

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.

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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

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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.

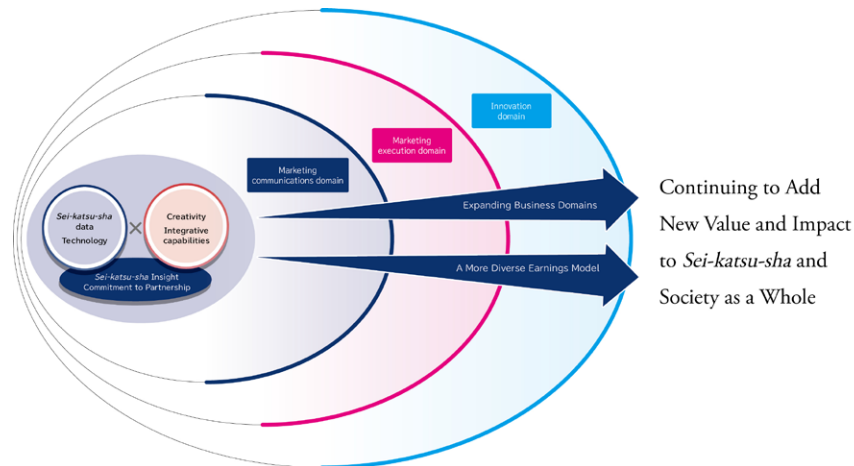
We aim to detect signs of change, predict the future, and use data and technology to help our clients with their marketing evolution and innovation.

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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

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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.