

Hakuhodo DY Holdings
Corporate Governance Guidelines

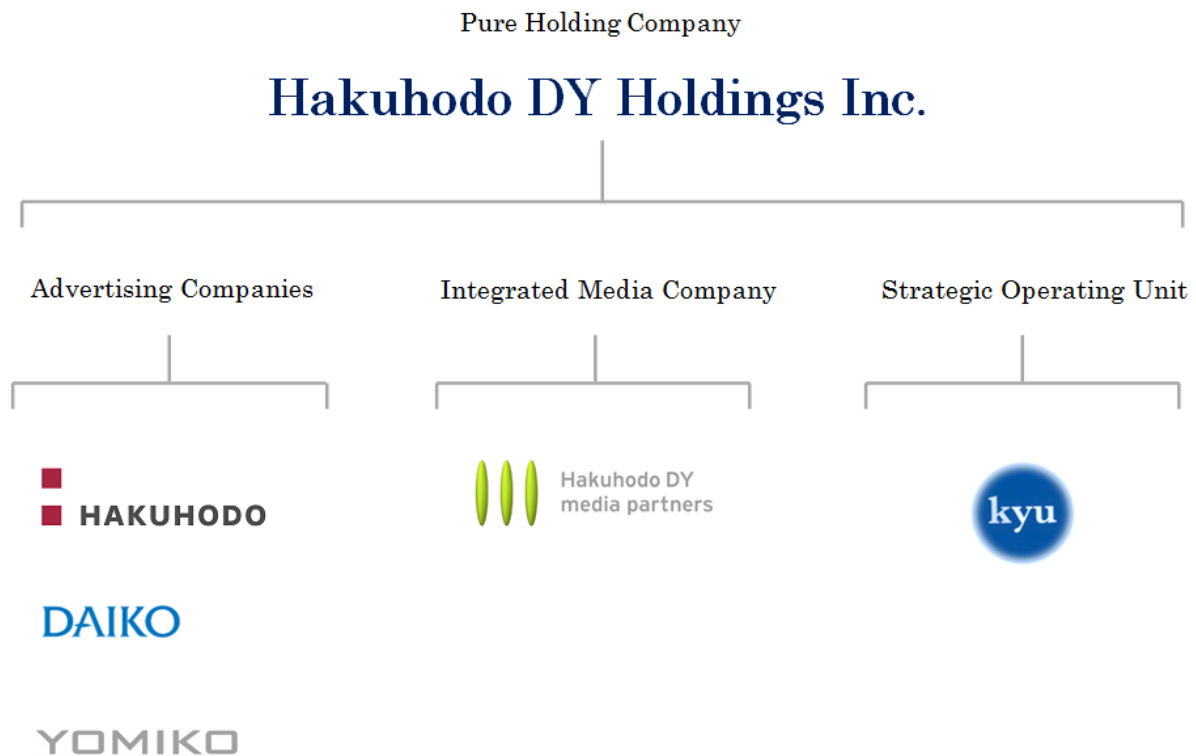
Chapter 1
Basic Policy

(1) Purpose of these Guidelines

- The Hakuhodo DY Group (the “Group”) strives to contribute to the creation of an abundant future for *sei-katsu-sha* (living consumers with individual lifestyles, aspirations, and dreams), the growth of the economy, and the development of society in order to achieve sustainable growth and the continual increase of our corporate value. The Group is continually strengthening and enhancing our corporate governance as one key management issue necessary in order to achieve these goals.
- These Guidelines set out the views of Hakuhodo DY Holdings Inc. (the “Company”), the holding company of the 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 each year.

(2) Group Overview

- The Group consists of the Company, which is a pure holding company, beneath which three advertising company groups, one integrated media company group, and one strategic operating unit serve as core operating company groups, with over 200 diverse operating companies belonging thereto. We are Japan’s first integrated advertising holding company group.



(3) Basic Philosophies of the Group

- Under the following basic philosophies, the entire Group will conduct our business in order to achieve sustainable growth and the continual increase of our corporate value, and we will contribute to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society, thereby fulfilling the trust placed in us by our shareholders and other diverse stakeholders.

Group Corporate Philosophy

1. Strive continuously to provide our clients with the services they need to add value to their business.
2. Lead advances in media and be instrumental in building media value.
3. Build a dynamic global network to offer services wherever they are required.
4. Create abundance and further society, now and tomorrow, with our unique insight into *sei-katsu-sha*—people who have lives beyond what they consume.
5. Encourage individual personalities to flourish within a team work environment, leading to the creation of new values.
6. Become one of the world's top advertising and marketing services groups by constantly seeking out new challenges in the spirit of independence and solidarity.
7. Work relentlessly to increase corporate value and reward the trust that shareholders place in us.

Group Policies

1. *Sei-katsu-sha* Insight

Sei-katsu-sha are the foundation of our thinking and planning.

2. Commitment to Partnership

The foundation of our business is providing optimal solutions as responsible partners of all our stakeholders.

Group Code of Conduct

In order to exert our creativity and remain trusted as partners of all our stakeholders, each of us working for the Group will conduct ourselves in a fair manner according to the highest ethical standards, strongly committed to compliance and conscious of our clear duty to abide by the following principles:

1. We will provide high-quality services.
2. We will constantly seek to maintain trust in us.
3. We will give full play to our own abilities and respect those of others.
4. We will be transparent and fair in all we do.

(4) Basic Views on Corporate Governance

- In order to achieve sustainable growth and the continual increase of our 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 through providing world's top advertising and marketing services built on the power of creativity, thereby fulfilling the trust and expectations of our various stakeholders.
- For that purpose, the Company recognizes that one of our key management issues is enhancing the management and administration of the Group as a whole so that an environment that promotes independence and cooperation among the diverse operating companies under us as a holding company is developed and the cooperation of each company produces value greater than the sum of the parts. We will therefore endeavor to improve the Group's management and administration and to strengthen and enhance the corporate governance of the Group.
- The Company promotes cooperation as a Group while also respecting the independence of Group companies that are listed on stock exchanges.

(5) Medium-term Business Plan

- The Group formulates and promotes medium-term business plans covering five-year periods based on our basic philosophies.
 - Medium-term business plans are formulated after considering the insight on the future management environment obtained by sufficiently analyzing the achievement status of the goals of the previous plan and other such matters; after being resolved upon by the Board of Directors, the Company publishes these plans.
 - The Board of Directors will exert its best efforts to achieve medium-term business plans in recognition that the plans are a commitment to shareholders.
- * The current medium-term business plan began from the 2014 fiscal year and is currently being promoted. Please see the following link for specific details.

<https://www.hakuhodody-holdings.co.jp/english/group/businessplan.html>

Chapter 2

Corporate Governance Systems

(1) Form of Organization

- The Company has chosen “Company with an Audit & Supervisory Board” as our form of organization under the Companies Act. The Board of Directors makes material management decisions and oversees business execution, and the Audit & Supervisory Board and its members audit the status of the directors’ performance of their duties and other such matters.
- In addition, the Company has adopted the corporate officer system in order to promote further enhancement and expansion of business execution functions and to strengthen our management systems. Corporate officers are responsible for faithfully performing the duties delegated to them by the Board of Directors under the management policies and plans decided by the Board; in principle, their term of office lasts until the final day of the last business year to end within one year of assuming office.

(2) Internal Control Systems

- The Company has established the “Basic Policy on the Development of Internal Control Systems” pursuant to the Companies Act, and we promote PDCA improvements through reports on the implementation and operation of these systems to the Board of Directors and through annual Board resolutions on the necessity of revising the basic policy.
- The Company sets a foundation of compliance with law and ordinance as a necessary condition for our corporate activities pursuant to the “Group Code of Conduct and Compliance Items” shared among the Group, which is regularly revised in consideration of our corporate culture and climate and resolved upon by the Board of Directors.
- The Company has established the Group Compliance Committee, composed mainly of the presidents of the Company and the core operating companies and delegated by the Board of Directors, and has set up the Group Information Security Committee, the Information Security Committee, and the Group Risk Response Team as subordinate bodies thereof. We have created systems for compliance, including information security and risk management, and will ensure that the intent and the rules thereof are completely observed, thereby preventing any loss of the social trust or significant damage to the corporate value of the Group due to inappropriate responses to major risk events. Furthermore, we have established the “Crisis Management Regulations” and clarified the risk response system and the risk events addressed thereby, strengthening our ability to respond quickly and appropriately when risk events occur.
- In order for the Group ourselves to actively discover at an early stage and correct any misconduct, we have established Whistleblowing and Consultation Points of Contact within both the Company and the core operating companies as well as at an external advisory law office. The “Outline on the Use of the Whistleblowing and Consultation Points of Contact” prescribes the protection of any person providing information or seeking consultation and prohibits any disadvantageous treatment thereof.
- The Company has established reporting systems for internal controls in order to ensure the reliability of financial reports under the Financial Instruments and Exchange Act.

- In order to share Group management issues and conduct management that promotes the maximization of the corporate value of the Group, we have adopted a system in which some directors hold concurrent positions in both the Company and the core operating companies, and we will promote the collective development of the businesses of the Group through conducting management and administration pursuant to the “Operating Company Management Regulations.”

(3) Board of Directors

(i) Roles and Responsibilities of the Board of Directors

- In consideration of their fiduciary responsibility and duty of accountability to our shareholders, the Board of Directors of the Company will set the broad direction of the management of the entire Group so as to contribute to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society in accordance with the basic philosophies of the Group. In addition to that, the Board will appropriately evaluate company performance results, conduct decision-making for individual matters of material business execution, effectively oversee the directors and corporate officers, conduct accurate and appropriate information disclosure, and develop and oversee the operation of internal controls and risk management systems
- Pursuant to law and ordinance, the Articles of Incorporation, the “Regulations of the Board of Directors,” and the “Regulations regarding Limits of Authority,” material matters of the Company relating to management, such as acquisitions of the Company’s own shares, distributions of midterm dividends, management strategies, management plans, organizations, systems, and performance results, are brought before the Board of Directors.
- The matters for which the Board of Directors may delegate decision-making to corporate officers are set out in the “Regulations regarding Limits of Authority.”

(ii) Composition of the Board of Directors

- The Company specifies in its Articles of Incorporation there shall be 14 or fewer directors.
- By composing the Board of Directors of both multiple inside directors with a thorough knowledge of the Group and multiple outside directors with abundant experience and broad insight, the Company promotes enhanced management oversight and advice to increase the corporate value of the Group and ensures the efficiency of the Board of Directors.
- The Company implements a system in which some of the directors and Audit & Supervisory Board members of the Company serve concurrently as directors and Audit & Supervisory Board members of the core operating companies in order to ensure a shared awareness of the management issues of the Group and to conduct management for the maximization of the corporate value of the Group.
- Additionally, the composition of Board of Directors takes into consideration the balance of knowledge, experience, and skills of the Board as a whole from the perspective of Board diversity.

(iii) Chair of Board of Directors Meetings

- The chairman serves as chair for meetings of the Board of Directors. The chair endeavors to ensure the appropriate operation of the Board so that Board discussions are free, open, and constructive.

- (iv) Operation of the Board of Directors
 - The Board of Directors Secretariat has been established as a dedicated department to achieve the appropriate and smooth operation of the Board.
 - The Board of Directors meets regularly (in principle, twice per month) and whenever else necessary. The Secretariat provides support including distributing materials in advance, providing explanations, responding to requests for information from each director, preparing plans for yearly schedules and agenda items, and setting an appropriate amount of deliberation time, thereby ensuring the efficiency of the Board.
 - (v) Analysis and Evaluation of the Board of Directors
 - With the aim of promoting the maintenance and increase of the effectiveness of the Board of Directors, the Company will continue studying the development of systems, including outside directors, for analyzing and evaluating the Board; after conducting this analysis and evaluation, we will disclose a summary of the results.
- (4) Audit & Supervisory Board
- (i) Roles and Responsibilities of the Audit & Supervisory Board
 - Through the Audit & Supervisory Board’s auditing of the directors’ performance of their duties as an independent body with the mandate of the shareholders, the directors and corporate officers of the Company will give proper care to the interests of all our stakeholders. Additionally, the Audit & Supervisory Board bears responsibility for providing support for endeavoring to cooperate with those stakeholders, achieving sound and sustainable growth and the creation of mid- to long-term corporate value, and establishing quality corporate governance that fulfills the trust that society places in us.
 - (ii) Chair of the Audit & Supervisory Board
 - Pursuant to the “Regulations of the Audit & Supervisory Board,” the Board determines a chair from among its members through resolution.
 - (iii) Operation of the Audit & Supervisory Board
 - In accordance with the Articles of Incorporation, the Audit & Supervisory Board is composed of at most five members, including at least one member with appropriate knowledge in fields such as law, finance, or accounting, and at least half of the members are independent outside Audit & Supervisory Board members.
 - The Audit & Supervisory Board meets once each month in principle and endeavors to maintain highly effective auditing systems in which outside Audit & Supervisory Board members and full-time members can actively exchange opinions.
 - (iv) Cooperation with Other Bodies
 - The Audit & Supervisory Board endeavors to understand the actual condition of the directors’ performance of their duties by conducting a questionnaire once each year regarding the status of the performance of each director’s duties, holding individual meetings, and other such means.
 - The Audit & Supervisory Board receives auditing reports from the independent auditing firm once every quarter, four times per year.
 - Meetings are held twice each year among the independent auditing firm, the internal auditing division, and the Audit & Supervisory Board as three-way auditing liaison meetings, thereby allowing for appropriate cooperation.

- The Audit & Supervisory Board has formulated standards for evaluating the independent auditing firm in accordance with the guidelines of the Japan Audit & Supervisory Board Members Association and evaluates the firm’s annual auditing status, in addition to which the Board verifies the independence and expertise of the firm.
- (5) Compensation Committee and Nomination Committee
- (i) Roles and Responsibilities of the Compensation Committee and the Nomination Committee
 - As advisory bodies to the Board of Directors, in order to ensure the transparency and reasonableness of resolutions by the Board of Directors, the Compensation Committee of the Company will deliberate the compensation system and individual compensation amounts of directors and corporate officers of the Company, and the Nomination Committee of the Company will deliberate the personnel system and individual personnel matters regarding directors and corporate officers of the Company.
 - When the Board of Directors resolves upon the compensation system or individual compensation amounts of directors or corporate officers of the Company, the relevant matter must first be deliberated by the Compensation Committee, and when the Board of Directors resolves upon the personnel system or individual personnel matters regarding directors or corporate officers of the Company, the relevant matter must first be deliberated by the Nomination Committee.
 - (ii) Composition of the Compensation Committee and the Nomination Committee
 - In accordance with internal rules, the Compensation Committee and the Nomination Committee are each composed of three or more directors (including independent outside directors) as members, more than half of whom must be independent outside directors.
 - Members of the Compensation Committee and the Nomination Committee are appointed by resolution of the Board of Directors.
 - (iii) Chairs of the Compensation Committee and the Nomination Committee
 - The Compensation Committee and the Nomination Committee each select one independent outside director by resolution to serve as chair of the Committee.
- (6) Directors and Audit & Supervisory Board Members
- (i) Roles and Responsibilities
 - In full awareness of their fiduciary responsibility to shareholders, the directors and Audit & Supervisory Board members of the Company will perform their duties in the interests of the Company and the common interests of the shareholders while ensuring appropriate cooperation with stakeholders. The directors and Audit & Supervisory Board members endeavor to acquire and deepen the knowledge necessary for appropriately fulfilling their roles and responsibilities.
 - In consideration of maximizing the corporate value of the Group, the Company has adopted a system in which some of our directors and Audit & Supervisory Board members serve concurrently as directors and Audit & Supervisory Board members of the core operating companies.
 - (ii) Nomination Standards for Internal Director and Audit & Supervisory Board Member Candidates

- When nominating internal director candidates, such candidates must possess a thorough knowledge of the Group’s business, the ability to appropriately conduct the management of the Group, outstanding character and insight, and the qualities necessary to contribute to the sustainable growth and increased corporate value of the Company.
 - When nominating internal Audit & Supervisory Board member candidates, such candidates must possess either a thorough knowledge of such matters as the details of the business execution of the Group or expert knowledge in fields such as law, finance, or accounting, and they must have knowledge and experience that enables them to appropriately and fairly audit the directors’ performance of their duties.
- (iii) Nomination Procedures
- The Board of Directors will determine the nomination of director candidates after deliberation by the Nomination Committee. Additionally, Audit & Supervisory Board member candidates will be determined with the approval of the Audit & Supervisory Board.
 - When nominating director and Audit & Supervisory Board member candidates, brief personal profiles and reasons for nominating each candidate will be included in the convocation notices for the Meeting of Shareholders.
- (iv) Policies and Procedures for Appointment and Dismissal of CEO
- When formulating and implementing CEO succession plans, the formulation of the Company’s appointment policy and the selection of candidates will be deliberated upon by the Nomination Committee, which includes outside directors.
 - When dismissing the CEO, if there is a suspected violation of laws or ordinances or the Articles of Incorporation in the CEO’s execution of business, or if there are other grounds to find that it is difficult for the CEO to appropriately perform his or her duties, dismissal will be deliberated upon by the Nomination Committee, which includes outside directors.
 - Following these deliberations by the Nomination Committee, the Board of Directors will deliberate and resolve upon the appointment or dismissal of the CEO.
- (v) Term of Office
- Pursuant to the Articles of Incorporation, the term of office of directors will be until the closing of the Annual Meeting of Shareholders relating to the final business year to end within one year of the director’s appointment.
 - Pursuant to the Articles of Incorporation, the term of office of Audit & Supervisory Board members will be until the closing of the Annual Meeting of Shareholders relating to the final business year to end within four years of the member’s appointment.
- (vi) Compensation (Please refer to Attachment 3.)
- The following matters form the basic policy for determining director compensation:
 - Compensation must be rooted in the Group Corporate Philosophy
 - Compensation must provide a shared sense of value with our shareholders, incentivizing increases in corporate value over the medium to long term
 - Compensation levels must be appropriate for the roles and responsibilities of the directors of the Company and must secure and maintain superior human resources
 - Transparency and reasonableness must be ensured in the compensation decision process

- Compensation for directors (excluding outside directors) is composed of annual compensation, annual bonuses (short-term incentives), and stock-type compensation (medium-to-long-term incentives).
 - The total amount of annual compensation and annual bonuses combined and the total amount of stock-type compensation will both be within the respective limits resolved upon by the Meeting of Shareholders.
 - The percentage of the annual bonus and stock-type 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.
 - Compensation amounts will be decided by resolution of the Board of Directors and, to ensure transparency and reasonableness, will first be deliberated by the Compensation Committee.
 - Compensation for outside directors is composed solely of annual compensation to secure both their roles and independence. Audit & Supervisory Board member compensation is composed solely of fixed compensation pursuant to the “Internal Rules on Audit & Supervisory Board Member Compensation” and is determined through consultation among the Audit & Supervisory Board members.
- (vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members
- Independent outside directors will oversee management and provide advice to increase the corporate value of the Group based on their abundant experience and broad knowledge. Additionally, they will oversee conflict of interest transactions between the Company and its directors, corporate officers, major shareholders, and other such parties from an independent standpoint and appropriately reflect the views of our stakeholders to the Board of Directors.
 - Independent outside Audit & Supervisory Board members will utilize their abundant experience and broad insight, cooperate with the independent auditing firm and internal auditing division, and perform their auditing duties from an independent and neutral standpoint.
 - In order to promote information exchange and shared awareness based on the independent and objective standpoint of the independent outside directors and Audit & Supervisory Board members, regular meetings composed of independent outside directors and Audit & Supervisory Board members are held with the full-time Audit & Supervisory Board members as observers.
 - The Company will disclose the status of concurrent positions in other companies held by independent outside directors and Audit & Supervisory Board members every year through convocation notices for the Meeting of Shareholders, securities reports, and other such means.
- (viii) Nomination Standards for Independent Outside Director and Audit & Supervisory Board Member Candidates
- As standards for the nomination of independent outside director and Audit & Supervisory Board member candidates, candidates must possess abundant experience, broad insight, and expert knowledge in fields such as corporate management, law, accounting, government administration, consulting, or education. In addition, independent outside director candidates must have the ability to oversee management and provide advice to increase the corporate value of the Group, and independent outside Audit & Supervisory Board member candidates must have the ability to audit the legality of business execution by the directors and corporate officers.

(ix) Independence Standards for Independent Outside Directors and Audit & Supervisory Board Members

- In addition to the requirements under the Companies Act, the Company has formulated the “Outside Director and Audit & Supervisory Board Member Independence Standards” and will nominate independent outside director and independent outside Audit & Supervisory Board member candidates with those independence requirements as standards. (Please refer to Attachment 2.)

(x) Support Systems and Training Policy

Support Systems

- The Company has established both the Board of Directors Secretariat to assist the directors in performing their duties as well as a dedicated department to assist in the duties of the Audit & Supervisory Board members pursuant to the “Regulations on Systems to Assist Audit & Supervisory Board Members,” and we thereby provide the necessary support to both Boards.
- Under these support systems, the Company appropriately provides the information, materials, and the like necessary for the directors and Audit & Supervisory Board members to effectively fulfill their roles and responsibilities.

Training Policy

- The Company provides directors and Audit & Supervisory Board members with opportunities as necessary to gain the knowledge required of them for appropriately fulfilling their roles and responsibilities and to receive advice from outside experts, in addition to which we provide support such as assistance for the costs of such opportunities.
- The Company has developed, introduced, and currently conducts the Emergent Management Program as an educational program for the management level, including directors, in order for the Group’s course of action on the development and training of personnel to be shared among the management level of each operating company and for creating emergent management.

(7) Independent Auditing Firm

Roles and Responsibilities

- Recognizing that the independent auditing firm bears responsibility to our shareholders and investors for such matters as ensuring the reliability of our financial reports, the Company conducts measures to ensure appropriate audits in cooperation with the independent auditing firm. In order to promote the effectiveness of audits by the independent auditing firm, the Company holds question and answer sessions regarding management policies, priority issues, and corporate governance with the president, director in charge of corporate affairs, and independent auditing firm partner as “Manager Discussions” every year.

Chapter 3

Relationships with Shareholders and Other Stakeholders

(1) Relationships with Shareholders, etc.

(i) Meeting of Shareholders

- The Company recognizes that the Meeting of Shareholders, the supreme decision-making body of the Company made up of all shareholders with voting rights, is a key opportunity for constructive dialogue with our shareholders and will establish an environment in which shareholders can appropriately exercise their rights.
- In order to ensure sufficient time for shareholders to consider shareholder meeting proposals, the Company will endeavor to send convocation notices at an early stage and will post and publish the contents thereof on our homepage and other such places through electronic means.
- The Company endeavors to ensure convenience for all shareholders in exercising their voting rights through electronic voting and providing English translations of convocation notices.
- The Company determines the date of the Meeting of Shareholders in consideration of ensuring auditory procedures and formulation of necessary statutory documents in compliance with the Companies Act, securing an appropriate location, and other such matters.

(ii) Securing Shareholder Rights

- The Company will take appropriate measures to substantially ensure the rights of all shareholders, including minority shareholders and foreign shareholders.
- The Company will earnestly accept the results of votes exercised at the Meeting of Shareholders; if a considerable number of votes are cast against a proposal by the Company, we will analyze the reasons therefor, and the Board of Directors will consider measures in response thereto.
- When institutional investors that hold shares in the name of trust banks or other such custodians express in advance their wish to exercise voting rights and other such rights at the Meeting of Shareholders themselves, the Company will consult with the trust banks or other such custodians and consider responses to these requests.
- When the Company considers a capital increase, management buyout, or other such action, in order to ensure that the interests of existing shareholders are not unfairly harmed, the Board of Directors will consider the necessity and rationale of the action, and the Company will ensure appropriate procedures. When conducting the action, we will provide sufficient explanation to our shareholders.

(iii) Constructive Dialogue with Shareholders

- The Company endeavors to contribute to the sustainable growth and mid- to long-term increase of the corporate value of the Group by actively engaging in constructive dialogue with shareholders. The Company has prepared a basic policy on systems and measures to promote constructive dialogue with our shareholders, investors, and all other stakeholders. (Please refer to Attachment 1.)

(iv) Basic Views on Capital Policy

- The Company holds the sustainable increase of corporate value and the appropriate allocation of profits to shareholders as key purposes of our capital policy.
- Specifically, the Company has made return on equity one of our mid- to long-term management goals as a key index of the creation of corporate value and the efficiency of capital.
- The Company's basic policy on shareholder returns is to steadily and continually provide dividends to shareholders. We have also set a policy of examining and conducting acquisitions of our own shares, etc. as appropriate in consideration of our management conditions, the market environment, and other such matters.

(v) Policy on Cross-shareholdings

Cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

- The Group holds shares in business partners for the purpose of maintaining and strengthening business relationships.
- When acquiring such shares, the Group comprehensively considers such matters as the profits to be gained by the Group through maintaining and strengthening the business relationship and the amount of the investment before judging whether or not to invest.
- In addition, for each individual issue of business partner shares that we hold, the Group will regularly consider the value of continuing to hold such shares, bearing in mind the cost of capital of the Group; if that value is judged lacking, we will reduce our holdings of those issues of shares, taking into account any matters regarding transactions or business to be considered, the influence of such sale on the market, and other such factors. If the value is affirmed, however, we will continue holding such shares.
- The Company and the core operating companies will consider the value of holding the business partner shares that are held and report thereon to the Company's Board of Directors. The core operating companies make such reports to their boards of directors beforehand. At its meeting in February 2018, the Company's Board of Directors considered the value of holding of the business partner shares held by the Group, and **the Group** is proceeding with the sale of issues of shares for which the value was judged lacking.
- Sufficiently respecting the management policies, strategies, and the like of the corporations in which we have invested, the Company will exercise voting rights accompanying cross-shareholdings after thoroughly considering the details of each proposal and comprehensively judging whether to vote for or against the proposal, based on whether the proposal details coincide with the value and goal of the Company's investment, whether the proposal details would damage corporate value, and other such factors.
- The Company will not engage in any act hindering the sale or the like of the Company's shares by cross-shareholders (i.e., shareholders who hold the Company's shares as cross-shareholdings) or in any transaction with cross-shareholders that may harm the interests of the Company or the common interests of its shareholders.

(vi) Anti-takeover Measures

- The Company does not implement any anti-takeover measures.
 - If the Company’s shares are made subject to a tender offer, the Board of Directors will judge the circumstances related thereto and respond by clearly stating their view on the offer as appropriate.
- (vii) Related Party Transactions
- When the Company conducts competitive transactions and conflict of interest transactions as defined in law and ordinance with directors and Audit & Supervisory Board members of the Company, the approval of the Board of Directors must be received after confirming that such transactions do not damage shareholder value.
 - In addition, when the company conducts transactions with major shareholders, we will confirm the rationale and suitability of the details of the transactions in advance and conduct them so that the common interests of the shareholders are not harmed.
- (viii) Roles of Corporate Pension Funds as Asset Owners
- The Group endeavors to fulfill the roles of corporate pension funds as asset owners in order to conduct and administer the proper management of corporate pension funds by composing the pension asset administration committee, the board of representatives, and the like using personnel with expertise in fields such as human resources, accounting, and finance and by establishing a system for receiving expert, high-level advice, support, and checking regarding overall pension asset management based on contracts with third-party consulting institutions.
 - All of the contracted fund managers to which asset investment is entrusted for the Group’s corporate pension funds have adopted Japan’s Stewardship Code.
 - The Group supports the asset building of people enrolled in defined contribution pensions by providing education on asset management through such means as holding seminars for enrollees.

(2) Relationships with Employees

- Recognizing that people are assets, the Group will train each of our employees to exercise their creativity and be trusted partners of all our stakeholders.
- When conducting such training, we will respect independent and autonomous individuals, value the unique personality with which each person shines, and focus on teamwork in which diverse professionals cooperate to push towards the goal.
- In addition, we will establish systems to support childbirth, childcare, and family caregiving and strive to develop a comfortable working environment for all of our diverse employees, including women, in which each person can fully exercise their abilities.

(3) Relationships with Clients

- The Group views our commitment to partnership as the foundation of our business; always from the perspective of *sei-katsu-sha*, we will share issues with clients, media companies, and content holders and provide optimal solutions as responsible partners. Furthermore, by providing consistent solutions built on long-term relationships with our partners, we will strive to further deepen these relationships.

(4) Relationships with Business Partners

- The Group recognizes the importance of transactions based on sound, fair, and equal partnerships in all of our relationships with our business partners and will ensure fair and free transactions and competition in compliance with law and ordinance.

(5) Relationship with Society

- Under the Group policies of *sei-katsu-sha* insight and commitment to partnership, the Group engages in CSR activities through the aspirations of each of our employees, and we have established our basic CSR philosophy and CSR promotion systems and conduct our activities thereby in order to fulfill our social responsibility.

Chapter 4

Information Disclosure

(1) Disclosure Systems

- The Company has established the Investor Relations Division to handle the enhancement of communication with our shareholders and investors, with whom we will thereby build long-term relationships of trust.
- The Company has established disclosure systems within the Group as well as the Company, and we gather and endeavor to actively disclose IR information, including statutory and timely disclosure information.

(2) Full Disclosure

- In order to build long-term relationships of trust with our shareholders, investors, and all other stakeholders, the Company's basic policy on information disclosure is not only to conduct statutory disclosure, but also to promptly, accurately, fairly, and impartially communicate management policies, financial information, operational endeavors, the causes and management environment behind each of those, and other such information necessary in making investment judgments. The Company endeavors to disclose information in English to the extent reasonable in order to contribute to an increase in corporate value in line with the global level through dialogue and fairness.

End

Established December 25, 2015

Revised July 12, 2017

Revised July 17, 2018

Revised December 28, 2018

(Attachment 1)

Basic Policy on Constructive Shareholder Dialogue

- Hakuholdo DY Holdings Inc. (the “Company”) believes that constructive dialogue with our shareholders and other investors contributes to our sustainable growth and mid- to long-term increase of corporate value and will therefore conduct proactive IR activities.
- The Company has established the Investor Relations Division coordinated by the president to respond to matters involving our shareholders and other investors. If our shareholders and other investors request an opportunity for dialogue (i.e., a meeting), the president, directors (including outside directors), and corporate officers will participate in the meeting as necessary after considering the main issues or topics of the meeting and other such matters.
- The individual responsible for handling information appointed from among the directors and equivalent positions, will represent the Hakuholdo DY Group (the “Group”) as a whole, determine the internal administration of matters to be disclosed and the necessity of updating and revising information, and be in charge of timely disclosure. In addition, this representative will counsel and advise the president as appropriate regarding the handling of undisclosed information.
- The Company has established the Investor Relations Committee, which works laterally across related internal departments, and will promote the sharing of the Company’s IR information, including statutory and timely disclosure information.
- The Company will provide briefings to institutional investors on our mid- to long-term management vision, account settlements, individual businesses, and other such matters. Additionally, we will publish the explanatory materials and other such resources used at these briefings for institutional investors unable to attend and individual investors.
- The Company will endeavor to disclose information in English to the extent reasonable in order to contribute to an increase in corporate value in line with the global level through dialogue and fairness.
- The Investor Relations Division will regularly report the opinions and questions of our shareholders and other investors learned through dialogue to the president, the individual responsible for handling information, and other relevant directors and corporate officers; by reflecting the insight gained from such comments in our management, the Company will promote the mid- to long-term increase of our corporate value. In addition, the Company has established the Group’s Investor Relations Committee, which works laterally across the Group, to serve as a venue for sharing information within the Group, determining the IR policies of the Group, and consulting on key matters related to such policies; at this committee, as well, the views and questions of shareholders and other investors will be reported and information sharing promoted.

- The Company will thoroughly ensure fair disclosure and will appropriately control insider information under the “Information Disclosure Regulations.”
- Based on the shareholder register, the Company will regularly investigate our shareholder structure to gain a clear understanding thereof and will report the findings to the Board of Directors.

End

(Attachment 2)

Outside Director and Audit & Supervisory Board Member Independence Standards

Hakuhodo DY Holdings Inc. (the “Company”) will judge to be independent any outside directors and outside Audit & Supervisory Board members who:

1. Are not currently and have not been in the past ten years^{*} a director (excluding outside directors), corporate officer, or employee of the Company or any of its subsidiaries;
2. Do not currently fall under and have not fallen under in the past three years any of (i) to (iii) below:
 - (i) A director, corporate officer, or employee of a major business partner⁽¹⁾ of the Company;
 - (ii) An attorney, certified public accountant, consultant, or other such person[†] who receives a large amount of money⁽²⁾ or other such economic benefits other than director or Audit & Supervisory Board member compensation from the Company; or
 - (iii) A major shareholder⁽³⁾ of the Company or a director, corporate officer, or employee of such shareholder;
3. Are not directors, corporate officers, or employees of a corporation, partnership, or other such organization that exchanges dispatched directors, audit and supervisory board members, or corporate officers with the Company;
4. Are not directors, corporate officers, or employees of a corporation, partnership, or other such organization that receives a large amount of contributions⁽⁴⁾ from the Company; and
5. Are not spouses or relatives within the second degree of kinship of material personnel⁽⁵⁾ who fall under items 1 or 2 above.

* However, if the outside director or outside Audit & Supervisory Board member has been a non-executive director or Audit & Supervisory Board member of the Company or any of its subsidiaries at any time within the past ten years, then ten years prior to assuming such position.

† However, if a corporation, partnership, or other such organization receives such benefits, then any person belonging thereto.

- (1) “Major business partner” means a corporation whose transactions with the Company amount to 2% or more of the annual consolidated sales of either the Company or the business partner.
- (2) “Large amount of money” means ten million yen or more annually in the case of an individual or, in the case of an organization, 2% or more of the annual consolidated sales of the organization.
- (3) “Major shareholder” means a shareholder who holds (including both directly and indirectly) 10% or more of total voting rights.
- (4) “Large amount of contributions” means an amount exceeding the greater of (a) ten million yen annually or (b) 2% of the annual consolidated sales or total revenue of the recipient of the contributions.
- (5) “Material personnel” means directors (excluding outside directors), corporate officers, department chiefs, and employees in managerial positions equivalent to department chiefs.

End

(Attachment 3)

Approach to the Directors' Compensation System

1. 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 which secure and maintain superior human resources
 - Transparency and reasonableness ensured in the compensation decision process

 2. Specific Compensation Items and Overview
 - Compensation is composed of three items: annual compensation, annual bonuses, and stock-type compensation. An overview of each compensation item is provided in i) to iii) below.
 - The percentage of the annual bonus and stock-type 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.
 - To secure both their roles and independence, compensation for outside directors is limited to annual compensation only.
 - i) Annual Compensation

Annual compensation is decided based on the expected results, actual results, and other factors for the position and duties of each director.
 - ii) Annual Bonus (Short-term Incentive)

The annual bonus provides a strong incentive to achieve business results in the individual 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.
 - iii) Stock-type Compensation (Medium-to-long-term Incentive)

Restricted stock is allotted as stock-type compensation in order to incentivize the increase of corporate value over the medium to long term and to share a sense of value with our shareholders.

 3. Compensation Decision Process
 - The compensation system and individual compensation amounts are decided by resolution of the Board of Directors and, to ensure transparency and reasonableness, are first deliberated by the Compensation Committee, which serves as an advisory body to the Board of Directors and is chaired by an outside director.
- * Compensation System for Audit & Supervisory Board Members
- Pursuant to the "Internal Rules on Audit & Supervisory Board Member Compensation," compensation for Audit & Supervisory Board members is limited to annual compensation and is determined through consultation among the Audit & Supervisory Board members.

End

(Attachment 4)

Corporate Governance Code Implementation Table

Corporate Governance Code				Supplementary Principles	CG Guidelines
General Principles	Principles				
1	Securing the Rights and Equal Treatment of Shareholders	1.1	Securing the Rights of Shareholders	1.1.1	Ch. 3(1)(ii) Securing Shareholder Rights
				1.1.2	Ch. 3(1)(ii) Securing Shareholder Rights
				1.1.3	Ch. 2(3)(i) Roles and Responsibilities of the Board of Directors
		1.2	Exercise of Shareholder Rights at General Shareholder Meetings	1.2.1	Ch. 3(1)(ii) Securing Shareholder Rights
				1.2.2	Ch. 3(1)(i) Meeting of Shareholders
				1.2.3	Ch. 4(2) Full Disclosure
				1.2.4	Ch. 3(1)(i) Meeting of Shareholders
				1.2.5	Ch. 3(1)(i) Meeting of Shareholders
		1.3	Basic Strategy for Capital Policy		Ch. 3(1)(ii) Securing Shareholder Rights
		1.4	Cross-Shareholdings	1.4.1	Ch. 3(1)(iv) Basic Views on Capital Policy
				1.4.2	Ch. 3(1)(v) Policy on Cross-shareholdings
		1.5	Anti-Takeover Measures	1.5.1	Ch. 3(1)(v) Policy on Cross-shareholdings
					Ch. 3(1)(v) Policy on Cross-shareholdings
		1.6	Capital Policy that May Harm Shareholder Interests		Ch. 3(1)(vi) Anti-takeover Measures
1.7	Related Party Transactions		Ch. 3(1)(vi) Anti-takeover Measures		
2	Appropriate Cooperation with Stakeholders Other Than Shareholders	2.1	Business Principles as the Foundation of Corporate Value	Ch. 3(1)(ii) Securing Shareholder Rights	
		2.2	Code of Conduct	2.2.1	Ch. 1(3) Group Corporate Philosophy
					Ch. 1(3) Group Code of Conduct
		2.3	Sustainability Issues, Including Social and Environmental Matters	2.3.1	Ch. 2(2) Internal Control Systems
		2.4	Ensuring Diversity, Including Active Participation of Women		Ch. 3(5) Relationship with Society
		2.5	Whistleblowing	2.5.1	Ch. 3(5) Relationship with Society
					Ch. 3(2) Relationships with Employees
2.6	Roles of Corporate Pension Funds as Asset Owners		Ch. 2(2) Internal Control Systems		
3	Ensuring Appropriate Information Disclosure and Transparency	3.1	Full Disclosure	i)	Ch. 2(2) Internal Control Systems
				ii)	Ch. 2(2) Internal Control Systems
				iii)	Ch. 3(1)(viii) Roles of Corporate Pension Funds as Asset Owners
				iv)	Ch. 1(3) Group Corporate Philosophy
				v)	Ch. 1(5) Medium-term Business Plan
		3.2	External Auditors	3.1.1	Ch. 1(4) Basic Views on Corporate Governance
				3.1.2	Ch. 2(6)(vi) Compensation
				3.2.1	Ch. 2(6)(ii) Nomination Standards for Internal Director and Audit & Supervisory Board Member Candidates
				3.2.2	Ch. 2(6)(iii) Nomination Procedures
					Ch. 2(6)(iii) Nomination Procedures
					Ch. 2(6)(iv) Policies and Procedures for Appointment and Dismissal of CEO
	Ch. 2(6)(viii) Nomination Standards for Independent Outside Director and Audit & Supervisory Board Member Candidates				
	Ch. 2(6)(iii) Nomination Procedures				
	Ch. 4(2) Full Disclosure				
	Ch. 4(2) Full Disclosure				
	Ch. 2(7) Independent Auditing Firm				
	Ch. 2(4)(iv) Coordination with Other Bodies				
	Ch. 2(7) Independent Auditing Firm				
	Ch. 2(6)(i) Roles and Responsibilities				
	Ch. 2(4)(iv) Coordination with Other Bodies				

Corporate Governance Code			Supplementary Principles	CG Guidelines		
General Principles	Principles					
4	Responsibilities of the Board	4.1	Roles and Responsibilities of the Board (1)	4.1.1	Ch. 2(3)(i) Roles and Responsibilities of the Board of Directors	
				4.1.2	Ch. 2(3)(i) Roles and Responsibilities of the Board of Directors	
				4.1.3	Ch. 1(5) Medium-term Business Plan Ch. 2(6)(iii) Nomination Procedures Ch. 2(6)(iv) Policies and Procedures for Appointment and Dismissal of CEO	
		4.2	Roles and Responsibilities of the Board (2)	4.2.1	Ch. 2(6)(vi) Compensation	Ch. 2(5)(i) Roles and Responsibilities of the Compensation Committee and the Nomination Committee
					Ch. 2(6)(vi) Compensation (Attachment 3) Approach to the Directors' Compensation System	
		4.3	Roles and Responsibilities of the Board (3)		4.3.1	Ch. 2(3)(i) Roles and Responsibilities of the Board of Directors Ch. 2(2) Internal Control Systems Ch. 3(1)(vii) Related Party Transactions
					4.3.2	Ch. 2(5)(i) Roles and Responsibilities of the Compensation Committee and the Nomination Committee
					4.3.3	Ch. 2(6)(iii) Nomination Procedures
					4.3.4	Ch. 2(6)(iv) Policies and Procedures for Appointment and Dismissal of CEO Ch. 2(6)(iv) Policies and Procedures for Appointment and Dismissal of CEO
		4.4	Roles and Responsibilities of <i>Kansayaku</i> and the <i>Kansayaku</i> Board	4.4.1	Ch. 2(2) Internal Control Systems	Ch. 2(4)(i) Roles and Responsibilities of the Audit & Supervisory Board Ch. 2(6)(i) Roles and Responsibilities
					Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members	
		4.5	Fiduciary Responsibilities of Directors and <i>Kansayaku</i>		Ch. 2(4)(i) Roles and Responsibilities of the Audit & Supervisory Board Ch. 2(6)(i) Roles and Responsibilities	
		4.6	Business Execution and Oversight of the Management		Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members	
4.7	Roles and Responsibilities of Independent Directors		Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members			
4.8	Effective Use of Independent Directors		4.8.1	Ch. 2(3)(ii) Composition of the Board of Directors Ch. 2(4)(iv) Coordination with Other Bodies Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members		
			4.8.2	Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members		
4.9	Independence Standards and Qualification for Independent Directors		Ch. 2(6)(ix) Independence Standards for Independent Outside Directors and Audit & Supervisory Board Members (Attachment 2) Outside Director and Audit & Supervisory Board Member Independence Standards			

Corporate Governance Code			Supplementary Principles	CG Guidelines			
General Principles	Principles						
4	Responsibilities of the Board	4.10	Use of Optional Approach	4.10.1	Ch. 2(6)(iii) Nomination Procedures Ch. 2(3)(v) Analysis and Evaluation of the Board of Directors		
				4.11	Preconditions for Board and <i>Kansayaku</i> Board Effectivness	4.11.1	Ch. 2(5)(i) Roles and Responsibilities of the Compensation Committee and the Nomination Committee Ch. 2(6)(iii) Nomination Procedures (Attachment 3) Approach to the Directors' Compensation System
		4.11.2	Ch. 2(3)(ii) Composition of the Board of Directors Ch. 2(4)(iii) Operation of the Audit & Supervisory Board				
		4.11.3	Ch. 2(3)(ii) Composition of the Board of Directors Ch. 2(6)(iii) Nomination Procedures				
		4.12	Active Board Deliberations	4.12.1	Ch. 2(6)(vii) Roles and Responsibilities of Independent Outside Directors and Audit & Supervisory Board Members Ch. 2(3)(v) Analysis and Evaluation of the Board of Directors		
				4.13	Information Gathering and Support Structure	4.13.1	Ch. 2(3)(iii) Chair of Board of Directors Meetings
		4.13.2	Ch. 2(3)(iv) Operation of the Board of Directors Ch. 2(6)(x) Support Systems and Training Policy				
		4.13.3	Ch. 2(6)(x) Support Systems and Training Policy Ch. 2(6)(x) Support Systems and Training Policy				
		4.14	Director and <i>Kansayaku</i> Training	4.14.1	Ch. 2(4)(iv) Coordination with Other Bodies Ch. 2(6)(i) Roles and Responsibilities		
				4.14.2	Ch. 2(6)(x) Support Systems and Training Policy Ch. 2(6)(x) Support Systems and Training Policy		
		5	Dialogue with Shareholders	5.1	Policy for Constructive Dialogue with Shareholders	5.1.1	Ch. 4(1) Disclosure Systems Ch. 3(1)(iii) Constructive Dialogue with Shareholders
						5.1.2	(Attachment 1) Basic Policy on Constructive Shareholder Dialogue
5.1.3	(Attachment 1) Basic Policy on Constructive Shareholder Dialogue						
5.1.3	(Attachment 1) Basic Policy on Constructive Shareholder Dialogue						
5.2	Establishing and Disclosing Business Strategy and Business Plan			Ch. 1(5) Medium-term Business Plan			