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November 30, 2017

Dear Shareholder

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

## CONVOCATION NOTICE FOR THE 27TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

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**1. Date and Time:** Thursday, December 21, 2017, at 10:00 a.m.

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

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### 3. Meeting Agenda

#### Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company’s 27th term (from October 1, 2016 to September 30, 2017) and the results of audits of the Consolidated Financial Statements by the Financial Auditor and the Board of Company Auditors
2. Non-consolidated Financial Statements for the Company’s 27th term (October 1, 2016 to September 30, 2017)

#### Matters to be resolved:

**Agenda Item No. 1:** Election of Seven Directors

**Agenda Item No. 2:** Election of Financial Auditor

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To Institutional Investors	You may use the Electronic Proxy Voting Platform operated by ICJ Inc., as a method of exercising your voting rights for the General Meetings of Shareholders.
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■ When you attend the meeting, you are kindly requested to submit the enclosed Voting Rights Exercise Form to the receptionist at the meeting.

For the purpose of saving resources, please be sure to bring this convocation notice with you.

■ The documents to be provided with this convocation notice

1) Notes to Consolidated Financial Statements

2) Notes to Non-consolidated Financial Statements

Based on relevant laws and regulations and the Article 19 of the Company’s Articles of Incorporation, the above items are posted on the Company’s website and are therefore not included in the documents accompanying this convocation notice. The Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Board of Company Auditors and the Financial Auditor include Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are posted on the Company’s website.

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

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

## **Reference Documents for the General Meeting of Shareholders**

### **Agenda Items and Reference Matters**

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#### **Agenda Item No. 1: Election of Seven Directors**

At the close of this General Meeting of Shareholders, all eight directors will retire due to the expiration of their respective terms of office.

Therefore, the Company hereby proposes the election of seven directors, including four outside directors.

To establish a higher level of corporate governance, maintain sustainable growth, and enhance corporate value over the medium to long term, the Company will be delegating as much of the decision-making and execution relating to business execution as possible to group executive officers, and so the board of directors can perform thorough oversight of the business execution of the group executive officers, the Company has decided to make broad changes to the composition of the board of directors.

These changes will reduce the number of directors serving concurrently as group executive officers by three and increase the number of outside directors by two, meaning that outside directors will account for a majority of the Company's board of directors, and in doing so, will work to further strengthen the oversight function of management.

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

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

The candidates are as follows:

Candidate No.	Name		Candidate No.	Name	
1	<b>Koki Sato</b> Representative Director	Reelection Attendance to the board of directors meetings: 13/13	5	<b>Etsuko Okajima</b> Outside director	Reelection Outside director Independent officer Attendance to the board of directors meetings: 12/13
	[Important positions held at other companies] President, SEPTENI CO., LTD.			[Important positions held at other companies] CEO, ProNova Inc. Outside Director, Astellas Pharma Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Link and Motivation Inc.	
2	<b>Isamu Ueno</b> Director	Reelection Attendance to the board of directors meetings: 13/13	6	<b>Seiji Yasubuchi</b> Outside director	New candidate Outside director Independent officer
				[Important positions held at other companies] President and Representative Director, Visa Worldwide Japan Co., Ltd.	
3	<b>Kazumi Shimizu</b> Director	Reelection Attendance to the board of directors meetings: 13/13	7	<b>Yusuke Asakura</b> Outside director	New candidate Outside director Independent officer
				[Important positions held at other companies] Outside director, Raksul, Inc. Visiting scholar, National Graduate Institute for Policy Studies	
4	<b>Tatsuya Kimura</b> Outside director	Reelection Outside director Independent officer Attendance to the board of directors meetings: 13/13			
	[Important positions held at other companies] Professor, Waseda University Graduate School of Business and Finance				

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<b>1 Koki Sato</b> (Date of birth: March 11, 1975)	Reelection	
	Number of years in office	16 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's ordinary shares held	402,500

**Profile and position at the Company**

Apr. 1997    Joined the Company  
Jul. 2001    Director and General Manager of Internet Operations  
Oct. 2003    Managing Director and CMO  
Dec. 2004    Senior Managing Director and COO  
Oct. 2007    Senior Managing Director  
Dec. 2009    Representative Director (current position) and President  
Jan. 2017    Group President and Chief Executive Officer (current position)

■ Reasons for nomination as candidate for director

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

■ Important positions held at other companies

President, SEPTENI CO., LTD.

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<b>2 Isamu Ueno</b> (Date of birth: June 1, 1968)	Reelection	
	Number of years in office	13 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's ordinary shares held	484,000

**Profile and position at the Company**

Sep. 1998    Joined the Company  
Nov. 2003    Officer and Manager of Personnel and Administration  
Dec. 2004    Director (current position) and Manager of Personnel and Administration  
Dec. 2005    Managing Director  
Dec. 2009    Senior Managing Director  
Jan. 2017    Group Senior Executive Officer (current position)

■ Reasons for nomination as candidate for director

Mr. Isamu Ueno has extensive experience and results, and considerable insight in the field of personnel and administration, and because he is expected to drive the management of the Group and further enhance and drive corporate governance, he is deemed necessary to enhance corporate value, and has been reelected as candidate for director.

■ Important positions held at other companies

None.

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<b>3 Kazumi Shimizu</b> (Date of birth: August 8, 1963)	Reelection	
	Number of years in office	12 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's ordinary shares held	144,500

**Profile and position at the Company**

Oct. 2004    Joined the Company  
 Dec. 2005    Director (current position) and Manager of Business Management  
 Dec. 2009    Managing Director  
 Jan. 2017    Group Senior Executive Officer (current position)

■ Reasons for nomination as candidate for director

Mr. Kazumi Shimizu has extensive experience and results, and considerable insight in the fields of business management and finance and accounting, and because he is expected to drive the management of the Group and further enhance and drive corporate governance, he is deemed necessary to enhance corporate value, and has been reelected as candidate for director.

■ Important positions held at other companies

None.

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<b>4 Tatsuya Kimura</b> (Date of birth: November 24, 1958)	Reelection	
	Outside director	
	Independent officer	
	Number of years in office	3 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's ordinary shares held	2,500

**Profile and position at the Company**

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

■ Reasons for nomination as candidate for outside director

Mr. Tatsuya Kimura is very familiar with the field of corporate management, and because he has provided useful advice on all aspects of the business administration of the Group based on his extensive knowledge and considerable insight, he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has been reelected as candidate for outside director. Although he has never been involved in corporate management other than serving as an outside officer, he is deemed capable of properly carrying out the duties of an outside director of the Company for the reasons mentioned above.

■ Important positions held at other companies

Professor, Waseda University Graduate School of Business and Finance

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

Reelection  
Outside director  
Independent officer  
Number of years in office 2 years  
Attendance to the board of directors meetings 12/13  
Number of the Company's ordinary shares held -

**Profile and position at the Company**

Apr. 1989 Joined Mitsubishi Corporation  
Jan. 2001 Joined McKinsey & Company Incorporated Japan  
Mar. 2002 Joined Globis Management Bank, Inc.  
Jul. 2005 President, Globis Management Bank, Inc.  
Jun. 2007 CEO, ProNova Inc. (current position)  
Jun. 2014 Outside Director, Astellas Pharma Inc. (current position)  
Jun. 2014 External Director, MARUI GROUP Co., Ltd. (current position)  
Nov. 2015 Outside Director, Lancers, Inc. (current position)  
Dec. 2015 Outside Director (current position)  
Mar. 2016 Outside Director, Link and Motivation Inc. (current position)

■ Reasons for nomination as candidate for outside director

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

■ Important positions held at other companies

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

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**6 Seiji Yasubuchi**  
(Date of birth: October 2, 1955)

New candidate  
Outside director  
Independent officer  
Number of years in office – years  
Attendance to the board of directors meetings –/–  
Number of the Company's ordinary shares held –

**Profile and position at the Company**

Apr. 1979 Joined Mitsubishi Corporation  
Nov. 1999 Joined Ripplewood Japan, Inc.  
Executive Director  
Apr. 2001 Joined UBS Securities Japan Co., Ltd.  
Executive Director in charge of transport and privatization of public organization  
Mar. 2005 Managing Director in charge of transport and privatization of public organization,  
UBS Securities Japan Co., Ltd.  
Jun. 2006 Joined GE Commercial Finance Asia  
Executive Vice President in charge of business development  
Sep. 2007 President and CEO, GE Commercial Finance Japan  
Jan. 2009 President and CEO, GE Capital  
Jan. 2010 Director, GE Japan Corp.  
President and CEO, GE Capital  
Sep. 2016 Representative Director, President and CEO, SMFL Capital Co., Ltd.  
Apr. 2017 Joined Visa Worldwide Japan Co., Ltd.  
President and Representative Director (current position)

■ Reasons for nomination as candidate for outside director

Mr. Seiji Yasubuchi has extensive experience and results, and considerable insight as an executive at global companies, and he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has been nominated as candidate for outside director.

■ Important positions held at other companies

President and Representative Director, Visa Worldwide Japan Co., Ltd.

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**7 Yusuke Asakura**  
(Date of birth: July 23, 1982)

New candidate  
Outside director  
Independent officer  
Number of years in office – years  
Attendance to the board of directors meetings –/–  
Number of the Company's ordinary shares held –

**Profile and position at the Company**

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

■ Reasons for nomination as candidate for outside director

Mr. Yusuke Asakura has extensive experience and results, and considerable insight as an executive and researcher at listed internet companies, and as an investor, and he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has been nominated as candidate for outside director.

■ Important positions held at other companies

Outside director, Raksul, Inc.; Visiting scholar, National Graduate Institute for Policy Studies

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(Notes)

1. The name of Ms. Etsuko Okajima in the family register is Etsuko Mino.
2. Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Seiji Yasubuchi and Mr. Yusuke Asakura are candidates for outside directors.
3. Ms. Etsuko Okajima is the CEO of ProNova Inc., which has concluded a service contract agreement with SEPTENI CO., LTD., a subsidiary of the Company, for support in the development of female business executives.
4. Apart from what is mentioned in 3. above, there are no other special relationships between the Company and each of the candidates.
5. The Company has established “Independence Standards for Outside Directors” (<https://www.septeni-holdings.co.jp/ir/pdf/isod.pdf>) (in Japanese only). There is no information showing any violations of these standards for candidates Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Seiji Yasubuchi, or Mr. Yusuke Asakura, and each candidate is deemed independent.
6. The Company has designated Mr. Tatsuya Kimura and Ms. Etsuko Okajima as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange. If the proposed election of them is approved, the Company will continue to designate them as independent officers. Furthermore, if the proposed election of Mr. Seiji Yasubuchi and Mr. Yusuke Asakura is approved, the Company will designate them as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc., and will submit a notice of designation to the Tokyo Stock Exchange.
7. The Company has entered into a liability limitation agreement with each of Mr. Tatsuya Kimura and Ms. Etsuko Okajima. According to the aforementioned liability limitation agreement, Mr. Tatsuya Kimura’s and Ms. Etsuko Okajima’s liability under Article 423, paragraph 1 of the Companies Act will not exceed either ¥5 million or the minimum liability amount stipulated in Article 425, paragraph 1 of the same Act, whichever is higher. If their proposed elections are approved at this General Meeting of Shareholders, the Company plans to again enter into the aforementioned liability limitation agreement with them. In addition, if the proposed elections of Mr. Seiji Yasubuchi and Mr. Yusuke Asakura are approved, the Company plans to enter into the aforementioned liability limitation agreement with each of them.



**Agenda Item No. 2: Election of Financial Auditor**

At the close of this General Meeting of Shareholders, the term of office of the financial auditor, Ernst & Young ShinNihon LLC, will expire. In that regard, it is proposed that the financial auditor in question not be reelected, and that a new financial auditor be elected.

In addition, the consent of the board of company auditors has been obtained for this proposal.

1. Reasons for not reelecting Ernst & Young ShinNihon LLC and for newly requesting the election of Deloitte Touche Tohmatsu LLC

Believing it appropriate to once again evaluate and review the financial auditor on the basis that Ernst & Young ShinNihon LLC had been elected as financial auditor for a long period, the board of company auditors conducted an investigation of multiple audit firms, including the aforementioned firm, in accordance with the Company's financial auditor evaluation and selection guidelines.

As a result, the Company has newly nominated Deloitte Touche Tohmatsu LLC as the candidate for financial auditor to replace Ernst & Young ShinNihon LLC. In reaching this decision, the Company judged that not only did Deloitte Touche Tohmatsu LLC possess the specialty, independence and suitability required to be the Company's financial auditor and the auditing system capable of performing unified auditing of the Group's global business activities, but also that, through changing the financial auditor, the Company could expect to further improve the reliability of its financial information by applying auditing that uses perspectives and methods that are different from before.

2. Candidate for financial auditor

Name, address of principal office, history, etc. of the candidate for financial auditor are as follows:

Name	Deloitte Touche Tohmatsu LLC		
Address of principal office	Shinagawa Intercity, 15-3 Konan 2-chome, Minato-ku, Tokyo		
History	May 1968	Tohmatsu Awoki & Co. established	
	May 1975	Joined Touche Ross International (TRI) (now Deloitte Touche Tohmatsu Limited (DTTL)) alliance	
	Feb. 1990	Changed the company name to Tohmatsu & Co.	
	Jul. 2009	Converted to a limited liability company and changed the company name to Deloitte Touche Tohmatsu LLC	
Outline	Capital	¥966 million (as of August 31, 2017)	
	Number of employees	6,589 (as of August 31, 2017)	
		Partners (including 53 specified partners)	594
		Professionals	5,585
		Administrative staff	410
		Total	6,589
		Of the above,	
		Certified public accountants (CPAs)	3,340
		Passers of certified public accountant exam, etc. (including junior certified public accountants)	1,112
	Number of audit clients	3,399 companies (as of May 31, 2017)	

(Notes)

1. If shareholders approve the election of financial auditor candidate Deloitte Touche Tohmatsu LLC, the Company will enter into a liability limitation agreement with that firm according to which their liability under Article 423, paragraph 1 of the Companies Act will not exceed either ¥30 million or the minimum liability amount stipulated in Article 425, paragraph 1 of same Act, whichever is higher.
2. For the past two years, financial auditor candidate Deloitte Touche Tohmatsu LLC has received compensation from the Company for advisory and guidance services relating to International Financial Reporting Standards (IFRS).

## **Business Report (From October 1, 2016 to September 30, 2017)**

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

#### (1) Business progress and results

##### **Earnings for the current term**

Individual smartphone ownership in Japan rose to 56.8% in 2016, as the quantitative expansion continued centered on the younger generation, with more than 80% of those in their teens through 30s now owning a smartphone. At the same time, per-capita smartphone usage time also increased greatly with the increasing usage rate of SNS (social networking services), meaning we are also seeing a profound qualitative change in usage (source: “2017 White Paper on Information and Communications in Japan,” Ministry of Internal Affairs and Communications). As such, with the smartphone becoming a mainstream device to access the Internet, the market for corresponding advertising and diverse services and content is expanding. In addition, the power of social media, led by SNS, is increasing still further. In this way, demand for marketing support that makes use of the characteristics of social media is increasing still further.

Amid this business environment, the Group has focused on smartphone advertising, and has worked to enhance its production and sales system for video advertising, which is experiencing particularly dramatic growth. The Group also worked to expand business overseas and to boost earnings in Southeast Asia.

Moreover, to enhance competitiveness in the medium to long term, we proactively hired and developed human resources using AI-type personnel systems based on the machine learning, and in our Media Content Business, we made upfront investments to expand the media scale mainly of the manga application “GANMA!”

As a result, revenue increased to ¥14,702 million (up 6.1% year on year), non-GAAP operating profit decreased to ¥2,325 million (down 43.9% year on year) and profit attributable to owners of parent totaled ¥2,211 million (down 12.2% year on year), with revenue again setting a new record high in substantive terms for the sixth straight fiscal year.

Furthermore, following the sale of some of our shares in AXEL MARK INC. on November 10, 2016, we have removed the company and its subsidiaries from the scope of our consolidation. We separated the profits or losses of the company and its subsidiaries and the profits or losses from the sale of shares from continuing operations, and reclassifying those profits or losses as discontinued operations, we retrospectively adjusted the previous fiscal year’s results with which comparisons are made.

Concerning year-end dividend for the current term, after taking into consideration the above-mentioned business performance and the Company’s basic policy on profit distribution, the Company passed a resolution at the board of directors meeting held on November 21, 2017 to pay a year-end dividend of ¥3.2 per share. Based on this decision, total dividends paid will be ¥409,903,504.

Furthermore, in order to increase shareholder returns through improvement of the capital efficiency as well as to pursue the agile capital policy that responds to changes in the management environment, the Company acquired 1,800 thousand treasury shares (total acquisition price of ¥630 million) during the current term.

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

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

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

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

Revenue: <b>¥14,702 million</b> Previous term: ¥13,862 million Up 6.1%	Non-GAAP operating profit: <b>¥2,325 million</b> Previous term: ¥4,147 million Down 43.9%
Profit attributable to owners of parent: <b>¥2,211 million</b> Previous term: ¥2,519 million Down 12.2%	Dividends per share: <b>¥3.2</b> Previous term: ¥16 (Note)

(Note) The Company conducted a share split of common share at a ratio of 5 for 1 on October 1, 2016. The operating results of the previous term are stated based on the number of shares before the share split.

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

## Internet Marketing Business

### ■ Major business

#### **Development of comprehensive marketing support services for companies leveraging the Internet**

The Internet Marketing Business engages in the sales of Internet advertising and the operation of cloud-based CRM services and marketing platforms including affiliate networks.

During the current term, amid an expanding Internet advertising market centering on performance-based advertising for smartphones, the Group proactively engaged in operating activities and worked to expand operations. In addition to that increased demand, growth was supported by the increasing diversification of advertising products and richness of advertising methods, and smartphone advertising's share of net sales in the Internet Marketing Business remained high. Net sales from video advertising, a focus area, saw broad growth. Despite a reduction in deliveries for certain existing large projects, we expanded overseas operations centered on Lion Digital Global Ltd., a Southeast Asian Internet advertising agency acquired as a consolidated subsidiary in October 2016, resulting in continued strong overseas business revenue and contributing to expanded revenue for the Internet Marketing Business.

Revenue: ¥13,833 million  
(Up 3.2% year on year)

Non-GAAP operating profit: ¥4,255 million  
(Down 20.2% year on year)

## Media Content Business

### ■ Major business

#### **Manga Content Business, recruitment platform business, social contribution platform business, medical platform business, and other businesses**

The Manga Content Business engages in cultivating and supporting manga artists and operates a manga distribution service through the manga application "GANMA!," the Company's own media, for the purpose of planning and developing its own intellectual property (IP).

In the Manga Content Business in the current term, we proactively made marketing investments including TV commercial to expand the media scale of the manga application "GANMA!" As a result, although distribution and administrative expense increased mainly in advertising expenses, the number of "GANMA!" users grew significantly resulting in cumulative downloads of 8.59 million as of September 30, 2017, which is about 2.2 times the number it was in the previous term. Furthermore, sales of advertising that appears on "GANMA!" remained strong, and application revenue centered on advertising revenue saw broad growth.

Revenue: ¥1,163 million  
(Up 93.5% year on year)

Non-GAAP operating loss: ¥1,420 million  
(Operating loss of ¥718 million  
in the previous term)

## (2) Trends in financial position and profit and loss

### ■ J-GAAP

Category	24th term (ended September 30, 2014)	25th term (ended September 30, 2015)
Net sales (Thousand yen)	54,345,580	64,547,685
Operating profit (Thousand yen)	2,259,953	2,753,969
Ordinary profit (Thousand yen)	2,362,887	3,118,052
Profit attributable to owners of parent (Thousand yen)	1,549,187	2,398,059
Basic earnings per share (Yen)	61.22	92.87
Total assets (Thousand yen)	21,625,786	25,387,848
Net assets (Thousand yen)	10,203,263	12,286,188
Dividends per share (Yen)	9.00	14.00
Return on equity (ROE) (%) (Note 4)	18.5	23.4

### ■ IFRS

Category	25th term (ended September 30, 2015) (Note 1, 2)	26th term (ended September 30, 2016) (Note 2)	27th term (ended September 30, 2017)
Revenue (Thousand yen)	11,194,804	13,861,870	14,702,191
Non-GAAP operating profit (Thousand yen)	2,900,596	4,146,751	2,324,552
Profit attributable to owners of parent (Thousand yen)	2,351,121	2,519,007	2,210,604
Total assets (Thousand yen)	25,635,045	29,980,944	32,928,735
Basic earnings per share (Yen) (Note 3)	18.21	19.43	17.38
Dividends per share (Yen)	14.00	16.00	3.20
Return on equity (ROE) (%) (Note 4)	23.0	19.8	15.1

(Notes)

- The Company has applied the IFRS since the 26th term (fiscal year ended September 30, 2016.) Figures for the 25th term (fiscal year ended September 30, 2015) based on IFRS are provided for reference.
- Following the sale of part of shares of AXEL MARK INC. held by the Company, on November 10, 2016, this company and its subsidiaries have been excluded from the scope of consolidation, and as for the trends in profit and loss for the 25th and 26th terms, the comparative periods, the said business was reclassified as discontinued operations and retrospective adjustments were made.
- The Company conducted a share split of common share at a ratio of 5 for 1 on October 1, 2016. Basic earnings per share based on IFRS above have been calculated on the assumption that the share split was conducted at the beginning of the 25th term.
- ROE is calculated as follows:  
 J-GAAP: (Profit attributable to owners of parent) / (Net assets - Subscription rights to shares - Non-controlling interests) (yearly average)  
 IFRS: Profit attributable to owners of parent / equity attributable to owners of parent (yearly average)

■ Adoption of the IFRS: Aiming to achieve rapid growth as a global company

Since the first quarter of the fiscal year ended September 30, 2016, the Group has applied the International Financial Reporting Standards (IFRS).

What has changed by IFRS?

1. Revenue has changed

How to record revenue (top line)

The conventional recording of the total amount (gross) has been changed to recording of net amounts in the sale by advertising agents, which comprises a large part of the Internet Marketing Business.

2. The treatment of goodwill has changed

While straight-line amortization was applied to goodwill based on the Japanese GAAP, goodwill is not amortized on IFRS but requires an impairment test every year. This creates an impairment risk.

(3) Issues to be addressed

Aiming to achieve further profit growth and corporate value, the Group has formulated new Midterm Business Policies for the years from the fiscal year ended September 30, 2017. We present the details below.

■ Performance Target

Non-GAAP operating profit: ¥10.0 billion

■ Basic policies

◆ Expand advertising business globally

◆ Enhance our own media

◆ Invest in what comes after the smartphone

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

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

(4) Capital investments

Nothing noteworthy to report.

(5) Financing

During the fiscal year under review, other financial liabilities increased by ¥3,567 million. This was due mainly to an increase of ¥3,616 million in loans payable from financial institutions.

(6) Business transfers, absorption-type company split or incorporation-type company split

Nothing noteworthy to report.

(7) Business transfers from other companies

Nothing noteworthy to report.

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

Nothing noteworthy to report.

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

On October 5, 2016, the Group acquired 96.01% of shares of Lion Digital Global Ltd., a Southeast Asian Internet advertising agency and made the said company its consolidated subsidiary.

On November 10, 2016, the Group sold 440,000 shares out of 1,746,500 shares of AXEL MARK INC., resulting in the said company becoming its associate accounted for using equity method.

- (10) Parent and significant subsidiaries (as of September 30, 2017)

- 1) Relationship with the parent

Not applicable.

- 2) Significant subsidiaries

Company name	Capital or investment in capital (Thousand yen)	Ratio of voting right of the Company	Major business
SEPTENI CO., LTD.	300,000	100.0%	Internet ad agency
COMICSMART INC.	450,000	100.0%	Manga Content Business

(Notes)

- The Company owns a total of 33 consolidated subsidiaries, including the significant subsidiaries described above.
- The Company does not own any subsidiaries that are specified wholly owned subsidiaries as provided in Article 118, item 4 of the Ordinance for Enforcement of the Companies Act.

- (11) Major offices (as of September 30, 2017)

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

- (12) Employees (as of September 30, 2017)

Number of employees	Increase/decrease from the previous term-end
1,083	153 increase

- (13) Major creditors (as of September 30, 2017)

Creditor	Amount of loans (Million yen)
Mizuho Bank, Ltd.	4,933

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

Nothing noteworthy to report.



## 2. Status of the Company

### (1) Matters regarding shares (as of September 30, 2017)

- 1) Number of shares authorized 370,080,000 shares
- 2) Number of shares issued 138,819,000 shares (including 10,724,155 treasury shares)
- 3) Number of shareholders 10,063 (5,390 increase from the previous fiscal year-end)
- 4) Major shareholders (top 10 shareholders, excluding treasury shares)

Name of shareholder	Number of shares (shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	19,907,600	15.54
Village seven Co., Ltd.	16,219,000	12.66
Mamoru Nanamura	13,950,500	10.89
Yahoo Japan Corporation	7,000,000	5.46
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,781,200	4.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,184,100	4.05
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	4,914,605	3.84
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,321,945	1.81
Hiroshi Shimizu	2,020,000	1.58
NOMURA PB NOMINEES LIMITED OMNIBUS - MARGIN (CASHPB)	1,835,499	1.43

#### (Notes)

1. The above shareholding ratios exclude treasury shares (10,724,155 shares).
2. The treasury shares do not include the Company's shares owned by the officer remuneration BIP (Board Incentive Plan) trust.

### 5) Other important matters regarding shares

- (a) The Company implemented a share split on October 1, 2016, at a ratio of five shares per common share. As a result, the number of shares authorized increased by 296,064,000 shares and the number of shares issued increased by 110,913,200 shares.
- (b) The number of shares issued increased by 177,500 shares due to the exercise of share options.
- (c) At the board of directors meeting held on November 22, 2016, the Company resolved the acquisition of treasury shares of the Company, in accordance with the provisions of the Articles of Incorporation, pursuant to Article 459, paragraph 1 of the Companies Act, and acquired its treasury shares as follows:

Type of shares acquired	Common shares of the Company
Total number of shares acquired	1,800,000 shares
Acquisition price	¥630,452,000
Acquisition date	From November 24, 2016 to December 2, 2016
Acquisition method	Open-market purchase on the Tokyo Stock Exchange
Reasons for acquisition	Increase in shareholder returns and implementation of the agile capital policy

- (d) The Company introduced a share-based remuneration plan for 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). This plan employs the mechanism of the officer remuneration BIP (Board Incentive Plan) trust, and acquired 1,739,200 shares of common shares of the Company (total acquisition cost of the shares: ¥575,680,987) through the BIP trust during the business year under review.

(2) Matters regarding share options, etc.

1) Status of share options, etc. held by officers of the Company (as of September 30, 2017)

Date of resolution of issue	June 10, 2004	March 10, 2005	January 25, 2006	
Category	Director	Director	Director	Company Auditor
Number of holders	1	1	2	1
Number of share options	60	45	120	10
Number of shares to be issued upon exercise of share options	120,000 shares	90,000 shares	120,000 shares	10,000 shares
Class of shares to be issued upon exercise of share options	Common shares	Common shares	Common shares	
Issue price	Without contribution	Without contribution	Without contribution	
Amount to be paid per share upon exercise of share options	¥7	¥7	¥7	
Exercise period of share options	From June 29, 2004 to December 18, 2033	From March 16, 2005 to December 16, 2034	From February 1, 2006 to December 20, 2035	
Remarks	Share options in share-based payment arrangement	Share options in share-based payment arrangement	Share options in share-based payment arrangement	
Date of resolution of issue	January 19, 2007	January 17, 2008	January 15, 2009	
Category	Director	Director	Director	
Number of holders	1	1	1	
Number of share options	20	15	15	
Number of shares to be issued upon exercise of share options	20,000 shares	15,000 shares	15,000 shares	
Class of shares to be issued upon exercise of share options	Common shares	Common shares	Common shares	
Issue price	¥146	¥160	¥61	
Amount to be paid per share upon exercise of share options	¥7	¥7	¥7	
Exercise period of share options	From February 1, 2008 to December 31, 2037	From February 1, 2009 to December 31, 2037	From February 1, 2010 to December 31, 2037	
Remarks	Share remuneration-type share options for officers	Share remuneration-type share options for officers	Share remuneration-type share options for officers	

Date of resolution of issue	January 26, 2016
Category	Director
Number of holders	3
Number of share options	75
Number of shares to be issued upon exercise of share options	37,500 shares
Class of shares to be issued upon exercise of share options	Common shares
Issue price	¥360
Amount to be paid per share upon exercise of share options	¥7
Exercise period of share options	From February 1, 2017 to January 31, 2018
Remarks	Share remuneration-type share options for officers

(Notes)

1. As the Company implemented a share split on October 1, 2013 at a ratio of 200 shares per common share, the number of shares and issue price provided above were adjusted accordingly except those for the issue resolved on and after January 26, 2016.
2. As the Company implemented a share split on October 1, 2016 at a ratio of five shares per common share, the number of shares and issue price provided above were adjusted accordingly.
  - 2) Status of share options, etc. delivered to employees, etc. during the business year under review  
Nothing noteworthy to report.
  - 3) Other important matters regarding share options, etc.  
Nothing noteworthy to report.

(3) Matters regarding company officers (as of September 30, 2017)

1) Directors and company auditors

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

(Notes)

- Directors Tatsuya Kimura and Etsuko Okajima are outside directors as prescribed in Article 2, item 15 of the Companies Act.
- Company auditors Katsuhisa Yanagi, Yoshihide Hirowatari and Mamoru Furushima are outside company auditors as prescribed in Article 2, item 16 of the Companies Act.
- Company auditors Yoshihide Hirowatari and Mamoru Furushima are certified public accountants and have a respectable degree of knowledge in finance and accounting.
- The Company has designated directors Tatsuya Kimura and Etsuko Okajima as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange.
- The Company has entered into agreements with all outside directors and outside company auditors that limit their liability for damages as set forth in Article 423, paragraph 1 of the Companies Act. The limit on liability for damages under said agreement is ¥5 million or the minimum liability amount provided for by Article 425, paragraph 1 of the Companies Act, whichever is higher.

2) Amount of remunerations to directors and company auditors

Category	Number of payees	Officers' remunerations	Remarks
Director	8	¥328,175 thousand	Including ¥16,379 thousand for two outside directors
Company Auditor	4	¥39,177 thousand	Including ¥14,218 thousand for three outside company auditors

(Notes)

- Amount of remunerations, etc. above includes the amount that posted as expenses during the current term regarding share options granted as share options to directors and company auditors.
- Of all directors, part of remunerations, etc. for serving concurrently as directors of subsidiaries of the Company are borne by the subsidiaries as expenses. Amount of remunerations, etc. to directors, combining the amount borne by the Company above and the amount borne by the subsidiaries, is ¥407,675 thousand.

### 3) Outside officers

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

Category	Name	Important positions held at other companies	Relationship with the Company
Director	Tatsuya Kimura	Professor, Waseda University Graduate School of Business and Finance	There is no business relationship.
Director	Etsuko Okajima	CEO, ProNova Inc.	There is no important business relationship.
		Outside Director, Astellas Pharma Inc.	There is no business relationship.
		External Director, MARUI GROUP Co., Ltd.	There is no business relationship.
		Outside Director, Link and Motivation Inc.	There is no business relationship.
Company Auditor	Yoshihide Hirowatari	President, AGS Consulting Co., Ltd.	There is no important business relationship.
		Managing Partner, AGS Certified Tax Co.	There is no important business relationship.
Company Auditor	Mamoru Furushima	Representative, Furushima Law & Accounting Office	There is no business relationship.
		Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.	There is no business relationship.

#### (b) Major activities in the business year under review

Category	Name	Major activities
Director	Tatsuya Kimura	Mr. Kimura attended all board of directors meetings held during the current term, where he made comments primarily from his professional viewpoints as an academic. Furthermore, as the chairperson of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company, he has led deliberations on nomination of directors and compiled proposed recommendations as the committee.
Director	Etsuko Okajima	Ms. Okajima attended 12 of 13 board of directors meetings held during the current term, where she made comments primarily informed by her experience and insight as a corporate manager. Moreover, she has expressed opinions, etc. appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company.
Company Auditor	Katsuhisa Yanagi	Mr. Yanagi attended all board of directors meetings and all board of company auditors meetings held during the current term, where he made comments as required. In addition, he attended other important management meetings and he performed monitoring of the directors' performance of their duties.
Company Auditor	Yoshihide Hirowatari	Mr. Hirowatari attended 10 of 13 board of directors meetings and 12 of 15 board of company auditors meetings held during the current term, where he made comments, primarily from his professional viewpoint as a certified public accountant.
Company Auditor	Mamoru Furushima	Mr. Furushima attended all board of directors meetings and all board of company auditors meetings held during the current term, where he made comments primarily from his professional viewpoints as a certified public accountant and as a lawyer.

(4) Financial auditor (as of September 30, 2017)

1) Name

Ernst & Young ShinNihon LLC

2) Amount of remuneration, etc.

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

¥38,306 thousand

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

¥40,066 thousand

(Notes)

1. The audit contract between the Company and the financial auditor does not distinguish between remuneration paid for the audit conducted in accordance with the Companies Act and remuneration paid for the audit conducted in accordance with Financial Instruments and Exchange Act. Accordingly, the amount above is the aggregate amount.
2. The Company entrusts the financial auditor with advisory and guidance services concerning English translation of non-financial documents, which are non-audit services other than the services set forth in Article 2, paragraph 1 of the Certified Public Accountants Act, and duly pays consideration for such services.
3. The board of company auditors, based upon the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association, conducts confirmation of the auditing plans of the financial auditor, the status of execution of audit, the grounds for calculation of remuneration estimates and other matters, and having investigated these, gives consent to remuneration, etc. for the financial auditor in accordance with Article 399, paragraph 1 of the Companies Act.

3) Details of limited liability agreement

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

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

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

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

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

### 3. Structure and policy of the Company

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

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

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

Based on these policies, the Company will pay a year-end dividend of ¥3.2 per share for the current term. In addition, the Company acquired 1,800 thousand treasury shares (total acquisition price of ¥630 million) during the current term.

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

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

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

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

- (a) Officers and employees of the Group shall recognize compliance with laws and regulations and social ethics as being one of basic points for the Group to fulfill its corporate social responsibilities (CSR) and achieve sustainable growth, and practice the compliance through the Group's CSR activities.

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



receive a report from the operating subsidiary or division and oversee the risk management of the Group.

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

- (d) The Company shall establish regulations for prohibiting removal from duty, discharge and any other disadvantageous treatment to officers and employees of the Group on the grounds that the officers and employees made a report to company auditors, and make the regulations well known.
- (e) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the board of company auditors.
- 8) Matters relating to policies on procedures for prepayment or reimbursement of expenses arising from the execution of duties by company auditors and processing of other expenses or obligations arising from the execution of duties by company auditors
- Expenses that are considered necessary in the execution of duties of company auditors shall be budgeted in advance. In cases where company auditors request payment for reasonable expenses for the execution of their duties, the Company shall accept the request.
- 9) Systems for ensuring the effective functioning of audits by company auditors
- (a) The Company shall ensure that it provides its company auditors with opportunities to sufficiently exchange opinions with the Group President and Chief Executive Officer, outside directors, financial auditor and Internal Auditing Office.
- (b) The Company shall establish a system that allows its company auditors to perform audits equivalent to audits of the Company by the company auditors under individual agreements between the Company and its subsidiaries, in addition to investigations of subsidiaries under laws and regulations, so that the company auditors can audit the entire Group effectively and efficiently as needed.
- (3) Overview of status of management of systems to ensure the properness of operations
- 1) Information on compliance and risk management
- With regard to the status of compliance and risk management among the entire Group, the Company shall regularly hold the meeting of the Group Risk Management Committee and share the information relating to the correspondence status, etc.
- Regular compliance trainings for officers and employees have been provided to raise the employee's awareness on compliance. In addition, the Company established the internal reporting system for the Group and informed all employees about it.
- 2) Information on the execution of duties by directors
- The board of directors comprises of eight directors, including two outside directors. In addition, four company auditors including three outside company auditors also attend the meetings of the board of directors. During the business year under review, the board of directors held meetings 13 times to ensure the execution of duties in compliance with laws and regulations and the Articles of Incorporation by means of the managerial decision-making through full and thorough discussions and other measures.
- 3) Information on the execution of duties by company auditors
- The board of company auditors comprises of four company auditors, including three outside company auditors. During the business year under review, the board of company auditors held meetings 15 times to mainly receive reports from internal company auditor on the status of operations of the Company and exchange opinions mutually among company auditors.
- In addition to that, company auditors shall provide supervision of execution of duties by directors by attending the important meetings including the meeting of the board of directors and Group Management Meeting, and regularly exchange information with the Group President and Chief Executive Officer, financial auditor and Internal Auditing Office.

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(Note) Figures in this Business Report are rounded down to the units indicated only for the J-GAAP monetary values in “(2) Trends in financial position and profit and loss” on page 14. All other figures are rounded to the units indicated.

## Consolidated Financial Statements

### Consolidated Statement of Financial Position

			(Thousand yen)		
Account	27th term (At September 30, 2017)	(Reference) 26th term (At September 30, 2016)	Account	27th term (At September 30, 2017)	(Reference) 26th term (At September 30, 2016)
<b>Assets</b>			<b>Liabilities and Equity</b>		
Current assets			Liabilities		
Cash and cash equivalents	15,519,366	15,480,970	Current liabilities		
Operating receivables	9,988,192	9,982,708	Operating payables	9,349,155	9,652,601
Inventories	9,794	118,517	Other financial liabilities	1,931,391	1,728,525
Other financial assets	209,252	443,788	Current income taxes payable	309,710	1,236,846
Other current assets	545,809	242,480	Other current liabilities	1,796,410	1,573,264
<b>Total current assets</b>	<b>26,272,413</b>	<b>26,268,463</b>	<b>Total current liabilities</b>	<b>13,386,666</b>	<b>14,191,236</b>
Non-current assets			Non-current liabilities		
Property, plant and equipment	333,676	363,519	Other financial liabilities	4,018,845	654,867
Goodwill	1,817,632	147,491	Provisions	82,821	88,454
Intangible assets	169,005	232,261	Other non-current liabilities	1,140	518
Investments accounted for using equity method	1,943,739	611,991	Deferred tax liabilities	215,731	-
Other financial assets	1,657,054	1,673,251	<b>Total non-current liabilities</b>	<b>4,318,537</b>	<b>743,839</b>
Other non-current assets	7,024	3,743	<b>Total liabilities</b>	<b>17,705,203</b>	<b>14,935,075</b>
Deferred tax assets	728,192	680,225	Equity		
<b>Total non-current assets</b>	<b>6,656,322</b>	<b>3,712,481</b>	Equity attributable to owners of parent		
<b>Total assets</b>	<b>32,928,735</b>	<b>29,980,944</b>	Share capital	2,113,611	2,085,004
			Share premium	3,647,815	3,617,269
			Treasury shares	(1,691,818)	(485,685)
			Retained earnings	11,018,315	8,815,259
			Other components of equity	84,355	123,875
			<b>Total equity attributable to owners of parent</b>	<b>15,172,278</b>	<b>14,155,722</b>
			Non-controlling interests	51,254	890,147
			<b>Total equity</b>	<b>15,223,532</b>	<b>15,045,869</b>
			<b>Total liabilities and equity</b>	<b>32,928,735</b>	<b>29,980,944</b>

(Note) Figures are rounded to the nearest unit.

## Consolidated Statement of Profit or Loss

Account	(Thousand yen)	
	<b>27th term (From October 1, 2016 to September 30, 2017)</b>	(Reference) 26th term (From October 1, 2015 to September 30, 2016)
Continuing operations		
Revenue	14,702,191	13,861,870
Cost of sales	1,713,539	1,383,668
Gross profit	12,988,652	12,478,202
Distribution and administrative expense	10,651,666	8,350,253
Other income	14,949	46,044
Other expense	104,127	19,547
Operating profit	2,247,808	4,154,446
Finance income	277,030	111,387
Finance costs	113,963	94,699
Share of profit from investments accounted for using equity method	36,772	109,755
Profit before tax	2,447,647	4,280,889
Income tax expense	1,109,365	1,563,685
Profit from continuing operations	1,338,282	2,717,204
Discontinued operations		
Profit (loss) from discontinued operations	868,070	(465,195)
Profit	2,206,352	2,252,009
Profit attributable to:		
Owners of parent	2,210,604	2,519,007
Non-controlling interests	(4,252)	(266,998)
Total	2,206,352	2,252,009
Net sales (Reference)	72,375,144	73,203,044
Reconciliation from operating profit to non-GAAP operating profit (Reference)		
Operating profit	2,247,808	4,154,446
Other income	960	20,000
Other expense	77,704	12,305
Non-GAAP operating profit	2,324,552	4,146,751

(Note) Figures are rounded to the nearest unit.

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

	(Thousand yen)	
Account	<b>27th term (From October 1, 2016 to September 30, 2017)</b>	26th term (From October 1, 2015 to September 30, 2016)
Profit	2,206,352	2,252,009
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	183,719	298,883
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	258,466	(114,119)
Cash flow hedges	(13,770)	(5,511)
Share of other comprehensive income of associates accounted for using equity method	1,514	-
Total other comprehensive income, net of tax	429,929	179,253
Total comprehensive income	2,636,281	2,431,262
Comprehensive income attributable to:		
Owners of parent	2,617,876	2,734,220
Non-controlling interests	18,405	(302,958)
Comprehensive income	2,636,281	2,431,262

(Note) Figures are rounded to the nearest unit.

## Consolidated Statement of Changes in Equity

27th term (From October 1, 2016 to September 30, 2017)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2016	2,085,004	3,617,269	(485,685)	8,815,259	123,875	14,155,722	890,147	15,045,869
Profit	–	–	–	2,210,604	–	2,210,604	(4,252)	2,206,352
Other comprehensive income	–	–	–	–	407,272	407,272	22,657	429,929
Total comprehensive income	–	–	–	2,210,604	407,272	2,617,876	18,405	2,636,281
Issue of new shares	28,607	28,606	–	–	(55,970)	1,243	–	1,243
Dividends of surplus	–	–	–	(415,096)	–	(415,096)	–	(415,096)
Purchase and disposal of treasury shares	–	–	(1,206,133)	–	–	(1,206,133)	–	(1,206,133)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	1,940	–	–	–	1,940	(218,024)	(216,084)
Changes in ownership interests in subsidiaries that result in loss of control	–	–	–	–	(2,873)	(2,873)	(638,394)	(641,267)
Other	–	–	–	407,548	(387,949)	19,599	(880)	18,719
Total amount of transactions with owners	28,607	30,546	(1,206,133)	(7,548)	(446,792)	(1,601,320)	(857,298)	(2,458,618)
Balance at September 30, 2017	2,113,611	3,647,815	(1,691,818)	11,018,315	84,355	15,172,278	51,254	15,223,532

(Note) Figures are rounded to the nearest unit.

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

(Thousand yen)

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

(Note) Figures are rounded to the nearest unit.

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

			(Thousand yen)		
Account	27th term (At September 30, 2017)	(Reference) 26th term (At September 30, 2016)	Account	27th term (At September 30, 2017)	(Reference) 26th term (At September 30, 2016)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>11,153,521</b>	<b>7,035,611</b>	<b>Current liabilities</b>	<b>1,611,114</b>	<b>1,039,829</b>
Cash and deposits	7,983,157	5,829,496	Short-term loans payable	58,335	50,002
Accounts receivable - trade	283,787	276,032	Current portion of long-term loans payable	999,996	–
Supplies	2,130	2,862	Accounts payable - other	442,999	291,882
Prepaid expenses	66,267	61,883	Accrued expenses	26,200	40,316
Accounts receivable - other	2,062,699	810,523	Income taxes payable	16,239	605,751
Income taxes receivable	337,933	–	Deposits received	18,696	15,403
Short-term loans receivable from subsidiaries and associates	400,000	30,000	Provision for bonuses	48,648	36,472
Deferred tax assets	16,960	22,610	<b>Non-current liabilities</b>	<b>3,961,395</b>	<b>266</b>
Other	584	2,201	Long-term loans payable	3,933,338	–
<b>Non-current assets</b>	<b>4,408,539</b>	<b>4,032,664</b>	Other	28,057	266
<b>Property, plant and equipment</b>	<b>125,670</b>	<b>136,304</b>	<b>Total liabilities</b>	<b>5,572,509</b>	<b>1,040,096</b>
Buildings	45,174	74,081	<b>Net Assets</b>		
Tools, furniture and fixtures	80,495	62,223	<b>Shareholders' equity</b>	<b>9,989,102</b>	<b>9,972,017</b>
<b>Intangible assets</b>	<b>152,781</b>	<b>160,773</b>	<b>Capital stock</b>	<b>2,113,610</b>	<b>2,085,004</b>
Software	127,154	157,805	<b>Capital surplus</b>	<b>2,712,264</b>	<b>2,683,658</b>
Software in progress	25,000	2,340	Legal capital surplus	2,525,293	2,496,687
Other	627	627	Other capital surplus	186,971	186,971
<b>Investments and other assets</b>	<b>4,130,087</b>	<b>3,735,586</b>	<b>Retained earnings</b>	<b>6,855,044</b>	<b>5,689,039</b>
Investment securities	520,330	300,607	Legal retained earnings	70,867	70,867
Shares of subsidiaries and associates	2,119,340	2,512,791	Other retained earnings	6,784,177	5,618,172
Lease and guarantee deposits	753,265	466,047	General reserve	400,000	400,000
Deferred tax assets	723,379	442,939	Retained earnings brought forward	6,384,177	5,218,172
Other	13,771	13,200	<b>Treasury shares</b>	<b>(1,691,817)</b>	<b>(485,684)</b>
			<b>Valuation and translation adjustments</b>	<b>(19,281)</b>	<b>60</b>
			<b>Valuation difference on available-for-sale securities</b>	<b>–</b>	<b>60</b>
			<b>Deferred gains or losses on hedges</b>	<b>(19,281)</b>	<b>–</b>
			<b>Subscription rights to shares</b>	<b>19,730</b>	<b>56,102</b>
			<b>Total net assets</b>	<b>9,989,551</b>	<b>10,028,179</b>
<b>Total assets</b>	<b>15,562,061</b>	<b>11,068,275</b>	<b>Total liabilities and net assets</b>	<b>15,562,061</b>	<b>11,068,275</b>

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



## Non-consolidated Statement of Income

Account	(Thousand yen)	
	27th term (From October 1, 2016 to September 30, 2017)	(Reference) 26th term (From October 1, 2015 to September 30, 2016)
<b>Operating revenue</b>	<b>3,800,044</b>	<b>2,629,657</b>
<b>Operating expenses</b>	<b>1,785,355</b>	<b>1,606,808</b>
<b>Operating profit</b>	<b>2,014,688</b>	<b>1,022,848</b>
<b>Non-operating profit</b>	<b>331,237</b>	<b>64,230</b>
Interest income	215	584
Dividend income	32,639	28,488
Gain on valuation of investment securities	297,698	34,172
Other	683	985
<b>Non-operating expenses</b>	<b>97,910</b>	<b>123,439</b>
Interest expenses	4,227	284
Loss on valuation of investment securities	25,620	98,509
Share listing related expenses	12,599	6,931
Commission fee	50,758	16,192
Other	4,705	1,522
<b>Ordinary profit</b>	<b>2,248,015</b>	<b>963,639</b>
<b>Extraordinary income</b>	<b>251,480</b>	<b>590,545</b>
Gain on sales of shares of subsidiaries and associates	248,998	590,131
Gain on sales of investment securities	2,481	-
Other	-	414
<b>Extraordinary losses</b>	<b>1,148,182</b>	<b>451,727</b>
Loss on valuation of shares of subsidiaries and associates	1,145,849	444,036
Other	2,332	7,691
<b>Profit before income taxes</b>	<b>1,351,313</b>	<b>1,102,457</b>
Income taxes - current	36,465	137,619
Income taxes - deferred	(266,253)	(128,958)
<b>Profit</b>	<b>1,581,100</b>	<b>1,093,796</b>

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

## Non-consolidated Statement of Changes in Equity

27th term (From October 1, 2016 to September 30, 2017)

(Thousand yen)

	Shareholders' equity									Valuation and translation adjustments			Subscription rights to shares	Total net assets	
	Capital stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings	Retained earnings brought forward								Total retained earnings
Balance at beginning of current period	2,085,004	2,496,687	186,971	2,683,658	70,867	400,000	5,218,172	5,689,039	(485,684)	9,972,017	60	-	60	56,102	10,028,179
Changes of items during period															
Issuance of new shares	28,606	28,606		28,606						57,212					57,212
Dividends of surplus							(415,095)	(415,095)		(415,095)					(415,095)
Profit							1,581,100	1,581,100		1,581,100					1,581,100
Purchase of treasury shares									(1,206,132)	(1,206,132)					(1,206,132)
Net changes of items other than shareholders' equity										-	(60)	(19,281)	(19,341)	(36,371)	(55,713)
Total changes of items during period	28,606	28,606	-	28,606	-	-	1,166,005	1,166,005	(1,206,132)	17,084	(60)	(19,281)	(19,341)	(36,371)	(38,628)
Balance at end of current period	2,113,610	2,525,293	186,971	2,712,264	70,867	400,000	6,384,177	6,855,044	(1,691,817)	9,989,102	-	(19,281)	(19,281)	19,730	9,989,551

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

(Thousand yen)

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

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

## **Audit Report**

With respect to the directors' performance of their duties during the 27th business year from October 1, 2016 to September 30, 2017, the board of company auditors has prepared this audit report after deliberations based on the audit reports prepared by each of the company auditors, and hereby reports as follows:

### **1. Method and Contents of Audit by the Company Auditors and the Board of Company Auditors**

- (1) The board of company auditors has established the audit policies, allocation of duties, etc. and received a report from each of the company auditors regarding the status of implementation of their audits and results thereof. In addition, the board of company auditors has received reports from the directors, etc., and the financial auditor regarding the status of performance of their duties, and requested explanations as necessary.
- (2) In conformity with the audit regulations for company auditors established by the board of company auditors, and in accordance with the audit policies and allocation of duties, etc., each of the company auditors endeavored to facilitate a mutual understanding with the directors, the Internal Audit Division and other employees, etc., endeavored to collect information, maintain and improve the audit environment, and conducted the audits based on the methods described below.
  - 1) Each of the company auditors has attended the meetings of the board of directors and other important meetings, received reports on the status of performance of duties from the directors and employees, etc., and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets. Also, with respect to the subsidiaries, each of the company auditors endeavored to facilitate a mutual understanding and exchanged information with the directors and company auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary.
  - 2) Each of the company auditors monitored and inspected the status of the establishment and operation of the board of directors' resolutions regarding the development and maintenance of the system to ensure that the directors' performance of their duties complied with all laws, regulations and the Articles of Incorporation of the Company and other systems that are set forth in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act as being necessary for ensuring the appropriateness of the corporate affairs of the corporate group comprised of a joint stock company and its subsidiaries, and the systems (internal control systems) based on such resolutions. With respect to the internal control related to the financial report, the board of company auditors received reports regarding the assessment and status of their audits from the directors, etc. and Ernst & Young ShinNihon LLC, and also requested explanations when necessary.
  - 3) Each of the company auditors monitored and verified whether the financial auditor maintained its independence and properly conducted its audit, received a report from the financial auditor on the status of its performance of duties, and requested explanations as necessary. Each of the company auditors was notified by the financial auditor that it had established a "system to ensure that the duties are performed appropriately" (the matters listed in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

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

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

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

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

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

### (3) Results of Audit of Consolidated Financial Statements

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

November 21, 2017

Board of Company Auditors  
SEPTENI HOLDINGS CO., LTD.

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

(Note)

Company auditor Katsuhisa Yanagi, company auditor Yoshihide Hirowatari and company auditor Mamoru Furushima are outside company auditors, as set forth in Article 2, item 16, and Article 335, paragraph 3 of the Companies Act.