SEPTENI HOLDINGS CO., LTD.

Transcript of Questions and Answers for Q3 and 9M FY2026 Financial Results Briefing

The transcript of the questions and answers at the financial results briefing for Q3 and 9M FY2026 (for institutional investors, analysts, and the media) held on November 13, 2026 is as follows.

Speaker:

Yuichi Kouno Representative Director, Group President and Chief Executive Officer

Q&A 1: Decline in revenue to net sales ratio in the Marketing Communication Segment and outlook

Questioner: I would like to ask about the revenue to net sales ratio (take rate) of the Marketing Communication Segment. I believe the ratio has declined this quarter as well compared with the previous quarter. Could you explain the factors behind this?

Also, amid talk that AI search on media has low profitability, I would appreciate your insights on how the trend in this revenue to net sales ratio should be viewed going forward.

Kouno: As you pointed out, the current revenue to net sales ratio of the Marketing Communication Segment is 14.3%. It was 14.9% in the previous quarter, and averaged approximately 17% for the full previous fiscal year.

However, in the current fiscal year, there were some orders for projects with relatively low revenue to net sales ratios, mainly from large clients. As a result, the revenue to net sales ratio has declined slightly from Q2 to Q3.

On the other hand, through promoting the use of AI, including in creative production, and the optimal allocation of personnel, the operating profit to revenue ratio of the Marketing Communication Segment is currently just under 19%. It was slightly higher at 20.5% in the Q3 of the previous fiscal year, but it was approximately 18.5% in the year before that, so it can be said that the operating margin has been maintained.

While managing the revenue to net sales ratio so that it does not decline too far, we are currently running its business so as to keep the operating margin stable within a range of 18% to approximately 21% at most.

Q&A 2: Short- to medium-term earnings impact of Mediahouse Holdings Co., Ltd. and growth strategy

Questioner: I would like to ask about the short- to medium-term earnings impact of Mediahouse Holdings Co., Ltd., which was acquired this time. I believe it is a company with operating profit of approximately ¥650 million in the previous fiscal year. At what pace does the Company aim to grow profit in the short term and the medium term going forward? If there is anything you can say quantitatively, please share it as well.

Kouno: As you said, Mediahouse Holdings Co., Ltd. recorded operating profit of approximately ¥650 million for the fiscal year ended December 2025. As in the previous year and the year before, it is also growing very strongly in the current fiscal year. We are unable to share figures for 2026 at this point, but are considering adding them on top of the results of our existing businesses from next fiscal year onward.

As explained earlier, the Mar Tech business and HR Tech business of Mediahouse Holdings are complementary to the Company's HR marketing area and digital advertising, particularly the Marketing Communication Segment.

In the Company's Marketing Communication Segment, there have been areas in which it has not been able to fully serve SMB clients due to a shortage of resources. Going forward, collaboration with Mediahouse Holdings will enable us to secure resources and generate synergies.

In the HR marketing area, job aggregators centered on "Indeed" are expanding strongly in the recruitment market.

By teaming up closely here, leveraging the Group's capabilities to improve productivity, and utilizing the client network and sales know-how of Mediahouse Holdings, we will work to maximize the synergies between the two companies and achieve results that exceed the respective growth rates of each.

Regarding specific figures, we are considering disclosing the figures for the HR marketing area, including Mediahouse Holdings, at the full-year financial results for the current fiscal year scheduled for February 2027. We would like to explain again at that time.

Q&A 3: Internet advertising market and topline outlook for Q4 onward

Questioner: I would like to ask about the topline outlook for Q4 onward. I have heard that the PHP vulnerability has led internet-related advertisers to hold back on ad placements or take a wait-and-see approach. How will this impact appear?

Also, if a company affected by a cyberattack is a client, is there a possibility that the impact will spread? Please tell us about the impact on the internet advertising market and on the Company's topline from Q4 onward.

Kouno: Net sales for the current fiscal year are growing at just under 20% year-on-year on a cumulative basis through Q3. Among the quarterly net sales growth rates, Q3 was the highest, and the Company expects the growth rate to remain at the same level throughout the year, including Q4.

Revenue has also grown by approximately 10% on a cumulative basis through Q3, and Q3 alone grew by 10.4%. The Company aims to continue to perform steadily going forward.

Although there are recent concerns regarding information leakage, including responses to the PHP vulnerability, no major problems such as a suspension of ad placements have arisen among the Company's clients at this point. Our understanding is that there are currently no major events that would affect management on the P/L.

Q&A 4: Sustainability of cost increases in Q3 and risk of pressure on profit

Questioner: I have a question about costs. In Q3, cost of sales increased by over ¥500 million year-on-year and SG&A expenses by over ¥300 million, for a combined increase of approximately ¥900 million, which effectively offset the effect of increased net sales. Going forward, should costs be considered based on the Q3 figures, or can they be regarded as temporary?

Since a period of cost containment had continued until now, from a certain perspective it also appears that costs have entered an increasing phase. Even if topline achieves the figures mentioned earlier, is there not a risk that profit will be squeezed by the cost increases? I would like to confirm this.

Kouno: Regarding SG&A expenses in Q3 and Q4, a major factor is that, as mentioned earlier in connection with corporate actions such as divestitures and acquisitions, this second half temporarily includes advisory fees and costs associated with M&A and divestitures.

In terms of profit, progress is running ahead of the full-year forecast guidance set at the beginning of the fiscal year, and the forecast has been revised upward. Accordingly, year-end bonuses linked to financial results for employees, which did not exist in the previous fiscal year, have been recorded as estimates in the P/L from Q1 onward.

Therefore, depending on the progress of performance, the year-end bonuses linked to financial results may partly need to be viewed as a continuing cost. However, for Q3 and Q4, a considerable amount of temporary expenses is included, so the Company does not believe that these figures will continue on a recurring basis.

Q&A 5: Increase in subcontract costs within cost of sales

Questioner: I am particularly concerned about the significant increase in subcontract costs within cost of sales. May we regard this as temporary?

Kouno: Subcontract costs within cost of sales have temporarily increased, mainly in the Marketing Communication Segment and the Direct Business Segment.

Basically, organizations within the Group handle creative production, solution development, and so on. However, as has been seen in the past, during phases of significant topline growth, there are times when the provision of internal capabilities temporarily cannot keep up. There have been past instances in which cost of sales increased temporarily for this reason.

While continuing to drive topline growth, the Company will work to optimize cost of sales with a structure capable of fully supporting clients in improving their advertising effectiveness. The Company will continue to respond diligently, and would appreciate your understanding in that light.

Q&A 6: Profit impact of the sale of Tricorn Corporation and COMISMA INC.

Questioner: I have a question about the positive factors on profit from the sale of Tricorn Corporation and COMISMA INC.

COMISMA INC. was loss-making, so I believe there will be a positive effect on profit for the period. As for Tricorn Corporation, I am not aware of its results, so I cannot tell whether the impact will be positive or negative. Could you tell us how much profit will be boosted in total?

Kouno: Regarding the impact on profit for the current fiscal year, the gain on sale is expected to be the amount announced in the timely disclosures. However, verification work is currently underway, including a review of the current business environment and corporate costs at the end of the period. Accordingly, the Company will announce it again if necessary depending on circumstances.

On the other hand, regarding the impact on the P/L from next fiscal year onward, as disclosed today in a timely disclosure, Tricorn Corporation's operating profit in recent years has been around ¥200 million per year. A decrease of approximately ¥15 million to ¥20 million per month in operating profit, and of approximately ¥10 million to ¥14 million per month in profit, is therefore expected.

Regarding COMISMA INC., the Company holds 23.3% as an equity-method associate. As disclosed in the timely disclosure on November 5, 23.3% of COMISMA INC.'s profit is incorporated into the Company's results, so the amount of the impact is approximately ¥250 million per year. With the elimination of the incorporation of losses of approximately ¥15 million to ¥20 million per month, a positive effect on the Company's profit is expected.

Q&A 7: Details and sustainability of strong offline projects in the Direct Business Segment

Questioner: I understand that offline projects in the Direct Business Segment performed well. Could you tell us specifically what these were? Also, regarding sustainability going forward, will they expand, or are they temporary?

Kouno: The Direct Business Segment, led by Dentsu Direct Inc., is currently growing very strongly. As shown in the graph on the slide, topline is rising steadily.

As mentioned earlier, cost of sales temporarily rose in Q2 and Q3. However, looking at past results such as 2024, there were phases in which the profit margin temporarily declined, but management then improved topline and also restored the profit margin. The aim is to achieve a similar trajectory going forward.

Regarding sustainability, the breakdown of net sales of the Direct Business Segment is half offline projects and half online projects, so a sudden drop due to circumstances on the media side is hard to imagine. The client portfolio, including both large and mid-sized clients, has also become fairly well balanced. We aim to continue to maintain high growth.

Q&A 8: Control of subcontract costs and securing profit during topline growth

Questioner: This is a follow-up to the earlier question on subcontract costs. I have the impression that increases in subcontract costs have been occurring frequently recently. You explained that the increase is temporary, but is there no way to structurally control the subcontract costs that rise when topline grows, so that profit is generated even when topline grows?

Kouno: There are several means of controlling subcontract costs. Broadly, the first is to secure internal resources. Recently, as stated in the materials, headcount has been held down considerably, including through the optimization of costs.

On the other hand, as to whether it is impossible to respond without increasing headcount, the use of AI has recently been advancing across a wide range of areas, including creative production, ad operations, and reporting. By increasing proficiency in AI utilization, the aim is to create a situation in which, even if topline increases and production volume grows, the increase can be absorbed with internal resources.

In parallel, subcontract costs do arise in line with the topline growth rate, so the Company wants to formulate a plan for the topline growth rate and determine how much the corresponding costs should be increased.

Temporary subcontract costs will probably continue to arise, but I believe the important point is how large they are. We want to establish, as a structural mechanism, how to curb subcontract costs in the event that topline rises sharply.

Q&A 9: Macro outlook for the advertising market

Questioner: I would like to ask about the macroeconomic market conditions looking ahead to next year and the medium to long term.

Besides cybersecurity, uncertainty over the Middle East situation and inflation continue. Even with a consumption tax reduction, consumer spending remains tight, so I feel that macro uncertainty is strong. Under these circumstances, what outlook do you have for the advertising market?

Kouno: As you say, there are concerns over how future developments, including the U.S. midterm elections, will affect the business world. With factors such as AI issues and conflicts, the question is not so much the direct impact on the Company itself as how the Company's clients will be affected.

Clients' procurement costs, soaring raw material prices and other issues, as well as foreign exchange trends, are closely related. Therefore, it is difficult to say anything specific at this point.

However, focusing on the advertising industry, the overall advertising market is expected to expand from approximately ¥8 trillion in 2025 to ¥9 trillion, and then to ¥9.5 trillion. In particular, internet advertising expenditure grew by approximately 10% in 2025, making it the fastest-growing segment of the advertising market.

Although there are various discussions on the use of technologies such as AI, the advertising market continues to perform steadily and grow. The Company will also ride this trend and strive for growth.

Q&A 10: Impact of expanded use of AI agents on advertisers and the advertising agency business

Questioner: This may be a somewhat big-picture question, but I would like to ask about the impact of the expanding use of AI agents.

AI app launches by various companies are progressing in Japan as well, such as Meta's "Muse" and "Agent i," which LY Corporation recently announced. If, for example, agentic commerce using these were to advance, I would appreciate your current thinking on how advertisers' methods of ad placement might change and what impact there could be on the advertising agency business, together with the speed of change.

Kouno: Various platforms are offering products and customer acquisition solutions that use AI agents.

Similar initiatives have not been entirely absent in the past. It depends on how accurately these new services can be used, but we believe that the first to be affected by changes in the advertising market will be sole proprietors and businesses handling small budgets.

On the other hand, among the enterprise clients the Company does business with, and the small and medium-sized businesses handled by Mediahouse Holdings Co., Ltd. and Dentsu Direct Inc., there are those with large budgets, in the hundreds of millions of yen or tens of millions of yen.

Regarding the use of solutions and know-how, clients' foremost priority is maintaining their current sales and sales volumes, so a time lag in catching up is inevitable.

In response, we are considering providing marketing support, including AI utilization, within clients through each of its businesses. At this point, the Company does not envisage an environment in which clients' methods of attracting customers change significantly or in which the Company becomes unable to provide its support.