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Consolidated Financial Highlights for 1Q of FY 2013

Hakuhodo DY Holdings Inc. has summarized key data from its first-quarter earnings report for fiscal 2013, the year ending March 31, 2014, released today, in the following reference materials.

1. Summary Consolidated Income Statements (April 1 to June 30, 2013)

(Millions of yen)

	1Q of FY2012 (Actual)	1Q of FY2013 (Actual)	YoY Comparison	
			Change	(%)
Billings	247,479	246,437	(1,042)	-0.4%
Revenue	39,552	40,780	1,228	3.1%
(Gross margin)	(16.0%)	(16.5%)	(+0.6%)	
SG&A expenses	35,358	36,991	1,633	4.6%
Operating income	4,194	3,788	(405)	-9.7%
(Operating margin)*	(10.6%)	(9.3%)	(-1.3%)	
Non-operating items	727	399	(328)	
Ordinary income	4,921	4,187	(733)	-14.9%
Extraordinary items	(70)	(157)	(86)	
Income before income taxes and minority interests	4,850	4,030	(819)	-16.9%
Net income	2,159	1,299	(859)	-39.8%

* Operating margin = Operating income / Revenue

During the first quarter (April 1, 2013 to June 30, 2013), the Japanese economy continued on a gradual recovery trend, with consumer spending picking up in response to the effects of the government's economic stimulus measures and monetary policies, and corporate profits and business sentiment also improving. The advertising market (see Note 1) in Japan also continued to recover, with two consecutive months of year-on-year growth in April and May extending strong gains made in the previous year when the markets rebounded from the Great East Japan Earthquake.

In this climate, the Hakuhodo DY Group continued to move assertively to conduct business activities in the three priority strategic domains of Internet, Marketing/Promotion, and Global. These are driven by its Core Medium-term Strategy: "The Hakuhodo DY Group strives to be a responsible partner realizing optimized corporate marketing activities across all formats via the pursuit of next-generation, comprehensive marketing solutions." Despite these efforts, however, billings declined 0.4% year on year to ¥246,437 million.

By service area, consolidated billings for the first quarter were lower overall for the four mass media services compared with the same period of the previous fiscal year. The main factor was a decline in TV ad spots, which fell back after a strong performance in the same period of the previous fiscal year, although magazine advertisements were slightly higher.

In the non-mass media services, total non-mass media services billings were higher year on year, supported by growth in Internet media and Creative.

By client industry, year-on-year growth in billings was seen in Finance/Insurance, Real estate/Housing facilities, and Automobiles/Related products, among others. Meanwhile, Information/Communication, Home electric appliances/AV equipment, and Food were among industries where billings declined (see Note 2).

Revenue increased ¥1,228 million, or 3.1%, year on year to ¥40,780 million, reflecting the continuation of a range of measures designed to boost profitability throughout the Group. SG&A expenses, while at a level that is in line with the yearly plan, increased 4.6% year on year mainly due to expanding the scope of consolidation and continuing to make strategic expenditures. As a result, operating income declined 9.7% year on year to ¥3,788 million, and ordinary income was ¥4,187 million, down 14.9% from the previous year.

Income before income taxes and minority interests was ¥4,030 million (down 16.9% year on year) coupled with ¥72 million in extraordinary income (up 10.2% year on year) and extraordinary loss of ¥229 million (up 68.3% year on year). As a result, after deduction of taxes and minority interests, net income was ¥1,299 million (down 39.8% year on 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. Consolidated Balance Sheets (Condensed), as of June 30, 2013

	31-Mar-13		30-Jun-13		(Millions of yen) Comparison with March 31, 2013	
	Amount	Share	Amount	Share	Change	(%)
Current assets	410,264	77.6%	378,649	75.6%	(31,614)	-7.7%
Fixed assets	118,270	22.4%	122,076	24.4%	3,806	3.2%
Total assets	528,535	100.0%	500,726	100.0%	(27,808)	-5.3%
Current liabilities	281,842	53.3%	250,562	50.1%	(31,280)	-11.1%
Non-current liabilities	12,340	2.4%	13,694	2.7%	1,354	11.0%
Total liabilities	294,182	55.7%	264,256	52.8%	(29,926)	-10.2%
Total shareholders' equity	215,279	40.7%	215,060	42.9%	(219)	-0.1%
Total net unrealized gains on securities and translation adjustments	6,339	1.2%	8,796	1.8%	2,457	38.8%
Subscription rights to shares	242	0.0%	224	0.0%	(17)	-7.0%
Minority interests	12,490	2.4%	12,388	2.5%	(102)	-0.8%
Total net assets	234,352	44.3%	236,470	47.2%	2,117	0.9%
Total liabilities and net assets	528,535	100.0%	500,726	100.0%	(27,808)	-5.3%

3. Consolidated Forecasts for Fiscal 2013 (April 1, 2013 to June 30, 2013)

The Company has reexamined its consolidated business forecasts for the first half and the full year in light of the first quarter operating results and the most recent performance trends. However, since there has been no change to the rationale behind the full-year consolidated business forecast announced on May 9, 2013, the Company has not revised its forecasts.

With regard to the first half, there is a possibility of a slight decrease in billings due to trends in the Japanese advertising market during September; however, the Company will take steps to increase its gross margin and control SG&A expenses, and therefore expects that earnings forecasts will not be significantly affected.

For reference, the consolidated forecast for the fiscal year ending March 31, 2014, announced on May 9, 2013, is as follows.

(Millions of yen)

	1H			2H			Full-year		
	FY2013 (Forecast)	Y o Y Comparisons		FY2013 (Forecast)	Y o Y Comparisons		FY2013 (Forecast)	Y o Y Comparisons	
		Change	(%)		Change	(%)		Change	(%)
Billings	504,000	9,664	2.0%	583,000	31,904	5.8%	1,087,000	41,568	4.0%
Operating income	10,500	(862)	-7.6%	19,500	4,544	30.4%	30,000	3,680	14.0%
Ordinary income	11,600	(1,007)	-8.0%	19,900	4,497	29.2%	31,500	3,489	12.5%
Net income	5,700	(497)	-8.0%	9,800	3,103	46.3%	15,500	2,605	20.2%
(Operating margin)*	(12.4%)	(-1.3%)		(19.5%)	(+3.4%)		(16.2%)	(+1.3%)	

* Operating margin = Operating income / Revenue

For reference, the consolidated forecast for the fiscal year ending March 31, 2014 is as follows.

For the Hakuhodo DY Group, the year ending March 31, 2014 will be a concluding year for its current medium-term business plan. Accordingly, not only hitting its initial targets, the Group will work this year to advance various measures and increase corporate value with the aim of exceeding plan objectives.

Macro environment: Growth in Japan's advertising market of around 3%

In the fiscal year ending March 31, 2014, Japan's advertising market is projected to increase approximately 3% year on year. Strong growth is expected in the second half of the fiscal year, against the backdrop of such factors as the benefits of various economic measures, an improvement in consumer mindset, and last-minute demand ahead of a rise in the consumption tax rate.

Billings: ¥1,087 billion, up 4.0% year on year

In this climate, the Group aims to achieve growth above the market average through steady enactment of the strategic initiatives outlined in its medium-term business plan, and by expanding its market share to the next stage. As a result, full-year billings are expected to grow 4.0% to ¥1,087 billion.

Operating income: ¥30 billion, or up 14.0% year on year

The Group will take steps to raise its already high gross margin even further, recognizing that the profits should accompany billings expansion. In SG&A expenses, the Group will not only settle at achieving the medium-term business plan, but prepare itself for the next stage. Specifically, in addition to making strategic investments in certain expenses with an eye on the future, efforts will include continuing to enhance efficiency and consolidate expenses. The Group will also seek to improve its operating margin by holding the rate of growth in

expenses to below that of revenue. As a result, full-year operating income is projected to increase 14.0% for the year, to ¥30.0 billion, exceeding the medium-term plan target of ¥28.0 billion. The Group also expects to improve its operating margin, which is the ratio of operating income to revenue, to 16.2%, also exceeding the plan target of 16.0%.

Ordinary income: ¥31.5 billion, up 12.5% year on year

Ordinary income, including dividend income, equity in investment income from affiliates, and other non-operating items, is projected to be ¥31.5 billion, or 12.5% higher year on year.

Net income: ¥15.5 billion, up 20.2% year on year.

No significant extraordinary items are forecasted at this time. Consequently, net income is projected to increase 20.2% year on year, to ¥15.5 billion.

(Note) Forecasts in this press release are based on certain assumptions deemed to be reasonable by the Company at the time of announcement. Actual results may differ materially from these forecasts due to a variety of reasons.