

Consolidated Financial Highlights for Total of FY2015

Hakuholdo DY Holdings Inc. has summarized key data from its earnings report for fiscal 2015, the year ended March 31, 2016, released today, in the following reference materials.

1. Summary of Consolidated Income Statements (April 1, 2015, to March 31, 2016)

(Millions of yen)

	FY2014 (Result)	FY2015 (Result)	YoY Comparison	
			Change	(%)
Billings	1,131,064	1,215,250	84,185	7.4%
Revenue	205,867	232,498	26,631	12.9%
(Gross margin)	(18.2%)	(19.1%)	(+0.9%)	
SG&A expenses	169,045	187,503	18,458	10.9%
Operating income	36,821	44,994	8,173	22.2%
(Operating margin)*	(17.9%)	(19.4%)	(+1.5%)	
Non-operating items	2,083	2,500	417	
Ordinary income	38,904	47,495	8,590	22.1%
Extraordinary items	19	(1,243)	(1,263)	
Income before income taxes and minority interests	38,924	46,251	7,327	18.8%
Profit attributable to owners of parent	19,879	28,531	8,652	43.5%

* Operating margin = Operating income / Revenue

Dividend per share	¥15.0	¥18.0	¥3.0
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During fiscal 2015 (April 1, 2015, to March 31, 2016), the Japanese economy showed an underlying tone of gradual recovery. Although exports and manufacturing were affected by slowing growth in the Chinese economy, the environment for employment showed a steady improvement and corporate earnings remained high. The outlook for Japan's economy became more uncertain from the fourth quarter, however, as turmoil in financial markets since the beginning of 2016 has depressed both consumer and corporate sentiment. On the other hand, the domestic advertising market^{*1} showed steady growth, with roughly 2% year-on-year growth through the second quarter and growth of more than 4% from the third quarter.

Against this backdrop, the Hakuholdo DY Group continued its proactive business development under the Medium-Term Business Plan covering the period through March 2019. As a result, billings for fiscal 2015 rose 7.4% from fiscal 2014, to ¥1,215,250 million.

By service area, although first-half billings for mass media services were lower year on year, a recovery in television from the second half led to an overall increase for the full year. Billings for other than mass media services rose year on year, mainly from growth in Internet media.

By client industry, billings showed growth in a wide range of industries led by Distribution / Retailing, Information / Communications, and Transportation / Leisure, while declines were recorded in Automobiles / Related products, Home electric appliances / AV equipment, and Education / Medical services / Religion.^{*2}

Revenue grew ¥26,631 million, or 12.9%, to ¥232,498 million, from the addition of new subsidiaries to the scope of consolidation and continued initiatives to raise profitability across the Group. Selling, general and administrative (SG&A) expenses rose 10.9% as a result of investments including mergers and acquisitions to strengthen the organization and other strategic investments under the Medium-Term Business Plan. With the rate of increase in SG&A expenses being held below the rate of revenue growth, operating income rose 22.2%, to ¥44,994 million, and ordinary income grew 22.1%, to ¥47,495 million, with both increases coming on top of the previous year's record profit.

With the additional recording of ¥1,142 million of extraordinary gains and ¥2,386 million of extraordinary losses, income before income taxes and minority interests rose 18.8%, to ¥46,251 million, and profit attributable to owners of parent grew 43.5%, to ¥28,531 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 March 31, 2016

	31-Mar-15		31-Mar-16		(Millions of yen)	
	Amount	Share	Amount	Share	Comparison with March 31, 2015	
					Change	(%)
Current assets	473,844	74.8%	498,308	73.4%	24,463	5.2%
Fixed assets	160,059	25.2%	180,224	26.6%	20,164	12.6%
Total assets	633,904	100.0%	678,532	100.0%	44,628	7.0%
Current liabilities	321,299	50.7%	352,961	52.0%	31,662	9.9%
Non-current liabilities	29,875	4.7%	31,539	4.7%	1,664	5.6%
Total liabilities	351,175	55.4%	384,501	56.7%	33,326	9.5%
Total shareholders' equity	224,550	35.5%	245,637	36.2%	21,086	9.4%
Accumulated other comprehensive income	39,026	6.1%	27,520	4.0%	(11,505)	-29.5%
Subscription rights to shares	197	0.0%	223	0.0%	25	13.0%
Noncontrolling interest	18,954	3.0%	20,648	3.1%	1,694	8.9%
Total net assets	282,729	44.6%	294,031	43.3%	11,301	4.0%
Total liabilities and net assets	633,904	100.0%	678,532	100.0%	44,628	7.0%

3. Consolidated Forecasts for Fiscal 2016 (April 1, 2016 to March 31, 2017)

For reference, the consolidated forecast for the fiscal year ending March 31, 2017, is as follows.

(Millions of yen)

	1H			2H			Full-year		
	FY2016 (Forecasts)	Y o Y Comparisons		FY2016 (Forecasts)	Y o Y Comparisons		FY2016 (Forecasts)	Y o Y Comparisons	
		Change	(%)		Change	(%)		Change	(%)
Billings	584,900	37,710	6.9%	686,100	18,039	2.7%	1,271,000	55,749	4.6%
Operating income	17,300	959	5.9%	29,200	545	1.9%	46,500	1,505	3.3%
Ordinary income	17,950	170	1.0%	29,750	34	0.1%	47,700	204	0.4%
Profit attributable to owners of parent	9,850	(414)	-4.0%	16,550	(1,717)	-9.4%	26,400	(2,131)	-7.5%
(Operating margin)*	(15.2%)	(-0.5%)		(21.9%)	(-0.4%)		(18.8%)	(-0.6%)	

* Operating margin = Operating income / Revenue

The above forecast was formulated based on the following projections.

◎ Macro environment: Domestic advertising market to grow roughly 2%

Despite an uncertain outlook for the Japanese economy, we see various items leading to growth in corporate marketing activities and expect the domestic advertising market to grow roughly 2% in fiscal 2016. In overseas advertising markets, although growth in greater China is slowing, the overall market is still seen outpacing Japan's growth.

◎ Billings: ¥1,271.0 billion, up 4.6% year on year

Given this environment, 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: ¥46.5 billion, up 3.3% year on year

We are aiming for revenue to grow at a higher rate than billings by maintaining a high gross margin and with a full-year contribution from mergers and acquisitions carried out in the previous fiscal year. In terms of SG&A expenses, although we will strive to make expenditures more efficient, amortization of goodwill related to mergers and acquisitions is set to grow, and in addition to strategic investments for the future, lower pension fund yields and a reduction to the discount rate will increase pension-related expenses, and we see the rate of SG&A expense growth surpassing the rate of revenue growth. As a result, we are forecasting a 3.3% increase in operating income, to ¥46.5 billion.

Our forecast for operating income before amortization of goodwill, the most important management index under the Medium-Term Business Plan, is ¥49.8 billion.

◎ Ordinary income: ¥47.7 billion, up 0.4% year on year

With non-operating items including dividend income and equity in earnings of affiliates, we are forecasting a 0.4% increase in ordinary income, to ¥47.7 billion.

◎ Profit attributable to owners of parent: ¥26.4 billion, down 7.5% year on year

No major extraordinary losses are forecast at this time. Nevertheless, in the absence of the previous year's factors that reduced corporate income taxes, we are forecasting a 7.5% decline in profit attributable to owners of parent, to ¥26.4 billion.

Based on the Group's fundamental policy of paying a stable dividend, and comprehensively taking into account our business performance and future outlook, we intend to increase the ordinary dividend for the year ending March 31, 2017, by ¥6 per share from the ¥18 per share paid for the year ended March 31, 2016, for a full-year dividend of ¥24 per share.

(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.