

Hakuhodo DY holdings

Consolidated Financial Highlights  
Fiscal Year Ending September 30, 2020  
(Q2 FY 2020)

November 16, 2020

# Consolidated Results Highlights of Q2 FY 2020

**Billings and profits fell sharply due to the spread of the new coronavirus infection.  
Demand is recovering after bottoming out in Q1.**

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- With the spread of the new coronavirus, demand for advertising fell sharply and domestic billings dropped by more than 20%.
  - Demand is steadily recovering after Q1. The impact of COVID-19 is starting to be seen in Q2 since our overseas business is 3 months behind domestic in terms of P&L period.
  - Revenue margin improved by 140 basis points, however, revenue fell 17% yoy on excluding investment business basis.
  - Cost control was implemented, and therefore SG&A decreased by ¥7.5 billion excluding amortization of goodwill and change of scope of consolidation.
  - However, operating income declined by ¥18.4 billion. Excluding the investment business, operating income decreased by ¥19.7 billion, resulting in a loss of ¥3.7 billion.
  - A net loss of ¥3.4 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.
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- Operating income of ¥24 billion and PAT of ¥13 billion is expected for FY2020 guidance based on the assumption that top-line is forecasted to be 90% yoy and SG&A is expected to be cut by 5% yoy in second half excluding impact of

► See p.17 for details.

(Millions of JPY)	Actual	YOY	
<b>Billings</b>	<b>534,065</b>	<b>-148,761</b>	<b>-21.8%</b>
<b>Operating Income</b>	<b>1,800</b>	<b>-18,441</b>	<b>-91.1%</b>
<b>Ordinary Income</b>	<b>3,712</b>	<b>-17,895</b>	<b>-82.8%</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>-3,433</b>	<b>-23,196</b>	<b>-117.4%</b>

- Billings decreased by 21.8% y-o-y due to the significant impact of the corona crisis.
- Although operating profit declined by 91.1% y-o-y, it remained in the black.
- A net loss of 3.4 billion yen was recorded, which was the first time since 2011.

# Q2 FY2020 Results (Excluding Investment Business)

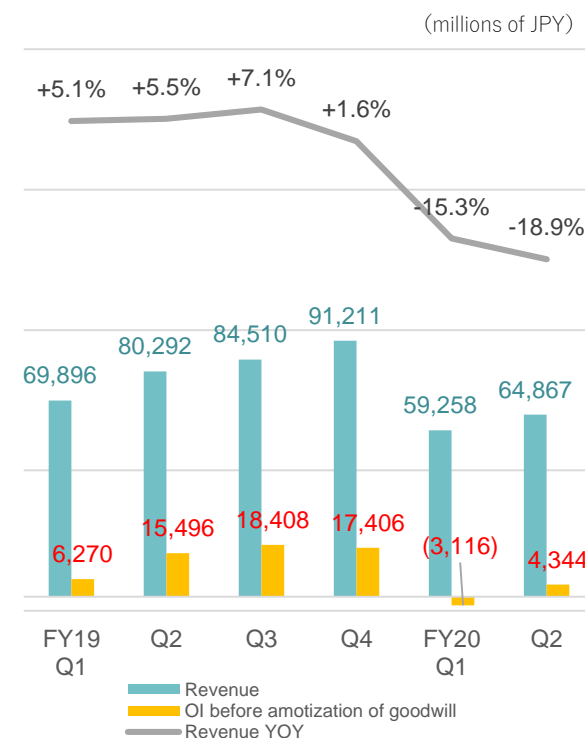
Hakuhodo DY holdings

► See p.18 for details.

(Millions of JPY)

	Actual	YOY	
<b>Billings</b>	<b>528,360</b>	<b>-150,046</b>	<b>-22.1%</b>
<b>Revenue</b>	<b>124,125</b>	<b>-25,748</b>	<b>-17.2%</b>
<b>Gross Margin</b>	<b>23.5%</b>	<b>+1.4pt</b>	
<b>SGA</b>	<b>127,826</b>	<b>-5,955</b>	<b>-4.5%</b>
<b>Operating Income</b>	<b>-3,700</b>	<b>-19,793</b>	<b>-123.0%</b>
<b>Operating Margin</b>	<b>-3.0%</b>	<b>-13.7pt</b>	
<b>Amortization of Goodwill*</b>	<b>4,929</b>	<b>-430</b>	<b>-8.0%</b>
<b>Operating Income before Amortization of G/W</b>	<b>1,228</b>	<b>-20,223</b>	<b>-94.3%</b>
<b>Operating Margin before Amortization of G/W</b>	<b>1.0%</b>	<b>-13.3pt</b>	

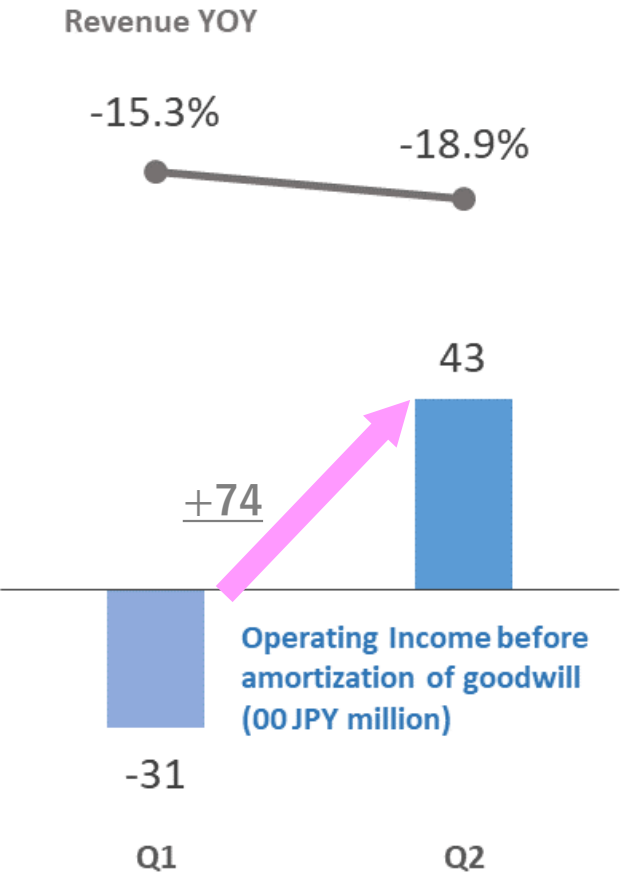
Revenue & Operating Income before amortization of goodwill by quarter



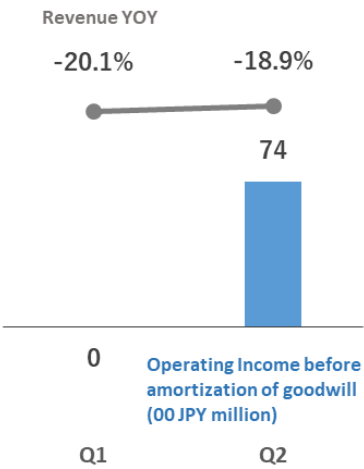
- Billings decreased by 22.1% year on year.
- Revenue declined by 17.2%. Revenue margin improved by 1.4 percentage points year on year.
- Although SG&A expenses were reduced by ¥5.9 billion, this was not large enough for the decline in the top line, and therefore operating income fell by ¥19.7 billion, resulting in a ¥3.7 billion loss.
- Operating income before amortization of goodwill was down ¥20.2 billion, resulting in a ¥1.2 billion (returning to profit).

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

Consolidation (Excluding Investment Business)

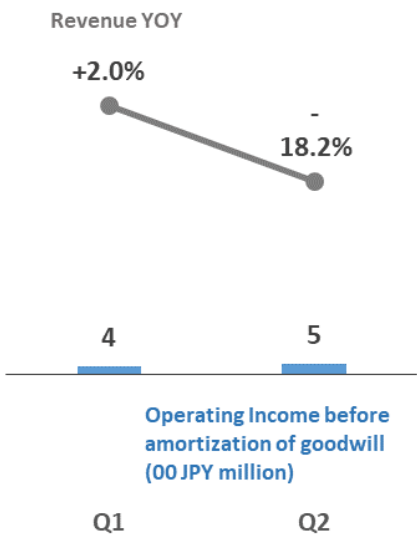


Japan



- Top line progressing moderately toward recovery after bottoming out in the first quarter
- Restored profitability in the second quarter owing to successful implementation of the emergency cost control plan

International



- A double-digit percentage decline in revenue in the second quarter resulting from the three-month discrepancy in the period for incorporating profits and losses from that of Japan
- Maintained profitability in the second quarter through significant reduction in SG&A expenses

\* 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)

Hakuhodo DY holdings

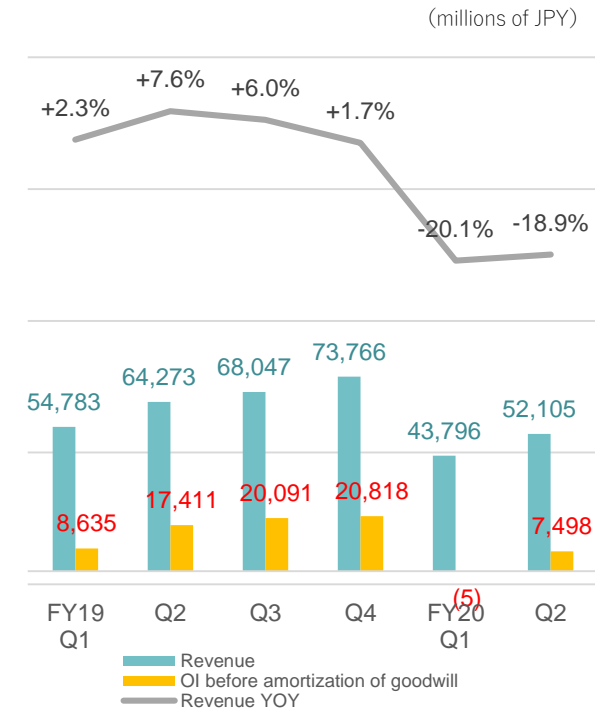
Q2 FY2020

► See p.19-20 for details.

(Millions of JPY)

	Actual	YOY	
<b>Billings</b>	<b>463,390</b>	<b>-145,855</b>	<b>-23.9%</b>
<b>Revenue</b>	<b>95,902</b>	<b>-23,155</b>	<b>-19.4%</b>
<b>Gross Margin</b>	<b>20.7%</b>	<b>+1.2pt</b>	
<b>SGA</b>	<b>88,963</b>	<b>-5,092</b>	<b>-5.4%</b>
<b>Operating Income</b>	<b>6,938</b>	<b>-18,062</b>	<b>-72.2%</b>
<b>Operating Margin</b>	<b>7.2%</b>	<b>-13.8pt</b>	
<b>Amortization of Goodwill*</b>	<b>554</b>	<b>-490</b>	<b>-46.9%</b>
<b>Operating Income before Amortization of G/W</b>	<b>7,493</b>	<b>-18,553</b>	<b>-71.2%</b>
<b>Operating Margin before Amortization of G/W</b>	<b>7.8%</b>	<b>-14.1pt</b>	

Revenue & Operating Income before amortization of goodwill by quarter



- Billings fell 23.9% 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 1.2 percentage points, the impact of the decline in billings was significant and revenue fell 19.4% year on year.
- Despite cutting SG&A expenses by ¥5.0 billion, operating income declined by ¥18.0 billion, resulting in ¥6.9 billion.
- Operating income before amortization of goodwill was down ¥18.5 billion, resulting in ¥7.4 billion.

\* 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 (Overseas)

HakuhodoDY holdings

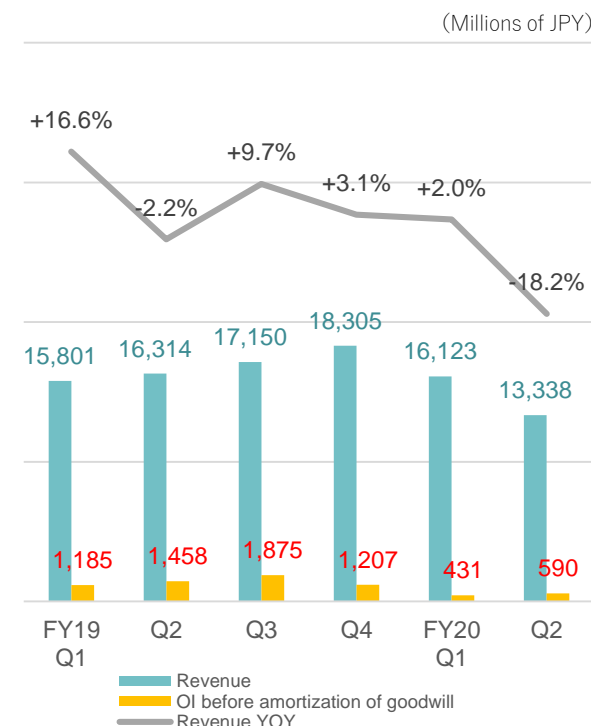
Q2 FY2020

► See p.19-20 for details.

(Millions of JPY)

	Actual	YOY	
<b>Billings</b>	<b>67,771</b>	<b>-5,788</b>	<b>-7.9%</b>
<b>Revenue</b>	<b>29,462</b>	<b>-2,653</b>	<b>-8.3%</b>
<b>Gross Margin</b>	<b>43.5%</b>	<b>-0.2pt</b>	
<b>SGA</b>	<b>32,814</b>	<b>-971</b>	<b>-2.9%</b>
<b>Operating Income</b>	<b>-3,352</b>	<b>-1,682</b>	<b>n/a</b>
<b>Operating Margin</b>	<b>-11.4%</b>	<b>-6.2pt</b>	
<b>Amortization of Goodwill*</b>	<b>4,374</b>	<b>+60</b>	<b>+1.4%</b>
<b>Operating Income before Amortization of G/W</b>	<b>1,022</b>	<b>-1,621</b>	<b>-61.3%</b>
<b>Operating Margin before Amortization of G/W</b>	<b>3.5%</b>	<b>-4.8pt</b>	

Revenue & Operating Income before amortization of goodwill by quarter



- Revenue fell 8.3% yoy, partly due to the impact of COVID-19. Under HDY accounting policy, fiscal period in overseas is 3 months behind domestic, and therefore the effect of pandemic was started to be shown in Q2.
- In North America, which has a high proportion of revenue, the impact of corona got to be severe. Greater China turned to recovering in Q2. In ASEAN and other Asia, revenue increased from the same period last year, due in part to the M&A impact.
- SG&A expenses decreased by 2.9% year on year, despite of M&A impact. However, operating income decreased by ¥1.6 billion. Operating income before amortization of goodwill was also ¥1.6 billion lower than the previous year.

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



Q2 FY2020 YTD

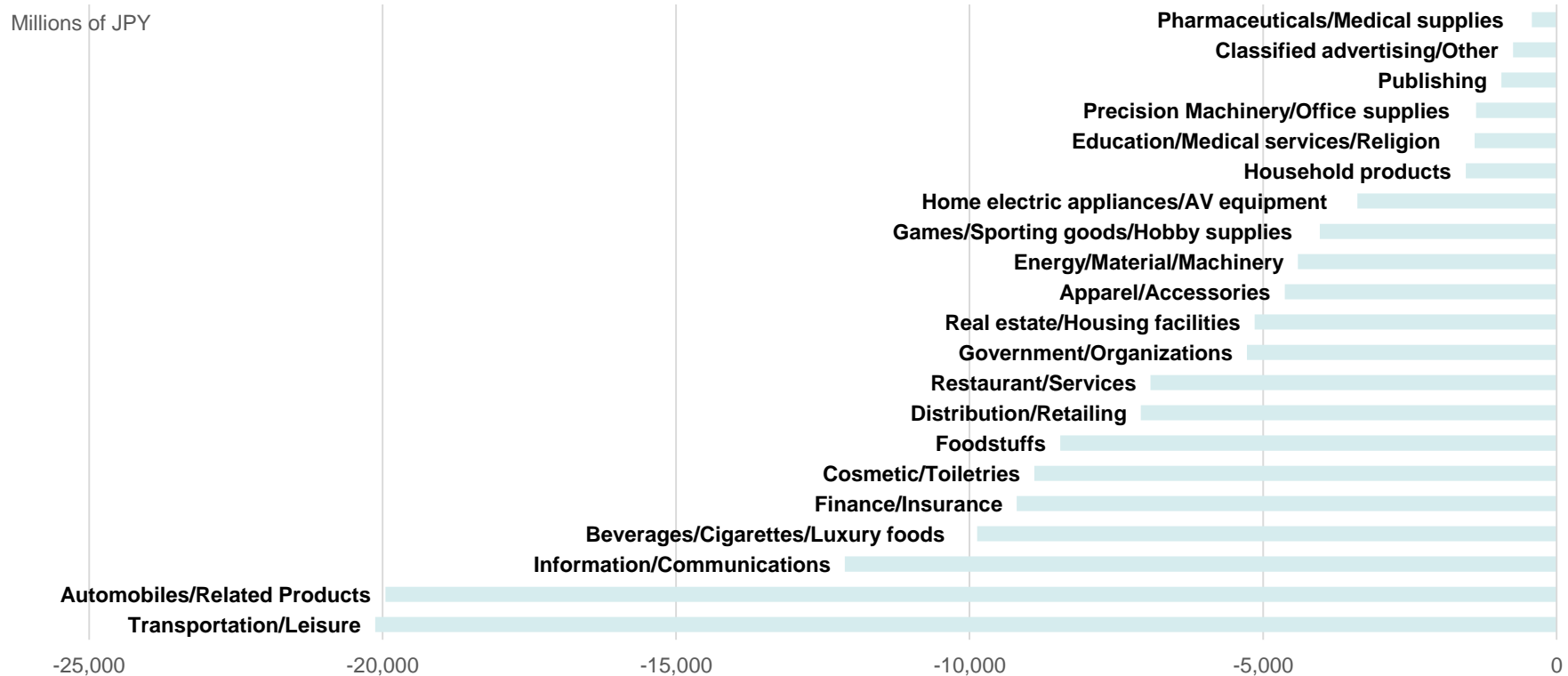
► See p.21 for details.

(Millions of JPY)	Actual	YOY		Composition Ratio
Newspapers	14,617	-6,403	-30.5%	3.2%
Magazines	4,613	-3,676	-44.3%	1.0%
Radio	5,595	-1,835	-24.7%	1.2%
Television	159,440	-49,076	-23.5%	35.0%
<b>Trad-Media Service Subtotal</b>	<b>184,266</b>	<b>-60,992</b>	<b>-24.9%</b>	<b>40.4%</b>
Internet Media	104,898	-13,156	-11.1%	23.0%
Outdoor Media	11,738	-8,658	-42.5%	2.6%
<b>Media Service Subtotal</b>	<b>300,902</b>	<b>-82,807</b>	<b>-21.6%</b>	<b>66.0%</b>
Creative	52,955	-13,643	-20.5%	11.6%
Marketing/Promotion	88,528	-40,778	-31.5%	19.4%
Others (Contents, etc.)	13,783	-10,230	-42.6%	3.0%
<b>Other than Media Service Subtotal</b>	<b>155,266</b>	<b>-64,653</b>	<b>-29.4%</b>	<b>34.0%</b>
<b>Total</b>	<b>456,169</b>	<b>-147,460</b>	<b>-24.4%</b>	<b>100.0%</b>
Investment Business	5,705	+1,285		
Other than above	7,220	+0		
<b>Domestic Billings</b>	<b>469,095</b>	<b>-144,570</b>	<b>-23.6%</b>	
<b>Internet Advertising Domain Billings</b>	<b>125,620</b>	<b>-15,471</b>	<b>-11.0%</b>	

- 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.

See p.22-23 for details.

Q2 FY2020 YTD



- 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

Transportation/Leisure	Q1 FY2020	JPY12.8bil	YOY	JPY- 20.1bil	(-61.1%)
Automobiles/Related Products		44.2bil		-19.8bil	(-31.1%)
Information/Communications		47.4bil		-12.1bil	(-20.3%)

# Selling, General & Administrative Expenses

Hakuhodo DY holdings

Q2 FY2020 YTD

(Millions of JPY)	Actual	YOY	
<b>Personnel</b>	<b>87,343</b>	<b>-1,769</b>	<b>-2.0%</b>
<b>Rent</b>	<b>9,271</b>	<b>+561</b>	<b>+6.4%</b>
<b>Depreciations</b>	<b>2,938</b>	<b>+440</b>	<b>+17.6%</b>
<b>Amortization of Goodwill</b>	<b>4,929</b>	<b>-430</b>	<b>-8.0%</b>
<b>Others</b>	<b>23,411</b>	<b>-4,690</b>	<b>-16.7%</b>
<b>Other Expenses</b>	<b>40,550</b>	<b>-4,118</b>	<b>-9.2%</b>
<b>SGA total</b>	<b>127,894</b>	<b>-5,887</b>	<b>-4.4%</b>

## Major Change Factors in SGA (JPY billion)

<b>FY19 Q2 SG&amp;A</b>	133,781
Change in scope of consolidation	+2,085
Decrease of amortization of G/W	-430
Personnel (other than above)	-3,327
Other expenses (other than above)	-4,215
<b>FY20 Q2 SG&amp;A</b>	127,894

- SG&A expenses decreased by 4.4% YoY.
- Personnel and other expenses decreased by 2.0% and 9.2% yoy, respectively.
- Excluding the impact of the change in the scope of consolidation and the decrease in amortization of goodwill, the Group reduced expenses by ¥7.5 billion. Reduced personnel by ¥3.3 billion and travel & entertainment by ¥3.6 billion.
- The number of employees at the end of Sep 2020 was 25,333, up 1,394 from the end of March 2020.

# Other Income & Extra-ordinary Items

HakuhodoDY holdings

Q2 FY2020 YTD

## Other Income

(Millions of JPY)	Actual	YOY
<b>Non-operating Income</b>	<b>2,540</b>	<b>+591</b>
Interest Income	153	-30
Dividend Income	1,670	+297
Equity Method Earnings	129	+125
<b>Non-operating Expenses</b>	<b>628</b>	<b>+46</b>
Interest Expenses	223	-36
FOREX	105	-77

## Extra-ordinary Items

(Millions of JPY)	FY2019 Actual	YOY
<b>Extraordinary Income</b>	<b>149</b>	<b>-14,532</b>
Gain on sales of investment securities	105	
<b>Extraordinary losses</b>	<b>655</b>	<b>-508</b>
Impairment loss	111	
Loss from disposal of fixed assets	111	

# Guidance for FY2020

## ASSUMPTION

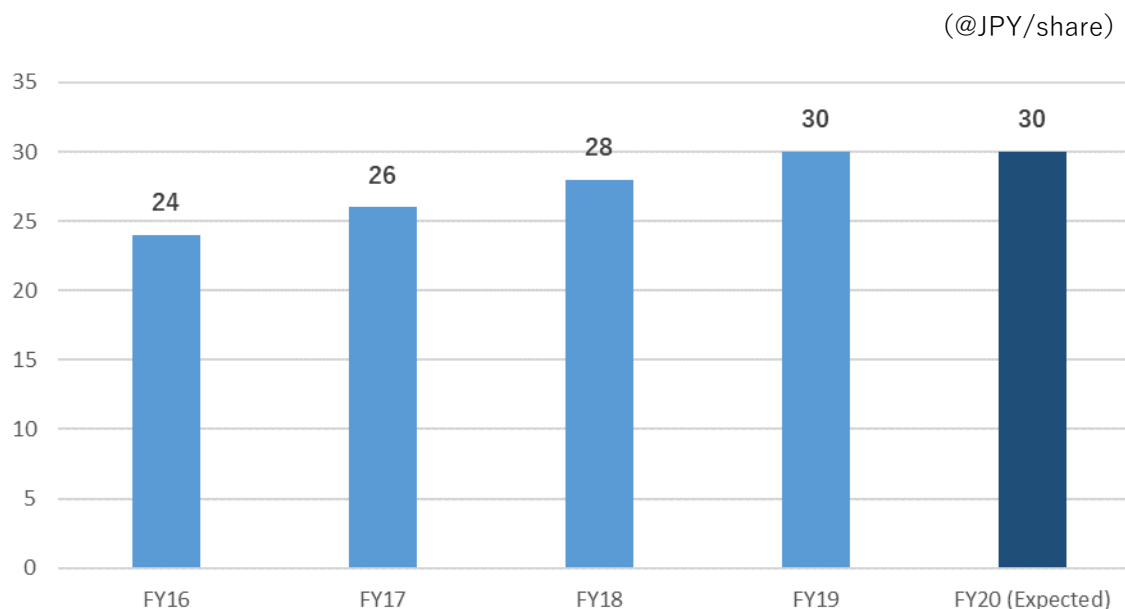
- The domestic economy and advertising market are expected to recover gradually from the impact of the COVID-19 pandemic (with a third wave of the virus not likely to occur).
- Top-line growth in the second half is projected to slightly exceed the growth of the market and equal approximately 90% thereof in the previous fiscal year.\*
- Incorporation of a roughly 5% year-on-year decline in SG&A expenses in the second half based on the abovementioned projection for top-line growth.\*
- Extraordinary gains or losses of significant value are not expected as of this time.
- Performance forecasts may be revised in the case of adjustments to any of the assumptions outlined above.

\* Includes the impact of changes in the scope of consolidation

## FORECAST

(Millions of JPY)	Forecast	YOY	
<b>Billings</b>	<b>1,247,000</b>	<b>-219,249</b>	<b>-15.0%</b>
<b>Operating Income</b>	<b>24,000</b>	<b>-31,131</b>	<b>-56.5%</b>
<b>Ordinary Income</b>	<b>27,000</b>	<b>-31,100</b>	<b>-53.5%</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>13,000</b>	<b>-31,893</b>	<b>-71.0%</b>

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. (Barring unforeseen circumstances in our business performance, our policy is to pay a minimum dividend of ¥5.0 per share.) Meanwhile, we will pay mid-term dividends of ¥15.0 per share based on our policy of providing stable dividends. Combined with our projected year-end dividend of ¥15.0 per share, which remains unchanged year on year, we intend to pay a full-year dividend of ¥30.0 per share, which is also equivalent to the amount paid in the previous fiscal year.



## **(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

# Interim Income Statements

Hakuhodo DY holdings

Japanese GAAP-basis Interim Income Statements for Q2 FY2020

(Millions of JPY)	YTD (6-Month)			by Quarter (3-Month)			
	Actual	YOY		Q1	YOY	Q2	YOY
Billings	534,065	-148,761	-21.8%	261,023	-21.6%	273,041	-22.0%
Revenue	129,695	-24,328	-15.8%	64,650	-10.8%	65,044	-20.3%
Gross Margin	24.3%	+1.7pt	+0.0%	24.8%	+3.0pt	23.8%	+0.5pt
SG&A	127,894	-5,887	-4.4%	64,251	-1.9%	63,643	-6.8%
Operating Income	1,800	-18,441	-91.1%	398	-94.3%	1,401	-89.5%
Operating Margin	1.4%	-11.8pt	+0.0%	0.6%	-9.0pt	2.2%	-14.1pt
Non-operating Income	2,540	+591	+30.4%	1,495	+2.8%	1,044	+111.7%
Non-operating Expenses	628	+46	+7.9%	351	-33.2%	276	+398.7%
Ordinary Income	3,712	-17,895	-82.8%	1,542	-80.4%	2,169	-84.2%
Extraordinary Income	149	-14,532	-99.0%	116	-21.0%	33	-99.8%
Extraordinary Loss	655	-508	-43.7%	199	-70.7%	456	-5.4%
Net Income before Taxes	3,206	-31,919	-90.9%	1,459	-80.1%	1,747	-93.7%
Income Tax	4,868	-9,260	-65.5%	2,715	-32.7%	2,153	-78.7%
Non-controlling Interest	1,770	+537	+43.6%	1,814	+146.5%	-43	-108.8%
Net Income Attributable to Owners of Parent	-3,433	-23,196	-117.4%	-3,070	-219.2%	-362	-102.1%
Amortization of Goodwill	4,929	-430	-8.0%	1,808	-2.6%	3,120	-10.9%
Operating Income before Amortization of Goodwill	6,729	-18,871	-73.7%	2,207	-74.9%	4,522	-73.1%
Operating Margin before Amortization of Goodwill	5.2%	-11.4pt		3.4%	-8.7pt	7.0%	-13.6pt

\* 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

Q2 FY2020

YTD (6-Month)

by Quarter (3-Month)

## Results Excluding Investment Business

(Millions of JPY)	Actual	YOY		Q1	YOY	Q2	YOY
Billings	528,360	-150,046	-22.1%	255,573	-22.6%	272,786	-21.6%
Revenue	124,125	-25,748	-17.2%	59,258	-15.3%	64,867	-18.9%
Gross Margin	23.5%	+1.4pt		23.2%	+2.0pt	23.8%	+0.8pt
SG&A	127,826	-5,955	-4.5%	64,183	-2.0%	63,643	-6.8%
Operating Income	-3,700	-19,793	-123.0%	-4,925	-210.8%	1,224	-89.5%
Operating Margin	-3.0%	-13.7pt		-8.3%	-14.7pt	1.9%	-12.7pt
Amortization of Goodwill	4,929	-430	-8.0%	1,808	-2.6%	3,120	-10.9%
Operating Income before Amortization of Goodwill	1,228	-20,223	-94.3%	-3,116	-149.5%	4,344	-71.3%
Operating Margin before Amortization of Goodwill	1.0%	-13.3pt		-5.3%	-14.3pt	6.7%	-12.3pt

## Impact from Investment Business

(Millions of JPY)	Actual	YOY		Q1	YOY	Q2	YOY
Billings	5,705	+1,285		5,449	+2,812	255	-1,527
Revenue	5,569	+1,420		5,392	+2,881	177	-1,461
SG&A	68	+68		68	+68	0	+0
Operating Income	5,501	+1,352		5,324	+2,813	177	-1,461

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

Q2 FY2020 YTD

(Millions of JPY)	Actual	YOY	
Japan			
Billings	469,095	-144,570	-23.6%
Revenue	101,471	-21,735	-17.6%
SG&A	89,031	-5,024	-5.3%
Operating Income	12,439	-16,710	-57.3%
International			
Billings	67,771	-5,788	-7.9%
Revenue	29,462	-2,653	-8.3%
SG&A	32,814	-971	-2.9%
Operating Income	-3,352	-1,682	n/a
Elimination or Corporate			
Billings	-2,800	+1,598	
Revenue	-1,238	+60	
SG&A	6,048	+108	
Operating Income	-7,286	-48	
Consolidated			
Billings	534,065	-148,761	-21.8%
Revenue	129,695	-24,328	-15.8%
SG&A	127,894	-5,887	-4.4%
Operating Income	1,800	-18,441	-91.1%

# Results by Region (excluding investment business)

HakuhodoDY holdings

Q2 FY2020

	YTD (6 -Month)			by Quarter (3-Month)			
Japan (Excluding Investment Business)							
(Millions of JPY)	YTD Actual	YOY		Q1	YOY	Q2	YOY
Billings	463,390	-145,855	-23.9%	218,766	-26.3%	244,623	-21.7%
Revenue	95,902	-23,155	-19.4%	43,796	-20.1%	52,105	-18.9%
Gross Margin	20.7%	+1.2pt		20.0%	+1.6pt	21.3%	+0.7pt
SG&A	88,963	-5,092	-5.4%	44,023	-5.7%	44,940	-5.1%
Operating Income	6,938	-18,062	-72.2%	-294	-103.6%	7,233	-57.2%
Operating Margin	7.2%	-13.8pt		-0.7%	-15.5pt	13.9%	-12.4pt
Amortization of Goodwill	554	-490	-46.9%	289	-46.3%	264	-47.6%
Operating Income before Amortization of Goodwill	7,493	-18,553	-71.2%	-5	-100.1%	7,498	-56.9%
Operating Margin before Amortization of Goodwill	7.8%	-14.1pt		0.0%	-15.8pt	14.4%	-12.7pt
International							
(Millions of JPY)	YTD Actual	YOY		Q1	YOY	Q2	YOY
Billings	67,771	-5,788	-7.9%	38,369	+6.0%	29,401	-21.3%
Revenue	29,462	-2,653	-8.3%	16,123	+2.0%	13,338	-18.2%
Gross Margin	43.5%	-0.2pt		42.0%	-1.6pt	45.4%	+1.7pt
SG&A	32,814	-971	-2.9%	17,210	+8.0%	15,603	-12.6%
Operating Income	-3,352	-1,682	n/a	-1,087	n/a	-2,265	n/a
Operating Margin	-11.4%	-6.2pt		-6.7%	-5.9pt	-17.0%	-7.6pt
Amortization of Goodwill	4,374	+60	+1.4%	1,518	+15.4%	2,855	-4.7%
Operating Income before Amortization of Goodwill	1,022	-1,621	-61.3%	431	-63.6%	590	-59.5%
Operating Margin before Amortization of Goodwill	3.5%	-4.8pt		2.7%	-4.8pt	4.4%	-4.5pt

# Billings by Service Category

Hakuhodo DY holdings

Q2 FY2020

(Millions of JPY)	YTD (6 -Month)			by Quarter (3-Month)			
	YTD Actual	YOY		Q1	YOY	Q2	YOY
Newspapers	14,617	-6,403	-30.5%	6,382	-37.4%	8,234	-23.9%
Magazines	4,613	-3,676	-44.3%	2,391	-38.8%	2,221	-49.3%
Radio	5,595	-1,835	-24.7%	2,727	-26.9%	2,867	-22.5%
Television	159,440	-49,076	-23.5%	75,268	-29.2%	84,171	-17.7%
Mass Media Service Subtotal	184,266	-60,992	-24.9%	86,769	-30.1%	97,496	-19.5%
Internet Media	104,898	-13,156	-11.1%	54,500	-10.9%	50,397	-11.4%
Outdoor Media	11,738	-8,658	-42.5%	6,192	-37.7%	5,545	-47.0%
Media Service Subtotal	300,902	-82,807	-21.6%	147,463	-24.5%	153,439	-18.6%
Creative	52,955	-13,643	-20.5%	22,500	-25.5%	30,454	-16.4%
Marketing/Promotion	88,528	-40,778	-31.5%	40,557	-30.2%	47,970	-32.6%
Others (Contents, etc.)	13,783	-10,230	-42.6%	6,570	-41.2%	7,212	-43.8%
Other than Media Service Subtotal	155,266	-64,653	-29.4%	69,628	-30.0%	85,637	-28.9%
Total	456,169	-147,460	-24.4%	217,092	-26.3%	239,076	-22.6%
Other than above	12,926	+1,285		7,124		5,802	
Consolidated Billings	469,095	-144,570	-23.6%	224,216	-25.1%	244,879	-22.1%
Internet Advertising Domain Billings	125,620	-15,471	-11.0%	63,271	-11.1%	62,349	-10.9%

Q2 FY2020 YTD

(Millions of JPY)	Actual	YOY		Composition
Beverages/Cigarettes/Luxury foods	50,902	-9,871	-16.2%	13.0%
Information/Communications	47,490	-12,125	-20.3%	12.1%
Automobiles/Related products	44,220	-19,951	-31.1%	11.3%
Foodstuffs	32,022	-8,457	-20.9%	8.1%
Cosmetics/Toiletries	31,538	-8,898	-22.0%	8.0%
Pharmaceuticals/Medical supplies	24,720	-418	-1.7%	6.3%
Finance/Insurance	21,280	-9,195	-30.2%	5.4%
Restaurant/Services	18,761	-6,917	-26.9%	4.8%
Distribution/Retailing	18,245	-7,082	-28.0%	4.6%
Real estate/Housing facilities	16,871	-5,141	-23.4%	4.3%
Transportation/Leisure	12,829	-20,126	-61.1%	3.3%
Household products	9,545	-1,546	-13.9%	2.4%
Energy/Material/Machinery	7,672	-4,406	-36.5%	2.0%
Apparel/Accessories	7,722	-4,630	-37.5%	2.0%
Publishing	6,886	-941	-12.0%	1.8%
Government/Organizations	6,561	-5,274	-44.6%	1.7%
Home electric appliances/AV equipment	6,169	-3,394	-35.5%	1.6%
Games/Sporting goods/Hobby supplies	6,121	-4,032	-39.7%	1.6%
Education/Medical services/Religion	5,482	-1,394	-20.3%	1.4%
Precision machinery/Office supplies	2,661	-1,372	-34.0%	0.7%
Classified advertising/Other	15,226	-743	-4.7%	3.9%
<b>Total</b>	<b>392,934</b>	<b>-135,923</b>	<b>-25.7%</b>	<b>100.0%</b>
Investment Business	5,705	+1,285		
Other than Above	70,456			
<b>Domestic Billings</b>	<b>469,095</b>	<b>-144,570</b>	<b>-23.6%</b>	

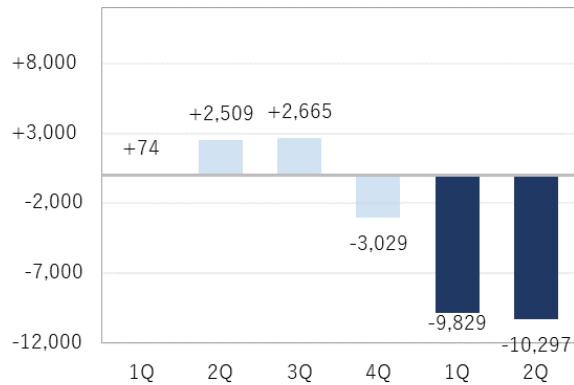
# Billings by Clients' Industry (by Quarter)

Hakuhodo DY holdings

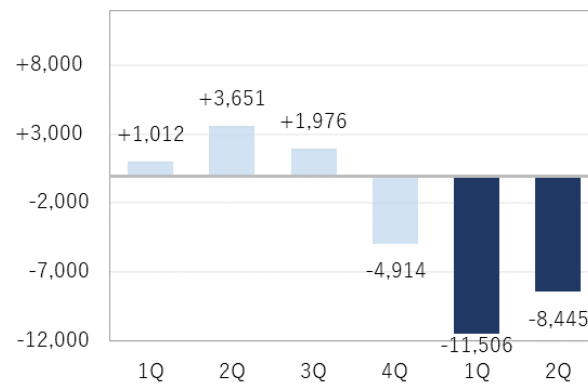
## Major Industries

Left : FY19, Right : FY20  
(Millions of JPY)

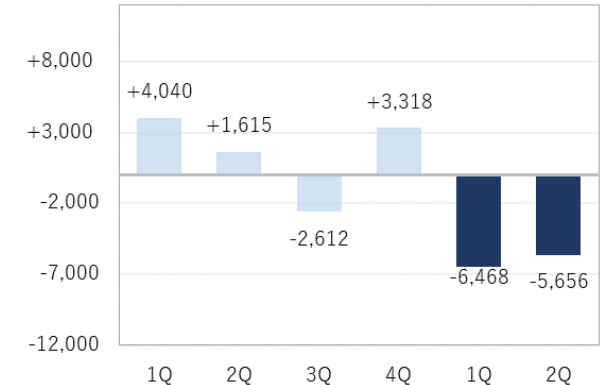
### Transportation/Leisure



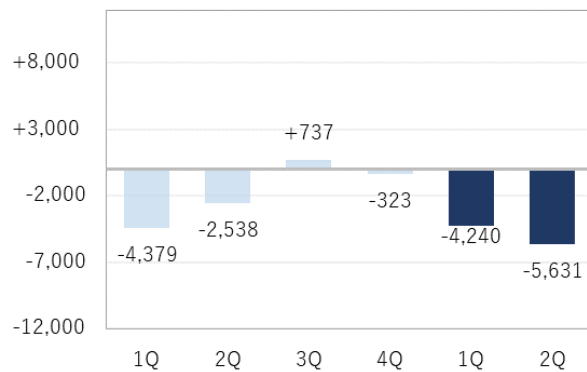
### Automobiles/Related products



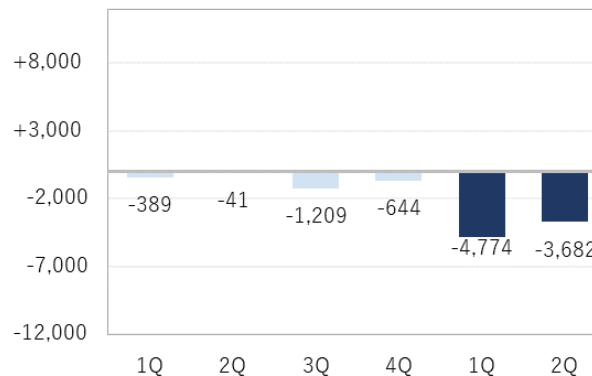
### Information/Communications



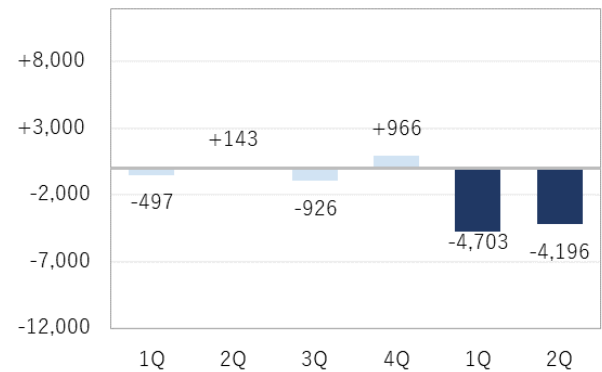
### Beverages/Cigarettes/Luxury foods



### Foodstuffs



### Cosmetics/Toiletries





(Millions of JPY)	End of Sep 2020	Change *	Composition
<b>Current Assets</b>	461,197	-133,882	60.6%
Cash & Deposits	135,019	-31,557	
Accounts Recievable	242,067	-115,034	
<b>Non-current Assets</b>	299,806	+34,999	39.4%
Tangible Assets	33,637	-492	
Intangible Assets	64,043	+11,660	
Goodwill	38,052	+10,147	
Investments & Other Assets	202,125	+23,831	
Investment Securities	161,345	+24,084	
<b>Total Assets</b>	761,003	-98,883	100.0%
<b>Current Liabilities</b>	274,352	-121,369	36.1%
Accounts Payable	195,159	-97,150	
Short-term Borrowings	14,276	+10,297	
<b>Non-current Liabilities</b>	156,910	+8,892	20.6%
Long-term Borrowings	108,236	+2,011	
<b>Total Liabilities</b>	431,262	-112,476	56.7%
<b>Shareholders' Equity</b>	251,976	-9,165	33.1%
Share Capital	10,648	+156	
Capital Surplus	34	-290	
Retained Earnings	252,666	-9,031	
Treasury Stock	-11,372	+0	
Accumulated Other Complehensive Incor	45,973	+17,912	6.0%
Share Aquisiton Rights	227	+9	0.0%
Non-controlling Interests	31,562	+4,836	4.1%
<b>Total Net Assets</b>	329,740	+13,593	43.3%

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

# Cash Flow Statements

Hakuhodo DY holdings

Q2 FY2020

(Millions of JPY)	Actual	YOY
<b>Cash Flows from Operating Activities</b>	<b>-21,217</b>	<b>-2,374</b>
<b>Cash Flows from Investing Activities</b>	<b>-12,504</b>	<b>-16,746</b>
Purchase of property, plant and equipment	-1,509	+1,356
Proceeds from sales of property, plant and equipment	21	+15
Purchase of intangible assets	-3,069	-219
Purchase of investment securities	-837	+1,171
Proceeds from sales of investment securities	563	-16,172
Purchase of shares of subsidiaries	-6,145	-1,945
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-4,545	-3,510
<b>Cash Flows from Financing Activities</b>	<b>3,834</b>	<b>+15,890</b>
Net increase (decrease) in short-term borrowings	10,014	+13,451
Net increase (decrease) in Long-term borrowings & Bonds	585	+1,482
Dividends paid	-5,593	-372
Dividends paid to non-controlling interests	-333	+956
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-651	-602
<b>Cash and cash equivalents at beginning of period</b>	<b>163,299</b>	<b>+11,144</b>
<b>Cash and cash equivalents at end of period</b>	<b>132,506</b>	<b>+7,542</b>

Q2 FY2020

(Millions of JPY)	Actual	YOY	
Hakuhodo (Consolidated)			
Billings	354,155	-111,865	-24.0%
Ordinary Income	353	-14,226	-97.6%
Net Income Attributable to Owners of Parent	-1,690	-9,388	-122.0%
Daiko (Consolidated)			
Billings	64,567	-13,048	-16.8%
Ordinary Income	131	-909	-87.3%
Net Income Attributable to Owners of Parent	-114	-532	-127.3%
Yomiko (Consolidated)			
Billings	21,496	-13,348	-38.3%
Ordinary Income	-824	-1,507	-220.5%
Net Income Attributable to Owners of Parent	-751	-1,196	-268.8%

FY2020


(Millions of JPY)	Forecast	YOY		H1 Actual	YOY		H2 Forecast	YOY	
<b>Billings</b>	<b>1,247,000</b>	<b>-219,249</b>	<b>-15.0%</b>	<b>534,065</b>	<b>-148,761</b>	<b>-21.8%</b>	<b>712,934</b>	<b>-70,487</b>	<b>-9.0%</b>
<b>Operating Income</b>	<b>24,000</b>	<b>-31,131</b>	<b>-56.5%</b>	<b>1,800</b>	<b>-18,441</b>	<b>-91.1%</b>	<b>22,199</b>	<b>-12,690</b>	<b>-36.4%</b>
<b>Ordinary Income</b>	<b>27,000</b>	<b>-31,100</b>	<b>-53.5%</b>	<b>3,712</b>	<b>-17,895</b>	<b>-82.8%</b>	<b>23,287</b>	<b>-13,205</b>	<b>-36.2%</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>13,000</b>	<b>-31,893</b>	<b>-71.0%</b>	<b>-3,433</b>	<b>-23,196</b>	<b>-117.4%</b>	<b>16,433</b>	<b>-8,696</b>	<b>-34.6%</b>

# Update on progress under the Medium-Term Business Plan

## Abbreviations within this document

HC: Hakuholdo DY Holdings Inc.    H: Hakuholdo Inc.    D: Daiko Advertising Inc.    Y: Yomiko Advertising Inc.  
MP: Hakuholdo DY Media Partners Inc.    DAC: D.A.Consortium Inc.    IREP: IREP Co., Ltd

# Medium-Term Business Plan (FY2019-FY2023: 5-year plan)

Core Medium-Term Strategy	With <i>sei-katsu-sha</i> insight as our cornerstone, the Hakuhodo DY Group will combine its creativity, integrative capabilities, and data and technology utilization skills to play a leading role in evolving companies' marketing activities and generating innovation in a completely digitalized era. In this way, we will continue to impact and provide new value to <i>sei-katsu-sha</i> and society as a whole.		
Strengthening Fundamentals for Growth	<ul style="list-style-type: none"> <li>Establish a leading position in the broader digital domain</li> <li>Strengthen response capabilities for borderless corporate activities</li> <li>Accelerate innovation through external collaborations</li> </ul>		<b>Aggressive Investment</b> Data, technologies, infrastructure, human resources, M&A, and other areas
Outline of Growth (FY2023)	<ul style="list-style-type: none"> <li>Billings from Internet media (domestic business): At least double*</li> <li>Overseas business               <ul style="list-style-type: none"> <li>Revenue: At least double*</li> <li>Operating margin before amortization of goodwill: Continuous improvement</li> </ul> </li> </ul>		
Medium-Term Business Plan Targets (FY2023)	<p><u>Operating income before amortization of goodwill : ¥95.0 billion</u></p> <ul style="list-style-type: none"> <li>CAGR of revenue*</li> <li>Annual growth rate of operating income before amortization of goodwill*</li> <li>Operating margin before amortization of goodwill</li> <li>ROE before amortization of goodwill</li> <li>Shareholder returns               <ul style="list-style-type: none"> <li>Stable and continuous dividends</li> <li>Shareholder returns in line with performance and financial position</li> </ul> </li> </ul>	At least 7% At least 8% At least 20% At least 15%	Base after adjustment (Excluding investment projects)

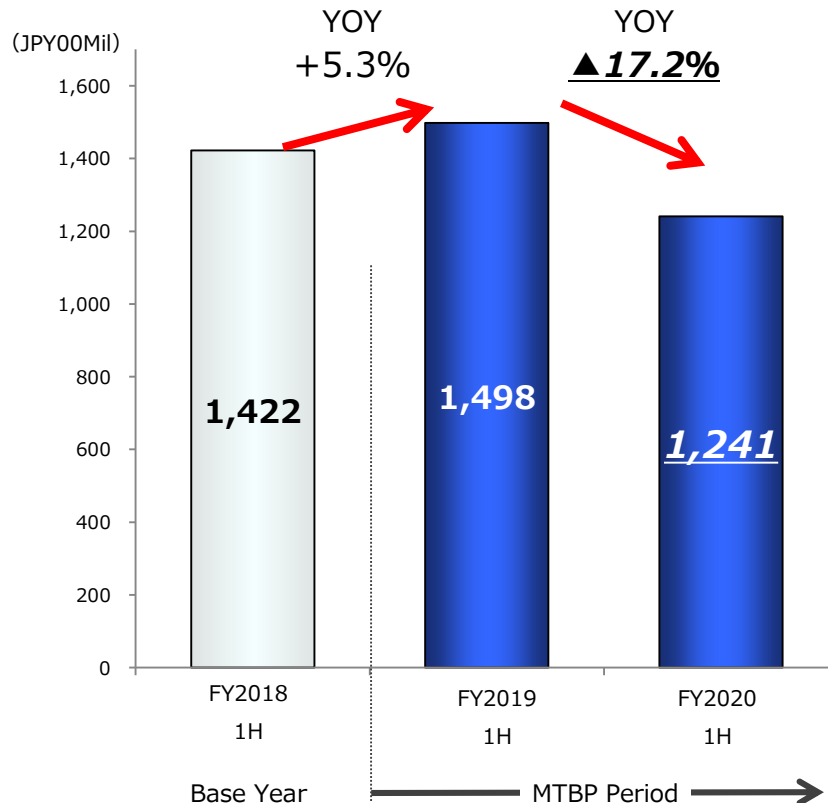
\* Figures are a comparison of the base year (FY2018) and FY2023

# Overview of Progress in 1H of FY2020

- Revenue excluding investment projects and after adjustments grew steadily in FY2019, the first year of the current Medium-Term Business Plan(MTBP). However, revenue declined below the previous year's level in the first half of FY2020, as the impact from the COVID-19 pandemic was significant.
- Meanwhile, we have started to see trends that address the “new normal” era emerge, and we have been steadily responding to environmental changes accordingly.

## Adjusted\* Revenue

\*Adjusted: Excluding investment projects and after retroactive restatements



## Trends That Address the “New Normal” Era

- Creation of new lifestyle settings for having fun at home / Support for isolation life
- Digital transformation (DX) of previously live events/content
- Shift to non-contact brand experiences  
→ Implementation of integrated and continuous DX
- Support for the digitalization of companies/business
- Proposals of new ways to live and work in urban and rural areas

# Key strengthening measures centered around the three fundamentals for growth

- Strengthening of structures and response capabilities centered around the MTBP's three fundamentals for growth.

## Main measures

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Establish a leading position in the broader digital domain

Strengthen response capabilities for borderless corporate activities

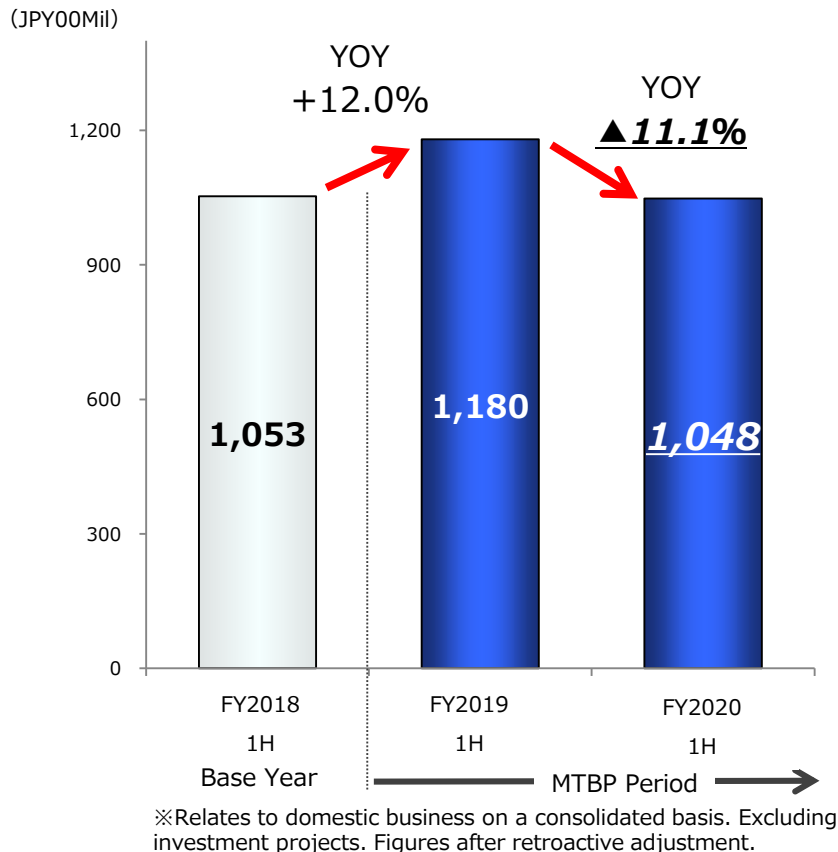
Accelerate innovation through external collaborations



# Establish a leading position in the broader digital domain

- Billings from Internet media saw a double-digit decline, falling 11.1% year on year, due to the significant impact of the COVID-19 pandemic.
- To address the acceleration of the shift to complete digitalization, we focused on not only enhancing digital marketing functions but also strengthening DX solution and D2C business response capabilities.

## Internet Media Billings\*



## Topics

### Enhancement of Digital Marketing Functions

- Collaborated with Gunosy Inc. to launch Guhack, a platform for optimizing the acquisition of user actions through TV commercials (MP)
- Commenced collaboration with toBe marketing, inc, a company that possesses strengths in integrated marketing tools provided by salesforce.com, Inc. (IREP)

### Provision of DX Solutions

- Launched hakuhodo DXD, a specialized team that supports DX from the perspectives of engineering and creativity (H)
- Launched GOGO DX, a DX solution that promotes a non-contact, non-face-to-face shift in contact point customer communication (H)

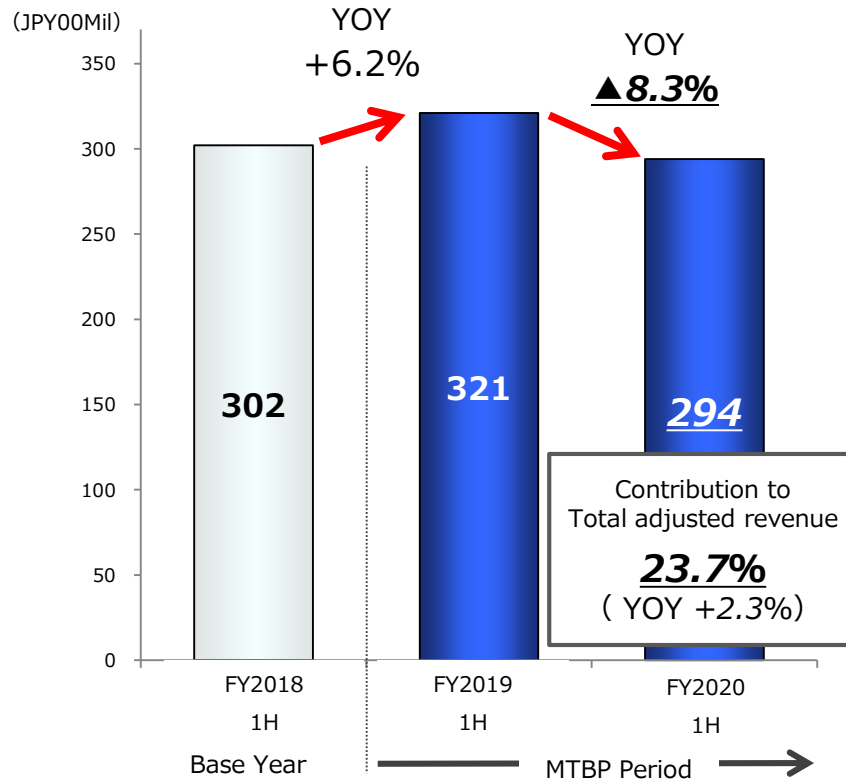
### Strengthening of D2C Business Response Capabilities

- Commenced the provision of D2C Design Studio, a support program for developing D2C brands based on *sei-katsu-sha* insight (H)

# Strengthen Response Capabilities for Borderless Corporate Activities

- Revenue from overseas business declined 8.3% year on year on an overall basis. Although Asia returned similar levels of revenue to last year, due in part to mergers and acquisitions, there was a significant drop in North America.
- We continued to incorporate companies with diverse specialization and innovation and to enhance creativity. In Asia, there has been a progression in trends that address changes in *sei-katsu-sha* during the COVID-19 pandemic, and we will focus on business expansion in this region going forward.

## Overseas Revenue



## Topics

### Enhancement of Specialization and Innovation

- Godfrey Dadich Partners LLC, a communication firm that excels in storytelling and editorial capabilities became a member (kyu)
- Acquired shares in Public Digital Ltd., a DX consulting company in the United Kingdom (kyu)

**Godfrey Dadich.** **public digital**

### Enhancement of Creativity

- Sid Lee won an Emmy Award, a prestigious award in the United States television industry (kyu)

### Surveys of *Sei-katsu-sha* during the COVID-19 Pandemic

- Hakuhodo Institute of Life and Living ASEAN and Hakuhodo Institute of Life and Living Shanghai conducted surveys on *sei-katsu-sha* trends during the COVID-19 pandemic and announced the results (H)

# Accelerate Innovation through External Collaborations

- Increased efforts toward the creation of new businesses based on *sei-katsu-sha* insight and creativity while collaborating with a diverse range of players from different industries
- Focused efforts on establishing a foundation for strengthening creativity as capital for creating the future

## Efforts to Realize Smart Cities Where *Sei-katsu-sha* Play a Leading Role

- Commenced Smart Citizen Vision, an activity for realizing smart cities where *sei-katsu-sha* play a leading role, through Hakuhodo's MIRAI Business Division
- Created new businesses in collaboration with diverse partners



### Smart Citizen Vision

Collaboration with Diverse Partners



Participation in SmartCityX, a global open innovation program



Collaboration with Mitsui & Co., Ltd. to create new businesses in the smart city domain

## Launch of the UNIVERSITY of CREATIVITY

- Launched the UNIVERSITY of CREATIVITY TOKYO Campus, a place for the research, development and social implementation of creativity as capital for creating the future
- A learning platform for co-development that transcends the boundaries of industry, government, and academia / culture, science, and art / inside and outside the company



# Numerical Targets of the Medium-Term Business Plan

## Recognition of the Business Environment Surrounding the Hakuhodo DY Group

- We are seeing an acceleration in “the shift to complete digitalization,” the basis of the strategies in this plan, due to the COVID-19 pandemic. We will therefore remain committed to responding to this shift in a flexible and speedy manner.
- Meanwhile, the domestic economy and advertising market have sustained tremendous damage, and the path to recovery for the economy and the advertising market remains unclear.



**Since our view of the economy and advertising market, which underpins this plan, has changed greatly, we have decided to withdraw the numerical targets of the current Medium-Term Business Plan.**

Once we are able to reasonably forecast the market outlook over the medium term, we will consider new numerical targets and announce them at an appropriate time.

Hakuhodo DY holdings