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Consolidated Financial Highlights for 3Q of FY2020

Hakuhodo DY Holdings Inc. has announced its third-quarter 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 December 31, 2020)

(Millions of JPY)

	FY2019 (9Mo Result)	FY2020 (9Mo Result)	YoY Comparison	
			Change	(%)
Billings	1,068,214	883,038	(185,176)	-17.3%
Revenue	239,589	212,786	(26,802)	-11.2%
(Gross margin)	(22.4%)	(24.1%)	(+1.7%)	
SG&A expenses	201,895	193,925	(7,970)	-3.9%
Operating income	37,693	18,860	(18,832)	-50.0%
(Operating margin)*	(15.7%)	(8.9%)	(-6.9%)	
Non-operating income	2,942	3,692	750	25.5%
Non-operating expenses	832	1,151	318	38.3%
Ordinary income	39,803	21,402	(18,401)	-46.2%
Extraordinary income	17,174	7,084	(10,089)	-58.7%
Extraordinary loss	4,583	3,590	(993)	-21.7%
Net income before income taxes and minority interests	52,393	24,896	(27,497)	-52.5%
Net income attributable to owners of parent	31,613	9,091	(22,521)	-71.2%

* Operating margin = Operating income / Revenue

During the first nine months of the current fiscal year (April 1, 2020 to December 31, 2020, hereinafter referred to as the "Q3 YTD"), the Japanese economy bottomed out in the first quarter of the year, when it experienced the largest negative growth in its history due to the effects of COVID-19, and since the second quarter of the year, there have been signs of a pick-up in exports, production, personal consumption and other sectors. However, the level of economic activity itself remains sluggish. The domestic advertising market (Note 1) has also been on a recovery trend since the large drop in the first quarter, but even in the third quarter, October

and November, the market remained at the 80% level compared to the previous year, and the situation remained difficult.
In this environment, our group kept trying to develop its business aggressively. As a result, although billings in the third quarter have now recovered to 90.6% of the previous year's level, billings in Q3 YTD were 82.7% of the previous year's level, at ¥883,038 million, affected by the weak performance until the first half of the year.
Looking at billings by service category, in the third quarter of the current fiscal year, there were signs of recovery in a number of categories, with billings of Internet media, newspapers and creative exceeding those of the same period last year. However, in Q3 YTD, results for all four-mass-media were lower than in the same period of the previous year. In addition, results for Internet media were also lower than in the same period of the previous year, although the impact of the spread of the new coronavirus was smaller than in the four-mass-media. Billings of non-media services, such as marketing and promotion, were also lower than the previous year.
In terms of billings by clients' industrial sector, all sectors recorded lower billings than in the previous year. In particular, billings in the "Transportation/Leisure" and "Automobiles/Transportation Equipment/Related Products" sectors, which have been severely affected by the spread of the new coronavirus, were significantly lower than in the same period last year. (Note 2)
Revenue for Q3 YTD was ¥212,786 million, a decrease of 11.2%, and a decrease of ¥26,802 million on a year-on-year basis. Despite the expansion of the scope of consolidation, our group's efforts to control costs mainly by controlling activity expenses, resulted in operating profit of ¥18,860 million (down 50.0% year on year) and ordinary profit of ¥21,402 million (down 46.2% year on year).
After factoring in extraordinary gains of ¥7,084 million and extraordinary losses of ¥3,590 million, income before income taxes and minority interests was ¥24,896 million which decreased by 52.5% year on year, mainly due to the impact of a ¥7,675 million decrease in gains from the sale of shares in Recruit Holdings. Net income attributable to owners of parent was ¥9,091 million (down 71.2% year on year), and turned into the black on YTD basis.

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 December 31, 2020)

(Millions of JPY)

	March 31, 2020		December 31, 2020		Comparison with March 31, 2020	
	Amount	Share	Amount	Share	Change	(%)
Current assets	595,080	69.2%	552,038	65.0%	(43,041)	-7.2%
Fixed assets	264,807	30.8%	297,855	35.0%	33,047	12.5%
Total assets	859,887	100.0%	849,893	100.0%	(9,993)	-1.2%
Current liabilities	395,721	46.0%	358,050	42.1%	(37,671)	-9.5%
Non-current liabilities	148,017	17.2%	158,825	18.7%	10,807	7.3%
Total liabilities	543,739	63.2%	516,875	60.8%	(26,864)	-4.9%
Total shareholders' equity	261,142	30.4%	258,915	30.5%	(2,226)	-0.9%
Accumulated other comprehensive income	28,060	3.3%	44,043	5.2%	15,982	57.0%
Subscription rights to shares	218	0.0%	236	0.0%	17	8.2%
Noncontrolling interest	26,726	3.1%	29,823	3.5%	3,096	11.6%
Total net assets	316,147	36.8%	333,018	39.2%	16,870	5.3%
Total liabilities and net assets	859,887	100.0%	849,893	100.0%	(9,993)	-1.2%

3. Performance and Dividend Forecasts for Fiscal 2020

The full-year forecasts announced on December 2, 2020 for billings of ¥1,247 billion, operating income of ¥24.0 billion yen, and net income attributable to owners of parent of ¥17.5 billion, have been revised as follows today.

(Millions of JPY)

	FY2019 Actual	FY2020 Forecast	YOY Change	(%)
Billings	1,466,249	1,260,000	(206,249)	-14.1%
Operating income	55,131	30,000	(25,131)	-45.6%
Ordinary income	58,100	33,000	(25,100)	-43.2%
Net income attributable to owners of parent	44,893	20,000	(24,893)	-55.4%
Dividend per share (@JPY/share)	30.0	30.0	-	

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

(About the Full-Year Forecasts)

Although the domestic economy and the advertising market remain uncertain due to the impact of COVID-19, based on the results through the third quarter and the current advertising market trends, we assume that the top line for the fourth quarter will be approximately 95% of the same period of the previous year, and we have set our full-year billings forecast at ¥1,260.0 billion (down 14.1% from the same period of the previous year). This is an upward revision of 13 billion yen from the previous forecast.

We will continue to control selling, general and administrative expenses, and have revised upward our full-year operating income and ordinary income forecasts by ¥6.0 billion to ¥30.0 billion (down 45.6% year on year) and ¥33.0 billion yen (down 43.2% year on year), respectively.

In addition, we have revised upward our forecast for net income attributable to owners of parent by ¥2.5 billion to ¥20.0 billion (down 55.4% year on year), considering a certain amount of extraordinary income and extraordinary loss incurred by our subsidiaries.

(Note) The above forecasts are based on certain conditions that we consider reasonable at the time of preparation.

(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 consider 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.