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Consolidated Financial Highlights for FY2021

Hakuhodo DY Holdings Inc. has announced its earnings report for FY2021, the year ending March 31, 2022, after approval at the Board of Directors' meeting held today. The main points are as follows.

Effective from the Q1 of FY2021, the company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020). Year-on-year comparisons are based on figures after retroactive restatement. The following "Revenue" figures are after the application of the revenue recognition standard. In addition, "Billings" is based on the previous accounting standard and is voluntarily disclosed, although it is not in accordance with the ASBJ No.29, since it is useful to users of financial statements.

1. Income Statements (FY2021: April 1, 2021 to March 31, 2022)

(Millions of JPY)

	FY2020 (12M Result)	FY2021 (12M Result)	YoY Comparison	
			Change	(%)
Billings	1,297,947	1,518,921	220,974	17.0%
Revenue	714,560	895,080	180,519	25.3%
Gross profit	313,217	387,093	73,875	23.6%
(Gross margin)	(24.1%)	(25.5%)	(+1.4%)	
SG&A expenses	268,184	315,450	47,266	17.6%
Operating income	45,033	71,642	26,609	59.1%
(Operating margin)*	(14.4%)	(18.5%)	(+4.1%)	
Non-operating income	5,633	7,683	2,050	36.4%
Non-operating expenses	1,072	3,585	2,512	234.3%
Ordinary income	49,594	75,740	26,146	52.7%
Extraordinary income	14,658	25,812	11,154	76.1%
Extraordinary loss	10,582	6,844	-3,737	-35.3%
Net income before income taxes and minority interests	53,669	94,708	41,038	76.5%
Net income attributable to owners of parent	26,479	55,179	28,699	108.4%

* Operating margin = Operating income / Gross profit

The Japanese economy is on a recovery trend, however, it lacked strength due to the impact of prolonged action restrictions following the spread of a new variant of COVID and a slowdown in production and export recovery due to stagnation in the supply chain. On the other hand, the domestic advertising market (Note 1) continued to show strong recovery from the beginning of the period, in reaction to the sharp decline in the previous year with double-digit year-on-year growth in the first 11 months of the fiscal year through February.

Under such environment, Hakuholdo DY group has continued to aggressively develop our business while giving due consideration to the COVID. As a result, billings increased to ¥1,518,921 million (up 17.0% YoY) and revenues were ¥895,080 million (up 25.3% YoY), significantly exceeding the previous year's figures.

In terms of billings by service category, all categories except magazines and radio exceeded the previous year's levels. In particular, billings from marketing/promotions were significantly higher than the previous year, due to contributions from large-scale projects, and Internet media also recorded strong growth.

In terms of billings by client industry, "Automobiles/Transportation Equipment/Related Products," which was severely affected by the stagnation of supply chains, decreased from the previous year, however, billings in "Government/Organizations," "Information/Communications," and "Transportation/Leisure" increased significantly, and many other industries also increased from the previous year. (Note 2)

Gross profit was ¥387,093 million (up 23.6% YoY), an increase of ¥73,875 million from the previous year. Gross profit from domestic operations increased to ¥311,058 million (up 23.2% YoY), and from overseas operations increased to ¥79,034 million (up 24.3% YoY), due to a recovery trend in North America and Greater China, as well as the expansion of the scope of consolidation. Despite an increase in selling, general and administrative (SG&A) expenses due to strategic investments and the expanded scope of consolidation, operating income increased to ¥71,642 million (up 59.1% YoY) and ordinary income to ¥75,740 million (up 52.7% YoY).

As for extraordinary items, extraordinary gains totaled ¥25,812 million, including a ¥23,627 million gain on sales of investment securities from the sale of shares in Recruit Holdings Co., Ltd. Extraordinary losses totaled ¥6,844 million, including ¥4,326 million in special retirement expenses payments due to the implementation of an early retirement program at certain consolidated subsidiaries. After taking the above into account, income before income taxes and minority interests increased to ¥94,708 million (up 76.5% YoY), and net income attributable to owners of the parent increased to ¥55,179 million (up 108.4% YoY), with all profit items reaching record highs.

- 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. Balance Sheets (March 31, 2022)

(Millions of JPY)

	March 31, 2021		March 31, 2022		Comparison with March 31, 2021	
	Amount	Share	Amount	Share	Change	(%)
Current assets	626,731	66.6%	754,854	71.7%	128,122	20.4%
Fixed assets	314,372	33.4%	298,162	28.3%	-16,209	-5.2%
Total assets	941,103	100.0%	1,053,016	100.0%	111,912	11.9%
Current liabilities	416,338	44.2%	505,640	48.0%	89,301	21.4%
Non-current liabilities	162,625	17.3%	159,961	15.2%	-2,664	-1.6%
Total liabilities	578,964	61.5%	665,601	63.2%	86,637	15.0%
Total shareholders' equity	276,197	29.3%	319,176	30.3%	42,978	15.6%
Accumulated other comprehensive income	54,228	5.8%	38,678	3.7%	-15,550	-28.7%
Subscription rights to shares	247	0.0%	225	0.0%	-21	-8.8%
Noncontrolling interest	31,466	3.3%	29,335	2.8%	-2,131	-6.8%
Total net assets	362,139	38.5%	387,414	36.8%	25,275	7.0%
Total liabilities and net assets	941,103	100.0%	1,053,016	100.0%	111,912	11.9%

3. Consolidated Forecasts for FY 2022 (April 1, 2022 to March 31, 2023)

(Millions of JPY)

	FY2021	FY2022	YOY	
	Actual	Forecast	Change	(%)
Billings	1,518,921	1,630,000	111,078	7.3%
Revenue	895,080	940,000	44,919	5.0%
Operating income	71,642	51,000	(20,642)	-28.8%
Ordinary income	75,740	53,000	(22,740)	-30.0%
Net income attributable to owners of parent	55,179	26,000	(29,179)	-52.9%
Dividend per share (@JPY/share)	32.0	32.0	-	

* Including a mid-term dividend of ¥15 per share.

(Forecast for the full year, FY2022)

The Company expects the domestic advertising market to continue to recover in the fiscal year ending March 31, 2023, despite uncertain factors such as rising resource prices, stagnant supply chains, and the situation with the new type of COVID.

Billings are expected to grow faster than the market and are projected to increase to 1,630 billion yen, up 7.3% YoY, taking into account the impact of M&A and foreign exchange rate fluctuations.

On the other hand, we expect gross margin return to the level of the fiscal year ending March 31, 2020, and SG&A expenses to increase as a result of infrastructure development based on the medium-term plan and a recovery in activity expenses, and we forecast operating income and ordinary income to decrease by 28.8%

YoY and 30.0% YoY, to ¥51.0 billion and ¥53.0 billion, respectively. Operating income before amortization of goodwill is expected to be around ¥64.0 billion, exceeding the average annual growth rate of 7% (Note 1) assumed in the medium-term plan, and is expected to be ¥1.0 billion short of the target of ¥65.0 billion for the fiscal year ending March 31, 2024.

At this point, we have not expected in any extraordinary gains or losses, and forecast net income attributable to owners of the parent at ¥26.0 billion.

(Note 1) CAGR based on the fiscal year ending March 31, 2021

(Dividend forecast)

The Company's basic policy is to pay stable and continuous dividends, while determining the amount of dividends after comprehensively taking into consideration financing needs, trends in business performance, and the need to increase retained earnings.

The dividend forecast for the end of the fiscal year ending March 31, 2022 is ¥17 per share, an increase of ¥2 per share from the previous forecast of ¥15 per share. Combined with the interim dividend of ¥15 per share already paid, the total annual dividend will be ¥32 per share.

The dividend forecast for the fiscal year ending March 31, 2023 is ¥32 per share, the same amount as the year-end dividend for the fiscal year ended March 31, 2022, despite the forecasted decrease in earnings.