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Consolidated Financial Highlights for 1Q of FY2015

Hakuhodo DY Holdings Inc. has summarized key data from its first-quarter earnings report for fiscal 2015, the year ending March 31, 2016, released today, in the following reference materials.

1. Summary of Consolidated Income Statements (April 1 to June 30, 2015)

(Millions of yen)

	1Q of FY2014 (Result)	1Q of FY2015 (Result)	YoY Comparison Change	YoY Comparison (%)
Billings	259,705	266,329	6,624	2.6%
Revenue	44,470	48,466	3,996	9.0%
(Gross margin)	(17.1%)	(18.2%)	(+1.1%)	
SG&A expenses	38,698	42,451	3,753	9.7%
Operating income	5,771	6,014	242	4.2%
(Operating margin)*	(13.0%)	(12.4%)	(-0.6%)	
Non-operating items	528	755	227	
Ordinary income	6,300	6,770	469	7.5%
Extraordinary items	122	(71)	(194)	
Income before income taxes and minority interests	6,423	6,698	275	4.3%
Profit attributable to owners of parent	2,773	2,976	203	7.3%

* Operating margin = Operating income / Revenue

The underlying tone of gradual recovery in the Japanese economy continued during the first quarter (April 1 to June 30, 2015) of the fiscal year ending March 31, 2016. Although the slowing of the Chinese economy had a negative effect on exports and manufacturing, retail consumption was firm, underpinned by steady improvement in the environment for employment and income, and corporate capital investment also showed signs of a rebound. The domestic advertising market[*1] got off to a solid start, with year-on-year growth recorded in both April and May.

In this business environment, the Hakuhodo DY Group continued its proactive business development under the Medium-Term Business Plan covering the period through March 2019, and as a result billings for the first quarter rose 2.6% year on year, to ¥266,329 million.

By service area, first-quarter billings for mass media services declined year on year, reflecting strong billings for Television in the year-earlier period and weakness in Newspapers, Magazines, and Radio. Billings for other than mass media services rose year on year, led by Internet media, but with growth in all areas.

By client industry, a wide range of industries reported growth, led by Restaurant / Services, Information / Communications, and Pharmaceuticals / Medical supplies. On the other hand, Beverages / Cigarettes / Luxury foods, Real estate / Housing facilities, and Foodstuffs recorded the largest declines.[*2]

Revenue grew ¥3,996 million year on year, or 9.0%, to ¥48,466 million, on the continued success of various measures to raise profitability across the Group. Selling, general, and administrative (SG&A) expenses grew 9.7% from mergers and acquisitions to strengthen the organization and other strategic outlays, and as a result operating income grew 4.2% year on year, to ¥6,014 million, and ordinary income rose 7.5%, to ¥6,770 million.
With the additional recording of a 29.7% decrease in extraordinary gains, to ¥211 million, and a 58.7% increase in extraordinary losses, to ¥283 million, income before income taxes and minority interests rose 4.3%, to ¥6,698 million, and profit attributable to owners of parent grew 7.3%, to ¥2,976 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, 2015

(Millions of yen)

	31-Mar-15		30-Jun-15		Comparison with March 31, 2015	
	Amount	Share	Amount	Share	Change	(%)
Current assets	473,844	74.8%	423,371	72.1%	(50,473)	-10.7%
Fixed assets	160,059	25.2%	164,172	27.9%	4,112	2.6%
Total assets	633,904	100.0%	587,543	100.0%	(46,360)	-7.3%
Current liabilities	321,299	50.7%	276,164	47.0%	(45,134)	-14.0%
Non-current liabilities	29,875	4.7%	30,512	5.2%	636	2.1%
Total liabilities	351,175	55.4%	306,676	52.2%	(44,498)	-12.7%
Total shareholders' equity	224,550	35.5%	223,734	38.1%	(815)	-0.4%
Accumulated other comprehensive income	39,026	6.1%	38,085	6.5%	(940)	-2.4%
Subscription rights to shares	197	0.0%	191	0.0%	(6)	-3.4%
Noncontrolling interest	18,954	3.0%	18,854	3.2%	(99)	-0.5%
Total net assets	282,729	44.6%	280,866	47.8%	(1,862)	-0.7%
Total liabilities and net assets	633,904	100.0%	587,543	100.0%	(46,360)	-7.3%

3. Consolidated Forecasts for Fiscal 2015 (April 1, 2015 to March 31, 2016)

The Group has reviewed its consolidated results forecast for the first half and for the full fiscal year ending March 31, 2016, in light of first-quarter and current results. Nevertheless, our outlook for full-year consolidated results announced on May 12, 2015, is unchanged, and we are therefore not making any revisions to our forecasts at this time.

With regard to first-half results, trends in the domestic advertising market going forward suggest the possibility of a slight shortfall in billings, but with efforts to raise the gross margin and SG&A expense controls, we do not anticipate any major divergence from our profit forecasts.

For reference, the forecasts for consolidated results for the fiscal year ending March 31, 2016, announced on May 12, 2015, are as follows.

For reference, the consolidated forecast for the fiscal year ending March 31, 2016, is as follows.

(Millions of yen)

	1H			2H			Full-year		
	FY2015 (Forecasts)	Y o Y Comparisons Change	(%)	FY2015 (Forecasts)	Y o Y Comparisons Change	(%)	FY2015 (Forecasts)	Y o Y Comparisons Change	(%)
Billings	561,000	26,483	5.0%	633,000	36,451	6.1%	1,194,000	62,935	5.6%
Operating income	16,000	138	0.9%	22,800	1,839	8.8%	38,800	1,978	5.4%
Ordinary income	16,700	(93)	-0.6%	23,600	1,488	6.7%	40,300	1,395	3.6%
Profit attributable to owners of parent	8,550	(873)	-9.3%	12,350	1,893	18.1%	20,900	1,020	5.1%
(Operating margin)*	(15.8%)	(-0.8%)		(19.5%)	(+0.5%)		(17.8%)	(-0.1%)	

* Operating margin = Operating income / Revenue

The above forecast was formulated based on the following projections.

◎ Macro environment: Solid growth in Japan's advertising market surpassing 2%

We expect the domestic advertising market to show steady growth of at least 2% in the year to March 2016, based on a trend of economic growth in Japan led by retail consumption. In overseas markets, particularly in Asia, while we expect growth to slow somewhat in greater China, we see overall growth outpacing that of the domestic market.

◎ Billings: ¥1,194 billion, up 5.6% 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 Medium-Term Business Plan and by expanding its market share.

◎ Operating income: ¥38.8 billion, up 5.4% year on year

We are 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 expansion 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 the rate of revenue growth by continuing efforts to enhance efficiency and consolidate expenses. As a result, the Group is projecting a 5.4% year-on-year increase in full-year operating income, to ¥38.8 billion.

Under its new Medium-Term Business Plan, the Group has assigned operating income before amortization of goodwill as a management target, with a projection of ¥407.0 billion for the year ending March 31, 2016.

◎ Ordinary income: ¥40.3 billion, up 3.6% year on year

Ordinary income, including dividend income, equity in investment income from affiliates, and other non-operating items, is projected to be ¥40.3 billion, or 3.6% higher year on year.

◎ Profit attributable to owners of parent: ¥20.9 billion, up 5.1% year on year

No major extraordinary gains or losses are anticipated at this time; therefore, we are forecasting a 5.1% increase in profit attributable to owners of parent, to ¥20.9 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.