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Overview of 1st Quarter Results for the Year Ending December 31, 2014 [Japanese GAAP]

May 13, 2014

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(Unit: millions of yen, Rounded down under 1 million yen)

1. The First Three Months Consolidated Results (January 1, 2014 to March 31, 2014)

(1) Consolidated Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	millions of yer	%	millions of yer	%	millions of yer	%	millions of yer	%
3 months ended;								
Mar. 31, 2014	90,423	3.0	1,693	152.1	1,930	110.4	1,281	151.5
Mar. 31, 2013	87,778	(3.5)	671	(70.3)	917	(63.8)	509	(65.1)

(Notes) 1. Comprehensive income

at March 31, 2014 : (2,924) million yen (- %) at March 31, 2013 : 8,297 million yen ((11.5) %)

2. Percentages shown for Gross Billings, Operating Income, Ordinary Income and Net Income represent increase/decrease from those in the corresponding period of the previous year.

	Net Income per Share	Fully Diluted Net Income per Share
	(yen)	(yen)
Mar. 31, 2014	30.64	30.61
Mar. 31, 2013	12.07	12.06

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yer	millions of yer	%
Mar. 31, 2014	220,345	122,281	55.2
Dec. 31, 2013	228,170	130,972	56.9

(Reference) Shareholders' equity March 31, 2014 : 121,611 million yen December 31, 2013 : 129,873 million yen

2. Dividend Information

	Annual Dividend per Share				
	First quarter end	Second quarter end	Third quarter end	Fiscal year end	Total
	(yen)	(yen)	(yen)	(yen)	(yen)
Fiscal 2013(Actual)	—	10.00	—	131.00	141.00
Fiscal 2014(Actual)	—				
Fiscal 2014(Forecast)		10.00	—	—	—

(Notes) 1. We do not revise the forecast of second quarter end and fiscal year end dividends as announced on February 14, 2014.

2. The fiscal year end dividend for FY 2013 consists of the ordinary dividend of 19 yen per share and extraordinary dividend of 112 yen per share.

3. The sum of the fiscal year end dividend for FY 2014 is undecided (But it is more than 10 yen per share).

3. Forecast of Consolidated results Fiscal 2014 (January 1, 2014 to December 31, 2014)

	Gross Billings		Operating Income		Ordinary Income		Net Income		Net Income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Interim	169,700	(2.7)	1,310	(27.5)	2,500	(26.1)	750	(64.5)	17.93
Full-year	348,800	1.8	3,700	167.5	5,600	29.4	2,770	(19.2)	64.55

(Notes) 1. Percentages shown for Gross Billings, Operating Income, Ordinary Income and Net Income represent increase/decrease from those in the corresponding period of the previous year.

2. We do not revise the forecast for the 2014 consolidated results as announced on February 14, 2014.

* Notes

(1) Changes in the Scope of Consolidation and Application of the Equity Method by the significant subsidiaries ? : No.

(2) Is there any accounting treatment particular to the quarterly financial statements ? : Yes.
For details, see the Supplementary Information "2.Other Information (2)" on the page 8.

(3) Changes to accounting policy, changes to accounting estimates, or restatements

1. Changes due to revisions to accounting standards, etc. : No.

2. Changes other than 1: : No.

3. Changes in accounting estimates : No.

4. Restatements : No.

For details, see the Supplementary Information "2.Other Information (3)" on the page 8.

(4) 1. Number of outstanding stocks (including treasury stock) issued, end of term :
at March 31, 2014 : 42,155,400 shares, at December 31, 2013 : 42,155,400 shares,
2. Number of treasury stock, end of term :
at March 31, 2014 : 325,975 shares, at December 31, 2013 : 333,481 shares,
3. Avg. number of shares (consolidated) outstanding during the terms ended :
at March 31, 2014 : 41,824,455 shares, at March 31, 2013 : 42,227,202 shares,

(Notes) The Company has introduced an "ESOP Trust Utilizing Employee Shareholding Association," and the shares owned by this ESOP are reported as "treasury stock" in the quarterly consolidated financial statements. Consequently, shares owned by this ESOP are included in the number of shares of treasury stock outstanding at the period end above, and there were 247,000 shares and 255,200 shares at the end of the first quarter and at the end of the previous fiscal year, respectively.

* Implementation status of quarterly review procedures

This quarterly consolidated financial results report is exempt from quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly consolidated financial results report, the review procedures for quarterly consolidated financial statements have not finished.

* Appropriate use of business forecasts and other special matters

The business forecasts and future prospects in this document are made based on information currently available and contain potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.

Refer to "1. Consolidated Results for the First Quarters of Fiscal 2014 (3) Forecasts for Fiscal 2014" on page 6 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

【Supplementary Information】

1. Consolidated Results for the First Quarter of Fiscal 2014

(1) Overview of Operating Results

During the current first quarter (from January 1, 2014 to March 31, 2014), the Japanese economy continued a mild upswing with a capital investment increase backed up by government economic policies, recovering overseas economy, and also a last-minute push of consumer spending prior to a consumption tax hike in April 1, 2014.

Although the economy is considered to be temporarily worsened due to a rebound from the last-minute demand rise and repercussions of the higher consumption tax, it will maintain a moderate recovery with the support of the economic policies and recovering capital investment as well as the improvement of employment and income environments. However, an uncertain outlook in emerging market economies including China remains while, on the domestic front, we need to pay a close attention to how strongly the economy is getting back onto the recovering path after a drop brought about by the tax raise.

According to the “Current Survey of Selected Service Industries ” by the Ministry of Economy, Trade and Industry, total gross billings in the advertising industry showed steady year-on-year gains in eleven consecutive months starting from April 2013 to February 2014. In spite of a concern of a recoiling reduction after last-minute purchases prior to the tax hike, it is expected to continue performing steadily along with the improvement of employment and income environment.

Amid these circumstances, ADK is striving to transform itself into a “Consumer Activation Company” under the name of “VISION 2020”, that not only delivers messages to consumers, but inspires them to take concrete actions. As described in “VISION 2020”, we are implementing measures to strengthen the Group foundation and to diversify business models that include tightening profit management structure, enhancing cooperation with subsidiaries at home and abroad, developing the infrastructure to realize consumer activation, further expanding content business or ADK’s specialty.

As a result of those efforts, the Group reported gross billings of ¥90,423 million, up 3.0% from the previous corresponding period. Gross profit increased 17.2% to ¥13,608 million, while operating income surged 152.1% to ¥1,693 million. Ordinary income increased 110.4% to ¥1,930 million with the addition of ¥289 million non-operating income and ¥52 million non-operating expenses. Net income before income taxes and minority interests for the quarter increased 119.0% to ¥2,123 million, while the net income for the quarter expanded 151.5% to ¥1,281 million.

Performance by Business Segment

Advertising Business

Gross billings to customers amounted to ¥89,610 million during the quarter under review, up 3.0% from the previous corresponding period, and segment income increased 99.7% to ¥1,919 million

In terms of billings, the parent company, domestic subsidiaries all enjoyed revenue growth boosted by increased advertising placements prior to the tax hike. Overseas business also experienced a rise in revenue with subsidiaries in Asia performing steadily. Overall, revenue grew more than the previous corresponding year. Segment profits also showed an increase in the parent, domestic subsidiaries and overseas subsidiaries, exceeding the last year's results.

ADK, which forms the core of the ADK Group, reported gross billings of ¥78,573 million, up 2.5% from the previous year. Gross profit surged to ¥10,077 million, up 17.3%. Appropriate control on other expenses compensated for an increase of payroll cost, leading to a sharp rise in operating income to ¥1,394 million, up 80.9%.

Broken down by client business, ADK posted increases in gross billings from clients in such industries as Government/Organizations, Automobile/Auto-Related Products, Restaurants/Other Services, Finance/Insurance, Apparel/Jewelry sectors. However, gross billings from clients in such industries as Education/Healthcare Services/Religion, Beverages/Tobacco, Food, Real Estate/Housing, Transportation/Leisure sectors.

Broken down by business discipline, gross billings in Marketing Promotion, Digital Media, TV, Newspaper, Creative and Others experienced an increase over the previous year but in other segments gross billings declined on a year on year basis.

Unconsolidated Performance by Discipline

Breakdown by Discipline		Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Media	Magazine	3,070	3.9	-4.5
	Newspaper	5,902	7.5	5.8
	TV (Program, Spot, Content)	34,818	44.3	2.0
	Radio	685	0.9	-14.9
	Digital Media	3,372	4.3	31.7
	OOH Media	2,095	2.7	-20.9
Sub-total		49,946	63.6	2.0
Non-Media	Marketing and Promotion	16,065	20.4	5.7
	Creative and Others	12,560	16.0	0.4

Sub-total	28,626	36.4	3.3
Total	78,573	100.0	2.5

Notes:

1. Because we offer cross-media programs, data may not represent gross billings exactly by media.
2. TV includes Program, Spot and Content.
3. Digital Media includes Internet and Mobile-related media.
(Digital Solutions, such as Website Creation and System Development are included in “Marketing and Promotion”.)
4. OOH (Out of Home) Media includes transportation and outdoor advertising and insertions.
5. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR, Exposition events and Digital Solutions, etc.

Other Business

In other business, gross billings to customers amounted to ¥812 million, up 4.3% year-on-year, and the segment loss amounted to ¥226 million, compared with ¥275 million loss in the previous corresponding period.

In an environment where profits are difficult to secure in its main business of publication and sales of books and magazines with the contraction in the overall publishing market, revenues declined with an increase in magazine returns and while continued efforts have been made to reduce expenses, the result was an operating loss.

Overseas Sales

In the consolidated first quarter under review, the ADK Group obtained 8.8% of its gross billings from overseas, compared with 8.5% in fiscal 2013. All overseas sales are in the advertising business.

(2) Financial Position

The consolidated financial position as of the end of previous accounting year (December 31, 2013) in comparison with the current consolidated first quarter end are as follows.

Total assets amounted to ¥220,345 million, down ¥7,825 million from the previous consolidated fiscal year-end, mainly due to a decrease in investment securities stemming from declining stock prices. Despite the fact that there was a decrease in deferred tax liabilities caused by the aforementioned stock price fall, total liabilities were up ¥865 million to ¥98,063 million, mainly due to an increase in purchase accounts payable. Total net assets amounted to ¥122,281 million, and the shareholder's equity ratio was 55.2%.

(3) Forecasts for Fiscal 2014

During the current first quarter (from January 1, 2014 to March 31, 2014), the business performed steadily, exceeding the results of the previous corresponding year. The condition of the advertising market, however, is foreseen to be precarious in the short-term since advertisers are likely to determine advertising placements by carefully judging repercussions of a rebound from the higher tax. Nonetheless, with the economic climate staying on the recovery trend backed up by the weak yen and high stock prices, the advertising market is expected to perform briskly in the medium- to long-term.

In the light of inflating expenses associated with the head office relocation scheduled in June this year along with abovementioned situations, we expect that performance will be as previously forecasted. We, therefore, have not revised the second quarter forecast and the full-year forecast from what were announced on February 14, 2014.

We are determined to continue our efforts to grow the business by promoting development and provision communication programs that capture changes of media environment and

consumer behaviors, ensuring to strengthen competitive edge and enhance profitability.

2. Other Information

(1) Changes in Significant Subsidiaries during the Period

Not Applicable.

(2) Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements

Calculation of tax expenses

Tax expenses for the period are calculated by using the effective tax rate, which is estimated rationally based on the estimated annual consolidated income before tax after applying deferred tax accounting, and applying that effective tax rate to income before income taxes for the quarter.

(3) Changes in Accounting Policies, Changes in Accounting Estimates and Restatements

Not Applicable.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2014

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2013	March 31, 2014
<u>Assets</u>		
I Current assets		
1. Cash and deposits	25,554	27,286
2. Notes and accounts receivable-trade	81,659	79,086
3. Short-term investment securities	11,371	10,431
4. Inventories	8,469	8,138
5. Other	2,391	2,591
6. Allowance for doubtful accounts	(514)	(476)
Total current assets	128,932	127,057
II Noncurrent assets		
1. Property, plant and equipment	3,392	3,695
2. Intangible assets	2,132	2,120
3. Investments and other assets		
(1) Investment securities	84,829	78,524
(2) Other	9,694	9,732
(3) Allowance for doubtful accounts	(810)	(784)
Total investments and other assets	93,713	87,472
Total noncurrent assets	99,238	93,287
Total assets	228,170	220,345

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2014

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2013	March 31, 2014
<u>Liabilities</u>		
I Current liabilities		
1. Notes and accounts payable-trade	65,997	68,630
2. Short-term loans payable	—	79
3. Current portion of long-term loans payable	164	164
4. Income taxes payable	1,950	604
5. Provision	892	2,474
6. Other	7,076	7,163
Total current liabilities	76,080	79,116
II Noncurrent liabilities		
1. Long-term loans payable	82	82
2. Provision	1,688	1,442
3. Other	19,346	17,422
Total noncurrent liabilities	21,116	18,947
Total liabilities	97,197	98,063
<u>Net assets</u>		
I Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus	11,982	11,982
3. Retained earnings	44,303	40,275
4. Treasury stock	(651)	(638)
Total shareholders' equity	93,216	89,201
II Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	35,142	31,213
2. Deferred gains or losses on hedges	1	1
3. Foreign currency translation adjustment	1,513	1,194
Total accumulated other comprehensive income	36,657	32,409
III Subscription rights to shares	21	25
IV Minority interests	1,077	644
Total net assets	130,972	122,281
Total liabilities and net assets	228,170	220,345

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Three Months Ended March 31, 2014

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Three Months Ended March 31, 2013 (From January 1 to March 31, 2013)	Three Months Ended March 31, 2014 (From January 1 to March 31, 2014)
I Gross billings	87,778	90,423
II Cost of sales	76,167	76,814
Gross profit	11,611	13,608
III Selling, general and administrative expenses		
1. Salaries and allowances	4,960	4,900
2. Provision for bonuses	1,025	1,831
3. Provision for directors' retirement benefits	12	6
4. Provision for directors' bonuses	28	37
5. Provision of allowance for doubtful accounts	52	(9)
6. Other	4,861	5,149
Total selling, general and administrative expenses	10,939	11,915
Operating income	671	1,693
IV Non-operating income		
1. Interest income	58	60
2. Dividends income	27	10
3. Equity in earnings of affiliates	24	37
4. Dividends income of life insurance	51	94
5. Other	108	85
Total non-operating income	270	289
V Non-operating expenses		
1. Interest expenses	4	2
2. Provision of allowance for doubtful accounts	0	19
3. Loss on valuation of compound financial instruments	—	14
4. Other	20	16
Total non-operating expenses	25	52
Ordinary income	917	1,930

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Three Months Ended March 31, 2014

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Three Months Ended March 31, 2013 (From January 1 to March 31, 2013)	Three Months Ended March 31, 2014 (From January 1 to March 31, 2014)
VI Extraordinary income		
1. Gain on sales of investment securities	216	282
2. Other	4	27
Total extraordinary income	220	309
VII Extraordinary loss		
1. Loss on sales of investment securities	62	2
2. Loss on valuation of investment securities	26	77
3. Office transfer expenses	41	23
4. Other	37	13
Total extraordinary losses	168	116
Income before income taxes	969	2,123
Income taxes	441	795
Income before minority interests	527	1,327
Minority interests in income	17	46
Net income	509	1,281

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Comprehensive Income Statements

Three Months Ended March 31, 2014

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Three Months Ended March 31, 2013 (From January 1 to March 31, 2013)	Three Months Ended March 31, 2014 (From January 1 to March 31, 2014)
I Income before minority interests	527	1,327
II Other comprehensive income		
1. Valuation difference on available-for-sale securities	6,854	(3,929)
2. Deferred gains or losses on hedges	1	0
3. Foreign currency translation adjustment	913	(321)
4. Share of other comprehensive income of associates accounted for using equity method	—	(1)
Total other comprehensive income	7,770	(4,252)
III Comprehensive income	8,297	(2,924)
Comprehensive income attributable to		
1. Comprehensive income attributable to owners of the parent	8,231	(2,965)
2. Comprehensive income attributable to minority interests	66	41

ASATSU-DK INC. and Consolidated Subsidiaries

Segment Information

(Unaudited and before reclassifications and rearrangements)

Three Months Ended March 31, 2013

	Reportable segments			Adjustment (*Note1)	Millions of Yen
	Advertising	Non- advertising	Total		Amount on Consolidated Income Statements (*Note2)
GROSS BILLINGS					
1. Billings to customers	86,999	778	87,778	-	87,778
2. Inter-segment billings	2	1	3	(3)	-
Total billings	87,001	779	87,781	(3)	87,778
Segment income (loss)	961	(275)	686	(14)	671

Note1: Adjustment of segment income(loss)is mainly due to the deduction of the transaction between the segments and unrealized income.

Note2: Segment income (loss) has been adjusted to equal the operating income on the consolidated income

Three Months Ended March 31, 2014

	Reportable segments			Adjustment (*Note1)	Millions of Yen
	Advertising	Non- advertising	Total		Amount on Consolidated Income Statements (*Note2)
GROSS BILLINGS					
1. Billings to customers	89,610	812	90,423	-	90,423
2. Inter-segment billings	0	10	11	(11)	-
Total billings	89,611	823	90,434	(11)	90,423
Segment income (loss)	1,919	(226)	1,693	0	1,693

Note1: Adjustment of segment income(loss)is mainly due to the deduction of the transaction between the segments and unrealized income.

Note2: Segment income (loss) has been adjusted to equal the operating income on the consolidated income