February 6, 2014

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Consolidated Financial Highlights for 3Q of FY 2013

Hakuhodo DY Holdings Inc. has summarized key data from its third-quarter 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 December 31, 2013)

(Millions of yen)

	3Q of FY2012	3Q of FY2013	YoY Comparison	
	(Result)	(Result)	Change	(%)
Billings	765,139	785,005	19,865	2.6%
Revenue	129,185	134,986	5,801	4.5%
(Gross margin)	(16.9%)	(17.2%)	(+0.3%)	
SG&A expenses	109,216	112,538	3,321	3.0%
Operating income	19,969	22,448	2,479	12.4%
(Operating margin)*	(15.5%)	(16.6%)	(+1.2%)	
Non-operating items	1,661	806	(855)	
Ordinary income	21,630	23,254	1,624	7.5%
Extraordinary items	(502)	1,026	1,529	
Income before income taxes and minority interests	21,128	24,281	3,153	14.9%
Net income	10,569	12,365	1,795	17.0%

* Operating margin = Operating income / Revenue

During the first nine months of the fiscal year (April 1 to December 31, 2013) the Japanese economy saw a steady recovery trend in consumer spending and corporate earnings against a backdrop that included economic stimulus measures, a weaker yen and higher stock prices, and improvements in employment and personal incomes. In Japan’s advertising market(see note one) is beginning to show a clear recovery trend, growing 2% year on year in the first quarter, and continuing to grow even more from the second quarter onward.

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 2.6% year on year to ¥785,005 million.

By service area consolidated billings for the third quarter slightly lower year on year for the mass media services. The main factor was a year-on-year decrease in third-quarter billings, primarily due to a backswing in TV and Newspapers billings, which gave a strong performance in the same period of the previous year.
In the other than mass media services, total billings were higher year on year, supported by

strong growth in Marketing/Promotion and Outdoor media 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, Distribution/Retailing, among others. Meanwhile, Home electric appliances/AV equipment, Transportation/Leisure and Foodstuffs were among industries where billings declined (see Note 2).

Revenue increased ¥5,801 million, or 4.5%, year on year to ¥134,986 million, reflecting the continuation of a range of measures designed to boost profitability throughout the Group. SG&A expenses, increased 3.0% 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 12.4% year on year to ¥22,448 million and achieved record high income, and ordinary income was ¥23,254 million, up 7.5% from the previous year.

Income before income taxes and minority interests was ¥24,281 million (up 14.9% year on year) coupled with ¥1,657 million in extraordinary income (up 170.3% year on year) and extraordinary loss of ¥630 million (down 43.5% year on year). As a result, after deduction of taxes and minority interests, net income was ¥12,365 million (up 17.0% 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 December 31, 2013

(Millions of yen)

	31-Mar-13		31-Dec-13		Comparison with March 31, 2013	
	Amount	Share	Amount	Share	Change	(%)
Current assets	410,264	77.6%	405,141	75.9%	(5,122)	-1.2%
Fixed assets	118,270	22.4%	128,919	24.1%	10,649	9.0%
Total assets	528,535	100.0%	534,061	100.0%	5,526	1.0%
Current liabilities	281,842	53.3%	270,476	50.6%	(11,366)	-4.0%
Non-current liabilities	12,340	2.4%	13,338	2.5%	998	8.1%
Total liabilities	294,182	55.7%	283,814	53.1%	(10,367)	-3.5%
Total shareholders' equity	215,279	40.7%	223,847	41.9%	8,567	4.0%
Total net unrealized gains on securities and translation adjustments	6,339	1.2%	12,253	2.3%	5,914	93.3%
Subscription rights to shares	242	0.0%	274	0.1%	31	13.0%
Minority interests	12,490	2.4%	13,870	2.6%	1,380	11.0%
Total net assets	234,352	44.3%	250,246	46.9%	15,894	6.8%
Total liabilities and net assets	528,535	100.0%	534,061	100.0%	5,526	1.0%

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 third quarter and the most recent performance trends. The probability of achieving the full-year forecasts announced on May 9, 2013 is increasing for both billings and profits, and there is a strong possibility that they will exceed the forecasts. However, since they are not expected to exceed the forecast at the level that requires timely disclosure (billings±10%, profit±30%), and since it has been uncertain at this point in time in past years what clients movements would be in March, 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)

	Full-year			
	FY2012 (Result)	FY2013 (Forecasts)	Y o Y Comparisons	
			Change	(%)
Billings	1,045,431	1,087,000	41,568	4.0%
Operating income	26,319	30,000	3,680	14.0%
Ordinary income	28,010	31,500	3,489	12.5%
Net income	12,894	15,500	2,605	20.2%
(Operating margin)*	(15.0%)	(16.2%)	(+1.3%)	

* Operating margin = Operating income / Revenue

(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.