

HakuhodoDY holdings

Consolidated Financial Highlights
1 Q of Fiscal Year Ending March 31, 2020
(1 Q of FY 2019)

2018.8.9

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 1Q of FY 2019

Consolidated Financial Highlights (1)

Change in Accounting Method

From the first quarter, the accounting methods related to the recording of billings at certain subsidiaries has changed. Please be aware that figures for the same period of the previous fiscal year and the previous fiscal year-end have been retroactively revised to reflect this change.

In regard to programmatic advertising for Internet Media, in which posting fees are not settled at the time an advertisement is posted, certain consolidated subsidiaries that previously recorded billings based on advertising postings have changed to a new accounting method from the first quarter of fiscal 2019. Under this new method, billings are recorded based on reports of settlement by the media companies who posted an advertisement.

As a result, compared with figures before the retroactive revision, the following increases/decreases have occurred on the consolidated income statements for the first quarter of fiscal 2018.

Billings: +¥717 million
Revenue: +¥118 million
Operating income: Same as above
Ordinary income: Same as above
Net income: +¥41 million

In addition, on the consolidated balance sheet, net assets decreased ¥272 million.

Consolidated Financial Highlights (2)

Billings increased while profit declined due to proactive investment carried out under the new Medium-Term Business Plan

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 6 for details.

- ◎ Billings: ¥332.9 billion, up 2.6% year on year (¥330.3 billion, up 6.0%)
 - Domestic billings increased due in part to the provision of integrated marketing solutions, a Group strength, the growth of IREP Co., Ltd., and contributions from M&A carried out in the previous fiscal year.
 - By client industry: Billings increased in Information/Communications and Government/Organizations; billings decreased in Beverages/Cigarettes/Luxury foods and Restaurants/Services
 - Billings in Internet media were up 11% year on year, and billings from Television increased 0.6%.
(See billings by service area on slide 9 and billings by client industry on slides 10–13 for details)
- ◎ Revenue: ¥72.4 billion, down 8.6%, or ¥6.8 billion, year on year (¥69.8 billion, up 5.1%, or ¥3.4 billion)
 - Excluding the impact from Mercari, gross margin declined slightly year on year, to 21.2%.
- ◎ SG&A expenses: ¥65.4 billion, up 10.6%, or ¥6.2 billion, year on year (¥65.4 billion, up 10.8%, or ¥6.3 billion)
 - Active expenditures, centered on personnel costs, were carried out based on the new plan.
 - Factors for increase included the impact of subsidiaries acquired in the previous fiscal year, retirement benefit costs due to the change in corporate pension schemes, and a rise in amortization of goodwill (see slides 14–15 for details).
- ◎ Operating income: ¥6.9 billion, down 65.3%, or ¥13.0 billion, year on year (¥4.4 billion, down 40.0%, or ¥2.9 billion)
- ◎ Operating income before amortization of goodwill: ¥8.8 billion, down 58.5%, or ¥12.4 billion, year on year (¥6.3 billion, down 26.5%, or ¥2.2 billion)
 - Significant impact of upfront investments carried out in the first quarter led to double-digit declines in both operating income and operating income before amortization of goodwill.
- ◎ Net income: ¥2.5 billion, down 73.9%, or ¥7.3 billion, year on year
 - Significant decrease due to the absence of the ¥3.5 billion gain on the abolishment of retirement benefit plans following the change in corporate pension schemes, which was recorded in the previous fiscal year.

Consolidated Financial Highlights (3)

(Millions of yen)	1Q			
	FY2018 (Result)	FY2019 (Result)	YoY	
			change	(%)
Billings	324,588	332,973	8,385	2.6%
Revenue	79,277	72,438	(6,839)	-8.6%
(Gross margin)	(24.4%)	(21.8%)	(-2.7%)	
SG&A expenses	59,223	65,482	6,259	10.6%
Operating income	20,054	6,955	(13,099)	-65.3%
(Operating margin)	(25.3%)	(9.6%)	(-15.7%)	
Non-operating items	1,582	927	(654)	
Ordinary income	21,636	7,882	(13,753)	-63.6%
Extraordinary items	3,458	(535)	(3,993)	
Income before income Taxes and minority interests	25,095	7,347	(17,747)	-70.7%
Net income	9,879	2,576	(7,303)	-73.9%

(Operating margin = Operating income / Revenue)

Amortization of goodwill	1,165	1,856	690	59.3%
Operating Income before Amortization of goodwill	21,220	8,811	(12,408)	-58.5%
Operating margin before Amortization of goodwill	26.8%	12.2%	(-14.6%)	

- 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.

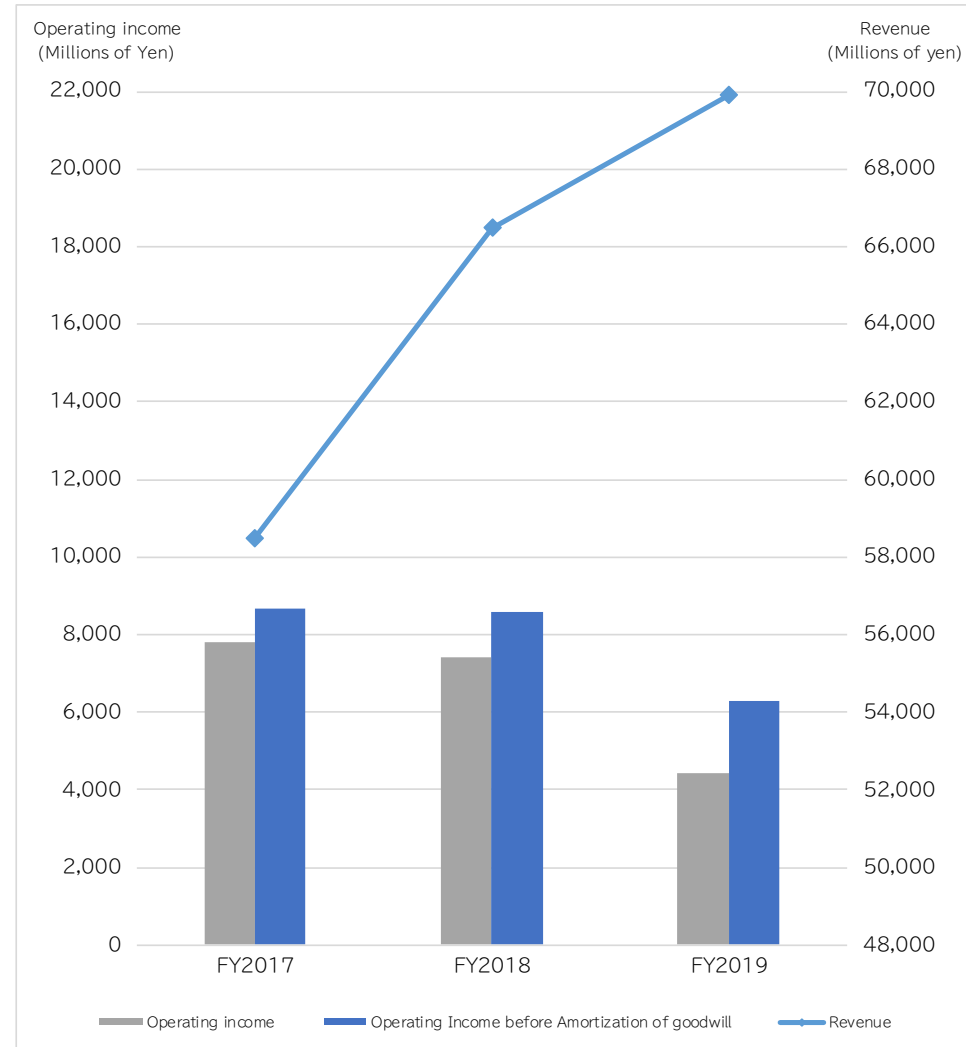
Consolidated Financial Highlights (4)

【Excluding impact from Mercari】

(Millions of yen)	1Q			
	FY2018	FY2019	YoY	
	(Result)	(Result)	change	(%)
Billings	311,695	330,345	18,650	6.0%
Revenue	66,475	69,896	3,421	5.1%
(Gross margin)	(21.3%)	(21.2%)	(-0.2%)	
SG&A expenses	59,061	65,450	6,389	10.8%
Operating income	7,413	4,445	(2,967)	-40.0%
(Operating margin)	(11.2%)	(6.4%)	(-4.8%)	
Non-operating items	1,582	927	(654)	
Ordinary income	8,995	5,373	(3,622)	-40.3%

(Operating margin = Operating income / Revenue)

Amortization of goodwill	1,165	1,856	690	59.3%
Operating Income before Amortization of goodwill	8,578	6,302	(2,276)	-26.5%
Operating margin before Amortization of goodwill	12.9%	9.0%	(-3.9%)	



Results by Region (1)

(Millions of yen)		1Q of			
		FY2018	FY2019	YoY comparisons	
				Change	(%)
Japan	Billings	298,088	299,408	1,319	0.4%
	Revenue	66,341	57,294	(9,047)	-13.6%
	(Gross margin)	(22.3%)	(19.1%)	(-3.1%)	
	Operating Income	23,611	10,605	(13,005)	-55.1%
	(Operating margin)	(35.6%)	(18.5%)	(-17.1%)	
International	Billings	28,195	36,202	8,007	28.4%
	Revenue	13,548	15,801	2,252	16.6%
	(Gross margin)	(48.1%)	(43.6%)	(-4.4%)	
	Operating Income	(145)	(131)	14	-
	(Operating margin)	(-1.1%)	(-0.8%)	(+0.2%)	
Total	Billings	326,283	335,610	9,327	2.9%
	Revenue	79,890	73,096	(6,794)	-8.5%
	Operating Income	23,465	10,474	(12,991)	-55.4%
Elimination or corporate	Billings	(1,695)	(2,636)	(941)	
	Revenue	(612)	(657)	(45)	
	Operating Income	(3,411)	(3,519)	(107)	
Consolidation	Billings	324,588	332,973	8,385	2.6%
	Revenue	79,277	72,438	(6,839)	-8.6%
	(Gross margin)	(24.4%)	(21.8%)	(-2.7%)	
	Operating Income	20,054	6,955	(13,099)	-65.3%
	(Operating margin)	(25.3%)	(9.6%)	(-15.7%)	

Results by Region (2)

【Excluding impact from Mercari】

(Millions of yen)		1Q of			
		FY2018	FY2019	YoY comparisons	
				Change	(%)
J a p a n	Billings	285,195	296,780	11,584	4.1%
	Revenue	53,538	54,752	1,213	2.3%
	(Gross margin)	(18.8%)	(18.4%)	(-0.3%)	
	Operating Income	42,568	46,656	4,088	9.6%
	SG&A expenses	10,970	8,096	(2,874)	-26.2%
	(Operating margin)	(20.5%)	(14.8%)	(-5.7%)	
	Amortization of goodwill	254	539	285	112.1%
	Operating Income before Amortization of goodwill	11,225	8,636	(2,588)	-23.1%
	Operating margin before Amortization of goodwill	(21.0%)	(15.8%)	(-5.2%)	
I n t e r n a t i o n a l	Billings	28,195	36,202	8,007	28.4%
	Revenue	13,548	15,801	2,252	16.6%
	(Gross margin)	(48.1%)	(43.6%)	(-4.4%)	
	Operating Income	13,694	15,933	2,238	16.3%
	SG&A expenses	(145)	(131)	14	-
	(Operating margin)	(-1.1%)	(-0.8%)	(+0.2%)	
	Amortization of goodwill	910	1,316	405	44.5%
	Operating Income before Amortization of goodwill	765	1,185	419	54.9%
	Operating margin before Amortization of goodwill	(5.6%)	(7.5%)	(+1.9%)	

Japan

- Revenue increased 2.3% due to growth in the top-line from Internet media, etc.
- Meanwhile, growth in SG&A expenses outpaced revenue growth due to strategic expenditures, including increasing personnel, promoting workstyle reforms, and establishing a digital foundation.
- As a result, operating income before amortization of goodwill declined ¥2.5 billion.

Overseas

- Revenue rose 16.6% due in part to the positive impact from subsidiaries acquired in the previous fiscal year (up 1.9% excluding this impact)
- Excluding the impact of acquisitions, revenue in the Greater China and the ASEAN region edged up, while revenue in Europe and North America region slightly decreased.
- Operating income before amortization of goodwill rose 54.9% year on year, to ¥1.1 billion.
- Minor and insignificant impact of foreign exchange rates.

Billings by Service Area (1)

(Millions of yen)	1 Q of FY2018		1 Q of FY2019		YoY comparisons	
	Amount	Share	Amount	Share	Change	(%)
Newspapers	10,603	3.9%	10,003	3.6%	(600)	-5.7%
Magazines	4,042	1.5%	3,677	1.3%	(365)	-9.0%
Radio	3,235	1.2%	3,499	1.3%	264	8.2%
Television	103,840	38.1%	104,433	37.5%	593	0.6%
Mass media services sub total	121,720	44.7%	121,611	43.7%	(109)	-0.1%
Internet media	55,627	20.4%	61,749	22.2%	6,122	11.0%
Outdoor media	9,451	3.5%	9,285	3.3%	(166)	-1.8%
Creative	29,486	10.8%	28,816	10.3%	(669)	-2.3%
Marketing/Promotion	51,031	18.7%	50,580	18.2%	(450)	-0.9%
Others(contents, etc.)	4,971	1.8%	6,420	2.3%	1,450	29.2%
Other than mass media services subtotal	150,565	55.3%	156,851	56.3%	6,286	4.2%
Billing by Service Area sub total	272,285	100.0%	278,463	100.0%	6,177	2.3%
Impact from Mercari	12,892		2,628		(10,264)	
Sub total for other than the above	39,410		51,883		12,473	31.6%
Total for group	324,588		332,973		8,385	2.6%

Note: The retroactive revisions to the figures for the first quarter of fiscal 2018 affect "Internet media."

Billings by Industry (1)

(Millions of yen)

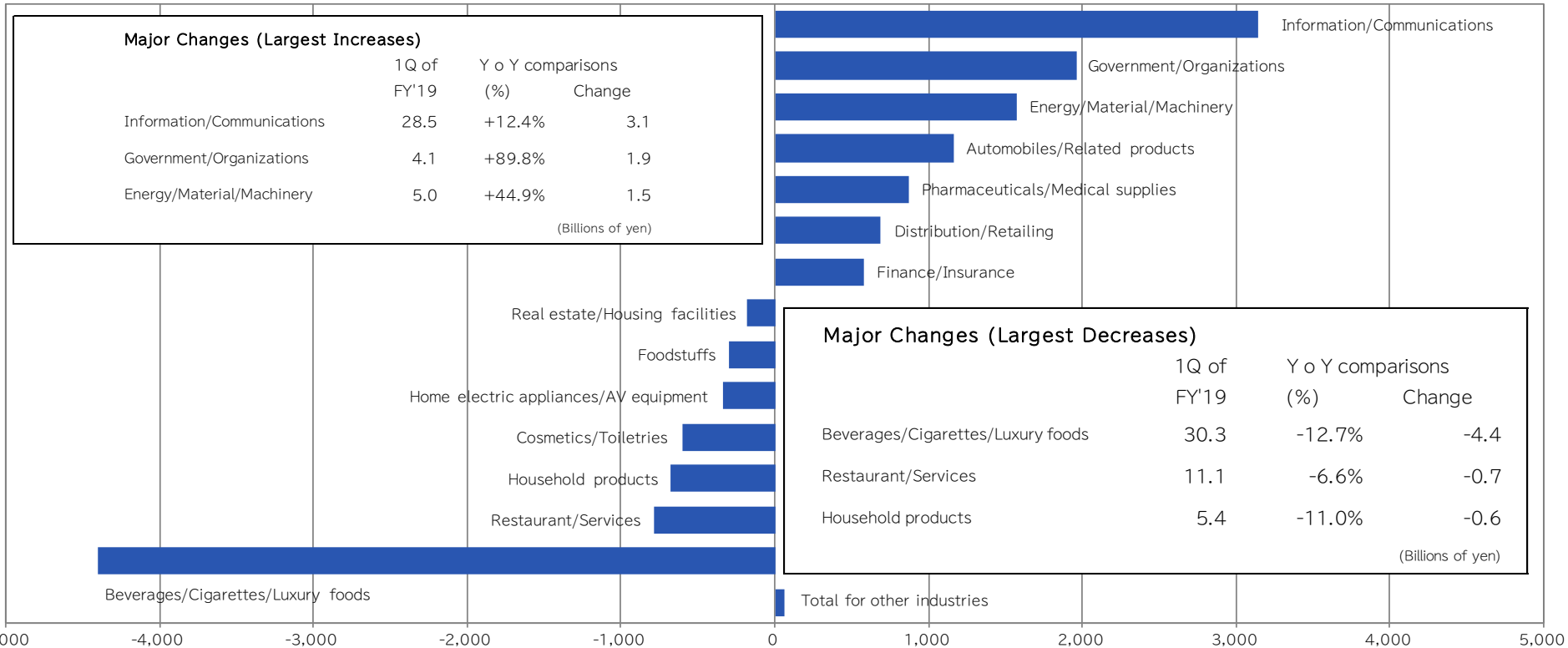
	1Q of	1Q of	YoY comparisons		FY'19 Share
	FY2018	FY2019	Change	(%)	
Information/Communications	25,431	28,578	3,147	12.4%	11.3%
Automobiles/Related products	26,890	28,051	1,161	4.3%	11.1%
Beverages/Cigarettes/Luxury foods	34,747	30,345	(4,401)	-12.7%	12.0%
Cosmetics/Toiletries	21,613	21,008	(605)	-2.8%	8.3%
Foodstuffs	19,304	19,009	(295)	-1.5%	7.5%
Finance/Insurance	15,003	15,579	576	3.8%	6.2%
Transportation/Leisure	15,496	15,727	232	1.5%	6.2%
Restaurant/Services	11,988	11,199	(788)	-6.6%	4.4%
Distribution/Retailing	11,260	11,950	689	6.1%	4.7%
Real estate/Housing facilities	10,460	10,283	(178)	-1.7%	4.1%
Pharmaceuticals/Medical supplies	10,404	11,275	871	8.4%	4.5%
Games/Sporting goods/Hobby supplies	4,680	4,856	176	3.8%	1.9%
Household products	6,148	5,470	(678)	-11.0%	2.2%
Home electric appliances/AV equipment	5,015	4,675	(340)	-6.8%	1.9%
Energy/Material/Machinery	3,511	5,086	1,575	44.9%	2.0%
Government/Organizations	2,183	4,144	1,961	89.8%	1.6%
Apparel/Accessories	3,426	3,829	403	11.8%	1.5%
Publishing	3,546	3,462	(85)	-2.4%	1.4%
Education/Medical services/Religion	3,625	3,694	69	1.9%	1.5%
Precision machinery/Office supplies	1,526	1,683	158	10.3%	0.7%
Classified advertising/Other	13,191	12,304	(887)	-6.7%	4.9%
Sub total	249,446	252,208	2,762	1.1%	100.0%
Sub total for other than the above	75,142	80,766	5,624	7.5%	
Total for group	324,588	332,973	8,385	2.6%	

Note: The retroactive revisions to the figures for the first quarter of fiscal 2018 affect “the subtotal for other than the above.”

Billings by Industry (2)

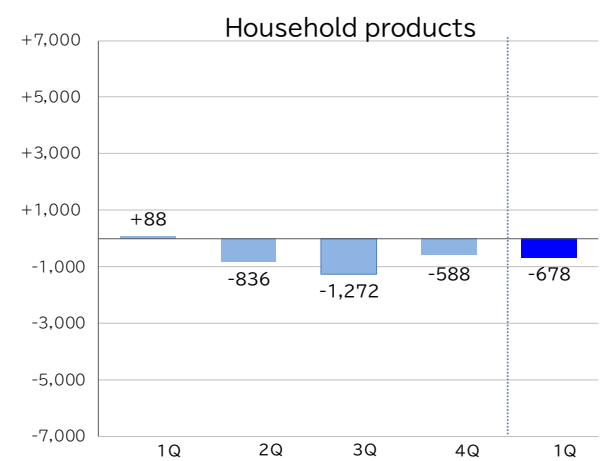
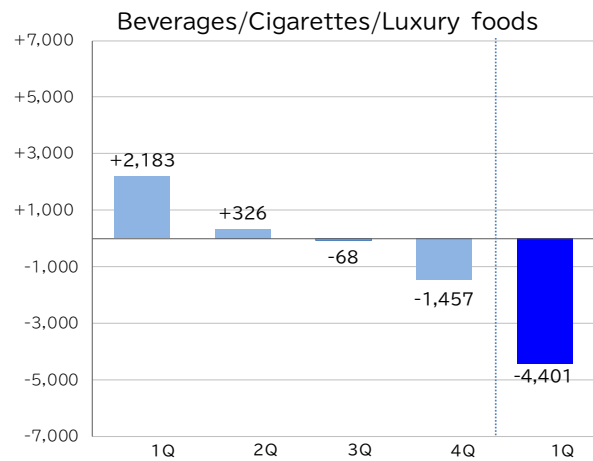
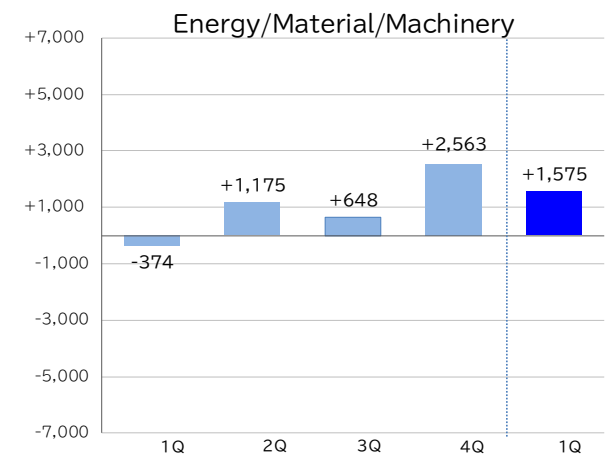
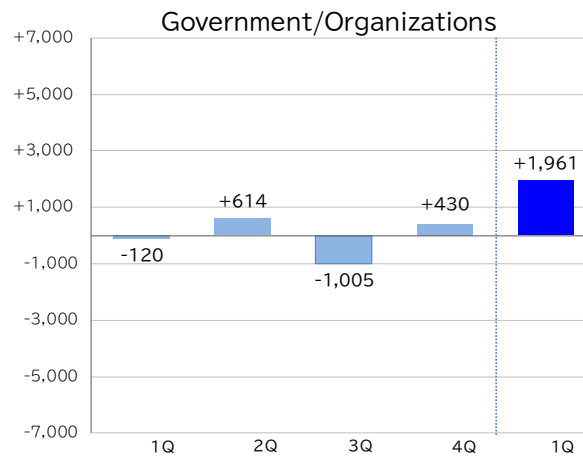
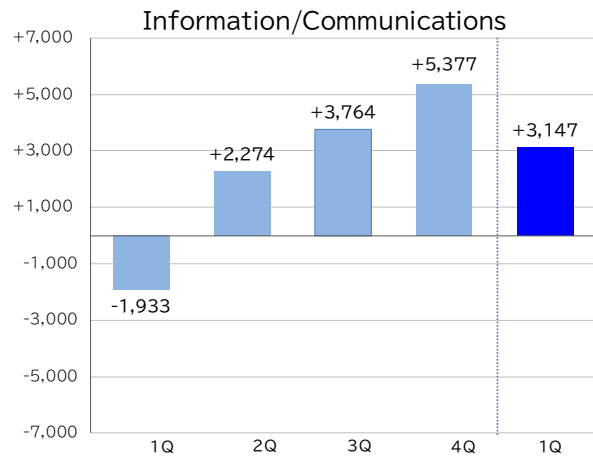
Year-on-year changes for 1 Q of FY2019

(Millions of yen)



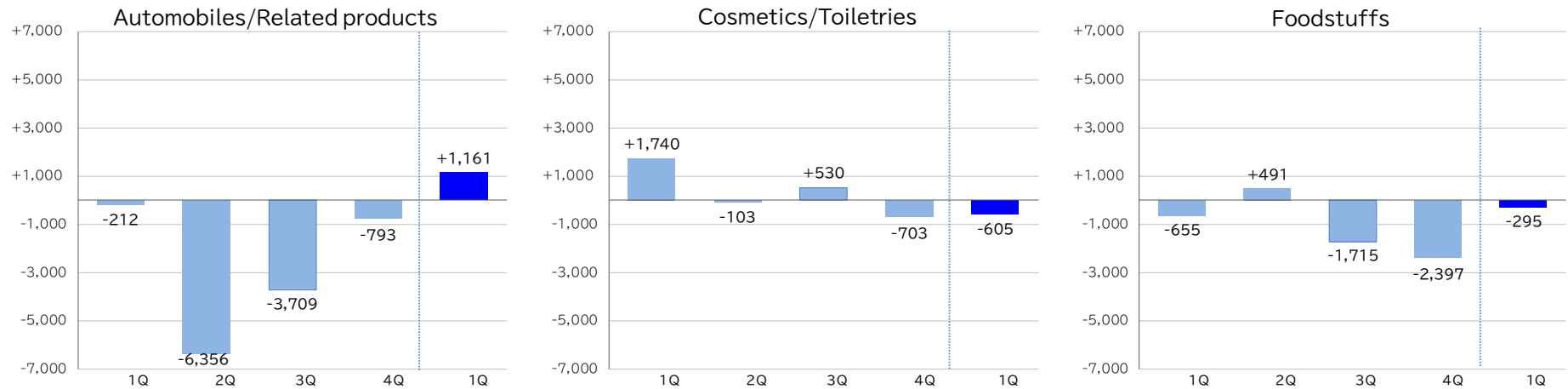
Billings by Industry (3)

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



Billings by Industry (4)

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



Changes in SG&A Expenses (1)

(Millions of yen)

	1 Q of		YoY comparisons	
	FY2018	FY2019	Change	(%)
Personnel costs	40,016	43,982	3,966	9.9%
Other Expenses (total)	19,206	21,500	2,293	11.9%
Rent	3,990	4,347	357	9.0%
Depreciation and Amortization	1,149	1,401	252	22.0%
Amortization of goodwill	1,165	1,856	690	59.3%
Others	12,901	13,894	992	7.7%
Total SG&A expenses	59,223	65,482	6,259	10.6%

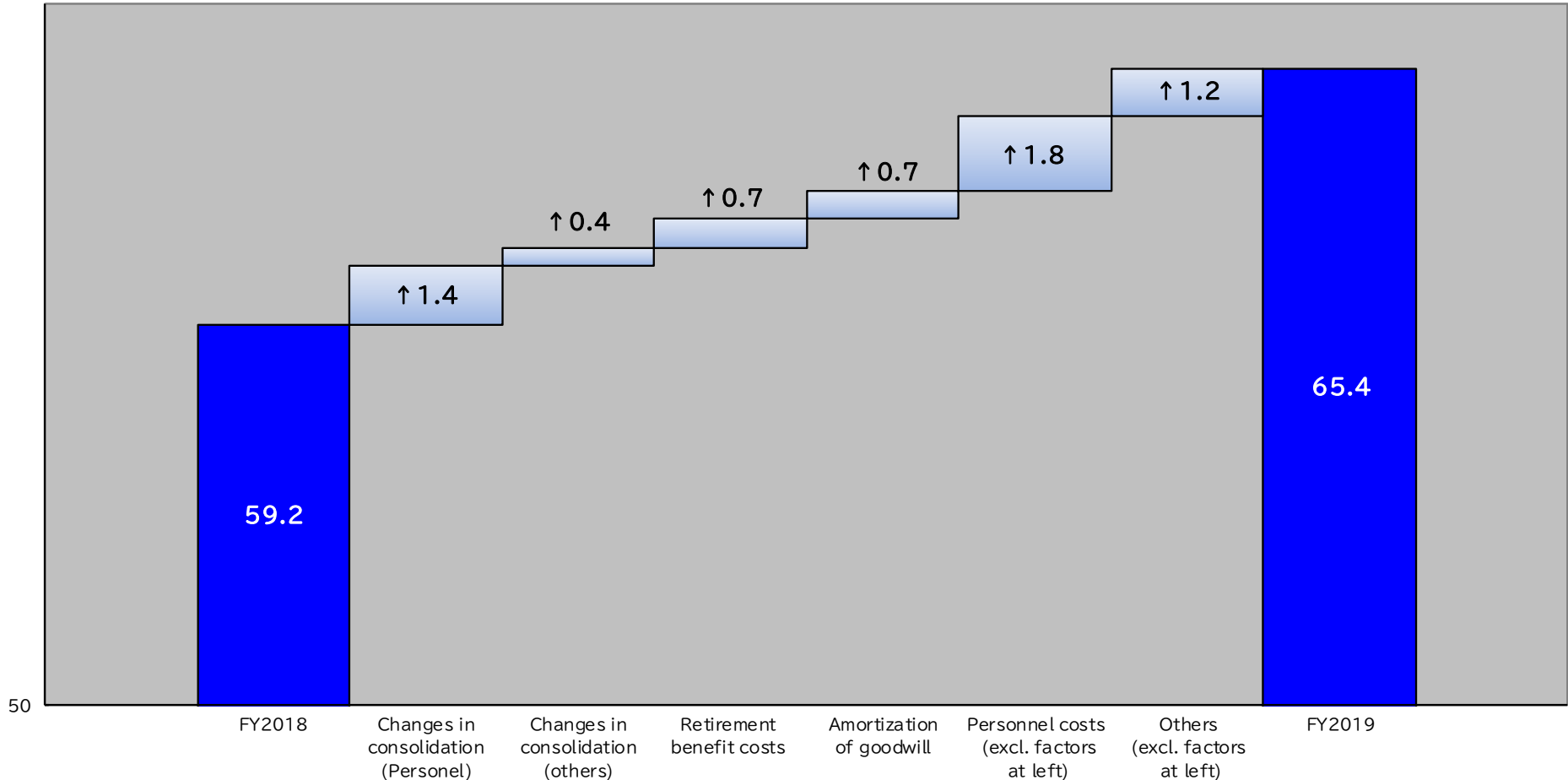
Note: Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

- ◎ Active expenditures, centered on personnel costs, were carried out based on the new plan.
- ◎ The number of employees on a consolidated basis was 22,861 as of June 30, 2019, an increase of 2,907 employees compared with June 30, 2018.
- ◎ Factors for increase included retirement benefit costs following the change in corporate pension schemes, increase in amortization of goodwill, and system-related expenses.

Changes in SG&A Expenses (2)

(billions of yen)

Change Factors in SG&A Expenses



Non-Operating Items and Extraordinary Gains and Losses

(Millions of yen)

	1 Q of		YoY comparisons	
	FY2018	FY2019	Change	(%)
Non-operating income	1,674	1,454	(220)	-13.1%
Non-operating expenses	92	527	434	469.1%
Total	1,582	927	(654)	-41.4%

*Net interest income (interest received - interest paid) :	FY'18	+11 million	FY'19	-35 million	YoY change	47 million decreased
*Dividend income :	FY'18	599 million	FY'19	1,178 million	YoY change	578 million increased
*Equity in investment income(loss) from affiliates :	FY'18	45 million	FY'19	-145 million	YoY change	191 million decreased
*Gain on investments in partnership :	FY'18	781 million	FY'19	7 million	YoY change	773 million decreased

(Millions of yen)

	1 Q of		YoY comparisons	
	FY2018	FY2019	Change	(%)
Extraordinary gains	3,928	147	(3,781)	
Extraordinary losses	469	682	212	
Total	3,458	(535)	(3,993)	

*Gain on sales of investment securities :	FY'18	293 million	FY'19	144 million	YoY change	149 million decreased
*Gain on sales of affiliates' stock :	FY'18	4 million	FY'19	— million	YoY change	4 million decreased
Gain on abolishment of retirement benefit plan	FY'18	3,564 million	FY'19	— million	YoY change	3,564 million decreased
*Investment securities valuation loss :	FY'18	174 million	FY'19	169 million	YoY change	4 million decreased

Consolidated Balance Sheets

	Mar. 31, 2019		Jun. 30, 2019		(Millions of yen) Comparisons		(Millions of yen) Jun.30, 2018	
	Amount	Share	Amount	Share	Change	(%)	Amount	Share
Current assets	610,251	67.7%	519,578	63.6%	(90,672)	-14.9%	536,863	65.0%
Fixed assets	291,751	32.3%	297,539	36.4%	5,788	2.0%	288,760	35.0%
Total assets	902,002	100.0%	817,118	100.0%	(84,884)	-9.4%	825,623	100.0%
Current liabilities	424,272	47.0%	347,883	42.6%	(76,388)	-18.0%	347,373	42.1%
Non-current liabilities	161,308	17.9%	157,586	19.3%	(3,722)	-2.3%	63,522	7.7%
Total liabilities	585,580	64.9%	505,470	61.9%	(80,110)	-13.7%	410,895	49.8%
Total shareholders' equity	226,596	25.1%	223,931	27.4%	(2,665)	-1.2%	287,259	34.8%
Accumulated other comprehensive income	55,701	6.2%	57,460	7.0%	1,759	3.2%	71,887	8.7%
Subscription rights to shares	180	0.0%	193	0.0%	13	7.6%	458	0.1%
Noncontrolling Interest	33,943	3.8%	30,062	3.7%	(3,881)	-11.4%	55,122	6.7%
Total net assets	316,421	35.1%	311,648	38.1%	(4,773)	-1.5%	414,727	50.2%
Total liabilities and net assets	902,002	100.0%	817,118	100.0%	(84,884)	-9.4%	825,623	100.0%

*Sum of cash and time deposits, and marketable securities (current assets):

Mar.31,'19	196.4 billion	June.30,'19	161.2 billion	35.2 billion	decreased
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*Notes and accounts receivable:

Mar.31,'19	362.5 billion	June.30,'19	302.2 billion	60.3 billion	decreased
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*Investment securities:

Mar.31,'19	163.1 billion	June.30,'19	169.5 billion	6.4 billion	increased
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*Goodwill and other intangible assets arising from M&A:

Mar.31,'19	45.3 billion	June.30,'19	44.9 billion	0.3 billion	decreased
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*Notes and accounts payable:

Mar.31,'19	310.4 billion	June.30,'19	267.8 billion	42.6 billion	decreased
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*Short- and long-term debt:

Mar.31,'19	116.0 billion	June.30,'19	114.4 billion	1.5 billion	decreased
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Consolidated Statements of Cash Flow

(Millions of yen)

	1Q of		Y o Y comparisons
	FY2018	FY2019	Change
Cash flow from operating activities	2,866	(13,686)	(16,553)
Cash flow from investing activities	(8,403)	(5,174)	3,228
Cash flow from financing activities	(6,329)	(7,877)	(1,548)
Effect of exchange rate changes on cash and cash equivalents	(994)	(236)	757
Net increase (decrease) in cash and cash equivalents	(12,859)	(26,975)	(14,115)
Cash and cash equivalents, beginning of period	143,850	152,154	8,304
Increase in cash and cash equivalents from newly consolidated subsidiary	434	-	(434)
Cash and cash equivalents, end of period	131,424	125,179	(6,245)

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

Depreciation and amortization	1,519	1,880	360
Payments for purchase of property and equipment	(1,921)	(1,164)	757
Payments for purchase of intangible fixed assets	(888)	(1,382)	(494)
Total purchase of noncurrent assets	(2,809)	(2,547)	262

【Reference 2: Major items of 1Q of FY2019 other than the above】

<Cash Flows From Operating Activities>

Income before income taxes and minority interests +¥7.3 billion, Amortization of goodwill and other intangible assets +¥1.8 billion, decrease in notes and accounts receivable-trade +¥61.9 billion, decrease in notes and accounts payable-trade -¥45.1 billion, increase in inventories -¥0.3 billion, income taxes paid -¥18.8 billion, decrease in allowance for bonuses -¥21.6 billion

<Cash Flows From Investing Activities>

Purchase of subsidiary shares and capital -¥0.2 billion.

<Cash Flows From Financing Activities>

Cash dividends paid -¥5.1 billion, cash dividends paid to minority shareholders -¥0.5 billion

Highlights of Operating Results at Major Subsidiaries

(Millions of yen)

	1 Q of		YoY comparisons	
	FY2018	FY2019	Change	(%)
Hakuhodo (*)				
Billings	216,499	227,759	11,260	5.2%
Ordinary income	7,218	6,273	(944)	-13.1%
Net income	7,689	3,249	(4,440)	-57.7%
Daiko Advertising (*)				
Billings	38,099	36,036	(2,062)	-5.4%
Ordinary income	424	57	(366)	-86.4%
Net income	234	(89)	(323)	-
Yomiko Advertising (*)				
Billings	15,856	15,960	104	0.7%
Ordinary income	(13)	36	49	-
Net income	(24)	19	43	-

- ◎ Billings rose 5.2%, or ¥11.2 billion. Billings increased in Information/Communications and Finance/Insurance. Billings decreased in Beverages/Cigarettes/Luxury foods and Real estate/Housing facilities
- ◎ Billings increased slightly on a non-consolidated basis, due in part to the contributions from M&A carried out during the previous fiscal year in Japan and overseas.
- ◎ Ordinary income declined as a result of active expenditures, centered on personnel costs, carried out in accordance with the new Medium-Term Management Plan. Also, net income declined significantly due to the absence of extraordinary gains recorded in the previous fiscal year as a result of the change in corporate pension schemes.

- ◎ Billings were down 5.4%, or ¥2.0 billion. Billings rose in Pharmaceuticals/Medical supplies and Apparel/Accessories. Billings declined in Finance/Insurance and Beverages/Cigarettes/Luxury foods
- ◎ Billings decreased due in part to clients' efforts to curtail advertising expenses
- ◎ Ordinary income and net income both decreased significantly owing to increases in SG&A expenses and the recording of extraordinary losses.

- ◎ Billings increased 0.7%, or ¥0.1 billion. Billings were up in Government/Organizations and Real estate/Housing facilities. Billings were down in Beverages/Cigarettes/Luxury foods and Information/Communications
- ◎ Ordinary income and net income returned to profitability despite the rise in SG&A expenses.

*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 2019

Consolidated Business Outlook for Fiscal 2019 (1)

Revisions were made to the first-half forecasts, while the full-year forecasts remain unchanged.

- ◎ Reasons for revising first-half forecasts: While our view on the full-year forecasts remains unchanged, we revised our first-half forecasts in consideration of the following factors.
 - In regard to the forecast for sale of shares in Mercari Inc. by the Company's consolidated subsidiary UNITED, Inc., the timing of this sale was unclear, and it was therefore expected to take place in the second half of fiscal 2019 at the time we announced our forecasts in May 2019.
 - As the sale of a certain number of shares was clearly carried out in the first quarter (¥2.6 billion), this sale was reflected in our first-half forecast.
 - With the commencement of the new Medium-Term Business Plan, the Company anticipated an increase in SG&A expenses compared with initial expectations. Based on our first-quarter performance as well as our current conditions, it now appears that these expenses will be concentrated more in the first half than the second half. Accordingly, while no change has been made to our full-year forecast, we adjusted the balance of these expenses between the first half and the second half.
- ◎ Our view on the full-year forecasts remains unchanged. For reference, these forecasts have been listed again on slide 25.

Consolidated Business Outlook for Fiscal 2019 (2)

Differences with Quarterly Forecasts Announced on May 14, 2019

【Consolidated Financial Highlights】 As of Aug. 9, 2019

(Millions of yen)	1Q			2Q			1H			Difference between new forecasts and forecasts announced on May 14
	FY2019 (Result)	YoY		FY2019 (Calculated)	YoY		FY2019 (Forecasts)	YoY		
		change	(%)		change	(%)		change	(%)	
Billings	332,973	8,385	2.6%	347,626	8,605	2.5%	680,600	16,991	2.6%	2,600
Revenue	72,438	(6,839)	-8.6%	80,561	4,438	5.8%	153,000	(2,401)	-1.5%	2,500
(Gross margin)	(21.8%)	(-2.7%)		(23.2%)	(+0.7%)		(22.5%)	(-0.9%)		
SG&A expenses	65,482	6,259	10.6%	68,517	5,991	9.6%	134,000	12,251	10.1%	2,500
Operating income	6,955	(13,099)	-65.3%	12,044	(1,552)	-11.4%	19,000	(14,652)	-43.5%	0
(Operating margin)	(9.6%)	(-15.7%)		(15.0%)	(-2.9%)		(12.4%)	(-9.2%)		

【Excluding impact from Mercari】 As of Aug. 9, 2019

(Millions of yen)	1Q			2Q			1H			Difference between new forecasts and forecasts announced on May 14
	FY2019 (Result)	YoY		FY2019 (Calculated)	YoY		FY2019 (Forecasts)	YoY		
		change	(%)		change	(%)		change	(%)	
Billings	330,345	18,650	6.0%	347,626	8,605	2.5%	677,972	27,255	4.2%	(28)
Revenue	69,896	3,421	5.1%	80,561	4,438	5.8%	150,458	7,859	5.5%	(42)
(Gross margin)	(21.2%)	(-0.2%)		(23.2%)	(+0.7%)		(22.2%)	(+0.3%)		
SG&A expenses	65,450	6,389	10.8%	68,517	5,991	9.6%	133,967	12,380	10.2%	2,467
Operating income	4,445	(2,967)	-40.0%	12,044	(1,552)	-11.4%	16,490	(4,520)	-21.5%	(2,510)
(Operating margin)	(6.4%)	(-4.8%)		(15.0%)	(-2.9%)		(11.0%)	(-3.8%)		

Consolidated Business Outlook for Fiscal 2019 (3)

【Consolidated Financial Highlights】

As of Aug.9, 2019

(Millions of yen)

(Millions of yen)	1H				2H				Full Year			
	FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY	
			change	(%)			change	(%)			change	(%)
Billings	663,608	680,600	16,991	2.6%	780,916	824,400	43,483	5.6%	1,444,524	1,505,000	60,475	4.2%
Revenue	155,401	153,000	(2,401)	-1.5%	169,408	182,000	12,591	7.4%	324,809	335,000	10,190	3.1%
(Gross margin)	(23.4%)	(22.5%)	(-0.9%)		(21.7%)	(22.1%)	(+0.4%)		(22.5%)	(22.3%)	(-0.2%)	
SG&A expenses	121,748	134,000	12,251	10.1%	137,775	143,000	5,224	3.8%	259,523	277,000	17,476	6.7%
Operating income	33,652	19,000	(14,652)	-43.5%	31,632	39,000	7,367	23.3%	65,285	58,000	(7,285)	-11.2%
(Operating margin)	(21.7%)	(12.4%)	(-9.2%)		(18.7%)	(21.4%)	(+2.8%)		(20.1%)	(17.3%)	(-2.8%)	
Non-operating items	1,962	1,800	(162)		1,454	1,200	(254)		3,416	3,000	(416)	
Ordinary income	35,615	20,800	(14,815)	-41.6%	33,086	40,200	7,113	21.5%	68,702	61,000	(7,702)	-11.2%
Extraordinary items	18,636	500	(18,136)		(1,579)	1,000	2,579		17,056	1,500	(15,556)	
Income before income Taxes and minority interests	54,251	21,300	(32,951)	-60.7%	31,507	41,200	9,692	30.8%	85,758	62,500	(23,258)	-27.1%
Net income	27,274	12,500	(14,774)	-54.2%	19,961	24,500	4,538	22.7%	47,235	37,000	(10,235)	-21.7%
Dividend per share	14.0	15.0	(yen)		14.0	15.0	(yen)		28.0	30.0	2.0 (yen)	

(Operating margin = Operating income / Revenue)

Amortization of goodwill	2,803	5,000	2,196	78.3%	4,082	4,000	(82)	-2.0%	6,886	9,000	2,113	30.7%
Operating Income before Amortization of goodwill	36,455	24,000	(12,455)	-34.2%	35,715	43,000	7,284	20.4%	72,171	67,000	(5,171)	-7.2%
Operating margin before Amortization of goodwill	23.5%	15.7%	(-7.8%)		21.1%	23.6%	(+2.5%)		22.2%	20.0%	(-2.2%)	

Consolidated Business Outlook for Fiscal 2019 (4)

【Excluding impact from Mercari】

As of Aug.9, 2019

(単位：百万円)

	1H				2H				Full Year			
	FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY	
			change	(%)			change	(%)			change	(%)
Billings	650,716	677,972	27,255	4.2%	780,170	822,028	41,857	5.4%	1,430,886	1,500,000	69,113	4.8%
Revenue	142,598	150,458	7,859	5.5%	168,666	179,541	10,874	6.4%	311,265	330,000	18,734	6.0%
(Gross margin)	(21.9%)	(22.2%)	(+0.3%)		(21.6%)	(21.8%)	(+0.2%)		(21.8%)	(22.0%)	(+0.2%)	
SG&A expenses	121,587	133,967	12,380	10.2%	137,765	143,032	5,266	3.8%	259,353	277,000	17,646	6.8%
Operating income	21,011	16,490	(4,520)	-21.5%	30,900	36,509	5,608	18.2%	51,911	53,000	1,088	2.1%
(Operating margin)	(14.7%)	(11.0%)	(-3.8%)		(18.3%)	(20.3%)	(+2.0%)		(16.7%)	(16.1%)	(-0.6%)	
Non-operating items	1,962	1,800	(162)		1,454	1,200	(254)		3,416	3,000	(416)	
Ordinary income	22,974	18,290	(4,683)	-20.4%	32,354	37,709	5,354	16.6%	55,328	56,000	671	1.2%

(Operating margin = Operating income / Revenue)

Amortization of goodwill	2,803	5,000	2,196	78.3%	4,082	4,000	(82)	-2.0%	6,886	9,000	2,113	30.7%
Operating Income before Amortization of goodwill	23,814	21,490	(2,324)	-9.8%	34,983	40,509	5,526	15.8%	58,798	62,000	3,201	5.4%
Operating margin before Amortization of goodwill	16.7%	14.3%	(-2.4%)		20.7%	22.6%	(+1.8%)		18.9%	18.8%	(-0.1%)	

【Impact from Mercari】

	1H				2H				Full Year			
	FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY		FY2018 (Result)	FY2019 (Forecasts)	YoY	
			change	(%)			change	(%)			change	(%)
Billings	12,892	2,628	(10,264)	-79.6%	746	2,372	1,625	217.8%	13,638	5,000	(8,638)	-63.3%
Revenue	12,802	2,541	(10,260)	-80.1%	741	2,458	1,716	231.5%	13,544	5,000	(8,544)	-63.1%
(Gross margin)	(99.3%)	(96.7%)	(-2.6%)		(99.4%)	(103.7%)	(+4.3%)		(99.3%)	(100.0%)	(+0.7%)	
SG&A expenses	161	32	(129)	-80.1%	9	(32)	(41)	-	170	0	(170)	-100.0%
Operating income	12,641	2,509	(10,131)	-80.1%	732	2,490	1,758	240.1%	13,373	5,000	(8,373)	-62.6%

Consolidated Business Outlook for Fiscal 2019 (5)

Projecting Gradual Profit Growth in the First Year of the New Medium-Term Business Plan 【As of May 14, 2019】

【Overview of consolidated forecasts excluding the impact from Mercari】

- ◎ Macro environment: Domestic advertising market to grow roughly 1.5%
 - Global economy: Despite the continued presence of downward risks such as the trade conflict between the United States and China, a moderate recovery is expected from the second half of the year.
 - Domestic advertising market: Growth of around 1.5% is expected taking into account such factors as lively marketing activities related to the trend in economic expansion and various other topics.
- ◎ Billings: ¥1,500.0 billion, up 4.8% year on year
- ◎ Revenue: ¥330.0 billion, up 6.0% year on year
- ◎ Gross margin: 22.0%, up 0.3 points year on year
 - Japan: Aim to achieve growth that exceeds the advertising market average by leveraging its *sei-katsu-sha* data-driven marketing methods, a key Group strength.
 - Overseas: In addition to organic growth, a strong boost in overall revenue growth is anticipated from the full-year contributions from companies acquired through M&A during fiscal 2018
- ◎ SG&A expenses: ¥277.0 billion, up 6.8% year on year
 - While we strive to make expenditures more efficient, we plan to execute various upfront investments including enhancing human resources specializing in digital technologies, reforming our workstyles, and reinforcing our *ata* and technological foundation. We also expect an increase in amortization of goodwill.
- ◎ Operating income: ¥53.0 billion, up 1.9% year on year
 - We anticipate a gradual increase in operating income, taking into account the implementation of various upfront investments, among other factors.
- ◎ Operating income before amortization of goodwill: ¥62.0 billion, up 5.3% year on year
 - Operating margin before amortization of goodwill will be maintained at the high level of 18.8%.

【Overview of consolidated forecasts including the impact from Mercari】

- ◎ Billings: ¥1,505.0 billion, up 4.1% year on year
- ◎ Revenue: ¥335.0 billion, up 3.1% year on year
- ◎ Gross margin: 22.3%, down 0.3 points year on year
- ◎ Operating income: ¥58.0 billion, down 11.3% year on year
- ◎ Net income: ¥37.0 billion, down 22.0% year on year
 - Net income is expected to decline due to the absence of the extraordinary gains we recorded in fiscal 2018 following a transition in corporate pension schemes.
- ◎ Dividend per share: Based on the Group's policy of paying a stable dividend, and comprehensively taking into account its business performance and future outlook, we intend to issue a full-year dividend in fiscal 2019 of ¥30 per share, a ¥2 increase from the full-year dividend of ¥28 per share in fiscal 2018.

Note: The forecast for the sale of Mercari, Inc.'s shares is based on the mid-term management plan of UNITED, Inc. However, the Company is unaware of the exact timing the sale will take place. Accordingly, the forecast for the sale of Mercari, Inc.'s shares has been included in the Company's second-half forecasts.

HakuhodoDY holdings

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