ADK Annual Report 2014

Year ended December 31, 2014

THE DIFFERENCE IN RED

The **Red** that You’ve Never Seen

In 2013, ASATSU-DK INC. (ADK) announced its VISION 2020 long-term vision, which incorporates our commitment to becoming a Consumer Activation Company. When we relocated our head office in 2014, we also updated our visual identity (VI) with a design that expresses this new vision. The ‘**<**’ mark is a brand icon representing a “shuttle” that bonds consumers and ADK while the color is Active Red, which expresses briskness, an enterprising spirit, and agility. The ‘**<**’ mark and the Active Red color together comprise our identity as a company that provides true value to advertisers.

CYAN : 10

MAGENTA : 100

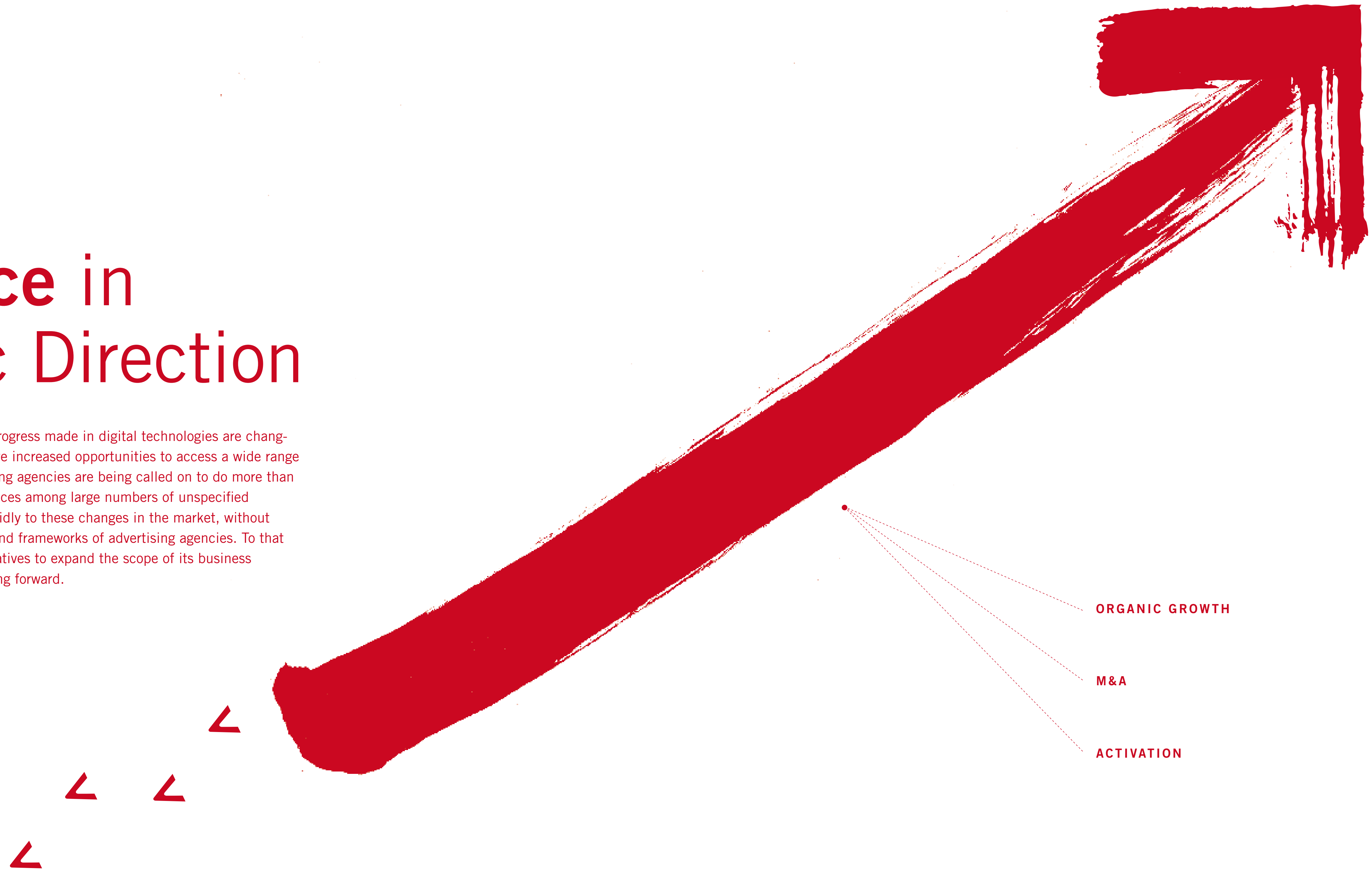
YELLOW : 90

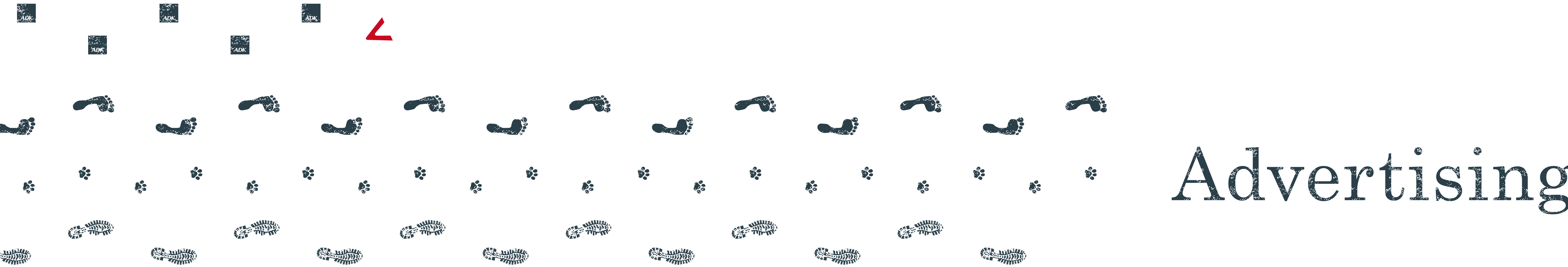
BLACK : 10

Traditional View

Difference in Strategic Direction

The dramatic growth of the Internet and progress made in digital technologies are changing the advertising market. Consumers have increased opportunities to access a wide range of information, and consequently advertising agencies are being called on to do more than just foster awareness of products and services among large numbers of unspecified consumers. We are working to respond rapidly to these changes in the market, without limiting ourselves to the traditional roles and frameworks of advertising agencies. To that end, ADK is implementing a range of initiatives to expand the scope of its business activities and realize sustained growth going forward.





Red Generates **Action**

We are aiming for "Consumer Activation," which is an advanced form of comprehensive communication that motivates consumers to take actions. This approach represents a transition from the previous style of business, which was focused solely on communicating messages to consumers through advertising. With this new approach, we aim to further contribute to the business results of our clients by providing solutions that prompt consumers to take specific actions. Moving forward, ADK will strive to realize Consumer Activation by making full use of its accumulated ideas and know-how.

DIGITAL

CONTENT BUSINESS

GLOBAL

The Power of **Red**

To implement our transformation into a Consumer Activation Company, we will need to provide specific solutions that prompt consumers to take actions. ADK has cultivated the intangible management assets needed to provide these solutions—Strategic Insights, Creativity, and the Power of Action. We will make full use of these assets as we provide true value to consumers and clients. These three management assets hold the key to the realization of Consumer Activation.

dvertising

STRATEGIC INSIGHTS

CREATIVITY

THE POWER OF ACTION

Contents

About ADK

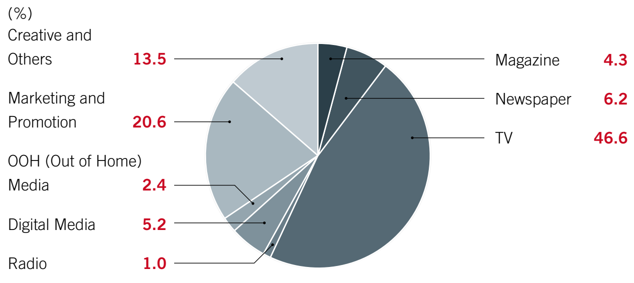
ADK's History

ASATSU, which was ADK's predecessor company, was founded in March 1956. ASATSU established a strong track record through pioneering initiatives, such as the creation of new genres in TV animation, which was a relatively small field at that time. In 1990, ASATSU was listed on the First Section of the Tokyo Stock Exchange, and in 1998 it concluded a tie-up with WPP plc, the world's largest communication services group. The following year, ASATSU merged with Dai-ichi Kikaku Co., Ltd., and made a new start as ASATSU-DK Inc. (ADK). We have subsequently recorded solid growth, and today we are the third largest advertising company in Japan and are highly ranked worldwide.

Types of Advertising Provided by ADK

ADK provides its clients with comprehensive solutions in such fields as magazines, newspapers, TV, radio, digital media advertising, store promotions, and events. In fiscal 2014, we recorded year-on-year gains in gross billings in the fields of TV, marketing and promotion, digital media, and radio.

Composition of Non-Consolidated Sales in Fiscal 2014



Fiscal 2014 Highlights

Financial Results

> Gross billings up 3.0%, to **¥352,984** million

> Net income up 7.8%, to **¥3,696** million

> Operating income up 196.2%, to **¥4,097** million

> Net income per share of **¥88.32**

Achievements

> Established Consumer Activation Business through **improvement of internal infrastructure and M&A transactions**

> Expanded **content marketing business**

> **Improved income management system** through the introduction of a unit-based performance management indicator and through the reform and rigorous implementation of administrative processes in such areas as cost management

> **Made progress in reforming the Group's structure** through the rationalization of operations at businesses with weak results

Shinichi Ueno
Representative Director,
President & Group CEO

With a commitment to demonstrating originality, ADK will strive to steadily transform itself into a Consumer Activation Company that provides true value to consumers and clients.

In Fiscal 2014, We Made a Strong Start Toward a V-Shaped Recovery, but We are still Only Halfway to Our Goal.

In August 2013, we announced our VISION 2020 long-term vision, where we spelled out our commitment to becoming a Consumer Activation Company that grows beyond the conventional advertising agency business model. I believe that in fiscal 2014, the year under review, we made a strong start toward the realization of that vision.

We implemented initiatives in two key areas in the past year—building a foundation for Consumer Activation and improving administrative processes to bolster our earnings capability. Looking back, I think that we made excellent progress in each of these two areas.

To build a foundation for Consumer Activation, we entered business tie-ups and established new companies, and these initiatives will drive our growth in key fields in the years ahead. One example is the establishment of a subsidiary—Axival Inc.—to bolster our strengths in the field of data analysis. Through Axival, we have built a database that combines purchase data and media contact data from our tie-up partner INTAGE Inc. with ADK's own consumer attitude data. Going forward, we will utilize this database in the provision of client services. Starting in fiscal 2015, this database will provide a solid foothold for our efforts to secure large new clients. In addition, we concluded strong tie-ups in the fields of creative and direct marketing. As a result, we were able to strengthen our value chain by enhancing our ability to leverage data analysis to generate creative ideas that prompt consumers to take actions, as well as to build on those ideas in order to offer solutions. I am confident that this success marks a major step toward our transformation into a Consumer Activation Business.

We also made progress in the reform of administrative processes, where we introduced a new profit management system, known as Profit Management by Unit (PMU). This is a framework for the introduction of a unit-based performance management indicator and for the use of this indicator in the implementation of rigorous profit management. The implementation of this system has fostered a strong awareness among all employees of the importance of administrative process reform, which had been frequently overlooked. As a result, the new system has made a contribution to the improvement of our profitability.

At the beginning of last year, I promised that we would achieve a V-shaped recovery in our results. We recorded gross billings of ¥352.9 billion, a gain of 3%, and operating income of ¥4.0 billion, about three times the previous year's level. Accordingly, I believe that we were able to achieve a strong performance, both in terms of the numbers and in terms of the qualitative factors behind the numbers. In qualitative areas, we made steady progress in the two key areas mentioned above, and looking at the numbers, we were able to achieve our initial targets. These achievements are the foundation for my conviction that we have gotten off to a good start.

However, the improved results are limited to ADK itself; we still face issues with results at other Group companies in Japan and overseas. In response, we have already begun taking steps to reorganize Group companies and implement rigorous cost controls, and in fiscal 2015 we will strive to further increase our earnings capacity. Our objectives for operating income are ¥7.0 billion in fiscal 2016 and ¥15.0 billion in fiscal 2020, and in that regard our fiscal 2014 performance is still only at the halfway point. To realize Consumer Activation, the entire ADK Group must aggressively take action.

ADK—In Pursuit of Originality

I am convinced that the operating environment in the advertising industry has become increasingly challenging. Each advertising company has its own strengths, and ADK will not be content with its number three position in the domestic advertising industry. Our originality and strength give us a competitive advantage, and consequently we have the ability to achieve sustained growth.

Our originality supports our efforts in Consumer Activation, and our strengths in the content business represent one means of realizing Consumer Activation. Content, centered on animation, is an asset that we have emphasized and cultivated over many years. The ways in which we commercialize content, including overseas operations, will be a key point in our future initiatives.

In October 2014, ADK participated in the establishment of Anime Consortium Japan Inc. Investors in the consortium include animation content rights holders, large toy manufacturers, and Cool Japan Fund Inc. The objective of the consortium is to build a platform for the streaming of Japanese animation to markets around the world. In addition, in December we announced that d-rights, Inc., which handles animation rights management and overseas marketing, would become our subsidiary. d-rights has a solid track record of success, especially in North America, and we are aiming to leverage synergies between d-rights' operations and ADK's strengths in Asia. Through these initiatives, we have been able to establish a method for the provision of animation content from Japan and to open up a channel for this business.

Japan's advertising industry has been utilizing a business model that was established in the postwar period, and it will likely continue to follow a business model that is centered on media transactions. However, the environments faced by consumers and clients are undergoing dramatic change, and the provision of information through mass media is no longer the only role of advertising. In addition, due to the progress of digital technologies, we now understand which consumers are purchasing products, if the composition of purchasers is changing, where purchasers get their information, and how purchasers decided on the product. By analyzing this process, we can now make a contribution to the sales of the products that are provided by our clients. This consumer analysis is a key asset that supports ADK's originality. As I mentioned, the establishment of Axival was intended to further strengthen our capabilities in the field of data analysis, and we can now provide highly precise data analysis to our clients. The business model that ADK is targeting entails the use of this analysis to provide solutions that prompt customers to make purchases.

Accelerating Growth through Investment in M&A

In the future, ADK's expansion will principally be based on organic growth achieved through our existing business model, but we believe that this growth, by itself, will not be sufficient. Accordingly, we will also aggressively implement M&A activities to support sustained growth. Over the period to fiscal 2018, we are planning total investment of about ¥40.0 billion. Specifically, we will actively conduct M&A investment in the fields of digital technologies, activation, and content. In this way, we will accelerate synergies with our existing businesses.

Our tie-up with WPP will be an indispensable part of ensuring the success of these M&A activities. WPP has a history of growth through M&A transactions and has cultivated an especially wide range of insight and know-how in global markets. ADK and WPP have agreed to create a new cooperative relationship with an enhanced focus on the future. Taking steps to fully leverage WPP's experience, the ADK Group will strive to establish a strong global presence.

Fulfilling Our Duty to Shareholders and Other Investors through Changes to Our Financial and Capital Structures

In fiscal 2014, we achieved a certain degree of results with our foundation building and restructuring initiatives. On the other hand, we still face issues in the optimization of our capital structure. In particular, our shareholders and other investors are not satisfied with our ROE of 2.8%. The reasons behind this ROE result were excess cash and an increase in unrealized gain on investment securities.

In fiscal 2015, to improve ROE we will do our utmost to increase the "R" (return) and to optimize the "E" (equity). First, to increase our return, we will strive to realize growth centered on the M&A investments that I mentioned. In addition, to optimize equity, we will aim to realize flexible operations based on a streamlined balance sheet.

As you know, ADK has high levels of cash and time deposits as well as investment securities. We also have a strong financial position and are operating with nearly no debt. However, for many years our equity has been too high relative to our earnings. We have recently taken steps to improve ROE and increase capital efficiency. For example, we have sold investment securities that did not influence our operations, and we returned the funds to shareholders in the form of special dividends. Nonetheless, stock prices have increased, but the effect of our initiatives has been limited. I believe we did not move fast enough.

Therefore, we have established clear objectives—ROE of 5% as rapidly as possible and 8% in the medium term—and we have commenced implementation of decisive initiatives to achieve those goals. The first of these initiatives was a special dividend of ¥526 per share, with a record date as of the end of fiscal 2014. Together with the ordinary dividend of ¥35 per share, this represents total dividend payments of ¥23.6 billion, nearly 20% of our shareholders' equity. In the future, we will move ahead with structural reforms so that we can reduce capital to near the optimal level and invest efficiently in the renewed growth of the Group by utilizing financial leverage while returning excess funds to our shareholders. There is substantial room for improvement in our financial and capital structure, and I believe that this is a "duty" that we need to fulfill to meet the expectations of our shareholders and other investors. In fiscal 2015, we will do our utmost to achieve both a return to shareholders and medium-to long-term growth.

Nurturing Human Resources Who Create Value for Society

In regard to our transformation into a Consumer Activation Company, we are still only at the halfway point. Unlike manufacturing companies, advertising companies do not sell tangible products, and accordingly human resources are their greatest management asset. I believe that our human resources hold the key to our transformation into a Consumer Activation

Company. ADK has cultivated a large number of talented personnel, and in the future I would like to see ADK recognized by society as a company that nurtures talented people.

To secure top-notch human resources, ADK has abolished the previous system of simultaneous recruiting of new graduates once per year and introduced a recruitment system that enables us to secure a wide range of talented employees. For example, we offer screening opportunities multiple times per year, without regard to academic background or work experience. We are also active in mid-career employment, where we are aggressively recruiting employees with special skills in each field. ADK is implementing reforms, but we will not be able to achieve success with the methods that we have used in the past. Instead, we will strive to realize successful reforms through the recruitment of employees who bring a new wind of change to the Company.

Moreover, human resources are also an indispensable asset for the advancement of Consumer Activation in overseas markets, and in the future recruitment and development will be urgent issues for the ADK Group's overseas operations. In China, I believe that one of the reasons for our sluggish results is that we have not yet been able to effectively localize our operations. To achieve a recovery in our profits, we must aggressively employ local managers and conduct business in accordance with local business practices. Moving forward, we will continue to aggressively advance localization and accelerate Consumer Activation in overseas markets.

Reinvigorating Communication by Linking Consumers and Businesses

Advertising companies are communication professionals. At ADK, we are proud to be the marketing company with the highest recognition among consumers.

ADK has analyzed the values of consumers for many years. Due to the advances of digital technologies in recent years, it is now possible to gather consumer data with high levels of precision, and we can use the resulting knowledge and insight to efficiently provide creative solutions to clients. ADK has the role of increasing the corporate value of clients, and to fulfill that role we strive to prompt consumers to make purchases, supporting distribution and consumption in markets around the world. I believe that by building this foundation for communication between consumers and clients, and by helping to invigorate the economy as a whole, ADK is making a contribution to society through its primary business activities.

Implementing Growth-Oriented Initiatives Continually

ADK is steadily taking steps to realize its transformation into a Consumer Activation Company, and fiscal 2015 will be an extremely important year for implementing structural reforms and accelerating growth. For ADK, shareholders and other investors are important partners in our drive for forward progress. Accordingly, as we target further progress and development in the years ahead, we will implement management activities with a focus on our stock price and return to shareholders, which constitute evaluations of our management performance.

I would like to ask for your continued support and understanding of the ADK Group's future business activities going forward.

Representative Director,
President & Group CEO

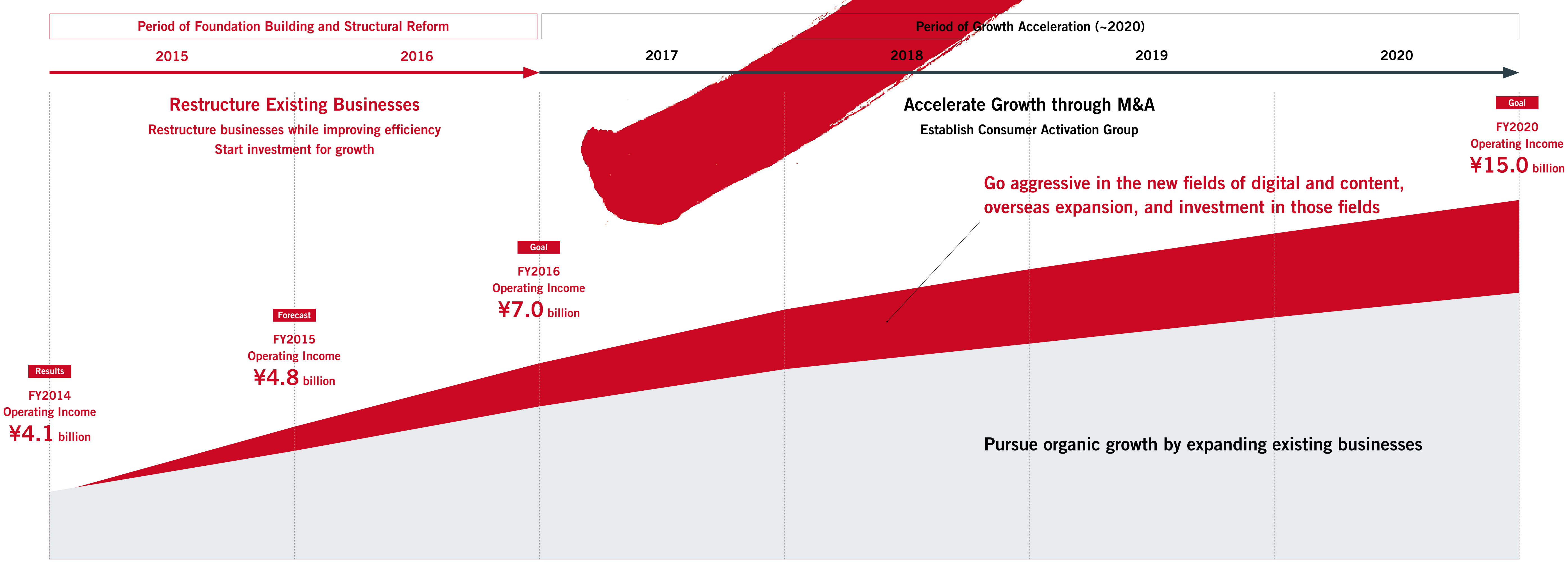
Shinichi Ueno

What Makes Us Different

Strategic Direction

ADK's future course will not be a simple extension of the conventional advertising agency business model. Rather, we will provide total solutions that range from the specification of client issues and the application of databases in information analysis to the construction and implementation of communication methods, the collection of information up to the point when the consumer makes a purchase, and the analysis of the purchase pattern process. In addition, we will fully leverage our strengths in content and step up activities in content businesses to generate multiple sources of revenues. In these ways, we will strive to progress and grow beyond the conventional advertising agency business model.

ADK has formulated its VISION 2020 long-term vision and announced a plan that calls for operating income of ¥7.0 billion in fiscal 2016 and ¥15.0 billion in fiscal 2020. The period to fiscal 2016 will be a time for building a foundation and implementing structural reforms. Accordingly, during this period we will sow the seeds for future growth, centered on the reorganization of existing businesses. From fiscal 2017, we will step up M&A activities in Japan and overseas and strive to accelerate our growth. In these ways, ADK will make rapid progress toward becoming a Consumer Activation Group with a strong presence in advertising markets around the world.



Digital

As one means of advancing our transformation into a Consumer Activation Company, in June 2014 we established a new company, Axival Inc. Axival has built a proprietary 3D Database that integrates data on consumer attitudes, purchase patterns, and media contacts. This database incorporates not only ADK's original research on consumer attitudes, values, and lifestyles as well as media contacts, but also purchasing data and media contact log data provided by INTAGE Inc., our tie-up partner. Through this database, we are now able to comprehensively observe consumer characteristics as well as the purchasing process.

In addition, in August 2014 we commenced discussions regarding a business tie-up with adflex communications, inc., which has strengths in the field of digital marketing. We began to collaborate with adflex in January 2015. By combining the strengths of adflex with our own comprehensive proposal capabilities in such areas as media and marketing, we will strive to further expand the Consumer Activation Business going forward.

Content Business

From the initial broadcasts of “8 Man” in 1963 to today, ADK has worked with a wide range of animation programs and live action special effects programs.

In November 2014, we jointly established Anime Consortium Japan Inc., which distributes official Japanese animation content to overseas markets and operates an e-commerce site that handles sales of animation-related products. Through this venture, we plan to expand animation distribution and to expand the fan base for animation, which is representative of Japanese culture.

Moreover, in December 2014 we concluded a share exchange agreement for the acquisition of a portion of the shares of d-rights, Inc., a wholly owned subsidiary of Mitsubishi Corporation. d-rights has a global track record and an overseas network in rights management and programming sales for high-quality content. This agreement will facilitate the full use of ADK's strengths in Asia and d-rights' track record in North America, and in this way we will be able to further enhance our content portfolio and expand our business areas.

Global

Utilizing our business and financial tie-up with WPP plc, we are building a network with world-class media procurement capabilities, wide-ranging databases, and a global network. On this foundation, we will take steps to increase advertisers' marketing investment effectiveness and maximize their ROI through our original challenger brand support program.

With a network that extends around the world, ADK supports the global strategies of clients in Japan and overseas. In recent years, we have also worked to step up service to local clients, and to that end we have advanced the localization of operations and human resources and are providing communication plans that are optimized for local needs and customs.

ADK was one of the first Japanese advertising company to move into China, which is recording especially strong growth. We have established a wide range of bases, such as in Beijing and Shanghai, and we have accumulated substantial market knowledge. Furthermore, we are leveraging these assets to cover not only major Asian countries with large advertising markets, such as Singapore, Thailand, and Indonesia, but also markets that are expected to record market growth in the future, such as Vietnam and Mongolia. In these ways, we are steadily becoming a corporate group with a presence in markets around the world.

Strategic Insights

Noriaki Kamei

Operating Officer
Digital & Data Insight Center

In 1990, Noriaki Kamei joined ASATSU-DK (in the former Daiichi-Kikaku), and since that time he has been engaged in media strategy formulation. From 2002, he worked in London and New York, and he worked at a media agency in the WPP Group. He was responsible for such operations as business analysis, media strategy formulation, and entertainment. He returned to ADK in 2006. Following positions of leadership in marketing ROI, media strategy formulation, and other areas, in 2013 he assumed overall responsibility for ADK's Digital and Data Insight Center.

Developing Strategic Insight into Consumer Behavior

What motivates consumers to take action? ADK works to develop insight into that question through advanced analysis of original, single-source data. By closely observing day-to-day consumer lifestyles and by leveraging the wide range of information technologies and experience that we have cultivated as communication professionals, we set objectives based on specific activities, asking ourselves "who will we move and how will we move them?"

Analyzing Consumer Attitudes and Actions, Implementing High-Precision Marketing

Many companies work with digital technologies, but ADK has made these technologies into one of its distinctive strengths as a comprehensive advertising company. Digital technologies are a storehouse of data on consumer purchasing patterns, and they are a source of valuable marketing data that cannot be obtained through ordinary research. On the Internet, they can show the routes followed by different groups of consumers, such as those who took the action expected by the client and those who did not. The collection and processing of digital data clarifies the measures that are effective in prompting consumers to take action, and ADK has consolidated its digital and data divisions to enhance its ability to broadly and effectively utilize these technologies and information in the provision of marketing services.

In addition, for many years ADK has conducted large-scale, comprehensive consumer research. In this way, we have accumulated detailed information in such areas as consumer values, engagement with products, and media contact attitudes, and our ability to conduct business based on this information is one of our key strengths. In 2014, through a business tie-up with INTAGE Inc., we completed a 3D Database that facilitates analysis from three perspectives — consumer attitudes, purchasing patterns, and media contacts. The 3D Database provides an important means of knowing the individual attitudes and purchasing patterns that are a part of so-called big data. This includes information on the membership organizations, communities, and media associated with the consumers who the client wants to reach directly. In other words, it will be possible to use digital technologies to more accurately deliver information to the people who need the client's product information. Moving forward, ADK will combine data on purchasing patterns with information about attitudes, and thereby enhance its competitiveness.

Providing Solutions that Leverage Data and Digital Technologies to Prompt Action

Consumer information touch points are diversifying, as are consumer interests and concerns. Moreover, mobile technologies have essentially eliminated restrictions on time and place. The era in which results could be achieved simply by providing strong content through mass media has ended, and that is the reason why it is difficult to prompt consumers to make a purchase unless the messages and methods touch their hearts and minds.

ADK simulates the probability of consumers taking action and then offers solutions that raise that probability. Through digital data, we learn the exact circumstances of purchases and registrations, and we use the 3D Database to determine the reasons behind those actions and the best context for related communications. Through digital and other media, we provide opportunities to prompt consumers to take action.

In addition, we are moving ahead in the media consultation business. From an objective viewpoint, we analyze the advertising investment effectiveness of current media plans and previous communication plans, and we then provide advice about future plans.

On the other hand, as a comprehensive advertising company we have extensive contacts with mass media, and we also produce large-scale events. By combining these contacts and events with digital technologies in a three-dimensional manner, we implement communications that have a stronger impact around the world.

Data and digital technologies are the starting points of the Consumer Activation Business. In the future, we will strive to further enhance our ability to effectively utilize these assets and to become a partner that provides true value to clients.

Creativity

Moving Consumers in Japan and Around the World Through Creativity

ADK identifies both problems and opportunities faced by clients, and generates ideas that will form the nucleus of forward-facing solutions. We move consumers and contribute to the business success of clients through creative ideas using the relevant touch points in order to engage consumers.

ADK is a group of creative professionals that have responded to the needs of clients in Japan for many years. Moving forward, we will build a strong creative system that moves consumers around the world by welcoming human resources that have managed highly original creative staff in overseas locations.

Rob Sherlock

Worldwide Executive Creative Director

After helping lead FCB (Foote, Cone & Belding) and other global agencies, Rob Sherlock became ADK's Worldwide Executive Creative Director in May 2014. His main role is creative leadership and development and the implementation of solutions capabilities throughout the global network.

Globalizing ADK's Creativity

ADK continues to be a challenger transforming itself, although it is the third largest advertising agency in Japan. To bring in a foreigner such as myself to help lead the company not only internationally but also in the home market represents just how strong the passion for change is at ADK. My role at ADK is not to apply western sensibilities on the company, but rather, to support Japanese companies who are advancing into overseas markets from a creative standpoint. In addition to creativity, my role has been evolving into an overall leadership management position. Unfortunately, ADK lacks a real profile in the global advertising market. I believe it is my responsibility to help lead ADK to becoming a better known company on a global scale.

ADK has a large number of incredible assets in many areas. It also has numerous strengths when it comes to creativity. Utilizing these strengths, as well as ADK's expertise on the Japanese market and on Japanese companies, I aim to support the advancement of Japanese companies into Asian markets.

Clients in Asia are looking for various types of creative solutions. Our goal is to focus on the major markets, such as China, Thailand, and Indonesia, as well as emerging markets, such as Vietnam and Myanmar. Utilizing ADK's mobility, we aim to take quick action in local markets to provide clients with creative solutions and become their competence in local areas.

I believe that the Japanese fastidious attention to detail is something that is very attractive about Japan. While maintaining that unique Japanese value, it is also important to adopt and adapt locally to become relevant for local clients. We cannot make our operations overseas completely separate from our domestic operations. By unifying our operations, we aim to become a true global partner to our clients.

Maximizing ADK's Creative Potential

For me, creativity is born out of passion. An environment that lacks passion will not yield creativity. I believe that ADK has an excellent environment for creating and maintaining passion and also an incredible number of talented creatives. Moving forward, it is extremely important for us to effectively utilize that passion and talent to continue to be a company that provides the optimum creative solutions to our clients. ADK has adopted a policy of being a "Consumer Activation Company," and this policy is working to invigorate our employees. For ADK, having a policy that focuses primarily on the consumer is extremely relevant. Creativity that can move consumers will bring results, and can contribute to our clients' businesses.

ADK is welcoming a time of true transformation. With that transformation comes real opportunity for growth. However, I believe that this opportunity is transient. Therefore, it is an absolute must that we promptly take action. Now is the time for ADK to accelerate the transformation process and take advantage of the opportunities before us.

I truly believe that ADK is in a position to achieve genuine growth. We have the people and the passion. Being surrounded by an environment with so much potential and so many opportunities makes being a part of ADK a truly exhilarating experience for me.

The Power of Action

Providing Solutions that Prompt Consumers to Take Actions

The capability to produce consistent results has been a part of ADK's corporate DNA since the Company's founding. In many ways, the realization of Consumer Activation lies in providing solutions to clients that prompt consumers to take actions. Content is an asset that we have cultivated over many years, and it is also a solution that actually moves consumers.

Kenji Oshiba
Executive Director
Content Business Center

Kenji Oshiba joined ASATSU-DK (in the former, ASATSU) in 1984, and he subsequently worked in sales for 28 years. His clients over that time have included foreign companies and communications companies, as well as companies with strong relationships to the content business, such as game, toy, and media companies.
In January 2013, he became operating officer in charge of the Content Business Center, and in March 2014 he became a member of the Board of Directors.

Activating Consumers by Leveraging Content

ADK's content business started with the initial broadcasts of the "8 Man" animation in 1963. These initiatives could also be called the starting point of Consumer Activation that moves consumers. At that time, "8 Man" stickers were placed on the products of our clients. Many children wanted to collect these seals, and as a result the products became major hits.

Since then, ADK has been involved with a large number of animation programs. In addition to acquiring all of the advertising slots for these programs on TV, we have also worked in character merchandising and theatrical film tie-ups. ADK has also produced a substantial volume of original content that is used not only in books and merchandise, but also in the sales promotion activities of the Company's clients. Aiming to generate multiple profit streams from a single content asset, we strive to implement diverse business development initiatives and secure profits.

We also take steps to achieve growth in profits by utilizing content in overseas markets. In fiscal 2014, in Japan we participated in the establishment of Anime Consortium Japan, which aims to offer animation streaming over the Internet and to conduct e-commerce in related merchandise. Overseas, the consortium will also pursue market development, especially in the United States and Europe, where the market scale is especially large. Animation is already a large business around the world. The scale of the domestic animation-related market is about ¥1.5 trillion, while that in the United States and Europe is about ¥4.1 trillion. In addition, content is being used to support the overseas advances of Japanese companies, and ADK clients are already selling products tied in with content that offers name recognition and popularity. In 2014, we acquired stock in d-rights and made the company a subsidiary. The reason for this move was the strength of d-rights' overseas network, centered on the United States and Europe.

Creating Culture through Content

It is important to remember that content is not simply a tool for the generation of profit. Content incorporates the creativity and commitment of authors, publishers, and production companies.

One of ADK's strengths is the ability to understand the value of content and share that value with society. That is why it is important to ensure that content is not just a passing fad. Instead, content needs to be nurtured so that it will always be appreciated and enjoyed by many people. Working together with authors, publishers, TV station, and production companies, we have driven the long-term growth of content that has maintained strong nationwide popularity, such as *Doraemon* and *Crayon Shinchan*. We are proud to have this strong capability, which is something that sets us apart from other advertising companies.

I believe that nurturing content is essentially the same as creating and nurturing culture. Certainly, content is a source of profits, but we think first of how to communicate the wonder and fascination of content to future generations, and on that basis we build a framework that becomes a business. That is the role of ADK.

ADK has grown together with the growth in the types of content, which has the intrinsic power to move consumers and society. This is the real satisfaction of Consumer Activation, and in the future we will continue to leverage the power of content to drive progress in Activation, in Japan and around the world.

ADK is also the marketing company that knows the most about consumers and clients, and accordingly we fill the role of further reinvigorating communication in society. ADK recognizes the importance of its role in fulfilling environmental and social responsibilities in terms of achieving sustained growth and contributing to society through its business activities.

Top Message

In 2013, ADK announced its VISION 2020 long-term management vision, which incorporates our commitment to achieving a transformation into a Consumer Activation Company. The Consumer Activation concept entails the development of insight from the analysis of data on consumer attitudes, purchasing patterns, and media contacts; the generation of ideas that prompt consumers to take action; and the achievement of KPIs that have been established together with the client. On that basis, we are transitioning to a multi-business model under which we will move beyond the framework of conventional advertising transactions to secure earnings through the provision of added value that moves consumers.

The term “moving consumers” does not refer simply to the purchase of products. Rather, the actions that we prompt consumers to take must move their lives and their futures in a better, brighter direction. As those actions lead to movement on a wider scale, society as a whole heads in a better direction. This, I believe, is the duty that lies beyond Consumer Activation.

As an advertising company, ADK has a strong track record in the proposal and implementation of communication plans that help clients in a wide range of industries to resolve various issues. Moreover, ADK has been involved in the animation content business since the beginning of TV animation broadcasts, and we have subsequently contributed to the development of this business. At the same time, we have maintained a focus on children and have accumulated knowledge regarding the children’s market. Moving forward, we will leverage these strengths and strive to further contribute to society through our daily business operations and through a broad range of related activities.

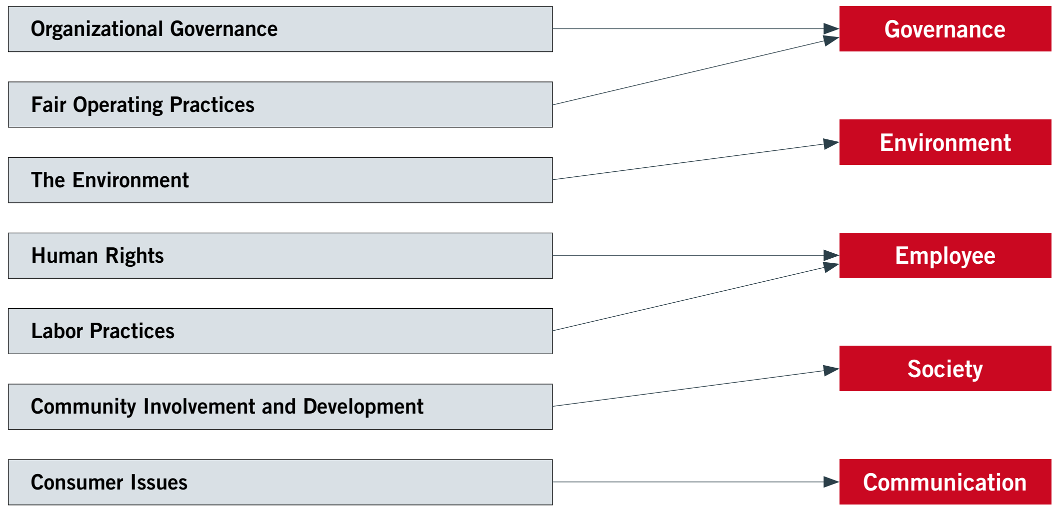
From Consumer Activation to Social Activation—ADK is on the move.

Shinichi Ueno
Representative Director,
President & Group CEO

Our CSR Activities

Foundation of the ADK Group’s CSR Activities

The ADK Group’s CSR activities are conducted in accordance with the regulations of the CSR Committee. In addition, with reference to the seven core subjects of the ISO26000 international social responsibility guidelines, ADK has set up five fields in which the Company is focusing its efforts.



Overview of the ADK Group’s CSR System

Governance

Earning the Trust of Society

https://www.adk.jp/en/company/governance/

Corporate Governance

Fundamental Approach

ADK recognizes that robust corporate governance is essential for the continuous enhancement of enterprise value, and accordingly the Company considers corporate governance to be an important management issue. The Company strives to ensure sound and transparent management and to earn the trust of shareholders, other investors, and all other stakeholders. To that end, we have established a corporate governance framework that clearly separates the supervisory function of the Board of Directors from the execution of business duties and allows monitoring by outside directors and corporate auditors.

Supervision, Supervisory System and Nomination Policies

The Company has appointed multiple outside directors and outside corporate auditors with high degrees of independence. All of the outside directors and corporate auditors, who meet the independent director standards of the Tokyo Stock Exchange, have been designated as independent directors. In addition, to enhance the board of directors' supervision of the execution of business duties, the person who has the authority to convene meetings of the Board of Directors and serve as the chairman of the Board is selected from among the directors other than the president.

Moreover, the Company has voluntarily established the Nomination Committee as an entity for the nomination of corporate officers. This committee, which is composed principally of outside directors, provides assistance to the Board of Directors in regard to such matters as decisions on director candidates, nomination of operating officers, and nomination of representative directors.

Compensation of Directors and Corporate Auditors

To provide an incentive to directors responsible for executing the Company's business, ADK has introduced a system of compensation linked to business performance. The Company has voluntarily established the Compensation Committee as an entity for making decisions regarding the compensation of directors and corporate auditors. This committee, which is composed principally of outside directors, deliberates on items regarding compensation for directors that are subsequently decided by meetings of the Board of Directors.

Compliance

The Company has established the Compliance Committee, which includes outside attorneys as members. The ADK Group Code of Conduct has been positioned as the Group's compliance policy, and on that basis the Committee conducts educational programs, formulates guidelines, and implements other activities. The ADK Group Code of Conduct declares that the Group will not establish any relationship with antisocial forces. In addition, the Compliance Committee has formulated the ADK Compliance Guideline and the Manual for Handling Antisocial Forces and Unfair Requests. The Company is taking steps to ensure awareness of these guidelines, such as making them available on the Company's intranet.

In addition, to support the early discovery of violations and suspected violations of laws or regulations, the Compliance Committee operates the Group Helpline System, which involves external law offices and guarantees anonymity. Moreover, under the supervision of the Risk Management Committee, the division in charge of the management of subsidiaries directs each subsidiary to develop and maintain its own internal control system and implements a Groupwide internal control system by requesting subsidiaries to comply with the ADK Group Code of Conduct and to implement specific measures, such as adopting the Group Helpline System.

Information Security System

ADK's operational processes involve the handling of client and consumer information. Accordingly, the Group pays careful attention to information security and works to provide ongoing education to employees.

For example, the Group Declaration on Information Security and has acquired ISO27001 and ISMS certifications. In these ways, the Group conducts its operations under a rigorous security system. Moreover, each year the Group takes steps to maintain the system, from internal audits to inspections, and to renew its certifications.

Board of Directors and Auditors

As of March 27, 2015

Shinichi Ueno
Representative Director,
President & Group CEO

Takeshi Kato
Executive Director, Operating Officer

Kenji Oshiba
Executive Director, Operating Officer

Noriyuki Nakai
Executive Director, Operating Officer

Stuart Neish
Non-Executive Director

Hideaki Kido
Outside Director,
Chairman of the Board

Toshio Kinoshita
Outside Director

Nobuyuki Motohashi
Auditor (Full-time)

Yoshitake Onishi
Outside Auditor (Full-time)

Masayuki Yoshinari
Outside Auditor

Megumi Suto
Outside Auditor

Environment

Acting With Consideration for the Environment

At the head office, ADK has established the EMS Secretariat under the control of the CSR Committee. The secretariat, which works to advance the Company's environmental management system, has acquired ISO14001 certification. In addition to working to reduce the use of electricity and paper in our daily business activities, we also create environmentally-friendly advertising for industry organizations and clients and implement other related activities. In accordance with environmental action guidelines, we also implement environmentally-friendly business activities in communications.

Activities Reflecting Consideration for the Environment

ADK is taking steps to increase employee awareness of environmental conservation.

At the new head office building, in certain areas we have introduced a system in which seats are not permanently assigned. Using notebook PCs and smartphones, employees are working efficiently without unnecessary use of space. Moreover, display monitors have been installed in conference rooms, and we are conducting meetings without using excess printed materials. In the second half of 2014, consumption of photocopy paper was down by about 7% in comparison with the first half of the year.

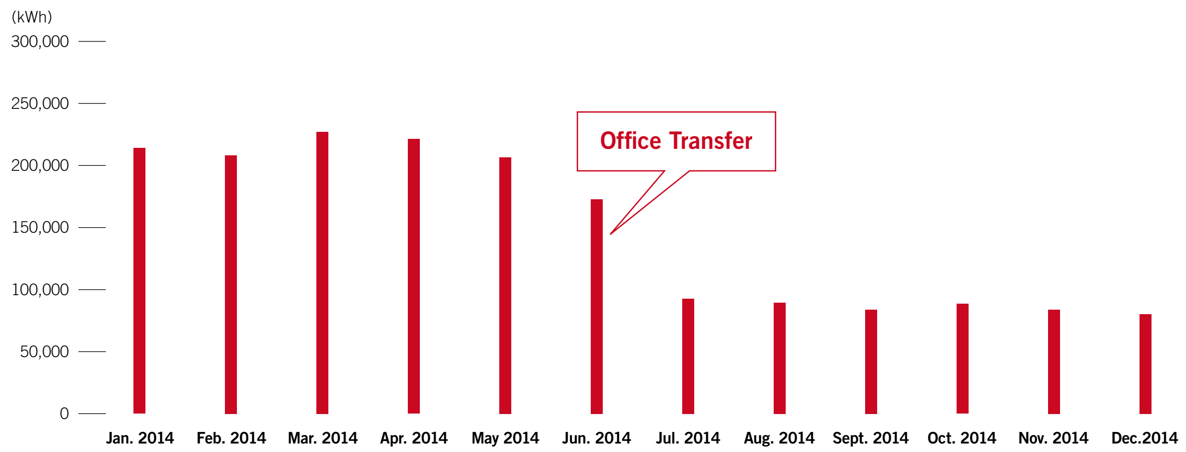
In selecting the location for our new head office, we focused on the energy efficiency of the building. In addition, employees have led initiatives to reform working styles, such as reducing overtime. As a result, electricity consumption has declined to less than half of the level consumed in the previous office building.

We have clarified the environmental objectives that we will strive to achieve through these initiatives. In comparison with fiscal 2014, we are targeting across-the-board reductions of 20% in electricity consumption, photocopy paper usage, stationery costs, and waste generated by fiscal 2017.

Environmental Action Guidelines

- ADK is working to promote the prevention and ongoing improvement of environmental pollution through the use of its environmental management system.
- We strive to contribute to the resolution of environmental problems through the development, proposal, and implementation of environmental advertising and promotions in accordance with the ADK Group Code of Conduct.
- We are making aggressive, sustained efforts in the areas of CO_2 emission reductions through resource and energy saving initiatives, 3R (reduce, reuse, and recycle) activities, and green procurement.
- In our business activities, we strictly observe environmental laws and regulations and maintain compliance with other requirements as appropriate.

Electric Power Consumption the Pre / Post Office Transfer (Jan. 2014 ~ Dec. 2014)



Employee

Enabling All Employees to Work to Their Full Potential

Human resources are the most important source of ADK's growth, and we believe that it is our duty to nurture human resources that provide value to society. We pay special attention to maintaining a workplace environment in which communication among employees generate the ideas and creative work that move consumers.

Respect for Human Rights

The ADK Group Code of Conduct calls for respect for the diversity, personality, and individuality of employees and for the maintenance of an appropriate work environment. We strive to establish an environment in which all employees can fully leverage their individual capabilities, and we strictly observe laws and regulations related to labor relations and take steps to maintain a sound workplace environment. In addition, we do not discriminate on the basis of such factors as race, religion, nationality, gender, age, or disability status. We take a rigorous approach to evaluating each person's strengths and demonstrated capabilities.

Working Styles

Accompanying the move to a new head office building in 2014, ADK has implemented various working style reforms. We have introduced a "Group address system" under which seats are not permanently assigned, and we have established an environment in which work can be handled efficiently through the use of smartphones and notebook PCs.

In addition, the new building offers spaces in which employees can interact in an open atmosphere, such as a cafe and lounge, and innovative meeting rooms that foster the generation of original ideas.

Moreover, we are promoting greater efficiency in working hours through working style reforms. Centered on the Human Resources Division and the Employment System Deliberation Committee, we are considering ways to ensure that employees can enjoy work-life balance, such as reducing overtime, increasing the time that employees can spend with their families, and facilitating their participation in hobbies and volunteer activities.

Park Cafe

Conference room that enhances creativity

Society

Contributing to Society and the Future

ADK is working to use its knowledge as an advertising company to contribute to society. By building on our foundation as a Consumer Activation Company that moves consumers, we are also taking steps to become a Social Activation Company that fosters currents of change in society, and in this way we are striving to make a contribution to a more vibrant society and a brighter future.

Photo Letter from Minami Sanriku

In March 2011, north eastern Japan suffered tremendous damage from the Great East Japan Earthquake, and four years later the region is still in the process of reconstruction. To contribute to that process, which requires considerable time, we decided to provide ongoing assistance and support rather than short-term aid.

Accordingly, each year since the disaster we have published Photo Letter from Minami Sanriku, a collection of photographs taken by Shinichi Sato, who operates a photography store in the region. We believe this collection has a special meaning because it continues to show the lives of people who are living in the region rather than simply showing the damage that occurred. This activity is sustained through the interest of people at ADK, and publication is handled by Bungeisha Co., Ltd., a Group company. All of the profit from sales is contributed to the reconstruction efforts, and as of April 2015, a total of ¥9,527,150 had been donated to the town of Minamisanriku. Four years have passed since the initial publication of the collection, which serves both as an album for local residents and as a guidebook for visitors.

Photo Letter from Minami Sanriku vol.4 2013.3.11~2014.3.11

Photographer
Shinichi Sato

Workplace Experience Program

ADK continues to implement activities designed to foster a better understanding of the work of an advertising company among students and school teachers. We offer a three-day workplace experience program for junior high school students. Participants in the program first learn about the type of work done by advertising companies, and then they have the opportunity to experience the inquisitive attitude and imagination that are necessary for advertising company employees. Later, they create an actual advertisement under the guidance of our creative staff. Through these workshops, participants can directly experience the appeal and role of advertising, such as generating the initial idea, putting it into a form that will effectively communicate the message to consumers, and placing the advertisement.

Thinking about new advertising with creators

Communication

Moving People's Lives in a Better Direction

Aiming to be a Consumer Activation Company, ADK is accumulating knowledge through the analysis and study of consumer purchasing patterns by generation and category. The insight that is obtained in this way is used to help clients resolve various issues and is also communicated through seminars and publications so that it can be of broad use to society.

Establishment of Research Centers by Generation

Kids Marketing Center

For many years, ADK has focused on the animation content business and on children, and in this way, we have accumulated a wide range of knowledge about children and families.

Integrated Solution Center
Strategic Planning Group
Strategic Planner

Sakae Akashima

Aradan (Baby Boomer) Research Center

We study and analyze the purchasing patterns and attitudes of seniors, centered on the baby boom generation, which represents a substantial segment of the consumer population.

Integrated Solution Center
Senior Producer and Account Management Center
Senior Director

Shigeo Niimura

Wakamono (Young Consumers) Studio

ADK has established the Wakamono (Young Consumers) Studio, a college student marketing organization that is tracking the actual circumstances of today's young consumers.

Integrated Solution Center
Strategic Planning Group

Kohei Fujimoto

Category Teams

ADK professionals analyze and study social trends in accordance with a wide range of themes, such as finance, games, and health.

Officer of Strategic Planning Group
General Manager of ADK Category Team
Kenji Morinaga

Business at a Glance

Consolidated Five-Year Summary

Millions of Yen

Income Statement Data	2014	2013	2012	2011	2010
Gross billings	¥352,984	¥342,786	¥350,822	¥347,111	¥346,565
Gross profit	48,568	45,104	46,169	45,836	42,028
Selling, general and administrative expenses	44,470	43,721	42,993	41,983	42,006
Operating income (loss)	4,097	1,383	3,175	3,852	22
Ordinary income	7,251	4,327	5,314	5,627	1,885
Income (loss) before income taxes and minority interests	6,433	5,600	4,069	5,028	(4,748)
Net income (loss)	3,696	3,430	2,781	2,293	(4,656)
EBITDA*	¥ 2,433	¥ 2,963	¥ 4,517	¥ 4,828	¥ 810

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

Millions of Yen

Balance Sheet Data	2014	2013	2012	2011	2010
Total assets	¥243,317	¥228,170	¥195,163	¥184,188	¥194,510
Total net assets*	134,999	130,972	109,559	96,800	103,168
Total long-term liabilities	24,464	21,116	10,055	5,277	7,466

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

Yen

Per Common Share Data	2014	2013	2012	2011	2010
Net income (loss) per share (EPS)	¥ 88.32	¥ 81.79	¥ 65.83	¥ 54.37	¥ (110.28)
Dividend per share	571.00	141.00	111.00	109.00	20.00
Book value per share	¥3,204.87	¥3,105.40	¥2,567.03	¥2,270.23	¥2,423.06
No. of common shares outstanding*	42,155,400	42,155,400	42,655,400	45,155,400	45,155,400

* Includes treasury stock

Financial Ratios	2014	2013	2012	2011	2010
As Percent of Gross Billings					
Gross profit	13.8%	13.2%	13.2%	13.2%	12.1%
SG&A expenses	12.6	12.8	12.3	12.1	12.1
Operating income (loss)	1.2	0.4	0.9	1.1	0.0
Ordinary income	2.1	1.3	1.5	1.6	0.5
Income (loss) before income taxes and minority interests	1.8	1.6	1.2	1.5	(1.4)
Net income (loss)	1.0	1.0	0.8	0.7	(1.3)
As Percent of Gross Profit					
Operating income (loss)	8.4%	3.1%	6.9%	8.4%	0.1%
Staff cost	61.5	65.4	62.5	61.8	67.3
Return on equity (ROE)*1	2.8	2.9	2.7	2.3	(4.5)
Return on assets (ROA)*2	3.1	2.0	2.8	3.0	1.0
Equity ratio*3	55.1	56.9	55.6	52.0	52.5
Current ratio	1.64×	1.69×	1.65×	1.55×	1.52×

*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

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 2015 Annual Security Report (60th 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 2014 Consolidated Performance Highlights

- > Gross billings up **3.0%,** to **¥352.9** billion
- > Gross profit up **7.7%,** to **¥48.5** billion
- > Gross margin up **0.6%,** to **13.8%**
- > Operating income up **196.2%,** to **¥4.0** billion
- > Net income of **¥3.6** billion; net income per share of **¥88.32**

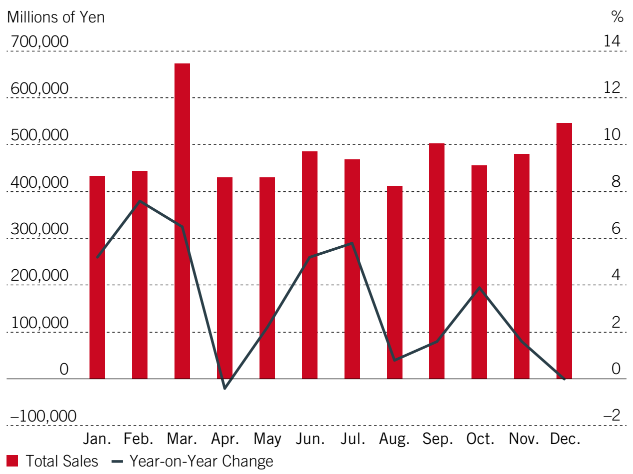
Overview of Fiscal 2014

The Japanese economy was on a moderate recovery path throughout 2014 backed up by on-going economic measures and monetary policies introduced by the government and the Bank of Japan along with the improvement in corporate earnings, especially of export-related firms, and pickup in capital investment. Consumer spending remained unpredictable with a slower improvement in consumer confidence that had lost some steam immediately after the consumption tax hike in April 2014, although there was a last-minute demand ahead of the tax hike and the improvement in employment and income environment.

According to "The Current Survey of Selected Service Industries" complied by the Ministry of Economy, Trade and Industry, total gross billings in the Japanese advertising industry exceeded that of the previous corresponding period throughout the year apart from April when the tax was increased.

Under these circumstances, with its new concept "VISION 2020", ADK is transforming itself into "Consumer Activation Company" which inspires consumers to take concrete actions and drives clients businesses, not limiting itself delivering messages to consumers. To realize that, ADK pushes forward measures to diversify business models and build the Group foundation by improving solution-providing foundations, introducing a radical income control system, strengthening cooperation with the subsidiaries at home and abroad, last but not least, expanding the content business, one of ADK's strengths.

2014 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

Segment Information

Advertising Business

The Group's advertising business segment generated gross billings of ¥348,273 million, up 3.0%, from the previous fiscal year. Segment income grew 97.5%, to ¥4,465 million.

The domestic business enjoyed a year-on-year increase in gross billings and profit as a result of an increase in the number advertising placements at ADK-Tokyo, a growth in the subsidiary of the production firm and enhanced contribution made by the digital subsidiary. Internationally, the subsidiary in Thailand was the main driving force of an increased sales and profit in throughout Asia. Yet the overall international business experienced a decline in both sales and profit as a result of weakened performance of subsidiaries in Europe/US and China. All overseas sales are in the advertising business, which accounted for 8.4% of its consolidated gross billings, compared with 8.6% in fiscal 2013.

The parent company generated gross billings of ¥306,718 million yen, up 3.6% from the previous fiscal year. Gross profit rose to ¥34,662, up 7.7% and operating income jumped to ¥3,130 million, up 168.3%. ADK's gross profit was boosted by the continued year-on-year growth of gross billings since June 2014, also by measures such as a thoroughgoing effort at managing costs control. Controlling selling, general and administrative expenses, especially through the Head Office relocation in June 2014 which served as a catalyst for reducing the rent and innovating work style, also helped lead to substantial growth in operating income.

Broken down by client industry, we reported increased gross billings to clients in the Cosmetics / Toiletry Goods, Government / Organizations, Finance / Insurance, Restaurants / Other Services, Automobile / Auto-Related Products, although gross billings to clients in Food, Education / Medical Services / Religion, Energy / Raw Materials / Machinery, Transportation / Leisure, Beverages / Tobacco declined.

Non-Consolidated Gross Billings Breakdown by Client Industry

Millions of Yen

	2014	Composition	2013	Composition	Change	Year–on–year change
Energy / Raw Materials / Machinery	¥ 2,865	0.9%	¥ 4,221	1.4%	¥ (1,355)	–32.1%
Food	25,109	8.2	27,924	9.4	(2,815)	–10.1
Beverages / Tobacco Products	22,527	7.3	23,800	8.0	(1,273)	–5.4
Pharmaceuticals / Medical Supplies	15,766	5.1	14,779	5.0	987	6.7
Cosmetics / Toiletry Goods	32,698	10.7	27,993	9.5	4,705	16.8
Apparel / Jewelry	13,082	4.3	12,262	4.1	819	6.7
Precision Instruments / Office Equipment	2,435	0.8	2,069	0.7	366	17.7
Electric Machines / AV Equipment	2,878	0.9	3,947	1.3	(1,069)	–27.1
Automobiles / Auto-Related Products	18,358	6.0	16,135	5.5	2,223	13.8
Household Products	1,288	0.4	2,050	0.7	(761)	–37.1
Hobbies / Sporting Goods	20,006	6.5	19,670	6.6	336	1.7
Real Estate / Housing	8,332	2.7	8,684	2.9	(352)	–4.1
Publications	2,902	0.9	3,911	1.3	(1,008)	–25.8
Information / Communications	28,744	9.4	27,420	9.3	1,324	4.8
Distribution / Retail	27,904	9.1	26,112	8.8	1,792	6.9
Finance / Insurance	29,574	9.6	26,388	8.9	3,185	12.1
Transportation / Leisure	8,158	2.7	9,473	3.2	(1,314)	–13.9
Restaurants / Other Services	10,050	3.3	7,235	2.4	2,815	38.9
Government / Organizations	15,044	4.9	10,989	3.7	4,054	36.9
Education / Healthcare Services / Religion	5,788	1.9	7,759	2.6	(1,971)	–25.4
Classified Ads / Other	13,198	4.3	13,234	4.5	(36)	–0.3
Total	¥306,718	100.0%	¥296,065	100.0%	¥10,652	3.6%

Broken down by business discipline, TV Advertising, Marketing and Promotion, Digital Media and Radio reported increased gross billings, while Creative & Others, OOH Media, Newspaper and Magazine posted a decline in gross billings on a year-over-year basis.

Non-Consolidated Performance by Discipline

Millions of Yen

Breakdown by discipline		Gross billings	Composition	Y-o-Y change	Main client business industries (Top: increased industries, Bottom: decreased industries)
Media	Magazine	¥ 13,205	4.3%	–6.8%	Finance / Insurance, Government / Organizations, Apparel / Jewelry Hobbies / Sport Goods, Household Goods, Beverage / Tobacco
	Newspaper	19,148	6.2	–6.8	Cosmetics / Toiletry, Government / Organizations, Food Distribution / Retail, Automobile / Automobile-related Products, Real Estate / Housing
	TV	142,966	46.6	5.0	Information / Communication, Cosmetics / Toiletry, Distribution / Retail Food, Home appliances / AV equipment, Beverage / Tobacco
	Program	54,615	17.8	2.9	Distribution / Retail, Hobbies / Sport Goods, Apparel / Jewelry Food, Household Goods, Transportation / Leisure
	Spot	75,196	24.5	6.1	Information / Communication, Cosmetics / Toiletry, Automobile / Automobile-related Products Food, Home appliances / AV equipment, Beverage / Tobacco
	Content	13,153	4.3	7.4	Energy / Material / Machinery, Automobile / Automobile-related Products, Information / Communication Home appliances / AV equipment, Food, Government / Organizations
	Radio	3,172	1.0	3.4	Pharma / Medical supplies, Information / Communication, Government / Organizations Transportation / Leisure, Real Estate / Housing, Food
	Digital Media	16,058	5.2	43.2	Cosmetics / Toiletry, Finance / Insurance, Restaurants / Other service Home appliances / AV equipment, Hobbies / Sport Goods, Food
	OOH Media	7,509	2.4	–21.5	Pharma / Medical supplies, Home appliances / AV equipment, Real Estate / Housing Beverage / Tobacco, Education / Medical Service / Religion, Information / Communication
Sub-total		¥202,060	65.9	3.7	Cosmetics / Toiletry, Information / Communication, Restaurants / Other service Food, Home appliances / AV equipment, Education / Medical Service / Religion
Non-Media	Marketing and Promotion	63,202	20.6	10.4	Government / Organizations, Distribution / Retail, Finance / Insurance Information / Communication, Energy / Material / Machinery, Apparel / Jewelry
	Creative and Others	41,455	13.5	–5.9	Cosmetics / Toiletry, Information / Communication, Automobile / Automobile-related Products Education / Medical Service / Religion, Beverage / Tobacco, Government / Organizations
Sub-total		¥104,657	34.1	3.3	Government / Organizations, Finance / Insurance, Distribution / Retail Information / Communication, Education / Medical Service / Religion, Energy / Material / Machinery
Total		¥306,718	100.0%	3.6%	Cosmetics / Toiletry, Government / Organizations, Finance / Insurance Food, Education / Medical Service / Religion, Energy / Material / Machinery

Notes
1. Because we offer cross-media programs, data may not represent gross billings by medium.
2. TV includes program, spot and content.
3. Content includes Animation, Culture and Sports Marketing, etc.
4. Digital Media includes Internet and Mobile-related media. (Digital Solutions, such as Website Creation and System Development are included in "Marketing and Promotion".)
5. OOH (Out of Home) Media includes transportation and outdoor advertising and insertions.
6. Marketing and Promotion includes marketing, communication planning, promotion, events, PR, exposition events and digital solutions, etc.

Other Business

Gross billings to clients was ¥4,710 million, up 0.2% from the year earlier, while the segment loss was ¥368 million as opposed to a loss of ¥878 million last year.

This business involves publishing and sales of magazines and books. Amid overall shrinkage of the publishing market, conditions for generating profits were very severe, leading to an operating loss. Yet, the range of loss shrank on a year-on-year comparison as the amount of returned books declined by an effort to make distribution volumes more appropriate and curb SG&A expenses.

Forecasts for Fiscal 2015

The consolidated business under review largely performed strongly, especially at ADK-Tokyo. We expect that, in fiscal 2015, the Japanese economy will continue its recovery backed by economic measures and monetary-easing policies advocated by the government and the Bank of Japan. Consequently, the advertising market is anticipated to grow healthily in the medium-to-long run.

While on the other hand, in the short-term, the possibility of an economic recession in Europe, and slower growth in emerging economies such as China remain a concern. Concerning factors at home include weakened nominal GDP and consumer spending, which are said to be highly correlated to growth in the advertising market. The previous consumption tax raise and the postponement of the next round of hike, a yen's appreciated-led imported goods price rise, a crude oil price drop all remain to be seen since each of them may well impact on our clients results.

In such an environment, we will drive the business to deliver consolidated gross billings of ¥358,000 million, operating income of ¥4,800 million, ordinary income of ¥7,770 million, and net income of ¥4,750 million. This means that net income per share is projected to be ¥113.45.

On a non-consolidated basis, we aim to deliver gross billings of ¥310,000 million, operating income of ¥3,400 million, ordinary income of ¥6,100 million, and net income of ¥3,830 million for the full year. This means that net income per share is projected to be ¥91.48.

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 13, 2015). The foregoing statements herein are inherently subject to risks, including, but not limited to, those shown below (under the Tokyo Stock Exchange's 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 general, Japanese national advertising spending is directly influenced by corporate advertisers' budgets and, therefore, is closely correlated with nominal consumer spending and GDP. The Group generates much of its gross billings from the Japanese domestic market. 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 continues to diversify with further penetration of new devices such as smartphones and tablet-type PCs. At the same time, people's media consumption and behaviors are changing with the rapid diffusion of social networks. As a consequence of that, markets of traditional mass media, especially print media, are shrinking, whereas the Internet business is growing fast. Advertisers expect their advertising agencies to offer advanced solutions utilizing digital media, thereby allowing clients to gather and analyze data of people's media consumption and purchasing behavior more effectively.

ADK tries to seize hold of that fast-changing market environment to expand our business by riding a wave of the Internet advertising market, rather than clinging onto those traditional mass media markets. We are now taking agile responses to changes in consumer behavior and marketing analysis methods in the wake of the advent of the Big Data era. 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 2014, the parent company (ADK) generated 65.9% 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 46.6% 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 the ADK Group 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. Securing & Training Proper People and Cost Control

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 respond to changing market environments agilely and facilitate smooth internal communications. A series of new laws were enacted in 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 is now working on the current personnel policies to be compliance with them and also establishing 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 61.5% of gross profit in fiscal 2014.

e. Overseas Operations

The ADK Group has been striving to develop overseas revenues. In fiscal 2014, the ADK Group generated 8.4% 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

The ADK Group 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 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 2.36% equity stake in WPP (as of December 31, 2014). WPP is the largest shareowner of ADK, holding 24.50% of the voting rights. By way of operating alliances with WPP Group operating companies including JWT, 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 the 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 ¥78,725 million (at a stock price of £13.45 per share) as of the end of December 2014, compared with the acquisition cost factored in loss on valuation of investment securities of ¥22,262 million (at a stock price of £3.6157 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 ¥93,185 million, representing 38.3% of its ¥243,317 million in total assets as of December 31, 2014. Of this amount, ¥89,366 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 ¥40,118 million after deducting deferred tax liabilities on such gains (compared with ¥35,142 million as of December 31, 2013). 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 assets 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 the 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 the 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, 2013 and 2014

Millions of Yen

Assets	Note	2013	Note	2014
Current assets				
Cash and deposits	3	25,554	3	32,738
Notes and accounts receivable—trade	5	81,659	5	87,112
Securities		11,371		7,534
Inventories	1	8,469	1	8,088
Deferred tax assets		913		976
Other		1,477		1,443
Allowance for doubtful accounts		(514)		(687)
Total current assets		128,932		137,205
Non-current assets				
Property, plant and equipment				
Buildings and structures		3,798		4,255
Accumulated depreciation		(2,524)		(1,664)
Buildings and structures, net		1,273		2,591
Land		993		1,011
Other		3,821		3,549
Accumulated depreciation		(2,696)		(2,313)
Other, net		1,125		1,236
Total property, plant and equipment		3,392		4,839
Intangible assets				
Software		1,881		1,642
Other		251		29
Total intangible assets		2,132		1,672
Investments and other assets				
Investment securities	2, 3	84,829	2, 3	93,185
Long-term loans receivable		186		73
Deferred tax assets		427		448
Other	2	9,080	2	6,649
Allowance for doubtful accounts		(810)		(756)
Total investments and other assets		93,713		99,601
Total non-current assets		99,238		106,112
Total assets		228,170		243,317

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 and 2014

Millions of Yen

Liabilities	Note	2013	Note	2014
Current liabilities				
Notes and accounts payable—trade	5	65,997	5	71,574
Short-term loans payable		—		46
Current portion of long-term loans payable	6	164	6	82
Income taxes payable		1,950		1,561
Provision for bonuses		402		1,013
Provision for directors' bonuses		—		3
Provision for sales returns		489		493
Other		7,076		9,078
Total current liabilities		76,080		83,853
Non-current liabilities				
Long-term loans payable	6	82	6	—
Deferred tax liabilities		18,802		21,578
Provision for retirement benefits		1,271		—
Provision for directors' retirement benefits		417		74
Net defined benefit liability		—		1,605
Other		544		1,206
Total non-current liabilities		21,116		24,464
Total liabilities		97,197		108,317
Net assets				
Shareholders' equity				
Capital stock		37,581		37,581
Capital surplus		11,982		11,982
Retained earnings		44,303		42,265
Treasury shares		(651)		(569)
Total shareholders' equity		93,216		91,260
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		35,142		40,118
Deferred gains or losses on hedges		1		5
Foreign currency translation adjustment		1,513		2,819
Remeasurements of defined benefit plans		—		(20)
Total accumulated other comprehensive income		36,657		42,923
Subscription rights to shares		21		40
Minority interests		1,077		775
Total net assets		130,972		134,999
Total liabilities and net assets		228,170		243,317

Consolidated Statements of Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 and 2014

Millions of Yen

	Note	2013	Note	2014
Gross billings		342,786		352,984
Cost of sales	1	297,681	1	304,416
Gross profit		45,104		48,568
Selling, general and administrative expenses				
Salaries and allowances		23,012		22,916
Provision for bonuses		347		918
Retirement benefit expenses		2,174		2,062
Provision for directors' retirement benefits		37		18
Welfare expenses		3,438		3,427
Rent expenses		3,870		3,467
Provision of allowance for doubtful accounts		(76)		184
Depreciation		755		692
Other		10,163		10,782
Total selling, general and administrative expenses	2	43,721	2	44,470
Operating income		1,383		4,097
Non-operating income				
Interest income		264		261
Dividend income		1,800		2,156
Share of profit of entities accounted for using equity method		197		220
Dividend income of life insurance		58		107
Real estate rent		54		54
Other		691		555
Total non-operating income		3,067		3,355
Non-operating expenses				
Interest expenses		10		8
Loss on investments in partnership		4		58
Provision of allowance for doubtful accounts		2		22
Rent expenses on real estates		40		28
Loss on insurance cancellation		14		40
Other		50		43
Total non-operating expenses		123		201
Ordinary income		4,327		7,251

See notes to consolidated financial statements.

Millions of Yen

	Note	2013	Note	2014
Extraordinary income				
Gain on sales of non-current assets	3	222	3	13
Gain on sales of investment securities		4,232		1,222
Reversal of allowance for doubtful accounts		1		8
Other		137		39
Total extraordinary income		4,594		1,284
Extraordinary loss				
Loss on sales of non-current assets		0		0
Loss on retirement of non-current assets	4	274	4	142
Impairment loss		—	5	207
Loss on sales of investment securities		144		2
Loss on valuation of investment securities	6	76	6	78
Loss on valuation of investments in capital		58		—
Special retirement expenses	7	2,519	7	535
Office transfer expenses	8	179	8	1,080
Other		69		55
Total extraordinary loss		3,321		2,102
Income before income taxes		5,600		6,433
Income taxes—current		2,472		2,669
Income taxes—deferred		(359)		(69)
Total income taxes		2,113		2,599
Income before minority interests		3,486		3,833
Minority interests in income		56		137
Net income		3,430		3,696

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 and 2014

Millions of Yen

	Note	2013	Note	2014
Income before minority interests		3,486		3,833
Other comprehensive income (loss)				
Valuation difference on available-for-sale securities		21,589		4,975
Deferred gains or losses on hedges		3		4
Foreign currency translation adjustments		2,107		1,361
Share of other comprehensive income of entities accounted for using equity method		—		13
Total accumulated other comprehensive income (loss)	1	23,700	1	6,355
Comprehensive income		27,187		10,189
Comprehensive income attributable to:				
Comprehensive income attributable to owners of the parent		27,075		9,982
Comprehensive income attributable to minority interests		112		206

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2014 (From January 1, 2014 to December 31, 2014)

Year Ended December 31, 2014

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock—at cost	Total shareholders' equity
Balance as of January 1, 2014	37,581	11,982	44,303	(651)	93,216
Changes during the fiscal year					
Dividend payments			(5,932)		(5,932)
Net income			3,696		3,696
Adjustments of retained earnings due to change in scope of consolidation			154		154
Acquisitions of treasury stock				(6)	(6)
Disposals of treasury stock		0		87	87
Cancellation of treasury stock					—
Other decrease of retained earnings			43		43
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	—	0	(2,037)	81	(1,956)
Balance as of December 31, 2014	37,581	11,982	42,265	(569)	91,260

Millions of Yen

	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deffered gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accu-mulated other comprehen-sive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of January 1, 2014	35,142	1	1,513	—	36,657	21	1,077	130,972
Changes during the fiscal year								
Dividend payments								(5,932)
Net income								3,696
Adjustments of retained earnings due to change in scope of consolidation								154
Acquisitions of treasury stock								(6)
Disposals of treasury stock								87
Cancellation of treasury stock								—
Other decrease of retained earnings								43
Net changes of items other than shareholders' equity	4,975	4	1,306	(20)	6,266	19	(302)	5,982
Total changes during the fiscal year	4,975	4	1,306	(20)	6,266	19	(302)	4,026
Balance as of December 31, 2014	40,118	5	2,819	(20)	42,923	40	775	134,999

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 (From January 1, 2013 to December 31, 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	Remeasure-ments of defined benefit plans	Total accu-mulated other comprehen-sive 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.

Consolidated Statements of Cash Flows

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 and 2014

Millions of Yen

	Note	2013	Note	2014
Net cash provided by (used in) operating activities				
Income before income taxes and minority interests		5,600		6,433
Depreciation and amortization	2	1,582	2	1,384
Loss (gain) on valuation of investment securities		76		78
Increase (decrease) in allowance for doubtful accounts		(571)		142
Increase (decrease) in provision for bonuses		3		581
Increase (decrease) in provision for directors' bonuses		(12)		3
Increase (decrease) in provision for sales returns		(350)		4
Increase (decrease) in provision for retirement benefits		(15)		—
Increase (decrease) net defined benefit liability		—		283
Increase (decrease) in provision for directors' retirement benefits		(15)		(365)
Interest and dividends income		(2,065)		(2,417)
Interest expenses		10		8
Foreign exchange losses (gains)		1		(4)
Share of (profit) loss of entities accounted for using equity method		(197)		(220)
Loss (gain) on sales of investment securities		(4,088)		(1,220)
Office transfer expenses		179		1,080
Loss (gain) on sales and retirement of non-current assets		51		129
Decrease (increase) in notes and accounts receivable—trade		3,960		(5,081)
Decrease (increase) in inventories		(1,238)		533
Increase (decrease) in notes and accounts payable—trade		(1,585)		4,849
Decrease (increase) in accounts receivables—other		116		90
Increase (decrease) in accounts payable—other		(210)		763
Extra retirement payment		2,519		535
Others—net		946		2,881
Subtotal		4,698		10,474
Interest and dividend income received		2,086		2,427
Interest expenses paid		(11)		(8)
Office transfer expenses payments		(179)		(1,080)
Payments for extra retirement payments		(2,519)		(478)
Income taxes (paid) refund		(899)		(3,164)
Net cash provided by (used in) operating activities		3,175		8,169

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2013 and 2014

Millions of Yen

	Note	2013	Note	2014
Net cash provided by (used in) investing activities				
Payments into time deposits		(7,684)		(9,173)
Proceeds from withdrawal of time deposits		7,230		9,161
Proceeds from sales of securities		—		98
Purchase of property, plant and equipment		(548)		(2,049)
Proceeds from sales of property, plant and equipment		388		38
Purchase of intangible assets		(594)		(374)
Purchase of investment securities		(368)		(1,660)
Proceeds from sales of investment securities		9,152		1,745
Payments of loans receivable		(125)		(91)
Collection of loans receivable		168		103
Net (increase) decrease in insurance premiums		(22)		141
Payments for guarantee deposits		(1,185)		(318)
Proceeds from collection of guarantee deposits		180		2,654
Other, net		(318)		(451)
Net cash provided by (used in) investing activities		6,270		(177)
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable		(47)		4
Repayment of long-term loans payable		(256)		(164)
Net decrease (increase) in treasury shares		(1,168)		(367)
Cash dividends paid		(4,687)		(5,816)
Cash dividends paid to minority shareholders		(25)		(109)
Other		(149)		(187)
Net cash provided by (used in) financing activities		(6,336)		(6,640)
Effect of exchange rate change on cash and cash equivalents		1,880		846
Net increase in cash and cash equivalents		4,990		2,197
Cash and cash equivalents at beginning of period		27,264		32,410
Increase in cash and cash equivalents from newly consolidated subsidiaries		156		502
Cash and cash equivalents of deconsolidated subsidiaries		—		(28)
Cash and cash equivalents at end of period	1	32,410	1	35,082

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
December 31, 2013 and 2014

(Items Related to Going Concern Assumption)
Not applicable

(Basis of Presenting Consolidated Financial Statements)
1. Scope of consolidation
(1) Number of consolidated subsidiaries: 36

The names of major consolidated subsidiaries are omitted here because they are listed on page 80–81. Right Song Music Publishing Co., Ltd., Bio-Medice International Inc., ADK Insurance Service Inc., IMMG Pte. Ltd., IMMG BEIJING CO., LTD., PT.IMMG Indonesia, SCOOP ADWORLD Pte. Ltd., Dai-Ichi Kikaku (Malaysia) Sdn.Bhd. and ASATSU-DK Korea Co.,Ltd., have been included in the scope of consolidation from the fiscal year ended December 31, 2014, due to an increase in materiality.

In addition, BOYS, Inc., which was a consolidated subsidiary, is in the process of liquidation and has little materiality, and accordingly it has been excluded from the scope of consolidation as of the end of the fiscal year ended December 31, 2014.

(2) Major non-consolidated subsidiaries
China Stories Inc.
All non-consolidated 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: 6
The names of major affiliates for which the equity method is applied are not listed here because they are listed on page 80–81. Premier X-Value Inc. and Beijing DongFang SanMeng Public Relations Consulting Co.,Ltd., have been included in the scope of equity-method application from the fiscal year ended December 31, 2014, due to an increase in materiality.

(2) Major non-consolidated subsidiaries and affiliates for which the equity method is not applied
Anime Consortium Japan Inc.
A2 (Shanghai) Marketing Service Co.,Ltd.
Reason for exclusion from scope of equity-method application
The effect of these nonequity-method companies individually and as a whole on net income and retained earnings is not material, and are therefore excluded from the scope of equity-method application.

3. Items related to fiscal year-ends, etc., for consolidated subsidiaries
The closing dates of consolidated subsidiaries are the same as the consolidated closing date.

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,
In regard to investments in limited liability investment partnerships and similar associations (deemed to be securities under Article 2, Section 2 of the Financial Instruments and Exchange Act), the Company uses the net amount corresponding to the ownership portion, based on the most recent obtainable settlement documents for the settlement reporting date stipulated in the partnership contract.

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 10–50 years
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 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.

(4) Accounting method for retirement benefits

① Method of attributing expected retirement benefits to the period

In calculating retirement benefit obligations, the straight-line basis is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year.

② Recognition of unrecognized actuarial differences

Unrecognized actuarial differences are recognized as income or expenses from the following fiscal year using the straight-line method over a certain term within the average remaining service period of the employees (13 years) of the respective fiscal years.

(5) 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.

(6) 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.

(7) 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.

(8) 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.

(Changes in Accounting Policies)

"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), have been applied from the end of the consolidated fiscal year ended December 31, 2014 (with the exception of the provisions of section 35 of the Accounting Standard for Retirement Benefits and section 67 of the Guidance on Accounting Standard for Retirement Benefits). The Company has changed to the method of recording net defined benefit liability as the amount calculated by subtracting pension fund assets from projected benefit obligations. Unrecognized actuarial gain or loss is recorded in net defined benefit liability.

The application of the accounting standard for retirement benefits, etc., has been handled in accordance with the transitional treatment provided for in section 37 of the Accounting Standard for Retirement Benefits, and the effect of this change in accounting policies was recognized in remeasurements of defined benefit plans, net of tax, in accumulated other comprehensive income at the end of the consolidated fiscal year ended December 31, 2014.

Consequently, at the end of the consolidated fiscal year ended December 31, 2014, net defined benefit liability was ¥1,605 million. In addition, accumulated other comprehensive income declined by ¥20 million.

The effect on per share information is presented in the appropriate section.

(New Accounting Standards, not yet Applied)

1. Accounting standards, etc., related to business combinations

- "Accounting Standard for Business Combination" (ASBJ Statement No. 21, issued on September 13, 2013)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013)
- "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013)
- "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, revised on September 13, 2013)
- "Guidance on Accounting Standard for Business Combinations and Guidance on Accounting Standard for Business Divestiture" (ASBJ Guidance No. 10, issued on September 13, 2013)
- "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, revised on September 13, 2013)

(1) Outline

The revisions of these accounting standards, etc., were principally as follows: ① treatment of changes in a parent company's ownership interest in a subsidiary, such as changes due to the acquisition of additional interest, when the parent company retains control over the subsidiary; ② treatment of acquisition-related costs; ③ change in the presentation of net income and change from "minority interests" to "non-controlling interest," and ④ treatment of provisional accounting treatment.

(2) Planned date of application

Application is planned from the beginning of the fiscal year ending December 31, 2016. In regard to the treatment of provisional accounting treatment, application is planned for business combinations implemented after the beginning of the fiscal year ending December 31, 2016.

(3) Effect of application of these accounting standards, etc.

The amount of the effect was under consideration as of the time these financial statements were being prepared.

2. Accounting standards, etc., related to retirement benefits

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012)
- "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 reporting trends, revisions were made to the standard and its related 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

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 application 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 income)

"Loss on investments in partnership," which was included in "other" in "non-operating expenses" in the fiscal year ended December 31, 2013, is presented separately for the fiscal year ended December 31, 2014, 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, 2013, have been restated.

Consequently, the (¥55 million) that was presented in "other" in "non-operating expenses" in the Consolidated Statement of Income for the fiscal year ended December 31, 2013, has been restated as "loss on investments in partnership" of ¥4 million and "other" of ¥50 million.

"Office transfer expenses", which were included in "other" in "extraordinary losses" in the fiscal year ended December 31, 2013, are presented separately for the fiscal year ended December 31, 2014, 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, 2013, have been restated.

Consequently, the ¥248 million that was presented in "other" in "extraordinary loss" in the Consolidated Statement of Income for the previous consolidated fiscal year has been restated as "office transfer expenses" of ¥179 million and "other" of ¥69 million.

(Consolidated statements of cash flows)

"Office transfer expenses" and "payments for office transfer expenses," which were offset and not presented separately in net cash provided by (used in) operating activities in the fiscal year ended December 31, 2013, are presented separately from the fiscal year ended December 31, 2014, 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, 2013, have been restated.

Consequently, "office transfer expenses" and "payments for office transfer expenses," which were not presented separately in net cash provided by (used in) operating activities in the fiscal year ended December 31, 2013, have been restated as "office transfer expenses" of ¥179 million and "payments for office transfer expenses" of (¥179 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 non-consolidated subsidiaries and affiliates are as follows:

	December 31, 2013	December 31, 2014
Investment securities (Stocks)	¥1,577 million	¥2,226 million
Investments and other assets Other assets (Capital)	¥275 million	¥399 million

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

	December 31, 2013	December 31, 2014
Cash and deposits (time deposits)	¥357 million	¥357 million
Investment securities	¥17 million	¥17 million

4 Incidental obligations

(1) Guarantee Obligations

Aggregated amount of guarantees are as follows:

	December 31, 2013	December 31, 2014
Beijing Huawen-Asatsu International Advertising Co., Ltd.	Debt ¥34 million	—
GroupM Japan K.K.	Accounts payable ¥142 million	Accounts payable ¥153 million
Total	¥176 million	¥153 million

*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, 2013 and 2014.

	December 31, 2013	December 31, 2014
Notes receivable—trade	¥520 million	¥434 million
Notes payable—trade	¥731 million	¥947 million

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

	December 31, 2013	December 31, 2014
Current portion of long-term loans payable	¥164 million	¥82 million
Long-term loans payable	¥82 million	¥— 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, 2013	Fiscal year ended December 31, 2014
Cost of sales	¥589 million	¥611 million

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

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
	¥688 million	¥799 million

*3 Gain on sales of non-current assets were as follows:

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Buildings	¥63 million	¥— million
Vehicles	¥4 million	¥4 million
Tools, furniture and fixtures	¥1 million	¥8 million
Land	¥153 million	¥— million

*4 Loss on retirement of non-current assets

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Buildings	¥2 million	¥24 million
Vehicles	¥— million	¥0 million
Tools, furniture and fixtures	¥22 million	¥36 million
Software	¥249 million	¥2 million
Leased assets	¥— million	¥77 million
Other	¥— million	¥0 million

*5 Loss on impairment of property and equipment

Impairment losses were recorded for the following asset groups.

Fiscal year ended December 31, 2013

Not applicable

Fiscal year ended December 31, 2014

Use	Type	Location	Number
Business assets	Goodwill	Minato-ku, Tokyo	1
Business assets	Telephone subscription right	Minato-ku, Tokyo	1

(1) Circumstances leading to recognition of impairment loss
In regard to goodwill, impairment loss was recognized for telephone subscription rights because the earnings that were originally assumed are no longer expected and these rights are not expected to be used in the future.
(2) Amount of impairment loss
Goodwill: ¥131 million
Telephone subscription right: ¥76 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.

*6 It was mainly due to impairment.

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

*8 Expenses associated with the transfer of the head office and breakdowns are as follows.

	December 31, 2013	December 31, 2014
Loss on retirement of non-current assets	—	¥443 million
Remaining rent	—	¥320 million
Moving cost	¥179 million	¥317 million

(Consolidated statements of comprehensive income)
*1 Reclassification adjustments and income tax relating to other comprehensive income

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Valuation difference on available-for-sale securities		
Amount arising during fiscal year	¥37,786 million	¥8,597 million
Reclassification adjustments	¥(4,064 million)	¥(841 million)
Prior to tax effect	¥33,722 million	¥7,755 million
Tax effect	¥(12,132 million)	¥(2,780 million)
Valuation difference on available-for-sale securities	¥21,589 million	¥4,975 million
Deferred gains or losses on hedges		
Amount arising during fiscal year	¥5 million	¥6 million
Prior to tax effect	¥5 million	¥6 million
Tax effect	¥(1 million)	¥(2 million)
Deferred gains or losses on hedges	¥3 million	¥4 million
Foreign currency translation adjustment		
Amount arising during fiscal year	¥2,107 million	¥1,361 million
Foreign currency translation adjustment	¥2,107 million	¥1,361 million
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during fiscal year	—	¥13 million
Share of other comprehensive income of entities accounted for using equity method	—	¥13 million
Total accumulated other comprehensive income	¥23,700 million	¥6,355 million

(Consolidated statements of changes in net assets)
Fiscal year ended December 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, 2012, 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 acquiring 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 at February 12, 2013.
2. Dividends paid to the ESOP trust in the amount of ¥2 million have been excluded from the total amount of dividends at August 12, 2013.

(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 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.

Fiscal year ended March 31, 2014

1 Items related to types and total number of shares issued

Type of shares	Number of shares as of January 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2014
Common stock	42,155,400	—	—	42,155,400

2 Items related to treasury stock shares

Type of shares	Number of shares as of January 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2014
Common stock	333,481	2,432	49,337	286,576

Note: The treasury stock at December 31, 2014, includes 206,000 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: 2,432 shares

The breakdown of the decrease is as follows.

Decrease due to sale of shares in ESOP Trust Account: 49,200 shares

Decrease due to sale of shares constituting less than one trading unit: 137 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, 2014
			Number of shares as of January 1, 2014	Increase in the number of shares	Decrease in the number of shares	Number of shares as of December 31, 2014	
Company submitting	Subscription rights for shares as stock options	—	—	—	—	—	¥40 million
Total			—	—	—	—	¥40 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 14, 2014	Common stock	¥5,478 million	¥131.00	December 31, 2013	March 17, 2014
Board of Directors' meeting held on August 12, 2014	Common stock	¥418 million	¥10.00	June 30, 2014	September 16, 2014

Notes: 1. Dividends paid to the ESOP trust in the amount of ¥33 million have been excluded from the total amount of dividends in resolution of the Board of Directors at February 14, 2014.
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, 2014.

(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 24, 2015	Common stock	Retained earnings	¥23,488 million	¥561.00	December 31, 2014	March 23, 2015

Note: Dividends paid to the ESOP trust in the amount of ¥115 million have been excluded from the total amount of dividends.

(Consolidated statements of cash flows)

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

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Cash and deposits	¥25,554 million	¥32,738 million
Marketable securities	¥11,371 million	¥7,534 million
Total	¥36,925 million	¥40,272 million
Time deposits with tenors exceeding 3 months	¥(4,423 million)	¥(5,189 million)
Securities other than MMF, and others	¥(91 million)	¥— million
Cash and cash equivalents	¥32,410 million	¥35,082 million

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

(Lease transactions)

Non-ownership-transfer finance lease transactions for which the lease transaction start date is on or before December 31, 2008

1. Equivalent acquisition cost and aggregate depreciation for leased properties

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
Total	12	11	0

Millions of Yen

	December 31, 2014		
	Equivalent cost	Accumulated depreciation	Net leased property
Property, plant and equipment Others (Tools, furniture and fixtures)	—	—	—
Total	—	—	—

2. Equivalent outstanding amounts of future lease payments

Millions of Yen

	December 31, 2013	December 31, 2014
Within one year	0	—
Beyond one year	0	—
Total	0	—

3. Lease fees paid and equivalent amounts of depreciation and interest expenses

Millions of Yen

	December 31, 2013	December 31, 2014
Lease fees paid	20	—
Depreciation expense	16	—
Interest expense	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, 2013	December 31, 2014
Within one year	1,117	926
Beyond one year	2,872	1,843
Total	3,990	2,769

(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 accounts payable, 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 risk 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 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 by 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 do not indicate market risk.

2 Fair value of financial instruments
Carrying amounts, the fair values, and unrealized gains (losses) as of December 31, 2013 and 2014, were as follows. Financial instruments whose fair values cannot be reliably determined were not included in the following tables. (Please refer to Note 2.)

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)	—

December 31, 2014

Millions of Yen

	Carrying amount[1]	Fair value[1]	Difference
Cash and deposits	32,738	32,738	—
Notes and accounts receivable	87,112	87,112	—
Securities and investment securities[2]	96,605	96,605	—
Notes and accounts payable	(71,574)	(71,574)	—
Short-term loans payable	(46)	(46)	—
Long-term loans payable	(82)	(82)	—

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.

Notes 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."

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

Millions of Yen

Type	December 31, 2013	December 31, 2014
Investments in securities with no available fair value	1,456	1,776
Investments in affiliates	1,577	2,226
Other	341	109

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."

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

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	—

December 31, 2014

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	32,738	—	—	—
Notes and accounts receivable	87,112	—	—	—
Securities and investment securities				
Other securities with contractual maturities				
Other	—	—	—	—
Total	119,850	—	—	—

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

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	—	—	—	—

December 31, 2014

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	46	—	—	—	—	—
Long-term loans payable	82	—	—	—	—	—
Total	128	—	—	—	—	—

(Securities)

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 is based on unrealized gain(loss) after accounting.

2 Other securities sold during the current fiscal year (Fiscal year ended December 31, 2013)

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.

Fiscal year ended December 31, 2014

1 Other securities (December 31, 2014)

Millions of Yen

Classification	Amount recorded on consolidated balance sheet	Cost	Difference
For which market value exceeds amount recorded on consolidated balance sheet			
Stocks	88,967	26,747	62,220
Bonds	—	—	—
Other	—	—	—
Subtotal	88,967	26,747	62,220
For which market value does not exceed amount recorded on consolidated balance sheet			
Stocks	104	110	(5)
Bonds	—	—	—
Other	422	422	—
Subtotal	527	532	(5)
Total	89,494	27,280	62,214

2 Other securities sold during the current fiscal year (Fiscal year ended December 31, 2014)

Millions of Yen

Classification	Amount of sale	Total gain on sale	Total loss on sale
Stocks	1,529	1,222	—
Bonds	106	—	2
Other	—	—	—
Total	1,636	1,222	2

(Derivatives)

Fiscal year ended December 31, 2013

1 Derivative transactions to which hedge accounting was not applied

(1) Currency related

Not applicable

(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.

Fiscal year ended December 31, 2014

1 Derivative transactions to which hedge accounting was not applied

(1) Currency related

Not applicable

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$)	Payables	292	—	240
	(EUR)	Payables	22	—	22
	(HKD)	Payables	8	—	9
	(THB)	Payables	25	—	25
	(RMB)	Payables	132	—	131
	Subtotal		481	—	429
Deferral method Foreign exchange forward contracts	Foreign exchange forward contracts				
	—buying				
	(US$)	Payables	79	—	Note: 2
	(SGD)	Payables	0	—	Note: 2
	(RMB)	Payables	15	—	Note: 2
	Subtotal		95	—	—
Total			576	—	—

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)

Fiscal year ended December 31, 2013

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, 2013
Projected benefit obligation	(11,249)
Pension fund assets	9,400
Unfunded pension liabilities	(1,848)
Unrecognized actuarial differences	576
Net deficit	(1,271)
Provision for retirement benefits	(1,271)

3 Items related to retirement benefit expenses

Millions of Yen

	Fiscal year ended December 31, 2013
Service cost	908
Interest cost	142
Expected return on plan assets	(130)
Amortization of actuarial differences	299
Contributions paid during the period, etc.*	960
Net periodic benefit costs	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, 2013
Pension liabilities	(93,232)
Pension assets	76,714
Net assets (Net deficit)	(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, 2012–March 31, 2013
Share of the Group as employer	11.58%
Share of employees	6.79%
Total	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, 2013	
	Share of the Group as employer	Share of employees
Pension liabilities	(10,792)	(6,334)
Pension assets	8,880	5,212
Net deficit	(1,912)	(1,122)

④ Supplemental information

The breakdown of the net deficit in ① above is as follows: balance of prior service cost: ¥16,530 million as of March 31, 2013; deficit surplus carried forward: ¥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 ¥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, 2013
1.3%

(3) Expected rate of return on plan assets

Fiscal year ended December 31, 2013
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)

Fiscal year ended December 31, 2014

1. Overview of retirement benefit plans

To provide employee retirement benefits, the Company and its consolidated subsidiaries utilize funded and unfunded defined benefit plans and defined contribution plans. The defined benefit plans include welfare pension fund plans, cash balance plans, and lump-sum payment plans. Certain consolidated subsidiaries use the simplified method for the calculation of net defined benefit liability and retirement benefit expenses.

The Company and certain consolidated subsidiaries have joined multi-employer welfare pension fund plans. Of these, in regard to plans for which it is difficult to reasonably calculate the amount of pension assets corresponding to each company's contributions, the accounting treatment is handled in the same manner as for defined contribution plans.

2. Defined benefit plans

(1) Changes of beginning and ending balances of retirement benefit obligations (excluding plans using the simplified method)

Millions of Yen

Beginning balance of retirement benefit obligations	10,359
Service cost	656
Interest cost	136
Actuarial differences	70
Payment of retirement benefits	(804)
Ending balance of retirement benefit obligations	10,419

(2) Changes of beginning and ending balances of pension fund assets (excluding plans using the simplified method)

Millions of Yen

Beginning balance of pension fund assets	9,400
Expected return on pension fund assets	141
Actuarial differences	394
Contributions by the Company	624
Payment of retirement benefits	(787)
Other	(17)
Ending balance of pension fund assets	9,756

(3) Changes of beginning and ending balances of pension fund assets for plans using the simplified method.

	Millions of Yen
Beginning balance of net defined benefit liability	907
Retirement benefit expenses	96
Payment of retirement benefits	(110)
Other	49
Ending balance of net defined benefit liability	942

(4) Reconciliation of the ending balances of retirement benefit obligations and pension fund assets, and the amounts of net defined benefit liability and net defined benefit asset in the consolidated balance sheet

	Millions of Yen
Funded projected benefit obligation	10,419
Pension fund assets	(9,756)
	662
Unfunded projected benefit obligation	942
Net amount of liabilities and assets in consolidated balance sheet	1,605
Net defined benefit liability	1,605
Net amount of liabilities and assets in consolidated balance sheet	1,605

Note: Includes plans using the simplified method.

(5) Retirement benefit expenses and breakdown of retirement benefit expenses

	Millions of Yen
Service cost	656
Interest cost	136
Expected return on pension fund assets	(141)
Amortization of actuarial differences	221
Retirement benefit expenses calculated using the simplified method	96
Other	64
Retirement benefit expenses related to defined benefit plans	1,034

(6) Remeasurements related to retirement benefits
The breakdown of items recorded in remeasurements related to retirement benefits included in accumulated other comprehensive income (before deducting tax effect) is as follows:

Unrecognized actuarial differences: ¥31 million

(7) Items related to pension fund assets
① Details of principal pension fund assets
The percentages of principal categories of total pension fund assets are as follows:

Japanese bonds	26%
Foreign bonds	15%
Japanese stocks	11%
Foreign stocks	9%
General accounts	37%
Other	1%
Total	100%

②. Long-term expected rate of return on pension fund assets
The long-term expected rate of return on pension fund assets is determined with consideration for the current and expected allocation of pension fund assets and the current and expected long-term return from the various assets that make up the pension fund assets.

(8) Basis of actuarial calculation
Basis of the major actuarial calculations at the end of the fiscal year ended December 31, 2014 (shown using weighted averages)

Discount rate	1.3%
Long-term expected rate of return	1.5%

3. Defined contribution plans
The required amount of contributions to defined contribution plans for the Company and its consolidated subsidiaries was ¥332 million.

4. Multi-employer plans
The required amount of contributions to multi-employer welfare pension fund plans for which the accounting treatment is handled in the same manner as for defined contribution plans was ¥694 million.

(1) Funded status of multi-employer pension plans (As of March 31, 2014)

Pension fund assets	¥81,856 million
Benefit obligations based on the pension plan funding formula	¥99,824 million
Net balance	¥(17,968) million

(2) The Group's share of contributions to multi-employer plans (April 1, 2013 to March 31, 2014)
17.9%

(3) Supplementary explanation
The net balance in (1) above resulted mainly from the balance of prior service cost of ¥16,021 million and insufficient carry forwards ¥1,947 million based on the pension plan funding formula. The plans' prior service cost is amortized over a period of 20 years using the annuity repayment method. Over the period from April 1, 2013 to March 31, 2014, the Group charged to income ¥114 million as special contribution corresponding to this amortization.
The share in (2) above does not correspond to the Group's actual share in the obligations of the plan.

(Stock options, etc.)

1. Expense items related to stock options recorded

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Stock-based compensation expense of selling, general and administrative expenses	¥15 million	¥19 million

2. Stock option details, size, and changes in status
(1) Stock option details

	Subscription rights to shares (1st series)	Subscription rights to shares (2nd series)	Subscription rights to shares (3rd series)	Subscription rights to shares (4th series)	Subscription rights to shares (5th series)
	(Stock options as stock-based compensation for Company directors)	(Stock options as stock-based compensation for Company directors)	(Stock options as stock-based compensation for senior executive officer)	(Stock options as stock-based compensation for Company directors)	(Stock options as stock-based compensation for Company directors)
Company name	Company submitting	Company submitting	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013	August 12, 2014	August 12, 2014
Groups and numbers of recipients	Directors (excluding outside directors): 9	Directors (excluding outside directors): 4	Senior executive officers: 4	Directors (excluding outside directors): 4	Operating Officers: 18
Number of options granted	50,000 shares	37,500 shares	22,700 shares	26,400 shares	59,900 shares
Date of grant	May 30, 2012	May 30, 2013	May 30, 2013	August 29, 2014	August 29, 2014
Conditions for setting rights	Note: 1	Note: 1	Note: 2	Note:1	Note:3
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	From August 29, 2014 to August 29, 2017	From August 29, 2014 to August 29, 2017
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	From August 30, 2017 to August 29, 2024	From August 30, 2017 to August 29, 2024

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).

3. Conditions for exercise of subscription rights to shares
① Stock option holders must be a director or 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 (3rd series)	Subscription rights to shares (4th series)	Subscription rights to shares (5th series)
Company name	Company submitting	Company submitting	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013	August 12, 2014	August 12, 2014
Prior to determining rights					
Outstanding at December 31, 2013	50,000	37,500	22,700	—	—
Granted	—	—	—	26,400	59,900
Expired	—	—	—	—	—
Rights determined	—	—	—	—	—
Rights not determined	50,000	37,500	22,700	26,400	59,900
After determining rights					
Outstanding at December 31, 2013	—	—	—	—	—
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)	Subscription rights to shares (4th series)	Subscription rights to shares (5th series)
Company name	Company submitting	Company submitting	Company submitting	Company submitting	Company submitting
Record date	May 11, 2012	May 13, 2013	May 13, 2013	August 12, 2014	August 12, 2014
Exercise price (yen)	¥1 per share	¥1 per share	¥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	1,735	1,735

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	26.87%
Estimated remaining outstanding period	Note: 2	6.5 years
Estimated dividend per share	Note: 3	1.16%
Risk-free interest rate	Note: 4	0.095%

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. Calculated based on dividend yield forecast.
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, 2013	December 31, 2014
(Deferred tax assets)		
Allowance for doubtful receivables	344	399
Accrued bonuses	43	312
Accrued retirement benefits	351	—
Net defined benefit liability	—	493
Inventories	94	39
Investment securities	1,024	778
Loss carryforwards	540	776
Unrealized loss on available-for-sale securities	10	—
Deferred tax assets in overseas consolidated subsidiaries*	122	65
Other	1,427	1,493
Deferred tax assets subtotal	3,959	4,359
Valuation allowance	(2,064)	(2,113)
Total deferred tax assets	1,895	2,246
(Deferred tax liabilities)		
Unrealized gain on available-for-sale securities	(19,322)	(22,091)
Deferred tax liabilities in overseas consolidated subsidiaries*	(26)	(13)
Other	(6)	(295)
Total deferred tax liabilities	(19,356)	(22,400)
Total net deferred tax assets (liabilities)	(17,460)	(20,154)

* 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

Millions of Yen

	December 31, 2013	December 31, 2014
Deferred tax assets:		
Tax loss carry forwards	4	27
Other	125	207
Deferred tax assets subtotal	129	234
Less valuation allowance	(6)	(169)
Total deferred tax assets	122	65
(Deferred tax liabilities)		
Depreciation	(16)	(8)
Other	(10)	(4)
Deferred tax liabilities	(26)	(13)
Net deferred tax assets (liabilities)	96	52

2. The reconciliation between the statutory tax rate for the years ended December 31, 2013 and 2014, and the actual effective tax rate reflected in the accompanying consolidated statements of income and comprehensive income

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Statutory tax rate	38.01%	38.01%
(Adjustments)		
Certain expenses, including, but not limited to, entertainment expenses, permanently not deductible for tax purposes	5.41%	4.51%
Certain income, including, but not limited to, dividend income, permanently not taxable for tax purposes	(1.82%)	(0.95%)
Per capita levy and similar	0.57%	0.54%
Tax loss carry forwards	(0.28%)	(0.18%)
Amendment of statutory tax rate	—%	1.15%
Tax rate difference applicable to overseas subsidiaries	(4.13%)	(3.48%)
Change in valuation allowance	(0.81%)	2.58%
Other—net	0.70%	(1.87%)
Effective tax rate	37.74%	40.31%

3. Adjustment of amounts of deferred tax assets and deferred tax liabilities due to revision of corporate income tax rate
The Act for Partial Revision of the Income Tax Act, etc., was promulgated on March 31, 2014, and as a result the special reconstruction corporation tax is not applied for consolidated fiscal years commencing on or after April 1, 2014. Accordingly, the normal effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year ended December 31, 2014, has been changed from 38.01% to 35.64% for temporary differences expected to be reversed in the fiscal year beginning on January 1, 2015.

Consequently, deferred tax assets (net of deferred tax liabilities) decreased by ¥61 million and income taxes - deferred recorded in the fiscal year ended December 31, 2014 increased by the same amount.

(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, TV, 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 inter 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 (loss) for the fiscal year ended December 31, 2013, is minimal.

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

Fiscal year ended December 31, 2013

Millions of Yen

	Segment			Adjustments[1]	Consolidated[2]
	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
Investment in entities accounted for using equity method	603	—	603	—	603
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.

Fiscal year ended December 31, 2014

Millions of Yen

	Segment			Adjustments[1]	Consolidated[2]
	Advertising	Other business	Total		
Sales					
Sales to external customers	348,273	4,710	352,984	—	352,984
Inter-segment sales or transfers	27	52	80	(80)	—
Total	348,301	4,763	353,064	(80)	352,984
Segment profit (loss)	4,465	(368)	4,097	0	4,097
Segment assets	237,959	6,533	244,492	(1,175)	243,317
Other:					
Depreciation/amortization[3]	1,345	38	1,384	—	1,384
Investment in entities accounted for using equity method	847	—	847	—	847
Increase in property and equipment, and intangible assets	2,487	17	2,505	—	2,505

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 of 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, 2013

1. Information about 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	719	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.

[Related Information]
Fiscal year ended December 31, 2014

1. Information about 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, 2014.

(2) Property, plant and equipment

Millions of Yen

Japan	Overseas	Total
4,138	700	4,839

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, 2014.

[Information about impairment losses of assets by reportable segment]
Year ended December 31, 2013
Not applicable

Fiscal year ended December 31, 2014

Millions of Yen

	Advertising	Other business	Eliminations	Total
Impairment losses of assets	207	—	—	207

[Information related to amounts of goodwill amortized and unamortized goodwill outstanding by reporting segment]
Year ended December 31, 2013
Not applicable

Year ended December 31, 2014
Not applicable

[Information related to gain on negative goodwill by reportable segment]
Year ended December 31, 2013
Not applicable

Fiscal year ended December 31, 2014
Not applicable

[Related party information]
Not applicable

(Per share information)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Net assets per share (yen)	3,105.40	3,204.87
Basic earnings per share (yen)	81.79	88.32
Diluted earnings per share (yen)	81.73	88.22

Notes: 1. As in described in Changes in Accounting Policies, accounting standards, etc., related to retirement benefits have been applied, and this application has been handled in accordance with the transitional treatment provided for in Section 37 of the Accounting Standard for Retirement Benefits.
2. The basis for the calculation of net income per share and diluted net income per share are as follows.

Item	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Basic earnings per share (yen)		
Net income (¥ millions)	3,430	3,696
Amounts not attributable to common stockholders (¥ millions)	—	—
Net income related to common shares (¥ millions)	3,430	3,696
Average number of common shares during term (shares)	41,941,272	41,848,271
Diluted earnings per share (yen)		
Increase in number of shares (shares)	31,436	47,977
(Subscription rights) (shares)	(31,436)	(47,977)
Outline of dilutive shares that 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 share and diluted net income per share the number of these shares is included in treasury stock for the calculation of “average number of common shares during term.”

3. Basis for calculating net assets per share is as follows.

Item	December 31, 2013	December 31, 2014
Total net assets (¥ millions)	130,972	134,999
Amounts excluded from net assets (¥ millions)	1,098	815
(Subscription rights) (¥ millions)	(21)	(40)
(Minority interests) (¥ millions)	(1,077)	(775)
Net income as of fiscal year-end related to common shares (¥ millions)	129,873	134,184
Common shares as of fiscal year-end used to calculate net assets per share	41,821,919	41,868,824

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)

In accordance with a resolution of the Board of Directors on December 9, 2014, on February 16, 2015, the Company acquired shares of d-rights, Inc.

1. Name of counterparty to share acquisition

Mitsubishi Corporation

2. Name, business activities, and scale of company whose shares were acquired

(1) Name: d-rights, Inc.

(2) Business activities: Wide range of activities related to content production, from planning to development and production of such content as original characters, animations, games, and web content.

(2) Capital: ¥80 million

3. Purpose of acquisition of shares

The Company's decision to implement this share acquisition was based on its judgment that the inclusion in the ADK Group of d-rights, which has a global track record and an overseas network in the fields of high-quality content rights management and programming sales, will further enhance the Group's content portfolio and expand its business areas in the content business.

4. Timing of acquisition of shares

February 16, 2015

5. Number of shares acquired, amount of acquisition, and shareholding ratio after acquisition.

(1) Number of shares acquired: 816

(2) Amount of acquisition: ¥1,224 million (not including incidental expenses)

(3) Shareholding ratio after acquisition: 51%

6. Details of contingent consideration and future accounting policies stipulated in the share exchange agreement

(1) Details of contingent consideration

In regard to contingent consideration, the contract calls for additional payments in accordance with the level of achievement of specific performance indicators after the acquisition.

(2) Future accounting policies

In the event that future payments arise, they will be treated as if they had been made at the time of the acquisition, the acquisition cost will be revised, and the amounts of goodwill and amortization of goodwill will be revised.

7 Fund-raising method

Funds on hand

⑤ Consolidated supplementary statements

Corporate bond statement

Not applicable

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	—	46	2.41	—
Current portion of long-term loans payable	164	82	0.68	—
Current portion of lease obligations	105	62	1.28	—
Long-term loans payable (excluding current portion)	82	—	—	—
Lease obligations (excluding current portion)	104	80	1.12	May 5, 2016~ June 30, 2022
Other interest-bearing liabilities	—	—	—	—
Total	455	271	—	—

Notes: 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	24	19	16	8

[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)	90,423	174,489	258,293	352,984
Quarterly income before income taxes and minority interests (¥ millions)	2,123	2,488	3,780	6,433
Quarterly net income (¥ millions)	1,281	1,255	1,920	3,696
Quarterly net income per common share (yen)	30.64	30.01	45.89	88.32

(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)	30.64	(0.62)	15.88	42.42

ADK Group Network

(As of April 1, 2015)

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■ Consolidated subsidiaries
■ Affiliates accounted for by the equity method

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