

May 13, 2021

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Consolidated Financial Highlights for FY2020

1. Income Statements (FY2020: April 1, 2020 to March 31, 2021)

(Millions of JPY)

|   | FY2019    | FY2020    | YoY Comparison |        |
|---|-----------|-----------|----------------|--------|
|   |           |           | Change         | (%)    |
| Billings  | 1,466,249 | 1,297,947 | (168,301)      | -11.5% |
| Gross profit  | 332,499   | 313,217   | (19,281)       | -5.8%  |
| (Gross margin)  | (22.7%)   | (24.1%)   | (+1.5%)        |        |
| SG&A expenses   | 277,367   | 268,184   | (9,183)        | -3.3%  |
| Operating income                                      | 55,131    | 45,033    | (10,098)       | -18.3% |
| (Operating margin)*                                   | (16.6%)   | (14.4%)   | (-2.2%)        |        |
| Non-operating income                                  | 4,357     | 5,633     | 1,276          | 29.3%  |
| Non-operating expenses                                | 1,388     | 1,072     | (315)          | -22.7% |
| Ordinary income                                       | 58,100    | 49,594    | (8,506)        | -14.6% |
| Extraordinary income                                  | 24,696    | 14,658    | (10,037)       | -40.6% |
| Extraordinary loss                                    | 7,925     | 10,582    | 2,657          | 33.5%  |
| Net income before income taxes and minority interests | 74,871    | 53,669    | (21,201)       | -28.3% |
| Net income attributable to owners of parent           | 44,893    | 26,479    | (18,413)       | -41.0% |

\* Operating margin = Operating income / Gross profit

During the consolidated fiscal year under review, the Japanese economy experienced a decline in the first quarter that was greater than that of the Financial Crisis, as economic activities stagnated worldwide due to the impact of the spread of the COVID-19. From the second quarter onward, the recovery trend continued until autumn due to the recovery of foreign demand and the support of the government's economic measures, however, the economic recovery began to stagnate in the fourth quarter due to the re-spread of the infection through the year-end and new year holidays and the re-declaration of a state of emergency from January. The domestic advertising market (Note 1) was affected by COVID-19 to a greater extent than the economy, however, the extent of the decline has been shrinking from third quarter. By service category, Internet media continued to outperform the previous year's results from the third quarter onward, however, there were large differences in the state of recovery among categories.

Amid such an environment, the Hakuhodo DY Group continued to pursue proactive business development. As a result, although billings in the second half of the year recovered to 97.5% compared with the same period

of the previous fiscal year, billings decreased by 11.5% to ¥1,297,947 million due to the weak performance in the first half. The billings in the domestic business decreased by 12.2% to ¥1,146,303 million, and in the overseas business decreased by 5.7% to ¥151,643 million yen due to the impact of the COVID-19.

By service area, billings in all category were lower than the same period last year, but in the third quarter, there was a recovery trend, such as an increase in “Internet media”, “Newspapers”, and “Creative” compared to the same period of the previous year. In the fourth quarter, “Television” also increased from the same period of the previous year, and “Marketing/promotion” billings also turned positive from the same period of the previous year due to the contribution of the large-scale projects.

By clients’ industry, most of them fell below the level of the same period of the previous fiscal year, with “Transportation/Leisure” and “Automobiles/Related Products,” which were significantly affected by COVID-19, were down from the same period of the previous fiscal year. However, billings of “Government/Organizations” and “Game/ Sporting goods/ Hobby supplies, which had been down from the same period of the previous fiscal year until the third quarter, increased from the same period of the previous fiscal year for the full fiscal year. (Note 2)

Gross profit decreased by ¥19,281 million from the previous fiscal year to ¥313,217 million (down 5.8% year-on-year). In Selling, general and administrative (SG&A) expenses despite an increase due to the expansion of the scope of consolidation, operating income decreased by 18.3% to ¥45,033 million and ordinary income decreased by 14.6% to ¥49,594 million as a result of the commencement of cost structure reforms and cost control measures such as controlling activity expenses. As a result, operating income decreased by 18.3% to ¥45,033 million and ordinary income decreased by 14.6% to ¥49,594 million

Factoring in extraordinary gains of ¥14,658 million and extraordinary losses of ¥10,582 million, income before income taxes and minority interests fell 28.3%, to ¥53,669 million, and profit attributable to owners of parent declined 41.0%, to ¥26,479 million.

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 (March 31, 2021)

(Millions of JPY)

|  | March 31, 2020 |        | March 31, 2021 |        | Comparison with March 31, 2020 |       |
|--|----------------|--------|----------------|--------|--------------------------------|-------|
|  | Amount         | Share  | Amount         | Share  | Change                         | (%)   |
| Current assets                         | 595,080        | 69.2%  | 626,731        | 66.6%  | 31,651                         | 5.3%  |
| Fixed assets                           | 264,807        | 30.8%  | 314,372        | 33.4%  | 49,564                         | 18.7% |
| Total assets                           | 859,887        | 100.0% | 941,103        | 100.0% | 81,216                         | 9.4%  |
| Current liabilities                    | 395,721        | 46.0%  | 416,338        | 44.2%  | 20,617                         | 5.2%  |
| Non-current liabilities                | 148,017        | 17.2%  | 162,625        | 17.3%  | 14,607                         | 9.9%  |
| Total liabilities                      | 543,739        | 63.2%  | 578,964        | 61.5%  | 35,224                         | 6.5%  |
| Total shareholders’ equity             | 261,142        | 30.4%  | 276,197        | 29.3%  | 15,055                         | 5.8%  |
| Accumulated other comprehensive income | 28,060         | 3.3%   | 54,228         | 5.8%   | 26,168                         | 93.3% |
| Subscription rights to shares          | 218            | 0.0%   | 247            | 0.0%   | 28                             | 13.1% |
| Noncontrolling interest                | 26,726         | 3.1%   | 31,466         | 3.3%   | 4,739                          | 17.7% |
| Total net assets                       | 316,147        | 36.8%  | 362,139        | 38.5%  | 45,992                         | 14.5% |
| Total liabilities and net assets       | 859,887        | 100.0% | 941,103        | 100.0% | 81,216                         | 9.4%  |

### 3. Consolidated Forecasts of Performance for Fiscal 2021 (April 1, 2021 to March 31, 2022) and Dividends

(Millions of JPY)

|   | FY2020<br>Actual | FY2021<br>Forecast | YOY     |       |
|---|------------------|--------------------|---------|-------|
|   |                  |                    | Change  | (%)   |
| Billings ※1                                 | 1,297,947        | 1,460,000          | 162,052 | 12.5% |
| Revenue ※2                                  | -                | 782,000            | -       | -     |
| Operating income                            | 45,033           | 47,000             | 1,966   | 4.4%  |
| Ordinary income                             | 49,594           | 50,000             | 405     | 0.8%  |
| Net income attributable to owners of parent | 26,479           | 26,500             | 20      | 0.1%  |
| Dividend per share (@JPY/share)             | 30.0             | 30.0               | 0.0     |       |

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

※1 Billings are based on the previous accounting standard, which is different from "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Hakuhold DY Group will apply ASBJ No.29 from April 1, 2021.

※2 After applying Accounting Standard for Revenue Recognition.

#### (About the Full – Year Forecasts)

Japanese economy and the advertising market remain uncertain outlook. The above forecast is based on the assumption that the spread of corona infection will gradually come to an end and that even if there is a temporary increase in infection, the impact on the economy will be limited. The Consolidated Forecast numbers are estimated based on the following ideas:

- 1) The top line will grow faster than the market growth and aim to recover to the level of the fiscal year ending March 2020.
- 2) At the same time as working on cost structure reforms, we expect to make upfront investments on the scale of ¥10,000 million for medium/long-term growth.
- 3) As a result, operating profit growth will be slower than the top line.

Please note that these assumptions are subject to change due to the impact of COVID-19, and in such cases, we may revise the forecast accordingly.

#### (About the Dividend Forecast)

Hakuhold DY Group'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 expenditure, the Company's business performance, the maintenance of sufficient internal reserves, and other factors.

We will pay an annual dividend of ¥ 30.0 per share (Note) for the fiscal year ending March 31, 2021, and an annual dividend of ¥ 30.0 per share for the following fiscal year ending March 31, 2022.

(Note) This includes the mid-term dividend (15 yen per share) paid in December 2021.