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November 30, 2018

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 28TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

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- 1. Date and Time:** Wednesday, December 19, 2018, at 10:00 a.m.
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- 2. Place:** B1 Floor, Crystal Room
Hyatt Regency Tokyo
7-2 Nishishinjuku 2-chome, Shinjuku-ku, Tokyo, Japan
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3. Meeting Agenda

Matters to be reported:

1. The Business Report and Consolidated Financial Statements for the Company's 28th term (from October 1, 2017 to September 30, 2018) 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 28th term (from October 1, 2017 to September 30, 2018)

Matters to be resolved:

- Agenda Item No. 1:** Election of Seven Directors
Agenda Item No. 2: Election of Two Company Auditors
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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

Agenda Item No. 1: Election of Seven Directors

At the close of this General Meeting of Shareholders, all seven 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 delegates as much of the decision-making and execution relating to business execution as possible to Group Executive Officers, and so the board of directors can perform thorough oversight of the business execution of the Group Executive Officers.

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

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

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

The candidates are as follows:

Candidate No.	Name		Candidate No.	Name	
1	Koki Sato Representative director Group President and Chief Executive Officer	Reelection Attendance to the board of directors meetings: 13/13	5	Etsuko Okajima Outside director	Reelection Outside director Independent officer Attendance to the board of directors meetings: 13/13
	[Important positions held at other companies] President, SEPTENI CO., LTD.			[Important positions held at other companies] CEO, ProNova Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Lancers, Inc. Outside Director, Link and Motivation Inc.	
2	Isamu Ueno Director Group Senior Executive Officer	Reelection Attendance to the board of directors meetings: 13/13	6	Seiji Yasubuchi Outside director	Reelection Outside director Independent officer Attendance to the board of directors meetings: 9/10
				[Important positions held at other companies] President and Representative Director, Visa Worldwide Japan Co., Ltd.	
3	Tadahiro Matsuda Group Executive Officer	New candidate	7	Yusuke Asakura Outside director	Reelection Outside director Independent officer Attendance to the board of directors meetings: 10/10
				[Important positions held at other companies] Outside director, Raksul, Inc. Visiting scholar, National Graduate Institute for Policy Studies	
4	Tatsuya Kimura 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				

1 Koki Sato	Reelection	
(Date of birth: March 11, 1975)	Number of years in office	17 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's common shares held	377,300

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.

2 Isamu Ueno	Reelection	
(Date of birth: June 1, 1968)	Number of years in office	14 years
	Attendance to the board of directors meetings	13/13
	Number of the Company's common 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.

3 Tadahiro Matsuda (Date of birth: May 7, 1973)	New candidate	
	Number of years in office	– years
	Attendance to the board of directors meetings	–/–
	Number of the Company’s common shares held	162,500

Profile and position at the Company

Apr. 1998 Joined the Company
 Oct. 2004 Head of the Osaka Branch
 Jul. 2005 General Manager of Media
 Dec. 2005 Director
 Aug. 2009 Representative Director, SEPTENI CROSSGATE CO., LTD.
 Jan. 2017 Group Executive Officer (current position)

■ Reasons for nomination as candidate for director

Mr. Tadahiro Matsuda has extensive experience and results, and considerable insight in the Group’s internet marketing business and new business fields, and because he is expected to further enhance and drive the management of the Group, he is deemed capable of properly carrying out the duties of director, and has been elected as candidate for director.

■ Important positions held at other companies

None.

4 Tatsuya Kimura (Date of birth: November 24, 1958)	Reelection	
	Outside director	
	Independent officer	
	Number of years in office	4 years
	Attendance to the board of directors meetings	13/13
	Number of the Company’s common shares held	4,000

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

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

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 common 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.
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.; External Director, MARUI GROUP Co., Ltd.; Outside Director, Lancers, Inc.; Outside Director, Link and Motivation Inc.

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

Reelection
Outside director
Independent officer
Number of years in office 1 year
Attendance to the board of directors meetings 9/10
Number of the Company's common shares held -

Profile 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)
Dec. 2017 Outside 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 because he has provided useful advice on all aspects of the business administration of the Group, he is deemed capable of providing oversight and advice on the Company's business administration as an outside director, and has been reelected as candidate for outside director.

■ Important positions held at other companies

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

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

Reelection
Outside director
Independent officer
Number of years in office 1 year
Attendance to the board of directors meetings 10/10
Number of the Company's common shares held -

Profile 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)
Dec. 2017 Outside Director (current position)

■ Reasons for nomination as candidate for outside director

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

■ Important positions held at other companies

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

(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 number of the board of directors meetings included in the scope of attendance for Mr. Seiji Yasubuchi and Mr. Yusuke Asakura is the 10 meetings held during the time after they were appointed as outside director on December 21, 2017.
6. 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.
7. The Company has designated Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Seiji Yasubuchi and Mr. Yusuke Asakura as independent officers in accordance with the rules of Tokyo Stock Exchange, Inc. and has submitted a notice of designation to the Tokyo Stock Exchange. If the proposed reelection of them is approved, the Company will continue to designate them as independent officers.
8. The Company has entered into a liability limitation agreement with each of Mr. Tatsuya Kimura, Ms. Etsuko Okajima, Mr. Seiji Yasubuchi and Mr. Yusuke Asakura. According to the aforementioned liability limitation agreement, their 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 the proposed reelection of them is approved, the Company plans to again enter into the aforementioned liability limitation agreement with them.

Agenda Item No. 2: Election of Two Company Auditors

At the close of this General Meeting of Shareholders, company auditor Mr. Muneyoshi Nomura will retire due to the expiration of his term of office, and furthermore, to promote a capital and business alliance with Dentsu Inc. and enhance and improve the auditing system, the Company hereby proposes the election of two company auditors, increasing the number thereof by one company auditor designated by Dentsu Inc.

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

The candidates are as follows:

Candidate No.	Name	
1	Muneyoshi Nomura	Reelection
	Internal company auditor	Attendance to the board of directors meetings: 13/13 Attendance to the board of company auditors meetings: 14/14
2	Nobuo Kojima	New candidate

1 Muneyoshi Nomura (Date of birth: April 11, 1959)	Reelection	
	Number of years in office	4 years
	Attendance to the board of directors meetings	13/13
	Attendance to the board of company auditors meetings	14/14
	Number of the Company's common shares held	1,040,000

Profile and position at the Company

Mar. 1998	Joined the Company
Dec. 1999	Director and General Manager of Management
Dec. 2000	Managing Director and General Manager of Management
Oct. 2002	Senior Managing Director, General Manager of Management, and CFO
Dec. 2004	Representative Director and President, and CFO
Dec. 2009	Vice-chairman of the Board
Dec. 2014	Internal Company Auditor (current position)

■ Reasons for nomination as candidate for company auditor

Because Mr. Muneyoshi Nomura has provided useful advice from a broad perspective and conducted auditing from an independent position based on his extensive experience in the Group and considerable insight, he is expected to provide such auditing, and has been reelected as candidate for company auditor.

■ Important positions held at other companies

None.

2 Nobuo Kojima (Date of birth: November 1, 1969)	New candidate	
	Number of years in office	– years
	Attendance to the board of directors meetings	–/–
	Attendance to the board of company auditors meetings	–/–
	Number of the Company's common shares held	–

Profile and position at the Company

Apr. 1993	Joined Dentsu Inc.
May 2013	General Manager of Operations Management Department of TV & Entertainment Division, Dentsu Inc.
May 2014	General Manager of Network 3 Department of Radio & TV Division, Dentsu Inc.
Jun. 2017	Deputy Managing Director of Digital Platform Center and General Manager of Operations Promotion Office, Dentsu Inc.
Apr. 2018	Seconded to Dentsu Digital Inc. Executive Officer and Head of Account Planning Unit (scheduled to retire in December 2018)

■ Reasons for nomination as candidate for company auditor

Mr. Nobuo Kojima has worked in the advertising business, including the digital field, for many years at Dentsu Inc. and Dentsu Digital Inc., and because he has extensive experience and results, and considerable insight in the advertising business field, he is deemed capable of properly carrying out the duties of company auditor, and has been elected as candidate for company auditor.

■ Important positions held at other companies

None.

(Notes)

1. There are no special relationships between the Company and each of the candidates.
2. Mr. Nobuo Kojima currently serves as an executive officer at Dentsu Digital Inc., but plans to retire from this position in December 2018. If his proposed election is approved at this General Meeting of Shareholders, he plans to assume the position of internal company auditor.

Business Report (From October 1, 2017 to September 30, 2018)

1. Current status of the SEPTENI Group

(1) Business progress and results

Earnings for the business year under review

Individual smartphone ownership in Japan rose to 60.9% in 2017, as the quantitative expansion continued centered on the millennial generation, with the exceptionally high popularization rate of 80-90% of those in their teens through 30s now owning a smartphone. At the same time, per-capita smartphone usage time also increased with the increasing usage rate of SNS (social networking services), meaning we are also seeing a profound qualitative change in usage (source: “Communications Usage Trend Survey in 2017,” 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 that has expanded thus far centered on games, expansion into content other than games such as video, music, and e-books is accelerating. Additionally, social media is being used not only for communication, but is also expanding into fields such as payments and purchases. As its influence is growing even stronger, demand for marketing support utilizing the individual characteristics of different media is also increasing further.

Amid this business environment, the Group has focused on smartphone advertising and performance-based advertising and has worked to enhance its sales of video advertising, which is experiencing particularly dramatic growth, and its development of the brand advertising market. The Group also worked to expand business overseas and to boost earnings mainly in Southeast Asia, and Greater China.

Moreover, we proactively hired and developed human resources using AI-type personnel systems based on machine learning. To enhance competitiveness in the medium to long term, we invested in human resources through the introduction of a new personnel system in October 2017, and in our Media Content Business, we made upfront investment to expand the media scale mainly of the manga application “GANMA!” and to enhance the Company’s own content.

As a result, revenue increased to ¥15,272 million (up 3.9% year on year), non-GAAP operating profit decreased to ¥1,011 million (down 56.5% year on year) and profit attributable to owners of parent totaled ¥847 million (down 61.7% year on year), with revenue again setting a new record high in substantive terms for the seventh straight fiscal year.

Concerning year-end dividend for the business year under review, after taking into consideration the above-mentioned business performance and the Company’s basic policy on profit distribution, the Company passed a resolution at the board of directors meeting held on November 20, 2018 to pay a year-end dividend of ¥2.0 per share. Based on this decision, total dividends paid will be ¥256 million.

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: Up 3.9% ¥15,272 million Previous term: ¥14,702 million	Non-GAAP operating profit: Down 56.5% ¥1,011 million Previous term: ¥2,325 million
Profit attributable to owners of parent: Down 61.7% ¥847 million Previous term: ¥2,211 million	Dividends per share: ¥2.0 Previous term: ¥3.2

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

From the business year under review, the Group has changed the allocation method to the one where expenses for operation of the holding company, which were allocated to each business segment, are not allocated to each business segment, in order to appropriately reflect the actual condition of operations for each business segment. The following comparisons with the previous term are calculated using the results for the previous business year after the changes were made.

Internet Marketing Business

■ Major business

Development of comprehensive marketing support services for companies leveraging the Internet

In Japan and overseas, 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 business year under review, transaction volume for video advertising and brand advertising in the Internet Marketing Business expanded steadily. The tailwinds for this were provided not only by the expansion of the Internet advertising market centering on performance-based advertising for smartphones, but also by the “digital shift” occurring in advertising budgets, whereby advertisers are moving away from the four traditional mass media because their sights are on “brand lift,” which is a performance indicator that advertisers use to measure product familiarity and increases in purchasing appetite among users. As those demands increased, growth was facilitated by the increasing diversification of advertising products and marketing methods, as well as the increasing richness of advertising methods. On the other hand, certain existing large projects were reduced in deliveries. In addition, we conducted proactive human resource investment aimed at strengthening our organizational foundation to secure competitiveness over the medium to long term.

Revenue: ¥14,234 million
(Up 2.9% year on year)

Non-GAAP operating profit: ¥4,026 million
(Down 26.4% year on year)

Media Content Business

■ Major business

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

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

In the Manga Content Business in the business year under review, while we implemented a certain scale of online promotions to expand the media scale of the manga application “GANMA!,” we also invested in strengthening content and products aimed at increasing the active rate of users and increasing time spent in the application. As a result, the number of “GANMA!” users grew steadily, as cumulative downloads expanded to 10.98 million as of September 30, 2018. Furthermore, in addition to strong expansion in sales of advertising that appears on “GANMA!,” through growth in in-app billing revenue, application revenue centered on advertising revenue remained strong.

Revenue: ¥1,324 million
(Up 13.9% year on year)

Non-GAAP operating loss: ¥1,051 million
(Operating loss of ¥1,324 million
in the previous term)

(2) Trends in financial position and profit and loss

■ J-GAAP

Category	25th term (ended September 30, 2015)
Net sales (Thousand yen)	64,547,685
Operating profit (Thousand yen)	2,753,969
Ordinary profit (Thousand yen)	3,118,052
Profit attributable to owners of parent (Thousand yen)	2,398,059
Basic earnings per share (Yen)	92.87
Total assets (Thousand yen)	25,387,848
Net assets (Thousand yen)	12,286,188
Dividends per share (Yen)	14.00
Return on equity (ROE) (%) (Note 4)	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)	28th term (ended September 30, 2018)
Revenue (Thousand yen)	11,194,804	13,861,870	14,702,191	15,272,040
Non-GAAP operating profit (Thousand yen)	2,900,596	4,146,751	2,324,552	1,011,156
Profit attributable to owners of parent (Thousand yen)	2,351,121	2,519,007	2,210,604	847,410
Total assets (Thousand yen)	25,635,045	29,980,944	32,928,735	33,371,240
Basic earnings per share (Yen) (Note 3)	18.21	19.43	17.38	6.71
Dividends per share (Yen)	14.00	16.00	3.20	2.00
Return on equity (ROE) (%) (Note 4)	23.0	19.8	15.1	5.5

(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: $(\text{Profit attributable to owners of parent}) / (\text{Net assets} - \text{Subscription rights to shares} - \text{Non-controlling interests})$
 (yearly average)
 IFRS: $\text{Profit attributable to owners of parent} / \text{equity attributable to owners of parent}$ (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

Nothing noteworthy to report.

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

Not applicable.

(7) Business transfers from other companies

Not applicable.

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

Not applicable.

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

Nothing noteworthy to report.

- (10) Parent and significant subsidiaries (as of September 30, 2018)

- 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.	495,000	100.0%	Manga Content Business

(Notes)

- The Company owns a total of 36 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, 2018)

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, 2018)

Number of employees	Increase/decrease from the previous term-end
1,189	106 increase

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

- (13) Major creditors (as of September 30, 2018)

Creditor	Amount of loans (Million yen)
Mizuho Bank, Ltd.	4,400
Sumitomo Mitsui Banking Corporation	1,308

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

At the board of directors meeting held on October 30, 2018, the Company approved a resolution to express an opinion supporting the tender offer ("Tender Offer") for common shares of the Company by Dentsu Inc. ("Dentsu"), to leave the decision of whether to tender shares in the Tender Offer to the judgement of the Company's shareholders, to execute a capital and business alliance agreement with Dentsu ("Capital and Business Alliance Agreement"), and as a result of the Tender Offer, to issue new shares and dispose of treasury shares through third-party allotment to Dentsu ("Transaction") pursuant to the Capital and Business Alliance Agreement.

As a result of the above, the Tender Offer for common shares of the Company by Dentsu is taking place during the period starting on October 31, 2018 and ending on December 11, 2018 (payment commencement date: December 18, 2018). The number of shares that have been acquired as a result of the Tender Offer has not yet been confirmed as of the time of the preparation of this Business Report. The Transaction will result in Dentsu's owning 20.99% of the Company's voting rights, and it is expected that Dentsu will become a major shareholder in the Company, its largest shareholder as major shareholder and other affiliate.

2. Status of the Company

(1) Matters regarding shares (as of September 30, 2018)

- 1) Number of shares authorized 370,080,000 shares
- 2) Number of shares issued 138,856,500 shares (including 10,724,160 treasury shares)
- 3) Number of shareholders 10,201 (138 increase from the previous business year-end)
- 4) Major shareholders (top 10 shareholders, excluding treasury shares)

Name of shareholder	Number of shares (shares)	Shareholding ratio (%)
Village seven Co., Ltd.	15,219,000	11.88
Mamoru Nanamura	13,950,500	10.89
Japan Trustee Services Bank, Ltd. (Trust Account)	12,695,100	9.91
Yahoo Japan Corporation	7,000,000	5.46
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG /JASDEC/JANUS HENDERSON HORIZON FUND	6,312,400	4.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,193,200	4.83
STATE STREET BANK AND TRUST COMPANY 505019	3,811,400	2.97
BNYMSANV RE GCLB RE JP RD LMGC	3,624,700	2.83
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,590,300	2.02
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,268,300	1.77

(Notes)

1. The above shareholding ratios exclude treasury shares (10,724,160 shares).
2. The treasury shares do not include the Company's shares owned by the officer remuneration BIP (Board Incentive Plan) trust (1,739,200 shares).

5) Other important matters regarding shares

Nothing noteworthy to report.

(2) Matters regarding share options, etc.

1) Status of share options, etc. held by officers of the Company (as of September 30, 2018)

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	

(Note) As the Company implemented share splits, the number of shares and issue price provided above were adjusted accordingly.

The share splits for which adjustments were made are listed below.

- (1) Share split at a ratio of two shares per common share on May 20, 2005
- (2) Share split at a ratio of 200 shares per common share on October 1, 2013
- (3) Share split at a ratio of five shares per common share on October 1, 2016

2) Status of share options, etc. delivered to employees, etc. during the business year under review

Not applicable.

3) Other important matters regarding share options, etc.

Not applicable.

(3) Matters regarding company officers (as of September 30, 2018)

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	Tatsuya Kimura	Professor, Waseda University Graduate School of Business and Finance
Director	Etsuko Okajima	CEO, ProNova Inc. Outside Director, Lancers, Inc. External Director, MARUI GROUP Co., Ltd. Outside Director, Link and Motivation Inc.
Director	Seiji Yasubuchi	President and Representative Director, Visa Worldwide Japan Co., Ltd.
Director	Yusuke Asakura	Outside director, Raksul, Inc. Visiting scholar, National Graduate Institute for Policy Studies
Internal Company Auditor	Muneyoshi Nomura	
Company Auditor	Katsuhisa Yanagi	
Company Auditor	Mamoru Furushima	Representative, Furushima Law & Accounting Office Outside Director (audit and supervisory member), Nippon Chemical Industrial Co., Ltd.

(Notes)

- Directors Tatsuya Kimura, Etsuko Okajima, Seiji Yasubuchi and Yusuke Asakura are outside directors as prescribed in Article 2, item 15 of the Companies Act.
- Company auditors Katsuhisa Yanagi and Mamoru Furushima are outside company auditors as prescribed in Article 2, item 16 of the Companies Act.
- Company auditor Mamoru Furushima is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
- The Company has designated directors Tatsuya Kimura, Etsuko Okajima, Seiji Yasubuchi and Yusuke Asakura 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	9	¥200,331 thousand	Including ¥24,000 thousand for three outside directors
Company Auditor	4	¥38,100 thousand	Including ¥14,100 thousand for three outside company auditors

(Notes)

- 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 ¥255,036 thousand.
- The number of payees includes three directors and one outside company auditor who retired at the close of the 27th Ordinary General Meeting of Shareholders held on December 21, 2017. One outside director who serves without remuneration is not included in the number of payees.

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, Lancers, 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.
Director	Seiji Yasubuchi	President and Representative Director, Visa Worldwide Japan Co., Ltd.	There is no business relationship.
Director	Yusuke Asakura	Outside director, Raksul, Inc.	There is no business relationship.
		Visiting scholar, National Graduate Institute for Policy Studies	There is no 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 business year under review, where he made comments primarily from his professional viewpoints as an academic. Moreover, he has expressed opinions, etc. appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company.
Director	Etsuko Okajima	Ms. Okajima attended all board of directors meetings held during the business year under review, where she made comments primarily informed by her experience and insight as a corporate manager. Furthermore, as the chairperson of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company, she has led deliberations on nomination of directors and compiled proposed recommendations as the committee.
Director	Seiji Yasubuchi	Mr. Yasubuchi attended 9 of 10 board of directors meetings held after he assumed his position as an outside director, where he made comments primarily from his professional viewpoints as a corporate manager. Moreover, he has expressed opinions, etc. appropriately as a member of the Nomination Advisory Committee, which is a voluntary advisory organization of the Company.
Director	Yusuke Asakura	Mr. Asakura attended 10 of 10 board of directors meetings held after he assumed his position as an outside director, where he made comments primarily from his professional viewpoints as a person with experience in corporate management. Moreover, he has expressed opinions 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 business year under review, 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	Mamoru Furushima	Mr. Furushima attended 12 of 13 board of directors meetings and 12 of 14 board of company auditors meetings held during the business year under review, where he made comments primarily from his professional viewpoints as a certified public accountant and as a lawyer.

(4) Financial auditor (as of September 30, 2018)

1) Name

Deloitte Touche Tohmatsu LLC

2) Amount of remuneration, etc.

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

¥37,107 thousand

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

¥37,607 thousand

(Notes)

1. The audit contract between the Company and the financial auditor does not distinguish between remuneration paid for the audit conducted in accordance with the Companies Act and remuneration paid for the audit conducted in accordance with the Financial Instruments and Exchange Act. Accordingly, the amount above is the aggregate amount.
2. The Company entrusts the financial auditor with advisory and guidance services concerning taxes and internal control, 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

Nothing noteworthy to report.

3. Structure and policy of the Company

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

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

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

Based on these policies, the Company will pay a year-end dividend of ¥2.0 per share for the business year under review.

(2) Systems to ensure the properness of operations

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

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

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

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

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

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

- (e) All of the internal audit reports conducted by the Internal Auditing Office shall be reported to the board of company auditors.
- 8) Matters relating to policies on procedures for prepayment or reimbursement of expenses arising from the execution of duties by company auditors and processing of other expenses or obligations arising from the execution of duties by company auditors
- Expenses that are considered necessary in the execution of duties of company auditors shall be budgeted in advance. In cases where company auditors request payment for reasonable expenses for the execution of their duties, the Company shall accept the request.
- 9) Systems for ensuring the effective functioning of audits by company auditors
- (a) The Company shall ensure that it provides its company auditors with opportunities to sufficiently exchange opinions with the Group President and Chief Executive Officer, outside directors, financial auditor and internal auditors.
- (b) The Company shall establish a system that allows its company auditors to perform audits equivalent to audits of the Company by the company auditors under individual agreements between the Company and its subsidiaries, in addition to investigations of subsidiaries under laws and regulations, so that the company auditors can audit the entire Group effectively and efficiently as needed.
- (3) Overview of status of management of systems to ensure the properness of operations
- 1) Information on compliance and risk management
- With regard to the status of compliance and risk management among the entire Group, the Company shall regularly hold the meeting of the Group Risk Management Committee and share the information relating to the correspondence status, etc.
- Regular compliance trainings for officers and employees have been provided to raise the employee's awareness on compliance. In addition, the Company established the internal reporting system for the Group and informed all employees about it.
- 2) Information on the execution of duties by directors
- The board of directors comprises of seven directors, including four outside directors. In addition, three company auditors including two 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 three company auditors, including two outside company auditors. During the business year under review, the board of company auditors held meetings 14 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.

(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	28th term (At September 30, 2018)	(Reference) 27th term (At September 30, 2017)	Account	28th term (At September 30, 2018)	(Reference) 27th term (At September 30, 2017)
Assets			Liabilities and Equity		
Current assets			Liabilities		
Cash and cash equivalents	14,922,272	15,519,366	Current liabilities		
Trade receivables	10,144,715	9,988,192	Trade payables	9,112,773	9,349,155
Inventories	10,072	9,794	Other financial liabilities	1,800,640	1,931,391
Other financial assets	119,284	209,252	Income taxes payable	187,769	309,710
Other current assets	1,027,049	545,809	Other current liabilities	1,588,865	1,796,410
Total current assets	26,223,392	26,272,413	Total current liabilities	12,690,047	13,386,666
Non-current assets			Non-current liabilities		
Property, plant and equipment	493,547	333,676	Other financial liabilities	4,624,078	4,018,845
Goodwill	1,831,176	1,817,632	Provisions	109,455	82,821
Intangible assets	173,666	169,005	Other non-current liabilities	-	1,140
Investments accounted for using equity method	1,827,963	1,943,739	Deferred tax liabilities	217,626	215,731
Other financial assets	2,141,378	1,657,054	Total non-current liabilities	4,951,159	4,318,537
Other non-current assets	6,674	7,024	Total liabilities	17,641,206	17,705,203
Deferred tax assets	673,444	728,192	Equity		
Total non-current assets	7,147,848	6,656,322	Equity attributable to owners of parent		
			Share capital	2,120,484	2,113,611
			Capital surplus	3,663,023	3,647,815
			Treasury shares	(1,691,819)	(1,691,818)
			Retained earnings	11,493,305	11,018,315
			Other components of equity	87,244	84,355
			Total equity attributable to owners of parent	15,672,237	15,172,278
			Non-controlling interests	57,797	51,254
			Total equity	15,730,034	15,223,532
Total assets	33,371,240	32,928,735	Total liabilities and equity	33,371,240	32,928,735

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Profit or Loss

Account	(Thousand yen)	
	28th term (From October 1, 2017 to September 30, 2018)	(Reference) 27th term (From October 1, 2016 to September 30, 2017)
Continuing operations		
Revenue	15,272,040	14,702,191
Cost of sales	2,597,618	1,713,539
Gross profit	12,674,422	12,988,652
Selling, general and administrative expenses	11,693,238	10,651,666
Other income	32,991	14,949
Other expenses	37,387	104,127
Operating profit	976,788	2,247,808
Finance income	147,786	277,030
Finance costs	72,344	113,963
Share of profit (loss) of investments accounted for using equity method	301,104	36,772
Profit before tax	1,353,334	2,447,647
Income tax expense	506,732	1,109,365
Profit from continuing operations	846,602	1,338,282
Discontinued operations		
Profit from discontinued operations	-	868,070
Profit	846,602	2,206,352
Profit attributable to:		
Owners of parent	847,410	2,210,604
Non-controlling interests	(808)	(4,252)
Total	846,602	2,206,352
Net sales (Reference)	72,443,106	72,375,144
Reconciliation from operating profit to non-GAAP operating profit (Reference)		
Operating profit	976,788	2,247,808
Other income	-	960
Other expenses	34,368	77,704
Non-GAAP operating profit	1,011,156	2,324,552

(Note) Figures are rounded to the nearest unit.

(Reference) Consolidated Statement of Comprehensive Income

	(Thousand yen)	
Account	28th term (From October 1, 2017 to September 30, 2018)	27th term (From October 1, 2016 to September 30, 2017)
Profit	846,602	2,206,352
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	11,764	183,719
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	54,822	258,466
Cash flow hedges	(13,029)	(13,770)
Share of other comprehensive income of entities accounted for using equity method	300	1,514
Total other comprehensive income, net of tax	53,857	429,929
Total comprehensive income	900,459	2,636,281
Comprehensive income attributable to:		
Owners of parent	901,267	2,617,876
Non-controlling interests	(808)	18,405
Comprehensive income	900,459	2,636,281

(Note) Figures are rounded to the nearest unit.

Consolidated Statement of Changes in Equity

28th term (From October 1, 2017 to September 30, 2018)

(Thousand yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance at October 1, 2017	2,113,611	3,647,815	(1,691,818)	11,018,315	84,355	15,172,278	51,254	15,223,532
Profit	–	–	–	847,410	–	847,410	(808)	846,602
Other comprehensive income	–	–	–	–	53,857	53,857	–	53,857
Total comprehensive income	–	–	–	847,410	53,857	901,267	(808)	900,459
Issuance of new shares	6,874	6,874	–	–	(13,485)	263	–	263
Dividends of surplus	–	–	–	(409,904)	–	(409,904)	–	(409,904)
Purchase and disposal of treasury shares	–	–	(1)	–	–	(1)	–	(1)
Changes in ownership interests in subsidiaries that do not result in loss of control	–	8,334	–	–	–	8,334	7,482	15,816
Changes in ownership interests in subsidiaries that result in loss of control	–	–	–	–	–	–	–	–
Other	(1)	–	–	37,484	(37,483)	–	(131)	(131)
Total transactions with owners	6,873	15,208	(1)	(372,420)	(50,968)	(401,308)	7,351	(393,957)
Balance at September 30, 2018	2,120,484	3,663,023	(1,691,819)	11,493,305	87,244	15,672,237	57,797	15,730,034

(Note) Figures are rounded to the nearest unit.

(Reference) 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	Capital surplus	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
Issuance 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 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.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet

			(Thousand yen)		
Account	28th term (At September 30, 2018)	(Reference) 27th term (At September 30, 2017)	Account	28th term (At September 30, 2018)	(Reference) 27th term (At September 30, 2017)
Assets			Liabilities		
Current assets	11,406,694	11,153,521	Current liabilities	1,062,090	1,611,114
Cash and deposits	7,615,197	7,983,157	Short-term loans payable	58,335	58,335
Accounts receivable - trade	294,408	283,787	Current portion of long-term loans payable	600,000	999,996
Supplies	1,811	2,130	Accounts payable - other	275,044	442,999
Prepaid expenses	137,519	66,267	Accrued expenses	67,830	26,200
Accounts receivable - other	3,011,001	2,062,699	Income taxes payable	26,879	16,239
Income taxes receivable	317,130	337,933	Deposits received	15,609	18,696
Short-term loans receivable from subsidiaries and associates	-	400,000	Provision for bonuses	16,187	48,648
Deferred tax assets	19,102	16,960	Other	2,205	-
Other	10,522	584	Non-current liabilities	3,846,836	3,961,395
Non-current assets	5,372,466	4,408,539	Long-term loans payable	3,800,000	3,933,338
Property, plant and equipment	267,457	125,670	Other	46,836	28,057
Buildings	156,141	45,174	Total liabilities	4,908,926	5,572,509
Tools, furniture and fixtures	111,316	80,495	Net Assets		
Intangible assets	159,301	152,781	Shareholders' equity	11,896,299	9,989,102
Software	158,673	127,154	Capital stock	2,120,484	2,113,610
Software in progress	-	25,000	Capital surplus	2,719,138	2,712,264
Other	627	627	Legal capital surplus	2,532,167	2,525,293
Investments and other assets	4,945,707	4,130,087	Other capital surplus	186,971	186,971
Investment securities	946,516	520,330	Retained earnings	8,748,495	6,855,044
Shares of subsidiaries and associates	2,254,627	2,119,340	Legal retained earnings	70,867	70,867
Lease and guarantee deposits	788,993	753,265	Other retained earnings	8,677,628	6,784,177
Deferred tax assets	944,769	723,379	General reserve	400,000	400,000
Other	10,800	13,771	Retained earnings brought forward	8,277,628	6,384,177
			Treasury shares	(1,691,818)	(1,691,817)
			Valuation and translation adjustments	(32,309)	(19,281)
			Deferred gains or losses on hedges	(32,309)	(19,281)
			Share acquisition rights	6,245	19,730
			Total net assets	11,870,234	9,989,551
Total assets	16,779,161	15,562,061	Total liabilities and net assets	16,779,161	15,562,061

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

Non-consolidated Statement of Income

Account	(Thousand yen)	
	28th term (From October 1, 2017 to September 30, 2018)	(Reference) 27th term (From October 1, 2016 to September 30, 2017)
Operating revenue	4,441,345	3,800,044
Operating expenses	1,974,971	1,785,355
Operating profit	2,466,374	2,014,688
Non-operating income	222,901	331,237
Interest income	308	215
Dividend income	43,614	32,639
Gain on valuation of investment securities	166,584	297,698
Other	12,394	683
Non-operating expenses	97,674	97,910
Interest expenses	34,312	4,227
Loss on valuation of investment securities	21,746	25,620
Share listing related expenses	15,084	12,599
Commission fee	24,115	50,758
Other	2,415	4,705
Ordinary profit	2,591,601	2,248,015
Extraordinary income	315,351	251,480
Gain on sales of shares of subsidiaries and associates	279,351	248,998
Gain on sales of investment securities	35,999	2,481
Extraordinary losses	853,626	1,148,182
Loss on valuation of shares of subsidiaries and associates	785,703	1,145,849
Other	67,923	2,332
Profit before income taxes	2,053,325	1,351,313
Income taxes - current	(32,246)	36,465
Income taxes - deferred	(217,782)	(266,253)
Profit	2,303,354	1,581,100

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

Non-consolidated Statement of Changes in Equity

28th term (From October 1, 2017 to September 30, 2018)

(Thousand yen)

	Shareholders' equity										Valuation and translation adjustments			Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surpluses		General reserve	Retained earnings brought forward	Total retained earnings							
Balance at beginning of 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
Changes of items during period															
Issuance of new shares	6,873	6,873		6,873						13,747					13,747
Dividends of surplus							(409,903)	(409,903)		(409,903)					(409,903)
Profit							2,303,354	2,303,354		2,303,354					2,303,354
Purchase of treasury shares									(1)	(1)					(1)
Net changes of items other than shareholders' equity												(13,028)	(13,028)	(13,485)	(26,513)
Total changes of items during period	6,873	6,873		6,873			1,893,451	1,893,451	(1)	1,907,197		(13,028)	(13,028)	(13,485)	1,880,683
Balance at end of current period	2,120,484	2,532,167	186,971	2,719,138	70,867	400,000	8,277,628	8,748,495	(1,691,818)	11,896,299		(32,309)	(32,309)	6,245	11,870,234

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

(Thousand yen)

	Shareholders' equity										Valuation and translation adjustments			Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Legal capital surplus	Other capital surplus	Total capital surpluses		General reserve	Retained earnings brought forward	Total retained earnings							
Balance at beginning of 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

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

Audit Report

With respect to the directors' performance of their duties during the 28th business year from October 1, 2017 to September 30, 2018, 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 Deloitte Touche Tohmatsu LLC, and also requested explanations when necessary.
 - 3) Each of the company auditors monitored and verified whether the financial auditor maintained its independence and properly conducted its audit, received a report from the financial auditor on the status of its performance of duties, and requested explanations as necessary. Each of the company auditors was notified by the financial auditor that it had established a "system to ensure that the duties are performed appropriately" (the matters listed in the items of Article 131 of the 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 Statement of Income, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements) and the supplementary schedules thereof, as well as the Consolidated Financial Statements (Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements, all prepared by omitting some disclosure items required under IFRS as provided for by Article 120, the latter part of paragraph 1 of the 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 Non-consolidated Financial Statements and their Supplementary Schedules

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

(3) Results of Audit of Consolidated Financial Statements

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

November 20, 2018

Board of Company Auditors
SEPTENI HOLDINGS CO., LTD.

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

(Note)

Company auditor Katsuhisa Yanagi 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.