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Consolidated Financial Highlights for 1H of FY2018

Hakuhodo DY Holdings Inc. has summarized key data from its first-half earnings report for fiscal 2018, the year ending March 31, 2019, released today, in the following reference materials.

1. Summary of Consolidated Income Statements (April 1 to September 30, 2018)

(Millions of yen)

	1H of FY2017 (Result)	1H of FY2018 (Result)	YoY Comparison	
			Change	(%)
Billings	610,945	663,375	52,430	8.6%
Revenue	122,877	155,262	32,384	26.4%
(Gross margin)	(20.1%)	(23.4%)	(+3.3%)	
SG&A expenses	103,089	121,748	18,659	18.1%
Operating income	19,788	33,514	13,725	69.4%
(Operating margin)*	(16.1%)	(21.6%)	(+5.5%)	
Non-operating items	1,239	1,962	723	
Ordinary income	21,028	35,476	14,448	68.7%
Extraordinary items	58	18,636	18,578	
Income before income taxes and minority interests	21,086	54,113	33,027	156.6%
Profit attributable to owners of parent	11,948	27,226	15,278	127.9%

* Operating margin = Operating income / Revenue

Dividend per share	¥13.0	¥14.0	¥1.0	

During the first half (April 1 to September 30, 2018) of the fiscal year ending March 31, 2019, the Japanese economy continued on a gradual recovery trend due in part to the continued strong performance of corporations and solid consumer spending, despite various factors that placed downward pressure on the economy, such as intensifying trade conflict between the United States and China, the rising price of crude oil, and the occurrence of natural disasters. Meanwhile, on a cumulative basis for April through August, the domestic advertising market[*1] remained at around the same level as it was during the same period of the previous fiscal year, performing sluggishly compared with the solid performance of the overall Japanese economy.

Amid this environment, the Hakuhodo DY Group has continued to pursue proactive business development in accordance with its Medium-Term Business Plan, which runs through the fiscal year ending March 2019. As a result of such efforts, as well as the sale of shares of Mercari Inc., an investee of the consolidated subsidiary UNITED, Inc., in the first quarter, first-half billings increased 8.6% compared with the same period of the previous fiscal year, to ¥663,375 million.

By service area for the first half, billings were down year on year in the four mass media services due mainly to a decline that stemmed from the absence of the strong performance of Television, which occurred in the same period of the previous fiscal year. This decline offset a slight increase in billings for Radio. Also, despite a decrease in billings from Outdoor media, overall billings for other than mass media services were up due to significant growth in Internet media and the strong performance of Marketing / Promotion and Creative.

By client industry, the main industries where billings increased were Restaurant / Services, Finance / Insurance, and Beverages / Cigarettes / Luxury foods. On the other hand, the main industries where billings decreased were Automobile / Related products, Publishing, and Games / Sporting goods / Hobby.[*2]

Revenue increased ¥32,384 million, or 26.4%, to ¥155,262 million, due to the steady expansion of existing businesses, the positive effects of incorporating profits from newly consolidated subsidiaries, and the impact from the sale of shares by a consolidated subsidiary. Selling, general and administrative (SG&A) expenses were up 18.1% due to M&A to strengthen our organization and strategic investments. As a result, operating income rose 69.4% year on year, to ¥33,514 million, and ordinary income rose 68.7%, to ¥35,476 million, representing significant increases for both.

Due to the gain on the abolishment of retirement benefit plans of ¥3,564 million, which occurred following the transition of corporate pension schemes from a defined benefit plan to a defined contribution plan at certain consolidated subsidiaries, and the gain on the redemption of retirement benefit trust assets of ¥16,232 million, which occurred following the redemption of retirement benefit trust assets associated with corporate pension schemes at certain consolidated subsidiaries, we recorded extraordinary gains totaling ¥20,746 million. Meanwhile, due to the loss from the deduction of treasury shares related to the share options of D.A. Consortium Holdings Inc., a company that we acquired through a tender offer, we recorded extraordinary losses of ¥2,110 million. Factoring in these extraordinary gains and losses, income before income taxes and minority interests grew 156.6%, to ¥54,113 million, and profit attributable to owners of parent increased 127.9%, to ¥27,226 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 September 30, 2018

(Millions of yen)

	31-Mar-18		30-Sep-18		Comparison with March 31, 2018	
	Amount	Share	Amount	Share	Change	(%)
Current assets	538,905	67.5%	525,024	63.8%	(13,881)	-2.6%
Fixed assets	259,230	32.5%	298,202	36.2%	38,972	15.0%
Total assets	798,135	100.0%	823,227	100.0%	25,091	3.1%
Current liabilities	390,851	49.0%	430,588	52.3%	39,736	10.2%
Non-current liabilities	39,916	5.0%	66,675	8.1%	26,759	67.0%
Total liabilities	430,768	54.0%	497,264	60.4%	66,496	15.4%
Total shareholders' equity	282,439	35.4%	218,743	26.6%	(63,696)	-22.6%
Accumulated other comprehensive income	60,679	7.6%	72,851	8.9%	12,172	20.1%
Subscription rights to shares	454	0.0%	257	0.0%	(197)	-43.3%
Noncontrolling interest	23,793	3.0%	34,109	4.1%	10,315	43.4%
Total net assets	367,367	46.0%	325,962	39.6%	(41,404)	-11.3%
Total liabilities and net assets	798,135	100.0%	823,227	100.0%	25,091	3.1%

3. Consolidated Forecasts for Fiscal 2018 (April 1, 2018 to March 31, 2019)

In light of our performance in the first half as well as our current business conditions, we have made revisions to our consolidated forecasts for the fiscal year ending March 31, 2019. The items revised and our approach to making these revisions are as follows.

◎ Macro environment: The full-year forecast of roughly 2% growth in the domestic advertising market has been revised to roughly 1% in light of the market's sluggish performance in the first half.

◎ Billings: The consolidated full-year forecast for billings has been revised downward in light of our business performance in the first half.

◎ Operating income: While a downward revision was made to our consolidated full-year forecast for billings, we expect that we will be able to achieve our current forecast for operating income through efforts to improve revenue and thoroughly control SG&A expenses.

◎ Profit attributable to owners of parent: We expect to exceed our forecast for profit attributable to owners of parent as a result of the revisions we have made in regard to non-operating income and extraordinary income based on our first-half performance.

(Millions of yen)

	Full-year				(Reference)		
	FY2017 (Result)	FY2018 (Forecasts)	Y o Y Comparisons Change	(%)	Full-year Forecasts as of Jun. 11, 2018	Change	(%)
Billings	1,335,030	1,454,000	118,969	8.9%	1,470,800	(16,800)	-1.1%
Revenue	272,335	323,700	51,364	18.9%	320,700	3,000	0.9%
(Gross margin)	(20.4%)	(22.3%)	(+1.9%)		(21.8%)	(+0.5%)	
Operating income	52,187	65,600	13,412	25.7%	65,600	-	-
Ordinary income	54,364	68,600	14,235	26.2%	67,100	1,500	2.2%
Profit attributable to owners of parent	29,834	47,700	17,865	59.9%	41,700	6,000	14.4%
(Operating margin)*	(19.2%)	(20.3%)	(+1.1%)		(20.5%)	(-0.2%)	

* Operating margin = Operating income / Revenue

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.