September 15, 2026

Hakuhodo DY Holdings, Inc.
Consolidated Results Briefing for Q1 FY2026 Q&A

Presentation date and time: Wednesday, August 5, 2026, at 16:00–17:00

Questions answered by:

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- Given concerns about the outlook for TV spot advertising in light of conditions in the Middle East, is the advertising industry being affected?

In the first quarter, we saw no significant impact from conditions in the Middle East. Looking beyond the second quarter, we currently do not anticipate a significant negative impact, but if the instability in the Middle East persists over the long term, an impact could emerge from the second half of the fiscal year onward.

- What are the factors behind the decline in revenue and operating income in the overseas business, and what is the outlook going forward?

The main factors are sluggish performance in China, Thailand, and North America (particularly in the consulting domain), while Taiwan, Vietnam, and Indonesia performed well. In China, client advertising spend declined in January and February due to the deterioration in Japan-China relations, but a recovery trend has been seen since April, and progress on structural reforms is expected to lead to improved profitability. In Thailand, the economy remains sluggish due to high crude oil prices and is also being affected by conditions in the Middle East, so we expect difficult conditions to continue for the time being. In North America, the spread of AI is shortening the duration of clients' consulting needs, making for a difficult environment; IDEO is capturing this shift in demand and trending toward recovery, while SYPartners is in the midst of a structural transition and has also been hit hard by conditions at its Middle East office, so we expect difficult conditions to continue from the second quarter onward. We aim to offset this through our North American digital advertising business and our domestic business, and to achieve our full-year forecast.

- What is the organic growth rate excluding the impact of Digital Holdings and foreign exchange?

Including the impact of both Digital Holdings and foreign exchange, billings grew approximately 7.5% year on year, of which about 5 percentage points reflects the impact of Digital Holdings. For profit items below gross profit, roughly half of the growth rate reflects the impact of Digital Holdings. Excluding the impact of foreign exchange, organic growth was just under 3% for billings and just under 4% for gross profit.

- Could you give specific examples of successful initiatives that combine the strengths of Digital Holdings and the Hakuhodo DY Group?

We launched a PMI (post-merger integration) project immediately after the acquisition. Our basic strategy is to bring together the respective strengths of Hakuhodo and Hakuhodo DY ONE on one side, and Digital Holdings, Daiko Advertising, and YOMIKO ADVERTISING on the other. Results are beginning to emerge, such as collaboration between OPT, which is strong in the financial sector, and the client bases of Daiko Advertising and YOMIKO ADVERTISING, as well as joint efforts between OPT and Daiko Advertising, which is strong in the D2C domain, and we are starting to see signs of new growth.

- What is the outlook for the advertising market? Why has TV spot advertising not been affected by conditions in the Middle East?

For the domestic business, we have not seen a significant impact so far, and we do not anticipate a significant impact going forward either. We are not taking any special measures; we see this as the result of continuing to offer marketing proposals tailored closely to each client.

- Is the reason TV spot advertising has not been affected that it is being offset by other media, or has TV itself simply not been affected?

Based on what we currently understand, TV itself has not been affected.

- Amid conditions in the Middle East, are advertisers shifting their spending from TV to the internet?

We have not seen any notable shift at this point.

- Is there a possibility of impairment in the overseas business, and are there any measures to turn performance around?

We carried out a large-scale structural reform the year before last, and while we cannot completely rule out the possibility of impairment in the future, nothing has been decided at this stage. We intend to turn performance around by responding to the trend toward AI.

- How do you evaluate the organic growth rate excluding Digital Holdings compared with market growth?

We project that the internet advertising market will grow in the range of 6% to 8%. Our organic growth rate as of the end of the first quarter was in the mid-single digits, which we consider to be in line with our expectations. We are aiming for double-digit growth for the full year. Against a backdrop of growing interest in platform operators and an increase in inquiries related to AI advertising, we want to further expand our digital advertising handling volume.

- How do you view the potential impact of the government's planned change to the tax rate on food products on the advertising market and on advertisers' marketing budgets going forward?

We do not currently anticipate any specific effect, but we believe it could be a positive factor for the advertising industry by boosting consumers' willingness to spend.

- What impact will the recovery at Fuji Television have on TV spot advertising?

Fuji Television, which saw a decline last year, has recovered to close to normal levels since April, and we expect this recovery trend to continue from the second quarter onward.

- What are the challenges in further deepening synergies with Digital Holdings going forward?

Our goal is for our three digital agencies—Hakuhodo DY ONE, Digital Holdings, and SoldOut—to work together, sharpening each company's respective strengths while creating new business using AI. We see the challenge as fostering a relationship in which each company can co-create, and then translating that into strength for the Group as a whole.

- Regarding the decline in revenue in North America, are costs increasing by more than the slowdown in billings?

The impact of foreign exchange is pushing up both the top line and SG&A expenses; excluding the impact of foreign exchange, the top line has not grown. Securing profitability in the consulting area remains an ongoing challenge.

- What impact is AI having on your operational efficiency?

We are at the stage of examining, task by task,business by business, where AI can appropriately be applied. Use of AI is progressing in areas such as video and commercial production, but issues around accuracy mean it still takes time to make full use of it, and in some cases outsourcing costs are falling while working hours are increasing. There are also benefits in that knowledge sharing becomes easier, and we are assessing the balance between cost and effectiveness. Going forward, we expect demand to grow for personnel who can make sophisticated use of AI.

- What is your investment policy for further growth in the domestic business?

There are increasing occasions where we are called on to make a greater commitment to our clients’ business performance, and we believe investment to acquire the new capabilities needed to respond to this is essential. We regard this as investment necessary to deepen our partnerships with clients.

- Is the weakness overseas temporary?

There are two factors: conditions in the Middle East, and sluggishness in the consulting area, where the effects of structural reform have not yet fully materialized. Over the long term, we regard this as temporary.

- Is it correct to understand that AI use falls into three categories—improving internal operational efficiency, enhancing the value you provide, and supporting clients’ adoption of AI?

That understanding is correct. In addition to improving the efficiency of internal operations and enhancing the sophistication of the value we provide, our policy is to support clients’ use of AI not only in the area of marketing communications but across their entire organizations.

- What changes will AI bring to *sei-katsu-sha* behavior, and what impact will this have on the agency business?

Much as in the early days of mobile phone adoption, we are at an early stage in which the technology of AI is poised to bring about major changes in *sei-katsu-sha* behavior itself. Clients have concerns and challenges regarding issues such as ad fraud and how content will be viewed in the age of AI, and by drawing on Hakuhodo’s strength in *Sei-katsu-sha* Centric Mindset, we want to play a role in connecting clients and *sei-katsu-sha* during this period of transition.

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