

Overview of First Half Results for the Year Ending December 31, 2014 [Japanese GAAP]



August 12, 2014

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 Securities Code 9747 URL : <http://www.adk.jp/en/>
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 Supplementary information for financial results : Available
 Organization of financial results briefing : August 15, 2014
 (for institutional investors and analysts)
 (Unit: millions of yen, Rounded down under 1 million yen)

1. The First Six Months Consolidated Results (January 1, 2014 to June 30, 2014)

(1) Consolidated Operating Results

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

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
6 months ended ;								
Jun. 30, 2014	174,489	0.0	2,128	17.7	3,966	17.3	1,255	(40.6)
Jun. 30, 2013	174,469	(3.0)	1,807	(33.6)	3,381	(15.0)	2,114	19.2

(Notes) Comprehensive income

at June 30, 2014 : (1,312) million yen (—) , at June 30, 2013 : 14,291 million yen (181.7%)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Jun. 30, 2014	30.01	29.98
Jun. 30, 2013	50.27	50.25

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
Jun. 30, 2014	223,947	123,906	55.0
Dec. 31, 2013	228,170	130,972	56.9

(Reference) Shareholders' equity June 30, 2014 : 123,247 million yen December 31, 2013 : 129,873 million yen

2. Dividend Information

	Annual Dividend per Share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2013(Actual)	—	10.00	—	131.00	141.00
Fiscal 2014(Actual)	—	10.00	—	—	—
Fiscal 2014(Forecast)	—	—	—	—	—

(Notes) Revisions from the most recent dividend forecasts : No

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

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

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

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

	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
Full-year	348,800	1.8	3,700	167.5	5,600	29.4	2,770	(19.2)	66.20

(Notes) Revisions from the most recent forecasts : No

* Notes

(1) Changes in the Scope of Consolidation and Application of the Equity Method : No.
 New – Companies (Company Name) Except – Companies (Company Name)

(2) Is there any accounting treatment particular to the quarterly financial statements ? : Yes.

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

1. Changes due to revisions to accounting standards, etc. : No.
2. Changes other than 1: : No.
3. Changes in accounting estimates : No.
4. Restatements : No.

(4) Number of outstanding stocks

1 Number of outstanding stocks (including treasury stock) issued, end of term	at June 30, 2014	42,155,400 shares	at December 31, 2013	42,155,400 shares
2 Number of treasury stock, end of term	at June 30, 2014	299,752 shares	at December 31, 2013	333,481 shares
3 Avg. number of shares (consolidated) outstanding during the terms ended	at June 30, 2014	41,834,854 shares	at June 30, 2013	42,070,846 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 220,100 shares and 255,200 shares at the end of the first half and at the end of the previous fiscal year, respectively.

* Implementation status of quarterly review procedures

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

* Appropriate use of business forecasts and other special matters

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

Refer to "1. Consolidated Results for the First Half of Fiscal 2014 (3) Forecasts for Fiscal 2014" on page 4 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

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【Supplementary Information】

1. Consolidated Results for the First Half of Fiscal 2014

(1) Overview of Operating Results

During the first half of the year (from January 1, 2014 to June 30, 2014), the Japanese economy continued a mild upswing with the improvement of corporate earnings and the recovery of capital investments on the back of a steady growth of the US economy, continued economic measures and monetary policies taken by the central government and the Bank of Japan. Consumer spending on the whole grew steadily supported by the last-minute demand ahead of the consumer tax hike and improvement of the employment and income environment although there was a tentative pause immediately after the introduction of the hike.

According to the “Current Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry, total gross billings in the advertising industry showed steady year-on-year gains in twelve consecutive months from April 2013 to March 2014. It showed a temporal drop of 0.4% in April 2014 when the consumption tax was raised. It turned back to the positive territory soon on the following month with a 2.1% increase. As a whole, it kept moving on a firm footing.

Amid these circumstances, ADK is striving to transform itself into the “Consumer Activation Company” under the name of “VISION 2020”. ADK is assuring not only to deliver messages to consumers, but to inspire them to take concrete actions. With the hope of bringing “Consumer Activation” to fruition as planned, we are implementing measures to strengthen the Group foundation and to diversify business models that include developing solution infrastructure, tightening profit management structure, enhancing cooperation with subsidiaries at home and abroad, further expanding content business, namely ADK’s specialty.

As a result of those efforts, the gross billings the Company reported for the first six months of the period was ¥174,489 million, almost the same as what we had achieved the previous corresponding period. Gross profit increased 6.9% to ¥24,625 million, while operating income surged 17.7% to ¥2,128 million. Ordinary income increased 17.3% to ¥3,966 million after adding ¥1,940 million non-operating income, such as dividend income, and ¥102 million non-operating expenses. Extraordinary profit of ¥345 million did not offset extraordinary loss of ¥1,823 million, mainly attributed to Office transfer expenses of the ADK headquarters as well as the main subsidiaries’ head offices. As a result, net income before income taxes and minority interests for the first half decreased 31.3% to ¥2,488 million, while the net income for the same period shrank 40.6% to ¥1,255 million.

Performance by Business Segment

Advertising Business

Gross billings to customers amounted to ¥172,327 million during the six months under review, practically identical to that of the previous corresponding period, and segment

income increased 7.8% to ¥2,388 million.

Total billings was almost on a par with that of the previous year although, geographically, it varied greatly. The parent company and domestic subsidiaries enjoyed revenue growth boosted by increased advertising placements prior to the tax hike. On the other hand, overseas businesses experienced a decline with Chinese subsidiaries performing unsatisfactorily even though the companies in other Asian nations and the US were brisk. Overall segment profits also showed an increase, exceeding the last year's results, as the parent and domestic subsidiaries performed healthily which offset sluggish overseas business resulted from the weak performance in China.

ADK, which forms the core of the ADK Group, reported gross billings of ¥152,205 million, up 0.2% from the previous year. Gross profit increased to ¥18,096 million, up 8.1% and operating income also up 15.4% to ¥1,993 million. Measures taken to improve gross operating income worked effectively to compensate for an increase of selling, general and administrative expenses including Provision for bonuses and relocation costs, leading to a rise in income.

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

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

Unconsolidated Performance by Discipline

Breakdown by Discipline		Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Media	Magazine	6,280	4.1	(8.7)
	Newspaper	10,119	6.6	(7.3)
	TV (Program, Spot, Content)	70,451	46.3	3.1
	Radio	1,430	0.9	(9.4)
	Digital Media	7,217	4.7	37.3
	OOH Media	3,887	2.6	(27.5)
Sub-total		99,387	65.3	1.1
Non-Media	Marketing and Promotion	31,141	20.5	1.9
	Creative and Others	21,676	14.2	(6.0)
Sub-total		52,817	34.7	(1.5)
Total		152,205	100.0	0.2

Notes:

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

Other Business

In other business, gross billings to customers amounted to ¥2,161 million, almost flat year-on-year, and the segment loss amounted to ¥260 million, compared with ¥408 million loss in the previous corresponding period.

An adverse situation remains, where it is difficult to ensure a profit in its main business of publication and sales of books and magazines aimed the contraction in the overall publishing market, leading to an operating loss. However, the level of loss has become smaller on a year-on-year basis as a result of stepping up efforts to reduce products' returns by improving the accuracy in the number of distribution and further controlling SG&A expenses.

Overseas Sales

In the consolidated first six months under review, the ADK Group obtained 8.2% of its gross billings from overseas, compared with 8.5% in fiscal 2013. All overseas sales are in the advertising business.

(2) Financial Position

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

Total assets amounted to ¥223,947 million, down ¥4,222 million from the previous consolidated fiscal year-end, mainly due to a decrease in investment securities stemming from declining stock prices. Despite the fact that there was a decrease in deferred tax liabilities caused by the aforementioned stock price fall, total liabilities were up ¥2,843 million to ¥100,041 million, mainly due to an increase in purchase accounts payable. Total net assets amounted to ¥123,906 million, and the shareholder's equity ratio excluding minority equity and subscription rights to share was 55.0 %.

(3) Forecasts for Fiscal 2014

During the current first half (from January 1, 2014 to June 30, 2014), the business

performed steadily in line with the guidelines announced in the beginning of the term. We project that economy remains on a recovery path for the rest of the year and advertising market continues to perform briskly for the mid-to-long run.

While, on the other hand, for the short-term, a rise in the import price of materials, concerns of economic slowdown in the Eurozone and sagging economy in emerging markets including China remain to be seen. We also need to carefully watch how the higher tax may impact on the domestic economy in the months to come and how advertisers' business will be performing accordingly, all of which will eventually influence the overall advertising market.

Taking into what discussed above into consideration, we have decided not to revise the consolidated forecast officially announced on February 14, 2014.

We are determined to continue our efforts to grow the business by promoting development and provision communication programs that capture changes of media environment and consumer behaviors, ensuring to strengthen competitive edge and enhance profitability.

2. Other Information

(1) Changes in Significant Subsidiaries during the Period

Not Applicable.

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

Calculation of tax expenses

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

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

Not Applicable.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited and before reclassifications and rearrangements)

(Millions of Yen)

	December 31, 2013	June 30, 2014
Assets		
Current assets		
Cash and deposits	25,554	27,561
Notes and accounts receivable-trade	81,659	77,718
Short-term investment securities	11,371	10,467
Inventories	8,469	8,258
Other	2,391	4,005
Allowance for doubtful accounts	(514)	(690)
Total current assets	128,932	127,321
Noncurrent assets		
Property, plant and equipment	3,392	4,604
Intangible assets	2,132	1,783
Investments and other assets		
Investment securities	84,829	81,572
Other	9,694	9,420
Allowance for doubtful accounts	(810)	(755)
Total investments and other assets	93,713	90,238
Total noncurrent assets	99,238	96,626
Total assets	228,170	223,947

(Millions of Yen)

	December 31, 2013	June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	65,997	68,732
Short-term loans payable	—	49
Current portion of long-term loans payable	164	164
Income taxes payable	1,950	1,299
Provision	892	1,500
Other	7,076	7,861
Total current liabilities	76,080	79,608
Noncurrent liabilities		
Long-term loans payable	82	—
Provision	1,688	1,500
Other	19,346	18,932
Total noncurrent liabilities	21,116	20,432
Total liabilities	97,197	100,041
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,982
Retained earnings	44,303	40,239
Treasury stock	(651)	(592)
Total shareholders' equity	93,216	89,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,142	33,045
Deferred gains or losses on hedges	1	(1)
Foreign currency translation adjustment	1,513	992
Total accumulated other comprehensive income	36,657	34,035
Subscription rights to shares	21	30
Minority interests	1,077	628
Total net assets	130,972	123,906
Total liabilities and net assets	228,170	223,947

(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements (Unaudited and before reclassifications and rearrangements)

Six Months Ended June 30, 2014

	(Millions of Yen)	
	Six Months Ended June 30, 2013 (From January 1 to June 30, 2013)	Six Months Ended June 30, 2014 (From January 1 to June 30, 2014)
Gross billings	174,469	174,489
Cost of sales	151,423	149,863
Gross profit	23,046	24,625
Selling, general and administrative expenses		
Salaries and allowances	11,360	11,260
Provision for bonuses	394	922
Provision for directors' retirement benefits	18	9
Provision of allowance for doubtful accounts	(287)	180
Other	9,751	10,124
Total selling, general and administrative expenses	21,238	22,497
Operating income	1,807	2,128
Non-operating income		
Interest income	125	126
Dividends income	1,142	1,431
Equity in earnings of affiliates	68	90
Other	296	293
Total non-operating income	1,633	1,940
Non-operating expenses		
Interest expenses	6	3
Provision of allowance for doubtful accounts	0	22
Loss on insurance cancellation	8	33
Other	44	43
Total non-operating expenses	59	102
Ordinary income	3,381	3,966
Extraordinary income		
Gain on sales of investment securities	479	312
Other	32	32
Total extraordinary income	511	345
Extraordinary loss		
Impairment loss	—	207
Loss on sales of investment securities	117	2
Loss on valuation of investment securities	24	78
Special retirement expenses	—	396
Office transfer expenses	44	989
Other	82	148
Total extraordinary losses	268	1,823
Income before income taxes	3,624	2,488
Income taxes	1,476	1,168
Income before minority interests	2,148	1,320
Minority interests in income	33	65
Net income	2,114	1,255

Consolidated Comprehensive Income Statements (Unaudited and before reclassifications and rearrangements)

Six Months Ended June 30, 2014

	(Millions of Yen)	
	Six Months Ended June 30, 2013 (From January 1 to June 30, 2013)	Six Months Ended June 30, 2014 (From January 1 to June 30, 2014)
Income before minority interests	2,148	1,320
Other comprehensive income		
Valuation difference on available-for-sale securities	10,825	(2,098)
Deferred gains or losses on hedges	3	(2)
Foreign currency translation adjustment	1,313	(530)
Share of other comprehensive income of associates accounted for using equity method	—	(1)
Total other comprehensive income	12,143	(2,633)
Comprehensive income	14,291	(1,312)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,211	(1,365)
Comprehensive income attributable to minority interests	79	53

(3) Notes to Consolidated Financial Statements

(Items related to going concern assumption)

No items

(Notes on significant changes in the amount of shareholders' equity)

No items

(Segment Information)

Six Months Ended June 30, 2013 (Unaudited and before reclassifications and rearrangements)

(Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non- advertising	Total		
GROSS BILLINGS					
Billings to customers	172,307	2,162	174,469	—	174,469
Inter-segment billings	8	1	9	(9)	—
Total billings	172,315	2,163	174,479	(9)	174,469
Segment income (loss)	2,216	(408)	1,807	0	1,807

(Note) 1 Adjustment of segment income(loss)is mainly due to the deduction of the transaction between the segments and unrealized income.

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

Six Months Ended June 30, 2014 (Unaudited and before reclassifications and rearrangements)

(Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non- advertising	Total		
GROSS BILLINGS					
Billings to customers	172,327	2,161	174,489	—	174,489
Inter-segment billings	9	27	37	(37)	—
Total billings	172,337	2,189	174,526	(37)	174,489
Segment income (loss)	2,388	(260)	2,127	0	2,128

(Note) 1 Adjustment of segment income(loss)is mainly due to the deduction of the transaction between the segments and unrealized income.

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

(Material Subsequent Events)

Consolidated 2nd Quarter under Review
(Commenced January 1, 2014 and end June 30, 2014)

The Issuance of Equity Compensation Type Stock Options (Stock Options)

It was resolved at the Board of Directors meeting held on August 12, 2014 that stock acquisition rights as stock compensation-type stock options shall be issued to four (4) executive directors and eighteen (18) operating officers except those who are directors of the Company for the purpose of further enhancing their motivation and morale to contribute to the improvement of business performance and the stock price and making their share in the benefits and risks arising from the rise and fall in the stock price, together with the shareholders, in accordance with Article 236, 238 and 240 of the Corporation Law.

Details are as included in the “Notice Regarding the Issuance of Stock Compensation-type Stock Options (Stock Acquisition Rights) to Directors” dated today and “Notice Regarding the Issuance of Stock Compensation-type Stock Options (Stock Acquisition Rights) to Operating Officers”.