Overview of 1st Quarter Results for the Year Ending December 31, 2016 [Japanese GAAP]

May 13, 2016

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Securities Code 9747 URL :http://www.adk.jp/en/
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Filing date of the Quarterly Report: May 13, 2016 Date of dividend payment: －
Supplementary information for financial results : Available
Organization of financial results briefing : No

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

1. The First Three Months Consolidated Results (January 1, 2016 to March 31, 2016)

(1) Consolidated Operating Results

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent	
3 months ended ;	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Mar. 31, 2016	92,253	0.2	3,026	30.1	3,194	21.7	51	(96.6)
Mar. 31, 2015	92,062	1.8	2,325	37.3	2,624	35.9	1,540	20.2

(Notes) Comprehensive income: at March 31, 2016: (3,452) million yen (- %), at March 31, 2015: 8,270 million yen (- %)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Mar. 31, 2016	1.24	1.24
Mar. 31, 2015	36.80	36.76

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
Mar. 31, 2016	219,787	110,960	49.9
Dec. 31, 2015	235,205	125,488	52.7

(Reference) Shareholders' equity: March 31, 2016: 109,570 million yen, December 31, 2015: 124,004 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 2015(Actual)	－	10.00	－	238.00	248.00
Fiscal 2016(Actual)	－				
Fiscal 2016(Forecast)		10.00	－	－	－

(Notes) Revisions from the most recent dividend forecasts : No
The year-end dividend for FY 2015 consists of the ordinary dividend of 23 yen per share and extraordinary dividend of 215 yen per share.
The sum of the year-end dividend for FY 2016 is undecided (But it is more than 10 yen per share).

3. Forecast of Consolidated results Fiscal 2016 (January 1, 2016 to December 31, 2016)

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full-year	354,000	0.6	5,400	10.2	8,550	(0.5)	3,390	(36.8)	81.25

(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. : Yes.
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 March 31, 2016	42,155,400 shares	at December 31, 2015	42,155,400 shares
2. Number of treasury stock, end of term	at March 31, 2016	434,194 shares	at December 31, 2015	82,923 shares
3. Avg. number of shares (consolidated) outstanding during the terms ended	at March 31, 2016	41,739,179 shares	at March 31, 2015	41,870,744 shares

(Notes) The Company had introduced an "ESOP Trust Utilizing Employee Shareholding Association," and the shares owned by this ESOP had been reported as "treasury stock" in the consolidated financial statements. Consequently, 203,770 shares owned by this ESOP were included in the average number of shares of the first quarter of the period ended March, 2015 as illustrated above. Please be noted that the ESOP program was terminated in April 2015.

* 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 Quarter of Fiscal 2016 (3) Forecasts for Fiscal 2016” on page 5 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

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.

Contents

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1. Consolidated Results for the First Quarter of Fiscal 2016

(1) Overview of Operating Results

During the current first quarter (from January 1, 2016 to March 31, 2016), the Japanese economy made a moderate improvement with corporate earnings growing healthily backed up by the on-going government-and the Bank of Japan-initiated economic measures and monetary policies despite unsettling factors the world economy faces such as crude oil price drop and financial market volatility triggered by concerns over slowdown in emerging economies such as China. While consumer spending showed a recovery in the wake of improvements in corporate earnings and economic environment, consumers are still likely to buy products selectively by keeping an eye on special functions or benefits attached to them because actual wage is increasing slower than expected.

According to the "Current Survey of Selected Service Industries" by the Ministry of Economy, Trade and Industry, total gross billings in the advertising industry in 2015 grew 2.7% from the previous year and it is almost steadily performing to this day since the start of this year, outpacing the corresponding period last year.

Under these circumstances, ADK continues to work hard to transform itself to the "Consumer Activation Company" holding out "VISION 2020" that the Company declared in 2013, aiming not only to deliver messages via advertisements but encourage consumers to take actions, thereby contributing to clients' business performance. During the quarter under review, we made a significant re-organization in January, setting up five business sectors, establishing the framework where each sector as a business unit is responsible for creating added values and managing profit. We also continued efforts in rebuilding the organizations of subsidiaries both at home and abroad. Thus we have never relaxed the hand of foundation building and structural reforms.

As a result of those efforts, the Group reported gross billings of ¥92,253 million, up 0.2% from the previous corresponding period. Gross profit was up 3.5% to ¥13,874 million, while operating income increased 30.1% to ¥3,026 million. Ordinary income grew to ¥3,194 million, up 21.7% year-on-year, with the addition of ¥240 million non-operating income and ¥72 million non-operating expenses. Income before income taxes and minority interests for the first three months decreased 45.1% to ¥1,432 million with extraordinary loss of ¥1,868 million mainly as provision for loss on liquidation of business while the profit attributable to owners of parent for the first quarter decreased 96.6% to ¥51 million in the year-to-year comparison.

Performance by Business Segment

(Advertising Business)

Gross billings to customers amounted to ¥91,350 million during this fiscal year, up 0.1% from the previous corresponding period, and segment income increased 28.8% to ¥3,109 million.

Overall domestic business registered an increase in revenue and profit propelled by media business at ADK-Tokyo, in particular TV spot advertisements, revitalized marketing/promotion and creative which had been weak in the previous period, a strong performance in a creative subsidiary due to an improved in-house production ratio, a robust performance in a digital subsidiary. While overseas business saw decreased revenue and operating loss due to a temporary lull of Asian subsidiaries which drove the business up until the last year and continued efforts in structural reforms being undertaken by companies in Europe, US and China. All overseas billings are generated from advertising business, which represents 6.7% (as opposed to 8.5% in 2015) of the consolidated billings during the period under review.

Performance by ADK-Tokyo, the core competence of the Group business, was as follows.

The parent company generated gross billings of ¥83,012 million, up 2.3% from the previous fiscal year. Gross profit rose to ¥10,430 million, up 5.8% and operating income surged to ¥3,004 million, up 39.1%. ADK-Tokyo saw an increase in revenue and profit with a successive growth in billings over the previous year, improved gross profit ratio by means of stringent profit management and on-going effort to control in selling and general administrative expenses.

Broken down by client business, ADK posted increases in gross billings from clients in such industries as Automobile/Automobile-related Products, Pharma/Medical supplies, Food, Real Estate/Housing, Transportation/Leisure sectors. However, gross billings declined from clients in such industries as Beverage/Tobacco, Government/Organizations, Household Goods, Cosmetics/Toiletry, Home appliances/AV equipment sectors.

Non-consolidated Performance by Clients business

Breakdown by Clients business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/ machinery	979	1.2	28.2
Food	7,908	9.5	6.8
Beverage/Tobacco	4,266	5.1	(21.8)
Pharma/Medical supplies	4,464	5.4	22.6
Cosmetics/Toiletry	6,910	8.3	(3.2)
Apparel/Jewelry	3,057	3.7	(4.7)
Precision machinery/Office supplies	1,137	1.4	3.6
Home appliances/AV equipment	500	0.6	(24.5)
Automobile/Automobile-related Products	6,188	7.5	32.8
Household Goods	168	0.2	(62.4)
Hobbies/Sport Goods	6,175	7.4	3.1
Real Estate/Housing	3,563	4.3	13.0
Publishing	777	0.9	(15.2)
Information/Communication	9,190	11.1	(0.3)
Distribution/Retail	6,507	7.8	1.6
Finance/Insurance	7,240	8.7	1.1
Transportation/Leisure	2,605	3.1	18.5
Restaurants/Other service	2,107	2.5	0.7
Government/Organizations	4,179	5.0	(10.0)
Education/Medical Service/Religion	2,188	2.6	17.9
Signage/Other	2,891	3.5	(4.9)
Total	83,012	100.0	2.3

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

Non-consolidated Performance by Discipline

Breakdown by Discipline			Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y Change (%)	Main clients business industries (Top: increased industries, Bottom: decreased industries)
Media	Magazine		2,871	3.5	(8.3)	Cosmetics/Toiletry, Distribution/Retail, Government/Organizations
						Apparel/Jewelry, Information/Communication, Hobbies/Sport Goods
	Newspaper		5,591	6.7	6.0	Automobile/Automobile-related Products, Finance/Insurance, Precision machinery/Office supplies
						Government/Organizations, Information/Communication, Hobbies/Sport Goods
	TV		38,080	45.9	1.1	Pharma/Medical supplies, Finance/Insurance, Information/Communication
						Distribution/Retail, Beverage/Tobacco, Government/Organizations
		Program	13,292	16.0	(7.3)	Finance/Insurance, Beverage/Tobacco, Pharma/Medical supplies
						Hobbies/Sport Goods、Distribution/Retail、Government/Organizations
		Spot	21,304	25.7	6.7	Pharma/Medical supplies, Information/Communication, Hobbies/Sport Goods
						Beverage/Tobacco、Cosmetics/Toiletry、Home appliances/AV equipment
		Content	3,484	4.2	3.0	Finance/Insurance, Hobbies/Sport Goods, Transportation/Leisure
						Information/Communication, Automobile/Automobile-related Products、Real Estate/Housing
	Radio		996	1.2	29.7	Information/Communication, Real Estate/Housing, Cosmetics/Toiletry
						Pharma/Medical supplies, Distribution/Retail, Food
	Digital Media		4,988	6.0	17.8	Food, Cosmetics/Toiletry, Automobile/Automobile-related Products
						Restaurants/Other service, Pharma/Medical supplies, Home appliances/AV equipment
	OOH Media		2,662	3.2	29.4	Information/Communication, Home appliances/AV equipment, Education/Medical Service/Religion
						Publishing, Government/Organizations, Apparel/Jewelry
	Sub-total		55,191	66.5	3.9	Pharma/Medical Supplies, Information/Communication, Finance/Insurance
						Government/Organizations, Distribution/Retail, Beverage/Tobacco
Non-Media	Marketing and Promotion		16,713	20.1	3.5	Automobile/Automobile-related Products, Real Estate/Housing, Government/Organizations
						Beverage/Tobacco, Information/Communication, Finance/Insurance
	Creative		10,480	12.6	4.6	Information/Communication,Transportation/Leisure,Distribution/Retail
						Finance/Insurance, Cosmetics/Toiletry, Beverage/Tobacco
	Others		626	0.8	(66.2)	Energy/Material/ machinery, Automobile/Automobile-related Products, Finance/Insurance
						Information/Communication, Government/Organizations, Food
	Sub-total		27,820	33.5	(0.7)	Automobile/Automobile-related Products, Distribution/Retail, Hobbies/Sport Goods
						Information/Communication, Beverage/Tobacco, Finance/Insurance
Total			83,012	100.0	2.3	Automobile/Automobile-related Products, Pharma/Medical supplies, Food
						Beverage/Tobacco, Government/Organizations, Household Goods

Notes: 1. Because we offer integrated solutions, data may not represent gross billings exactly by media.

2. Content includes Animation, Culture and Sports Marketing, etc.

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 ¥903 million, up 8.0% year-on-year, and the segment loss amounted to ¥83 million, compared with ¥89 million loss in the previous year.

In an environment where it is hard to generate a profit in its main business of publication and sales of books and magazines with the overall publishing market contracting, the business posted operating loss. Yet the size of loss became smaller compared to the same period the previous year through efforts to cut the cost of goods and optimize the volume of distribution as well as ongoing efforts to control SG&A expenses. Of Other Business, Nihon Bungeisha, a publication business subsidiary, was divested dated April 18, 2016 by means of the entire stock transfer. Thus it will be deconsolidated from the second quarter on.

(2) Financial Position

The consolidated financial position as of the end of the current first quarter in comparison with that of the end of the previous accounting year (ended December 31, 2015) is as follows.

Total assets amounted to ¥219,787 million, down ¥15,417 million from the previous consolidated fiscal year-end, mainly due to a decrease in cash and deposit as a result of dividend payment and also a decrease in the value of investment securities stemming from a drop of their market value. Total liabilities were also down ¥889 million to ¥108,827 million, mainly due to a decrease in deferred tax liabilities along with a fall in market value of investment securities. Total net assets (excluding non-controlling interests and subscription rights to shares) amounted to ¥110,960 million, and the shareholder's equity ratio was 49.9%.

(3) Forecasts for Fiscal 2016

During the current first quarter (from January 1, 2016 to March 31, 2016), the business performed strongly, exceeding billings and operating income of the previous corresponding year. Although we need to assess with caution consumption trend and key clients' performance, we still anticipate that the Japanese economy will maintain its upward momentum, thus, the advertising market will move strongly in the medium- and long-term. For those reasons, we have not changed the revised consolidated business forecasts released on March 24, 2016, in which extraordinary loss derived by divest of a subsidiary was factored.

We continue our efforts to further grow the business by promoting development and provision of solutions that capture changes in the media environment and consumer behaviors, ensuring to improve competitive edge and profitability.

2. Matters relating to 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

(Change in accounting policy)

From the first quarter of this fiscal year, the Company began applying "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013). Following these changes, we have adjusted the recording methods for the amount of difference incurred by a change in ADK's equity interest in subsidiaries which are continuously dominated by ADK and acquisition-related expenses as part of expenses incurred in the consolidated financial accounting. We have also changed to reflect a revised allocated amount of acquisition cost based on the firmed temporary account processing in relation to a business combination that may occur after the beginning of the period of the current first quarter accounting settlement to a quarterly consolidated financial statement for the period which the date of the said business combination falls into. Changes are also made in the ways of showing a quarterly net income, etc., and non-controlling interests from minority interests. The quarterly consolidated financial statements and the full-year consolidated financial statements for the previous first quarter and the previous fiscal year have been restated in order to reflect this change in presentation.

Effective from the beginning of the first quarter of the current fiscal year, the Group has adopted, and will adopt into the future, "Accounting Standard for Business Combinations" in conformity to transitional applications that are stipulated in Article 58, Paragraph 2 (4) of "Accounting Standard for Business Combinations", Article 44, Paragraph 5 (4) of "Accounting Standard for Consolidated Accounting" and Article 57, Paragraph 4 (4) of "Accounting Standard for Business Divestitures".

These above-mentioned changes will not impact on the quarterly consolidated financial statements during the period of the first quarter of this fiscal year ending in December 31, 2016.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	December 31, 2015	March 31, 2016
Assets		
Current assets		
Cash and deposits	25,790	16,735
Notes and accounts receivable-trade	84,326	83,260
Short-term investment securities	2,172	1,986
Inventories	7,048	8,082
Other	2,602	2,796
Allowance for doubtful accounts	(568)	(600)
Total current assets	121,370	112,260
Noncurrent assets		
Property, plant and equipment	4,800	4,743
Intangible assets	2,186	2,048
Investments and other assets		
Investment securities	101,516	95,439
Other	6,150	6,125
Allowance for doubtful accounts	(819)	(829)
Total investments and other assets	106,847	100,735
Total noncurrent assets	113,834	107,527
Total assets	235,205	219,787

(Millions of Yen)

	December 31, 2015	March 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,130	74,289
Short-term loans payable	96	82
Income taxes payable	1,269	454
Provision	831	3,180
Other	8,228	8,695
Total current liabilities	84,556	86,703
Noncurrent liabilities		
Provision	42	15
Net defined benefit liability	935	929
Other	24,182	21,178
Total noncurrent liabilities	25,160	22,123
Total liabilities	109,716	108,827
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,982
Retained earnings	24,336	14,350
Treasury shares	(210)	(1,211)
Total shareholders' equity	73,690	62,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,188	45,242
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	1,859	1,346
Remeasurements of defined benefit plans	266	276
Total accumulated other comprehensive income	50,314	46,866
Subscription rights to shares	23	25
Non-controlling interests	1,461	1,364
Total net assets	125,488	110,960
Total liabilities and net assets	235,205	219,787

(2) Consolidated Income Statements and Consolidated Statement of Comprehensive Income

Consolidated Income Statements

Three Months Ended March 31, 2016

(Millions of Yen)

	Three Months Ended March 31, 2015 (From January 1 to March 31, 2015)	Three Months Ended March 31, 2016 (From January 1 to March 31, 2016)
Gross billings	92,062	92,253
Cost of sales	78,662	78,379
Gross profit	13,399	13,874
Selling, general and administrative expenses		
Salaries and allowances	5,014	5,057
Provision for bonuses	1,309	951
Provision for directors' retirement benefits	2	－
Provision of allowance for doubtful accounts	3	8
Other	4,744	4,830
Total selling, general and administrative expenses	11,073	10,847
Operating income	2,325	3,026
Non-operating income		
Interest income	54	28
Dividends income	7	4
Equity in earnings of affiliates	61	49
Other	222	157
Total non-operating income	346	240
Non-operating expenses		
Interest expenses	4	3
Foreign exchange losses	－	40
Loss on sales of securities	24	－
Other	18	27
Total non-operating expenses	47	72
Ordinary income	2,624	3,194
Extraordinary income		
Gain on sales of non-current assets	1	99
Other	0	6
Total extraordinary income	2	106
Extraordinary loss		
Loss on liquidation of business	－	1,702
Other	16	165
Total extraordinary losses	16	1,868
Income before income taxes	2,610	1,432
Income taxes	1,018	1,403
Net income	1,591	28
Profit (loss) attributable to non-controlling interests	51	(22)
Profit attributable to owners of parent	1,540	51

Consolidated Statement of Comprehensive Income

Three Months Ended March 31, 2016

(Millions of Yen)

	Three Months Ended March 31, 2015 (From January 1 to March 31, 2015)	Three Months Ended March 31, 2016 (From January 1 to March 31, 2016)
Profit	1,591	28
Other comprehensive income		
Valuation difference on available-for-sale securities	7,002	(2,945)
Deferred gains or losses on hedges	(5)	1
Foreign currency translation adjustment	(341)	(539)
Remeasurements of defined benefit plans	22	9
Share of other comprehensive income of associates accounted for using equity method	0	(7)
Total other comprehensive income	6,678	(3,481)
Comprehensive income	8,270	(3,452)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	8,214	(3,395)
Comprehensive income attributable to non-controlling interests	55	(56)

(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)

Three Months Ended March 31, 2015

(Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	91,225	836	92,062	−	92,062
Inter-segment billings	6	34	41	(41)	−
Total billings	91,232	870	92,103	(41)	92,062
Segment income (loss)	2,413	(89)	2,324	1	2,325

(Notes) 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.

Three Months Ended March 31, 2016

(Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	91,350	903	92,253	−	92,253
Inter-segment billings	2	14	17	(17)	−
Total billings	91,353	917	92,270	(17)	92,253
Segment income (loss)	3,109	(83)	3,026	0	3,026

(Notes) 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.