

February 26, 2026

Hakuhodo DY Holdings, Inc.
Consolidated Results Briefing for Q3 FY2025: Q&A

Presentation date and time: Thursday, February 12, 2026, 17:00–18:00

Questions answered by:

Akihiko Ebana Director & Executive Vice President

Takeshi Tokugawa Director & Senior Corporate Officer

- Please explain the factors behind the billings growth in Q3. Do you expect continued billings growth in Q4 and beyond?

Several factors contributed to exceeding last year's performance in Q3 (October–December). One was the recognition of billings from major events like the Japan Mobility Show and Expo-related activities. Even excluding these factors, billings still increased YoY. This quarter, we anticipate robust corporate marketing activity driven by the Winter Olympics and the World Baseball Classic, enabling us to secure a certain level of billings. We expect continued strong performance particularly in sectors such as Finance/Insurance, Automobiles/Related products, and Household products.

- With the rise of AI, could you explain how the competitive environment and strengths within the advertising industry are changing?

We see both opportunities and potential negative impacts. One negative factor is the possibility that clients may increasingly handle in-house production using AI. While it is true that some HDY Group clients are showing such movements, there has been no significant impact on our performance at this stage. Although future trends are difficult to predict, we believe the HDY Group's strengths—*sei-katsu-sha* data and creativity—will become even more important as AI drives homogenization. We are not overly optimistic, but we do not foresee a major impact. Immediate benefits include AI-driven operational efficiency improvements, which we will continue to pursue. Considering AI's ability to process vast amounts of data, we view it as having more positive than negative elements.

- Is AI becoming a competitive advantage in the advertising market?

Client expectations are rising, and proposals incorporating AI are increasing across diverse scenarios. This includes operational efficiency improvements, media workflow streamlining,

and reimagining creative approaches. The HDY Group's strength lies in leveraging accumulated data to more efficiently utilize ideas such as *Virtual Sei-katsu-sha*, which is increasingly leading clients to select us. In digital operations, we are using AI-driven efficiency in the creative production process. However, AI alone cannot handle everything. Therefore, the core of our proposals lies in how to cross AI with human creativity to achieve greater efficiency. This is where we differentiate ourselves from competitors. In digital, client needs are diverse, and success often hinges on cost and effectiveness. Recently, our collaboration between Hakuhodo and Hakuhodo DY ONE has also increased our win rate in competitions. We believe combining AI technology with our accumulated knowledge creates a competitive advantage.

• What factors are driving the improvement in gross margin? Is in-house production contributing?

There are several factors. One is our ongoing commitment to in-house production. Another is intensifying cost management beyond previous levels. Additionally, there are fee negotiations with clients. We will continue implementing these initiatives going forward.

• Please explain the rationale for maintaining the full-year guidance. Are risks such as increased costs or reduced top-line growth anticipated in the fourth quarter?

At this point, we do not anticipate factors in the fourth quarter that would significantly reduce top-line or substantially increase costs. However, as next fiscal year is the final year of our Medium-Term Business Plan, there is room for consideration regarding potential cost investments to achieve targets, as well as incentive control measures in response to recent inflation. Our growth initiatives to increase profits will continue unchanged into the fourth quarter.

• Regarding our win rate against competitors in digital business, which industries and project types are showing improvement?

We have secured multiple projects in acquisition-focused industries and with clients prioritizing branding. This outcome demonstrates that by strengthening collaboration within the HDY Group, we can contribute to clients' overall growth beyond addressing their single-point needs—a factor that is being positively evaluated. We aim to further accelerate this collaboration to increase this probability.

• Has the addition of Digital Holdings, Inc. to the HDY Group changed your competitiveness?

We are currently implementing a squeeze-out to achieve full subsidiary status, but since it has already become a consolidated subsidiary, various collaborations are progressing. We are working on how Digital Holdings and the HDY Group can add each other's strengths to our existing clients. Currently, we are advancing projects where Digital Holdings proposes mass media solutions and where we deploy Digital Holdings personnel in areas where our Group has insufficient digital personnel. This aligns with one of the objectives of the TOB. We believe that by deepening mutual understanding and layering the value we provide to clients, both companies can grow. Joining our Group will add approximately ¥60 billion in billings. We believe this will enhance our influence within the media landscape and improve the quality of value delivered to clients. While we have only just begun the PMI process, we expect to see various results materialize in the next fiscal year.