

May 11, 2023
Hakuhodo DY Holdings Inc.

Publication of Key Recommendations in the Investigative Report Submitted by the Special
Investigation Committee on Alleged Violation of the Antimonopoly Act

On February 28, 2023, Hakuhodo DY Holdings domestic subsidiary Hakuhodo Inc. and an employee of Hakuhodo 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 the outsourcing contracts, etc., for the planning, etc., of test events for the Tokyo 2020 Olympic and Paralympic Games.

Recognizing the gravity of this incident, and in order to take preventive measures and ensure compliance, our Group established a Special Investigation Committee on March 7, 2023, chaired by one of our independent outside directors, to consider how to prevent the recurrence of such wrongdoing.

The Special Investigation Committee submitted its report today to our Board of Directors, and we have decided to publish its key recommendations.

The Hakuhodo DY Group is committed to seriously reviewing the recommendations put forward by the Special Investigation Committee, taking actions to prevent recurrence, and continuing efforts toward ensuring compliance, and enhancing and strengthening governance. In light of the gravity of the incident, the President & CEO of Hakuhodo Inc., the President & CEO of Hakuhodo DY Media Partners Inc., and related officers serving in the period covered by the written indictment have voluntarily returned part of their respective compensations.

We sincerely apologize to our clients, business partners and all other stakeholders for the great inconvenience and concern caused.

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Attachment: Key Recommendations in the Investigative Report Submitted by the Special Investigation Committee

1. Membership of the Special Investigation Committee

Chair: Noboru Matsuda, Attorney at Law (Independent Outside Director, Hakuhodo DY Holdings; former Director-General, Criminal Affairs Department, Supreme Public Prosecutors Office)

Member: Koichi Ueda, Attorney at Law (Independent Outside Auditor, Hakuhodo Inc.; former Superintending Prosecutor, Tokyo High Public Prosecutors Office)

Member: Shin Kikuchi, Attorney at Law (Independent Outside Auditor, Hakuhodo DY Holdings; Partner, Gaien Partners)

2. Key Recommendations for Preventing Recurrence

(1) Messages from the Presidents

The Presidents of Hakuhodo Inc. and Hakuhodo DY Media Partners Inc. should send a message to stakeholders both inside and outside their respective companies to the effect that:

- (a) We will ensure compliance with laws and regulations including the Antimonopoly Act in all of our business activities;
- (b) We will conduct business activities in a proper manner based on our knowledge of acts that violate the Antimonopoly Act and the substantial risks involved therein, and refrain from any suspicious activity;
- (c) We will systematically take tougher measures against legal and regulatory violations going forward.

(2) Appointment of a CRO

Appoint a Chief Risk Officer (CRO).

(3) Training for officers and employees

Provide regular and ongoing training on the Antimonopoly Act for officers and employees.

- (a) Training for officers

Provide training for directors and officers on compliance with the Antimonopoly Act by external experts.

(b) Training for employees

Add topics related to the Antimonopoly Act to regular training at different levels, including managers, management and administration department heads, other employees, and subsidiary officers, as well as training sessions for all employees.

(c) Onboarding

Add topics related to the Antimonopoly Act to onboarding for new graduate and mid-career recruits.

(4) Preparation and distribution of a collection of cases describing acts prohibited under the Antimonopoly Act

Prepare, and distribute to officers and employees a collection of concrete cases of acts and practices constituting or suspected to constitute violations of the Antimonopoly Act.

(5) Revision of Company rules and regulations

(a) Rules of Employment

Stipulate in the Rules of Employment that any act in violation of the Antimonopoly Act may be grounds for disciplinary action.

(b) Group Code of Conduct

Add a clause to the Group Code of Conduct concerning violation of the Antimonopoly Act to provide explicitly that any act constituting or suspected to constitute a violation of the Antimonopoly Act is a serious breach of the Code of Conduct.

(6) Regular auditing/monitoring for compliance with the Antimonopoly Act

(a) Auditing

Conduct audits, monitoring, etc. for antimonopoly compliance purposes and review the criteria for selecting the divisions to be audited or monitored.

(b) Increasing awareness of the whistleblowing system

Increase awareness among potential whistleblowers by reminding them of the existence of contact points and that the system also covers violation of the Antimonopoly Act.

(c) Consideration of an internal leniency system

Build a system that takes into account in disciplinary action self-reporting of any wrongdoing so as to facilitate early detection of antimonopoly violations by encouraging the perpetrator and related parties to make a voluntary admission.

(7) Development of internal rules

For the purpose of building a mechanism to prevent any act constituting or suspected to constitute a violation of the Antimonopoly Act by increasing the transparency of bidding processes, introduce internal rules on bidding that provide for:

- (a) Internal declaration of projects requiring bidding procedures;
- (b) Restrictions on contact with competing bidders;
- (c) Prohibition of information exchange with competing bidders on specific projects;
- (d) Special workflow applicable to bidding.

(8) Enhanced governance for large-scale events

For large-scale events, enhance governance in particular by:

- (a) Requiring the involvement of a legal division member in the project;
- (b) Enhancing and reinforcing the legal division for the purpose of (a) above;
- (c) Requiring reporting to the Board of Directors on bids and orders received for large-scale events.

(9) Compliance by overseas subsidiaries

Overseas subsidiaries should collect information on local laws and regulations and take relevant actions including training, internal rule improvement, and enhancement of the whistleblowing system.