

## 1 Restructuring of Marketing Business

### Marketing Business

#### Dialogue

## Aiming to Strengthen Integrated Marketing and Achieve Further Growth in Digital Marketing

In this section, Hirotake Yajima, President & CEO of Hakuhold DY Media Partners and Executive Vice President of Hakuhold DY Holdings, and Hiroto Kosaka, President of Hakuhold DY ONE, a newly established digital core subsidiary, discuss upcoming prospects and challenges for enhancing the Group's measures in the digital marketing domain—an area of structural reform in the marketing business—as well as our response to expanding client needs in the integrated marketing sphere.



**Hirotake Yajima**

Director & Executive  
Vice President

**Hiroto Kosaka**

Representative  
Director & President  
Hakuhold DY ONE

### Growing Integrated Marketing Needs

**Yajima** Television advertising is expected to decline in importance in the Japanese advertising market. That said, the advertising effects of television commercials continue to be immense, and we now think television's impact will wane more slowly than we had anticipated. Meanwhile, digital advertising is forecast to grow by around 5% per year, and digital and television advertising together account for around 80% of the domestic advertising market. These two media have an outsized influence, and it is important to think of them not as separate media, but rather as a single type of media and consider their marketing effects accordingly.

**Kosaka** For *sei-katsu-sha*, the experience of viewing television commercials and digital video ads is seamless. Accordingly, it is important for marketers to connect and integrate the effects of these two media in terms of planning and execution.

**Yajima** Domestically, our most important task is to address companies' needs for integrated marketing. Clients are looking to leverage both television and digital platforms to maximize their marketing effects. Solutions such as Advertising as a service® (AaaS), which we introduced under our

## 1 Restructuring of Marketing Business

### Marketing Business

previous medium-term business plan, were well-received because they met many companies' needs. Services that visualize the performance of clients' marketing by reevaluating the effects of television and digital advertising using a single metric have been particularly successful, leading to the expansion of the media business as these services were introduced. Currently, programmatic advertising accounts for 80% of digital advertising and we expect to see television commercials shift even further toward the programmatic model. Broadcasters are also introducing various models that support programmatic advertising, and we have seen results with programmatic advertising that integrates systems of broadcasters we have supported and AaaS.

Integrating television and digital advertising requires that we unify our metrics as well. It is becoming increasingly common to purchase TV commercial slots based on impressions (the number of times an advertisement or website is displayed). I have talked about this trend emerging for some time; recently it has become a mainstream reality. With the growth of over-the-top (OTT) platforms like TVer, broadcast stations have also begun using impressions as a metric, including for the delivery of TVer's content. This makes having a system in place that utilizes AaaS and other solutions to integrate the planning of TV and digital advertising essential. We have made

significant investments in AaaS because without a system like this, it is becoming increasingly difficult to gain market share. This investment demonstrates our commitment to maintaining a competitive advantage through continued upfront investment.

**Kosaka** The Hakuholdo DY Group, long a proponent of *sei-katsu-sha* insight, has accumulated unique *sei-katsu-sha* data that sets it apart from other companies. Building on this strength, the Group has been proactive in enhancing digital advertising. The development of AaaS is also being driven with the premise of marketing centered on digital advertising, which has earned us a competitive advantage. Maintaining this advantage will not be easy, however; other companies will eventually come to similar conclusions.

**Yajima** To maintain our market lead, we plan to maximize the utilization of digital and technology human resources that we actively recruited under our previous medium-term business plan. We will also increase the sophistication and efficiency of marketing efforts, utilizing our integrated marketing platform CREATIVITY ENGINE BLOOM and other solutions to increase our market share in integrated marketing while driving efficiency.

**We will continue working to lead the market by making the most of our digital and technology human resources.**  
(Yajima)

### Current Status of the Digital Marketing Domain and Measures to Strengthen It

**Kosaka** In the medium term, the digital marketing domain is forecast to enter a mature phase, during which it will increase by around 4% to 5% annually. While traditional advertising platforms such as television, radio, newspapers, and magazines are experiencing a slight decline, internet advertising is a continuing growth area. In particular, we see OTT and retail media as likely areas for future expansion.

**Yajima** Looking at the Hakuholdo DY Group today, total revenue in the internet domain (media + creative) was just over ¥420.0 billion in fiscal 2023. This equates to annual growth of around 12% since fiscal 2020. Although short of the 15% target



set in the previous medium-term business plan, this revenue volume puts us in the top tier in this category. Importantly, however, many strong players exist in this sector, and competition is intensifying every year.

**Kosaka** In April 2024, we established Hakuholdo DY ONE to serve as the foundation for strengthening the Group's digital marketing domain. Through this company, we aim to enhance our competitiveness and improve productivity, and significantly expand internet-based revenue across the Group. While integrating IREP and D.A.Consortium, Hakuholdo DY ONE also consolidates resources and expertise related to the digital marketing domain from companies such as Hakuholdo and Hakuholdo DY Media Partners.

## 1 Restructuring of Marketing Business

## Marketing Business



**Yajima** To strengthen our presence in the digital marketing domain, we have identified the SPA strategy as a crucial theme. The “S” in SPA stands for safety. In the digital advertising realm concern is growing about ad fraud and brand safety, so we must address this theme thoroughly. The “P” represents the public. We are seeing a rise in demand for initiatives that incorporate social responsibility, the public interest, and decarbonization. Last, the “A” stands for advancement. Advancement is vital in this field, and we believe that leveraging technologies such as artificial intelligence to achieve higher levels of sophistication and efficiency, applying them to TV and digital advertising, and streamlining the Group’s formation will allow us to further increase our market share.

**We are positioning  
Hakuhodo DY ONE as  
the core company optimizing  
digital marketing for the  
entire Group.**

**(Kosaka)**

#### Driving Change with Hakuhodo DY ONE

**Kosaka** As part of the effort to optimize our digital frontline, Hakuhodo DY ONE has launched a new organization with the participation of approximately 100 members from Hakuhodo. We are positioning Hakuhodo DY ONE as the core company for digital marketing within the Hakuhodo DY Group, and from this new company we aim to optimize digital marketing across the Group. Currently, programmatic advertising predominates, but we believe there are some areas where our expertise can be applied to both TV and digital media. Having Hakuhodo DY ONE handle operations for both media will allow us to consolidate operational knowledge. The team

will center on members who are well-versed in the digital realm and have joined from the former IREP and D.A.Consortium. Hakuhodo and Hakuhodo DY Media Partners, will be responsible for executing planning.

We will also focus on achieving significant improvements in the areas of quality, cost, and delivery through the integrated management of the front end and operations. By leveraging AI and consolidating and strengthening nearshore organizations, we will strive to achieve cost reductions and rapid response while maintaining quality. Our plan is to enhance operational efficiency by strengthening the organization and utilizing AI, while ensuring quality.

**Yajima** Another crucial focus is strengthening our platform operator response capabilities, the foundation of digital services. We will consolidate functionalities that were previously scattered across multiple companies to realize a more sophisticated response to these operators. In addition to service development capabilities from working as one with such operators, we will create new digital marketing services that leverage data from both parties. We believe the integration of data and technology from platform operators and solutions such as AaaS, and the enhancement of services through closer collaboration with platforms are vital for improving competitiveness.

**Kosaka** Hakuhodo DY ONE will play a central role in the Group’s digital marketing. As Mr. Yajima mentioned, SPA is an important perspective from which to view digital advertising. Ensuring safety is crucial, and as a digital marketing company it is also important to fully address social responsibility. For example, we are being asked to affirm whether we are providing proper marketing support from social responsibility and public interest perspectives, and whether we are ensuring transparency. Advancement is a business prerequisite, and we must differentiate ourselves in order to secure a competitive advantage. The biggest theme for individual companies and the Group as a whole is how to differentiate ourselves and compete. With this in mind, Hakuhodo DY ONE will strive to maximize the Group’s corporate value.

## 1 Restructuring of Marketing Business

## Commerce Business

## Message



Masato Aoki

Unit COO, Commerce Design Unit  
Senior Corporate Officer  
Hakuodo

## Capturing Changes in Society and Designing Changes in the Ways *Sei-katsu-sha* and Companies Connect, Buy, and Sell

### Changes in Marketing Investment Areas

With the advancement of digitalization, more companies are increasing their investments in advertising and stepping up investments in new ways of buying and selling, such as e-commerce and mechanisms to continuously connect with *sei-katsu-sha*, like customer relationship management (CRM). To capture these changes in marketing investments and become a business transformation partner in the commerce field for clients, in fiscal 2024 the Hakuodo DY Group established the Commerce Design Unit within its core operating company, Hakuodo.

### The Mission and Strengths of the Commerce Design Unit

The mission of the Commerce Design Unit is to “capture changes in society and design changes in the ways *sei-katsu-sha* and companies connect, buy, and sell.” The unit strives to promote change in the five areas depicted in the diagram, contributing to the overall transformation of clients’ businesses.

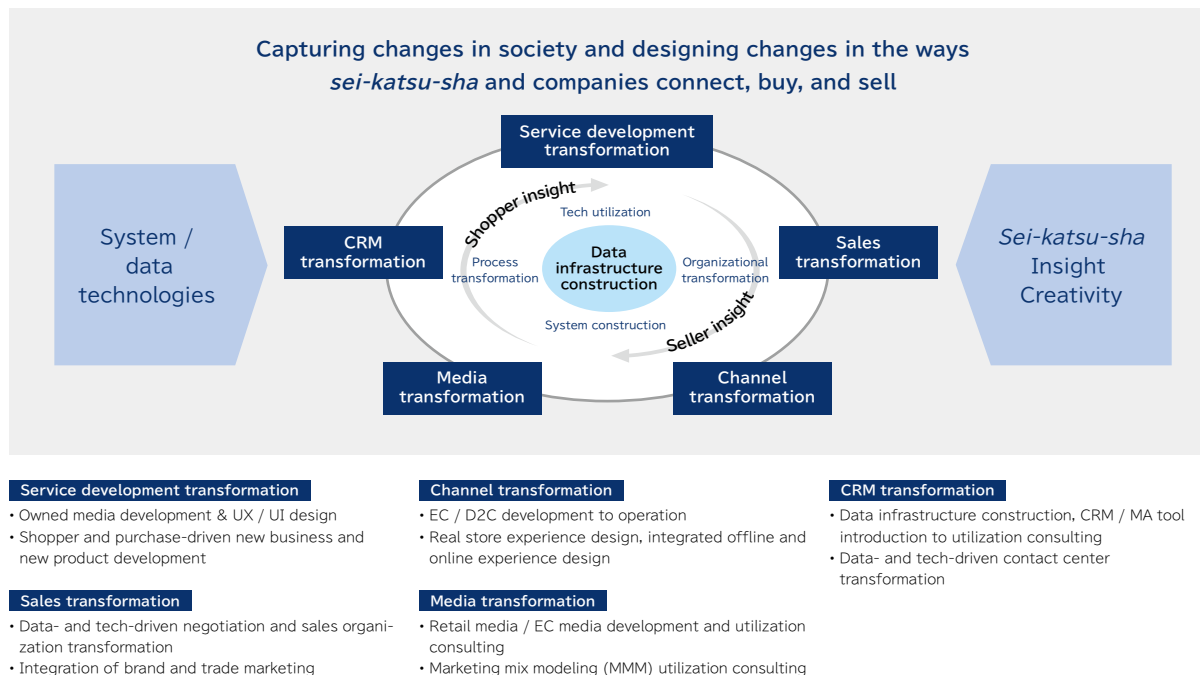
Many companies that support commerce seem to fall short of creating value because they focus solely on technology and system-based proposals and implementation.

To create new *sei-katsu-sha* behaviors, it is crucial to understand changing societal trends and *sei-katsu-sha* mindsets, and to design communications and interactions that resonate with them.

The Commerce Design Unit has strengths in both the understanding of systems, data and technology, and *Sei-katsu-sha* Insight and creativity. By leveraging these strengths, we aim to be the one and only company that can move the hearts of both buyers and sellers and create new actions and experiences.

### Aiming to Be an End-to-End Business Transformation Partner in Conceptualization to Implementation to Operation

Moving forward, we will actively promote collaboration among Group companies and alliances with external companies, leveraging the Commerce Design Unit as a hub. The Hakuodo DY Group will strive to achieve revenue diversity from each area, from conceptualization to implementation and operation. Additionally, we will work to establish a framework that allows us to serve as an end-to-end business transformation partner for our clients.





1 Restructuring of Marketing Business

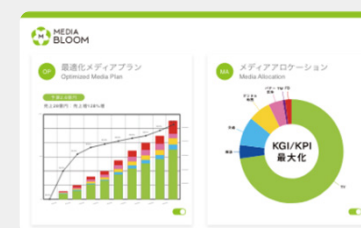
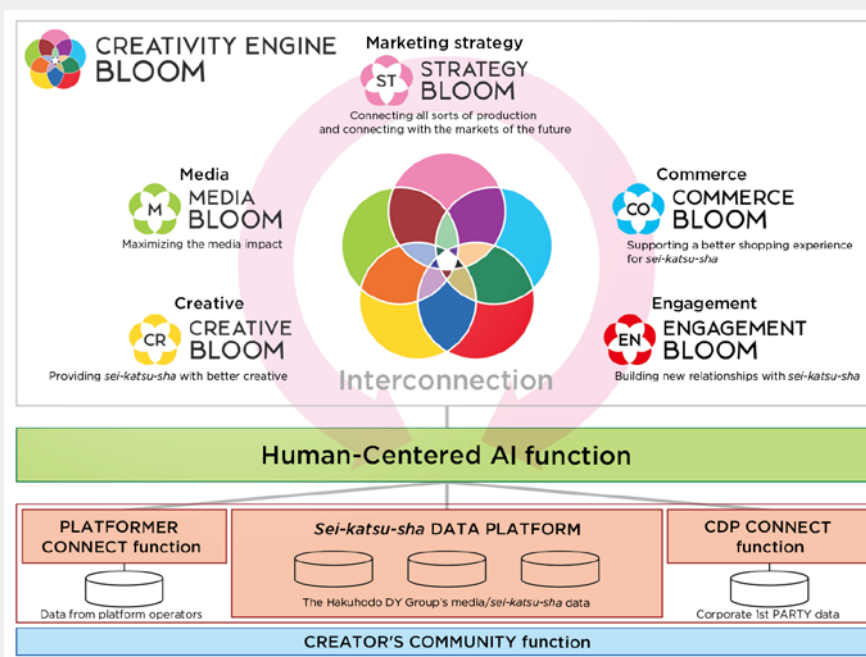
Column

## CREATIVITY ENGINE BLOOM, an Integrated Marketing Platform

In June 2024, Hakuhold DY Holdings announced its development of CREATIVITY ENGINE BLOOM, an integrated marketing platform.

CREATIVITY ENGINE BLOOM facilitates the one-stop integration and management of marketing domains, including media business and digital marketing; creative production; and even up to sales promotion, CRM and other commerce and distribution areas. Based on the Hakuhold DY Group's *sei-katsu-sha* data platform and

utilizing AI technology, the platform is designed to expand users' creativity and support the creation of new communication services and business. Starting with utilization by Group employees, we aim to quickly make integrated marketing services more efficient and sophisticated, helping to improve the operating margin and boost the revenue to gross profit margin in the marketing business.



## 1 Restructuring of Marketing Business

### The Five Main Modules of CREATIVITY ENGINE BLOOM



STRATEGY  
BLOOM

This module supports the formulation of marketing strategies, integrating *sei-katsu-sha* and client data and using AI technology to visualize market structures, set targets, and streamline the development of key performance indicators (KPIs).



MEDIA  
BLOOM

In collaboration with Advertising as a service® (AaaS), this module maximizes media effectiveness for achieving KPIs. It efficiently optimizes and allocates media, combining television and digital media.



CREATIVE  
BLOOM

Our module for supporting creative production utilizes AI to evaluate and automatically generate creative, enabling efficient and advanced workflow management.



COMMERCE  
BLOOM

This module supports the development of integrated marketing strategies that combine bricks-and-mortar and e-commerce platforms by integrating purchasing data and e-commerce platforms.



ENGAGEMENT  
BLOOM

To build strong relationships with customers, this module integrates major sales force automation and marketing automation tools with the *sei-katsu-sha* data platform, providing services to improve customer lifetime value and enable one-to-one marketing.

### The Strengths of CREATIVITY ENGINE BLOOM

#### Integration and de facto standardization of marketing operations

Strategy, media, and creative operations are centrally managed to improve labor productivity by integrating and standardizing business processes.

#### Increased efficiency and sophistication of operations using generative AI functions

We provide services that combine generative AI with human collaboration in creative tasks such as target profiling, concept development, and creative ideation. By incorporating marketing operations knowledge and expertise from *Sei-katsu-sha* Insight into our AI system, we support deeper insights into *sei-katsu-sha*, enhancing the creativity of our employees.

#### Visualization of the effects of integrated marketing

We utilize our *sei-katsu-sha* data platform to provide unique indicators that measure the effect of integrated marketing leveraging statistical and AI technologies. We also offer marketing intelligence functions that support strategy formulation and initiative development to improve these indicators, contributing to the growth of our clients' businesses.

We are currently building data infrastructure that will allow access to the Group's proprietary surveys and digital response data on the *sei-katsu-sha* data platform. Additionally, we are developing one of the largest data marketing platforms in Japan. This platform will support advertising delivery and one-to-one marketing through collaboration with a global ID service. In the medium to long term, we will collaborate with our clients' marketing environments and provide products and services to support business creation and entry into new markets. We are also preparing to add functionality that integrates individuals with diverse creativity, skills, and knowledge. By combining the unique characteristics of creative employees within the Hakuodo DY Group, we aim to create a platform where new marketing and business opportunities flourish.