

May 31, 2004

## **Hakuhodo DY Holdings Announces Its 1<sup>st</sup> Year Financial Results and Earnings of Its 3 Integrated Companies**

Hakuhodo DY Holdings Inc. announced that its Board of Directors made the following decisions at a meeting held at 11am on May 31, 2004 (Monday). These decisions are subject to approval by the company's shareholders at the company's 1st Annual General Meeting of Shareholders, and directors at a board of directors meeting, both to be held on June 25 (Friday).

In addition, summaries of business results for each of the three integrated companies are stated below.

### **Hakuhodo DY Holdings Financial Results and Management Change**

#### 1. Earnings for 1<sup>st</sup> Fiscal Year (FY 2003)

The financial results for the 1st fiscal year (October 1, 2003 to March 31, 2004) were determined as stated in Appendix 1 (Balance Sheets, Income Statements)

#### 2. Appointment of Directors

All 14 directors who are completing their terms have been reappointed and will continue to retain their existing titles and responsibilities.

#### 3. Appointment of Auditors

##### ① New Appointments

Full-time Auditor	Statutory	(Senior Managing Director, Daiko Expert Inc.)	Nobuya Mitsuda
Statutory Auditor (External)			Shinobu Miyauchi

##### ② Retirements

Takao Nishimura	(Statutory Auditor)
Takeshi Abe	(Statutory Auditor (External))

(Refer to Appendix 2 for personal histories of the newly appointed auditors)  
Appendix 3 lists all directors, including the aforementioned new auditors.

## **Overall Status of Hakuholdo DY Holdings and Consolidated Earnings Summary**

The Japanese economy in the current term, despite some signs of recovery, still had quite a number of elements of instability, such as a prolonged deflationary trend and foreign exchange market fluctuation, and accordingly proceeded without entering into a real recovery.

Amidst continuing difficult business conditions where the total domestic spending on advertising recorded a decline for the third consecutive year, the advertising industry is facing increasingly intense competition as the diversification of consumer needs and changes in communication environments prompted advertisers to impose even more sophisticated and diverse demands on advertising companies.

Under such circumstances, Hakuholdo Inc., Daiko Advertising Inc. and Yomiko Advertising Inc. agreed on the necessity of a strategic collaboration and integrated their operations under Hakuholdo DY Holdings Inc. on October 1, 2003. Further, on December 1, the companies established Hakuholdo DY Media Partners Inc., a fully owned subsidiary of the holding company, and transferred their media and content related business to it.

Hakuholdo DY Holdings, which commenced operations as a business group with an unprecedented framework in the nation's advertising industry, has now compiled the earnings report for its 1st fiscal year. In its consolidated earnings results, sales for the current term totaled 906.6 billion yen, ordinary income 18.0 billion yen and net income 7.1 billion yen (amounts of less than 0.1 billion have been excluded here and below.)

The figures for sales and income reflect only results for the second half in the case of Daiko Advertising Inc. and Yomiko Advertising Inc. due to accounting processes related to the business integration.

If Daiko Advertising and Yomiko Advertising's sales figures for the first half of the business year (138.0 billion yen) are added, the group's sales as a whole would be 1,044.7 billion yen (unofficial), which is 1.12 % more than the three companies' combined sales for the previous term (Fiscal Year Ended March 31, 2003) of 1,033.2 billion yen (unofficial).

## Earnings Summary of the 3 Integrated Companies

The earnings summary for each of the three integrated companies has been determined as shown below. These are subject to approval at the annual shareholders' meeting of each company.

**Hakuhodo's** non-consolidated sales for its 125<sup>th</sup> fiscal year (April 1, 2003 to March 31, 2004) totaled 692.8 billion yen, ordinary income 13.1 billion yen and net income 5.3 billion yen. Sales in industry categories such as Information/Communications and Distribution/Retailing recorded an increase compared to the previous term. Overall sales decreased due to the impact of the separation of local branches and media-related business divisions, but the company improved its profitability through cost-cutting and other efforts.

**Daiko's** non-consolidated sales for its 89<sup>th</sup> fiscal year (April 1, 2003 to March 31, 2004) totaled 152.6 billion yen, ordinary income 0.5 billion yen and net loss 0.1 billion yen. Sales in industry categories such as Foodstuffs, Beverages/Cigarettes, Cosmetics/Toiletries, and Hobbies/Sporting Goods recorded an increase compared to the previous term. The net loss was the result of an extraordinary loss stemming from the allocation of special retirement costs from the Employees Second Career Plan.

**Yomiko Advertising's** non-consolidated sales for the 58<sup>th</sup> fiscal year (April 1, 2003 to March 31, 2004) totaled 105.4 billion yen, ordinary income 0.3 billion yen and net loss 1.2 billion yen. Sales of industry categories such as Precision Instruments/Office Supplies, Pharmaceuticals/Medical Supplies, and Classified Ads/Others recorded an increase compared to the previous term. The net loss was due to the implementation of early retirement schemes and extraordinary losses from the restructuring of affiliated businesses.

May 31, 2004  
Corporate Public Relations Div.  
Hakuhodo DY Holdings Inc.

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(Appendix 1)

## Non-consolidated Balance Sheets

Hakuhodo DY Holdings Inc.

(As of March 31, 2004)

(Millions of yen)

Assets		Liabilities and Shareholders' equity	
Current Assets:		Current liabilities:	
Cash and cash equivalents	910	Deposits received from affiliates	35,560
Notes and accounts receivable, trade	236	Accounts payables	39
Short-term loans to affiliates	20,638	Income taxes payable	25
Accounts receivable, other	105	Other current liabilities	132
Deferred tax assets	14		
Other current assets	33	Total current liabilities	35,758
Total Current Assets	21,938	Non-current liabilities :	
Fixed Assets:		Accrued directors' retirement benefits	63
(Property and equipment)	257	Lease deposits received	613
Buildings	205	Total fixed liabilities	676
Vehicles and structures	17	Total non-current liabilities	36,435
Tools and fixtures	34		
(Intangible fixed assets)	0	Shareholders' equity	
Software	0	Common stock	
(Investments and other assets)	178,486	Common stock	10,000
Investments in affiliates	163,538	Capital surplus	
Guarantee and lease deposits	760	Additional paid-in capital	153,538
Long-term loans to affiliates	14,160	Retained earnings	
Deferred tax assets	27	Unappropriated retained earnings	709
Others	0	Treasury stock, at cost	(0)
Total Fixed Assets	178,744	Total shareholders' equity	164,248
Total Assets	200,683	Total Liabilities and Shareholders' equity	200,683

\*The accompanying financial statements have been translated into English from the financial statements of the company prepared in accordance with Japanese GAAP.

## Non-consolidated Income Statements

Hakuhodo DY Holdings Inc.

(Year ended March 31, 2004)

(Millions of yen)

Ordinary profit and loss	Operating profit and loss	Operating revenue	2,050
		Dividends received	699
		Fee revenue from affiliates	1,350
		Operating expenses	1,249
		General and administrative expenses	1,249
		<b>Operating income</b>	<b>801</b>
	Non-operating profit and loss	Non-operating revenue	31
		Interest revenue	0
		Rental revenue	30
		Non-operating expenses	95
		Interest expense	1
		Founding expenses	93
	<b>Ordinary income</b>		<b>737</b>
<b>Income before income taxes</b>		<b>737</b>	
Income taxes, current		69	
Income taxes, deferred		(41)	
<b>Net income</b>		<b>709</b>	
Unappropriated retained earnings		709	

\*The accompanying financial statements have been translated into English from the financial statements of the company prepared in accordance with Japanese GAAP.

## Consolidated Balance Sheets (Unaudited)

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries

(As of March 31, 2004)

Millions of yen

Assets		Liabilities and Shareholders' Equity	
Current assets:		Current liabilities:	
Cash and cash equivalents	51,381	Accounts payable, trade	259,925
Notes and accounts receivable, trade	275,722	Short-term debts	8,073
Marketable securities	13,947	Current portion of long-term debts	1,380
Investments at beneficial interest in trust	9,367	Accrued expenses	5,698
Inventories	6,605	Income taxes payable	1,271
Short-term loans	1,042	Accrued bonus	1,021
Deferred tax assets	6,706	Other current liabilities	9,369
Other current assets	10,851		
Allowance for doubtful accounts	(611)		
Total current assets	375,012	Total current liabilities	286,740
Fixed assets:		Non-current liabilities:	
(Property and equipment)	19,040	Long-term debts	1,968
Buildings and structures	8,462	Accrued pension and severance costs	10,476
Land	9,004	Accrued directors' severance and retirement benefits	2,394
Other tangible fixed assets	1,573	Other non-current liabilities	925
(Intangible fixed assets)	6,875	Total non-current liabilities	15,763
Software	5,084	Total liabilities	302,503
Goodwill	1,676		
Other intangible fixed assets	114	Minority interests	
(Investments and other assets)	79,434	Minority interests	1,223
Investment securities	32,534	Shareholders' equity	
Long-term loans	187	Common stock	10,000
Prepaid pension costs	14,655	Capital surplus	88,894
Deferred tax assets	11,965	Retained earnings	76,540
Other assets	22,093	Net unrealized gains on securities	1,485
Allowance for doubtful accounts	(1,967)	Translation adjustments	(283)
Allowance for loss on investments	(33)	Treasury stock, at cost	(0)
Total fixed assets	105,350	Shareholders' equity	176,635
Total Assets	480,363	Total Liabilities and Shareholders' equity	480,363

\*The accompanying financial statements have been translated into English from the financial statements of the company prepared in accordance with Japanese GAAP.

## Consolidated Income Statements (Unaudited)

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries (Year ended March 31,2004)

(Millions of yen)	
Net sales	906,687
Cost of sales	780,200
<b>Gross profit</b>	<b>126,486</b>
Selling, general and administrative expenses	108,298
<b>Operating income</b>	<b>18,188</b>
Non-operating income	1,024
Non-operating expenses	1,206
<b>Ordinary income</b>	<b>18,006</b>
Extraordinary gains	110
Extraordinary losses	2,592
<b>Income before income taxes and minority interests</b>	<b>15,523</b>
<b>Income taxes</b>	<b>8,502</b>
<b>Minority interests</b>	<b>(92)</b>
<b>Net income</b>	<b>7,114</b>

\*The accompanying financial statements have been translated into English from the financial statements of the company prepared in accordance with Japanese GAAP.

(Appendix 2-1)

Full-time Statutory Auditor

## **Nobuya Mitsuda**

Date of Birth: January 1, 1942

### BIOGRAPHY

March 1964	Graduated from Konan University with B.A. in Business Administration
April 1964	Joined Daiko Advertising Inc.
March 2000	Director of Audit Office, Daiko Advertising Inc.
December 2001	Retired from Daiko Advertising Inc. and joined Daiko Management Service Inc. (current Daiko Expert Inc.)
April 2002	Managing Director, Daiko Expert Inc.
October 2003	Senior Managing Director, Daiko Expert Inc.



(Appendix 2-2)

Statutory Auditor (External)

## Shinobu Miyauchi

Date of birth: June 7, 1947

### Biography

March 1970	Graduated from Accounting, Marketing and Trade Dept., Commerce Faculty, Chuo University
September 1976	Registered as a certified public accountant
September 1979	Established own private office as a certified public accountant
September 1984	Joined Century Audit Corporation
February 1992	Appointed Representative Partner, Century Audit Corporation
July 2003	Joined AZSA & Co.
September 2003	Appointed Representative Partner, AZSA & Co.
January 2004	Left AZSA & Co.
Currently	Executive Director (in charge of public accounting), The Japanese Institute of Certified Public Accountants

(Appendix 3)

Hakuhodo DY Holdings Board Directors and Their Responsibilities  
(As of June 25, 2004)

Title	Name	Responsibilities
Chairman	Takashi Shoji	
Non-Executive Vice Chairman	Takeshi Adachi	Chairman and Representative Director, Daiko Advertising Inc.
Vice Chairman	Makoto Toriyama	
President and CEO	Toshio Miyagawa	Chairman, Hakuhodo Inc.
Managing Director	Nobuo Hoshina	Oversees the Corporate Public Relations Div., General Affairs Div., Legal Div., IPO Project Div., and Accounting & Finance Div.
Managing Director	Hirokazu Toda	Oversees the Human Resources Management Div. and Corporate Strategy Div.
Director	Takao Sato	Oversees the Corporate Public Relations Div. and General Affairs Div., Legal Div.
Director	Misaki Kakikawa	Oversees the IPO Project Div. and Accounting & Finance Div.
Non-Executive Director	Hideki Nakao	President and Representative Director, Daiko Advertising Inc.
Non-Executive Director	Katsuhiko Koike	President and Representative Director, Yomiko Advertising Inc.
Non-Executive Director	Takashi Sato	President and CEO, Hakuhodo DY Media Partners Inc.
Non-Executive Director	Junji Narita	President and CEO, Hakuhodo Inc.
Non-Executive Director	Tomokazu Jimbo	Corporate Executive Officer, Director, Global Operations, Hakuhodo Inc.
Non-Executive Director	Toshinobu Miyamoto	Director, Daiko Advertising Inc.
Full-time Statutory Auditor	Yutaka Hata	

Full-time Statutory Auditor	Nobuya Mitsuda	
Statutory Auditor (External)	Hironari Kitahara	
Statutory Auditor (External)	Motohiko Aiba	
Statutory Auditor (External)	Shinobu Miyauchi	