

December 1, 2025

Hakuhodo DY Holdings, Inc.  
Consolidated Results Briefing for H1 FY2025: Q&A

Presentation date and time: Thursday, November 13, 2025, 16:00–17:00

Questions answered by:

Masayuki Mizushima	Representative Director & Chairman
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

- Gross profit margin increased in Q2, continuing from Q1. We hear that this is largely due to improved profitability in some projects, but could you elaborate on this? Do you think this improvement will be sustained?

Gross profit margin has been improving thanks to the promotion of insourcing and robust cost control. Insourcing was already progressing in the Hakuhodo Group, but the current improvement in gross profit margin is being driven by promoting insourcing at Group companies beyond the Hakuhodo Group. We plan to continue this initiative going forward, most likely maintaining the current margin level.

- Why have SG&A expenses declined in Q2? Was this due to any emergency measures to make up for the subpar performance outside Japan? Or will SG&A also resume the previous level if the topline improves? Is the use of AI affecting the P/L?

The decline in SG&A expenses is largely attributable to the change in the scope of consolidation and structural reforms in North America (personnel cutbacks and office consolidation, among others). We expect that the current level will basically hold, as it is a result of restructuring. The use of AI is steadily improving our operational efficiency. We plan to shift human resources to promising domains to improve profitability further.

- Can you elaborate on the organic growth of billings in Japan? How about the actual organic growth in Q2, particularly in the TV and internet markets, and your prospects for H2?

In H1, we had some extraordinary factors such as the drop of BPO business in the public sector from

the unusually high level recorded in the previous year, temporary adverse impact on the TV market and the change in the scope of consolidation. Excluding those factors, the organic growth of billings in Japan remained almost unchanged in H1 from the previous year. Regarding the internet, the growth was limited to just over 3% in H1, partly due to a reactionary decline from the extraordinarily robust performance in the same period of the previous year. Although TV business is still declining, continuing from Q1, due mostly to temporary factors, some turnaround is expected as we approach Q4. We are not pessimistic about the topline at present. Indeed, we have high hopes for promising projects in H2.

- You have not changed the full-year outlook. Does that mean you expect a more difficult business environment in H2?

We do not see any specific signs of a deterioration in the business environment going forward. Concern about the negative impact of the inflation-driven decline in consumer confidence on the advertising market is one of the factors behind our conservative outlook. At the same time, we have high expectations for measures to tackle inflation under the new administration and upcoming events including the Japan Mobility Show.

- The topline continues to decline in business outside Japan. Please explain the current situation and the future outlook.

The topline trends outside Japan vary by region. Conditions in China and ASEAN were particularly difficult in H1 largely due to tariff issues. We will continue to face a difficult situation in Thailand due in part to the cancellation and voluntary restraint on events. Meanwhile, we see signs of improvement in the consulting business in the US. The robust performance in India and Taiwan will continue into H2.

- As the competitiveness of advertising media with strengths in generative AI increases, is the composition of advertising channels shifting, particularly from ATL to the internet? Can you elaborate on the current and expected media trends going forward?

We do not see any substantial impact of the advent of AI on the ongoing shift to internet media in general, but we do see some changes in the composition of advertising channels. In particular, video ads are growing following their full-scale introduction. Meanwhile, the shift from ATL to performance-based advertising, which has been strong in industries such as the talent recruitment sector, is increasingly being driven by growth in other industries this term. The robust performance of OOH in H1 also attests to the growth of non-TV media.

- Which has had a larger impact on the improvement in gross profit margin in Japan, insourcing or

project management?

We believe that both were equally important in H1.

• How about organic growth of the topline outside Japan?

It has dropped by about 2%.

• Why is the consulting business improving in North America?

The introduction of AI, the necessity of AI-driven corporate transformation and the expanded need for AI-powered enhancement of human creativity are among the factors behind the increasing demand for IDEO and SYPartners. Structural reform and workforce replacement, completed in the previous year, are also contributing to the business expansion. Indeed, the proprietary functions of our Group are in high demand thanks to the advent of AI, as exemplified by Public Digital in the UK, which is increasingly engaged in projects for digital-driven transformation of corporate structures.

• About the TOB for Digital Holdings, how has it happened and what kind of synergy do you expect in the future? What are your expectations for its contribution to results next year, as well as your outlook for closing?

Amid the digitalization of marketing, we felt the need to transform our Group into a digital-centered structure. Many of the client resources and capabilities of Digital Holdings are completely new to us. We decided on the TOB on the assumption that we will be able to expand our scope of business by adding Digital Holdings to our Group, while effectively helping the company to grow with us by offering our intrinsic business values. If it materializes, we expect simply to add over 50 billion yen to our digital media billings. Although we cannot say anything about the outcome of the TOB because the process is still ongoing, we are working hard toward a successful closing.