

# Update on progress under the Medium-Term Business Plan


## Abbreviations within this document

HC: Hakuhold DY Holdings Inc.    H: Hakuhold Inc.    D: Daiko Advertising Inc.    Y: Yomiko Advertising Inc.  
MP: Hakuhold DY Media Partners Inc.    DAC: D.A. Consortium Inc.    IREP: IREP Co., Ltd

Greetings, I am Masayuki Mizushima, Representative Director & President of Hakuhold DY Holdings Inc.

Please allow me to provide an explanation on the progress we are making under the Hakuhold DY Group's Medium-Term Business Plan.

# Medium-Term Business Plan (FY2019-FY2023: 5-year plan)

Core Medium-Term Strategy	With <i>sei-katsu-sha</i> insight as our cornerstone, the Hakuhodo DY Group will combine its creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in a completely digitalized era. In this way, we will continue to impact and provide new value to <i>sei-katsu-sha</i> and society as a whole.		
Strengthening Fundamentals for Growth	<ul style="list-style-type: none"><li>● Establish a leading position in the broader digital domain</li><li>● Strengthen response capabilities for borderless corporate activities</li><li>● Accelerate innovation through external collaborations</li></ul>		Aggressive Investment Data, technologies, infrastructure, human resources, M&A, and other areas
Outline of Growth (FY2023)	<ul style="list-style-type: none"><li>● Billings from Internet media (domestic business): At least double*</li><li>● Overseas business<ul style="list-style-type: none"><li>- Revenue: At least double*</li><li>- Operating margin before amortization of goodwill: Continuous improvement</li></ul></li></ul>		
Medium-Term Business Plan Targets (FY2023)	<div><div>Important indicators</div><div><p><u>Operating income before amortization of goodwill : ¥95.0 billion</u></p><ul style="list-style-type: none"><li>● CAGR of revenue*</li><li>● Annual growth rate of operating income before amortization of goodwill*</li><li>● Operating margin before amortization of goodwill</li><li>● ROE before amortization of goodwill</li><li>● Shareholder returns<ul style="list-style-type: none"><li>- Stable and continuous dividends</li><li>- Shareholder returns in line with performance and financial position</li></ul></li></ul></div></div>	<div>At least 7%</div> <div>At least 8%</div> <div>At least 20%</div> <div>At least 15%</div>	<div>Base after adjustment (Excluding investment projects)</div>

\* Figures are a comparison of the base year (FY2018) and FY2023

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In May of last year, the Group launched its five-year Medium-Term Business Plan, which will run through FY2023.

Our Core Medium-Term Strategy is listed here on this slide.

We established a plan to expand operating income before amortization of goodwill to ¥95.0 billion. To that end, we are strengthening our three fundamentals for growth, conducting aggressive investment in data, technologies, and human resources, while also investing in M&A and other areas.

Furthermore, we have established a variety of important indicators, as you can see here, including the CAGR of revenue on the basis of our core businesses excluding investment projects.

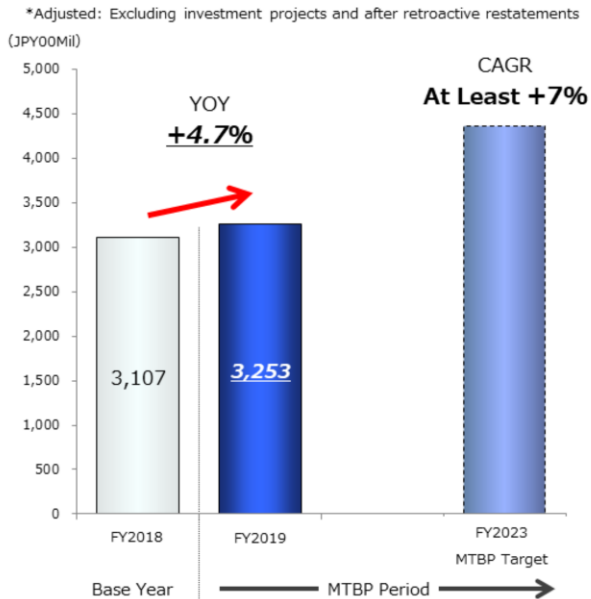
Additionally, this slide shows that over the five-year period of the plan, we aim to at least double billings from Internet media and revenue from our overseas business. We are also aiming for continuous improvement of profitability in our overseas business as we accelerate its growth.

I will now explain the progress we made with a broad range of efforts in the first year of the Medium-Term Business Plan; so, please see the next slide.

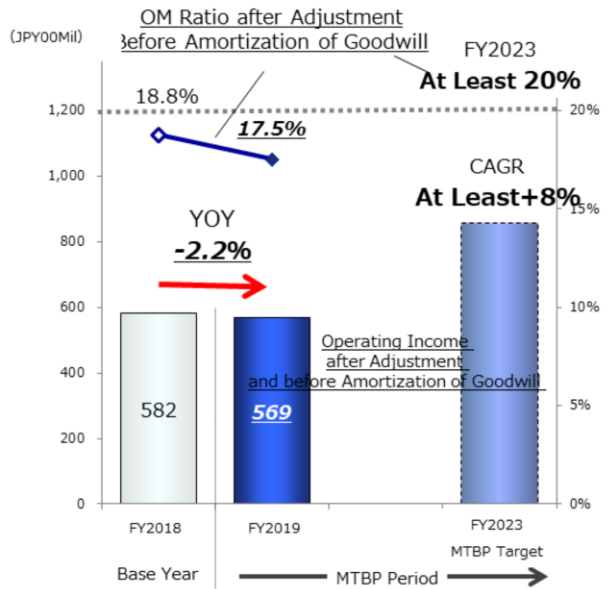
# Overview of Progress in FY2019

- Revenue excluding investment projects and after adjustments rose 4.7% year on year on the back of steady growth in both our domestic and overseas businesses.
- Operating income after adjustment and before amortization of goodwill was on nearly the same level as in the previous fiscal year, despite impact from the spread of COVID-19.

## Adjusted\* Revenue



## Operating Income after Adjustment and before Amortization of Goodwill / OM



First, let me explain the status of revenue.

Growth in the domestic advertising market, our main area of operations, was stagnant, falling below the level of growth in the previous fiscal year. Amid this environment, we realized steady growth centered on our existing operating companies in Japan, owing in part to improved profitability. We also achieved year-on-year growth in our overseas business. As a result, overall adjusted revenue, which excludes the impact of all investment projects, including the sale of stock held in Mercari, Inc., rose 4.7% year on year.

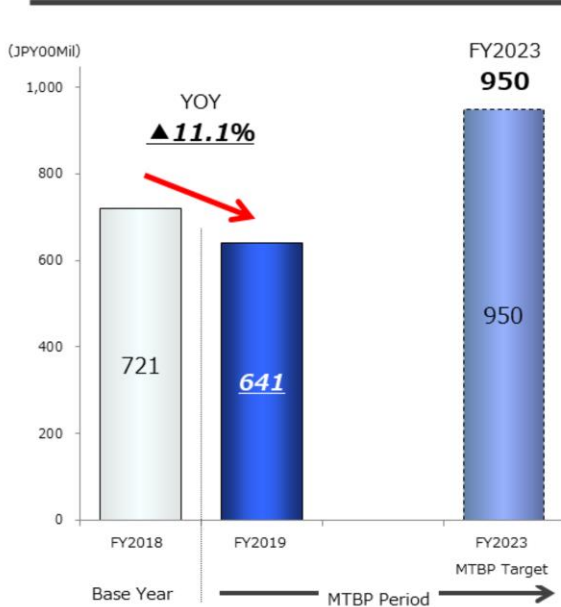
Operating income after adjustment and before amortization of goodwill was on nearly the same level as in the previous fiscal year, even amid the impact from the spread of COVID-19 in the fourth quarter.

While we have been making strategic investments in accordance with the Medium-Term Business Plan from the start of the period with a view to medium-term growth, we have also been engaging in well-balanced cost control efforts. As a result, the OM ratio after adjustment before amortization of goodwill came to 17.5%.

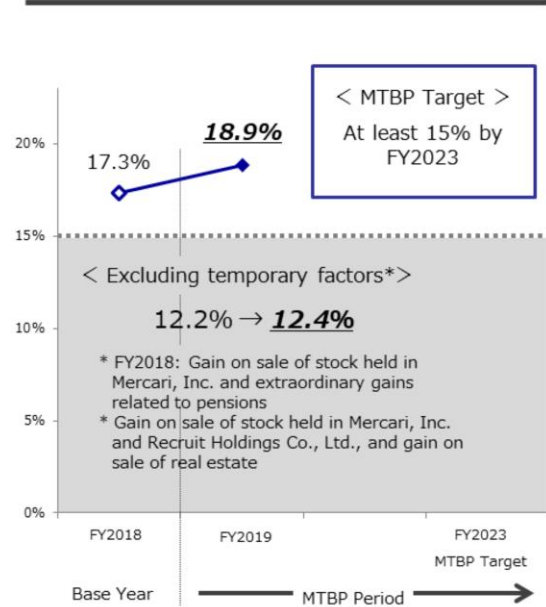
# Overview of Progress in FY2019

- Operating income before amortization of goodwill, which is a Medium-Term Business Plan (MTBP) target, saw a double-digit decline year on year, due in part to the negative repercussions from the sale of stock held in Mercari, Inc.
- ROE before amortization of goodwill was at a high 18.9%. Even after excluding factors that temporarily boosted this result, it was an improvement on the previous year.

Operating Income before Amortization of Goodwill



ROE before Amortization of Goodwill



Next, I would like to talk about operating income before amortization of goodwill (including the impact of Mercari, Inc. and all other investment projects), which is a Medium-Term Business Plan Target.

Operating income before amortization of goodwill saw a double-digit decline of 11.1% year on year, due not only to the impact from the spread of COVID-19 but also to the negative repercussions from the sale of stock held in Mercari, Inc. conducted in the previous fiscal year, which totaled ¥13.0 billion. ROE before amortization of goodwill was a high 18.9%. Even on an actual basis that excludes factors that temporarily boosted this result, such as the gain on stock held in Mercari Inc. and Recruit Holdings Co., Ltd., ROE before amortization of goodwill improved over the previous fiscal year.

## Key strengthening measures centered around the three fundamentals for growth

- Strengthening of structures and response capabilities centered around the MTBP's three fundamentals for growth.

### Main measures

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Establish a leading position in the broader digital domain

Strengthen response capabilities for borderless corporate activities

Accelerate innovation through external collaborations


Enhance specialized functions in Japan

Continuing on, I will explain, in order, the main measures for strengthening structures and response capabilities centered on the Medium-Term Business Plan's three fundamentals for growth.

Please see the next slide.

# 1 Establish a leading position in the broader digital domain

## Establish a Leading Position in the Broader Digital Domain with a View to the Completely Digitalized Era

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- I Enhance the sophistication of *Sei-katsu-sha* Data-Driven Marketing**
  - II Response to diversifying digital touchpoints**
  - III Expand our structure in the rapidly growing domain of Internet media**

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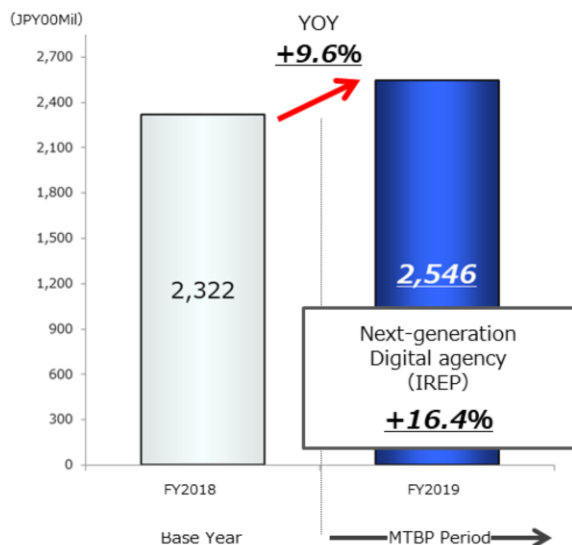
The first fundamental for growth I will talk about is “establish a leading position in the broader digital domain.” While this is the same slide we used within the materials we released when announcing our Medium-Term Business Plan in May of last year, in the broader digital domain we are primarily moving forward with the three strategic measures listed on this slide with a view to the completely digitalized era. Through these measures, we aim to establish a leading position not only in Internet media but the broader digital domain.

Also, over the five-year period of the Medium-Term Business Plan, we have adopted the target of increasing billings from the Internet media domain by twofold or more compared with FY2018.

# Establish a leading position in the broader digital domain

- Billings from Internet media were up 9.6% year on year. Our next-generation digital agency saw particularly strong growth.
- We strengthened our structure to execute initiatives in the apps and solutions domain through collaboration with external companies. We also focused our efforts on maximizing the benefits of leveraging digital technologies and on enhancing our structure for implementing the digitalization of path to purchase.

## Internet Media Billings\*



※Relates to domestic business on a consolidated basis. Excluding investment projects. Figures after retroactive adjustment.

## Topics

### Enhancing Structure for Implementing Digital Marketing

- Entered into a capital and business alliance with Adways Inc. in the app promotion domain (MP)
- Established D.Table, a new company specializing in the use of Google technologies, together with Yoshidumi Holdings (DAC)

### Maximizing Benefits of Leveraging Digital Technologies

- Television & Digital: Launched TVdigi experts (MP)
- Online behavior & Newspaper inserts: Developed Chiradigi Planner (MP)
- Social and mass media influencer marketing: Created Influencer Marketing EXPERT'S (MP/DAC)

### Implementing Digitalization in the Path to Purchase

- Concluded a strategic technology partnership with STRATACACHE, one of the world's largest digital signage solutions companies (HC)
- Commenced provision of Point of Sale Signage Solution, a storefront digital marketing service, together with PDC Co., Ltd. (H)

For the progress we are making in the broader digital domain, I would first like to talk about the domain of Internet media, which has continued to grow. Within this domain, we achieved nearly double-digit growth in billings compared with the previous fiscal year, up 9.6%. This growth was the result of our investments to strengthen structures, including investment in human resources.

Breaking down this billings growth, IREP Co., Ltd., a company that possesses next-generation digital agency functions to respond to market specializing in the Internet advertising, saw particularly strong growth in billings, up 16.4% year on year on a consolidated basis.

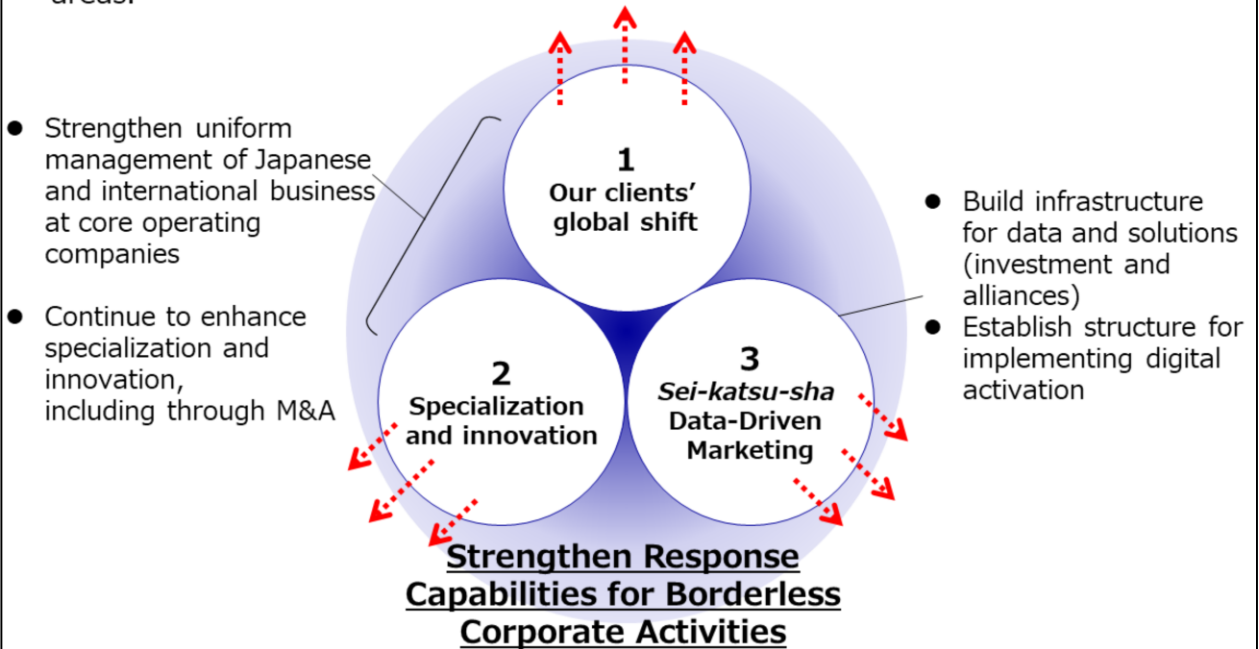
For details on specific measures to further strengthen functions and structures, please see the items listed under the Topics section of this slide.



## 2 Strengthen Response Capabilities for Borderless Corporate Activities

Previously published  
MTBP slides

We will bolster our ability to respond to increasingly borderless corporate activities by strengthening our international operations centering on the following three areas.



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Next, allow me to explain the second fundamental for growth, “strengthen response capabilities for borderless corporate activities.”

Over the medium term, we have adopted the following measures. First, we will respond to our clients’ global shift by strengthening uniform management of Japanese and international business. We will also continue to enhance specialization and innovation, including through M&A. Additionally, we will establish a structure for extensively implementing digital activation centered on Sei-katsu-sha Data-driven Marketing.

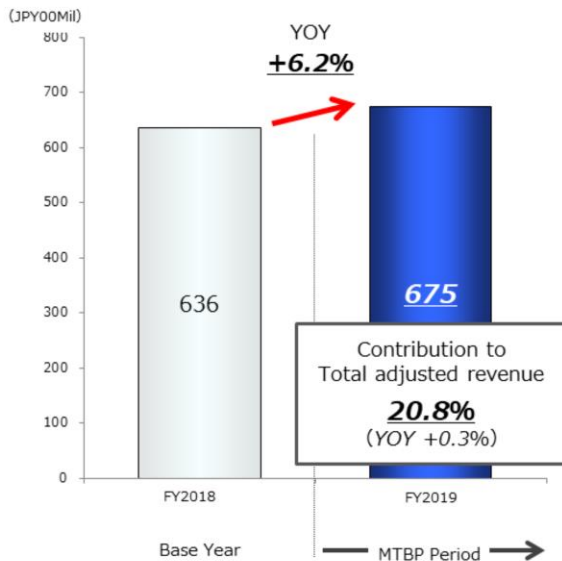
Moreover, by at least doubling overseas revenue over the five-year period of the plan and making efforts to continuously improve profitability, we will accelerate growth on a Groupwide level going forward.



# Strengthen Response Capabilities for Borderless Corporate Activities

- Revenue from our overseas business was up 6.2% year on year resulting from growth in Asia and North America, where our business scale is large. The ratio of overseas revenue to total revenue after adjustments increased to 20.8%.
- In Asia, we enhanced functions centered on the digital domain, primarily through M&A. We also made progress enhancing our presence in ASEAN countries.

## Overseas Revenue



## Topics

### Enhancing Functions in Asia

- Acquired shares in Winter Agency Co., Ltd., a full-service digital agency in Thailand (H)
- Acquired shares in AdGlobal360 India Pvt. Ltd., a full-service digital agency in India (H)
- Commenced operations of Hakuhodo Digital Vietnam Co., Ltd., a full-service digital agency in Vietnam (H)
- Subsidiarized GROWWW Media Co., Ltd., an advertising agency group in Taiwan (H)

### Enhancing Creative Capabilities

- Received awards at *Campaign Asia-Pacific* magazine's Southeast Asia Agency of the Year 2019 awards
- IdeasXMachina Advertising: Philippines (H)
  - Winter Agency: Thailand (H)

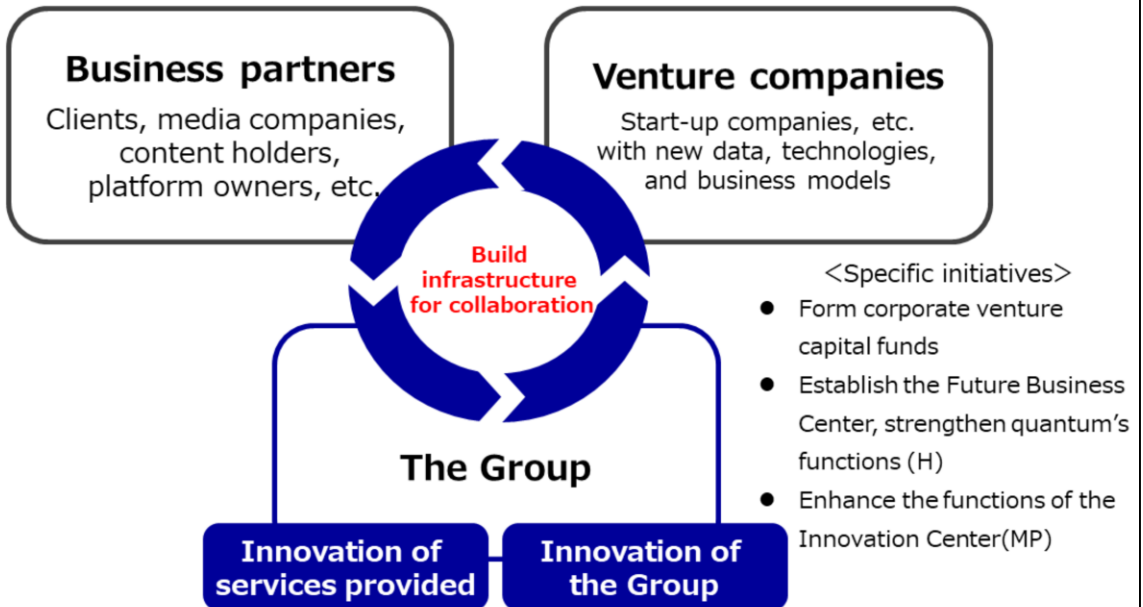
As for the progress we are making with overseas revenue, which I just spoke about, we realized a 6.2% increase in overseas revenue year on year. This was the result of the incorporation of profits over the course of a full year from companies acquired during the previous fiscal year as well as the positive boost provided by M&A. This was also the result of year-on-year growth in Asia and North America, where our business scale is large.

The ratio of overseas revenue to total revenue after adjustments edged up 0.3 points, to 20.8%.

For details on specific measures to further strengthen our response capabilities, please see the items listed under the Topics section of this slide.

### 3 Accelerate Innovation through External Collaborations

We will build a structure for collaboration with not only our business partners, but also external corporations, such as innovative technology companies, so as to accelerate innovation of the services we provide and our Group.



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Now let us move on to the third fundamental for growth, “accelerate innovation through external collaborations.”

To spur innovation in the completely digitalized era, in addition to the strengths we possess, it is essential that we collaborate with external corporations, such as our business partners and innovative technology companies.

Going forward, we will build and enhance structures for collaboration with external companies so as to not only accelerate innovation in the services we provide but also innovation in the Group itself.

- We formed organizations that will serve as the starting point for new business and service creation, thereby accelerating collaboration with external companies.
- We executed investments in cutting-edge technologies in various domains, including sound and blockchain technology. We also ramped up efforts toward promoting technology utilization.

## Starting Point for New Business and Service Creation

### ミライの事業室

- Establishment of an organization for pursuing new business creation by Hakuhodo Inc.
- Collaboration with four external companies with the aim of realizing collective business creation



**Growth Studio of Creativity**

- Reinforcement of organization as a growth studio that leverages creativity to support the growth of companies
- Collaboration with Tsutaya Kaden Enterprise Co., Ltd. on B2B business
- Start of collaboration with Deloitte Tohmatsu Financial Advisory LLC to combine creativity with finance

## Investment in Cutting-Edge Technologies



### Sound

- Conclusion of capital and business alliance between Hmcomm Inc. and Hakuhodo DY Holdings
- Hmcomm is a technology transfer venture company of the National Institute of Advanced Industrial Science and Technology that works in the sound data analysis domain

### Blockchain

- Establishment of a Hakuhodo project to promote the development of new businesses and services utilizing blockchain technologies
- Joint development of copyright protection services for original works and digital content with Centaurus Works Inc.



**HAKUHODO  
BLOCKCHAIN  
INITIATIVE**

From the perspective of enhancing structures for collaboration, as you can see on this slide, we have formed and are working to strengthen organizations that will serve as the starting point for new business and service creation, thereby accelerating collaboration with external companies.

Additionally, to provide a trigger for spurring innovation, we executed investments in cutting-edge technologies and ramped up efforts toward promoting technology utilization.

## Strengthen specialized functions in Japan

- In April 2020, we merged DAIKO WEDO creative & development inc. with DAIKO ONES INC., thereby fortifying the DAIKO Group's production and execution capabilities.
- Hakuhodo Inc. integrated business operations of NISHIKO Co., Ltd. which became its subsidiary last year and Hakuhodo Kyushu branch, strengthening its organizational structure in the Kyushu area.

### Fortifying DAIKO Group's Production and Execution Capabilities

Merger of both companies to launch the new DAIKO WEDO



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### Strengthening Organizational Structure in the Kyushu Area

• HAKUHODO •

九州博報堂

博報堂  
九州支社

N I S H I K O

- Sei-katsu-sha insight
- Digital marketing know-how

- Business implementation capabilities rooted in the local community

Finally, I will comment on “strengthen specialized functions in Japan.”

In October 2019, Daiko Advertising Inc. carried out a corporate split in which it established a separate company, DAIKO WEDO creative & development inc, that handles Daiko's production and casting functions in the creative and promotion domains. In April 2020, we merged DAIKO WEDO with DAIKO ONES INC., a production subsidiary of the Daiko Group, thereby further enhancing the Daiko Group's production and execution capabilities.

In addition, the Hakuhodo Group integrated the business operations of NISHIKO Co., Ltd., which became a subsidiary in June 2019 and possesses the capability to drive business deeply rooted in the local community, with the Hakuhodo Kyushu branch, which possesses sei-katsu-sha insight and digital marketing know-how, thereby strengthening its organizational structure in the Kyushu area.

Going forward, in addition to strengthening the three fundamentals for growth adopted under the Medium-Term Business Plan, we will also continue efforts to enhance our various specialized functions.



## HakuhodoDY holdings

This concludes my explanation of the progress we are making with the Medium-Term Business Plan. Please let me say a few words in closing.

The spread of COVID-19 has struck a major blow to people's lives, the activities of corporations, and the economies in Japan and overseas. As a result, society now finds itself facing an unprecedented crisis.

Of course, COVID-19 has impacted the Group's performance as well, and, unfortunately, the new Medium-Term Business Plan began under an extremely difficult environment.

However, drawing on the Group's sei-katsu-sha insight and creativity, we will strive to provide value to address this social crisis.

Also due to this crisis, it is expected that the shift to the completely digitalized era, a foundation of our environmental awareness under the plan, will be further accelerated.

With the entrance into such an era, sei-katsu-sha trends will undergo substantial changes, and in turn the way we engage in marketing activities will be affected by change as well.

With a view to society up to the point at which the spread of COVID-19 has been contained as well as the "after corona" society, we will focus our efforts on pushing forward the Core Medium-Term Strategy as we work to further enhance our corporate value.

We currently find ourselves in a situation where there is a high level of uncertainty regarding the future. Accordingly, at this time it is difficult to verify whether or not we need to revise the numerical targets of the Medium-Term Business Plan.

While carefully observing the trends going forward, we will verify this need at the appropriate time and, if necessary, will disclose the relevant information in a timely manner.

Thank you for your attention.