

## Hakuhodo DY Holdings Inc. Summary of Questions and Answers for 1Q of FY2022

Date: August 9, 2022 (Tuesday), 15:30–16:30

Presenters:

Masanori Nishioka, Representative Director & Senior Executive Corporate Officer

Takeshi Tokugawa, Corporate Officer

- What is your view on the current situation in the domestic advertising market?

In the first quarter of FY2022, billings in the domestic business increased ¥13.5 billion year on year. Of this amount, ¥10.0 billion came from an increase in business process outsourcing (BPO) services. Excluding this BPO service increase, year-on-year growth in the market amounted to just over 1%. While there were many clients dealing with factors that negatively impacted their performance, including weak yen and geopolitical risks, we have yet to see an instance of clients suspending their advertising activities. Conversely, we actually saw a trend of business recovery from the impact of the COVID-19 pandemic, meaning that there were both positive and negative factors during the first quarter. Going forward, we will promote our business activities while closely monitoring the market situation.

- In the first quarter of FY2022, you added a total of 588 employees between Hakuhodo Inc., Hakuhodo DY Media Partners Inc., D.A.Consortium Inc., and IREP Co., Ltd. Could you please tell us about your plans for increasing the number of employees in FY2022, as well as the confidence in achieving those plans?

In terms of hiring, we have already achieved around 35% of the target in our initial recruitment plan, so I believe we got off to a good start during the first quarter. We have even made progress with hiring people for technical positions—which is quite a difficult task—largely in line with our plans. We have also established an organization specializing in recruitment which we are using to promote recruitment activities in a number of ways, in addition to public job listings. These include recruitment activities at university research laboratories, job referrals, and the re-hiring of employees who have previously resigned. Through these efforts, we hope to employ 100 technical personnel over the next two years.

- What kind of response have you seen since the establishment of Hakuhodo Technologies Inc.? Could you also comment on the areas in which the company is excelling and those in which it is facing hardships?

Hakuhodo Technologies has been working to consolidate the marketing infrastructure and internal system development promoted by each Group company to date. Hakuhodo Technologies officially commenced operations on August 1, 2022. We have set up and will soon implement a human resources structure that will help us enhance the competitiveness of our recruitment activities. Accordingly, I believe the company faces no major issues at the moment. What will be most important for Hakuhodo Technologies going forward will be ensuring the steady success of its recruitment activities.

- Looking at operating income by region, although profits are up year on year in Japan and overseas, corporate costs have been rising. As a result, profits are down on a consolidated basis. Could you please tell us the reasons for this increase in corporate costs?

Corporate costs have been increasing due to efforts to strengthen cross-organizational functions. The biggest reason for this rise, however, has been recruitment-related costs associated with efforts to enhance our employee base. Aside from that, costs have been increasing due to the rise in strategic expenses, such as office maintenance, and the cost of educational activities for new hires.

- Performance in the Television category was rough in the first quarter, while internet media saw a steady performance. Were these results due to transitory factors or rather to structural ones?

Television is the service category that has been the most impacted by external factors such as soaring resource prices. In addition, we believe the difficult performance in this category stems from the fact that the Hakuhodo DY group has a high ratio of clients in the automotive industry as well as the impact from the absence of large-scale ad placements by customers in the Information/Communications industries, which occurred in FY2021.

In July, we have also seen the positive impact from the Olympics last year. If we exclude this impact, however, I believe we are seeing a gradual recovery in the number of ad

placements. I also understand that client inquiries were solid in August. With regard to Internet media, this category has continued to achieve double-digit growth for the past year and a half, but we now believe that this growth is starting to level off to a certain extent. Although we have faced a reactionary loss from certain clients, we understand that our growth in Internet media has outpaced that of the market. With the performance of the recently acquired SoldOut, Inc being incorporated into our consolidated performance from the second quarter on, we believe we can continue to aim for double-digit growth in internet media.

- BPO services saw a year-on-year increase in the first quarter. Was this increase within the range you included in your full-year forecasts?

Yes, the year-on-year increase in BPO services was within the range we included in our full-year forecasts. Depending on the situation with the COVID-19 pandemic, there is a possibility that the increase in BPO services could exceed our expectations going forward. At the moment, however, we do not anticipate any specific projects that would lead to such an increase.

- Will corporate costs continue to increase due to your efforts to bolster your employee base, or do you expect costs to decrease in the next fiscal year? Also, could you please tell us the segment in which the performance of HakuHodo Technologies is included?

By enhancing productivity through the accumulation of personnel and the elimination of overlapping functions, we believe we can reduce corporate costs. Meanwhile, as we still need to invest in human resources, we will operate in a balanced manner to ensure that we avoid unnecessary cost increases. In terms of calculating costs by segment, the performance of HakuHodo Technologies is included in “corporate” basis, not just in our domestic operations. Accordingly, cost increases at HakuHodo Technologies will result in increased corporate costs.