Hakuhodo DY holdings

Update on progress under the Medium-Term Business Plan

Abbreviations within this document
HC: Hakuhodo DY Holdings Inc. H: Hakuhodo Inc. D: Daiko Advertising Inc. Y: Yomiko Advertising Inc.
MP: Hakuhodo DY Media Partners Inc. HDYD: Hakuhodo DY digital Inc. HM: Handy Markething Inc.
DAC: D.A.Consortium Inc.

Greetings, I am Hirokazu Toda, President & CEO of Hakuhodo DY Holdings Inc.

Please allow me to provide an explanation on the progress we are making under the Hakuhodo DY Group’s Medium-Term Business Plan.

Medium-Term Business Plan (FY2014-FY2018: 5-year plan)

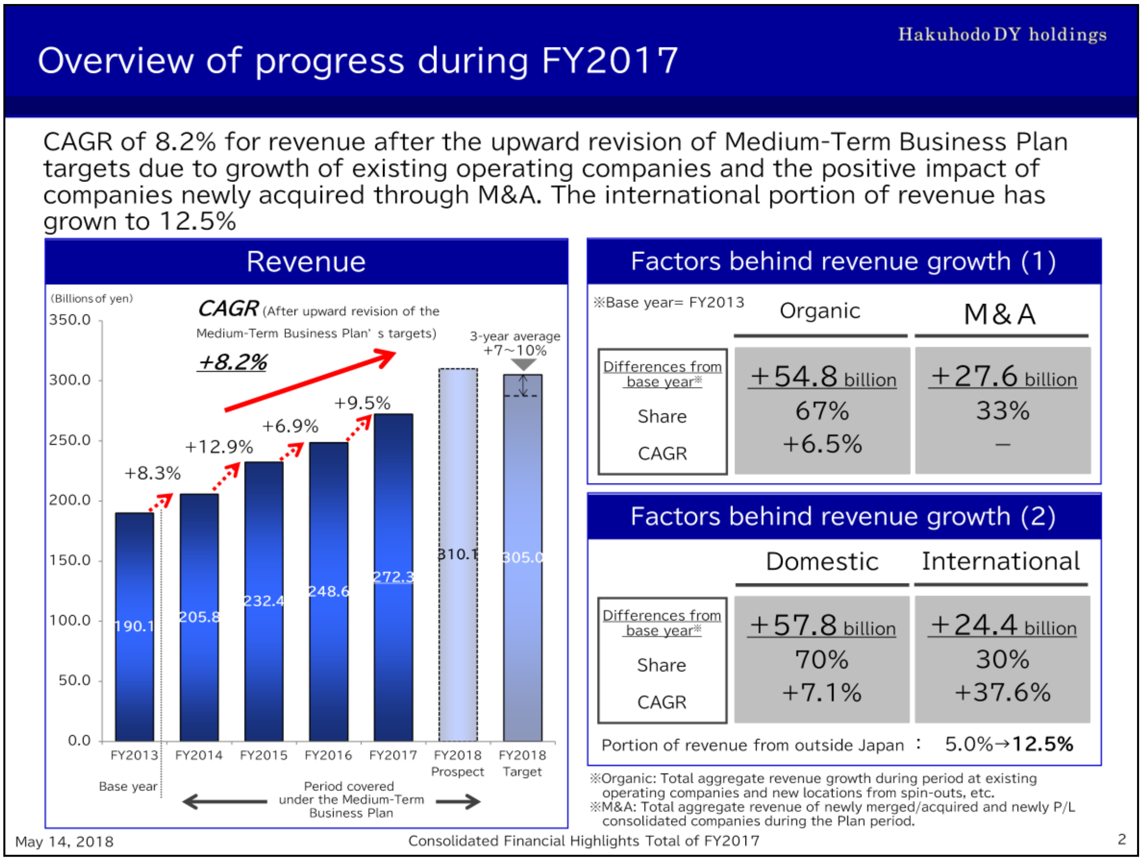
Core Medium-Term Strategy	With our mission of serving as the best marketing partner for each one of our clients, the Hakuhodo DY Group stands as one of the world’s top advertising and marketing services groups. Our cutting-edge creative ideas and integrated marketing solutions create new markets, trends and movements that engage *sei-katsu-sha* and invigorate society.
Growth Drivers	● Strengthening of *sei-katsu-sha* data-driven marketing response capabilities ● Strengthening of business structures in emerging markets, particularly in Asia ● Continuous enhancement of specialization and innovation Proactive investment strategy to support swift and sure growth
Growth Image	Ratio of revenue increase during the Plan period * ● Organic : M&A = 50 : 50 ● Domestic : International = 50 : 50 (Aim: International to account for 20% of revenue in FY2018)
New Medium-Term Business Plan targets (FY2018)※	Operating income before amortization of goodwill : ¥57.0 billion Important indicators • CAGR of revenue※ +7 - 10% • Operating margin before amortization of goodwill 18 - 20% • ROE before Amortization of goodwill More than 10%

*Because initial Medium-Term Business Plan targets have already been met, targets were revised upwards in November 2016.
※The ratio of revenue increase is the amount of increase during the plan period, and the compound annual growth rate is for the period from FY2015-FY2018.

The Group has continued to pursue proactive business development under its Medium-Term Business Plan covering the period through March 2019, which you can view on this slide.

As you can see, we made upward revisions to the Medium-Term Business Plan’s targets in November 2016, and I would like to explain the progress we made in FY2017 with the various initiatives we used to reach these new targets.

Please look at the next slide.



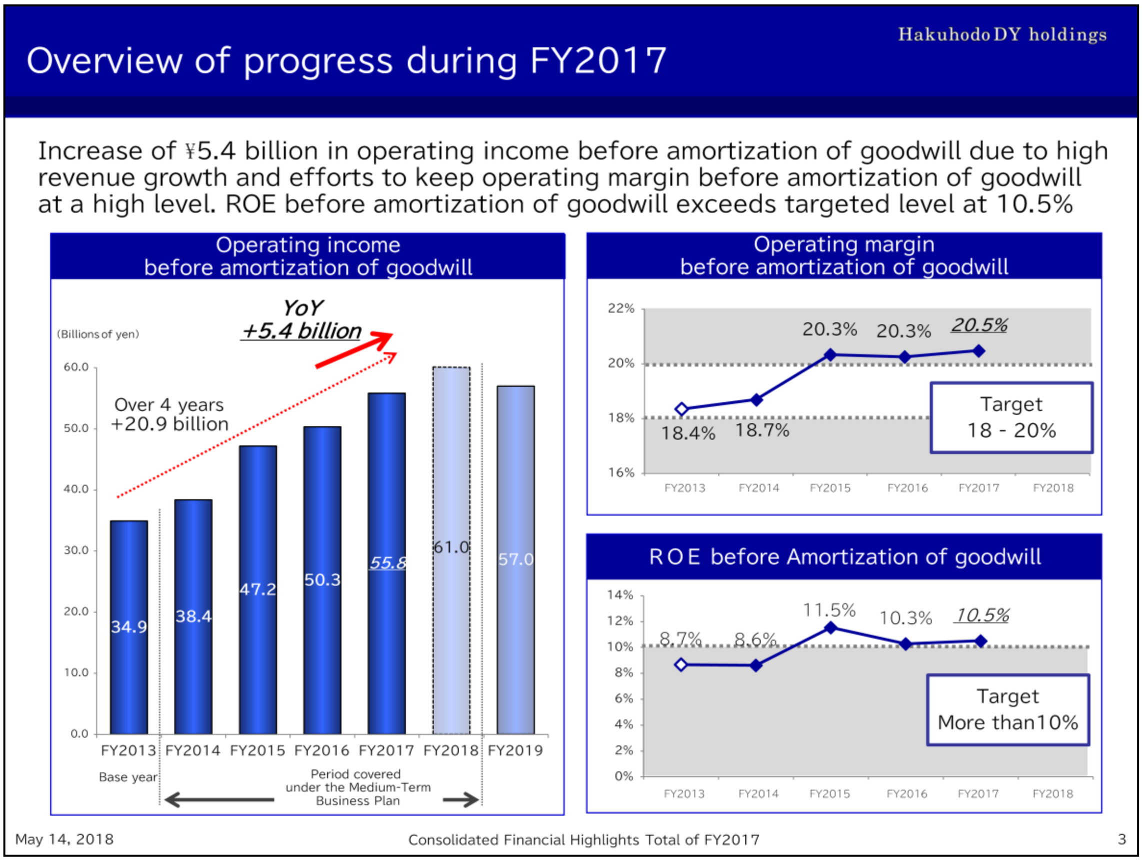
First, I will talk about revenue.

In FY2017, revenue rose 9.5% year-on-year due not only to the growth of existing operating companies but also to the positive impact of companies newly acquired through M&A.

If we look at the two-year average since we made the revisions to the Medium-Term Business Plan' s targets, the CAGR for revenue comes to 8.2%. In addition, although it is not included in these slides, if we look at the four-year period since the Medium-Term Business Plan commenced in FY2013, the base year for reference, we see that we have realized a robust CAGR of 9.4%.

Breaking down the increase in revenue over this four-year period by segment, CAGR for revenue on an organic basis is 6.5%. In Japan, our main area of operations, we achieved success with efforts to increase our market share and improve our gross margin, thereby continuously realizing growth at a rate that outpaces that of the domestic advertising market.

Regarding M&A, in addition to the strategic operating unit kyu, we have been moving forward with M&A in Japan and Asia, and the total amount of revenue growth from the companies we acquired through M&A during the period of the Medium-Term Business Plan has grown to ¥27.6 billion. In addition, overseas revenue now accounts for 12.5% of our total overall revenue.



Next, I will talk about operating income before amortization of goodwill, which is our most important target.

In FY2017, operating income before amortization of goodwill increased ¥5.4 billion year-on-year, to ¥55.8 billion. This increase was due to strong revenue growth and maintenance of our operating margin before amortization of goodwill at the high level of 20.5%.

Also, ROE before amortization of goodwill has stayed consistently at 10.5%, exceeding the level we had been targeting.

Key strengthening measures centered around the three growth drivers

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■ Strengthening of structures and response capabilities centered around the Medium-Term Business Plan’s three growth drivers

Main measures

Strengthening of *sei-katsu-sha* data-driven marketing response capabilities

Strengthening of organizational structure in Asia

New initiatives for acquiring the innovative and unique specialized marketing service companies

Moving on, I will explain in order the main measures we have been implementing to strengthen our structure and response capabilities, which you can see on this slide, centered on the Medium-Term Business Plan’s three growth drivers.

Please take a look at the next slide.

Strengthening of *sei-katsu-sha* data-driven marketing response capabilities

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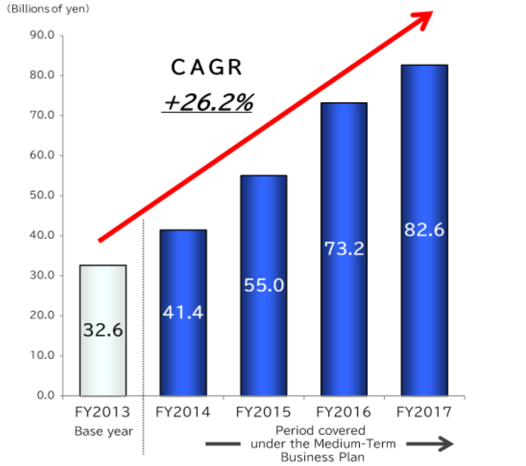
- Strengthening the *Sei-katsu-sha* Data Management Platform, development of diverse solutions, and building a strong track record in introducing such solutions to clients over the last four years have established *sei-katsu-sha* data-driven marketing as a key pillar that supports the Group' s competitive edge
- Positive effects emerged, such as rapid growth—at an annual rate of 26.2%—in billings from Internet media, which closely relates to these initiatives, at advertising companies that integrate Internet media and mass media

Trends in Billings from Internet Media
(Cumulative total for Hakuhodo, Daiko, and Yomiko)



Topics

Expansion of Solution Lineup

Promotion of online and offline data use

・Developed "Handy TV insight" (MP, HM)

・Commenced provision of ACTAG™ (MP, HDYD)

Support for the Digital Transformation of Corporations

Support for the digital transformation of corporations' marketing processes through system development, analysis, and modification

・Established Hakuhodo Marketing Systems Inc. (H)

Strengthening of Collaboration with External Partners

Development of new technologies using external expertise

・Commenced open source collaborative development programs (HC)

Development of businesses utilizing AI technologies

・Formed a business and capital alliance with Preferred Networks, Inc. (HC)

May 14, 2018 Consolidated Financial Highlights Total of FY2017 5

First, I will talk about the strengthening of *sei-katsu-sha* data-driven marketing response capabilities.

Over the four years we have been implementing this measure, we have enhanced our *sei-katsu-sha* data, including data on sei-katsu-sha' s information and purchasing habits, as well as their perceptions. At the same time, we have made solid progress in developing diverse solutions that leverage our *Sei-katsu-sha* Data Management Platform and introducing these solutions to our clients. As a result, *sei-katsu-sha* data-driven marketing has become a key pillar that supports the competitive edge of the Group.

In the Internet media domain, which is closely related to this measure, the combined CAGR of revenue for Hakuhodo, Daiko Advertising, and Yomiko Advertising, which engage in integrating Internet and mass media advertising, is 26.2%. This is one of several factors that exemplify the domain' s steady contribution in terms of numerical figures.

For specific efforts undertaken in FY2017, please refer to the "Topics" section of this slide.

Going forward, we will undertake a broad range of efforts to establish *sei-katsu-sha* data-driven marketing as a foundation of our competitive edge. In doing so we will achieve even further success.

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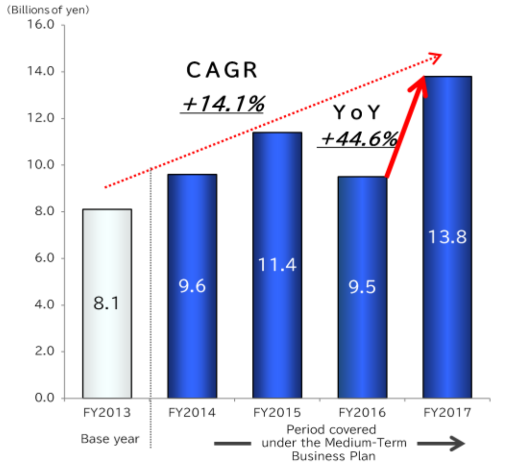
Strengthening of organizational structure in Asia

- Achieved year-on-year increase of 44.6% for revenue in Asia overall due to a recovery in the Greater China region and significant growth in the ASEAN region. Rebounded from negative growth in the previous fiscal year and returned to a growth trajectory
- Expanded structure for providing integrated marketing solutions through the establishment of new offices and M&A

Asia Reveue



※Asia: Greater China, ASEAN, South Korea, India, etc. (excluding Oceania).
※Figures are the simple sum for consolidated subsidiaries.

Topics

Strengthening of Structure in the Greater China Region

Establishment of new offices

- Taiwan: Hakuhodo Zeta Inc., Hakuhodo Seesaw Inc. (H)

Strengthening of Structure and Presence in the ASEAN Region

Enhancement of network through M&A (H)

- Philippines: IdeasXMachina Advertising, Inc.
- Vietnam: Square Communications JSC
- Thailand: Future Marketing Communications Group

Hakuhodo Indonesia was named Advertising Agency of the Year for the second consecutive year at Indonesia's Citra Pariwara 2017 advertising festival (H)

Next, I will explain the strengthening of our organizational structure in Asia.

In terms of revenue growth in Asia, revenue growth in the Greater China Region, which was stagnant in the previous fiscal year, saw a recovery. In addition, revenue in the ASEAN region nearly doubled thanks to the positive impact of M&A. As a result, overall revenue in Asia grew significantly, rising 44.6% year-on-year.

Owing to the recovery from negative growth that revenue experienced in the previous fiscal year and its return to a growth trajectory, the CAGR for revenue over the four-year period of the plan comes to 14.1%.

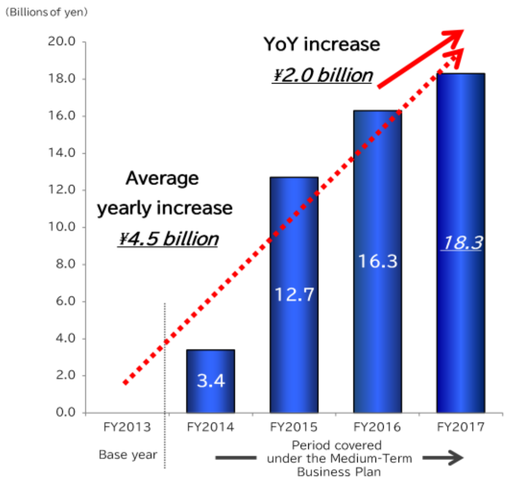
Also, through the establishment of new offices and M&A carried out in the Greater China and ASEAN regions, we have enhanced our structure for providing integrated marketing solutions.

For details, please see the "Topics" section of this slide.

New initiatives for acquiring the innovative and unique specialized marketing service companies

- Steady increase in the number of innovative and unique members of *kyu* from a variety of fields since the unit’ s establishment, with revenue expanding to the ¥18.3 billion range
- Added the US-based digital marketing agency Kepler Group as a new *kyu* member. In addition, continued efforts to generate synergies within the Group

kyu’ s revenue



Topics

New Initiatives for Acquiring Expertise and Innovation

Addition of US-based digital marketing agency Kepler Group as a new *kyu* member

・Utilizes unique digital platforms to provide everything from strategy proposals to media buying on a one-stop basis

keplergroup

Initiatives for Synergy Creation

Materialization of initiatives to create synergies between *kyu* members and between *kyu* and core operating companies

・Established *kyu* Studios

・Implemented the *kyu* Maru program

Let us now turn to the acquisition of equity in innovative and unique specialized marketing service companies.

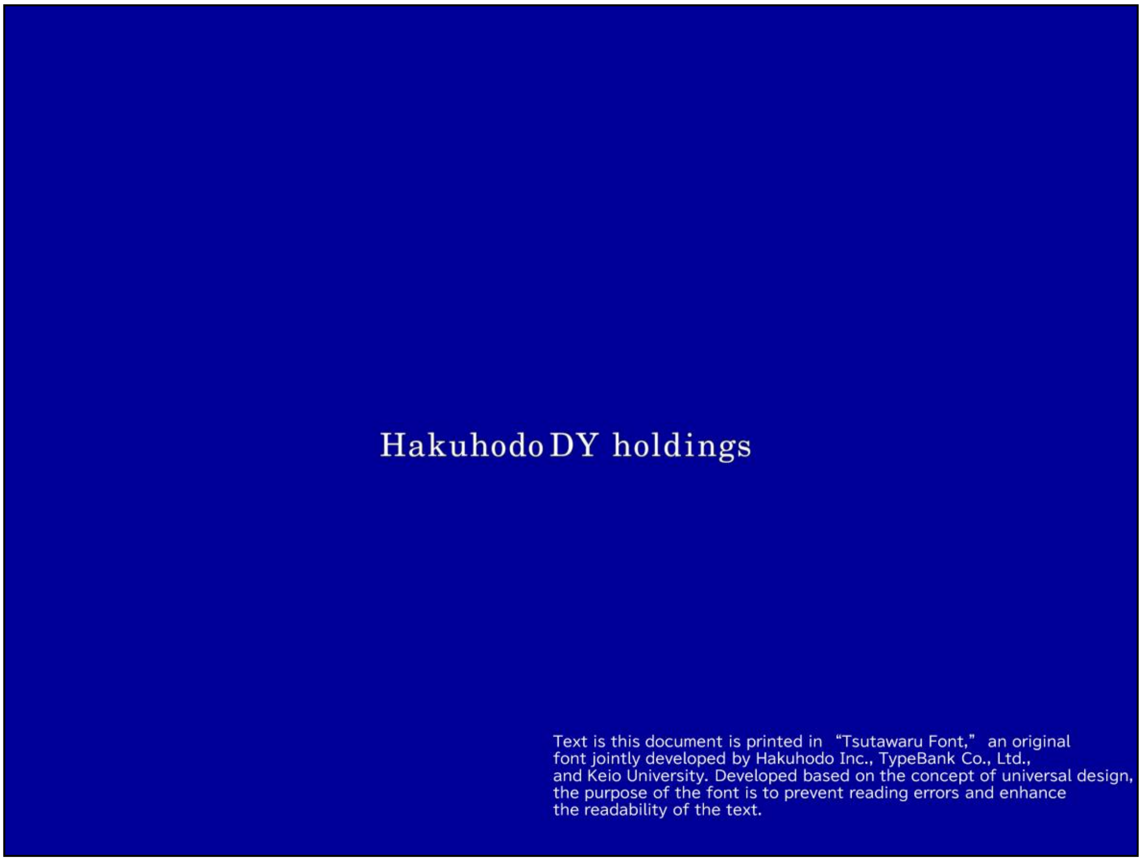
Since its launch in May 2014, kyu has steadily increased its innovative and unique members from a variety of fields and expanded revenue to the ¥18.3 billion range.

For year-on-year comparisons, revenue rose ¥2.0 billion due in part to the business expansion of existing companies, and also the incorporation of profits from the newly acquired BEworks and Hornall Anderson.

In addition, the US-based digital marketing agency Kepler Group recently became a member of kyu.

Also, we are working to generate synergies within the Group.

Please see the “Topics” section for details.



This concludes my explanation regarding the progress we are making under the Group's Medium-Term Business Plan. However, I would like to say a few words in closing.

Due to strong organic growth, primarily in Japan, and the steady progress of M&A, FY2017 was a year in which we took a major step toward achieving the Medium-Term Business Plan's targets, including realizing a more than ¥5.0 billion increase in operating income before amortization of goodwill.

Now that we have completed the first four years of the Medium-Term Business Plan, we have reached the plan's final year, FY2018. In FY2018, we forecast an operating income before amortization of goodwill of ¥61.0 billion, surpassing our target of ¥57.0 billion by ¥4.0 billion.

Although there are various risks that could have adverse impacts, strong economic performance is forecasted both in Japan and overseas. In the domestic advertising market, the stage on which we primarily compete, despite sluggish conditions in FY2017, a gradual recovery is expected for FY2018.

Going forward, we will complete the wide variety of strategic measures we have been implementing to date. In addition, while closely observing market trends, we will make Groupwide efforts to not only achieve the Medium-Term Business Plan's targets but also aim for even higher targets.

This concludes my presentation.

Thank you for your attention.