The English translation is for reference purpose only. If there is any discrepancy between this English translation and the Japanese original version, the Japanese original version shall prevail.

Summary of Financial Statements for FY2013 [Japanese GAAP]

February 14, 2014

Company Name : **ASATSU-DK INC.** Exchange : Tokyo Stock Exchange First Section
Securities Code : 9747 URL : http://www.adk.jp/english/index.html
Representative : Shinichi Ueno, President and Group CEO
Contact Person : Fuminori Unosawa, Department Director, Finance Department, Finance Division Tel. +81-3-3547-2654

Scheduled Date of General Meeting of Shareholders : March 28, 2014
Scheduled Date of Dividend Disbursement : March 17, 2014
Scheduled date for filing of securities report: : March 31, 2014

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

1. Fiscal Year 2013 Consolidated Results (January 1 to December 31, 2013)

(1) Consolidated Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY 2013	342,786	(2.3)	1,383	(56.4)	4,327	(18.6)	3,430	23.3
FY 2012	350,822	1.1	3,175	(17.6)	5,314	(5.6)	2,781	21.3

(Notes) 1. Comprehensive income, for the year ended;
at December 31, 2013 : 27,187 million yen(100.5%), at December 31, 2012 : 13,559 million yen(- %)

	Net Income per Share	Fully Diluted Net Income per Share	Return on Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Gross Billings
	(yen)	(yen)	(%)	(%)	(%)
FY 2013	81.79	81.73	2.9	2.0	0.4
FY 2012	65.83	65.81	2.7	2.8	0.9

(Notes) 1. Equity in earnings of affiliated companies, for the year ended;
at December 31, 2013 : 197 million yen, at December 31, 2012 : 12 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY 2013	228,170	130,972	56.9	3,105.40
FY 2012	195,163	109,559	55.6	2,567.03

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2013 : 129,873 million yen, at December 31, 2012 : 108,521 million yen

(3) Summary of Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of Term
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
FY 2013	3,175	6,270	(6,336)	32,410
FY 2012	2,581	(1,719)	(1,184)	27,264

2. Dividend Information

	Annual Dividend per Share					Total Amount of dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity ratio (Consolidated)
	First quarter	Second quarter end	Third quarter end	Fiscal year end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	(%)	(%)
Fiscal 2012(Actual)	—	10.00	—	101.00	111.00	4,692	168.6	4.6
Fiscal 2013(Actual)	—	10.00	—	131.00	141.00	5,932	172.4	5.0
Fiscal 2014(Forecast)	—	10.00	—	—	—		—	

(Notes) 1. The full-year dividend for FY 2012 consists of the ordinary dividend of \13 per share and extraordinary dividend of \88 per share.
2. The full-year dividend for FY 2013 consists of the ordinary dividend of \19 per share and extraordinary dividend of \112 per share.
3. The sum of the full-year dividend for FY 2014 is undecided (But it will be more than 10 yen per share). For details, see the Supplementary Information "(3)Basic Policy for Profit Distribution and Dividends for FY2013 and FY2014".

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

	Gross Billings		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Interim	169,700	(2.7)	1,310	(27.5)	2,500	(26.1)	750	(64.5)	17.93
Full-year	348,800	1.8	3,700	167.5	5,600	29.4	2,770	(19.2)	66.23

4. Others

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

(2) Changes to accounting policy,changes to accounting estimates, or restatements
1. Changes due to revisions to accounting standards, etc. : Yes.
2. Changes other than 1: : No.
3. Changes in accounting estimates : Yes.
4. Restatements : No.

(3) 1. Number of outstanding stocks (including treasury stock) issued, for the year ended :
at December 31, 2013 : 42,155,400 shares, at December 31, 2012 : 42,655,400 shares.
2. Number of treasury stock, for the year ended :
at December 31, 2013 : 333,481 shares, at December 31, 2012 : 380,549 shares.
3. Avg. number of shares (consolidated) outstanding during, for the year ended :
at December 31, 2013 : 41,941,272 shares, at December 31, 2012 : 42,250,172 shares.

(Notes) The Company has introduced an "ESOP Trust Utilizing Employee Shareholding Association," and the shares owned by this ESOP are reported as "treasury stock" in the quarterly consolidated financial statements. Consequently, shares owned by this ESOP are included in the number of shares of treasury stock outstanding at the period end above, and there were 255,200 shares and 304,900 shares at the end of the Fiscal year and at the end of the previous fiscal year, respectively.

(Reference) Fiscal Year 2013 Non-Consolidated Outline (January 1 to December 31, 2013)

(1) Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY 2013	296,065	(2.4)	1,166	(13.0)	3,864	17.2	3,209	107.9
FY 2012	303,422	0.5	1,341	(22.6)	3,296	(2.7)	1,543	(33.0)

	Net Income per Share	Fully Diluted Net Income per Share
	(yen)	(yen)
FY 2013	76.52	76.46
FY 2012	36.53	36.52

(2) Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY 2013	198,105	113,736	57.4	2,719.03
FY 2012	166,330	94,699	56.9	2,239.96

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2013 : 113,715 million yen, at December 31, 2012 : 94,694 million yen

(3) Forecast of Non-Consolidated Fiscal Year 2013 (January 1 to December 31, 2013)

	Gross Billings		Ordinary Income		Net Income		Net Income per Share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Interim	147,500	(2.9)	2,450	(23.4)	750	(64.8)	17.93
Full-year	298,000	0.7	4,150	7.4	1,800	(43.9)	43.04

＊Implementation status of quarterly review procedures

This consolidated financial results summary report is not subject to audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this consolidated financial results summary report, the audit procedures in respect of the consolidated financial statements have not been

＊Appropriate use of business forecasts and other special matters

The business forecasts and future prospects in this document are made based on information currently available and contain potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.
Refer to "1. Operating Results (1) Performance Analysis" on page 4～10 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

[Supplementary Information]

1. Operating Results

(1) Performance Analysis

① Overview

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

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

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

For the year, the ADK Group reported gross billings of ¥ 342,786 million, down 2.3% from fiscal 2012. Gross profit edged down 2.3%, to ¥45,104 million, and operating income declined 56.4%, to ¥1,383 million. Ordinary income decreased 18.6%, to ¥ 4,327million, bolstered by dividend income of ¥ 1,800 million and interest income of ¥ 264 million.

Among extraordinary items, we reported total extraordinary income of ¥4,594 million, due mainly to a ¥4,232 million gain on sales of investment securities. By contrast, we posted total extraordinary losses of ¥ 3,321 million, due largely to special retirement expenses and loss on retirement of noncurrent assets. As a result, income before income taxes and minority interests increased 37.6%, to ¥ 5,600 million, and net income rose 23.3%, to ¥3,430 million.

Performance by Business Segment

Advertising Business

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

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

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

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

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

Non-consolidated Performance by Discipline:

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

(Notes)

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

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

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

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

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

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

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

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

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

Other Business

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

② **Overseas Sales**

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

③ **Forecasts for Fiscal 2014**

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

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

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

④ Medium-Term Business Plan

In light of growth prospects for the Japanese economy and the advertising market, as well as the changing communication environment and evolution of the global economy, in August 2013 the ADK Group announced its new medium-term business plan. The plan focuses on strategies to lead the company to transform into "Consumer Activation Company".

The advertising market continued to shrink for the past several years while clients increasingly demand cost-effectiveness in advertisements. Facing these harsh conditions, the ADK Group is determined to expand business domains and diversify profit sources. To complete its ambition, first of all, the Group places "Consumer Activation" in the center of its growth strategy, that will play a vital role to help spur clients' sales by providing in-house developed marketing measures to inspire consumers to take actions. In addition to conventional businesses to help clients achieve their marketing objectives, we will facilitate investment initiatives revolving around content business and promote innovative businesses, working collaboratively with media and client companies.

The most important numerical target of the plan is to achieve consolidated operating income of ¥7.0 billion by period ending in December 2016. To this end, management has set guidelines to achieve a gross margin of 14% or more and operating margin of 13% or more.

⑤ Management Indices

The ADK Group has been working hard to achieve the following management targets. The achievement of the last four years is as follows:

Fiscal Year	FY2010	FY2011	FY2012	FY2013	Mid-Term Targets FY2016
Consolidated Operating Income	22 million	3,852 million	3,175 million	1,383 million	7,000 million

Consolidated Gross Profit Growth	1.6%	9.1%	0.7%	-2.3%	15.0% (2013-2016)
Consolidated Operating Margin(*)	0.1%	8.4%	6.9%	3.1%	13.0% over

* (Operating Margin) = (Operating Income) ÷ (Gross Profit)

In fiscal 2013, the consolidated and non-consolidated operating margins were 3.1% and 3.6% respectively. Neither of these hit the targets announced in August 2013. Digital media, content, and Asia business, in particular, Thai, have been solid, however, these efforts did not fully compensate for insufficient growth in other disciplines' gross profit. As a consequence, the company failed to improve its management indicators. Given the ongoing unpredictability of the economic environment, we will focus on implementing the strategies outlined in the medium-term business plan in a steady and speedy manner, in order to restore and enhance operating efficiency.

Consolidated EPS and ROE

FY	December 2010	December 2011	December 2012	December 2013
EPS(Yen)	(110.28)	54.37	65.83	81.79
ROE(%)	(4.5)	2.3	2.7	2.9

(2) Financial Position

At the end of fiscal 2013, the Group had total assets of ¥228,170million, up ¥33,007million from a year earlier. The Company sold part of its investment securities, however, factors included an increase in the market value of foreign-currency-denominated investment securities stemming mainly from the depreciation of the yen, and so on, boosted the total assets. Total liabilities amounted to ¥97,197million, up ¥11,593 million from a year earlier. This was due mainly to an increase in deferred tax assets arising from higher market value of investment securities. At fiscal year-end, net assets totaled ¥130,972million, up ¥21,413million from a year earlier. Contributing factors included an increase in unrealized gain on available-for-sale securities. The net assets ratio (excluding minority interests) was 56.9%, up 1.3points from a year earlier.

In fiscal 2013, sum of net cash provided by operating and investing activities surpassed net cash used in financing activities by ¥3,109million. After foreign currency translation adjustments, cash and cash equivalents stood at ¥32,410million, up

¥5,146million from a year earlier.

Net cash provided by operating activities amounted to ¥3,175million, compared with ¥2,581million in the previous year. Major factors included ¥5,600million in income before income taxes and minority interests, and ¥3,960million decrease in notes and accounts receivable.

Net cash provided investing activities totaled ¥6,270million, compared with ¥1,719million cash used in fiscal 2012. The main factor was ¥ 9,152million in sales of marketable and investment securities.

Net cash used in financing activities was ¥6,336million, compared with ¥1,184million in the previous year. This was due mainly to ¥4,687million in dividends paid.

The major indices of consolidated financial conditions are as follows:

Term	FY2010	FY2011	FY2012	FY2013
Book Equity Ratio	52.5%	52.0%	55.6%	56.9%
Market Cap. To Book Total Assets	48.0%	46.4%	44.4%	45.2%
Years to redeem debts	Note (5.1)	0.1	0.2	0.1
Interest Coverage Ratio (times)	Note (7.6)	343.6	130.4	293.9

Note: In FY 2010, years to redeem debts and Interest Coverage Ratio were negative since the ADK group’s net cash flow was negative in operating activities, which, however, included one-off factors, such as Special Retirement Expenses under an Early Retirement Program.

(3) Basic Policy for Profit Distribution and Dividends for FY2013 and FY2014

ADK believes that shareholder value improvement and shareholder return are two of the highest priorities in management of the ADK group in order to sustain a favorable relationship with the shareholder. Under this policy, we pay dividend and acquire treasury stock, paying a careful attention to the short and long term balance. We also believe that, for a year-end dividend, a stable distribution of combined par value and payout ratio is most conducive to shareholder return.

ADK prescribes in its article of incorporation that the Board of Executive Directors is fully responsible for approving a way of using the surplus such as a dividend. Following its resolution, we have set a policy that an approximately 35% of consolidated net income is to be distributed through common dividend with the condition of a minimum annual dividend of ¥ 20 per share with the aim to sustain our stable distribution. An interim dividend should be ¥ 10 per share in principle and a year-end dividend should be the higher of ¥ 10 per share or an amount which would make the total annual dividends payout ratio satisfy the guideline of 35%.

As announced in "Notice on Revision of FY2013 Dividends Forecast", we sold owned stock worth of ¥4.7 billion yen as part of a capital allocation review with the aim of enhancing return on equity (ROE). Following comprehensive examinations on how to use the proceeds from disposal of marketable securities, in light of future growth strategies and financial soundness, we came to a conclusion that it would be appropriate to return them to the shareholder within the range that would not hamper opportunities such as investments for upcoming business development. Hence, we decided to pay a special dividend of ¥112 per share in addition to a common dividend calculated as described above.

The Board of Directors meeting held on February 14, 2014, decided to declare a total year-end dividend of ¥131 per share (consisting of a ¥19 common dividend of and a ¥ 112 special dividend). The commencement date of payment is March 17, 2014. Interim dividends of ¥10 were made in September, 2013, therefore, the total annual dividend per share for the fiscal year is ¥141. The number of shares of treasury stock the Company purchased during the period under review, following the resolution at the Board, was amounted to 500,000 (1.17% of the total number of shares issued excluding the initial own stock), that was the equivalent of ¥1,249 million yen.

As announced in “Notice on Revision on Dividend Policy”, the Board of Directors held on Friday, February 14, 2014, passed a resolution on its dividend policy, changing from a dividend payout ratio-based to a total shareholder return ratio-based for the period ending December 2014. The Board agreed on the target of the annual total shareholder return ratio including buy-back setting 50% of consolidated net income and the minimum dividend per share of ¥20 as in the past. In principle, ADK plans to make semi-annual dividend distribution. An interim dividend, in principle, should be ¥10 per share as it has been, and a final dividend should be the higher of ¥10 per share or an amount which would make the annual total return ratio satisfy the guideline of 50%. Meantime, the frequency of dividend payment will be twice a year as in the past

In 2014, we plan to pay an interim dividend of ¥10 per share. The implementation of buy-back has yet to be determined as of today, therefore, we are unable to plan the amount of a year-end dividend, but will inform you at a future date. Please be advised that it is guaranteed ¥10 or over.

(4)Risks

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

1. Domestic Economy

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

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

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

3. Risks Arising from Trading Customs

a) Relationship with Advertisers

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

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

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

b) Media Inventories

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

c) Credit Risks of Subcontractors

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

4. Competitive Risk

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

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

5. Risks Arising from Operations

a) Client Portfolio

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

b) Relationship with the Media

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

c) Relationship with Subcontractors

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

d) Staff

Advertising is a people business, and human talents are critical assets in the advertising industry. For this reason, the ADK Group works constantly to secure exceptional human resources, assign them to appropriate locations, train them so they can address changing market environments, and ensure smooth internal communications. A series of new laws will be enacted from April 2013, including the revised Labor Contract Act, the revised Worker Dispatch Act, and the Law Concerning Stabilization of Employment of Older Persons. In response, the Group will amend its various personnel policies and will also consider a new employee training framework to match its new business policies. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on its performance and financial condition. In addition, most of its staff costs are fixed costs and represent the largest portion of its selling, general and administrative expenses. On a consolidated basis, staff expenses represented as much as 65.4 % of SG&A expenses in fiscal 2013.

e) Overseas Operations

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

f) Content Business

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

g) Investment in Competitiveness

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

h) Management of Group Companies

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

i) Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc since August 1998, holding a 2.32% equity stake in WPP (as of December 31, 2013). WPP is the largest shareowner of ADK, holding 24.51% of 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 cultivating new advertisers. WPP plc has sent a non-executive director to the ADK's board.

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

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

j) Marketable Securities and Investment Securities

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

k) Retirement Benefits and Pension Plans

ADK and some of its Group companies adopt combinations of defined contribution and defined benefits pension plans, as well as lump-sum retirement allowances. In the event of deterioration in pension asset management performance, and a significant change in actuarial assumptions, the ADK Group could face a negative impact on its performance and financial condition.

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

l) Contingent Litigation Risks

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

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

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

2. Management Policies

(1) Basic Policy On Management

The mission of the ADK Group is to contribute to the business performances of its advertising clients by constantly offering optimal solutions through integration of both internal and external expertise and functions. In these efforts, we follow our “Management by All” philosophy, unchanged since our foundation.

Communications environments, including advertising, are changing dramatically due to such factors as rapid development of digital technology and the spread of social media. In this context, the ADK Group will monitor the ever-changing media interaction and purchasing patterns of consumers, and the associated changes in the needs of advertisers. Specifically, we will provide our clients with solutions and programs with a strong emphasis on return on investment (ROI) aimed at maximizing the effectiveness of advertisers' communications investments. This will entail integrating the various media surrounding consumers' touchpoints, including mass media, mass personal media—such as Internet and mobile—and out-of-home (OOH) media, including in-store media. In addition, we will strengthen our focus on overseas markets earmarked for growth and on expanding our content businesses.

The ADK Group will strengthen collaboration among its member companies and increase corporate value through sustainable growth suited to the changing business environment. At the same time, we will emphasize shareholder value by enhancing capital efficiency while preserving financial soundness and stability. Our aim is to ensure proper returns to shareholders while striking a good balance among all stakeholders.

In addition, we will strive to enhance internal control and otherwise strengthen our corporate structure.

(2) Management Indices

For information about Management Indices, please refer to the "Management Indices" on page 5.

(3) Medium- and Long-Term Business Strategies; Issues to be Addressed

The domestic advertising market, which centers on traditional mass media, has already matured. Here, advertisers are demanding sophisticated, ROI-driven communications programs that reflect the changing media interaction and purchasing patterns of consumers, caused by the advancement of digital media and the emergence of high-performance digital devices.

While the domestic market has matured and little hope to expand significantly with a lower birth rate in an rapidly-aging society, overseas markets are growing with more needs from advertisers with a look at the Southeast markets where a solid growth is expected. Yet, smoldering concerns over weakening domestic demand in China and potential inflation in the ASEAN need to be watched.

Given such rapidly changing business conditions, the ADK Group will address its difficult business environment by concentrating on the following themes. To achieve our ambition, the evolution into “Consumer Activation Company” as the core of the growth strategy, that will allow us to contribute to advertisers’ performance by providing them with in-house developed marketing tools to inspire customers to take actions, will be the key.

i. Solutions/Digital Businesses

Seeking to address the increasingly diversified and sophisticated needs of advertisers, we rejuvenated our organization in January 2014 with an emphasis on developing consumer activation business in addition to reinforcing our specialist and comprehensive capabilities. We have set up KPIs that are directly linked to consumer actions, and newly established Digital & Data Insight Center, which is responsible for optimizing advertising budget and drawing channel and campaign planning to maximize KPIs. While at the same time, we are also re-organizing Integrated Solution Centre with the aim of further strengthening capability to provide and implement “Online-Offline Integrated” campaigns incorporated more digital technology in them. In addition, we will expand and enhance “Category Teams” that combine knowledge and expertise in specific industries and sectors.

ADK Digital Communications Inc., an Internet advertising media representative established as a joint venture with Dentsu Digital Holdings, Inc., has worked to enhance operational sophistication and efficiency in in the digital business domain. In fiscal 2013, gross profit of that company exceeded the previous year’s level by more than %. In fiscal 2014, it will strive to improve profitability by further raising the efficiency of its media operations. It will also focus on developing new business models and products in the digital business domain.

In June 2013, ADK inked a strategic partnership agreement with Stipple, Inc., USA, aiming to expand digital services revolving around in the Asian region including Japan. In December 2013, we commenced official discussions with Intage Inc., prior to having a business alliance with an eye on developing new services in a marketing & consulting field. We continue to seek business and financial tie-up opportunities to strengthen solution capabilities and expand services in digital.

ii. Content

The animation content business has been a traditional strength of the ADK Group. We have developed new products and proactively evolved businesses in multiple scenes. It has contributed to our profit immensely through producing and investing in television programs and movies, organizing events and musicals, using characters in sales promotions. In May 2013, “DAISUIKI” , overseas market-oriented animation video delivery site and EC platform, went live. This is a collaborated work with other six investors. We have also taken part in government-led Cool Japan initiatives, which allow us to explore opportunities in overseas expansion. These will entail reinforcing our capabilities in such fields as broadcasting, distribution, and merchandising, both in Japan and overseas, with the aim of further raising ADK’s profile in the animation content business.

iii. Global

For some time, the ADK Group has been building an overseas network to meet the needs of advertisers developing their business abroad. The needs of Japanese advertisers seeking to grow their business overseas, especially in China and elsewhere in Asia, is expected to further increase, and the Group will reinforce its organization in order to address such needs. Effectively deploying the resources of WPP Group, in January 2103 we launched a comprehensive collaboration with Maxus, a member of GroupM, a global media agency group under the WPP umbrella. In China, we set up a new joint venture business in August 2013 in tandem with Always, one of the WPP Group companies, to deal with promotion activities across the nation. The plan to form another joint venture in Myanmar with HINTER MEDIA is under way in a bid to provide comprehensive services to Japanese companies which are making inroads into the newly opened country. While making efforts to facilitate network hubs as mentioned above, we will strengthen our capabilities from the personnel perspective including by dispatching globally responsive human resources from head office, hiring and nurturing local planners

On the business front, we will be actively engaged in developing solutions in the field of “activation” that are directly linked to advertisers’ sales performance and provide highly effective result-oriented planning and media strategies. This will lead us to solidify our position as a reliable business partner in huge markets like Indonesia and India in addition to China, Thailand, and Singapore, and so on.

iv. Personnel Training

Recognizing that human resources are the source of its competitiveness, the ADK Group is working to foster personnel who can respond to future changes in the business environment. Specifically, we are promoting in-depth hierarchy-specific training, with particular attention to enhancing the capabilities of middle managers. In the digital solutions domain, which is earmarked for future growth, we will foster human resources in order to improve their digital skills. We will also focus on training global human resources to help Japanese companies expanding overseas and foreign companies entering the domestic market.

v. Cost Control

We are promoting strengthening efforts to control cost in response to changing business environment. In 2012, the ADK Group established the Procurement Management Division, aiming to further improve cost control and operational process optimization. Following that, in 2013 the Group went ahead with an early retirement scheme to optimize personnel expenses, which is part of reconstruction reform from a mid-to-long term perspective.

In 2014, we will further step up our efforts to enhance profitability through sustained cost control initiatives. Those include saving rent by relocating head office and aggregating group companies in the same area, improving business efficiency and in-house production ratio by proactively using internal human resources, reinforcing income management by consolidating functions for business processes and purchase processes, and strengthening income management through effective operation processes. The Procurement Management Division has now been re-named to the Process Management Division to make the abovementioned tasks realized.

vi. Reinforce Groupwide Management

The ADK Group will reinforce cooperation and collaboration among group companies. It will exert itself to bolster group-wide competitiveness while at the same time increasing earning power by improving in-house production. We will also consider expanding our business through alliances, M&As, and other means.

In addition to the aforementioned initiatives, the ADK Group will strive to secure stable growth by promoting risk management policies including facilitating information security, internal structure in relation to compliances and internal control related to financial reporting. Furthermore, we will drive forward with an understanding of corporate social responsibility such as environment protection.

(4) Other Important Business Issues

None applicable.

Performance forecasts and other future-oriented statements contained in this report reflect the views of ADK management based on information available at the time of the report's release, and thus include inherent risks and uncertainties. Due to various changing factors, therefore, actual results may differ significantly from future predictions.

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ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
Assets		
Ⅰ Current assets		
1. Cash and deposits	24,489	25,554
2. Notes and accounts receivable-trade	84,128	81,659
3. Short-term investment securities	6,471	11,371
4. Inventories	7,032	8,469
5. Deferred tax assets	534	913
6. Other	2,363	1,477
7. Allowance for doubtful accounts	(257)	(514)
Total current assets	124,762	128,932
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
(1) Buildings and structures	4,737	3,798
Accumulated depreciation	(2,802)	(2,524)
Buildings and structures, net	1,935	1,273
(2) Land	1,248	993
(3) Other	3,383	3,821
Accumulated depreciation	(2,270)	(2,696)
Other, net	1,112	1,125
Total property, plant and equipment	4,296	3,392
2. Intangible assets		
(1) Software	2,241	1,881
(2) Other	101	251
Total intangible assets	2,342	2,132
3. Investments and other assets		
(1) Investment securities	55,312	84,829
(2) Long-term loans receivable	238	186
(3) Deferred tax assets	259	427
(4) Other	9,378	9,080
(5) Allowance for doubtful accounts	(1,426)	(810)
Total investments and other assets	63,761	93,713
Total noncurrent assets	70,400	99,238
Total assets	195,163	228,170

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
Liabilities		
Ⅰ Current liabilities		
1. Notes and accounts payable-trade	67,130	65,997
2. Short-term loans payable	59	―
3. Current portion of long-term loans payable	246	164
4. Income taxes payable	337	1,950
5. Provision for bonuses	359	402
6. Provision for directors' bonuses	12	―
7. Provision for sales returns	839	489
8. Other	6,563	7,076
Total current liabilities	75,548	76,080
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	246	82
2. Deferred tax liabilities	6,584	18,802
3. Provision for retirement benefits	1,275	1,271
4. Provision for directors' retirement benefits	430	417
5. Provision for loss on guarantees	65	―
6. Other	1,453	544
Total noncurrent liabilities	10,055	21,116
Total liabilities	85,603	97,197
Net assets		
Ⅰ Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus	13,245	11,982
3. Retained earnings	45,428	44,303
4. Treasury stock	(746)	(651)
Total shareholders' equity	95,508	93,216
Ⅱ Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	13,553	35,142
2. Deferred gains or losses on hedges	(2)	1
3. Foreign currency translation adjustment	(539)	1,513
Total accumulated other comprehensive income	13,012	36,657
Ⅲ Subscription rights to shares	5	21
Ⅳ Minority interests	1,032	1,077
Total net assets	109,559	130,972
Total liabilities and net assets	195,163	228,170

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2013
Ⅰ Gross billings	350,822	342,786
Ⅱ Cost of sales	304,653	297,681
Gross profit	46,169	45,104
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	22,615	23,012
2. Provision for bonuses	312	347
3. Retirement benefit expenses	2,106	2,174
4. Provision for directors' retirement benefits	49	37
5. Provision for directors' bonuses	12	—
6. Welfare expenses	3,255	3,438
7. Rent expenses	3,913	3,870
8. Provision of allowance for doubtful accounts	345	(76)
9. Depreciation	540	755
10. Other	9,843	10,163
Total selling, general and administrative expenses	42,993	43,721
Operating income	3,175	1,383
Ⅳ Non-operating income		
1. Interest income	248	264
2. Dividends income	1,383	1,800
3. Equity in earnings of affiliates	12	197
4. Dividends income of life insurance	68	58
5. Real estate rent	49	54
6. Other	598	691
Total non-operating income	2,362	3,067
Ⅴ Non-operating expenses		
1. Interest expenses	19	10
2. Provision of allowance for doubtful accounts	45	—
3. Expenses of real estate rent	40	40
4. Loss on insurance cancellation	24	14

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2013
5. Foreign exchange losses	60	―
6. Other	32	57
Total non-operating expenses	224	123
Ordinary income	5,314	4,327
Ⅵ Extraordinary income		
1. Gain on sales of noncurrent assets	7	222
2. Gain on sales of investment securities	150	4,232
3. Reversal of allowance for doubtful accounts	61	1
4. Other	15	137
Total extraordinary income	234	4,594
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	20	0
2. Loss on retirement of noncurrent assets	16	274
3. Impairment loss	69	―
4. Loss on sales of investment securities	214	144
5. Loss on valuation of investment securities	28	76
6. Loss on valuation of investments in capital	173	58
7. Special retirement expenses	824	2,519
8. Other	132	248
Total extraordinary losses	1,479	3,321
Income before income taxes	4,069	5,600
Income taxes-current	753	2,472
Income taxes-deferred	511	(359)
Total income taxes	1,264	2,113
Income before minority interests	2,804	3,486
Minority interests in income	23	56
Net income	2,781	3,430

Consolidated comprehensive income Statements

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2013
Ⅰ Income before minority interests	2,804	3,486
Ⅱ Other comprehensive income		
1. Valuation difference on available-for-sale securities	9,492	21,589
2. Deferred gains or losses on hedges	74	3
3. Foreign currency translation adjustment	1,188	2,107
Total other comprehensive income	10,755	23,700
Ⅲ Comprehensive income	13,559	27,187
Comprehensive income attributable to		
1. Comprehensive income attributable to owners of the parent	13,488	27,075
2. Comprehensive income attributable to minority interests	70	112

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total shareholders' equity
Balance as of January 1,2012	37,581	20,023	43,557	(7,632)	93,530
Changes during the consolidated fiscal year					
Dividend payments			(851)		(851)
Net income			2,781		2,781
Increase due to newly consolidated subsidiaries			(57)		(57)
Acquisitions of treasury stock				(4)	(4)
Disposals and cancellation of treasury stock		(6,777)		6,889	112
Other decrease in retained earnings			(1)		(1)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated		(6,777)	1,870	6,885	1,978
Balance as of December 31,2012	37,581	13,245	45,428	(746)	95,508

	ACCUMULATED OTHER COMPREHENSIVE INCOME				SUBSCRIP TION RIGHTS TO SHARES	MINORITY INTERESTS	TOTAL NET ASSETS
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total			
Balance as of January 1,2012	4,063	(76)	(1,681)	2,304	-	965	96,800
Changes during the consolidated fiscal year							
Dividend payments							(851)
Net income							2,781
Increase due to newly consolidated subsidiaries							(57)
Acquisitions of treasury stock							(4)
Disposals and cancellation of treasury stock							112
Other decrease in retained earnings							(1)
(Net) changes of items other than shareholders' equity	9,490	74	1,142	10,707	5	67	10,781
Total change during the consolidated	9,490	74	1,142	10,707	5	67	12,759
Balance as of December 31,2012	13,553	(2)	(539)	13,012	5	1,032	109,559

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

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 consolidated fiscal year					
Dividend payments			(4,721)		(4,721)
Net income			3,430		3,430
Increase due to newly consolidated subsidiaries			167		167
Acquisitions of treasury stock				(1,225)	(1,225)
Disposals and cancellation of treasury stock		(1,263)		1,351	88
Other decrease in retained earnings			(1)		(1)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated		(1,263)	(1,124)	95	(2,291)
Balance as of December 31,2013	37,581	11,982	44,303	(651)	93,216

	ACCUMULATED OTHER COMPREHENSIVE INCOME				SUBSCRIPTION RIGHTS TO SHARES	MINORITY INTERESTS	TOTAL NET ASSETS
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total			
Balance as of January 1,2013	13,553	(2)	(539)	13,012	5	1,032	109,559
Changes during the consolidated fiscal year							
Dividend payments							(4,721)
Net income							3,430
Increase due to newly consolidated subsidiaries							167
Acquisitions of treasury stock							(1,225)
Disposals and cancellation of treasury stock							88
Other decrease in retained earnings							(1)
(Net) changes of items other than shareholders' equity	21,589	3	2,052	23,644	15	45	23,705
Total change during the consolidated	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

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

		Year Ended December 31, 2012	Year Ended December 31, 2013
Ⅰ	OPERATING ACTIVITIES		
	Income (loss) before income taxes	4,069	5,600
	Depreciation and amortization	1,341	1,582
	Decrease (increase) in notes and accounts receivable	4,757	3,960
	Increase (decrease) in notes and accounts payable	(5,303)	(1,585)
	Others-net	(2,283)	(6,382)
	Net cash provided by (used in) operating activities	2,581	3,175
Ⅱ	INVESTING ACTIVITIES		
	Net decrease (increase) in time deposits	(1,054)	(454)
	Purchases of investment securities	(459)	(500)
	Proceeds from sales of investment securities	1,100	9,283
	Others-net	(1,305)	(2,058)
	Net cash provided by (used in) investing activities	(1,719)	6,270
Ⅲ	FINANCING ACTIVITIES		
	Proceeds from long-term loans payable	(275)	(256)
	Net decrease (increase) in treasury stock	107	(1,168)
	Cash dividends paid	(858)	(4,713)
	Others-net	(158)	(197)
	Net cash provided by (used in) financing activities	(1,184)	(6,336)
Ⅳ	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,104	1,880
Ⅴ	NET INCREASE IN CASH AND CASH EQUIVALENTS	782	4,990
Ⅵ	CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	26,519	27,264
Ⅶ	INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	34	156
Ⅷ	DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	(71)	–
Ⅸ	CASH AND CASH EQUIVALENTS, END OF THE PERIOD	27,264	32,410

ASATSU-DK INC. and Consolidated Subsidiaries

Segment Information

(Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2012

Millions of Yen

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
1. Billings to customers	344,135	6,686	350,822	-	350,822
2. Inter-segment billings	2	3	5	(5)	-
Total billings	344,138	6,690	350,828	(5)	350,822
Segment income (loss)	3,587	(425)	3,161	13	3,175

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

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

Year Ended December 31, 2013

Millions of Yen

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
1. Billings to customers	338,083	4,703	342,786	-	342,786
2. Inter-segment billings	24	2	26	(26)	-
Total billings	338,107	4,705	342,812	(26)	342,786
Segment income (loss)	2,261	(878)	1,382	0	1,383

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

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

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
Assets		
Ⅰ Current assets		
1. Cash and deposits	9,797	9,182
2. Notes receivable-trade	3,685	4,786
3. Accounts receivable-trade	67,932	65,589
4. Short-term investment securities	6,119	10,968
5. Inventories	4,429	5,503
6. Advance payments-trade	1,000	530
7. Prepaid expenses	87	119
8. Deferred tax assets	366	693
9. Accounts receivable-other	693	203
10. Other	324	362
11. Allowance for doubtful accounts	(167)	(370)
Total current assets	94,268	97,569
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
(1) Buildings	2,635	2,401
Accumulated depreciation	(1,408)	(1,603)
Buildings, net	1,226	798
(2) Vehicles	88	87
Accumulated depreciation	(64)	(62)
Vehicles, net	23	25
(3) Tools, furniture and fixtures	1,042	1,259
Accumulated depreciation	(799)	(901)
Tools, furniture and fixtures, net	243	357
(4) Land	321	321
(5) Lease assets	530	529
Accumulated depreciation	(230)	(331)
Lease assets, net	299	197
Total property, plant and equipment	2,114	1,700

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
2. Intangible assets		
(1) Leasehold right	1	1
(2) Software	2,088	1,730
(3) Lease assets	1	1
(4) Other	76	76
Total intangible assets	2,169	1,810
3. Investments and other assets		
(1) Investment securities	14,165	10,504
(2) Stocks of subsidiaries and affiliates	46,288	79,586
(3) Investments in capital	119	114
(4) Investments in capital of subsidiaries and affiliates	1,043	1,049
(5) Long-term loans receivable from employees	103	57
(6) Long-term loans receivable from subsidiaries and affiliates	95	88
(7) Claims provable in bankruptcy, claims provable in rehabilitation and other	722	159
(8) Long-term prepaid expenses	13	11
(9) Guarantee deposits	4,361	4,054
(10) Other	2,058	2,058
(11) Allowance for doubtful accounts	(1,194)	(661)
Total investments and other assets	67,778	97,024
Total noncurrent assets	72,062	100,536
Total assets	166,330	198,105

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
Liabilities		
Ⅰ Current liabilities		
1. Notes payable-trade	8,861	8,253
2. Accounts payable-trade	50,880	50,955
3. Current portion of long-term loans payable	164	164
4. Lease obligations	83	78
5. Accounts payable-other	2,046	2,039
6. Income taxes payable	78	1,699
7. Advances received	485	200
8. Deposits received	327	588
9. Other	405	827
Total current liabilities	63,332	64,805
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	246	82
2. Lease obligations	157	79
3. Deferred tax liabilities	6,551	18,794
4. Provision for retirement benefits	250	382
5. Provision for loss on guarantees	65	—
6. Other	1,026	225
Total noncurrent liabilities	8,298	19,563
Total liabilities	71,630	84,369
Net assets		
Ⅰ Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus		
（1）Legal capital surplus	7,839	7,839
（2）Other capital surplus	5,406	4,143
Total capital surplus	13,245	11,982

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2013
3. Retained earnings		
（1）Legal retained earnings	1,555	1,555
（2）Other retained earnings		
① Reserve for dividends	1,100	―
② General reserve	25,219	25,019
③ Retained earnings brought forward	3,431	3,219
Total retained earnings	31,306	29,794
4. Treasury stock	(746)	(651)
Total shareholders' equity	81,387	78,707
Ⅱ Valuation and translation adjustments		
1. Valuation difference on available-for-sale securities	13,308	35,006
2. Deferred gains or losses on hedges	(2)	1
Total valuation and translation adjustments	13,306	35,007
Ⅲ Subscription rights to shares	5	21
Total net assets	94,699	113,736
Total liabilities and net assets	166,330	198,105

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2013
Ⅰ Gross billings	303,422	296,065
Ⅱ Cost of sales	270,609	263,889
Gross profit	32,812	32,175
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	16,099	15,876
2. Retirement benefit expenses	1,797	1,821
3. Legal welfare expenses	1,777	1,776
4. Traveling and transportation expenses	992	962
5. Rent expenses	2,394	2,267
6. Provision of allowance for doubtful accounts	335	(170)
7. Depreciation	335	486
8. Entertainment expenses	551	521
9. Computer expenses	1,744	1,756
10. Other	5,443	5,709
Total selling, general and administrative expenses	31,470	31,008
Operating income	1,341	1,166
Ⅳ Non-operating income		
1. Interest income	59	40
2. Interest on securities	13	10
3. Dividends income	1,559	2,314
4. Dividends income of life insurance	68	58
5. Other	358	323
Total non-operating income	2,059	2,746
Ⅴ Non-operating expenses		
1. Interest expenses	10	7
2. Sales discounts	0	2
3. Provision of allowance for doubtful accounts	45	—
4. Expenses of real estate rent	14	15
5. Loss on investments in partnership	1	4

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2013
6. Loss on insurance cancellation	24	9
7. Other	8	9
Total non-operating expenses	105	49
Ordinary income	3,296	3,864
Ⅵ Extraordinary income		
1. Gain on sales of investment securities	139	3,874
2. Gain on sales of subsidiaries and affiliates' stocks	9	1
3. Reversal of allowance for doubtful accounts	61	1
4. Other	15	123
Total extraordinary income	226	4,001
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	7	0
2. Loss on retirement of noncurrent assets	13	252
3. Impairment loss	69	—
4. Loss on sales of investment securities	79	142
5. Loss on valuation of investment securities	27	4
6. Loss on valuation of investments in capital of subsidiaries and affiliates	173	9
7. Provision of allowance for doubtful accounts	7	85
8. Special retirement expenses	811	2,354
9. Other	387	269
Total extraordinary losses	1,575	3,118
Income before income taxes	1,947	4,747
Income taxes-current	37	1,840
Income taxes-deferred	366	(302)
Total income taxes	403	1,537
Net income	1,543	3,209

ASATSU-DK INC.
Non-consolidated

Statements of Changes in Net Assets
Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)
Millions of Yen

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1,2012	37,581	7,839	12,184	20,024
Changes during the non-consolidated fiscal year				
Dividend payments				
Net income				
Acquisitions of treasury stock				
Disposals and cancellation of treasury stock			(6,777)	(6,777)
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	-	-	(6,777)	(6,777)
Balance as of December 31,2012	37,581	7,839	5,406	13,245

	Shareholders'equity						
	Retained earnings					Treasury stock	Total sharenolders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for dividends	General reserve	Retained earnings brought forward			
Balance as of January 1,2012	1,555	1,100	25,219	2,739	30,614	(7,632)	80,587
Changes during the non-consolidated fiscal year							
Dividend payments				(851)	(851)		(851)
Net income				1,543	1,543		1,543
Acquisitions of treasury stock						(4)	(4)
Disposals and cancellation of treasury stock						6,889	112
(Net) changes of items other than shareholders'equity							
Total changes during the non-consolidated fiscal year	-	-	-	691	691	6,885	799
Balance as of December 31,2012	1,555	1,100	25,219	3,431	31,306	(746)	81,387

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of January 1,2012	3,912	(76)	3,835	-	84,423
Changes during the non-consolidated fiscal year					
Dividend payments					(851)
Net income					1,543
Acquisitions of treasury stock					(4)
Disposals and cancellation of treasury stock					112
(Net) changes of items other than shareholders'equity	9,396	74	9,470	5	9,176
Total changes during the non-consolidated fiscal year	9,396	74	9,470	5	10,276
Balance as of December 31,2012	13,308	(2)	13,306	5	94,699

ASATSU-DK INC.
Non-consolidated

Statements of Changes in Net Assets
Year Ended December 31, 2013

(Unaudited and before reclassifications and rearrangements)
Millions of Yen

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1,2013	37,581	7,839	5,406	13,245
Changes during the non-consolidated fiscal year				
Dividend payments				
Net income				
Acquisitions of treasury stock				
Disposals and cancellation of treasury stock			(1,263)	(1,263)
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	-	-	(1,263)	(1,263)
Balance as of December 31,2013	37,581	7,839	4,143	11,982

	Shareholders'equity						
	Retained earnings					Treasury stock	Total sharenolders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for dividends	General reserve	Retained earnings brought forward			
Balance as of January 1,2013	1,555	1,100	25,219	3,431	31,306	(746)	81,387
Changes during the non-consolidated fiscal year							
Dividend payments				(4,721)	(4,721)		(4,721)
Net income				3,209	3,209		3,209
Acquisitions of treasury stock						(1,255)	(1,255)
Disposals and cancellation of treasury stock						1,351	88
Reversal of reserve for dividends		(1,100)		1,100	-		
Reversal of general reserve			(200)	200	-		
(Net) changes of items other than shareholders'equity							
Total changes during the non-consolidated fiscal year	-	(1,100)	(200)	(212)	(1,512)	95	(2,679)
Balance as of December 31,2013	1,555	-	25,019	3,219	29,794	(651)	78,707

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of January 1,2013	13,308	(2)	13,306	5	94,699
Changes during the non-consolidated fiscal year					
Dividend payments					(4,721)
Net income					3,209
Acquisitions of treasury stock					(1,255)
Disposals and cancellation of treasury stock					88
(Net) changes of items other than shareholders'equity	21,697	3	21,700	15	21,715
Total changes during the non-consolidated fiscal year	21,697	3	21,700	15	19,036
Balance as of December 31,2013	35,006	1	35,007	21	113,736