–
Outside directors	101,400	101,400	–	–	9

(Notes) 1. The number of payees and the amount of remunerations include two directors and the amount of renumeration during their service, who retired from office at the conclusion of the 33rd Ordinary General Meeting of Shareholders held on March 27, 2024.

2. In addition to the remunerations above, ¥2,250 thousand was paid as retirement benefits to one director who retired from office at the conclusion of the 33rd Ordinary General Meeting of Shareholders held on March 27, 2024, based on the resolution to pay accrued retirement benefits in connection with the termination of the retirement benefits program for directors and company auditors approved at the 13th Ordinary General Meeting of Shareholders held on December 18, 2003.

3. The total amount of remuneration, total amount of remuneration by type, and the number of directors covered exclude two director and one company auditors who receive no remuneration.

(iii) Consolidated remuneration, etc. of individual directors

No person whose total amount of consolidated remuneration, etc. is 100 million yen or more, and therefore this information is not presented.

(iv) Significant remuneration paid to directors who are also employees (employee portion)

Not applicable.

(5) Shareholdings

The Company is a holding company whose primary business is the overall supervision and management of Group companies through shareholdings.

The Company has the largest carrying amount of investment shares (hereinafter, "investment share amount") among the Company and its consolidated subsidiaries (hereinafter, the "Largest Shareholding Company"). SEPTENI CO., LTD. has the second largest investment share amount.

(i) Criteria and policy for classifying investment shares

The Company and its consolidated subsidiaries classify investment shares held solely for the purpose of earning profit from fluctuations in share value or the receipt of dividends as investment shares held for pure investment purposes. All other shares are classified as investment shares held for purposes other than pure investment (strategic shareholdings).

(ii) Shareholdings of the reporting company

a. Investment shares held for purposes other than pure investment

The Company may hold shares in companies that it deems necessary as part of its management strategy to achieve sustainable growth and enhance social and economic value, or to build strong relationships with business partners and local communities and facilitate smooth business operations. Based on the basic policy of disposing of or reducing strategic shareholdings as promptly as possible when their significance is deemed to have diminished, the board of directors reviews the significance of each individual strategic shareholding every fiscal year. If any shares are determined not to contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the Group, the Company will sell them in a timely and appropriate manner. The Company currently holds no investment shares for purposes other than pure investment.

b. Number of issues and carrying amount on balance sheet

Not applicable.

c. Information on number of shares, carrying amount on balance sheet, etc., for each issue of specified investment shares

Not applicable.

(iii) Shareholdings of SEPTENI CO., LTD.

a. Investment shares held for purposes other than pure investment

SEPTENI CO., LTD. may hold shares in companies that it deems necessary as part of its management strategy to achieve sustainable growth and enhance social and economic value, or to build strong relationships with business partners and local communities and facilitate smooth business operations. Based on the basic policy of disposing of or reducing strategic shareholdings as promptly as possible when their significance is deemed to have diminished, the board of directors reviews the significance of each individual strategic shareholding every fiscal year. If any shares are determined not to contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the Group, the Company will sell them in a timely and appropriate manner. SEPTENI CO., LTD. currently holds no investment shares for purposes other than pure investment.

b. Number of issues and carrying amount on balance sheet

Not applicable.

c. Information on number of shares, carrying amount on balance sheet, etc., for each issue of specified investment shares

Not applicable.

(iv) Investment shares held for purpose of pure investment

i. SEPTENI HOLDINGS CO., LTD.

Category	Current fiscal year		Previous fiscal year	
	Number of issues (issues)	Total carrying amount on balance sheet (thousand yen)	Number of issues (issues)	Total carrying amount on balance sheet (thousand yen)
Unlisted shares	23	682,686	21	832,615
Shares other than unlisted shares	2	153,731	2	313,227

Category	Current fiscal year		
	Total dividends received (thousand yen)	Total gain/loss on sales (thousand yen)	Total unrealized gain/loss (thousand yen)
Unlisted shares	–	–	-475,578
Shares other than unlisted shares	1,699	–	–

ii. SEPTENI CO., LTD.

Category	Current fiscal year		Previous fiscal year	
	Number of issues (issues)	Total carrying amount on balance sheet (thousand yen)	Number of issues (issues)	Total carrying amount on balance sheet (thousand yen)
Unlisted shares	3	44,600	4	53,579
Shares other than unlisted shares	2	57,560	1	30,880

Category	Current fiscal year		
	Total dividends received (thousand yen)	Total gain/loss on sales (thousand yen)	Total unrealized gain/loss (thousand yen)
Unlisted shares	–	–	–
Shares other than unlisted shares	200	–	–

V Financial Information

1. Method of preparation of consolidated financial statements and non-consolidated financial statements, etc.

(1) The Group’s consolidated financial statements are prepared based on International Financial Reporting Standards (“IFRS”), pursuant to the provisions of Article 312 of the “Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976; the “Regulation on Consolidated Financial Statements”).

(2) The Company’s non-consolidated financial statements are prepared pursuant to the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements” (Ministry of Finance Order No. 59 of 1963; the “Regulation on Financial Statements”).

The Company is qualified as a company allowed to file specified financial statements, and thus prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit certificate

Pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act, the consolidated financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) and the non-consolidated financial statements for the fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024) were audited by KPMG AZSA LLC.

3. Change in fiscal year-end

Due to a partial amendment of the Articles of Incorporation at the 32nd Ordinary General Meeting of Shareholders held on December 21, 2022, the Company changed its fiscal year-end from September 30 to December 31.

Accordingly, the previous fiscal year under review and the previous business year are for the 15-month period from October 1, 2022 to December 31, 2023.

4. Specific measures to ensure the appropriateness of the consolidated financial statements, etc.

The Company adopts specific measures to ensure the appropriateness of its consolidated financial statements, etc. In particular, the Company has become a member of the Financial Accounting Standards Foundation, and has participated in training on newly established or revised accounting standards, etc., in order to obtain an adequate understanding of the details of accounting standards, etc. and to make appropriate disclosures.

5. Development of a framework for appropriately preparing consolidated financial statements, etc. in accordance with IFRS

The Company has developed a framework for appropriately preparing consolidated financial statements, etc. in accordance with IFRS. The details of the framework are as follows.

For application of IFRS, the Company obtains as appropriate, press releases and statements of accounting standards issued by the International Accounting Standards Board, in order to understand the latest standards. Furthermore, for the purpose of preparing appropriate consolidated financial statements, etc. pursuant to IFRS, the Company formulates Group accounting policies and guidelines in accordance with IFRS, and carries out accounting based thereon.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Statement of Financial Position

(Thousand yen)

	Notes	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Assets			
Current assets			
Cash and cash equivalents	7, 29	20,873,416	23,730,478
Trade receivables	8, 21, 29	19,830,799	20,721,228
Inventories		72,849	15,818
Other financial assets	9, 29	101,550	721,696
Other current assets	10	1,997,253	788,470
Subtotal		42,875,867	45,977,690
Assets held for sale	6	807,491	–
Total current assets		43,683,358	45,977,690
Non-current assets			
Property, plant, and equipment	11	257,486	331,425
Right-of-use assets	13	1,899,500	1,418,157
Goodwill	12	4,693,055	4,693,055
Intangible assets	12	432,366	887,843
Investments accounted for using equity method	31	34,249,351	36,012,726
Other financial assets	9, 29	7,106,364	7,252,691
Other non-current assets		13,260	10,449
Deferred tax assets	16	1,271,250	1,053,254
Total non-current assets		49,922,632	51,659,600
Total assets		93,605,990	97,637,290

(Thousand yen)

	Notes	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables	14, 29	19,031,397	18,870,184
Other financial liabilities	15, 29	4,414,965	4,631,603
Income taxes payable		421,929	806,696
Other current liabilities	18, 21	2,227,759	1,902,559
Subtotal		26,096,050	26,211,042
Liabilities directly associated with assets held for sale	6	236,525	–
Total current liabilities		26,332,575	26,211,042
Non-current liabilities			
Other financial liabilities	15, 29	1,369,940	893,394
Provisions	17	152,549	163,095
Deferred tax liabilities	16	46,137	415,069
Total non-current liabilities		1,568,627	1,471,557
Total liabilities		27,901,201	27,682,599
Equity			
Equity attributable to owners of parent			
Share capital	19	18,428,004	18,430,174
Capital surplus	19	25,426,993	25,424,005
Treasury shares	19	-1,396,624	-1,396,624
Retained earnings		23,185,222	27,693,471
Other components of equity	19	-49,731	-270,747
Total equity attributable to owners of parent		65,593,864	69,880,279
Non-controlling interests		110,925	74,413
Total equity		65,704,788	69,954,691
Total liabilities and equity		93,605,990	97,637,290

(ii) Consolidated Statement of Profit or Loss

(Thousand yen)

	Notes	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Continuing operations			
Revenue	4, 21	34,266,611	28,284,209
Cost of sales	22	6,799,214	6,080,764
Gross profit		27,467,397	22,203,445
Selling, general and administrative expenses	22, 28	22,499,702	19,096,000
Other income		66,173	55,013
Other expenses	23	84,734	33,198
Operating profit		4,949,134	3,129,260
Finance income	24	5,760	168,123
Finance costs	24	153,485	33,060
Share of profit of investments accounted for using equity method	31	1,850,739	1,465,487
Gain on change in equity	33	–	467,042
Impairment loss on investments accounted for using equity method	31	–	329,735
Profit before tax		6,652,148	4,867,117
Income tax expenses	16	1,727,766	1,557,686
Profit from continuing operations		4,924,381	3,309,431
Discontinued operations			
Profit (loss) from discontinued operations	5	-657,107	2,210,177
Profit		4,267,275	5,519,608
Profit (loss) attributable to:			
Owners of parent		4,318,831	5,525,805
Non-controlling interests		-51,556	-6,197
Total		4,267,275	5,519,608
Earnings per share	27		
Basic earnings (loss) per share (Yen)			
Continuing operations		23.56	15.93
Discontinued operations		-2.82	10.72
Total		20.74	26.65
Diluted earnings (loss) per share (Yen)			
Continuing operations		23.50	15.91
Discontinued operations		-2.81	10.71
Total		20.68	26.61

(iii) Consolidated Statement of Comprehensive Income

(Thousand yen)

	Notes	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit		4,267,275	5,519,608
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Net changes in financial assets measured at fair value through other comprehensive income	19, 25	201,646	-276,204
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	19, 25	28,097	48,864
Cash flow hedges	19, 25, 29	2,990	–
Share of other comprehensive income of investment accounted for using equity method	19, 25	3,664	65,767
Total other comprehensive income, net of tax		236,397	-161,574
Total comprehensive income		4,503,672	5,358,034
Comprehensive income attributable to:			
Owners of parent		4,555,228	5,364,231
Non-controlling interests		-51,556	-6,197
Comprehensive income		4,503,672	5,358,034

(iv) Consolidated Statement of Changes in Equity

(Thousand yen)

	Notes	Equity attributable to owners of parent: Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at October 1, 2022		18,428,004	25,309,728	-575,707	19,671,818	-128,588	62,705,254	48,815	62,754,069
Profit		–	–	–	4,318,831	–	4,318,831	-51,556	4,267,275
Other comprehensive income		–	–	–	–	236,397	236,397	–	236,397
Total comprehensive income		–	–	–	4,318,831	236,397	4,555,228	-51,556	4,503,672
Dividends of surplus	20	–	–	–	-962,966	–	-962,966	–	-962,966
Purchase of treasury shares	19	–	-2,506	-1,275,942	–	–	-1,278,448	–	-1,278,448
Disposal of treasury shares	19	–	-455,025	455,025	–	–	–	–	–
Changes without loss of control of subsidiaries	30	–	542,167	–	–	–	542,167	115,350	657,516
Other		–	32,629	–	157,539	-157,539	32,629	-1,684	30,945
Total transactions with owners		–	117,265	-820,917	-805,426	-157,539	-1,666,618	113,665	-1,552,953
Balance at December 31, 2023		18,428,004	25,426,993	-1,396,624	23,185,222	-49,731	65,593,864	110,925	65,704,788

(Thousand yen)

	Notes	Equity attributable to owners of parent: Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2024		18,428,004	25,426,993	-1,396,624	23,185,222	-49,731	65,593,864	110,925	65,704,788
Profit		–	–	–	5,525,805	–	5,525,805	-6,197	5,519,608
Other comprehensive income		–	–	–	–	-161,574	-161,574	–	-161,574
Total comprehensive income		–	–	–	5,525,805	-161,574	5,364,231	-6,197	5,358,034
Issuance of new shares	19	2,170	–	–	–	–	2,170	–	2,170
Dividends of surplus	20	–	–	–	-1,076,999	–	-1,076,999	–	-1,076,999
Changes without loss of control of subsidiaries	30	–	-2,988	–	–	–	-2,988	9,730	6,743
Disposal of subsidiaries	30	–	–	–	–	–	–	-35,620	-35,620
Other		–	–	–	59,442	-59,442	–	-4,426	-4,426
Total transactions with owners		2,170	-2,988	–	-1,017,556	-59,442	-1,077,816	-30,315	-1,108,131
Balance at December 31, 2024		18,430,174	25,424,005	-1,396,624	27,693,471	-270,747	69,880,279	74,413	69,954,691

(v) Consolidated Cash Flow Statement

(Thousand yen)

	Notes	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities			
Profit before tax from continuing operations		6,652,148	4,867,117
Profit (loss) before tax from discontinued operations	5	-666,259	3,209,136
Adjustments:			
Depreciation and amortization		967,653	695,071
Interest and dividend income		-4,562	-8,317
Interest expenses		26,229	18,980
Share of loss (profit) of investments accounted for using equity method		-1,850,739	-1,465,487
Loss (profit) on valuation of securities		42,700	-138,975
Loss (gain) on change in equity		–	-467,042
Impairment loss on investments accounted for using equity method		–	329,735
Loss (profit) from loss of control of subsidiaries		–	-3,334,325
Other	26	70,391	226,013
Changes in working capital			
Decrease (increase) in trade receivables		-1,908,593	-812,707
Decrease (increase) in inventories		27,526	9,376
Increase (decrease) in trade payables		2,271,407	-157,159
Other	26	-1,431	-477,989
Subtotal		5,626,471	2,493,426
Interest received		4,462	6,278
Dividends received		1,855,868	1,213,839
Interest paid		-28,144	-19,096
Income taxes refund		66,438	1,466,249
Income taxes paid		-3,739,690	-1,483,561
Cash flows provided by (used in) operating activities		3,785,405	3,677,135
Cash flows from investing activities			
Proceeds from sale of securities		311,068	–
Purchase of securities		-1,109,047	-1,175,466
Purchase of property, plant, and equipment		-168,007	-150,831
Purchase of intangible assets		-12,573	-391,188
Proceeds from sale of shares of subsidiaries resulting in loss of control, net of cash held by disposed subsidiaries	30	43,065	1,833,045
Payments of contingent considerations		-828,080	–
Purchases of investments accounted for using equity method	31	-932,830	–
Other	26	676,358	220,789
Cash flows provided by (used in) investing activities		-2,020,045	336,350

(Thousand yen)

		FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	26	3,000,000	–
Repayments of long-term borrowings	26	-2,000,350	–
Repayments of lease liabilities	26	-751,749	-557,893
Dividends paid	20	-962,966	-1,076,999
Proceeds from sale of treasury shares	19	221,993	–
Purchase of treasury shares	19	-1,278,448	–
Other		-63,181	3,168
Cash flows provided by (used in) financing activities		-1,834,702	-1,631,723
Effect of exchange rate changes on cash and cash equivalents		29,118	48,864
Net increase (decrease) in cash and cash equivalents		-40,223	2,430,625
Cash and cash equivalents at beginning of period		21,340,076	20,873,416
Net increase (decrease) in cash and cash equivalents included in assets held for sale	6	-426,437	426,437
Cash and cash equivalents at end of period	7	20,873,416	23,730,478

Notes to the Consolidated Financial Statements

1. Reporting entity

SEPTENI HOLDINGS CO., LTD. (the "Company") is a company established and incorporated in Japan. The addresses of its registered headquarters and main offices are disclosed on its website (https://www.septeni-holdings.co.jp/en/). The Company's consolidated financial statements were prepared with December 31, 2024 as the year-end date, and comprise the Company and its subsidiaries (the "Group"), as well as equity in its associates. The parent company of the Company is Dentsu Group Inc.

The Group's main businesses are described in "(1) Overview of reportable segments" in "Note 4. Information on Reportable Segments."

2. Basis of preparation

(1) Compliance with IFRS

Pursuant to the provision of Article 312 of the Regulation on Consolidated Financial Statements, the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Company qualifies as a "specified company complying with designated international accounting standards" prescribed in Article 1-2 of the said Regulation.

(2) Basis of measurement

The Group's consolidated financial statements are prepared on a historical cost basis, with the exception of certain financial instruments that are measured at fair value.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures are rounded to the nearest thousand yen.

(4) Significant accounting judgments, estimates, and assumptions

In preparing the consolidated financial statements, management is required to make judgments, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

Such estimates and underlying assumptions are reviewed on an ongoing basis. The effects of the review of the accounting estimates are recognized in the accounting period in which the review was conducted and in future accounting periods.

Information regarding the judgments made in applying accounting policies that have a significant impact on the amounts recognized on the consolidated financial statements is included in the following notes:

・ Note 3. (1) Basis of consolidation
・ Note 3. (6) Financial instruments
・ Note 3. (16) Revenue

Estimates involving significant risks that may lead to significant adjustments to the carrying amount of assets and liabilities in the next fiscal year, and assumptions that serve as the basis of such estimates are as follows:

・ Fair value of assets acquired and liabilities assumed through business combinations	
	Note 3. (2) Business combinations
	Note 29. (4) Liquidity risk management
	Note 29. (9) Fair value of financial instruments
・ Fair value of financial instruments	Note 3. (6) Financial instruments
・ Impairment of financial assets	Note 3. (6) Financial instruments
・ Impairment of non-financial assets	Note 3. (10) Impairment of assets
	Note 12. (4) Impairment test of goodwill
・ Provisions	Note 3. (12) Provisions
・ Share-based remuneration	Note 3. (15) Share-based payment
・ Recoverability of deferred tax assets	Note 3. (17) Income taxes

(5) Accounting standards and interpretations not yet applied

Major accounting standards and interpretations that have been newly established or amended and announced by the approval date of the consolidated financial statements, but not yet applied by the Group are as follows.

IFRS Accounting Standard		Date of mandatory application (reporting periods beginning on or after:)	Timing of application by the Group	Overview of the new or amended standards
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending December 31, 2027	New accounting standard to replace the existing accounting standard IAS 1 *Presentation of Financial Statements*

The potential impact arising from the application of IFRS 18 is currently under review.

(6) Change in fiscal year-end

The Company and its subsidiaries whose fiscal year-end are not December 31 changed fiscal year-end to December 31 from the previous fiscal year.

As a result of this change, the previous fiscal year was from October 1, 2022 to December 31, 2023, and the current fiscal year was from January 1, 2024 to December 31, 2024, which is not completely comparable to the previous fiscal year.

3. Material accounting policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investee entities (including structured entities) that are controlled by the Group. If the Group owns a majority of the voting rights of an investee entity, it is deemed to be under the Group’s control in principle, and is included as a subsidiary. If the Group does not own a majority of the voting rights, but has exposure or rights to variable return arising from its involvement in the investee entity, while retaining the capability to influence such return by exercising its power over the investee entity, it is deemed to be under the Group’s control, and is included as a subsidiary.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when the Group obtains control until the date when it loses control.

Changes in the equity in subsidiaries is accounted for as capital transactions if the control continues, and the difference between the adjusted amount of non-controlling interests and the fair value of considerations is recognized directly in equity attributable to owners of the Company. If the Group loses control over a subsidiary, gains or losses derived from such loss are recognized in profit or loss.

(ii) Investments in associates

Associates are investee entities (including structured entities) over which the Group has significant influence on financial and management policies, but which the Group does not control or jointly control.

Investments in associates are recognized at cost at the time of acquisition, and are subsequently accounted for using the equity method. Their carrying amount includes goodwill recognized at the time of acquisition. Goodwill included in the carrying amount is calculated as the difference between the company’s equity in the net fair value of identifiable assets (including customer-related assets) and the liabilities of the associates and the investment cost.

The consolidated financial statements include the Group’s equity in the associates’ profit or loss, as well as other comprehensive income.

If the accounting policies applied by an associate differ from those of the Group, adjustments are made to the financial statements of the equity-method associate as necessary to ensure consistency with the Group’s accounting policies.

In addition, whether there is objective evidence of impairment of investment in an associate is determined by the management, based on information regarding significant changes in the value of the investment with an adverse impact indicating the potential irrecoverability of the investment cost arising from the market or economic environment, as supported by observable data related to loss events.

(iii) Reporting date

The end of the reporting period for all subsidiaries is consistent with the Company.

If the last day of the reporting period differs between the Company and its associates, the financial statements of the subsidiaries and associates are used based on provisional settlement as of the consolidated closing date.

(iv) Transactions eliminated in the consolidated financial statements

The amounts of receivables, payables, transactions, and unrealized gains and losses arising from inter-Group transactions are eliminated when preparing the consolidated financial statements.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration for acquisition is measured as the sum of the fair values at the acquisition date (the date of obtaining control) of the assets transferred in exchange for control over an acquiree, the liabilities assumed, and the equity instruments issued by the Company. Acquisition-related cost is recognized in profit or loss when incurred.

In the case where initial accounting for a business combination is not complete by the end of the fiscal year, during which such business combination occurs, provisional amounts are reported on the items for which the accounting treatment is incomplete. If such incomplete state was anticipated beforehand, provisional amounts are adjusted during the measurement period (not to exceed one year), or additional assets acquired or liabilities assumed are recognized, in order to reflect new information obtained regarding facts or circumstances on the acquisition date, which are considered would have affected the amounts recognized on the acquisition date had they been brought to light.

In a business combination, following the identification of the acquirer, identifiable assets acquired and liabilities assumed of the acquired subsidiary are measured at fair value on the acquisition date, except for the following:

- Deferred tax assets or deferred tax liabilities measured in accordance with IAS 12 “Income Taxes”
- Assets or liabilities related to the employee benefits contracts, as measured in accordance with IAS 19 “Employee Benefits”
- Liabilities related to the share-based remuneration contract of the acquiree, as measured in accordance with IFRS 2 “Share-based Payment”
- Non-current assets or disposal groups classified and measured in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

If the sum of the consideration for the business combination transferred, the amount of non-controlling interests in the acquiree, and the fair value on the acquisition date of the equity in the acquiree held previously by the Company exceeds the net fair value of the identifiable assets acquired and liabilities assumed, such excess is recorded as goodwill in the consolidated statement of financial position. Conversely, if the above-mentioned sum falls short of such net fair value, such shortfall is recognized directly in profit or loss in the consolidated statement of profit or loss. The Group chooses whether to measure non-controlling interests at fair value or based on the proportion of non-controlling interests relative to the recognized identifiable net assets, for each business combination transaction.

The additional acquisition of non-controlling interests following the obtaining control are accounted for as a capital transaction. The difference between the adjusted amount of non-controlling interests and the fair value of the consideration paid or received is recognized directly in capital surplus, and no goodwill is recognized from such transaction.

(3) Foreign currency translation

(i) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency of each Group company at the exchange rate on the transaction date. Foreign currency denominated monetary assets and liabilities remeasured at the year-end date are retranslated into the functional currency at the exchange rate on the year-end date. Foreign currency denominated non-monetary assets and liabilities measured at fair value are retranslated into the functional currency at the exchange rate on the fair value measurement date.

Foreign currency differences arising from the settlement of these transactions, as well as those arising from the translation of foreign currency denominated monetary assets and liabilities at the exchange rate on the year-end date are recognized in profit or loss. However, if profit or loss from non-monetary items is recorded in other comprehensive income, foreign currency differences therefrom are also recorded in other comprehensive income.

(ii) Foreign operations

Assets and liabilities of foreign operations (including goodwill arising from acquisitions and adjustments of fair value) are translated into Japanese yen at the exchange rate on the year-end date, while revenue and expenses are translated into

Japanese yen at the average exchange rate during the corresponding fiscal year. However, in cases where the exchange rate fluctuates significantly, such translation is based on the exchange rate on the transaction date.

Foreign currency translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. With regard to full disposal of equity in a foreign operation or partial disposal thereof involving the loss of control or significant influence, such translation differences are reclassified to profit or loss, as part of profit or loss on disposal.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits convertible into cash as needed, and short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and are so near to maturity that they present an insignificant risk of changes in value.

(5) Inventories

Inventories consist of merchandise and work in process, and are measured at the lower of cost or net realizable value. Costs are calculated primarily by using the weighted average method.

(6) Financial instruments

(i) Non-derivative financial assets

The Group initially recognizes trade and other receivables on the date such receivables arise. All other financial assets are initially recognized on the contract date when the Group becomes a party to the contract of the financial instruments.

The Group derecognizes financial assets when the contractual rights to cash flows from the financial assets expire, or the contractual rights to receive cash flows from the financial assets are transferred in a transaction that substantially transfers to another party all of the risks and economic benefits associated with ownership of the financial assets. Equity in the transferred financial assets held in an ongoing manner by the Group is recognized as separate assets and liabilities.

An outline of the classification of non-derivative financial assets and the method for measurement thereof is as follows:

a. Financial assets measured at amortized cost

Investments in debt instruments with contractual cash flows that comprise principal and interest on the principal amount paid on certain dates, and are held by the Group based on a business model designed to collect contractual cash flows are measured at amortized cost. Transaction costs that are directly attributable to the acquisition of financial assets measured at amortized cost are added to its fair value.

Following initial recognition, amortized cost is measured by using the effective interest method, involving an appropriate deduction of impairment loss. Interest income, foreign exchange gain and loss, and impairment loss related to financial assets measured at amortized cost are recognized in profit or loss.

b. Financial assets measured at fair value through other comprehensive income (“financial assets measured at FVTOCI”)

Investments in debt instruments with contractual cash flows that comprise principal and interest on the principal amount paid on certain dates, and are held by the Group based on a business model designed to collect contractual cash flows and sell such financial assets are measured at fair value. In this case, interest income, foreign exchange gain and loss, and impairment loss are recognized in profit or loss by using the effective interest method, while changes in fair value other than the foregoing are recognized in other comprehensive income (with possible reclassification to profit or loss).

The Group may (irrevocably) opt to measure investments in equity instruments not held for trading at fair value at initial recognition, and recognize changes therein in other comprehensive income. In this case, changes in fair value are recognized in other comprehensive income (with no reclassification to profit or loss). In the case of derecognition, cumulative changes in fair value that are recognized in other comprehensive income are directly transferred to retained earnings. Dividends are recognized in profit or loss unless they apparently represent a partial collection of investment cost.

Transaction costs that are directly attributable to the acquisition of a financial asset measured at FVTOCI are added to its fair value.

c. Financial assets measured at fair value through profit or loss ("financial assets measured at FVTPL")

Financial assets other than those described above are measured at fair value, while changes therein are recognized in profit or loss. Transaction costs that are directly attributable to the acquisition of financial assets measured at FVTPL are recognized in profit or loss when incurred.

The Group does not designate any debt instruments as those to be measured at fair value through profit or loss for the purpose of eliminating or significantly reducing an accounting mismatch.

(ii) Impairment of financial assets

In recognizing amortized cost or impairment of debt instruments measured at fair value through other comprehensive income, the Group assesses at each year-end date whether the credit risk associated with a concerned financial asset or group of financial assets increased significantly after initial recognition. Specifically, if credit risk has not increased significantly after initial recognition, the 12-month expected credit losses are recognized as loss allowance. On the other hand, if credit risk has increased significantly after initial recognition, the expected credit loss during the remaining period is recognized as loss allowance. Whether or not credit risk has increased significantly is determined based on the change in default risk.

For trade receivables arising from normal transactions by the Group, a loss allowance is recognized, based simply on historical credit loss due to a short collection period, at an amount equivalent to the expected credit losses during the remaining period after initial recognition.

Expected credit losses are measured based on the difference between the contractual cash flows payable to a business according to a contract and the cash flows a business expects to receive as present value.

If the Group has no reasonable expectation to collect a financial asset in whole or in part, a reduction is made directly to the carrying amount of the whole financial asset.

(iii) Non-derivative financial liabilities

The Group recognizes a financial liability on the transaction date when it becomes a party to the contract for the financial instruments. The Group derecognizes the financial liabilities only when they are extinguished, that is, when the obligations in the contract are discharged, cancelled, or expired.

The Group has borrowings, trade and other payables as non-derivative financial liabilities, and transaction costs that are subject to initial recognition at fair value and are directly attributable to the acquisition of financial liabilities measured at amortized cost are deducted from such fair value.

Following initial recognition, the aforementioned liabilities are measured at amortized cost by using the effective interest method.

Contingent considerations are recognized at fair value at the time of acquisition. If it falls into measurement during the measurement period, changes in fair value after the acquisition involve adjustments to the acquisition cost; otherwise, such changes are recognized in profit or loss as changes in fair value.

(iv) Derivatives and hedge accounting

The Group owns various derivative financial instruments as a means to hedge foreign exchange and other risks.

The Group recognizes changes in the fair value of derivatives as profit or loss. However, the effective portions of cash flow hedges are recognized as other comprehensive income.

At the inception of hedging, the Group formally designates and documents the hedging relationship to which hedge accounting is to be applied, as well as the objectives and strategies of risk management for undertaking the hedge. This documentation includes specific hedging instruments, hedged items, nature of the risk to be hedged, and the assessment methods of the effectiveness of the hedging relationship. These hedges are expected to meet the prerequisites: (i) economic relationships exist between the hedged items and hedging instruments; (ii) the impact of the credit risk does not significantly exceed the changes in value arising from the economic relationship; and (iii) the hedging ratio of the hedging relationship is identical to the ratio based on the actual quantities of the hedged items and hedging instruments. These prerequisites are verified continuously, to determine whether the hedging relationship will remain effective in the future.

The Group adopts cash flow hedges by designating as hedging instruments derivative financial instruments that meet the criteria for hedge accounting. Cash flow hedges are hedges against exposure to the variability of cash flows that arises from specific risks associated with recognized assets or liabilities, or from forecast transactions that are highly likely to be made, which have an impact on profit or loss.

Portions of gains or losses on hedging instruments that are determined to be effective hedges are recognized as other comprehensive income. The amount recognized as other comprehensive income is transferred from other comprehensive income to profit or loss in the same fiscal year as that in which the hedged cash flows have an impact on profit or loss. In cases where hedged items result in the recognition of a non-financial asset or non-financial liability, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of such non-financial asset or non-financial liability. Any ineffective portions of qualified hedges are recognized as profit or loss.

(v) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented on a net basis in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the balances of such assets and liabilities, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

(7) Property, plant and equipment

Property, plant and equipment are measured under the cost model and carried at their cost, less any accumulated depreciation and impairment. The cost of property, plant and equipment includes expenses that are directly incidental to the acquisition of such assets, and the initial estimated costs of dismantling and removing the assets as well as restoring the premises to the original condition.

Regarding depreciation expense, the depreciable amount is calculated primarily by the straight-line method over the respective estimated useful life of each component. The depreciable amount is calculated by subtracting residual value from the cost of the asset.

The estimated useful lives of major property, plant and equipment are as follows:

・ Buildings:	3 to 15 years
・ Tools, furniture and fixtures:	3 to 20 years

The depreciation method, estimated useful life, and residual value are reviewed at each year-end date and revised as appropriate.

(8) Goodwill and intangible assets

(i) Goodwill

The measurement of goodwill at initial recognition is described in “(2) Business combinations.” Goodwill is not amortized. If amortization is found to be necessary as a result of impairment test, an impairment loss is recorded. Goodwill is measured at cost less the accumulated impairment loss.

(ii) Other intangible assets

Separately acquired intangible assets are measured at cost at initial recognition. Intangible assets acquired as a result of a business combination are recognized separately from goodwill at initial recognition, and measured at fair value on the acquisition date.

Measurement after initial recognition is carried out under the cost model. Intangible assets with definite useful lives are measured at cost less accumulated amortization and impairment, while those with indefinite useful lives are measured at cost less accumulated impairment losses.

Research and development expenses incurred within the Group are recognized as expenses when incurred, except for expenditures for development activities that meet capitalization requirements (internally generated intangible assets). Internally generated intangible assets are measured at initial recognition, at the sum of the expenditures that incurred in the period from the date when all the capitalization requirements are met until the development is completed.

Intangible assets with definite useful lives are amortized over their estimated useful lives, under the straight-line method. Intangible assets with indefinite useful lives are not amortized, and impairment tests are carried out at each year-end date until their useful life becomes apparent.

The estimated useful lives of major intangible assets are as follows:

・ Software:	3 to 5 years
・ Customer relationships:	11 years

The amortization method, estimated useful life, and residual value are reviewed at each year-end date and revised as appropriate.

(9) Leases

The Group determines whether a contract is or contains a lease, at the time of its inception. The Group chooses to treat consideration in a contract containing a lease at its inception date or reevaluation date by deeming each lease component and related non-lease component as a single lease component, without distinguishing it from non-lease components at each underlying asset class, as a practical expedient measure as allowed under IFRS 16. In addition, the lease term consists of the non-cancellable term plus a period covered by the extension option that is likely to be exercised with reasonable certainty, as well as a period covered by a cancellation option that is unlikely to be exercised with reasonable certainty.

(Lessee)

(i) Right-of-use assets

Right-of-use assets are recognized on the inception date of lease. Right-of-use assets are measured at acquisition cost on the inception date of lease, where the acquisition cost consists of the total of the initially measured lease liabilities, lease payments paid prior to the inception date of the lease less the lease incentive received, initial direct costs incurred, and estimated cost to be incurred by the lessee in restoring the underlying asset to its original condition, as required under the terms of the lease.

After the inception date of lease, right-of-use assets are measured under the cost model, at acquisition cost less accumulated depreciation and impairment. Right-of-use assets are depreciated from the inception date until the end of the useful lives of the right-of-use assets or the end of the lease term, whichever is earlier, unless the Group is reasonably certain to acquire the ownership of the right-of-use assets at the end of the lease term. The useful lives of the right-of-use assets are determined in the same manner as used for property, plant and equipment.

(ii) Lease liabilities

Lease liabilities are recognized on the inception date of lease. Lease liabilities are measured at the present value of the lease payments that are yet to be paid, as of the inception date of lease. If the interest rate implicit in the lease is readily determinable, such lease payments are discounted by using such interest rate, or otherwise discounted by using the lessee’s incremental borrowing rate. The lease payments included in the measurement of lease liabilities consist primarily of fixed lease payments, lease payments for the extension period if such extension option is likely to be exercised with reasonable certainty, and payments of a penalty for cancellation of the lease unless it is reasonably certain that the contract will not be prematurely canceled.

After the inception date of lease, the carrying amount of the lease liabilities is adjusted to reflect the interest rate on the lease liabilities and the lease payments paid. In case of a review of the lease liabilities or a lease modification, the lease liabilities are remeasured to adjust the right-of-use asset.

(10) Impairment of assets

(i) Financial assets

Impairment of financial assets is described in “(ii) Impairment of financial assets” in “(6) Financial instruments.”

(ii) Non-financial assets

The Group assesses at each year-end date whether there is any indication that the carrying amount of its non-financial assets, excluding inventories and deferred tax assets, etc., may be impaired. If such an indication is found, the recoverable amounts of such assets are estimated.

Goodwill and intangible assets with indefinite useful lives or those not yet available for use are tested for impairment to estimate recoverable amount whenever there is an indication, or at least annually regardless of whether there is such indication.

The recoverable amount of an asset or a cash-generating unit is calculated at the higher of its value in use or its fair value less the cost of disposal. The value in use is calculated by discounting the estimated future cash flows to the present value, using a pre-tax discount rate that reflects the time value of money, the risks specific to the asset, etc. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets through its continued use.

The allocation of goodwill to cash-generating units is determined based on the unit for managing goodwill for the purpose of internal control, which is within the scope of a business segment.

Since corporate assets do not generate independent cash inflows, if there is an indication of impairment of corporate assets, this is assessed by calculating the recoverable amount of the cash-generating unit to which the corporate assets belong.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, such asset is devalued to its recoverable amount and an impairment loss is recognized. An impairment loss recognized in association with cash-generating units is first allocated so as to reduce the carrying amount of goodwill allocated to the unit, with the remaining amount allocated so as to reduce other assets, according to the proportion of the carrying amount of other assets in the unit.

For an impairment loss that is recognized in the prior periods of assets other than goodwill, the Group assesses whether there is any indication of a decrease or disappearance of the loss at each year-end date. If there is any indication of a reversal of the impairment loss and the estimated amount used to determine the recoverable amount changes, the impairment loss is reversed. The impairment loss is reversed up to the carrying amount less any necessary depreciation or amortization expenses that would have been determined had no impairment loss been recognized.

However, the goodwill-related impairment loss is not reversed.

Since the goodwill that forms part of the carrying amount of investment in entities accounted for using equity method is not separately recognized, it is not tested for impairment separately. If there is an indication of impairment supported by objective evidence in the investment in entities accounted for using the equity method, the carrying amount of the entire investment amount is tested for impairment as a single asset. There is no indication of impairment in the investment in Dentsu Digital Inc., as there is no objective evidence to support such impairment. Since there was an indication of impairment of investment in and factory,inc., it was tested for impairment, and an impairment loss was recorded because the recoverable amount was lower than the carrying amount.

(11) Employee benefits

Short-term employee benefits are not discounted, but are recorded as expenses upon provision of the related services. Regarding bonuses, the Group is legally or constructively obligated to pay bonuses, and when reliable estimates are available, an estimated amount to be paid under the relevant system is recognized as a liability.

(12) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates regarding the amount of the obligations are available.

If the time value of money has a significant effect, provisions are calculated by discounting the estimated future cash flows to the present value, by using the pre-tax discount rate reflecting the time value of money and the risks specific to the liability. An increase in provisions due to the passage of time is recognized as finance costs.

(13) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

Non-current assets or disposal groups that are expected to be recovered in carrying amounts not by continuous use but by sale are classified as non-current assets and disposal groups held for sale, when they are highly likely to be sold within one year, they are available for immediate sale in their present condition, and management of the Group is committed to such sale. In such case, the non-current assets are neither depreciated nor amortized, and are measured at the carrying amount or fair value less the cost of sales, whichever is lower.

(ii) Discontinued operations

A discontinued operation is a corporate component that has already been disposed or classified as held for sale, and represents a major independent business domain or an operational area of the Group, or represents a part of the unified plan for disposing a major independent business domain or operational area. Such a component is presented or disclosed as a discontinued operation, separate from continuing operations.

(14) Equity

(i) Common shares

Common shares issued by the Company are accounted for by recognizing the issue price in share capital and capital surplus, while the direct issue cost (after tax effect) is deducted from capital surplus.

(ii) Treasury shares

When purchasing treasury shares, consideration paid including direct transaction costs after tax effect are recognized in equity, as a deduction item. In the case of the sale of treasury shares, the difference between its carrying amount and the consideration received at sale is recognized in capital surplus.

(15) Share-based payment

(i) Share option plan

The Group has introduced a share option plan for providing equity-settled share-based payment. The fair value of share-based remuneration at the grant date is recognized as expenses over the vesting period from the grant date, while recognizing the corresponding amounts as increases in other components of equity. The fair value of the granted share options is calculated by using the Black Scholes model, etc., in consideration of the various conditions of the options.

(ii) Share-based remuneration plan

The Group has introduced a performance-linked share-based remuneration plan for providing equity-settled share-based payment.

The fair value of the equity-settled share-based remuneration on the grant date is recognized as expenses over the vesting period from the grant date, while recognizing the corresponding amounts as increases in equity.

(16) Revenue

Revenue is recognized based on the following five-step approach:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group provides services to customers through the Digital Marketing Business and the Media Platform Business.

(i) Digital Marketing Business

The Digital Marketing Business provides services including the distribution and placement of advertising, as well as creative/marketing support services on digital media, etc. provided by media companies.

Performance obligations are satisfied regarding the distribution and placement of advertising on the digital media, etc. provided by media companies, primarily when advertising is actually distributed and/or placed on the digital media, and for creative/marketing support services, etc., primarily when products are delivered or services are provided. Revenue is therefore recognized upon the respective point of time of satisfaction of such performance obligations.

For transactions in the Digital Marketing Business, the Group records the revenue primarily at the consideration received from clients as remuneration for the services provided by the Group less the relevant cost, or at a certain remuneration paid in the form of a commission. However, for some transactions for which the Group determines that it acts justifiably as a principal, consideration received from clients and costs are recorded on a gross basis. Consideration for transactions is primarily received within one year after the satisfaction of performance obligations, and does not contain a significant financing component.

(ii) Media Platform Business

The Media Platform Business provides services including the distribution and placement of advertising on the digital media provided by the Group, as well as the provision of e-books, etc.

Performance obligations are satisfied regarding the distribution and placement of advertising on the digital media provided by the Group, primarily when advertising is actually distributed and/or placed on the digital media, and for the provision of e-books, etc., primarily when products are delivered. Revenue is therefore recognized upon the respective point of time of satisfaction of such performance obligations.

For transactions in the Media Platform Business, revenue and costs are recorded on a gross basis, because the Group determines that it acts justifiably as a principal. Consideration for transactions is primarily received within one year after the satisfaction of performance obligations, and does not contain a significant financing component.

(17) Income taxes

Income tax expense comprises current income taxes and deferred income taxes, and is recognized in profit or loss, except for taxes arising from business combinations, and from other comprehensive income or the items recognized directly in equity.

Current income taxes are measured at an amount that is expected to be paid to or refunded from the tax authority. The tax rate and tax law that are applied for calculating the tax amount are in force or effectively in force by the year-end date in a country where the Group conducts its business activities, and generates profit or loss that is subject to taxation.

For deferred tax assets, deductible temporary differences, unused tax losses, and unused tax credits are recognized within the range that is highly likely to be usable for future taxable profit. Deferred tax assets are under a recoverability review at each year-end date. Deferred tax liabilities are recognized regarding taxable temporary differences, in principle.

However, deferred tax assets or deferred tax liabilities are not recognized regarding the following temporary differences:

・Temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither accounting profit nor taxable profit (tax loss) at the time of the transaction, and that does not give rise to the same amount of taxable temporary differences and deductible temporary differences at the time of the transaction.

・Temporary differences arising from the initial recognition of goodwill

・In cases where deductible temporary differences associated with investments in subsidiaries and associates are unlikely to be reversed in the foreseeable future, or taxable profit against which such deductible temporary differences could be utilized is unlikely to be available

・In cases where the timing of reversal of taxable temporary differences associated with investments in subsidiaries and associates can be controlled, and such temporary differences are unlikely to be reversed in the foreseeable future

Deferred tax assets and deferred tax liabilities are measured by using the tax rate that is expected to be applied at the time of reversal of the temporary differences, based on the law in force or effectively in force at the year-end date.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset current tax assets and current tax liabilities, and they are related to income taxes imposed on the same taxable entity, or they are related to income taxes imposed by the same tax authority on different taxable entities, with the intent to make settlement on a net basis.

The Company and its domestic wholly-owned subsidiaries apply the Japanese group relief, in which they file an income tax return and pay taxes as one consolidated tax-filing group.

(18) Earnings per share

Basic earnings (loss) per share are calculated by dividing profit (loss) attributable to owners of parent by the weighted average number of common shares outstanding less the number of treasury shares during the period. Diluted earnings (loss) per share are calculated, with reference to the impact of all potential common shares with dilutive effects, by adjusting profit (loss) attributable to owners of parent and the weighted average number of shares outstanding less the number of treasury shares.

4. Information on Reportable Segments

(1) Overview of reportable segments

The Group has a holding company structure where the Company is a holding company, and its subsidiaries (or their groups) are business units. Activities directly related to revenue generation are conducted solely by the business units.

The Group's reportable segments are based on business segments for which separate financial information is available and that the highest decision-maker examines on a regular basis to determine the distribution of management resources and evaluate the results. In consideration of similarities among the economic characteristics of each business segment and their quantitative importance and for the purpose of enabling the users of the financial statements to appropriately evaluate the Group's businesses and the economic circumstances, and their effects on the businesses, the Group discloses information on two reportable segments: the Digital Marketing Business and the Media Platform Business.

(i) Digital Marketing Business

The Digital Marketing Business consists of businesses that provide comprehensive DX support, mainly in the marketing domain, such as marketing support through online-offline integration centered on the sales and operation of digital advertising, and the development and provision of solutions utilizing data and AI.

(ii) Media Platform Business

The Media Platform Business consists of Employment Platform Business "ViViViT," Platform Business of Social Contribution "gooddo," Childcare Platform Business "TowaStela" etc. This segment includes business units that have commenced operation in recent years and have not made a profit due to prior investment for revenue generation. The highest decision-maker makes decisions on the distribution of management resources to those business units and evaluates their results, assuming risks and economic values that allow the Group to recover the investment costs through future revenue generation.

Due to the sale of a portion of the Company's share in COMICSMART INC. on March 29, 2024, the company and its subsidiaries were excluded from the scope of consolidation and became equity-method associates. Because their operating results are presented as discontinued operations for the previous fiscal year and the period from January 1, 2024 to the date of loss of control, the disclosure requirements of IFRS 8 *Operating Segments* are not applied.

(2) Measurement of reportable segments' profit and loss

Segment profit uses Non-GAAP operating profit based on IFRS adjusted for gain and loss related to acquisition actions such as amortization of acquisition-related intangible assets and M&A expenses and temporary factors such as share-based payment expenses, impairment losses, and gain and loss on sales of fixed assets. Non-GAAP operating profit is a profit indicator of constant business performance determined by excluding gain and loss related to acquisition actions and temporary factors from the IFRS-based operating profit. Management believes that disclosing Non-GAAP measures facilitates comparison between the Group and industry peers and year-on-year comparison by stakeholders and can provide useful information in understanding the underlying operating results and outlook of the Group. Gain and losses related to acquisition actions refer to amortization of acquisition-related intangible assets and M&A expenses, and unusual items refer to one-off items, such as share-based payment expenses, impairment losses, and gain and loss on sales of fixed assets, which the Group believes shall be excluded for the purposes of preparing an outlook based on certain rules.

The prices of inter-segment transactions are determined based on the prices of transactions with external clients.

(3) Information on reportable segments' profit and loss

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Digital Marketing (Note) 2	Media Platform (Note) 3	Total	Adjustments (Note) 4	Consolidated
Segment revenue	32,111,575	2,385,939	34,497,514	-230,903	34,266,611
Segment profit (loss) (Note) 1	8,526,919	-106,683	8,420,236	-3,328,930	5,091,306

(Notes) 1. The segment profit is Non-GAAP operating profit.

2. The segment revenue and segment profit in the Digital Marketing Business include segment revenue and segment loss related to JNJ INTERACTIVE INC., which was transferred on November 30, 2023.
3. The segment revenue and segment loss in the Media Platform Business include segment revenue and segment loss related to ALPHABLE, Inc. and TowaStela, Inc., which were transferred on October 1, 2024 and November 1, 2024, respectively.
4. Adjustments include expenses related to the operation of the holding company and eliminations of profit or loss transactions between reportable segments. Expenses related to the operation of the holding company consist of personnel expenses, etc.

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Digital Marketing	Media Platform (Note) 2	Total	Adjustments (Note) 3	Consolidated
Segment revenue	26,809,736	1,702,896	28,512,633	-228,424	28,284,209
Segment profit (loss) (Note) 1	6,356,539	-92,683	6,263,855	-3,066,878	3,196,977

(Notes) 1. The segment profit is Non-GAAP operating profit.

2. The segment revenue and segment loss in the Media Platform Business include segment revenue and segment loss related to ALPHABLE, Inc. and TowaStela, Inc., which were transferred on October 1, 2024 and November 1, 2024, respectively.
3. Adjustments include expenses related to the operation of the holding company and eliminations of profit or loss transactions between reportable segments. Expenses related to the operation of the holding company consist of personnel expenses, etc.

Adjustments of segment profit (loss) to profit before tax

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Segment profit (non-GAAP operating profit)	5,091,306	3,196,977
Selling, general and administrative expenses		
Amortization of acquisition-related intangible assets	-51,023	-40,818
Share-based payment expenses	-38,877	–
Other profit (loss) (net)	-52,273	-26,898
Financial profit (loss) (net)	-147,725	135,063
Share of profit of investments accounted for using equity method	1,850,739	1,465,487
Gain on change in equity	–	467,042
Impairment loss on investments accounted for using equity method	–	-329,735
Profit before tax	6,652,148	4,867,117

(4) Information regarding products and services

This is omitted, as identical information is disclosed in "(3) Information on reportable segments' profit and loss."

(5) Information by region

A breakdown of revenue by region is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Japan	33,067,767	27,163,325
Other	1,198,844	1,120,884
Total	34,266,611	28,284,209

(Note) The information is based on the location of the clients, in principle.

A breakdown of non-current assets (excluding investments, financial instruments, and deferred tax assets that are accounted for using the equity method) by region is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Japan	7,226,327	7,312,727
Other	69,339	28,203
Total	7,295,667	7,340,930

(6) Information on major clients

Among revenue from external clients, the Digital Marketing Business is the primary segment having a client that solely represents 10% or more of the revenue on the consolidated statement of profit or loss. The total revenue from the aforementioned clients for the fiscal years ended December 31, 2023 and 2024 was ¥4,731,075 thousand and ¥4,184,683 thousand, respectively.

5. Discontinued operations

The Company resolved at the Board of Directors meeting held on December 19, 2023 to sell 74,000 of the 116,400 shares of COMICSMART INC. held by the Company, and sold the shares on March 29, 2024. As of the date of the transfer, the Company's ownership of the voting rights in COMICSMART INC. (current trade name: COMISMA INC.) and its subsidiaries, etc. decreased from 89.42% to 32.57%, causing the Company to lose control over the company and making it an equity-method associate.

As a result, the profit and loss of COMICSMART INC. and its subsidiaries, etc. have been separated from continuing operations and presented as discontinued operations.

(1) Performance of discontinued operations

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Revenue (Note) 1	3,014,566	4,053,976
Expenses	3,680,825	844,840
Profit (loss) before tax from discontinued operations	-666,259	3,209,136
Income tax expense (Note) 2	-9,152	998,959
Profit (loss) from discontinued operations	-657,107	2,210,177

(Notes)
1. Revenue for FY2024 includes a gain (loss) on the sale of shares in COMICSMART of ¥3,333,342 thousand (of which, ¥1,214,100 thousand is attributable to the fair value as of the date of loss of control).
2. Income tax expense for FY2024 includes income tax expense related to the sale of shares in COMICSMART of ¥998,958 thousand (of which, ¥371,757 thousand is attributable to the fair value as of the date of loss of control).

(2) Cash flows of discontinued operations

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities	-645,144	61,998
Cash flows from investing activities (Note)	-44,782	1,820,365
Cash flows from financing activities	–	–
Net cash flow	-689,926	1,882,363

(Note) Cash flows from investing activities include proceeds from sale of shares of subsidiaries resulting in loss of control, net of cash held by disposed subsidiaries.

6. Disposal group held for sale

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Assets held for sale		
Cash and cash equivalents	426,437	–
Trade receivables	332,498	–
Others	48,556	–
Total	807,491	–
Liabilities directly associated with assets held for sale		
Trade receivables	106,773	–
Others	129,752	–
Total	236,525	–

FY2023 (As of December 31, 2023)

As a result of the decision to sell COMICSMART INC. shares, all assets and liabilities held by COMICSMART INC. and its subsidiaries, etc. are presented as a disposal group held for sale. The disposal group's fair value less costs to sell (the expected sale amount) exceeds its carrying amount, and therefore, such assets and liabilities are measured at their carrying amounts.

FY2024 (As of December 31, 2024)

Not applicable.

7. Cash and cash equivalents

A breakdown of cash and cash equivalents for each fiscal year is as follows. Cash and cash equivalents are cash on hand, demand deposits, and short-term investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value, with a maturity of three months or less from the date of acquisition.

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Cash and deposits	20,873,416	22,731,043
Short–term investments	–	999,435
Total	20,873,416	23,730,478

8. Trade receivables

A breakdown of trade receivables is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Notes receivable and trade receivables	19,864,034	20,757,259
Loss allowance	-33,234	-36,031
Total	19,830,799	20,721,228

(Notes) 1. Trade receivables are presented at an amount after deduction of loss allowance in the consolidated statement of financial position.

2. Changes in loss allowance are as stated in "Note 29. Financial instruments."

9. Other financial assets

A breakdown of other financial assets is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Financial assets measured at amortized cost		
Leasehold and guarantee deposits	699,097	723,684
Other	138,916	765,117
Loss allowance	-18,020	-18,300
Financial assets measured at FVTOCI		
Shares	1,695,276	1,608,965
Other	1,000,000	1,000,000
Financial assets measured at FVTPL		
Investments in limited partnership	3,692,644	3,865,503
Other	–	29,418
Total	7,207,914	7,974,387
Current assets	101,550	721,696
Non-current assets	7,106,364	7,252,691
Total	7,207,914	7,974,387

(Note) The fair value, etc. of financial instruments is as stated in "Note 29. Financial instruments."

10. Other current assets

A breakdown of other current assets is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Income taxes refund receivable	1,518,274	103,171
Consumption taxes refund receivable	39,521	194,002
Prepaid expenses	438,457	488,194
Other	1,000	3,103
Total	1,997,253	788,470

11. Property, plant and equipment

(1) Acquisition cost, accumulated depreciation and impairment, and carrying amount of property, plant and equipment

(Thousand yen)

	Buildings	Furniture and fixtures	Other	Total
Beginning of FY2023 (October 1, 2022)				
Acquisition cost	618,807	605,671	10,066	1,234,543
Accumulated depreciation and impairment	545,139	444,316	10,066	999,521
Carrying amount	73,667	161,355	0	235,022
FY 2023 (As of December 31, 2023)				
Acquisition cost	637,620	666,545	10,066	1,314,230
Accumulated depreciation and impairment	544,683	501,995	10,066	1,056,744
Carrying amount	92,936	164,550	0	257,486
FY2024 (As of December 31, 2024)				
Acquisition cost	688,395	752,793	10,066	1,451,254
Accumulated depreciation and impairment	576,040	533,723	10,066	1,119,828
Carrying amount	112,355	219,070	0	331,425

(2) Reconciliation of the carrying amount of property, plant and equipment

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Buildings	Furniture and fixtures	Other	Total
Balance at beginning of period	73,667	161,355	0	235,022
Purchase	82,380	109,531	–	191,911
Loss of control of subsidiaries	-230	-301	–	-531
Sell or disposal	-0	-1,954	–	-1,954
Depreciation (Note) 1	-47,156	-79,626	–	-126,782
Impairment losses (Note) 2	-719	-14,741	–	-15,460
Transfer to assets held for sale	-8,466	-9,130	–	-17,596
Other	-6,540	-584	–	-7,125
Balance at end of period	92,936	164,550	0	257,486

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Buildings	Furniture and fixtures	Other	Total
Balance at beginning of period	92,936	164,550	0	257,486
Purchase	48,614	113,123	–	161,738
Loss of control of subsidiaries	–	-98	–	-98
Sell or disposal	–	-1,691	–	-1,691
Depreciation (Note) 1	-28,459	-56,002	–	-84,461
Impairment losses (Note) 2	-711	-860	–	-1,571
Other	-25	49	–	24
Balance at end of period	112,355	219,070	0	331,425

(Notes) 1. Depreciation is included in “cost of sales,” “selling, general and administrative expenses” and “loss from discontinued operations” on the consolidated statement of profit or loss.

2. Impairment losses are recognized as certain businesses in the Digital Marketing Business and the Media Platform Business were no longer expected to generate revenue as initially anticipated. Impairment losses are included in “other expenses” and “loss from discontinued operations” on the consolidated statement of profit or loss. The recoverable amount is calculated based on value in use, which is considered as nil herein.

12. Goodwill and intangible assets

(1) Acquisition cost, accumulated amortization and impairment, and carrying amount of goodwill and intangible assets

(Thousand yen)

	Goodwill	Intangible assets				
		Software	Customer relationships	Software in progress	Other	Total
Beginning of FY2023 (October 1, 2022)						
Acquisition cost	4,693,055	408,356	449,000	300	22,552	880,208
Accumulated depreciation and impairment	–	317,066	30,614	–	7,391	355,071
Carrying amount	4,693,055	91,290	418,386	300	15,161	525,138
FY2023 (As of December 31, 2023)						
Acquisition cost	4,693,055	421,259	449,000	–	2,518	872,777
Accumulated depreciation and impairment	–	356,330	81,636	–	2,444	440,411
Carrying amount	4,693,055	64,928	367,364	–	74	432,366
FY2024 (As of December 31, 2024)						
Acquisition cost	4,693,055	611,795	449,000	497,070	2,032	1,559,897
Accumulated depreciation and impairment	–	547,599	122,455	–	2,000	672,054
Carrying amount	4,693,055	64,196	326,545	497,070	32	887,843

(2) Reconciliation of the carrying amount of goodwill and intangible assets

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Goodwill	Intangible assets				
		Software	Customer relationships	Software in progress	Other	Total
Balance at beginning of period	4,693,055	91,290	418,386	300	15,161	525,138
Purchase	–	9,636	–	9,255	–	18,891
Amortization (Note) 1	–	-40,455	-51,023	–	-15,000	-106,478
Impairment losses (Note) 2	–	-1,335	–	–	5	-1,330
Transfer to assets held for sale	–	-3,664	–	–	–	-3,664
Other	–	9,455	–	-9,555	-92	-191
Balance at end of period	4,693,055	64,928	367,364	–	74	432,366

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Goodwill	Intangible assets				
		Software	Customer relationships	Software in progress	Other	Total
Balance at beginning of period	4,693,055	64,928	367,364	–	74	432,366
Purchase	–	24,773	–	503,685	–	528,458
Sell or disposal	–	-2,497	–	–	–	-2,497
Amortization (Note) 1	–	-22,157	-40,818	–	–	-62,975
Impairment losses (Note) 2	–	–	–	–	-70	-70
Other	–	-851	–	-6,615	27	-7,439
Balance at end of period	4,693,055	64,196	326,545	497,070	32	887,843

(Notes) 1. Amortization is included in “cost of sales,” “selling, general and administrative expenses” and “loss from discontinued operations” on the consolidated statement of profit or loss.

2. Impairment losses are recognized as certain businesses in the Digital Marketing Business and the Media Platform Business were no longer expected to generate revenue as initially anticipated. Impairment losses are included in “other

expenses” and “loss from discontinued operations” on the consolidated statement of profit or loss. The recoverable amount is calculated based on value in use, which is considered as nil herein.

(3) Significant goodwill and intangible assets

FY2023 (As of December 31, 2023)

Significant goodwill and intangible assets in the fiscal year ended December 31, 2023 are ¥4,693,055 thousand of goodwill and ¥367,364 thousand of customer relationships associated with the obtaining control over Dentsu Direct Inc., which is part of the Digital Marketing Business. The remaining amortization period of customer relationships as of the end of the fiscal year ended December 31, 2023 is nine years.

FY2024 (As of December 31, 2024)

Significant goodwill and intangible assets in the fiscal year ended December 31, 2024 are ¥4,693,055 thousand of goodwill and ¥326,545 thousand of customer relationships associated with the obtaining control over Dentsu Direct Inc., which is part of the Digital Marketing Business. The remaining amortization period of customer relationships as of the end of the fiscal year ended December 31, 2024 is eight years.

(4) Impairment test of goodwill

FY2023 (From October 1, 2022 to December 31, 2023)

In conducting the impairment test of goodwill, the Group’s goodwill has been allocated to Dentsu Direct Inc., which is part of the Digital Marketing Business. The recoverable amount of Dentsu Direct Inc., as a cash-generating unit, is calculated based on its value in use. The value in use is calculated based on the business plan for the three fiscal years following the next fiscal year, as approved by management, which anticipates increases in future sales revenue and business growth beyond the plan period. Cash flows beyond the three-year period are calculated by discounting the estimated future cash flows to the present value using a perpetual growth rate. The discount rate is calculated based on the pre-tax weighted average cost of capital at 12.2%, reflecting the current market assessments of the time value of money and inherent risks. The perpetual growth rate is determined at 0.7% in consideration of the situation of countries and industries to which the cash-generating unit belongs. This perpetual growth rate is not exceeding the long-term average growth rate of the industries in which the cash-generating unit operates. As a result of the impairment test, the value in use of Dentsu Direct Inc. business exceeded the carrying amount; therefore, no impairment loss was recognized.

Furthermore, the management assumes that, even if the discount rate and the perpetual growth rate used in the aforementioned impairment test change within reasonably predictable range, it is not likely for such change to cause significant impairment to the cash-generating unit.

FY2024 (From January 1, 2024 to December 31, 2024)

In conducting the impairment test of goodwill, the Group’s goodwill has been allocated to Dentsu Direct Inc., which is part of the Digital Marketing Business. The recoverable amount of Dentsu Direct Inc., as a cash-generating unit, is calculated based on its value in use. The value in use is calculated based on the business plan for the three fiscal years following the next fiscal year, as approved by management, which anticipates increases in future sales revenue and business growth beyond the plan period. Cash flows beyond the three-year period are calculated by discounting the estimated future cash flows to the present value using a perpetual growth rate. The discount rate is determined based on the pre-tax weighted average cost of capital at 11.6%, reflecting the current market assessments of the time value of money and inherent risks. The perpetual growth rate is determined at 0.9% in consideration of the situation of countries and industries to which the cash-generating unit belongs. This perpetual growth rate is not exceeding the long-term average growth rate of the industries in which the cash-generating unit operates. As a result of the impairment test, the value in use of Dentsu Direct Inc. business exceeded the carrying amount; therefore, no impairment loss was recognized.

Furthermore, the management assumes that, even if the discount rate and the perpetual growth rate used in the aforementioned impairment test change within reasonably predictable range, it is not likely for such change to cause significant impairment to the cash-generating unit.

13. Lease transactions

The Group has entered into lease agreements for its offices. The lease term for major offices is three years without a renewal clause. The Group is under no restrictions associated with the lease agreement such as a purchase option and an escalation clause.

A breakdown of profit or loss on leases is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Depreciation of right-of-use assets		
Buildings	728,974	544,536
Other	5,418	2,775
Total	734,393	547,311
Impairment losses of right-of-use assets		
Buildings	10,520	–
Total	10,520	–
Interest expense on lease liabilities	7,167	6,758
Lease of low-value assets and short-term leases	411,983	380,316

A breakdown of the carrying amount of right-of-use assets is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Right-of-use assets		
Buildings	1,896,725	1,418,157
Other	2,775	–
Total	1,899,500	1,418,157

Increases in right-of-use assets for the fiscal years ended December 31, 2023 and 2024 are ¥1,553,447 thousand and ¥65,969 thousand, respectively.

The total cash outflows related to leases for the fiscal years ended December 31, 2023 and 2024 amounted to ¥758,917 thousand and ¥564,652 thousand, respectively.

For maturity analysis of lease liabilities, please refer to “Note 29. Financial instruments (4) Liquidity risk management.”

Lease liabilities are included in “Other financial liabilities (current)” and “Other financial liabilities (non-current).”

Leases with a remaining term of 12 months or less are applicable to exemption from the recognition of right-of-use assets and lease liabilities.

14. Trade payables

A breakdown of trade payables is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Trade payables	19,031,397	18,870,184
Total	19,031,397	18,870,184

15. Other financial liabilities

A breakdown of other financial liabilities is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Financial liabilities measured at amortized cost		
Other payables	817,223	1,065,327
Short-term borrowings	3,000,000	3,000,000
Other	79,794	67,661
Lease liabilities	1,887,887	1,392,010
Total	5,784,905	5,524,997
Current liabilities	4,414,965	4,631,603
Non-current liabilities	1,369,940	893,394
Total	5,784,905	5,524,997

The Group’s borrowings are under no financial covenants.

The average interest rate on short-term borrowings is 0.407%. An average interest rate represents the weighted average interest rate applicable to the balance as of the end of the fiscal year ended December 31, 2024.

16. Deferred tax assets, deferred tax liabilities, and income tax expense

(1) Deferred tax assets and deferred tax liabilities

Breakdowns of deferred tax assets and deferred tax liabilities by major cause of occurrence are as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Deferred tax assets		
Intangible assets	829,175	756,793
Other	698,485	734,155
Total	1,527,659	1,490,947
Deferred tax liabilities		
Temporary difference on investment in associates	156,513	750,662
Customer relationships	112,487	99,988
Other	33,547	2,113
Total	302,546	852,763
Net amount	1,225,113	638,185

Changes in deferred tax assets and deferred tax liabilities on a net basis are as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Balance at beginning of period	1,250,297	1,225,113
Deferred tax assets recognized in profit or loss	-35,451	-738,144
Deferred tax assets recognized in other comprehensive income	10,268	152,107
Other	–	-892
Balance at end of period	1,225,113	638,185

Deductible temporary differences and tax loss carried forward (as of the expiry date) for which deferred tax assets were not recognized in the consolidated statement of financial position are as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Deductible temporary differences	292,005	280,606
Tax loss carried forward		
Year 1	9,692	1,148
Year 2 through Year 4	20,646	23,035
Year 5 onward	250,676	246,744
Total	281,014	270,928

There are no taxable temporary differences regarding investments in subsidiaries for which deferred tax liabilities were not recognized in the fiscal years ended December 31, 2023 and 2024.

(2) Income tax expense

A breakdown of income tax expense is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Current tax expense:		
Current tax expense	1,692,315	819,542
Subtotal	1,692,315	819,542
Deferred tax expense		
Origination and reversal of temporary differences	35,451	738,144
Subtotal	35,451	738,144
Total	1,727,766	1,557,686

Statutory effective tax rate applicable for the fiscal year ended December 31, 2024 is calculated based on the corporate income tax, inhabitant tax, and enterprise tax in Japan at 30.6% (30.6% for the fiscal year ended December 31, 2023).

Reconciliation between the statutory effective tax rate and the actual tax rate in income tax expense is as follows:

(%)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Statutory effective tax rate	30.6	30.6
Permanently non-deductible expenses for tax purposes such as entertainment expenses	0.8	1.8
Share-based payment expenses	0.1	–
Share of profit (loss) of investments accounted for by using equity method	-4.3	-3.9
Impairment loss on equity-method associates	–	2.1
Increase or decrease in unrecognized deferred tax assets	1.0	-0.6
Gain on sale of shares of subsidiaries	-1.2	0.2
Other	-1.0	1.8
Actual tax rate in income tax expense	26.0	32.0

(3) Global minimum tax

In Japan, where the Company is incorporated, the income inclusion rule (IIR) of the BEPS global minimum tax rules (Pillar Two) was introduced by the 2023 tax reform. Consequently, starting from the fiscal year ended December 31, 2024, top-up tax has been imposed on the Company until the tax rate of subsidiaries and entities in the Group reaches the minimum tax rate of 15%.

The Group has assessed the potential impact of the application of the global minimum tax rules based on the most recent country-by-country reports, tax returns and financial statements of the constituent companies subject to the rules, finding that the transitional safe harbor relief has been applied in most of the jurisdictions in which the Group operates, and that the Pillar Two effective tax rate is above 15% in the jurisdictions where the relief has not been applied. The Group therefore does not expect to have any material exposure to Pillar Two income taxes.

The Group applies the temporary exception provided for in IAS 12 *Income Taxes* for deferred tax assets and liabilities related to Pillar Two income taxes, and does not recognize or disclose such information.

17. Provisions

The details and changes of provisions are as follows:

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Asset retirement obligations	Other	Total
Balance at beginning of period	131,444	27,619	159,063
Increase during the period	16,219	–	16,219
Decrease during the period (intended use)	-22,400	–	-22,400
Other	–	-333	-333
Balance at end of period	125,263	27,287	152,549

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Asset retirement obligations	Other	Total
Balance at beginning of period	125,263	27,287	152,549
Increase during the period	6,653	–	6,653
Interest expenses from discounting	25	–	25
Other	–	3,868	3,868
Balance at end of period	131,940	31,154	163,095

In order to be prepared to fulfill obligation to restore site to original condition at future relocation from leased office pursuant to office lease agreement, asset retirement obligations are estimated, recognized and measured in consideration of the situation of each specific premises based on the expected period of use determined in reference to the past record of restoration as well as service life of interior fixtures at offices.

These expenses are expected to be paid largely after no less than one year, which, however, is subject to factors including the future business plan.

18. Other current liabilities

A breakdown of other liabilities is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Other current liabilities		
Accrued consumption taxes	574,171	288,785
Accrued bonuses	573,068	403,119
Accrued vacation pay	432,673	478,004
Other	647,847	732,651
Total	2,227,759	1,902,559

19. Equity and other equity items

(1) Total number of shares authorized, total number of shares issued, and number of treasury shares

(Shares)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Total number of shares authorized		
Balance at beginning of period	370,080,000	370,080,000
Balance at end of period	370,080,000	370,080,000
Total number of shares issued		
Balance at beginning of period	211,079,654	211,079,654
Exercise of share options	–	310,000
Balance at end of period	211,079,654	211,389,654
Number of treasury shares		
Balance at beginning of period	1,739,243	3,964,545
Granted to beneficiary of the directors' remuneration board incentive plan (BIP) trust	-1,374,698	–
Acquisition based on the resolution at the Board of Directors (Note) 2	2,200,000	–
Acquisition by the directors' remuneration board incentive plan (BIP) trust (Note) 3	1,400,000	–
Balance at end of period	3,964,545	3,964,545

(Notes) 1. Shares issued by the Company are no par value common shares without any restrictions on rights, and all issued shares are fully paid up.

2. The Company acquired its own shares as below based on the resolution on February 9, 2023, in the fiscal year ended December 31, 2023.
- Class of shares acquired: Common shares
- Total number of shares acquired: 2,200,000 shares
- Total amount of share acquisition costs: ¥744,512 thousand
- Acquisition period: From February 17, 2023 to March 17, 2023
- Method of Acquisition: Market purchase on the Tokyo Stock Exchange

3. In the fiscal year ended December 31, 2023, the Company acquired 1,400,000 shares of the common shares of the Company (total amount of share acquisition costs: ¥531, 430 thousand) though the BIP trust. The Company's shares held by the BIP trust are recognized as treasury shares.

(2) Share capital and capital surplus

FY2023 (From October 1, 2022 to December 31, 2023)

The decrease in capital surplus due to the disposal of treasury shares was due to granting to the beneficiary of the directors' remuneration BIP trust. The details of the share-based remuneration plan are stated in "Note 28. Share-based payment."

The effect of changes without loss of control of subsidiaries on capital surplus is omitted because the same information is disclosed in "Note 30. Subsidiaries."

FY2024 (From January 1, 2024 to December 31, 2024)

There are no significant matters to be stated.

(3) Retained earnings

Under certain provisions of the Companies Act of Japan, 10% of the amount paid as dividend of surplus shall be set aside as legal capital surplus or as legal retained earnings until the sum of these two reserves reaches 25% of share capital.

(4) Changes in other components of equity

A breakdown of other components of equity and the details of their increase or decrease are as follows:

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Changes in fair value of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations	Cash flow hedges	Total
Balance at beginning of period	-305,758	180,159	-2,990	-128,588
Amount arising during the year	201,646	31,761	2,990	236,397
Amount transferred to retained earnings	-157,539	–	–	-157,539
Balance at end of period	-261,651	211,921	–	-49,731

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Changes in fair value of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations	Cash flow hedges	Total
Balance at beginning of period	-261,651	211,921	–	-49,731
Amount arising during the year	-216,762	55,188	–	-161,574
Amount transferred to retained earnings	-59,442	–	–	-59,442
Balance at end of period	-537,856	267,108	–	-270,747

20. Dividends

The Company pays the year-end dividend only. The year-end dividends for the fiscal year under review is determined by the Board of Directors. The year-end dividends for the previous fiscal year was determined by the general meeting of shareholders, since the previous fiscal year was a 15-month period due to a change in the Company's fiscal year-end.

(1) Total amount of dividend

FY2023 (From October 1, 2022 to December 31, 2023)

Date of resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
November 22, 2022 Board of Directors	Common shares	970,966	4.60	September 30, 2022	December 2, 2022

(Note) The above total amount of dividend includes ¥8,000 thousand of dividend paid to the Company's shares held by the directors' remuneration BIP trust.

FY2024 (From January 1, 2024 to December 31, 2024)

Date of resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2024 Ordinary General Meeting of Shareholders	Common shares	1,086,174	5.20	December 31, 2023	March 28, 2024

(Note) The above total amount of dividend includes ¥9,175 thousand of dividend paid to the Company's shares held by the directors' remuneration BIP trust.

(2) Dividend with its record date falling within the fiscal year, while its effective date falling in the next fiscal year

FY2023 (From October 1, 2022 to December 31, 2023)

Date of resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
March 27, 2024 Ordinary General Meeting of Shareholders	Common shares	1,086,174	5.20	December 31, 2023	March 28, 2024

(Note) The above total amount of dividend includes ¥9,175 thousand of dividend paid to the Company's shares held by the directors' remuneration BIP trust.

FY2024 (From January 1, 2024 to December 31, 2024)

Date of resolution	Class of shares	Total amount of dividends (Thousand yen)	Dividend per share (Yen)	Record date	Effective date
February 25, 2025 Board of Directors	Common shares	6,558,094	31.35	December 31, 2024	March 7, 2025

(Note) The above total amount of dividend includes ¥55,317 thousand of dividend paid to the Company's shares held by the directors' remuneration BIP trust.

21. Revenue

(1) Disaggregation of revenue

Disaggregation of revenue recognized in contracts with customers is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Digital Marketing Business (Japan)	30,921,890	25,691,875
Digital Marketing Business (overseas)	1,189,686	1,117,861
Media Platform Business	2,385,939	1,702,896
Adjustments	-230,903	-228,424
Total	34,266,611	28,284,209

(Note) Adjustments include the elimination of profit and loss transactions between reportable segments.

(2) Contract balance

Balances of receivables and contract liabilities from contracts with customers are as follows:

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Beginning of FY2023 (October 1, 2022)	FY2023 (As of December 31, 2023)
Receivables from contracts with customers		
Notes receivable and trade receivables	18,285,273	19,830,799
Contract liabilities	429,552	239,426

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Beginning of FY2024 (January 1, 2024)	FY2024 (As of December 31, 2024)
Receivables from contracts with customers		
Notes receivable and trade receivables	19,830,799	20,721,228
Contract liabilities	239,426	206,577

In the consolidated financial statements, receivables from contracts with customers, including notes receivable and trade receivables, are included in trade receivables, while contract liabilities are included in other current liabilities.

Of the revenue recognized in the fiscal years ended December 31, 2023 and 2024, the amount included in contract liabilities as of the beginning of the fiscal years were ¥429,552 thousand and ¥239,426 thousand, respectively. In the fiscal years ended December 31, 2023 and 2024, the amount of revenue recognized in performance obligations fulfilled (either wholly or partially) in previous periods was not material. In addition, there were no significant changes in the balances of contract liabilities in the fiscal years ended December 31, 2023 and 2024.

22. Cost of sales and selling, general and administrative expenses

A breakdown of cost of sales and selling, general and administrative expenses is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cost of goods sold	3,895,947	3,441,222
Officers' remunerations (Note)	1,796,732	1,424,702
Share-based payment expenses (Note)	38,877	–
Employee benefit expenses	14,062,018	12,349,969
Sales promotion and advertising expenses	441,324	542,103
Depreciation and amortization	945,345	692,215
Other	8,118,673	6,726,554
Total	29,298,916	25,176,764

(Note) Officers' remunerations and share-based payment expenses represent remunerations for directors (including outside directors) of the Company, Group Executive Officers, and officers of subsidiaries.

23. Other expenses

A breakdown of other expenses is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Impairment losses	20,971	19,875
Loss on retirement of fixed assets	1,954	4,188
Advisory expenses	42,610	–
Other	19,199	9,135
Total	84,734	33,198

24. Finance income and finance costs

A breakdown of finance income is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Interest income		
Financial assets measured at amortized cost	4,453	6,415
Dividend income		
Financial assets measured at FVTOCI	100	1,900
Gain on valuation of securities		
Financial assets measured at FVTPL	–	138,974
Other	1,207	20,835
Total	5,760	168,123

The breakdown of finance costs is as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	26,229	18,980
Loss on valuation of securities		
Financial liabilities measured at FVTPL	42,700	–
Other	84,556	14,081
Total	153,485	33,060

25. Other comprehensive income

Amount arising during the year, reclassification adjustments to profit or loss, and tax effect accounting of each component of other comprehensive income are as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Net change in fair value of financial assets measured through other comprehensive income		
Amount arising during the year	190,400	-428,312
Before tax effects	190,400	-428,312
Tax effects	11,246	152,107
After tax effects	201,646	-276,204
Exchange differences on translation of foreign operations		
Amount arising during the year	28,097	48,864
Reclassification adjustments	–	–
Before tax effects	28,097	48,864
Tax effects	–	–
After tax effects	28,097	48,864
Cash flow hedges		
Amount arising during the year	-2,899	–
Reclassification adjustments	6,867	–
Before tax effects	3,969	–
Tax effects	-979	–
After tax effects	2,990	–
Share of other comprehensive income of investments accounted for using equity method		
Amount arising during the year	3,664	65,767
Reclassification adjustments	–	–
Before tax effects	3,664	65,767
Tax effects	–	–
After tax effects	3,664	65,767

26. Information on cash flows

(1) Breakdowns of other under cash flows from operating activities and cash flows from investing activities are as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Cash flows from operating activities		
Adjustments		
Impairment losses	27,310	19,875
Other	43,081	206,138
Total	70,391	226,013
Changes in working capital		
Increase (decrease) in accrued consumption taxes	548,549	-434,560
Increase (decrease) in accrued bonuses	-140,536	-167,794
Other	-409,444	124,365
Total	-1,431	-477,989
Cash flows from investing activities		
Proceeds from distributions from investment partnerships	710,918	185,367
Proceeds from refund of leasehold and guarantee deposits	7,302	63,234
Other	-41,861	-27,812
Total	676,358	220,789

(2) Reconciliation of liabilities from financing activities

FY2023 (From October 1, 2022 to December 31, 2023)

(Thousand yen)

	Short-term borrowings	Long-term borrowings	Lease liabilities
Balance at beginning of period	–	2,000,350	1,086,190
Changes from financial cash flows			
Increase (decrease) in short-term borrowings	3,000,000	–	–
Increase (decrease) in long-term borrowings	–	-2,000,350	–
Increase (decrease) in lease liabilities	–	–	-751,749
New leases	–	–	1,553,447
Other	–	–	–
Balance at end of period	3,000,000	–	1,887,887

FY2024 (From January 1, 2024 to December 31, 2024)

(Thousand yen)

	Short-term borrowings	Long-term borrowings	Lease liabilities
Balance at beginning of period	3,000,000	–	1,887,887
Changes from financial cash flows			
Increase (decrease) in short-term borrowings	–	–	–
Increase (decrease) in long-term borrowings	–	–	–
Increase (decrease) in lease liabilities	–	–	-557,893
New leases	–	–	65,969
Other	–	–	-3,953
Balance at end of period	3,000,000	–	1,392,010

(3) Non-cash transactions

Significant non-cash transactions are as follows:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Right-of-use assets acquired through leases	1,553,447	65,969

27. Information on earnings per share

The basis of the calculation of earnings per share is as below.

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit (loss) attributable to owners of parent (thousand yen)		
Continuing operations	4,906,493	3,302,518
Discontinued operations	-587,663	2,223,287
Total	4,318,831	5,525,805
Average number of common shares outstanding during the fiscal year (thousand shares)	208,285	207,348
Number of potential shares with dilutive effects		
Number of share acquisition rights (thousand shares)	511	283
Average number of shares outstanding in consideration of the number of potential shares with dilutive effects (thousand shares)	208,796	207,631
Basic earnings (loss) per share (yen)		
Continuing operations	23.56	15.93
Discontinued operations	-2.82	10.72
Total	20.74	26.65
Diluted earnings (loss) per share (yen)		
Continuing operations	23.50	15.91
Discontinued operations	-2.81	10.71
Total	20.68	26.61

28. Share-based payment

(1) Share option plan

The Company introduced a share option plan as share-based payment for a period up to the fiscal year ended September 30, 2016. Share options are granted to officers of the Company and its subsidiaries, based on the details approved by the Ordinary General Meeting of Shareholders and the Board of Directors of the Company.

(i) Details of the share option plan

Overall terms of contract are as follows:

Share options based on Article 280-20 and Article 280-21 of the former Commercial Code revised in 2001

	Number of shares granted (shares) (Note) 1	Grant date	Exercise period of share options	Vesting conditions
1st series share options in share-based payment arrangement	1,980,000	June 28, 2004	From June 29, 2004 to December 18, 2033	(Note) 2
2nd series share options in share-based payment arrangement	600,000	March 15, 2005	From March 16, 2005 to December 16, 2034	(Note) 2
3rd series share options in share-based payment arrangement	490,000	January 31, 2006	From February 1, 2006 to December 20, 2035	(Note) 2

(Notes) 1. For the 1st series share options in share-based payment arrangement and the 2nd series share options in share-based payment arrangement, the number of shares is stated on the post-share split basis, reflecting the share split conducted on May 20, 2005 (two for one) and the share split conducted on October 1, 2013 (200 for one). For the 3rd series share options in share-based payment arrangement, the number of shares is stated on the post-share split basis, reflecting the share split conducted on October 1, 2013 (200 for one). For all share options, the numbers of shares are stated on the post-share split basis, reflecting the share split conducted on October 1, 2016 (five for one).

2. The conditions for exercise (loss of office as a director or a company auditor of the Company) shall be satisfied after the grant date.

(ii) Number of share options and weighted average exercise price

Share options based on Article 280-20 and Article 280-21 of the former Commercial Code revised in 2001

	FY2023 (From October 1, 2022 to December 31, 2023)		FY2024 (From January 1, 2024 to December 31, 2024)	
	Number of shares (shares)	Weighted average exercise price (yen)	Number of shares (shares)	Weighted average exercise price (yen)
Share options unexercised at the beginning of the fiscal year	520,000	7	520,000	7
Granted	–	–	–	–
Exercised	–	–	310,000	7
Lapsed	–	–	–	–
Expired at maturity	–	–	–	–
Share options unexercised at the end of the fiscal year	520,000	7	210,000	7
Share options exercisable at the end of the fiscal year	210,000	7	210,000	7
Range of exercise prices	¥7		¥7	
Weighted average remaining years under contract	10.6 years		9.2 years	
Weighted average share price as of the exercise date	–		469	

(2) Share-based remuneration plan

(i) Details of the share-based remuneration plan

The Company introduced the share-based remuneration plan as a form of share-based payment in the fiscal year ended September 30, 2017. The share-based remuneration plan grants (and provides) shares to directors of the Company (excluding outside directors and those who are non-residents of Japan) and Executive Officers of the Group (excluding those who are non-residents of Japan; hereinafter directors and Executive Officers collectively referred to as “Directors, etc.”), based on the details as approved at the 26th Ordinary General Meeting of Shareholders held on December 20, 2016 (renewal of the plan was resolved at the Board of Directors meeting held on November 26, 2019 and renewal and partial amendment of the plan was resolved at the 32nd Ordinary General Meeting of Shareholders held on December 21, 2022).

This plan adopts the framework of a Board Incentive Plan trust (the “BIP trust”). The BIP trust works as an incentive plan for officers based on the performance-linked share-based remuneration plans and restricted share-based remuneration plans in the United States, providing a performance-linked share-based remuneration plan in which shares of the Company acquired by the BIP trust (and the cash equivalent to the cash-converted value of the Company’s shares) are granted (and provided) to the eligible Directors, etc., according to their roles and the degree of achievement, etc. of performance goals.

(ii) Fair value of the points granted

Fair value of the Company’s shares, etc. delivered commensurate with the number of points granted is measured based on the observable market price reflecting the expected dividend.

Weighted average fair value of the Company’s shares granted during the period is ¥301 for the fiscal year ended December 31, 2023.

(iii) Increase or decrease of the number of points during the year

(Points)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Balance at beginning of period	405,486	–
Issuance	969,212	–
Granted and provision	-1,374,698	–
Balance at end of period	–	–

(iv) Expenses recorded under the share-based remuneration plan

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Share-based payment expenses	32,629	–
Total	32,629	–

Share-based payment expenses are recorded under selling, general and administrative expenses in continuing operations on the consolidated statement of profit or loss, which amounted ¥38,877 thousand in the fiscal year ended December 31, 2023, and under loss from discontinued operations of discontinued operations, which amounted ¥-6,247 thousand in the fiscal year ended December 31, 2023.

29. Financial instruments

(1) Capital management

The Group's basic policy of capital management is building and maintaining a sound financial structure to continue sustainable growth and maximize corporate value.

It should be noted that there are no significant capital regulations applicable to the Group.

(2) Financial risk management

In the course of conducting business activities, the Group is exposed to various risks, including credit risk, liquidity risk, market risk (currency risk, interest rate risk, and market price risk). The Group is carrying out risk management based on certain policies for the prevention and mitigation of these risks.

Meanwhile, the Group's policy dictates that derivative transactions are conducted only within the scope of actual requirements to hedge against exchange rate fluctuations and other risks, avoiding any speculative trading.

(3) Credit risk management

The Group holds receivables from many business partners. In connection with these receivables, the Group is exposed to credit risk, which is the risk of financial loss if a business partner fails to fulfill its contractual obligations.

The Group manages this type of risk by placing credit limits for each business partner based on the credit management regulations. Regular monitoring of business partners' situations allows us to manage due dates and balances, as well as to early detect and mitigate the risk of non-recovery due to financial deterioration. The Group recognizes and measures expected credit loss, taking into account the transactional, financial and economic status of our business partners, which are obtained through our credit management practice.

The Group does not have an excessively concentrated credit risk with any single business partner or group, and believes the overall exposure to credit risk is not significant; therefore, has not disclosed an expected credit loss matrix.

The impaired carrying amount of financial assets presented in the consolidated statement of financial position reflects the Group's maximum exposure to credit risk of financial assets without considering any collateral or other credit enhancements.

The Group calculates loss allowance by categorizing receivables into trade receivables and non-trade receivables.

If any part of a financial asset is deemed unrecoverable or very difficult to collect, it is considered a default and treated as a credit-impaired financial asset.

Changes in loss allowance are as follows:

(Thousand yen)

	Financial assets recorded at an amount equivalent to the 12-month expected credit losses	Financial assets recorded at an amount equivalent to the lifetime expected credit losses			Total
		Financial assets not classified as credit-impaired financial assets	Credit-impaired financial assets	Trade receivables	
Balance as of October 1, 2022	–	–	6,972	22,970	29,942
Transfer to lifetime expected credit losses	–	–	–	–	–
Transfer to credit-impaired financial assets	–	–	18,068	–	18,068
Transfer to 12-month expected credit losses	–	–	–	–	–
Financial assets derecognized during the fiscal year	–	–	-3,261	–	-3,261
Direct write-off	–	–	-245	–	-245
Other	802	–	948	5,000	6,751
Balance as of December 31, 2023	802	–	22,482	27,970	51,255
Transfer to lifetime expected credit losses	–	–	–	–	–
Transfer to credit-impaired financial assets	–	–	653	–	653
Transfer to 12-month expected credit losses	–	–	–	–	–
Financial assets derecognized during the fiscal year	–	–	-1,617	–	-1,617
Direct write-off	–	–	–	–	–
Other	40	–	–	4,000	4,040
Balance as of December 31, 2024	843	–	21,519	31,970	54,331

In the fiscal years ended December 31, 2023 and 2024, there were no significant changes in the carrying amounts of financial instruments that had material impact on loss allowance.

Furthermore, there were no outstanding contractual receivables of financial assets for which collection efforts continue after the direct write-off.

A portion of trade receivables is secured through guarantee contracts with credit guarantee companies. These credit guarantee contracts stipulate that, in the event of a business partner default, a predetermined amount of insurance money is paid to the Group by the credit guarantee company, thereby mitigating the credit risk exposure associated with trade receivables.

(4) Liquidity risk management

The Group uses borrowings from financial institutions as a source of funds to support business activities. Together with trade payables, the Group is exposed to liquidity risk, where there is a risk of not being able to meet obligations to repay financial liabilities as they come due.

The Group is engaged in risk management through maintaining sufficient cash and deposits balances, setting up cash flows from operating activities, arranging credit lines that are available on demand with financial institutions, and continuously monitoring cash flow plans against actual results.

Outstanding financial liabilities by maturity are as follows:

FY2023 (As of December 31, 2023)

(Thousand yen)

	Carrying amount	Outstanding amount under contract	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Non- derivatives								
Financial liabilities								
Trade payables	19,031,397	19,031,397	19,031,397	–	–	–	–	–
Short-term borrowings	3,000,000	3,000,000	3,000,000	–	–	–	–	–
Lease liabilities	1,887,887	1,901,637	559,312	523,678	491,838	326,810	–	–
Accounts payable - other	817,223	817,223	817,223	–	–	–	–	–
Other	79,794	79,794	44,944	–	10,000	–	–	24,850
Total	24,816,302	24,830,052	23,452,877	523,678	501,838	326,810	–	24,850

FY2024 (As of December 31, 2024)

(Thousand yen)

	Carrying amount	Outstanding amount under contract	Within 1 year	Over 1 year within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years within 5 years	Over 5 years
Non- derivatives								
Financial liabilities								
Trade payables	18,870,184	18,870,184	18,870,184	–	–	–	–	–
Short-term borrowings	3,000,000	3,000,000	3,000,000	–	–	–	–	–
Lease liabilities	1,392,010	1,400,286	536,038	505,518	340,490	13,680	4,560	–
Accounts payable - other	1,065,327	1,065,327	1,065,327	–	–	–	–	–
Other	67,661	67,661	35,041	10,000	–	–	–	22,620
Total	24,395,181	24,403,458	23,506,589	515,518	340,490	13,680	4,560	22,620

(5) Market risk management

(i) Currency risk

Given its international business operations, the Group conducts transactions in various currencies, and therefore exposed to foreign currency fluctuation risks related to foreign currency-dominated business activities.

The Group manages this type of risk by using derivatives such as forward foreign exchange contracts to hedge a portion of it.

a. Foreign exchange sensitivity analysis

For the fiscal years ended December 31, 2023 and 2024, if the Japanese yen, which is the functional currency, appreciated by 1% against the US dollar, the impact on the profit before tax in the consolidated statement of profit or loss would be as follows.

However, this is based on the assumption that currencies other than those used in the calculation do not fluctuate and all other variables remain constant.

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Profit before tax	-4,499	-11,457

b. Derivatives and hedge accounting

Not applicable.

(ii) Interest rate risk

Through its borrowings from financial institutions with interest amounts subject to fluctuations in market interest rates, the Group is exposed to interest rate risk that fluctuates future cash flows of interest.

The Group manages this type of risk by using interest rate swaps to fix cash flows. As this arrangement reduces the Group's exposure to interest rate risk to a limited level, reducing the impact of the interest rate fluctuations to a minor level, disclosure of the interest rate sensitivity analysis is omitted.

a. Derivatives and hedge accounting

The Group has entered into interest rate swap contracts that fix interest payments to hedge against interest rate risk associated with a portion of its variable-rate borrowings. The impact of these transactions are as follows:

i. Impact of hedging on the consolidated statement of financial position

Not applicable.

ii. The impact of hedging on the consolidated statement of profit and loss and other comprehensive income:

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)		FY2024 (From January 1, 2024 to December 31, 2024)	
	Amounts recognized in other comprehensive income	Amounts reclassified from other components of equity to the consolidated statement of profit or loss	Amounts recognized in other comprehensive income	Amounts reclassified from other components of equity to the consolidated statement of profit or loss
Interest rate risk	3,969	6,867	–	–

(iii) Market price risk

The Group is primarily exposed to market price fluctuation risks arising from equity instruments (shares). The Group manages this type of risk by regularly reviewing financial conditions of issuers and fair values, and periodically reassessing its holdings.

a. Market price sensitivity analysis

For the fiscal years ended December 31, 2023 and 2024, a hypothetical 10% decline in market prices of equity instruments held would have affected other comprehensive income (before tax effect) on the consolidated statement of comprehensive income and profit before tax on the consolidated statement of profit or loss as follows.

However, this subject to the assumption that all other variables remain constant.

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Other comprehensive income (before tax effects)	-269,528	-260,896
Profit before tax	-369,264	-389,492

(6) Classification of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities, categorized by classification, are as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	20,873,416	23,730,478
Trade receivables	19,830,799	20,721,228
Other financial assets (current)	101,550	721,696
Other financial assets (non-current)	718,443	748,805
Total	41,524,208	45,922,207
Financial assets measured at FVTOCI		
Other financial assets (non-current)	2,695,276	2,608,965
Total	2,695,276	2,608,965
Financial assets measured at FVTPL		
Other financial assets (non-current)	3,692,644	3,894,921
Total	3,692,644	3,894,921
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade payables	19,031,397	18,870,184
Other financial liabilities (current)	3,862,168	4,100,368
Other financial liabilities (non-current)	34,850	32,620
Total	22,928,415	23,003,172

(7) Financial assets measured at FVTOCI

For financial assets designated as financial assets measured at FVTOCI, the principal issuers and their fair values are detailed below:

(Thousand yen)

Issuer	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Kamiyama Marugoto Scholarship Fund	1,000,000	1,000,000
AuB Inc.	–	250,000
HOMMA Group Inc.	184,182	205,415
jig.jp co., ltd.	93,818	96,171
Nyle Inc.	219,409	57,560
Accelia, Inc.	10,175	30,000
Gunosy Inc.	30,880	27,560
Other	1,156,812	942,259
Total	2,695,276	2,608,965

(8) Derecognition of financial assets measured at FVTOCI

Following regular portfolio reviews, the Group sold financial assets measured at FVTOCI and subsequently derecognized them. The fair values at the time of derecognition, the cumulative gains or losses (pre-tax) from disposal, and dividend income are outlined below:

(Thousand yen)

FY2023 (From October 1, 2022 to December 31, 2023)			FY2024 (From January 1, 2024 to December 31, 2024)		
Fair value	Cumulative gains or losses	Dividend income	Fair value	Cumulative gains or losses	Dividend income
311,068	227,067	–	–	–	–

(Note) Cumulative gains or losses (net of tax) in other comprehensive income transferred to retained earnings were ¥157,539 thousand for the fiscal year ended December 31, 2023, while ¥59,442 thousand for the fiscal year ended December 31, 2024.

(9) Fair value of financial instruments

(i) Fair value hierarchy

For financial instruments measured at fair value, the fair value measurement amount is classified into three levels, from Level 1 through Level 3, depending on the observability and materiality of the inputs used for measurement.

Level 1: Fair value measured at (unadjusted) market price in the active market for identical assets and liabilities

Level 2: Fair value measured by using directly or indirectly observable inputs other than those used for Level 1

Level 3: Fair value measured by using unobservable inputs

Reclassifications between fair value hierarchy levels are recognized as if they occurred at the beginning of each reporting period.

There are no financial assets and financial liabilities measured at fair value on a non-recurring basis.

FY2023 (As of December 31, 2023)

(Thousand yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Shares	344,107	–	1,351,169	1,695,276
Investments in limited partnership	–	–	3,692,644	3,692,644
Other	–	–	1,000,000	1,000,000
Total	344,107	–	6,043,814	6,387,921

FY2024 (As of December 31, 2024)

(Thousand yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Shares	181,291	30,000	1,397,674	1,608,965
Investments in limited partnership	–	–	3,865,503	3,865,503
Other	–	29,418	1,000,000	1,029,418
Total	181,291	59,418	6,263,176	6,503,886

(ii) Valuation process

For financial instruments classified as Level 3, the responsible department determines the valuation technique based on the policies and procedures of fair value measurement and assesses their fair value accordingly. The results of the fair value measurement are approved by an appropriately authorized individual in charge.

In Level 3 fair value measurements, if one or more of the unobservable inputs are changed to reasonably possible alternative assumptions, the increase or decrease in fair value is not significant.

(iii) Reconciliation of financial instruments classified as Level 3, from the balance at beginning of period to the balance at end of period

a. Financial assets

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Balance at beginning of period	6,055,972	6,043,814
Profit or loss (Note) 1	-42,700	138,975
Other comprehensive income (Note) 2	-226,207	-268,971
Purchase or acquisition	1,009,053	544,902
Sale	-1,948	–
Transfer from Level 3 to Level 1	-39,438	–
Transfer from Level 3 to Level 2	–	-10,175
Other (Note) 3	-710,918	-185,369
Balance at end of period	6,043,814	6,263,176

b. Financial liabilities

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Balance at beginning of period	828,080	–
Settlement	-828,080	–
Balance at end of period	–	–

(Notes) 1. It is related to financial assets measured at FVTPL and included in “finance income” and “finance costs” on the consolidated statement of profit or loss.

2. It is related to financial assets measured at FVTOCI and included in “net changes in financial assets measured at fair value through other comprehensive income” on the consolidated statement of comprehensive income.

3. “Others” mainly consist of distributions from limited partnerships for investment.

(iv) Financial instruments measured at amortized cost

Since the carrying amount of financial instruments measured at amortized cost is identical or approximate to fair value, disclosure of the fair value is omitted. The fair value of borrowings is classified into Level 2.

(v) Method for calculating fair value

Method for calculating fair value of financial instruments is as follows:

a. Cash and cash equivalents, trade receivables, and trade payables

As fair value is approximate to the carrying amount due to short-term settlement, the carrying amount is treated as fair value.

b. Other financial assets and other financial liabilities

The fair value of listed shares is calculated based on the market price at the fiscal year end. The fair value of unlisted shares is measured by using a valuation technique based on the market price of similar shares in view of transaction trends on a case-by-case basis. The fair value of investments in limited partnership is measured by using a valuation technique based on net asset value. Derivatives, which are financial assets or financial liabilities measured at fair value, are calculated based on, among other factors, the prices provided by partner financial institutions.

For borrowings with variable interest rates, the fair value is nearly equivalent to the carrying amount, as market interest rates are reflected in a short period. Therefore, the carrying amount is treated as the fair value.

For other financial assets and financial liabilities not mentioned above, which are typically settled in a short period, the fair value approximates the carrying amount. Thus, the carrying amount is considered as the fair value.

30. Subsidiaries

(1) Major subsidiaries

Name	Address	Reportable segment	Voting rights holding or held (%)	
			FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
SEPTENI CO., LTD.	Shinjuku-ku, Tokyo	Digital Marketing Business	100.0	100.0
Septeni Data Solutions, Inc.	Shinjuku-ku, Tokyo	Digital Marketing Business	100.0	100.0
Dentsu Direct Inc.	Minato-ku, Tokyo	Digital Marketing Business	100.0	100.0
COMICSMART INC.	Shinjuku-ku, Tokyo	Media Platform Business	89.4	–

(Note) Due to the sale of a portion of the Company's shares in COMICSMART INC. on March 29, 2024, the company was excluded from the scope of consolidation.

(2) Impact on capital surplus due to changes in ownership interests in consolidated subsidiaries that do not result in a loss of control

FY2023 (From October 1, 2022 to December 31, 2023)

This was mainly due to the receipt of ¥715,988 thousand from three parties other than the Group through a third-party allocation by COMICSMART INC., a subsidiary of the Company. with October 1, 2022 as the payment date. As a result, capital surplus increased ¥568,303 thousand and non-controlling interests increased ¥118,173 thousand.

FY2024 (From January 1, 2024 to December 31, 2024)

There are no matters of particular note.

(3) Loss of control of subsidiaries

FY2023 (From October 1, 2022 to December 31, 2023)

There are no significant matters to be stated.

FY2024 (From January 1, 2024 to December 31, 2024)

The Company sold 74,000 of the 116,400 shares of COMICSMART INC. held by the Company on March 29, 2024. With the execution of the transfer of the shares, the Company's ownership of the voting rights in COMICSMART INC. and its subsidiaries, etc. decreased from 89.42% to 32.57%. Consequently, the Company lost control of COMICSMART INC. and COMICSMART INC. became its equity-method associate.

(i) Gain (loss) associated with the loss of control of subsidiaries

The gain or loss (before tax effect) recognized as a result of the change in ownership due to loss of control of subsidiaries in the fiscal year ended December 31, 2024 amounted to ¥3,333,342 thousand, and is recorded under profit from discontinued operations on the consolidated statement of profit or loss.

(ii) Cash flows associated with the loss of control of subsidiaries

The impact of the loss of control of subsidiaries on cash flows is as follows:

(Thousand yen)

	FY2024 (From January 1, 2024 to December 31, 2024)
Cash consideration received	2,308,800
Amount of cash and cash equivalents held by the subsidiaries in which control has been lost	488,435
Net cash flow: Proceeds from sale of shares of subsidiaries resulting in loss of control, net of cash held by disposed subsidiaries	1,820,365

31. Investments accounted for by using the equity method

(1) Investments in associates (including the goodwill that forms part of the carrying amount of investment in entities accounted for using equity method)

(i) Condensed consolidated financial information of material associates

Dentsu Digital Inc.

a. General information

Dentsu Digital Inc. (located in Minato-ku, Tokyo) provides consulting, development, implementation, operation, and execution in all domains of digital marketing.

b. Condensed consolidated financial information

The condensed consolidated financial information of Dentsu Digital Inc.is as follows:

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Current assets	43,271,362	60,706,383
Non-current assets	6,005,849	6,129,509
Current liabilities	37,445,272	53,627,226
Non-current liabilities	369,134	34,937
Equity	11,462,805	13,173,729
Equity interest ownership ratio (%)	25.0%	25.0%
The Group’s interest in equity	2,865,701	3,293,432
Goodwill and consolidation adjustment	29,287,400	29,287,621
Carrying amount of investment	32,153,102	32,581,053

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Sales revenue	52,428,314	44,498,357
Profit	6,941,074	6,467,776
Other comprehensive income	14,657	25,297
Comprehensive income	6,955,730	6,493,073
Profit attributable to owners of parent	6,939,341	6,466,209
Other comprehensive income attributable to owners of parent	14,657	25,297
Comprehensive income attributable to owners of parent	6,953,998	6,491,506

(Note) In the fiscal years ended December 31, 2023 and 2024, the amounts of dividend the Company received from Dentsu Digital Inc. were ¥1,817,552 thousand and ¥1,178,799 thousand, respectively.

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Share of profit	1,734,835	1,616,552
Share of other comprehensive income	3,664	6,324
Share of comprehensive income	1,738,499	1,622,877

(ii) Investments in non-significant associates

The financial information regarding investments in individually non-significant associates, which are accounted for by using the equity method, is as follows: Note that these amounts are after considering the Company's shareholding ratio.

(Thousand yen)

	FY2023 (As of December 31, 2023)	FY2024 (As of December 31, 2024)
Total carrying amount of investments	2,096,249	3,431,673

(Thousand yen)

	FY2023 (From October 1, 2022 to December 31, 2023)	FY2024 (From January 1, 2024 to December 31, 2024)
Share of profit	115,903	-151,065
Share of other comprehensive income	–	59,442
Share of comprehensive income	115,903	-91,623

(iii) and factory,inc.

FY2023 (From October 1, 2022 to December 31, 2023)

On October 25, 2022, the Company and factory,inc. ("and factory") concluded a capital and business alliance agreement (the "Capital and Business Alliance Agreement"), based on the agreement on the direction that realizing business collaboration as a medium- to long-term partner will contribute to the enhancement of the corporate value of both companies. Pursuant to the Capital and Business Alliance Agreement, effective November 10, 2022, the Company underwrote new shares to be issued by and factory through a third-party allotment (the "Third-Party Allotment"), and acquired the shares of and factory held by Mr. Takamasa Ohara, the Chairman of the Board of Directors of and factory (the "Acquisition of Shares") in order to make the company an equity-method associate of the Company.

(1) Matters related to the Third-Party Allotment

The outline of the Third-Party Allotment is as follows:

(1) Number of shares underwritten	1,408,450 shares
(2) Paid-in amount	¥500,000 thousand in total

(2) Matters related to the Acquisition of Shares

Outline of the Acquisition of Shares is as follows:

(1) Number of shares acquired	988,898 shares
(2) Acquisition amount	¥351,059 thousand in total

(3) Matters related to acquisition-related expenses

Acquisition-related expenses related to the Third-Party Allotment of new shares and the Acquisition of Shares were ¥81,771 thousand.

(4) Number of shares and ownership percentage of voting rights held by the Company before and after the transfer

	Number of shares held	Ownership percentage of voting rights
Before the transfer	– shares	–
After the transfer	2,397,348 shares	21.29%

FY2024 (From January 1, 2024 to December 31, 2024)

As there was an indication of impairment of investment in and factory,inc., it was tested for impairment. As a result, the recoverable amount was lower than the carrying amount; accordingly, ¥329,735 thousand was recognized as an impairment loss on investments accounted for by using the equity method.

(iv) COMICSMART INC.

The information is as stated in “Note 30. Subsidiaries” and “Note 33. Gain on change in equity.”

32. Related parties

(1) Transactions with related parties

Transactions between the Group and its associates and balances of receivables and payables are as follows:

(Thousand yen)

Category	Name	Transaction content	FY2023 (From October 1, 2022 to December 31, 2023)		FY2024 (From January 1, 2024 to December 31, 2024)	
			Transaction amount	Balance at the end of the period	Transaction amount	Balance at the end of the period
Subsidiary of the parent company	Dentsu Inc.	Sales of advertisement (Note) 1	22,752,610	2,129,395	19,747,453	2,591,076
Officer	Koki Sato	Settlement of advances (Note) 3	22,715	–	–	–
A company in which a majority of the voting rights are held by its officers and their relatives on its own account	Animal Spirits No. 1 Investment Business Limited Partnership (Note) 4	Investment in investment business limited partnership (Note) 5	80,000	80,000	–	–

(Notes) 1. The transaction amount represents “net sales” and “cost of sales,” which are presented in gross amounts.
2. The transactions with the subsidiary of the parent company above are determined after negotiations while considering market prices and business content.
3. Settlement of advances is the amount of voluntary refunds related to the improper use of expenses by the Company’s former Representative Director. (He retired as the Representative Director of the Company at the conclusion of the 33rd Ordinary General Meeting of Shareholders held on March 27, 2024.)
4. It is operated by Animal Spirits No. 1 Limited Liability Partnership, of which Animal Spirits Ltd. is a partner, as an unlimited liability partner, and the Company’s director, Yusuke Asakura, effectively holds the authority to decide business execution. (Mr. Yusuke Asakura retired as Director of the Company at the conclusion of the 33rd Ordinary General Meeting of Shareholders held on March 27, 2024.)
5. Investments in an investment business limited partnership are made pursuant to the limited partnership agreement.

(2) Remuneration for key executive management

The information is omitted as the same information is disclosed in “Note 22. Cost of sales and selling, general and administrative expenses.”

33. Gain on change in equity

COMICSMART INC., an equity-method associate of the Company, conducted a third-party allotment of new shares to parties other than the Group, with July 31 and August 5, 2024 as the payment dates. As a result, the Company's ratio of voting rights held in the company fell from 32.57% to 25.86%. In addition, the Company recorded a gain on change in equity of ¥467,042 thousand in the fiscal year ended December 31, 2024.

34. Subsequent events

Not applicable.

35. Approval of the consolidated financial statements

The consolidated financial statements were approved by Yuichi Kouno, Representative Director, Group President and Chief Executive Officer on March 26, 2025.

(2) Other Information

Semi-annual financial information in the fiscal year ended December 31, 2024

	First half	Full year
Revenue (thousand yen)	13,988,694	28,284,209
Profit before tax (thousand yen)	2,482,928	4,867,117
Profit attributable to owners of parent (thousand yen)	4,005,277	5,525,805
Basic earnings per share (yen)	19.32	26.65