

Hakuhodo Develops and Initiates Hakuhodo Internal Activation

A new system for strategically implementing internal communication

Tokyo— February 5, 2007—Hakuhodo has developed a new planning program for communicating management intentions to employees via strategic internal communications so that employees turn them into action. Called Hakuhodo Internal Activation, the new system began operating in February 2007.

As society and consumers become increasingly demanding in their evaluations of businesses and apply ever more diverse criteria to them, companies have a greater need to rapidly convey a wide range of management imperatives—from corporate visions and management policies, to stances on compliance issues and the like—to their employees, and have them understand, internalize and act upon them. However, relations between employees and companies are changing, and the volume of information each employee must process every day ballooning with the advance of information technology. These make traditional one-way internal communications increasingly ineffective.

To cope, companies need a strategic internal communications system that can more effectively convey management imperatives and make them understood so that employees independently reflect them in their actions.

To respond to this need, Hakuhodo Internal Activation condenses Hakuhodo's wealth of experience in internal communications, packaging it with newly developed internal communication environment surveying methods and employee-participation workshops. The result is a four-step program that encompasses analysis & diagnosis, strategy & design, implementation and evaluation to fully support employee internalization of corporate thinking.

Strengths of Hakuhodo Internal Activation

1. Utilizing marketing communication methods for internal communications

Hakuhodo blends marketing communications know-how amassed over many years with newly developed proprietary surveying methods (including Internal Power Survey and our Internal and External Brand Power Gap Survey) to analyze a company's current internal communications environment and build effective communication strategies.

2. Crosslinking communication tools with information, employee and space measures

We build integrated communication scenarios, organically combining efforts for information (creation of communication tools), employees (recruitment, training programs, commendation systems, etc.) and space (internal events, exhibitions, office space, etc.), to link managerial intentions with the desired employee action.

3. Operated by specialist staff

Hakuhodo Internal Activation is operated by project teams comprising internal communication strategy planners, organization innovation facilitators, corporate communications producers and other specialist staff.

Tomorrow's companies will no longer be able to solve managerial issues with marketing methods like products and advertising alone. In addition, they will need to ensure that each one of their employees internalizes the company's intentions and embodies the company's unique corporate culture. With Hakuhodo Internal Activation, Hakuhodo can help solve client problems by activating their employees to lift their corporate value with services tailored to their particular corporate culture.

Hakuhodo Internal Activation can help:

- Ensure employees understand and act on corporate visions
- Beneficially meld merging companies' differing corporate cultures
- Ensure full staff awareness of new management policies
- Swiftly convey the policies of a new corporate head
- Effectively convey brand value to employees
- Make sure employees fully understand the company's stance and policies toward corporate compliance
- Boost employee interest and participation in the company's corporate citizenship and environment protection initiatives
- Breathe new life into stagnant corporate cultures, boosting employee motivation and morale
- Increase cohesion when staff numbers increase suddenly due to rapid growth
- Link internal and external communications

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■ About Hakuhodo Inc.

Founded in 1895, Hakuhodo Inc. (www.hakuhodo.jp) is the second largest advertising company in Japan, and the tenth largest core agency in the world according to *Advertising Age's* agency report 2006. Today, innovation and creativity are still at the heart of its operations. Hakuhodo shares with its clients an unmatched depth of knowledge about the relationship between people and brands – knowledge that has grown from the concept of *sei-katsu-sha* (“consumers with a heartbeat”) which Hakuhodo pioneered in advertising. Through its global network, Hakuhodo provides comprehensive marketing and communications services and solutions for some of the best-known brands in the world. Hakuhodo has 64 offices in 16 countries/regions, and approximately 5,000 employees.

Sei-katsu-sha insight is the foundation for Hakuhodo's thinking, planning, and brand building. It reminds us that consumers are more than shoppers performing an economic function. They have heartbeats. They are individuals with distinct lifestyles. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumers' lives.

Hakuhodo is one of three advertising agencies under the umbrella of Hakuhodo DY Holdings Inc. (TSE: 2433) (<http://www.hakuhodody-holdings.co.jp/english/index.html>) a holding company which was established in 2003 through the management integration of Hakuhodo Inc., Daiko Advertising Inc. and Yomiko Advertising Inc. Hakuhodo DY Holdings Inc. was listed on the first section of Tokyo Stock Exchange in 2005.