

Hakuhodo DY Holdings New Medium-Term Business Plan (Summary)

My name is Masayuki Mizushima, and I am the Representative Director and President of Hakuhodo DY Holdings.

Please allow me to give a briefing on Hakuhodo DY Group's new Medium-Term Business Plan, or MTBP.



Review of Current Medium-Term Business Plan

Let me start with a review of the current Medium-Term Business Plan.

*Initial plan

<p>Core Medium Term Strategy</p>	<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>
<p>Transformation of Our Services and Business Foundation</p>	<ul style="list-style-type: none"> ● Transform the services we provide: Implementation of full-funnel Sei-katsu-sha Data-Driven Marketing ● Strengthen cross-organizational functions to accelerate transformation ● Continuously pursue transformation based on existing strategies ● Strengthen our foundation for sustainable business management
<p>Target Levels for Core Domains (FY2023)</p>	<ul style="list-style-type: none"> ● Marketing execution domain : Annual gross profit growth rate of at least +10%^{*1} ● Internet domain : Annual billings growth rate of at least +15% ● Overseas business domain : Annual gross profit growth rate of at least +15%
<p>Medium-Term Business Plan (MTBP) Targets (FY2023)</p>	<p>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> <p>Important Indicators</p> <ul style="list-style-type: none"> • Operating margin after adjustments and before amortization of goodwill : Approx. 15% • ROE before amortization of goodwill : At least 10%

*1 FY2023 vs. base year (FY2020) *2 After adjustments = Excluding investment business

We have been carrying out a variety of initiatives in accordance with the MTBP, which runs through to the end of FY2023.

Please note that we revised downward our outlook for operating profit before amortization of goodwill, stated in the present MTBP to 50 billion yen in November, in view of the latest trends in our business performance.

Review of progress on the current Medium-Term Business Plan

- Initiatives listed in the Medium-Term Business Plan has made steady headway despite some challenges going forward.

Transform the services we provide	<ul style="list-style-type: none"> • Expanded the foundation in marketing practices, digital, and technology by strategic investments. • Good progress has been made in expanding utilization of AaaS, the next-generation advertising media business model. • New business creation in the <i>sei-katsu-sha</i> interface market is moving into an expansion phase in both scale and number.
Overseas business	<ul style="list-style-type: none"> • Active M&A helped expand business scale faster than initially planned • Made steady progress in incorporating specialization and innovation, as well as enhancing capabilities and organizational structure in the Asian region.
External collaboration	<ul style="list-style-type: none"> • We have built a foundation for promoting external collaboration including the MIRAI Business Division, UoC and Hakuhodo DY Ventures. • Ready to move to the phase of creating business impact.
Cross-organizational functions	<ul style="list-style-type: none"> • We have enhanced common foundation by establishing Hakuhodo Technologies and Hakuhodo DY Corporate Initiative. • Research and development to leverage AI and other emerging technologies is being implemented through a Group-wide organization.
Sustainability	<ul style="list-style-type: none"> • Progress has been made with corporate actions and awareness-raising activities for employees. • We have generated a variety of concrete examples, including sustainability-themed client services.

※ UNIVERSITY of CREATIVITY

© HAKUHODO DY Holdings Inc, All Rights Reserved.

3

Although we are experiencing specific challenges that we will need to address going forward, we have made steady progress on the various initiatives listed in the current MTBP as a whole.

Regarding “Transform the services we provide”, good progress has been made in the development of structures and foundations for key business domains, such as marketing execution, digital services and technology.

We have also made some headway in the promotion of AaaS and new business creation in the *sei-katsu-sha* interface market.

For “Overseas business,” we have developed capabilities and structures required to support our scaled operations. Although profitability in North America has fallen somewhat, we have taken necessary actions including cost reduction measures.

In terms of “external collaboration,” we have built a foundation for collaborating with external parties including through the MIRAI Business Division, University of Creativity, and Hakuhodo DY Ventures.

To improve our “cross-organizational functions,” we incorporated two Group companies to serve as our common foundation. One of them, Hakuhodo Technologies, is conducting research and developing tools for leveraging AI and other emerging technologies.

With regard to “sustainability,” we have made progress in corporate actions and raising the awareness of employees. Many concrete cases have also emerged in client services.

Progress in medium-term business targets/important indicators

- Performance on “growth potential” measures, including gross profit, exceeded initially planned levels, but we still face challenges in terms of profitability.

	Medium-term target	FY2023 outlook
Medium-term business targets	Operating income before amortization of goodwill	¥65 billion or over
	Growth rate of gross profit after adjustments	+7% or over CAGR
	Growth rate of operating income after adjustments and before amortization of goodwill	+7% or over CAGR
Important indicators	Operating margin after adjustments and before amortization of goodwill	Approx.15%
	ROE before amortization of goodwill	At least 10%

© HAKUHODO DY Holdings Inc, All Rights Reserved.

4

Now I'd like to turn to progress on numerical targets.

Better-than-planned performance is on the way regarding growth potential indicators including the growth of adjusted gross profit.

Although not listed here, I am pleased to announce that we are making progress as planned toward growth targets for individual business domains, including annual growth of 15% in gross revenue for Internet business, annual growth of 10% in gross profit for marketing execution domains, and annual growth of 15% in gross profit for overseas business.

However, we have some challenges with indicators related to profitability, as the target for operating profit before amortization of goodwill was revised downward while other indicators failed to reach the planned levels.

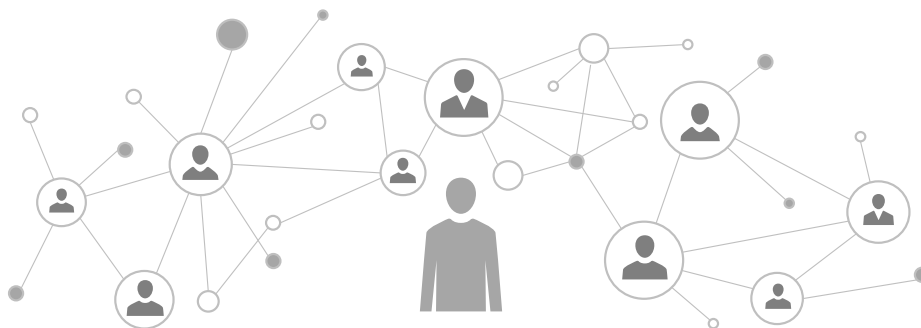


Outline of New Medium-Term Business Plan

Now I would like to outline our new Medium-Term Business Plan.

Goal

From a group of advertising companies to a **creativity platform**



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

Faced with the rapidly changing business environment, we recognize the necessity of transformational changes in every aspect, including our Group's scope of business and earnings model.

At a turning point for any transformational change, it is crucial that we articulate how we are going to change ourselves as a group and the future direction of our growth. That is why we decided to define our goal.

Our goal is to evolve from a "group of advertising companies" to a "creativity platform." Leveraging *sei-katsu-sha*-centered creativity as our edge, we will evolve into a group capable of creating the future by connecting *sei-katsu-sha*, organizations and society and thus adding new value to the relationships among them.

The HDY Group has the culture required to attain this goal, focused on *sei-katsu-sha* insight, co-creation and teamwork.

We possess the necessary enablers including diverse human resources, a global network and human-centric technologies.

By mixing various people and wisdom on a global scale, we will expand the field of our *sei-katsu-sha*-centered creativity to include support for innovation, support for business growth, solution of social issues and new business creation, in addition to support for advertising and marketing, and continue our growth while reconciling social and economic values to sustain growth.

Six business domains of our creativity platform

- The six business domains to create new relationship value by leveraging *sei-katsu-sha*-centered creativity as our edge.

1 Consulting business

4 Technology business

2 Marketing business

5 Content business

3 Global business

6 Incubation business

Here are the businesses that comprises our creativity platform.

We have listed business domains capable of creating new relational values with *sei-katsu-sha*-centered creativity:

Consulting business;

Marketing business;

Global business;

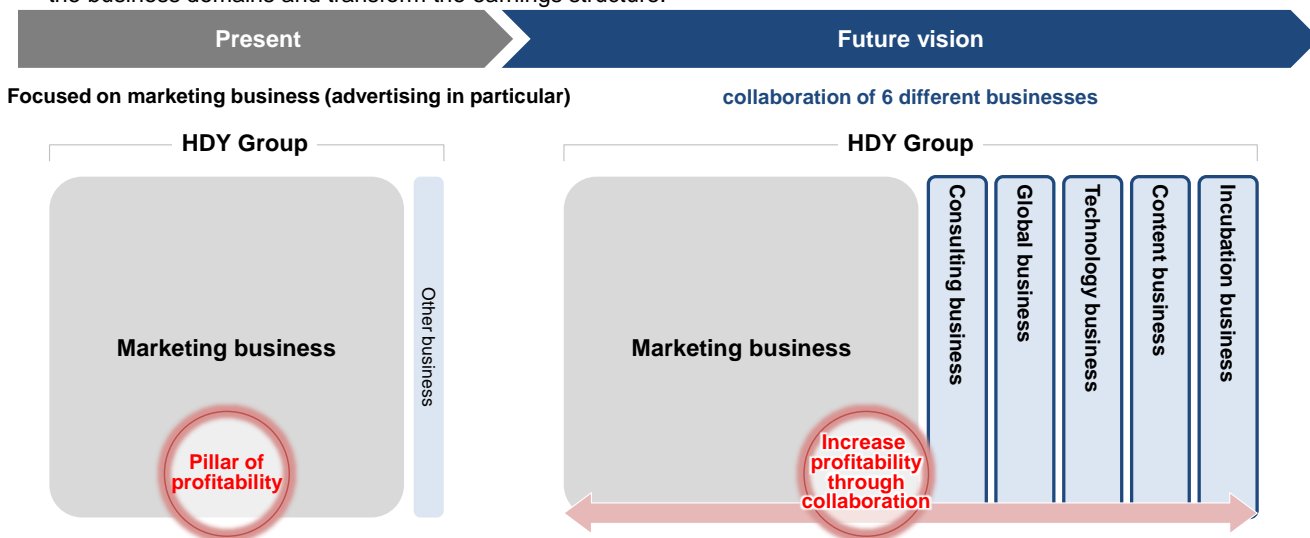
Technology business;

Content business; and

Incubation business.

Business restructuring

- We will ensure upscaling in the six business domains and seek to improve their profitability and stability by fostering collaboration between them.
- We will **form a specialized organization specifically to promote transformation** across the Group, in order to expand the business domains and transform the earnings structure.



© HAKUHODO DY Holdings Inc, All Rights Reserved.

※Image of composition of operating income before amortization of goodwill

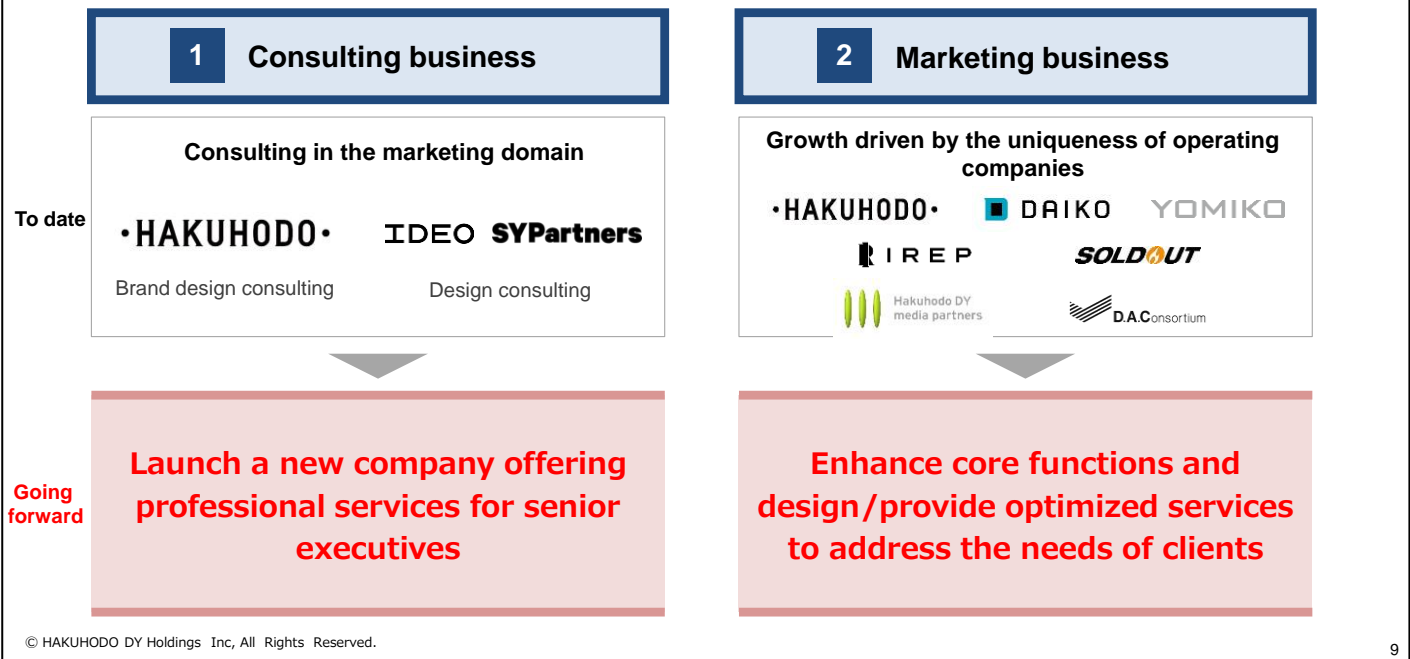
8

To date, the marketing business has been the pillar of profitability for the HDY Group.

Moving forward, we will restructure our business so that the six pillars can increase their profits with different business models and targets, and collaborate with each other to enhance profitability even further.

This transformation will not happen overnight. It will probably take three years to build the foundation, and another five years to establish the structure on the right side of the screen. We will also form a specialized, Group-wide organization to promote upscaling in the business domains and transformation of the profit structure.

Strategy by business domain



I'll now outline our strategy for each of the pillars.

First, we have the consulting business.

So far, we have focused on marketing-related consulting activities: “brand design” for Hakuhodo and “product & service design” for IDEO to name just two.

As every kind of company is facing major changes, we must address not only marketing issues but also challenges facing top management, including those regarding business operation and management further upstream.

That is why we are planning to launch a new company to provide professional services for top executives to address those issues.

We will release further details as soon as they are determined.

Our second pillar is the marketing business.

Up until now, we have achieved sizable growth as a group by member companies growing steadily by leveraging their uniqueness, while the advertising market has expanded gradually.

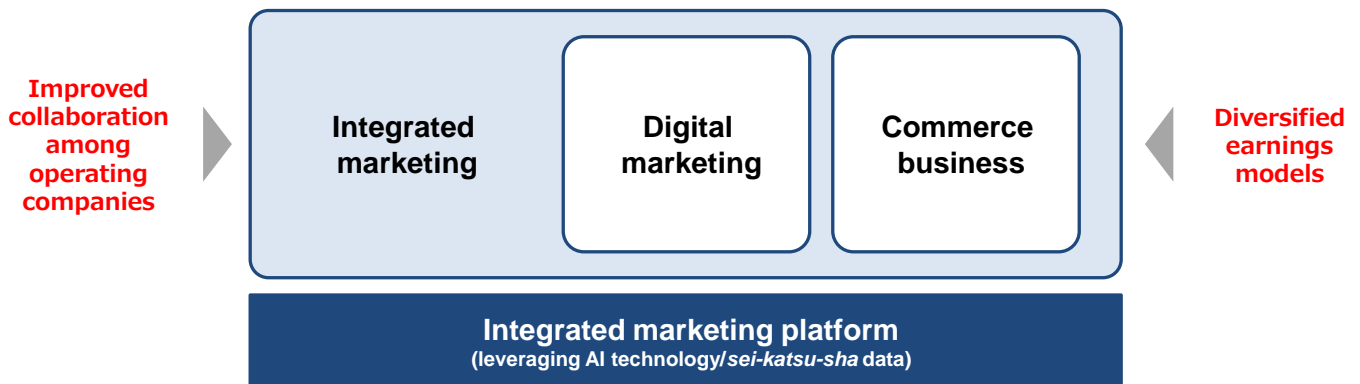
However, the growth of the advertising market has slowed amid the harsher competitive environment. We have entered a stage that requires the whole group to build an optimal structure if we are to tackle the marketing issues facing clients.

I'd like to elaborate on this point.

Enhancement of marketing business

- Improve collaboration among operating companies and diversify earnings models
- Enhance functions for implementing integrated marketing, digital marketing and commerce business
- **Implement an “integrated marketing platform”** to upgrade and enhance the efficiency of full-funnel *Sei-katsu-sha* Data-Driven Marketing by leveraging AI and other emerging technologies.

Build a service design/provision structure to address client needs from a Group-optimized perspective



© HAKUHODO DY Holdings Inc, All Rights Reserved.

10

In the marketing business, we will coordinate among operating companies and diversify earnings models.

One of our focuses will be the digital marketing domain, and the other will be strengthening the commerce business to “promote transformation from sales to CRM,” in response to rising client needs. We will also enhance functions to integrate them all.

Furthermore, we will implement an “integrated marketing platform” as our Group’s common infrastructure to aggregate the functions, expertise, AI technology and sei-katsu-sha data, and as a system to accelerate the advancement and efficiency of “sei-katsu-sha driven” full-funnel marketing.

We have already moved to the development stage, with a beta version planned to be out in April 2024.

Establishment of a digital core

- Integrate IREP and DAC to form a new digital core company to aggregate group resources and expertise.
- Boost competitiveness and productivity in the digital market to be the No.1 in the Japanese market.

Establish a new digital core company



© HAKUHODO DY Holdings Inc, All Rights Reserved.

※QCD : Quality, Cost, Delivery

11

To strengthen our digital marketing domain, we will merge IREP and DAC into a “new digital core company” in April 2024 to aggregate the resources and expertise of Hakuhodo and Hakuhodo Media Partners, and serve as Group infrastructure for the domain.

The new company will address three transformational issues, namely “optimized digital frontline,” “substantial improvement of quality, cost and delivery through integrated management of front office and operation” and “enhance response capability for global platformers.”

We aim to achieve the best-in-class position by substantially improving our Group revenue in the Internet domain from the current level of 400 billion yen.

Strategy by business domain

3 Global business



Going forward

kyu and Hakuhodo to form a modern network for collaboration, while enhancing their respective strategies and expanding their scope of business

4 Technology business



Roll out technology business to create sei-katsu-sha experience in the marketing SI / SaaS domains

© HAKUHODO DY Holdings Inc, All Rights Reserved.

12

Our third pillar is the global business.

In this area, business expansion has revolved around “integrated domestic and international operation” particularly in Asia including China for Hakuhodo, and “integration of specialization and innovation” for kyu.

Going forward, kyu and Hakuhodo will expand their scope of business while enhancing their respective strategies, and form a unique modern network that is different from the existing global network to promote collaboration, starting with the domains where significant synergies can be expected.

We will be the first to explore cutting-edge marketing techniques to provide services optimized for the changing client needs at the global level.

Our fourth pillar is the technology business.

We have focused on enhancing the platforms and resources required for leveraging technologies, culminating in the incorporation of Hakuhodo Technologies a couple of years ago.

We are committed to growing the technology business that can create sei-katsu-sha experience as a source of profits.

In particular, we will develop business in the domains where our Group can leverage its own knowledge and track record, including sei-katsu-sha-centered marketing SI and marketing SaaS.

Strategy by business domain

5 Content business

Addressed as part of marketing services

To date



Going forward

Build a new earnings model as content business including through investment in IP and the development of peripheral business

6 Incubation business

Creation of collaboration platforms and business development projects



Evolve the incubation function within the Group into a core business that supports the whole Group in 10 years

Our fifth pillar is the content business.

We have addressed this business area mainly as part of our marketing services.

We believe that content will become increasingly important in designing sei-katsu-sha experience and create significant business opportunities by facilitating structural changes to accompany technical advancement.

We will nurture this area by, for example, investing in IP and developing peripheral businesses.

Our sixth and final pillar is the incubation business.

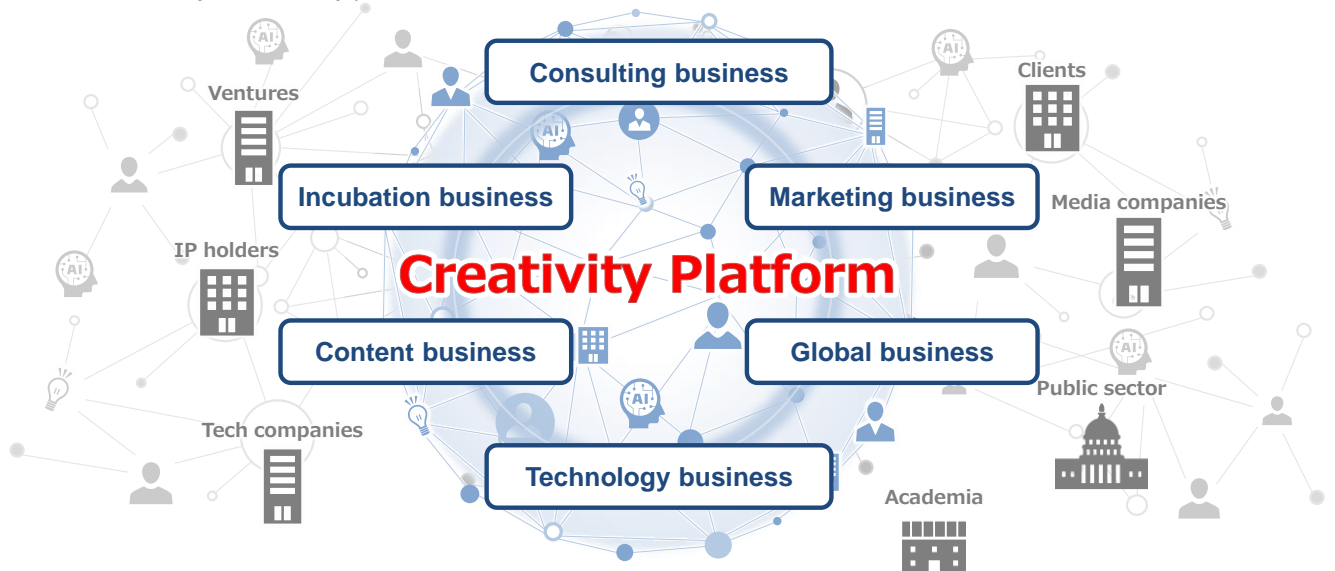
We have thus far built platforms for external collaboration such as the MIRAI Business Division and Hakuhodo DY Ventures, working to drive business development projects within the Group.

Looking ahead, we are planning to enhance these diverse incubation functions further and evolve them into a core business that supports the whole Group in the future.

We will leverage networks inside and outside the Group in domains related to points of contact with sei-katsu-sha to find new seeds, and generate new social impact projects by mixing the various sorts of creativity that we have within the Group.

Extension of relationship values created by the HDY Group

- The scope of relationship values created by the Group will expand further through connections to the wider world facilitated by the creativity platform



© HAKUHODO DY Holdings Inc, All Rights Reserved.

14

Ideally, our creativity platform spanning the six business areas will drive the growth of the HDY Group by connecting everything inside and outside the Group, including people, organizations, ideas and technologies to create new relational values.

Management that prioritizes social responsibility

- Focus on strengthening compliance and promoting sustainability to fulfill social responsibility

Corporate Social Responsibility

Social Impact

E nvironment	<ul style="list-style-type: none"> • Challenge for a 50% reduction in CO₂ emissions by 2030 <ul style="list-style-type: none"> - Commenced introduction of renewable energy in Japan - Scheduled to complete measurements, including at overseas offices, by 2025 	<ul style="list-style-type: none"> • Employee awareness campaigns addressing social issues <ul style="list-style-type: none"> - Organized Group events with the theme of climate change • Community contribution initiatives <ul style="list-style-type: none"> - Developed co-creation programs for future generations
S ocial	<ul style="list-style-type: none"> • Drive initiatives for Group 30% target ratio of female employees in management positions <ul style="list-style-type: none"> - Started training programs aimed at mitigating biases in performance evaluations and promotions • Promote DE&I initiatives to foster creativity <ul style="list-style-type: none"> - Accelerated progress through knowledge sharing and collaboration within the Group 	
G overnance	<ul style="list-style-type: none"> • Established a committee to reconfirm business mindset and promote behavioral change within the Group <ul style="list-style-type: none"> - Reaffirming compliance matters, including the Code of Conduct - Implementing human rights training for 10,000 employees 	

Meeting our corporate social responsibility is an essential requirement above all. We believe it will be increasingly necessary to view things through the lens of compliance and sustainability.

We will continue to focus on social responsibility in business management by promoting initiatives that help create social impact from the perspectives of environment, society and governance.

In particular, we are planning to establish a dedicated organization to strengthen compliance going forward.

The logo for Hakuhodo DY Holdings is centered on a blue background with abstract, swirling light patterns. The text "Hakuhodo DY holdings" is written in a dark blue, serif font.

Hakuhodo DY holdings

Abbreviations
DAC: Digital Advertising Consortium

That concludes my briefing on our new MTBP.

Details on quantitative medium-term business targets, shareholder return policy and other initiatives under the new strategy will be revealed at the briefing on the full-year financial results slated for May 2024.

The HDY Group is at a critical turning point in our ongoing transformation.

Against this backdrop, we are committed to dynamic business restructuring by reaping profits on upfront investments, improving profitability, and reinforcing our enterprise power as a group, without sticking to old ways.

The period of our present Medium-Term Business Plan will end shortly. The whole Group is working together to achieve the current full-year outlook.

That wraps up my presentation. Thank you for your attention.