

Becoming the True Partner Outlined in Our Medium-Term Business Plan



Harnessing Specialization Rooted in Creativity to Deliver Integrated Capabilities and Realize a New Commitment to Partnership

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The Medium-Term Business Plan that began in fiscal 2024 has now entered its second year, and the transformation of the Hakuhold DY Group is progressing steadily. In this section, director and executive vice president Akihiko Ebana shares our thinking on reforming the Group's pillar of profitability, our marketing business, developing new growth options, and the future vision of the Group as a true partner to our clients.

Evolving Technology Reshaping *Sei-katsu-sha* and Clients' Marketing Challenges

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In 2020, the COVID-19 pandemic rapidly accelerated digitalization across society, dramatically changing *sei-katsu-sha* behavior. Soon after, conversational generative AI—tools that even non-specialists can use—emerged and captivated many *sei-katsu-sha* with their convenience. AI continues to evolve at tremendous speed, and many people now use AI-related tools as part of daily life.

Reflecting these changes, digital has grown as a share of the overall media market, altering the nature of marketing communications and the challenges our clients face. For advertising companies, this represents a fundamental shift in the business structure itself. For the Hakuhold DY Group, this is an era where we must strengthen the foundation of our existing marketing business while also

acquiring new capabilities to respond to the increasingly diverse issues our clients face. We need to support their businesses more comprehensively than ever before to secure stable earnings.

An Urgent Need to Transform Our Business Model Toward Becoming a Creativity Platform

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The current three-year Medium-Term Business Plan, launched in fiscal 2024, calls for building a foundation in consulting, technology, and other areas so that we can go beyond the marketing business traditionally handled by advertising companies and respond to a wide range of client challenges. Our vision is to sow seeds in these new growth areas now and harvest the results over the next five years. The plan has reached its midpoint, and while

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there are areas where we feel confident, the rapid pace of change in the external environment gives us a strong sense that we must accelerate our reform efforts.

The Hakuholdo DY Group aims to move beyond the conventional role of an advertising company and become a creativity platform that brings creativity to every business domain. As digital marketing expands and AI advances, advertising companies are being called on to transform their business model.

To date, our business has focused primarily on how to establish large-scale operations, particularly in the area of media. Going forward, we must not limit ourselves to the scale of the media business alone. We need to create business models in which clients acknowledge the value provided by the Group and pay appropriate compensation in return. For example, these could include fee-based models that reflect the provision of services such as consulting or on-site assignments at client companies; success-based models in which compensation is determined by the degree to which we achieve clients' marketing goals; and revenue-sharing models in which we jointly launch businesses with clients and share in the resulting profits. We must transform our operations into business models that generate revenue through ongoing collaboration, by demonstrating our creativity and providing ideas across various areas of clients' businesses—while also accompanying them through implementation.

Combining Specializations from Across the Group to Solve Increasingly Diverse Client Challenges

Even as the environment surrounding advertising companies and *sei-katsu-sha* evolves, marketing remains a core and competitive business domain for the Group. For the Group to achieve stable growth, it is not enough for each specialized company to deepen its own expertise in isolation. We must combine and integrate our specialized strengths to deliver the highest level of performance to clients. Now is the time to prove whether we can truly raise the integrated capabilities of the Group's marketing business and compete effectively.

A major initiative to enhance these integrated capabilities was the April 2025 integration of Hakuholdo and Hakuholdo DY Media Partners. Bringing together Hakuholdo's frontline teams with the media teams of Hakuholdo DY Media Partners aims to enhance capabilities in media sales and making proposals to media companies and, above all, to address the rising demand among clients for full-funnel marketing. Placing the new Hakuholdo at the core of our domestic marketing business enables seamless integration of planning and execution. We can now respond comprehensively to clients' full-funnel needs and deliver better services, while also sharing Hakuholdo's capabilities and know-how across the Group to enhance overall competitiveness.

Equally important is expanding capabilities overseas and creating synergy with our domestic marketing business. Our strategic operating unit, kyu, was created in 2014 to integrate the innovation and specialization of North American and European marketing into the Group.

Our ability to strengthen and fully harness the integrated capabilities of the Group's collective marketing business is now being put to the test.

Rather than merely expand our overseas presence, our aim was to invest in companies with distinctive services and capabilities that strengthen our ability to make proposals to clients and the overall competitiveness of the Group.

Since the launch of this Medium-Term Business Plan, we have advanced collaborations such as with ENND Partners, which provides professional services for top management challenges, and with IDEO, the U.S.-based design and innovation firm. By restructuring our overseas business and connecting its capabilities with our domestic companies, we can deliver more advanced services and open up new business opportunities.

Digital Marketing Entering an Era of Creativity Centered on Brands

The rapid growth of digital marketing was originally driven by diverse, visible performance metrics that were valued by clients over those of traditional mass media. As the market expanded, competition intensified and cost performance improved, but the limits of its effects and efficiency have become apparent.

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The ultimate goal of marketing is to move *sei-katsu-sha*'s hearts. Making digital advertising more efficient is important, but not sufficient; we must combine it with compelling ideas that will move *sei-katsu-sha*. To do this, we must not only take the standpoint of *sei-katsu-sha* and continuously pay careful attention to challenges, engage in dialog, and act and create together with clients, the media, industry, government, academia, and other stakeholders as a responsible partner so as to realize our Commitment to Partnership. We must also strive to deliver solutions powered by creativity. I believe this will be the Group's key strength in a digital marketing landscape that has become dominated by cost and efficiency.

The Rise of AI as an Opportunity

AI is having an enormous impact on marketing activities. Tasks such as research now take dramatically less time, and many parts of the marketing process are being automated, streamlining work and improving efficiency. Yet as AI becomes more widely used, outputs are likely to become commoditized. Human creativity will remain the true source of added value.

Precisely because we are now in an era dominated by AI, we must focus on using AI as a force multiplier for *sei-katsu-sha* insight—that is, using AI to enhance our creativity, which has long been one of our core strengths. That is why I believe the changes AI is bringing to marketing represent an unparalleled opportunity for us to become a company abounding in creativity; the company clients turn to for bold, imaginative proposals.

Now, in the era of AI,
our focus must be on combining
sei-katsu-sha insight and AI—
that is, using AI to elevate
our creativity.



Leveraging *Sei-katsu-sha* Insight and Creativity to Cultivate New Growth Options

The creation of new growth options is a key theme of the current Medium-Term Business Plan. In consulting and incubation, we are beginning to identify what makes the Hakuodo DY Group unique. Our direction is sound, and over the five years that follow our current plan we intend to turn it into tangible growth.

Our long-standing practice as an advertising company of thinking about strategy by focusing on understanding how people behave is a major strength in consulting. Building strategies rooted in creativity and *sei-katsu-sha* insight can become a new source of competitiveness for the Group in this domain.

Realizing Our New Commitment to Partnership

Through these business model transformations, our Commitment to Partnership is also evolving.

Now more than ever we must stand side by side with clients and contribute to solving their diverse challenges. To do so, we are advancing efficiency through AI and the integration of creativity-driven expertise across the Group. By generating new relationship value between companies and *sei-katsu-sha* and increasing the sophistication of our services, we aim to remain the partner clients choose in a rapidly changing business environment. We will continue striving to realize a new Commitment to Partnership to become a true partner capable of supporting not only marketing but also innovation, management, and a wide range of client challenges.