May 12, 2017
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Consolidated Financial Highlights for Total of FY2016

Hakuhodo DY Holdings Inc. has summarized key data from its earnings report for fiscal 2016, the year ended March 31, 2017, released today, in the following reference materials.

1. Summary of Consolidated Income Statements (April 1, 2016 to March 31, 2017)

(Millions of yen)

	FY2015 (Result)	FY2016 (Result)	YoY Comparison	
			Change	(%)
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%)	
SG&A expenses	187,503	201,379	13,875	7.4%
Operating income	44,994	47,261	2,266	5.0%
(Operating margin)*	(19.4%)	(19.0%)	(-0.3%)	
Non-operating items	2,500	(1,769)	(4,270)	
Ordinary income	47,495	45,491	(2,004)	-4.2%
Extraordinary items	(1,243)	(531)	712	
Income before income taxes and minority interests	46,251	44,959	(1,292)	-2.8%
Profit attributable to owners of parent	28,531	25,880	(2,651)	-9.3%

* Operating margin = Operating income / Revenue

Dividend per share	¥18.0	¥24.0	¥6.0

During fiscal 2016 (April 1, 2016 to March 31, 2017), the Japanese economy continued to suffer powerful stagnation, with the Kumamoto earthquakes, Brexit, and yen appreciation hitting one after another. However, since the election of the new president of the United States, expectations for a growing United States economy have been on the rise, leading to the dollar appreciating against the yen, increased profits for Japanese companies, rising stock market prices, and improvements in consumer confidence. These are part of a trend toward a recovering economy. The domestic advertising market*[1] continued to hold steady from the first through the third quarter, with the total growth for the 11 months leading up to February coming to roughly 2% year on year, showing steady market growth.

Against this backdrop, the Hakuhodo 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 2016 rose 3.3% from fiscal 2015, to ¥1,255,474 million.

By service area, television experienced a downturn after a strong performance in the previous year. Newspapers, Magazines, and Radio also performed sluggishly, leading to a year-on-year decrease in billings. On the other hand, billings for other than mass media services rose year on year, with Internet media and Creative performing well.

By client industry, billings showed growth in a wide range of industries led by Information / Communications, Cosmetics / Toiletries, and Household products, while declines were recorded in Automobiles / Related products, Pharmaceuticals / Medical supplies, and Restaurant / Services.*2

Revenue grew ¥16,141 million, or 6.9%, to ¥248,640 million, bolstered by the successful expansion of existing businesses and the addition of new subsidiaries. Selling, general and administrative (SG&A) expenses rose 7.4% due to mergers and acquisitions for strengthening the organization and other strategic investments. As a result, operating income rose 5.0%, to ¥47,261 million. On the other hand, ordinary income decreased 4.2%, to ¥45,491 million, due to equity in losses of affiliates in non-operating items.

With the additional recording of ¥1,412 million of extraordinary gains and ¥1,944 million of extraordinary losses, income before income taxes and minority interests fell 2.8%, to ¥44,959 million, and profit attributable to owners of parent fell 9.3%, to ¥25,880 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 as of March 31, 2017

(Millions of yen)

	31-Mar-16		31-Mar-17		Comparison with March 31, 2016	
	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%

3. Consolidated Forecasts for Fiscal 2017 (April 1, 2017 to March 31, 2018)

For reference, the consolidated forecast for the fiscal year ending March 31, 2018 is as follows.

(Millions of yen)

	1H			2H			Full-year		
	FY2017 (Forecasts)	Y o Y Comparisons Change	(%)	FY2017 (Forecasts)	Y o Y Comparisons Change	(%)	FY2017 (Forecasts)	Y o Y Comparisons Change	(%)
Billings	605,000	31,451	5.5%	712,000	30,073	4.4%	1,317,000	61,525	4.9%
Revenue	121,300	8,569	7.6%	144,700	8,789	6.5%	266,000	17,359	7.0%
(Gross margin)	(20.0%)	(+0.4%)		(20.3%)	(+0.4%)		(20.2%)	(+0.4%)	
Operating income	18,700	861	4.8%	30,800	1,377	4.7%	49,500	2,238	4.7%
Ordinary income	19,700	113	0.6%	31,300	5,394	20.8%	51,000	5,508	12.1%
Profit attributable to owners of parent	10,850	105	1.0%	16,550	1,414	9.3%	27,400	1,519	5.9%
(Operating margin)*	(15.4%)	(-0.4%)		(21.3%)	(-0.4%)		(18.6%)	(-0.4%)	

* Operating margin = Operating income / Revenue

The above forecasts were formulated based on the following projections.

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

Despite factors such as geopolitical risks driving down the economy, the Japanese economy is likely to continue its gradual recovery. Against the backdrop of this trend, the domestic advertising market is expected to grow roughly 2% in fiscal 2017.

Growth in overseas advertising markets is expected to outpace that of the robust Japanese advertising market, particularly in Asia, an area vital to the Group.

◎ Billings: ¥1,317.0 billion, up 4.9% year on year

The Group aims to achieve growth above the advertising market average by accelerating the three Growth Drivers outlined in the Medium-Term Business Plan and by expanding its market share.

◎ Revenue: ¥266.0 billion, up 7.0% year on year

◎ Gross margin: 20.2%, up 0.4 points 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.

◎ Operating income: ¥49.5 billion, up 4.7% year on year

In terms of SG&A expenses, although we will strive to make expenditures more efficient, strategic investments in pursuit of the Medium-Term Business Plan and increases in amortization of goodwill related to mergers and acquisitions are expected, and due to investments in a “new working style,” we see the rate of SG&A expense growth surpassing the rate of revenue growth. As a result, we are forecasting a 4.7% increase in operating income, to ¥49.5 billion.

◎ Profit attributable to owners of parent: ¥27.4 billion, up 5.9% year on year

We are forecasting an improvement in non-operating items and a 5.9% increase in profit attributable to owners of parent, to ¥27.4billion.

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, 2018, by ¥2 per share from the ¥24 per share paid for the year ended March 31, 2017, for a full-year dividend of ¥26 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.