August 9, 2019

Company Name: Hakuhodo DY Holdings Inc.
Representative: Masayuki Mizushima, President
(Code number: 2433; TSE First Section)
Inquiries: Atsushi Yoshino
Executive Manager, Investor Relations Division
(Tel: +81-3-6441-9033)

Consolidated Financial Highlights for 1Q of FY2019

Hakuhodo DY Holdings Inc. has summarized key data from its first-quarter earnings report for fiscal 2019, the year ending March 31, 2020, released today, in the following reference materials.

From the first quarter, the accounting methods related to the recording of billings at certain subsidiaries has changed, and figures for comparisons with the previous fiscal year-end and the same period of the previous fiscal year have been retroactively revised to reflect this change. Please refer to the earnings report for more details.

1. Summary of Consolidated Income Statements (April 1 to June 30, 2019)

(Millions of yen)

	FY2018 (Result)	FY2019 (Result)	YoY Comparison	
			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%
Profit attributable to owners of parent	9,879	2,576	(7,303)	-73.9%

* Operating margin = Operating income / Revenue

During the first quarter (April 1 to June 30, 2019) of the fiscal year ending March 31, 2020, the Japanese economy saw signs of weakness in certain areas of exports and production due in part to the impact of the prolonged trade conflict between the United States and China and stagnating economic growth in China. This led to a cautious business sentiment among manufacturers, which are easily affected by trends in foreign demand, and a sluggish consumer mindset, and the Japanese economy lost strength as a result. Meanwhile, the domestic advertising market[*1] also got off to a slow start, reflecting the weak trend in the Japanese economy.

Amid such an environment, the Hakuhodo DY Group formulated a new Medium-Term Business Plan, which will run through the year ending March 31, 2024, and continued to pursue proactive business activities under this new plan. As a result, first-quarter billings rose 2.6% year on year, to ¥332,973 million.

By service area, billings edged down year on year in the four mass media services as a decline in billings from Newspapers and Magazines offset an increase in billings from Television and Radio. Also, although billings for Marketing / Promotion and Creative decreased, overall billings for other than mass media services were up due to significant growth in Internet media.

By client industry, the main industries where billings increased were Information / Communications, Government / Organizations, and Energy / Material / Machinery. On the other hand, the main industries where billings decreased were Beverages / Cigarettes / Luxury foods, Restaurants / Services, and Household products.*2

Revenue declined ¥6,839 million, or 8.6%, to ¥72,438 million, resulting from the significant decline in the gain on sale of shares of Mercari Inc. by the consolidated subsidiary UNITED, Inc., which offset the steady expansion of existing businesses. Selling, general and administrative (SG&A) expenses were up 10.6% as a result of active expenditures centered on personnel costs, which were carried out in accordance with the Medium-Term Business Plan. Accordingly, operating income decreased 65.3% year on year, to ¥6,955 million, and ordinary income declined 63.6%, to ¥7,882 million.

Factoring in extraordinary gains of ¥147 million and extraordinary losses of ¥682 million, income before income taxes and minority interests fell 70.7%, to ¥7,347 million, and profit attributable to owners of parent was down 73.9%, to ¥2,576 million. This represented significant decreases for both due in part to the absence of the ¥3,564 million gain on the abolishment of retirement benefit plans, which was recorded in 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. Consolidated Balance Sheets (Condensed), as of June 30, 2019

(Millions of yen)

	31-Mar-19		30-Jun-19		Comparison with March 31, 2019	
	Amount	Share	Amount	Share	Change	(%)
Current assets	610,251	67.7%	519,578	63.6%	(90,672)	-14.9%
Fixed assets	291,751	32.3%	297,539	36.4%	5,788	2.0%
Total assets	902,002	100.0%	817,118	100.0%	(84,884)	-9.4%
Current liabilities	424,272	47.0%	347,883	42.6%	(76,388)	-18.0%
Non-current liabilities	161,308	17.9%	157,586	19.3%	(3,722)	-2.3%
Total liabilities	585,580	64.9%	505,470	61.9%	(80,110)	-13.7%
Total shareholders' equity	226,596	25.1%	223,931	27.4%	(2,665)	-1.2%
Accumulated other comprehensive income	55,701	6.2%	57,460	7.0%	1,759	3.2%
Subscription rights to shares	180	0.0%	193	0.0%	13	7.6%
Noncontrolling interest	33,943	3.8%	30,062	3.7%	(3,881)	-11.4%
Total net assets	316,421	35.1%	311,648	38.1%	(4,773)	-1.5%
Total liabilities and net assets	902,002	100.0%	817,118	100.0%	(84,884)	-9.4%

3. Consolidated Forecasts for Fiscal 2019 (April 1, 2019 to March 31, 2020)

(1) Reasons for revising consolidated forecast for the first half of fiscal 2019

While no revision has been made to our full-year consolidated results forecasts, we revised the figures in our first-half forecasts in consideration of the following factors.

- The Company's consolidated subsidiary UNITED, Inc. announced in its medium-term management plan that it would carry out the sale of shares in Mercari Inc. totaling ¥5.0 billion each period. However, because this policy was unclear at the time the Company announced its consolidated results forecast on May 14, 2019, the sale of Mercari shares were forecast for the second half of fiscal 2019. As the sale of a certain number of shares was clearly carried out in the first quarter, this sale was reflected in our first-half forecast.
- With the commencement of the new Medium-Term Business Plan, the Company anticipates an increase in SG&A expenses due to various upfront investments. 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.

As a result of these revisions, we expect a higher level of billings and revenue compared with the forecasts we announced in May. On the other hand, as SG&A expenses increased, we made no changes to our forecasts for operating income, ordinary income, and profit attributable to owners of parent.

(2) Full-year forecast for consolidated results

At this moment, we do not believe it is necessary to revise our full-year forecasts for consolidated results.

Revised consolidated Forecasts for the first half of fiscal 2019 (April 1 to September 30,2019)

	Billings	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	yen
Prior Forecast(A) Published on May 14,2019	678,000	19,000	20,800	12,500	33.51
Revised Forecast(B)	680,600	19,000	20,800	12,500	33.51
Difference(B-A)	2,600	0	0	0	
Difference(%)	0.4	0.0	0.0	0.0	
(Reference)Results for first half of fisucal 2018	663,608	33,652	35,615	27,274	73.14

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.