

Hakuhodo DY holdings

Consolidated Financial Highlights
1H of Fiscal Year Ending March 31, 2019
(1H of FY 2018)

2018.11.9

Cautionary statement concerning forward-looking statements, Note concerning audits

This presentation includes forward-looking statements concerning forecasts of operating results, business plans and policies, management strategies, goals, plans, numbers involving the future, views and evaluations of facts, and other items associated with Hakuhodo DY Holdings and its group companies. These and other statements that are not historical facts represent forecasts, expectations, assumptions, plans, views, evaluations and other positions of management based on information available when this presentation was prepared.

To prepare figures used for forecasts and predictions, confirmed facts from past activities have been combined with certain assumptions that are essential to formulating forecasts and predictions. Due to the nature of these facts and assumptions, there is no guarantee of their accuracy from an objective viewpoint or any guarantee that future events will occur as presented in these forward-looking statements.

The following is a list of some, but not all, risks and uncertainties that may prevent these facts and assumptions from being accurate from an objective viewpoint or from becoming a reality in the future.

- (1) Risks associated with the advertising industry in general (changes in the advertising industry climate due to fluctuations in the economy, changes in business practices and other events)
- (2) Risks associated with revisions of laws and regulations
- (3) Risks associated with advertisers and media companies (the need to respond accurately to shifts in needs of customers and other entities the company does business with)
- (4) Risks associated with competition (competition with other advertising agencies, companies newly entering the industry and others)
- (5) Risks associated with the expansion of business domains resulting from structural changes in markets
- (6) Risks associated with conducting business on a global scale
- (7) Risks associated with lawsuits and similar actions

Billings by industry, billings by service area, and highlights of operating results at major subsidiaries were not audited by the Company's independent auditor.

Consolidated Financial Highlights for 1H of FY 2018

Consolidated Financial Highlights (1)

Operating income of ¥33.5 billion due in part to the sale of operational investment securities

The figures in parentheses below represent amount and percentage increases/decreases that exclude the impact from the sale of Mercari, Inc.'s shares (hereinafter, "impact from Mercari"). Please see slide 5 for details.

- ◎ **Billings: ¥663.3 billion, up 8.6% year on year (up 6.5%)**
 - Billings increased year on year due to such factors as domestic growth thanks to our strength in providing integrated marketing solutions, the sale of operational investment securities, and the incorporation of profits from companies acquired via such means as overseas M&A.
 - » By industry of clients
 - : Billings increased in Restaurant/Services, Finance/Insurance, and Beverages/Cigarettes/Luxury foods
 - : Billings decreased in Automobiles/Related products, Publishing, and Games/Sporting goods/Hobby supplies
 - » By service area : Billings were down in "Mass media services subtotal" due to a decline that followed the absence of the strong performance of Television, which occurred in the same period of the previous fiscal year.
 - : Billings increased for "Other than mass media services subtotal" due to significant growth in Internet media and the strong performance of Marketing / Promotion and Creative.
- ◎ **Revenue: ¥155.2 billion, up 26.4%, or ¥32.3 billion, year on year (up 15.9%, or ¥19.5 billion)**
- ◎ **Gross margin: 23.4%, up 3.3 points year**
 - Excluding the impact from Mercari, which positively impacted gross margin by 1.5 points, gross margin stood at 21.9%.
 - Revenue growth in our overseas businesses, which comprise a high percentage of fee businesses, helped boost gross margin by around 1.2 points.
- ◎ **SG&A expenses: ¥121.7 billion, up 18.1%, or ¥18.6 billion, year on year (up 17.9% or ¥18.4 billion)**
 - Excluding the impact from Mercari, the increase in SG&A expenses exceeded growth in revenue due to such factors as strategic investments to promote the medium-term business plan and the increase in amortization of goodwill related to M&A.
- ◎ **Operating income: ¥33.5 billion, up 69.4%, or ¥13.7 billion (up 5.5%, or ¥1.0 billion)**
 - Excluding the impact from Mercari, operating income rose ¥1.0 billion, as the increase in revenue offset the rise in SG&A expenses.
- ◎ **Operating income before amortization of goodwill: ¥36.3 billion, up 68.0%, or ¥14.7 billion, year on year (up 9.5%, or ¥2.0 billion)**
- ◎ **Incremental effect of M&A (approximate): Revenue: +¥14.6 billion; SG&A expenses (including amortization of goodwill): +¥13.3 billion; Operating income: +¥1.2 billion**
- ◎ **Net income: ¥27.2 billion, up 127.9%, or 15.2 billion year on year**
 - Net income increased significantly due to the recording of extraordinary income resulting from the gain on the abolishment of retirement benefit plans of ¥3.5 billion, which occurred following the transition of corporate pension schemes from a defined benefit plan to a defined contribution plan, and the gain on the redemption of retirement benefit trust assets of ¥16.2 billion at major consolidated subsidiaries.

Consolidated Financial Highlights (2)

(Millions of yen)

	1Q of				2Q of				1H of			
	FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons	
			Change	(%)			Change	(%)			Change	(%)
Billings	301,164	323,870	22,706	7.5%	309,780	339,504	29,724	9.6%	610,945	663,375	52,430	8.6%
Revenue	58,458	79,158	20,699	35.4%	64,418	76,104	11,685	18.1%	122,877	155,262	32,384	26.4%
(Gross margin)	(19.4%)	(24.4%)	(+5.0%)		(20.8%)	(22.4%)	(+1.6%)		(20.1%)	(23.4%)	(+3.3%)	
SG&A expenses	50,638	59,223	8,584	17.0%	52,451	62,525	10,074	19.2%	103,089	121,748	18,659	18.1%
Operating income	7,820	19,935	12,115	154.9%	11,967	13,578	1,610	13.5%	19,788	33,514	13,725	69.4%
(Operating margin)	(13.4%)	(25.2%)	(+11.8%)		(18.6%)	(17.8%)	(-0.7%)		(16.1%)	(21.6%)	(+5.5%)	
Non-operating items	1,025	1,582	556		214	380	166		1,239	1,962	723	
Ordinary income	8,846	21,517	12,671	143.2%	12,182	13,959	1,777	14.6%	21,028	35,476	14,448	68.7%
Extraordinary items	(31)	3,458	3,490		89	15,178	15,088		58	18,636	18,578	
Income before income taxes and minority interests	8,814	24,976	16,161	183.4%	12,271	29,137	16,865	137.4%	21,086	54,113	33,027	156.6%
Net income	4,418	9,837	5,418	122.6%	7,529	17,389	9,859	131.0%	11,948	27,226	15,278	127.9%

Amortization of goodwill	849	1,165	315	37.2%	975	1,638	662	68.0%	1,824	2,803	978	53.6%
Operating Income before Amortization of goodwill	8,670	21,101	12,430	143.4%	12,943	15,216	2,273	17.6%	21,613	36,317	14,704	68.0%
Operating margin before Amortization of goodwill	14.8%	26.7%	(+11.8%)		20.1%	20.0%	(-0.1%)		17.6%	23.4%	(+5.8%)	

(Operating margin = Operating income / Revenue)

Dividend per share									13.0	14.0		(yen)
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- Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(3) Net income refers to profit attributable to owners of parent.

Consolidated Financial Highlights (3)

【Consolidated Financial Highlights】

【Impact from Mercari】

【Excluding impact from Mercari】

(Millions of yen)	1H of				1H of				1H of			
	FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons	
			Change	(%)			Change	(%)			Change	(%)
Billings	610,945	663,375	52,430	8.6%		12,892	12,892		610,945	650,482	39,537	6.5%
Revenue	122,877	155,262	32,384	26.4%		12,802	12,802		122,877	142,460	19,582	15.9%
(Gross margin)	(20.1%)	(23.4%)	(+3.3%)			(99.3%)			(20.1%)	(21.9%)	(+1.8%)	
SG&A expenses	103,089	121,748	18,659	18.1%		161	161		103,089	121,587	18,497	17.9%
Operating income	19,788	33,514	13,725	69.4%		12,641	12,641		19,788	20,873	1,084	5.5%
(Operating margin)	(16.1%)	(21.6%)	(+5.5%)			(98.7%)			(16.1%)	(14.7%)	(-1.5%)	
Amortization of goodwill	1,824	2,803	978	53.6%		0	0		1,824	2,803	978	53.6%
Operating Income before Amortization of goodwill	21,613	36,317	14,704	68.0%		12,641	12,641		21,613	23,676	2,063	9.5%
Operating margin before Amortization of goodwill	17.6%	23.4%	(+5.8%)			98.7%			17.6%	16.6%	(-1.0%)	

(Operating margin = Operating income / Revenue)

* According to documents disclosed by UNITED, Inc. on May 14 and June 11, 2018

Consolidated Financial Highlights (4)

【 Differences between actual 1H results and forecast announced on August 7,2018 】

(Millions of yen)

	1H		1H		1H			Change between results and forecasts	
	FY2017	FY2018	YoY		FY2018	YoY		change	(%)
	(Result)	Forecasts as of Aug. 7,'18	change	(%)	(Result)	change	(%)		
Billings	610,945	679,800	68,854	11.3%	663,375	52,430	8.6%	(16,424)	-2.4%
Revenue	122,877	151,400	28,522	23.2%	155,262	32,384	26.4%	3,862	2.6%
(Gross margin)	(20.1%)	(22.3%)	(+2.2%)		(23.4%)	(+3.3%)		(+1.1%)	
SG&A expenses	103,089	120,200	17,110	16.6%	121,748	18,659	18.1%	1,548	1.3%
Operating income	19,788	31,200	11,411	57.7%	33,514	13,725	69.4%	2,314	7.4%
(Operating margin)	(16.1%)	(20.6%)	(+4.5%)		(21.6%)	(+5.5%)		(+1.0%)	
Non-operating items	1,239	900	(339)		1,962	723		1,062	
Ordinary income	21,028	32,100	11,071	52.7%	35,476	14,448	68.7%	3,376	10.5%
Extraordinary items	58	13,500	13,441		18,636	18,578		5,136	
Income before income Taxes and minority interests	21,086	45,600	24,513	116.3%	54,113	33,027	156.6%	8,513	18.7%
Net income	11,948	21,100	9,151	76.6%	27,226	15,278	127.9%	6,126	29.0%
(Operating margin = Operating income / Revenue)									
Amortization of goodwill	1,824	2,750	925	50.7%	2,803	978	53.6%	53	1.9%
Operating Income before Amortization of goodwill	21,613	33,950	12,336	57.1%	36,317	14,704	68.0%	2,367	7.0%
Operating margin before Amortization of goodwill	17.6%	22.4%	(+4.8%)		23.4%	(+5.8%)		(+1.0%)	

Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(3) Net income refers to profit attributable to owners of parent.

Results by Region (1)

(Millions of yen)		1H of			
		FY2017	FY2018	YoY comparisons	
				Change	(%)
Japan	Billings	572,314	595,522	23,207	4.1%
	Revenue	107,998	126,234	18,236	16.9%
	(Gross margin)	(18.9%)	(21.2%)	(+2.3%)	
	Operating Income	26,474	39,840	13,366	50.5%
	(Operating margin)	(24.5%)	(31.6%)	(+7.0%)	
International	Billings	42,191	72,046	29,855	70.8%
	Revenue	16,258	30,231	13,972	85.9%
	(Gross margin)	(38.5%)	(42.0%)	(+3.4%)	
	Operating Income	(236)	771	1,008	-
	(Operating margin)	(-1.5%)	(2.6%)	(+4.0%)	
Total	Billings	614,505	667,568	53,063	8.6%
	Revenue	124,256	156,465	32,208	25.9%
	Operating Income	26,237	40,612	14,374	54.8%
Elimination or corporate	Billings	(3,560)	(4,193)	(633)	
	Revenue	(1,379)	(1,202)	176	
	Operating Income	(6,449)	(7,098)	(649)	
Consolidation	Billings	610,945	663,375	52,430	8.6%
	Revenue	122,877	155,262	32,384	26.4%
	(Gross margin)	(20.1%)	(23.4%)	(+3.3%)	
	Operating Income	19,788	33,514	13,725	69.4%
	(Operating margin)	(16.1%)	(21.6%)	(+5.5%)	

■ Japan: Impact from Mercari ■

- Billings were up 1.8% excluding the impact from Mercari.
- With the same exclusion, operating income was up ¥0.7 billion.

■ Trends in Overseas Revenue ■

Overseas revenue grew 85.9% thanks to the expansion of *kyu* and contributions from new M&A in Asia.

- Significant growth in the Greater China region amid a recovery trend, thanks to the large contributions from new M&A.
- Significant growth in the ASEAN region resulting from the contributions of new M&A in Thailand and Vietnam.
- Growth in Europe and the Americas accounted for the majority of overall revenue growth overseas, with significant contributions from the expansion of *kyu*.
- Roughly 2% overall impact from yen appreciation. Also, around 2% impact from yen depreciation in Asia, with around a 5% impact from yen appreciation in Europe and the Americas.

Results by Region (2)

(Millions of yen)		1Q of				2Q of				1H of			
		FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons		FY2017	FY2018	YoY comparisons	
				Change	(%)			Change	(%)			Change	(%)
Japan	Billings	282,676	297,370	14,693	5.2%	289,637	298,151	8,514	2.9%	572,314	595,522	23,207	4.1%
	Revenue	51,281	66,222	14,941	29.1%	56,717	60,012	3,294	5.8%	107,998	126,234	18,236	16.9%
	(Gross margin)	(18.1%)	(22.3%)	(+4.1%)		(19.6%)	(20.1%)	(+0.5%)		(18.9%)	(21.2%)	(+2.3%)	
	Operating Income	11,245	23,492	12,247	108.9%	15,228	16,348	1,119	7.4%	26,474	39,840	13,366	50.5%
	(Operating margin)	(21.9%)	(35.5%)	(+13.5%)		(26.9%)	(27.2%)	(+0.4%)		(24.5%)	(31.6%)	(+7.0%)	
International	Billings	20,414	28,195	7,780	38.1%	21,776	43,851	22,074	101.4%	42,191	72,046	29,855	70.8%
	Revenue	7,770	13,548	5,778	74.4%	8,488	16,682	8,194	96.5%	16,258	30,231	13,972	85.9%
	(Gross margin)	(38.1%)	(48.1%)	(+10.0%)		(39.0%)	(38.0%)	(-0.9%)		(38.5%)	(42.0%)	(+3.4%)	
	Operating Income	(254)	(145)	108	-	17	917	899	-	(236)	771	1,008	-
	(Operating margin)	(-3.3%)	(-1.1%)	(+2.2%)		(0.2%)	(5.5%)	(+5.3%)		(-1.5%)	(2.6%)	(+4.0%)	
Total	Billings	303,091	325,566	22,474	7.4%	311,413	342,002	30,588	9.8%	614,505	667,568	53,063	8.6%
	Revenue	59,051	79,771	20,719	35.1%	65,205	76,694	11,488	17.6%	124,256	156,465	32,208	25.9%
	Operating Income	10,990	23,347	12,356	112.4%	15,246	17,265	2,018	13.2%	26,237	40,612	14,374	54.8%
Elimination or corporate	Billings	(1,927)	(1,695)	231		(1,633)	(2,498)	(864)		(3,560)	(4,193)	(633)	
	Revenue	(592)	(612)	(19)		(786)	(590)	196		(1,379)	(1,202)	176	
	Operating Income	(3,170)	(3,411)	(241)		(3,279)	(3,686)	(407)		(6,449)	(7,098)	(649)	
Consolidation	Billings	301,164	323,870	22,706	7.5%	309,780	339,504	29,724	9.6%	610,945	663,375	52,430	8.6%
	Revenue	58,458	79,158	20,699	35.4%	64,418	76,104	11,685	18.1%	122,877	155,262	32,384	26.4%
	(Gross margin)	(19.4%)	(24.4%)	(+5.0%)		(20.8%)	(22.4%)	(+1.6%)		(20.1%)	(23.4%)	(+3.3%)	
	Operating Income	7,820	19,935	12,115	154.9%	11,967	13,578	1,610	13.5%	19,788	33,514	13,725	69.4%
	(Operating margin)	(13.4%)	(25.2%)	(+11.8%)		(18.6%)	(17.8%)	(-0.7%)		(16.1%)	(21.6%)	(+5.5%)	

Billings by Industry (New compiling method) (1)

(Millions of yen)

	1Q of FY2018	YoY comparisons		2Q of FY2018	YoY comparisons		FY2017		FY2018		YoY comparisons	
		Change	(%)		Change	(%)	1H	Share	1H	Share	Change	(%)
Automobiles/Related products	26,890	(212)	-0.8%	29,726	(6,356)	-17.6%	63,184	12.7%	56,616	11.3%	(6,568)	-10.4%
Information/Communications	25,431	(1,933)	-7.1%	28,949	2,274	8.5%	54,039	10.8%	54,380	10.8%	341	0.6%
Beverages/Cigarettes/Luxury foods	34,747	2,183	6.7%	29,503	326	1.1%	61,740	12.4%	64,250	12.8%	2,510	4.1%
Foodstuffs	19,304	(655)	-3.3%	19,495	491	2.6%	38,963	7.8%	38,799	7.7%	(164)	-0.4%
Cosmetics/Toiletries	21,613	1,740	8.8%	17,990	(103)	-0.6%	37,967	7.6%	39,603	7.9%	1,636	4.3%
Finance/Insurance	15,003	1,880	14.3%	14,986	1,793	13.6%	26,316	5.3%	29,990	6.0%	3,674	14.0%
Transportation/Leisure	15,496	937	6.4%	13,251	(166)	-1.2%	27,975	5.6%	28,747	5.7%	771	2.8%
Distribution/Retailing	11,260	(271)	-2.4%	10,890	276	2.6%	22,146	4.4%	22,150	4.4%	4	0.0%
Real estate/Housing facilities	10,460	(1,378)	-11.6%	13,608	1,591	13.2%	23,856	4.8%	24,068	4.8%	213	0.9%
Pharmaceuticals/Medical supplies	10,404	(468)	-4.3%	11,636	1,122	10.7%	21,386	4.3%	22,040	4.4%	655	3.1%
Restaurant/Services	11,988	2,386	24.8%	12,198	1,868	18.1%	19,932	4.0%	24,186	4.8%	4,253	21.3%
Games/Sporting goods/Hobby supplies	4,680	(494)	-9.6%	5,834	(1,102)	-15.9%	12,110	2.4%	10,514	2.1%	(1,596)	-13.2%
Household products	6,148	88	1.5%	5,755	(836)	-12.7%	12,651	2.5%	11,903	2.4%	(748)	-5.9%
Home electric appliances/AV equipment	5,015	(115)	-2.2%	5,103	(1,041)	-16.9%	11,274	2.3%	10,118	2.0%	(1,156)	-10.3%
Government/Organizations	2,183	(120)	-5.2%	2,943	614	26.4%	4,633	0.9%	5,127	1.0%	494	10.7%
Apparel/Accessories	3,426	(1,027)	-23.1%	3,875	378	10.8%	7,951	1.6%	7,302	1.5%	(649)	-8.2%
Publishing	3,546	(1,192)	-25.2%	3,851	(500)	-11.5%	9,090	1.8%	7,398	1.5%	(1,692)	-18.6%
Energy/Material/Machinery	3,511	(374)	-9.6%	4,640	1,175	33.9%	7,350	1.5%	8,151	1.6%	801	10.9%
Education/Medical services/Religion	3,625	344	10.5%	2,837	(218)	-7.1%	6,335	1.3%	6,462	1.3%	126	2.0%
Precision machinery/Office supplies	1,526	210	16.0%	1,527	(18)	-1.1%	2,860	0.6%	3,053	0.6%	193	6.7%
Classified advertising/Other	13,191	(485)	-3.5%	13,683	(328)	-2.3%	27,686	5.5%	26,874	5.4%	(812)	-2.9%
Sub total	249,446	1,043	0.4%	252,283	1,241	0.5%	499,445	100.0%	501,729	100.0%	2,284	0.5%
Sub total for other than the above	74,425	21,663	41.1%	87,222	28,483	48.5%	111,501		161,646		50,146	45.0%
Total for group	323,870	22,706	7.5%	339,504	29,724	9.6%	610,945		663,375		52,430	8.6%

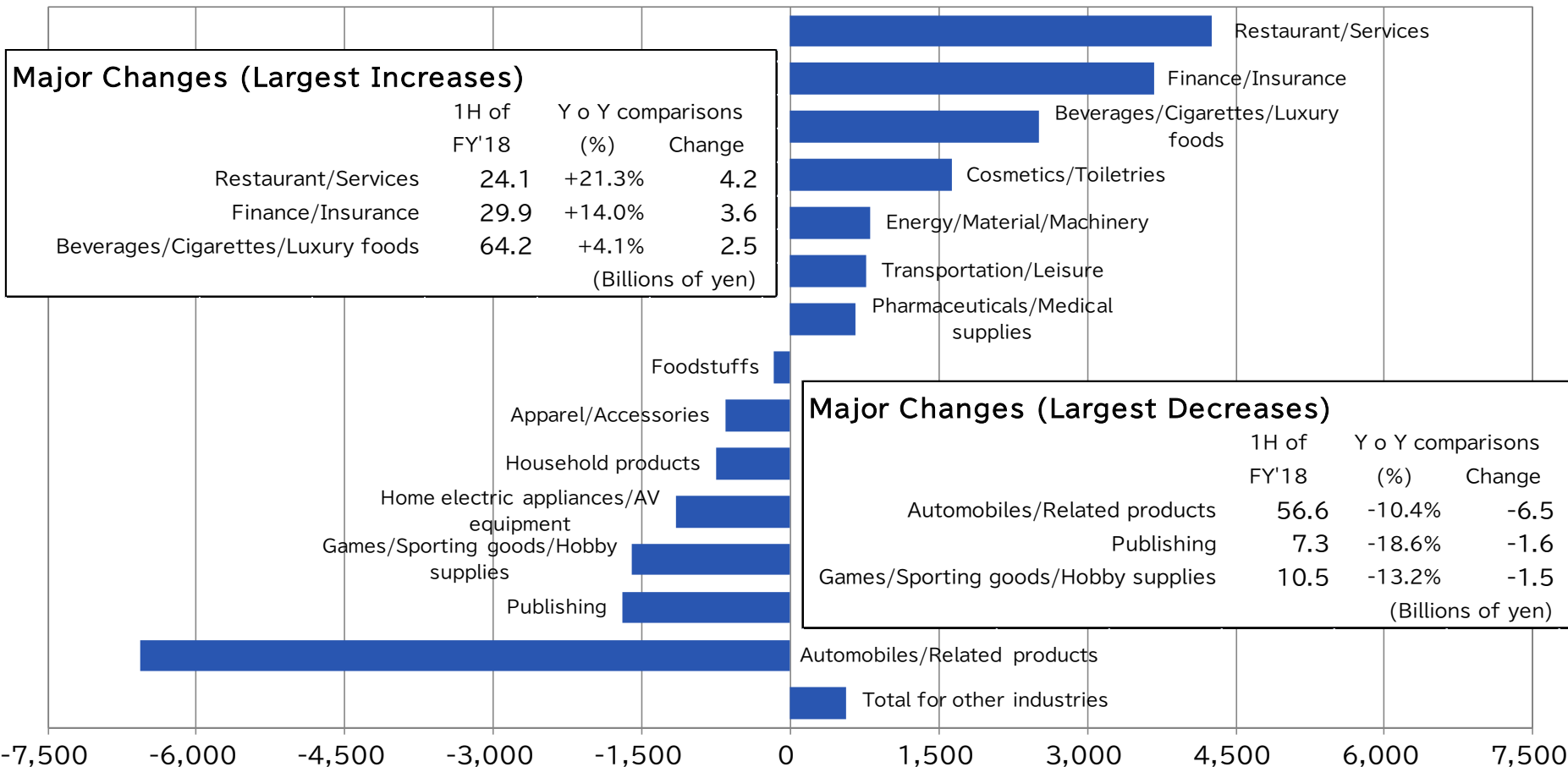
Note (1) The amount of billings in "Sub total" under billings by industry differs from that of "Sub total" under billings by service area. This difference reflects the presence of certain Group companies that are able to classify billings by service area but not by industry. Billings from such companies are accounted for solely within billings by service area.

Note (2) With the exception of "Sub total for other than the above" and "Classified advertising/Other," the above list is arranged in order of largest amount of billings by industry for the fiscal year ended March 31, 2018.

Billings by Industry (New compiling method) (2)

Year-on-year changes for 1 H of FY2018

(Millions of yen)



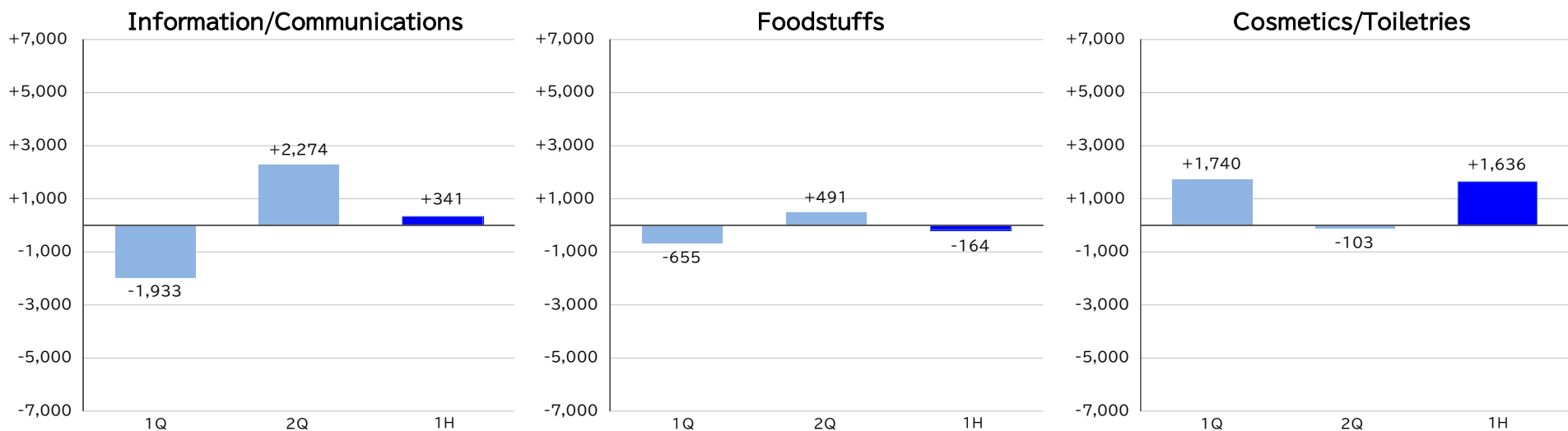
Billings by Industry (New compiling method) (3)

Quarterly YoY Changes (1) Top 3 Largest Total(±) Changes by Industry (Millions of Yen)



Billings by Industry (New compiling method) (4)

Quarterly YoY Changes(2) Other Major Industries (Millions of Yen)



Billings by Industry (New compiling method) (5)

【Reference: Results for FY2017 under the New Compilation Method】

(Millions of yen)

	1 Q of			YoY comparisons			2 Q of			YoY comparisons			3 Q of			YoY comparisons			4 Q of			YoY comparisons			Total of			YoY comparisons		
	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)	FY2017	Change	(%)
Automobiles/Related products	27,102	2,569	10.5%	36,082	4,590	14.6%	38,334	5,219	15.8%	37,579	(301)	-0.8%	139,097	12,077	9.5%															
Information/Communications	27,364	1,502	5.8%	26,675	1,859	7.5%	36,831	1,531	4.3%	34,432	2,000	6.2%	125,302	6,892	5.8%															
Beverages/Cigarettes/Luxury foods	32,563	1,112	3.5%	29,177	(1,377)	-4.5%	25,813	(3,252)	-11.2%	30,857	(211)	-0.7%	118,410	(3,728)	-3.1%															
Foodstuffs	19,959	(136)	-0.7%	19,004	(649)	-3.3%	21,064	1,344	6.8%	20,940	(123)	-0.6%	80,967	436	0.5%															
Cosmetics/Toiletries	19,873	241	1.2%	18,094	65	0.4%	22,126	707	3.3%	19,075	1,559	8.9%	79,167	2,572	3.4%															
Finance/Insurance	13,123	702	5.7%	13,193	(473)	-3.5%	16,132	1,204	8.1%	25,197	7,486	42.3%	67,645	8,920	15.2%															
Transportation/Leisure	14,558	2,276	18.5%	13,417	1,842	15.9%	17,555	3,545	25.3%	18,901	3,659	24.0%	64,431	11,322	21.3%															
Distribution/Retailing	11,531	(1,827)	-13.7%	10,615	(2,212)	-17.2%	13,769	(2,096)	-13.2%	12,596	(3,940)	-23.8%	48,510	(10,075)	-17.2%															
Real estate/Housing facilities	11,839	2,425	25.8%	12,017	944	8.5%	10,078	(114)	-1.1%	14,251	(472)	-3.2%	48,184	2,782	6.1%															
Pharmaceuticals/Medical supplies	10,872	(816)	-7.0%	10,514	(363)	-3.3%	13,019	(274)	-2.1%	12,415	1,618	15.0%	46,821	166	0.4%															
Restaurant/Services	9,602	2,370	32.8%	10,330	1,544	17.6%	11,465	2,228	24.1%	13,397	2,177	19.4%	44,794	8,320	22.8%															
Games/Sporting goods/Hobby supplies	5,175	259	5.3%	6,936	3,081	79.9%	7,966	3,019	61.0%	6,394	1,988	45.1%	26,470	8,346	46.1%															
Household products	6,060	1,537	34.0%	6,591	(192)	-2.8%	7,518	722	10.6%	5,339	262	5.2%	25,508	2,329	10.0%															
Home electric appliances/AV equipment	5,130	(223)	-4.2%	6,144	528	9.4%	6,710	(659)	-8.9%	7,306	614	9.2%	25,290	259	1.0%															
Government/Organizations	2,304	(757)	-24.7%	2,329	(1,998)	-46.2%	5,106	2,631	106.3%	8,563	2,077	32.0%	18,302	1,954	11.9%															
Apparel/Accessories	4,453	538	13.7%	3,497	(271)	-7.2%	5,654	310	5.8%	4,361	(737)	-14.5%	17,965	(160)	-0.9%															
Publishing	4,739	1,174	32.9%	4,351	56	1.3%	4,038	(267)	-6.2%	4,453	(1,203)	-21.3%	17,582	(240)	-1.3%															
Energy/Material/Machinery	3,885	1,276	48.9%	3,465	311	9.9%	3,634	620	20.6%	5,467	(130)	-2.3%	16,451	2,077	14.5%															
Education/Medical services/Religion	3,281	441	15.5%	3,054	331	12.1%	3,159	853	37.0%	5,234	(460)	-8.1%	14,729	1,165	8.6%															
Precision machinery/Office supplies	1,315	18	1.4%	1,545	(425)	-21.6%	2,421	(122)	-4.8%	3,719	(467)	-11.2%	9,000	(996)	-10.0%															
Classified advertising/Other	13,675	1,406	11.5%	14,011	473	3.5%	15,095	484	3.3%	14,058	369	2.7%	56,839	2,732	5.0%															
Sub total	248,403	16,087	6.9%	251,042	7,663	3.1%	287,487	17,634	6.5%	304,535	15,765	5.5%	1,091,466	57,149	5.5%															
Sub total for other than the above	52,762	5,969	12.8%	58,739	7,677	15.0%	60,086	5,750	10.6%	71,978	3,010	4.4%	243,565	22,406	10.1%															
Total for group	301,164	22,056	7.9%	309,780	15,340	5.2%	347,572	23,384	7.2%	376,512	18,775	5.2%	1,335,030	79,555	6.3%															

Billings by Service Area

(Millions of yen)

	1 Q of FY2018	YoY comparisons		2 Q of FY2018	YoY comparisons		1 H of FY2017		1 H of FY2018		YoY comparisons	
	Amount	Change	(%)	Amount	Change	(%)	Amount	Share	Amount	Share	Change	(%)
Newspapers	10,603	(2,083)	-16.4%	10,667	(1,100)	-9.3%	24,452	4.5%	21,270	3.9%	(3,182)	-13.0%
Magazines	4,042	(605)	-13.0%	4,560	(512)	-10.1%	9,719	1.8%	8,602	1.6%	(1,117)	-11.5%
Radio	3,235	(4)	-0.1%	3,337	55	1.7%	6,522	1.2%	6,572	1.2%	51	0.8%
Television	103,840	(4,488)	-4.1%	103,010	(316)	-0.3%	211,654	39.3%	206,850	37.8%	(4,804)	-2.3%
Mass media services sub total	121,720	(7,180)	-5.6%	121,574	(1,873)	-1.5%	252,347	46.9%	243,294	44.4%	(9,053)	-3.6%
Internet media	54,909	9,994	22.2%	50,907	5,596	12.4%	90,226	16.8%	105,816	19.3%	15,590	17.3%
Outdoor media	9,451	(1,540)	-14.0%	8,733	(881)	-9.2%	20,606	3.8%	18,185	3.3%	(2,421)	-11.7%
Creative	29,486	330	1.1%	32,914	1,506	4.8%	60,564	11.3%	62,399	11.4%	1,835	3.0%
Marketing/Promotion	51,031	2,826	5.9%	55,719	469	0.8%	103,454	19.2%	106,750	19.5%	3,295	3.2%
Others(contents, etc.)	4,971	(277)	-5.3%	5,936	497	9.1%	10,687	2.0%	10,906	2.0%	219	2.1%
Other than mass media services subtotal	149,847	11,333	8.2%	154,208	7,186	4.9%	285,537	53.1%	304,056	55.6%	18,519	6.5%
Billing by Service Area sub total	271,568	4,153	1.6%	275,782	5,313	2.0%	537,884	100.0%	547,350	100.0%	9,466	1.8%
Impact from Mercari	12,892	12,892		0	0	0.0%	0		12,892		12,892	0.0%
Sub total for other than the above	39,410	5,660	16.8%	63,722	24,411	62.1%	73,061		103,133		30,072	41.2%
Total for group	323,870	22,706	7.5%	339,504	29,724	9.6%	610,945		663,375		52,430	8.6%

© Billings were down in “Mass media services subtotal” due to a decline that followed the absence of the strong performance of Television, which occurred in the same period of the previous fiscal year.

© Billings increased for “Other than mass media services subtotal” due to significant growth in Internet media and the strong performance of Marketing / Promotion and Creative.

© Results for Internet media in 1Q exclude the impact from Mercari.

Note: The amount of billings in "Sub total" under billings by industry differs from that of "Sub total" under billings by service area.

This difference reflects the presence of certain Group companies that are able to classify billings by service area but not by industry.

Billings from such companies are accounted for solely within billings by service area.

Changes in SG&A Expenses (1)

(Millions of yen)

	1 Q of		YoY comparisons		2 Q of		YoY comparisons		1 H of		YoY comparisons	
	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)
Personnel costs	34,113	40,016	5,903	17.3%	35,256	41,218	5,961	16.9%	69,370	81,235	11,864	17.1%
Other Expenses (total)	16,525	19,206	2,681	16.2%	17,194	21,306	4,112	23.9%	33,719	40,513	6,794	20.1%
Rent	3,613	3,990	376	10.4%	3,506	4,088	582	16.6%	7,120	8,078	958	13.5%
Depreciation and Amortization	806	1,149	342	42.5%	968	1,201	232	24.0%	1,775	2,350	575	32.4%
Amortization of goodwill	849	1,165	315	37.2%	975	1,638	662	68.0%	1,824	2,803	978	53.6%
Others	11,254	12,901	1,646	14.6%	11,743	14,378	2,634	22.4%	22,998	27,280	4,281	18.6%
Total SG&A expenses	50,638	59,223	8,584	17.0%	52,451	62,525	10,074	19.2%	103,089	121,748	18,659	18.1%

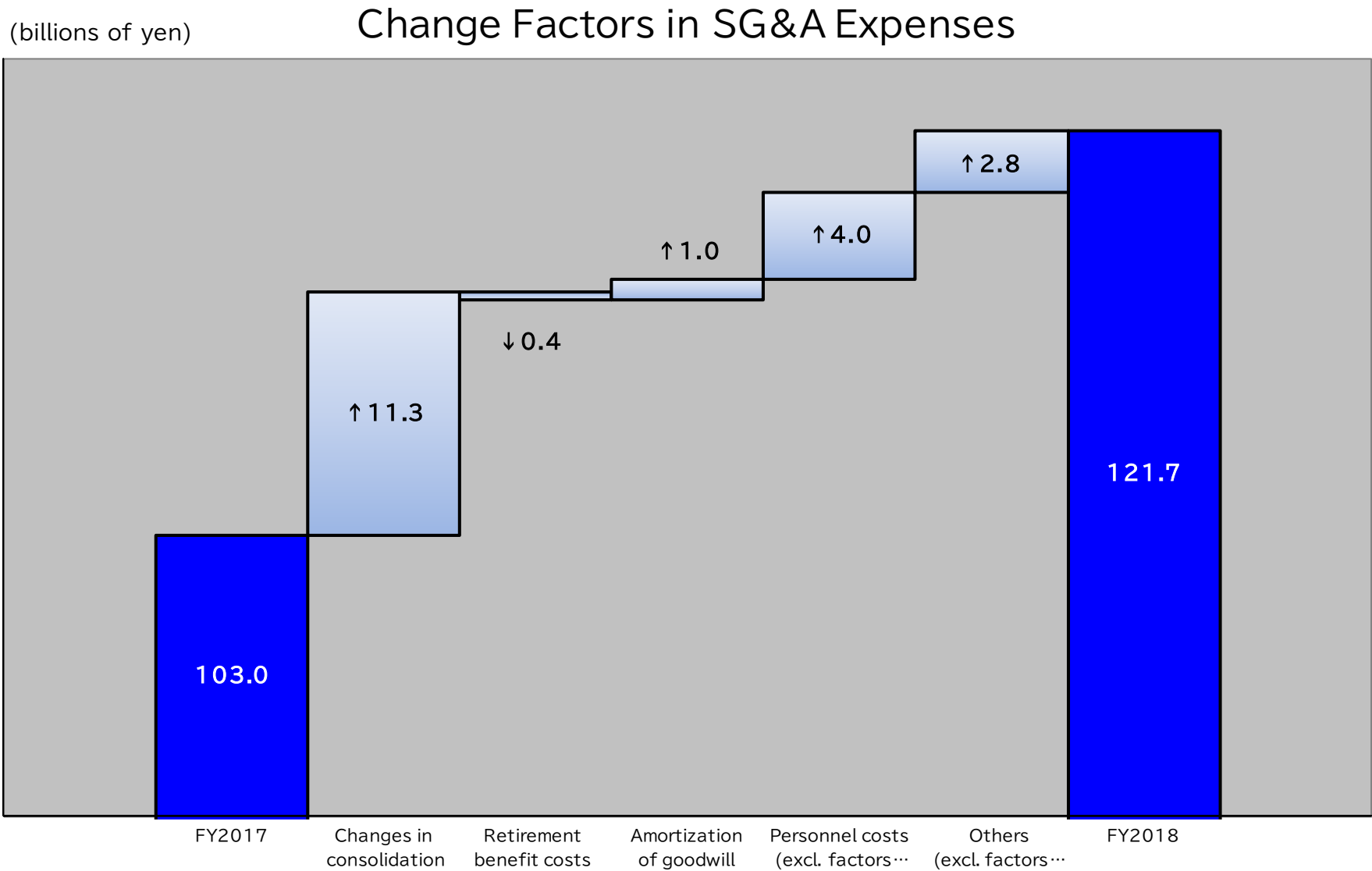
Note: Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

【Increase in SG&A expenses due to strategic investments and a rise in amortization of goodwill related to M&A】

◎ Approximately ¥11.3 billion increase in expenditures from changes in scope of consolidation (from newly acquired and newly established companies, etc.).

◎ Excluding effect of changes in scope of consolidation, SG&A expenses rose 7.2 % year on year.

Changes in SG&A Expenses (2)



Non-Operating Items and Extraordinary Gains and Losses

(Millions of yen)

	1 Q of		YoY comparisons		2 Q of		YoY comparisons		1 H of		YoY comparisons	
	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)
Non-operating income	1,251	1,674	423	33.9%	351	553	202	57.5%	1,602	2,228	625	39.1%
Non-operating expenses	225	92	(132)	-58.9%	137	173	35	-	362	265	(97)	-26.7%
Total	1,025	1,582	556	54.3%	214	380	166	77.7%	1,239	1,962	723	58.3%

*Net interest income (interest received - interest paid) : FY'17 +17 million FY'18 +17 million YoY change 0 million decreased

*Dividend income : FY'17 1,002 million FY'18 915 million YoY change 87 million decreased

*Equity in investment income(loss) from affiliates : FY'17 -101 million FY'18 83 million YoY change 184 million increased

*Gain on investments in partnership : FY'17 134 million FY'18 817 million YoY change 683 million increased

(Millions of yen)

	1 Q of		YoY comparisons		2 Q of		YoY comparisons		1 H of		YoY comparisons	
	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)	FY2017	FY2018	Change	(%)
Extraordinary gains	98	3,928	3,830		385	16,818	16,433		483	20,746	20,263	
Extraordinary losses	129	469	340		295	1,640	1,344		425	2,110	1,684	
Total	(31)	3,458	3,490		89	15,178	15,088		58	18,636	18,578	

*Gain on sales of investment securities : FY'17 0 million FY'18 553 million YoY change 553 million increased

*Gain on sales of affiliates' stock : FY'17 380 million FY'18 160 million YoY change -219 million decreased

*Gain on abolishment of retirement benefit plan : FY'17 - million FY'18 3,564 million YoY change

*Gain on return of assets from retirement benefit trust : FY'17 - million FY'18 16,232 million YoY change

*Investment securities valuation loss : FY'17 41 million FY'18 174 million YoY change 132 million increased

*Loss on retirement of treasury subscription rights to shares : FY'17 - million FY'18 1,374 million YoY change

Consolidated Balance Sheets

	Mar. 31, 2018		Sep.30, 2018		(Millions of yen) Comparisons		(Millions of yen) Sep.30, 2017	
	Amount	Share	Amount	Share	Change	(%)	Amount	Share
Current assets	538,905	67.5%	525,024	63.8%	(13,881)	-2.6%	462,569	67.8%
Fixed assets	259,230	32.5%	298,202	36.2%	38,972	15.0%	219,919	32.2%
Total assets	798,135	100.0%	823,227	100.0%	25,091	3.1%	682,488	100.0%
Current liabilities	390,851	49.0%	430,588	52.3%	39,736	10.2%	301,017	44.1%
Non-current liabilities	39,916	5.0%	66,675	8.1%	26,759	67.0%	39,569	5.8%
Total liabilities	430,768	54.0%	497,264	60.4%	66,496	15.4%	340,587	49.9%
Total shareholders' equity	282,439	35.4%	218,743	26.6%	(63,696)	-22.6%	269,565	39.5%
Accumulated other comprehensive income	60,679	7.6%	72,851	8.9%	12,172	20.1%	50,414	7.4%
Subscription rights to shares	454	0.0%	257	0.0%	(197)	-43.3%	390	0.1%
Noncontrolling Interest	23,793	3.0%	34,109	4.1%	10,315	43.4%	21,530	3.1%
Total net assets	367,367	46.0%	325,962	39.6%	(41,404)	-11.3%	341,901	50.1%
Total liabilities and net assets	798,135	100.0%	823,227	100.0%	25,091	3.1%	682,488	100.0%

*Sum of cash and time deposits, and marketable securities (current assets):	Mar.31,'18	150.7 billion	Sep.30,'18	159.6 billion	8.9 billion	increased
*Notes and accounts receivable:	Mar.31,'18	338.0 billion	Sep.30,'18	309.5 billion	28.5 billion	decreased
*Investment securities:	Mar.31,'18	119.8 billion	Sep.30,'18	183.1 billion	63.3 billion	increased
*Goodwill and other intangible assets arising from M&A:	Mar.31,'18	35.5 billion	Sep.30,'18	38.7 billion	3.2 billion	increased
*Notes and accounts payable:	Mar.31,'18	297.7 billion	Sep.30,'18	264.1 billion	33.5 billion	decreased
*Short- and long-term debt:	Mar.31,'18	9.9 billion	Sep.30,'18	102.3 billion	92.4 billion	increased

Consolidated Statements of Cash Flow

(Millions of yen)

	1H of		Y o Y comparisons
	FY2017	FY2018	Change
Cash flow from operating activities	(10,665)	(2,474)	8,191
Cash flow from investing activities	(3,638)	(9,313)	(5,675)
Cash flow from financing activities	(8,571)	(19,569)	(10,997)
Effect of exchange rate changes on cash and cash equivalents	(561)	(592)	(30)
Net increase (decrease) in cash and cash equivalents	(23,437)	(31,949)	(8,512)
Cash and cash equivalents, beginning of period	146,688	143,850	(2,837)
Increase in cash and cash equivalents from newly consolidated subsidiary	0	438	438
Cash and cash equivalents, end of period	123,250	112,338	(10,911)

【Reference 1: Depreciation and amortization, and/or purchase of noncurrent assets】

Depreciation and amortization	2,574	3,034	460
Payments for purchase of property and equipment	(1,457)	(3,051)	(1,594)
Payments for purchase of intangible fixed assets	(1,304)	(1,898)	(593)
Total purchase of noncurrent assets	(2,762)	(4,949)	(2,187)

【Reference 2: Major items of 1Q of FY2018 other than the above】

<Cash Flows From Operating Activities>

Income before income taxes and minority interests +¥54.1 billion, Amortization of goodwill and other intangible assets +¥2.8 billion, decrease in notes and accounts receivable-trade +¥36.0 billion, decrease in notes and accounts payable-trade -¥41.9 billion, increase in inventories -¥2.9 billion, income taxes paid -¥10.4 billion, decrease in allowance for bonuses -¥15.9 billion.

<Cash Flows From Investing Activities>

Purchase of investments in subsidiaries resulting in change in scope of consolidation -¥4.6 billion, Purchase of subsidiary shares and capital -¥1.5 billion.

<Cash Flows From Financing Activities>

Cash dividends paid -¥4.8 billion, cash dividends paid to minority shareholders -¥0.9 billion, Payments from purchase of investments in subsidiaries not resulting in change in scope of consolidation -¥104.8 billion, Net increase (decrease) in short-term loans payable +¥92.5 billion.

Highlights of Operating Results at Major Subsidiaries

(Millions of yen)

	1H of		YoY comparisons	
	FY2017	FY2018	Change	(%)
Hakuhodo (*)				
Billings	429,422	445,068	15,645	3.6%
Ordinary income	14,114	17,184	3,069	21.8%
Net income	8,925	22,489	13,563	152.0%
Daiko Advertising (*)				
Billings	79,323	76,602	(2,721)	-3.4%
Ordinary income	1,688	1,125	(562)	-33.3%
Net income	1,080	784	(295)	-27.3%
Yomiko Advertising (*)				
Billings	34,848	34,515	(333)	-1.0%
Ordinary income	557	552	(4)	-0.9%
Net income	341	355	14	4.1%

◎Billings rose ¥15.6 billion, or 3.6%, year on year.
Client industries with billings increases: Restaurant/Services, Finance/Insurance
Client industries with billings decreases: Automobiles/Related products, Games/Sporting goods/Hobby supplies

◎Billings increased due to solid growth on a non-consolidated basis and contributions from new M&A in Asia.

◎Ordinary income was up following the increase in revenue. In addition, net income increased significantly due to the recording of extraordinary income related to changes in corporate pension schemes.

◎Billings were down ¥2.7 billion, or 3.4%, year on year.
Client industries with billings increases: Finance/Insurance, Foodstuffs
Client industries with billings decreases: Classified advertising/Other, Beverages/Cigarettes/Luxury foods

◎Billings declined due mainly to a rebound from the strong performance of a client company in the previous fiscal year.

◎Despite improvement in gross margin, both ordinary income and net income decreased significantly due to a sharp increase in SG&A expenses.

◎Billings were down ¥0.3 billion, or 1.0%, year on year.
Client industries with billings increases: Beverages/Cigarettes/Luxury foods, Energy/Material/Machinery
Client industries with billings decreases: Automobiles/Related products, Real estate/Housing facilities

◎Although billings declined, revenue increased due to improvement in the gross margin. Also, ordinary income declined slightly due to efforts to control SG&A expenses, while net income increased.

* Consolidated

NOTE : * The consolidated results on this page for Hakuhodo, Daiko and Yomiko are aggregate figures controlled inside the companies, and thus are not individually audited.

* Net income refers to profit attributable to owners of parent.

Consolidated Business Outlook for Fiscal 2018

Consolidated Business Outlook for Fiscal 2018 (1)

- ◎ Changed full-year forecast for the domestic advertising market in light of the market's sluggish performance in the first half.
(Around 2% ⇒ Around 1%)
- ◎ Downward revision made to full-year consolidated forecast for billings based on our performance in the first half.
- ◎ While a downward revision was made to the consolidated forecast for billings, the forecast for operating income is expected to be reached due to growth in gross margin and efforts to thoroughly control SG&A expenses.
- ◎ Upward revision made to forecasts for ordinary income and net income as a result of revisions made to non-operating income and extraordinary income based on our first-half performance.

Consolidated Business Outlook for Fiscal 2018 (2)

As of November 9, 2018

(Millions of yen)

	1H				2H				Full Year			
	FY2017 (Result)	FY2018 (Result)	YoY		FY2017 (Result)	FY2018 (Forecasts)	YoY		FY2017 (Result)	FY2018 (Forecasts)	YoY	
			change	(%)			change	(%)			change	(%)
Billings	610,945	663,375	52,430	8.6%	724,085	790,624	66,539	9.2%	1,335,030	1,454,000	118,969	8.9%
Revenue	122,877	155,262	32,384	26.4%	149,457	168,437	18,979	12.7%	272,335	323,700	51,364	18.9%
(Gross margin)	(20.1%)	(23.4%)	(+3.3%)		(20.6%)	(21.3%)	(+0.7%)		(20.4%)	(22.3%)	(+1.9%)	
SG&A expenses	103,089	121,748	18,659	18.1%	117,057	136,351	19,293	16.5%	220,147	258,100	37,952	17.2%
Operating income	19,788	33,514	13,725	69.4%	32,399	32,085	(313)	-1.0%	52,187	65,600	13,412	25.7%
(Operating margin)	(16.1%)	(21.6%)	(+5.5%)		(21.7%)	(19.0%)	(-2.6%)		(19.2%)	(20.3%)	(+1.1%)	
Non-operating items	1,239	1,962	723		936	1,037	100		2,176	3,000	823	
Ordinary income	21,028	35,476	14,448	68.7%	33,335	33,123	(212)	-0.6%	54,364	68,600	14,235	26.2%
Extraordinary items	58	18,636	18,578		(3,793)	(1,536)	2,257		(3,735)	17,100	20,835	
Income before income Taxes and minority interests	21,086	54,113	33,027	156.6%	29,542	31,586	2,044	6.9%	50,628	85,700	35,071	69.3%
Net income	11,948	27,226	15,278	127.9%	17,886	20,473	2,586	14.5%	29,834	47,700	17,865	59.9%
Dividend per share	13.0	14.0	(yen)		13.0	14.0	(yen)		26.0	28.0	(yen)	

(Operating margin = Operating income / Revenue)

Amortization of goodwill	1,824	2,803	978	53.6%	1,790	3,896	2,105	117.6%	3,615	6,700	3,084	85.3%
Operating Income before Amortization of goodwill	21,613	36,317	14,704	68.0%	34,190	35,982	1,792	5.2%	55,803	72,300	16,496	29.6%
Operating margin before Amortization of goodwill	17.6%	23.4%	(+5.8%)		22.9%	21.4%	(-1.5%)		20.5%	22.3%	(+1.8%)	

- Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(3) Net income refers to profit attributable to owners of parent.

Consolidated Business Outlook for Fiscal 2018 (3)

【Full-Year Consolidated Performance Forecast (Compared with forecasts announced on June 11)】

(Millions of yen)

	Full Year		Full Year			Full Year			Difference between new forecasts and forecasts announced on June 11	
	FY2017 (Result)		FY2018 (Forecasts announced on June 11)	YoY		FY2018 (Forecasts announced on November 9)	YoY			
				change	(%)		change	(%)	change	(%)
Billings	1,335,030		1,470,800	135,769	10.2%	1,454,000	118,969	8.9%	(16,800)	-1.1%
Revenue	272,335		320,700	48,364	17.8%	323,700	51,364	18.9%	3,000	0.9%
(Gross margin)	(20.4%)		(21.8%)	(+1.4%)		(22.3%)	(+1.9%)		(+0.5%)	
SG&A expenses	220,147		255,100	34,952	15.9%	258,100	37,952	17.2%	3,000	1.2%
Operating income	52,187		65,600	13,412	25.7%	65,600	13,412	25.7%	0	0.0%
(Operating margin)	(19.2%)		(20.5%)	(+1.3%)		(20.3%)	(+1.1%)		(-0.2%)	
Non-operating items	2,176		1,500	(676)		3,000	823		1,500	
Ordinary income	54,364		67,100	12,735	23.4%	68,600	14,235	26.2%	1,500	2.2%
Extraordinary items	(3,735)		13,000	16,735		17,100	20,835		4,100	
Income before income Taxes and minority interests	50,628		80,100	29,471	58.2%	85,700	35,071	69.3%	5,600	7.0%
Net income	29,834		41,700	11,865	39.8%	47,700	17,865	59.9%	6,000	14.4%
Dividend per share	26.0		28.0	(yen)		28.0	(yen)			

(Operating margin = Operating income / Revenue)

Amortization of goodwill	3,615	5,900	2,284	63.2%	6,700	3,084	85.3%	800	13.6%
Operating Income before Amortization of goodwill	55,803	71,500	15,696	28.1%	72,300	16,496	29.6%	800	1.1%
Operating margin before Amortization of goodwill	20.5%	22.3%	(+1.8%)		22.3%	(+1.8%)		(+0.0%)	

Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(3) Net income refers to profit attributable to owners of parent.

HakuhodoDY holdings

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