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Consolidated Financial Highlights for 1H FY2021

Hakuhodo DY Holdings Inc. has announced its first-half earnings report for FY2021, the year ending March 31, 2022, after approval at the Board of Directors' meeting held today. The main points are as follows.

Effective from the Q1 of FY2021, the company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Year-on-year comparisons are based on figures after retroactive restatement. The following "Revenue" figures are after the application of the revenue recognition standard.
In addition, "Billings" is based on the previous accounting standard and is voluntarily disclosed, although it is not in accordance with the ASBJ No.29, since it is useful to users of financial statements.

1．Income Statements (1H FY2021: April 1, 2021 to September 30, 2021)

(Millions of JPY)

	FY2020 (6M Result)	FY2021 (6M Result)	YoY Comparison	
			Change	(%)
Billings	534,065	661,373	127,308	23.8%
Revenue	287,860	370,902	83,042	28.8%
Gross profit	129,695	166,629	36,934	28.5%
(Gross margin)	(24.3%)	(25.2%)	(+0.9%)	
SG&A expenses	127,894	138,380	10,485	8.2%
Operating income	1,800	28,249	26,449	–
(Operating margin)*	(1.4%)	(17.0%)	(+15.6%)	
Non-operating income	2,540	2,355	(184)	-7.3%
Non-operating expenses	628	706	78	12.5%
Ordinary income	3,712	29,898	26,185	705.4%
Extraordinary income	149	367	217	145.1%
Extraordinary loss	655	421	-234	-35.7%
Net income before income taxes and minority interests	3,206	29,844	26,637	830.8%
Net income attributable to owners of parent	-3,433	14,557	17,990	–

* Operating margin = Operating income / Gross profit

During the first-half of FY2021 (April 1, 2021 to September 30, 2021), the Japanese economy continued to recovery, however, the recovery was not as strong as it could have been. This is because of the impact of the prolonged declaration of a state of emergency due to the spread of the Delta variant and the slowdown in the recovery of production and exports due to the stagnation of the supply chain.

As for the domestic advertising market (Note 1), the recovery trend is continuing, with strong growth mainly in TV and Internet media categories, and the overall advertising market exceeding the level before the COVID-

19 in July and August 2021. In addition, overseas economies and advertising markets are also showing signs of recovery, although there are variations by region.

Under such environments, Hakuhodo DY group has continued to aggressively develop its business while taking into consideration the need to respond to the COVID-19. As a result, first-half billings significantly increased to ¥661,373 million (up 23.8% year on year) and revenue to ¥370,902 million (up 28.8% year on year).

In terms of billings by service category, billings for all services except magazines exceeded the results for the same period of the previous fiscal year. Billings in Marketing/Promotion and Internet Media grew strongly, while TV and creative media also showed a strong recovery.

In terms of billings by client industries, all industries exceeded the previous year's numbers. Billings in the Information/Communications, Transportation/Leisure, Beverages/Luxury foods, and Government/Organizations sectors were up significantly from the same period last year. (Note 2)

Gross profit increased ¥36,934 million from 1H FY2020, to ¥166,629 million (up 28.5% year on year). Gross profit in domestic business increased by 29.2% to ¥131,064 million, and the overseas business increased by 26.3% to ¥37,210 million due to the recovery trend in North America and Greater China as well as the impact of M&A. In selling, general and administrative expenses, there was an increase in expenses due to the investment in strategic expenses for medium-term growth and the impact of M&A, the company started to reform our cost structure and proceeded to control activity expenses. As a result, operating income increased significantly to ¥28,249 million (up 1,468.9% year on year) and ordinary income increased to ¥29,898 million (up 705.4% year on year).

After taking into account in extraordinary income of ¥367 million and extraordinary loss of ¥421 million, income before income taxes and others was ¥29,844 million (up 830.8% year on year), and net income attributable to owners of the parent was ¥14,557 million yen (compared to a net loss of ¥3,433 million yen in the same period of the previous fiscal year), a significant recovery from 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 (September 30, 2021)

(Millions of JPY)

	March 31, 2021		September 30, 2021		Comparison with March 31, 2021	
	Amount	Share	Amount	Share	Change	(%)
Current assets	626,731	66.6%	639,873	65.6%	13,141	2.1%
Fixed assets	314,372	33.4%	334,862	34.4%	20,490	6.5%
Total assets	941,103	100.0%	974,736	100.0%	33,632	3.6%
Current liabilities	416,338	44.2%	404,464	41.5%	-11,874	-2.9%
Non-current liabilities	162,625	17.3%	177,206	18.2%	14,580	9.0%
Total liabilities	578,964	61.5%	581,670	59.7%	2,706	0.5%
Total shareholders' equity	276,197	29.3%	284,394	29.2%	8,196	3.0%
Accumulated other comprehensive income	54,228	5.8%	75,168	7.7%	20,939	38.6%
Subscription rights to shares	247	0.0%	270	0.0%	23	9.7%
Noncontrolling interest	31,466	3.3%	33,232	3.4%	1,765	5.6%
Total net assets	362,139	38.5%	393,065	40.3%	30,925	8.5%
Total liabilities and net assets	941,103	100.0%	974,736	100.0%	33,632	3.6%

3. Consolidated Forecasts for FY 2021 (April 1, 2021 to March 31, 2022)

(Millions of JPY)

	FY2020 Actual	FY2021 Forecast	YOY Change	(%)
Billings	1,297,947	1,480,000	182,052	14.0%
Revenue	714,560	810,000	95,439	13.4%
Operating income	45,033	60,000	14,966	33.2%
Ordinary income	49,594	63,000	13,405	27.0%
Net income attributable to owners of parent	26,479	35,000	8,520	32.2%
Dividend per share (@JPY/share)	30.0	30.0	0.0	

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

(Forecast for the full year, FY2021)

Advertising demand in the second half of the fiscal year is expected to remain firm at present, although uncertainty remains due to the impact of supply chain disruptions and concerns about the reemergence of the COVID.

Based on such market conditions, and taking into account the fact that the gross margin is higher than initially expected, we have revised our top-line forecast and upwardly revised our forecasts for operating income, ordinary income, and net income attributable to shareholders of the parent company as above.

(Note) The forecast of financial results has been prepared based on certain conditions that we considers reasonable at the present time. Actual results may differ significantly from these forecasts due to various factors.

(Dividend forecast)

Our basic policy is to pay dividends in a stable and continuous manner. The amount of dividends will be determined after comprehensively taking into consideration the status of demand for financial funds, trends in business performance, and the enhancement of retained earnings.

Under our policy, we have decided to pay an interim dividend of ¥15 per share for the current fiscal year.

The year-end dividend is expected to be ¥15 per share, for a total annual dividend of ¥30 per share, the same amount as the previous year.