

Hakuhodo develops CrossMedia HAAP:

A new system that simulates the combined effects
of mass media and Internet advertising

Tokyo—February 21, 2007—Hakuhodo's R&D Division has developed CrossMedia HAAP, a new system for simulating the aggregate effects of mass media and Internet advertising.

The growing popularity of the Internet and spread of the use of broadband is making the Internet an increasingly essential part of advertising campaigns. Advertisers now look to us more and more for cross-media communication strategies that advantageously interlink advertising in existing mass media with that on the Internet in the hopes of even greater advertising effects.

However, until now there has been no system able to handle mass media and Internet advertising on an equal footing, supporting the creation of such advertising plans by simulating the total overall effects of both. Quite simply, there was no single-source data measuring the contact of the same set of individuals with mass media and the Internet.

Hakuhodo's new CrossMedia HAAP system uses a technique called data fusion to build pseudo single source data, enabling the simultaneous analysis of *sei-katsu-sha** mass media contact and Internet viewing behavior, and the integrated planning of mass media and Internet advertising. As a result, it is now possible to simulate the effects of cross media campaigns involving both mass media and Internet advertising—something that was difficult previously.

Features of the new CrossMedia HAAP system

- (1) Adds an Internet advertising planning function to Media Mix HAAP, a system that runs simulations of media mix plans involving traditional mass media. This enables the handling and planning of Internet advertising in the same manner as mass media advertising.

* *Sei-katsu-sha* are more than simply consumers, just as people's lives and lifestyles include more than just shopping. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumer's lives.

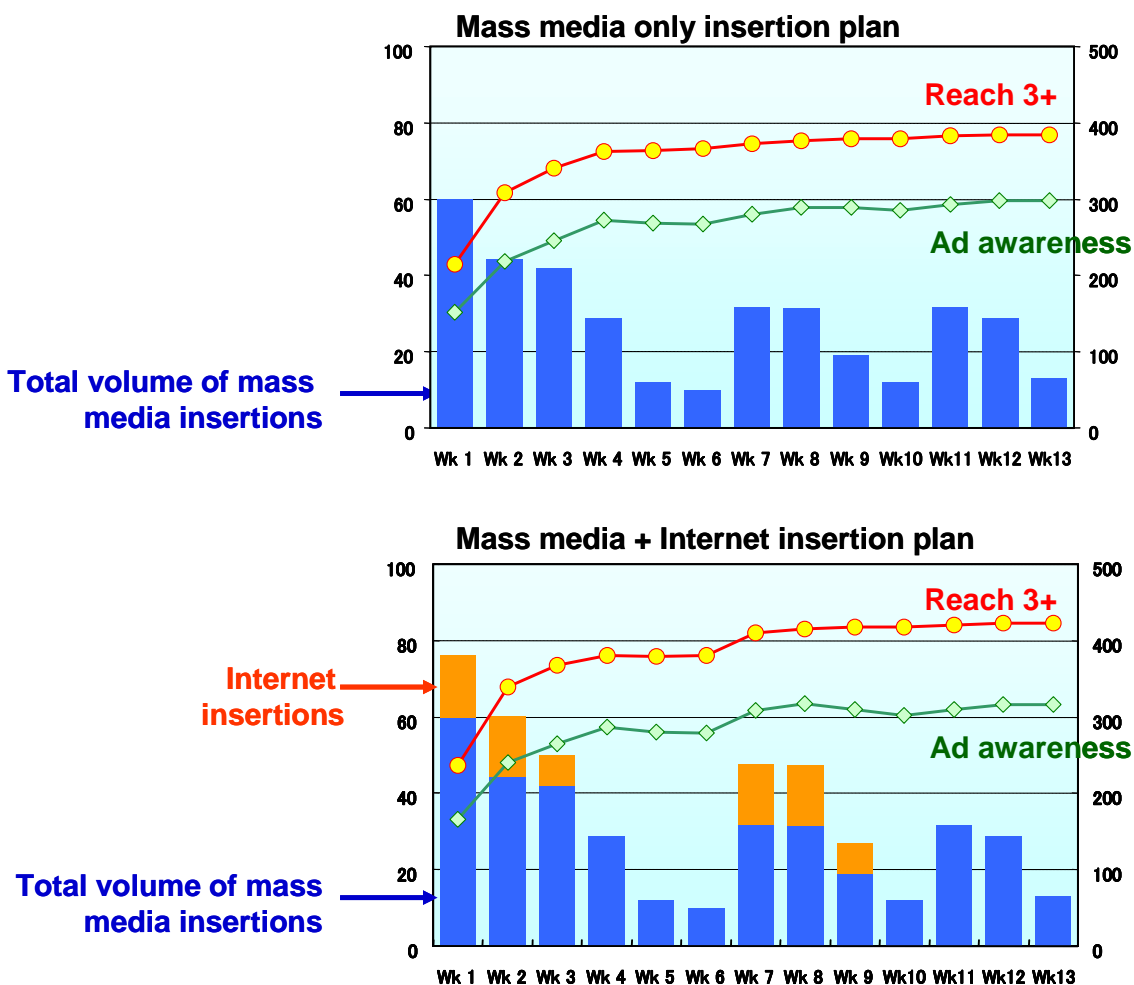
- (2) Having calculated mass media and Internet effect indices with ordinary people as their common denominator, the system makes it easier to compare figures and gain sight of the bigger picture.
- (3) The system is compatible with commonly used mass media effect indexes like reach, ad reach, ad awareness and brand recognition.

Hakuhodo began trialing the system in November 2006, verifying its effectiveness internally since then. The company will use the system with advertisers that express a high degree of interest in cross media communication, and in so doing, raise its ability to propose the integrated communication that those advertisers need.

Reference 1

Simulation of the effects of combined mass media and Internet advertising

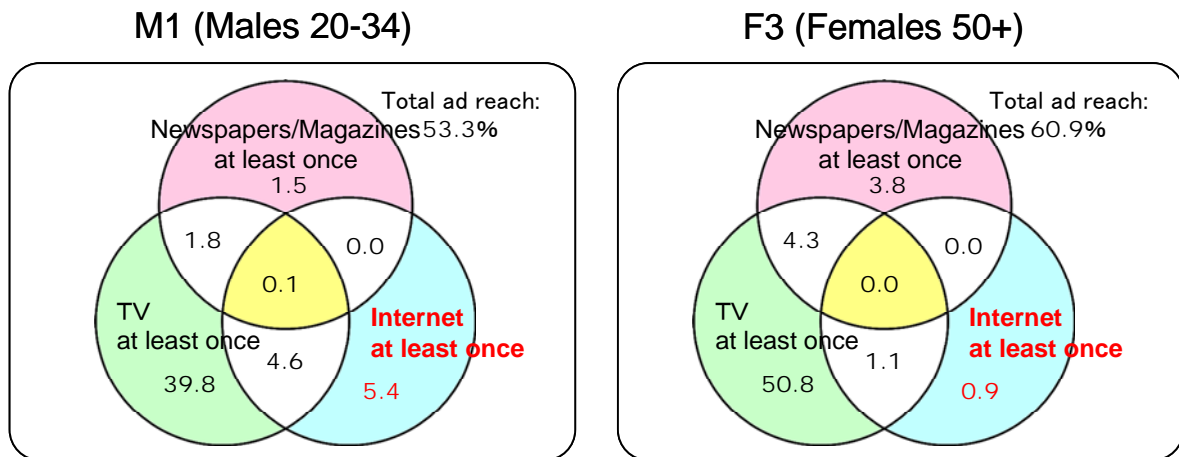
- (1) Input the mass media and Internet insertion plan to gain an understanding of the change in effect over time



The addition of Internet insertions increases the overall effect

(2) Estimate the overlap of reach of advertising in each media

In this example, we can confirm that the addition of Internet insertions increases reach with 20–34 year-old males by 5.4 points, but only increases reach with 50+ females by 0.9 points.



Reference 2

About data fusion

Honed in Europe since the 1980s, the data fusion method is now becoming prevalent in the USA and other countries. Data fusion links data from surveys involving different respondents by respondent unit, enabling the use of the data as though it were from just one survey. In practice, the method uses like question items (e.g. sex, age, occupation perceptions, behavior, etc.) to match similar respondents from two surveys, allowing the data to be used as if it were from one survey.

Reference 3

About HAAP

HAAP (Hakuhodo's Approach to Advertising Planning) broke new ground in media planning in Japan when it was unveiled by Hakuhodo in 1977. Continuously expanded and upgraded since then, the system has come to be a key media planning tool for Hakuhodo and Hakuhodo DY Media Partners.

HAAP's functions can be roughly divided in two: (1) an optimizing function that creates insertion plans that maximize advertising effects based on parameters such as advertising

budget, period and target, and (2) a simulation function that estimates effects of user-created plans. Both functions can estimate target *sei-katsu-sha* rate of contact with the advertising (i.e. reach), contact frequency, advertising awareness, brand recognition and other effect indicators.

With the addition of CrossMedia HAAP, HakuHodo's Super HAAP suite of systems now includes Media Mix HAAP—a tool supporting mixed media plans involving advertising in newspapers, magazines, TV, radio and on trains (hanging posters, etc)—as well as dedicated HAAP tools for newspapers, magazines, TV, radio and outdoor media.

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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.