

## Overview of 3<sup>rd</sup> Quarter Results for the Year Ending December 31, 2014 [Japanese GAAP]



November 11, 2014

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 Supplementary information for financial results : Available  
 Organization of financial results briefing : None

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

### 1. The First Nine Months Consolidated Results (January 1, 2014 to September 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	%
9 months ended ;								
Sep. 30, 2014	258,293	1.8	2,581	140.5	4,689	57.2	1,920	301.1
Sep. 30, 2013	253,646	(2.5)	1,073	(49.4)	2,983	(19.9)	478	(74.1)

(Note) Comprehensive income

at September 30, 2014 : 684 million yen (-96.4%) , at September 30, 2013 : 19,135 million yen (159.0%)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Sep. 30, 2014	45.89	45.84
Sep. 30, 2013	11.40	11.40

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
Sep. 30, 2014	222,624	125,497	56.0
Dec. 31, 2013	228,170	130,972	56.9

(Reference) Shareholders' equity September 30, 2014 : 124,762 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)	66.19

(Note) 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) Application of specific accounting for preparing consolidated 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 September 30, 2014	42,155,400 shares	at December 31, 2013	42,155,400 shares
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2 Number of treasury stock, end of term

at September 30, 2014	293,685 shares	at December 31, 2013	333,481 shares
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3 Avg. number of shares (consolidated) outstanding during the terms ended

at September 30, 2014	41,842,644 shares	at September 30, 2013	41,982,953 shares
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(Note) 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 213,600 shares and 255,200 shares at the end of the 3rd quarter and at the end of the previous fiscal year, respectively.

\* Implementation status of quarterly review procedures

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

\* Appropriate use of business forecasts and other special matters

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

Refer to "1. Consolidated Results for the 3rd Quarter 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 Nine Months of Fiscal 2014

#### (1) Overview of Operating Results

During the first nine months of the year (from January 1, 2014 to September 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 ongoing economic measures and monetary policies taken by the central government and the Bank of Japan. Consumer spending remained unpredictable since the consumer sentiment did not fully recover across the board after its temporal drop caused by a consumption tax hike in April although there had been the last minute demand prior to the hike and improvements in employment and income environment.

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 up to this month when this document prepared except April 2014 which experienced a temporal drop after the consumption tax was raised.

Amid these circumstances, ADK is striving to transform itself into the “Consumer Activation Company” under the name of “VISION 2020”, that ensures ADK 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 the solution infrastructure, tightening the 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 nine months of the period was ¥258,293 million, up 1.8% from the previous corresponding period. Gross profit increased 7.5% to ¥35,723 million, while operating income made a significant improvement of 140.5% to ¥2,581 million. Ordinary income was up 57.2% to ¥4,689 million after adding ¥2,280 million non-operating income, such as dividend income, and ¥173 million non-operating expenses. Extraordinary profit of ¥1,115 million mainly gained on sale of investment securities did not offset extraordinary loss of ¥2,023 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 nine months increased 189.4% to ¥3,780 million, while the net income for the same period increased 301.1% to ¥1,920 million.

#### Performance by Business Segment

##### (Advertising Business)

Gross billings to customers amounted to ¥255,055 million, up 1.9% on a year-on-year basis, during the nine months under review, and segment income increased 68.3% to ¥2,959 million.

Total gross billings grew on a year-over-year basis although, geographically, it varied greatly. The parent company and domestic subsidiaries enjoyed revenue growth boosted by

an increase in parent company's advertising placements, production and digital affiliates' contribution. On the other hand, overseas businesses experienced a decline with Chinese subsidiaries performing unsatisfactorily even though Asia and US business performed healthily driven by brisk Thai operation. 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 ¥225,754 million, up 2.5% from the previous year. Gross profit increased to ¥26,029 million, up 8.3% and operating income to ¥2,432 million, up 102.8% on a year-over-year basis. Measures taken to improve gross operating income worked effectively in conjunction with a growth in billings and compensated for an increase in selling, general and administrative expenses including bonuses provision 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 Cosmetics/Toiletry, Government/Organizations, Restaurants/Other Services, Retail/Distribution, Finance/Insurance. However, gross billings from clients in such industries as Food, Education/Healthcare Services/Religion, Beverages/Tobacco, Household Goods, Real Estate/Housing.

Broken down by business discipline, gross billings in TV, Marketing Promotion, Digital Media experienced an increase over the previous year but in Creative and Others, OOH Media, 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	9,492	4.2	(7.4)
	Newspaper	14,029	6.2	(9.0)
	TV (Program, Spot, Content)	103,859	46.0	4.4
	Radio	2,302	1.0	(1.5)
	Digital Media	11,037	4.9	36.1
	OOH Media	5,820	2.6	(23.1)
Sub-total		146,541	64.9	2.4
Non-Media	Marketing and Promotion	48,256	21.4	9.9
	Creative and Others	30,956	13.7	(6.5)
Sub-total		79,213	35.1	2.8
Total		225,754	100.0	2.5

#### Notes:

1. Because we offer cross-media programs, data may not represent gross billings exactly by media.
2. TV includes Program, Spot and Content.
3. Digital Media includes Internet and Mobile-related media.

(Digital Solutions, such as Website Creation and System Development are included in “Marketing and Promotion”.)

4. OOH (Out of Home) Media includes transportation and outdoor advertising and insertions.
5. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR, Exposition events and Digital Solutions, etc.

### **(Other Business)**

In other business, gross billings to customers amounted to ¥3,238 million, down 1.3% from the previous year, and the segment loss amounted to ¥378 million, compared with ¥685 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 scale of loss has become smaller on a year-on-year basis as a result of stepping up efforts in an attempt 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 nine months under review, the ADK Group obtained 8.2% of its gross billings from overseas, compared with 8.6% 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 nine months is as follows.

Total assets amounted to ¥222,624 million, down ¥5,545 million from the previous consolidated fiscal year-end, mainly due to a decrease in investment securities stemming from declining stock prices in addition to accelerating collection of receivables.

Total liabilities declined to ¥97,126 million, down ¥70 million from the same consolidated business year-end due to decreased income tax payable, etc., although it included increased provisions.

Total net assets amounted to ¥125,497 million, and the shareholder's equity ratio excluding minority equity and subscription rights to share was 56.0%.

## **(3) Forecasts for Fiscal 2014**

During the period of the first nine months (from January 1, 2014 to September 30, 2014), the business performed steadily in line with the guidelines released 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 in the midium and long run.

While, in the short-term, a rise in the price of import 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.

In light of the progress of measures taking for subsidiaries at home and abroad, 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 of communication programs that capture changes in the media environment and consumer behaviors, ensuring to strengthen competitive edge and enhance profitability.

## 2. Summary Information (Notes)

### (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	September 30, 2014
<b>Assets</b>		
Current assets		
Cash and deposits	25,554	26,245
Notes and accounts receivable-trade	81,659	77,440
Short-term investment securities	11,371	10,487
Inventories	8,469	8,948
Other	2,391	2,826
Allowance for doubtful accounts	(514)	(695)
<b>Total current assets</b>	<b>128,932</b>	<b>125,252</b>
Noncurrent assets		
Property, plant and equipment	3,392	4,810
Intangible assets	2,132	1,708
Investments and other assets		
Investment securities	84,829	82,257
Other	9,694	9,317
Allowance for doubtful accounts	(810)	(721)
<b>Total investments and other assets</b>	<b>93,713</b>	<b>90,852</b>
<b>Total noncurrent assets</b>	<b>99,238</b>	<b>97,372</b>
<b>Total assets</b>	<b>228,170</b>	<b>222,624</b>



(Millions of Yen)

	December 31, 2013	September 30, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	65,997	65,823
Short-term loans payable	—	52
Current portion of long-term loans payable	164	164
Income taxes payable	1,950	853
Provision	892	2,222
Other	7,076	7,215
<b>Total current liabilities</b>	<b>76,080</b>	<b>76,331</b>
Noncurrent liabilities		
Long-term loans payable	82	—
Provision	1,688	1,567
Other	19,346	19,227
<b>Total noncurrent liabilities</b>	<b>21,116</b>	<b>20,795</b>
<b>Total liabilities</b>	<b>97,197</b>	<b>97,126</b>
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,982
Retained earnings	44,303	40,483
Treasury stock	(651)	(581)
<b>Total shareholders' equity</b>	<b>93,216</b>	<b>89,465</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,142	33,531
Deferred gains or losses on hedges	1	(1)
Foreign currency translation adjustment	1,513	1,766
<b>Total accumulated other comprehensive income</b>	<b>36,657</b>	<b>35,296</b>
Subscription rights to shares	21	35
Minority interests	1,077	699
<b>Total net assets</b>	<b>130,972</b>	<b>125,497</b>
<b>Total liabilities and net assets</b>	<b>228,170</b>	<b>222,624</b>

## (2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements (Unaudited and before reclassifications and rearrangements)

Nine Months Ended September 30, 2014

(Millions of Yen)

	Nine Months Ended September 30, 2013 (From January 1 to September 30, 2013)	Nine Months Ended September 30, 2014 (From January 1 to September 30, 2014)
Gross billings	253,646	258,293
Cost of sales	220,401	222,569
Gross profit	33,244	35,723
Selling, general and administrative expenses		
Salaries and allowances	16,446	16,295
Provision for bonuses	1,149	1,663
Provision for directors' retirement benefits	27	11
Provision of allowance for doubtful accounts	△302	158
Other	14,850	15,012
Total selling, general and administrative expenses	32,171	33,141
Operating income	1,073	2,581
Non-operating income		
Interest income	192	185
Dividends income	1,190	1,439
Equity in earnings of affiliates	109	140
Other	488	514
Total non-operating income	1,981	2,280
Non-operating expenses		
Interest expenses	9	6
Loss on investments in partnership	4	58
Loss on insurance cancellation	12	40
Other	45	68
Total non-operating expenses	71	173
Ordinary income	2,983	4,689
Extraordinary income		
Gain on sales of investment securities	1,016	1,080
Other	33	34
Total extraordinary income	1,050	1,115
Extraordinary loss		
Impairment loss	—	207
Loss on sales of investment securities	117	2
Loss on valuation of investment securities	22	78
Special retirement expenses	2,454	494
Office transfer expenses	56	1,077
Other	75	163
Total extraordinary losses	2,727	2,023
Income before income taxes	1,306	3,780
Income taxes	811	1,760
Income before minority interests	494	2,020
Minority interests in income	15	99
Net income	478	1,920

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

Nine Months Ended September 30, 2014

(Millions of Yen)

	Nine Months Ended September 30, 2013 (From January 1 to September 30, 2013)	Nine Months Ended September 30, 2014 (From January 1 to September 30, 2014)
Income before minority interests	494	2,020
Other comprehensive income		
Valuation difference on available-for-sale securities	17,350	(1,611)
Deferred gains or losses on hedges	1	(2)
Foreign currency translation adjustment	1,289	277
Share of other comprehensive income of associates accounted for using equity method	—	1
Total other comprehensive income	18,641	(1,335)
Comprehensive income	19,135	684
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	19,079	559
Comprehensive income attributable to minority interests	56	125

(3) Notes to Consolidated Financial Statements

(Items related to going concern assumption)

Not Applicable.

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

Not Applicable.

(Segment Information)

Nine Months Ended September 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	250,365	3,280	253,646	—	253,646
Inter-segment billings	13	1	15	(15)	—
Total billings	250,379	3,282	253,661	(15)	253,646
Segment income (loss)	1,758	(685)	1,073	0	1,073

(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.

Nine Months Ended September 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	255,055	3,238	258,293	—	258,293
Inter-segment billings	18	34	52	(52)	—
Total billings	255,073	3,273	258,346	(52)	258,293
Segment income (loss)	2,959	(378)	2,581	0	2,581

(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)

Not Applicable.