Hakuhodo DY holdings

Integrated Report 2024

The Hakuhodo DY Group's Global Purpose

Aspirations Unleashed
break down boundaries,
open new doors
and usher in new eras
for every *sei-katsu-sha*, organization and society.

When asked to draw the future on a blank sheet of paper,
we start by drawing a person in the center.
What hopes and dreams does this person, this *sei-katsu-sha*, hold dear?
What moves them? What matters to them? What excites them?

In Japanese we call these deep yearnings of the heart, "*omoi*". Aspirations.
Our wonderings about what is possible and how we'd like the world to be.
These aspirations are the seeds the future grows from.

In an increasingly more instant world,
it's easy for aspirations to get overlooked.
They can be dismissed as inefficient, imperfect, irrational musings.
Our work is to listen, nourish and nurture them.
To give them room to develop, To let their light shine.
By honoring the human spirit and the wisdom and ambition within, aspirations can come to life.
New technologies are born. New behaviors introduced. New lifestyles embraced. New cultures emerge.

For with Aspirations Unleashed we break down boundaries,
open new doors and usher in new eras
for every *sei-katsu-sha*, organization and society.

Action Guidelines

Bringing *sei-katsu-sha* thinking to life.

Always as a *sei-katsu-sha* and always on behalf of our *sei-katsu-sha*,
is HDY group's overarching priority and criteria of decision making.
"In the best interest of *sei-katsu-sha*" drives everything we do.
No matter how profitable, trailblazing or revolutionary a business opportunity may be,
if it does not benefit *sei-katsu-sha*, it is not for us.
Of course, living this belief takes courage, focus, discipline and commitment.
But we are proud to call it our way. Because our commitment to *sei-katsu-sha* always comes first.

Together to dream. Together to create.

Always bonded in partnership is how we work at HDY group.
Ours is not a way of imposing, but rather respecting and appreciating, listening and including.
We stand together, whether it be side by side, leading from the front or backing up as support.
We work in an atmosphere of rich collaboration, encouraging each other, enjoying successes together,
supporting one another through challenges.
"Bringing Aspirations to life together as one team" is how we express this Sincerity of Partnership.

Blending Differences as Strength.

Our Differences contains our Creativity, ready to be unlocked.
The way we think and live, our cultural backgrounds, beliefs and values, are all uniquely different.
How shall we harness the variety of all we are?
By welcoming and enabling our differences to meet, connect and ignite!
For then we empower our collective imaginations to go further and beyond.
Blending not Similarities but **"Differences that ignite spark"** is what charges our creative process.

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Editorial Policy

To realize sustainable growth and continuous improvement in corporate value, the Hakuhodo DY Group believes that both profitable growth and initiatives for resolving social issues through its business activities are extremely important. Believing further in the importance of introducing, in detail, the social and environmental initiatives that help us fulfill our social responsibility as a corporation, we produce integrated reports that also comprehensively cover the Group's activities related to sustainability and the environmental, social, and governance (ESG) domain. In this way, we aim to disseminate information to our stakeholders for their enhanced understanding of the Company.

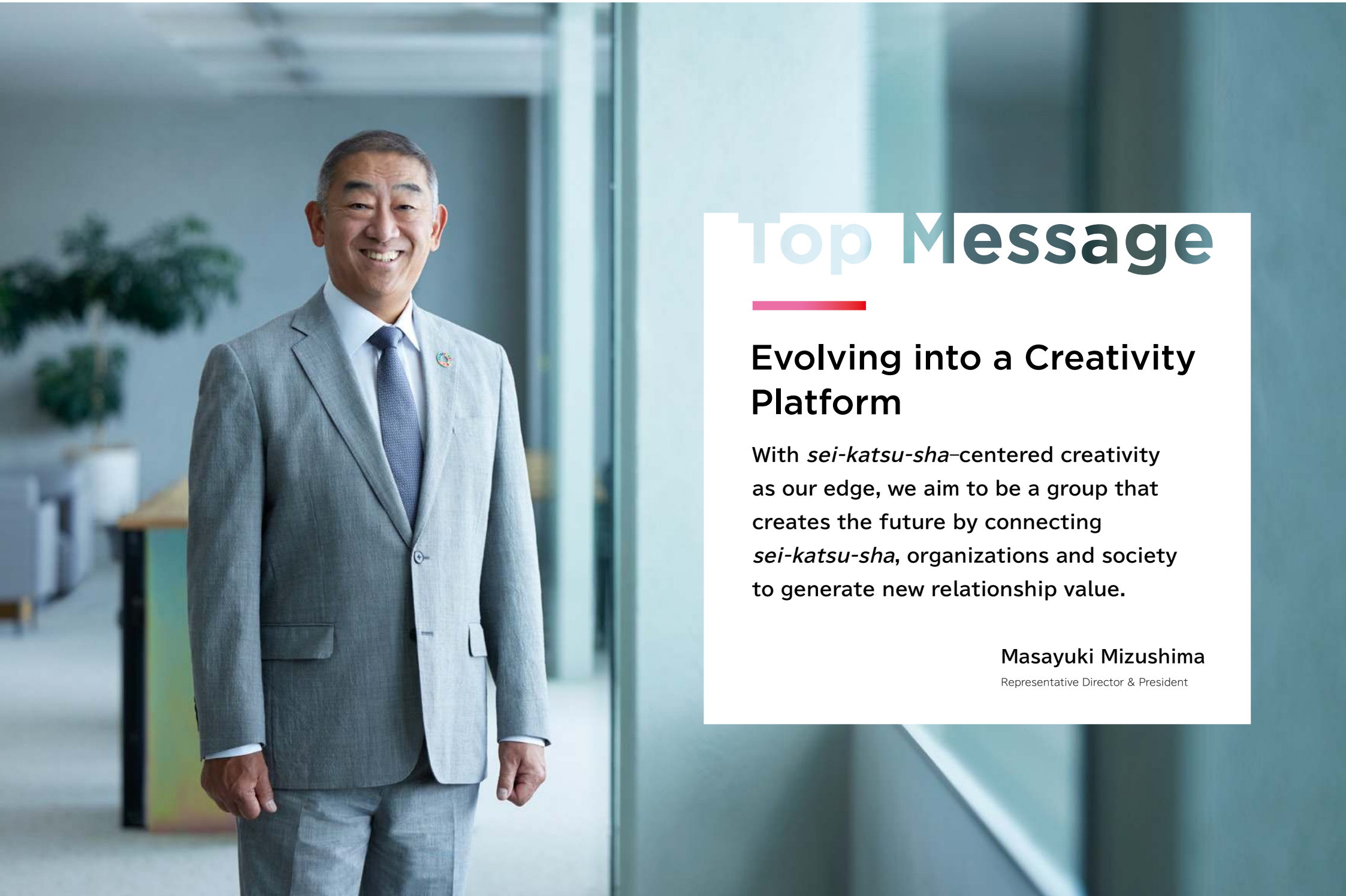
Forward-Looking Statements

This integrated report contains forward-looking statements concerning the current business plans, management policies and strategies, goals and projections, and forecasts of future earnings and financial conditions of the Hakuhodo DY Group that are not historical facts but are based on forecasts, expectations, assumptions, plans, and the knowledge and judgment of management based on information available at the time of the report's preparation. Moreover, in order to calculate projections and forecast figures, it is essential to rely to a certain degree on assumptions in addition to confirmed historical facts. Readers should understand that there is no guarantee that such forward-looking statements and assumptions are objectively accurate, and actual results may differ substantially from such forecasts.

Note: Unless otherwise stated, information as of November 1, 2024 is disclosed.

01 Top Message

7 Top Message



Top Message

Evolving into a Creativity Platform

With *sei-katsu-sha*–centered creativity as our edge, we aim to be a group that creates the future by connecting *sei-katsu-sha*, organizations and society to generate new relationship value.

Masayuki Mizushima
Representative Director & President

Three Phrases That Describe the Changes in Our Business Environment

The Hakuhodo DY Group was established in October 2003. The world and society have undergone significant transformations since our inception as a group of advertising companies nearly 20 years ago. We must accurately ascertain these shifts in order to determine the direction of our business going forward. We use three phrases to summarize these changes.

The first phrase is "with S (society)," representing change in society. We believe that we have transitioned from an era of one-way communication from companies "to C (consumers)" to an era of "with C (consumers)," and now we are in a full-fledged "*sei-katsu-sha*-driven society," where *sei-katsu-sha* are at the center of everything. Additionally, we recognize that sustainability has become an important factor in all actions of *sei-katsu-sha* and companies. The Group therefore also recognizes that we have entered an era where being conscious of sustainability and *sei-katsu-sha*, or the "two Ss," is crucial.

The second phrase is "beyond tech," which represents changes in technology. Rapidly advancing technology is another important theme. The proliferation of digital infrastructure during the pandemic was significant, but the emergence of generative artificial intelligence (AI) has rapidly transformed our ability to leverage data. While AI is driving automation of work in various industries and reshaping business structures, it is important to note that not all tasks can be replaced by AI. Rather, the key to this era lies in the collaboration between humans and technology, expanding creativity.

The third phrase is "beyond ads," representing the changing needs of businesses. Embracing the changes I have described, companies are increasingly committed to radical business transformation, which can be characterized as a "second founding period." Accordingly, rather than companies' needs focusing on the traditional question of "what to communicate," the focus must now be on questions like "what value to create," reflecting the needs for consulting upstream, as well as "how to maintain connections with *sei-katsu-sha*," to meet customer relationship management (CRM) and digital marketing needs. The needs of companies have expanded beyond traditional advertising to a wider range of problem-solving, creating opportunities to unleash greater creativity.

Based on these three changes, we need to reflect on and initiate a transformation to redefine the way our Group operates.

Details ▸ page 26–33 Medium-Term Business Plan

With S, beyond tech, beyond ads
We will drive transformation by welcoming these three changes in our operating environment.

Formulating Our "Global Purpose"

Growing through the addition of numerous colleagues since our inception, the Hakuhodo DY Group now consists of approximately 440 domestic and international companies, with a workforce of nearly 29,000 individuals. More than half of these joined or became involved in the Group after its formation, and the environment in which the Group operates has undergone significant changes.

In this environment, to drive transformation throughout the entire Group, we believed it was important to clearly state the Group's raison d'être and what it means to work here (our "why") as the basis for decision-making and motivation. We believe it is important to share this with everyone and become friends. With this in mind, we decided to establish a set of shared values.

Aspirations Unleashed

break down boundaries, open new doors and usher in new eras for every *sei-katsu-sha*, organization and society.

This is the Global Purpose we unveiled in June 2024. Going forward, our business activities will be centered on this Purpose.

We spent approximately six months formulating the Purpose. Personally, I believe that thinking together about significant themes that involve the entire Group is an important aspect of Group management. While the purpose of creating is important, the process of creating is also crucial. We started with these two meanings in mind.

We conducted a survey that aimed to involve as many domestic and international Group employees as possible, asking all Group employees about their thoughts on work, the Company, and society. From this survey, we were able to extract and articulate the Group's beliefs and the social issues we should address. Our aim is to respect the thoughts and aspirations of organizations, society, and the diverse individuals that make them up, and to bring those aspirations to life to create a creative and positive society. This desire is expressed in our message, is encapsulated in one message, our Purpose.

However, creating the Purpose is not the end of the process. It is crucial for each individual to take action. We believe the Purpose can only become meaningful once it is deeply ingrained in the organization. We hope that every Group employee will start by doing what they can to achieve this in their daily work.

Furthermore, to realize our Global Purpose we have launched the new Medium-Term Business Plan with the goal of evolving beyond the framework of a group of advertising companies into a creativity platform. We believe that driving this new plan will not only contribute to the growth of the Company but also bring us closer to achieving our Purpose.

Details ▶ WEB The Hakuhodo DY Group's Global Purpose

Evolving from a Group of Advertising Companies to a Creativity Platform

The Group's primary business is in the marketing industry, with a focus on advertising. As time has passed, however, our business domains have expanded, and the concept of an "advertising company" has broadened. Amid these changes, creativity remains our greatest strength. No matter how the environment may evolve, the importance of creativity remains.

The environment in which our clients operate is undergoing substantial changes, as well. Advances in technology and diversification among people and society have rapidly expanded creativity's scope of impact. Our support for the success of our clients' businesses has expanded from marketing communications into a host of new fields. Co-creation with clients goes beyond advertising and extends to business development, product development, CRM, and the entire value chain. Given these factors, our work is about more than following conventional approaches. Rather, we strive to change businesses themselves through the new proposals we make. That is the essence of our creativity.

Based on these circumstances and with a focus on achieving sustainable business growth, the Group has defined its ideal form as a creativity platform.

With *sei-katsu-sha*-centered creativity as our edge, we aim to be a group that creates the future by connecting *sei-katsu-sha*, organizations and society to generate new relationship value. Pursuing our evolution to a creativity platform, the new Medium-Term Business Plan encompasses six business domains: the marketing, consulting, technology, content, incubation, and global businesses.

We aim to establish unique business models in each of these six business domains. Subsequently, through collaboration among them we will aim to transform our profit structure and achieve overall Group growth.

The Group will continue to actively pursue initiatives that reflect its unique approach. For example, we are utilizing AI with a focus on creativity.

The Group emphasizes AI not just for the efficiency and automation it brings, but also for how it can enable *sei-katsu-sha* to have valuable new experiences. What is crucial is the mindset of continually posing new questions and engaging in trial and error as we work alongside AI. The creativity that emerges from this process must center on *sei-katsu-sha*.

In pursuit of this human-centered approach, in April 2024 we launched a new research body, the Human-Centered AI Institute. We aim to conduct research on AI technology that will contribute to augmenting human creativity, adopting the results of this research into modules of our integrated marketing platform.

Details ▸ page 23–25 The Value We Aim to Create Under the New Medium-Term Business Plan

We will evolve beyond the framework of a group of advertising companies into a creativity platform.

Co-Creation with Diverse Human Resources as the Source of Value Creation

We have repeatedly emphasized the Group's greatest strength is creativity that draws on *sei-katsu-sha* insight. Alongside this strength, a key source of value creation is our diverse talent. Each employee hones their individuality, grows, and brings their unique creativity to the forefront, generating new wisdom and ideas through teamwork. The process of mutually enhancing through co-creation is crucial. While the number of technology professionals is rising, the number of people is not the point. Our creators within the Group can connect with these professionals, combining their knowledge of technology to unleash completely new abilities. The ability to multiply the connections between individuals is what drives the growth of talent and strengthens our human resources.

We are committed to investing in human resources from three perspectives: bringing out individual capabilities, elevating each other as a team to unleash greater strength, and generating advanced creativity unique to the Company. This investment in human resources includes reskilling all employees, both younger and senior personnel. We believe that by amplifying the value created through the growth of individual abilities and the synergy of combined abilities, we can achieve overall growth as a group.

We will continue to enhance our human resource management to ensure that all talent within the Group can maximize their high-level creativity in various fields.

Details ▸ page 18–19 People as the Source of Value Creation

Human-Centered Sustainable Management

Above all, the Group aims for human-centered sustainable management.

Following our establishment of the cross-Group Group Sustainability Committee and the Corporate Sustainability Division within the Company in fiscal 2022, in fiscal 2023 we created the Sustainability Steering Committee to accelerate the efforts of each company within the Hakuhodo DY Group. Within this framework, we have set up individual Environmental (E), Social (S), and Governance (G) subcommittees, with representatives from each Group company participating. The aim of the E subcommittee is to meet environmental challenges including climate change, the objective of the S subcommittee is to respect and nurture diverse individuals, and the G subcommittee will pursue compliance awareness and integrity. Going forward, we also aim to foster talent development that can address social issues through social contribution activities.

Given the growing interest of *sei-katsu-sha* in sustainability, it is essential for us as a corporate group with a deep understanding of *sei-katsu-sha* to prioritize efforts in this area. The diverse individuality of each employee is the source of our corporate value. Through creativity rooted in *sei-katsu-sha* insight and the power to connect *sei-katsu-sha*, organizations and society, we aim to create a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives.

Details ▸ page 56–73 Sustainability

We aim to create a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives.

Thoroughly Enforcing and Strengthening Compliance

We deeply apologize for actions in 2023 that betrayed the trust of society and our clients, causing significant inconvenience and concern to our stakeholders.

With the management team assuming responsibility, we will undertake a unified, Companywide effort to regain lost trust and become a leading-edge corporate group in terms of compliance.

Details ▶ page 91–92 Message from the CCO

The Timelessness and Unchanging Power of Creativity

Generative AI and other technologies are poised to open new vistas. Moreover, social and economic environments will continue to change. My management mission is to overcome these shifts in our operating environment and lead the Group toward sustainable growth.

No matter how the advertising business and the nature of marketing may change, communication will always be central to the human interactions that drive the movement of goods and services. Even as AI advances, there is no change in the fact that *sei-katsu-sha* are the starting point of our thinking.

In that sense, the Group's operations are, in essence, sustainable businesses. The initiatives in the new Medium-Term Business Plan represent steps to achieving even greater growth. By accelerating the transformation toward becoming a creativity platform, we aim to sow the seeds for the next generation and connect the potential of creativity.

The advancement of digital technology has simplified and expedited communication, but at the same time it has fostered a sense of stagnation in today's society. The true power to move and transform society comes from people's inner aspirations. Through our business, we aim to unleash these aspirations, break down boundaries, open new doors, and usher in new eras. With *sei-katsu-sha* as our starting point, we strive to connect people and create a positive impact that will ripple outward into our surroundings. We will continue to change the world through creativity.

We believe in the power of creativity and will continue striving to further enhance corporate value.

Masayuki Migushima

Representative Director & President

02 Value Creation

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20 *Sei-katsu-sha* Insight

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Value Creation Model

The Hakuhodo DY Group aims to create a society abounding in *sei-katsu-sha's* aspirations and where they can live vibrant lives. Our Global Purpose is "Aspirations Unleashed break down boundaries, open new doors and usher in new eras for every *sei-katsu-sha*, organization and society." Maximizing the advanced creativity of our human and intellectual capital as the foundation for value creation, we aim to be a group that shapes the future by generating new relationship value between *sei-katsu-sha* and organizations and society.

PURPOSE

Aspirations Unleashed

break down boundaries, open new doors and usher in new eras for every *sei-katsu-sha*, organization and society.

INPUT

The foundation of value creation

Human Capital
Diverse talent able to unleash *sei-katsu-sha* insight-based creativity

Intellectual Capital
Sei-katsu-sha insight
Data / technology

Social Capital
Relationships of trust with *sei-katsu-sha*, organizations and society

Financial Capital
A stable financial base
Sustained profitability

Value creation strategy

Human-centered sustainable management

Materiality Details ▸ page 16

Environmental	Social	Governance
Contributing to a sustainable global environment	Unleashing creativity through the growth of and respect for diverse individuals	Pursuing compliance and integrity

Creation of relationship value

Creating the Future by Generating New Relationship Value Between *Sei-katsu-sha* and Organizations and Society

Economic Value × Social Value

- Changes in *sei-katsu-sha* behavior toward coexisting with the global environment
- A society in which everyone can play an active role
- Marketing activities that create positive social impact

The society we wish to create

Creating a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives

Value Creation Model

01. INPUT

The Foundation of Value Creation

Our creativity has emerged through diverse talent and the synergies between them. As we transform our business into a creativity platform as part of our new Medium-Term Business Plan, we will strengthen our foundations of human, intellectual, social, and financial capital to engage in a broader range of business domains to create value.

In terms of human capital, the participation and development of diverse talent with even greater specialization and innovation will be crucial. For intellectual capital, we will enhance our utilization of *sei-katsu-sha* insight and associated data and technologies, and for social capital, we will advance co-creation with various stakeholders.

02. STRATEGY / OUTPUT

Value Creation Strategy

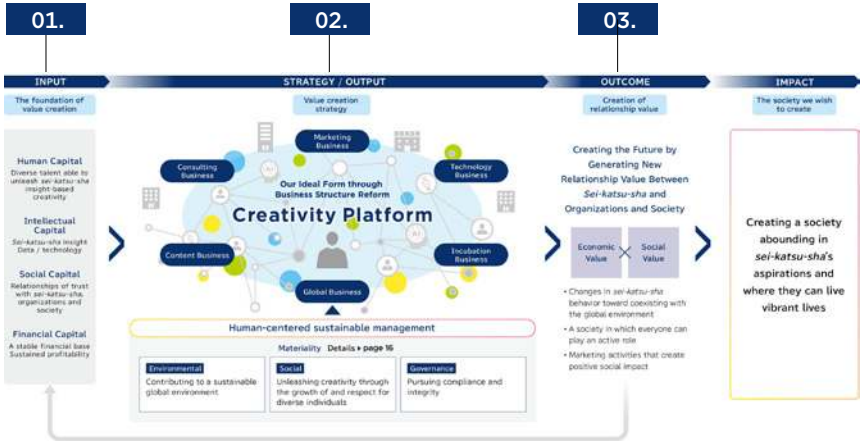
The creativity platform the Group aspires to is a platform that, with *sei-katsu-sha*–centered creativity as its edge, creates the future by connecting *sei-katsu-sha*, organizations and society to generate new relationship value. The Group's diverse talent come together as a team, collaborating with various stakeholders both in and outside the Group to combine ideas, systems, technologies, and more in order to create new relationship value. We aim to evolve beyond the framework of a group of advertising companies into a creativity platform with strengths in six business domains. By actively pursuing business structure reform, we strive to achieve significant growth in the medium to long term and enhance corporate value.

03. OUTCOME

Creation of Relationship Value

Relationship value is about creating new value between *sei-katsu-sha* and organizations and society through the new relationships the Group aims to foster among them as a creativity platform. To date, we have been creating relationship value between *sei-katsu-sha* and companies and products through advertising. We have clearly expressed the significance and role of companies or products and services and helped *sei-katsu-sha* find meaning in choosing to use these products and services, thereby connecting the two through messages and media to generate new value.

Moving forward as a platform that creates the future, we will design new relationships with various stakeholders through diverse business endeavors. By connecting them with ideas, technology, people, systems, and business, we will create new relationship value.



Material Issues (Materiality) ▸ See the following pages for details on materiality.

Materiality Revised in September 2024

We have identified material issues (materiality) as important themes for realizing the sustainable growth of the Group and providing value to stakeholders. In September 2024, we conducted a review of materiality in line with the formulation of our Global Purpose and new Medium-Term Business Plan. By addressing materiality based on human-centered sustainable management, we aim to create a society abounding in *sei-katsu-sha's* aspirations and where they can live vibrant lives.

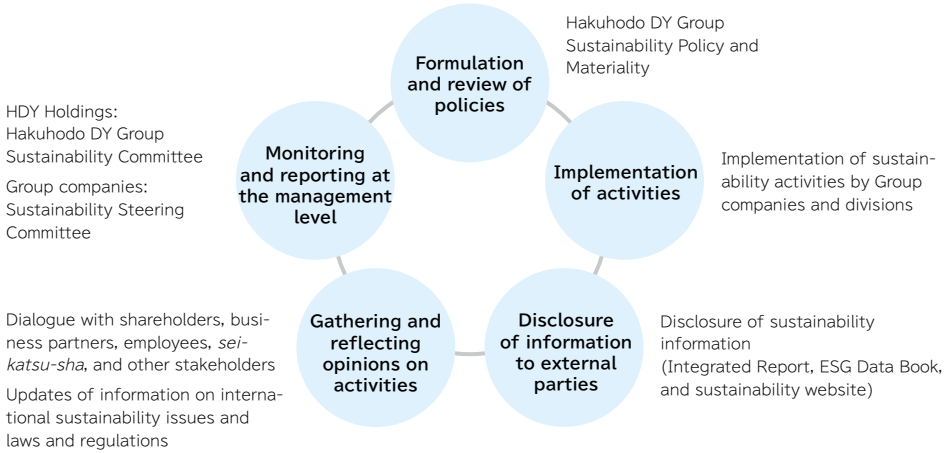
Sustainability Management

Materiality Implementation Structure

Under the supervision of Hakuhodo DY Holdings' Board of Directors, the Hakuhodo DY Group Sustainability Committee is responsible for the implementation of tasks such as monitoring and reviewing progress in materiality. The Sustainability Steering Committee, which operates under this committee, implements specific measures with the participation of Group companies.

Materiality Operation Structure

We review our initiatives and manage the progress of KPIs at semi-annual Hakuhodo DY Group Sustainability Committee meetings. We plan to regularly review our initiatives and make adjustments based on the progress of our Medium-Term Business Plan and various initiatives, as well as changes in the business environment.



Background to the Review of Materiality

In September 2024, we conducted a review of our materiality by reassessing changes in the external environment in order to promote sustainability management based on our Global Purpose, and the new Medium-Term Business Plan. We have also taken into account the Group's strengths and considered stakeholders' expectations and demands.

The Process of Reviewing and Identifying Materiality

The Group identified materiality by recognizing issues that are important to the Group and analyzing risks and opportunities from both our own and stakeholders' perspectives and evaluating their importance. The identification of materiality was conducted through collaboration the between Hakuhodo DY Holdings Corporate Sustainability Division, relevant departments, and various Group companies.

STEP 1: Identify social issues based on business strategy	List social issues related to the Group's business, taking into account international guidelines such as the SDGs, GRI, SASB, ISO, and industry trends
STEP 2: Evaluate importance and prioritize	Evaluate the financial impact on the Group and the impact of the Group on the environment and society for each issue, considering both risks and opportunities, and prioritize the issues accordingly
STEP 3: Assess validity	Engage in discussions with stakeholders (Group companies and external experts) to exchange opinions on validity and refine the content
STEP 4: Determine materiality	After deliberation and approval by the Hakuhodo DY Group Sustainability Committee, identify materiality through deliberation and approval by the Board of Directors

Materiality

The Group's materiality consists of a total of nine items in three areas: contributing to a sustainable global environment, unleashing creativity through the growth of and respect for diverse individuals, and pursuing compliance and integrity. The common thread among these initiatives is human-centered sustainable management. By harnessing the power of people, which is the Group's greatest strength, it aims to create unique value. We will enhance the effectiveness of these by establishing action policies and KPIs and monitoring indicators for each item, accelerating progress.

Human-centered sustainable management	Material issues (materiality)		Action policies	External commitments
	Environmental **Contributing to a sustainable global environment**	Climate action	• Implement decarbonization initiatives	Targeted reduction of CO_2 emissions through our commitment to the TCFD recommendations
		Contribution to sustainable behavioral change	• Engage in business and collective impact for the social implementation of sustainability	Monitoring using various indicators*
	Social **Unleashing creativity through the growth of and respect for diverse individuals**	Investment in, and development of, specialized and innovative talent, as well as an enabling environment	• Foster human resources and organizations that produce results based on *sei-katsu-sha* insight and co-creation • Promote aspiration-driven career ownership • Acquire capabilities for executing business strategies	Monitoring using various indicators*
		Promotion of well-being	• Implement sound and healthy workstyles to improve employee happiness	Monitoring using various indicators*
		Implementation of diversity, equity, and inclusion (DE&I)	• Transform ourselves into an organization that takes advantage of all types of diversity • Realize a society in which everyone can play an active role	Group target ratio of 30% for women in management positions by 2030
		Contribution to the development of human resources for the future and local communities	• Exert our influence on society through the development of future human resources and support for regional development	Monitoring using various indicators*
	Governance **Pursuing compliance and integrity**	Respect for human rights	• Continuously conduct human rights due diligence and improve issues	Monitoring using various indicators*
		Maintenance of compliance and high ethical standards	• Ensure the permeation of the Hakuhodo DY Group Code of Conduct and Matters for Compliance • Ensure and practice information security	Monitoring using various indicators*
		Integrity in marketing activities	• Eliminate stereotypes, human rights violations, and misleading expressions in advertising	Monitoring using various indicators*

* Collect qualitative and quantitative information linked to the activities of operating companies

People as the Source of Value Creation

The Group adopts “Encourage individual personalities to flourish within a teamwork environment, leading to the creation of new values” as part of its Group philosophy. We believe the ability to identify societal changes and continuously provide value through advanced creativity springs from the strong determination of each employee to grow on their own. We are committed to creating an environment and fostering a culture that allows everyone to embrace challenges in new areas, adopt a sense of career ownership, and generate results with diverse colleagues.

As part of our Group management, we promote the exchange of talent among Group companies and conduct cross-Group training on *Sei-katsu-sha* Insight, which is a core belief of the Hakuhodo DY Group. At the same time, we place importance on optimizing the implementation of personnel and training systems to take into account the diverse business characteristics of each company. Each operating company uses these systems to leverage its own uniqueness.

Creative human resources are our most important asset and the source of our competitiveness

Encourage individual personalities to flourish within a teamwork environment, leading to the creation of new values

Elicit the Power of Diverse Individuals and Promote Their Growth

Draw out each employee’s latent abilities and sensitivities and nurture their strengths. Provide a wide range of learning opportunities to understand current capabilities and enable people to respond promptly to business changes.

Details ▸ page 19

Bring Out the Power of Mutually Enhancing Teams

Multiply the power of individuals with diverse strengths, maximize their power in teams, and prepare the ground for producing results that connect *sei-katsu-sha*, organizations, and society.

Details ▸ page 19

Generate a High Degree of Creativity

Foster a high level of creativity to provide new value through profound insight, questioning, and deep thinking in response to issues that are becoming more complex every day.

Details ▸ page 20

People as the Source of Value Creation

Measures to Cultivate Human Resources That Demonstrate Creativity

Elicit the Power of Diverse Individuals and Promote Their Growth

Creating New Value Through *Sei-katsu-sha* Insight and *Sei-katsu-sha* Data

Digital / Data Basic Training
(Hakuhodo / Hakuhodo DY Media Partners)

Digital / Data Basic Training aims to cultivate the fundamental skills and mindset for digital data marketing. These are essential aspects that drive the current business and enable each employee to unleash their creativity based on *Sei-katsu-sha* Insight.

To achieve sustainable growth amid ongoing digital transformation, the Hakuhodo DY Group believes it is crucial for employees to make data-driven decisions and propose creative solutions. To expand our business beyond advertising, we are helping employees enhance their digital / data marketing skills and transform them into a fundamental skillset.

Through this training, participants learn foundational knowledge and skills for digital data marketing, including reading, writing, and mental calculation methods, through practical training as well as classroom learning. Through exercises, tests, app development, and web ad placements, participants learn how to gain insights from *sei-katsu-sha* data and develop the ability to envision the next generation of business.

Many employees including new hires, employees undergoing regular four-yearly rotation, and participants in our internal reskilling program have taken this training, aiming to help create new value through the combination of *sei-katsu-sha* insight and *sei-katsu-sha* data.

By utilizing *sei-katsu-sha* data to meet *sei-katsu-sha* needs, we will increase our competitiveness while also benefiting society as a whole.

Training in session

Bring Out the Power of Mutually Enhancing Teams

Turning the Power of Teams into Innovative Ideas

Growth Action Program

The Growth Action Program is a training program that lasts around 15 days and aims to foster innovation among some 40 participants from Group companies. Participants are nominated or selected through public solicitation.

In the program, participants explore their personal aspirations and the Company's purpose, and develop "innovation ideas" they hope to achieve in three to five years. The learning process gradually expands across three areas: "knowing yourself," "knowing the Company / Group," and "knowing society," in order to generate ideas. The program includes both classroom-based learning and an on-site curriculum of "innovation trips" to locations where innovation is taking place. Participants also attend lectures by key innovators, conduct interviews with relevant individuals, collaborate with employees responsible for specific business, and personally experience services as a *sei-katsu-sha*.

By connecting young employees across the Group and encouraging the sharing of profound experiences, this program serves as a starting point for generating power as a team and fostering creativity.

Innovation trip: A beach cleanup experience in Atami, Shizuoka Prefecture

Completion ceremony: A lecture by President Mizushima and a certificate of completion

Sei-katsu-sha Insight

Sei-katsu-sha Insight is the foundation of our thinking and planning. It reminds us that consumers have heartbeats and are more than just shoppers performing an economic function. These unique, autonomous individuals that we refer to as *sei-katsu-sha* live in an increasingly diverse society. We believe that deeper insight into their lives is the source from which new value springs. That is why we make it our business to know *sei-katsu-sha* better than anyone else and to use that knowledge to build bridges between the media, advertisers, and *sei-katsu-sha*.

The Culture Cultivation Community

Following the global upheaval spawned by the COVID-19 pandemic and the rapid advancement of digitalization, *Sei-katsu-sha* Insight is essential for undertaking unprecedented initiatives and creating services and business that provide new value to *sei-katsu-sha*.

The Culture Cultivation Community initiative started in the second half of fiscal 2022. Employees from various Group companies came together to engage in dialogue and interact and share *Sei-katsu-sha* Insight, an important Company policy. The aim was to foster a corporate culture that generates new value. Through this initiative, participants learned how to apply *Sei-katsu-sha* Insight in their work, strengthen collaboration among Group companies beyond our respective organizations, and energize communication to create a distinctive organizational culture characteristic of the Hakuhodo DY Group.

In fiscal 2023, the first year of the initiative, collaboration among Group companies resulted in the creation of various new growth opportunities and concluded with the use of the Harappa platform to present and share these achievements, serving as a springboard for the second year.

Interview

My Aspirations

Unleashing Newcomers' Aspirations Through CIVIC PRIDE® Insight

Rinako Ota
Division Manager, Career Design Division, Corporate Operations HQ
YOMIKO ADVERTISING
Culture Cultivation Community Committee Member

At YOMIKO ADVERTISING, we have adopted CIVIC PRIDE® Insight as our company philosophy, combining the Group's cultural foundation of *Sei-katsu-sha* Insight and our own CIVIC PRIDE® asset and incorporating it into new employee training. CIVIC PRIDE® refers to the awareness of being involved in creating better spaces, and it is an essential element in community development and regional revitalization. Based on this awareness, CIVIC PRIDE® Insight is an ideation method that deeply explores and derives the essence of the value of spaces for *sei-katsu-sha*.

During training, we conducted two workshops. The first was a fieldwork-based "location-watching" workshop, where participants went out into the city and took photos of what they consider to be "future happy spaces." They then created a photo report that examined changes in *sei-katsu-sha* values. The second workshop sought to distill the essence of the photos the participants had gathered. We encouraged participants to reflect on the nature of happiness from their own perspective and to derive value that meets *sei-katsu-sha*'s needs. Through these workshops, we uncovered insights unique to new employees, revealing "happy relationships generated by the combination of spaces and *sei-katsu-sha*" and "spaces that evoke future happiness." The results were summarized in presentation format and exhibited internally.

Research Institutes and Think Tanks

We conduct ongoing activities at research institutes and think tanks. Such initiatives sustain our presence as a value-creating partner that harnesses our unique strengths of creativity and helps to solve social, corporate, and individual challenges. Our research institutes and think tanks delve deeply into and craft proposals in the areas of *sei-katsu-sha*, marketing, and creativity. They also disseminate the findings of their research and experiments to the public. We aspire to apply these results across various *sei-katsu-sha* locations, providing a spark of creativity that can shape the future and lead to the exploration of new markets and the further development of society.

Hakuhodo DY Holdings Research Institutes and Think Tanks

HAKUHODO, Hakuhodo DY Media Partners

Hakuhodo Institute of Life and Living

Hakuhodo Youth Life Lab

Hakuhodo Senior Business Force Institute of New Adult Culture

Hakuhodo Institute of Shopper Insight

Hakuhodo Institute of Activation Design

Hakuhodo Kosodate Family Lab

Hakuhodo Kyarijoken Plus (Hakuhodo Career Woman Lab+)

UNIVERSITY of CREATIVITY

Institute of 100-Year *Sei-katsu-sha* Life

Institute of Media Environment

Daiko Advertising

Daiko Institute for Youth Studies "D'Zlab."

Japan LGBT Research Institute

YOMIKO ADVERTISING

Urban Life Research Laboratory

Hakuhodo Institute of Life and Living (HILL)

The Hakuhodo Institute of Life and Living (HILL) is a think tank established in 1981 to embody Hakuhodo's corporate philosophy of *Sei-katsu-sha* Insight. HILL has conducted its long-term longitudinal survey, Seikatsu Teiten, every two years since 1992 to predict future values and desires based on the changing consciousness and behaviors of *sei-katsu-sha* through comprehensive research. The survey repeats the same questions to the same survey areas and respondents under the same conditions. The results of HILL's research are widely disseminated via its website and press releases, earning high praise from clients, as well as from government agencies and researchers. To expand research overseas, we established Hakuhodo Institute of Life and Living Shanghai in 2012 in Shanghai, China, followed by the Hakuhodo Institute of Life and Living ASEAN in 2014 in Bangkok, Thailand.

Details ▶ WEB Hakuhodo Institute of Life and Living (HILL)

Interview

My Aspirations

We Hope to Create a New Commerce Experience Based on Shopper Insights

Yuki Tarumi
Director, Hakuhodo Institute of Shopper Insight

Established in 2003, the Hakuhodo Institute of Shopper Insight celebrated its 20th anniversary in fiscal 2023. This practical research institute embraces a philosophy of thinking about how companies sell items based on *sei-katsu-sha* purchasing perspectives.

Starting with shopper insight, we have conducted research and made proposals in line with the times and trends on such themes as "shopping forecasts" and "trending desires."

Most recently, we conducted research and surveys on the rapidly changing commerce DX field and the thriving retail media sector in the aftermath of the COVID-19 pandemic. Additionally, for our 20th anniversary we conducted research aimed at capturing price increases and other trends and updated the "shopping desire" concept we developed in 2007 for the modern era.

03 Strategy

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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 Hakuhodo DY Group was formed in 2003 through the management integration of three advertising companies: Hakuhodo, 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 Hakuhodo 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

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

The strength of the Hakuhodo 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 Hakuhodo 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 Hakuhodo 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 Hakuhodo. 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.

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 Hakuhodo 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 Hakuhodo 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 Hakuhodo 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 Hakuhodo 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 Hakuhodo DY Group.

Medium-Term Business Plan

New Medium-Term Business Plan

From fiscal 2024 to fiscal 2026

Hakuhodo DY Group made public its Medium-Term Business Plan (MTBP) covering the three-year period to fiscal 2026.
An outline of the MTBP follows.

Business Environment

Megatrends

The business environment surrounding our Group is undergoing significant and rapid changes, more so than ever before. A major and abrupt paradigm shift has occurred, making it difficult to predict the future in this uncertain environment. We are entering an era where constant transformation is required.

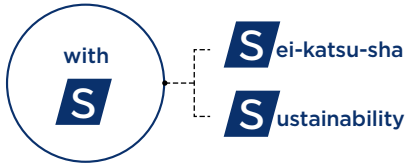
Changing Society	Changing Shopping Behavior	Changing Economy / Technology
Urbanization	Healthy Lifestyles	Rise of Emerging Economies
Longevity	Sustainability Consciousness	Intensified Global Competition
Changing Role of Women	Increased Importance of Brands	Advancement of Digitalization

Uncertain Environment Leading Toward an Age Requiring Constant Transformation

Changes in Society "With S"

We are in a full-fledged "*sei-katsu-sha*-driven society," where *sei-katsu-sha* are at the center of everything. Additionally, we recognize that sustainability has become an important factor in all actions of *sei-katsu-sha* and companies.

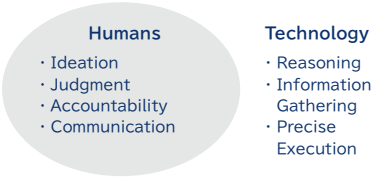
Rising Needs for Sustainability



Changes in Technology "Beyond Tech"

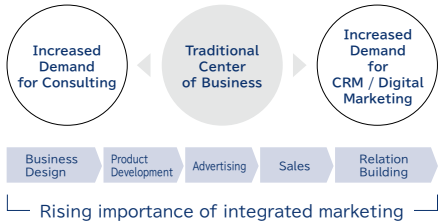
The rapid advancement of technology is redefining the industrial structure, the business structure, and the role of humans. It will be increasingly important to use technology to extend human capabilities and potential to co-create maximum value.

Human-Tech Co-Creation



Changes in Business Needs "Beyond Ads"

Amid market maturity and disruptive innovation, companies are increasingly committed to radical business transformation. Corporate needs are expanding beyond advertising to include broader issues, such as "what value to create" and "how to maintain connections with *sei-katsu-sha*."



Global Purpose and Ideal Form

Aspirations Unleashed
break down boundaries,
open new doors
and usher in new eras
for every *sei-katsu-sha*, organization and society.

When asked to draw the future on a blank sheet of paper,
we start by drawing a person in the center.
What hopes and dreams does this person, this *sei-katsu-sha*, hold dear?
What moves them? What matters to them? What excites them?

In Japanese we call these deep yearnings of the heart, "*omoi*". Aspirations.
Our wonderings about what is possible and how we'd like the world to be.
These aspirations are the seeds the future grows from.

In an increasingly more instant world,
it's easy for aspirations to get overlooked.
They can be dismissed as inefficient, imperfect, irrational musings.
Our work is to listen, nourish and nurture them.
To give them room to develop, To let their light shine.
By honoring the human spirit and the wisdom and ambition within, aspirations can come to life.
New technologies are born. New behaviors introduced. New lifestyles embraced. New cultures emerge.

For with Aspirations Unleashed we break down boundaries,
open new doors and usher in new eras
for every *sei-katsu-sha*, organization and society.

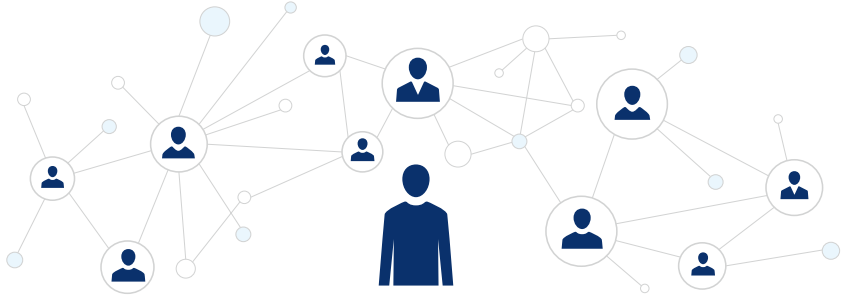
In this era of unceasing transformation, our Group formulated a Global Purpose and Ideal Form to support our efforts with solid values. To express "the Group's raison d'être and what it means to work here," the Global Purpose was formulated through a process of reflection that lasted for almost six months, involving Group companies both inside and outside Japan.

Ideal Form

To achieve this Global Purpose, the Hakuhodo DY Group seeks to evolve beyond the framework of a group of advertising companies into a creativity platform.
We aim to produce our own growth, creating new relationship value by connecting everything inside and outside the Group including people, businesses, ideas, and technologies, and scaling up the network thus developed.

From a group of advertising companies to

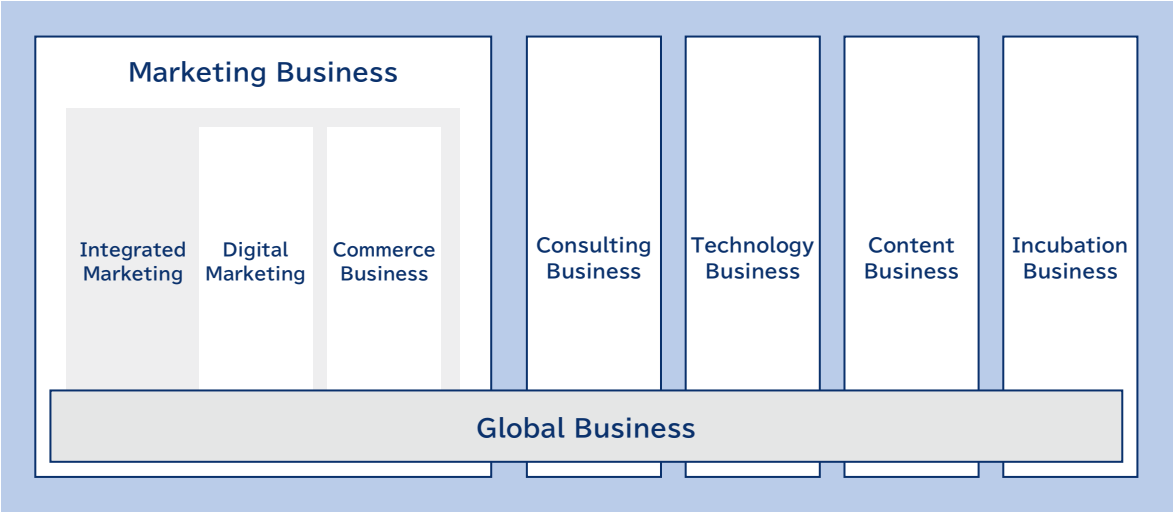
a creativity platform



With *sei-katsu-sha*-centered creativity as our edge, the Hakuhodo DY Group aims to be a group that creates the future by connecting *sei-katsu-sha*, organizations and society to generate new relationship value.

Six Business Domains Comprising Our Creativity Platform

We have identified the following six business domains in which we can create new relationship value with *sei-katsu-sha*-centered creativity.

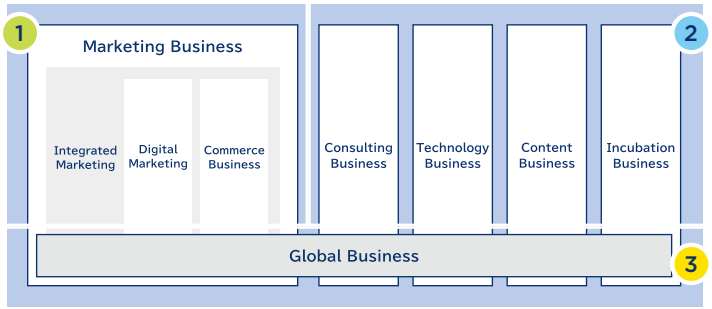


Business Structure Reform

We define the three years of the new Medium-Term Business Plan as a period to enhance profitability and create growth options by reforming our business structure with the following three objectives. The six business domains will grow as different business models to drive business restructuring through mutual interaction.

Restructuring of Marketing Business

- Upscaling of the growth domains of digital marketing and commerce
- Optimizing costs, including in existing business domains



Creation of New Growth Options

- Building a business foundation in the four areas of consulting, technology, content, and incubation

Remodeling of Global Business

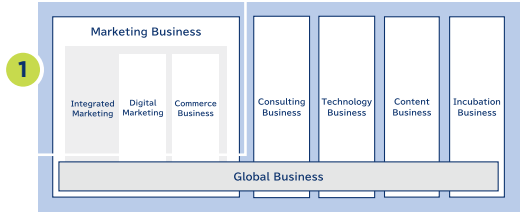
- Ensuring profitability through cost control while aiming for growth

Medium-Term Business Plan

1 Restructuring of Marketing Business

To respond to client needs in integrated marketing, we will enhance our capabilities in digital marketing and commerce business to build a structure for designing and delivering optimal services in this domain.

In addition, we will develop CREATIVITY ENGINE BLOOM, an integrated marketing platform to raise the sophistication and efficiency of integrated marketing. This system will enable *sei-katsu-sha* data and AI technology to be used in our day-to-day operations.



Building a service design / delivery system in response to client needs

Integrated Marketing

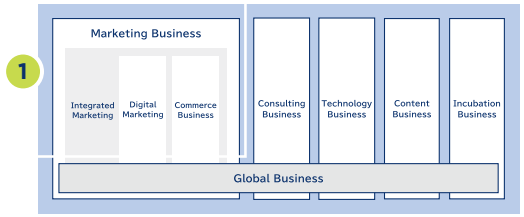
Digital Marketing

Commerce Business

Integrated Marketing Platform
(Leveraging *sei-katsu-sha* data / AI technology)

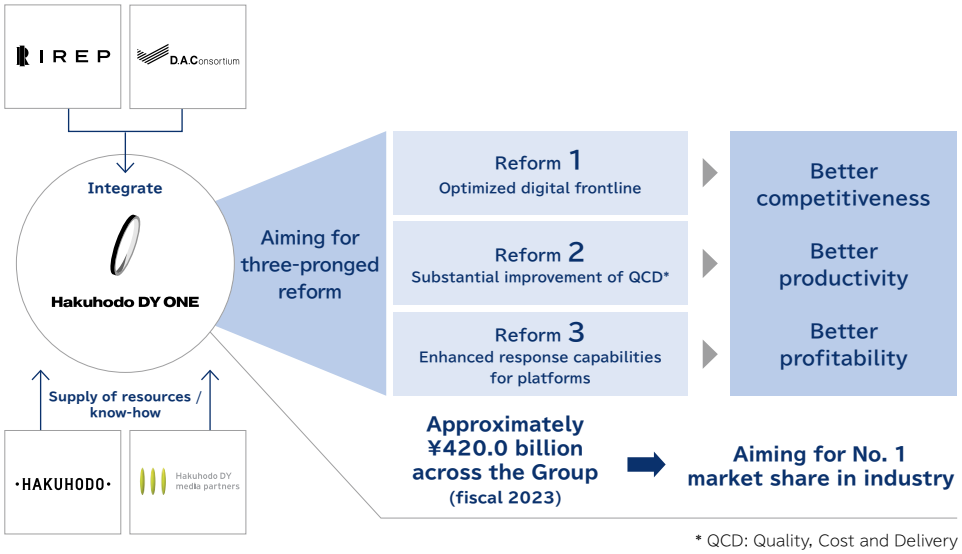
Medium-Term Business Plan

1 Restructuring of Marketing Business



Digital Marketing

In the digital marketing domain, we aim to capture the No. 1 market share in the industry with Hakuhodo DY ONE as the core company to pool our Groupwide resources and know-how, through better competitiveness, productivity, and profitability.



* QCD: Quality, Cost and Delivery

Commerce Business

In response to dramatic changes in shopping behavior, we aim to be a business transformation partner in commerce by designing 360-degree shopping experiences from the perspectives of both shoppers and sellers.

Harnessing our own *sei-katsu-sha* data and creativity, we are committed to promoting broad business transformation with shopper experience at the core.

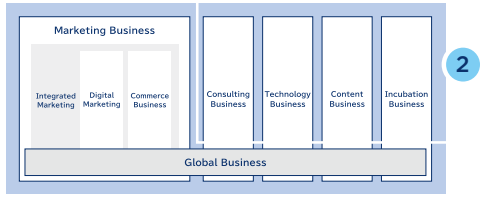
Business transformation partner designing 360-degree shopping experiences

From both shopper and seller perspectives, competitively implement business transformation by leveraging proprietary *sei-katsu-sha* data and creativity

Medium-Term Business Plan

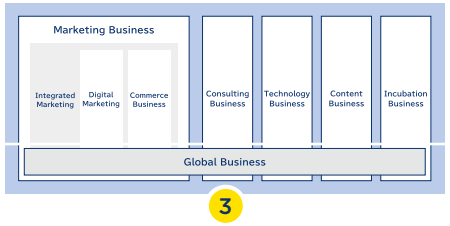
2 Creation of New Growth Options

We will invest in the consulting, technology, content, and incubation business domains as necessary to build operating bases for growth into future pillars of profitability for the whole Group.



3 Remodeling of Global Business

Our strategic operating unit, kyu, has brought in specialized and innovative companies from Europe and the United States. Meanwhile, Hakuhodo has provided marketing support for Japanese and local companies in Asia. These two entities will work together, mainly in the digital marketing domain, to meet new corporate needs.



Growth Option 1

Consulting Business

Establishment of ENND PARTNERS, a new company offering professional services for top executives.

Growth Option 2

Technology Business

Build a *sei-katsu-sha*-centered marketing SI / SaaS business to serve as a new revenue source.

Growth Option 3

Content Business

Create new profit-making opportunities by building an ecosystem for content business.

Growth Option 4

Incubation Business

Leverage the Group's creativity and networks to develop a core business for our future profitability.

Formation of a Unique Modern Network

Two groups, growing in Europe / America and Asia, respectively, will enhance their collaboration in the digital marketing domain over the coming three years.

kyu × HAKUHODO INTERNATIONAL

Medium-Term Business Targets

We have set the following indicators to be monitored under the MTBP in attaining the medium-term business targets.

Mar. 2024 → Mar. 2027 → Mar. 2032

Up until now

Focused on marketing business (particularly advertising)

Medium-Term Business Plan period: 3 years

Enhance profitability and create growth options

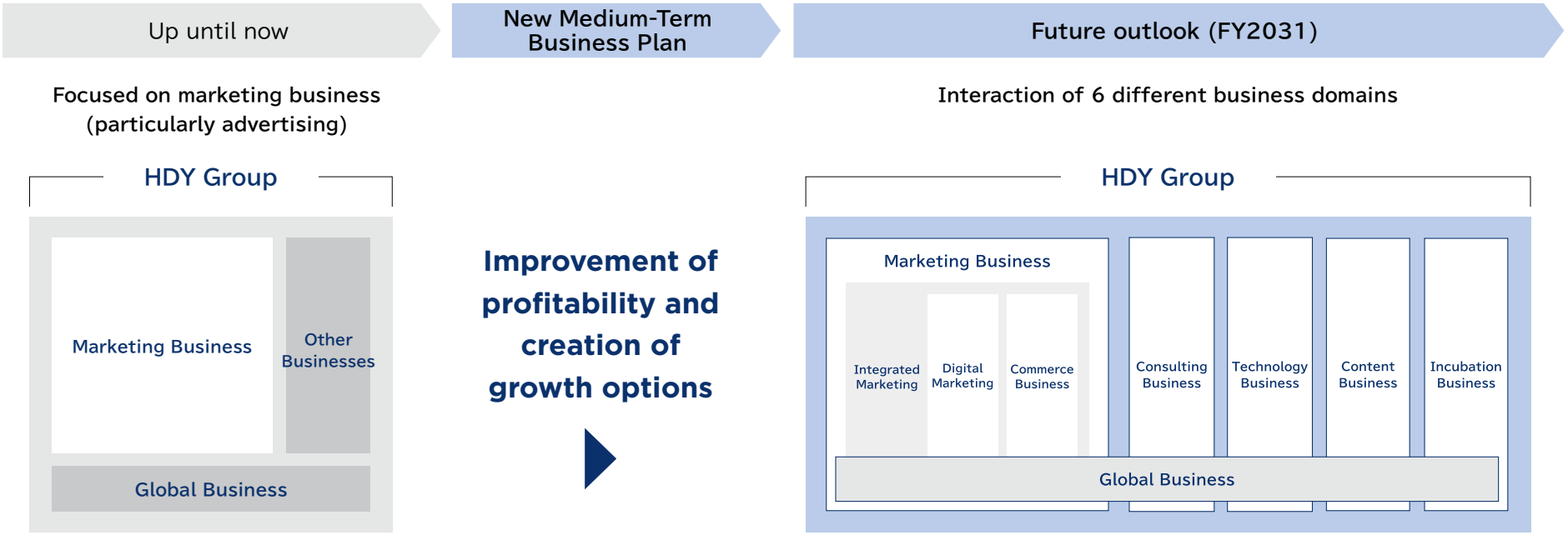
Future outlook

CAGR of operating income after adjustments* and before amortization of goodwill	At least +10%
CAGR of gross profit after adjustments*	At least +5%
Operating margin after adjustments* and before amortization of goodwill	At least 13%
ROE before amortization of goodwill	At least 10%

* After adjustments: Excluding gain on disposal of Mercari shares

Long-Term Future Outlook

Through ongoing transformation of the business structure under the current MTBP and beyond, we aim to develop a structure where some 50% of the profit in fiscal 2031 will come from growth domains.*



* Growth domains: Digital marketing and commerce business components in the marketing business, the new growth options of consulting, technology, content, and incubation, as well as global business, excluding duplicates

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 Hakuhodo DY Media Partners and Executive Vice President of Hakuhodo DY Holdings, and Hiroto Kosaka, President of Hakuhodo 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.

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 Hakuhodo 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 Hakuhodo 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 Hakuhodo 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, Hakuhodo DY ONE also consolidates resources and expertise related to the digital marketing domain from companies such as Hakuhodo and Hakuhodo DY Media Partners.

1 Restructuring of Marketing Business

Marketing Business

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

(Kosaka)

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.

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

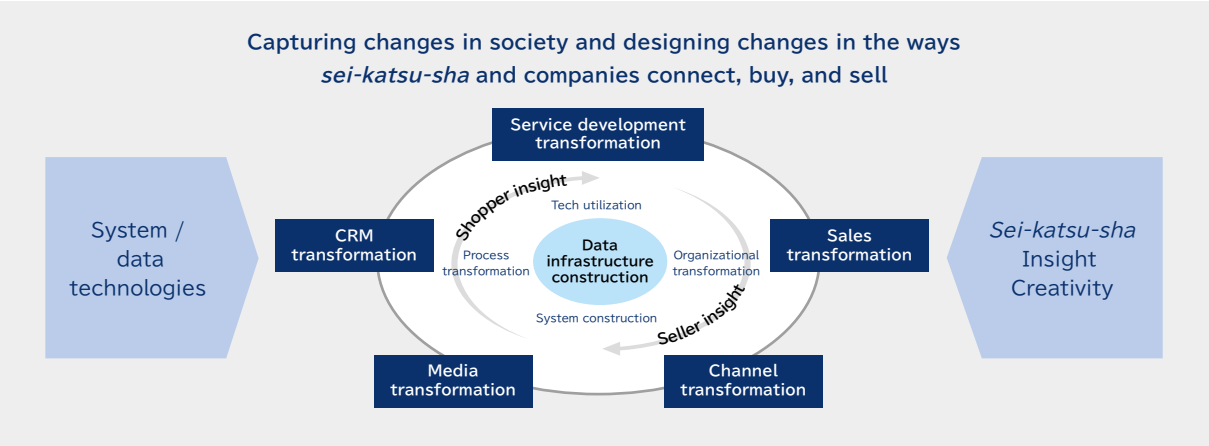
Message

Masato Aoki
Unit COO, Commerce Design Unit
Senior Corporate Officer
Hakuhodo

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 Hakuhodo DY Group established the Commerce Design Unit within its core operating company, Hakuhodo.



Service development transformation
- Owned media development & UX / UI design
- Shopper and purchase-driven new business and new product development

Sales transformation
- Data- and tech-driven negotiation and sales organization transformation
- Integration of brand and trade marketing

Channel transformation
- EC / D2C development to operation
- Real store experience design, integrated offline and online experience design

Media transformation
- Retail media / EC media development and utilization consulting
- Marketing mix modeling (MMM) utilization consulting

CRM transformation
- Data infrastructure construction, CRM / MA tool introduction to utilization consulting
- Data- and tech-driven contact center transformation

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

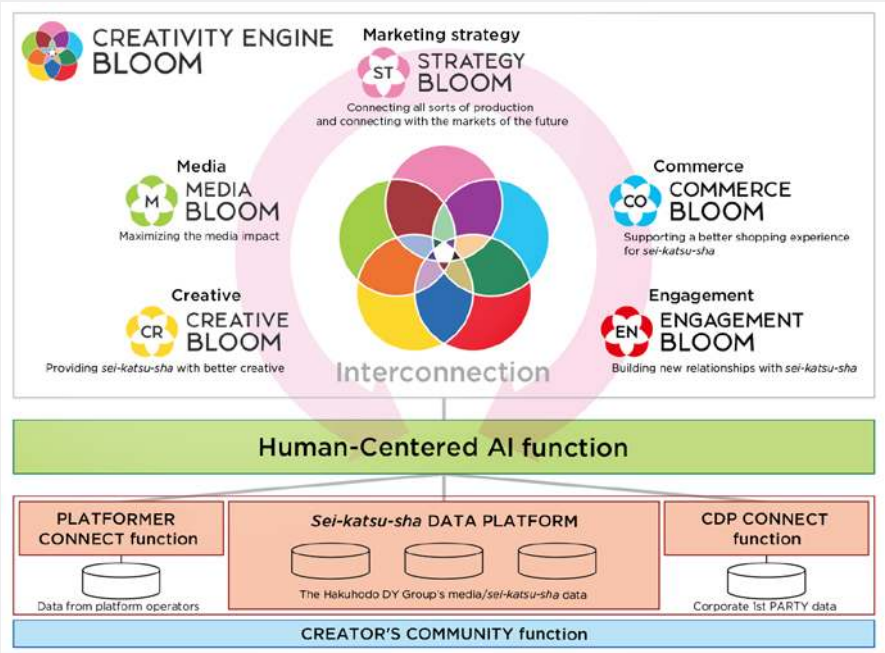
Moving forward, we will actively promote collaboration among Group companies and alliances with external companies, leveraging the Commerce Design Unit as a hub. The Hakuhodo DY Group will strive to achieve revenue diversity from each area, from conceptualization to implementation and operation. Additionally,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

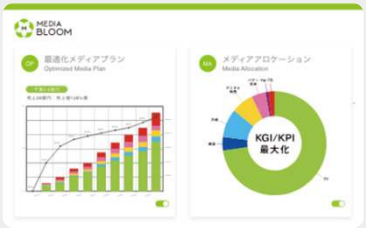
Column

CREATIVITY ENGINE BLOOM, an Integrated Marketing Platform

In June 2024, Hakuhodo 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 Hakuhodo 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 Hakuhodo DY Group, we aim to create a platform where new marketing and business opportunities flourish.

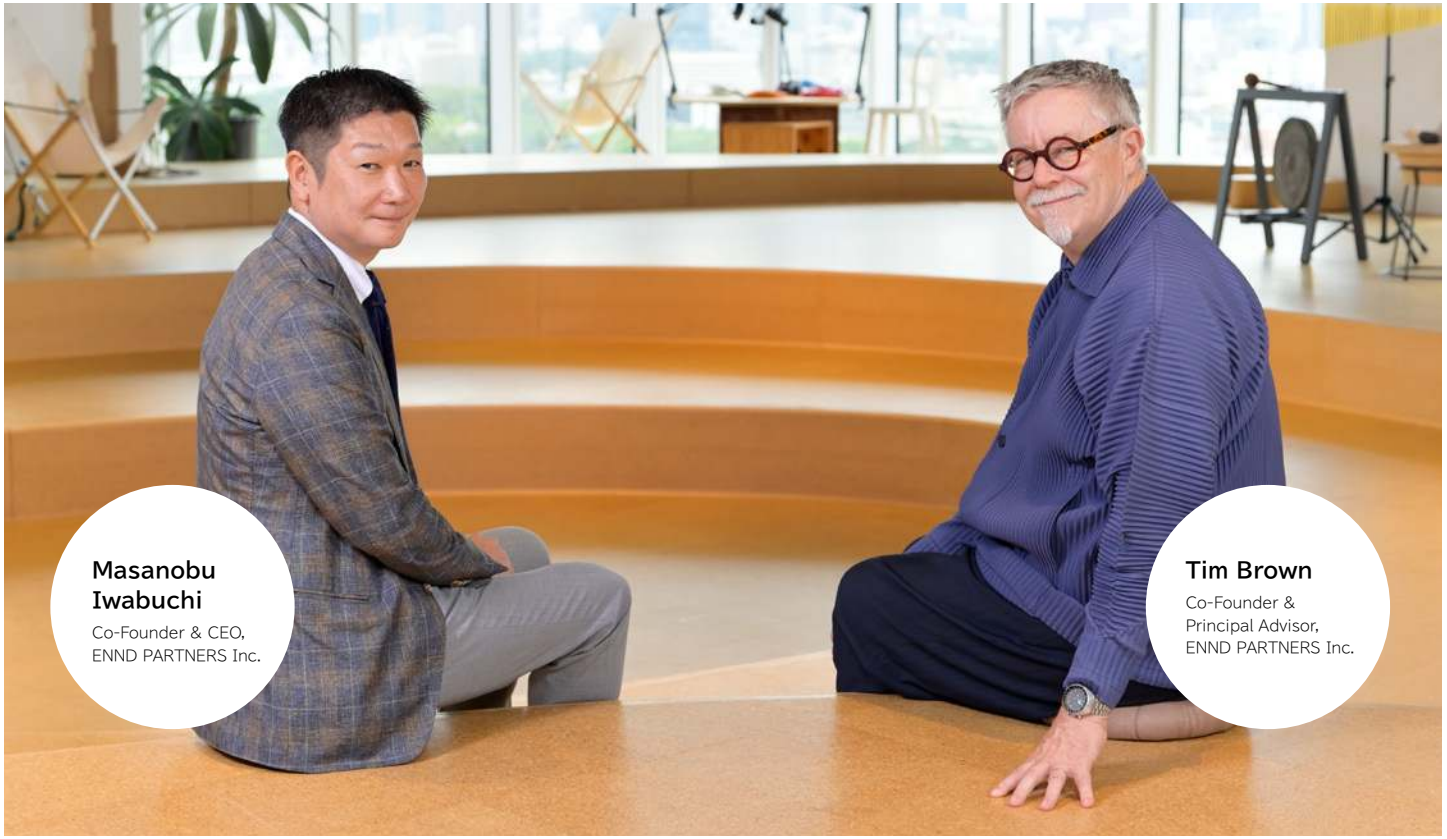
2 Creation of New Growth Options

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.



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 Hakuhodo 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 *Seikatsu-sha* Insight. Members of Hakuhodo 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

2 Creation of New Growth Options

Consulting Business

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.

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

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

2 Creation of New Growth Options

Consulting Business

business reform. Furthermore, as part of the Hakuhodo 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.

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)

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 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.

2 Creation of New Growth Options

Technology Business

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).

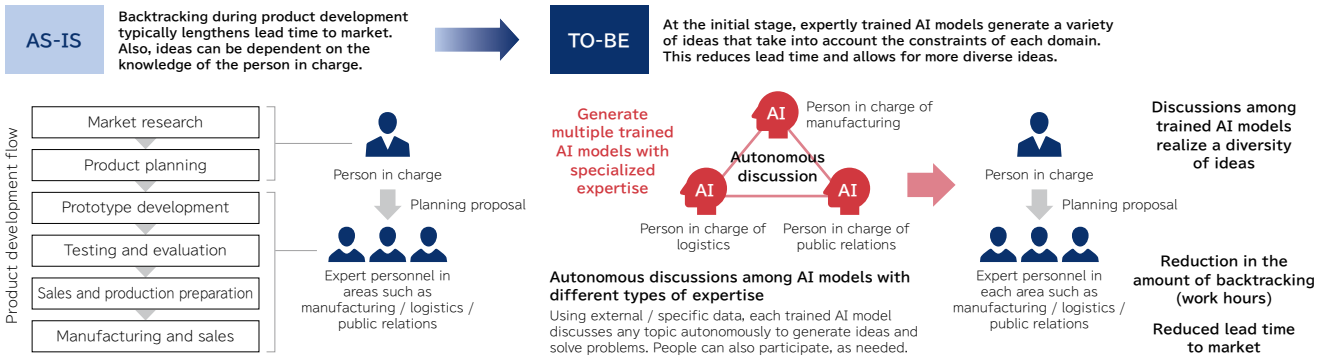
We are also beginning to see signs of expansion of the technology business, which takes advantage of our newly augmented technology domain. One example of a leading-edge technology business is ATOM, a software as a service (SaaS) offering to support advertising companies that is provided by the SoldOut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

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

2 Creation of New Growth Options

Technology Business

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



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), 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 Hakuhodo DY Group is uniquely positioned to achieve. As we do so, we will turn Hakuhodo DY into a globally unique technology brand.

2 Creation of New Growth Options

Technology Business

Column

Masaya Mori
Chief AI Officer (CAIO) & Corporate Officer,
Hakuhodo 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 Hakuhodo 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 Hakuhodo 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.

2 Creation of New Growth Options

Content Business

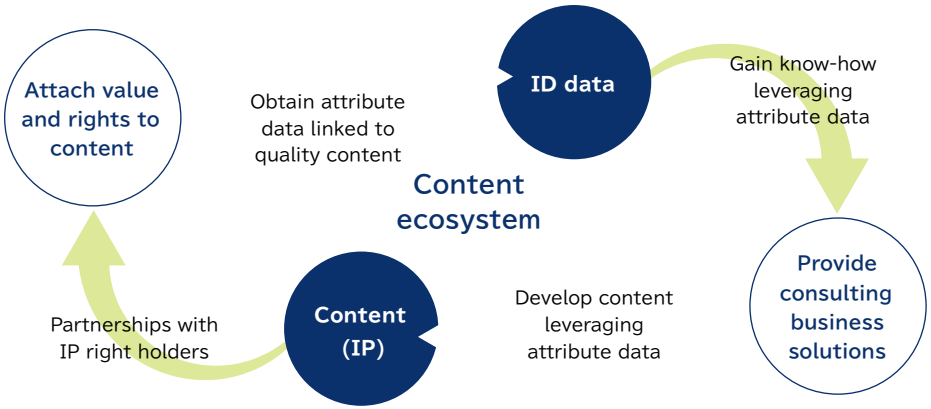
Developing an IP / ID-Based Content Ecosystem to Expand Profit-Making Opportunities

To date, in the content business the Hakuhodo 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 Hakuhodo 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 Hakuhodo 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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2 Creation of New Growth Options

Incubation Business

Dialogue

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

The Hakuhodo DY Group's new Medium-Term Business Plan identifies the incubation business as a core domain. Yasuo Nishiyama, Corporate Officer of Hakuhodo DY Holdings and Director & Senior Corporate Officer of Hakuhodo 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
Hakuhodo DY Holdings
Director & Senior Corporate Officer
Hakuhodo

Susan Schuman
Vice Chair
kyu
Executive Chair
SYPartners

Our In-House Venture Program VoC's Endeavors

Nishiyama The Hakuhodo 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 Hakuhodo DY Group should be a significant strength.

2 Creation of New Growth Options

Incubation Business

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_2e 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 Hakuhodo 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 Hakuhodo 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 Hakuhodo 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 Hakuhodo DY Group, as it moves beyond the framework of a group of advertising companies. Our goal is to 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.

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

(Schuman)

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 Hakuhodo DY Holdings whose main business area is in Europe and North America, and Hakuhodo International, a business unit within Hakuhodo 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, Hakuhodo International and Director & Senior Corporate Officer, Hakuhodo) discuss their strategy in the new Medium-Term Business Plan.

Shuntaro Ito
President & CEO
Hakuhodo International
Director & Senior Corporate Officer
Hakuhodo

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 Hakuhodo 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 Hakuhodo 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 Hakuhodo / Hakuhodo 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.

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 Hakuhodo as a good partner to these clients.

Ito The key for Hakuhodo 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 strategy in three areas: maintain and expand our range of services to Japanese clients as well as local clients, for further growth under Hakuhodo's philosophy of Commitment to Partnership; utilize H+ and the Hakuhodo 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 Hakuhodo International, we would like to seek many opportunities to collaborate with kyu as well.

We aim to maintain and expand our range of services to Japanese clients as well as local clients, for further growth under Hakuhodo's philosophy of Commitment to Partnership.

(Ito)

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 Hakuhodo 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 Hakuhodo 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.

In a fluid world, you don't need a single brand name, you need the coherent business of a network with a single lexicon.

(Birkin)

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 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.

I am sure that our collaboration will only grow in years ahead, reflecting clients' needs and societal change.

(Ito)

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.

Hakuhodo has changed dramatically, and I believe kyu's role is helping that particular change to stimulate new thinking.

(Birkin)

Interview with the CFO

We will support the execution of the Medium-Term Business Plan through appropriate investment and financial management, and strive to increase corporate value through improved capital efficiency.

Masanori Nishioka

Representative Director & Senior Executive Corporate Officer
CFO

Question

The new Medium-Term Business Plan commenced in fiscal 2024. Could you again share your thoughts on the CFO's role under this plan?

As CFO, it is my role to determine appropriate capital allocation from the perspectives of financial soundness, growth investment, and shareholder returns, in the interest of enhancing corporate value over the medium to long term. I see no significant change in the CFO's role under the new Medium-Term Business Plan.

Various executives have made presentations and explanations that provided detailed information on the new Medium-Term Business Plan. While maintaining financial soundness as our top priority, we will strive to strike a balance between investment for growth in each business area of the new Medium-Term Business Plan and return to our shareholders.

Question

In March 2023, the Tokyo Stock Exchange asked companies to "take action to implement management that is conscious of the cost of capital and stock price." How have you responded to this request?

In our corporate governance report dated July 2024, we provided information on our efforts towards achieving management focused on the cost of capital and our stock price.

As of now (October 2024), actions are still being considered. We intend to disclose our policy and specific initiatives for improvement after thorough discussions within internal deliberative bodies, including the Board of Directors.

We will provide more detailed information at the appropriate time on such items as cost of capital. For now, I will say that we have calculated our cost of capital using various methods, including the commonly used capital asset pricing model (CAPM), and we believe our cost of equity capital to be around 6% to 8%. We acknowledge, however, that recent increases in the risk-free rate have boosted the cost of equity capital calculated using the CAPM.

Furthermore, as the corporate governance report mentions, we have identified return on equity (ROE) before amortization of goodwill as a key performance indicator for improving capital efficiency under the new Medium-Term Business Plan. To increase ROE, one approach is to enhance shareholder returns and reduce the denominator. Instead, we will aim to enlarge the numerator: achieving ROE growth by prioritizing growth investments to expand our business domain.

Question

In June 2024, you made an announcement regarding "capital allocation." Though the concept is understandable, many have asked for explanations supplemented with specific figures.

After announcing our financial results for fiscal 2023, I also received many similar comments in conversations with investors, including shareholders.

Our current approach is based on maintaining net cash

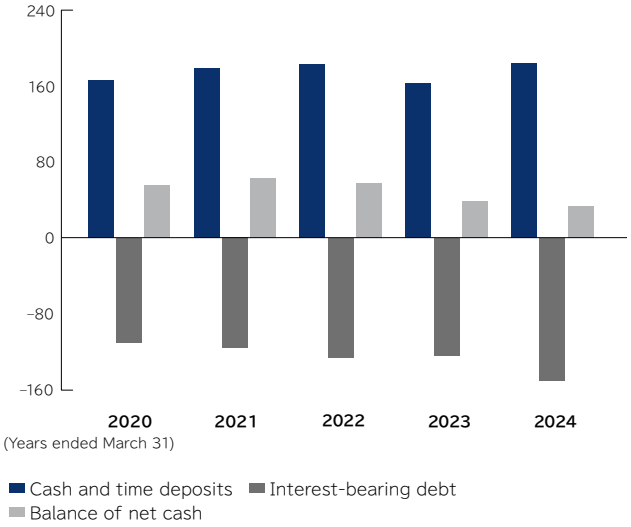
in the medium to long term, while making growth investments and returning value to shareholders within the scope of operating cash flows.

I would like to emphasize that even under the new Medium-Term Business Plan, the Group believes growth investments are necessary to improve corporate value in the medium to long term. I mentioned maintaining net cash in the medium to long term. This is because we prioritize having cash on hand to avoid missing investment opportunities.

The Group is in the process of expanding its scope of operations beyond the advertising business, so we intend to allocate funds primarily toward such growth investments.

Cash and Time Deposits, Interest-Bearing Debt, and Balance of Net Cash as of the Past Five Fiscal Year-Ends

(Billions of yen)



However, operating cash flows may not always be sufficient when making growth investments such as M&A. Also, to improve corporate value we may wish to boost shareholder returns through share buybacks. Maintaining financial soundness is essential for maintaining such flexibility, so we must formulate appropriate capital allocation strategies.

To this end, we will need to actively manage the balance sheet, including by considering the sale of assets such as cross-shareholdings. Meanwhile, we will consider additional shareholder returns if we have surplus cash after prioritizing allocation to growth investments. In any case, we will manage the balance sheet and evaluate shareholder returns based on whether they contribute to capital efficiency and enhance corporate value.

Question

What areas do you envision for growth investments under the new Medium-Term Business Plan? Also, can we assume that these investments will deliver returns during the period of the plan?

Under the new Medium-Term Business Plan, we expect to spend tens of billions of yen on both capital expenditures and M&A. We will invest actively, not just in existing areas but also in new fields—both in Japan and overseas. Of course, before we can invest in M&A we need to find suitable partners, so such investments may not always proceed according to plan.

When investing in new areas, we aim for investments to contribute to the Group's profits during the new Medium-Term Business Plan. In principle, we expect to generate returns that exceed the cost of capital. While we might accept smaller returns initially, our goal is for profits to surpass the cost of capital over the medium to long term.

Under the previous plan, we allocated expenditures strategically, particularly in the field of digital marketing. In fiscal 2024, we expect to begin reaping the rewards of these previous investments.

Question

With regard to shareholder returns, could you please explain the background behind the recent change in your dividend policy?

We remain committed to our policy of stable dividends.

However, in response to investor feedback asking for more clarity about how we define stability and the criteria for adjusting dividends, we have decided to specify a target dividend payout ratio of around 30%.

That said, please note we will determine the dividend payout ratio by looking at figures before amortization of goodwill, not just the disclosed figures. In addition to the fiscal year in question, we intend to make informed decisions on dividend levels by assessing trends over the past few years.

From a practical standpoint, we ask for our shareholders' understanding that dividends may be increased or decreased if the dividend payout ratio before amortization of goodwill deviates significantly from 30%.

We will continue to consider the repurchase of treasury stock based on factors such as performance, financial condition and market trends.

Question

Will there be any change in your approach to fund-raising under the new Medium-Term Business Plan?

We maintain enough interest-bearing debt to ensure sufficient net cash in the medium to long term, and there will be no changes on this front during the period of the new plan. This will ensure a certain level of borrowing capacity and avoid significantly increasing interest-bearing debt.

The Group's business model is not particularly capital-intensive, so our leverage does not need to be high. This stance remains unchanged under the new plan.

On the other hand, in order to diversify future funding risks and not rely solely on bank borrowings, we have established an environment that allows for various funding methods, including issuing corporate bonds. In September 2022, we obtained a credit rating of A+ from R&I, one of Japan's largest credit rating agencies, and as of October 2024 this rating remains unchanged.

Question

You have already discussed items for capital allocation, but could you reiterate your thoughts on cross-shareholdings during the new Medium-Term Business Plan?

As I mentioned before, we monitor the significance and effectiveness of holding each stock on an annual basis. This policy remains unchanged, and we uphold our policy of selling shares when holding them is not rational.

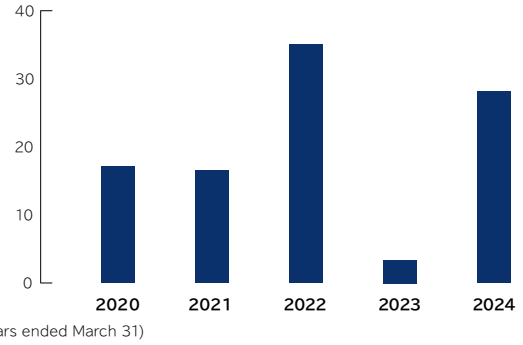
In fiscal 2023, we sold shares worth approximately ¥28.0 billion. Taking into account the impact of the increase in stock prices, as of the end of the fiscal year we had a remaining balance of just over ¥90.0 billion.

Some investors, including many shareholders, have asked us to accelerate our efforts to sell cross-shareholdings. We believe that progressing with these sales will ultimately help provide the financial resources for growth investments during the period of the new Medium-Term Business Plan.

We have not set any KPIs for selling cross-shareholdings, as in some cases we will need to coordinate with counterparties before selling these shares. At the same time, one indicator we recognize is the cross-shareholdings to net asset ratio set by proxy advisory firms.

Results of Sales of Investment Securities Over the Past Five Fiscal Years

(Billions of yen)



(Years ended March 31)

Note: Income from sales of investment securities on the consolidated statements of cash flows

Question

In closing, from your position as CFO, is there anything you would like to convey to readers?

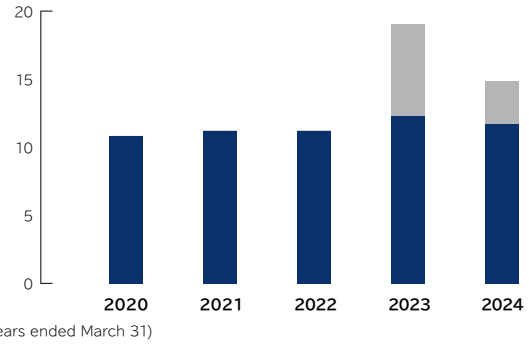
We have allotted a good amount of time to discuss the concept of capital allocation. However, we believe that the Group's more essential assets are intangible and not reflected on the balance sheet. These include *sei-katsu-sha* insight-based creativity and a diverse workforce.

In addition to using the profits or cash generated from goodwill resulting from M&A to contribute to business growth and improve capital efficiency, our first priority is to leverage these intangible assets to generate profits and cash and improve capital efficiency.

With this in mind, I will do my best to fulfill my role as CFO.

Dividends Paid and Purchases of Treasury Shares Over the Past Five Fiscal Years

(Billions of yen)



(Years ended March 31)

Dividends paid Purchases of treasury shares

04 Sustainability

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Sustainability at the Hakuhodo DY Group

To pursue human-centered sustainable management, in 2024 the Hakuhodo DY Group established its sustainability policy and identified material issues (materiality) with a view to 2030. Based on the principles of independence and solidarity, we will leverage the unique business characteristics and strengths of each Group company to advance sustainability initiatives that are distinctively our own.

Sustainability Policy

PURPOSE

Aspirations Unleashed

break down boundaries, open new doors and usher in new eras for every *sei-katsu-sha*, organization and society.

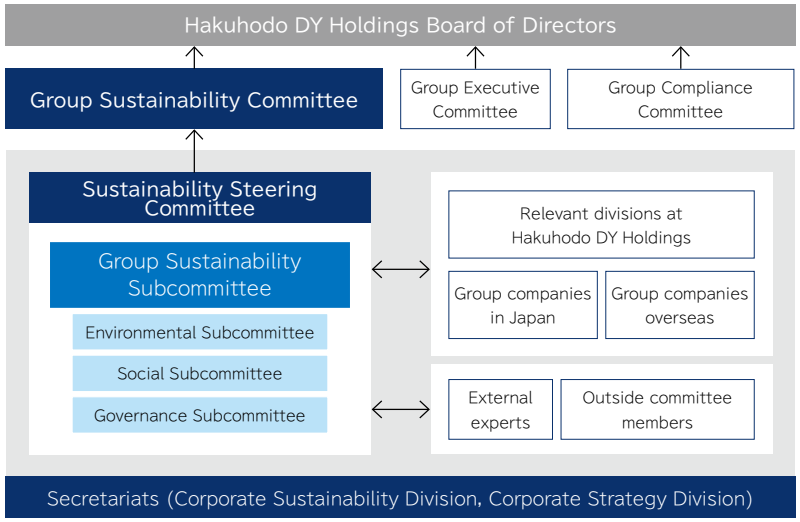
Materiality

Human-centered sustainable management

E **Contributing to a sustainable global environment**	We will fulfill our corporate commitment to coexist in harmony with the global environment and realize sustainable behavioral change by leveraging *Sei-katsu-sha* Insight and our ability to connect *sei-katsu-sha*, organizations and society.
S **Unleashing creativity through the growth of and respect for diverse individuals**	We will address the challenges faced by *sei-katsu-sha*, organizations and society, leveraging *sei-katsu-sha* insight and the power of co-creation, which enhance specialization and innovation and unleash the creativity of each employee.
G **Pursuing compliance and integrity**	We will create a positive impact on society with each employee fulfilling their responsibility to meet society's expectations and apply their creativity in an appropriate manner.

Sustainability Implementation Structure

Under the Board of Directors, which serves as the decision-making body, we have established the Group Sustainability Committee which directors participate in and which discusses topics related to sustainability. We formed the Sustainability Steering Committee to enhance Group companies' implementation capabilities. Below this committee are the Group Group Sustainability Subcommittee, which comprises directors responsible for overseeing sustainability at each Group company, and ESG subcommittees that include people in charge from Group companies.



Fiscal 2023 Agenda Items

First Group Sustainability Committee Meeting	Second Group Sustainability Committee Meeting
・Reporting progress on human rights due diligence and social contribution activities	・Reporting progress on the environment, human rights due diligence, and diversity, equity, and inclusion

Dialogue

Realizing a Society Overflowing with *Sei-katsu-sha* Aspirations Through Sustainable, People-Centered Management

The Hakuhodo DY Group Sustainability Steering Committee (ESG Subcommittee), composed of sustainability representatives from companies within the Hakuhodo DY Group, actively advances sustainability initiatives within the Group. The subcommittee facilitates the sharing of approaches and progress within the Group, as well as discussions on specific ESG themes. ESG Subcommittee members from Group companies gathered to discuss their respective achievements and challenges, with Outside Director Ikuko Arimatsu participating in the discussion.

(From left)

Takeru Hatsuzawa	Hiroaki Sato	Testsuya Kurosu	Rinako Ota	Ikuko Arimatsu	Hiroshi Funakoshi	Ayako Kiuchi	Shizuka Nakajima	Yuriko Oshimoto
Sustainability Promotion Office HR Division SoldOut	Division Manager General Affairs Division Management Strategy Unit Daiko Advertising	Senior Executive Officer Hakuhodo DY ONE	Division Manager Career Design Division Corporate Operations HQ YOMIKO ADVERTISING	Outside Director	Executive Manager Corporate Sustainability Planning Department Corporate Strategy Division Corporate Strategy Design Headquarters Hakuhodo Deputy General Manager Corporate Strategy Division Hakuhodo DY Media Partners	Executive Manager Human Resources Department 1 HR Strategy Division HAKUHODO Technologies	General Manager Corporate Sustainability Division Hakuhodo DY Holdings	Team Leader Sustainability Promotion Team Public Relations Department General Affairs Division HAKUHODO PRODUCT'S

Sustainability Implementation Structure of Companies, Linked by Group Independence and Solidarity

Nakajima Since 2022, the Hakuhodo DY Group has been strengthening its sustainability implementation structure. Each subsidiary is assigned officers responsible for sustainability in the environmental (E), social (S), and governance (G) categories. Under the Group Sustainability Policy, operating companies have been sharing their strengths and challenges, and enhancing their execution capabilities around various themes.

Taking into account our Global Purpose and the new Medium-Term Business Plan, we have identified nine key matters to focus on in our Group Sustainability Policy in three areas: contribute to a sustainable global environment, unleash creativity through the growth of and respect for diverse individuals, and pursue compliance and integrity. Based on these areas, we will collaborate with our operating companies to create a society abounding in *sei-katsu-sha's* aspirations and where they can live vibrant lives.

Here, we hear from ESG Subcommittee members sharing their company's initiatives, followed by comments from Ms. Arimatsu, outside director.

Sato Daiko Advertising fostered sustainability awareness early with the

establishment in 2016 of our LGBT-focused think tank Japan LGBT Research Institute, and the COCO-Project for creating inclusive and supportive workplaces, which launched in 2017. One challenge we faced was a lack of internal collaboration, which delayed company-wide efforts. To address this, we launched a project led by corporate division general managers to drive sustainability. Rather than relying just on top-down approaches, we aim to also coordinate the efforts of each division, accelerating sustainability implementation across the company.

Kurosu Hakuhodo DY ONE was formed April 2024 through the integration of two companies, IREP and D.A.Consortium, both operating in the domain of digital marketing. We have many young people in our workforce with an equal gender ratio, and 25% of our people in management positions are women. However, one significant challenge we face is the relatively short tenure of our employees. This is a common concern among companies that have grown rapidly in line with market expansion. The advertising industry offers a wide range of methods to deliver results to clients, and there are frequent changes in platform specifications, making the workload demanding. Recognizing the importance of transforming the nature of the industry itself and building lifelong careers, we have initiated an approach led jointly by in-the-field and HR personnel, rather than taking top-down approach or having HR make requests. We have formed a diverse team consisting of members from various backgrounds, ages, and employment histories, and we are actively working to address issues and find solutions.

Realigning the Career Path of Each Employee

Ota Under a new management structure introduced in 2021, YOMIKO ADVERTISING set out to achieve a challenging balance in the advertising industry: “work–life value.” We implemented various initiatives, including achieving a 100% rate of eligible male employees taking parental leave. At that time, the rate was only 13%, so it was important for management to demonstrate that the company was embracing change. Our efforts were successful: the following year, 100% of eligible male employees took parental leave.

In 2022, we implemented a unique pulse survey called Y-PRIDE capable of monitoring an individual’s well-being indicators on a monthly basis. In 2023, we established the Life Career Support Desk to help employees lead fulfilling lives both personally and professionally. We believe it is important to consider both quantitative information based on individual data and qualitative information obtained through dialogue.

Kiuchi I belong to HAKUHODO Technologies, which was established in 2022 and is responsible for the Hakuhodo DY Group’s technology strategy. To promote sustainability, we set up a DE&I subcommittee in fiscal 2023. Our first focus was on creating a work environment where employees can personally relate to DE&I. We have been working on initiatives such as networking events where employees can freely discuss work and childcare, and approving commutes by bullet train even for short distances, among other allowances, in order to support the work-life balance of employees with time constraints. Currently, 20% of employees are women, and women in management positions account for 16% of management in total. Given the under-representation of women among the technology workforce, we aim to promote a flexible working style that is not bound by location or time—features uniquely suited to technology professionals—and contribute to improving those ratios in the future.

Hatsuzawa SoldOut’s main focus is on providing comprehensive support for people taking up challenges in small and medium-sized businesses, including in outlying regions. Currently, we have 23 branches throughout Japan. In our efforts to implement sustainability, we prioritize contributing to local communities. We strive to

understand the unique challenges and characteristics of each region and provide services to match.

In 2021, we entered into "Local Revitalization Entrepreneurship Program" agreements with the cities of Kamaishi, Iwate Prefecture, and Unnan, Shimane Prefecture, dispatching employees to each municipality. Our employees are utilizing the skills and expertise they have cultivated throughout their careers to contribute to the revitalization of these regions. We are committed to continuing our support for ambitious small and medium-sized businesses nationwide, including those in rural areas.

Funakoshi Hakuhodo and Hakuhodo DY Media Partners established Corporate Sustainability Planning Departments in 2024 and have begun implementing DE&I. We have a culture that values the eclectic over the generic and celebrates diversity and individuality. Since 2018 we have been implementing workstyle transformation to create an environment where each employee can demonstrate their individual strengths. We have set a policy designed to entrench the idea that "changing the perception of working hours = time value management" and have implemented various initiatives under this theme. While we still have some way to go, we aim to improve work–life balance from both qualitative and quantitative perspectives with the idea of "working hard and resting completely."

Demonstrating Creativity Toward Behavioral Change Among *Sei-katsu-sha*

Oshimoto HAKUHODO PRODUCT'S is a comprehensive production company that operates in various domains, including traditional promotions, digital communication, commerce, BPO / BPS, and IT / DX. We undertake sustainability activities through our creative work and tackle environmental issues. One of our productions, "Momigara Notebook," was led by a special project team called Sustainable Engine, which consists of approximately 30 employees who want to help solve social issues through business. The project got its start consulting with a client who sought to give new value to waste materials through regeneration, and is the result of Group collaboration in the pursuit of upcycling. It makes use of a unique material developed using rice husks produced by "Hakuho Farm," which Hakuhodo and Hakuhodo DY Media Partners utilize for agricultural experiences and training. Our designers produced this material by incorporating a design that symbolizes circulation. We chose to create a notebook because we wanted it to be something that can be carried around at all times, allowing users to jot down ideas for the future, record words and phrases that pique their interest and draw sketches, and connect these to future actions. We hope to leverage the experience gained from this initiative to develop further measures for reducing environmental impact and to create circular solutions for our clients.

Momigara Notebook

The Need to Know Our Role in Solving and Continuing to Work on Social Issues

Arimatsu I believe efforts to implement sustainability are still at a stage where many people wonder why such actions are even necessary. However, it is essential

for the Group's employees to fully understand that sustainability is something that cannot be avoided in the course of conducting business. By listening to the ESG Subcommittee members of each company and creating more opportunities for sharing among employees, we can gradually change their awareness. You may feel that you have only just taken the first step in this direction, but the important thing is to keep moving forward. The Hakuhodo DY Group is expected to contribute to society by promoting sustainability to the community and advocating for behavioral change. Through the already-established Sustainability Steering Committee, we aim to collaborate and leverage the unique strengths of each company within the Hakuhodo DY Group while conscious of addressing not only our own challenges but broader issues faced in society.

Diversity, Equity, and Inclusion (DE&I)

In our Group, senior management provides leadership with their commitment to DE&I. In May 2023, we formulated and announced the Hakuhodo DY Group's Diversity, Equity & Inclusion (DE&I) Policy as part of our Group management policy. As our goal for gender equality, we have declared our aim of achieving a 30% ratio of women in management positions by fiscal 2030.

Hakuhodo DY Group's Diversity, Equity & Inclusion (DE&I) Policy

The Hakuhodo DY Group aims to create a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives. We are an entity in which employees, each *sei-katsu-sha* themselves, connect with other *sei-katsu-sha* and society to take on a broad range of social challenges to invent the future through leveraging their own unique creativity.

DE&I is itself *sei-katsu-sha* insight—the DNA of the Hakuhodo DY Group—and a source of our innovation. We are thus committed to implementing DE&I throughout the Group under our management policies.

Details ▶ WEB Full text of the DE&I Policy

DE&I Implementation Structure

The Corporate Sustainability Division works under the guidance of the director responsible for overseeing sustainability and with the S (social) Subcommittee members selected from each operating company to disseminate policies and promote various initiatives.

Promoting DE&I by Leveraging Group Synergies

To accelerate the understanding and promotion of DE&I among Group companies, we regularly share case studies and hold information-sharing meetings among the personnel in charge of DE&I promotion at each Group company. We are promoting various measures to meet the challenges of each operating company.

Making Progress on Gender Equality Targets

To enable all employees, regardless of gender, to find and pursue their own career paths, we are identifying issues and implementing specific initiatives at each Group company.

Percentage of female new-graduate employees	51.4%
Ratio of women in management positions	13.1%
Ratio of women returning to work after maternity leave	96.4%
Percentage of female executives	6.4%

Group target ratio for women in management positions by fiscal 2030
30%

(Fiscal 2023)
Note: Target for Hakuhodo, Daiko Advertising, YOMIKO ADVERTISING, Hakuhodo DY ONE (IREP, D.A.Consortium), Hakuhodo DY Media Partners

Creating an Amenable Working Environment That is Accommodating to Individual Circumstances

We are developing various systems and support measures that help all employees balance work and family life and develop their careers with peace of mind while exercising their creativity, even when also handling childcare or nursing care.

Supporting Employees' Work-Life Balance (Hakuhodo / Hakuhodo DY Media Partners)

Various systems are in place to help employees balance their work and life plans.

		Life Stage		
		Pre-Pregnancy Prenatal	Postpartum Maternity Leave	Returning To Work
Childcare	Specific accumulated leave (pregnancy leave)	Pre-pregnancy		
	Commuting relief during pregnancy	Prenatal		
	Work exemption while visiting hospital*1	Prenatal to 1 year after delivery		
	Prenatal leave	6 weeks including day of delivery Note: 14 weeks for multiple births		
	Postpartum leave		8 weeks from day after delivery	
	Spousal maternity leave Male employees *2	3 days can be taken 6 weeks before childbirth to 8 weeks after childbirth		
	Paternity leave Male employees *3		Up to 4 weeks and within 8 weeks of birth Note: Can be taken in 2 installments	
	Childcare leave		Up to April following child's second birthday	
	Shorter working hours	Less than 1 year old: Maximum 2 hours; Younger than third grade: Maximum 1 hour		
	Babysitter assistance, support for sick children			
	On-site childcare center			From 3 months to 3 years old
	Nursing leave*4	Five days per year per eligible child may be taken in one-hour increments		
	Consultation desks	Consultation desks (internal), pregnancy and childcare consultation services, career consultation		
	Full-year support	Cafeteria plan, housework support		

Nursing Care	Vacations and holidays	Caregiving furlough	93 days in total (Note: Can be taken in up to 3 installments)
		Caregiving leave*4	5 days per year per person requiring care may be taken in 1-hour increments
		Specific accumulated leave (caregiving / nursing care)	Remaining annual paid leave can be used for caregiving / nursing care purposes
	Seminars and consultation desks	Nursing care seminars and exchange opportunities	Seminars by outside lecturers and round-table discussions with other employees
		Consultation desks	Consultation services for nursing care available both inside and outside the Company
		Full-year support	Cafeteria plan, housework and nursing care support

*1 Health checkups required by law or public health guidance based on health checkups
*2 Not limited to men if same-sex partners
*3 In the case of adoptions, etc., women are also eligible
*4 Up to 10 days if two or more people require care

A Teamwork Approach to Achieving a Work-Life Balance (Hakuhodo / Hakuhodo DY Media Partners / YOMIKO ADVERTISING / HAKUHODO Technologies)

To address as a team the challenge of balancing work and childcare, we have distributed a handbook summarizing our support for integrating work with other aspects of life. Hakuhodo and Hakuhodo DY Media Partners have created dedicated pages for managers and team members and provided income simulation spreadsheets. YOMIKO ADVERTISING has introduced various measures to support a work-life balance, starting with a message from the president embracing work-life balance and is highlighting a mentoring system with senior employees who are parents themselves as mentors.

We view the integration of parenting and work as an opportunity for personal growth, and we believe it can enhance *sei-katsu-sha* insight. Recognizing that employees may be juggling various responsibilities in addition to childcare, such as providing care to other family members and accompanying them to medical appointments, we aim to use childcare as a catalyst to create a workplace that supports and respects employees' careers and responsibilities outside of work.

Company handbooks on supporting a balance between work and private life (From left: Hakuhodo / Hakuhodo DY Media Partners / YOMIKO ADVERTISING / HAKUHODO Technologies)

Parents acting as mentors (YOMIKO ADVERTISING)

Transforming Working Styles (Hakuhodo / Hakuhodo DY Media Partners)

In fiscal 2022, core Group operating companies Hakuhodo and Hakuhodo DY Media Partners established a Workstyle Transformation Committee and formulated the guiding principle of "time value management" and a new vision for better ways of working, which is "creating a better relationship between work and life." Rather than simply reducing working hours, our goal is to create a creative and sustainable team where every member can share their unique perspectives without pushing themselves too hard or feeling hesitant, fostering imagination and respecting diverse values. We will continue to promote initiatives to realize this vision.

Time Value Management

はたらくと人生を、
もっといい関係に。

Promoting Work That Is Rewarding and Encourages Individual Success

The Hakuhodo DY Group aims to create a workplace culture in which every employee can demonstrate their abilities and feel a sense of fulfillment in their work, regardless of individual attributes.

Unconscious Bias Training (Hakuhodo / Hakuhodo DY Media Partners / Daiko Advertising / YOMIKO ADVERTISING)

Hakuhodo, Hakuhodo DY Media Partners, Daiko Advertising, and YOMIKO ADVERTISING provide unconscious bias training. As the number of employees with diverse working styles and experiences continues to increase, we understand the importance of recognizing diversity and controlling biases in promotion and evaluation processes within our management. By creating an organization where each employee is aware of their own biases, we aim to promote diversity, equity, and inclusion throughout the Group.

Female Leadership Training (Daiko Advertising)

In fiscal 2022, Daiko Advertising organized a training program targeting mid-level female employees. The program aims to help participants gain knowledge about diverse leadership styles and equip them with the skills and mindset to showcase their own unique leadership abilities. The training includes practical assignments in the workplace and encourages interaction among female employees. Past participants have noted that the training provided a valuable opportunity to gain career insights.

TOPICS

A Collaborative Unconscious Bias Project with University Students

Hakuhodo Kyarijoken Plus (Hakuhodo Career Woman Lab+) embraces the vision of “creating a ‘neutral society’ in which everyone can live comfortably, based on women’s happiness.” In 2023, we conducted a lecture on unconscious bias for students at Seisen University. We gained insights from the perspective of Generation Z about biases and potential solutions, which made the experience highly educational.

Yuma Shirane
Leader
Hakuhodo Kyarijoken-Plus
Hakuhodo

TOPICS

Creating a Working Environment Where Women Can Shine

In 2024, SoldOut achieved the highest Eruboshi Certification level of three stars. The company has created a friendly working environment by establishing systems and promoting initiatives such as shortened working hours, full flextime, and a fully remote work system with no geographical restrictions. We have also worked to support career development through various forms of employment, career paths, transfer request systems, and regular career discussions. Numerous examples of female empowerment have emerged as a result. SoldOut aims to be a company where each individual can demonstrate their strengths and actively contribute, and we will continue to promote female empowerment to this end.

Hiromi Maeda
Sustainability Promotion Group
Sustainability Promotion Office
SoldOut

Interview

My Aspirations

The Most Important Thing When Working In a Team Is Trust

Ryoko Nakama
Human Capital Strategy Division
Human Capital Planning Department
Daiko Advertising

I have always been in a leadership role, but never had a conscious desire to be a manager. I participated in the women’s leadership training program mainly to gain insight into my own career. When I actually took the course, though, my thinking became clearer, and I found it a valuable learning opportunity. In the training, I learned about different ways of thinking and systematic approaches to work. Conversations with colleagues from other departments that I don’t usually interact with (especially those of the same gender and with similar career paths) led to many discoveries and realizations. Also, the various exercises during the course provided an opportunity for me to delve deeper into myself. One significant insight I gained is that trust is the most important factor in working as a team. I strive to keep that in mind and live by it every day.

Realizing a Society in Which Everyone Plays an Active Role

The Hakuhodo DY Group aims to create a society where every *sei-katsu-sha* can fully express their individuality and abilities. In addition to internal activities, we actively engage in external communications and business activities to impact society as a whole.

Promoting the Employment of People with Disabilities

To ensure that all employees, regardless of disability status, can feel that their work as members of the Hakuhodo DY Group is rewarding, we actively promote the development of an environment for the reasonable accommodation and employment of people with disabilities. Hakuhodo DY I.O Inc., a special-purpose subsidiary of the Group that provides shared services, has established a reasonable accommodation consultation desk to respond to inquiries from various companies within the Group. Additionally, SUPERYARD, a joint venture Hakuhodo and Mitsui Fudosan Co., Ltd., launched in February 2023, is dedicated to helping expand employment opportunities and supporting the career development of individuals with mental disabilities. The venture is committed to creating a society where individuals with differing levels of cognitive abilities can build their careers with peace of mind.

Rate of Employment of People with Disabilities Within the Hakuhodo DY Group

At Group level **2.54%**

(As of March 31, 2024)

Interview

My Aspirations

I Want To Expand Opportunities for People with Disabilities and Able-Bodied People to Grow Together

Miyuki Fukuda
Accounting Division 1, Operating Department 1
Hakuhodo DY I•O

More than half of the people in my department are hearing impaired, so we have sign language interpreters on staff. Many of the hearing employees are also proficient in sign language, which has become so integrated within our company that it is like a second language for us. As a result, we have a working environment where communication is not a source of stress and is conducive to a comfortable work experience. A wide range of tasks at Hakuhodo DY I•O require independent judgment and thinking. As we are responsible for shared services among Group companies, including advertising agencies, we are often involved in tasks that align with current trends and societal developments. This aspect of the work allows us to deepen our knowledge and experience, which is one of the attractive qualities of our company.

LGBTQ+-Related Initiatives

We promote LGBTQ+ initiatives to foster an environment in which all employees of every orientation and gender can fulfill their potential.

▸ Establishing a Consultation Desk (Hakuhodo / Hakuhodo DY Media Partners / SoldOut)

We have established a consultation desk to address matters related to gender and sexual orientation. Hakuhodo and Hakuhodo DY Media Partners set up both internal and external contact points to help individuals seek counseling anonymously.

▸ Expanding Our Definition of "Spouse" (Hakuhodo / Hakuhodo DY Media Partners / SoldOut)

To create a working environment that is amenable to all, we have expanded our definition of "spouse" to include "partners in de facto marriages and same-sex partners." This change expands eligibility for various personnel systems and welfare benefits.

▸ Japan LGBT Research Institute Releases a Report (Daiko Advertising / SIGNING)

We support DE&I promotion activities and marketing efforts by conducting research and studies on diverse gender identities through *sei-katsu-sha* insight and by acting as a bridge between LGBTQ+ individuals and corporations, and local governments. In March 2024, Japan LGBT Research Institute, SIGNING, and Daiko Advertising jointly released the *GENDER POSITIVE REPORT*, which focuses on the growing positive acceptance of gender diversity.

TOPICS

Receiving a Silver Rating in the PRIDE Index 2023
(Hakuhodo / Hakuhodo DY Media Partners)

Hakuhodo and Hakuhodo DY Media Partners received a Silver rating in the PRIDE Index 2023. This index was formulated by work with Pride*, an association that evaluates workplace initiatives related to LGBTQ+ and other sexual and gender minorities. This recognition is the result of our efforts to establish consultation services and expand our definition of "spouse." Moving forward, we will continue working to improve the workplace environment and promote a corporate culture that encourages active participation by all.

* work with Pride: A general incorporated association that supports the promotion and establishment of diversity management related to LGBTQ+ and other sexual and gender minorities in companies and other organizations

Health and Productivity Management

The Hakuhodo DY Group strives to create an environment where all of its employees can make full use of their skills and are empowered to express their individuality and contribute in the workplace. Along with DE&I implementation and workstyle transformation, we are strengthening our Groupwide implementation capabilities and undertaking various initiatives to resolve issues related to health and productivity management.

Health and Productivity Management Initiatives (Hakuhodo / Hakuhodo DY Media Partners)

Health Declaration

Hakuhodo is a company that values people as our assets. (...) As professionals, we always prioritize maintaining our own health and expanding our capabilities, while also considering the health and well-being of our team members. Every person working at Hakuhodo enjoys an environment in which "work enriches life, and life enriches work." At the foundation of this environment is each individual's health. Moving forward, Hakuhodo will continue to advance health and productivity management to support the sustainable growth of its employees and the company, and to provide new value to society.

Details ▶ WEB Hakuhodo (in Japanese)
Details ▶ WEB Hakuhodo DY Media Partners (in Japanese)

Implementation Structure

We have appointed a chief health officer (CHO) to work in collaboration with the Health Management Department of the Human Resource Management Division, which serves as a hub, as well as with the Health Support Center, medical staff at the companies' internal clinics, and the Health Insurance Society. We will share information and engage in discussions with management sections and the employee union to achieve a uniquely Hakuhodo approach to health and productivity management.

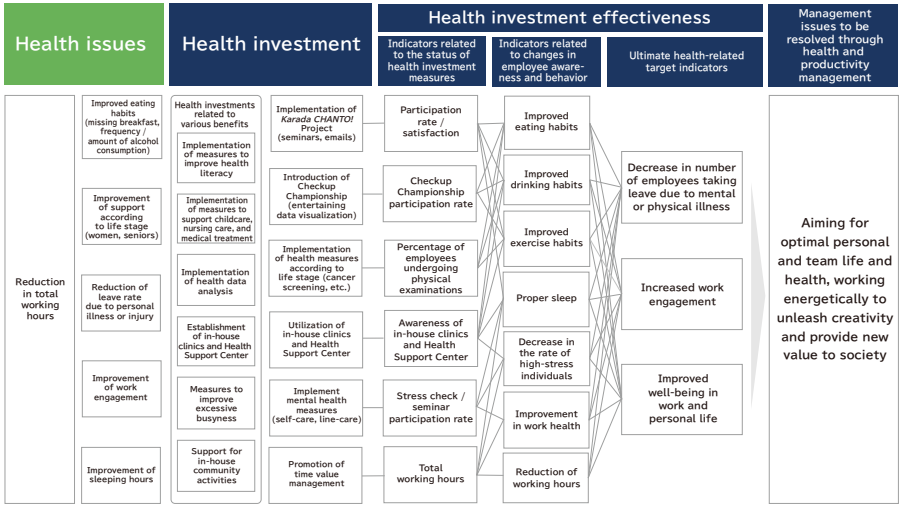
Strategies for Realizing Health and Productivity Management (Hakuhodo / Hakuhodo DY Media Partners)

Formulating a Health and Productivity Management Strategy Map

We have identified the management challenge we wish to address by introducing health and productivity management approach as "aiming for optimal personal and team life and health, working energetically to unleash creativity and provide new value to society." We have developed a health and productivity management strategy map to help achieve this goal. By organizing and visualizing the objectives and evaluation indicators for each issue and various measures, we intend to accelerate the PDCA cycle. We have identified key indicators based on the effects and current status of each health investment and are monitoring these trends. In recognition of this initiative, we were certified as a Health & Productivity Management Outstanding Organization (Large Enterprise Category) in 2024.

2024 健康経営優良法人 Health and productivity

Health and Productivity Management Strategy Map



Indicators and Targets

Key indicators	Targets
Mental absence rate	Less than 1%
Deviation of work engagement	53 or more
Average happiness in work and personal life	7.00 or more

Coverage: Hakuhodo and Hakuhodo DY Media Partners

Human Rights Initiatives

In 2022, the Hakuhodo DY Group established its Group Human Rights Policy. In 2023, the Group identified significant human rights issues as important areas and developed human rights due diligence guidelines, initiating human rights due diligence throughout the Group. We held human rights training for employees of eight Group companies and conducted human rights assessments at six of those companies.

The Hakuhodo DY Group's Human Rights Policy

The Hakuhodo DY Group aims to "create a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives" through our creative human resources, who serve as our greatest asset. Respect for human rights is the foundation upon which the Hakuhodo DY Group is built, and we promote respect for human rights as the root of ethical, sustainable business. In order to fulfill our responsibility to respect human rights more thoroughly, we have formulated a Human Rights Policy for the Group based on the "Protect, Respect, and Remedy" framework outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Details ▶ WEB **Full text of the Human Rights Policy** (in Japanese)

Implementation Structure

The Hakuhodo DY Group's Board of Directors has a responsibility to implement ongoing monitoring of all activities stipulated by the Policy in regard to respect for human rights. While fulfilling the monitoring function in relation to measures addressing particularly significant human rights issues, the Board will also devise appropriate measures to prevent any direct or indirect involvement in human rights infringements. The Corporate Sustainability Division, as the unit responsible for sustainability matters, will work under the guidance of the director responsible for overseeing sustainability to spread awareness of the Policy and promote all initiatives related to respect for human rights.

Human Rights Due Diligence

Salient Human Rights Issues

Human rights issues		Rights holders whose human rights could potentially be negatively impacted		
		Employees	Suppliers*	*Sei-katsu-sha*
Expression and dissemination of information	Restrictions on expression in production process	Medium	Medium	—
	Discrimination arising from expression or dissemination of information	—	—	High
	Leakage of personal information or invasion of privacy	Low	—	High
Labor	Workplace discrimination or harassment	High	High	—
	Discrimination in hiring	Low	Low	—
	Overwork or long working hours / safety and health	High	High	—
	Forced labor	Low	Medium	—
	Child labor	Low	Medium	—
Religion	Religious freedom	Medium	Medium	—

* Mainly business partners

Details of human rights due diligence initiatives are provided on the next page.

Relief Mechanism

To ensure that corporate officers and employees who have experienced human rights violations are able to receive support, we have established a relief contact point within the Company for whistleblowing and consultations. This contact point monitors the situation, considers appropriate measures, and reports to the Group Compliance Committee.

Details ▶ WEB **Relief mechanism (response contact point)** (in Japanese)

Human Rights Due Diligence Initiatives

We conducted human rights training to promote an understanding of human rights and human rights infringement risks among employees of the Hakuhodo DY Group, and to encourage employees to embrace respect for human rights in their daily work. In fiscal 2023, we provided this training, which consisted of internally created video content, to regular and contract employees of eight Group companies (Hakuhodo,Daiko Advertising, YOMIKO ADVERTISING, Hakuhodo DY ONE (IREP, D.A.Consortium), Hakuhodo DY Media Partners, SoldOut, and HAKUHODO PRODUCT'S).

Rate of Participation in Human Rights Training

Target: Fiscal 2023

Hakuhodo	Hakuhodo DY Media Partners	Daiko Advertising	YOMIKO ADVERTISING	D.A.Consortium	IREP	SoldOut	HAKUHODO PRODUCT'S
84.2%	87.4%	89.1%	86.9%	85.3%	95.1%	91.3%	99.7%

Interview

My Aspirations

Conveying Complex Human Rights Through Video Scenarios Connecting Personally to Those Involved in Their Production

Yuki Kiriishi
Executive Manager
Video Business Produce Department
Digital Creative Division
HAKUHODO PRODUCT'S

The entire video production team approached their work with the understanding that creating videos to effectively convey the importance of human rights required consideration from the dual perspectives of those delivering the message and the limited understanding of those receiving it. We gave top priority to creating content that truly gets the message across. This may seem obvious, but in reality, it was quite difficult to achieve.

Human Rights Assessments

We conducted a survey among employees of six companies—Hakuhodo, Hakuhodo DY Media Partners, Daiko Advertising, YOMIKO ADVERTISING, IREP, and HAKUHODO PRODUCT'S—to measure the extent to which human rights education permeates the organization and to identify and evaluate specific human rights issues that need to be addressed.

Questionnaire Return Rate

Target: Fiscal 2023

Hakuhodo	Hakuhodo DY Media Partners	Daiko Advertising	YOMIKO ADVERTISING	IREP	HAKUHODO PRODUCT'S
65.3%	73.8%	88.7%	67.2%	77.7%	69.8%

Overview and Results of Human Rights Assessment

Implementation process		• We carefully reviewed the survey and developed a questionnaire based on the nine items identified as the Group's most prominent human rights issues. • We conducted anonymous surveys of regular and contract employees at six major Japanese companies.* • Hakuhodo DY Holdings compiled and analyzed the survey results to identify potential human rights risks. • Feedback was provided to each Group company, and each company considered specific measures to prevent and mitigate human rights risks.
Survey overview		• Survey method: Online questionnaire • Aggregation and analysis: Five companies in the Hakuhodo DY Group (the six companies that were subject to human rights assessments in fiscal 2023, excluding IREP) • Return rate: 69.9% (The questionnaire was sent to 7,998 people, and 5,593 people responded.)
Human rights assessment (questionnaire) results	General	No serious human rights risks were found that urgently need to be addressed.
	Basic understanding of human rights	The level of basic understanding of human rights exceeded 90% for each company.
	Human rights response system	Although they acknowledged that a whistleblowing channel existed, some respondents expressed concerns about how the channel was used and its level of anonymity. Therefore, in addition to ongoing human rights training, we will collaborate with relevant departments within the Group to implement measures that promote an internal understanding and facilitate the dissemination of information.
	Potential risks related to significant human rights issues	Potential human rights risks were identified in the areas of "overwork or long working hours / safety and health" and "workplace discrimination or harassment." In response, in addition to existing activities the Company plans to implement and promote risk measures to prevent and mitigate risks.
Plans for the future		• Continue to implement human rights training and assessment at Group companies • Monitor risk prevention and mitigation measures at Group companies • Expand the scope of human rights assessment (domestic and overseas subsidiaries)

* Hakuhodo, Hakuhodo DY Media Partners, Daiko Advertising, YOMIKO ADVERTISING, IREP, HAKUHODO PRODUCT'S

Initiatives to Address Climate Change and Other Environmental Issues

The Hakuhodo DY Group is actively implementing environmental initiatives to achieve a sustainable society. With regard to climate change measures, in 2022 the Group endorsed the TCFD's recommendations and began disclosing information in accordance with the recommended disclosure items. The Group is also working to increase the proportion of its electricity use that is derived from renewable energy sources to 60% by 2030. To help resolve environmental issues through its business, the Group is actively promoting awareness activities to ensure that each employee understands the importance of addressing environmental issues, including climate change, and takes action.

Basic Policy

Through its policies of *Sei-katsu-sha* Insight and Commitment to Partnership, the Hakuhodo DY Group aims to "create a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives" by finding solutions to the challenges faced by our business partners and society. With environmental awareness rising by the day, efforts to realize and develop a sustainable society are essential for the well-being of *sei-katsu-sha* and society as a whole. The Hakuhodo DY Group is committed to complying with environmental legislation, regulations, industry standards, and other requirements related to its business activities. We are actively working to reduce environmental impact and are leveraging the creativity, ability to take action, and capacity to make things happen to support the realization and development of a sustainable society through our work with our business partners and other initiatives.

Details ▶ WEB Basic Policy

Implementation Structure

Reporting to the Hakuhodo DY Group Sustainability Committee, we have arranged for the Hakuhodo DY Group Environmental Manager to be the person responsible for environmental activities across the Group. As part of this, we have set up the Environmental Subcommittee as a subordinate organization that conducts quarterly assessments and consolidates measures to address climate-related issues on a regular basis.

The Board of Directors receives reports from the Sustainability Committee on the evaluation, status, and goal management of climate-related issues. The Board also engages in comprehensive decision-making regarding the formulation of business strategies, taking climate-related challenges into consideration.

Endorsing the Recommendations of the Task Force on Climate-related Financial Disclosures

The Group endorses the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For scenario analysis, we have established the Environmental Subcommittee under the Sustainability Committee, which is chaired by the representative director and president, and the Environmental Manager. Relevant departments of the head office and each Group company took part in the subcommittee's efforts that—in fiscal 2022, for the first time— worked to identify significant risks and opportunities arising from climate change, and to evaluate them quantitatively and financially. We are moving forward with disclosure across the Group in accordance with TCFD recommendations.

Details ▶ WEB Addressing Climate Change and the TCFD

Risks and Opportunities

In September 2024, the Group identified and assessed its material issues (materiality), which are important issues for achieving sustainable growth for both society and the Group. The Group Sustainability Committee will manage progress on and review those risks, including climate-related issues, on a case-by-case basis to establish an appropriate risk management system.

Strategy: Scenario Analysis

The scope of the scenario analysis covers the entire value chain from research and development (R&D) to procurement, production, and service provision, with a focus on Japan, the Hakuhodo DY Group's principal area of operation. To consider long-term assumptions for 2030 and beyond, analysis was conducted against two scenarios: a 1.5°C scenario, which assumed an average global temperature at the end of this century of no more than 1.5°C warmer than that prior to the Industrial Revolution (in some instances a 2.0°C scenario was also analyzed), and a 4°C scenario, which assumed a rise in average global temperature of around 4°C.

Indicators and Targets

To achieve carbon neutrality by fiscal 2050, the Hakuhodo DY Group has set an interim target of a 50% reduction in Scope 1 and Scope 2 emissions by fiscal 2030 compared with fiscal 2019 and a 30% reduction in Scope 3 emissions.

To achieve this goal, we will not only conduct conventional energy conservation activities but also aim to introduce renewable energy-derived electricity to account for 60% of our total electricity consumption by fiscal 2030 and 100% by fiscal 2050. We will also implement measures in the four main areas of renewable energy introduction, energy conservation (paperless offices), waste reduction, and recycling.

Details ▶ WEB **Addressing Climate Change and the TCFD**

Status of Acquisition of ISO 14001

In accordance with the Hakuhodo DY Group Environmental Policy, certain units are implementing environmental management in conformity with the international environmental standard ISO 14001. Currently, ISO 14001 certification has been acquired by Hakuhodo, YOMIKO ADVERTISING, HAKUHODO PRODUCT'S, OZMA, and HAKUHODO I-STUDIO.

Introduction of Renewable Energy

At Akasaka Biz Tower, where multiple companies within the Hakuhodo DY Group are located, we are using a green power supply service*1 to switch electricity usage to green power.*2 This resulted in a transition in fiscal 2023 to essentially 100% of these companies' annual electricity usage being derived from green sources. Meanwhile, in fiscal 2022 YOMIKO ADVERTISING transitioned to 100% renewable energy*3 for electricity and heat energy usage across its group companies in Japan. Our other Group companies are also gradually introducing renewable energy sources.

*1 Green power supply service: A service developed by Mitsui Fudosan that provides effectively renewable energy for electricity used in office buildings and other facilities through the utilization of non-fossil fuel certificates. This service is designed to flexibly meet tenant needs in achieving the Science Based Targets (SBTs) for the reduction of greenhouse gas emissions, allowing for customizable implementation rates and other specifications.

*2 Green power: An effectively renewable energy source with environmental value derived from residential solar power generation that has reached the end of its power purchase period under the feed-in tariff (FIT) scheme. Mitsui Fudosan Co., Ltd., and TEPCO Energy Partner, Inc., have concluded a comprehensive agreement related to the greening of power consumption for office buildings to provide a stable supply of electricity to tenant companies.

*3 Achieved through procurement of FIT non-fossil certificates with tracking attributes and J-credits.

Third-Party Guarantee

A third-party guarantee has been received from Deloitte Tohmatsu Sustainability Co., Ltd. for the CO_2 emissions report available on the Company's corporate website containing data on Scope 1, 2, and 3 CO_2 emissions from fiscal 2022. We are working to obtain a third-party guarantee for our Scope 1, 2, and 3 CO_2 emissions in fiscal 2023.

Item	Target	Base year (fiscal 2019)	Results for fiscal 2023	Progress in fiscal 2023
Scope 1 and Scope 2 CO_2 emissions*1	Reduction of 50% by fiscal 2030 (compared with fiscal 2019), carbon neutral by fiscal 2050	11,174 tons	7,487 tons	33.0% reduction
Scope 3 CO_2 emissions*1	Reduction of 30% by fiscal 2030 (compared with fiscal 2019)	30,063 tons	22,297 tons	25.8% reduction
Introduction of renewable energy*1	60% by fiscal 2030, 100% by fiscal 2050	0.0%	36.5%	36.5%
Energy conservation*1	Reduction of 30% (compared with fiscal 2019)	5,372 kl	3,912 kl	27.2% reduction
Waste reduction*2	Maintain an average reduction of 50% or more (compared with fiscal 2019)	486 tons	290 tons	40.3% reduction
Recycling rate*3	85% or more	82.2%	83.5%	83.5%

*1 Total values for Hakuhodo, Hakuhodo DY Media Partners, Daiko Advertising, YOMIKO ADVERTISING, and HAKUHODO PRODUCT'S

*2 Waste volume and waste reduction targets for Hakuhodo head office in Tokyo

*3 Recycling rate at Hakuhodo head office in Tokyo

Sustainability Action at the Hakuhodo DY Group

Environment

Nature Positive Studio (Hakuhodo / Hakuhodo DY Media Partners)

Supporting "Nature Positive" and Business Creation Efforts

Around the world, people are committing to stemming and reversing the loss of biodiversity by 2030 and putting nature on the path to recovery.

Following decarbonization, this "nature positive" approach is gaining attention for the way it strives to make a double impact—environmental and economic sustainability. Hakuhodo SX Professionals, a project promoting innovation in double impact business management, has identified this as a priority theme and launched the "Nature Positive Studio" initiative in fiscal 2023 to support the realization of nature positive and the creation of businesses.

Nature Positive Studio is an initiative that utilizes Hakuhodo's unique future-oriented *sei-katsu-sha* insight to embrace the nature positive concept and discover new values in business and daily life. We plan and execute various projects based on the expertise of our diverse team members, including people in marketing and branding, PR, business development, research and development, creative, and media development.

In fiscal 2023, we conducted various activities such as developing integrated solutions centered on future-oriented *sei-katsu-sha* insight, hosting external seminars on turning nature positive into business opportunities, and organizing food-themed workshops. Going forward, in addition to these activities, we will continue to engage in co-creation with businesses, media, educational institutions, and other partners, as well as pursuing business and content development.

Food-themed workshops to generate ideas and experiences for future *sei-katsu-sha* (March and April 2024)

Resilient Life Project (Hakuhodo)

Sei-katsu-sha–Centered Creativity for a Lifestyle of Resilience and Strength

Natural disasters are an issue of particular importance in Japan. Located at the intersection of multiple tectonic plates and storm systems, Japan suffers from more than 20% of global damage caused by natural disasters while occupying only around 0.25% of the world's land mass.

In collaboration with organizations including the National Research Institute for Earth Science and Disaster Resilience and Tokio Marine Holdings, Inc., Hakuhodo has established I-Resilience Corporation to address this significant *sei-katsu-sha* challenge. This company, together with participating corporate members, aims to promote a lifestyle termed Resilient Life which prepares individuals and society for all types of risks, including natural disasters, and helps them to enjoy more fulfilling daily lives.

We will provide ongoing information through various media channels, collaborate with local governments such as Tama City in Tokyo through partnership agreements to promote a community based on mutual assistance, and continue to research and develop new products and services with various companies. Through these specific actions, we aim to establish resilient lifestyles for *sei-katsu-sha*.

Details ▶ WEB Resilient Life Project (in Japanese)

Sustainability Action at the Hakuhodo DY Group

Environment

kyu House*1: Tackling Environmental Challenges with Creativity (kyu)

A Climate Action Message to Global Leaders from COP28*2 in Dubai

Climate change is an urgent issue of global dimensions. In addition to government agencies and private companies working together, *sei-katsu-sha* also need to join forces to tackle this challenge by rising above their individual concerns and changing their behavior, rather than depending on effective policies and technological innovations. The Hakuhodo DY Group has been getting the message out to global leaders about how we are leveraging *sei-katsu-sha* insight and creativity for climate action.

In November 2023, eight companies of kyu, our strategic operating unit, banded together to host an event called kyu House during COP28 in Dubai. The event featured a broad array of sessions for leaders in the sustainability field from government agencies, NGOs, and businesses around the world, showcasing how each kyu company is addressing the challenge by applying its professional expertise and flair for innovation, and demonstrating what creativity can do to help find solutions. kyu House attracted a total of 1,400 visitors, who were particularly interested in the sessions hosted by IDEO and BEworks.

kyu House provided an effective opportunity to increase the number of climate change projects involving kyu companies. We are committed to further engagement in climate action going forward.

Entrance to kyu House

Session hosted by IDEO

*1 An event jointly hosted by eight kyu companies: ATÖLYE, BEworks, Gehl, IDEO, Lexington, Neol, Public Digital, and SYPartners

*2 The 28th meeting of the Conference of the Parties to the United Nations Framework Convention on Climate Change held in Dubai, UAE, in November 2023

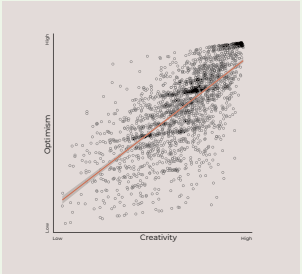
IDEO: Climate Era Leadership

A pioneer in human-centered design thinking, IDEO hosted a panel discussion moderated by Tim Brown, with the participation of leaders in the fight against climate change. During the discussion, which focused on the actions and personal qualities required of leaders in the search for climate solutions, "inclusion" emerged as a keyword to engage people from all walks of life, ages, ethnic backgrounds, and genders in joint efforts toward that end.

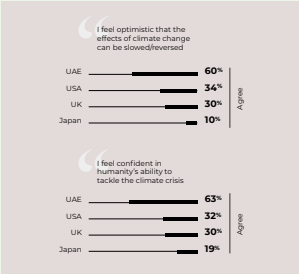
Tim Brown
Vice chair, kyu
Chair emeritus, IDEO

BEworks: Unleashing Creativity in the Climate Era

BEworks, a consultancy focused on applying behavioral science to real-world challenges, made public the findings from its survey conducted in the United States, United Kingdom, United Arab Emirates, and Japan on the mindset needed for people to tackle climate change. While identifying that many people feel powerless in the face of the daunting challenge, the survey also revealed that individuals with a creative mindset are more optimistic and have the ability to approach problems with positivity, imagination, and flexibility. Thus, creativity emerged as a key motivator and enabler of climate action.



Positive relationship between optimism and creativity



How people feel about the climate crisis

Details ▶ WEB BEworks

Sustainability Action at the Hakuhodo DY Group

Society

DEI as an IDEA at the UNIVERSITY of CREATIVITY

Researching and Developing Creativity as a Future-Creating Technology and Implementing It in Society

Creativity Seminar

The UNIVERSITY of CREATIVITY (UoC) opened in September 2020 to research and implement creativity as a technology for future creation, and conducts research on "diversity–equity–inclusion (DEI) liberated creativity." Fiscal 2023 marked the start of the joint research and implementation project "JOINnovator!—Turning DEI into an IDEA" with the Japan Business Federation. In addition to the business community, dialogue (Mandala) is being conducted across various sectors, including government agencies, universities, international organizations, NPOs, and students, to research (Ferment) and implement (Play) methods for creating "people and teams" that achieve innovation.

Through its open Creativity Seminar, which explores future architecture transcending specialization and generations, UoC also offers courses and engages in creative learning with participants on various themes such as technology, sustainability, and art.

Interview

My Aspirations

The Fun and Possibilities of Generating Ideas with Eclectic Talents

We believe that by transcending the barriers between industry, government, academia, civil society, and the arts, and by engaging in dialogue, we discover new perspectives and combinations and generate innovative ideas. We are excited about creating a future where our unique chemistry with eclectic talents leads to exciting collaboration and drives us and our team forward.

Aya Motohashi
Producer
UNIVERSITY of CREATIVITY

Details ▶ WEB UNIVERSITY of CREATIVITY

Kodomo Smiling Project (OZMA Inc.)

Sending Delicious Nourishment to People in Need

OZMA values Social Design Ideation. This approach emphasizes finding optimal solutions that benefit all stakeholders: organizations, *sei-katsu-sha*, and society. The idea prioritizes problem-solving and creating mutual benefits for all parties involved.

As secretariat for the Kodomo Smiling Project organized by the Sustainable Food-chain Association for approximately four years, we have worked with participating companies to establish a new program that provides vocational experience-based food education programs and donates food for use as teaching materials. We have also conducted the Heart Drive Campaign, which delivers food donated by companies to children.

Amid a rise in logistics costs due to the so-called "2024 Problem," we aim to collaborate with local governments and other entities to establish a community-based food donation program that gathers and distributes food within regions. We will continue to promote the development of systems that ensure delicious nourishment food is delivered to those in need.

Interview

My Aspirations

Aiming to Bring Smiles to Children Through Sustainable Food Initiatives

Driven by my desire to help provide still-edible food to children in need, I became an advisor to the Sustainable Food-chain Association and am actively involved in their flagship Kodomo Smiling Project.

In line with my involvement in public relations, my goal is to find optimal solutions that makes all stakeholders happy and contributes to the realistic solution of current challenges. I hope I can make even some small contribution to addressing these issues.

Chizuru Kunitomo
Manager
Social Communication Promotion Office
OZMA Inc.

Details ▶ WEB OZMA Inc.

Sustainability Action at the Hakuhodo DY Group

Social Contribution Activities

Hasso Camp, an Inquiry-Based Learning Program for Middle and High School Students

Fostering the Ability to Think Outside the Box to Find New Answers and Resolve Social Issues

Hakuhodo DY Holdings has launched the Hasso Camp program, which aims to explore and resolve social issues while fostering creativity among middle and high school students.

Group employees from various fields of expertise participate in the program as instructors and team members. Through the use of unique frameworks developed by the Hakuhodo DY Group through its diverse business operations, we aim to provide middle and high school students with opportunities to experience and cultivate our strengths in *Sei-katsu-sha* Insight and the power of co-creation. We will create opportunities for students to discover their individuality and potential while nurturing their rich imaginative thinking. By encouraging students to think independently and collaborate with their peers to find solutions to unresolved global and societal problems, we believe this experience will become a significant source of power for the next generation.

Hasso Camp offers two programs: Hasso Camp, to which schools can apply throughout the year, and Hasso Camp Project Mirai, which allows participation by individual high school students over long school breaks.

What is the "new learning" we want you to acquire at Hasso Camp?

Interview

My Aspirations

We Convey the Joy of Expanding Ideas as a Team, with the Slogan "Your Point of View is the Starting Point for Everyone"

Fumiya Imai
Operating Member
Hasso Camp
Hakuhodo

One of the Group's strengths is its ability to use *Sei-katsu-sha* Insight to draw together people from multiple perspectives and generate ideas that move their hearts. With Hasso Camp, we aim to convey the joy of creative thinking and the importance of co-creation from multiple perspectives to the next generation of middle and high school students. Under the slogan "Your point of view is the starting point for everyone," Hasso Camp emphasizes team activities. We want participants to experience firsthand how ideas expand when various perspectives come together.

We have had individual projects where employees worked on social issues, but this program is the first time for collaboration across the entire Group. Our goal is both to foster the creativity of middle and high school students and to explore the potential for creating new collaborative power by engaging with employees in addressing social challenges.

Presentation at Hasso Camp

Hakuhodo Foundation

Hakuhodo Foundation was established in 1970 as a public interest incorporated foundation, with the aim of contributing to the sound formation of individuals by subsidizing Japanese language education for children and education for individuals with vision and hearing impairment, as well as conducting research on its activities. The foundation received public certification in 2011 and adopted its current name in 2020. The foundation's core activities include the establishment of the Hakuho Award to honor outstanding educational practices, as well as the provision of grants for research into child education practices and scholarships for teacher training. Under the theme of "Children × Language × Education," the foundation carries out activities such as Japanese language exchange programs, social enlightenment programs, Japanese language education programs, and survey research programs.

Details ▶ WEB Hakuhodo Foundation

Hakuho Award

This award was created at the time of the foundation's establishment with the aim of revitalizing and supporting the field of child education. It recognizes grassroots activities and contributions of schools, organizations, and educators in six areas, including Japanese language education, special needs education, and international culture and multicultural education, which have a potential ripple effect in the educational field. The foundation also supports the sharing of achievements and the continuation and expansion of activities.

Teacher Development Scholarship

The foundation offers scholarships to students who aspire to become elementary school teachers, special needs school teachers, and Japanese language teachers at middle and high schools. In fiscal 2023, the foundation has recruited 97 students, and scholarship recipients currently number 247. To facilitate ongoing networking among former scholarship recipients, the foundation regularly organizes group training sessions and regional exchange programs.

Group training where scholars from all over the country gather for discussions

Japanese Language Exchange Program

This program aims to cultivate individuals who can collaborate with people from different cultures and work together to address social issues. It supports interaction between Japanese middle school students and their counterparts from some 10 countries who are studying Japanese, enabling them to engage in various activities while emphasizing Japanese language skills. The program encourages the growth of students by facilitating mutual exchange and communication and learning about cultural diversity. For Japanese students, it provides an opportunity to interact with students from around 10 other countries, fostering a receptiveness to other cultures and offering a chance to reevaluate their own culture. By making Japanese the primary means of communication, the program encourages Japanese students to take the initiative in promoting exchanges, cultivating their self-esteem and an exploration-oriented mindset.

Japanese language students and teachers from around 10 countries visit Japan

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Message from the Chairman

We will strive to continue to be of value to all stakeholders while accounting for significant changes in the Group's operating environment.

Hirokazu Toda
Director & Chairman

The Goals of the Hakuhodo DY Group

Value creation is the true essence of a company.

The fundamental functions of a company are said to be marketing and innovation. For the Hakuhodo DY Group, our purpose is to help our clients with their marketing and innovation-related activities. Customer creation is the true essence of marketing, and market creation is the true essence of innovation.

Marketing and innovation work together to complement one another. To create markets, you need to first create customers. And to create customers, you need to first push the limits and create new markets.

The Group considers *Sei-katsu-sha* Insight an important concept. Under this concept we view customers as *sei-katsu-sha*. There is also the notion of considering customers as consumers, and although this way of thinking is likely more common, we at the Hakuhodo DY Group do not view our customers simply as consumers.

Rather than viewing people simply as the targets of consumption, or consumers, we view them as *sei-katsu-sha* who can design their own lifestyles on their own accord. By doing so, we have come to know *sei-katsu-sha* better than anyone else. Using this knowledge, we come up with new ideas and express the optimal creativity. We refer to this approach as *Sei-katsu-sha* Insight, and it is an extremely valuable policy to the Group.

The other policy we value is Commitment to Partnership. This policy allows us to take on the issues of our clients from the standpoint of *sei-katsu-sha* and offer clients comprehensive solutions to these challenges, thereby creating long-term partnerships.

Viewing customers as *sei-katsu-sha*, our goal with these policies is to work together with our business partners to bring happiness to *sei-katsu-sha*.

Sei-katsu-sha wish for a society with safety and peace of mind. *Sei-katsu-sha* also wish for a society in which they can express themselves. Additionally, *sei-katsu-sha* wish for a sustainable society.

I mentioned previously that value creation is the true essence of a company. In the case of the Group, our value creation lies in our goal of realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. We will realize this goal together with our business partners by drawing on the optimal creativity.

Next, let me talk about our stakeholders, who represent our partners in delivering the value we create.

As I stated before, *sei-katsu-sha* (and in a greater sense, society) and our clients are our most important partners in providing value. But these are not our only stakeholders. Media companies, content holders, production companies, and other business partners are also important stakeholders.

Furthermore, our employees represent another extremely valuable stakeholder. As such, we adopt the policy of recognizing our people as our assets. We maintain this policy

We will place a special emphasis on nurturing personal creativity and enhancing teamwork, leading to customer satisfaction.

because we work in a service industry that centers on mental work. The minds of our employees are what allows us to produce ideas. For this reason, we will place a special emphasis on nurturing personal creativity and enhancing teamwork, leading to customer satisfaction.

Also, our most important stakeholders are our shareholders and other investors. Leveraging their investments, we aim to continuously enhance corporate value. Going forward, we will continue to make concerted efforts to earn the trust of our shareholders and other investors.

The Structure of the Hakuhodo DY Group

The Hakuhodo DY Group adopts a holding company structure.

To put it simply, a holding company is a company that designs (plans) companies, a company that designs a corporate group. I believe this role is extremely important for maximizing our value creation.

Now, let me explain how we work to design the Group. The first way we accomplish this is by drafting and implementing Group strategies aimed at future growth. To achieve such strategies, we must execute investments.

Our operating companies are primarily responsible for formulating strategies that help us prevail over the competition today. Accordingly, they focus their attention on clients and media companies and undertake strategies to enhance competitiveness.

The next role the holding company plays in designing the Group is in providing support to the operating companies in order for them to maximize their value creation.

The support entails several aspects. For example, we share business plans with the operating companies and provide them with financial support. We also help them integrate their information systems and take on a portion of their back-office work.

The third role we play is in determining how we will pursue the above efforts so as to enhance corporate value and then explaining our approach to our shareholders and other stakeholders to win their esteem.

As a publicly traded company, Hakuhodo DY Holdings designs the Group's value creation and works to fulfill its promise to capital markets and other stakeholders by delivering this value.

The Hakuhodo DY Group's Corporate Governance

The Hakuhodo DY Group operates based on the management model of "independence and solidarity."

"Independence" refers to two ideas, which are that each operating company should (1) realize growth by leveraging its uniqueness as a strength, and (2) fulfill its promise (business plans) to the holding company as a result of doing so. Based on this independence, the holding company makes a promise to the capital markets and other stakeholders that the Group will achieve its ambitions.

This promise refers to qualitative aspects, such as achieving our goals, and quantitative aspects, such as accomplishing our business plans (figures). In this way, the Group operates based on a "chain of promises."

By bringing together the respective strengths of our operating companies, we elicit a high degree of collaboration and provide new value to *sei-katsu-sha*, clients, and media.

Through this spirit of independence and solidarity, we are able to create a cohesive Groupwide structure that brings together the strengths of each operating company to create even greater value, thereby accelerating growth.

Corporate governance plays an important role in steadily fulfilling this "chain of promises" between our stakeholders, holding company, and operating companies.

The Board of Directors of Hakuhodo DY Holdings serves as the core of the Hakuhodo DY Group's corporate governance.

The Board of Directors discusses Group growth strategies and creates medium-term business plans. It also deliberates on the budget and formulates plans for each fiscal year. We announce these medium-term business plans and yearly plans as our promise to the capital markets and other stakeholders. The operating companies establish their own medium-term business plans and yearly plans, which serve as their promise to the holding company.

The Board of Directors needs to discuss the feasibility of sustainable growth from a long-term perspective. Meanwhile, the Board must also create short- and medium-term business plans. This is because no matter how valuable a long-term goal or target may be, that goal or target cannot be attained if we do not succeed with efforts in the short and medium term.

Composition of the Board of Directors

The Board of Directors of Hakuhodo DY Holdings is made up of ten members, four of whom—or 40%—are outside directors.

The Company's internal directors also serve as directors of the Group's core operating companies. Such composition allows us to steadily enact the "chain of promises" between

the holding company and the operating companies on behalf of our shareholders and other stakeholders. This is because we cannot fulfill our promises to stakeholders if we are unable to execute strategies.

In addition, we place the following expectations on our independent outside directors. The famous Japanese scholar Hokoku Yamada once said, "Those who govern well stay outside of matters and observe their essence instead of succumbing to them." To ensure that the Company is growing in the right fashion, a view of the Company from the outside is crucial. We ask that our outside directors adopt this outside view (meaning the view of the stakeholders) as they monitor the Company's business execution in an objective manner. We also ask that the outside directors draw on their expertise, which is usually in areas where our internal expertise is not sufficient, to provide their opinions and advice.

Our four outside directors possess an abundance of experience in law, corporate management, investment banking, and government administration, respectively. With their guidance, I believe the Board of Directors holds open discussions, switching between a broad, overlooking perspective and one that is focused on specifics.

Board of Directors (As of June 30, 2024)

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Corporate Governance

By bringing together the respective strengths of our operating companies, we elicit a high degree of collaboration and provide new value to *sei-katsu-sha*, clients, and media.

Director Nomination and Remuneration

Under the Board of Directors, we have established the Nomination Committee and the Remuneration Committee as discretionary bodies.

Each committee is composed of four outside directors and three directors, including representative directors, and each has an outside director serving as the chair.

The role of the Nomination Committee is to create personnel plans for directors and corporate officers and establish important regulations related to nomination. The proposals of the Nomination Committee are reported to the Board of Directors, where they are subsequently deliberated and decided upon.

The most important nomination is naturally that of the Company president, and the Nomination Committee handles the creation of succession plans for the president.

Within these plans, the committee first determines the requirements for leadership. The committee defines leadership as "the ability to maximize organizational capabilities to realize sustainable growth and enhance corporate value." To evaluate this ability, the committee considers a candidate's courage, wisdom, and compassion as well as their level of contribution to the Company's corporate culture. Courage means the ability to lead in an effective manner, wisdom involves analytical capabilities, and compassion relates to charisma.

The level of contribution to corporate culture refers to the ability to further develop the ideas, culture, and actions encapsulated by the policies or *Sei-katsu-sha* Insight and Commitment to Partnership, and the belief that our people are our assets, in a positive manner.

Furthermore, for officers who have the potential to be candidates for president, the committee works to change and expand their areas of responsibility so that they can gain experience in a broad range of fields.

Taking the above into account, the current president then selects multiple candidates for the role of president based on the Nomination Committee's requirements for leadership. When selecting these candidates, the president does not rule out the possibility of choosing a candidate from an external organization.

The president then explains the reasons for choosing each individual candidate, including their track record and evaluation, to the members (outside directors) of the Nomination Committee. The members are also given the opportunity to meet individually with each candidate before holding deliberations in an effort to draw on the outside view (view of the stakeholders) of these members. Training seminars and other events are used as the location for holding these meetings.

For the final stage of the nomination process, the president conducts a comprehensive evaluation of the next potential president based on the business environment surrounding

the Group and in consideration of the Nomination Committee's requirements for leadership. Through this evaluation, the president narrows down the candidates to one person. The Nomination Committee then holds deliberations on this candidate and makes its final proposal. The president submits this final proposal to the Board of Directors and, after that, the final decision on the Company's next president is made.

The role of the Remuneration Committee is to create plans for director and corporate officer compensation systems and amounts and to establish important regulations related to compensation. The proposals of the Remuneration Committee are reported to the Board of Directors, where they are subsequently decided upon.

Our basic policy for director compensation involves providing directors with a shared sense of value with the shareholders and other stakeholders, thereby incentivizing them to enhance corporate value over the medium to long term. In addition, this policy gives consideration to establishing compensation levels that are appropriate for the roles and responsibilities of the directors and corporate officers, and that can secure and maintain superior talent.

Compensation for directors is composed of an annual compensation, annual bonuses (short-term incentive), and stock-based compensation (medium- to long-term incentive). The percentage of the annual bonus and stock-based compensation, for which the amounts and values change according to business performance, is set at 40% of the total compensation of each director in the case of standard business performance.

We understand that director compensation plays an extremely pivotal role in ensuring that the Company's directors take the responsibility as leaders to act on the "chain of promises" between our stakeholders, holding company, and operating companies.

Nomination Committee and Remuneration Committee
(As of June 30, 2024)

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Corporate Governance

Vision for Corporate Governance Going Forward

Our operating environment is changing significantly. *Seikatsu-sha*, companies, and society itself all change. Under such circumstances, the importance of being able to flexibly respond to change will certainly increase.

To that end, we need to consider our purpose in creating value for stakeholders, what kind of value that is, and how to best offer it. To build hypotheses, implement them and deliver results. Our goal (objective) is like the North Star, constant and unwavering. As the foundation of society changes, we need to strengthen our capabilities to develop and execute the road map to reach that objective.

In an era of accelerating change, it is also important to enhance corporate value with just the right balance of strength to protect it.

In 2023, consolidated subsidiary Hakuhodo and an employee of Hakuhodo DY Media Partners, the company carrying out the work, were indicted by the Tokyo District Public Prosecutors Office following an accusation by the Fair Trade Commission of alleged violation of the Antimonopoly Act in connection with outsourcing contracts for the planning of test events for the Tokyo 2020 Olympic and Paralympic Games. In addition to the abovementioned incident, Hakuhodo and others overcharged their business partners. We recognize that compliance is the Group's most important theme, and are actively formulating and implementing Groupwide measures to prevent lapses from recurring. We deeply apologize for the significant concerns we have caused to our business partners and other stakeholders.

The Hakuhodo DY Group was established more than 20 years ago. As the Group's areas of business have expanded, many colleagues have joined us. The Group now comprises nearly 29,000 people, working at some 440 companies in Japan and other countries. More than half of our people have joined us after the Group's inception, and our operating environment has undergone significant changes during this time.

In light of these developments, I believe it is my responsibility as chairman of the Board of Directors to further enhance the function of the Board, which plays a central role in corporate governance, to ensure compliance and strengthen governance throughout the Group.

We will strive to continue to be of value to all stakeholders.

Messages from Outside Directors

The Importance of Serving as a Representative of the Capital Market

Based on my experience, I offer advice aimed at enhancing shareholder value and facilitating effective communication with the capital market. As an outside director, I consider myself a representative of the capital market. As such, I anticipate the market's questions and opinions and bring them to the Board of Directors. While all stakeholders are important, I believe that emphasizing shareholder value serves as a measure and delivers the most balanced outcomes for all stakeholders.

Nobumichi Hattori
Outside Director

Governance: Assessment and Issues

When I joined the Board of Directors as an outside director, Board discussions were not exactly spirited. However, as the number of outside directors increased, I have sensed the Board becoming significantly more active. More outside directors has led to more diverse opinions shared from different perspectives, creating a positive sense of tension. I believe the Company's governance is improving steadily.

Responding to a Changing Business Environment

The advertising industry is currently experiencing a once-in-a-century period of transformation as new business models emerge, and the entire Group is being called on to adapt to these changes. In the period covered by the previous medium-term business plan, the Company invested significantly in digitalization and overseas business. Under the current plan, we also plan to invest in new growth areas, such as consulting. In the digital field, it is crucial to identify winning technology platforms, and the Group has actively pursued investments, including M&A, to ensure their effectiveness going forward. In overseas businesses, investment in kyu projects has already achieved a certain level of scale. Now is the time to realize synergies within kyu and across the entire Group, and to contribute visibly to shareholder value. In new growth areas, we will invest as necessary to build business foundations and develop them into future earnings pillars for the Group.

I will continue to provide a variety of support intended to contribute to the growth of the Group and enhance shareholder value by offering advice from an objective perspective and aimed at realizing the new Medium-Term Business Plan.

My Role and Challenges to Achieving the New Medium-Term Business Plan

The diversification of media and the onward march of digitalization, along with the emergence of generative AI, have dramatically transformed the business landscape. As global warming substantially affects our living environment, the changes currently taking place in the business world also represent a substantial structural shift that is not temporary, and that no company can escape.

Toru Yamashita
Outside Director

The new Medium-Term Business Plan, which commenced in fiscal 2024, is essential to helping us ride the waves of change in the global business environment. A significant feature of the plan is expansion into new areas beyond the traditional advertising industry, including diversification and the pursuit of advanced capabilities. Given that the pace of environmental changes is accelerating each year, we must undertake these large-scale structural reforms with a sense of urgency. To do so, we need to actively leverage external knowledge, talent, and expertise to complement any internal resource gaps as we work to realize the new plan. In this sense, outside executives (outside directors and outside Audit & Supervisory Board members), who possess diverse knowledge and experience, will play a more important role than ever.

For my part, I intend to contribute to this change by utilizing the business experience I have gained over many years in the IT field.

Cultivating People Who Cannot Be Replaced with AI

The concept of singularity—where AI capabilities surpass those of humans, is beginning to look more realistic. That said, it is believed that there are aspects where AI will never surpass humans, such as the creative ability to create something from nothing and the ability to make moral judgments.

In the first category, creativity and uniqueness have always been the source of competition in the advertising industry, and their importance will only continue to increase. While maximizing the use of AI, we need to cultivate creative individuals who can generate unique value without relying solely on AI. Our group, with its diverse and eclectic talents, is capable of achieving this.

On the other hand, even if we succeed in nurturing remarkable talent who can create amazing things, this will not be sustainable unless the process of creation is open, fair, ethically sound, and socially acceptable.

We will strive to foster a corporate culture that values ethics, alongside cultivating and securing creative talent.

Further Improving Governance

Ikuko Arimatsu
Outside Director

I believe my role as outside director is to represent a "view from society" and to speak freely from this unique position. On the Company's Board of Directors, there is a sincere and active exchange of opinions among directors and auditors with diverse backgrounds. Additionally, we outside directors have opportunities to exchange information among ourselves, and the Company has enhanced its business-related explanations. I believe governance is functioning effectively at the Company.

It is generally recognized that diversity among members is important both to avoid risks in decision-making and to foster innovation. Additionally, to respond to the rapid changes and uncertainty of the sort we face today, every member needs to become more conversant with social and management issues. Meanwhile, we should cultivate greater diversity across various levels of the Company, including the Board of Directors, and create an environment to fully utilize those strengths.

The Society Our Global Purpose Aims to Create

Since 2023, the process of creating our Global Purpose has involved many employees across the Group, both in Japan and overseas, engaging in open discussions over time. I felt that these activities helped call forth the Group's value through a process that unleased and animated each individual's thoughts and aspirations and brought them to life.

In line with our Global Purpose, the new Medium-Term Business Plan calls for us to "create social value with human-centered sustainable management." As we respond to rapid social changes and strive to grow as a creativity platform, we must remain aware that the foundations of this platform are *sei-katsu-sha* (people) and sustainability.

Expectations Toward Sustainability Implementation

In fiscal 2023, the Group organized its sustainability implementation structure, and as discussions among the Group companies deepen, we are seeing ongoing improvements. While much remains to be done, I hope these initiatives will permeate the Group and be further advanced, creating a positive social impact.

From my perspective as a "view from society," I will continue monitoring efforts to realize the goal of "creating a society abounding in *sei-katsu-sha*'s aspirations and where they can live vibrant lives."

Message from a Newly Appointed Outside Director

My Role in Strengthening Governance

Koichi Ueda
Outside Director

I spent many years endeavoring to rectify social injustice through my work at the Ministry of Justice and the Public Prosecutors Office. I have subsequently served as a university professor, president of a debt collection company, and auditor for a major corporation.

As a newly appointed outside director, I understand that my most important role is to serve as a check on management from an outside perspective, a viewpoint that differs from auditing.

To enhance corporate value and ensure the Group achieves sustainable development, earning a high level of trust from society is more important than anything. For this reason, thorough compliance and stronger governance are fundamental for the Group's development. By leveraging my knowledge and experience, I intend to place particular emphasis on these areas and work diligently to address them.

Compliance has become increasingly sophisticated and complex as the Group's business domains have broadened over time. The Group must of course pursue an advanced level of governance, and it is increasingly important for officers and employees of Group companies to be familiar with domestic and international laws and remain abreast of regulatory trends. I will offer my opinions as a legal expert and fulfill my responsibilities as a director by providing appropriate supervision.

Responding to a New Era

Advances in digitalization are profoundly changing the business environment around the advertising industry. The role of the Board of Directors is to decide the direction of the Group within this context. We are committed to actively engaging in discussions to fulfill this responsibility.

Corporate Governance

Basic Policy

In order to achieve sustainable growth and the continual increase of its corporate value, the Group strives to contribute to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society as one of the world's preeminent corporate groups that leads advances in marketing and innovation generation through the power of creativity. By doing so, the Group fulfills the trust and expectations of its various stakeholders.

For that purpose, the Company recognizes that one of its key management issues is enhancing the management and administration of the Group as a whole so that it realizes an environment that promotes independence and solidarity among the diverse operating companies under it and the cooperation of each company produces value greater than the sum of its parts. We will therefore endeavor to improve the Group's management and administration and to strengthen and enhance the corporate governance of the Group.

As for the listed companies within the Group, we aim to respect their independence while also promoting solidarity as a Group.

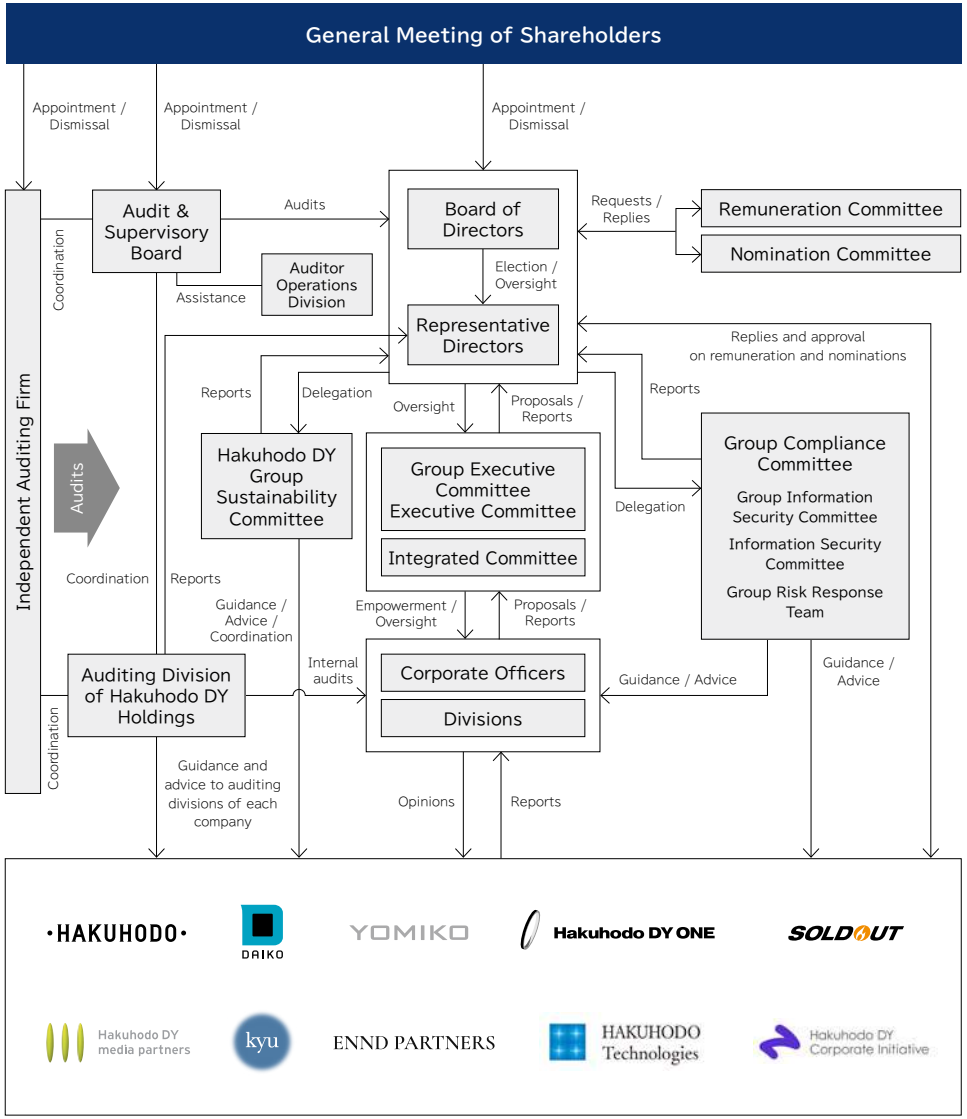
Evolution of Corporate Governance System

	Fiscal 2003	Fiscal 2004	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Separation of oversight and execution functions and reinforcement of monitoring and oversight functions	• Began holding liaison meetings for full-time Audit & Supervisory Board members for the Company and those from core operating companies*			• Introduced corporate officer system	• Appointed two independent outside directors • Began concluding liability limiting agreements with outside directors and outside Audit & Supervisory Board members • Established system rules and regulations for reports to corporate auditors • Established system rules and regulations to assist Audit & Supervisory Board members	• Started holding meetings of independent outside directors and independent outside Audit & Supervisory Board members		• Increased the number of independent outside directors to three	• Began conducting evaluations of the effectiveness of the Board of Directors		• Raised the ratio of independent outside directors on the Board of Directors to one-third	• Appointed a female outside director	
Nomination and remuneration	• Established the Compensation and Nomination Council				• Abolished retirement benefits for Audit & Supervisory Board members	• Established the Remuneration and Nomination Committee (chaired by an independent outside director)	• Revised director and corporate officer compensation systems (increased portion of performance-linked compensation and introduced stock-based compensation) • Established officer evaluation and succession plans	• Reorganized the Remuneration and Nomination Committee to form the Nomination Committee and the Remuneration Committee			• Raised the ratio of independent outside directors on the Nomination Committee and the Remuneration Committee to the majority		
Reinforcement of compliance		• Established the Group Compliance Committee									• Appointed chief compliance officers		• Appointed chief risk officer
Other			• Conducted stock split			• Began monitoring cross-shareholdings		• Revised Operating Company Management Regulations (standards for raising items to the Board of Directors)					• Established Hakuhodo DY Corporate Initiative Inc.

* Hakuhodo, Daiko Advertising, YOMIKO ADVERTISING, and Hakuhodo DY Media Partners (scope later expanded to form the Group Full-Time Audit & Supervisory Board Member Liaison Meeting)

Corporate Governance Framework of the Hakuhodo DY Group

As of June 30, 2024



Board of Directors

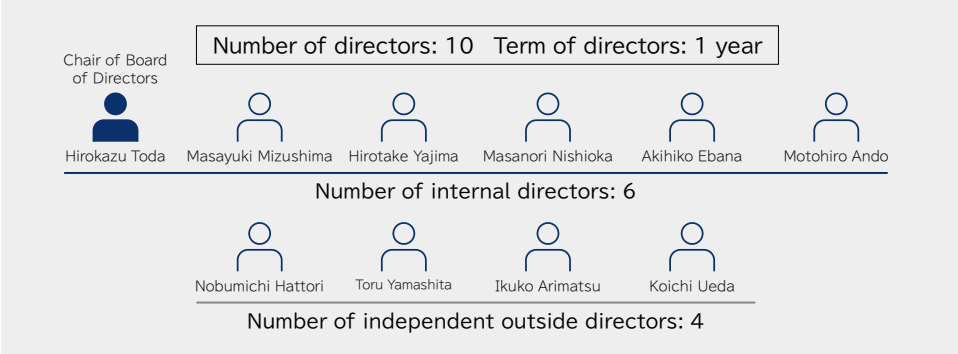
Roles and Responsibilities of the Board of Directors

The Board of Directors, mindful of fiduciary and accountability responsibilities to shareholders and in accordance with the fundamental principles of the Group, provides overall guidance for the management of the entire Group with the aim of contributing to the creation of an abundant future for *sei-katsu-sha*, the growth of the economy, and the development of society. In doing so, the Board strives to appropriately assess the Company's performance, makes decisions on the execution of significant business, exercises effective oversight over directors and corporate officers, ensures accurate and proper information disclosure, and oversees the establishment and operation of internal controls and risk management systems.

Director Nomination Policies

The Company aims to bring about positive change in the world and realize a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing. To accomplish these goals, we create new value for *sei-katsu-sha* by harnessing the creativity of employees and the integrative capabilities of teams in which individuals assert their creativity and respect that of others to further their mutual growth. This emphasis has led the Hakuhodo DY Group to become an organization boasting a level of diverse creative minds that is unprecedented on a global scale.

We take a similar approach toward the Board of Directors. With due consideration paid to the overall balance of insight, experience, and skills of directors, we seek to nominate internal directors that are highly knowledgeable about the Group's operations along with multiple outside directors with extensive experience and wide-ranging insight. By assembling a unique and creative team on the Board of Directors, we look to ensure that the Board is able to contribute effectively to higher corporate value for the entire Group.



Director and Audit & Supervisory Board Member Skills Matrix

The backgrounds and areas of expertise of the Company's directors and Audit & Supervisory Board members are indicated by ○ in the following chart.

	Name	Position	Management	Finance	Human Resources	Corporate Governance	CSR	Digital	Global	Creation and Cultivation of Corporate Culture
			• Management of operating companies	• Finance • Accounting	• Human resources development • Diversity, equity, and inclusion	• Legal • Compliance	• Sustainability • SDGs	• Technology • Data / Systems	• International business	• *Sei-katsu-sha* Insight*1 • Commitment to Partnership*2 • Our people are our assets*3
Directors	Hirokazu Toda	Director & Chairman	○			○			○	○
Directors	Masayuki Mizushima	Representative Director & President	○			○			○	○
Directors	Hirotake Yajima	Director & Executive Vice President	○			○		○	○	○
Directors	Masanori Nishioka	Representative Director & Senior Executive Corporate Officer		○	○	○	○			○
Directors	Akihiko Ebana	Director & Senior Executive Corporate Officer	○				○		○	○
Directors	Motohiro Ando	Director & Senior Corporate Officer						○		○
Directors	Nobumichi Hattori	Outside Director		○		○			○	○
Directors	Toru Yamashita	Outside Director	○		○	○	○	○	○	○
Directors	Ikuko Arimatsu	Outside Director			○	○	○			○
Directors	Koichi Ueda	Outside Director				○				○
Auditors	Osamu Nishimura	Full-time Audit & Supervisory Board Member			○	○				○
Auditors	Tomoyuki Imaizumi	Full-time Audit & Supervisory Board Member			○	○				○
Auditors	Kazuhiko Tomoda	Outside Audit & Supervisory Board Member		○		○				○
Auditors	Shin Kikuchi	Outside Audit & Supervisory Board Member				○			○	○
Auditors	Kimitoshi Yabuki	Outside Audit & Supervisory Board Member				○	○		○	○

Note: This chart does not reflect all of the skills of the Company's directors and Audit & Supervisory Board members.

*1 *Sei-katsu-sha* Insight is the foundation of our thinking and planning. It reminds us that consumers have heartbeats and are more than just shoppers performing an economic function. These unique, autonomous individuals that we refer to as *sei-katsu-sha* live in an increasingly diverse society. We believe that deeper insight into their lives is the source from which new value springs. That is why we make it our business to know *sei-katsu-sha* better than anyone else and to use that knowledge to make a stronger bridge between advertisers and *sei-katsu-sha* as well as media.

*2 Commitment to Partnership is the way we do business, the starting point for all business activities. From the standpoint of *sei-katsu-sha*, we pay constant, careful attention to the needs of our clients and of media companies. We believe that engaging in dialogue and acting together are the best ways to find the solutions to those needs. As our clients' and media companies' partner, our aim is to build strong, long-lasting relationships. By working together over the long term, we are better able to provide durable and coherent solutions to our partners.

*3 Under this policy, we regard our employees as extremely valuable stakeholders. The minds of our employees are what allow us to produce ideas. For this reason, we place importance on employee satisfaction and are making particular efforts to respect individuality, develop personal creativity, and enhance our teamwork capabilities. These efforts ultimately help us improve our level of customer satisfaction.

Attendance of the Board of Directors (Fiscal 2023)

In principle, the Board of Directors meets at least once a month, and extraordinary meetings are held as necessary. The Board met 22 times during the fiscal year under review. Director attendance is shown below.

Position	Name	Attendance
Director & Chairman	Hirokazu Toda	22/22 (100%)
Representative Director & President	Masayuki Mizushima	22/22 (100%)
Director & Executive Vice President	Hirotake Yajima	21/22 (95%)
Representative Director & Senior Executive Corporate Officer	Masanori Nishioka	22/22 (100%)
Director & Senior Executive Corporate Officer	Akihiko Ebana	22/22 (100%)
Director & Senior Corporate Officer	Motohiro Ando	22/22 (100%)
Outside Director	Noboru Matsuda	22/22 (100%)
Outside Director	Nobumichi Hattori	22/22 (100%)
Outside Director	Toru Yamashita	22/22 (100%)
Outside Director	Ikuko Arimatsu	22/22 (100%)

Specific Agenda Items

Specific Board of Directors' agenda items are described below.

Agenda Items	Key Contents
Items to be resolved	General Meetings of Shareholders, evaluations of the effectiveness of the Board of Directors, director-related personnel matters and compensation, shareholder returns (dividends, buyback of shares), management strategies, quarterly Group budgets and financial results, and important matters such as investments, M&A, the establishment of operating companies, various other management themes, etc.
Items to be reported	Results of voting rights exercised at the General Meeting of Shareholders, status of shareholder composition, submission of annual securities reports and internal control reports, details of deliberations by the Remuneration Committee and the Nomination Committee, monitoring of cross-shareholdings, status of fund management, evaluation of internal control over financial reporting, audit plan by the Audit & Supervisory Board, audit fees for the independent auditing firm, quarterly Group performance, and other matters
Items to be discussed	Self-evaluation of the Board of Directors' effectiveness, Group budgeting policy, etc.

Advisory Bodies to the Board of Directors and Meetings to Assist the Board of Directors in Decision-Making

The Company has established the following committees as advisory bodies to the Board of Directors and to assist the Board in its decision-making.

Conference Body	Purpose and Activities	Constituent Members
Remuneration Committee	See page 86	See page 86
Nomination Committee	See page 86	See page 86
Executive Committee	This committee, which was established to assist the Board of Directors in decision-making, mainly deliberates in advance on important management matters such as budgets, medium-term plans, and organizational, investment, and loan matters.	Chair of Executive Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, and others designated by the chairperson
Group Executive Committee	This committee, which was established to assist the Board of Directors in decision-making, mainly deliberates in advance on important management matters such as budgets, medium-term plans, and organizational, investment, and loan matters that relate to the entire Group.	Chair of Group Executive Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, and others designated by the chairperson
Integrated Committee	This committee was established to regularly monitor and manage the progress of the Group's overall profit plans and management strategies. The committee mainly reports on the consolidated performance of the Group and the performance of each operating company, as well as exchanging opinions on priority strategic areas.	Chair of Integrated Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, Motohiro Ando Director & Senior Corporate Officer, representatives of Group companies designated by the chairperson, and others designated by the chairperson
Hakuhodo DY Group Sustainability Committee	This committee was established to consider and formulate fundamental policies, themes, and action plans regarding sustainability, such as the environment, human rights, DE&I, and the supply chain, in line with the Group's values. The committee reports to the Board of Directors on the evaluation and status of sustainability-related issues, as well as managing goals. The committee also makes comprehensive decisions on various topics, such as formulating business strategies, taking risks and opportunities into account.	Chair of Hakuhodo DY Group Sustainability Committee: Masayuki Mizushima Representative Director & President Members: Hirokazu Toda Director & Chairman, Hirotake Yajima Director & Executive Vice President, Masanori Nishioka Representative Director & Senior Executive Corporate Officer, Akihiko Ebana Director & Senior Executive Corporate Officer, and Motohiro Ando Director & Senior Corporate Officer

Evaluations of the Board of Directors' Effectiveness

To further enhance corporate governance by ascertaining the Board of Directors' characteristics, strengths, and challenges, we have conducted an effectiveness evaluation of the Board for fiscal 2023, utilizing an external organization.

Specific Process and Evaluation Method

(1) A "questionnaire related to the Board of Directors evaluation" was submitted to all directors and auditors in February 2024.
(2) Responses were compiled from an objective standpoint by an external organization. Based on the results of this organization's compilation and analysis, the Board of Directors analyzed and assessed the information in May 2024.

Survey Themes

(1) The role and function of the Board of Directors	(5) Provision of opportunities for outside directors
(2) The composition and size of the Board of Directors	(6) Relationship with shareholders and investors
(3) The operation of the Board of Directors	(7) Summary
(4) Liaison with audit functions	

Survey Results

The Board was determined to have two strengths. First, the composition, operation, and deliberations of the Board of Directors are generally appropriate, and necessary and sufficient discussions are conducted, including sharing the ideal form of the board of directors of a holding company and conducting appropriate monitoring. Second, the Board of Directors as a whole, including outside officers, has varied skills, expertise, and diverse backgrounds, and the system is designed to ensure appropriate decision-making through active discussion.

Areas Requiring Improvement Identified in Fiscal 2023: Evaluation and Improvement Measures

Based on the results of the fiscal 2023 evaluation survey and analysis, three areas requiring improvement (indicated in the table below) were identified. The Company plans to implement improvement measures in these areas.

Major Areas Requiring Improvement		Major Improvement Measures (Planned)
Enhancing further discussions on medium- to long-term issues at Board of Directors meetings	▶	Regarding medium- to long-term issues, we will thoroughly examine the need for deliberation and the key points to be deliberated. Based on this analysis, we will create an agenda plan for future meetings and report it to the Board of Directors. We will incorporate the opinions of directors and auditors and subsequently operate according to the agenda plan.
Creating opportunities for outside directors to learn more about the realities of the business	▶	We will consider and implement opportunities to help our outside directors to become more familiar with actual business operations through participation in the activities of operating companies.
Clarifying discussion points and appropriate explanations on resolution items	▶	To clarify discussion points, we will consider improving the structure and presentation of the materials presented by referring to good examples of how agenda items and reports are handled at Board meetings.

In addition, the Company recognizes that providing appropriate information to the Board of Directors regarding succession plans and ensuring a more diverse Board of Directors are issues that must be addressed over the medium term to further enhance the effectiveness of the Board of Directors.

Based on the results of evaluation, the Company's Board of Directors will continue its efforts to further improve its effectiveness.

(Reference) Areas Requiring Improvement Identified in Fiscal 2022: Evaluation and Improvement Measures

Based on the results of the fiscal 2022 evaluation survey and analysis, three areas requiring improvement (indicated in the table below) were identified. Initiatives will be continued to further enhance effectiveness going forward as responses were received citing a need to improve in these areas.

Major Areas Requiring Improvement		Major Improvement Measures
Invigorating discussions at Board of Directors meetings further and enhancing discussions on medium- to long-term issues	▶	The Company will make explanations of agenda items more compact, revise some of the criteria for approval, and ensure more time for discussion of medium- and long-term issues at Board of Directors meetings. We have enhanced opportunities for presenting proposals and reports related to the Group's medium-term goals and challenges.
Providing information on the system for dialogue with shareholders and the status of its implementation	▶	We continued to share materials and discussions with analysts during earnings presentations, and reported to the Board of Directors on the progress of dialogue with institutional investors and other stakeholders.
Considering improvements in methods of dialogue, disclosure, and materials	▶	We have shared issues with relevant divisions, enhancing the inclusion of non-financial information related to sustainability and corporate governance in our disclosure documents.

Conducting Training for Outside Officers

To promote understanding of the Group's businesses and issues among outside directors and outside Audit & Supervisory Board members, we have implemented various initiatives such as providing themed training videos, offering opportunities to participate in seminars conducted by the Group companies for internal and external stakeholders, and conducting training on the marketing services provided by the Group. Going forward, we will continue to explore and implement measures that enrich discussions of the Board of Directors and enhance its supervisory function.

Remuneration Committee and Nomination Committee

The Company has established the Remuneration Committee and the Nomination Committee as advisory bodies to the Board of Directors and ensures the transparency and reasonableness of the process for determining the appointment, dismissal, and compensation of the Company's directors and corporate officers through the deliberation and resolution of such matters by the Board of Directors. The status of attendance at meetings of these committees in fiscal 2023 is indicated below.

Role	Name	Position	Attendance	
			Remuneration Committee	Nomination Committee
Chair	Noboru Matsuda	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Nobumichi Hattori	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Toru Yamashita	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Ikuko Arimatsu	Independent outside director	3/3 (100%)	1/1 (100%)
Member	Hirokazu Toda	Director	3/3 (100%)	1/1 (100%)
Member	Masayuki Mizushima	Director	3/3 (100%)	1/1 (100%)
Member	Masanori Nishioka	Director	3/3 (100%)	1/1 (100%)

Activities of the Remuneration Committee

Activities by the Remuneration Committee as part of the process of deciding director remuneration for fiscal 2023 included the following.

Number of Meetings	3	
Major discussion topics	• Verification of the appropriateness of annual and total remuneration levels for the Company's officers • Annual bonus framework (total amount)	• Individuals' annual remuneration amounts, annual bonus amounts, and stock-based compensation • Selection of the committee chairperson, etc.

Activities of the Nomination Committee

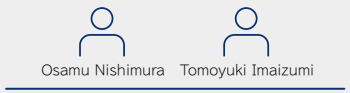
Activities by the Nomination Committee as part of the process of nominating directors in fiscal 2023 included the following.

Number of Meetings	1
Major discussion topics	• Appointment and dismissal of directors and corporate officers and changes in their responsibilities • Selection of the committee chairperson, etc.

The Board of Directors receives reports from the outside director who chairs the Remuneration Committee and Nomination Committee regarding discussions that took place at meetings of each committee during the respective fiscal year.

Audit & Supervisory Board

The Audit & Supervisory Board, which consists of five members, three of whom are outside Audit & Supervisory Board members, meets once a month, in principle, and whenever necessary. The Audit & Supervisory Board members audit the performance of director duties from the perspective of a holding company of the Group by attending the Board of Directors' and other important meetings, exchanging opinions with directors and key personnel, and receiving reports on the status of performance of the Group's advertising and integrated media companies.



Number of full-time Audit & Supervisory Board members: 2

Number of independent outside Audit & Supervisory Board members: 3

Activities of the Audit & Supervisory Board (Fiscal 2023)

The Audit & Supervisory Board meets at least once a month, in principle, and additional meetings are arranged as necessary. In fiscal 2023, the Audit & Supervisory Board met 26 times, and the number of items raised with the Board was 81. The attendance of individual Audit & Supervisory Board members at meetings is detailed below.

Position	Name	Attendance
Full-time Audit & Supervisory Board member	Osamu Nishimura	26/26 (100%)
Full-time Audit & Supervisory Board member	Tomoyuki Imaizumi	26/26 (100%)

Position	Name	Attendance
Outside Audit & Supervisory Board member	Kazuhiko Tomoda	26/26 (100%)
Outside Audit & Supervisory Board member	Shin Kikuchi	26/26 (100%)
Outside Audit & Supervisory Board member	Kimitoshi Yabuki	16/18 (88.9%)

Note: The status of attendance at Audit & Supervisory Board meetings by outside Audit & Supervisory Board member Kimitoshi Yabuki reflects meetings held after he was appointed in June 2023.

Specific Agenda Items

Specific Audit & Supervisory Board agenda items are described below.

Items to be resolved	• Selection of the Audit & Supervisory Board chairperson • Selection of full-time Audit & Supervisory Board members, selection of specific auditors • Determination of audit plans (audit policy, priority audit items, assignment of duties, etc.) • Consent on proposals for the appointment of Audit & Supervisory Board members • Determination of the content of proposals for the appointment, dismissal, or non-reappointment of accounting auditors • Investigation and confirmation of proposals, etc., at the General Meeting of Shareholders • Consent regarding remuneration, etc., of the accounting auditors • Determination of Audit & Supervisory Board members' remuneration, etc. • Preparation and submission of the audit report, etc.
Items to be reported	• Report on the performance of duties by full-time Audit & Supervisory Board members • Receipt and summary report of financial statements, supplementary schedules, and consolidated financial statements • Quarterly non-consolidated and consolidated financial statements and summary report on financial results • Opinion report on the selection and dismissal of accounting auditors • Report on the audit plan of accounting auditors and the Auditing Division of Hakuhodo DY Holdings • Quarterly review by accounting auditors • Report on audit results (independent accounting) • Report on audit results (FIEA compliance) • Report on the status of development and operation of the internal control system for financial reporting and the evaluation report • Report on the activities of the Group Compliance Committee, etc.
Items to be discussed	• Appointment and dismissal of accounting auditors • Deliberations of Audit & Supervisory Board audit reports • Deliberations on interviews with representative directors and directors, etc.

Meetings of Outside Directors and Outside Audit & Supervisory Board Members

Regular meetings of independent outside directors and outside Audit & Supervisory Board members are held to allow these officers to exchange information and build shared understanding based on their independent and objective standpoints. Full-time Audit & Supervisory Board members also attend these meetings as observers. The meeting for fiscal 2023 was held on June 8, 2023.

Director Compensation

Compensation System Basic Policy

- Rooted in the Group corporate philosophy
- Shared sense of value with our shareholders, incentivizing increases in corporate value over the medium to long term
- Compensation levels appropriate for the roles and responsibilities of the directors of the Company and that secure and maintain superior human resources
- Transparency and reasonableness ensured in the compensation decision process

▶ Compensation Items

Director compensation is composed of three items: annual compensation, annual bonuses, and stock-based compensation. In reflection of their roles and their need to maintain independence, however, compensation for outside directors consists solely of annual compensation.

The percentage of the annual bonus and stock-based compensation, for which the amounts and values change according to business performance, is set at 40% of the total compensation for each director in the case of standard business performance.

① Annual Compensation

Annual compensation is decided based on the expected results, actual results, and other factors for the position and duties of each director.

② Annual Bonus (Short-Term Incentive)

The annual bonus provides a strong incentive to achieve business results in a given fiscal year and is decided comprehensively in consideration of the Group's profit level in each fiscal year, the achievement of management benchmarks, and the results of the individual directors in the individual year.

③ Stock-Based Compensation (Medium- to Long-Term Incentive)

Stock-based compensation is a form of compensation in which restricted stock is provided each year to directors to incentivize the increase of corporate value over the medium to long term and provide a shared sense of value with shareholders.

▶ Annual Bonus Calculation Method

Annual bonuses are calculated by multiplying a standard value set for each director (one twelfth of annual compensation) by a bonus coefficient and then adjusting this amount by the performance of a given director in the respective fiscal year.

Consolidated operating income before amortization of goodwill is the primary indicator used for determining annual bonuses. Other indicators considered include ordinary income and income before income taxes as displayed on the consolidated statements of income.

Bonus coefficients are adjusted within the range of 0% to 200%, with 100% representing the accomplishment of targets.

In assessing the performance of individual directors, the degree of accomplishment of individual targets set at the beginning of the fiscal year is evaluated qualitatively.

▶ Stock-Based Compensation (Restricted Stock) Allocation Method

Directors are allocated monetary remuneration receivables in an amount set on an individual basis and they then conclude restricted stock allocation contracts with the Company. Directors use these receivables to make in-kind contributions to the Company, after which they receive allocations of restricted stock.

The restricted stock allocation contracts impose a 30-year period for transfer restrictions on the allocated shares. These transfer restrictions, however, can be canceled if a director's term expires or they resign from their position for another reason deemed appropriate during the transfer restriction period.

Should a director resign from their position for reasons not deemed appropriate by the Board of Directors during the transfer restriction period, the Company shall claim the allocated shares of restricted stock with no compensation provided.

▶ Policies for Determining Compensation

The Remuneration Committee has been established as an advisory body to the Board of Directors. The majority of the members of this committee are independent outside directors, and an independent outside director serves as the chairperson.

Levels of annual compensation, annual bonuses, and stock-based compensation paid to directors are decided by the president based on authority delegated by the Board of Directors. Authority for deciding director compensation, etc., has been delegated to the president by the Board of Directors. This authority, however, is conditional upon the Remuneration Committee's review of the president's proposal to ensure transparency and reasonableness.

Policies for Determining Compensation of Audit & Supervisory Board Members

The compensation of Audit & Supervisory Board members is composed solely of annual compensation pursuant to the Internal Rules on Audit & Supervisory Board Member Compensation and is determined through consultation among the Audit & Supervisory Board members.

General Meeting of Shareholders' Resolutions Regarding Director Compensation

The following resolutions have been made by the General Meeting of Shareholders regarding the compensation of directors and Audit & Supervisory Board members.

Applicable Officers	Resolution	Resolution Date	Number of Applicable Officers at Resolution Date
Directors	Upper limit of ¥800 million for annual compensation and annual bonuses	June 29, 2017 14th Annual General Meeting of Shareholders	14 (including 2 outside directors)
Directors (excluding outside directors)	Upper limit of ¥200 million for stock-based compensation (monetary remuneration receivables paid in relation to restricted stock compensation)	June 29, 2017 14th Annual General Meeting of Shareholders	12 (excluding outside directors)
Audit & Supervisory Board members	Upper limit of ¥100 million for compensation	June 29, 2022 19th Annual General Meeting of Shareholders	5 (including 3 outside directors)

Total Amount of Compensation by Class of Directors, Total Amount of Compensation by Type of Compensation, and Number of Directors Receiving Directors Compensation

(Fiscal 2023)

Classification	Total Value of Remuneration (Millions of Yen)	Total Compensation by Type					
		Annual Compensation		Annual Bonuses		Stock-Based Compensation	
		Number (People)	Total (Millions of Yen)	Number (People)	Total (Millions of Yen)	Number (People)	Total (Millions of Yen)
Directors (excluding outside directors)	315	5	230	5	30	5	55
Outside directors	52	4	52	—	—	—	—
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	45	2	45	—	—	—	—
Outside Audit & Supervisory Board members	36	4	36	—	—	—	—
Total	450	15	363	5	30	5	55

Corporate Governance Guidelines

These guidelines set out the views of Hakuhodo DY Holdings Inc., the holding company of the Hakuhodo DY Group, regarding our corporate governance as well as an overview thereof. The contents of these guidelines have been determined by a resolution of the Company's Board of Directors and will be examined and updated by the Board once a year.

Details ▶ WEB **Corporate Governance Guidelines** (in Japanese)

Compliance Initiatives

As a responsible corporate citizen, the Hakuhodo DY Group complies with laws and regulations and also recognizes the importance of earnest compliance with the expectations and demands of society.

Hakuhodo DY Group Code of Conduct and Matters for Compliance

In accordance with the Hakuhodo DY Group Code of Conduct and Matters for Compliance, which applies to all Hakuhodo DY Group officers and employees, all Group companies and employees must fulfill the basic responsibilities required of them.

Rate of attendance for compliance training related to the Hakuhodo DY Group Code of Conduct and Matters for Compliance

100%
(Fiscal 2023)

Group Code of Conduct

In order to demonstrate our creativity and remain trusted partners of *sei-katsu-sha*, corporations, and media outlets, each of us working for the Group will conduct ourselves in a fair manner according to the highest ethical standards, strongly committed to compliance and conscious of our clear duty to abide by the following principles:

1. We will provide high-quality services	We will provide integrated marketing solutions of the highest quality while properly managing the confidential information and rights of our business partners.
2. We will constantly seek to maintain trust in us	We will abide by all laws and regulations, and sincerely do our best to live up to society's expectations and requests of us as members of society.
3. We will give full play to our own abilities and respect those of others	Recognizing that people are our greatest asset, we will always be bold in facing new challenges, and never forget our responsibilities and pride.
4. We will be transparent and fair in all we do	We will release all necessary information proactively and in a timely manner, and conduct ourselves in a fair manner, complying with all laws and regulations.

Compliance Implementation System

Chief Compliance Officers

Hakuhodo DY Group companies appoint chief compliance officers to serve as the highest-ranking officers responsible for enhancing compliance awareness.

Group Compliance Committee

The Group Compliance Committee, whose members include the presidents of Hakuhodo DY Group advertising and integrated media companies, is responsible for Groupwide compliance guidance and awareness. This committee is tasked with fostering a compliance-oriented mindset among Group officers and employees, making policies related to important compliance and corporate ethics matters, and establishing compliance systems. It also manages the progress of compliance activities at Group companies and provides advice, instructions, and guidance.

Information Security System

The Group Information Security Committee and the Information Security Committee have been established under the Group Compliance Committee to prevent losses of social trust or substantial damage to corporate value due to vulnerabilities in information management. The Information Security Committee implements and pursues improvements with regard to the Company's information management system, which conforms to the requirements of the ISO / IEC 27001:2013 and JIS Q 27001:2014 certification standards.

Risk Management

The Company established the Crisis Management Regulations to prevent losses of social trust or significant damage to corporate value as a result of inappropriate responses to major risk events. Based on these regulations, we have clarified the risk response system and the risk events it addresses, strengthening our ability to respond quickly and appropriately when risk events occur.

Appointment of Chief Risk Officer

We have appointed a chief risk officer as the chief executive officer in charge of managing all Group risks in order to strengthen and promote crisis management, thereby implementing risk management across the Group.

Employee Awareness Raising

In order to prevent misconduct and maintain high moral standards, we constantly communicate the importance of compliance to Group employees, raising awareness and understanding of compliance through online resources and the distribution of guidebooks.

Corporate Whistleblowing and Consultation Desk

The Hakuhodo DY Group has established the Corporate Whistleblowing and Consultation Desk as a framework for the appropriate processing of reports and consultations from officers and employees regarding potential legal violations by organizations or individuals with the goal of quickly identifying and remedying misconduct.

Message from the CCO

We will do our utmost to implement a host of management reforms aimed at regaining the trust of our stakeholders.

Masayuki Mizushima
Representative Director, President, and Chief Compliance Officer (CCO)

An Apology

Last year, incidents occurred involving overbilling to customers at consolidated subsidiaries Hakuhodo Inc. and Nihon Total Tele-Marketing Co., Ltd. Additionally, there was an incident involving indictments on suspicion of violating the Antimonopoly Act in relation to the Tokyo 2020 Olympic and Paralympic Games.

Relationships of trust with our business partners and stakeholders are of utmost importance, and we deeply regret the incidents that have occurred. We recognize that such incidents have shaken that trust and are currently taking comprehensive Groupwide measures to formulate and implement actions to prevent recurrence. We sincerely apologize for the substantial concern we have caused to our business partners, stakeholders, and the community.

Reinforcing Our Implementation Structure to Enhance Compliance

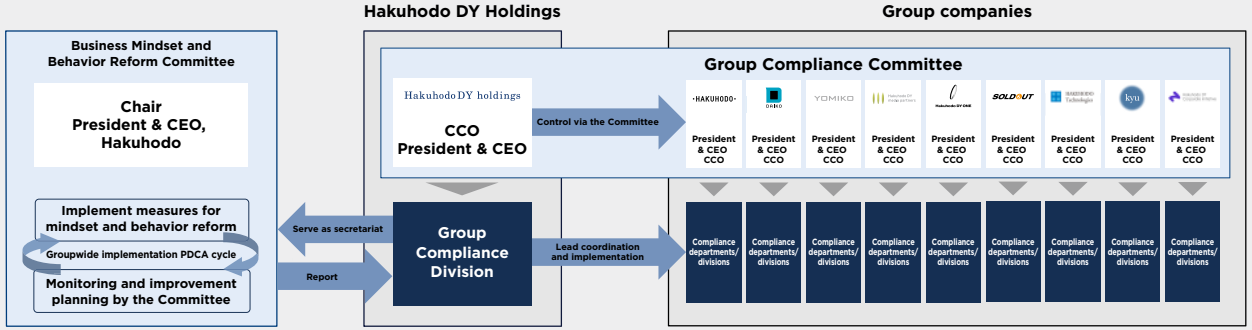
As the representative director, president and chief compliance officer (CCO) of Hakuhodo DY Holdings, I chair the Group Compliance Committee, which consists of the president, CEO, and CCO of each Group company. This committee is responsible for implementing compliance activities throughout the Group. In April 2024, we also established the Group Compliance Division to enhance collaboration between ourselves and the compliance departments / divisions of each Group company.

To thoroughly prevent the recurrence of incidents such as those that took place at Hakuhodo Inc. and Hakuhodo DY Media Partners Inc., we have established the Business Mindset and Behavior Reform Committee, which I as the president and representative director of Hakuhodo Inc. chair. We aim to strengthen the compliance implementation PDCA cycle and have our Group Compliance Division share the details with the entire Group, advancing its implementation in each company.

I personally will take the lead in working with all Group employees to once again reflect on our Commitment to Partnership policy and strive to regain stakeholders' trust through renewed commitment to thorough compliance with laws and regulations, recurrence prevention, and the further enhancement of compliance awareness.

I thank you for your understanding and continued support.

Groupwide Structure for Compliance Implementation



Cases of Misconduct and Measures to Prevent Recurrence

Suspected Violation of the Antimonopoly Act

▶ Overview

On February 28, 2023, Hakuhodo DY Holdings domestic subsidiary Hakuhodo Inc. and an employee of Hakuhodo DY Media Partners Inc. were indicted by the Tokyo District Public Prosecutors Office following an accusation by the Fair Trade Commission of alleged violation of the Antimonopoly Act (unreasonable restraint of trade) in connection with outsourcing contracts, etc., for the planning, etc., of test events for the Tokyo 2020 Olympic and Paralympic Games.

▶ Measures to Prevent Recurrence

On March 7, 2023, we established a Special Investigation Committee, chaired by one of our independent outside directors. We have received recommendations from this committee and are implementing measures to prevent recurrence.

- Messages from the presidents to ensure compliance with laws and regulations including the Antimonopoly Act
- Appointment of a CRO
- Provision of training on the Antimonopoly Act for officers and employees
- Preparation and distribution of a collection of cases describing acts prohibited under the Antimonopoly Act
- Revision of Company rules and regulations, such as the Rules of Employment and the Group Code of Conduct
- Regular auditing / monitoring for compliance with the Antimonopoly Act
- Development of an internal declaration of projects requiring bidding procedures and restrictions on contact with competing bidders
- Enhancement of governance including by making bids and orders for large-scale events a reporting item for the Board of Directors
- Implementation of measures such raining, internal rule improvement, and enhancement of the whistleblowing system for compliance by overseas subsidiaries

Improper Invoicing Related to Advertising Production

▶ Overview

Hakuhodo DY Holdings domestic subsidiary Hakuhodo Inc. improperly billed three of its clients in violation of agreed-upon rules.

▶ Measures to Prevent Recurrence

On October 20, 2023, Hakuhodo established an investigation committee with outside experts as members. In response to the committee's recommendations, Hakuhodo is implementing measures to prevent recurrence under the Business Mindset and Behavior Reform Committee.

- Reaffirmation and reeducation of corporate ethics and the Code of Conduct
- Practical compliance training
- Implementation of training on proper business transactions for all employees
- Clarification of business transaction rules and thorough familiarization
- Introduction of a system to confirm transaction rules with clients in management departments
- Enhancement of internal reporting system
- Establishment of a transaction system that enables monitoring of transaction information as needed
- Establishment of IT-based alert and monitoring functions
- Improvement of fixed personnel allocations
- Enhancement of compliance evaluation at the time of hiring and promotion

Overbilling in Call Center and Consultation Service Operations

▶ Overview

Hakuhodo DY Holdings domestic subsidiary Nihon Total Tele-Marketing Co., Ltd. overbilled the city of Kyoto by ¥860 million in relation to a COVID-19 vaccination program.

▶ Measures to Prevent Recurrence

On August 7, 2023, the subsidiary established an investigative committee led by external attorneys. The committee advised that the subsidiary must establish a new structure, promote a change in internal mindset, and address past misconduct. In response to these recommendations, the subsidiary established the Confidence-Building Division and is currently implementing measures to prevent recurrence.

Management Structure

As of June 30, 2024

Directors

Director & Chairman
Hirokazu Toda
Director & Chairman, Hakuhodo Inc.

Representative Director & President
Masayuki Mizushima
Representative Director, President & CEO, Hakuhodo Inc.

Director & Executive Vice President
Hirotake Yajima
Representative Director, President & CEO, Hakuhodo DY Media Partners Inc.

Representative Director & Senior Executive Corporate Officer
Masanori Nishioka
Representative Director & President, Hakuhodo DY Corporate Initiative Inc.

Director & Senior Executive Corporate Officer
Akihiko Ebana

Director & Senior Corporate Officer
Motohiro Ando
Representative Director & CEO, HAKUHODO Technologies Inc.

Outside Director
Nobumichi Hattori

Outside Director
Toru Yamashita

Outside Director
Ikuko Arimatsu

Outside Director
Koichi Ueda

Auditors

Full-time Audit & Supervisory Board Member
Osamu Nishimura

Full-time Audit & Supervisory Board Member
Tomoyuki Imaizumi

Outside Audit & Supervisory Board Member
Kazuhiko Tomoda

Outside Audit & Supervisory Board Member
Shin Kikuchi

Outside Audit & Supervisory Board Member
Kimitoshi Yabuki

Corporate Officers

Chairman
Hirokazu Toda

President
Masayuki Mizushima
CCO

Executive Vice President
Hirotake Yajima
Chief Officer, Media / Content Domain

Senior Executive Corporate Officers
Masanori Nishioka
CFO,
Chief Officer, Management Unit

Akihiko Ebana
Chief Officer, Group Strategy Unit

Michael Birkin
CEO,
kyu

Hidetaka Tada
CHO、CRO、
Vice Chief Officer, Management Unit

Akihiko Tokuhisa
Vice Chief Officer,
Group Strategy Unit

Takeshi Tokugawa
Vice Chief Officer,
Management Unit

Senior Corporate Officers
Motohiro Ando
CTO,
Chief Officer, Technology Unit

Corporate Officers
Hideyuki Kikuchi
Yuzo Tanaka
Hiroto Kosaka
Osamu Yonetani
Osamu Aranami
Yasutoshi Hiratsuka
Yasuo Izumi
Satoshi Hirata
Yasuo Nishiyama
Bruce James
Masanobu Iwabuchi
Ayami Nakao
Masaya Mori

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10-Year Summary of Consolidated Financial Statements

(Millions of yen)

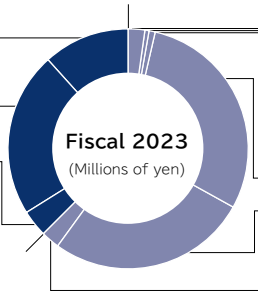
Years ended March 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Billings[1]	¥1,131,064	¥1,214,996	¥1,254,979	¥1,334,638	¥1,444,524	¥1,466,249	¥1,297,947	¥1,518,921	¥1,634,340	**¥1,579,350**
Revenue[1]	—	—	—	673,692	773,519	802,617	714,560	895,080	991,137	**946,776**
Gross profit	205,867	232,398	248,476	272,410	324,809	332,499	313,217	387,093	403,564	**394,174**
Selling, general and administrative expenses	169,045	187,503	201,379	220,147	259,523	277,367	268,184	315,450	348,154	**359,886**
Operating income	36,821	44,895	47,097	52,263	65,285	55,131	45,033	71,642	55,409	**34,288**
Income before income taxes	38,924	46,152	44,795	50,703	85,758	74,871	53,669	94,708	59,210	**51,334**
Profit attributable to owners of parent	19,879	28,493	25,825	29,861	47,235	44,893	26,479	55,179	31,010	**24,923**
Operating income before amortization of goodwill[2]	38,494	47,185	50,217	55,878	72,171	64,170	54,365	84,029	71,403	**50,084**
Total assets	¥ 633,904	¥ 677,572	¥ 720,556	¥ 796,216	¥ 902,002	¥ 859,887	¥ 941,103	¥1,053,016	¥1,026,415	**¥1,035,014**
Net assets	282,729	293,899	325,569	367,169	316,421	316,147	362,139	387,414	389,814	**409,200**
Cash flows										
Net cash provided by (used in) operating activities	¥ 33,314	¥ 29,698	¥ 16,288	¥ 32,372	¥ 53,522	¥ 27,366	¥ 36,212	¥ 20,852	¥ 38,035	**¥ 9,883**
Net cash provided by (used in) investing activities	(7,563)	(20,686)	(4,280)	(20,499)	(22,815)	3,372	(9,831)	(11,292)	(32,792)	**6,329**
Net cash used in financing activities	(12,484)	(5,290)	(7,803)	(14,401)	(21,974)	(19,434)	(12,767)	(8,698)	(28,839)	**1,097**
End-of-term balance of cash and cash equivalents	140,133	143,298	146,688	143,850	152,154	163,299	176,042	180,697	159,081	**180,067**
Per share data (yen)										
Basic net income	¥ 53.22	¥ 76.46	¥ 69.30	¥ 80.10	¥ 126.64	¥ 120.30	¥ 70.92	¥ 147.70	¥ 83.16	**¥ 67.87**
Diluted net income	53.16	76.33	69.30	79.92	126.39	120.29	70.91	147.68	83.16	**67.86**
Cash dividends	15.00	18.00	24.00	26.00	28.00	30.00	30.00	32.00	32.00	**32.00**
Dividend payout ratio (%)	28.1	23.5	34.6	32.5	22.1	24.9	42.3	21.7	38.5	**47.1**
Net assets	¥ 707.30	¥ 732.83	¥ 817.34	¥ 920.01	¥ 756.73	¥ 774.84	¥ 884.69	¥ 957.72	¥ 986.05	**¥ 1,048.61**
Ratios (%)										
Revenue to gross billings margin	18.2	19.1	19.8	20.4	22.5	22.7	24.1	25.5	24.7	**25.0**
Operating margin before amortization of goodwill[3]	18.7	20.3	20.2	20.5	22.2	19.3	17.4	21.7	17.7	**12.7**
Operating margin[4]	17.9	19.3	19.0	19.2	20.1	16.6	14.4	18.5	13.7	**8.7**
Return on equity (ROE)	7.9	10.6	8.9	9.2	15.1	15.7	8.5	16.0	8.6	**6.7**
Shareholders' equity ratio	41.6	40.3	42.3	43.1	31.3	33.6	35.1	34.0	35.5	**37.2**
Key data excluding investment business[5]										
Billings[1]	—	—	—	—	1,430,154	1,458,618	1,291,822	1,512,146	1,626,148	**1,571,546**
Revenue[1]	—	—	—	—	773,519	802,617	714,560	888,305	982,946	**938,972**
Gross profit	—	—	—	—	310,754	325,313	307,350	380,624	396,194	**387,220**
Operating income	—	—	—	—	51,400	47,945	39,233	65,247	48,159	**27,700**
Operating income before amortization of goodwill[2]	—	—	—	—	58,287	56,984	48,565	77,634	64,153	**43,496**
Gross margin (%)	—	—	—	—	21.7	22.3	23.8	25.2	24.4	**24.6**
Operating margin before amortization of goodwill (%)[3]	—	—	—	—	18.8	17.5	15.8	20.4	16.2	**11.2**
Operating margin (%)[4]	—	—	—	—	16.5	14.7	12.8	17.1	12.2	**7.2**

1. The Group has adopted the Accounting Standard for Revenue Recognition from the fiscal year ended March 31, 2022. While this change has not been reflected in the billings figures on the consolidated statements of income from the fiscal year ended March 31, 2022, they have been reflected above and in this integrated report as a reference to aid readers' understanding. Moreover, while all revenue figures for the fiscal year ended March 31, 2018 and thereafter have been retroactively adjusted in accordance with the change in accounting standard, those for years prior to the fiscal year ended March 31, 2018 have not been reflected.
2. Amortization of goodwill and other intangible assets refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions. Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets.
3. Operating margin before amortization of goodwill = Operating income before amortization of goodwill ÷ Gross profit
4. Operating margin = Operating income ÷ Gross profit
5. Figures for the fiscal year ended March 31, 2019 and thereafter exclude those for investment business and, as a result, figures for the years prior to and including the fiscal year ended March 31, 2018 have not been disclosed.

Note: Figures from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2019 have been retroactively adjusted to reflect the change in accounting method pertaining to the Accounting Standard for Revenue Recognition implemented at certain subsidiaries during the fiscal year ended March 31, 2020. However, figures as of and for the fiscal year ended March 31, 2015 remain unchanged.

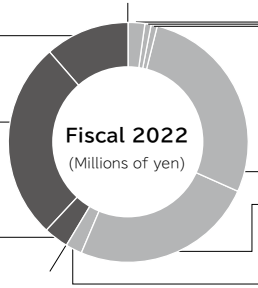
Billings by Type of Service and by Industry of Clients

Billings by Type of Service / Composition Ratio



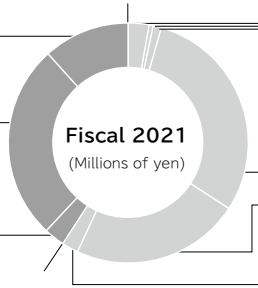
Other than Media Service		
Creative	151,879	11.6%
Marketing / Promotion	291,613	22.3%
Others (Content, etc.)	44,467	3.4%
Subtotal	487,959	37.3%

Media Service		
Newspapers	32,136	2.4%
Magazines	7,392	0.5%
Radio	9,905	0.7%
Television	384,946	29.4%
Internet media	354,900	27.1%
Outdoor media	32,166	2.4%
Subtotal	821,448	62.7%



Other than Media Service		
Creative	153,626	11.2%
Marketing / Promotion	367,017	26.8%
Others (Content, etc.)	42,614	3.1%
Subtotal	563,258	41.2%

Media Service		
Newspapers	33,871	2.5%
Magazines	8,014	0.6%
Radio	11,371	0.8%
Television	381,783	27.9%
Internet media	336,811	24.6%
Outdoor media	33,030	2.4%
Subtotal	804,882	58.8%



Other than Media Service		
Creative	150,642	11.4%
Marketing / Promotion	347,878	26.4%
Others (Content, etc.)	37,922	2.9%
Subtotal	536,442	40.7%

Media Service		
Newspapers	39,466	3.0%
Magazines	7,740	0.6%
Radio	11,821	0.9%
Television	393,918	29.9%
Internet media	298,359	22.6%
Outdoor media	30,449	2.3%
Subtotal	781,755	59.3%

Note: Figures shown for composition ratio have been rounded off.

Billings by Industry of Clients

Millions of yen	Fiscal 2021	Fiscal 2022	Fiscal 2023
Information / Communications	143,212	142,064	128,111
Beverages / Cigarettes / Luxury foods	124,422	116,028	116,176
Automobiles / Related products	105,931	104,389	108,981
Foodstuffs	76,896	79,243	80,461
Restaurants / Services	58,051	72,815	77,870
Finance / Insurance	63,709	69,683	71,027
Cosmetics / Toiletries	70,635	68,108	69,342
Distribution / Retailing	53,651	56,483	61,686
Pharmaceuticals / Medical supplies	59,981	58,934	59,561
Real estate / Housing facilities	46,781	48,837	50,768
Transportation / Leisure	47,247	39,939	50,499
Government / Organizations	99,705	117,880	47,846
Apparel / Accessories	20,757	24,903	27,730
Games / Sporting goods / Hobby supplies	28,437	28,290	27,518
Household products	19,703	21,532	20,963
Energy / Materials / Machinery	20,113	21,045	20,712
Home electric appliances / AV equipment	20,723	23,216	17,837
Publishing	18,041	16,287	14,997
Medical services / Education / Religion	14,142	13,440	12,370
Precision machinery / Office supplies	6,243	8,735	11,410
Classified advertising / Other	30,430	27,374	26,846

Note: Billings by type of service and by industry of clients both refer to domestic billings.

Domestic Advertising Market and Hakuhodo DY Group's Domestic Billings

The domestic advertising market suffered a significant impact from the COVID-19 pandemic. However, the market has continued to recover since then and has generally maintained its size over the past decade.

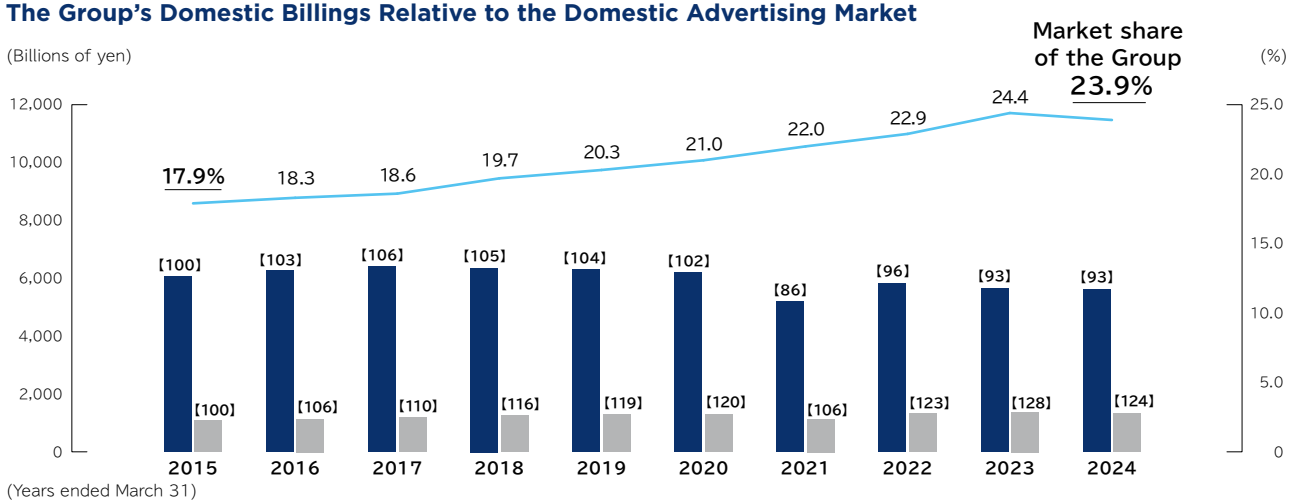
Meanwhile, the market's structure continues to change, with corporate marketing activities shifting to digital methods. Internet advertising remains strong, although its rate of growth has slowed.

In light of this landscape, the Group has been engaging in marketing activities that hinge on the use of *sei-katsu-sha* data and technology ahead of its industry peers.

In addition, we have actively proposed our Advertising as a service® (AaaS), a next-generation model for the advertising media business, and taken measures to increase the added value of media, such as through the integration of television and digital technologies. We have also enhanced the services we offer through our full-funnel approach by expanding our capabilities beyond advertising for the overall support of marketing activities.

As a result, our domestic billings in fiscal 2023 were 1.24 times those of fiscal 2014, and our estimated market share has expanded steadily from 17.9% in fiscal 2014 to 23.9% in fiscal 2023.

The Group's Domestic Billings Relative to the Domestic Advertising Market



(Left) ■ Domestic advertising market ■ HDY: Consolidated billings (domestic) (Right) — Market share

Figures enclosed in brackets were calculated as an index value (of 100) benchmarked to the fiscal year ended March 31, 2015.

Notes: 1. Data for the domestic advertising market is taken from the Survey of Selected Service Industries (Ministry of Economy, Trade and Industry). For certain discontinuities in the numerical results published in the survey arising from changes in the survey pool, adjusted numerical results based on growth rate data are used.

2. To quantify the annual change in the size of the domestic advertising market and our domestic billings over time, each year's figure was calculated as an index value (of 100) benchmarked to the fiscal year ended March 31, 2015.

3. The Group's market share has been calculated using the following formula: HDY's billings (domestic) ÷ Domestic advertising market. HDY's billings for the fiscal year ended March 31, 2019 and thereafter exclude the impact of investment business.

Policy on Cross-Shareholdings and Our Fundamental Policy with Regard to Returns to Shareholders

Policy on Cross-Shareholdings

The Group holds shares in business partners for the purpose of maintaining and strengthening business relationships.

When acquiring such shares, the Group comprehensively considers such matters as the profits to be gained by the Group through maintaining and strengthening the business relationship and the amount of the investment before judging whether or not to invest. In addition, for each individual issue of business partner shares that we hold, the Group will regularly consider the value of continuing to hold such shares, bearing in mind the cost of capital of the Group; if that value is judged lacking, we will reduce our holdings of those issues of shares, taking into account any matters regarding transactions or business to be considered, the influence of such a sale on the market, and other such factors. If the value is affirmed, however, we will continue holding such shares.

The Company and its advertising, integrated media, and other companies will consider the value of retaining the business partner shares that are held and report thereon to the Company's Board of Directors. The advertising and integrated media companies make such reports to their boards of directors beforehand. At its meeting in February 2024, the Company's Board of Directors considered the value of retaining the business partner shares held by the Group, and the Group is proceeding with the sale of issues of shares for which the value was judged lacking.

Sufficiently respecting the management policies, strategies, and the like of the corporations in which we have invested, the Company will exercise voting rights accompanying cross-shareholdings after thoroughly considering the details of each proposal and comprehensively judging whether to vote for or against the proposal, based on whether the proposal details coincide with the value and goal of the Company's investment, whether the proposal details would damage corporate value, and other factors.

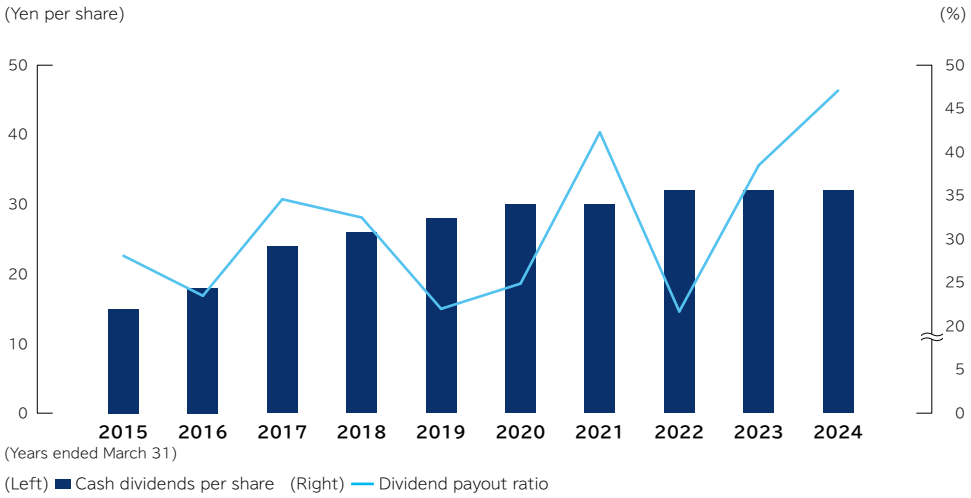
The Company will not engage in any act hindering the sale or the like of the Company's shares by cross-shareholders (i.e., shareholders who hold the Company's shares as cross-shareholdings) or in any transaction with cross-shareholders that may harm the interests of the Company or the common interests of its shareholders.

Our Fundamental Policy with Regard to Returns to Shareholders

The Company's basic policy is to maintain stable dividends. We determine annual dividend amounts after comprehensively taking into consideration the dividend payout ratio (approximately 30%), the status of capital needs, the expansion of internal reserves, and other factors.

We will consider share repurchases, as appropriate, taking into account our overall financial condition and other factors.

Cash Dividends per Share and Dividend Payout Ratio



ESG Data

Note: For details, please refer to the *ESG Data Book*.

Environmental Data

Progress on Disclosure According to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Item	Target	Base year (fiscal 2019)	Results for fiscal 2023	Progress in fiscal 2023
Scope 1 and Scope 2 CO_2 emissions*1	Reduction of 50% by fiscal 2030 (compared with fiscal 2019), carbon neutral by fiscal 2050	11,174 tons	7,487 tons	33.0% reduction
Scope 3 CO_2 emissions*1	Reduction of 30% by fiscal 2030 (compared with fiscal 2019)	30,063 tons	22,297 tons	25.8% reduction
Introduction of renewable energy*1	60% by fiscal 2030, 100% by fiscal 2050	0%	36.5%	36.5%
Energy conservation*1	Reduction of 30% (compared with fiscal 2019)	5,372 kl	3,912 kl	27.2% reduction
Waste reduction*2	Maintain an average reduction of 50% or more (compared with fiscal 2019)	486 tons	290 tons	40.3% reduction
Recycling rate*3	85% or more	82.2%	83.5%	83.5%

*1 Total values for Hakuhodo, Hakuhodo DY Media Partners, Daiko Advertising, YOMIKO ADVERTISING, and HAKUHODO PRODUCT'S
*2 Waste volume and waste reduction targets for Hakuhodo head office in Tokyo
*3 Recycling rate at Hakuhodo head office in Tokyo

External Assessment of Sustainability

Assessments and Commitments Through Environmental Surveys

CDP Climate Change Questionnaire*1

Assessment A

EcoVadis*2

YOMIKO ADVERTISING

Hakuhodo

*1 CDP: A not-for-profit charity that collaborates with institutional investors to encourage companies to disclose information on their strategies for combating climate change and on their emissions of greenhouse gases
*2 EcoVadis: A French research institute that provides platforms for examining policies, initiatives, and results related to corporate sustainability

Selected as Constituent of the ESG Investment Index

FTSE4Good Index Series*3
FTSE Blossom Japan Index*4
FTSE Blossom Japan Sector Relative Index*5

*3 FTSE4Good Index Series: A global index of environmental, social and governance (ESG) investing developed by FTSE Russell, a member of the London Stock Exchange Group
*4 FTSE Blossom Japan Index: An ESG investment index used by the Government Pension Investment Fund (GPIF), which evaluates Japanese companies with excellent ESG performance
*5 FTSE Blossom Japan Sector Relative Index: An index designed to measure the performance of Japanese companies that demonstrate strong ESG practices relative to their sector peers

Social Data

Progress on Social Indicators

Category		Target	Results for fiscal 2023
Number of Group employees*1	Full-time employees	—	28,894
	Temporary employees	—	11,061
Status of directors*2	Number of directors	—	10
	Of whom, outside directors	—	4
	Of whom, independent outside directors	—	4
	Percentage of independent outside directors	—	40.0%
	Number of female directors	—	1
	Percentage of female directors	—	10.0%
Ratio of women in management positions*3		2030 30%	13.1%

*1 Hakuhodo DY Group
*2 Hakuhodo DY Holdings
*3 Hakuhodo, Daiko Advertising, YOMIKO ADVERTISING, Hakuhodo DY ONE (IREP, D.A.Consortium), Hakuhodo DY Media Partners, SoldOut

Involvement in Sustainability Initiatives

United Nations Global Compact*

In 2005, Hakuhodo was the first in the advertising industry to commit to the compact, and in 2014 we signed the compact as Hakuhodo DY Holdings. Drawing on its experience as the leader of the SDGs Task Force of the United Nations Global Compact Network Japan, the Group is actively pursuing the organization's objectives.

COMMUNICATION ON PROGRESS

* This voluntary initiative is aimed at creating a global framework for responsible and creative leadership, encouraging companies and organizations to act as responsible members of society and achieve sustainable growth. It consists of 10 principles in four areas: human rights, labor, the environment, and anti-corruption.

Science Based Targets initiative (SBTi)*

We committed to this initiative in 2023, and are working toward the goal of obtaining SBT certification in fiscal 2026.

* Established in 2015, SBTi is an international collaborative initiative operated by CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature. It conducts verification and certification based on scientific evidence to determine whether corporate targets for reducing greenhouse gas emissions align with the goal of limiting the temperature increase to 1.5°C above pre-industrial levels, as outlined in the Paris Agreement.

Stock Information

As of March 31, 2024

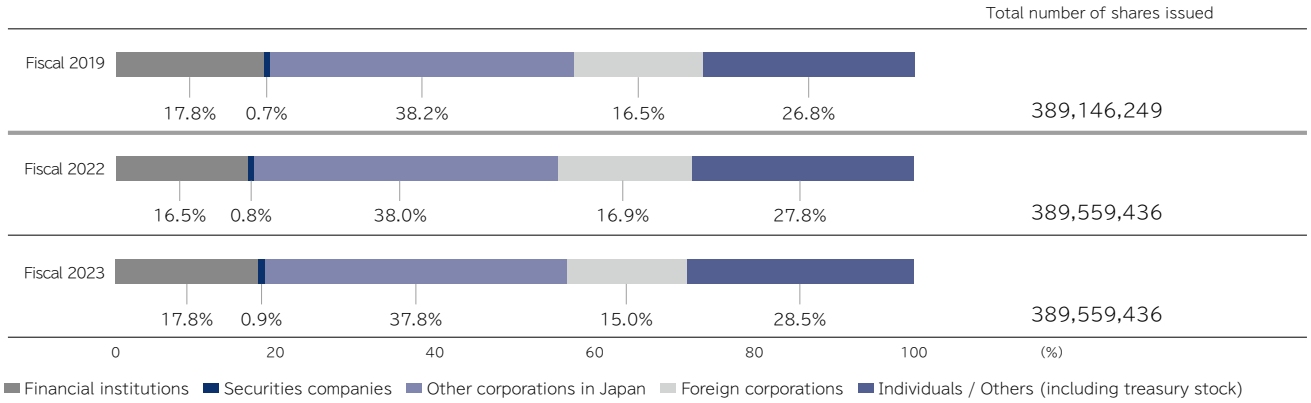
Major Shareholders

		Number of shares held	Percentage of shares held (%)
1	Hakuhodo Foundation	71,005,350	19.34
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	35,388,800	9.63
3	General Incorporated Association Hakusei-kai	18,320,000	4.99
4	Custody Bank of Japan, Ltd. (Trust Account)	14,992,800	4.08
5	The Asahi Shimbun Company	11,223,490	3.05
6	General Incorporated Association Furatanite	11,000,000	2.99
7	Nippon Television Network Corporation	8,620,000	2.34
8	Hakuhodo DY Holdings Employees' Shareholdings Association	8,266,317	2.25
9	The Dai-ichi Life Insurance Company, Limited	6,930,500	1.88
10	The Yomiuri Shimbun Tokyo Headquarters	6,872,400	1.87

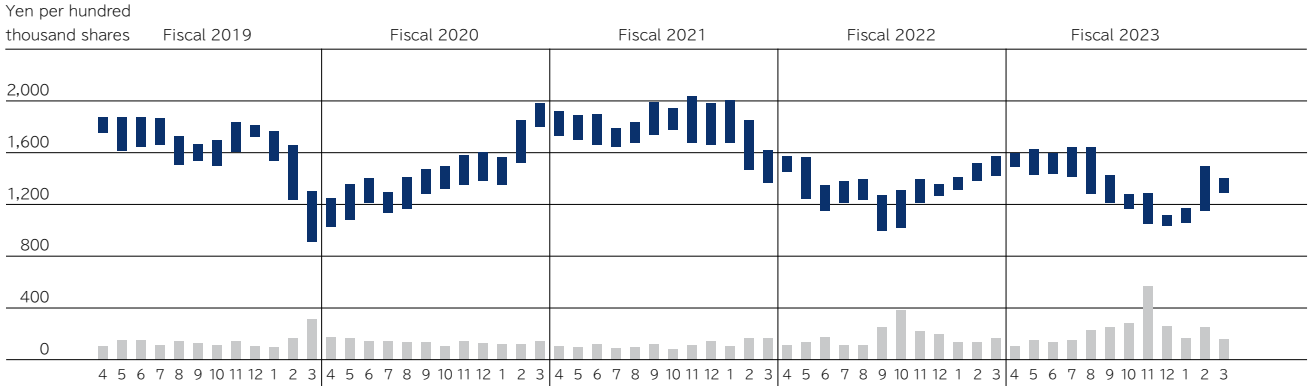
Notes: 1. The list of major shareholders shown above excludes 22,453,823 shares of treasury stock held by the Company.
2. Treasury stock has been excluded from the calculation of the percentage of shares held.

Total number of shares authorized	1,500,000,000
Total number of shares issued	389,559,436
Total number of shareholders	9,846

Shareholder Distribution



Share Price and Trading Volume



	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
High	1,875	1,980	2,037	1,573	1,646
Low	914	1,024	1,368	998	1,032
At year-end	1,090	1,845	1,545	1,495	1,385

Share price Trading volume

Corporate Information

As of March 31, 2024

Hakuhodo DY Holdings Inc.

Date of Establishment: October 1, 2003
Capital: ¥10,790 million
Head Office: 5-3-1 Akasaka, Minato-ku, Tokyo 107-6320
URL: https://www.hakuhodody-holdings.co.jp/english

Contact

Hakuhodo DY Holdings Inc.
Investor Relations Division
Phone: +81-(0)3-6441-9033
Email: HC.IR@hakuhodody-holdings.co.jp

Hakuhodo

Company Name	Hakuhodo Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6322
Founded	October 1895
Incorporated	February 1924
President & CEO	Masayuki Mizushima
Employees (Consolidated)	15,910
URL	https://www.hakuhodo-global.com

Daiko Advertising

Company Name	Daiko Advertising Inc.
Tokyo Head Office	2-14-5 Shiba, Minato-ku, Tokyo 105-8658
Osaka Head Office	2-2-7 Nakanoshima, Kita-ku, Osaka 530-8263
Founded	1893
Incorporated	February 1944
President & CEO	Yasuo Izumi
Employees (Consolidated)	1,477
URL	https://www.daiko.co.jp (in Japanese)

YOMIKO ADVERTISING

Company Name	YOMIKO ADVERTISING INC.
Head Office	5-2-20 Akasaka, Minato-ku, Tokyo 107-6105
Founded	June 1929
Incorporated	July 1946
President & CEO	Hideyuki Kikuchi
Employees (Consolidated)	815
URL	https://www.yomiko.co.jp/en

Hakuhodo DY ONE

Company Name	Hakuhodo DY ONE Inc.
Head Office	4-20-3 Ebisu, Shibuya-ku, Tokyo 150-6021
Incorporated	April 2024
Representative Director & Chairman	Yuzo Tanaka
President	Hiroto Kosaka
Employees	3,303 (As of June 30, 2024)
URL	https://www.hakuhodody-one.co.jp/en

SoldOut

Company Name	SoldOut, Inc.
Head Office	Koraku Mori Building 19F, 1-4-14 Koraku, Bunkyo-ku, Tokyo 112-0004
Incorporated	December 2009
President	Osamu Aranami
Employees (Consolidated)	467
URL	https://www.sold-out.co.jp (in Japanese)

Hakuhodo DY Media Partners

Company Name	Hakuhodo DY Media Partners Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6321
Incorporated	December 2003
President & CEO	Hirotake Yajima
Employees (Consolidated)	6,792
URL	https://www.hakuhodody-media.co.jp/english

kyu

Company Name	kyu Investment Incorporated
Head Office	395 Hudson Street, 8th Floor New York, NY 10014
Incorporated	May 2014
CEO	Michael Birkin
Employees (Consolidated)	1,995
URL	https://kyu.com

HAKUHODO Technologies

Company Name	HAKUHODO Technologies Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6320
Incorporated	April 2022
President	Osamu Yonetani
Employees (Non-consolidated)	308
URL	https://www.hakuhodo-technologies.co.jp (in Japanese)

Hakuhodo DY Corporate Initiative

Company Name	Hakuhodo DY Corporate Initiative Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6320
Incorporated	April 2023
President & CEO	Masanori Nishioka
Employees	334
URL	https://hakuhodody-initiative.co.jp (in Japanese)

Hakuhodo DY holdings

Contact

Hakuhodo DY Holdings Inc.
Investor Relations Division
Phone: +81-(0)3-6441-9033
Email: HC.IR@hakuhodody-holdings.co.jp