

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

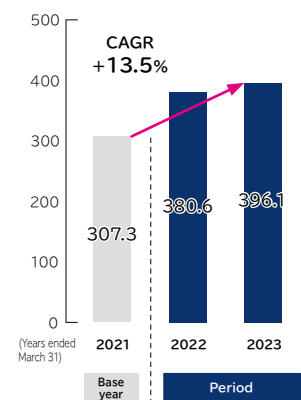
Annual gross profit growth rate in the marketing execution domain* ² :	At least 10%
Annual billings growth rate in the internet domain* ² :	At least 15%
Annual gross profit growth rate in the overseas business domain* ² :	At least 15%

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

Overview of Progress in Fiscal 2022

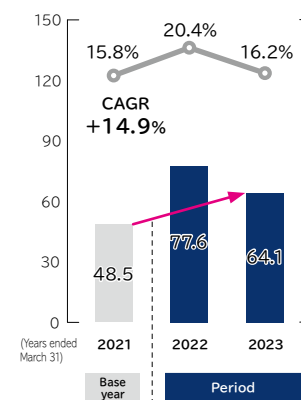
Gross Profit after Adjustments*¹

(Billions of yen)



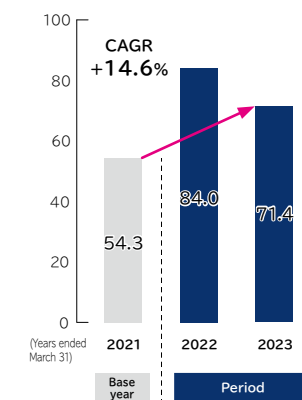
Operating Income / Operating Margin after Adjustments and before Amortization of Goodwill

(Billions of yen) (%)



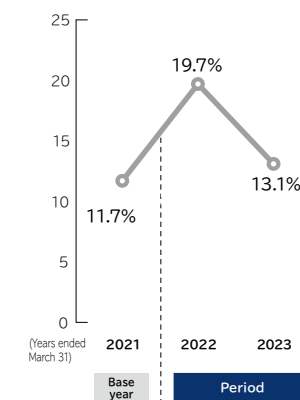
Operating Income before Amortization of Goodwill

(Billions of yen)



ROE before Amortization of Goodwill

(%)

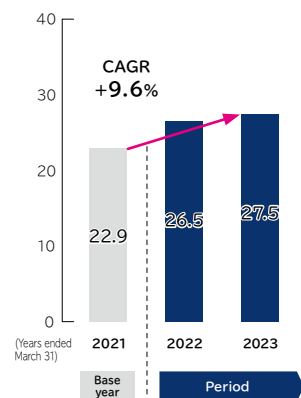


Note: Bar graph/Left: Operating income after adjustments and before amortization of goodwill
 Line graph/Right: Operating margin after adjustments and before amortization of goodwill

Target Levels for Core Domains

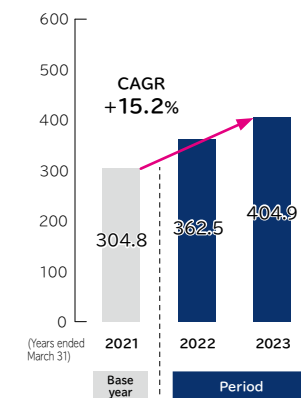
Gross Profit in the Marketing Execution Domain*²

(Billions of yen)



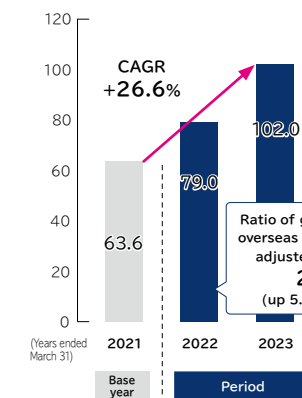
Billings in the Internet Domain*³

(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

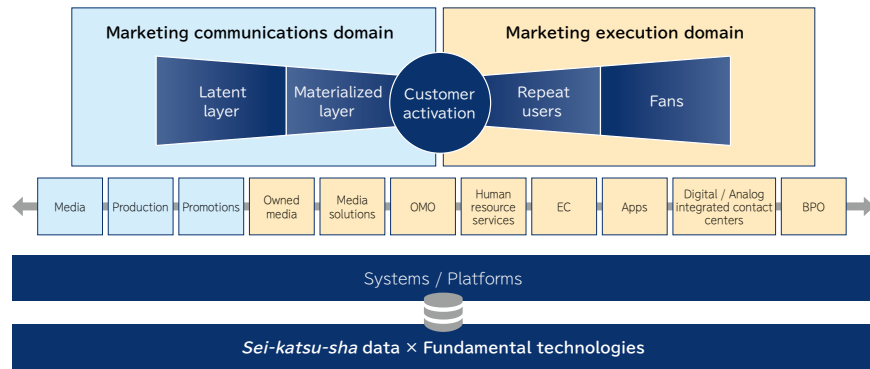
Behind the rapidly advancing shift to a digitalized era, there has been a growing need for data-driven full-funnel marketing, which entails a comprehensive approach that covers everything from awareness, interest, and consideration to customer relationship management. To evolve our *Sei-katsu-sha* Data-Driven 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

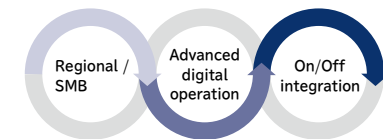
- Specific Actions**
- Launched HAKUHODO CX FORCE, a creative team that provides outstanding *sei-katsu-sha*-oriented customer experiences by integrating online and offline channels across the value chain
 - Established Retail Media ONE, a one-stop integrated service that covers numerous forms of retail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

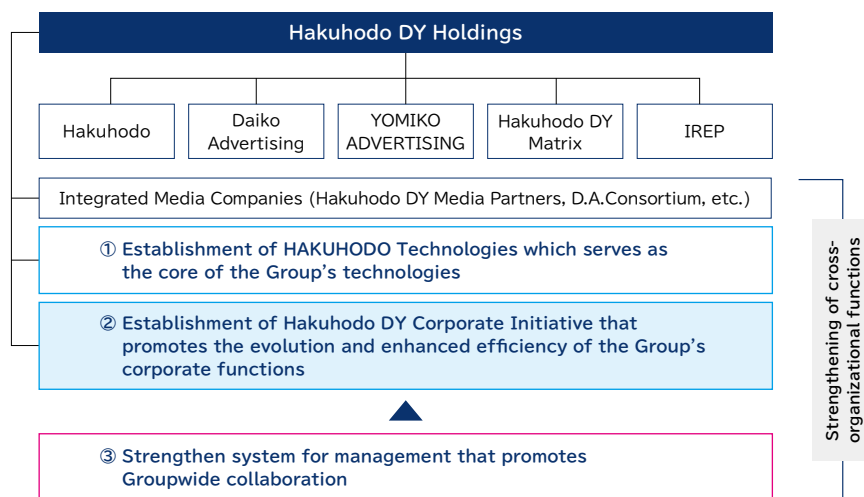
- Expanded businesses via AaaS, a next-generation model for the ad media business; companies adopting this model surpassed 250 in fiscal 2022, up approximately 2.5 times year on year, and projects expanded to around 1,000
- Continued to develop products in the creative domain, such as the H-AI Series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