

Hakuhodo DY holdings

Consolidated Financial Highlights Fiscal Year Ended March 31, 2017 (FY2016)

2017.5.12

Cautionary statement concerning forward-looking statements, Note concerning audits

This presentation includes forward-looking statements concerning forecasts of operating results, business plans and policies, management strategies, goals, plans, numbers involving the future, views and evaluations of facts, and other items associated with Hakuhodo DY Holdings and its group companies. These and other statements that are not historical facts represent forecasts, expectations, assumptions, plans, views, evaluations and other positions of management based on information available when this presentation was prepared.

To prepare figures used for forecasts and predictions, confirmed facts from past activities have been combined with certain assumptions that are essential to formulating forecasts and predictions. Due to the nature of these facts and assumptions, there is no guarantee of their accuracy from an objective viewpoint or any guarantee that future events will occur as presented in these forward-looking statements.

The following is a list of some, but not all, risks and uncertainties that may prevent these facts and assumptions from being accurate from an objective viewpoint or from becoming a reality in the future.

- (1) Risks associated with the advertising industry in general (changes in the advertising industry climate due to fluctuations in the economy, changes in business practices and other events)
- (2) Risks associated with revisions of laws and regulations
- (3) Risks associated with advertisers and media companies (the need to respond accurately to shifts in needs of customers and other entities the company does business with)
- (4) Risks associated with competition (competition with other advertising agencies, companies newly entering the industry and others)
- (5) Risks associated with the expansion of business domains resulting from structural changes in markets
- (6) Risks associated with conducting business on a global scale
- (7) Risks associated with lawsuits and similar actions

Billings by industry, billings by service area, and highlights of operating results at major subsidiaries were not audited by the Company's independent auditor.

Consolidated Financial Highlights for FY 2016

Consolidated Financial Highlights (1)

¥47.2 Billion: Fifth Consecutive Year of Record Operating Income

◎ Billings: ¥1,255.4 billion, up 3.3% year on year

- Growth through continued strength in domestic billings making up for poor 2H performance overseas.
- » By client industry : Billings increased in Information / Communications, Cosmetics / Toiletries, and Household products.
: Billings decreased in Automobiles / Related products, Pharmaceuticals / Medical supplies, and Restaurant / Services.
- » By service area : Television experienced a downturn after a strong performance in the previous year. Newspapers, Magazines, and Radio also performed sluggishly, leading to decreases in “Mass media services subtotal.”
: Internet media and Creative performed strongly, leading to growth in “Other than mass media services subtotal.”

◎ Revenue: ¥248.6 billion, up 6.9%, or ¥16.1 billion year on year

◎ Gross margin: 19.8%, up 0.7 of a percentage point year on year

- Broad-based initiatives to improve profitability throughout the Group, from advertising to integrated media companies, led to a higher gross margin.
- Overseas revenue grew as the result of initiatives, particularly in fee businesses, leading to an approximate gross margin increase of only 0.1 point.

◎ SG&A expenses: ¥201.3 billion, up 7.4%, or ¥13.8 billion year on year

- SG&A expenses rose on investments including mergers and acquisitions to strengthen the organization and other strategic investments, as well as retirement benefit expenses and amortization of goodwill. However, this increase was restricted by efforts to control SG&A expenses.

◎ Operating income: ¥47.2 billion, up 5.0%, or ¥2.2 billion year on year

- Increases in SG&A expenses were absorbed by revenue growth, resulting in a fifth consecutive year of record operating income.

◎ Operating income before amortization of goodwill: ¥50.3 billion, up 6.5%, or ¥3.0 billion year on year

◎ Incremental effect of mergers and acquisitions (approximate): Revenue: +¥3.1 billion; SG&A (including amortization of goodwill): +¥4.2 billion; Operating income: -¥1.1 billion

◎ Net income: ¥25.8 billion, down 9.3%, or ¥2.6 billion year on year

- Net income declined in the absence of the previous year's temporary elements to reduce corporate income taxes.

◎ ROE : 9.0%

Consolidated Financial Highlights (2)

(Millions of yen)

	1H of				2H of				Total of			
	FY2015	FY2016	YoY comparisons		FY2015	FY2016	YoY comparisons		FY2015	FY2016	YoY comparisons	
			Change	(%)			Change	(%)			Change	(%)
Billings	547,189	573,548	26,358	4.8%	668,060	681,926	13,865	2.1%	1,215,250	1,255,474	40,224	3.3%
Revenue	103,961	112,730	8,768	8.4%	128,536	135,910	7,373	5.7%	232,498	248,640	16,141	6.9%
(Gross margin)	(19.0%)	(19.7%)	(+0.7%)		(19.2%)	(19.9%)	(+0.7%)		(19.1%)	(19.8%)	(+0.7%)	
SG&A expenses	87,621	94,891	7,270	8.3%	99,882	106,487	6,605	6.6%	187,503	201,379	13,875	7.4%
Operating income	16,340	17,838	1,498	9.2%	28,654	29,422	768	2.7%	44,994	47,261	2,266	5.0%
(Operating margin)	(15.7%)	(15.8%)	(+0.1%)		(22.3%)	(21.6%)	(-0.6%)		(19.4%)	(19.0%)	(-0.3%)	
Non-operating items	1,439	1,747	307		1,061	(3,517)	(4,578)		2,500	(1,769)	(4,270)	
Ordinary income	17,779	19,586	1,806	10.2%	29,715	25,905	(3,810)	-12.8%	47,495	45,491	(2,004)	-4.2%
Extraordinary items	(163)	(510)	(346)		(1,080)	(21)	1,058		(1,243)	(531)	712	
Income before income taxes and minority interests	17,616	19,075	1,459	8.3%	28,635	25,884	(2,751)	-9.6%	46,251	44,959	(1,292)	-2.8%
Net income	10,264	10,744	480	4.7%	18,267	15,135	(3,131)	-17.1%	28,531	25,880	(2,651)	-9.3%

Amortization of goodwill	803	1,334	530	66.0%	1,486	1,785	299	20.1%	2,290	3,120	830	36.2%
Operating Income before Amortization of goodwill	17,144	19,173	2,029	11.8%	30,140	31,208	1,067	3.5%	47,285	50,381	3,096	6.5%
Operating margin before Amortization of goodwill	16.5%	17.0%	(+0.5%)		23.4%	23.0%	(-0.5%)		20.3%	20.3%	(-0.1%)	

(Operating margin = Operating income / Revenue)

Dividend per share	9.0	12.0		(yen)	9.0	12.0			18.0	24.0	6.0	(yen)
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- Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.
 (2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.
 (3) Net income refers to profit attributable to owners of parent.

Consolidated Financial Highlights (3)

(Millions of yen)

	1Q of			2Q of			3Q of			4Q of			Total of		
	FY2016	YoY comparisons		FY2016	YoY comparisons		FY2016	YoY comparisons		FY2016	YoY comparisons		FY2016	YoY comparisons	
		Change	(%)		Change	(%)		Change	(%)		Change	(%)		Change	(%)
Billings	279,107	12,778	4.8%	294,440	13,580	4.8%	324,188	(169)	-0.1%	357,737	14,035	4.1%	1,255,474	40,224	3.3%
Revenue	53,551	5,085	10.5%	59,178	3,683	6.6%	62,940	1,218	2.0%	72,969	6,154	9.2%	248,640	16,141	6.9%
(Gross margin)	(19.2%)	(+1.0%)		(20.1%)	(+0.3%)		(19.4%)	(+0.4%)		(20.4%)	(+1.0%)		(19.8%)	(+0.7%)	
SG&A expenses	47,740	5,289	12.5%	47,150	1,980	4.4%	48,985	1,877	4.0%	57,502	4,728	9.0%	201,379	13,875	7.4%
Operating income	5,810	(203)	-3.4%	12,027	1,702	16.5%	13,955	(658)	-4.5%	15,466	1,426	10.2%	47,261	2,266	5.0%
(Operating margin)	(10.9%)	(-1.6%)		(20.3%)	(+1.7%)		(22.2%)	(-1.5%)		(21.2%)	(+0.2%)		(19.0%)	(-0.3%)	
Non-operating items	923	167		824	140		(593)	(1,126)		(2,923)	(3,451)		(1,769)	(4,270)	
Ordinary income	6,733	(36)	-0.5%	12,852	1,842	16.7%	13,362	(1,784)	-11.8%	12,543	(2,025)	-13.9%	45,491	(2,004)	-4.2%
Extraordinary items	(376)	(304)		(133)	(41)		79	428		(101)	630		(531)	712	
Income before income taxes and minority interests	6,357	(341)	-5.1%	12,718	1,800	16.5%	13,442	(1,356)	-9.2%	12,441	(1,395)	-10.1%	44,959	(1,292)	-2.8%
Net income	3,030	53	1.8%	7,714	426	5.9%	7,765	(866)	-10.0%	7,370	(2,265)	-23.5%	25,880	(2,651)	-9.3%

Amortization of goodwill	693	324	87.8%	641	206	47.5%	991	335	51.2%	794	(36)	-4.4%	3,120	830	36.2%
Operating Income before Amortization of goodwill	6,504	120	1.9%	12,668	1,908	17.7%	14,946	(322)	-2.1%	16,261	1,389	9.3%	50,381	3,096	6.5%
Operating margin before Amortization of goodwill	12.1%	(-1.0%)		21.4%	(+2.0%)		23.7%	(-1.0%)		22.3%	(+0.0%)		20.3%	(-0.1%)	

(Operating margin = Operating income / Revenue)

- Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.
(3) Net income refers to profit attributable to owners of parent.

Consolidated Financial Highlights (4)

【Differences between full-year results and forecast announced in February 2017】

(Millions of yen)

	Full Year	Full Year			Full Year			Difference between full-year results and forecast announced in February 2017	
	FY2015 (Result)	New forecasts as of Feb 6,'17	YoY comparisons		FY2016 (Result)	YoY comparisons			
			Change	(%)		Change	(%)	Change	(%)
Billings	1,215,250	1,244,000	28,749	2.4%	1,255,474	40,224	3.3%	11,474	0.9%
Revenue	232,498	244,500	12,001	5.2%	248,640	16,141	6.9%	4,140	1.7%
(Gross margin)	(19.1%)	(19.7%)	(+0.5%)		(19.8%)	(+0.7%)		(+0.2%)	
SG&A expenses	187,503	198,000	10,496	5.6%	201,379	13,875	7.4%	3,379	1.7%
Operating income	44,994	46,500	1,505	3.3%	47,261	2,266	5.0%	761	1.6%
(Operating margin)	(19.4%)	(19.0%)	(-0.3%)		(19.0%)	(-0.3%)		(-0.0%)	
Non-operating items	2,500	1,200	(1,300)		(1,769)	(4,270)		(2,969)	
Ordinary income	47,495	47,700	204	0.4%	45,491	(2,004)	-4.2%	(2,208)	-4.6%
Extraordinary items	(1,243)	(650)	593		(531)	712		118	
Income before income Taxes and minority interests	46,251	47,050	798	1.7%	44,959	(1,292)	-2.8%	(2,090)	-4.4%
Net income	28,531	26,400	(2,131)	-7.5%	25,880	(2,651)	-9.3%	(519)	-2.0%
Dividend per share	18.0	24.0	(yen)		24.0	(yen)			

(Operating margin = Operating income / Revenue)

Amortization of goodwill	2,290	3,300	1,009	44.1%	3,120	830	36.2%	(179)	-5.4%
Operating Income before Amortization of goodwill	47,285	49,800	2,514	5.3%	50,381	3,096	6.5%	581	1.2%
Operating margin before Amortization of goodwill	20.3%	20.4%	(+0.0%)		20.3%	(-0.1%)		(-0.1%)	

Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(3) Net income refers to profit attributable to owners of parent.

Results by Region (1)

(Millions of yen)		Total of			
		FY2015	FY2016	YoY comparisons	
				Change	(%)
Japan	Billings	1,144,300	1,190,483	46,182	4.0%
	Revenue	208,554	223,625	15,071	7.2%
	(Gross margin)	(18.2%)	(18.8%)	(+0.6%)	
	Operating Income	56,846	61,112	4,266	7.5%
	(Operating margin)	(27.3%)	(27.3%)	(+0.1%)	
International	Billings	77,348	73,328	(4,019)	-5.2%
	Revenue	26,437	27,654	1,216	4.6%
	(Gross margin)	(34.2%)	(37.7%)	(+3.5%)	
	Operating Income	214	(1,014)	(1,228)	
	(Operating margin)	(0.8%)	(-3.7%)	(-4.5%)	
Total	Billings	1,221,648	1,263,812	42,163	3.5%
	Revenue	234,992	251,280	16,287	6.9%
	Operating Income	57,060	60,098	3,038	5.3%
Elimination or corporate	Billings	(6,398)	(8,337)	(1,938)	30.3%
	Revenue	(2,493)	(2,639)	(146)	5.9%
	Operating Income	(12,065)	(12,837)	(771)	6.4%
Consolidation	Billings	1,215,250	1,255,474	40,224	3.3%
	Revenue	232,498	248,640	16,141	6.9%
	(Gross margin)	(19.1%)	(19.8%)	(+0.7%)	
	Operating Income	44,994	47,261	2,266	5.0%
	(Operating margin)	(19.4%)	(19.0%)	(-0.3%)	

■ Overseas revenue ■

Significant negative factors held growth in total overseas revenues to 4.6%.

《Positive factors》

- Contribution from M&A, mainly in North America
- Strong performance of ASEAN business (actual double-digit growth)

《Negative factors》

- Yen' s 10%+ appreciation
- Weak business in the Greater China Region

Results by Region (2)

(Millions of yen)		1H of				2H of				Total of			
		FY2015	FY2016	YoY comparisons		FY2015	FY2016	YoY comparisons		FY2015	FY2016	YoY comparisons	
				Change	(%)			Change	(%)			Change	(%)
Japan	Billings	518,247	540,648	22,400	4.3%	626,052	649,835	23,782	3.8%	1,144,300	1,190,483	46,182	4.0%
	Revenue	94,648	100,291	5,642	6.0%	113,905	123,333	9,428	8.3%	208,554	223,625	15,071	7.2%
	(Gross margin)	(18.3%)	(18.6%)	(+0.3%)		(18.2%)	(19.0%)	(+0.8%)		(18.2%)	(18.8%)	(+0.6%)	
	Operating Income	21,862	23,994	2,132	9.8%	34,983	37,117	2,134	6.1%	56,846	61,112	4,266	7.5%
	(Operating margin)	(23.1%)	(23.9%)	(+0.8%)		(30.7%)	(30.1%)	(-0.6%)		(27.3%)	(27.3%)	(+0.1%)	
International	Billings	32,314	36,018	3,704	11.5%	45,033	37,309	(7,723)	-17.2%	77,348	73,328	(4,019)	-5.2%
	Revenue	10,616	13,919	3,302	31.1%	15,821	13,735	(2,086)	-13.2%	26,437	27,654	1,216	4.6%
	(Gross margin)	(32.9%)	(38.6%)	(+5.8%)		(35.1%)	(36.8%)	(+1.7%)		(34.2%)	(37.7%)	(+3.5%)	
	Operating Income	232	(234)	(467)		(18)	(779)	(760)		214	(1,014)	(1,228)	
	(Operating margin)	(2.2%)	(-1.7%)	(-3.9%)		(-0.1%)	(-5.7%)	(-5.6%)		(0.8%)	(-3.7%)	(-4.5%)	
Total	Billings	550,562	576,667	26,104	4.7%	671,086	687,145	16,058	2.4%	1,221,648	1,263,812	42,163	3.5%
	Revenue	105,265	114,210	8,945	8.5%	129,727	137,069	7,341	5.7%	234,992	251,280	16,287	6.9%
	Operating Income	22,095	23,760	1,664	7.5%	34,964	36,338	1,373	3.9%	57,060	60,098	3,038	5.3%
Elimination or corporate	Billings	(3,372)	(3,118)	254	-7.5%	(3,025)	(5,218)	(2,193)	72.5%	(6,398)	(8,337)	(1,938)	30.3%
	Revenue	(1,303)	(1,480)	(177)	13.6%	(1,190)	(1,159)	31	-2.6%	(2,493)	(2,639)	(146)	5.9%
	Operating Income	(5,755)	(5,921)	(166)	2.9%	(6,310)	(6,916)	(605)	9.6%	(12,065)	(12,837)	(771)	6.4%
Consolidation	Billings	547,189	573,548	26,358	4.8%	668,060	681,926	13,865	2.1%	1,215,250	1,255,474	40,224	3.3%
	Revenue	103,961	112,730	8,768	8.4%	128,536	135,910	7,373	5.7%	232,498	248,640	16,141	6.9%
	(Gross margin)	(19.0%)	(19.7%)	(+0.7%)		(19.2%)	(19.9%)	(+0.7%)		(19.1%)	(19.8%)	(+0.7%)	
	Operating Income	16,340	17,838	1,498	9.2%	28,654	29,422	768	2.7%	44,994	47,261	2,266	5.0%
	(Operating margin)	(15.7%)	(15.8%)	(+0.1%)		(22.3%)	(21.6%)	(-0.6%)		(19.4%)	(19.0%)	(-0.3%)	

Billings by Industry (1)

(Millions of yen)

	Total of				YoY comparisons	
	FY2015	Share	FY2016	Share	Change	(%)
Automobiles/Related products	133,559	13.1%	127,021	12.3%	(6,538)	-4.9%
Beverages/Cigarettes/Luxury foods	118,562	11.6%	122,138	11.8%	3,577	3.0%
Information/Communications	114,444	11.2%	126,532	12.2%	12,088	10.6%
Foodstuffs	76,404	7.5%	79,835	7.7%	3,431	4.5%
Cosmetics/Toiletries	71,920	7.0%	76,595	7.4%	4,676	6.5%
Finance/Insurance	60,148	5.9%	58,725	5.7%	(1,423)	-2.4%
Distribution/Retailing	59,427	5.8%	59,281	5.7%	(145)	-0.2%
Transportation/Leisure	53,159	5.2%	49,670	4.8%	(3,489)	-6.6%
Pharmaceuticals/Medical supplies	53,123	5.2%	46,655	4.5%	(6,468)	-12.2%
Real estate/Housing facilities	42,686	4.2%	44,374	4.3%	1,688	4.0%
Restaurant/Services	32,463	3.2%	28,786	2.8%	(3,678)	-11.3%
Home electric appliances/AV equipment	26,696	2.6%	25,363	2.5%	(1,333)	-5.0%
Publications	23,688	2.3%	23,686	2.3%	(2)	0.0%
Household products	19,140	1.9%	23,179	2.2%	4,039	21.1%
Hobby supplies/Sporting goods	15,930	1.6%	19,209	1.9%	3,280	20.6%
Government/Organizations	15,790	1.5%	16,349	1.6%	559	3.5%
Education/Medical services/Religion	14,543	1.4%	13,564	1.3%	(979)	-6.7%
Energy/Material/Machinery	13,945	1.4%	14,373	1.4%	428	3.1%
Apparel/Accessories	13,485	1.3%	16,448	1.6%	2,964	22.0%
Precision machinery/Office supplies	7,616	0.7%	8,427	0.8%	811	10.6%
Classified advertising/Other	53,442	5.2%	54,107	5.2%	665	1.2%
Sub total	1,020,167	100.0%	1,034,317	100.0%	14,150	1.4%
Sub total for other than the above	195,083		221,158		26,075	13.4%
Total for group	1,215,250		1,255,474		40,224	3.3%

Note (1) The amount of billings in "Sub total" under billings by industry differs from that of "Sub total" under billings by service area.
This difference reflects the presence of certain Group companies that are able to classify billings by service area but not by industry.
Billings from such companies are accounted for solely within billings by service area.

Note (2) With the exception of "Sub total for other than the above" and "Classified advertising/Other," the above list is arranged in order of largest amount of billings by industry for the fiscal year ended March 31, 2016.

Billings by Industry (2)

Year-on-year changes for the period ended March 2017

(Millions of yen)

Information/Communications

Major Changes (Largest Increases)

	Total of FY'16	Y o Y comparisons (%)	Change
Information/Communications	126.5	+10.6%	12.0
Cosmetics/Toiletries	76.5	+6.5%	4.6
Household products	23.1	+21.1%	4.0

(Billions of yen)

Education/Medical services/Religion

Home electric appliances/
AV equipment

Finance/Insurance

Transportation/Leisure

Restaurant/Services

Pharmaceuticals/Medical supplies

Automobiles/Related products

Major Changes (Largest Decreases)

	Total of FY'16	Y o Y comparisons (%)	Change
Automobiles/Related products	127.0	-4.9%	-6.5
Pharmaceuticals/Medical	46.6	-12.2%	-6.4
Restaurant/Services	28.7	-11.3%	-3.6

(Billions of yen)

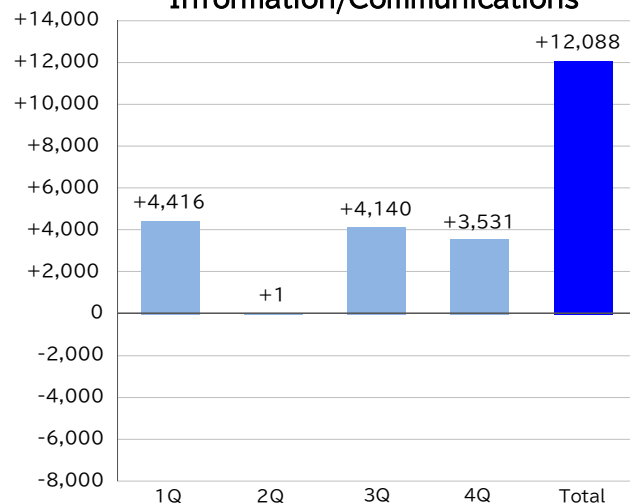
Total for other industries

-14,000 -12,000 -10,000 -8,000 -6,000 -4,000 -2,000 0 2,000 4,000 6,000 8,000 10,000 12,000 14,000

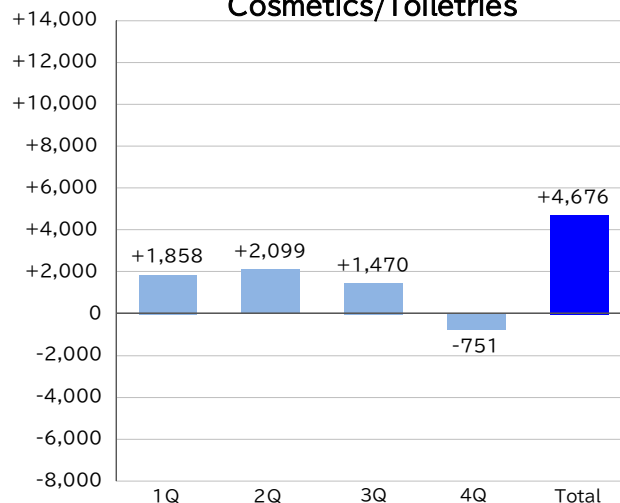
Billings by Industry (3)

Quarterly YoY Changes (1) Top 3 Largest Total(±) Changes by Industry (Millions of Yen)

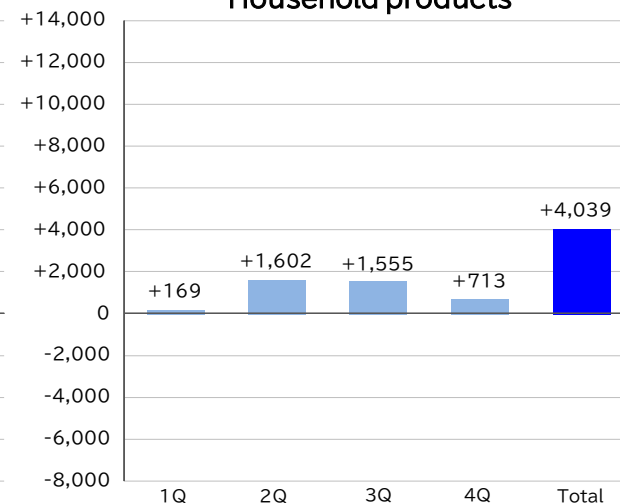
Information/Communications



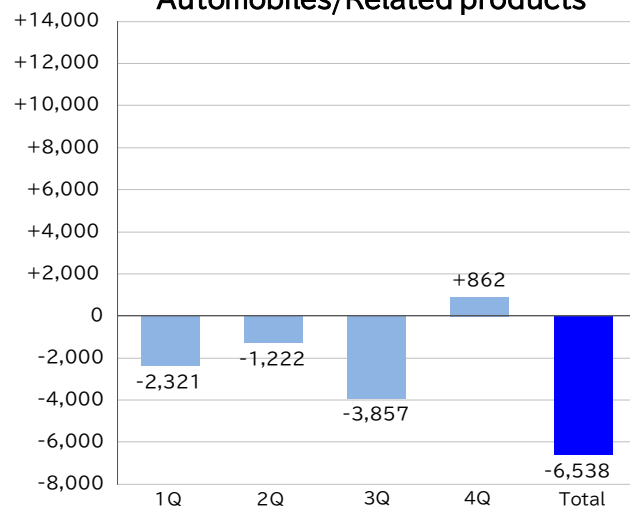
Cosmetics/Toiletries



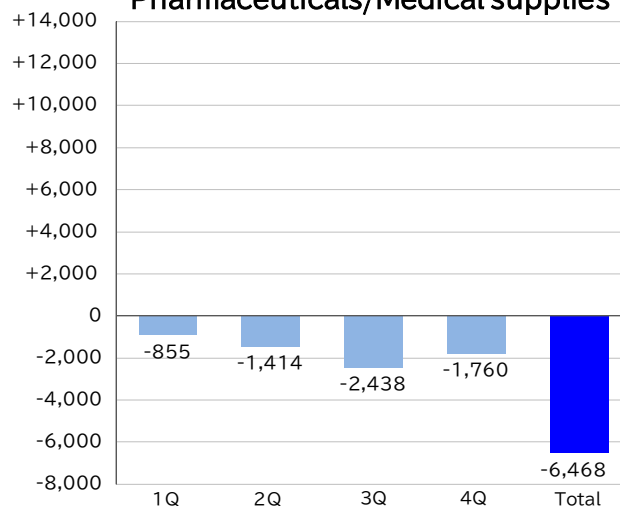
Household products



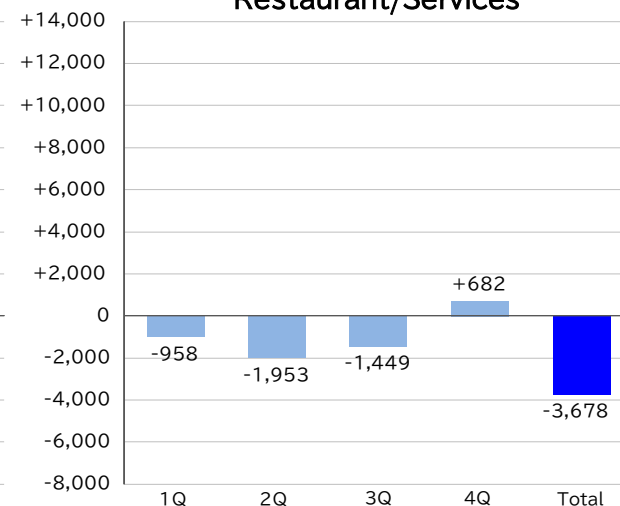
Automobiles/Related products



Pharmaceuticals/Medical supplies

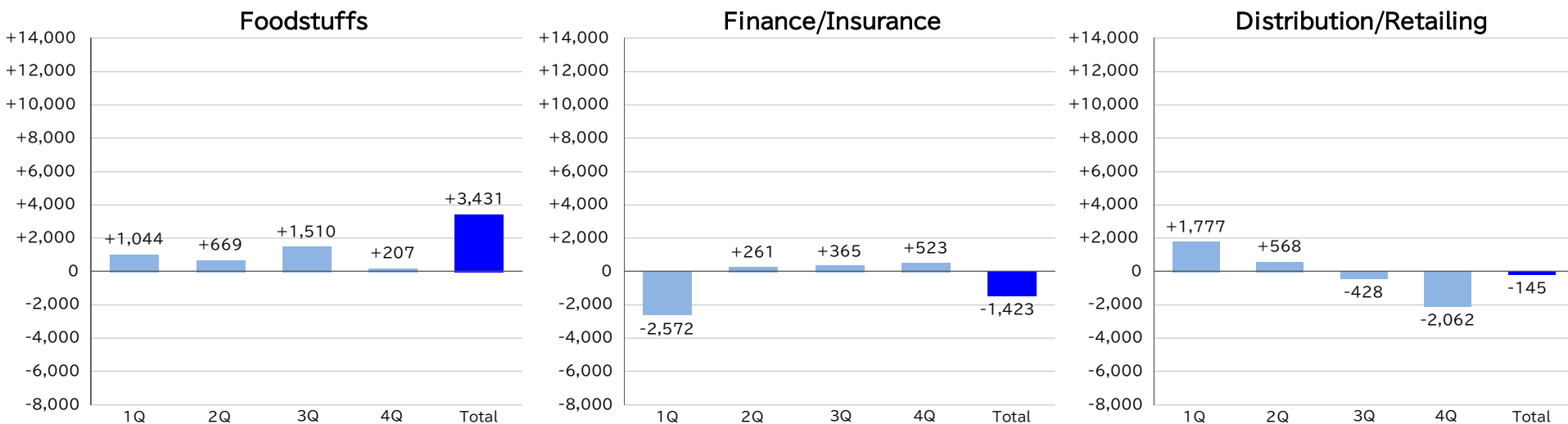


Restaurant/Services



Billings by Industry (4)

Quarterly YoY Changes(2) Other Major Industries (Millions of yen)



Billings by Industry (5)

(Millions of yen)

	1Q of FY2016	YoY comparisons		2Q of FY2016	YoY comparisons		3 Q of FY2016	YoY comparisons		4 Q of FY2016	YoY comparisons		Total of FY2016	YoY comparisons	
		Change	(%)		Change	(%)		Change	(%)		Change	(%)		Change	(%)
Automobiles/Related products	24,533	(2,321)	-8.6%	31,492	(1,222)	-3.7%	33,115	(3,857)	-10.4%	37,880	862	2.3%	127,021	(6,538)	-4.9%
Beverages/Cigarettes/Luxury foods	31,451	685	2.2%	30,554	3,190	11.7%	29,065	1,130	4.0%	31,068	(1,427)	-4.4%	122,138	3,577	3.0%
Information/Communications	27,516	4,416	19.1%	25,783	1	0.0%	37,012	4,140	12.6%	36,221	3,531	10.8%	126,532	12,088	10.6%
Foodstuffs	19,770	1,044	5.6%	19,517	669	3.6%	19,599	1,510	8.3%	20,949	207	1.0%	79,835	3,431	4.5%
Cosmetics/Toiletries	19,632	1,858	10.5%	18,029	2,099	13.2%	21,419	1,470	7.4%	17,515	(751)	-4.1%	76,595	4,676	6.5%
Finance/Insurance	12,421	(2,572)	-17.2%	13,666	261	1.9%	14,927	365	2.5%	17,711	523	3.0%	58,725	(1,423)	-2.4%
Distribution/Retailing	13,683	1,777	14.9%	12,962	568	4.6%	15,986	(428)	-2.6%	16,651	(2,062)	-11.0%	59,281	(145)	-0.2%
Transportation/Leisure	11,961	367	3.2%	10,682	290	2.8%	12,867	(1,979)	-13.3%	14,161	(2,167)	-13.3%	49,670	(3,489)	-6.6%
Pharmaceuticals/Medical supplies	11,688	(855)	-6.8%	10,877	(1,414)	-11.5%	13,293	(2,438)	-15.5%	10,797	(1,760)	-14.0%	46,655	(6,468)	-12.2%
Real estate/Housing facilities	9,414	590	6.7%	11,047	(138)	-1.2%	9,819	391	4.1%	14,094	845	6.4%	44,374	1,688	4.0%
Restaurant/Services	6,623	(958)	-12.6%	6,606	(1,953)	-22.8%	7,432	(1,449)	-16.3%	8,125	682	9.2%	28,786	(3,678)	-11.3%
Home electric appliances/AV equipment	5,389	(728)	-11.9%	5,637	42	0.7%	7,440	(109)	-1.4%	6,896	(538)	-7.2%	25,363	(1,333)	-5.0%
Publications	3,998	(456)	-10.2%	6,137	(190)	-3.0%	5,267	395	8.1%	8,284	248	3.1%	23,686	(2)	0.0%
Household products	4,523	169	3.9%	6,782	1,602	30.9%	6,796	1,555	29.7%	5,077	713	16.3%	23,179	4,039	21.1%
Hobby supplies/Sporting goods	3,953	1,095	38.3%	4,587	1,088	31.1%	5,748	752	15.0%	4,922	345	7.5%	19,209	3,280	20.6%
Government/Organizations	3,061	869	39.7%	4,327	1,258	41.0%	2,475	(1,050)	-29.8%	6,486	(518)	-7.4%	16,349	559	3.5%
Education/Medical services/Religion	2,840	(279)	-9.0%	2,724	32	1.2%	2,306	(956)	-29.3%	5,694	225	4.1%	13,564	(979)	-6.7%
Energy/Material/Machinery	2,608	222	9.3%	3,154	422	15.5%	3,014	(398)	-11.7%	5,597	183	3.4%	14,373	428	3.1%
Apparel/Accessories	3,801	1,136	42.6%	3,695	626	20.4%	4,922	352	7.7%	4,030	849	26.7%	16,448	2,964	22.0%
Precision machinery/Office supplies	1,181	(391)	-24.9%	1,582	17	1.1%	2,740	471	20.8%	2,925	714	32.3%	8,427	811	10.6%
Classified advertising/Other	12,269	624	5.4%	13,538	553	4.3%	14,611	(116)	-0.8%	13,689	(395)	-2.8%	54,107	665	1.2%
Sub total	232,315	6,292	2.8%	243,378	7,802	3.3%	269,853	(251)	-0.1%	288,770	306	0.1%	1,034,317	14,150	1.4%
Sub total for other than the above	46,792	6,487	16.1%	51,062	5,778	12.8%	54,336	81	0.1%	68,967	13,729	24.9%	221,158	26,075	13.4%
Total for group	279,107	12,778	4.8%	294,440	13,580	4.8%	324,188	(169)	-0.1%	357,737	14,035	4.1%	1,255,474	40,224	3.3%

Note (1) The amount of billings in "Sub total" under billings by industry differs from that of "Sub total" under billings by service area.
This difference reflects the presence of certain Group companies that are able to classify billings by service area but not by industry.
Billings from such companies are accounted for solely within billings by service area.

Note (2) With the exception of "Sub total for other than the above" and "Classified advertising/Other," the above list is arranged in order of largest amount of billings by industry for the fiscal year ended March 31, 2016.

Billings by Service Area (1)

(Millions of yen)

	Total of FY2015		Total of FY2016		YoY comparisons	
	Amount	Share	Amount	Share	Change	(%)
Newspapers	64,024	5.9%	59,541	5.3%	(4,483)	-7.0%
Magazines	22,433	2.1%	20,298	1.8%	(2,136)	-9.5%
Radio	14,012	1.3%	13,646	1.2%	(366)	-2.6%
Television	437,188	40.5%	436,864	39.0%	(325)	-0.1%
Mass media services sub total	537,658	49.8%	530,349	47.4%	(7,309)	-1.4%
Internet media	135,489	12.5%	181,777	16.2%	46,288	34.2%
Outdoor media	40,873	3.8%	40,588	3.6%	(285)	-0.7%
Creative	119,858	11.1%	126,564	11.3%	6,706	5.6%
Marketing/Promotion	221,078	20.5%	216,016	19.3%	(5,061)	-2.3%
Others(contens, etc.)	25,317	2.3%	24,548	2.2%	(769)	-3.0%
Other than mass media services subtotal	542,615	50.2%	589,493	52.6%	46,879	8.6%
Sub total	1,080,272	100.0%	1,119,842	100.0%	39,570	3.7%
Sub total for other than the above	134,978		135,633		655	0.5%
Total for group	1,215,250		1,255,474		40,224	3.3%

© Television experienced a downturn after a strong performance in the previous year. Newspapers, Magazines, and Radio also performed sluggishly, leading to decreases in "Mass media services subtotal."

© Increase in "Other than mass media services subtotal" on strength in Internet media and Creative.

Note: The amount of billings in "Sub total" under billings by industry differs from that of "Sub total" under billings by service area.

This difference reflects the presence of certain Group companies that are able to classify billings by service area but not by industry.

Billings from such companies are accounted for solely within billings by service area.

Billings by Service Area (2)

(Millions of yen)

	1 Q of FY2016	YoY comparisons		2 Q of FY2016	YoY comparisons		3 Q of FY2016	YoY comparisons		4 Q of FY2016	YoY comparisons		Total of FY2016	YoY comparisons	
	Amount	Change	(%)	Amount	Change	(%)	Amount	Change	(%)	Amount	Change	(%)	Amount	Change	(%)
Newspapers	13,332	(495)	-3.6%	14,255	(232)	-1.6%	14,391	(2,375)	-14.2%	17,564	(1,381)	-7.3%	59,541	(4,483)	-7.0%
Magazines	4,628	(193)	-4.0%	4,890	(382)	-7.2%	5,994	(565)	-8.6%	4,786	(996)	-17.2%	20,298	(2,136)	-9.5%
Radio	3,315	(29)	-0.9%	3,509	(25)	-0.7%	3,471	(173)	-4.8%	3,351	(139)	-4.0%	13,646	(366)	-2.6%
Television	104,925	2,010	2.0%	101,856	(2,374)	-2.3%	115,814	1,726	1.5%	114,270	(1,686)	-1.5%	436,864	(325)	-0.1%
Mass media services sub total	126,200	1,294	1.0%	124,510	(3,013)	-2.4%	139,669	(1,388)	-1.0%	139,970	(4,202)	-2.9%	530,349	(7,309)	-1.4%
Internet media	38,136	7,941	26.3%	38,483	7,867	25.7%	45,651	9,664	26.9%	59,507	20,816	53.8%	181,777	46,288	34.2%
Outdoor media	9,884	502	5.4%	10,139	330	3.4%	9,189	(1,419)	-13.4%	11,375	302	2.7%	40,588	(285)	-0.7%
Creative	27,164	1,526	6.0%	29,477	1,754	6.3%	33,044	2,378	7.8%	36,879	1,048	2.9%	126,564	6,706	5.6%
Marketing/Promotion	44,541	(1,730)	-3.7%	52,550	2,385	4.8%	55,166	(4,248)	-7.2%	63,760	(1,468)	-2.2%	216,016	(5,061)	-2.3%
Others(contents, etc.)	4,514	189	4.4%	4,826	946	24.4%	5,896	(2,258)	-27.7%	9,312	355	4.0%	24,548	(769)	-3.0%
Other than mass media services subtotal	124,239	8,427	7.3%	135,475	13,282	10.9%	148,947	4,116	2.8%	180,833	21,053	13.2%	589,493	46,879	8.6%
Sub total	250,439	9,720	4.0%	259,984	10,269	4.1%	288,616	2,729	1.0%	320,803	16,852	5.5%	1,119,842	39,570	3.7%
Sub total for other than the above	28,669	3,058	11.9%	34,456	3,312	10.6%	35,573	(2,898)	-7.5%	36,935	(2,816)	-7.1%	135,633	655	0.5%
Total for group	279,107	12,778	4.8%	294,440	13,580	4.8%	324,188	(169)	-0.1%	357,737	14,035	4.1%	1,255,474	40,224	3.3%

Changes in SG&A Expenses (1)

(Millions of yen)

	1 H of		YoY comparisons		2 H of		YoY comparisons		Total of		YoY comparisons	
	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)
Personnel costs	59,440	64,907	5,467	9.2%	66,633	70,518	3,885	5.8%	126,073	135,426	9,352	7.4%
Other Expenses (total)	28,181	29,984	1,802	6.4%	33,248	35,968	2,719	8.2%	61,430	65,952	4,522	7.4%
Rent	6,316	6,722	406	6.4%	6,569	6,907	337	5.1%	12,885	13,629	744	5.8%
Depreciation and Amortization	1,339	1,539	200	14.9%	1,585	1,660	74	4.7%	2,925	3,199	274	9.4%
Amortization of goodwill	803	1,334	530	66.0%	1,486	1,785	299	20.1%	2,290	3,120	830	36.2%
Others	19,722	20,387	665	3.4%	23,607	25,615	2,008	8.5%	43,329	46,003	2,673	6.2%
Total SG&A expenses	87,621	94,891	7,270	8.3%	99,882	106,487	6,605	6.6%	187,503	201,379	13,875	7.4%
Ratio of personnel costs to revenue									54.2%	54.5%		

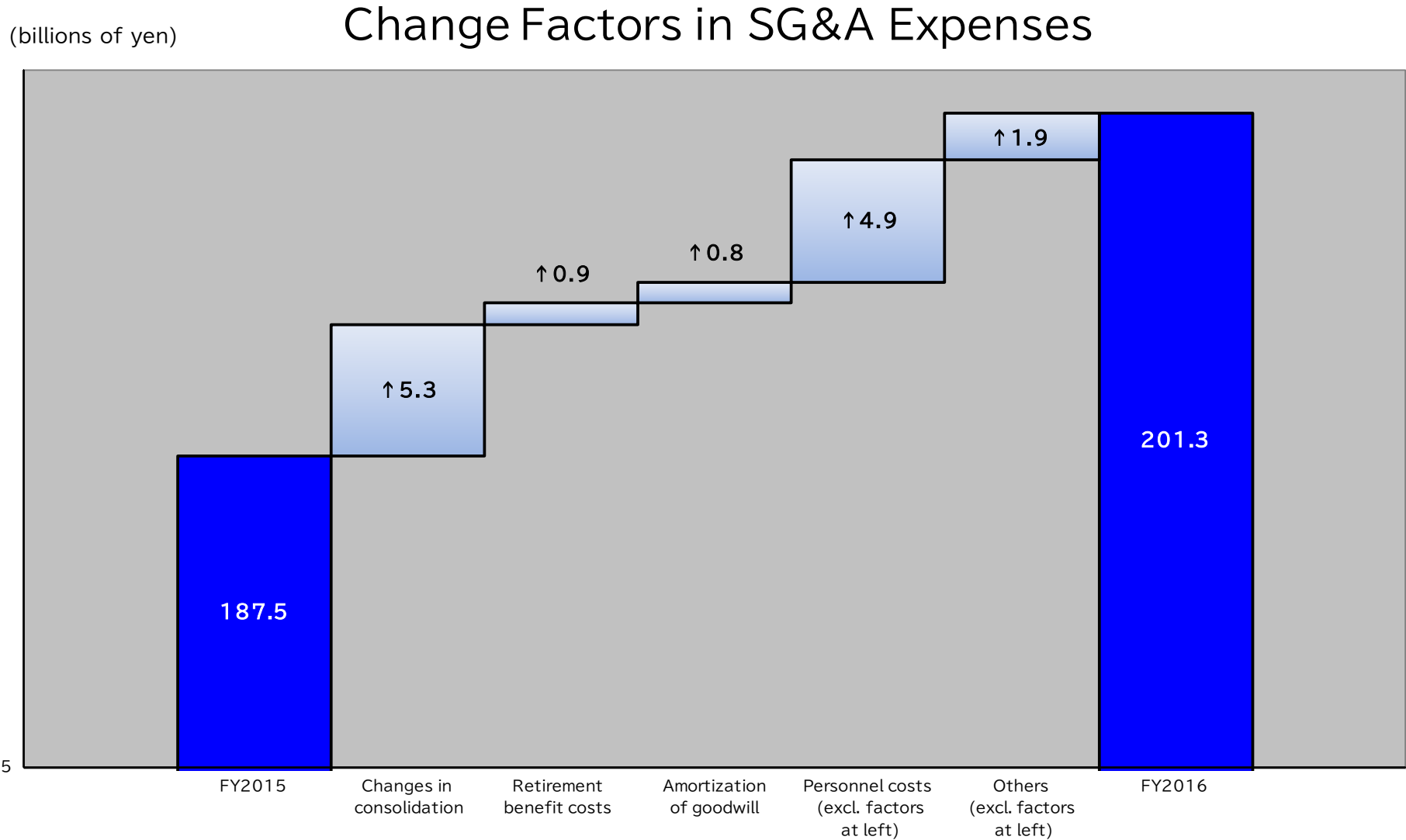
Note: Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

【 Strengthening the organization, including through mergers and acquisitions, and proceeding with strategic investments as per the Medium-Term Business Plan】

◎ Approximately ¥5.3 billion increase in expenditures from changes in scope of consolidation (from newly acquired and newly established companies, etc.).

◎ Excluding effect of changes in scope of consolidation, SG&A expenses rose 4.6 % year on year.

Changes in SG&A Expenses (2)



Non-Operating Items and Extraordinary Gains and Losses

(Millions of yen)

	1 H of		YoY comparisons		2 H of		YoY comparisons		Total of		YoY comparisons	
	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)
Non-operating income	1,550	1,966	415	26.8%	1,238	(173)	(1,411)		2,789	1,793	(995)	-35.7%
Non-operating expenses	110	218	108	97.6%	177	3,343	3,166		288	3,562	3,274	
Total	1,439	1,747	307	21.4%	1,061	(3,517)	(4,578)	-431.4%	2,500	(1,769)	(4,270)	-170.8%

*Net interest income (interest received - interest paid) : FY'15 +76 million FY'16 +63 million YoY change 13 million decreased

*Dividend income : FY'15 866 million FY'16 1,021 million YoY change 154 million increased

*Equity in investment income(loss) from affiliates : FY'15 727 million FY'16 -2,606 million YoY change 3,333 million decreased

(Millions of yen)

	1 H of		YoY comparisons		2 H of		YoY comparisons		Total of		YoY comparisons	
	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)	FY2015	FY2016	Change	(%)
Extraordinary gains	347	14	(333)		794	1,397	602		1,142	1,412	269	
Extraordinary losses	511	525	13		1,874	1,418	(456)		2,386	1,944	(442)	
Total	(163)	(510)	(346)		(1,080)	(21)	1,058		(1,243)	(531)	712	

*Gain on sales of investment securities : FY'15 300 million FY'16 328 million YoY change 28 million increased

*Gain on sales of affiliates' stock : FY'15 531 million FY'16 0 million YoY change 531 million decreased

*Investment securities valuation loss : FY'15 655 million FY'16 190 million YoY change 464 million decreased

Consolidated Balance Sheets

(Millions of yen)

	Mar. 31, 2016		Mar.31, 2017		Comparisons	
	Amount	Share	Amount	Share	Change	(%)
Current assets	498,308	73.4%	516,183	71.5%	17,874	3.6%
Fixed assets	180,224	26.6%	205,868	28.5%	25,644	14.2%
Total assets	678,532	100.0%	722,051	100.0%	43,518	6.4%
Current liabilities	352,961	52.0%	359,503	49.8%	6,541	1.9%
Non-current liabilities	31,539	4.7%	36,729	5.1%	5,190	16.5%
Total liabilities	384,501	56.7%	396,233	54.9%	11,731	3.1%
Total shareholders' equity	245,637	36.2%	262,922	36.4%	17,284	7.0%
Accumulated other comprehensive income	27,520	4.0%	41,784	5.8%	14,263	51.8%
Subscription rights to shares	223	0.0%	283	0.0%	59	26.6%
Noncontrolling Interest	20,648	3.1%	20,828	2.9%	179	0.9%
Total net assets	294,031	43.3%	325,818	45.1%	31,787	10.8%
Total liabilities and net assets	678,532	100.0%	722,051	100.0%	43,518	6.4%

*Sum of cash and time deposits, and marketable securities (current assets):

Mar.31,'16 157.9 billion Mar.31,'17 152.2 billion 5.6 billion decreased

*Notes and accounts receivable:

Mar.31,'16 294.0 billion Mar.31,'17 307.6 billion 13.5 billion increased

*Investment securities:

Mar.31,'16 76.8 billion Mar.31,'17 96.5 billion 19.6 billion increased

*Goodwill and other intangible assets arising from M&A:

Mar.31,'16 20.9 billion Mar.31,'17 22.4 billion 1.5 billion increased

*Notes and accounts payable:

Mar.31,'16 283.5 billion Mar.31,'17 281.3 billion 2.2 billion decreased

*Short- and long-term debt:

Mar.31,'16 8.0 billion Mar.31,'17 11.8 billion 3.7 billion increased

Consolidated Statements of Cash Flow

	Total of		(Millions of yen) Y o Y comparisons
	FY2015	FY2016	Change
Cash flow from operating activities	29,698	16,288	(13,410)
Cash flow from investing activities	(20,686)	(4,280)	16,406
Cash flow from financing activities	(5,290)	(7,803)	(2,513)
Effect of exchange rate changes on cash and cash equivalents	(533)	(815)	(282)
Net increase (decrease) in cash and cash equivalents	3,188	3,389	201
Cash and cash equivalents, beginning of period	140,133	143,298	3,165
Increase(decrease) in cash and cash equivalents resulting from changes in scope of consolidation	(23)	-	23
Cash and cash equivalents, end of period	143,298	146,688	3,389

[Reference 1: Depreciation and amortization, and/or purchase of noncurrent assets]

Depreciation and amortization	4,359	4,738	379
Payments for purchase of property and equipment	(5,390)	(2,926)	2,464
Payments for purchase of intangible fixed assets	(2,760)	(2,803)	(42)
Total purchase of noncurrent assets	(8,151)	(5,729)	2,422

【Reference 2: Major items of Total of FY2016 other than the above】

<Cash Flows From Operating Activities>

Income before income taxes and minority interests +¥44.9 billion, Amortization of goodwill and other intangible assets +¥3.1 billion, increase in notes and accounts receivable-trade -¥10.6 billion, decrease in notes and accounts payable-trade -¥3.4 billion, increase in inventories - ¥4.6 billion, income taxes paid -¥16.9 billion, increase in allowance for bonuses +¥1.8 billion

<Cash Flows From Investing Activities>

Purchase of investments in subsidiaries resulting in change in scope of consolidation -¥2.3 billion, Purchase of subsidiary shares and capital -¥2.5 billion.

<Cash Flows From Financing Activities>

Cash dividends paid -¥7.8 billion, cash dividends paid to minority shareholders -¥0.6 billion, Payments from purchase of investments in subsidiaries not resulting in change in scope of consolidation -¥1.9 billion.

Highlights of Operating Results at Major Subsidiaries

(Millions of yen)

	Total of		YoY comparisons	
	FY2015	FY2016	Change	(%)
Hakuhodo (*)				
Billings	875,294	880,295	5,001	0.6%
Ordinary income	30,429	29,799	(629)	-2.1%
Net income	18,017	18,598	581	3.2%
Daiko Advertising (*)				
Billings	155,237	161,094	5,857	3.8%
Ordinary income	2,817	3,367	550	19.5%
Net income	3,370	2,138	(1,231)	-36.5%
Yomiko Advertising (*)				
Billings	74,744	73,346	(1,397)	-1.9%
Ordinary income	1,324	1,113	(210)	-15.9%
Net income	1,529	631	(897)	-58.7%

◎Billings were up ¥5.0 billion, or 0.6%, year on year.

By client industry

Increases: Information / Communications and Cosmetics / Toiletries

Decreases: Automobiles / Related products and Pharmaceuticals / Medical supplies

◎Despite a strong showing from Hakuhodo, billings displayed only marginal growth due to poor performance by subsidiaries, particularly those overseas.

◎While ordinary income decreased due to declines in non-operating items, and net income increased through improvements in extraordinary items.

◎Billings were up ¥5.8 billion, or 3.8%, year on year.

By client industry

Increases: Others and Finance / Insurance

Decreases: Distribution / Retailing and Transportation / Leisure

◎While increased billings and a rise in gross margin resulted in large increases in ordinary income, net income fell significantly in reaction to the absence of the previous year's temporary elements to decrease tax liabilities.

◎Billings were down ¥1.3 billion, or 1.9%, year on year.

By client industry

Increases: Information / Communications and Beverages / Cigarettes / Luxury foods

Decreases: Automobiles / Related products and Transportation / Leisure

◎Decreased billings and a rise in SG&A expenses resulted in a decline in ordinary income. In addition, net income fell significantly in reaction to the absence of the previous year's temporary elements to decrease tax liabilities.

*Consolidated

NOTE : * The consolidated results on this page for Hakuhodo, Daiko and Yomiko are aggregate figures controlled inside the companies, and thus are not individually audited.

* Net income refers to profit attributable to owners of parent.

〈MEMO〉

Consolidated Business Outlook for Fiscal 2017

Consolidated Business Outlook for Fiscal 2017 (1)

Achieving New Medium-Term Business Plan Targets: Aiming for Increased Operating Income

- ◎ **Macro environment:** Domestic advertising market to grow approximately 2%
 Domestic advertising market: The advertising market grew 2% against the backdrop of a continued trend toward moderate recovery for the Japanese economy.
 Overseas advertising markets: Growth is expected to outpace that of the robust Japanese market, particularly in Asia, an area vital to the Group.
- ◎ **Billings:** ¥1,317.0 billion, up 4.9% year on year
 Through accelerating our pursuit of the Medium-Term Business Plan' s three growth drivers, we aim to achieve growth above the market average and expand our market share.
- ◎ **Revenue:** ¥266.0 billion, up 7.0% year on year
- ◎ **Gross Margin:** 20.2%, up 0.4 of a percentage point year on year
 We are aiming for gross margins in the 20% range by focusing on further improvement of high gross margin levels in Japan and overseas expansion centered on fee businesses.
- ◎ **SG&A Expenses:** ¥216.5 billion, up 7.5% year on year
 While we strive to make expenditures more efficient, due to strategic investments and growth in amortization of goodwill related to mergers and acquisitions, as well as investments in a “new working style,” we expect the rate of SG&A expense growth to surpass revenue growth.
- ◎ **Operating Income:** ¥49.5 billion, up 4.7% year on year
- ◎ **Operating Margin:** 18.6%, down 0.4 of a percentage point year on year
- ◎ **Operating Income and Operating Margin before Amortization of Goodwill:** ¥53.1 billion, 20.0%
 Forecasting ¥3.6 billion in amortization of goodwill. Maintaining previous year' s high profitability.
- ◎ **Net Income:** ¥27.4 billion, up 5.9% year on year
 Forecasting an improvement in non-operating items and a 5.9% increase in net income year on year.
- ◎ **Dividend per Share:** The Group maintains a fundamental stance of providing a stable dividend. However, after a comprehensive evaluation of trends in business results, we plan to pay an ordinary dividend per share of ¥26 in the year ending March 31, 2018, up ¥2 from ¥24 paid in the previous year ended March 31, 2017.

Consolidated Business Outlook for Fiscal 2017 (2)

As of May 12, 2017

(Millions of yen)

	1H				2H				Full Year			
	FY2016 (Result)	FY2017 (Forecasts)	YoY		FY2016 (Result)	FY2017 (Forecasts)	YoY		FY2016 (Result)	FY2017 (Forecasts)	YoY	
			change	(%)			change	(%)			change	(%)
Billings	573,548	605,000	31,451	5.5%	681,926	712,000	30,073	4.4%	1,255,474	1,317,000	61,525	4.9%
Revenue	112,730	121,300	8,569	7.6%	135,910	144,700	8,789	6.5%	248,640	266,000	17,359	7.0%
(Gross margin)	(19.7%)	(20.0%)	(+0.4%)		(19.9%)	(20.3%)	(+0.4%)		(19.8%)	(20.2%)	(+0.4%)	
SG&A expenses	94,891	102,600	7,708	8.1%	106,487	113,900	7,412	7.0%	201,379	216,500	15,120	7.5%
Operating income	17,838	18,700	861	4.8%	29,422	30,800	1,377	4.7%	47,261	49,500	2,238	4.7%
(Operating margin)	(15.8%)	(15.4%)	(-0.4%)		(21.6%)	(21.3%)	(-0.4%)		(19.0%)	(18.6%)	(-0.4%)	
Non-operating items	1,747	1,000	(747)		(3,517)	500	4,017		(1,769)	1,500	3,269	
Ordinary income	19,586	19,700	113	0.6%	25,905	31,300	5,394	20.8%	45,491	51,000	5,508	12.1%
Extraordinary items	(510)	(250)	260		(21)	(250)	(228)		(531)	(500)	31	
Income before income Taxes and minority interests	19,075	19,450	374	2.0%	25,884	31,050	5,165	20.0%	44,959	50,500	5,540	12.3%
Net income	10,744	10,850	105	1.0%	15,135	16,550	1,414	9.3%	25,880	27,400	1,519	5.9%
Dividend per share	12.0	13.0	(yen)		12.0	13.0	(yen)		24.0	26.0	(yen)	

(Operating margin = Operating income / Revenue)

Amortization of goodwill	1,334	1,800	465	34.9%	1,785	1,800	14	0.8%	3,120	3,600	479	15.4%
Operating Income before Amortization of goodwill	19,173	20,500	1,326	6.9%	31,208	32,600	1,391	4.5%	50,381	53,100	2,718	5.4%
Operating margin before Amortization of goodwill	17.0%	16.9%	(-0.1%)		23.0%	22.5%	(-0.4%)		20.3%	20.0%	(-0.3%)	

Note: (1) Amortization of goodwill refers to the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(2) Operating income before amortization of goodwill refers to operating income that has been calculated excluding the amortization of goodwill and other intangible assets arising from corporate acquisitions.

(3) Net income refers to profit attributable to owners of parent.

Please visit our new homepage (1)

Our Redesigned Homepage, Available from the End of November 2016

➤ **New Group Topics Feature**

This feature presents a variety of topics addressed by individual Hakuhodo DY Group companies.

Information on various Group company initiatives is available for the purpose of instilling a deeper understanding of the Group.

➤ **New Group News Feature**

This feature presents the latest news from not only Hakuhodo DY Holdings, but our core business companies.

Just like with the Topics feature, news from various Group companies is available for the purpose of promoting a deeper understanding of the Group.

➤ **Introduction of the Latest Topics from the Perspective of Different Business Fields**

Each and every Hakuhodo DY Group company offers ideal problem solving capabilities to advertisers, media companies, and content holders based on their individual uniqueness and strengths in fields such as brand creation, marketing, and media. This feature presents the latest topics in each of these fields.

➤ **Global Network**

Please keep an eye on this page for information on our global networking efforts to accommodate global business expansion moving forward.

➤ **IR Information**

We are actively pursuing a level of disclosure that will elevate our position to number one in the sector.

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Hakuhodo DY holdings

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A World-Leading Marketing Services Group

With our mission of serving as the best marketing partner for each one of our clients, the Hakuhodo DY Group stands as one of the world's top advertising and marketing services groups.

Our cutting-edge creative ideas and integrated marketing solutions create new markets, trends and movements that engage *Sei-katsu-sha* and invigorate society.

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