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Consolidated Financial Highlights for Q1 FY2020

1. Income Statements (Q1 FY2020: April 1, 2020 to June 30, 2020)

(Millions of yen)

	FY2019 (3M Result)	FY2020 (3M Result)	YoY Comparison Change	(%)
Billings	332,973	261,023	(71,950)	-21.6%
Revenue	72,438	64,650	(7,787)	-10.8%
(Gross margin)	(21.8%)	(24.8%)	(+3.0%)	
SG&A expenses	65,482	64,251	(1,231)	-1.9%
Operating income	6,955	398	(6,556)	-94.3%
(Operating margin)*	(9.6%)	(0.6%)	(-9.0%)	
Non-operating income	1,454	1,495	40	2.8%
Non-operating expenses	527	351	(175)	-33.2%
Ordinary income	7,882	1,542	(6,340)	-80.4%
Extraordinary income	147	116	(30)	-21.0%
Extraordinary loss	682	199	(482)	-70.7%
Net income before income taxes and minority interests	7,347	1,459	(5,888)	-80.1%
Net income attributable to owners of parent	2,576	(3,070)	(5,646)	-219.2%

* Operating margin = Operating income / Revenue

During Q1 FY2020 (April 1, 2020 to June 30, 2020), the Japanese economy has been severely damaged by the global spread of the coronavirus. Both of consumer spending and exports shrank, and consumer and business sentiment deteriorated with concern about continuous and various impacts such as worsened employment and income environment. The domestic advertising market (Note 1) was off to a difficult start. In May, advertising spending in Japan decreased by 30.9% from the previous year (the largest-ever decline), due to restraint on behavior such as voluntary locked-down.

Under such environment, the Group has tried to aggressively expand its business in accordance with its medium-term management plan which ends in the fiscal year ending March 31, 2024. However, as a result of the spread of COVID-19, billings decreased by 21.6% year on year to JPY 261,023 million, which was significantly lower than last year.

In terms of billings by service category, billings in the four mass-media categories were lower than the previous fiscal year in all categories. In addition, Internet media also decreased, although the impact of the spread of the new coronavirus was smaller than he four-mass media categories. In addition to the media, billings in other categories also declined compared to the previous year.

Looking at billings by clients' industry, they were down from last year in all industries. In particular, billings were down significantly in Automobiles/Related Products and Transportation/Leisure, where the spread of the new coronavirus has had a large impact. (Note 2)

Revenue decreased by JPY 7,787 million to ¥64,650 million, down 10.8% year on year, general, and administrative expenses were down 1.9% year on year as a result of efforts to control expenses, despite an increase in expenses due to the expansion of the scope of consolidation and an increase. However, this was not enough to make up for the decrease in revenue, and as a result, operating income fell 94.3% to JPY 398 million and ordinary income fell 80.4% to JPY 1,542 million.

After taking into account ¥116 million in extraordinary income and an extraordinary loss of JPY 199 million, net income before income taxes and minority interests was JPY 1,459 million (down 80.1% year on year), resulting in a significant decline in profit. In addition to these factors, after income taxes of JPY 2,715 million and net income attributable to non-controlling interests of JPY 1,814 million, a net loss attributable to owners of the parent of ¥3,070 million was recorded (net income of ¥2,576 million in the same period last year).

Notes 1. According to the Survey of Selected Service Industries (Ministry of Economy, Trade and Industry, Japan).
2. Based on internal management categories and data compiled by the Company.

2. Balance Sheets (June 31, 2020)

(Millions of yen)

	March 31, 2020		June 30, 2020		Comparison with March 31, 2020	
	Amount	Share	Amount	Share	Change	(%)
Current assets	595,080	69.2%	483,790	62.6%	(111,289)	-18.7%
Fixed assets	264,807	30.8%	288,500	37.4%	23,692	8.9%
Total assets	859,887	100.0%	772,290	100.0%	(87,597)	-10.2%
Current liabilities	395,721	46.0%	302,002	39.1%	(93,719)	-23.7%
Non-current liabilities	148,017	17.2%	151,357	19.6%	3,339	2.3%
Total liabilities	543,739	63.2%	453,359	58.7%	(90,379)	-16.6%
Total shareholders' equity	261,142	30.4%	252,316	32.7%	(8,825)	-3.4%
Accumulated other comprehensive income	28,060	3.3%	37,376	4.8%	9,315	33.2%
Subscription rights to shares	218	0.0%	219	0.0%	0	0.4%
Noncontrolling interest	26,726	3.1%	29,018	3.8%	2,291	8.6%
Total net assets	316,147	36.8%	318,930	41.3%	2,782	0.9%
Total liabilities and net assets	859,887	100.0%	772,290	100.0%	(87,597)	-10.2%

３．Consolidated Forecasts for Fiscal 2020 (April 1, 2020 to March 31, 2021)

In terms of our consolidated performance forecast for fiscal 2020, we believe our performance will be significantly impacted by the spread of COVID-19. As it is difficult to forecast the timing in which the spread of the virus will be contained, we are unable to make accurate and rational estimations on billings and other amounts at this time.

While closely monitoring trends going forward, we intend to promptly release consolidated performance and dividend forecasts for fiscal 2020 as soon as accurate and reasonable estimations are able to be made.