SEPTENI HOLDINGS CO., LTD.

Transcript of Questions and Answers for Q2 and H1 FY2026 Financial Results Briefing

The transcript of the questions and answers at the financial results briefing for Q2 and H1 FY2026 (for institutional investors, analysts, and the media) held on August 6, 2026 is as follows.

Speakers:

Yuichi Kouno Representative Director, Group President and Chief Executive Officer

Q&A 1: Impact of global affairs on the advertising market

Questioner: Regarding the "indirect impacts on the overall advertising market" mentioned in the explanation of the full-year earnings forecast on slide 32, what specific factors are you anticipating?

Additionally, regarding the macroeconomic environment, while some other companies and agencies have explained that there is no impact from the Iranian conflict, I would appreciate your comments on how you currently see the macro advertising market, particularly the internet advertising market.

Kouno: At present, no major impacts such as a reduction in client advertising budgets have been observed, but we believe the market conditions stemming from clients' production and manufacturing status, as well as foreign exchange impacts, remain unpredictable for the second half onward.

We intend to respond while continuing to carefully monitor the potential materialization of these indirect impacts.

Furthermore, the macroeconomic environment varies depending on the client's industry sector. For example, among clients in the financial sector, spending appetite for advertising has increased significantly alongside rising interest rates.

On the other hand, some clients are experiencing production impacts due to natural disasters and other factors. Taking these conditions into overall account, we expect performance in the second half to be roughly at the same level as the previous fiscal year.

Since we were able to reach the midpoint for both Q1 and Q2 with results exceeding the previous fiscal year's performance, we intend to continue moving forward in the second half without yielding to difficulties.

Q&A 2: Sustainability of business alliance with the Dentsu Group and impact of market conditions

Questioner: Dentsu collaboration sales stemming from the business alliance with the Dentsu Group appear to be performing very strongly. Could you share your thoughts on the sustainability of this momentum moving forward?

Also, if the macroeconomic environment were to deteriorate, are these types of projects easily affected by market conditions, or are they relatively resilient? Please provide some explanation.

Kouno: We expand our business with a focus on digital advertising, but looking at the overall advertising industry, I believe that when market conditions deteriorate, not only digital but also mass media advertising, including TV, could be affected.

However, as no significant impact has been observed in our digital or mass media domains, we believe there are no major issues at present.

Regarding the sustainability of Dentsu collaboration sales, this relates to the breakdown specific to the advertising market. Among clients who continue to advertise mainly on mass media, particularly manufacturers, there are still some whose proportion of ad spending on digital remains lower than that on TV and other media.

While the digital ratio in the global advertising market has reached over 60%, in Japan, the digital ratio in marketing budgets for some clients remains between 30% and 40%.

Against this backdrop, without being swayed by temporary factors, the digital shift is expected to continue steadily moving forward. We believe the trend of shifting budgets from the four traditional mass media, such as TV and newspapers, to digital will remain unchanged.

Therefore, regarding the budget share of clients with whom we do business through Dentsu collaboration, we currently anticipate that a strong emphasis on digital will continue, particularly among many of the clients we serve through direct sales.

Q&A 3: Impact of a global brand in Dentsu collaboration

Questioner: I would like to ask about the changes from the first quarter to the second quarter of the current fiscal year. In your earlier explanation, you mentioned the acquisition of a global brand. Did this begin in the second quarter?

Kouno: Regarding the global client you referred to, delivery started in the middle of the first quarter, and transactions have continued throughout the second quarter. This is a client that has contributed significantly, particularly to the increase in net sales.

For the first half cumulative total, the net sales growth rate was around 16.6%, but in the second quarter alone, it recorded an even higher growth rate of 20.4%. We estimate the growth rate of the overall market to average around 106% to 108%.

Therefore, using the acquisition of this large client as a starting point, by continuing our initiatives over the past one to two years to maximize advertising effectiveness and improve the revenue to net sales ratio, we aim to further improve our operating margin.

Q&A 4: Factors behind slowdown in revenue growth rate in Q2

Questioner: I believe the global client are significantly boosting net sales in the Marketing Communication Segment. On the other hand, revenue growth was 7% year-on-year, showing a slight slowdown compared to the first quarter. Given that the hurdle in the previous year was lower in the second quarter, could you explain the reasons behind this? I would like to confirm whether the growth rate is slowing down for highly profitable projects.

Kouno: Going back to last year, the impact of a large domestic client in the second quarter caused net sales to decrease year-on-year from FY2024 to FY2025. On the other hand, due to improvements in the revenue to net sales ratio, revenue increased compared to the second quarter of FY2024.

As you noted, while net sales in the current fiscal year are showing a high growth rate, the growth rate of revenue is lower compared to that of net sales.

The client acquired this time has a revenue to net sales ratio slightly below the average; however, this is the result of working to acquire large clients—even if the ratio is somewhat lower—in order to cover the lost portion from the large client in the previous year.

That being said, we place great importance on the operating margin, and we are proceeding with margin fee negotiations to ensure that transactions do not drag down the operating margin. As a result, the operating margin has increased compared to the second quarter of the previous year.

If SG&A expenses increase at the same rate while net sales grow, the operating margin will decline; therefore, we are thoroughly conducting resource allocation and margin fee negotiations to secure the operating margin, carrying out sales activities with a strong awareness of the operating margin.

As we have communicated since last year, by increasing client sales through improved advertising effectiveness, we are establishing a framework that makes it easier for us to negotiate margin fees. We intend to continue strengthening our initiatives to improve profitability while first reliably starting transactions with clients and steadily returning advertising effectiveness.

Questioner: Even with major clients such as the global brand acquired this time, is there still room to further enhance profitability in terms of the revenue to net sales ratio by improving advertising effectiveness?

Also, could you share your outlook, including whether the revenue to net sales ratio will rise again toward the second half as a result, or whether significant effects cannot be expected at the point of the third or fourth quarters?

Kouno: Regarding the growth in net sales this time, while it is partly affected by this global client, it is also influenced by a significant increase in existing domestic clients.

Whether margin negotiations are possible depends on advertising effectiveness, and we believe that by providing creative assets and capabilities to improve advertising effectiveness, it will become easier to negotiate for higher margins.

On this point, we intend to continue engaging in careful dialogue on a client-by-client basis.

Regarding the revenue to net sales ratio, we have worked to improve it over the past few years up to just under 20%. In the second half, our policy is to proceed with initiatives to maintain this level while striving to improve it, if possible, to a level exceeding 20% over the next six months and into next year.

To improve the revenue to net sales ratio, we aim to achieve this not only through margin fee negotiations with clients based on improved advertising effectiveness, but also by focusing on expanding sales of the multiple solution products we offer and increasing their share of net sales.

Q&A 5: Future outlook for revenue to net sales ratio

Questioner: I would like to ask about the revenue to net sales ratio. You previously mentioned that you intend to move forward this year and next year while remaining mindful of the level up to just under 20%. Can we view this second quarter as the bottom for the revenue to net sales ratio?

Or, given the possibility of further expansion with the global client in the future, is the second quarter level likely to continue?

Kouno: While I will refrain from mentioning specific recent figures, we basically expect the revenue to net sales ratio to trend at around the same level.

However, beyond this global client, we are also making progress in expanding transactions with existing domestic clients and acquiring new clients. Therefore, while basically maintaining the revenue to net sales ratio, we aim to improve it further.

As I mentioned earlier, we also intend to address this while keeping product allocation in mind.

Q&A 6: Recruitment plan for employees and productivity level

Questioner: I would like to ask about the employee headcount. While productivity has been rising steadily, is your current capacity sufficient? Also, has the current level of productivity not yet reached a stage where accelerating recruitment is necessary?

Furthermore, could you share your current feeling regarding how much the absolute value of productivity can be improved?

Kouno: First, regarding the current organizational situation, the utilization of AI has advanced considerably within the group. On the other hand, depending on the department, there are areas where tightness is observed within our supply chain, as well as areas where there is still room to utilize AI.

In particular, to expand net sales, it is necessary to increase the ratio of direct to indirect employees in the organization, which we understand is currently around 30%.

Regarding this point, we have emphasized cost efficiency over the past few years, shifting away from a heavy reliance on hiring new graduates toward increasing mid-career hiring. Since mid-career hiring can be controlled during the fiscal year, we have been able to maintain an appropriate number of hires according to the balance of supply and demand.

Over the past two years or so, the revenue to net sales ratio and profit margins have improved significantly, and net sales have also been growing continuously. Therefore, from next year onward, we plan to slightly expand new graduate hiring year-on-year and move forward with expanding the resources of our organizational structure.

Specifically, new graduate hiring stood at 26 people in April of the current fiscal year. We are moving forward with plans to hire more than that for the next fiscal year.

Regarding productivity, until a few years ago, operating profit per employee was in the ¥2 million range annually, but we are currently conducting business activities with a target of ¥3 million, placing greater importance on improving productivity in operating profit rather than productivity in revenue.

As mentioned on the slide, we are currently progressing ahead of schedule toward our targets for FY2027 and FY2028. However, if this productivity standard is set too high, it could potentially delay the growth of topline net sales. Therefore, we will continue to carefully calculate and consider the setting of the standard value while taking into account current operational status and organizational conditions.

Basically, we plan to direct our efforts toward further improving productivity, and we intend to continue with this policy from next year onward as well.

Q&A 7: Revision of quantitative targets through FY2028 in the Medium-Term Management Plan

Questioner: I would like to ask about the Medium-Term Management Plan. When revising quantitative targets, will it take the form of raising the starting line while maintaining the original growth rate, or can we aim even higher through improved productivity?

Kouno: Regarding updates to the Medium-Term Management Plan from the next fiscal year onward, while also considering productivity improvements, we basically aim to achieve our FY2027 targets one year ahead of schedule in FY2026.

As for the direction of the plan revision, we basically intend to proceed in the direction of an upward revision. Regarding details, we intend to plan based on conditions such as productivity and recruitment numbers in the second half.

Regarding specific figures, we intend to proceed with revising the plan toward the full-year financial results.

Q&A 8: Corporate tax reduction effect related to LION DIGITAL GLOBAL

Questioner: I would like to confirm whether the corporate tax reduction effect related to the share transfer of LION DIGITAL GLOBAL is a recurring effect or a one-time factor for the current fiscal year.

Kouno: Regarding the corporate tax reduction effect, it is basically a one-time factor, and we would appreciate it if you could understand it as being for the current fiscal year only.

Q&A 9: Changes in marketing activities and advertising business due to expanding AI utilization by consumers

Questioner: I would like to ask about marketing activities of advertisers and changes in your business accompanying the expanding AI utilization by consumers. While previous questions focused on changes in search, please tell us about the impact of changes in purchasing behavior this time.

If the proportion of service reservations and purchases made via AI or AI agents—rather than through websites or mobile apps—increases with the expanding AI utilization by consumers, I believe marketing methodologies will also change.

In such a case, do you assume that the impact on the advertising agency business will be minor, with only the ad products changing, or do you anticipate relatively large changes?

I would appreciate hearing your thoughts on how much current changes in consumer purchasing behavior will impact advertisers' marketing activities or the business of your company and advertising agencies.

Kouno: First, regarding the impact of consumer AI utilization on current digital media, negative articles and views are occasionally observed. I believe everyone is particularly paying attention to media trends, including major domestic and foreign media, especially the impact on search advertising.

Even amidst negative views, in reality, the growth rate of search advertising itself has not turned negative. Rather, it is positive and growing at around the market average. Furthermore, we have been able to achieve growth that exceeds this market average.

Therefore, as far as we observe recent trends, we do not feel that negative changes are occurring so significantly in existing ad media or platforms such as search, display, and social media.

On the other hand, while changes in media and consumer behavior may progress further in the future through AI utilization, the pace of these changes is expected to be gradual.

Therefore, we intend to catch up with emerging media and ad products offered by AI platformers as needed, and continue to promote research and development on models that connect consumers with companies as an advertising agency.