

HakuhodoDY holdings

Integrated Report
2023

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Editorial Policy

To realize sustainable growth and continuous improvement in corporate value, the Hakuholdo DY Group believes that both profitable growth and initiatives for resolving social issues through its business activities are extremely important. Believing further in the importance of introducing, in detail, the social and environmental initiatives that help us fulfill our social responsibility as a corporation, we produce integrated reports that also comprehensively cover the Group's activities related to sustainability and the environmental, social, and governance (ESG) domain. In this way, we aim to disseminate information to our stakeholders for their enhanced understanding of the Company.

Forward-Looking Statements

This integrated report contains forward-looking statements concerning the current business plans, management policies and strategies, goals and projections, and forecasts of future earnings and financial conditions of the Hakuholdo DY Group that are not historical facts but are based on forecasts, expectations, assumptions, plans, and the knowledge and judgment of management based on information available at the time of the report's preparation. Moreover, in order to calculate projections and forecast figures, it is essential to rely to a certain degree on assumptions in addition to confirmed historical facts. Readers should understand that there is no guarantee that such forward-looking statements and assumptions are objectively accurate, and actual results may differ substantially from such forecasts.

01 Who We Are

- 4** Message from the President
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Message from the President

We are committed to resolving societal issues through our creativity, aiming to create a society abounding in *sei-katsu-sha's* aspirations and where they can live vibrant lives.

Masayuki Mizushima
Representative Director & President

Message from the President

Introduction

Hakuhodo DY Holdings was formed on October 1, 2003, so the Hakuhodo DY Group has been in existence for exactly 20 years. Our Group, formed through the merger of three Japanese advertising companies, has grown to now encompass more than 400 companies, including overseas entities. With a workforce of over 25,000 employees, we continue to expand our business domains beyond the confines of advertising.

We aim to achieve sustainable business growth by leveraging our strength in creativity and becoming a value creation partner in the evolution of companies' marketing. As partners to *sei-katsu-sha*, we also strive to continue creating new value that contributes to social development. As we approach our next milestone, we are collectively challenging ourselves to embark on new endeavors in such value creation.

Meanwhile, we deeply apologize to our shareholders and other stakeholders for the significant inconvenience and concern caused by the indictment of a Group employee on suspicion of violating the Antimonopoly Act in relation to the Tokyo 2020 Olympic and Paralympic Games in February 2023.

We are determined to work to the fullest extent possible to restore trust in our Group by thoroughly enforcing business compliance.

Looking to Achieve the Targets of the Medium-Term Business Plan

Over the past 20 years, the advancement of digitalization has transformed the advertising industry. The Group has already expanded its business activities into various fields beyond the advertising sector. Also, during the period of the current Medium-Term Business Plan, society and the economy have felt the impact of unexpected events such as the COVID-19 pandemic.

Amid the accelerating shift to digitalization, which is one of the core environmental changes, we have updated our strategies to respond swiftly and flexibly to change. I believe we are making steady progress toward our goals under newly adopted initiatives to transform the services we provide,



Message from the President

strengthen cross-organizational functions to accelerate transformation, continuously pursue transformation based on existing strategies, and strengthen our foundation for sustainable business management.

Details ▶ Pages 30–33 Special feature on progress under the Medium-Term Business Plan

Transforming the Services We Offer by Expanding Our Business Domains

Although centered on the advertising business, our business has undergone significant changes. Regardless of their industry or sector, our clients' businesses have also been transforming rapidly as a result of digitalization.

In response to this trend, the Hakuholdo DY Group has expanded the scope of its activities to contribute to the evolution of its clients' marketing and business activities through full-funnel *Sei-katsu-sha* Data-Driven Marketing. This covers all aspects of marketing by making full use of our strength in *sei-katsu-sha* data.


The list of business and specialist companies that make up the Group demonstrates that we have evolved into a corporate entity that extends beyond the traditional boundaries of an advertising company to offer a diverse range of functions and services.

Details ▶ Pages 11–14 Expansion of Business Domains = Evolution from an Advertising Company
Pages 38–41 Special feature interview with Akihiko Ebana, senior executive corporate officer

We have been strengthening our data and technology offerings in order to promote digital transformation (DX) of the media business, which has been a fundamental source of revenue to date. In particular, we have developed and deployed a unique Advertising as a Service (AaaS) model. We have seen steady progress and numerous results from our efforts to provide high added value to both media and clients.

Marketing DX efforts mainly target clients. In this area, cross-Group organization HAKUHODO DX UNITED provides various solutions for building marketing infrastructure and data analysis. By crossing our media DX and marketing DX efforts, we are substantially transforming the Group's offerings.

Details ▶ Pages 34–37 Special feature interview with Hirotake Yajima, executive vice president



We have become a corporate entity that provides diverse functions and services that extend beyond the framework of a so-called advertising company.

Message from the President

Building an Organization That Provides a Shared Foundation to Enhance Group Competitiveness

As it expands beyond the framework of an advertising company, we recognized the need to **reinforce the Group's technological core** to enhance overall competitiveness further. To this end, in April 2022 we established **HAKUHODO Technologies Inc.** This company, which is recruiting talented engineers and other technologists, will consolidate and augment the Group's leading-edge technological expertise. Meanwhile, in April 2023 we formed **Hakuhodo DY Corporate Initiative Inc.** to provide Groupwide oversight and make corporate functions more sophisticated and efficient. As a result, in addition to our existing media function (Hakuhodo DY Media Partners), we have evolved into a Group with three shared foundations.


While having these function as the core of the Hakuhodo DY Group, we aim to **leverage Group synergies** to further improve the value creation capabilities of the Group.

Making Steady Progress on Global and Innovation Initiatives

In terms of expanding our global business, we have achieved steady growth centered on the marketing communications business while effectively pursuing M&A, particularly in Asia. Additionally, through kyu, the strategic operating unit that enhances the Group's specialization and innovation, we continue to pursue strategic M&A deals. Through such acquisitions, we welcome unique and cutting-edge companies into the Group, thereby **expanding our functions, with a focus on advanced consulting services**. As a result, in fiscal 2022 gross profit in the overseas business domain rose to 25.8%* of consolidated gross profit.

In addition, we are actively engaged in activities to **accelerate innovation through external collaboration**. We have established specialized organizations (such as the MIRAI Business Division) within Hakuhodo and other core operating companies to engage in various joint venture projects and launch new companies. We have also invested in more than 50 startups through the HAKUHODO DY FUTURE DESIGN FUND, our corporate venture capital arm, which is run by Hakuhodo DY Ventures Ltd.

* This figure indicates the percentage of consolidated gross profit (excluding investment business) accounted for by the overseas business domain in fiscal 2022.



We are expanding capabilities through strategic M&A that augments the Group's specialization and innovation.

Message from the President

Pursuing Sustainable Business Management through the Important Themes of Human Resource Diversity and Growth

We are also working to strengthen our foundation for sustainable business management from a medium- to long-term perspective.

In April 2022, we established the Corporate Sustainability Division to serve as the Group's hub for sustainable management. We recognize that **creative human resources** are our most valuable source of value creation. As human capital is our greatest asset, **diversity and growth of human resources** as well as **respect for human rights** are crucial themes. Beginning in fiscal 2022, we are making steady progress in **promoting diversity, equity, and inclusion (DE&I) initiatives** and conducting **human rights due diligence**.


In the ESG domain, our efforts on the environmental (E) front include response to climate change by **disclosing environmental targets in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**. We are also engaging in efforts focused on 2030, the target year for achieving the Sustainable Development Goals (SDGs), and 2050, the year in which companies and governments alike aim to achieve carbon neutrality. In fiscal 2023, we are accelerating the activities of each Group company, not just our core subsidiary Hakuholdo.

[Details](#) ▶ Pages 46–60 Sustainability

Pursuit of Compliance Awareness and Integrity

To attain our topmost values of *Sei-katsu-sha* Insight and Commitment to Partnership, we must be trusted by *sei-katsu-sha* and society. To achieve this, each of us must be vigilantly aware of compliance and strive for **integrity** in our business practices.

We are committed to **continuously improving and strengthening the governance system of the Group overall** and make concerted efforts to create mechanisms and raise awareness toward addressing such issues as respect for human rights, climate change, and broader social challenges. We need to progress in order to coexist and thrive with our diverse stakeholders, and we aim to always be proactive in these efforts.



We recognize that human resources are our greatest asset, and are committed to the key themes of diversity, growth, and respect for human rights.

Message from the President

We feel keenly responsible for the public outcry over the alleged violation of the Antimonopoly Law in connection with the Tokyo 2020 Olympic and Paralympic Games. We have already taken measures to prevent recurrence, and are committed to deploying these measures as quickly and effectively as possible. We strongly resolve to re-instill strict compliance awareness and the pursuit of integrity in all our employees throughout the Group.

Looking Toward the Group's Further Growth

As the Group expands in size and business scope, our starting point is always to value the thoughts and feelings of each individual *sei-katsu-sha* and to confront the fundamental question of what is needed to realize the society and lifestyles to which such emotions aspire. We aim to create new ideas to solve the emerging challenges faced by our clients and society in changing times, and to implement those ideas to achieve tangible solutions. In the process, we will continue to demonstrate our unparalleled **creativity that shapes the future** and resolve challenges that others consider highly difficult. As a company with such unique value creation capabilities, we will provide maximum value to all our stakeholders, including clients, business partners, shareholders, and employees.

In 2024 we will announce the next medium-term business plan. As **a corporate entity that has expanded beyond the bounds of an advertising company group** through strategic investments and business expansion to date, our overall direction of moving into new business domains will remain unchanged.

While making full use of digital technologies, we will continue striving to create a wonderful society that fulfills the aspirations of each *sei-katsu-sha*. The Hakuodo DY Group will continue to grow so as to be a key player in such a society.



Representative Director & President



Philosophy

The following seven principles are the Hakuodo DY Group corporate philosophy. We believe that by following these principles in all of our business activities we contribute to growth for our stakeholders and society as a whole.

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 teamwork environment, leading to the creation of new values.
6. Become one of the world's preminent corporate groups, leading advances in marketing and innovation generation 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.

Policy

Since our founding, we of the Hakuodo DY Group have adhered to the twin pillars of *Sei-katsu-sha* Insight and Commitment to Partnership.

***Sei-katsu-sha* Insight**

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.

Commitment to Partnership

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 suppliers. 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 suppliers' 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.

We believe that the times ahead will be marked by new innovations in these policies, as we work in partnership with advertisers to create marketing solutions that add value to every business domain in which they are involved. As a partner to media suppliers and content holders, we aim to add value across the whole diverse spectrum that media and content has become. We will continue to offer higher quality services through innovations in our policies of *Sei-katsu-sha* Insight and Commitment to Partnership.

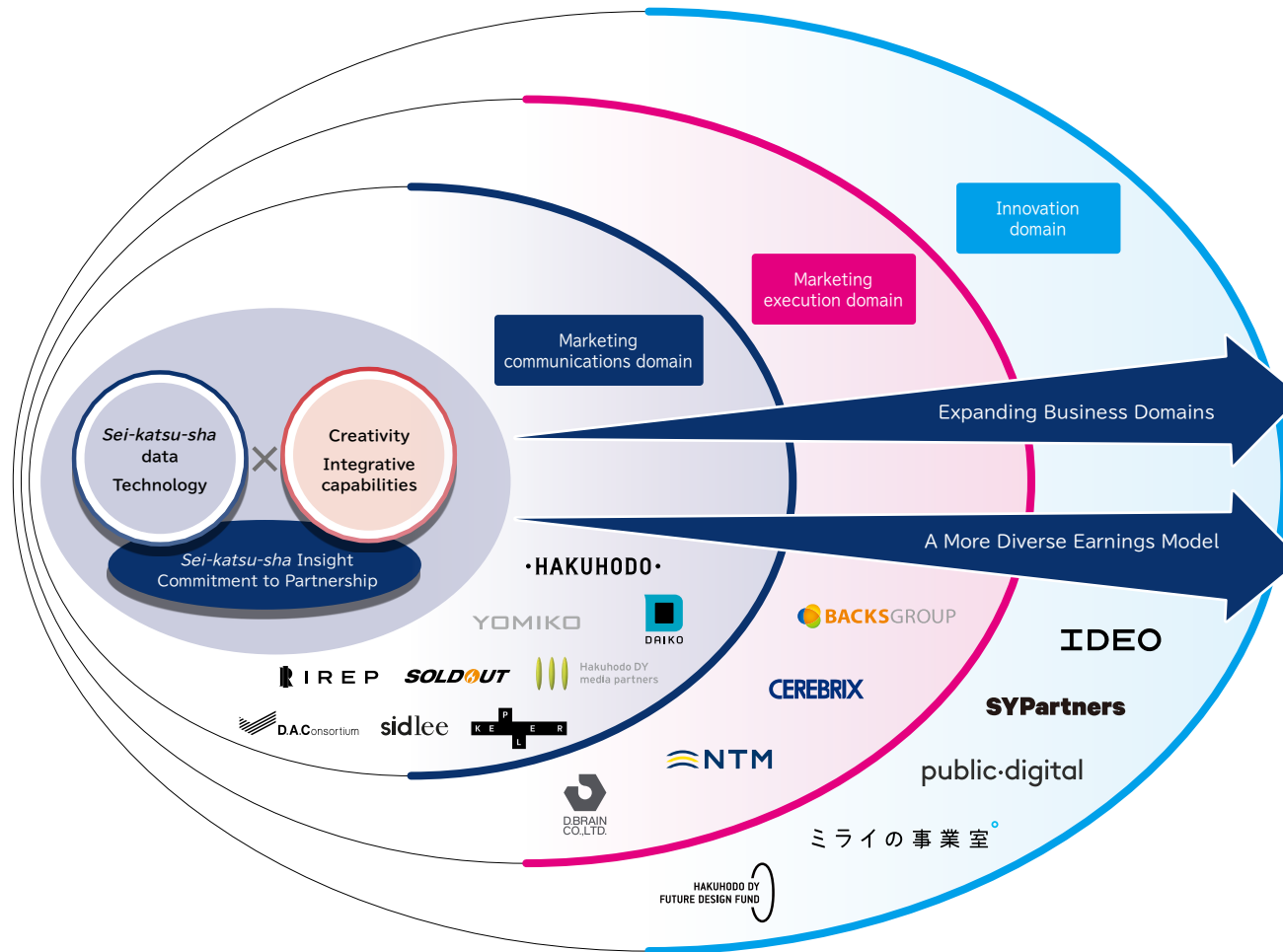
Expansion of Business Domains = Evolution from an Advertising Company

We are promoting the evolution of our business portfolio from marketing communications to the innovation domain in an effort to resolve increasingly complex and sophisticated client issues.

Objectives and Policies for Expanding Our Business Domains

To address the complex and sophisticated marketing challenges that clients face amid changes in *sei-katsu-sha* and society, in addition to strengthening and expanding its core domain of marketing communications, the Group is expanding its scope of business into marketing execution, taking a full-funnel approach to provide marketing support. It is also moving into the innovation domain, where we can demonstrate our advanced and specialized solution skills.

When expanding these business domains, our policy is to incorporate new businesses and functions that fully leverage the *Sei-katsu-sha* Insight and creativity that have been the Group's hallmarks since its founding.



Continuing to Add New Value and Impact to *Sei-katsu-sha* and Society as a Whole

Moving Toward More Stable and Continuous Earnings Growth

A More Diverse Earnings Model

By expanding our business domains, we aim to achieve more stable and continuous earnings growth by shifting from the traditional commission-based earnings structure to a fee-based model with compensation for services, as well as to a multi-layered earnings model that includes earnings from investment business and joint ventures.

Expansion of Business Domains = Evolution from an Advertising Company

Marketing Communications Domain

The Group's core operating companies (Hakuhodo Inc., Daiko Advertising Inc., and YOMIKO ADVERTISING INC.) have evolved as client agencies (partners) that support the marketing activities of clients (advertisers). These companies have strengthened their services in the communications field, particularly advertising and promotion. Since the 1990s, in step with the proliferation of the internet, we have continued to strengthen our integrated marketing solutions. We have added companies with expertise in digital media and digital marketing to the Group in efforts to adapt to increasingly diverse methods of communicating with *sei-katsu-sha*.

Supporting our clients' marketing activities with creativity and integrative capabilities based on *Sei-katsu-sha* Insight

Integrated Marketing



Production

• PRODUCT'S •



Digital Marketing



Domain-Specific Marketing



Public Relations/ Investor Relations



Creative



Global



Company Spotlight

Contributing to the Digital Business of Local, Small and Medium-Sized, and Venture Companies



The SoldOut group is a digital marketing agency for local, small and medium-sized, and venture companies that joined the Hakuhodo DY Group in April 2022. In line with its mission to “support the aspirations and business growth of ambitious people,” the group assists clients in the areas of digital marketing, software, media production and operation, and digital transformation (DX).

Currently, SoldOut has 23 branches throughout Japan, enabling it to provide clients with face-to-face support. From starting up new businesses to accelerating operations at existing ones, SoldOut leverages technology to unleash the potential of small and medium-sized enterprises (SMEs) and venture companies throughout Japan. With a focus on facing challenges alongside its clients, since its founding the SoldOut group has been expanding its business in the digital marketing field. Furthermore, the group contributes to the Japanese economy by helping clients to increase sales, boost earning capabilities, and generate employment.



Expansion of Business Domains = Evolution from an Advertising Company

Marketing Execution Domain

Connecting businesses and *sei-katsu-sha* requires both indirect touchpoints, such as advertisements, and direct touchpoints, such as stores and e-commerce websites. Furthermore, these touchpoints need to be integrated and managed via data. We are enhancing our structure in this capacity by assembling a wide range of specialized companies to provide full-funnel marketing solutions, from customer acquisition to managing retention.

Helping clients advance their marketing efforts through the practice of full-funnel *Sei-katsu-sha* Data-Driven Marketing

Direct Marketing



Contact Centers



Marketing Systems and Infrastructure Development



Human Resource Services



Store and Space Design



Company Spotlight

Creating New Value and Driving the Market for Digital Sales Promotion



SP EXPERT'S Inc. is a digital sales promotion solutions company that was launched as an internal project in 2018 and incorporated as a Group company in April 2022.

With the vision of “using sales promotion to provide experiences that move *sei-katsu-sha* hearts,” the company specializes in online-merge-offline (OMO) sales promotion that integrates expertise in sales promotion, digital technology, and data marketing.

SP EXPERT'S strives to create new value and lead the digital sales promotion market from the perspectives of not only *sei-katsu-sha*, retailers, and manufacturers, but society as well.

Campaign Platform						
Proof of Purchase	Serial code	Receipt photo	Receipt serial	Mobile payment	Membership card	
Application Format	Free gift campaign	First-come, first-served giveaways	Instant win	Post drawing	Double chance	
Planning Scheme	Mileage	Ranking	Unlock	Bingo	Groups	Gifts
Planning Options	Video viewing	Sharing with friends	Surveys	Incentives	Digital points	Non-fungible tokens
					Spatial	acoustics



Expansion of Business Domains = Evolution from an Advertising Company

Innovation Domain

Industries, countries, and companies alike require dynamic innovation in an era where advances in technology are eroding market barriers and transforming industrial structures. To provide solutions to the complex and sophisticated challenges clients face, the Group is strengthening its capabilities by incorporating cutting-edge and unique companies. We are also engaging actively in new business development and innovation through venture investments.

Providing consulting services based on advanced and specialized expertise and innovating through collaboration with partner companies and startups

Innovation Consulting — Consulting/Planning — New Business Development —

IDEO

HAKUHODO CONSULTING



ミライの事業室

Organizational Transformation — Startup Investment —

SYPartners



DX Strategy Consulting — Behavioral Economics Consulting —

public·digital

BEworks

Company Spotlight

Digital Transformation for Public Purpose **public·digital**

Public Digital is a digital transformation (DX) consultancy, headquartered in London, that radically transforms how organizations work so that they deliver excellent services and greater impact, even when the future is uncertain.

Before founding Public Digital, many of the team led the digital transformation of the U.K. government, achieving 1st place in the UN e-government rankings.

Today, the company is staffed with experts in leadership, technology, strategy, service design, data, and product management.

Public Digital's clients have a strong public purpose, improving the lives of millions: international funders, governments, and multinational businesses, including the World Bank, UN Development Programme, Bill and Melinda Gates Foundation, and the governments of Canada, California, and Madagascar.

A global purpose-led company dealing with global issues, Public Digital offers expertise, experience and empathy, taking a uniquely competitive position in the market.

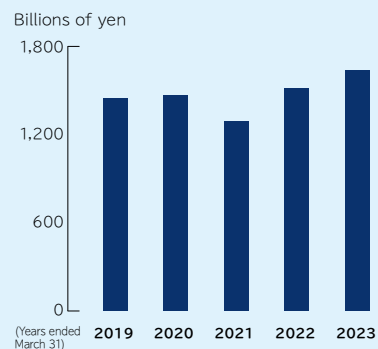


Key Figures

(Fiscal 2022)

Evolving Marketing

■ Billings

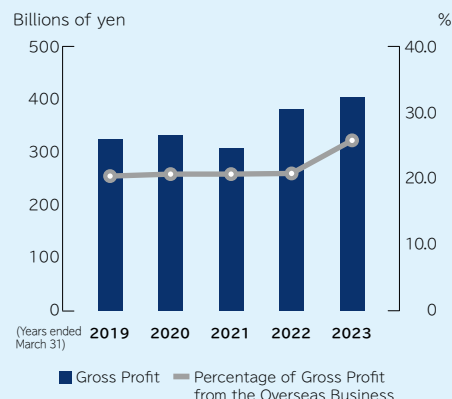


■ Gross Profit in the Marketing Execution Domain*5

Annual Growth Rate*7

+9.6%

■ Gross Profit / Percentage of Gross Profit in the Overseas Business Domain*1

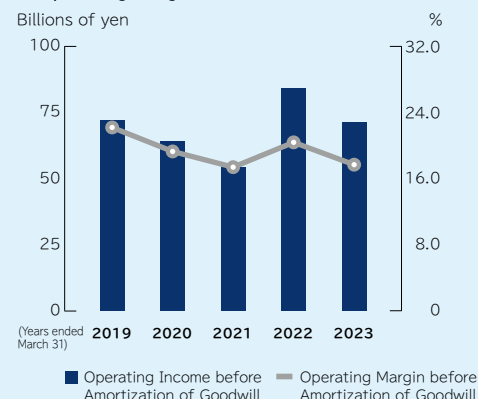


■ Billings in the Internet Domain*6

Annual Growth Rate*7

+15.2%

■ Operating Income before Amortization of Goodwill*2 / Operating Margin before Amortization of Goodwill*3

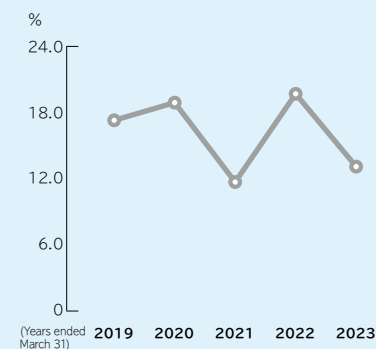


■ Gross Profit in the Overseas Business Domain

Annual Growth Rate*7

+26.6%

■ ROE before Amortization of Goodwill*4



*1 Indicates the percentage of consolidated gross profit accounted for by the overseas segment

*2 Operating income before amortization of goodwill is operating income that excludes amortization of goodwill resulting from business acquisitions

*3 Operating margin before amortization of goodwill = Operating income before amortization of goodwill ÷ Gross profit

*4 ROE before amortization of goodwill = profit attributable to owners of parent excluding amortization of goodwill (including portion for equity-method affiliates) ÷ equity capital (average of fiscal year-start and fiscal year-end)

*5 Covers domestic operations and excludes pandemic-related BPO business

*6 Based on external billings from domestic operations

*7 CAGR, using fiscal 2020 as the base year

Human Resource Management

■ Number of Group Company Employees



■ Percentage of employees who felt they have grown from the previous year*1

72.0%

■ Investment in education for human resource development (Amount per employee)*2

¥2.16 billion (¥238,000)

■ Average hours of training per employee per year*2

19.7 hours

■ Ratio of female employees in management positions*2

11.5%/

Fiscal 2030 target **30%**

Period: April 1, 2022 to March 31, 2023
Coverage: *1 Hakuodo, Hakuodo DY Media Partners

*2 Hakuodo, Daiko Advertising, YOMIKO ADVERTISING, Hakuodo DY Media Partners, D.A.Consortium, IREP, SoldOut

Key Figures

Harmony with *Sei-katsu-sha* and Society as a Whole

■ Progress on Disclosure According to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Item	Target	Base year (fiscal 2019)	Results for fiscal 2022	Progress in fiscal 2022
Scope 1 and Scope 2 CO ₂ emissions*1	Reduction of 50% by fiscal 2030 (compared with fiscal 2019), carbon neutral by fiscal 2050	11,174 tons	6,959 tons	37.7% reduction
Scope 3 CO ₂ emissions*1	Reduction of 30% by fiscal 2030 (compared with fiscal 2019)	30,063 tons	17,747 tons	41.0% reduction
Introduction of renewable energy*1	60% by fiscal 2030, 100% by fiscal 2050	0%	1.8%	1.8%
Energy conservation*1	Reduction of 30% (compared with fiscal 2019)	5,372 kl	2,858 kl	46.8% reduction
Waste reduction*2	Maintain an average reduction of 50% or more (compared with fiscal 2019)	486 tons	228 tons	53.1% reduction
Recycling rate*3	85% or higher	82.2%	79.0%	79.0%

*1 Total values for Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, Hakuholdo DY Media Partners, and HAKUHODO PRODUCT'S
 *2 Waste volume and waste reduction targets for Hakuholdo head office in Tokyo
 *3 Recycling rate at Hakuholdo head office in Tokyo

External Assessment of Sustainability

■ Assessments and commitments through environmental surveys

CDP Climate Change Questionnaire*1



Assessment A-

EcoVadis*2

YOMIKO ADVERTISING



Hakuholdo



■ Selected as Constituent of the ESG Investment Index

FTSE Blossom Japan Sector Relative Index*3



*1 CDP: A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts
 *2 EcoVadis: A research institute that provides platforms for examining policies, initiatives, and results related to corporate sustainability
 *3 FTSE Blossom Japan Sector Relative Index: An index designed to measure the performance of Japanese companies that demonstrate strong ESG practices relative to their sector peers

Creativity

Highly acclaimed in domestic and international advertising awards

62nd ACC TOKYO CREATIVITY AWARDS*1

4 grand prizes, **10** gold, multiple other awards

Cannes Lions International Festival of Creativity 2023*2

4 gold, **5** bronze awards

ADFEST 2023 (Asia Pacific advertising festival)

5 gold, **3** silver, **4** bronze awards

Spikes Asia 2023*3

1 grand prize, **2** gold, **11** total awards

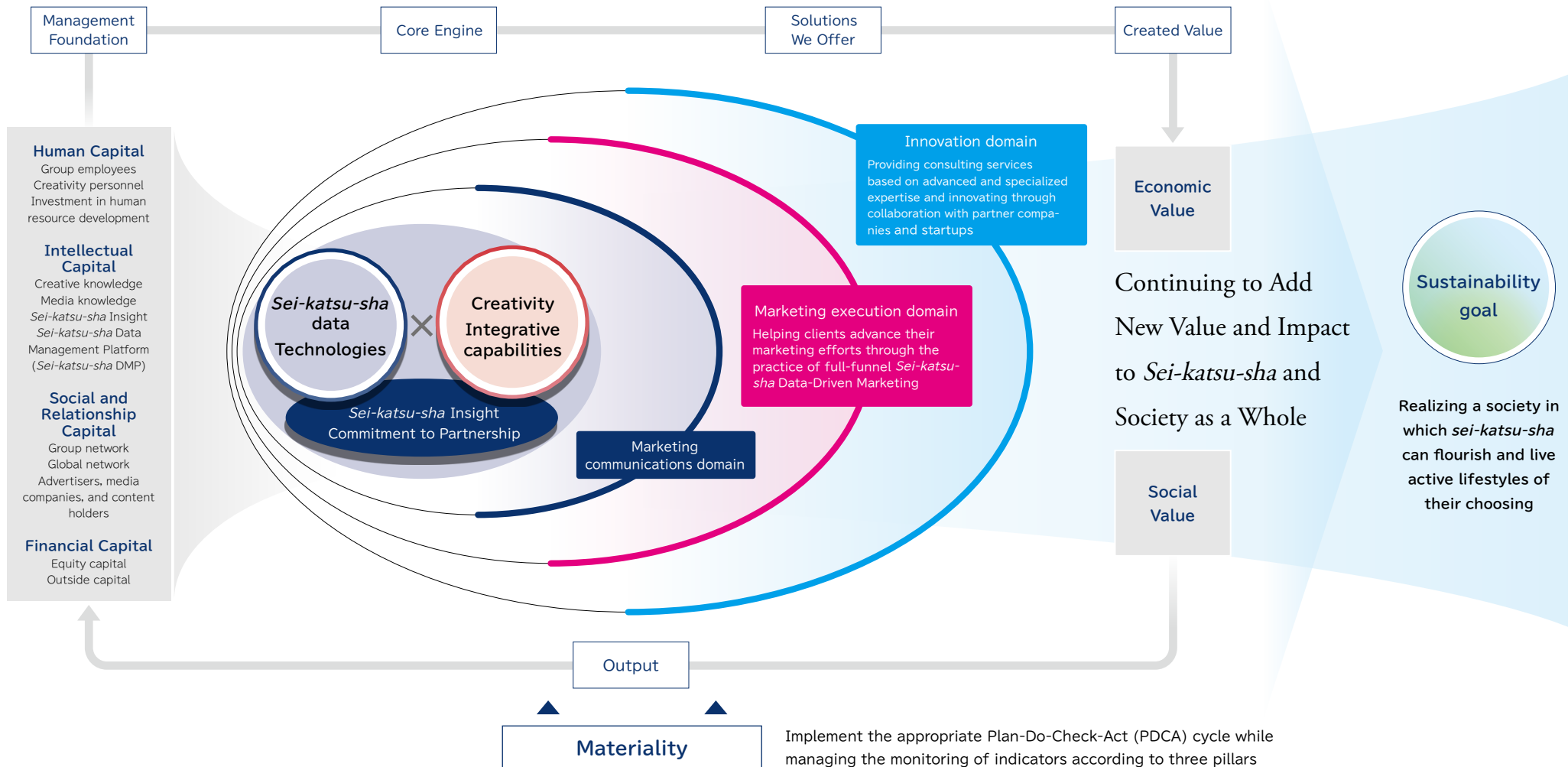
*1 Largest advertising festival in Japan
 *2 World's largest advertising festival in the field of advertising and communication
 *3 Starting as a regional Cannes Lions Festival in 2009, Spikes Asia is one of the largest advertising festivals in the Asian region.

02 Value Creation

- 18** Value Creation Model
- 19** Materiality
- 22** People as the Source of Value Creation
- 23** *Sei-katsu-sha* Insight
- 24** Research Institutes and Think Tanks

Value Creation Model

The Hakuholdo DY Group adheres to *Sei-katsu-sha* Insight and Commitment to Partnership as its policies and places these two policies at the center of its business development. Ascertaining the essence of the era and society itself, we will continue to create new value that contributes to the development of society as a partner to *sei-katsu-sha* while at the same time realizing sustainable business growth as a partner that leads dynamic innovation in the marketing activities and businesses of our clients.



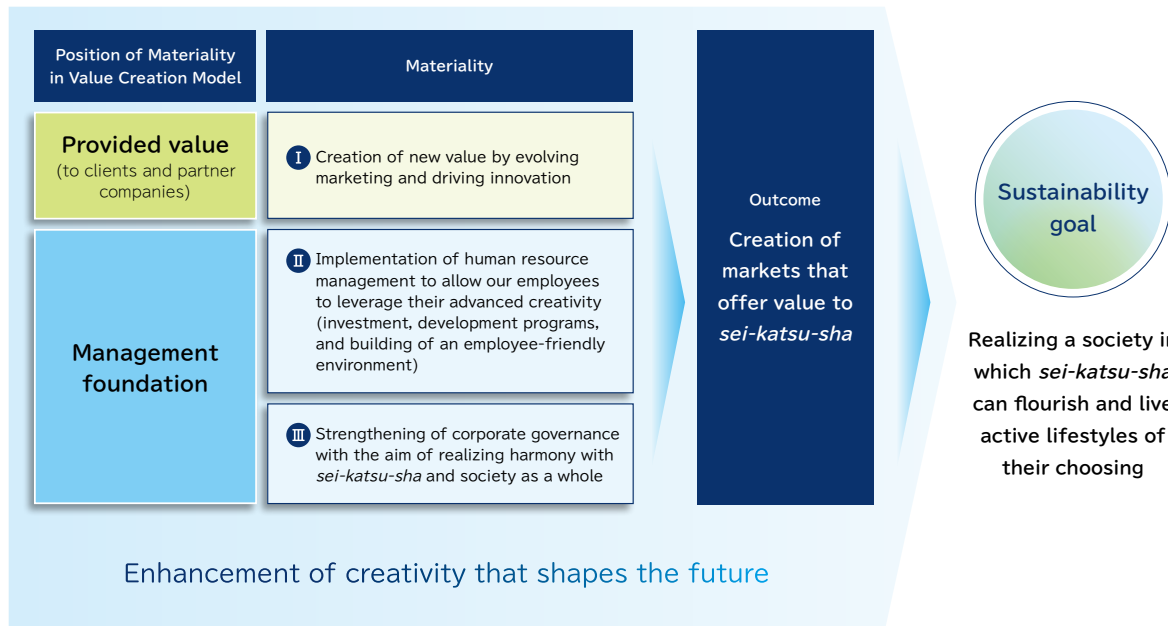
Materiality (Revised in Fiscal 2022)

With a view to realizing its sustainability goal, the Hakuholdo DY Group has identified material issues (materiality) as important management issues for realizing the sustainable growth of the Group and of society as a whole. In fiscal 2022, the Group revised and restructured the management of its materiality in light of circumstances in the current business environment and is implementing and monitoring its progress on initiatives to resolve these material issues.

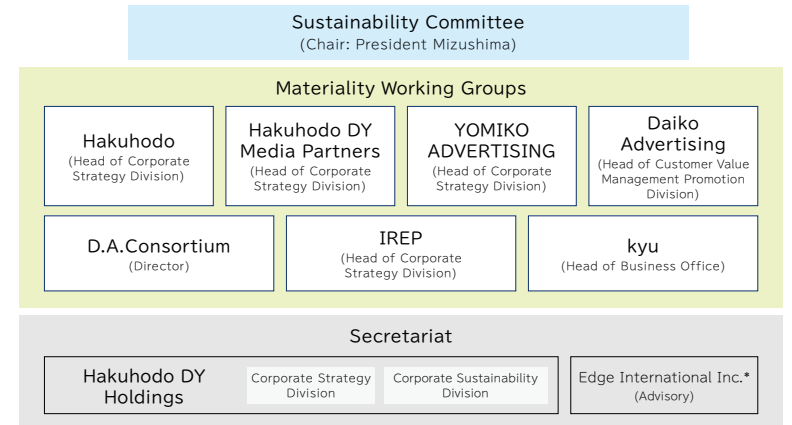
Materiality Management Policy

We will set into motion an appropriate PDCA cycle while maintaining a management structure that enables us to revise and update our materiality in accordance with changes in the business environment.

Structure of Value Creation and Position of Materiality

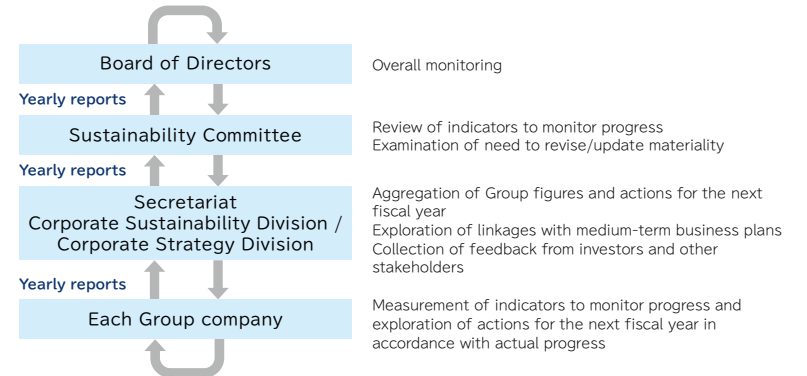


Materiality Implementation Structure



* A consolidated Group company that engages in consulting in the integrated reporting, investor relations (IR), and environmental, social, and governance (ESG) domains.

Materiality PDCA Cycle Structure



Materiality

Materiality

Materiality	Overview	Initiatives	Indicators to Monitor Progress	Results in Fiscal 2022	Target Values	Scope of Data Aggregation
<p>I Creation of new value by evolving marketing and driving innovation</p>	<p>With <i>Sei-katsu-sha</i> Insight as our cornerstone, we will combine our creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in the digitalized era. In this way, we will continue to impact and provide value to <i>sei-katsu-sha</i> and society as a whole.</p> <p>To ensure that we can implement full-funnel <i>Sei-katsu-sha</i> Data-Driven Marketing, which is the key to enhancing our value provision and realizing even greater profits, we will promote value-creating digital transformation (DX)—marketing DX and media DX—and strengthen our functions in the marketing execution domain.</p> <p>Furthermore, by striving to accelerate innovation through external collaborations and expand our overseas businesses, we will transform the Group's business model and further enhance our corporate value. We will also ensure the secure utilization of personal information and other data within the digital advertising market and our business activities, thereby strengthening our management of various rights.</p>	<ul style="list-style-type: none"> • Implement full-funnel <i>Sei-katsu-sha</i> Data-Driven Marketing (promote value-creating DX, expand marketing execution domain, and utilize <i>sei-katsu-sha</i> data) • Accelerate innovation through external collaborations • Expand overseas businesses 	Gross profit growth rate in the marketing execution domain	Annual growth rate +9.6%*1	Annual growth rate of 10% or more*2	HDY Holdings
			Billings growth rate in the internet domain	Annual growth rate +15.2%*1	Annual growth rate of 15% or more*2	HDY Holdings
			Gross profit growth rate in the overseas business domain	Annual growth rate +26.6%*1	Annual growth rate of 15% or more*2	HDY Holdings
			Examining disclosure of monitoring indicators and numerical targets related to technologically-savvy human resources and innovation			
<p>II Implementation of human resource management to allow our employees to leverage their advanced creativity (investment, development programs, and building of an employee-friendly environment)</p>	<p>Human resources are the most important element underpinning the Group's sustainable management and growth over the medium to long term. Through the strengths of our human resources, who can leverage creativity that shapes the future, we aim to create markets that offer value to <i>sei-katsu-sha</i> while achieving solid business results.</p> <p>We will seek to cultivate eclectic talents who demonstrate creativity in an integrated manner and can realize tremendous specialization and innovation in a wide range of domains, from idea development to social implementation, business creation, media evolution, DX, and global expansion. To that extent, we will further promote diversity, equity, and inclusion (DE&I), valuing differences not only in terms of gender, nationality, and race but also value systems and attitudes.</p> <p>Additionally, we will build frameworks for realizing collaboration that goes beyond the boundaries between businesses within the Group. As we strive to promote health and productivity management and reform workstyles, we will also create frameworks for encouraging collaboration even within a teleworking-centered environment. While doing so, we will establish environments that foster a strong sense of personal growth among Group employees.</p>	<ul style="list-style-type: none"> • Cultivate personnel who can realize outstanding specialization and innovation • Promote health and productivity management (healthy and sound workstyles) • Implement DE&I 	Amount of investment in human resource acquisition and development	¥2,160 million	—	H, D, Y, I, MP, DAC, SO
			Total interview hours for managing employee targets and developing capabilities	16,045 hours	—	H, D, Y, I, MP, DAC, SO
			Percentage of employees receiving health examinations	98.5%	—	H, D, Y, I, MP, DAC, SO
			Percentage of employees maintaining/improving their health	74.4%	—	H, MP
			Ratio of female employees in management positions	11.5%	Fiscal 2030 target 30%	H, D, Y, I, MP, DAC, SO
			Percentage of women returning to work after maternity leave	96.2%	—	H, D, Y, I, MP, DAC, SO
			Percentage of employees who felt they have grown from the previous year	72.0%	—	H, MP

*1 Annual growth rate with fiscal 2020 as the base year

*2 Annual growth rate through to fiscal 2023, with fiscal 2020 as the base year

Materiality

Materiality	Overview	Initiatives	Indicators to Monitor Progress	Results in Fiscal 2022	Target Values	Scope of Data Aggregation
<p>III Strengthening of corporate governance with the aim of realizing harmony with <i>sei-katsu-sha</i> and society as a whole</p>	<p>We will focus our efforts on strengthening corporate governance in order to establish an environment that promotes independence and cooperation among operating companies under our corporate umbrella and to implement Groupwide governance. To continue to earn the trust of <i>sei-katsu-sha</i> and society as a whole, we will ensure that all Group employees maintain a high awareness of compliance and strive to secure integrity in our marketing activities.</p> <p>Our philosophy on sustainability is to create and spread new happiness among <i>sei-katsu-sha</i> and society by finding solutions to the constantly changing challenges facing <i>sei-katsu-sha</i> and society and providing them with new value. Guided by this philosophy, we will work to realize harmony with <i>sei-katsu-sha</i> and society as a whole, including through our response to social and environmental issues, such as climate change and respect for human rights.</p>	<ul style="list-style-type: none"> Promote respect for human rights Adhere to a high level of compliance and ethics and pursue integrity in our marketing activities Respond to social and environmental issues, including climate change 	Examining disclosure of monitoring indicators and numerical targets regarding respect for human rights, based on the report on human rights due diligence activities			
			CO ₂ emissions: Scope 1 and Scope 2	37.7% reduction	Fiscal 2030: 50% reduction Fiscal 2050: Carbon neutrality	H, D, Y, MP, HAKUHODO PRODUCT'S
			CO ₂ emissions: Scope 3	41.0% reduction	Fiscal 2030: 30% reduction	H, D, Y, MP, HAKUHODO PRODUCT'S
			Targets for renewable energy introduction	1.8%	Fiscal 2030: 60% Fiscal 2050: 100%	H, D, Y, MP, HAKUHODO PRODUCT'S
			Targets for energy conservation	46.8% reduction	30% reduction	H, D, Y, MP, HAKUHODO PRODUCT'S
			Targets for waste reduction	53.1% reduction	Maintain average reduction rate of 50% or more	H's Tokyo head office
			Recycling ratio	79.0%	85% or more	H's Tokyo head office

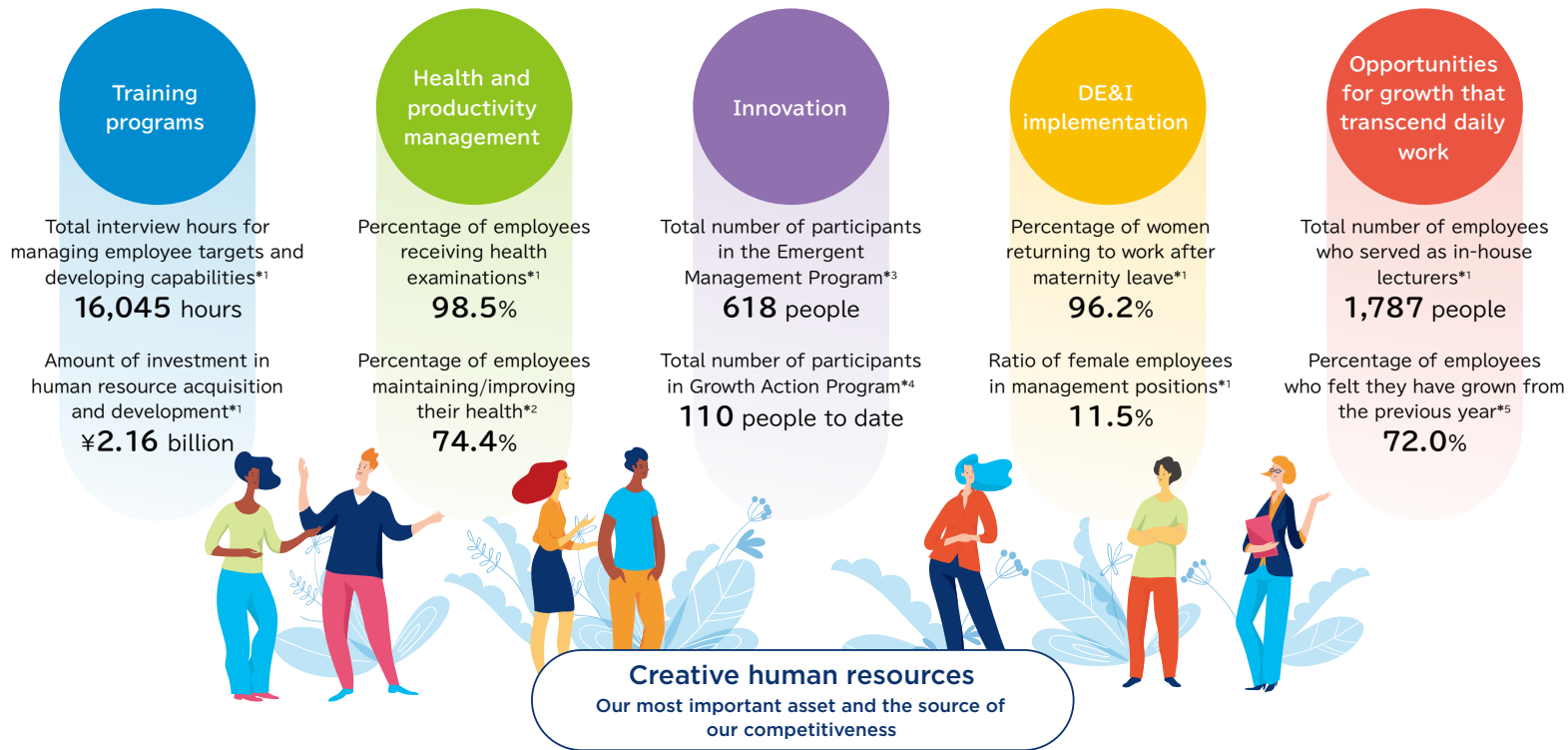
H: Hakuodo Inc. D: Daiko Advertising Inc. Y: YOMIKO ADVERTISING INC. MP: Hakuodo DY Media Partners Inc.

Note: Target values for items pertaining to climate change are all compared with fiscal 2019 figures.

People as the Source of Value Creation

The Group adopts “Encourage individual personalities to flourish within a teamwork environment, leading to the creation of new values” as part of its Group philosophy. With the aim of developing the ability to promptly recognize social changes, leverage creativity, and create and spur change independently, each of our employees takes on challenges in new domains, guided by a strong desire for realizing personal growth.

The power of individuals with eclectic talents and the power of teams that mutually enhance each other produce a high level of creativity



*1 Coverage: Seven major companies in Japan (Hakuhodo, Daiko Advertising, YOMIKO ADVERTISING, IREP, Hakuhodo DY Media Partners, D.A.Consortium, and SoldOut)
*2 Coverage: Checkup Championship participants at Hakuhodo and Hakuhodo DY Media Partners

*3 People taking part in management human resource training in the Hakuhodo DY Group
*4 Human resource training for Hakuhodo DY Group employees, mainly in their 30s
*5 Coverage: Hakuhodo and Hakuhodo DY Media Partners

Our Perspective on Human Resource Development

Elicit the Power of Individuals with Eclectic Talents

- Job capabilities/capacity/career development
- Intrinsic motivation
- Making eclectic talents visible

Bring Out the Strength of Mutually Enhancing Teams

- Provision of learning opportunities
- Discovering each other's strengths
- Human resource management

Generate a High Degree of Creativity

- Sei-katsu-sha Insight Community
- Business development
- Learn liberal arts

Sei-katsu-sha Insight

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 media a stronger bridge between advertisers and *sei-katsu-sha*.

Sei-katsu-sha Insight Community

The *Sei-katsu-sha* Insight Community is an activity platform that spans the Hakuholdo DY Group, in which each employee understands and applies the Group's *Sei-katsu-sha* Insight philosophy to create new value.

Amid the pandemic-driven changes that swept the global landscape and rapid advances in digitalization, *Sei-katsu-sha* Insight is essential for expanding business, enhancing competitiveness, and creating new services and businesses. Through community engagement, we aim to incorporate *Sei-katsu-sha* Insight into our work methods and internal communications, fostering a distinctive organizational culture that embodies the spirit of the Hakuholdo DY Group.

Currently, we are recruiting members from the seven major companies in Japan and considering specific *Sei-katsu-sha* Insight activities to implement. The team implementing these activities will consist of representatives from each company, with a focus on young employees, with implementation committee members at the officer and division head level supporting these representatives. Community managers will also be involved.



Interview

Participating in the *Sei-katsu-sha* Insight Community (IREP)

IREP has a user-centric culture, which I believe has similarities to *Sei-katsu-sha* Insight. However, through training and discussions with colleagues from Group companies, I found it refreshing and fascinating to actively express my opinions and clarify my thoughts on this topic.

In order to leverage *Sei-katsu-sha* Insight in IREP and use it as a tool, I think each individual needs to gain a better understanding of how to apply it to their work. To this end, we have created a platform for internal dialogue, called *Sei-katsu-sha* Data Dialogue in IREP, which aims to attract volunteers and provide an opportunity for discussions.

Through ongoing dialogue, we will continue to increase the number of employees who can experience *Sei-katsu-sha* Insight. We also plan to continue conducting workshops that provide tips on how to incorporate insights into our business operations.



Sei-katsu-sha Insight Community participants

Interview

Moving onto a New Stage That Seeks to Combine Digital Capabilities with *Sei-katsu-sha* Insight (IREP)

We believe *Sei-katsu-sha* Insight will be essential as IREP expands its integrated marketing business from a digital foundation. By participating in the *Sei-katsu-sha* Insight Community, we aim to incorporate its precepts within our company and apply its methods to advance our skill development programs, further enhancing our human capital. We are committed to achieving sophisticated integrated marketing with a digital focus.



Tetsuya Kurosu

Director, IREP
Sei-katsu-sha Insight
 Community Implementation
 Committee Member

Research Institutes and Think Tanks

We conduct ongoing activities at research institutes and think tanks. Such initiatives sustain our presence as a value-creating partner that harnesses our unique strengths of creativity and helps to solve social, corporate, and individual challenges. Our research institutes and think tanks delve deeply into and craft proposals in the areas of *sei-katsu-sha*, marketing, and creativity. They also disseminate the findings of their research and experiments to the public. We aspire to apply these results across various *sei-katsu-sha* locations, providing a spark of creativity that can shape the future and lead to the exploration of new markets and the further development of society.

Hakuhodo Institute of Life and Living (HILL)

The Hakuhodo Institute of Life and Living (HILL) is a think tank established in 1981 to embody Hakuhodo’s corporate philosophy of *Sei-katsu-sha* Insight. HILL conducts research from various perspectives and unique angles, studying long-term shifts in *sei-katsu-sha* value and venturing outside the Company to observe communities and people’s lives. The results of HILL’s research are widely disseminated via its website and press releases, earning high praise from clients, as well as from government agencies and researchers.

Details ▶ [WEB](#) Hakuhodo Institute of Life and Living

UNIVERSITY of CREATIVITY (HAKUHODO)

The UNIVERSITY of CREATIVITY (UoC) engages in research, education, and the implementation of creativity. In the age of AI, IoT, and big data, UoC redefines creativity as humankind’s greatest asset, and it aims to be a port of creativity that paints a vibrant map for the future. UoC transcends individual boundaries (between humanities, sciences, arts, liberal arts, industry, government, academia, etc.) to engage in unique research and other project activities, fostering interaction among various sensitivities and ideas, and proposing ways of creating new worlds.

Details ▶ [WEB](#) UNIVERSITY of CREATIVITY

Institute of Media Environment (Hakuhodo DY Media Partners)

The Institute of Media Environment proposes a bright, forward-looking vector from the vantage point of the media environment now and in the future. In fiscal 2022, the institute presented its future-oriented insights under the theme of “The Media Environment in 2040.” Recently, the institute has been sharing research and proposals on topics such as the state of viewership of television programs streamed in real time, the media and content consumption of Generation Z, the changing consciousness of reality due to advances in artificial intelligence and virtual reality technologies, and actions that media companies should undertake to promote the Sustainable Development Goals. The institute disseminates such studies and proposals through its website and other channels.

Details ▶ [WEB](#) Institute of Media Environment

Urban Life Research Laboratory (YOMIKO ADVERTISING)

This laboratory researches the design of new relationships between cities and *sei-katsu-sha*. Topics include CIVIC PRIDE, in which the laboratory studies the consciousness which citizens and people involved in communities have toward their regions or towns and the value that they hold as next-generation “third places.” We seek to utilize the laboratory’s insights to explore new business possibilities.

Details ▶ [WEB](#) Urban Life Research Laboratory (Japanese only)

Interview

An Organization That Embodies and Propagates *Sei-katsu-sha* Insight in the ASEAN Region (HILL ASEAN)

HILL ASEAN, established in 2014, is the third think tank focusing on *sei-katsu-sha* research. Its predecessors are located in Japan and China.

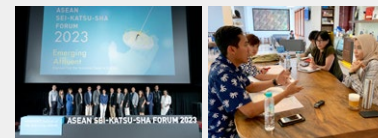
HILL ASEAN conducts research and studies on *sei-katsu-sha* in the ASEAN region through home visits and quantitative surveys. Based in Bangkok, Thailand, the organization elicits assistance from local staff at Hakuhodo offices in six ASEAN countries.* HILL ASEAN’s researchers hail from diverse backgrounds and provide deep insights into ASEAN *sei-katsu-sha* from different perspectives, and work to propose new perspectives and offer marketing recommendations that are valuable to our clients, media, and internal operations. The organization’s research findings are showcased at the annual “HILL ASEAN *Sei-katsu-sha* Forum” held in each country and also on the institute’s website.

The organization conducts country-specific *sei-katsu-sha* research. For example, HILL ASEAN (Thailand) publishes the “Thai Consumption Forecast,” a report that provides insights into *sei-katsu-sha* behavior in Thailand. The organization also conducts workshops that delve deeper into the *sei-katsu-sha* insights with students at leading universities.

* Thailand, Indonesia, Malaysia, Vietnam, the Philippines, and Singapore



Yuko Ito
Managing Director



Details ▶ [WEB](#) HILL ASEAN

03 Strategy

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Interview with the CFO



By allocating capital appropriately from the perspectives of financial soundness, growth investment, and shareholder returns, we aim to enhance corporate value over the medium to long term.

Masanori Nishioka

Representative Director & Senior Executive Corporate Officer
CFO

Question

Please tell us your basic approach to investment. Also, you are actively investing to establish a foundation, in keeping with the current Medium-Term Business Plan. What are your investment plans during the period of the plan?

At the Hakuodo DY Group, we view investments as strategic expenses for strengthening our business foundation, including the expansion of human resources well-versed in digital and other technologies. We also view investments such as

mergers and acquisitions (M&A) as actions that directly impact the balance sheets.

Strategic expenses are geared toward realizing organic growth over the medium to long term. In a sense, they function as the seeds, fertile soil, and water needed for growing our business.

With the rapid progression of digitalization, it is crucial that we secure personnel who can implement digital marketing activities. It is also imperative that we increase the number of personnel well-versed in technologies to cultivate a foundation for future growth. Being able to respond to technologies such as ChatGPT and other forms of artificial

intelligence (AI) and extended reality (XR) is key.

Furthermore, as we work to transform our business structure, we must reform our workstyles and establish a sustainable operating structure. Although this will push costs into the present, the expenses we are currently investing in will serve as a bedrock for future growth.

Now is the time for us to build a foundation, and we are making substantial upfront investments to do so. As a result, profit growth will be slower than usual during the period of the Medium-Term Business Plan, which runs through to the end of fiscal 2023.

The Group's business requires no significant capital investments; our principal assets are creative people. For this reason, the essence of our financial discipline is to fund investment and shareholder returns out of cash flows generated by our operating activities.

Explaining capital allocation under the current plan on that basis, assuming we meet the targets outlined in our Medium-Term Business Plan for fiscal 2023, total earnings before interest, taxes, depreciation, and amortization (EBITDA) during the three years from fiscal 2021 will come to approximately ¥250.0 billion. Furthermore, if we assume that corporate income tax and dividend payments remain at the same level as in fiscal 2022, even taking into account buyback of our shares between November 2022 and May 2023, we should produce around ¥100.0 billion in cash over the three-year period. We are investing within this scope.

This investment will go mainly toward tangible and intangible assets and into mergers and acquisitions (M&A).

Over the past two years, we have spent a total of about ¥28.0 billion on tangible and intangible assets. We continue

Interview with the CFO

to invest in technology and in revising our offices to improve productivity. In fiscal 2023, we expect to keep spending at approximately the same level as in the two years previously.

We have undertaken numerous small and medium-sized M&A, and in fiscal 2021 we acquired SoldOut,Inc., through a tender offer. Although at this point we cannot state clearly how much we will invest in fiscal 2023, we plan to continue aggressively strengthening our capabilities through M&A and capital alliances.

Actually, our net cash will increase, owing to sales of investment securities and other Group assets, and due to revisions we made to the Medium-Term Business Plan. While we recognize the need to invest in technology and globalization over the medium to long term, we believe we should have ample room to invest while remaining financially sound.

Question

Please tell us what you can about investment under the next medium-term business plan, which is currently being formulated.

The next medium-term business plan, which will begin in fiscal 2024, is currently under consideration. That said, regardless of the plan’s details I can share our conviction that the Group needs to engage in M&A and enter capital alliances in order to acquire the outside functions and capabilities it needs to grow more quickly.

This is particularly the case in global business domains. The overseas business domain has just exceeded 25% of

consolidated gross profit. We believe M&A is needed to strengthen this business further.

In Japan, we are considering M&A as a way to enhance our capabilities in response to business expansion in the digital and marketing execution domains. We also believe that capital alliances are an effective way to reinforce ourselves on the technology front.

It is important to note that M&A is not simply a tool for growing our scale of business. The objective is to complement the Group’s offerings in areas where we are lacking, to seek synergies, and to improve our efficiency.

Question

You mentioned capital allocation. What are your thoughts on the Group’s cash position?

Looking at our business cycle, we like to maintain a balance of cash and cash equivalents totaling around one month’s worth of billings. On average, we record billings of at least ¥100.0 billion a month, so we intend to raise funds with an awareness of that level.

At the end of fiscal 2022, cash and time deposits stood at ¥162.9 billion, and interest-bearing debt was ¥124.2 billion, resulting in net cash of ¥38.7 billion.

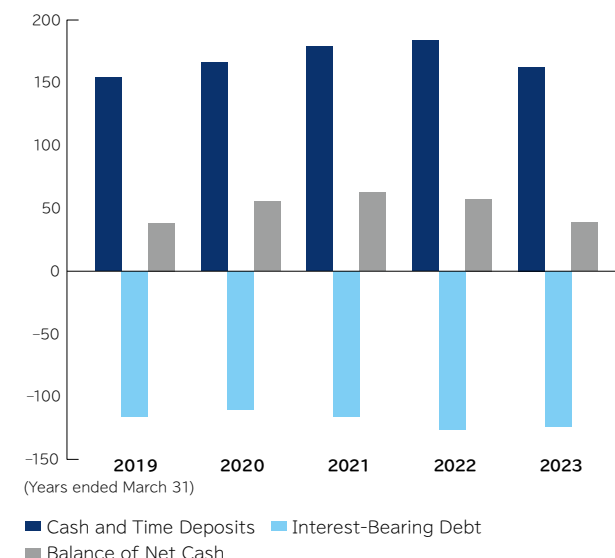
Net cash stood at ¥62.8 billion at the end of fiscal 2020, just before we revised our Medium-Term Business Plan. As I mentioned earlier, our basic policy is to balance income and expenditures during the period of the plan, including strategic investments and M&A. We believe we can

remain financially sound even if there are slight deviations between the planned and actual timing of income and expenditures.

Earlier, I talked about setting aside an investment “budget.” Because of the timing of investments, investment amounts will undoubtedly exceed cash flows from operating activities in the short term. In such cases, we use external financing, but we aim to achieve equilibrium over the medium to long term. Said differently, we intend to maintain our medium-term net cash position.

Cash and Time Deposits, Interest-Bearing Debt, and Balance of Net Cash as of the Past Five Fiscal Year-Ends

(Billions of yen)



Interview with the CFO

Question

What is your approach to financing under your policy of maintaining net cash over the medium term?

Interest-bearing debt of ¥100.0 billion remains from when we turned D.A.Consortium Inc. (DAC) into a wholly owned subsidiary in 2018. In terms of fundraising, we will make relevant decisions while considering our cash level as well as our investment plans. The financial market is undergoing significant changes, and we understand that we must diversify our fundraising activities as a result. Going forward, we will consider the most appropriate funding method given the market environment.

We received an A+ rating from Rating and Investment Information, Inc. (R&I) in September 2022, and we have sustained that rating fiscal 2023. We understand that R&I evaluates our financial condition as stable, and we will strive to maintain the same level of financial soundness in the future.

Question

In recent years, “management that is conscious of cost of capital” is being identified as necessary to sustain corporate growth and enhance corporate value over the medium to long term.

In March 2023, we received requests from the Tokyo Stock Exchange regarding “action to implement management that is conscious of cost of capital and stock price” and “better dialogue with shareholders and related disclosure.” On the first topic, we understand that attention is focusing on “a price book-value ratio (PBR) falling below 1.0.” Fortunately, as of the end of March 2023, our PBR is above 1.0. Simply exceeding this level is not sufficient, however. We also need to continuously improve investment and capital efficiency, engage in appropriate dialogue with investors, and meet investors’ expectations.

When it comes to investments, we naturally consider corresponding effects and profitability. Our basic principle is to seek returns that exceed the cost of capital. Currently, we recognize the cost of capital for the Group to be around 8%, and we keep this in mind when setting hurdle rates for our major businesses. Moving forward, we will continue working to achieve capital returns that exceed the cost of capital and striving for sustainable growth.

With regard to capital efficiency, the capital markets have suggested that our cross-shareholdings are too high. At the end of fiscal 2022, investment securities came to ¥132.7 billion. Not all of this amount constitutes cross-shareholdings, as it includes shares held in affiliates.

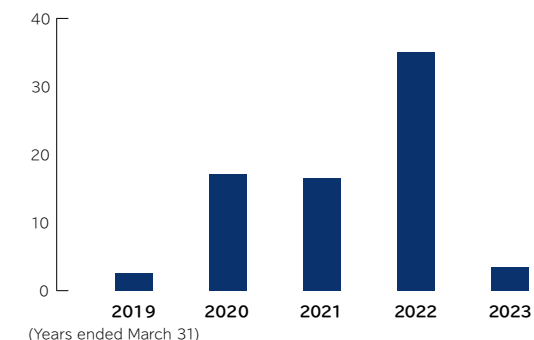
However, the total of “special investment shares” disclosed in our fiscal 2022 annual report was ¥91.1 billion. I believe that the reason some investors have this perception is because this amount represents 23% of our equity.

Every year, we review the purpose and economic impact of our cross-shareholdings and gradually sell off those shares that we have no logical reason to retain. We understand that we are in an era in which there are strong demands for companies to reduce their cross-shareholdings, and we therefore intend to sell off our cross-shareholdings in a manner that does not inconvenience the investee companies, thereby enhancing our capital efficiency.

Actually, over the past five years, we have sold off a total of ¥75.0 billion in investment securities. I ask that our investors understand our approach to addressing this matter.

Results of Sales of Investment Securities over the Past Five Fiscal Years

(Billions of yen)



Note: Income from sales of investment securities on the consolidated statements of cash flows

Interview with the CFO



Question

Please tell us your approach to shareholder returns.

Our basic policy is to provide stable dividend payments based on our desire to offer long-term economic benefits to our shareholders.

Even with the temporary decline in profits amid the COVID-19 pandemic, we have continued to maintain and increase our dividend levels. Although we forecast a decline in net income in fiscal 2023, we intend to leave our dividend levels unchanged.

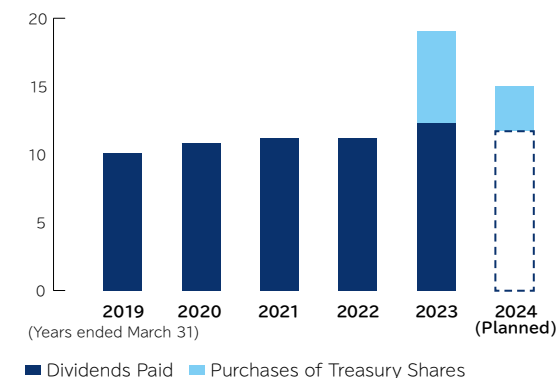
We also consider buyback of shares as an additional means of providing shareholder returns and improving capital efficiency. Taking into account such factors such as performance, funding requirements, our financial condition, and stock price trends, in November 2022 we resolved to buy back up to ¥10.0 billion worth of our own shares.

Since announcing the buyback, we have received a growing number of inquiries from stakeholders asking if our shareholder return policy has changed. We want to clarify that our fundamental approach to shareholder returns, with dividends as the foundation and buyback of shares serving as an ancillary measure, remains unchanged.

However, we acknowledge that it may be difficult for stakeholders to understand some aspects of our shareholder return policy, such as exactly how dividend stability is achieved. Therefore, in addition to capital allocation and capital efficiency, we plan to deliberate this topic in more detail and address this concern as we look to our next medium-term business plan.

Dividends Paid and Purchases of Treasury Shares over the Past Five Fiscal Years

(Billions of yen)



* Note: The figure for fiscal 2023 indicates the number of shares issued as of June 30, 2023 minus the number of shares of treasury stock times the dividend forecast announced on May 11, 2023 (¥32 per share).

Question

In closing, from your position as CFO, is there anything you would like to convey to readers?

Fiscal 2023 is the final year of our current Medium-Term Business Plan, and there are limitations to what can be disclosed regarding the next plan. However, as the CFO, it is my role to analyze various aspects of the Group, such as stakeholders' expectations and growth opportunities, and determine appropriate capital allocation from the perspectives of financial soundness, growth investment, and shareholder returns, in the interest of enhancing corporate value over the medium to long term. I ask for the continued support and encouragement of all our stakeholders as we strive toward this goal.

Medium-Term Business Plan

* Revised period in light of the COVID-19 pandemic: Fiscal 2021–fiscal 2023

In February 2022, we announced revisions to the five-year Medium-Term Business Plan announced in May 2019, based on changes in the business environment brought about by the impacts of the COVID-19 pandemic. The Group has positioned the three years spanning fiscal 2021 to fiscal 2023 as a period in which it will accelerate the transformation of its services and business foundation and build a solid platform for achieving significant growth over the medium to long term.

Numerical Targets (Fiscal 2023)

Annual growth rate*2 of gross profit after adjustments*1:	At least 7%	
Annual growth rate of operating income after adjustments and before amortization of goodwill*2:	At least 7%	
Operating income before amortization of goodwill:	At least ¥65.0 billion	
Important Indicators	Operating margin after adjustments and before amortization of goodwill:	Approx. 15%
	ROE before amortization of goodwill:	At least 10%

Target Levels for Core Domains

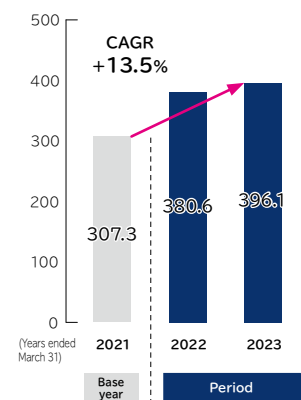
Annual gross profit growth rate in the marketing execution domain*2:	At least 10%
Annual billings growth rate in the internet domain*2:	At least 15%
Annual gross profit growth rate in the overseas business domain*2:	At least 15%

*1 After adjustments: Excluding investment business
 *2 CAGR from the base year of fiscal 2020 to fiscal 2023

Overview of Progress in Fiscal 2022

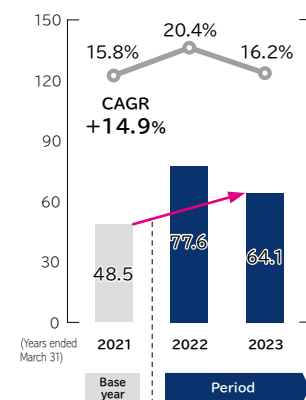
Gross Profit after Adjustments*1

(Billions of yen)



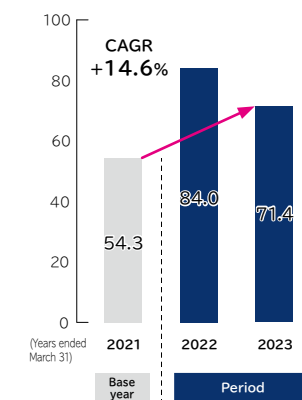
Operating Income / Operating Margin after Adjustments and before Amortization of Goodwill

(Billions of yen) (%)



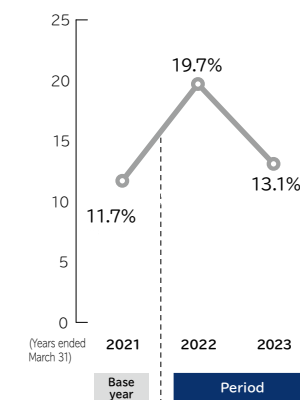
Operating Income before Amortization of Goodwill

(Billions of yen)



ROE before Amortization of Goodwill

(%)

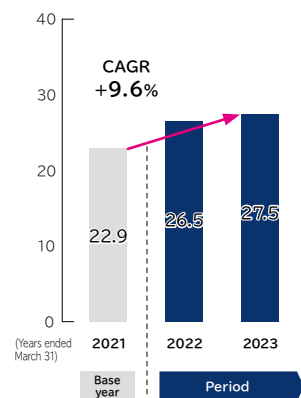


Note: Bar graph/Left: Operating income after adjustments and before amortization of goodwill
 Line graph/Right: Operating margin after adjustments and before amortization of goodwill

Target Levels for Core Domains

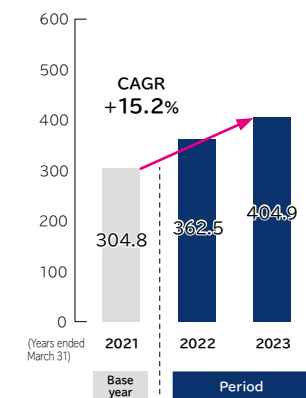
Gross Profit in the Marketing Execution Domain*2

(Billions of yen)



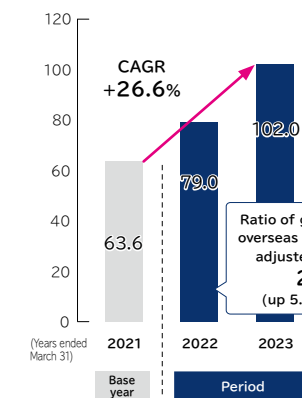
Billings in the Internet Domain*3

(Billions of yen)



Gross Profit in the Overseas Business Domain

(Billions of yen)



*1 After adjustments: Excluding investment business
 *2 Covers domestic operations and excludes pandemic-related BPO business
 *3 Covers external sales from domestic operations

Medium-Term Business Plan

Awareness of the Business Environment and Core Medium-Term Strategy

In response to our rapidly changing business environment, to transform our service offerings and business infrastructure we will continue to proceed with our Core Medium-Term Strategy while pursuing the following four initiatives and revamp the Group as a whole. We have positioned the three years spanning fiscal 2021 to fiscal 2023 as a period in which we will accelerate the transformation of our services and business foundation to ensure that we take the lead in resolving the marketing- and innovation-related issues of clients and realize the sustainable growth of both the Group and its clients.

Core Medium-Term Strategy

With *Sei-katsu-sha* Insight as our cornerstone, the Hakuodo DY Group will combine its creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in the digitalized era.

In this way, we will continue to impact and provide value to *sei-katsu-sha* and society as a whole.

Changes in the Group's business environment

- Changes in environment due to COVID-19 pandemic
- Changes in environment due to shift to digitalized era
- Expansion of *Sei-katsu-sha* Interface Market
- Extension from direct to indirect contact points



Positioning the three years from fiscal 2021 to fiscal 2023 as a period to accelerate the transformation of our services and business foundation

Four Initiatives for the Transformation of Our Business Foundation and the Services We Provide

- 1 **Transform the services we provide:**
Implementation of full-funnel *Sei-katsu-sha* Data-Driven Marketing
- 2 **Strengthen cross-organizational functions to accelerate transformation**
- 3 **Continuously pursue transformation based on existing strategies**
Strengthen response capabilities for borderless corporate activities
Accelerate innovation through external collaborations
- 4 **Strengthen our foundation for sustainable business management**

Strategic Investment

In addition to M&A, we are proactively investing in building a Group shared foundation for talent, data, and systems, aimed at sustainable business growth over the medium to long term.

Digital domain	Experts in digital domain	Increased by approx. 1,400
Technology domain	HAKUHODO Technologies	Established structure with team of over 300
	Investment in Group IT infrastructure	Over ¥10 billion
Overseas business domain	Employees overseas	Increased by approx. 1,600

Medium-Term Business Plan

Initiatives for the Transformation of Our Business Foundation and the Services We Provide

1 Transform the Services We Provide: Implementation of Full-Funnel *Sei-katsu-sha* Data-Driven Marketing

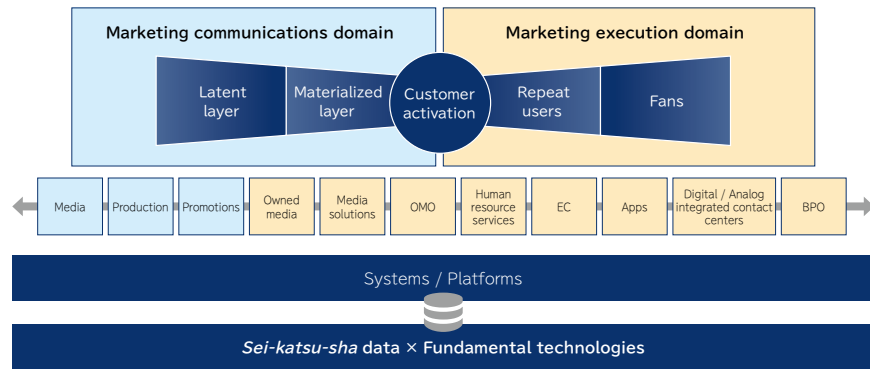
Behind the rapidly advancing shift to a digitalized era, there has been a growing need for data-driven full-funnel marketing, which entails a comprehensive approach that covers everything from awareness, interest, and consideration to customer relationship management. To evolve our *Sei-katsu-sha* Data-Driven Marketing into an approach that can be implemented across each stage of the funnel, we are pursuing three strategic initiatives.

Expand Marketing Execution Domain

As the *Sei-katsu-sha* Interface Market continues to increase in scale, it is imperative that we expand our functions in the marketing execution domain. Going forward, we will continue to strengthen our marketing execution domain and thereby enhance our full-funnel marketing capabilities. We will also facilitate the implementation of marketing activities by going beyond the confines of marketing, such as by developing functions in domains that become necessary with the increase in online services and expanding our efforts to resolve social issues. To assess our progress with this initiative, we have established an annual gross profit growth rate of at least 10% in the marketing execution domain as a target for our revised Medium-Term Business Plan. In fiscal 2022, the human resource services domain was up by a CAGR of around 10% from the base year of fiscal 2020, excluding the temporary boost from COVID-19 pandemic-related business process outsourcing (BPO).

Transform Our Media Business

Through the implementation of Advertising as a Service (AaaS), we will focus on transforming our media business from one that simply involves the sale of ad space to one that involves the provision of services for maximizing the effects of advertising and maintain and expand our existing media business by enhancing the added value of media. Furthermore, we will establish an ecosystem within the Group to provide digital services that cater to the growth of clients. An annual growth rate of at least 15% for billings in the internet domain has been established as a target for our Medium-Term Business Plan. In fiscal 2022, the CAGR for billings was 15.2% compared with the base year of fiscal 2020, due to growth in our existing businesses and the boost from a full year of results from SoldOut, which we acquired last year.



OMO: Online-merge-offline EC: E-commerce BPO: Business process outsourcing

- Specific Actions**
- Launched HAKUHODO CX FORCE, a creative team that provides outstanding *sei-katsu-sha*-oriented customer experiences by integrating online and offline channels across the value chain
 - Established Retail Media ONE, a one-stop integrated service that covers numerous forms of retail media

Transition from Providing Ad Space to Providing Ad Effects

- Crossing TV and digital advertising
- Maintain and expand existing business

Expansion of Digital Business

- Establish service structure that caters to client growth
- Win regional/SMB and long-tail marketing business



Specific Actions

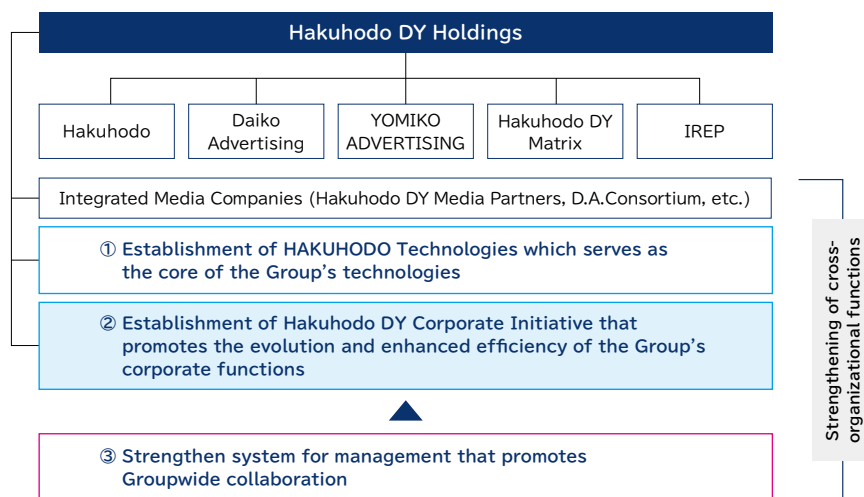
- Expanded businesses via AaaS, a next-generation model for the ad media business; companies adopting this model surpassed 250 in fiscal 2022, up approximately 2.5 times year on year, and projects expanded to around 1,000
- Continued to develop products in the creative domain, such as the H-AI Series of generative AI solutions

Medium-Term Business Plan

Initiatives for the Transformation of Our Business Foundation and the Services We Provide

2 Strengthen Cross-Organizational Functions to Accelerate Transformation

To accelerate our transformation and bolster the competitiveness of the Group overall, we will strengthen our three cross-organizational functions as indicated in the chart below in addition to continuously enhancing our existing media functions. We will also promote a management approach that places even greater emphasis on Groupwide optimization.



The use of technology is crucial to strengthening the Group's competitiveness in the coming era. In order to evolve into a more technology-driven corporate entity, in April 2022 we established HAKUHODO Technologies Inc., a new technology company that will form the core of our Groupwide infrastructure. Also, in April 2023 we established Hakuholdings DY Corporate Initiative, a new company that enhances and increases the efficiency of the Group's corporate functions. We are working to strengthen functionality across the Group.



3 Continuously Pursue Transformation Based on Existing Strategies

Strengthen response capabilities for borderless corporate activities

The Group is focusing on strengthening its response capabilities in overseas business. Gross profit from our overseas business, which we use as an indicator of progress for this initiative, has grown at a CAGR of 26.6% compared with the base year of fiscal 2020. This growth is due to the impact of foreign exchange and the boost provided by M&A activities, in addition to recovery in the Greater China and ASEAN markets. The ratio of overseas gross profit to total gross profit after adjustments increased to 25.8%.

Specific Actions

- Continued acquiring capabilities through M&A
- Strengthened support for cross-border marketing

Accelerate innovation through external collaborations

We are building a structure for collaboration with not only our business partners, but also external corporations, such as innovative technology companies, to accelerate innovation of the services we provide and of our Group.

Specific Actions

- Began working with a developer of public blockchains originating in Japan to help companies enter the thriving Web3 market
- Continued efforts to invest in over 50 startups with cutting-edge technologies and new business models

4 Strengthen Our Foundation for Sustainable Business Management

We believe that actively investing in our human resources is of paramount importance to be an attractive company that continues to grow significantly over the medium to long term. Accordingly, we aim to establish an environment where each employee can leverage their creativity to the greatest extent possible. In that spirit, we provide a training program and are moving forward with various initiatives that promote diversity, equity, and inclusion.

Specific Actions

- Formulated the Diversity, Equity & Inclusion (DE&I) Policy
- Set target to raise the ratio of female employees in management positions to 30% by fiscal 2030

The Hakuholdo DY Group's Digital Strategy

Implementing DX Based on AaaS to Create New Business

Amid a changing advertising industry, we will advance digital strategies and aim to secure a leading position in the new advertising market.

Hirotake Yajima

Director & Executive Vice President



Organizing into a Strategic Formation to Meet Clients' Needs in the Digital Age

As digital technology has evolved, the advertising industry has faced major transformations about once every five years. The proliferation of the internet in the mid-1990s gave rise to web browser-based advertising. Mobile advertising emerged in the 2000s, and game content gained immense popularity. Around 2005, smartphones came into the picture, giving birth to the massive app market. In 2022, the rise of [Web3](#) and [the metaverse](#) have led to altogether new frameworks sweeping the market, heralding another pivotal five-year period. The emergence of virtual transaction apps has spawned one innovative business after another, and has driven substantial change in the businesses surrounding them. In the media business, such transformation has reaffirmed [the preeminence of content](#).

The digital advertising market no longer simply involves "digital ads." Rather, the market spans a host of forms, such as search-based ads, video ads, and ad networks, and each requires a high level of expertise. As specialized players emerge in each area, the key lies in providing [optimal combinations that meet clients' needs](#). As a corporate group comprising general and specialized advertising companies and capable of serving all types of clients, we have been building a structure to anticipate the transformations we are experiencing in the digital age. We have organized ourselves into [a strategic formation of cross-Group integrated organizations to address all of our clients' challenges](#). These center on Hakuholdo DY Media Partners, which is responsible

The Hakuholdo DY Group's Digital Strategy

for the Group's media business. They also include HAKUHODO DX_UNITED, which implements DX solutions, and HAKUHODO Technologies Inc., which develops and enhances the Group's technological infrastructure.

Creating New Business in Response to Media IP and ID Strategies

Currently, media companies are actively pursuing intellectual property (IP) strategies as holders of content. The programs and other work they create are broadcast and streamed on their own networks and distributed via third-party platforms. This approach has led to the expansion of a business model where the content itself is IP that can be shared with a global audience.

This IP will form digital platforms on which data can be accumulated. A cycle is being created in which identifications (IDs) obtained from this data will lead to new business.

Media and content-holder companies face significant challenges in expanding their business as content providers. It is crucial for us to address the questions of how we can help them create IP and promote the creation of IDs, as well as to build new business.

As broadcasters are building IP assets, newspapers and publishing companies are also steering toward IP and ID strategies. As media companies advance IP and ID strategies, we also aim to assess their movements and act upon business opportunities.

Positioning AaaS at the Core of DX Strategy to Integrate Television and Digital Media

The advertising industry is transitioning from the traditional model based on booking ad space to a performance-based model focused on maximizing advertising effects.

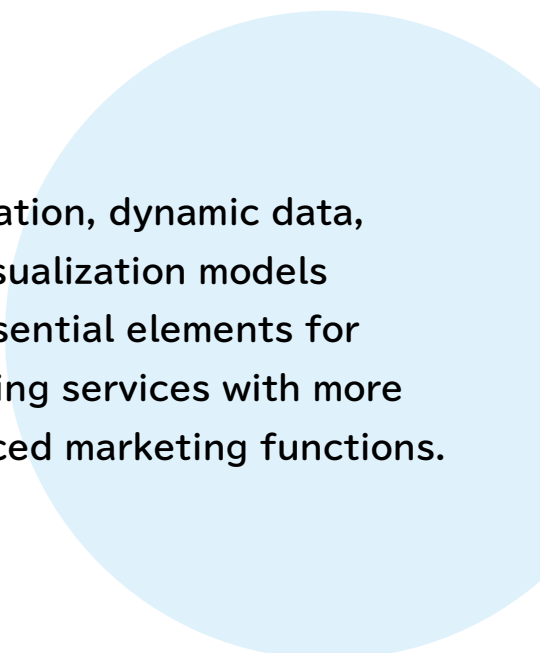
Anticipating this industry transition, the Hakuholdo DY Group has been developing a next-generation model for the advertising media business, called Advertising as a Service (AaaS).

Integration, dynamic data, and visualization are essential elements that will allow AaaS to become a service offering more advanced marketing capabilities.

"Integration" in this context refers to the process of collecting, say, television viewership data and digital media performance data and consolidating them into an integrated dataset to measure effects. "Dynamic data" means using real-time data. Unlike traditional ad planning, which relies on static data from past campaigns for improvements, AaaS allows data to be gathered and visualized in real time, facilitating improvements within the same campaign period.

AaaS is a new solution service for clients that becomes the core of their media DX strategy. In fiscal 2022, the number of companies adopting AaaS grew by approximately 2.5 times, totaling 250 companies. The number of AaaS projects exceeded 1,000.

Although AaaS is still in its early stages, we have achieved solid results. As we continue development, we will emphasize three key elements as follows.



Integration, dynamic data, and visualization models are essential elements for providing services with more advanced marketing functions.

The Hakuhodo DY Group's Digital Strategy

The first is **safety**. It is essential to establish a robust privacy policy and provide a highly secure service. Second is high **performance**, which will be evaluated and managed more rigorously going forward. The third element is **advanced technology**. We see growing market demand for advertising services that leverage cutting-edge technology.

These three elements are essential for driving the growth of our advertising media business, and they form the DNA of our next-generation AaaS model.

Furthermore, we are preparing to **upgrade AaaS from its initial stage to the next phase**. We have already launched a

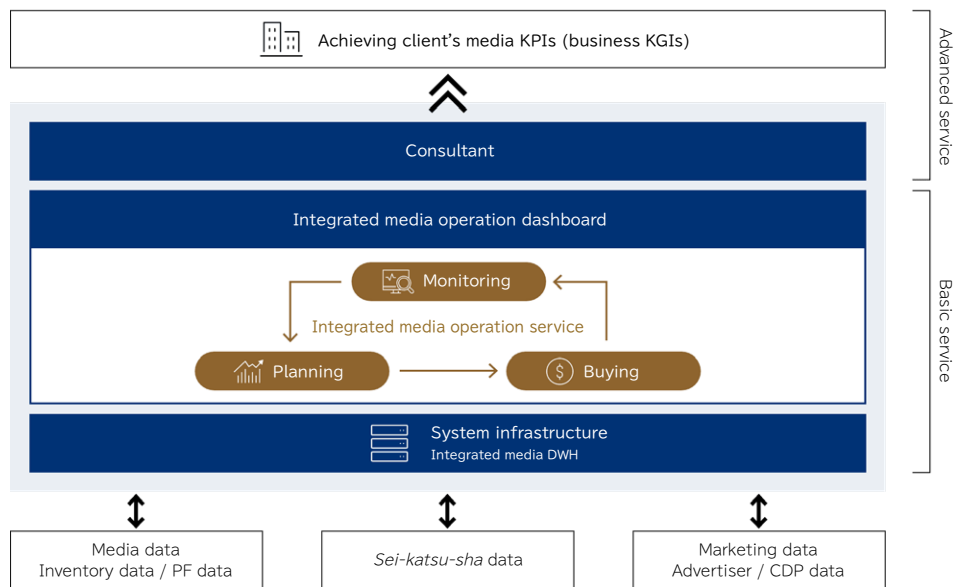
service that is effective at fundamentally integrating and merging the television and digital fields. However, we also aim to expand media coverage to include internet-connected TVs (CTV) and outdoor advertising/media and deliver even more advanced performance.

We are also promoting the use of **generative AI**. In the creative field, we are developing high-performance AI models and exploring how to incorporate the data into creative production. In addition to using them to provide higher-quality services, we are working to incorporate generative AI into our AaaS offerings.

Building New Marketing Models Using Client Data

As our clients' marketing activities continue to evolve, we plan to establish a **new AaaS-based marketing and communication model**. We will further augment our advanced consulting services based on media data and establish a fee-based business model. Acting as a system integrator, we have also started expanding business by selling AaaS to other advertising agencies as a core system. Meanwhile, we are embarking on a project to collaborate closely with clients' marketing systems, similar to an in-house agency model, using first-party client-side data to build marketing models. By **creating a system that integrates and manages media effects from television, digital advertising and other media tied to the client's customer data**, we expect to maximize the effects of advertising more than ever before. As this business develops, we may even enter into joint ventures with clients.

Contribution to Advertisers' Business Performance through AaaS



Search-based advertising still accounts for a significant share of digital advertising, but the emergence of AI has spurred the introduction of new models that differ from traditional search-based ads. These new models could prompt a major transformation, so we will monitor the situation closely.

Targeting a Leading Position in the New Advertising Market

One prevailing view holds that television viewership is on a downward spiral, and that the advertising industry is also declining as a result. I believe the actual situation is more nuanced. The number of media display monitors, including televisions, smartphones, and tablets, is actually increasing. With monitors now omnipresent, although television viewing

The Hakuholdo DY Group's Digital Strategy

We aim to take a leading position in the marketing communications domain by combining media DX and marketing DX.

time may be falling, overall monitor viewing time is undoubtedly on the rise. Accordingly, if we shift our perspective to “monitor business” rather than just “television business,” I believe we can expect total viewing to expand dramatically. Platforms like YouTube present a vast quantity of monitor advertising inventory, and it is clear that the video advertising market is expanding even further, providing us with more business opportunities. Given this shifting media landscape and the growth of the advertising market, we are recasting our understanding of the market. In addition to recategorizing digital advertising into search-based, video, and ad network advertising, as described above, we will segment video advertising in terms of television advertising and outdoor advertising/media. These together make up the “monitor advertising market.” The growth rate in this segment is exceptionally high. One could almost say we have developed AaaS to drive digital transformation (DX) of the media business.

One of our major strategies is to become a leader in the marketing communications domain by combining media DX with marketing DX. We believe this will be a winning strategy over the medium to long term. While our AaaS will become a major strength in media DX, we need to establish a framework with other players in the area of marketing DX. We are rapidly developing this framework, with HAKUHODO DX UNITED at the center.



Operating in an environment that undergoes transformation every five years, we aim to provide *sei-katsu-sha* with unprecedentedly rich experiential value through Web3 and the metaverse. By driving the two types of DX outlined above, we look forward to taking on the challenge of reforming our business model and organizational structure and leading the new advertising market, which is being updated in the rapidly changing advertising industry.

The Hakuholdo DY Group's Domain Expansion



Strengthening the Group's Value Offerings by Expanding Its Business Domains Making *Sei-katsu-sha* Insight Our Cornerstone

We are expanding our marketing execution domain and innovation domain through co-creation with partner companies, M&A, and the reinforcement of Group synergies.

Akihiko Ebana

Director & Senior Executive Corporate Officer

Expanding Our Domains to Address the Growing Complexity and Diversity of the Issues Clients Face

The Hakuholdo DY Group's business originated with the provision of services to clients in the marketing communications domain, with a focus on advertising. In 2003, Hakuholdo Inc., Daiko Advertising Inc., and YOMIKO ADVERTISING INC.—three companies focused on the marketing communication domain—merged to form the Hakuholdo DY Group.

Since then, we have continued to expand our business by strengthening our digital domain, such as by making D.A.Consortium Inc. (DAC) and IREP Co., Ltd. (IREP) into consolidated subsidiaries. We have also enhanced our global business centered on the strategic operating unit kyu, and incorporated contact centers and temporary staffing companies into the Group. The reason behind these moves is to help clients face issues that are becoming more complex and sophisticated, and that extend beyond the scope of the traditional marketing communications domain.

Accelerating digitalization has significantly broadened the range of actions that companies need to take to continue being chosen by *sei-katsu-sha*. The relationships between companies and constantly internet-connected *sei-katsu-sha* have evolved from simple points of contact into interfaces for the mutual exchange of information. In addition, *sei-katsu-sha* actions can now be traced to points both before and beyond the time of purchase, allowing for the optimization of strategies at each stage through data integration. As a result, corporate marketing needs have

The Hakuholdo DY Group's Domain Expansion

changed substantially. Furthermore, this environment is causing companies to feel the limits of their existing businesses, so more are pursuing new business ventures and innovations that align with the new era.

The Hakuholdo DY Group aims to address the emerging challenges clients face, as well as fulfilling all their marketing needs and demands for corporate innovation and new business development. To achieve this, we have been strengthening our own capabilities and expanding our functions beyond the marketing communications domain, where we have traditionally led the market. We have also extended our reach into the marketing execution domain, enabling full-funnel support for our clients' marketing activities, and innovation domain, leading new business ventures and business transformations. Through these efforts, we are enhancing our organizational structure so we can solve all manner of client challenges.

Expanding Our Business Portfolio

Our Medium-Term Business Plan, which runs through to the end of fiscal 2023, calls for us to transform the services we provide, and we have made steady progress in evolving our business portfolio. In addition to expansion in the marketing communications domain, our current portfolio spans various domains, including consulting and technology, allowing us to offer solutions that span clients' full range of business activities.

As the business landscape of our clients continues to evolve, the areas in which we can assist them have also changed. For example, the ubiquity of online shopping has shifted the peak time for sales to late-night hours. This has

introduced the issue of responding to customer inquiries after retail stores have ended their hours of support. In response, we now offer contact center and call center services to our clients and provide services that directly meet the specific needs of *sei-katsu-sha* by implementing a marketing approach that digitalizes inquiry data. In short, we recognized the importance of providing solutions that integrate into our clients' business processes.

While we are making steady progress in expanding our business in marketing-driven areas, I do not believe we are keeping fully abreast of societal and corporate transformations. As technology increasingly drives clients' services to evolve, we will further enhance our capabilities to provide comprehensive support for the entire service offering.

Full-Funnel *Sei-katsu-sha* Data-Driven Marketing

As data utilization advances, marketing communications activities have evolved from relying on luck and intuition to capably leveraging various types of data to execute activities more efficiently and effectively. In other words, data-driven approaches have made scientific marketing a reality.

By leveraging *sei-katsu-sha* purchasing and behavioral data, our marketing approach allows for direct and precise messaging to each individual, which was difficult to achieve with traditional mass media advertising. This enables us to build deeper relationships between clients and *sei-katsu-sha*. When designing communications between companies and their customers (i.e., *sei-katsu-sha*), our long-standing *sei-katsu-sha* data serves as a foundation, providing a unique advantage that sets the Hakuholdo DY Group apart.

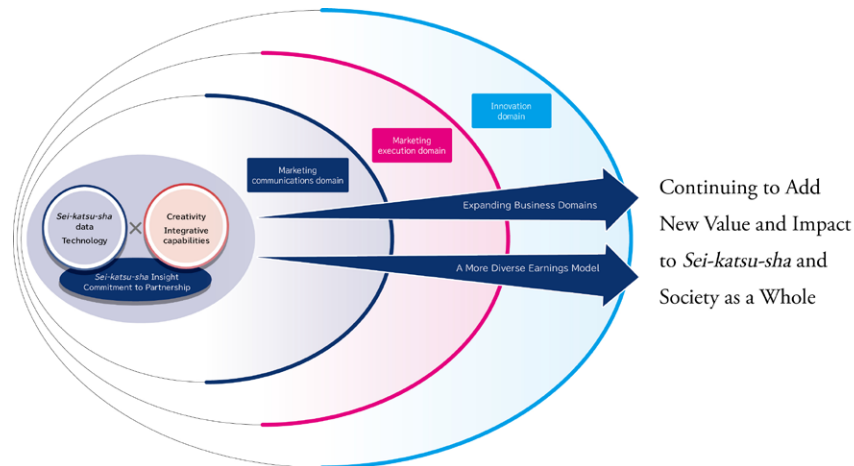
We aim to detect signs of change, predict the future, and use data and technology to help our clients with their marketing evolution and innovation.

The Hakuholdo DY Group's Domain Expansion

One major reason for expanding our business domains beyond marketing communications is the demand for comprehensive support throughout the customer journey, from awareness to interest, consideration, purchase, and subsequent customer relationship management. We have traditionally focused on mass media advertising at the “awareness” phase, but now there is a need for a “full-funnel” approach that covers the entire customer journey, extending beyond the marketing communications domain.

To undertake the expansion of our business areas across the Group, we established HAKUHODO Technologies Inc. in April 2022. This company will play a core role in enhancing our technology infrastructure to transform the Group into a more technology-driven enterprise. The new company will lead initiatives such as strengthening the foundation of digital marketing and implementing advanced technologies like AI in marketing.

Expanding Business Domains



Providing Innovation and Consulting Services

With clients’ challenges expanding beyond the realm of marketing, we have incorporated a specialized marketing services company within the Group to provide specialized, advanced marketing approaches and solutions. This expansion enables us to broaden our business scope into innovation and consulting services. At the center of this effort is kyu, our global strategic operating unit.

kyu has been adding companies that provide advanced and specialized services to the Group. In its selection process, kyu places emphasis on companies and businesses that are capable of expressing synergy as members of the Group, and that resonate with our cherished corporate philosophy and values of creativity based on *Sei-katsu-sha* Insight.

IDEO LP, which became a part of kyu in 2016, engages in a wide range of activities, from product development to resolving business and societal challenges, through design based on a human-centered approach that is extremely close to the *Sei-katsu-sha* Insight philosophy. In these ways, IDEO serves as a catalyst for innovation and business growth in different fields.

Public Digital Holdings Limited, which is also under kyu’s umbrella, is a consulting company that supports a wide range of DX operations for private companies and government agencies around the world, including the United

Nations. They specialize in agile service delivery, enabling rapid digitalization from scratch.

Gehl Architects Holding ApS, a global leader in the field of urban development, joined kyu in 2022. Gehl is known for its “people-centered urban development” approach and its strong capability in conducting thorough research and analysis of the challenges and needs faced by people using urban spaces and their surrounding environments.

Meanwhile, in Japan, the MIRAI Business Division, a unit jointly operated by Hakuholdo and Hakuholdo DY Media Partners that specializes in developing new businesses, is actively working toward the launch of projects in collaboration with various partner companies. Leveraging our strength in creativity based on *Sei-katsu-sha* Insight, we take ownership and proactively drive business development, contributing to the creation of future lifestyles and society.

Building a Multi-Layered Earnings Structure by Expanding Our Domains

Our primary objective in expanding our business domains is to resolve the challenges our clients face. Through this expansion, we also aim to create a diversified earnings model, allowing us to become a stable and continuously growing corporate group.

Companies in the marketing communications domain have traditionally generated revenue from media margins and commissions. The earnings model has grown more diverse, however, as more services extend into the marketing execution and innovation domains. We now also generate

The Hakuholdo DY Group's Domain Expansion

We will drive innovation by drawing on our strengths of creativity, communication design capabilities, and integrative capabilities.

earnings from service fees, consulting fees, capital gains on investment business, and revenue-sharing in joint venture operations. Even within the marketing communications domain, we are evolving from the traditional business of selling media advertising slots to providing Advertising as a Service (AaaS). In this way, we are increasing the weight of fee-based revenue by delivering results that contribute directly to clients' operating performance. While commission-based fees still constitute a significant portion of overall Group revenues, we also aim to provide value through new initiatives and diversify our earnings model by establishing a mechanism to support future business growth.

Sustainable Management Essential for a Company Grounded in *Sei-katsu-sha* Insight

As I have mentioned several times already, the Hakuholdo DY Group places topmost value on *Sei-katsu-sha* Insight. We are confident that providing more advanced services while staying true to this mindset will lead to value creation unique to the Hakuholdo DY Group, and inimitable by other companies. To prioritize *Sei-katsu-sha* Insight, we must live vibrant lives as *sei-katsu-sha* ourselves. In that sense, I believe we need to do more than any other company to promote sustainable management.

In April 2022, we established the Corporate Sustainability Division to further promote sustainable management. We believe that investing in people is particularly vital for the Group. We view our mission as creating an attractive and



work-friendly environment for diverse talent, and we are gradually establishing systems and evaluation criteria to this end. We will enhance opportunities for *Sei-katsu-sha* Insight and nurture creativity, focusing on initiatives for people, who are the wellspring of creativity based on *Sei-katsu-sha* Insight, which is our strength.

In my opinion, the essence of creativity lies in constantly thinking and creating that which is enjoyable and interesting. While technological advancements like AI are certainly important, it is equally crucial to create an environment that allows each employee to fully unleash their creativity. I believe that by doing so, we can enhance the value we provide as a Group.

The Hakuholdo DY Group's Technology Strategy



By combining creativity and advanced technology, we create value for society, companies, and *sei-katsu-sha*.

Motohiro Ando

Director & Senior Corporate Officer
CTO

Aiming for the Hakuholdo DY Group to Become Known as a Company That Excels at Technology

The Group's scope of business extends beyond traditional advertising and marketing to encompass the provision of solutions to overall business challenges and even social

issues as a management partner to our clients. This expansion is driven by the digitalization of everyday life. In advertising and marketing, we have been quick to develop and implement technologies that securely link and utilize *sei-katsu-sha* data that we have accumulated over the years, as well as our clients' customer and sales data, and data related to media and marketing. We are actively implementing our

core Advertising as a Service (AaaS) offering, which has earned industry recognition for its cutting-edge nature. Furthermore, digital technology plays a significant role in addressing our clients' business challenges and societal issues. We are committed to developing and delivering unique solutions that combine creativity and technology, based on our distinctive strength in *Sei-katsu-sha* Insight.

As chief technology officer (CTO), my goal is for the Hakuholdo DY Group to be recognized as a company that excels in technology not only in the advertising industry but throughout society. We aim to enhance the Group's technological capabilities and establish a top-class presence as a partner for our clients' businesses, just as we do in the advertising and marketing domains.

A Groupwide Focus on Generative AI

The Group is actively focused on initiatives related to the emerging field of generative artificial intelligence (AI). We have dedicated Groupwide efforts to leverage AI and other technologies to pursue efficiencies and develop innovative research, products, and solutions that captivate the hearts of *sei-katsu-sha*. Our cross-functional research and development team at Creative technology lab beat, which was established in 2022, plays a central role in this endeavor. In advertising production, we have developed and are using on-site a platform that facilitates digital creative planning, generation, and evaluation. In addition, we are working to develop AI products that support creative workflow processes in areas such as branding, web design, video production, and customer relationship management (CRM), and we are planning support solutions using large language models (LLMs).

The Hakuholdo DY Group's Technology Strategy

Whereas conventional AI uses existing data to recognize, identify, classify, and predict, the distinguishing feature of generative AI is its ability to learn patterns from data and essentially create something out of nothing. The utilization of generative AI serves two main purposes: streamlining business operations, and enhancing and expanding services. In the second area, enhancing and expanding services, in particular, our unique strength of *Sei-katsu-sha* Insight is pivotal. The concept behind our efforts to promote the development and utilization of generative AI is that technology will stimulate people to exhibit creativity in entirely new ways. In other words, we believe generative AI will spawn the “co-creation of technology and human creativity.”

Actively Engaging in Alliances with External Organizations

In addition to our own developments in the rapidly changing technological domains of Web3, non-fungible tokens (NFTs), cross reality (XR), and the metaverse, we are actively engaged in alliances with startup companies and research institutions with advanced technologies.

▶ The Web3 Domain

Web3, which is gaining attention as the next generation of the internet, has evolved into a world where users themselves manage and share data using blockchain and other decentralized technologies. The vision of HAKUHODO KEY3 INC. is to “create a globally renowned Web3 service originating in Japan.” In addition to planning and operating Web3 hackathons, the company provides wappa, a data wallet service

for companies, and the KEY3 STUDIO service, which serves as a hub for large companies and Web3-related startups.



▶ The NFT Domain

NFTs are digitally created, unique, and non-fungible data built on blockchain technology that proves the data's originality and scarcity. Since 2022, the MIRAI Business Division has offered PLAY THE PLAY, an NFT content issuance platform designed to enhance fan engagement with professional sports. The platform transforms video footage owned by sports organizations and broadcasting stations into NFTs. Through this platform, we provide fans with high scarcity items such as merchandise and trading cards.

▶ The XR and Metaverse Domains

In the XR and metaverse domains, technology utilization and social implementation experiments are underway to expand real-world experiences and design experiences that connect virtual and physical spaces. HAKUHODO Technologies Inc. is working to realize a unique avatar service platform concept. The platform will enable users to








generate 3D avatars of themselves and create character-based avatars that express their own values and worldviews, and make the provision of services using multiple avatars possible. As an advanced example of utilizing 3D avatars, the Hakuholdo Group generates 3D avatars for employees as part of their regular health examinations. These avatars can then serve as personal trainers, helping to visualize a desired body shape and providing guidance on exercises and improvements to support each employee's health.

Meanwhile, D.A.Consortium Inc. has established ARROVA Inc., a media company specializing in the metaverse domain. ARROVA envisions game platforms and such XR categories as augmented and virtual reality as a new media domain: immersive media. ARROVA will develop media products and provide advertising services that utilize 3D spaces. ARROVA already has a robust track record placing advertisements in the spaces it has developed and sold. The company also offers consulting on service and content development involving XR technology and the metaverse domain.



The Hakuholdo DY Group's Technology Strategy

ARROVA Business Overview

Consulting Planning	Service/Content Development	Advertising Product Development	Sales of Advertising Products	Tie-up Collaborations	Branded Content Production	Secondary Distribution
						
Strategic planning for operators/advertisers in the gaming/XR domain	Design, development and support of services/content using games/XR	Development and installation of ad spaces in game spaces using plug-in tools Development of advertising products using games/XR	Sales of performance-based advertising products that can be distributed across multiple game spaces	Provision of collaborations with major games with over 1 million monthly active users	Creation and operation of original branded games on large platforms such as Fortnite and Animal Crossing: New Horizons Creation of AR-based interactive and operable advertising content	Planning of e-Sports tournaments, providing packaged products linked to TV, etc.

Differentiating Ourselves with Privacy Technology

The Hakuholdo DY Group is a technology leader in the area of privacy technology. *Sei-katsu-sha's* attitudes to privacy are changing while regulations and requirements surrounding privacy protection are growing more stringent, such as with Japan's Act on the Protection of Personal Information and regulations on third-party cookies. The use of first-party data has become an important theme in corporate marketing activities, but using such data involves the handling of personal information, which carries risks. Companies need data fusion technologies that process such data in ways that

ensure compliance and prevent the identification of individuals, and combine and utilize it. The Group has many years of experience in the development, improvement, and implementation of technologies for the secure utilization of data. We take pride in these initiatives, which we believe are top-class in the marketing industry. The Group has also earned a solid reputation for technologies and knowledge that elevate marketing by combining sales, customer, and other data of the client with our own extensive data on *sei-katsu-sha* attitudes and behavior, as well as media and market data. This allows us to differentiate ourselves from other companies.

The Group has accumulated data integration technologies that balance privacy protection and *sei-katsu-sha*

convenience, to allow for the appropriate utilization of data. These technologies have generated more than 10 patents to date. To enhance secure computation technology, we have partnered with Acompany Co., Ltd., a pioneer in the field. We are also conducting industry-wide technological research with platform operators, data holders and others to study what constitutes optimal consent for *sei-katsu-sha*. We will continue moving forward with technological developments centered on creating value for *sei-katsu-sha*.

Pursuing Technologies That Create Value Between Companies and *Sei-katsu-sha*

When developing and utilizing advanced technology, in addition to creating services and solutions that are technology-driven and convenient, we seek to create new value that is shared between businesses and *sei-katsu-sha* through the appropriate utilization of technology. We do not see technology merely as something for individuals to use for their own convenience. Humans have the ability to awaken and evolve new capabilities through the technologies they create. This relationship between people and technology is long-standing, and society and technology have a reciprocal nature. As a company that embraces *Sei-katsu-sha* Insight as a policy, we are committed to advancing cutting-edge technologies that harness human creativity. Our aim is to make Hakuholdo DY a unique technology brand in the global market.

04 Sustainability

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Sustainability at the Hakuholdo DY Group

In its corporate management, the Hakuholdo DY Group is committed to realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing through appropriate collaboration with various stakeholders, including employees, shareholders, business partners, media, content holders, and organizations, based on two core principles: *Sei-katsu-sha* Insight and Commitment to Partnership.

We believe the role that society truly demands the Group to fulfill is to create a brighter future by leveraging our foundations of creativity, marketing and innovation, and data and technology.

Our Sustainability Approach



Sustainability Implementation Structure

Group Sustainability Committee

The Hakuholdo DY Group Sustainability Committee, established within Hakuholdo DY Holdings, is chaired by the president and includes internal directors. The committee is responsible for considering and determining Group sustainability policies, strategies, and various measures.

Group ESG Subcommittee

The Group ESG Subcommittee was established in fiscal 2023 to promote more effective sustainability activities together with the Group's operating companies.

Environmental (E), Social (S), and Governance (G) subcommittees discuss policies, goals, and activities for their respective themes.

▶ Fiscal 2022 Agenda Items

First Group Sustainability Committee Meeting	Second Group Sustainability Committee Meeting
<ul style="list-style-type: none"> • Revision of materiality items • Formulation of Human Rights Policy 	<ul style="list-style-type: none"> • Formulation of Diversity, Equity & Inclusion (DE&I) Policy

Diversity, Equity and Inclusion (DE&I)

The Hakuholdo DY Group considers each employee’s individual creativity, and their collaborative teamwork together, as the source of value, and the implementation of DE&I is an essential foundation for our business activities. We are undertaking various initiatives to ensure that diverse employees can work freely and fully utilize their skills.



Hakuholdo DY Group’s Diversity, Equity & Inclusion (DE&I) Policy

The Hakuholdo DY Group seeks to realize a society in which everyone can flourish and live active lifestyles of their choosing. We are an entity in which employees, each *sei-katsu-sha* themselves, connect with other *sei-katsu-sha*, society and a broad range of social challenges to invent the future, leveraging their own unique creativity.

DE&I is itself *sei-katsu-sha* insight—the DNA of the Hakuholdo DY Group—and a source of our innovation. We are thus committed to implementing DE&I throughout the Group under our management policies.

Details ▶ [WEB](#) Full text of the DE&I Policy

Implementation Structure

In our Group, senior management provides leadership with their commitment to DE&I.

Under the director responsible for overseeing sustainability, our Corporate Sustainability Division undertakes efforts to ensure dissemination of the policy and advance the DE&I agenda in general as the function responsible for sustainability.

Three Initiatives for Promoting DE&I

In May 2023, we formulated and announced the Hakuholdo DY Group’s Diversity, Equity & Inclusion (DE&I) Policy as part of our Group management policy. As our goal for gender equality, we have declared our aim of achieving a 30% ratio of women in management positions by fiscal 2030.

We will implement various initiatives to realize DE&I in ways unique to Hakuholdo DY Holdings.



Diversity, Equity and Inclusion (DE&I)

Creating an Amenable Working Environment

We are developing various systems and support measures that help all employees balance work and family life and develop their careers with peace of mind while exercising their creativity, even when also handling childcare or nursing care.

Supporting Employees' Work-Life Balance (Hakuhodo/Hakuhodo DY Media Partners)

Various systems are in place to help employees balance their work and life plans.

	Life Stage		
	Pre-Pregnancy Prenatal	Postpartum Maternity leave	Returning to work
Specific accumulated leave (pregnancy leave)	Pre-pregnancy		
Commuting relief during pregnancy	Prenatal		
Work exemption while visiting hospital*1	Prenatal to 1 year after delivery		
Prenatal leave	6 weeks including day of delivery Note: 14 weeks for multiple births		
Postpartum leave	8 weeks from day after delivery		
Spousal maternity leave	Male employees *2	3 days can be taken 6 weeks before childbirth to 8 weeks after childbirth	
Paternity leave	Male employees *3	Up to 4 weeks and within 8 weeks of birth Note: Can be taken in 2 installments	
Childcare leave	Up to April following child's second birthday		
Career interview before returning to work (optional)	Implemented 1-2 months before returning to work		
Shorter working hours	Less than 1 year old: Maximum 2 hours; Younger than third grade: Maximum 1 hour		
Babysitter assistance			
On-site childcare center	From 3 months to 3 years old		
Nursing leave*4	Five days per year per eligible child may be taken in one-hour increments		
Full-year support and contact	Pregnancy and childcare consultation service, career consultation, cafeteria plan, support for housework		

Nursing Care	Caregiving furlough	
	Vacations and holidays	93 days in total (Note: Can be taken in up to 3 installments)
	Caregiving leave*4	5 days per year per person requiring care may be taken in 1-hour increments
	Specific accumulated leave (caregiving/nursing care)	Remaining annual paid leave can be used for caregiving/nursing care purposes
Seminars and consultation desks	Consultation desks (internal and external) for caregiving/nursing care	Consultation services for nursing care available both inside and outside the Company
	Nursing care seminars and exchange opportunities	Seminars by outside lecturers and round-table discussions with other employees

*1 Health checkups required by law or public health guidance based on health checkups
 *2 Not limited to men if same-sex partners
 *3 In the case of adoptions, etc., women are also eligible
 *4 Up to 10 days if two or more people require care

TOPICS

Achieved 100% Rate of Male Childcare Leave in Fiscal 2022 (YOMIKO ADVERTISING)

In October 2022, YOMIKO ADVERTISING INC. endorsed the “100% male parental leave declaration” by Work-Life Balance Co., Ltd., aiming for 100% of eligible male employees to take childcare leave by 2024. The company requires male employees to take childcare leave within one year of childbirth as a general rule, with a target duration of two weeks. In addition to distributing a parenting handbook to all employees, the company has implemented measures such as providing incentives to team members supporting those who take childcare leave, regardless of gender, in order to encourage male employees to take advantage of childcare leave.

In fiscal 2022, all nine eligible employees took paternity leave, achieving a 100% ratio at the company.

Interview

Teams Working Together So 100% of Fathers Take Childcare Leave (YOMIKO ADVERTISING)

I took about a month and a half off for childcare after having my second child. This period allowed me to experience the importance of being with my family, and most importantly, the time I spent with my children could not have been happier.

While I had concerns about taking leave due to my position as a team leader, I received support from the entire department. By conducting a thorough review of my workload in advance and delegating tasks to other team members, I was able to gain the understanding and cooperation of our clients, and the overall experience of the team was enhanced. As a result, my time off also helped to improve the company's reputation, so I think things turned out really well all around. Having our own unique maternity leave system in place helped alleviate my psychological concerns. Since returning to work, I have been more conscious of time management and have been working together with my wife to ensure we have dedicated parenting time in the evenings.



Hirotaka Kimura
 Senior Manager,
 1st Business Producer Dept.
 1st Business Producer Division

Diversity, Equity and Inclusion (DE&I)

Ensuring Rewarding Work

The Hakuholdo DY Group aims to create a workplace culture in which all employees, regardless of attributes, can demonstrate their abilities and feel that work is rewarding.

Promoting the Activities of Female Employees

As a benchmark for realizing a corporate culture in which employees can play an active role regardless of gender, we aim to achieve a 30% ratio of female employees in management positions by fiscal 2030. We are working to promote the advancement of women through various measures, such as by cultivating human resources and improving the work environment, so that all female employees can find and pursue their own career paths.

Percentage of women new graduate employees	48.9%
Ratio of female employees in management positions	11.5%
Percentage of women returning to work after maternity leave	96.2%

(Fiscal 2022)

* Targets: Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, IREP, Hakuholdo DY Media Partners, D.A.Consortium, SoldOut

**Fiscal 2030 Group target ratio
for female employees in
management positions
30%**

Unconscious Bias Training (YOMIKO ADVERTISING)

In fiscal 2022, YOMIKO ADVERTISING introduced an initiative to address unconscious bias. This initiative includes mandatory online training for all corporate officers and employees and in-person training for team leaders responsible for on-site management. Additionally, the president led an initiative to share personal insights with all employees. The company aims to promote its DE&I initiatives by fostering an organizational culture where individuals are aware of biases.

Interview

Women Taking Leadership (Daiko Advertising/DAIKO WEDO)



Yumiko Hosoya

Team & Management Leader
Development Team
Human Capital
Development Promotion Division

At Daiko Advertising Inc./DAIKO WEDO creative & development inc., we strive to cultivate a culture and environment within the organization where diverse members can respect and acknowledge each other's values and career paths.

Given the company's current under-representation of women in managerial positions, we launched a leadership training program for women in fiscal 2022. Our objectives were to eliminate gender bias and foster female leadership.

The training is not just aimed at people becoming managers. Rather, it is designed as a step toward taking positive action, drawing a career path that suits the individual, including management positions, from among various career options. The training highlights an awareness toward and practical application of a leadership style that leverages one's own strengths,

and consists of three sessions held once every other month.

The training targets around 30 mid-level female employees that expect to demonstrate leadership, as well as their immediate superiors. Recognizing the importance of a shift in mindset throughout the organization, we are concurrently conducting training for their direct supervisors.

Our training program covers a wide range of topics, including diverse leadership styles, recognizing personal strengths, effective communication, problem-solving, and decision-making skills. Participants learn how to apply these skills and reflect on their implementation in the workplace.

Initially, some questions were raised about holding training exclusively for women. However, participants offered positive feedback after the training, such as "It was beneficial to have a training session exclusively for female employees," "The training provided more insights into the career paths for women within the company," and "It provided an opportunity for self-reflection on my own career."

Going forward, in addition to this training, we plan to continue exploring various other approaches to address gender bias.

Diversity, Equity and Inclusion (DE&I)

A Society in Which Everyone Can Play an Active Role

The Hakuholdo DY Group aims to create a society where every *sei-katsu-sha* can fully express their individuality and abilities. In addition to internal activities, we actively engage in external communications and business activities to generate an impact on society as a whole.

LGBTQ-Related Initiatives (Hakuholdo/Hakuholdo DY Media Partners)

We promote LGBTQ initiatives to foster an environment in which all employees of every orientation and gender can fulfill their potential.

▶ **Establishing the “Diversity Consultation Desk”**

In November 2021, we established the Diversity Counseling Office to facilitate anonymous consultation regarding problems related to diversity and sexuality.

▶ **Expanding the Definition of “Spouse”**

In November 2022, we expanded our definition of “spouse” to include “partners in de facto marriages and same-sex partners.” This change extends eligibility for various personnel systems and welfare benefits.

TOPICS

Japan LGBT Research Institute to Create New Values in Society by Thinking in Terms of Diverse Sexuality (Daiko Advertising/DAIKO WEDO)

In 2016, we established a specialized think tank focusing on diverse sexual orientations, including LGBTQ. Through our research and analysis on sexual orientations through *Sei-katsu-sha* Insight, we serve as a bridge connecting LGBTQ individuals with corporations and local governments, supporting DE&I initiatives and marketing activities. In 2021, we conducted the LGBT Awareness and Behavior Survey 2021, targeting approximately 430,000 people throughout Japan. We believe that promoting further understanding and engagement with sexual minorities, including LGBTQ, is crucial. Accordingly, we strive to build a society that collaborates with LGBTQ individuals through this survey and other initiatives.



Promoting the Employment of People with Disabilities

To ensure that all employees, regardless of disability status, can feel that their work as members of the Hakuholdo DY Group is rewarding, we actively promote the development of an environment for the reasonable accommodation and employment of people with disabilities.

Rate of Employment of People with Disabilities within the Hakuholdo DY Group
At Group level 2.50%
 (As of March 31, 2023)

TOPICS

Leveraging a Diverse Workforce and Obtaining Certification as a Company Where People with Disabilities Can Prosper (Hakuholdo DY I.O)

Hakuholdo DY I.O Inc. is a special-purpose subsidiary of the Hakuholdo DY Group that handles services shared among Group companies. As of April 2023, the company employed 93 people with disabilities, accounting for a majority of the 170 employees.

The “I.O” in the company name derives from “input” and “output,” which refer to the company’s main businesses at its establishment. Hakuholdo DY I.O is characterized by a strong commitment to contributing through work as a team on an equal basis, regardless of disability status. The company values and acknowledges each individual’s unique qualities and abilities, fostering a supportive and collaborative environment for vibrant and effective work performance. Today, in addition to input and output, it handles a variety of other business for Group companies, including accounting work, checking invoices, etc., website development, and data processing.



TOPICS

SUPERYARD, a New Company That Expands Employment for People with Mental Disabilities and Supports Career Advancement (Hakuholdo)

SUPERYARD CO., LTD., was established in February 2023 as a joint venture between Hakuholdo Inc. and Mitsui Fudosan Co., Ltd. By combining Mitsui Fudosan’s knowledge of working styles and offices with the know-how cultivated in Hakuholdo’s advertising business to identify and communicate their top features, the new company will work to realize a society in which people with mental disabilities, each of whom has different characteristics, can play an active role in various companies and develop their careers.

Workstyle Transforms

We consider establishing a work environment where each employee can fully unleash their creativity and thrive in their own unique way to be a crucial foundation for achieving our sustainability goals. Against today’s rapidly changing social landscape, we are committed to driving various initiatives that enable employees to enjoy a fulfilling work-life balance and work in the manner they please.



Workstyle Transforms Initiatives (Hakuhodo/Hakuhodo DY Media Partners)

In fiscal 2022, core operating companies Hakuhodo and Hakuhodo DY Media Partners established the Workstyle Transformation Committee. In December of the same year, they formulated new Time Value Management guidelines for workstyle transforms, along with a new vision for better work-life integration dubbed “creating a better relationship between work and life.” Under a well-established environment and appropriate work transformation, we will undertake various initiatives to enable individuals to hone their skills and maximize creativity while remaining conscious of each other’s productivity as a team.



はたらくと人生を、
もっといい関係に。

Overview of Workstyle Systems

Workstyle rules	Purakyu 5	We have established a new Purakyu leave system that allows employees to take leave for planning private activities that benefit both the individual and their work. This system allows employees to take at least one paid weekday a month to recharge their physical and mental batteries.
	Interval 11	Taking an “interval” of at least 11 hours between the end of one work shift and the start of the next helps employees be physically and mentally prepared to fully demonstrate their creativity on the following day.
Workstyle etiquette	Slash 7	We have set 7:00 p.m. as the end of core time for in-house meetings and discussions. The aim is to ensure efficient progress during meetings while allowing time for individuals to think of ideas and refresh their minds.
	Silent 10	We ask people to refrain from making non-urgent contact or requesting replies after 10:00 p.m. on weekdays or at all on weekends to foster a culture in which employees respect the time of those they work with.
Other systems	Purakyu 7	Employees taking five days of leave under Purakyu 5 can take one day of special leave once a month during the seven months from September to March of the following year.
	Compensatory holidays	Under this system, employees are granted one day of leave for working three or more hours on a holiday.
	Health leave	If an employee exceeds overwork criteria during a month and has no compensatory holidays remaining, they will be granted one day of leave to be used within the next two months.
	Free vacation holidays	These consist of five consecutive vacation days granted twice a year.
	Step leave	Under this system, employees are granted up to 15 consecutive days of leave in January of the year following their 10th, 20th, and 30th year of service.
	Teleworking	Employees may work at home or in an office-like environment within Japan.

Health and Productivity Management

The Hakuholdo DY Group strives to create an environment where all of its employees can make full use of their skills and are empowered to express their individuality and contribute in the workplace. Along with DE&I implementation and workstyle transforms, we are strengthening our Groupwide implementation capabilities and undertaking various initiatives to resolve issues related to health and productivity management.



Health and Productivity Management Initiatives (Hakuholdo/Hakuholdo DY Media Partners)

Health Declaration

Hakuholdo is a company that values people as our assets. (...) As professionals, we always prioritize maintaining our own health and expanding our capabilities, while also considering the health and well-being of our team members. Every person working at Hakuholdo enjoys an environment in which “work enriches life, and life enriches work.” At the foundation of this environment is each individual’s health. Moving forward, Hakuholdo will continue to advance health and productivity management to support the sustainable growth of its employees and the company, and to provide new value to society.

Details ▶ [WEB Hakuholdo](#) (Japanese only)

Details ▶ [WEB Hakuholdo DY Media Partners](#) (Japanese only)

Implementation Structure

Masanori Nishioka, a representative director and senior executive corporate officer, chief officer of the Integrated Management Headquarters, and chairman of the Hakuholdo Health Insurance Society, has been appointed as the chief health officer. He will work in collaboration with the Health Management Department of the Human Resource Strategy Division, the Health Support Center, the medial staff at the companies’ internal clinics, and the Health Insurance Society to promote a uniquely Hakuholdo approach to health and productivity management.

Health and Productivity Management Promotion Cycle



* Period: Fiscal 2022
Coverage: Hakuholdo and Hakuholdo DY Media Partners

Human Rights Policy

In 2022, the Hakuholdo DY Group established its Group Human Rights Policy. In 2023, the Company identified significant human rights issues as priorities and reported on these issues at a Sustainability Committee meeting in February of that year. The Company has also formulated Human Rights Due Diligence Guidelines and conducts Groupwide human rights due diligence based on four cycles—identification and assessment, prevention and mitigation, monitoring, and disclosure.



The Hakuholdo DY Group’s Human Rights Policy “Realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing”

At the Hakuholdo DY Group, we aim to achieve our sustainability goal of “realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing” through our creative human resources, who serve as our greatest asset. Respect for human rights is the foundation upon which the Hakuholdo DY Group is built, and we promote respect for human rights as the root of ethical, sustainable business. In order to fulfill our responsibility to respect human rights more thoroughly, we have formulated a Human Rights Policy for the Group based on the “Protect, Respect and Remedy” framework outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Details ▶ [WEB Full text of the Human Rights Policy \(Japanese only\)](#)

Implementation Structure

The Hakuholdo DY Group’s Board of Directors has a responsibility to implement ongoing monitoring of all activities stipulated by the Policy in regard to respect for human rights. While fulfilling the monitoring function concerning measures to address particularly salient human rights issues, the Board will also devise appropriate measures to prevent any direct or indirect involvement in human rights infringements. The Corporate Sustainability Division, as the unit responsible for sustainability matters, will work under the guidance of the director responsible for overseeing sustainability to spread awareness of the Policy and promote all initiatives related to respect for human rights.

Human Rights Due Diligence

Disclosure of Significant Human Rights Issues

Human rights issues		Rights holders whose human rights could potentially be negatively impacted		
		Employees	Suppliers*	<i>Sei-katsu-sha</i>
Expression and dissemination of information	Restrictions on expression in production process	Medium	Medium	—
	Discrimination arising from expression or dissemination of information	—	—	High
	Leakage of personal information or invasion of privacy	Low	—	High
Labor	Discrimination or harassment in employment	High	High	—
	Discrimination in hiring	Low	Low	—
	Overwork and long working hours/ Safety and health	High	High	—
	Forced labor	Low	Medium	—
	Child labor	Low	Medium	—
Religion	Religious freedom	Medium	Medium	—

* Mainly business partners

Details ▶ [WEB Identification process and decision criteria \(Japanese only\)](#)

Relief Mechanism

To ensure that corporate officers and employees who have experienced human rights violations are able to receive support, we have established a relief contact point within the Company for whistleblowing and consultations. This contact point monitors the situation, considers appropriate measures, and reports to the Group Compliance Committee.

Details ▶ [WEB Relief mechanisms \(response contact point\) \(Japanese only\)](#)

Initiatives to Address Climate Change and Other Environmental Issues

In its business activities, the Hakuholdo DY Group will comply with environment-related laws, regulations, and industry standards, and we will voluntarily work to reduce our environmental impacts. In addition, we will leverage each employee's creativity, ability to take action, and capacity to make things happen as we aim to support the realization and development of a sustainable society through our business and other activities with our business partners.



Basic Policy

Through its policies of *Sei-katsu-sha* Insight and Commitment to Partnership, the Hakuholdo DY Group aims to “create and spread new happiness among *sei-katsu-sha* and society” by finding solutions to the challenges faced by our business partners and society. With environmental awareness rising by the day, efforts to realize and develop a sustainable society are essential for the well-being of *sei-katsu-sha* and society as a whole.

The Hakuholdo DY Group is committed to complying with environmental legislation, regulations, industry standards, and other requirements related to its business activities. We are actively working to reduce environmental impact and are leveraging the creativity, ability to take action, and capacity to make things happen to support the realization and development of a sustainable society through our work with our business partners and other initiatives.

Details ▶ [WEB](#) Basic Policy

Implementation Structure

Reporting to the Hakuholdo DY Group Sustainability Committee, we have arranged for the Hakuholdo DY Group Environmental Manager to be the person responsible for environmental activities across the Group. As part of this, we have set up the Environmental Committee as a subordinate organization that conducts quarterly assessments and consolidates measures to address climate-related issues on a regular basis.

The Board of Directors receives reports from the Sustainability Committee on the evaluation, status, and goal management of climate-related issues. The Board also engages in comprehensive decision-making regarding the formulation of business strategies, taking climate-related challenges into consideration.

Endorsing the Recommendations of the Task Force on Climate-related Financial Disclosures

The Group endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For scenario analysis, we have established the Environmental Committee under the Sustainability Committee, which is chaired by the Representative Director & President, and the Environmental Manager. Relevant departments of the head office and each Group company took part in the committee's efforts that—in fiscal 2022, for the first time—worked to identify significant risks and opportunities arising from climate change, and to evaluate them quantitatively and financially. We are moving forward with disclosure across the Group in accordance with TCFD recommendations.

Details ▶ [WEB](#) Addressing Climate Change and the TCFD

Risks and Opportunities

In fiscal 2020, the Group identified and assessed its material issues (materiality), which are important issues for achieving sustainable growth for both society and the Group with a view to realizing the SDGs. The Group Compliance Committee will manage progress and review materiality risks, including climate-related issues, on a case-by-case basis to establish an appropriate risk management system.

Strategy: Scenario Analysis

The scope of the scenario analysis covers the entire value chain from research and development (R&D) to procurement, production, and service provision, with a focus on Japan, the Hakuholdo DY Group's principal area of operation. To consider long-term assumptions for 2030 and beyond, analysis was conducted against two scenarios: a 1.5°C scenario, which assumed an average global temperature at the end of this century of no more than 1.5°C warmer than

Initiatives to Address Climate Change and Other Environmental Issues

that prior to the Industrial Revolution (in some instances a 2.0°C scenario was also analyzed), and a 4°C scenario, which assumed a rise in average global temperature of around 4°C.

Indicators and Targets

To achieve carbon neutrality by fiscal 2050, the Hakuodo DY Group has set an interim target of a 50% reduction in Scope 1 and Scope 2 emissions by fiscal 2030 compared with fiscal 2019 and a 30% reduction in Scope 3 emissions.

To achieve this goal, we will not only conduct existing energy conservation activities but also aim to introduce renewable energy-derived electricity to account for 60% of our total electricity consumption by fiscal 2030 and 100% by fiscal 2050. We will also implement formulate measures in the four main areas of renewable energy introduction, energy conservation (paperless offices), waste reduction, and recycling.

Details ▶ [WEB](#) Addressing Climate Change and the TCFD

Status of Acquisition of ISO 14001

In accordance with the Hakuodo DY Group Environmental Policy, certain units are implementing environmental management in conformity with the international environmental standard ISO 14001. Currently, ISO 14001 certification has been acquired by Hakuodo Inc. and Group companies OZMA Inc. and HAKUHODO I-STUDIO Inc.

Introduction of Renewable Energy

Following YOMIKO ADVERTISING, which introduced renewable energy in April 2022, we have since 2023 switched electricity used in Akasaka Biz Tower, where various Hakuodo DY Group companies are located, to green power*1. Utilizing a green power supply service*2, the Group succeeded in making Akasaka Biz Tower’s electricity use 100% green for all of fiscal 2023.

*1 Green power: An effectively renewable energy source with environmental value derived from residential solar power generation that has reached the end of its power purchase period under the feed-in tariff (FIT) scheme. Mitsui Fudosan Co., Ltd., and TEPCO Energy Partner, Inc., have concluded a comprehensive agreement related to the greening of power consumption for office buildings to provide a stable supply of electricity to tenant companies.

*2 Green power supply service: A service developed by Mitsui Fudosan that provides effectively renewable energy for electricity used in office buildings and other facilities through the utilization of non-fossil fuel certificates. This service is designed to flexibly meet tenant needs in achieving the Science Based Targets (SBTs) for the reduction of greenhouse gas emissions, allowing for customizable implementation rates and other specifications.

Third-Party Guarantee

A third-party guarantee has been received from Deloitte Tohmatsu Sustainability Co., Ltd., for the CO₂ emissions report available on the Company’s corporate website containing data on Scope 1, 2, and 3 CO₂ emissions from fiscal 2021. We are working to obtain a third-party guarantee for our Scope 1, 2, and 3 CO₂ emissions in fiscal 2022.

Details ▶ [WEB](#) CO₂ emissions report (including third-party guarantee) (Japanese only)

Item	Target	Base year (fiscal 2019)	Results for fiscal 2021	Progress in fiscal 2021
Scope 1 and Scope 2 CO ₂ emissions*1	Reduction of 50% by fiscal 2030 (compared with fiscal 2019), carbon neutral by fiscal 2050	11,174 tons	6,959 tons	37.7% reduction
Scope 3 CO ₂ emissions*1	Reduction of 30% by fiscal 2030 (compared with fiscal 2019)	30,063 tons	17,747 tons	41.0% reduction
Introduction of renewable energy*1	60% by fiscal 2030, 100% by fiscal 2050	0%	1.8%	1.8%
Energy conservation*1	Reduction of 30% (compared with fiscal 2019)	5,372 kl	2,858 kl	46.8% reduction
Waste reduction*2	Maintain an average reduction of 50% or more (compared with fiscal 2019)	486 tons	228 tons	53.1% reduction
Recycling rate*3	Recycling rate of 85% or more	82.2%	79.0%	79.0%

*1 Total values for Hakuodo, Daiko Advertising, YOMIKO ADVERTISING, Hakuodo DY Media Partners, and HAKUHODO PRODUCT'S

*2 Waste volume and waste reduction targets for Hakuodo head office in Tokyo

*3 Recycling rate at Hakuodo head office in Tokyo



Group Sustainability Initiatives

Shellmet (TBWA\HAKUHODO)

Scallop Shells Go from a Social Issue to an Important Resource Supporting the Community

The Shellmet (HOTAMET in Japan) is a helmet developed in collaboration with Koushi Chemical Industry Co., Ltd., and the Hokkaido village of Sarufutsu.

While Sarufutsu has been crowned multiple times as Japan’s top producer of scallops, the region of Soya where the village is located faces significant social challenges. The region generates approximately 40,000 tons of scallop shells as waste each year, leading to concerns about environmental impact and the availability of disposal sites.

To address the problem of surplus scallop shells, Koushi Chemical Industry and TBWA\HAKUHODO focused on the fact that the main ingredient of scallop shells is calcium carbonate, then worked to develop a way to reuse these shells as other materials. They developed an eco-friendly plastic called Shellstic (Karastic in Japan) made from discarded scallop shells and refuse plastic.

In addition to emitting less CO₂ for production than new plastics or limestone-derived eco-plastics, the material is also stronger because it mimics the structure of scallop shells.

The product won a total of three awards at Cannes Lions International Festival of Creativity 2023 for its low environmental impact and sustainability from material development to design.

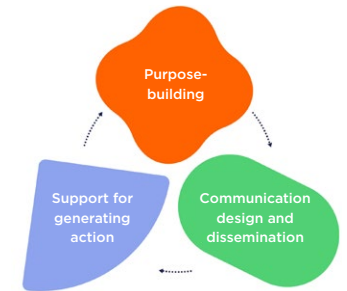
Details ▶ [WEB Shellmet](#)



SUSTAINABLE ENGINE (HAKUHODO PRODUCT'S)

Specialized Project Team Accelerates Corporate Sustainability Action

HAKUHODO PRODUCT'S INC. has launched a special project team named SUSTAINABLE ENGINE, which harnesses the integrated production company’s strengths to address companies’ communication challenges in the sustainability field. The team consists of experts who have specialization and implementation strengths in advertising and promotion domains, and those with specialized knowledge and experience in the sustainability domain. SUSTAINABLE ENGINE offers services in three key processes—purpose-building, communication design and dissemination, and support for generating action—and tailors its approach to the specific needs of each client. This team is able to provide integrated solutions by leveraging the specialized capabilities in each business domain, while incorporating the team’s collective insights.



We also support the realization of a circular economy, based on manufacturing, which includes ensuring traceability, production in clean-energy factories, eco-friendly transportation, and upcycling, in order to achieve a decarbonized society and demonstrate consideration for the environment and human rights within the supply chain.

Details ▶ [WEB SUSTAINABLE ENGINE \(Japanese only\)](#)



Environmental Initiatives at Group Companies

Initiative Changes with the Power of Creativity and Design (IDEO/kyu)

IDEO LP is a key member of the kyu collective. Having pioneered human-centered design thinking, the company offers design and innovation for products, services and organizations covering a wide range of areas including environmental issues, finance, transport, education and food. With seven offices around the world, the 480-strong workforce of IDEO forms cross-disciplinary teams to meet the challenges at hand.

IDEO has been designing sustainable products and services for decades but launched its climate labs to help organizations embrace the climate change era with the power of creativity and design in 2023. Companies are now facing the “Climate Era.” After the “Industrial Era” and “Digital Era,” we must change our business models and organizations through the lens of climate change. Being sustainable will help drive the needs of *sei-katsu-sha*. Our offerings to meet such requirements include innovation design with human-centered thinking and organizational transformation.

Every leading global company has set its own climate targets. At the same time, many of our clients are faced with a dilemma: sustainable products provide less performance and excitement for users despite being more expensive than existing products. We are focusing on the idea of delivering goods that are both more sustainable and more satisfying.

Company	IDEO LP
Office locations	San Francisco, Chicago, Cambridge, London, Munich, Shanghai, Tokyo
Established	1991
Joined kyu	2016
Employees	480 (as of July 2023)
Business	Prototyping, branding, product/service/experience/business design, design research, storytelling, UX design, DX



Bryan Walker
Partner and Managing Director

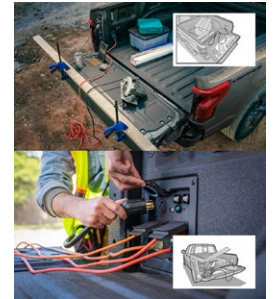


Luis Cilimingras
Partner

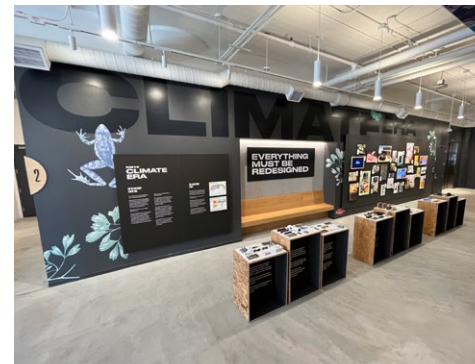
For example, our F-150 Lightning project for Ford helped evolve the vehicle into a more sustainable and attractive product through electrification, with powerful charging outlets for outdoor leisure activities or as a workstation for connecting electronic devices.

Collaboration across organizations and communities is one of the key challenges that we are hoping to meet going forward. Finding solutions to social issues including those related to climate change entails connecting and conversing with *sei-katsu-sha* from different generations and communities, as well as governments and businesses. To that end, we are partnering with organizations like the Ellen MacArthur Foundation to work across sectors in the transition of our current liner economy towards a circular model that eliminates waste and regenerates nature while it grows.

We believe that creativity and design have the power to break down silos and create horizontal partnerships.



Details ▶ [WEB IDEO](#)



San Francisco office



London office

Community Contribution Initiatives by Group Companies

Signing an Agreement for a Local Revitalization Entrepreneurship Program (SoldOut)

Rediscovering Local Treasures through Collaboration with Local Governments and Companies

Since its establishment, SoldOut, Inc., has been on a mission to “make Japan a country where small- and medium-sized businesses and startups can flourish.” SoldOut has been supporting such companies nationwide in the areas of digital marketing, software, media production/operation, and DX, based on an understanding of their challenges and unique qualities.

In 2021, SoldOut entered into a “Local Revitalization Entrepreneurship Program” agreement with the city of Kamaishi, Iwate Prefecture. This program, established by Japan’s Ministry of Internal Affairs and Communications, allows employees of private companies in the country’s three major metropolitan areas to be seconded to local governments for a certain period of time, where they contribute their expertise and experience to regional revitalization efforts. SoldOut has dispatched employees to the cities of Kamaishi, Iwate Prefecture, and Unnan, Shimane Prefecture, as part of this program.

To the city of Kamaishi, SoldOut dispatched Aoi Ikeido, a strategic planner who has been involved in the formulation of mission statements for various other companies as well as its own. Based on her track record and experience in launching new PR services within SoldOut, she is supporting Kamaishi’s city promotion efforts and assisting with marketing for local food companies. By taking a fresh look at the region, we aim to rediscover its treasures and promote industrial development through exchanges between visitors to Kamaishi and its residents.

Details ▶ [WEB Local Revitalization Entrepreneurship Program \(Japanese only\)](#)

Interview



Aoi Ikeido

Senior Researcher
Kamaishi City Local Economy
Revitalization
Strategic Planner
SoldOut

I was responsible for redefining the tourism concept and overseeing the production of city hall’s website and leaflets. Most recently, I launched an e-commerce site for processed fish products and have been working to expand the business. Kamaishi is an open-minded community that welcomes external talent, providing a foundation for information-sharing through local networks and external talent communities. Although I was initially anxious about living alone in a rural area, I have had opportunities to go fishing in the morning with the locals and have been enjoying a life that appreciates the blessings of nature. Through these interactions, I have come to see the complexity of individuals, shifting my perspective from “rural area = a collective of people” to “rural area = a gathering of diverse individuals.” I approach my work with the mindset of ensuring that each individual receives attentive service.

FULL SWAN CUP (DAC)

Cultivating Future Digital Marketing Talent in Niigata

Since establishing its office in Niigata Prefecture in 2019, D.A.Consortium Inc. (DAC) has been dedicated to nurturing digital marketing talent in Niigata with the support of the prefectural and city governments, as well as educational institutions. In February 2023, we signed a contract as the digital marketing partner of professional soccer club Albirex Niigata, and in July, we jointly held a marketing contest called FULL SWAN CUP, targeting students with the theme of “filling the Denka Big Swan Stadium* to capacity.” We aim to engage and involve the younger generation, who will shape the future, in digital marketing through region-specific themes. Students who participated in the contest expressed their feedback. They mentioned having gained valuable experience in utilizing their own abilities and knowledge, working hard with fellow participants, and having the opportunity to challenge themselves in authentic marketing implementation, including planning and bouncing ideas off others. Others mentioned that their interest in marketing and their attachment to Niigata had deepened as a result of their participation. We believe the contest helped to foster digital marketing talent rooted in Niigata.

Going forward, under the mission of “empowering the digital future,” we will continue striving to develop human resources and provide an environment in which they can play an active role.

* The home stadium of Albirex Niigata

Details ▶ [WEB FULL SWAN CUP 2023 \(Japanese only\)](#)



Educational Contribution Initiatives at Group Companies

Tackling Underemployment in Digital Marketing (Kepler/kyu)

Kepler Academy is a free online digital marketing training program founded by Kepler in 2020. The advertising industry has historically been highly homogeneous and prone to underrepresentation from a variety of genders, races, and nationalities. Kepler Academy aims to increase diversity in digital advertising by giving people from all backgrounds and lived experiences the skills required to find positions in digital marketing.



The program's management, curriculum design, training, and mentoring are all conducted and administered by Kepler staff. Based on the curriculum offered to Kepler's own staff, the program provides practical training with collaboration from industry partners and clients. With no barriers to participation, the program is open to all, including recent college graduates, career switchers, adult learners, and an array of others who are committed to finding roles in marketing.

Within six months post-graduation, 85% of graduates are employed, with 78% of these working at Kepler and other major firms in the industry. The number of graduates per cohort has been rising steadily, with the total number of graduates set to exceed 300 by the end of 2023.

The goal for the future is to continue growing the student base, maintain strong relationships with graduates, and create a path toward fiscal sponsorship that would allow for outside investment to be possible.

Details ▶ [WEB Kepler Academy](#)

Program Calendar Overview

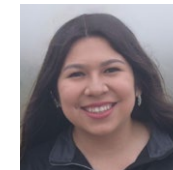
 Media Foundations Weeks 1-3	 Media Planning & Client Skills Training Weeks 4-7	 Final Project Career Prep Weeks 7-8
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Representative Kepler Academy participants



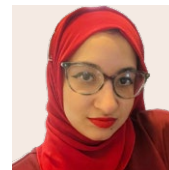
Micah (Cohort 3)

"Kepler Academy gave us all the tools we needed to succeed."



Olga (Cohort 5)

"Kepler Academy is definitely a 12 out of 10 program... I've learned a lot of skills and tools in the digital marketing field."



Sara (Cohort 4)

"I learned how to create a paid search campaign. I highly recommend Kepler Academy."

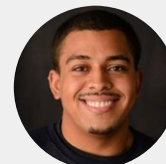


Raymond (Cohort 5)

"Thank you for being a part of my long journey to overcome underemployment."

Interview

Young staffers are given mentoring roles. This has two benefits. Through the program they can learn leadership and management skills important to their work. Plus, by working with participants across the program journey, they get to experience contributing to another's success. When graduates join the industry as their colleagues, they feel joy at that moment.



Justin Roberts
Associate Vice President

Company	Kepler Group LLC
Office locations	New York, Philadelphia, Boston, Chicago, San Francisco, Toronto, San Jose, London, Singapore
Established	2012
Joined kyu	2018
Employees	556 (as of July 2023)
Business	Digital and marketing strategy, DX, integrated media/CRM services, data and technology consulting

Hakuhodo Foundation

Hakuhodo Foundation was established in 1970 as a public interest incorporated foundation, with the aim of contributing to the sound formation of individuals by subsidizing Japanese language education for children and education for individuals with vision and hearing impairment, as well as conducting research on its activities. The foundation received public certification in 2011 and adopted its current name in 2020. The foundation's core activities include the establishment of the Hakuho Award to honor outstanding educational practices, as well as the provision of grants for research into child education practices and scholarships for teacher training. Under the theme of "Children × Language × Education," the foundation carries out activities such as Japanese language exchange programs, social enlightenment programs, Japanese language education programs, and survey research programs.

Details ▶ [WEB](#) Hakuhodo Foundation

Hakuho Award

This award was created at the time of the foundation's establishment with the aim of revitalizing and supporting the field of child education. It recognizes grassroots activities and contributions of schools, organizations, and educators in six areas, including Japanese language education, special needs education, and international culture and multicultural education, which have a potential ripple effect in the educational field. The foundation also supports the sharing of achievements and the continuation and expansion of activities. The Hakuho Award was presented for the 54th time in fiscal 2023, and 12 projects were selected as recipients.



The 53rd Hakuho Award presentation ceremony

Research Grant for Child Education

The foundation provides one- and two-year grants for research aimed at nurturing language skills among elementary and junior high school students and research designed to improve the quality of child educational practices. The goal is for research results to reflect new perspectives and be deployable in educational settings, thereby building the foundations of child education. In the 18th grant round (fiscal 2023), the foundation received 79 applications from across the country, and after the review process, 16 grants were awarded.

Teacher Development Scholarship

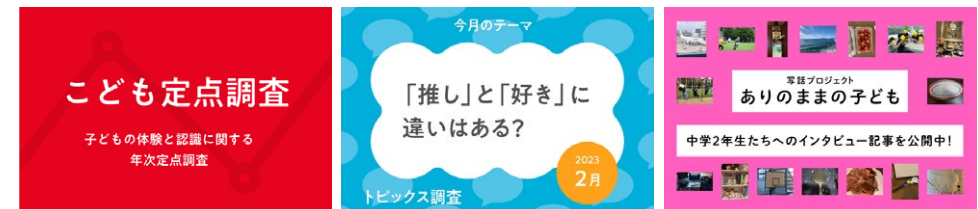
The foundation offers scholarships to students who aspire to become elementary school teachers, special needs school teachers, and Japanese language teachers at junior high and senior high schools. In fiscal 2023, the foundation has recruited 97 students, and scholarship recipients currently number 247. To facilitate ongoing networking among former scholarship recipients, the foundation regularly organizes group training sessions and regional exchange programs.

Social Enlightenment Programs

These programs were introduced to commemorate the foundation's 50th anniversary of establishment. The foundation set the initial campaign theme as "Expanding Children's Reading Opportunities," and it has been holding the essay writing contest "My Favorite Book, For You" since fiscal 2020. The programs aim to foster the ability to articulate personal emotions and convey thoughts, helping to develop thinking skills and expressive abilities.

Survey Research Programs (Child Research Institute)

The foundation conducts quantitative surveys, such as children's fixed-point surveys and topical surveys, which target elementary and junior high school students and inquire into various child-related themes. The foundation also runs qualitative surveys, which involve listening to stories related to photos that children have taken of their favorite things. Through such unique initiatives, the foundation aims to capture the genuine essence of children and share this on its website and social media platforms.



Details ▶ [WEB](#) Child Research Institute (Japanese only)

[Instagram](#) Arinomama no Kodomo (Children as They Are)

05 Governance

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Message from the Chairman



To ensure the Group continues to provide value to all stakeholders, we will further strengthen corporate governance, as well as the Board of Directors' function and effectiveness.

Hirokazu Toda

Director & Chairman

The Goals of the HakuHodo DY Group

Value creation is the true essence of a company.

The fundamental functions of a company are said to be marketing and innovation. For the HakuHodo DY Group, our purpose is to help our clients with their marketing and innovation-related activities. Customer acquisition is the true essence of marketing, and market creation is the true essence of innovation.

Marketing and innovation work together to complement one another. To create markets, you need to first acquire customers. And to acquire customers, you need to first push the limits and create new markets.

The Group considers *Sei-katsu-sha* Insight an important concept. Under this concept we view customers as *sei-katsu-sha*. There is also the notion of considering customers as consumers, and although this way of thinking is likely

more common, we at the HakuHodo DY Group do not view our customers simply as consumers.

Rather than viewing people simply as the targets of consumption, or consumers, we view them as *sei-katsu-sha* who can design their own lifestyles on their own accord. By doing so, we have come to know *sei-katsu-sha* better than anyone else. Using this knowledge, we come up with new ideas and express the optimal creativity. We refer to this approach as *Sei-katsu-sha* Insight, and it is an extremely valuable policy to the Group.

The other policy we value is Commitment to Partnership. This policy allows us to take on the issues of our clients from the standpoint of *sei-katsu-sha* and offer clients comprehensive solutions to these challenges, thereby creating long-term partnerships with them.

Viewing customers as *sei-katsu-sha*, our goal with these

policies is to work together with our business partners to bring happiness to *sei-katsu-sha*.

Sei-katsu-sha wish for a society with safety and peace of mind. *Sei-katsu-sha* also wish for a society in which they can express themselves. Additionally, *sei-katsu-sha* wish for a sustainable society.

I mentioned previously that value creation is the true essence of a company. In the case of the Group, our value creation lies in our goal of realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. We will realize this goal together with our business partners by drawing on the optimal creativity.

Next, let me talk about our stakeholders, who represent our partners in delivering the value we create.

As I stated before, *sei-katsu-sha* (and in a greater sense, society) and our clients are our most important partners in

Message from the Chairman

“We aim to continuously enhance our corporate value in order to earn the trust of our shareholders and investors, our most important stakeholders.”

providing value. But these are not our only stakeholders. Media companies, content holders, production companies and other business partners are also important stakeholders.

Furthermore, our employees represent another extremely valuable stakeholder. As such, we adopt the policy of recognizing our people as our assets. We maintain this policy because we work in a service industry that centers on mental work. The minds of our employees are what allows 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.

Also, our most important stakeholders are our shareholders and other investors. Leveraging their investments, we aim to continuously enhance corporate value. Going forward, we will continue to make concerted efforts to earn the trust of our shareholders and other investors.

The Structure of the Hakuholdo DY Group

The Hakuholdo DY Group adopts a holding company structure.

To put it simply, a holding company is a company that designs (plans) companies, a company that designs a corporate group. I believe this role is extremely important for maximizing our value creation.

Now, let me explain how we work to design the Group. The first way we accomplish this is by drafting and implementing Group strategies aimed at future growth. To achieve

such strategies, we must execute investments.

Our operating companies are primarily responsible for formulating strategies that help us prevail over the competition today. Accordingly, they focus their attention on clients and media companies and undertake strategies to enhance competitiveness.

The next role the holding company plays in designing the Group is in providing support to the operating companies in order for them to maximize their value creation.

The support entails several aspects. For example, we share business plans with the operating companies and provide them with financial support. We also help them integrate their information systems and take on a portion of their back-office work.

The third role we play is in determining how we will pursue the above efforts so as to enhance corporate value and then explaining our approach to our shareholders and other stakeholders to win their esteem.

As a publicly traded company, Hakuholdo DY Holdings designs the Group's value creation and works to fulfill its promise to capital markets and other stakeholders by delivering this value to them.

The Hakuholdo DY Group's Corporate Governance

The Hakuholdo DY Group operates based on the management model of “independence and solidarity.”

“Independence” refers to two ideas, which are that each

operating company should (1) realize growth by leveraging its uniqueness as a strength, and (2) fulfill its promise (business plans) to the holding company as a result of doing so. Based on this independence, the holding company makes a promise to the capital markets and other stakeholders that the Group will achieve its ambitions. This promise refers to qualitative aspects, such as achieving our goals, and quantitative aspects, such as accomplishing our business plans (figures). In this way, the Group operates based on a “chain of promises.”

“Solidarity” involves realizing sophisticated collaboration between operating companies by having them combine their respective strengths and, through this collaboration, offer new value to *sei-katsu-sha*, clients, and media companies.

Through this spirit of independence and solidarity, we are able to create a cohesive Groupwide structure that brings together the strengths of each operating company to create even greater value, thereby accelerating growth.

Corporate governance plays an important role in steadily fulfilling this “chain of promises” between our stakeholders, holding company, and operating companies.

The Board of Directors of Hakuholdo DY Holdings serves as the core of the Hakuholdo DY Group's corporate governance.

The Board of Directors discusses Group growth strategies and creates medium-term business plans. It also deliberates on the budget and formulates plans for each fiscal year. We announce these medium-term business plans and yearly plans as our promise to the capital markets and other stakeholders. The operating companies establish their own medium-term business plans and yearly plans, which serve as their promise to the holding company.

The Board of Directors needs to discuss the feasibility of sustainable growth from a long-term perspective. Meanwhile, the Board must also create short- and medium-term business

Message from the Chairman

plans. This is because no matter how valuable a long-term goal or target may be, that goal or target cannot be attained if we do not succeed with efforts in the short and medium term.

Composition of the Board of Directors

The Board of Directors of Hakuholdings DY Holdings is made up of ten members, four of whom—or 40%—are outside directors.

The Company’s internal directors also serve as directors of the Group’s core operating companies. Such composition allows us to steadily enact the “chain of promises” between the holding company and the operating companies on behalf of our shareholders and other stakeholders. This is because we cannot fulfill our promises to stakeholders if we are unable to execute strategies.

In addition, we place the following expectations on our independent outside directors. The famous Japanese scholar Hokoku Yamada once said, “Those who govern well stay outside of matters and observe their essence instead of succumbing to them.” To ensure that the Company is growing in the right fashion, a view of the Company from the outside is crucial. We ask that our outside directors adopt this outside view (meaning the view of the stakeholders) as they monitor the Company’s business execution in an objective manner. We also ask that the outside directors draw on their expertise, which is usually in areas where our internal expertise is not sufficient, to provide their opinions and advice.

Our four outside directors possess an abundance of experience in law, corporate management, investment banking, and government administration, respectively. With their guidance, I believe the Board of Directors holds open discussions, switching between a broad, overlooking perspective and one that is focused on specifics.

“Corporate governance plays an important role in steadily fulfilling the “chain of promises” between our stakeholders, holding company, and operating companies.”

Board of Directors (As of June 30, 2023)



Details ▶ Pages 68-76

Please refer to “Corporate Governance” for more details

Director Nomination and Remuneration

Under the Board of Directors, we have established the Nomination Committee and the Remuneration Committee as discretionary bodies.

Each committee is composed of four outside directors and three directors, including representative directors, and both have an outside director serving as the chair.

The role of the Nomination Committee is to create personnel plans for directors and corporate officers and establish important regulations related to nomination. The proposals of the Nomination Committee are reported to the Board of Directors, where they are subsequently deliberated and decided upon.

The most important nomination is naturally that of the Company president, and the Nomination Committee handles the creation of succession plans for the president.

Within these plans, the committee first determines the requirements for leadership. The committee defines

leadership as “the ability to maximize organizational capabilities to realize sustainable growth and enhance corporate value.” To evaluate this ability, the committee considers a candidate’s courage, wisdom, and compassion as well as their level of contribution to the Company’s corporate culture. Courage means the ability to lead in an effective manner, wisdom involves analytical capabilities, and compassion relates to charisma.

The level of contribution to corporate culture refers to the ability to further develop the ideas, culture, and actions encapsulated by the policies or *Sei-katsu-sha* Insight and Commitment to Partnership, and the belief that our people are our assets, in a positive manner.

Furthermore, for officers who have the potential to be candidates for president, the committee works to change and expand their areas of responsibility so that they can gain experience in a broad range of fields.

Taking the above into account, the current president then selects multiple candidates for the role of president based on the Nomination Committee’s requirements for leadership. When selecting these candidates, the president does not rule out the possibility of choosing a candidate from an external organization.

The president then explains the reasons for choosing each individual candidate, including their track record and evaluation, to the members (outside directors) of the Nomination Committee. The members are also given the





Message from the Chairman

opportunity to meet individually with each candidate before holding deliberations in an effort to draw on the outside view (view of the stakeholders) of these members. Training seminars and other events are used as the location for holding these meetings.

For the final stage of the nomination process, the president conducts a comprehensive evaluation on the next potential president based on the business environment surrounding the Group and in consideration of the Nomination Committee’s requirements for leadership. Through this evaluation, the president narrows down the candidates to one person. The Nomination Committee then holds deliberations on this candidate and makes its final proposal. The president submits this final proposal to the Board of Directors and, after that, the final decision on the Company’s next president is made.

The role of the Remuneration Committee is to create plans for director and corporate officer compensation

Nomination Committee and Remuneration Committee (As of June 30, 2023)

Nomination Committee 7 directors	Internal directors	
	Independent outside directors	
Remuneration Committee 7 directors	Internal directors	
	Independent outside directors	

systems and amounts and to establish important regulations related to compensation. The proposals of the Remuneration Committee are reported to the Board of Directors, where they are subsequently decided upon.

Our basic policy for director compensation involves providing directors with a shared sense of value with the shareholders and other stakeholders, thereby incentivizing them to enhance corporate value over the medium to long term. In addition, this policy gives consideration to establishing compensation levels that are appropriate for the roles and responsibilities of the directors and corporate officers, and that can secure and maintain superior talent.

Compensation for directors is composed of an annual compensation, annual bonuses (short-term incentive), and stock-based compensation (medium- to long-term incentive). 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 of each director in the case of standard business performance.

We understand that director compensation plays an extremely pivotal role in ensuring that the Company’s directors take the responsibility as leaders to act on the “chain of promises” between our stakeholders, holding company, and operating companies.

Vision for Corporate Governance Going Forward

Our operating environment is changing significantly. *Sei-katsu-sha*, companies, and society itself all change. Under such circumstances, the importance of being able to flexibly respond to change will certainly increase.

To that end, we need to consider our purpose in creating value for stakeholders, what kind of value that is, and how to

best offer it. To build hypotheses, implement them and deliver results. Our goal (objective) is like the North Star, constant and unwavering. As the foundation of society changes, we need to strengthen our capabilities to develop and execute the roadmap to reach that objective.

In an era of accelerating change, it is also important to enhance corporate value with just the right balance of strength to protect it.

On February 28, 2023, Hakuodo and an employee of Hakuodo DY Media Partners were indicted by the Tokyo District Public Prosecutors Office following an accusation by the Fair Trade Commission of alleged violation of the Antimonopoly Act in connection with the outsourcing contracts, etc., for the planning, etc., of test events for the Tokyo 2020 Olympic and Paralympic Games. We apologize for the inconvenience and concern caused to our stakeholders. We recognize that compliance is of utmost importance.

The Group acknowledges the gravity of this incident. To take preventive measures and ensure compliance, a Special Investigation Committee was established, chaired by one of our independent outside directors. This committee presented its recommendations to the Board of Directors on May 11, 2023, and we will earnestly consider the suggestions and take actions to prevent recurrence, ensure compliance, and strengthen governance.

To do so, I believe the Board of Directors, which is at the core of corporate governance, needs to further enhance its function. We strive to remain a Group that can provide value to all of our stakeholders.

Details Pages 68–76

Please refer to “Corporate Governance” for more details

Messages from Outside Directors

My Role to Play

As an outside director, I am always conscious of providing an “outside perspective.” I hope to help enhance the Company’s governance, corporate value, and sustainable development by utilizing my diverse experiences in working as a prosecutor, in legal affairs, at the Deposit Insurance Corporation of Japan, as an attorney, and as an outside director of other companies. In particular, I intend to focus on advising and supervising management, taking into account both the “offensive” and “defensive” perspectives of governance.



Enhancing the Board of Directors’ Effectiveness and Issues We Face

In order to strengthen corporate governance, it is essential to enhance the effectiveness of the Board of Directors. In this regard, I believe we have made gradual progress over the past year or two. First, the Company appointed another outside director, bringing greater diversity to the Board in the appointment of a highly experienced female outside director with a background in administration. The compositions of the Nomination Committee and the Remuneration Committee have also improved, with a majority of outside directors on these committees making them more independent. To make discussions of the Board of Directors more meaningful, the Company has increased opportunities to explain proposals to outside directors ahead of time. Participation in internal events and various training sessions has also increased, and I have seen a notable rise in active exchanges of opinion among external officers. The challenge ahead lies in continuing efforts to address more medium- to long-term issues as agenda items, as well as considering an increase in the number of outside directors to raise diversity still further.

My Hopes for the Company’s Future

Given the Group’s current situation, I strongly hope for the following.

- Prepare for uncertainties in the post-pandemic business environment; above all, concentrate on recruiting and training personnel with the necessary spirit and ability to survive this period of upheaval
- Considering recent improprieties, renew awareness that a company is a public entity that cannot develop in a sound manner unless society recognizes it as trustworthy; make efforts to promote and establish a corporate culture that respects compliance (the other half of governance) and strengthen compliance practices

The Importance of Serving as a Representative of the Capital Market

Based on my experience and expertise, I offer advice aimed at enhancing shareholder value and facilitating effective communication with the capital market. As an outside director, I consider myself a representative of the capital market. As such, I anticipate the market’s questions and opinions and bring them to the Board of Directors. While all stakeholders are important, I believe that emphasizing shareholder value serves as a measure and delivers the most balanced outcomes for all stakeholders.



Governance: Assessment and Issues

When I joined the Board of Directors as an outside director in 2015, Board discussions were not exactly spirited. However, as the number of outside directors increased to two, then three, and then to four, I have sensed the Board becoming significantly more active. More outside directors has led to more diverse opinions shared from different perspectives, creating a positive sense of tension. I believe the Company’s governance is improving steadily.

Responding to a Changing Business Environment

The advertising industry is currently experiencing a once-in-a-century period of transformation, as new business models emerge, and the entire Group is being called on to adapt to these changes. Over the past few years, the Company has invested significantly in digitalization and expanding its overseas business. In the digital field, it is crucial to identify winning technology platforms, and the Group has actively pursued investments, including mergers and acquisitions, to ensure their effectiveness going forward. In overseas businesses, investment in kyu, which comprises a portfolio of creative and relatively small-scale business, has already achieved a certain level of scale. Now is the time to realize synergies within kyu and across the entire Group, and to contribute visibly to shareholder value.

I will continue to offer advice from an objective perspective and provide various types of support that will contribute to the growth of the Group and augment shareholder value.

Messages from Outside Directors

Trends in Corporate Governance

In discussions on corporate governance, the focus has traditionally been on external factors such as the proportion of outside directors, diversity, and the governance structure. Going forward, however, we will need to shift our focus to the substance of governance. With the environment surrounding companies and society changing rapidly, I believe outside directors will not just be responsible for oversight; we also will be called upon to contribute to business transformation.



Toru Yamashita
Outside Director

The Role of the Hakuodo DY Group in an Era of Upheaval

I believe the Group's mission in society is to create new value through advertising and marketing support and contribute toward the realization of a better society. To achieve this, the Group must comply with laws and earn society's acceptance. The Group also needs to lead societal change.

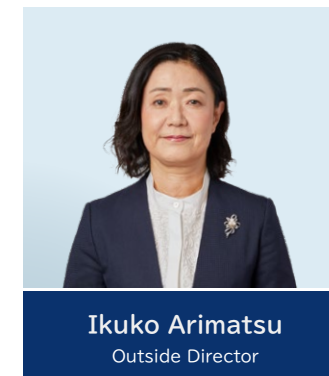
We are in an era of unprecedented upheaval, with global society growing increasingly complex, which is exacerbated by growing disparities and fragmentation, as well as accelerated digital transformation spurred by the COVID-19 pandemic, and the emergence of generative AI, which heralds the approach of singularity. In particular, generative AI is poised to significantly impact the creative field that constitutes the core of the advertising industry. Therefore, the Group needs to step up its efforts to transform its business model and place a strong emphasis on fostering truly creative talent.

Expectations for the Next Medium-Term Business Plan and My Role as Outside Director

In this era of transformation, the next medium-term business plan that is currently under development will play a critical role in shaping the Group's future. Making the necessary changes will undoubtedly present numerous challenges. In my role as an outside director, I am committed to serving as a partner who walks alongside the Company and contributes to its sustainable growth. To this end, I will pay careful attention to changes in society, emerging technologies, and other trends. I will strive to absorb necessary knowledge, rather than relying solely on my past experiences and expertise.

Lively Exchanges of Opinion on the Board of Directors

Since taking office in June 2022, I have served for one year under the conviction that I represent a "view from society," and I have felt free to speak out fearlessly from this unique position. The Board of Directors has a positive atmosphere where outside directors and auditors with diverse backgrounds actively share their opinions and exchange ideas. I myself have been expressing my questions and opinions honestly without having to worry about "reading the room," and I believe the responses I have received from the executive side are sincere. I am also often inspired by the opinions of other directors and feel I learn a lot through discussions. I greatly appreciate the Company's enthusiasm for providing knowledge and information, such as giving prior explanations to outside directors and holding seminars on business-related matters.



Ikuko Arimatsu
Outside Director

Promoting DE&I Initiatives

I have developed a particular interest in DE&I, and I am pleased to see that in fiscal 2023, the Company has strengthened its internal structure and actively engaged in current analysis, goal setting, and external communication, resulting in gradual progress. I will continue to focus on this important topic.

On the other hand, the occurrence of improprieties is regrettable, and highlights the need to further enhance compliance awareness and strengthen governance going forward.

Realizing the Society the Group Seeks

One of the Hakuodo DY Group's most notable characteristics is the active participation of employees across the organization on different projects, facilitating an open and creative environment for discussion. I believe this is the source of the Group's value and an important aspect that it should cherish as we strive to realize a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. As an outside director, I will continue to monitor the Group's direction and fulfill my role in the enhancement of corporate value and the Group's contribution to society.

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

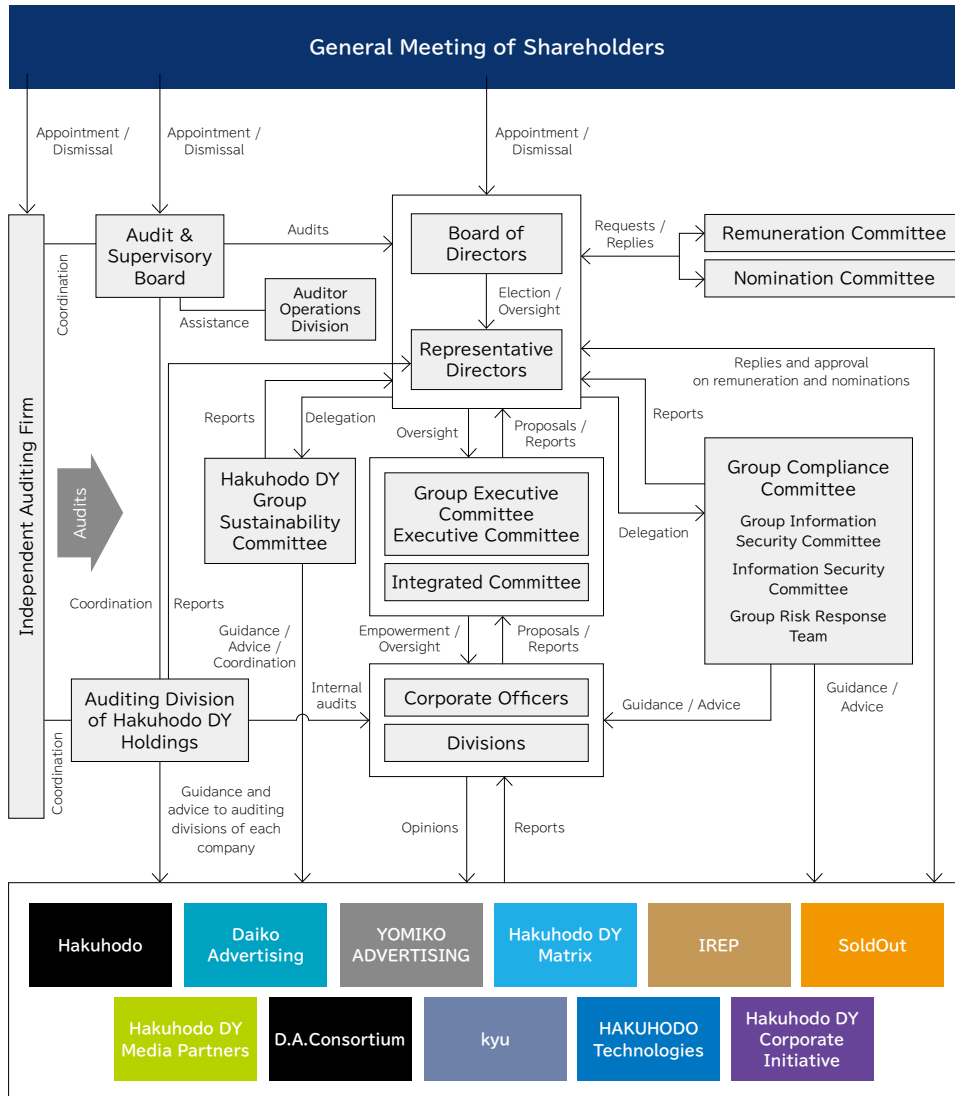
	Fiscal 2003	Fiscal 2004	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	
Separation of oversight and execution functions and reinforcement of monitoring and oversight functions		<ul style="list-style-type: none"> Began 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

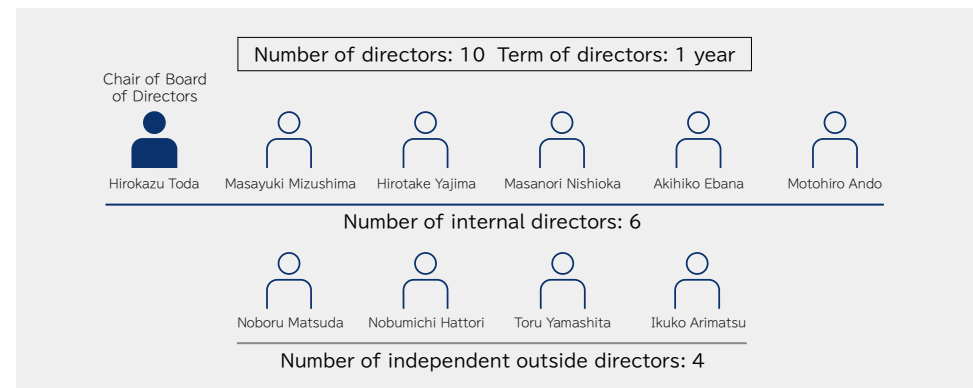
Roles and Responsibilities of the Board of Directors

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.
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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.

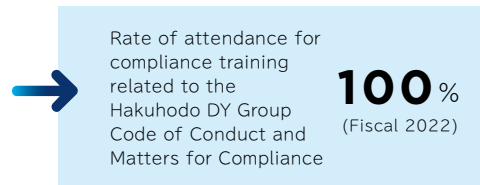
Details ▶ [WEB Corporate Governance Guidelines \(Japanese only\)](#)

Compliance Initiatives

As a responsible corporate citizen, the Hakuholdo DY Group complies with laws and regulations and also recognizes the importance of earnest compliance with the expectations and demands of society.

Hakuholdo DY Group Code of Conduct and Matters for Compliance

In accordance with the Hakuholdo DY Group Code of Conduct and Matters for Compliance, which applies to all Hakuholdo DY Group officers and employees, all Group companies and employees must fulfill the basic responsibilities required of them.



Group Code of Conduct

In order to demonstrate our creativity and remain trusted partners of *sei-katsu-sha*, corporations, and media outlets, 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	We will provide integrated marketing solutions of the highest quality while properly managing the confidential information and rights of our business partners.
2. We will constantly seek to maintain trust in us	We will abide by all laws and regulations, and sincerely do our best to live up to society's expectations and requests of us as members of society.
3. We will give full play to our own abilities and respect those of others	Recognizing that people are our greatest asset, we will always be bold in facing new challenges, and never forget our responsibilities and pride.
4. We will be transparent and fair in all we do	We will release all necessary information proactively and in a timely manner, and conduct ourselves in a fair manner, complying with all laws and regulations.

Compliance Implementation System

Chief Compliance Officers

Hakuholdo DY Group companies appoint chief compliance officers to serve as the highest-ranking officers responsible for enhancing compliance awareness.

Group Compliance Committee

The Group Compliance Committee, whose members include the presidents of Hakuholdo DY Group advertising and integrated media companies, is responsible for Groupwide compliance guidance and awareness. This committee is tasked with fostering a compliance-oriented mindset among Group officers and employees, making policies related to important compliance and corporate ethics matters, and establishing compliance systems. It also manages the progress of compliance activities at Group companies and provides advice, instructions, and guidance.

Information Security System

The Group Information Security Committee and the Information Security Committee have been established under the Group Compliance Committee to prevent losses of social trust or substantial damage to corporate value due to vulnerabilities in information management. The Information Security Committee implements and pursues improvements with regard to the Company's information management system, which conforms to the requirements of the ISO/IEC 27001:2013 and JIS Q 27001:2014 certification standards.

Risk Management

The Company established the Crisis Management Regulations to prevent losses of social trust or significant damage to corporate value as a result of inappropriate responses to major risk events. Based on these regulations, we have clarified the risk response system and the risk events it addresses, strengthening our ability to respond quickly and appropriately when risk events occur.

Appointment of Chief Risk Officer

We have appointed a chief risk officer as the chief executive officer in charge of managing all Group risks in order to strengthen and promote crisis management, thereby implementing risk management across the Group.

Employee Awareness Raising

In order to prevent misconduct and maintain high moral standards, we constantly communicate the importance of compliance to Group employees, raising awareness and understanding of compliance through online resources and the distribution of guidebooks.

Corporate Whistleblowing and Consultation Desk

The Hakuholdo DY Group has established the Corporate Whistleblowing and Consultation Desk as a framework for the appropriate processing of reports and consultations from officers and employees regarding potential legal violations by organizations or individuals with the goal of quickly identifying and remedying misconduct.

Management Structure

As of June 30, 2023

Directors

 <p>Director & Chairman Hirokazu Toda Director & Chairman, Hakuhodo Inc.</p>	 <p>Representative Director & President Masayuki Mizushima Representative Director, President & CEO, Hakuhodo Inc.</p>	 <p>Director & Executive Vice President Hirotake Yajima Representative Director, President & CEO, Hakuhodo DY Media Partners Inc.</p>	 <p>Representative Director & Senior Executive Corporate Officer Masanori Nishioka Representative Director, President, Hakuhodo DY Corporate Initiative Inc.</p>	 <p>Director & Senior Executive Corporate Officer Akihiko Ebana</p>
 <p>Director & Senior Corporate Officer Motohiro Ando</p>	 <p>Outside Director Noboru Matsuda</p>	 <p>Outside Director Nobumichi Hattori</p>	 <p>Outside Director Toru Yamashita</p>	 <p>Outside Director Ikuko Arimatsu</p>

Auditors

<p>Full-time Audit & Supervisory Board Member Osamu Nishimura</p>	<p>Outside Audit & Supervisory Board Member Kazuhiko Tomoda</p>
<p>Full-time Audit & Supervisory Board Member Tomoyuki Imaizumi</p>	<p>Outside Audit & Supervisory Board Member Shin Kikuchi</p>

Outside Audit & Supervisory Board Member
Kimitoshi Yabuki

Corporate Officers

<p>Chairman Hirokazu Toda</p>	<p>Senior Executive Corporate Officers Masanori Nishioka CFO, CHO, Chief Officer, Management Unit</p>	<p>Senior Corporate Officers Naoto Akagi Vice Chief Officer, Group Strategy Unit</p>	<p>Corporate Officers Akihiko Tokuhisa Vice Chief Officer, Group Strategy Unit</p>	<p>Hideyuki Kikuchi Yuzo Tanaka</p>
<p>President Masayuki Mizushima CCO</p>	<p>Akihiko Ebana Chief Officer, Group Strategy Unit</p>	<p>Motohiro Ando CTO, Chief Officer, Technology Unit</p>	<p>Takeshi Tokugawa Vice Chief Officer, Management Unit</p>	<p>Hiroto Kosaka Osamu Yonetani</p>
<p>Executive Vice President Hirotake Yajima Chief Officer, Digital Business Unit</p>	<p>Michael Birkin CEO, kyu</p>	<p>Hidetaka Tada Vice Chief Officer, Management Unit</p>	<p>Masato Aoki Vice Chief Officer, Technology Unit</p>	<p>Osamu Aranami Yasutoshi Hiratsuka</p>
	<p>Nobuaki Kondo</p>			<p>Yasuo Izumi</p>

06 Corporate Data

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10-Year Summary of Consolidated Financial Statements

Years ended March 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	(Millions of yen)									
Billings ¹	¥1,095,909	¥1,131,064	¥1,214,996	¥1,254,979	¥1,334,638	¥1,444,524	¥1,466,249	¥1,297,947	¥1,518,921	¥1,634,340
Revenue ¹	—	—	—	—	673,692	773,519	802,617	714,560	895,080	991,137
Gross profit	190,150	205,867	232,398	248,476	272,410	324,809	332,499	313,217	387,093	403,564
Selling, general and administrative expenses	156,233	169,045	187,503	201,379	220,147	259,523	277,367	268,184	315,450	348,154
Operating income	33,916	36,821	44,895	47,097	52,263	65,285	55,131	45,033	71,642	55,409
Income before income taxes	37,039	38,924	46,152	44,795	50,703	85,758	74,871	53,669	94,708	59,210
Profit attributable to owners of parent	18,721	19,879	28,493	25,825	29,861	47,235	44,893	26,479	55,179	31,010
Operating income before amortization of goodwill ²	34,900	38,494	47,185	50,217	55,878	72,171	64,170	54,365	84,029	71,403
Total assets	¥ 583,970	¥ 633,904	¥ 677,572	¥ 720,556	¥ 796,216	¥ 902,002	¥ 859,887	¥ 941,103	¥1,053,016	¥1,026,415
Net assets	254,510	282,729	293,899	325,569	367,169	316,421	316,147	362,139	387,414	389,814
Cash flows										
Net cash provided by (used in) operating activities	¥ 31,846	¥ 33,314	¥ 29,698	¥ 16,288	¥ 32,372	¥ 53,522	¥ 27,366	¥ 36,212	¥ 20,852	¥ 38,035
Net cash provided by (used in) investing activities	(7,605)	(7,563)	(20,686)	(4,280)	(20,499)	(22,815)	3,372	(9,831)	(11,292)	(32,792)
Net cash used in financing activities	(1,362)	(12,484)	(5,290)	(7,803)	(14,401)	(21,974)	(19,434)	(12,767)	(8,698)	(28,839)
End-of-term balance of cash and cash equivalents	125,875	140,133	143,298	146,688	143,850	152,154	163,299	176,042	180,697	159,081
Per share data (yen)³										
Basic net income	¥ 49.31	¥ 53.22	¥ 76.46	¥ 69.30	¥ 80.10	¥ 126.64	¥ 120.30	¥ 70.92	¥ 147.70	¥ 83.16
Diluted net income	49.27	53.16	76.33	69.30	79.92	126.39	120.29	70.91	147.68	83.16
Cash dividends	12.00	15.00	18.00	24.00	26.00	28.00	30.00	30.00	32.00	32.00
Dividend payout ratio (%)	24.3	28.1	23.5	34.6	32.5	22.1	24.9	42.3	21.7	38.5
Net assets	¥ 629.66	¥ 707.30	¥ 732.83	¥ 817.34	¥ 920.01	¥ 756.73	¥ 774.84	¥ 884.69	¥ 957.72	¥ 986.05
Ratios (%)										
Revenue to gross billings margin	17.4	18.2	19.1	19.8	20.4	22.5	22.7	24.1	25.5	24.7
Operating margin before amortization of goodwill ⁴	18.4	18.7	20.3	20.2	20.5	22.2	19.3	17.4	21.7	17.7
Operating margin ⁵	17.8	17.9	19.3	19.0	19.2	20.1	16.6	14.4	18.5	13.7
Return on equity (ROE)	8.1	7.9	10.6	8.9	9.2	15.1	15.7	8.5	16.0	8.6
Shareholders' equity ratio	40.9	41.6	40.3	42.3	43.1	31.3	33.6	35.1	34.0	35.5
Key data excluding investment business⁶										
Billings ¹	—	—	—	—	—	1,430,154	1,458,618	1,291,822	1,512,146	1,626,148
Revenue ¹	—	—	—	—	—	773,519	802,617	714,560	888,305	982,946
Gross profit	—	—	—	—	—	310,754	325,313	307,350	380,624	396,194
Operating income	—	—	—	—	—	51,400	47,945	39,233	65,247	48,159
Operating income before amortization of goodwill ²	—	—	—	—	—	58,287	56,984	48,565	77,634	64,153
Gross margin (%)	—	—	—	—	—	21.7	22.3	23.8	25.2	24.4
Operating margin before amortization of goodwill (%) ⁴	—	—	—	—	—	18.8	17.5	15.8	20.4	16.2
Operating margin (%) ⁵	—	—	—	—	—	16.5	14.7	12.8	17.1	12.2

1. The Group has adopted the Accounting Standard for Revenue Recognition from the fiscal year ended March 31, 2022. While this change has not been reflected in the billings figures on the consolidated statements of income from the fiscal year ended March 31, 2022, they have been reflected above and in this integrated report as a reference to aid readers' understanding. Moreover, while all revenue figures for the fiscal year ended March 31, 2018 and thereafter have been retroactively adjusted in accordance with the change in accounting standard, those for years prior to the fiscal year ended March 31, 2018 have not been reflected.

2. Amortization of goodwill and other intangible assets refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions. Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets.

3. On October 1, 2013, the Company's common stock was split 10-for-1. To enable evaluation of past trends and comparisons, figures in this integrated report, including results in periods prior to the stock split, are based on the number of shares of common stock after the stock split. As a result, corresponding revisions have been made to dividends per share for the first half of fiscal 2013 and earlier periods, and to all other per share data for fiscal 2012 and earlier periods.

4. Operating margin before amortization of goodwill = Operating income before amortization of goodwill ÷ Gross profit

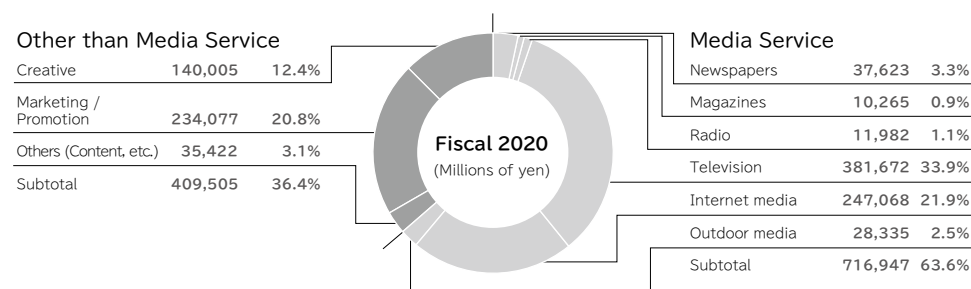
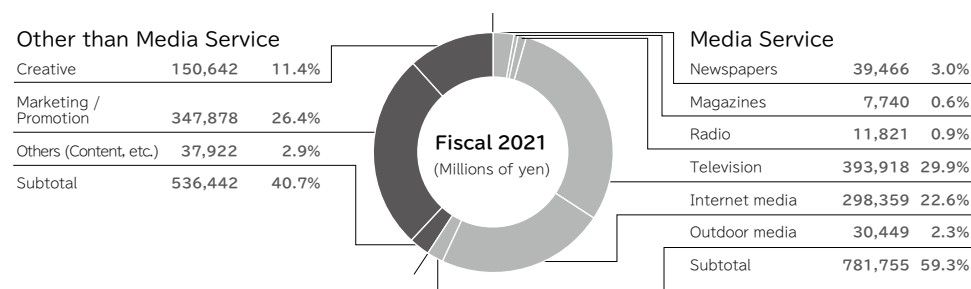
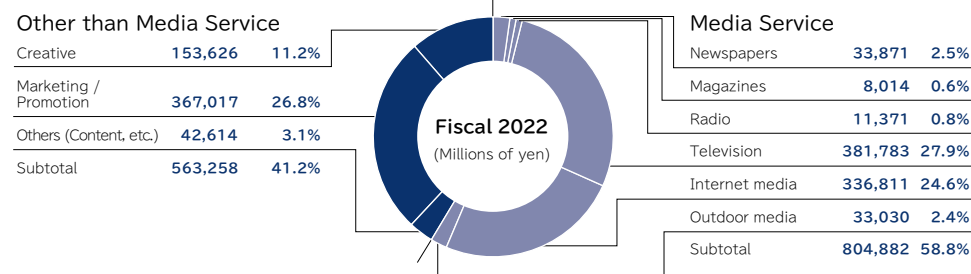
5. Operating margin = Operating income ÷ Gross profit

6. Figures for the fiscal year ended March 31, 2019 and thereafter exclude those for investment business and, as a result, figures for the years prior to and including the fiscal year ended March 31, 2018 have not been disclosed.

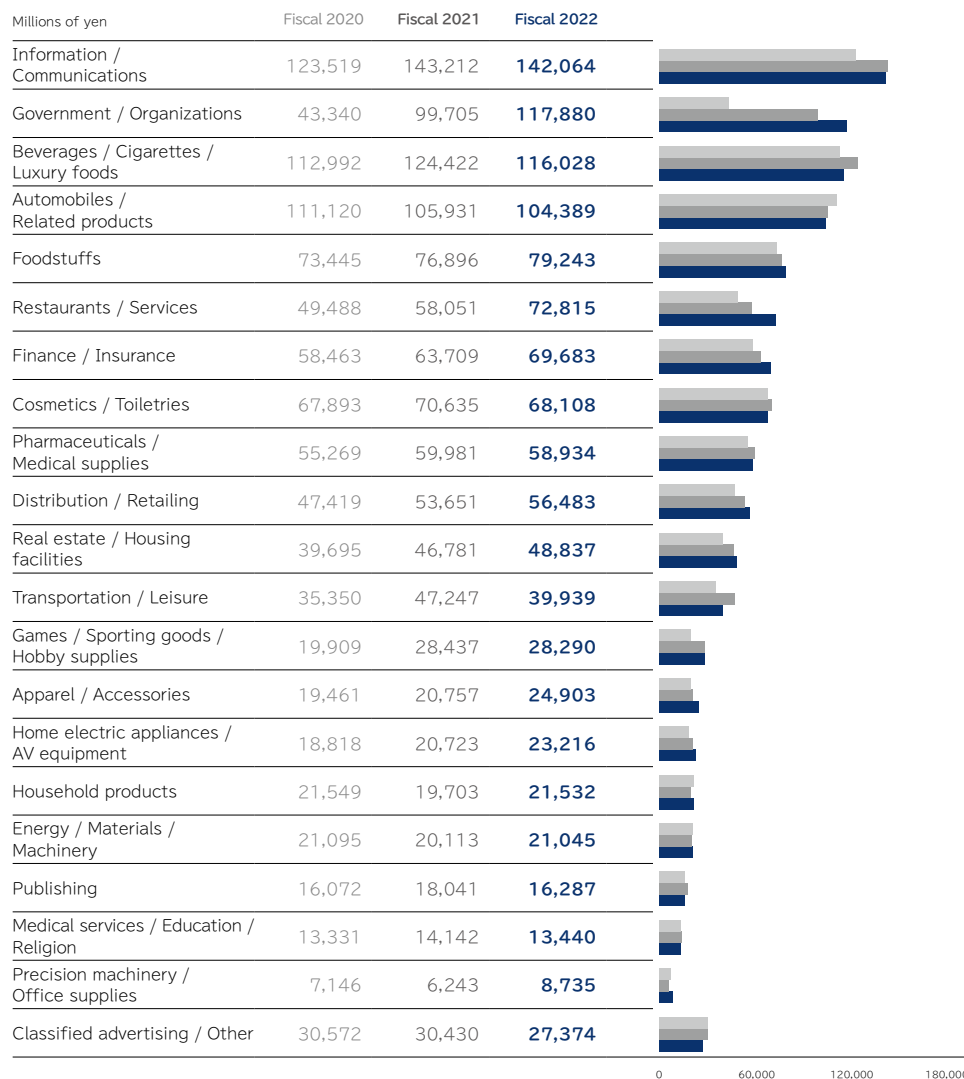
Note: Figures from fiscal 2015 to fiscal 2018 have been retroactively adjusted to reflect the change in accounting method pertaining to the Accounting Standard for Revenue Recognition implemented at certain subsidiaries during fiscal 2019. However, figures as of and for fiscal 2014 and earlier remain unchanged.

Billings by Type of Service and by Industry of Clients

Billings by Type of Service / Composition Ratio



Billings by Industry of Clients



Note: Billings by type of service and by industry of clients both refer to domestic billings.

Domestic Advertising Market and Hakuodo DY Group's Domestic Billings

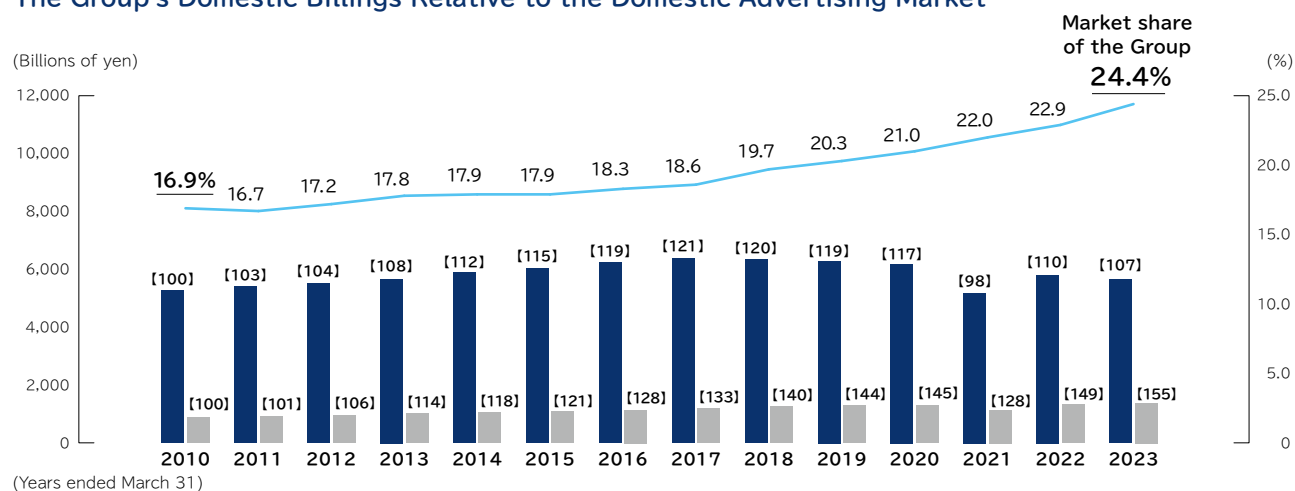
After bottoming out in fiscal 2009, the Japanese advertising market rebounded following the effects of the 2008–2009 global financial crisis, then flattened out. After significant negative growth in fiscal 2020 during the COVID-19 pandemic, the market has been recovering. Meanwhile, the market's structure continues to change, with corporate marketing activities shifting to digital methods. Internet advertising remains strong, although its rate of growth has slowed.

In light of this landscape, the Group has been engaging in marketing activities that hinge on the use of *sei-katsu-sha* data and technology ahead of its industry peers. In addition, we

have actively proposed our Advertising as a Service (AaaS), a next-generation model for the advertising media business, and taken measures to increase the added value of media, such as through the integration of television and digital technologies. We are also enhancing the services we offer through our full-funnel approach by expanding our capabilities beyond advertising to support for the implementation of marketing activities.

As a result, our domestic billings in fiscal 2022 were 1.55 times those of fiscal 2009, and our estimated market share expanded steadily from 16.9% in fiscal 2009 to 24.4% in fiscal 2022.

The Group's Domestic Billings Relative to the Domestic Advertising Market



Notes: 1. Data for the domestic advertising market is taken from the Survey of Selected Service Industries (Ministry of Economy, Trade and Industry). For certain discontinuities in the numerical results published in the survey arising from changes in the survey pool, adjusted numerical results based on growth rate data are used.
 2. To quantify the annual change in the size of the domestic advertising market and our domestic billings over time, each year's figure was calculated as an index value (of 100) benchmarked to fiscal 2009.
 3. The Group's market share has been calculated using the following formula: HDY's billings (domestic) ÷ Domestic advertising market. HDY's billings for the fiscal year ended March 31, 2019 and thereafter exclude the impact of investment business.

(Left) ■ Domestic advertising market ■ HDY: Billings (domestic) (Right) — Market share
 Figures enclosed in brackets were calculated as an index value (of 100) benchmarked to fiscal 2009.

Policy on Cross-Shareholdings and Our Fundamental Policy with Regard to Returns to Shareholders

Policy on Cross-Shareholdings

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 a sale on the market, and other such factors. If the value is affirmed, however, we will continue holding such shares.

The Company and its advertising and integrated media companies will consider the value of retaining the business partner shares that are held and report thereon to the Company's Board of Directors. The advertising and integrated media companies make such reports to their boards of directors beforehand. At its meeting in February 2023, the Company's Board of Directors considered the value of retaining 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 factors.

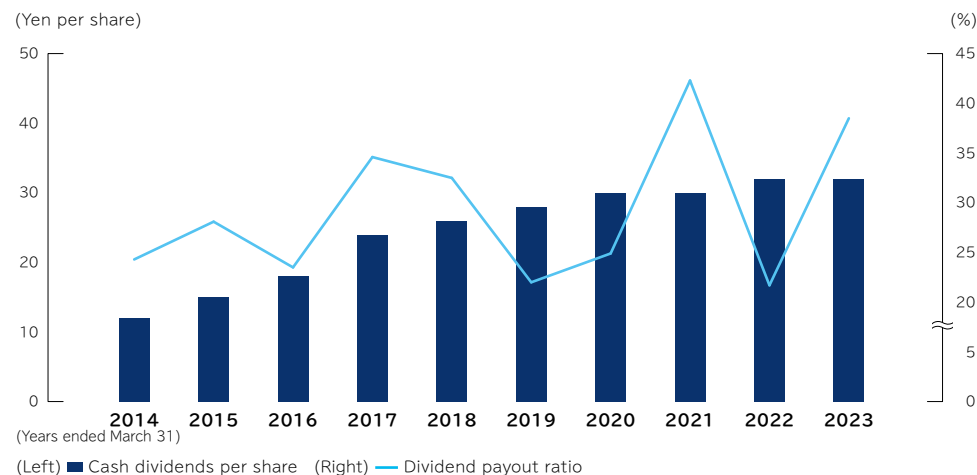
The Company will not engage in any act hindering the sale or the like of the Company's shares by cross-shareholders (i.e., shareholders who hold the Company's shares as cross-shareholdings) or in any transaction with cross-shareholders that may harm the interests of the Company or the common interests of its shareholders.

Our Fundamental Policy with Regard to Returns to Shareholders

Our fundamental policy is to consistently pay a stable dividend. In determining the dividend amount, we comprehensively take into account capital supply and demand, earnings from business operations, and the maintenance of sufficient internal reserves to strengthen our competitiveness as a company. Barring unforeseen circumstances in our business performance, our policy is to pay a minimum dividend of ¥5.0 per share.

Our policy with regard to stock repurchases is to consider repurchasing stock when appropriate, and to repurchase stock as necessary, as a means of providing returns to shareholders and increasing capital efficiency, and as a way of flexibly implementing capital policy in response to changes in the operating environment.

Cash Dividends per Share



ESG Data

Environmental Data

Greenhouse Gases

	Target values	Base year (fiscal 2019)	Results for fiscal 2020	Results for fiscal 2021	Results for fiscal 2022	Progress in fiscal 2022
Total CO ₂ emissions (tons)	—	41,237	23,480	26,991	24,706	40.1% reduction
Scope 1 and Scope 2 CO ₂ emissions (tons)	Reduction of 50% by fiscal 2030, carbon neutral by fiscal 2050	11,174	9,434	9,607	6,959	37.7% reduction
Scope 3 CO ₂ emissions (tons)	Reduction of 30% by fiscal 2030	30,063	14,046	17,385	17,747	41.0% reduction
Introduction of renewable energy	60% by fiscal 2030, 100% by fiscal 2050	0%	0%	0%	1.8%	1.8%
Energy conservation (kl)	Reduction of 30%	5,372	4,560	4,652	2,858	46.8% reduction

Coverage: Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, Hakuholdo DY Media Partners, HAKUHODO PRODUCT'S

Waste

	Target values	Base year (fiscal 2019)	Results for fiscal 2020	Results for fiscal 2021	Results for fiscal 2022	Progress in fiscal 2022
Waste reduction (tons)	Maintain average reduction of 50% or more	486	262	311	228	53.1% reduction
Recycling rate	85% or more	82.2%	84.8%	84.6%	79.0%	79.0%

Coverage: Hakuholdo head office in Tokyo (Akasaka Biz Tower)

Water

	Target values	Result for fiscal 2020	Result for fiscal 2021	Result for fiscal 2022
Water usage (m ³)	—	280	253	252

Coverage: Hakuholdo head office in Tokyo (Akasaka Biz Tower)

Social Data

The coverage for each item is noted in the table below.

Notation	Coverage
Hakuholdo DY Group	Hakuholdo DY Holdings and all consolidated subsidiaries
Hakuholdo DY Holdings	Hakuholdo DY Holdings only
Hakuholdo and Hakuholdo DY Media Partners	Hakuholdo and Hakuholdo DY Media Partners
Four major companies in Japan	Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, Hakuholdo DY Media Partners
Five major companies in Japan	Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, IREP, Hakuholdo DY Media Partners
Six major companies in Japan	Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, IREP, Hakuholdo DY Media Partners, D.A.Consortium
Seven major companies in Japan	Hakuholdo, Daiko Advertising, YOMIKO ADVERTISING, IREP, Hakuholdo DY Media Partners, D.A.Consortium, SoldOut

Note: The period covered is as of March 31 of each year, unless otherwise stated.

Governance Data

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of directors (people)	13	12	9	10	10
Of whom, outside directors (people)	3	3	3	4	4
Of whom, independent outside directors (people)	3	3	3	4	4
Percentage of independent outside directors (%)	23%	25%	33%	40%	40%
Number of female directors (people)	0	0	0	1	1
Percentage of female directors (%)	0%	0%	0%	10%	10%

Coverage: Hakuholdo DY Holdings

Employees

Number of Group Employees

	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Full-time employees (people)	21,469	23,939	24,775	25,522	27,936
Temporary employees (people)	9,923	10,142	10,793	10,361	11,027

Coverage: Hakuholdo DY Group

Composition of Employees

	Fiscal 2021				Fiscal 2022			
	Total	Male	Female	Non-Japanese	Total	Male	Female	Non-Japanese
Number of people								
Employees	8,227	5,261	2,966	—	9,101	5,683	3,418	175
Regular employees	—	—	—	—	8,287	5,356	2,931	156
Temporary employees	—	—	—	—	768	304	464	18
Part-time (typically older adults)	—	—	—	—	9	8	1	0
Part-time (students and young people)	—	—	—	—	37	15	22	1
Percentage								
Employees	100.0%	63.9%	36.1%	—	100.0%	62.4%	37.6%	1.9%
Regular employees	—	—	—	—	91.1%	58.9%	32.2%	1.7%
Temporary employees	—	—	—	—	8.4%	3.3%	5.1%	0.2%
Part-time (typically older adults)	—	—	—	—	0.1%	0.1%	0.0%	0.0%
Part-time (students and young people)	—	—	—	—	0.4%	0.2%	0.2%	0.0%

Coverage: In fiscal 2021, six major companies in Japan; in fiscal 2022, seven major companies in Japan
Period: Overseas, as of April 1, 2022

ESG Data

Number of Employees by Country/Region

		Fiscal 2022		
		Total	Male	Female
Number of people	Total	14,660	8,268	6,392
	Japan	9,101	5,683	3,418
	Asia (excluding Japan)	5,463	2,542	2,921
	Americas	6	3	3
	Europe	90	40	50
	Other	—	—	—
Percentage	Total	100.0%	56.4%	43.6%
	Japan	62.1%	38.8%	23.3%
	Asia (excluding Japan)	37.3%	17.3%	19.9%
	Americas	0.0%	0.0%	0.0%
	Europe	0.6%	0.3%	0.3%
	Other	—	—	—

Coverage: Seven major companies in Japan; overseas, subsidiaries of Hakuholdo and Hakuholdo DY Media Partners
 Period: Overseas, as of April 1, 2022

Number of Employees by Age Group

		Fiscal 2021			Fiscal 2022		
		Total	Male	Female	Total	Male	Female
Number of people	Total	3,712	2,587	1,125	9,101	5,683	3,418
	Up to 30	651	379	272	2,883	1,496	1,387
	30-39	1,234	825	409	2,900	1,783	1,117
	40-49	904	667	237	1,844	1,256	588
	50-59	797	604	193	1,242	946	296
	60 or older	126	112	14	232	202	30
Percentage	Total	100.0%	69.7%	30.3%	100.0%	62.4%	37.6%
	Up to 30	17.5%	10.2%	7.3%	31.6%	16.4%	15.2%
	30-39	33.2%	22.2%	11.0%	31.9%	19.6%	12.3%
	40-49	24.4%	18.0%	6.4%	20.3%	13.8%	6.5%
	50-59	21.5%	16.3%	5.2%	13.7%	10.4%	3.3%
	60 or older	3.4%	3.0%	0.4%	2.5%	2.2%	0.3%

Coverage: For fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

Average Age and Average Years of Service

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Average age	43.9	43.2	43.9
Average years of service	16.7	13.7	13.6

Coverage: Hakuholdo DY Holdings

Gender Pay Gap

	Total	Regular employees	Part-time and temporary employees
Hakuholdo	70.1%	77.4%	80.0%
Daiko Advertising	72.9%	75.6%	70.2%
YOMIKO ADVERTISING	77.8%	82.5%	76.7%
IREP	74.5%	74.1%	112.8%
Hakuholdo DY Media Partners	67.4%	77.8%	84.0%
D.A.Consortium	78.0%	77.1%	133.5%
SoldOut	73.3%	80.7%	98.1%

Note: Calculated as the average annual wage for women divided by the average annual wage for men

Number of Managers

		Fiscal 2020				Fiscal 2021				Fiscal 2022			
		Total	Male	Female	Non-Japanese	Total	Male	Female	Non-Japanese	Total	Male	Female	Non-Japanese
Number of people	Total	—	—	—	—	659	604	55	5	1,356	1,200	156	8
	Of whom, new graduates	—	—	—	—	—	—	—	—	759	676	83	3
	Of whom, mid-career hires	—	—	—	—	—	—	—	—	597	524	73	5
Percentage	Total	100.0%	89.5%	10.5%	—	100.0%	91.7%	8.3%	0.8%	100.0%	88.5%	11.5%	0.6%
	Of whom, new graduates	—	—	—	—	—	—	—	—	56.0%	49.9%	6.1%	0.2%
	Of whom, mid-career hires	—	—	—	—	—	—	—	—	44.0%	38.6%	5.4%	0.4%

Coverage: For fiscal 2020 and fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

ESG Data

Number of Managers by Region

		Fiscal 2022								
		Total			Officers			Managers		
		Total	Male	Female	Total	Male	Female	Total	Male	Female
Number of people	Total	2,328	1,733	595	131	111	20	2,197	1,622	575
	Japan	1,431	1,272	159	75	72	3	1,356	1,200	156
	Asia (excluding Japan)	897	461	436	56	39	17	841	422	419
	Americas	—	—	—	—	—	—	—	—	—
	Europe	—	—	—	—	—	—	—	—	—
	Other	—	—	—	—	—	—	—	—	—
Percentage	Total	100.0%	74.4%	25.6%	100.0%	84.7%	15.3%	100.0%	73.8%	26.2%
	Japan	61.5%	54.6%	6.8%	57.3%	55.0%	2.3%	61.7%	54.6%	7.1%
	Asia (excluding Japan)	38.5%	19.8%	18.7%	42.7%	29.8%	13.0%	38.3%	19.2%	19.1%
	Americas	—	—	—	—	—	—	—	—	—
	Europe	—	—	—	—	—	—	—	—	—
	Other	—	—	—	—	—	—	—	—	—

Coverage: Seven major companies in Japan; overseas, subsidiaries of Hakuholdo and Hakuholdo DY Media Partners (Asia only)

Period: For Japan, as of March 31, 2023; overseas, as of January 23, 2023

Note: In Japan, "officer" refers to corporate officers and directors. Overseas, it refers to vice presidents and presidents.

Recruitment and Turnover

New-Graduate Hires

	Fiscal 2020				Fiscal 2021				Fiscal 2022			
	Total	Male	Female	Non-Japanese	Total	Male	Female	Non-Japanese	Total	Male	Female	Non-Japanese
Number of people	—	—	—	—	—	—	—	—	464	237	227	14
Percentage	100.0%	50.1%	49.9%	—	100.0%	55.0%	45.0%	—	100.0%	51.1%	48.9%	3.0%

Coverage: For fiscal 2020 and fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

Three-Year Retention Rate for New-Graduate Hires

	Fiscal 2022			
	Average	Male	Female	Non-Japanese
Retention rate	74.7%	74.9%	74.6%	66.7%

Coverage: Seven major companies in Japan

Mid-Career Hires

	Fiscal 2022			
	Total	Male	Female	Non-Japanese
Number of people	926	495	431	29
Percentage	100.0%	53.5%	46.5%	3.1%

Coverage: Seven major companies in Japan

Turnover

	Fiscal 2020				Fiscal 2021				Fiscal 2022			
	Average	Male	Female	Non-Japanese	Average	Male	Female	Non-Japanese	Average	Male	Female	Non-Japanese
Turnover rate	2.2%	—	—	—	6.4%	—	—	—	5.3%	5.2%	5.6%	10.3%

Coverage: For fiscal 2020 and fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

Workstyle Transforms

Working Hours

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Average total hours worked per person	—	—	2,119
Average overtime work hours per month	27.1	26.4	47.3
Reduction in working hours (% year on year)	98.1%	102.9%	99.2%

Coverage: The average overtime hours worked per person for fiscal 2020 and fiscal 2021 is for Hakuholdo and Hakuholdo DY Media Partners.

: The reduction in working hours for fiscal 2020 and fiscal 2021 is for six major companies in Japan; for fiscal 2022, seven major companies in Japan.

Annual Paid Vacation Taken

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Average number of days taken per employee	10.8	10.0	10.6
Average number of days taken per employee (including special paid vacation)	—	—	18.0
Average rate of vacation use per employee	—	—	56.7%

Coverage: The average number of days taken per employee in fiscal 2020 and fiscal 2021 is for six major companies in Japan.

: The average number of days taken per employee and the average rate of vacation use per employee in fiscal 2022 are for seven major companies in Japan.

: The average number of days taken per employee (including special paid leave) in fiscal 2022 is for Hakuholdo and Hakuholdo DY Media Partners.

Diversity

Childcare Leave Taken

	Fiscal 2021			Fiscal 2022		
	Total	Male	Female	Total	Male	Female
Number of people taking leave	—	—	—	253	125	128
Rate of leave taken	—	—	—	69.1%	58.7%	83.7%
Days of leave taken	—	—	—	180	20	335
Return rate	95.7%	—	—	96.2%	96.7%	95.6%

Coverage : For fiscal 2021, six major companies in Japan; for fiscal 2022, seven major companies in Japan

Number of people taking leave, rate of leave taken, and days of leave taken: Calculated including leave for childcare purposes in some Group companies

Return rate: Calculation method revised from fiscal 2021 as follows: Number of employees who returned to work after maternity leave that fiscal year ÷ (Number of employees who returned to work after maternity leave that fiscal year + Number of employees who left the company after maternity leave)

ESG Data

Nursing Care Leave Taken

		Fiscal 2022
Nursing care-related statutory leave	Number of people taking leave	5
Leave other than nursing care-related statutory leave	Number of people taking leave	20

Coverage: Seven major companies in Japan

Health and Productivity Management
Health Examinations

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage of people receiving health examinations	93.0%	99.8%	98.5%
Percentage of employees receiving comprehensive medical examinations	85.0%	84.3%	73.7%

Coverage: The percentage of people receiving health examinations in fiscal 2020 and fiscal 2021 is for six major companies in Japan.

: The percentage of employees receiving comprehensive medical examinations in fiscal 2020 and fiscal 2021 is for Hakuholdo only; for fiscal 2022, seven major companies in Japan

Checkup Championship*

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of participants	1,160	1,087	1,049
Percentage of participants maintaining or improving their health	76.4%	76.4%	74.4%

* "Checkup Championship" is a health and productivity management support program developed by Hakuholdo DY Holdings. Coverage: Hakuholdo and Hakuholdo DY Media Partners

Training, Seminars, and Events to Improve Employee Health Literacy

		Fiscal 2022
Times held		6
Number of participants		1,448

Coverage: Hakuholdo and Hakuholdo DY Media Partners

Employment of People with Disabilities

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Employment rate	2.48%	2.54%	2.50%

Coverage: Rate of employment of people with disabilities at Hakuholdo DY Holdings

Percentage of Employees Who Felt They Have Grown from the Previous Year

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Hakuholdo	73.9%	71.6%	—
Hakuholdo DY Media Partners	74.9%	69.0%	—
Hakuholdo and Hakuholdo DY Media Partners	—	—	72.0%

Coverage: Hakuholdo and Hakuholdo DY Media Partners

Various Training and Seminars to Develop Capabilities

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Emergent Management Program: KSP*1	Total participants to date (people)	493	535	618
Growth Action Program: GAP*2	Total participants to date (people)	25	63	110
Seminar on realizing SDG businesses	Number of participants	1,160	1,280	531
For advanced technology and knowledge-sharing training, seminars, and events	Times held	116	141	156
	Number of participants to date	19,822	20,401	26,746
Number of employees who served as in-house lecturers	People to date	1,346	1,403	1,787

Coverage: For KSP, GAP, and seminars on realizing SDG businesses in fiscal 2020 and fiscal 2021, six major companies in Japan; for advanced technology and knowledge-sharing training, seminars, and events in fiscal 2020 and fiscal 2021, four major companies in Japan; for total number of employees who served as in-house lecturers, five major companies in Japan in fiscal 2020 and fiscal 2021, and seven major companies in Japan in fiscal 2022

*1 Management human resource development training targeting the Hakuholdo DY Group

*2 Human resource training for Hakuholdo DY Group employees, centered on people in their 30s

Occupational Safety and Health
Occupational Accident Frequency Rate

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Occupational accident frequency rate	0.0	0.0	0.2

Coverage: For fiscal 2020 and fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

Fatalities Due to Occupational Accidents

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of fatalities due to work-related accidents	0	0	0

Coverage: For fiscal 2020 and fiscal 2021, Hakuholdo and Hakuholdo DY Media Partners; for fiscal 2022, seven major companies in Japan

Compliance
Training to Enhance Compliance Awareness

		Fiscal 2020	Fiscal 2021	Fiscal 2022
Percentage attendance for training on information security	Rate of attendance	100.0%	100.0%	100.0%
Percentage attendance for training on compliance	Rate of attendance	100.0%	100.0%	100.0%

Coverage: Hakuholdo and Hakuholdo DY Media Partners

Human Resource Development
Investment in Education

	Fiscal 2020	Fiscal 2021	Fiscal 2022
Amount of investment in education to cultivate human resources (billions of yen)	1.68	2.32	2.16
Amount of investment in education to cultivate human resources per employee (thousands of yen per person)	211	277	238
Average annual hours of training per employee (hours per person)	27.5	24.0	19.7
Total interview hours for managing employee targets and developing capabilities (hours)	15,249	15,983	16,045
Annual interview hours per employee (hours per person)	2.3	2.3	1.8

Coverage: For amount of investment in education to cultivate human resources in fiscal 2020 and 2021, six major companies in Japan; for average annual hours of training per employee, total interview hours for managing employee targets and developing capabilities, and annual interview hours per employee, five major companies in Japan in fiscal 2020 and fiscal 2021, and seven major companies in Japan in fiscal 2022

Stock Information

As of March 31, 2023

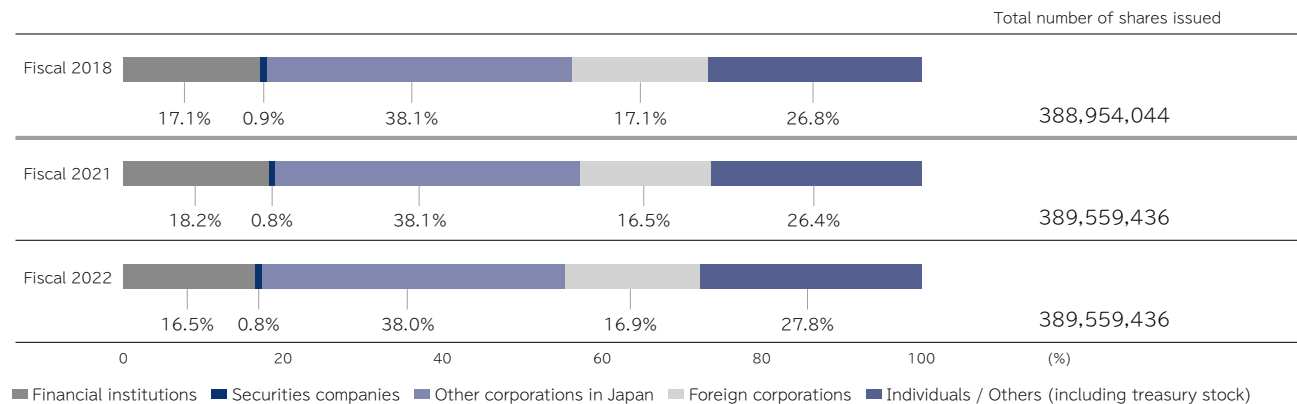
Major Shareholders

	Number of shares held	Percentage of shares held (%)
1 Hakuhold Foundation	71,005,350	19.24
2 The Master Trust Bank of Japan, Ltd. (Trust Account)	35,081,400	9.50
3 General Incorporated Association Hakusei-kai	18,320,000	4.96
4 The Asahi Shimbun Company	11,223,490	3.04
5 General Incorporated Association Furatanite	11,000,000	2.98
6 Custody Bank of Japan, Ltd. (Trust Account)	10,821,800	2.93
7 Nippon Television Network Corporation	8,620,000	2.33
8 Hakuhold DY Holdings Employees' Shareholdings Association	7,921,817	2.14
9 The Dai-ichi Life Insurance Company, Limited	6,930,500	1.87
10 The Yomiuri Shimbun Tokyo Headquarters	6,872,400	1.86

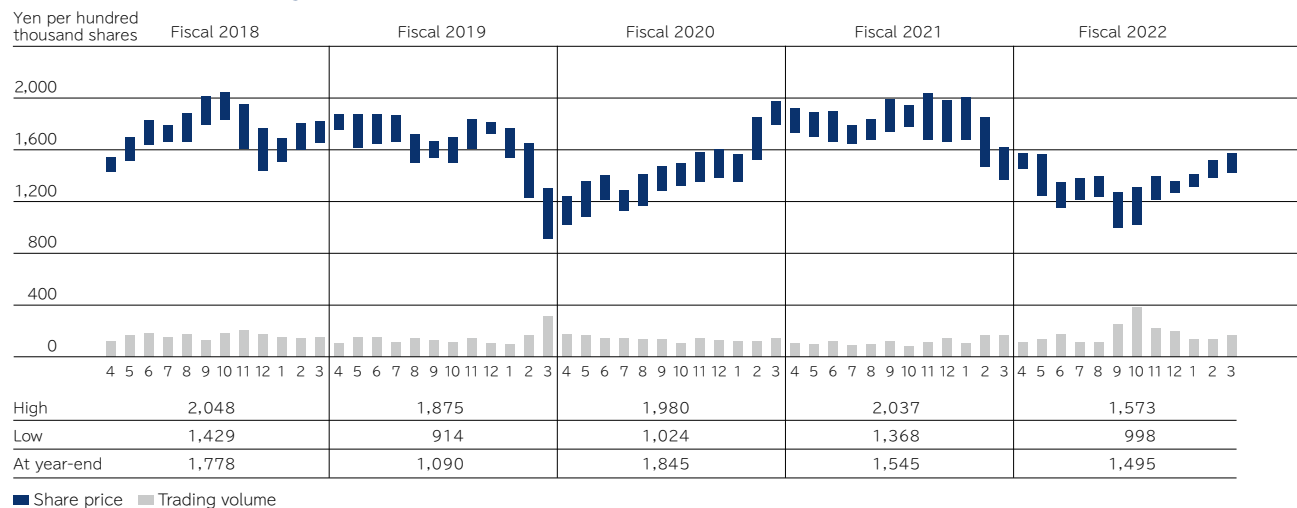
Notes: 1. The list of major shareholders shown above excludes 20,510,809 shares of treasury stock held by the Company.
 2. Treasury stock has been excluded from the calculation of the percentage of shares held.

Total number of shares authorized	1,500,000,000
Total number of shares issued	389,559,436
Total number of shareholders	8,108

Shareholder Distribution



Share Price and Trading Volume



Corporate Information

As of June 30, 2023

Hakuhodo DY Holdings Inc.

Date of Establishment: October 1, 2003

Capital: ¥10,790 million

Head Office: 5-3-1 Akasaka, Minato-ku, Tokyo
107-6320

URL : <https://www.hakuhodody-holdings.co.jp/english>

Contact

Hakuhodo DY Holdings Inc.

Investor Relations Division

Phone: +81-(0)3-6441-9033

Email: HC.IR@hakuhodody-holdings.co.jp

Hakuhodo

Company Name	Hakuhodo Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6322
Founded	October 1895
Incorporated	February 1924
President & CEO	Masayuki Mizushima
Employees (Consolidated)	15,724
URL	https://www.hakuhodo-global.com

Daiko Advertising

Company Name	Daiko Advertising Inc.
Tokyo Head Office	2-14-5 Shiba, Minato-ku, Tokyo 105-8658
Osaka Head Office	2-2-7 Nakanoshima, Kita-ku, Osaka 530-8263
Founded	1893
Incorporated	February 1944
President & CEO	Yasuo Izumi
Employees (Consolidated)	1,467
URL	https://www.daiko.co.jp/en

YOMIKO ADVERTISING

Company Name	YOMIKO ADVERTISING INC.
Head Office	5-2-20 Akasaka, Minato-ku, Tokyo 107-6105
Founded	June 1929
Incorporated	July 1946
President & CEO	Hideyuki Kikuchi
Employees (Consolidated)	820
URL	https://www.yomiko.co.jp/en

Hakuhodo DY Matrix

Company Name	Hakuhodo DY Matrix Inc.
Head Office	2-14-5 Shiba, Minato-ku, Tokyo 105-8658
Incorporated	April 2021
President & CEO	Nobuaki Kondo
Employees	172
URL	https://hdy-matrix.co.jp

IREP

Company Name	IREP Co., Ltd.
Head Office	Yebisu Garden Place Tower 21F, 4-20-3 Ebisu, Shibuya-ku, Tokyo 150-6021
Founded	November 1997
President	Hiroto Kosaka
Employees (Consolidated)	1,279
URL	https://www.irep.co.jp/global

SoldOut

Company Name	SoldOut,Inc.
Head Office	Koraku Mori Building 19F, 1-4-14 Koraku, Bunkyo-ku, Tokyo 112-0004
Founded	December 2009
President	Osamu Aranami
Employees (Consolidated)	489
URL	https://www.sold-out.co.jp

Hakuhodo DY Media Partners

Company Name	Hakuhodo DY Media Partners Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6321
Incorporated	December 2003
President & CEO	Hirotake Yajima
Employees (Consolidated)	6,860
URL	https://www.hakuhodody-media.co.jp/english

D.A.Consortium

Company Name	D.A.Consortium Inc.
Head Office	Yebisu Garden Place Tower, 4-20-3 Ebisu, Shibuya-ku, Tokyo 150-6033
Founded	December 1996
President, CEO & COO (Chief Compliance Officer)	Yuzo Tanaka
Employees (Non-consolidated)	1,896
URL	https://www.dac.co.jp

HAKUHODO Technologies

Company Name	HAKUHODO Technologies Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6320
Founded	April 2022
President	Osamu Yonetani
Employees (Non-consolidated)	277
URL	https://www.hakuhodo-technologies.co.jp

kyu

Company Name	kyu Investment Incorporated
Head Office	395 Hudson Street, 8th Floor New York, NY 10014
Founded	May 2014
CEO	Michael Birkin
Employees (Consolidated)	2,262
URL	https://kyu.com

Contact

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HakuhodoDY holdings