May 26, 2026

Hakuhodo DY Holdings, Inc.

Consolidated Financial Results Briefing for FY2026: Q&A

Presentation date and time: Tuesday, May 12, 2026, at 15:00–16:00

Questions answered by:

Yasuo Nishiyama	Representative Director & President
Hirotake Yajima	Director & Executive Vice President
Akihiko Ebana	Director & Executive Vice President
Hidetaka Tada	Director & Senior Executive Corporate Officer
Takeshi Tokugawa	Director & Senior Corporate Officer

- How do you view the market environment (domestic and overseas) in this year's topline plan?

In Japan, we currently expect mid-3% annual growth. At this stage, we have not confirmed any impact on performance from conditions in the Middle East and it is therefore not factored into our market assumptions. The current guidance was drawn up on this assumption.

Overseas, conditions vary by region, but we expect strong growth in the overall advertising market of around mid-8%. However, overseas markets, particularly those in ASEAN, are more susceptible to the effects of developments in the Middle East. Therefore, our guidance assumes slightly lower growth than the headline expectation.

- How are SG&A expenses planned, including strategic investment increases and resulting cost reductions?

SG&A expenses are expected to increase by approximately 6% overall, reflecting the consolidation of Digital Holdings. Excluding this impact (on a like-for-like basis), we anticipate growth of around 3%.

The increase is primarily driven by higher depreciation associated with system investments to advance AI initiatives.

Labor costs are expected to be contained despite base salary increases to address inflation, supported by the benefits of structural reforms implemented in the prior period, including early retirement programs and the consolidation of back-office functions.

Accordingly, SG&A expenses excluding the impact of Digital Holdings are projected to rise by approximately 3%.

Incentive-related expenses will remain variable in line with business performance and will be managed flexibly and appropriately in response to operating conditions.

- Regarding the 70% win rate in pitches, is this mainly driven by internet media and the internet domain or other service types?

The 70% win rate primarily refers to projects in the digital domain. While client needs range from standalone digital to fully integrated solutions, we focus on strengthening competitiveness in the digital space, a growth market. In practice, many projects combine digital with TV and other solutions, generating additional spillover effects.

- Presently, extraordinary losses are not included in the plan for the current fiscal year. What is your view on the risk of future extraordinary losses?

In recent years, we recorded extraordinary losses due to structural reforms, but no major extraordinary gains or losses are expected this year. If performance proceeds as planned, additional costs should not be necessary. However, if performance structurally underperforms, additional expenses may arise. We will continue asset sales, but extraordinary gains/losses are not currently assumed due to stock price uncertainty.

- Significant improvement in overseas growth is forecast in the plan for the current year. Which regions will drive this improvement, and how would conditions and competitiveness look without Middle East risks?

The Group has worked to strengthen the profitability of overseas operations. As a result, profitability in North America has improved through restructuring, and the overall earnings base in Asia has strengthened despite the slowdown of the Chinese market.

We expect to grow this fiscal year based on this foundation. We anticipate Greater China to recover after bottoming out and India to enjoy continued high growth. In North America, we are aiming for billings expansion while maintaining profitability.

We expect high growth overall, and performance is tracking generally in line with plans in Q1. However, prolonged Middle East instability could impact Asia and North America. Even then, we aim to maintain current profitability levels.

- Regarding progress on the Medium-Term Business Plan, while profitability is doing well, why is gross profit growth relatively weak, and what are the measures?

Gross profit growth fell short of the Medium-Term Business plan target last year, partly due to changes in consolidation scope. We recognize future gross profit growth as an important challenge.

Key initiatives toward future growth:

1. The integration of Hakuhodo and Hakuhodo DY Media Partners, and unified management with Hakuhodo DY ONE improved the digital win rate to around 70%, which we expect will contribute to lifting gross profit growth this year.
2. The integration of Digital Holdings increased gross profit. In addition to a net increase in gross profit, by generating synergies from combining the Digital Holdings' digital capabilities with the strengths of a full-service advertising company, we are driving the expansion of gross profit in non-digital domains as well. The synergies between the companies are only partially reflected in our guidance, leaving potential upside.

- Overseas operations saw operating income return to profitability in the previous period. Will profits continue quarter by quarter going forward?

Last year, the effects of structural reforms enabled a certain level of profitability despite limited growth in North America and China. In ASEAN, topline growth was sluggish, especially in Thailand. India continues to perform strongly.

This year, quarterly fluctuations are expected due to regional factors, but we aim for stable full-year profitability.

- Who are your competitors in the consulting business, and what points do you receive most praise for compared to your competitors?

Our Group's consulting strength is our approach, which is different from that of large consulting firms in two key ways:

1. Human-centered organizational and business transformation. Leveraging IDEO and SY Group knowledge, we see companies as collectives of people and focus on transformation starting from people.
2. Brand-led management support. Hakuhodo Consulting applies marketing expertise to enterprise-wide brand strategy. Additionally, the frontlines of Hakuhodo, Daiko Advertising, and YOMIKO ADVERTISING maintain close client relationships and can propose solutions before issues fully surface. And integration with multiple broader assets (marketing, etc.) allows us to propose value as a Group. We differentiate ourselves with this unique approach.

- As rapid advances in AI gradually transform the value of conventional advertising space and advertising production, how will the revenue structure of advertising agencies and marketing companies change? For example, what do you think about monetization through AI utilization and AI strategy as a management strategy? What will decrease in management and business operations as AI becomes pervasive?

The advertising business is expanding from traditional marketing communications domains to a full-funnel model. As a result, conventional promotion is evolving into CRM, and we are working to connect CRM and marketing communications with AI and data-driven marketing. This shift is changing the value of advertising space.

Traditionally, awareness and brand understanding were the goal, but by linking advertising media to purchase data, we can generate more effective media value. For example, new formats such as retail media are growing. We view advertising as an investment, not a cost, and are building new AI-driven advertising models.

- Will AI change workforce structure? Can ad unit pricing increase?

With the recent popularization of AI, we are seeing changes in search behavior, too. Search queries themselves are increasing, but website traffic from search results is decreasing due to AI. Meanwhile, ad effectiveness, conversely, is improving, leading to rising ad unit prices

Also, in addition to search ads, the relative importance of video ads is on the rise, a shift that is progressing in the market as a whole. We, too, have seen strong growth in video advertising. As a result, while total ad volume may plateau, we expect value to rise thanks to higher unit prices, and are working to continue to increase added value.

- What is your view on organic billings growth excluding the impact of the consolidation of Digital Holdings? And what is your outlook on TV and internet media?

The current guidance on organic billings growth (excluding Digital Holdings impact) is 3%+. Our outlook for TV is mostly flat with slight growth, and for internet advertising is for approx. 7% growth, thanks to the impact of certain large-scale projects.

- What supports the 7% internet growth assumption in your billings plan for this year?

In the digital domain, we anticipate growth of the market overall to be around 7%, thanks to growth in video, OTT and retail media in particular. For our company, high growth from the strengthening of digital structure centered on Hakuhodo DY ONE and the generation of synergies with OPT informed the drafting of the current guidance.

End