

Update on Progress under the Medium-Term Business Plan

Abbreviations within this document

HC: Hakuodo DY Holdings Inc. H: Hakuodo Inc. D: Daiko Advertising Inc. Y: YOMIKO ADVERTISING INC.
MP: Hakuodo DY Media Partners Inc. DAC: D.A.Consortium Inc. IREP: IREP Co., Ltd
SO: SoldOut, Inc.

Good afternoon. My name is Masayuki Mizushima, and I am the Representative Director & President of Hakuodo DY Holdings Inc.

Please allow me to explain the progress we are making with the Hakuodo DY Group's Medium-Term Business Plan (MTBP).

Medium-Term Business Plan (Revised Period: FY2021–FY2023)

Core Medium-Term Strategy	<p>With <i>sei-katsu-sha</i> insight as our cornerstone, the Hakuhodo DY Group will combine our creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in a 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.</p>
Transformation of Our Services and Business Foundation	<ul style="list-style-type: none"> ● Transform the services we provide: Implementation of full-funnel <i>Sei-katsu-sha</i> Data-Driven Marketing ● Strengthen cross-organizational functions to accelerate transformation ● Continuously pursue transformation based on existing strategies ● Strengthen our foundation for sustainable business management
Target Levels for Core Domains (FY2023)	<ul style="list-style-type: none"> ● Marketing execution domain: Annual gross profit growth rate of at least 10%* ● Internet domain: Annual billings growth rate of at least 15% ● Overseas business domain: Annual gross profit growth rate of at least 15%
Medium-Term Business Plan (MTBP) Targets (FY2023)	<ul style="list-style-type: none"> ● Operating income before amortization of goodwill: At least ¥65.0 billion ● Annual growth rate of gross profit after adjustments*2: At least 7% ● Annual growth rate of operating income after adjustments and before amortization of goodwill: At least 7% <p>Important Indicators</p> <ul style="list-style-type: none"> - Operating margin after adjustments and before amortization of goodwill: around 15% - ROE before amortization of goodwill: At least 10%

*1. Figures compares FY2023 with the base year of FY2020

*2. After Adjustments = Excluding investment projects

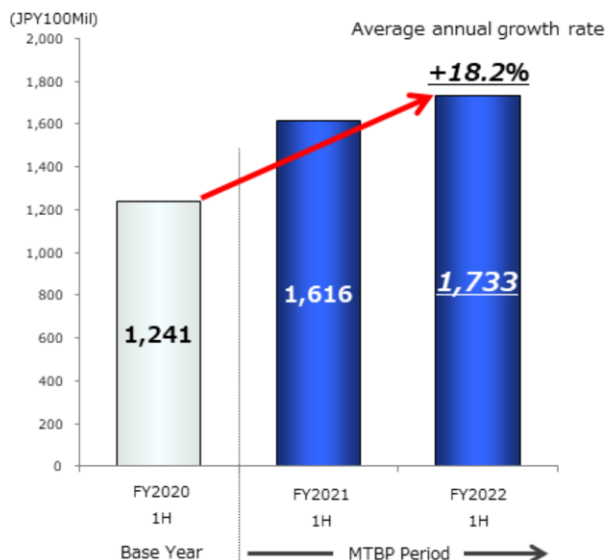
In May 2019, the Group announced the current MTBP, which runs through to the end of FY2023, and since then has been moving forward with a variety of initiatives in accordance with the plan. However, due to the dramatic changes in the business environment caused by the impact of the COVID-19 pandemic, we temporarily withdrew the numerical targets of the MTBP. In February 2022, we announced a revised MTBP that covers the three-year period starting from FY2021. We position the period of the revised MTBP as one in which we will accelerate the transformation of our services and business foundation so that we may lead the way with solving the marketing and innovation-related issues our clients face and realize sustainable business growth together with our clients. With this goal in mind, we have been promoting a broad range of initiatives. From the next slide on, I will explain the current progress we have been making with these initiatives.

Overview of Progress in the First Half of FY2022

- Gross profit after adjustments saw a double-digit increase compared with the base year due to business growth both in Japan and overseas realized by capturing recovery of advertising demand.
- Operating income after adjustments and before amortization of goodwill has been increasing significantly compared with the base year, despite the impact of aggressive strategic investments and a return to normal for activity expenses.

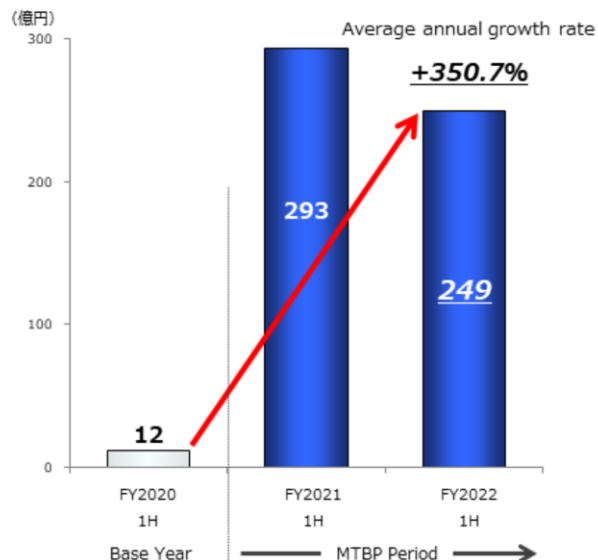
Gross Profit After Adjustments*

* Excluding investment projects and after retroactive restatements



Operating Income After Adjustments* and Before Amortization of Goodwill

* Excluding investment projects and after retroactive restatements



2

First, I will explain the status of gross profit in the first half of FY2022. Gross profit after adjustments, which excludes the impact of investment projects, has increased 18.2% on an annual average basis compared with the base year, due to growth in both our domestic and overseas businesses that resulted from the recovery in advertising demand.

Next, operating income after adjustments and before amortization of goodwill has been rising significantly compared with the base year, despite the impact of aggressive strategic investments and a return to normal for activity expenses.

Initiatives to Transform Our Services and Business Foundation

- We are pursuing the following four initiatives adopted under the MTBP to strengthen our structure and response capabilities:

1

**Transform the services we provide:
Implementation of full-funnel *Sei-katsu-sha*
Data-Driven Marketing**

2

**Strengthen cross-organizational functions
to accelerate transformation**

3

**Continuously pursue transformation based
on existing strategies**

4

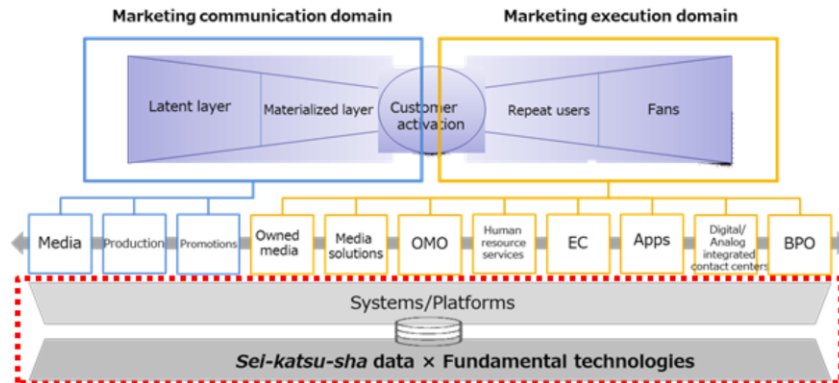
**Strengthen our foundation for sustainable
business management**

Moving on, I will explain in order the details of our efforts to strengthen the Group's structure and response capabilities, focusing particularly on the four new initiatives adopted under the revised MTBP.

1. Transform the Services We Provide: Implementation of Full-Funnel *Sei-katsu-sha* Data-Driven Marketing

■ While giving close consideration to data privacy and protection, we are actively promoting efforts to enhance our foundation of *sei-katsu-sha* data, which serves as the cornerstone for implementing full-funnel *Sei-katsu-sha* Data-Driven Marketing.

Implementation of Full-Funnel *Sei-katsu-sha* Data-Driven Marketing/Expansion of Marketing Execution Domains



Research and Development of Next-Generation Data Solutions (HC)

- Established the new company Rakuten Data Solutions with Rakuten Group, Inc. to support corporate marketing activities by leveraging the data and insight possessed by both companies.

Rakuten

Promotion of Next-Generation Marketing DX (H/MP/DAC/irep)

- We began the provision of DATA Gear Connect, a service that offers website analysis and measures the effects of advertisements in the post-cookie era.

DATA GEAR
Connect

I will start by talking about the progress we are making with the first of these initiatives, “Transform the services we provide.”

With the progression of digitalization, we find ourselves in a time where corporations and *sei-katsu-sha* are constantly connected via a wide range of contact points. In such an era, there is a growing need for so-called full-funnel marketing, which is a comprehensive marketing approach that, through the use of data, covers everything from gaining recognition among potential customers to turning those into actual customers and repeat users of a company’s products or brands.

In this kind of external environment, we have been focusing our efforts on the implementation of full-funnel *Sei-katsu-sha* Data-Driven Marketing, which integrates various marketing activities under a full-funnel approach by combining the Hakuhodo DY Group’s original data and technologies with data from external sources.

Specifically, as part of our efforts to reinforce our foundation of *sei-katsu-sha* data and enhance our integrative full-funnel management capabilities, we have been engaging in research and development of next-generation data solutions and promoting next-generation marketing DX geared toward the post-cookie era.

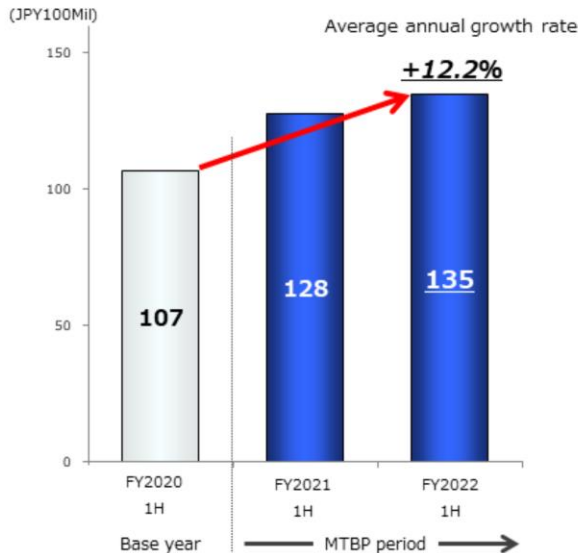
Please see the bottom of this slide for more details on these efforts.

1. Transform the Services We Provide: Expansion of Marketing Execution Domains

- Gross profit in marketing execution domains, excluding COVID-19 pandemic-related business process outsourcing (BPO), has grown at an average annual growth rate of 12.2% compared with the base year, particularly in the human resource service domain.
- By capturing changes among corporations and *sei-katsu-sha*, we have been making progress with the expansion of our existing businesses and initiatives within markets that are expected to grow in the future.

Gross Profit in Marketing Execution Domains*

* Covers domestic operations / Excludes pandemic-related BPO business



Topics

Steady Growth of Operating Companies in All Business Domains

- Continued to expand our businesses by capturing the growth of social needs for sales proxy services in the human resource service domain.
- Launched a human resource matching service that is able to introduce over 800 sales professionals to corporations by the affiliated company CEREBRIX Corporation.



Creation of New Value in the Live Commerce Market (MP)

- Entered a basic agreement regarding the establishment of the joint venture company HUUM together with UUUM Co., Ltd., a company that employs a large number of prominent influencers.
- Aim to realize highly reliable and appealing live commerce through collaboration with TV stations and influencers.



Next, I will talk about expanding marketing execution domains.

Gross profit in marketing execution domains, excluding temporary positive factors such as COVID-19 pandemic-related business process outsourcing (BPO), has grown at an average annual growth rate of 12.2% compared with the base year, particularly in the human resource service domain.

In these domains, we have been moving forward with initiatives to capitalize on the changes that have occurred among corporations and *sei-katsu-sha* due to the COVID-19 pandemic. These include ongoing efforts to expand our businesses by capturing the growing structural needs for sales proxy services as well as efforts to realize highly reliable and appealing live commerce through collaboration with TV and other broadcasting stations and influencers.

Please see the Topics section of this slide for more details on these initiatives.

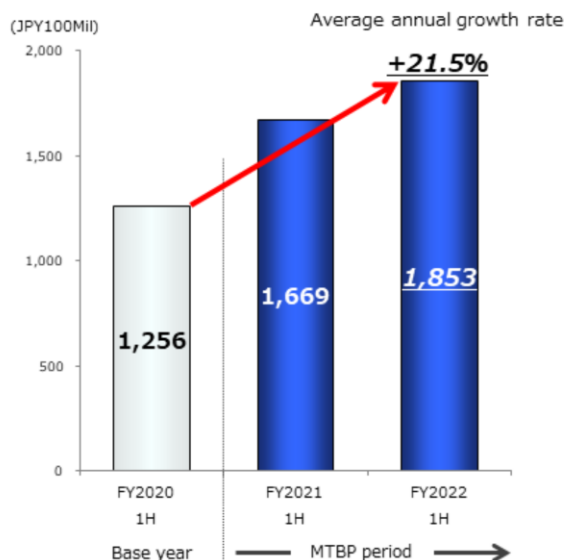
1. Transform the Services We Provide: Transform Media Business

■ Billings in the internet domain have grown at an annual average of 21.5% thanks to growth in our existing business and the positive boost provided by M&A.

■ We have also focused on enhancing our structure in the digital domain by expanding collaboration within the Group. In addition, we have been undertaking efforts to develop next-generation media businesses in the metaverse domain, which is starting to grow rapidly.

Billings in the Internet Domain*

* Covers domestic operations on a consolidated basis, excluding investment projects



Topics

Commencement of Groupwide collaboration to provide support for regional companies and SMBs (SO)

- We began to incorporate profits from SoldOut, Inc., a company that provides digital services to regional/small and medium-sized businesses (SMBs) and startups across Japan.
- We made progress with the establishment of a structure for swift collaboration with Group companies and moved forward with the building of an ecosystem for providing digital services.

ともに覚悟する。ともに挑む。

SOLDOUT

Efforts toward next-generation media business (DAC)

- We stepped up efforts to promote arrova, a service for rolling out ads in virtual spaces such as in video games and extended reality (XR) content.
- In collaboration with U.S.-based Super League Gaming, Inc., we began the sale of advertising in the metaverse domain for the first time ever in Japan.



Next, allow me to talk about transforming our media business.

Billings in the internet domain, which we position as an indicator of progress for transforming our media business, has grown at an annual average of 21.5% compared with the base year due not only to the growth in existing businesses, such as our integrated advertising companies and the next-generation digital agency IREP Co., Ltd., but also the positive boost provided by the incorporation of profits from SoldOut, Inc., which we acquired via a takeover bid in FY2021.

In the internet domain, we have been accelerating efforts to enhance our response structure for regional businesses and small and medium-sized businesses (SMBs) while at the same time undertaking efforts to develop next-generation media businesses in the metaverse domain.

Please see the Topics section of this slide for more details on these initiatives.

1. Transform the Services We Provide: Implement Sei-katsu-sha Insight-Based Digital Transformation

■ We are undertaking a digital transformation (DX) project aimed at solving regional social issues that was adopted as a main business of the Infrastructure Development Plan for a Digital Garden City Nation. We are also working on creating new experiences for *sei-katsu-sha* using augmented reality (AR).

Social implementation of the Infrastructure Development Plan for a Digital Garden City Nation (H)

- A mutual-aid/co-creation-based service provided by Asahimachi, Toyama Prefecture and Hakuhodo Inc. was adopted as part of Infrastructure Development Plan for a Digital Garden City Nation, which is being pursued by the Japanese government.
- We leveraged DX to help rebuild local community- and local authority-based services in the domains of local education, local transportation, and regional revitalization.



Local transportation



Regional revitalization



Local education

Provision of Experience-Based Content in Virtual Spaces (H)

- Started piloting the creation of new customer experiences that leverage AR technologies, in collaboration with AEON MALL Co., Ltd.
- Promoted efforts to transform our corporate communication activities while examining our way for experience-based AR content that can make real-life experiences more vivid.



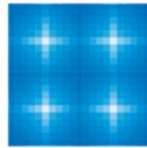
Moving on, I will touch on implementing *Sei-katsu-sha* Insight-based DX.

We have been engaging in a digital transformation (DX) project aimed at solving regional social issues that was adopted as a main business of the Infrastructure Development Plan for a Digital Garden City Nation, an initiative promoted by the Japanese government. Through this project, we have been leveraging DX to help rebuild local community- and local authority-based services in the domains of local education, local transportation, and regional revitalization.

In addition, as lifestyles becoming increasingly more digitalized following the widespread adoption of 5G and the internet of things (IoT), we started a verification test at commercial facilities aimed at creating new customer experiences that leverage augmented reality (AR) technologies. By examining our vision for experience-based AR content that makes real-life experiences more vivid, we seek to transform the marketing activities of corporations.

2. Strengthen Cross-Organizational Functions to Accelerate Transformation

■ In August 2022, we commenced the commercial operations of Hakuhodo Technologies Inc., a company established in April 2022 as a center for technology and infrastructure development. We have also been focusing on actively recruiting engineers to work at Hakuhodo Technologies.



HAKUHODO Technologies

MISSION	Providing new value and experiences to <i>sei-katsu-sha</i> and society as a whole through the combination of Marketing and Technologies
VISION	Become a world-class company for combining Marketing and Technologies
VALUE	<ol style="list-style-type: none"> 1. We are professionals in everything we do. 2. We take the initiative to lead the business. 3. We take on bold challenges to create new value.

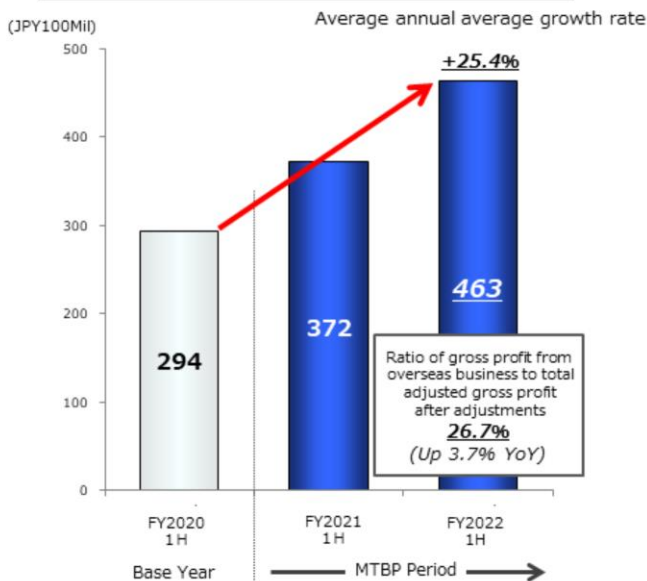
Now let me provide an explanation of the second initiative, “Strengthen cross-organizational functions to accelerate transformation.”

In August 2022, we commenced the commercial operation of Hakuhodo Technologies Inc., a company established in April 2022 as a center for the Group’s technology and infrastructure development. In addition to consolidating Group resources within Hakuhodo Technologies, we are focusing on actively recruiting new engineers and other external human resources to work at this company. By combining marketing and technologies, Hakuhodo Technologies will strive to drive innovation in the marketing business and develop technologies that inspire society as a whole.

3. Continuously Pursue Transformation Based on Existing Strategies: Strengthen Response Capabilities for Borderless Corporate Activities

- We realized average annual growth in revenue of 25.4% in our overseas businesses, with the ratio of overseas gross profit to total gross profit increasing to 26.7%.
- We sought to strengthen our response structure for the business expansion of global companies and the support of DX through ongoing efforts to expand functions via M&A and efforts to build networks between Group companies in the Asia-Pacific (APAC) region.

Gross Profit in Overseas Business Domains



Topics

Expansion of functions through M&A (kyu/H)

- Lexington Limited, a leading public affairs consulting firm in the United Kingdom, joined kyu.
- We made Kingdom Digital Solutions Sdn. Bhd., an independent Malaysia-based digital advertising agency, a consolidated subsidiary of Hakuhodo.

lexington

**KINGDOM
DIGITAL**

Provision of Groupwide support for global companies (H/DAC)

- We launched H+, a strategic network to advance the marketing DX and media DX at companies in the APAC region.
- We provide whole-of-Group support for companies' DX, thereby helping to build connections between companies and *sei-katsu-sha* from a global perspective.



Moving on, I will explain the third initiative, “Continuously pursue transformation based on existing strategies.”

I will start by talking about “Strengthen response capabilities for borderless corporate activities.” Gross profit from our overseas businesses, which we use as an indicator of progress for this initiative, has grown at an annual average of 25.4% compared with the base year due to the recovery in the Greater China and Association of Southeast Asian Nations (ASEAN) regions, where economic activities are starting to return to normal. The ratio of overseas growth profit to total gross profit has increased to 26.7%.

In addition to ongoing efforts to expand functions via mergers and acquisitions (M&A), we have been focusing on enhancing our response structures in our overseas businesses, including the establishment of strategic networks in the Asia-Pacific (APAC) region.

Please see the Topics section of this slide for more details on such initiatives.

3. Continuously Pursue Transformation Based on Existing Strategies: Acceleration of Innovation through External Collaborations

- We pursued ongoing business creation with a diverse range of partners, including the developer of a public blockchain originating in Japan, and companies that provide services for immediate product delivery and that operate experience-based stores.

Development of new customer experiences for Web 3.0 (H)

- We reached agreement with Stake Technologies, the developer of Astar Network, a public blockchain originating in Japan, to launch a venture that aims to attract companies to and spread Web 3.0.
- Through collaboration with a wide range of partners, we are working to create Web 3.0 experiences, with the aim of creating a world where an even greater number of *sei-katsu-sha* can participate in Web 3.0.



Collaborative development of new marketing businesses (H)

- We entered a capital and business alliance with OniGO Inc., a Japan-based company offering Q-commerce (immediate delivery) services.



Collaborative development of methods to verify the [receptiveness/Appeal] of to new businesses (H)

- We commenced the provision of a trial marketing method for new businesses together with b8ta Japan, a company that operates the experience-based store b8ta.



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Moving ahead, I will now talk about “Accelerate innovation through external collaborations.”

In the first half of FY2022, we continued to reinforce collaborations with a view toward new business creation with a diverse range of partners.

We commenced an initiative to support companies making an entrance in the Web 3.0 market, together with a developer of a public blockchain originating in Japan.

We have also been pursuing other efforts to strengthen our foundation for collaboration geared toward new business creation with a diverse range of partners. These include the collaborative development of new marketing businesses, together with a Japan-based company offering quick commerce or “Q-commerce” (immediate delivery) services, as well as the joint development of a trial marketing method for new businesses that leverages exhibition spaces, in collaboration with a company that operates an experience-based store.

4. Strengthen Our Foundation for Sustainable Business Management

- With the aim of realizing our sustainability goal, we further enhanced efforts to promote our health and productivity management to support the sustainable growth of our employees and the company as a whole.
- We were selected as a constituent in ESG investment indices in recognition of our ongoing reinforcement of ESG initiatives, including efforts to address climate change.

Sustainability Goal

Realize a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing

Main current initiatives: Promotion of health and productivity management



Appointment of a Chief Health Officer (CHO)



Released the "Health White Paper"



Developed and participated in the Health Examination Contest behavior change program "Checkup Championship" (Received the 2020 Ministry of Health, Labor and Welfare Director General's Award for Excellence)

Selected as a constituent in ESG investment indices

FTSE4Good Index Series **FTSE Blossom Japan Index**

Selected for the fourth consecutive year

FTSE Blossom Japan Sector **Relative Index**

Selected for the first time

The fourth initiative is "Strengthen our foundation for sustainable business management."

As part of our current initiatives aimed at realizing our sustainability goal of realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing, we are promoting health and productivity management to support the sustainable growth of our employees and the company as a whole and to continue to provide new value to the world.

Also, we were selected as a constituent in environmental, social, and governance (ESG) investment indices in recognition of our ESG-related management and initiatives, including the reinforcement of efforts to address climate change by supporting the Task Force on Climate-related Financial Disclosures (TCFD).

Going forward, we will continue efforts to establish an environment for sustainable business management on a Groupwide basis.



HakuhodoDY holdings

This concludes my explanation of the progress we are making with the MTBP. Allow me to say a few words in closing.

Recently, there has been a rise in risks that put downward pressure on the Japanese economy, including the soaring price of resources, global inflation and rising interest rates, and the rapid depreciation of the yen. This has created a situation where there is an extremely high level of uncertainty regarding the outlook of the economy. On the other hand, however, there are growing expectations that domestic economic activities will return to normal, and we are seeing clear signs of recovering and growing demand particularly in industries that were impacted by pandemic-related restrictions.

For that reason, I believe we find ourselves in a situation where risks and opportunities are intermingled with each other.

While closely observing economic trends, we will work closely with our clients to capitalize on business opportunities and business recovery and to acquire new projects from them. At the same time, we will actively promote investment and structural reforms in line with our medium-term strategies as we aim to strengthen our competitiveness and achieve significant business growth over the medium to long term.

Thank you for your attention.