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Consolidated Financial Highlights for 1H of FY 2013

Hakuhodo DY Holdings Inc. has summarized key data from its first-half 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 September 30, 2013)

(Millions of yen)

	1H of FY2012 (Result)	1H of FY2013 (Result)	YoY Comparison	
			Change	(%)
Billings	494,335	505,350	11,014	2.2%
Revenue	82,594	87,332	4,738	5.7%
(Gross margin)	(16.7%)	(17.3%)	(+0.6%)	
SG&A expenses	71,232	74,345	3,113	4.4%
Operating income	11,362	12,986	1,624	14.3%
(Operating margin)*	(13.8%)	(14.9%)	(+1.1%)	
Non-operating items	1,245	993	(251)	
Ordinary income	12,607	13,980	1,373	10.9%
Extraordinary items	(354)	1,075	1,429	
Income before income taxes and minority interests	12,252	15,056	2,803	22.9%
Net income	6,197	7,328	1,130	18.2%

* Operating margin = Operating income / Revenue

During the first six months of the fiscal year (April 1 to September 30, 2013), the Japanese economy showed clear signs of a recovery trend, with steady improvement in consumer and business sentiment against the backdrop of the effects of the government's economic stimulus measures, including an increase in public investment. Buoyed by this economic recovery, the advertising market (see Note 1) in Japan continued to grow steadily, with year-on-year growth recorded in each month from April to August.

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." As a result, billings rose 2.2% year on year to ¥505,350 million.

By service area, consolidated billings for the first six months decreased slightly by 0.6% overall for the four mass media services compared with the same period of the previous fiscal year. The main factor was a year-on-year decrease in first-quarter billings primarily due to backswing in TV, which gave a strong performance in the same period of the previous fiscal year. This decline was partly offset by strong growth in TV ad spots in the second

quarter. In the non-mass media services, total non-mass media services billings were 2.9% higher year on year, supported by strong growth in Marketing/Promotion from the second quarter, as well as a steady performance in Internet media since the first quarter.

By client industry, year-on-year growth in billings was seen in Automobiles/Related products, Finance/Insurance, Government/Organizations, among others. Meanwhile, Home electric appliances/AV equipment, Transportation/Leisure and Food were among industries where billings declined (see Note 2).

Revenue increased ¥4,738 million, or 5.7%, year on year to ¥87,332 million, reflecting the continuation of a range of measures designed to boost profitability throughout the Group. SG&A expenses, increased 4.4% year on year mainly due to expanding the scope of consolidation and continuing to make investments in strategic expenditures. However, SG&A expenses were controlled in line with the yearly plan, and the increase in SG&A expenses were held below the revenue growth rate. As a result, operating income and ordinary income were both higher year on year. Operating income increased 14.3% year on year to ¥12,986 million, and ordinary income was ¥13,980 million, up 10.9% from the previous year.

Income before income taxes and minority interests was ¥15,056 million (up 22.9% year on year) coupled with ¥1,526 million in extraordinary income (up 587.8% year on year) and extraordinary loss of ¥450 million (down 21.8% year on year). As a result, after deduction of taxes and minority interests, net income was ¥7,328 million (up 18.2% 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 September 30, 2013

(Millions of yen)

	31-Mar-13		30-Sep-13		Comparison with March 31, 2013	
	Amount	Share	Amount	Share	Change	(%)
Current assets	410,264	77.6%	379,555	75.5%	(30,708)	-7.5%
Fixed assets	118,270	22.4%	122,889	24.5%	4,619	3.9%
Total assets	528,535	100.0%	502,445	100.0%	(26,089)	-4.9%
Current liabilities	281,842	53.3%	244,664	48.7%	(37,177)	-13.2%
Non-current liabilities	12,340	2.4%	12,977	2.6%	637	5.2%
Total liabilities	294,182	55.7%	257,642	51.3%	(36,540)	-12.4%
Total shareholders' equity	215,279	40.7%	221,088	44.0%	5,809	2.7%
Total net unrealized gains on securities and translation adjustments	6,339	1.2%	10,296	2.0%	3,957	62.4%
Subscription rights to shares	242	0.0%	255	0.1%	12	5.3%
Minority interests	12,490	2.4%	13,162	2.6%	671	5.4%
Total net assets	234,352	44.3%	244,803	48.7%	10,450	4.5%
Total liabilities and net assets	528,535	100.0%	502,445	100.0%	(26,089)	-4.9%

3. Consolidated Forecasts for Fiscal 2013 (April 1, 2013 to March 31, 2014)

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

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

(Millions of yen)

	1H			2H			Full-year			(Reference)
	FY2013 (Result)	Y o Y Comparisons Change	(%)	FY2013 (Forecasts)	Y o Y Comparisons Change	(%)	FY2013 (Forecasts)	Y o Y Comparisons Change	(%)	1H Forecasts as of May 9, 2013
Billings	505,350	11,014	2.2%	581,650	30,554	5.5%	1,087,000	41,568	4.0%	504,000
Operating income	12,986	1,624	14.3%	17,014	2,058	13.8%	30,000	3,680	14.0%	10,500
Ordinary income	13,980	1,373	10.9%	17,520	2,117	13.7%	31,500	3,489	12.5%	11,600
Net income	7,328	1,130	18.2%	8,172	1,475	22.0%	15,500	2,605	20.2%	5,700
(Operating margin)*	(14.9%)	(+1.1%)		(17.5%)	(+1.5%)		(16.2%)	(+1.3%)		(12.4%)

* Operating margin = Operating income / Revenue Note: 2H forecasts=Full-year forecasts - 1H actual results

(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.

4. Next Medium-term Business Plan

The Hakuhodo DY Group has steadily executed its 5-year Medium-term Business Plan running from fiscal 2009 to fiscal 2013. In fiscal 2013, the plan’s final year, the Group expects to surpass all of the plan’s initial target indicators, specifically operating income of ¥28.0 billion, an operating margin of 16%, and revenue of ¥175.0 billion. Furthermore, the Group has positioned the current Medium-term Business Plan’s 5-year period as a transition period to achieve business structure transformation. The Group has also been making steady progress on transforming its business structure.

Having entered the final year of the current Medium-term Business Plan, the Group has formulated a new 5-year Medium-term Business Plan that will run from fiscal 2014 to fiscal 2018. The new plan will guide the Group’s advancement to the next growth stage. The Group has set the following business targets in the new plan:

☐ Medium-term Business Plan Targets (For the fiscal year ending March 31, 2019)

Operating income before amortization of goodwill : ¥45.0 billion

<Priority indicators>
Revenue CAGR : 7% or more
Operating margin before amortization of goodwill : 17%
ROE : 8%

* Operating income before amortization of goodwill is calculated as operating income less amortization of goodwill arising from corporate acquisitions.
* Revenue CAGR refers to the compound annual growth rate of revenue during the plan period.
* The abovementioned targets have been set based on the full-year consolidated business forecasts for fiscal 2013.