

Hakuhodo DY holdings

Consolidated Financial Highlights
Fiscal Year Ending June 30, 2020
(Q1 FY 2020)

August 7, 2020

Consolidated Results Highlights of Q1 FY 2020

Billings and profits fell sharply due to the spread of the new coronavirus infection.

- With the spread of the new coronavirus, demand for advertising fell sharply and domestic billings dropped by more than 20%*.
- 4Mass media billings were down 30% yoy, and Internet media billings also fell 10%. Non-media operations were also down 32%.
- Overseas revenue edged up. However, there is a difference in the timing of the inclusion of profit and loss. The impact of the corona crisis is expected to become apparent from Q2.
- Revenue margin improved by 2.0 percentage points, however, revenue fell 15%* yoy.
- Excluding the impact of the change in the scope of consolidation and amortization of, SG&A expenses were reduced by ¥2.6 billion yoy, mainly in activity expenses such as travel and entertainment expenses.
- However, operating income declined by ¥6.5 billion. Excluding the investment business, operating income decreased by ¥9.3 billion, resulting in a loss of ¥4.9 billion.
- A net loss of ¥3.0 billion yen attributable to shareholders of the parent company was recorded. This is the first time since 2011, when the Great East Japan Earthquake struck.

(*) Excluding the investment business.

- Decided to implement emergency cost-cutting measures, including returning part of executive compensation, limiting mid-career hiring, and reducing activity expenses, in light of the difficult first quarter results and the uncertain market environment.

▶ See p.17 for details.

(Millions of JPY)	Actual	YOY	
Billings	261,023	-71,950	-21.6%
Operating Income	398	-6,556	-94.3%
Ordinary Income	1,542	-6,340	-80.4%
Net Income Attributable to Owners of Parent	-3,070	-5,646	-219.2%

- Billings decreased by 21.6% y-o-y due to the significant impact of the corona crisis.
- Although operating profit declined by 94.3% y-o-y, it remained in the black.
- A net loss of 3.0 billion yen was recorded, which was the first time since 2011.

Q1 FY2020 Results (Excluding Investment Business)

Hakuhodo DY holdings

► See p.18 for details.

(Millions of JPY)	Actual	YOY	
Billings	255,573	-74,762	-22.6%
Revenue	59,258	-10,669	-15.3%
Gross Margin	23.2%	+2.0pt	
SGA	64,183	-1,299	-2.0%
Operating Income	-4,925	-9,369	-210.8%
Operating Margin	-8.3%	-14.7pt	
Amortization of Goodwill*	1,808	-47	-2.6%
Operating Income before Amortization of G/W	-3,116	-9,417	-149.5%
Operating Margin before Amortization of G/W	-5.3%	-14.3pt	

- Billings decreased by 22.6% year on year.
- Revenue declined by 15.3%. Revenue margin improved by 2.0 percentage points year on year.
- Although SG&A expenses were reduced by ¥1.2 billion, this was not large enough for the decline in the top line, and therefore operating income fell by ¥9.3 billion, resulting in a ¥4.9 billion loss.
- Operating income before amortization of goodwill was down ¥9.4 billion, resulting in a ¥3.1 billion loss.

* Amortization of goodwill represents the total of goodwill amortization required under Japanese accounting laws and amortization of intangible assets following business combinations.

Results by Region (Japan: Excluding Investment Business)

Q1 FY2020

► See p.19 for details.

(Millions of JPY)	Actual	YOY	
Billings	218,766	-78,003	-26.3%
Revenue	43,796	-10,987	-20.1%
Gross Margin	20.0%	+1.6pt	
SGA	44,023	-2,664	-5.7%
Operating Income	-294	-8,390	-103.6%
Operating Margin	-0.7%	-15.5pt	
Amortization of Goodwill*	289	-249	-46.3%
Operating Income before Amortization of G/W	-5	-8,640	-100.1%
Operating Margin before Amortization of G/W	-0.0%	-15.8pt	

- Billings fell 26.3% year on year, significantly impacted by the sharp decline in demand in the domestic advertising market due to the spread of the coronavirus infection.
- Although revenue margin improved by 1.6 percentage points, the impact of the decline in billings was significant and revenue fell 20.1% year on year.
- Despite cutting SG&A expenses by ¥2.6 billion, operating income declined by ¥8.3 billion, resulting in a loss of ¥0.2 billion.
- Operating income before amortization of goodwill was down ¥8.6 billion, to almost break-even.

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Results by Region (Overseas)

Hakuhodo DY holdings

Q1 FY2020

► See p.19 for details.

(Millions of JPY)	Actual	YOY	
Billings	38,369	+2,166	+6.0%
Revenue	16,123	+322	+2.0%
Gross Margin	42.0%	-1.6pt	
SGA	17,210	+1,277	+8.0%
Operating Income	-1,087	-955	n/a
Operating Margin	-6.7%	-5.9pt	
Amortization of Goodwill*	1,518	+202	+15.4%
Operating Income before Amortization of G/W	431	-753	-63.6%
Operating Margin before Amortization of G/W	2.7%	-4.8pt	

- Revenue increased by 2.0% yoy, partly due to the positive effect of M&A.
- In North America, which has a high proportion of revenue, the impact of corona was minimal because of fiscal period was January-March, and revenue was at the same level as the same period last year. In Greater China, there was a double-digit decline in revenue, but in ASEAN and other Asia, revenue increased from the same period last year, due in part to the increase in.
- SG&A expenses increased by 8.0% year on year, mainly due to the impact of M&A. Operating income decreased by ¥0.9 billion. Operating income before amortization of goodwill was ¥0.7 billion lower than the previous year.

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Billings by Service Category

Hakuhodo DY holdings

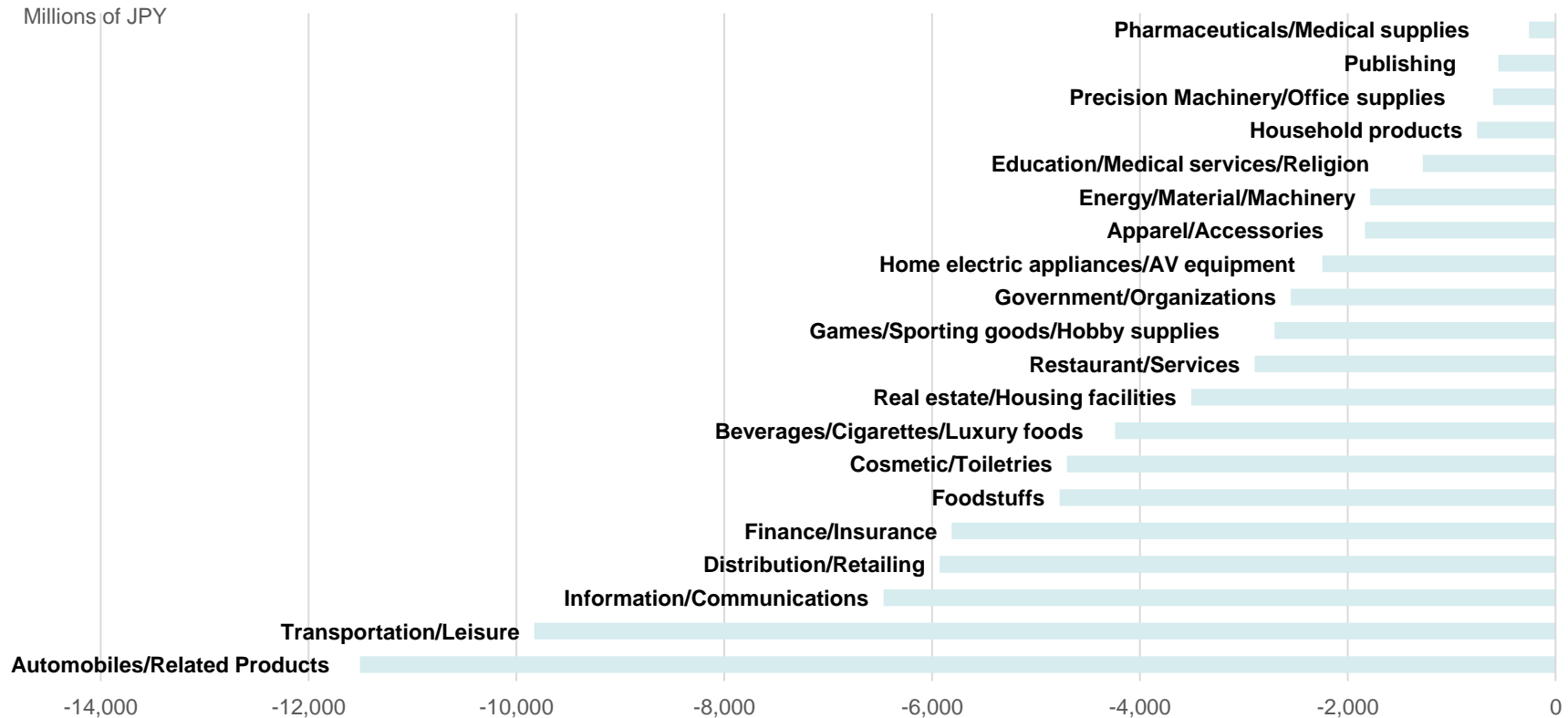
Q1 FY2020 YOY

(Millions of JPY)	Actual	YOY		Composition Ratio
Newspapers	6,382	-3,812	-37.4%	2.9%
Magazines	2,391	-1,514	-38.8%	1.1%
Radio	2,727	-1,005	-26.9%	1.3%
Television	75,268	-31,005	-29.2%	34.7%
Trad-Media Service Subtotal	86,769	-37,337	-30.1%	40.0%
Internet Media	54,500	-6,679	-10.9%	25.2%
Outdoor Media	6,192	-3,748	-37.7%	2.9%
Media Service Subtotal	147,463	-47,765	-24.5%	68.1%
Creative	22,101	-7,684	-25.8%	10.2%
Marketing/Promotion	40,557	-17,575	-30.2%	18.7%
Others (Contents, etc.)	6,570	-4,607	-41.2%	3.0%
Other than Media Service Subtotal	69,229	-29,867	-30.1%	31.9%
Total	216,693	-77,632	-26.4%	100.0%
Investment Business	5,449	+2,812		
Other than above	2,073	-370		
Domestic Billings	224,216	-75,191	-25.1%	
Internet Advertising Domain Billings	62,871	-7,872	-11.1%	

- The scope of tabulation has been expanded and some of the methods of tabulation have been changed from the current fiscal year, and the results of the previous year have been retroactively restated.
- Figures for "Other than above" comprise mainly billings of certain domestic subsidiaries.

Q1 FY2020 YOY

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- The scope of tabulation has been expanded and some of the methods of tabulation have been changed from the current fiscal year, and the results of the previous year have been retroactively restated.

- Main Negative Industries

Automobiles/Related Products	Q1 FY2020	JPY17.5 bil	YOY	JPY-11.5 bil	(-39.6%)
Transportation/Leisure		6.5 bil		-9.8 bil	(-60.2%)
Information/Communications		22.4 bil		-6.4 bil	(-22.3%)

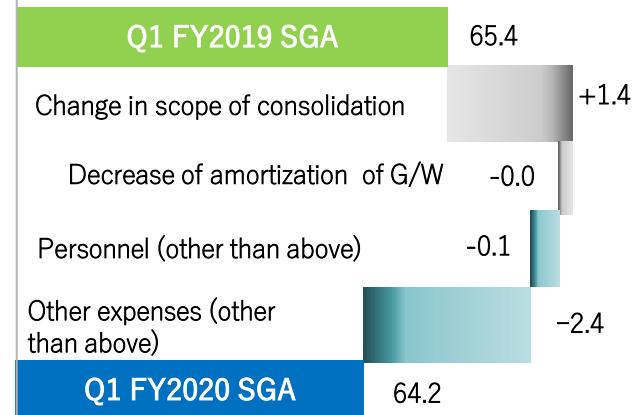
Selling, General & Administrative Expenses

Hakuhodo DY holdings

Q1 FY2020

(Millions of JPY)	Actual	YOY	
Personnel	44,883	+901	+2.0%
Rent	4,633	+286	+6.6%
Depreciations	1,420	+18	+1.3%
Amortization of Goodwill	1,808	-47	-2.6%
Others	11,504	-2,389	-17.2%
Other Expenses	19,367	-2,132	-9.9%
SGA total	64,251	-1,231	-1.9%

Major Change Factors in SGA (JPY billion)



- SG&A expenses decreased by 1.9% YoY.
- Excluding the impact of the change in the scope of consolidation and the decrease in amortization of goodwill, the Group reduced expenses by ¥2.6 billion.
- Reduced travel and entertainment expenses by 1.8 billion yen in total.
- The number of employees at the end of June 2020 was 25,411, up 1,472 from the end of March 2020.

Q1 FY2020

Other Income

(Millions of JPY)	Actual	YOY
Non-operating Income	1,495	+40
Interest Income	70	-11
Dividend Income	1,155	-22
Non-operating Expenses	351	-175
Interest Expenses	104	-12
Equity Method Loss	177	+32

Extra-ordinary Items

(Millions of JPY)	FY2019 Actual	YOY
Extraordinary Income	116	-30
Gain on sales of investment securities	105	
Extraordinary losses	199	-482

(Millions of JPY)	End of Jun 2020	Change *	Composition
Current Assets	483,790	-111,289	62.6%
Cash & Deposits	154,878	-11,698	
Accounts Recievable	249,443	-107,658	
Non-current Assets	288,500	+23,692	37.4%
Tangible Assets	34,078	-51	
Intangible Assets	60,738	+8,355	
Goodwill	34,638	+6,732	
Investments & Other Assets	193,683	+15,389	
Investment Securities	152,749	+15,488	
Total Assets	772,290	-87,597	100.0%
Current Liabilities	302,002	-93,719	39.1%
Accounts Payable	204,694	-87,615	
Short-term Borrowings	15,462	+11,484	
Non-current Liabilities	151,357	+3,339	19.6%
Long-term Borrowings	107,354	+1,129	
Total Liabilities	453,359	-90,379	58.7%
Shareholders' Equity	252,316	-8,825	32.7%
Share Capital	10,491	+0	
Capital Surplus	168	-156	
Retained Earnings	253,029	-8,668	
Treasury Stock	-11,372	+0	
Accumulated Other Comprehensive Incor	37,376	+9,315	4.8%
Share Aquisiton Rights	219	+0	0.0%
Non-controlling Interests	29,018	+2,291	3.8%
Total Net Assets	318,930	+2,782	41.3%

* Change from the balance as of the end of Mar, 2020

Cash & Deposits ¥154.8 bil

Net Debt ¥-54.0 bil



Staying Healthy

Emergency Cost Control Plan & Guidance for FY2020

In the first quarter, the spread of the new coronavirus had a negative impact on our business and a large loss was recorded.

Although there have been signs of recovery since July, the speed of recovery is still slow, and we believe it will take a while before the economy returns to the pre-corona situation.

In addition, with the increase in the number of new infection or the possibility of the second wave, the outlook for the economy and the advertising market is likely to remain uncertain for the time being.

In light of these circumstances, HDY Group (the Group) has decided to take the emergency cost control plan as follows.

- The Group implement emergency cost measures, including the partial return of executive compensation (starting in August), tentatively stopping mid-career hiring, and reducing activity costs.
- The Group will look into new ways of working in light of the expansion of telework that has been promoted by the corona crisis. At the same time, we will continue to work on cost structure reforms throughout the Group.

At the moment, it still remains very unclear how the coronavirus infection will be resolved and how the economy and the advertising market will recover. We will therefore refrain from disclosing forecasts of consolidated performance and dividends for fiscal 2020. However, while closely monitoring trends going forward, we intend to promptly release these forecasts as soon as accurate and reasonable estimations can be made.

(Cautionary Statements Concerning Forward-looking Statements)

This presentation includes forward-looking statements concerning forecasts of operating results, business plans and policies, management strategies, goals, plans, numbers involving the future, views and evaluations of facts, and other items associated with Hakuhodo DY Holdings and its group companies. These and other statements that are not historical facts represent forecasts, expectations, assumptions, plans, views, evaluations and other positions of management based on information available when this presentation was prepared.

To prepare figures used for forecasts and predictions, confirmed facts from past activities have been combined with certain assumptions that are essential to formulating forecasts and predictions. Due to the nature of these facts and assumptions, there is no guarantee of their accuracy from an objective viewpoint or any guarantee that future events will occur as presented in these forward-looking statements.

The following is a list of some, but not all, risks and uncertainties that may prevent these facts and assumptions from being accurate from an objective viewpoint or from becoming a reality in the future.

- (1) Risks associated with the advertising industry in general (changes in the advertising industry climate due to fluctuations in the economy, changes in business practices and other events)
- (2) Risks associated with revisions of laws and regulations
- (3) Risks associated with advertisers and media companies (the need to respond accurately to shifts in needs of customers and other entities the company does business with)
- (4) Risks associated with competition (competition with other advertising agencies, companies newly entering the industry and others)
- (5) Risks associated with the expansion of business domains resulting from structural changes in markets
- (6) Risks associated with conducting business on a global scale
- (7) Risks associated with lawsuits and similar actions
- (8) Risks associated with climate, pandemics, and conflicts, etc.

(Notes Concerning Audit)

This presentation information was not audited by an independent auditors.

Supplements

Japanese GAAP-basis Interim Income Statements for Q1 FY2020

(Millions of JPY)	YTD Actual	YOY	
Billings	261,023	-71,950	-21.6%
Revenue	64,650	-7,787	-10.8%
Gross Margin	24.8%	+3.0pt	+0.0%
SG&A	64,251	-1,231	-1.9%
Operating Income	398	-6,556	-94.3%
Operating Margin	0.6%	-9.0pt	+0.0%
Non-operating Income	1,495	+40	+2.8%
Non-operating Expenses	351	-175	-33.2%
Ordinary Income	1,542	-6,340	-80.4%
Extraordinary Income	116	-30	-21.0%
Extraordinary Loss	199	-482	-70.7%
Net Income before Taxes	1,459	-5,888	-80.1%
Income Tax	2,715	-1,320	-32.7%
Non-controlling Interest	1,814	+1,078	+146.5%
Net Income Attributable to Owners of Parent	-3,070	-5,646	-219.2%
Amortization of Goodwill	1,808	-47	-2.6%
Operating Income before Amortization of Goodwill	2,207	-6,603	-74.9%
Operating Margin before Amortization of Goodwill	3.4%	-8.7pt	

* Amortization of goodwill represents the total of goodwill amortization required under Japanese accounting laws and amortization of intangible assets following business combinations.

Results Excluding Investment Business

Hakuhodo DY holdings

For Q1 FY2020

Results Excluding Investment Business

(Millions of JPY)	YTD Actual	YOY	
Billings	255,573	-74,762	-22.6%
Revenue	59,258	-10,669	-15.3%
Gross Margin	23.2%	+2.0pt	
SG&A	64,183	-1,299	-2.0%
Operating Income	-4,925	-9,369	-210.8%
Operating Margin	-8.3%	-14.7pt	
Amortization of Goodwill	1,808	-47	-2.6%
Operating Income before Amortization of Goodwill	-3,116	-9,417	-149.5%
Operating Margin before Amortization of Goodwill	-5.3%	-14.3pt	

Impact from Investment Business

(Millions of JPY)	FTD Actual	YOY	
Billings	5,449	+2,812	
Revenue	5,392	+2,881	
SG&A	68	+68	
Operating Income	5,324	+2,813	

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Results by Region

Hakuhodo DY holdings

For Q1 FY2020

(Millions of JPY)	Actual	YOY	
Japan			
Billings	224,216	-75,191	-25.1%
Revenue	49,188	-8,105	-14.1%
SG&A	44,091	-2,596	-5.6%
Operating Income	5,097	-5,508	-51.9%
International			
Billings	38,369	+2,166	+6.0%
Revenue	16,123	+322	+2.0%
SG&A	17,210	+1,277	+8.0%
Operating Income	-1,087	-955	n/a
Elimination or Corporate			
Billings	-1,561	+1,075	+0.0%
Revenue	-662	-4	+0.0%
SG&A	2,949	+87	+0.0%
Operating Income	-3,611	-91	+0.0%
Consolidated			
Billings	261,023	-71,950	-21.6%
Revenue	64,650	-7,787	-10.8%
SG&A	64,251	-1,231	-1.9%
Operating Income	398	-6,556	-94.3%

Billings by Clients' Industry

Hakuhodo DY holdings

For Q1 FY2020

(Millions of JPY)	FY2019 Actual	YOY		Composition
Beverages/Cigarettes/Luxury foods	27,976	-4,240	-13.2%	15.1%
Information/Communications	22,490	-6,468	-22.3%	12.2%
Automobiles/Related products	17,572	-11,506	-39.6%	9.5%
Cosmetics/Toiletries	16,807	-4,703	-21.9%	9.1%
Foodstuffs	14,853	-4,774	-24.3%	8.0%
Pharmaceuticals/Medical supplies	11,908	-257	-2.1%	6.4%
Finance/Insurance	9,755	-5,812	-37.3%	5.3%
Restaurant/Services	8,923	-2,897	-24.5%	4.8%
Real estate/Housing facilities	7,173	-3,507	-32.8%	3.9%
Distribution/Retailing	7,131	-5,927	-45.4%	3.9%
Transportation/Leisure	6,500	-9,829	-60.2%	3.5%
Household products	4,883	-756	-13.4%	2.6%
Apparel/Accessories	3,912	-1,835	-31.9%	2.1%
Energy/Material/Machinery	3,642	-1,784	-32.9%	2.0%
Publishing	3,096	-551	-15.1%	1.7%
Education/Medical services/Religion	2,658	-1,278	-32.5%	1.4%
Home electric appliances/AV equipment	2,532	-2,246	-47.0%	1.4%
Games/Sporting goods/Hobby supplies	2,332	-2,705	-53.7%	1.3%
Government/Organizations	1,957	-2,549	-56.6%	1.1%
Precision machinery/Office supplies	1,272	-603	-32.2%	0.7%
Classified advertising/Other	7,644	+73	+1.0%	4.1%
Total	185,026	-74,160	-28.6%	100.0%
Investment Business	5,449	+2,812		
Other than Above	33,739	-3,842		
Domestic Billings	224,216	-75,191	-25.1%	

- The scope of tabulation has been expanded and some of the methods of tabulation have been changed from the current fiscal year, and the results of the previous year have been retroactively restated.

Cash Flow Statements

Hakuhodo DY holdings

For Q1 FY2020

(Millions of JPY)	Actual	YOY
Cash Flows from Operating Activities	-8,848	+4,838
Cash Flows from Investing Activities	-7,398	-2,223
Purchase of property, plant and equipment	-909	+254
Proceeds from sales of property, plant and equipment	19	+18
Purchase of intangible assets	-1,573	-190
Purchase of investment securities	-408	+574
Proceeds from sales of investment securities	446	-99
Purchase of shares of subsidiaries	-397	-164
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-4,545	-4,545
Cash Flows from Financing Activities	5,593	+13,471
Net increase (decrease) in short-term borrowings	11,357	+12,677
Net increase (decrease) in Long-term borrowings & Bonds	-191	-230
Dividends paid	-5,080	+62
Dividends paid to non-controlling interests	-225	+333
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-172	-129
Cash and cash equivalents at beginning of period	163,299	+11,144
Cash and cash equivalents at end of period	151,840	+26,661

Results of Major Agencies

Hakuhodo DY holdings

For Q1 FY2020

(Millions of JPY)	Actual	YOY	
Hakuhodo (Consolidated)			
Billings	168,908	-58,851	-25.8%
Ordinary Income	-2,079	-8,353	-133.2%
Net Income Attributable to Owners of Parent	-2,603	-5,852	-180.1%
Daiko (Consolidated)			
Billings	31,075	-4,961	-13.8%
Ordinary Income	-209	-267	-461.9%
Net Income Attributable to Owners of Parent	-220	-131	n/a
Yomiko (Consolidated)			
Billings	10,446	-5,514	-34.5%
Ordinary Income	-631	-668	-1839.7%
Net Income Attributable to Owners of Parent	-480	-500	-2557.4%

HakuhodoDY holdings

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