

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
HP: HAKUHODO Product's INC.

Good afternoon. My name is Masayuki Mizushima, and I am the Representative Director & President of Hakuhold DY Holdings Inc. Please allow me to explain the progress we are making with the Hakuhold 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.

The COVID-19 pandemic has brought about significant change in the business environment, rapidly accelerating the shift toward digitalization. To respond to this change, we adopted four new initiatives under the revised MTBP, while maintaining our Core Medium-Term Strategy. These new initiatives are transforming the services we provide in order to implement full-funnel *Sei-katsu-sha* Data-Driven Marketing; strengthening cross-organizational functions to accelerate transformation; continuously pursuing transformation based on existing strategies; and strengthening our foundation for sustainable business management.

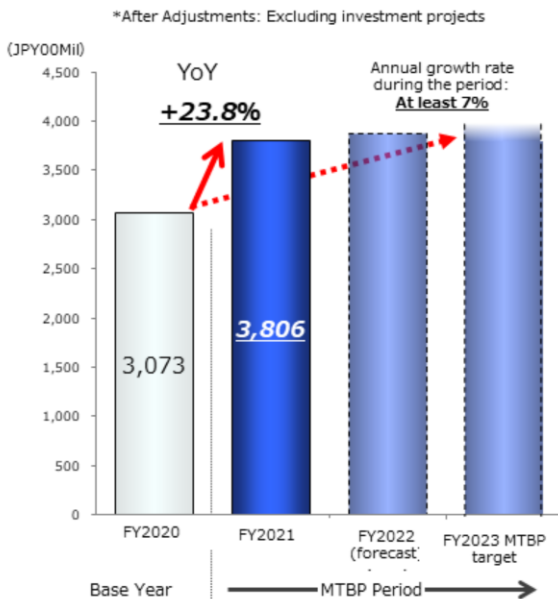
In regard to the new MTBP targets, we aim to achieve operating income before amortization of goodwill of ¥65.0 billion, and this numerical target reflects our strategic investment in structural reforms geared toward maintaining and enhancing our growth potential and realizing continuous growth over the medium to long term. We have also established the various other targets you see on this slide, including annual growth rates that are based on our core businesses and exclude investment projects.

I will now explain the progress we have made with various initiatives during the first year of the revised MTBP.

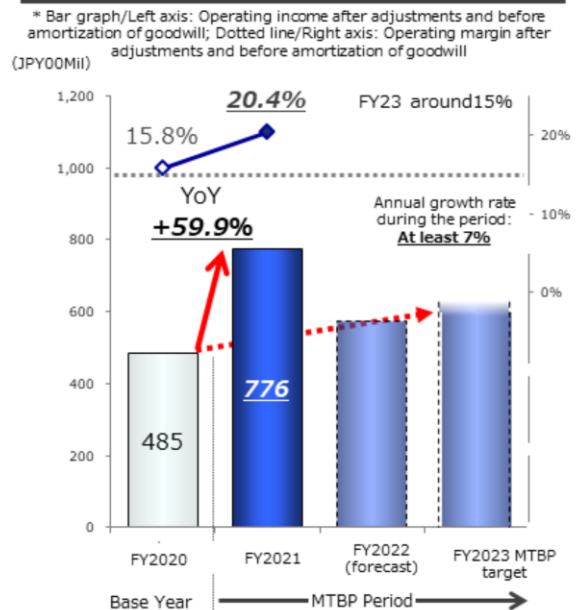
Overview of Progress in FY2021

■ Both gross profit after adjustments and operating income after adjustments and before amortization of goodwill grew significantly as a result of not only the recovery in advertising demand but also temporary positive factors, such as work related particularly to the COVID-19 pandemic and activity expenses unspent due to the pandemic

Gross Profit After Adjustments*



Operating Income / OM After Adjustments and Before Amortization of Goodwill



First, I will explain our profit and loss situation for FY2021.

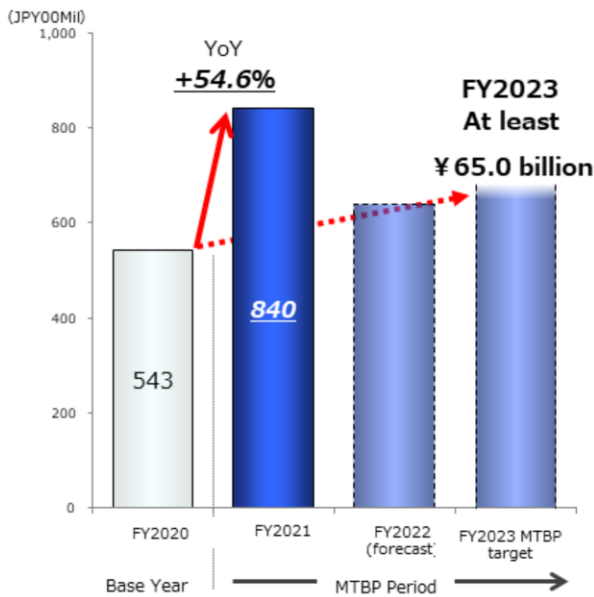
Gross profit after adjustments, which excludes the impact of investment projects, increased 23.8% year on year as a result of not only the recovery in advertising demand but also temporary positive factors, such as work related particularly to the COVID-19 pandemic.

Although we continued to promote strategic investment geared toward medium- to long-term growth, operating income after adjustments and before amortization of goodwill grew significantly, up 59.9%, while operating margin on the same basis rose above the 20% level. These increases were the result of such factors as growth in our top line, unspent activity expenses due to pandemic-related restrictions, and the impact of efforts to reform our cost structure.

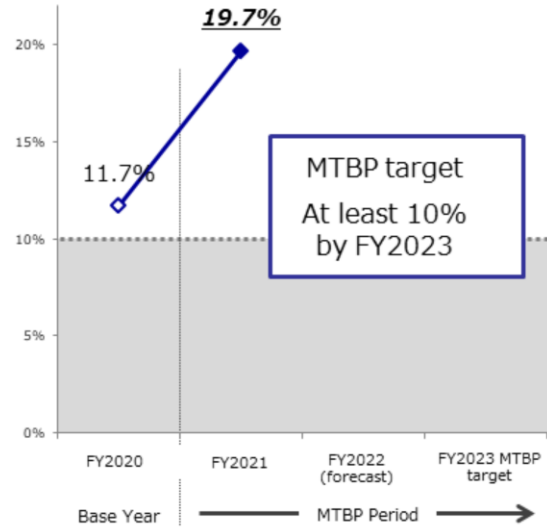
Overview of Progress in FY2021

- Operating income before amortization of goodwill including investment projects is a record high ¥84.0 billion
- ROE before amortization of goodwill is a high 19.7% due in part to temporary

Operating Income Before Amortization of Goodwill



ROE Before Amortization of Goodwill



Moving on, operating income before amortization of goodwill and including investment projects also saw a major increase, reaching a record high of ¥84.0 billion.

Return on equity (ROE) before amortization of goodwill reached the high level of 19.7% due in part to extraordinary profit such as the gain on sales of investment securities.

Initiatives to Transform Our Services and Business Foundation

- We will undertake 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**

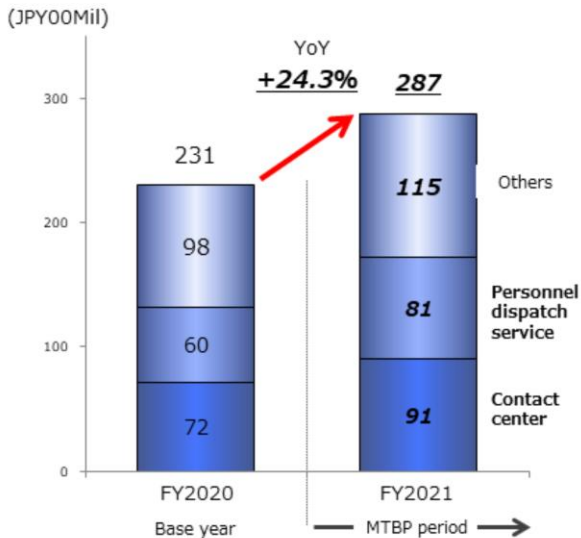
Next, I will explain in order the details of our efforts to strengthen our Group structure and response capabilities, focusing particularly on the four new initiatives adopted under the revised MTBP.

1. Transform the Services We Provide: Expand Marketing Execution Domains

- Gross profit in marketing execution domains excluding COVID-19 pandemic-related business process outsourcing (BPO) increased 24.3% year on year
- Amid dramatic changes to *sei-katsu-sha*'s purchasing behavior and companies' needs due to the pandemic, we accurately identified increased structural sales proxy needs, particularly in the contact center and personnel dispatch domains, and expanded our business scope

Gross Profit in Marketing Execution Domains*

* Covers domestic operations / Excludes pandemic-related BPO business



Topics

Enhancement of In-Group Provision and e-Commerce Market Response Capabilities (HP)

- Expanded in-house provision of contact center business and fulfillment business at Nihon Total Tele-Marketing Co., Ltd.
- Established Kawagoe Fulfillment Center in April 2022 to enhance our response capabilities for increasing logistics needs due to the expansion of the e-commerce market



Incorporation of Companies' Sales Proxy Needs (H/HP)

- In personnel dispatch service domains, proxy service business performed strongly due to companies' personnel reductions and need for non-face-to-face sales as a result of the pandemic



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

In terms of realizing the services needed to implement full-funnel *Sei-katsu-sha* Data-Driven Marketing, we will promote strategic initiatives focused on three major areas: expanding marketing execution domains; transforming the media business; and implementing *Sei-katsu-sha* Insight-based digital transformation (DX).

First, I will talk about expanding marketing execution domains. Gross profit in marketing execution domains grew significantly, primarily in the contact center and personnel dispatch domains.

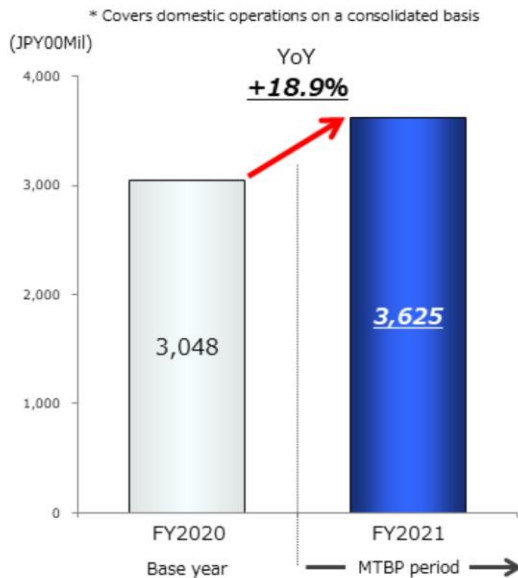
Even excluding temporary positive factors such as COVID-19 pandemic-related business process outsourcing (BPO), gross profit in marketing execution domains still saw a 24.3% increase.

Please see the items in the Topics section of this slide for details on our specific initiatives in these domains.

1. Transform the Services We Provide: Transform Media Business

- Billings in the internet domain rose by double digits thanks to growth at both our integrated advertising companies and next-generation digital agency
- We focused our efforts on further expanding digital business on a Groupwide basis, including strengthening our response for regional/small- and medium-sized businesses (SMBs) and startups via our investment in SoldOut, Inc. We also pursued efforts in the data utilization domain, including our response to a post-cookie world

Billings in the Internet Domain*



Topics

Expansion of Digital Business Geared toward Regional/SMBs (HC)

- Made SoldOut, which provides digital services to regional/SMBs and startups across Japan, a consolidated subsidiary
- Strengthened functions for responding to regional/SMBs and startups and expanded digital businesses through collaboration within the Group

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SOLDOUT

Implementation of Post-Cookie Response (H/MP/DAC/irep)

- Brought together four Group companies to form DATA GEAR, a professional team that supports the utilization of first-party data in the post-cookie era
- Fully leveraged solutions offered by Google LLC and other companies to resolve issues spanning not only conventional media but also owned media and customer relationship management (CRM) on a one-stop basis

DATA GEAR

HAKUHODO | HAKUHODO DY | HAKUHODO DX | UNITED | DAC | irep

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

Billings in the internet domain, which we adopt as an indicator for progress in transforming the media business, were up 18.9% due to growth at our integrated advertising companies, primarily Hakuhodo Inc., and our next-generation digital agency IREP Co., Ltd.

Specifically, we focused our efforts on further expanding digital businesses on a Groupwide basis, including strengthening our response for regional/small- and medium-sized businesses (SMBs) via our investment in SoldOut, Inc. We also made efforts in the data utilization domain, including our response to a post-cookie world.

Please see the Topics section for more details.

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

■ We implemented efforts to incorporate growth markets that leveraged the Group's diverse range of capabilities, including supporting DX in the sales promotion domain and developing new advertising services for virtual spaces

Incorporation of Digital Sales Promotion Domains (MP/HP)

- Established SP EXPERT'S Inc., an operating company that supports the DX of sales promotions for retail and manufacturing companies and provides new shopping experiences to *sei-katsu-sha* within the overall sales promotion domain, spanning customer attraction to purchase
- Contributed to further business growth and the enhancement of provided value across the entire digital sales promotion industry through extensive collaboration with various companies, including advertising companies, printing companies, and digital agencies



Development of Advertising Services for Virtual Spaces (H/MP)

- Started development of advertising experience design, distribution systems, and effective measurement services in virtual spaces through hakuodo-XR, a development project for creative and solutions in the XR (extended reality) domain
- As the first round of the hakuodo-XR project, commenced joint demonstration experiment with Isetan Mitsukoshi Holdings Ltd. for the REV WORLDS smartphone app, which allows access to virtual cities. This experiment will verify brand experience in virtual spaces and methods for measuring effects



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

We undertook efforts to incorporate growth markets and strengthen our capabilities, including supporting DX in the sales promotion domain and developing new advertising services for virtual spaces.

In the sales promotion domain, we established SP EXPERT'S Inc., thereby reinforcing our structure for supporting the sales promotions of retail and manufacturing companies, covering everything from customer attraction to purchase.

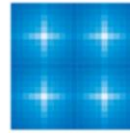
Furthermore, amid the proliferation of 5G, the internet of things (IoT), and more active communication in virtual spaces, we commenced joint demonstration experiments with other companies under the hakuodo-XR project, which seeks to develop creatives and solutions in the extended reality (XR) domain. In these ways, we moved forward with the development of new advertising services in virtual spaces.

2. Strengthen Cross-Organizational Functions to Accelerate Transformation

■ We established a new company that will serve as the core for the Group's technology and infrastructure development. We also formed an R&D organization that promotes the utilization of AI and other technologies in the creative domain. Through such efforts, we reinforced our structure for transforming the services we provide

Strengthening of Competitiveness from a Technology-Driven Perspective (HC)

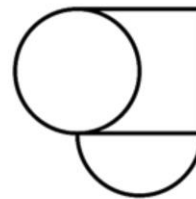
- Established Hakuhodo Technologies Inc. as a core for technology and infrastructure development
- Implemented innovation of marketing business through proactive future investment and the integration of the Group's creativity and technologies



HAKUHODO
Technologies

Implementation of the DX and Automation of Creative-Related Work (HC)

- Launched Creative technology lab beat, a cross-organizational R&D organization that promotes the utilization of AI and other technologies in the creative domain
- Conducted academic research and automatic generation AI tool development through industry-academia collaborations, and research into creative production business workstyles, among other initiatives



Creative
technology lab
beat

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

In April 2022, we established Hakuhodo Technologies Inc., which serves as a core for the Group's technology and infrastructure development.

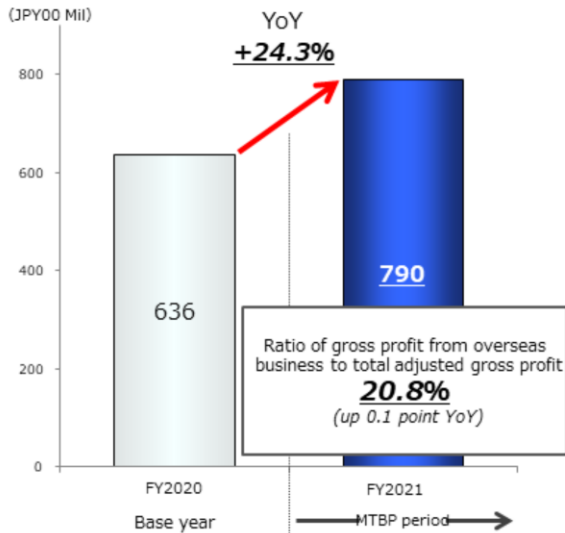
Through Hakuhodo Technologies, not only will we consolidate resources that are spread across the Group, we will also work to recruit and cultivate around 100 external engineers and integrate creativity and technologies. By doing so, we will push forward with marketing business innovation.

In addition, we launched Creative technology lab beat, a cross-organizational research and development (R&D) organization that promotes the utilization of artificial intelligence (AI) and other technologies in the creative domain. In this way, we are stepping up our efforts geared toward the DX and automation of creative-related work.

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

- We realized 24.3% year-on-year growth in gross profit from our overseas business, with the ratio of overseas gross profit to total gross profit increasing to 20.8%
- We continued efforts to develop new services through collaboration with platform owners and to acquire specialized and innovative companies. By doing so, we sought to strengthen our overseas business

Gross Profit in Overseas Business Domains



Topics

Development of New Services with Platform Owners (HC)

- Concluded a partnership contract with GrabAds, the advertising business unit of the Southeast Asian superapp operator Grab Holdings Limited
- Accelerated joint development of innovative solutions and campaigns that are more meaningful to *sei-katsu-sha* in Southeast Asia

Strengthening of Services through Sustainable Urban Development (kyu)

- Welcomed Gehl Architects Holding ApS, a leading company in public space and urban development, as a new member of kyu
- Aimed to further enhance our ability to provide value on a Groupwide basis by establishing people-centered urban development as a Group strength

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

I will talk about “Strengthen response capabilities for borderless corporate activities.” We realized year-on-year growth of 24.3% in gross profit from our overseas businesses, which we use an indicator of progress for this new initiative. This increase was due to the trend of recovery in North America and Greater China, where economic activities are starting to return to normal. As a result of this increase, the ratio of overseas gross profit to total gross profit increased to 20.8%.

We also continued efforts to develop new services through collaboration with platform owners and to strengthen our overseas businesses by acquiring specialized and innovative companies. Please see the Topics section for more details.

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

■ We sought to invigorate business co-creation between companies in a manner that transcends industries and countries. For example, we collaborated with startups that are pursuing new social value creation and participated in business co-creation projects with major companies and startups around the world

Achievement of No. 1 Ranking for Annual Number of Investments in the Corporate Venture Capital (CVC) Category (HC)

- Hakuhodo DY Ventures Co., Ltd. received No. 1 ranking for investments in startups through operating companies and CVC in the 2021 STARTUP DB, which is provided by for Startups, Inc.
- Hakuhodo DY Ventures has invested in about 40 companies since its establishment in 2019. Amid various collaborations, Hakuhodo DY Ventures commenced a new program to facilitate the growth of investee companies through the provision of the Group's knowledge and know-how on collaboration and support

**HAKUHODO DY
FUTURE DESIGN FUND**



Cultivation of New Domains through the Realization of Well-Being (H)

- Joined Well-BeingX, a global open innovation program that aims to realize all kinds of well-being personalized to individual needs
- Collaborated with companies and startups across industries and around the world to pursue business co-creation aimed at creating a society in which all people can leverage their diverse capabilities



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

Hakuhodo DY Ventures Inc. , a corporate venture capital (CVC) of the Group, received the No. 1 ranking for annual number of investments in startups in the CVC category in the 2021 STARTUP DB.* This showcases our continued efforts to invest in promising startups, which we undertake with the aim of enhancing our foundation for external collaborations.

Additionally, we commenced a new program to support the growth of investee companies by providing them with expertise from the Group. In this way, we have been taking steps to deepen collaboration with external companies.

We have also been focusing our efforts on spurring innovation with major corporations and start-ups from around the world, including joining Well-BeingX, a global innovation program aimed at cultivating new business domains through the realization of well-being.

* A corporate database that holds information on more than 13,000 Japanese venture and start-up companies

4. Strengthen Our Foundation for Sustainable Business Management

■ With the aim of achieving our sustainability goal, we put in place a structure for implementing concrete actions, such as engaging in dialogue with all of our stakeholders and promoting efforts focused on important management themes, thereby accelerating relevant initiatives on a Groupwide basis

Establishment of the Hakuhodo DY Group Sustainability Committee and Corporate Sustainability Division

Implementation of concrete actions toward realizing our sustainability goal

- ✓ Enact a corporate response to stakeholder dialogue and decarbonization
- ✓ Engage in efforts focused on important management themes such as supply chains, human rights, and diversity

Sustainability Goal

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

<Major Current Initiatives>

【Response to Climate Change】

Established and disclosed targets based on Task Force on Climate-related Financial Disclosures (TCFD) recommendations

The fourth new initiative is “Strengthen our foundation for sustainable business management.”

In April 2022, we established the new Hakuhodo DY Sustainability Committee and Corporate Sustainability Division within Hakuhodo DY Holdings.

Centered on these organizations, we will push forward with concrete actions aimed at “realizing a society in which *sei-katsu-sha* can flourish and live active lifestyles of their choosing,” which represents our sustainability goal.

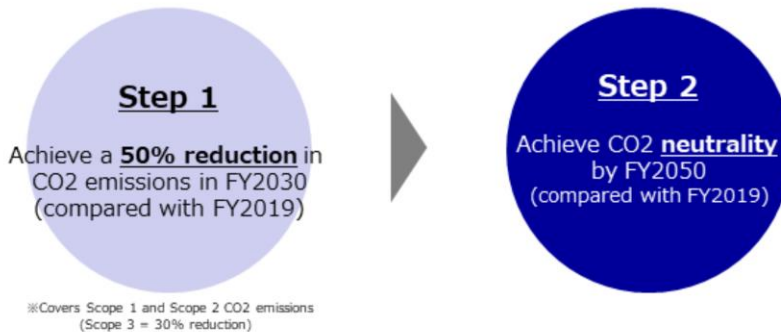
As a major current initiative, we have established targets and disclosed relevant information based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

(Reference) Working toward the TCFD Recommendations

■ The Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and is disclosing information in accordance with TCFD frameworks

Working toward the TCFD Recommendations

Target for Reducing Greenhouse Gas (CO₂) Emissions



<Environmental Burden Reduction Efforts>



Introduction of renewable energy at our offices



Reduction of CO₂ emissions from travel through introduction of teleworking



3Rs activities such as reducing the use of paper and recycling

Since endorsing the TCFD recommendations, we have been stepping up our efforts to address climate change. While doing so, we established new targets for reducing our overall CO₂ and other greenhouse gas emissions.

Specifically, we aim to achieve a 50% reduction in CO₂ emissions by FY2030, compared with FY2019, and to become carbon neutral by FY2050.

To achieve these targets, we are taking appropriate action to further reduce our environmental impact, including through the introducing of renewable energy at our offices. In this manner, we aim to help realize a carbon-free society.

In terms of strengthening our foundation for sustainable business management, we intend to establish other specific evaluation indicators, including for our materiality and human rights initiatives, during the course of FY2022.

Furthermore, we will promote a broad range of initiatives with the aim of realizing sustainable growth, including active investment in human resources, the establishment of work environments that enable employees to draw on their creativity to the greatest extent possible, and the appointment of women directors to further ensure the diversity of the Board of Directors.

The image shows a blue background with a large, stylized white 'H' shape that is partially filled with a darker blue gradient. The text 'Hakuhodo DY holdings' is centered in white serif font.

Hakuhodo DY holdings

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

Although there were temporary positive factors, I believe we got off to a smooth start in the first year of the revised MTBP, including restoring our top line to around the same level that it was before the pandemic and recording record highs for operating income before amortization of goodwill.

The future from FY2022 onward remains extremely uncertain, due in part to the continued conflict in Ukraine and the discovery of new COVID-19 variants. However, the transformations we aim to accomplish under the revised MTBP will serve as a means for responding to irreversible changes in the operating environment. To that end, we will remain steadfast in our efforts to accomplish these transformations.

While closely observing economic trends, we will steadily move forward with the transformation of our business structure as we work to reinforce our foundation for pursuing significant growth over the medium to long term. By doing so, we will seek to further increase our corporate value.

Thank you for your attention.