

Message from the Chairman



To ensure the Group continues to provide value to all stakeholders, we will further strengthen corporate governance, as well as the Board of Directors' function and effectiveness.

Hirokazu Toda

Director & Chairman

The Goals of the Hakuholdo DY Group

Value creation is the true essence of a company.

The fundamental functions of a company are said to be marketing and innovation. For the Hakuholdo DY Group, our purpose is to help our clients with their marketing and innovation-related activities. Customer acquisition is the true essence of marketing, and market creation is the true essence of innovation.

Marketing and innovation work together to complement one another. To create markets, you need to first acquire customers. And to acquire customers, you need to first push the limits and create new markets.

The Group considers *Sei-katsu-sha* Insight an important concept. Under this concept we view customers as *sei-katsu-sha*. There is also the notion of considering customers as consumers, and although this way of thinking is likely

more common, we at the Hakuholdo DY Group do not view our customers simply as consumers.

Rather than viewing people simply as the targets of consumption, or consumers, we view them as *sei-katsu-sha* who can design their own lifestyles on their own accord. By doing so, we have come to know *sei-katsu-sha* better than anyone else. Using this knowledge, we come up with new ideas and express the optimal creativity. We refer to this approach as *Sei-katsu-sha* Insight, and it is an extremely valuable policy to the Group.

The other policy we value is Commitment to Partnership. This policy allows us to take on the issues of our clients from the standpoint of *sei-katsu-sha* and offer clients comprehensive solutions to these challenges, thereby creating long-term partnerships with them.

Viewing customers as *sei-katsu-sha*, our goal with these

policies is to work together with our business partners to bring happiness to *sei-katsu-sha*.

Sei-katsu-sha wish for a society with safety and peace of mind. *Sei-katsu-sha* also wish for a society in which they can express themselves. Additionally, *sei-katsu-sha* wish for a sustainable society.

I mentioned previously that value creation is the true essence of a company. In the case of the Group, our value creation lies in our goal of realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. We will realize this goal together with our business partners by drawing on the optimal creativity.

Next, let me talk about our stakeholders, who represent our partners in delivering the value we create.

As I stated before, *sei-katsu-sha* (and in a greater sense, society) and our clients are our most important partners in

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“We aim to continuously enhance our corporate value in order to earn the trust of our shareholders and investors, our most important stakeholders.”

providing value. But these are not our only stakeholders. Media companies, content holders, production companies and other business partners are also important stakeholders.

Furthermore, our employees represent another extremely valuable stakeholder. As such, we adopt the policy of recognizing our people as our assets. We maintain this policy because we work in a service industry that centers on mental work. The minds of our employees are what allows us to produce ideas. For this reason, we place importance on employee satisfaction and are making particular efforts to respect individuality, develop personal creativity, and enhance our teamwork capabilities. These efforts ultimately help us improve our level of customer satisfaction.

Also, our most important stakeholders are our shareholders and other investors. Leveraging their investments, we aim to continuously enhance corporate value. Going forward, we will continue to make concerted efforts to earn the trust of our shareholders and other investors.

The Structure of the Hakuholdo DY Group

The Hakuholdo DY Group adopts a holding company structure.

To put it simply, a holding company is a company that designs (plans) companies, a company that designs a corporate group. I believe this role is extremely important for maximizing our value creation.

Now, let me explain how we work to design the Group. The first way we accomplish this is by drafting and implementing Group strategies aimed at future growth. To achieve

such strategies, we must execute investments.

Our operating companies are primarily responsible for formulating strategies that help us prevail over the competition today. Accordingly, they focus their attention on clients and media companies and undertake strategies to enhance competitiveness.

The next role the holding company plays in designing the Group is in providing support to the operating companies in order for them to maximize their value creation.

The support entails several aspects. For example, we share business plans with the operating companies and provide them with financial support. We also help them integrate their information systems and take on a portion of their back-office work.

The third role we play is in determining how we will pursue the above efforts so as to enhance corporate value and then explaining our approach to our shareholders and other stakeholders to win their esteem.

As a publicly traded company, Hakuholdo DY Holdings designs the Group's value creation and works to fulfill its promise to capital markets and other stakeholders by delivering this value to them.

The Hakuholdo DY Group's Corporate Governance

The Hakuholdo DY Group operates based on the management model of “independence and solidarity.”

“Independence” refers to two ideas, which are that each

operating company should (1) realize growth by leveraging its uniqueness as a strength, and (2) fulfill its promise (business plans) to the holding company as a result of doing so. Based on this independence, the holding company makes a promise to the capital markets and other stakeholders that the Group will achieve its ambitions. This promise refers to qualitative aspects, such as achieving our goals, and quantitative aspects, such as accomplishing our business plans (figures). In this way, the Group operates based on a “chain of promises.”

“Solidarity” involves realizing sophisticated collaboration between operating companies by having them combine their respective strengths and, through this collaboration, offer new value to *sei-katsu-sha*, clients, and media companies.

Through this spirit of independence and solidarity, we are able to create a cohesive Groupwide structure that brings together the strengths of each operating company to create even greater value, thereby accelerating growth.

Corporate governance plays an important role in steadily fulfilling this “chain of promises” between our stakeholders, holding company, and operating companies.

The Board of Directors of Hakuholdo DY Holdings serves as the core of the Hakuholdo DY Group's corporate governance.

The Board of Directors discusses Group growth strategies and creates medium-term business plans. It also deliberates on the budget and formulates plans for each fiscal year. We announce these medium-term business plans and yearly plans as our promise to the capital markets and other stakeholders. The operating companies establish their own medium-term business plans and yearly plans, which serve as their promise to the holding company.

The Board of Directors needs to discuss the feasibility of sustainable growth from a long-term perspective. Meanwhile, the Board must also create short- and medium-term business

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plans. This is because no matter how valuable a long-term goal or target may be, that goal or target cannot be attained if we do not succeed with efforts in the short and medium term.

Composition of the Board of Directors

The Board of Directors of Hakuhold DY Holdings is made up of ten members, four of whom—or 40%—are outside directors.

The Company’s internal directors also serve as directors of the Group’s core operating companies. Such composition allows us to steadily enact the “chain of promises” between the holding company and the operating companies on behalf of our shareholders and other stakeholders. This is because we cannot fulfill our promises to stakeholders if we are unable to execute strategies.

In addition, we place the following expectations on our independent outside directors. The famous Japanese scholar Hokoku Yamada once said, “Those who govern well stay outside of matters and observe their essence instead of succumbing to them.” To ensure that the Company is growing in the right fashion, a view of the Company from the outside is crucial. We ask that our outside directors adopt this outside view (meaning the view of the stakeholders) as they monitor the Company’s business execution in an objective manner. We also ask that the outside directors draw on their expertise, which is usually in areas where our internal expertise is not sufficient, to provide their opinions and advice.

Our four outside directors possess an abundance of experience in law, corporate management, investment banking, and government administration, respectively. With their guidance, I believe the Board of Directors holds open discussions, switching between a broad, overlooking perspective and one that is focused on specifics.

“Corporate governance plays an important role in steadily fulfilling the “chain of promises” between our stakeholders, holding company, and operating companies.”

Board of Directors (As of June 30, 2023)



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Please refer to “Corporate Governance” for more details

Director Nomination and Remuneration

Under the Board of Directors, we have established the Nomination Committee and the Remuneration Committee as discretionary bodies.

Each committee is composed of four outside directors and three directors, including representative directors, and both have an outside director serving as the chair.

The role of the Nomination Committee is to create personnel plans for directors and corporate officers and establish important regulations related to nomination. The proposals of the Nomination Committee are reported to the Board of Directors, where they are subsequently deliberated and decided upon.

The most important nomination is naturally that of the Company president, and the Nomination Committee handles the creation of succession plans for the president.

Within these plans, the committee first determines the requirements for leadership. The committee defines

leadership as “the ability to maximize organizational capabilities to realize sustainable growth and enhance corporate value.” To evaluate this ability, the committee considers a candidate’s courage, wisdom, and compassion as well as their level of contribution to the Company’s corporate culture. Courage means the ability to lead in an effective manner, wisdom involves analytical capabilities, and compassion relates to charisma.

The level of contribution to corporate culture refers to the ability to further develop the ideas, culture, and actions encapsulated by the policies or *Sei-katsu-sha* Insight and Commitment to Partnership, and the belief that our people are our assets, in a positive manner.

Furthermore, for officers who have the potential to be candidates for president, the committee works to change and expand their areas of responsibility so that they can gain experience in a broad range of fields.

Taking the above into account, the current president then selects multiple candidates for the role of president based on the Nomination Committee’s requirements for leadership. When selecting these candidates, the president does not rule out the possibility of choosing a candidate from an external organization.

The president then explains the reasons for choosing each individual candidate, including their track record and evaluation, to the members (outside directors) of the Nomination Committee. The members are also given the





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opportunity to meet individually with each candidate before holding deliberations in an effort to draw on the outside view (view of the stakeholders) of these members. Training seminars and other events are used as the location for holding these meetings.

For the final stage of the nomination process, the president conducts a comprehensive evaluation on the next potential president based on the business environment surrounding the Group and in consideration of the Nomination Committee’s requirements for leadership. Through this evaluation, the president narrows down the candidates to one person. The Nomination Committee then holds deliberations on this candidate and makes its final proposal. The president submits this final proposal to the Board of Directors and, after that, the final decision on the Company’s next president is made.

The role of the Remuneration Committee is to create plans for director and corporate officer compensation

Nomination Committee and Remuneration Committee (As of June 30, 2023)

Nomination Committee 7 directors	Internal directors	
	Independent outside directors	
Remuneration Committee 7 directors	Internal directors	
	Independent outside directors	

systems and amounts and to establish important regulations related to compensation. The proposals of the Remuneration Committee are reported to the Board of Directors, where they are subsequently decided upon.

Our basic policy for director compensation involves providing directors with a shared sense of value with the shareholders and other stakeholders, thereby incentivizing them to enhance corporate value over the medium to long term. In addition, this policy gives consideration to establishing compensation levels that are appropriate for the roles and responsibilities of the directors and corporate officers, and that can secure and maintain superior talent.

Compensation for directors is composed of an annual compensation, annual bonuses (short-term incentive), and stock-based compensation (medium- to long-term incentive). The percentage of the annual bonus and stock-based compensation, for which the amounts and values change according to business performance, is set at 40% of the total compensation of each director in the case of standard business performance.

We understand that director compensation plays an extremely pivotal role in ensuring that the Company’s directors take the responsibility as leaders to act on the “chain of promises” between our stakeholders, holding company, and operating companies.

Vision for Corporate Governance Going Forward

Our operating environment is changing significantly. *Sei-katsu-sha*, companies, and society itself all change. Under such circumstances, the importance of being able to flexibly respond to change will certainly increase.

To that end, we need to consider our purpose in creating value for stakeholders, what kind of value that is, and how to

best offer it. To build hypotheses, implement them and deliver results. Our goal (objective) is like the North Star, constant and unwavering. As the foundation of society changes, we need to strengthen our capabilities to develop and execute the roadmap to reach that objective.

In an era of accelerating change, it is also important to enhance corporate value with just the right balance of strength to protect it.

On February 28, 2023, Hakuodo and an employee of Hakuodo DY Media Partners were indicted by the Tokyo District Public Prosecutors Office following an accusation by the Fair Trade Commission of alleged violation of the Antimonopoly Act in connection with the outsourcing contracts, etc., for the planning, etc., of test events for the Tokyo 2020 Olympic and Paralympic Games. We apologize for the inconvenience and concern caused to our stakeholders. We recognize that compliance is of utmost importance.

The Group acknowledges the gravity of this incident. To take preventive measures and ensure compliance, a Special Investigation Committee was established, chaired by one of our independent outside directors. This committee presented its recommendations to the Board of Directors on May 11, 2023, and we will earnestly consider the suggestions and take actions to prevent recurrence, ensure compliance, and strengthen governance.

To do so, I believe the Board of Directors, which is at the core of corporate governance, needs to further enhance its function. We strive to remain a Group that can provide value to all of our stakeholders.

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