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# Consolidated Financial Highlights for 1H of FY2020

Hakuhodo DY Holdings Inc. has announced its first-half earnings report for fiscal 2020, the year ending March 31, 2021, after approval at the Board of Directors' meeting held today. The main details of this report are as follows.

## 1. Summary of Consolidated Income Statements (April 1 to September 30, 2020)

(Millions of JPY)

| | FY2019 (6M Result) | FY2020 (6M Result) | YoY Comparison Change | (%) |
|---|---|---|---|---|
| Billings | 682,827 | 534,065 | (148,761) | -21.8% |
| Revenue | 154,023 | 129,695 | (24,328) | -15.8% |
| (Gross margin) | (22.6%) | (24.3%) | (+1.7%) | |
| SG&A expenses | 133,781 | 127,894 | (5,887) | -4.4% |
| Operating income | 20,241 | 1,800 | (18,441) | -91.1% |
| (Operating margin)* | (13.1%) | (1.4%) | (-11.8%) | |
| Non-operating income | 1,948 | 2,540 | 591 | 30.4% |
| Non-operating expenses | 582 | 628 | 46 | 7.9% |
| Ordinary income | 21,607 | 3,712 | (17,895) | -82.8% |
| Extraordinary income | 14,682 | 149 | (14,532) | -99.0% |
| Extraordinary loss | 1,164 | 655 | (508) | -43.7% |
| Net income before income taxes and minority interests | 35,125 | 3,206 | (31,919) | -90.9% |
| Net income attributable to owners of parent | 19,763 | (3,433) | (23,196) | -117.4% |

* Operating margin = Operating income / Revenue

During the first half (April 1 to September 30, 2020) of fiscal 2020, the Japanese economy rapidly worsened due to the impact of restrictions on activities, including the declaration of the state of emergency, following the COVID-19 pandemic, as well as a significant decline in consumer spending and corporate activities. Although there were signs of a recovery heading into the second quarter, the business environment still remained challenging. The domestic advertising market (Note 1) declined by over 20% in the first quarter compared with the same period of the previous fiscal year, which was the largest-ever decline the market has faced.

However, from the second quarter, there has been a trend of improvement in these declines, although this trend differs among service categories.

Under such an environment, the Hakuhodo DY Group continued to pursue proactive business development in accordance with its Medium-Term Business Plan, which runs through fiscal 2023. However, first-half billings significantly declined compared with the same period of the previous fiscal year, falling 21.8 %, to ¥534,065 million.

In terms of billings by service category, billings in the traditional mass media categories were lower than in the first half of the previous fiscal year in all categories. In addition, billings from Internet media also decreased from the first half of the previous fiscal year, however, the impact of the pandemic was smaller than it was on the traditional mass media categories. Billings from categories other than media, including Marketing / Promotion, also declined compared with the same period of the previous fiscal year.

Looking at billings by client industry, billings were down from the first half of the previous fiscal year in all industries. In particular, billings were down significantly in Automobiles/Related products and Transportation/Leisure, where the pandemic had a large impact (Note 2).

Revenue decreased ¥24,328 million, to ¥129,695 million, down 15.8% year on year. Selling, general and administrative (SG&A) expenses decreased 4.4% year on year as a result of efforts to control activity expenses and other spending, despite an increase in expenses due to changes in the scope of consolidation. However, this was not enough to make up for the decrease in revenue and, as a result, operating income fell 91.1% year on year, to ¥1,800 million, and ordinary income dropped 82.8%, to ¥3,712 million.

After taking into account ¥149 million in extraordinary income and an extraordinary loss of ¥655 million, net income before income taxes and minority interests came to ¥3,206 million, down 90.9% year on year due in part to the impact from the absence of the ¥14,642 million gain on sales of investment securities recorded in the first half of the previous fiscal year, which followed the sale of common stock held in Recruit Holdings Co., Ltd. In addition to this impact, after factoring in corporate and other taxes of ¥4,868 million and net income attributable to non-controlling interests of ¥1,770 million, a loss attributable to owners of the parent of ¥3,433 million was recorded (compared with income of ¥19,763 million in the same period of the previous fiscal 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 (As of September 30, 2020)

(Millions of JPY)

| | March 31, 2020 | | September 30, 2020 | | Comparison with March 31, 2020 | |
|---|---|---|---|---|---|---|
| | Amount | Share | Amount | Share | Change | (%) |
| Current assets | 595,080 | 69.2% | 461,197 | 60.6% | (133,882) | -22.5% |
| Fixed assets | 264,807 | 30.8% | 299,806 | 39.4% | 34,999 | 13.2% |
| Total assets | 859,887 | 100.0% | 761,003 | 100.0% | (98,883) | -11.5% |
| Current liabilities | 395,721 | 46.0% | 274,352 | 36.1% | (121,369) | -30.7% |
| Non-current liabilities | 148,017 | 17.2% | 156,910 | 20.6% | 8,892 | 6.0% |
| Total liabilities | 543,739 | 63.2% | 431,262 | 56.7% | (112,476) | -20.7% |
| Total shareholders' equity | 261,142 | 30.4% | 251,976 | 33.1% | (9,165) | -3.5% |
| Accumulated other comprehensive income | 28,060 | 3.3% | 45,973 | 6.0% | 17,912 | 63.8% |
| Subscription rights to shares | 218 | 0.0% | 227 | 0.0% | 9 | 4.2% |
| Noncontrolling interest | 26,726 | 3.1% | 31,562 | 4.1% | 4,836 | 18.1% |
| Total net assets | 316,147 | 36.8% | 329,740 | 43.3% | 13,593 | 4.3% |
| Total liabilities and net assets | 859,887 | 100.0% | 761,003 | 100.0% | (98,883) | -11.5% |

## 3. Performance and Dividend Forecasts for Fiscal 2020

(Millions of JPY)

| | FY2019 Actual | FY2020 Forecast | YOY Change | (%) |
|---|---|---|---|---|
| Billings | 1,466,249 | 1,247,000 | (219,249) | -15.0% |
| Operating income | 55,131 | 24,000 | (31,131) | -56.5% |
| Ordinary income | 58,100 | 27,000 | (31,100) | -53.5% |
| Net income attributable to owners of parent | 44,893 | 13,000 | (31,893) | -71.0% |
| Dividend per share (@JPY/share) | 30.0 | 30.0 | - | |

* Including a mid-term dividend of ¥15 per share.

(About the Full-Year Forecasts)

Our performance during the current period is being significantly impacted by the COVID-19 pandemic. As it is extremely unclear when the spread of the virus will be contained and how the domestic economy and advertising market will recover, we have thus far refrained from disclosing our full-year performance and dividend forecasts as we have been unable to make accurate and rational estimations. However, while we continue to face an uncertain situation, we have settled our accounts for the first half, and, entering into the second half, believe that we can now make predictions on our full-year performance by using estimations of profit/loss items based on certain assumptions. Therefore, we have announced our full-year performance and dividend forecasts in this material.

When compiling these forecasts, we made the assumptions that the domestic economy and advertising market will continue to gradually recover and that there will be no remarkable economic stagnation due to the impact of a third wave of COVID-19 or other factors.

Based on these assumptions, we anticipate that our top-line growth, excluding the impact of changes in the scope of consolidation, will slightly exceed the growth of the market and equal roughly 90% thereof in the previous fiscal year. Accordingly, we forecast full-year billings of ¥ 1,247.0 billion (year-on-year decline of 15.0%).

In addition, by continuing to promote efforts to reduce costs, we expect that SG&A expenses will decline by 5% year on year (excluding the impact of changes in the scope of consolidation).

As a result, we forecast full-year operating income of ¥ 24.0 billion (year-on-year decrease of 56.5%) and ordinary income of ¥ 27.0 billion (year-on-year decrease of 53.5%). At the moment, we do not foresee the occurrence of any major extraordinary gains or extraordinary losses and therefore forecast net income attributable to owners of the parent of ¥13.0 billion (year-on-year decrease of 71.0%).

Please note that in the event that there are changes to the assumptions and conditions used to create these forecasts due to circumstantial changes, we will examine making revisions to these forecasts and announce such revisions if necessary.

(About the Dividend Forecast)

The Company's basic policy on shareholder returns is to steadily and continually provide dividends to shareholders. In determining the dividend amount, we comprehensively take into account the circumstances regarding demand for capital, the Company's business performance, the maintenance of sufficient internal reserves, and other factors.

We have decided to pay a mid-term dividend of ¥ 15.0 per share, from the perspective of maintaining stable dividend payments.

Furthermore, we will pay a year-end dividend of ¥ 15.0 per share as well, making for full-year dividends of ¥ 30.0 per share.

### 4. Withdrawal of Numerical Targets under the Medium-Term Business Plan

Our group has formulated a medium-term management plan ending in the fiscal year ending March 31, 2024, and has been promoting various strategies since the fiscal year ending March 31, 2020.

"The shift to complete digitalization," which is the basis for the strategies outlined in the plan, is expected to accelerate further due to the impact of the Corona disaster, and we will continue to respond to these changes in a flexible and speedy manner.

On the other hand, the economy and the advertising market have been severely damaged by the corona disaster, and the path to recovery for the economy and the advertising market in the future remains unclear.

In consideration of these circumstances, we have no choice but to recognize the fact that our current view of the economy and advertising market has greatly changed from the assumptions we based our numerical targets on under the current Medium-Term Business Plan. We therefore believe it is not appropriate to maintain these targets and have withdrawn them accordingly.

New numerical targets will be considered and announced as appropriate when the market outlook becomes reasonably predictable over the medium term.