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Company Name: Hakuhodo DY Holdings Inc.

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Consolidated Financial Highlights for 1H FY2022

Hakuhodo DY Holdings Inc. has announced its first-half earnings report for FY2022, the year ending March 31, 2023, after approval at the Board of Directors' meeting held today. The main points are as follows.

1. Income Statements (1H FY2022: April 1, 2022 to September 30, 2022)

(Millions of JPY)

	FY2021 (6M Result)	FY2022 (6M Result)	YoY Comparison	
			Change	(%)
Billings	661,373	719,646	58,272	8.8%
Revenue	370,902	419,382	48,479	13.1%
Gross profit	166,629	177,182	10,552	6.3%
(Gross margin)	(25.2%)	(24.6%)	(-0.6%)	
SG&A expenses	138,380	156,657	18,277	13.2%
Operating income	28,249	20,525	-7,724	-27.3%
(Operating margin)*	(17.0%)	(11.6%)	(-5.4%)	
Non-operating income	2,355	4,308	1,953	83.0%
Non-operating expenses	706	827	120	17.1%
Ordinary income	29,898	24,006	-5,891	-19.7%
Extraordinary income	367	2,106	1,738	472.9%
Extraordinary loss	421	888	466	110.8%
Net income before income taxes and minority interests	29,844	25,224	-4,619	-15.5%
Net income attributable to owners of parent	14,557	11,719	-2,837	-19.5%

* Operating margin = Operating income / Gross profit

During the first half of the fiscal year (April 1, 2022 to September 30, 2022, the Japanese economy was in a recovery phase driven by domestic demand after the restrictions on action were lifted. Although the economy continued to pick up, it lacked strength due in part to the effects of higher prices of natural resources caused by the Ukraine issue, the rapid weakening of the yen, and the economic slowdown caused by global inflation and interest rate hikes. The domestic advertising market (Note 1), which started the fiscal year with a YoY increase, remained sluggish, falling below the same period of the previous year for two consecutive months in July and August due to the significant impact of the reactionary effects of the previous year's Olympic and Paralympic Games.

In this environment, Hakuhodo DY group has continued to aggressively develop its operations in accordance with our midterm business plan, which ends in the fiscal year ending March 31, 2024, while giving

due consideration to responding to the COVID.

As a result, billings (Note 2) were ¥719,646 million (increased by 8.8% YoY) and revenues were ¥419,382 million (increased by 13.1% YoY), both higher than the same period last year.

In terms of billings by service category, the four mass media decreased from the same period of the previous year, however, Internet media, outdoor media, and marketing/promotional activities showed double-digit growth from the same period of the previous year.

In terms of billings by client industries, billings from "Transportation/Leisure" were lower than in the same period of the previous year, partly due to the impact of the previous year's Olympic and Paralympic Games, however, billings from "Government/Organizations" and "Food Services/Other Services" were significantly higher than in the same period of the previous year. (Note 3)

Gross profit was ¥177,182 million (increased by 6.3% YoY), an increase of ¥10,552 million from the same period last year. Gross profit from domestic operations increased by 2.1% to ¥133,793 million, and from overseas operations increased by 24.6% to ¥46,359 million, due to a recovery trend in Asia as well as the impact of foreign exchange rates. Operating income decreased by 27.3% to ¥20,525 million, due to an increase in expenses resulting from strategic investments for medium-term growth and a return to activity expenses. In addition, foreign exchange gains of ¥1,341 million resulted in ordinary income of ¥24,006 million (decreased by 19.7% YoY).

Income before income taxes and minority interests was ¥25,224 million (decreased by 15.5% YoY), after adding extraordinary income of ¥2,106 million and extraordinary loss of ¥888 million. After factoring in the impact of ¥11,955 million in income taxes and ¥1,549 million in net income attributable to non-controlling interests, net income attributable to owners of the parent amounted to ¥11,719 million (decreased by 19.5% YoY).

(Notes)

1. According to the Survey of Selected Service Industries (Ministry of Economy, Trade and Industry, Japan).
2. "Billings" are based on previous accounting standards and are not disclosed in accordance with the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., because we believe it is useful for users of financial statements. We voluntarily disclose this information.
3. Based on internal management categories and data compiled by the Company.

2. Balance Sheets (September 30, 2022)

(Millions of JPY)

	March 31, 2022		September 30, 2022		Comparison with March 31, 2022	
	Amount	Share	Amount	Share	Change	(%)
Current assets	754,854	71.7%	648,160	66.5%	-106,693	-14.1%
Fixed assets	298,162	28.3%	327,229	33.5%	29,066	9.7%
Total assets	1,053,016	100.0%	975,390	100.0%	-77,626	-7.4%
Current liabilities	505,640	48.0%	421,483	43.2%	-84,156	-16.6%
Non-current liabilities	159,961	15.2%	154,712	15.9%	-5,249	-3.3%
Total liabilities	665,601	63.2%	576,195	59.1%	-89,406	-13.4%
Total shareholders' equity	319,176	30.3%	324,673	33.3%	5,497	1.7%
Accumulated other comprehensive income	38,678	3.7%	44,800	4.6%	6,122	15.8%
Subscription rights to shares	225	0.0%	223	0.0%	-2	-1.0%
Noncontrolling interest	29,335	2.8%	29,497	3.0%	162	0.6%
Total net assets	387,414	36.8%	399,194	40.9%	11,779	3.0%
Total liabilities and net assets	1,053,016	100.0%	975,390	100.0%	-77,626	-7.4%

3. Consolidated Forecasts for FY 2022 (April 1, 2022 to March 31, 2023)

(Forecast for the full year, FY2022)

There is no change to the forecast of consolidated financial results at this time.

(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 and Acquisition of own shares)

Our basic dividend policy is to pay stable and continuous dividends. In addition, we will comprehensively consider the status of capital needs, trends in business performance, and enhancement of retained earnings, among other factors. The interim dividend for the current fiscal year was determined to be ¥16 per share from the perspective of stable dividend payment. The year-end dividend forecast is also ¥16 per share, for a total annual dividend of ¥32 per share, the same amount as in the previous year.

In order to enhance shareholder returns, implement a flexible capital policy, and improve capital efficiency, we have decided to buy back up to ¥10.0 billion of our own shares. We are currently aggressively investing funds in infrastructure development for future growth, and at the same time, we will consider additional shareholder returns based on comprehensive consideration of our business performance, progress in our investment plans, and financial condition.