



February 10, 2021

Company Name: Hakuhold DY Holdings Inc.

Representative: Masayuki Mizushima, President

(Code number: 2433; TSE First Section)

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Announcement Concerning Fraudulent Act by a Former Employee of a Consolidated Subsidiary and Recognizing Extraordinary Loss

Hakuhold DY Holdings Inc. (hereinafter, “we” or “the Company”) announces that it has discovered that a former employee of the consolidated subsidiary HAKUHODO PRODUCT'S INC. engaged in inappropriate conduct. In addition, the Company has recorded an extraordinary loss as a result of this inappropriate conduct.

We would like to sincerely apologize to our shareholders and other relevant parties for the trouble and concern that this incident has caused.

Over the course of four years starting from 2016, this former employee of HAKUHODO PRODUCT'S (dismissed from his position on January 29, 2021) had been frequently using the HAKUHODO PRODUCT'S company name to order pre-paid coupons and gift certificates, which he would then exchange for actual cash. The Company has also confirmed that a certain amount of cash received through these exchanges was used as personal expenses of the employee.

These orders did not have any relation with the business of HAKUHODO PRODUCT'S and us and represent a fraudulent act and breach of trust by the former employee. However, after consulting with legal advisors, it was determined that, based on apparent authority or employers' liability under Japan's Civil Code, the Company had an obligation to pay for these transactions. As a result, the Company paid the unpaid amount owed to the vendors of the coupons and gift certificates.

As a consequence, the losses resulting from this payment total approximately ¥2,710 million, which the Company recognized as an extraordinary loss in the third quarter of the fiscal year ending March 31, 2021.

Our current understanding of this incident and the sequence of events that led to its discovery are described in the presentation materials from HAKUHODO PRODUCT'S. We have also been in contact with the police and, going forward, in addition to further clarifying the details of this incident we will consider taking legal measures. We will also take strict disciplinary action against any parties involved in this incident.

We are taking very seriously that fraudulent act like this occurred despite we had made efforts to ensure strict adherence to laws and regulations. To prevent such an incident from reoccurring and to strengthen our group-wide governance, we have established a special committee* led by an outside director. Through this committee, we will clarify the circumstances of this incident while examining measures to prevent a reoccurrence. Furthermore, as this incident involved transactions for goods that can be exchanged for cash, we have, for the time being, basically prohibited transactions involving goods that are highly likely to be exchanged for cash, in advance of the special committee's investigation.

We once again would like to sincerely apologize for the significant trouble and concern that this incident has caused our shareholders and other relevant parties.

* Special committee members

Noburu Matsuda (Director at Hakuholdo DY Holdings and former Director of Criminal Division in Supreme Public Prosecutors Office)

Tadashi Kakiuchi (Former judge and former Chief Judge of the Tokyo District Court)

Koji Fujita (Attorney at Law)