

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

Date: May 12, 2023 (Friday), 15:00–16:00

Presenters:

Masayuki Mizushima, Representative Director & President

Hirotake Yajima, Director & Executive Vice President

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Akihiko Ebana, Director & Senior Executive Corporate Officer

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- Your forecasts for FY2023 call for top-line growth that exceeds that of growth in the advertising market. How about your forecasts by service category and by clients' industry?

At the moment, we expect gradual growth in the domestic advertising market of just over 1% yoy. The situation by service category has not changed significantly from the previous fiscal year, and for the four mass media, we expect the gradual downward trend to continue. While demand for TV spot advertising is currently strong, we expect to see full-year billings remain at the same level that they were in the previous year, or even slightly below that, with the ongoing shift toward digitalization.

We anticipate that the performance of internet media will be relatively solid compared with television and other forms of media, as growth in billings, while sluggish, has continued since the previous fiscal year. In addition, as regional economies grow due in part to regional revitalization initiatives by the Japanese government, we expect that the internet media market will grow in local areas where the shift toward digitalization has thus far been slow. With the emergence of start-ups and other factors, the long-tail market is also expected to grow. We, therefore, believe that we will be able to expand our operations in this market, centered on SoldOut, Inc., which we acquired in the previous fiscal year. Owing in part to the positive boost being provided by SoldOut, Inc., we are aiming for two-digit billings growth in the first quarter compared with the same period of the previous fiscal year for internet media on a Hakuhodo DY groupwide basis.

Billings for outdoor media and marketing/promotion should increase following the easing of restrictions related to the COVID-19 pandemic.

By clients' industry, we believe that clients in the foodstuffs, beverages/cigarettes/luxury foods, and cosmetics/toiletries industries will continue to express caution, as they did in the previous fiscal year, due to the significant impact of soaring raw material prices.

Meanwhile, there will likely be proactive marketing investments in the automobiles / related products industry due to such factors as the resolution of semiconductor shortages, growing demand as a result of delays in vehicle deliveries, recoveries in performance brought about by the positive impact of yen depreciation, and the transition to electric vehicles. We also believe there will be a robust performance in finance/insurance and also the restaurant/services industry. The transportation/leisure industry has been invigorated owing to travel support initiatives and other factors. Demand from inbound tourism is helping to spur a recovery in pharmaceuticals and other industries due mainly to the impact of the increase in tourists from China. Also, more and more people are going maskless, and there are now growing needs for cosmetics and other beauty products. Special demand for e-commerce (EC) and app services, which surged on the back of stay-at-home demand, has declined to a degree. However, certain aspects of life during the pandemic have taken root in society, and the demand for EC and app services is expected to continue to grow going forward. With the upcoming liquor tax revisions in October, clients in the alcohol beverage industry are believed to be focusing their efforts on acquiring top market shares for their core brands.

- Could you provide suggestions about the next Medium-Term Business Plan (MTBP)? Under your current revised MTBP, you have been stepping up strategic investments to reinforce your infrastructure development. Are you planning to wrap up such investments in the current fiscal year, or will the phase of infrastructure development continue into the period of the next MTBP? Please tell us your approach to strategic investments.

We are still in the examination phase for the upcoming MTBP, so it is difficult to answer your question at this time. However, in the next MTBP period, we intend to steadily reap the benefits of the investments we have been making during the period of the current MTBP. Also, strategic investments are not expected to be completed only during the current MTBP period, but should be continued in the future.

For the time being, we will push forward with efforts to achieve the targets of the current MTBP.