

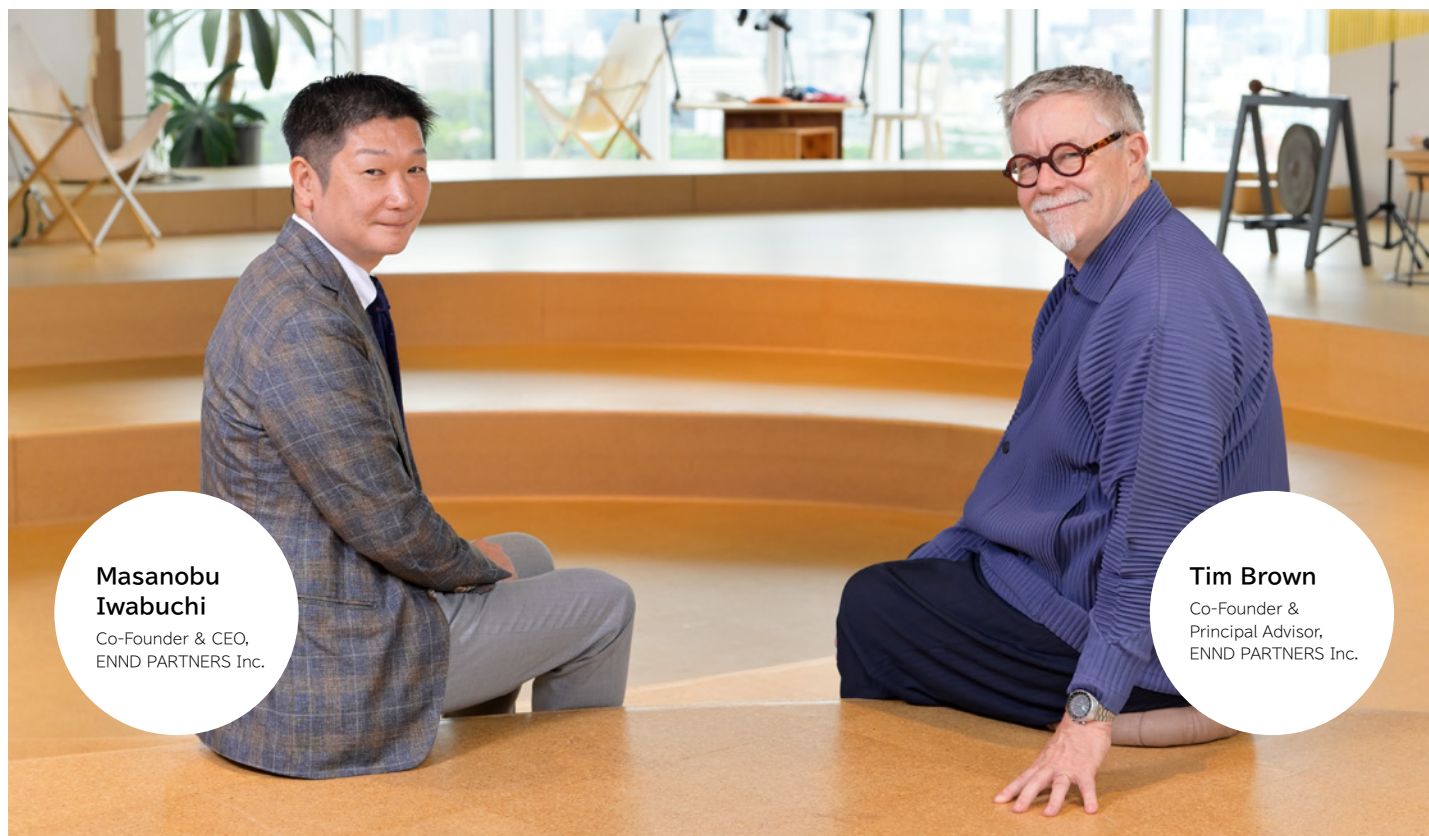
## 2 Creation of New Growth Options

### Consulting Business

#### Dialogue

## Applying Human-Centered Management Reform to Achieve a Paradigm Shift from a Long-Term Perspective

In March 2024, we established ENND PARTNERS to provide professional services for top executives. Here, Co-Founders Tim Brown and Masanobu Iwabuchi discuss the core values of the company, which are human-centered design and management impact, and provide an overview of the business.



**Masanobu Iwabuchi**

Co-Founder & CEO,  
ENND PARTNERS Inc.

**Tim Brown**

Co-Founder &  
Principal Advisor,  
ENND PARTNERS Inc.

### Background to the Establishment of ENND PARTNERS

**Iwabuchi** Currently, setting agendas can be a complicated aspect of corporate management. Various decision-making themes need to be considered, such as the impact of climate change, societal divisions and conflicts, and the social impact of corporate activities. To address these wide-ranging management challenges and achieve sustainable global growth, it is essential to boldly redesign management and the social framework from a human-centered perspective.

The Hakuholdo DY Group, which has traditionally focused on advertising and marketing, is now pursuing a radical expansion of its business under the new Medium-Term Business Plan, with a further emphasis on client support based on *Sei-katsu-sha* Insight. Members of Hakuholdo DY Holdings' strategic operating unit, kyu, have achieved notable success with a human-centered approach in Europe and the United States. We have now established a new company to extend this approach and create a greater social impact in Japan and various Asian countries.

**Brown** In the consulting industry, the "scientific" approach—applying analyses of

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past cases to current management situations—predominates. However, these days we face complex new challenges that can't be solved by the scientific approach on its own. Instead, we need to strike an optimal balance that combines analytical knowledge, based on management science, with human-centered creativity. In my view, many traditional consulting firms haven't been able to reconcile these two aspects. I believe that achieving equal integration between accumulating and advancing knowledge based on everyday consulting and human-centered creativity is the most important challenge facing management analysis. It also represents a significant business opportunity for us.

### Taking a Three-Tier Approach to Stakeholders

**Iwabuchi** In my many conversations with corporate executives, one issue that consistently arises is the importance of people. Many companies are hiring specialized consultants and developing various strategies in specific areas such as digital and M&A. But the strategies they adopt as a result sometimes are not effective at accounting for people's everyday actions, which makes problem-solving a challenge. That is why we make people our focus. We aim to strategically motivate people and support long-term business transformations based on insights into human nature. Mr. Brown refers to this as design in the broadest sense.

**Brown** We differentiate ourselves from consultants that take a planning-based approach of just creating ideal business presentations and leaving the rest to the client. Instead, we invite our clients to embark on a unique journey with us, immersing themselves in an experience that will lead to transformative actions. We strongly hope that our collaboration with clients will be an inspiring, enjoyable, and meaningful experience filled with inspiration.

**Iwabuchi** We refer to people as *sei-katsu-sha*, a concept that includes customers, employees, and company executives. We focus on these three stakeholder layers and develop distinctive services for each.

In customer relationships, first we fundamentally redesign the management structure from the perspective of brand management. This approach is particularly well-suited to companies aspiring to global growth.

Next, we work to drive improvements in employee performance by stimulating individual creativity and promoting behavioral change, transforming the organizational culture and improving performance. This "activation" approach is employed by SYPartners, a member of kyu, in their work with global corporations.

Finally, we strive to enhance the experience of management. We work to support top executives who are driving reform amid numerous business challenges. To do so,

we help set transformation agendas that incorporate the perspectives of both customers and employees. Additionally, our team, which covers a wide range of areas such as strategy, design, data, AI, and business processes, provides unusually comprehensive support.

**Brown** Today a lot of companies focus on responding passively to immediate challenges. Instead, they need to proactively consider their future vision and work relentlessly to achieve it, become more competitive through transformation, and strive to increase their integrated value. We want to support companies that have such aspirations. To a certain degree, Japanese corporate society has these qualities in place. There's an inherent belief in constantly being aware of the social and economic impact of corporate activities, and striving for a better balance. This is one of the main reasons why I wanted to collaborate with Mr. Iwabuchi in this venture. I very much look forward to working with this sort of Japanese company.

### Driving Change Through the Power of Diverse Human Resources

**Brown** One of our company's strengths is the diversity of our people. Mr. Iwabuchi and I, along with other team members, bring diverse experiences and achievements, each contributing rich insights into



**We support visionary Japanese executives from a long-term perspective by detecting portents of change based on "human nature."**  
(Iwabuchi)

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business reform. Furthermore, as part of the Hakuholdo DY Group, we collaborate closely with kyu. Leveraging diverse experiences within the Group allows us to drive more effective business reform from both the scientific (management science) and artistic perspective.

**Iwabuchi** Our members have broad and deep knowledge in such varied fields as design, art, business strategy, and organizational theory. We aim to attract individuals who have unique expertise in these areas or aspire to develop such expertise. Our goal is to achieve new world-class practices, so we seek out individuals with a global mindset, respect for others, and proactive curiosity to continuously learn, even in areas outside their own areas of specialization. We hope to attract talented individuals who find joy in collaborating with diverse people around the world. Whether they come from academia, corporations, or the public sector, we welcome individuals who share our aspirations to join our community.

### Creating the Future with Human-Centered Design

**Iwabuchi** There is widespread pessimism about the future of the Japanese economy. Recently, Japan's GDP was eclipsed by Germany, a country with two-thirds its population. Taking a more positive view, I

**By applying the power of design to management and organically linking an organization's head (top management) to its body (employees), we can foster organizations that excel at incorporating human nature and management impact.**

**(Brown)**

see this as evidence that the Japanese economy has ample room for improvement in terms of productivity and creativity. Japan's has a high level of education and great potential. The problem lies not in the lack of talented individuals, but rather in the failure of companies to effectively harness the abilities of such individuals to create business value. This is where human-centered design plays a significant role. By incorporating elements that have traditionally been overlooked in corporate management, such as creativity and communication, it is possible to create a positive cycle where people can work energetically, productivity improves, and new businesses are born one after another. In this way, we can unleash the true potential of the Japanese economy and achieve greater value creation.

**Brown** Companies are profit-oriented organizations, but they're more than just money-making machines. They're communities that connect people and, in a sense, have structures that resemble living organisms. The executives who formulate strategies, make decisions, and manage day-to-day operations represent the "head" of the organization. Employees who execute strategies on the frontlines represent the "body," but executives also have a physicality. Our proposed next-generation design thinking aims to connect the head and body, enhancing the morale of the entire organization and enabling truly human-centered purpose. This has the potential to generate a sense of fulfillment for employees and, in turn, have a positive impact on the company's customers.



**Iwabuchi** It is challenging to step outside the everyday time frame and look to the longer-term future. However, a wonderful world lies beyond. Working with visionary leaders, we aspire to explore ways of creating a more sustainable society and businesses where the younger generation can work joyfully and fully realize their potential.

**Brown** Each of us has a role to play in achieving a better society and economy. Each day, as we look to our clients and think of them as partners on a long journey, we aspire to contribute to leadership development that brings about transformation, whether from Japan to the world or from the present generation to future generations.

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**We are committed to creating new value through technology that harnesses human creativity.**

**Motohiro Ando**

Director & Senior Corporate Officer  
CTO

### Continued Reinforcement of Our Technology Infrastructure and Resources

With this shift to a digitalized era, under the previous medium-term business plan we sought to strengthen our technological underpinnings with the aim of HakuHodo DY becoming known throughout society as a technology-savvy company.

To achieve this, we have promoted alliances with external companies. In 2022, we established HAKUHODO Technologies as a technology strategy company to provide new value and experiences to society and *sei-katsu-sha* through the power of marketing and technology.

HAKUHODO Technologies is rapidly expanding its pool of talented technology professionals with diverse technical backgrounds. We met our initial target of hiring 100 employees from outside the Group, and the new company is making progress toward enhancing the Group's technology infrastructure and resources.

These advances open up new business domains; for example, driving the development of products to enhance and streamline our marketing business. We are building a new integrated marketing platform called CREATIVITY ENGINE BLOOM to integrate data and tools across marketing, creative, media, and distribution, which were previously handled separately. This platform

enables us to formulate integrated marketing strategies, support business development, and generate actions to address social challenges.

### Signs of Technology Business Expansion

Combining marketing and creative capabilities with new technologies allows us to achieve higher levels of sophistication and efficiency in our traditional marketing business, while also addressing a wide range of challenges related to clients' digital transformation (DX).

We are also beginning to see signs of expansion of the technology business, which takes advantage of our newly augmented technology domain. One example of a leading-edge technology business is ATOM, a software as a service (SaaS) offering to support advertising companies that is provided by the SoldOut group, which joined the Group in 2022.

Another example I would like to introduce is Nomatica, a multiagent brainstorming AI.

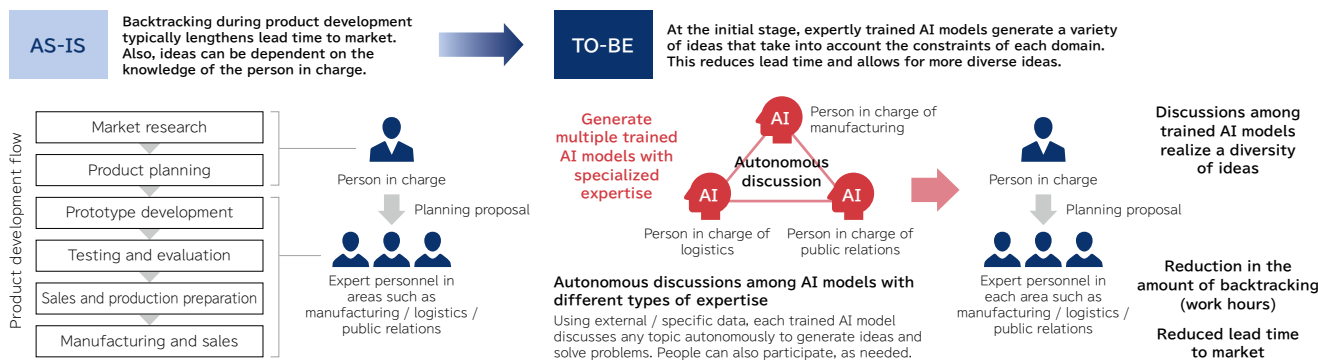




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#### How Multi-Agent Brainstorming AI Might Be Used in Product Development



accumulating a track record primarily with BtoC clients in the finance and automotive industries.

The SaaS marketing service business involves delivering services in an SaaS format in our existing marketing, creative, and media domains. Nomatica and ATOM described above are close to this concept.

In addition to serving as the core of CREATIVITY ENGINE BLOOM, we will roll out the Advertising as a service® (AaaS) offering we have been developing to clients as an SaaS-based business.

We expect to face unknown challenges and difficulties in all of these businesses, but we believe the technology infrastructure we have built can help us overcome these hurdles.

#### Using the Technology Business to Realize Value Creation Among Society, Organizations and *Sei-katsu-sha*

The primary focus of our efforts to strengthen the technology domain and the technology business lies in appropriately applying technology to create new value between organizations and *sei-katsu-sha*. As a firm believer in *Sei-katsu-sha* Insight, we are committed to going beyond creating businesses that simply utilize convenient technology. We want to utilize technology that coexists with people and unleashes their aspirations.

We place importance on technologies that harness human creativity and, connecting *sei-katsu-sha*, organizations and society, create new value that the Hakuodo DY Group is uniquely positioned to achieve. As we do so, we will turn Hakuodo DY into a globally unique technology brand.

#### Case Study Nomatica

Due to changes in the living environment and people's awareness, customer needs have become diversified, requiring various specialized knowledge for product planning and development. However, involving personnel with extensive expertise in the initial stages of product planning for repeated meetings and discussions is not realistic in terms of securing personnel and workload.

To address such issues, we have developed a multi-agent brainstorming artificial intelligence (AI) for business analysis and idea generation. This AI enables autonomous discussions and idea generation on any given topic by leveraging external / specific data among expertly trained AI models, facilitating problem-solving and idea generation.

The ability to have discussions among diverse AI specialists such as engineers, consultants, and researchers allows for the generation of ideas from various perspectives that were not previously possible.

Furthermore, by involving specialists such as manufacturing personnel, legal experts, and researchers from the initial stages of product planning, it becomes possible to discuss and validate feasibility at an early stage. This reduces the need for plan revisions and accelerates the product planning cycle.

#### Expanding the Technology Business

We see these signs as opportunities; to take advantage of them, we intend to expand our technology business related to client marketing. We are currently considering two areas: marketing system integration (SI) business and SaaS marketing service business.

In the marketing SI business, we aim to provide a wide range of business solutions tailored to issues clients face, encompassing various fields and processes. Our unique *Sei-katsu-sha* Insight and marketing expertise enable us to offer comprehensive support, ranging from consulting services such as customer experience (CX) design and business design to professional services related to the implementation, maintenance, operation, and utilization of systems such as marketing automation (MA) and customer relationship management (CRM) to realize business reform. Today's marketing landscape is characterized by increasing demand for advanced data utilization. Therefore, we also focus on supporting the design of data flows and the construction of data foundations such as customer data platforms (CDPs),

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## Column

**Masaya Mori**

Chief AI Officer (CAIO) & Corporate Officer,  
Hakuodo DY Holdings  
Head of Human-Centered AI Institute

## Viewing AI as a Technology That Enhances Human Creativity, We Will Foster Cross-Group Utilization and Advance AI Research Through a New Organization



Advances in artificial intelligence (AI) technologies, such as generative AI, have prompted the application of AI across a variety of social and business domains. The importance of AI is increasing for the Hakuodo DY Group, as well, particularly in the advertising and marketing fields.

I believe the chief AI officer (CAIO) has two main roles. First, in the short to medium term, we must apply AI to improve the Group's services and operations. This involves developing systems and products based on AI technology trends, as well as creating AI use cases and enhancing employees' AI skills.

My second role is to envision how AI's evolution will shape the future of society and business and to then help establish the structures and generate new business opportunities to prepare for that future. In addition to technological expertise, this role requires insights into business transformation, as well as collaboration with partner companies to develop technologies and create future businesses.

Currently, we are developing products / solutions that combine efficiency and creativity by leveraging AI and various other technologies across Group companies. In advertising production, we have created an AI module that facilitates the planning, creation, and evaluation of digital creative. We have also implemented AI solutions to support various tasks in branding, web production, video production, customer relationship management (CRM), and other areas. Additionally, we have introduced internal search systems and planning support systems using retrieval-augmented generation (RAG), a generative AI application, to further enhance the sophistication and productivity of our internal systems.

By leveraging AI, we aim to share the knowledge and strengths generated across the Group, enhancing our short- to medium-term competitiveness while preparing for the future. As CAIO, I strive to contribute to the growth of the Hakuodo DY Group and our image as a company that excels in the development and use of AI.

As part of our ongoing AI initiatives, in April 2024 we established the Human-Centered AI Institute (HCAI). This organization, which is guided by the principle of "human-centered AI," aims to explore the future of AI as it relates to enhancing human creativity. We will establish a vision and road map based on this principle and conduct research on cutting-edge and applied technologies.

While AI is a useful technology, we cannot expect it to yield desired results by applying it blindly or relying solely on automation. Instead, we must strategically incorporate AI at key points to enhance existing systems, thereby expanding the realm of human creativity and increasing productivity. HCAI will reimagine the use of AI from a human-centered perspective and promote its development and utilization as a technology that improves not just efficiency but also enhances human creativity.

In addition to technology, achieving human-centered AI will require us to address ethical, legal, and social challenges, and calls for collaboration with diverse stakeholders. HCAI will collaborate with experts from such fields as intellectual property, law, sociology, psychology, design, art, and various organizations to share our vision of human-centered AI and work toward the development of AI as a technology that contributes to *sei-katsu-sha* and society.

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### Content Business

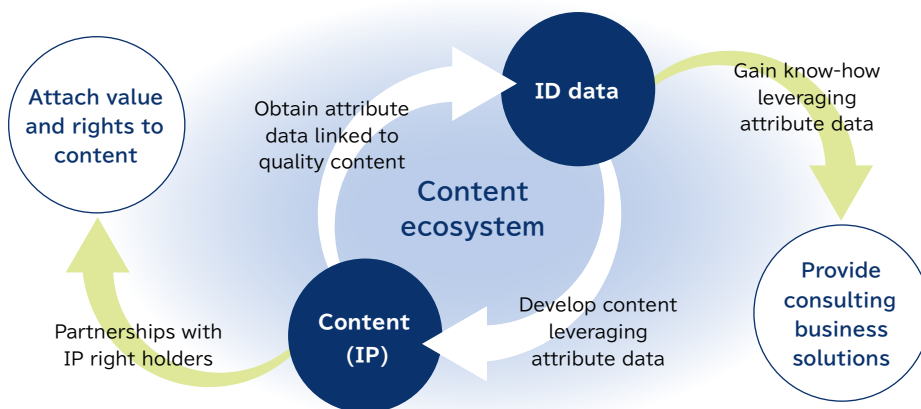
## Developing an IP / ID-Based Content Ecosystem to Expand Profit-Making Opportunities

To date, in the content business the Hakuholdo DY Group has been focusing on sponsorships as part of client companies' marketing activities in the areas of sports, such as baseball and relay races, and culture, such as movies, anime, and art. We have engaged in business related to rights, such as non-fungible tokens, and data utilization business, such as making sports data visible.

Advances in digitalization within the content industry have fostered dramatic innovations in production and presentation methods, while direct fan connections and monetization methods are also diversifying.

The Hakuholdo DY Group has set "IP / ID" as its strategic approach in the content business. By nurturing content (IP), fans who interact with that content generate unique (ID) data. By utilizing ID data in data-driven marketing and reinvesting in the content business itself, we aim to achieve a broad-based business expansion. The IP / ID strategy is a cycle that combines IP and ID to continuously enhance the value of content.

*Sei-katsu-sha* have also become more likely to take action, such as by using video services or making purchases on e-commerce sites, as a result of their contact with content. The Hakuholdo DY Group will collaborate with media and platform companies to create new revenue opportunities in the content business.



### CASE STUDY

#### A Strategic Partnership with Hokkaido Consadole Sapporo

We supported the planning and implementation of measures in multiple areas, including events, promotions, and fan clubs, through our strategic partnership with soccer club operator Consadole Co., Ltd. We collaborated closely with the club to create large-scale projects such as a family-oriented event called Golden Children's Week during Japan's Golden Week holiday period and an annual large-scale, all-genre event, the Red and Black Festival. We have been supporting the growth of content (IP) by turning these events into regular fixtures.

We also analyzed the customer attribute data of match attendees and fan club members. We consulted on the results of our analysis of ID data in such areas as setting customer targets, designing key performance indicators to measure the effectiveness of initiatives, and developing concepts for events and promotions for each match.

Going forward, we will consider how the Group can apply the IP / ID knowledge and insights we acquired through these efforts to domains outside of sports.



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## Incubation Business

## Dialogue

Incubation and the Future Shape of *Sei-katsu-sha* Insight

The Hakuhold DY Group's new Medium-Term Business Plan identifies the incubation business as a core domain. Yasuo Nishiyama, Corporate Officer of Hakuhold DY Holdings and Director & Senior Corporate Officer of Hakuhold and Susan Schuman, Vice Chair of kyu and Executive Chair of SYPartners, discuss initiatives aimed at building this business into a new pillar of earnings.



## Yasuo Nishiyama

Corporate Officer  
Hakuhold DY Holdings  
Director & Senior Corporate Officer  
Hakuhold

## Susan Schuman

Vice Chair  
kyu  
Executive Chair  
SYPartners

Our In-House Venture Program  
VoC's Endeavors

**Nishiyama** The Hakuhold DY Group launched the global in-house venture program Ventures of Creativity (VoC) in fiscal 2023. The program aims to uncover innovative business ideas in the marketing field. In its first year, two teams were selected out of 94 applications. A newly established company has also been assigned to invest in the selected teams.

VoC is the first action the Group has taken to make our Global Purpose a reality. Designed as a cross-Group business contest, VoC provides a breakthrough opportunity for demonstrating how to achieve the first Purpose formulated for the entire Group in day-to-day operations.

**Schuman** I am extremely honored to have been selected as a judge for VoC. In the contest, I had the opportunity to experience the talents, knowledge, and passion of many individuals within the Group, and it was a joy to be able to evaluate their work.

**Nishiyama** Among the proposals submitted, we saw ambitious efforts to connect the challenges of *sei-katsu-sha* with cutting-edge solutions. However, as this was the first round, many of the presented ideas

seemed to stem from an insider's awareness of issues within the Group's current operations. Going forward, we hope to foster diverse exchanges within the Group to generate even bolder business proposals from a broader perspective.

**Schuman** I had the same thought. It is important for us also to proactively support the emergence of completely new businesses that go beyond addressing current needs.

Solving Social Issues Through  
Incubation

**Schuman** We should focus on business models that aim to address the issues society faces. This requires collaboration that goes beyond national borders, organizations, and the barriers that divide government, industry, academia, and the public sector.

In particular, in the field of incubation, we need an organizational culture that is open to new ideas and encourages active discussions to gain insights into *sei-katsu-sha* and society. In this respect, the diverse range of business domains within the Hakuhold DY Group should be a significant strength.



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**Nishiyama** The incubation process begins by examining gaps between the ideal state of society and organizations and the current reality, taking into account *sei-katsu-sha* insights and awareness data. Exploring these gaps, known as pain points, leads to new business opportunities. An example of such efforts is the development of the Decarbo Score by Earth hacks launched in May 2023, which visualizes the value of decarbonization, with labels indicating reduction in CO<sub>2</sub>e emissions.

We are also actively investing in venture funds. These include partnerships with World Innovation Lab (WiL) based in Silicon Valley, the Vertex Group in Singapore, and Japan's UTokyo Innovation Platform Co., Ltd. (UTokyo IPC).

**Exploring pain points  
—the gaps between the ideal  
state and the current reality—  
leads to new business  
opportunities.**  
(Nishiyama)

We are also strengthening our collaboration with Hakuhoodo DY Ventures, our in-house corporate venture capital (CVC) firm. In the future we plan to launch multiple funds in collaboration with a consortium comprising members of industry, government, academia, and the public and identify and support promising startups.

**Schuman** At kyu, we are also actively engaged in supporting startups and establishing an incubation framework as a growth area following the expansion of our existing businesses and new acquisitions.

Through these initiatives, we can closely monitor the market and secure connections with promising startups and the next generation of leaders. This enables us to deploy ideas from kyu or within the Hakuhoodo DY Group and bring them to market. Going forward, we may also engage in collaboration, information sharing, and co-investment among venture funds. As our ultimate goal is the same, these are ways for us to achieve our ideal future and make a positive impact on the world together.

#### Realizing Aspirations Through the Power of Creativity

**Schuman** Throughout my career, my focus has been on bringing the future to today and manifesting it in the market. In my early days at Apple, I worked on the

widespread adoption and penetration of IT technologies that anticipated the future of the internet. Later, at SYPartners, I supported corporate self-transformation and the creation of new value based on the belief that great companies build great businesses. I also engaged in supporting startups and incubation. Currently, as a leader of kyu, I'm driving businesses that confront economic and social issues through the power of creativity. The incubation know-how and future-oriented problem-solving capabilities of kyu, as well as its collaborative mindset that transcends organizations, are influencing the entire Hakuhoodo DY Group. With a shared purpose and a commitment to mutual learning, I aspire to create even greater economic and social impact.

**Nishiyama** Many Japanese companies face the challenge of transforming themselves into innovative corporate entities. While an inductive approach often seeks definitive answers, we deliberately focus on setting "creative questions." From that starting point, companies can break free from existing constraints and envision their desired future, leading to the creation of truly sustainable new businesses.

The incubation business is a crucial new area for the Hakuhoodo DY Group, as it moves beyond the framework of a group of advertising companies. Our goal is to

**I would like to see kyu and  
the Hakuhoodo DY Group  
create greater economic and  
social impact through mutual  
learning and collaboration.**

(Schuman)

address global challenges and further evolve *sei-katsu-sha* insight. We strive to paint a future vision that serves *sei-katsu-sha* and generates resonance, empathy, and action. By freely utilizing the power of creativity, we aim to achieve dynamic incubation that realizes aspirations for *sei-katsu-sha*, organizations and society.