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

Consolidated Financial Highlights for Q3 FY2023

Hakuhold DY Holdings Inc. has announced its third-quarter earnings report for FY2023, the year ending March 31, 2024, after approval at the Board of Directors' meeting held today. The main points are as follows.

1. Income Statements (Q3 FY2023: April 1, 2023 to December 31, 2023)

(Mill of JPY)

	FY2022 Q3 (9Mo Result)	FY2023 Q3 (9Mo Result)	YoY Comparison	
			Change	(%)
Billings	1,124,392	1,117,694	- 6,698	-0.6%
Revenue	653,032	646,309	- 6,723	-1.0%
Gross profit	276,874	278,101	1,227	0.4%
(Gross margin)	(24.6%)	(24.9%)	(+0.3%)	-
SG&A expenses	240,791	262,472	21,681	9.0%
Operating income	36,083	15,629	- 20,454	-56.7%
(Operating margin)*	(13.0%)	(5.6%)	(-7.4%)	-
Non-operating income	5,046	4,062	- 984	-19.5%
Non-operating expenses	1,354	2,694	1,340	99.0%
Ordinary income	39,775	16,996	- 22,779	-57.3%
Extraordinary income	2,585	1,502	- 1,082	-41.9%
Extraordinary loss	1,534	8,143	6,609	430.7%
Net income before income taxes and minority interests	40,827	10,355	- 30,471	-74.6%
Net income attributable to owners of parent	20,145	-5,306	- 25,452	-126.3%

* Operating margin = Operating income / Gross profit

During the cumulative third quarter of FY2023 (April 1, 2023, to December 31, 2023), the Japanese economy continued to recover gradually, supported by the recovery in inbound demand and the rebound of the manufacturing sector. However, there were some weaknesses, such as the slowdown in the recovery of personal consumption caused by rising prices. The domestic advertising market (Note 1) continued to be weak compared to the economic situation, as personal consumption is not strong and the uncertainty of the economic outlook is weighing on corporate marketing activities. Under this circumstance, the Hakuhold DY

group continued to aggressively expand business operations under medium-term business plan ending March 31, 2024. As a result, billings (Note 2) were ¥1,117,694 million (decreased by 0.6% YoY), and revenue was ¥646,309 million (decreased by 1.0% YoY).

In terms of billings by service category, total media billings increased YoY due to higher billings in "Internet media" and "Television". However, non-media billings were down significantly YoY due to a reactionary decline from large projects in "Marketing/promotion".

In terms of billings by clients' industry, "Government/Organizations," and "Information/Communications," decreased YoY. However, "Transportation/Leisure," "Distribution/Retailing," and "Restaurant and Services" increased YoY. (Note 3)

Gross profit increased by ¥1,227 million YoY to ¥278,101 million (increased by 0.4% YoY). In terms of gross profit by region, Japan business increased to ¥209,918 million (increased by 0.5% YoY) and overseas business increased to ¥77,289 million (increased by 6.8% YoY) due to strong performance in Asia and the effect of foreign exchange rates. Due to the continuation of strategic expenses for medium-term growth as well as the return of activity expenses, operating income decreased to ¥15,629 million (decreased by 56.7% YoY) and ordinary income decreased to ¥16,996 million (decreased by 57.3% YoY).

Focus on the last three months of FY2023 (October 1, 2023-December 31, 2023), in the domestic business (excluding investment business), the "Media Service" experienced an increase in billings despite the challenging market conditions. Additionally, due to the recovery in demand for events and sales promotions, our "Marketing/promotion" activities greatly expanded compared to the previous year, leading to a significant improvement in our top line. In our overseas business as well, signs of recovery appeared, such as operating income exceeding that of the previous year. As a result, billings increased to ¥419,261 million (increased by 4.2%), and operating income increased to ¥14,079 million (increased by 5.1%).

After extraordinary income of ¥1,502 million and extraordinary loss of ¥8,143 million, net income before income taxes and minority interests amounted to ¥10,355 million (decreased by 74.6% YoY). After deducting ¥13,865 million in income taxes and ¥1,796 million in net income attributable to non-controlling interests, net loss attributable to owners of the parent amounted to ¥5,306 million (¥20,145 million of net income in Q3 FY2023).

(Notes)

- (1) According to the Survey of Selected Service Industries (Ministry of Economy, Trade and Industry, Japan).
- (2) "Billings" are based on previous accounting standards but are voluntarily disclosed because we believe it is useful to financial statement users, although not in accordance with the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards.
- (3) Based on internal management categories and data compiled by Hakuholdo DY holdings.

2. Balance Sheets (As of December 31, 2023)

(Mill of JPY)

	March 31, 2023		December 31, 2023		Comparison with March 31, 2023	
	Amount	Share	Amount	Share	Change	(%)
Current assets	680,728	66.3%	673,148	64.5%	-7,580	-1.1%
Fixed assets	345,687	33.7%	370,378	35.5%	24,691	7.1%
Total assets	1,026,415	100.0%	1,043,526	100.0%	17,110	1.7%
Current liabilities	565,850	55.1%	577,596	55.4%	11,745	2.1%
Non-current liabilities	70,750	6.9%	72,133	6.9%	1,383	2.0%
Total liabilities	636,601	62.0%	649,730	62.3%	13,129	2.1%
Total shareholders' equity	329,585	32.1%	307,506	29.5%	-22,079	-6.7%
Accumulated other comprehensive income	34,313	3.3%	61,861	5.9%	27,547	80.3%
Subscription rights to shares	223	0.0%	219	0.0%	-4	-2.1%
Noncontrolling interest	25,691	2.5%	24,209	2.3%	-1,482	-5.8%
Total net assets	389,814	38.0%	393,796	37.7%	3,981	1.0%
Total liabilities and net assets	1,026,415	100.0%	1,043,526	100.0%	17,110	1.7%

3. Consolidated forecasts for FY 2023 (April 1, 2023 to March 31, 2024)

There is no change in the full-year earnings forecast.

Note. The forecasts are based on certain conditions that we consider reasonable at the present time. Please note that actual performance may vary significantly due to various factors in the future.

(Dividend forecast)

Our basic policy is to pay stable and continuous dividends. The dividends will be determined after comprehensively taking into consideration the status of demand for financial funds, trends in business performance, and the enhancement of retained earnings. The interim dividend for the current fiscal year was determined to be ¥16 per share from the perspective of stable dividend payment. The year-end dividend forecast is also ¥16 per share, for a total annual dividend of ¥32 per share, the same amount as in the previous year.