

The Value We Aim to Create Under the New Medium-Term Business Plan



A Partner That Creates New Relationship Value in Six Business Domains for *Sei-katsu-sha*, Organizations and Society

Akihiko Ebana

Director & Senior Executive Corporate Officer

Progress of Reforms Under the Previous Medium-Term Business Plan

The Hakuholdo DY Group was formed in 2003 through the management integration of three advertising companies: Hakuholdo, Daiko Advertising, and YOMIKO ADVERTISING. Since then, as the issues our clients face become more complex and sophisticated, we have responded by evolving into new areas of business, extending into the digital domain and expanding globally, including through M&A. One of the major challenges we faced under the previous medium-term business plan was reshaping the Group's advertising business for the next generation, against the backdrop of an operating

environment grown increasingly uncertain. While we did expand our areas of business, we grew mainly within advertising. To achieve medium- to long-term growth in a dynamically changing business environment, we needed to transform our foundation at its core. When reviewing the plan and taking the impact of the COVID-19 pandemic into account, we positioned the three years from fiscal 2021 to fiscal 2023 as a period to accelerate the transformation of our services and business foundation. During that time, we made inroads in transforming the advertising business, which is at the heart of the Hakuholdo DY Group. While some challenges remain, we made steady progress in building our systems and foundation in key areas such as the marketing execution,

digital, and technology domains. I believe we made solid progress overall, advancing the media business through Advertising as a service® (AaaS) and creating new business in the *Sei-katsu-sha* Interface Market.

Evolving into a Corporate Entity That Continuously Creates New Relationship Value

In the previous plan, we set quantitative targets based on market trends and capital market expectations, and then formulated and implemented measures to achieve those targets. In the new Medium-Term Business Plan for fiscal 2024 to fiscal 2026, our top priority is to fundamentally reshape our business structure in preparation

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for long-term growth. We will identify and leverage the strengths of the Hakuhold DY Group to achieve growth numerically as well.

The strength of the Hakuhold DY Group lies in the creation of “relationship value,” which it has cultivated in the advertising business for many years. Going back to our origins, we have concluded that the value we provide lies in the generation of relationship value, which connects *sei-katsu-sha* with products, organizations, and society. The ideas we develop in advertising, such as TV commercials and promotions, are merely means to an end. Our true strength lies in creating relationship value that resonates with *sei-katsu-sha*, leading them to say, “I want to buy this.” For example, the current landscape is characterized by increasingly severe climate change, and *sei-katsu-sha* face uncertainties. The Hakuhold DY Group needs to be at the forefront of driving changes in products and society, taking into account the shifting mindset of *sei-katsu-sha*. Our goal is to connect *sei-katsu-sha*, organizations and society, and to create new relationship value that moves people. This goes beyond the use of advertising and media as mere tools; we aim to build new business structures as part of our new Medium-Term Business Plan.

Expanding Our Creativity to Become a Creativity Platform Comprising Six Business Domains

Creating relationship value is driven by creativity, and the source of creativity is people. The Hakuhold DY Group has approximately 29,000 employees globally. We aim to become a “creativity platform” that can organically

connect the wisdom of each employee in the Group and create new relationship value for clients and *sei-katsu-sha*. While our focus to date has been mainly in advertising and marketing, we believe our creativity can perform in various other areas such as consulting and technology. We have been doing business in related fields up until now. However, in addition to the marketing business, we have newly identified consulting, technology, content, and incubation as areas where we can expect growth through *sei-katsu-sha*-centered creativity, and have added global business, which has an area-based axis, defining these six as our future business domains. As growth areas within the marketing business, we have identified digital marketing and commerce and set them to showcase structural changes within marketing. The next three years will be a period to establish the basic structure and create opportunities for monetizing each of the six business areas. The subsequent five years will be a period for accelerating growth. While we need to build the foundation for business structural transformation during the next three years, we also acknowledge that it may take some time for newly entered business areas to contribute to profitability.

Improving Profitability and Creating Growth Options

The new Medium-Term Business Plan identifies six business domains, each of which leverages *sei-katsu-sha*-centered creativity to create our business foundation. Specifically, over the next three years we intend to undertake business reform on three fronts: restructuring the marketing business, creating new growth options,

**Over the next three years,
we will transcend advertising
to build the foundations for
a new business structure in
six business domains.**

and remodeling our global business. As the advertising market is expected to slow, we are restructuring our marketing business—which includes the existing advertising and marketing domain—around expected growth in digital marketing, which we reinforced with earlier investments. As part of these efforts, we have integrated IREP and D.A.Consortium to form a new digital marketing structure. We will also expand our presence in the commerce business through new growth investments. Previously, sales promotion business was handled within Hakuhold. Our new framework will actively nurture the commerce business as a core area of operations. We will also work on automating and streamlining our existing businesses to improve profitability.

Creating new growth options for the first time, we expect it to take some time before they translate into earnings. Over the three-year period of the plan, we will establish systems and create opportunities to realize a new formation for the Group, while also identifying a path for growth that leverages the Group's existing strengths.

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In remodeling our global business, we are working toward further growth and improved profitability, while also adopting a new form for our overseas operations. Previously operated separately, we have relaunched kyu and the Hakuhold International to enhance mutual understanding of the strengths of each and collaboration between the two, forming a modern network to attract global clients. With *Sei-katsu-sha* Insight, the hallmark of the Hakuhold DY Group, shared as a policy globally, I feel that it is possible for the two to deepen their collaboration while making the most of their individual strengths.

The Potential of the Consulting Business

Consulting is one new business area we are investigating as a potential pillar of future earnings to complement the marketing business. While we have provided brand consulting services since the turn of the century, the consulting business model is completely different from advertising and marketing. To kickstart our full-scale development in this field, we invited consulting industry expert Masanobu Iwabuchi to join us in establishing ENND PARTNERS, which will be responsible for growth in this area. In recent years, the need for creativity has grown more pronounced within the consulting industry. IDEO, a subsidiary of kyu, now shares its expertise in design thinking, and SYPartners shares its strengths in organizational transformation with management teams. I believe we can create new value by combining certain aspects of the advertising and consulting businesses.

We will enhance the Group's corporate value by serving as a creativity platform that proactively creates new relationship value.

I believe consulting will be a critical way for the Hakuhold DY Group to build a stable earnings foundation through the creation of new relationship value that builds on its creativity. Even if the marketing business undergoes dramatic transformations in the future, we believe that converting the Group's strengths in creativity into value and building a business model that capitalizes on this will be essential for the growth of the Group, whose main source of value creation is creativity.



The Evolving Meaning of *Sei-katsu-sha* Insight

Sei-katsu-sha Insight plays a major role in our ability to differentiate ourselves from forerunners in new business areas and harness the creativity unique to the Hakuhold DY Group. Used in the marketing business, *Sei-katsu-sha* Insight has evolved into a mindset that fosters change in the overall social framework. To remain a partner to our clients into the future, in addition to marketing we need to become the partner of choice in other areas and on various levels, including among the management strata. This is why we have established the six business domains. Where we find gaps, we may utilize M&A, but will first combine and leverage our existing resources, to actively create new relationship value as a creativity platform and enhance the corporate value of the Hakuhold DY Group.