Our Vision and Strategies

ADK Annual Report 2013

Year ended December 31, 2013

Advertising

Transformation toward
Consumer Activation Company

The phrase “Consumer Activation” refers to the provision of solutions that transform the behavior of consumers. This approach represents a transition from the previous style of business in the advertising industry, which was focused solely on communicating the advertiser’s message to consumers. With the new approach, we aim to contribute to the results of advertisers by prompting consumers to take specific actions. On that basis, the entire ADK Group is working together to implement aggressive structural reforms that will help the Group to grow beyond the conventional advertising business model and to establish a new model that features multiple sources of revenues.

In this way, ADK is transforming itself into a Consumer Activation Company, providing ideas and execution that move consumers and offering true value to advertisers.

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About ADK

Since its founding in 1956, the Company has recorded steady growth as a partner that helps its clients to overcome their communications challenges. Today, we hold the No. 3 position in the domestic advertising industry.

In the fiscal year ended December 31, 2013, the ADK Group's gross billings declined 2.3% from the previous fiscal year, to ¥342,786 million. Gross profit also decreased 2.3%, to ¥45,104 million, and operating income was down 56.4%, to ¥1,383 million. Ordinary income declined 18.6%, to ¥4,327 million. Income before income taxes and minority interests was up 37.6% year on year, to ¥5,600 million, and net income rose 23.3%, to ¥3,430 million.

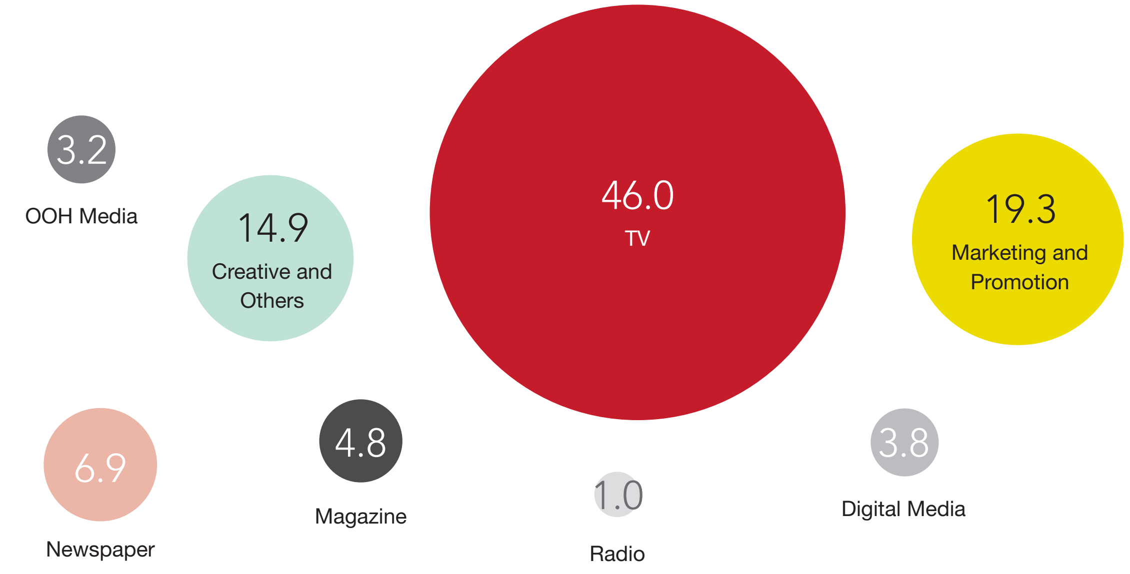
Gross Billings (Consolidated)	Operating Income (Consolidated)	Domestic Advertising Industry Sales
342.7 Billions of Yen	1.383 Billions of Yen	No. 3

Service Line

The ADK Group organizes its businesses into eight fields—Magazine; Newspaper; TV; Radio; Digital Media; Out of Home (OOH) Media; Marketing and Promotion, which includes communication planning, promotions, events, and PR; and Creative and Others. In the advertising business segment, gross billings were down 1.8% from the previous fiscal year, to ¥338,083 million, and segment income declined 37.0%, to ¥2,261 million.

Gains in gross billings were recorded in the Digital Media, OOH Media, and Magazine fields, while declines were registered in the other fields.

Composition of Non-consolidated Sales



Shinichi Ueno
Representative Director,
President & Group CEO

ADK is at a major turning point. Moving forward, we are committed to growing far beyond the conventional advertising agency business. To that end, ADK will create an entirely new business model that will represent the most significant reforms in the Company's history.

In August 2013, ADK announced VISION 2020, which covers the period to December 2020. Since that announcement, we have taken steps to resolve short-term issues as we strive to become a Consumer Activation Company that motivates consumers to take action. In this section, I would like to explain the background to the formulation of VISION 2020.

Formulation of VISION 2020: Background and Strategy

Since I became president last year, I have believed that the advertising market is at a turning point. The factors behind this situation include the dramatic growth of the Internet and rapid progress being made in digital technology. Consumers now gather their own information through the Internet. The Internet has made possible targeted media, customer referrals through online-to-offline (O2O) commerce, and new types of marketing initiatives, and we can now provide solutions that extend to the actual purchase and use of products and services. Consequently, the role traditionally filled by the mass media—building recognition of products and services among large numbers of unspecified consumers—is in decline. The scale of the domestic advertising market is about ¥6 trillion, centered on mass media. The market has moved out of the period of steady growth and is now in a mature phase.

I have a strong sense of urgency about these changes, but at the same time I believe that they also present a significant opportunity for ADK to build a new business model that will enable the Group to record sustained growth. Based on this idea, we formulated VISION 2020. This vision draws on our determination to grow beyond our conventional business model and establish a new revenue model. To that end, we will implement aggressive, Groupwide structural reforms to establish a business model with multiple sources of revenues, which we refer to as the multi-business model.

Through this concept of the multi-business model, which is one pillar of VISION 2020, we will transcend the conventional advertising industry framework and expand our fields of business. Consumer Activation will be the nucleus of these initiatives. The purpose of Consumer Activation is to provide solutions that motivate consumers to take specific actions, rather than simply to provide advertisements that increase recognition among consumers.

The ADK Group has cultivated the management resources needed to implement Consumer Activation initiatives. The most important of these resources include the know-how that we have accumulated over many years in the field of media content and the aggressive use of digital technologies that are posting remarkable growth. Leveraging these digital capabilities, we will precisely measure advertising effectiveness and craft practical approaches. On that basis, we will strive to maximize advertising effectiveness by proposing comprehensive solutions while maintaining close relationships with clients. Specifically, this approach will be applied to the entire value chain, from sales strategies, media strategies, and other planning initiatives to market and consumer research and support for the promotion of consumption. Through these solutions, we will move beyond the framework of the domestic advertising market, which is about ¥6 trillion, and expand our revenue-generating opportunities.

We will also expand our business in global markets. To that end, we will leverage alliances with a wide range of companies in regions around the world through cooperation with WPP, with which we have a business and financial tie-up. In addition to offering support for the overseas operations of Japan-based clients, we will provide communication plans that are optimized for local needs and customs. In this way, we will strive to obtain more orders from local clients. In addition, our abundant experience in the animation content business is a major asset. In particular, the use of animation characters in the merchandising business presents substantial room for further growth in billings. Accordingly, we will offer a diverse array of services. In addition to providing clients with solutions that utilize characters, we will produce and invest in television programs and films; manage events, musicals, and other entertainment vehicles; and distribute animation content videos overseas.

To advance the multi-business model, we must strengthen our earnings structure. To that end, we will move forward with the construction of the Group foundation. In January 2014, we substantially reorganized our operations, establishing four new centers—Account Management, Integrated Solutions, Digital & Data Insight, and Media Content. This reorganization had two key objectives. First, it will enhance the specialized knowledge of each department to help ensure that the new business model functions effectively. Second, it will increase our profitability by transitioning cost-center divisions into profit-center divisions, thereby reinforcing earnings. In addition to these four centers, we established the overseas business supervision center to strengthen business development in global markets.

In the period to 2016, we will advance this multi-business model and move ahead with the construction of the Group foundation. From 2017, we will accelerate growth as we strive to become a corporate group with a solid presence in advertising markets worldwide by 2020. Consequently, I would like to move to a new growth phase as rapidly as possible through the construction of the Group foundation.

Initiatives in 2014

We positioned 2013 as the first year for getting the Consumer Activation business on a growth track. Accordingly, we rigorously implemented structural reforms and foundation building and we took steps to aggressively develop business in Japan and overseas. First, to provide advanced, highly specialized solutions to clients, we established “Category Teams” that boast strong industry-specific knowledge. (See page 19.) We also increased our earnings in the digital business field through a full-scale contribution from ADK Digital Communications, which was established in 2011. We took steps to develop business in global markets, centered on Asia. Further, in cost control, which has become a key issue, we moved ahead with ongoing cost improvements and the optimization of administrative processes through the Procurement Management Division (currently Process Management Division), which was established in 2012.

Through these initiatives, we have made steady progress with structural reforms and foundation building, but we still face challenges. First, we have to step up the pace of our efforts. If we continue to maintain the same approach, we will not be able to keep up with market changes and competitive movements. For example, I have asked that we now take only six months to achieve what used to require two years. To do so, we must thoroughly reform our attitudes.

In the past, ADK has been guided by the management philosophy of Management by All, under which all employees take a management perspective and make full use of their individuality and distinctive capabilities. Moving forward, we will also draw on top-down initiatives as necessary to ensure that we are all working in the same direction, even as we continue to build on the strengths of the Management by All philosophy. We will maintain a strong commitment to dialog between management and employees on the front lines.

Securing human resources is another urgent challenge. We still have a shortage of people with the specialized knowledge to implement Consumer Activation initiatives. We also face a shortage of local staff overseas, and we must move forward with initiatives to hire and nurture personnel in these markets.

In 2014, we will renew our determination to achieve the plan’s targets and restore the trust of the marketplace. Targeting improvement in gross profit margin and rigorous cost control, we are working to improve earnings by implementing appropriate in-house resource allocation through analysis of client portfolios and by strengthening management of in-house processes. In addition, we will work to improve the gross profit margin by making aggressive use of Group resources to increase the in-house production ratio. Moreover, we have already begun to take steps at domestic subsidiaries and affiliates that have recorded declines in earnings. To that end, we have established departments in ADK group companies to strengthen governance. In addition, to implement aggressive countermeasures we will dispatch officers from ADK to subsidiaries with weak sales.

By advancing these measures, we will improve our profit structure. In 2014, our plan calls for operating income of ¥3.7 billion, and we consider this figure to be a target that we must achieve in order to realize growth in the future.

Capital Policy

We expect our need for capital to increase in the future, and at the same time we will step up shareholder returns while enhancing capital efficiency. To increase shareholder returns, from 2014 we will change the focus of our dividend policy from dividend payout ratio to total shareholder return. We have a target of 50% of consolidated net income for total annual shareholder return, including own-stock purchases, and we will maintain a lower limit of ¥20 for dividends per share. We have previously implemented own-stock purchases as one facet of shareholder return, but due to the change in our policy, we have now clarified our management approach of further increasing capital efficiency and prioritizing ROE. In addition, the 50% that is retained internally will be aggressively allocated to growth investment. In this way, we will realize shareholder returns and growth over the medium to long term.

In Closing

ADK has announced that it will grow beyond the conventional advertising company model and transform itself into a Consumer Activation Company. For ADK, 58 years after its establishment, this is a major change, and we have updated our visual identity with a design that expresses our new vision. Our new corporate logo incorporates the image of strength, resilience, and intelligence. The base colors are black, which expresses intelligence, sophistication, and acumen; and red, which expresses briskness, enterprising spirit, and agility. The red ‘<’ mark is the new ADK brand icon, which represents a “shuttle” that bonds consumers and ADK.

2014 will be an important year, a year in which we make a new start. Moving forward, we will strive to provide true value to clients as a Consumer Activation Company and to record further growth to reinforce our market presence so that we continue to be recognized as the best partner.

I would like to ask for the continued understanding and support of all our shareholders and investors as the ADK Group energetically takes on the challenges that lie ahead.

April 2014

New Corporate Logo

Tradition al Views

Trans formation

The ADK Group is Entering a New Stage.

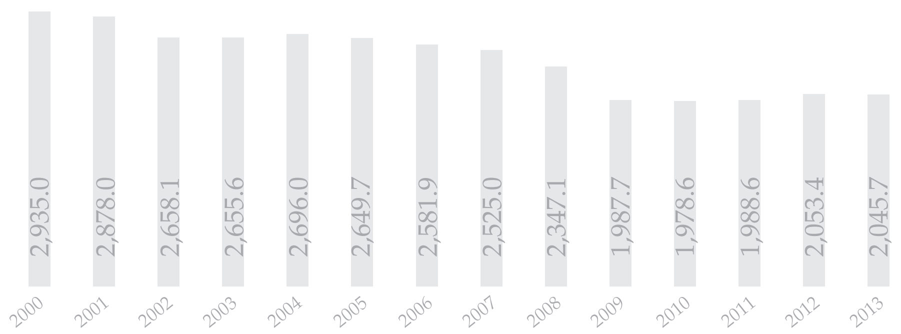
The advertising industry is at a turning point. Growth in consumer markets, centered on China and other Asian countries that are recording strong economic expansion, is creating new business opportunities in advertising markets. Rapid digitization is changing the global media environment, and in turn those changes are dramatically transforming consumer purchasing patterns.

In this setting, ADK is taking steps to grow beyond its conventional advertising agency business and transform itself into a Consumer Activation Company with a multi-business model and an expanded range of business fields.

Traditional Media

Market for Advertising in the Big Four Mass Media

(Billions of Yen)



Source: The Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry (METI)

Initially, the role of advertising agencies entailed being between the advertisers and the media. The market for advertising grew in tandem with the markets for the big four mass media — magazines, newspapers, television, and radio. According to the Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry (METI), the domestic market for the four mass media was ¥2,045.7 billion in 2013. The ADK Group has built a strong track record in the four mass media.

However, from the second half of the 1990s, the growth of the Internet began to change the traditional market environment. The volume of available information has increased remarkably, and the means of obtaining information have diversified. Consequently, the conventional methods alone, such as TV commercials or newspaper advertisements, no longer achieve sufficient awareness among consumers.

Accompanying this change, advertisers are increasingly striving to reduce costs. As a result, although there are signs that the market situation has recently turned upward, the four mass media have basically been on a declining trend since 2000. Despite this environment, however, the Internet advertising market continues to grow and evolve. These changes include the rise of Internet media and social networking, which have substantially altered consumer–media touchpoints and consumer purchasing patterns. In addition, the spread of smartphones and the diversification of tablets and other mobile devices have generated new markets, such as video, music, and electronic book markets as well as markets for the development of applications.

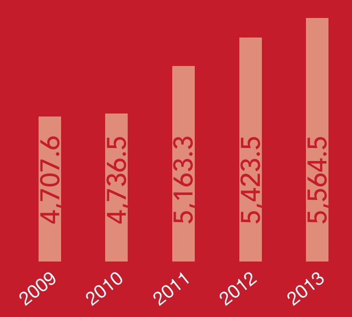
The scale of the domestic Internet advertising market continues to record solid growth, rising 10.8% in 2013 to reach ¥434.5 billion. In these ways, the structure of the advertising market continues to change.

Transition toward New Markets

Looking ahead, we must do more than just strive to secure profits from the conventional big four mass media markets. Our growth will be significantly affected by our ability to expand our fields of business while responding to changes in the structure of advertising markets, including evolution in the methods of analyzing purchasing patterns and marketing in the age of big data and changes in the way advertisers think about the placement of their advertisements.

Market for Advertising in Japan

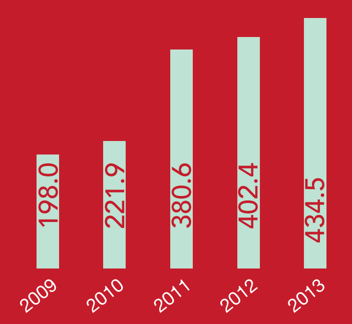
(Billions of Yen)



Source: The Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry (METI)

Market for Internet Advertising in Japan

(Billions of Yen)



Source: The Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry (METI)

Business Model

Tradition
Business M

The conventional advertising agency business model was based on the production of advertisements in accordance with requests from clients, who were the advertisers. These advertisements were then run in the advertising space provided by the media companies, such as TV stations and newspapers. In other words, the central role of an advertising agency was to serve as an agent for advertising space, and the planning and creative functions were a major part of the services provided.

Methods of transmitting information were basically limited to the big four mass medias, and in that environment advertisers believed that allocating substantial advertising expenses to these media, especially television, served to build their brand and achieve recognition among consumers. Advertising companies added value by securing advertising slots during prime time, when TV viewership is at its highest, and placing commercials during that period. This was one model for success in the advertising business.

The Next Business Model

The Next Business Model

The ADK Group's approach to the Consumer Activation business will change that traditional model. In addition to communicating the advertising message, this approach focuses on motivating consumers to take action. In other words, it is a marketing process that is intended to encourage a specific action, such as the purchase of a product.

The current role of ADK extends beyond the traditional function of providing creative services and advertising spots in order to foster recognition of products and services among consumers.

The services that we provide are not limited to the specification of client issues, database analysis, and the construction and implementation of communications. We also offer performance-based business services that include collecting information up to the point where the customer makes a purchase and analyzing purchase behavior. In addition, we are developing collaboration businesses in which we make full use of the ideas and know-how that we have cultivated. We are also active in self-investment businesses, where we are working to expand the content business, one of our key strengths. Through these activities, we are building a business model based on solutions that motivate consumers to take specific actions and on contributions to the results of advertisers.

Our Growth Strategy

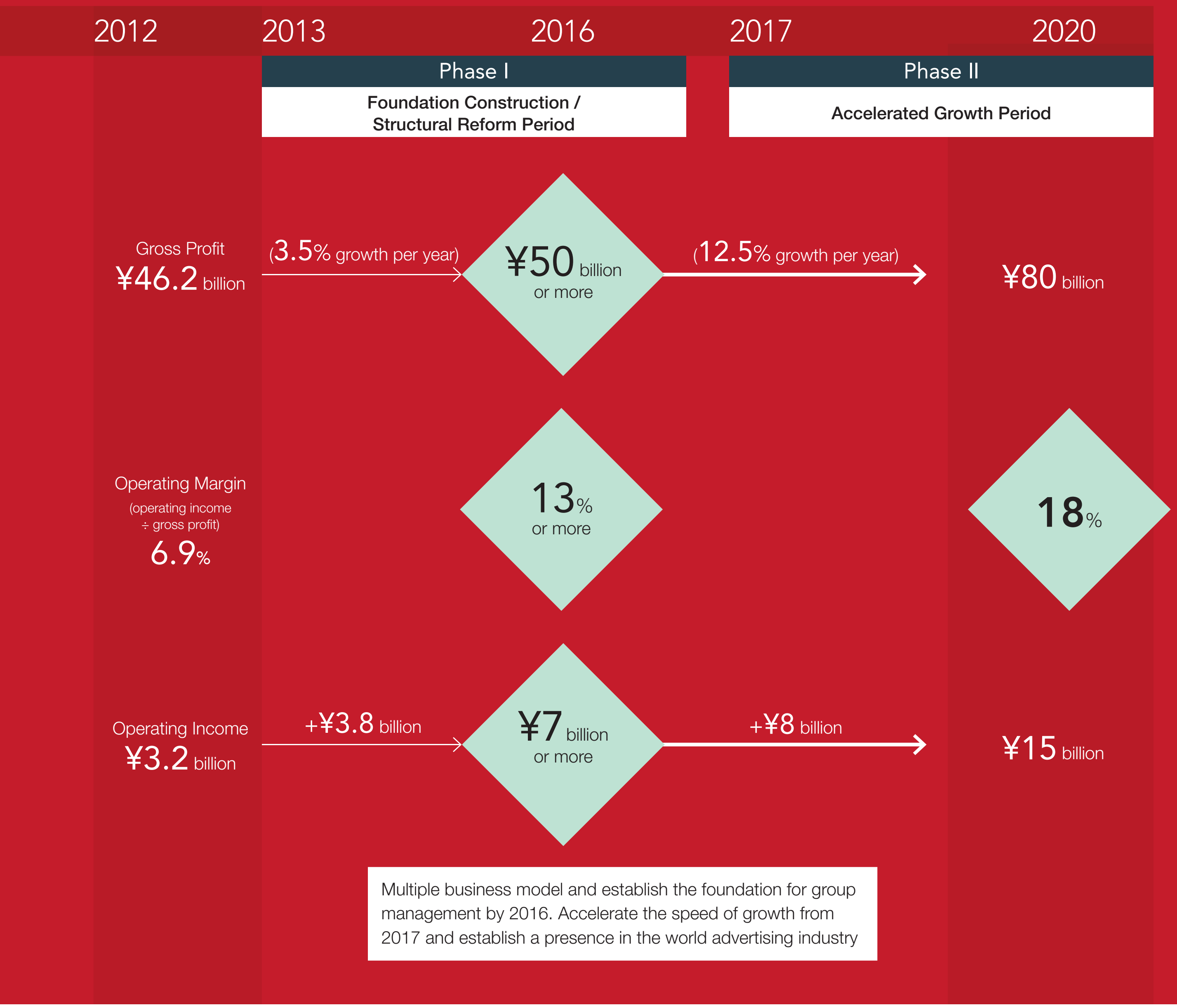
Our Vision

ADK formulated VISION 2020 to guide its transformation into a Consumer Activation Company. The period to 2020, which will be the final year of the vision, has been divided into two phases. From 2013 to 2016, we will focus on foundation construction and structural reforms, and from 2017 to 2020, we will focus on accelerating growth.

In the period to 2016, the ADK Group will establish a multi-business model and construct the new Group foundation, targeting consolidated operating income of more than ¥7.0 billion and an operating margin (operating income ÷ gross profit) of more than 13%.

From 2017, we will further develop the Consumer Activation business and work to achieve consolidated operating income of ¥15.0 billion. On that basis, we will strive to establish a solid presence in advertising markets around the world.

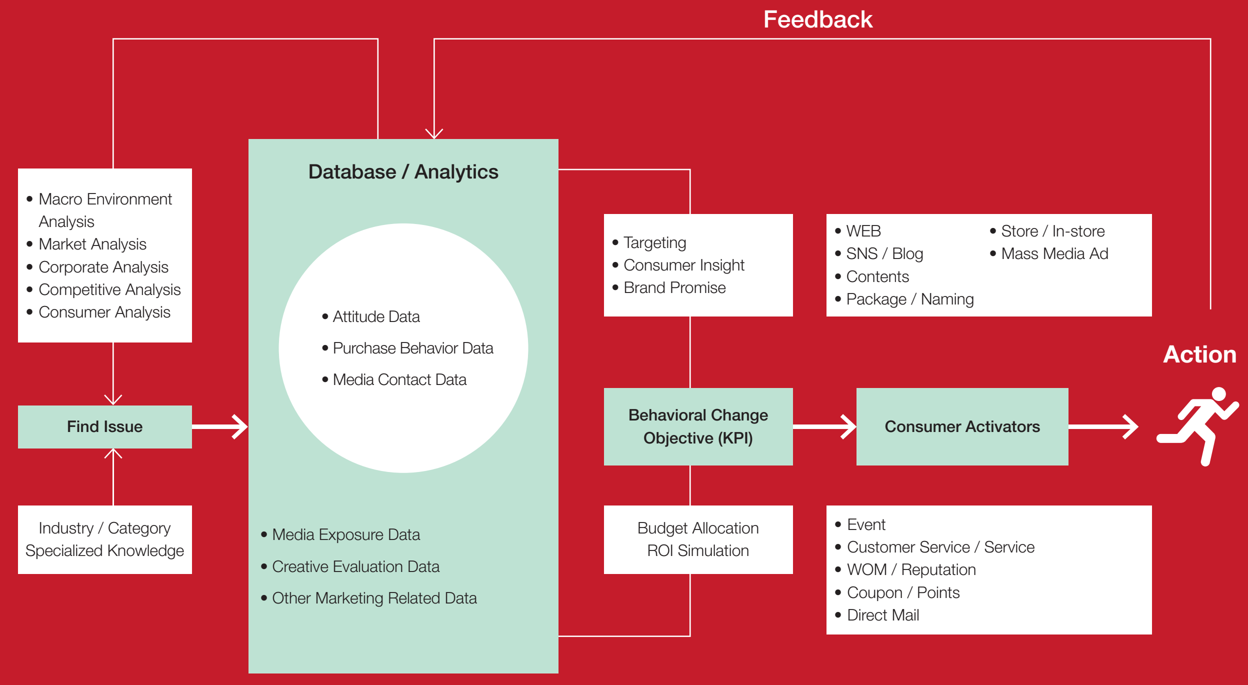
VISION 2020



To Realize Consumer Activation

To realize Consumer Activation, it is first necessary to identify the client's issues and conduct database analysis. Then we need to establish key performance indicators (KPIs) for specific actions that will motivate consumers. To achieve the KPIs, we strive to implement optimal combinations of activators and then measure the changes in behavior, gather feedback, and conduct analysis. The systems that will be the foundation of this process will be constructed during the 2013 to 2016 phase of the mid-term business plan.

In December 2013, we announced that we had commenced consultations about a business tie-up with INTAGE Inc., a pioneer in marketing research. In the future, the ADK Group will continue to aggressively advance the development of promotional materials using new purchasing data while leveraging cooperative relationships with other companies, including new tie-up partners.



Build the SYSTEMS

Build Data Management Platform (DMP)

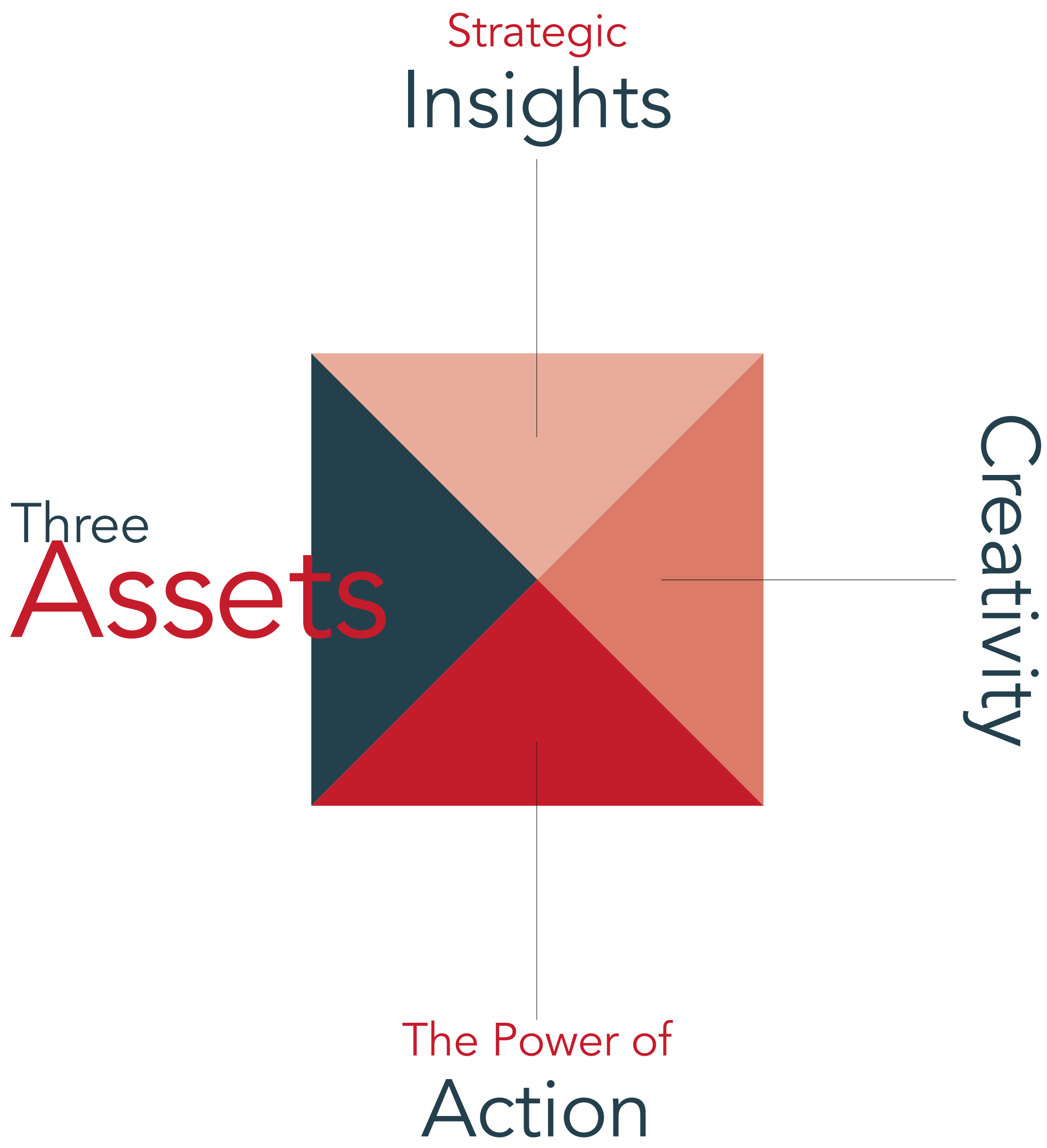
Activator Management System (AMS)

Expand the Activator (Includes: alliance, etc.)

The Power

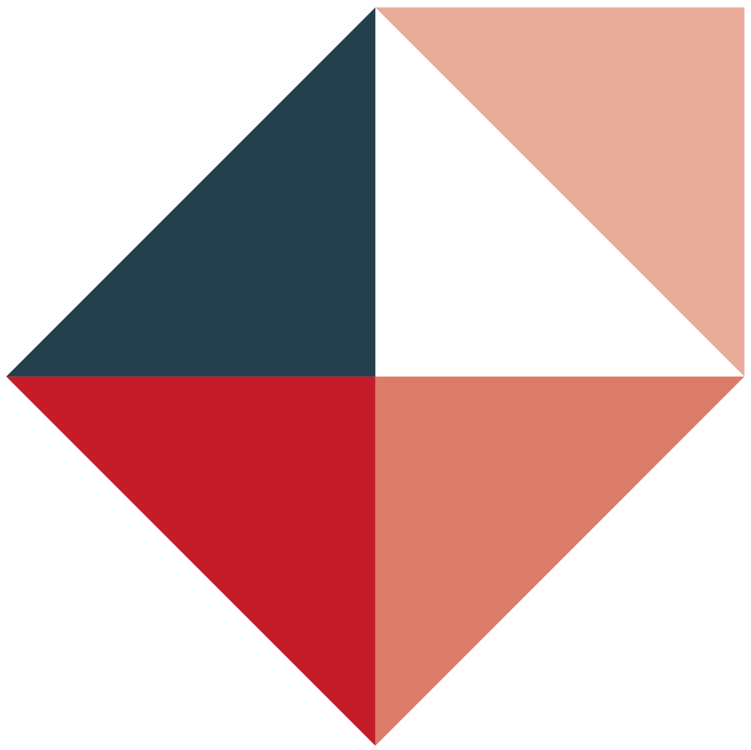
of Transformation

ADK will grow beyond the traditional advertising agency model and transform itself into a Consumer Activation Company. To make this business model a success, we will need to provide specific solutions that motivate consumers to take action. We have three key tools to help us realize this objective—Strategic Insights, Creativity, and the Power of Action.



Strategic

Insights



To help us to contribute to the success of the client's business, we establish Behavior-based Objectives that specify who we will motivate and how we will motivate them.

In setting these objectives, we build a structural understanding of consumer thinking and behavior by closely observing the day-to-day reality of consumer lifestyles and by leveraging a wide range of information technologies and professional experience. To help the client's business succeed, we clarify and share challenges that must be dealt with head on.

The History of the ADK Group

ASATSU, ADK's predecessor company, was founded in March 1956, with magazine advertising as its principal field of business. We faced established competitors, and we needed to build distinctive strengths that were differentiated from those of other advertising companies, which were especially strong in media services. Accordingly, we developed a variety of TV animation genres and moved quickly to stake out a position in the character licensing business. In this way, we steadily established a strong track record. In 1990, we listed on the First Section of the Tokyo Stock Exchange, and in 1998, we concluded a tie-up with WPP, the world's largest communications services group. The following year, we merged with Dai-ichi Kikaku Co., Ltd., and made a new start as ASATSU-DK Inc. (ADK). Today, we are the third largest advertising company in Japan and are highly ranked worldwide.

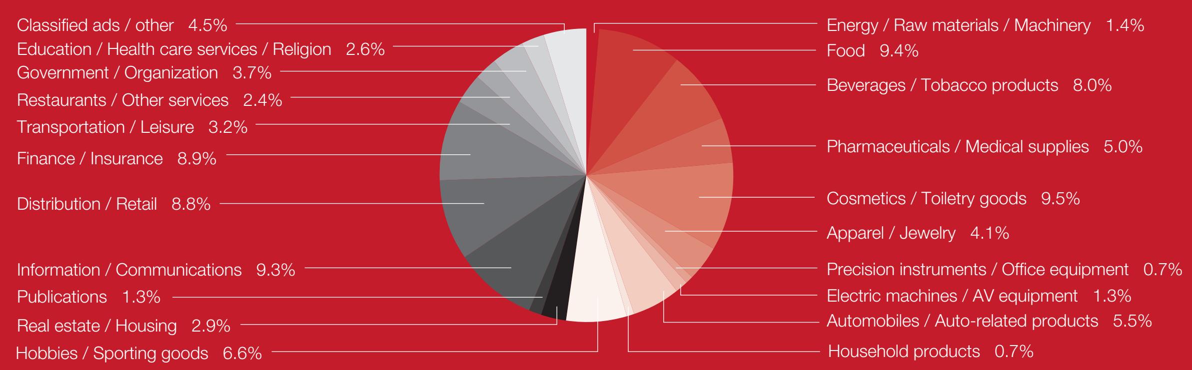
1956	ASATSU established.
1987	Became the first advertising agency in Japan to make a public stock offering when it listed its shares on the Second Section of the Tokyo Stock Exchange.
1990	Elevated to the First Section of the Tokyo Stock Exchange.
1998	Concluded business and capital tie-up with the WPP Group.
1999	Merged with Dai-ichi Kikaku Co., Ltd., to establish ASATSU-DK.

Cultivating Specialized Industry Knowledge

By helping more than two thousand client companies to resolve challenging issues over a period of many years, we developed advanced information analysis capabilities. These capabilities have become a key tool for understanding consumer behavior, which is now more diverse and complex than ever before, and in turn they will be a driver of the Group's growth in the years ahead. Our strength lies in our track record of resolving the communications issues of our clients.

In addition, in 2013 we launched category teams as a Companywide project. These teams, which are especially focused on industries that make important contributions to our billings and profits, are aimed at "expanding our customers base" and "strengthening our business partnerships." We have teams in 10 categories — Finance, IT, Medical Care, Environmental Energy, Car, Real Estate, Travel • Leisure, Game & Toy, Drink & Beverage, and Contents. These teams will make high-quality, strategic proposals through such initiatives as consolidating information and know-how, building networks, and discovering industry insights.

Non-consolidated Gross Billings Breakdown by Client Industry



Creativity

The achievement of our objectives depends on superior Creativity. In formulating and implementing communications, we leverage creativity in all areas, including identifying the core challenge, generating ideas, and optimizing consumer touchpoint and media initiatives. We do the same in the content business, where we create opportunities for consumers to encounter the client's brand.

At all times, creativity that motivates consumers is essential. ADK prides itself on being a group of creative professionals who constantly make full use of their creativity without being limited to existing concepts and business practices. It is the creativity of these professionals that is the source of the ideas that activate consumers.

Yukie Ogaki
Creative Department
Art Director

Giving Shape to Dreams—Leveraging Creativity through the Power of Our People

I was 12 years old when I was selected in a design competition for a major airline company, which ran a contest with the catch phrase "We want to put your dreams on a jumbo jet." My design—a whale that extended along the entire body of the jumbo jet —was selected and used on an aircraft, which became a major attraction throughout Japan as the Marine Jumbo. This was the origin of my approach to design, and at the same time I was able to observe how an advertising company and the client came together to form a team and worked strategically to provide enjoyment to people. At that time, I was fascinated by the possibilities of work that would enable me to strategically communicate designs to large numbers of people.

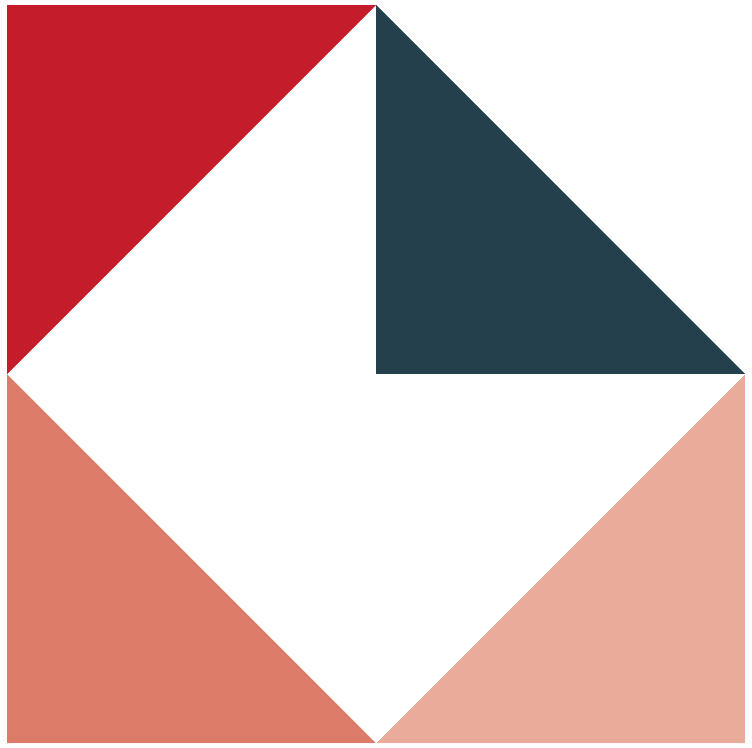
Later, my dream of becoming a designer was fulfilled, and now I work as an art director in ADK's creative department. My work involves advertising, packaging, and character design, as well as the creation of original content. The appeal of my work is that I can strategically propose plans that will make people happy and provide them with enjoyment.

As a creator, there are two things that I think are especially important. The first is creating a simple, unified world view that accommodates the project's conditions, such as the needs of the client and the message for consumers. The second is focusing on the details. For example, this includes focusing on such details as texture and coloring, based on how we imagine the consumer picking up the product in the store.

The Creative Department has the important role of unifying the desires of the client into a specific form with a unified world view. We create the world view with the cooperation of many people from throughout the company. In all departments, the ADK Group has people with interesting and creative ideas. In the future, the capabilities of ADK's people will be the major driving force in the creation of new ideas that offer clear world views. By giving shape to creativity inspired by dreams, we will strive to continue to meet the needs of clients and the diversifying preferences of consumers.

The Power of

Action



The ability to realize results through business execution—that is the DNA that has been passed on to each generation of ADK employees since the Company was founded. We are a group of professionals that work persistently to achieve our goals. And we take responsibility for measuring results. We carefully measure how consumer behavior has changed, share that information with clients, and then move on to the next objective.

Building a Group Foundation

No matter how amazing, strategies and ideas by themselves are not enough. Without the ability to execute it will not be possible to steadily expand profits in an environment marked by dramatic change.

Aiming to develop a system that can generate growth even in a difficult operating environment, the entire ADK Group has begun working to establish a seamlessly integrated value chain. To that end, we are reallocating personnel, implementing the activation business on a Groupwide basis, moving production in-house, and taking other steps as necessary. In this way, we will rapidly build a system that can implement Consumer Activation.

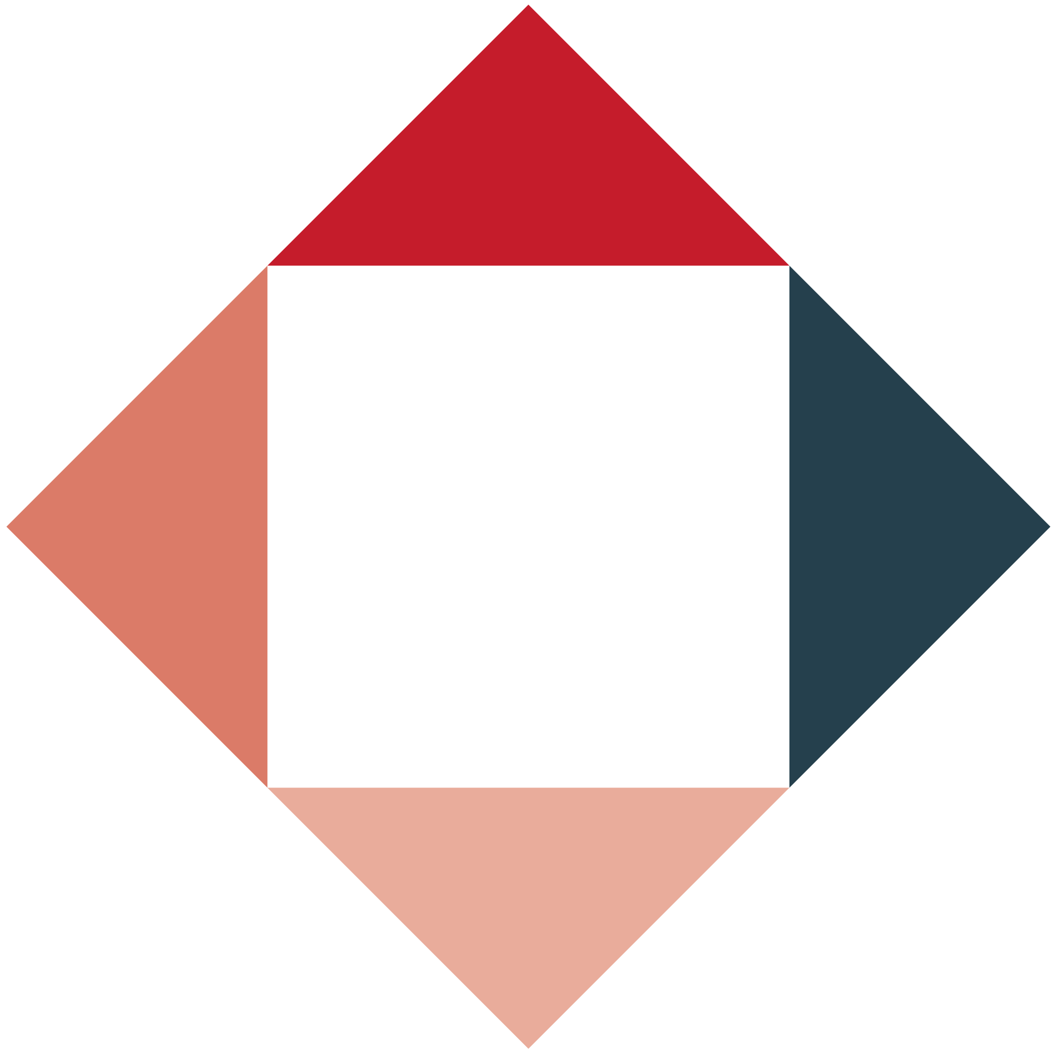
Global

The ADK Group draws on its worldwide network to support the global strategies of companies based in Japan. We also aim to serve companies based overseas, and accordingly we are building a new competitive axis. To that end, we are localizing operations so that we can provide communications plans that are optimized for local needs and customs. ADK was the first Japanese advertising company to move into China, and in the years since, the Company has steadily expanded its network. In 2013, we established a new company in Myanmar, and we also made steady progress through tie-ups with other companies. We are working with maxus, a media buying company that is a member of the WPP Group, with which we have a capital and business alliance, and with Always, which is strong in the field of marketing. Moving forward, the ADK Group will expand the assets that it has cultivated in China to the entire Asia region, where further growth is expected, and work to establish a foothold for the generation of profits overseas. We will strive to raise our overseas gross billings ratio, which is currently 8.6%, to 15% in the years ahead.

Various Media Touchpoints

Unlocking Our Potential

Over its long history, the ADK Group has cultivated a large number of distinctive strengths, both tangible and intangible. Our key intangible assets have been Strategic Insights, Creativity, and the Power of Action. By leveraging these assets, we will realize change in our business model. Specifically, ADK will transform into a Consumer Activation Company and make a new start toward becoming a corporate group that has a strong presence in advertising markets around the world.



Consolidated Five-year Summary

Millions of Yen

Income Statement Data	2013	2012	2011	2010	2009
Gross billings	¥342,786	¥350,822	¥347,111	¥346,565	¥350,211
Gross profit	45,104	46,169	45,836	42,028	41,367
Selling, general and administrative expenses	43,721	42,993	41,983	42,006	42,123
Operating income (loss)	1,383	3,175	3,853	22	(756)
Ordinary income	4,327	5,314	5,627	1,885	1,094
Income (loss) before income taxes and minority interests	5,600	4,069	5,028	(4,748)	343
Net income (loss)	3,430	2,781	2,293	(4,656)	73
EBITDA*	¥ 2,963	¥ 4,517	¥ 4,828	¥ 810	¥ 187

* EBITDA = Operating income (loss) + Depreciation/Amortization + Amortization of negative goodwill

Millions of Yen

Balance Sheet Data	2013	2012	2011	2010	2009
Total assets	¥228,170	¥195,163	¥184,188	¥194,510	¥190,024
Total net assets*	130,972	109,559	96,800	103,168	107,465
Total long-term liabilities	21,116	10,055	5,277	7,466	4,765

* Net assets comprise shareholders' equity, accumulated other comprehensive income, subscription rights to shares, and minority interests.

Per Common Share Data	2013	2012	2011	2010	2009
Net income (loss) per share (EPS)	¥ 81.79	¥ 65.83	¥ 54.37	¥ (110.28)	¥ 1.73
Dividend per share	141	111	109	20	20
Book value per share	¥3,105.40	¥2,567.03	¥2,270.23	¥2,423.06	¥2,499.05
No. of common shares outstanding*	42,155,400	42,655,400	45,155,400	45,155,400	45,155,400

* Includes treasury stock

Financial Ratios	2013	2012	2011	2010	2009
AS PERCENT OF GROSS BILLINGS					
Gross profit	13.2%	13.2%	13.2%	12.1%	11.8%
SG&A expenses	12.8	12.3	12.1	12.1	12.0
Operating income (loss)	0.4	0.9	1.1	0.0	(0.2)
Ordinary income	1.3	1.5	1.6	0.5	0.3
Income (loss) before income taxes and minority interests	1.6	1.2	1.5	(1.4)	0.1
Net income (loss)	1.0	0.8	0.7	(1.3)	0.0
AS PERCENT OF GROSS PROFIT					
Operating income (loss)	3.1%	6.9%	8.4%	0.1%	(1.8)%
Staff cost	65.4	62.5	61.8	67.3	67.0
Return on equity (ROE)*1	2.9	2.7	2.3	(4.5)	0.1
Return on assets (ROA)*2	2.0	2.8	3.0	1.0	0.6
Equity ratio*3	56.9	55.6	52.0	52.5	56.0
Current ratio	1.69×	1.65×	1.55×	1.52×	1.57×

*1. ROE = Net income ÷ Average total Shareholders' Equity based on Total Shareholders' Equity at the beginning and end of the fiscal year × 100
*2. ROA = Operating Income ÷ Average Total Assets based on Total Assets at the beginning and end of the fiscal year × 100
*3. Equity ratio = Equity ÷ Total assets.
Accompanying the enforcement of the Companies Act, equity is calculated as total net assets at year-end, excluding minority interests at year-end and subscription rights to shares at year-end.

Financial Section

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The financial statements and notes thereto in this section are the English-language translation of the Japanese original and were prepared by the Company at its sole discretion from financial information, including consolidated financial statements included in the 2014 Annual Security Report (59th Yukashoken Hokokusho). Please be advised that this English-language version of the annual report was not audited by our external auditors Ernst & Young ShinNihon LLC. It was solely and exclusively prepared for the convenience of readers outside of Japan.

Fiscal 2013 Consolidated Performance Highlights

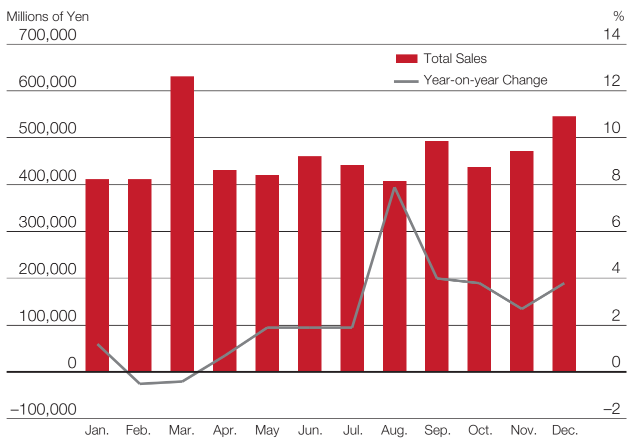
- ■ Gross billings down **2.3%** to **¥342.7** billion
- ■ Gross profit down **2.3%** to **¥45.1** billion
- ■ Gross margin unchanged at **13.2%**
- ■ Operating income down **56.4%** to **¥1.3** billion
- ■ Net income of **¥3.4** billion; net income per share of **¥81.79**

Overview of Fiscal 2013

The Japanese economy under review was on a moderate recovery path throughout 2013 backed up by improvement in the financial market and economic measures along with rebuilding consumer sentiment. Consumer spending gained the upward momentum especially in the first half of the year while employment and income environments turning for the better. Subsequently in the later part of the year, public investment expanded as economic measures started getting rolling. Exports also went on a recovery trend in response to the yen's depreciation and the improvement of overseas economies. Toward the year-end, capital investment, once a cause for concern, showed a sign of improvement thanks to corporate earnings upturn. The fields of housing investment and consumer durables saw a last minute increase prior to a consumer tax hike set to be introduced in April 2014.

According to "The Current Survey of Selected Service Industries" complied by the Ministry of Economy, Trade and Industry, in April , total gross billings in the Japanese advertising industry exceeded that of the previous corresponding period responding to a recovery trend of the domestic economy, which continued to grow by more than 3% from August onward. However, the majority of growth was supported by fiscal policies such as financial measures and public investment. It is, therefore, still unpredictable whether or not advertising spending will continue to rise in the new financial year.

2013 Advertising Expenditures in Japan



Source: Preliminary Report on the Current Survey of Selected Service Industries: Research and Statistics Department, Minister's Secretariat, Ministry of Economy, Trade and Industry

Under these circumstances, the ADK Group sought to provide communications programs emphasizing maximization of return on investment (ROI) for its advertising clients. At the same time, we actively advanced our operations in emerging markets and China, as well as in the content business. Yet, those efforts failed to compensate for year-on-year gross billings decline affected by a drop of billings in TV, branch offices and overseas businesses. We continued efforts in tight cost control while striving to reduce selling, general and administrative (SG&A) expenses. However, both gross profit and operating income fell just short of the previous year's level.

Segment Information

Advertising Business

The Group's advertising business segment generated gross billings of ¥338,083 million, down 1.8% from the previous fiscal year. Segment income declined 37.0%, to ¥2,261 million.

The subsidiaries in Japan and overseas all enjoyed year-on-year increases in gross billings, but parent company (ADK) income fell. In terms of profit, ADK and both domestic and overseas subsidiaries reported a decline.

ADK, which forms the core of the ADK Group, reported gross billings of ¥296,065 million, down 2.4% from the previous year. Gross profit slipped 1.9%, to ¥32,175 million. During the year, we continued striving to reduce SG&A expenses. However, the large share of fixed costs had a negative impact on earnings, and operating income declined 13.0%, to ¥1,166 million.

Non-consolidated Performance Summary

Millions of Yen

	2013	2012	Change
Gross billings	¥296,065	¥303,422	–2.4%
Gross profit	32,175	32,812	–1.9%
Operating income	1,166	1,341	–13.0%
Net income	3,209	1,543	107.9%

Broken down by industry, we reported increased gross billings to clients in the Finance / Insurance, Apparel / Jewelry, Restaurants / Other Services, and Pharmaceuticals / Medical Supplies sectors, although gross billings to clients in the Information / Communications, Cosmetics / Toiletry Goods, Food, and Transportation / Leisure sectors declined.

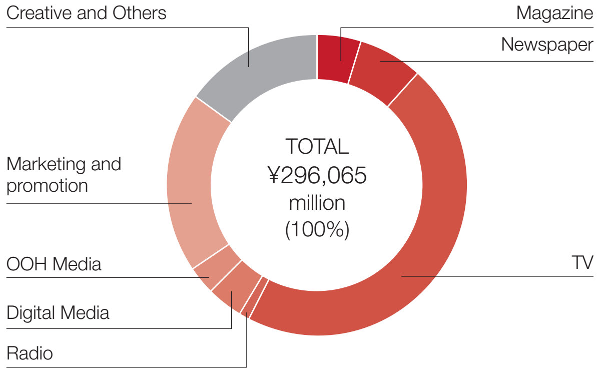
Non-consolidated Gross Billings Breakdown by Client Industry

Millions of Yen

	2013	Composition	2012	Composition	Change	Year–on–year Change
Energy / Raw Materials / Machinery	¥ 4,221	1.4%	¥ 4,441	1.5%	¥ (220)	–5.0%
Food	27,924	9.4	30,071	9.9	(2,147)	–7.1
Beverages / Tobacco Products	23,800	8.0	24,676	8.1	(876)	–3.6
Pharmaceuticals / Medical Supplies	14,779	5.0	13,775	4.5	1,004	7.3
Cosmetics / Toiletry Goods	27,993	9.5	31,100	10.2	(3,107)	–10.0
Apparel / Jewelry	12,262	4.1	9,884	3.3	2,378	24.1
Precision Instruments / Office Equipment	2,069	0.7	1,906	0.6	163	8.6
Electric Machines / AV Equipment	3,947	1.3	3,620	1.2	327	9.0
Automobiles / Auto-Related Products	16,135	5.5	15,396	5.1	739	4.8
Household Products	2,050	0.7	2,949	1.0	(899)	–30.5
Hobbies / Sporting Goods	19,670	6.6	21,090	7.0	(1,420)	–6.7
Real Estate / Housing	8,688	2.9	8,683	2.9	4	0.1
Publications	3,911	1.3	2,964	1.0	947	32.0
Information / Communications	27,420	9.3	33,457	11.0	(6,037)	–18.0
Distribution / Retail	26,112	8.8	25,552	8.4	560	2.2
Finance / Insurance	26,388	8.9	22,155	7.3	4,233	19.1
Transportation / Leisure	9,473	3.2	11,189	3.7	(1,715)	–15.3
Restaurants / Other Services	7,217	2.4	5,959	2.0	1,257	21.1
Government / Organizations	10,989	3.7	11,067	3.6	(77)	–0.7
Education / Healthcare Services / Religion	7,759	2.6	7,675	2.5	84	1.1
Classified Ads / Other	13,248	4.5	15,806	5.2	(2,557)	–16.2
Total	¥296,065	100.0%	¥303,422	100.0%	¥(7,356)	–2.4%

Broken down by business discipline, Digital Media, OOH Media, and Magazine reported higher gross billings, while others reported a decline in gross billings.

Non-consolidated Performance by Discipline



Millions of Yen

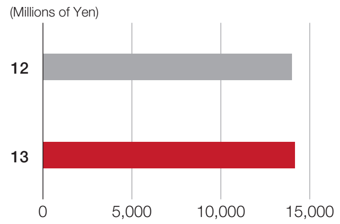
Breakdown by Discipline (see notes below)		Gross Billings	Composition	Year-on-Year change
Media	Magazine	¥ 14,167	4.8%	1.3%
	Newspaper	20,536	6.9	–2.2
	TV (Program, Spot, and Content)	136,207	46.0	–4.1
	Radio	3,066	1.0	–0.3
	Digital Media	11,215	3.8	24.3
	OOH Media	9,563	3.2	7.0
Sub-total		¥194,757	65.8	–1.7
Non-media	Marketing and Promotion	57,232	19.3	–2.5
	Creative and Others	44,076	14.9	–5.5
Sub-total		¥101,308	34.2	–3.9
Total		¥296,065	100.0%	–2.4%

Notes
1. Because we offer cross-media programs, data may not represent gross billings by medium.
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.

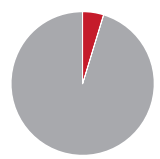
Magazine

In the Magazine business, gross billing to companies in the Information / Communications, Cosmetics / Toiletry Goods, and Pharmaceuticals / Medical Supplies sectors declined amid falling budgets among advertisers in general. However, we enjoyed increased gross billings to clients in the Apparel / Jewelry, Beverages / Tobacco Products, and Distribution / Retail sectors. Accordingly, gross billings from Magazine advertising rose 1.3%, to ¥14,167 million.

Figures of ADK



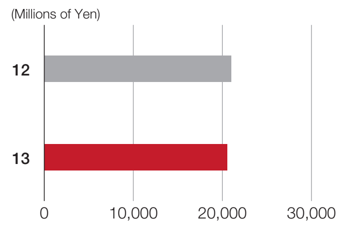
Share of Gross Billings (Non-consolidated)



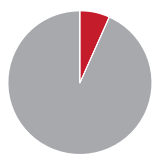
Newspaper

ADK's gross billings from Newspaper advertising decreased 2.2%, to ¥20,536 million. This was due mainly to higher gross billings to clients in the Automobiles / Auto-Related Products, Beverages / Tobacco Products, and Food sectors, which outweighed lower gross billings to clients in Transportation / Leisure, Government / Organizations, and Real Estate / Housing sectors.

Figures of ADK



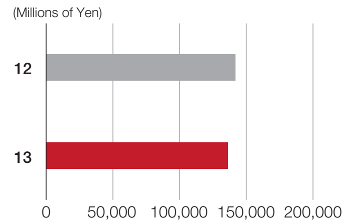
Share of Gross Billings (Non-consolidated)



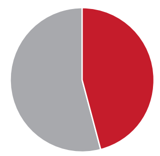
Television

Gross billings from Television advertising declined 4.1%, to ¥136,207 million. In program TV advertising, we reported increased gross billings to clients in the Finance / Insurance, Distribution / Retail, and Automobile / Auto-Related Products sectors, but decreased gross billings to clients in the Cosmetics / Toiletry, Information / Communication, and Food sectors. As for spot TV advertising, we posted higher gross billings to clients in the Finance / Insurance, Apparel / Jewelry, and Beverages / Tobacco sectors, but lower gross billings to clients in the Information / Communication, Cosmetics / Toiletry sectors, Transportation / Leisure sectors. In the animation content business, we continued promoting animation distribution site and mobile video distribution while developing new animation content and actively using popular characters. However, those efforts didn't come to fruition, resulting in lower profit.

Figures of ADK



Share of Gross Billings (Non-consolidated)



Gross Billings from Television Ads (Breakdown by Category)

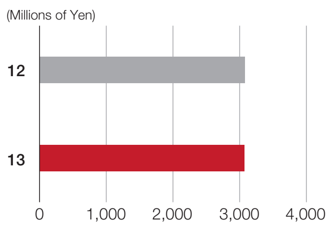
Millions of Yen

	2013	2012	Change
Time (program-sponsored ad)	¥ 53,083	¥ 54,795	–3.1%
Spot	70,881	73,676	–3.8
Content-related sales	12,241	13,534	–9.6
Total	¥136,207	¥142,007	–4.1%

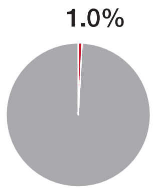
Radio

Gross billings from Radio advertising declined 0.3%, to ¥3,066 million. This resulted from lower gross billings to clients in the Food, Transportation / Leisure, and Information / Communication sectors, although gross billings to clients in the Finance / Insurance, Automobile / Auto-Related Products, and Pharmaceuticals / Medical Supplies sectors increased.

Figures of ADK



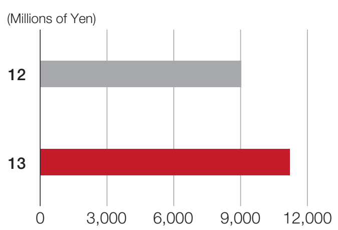
Share of Gross Billings (Non-consolidated)



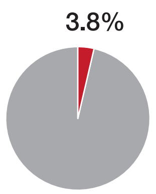
Digital Media

Gross billings from Digital Media advertising climbed 24.3%, to ¥11,215 million. This was boosted by higher gross billings to clients in the Finance / Insurance, Cosmetics / Toiletry Goods, and Restaurants / Other Services sectors, offsetting lower gross billings to clients in the Government / Organizations, Transportation / Leisure, and Real Estate / Housing sectors.

Figures of ADK



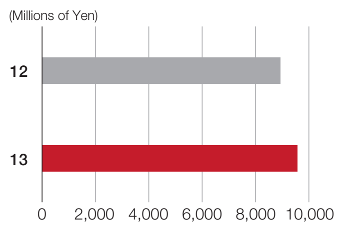
Share of Gross Billings (Non-consolidated)



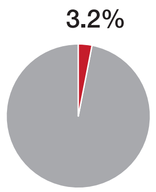
Out of Home Media

Gross billings from OOH Media advertising rose 7.0%, to ¥9,563 million. For the year, we enjoyed growth in business with clients in the Education / Healthcare Services / Religion, Automobile / Auto-Related Products, and Cosmetics / Toiletry Goods sectors, which compensated for decreased business with clients in the Information / Communication, Real Estate / Housing, and Precision Investment / Office Equipment sectors.

Figures of ADK



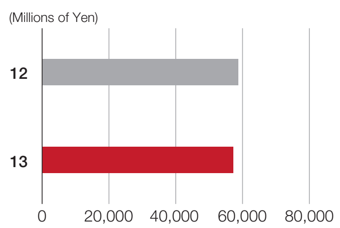
Share of Gross Billings (Non-consolidated)



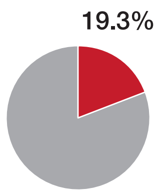
Marketing and Promotion

In the Marketing and Promotion segment, we complemented our individual promotion business—involving events, sales promotion tools, and the like—by continuously addressing clients' needs for "plans and proposals that contribute directly to an increase of revenue." To this end, we sought to develop integrated communications services by deploying our expertise in onsite merchandising and digital solutions. On the other hand, gross billings to clients in Beverages / Tobacco Products, Distribution / Retail, and Education / Healthcare Services / Religion declined. As a result, total gross billings in the Marketing and Promotion segment dropped 2.5%, to ¥57,232 million.

Figures of ADK



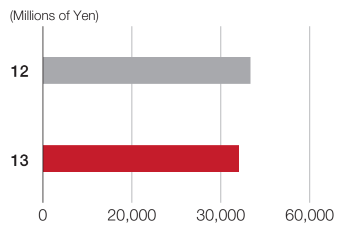
Share of Gross Billings (Non-consolidated)



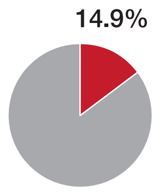
Creative and Others

The "creative" category, which generates the bulk of sales in the Creative and Others segment, saw an increase in gross billings to clients in Beverages / Tobacco Products, Apparel / Jewelry, and Finance / Insurance sectors, but experienced a drop in Information / Communications, Automobile / Auto-Related Products, and Cosmetics / Toiletry Goods sectors. As a consequence, total gross billings in the Creative and Other segment declined 5.5%, to ¥44,076 million.

Figures of ADK



Share of Gross Billings (Non-consolidated)



Other Business

This business involves publishing and sales of magazines and books. Amid overall shrinkage of the publishing market, conditions for generating profits were very difficult, leading to year-on-year declines in sales and profits despite strenuous efforts to slash cost of goods. For the year, sales to customers declined 29.7%, to ¥4,703 million. We reported a segment loss of ¥878 million, compared with a segment loss of ¥425 million in the previous fiscal year.

Overseas Sales

In fiscal 2013, the ADK Group obtained 8.6 % of its gross billings from overseas, compared with 7.8% in fiscal 2012. All overseas sales are in the advertising business.

Outlook for Fiscal 2014

In fiscal 2014, the Japanese economy is expected to continue a recovery backed by the improvement of the overseas economy, the yen's depreciation, and economic stimulus measures although concerning factors are lingering both at home and abroad such as a slow-down of emerging economies, US debt ceiling crisis as well as repercussions of a consumption tax hike. Whether or not the improvement of corporate earnings will affect capital investment expansion and wage hikes, leading to help the Japanese economy break away from deflation remains to be seen.

Under these circumstances, the ADK Group will implement various business strategies described later. Our consolidated forecasts for the first two quarters of fiscal 2014 (January 1–June 30, 2014) are gross billings of ¥169,700 million, operating income of ¥1,310 million, ordinary income of ¥2,500 million, and net income of ¥750 million. Our full-year forecasts for fiscal 2014 (January 1–December 31, 2014) are gross billings of ¥348,800 million, operating income of ¥3,700 million, ordinary income of ¥5,600 million, net income of ¥2,770 million, and net income per share of ¥66.23 .

On a non-consolidated basis, our forecasts for the first two quarters are gross billings of ¥147,500 million, operating income of ¥1,270 million, ordinary income of ¥2,450 million, and net income of ¥750 million. Our full-year forecasts are gross billings of ¥298,000 million, operating income of ¥2,350 million, ordinary income of ¥4,150 million, net income of ¥1,800 million, and net income per share of ¥43.04 .

Forward-looking Statements and Risk Factors

This report may contain forward-looking statements based on ADK management's view and assumptions of future developments as of the date of such statements (February 14, 2014). The foregoing statements herein are inherently subject to risks, including, but not limited to, those shown below (under Tokyo Stock Exchange guidance), and uncertainties that could lead to material differences between such statements and actual outcomes. Therefore, ADK does not warrant any certainty and accuracy thereto. ADK also expressly disclaims any obligation to update or revise its forward-looking statements.

1. Domestic Economy

In fiscal 2013, the Group generated 91.4% of its gross billings from the Japanese domestic market. Japanese national advertising spending is directly influenced by corporate advertisers' budgets and, therefore, is closely correlated with nominal consumer spending and GDP. In the event that the domestic economy deteriorates seriously, the ADK Group's performance and financial condition could be negatively affected.

2. Response to Diversification and Digitalization of Media and Changing Consumers' Media Consumption

Advertising media continue to diversify with advent of new display equipment, such as digital signage, smartphones, and tablet-type PCs. At the same time, people's media consumption and behaviors are changing with the rapid diffusion of social networks, such as Facebook and Twitter. Therefore, markets of traditional mass media, especially print media, are shrinking, whereas the Internet business is growing fast. Advertising clients expect their advertising companies to offer advanced solutions utilizing digital media, thereby allowing clients to gather and analyze data of people's media consumption and purchasing behavior. We do not see traditional and new media cannibalizing each other. Rather, they could enhance each other. The ADK Group continues to provide solutions, including its cross-communications approach, which can integrate both traditional and digital media. However, if the Group fails to adapt to changes in the advertising media, its performance and financial condition could be adversely affected.

3. Risks Arising from Trading Customs

a. Relationship with Advertisers

In Japan, traditionally advertisers do not strictly require an exclusive relationship with their agencies, which may have business with competitors when planning and proposals are well accepted. However, there is no assurance that this practice will continue in the future. In the event that ADK fails to adapt to such changes in the advertising market, its performance and financial condition could be adversely affected. Furthermore, transactions with clients are made by individual project and there is no guarantee that the business will continue in the future.

Advertising companies in Japan do not always have documented contracts with media and clients, so as to maximize their flexibility to adapt to sudden changes. However, ADK works to ensure that it has written contracts with more media and more clients. When this is the rule, not the exception, the Company believes accountability by both parties will minimize disputes. Until that time, however, there remains the possibility of disputes with the media and clients.

An advertising agency buys media time or space and materials on behalf of its clients on its own account. By custom, an agency makes transactions with media companies at its own risk. Sometimes a purchase is made through another agency. Therefore, even if a client and/or such other agency defaults, the advertising company is still liable for the media and/or materials toward a media owner and/or a subcontracting production company.

b. Media Inventories

In Japan, advertising agencies seeking to nurture high-quality content or secure valuable advertising space sometimes purchase media inventories at fixed prices in advance. In such cases, the agency is obligated to pay advertising fees to the media company, regardless of the ultimate sales appeal of the inventories purchased. If the sales appeal is inadequate, this could have an adverse effect on the Group's performance and financial condition.

c. Credit Risks of Subcontractors

Advertising companies work hard to enhance the quality of products and services provided by its subcontractors. However, there are risks associated with a subcontractor's ability to fulfill an order or maintain its business as a going concern, and it is difficult to transfer such risks to the advertising client. Moreover, services offered by the advertising industry are delineated, so there are cases where the subcontractor may outsource work to a sub-subcontractor, or where another agency is included in the arrangement between the ADK Group, its subcontractors, and the media company. Given such multilayered arrangements, the Group may need to provide small and specialty subcontractors with financial backup. In international business, meanwhile, sometimes partial or full payment is required in advance as custom. In the event that a subcontractor is unable to stay in business until an order is fulfilled, or the subcontractor is unable to accept responsibility for losses related to defective products that do not fully satisfy the advertising client's scrutiny, the advertising agency may not be able to recover funds paid in advance, or may be obligated to accept responsibility for losses related to such defective products.

4. Competitive Risk

The ADK Group, as Japan's third-largest advertising group, competes against other large companies. Advertising clients select their products to spend their advertising budgets and tend to appoint a small number of agencies to reduce their costs. This further accelerates price competitiveness among agencies. Competition gets even more fierce by the integration of brands in the wake of clients' globalization and industry re-organization, leading to consolidation of procurement. In addition, competition is accelerated by the entry of foreign mega-agency groups into the Japanese market, as well as many new and rapidly growing entrants in the Internet and other nontraditional mass media advertising market. Non-industry players such as retailers and trading houses have entered into advertising market, in particular, non-mass media sectors, which will make tough competition even tougher.

In the event that ADK is unable to respond appropriately to client needs and changes in the advertising industry, and loses its competitiveness as a result, there is significant risk that its market share could decline and profits could deteriorate. This would have a serious impact on its performance and financial condition.

5. Risks Arising from Operations

a. Client Portfolio

To achieve business stability and growth, the ADK Group has for many years maintained relationships with numerous advertising clients in various industries, and will continue striving to make proposals that meet their needs. However, it is possible that the Group's client portfolio will change, and diversity across sectors will be inadequate. The parent company's largest 10 and 20 clients accounted for around 20% and 30%, respectively.

b. Relationship with the Media

The ADK Group buys and resells various media, including mass media and rapidly growing digital media, such as mobile and Internet. In fiscal 2013, the parent company (ADK) generated 65.8% of its gross billings by handling the four major mass media, as well as the Internet, digital advertising, and OOH media. Gross billings from television represented 46.0% of ADK's non-consolidated gross billings. ADK continues to strive to secure advertising time and/or space in these media. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK Group does not respond to these changes appropriately, there is a significant possibility that its performance and financial condition could be adversely affected.

c. Relationship with Subcontractors

Although ADK carries out planning for advertising and sales promotion campaigns, the execution of these activities is mostly outsourced to qualified subcontractors. In the case of a change in trading relationships with these subcontracted companies, and in the event that ADK is unable to respond appropriately, this could have a negative impact on its performance and financial condition.

d. Staff

Advertising is a people business, and human talents are critical assets in the advertising industry. For this reason, the ADK Group works constantly to secure exceptional human resources, assign them to appropriate locations, train them so they can address changing market environments, and ensure smooth internal communications. A series of new laws were enacted from April 2013, including the revised

Labor Contract Act, the revised Worker Dispatch Act, and the Law Concerning Stabilization of Employment of Older Persons. In response, the Group will amend its various personnel policies and will also consider a new employee training framework to match its new business policies. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on its performance and financial condition. In addition, most of its staff costs are fixed costs and represent the largest portion of its selling, general and administrative expenses. On a consolidated basis, staff expenses represented as much as 65.4% of gross profit in fiscal 2013.

e. Overseas Operations

ADK has been striving to develop overseas revenues. In fiscal 2013, the ADK Group generated 8.6% of its gross billings from overseas sources. In overseas markets, because of differences in culture, society, law, and commercial customs, a variety of problems may arise. In addition, both country risk and currency risk are inherent in conducting international business. In the event that the ADK Group is unable to expand its overseas operations as planned, its performance and financial condition could be significantly affected.

f. Content Business

ADK has been successful in the animation content business, as well as in sports and cultural event marketing, which enables ADK to differentiate itself from competitors. ADK continues to develop new content under existing and new business models. However, the demography of Japan is aging and people's preferences and media consumption are changing. Accordingly, the content business is getting more complicated, and competition is becoming tougher. The typical amount of content development investment is increasing, volatility is growing, and the time to recoup investments is increasing. In sum, the content business is getting riskier but less profitable. There is no guarantee that this content or its derivatives will continue to succeed. Continued resale income from existing content is not guaranteed either. Accordingly, in the case that the ADK Group is not able to generate income as it expects, it could experience a significant impact on its performance and financial conditions.

g. Investment in Competitiveness

To enhance its competitiveness in the changing advertising market, ADK occasionally invests in the digital business domain. Moreover, ADK invests in data collection and R&D, which would be critical in offering cross-communications program ideas, and invests in IT to enhance operational efficiency. However, in the event that the ADK Group is unable to realize benefits from its investments as planned, its performance and financial condition could be significantly affected.

h. Management of Group Companies

The ADK Group consists of the parent company, 46 subsidiaries, 15 affiliates, and one related company, and operates in the advertising and publications businesses. Although the ADK Group strives hard to realize synergies among these companies, in the event that it is unable to do so as planned, its performance and financial condition could be affected.

i. Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc since August 1998, holding a 2.32% equity stake in WPP (as of December 31, 2013). WPP is the largest shareowner of ADK, holding 24.51% of its equity. By way of operating alliances with WPP Group operating companies, ADK has formed joint ventures, collaborated in media buying, and cultivated new advertisers. WPP plc has sent a non-executive director to the ADK's board.

Although ADK plans to continue and expand its capital and business alliance with WPP Group, in the event that the ADK Group is unable to realize the benefits from this relationship or if the relationship should negatively change in any way, there could be an impact on the ADK Group's performance and financial condition in the future.

The yen-translated market value of the equity stake in WPP was ¥72,052 million (at a stock price of £13.25 per share) as of the end of December 2013, compared with a book value of ¥22,262 million (at a stock price of £3.6517 per share under the lower-of-cost-or-market method), however, in the event of a major deterioration in the Group's sterling-based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

j. Marketable Securities and Investment Securities

The ADK Group's holdings of marketable and investment securities (including the aforementioned stake in WPP) totaled ¥84,829 million, representing 37.2% of its ¥228,170 million in total assets as of December 31, 2013. Of this amount, ¥81,421 million consisted of publicly traded equity securities, mostly the equity alliance with WPP plc and cross-shareholdings in advertising clients and other trading partners. The balance of unrealized gains on available-for-sale securities was ¥35,142 million after deducting deferred tax liabilities on such gains (compared with ¥13,553 million as of December 31, 2012). However, in the event of a major decline in the market prices of these holdings, ADK would be forced to account for valuation losses.

k. Retirement Benefits and Pension Plans

ADK and some of its Group companies adopt combinations of defined contribution and defined benefits pension plans, as well as lump-sum retirement allowances.

In the event of deterioration in pension asset management performance, and a significant change in actuarial assumptions, the ADK Group could face a negative impact on its performance and financial condition.

ADK and some of its domestic subsidiaries are members of the Japan Advertising Industry Welfare Pension Fund. Because the ADK Group cannot technically and reasonably define how much pension assets and liabilities it is accountable for, the Group recognizes its annual cash contribution to the fund as its periodic benefit costs applicable for the fund. However, the Representative Committee, consisting of the committee members of the Japan Advertising Industry Welfare Pension Fund, made a resolution that it would commence preliminary work to dissolve the Fund with concern over various factors stemming from promulgation of the Pension Scheme Reform Act with a focus of reviewing employees' pension fund system. The application to seek an approval for dissolution requires a certain ratio of agreement from affiliated companies and general members. The Fund's financial condition is thought to be solid as it possesses the net asset that can cover the amount of benefit to be paid to the employees' pension fund system, which is supposed to be paid by the Fund on behalf of the state. Therefore, this will not impact on ADK nor the Group performance.

l. Contingent Litigation Risks

The ADK Group cannot disregard the possibility of becoming involved in future lawsuits or disputes, either directly or indirectly, due to various circumstances. If the Group does become involved in a lawsuit or dispute, its business results and financial position could be affected depending on the nature, progress, and outcome of said lawsuit or dispute.

m. Risk Related to Legal Restrictions, etc.

The advertising activities of an advertiser are subject to legal restrictions under various laws—such as the Law for Preventing Unjustifiable Lagniappes and Misleading Representation, the Copyright Law, the Trademark Law, the Pharmaceutical Affairs Law, and the Specified Commercial Transactions Law—as well as to various self-imposed restrictions regarding media publications, evaluation criteria, and so on. In the event that tightening or new establishment of such legal restrictions or self-imposed control restrains the advertising activities of an advertiser, this may sometimes influence business results and financial status of the Group.

Also, although there are no laws or regulations specific to the advertising business itself, which is the main business of the Group, the accompanying businesses are subject to restrictions under various laws, such as the Construction Industry Act and the Security Services Act. The Group is also subject to the Law on the Prevention of Delay in the Payment of Subcontracting Charges and Related Matters, the Act for Protection of Computer Processed Personal Data held by Administrative Organs, and other laws regulating business activities in general. Moreover, the Group is required to strictly observe the Internal Control Reporting System stipulated in the Financial Instruments and Exchange Act. Although we believe that none of the above can severely impact the Group, in the event that we are unable to appropriately respond to changes in these legal restrictions in the future, such inability could affect the business results and financial status of the Group, such as an increase in operational expenses required to cope with the situation.

Consolidated Balance Sheets

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

Assets	Note	2012	Note	2013
Current assets				
Cash and time deposits	3	24,489	3	25,554
Notes and accounts receivable—trade	5	84,128	5	81,659
Short-term investment securities		6,471		11,371
Inventories	1	7,032	1	8,469
Deferred tax assets		534		913
Other		2,363		1,477
Allowance for doubtful accounts		(257)		(514)
Total current assets		124,762		128,932
Noncurrent assets				
Property, plant and equipment				
Buildings and structures		4,737		3,798
Accumulated depreciation		(2,802)		(2,524)
Buildings and structures, net		1,935		1,273
Land		1,248		993
Other		3,383		3,821
Accumulated depreciation		(2,270)		(2,696)
Other, net		1,112		1,125
Total property, plant and equipment		4,296		3,392
Intangible assets				
Software		2,241		1,881
Other		101		251
Total intangible assets		2,342		2,132
Investments and other assets				
Investment securities	2, 3	55,312	2, 3	84,829
Long-term loans receivable		238		186
Deferred tax assets		259		427
Other	2	9,378	2	9,080
Allowance for doubtful accounts		(1,426)		(810)
Total investments and other assets		63,761		93,713
Total noncurrent assets		70,400		99,238
Total assets		195,163		228,170

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

Liabilities	Note	2012	Note	2013
Current liabilities				
Notes and accounts payable—trade	5	67,130	5	65,997
Short-term loans payable		59		—
Current portion of long-term loans payable	6	246	6	164
Income taxes payable		337		1,950
Provision for bonuses		359		402
Provision for directors' bonuses		12		—
Provision for sales recturns		839		489
Other		6,563		7,076
Total current liabilities		75,548		76,080
Noncurrent liabilities				
Long-term loans payable	6	246	6	82
Deferred tax liabilities		6,584		18,802
Provision for retirement benefits		1,275		1,271
Provision for directors' retirement benefits		430		417
Provision for loss on guarantees		65		—
Other		1,453		544
Total noncurrent liabilities		10,055		21,116
Total liabilities		85,603		97,197
Net assets				
Shareholders' equity				
Capital stock		37,581		37,581
Capital surplus		13,245		11,982
Retained earnings		45,428		44,303
Treasury stock		(746)		(651)
Total shareholders' equity		95,508		93,216
Accumulated other comprehensive income				
Valuation different on available-for-sale securities		13,553		35,142
Deferred gains or losses on hedges		(2)		1
Foreign currency translation adjustment		(539)		1,513
Total accumulated other comprehensive income		13,012		36,657
Subscription rights to shares		5		21
Minority interests		1,032		1,077
Total net assets		109,559		130,972
Total liabilities and net assets		195,163		228,170

Consolidated Statements of Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

	Note	2012	Note	2013
Gross billings		350,822		342,786
Cost of sales	1	304,653	1	297,681
Gross profit		46,169		45,104
Selling, general and administrative expenses				
Salaries and allowances		22,615		23,012
Provision for bonuses		312		347
Retirement benefit expenses		2,106		2,174
Provision for directors' retirement benefits		49		37
Provision for directors' bonuses		12		—
Welfare expenses		3,255		3,438
Rent expenses		3,913		3,870
Provision of allowance for doubtful accounts		345		(76)
Depreciation		540		755
Other		9,843		10,163
Total selling, general and administrative expenses	2	42,993	2	43,721
Operating income		3,175		1,383
Non-operating income				
Interest income		248		264
Dividends income		1,383		1,800
Equity in earnings of affiliates		12		197
Dividends income of life insurance		68		58
Real estate rent		49		54
Other		598		691
Total non-operating income		2,362		3,067
Non-operating expenses				
Interest expenses		19		10
Provision of allowance for doubtful accounts		45		2
Expense of real estate rent		40		40
Loss on insurance cancellation		24		14
Foreign exchange losses		60		—
Other		32		55
Total non-operating expenses		224		123
Ordinary income		5,314		4,327

See notes to consolidated financial statements.

Millions of Yen

	Note	2012	Note	2013
Extraordinary income				
Gain on sales of noncurrent assets	3	7	3	222
Gain on sales of investment securities		150		4,232
Reversal of allowance for doubtful accounts		61		1
Other		15		137
Total extraordinary income		234		4,594
Extraordinary loss				
Loss on sales of noncurrent assets	4	20	4	0
Loss on retirement of noncurrent assets	5	16	5	274
Impairment loss	6	69	6	—
Loss on sales of investment securities		214		144
Loss on valuation of investment securities	7	28	7	76
Loss on valuation of investments in capital		173		58
Special retirement expenses	8	824	8	2,519
Other		132		248
Total extraordinary loss		1,479		3,321
Income before income taxes		4,069		5,600
Income taxes—current		753		2,472
Income taxes—deferred		511		(359)
Total income taxes		1,264		2,113
Income before minority interests		2,804		3,486
Minority interests in income		23		56
Net income		2,781		3,430

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

	Note	2012	Note	2013
Income before minority interests		2,804		3,486
Other comprehensive income (loss)				
Valuation difference on available-for-sale securities		9,492		21,589
Deferred gains or losses on hedges		74		3
Foreign currency translation adjustments		1,188		2,107
Total accumulated other comprehensive income (loss)	1	10,755	1	23,700
Comprehensive income		13,559		27,187
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent		13,488		27,075
Comprehensive income attributable to minority interests		70		112

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Year Ended December 31, 2013

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock—at cost	Total shareholders' equity
Balance as of January 1, 2013	37,581	13,245	45,428	(746)	95,508
Changes during the fiscal year					
Dividend payments			(4,721)		(4,721)
Net income			3,430		3,430
Adjustments of retained earnings due to change in scope of consolidation			167		167
Acquisitions of treasury stock				(1,255)	(1,255)
Disposals of treasury stock		(0)		88	88
Cancellation of treasury stock		(1,263)		1,263	
Other decrease of retained earnings			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	—	(1,263)	(1,124)	95	(2,291)
Balance as of December 31, 2013	37,581	11,982	44,303	(651)	93,216

Millions of Yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment	Total accumu-lated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of January 1, 2013	13,553	(2)	(539)	13,012	5	1,032	109,559
Changes during the fiscal year							
Dividend payments							(4,721)
Net income							3,430
Adjustments of retained earnings due to change in scope of consolidation							167
Acquisitions of treasury stock							(1,255)
Disposals of treasury stock							88
Cancellation of treasury stock							—
Other decrease of retained earnings							(1)
Net changes of items other than shareholders' equity	21,589	3	2,052	23,644	15	45	23,705
Total changes during the fiscal year	21,589	3	2,052	23,644	15	45	21,413
Balance as of December 31, 2013	35,142	1	1,513	36,657	21	1,077	130,972

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Year Ended December 31, 2012

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock—at cost	Total shareholders' equity
Balance as of January 1, 2012	37,581	20,023	43,557	(7,632)	93,530
Changes during the fiscal year					
Dividend payments			(851)		(851)
Net income			2,781		2,781
Adjustments of retained earnings due to change in scope of consolidation			(57)		(57)
Acquisitions of treasury stock				(4)	(4)
Disposals of treasury stock		(0)		112	112
Cancellation of treasury stock		(6,777)		6,777	—
Other decrease of retained earnings			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	—	(6,777)	1,870	6,885	1,978
Balance as of December 31, 2012	37,581	13,245	45,428	(746)	95,508

Millions of Yen

	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment	Total accumu-lated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of January 1, 2012	4,063	(76)	(1,681)	2,304	—	965	96,800
Changes during the fiscal year							
Dividend payments							(851)
Net income							2,781
Adjustments of retained earnings due to change in scope of consolidation							(57)
Acquisitions of treasury stock							(4)
Disposals of treasury stock							112
Cancellation of treasury stock							—
Other decrease of retained earnings							(1)
Net changes of items other than shareholders' equity	9,490	74	1,142	10,707	5	67	10,781
Total changes during the fiscal year	9,490	74	1,142	10,707	5	67	12,759
Balance as of December 31, 2012	13,553	(2)	(539)	13,012	5	1,032	109,559

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

	Note	2012	Note	2013
Net cash provided by (used in) operating activities				
Income before income taxes and minority interests		4,069		5,600
Depreciation and amortization	2	1,341	2	1,582
Gain on sales of investment securities		28		76
Increase (decrease) in allowance for doubtful accounts		1		(571)
Increase in provision for bonuses		(433)		3
Increase (decrease) in provision for directors' bonuses		0		(12)
Increase (decrease) in provision for sales returns		239		(350)
Increase (decrease) in provision for retirement benefits		(126)		(15)
Increase (decrease) in provision for directors' retirement benefits		35		(15)
Interest and dividends income		(1,632)		(2,065)
Interest expenses		19		10
Foreign exchange losses		(15)		1
Equity in earnings of affiliates		(12)		(197)
Loss on valuation of investment securities		63		(4,088)
Loss (gain) on sales and retirement of noncurrent assets		29		51
Increase in notes and accounts receivable—trade		4,757		3,960
Decrease (increase) in inventories		(40)		(1,238)
Decrease in prepaid pension costs		(5,303)		(1,585)
Decrease (Increase) in receivables		(14)		116
(Decrease) increase in payables		(614)		(210)
Extra retirement payment		824		2,519
Others—net		(176)		946
Subtotal		3,040		4,519
Interest and dividends income received		1,619		2,086
Interest expenses paid		(20)		(11)
Special retirement expenses		(824)		(2,519)
Income taxes—paid		(1,233)		(899)
Net cash provided by operating activities		2,581		3,175

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2013

Millions of Yen

	Note	2012	Note	2013
Net cash provided by (used in) investing activities				
Payments into time deposits		(4,993)		(7,684)
Purchase of short-term investment securities		3,939		7,230
Proceeds from sales of short-term investment securities		55		—
Purchase of property, plant and equipment		(240)		(548)
Proceeds from sales of property, plant and equipment		25		388
Purchase of intangible assets		(666)		(594)
Purchase of investment securities		(459)		(368)
Proceeds from sales of investment securities		1,100		9,152
Payments of loans receivable		(176)		(125)
Collection of loans receivable		148		168
Net (increase) decrease in insurance premiums		73		(22)
Payments for guarantee deposits		(672)		(1,185)
Proceeds from collection of guarantee deposits		96		180
Other, net		50		(318)
Net cash provided by (used in) investing activities		(1,719)		6,270
Net cash provided by (used in) financing activities				
Net increase (Decrease) in short-term loans payable		(34)		(47)
Repayment of long-term loans payable		(275)		(256)
Net decrease (increase) in treasury stock		107		(1,168)
Cash dividends paid		(844)		(4,687)
Cash dividends paid to minority shareholders		(13)		(25)
Other		(124)		(149)
Net cash used in financing activities		(1,184)		(6,336)
Effect of exchange rate change on cash and cash equivalents		1,104		1,880
Net increase in cash and cash equivalents		782		4,990
Cash and cash equivalents at beginning of period		26,519		27,264
Increase in cash and cash equivalents from newly consolidated subsidiaries		34		156
Cash and cash equivalents of deconsolidated subsidiaries		(71)		—
Cash and cash equivalents at end of period	1	27,264	1	32,410

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
December 31, 2012 and 2013

(Items related to going concern assumption)

No items

(Basis of presenting consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries—28.

The names of major consolidated subsidiaries are omitted here because they are listed on page 76–77. Knots Europe BV, ASATSU-DK VIETNAM Inc., DIK VIETNAM CO., LTD., and Asatsu (Shanghai) Exposition & Advertising Co., Ltd., have been included in the scope of consolidation from the fiscal year ended December 31, 2013, due to an increase in materiality.

(2) Major nonconsolidated subsidiaries

BIOMEDIS International Ltd.

ASATSU-DK Korea Co., Ltd.

All nonconsolidated subsidiaries are small in size, and neither their aggregate total assets, sales, net income, or retained earnings (amounts corresponding to ownership portion) have a significant impact on the Company's consolidated financial statements.

2. Items related to application of equity-method accounting

(1) Number of affiliates for which the equity method is applied—4.

The names of major affiliates for which the equity method is applied are not listed here because they are listed on page 76–77. DA search & link INC., Drill Inc., and ASP CO., LTD., have been included in the scope of equity-method application from the fiscal year ended December 31, 2013, due to an increase in materiality.

(2) Major nonconsolidated subsidiaries and affiliates for which the equity method is not applied

Premier X-Value Inc.

Beijing DongFang SanMeng Public Relations Consulting Co., Ltd.

Reason for exclusion from scope of equity-method application

The effect of these nonequity-method companies individually on net income and retained earnings is negligible, and as a whole they are not significant, and are therefore excluded from the scope of equity-method application.

3. Items related to fiscal year-ends, etc., for consolidated subsidiaries

The fiscal year-end of consolidated subsidiary EIKEN Co., Ltd., has been changed from September 30 to December 31. Accompanying this change, in the fiscal year ended December 31, 2013, consolidation has been implemented for a 15-month period, from October 1, 2012, to December 31, 2013.

4. Items related to accounting treatment and standards

(1) Valuation standards and method for major assets

① Securities

Other securities

• For which a market value is available

Market value method, based on the market price, etc., as of the fiscal year-end (with the entire amount of valuation differences directly included under net assets, and the cost of sales calculated using the moving average method).

• For which a market value is unavailable

Primarily, total average cost method,

② Inventories

Primarily, the individually identified cost method is used (with balance sheet values calculated by writing down book values based on decreased profitability).

③ Derivative transactions

Market value method

(2) Depreciation methods for major depreciable assets

① Property, plant and equipment (excluding lease assets)

Buildings (excluding ancillary equipment)

i Acquired on or before March 31, 1998……Previous declining balance method

ii Acquired on or after April 1, 1998……Previous straight-line method

iii Acquired on or after April 1, 2007……Straight-line method

Other than buildings

i Acquired on or before March 31, 2007……Previous declining balance method

ii Acquired on or after April 1, 2007……Declining balance method (250% Declining balance method)

iii Acquired on or after January 1, 2013……Declining balance method (200% Declining balance method)

The straight-line method is primarily applied at overseas consolidated subsidiaries.

Major periods of useful life are as follows.

Buildings and structures 3–65 years

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)

With the revision of the Corporation Tax Act, from the fiscal year ended December 31, 2013, the depreciation method for property, plant and equipment acquired on or after January 1, 2013, has been changed to the depreciation method based on the revised Corporation Tax Act.

The effect of this change on operating income, ordinary income, and income before income taxes and minority interests is negligible.

② Intangible assets (excluding lease assets)…Straight-line method

For software (used internally), the straight-line method is applied based on the Company's internal period of useful life (3–5 years).

③ Lease assets

Lease assets associated with finance lease transactions that do not transfer ownership rights

……The straight-line method is applied, with the lease period as the period of useful life and a residual value of zero.

(3) Accounting policy for significant provisions

① Allowance for doubtful accounts

In order to prepare for losses from the nonrepayment of claims, the Company and domestic consolidated subsidiaries record the estimated irrecoverable amount. For general claims, actual default rates are used, and for specific claims known to be doubtful, individual collectibility is examined.

Overseas consolidated subsidiaries principally record necessary estimated amounts for specific accounts with reference to the collectibility of those accounts.

② Provision for bonuses
In order to provide for the payment of bonuses to employees, an amount corresponding to the estimated amount of bonus payments to be made for the fiscal year is recorded.
③ Provision for directors' bonuses
In order to provide for the payment of bonuses to directors, the estimated amount of bonus payments to be made for the fiscal year is recorded.
④ Provision for sales returns
Provision for sales returns includes provision for sales returns and special account for claims on returned goods unsold.
i. Provision for sales returns
To provide for losses on returns of publications (principally books), one domestic consolidated subsidiary records the estimated amount of losses calculated in accordance with the actual return rate for a specified period of time.
ii. Special account for claims on returned goods unsold
To provide for losses on returns of publications (magazines), one domestic consolidated subsidiary records the estimated amount of losses on returns calculated in accordance with the actual return rate for a specified period of time.
⑤ Provision for retirement benefits
In order to prepare for the payment of retirement benefits to employees, the amount of retirement benefits deemed as having emerged at the fiscal year-end, based on the estimated amount of retirement benefit obligations and pension fund assets as of the fiscal year-end, is recorded.

Actuarial differences are treated as an expense, written off from the fiscal year following the fiscal year in which they emerge over a fixed number of years not exceeding the employees' average remaining years of service (13 years), using the declining balance method (straight-line method at certain consolidated subsidiaries). Past service obligations are treated as an expense written off in a lump sum at the time they emerge.
⑥ Provision for directors' retirement benefits
At certain domestic consolidated subsidiaries, in order to prepare for the payment of retirement benefits to directors, an amount to be paid at the fiscal year-end based on internal guidelines is recorded.
⑦ Provision for loss on guarantees
In order to prepare for losses associated with guarantee obligations, the estimated amount of losses at the fiscal year-end is recorded, with reference to the financial condition, etc., of the warrantee.

(4) Significant hedge accounting methods
① Method of hedge accounting
Deferred hedge accounting is applied.
However, for forward foreign exchange transactions that are used to hedge foreign currency-denominated monetary claims and obligations, the designation method is applied.
② Hedging methods and scope of hedging
Hedging methods……Scheduled foreign currency transactions.
Scope of hedging……Hedge foreign currency-denominated monetary claims and obligations
③ Hedging policy
Primarily, forward foreign exchange transactions are used to manage risks from exchange rate movements in foreign currency-denominated transactions.
④ Method for evaluating effectiveness of hedging
In line with risk management policies, the forward foreign exchange transactions used by the Company are implemented in accordance with actual demand, and in principle, when a foreign forward exchange transaction is concluded, a foreign forward exchange transaction that has the same amount, currency, and term as the hedged item is designated.

Consequently, correlation regarding foreign exchange rate fluctuations is completely maintained, and accordingly the evaluation of effectiveness as of the settlement date is omitted.

(5) Amortization method and period for goodwill
Goodwill is amortized on a straight line basis over the estimated useful life, up to a maximum of 20 years, in which each acquisition is expected to benefit the Group. Where the amount is immaterial, goodwill is charged or credited to income in the year incurred.

(6) Scope of cash included in the consolidated statements of cash flows
Cash on hand, deposits available on demand, and short-term investments with maturities of up to three months that are highly liquid, easy to convert, and have little risk of price fluctuation.

(7) Accounting treatment for consumption tax, etc.
Consumption tax and local consumption tax are accounted for by the net-of-tax method. However, non-deductible consumption tax, etc., is treated as an expense in the fiscal year in which it is incurred.

(New accounting standards, not yet applied)

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012)

1. Outline
From the perspective of improving financial reporting and in consideration of international trends, revisions were made to the standard and guidance, centered on the accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service cost, the method of calculating projected benefit obligation and service cost, and the enhancement of disclosure.

2. Planned date of application
Application is planned from the end of the fiscal year ending December 31, 2014. However, regarding the revised method of calculating projected benefit obligation and service cost, application is planned from the beginning of the fiscal year ending December 31, 2015.

3. Effect of adoption of these accounting standards, etc.
The amount of the effect was under consideration as of the time these financial statements were being prepared.

(Changes in presentation)

(Consolidated statements of cash flows)

"Payments for guarantee deposits" and "proceeds from collection of guarantee deposits," which were included in "other" in "cash flows from investing activities" in the fiscal year ended December 31, 2012, are presented separately from the fiscal year ended December 31, 2013, due to an increase in materiality. To reflect this change in the method of presentation, the consolidated financial statements for the fiscal year ended December 31, 2012, have been restated.

Consequently, the (¥525 million) that had been presented in "other" in "cash flows from investing activities" in the Consolidated Statements of Cash Flows for the fiscal year ended December 31, 2012, has been restated as "payments for guarantee deposits" of (¥672 million), "proceeds from collection of guarantee deposits" of ¥96 million, and "other" of ¥50 million.

(Consolidated balance sheets)

*1 Inventories

The Group's inventories include a variety of items incidental to advertising related operations, such as expenses related to operations in progress and various copyrights, etc., related to the production, etc., of advertising materials. Because it is difficult to classify them appropriately, they are presented as a lump sum.

*2 Amounts corresponding to nonconsolidated subsidiaries and affiliates are as follows:

	December 31, 2012	December 31, 2013
Investment securities (Stocks)	¥1,302 million	¥1,577 million
Investments and other assets Other assets (Capital)	¥394 million	¥275 million

*3 Items provided as trade guarantees, etc., for newspapers, etc., are as follows:

	December 31, 2012	December 31, 2013
Cash and deposits (time deposits)	¥57 million	¥357 million
Investment securities	¥11 million	¥17 million

*4 Incidental obligations

(1) Guarantee Obligations

Aggregated amount of guarantees are as follows:

	December 31, 2012	December 31, 2013
IMMG Pte. Ltd.	Debt / Accounts payable ¥55 million	Debt / Accounts payable ¥35 million
Beijing Huawen-Asatsu International Advertising Co., Ltd.	Debt ¥195 million	Debt ¥34 million
Dai-Ichi Kikaku (Malaysia) Sdn. Bhd.	Debt ¥4 million	Debt ¥—million
GroupM Japan K.K.	Accounts payable ¥176 million	Accounts payable ¥142 million
Total	¥431 million	¥212 million

Of those above, guarantee obligations other than for GroupM Japan K.K., a supplier, are for non-consolidated subsidiaries or affiliates.

(2) Obligation to pay compensation related to lawsuit

Fiscal year ended December 31, 2012

On January 8, 2010, the Company filed a lawsuit against Art Corporation seeking payment of unpaid receivables for services already provided and advance money in the total amount of ¥379 million together with late charges. On April 22, 2010, Art Corporation filed a countersuit against the Company seeking claims of ¥311 million together with late charges.

On March 12, 2013, the Tokyo District Court dismissed the counterclaim filed by the plaintiff, Art Corporation, and ordered the plaintiff to pay a sum of ¥62 million together with an amount of late charges, allowing the Company's claim partially. On March 25, 2013, the Company appealed to the Tokyo High Court, as the Company was not satisfied with the order.

Also, there is a possibility that the plaintiff may also appeal within two weeks after the judgment by the Tokyo District Court.

The Company will handle its claim and the counterclaim consulting appropriately with the corporate lawyers of the Company and the Company considers its claim to be justifiable.

Fiscal year ended December 31, 2013

On January 8, 2010, the Company filed a lawsuit against Art Corporation seeking payment of unpaid receivables for services already provided and advance money in the total amount of ¥379 million together with late charges. On April 22, 2010, Art Corporation filed a countersuit against the Company seeking claims of ¥311 million together with late charges.

On March 12, 2013, the Tokyo District Court dismissed the counterclaim filed by the plaintiff, Art Corporation, and ordered the plaintiff to pay a sum of ¥62 million together with an amount of late charges, allowing the Company's claim partially. On March 25, 2013, the Company appealed to the Tokyo High Court, as the Company was not satisfied with the order.

Moreover, Art Corporation was also not satisfied with the order and appealed to the Tokyo High Court on March 23, 2013.

The Company will handle its claim and the counterclaim consulting appropriately with the corporate lawyers of the Company and the company considers its claim to be justifiable.

*5 Notes maturing on the closing date are settled on the date of clearance. Because December 31 was a financial institution holiday, the following notes were included in the outstanding amounts as of December 31, 2012 and 2013.

	December 31, 2012	December 31, 2013
Notes receivable—trade	¥539 million	¥520 million
Notes payable—trade	¥822 million	¥731 million

*6 Of these, the balance of loans payable related to the ESOP Trust was as follows:

	December 31, 2012	December 31, 2013
Current portion of long-term loans payable	¥164 million	¥164 million
Long-term loans payable	¥246 million	¥82 million

(Consolidated statements of income)

*1 Write-downs of inventories held for sale in the ordinary course of business due to decreased profitability were as follows:

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Cost of sales	¥493 million	¥589 million

*2 Research and development expenses included in selling, general and administrative expenses were as follows

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
	¥1,039 million	¥688 million

*3 Gain on sales of noncurrent assets were as follows:

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Buildings	¥— million	¥63 million
Vehicles	¥6 million	¥4 million
Tools, furnitures and fixtures	¥0 million	¥1 million
Land	¥— million	¥153 million

*4 Loss on sales of noncurrent assets

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Buildings	¥7 million	¥— million
Machinery	¥— million	¥0 million
Vehicles	¥1 million	¥0 million
Tools, furnitures and fixtures	¥0 million	¥0 million
Land	¥11 million	¥— million
Other	¥0 million	¥— million

*5 Loss on retirement of noncurrent assets

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Buildings	¥11 million	¥2 million
Vehicles	¥0 million	¥— million
Tools, furnitures and fixtures	¥2 million	¥22 million
Software	¥— million	¥249 million
Other	¥1 million	¥— million

*6 Loss on impairment of property and equipment

Impairment losses were recorded for the following asset groups.

Fiscal year ended December 31, 2012			
Use	Type	Location	Number
Business assets	Software	—	1

(1) Circumstances leading to recognition of impairment loss

Impairment loss was recognized on software because the profits that had initially been expected were no longer expected.

(2) Amount of impairment loss

Software ¥69 million

(3) Method of grouping assets

Asset grouping is based on segments. However, in regard to assets for rent and idle assets, the grouping unit is each individual property.

(4) Method of calculating recoverable amount

The recoverable amount is the higher of value in use and net realizable value. For idle assets, net realizable value is used. Net realizable value is calculated by real estate appraisal, the comparable transaction method, or another reasonable method.

Fiscal year ended December 31, 2013

No items

*7 It was mainly due to impairment.

*8 Principally extra retirement payments paid to retirees under early retirement scheme.

(Consolidated statements of comprehensive income)

*1 Reclassification adjustments and income tax relating to other comprehensive income

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Valuation difference on available-for-sale securities		
Amount arising during fiscal year	¥14,719 million	¥37,786 million
Reclassification adjustments	¥(29 million)	¥(4,064 million)
Prior to tax effect	¥14,689 million	¥33,722 million
Tax effect	¥(5,197 million)	¥(12,132 million)
Valuation difference on available-for-sale securities	¥9,492 million	¥21,589 million
Deferred gains or losses on hedges		
Amount arising during fiscal year	¥124 million	¥5 million
Prior to tax effect	¥124 million	¥5 million
Tax effect	¥(49 million)	¥(1 million)
Deferred gains or losses on hedges	¥74 million	¥3 million
Foreign currency translation adjustment		
Amount arising during fiscal year	¥1,188 million	¥2,107 million
Foreign currency translation adjustment	¥1,188 million	¥2,107 million
Total other accumulated comprehensive income	¥10,755 million	¥23,700 million

(Consolidated Statements of Changes in Net Assets)

Fiscal year ended December 31, 2012

1 Items related to types and total number of shares issued

Type of shares	Number of shares as of January 1, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2012
Common stock	45,155,400	—	2,500,000	42,655,400

(Outline of reason for change)

The breakdown of the decrease is as follows:

Decrease due to cancellation in accordance with resolution of Board of Directors 2,500,000 shares

2 Items related to treasury stock shares

Type of shares	Number of shares as of January 1, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2012
Common stock	2,941,598	1,987	2,563,036	380,549

Note: The treasury stock at December 31, 2012, includes 304,900 shares of the Company's stock held in the ESOP Trust Account.

(Outline of reason for change)

The breakdown of the increase is as follows:

Increase due to purchase of shares constituting less than one trading unit 1,987 shares

The breakdown of the decrease is as follows:

Decrease due to cancellation in accordance with resolution of Board of Directors 2,500,000 shares

Decrease due to sale of shares in ESOP Trust Account 63,000 shares

Decrease due to sale of shares constituting less than one trading unit 36 shares

3 Items related to subscription rights for shares

Company name	Breakdown	Class of shares to be issued or transferred upon exercise of the subscription rights	Number of shares to be issued or transferred upon exercise of the subscription rights (shares)				Balance at December 31, 2013
			Number of shares as of December 31, 2012	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2013	
Company submitting	Subscription rights for shares as stock options	—	—	—	—	—	¥5 million
Total			—	—	—	—	¥5 million

4 Items related to dividends

(1) Cash dividends paid

Resolution by	Type of shares	Total amount of dividends	Cash dividends per share (yen)	Reference date	Effective date
Board of directors' meeting held on February 22, 2012	Common stock	¥422 million	¥10.00	December 31, 2011	March 21, 2012
Board of directors' meeting held on August 10, 2012	Common stock	¥422 million	¥10.00	June 30, 2012	September 10, 2012

Notes: 1. Dividends paid to the ESOP trust in the amount of ¥3 million have been excluded from the total amount of dividends at February 22, 2012.
2. Dividends paid to the ESOP trust in the amount of ¥3 million have been excluded from the total amount of dividends at August 10, 2012

(2) Dividends with reference date in the current fiscal year and effective date after the current fiscal year-end

Resolution by	Type of shares	Fund for dividends	Total amount of dividends	Cash dividends per share (yen)	Reference date	Effective date
Board of directors' meeting held on February 12, 2013	Common stock	Retained earnings	¥4,269 million	¥101.00	December 31, 2012	March 18, 2013

Note: Dividends paid to the ESOP trust in the amount of ¥30 million have been excluded from the total amount of dividends.

Fiscal year ended March 31, 2013

1 Items related to types and total number of shares issued

Type of shares	Number of shares as of January 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2013
Common stock	42,655,400	—	500,000	42,155,400

(Outline of reason for change)

The breakdown of the decrease is as follows.

Decrease due to cancellation in accordance with resolution of Board of Directors 500,000 shares

2 Items related to treasury stock shares

Type of shares	Number of shares as of January 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2013
Common stock	380,549	502,668	549,736	333,481

Note: The treasury stock at December 31, 2013, includes 255,200 shares of the Company's stock held in the ESOP Trust Account.

(Outline of reason for change)

The breakdown of the increase is as follows.

Increase due to acquisition in accordance with resolution of Board of Directors 500,000 shares

Increase due to purchase of shares constituting less than one trading unit 2,668 shares

The breakdown of the decrease is as follows.

Decrease due to cancellation in accordance with resolution of Board of Directors 500,000 shares

Decrease due to sale of shares in ESOP Trust Account 49,700 shares

Decrease due to sale of shares constituting less than one trading unit 36 shares

3 Items related to subscription rights for shares

Company name	Breakdown	Class of shares to be issued or transferred upon exercise of the subscription rights	Number of shares to be issued or transferred upon exercise of the subscription rights (shares)				Balance at December 31, 2013
			Number of shares as of January 1, 2013	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2013	
Company submitting	Subscription rights for shares as stock options	—	—	—	—	—	¥21 million
Total			—	—	—	—	¥21 million

4 Items related to dividends

(1) Cash dividends paid

Resolution by	Type of shares	Total amount of dividends	Cash dividends per share (yen)	Reference date	Effective date
Board of directors' meeting held on February 12, 2013	Common stock	¥4,269 million	¥101.00	December 31, 2012	March 18, 2013
Board of directors' meeting held on August 12, 2013	Common stock	¥418 million	¥10.00	June 30, 2013	September 12, 2013

Notes: 1. Dividends paid to the ESOP trust in the amount of ¥30 million have been excluded from the total amount of dividends in resolution of the Board of Directors at February 22, 2013.
2. Dividends paid to the ESOP trust in the amount of ¥2 million have been excluded from the total amount of dividends in resolution of the Board of Directors at August 12, 2013.

*(2) Dividends for which the reference date is within the fiscal year ended March 31, 2013, but the effective date is in the following fiscal year

Resolution by	Type of shares	Fund for dividends	Total amount of dividends	Cash dividends per share (yen)	Reference date	Effective date
Board of directors' meeting held on February 14, 2014	Common stock	Retained earnings	¥5,478 million	¥131.00	December 31, 2013	March 17, 2014

Note: Dividends paid to the ESOP trust in the amount of ¥33 million have been excluded from the total amount of dividends.

(Consolidated statements of cash flows)

*1 Relationship between cash and cash equivalents at fiscal year-end and amounts shown on consolidated balance sheet

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Cash and deposits	¥24,489 million	¥25,554 million
Marketable securities	¥6,471 million	¥11,371 million
Total	¥30,961 million	¥36,925 million
Time deposits with tenors exceeding 3 months	¥(3,696 million)	¥(4,423 million)
Securities other than MMF, and others	¥— million	¥(91 million)
Cash and cash equivalents	¥27,264 million	¥32,410 million

*2. Depreciation and amortization expense includes amounts recorded in other accounts, such as amortization expense for software recorded in computer expenses.

(Lease transactions)

Finance lease transactions that do not transfer ownership, prior to commencement of initial year of application of accounting standards for lease transactions

(1) Equivalent acquisition cost and aggregate depreciation for leased properties

Millions of Yen

	December 31, 2012		
	Equivalent cost	Accumulated depreciation	Net leased property
Property, plant and equipment Others (Tools, furniture and fixtures)	206	190	16
Software	15	13	1
Total	221	203	18

Millions of Yen

	December 31, 2013		
	Equivalent cost	Accumulated depreciation	Net leased property
Property, plant and equipment Others (Tools, furniture and fixtures)	12	11	0
Software	—	—	—
Total	12	11	0

(2) Equivalent outstanding amounts of future lease payments.

Millions of Yen

	December 31, 2012	December 31, 2013
Within one year	21	0
Beyond one year	0	0
Total	21	0

(3) Lease fees paid and equivalent amounts of depreciation and interest expenses

Millions of Yen

	December 31, 2012	December 31, 2013
Lease fees paid	54	20
Depreciation expense	50	16
Interest expense	1	0

(4) Calculation methods for equivalent amounts of depreciation and interest expenses

Calculation method for equivalent amount of depreciation expense

Straight-line method, with the lease period as the period of useful life and a residual value of zero

Calculation method for equivalent amount of interest expense

The equivalent amount of interest is the difference between the total lease fees and the equivalent acquisition value of the leased property, with the interest distributed over each fiscal year.

(5) Impairment loss

List of items, etc., has been omitted because no impairment loss was allocated to lease assets.

1 Finance lease transactions

Finance lease transactions that do not transfer ownership

(1) Details of lease assets

Tangible fixed assets

Principally, tools, furniture and fixtures and vehicles.

Intangible assets

Principally, software.

(2) Method of amortizing lease assets

The straight-line method is applied, with the lease period as the period of useful life and a residual value of zero.

2 Operating lease transactions

Future lease payments related to noncancelable operating leases

Millions of Yen

	December 31, 2012	December 31, 2013
Within one year	699	1,117
Beyond one year	2,410	2,872
Total	3,110	3,990

(Financial instruments)

1 Items related to financial instruments

(1) Group Policy for Financial Instruments

The Group invests its cash surplus in low risk and liquid marketable financial asset classes. Funding requirements are mainly sourced from bank loans. Derivatives are used, not for speculative purposes, but to manage financial exposure to the volatility of exchange rates by way of hedging transactions. In addition, the Group purchases bonds with embedded derivatives for the purpose of asset management.

(2) Nature and Extent of Risks Arising from Financial Instruments, and Risk Management Method

Receivables, such as trade notes and accounts, are exposed to customer credit risk.

Investment securities, mainly equity instruments of customers for the purpose of building strong business relationships in addition to equity instruments of business alliances, are exposed to the risk of market price fluctuations.

The payment terms of payables, such as trade notes and trade accounts, are only short term.

Bank loans are aimed at (mainly short-term) cash operation and the purchase of treasury stock under the ESOP trust system as the employees' benefit plan.

Bank loans, most of which are contracted with floating rates, are exposed to the risk of rate fluctuations. Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in the foreign exchange rates of receivables and payables. Certain domestic subsidiaries have purchased bonds with embedded derivatives that are exposed to the risk of a loss of principal.

Regarding Hedge Accounting, please see “Basis of Presenting of Consolidated Financial Statements”- “Significant hedge accounting methods” for more detailed information.

(3) Risk Management for Financial Instruments

① Credit Risk Management

The Company manages its credit risk from receivables on the basis of internal accounting rules, which include screening customers, setting credit limits for each customer, designating due date controls for each receivable, and monitoring the financial status of major customers through the cooperation of the accounting department and each front office to prevent the default risk of customers.

Consolidated subsidiaries of the Company manage their credit risks and control their receivables, and are required to report certain substantial events to the Company when they happen.

② Market Risk Management (Foreign exchange risk and interest rate risk)

To hedge the foreign currency exchange risk associated with foreign currency trade receivables and payables, foreign currency forward contracts are entered into for the purpose of hedging risks associated with the ordinary course of business.

Loan payables are exposed to market risks from changes in interest rates, however, these market risks are considered limited as the balance of loans payable is not significant.

The market values of marketable and investment securities are managed by monitoring market prices and the financial position of the issuers on a regular basis, considering the relationships with the issuers.

Derivative transactions are determined in specified types and volume based on the Company’s internal guidelines to be approved by the authorized person. After the approval, derivative transactions are entered into and managed by the accounting department. In addition, the accounting department is required to report the financial position and the results of derivative transactions to the management of the Company on a regular basis.

③ Liquidity Risk Management (management of the risk that payment cannot be made on the due date)

The Company manages its liquidity risk by the corporate treasury department preparing and updating the fund management plan based on reports from each department, and manages liquidity by holding adequate volumes of liquid assets.

(4) Supplementary Explanation on the Estimated Fair Value

The fair values of financial instruments are based on the quoted price in active markets. If the quoted price is not available, other rational valuation techniques are used instead. Because various assumptions and factors are reflected in computing the fair value, different assumptions and actual factors could result in different fair values. The amounts of derivative contracts presented in Note 16 do not indicate market risk.

2 Fair value of financial instruments

Carrying amounts, the fair values and unrealized gains (losses) as of December 31, 2012 and 2013, were as follows. Financial instruments whose fair values cannot be reliably determined were not included in the following tables.

December 31, 2012

Millions of Yen

	Carrying amount[1]	Fair value[1]	Difference
Cash and deposits	24,489	24,489	—
Notes and accounts receivable	84,128	84,128	—
Securities and investment securities[2]	58,833	58,833	—
Notes and accounts payable	(67,130)	(67,130)	—
Short-term loans payable	(59)	(59)	—
Long-term loans payable	(492)	(492)	(0)

December 31, 2013

Millions of Yen

	Carrying amount[1]	Fair value[1]	Difference
Cash and deposits	25,554	25,554	—
Notes and accounts receivable	81,659	81,659	—
Securities and investment securities[2]	92,825	92,825	—
Notes and accounts payable	(65,997)	(65,997)	—
Short-term loans payable	—	—	—
Long-term loans payable	(246)	(246)	—

1. Liabilities are shown in parentheses.
2. Embedded derivatives, to the extent that they cannot be separated from the financial host contract, are considered with these as trading transactions for measurement purposes and are shown in “Investment securities.”
3. Derivative transactions presented in the table above are net amounts. Total net payables are shown in parentheses.

Note 1: Items related to securities, calculation methods, and derivative transactions for market value of financial instruments

(1) Cash and deposits, (2) Notes and accounts receivable

The carrying values of cash and time deposits, and notes and accounts receivable due in one year or less approximate the fair value because of their short maturities.

(3) Securities and investment securities

These mainly consist of stocks, bonds, and mutual funds. The fair values of stocks are measured at the quoted market price on the stock exchange, whereas the fair values of bonds are measured at the quoted price obtained from a financial institution, and the fair values of mutual funds are measured at the quoted values available.

(4) Notes and accounts payable, (5) Short-term loans payable

The carrying values of notes and accounts payable and short-term debt approximate the fair value because of their short maturities.

(6) Long-term loans payable

The carrying values of long-term debt with floating rates approximate the fair value because floating rates reflect the market rate and the credit spread of the Company remains almost the same. The fair values of long-term debt with fixed rates are measured at the present value of the principal and interest (including long-term debt due in one year or less), discounted at an expected rate applied for new borrowings with the same terms.

(7) Derivative transactions

Information on the fair value for derivatives is included in “Derivatives.”

Note 2: Carrying amount of financial instruments whose fair value cannot be reliably determined

Millions of Yen

Type	December 31, 2012	December 31, 2013
Investments in securities with no available fair value	1,374	1,456
Investments in affiliates	1,302	1,577
Other	273	341

These instruments do not have a market value and it is not possible to estimate their future cash flow, making it extremely difficult to obtain a market value. They are therefore not included in “(3) Securities and investment securities.”

Note 3: Maturity Analysis for Financial Assets and Securities with Contractual Maturities

December 31, 2012

Millions of Yen

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	24,489	—	—	—
Notes and accounts receivable	84,128	—	—	—
Securities and investment securities				
Other securities with contractual maturities	—			
Other		33	1,179	62
Total	108,630	33	1,179	62

December 31, 2013

Millions of Yen

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and deposits	25,554	—	—	—
Notes and accounts receivable	81,659	—	—	—
Securities and investment securities				
Other securities with contractual maturities				
Other	100	—	190	—
Total	107,314	—	190	—

Note 4: Scheduled redemption amounts in subsequent fiscal years of corporate bonds, long-term borrowings, and other interest-bearing liabilities

December 31, 2012

Millions of Yen

	Up to 1 year	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years and up to 5 years	More than 5 years
Short-term loans payable	59	—	—	—	—	—
Long-term loans payable	246	164	82	—	—	—
Total	305	164	82	—	—	—

December 31, 2013

Millions of Yen

	Up to 1 year	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years and up to 5 years	More than 5 years
Long-term loans payable	164	82	—	—	—	—
Total	164	82	—	—	—	—

(Securities)

Fiscal year ended December 31, 2012

1 Other securities (December 31, 2012)

Millions of Yen

Classification	Amount recorded on consolidated balance sheet	Cost	Difference
For which market value exceeds amount recorded on consolidated balance sheet			
Stocks	49,208	27,809	21,399
Bonds	704	700	4
Other	11	3	8
Subtotal	49,925	28,512	21,412
For which market value does not exceed amount recorded on consolidated balance sheet			
Stocks	1,958	2,362	(404)
Bonds	570	596	(25)
Other	174	174	—
Subtotal	2,703	3,133	(429)
Total	52,629	31,646	20,982

Note: "Bonds" in "For which market value does not exceed amount recorded on consolidated balance sheet" include complex financial instruments with embedded derivatives that cannot be measured separately. The market value of these complex financial instruments is evaluated overall, and the valuation difference is recorded in profit or loss for the current fiscal period. The cost of these complex financial instruments is based on unrealized gain(loss) after accounting.

2 Other securities sold during the current fiscal year (Fiscal year ended December 31, 2012)

Millions of Yen

Classification	Amount of sale	Total gain on sale	Total loss on sale
Stocks	1,039	140	79
Bonds	—	—	—
Other	106	18	11
Total	1,145	158	90

3 Securities on which impairment losses were recorded (Fiscal year ended December 31, 2012)

For other securities with market values, impairment processing has been implemented as follows.

Stocks ¥1 million

When the fair value of securities has declined to below 50% of cost and there is no contradictory evidence, this is considered to be a significant decline and impairment losses are recognized. Further, where the decline is less than 50% but more than 30% of cost and that decline is consistent, if, based on analysis of the specific financial and operational conditions of each investee, recovery of fair value to cost is considered unlikely, an impairment is recognized.

Fiscal year ended December 31, 2013

1 Other securities (December 31, 2013)

Millions of Yen

Classification	Amount recorded on consolidated balance sheet	Cost	Difference
For which market value exceeds amount recorded on consolidated balance sheet			
Stocks	81,327	26,793	54,533
Bonds	103	100	3
Other	—	—	—
Subtotal	81,430	26,893	54,536
For which market value does not exceed amount recorded on consolidated balance sheet			
Stocks	93	98	(5)
Bonds	188	188	—
Other	60	60	—
Subtotal	342	347	(5)
Total	81,773	27,241	54,531

Note: "Bonds" in "For which market value does not exceed amount recorded on consolidated balance sheet" include complex financial instruments with embedded derivatives that cannot be measured separately. The market value of these complex financial instruments is evaluated overall, and the valuation difference is recorded in profit or loss for the current fiscal period.

The cost of these complex financial instruments based on unrealized gain (loss) after accounting.

2 Other securities sold during the current fiscal year

Millions of Yen

Classification	Amount of sale	Total gain on sale	Total loss on sale
Stocks	7,560	4,231	81
Bonds	1,037	—	62
Other	50	1	—
Total	8,648	4,232	144

3 Securities on which impairment losses were recorded (Fiscal year ended December 31, 2013)
For other securities with market values, impairment processing has been implemented as follows.

Stocks ¥2 million

When the fair value of securities has declined to below 50% of cost and there is no contradictory evidence, this is considered to be a significant decline and impairment losses are recognized. Further, where the decline is less than 50% but more than 30% of cost and that decline is consistent, if, based on analysis of the specific financial and operational conditions of each investee, recovery of fair value to cost is considered unlikely, an impairment is recognized.

(Derivatives)

Fiscal year ended December 31, 2012
1 Derivative transactions to which hedge accounting was not applied
(1) Currency related
No items

(2) Complex financial instrument related
The market value of complex financial instruments with embedded derivatives that cannot be measured separately is evaluated overall and listed in "Notes to Consolidated Financial Statements (Securities)."

2 Derivative transactions to which hedge accounting was applied
(1) Currency related

Millions of Yen

Hedge accounting method	Transaction type	Primary hedged item	Notional amounts	Due after one year	Fair value
Principal method Foreign exchange forward contracts	Foreign exchange forward contracts	Payables			
	—buying				
	(US$)		300	—	297
	Subtotal		300	—	297
Deferral method Foreign exchange forward contracts	Foreign exchange forward contracts	Payables			
	—buying				
	(US$)		2	—	Note: 2
	Subtotal		2	—	—
Total			303	—	—

Notes: 1. Method of calculating fair value with principal method
Foreign forward exchange contracts...Calculated based on prices, etc., provided by counterparty financial institutions.
2. Foreign forward exchange contracts to which designation accounting is applied are accounted for together with the foreign currency-denominated monetary claims and obligations that are being hedged, and accordingly their fair values are included in the fair values of the foreign currency-denominated monetary claims and obligations.

Fiscal year ended December 31, 2013
1 Derivative transactions to which hedge accounting was not applied
(1) Currency related
No items

(2) Complex financial instrument related
The market value of complex financial instruments with embedded derivatives that cannot be measured separately is evaluated overall and listed in "Notes to Consolidated Financial Statements (Securities)."

2 Derivative transactions to which hedge accounting was applied

(1) Currency related

Millions of Yen

Hedge accounting method	Transaction type	Primary hedged item	Notional amounts	Due after one year	Fair value
Principal method Foreign exchange forward contracts	Foreign exchange forward contracts				
	—buying				
	(US$)	Payables	47	—	48
	(HKD)	Payables	15	—	16
	(SGD)	Payables	131	—	132
	Subtotal		194	—	196
Deferral method Foreign exchange forward contracts	Foreign exchange forward contracts				
	—buying				
	(US$)	Payables	213	—	Note: 2
	(HKD)	Payables	5	—	Note: 2
	(SGD)	Payables	17	—	Note: 2
	(THB)	Payables	1	—	Note: 2
	Subtotal		238	—	—
Total			432	—	—

Notes: 1. Method of calculating fair value with principal method
Foreign forward exchange contracts...Calculated based on prices, etc., provided by counterparty financial institutions.
2. Foreign forward exchange contracts to which designation accounting is applied are accounted for together with the foreign currency-denominated monetary claims and obligations that are being hedged, and accordingly their fair values are included in the fair values of the foreign currency-denominated monetary claims and obligations.

(Retirement benefits and pension plans)

1 Overview of retirement benefit plans
The Company and certain of its consolidated subsidiaries provide two types of post-employment benefit plans, namely defined contribution pension plans and defined benefit pension plans. The latter consists of cash balance plans, funded non-contributory pension plans, and plans provided by the Japan Advertising Industry Pension Fund, as well as unfunded lump-sum payment plans under which all eligible employees are entitled to benefits based on levels of salary, length of service, and other factors.

2 Items related to retirement benefit obligations

Millions of Yen

	December 31, 2012	December 31, 2013
Projected benefit obligation	(11,864)	(11,249)
Pension fund assets	8,704	9,400
Unfunded pension liabilities	(3,160)	(1,848)
Unrecognized actuarial differences	1,885	576
Net deficit	(1,275)	(1,271)
Provision for retirement benefits	(1,275)	(1,271)

3 Items related to retirement benefit expenses

Millions of Yen

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Service cost	852	908
Interest cost	199	142
Expected return on plan assets	(114)	(130)
Amortization of actuarial differences	289	299
Contributions paid during the period, etc.*	907	960
Net periodic benefit costs	2,135	2,179

* Contributions paid during the period, etc., stated in the table shown above include the Group's cash contribution for the period to the Japan Advertising Industry Pension Fund.
The information of total pension assets and liabilities of the Japan Advertising Industry Pension Fund, the Group's share of the contribution to the fund, and the prorated share of pension assets or liabilities for the Group as measured by the share of the contribution to the fund are as follows:

① Total pension assets and liabilities of the fund

Millions of Yen

	March 31, 2012	March 31, 2013
Pension liabilities	(90,787)	(93,232)
Pension assets	70,319	76,714
Net assets (Net deficit)	(20,468)	(16,517)

The discount rate for the pension liabilities was mainly 5.5%.

② The Group's share of the contribution to the fund

	April 1, 2011–March 31, 2012	April 1, 2012–March 31, 2013
Share of the Group as employer	10.99%	11.58%
Share of employees	6.49%	6.79%
Total	17.48%	18.37%

③ Prorated share of pension assets or liabilities as measured by the Group's share of the contribution to the fund

Millions of Yen

	March 31, 2012		March 31, 2013	
	Share of the Group as employer	Share of employees	Share of the Group as employer	Share of employees
Pension liabilities	(9,976)	(5,893)	(10,792)	(6,334)
Pension assets	7,727	4,564	8,880	5,212
Net deficit	(2,249)	(1,328)	(1,912)	(1,122)

④ Supplemental information

The breakdown of the net deficit in ① above is as follows: balance of prior service cost: ¥6,637 million as of March 31, 2012 and ¥16,530 million as of March 31, 2013; deficit carried forward: ¥13,830 million as of March 31, 2012; surplus carried foward: ¥12 million as of March 31, 2013.

Prior service cost is amortized over 20 years by the straight-line method, and for this amortization the Group expensed additional contributions of ¥114 million during the period from April 1, 2011 to March 31, 2012, and ¥115 million during the period from April 1, 2012 to March 31, 2013,

4 Items related to basis for calculating retirement benefit obligations, etc.

(1) Periodic distribution method for estimated amount of retirement benefits

Equal periodic distribution

(2) Discount rate

Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
1.3%	1.3%

(3) Expected rate of return on plan assets

Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
1.5%	1.5%

(4) Number of years over which past service obligations are written off

Treated as an expense written off in a lump sum at the time they emerge.

(5) Number of years over which actuarial differences are written off

13 years (Treated as an expense, written off from the fiscal year following the fiscal year in which they emerge, over a fixed number of years not exceeding the employees' average remaining years of service, using the declining balance method)

(Stock Options, Etc.)

1. Expense items related to stock options recorded

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Stock-based compensation expense of selling, general and administrative expenses	¥5 million	¥15 million

2. Stock option details, size, and changes in status

(1) Stock option details

	Subscription rights to shares (1st series) (Stock options as stock-based compensation for Company directors)	Subscription rights to shares (2nd series) (Stock options as stock-based compensation for Company directors)	Subscription rights to shares (3rd series) (Stock options as stock-based compensation for Company directors)
Company name	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013
Groups and numbers of recipients	Directors (excluding outside directors): 9	Directors (excluding outside directors): 4	Senior executive officers: 4
Number of options granted	50,000 shares	37,500 shares	22,700 shares
Date of grant	May 30, 2012	May 30, 2013	May 30, 2013
Conditions for setting rights	Note: 1	Note: 1	Note: 2
Period of service	From May 30, 2012 to May 30, 2015	From May 30, 2013 to May 30, 2016	From May 30, 2013 to May 30, 2016
Exercise period	From May 31, 2015 to May 30, 2022	From May 31, 2016 to May 30, 2023	From May 31, 2016 to May 30, 2023

Notes: 1. Conditions for exercise of subscription rights to shares

① Stock option holders must be a director of the Company at the time he/she exercises the stock options unless he/she retires due to the expiration of his/her term as a director or for any other justifiable reason.

② The number of stock options that may be exercised shall increase in stages from 0% to 100% from the grant date to the first day of the exercise period based on the Total Shareholder Return Results formula. The Total Shareholder Return Results 64 Financial Section formula is the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the first day of the exercise period (excluding any non-trading days); less the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the grant date (excluding any non-trading days); plus any dividends per share during the period from the grant date to the first day of the exercise period; all divided by the three-month average closing stock price immediately preceding the month of the grant date (excluding any non-trading days).

2. Conditions for exercise of subscription rights to shares

① Stock option holders must be a director or senior executive officer of the Company at the time he/she exercises the stock options unless he/she retires due to the expiration of his/her term as a director or senior executive officer for any other justifiable reason.

② The number of stock options that may be exercised shall increase in stages from 0% to 100% from the grant date to the first day of the exercise period based on the Total Shareholder Return Results formula. The Total Shareholder Return Results 64 Financial Section formula is the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the first day of the exercise period (excluding any non-trading days); less the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the grant date (excluding any non-trading days); plus any dividends per share during the period from the grant date to the first day of the exercise period; all divided by the three-month average closing stock price immediately preceding the month of the grant date (excluding any non-trading days).

(2) Stock option size and changes in status

For stock options that existed in the fiscal year under review (fiscal year ended December 2013), the number of stock options is shown after conversion to number of shares.

① Number of stock options

	Subscription rights to shares (1st series)	Subscription rights to shares (2nd series)	Subscription rights to shares (2nd series)
Company name	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013
Prior to determining rights			
Outstanding at December 31, 2012	50,000	—	—
Granted	—	37,500	22,700
Expired	—	—	—
Rights determined	—	—	—
Rights not determined	50,000	37,500	22,700
After determining rights			
Outstanding at December 31, 2012	—	—	—
Rights vested	—	—	—
Rights exercised	—	—	—
Expired	—	—	—
Outstanding unexercised	—	—	—

② Cost information

	Subscription rights to shares (1st series)	Subscription rights to shares (2nd series)	Subscription rights to shares (3rd series)
Company name	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013
Exercise price (yen)	¥1 per share	¥1 per share	¥1 per share
Average share price when exercised (yen)	—	—	—
Impartially assessed cost when granted (yen)	1,218	906	906

3. Method for estimating impartially assessed cost

The fair value at the grant date was estimated using the following assumptions:

① Method used

Monte Carlo Method

② Primary assumptions and estimation method

Volatility of stock price	Note: 1	27.8%
Estimated remaining outstanding period	Note: 2	3 years
Estimated dividend per share	Note: 3	1.0%
Risk-free interest rate	Note: 4	0.20%

Notes: 1. Volatility of stock price is computed based on the historical stock prices over the past three years.
2. Estimated remaining outstanding period is the period through the first day of the exercise period.
3. Calcuation is based on the estimated annual dividend amount (¥25) and the stock price as of the measurement date (¥2,405 as of May 23, 2013).
4. Risk-free interest rate is based on the Japanese government bond yield corresponding to the estimated remaining outstanding period.

4. Method for estimating the number of stock option rights vested

The number of stock options forfeited due to not vesting is estimated with consideration for such factors as vesting conditions.

(Tax effect accounting)

1. The deferred tax assets and liabilities as a result of the tax effects of significant temporary differences as of December 31

Millions of Yen

	December 31, 2012	December 31, 2013
(Deferred tax assets)		
Allowance for doubtful receivables	454	344
Provision for bonuses	56	43
Provision for retirement benefits	250	351
Inventories	20	94
Investment securities	1,086	1,024
Loss carryforwards	162	540
Valuation difference on available-for-sale securities	61	10
Deferred tax assets in overseas consolidated subsidiaries*	69	122
Other	1,309	1,427
Deferred tax assets subtotal	3,470	3,959
Valuation allowance	(1,806)	(2,064)
Total deferred tax assets	1,664	1,895
(Deferred tax liabilities)		
Valuation difference on available-for-sale securities	(7,238)	(19,322)
Deferred tax liabilities in overseas consolidated subsidiaries*	(37)	(26)
Other	(179)	(6)
Total deferred tax liabilities	(7,456)	(19,356)
Total net deferred tax assets (liabilities)	(5,791)	(17,460)

* Deferred tax assets and liabilities in overseas consolidated subsidiaries as a result of the tax effects of significant temporary differences and losses carried forward as of December 31

	December 31, 2012	December 31, 2013
		Millions of Yen
Deferred tax assets:		
Tax loss carry-forwards	8	4
Other	71	125
Deferred tax assets subtotal	80	129
Less valuation allowance	(10)	(6)
Total deferred tax assets	69	122
(Deferred tax liabilities)		
Depreciation	(27)	(16)
Other	(10)	(10)
Deferred tax liabilities	(37)	(26)
Net deferred tax assets (liabilities)	31	96

2. The reconciliation between the statutory tax rate for the years ended December 31, 2012 and 2013, and the actual effective tax rate reflected in the accompanying consolidated statements of income and comprehensive income

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Statutory tax rate	40.69%	38.01%
(Adjustments)		
Certain expenses, including, but not limited to, entertainment expenses, permanently not deductible for tax purposes	8.15%	5.41%
Certain income, including, but not limited to, dividend income, permanently not taxable for tax purposes	(8.61%)	(1.82%)
Per capita levy and similar	0.85%	0.57%
Tax loss carry forwards	(3.35%)	(0.28%)
Amendment of statutory tax rate	0.75%	—%
Tax rate difference applicable to overseas subsidiaries	(8.73%)	(4.13%)
Change in valuation allowance	(0.16%)	(0.81%)
Other—net	1.49%	0.70%
Effective tax rate	31.08%	37.74%

(Asset retirement obligation related)

Presentation is omitted due to limited materiality.

(Real estate for rent, etc., related)

Presentation is omitted because the total amount of real estate for rent, etc., has limited materiality.

(Segment information, etc.)

[Segment information]

1. Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments are "Advertising" and "Other business."

The Group's advertising segment covers various advertising activities that include planning and execution of advertisements in various media such as magazines, newspapers, television, radio, digital-media, and OOH media. The advertising activities also include planning and production for ad expressions and content, and service activities such as sales promotion, marketing, and public relations. The Group's other business segment includes publication and sales of magazines and books.

2. Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in "Summary of Significant Accounting Policies."

Segment profit (loss) is based on operating income of the consolidated statements of income and comprehensive income.

The pricing of intra-segment sales or transfers is on an arm's length basis.

As described in Changes in accounting policies that are difficult to distinguish from changes in accounting estimates, accompanying the revision of the Corporation Tax Act, from the fiscal year ended December 31, 2013, the depreciation method for property, plant and equipment acquired on or after January 1, 2013, has been changed to the depreciation method based on the revised Corporation Tax Act, and accordingly the depreciation method for reportable segments has been changed to the depreciation method based on the revised Corporation Tax Act.

The effect of this change on segment profit or loss for the fiscal year ended December 31, 2013, is minimal.

3 Information related to the amounts of gross billings, profit and loss, assets, liabilities, and other items by reporting segment

Fiscal year ended December 31, 2012

Millions of Yen

	Segment			Adjustments	Consolidated
	Advertising	Other business	Total		
Sales					
Revenues from external customers	344,135	6,686	350,822	—	350,822
Transactions with other segments	2	3	5	(5)	—
Total	344,138	6,690	350,828	(5)	350,822
Segment profit (loss)	3,587	(425)	3,161	13	3,175
Segment assets	186,854	8,492	195,346	(183)	195,163
Other:					
Depreciation/amortization[3]	1,297	43	1,341	—	1,341
Increase in property and equipment, and intangible assets	898	58	957	—	957

Notes: 1. The details of the adjustments are as follows.
(1) Adjustments to segment profit (loss) consist of the elimination of inter-segment transactions and unrealized gains.
(2) Adjustment to segment assets consist of elimination for inter-segment transactions.
2. Segment profit (loss) reconciles to operating income of the consolidated statements of income and comprehensive income.
3. Depreciation/amortization includes amortization of software capitalized on the balance sheets.

Fiscal year ended December 31, 2013

Millions of Yen

	Segment			Adjustments	Consolidated
	Advertising	Other business	Total		
Sales					
Revenues from external customers	338,083	4,703	342,786	—	342,786
Transactions with other segments	24	2	26	(26)	—
Total	338,107	4,705	342,812	(26)	342,786
Segment profit (loss)	2,261	(878)	1,382	0	1,383
Segment assets	221,286	7,001	228,287	(116)	228,170
Other:					
Depreciation/amortization[3]	1,527	55	1,582	—	1,582
Increase in property and equipment, and intangible assets	1,142	21	1,164	—	1,164

Notes: 1. The details of the adjustments are as follows.
(1) Adjustments to segment profit (loss) consist of the elimination of inter-segment transactions and unrealized gains.
(2) Adjustment to segment assets consist of elimination for inter-segment transactions.
2. Segment profit (loss) reconciles to operating income of the consolidated statements of income and comprehensive income.
3. Depreciation/amortization includes amortization of software capitalized on the balance sheets.

[Related Information]
Fiscal year ended December 31, 2012

1. Information by products and services
Information about products and services is omitted as the same information is disclosed within “segment information.”

2. Information by geographical areas

(1). Sales
Information about sales is omitted as sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income and comprehensive income for the year ended December 31, 2012.

(2) Property, plant and equipment

Millions of Yen

Japan	Overseas	Total
3,594	702	4,296

3. Major customers
Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statements of income and comprehensive income for the year ended December 31, 2012.

[Related Information]
Fiscal year ended December 31, 2013

1. Information by products and services
Information about products and services is omitted as the same information is disclosed within “segment information.”

2. Information by geographical areas
(1). Sales
Information about sales is omitted as sales to external customers in Japan account for more than 90% of the net sales in the consolidated statements of income and comprehensive income for the year ended December 31, 2013.

(2) Property, plant and equipment

Millions of Yen

Japan	Overseas	Total
2,673	718	3,392

3. Major customers
Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statements of income and comprehensive income for the year ended December 31, 2013.

[Information about impairment losses of assets by reportable segment]
Fiscal year ended December 31, 2012

	Advertising	Other business	Eliminations	Total
Impairment losses of assets	69	—	—	69

Year ended December 31, 2013
No items

[Information related to amounts of goodwill amortized and unamortized goodwill outstanding by reporting segment]

Year ended December 31, 2012
No items

Year ended December 31, 2013
No items

[Information related to gain on negative goodwill by reporting segment]
Year ended December 31, 2012
No items

Fiscal year ended December 31, 2013
No items

[Related party information]
No items

(Per Share Information)

	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Net assets per share (yen)	2,567. 03	3,105.40
Basic earnings per share (yen)	65.83	81.79
Diluted earnings per share (yen)	65.81	81.73

Note: The basis for the calculation of net income per share and adjusted net income per share are as follows.

Item	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013
Basic earnings per share (yen)		
Net income (¥ millions)	2,781	3,430
Amounts not attributable to common stockholders (¥ millions)	—	—
Net income related to common shares (¥ millions)	2,781	3,430
Average number of common shares during term (shares)	42,250,172	41,941,272
Diluted earnings per share (yen)		
Increase in number of shares (shares)	15,125	31,436
(Subscription rights) (shares)	(15,125)	(31,436)
Outline of dilutive shares which were not included in the calculation of “diluted earnings per share” because they do not have dilutive effect.	—	—

The Company has introduced an Employee Stock Ownership Plan (ESOP) Trust and the shares of the Company held in the ESOP Trust Account are recorded as treasury stock in the consolidated financial statements. Accordingly, in calculating basic net income per common share and diluted net income per common share the number of these shares is included in treasury stock for the calculation of "average number of common shares during term."

2. The basis for calculating net assets per share is as follows.

Item	December 31, 2012	December 31, 2013
Total net assets (¥ millions)	109,559	130,972
Amounts excluded from net assets (¥ millions)	1,038	1,098
(Subscription rights) (¥ millions)	(5)	(21)
(Minority interests) (¥ millions)	(1,032)	(1,077)
Net income as of fiscal year-end related to common shares (¥ millions)	108,521	129,873
Common shares as of fiscal year-end used to calculate net assets per share	42,274,851	41,821,919

The Company has introduced an ESOP Trust and the shares of the Company held in the ESOP Trust Account are recorded as treasury stock in the consolidated financial statements. Accordingly, in calculating net assets per share the number of these shares is included in treasury stock for the calculation of "common shares as of fiscal year-end."

(Significant subsequent events)

No items

⑤ [Consolidated Supplementary Statements]

[Corporate bond statement]

No items

[Statement of loans payable, etc.]

Classification	Outstanding as of current fiscal year-beginning (¥ millions)	Outstanding as of current fiscal year-end (¥ millions)	Average interest rate (%)	Repayment deadline
Short-term loans payable	59	—	—	—
Current portion of long-term loans payable	246	164	0.68	—
Current portion of lease obligations	113	105	2.18	—
Long-term loans payable (excluding current portion)	246	82	0.68	April 20, 2015
Lease obligations (excluding current portion)	192	104	1.24	January 31, 2015~March 27, 2019
Other interest-bearing liabilities	—	—	—	—
Total	858	455	—	—

Note: 1 "Average interest rate" is the weighted average interest rate for amounts outstanding as of the fiscal year-end.

2. Long-term loans payable and amounts of lease obligations (excluding current portion) scheduled for repayment within five years from the fiscal year-end are as follows:

Classification	Due after one year through two years (¥ millions)	Due after two years through three years (¥ millions)	Due after three years through four years (¥ millions)	Due after four years through five years (¥ millions)
Lease obligations	73	25	4	1
Long-term loans payable	82	—	—	—

[Statement of asset retirement obligations]

The amount of asset retirement obligations as of the fiscal year-end is less than 1% of total liabilities and net assets, and this statement has therefore not been prepared.

(2) [Others]

Quarterly billings, etc., for the current fiscal year are as follows:

(Consolidated term)	3 month-period to end of 1st quarter	6 month-period to end of 2nd quarter	9 month-period to end of 3rd quarter	Fiscal year
Gross billings (¥ millions)	87,778	174,469	253,646	342,786
Quarterly income before income taxes and minority interests (¥ millions)	969	3,624	1,306	5,600
Quarterly net income (¥ millions)	509	2,114	478	3,430
Quarterly net income per common share (yen)	12.07	50.27	11.40	81.79

(3-month consolidated fiscal period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly net income per common share, quarterly net loss per common share (yen)	12.07	38.30	(39.13)	70.58

Board of Directors and Auditors

(As of April 15, 2014)

Koichiro Naganuma
Representative Director
Chairman of the Board

Shinichi Ueno
Representative Director
President and Group CEO

Takeshi Kato
Executive Director,
Operating Officer

Yoshihiro Sakai
Executive Director,
Operating Officer CFO

Kenji Oshiba
Executive Director,
Operating Officer

Stuart Neish
Non-Executive Director

Hideaki Kido
Outside Director

Mochio Umeda
Outside Director

Shin Ushijima
Outside Director

Yoshiro Sakai
Auditor (Full-time)

Hiroshi Ota
Auditor (Full-time)

Makoto Ichikawa
Auditor (Full-time)

Masayuki Yoshinari
Auditor

Corporate Information

(As of December 31, 2013)

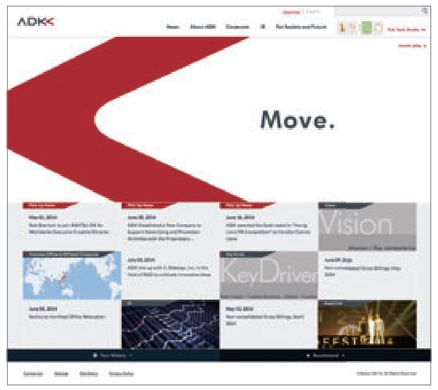
Parent Company Name	ASATSU-DK INC.
Established	March 19, 1956
Head Office	23-1, Toranomon 1-chome, Minato-ku, Tokyo 105-6312, Japan (From June 16, 2014)
Number of Employees	3,330 (non-consolidated basis: 1,841)
Common Stock	Authorized: 206,000,000 shares Issued: 42,155,400 shares
Number of Shareholders	8,903
Stock Listing	Tokyo Stock Exchange, First Section
Transfer Agent	Tokyo Securities Transfer Agent Co., Ltd. 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Annual Meeting	The annual meeting of shareholders is normally held in March in Tokyo, Japan.

Renewal of Corporate Website

The Main Page Showcases ADK's New Image.
The newly created VI is featured on the main page. The main page also functions as an information platform offering a wide range of information.

In addition, the main page employs responsive design techniques to facilitate use by smartphones and tablets.

http://www.adk.jp/en/



IR Website for Shareholders and Investors
ADK's IR website includes a broad array of content, such as information about historical results, an IR calendar, and a PDF version of this report.

http://www.adk.jp/en/ir/

ADK Group Network

(As of June 16, 2014)

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■ Consolidated subsidiaries
■ Affiliates accounted for by the equity method

ASATSU-DK INC.

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