

Corporate Governance

Basic Policy

In order to achieve sustainable growth and the continual increase of its corporate value, the Group strives to contribute to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society as one of the world’s preeminent corporate groups that leads advances in marketing and innovation generation through the power of creativity. By doing so, the Group fulfills the trust and expectations of its various stakeholders.

For that purpose, the Company recognizes that one of its key management issues is

enhancing the management and administration of the Group as a whole so that it realizes an environment that promotes independence and cooperation among the diverse operating companies under it and the cooperation of each company produces value greater than the sum of its parts. We will therefore endeavor to improve the Group’s management and administration and to strengthen and enhance the corporate governance of the Group.

As for the listed companies within the Group, we aim to respect their independence while also promoting collaboration as a Group.

Evolution of Corporate Governance System

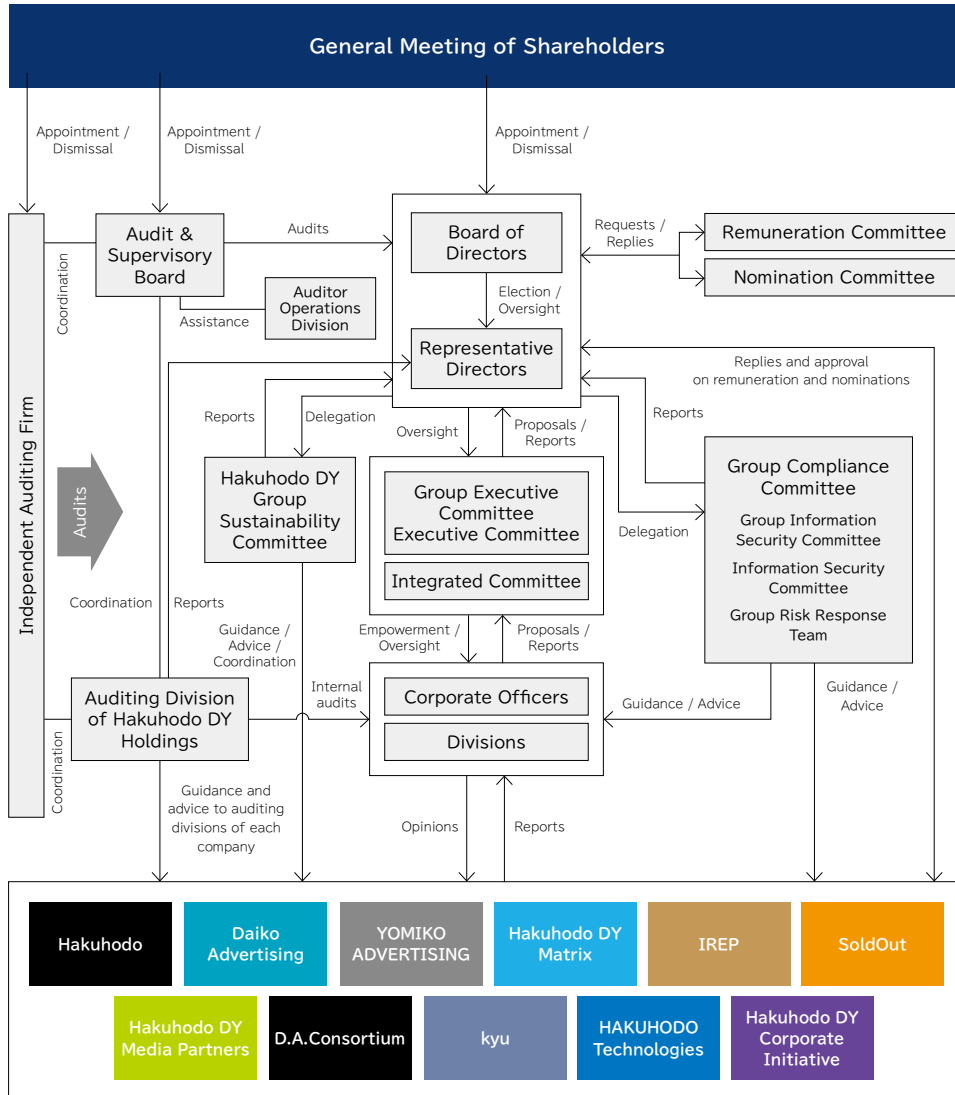
	Fiscal 2003	Fiscal 2004	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Separation of oversight and execution functions and reinforcement of monitoring and oversight functions		<ul style="list-style-type: none"> Began holding liaison meetings for full-time Audit & Supervisory Board members for the Company and those from core operating companies* 				<ul style="list-style-type: none"> Appointed two independent outside directors Began concluding liability limiting agreements with outside directors and outside Audit & Supervisory Board members Establishment of system rules and regulations for reports to corporate auditors Established system rules and regulations to assist Audit & Supervisory Board members 	<ul style="list-style-type: none"> Introduced corporate officer system 	<ul style="list-style-type: none"> Started holding meetings of independent outside directors and independent outside Audit & Supervisory Board members 	<ul style="list-style-type: none"> Increased the number of independent outside directors to three 	<ul style="list-style-type: none"> Began conducting evaluations of the effectiveness of the Board of Directors 			<ul style="list-style-type: none"> Raised the ratio of independent outside directors on the Board of Directors to one-third 	<ul style="list-style-type: none"> Appointed a female outside director
Nomination and remuneration		<ul style="list-style-type: none"> Established the Compensation and Nomination Council 			<ul style="list-style-type: none"> Abolished retirement benefits for Audit & Supervisory Board members 	<ul style="list-style-type: none"> Established the Remuneration and Nomination Committee (chaired by an independent outside director) 		<ul style="list-style-type: none"> Revised director and corporate officer compensation systems (increased portion of performance-linked compensation and introduced stock-based compensation) Established officer evaluation and succession plans 		<ul style="list-style-type: none"> Reorganized the Remuneration and Nomination Committee to form the Nomination Committee and the Remuneration Committee 		<ul style="list-style-type: none"> Raised the ratio of independent outside directors on the Nomination Committee and the Remuneration Committee to the majority 		
Reinforcement of compliance		<ul style="list-style-type: none"> Established the Group Compliance Committee 									<ul style="list-style-type: none"> Appointed chief compliance officers 		<ul style="list-style-type: none"> Appointed chief risk officer 	
Other			<ul style="list-style-type: none"> Conducted stock split 			<ul style="list-style-type: none"> Began monitoring cross-shareholdings 		<ul style="list-style-type: none"> Revised Operating Company Management Regulations (standards for raising items to the Board of Directors) 						

* Hakuodo, Daiko Advertising, YOMIKO ADVERTISING, and Hakuodo DY Media Partners (scope later expanded to form the Group Full-Time Audit & Supervisory Board Member Liaison Meeting)

Corporate Governance

Corporate Governance Framework of the Hakuodo DY Group

As of June 30, 2023



Board of Directors

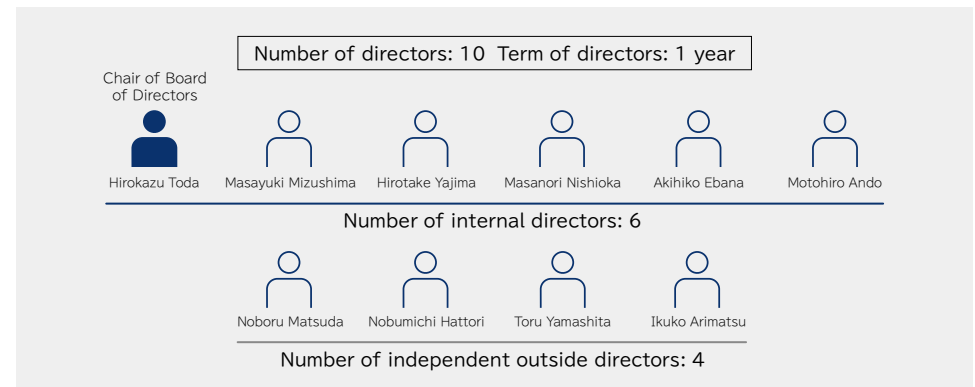
Roles and Responsibilities of the Board of Directors

The Board of Directors, mindful of fiduciary and accountability responsibilities to shareholders and in accordance with the fundamental principles of the Group, provides overall guidance for the management of the entire Group with the aim of contributing to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society. In doing so, the Board strives to appropriately assess the Company's performance, makes decisions on the execution of significant business, exercises effective oversight over directors and corporate officers, ensures accurate and proper information disclosure, and oversees the establishment and operation of internal controls and risk management systems.

Director Nomination Policies

The Company aims to bring about positive change in the world and realize a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. To accomplish these goals, we create new value for *sei-katsu-sha* by harnessing the creativity of employees and the integrative capabilities of teams in which individuals assert their creativity and respect that of others to further their mutual growth. This emphasis has led the Hakuodo DY Group to become an organization boasting a level of diverse creative minds that is unprecedented on a global scale.

We take a similar approach toward the Board of Directors. With due consideration paid to the overall balance of insight, experience, and skills of directors, we seek to nominate internal directors that are highly knowledgeable about the Group's operations along with multiple outside directors with extensive experience and wide-ranging insight. By assembling a unique and creative team on the Board of Directors, we look to ensure that the Board is able to contribute effectively to higher corporate value for the entire Group.



Corporate Governance

Director and Audit & Supervisory Board Member Skills Matrix

The backgrounds and areas of expertise of the Company’s directors and Audit & Supervisory Board members are indicated by ○ in the following chart.

Name	Position	Management	Finance	Human Resources	Corporate Governance	CSR	Digital	Global	Creation and Cultivation of Corporate Culture
		• Management of operating companies	• Finance • Accounting	• Human resources development • Diversity, equity, and inclusion	• Legal • Compliance	• Sustainability • SDGs	• Technology • Data / Systems	• International business	• <i>Sei-katsu-sha</i> Insight*1 • Commitment to Partnership*2 • Our people are our assets*3
Directors	Hirokazu Toda	Director & Chairman	○		○			○	○
	Masayuki Mizushima	Representative Director & President	○		○			○	○
	Hirotake Yajima	Director & Executive Vice President	○			○	○	○	○
	Masanori Nishioka	Representative Director & Senior Executive Corporate Officer		○	○	○			○
	Akihiko Ebana	Director & Senior Executive Corporate Officer	○			○		○	○
	Motohiro Ando	Director & Senior Corporate Officer					○		○
	Noboru Matsuda	Outside Director				○	○		○
	Nobumichi Hattori	Outside Director		○		○		○	○
	Toru Yamashita	Outside Director	○		○	○	○	○	○
Ikuko Arimatsu	Outside Director			○	○	○		○	
Auditors	Osamu Nishimura	Full-time Audit & Supervisory Board Member		○	○				○
	Tomoyuki Imaizumi	Full-time Audit & Supervisory Board Member		○	○				○
	Kazuhiko Tomoda	Outside Audit & Supervisory Board Member		○	○				○
	Shin Kikuchi	Outside Audit & Supervisory Board Member				○		○	○
	Kimitoshi Yabuki	Outside Audit & Supervisory Board Member				○	○	○	○

Note: This chart does not reflect all of the skills of the Company’s directors and Audit & Supervisory Board members.

*1 *Sei-katsu-sha* Insight is the foundation of our thinking and planning. It reminds us that consumers have heartbeats and are more than just shoppers performing an economic function. These unique, autonomous individuals that we refer to as *sei-katsu-sha* live in an increasingly diverse society. We believe that deeper insight into their lives is the source from which new value springs. That is why we make it our business to know *sei-katsu-sha* better than anyone else and to use that knowledge to make a stronger bridge between advertisers and *sei-katsu-sha* as well as media.

*2 Partnership is the way we do business, the starting point for all business activities. From the standpoint of *sei-katsu-sha*, we pay constant, careful attention to the needs of our clients and of media companies. We believe that engaging in dialogue and acting together are the best ways to find the solutions to those needs. As our clients’ and media companies’ partner, our aim is to build strong, long-lasting relationships. By working together over the long term, we are better able to provide durable and coherent solutions to our partners.

*3 Under this policy, we regard our employees as extremely valuable stakeholders. The minds of our employees are what allow 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.

Corporate Governance

Attendance of the Board of Directors (Fiscal 2022)

In principle, the Board of Directors meets at least once a month, and extraordinary meetings are held as necessary. The Board met 20 times during the fiscal year under review. Director attendance is shown below.

Position	Name	Attendance
Director & Chairman	Hirokazu Toda	20/20 (100%)
Representative Director & President	Masayuki Mizushima	18/20 (90%)
Director & Executive Vice President	Hirotake Yajima	20/20 (100%)
Representative Director & Senior Executive Corporate Officer	Masanori Nishioka	20/20 (100%)
Director & Senior Executive Corporate Officer	Akihiko Ebana	20/20 (100%)
Director & Senior Corporate Officer	Motohiro Ando	13/15 (86%)
Outside Director	Noboru Matsuda	20/20 (100%)
Outside Director	Nobumichi Hattori	20/20 (100%)
Outside Director	Toru Yamashita	20/20 (100%)
Outside Director	Ikuko Arimatsu	15/15 (100%)

Note: The status of attendance of the Board of Directors by directors Motohiro Ando and Ikuko Arimatsu reflects meetings held after they were appointed in June 2022.

Specific Agenda Items

Specific Board of Directors' agenda items are described below.

Agenda Items	Key Contents
Items to be resolved	General Meetings of Shareholders, evaluations of the effectiveness of the Board of Directors, director-related personnel matters and compensation, shareholder returns (dividends, buyback of shares), management strategies, quarterly Group budgets and financial results, and important matters such as investments, M&A, the establishment of operating companies, etc.
Items to be reported	Results of voting rights exercised at the General Meeting of Shareholders, status of shareholder composition, submission of annual securities reports and internal control reports, details of deliberations by the Remuneration Committee and the Nomination Committee, monitoring of cross-shareholdings, status of fund management, evaluation of internal control over financial reporting, audit plan by the Audit & Supervisory Board, audit fees for the independent auditing firm, quarterly Group performance, and other matters
Items to be discussed	Self-evaluation of the Board of Directors' effectiveness, Group budgeting policy, etc.

Advisory Bodies to the Board of Directors and Meetings to Assist the Board of Directors in Decision-Making

The Company has established the following committees as advisory bodies to the Board of Directors and to assist the Board in its decision-making.

Conference Body	Purpose and Activities	Constituent Members
Remuneration Committee	See page 73	See page 73
Nomination Committee	See page 73	See page 73
Executive Committee	This committee, which was established to assist the Board of Directors in decision-making, mainly deliberates in advance on important management matters such as budgets, medium-term plans, and organizational, investment, and loan matters.	Chair of Executive Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, and others designated by the chairperson
Group Executive Committee	This committee, which was established to assist the Board of Directors in decision-making, mainly deliberates in advance on important management matters such as budgets, medium-term plans, and organizational, investment, and loan matters that relate to the entire Group.	Chair of Group Executive Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, Yasuo Izumi Corporate Officer, Hideyuki Kikuchi Corporate Officer, and others designated by the chairperson

Corporate Governance

Conference Body	Purpose and Activities	Constituent Members
Integrated Committee	This committee was established to regularly monitor and manage the progress of profit plans by reporting and exchanging opinions on the consolidated performance of the Group and the performance of its advertising and integrated media companies. The committee is composed mainly of directors (excluding outside directors) of the Company and its advertising and integrated media companies.	Chair of Integrated Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, Hidetaka Tada Senior Corporate Officer, Akihiko Tokuhisa Corporate Officer, Takeshi Tokugawa Corporate Officer, Masato Aoki Corporate Officer, Yasutoshi Hiratsuka Corporate Officer, representatives of Group companies designated by the chairperson, and others designated by the chairperson
Hakuhodo DY Group Sustainability Committee	This committee was established to consider and formulate fundamental policies, themes, and action plans regarding sustainability and the environment, in line with the Group's values. The committee reports to the Board of Directors on the evaluation and status of climate-related issues, as well as managing goals. The committee also makes comprehensive decisions on various topics, such as formulating business strategies, taking climate-related challenges into account.	Chair of Hakuhodo DY Group Sustainability Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, and Motohiro Ando Director & Senior Corporate Officer

Evaluations of the Board of Directors' Effectiveness

To further enhance corporate governance by ascertaining the Board of Directors' characteristics, strengths, and challenges, we have conducted an effectiveness evaluation of the Board for fiscal 2022, utilizing an external organization.

Specific Process and Evaluation Method

- ① A "questionnaire related to the Board of Directors evaluation" was submitted to all directors and auditors in February 2023.
- ② Responses were compiled from an objective standpoint by an external organization. Based on the results of this organization's compilation and analysis, the Board of Directors analyzed and assessed the information in May 2023.

Survey Themes

- | | |
|------------------------------------------------------|----------------------------------------------------|
| ① The role and function of the Board of Directors | ⑤ Provision of opportunities for outside directors |
| ② The composition and size of the Board of Directors | ⑥ Relationship with shareholders and investors |
| ③ The operation of the Board of Directors | ⑦ Summary |
| ④ Liaison with audit functions | |

Survey Results

The Board was determined to have two strengths. First, the composition, operation, and deliberations of the Board of Directors are generally appropriate, and necessary and sufficient discussions are conducted, including sharing the ideal form of the board of directors of a holding company and conducting appropriate monitoring. Second, the Board of Directors as a whole, including outside officers, has diverse skills, expertise, and diverse backgrounds, and the system is designed to ensure appropriate decision-making through active discussion.

Areas Requiring Improvement Identified in Fiscal 2022: Evaluation and Improvement Measures

Based on the results of the fiscal 2022 evaluation survey and analysis, three areas requiring improvement (indicated in the table below) were identified. The Company plans to implement improvement measures in these areas.

Major Areas Requiring Improvement	Major Improvement Measures (Planned)
Further invigorate discussions of the Board of Directors and enhance discussions on medium- to long-term issues ▶	Guide presenters and others to provide more compact explanations to ensure more time for discussion of agenda items and medium- to long-term issues; also, continue to encourage relevant divisions to provide more opportunities for discussion and reporting on medium- to long-term issues and management strategies
Provide information on the structure for dialogue with shareholders and the status of implementation ▶	Continue to share materials from financial results briefings and questions from analysts and report on the status of dialogue with institutional investors among the Board of Directors
Consider improving dialogue and information disclosure methods and materials ▶	Share issues with divisions in charge of public relations and investor relations and study ways to make improvements

Corporate Governance

In addition, the Company recognizes that taking advantage of the Nomination Committee to ensure adequate discussions on succession plans, expanding the governance structure, and ensuring a more diverse Board of Directors are issues that must be addressed over the medium term to further enhance the effectiveness of the Board of Directors.

Based on the results of evaluation, the Company’s Board of Directors will continue its efforts to further improve its effectiveness.

(Reference) Areas Requiring Improvement Identified in Fiscal 2021:

Evaluation and Improvement Measures

Based on the results of the fiscal 2021 evaluation survey and analysis, two areas requiring improvement (indicated in the table below) were identified. Improvements were achieved, as was reflected in higher evaluations in the fiscal 2022 survey. Nevertheless, initiatives will be continued in pursuit of increased effectiveness going forward as responses were received citing a need to further improve in these areas.

Major Areas Requiring Improvement	Major Improvement Measures
Provide opportunities to promote understanding of the Group among outside directors and outside Audit & Supervisory Board members	▶ Outside directors and outside Audit & Supervisory Board members are provided with opportunities to observe and participate in internal measures and training to promote understanding of the Group’s businesses and issues.
Invigorate discussions of the Board of Directors and enhance the quality of discussions in relation to medium- and long-term issues	▶ To ensure time for the discussion of agenda items and medium- to long-term issues, the secretariat provided a guide to the presenters in advance to ensure that their explanations would be compact and focused on the main points. In addition, the secretariat encouraged relevant divisions to increase opportunities for discussion and reporting on medium- and long-term issues.

Conducting Training for Outside Officers

To promote understanding of the Group’s businesses and issues among outside directors and outside Audit & Supervisory Board members, we have implemented various initiatives such as providing themed training videos, offering opportunities to participate in seminars conducted by the Group companies for internal and external stakeholders, and conducting training on the marketing services provided by the Group. Going forward, we will continue to explore and implement measures that enrich discussions of the Board of Directors and enhance its supervisory function.

Remuneration Committee and Nomination Committee

The Company has established the Remuneration Committee and the Nomination Committee as advisory bodies to the Board of Directors and ensures the transparency and reasonableness of the process for determining the appointment, dismissal, and compensation of the Company’s directors and corporate officers through the deliberation and resolution of such matters by the Board of Directors. The status of attendance at meetings of these committees is indicated below.

Role	Name	Position	Attendance	
			Remuneration Committee	Nomination Committee
Chair	Noboru Matsuda	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Nobumichi Hattori	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Toru Yamashita	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Ikuko Arimatsu	Independent outside director	1/1 (100%)	1/1 (100%)
Member	Hirokazu Toda	Director	3/3 (100%)	1/1 (100%)
Member	Masayuki Mizushima	Director	3/3 (100%)	1/1 (100%)
Member	Masanori Nishioka	Director	1/1 (100%)	1/1 (100%)

Note: The status of attendance at Remuneration Committee meetings by directors Ikuko Arimatsu and Masanori Nishioka reflects meetings held after they were appointed in July 2022. In addition to the above number of meetings, the Nomination Committee held one meeting for written deliberation, which was deemed committee deliberation.

Activities of the Remuneration Committee

Activities by the Remuneration Committee as part of the process of deciding director remuneration for fiscal 2022 included the following.

Number of Meetings	3	
Major Discussion Topics	<ul style="list-style-type: none"> • Verification of the appropriateness of annual and total remuneration levels for the Company’s officers • Annual bonus framework (total amount) 	<ul style="list-style-type: none"> • Individuals’ annual remuneration amounts, annual bonus amounts, and stock-based compensation • Selection of the committee chairperson, etc.

Corporate Governance

Activities of the Nomination Committee

Activities by the Nomination Committee as part of the process of nominating directors in fiscal 2022 included the following.






Number of Meetings	1
Major Discussion Topics	<ul style="list-style-type: none"> • Appointment and dismissal of directors and corporate officers and changes in their responsibilities • Succession planning • Establishment of skills matrix for directors and Audit & Supervisory Board members • Selection of the committee chairperson, etc.

Note: In addition to the above number of meetings, the Nomination Committee held one meeting for written deliberation, which was deemed committee deliberation.

The Board of Directors receives reports from the outside director who chairs the Remuneration Committee and Nomination Committee regarding discussions that took place at meetings of each committee during the respective fiscal year.

Audit & Supervisory Board

The Audit & Supervisory Board, which consists of five members, three of whom are outside Audit & Supervisory Board members, meets once a month, in principle, and whenever necessary. The Audit & Supervisory Board members audit the performance of director duties from the perspective of a holding company of the Group by attending the Board of Directors' and other important meetings, exchanging opinions with directors and key personnel, and receiving reports on the status of performance of the Group's advertising and integrated media companies.

 Osamu Nishimura	 Tomoyuki Imaizumi	 Kazuhiko Tomoda	 Shin Kikuchi	 Kimitoshi Yabuki
<hr/> Number of full-time Audit & Supervisory Board members: 2		<hr/> Number of independent outside Audit & Supervisory Board members: 3		

Activities of the Audit & Supervisory Board (Fiscal 2022)

The Audit & Supervisory Board meets at least once a month, in principle, and additional meetings are arranged as necessary. In fiscal 2022, the Audit & Supervisory Board met 23 times, and the number of items raised with the Board was 81. The attendance of individual Audit & Supervisory Board members at meetings is detailed below.

Position	Name	Attendance	Position	Name	Attendance
Full-time Audit & Supervisory Board member	Osamu Nishimura	23/23 (100%)	Outside Audit & Supervisory Board member	Kazuhiko Tomoda	23/23 (100%)
Full-time Audit & Supervisory Board member	Tomoyuki Imaizumi	16/16 (100%)	Outside Audit & Supervisory Board member	Shin Kikuchi	16/16 (100%)
			Outside Audit & Supervisory Board member	Kimitoshi Yabuki	Appointed in June 2023

Note: The status of attendance at Audit & Supervisory Board meetings by full-time Audit & Supervisory Board member Tomoyuki Imaizumi and outside Audit & Supervisory Board member Shin Kikuchi reflects meetings held after they were appointed in June 2022.

Specific Agenda Items

Specific Audit & Supervisory Board agenda items are described below.

Items to be resolved	<ul style="list-style-type: none"> • Selection of the Audit & Supervisory Board chairperson • Selection of full-time Audit & Supervisory Board members, selection of specific auditors • Determination of Audit & Supervisory Board members' remuneration, and determination of audit plans (audit policy, priority audit items, assignment of duties, etc.) • Consent on proposals for the appointment of Audit & Supervisory Board members • Determination of the content of proposals for the appointment, dismissal, or non-reappointment of accounting auditors • Investigation and confirmation of proposals, etc., at the General Meeting of Shareholders • Consent regarding remuneration, etc., of the accounting auditors • Determination of Audit & Supervisory Board members' remuneration, etc. • Preparation and submission of the audit report, etc.
----------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Corporate Governance

Items to be reported	<ul style="list-style-type: none"> • Report on the performance of duties by full-time Audit & Supervisory Board members • Receipt and summary report of financial statements, supplementary schedules, and consolidated financial statements • Quarterly non-consolidated and consolidated financial statements and summary report on financial results • Opinion report on the selection and dismissal of accounting auditors • Report on the audit plan of accounting auditors and the Auditing Division of Hakuholdo DY Holdings • Quarterly review by accounting auditors • Report on audit results (independent accounting) • Report on audit results (FIEA compliance) • Report on the status of development and operation of the internal control system for financial reporting and the evaluation report • Report on the activities of the Group Compliance Committee, etc.
Items to be discussed	<ul style="list-style-type: none"> • Appointment and dismissal of accounting auditors • Deliberations of Audit & Supervisory Board audit reports • Deliberations on interviews with representative directors and directors, etc.

Meetings of Outside Directors and Outside Audit & Supervisory Board Members

Regular meetings of independent outside directors and outside Audit & Supervisory Board members are held to allow these officers to exchange information and build shared understanding based on their independent and objective standpoints. Full-time Audit & Supervisory Board members also attend these meetings as observers. The meeting for fiscal 2022 was held on June 9, 2022.

Director Compensation

Compensation System Basic Policy

- Rooted in the Group corporate philosophy
- Shared sense of value with our shareholders, incentivizing increases in corporate value over the medium to long term
- Compensation levels appropriate for the roles and responsibilities of the directors of the Company and that secure and maintain superior human resources
- Transparency and reasonableness ensured in the compensation decision process

■ Compensation Items

Director compensation is composed of three items: annual compensation, annual bonuses, and stock-based compensation. In reflection of their roles and their need to maintain independence, however, compensation for outside directors consists solely of annual compensation.

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 for each director in the case of standard business performance.

① Annual Compensation

Annual compensation is decided based on the expected results, actual results, and other factors for the position and duties of each director.

② Annual Bonus (Short-Term Incentive)

The annual bonus provides a strong incentive to achieve business results in a given fiscal year and is decided comprehensively in consideration of the Group's profit level in each fiscal year, the achievement of management benchmarks, and the results of the individual directors in the individual year.

③ Stock-Based Compensation (Medium- to Long-Term Incentive)

Stock-based compensation is a form of compensation in which restricted stock is provided each year to directors to incentivize the increase of corporate value over the medium to long term and provide a shared sense of value with shareholders.

■ Annual Bonus Calculation Method

Annual bonuses are calculated by multiplying a standard value set for each director (one-twelfth of annual compensation) by a bonus coefficient and then adjusting this amount by the performance of a given director in the respective fiscal year.

Consolidated operating income before amortization of goodwill is the primary indicator used for determining annual bonuses. Other indicators considered include ordinary income and income before income taxes as displayed on the consolidated statements of income.

Bonus coefficients are adjusted within the range of 0% to 200%, with 100% representing the accomplishment of targets.

In assessing the performance of individual directors, the degree of accomplishment of individual targets set at the beginning of the fiscal year is evaluated qualitatively.

Corporate Governance

■ Stock-Based Compensation (Restricted Stock) Allocation Method

Directors are allocated monetary remuneration receivables in an amount set on an individual basis and they then conclude restricted stock allocation contracts with the Company. Directors use these receivables to make in-kind contributions to the Company, after which they receive allocations of restricted stock.

The restricted stock allocation contracts impose a 30-year period for transfer restrictions on the allocated shares. These transfer restrictions, however, can be canceled if a director's term expires or they resign from their position for another reason deemed appropriate during the transfer restriction period.

Should a director resign from their position for reasons not deemed appropriate by the Board of Directors during the transfer restriction period, the Company shall claim the allocated shares of restricted stock with no compensation provided.

■ Policies for Determining Compensation

The Remuneration Committee has been established as an advisory body to the Board of Directors. The majority of the members of this committee are independent outside directors, and an independent outside director serves as the chairperson.

Levels of annual compensation, annual bonuses, and stock-based compensation paid to directors are decided by the president based on authority delegated by the Board of Directors. Authority for deciding director compensation, etc., has been delegated to the president by the Board of Directors. This authority, however, is conditional upon the Remuneration Committee's review of the president's proposal to ensure transparency and reasonableness.

Policies for Determining Compensation of Audit & Supervisory Board Members

The compensation of Audit & Supervisory Board members is composed solely of annual compensation pursuant to the Internal Rules on Audit & Supervisory Board Member Compensation and is determined through consultation among the Audit & Supervisory Board members.

General Meeting of Shareholders' Resolutions Regarding Director Compensation

The following resolutions have been made by the General Meeting of Shareholders regarding the compensation of directors and Audit & Supervisory Board members.

Applicable Officers	Resolution	Resolution Date	Number of Applicable Officers at Resolution Date
Directors	Upper limit of ¥800 million for annual compensation and annual bonuses	June 29, 2017 14th annual general meeting of shareholders	14 (including 2 outside directors)

Applicable Officers	Resolution	Resolution Date	Number of Applicable Officers at Resolution Date
Directors (excluding outside directors)	Upper limit of ¥200 million for stock-based compensation (monetary remuneration receivables paid in relation to restricted stock compensation)	June 29, 2017 14th annual general meeting of shareholders	12 (excluding outside directors)
Audit & Supervisory Board members	Upper limit of ¥100 million for compensation	June 29, 2022 19th annual general meeting of shareholders	5 (including 3 outside directors)

Total Amount of Compensation by Class of Directors, Total Amount of Compensation by Type of Compensation, and Number of Directors Receiving Directors Compensation

Classification	Total Compensation by Type						
	Total Value of Remuneration (Millions of Yen)	Annual Compensation		Annual Bonuses		Stock-Based Compensation	
		Number (People)	Total (Millions of Yen)	Number (People)	Total (Millions of Yen)	Number (People)	Total (Millions of Yen)
Directors (excluding outside directors)	424	6	240	5	129	5	54
Outside directors	49	4	49	—	—	—	—
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	45	3	45	—	—	—	—
Outside Audit & Supervisory Board members	35	4	35	—	—	—	—
Total	554	17	370	5	129	5	54

Corporate Governance Guidelines

These guidelines set out the views of Hakuholdo DY Holdings Inc., the holding company of the Hakuholdo DY Group, regarding our corporate governance as well as an overview thereof. The contents of these guidelines have been determined by a resolution of the Company's Board of Directors and will be examined and updated by the Board once a year.

Details ▶ [WEB Corporate Governance Guidelines \(Japanese only\)](#)