

## Message from the CCO

**We will do our utmost to implement a host of management reforms aimed at regaining the trust of our stakeholders.**



**Masayuki Mizushima**

Representative Director,  
President, and  
Chief Compliance Officer (CCO)

### An Apology

Last year, incidents occurred involving overbilling to customers at consolidated subsidiaries Hakuhodo Inc. and Nihon Total Tele-Marketing Co., Ltd. Additionally, there was an incident involving indictments on suspicion of violating the Antimonopoly Act in relation to the Tokyo 2020 Olympic and Paralympic Games.

Relationships of trust with our business partners and stakeholders are of utmost importance, and we deeply regret the incidents that have occurred. We recognize that such incidents have shaken that trust and are currently taking comprehensive Groupwide measures to formulate and implement actions to prevent recurrence. We sincerely apologize for the substantial concern we have caused to our business partners, stakeholders, and the community.

### Reinforcing Our Implementation Structure to Enhance Compliance

As the representative director, president and chief compliance officer (CCO) of Hakuhodo DY Holdings, I chair the Group Compliance Committee, which consists of the president, CEO, and CCO of each Group company. This committee is responsible for implementing compliance activities throughout the Group. In April 2024, we also established the Group Compliance Division to enhance collaboration between ourselves and the compliance departments / divisions of each Group company.

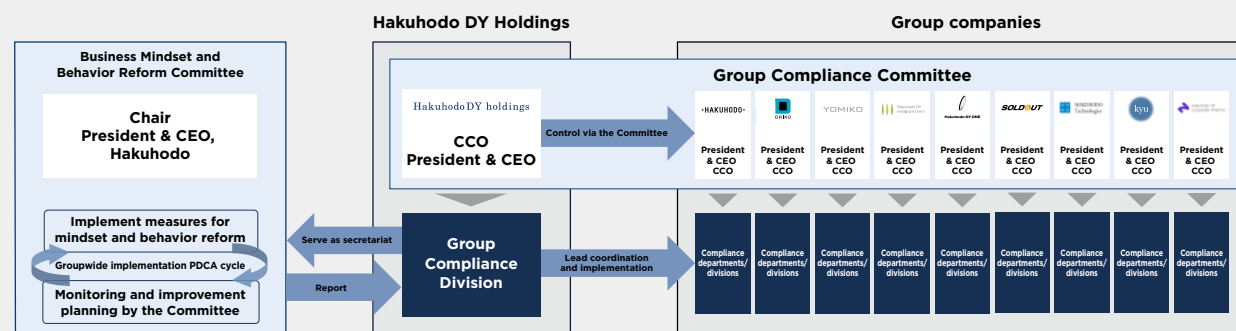
To thoroughly prevent the recurrence of incidents such as those that took place at Hakuhodo Inc. and Hakuhodo DY Media Partners Inc., we have established the Business

Mindset and Behavior Reform Committee, which I as the president and representative director of Hakuhodo Inc. chair. We aim to strengthen the compliance implementation PDCA cycle and have our Group Compliance Division share the details with the entire Group, advancing its implementation in each company.

I personally will take the lead in working with all Group employees to once again reflect on our Commitment to Partnership policy and strive to regain stakeholders' trust through renewed commitment to thorough compliance with laws and regulations, recurrence prevention, and the further enhancement of compliance awareness.

I thank you for your understanding and continued support.

### Groupwide Structure for Compliance Implementation



## Cases of Misconduct and Measures to Prevent Recurrence

### Suspected Violation of the Antimonopoly Act

#### ► Overview

On February 28, 2023, Hakuhold DY Holdings domestic subsidiary Hakuhold Inc. and an employee of Hakuhold DY Media Partners Inc. were indicted by the Tokyo District Public Prosecutors Office following an accusation by the Fair Trade Commission of alleged violation of the Antimonopoly Act (unreasonable restraint of trade) in connection with outsourcing contracts, etc., for the planning, etc., of test events for the Tokyo 2020 Olympic and Paralympic Games.

#### ► Measures to Prevent Recurrence

On March 7, 2023, we established a Special Investigation Committee, chaired by one of our independent outside directors. We have received recommendations from this committee and are implementing measures to prevent recurrence.

- Messages from the presidents to ensure compliance with laws and regulations including the Antimonopoly Act
- Appointment of a CRO
- Provision of training on the Antimonopoly Act for officers and employees
- Preparation and distribution of a collection of cases describing acts prohibited under the Antimonopoly Act
- Revision of Company rules and regulations, such as the Rules of Employment and the Group Code of Conduct
- Regular auditing / monitoring for compliance with the Antimonopoly Act

- Development of an internal declaration of projects requiring bidding procedures and restrictions on contact with competing bidders
- Enhancement of governance including by making bids and orders for large-scale events a reporting item for the Board of Directors
- Implementation of measures such as raising, internal rule improvement, and enhancement of the whistleblowing system for compliance by overseas subsidiaries

### Improper Invoicing Related to Advertising Production

#### ► Overview

Hakuhold DY Holdings domestic subsidiary Hakuhold Inc. improperly billed three of its clients in violation of agreed-upon rules.

#### ► Measures to Prevent Recurrence

On October 20, 2023, Hakuhold established an investigation committee with outside experts as members. In response to the committee's recommendations, Hakuhold is implementing measures to prevent recurrence under the Business Mindset and Behavior Reform Committee.

- Reaffirmation and reeducation of corporate ethics and the Code of Conduct
- Practical compliance training
- Implementation of training on proper business transactions for all employees

- Clarification of business transaction rules and thorough familiarization
- Introduction of a system to confirm transaction rules with clients in management departments
- Enhancement of internal reporting system
- Establishment of a transaction system that enables monitoring of transaction information as needed
- Establishment of IT-based alert and monitoring functions
- Improvement of fixed personnel allocations
- Enhancement of compliance evaluation at the time of hiring and promotion

### Overbilling in Call Center and Consultation Service Operations

#### ► Overview

Hakuhold DY Holdings domestic subsidiary Nihon Total Tele-Marketing Co., Ltd. overbilled the city of Kyoto by ¥860 million in relation to a COVID-19 vaccination program.

#### ► Measures to Prevent Recurrence

On August 7, 2023, the subsidiary established an investigative committee led by external attorneys. The committee advised that the subsidiary must establish a new structure, promote a change in internal mindset, and address past misconduct. In response to these recommendations, the subsidiary established the Confidence-Building Division and is currently implementing measures to prevent recurrence.