

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.

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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

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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.

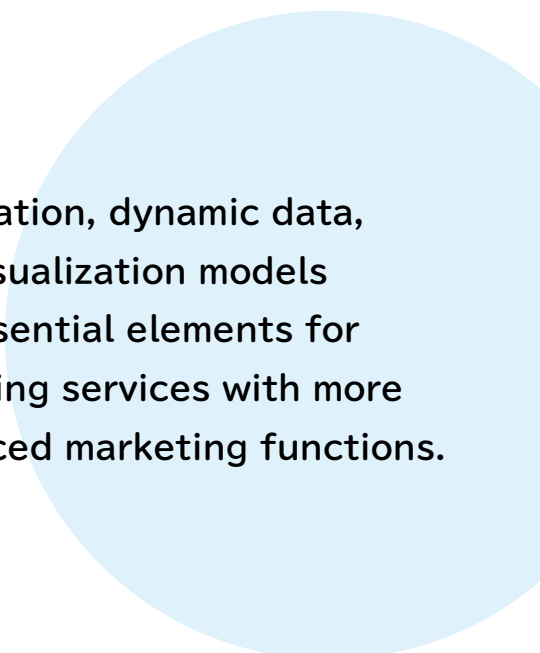
Anticipating this industry transition, the Hakuholdo DY Group has been developing a next-generation model for the advertising media business, called Advertising as a Service (AaaS).

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.

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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

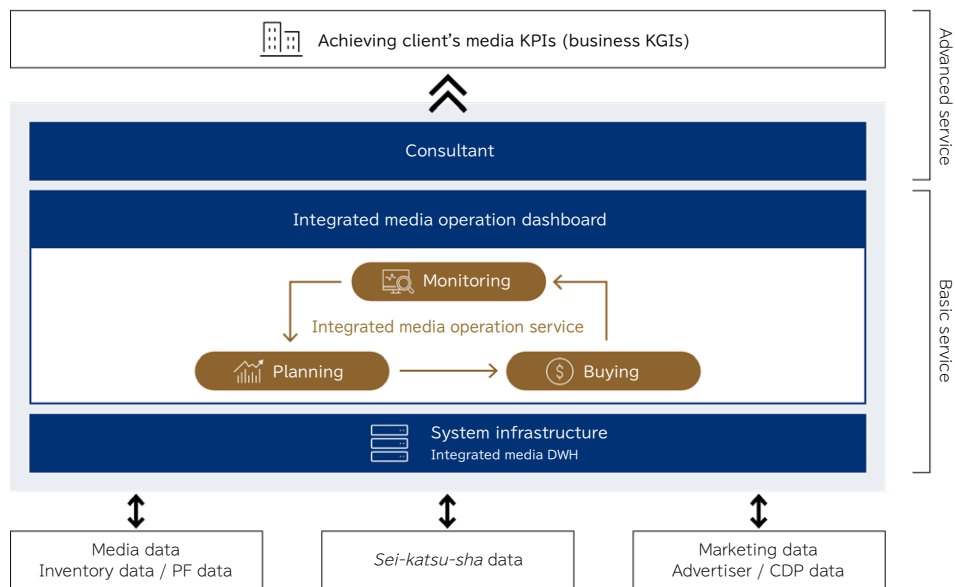
service that is effective at fundamentally integrating and merging the television and digital fields. However, we also aim to expand media coverage to include internet-connected TVs (CTV) and outdoor advertising/media and deliver even more advanced performance.

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

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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.