

3 Remodeling of Global Business

Dialogue

Building a Unique Modern Network for the Evolution of Resilient Business and Client Growth

kyu, a strategic operating unit of Hakuholdo DY Holdings whose main business area is in Europe and North America, and Hakuholdo International, a business unit within Hakuholdo with its solid business network in Asia, are strengthening collaboration in the digital marketing field for the three years to form a unique modern network that meets various needs of clients. Michael Birkin (CEO, kyu) and Shuntaro Ito (President & CEO, Hakuholdo International and Director & Senior Corporate Officer, Hakuholdo) discuss their strategy in the new Medium-Term Business Plan.



Shuntaro Ito

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Hakuholdo International
Director & Senior Corporate Officer
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Michael Birkin

CEO
kyu

The Concept of the Modern Network

Birkin Every client is under different pressures, with a different go-to-market proposition. It's no longer "here's an advertising campaign with all the supporting materials." It's now a complex of approaches including influencers, shopper marketing techniques, all forms of outreach. Messaging gets disseminated in so many different ways.

Hence the modern network, a key concept of which is fluidity. That's an important word in today's market, where every client is set up differently.

Ito Coming up with this concept was very valuable. As Mr. Birkin says, the issues clients face are different, and things are changing rapidly. Structuring this flexible modern network which is composed of companies with local excellence can contribute to clients who are thinking about the day-to-day changing situation.

Birkin Yes. We want to think and act in a way which is the future of business. There will be an increasing number of new entrants into our world—new people, new companies, new approaches. Therefore, in

the creation of the modern network, we have to play a game whereby we serve what has come before while opening doors to new methods.

It requires every company and every office to first and foremost be a vibrant successful business without a network. And we have the opportunity to present that not just because of what Hakuholdo DY Group is doing, but what it has achieved and what I think it envisions with the three-year plan.

The New Medium-Term Business Plan (FY2024-FY2026)

Ito Hakuholdo International has always evolved by offering solutions and capabilities rooted in each market's condition. Today this includes strengthening our digital capabilities and solutions, as with the formation of "H+", a strategic network of Hakuholdo / Hakuholdo DY ONE in Asia, in 2022. We have now more than 50 companies and 5,000 employees outside of Japan with *sei-katsu-sha* insight as our strong competitive edge. And in 2023, we achieved the highest business results in 50 years of overseas operation.

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Birkin Early on, I regarded kyu very much as a recruitment exercise of forming a new collective to propel the economy and society forward with creativity. And that part of the process was incredibly successful. In the post-COVID-19 environment, I'm also optimistic. What we have done is maintained the value of our brands, and our reputation both as kyu and Hakuholdo as a good partner to these clients.

Ito The key for Hakuholdo International now is how to maintain the existing business and how we build new business on top of that. For that we'll be executing

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strategy in three areas: maintain and expand our range of services to Japanese clients as well as local clients, for further growth under Hakuholdo's philosophy of Commitment to Partnership; utilize H+ and the Hakuholdo International collective to offer tailor-made proposals that can win regional business, as a growth driver; and strengthen consulting and overall digital capabilities to widen our service territory.

As we continue to expand business and solutions within Hakuholdo International, we would like to seek many opportunities to collaborate with kyu as well.

Birkin Yes, and to that end, a "lexicon" is essential in this kind of environment, which is one of our ongoing initiatives.

Traditional networks fall short because they don't speak the same language. They claim they do, but they don't. It occurred to me we must start a process where people speak the same language about the business that we're in. New terms come at us all the time: performance marketing, digital advertising and AI. When we agree on these terms, it may sound basic, but it's hugely powerful.

In a fluid world you don't need a single brand name, you need the coherent business of a network with a single lexicon. It's a powerful tool and something that nobody else has done.

Another material initiative is the kyu operating system (kyu OS). This is how we map and connect our people, capabilities and knowledge base across all kyu companies, and it is another powerful device nobody else has. It underpins the modern network, and armed with these two tools—the lexicon and kyu OS—we sell it far better, and we better collaborate.

Ito Yes, we need to have a system or mechanism to update properly in this fast-moving world. I know teams within Hakuholdo International are showing interest in access to kyu OS for future collaboration. I am looking forward to seeing the outcome of utilizing this new system.

To your point about selling, several Global Client Leads (GCLs) who are appointed from the Hakuholdo DY Group are working on cross-fertilization within the modern network to deliver unique value to our clients, respectively. Supported by the GCL who has a deep relationship and knowledge about the client, our agencies in the modern network proactively discuss on growth opportunities. The GCL works with various agency's account team in presenting its capabilities within the marketing funnel, especially in the digital domain. GCLs have led to open new doors, and we hope to keep this momentum going.

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Birkin There is a different ongoing collaboration—kyu Pulse, a new network of eight kyu brands— than in the past, and there is really a lot of conversations and business starting to flow. We also have investment in FUNDAMENTALco, a value creation consultancy who has opened many doors for kyu and Hakuhodo.

Ito Also, this year Hakuhodo International won a regional client pitch in Asia leveraging Kepler's assets, and another project is going on with Kepler and Hakuhodo BCI in the Philippines. We are working together to set

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up the operational team in the Philippines to support Kepler's client for digital media campaign operations, with potential to expand the collaboration area to the creative field in the future. I believe collaborating with kyu will bring more successes.

Looking to the Future

Ito Currently brands are making efforts to solve their own corporate challenges. But in the coming years they will also need to consider the social aspect of the business. We see further developments in AI, the aging population, and global warming to name a few. Our living conditions are rapidly changing at a global level. We are moving toward a world of cross-border and deepened collaboration to tackle various social challenges.

Hakuhodo International will strive to meet those challenges while deepening its existing local relationships and adding unique access, such as through the modern network. Enhancing our collaborative capabilities, we can provide unique solutions not only in terms of marketing but consulting, technology, and incubation, addressing diverse challenges faced by individuals in various fields.

Our mission is to design meaningful changes for *sei-katsu-sha* and to continuously create new value markets and happiness for *sei-katsu-sha*. I am sure that our collaboration will only grow in years ahead, reflecting clients' needs and societal change.

Birkin I agree. Hakuhodo has changed dramatically over the last few years and I think it's phenomenal. I believe kyu's role is helping that particular change to stimulate new thinking. Hakuhodo is a brand which should be far more powerful internationally because we have good people running it.

I hope and believe that we will be in a situation in 10 years where our key brands are much stronger because of the moves that we are making now. That's my hope and belief, and what I work towards.

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