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Consolidated Financial Highlights for 1Q of FY 2014

Hakuhodo DY Holdings Inc. has summarized key data from its first-quarter earnings report for fiscal 2014, the year ending March 31, 2015, released today, in the following reference materials.

1. Summary Consolidated Income Statements (April 1 to June 30, 2014)

(Millions of yen)

	1Q of FY2013 (Result)	1Q of FY2014 (Result)	YoY Comparison	
			Change	(%)
Billings	246,437	259,705	13,268	5.4%
Revenue	40,780	44,470	3,689	9.0%
(Gross margin)	(16.5%)	(17.1%)	(+0.6%)	
SG&A expenses	36,991	38,698	1,706	4.6%
Operating income	3,788	5,771	1,983	52.3%
(Operating margin)*	(9.3%)	(13.0%)	(+3.7%)	
Non-operating items	399	528	129	
Ordinary income	4,187	6,300	2,112	50.5%
Extraordinary items	(157)	122	279	
Income before income taxes and minority interests	4,030	6,423	2,392	59.4%
Net income	1,299	2,773	1,474	113.5%

* Operating margin = Operating income / Revenue

During the first quarter (April 1 to June 30, 2014), the Japanese economy experienced weak retail consumption and housing investment in the wake of a rush in demand prior to the April 1 consumption tax hike, but continued to show a gradual recovery, supported by a solid employment and earnings environment. The domestic advertising market[*1] got off to a solid start, with total sales in April flat with April 2013 and year-on-year growth in May.

In this business environment, the Hakuhodo DY Group continued to proactively develop its business as per the Medium-Term Business Plan announced in November 2013, covering the period through fiscal 2018. As a result, billings rose 5.4% year on year, to ¥259,705 million.

By service area, first-quarter billings for the mass media services grew 2.8% year on year, on growth in television from strength in TV ad spots and radio. Billings for the other than mass media services rose 7.3% year on year, mainly from growth in Internet media and Marketing / Promotion.

By client industry, year-on-year billings growth was recorded in industries including Information / Communications, Cosmetics / Toiletries, and Foodstuffs, while industries with year-on-year declines included Automobiles / Related products, Real estate / Housing facilities, and Publications.[*2]

Revenue increased ¥3,689 million, or 9.0%, year on year, to ¥44,470 million, as a result of various ongoing activities to raise profitability across the Group. SG&A expenses were affected by the inclusion of profit and loss at companies newly added to the scope of consolidation, but with efforts to make expenditures more efficient and concentrated, the increase in SG&A expenses was held to 4.6%. As a result, both operating income and ordinary income increased by wide margins; by 52.3%, to ¥5,771 million, for operating income, and by 50.5%, to ¥6,300 million, for ordinary income.

With the additional recording of a 316.1% year-on-year increase in extraordinary income, to ¥301 million, and a 22.2% year-on-year decrease in extraordinary loss, to ¥178 million, income before income taxes and minority interests rose 59.4%, to ¥6,423 million, and after the payment of income taxes and deduction of minority interests, net income grew 113.5%, to ¥2,773 million.

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 June 30, 2014

(Millions of yen)

	31-Mar-14		30-Jun-14		Comparison with March 31, 2014	
	Amount	Share	Amount	Share	Change	(%)
Current assets	455,063	77.9%	409,245	75.9%	(45,817)	-10.1%
Fixed assets	128,907	22.1%	130,210	24.1%	1,302	1.0%
Total assets	583,970	100.0%	539,455	100.0%	(44,515)	-7.6%
Current liabilities	313,681	53.7%	277,376	51.4%	(36,304)	-11.6%
Non-current liabilities	15,779	2.7%	26,781	5.0%	11,002	69.7%
Total liabilities	329,460	56.4%	304,158	56.4%	(25,302)	-7.7%
Total shareholders' equity	230,203	39.4%	210,261	39.0%	(19,941)	-8.7%
Total net unrealized gains on securities and translation adjustments	8,850	1.6%	9,006	1.7%	156	1.8%
Subscription rights to shares	209	0.0%	148	0.0%	(61)	-29.5%
Minority interests	15,246	2.6%	15,881	2.9%	634	4.2%
Total net assets	254,510	43.6%	235,297	43.6%	(19,212)	-7.5%
Total liabilities and net assets	583,970	100.0%	539,455	100.0%	(44,515)	-7.6%

3. Consolidated Forecasts for Fiscal 2014 (April 1, 2014 to March 31, 2015)

The Company has reviewed its consolidated business forecasts for the first half of fiscal 2014 in light of first-quarter results and recent developments. Although there is a possibility of an overshoot for operating income, the forecast has been left unchanged given the difficulty in estimating monthly billings for September, following a large increase in September 2013.

The full-year consolidated business forecasts have not been reviewed in light of the unclear outlook for developments in the second half.

For reference, the first-half and full-year consolidated business forecasts for the fiscal year ending March 31, 2015, announced on May 9, 2014, are as follows.

(Millions of yen)

	1H			2H			Full-year		
	FY2014	Y o Y Comparisons		FY2014	Y o Y Comparisons		FY2014	Y o Y Comparisons	
	(Forecasts)	Change	(%)	(Forecasts)	Change	(%)	(Forecasts)	Change	(%)
Billings	536,300	30,949	6.1%	614,700	24,141	4.1%	1,151,000	55,090	5.0%
Operating income	13,500	513	4.0%	22,000	1,071	5.1%	35,500	1,583	4.7%
Ordinary income	14,900	919	6.6%	22,700	1,249	5.8%	37,600	2,167	6.1%
Net income	7,450	121	1.7%	11,450	57	0.5%	18,900	178	1.0%
(Operating margin)*	(14.5%)	(-0.4%)		(20.3%)	(-0.0%)		(17.6%)	(-0.2%)	

* Operating margin = Operating income / Revenue

For reference, the consolidated forecast for the fiscal year ending March 31, 2015 is as follows.

◎Macro environment: Growth in Japan's advertising market of around +2-3%
In the fiscal year ending March 31, 2015, Japan's advertising market is expected to experience modest growth of around 2-3% against the backdrop of a recovery in the Japanese economy. Overseas advertising markets centered on Asia are expected to grow at a faster pace than the Japanese market.

◎Billings: ¥1,151 billion, up 5.0% year on year
In this climate, the Group aims to achieve growth above the market average through steady enactment of the strategic initiatives outlined in the new medium-term business plan, and by expanding its market share.

◎Operating income: ¥35.5 billion, or up 4.7% year on year
The Group is aiming to increase revenue by retaining a high gross margin and incorporating contributions from newly consolidated subsidiaries. In SG&A expenses, the Group is projecting an increase due to factors such as increases in amortization of goodwill relating to newly consolidated subsidiaries and making strategic investments in certain expenses with an eye on the future. Nevertheless, the Group will control the rate of increase to be close to growth rate of revenue by continuing the efforts to enhance efficiency and consolidate expenses. As a result, the Group is projecting a 4.7% year-on-year increase in full-year operating income to ¥35.5 billion.
Under its new medium-term business plan, the Group has assigned operating income before amortization of goodwill as a management target, and is projecting that of ¥36.8 billion for the year ending March 31, 2015.

◎Ordinary income: ¥37.6 billion, up 6.1% year on year
Ordinary income, including dividend income, equity in investment income from affiliates, and other non-operating items, is projected to be ¥37.6 billion, or 6.1% higher year on year.

◎Net income: ¥18.9 billion, up 1.0% year on year.
The Group recorded extraordinary income for the year ended March 31, 2014; however, no significant extraordinary items are forecasted at this time. Consequently, net income is projected to increase 1.0% year on year, to ¥18.9 billion.

(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.