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Summary of Financial Statements for the Year Ended December 31, 2014 [Japanese GAAP]

February 13, 2015

Company Name ASATSU-DK INC. Exchange : Tokyo Stock Exchange First Section
Securities Code 9747 URL :http://www.adk.jp/en/
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Supplementary information for financial results : Available
Organization of financial results briefing : Available (for institutional investors and analysts)

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

1. Fiscal year 2014 Consolidated Results (January 1, 2014 to December 31, 2014)

(1) Consolidated Operating Results

(% : year-on-year changes)

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2014	352,984	3.0	4,097	196.2	7,251	67.6	3,696	7.8
FY 2013	342,786	(2.3)	1,383	(56.4)	4,327	(18.6)	3,430	23.3

(Note) Comprehensive income: at December 31, 2014 : 10,189 million yen (-62.5%) , at December 31, 2013 : 27,187 million yen (100.5%)

	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 2014	88.32	88.22	2.8	3.1	1.2
FY 2013	81.79	81.73	2.9	2.0	0.4

(Reference) Equity in earnings of affiliated companies: FY 2014 : 220 million yen December 31, 2013 : 197 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	millions of yen	millions of yen	%	
FY 2014	243,317	134,999	55.1	3,204.87
FY 2013	228,170	130,972	56.9	3,105.40

(Reference) Shareholders' equity: December 31, 2014 : 134,184 million yen December 31, 2013 : 129,873 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 2014	8,169	(177)	(6,640)	35,082
FY 2013	3,175	6,270	(6,336)	32,410

2. Dividend Information

	Annual Dividend per Share					Total Amount of dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity ratio (Consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal 2013(Actual)	－	10.00	－	131.00	141.00	5,932	172.4	5.0
Fiscal 2014(Actual)	－	10.00	－	TBD	－	－	－	－
Fiscal 2015(Forecast)	－	10.00	－	－	－		－	

(Notes) 1. The year-end dividend for FY 2013 consists of the ordinary dividend of 19 yen per share and extraordinary dividend of 112 yen per share.

2. The year-end dividend for FY 2014 and FY2015 is undecided (But it is more than10 yen per share.). For details, see the Supplementary Information "(3) Basic Policy for Profit Distribution and Dividends for FY2014 and FY2015".

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3. Forecast of Consolidated results Fiscal 2015 (January 1, 2015 to December 31, 2015)

(% : year-on-year changes)

	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	358,000	1.4	4,800	17.2	7,770	7.1	4,750	28.5	113.45

* Notes

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

(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 : No.
4. Restatements : No.

(3) Number of outstanding stocks

1 Number of outstanding stocks (including treasury stock) issued, end of term	at December 31, 2014	42,155,400 shares	at December 31, 2013	42,155,400 shares
2 Number of treasury stock, end of term	at December 31, 2014	286,576 shares	at December 31, 2013	333,481 shares
3 Avg. number of shares (consolidated) outstanding during the terms ended	at December 31, 2014	41,848,271 shares	at December 31, 2013	41,941,272 shares

(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 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 206,000 shares and 255,200 shares at the end of the fiscal year and at the end of the previous fiscal year, respectively.

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(Reference) Fiscal Year 2014 Non-Consolidated Outline (January 1 to December 31, 2014)

1. Fiscal Year 2014 Non-Consolidated Results (January 1 to December 31, 2014)

(1) Operating Results

(% : year-on-year changes)

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2014	306,718	3.6	3,130	168.3	5,950	54.0	3,484	8.6
FY 2013	296,065	(2.4)	1,166	(13.0)	3,864	17.2	3,209	107.9

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
FY 2014	83.26	83.16
FY 2013	76.52	76.46

(2) Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	millions of yen	millions of yen	%	Yen
FY 2014	214,429	116,416	54.3	2,779.54
FY 2013	198,105	113,736	57.4	2,719.03

(Reference) Shareholder's equity: at December 31, 2014: 116,376 million yen, at December 31, 2013: 113,715 million yen

(3) Forecast of Non-Consolidated Fiscal Year 2015 (January 1 to December 31, 2015)

(% : year-on-year changes)

	Gross Billings		Ordinary Income		Net Income		Net Income per Share
	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full-year	310,000	1.1	6,100	2.5	3,830	9.9	91.48

※ Implementation status of audit 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 completed.

※ 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 and Financial State Analysis for the Fiscal 2014 (1) Performance Analysis " on page 2～5 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

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Contents

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1. Operating Results and Financial State Analysis for the Fiscal 2014

(1) Performance Analysis

①Overview

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

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

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

Those efforts brought the ADK Group consolidated gross billings of ¥352,984 million, up 3.0% from fiscal 2013. Accordingly, gross profit grew 7.7% to ¥48,568 million, and operating income 196.2%, to ¥4,097 million. We reported non-operating income of ¥3,355 million inflated mainly by dividend income, offsetting non-operating expenses of ¥201 million, leading to ordinary income of ¥7,251 million, up 67.6% from the previous year.

Among extraordinary items, we reported total extraordinary income of ¥1,284 million, due mainly to gain on sales of investment securities. By contrast, we posted total extraordinary losses of ¥2,102 million, due largely to the head office and affiliates' office relocation-related expenses. As a result, income before income taxes and minority interests increased 14.9%, to ¥6,433 million, and net income increased 7.8%, to ¥3,696 million on a year-to-year comparison.

Performance by Business Segment

(Advertising Business)

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

The domestic business enjoyed a year-on-year increase in gross billings and profit as a result of an increase in the number advertising placements at ADK-Tokyo, a growth in the subsidiary of the production firm and enhanced contribution made by the digital subsidiary. Internationally, the subsidiary in Thai was the main driving force of an increased sales and profit in the entire Asia. Yet the overall international business experienced a decline in both sales and profit as a result of weakened performance of subsidiaries in Europe/US

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and China. All overseas sales are in the advertising business, which accounted for 8.4% of its consolidated gross billings, compared with 8.6% in fiscal 2013.

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

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

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

Non-consolidated gross profit by industry (Clients business) and composition ratio on a year-on-year comparison:

Breakdown by Clients business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/ machinery	2,865	0.9	(32.1)
Food	25,109	8.2	(10.1)
Beverage/Tobacco	22,527	7.3	(5.4)
Pharma/Medical supplies	15,766	5.1	6.7
Cosmetics/Toiletry	32,698	10.7	16.8
Apparel/Jewelry	13,082	4.3	6.7
Precision machinery/Office supplies	2,435	0.8	17.7
Home appliances/AV equipment	2,878	0.9	(27.1)
Automobile/Automobile-related Products	18,358	6.0	13.8
Household Goods	1,288	0.4	(37.1)
Hobbies/Sport Goods	20,006	6.5	1.7
Real Estate/Housing	8,332	2.7	(4.1)
Publishing	2,902	0.9	(25.8)
Information/Communication	28,744	9.4	4.8
Distribution/Retail	27,904	9.1	6.9
Finance/Insurance	29,574	9.6	12.1
Transportation/Leisure	8,158	2.7	(13.9)
Restaurants/Other service	10,050	3.3	38.9
Government/Organizations	15,044	4.9	36.9
Education/Medical Service/Religion	5,788	1.9	(25.4)
Signage/Other	13,198	4.3	(0.3)
Total	306,718	100.0	3.6

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

Non-consolidated gross profit by business discipline and composition ratio on a year-on-year comparison:

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

Notes:

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

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(Other Business)

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

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

②Forecasts for Fiscal 2015

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

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

Under such an environment, we will drive the business in line with what we mention in "3. Management Policy (page 14)", to deliver consolidated gross billings of ¥358,000 million, operating income of ¥4,800 million, ordinary income of ¥7,770 million, and net income of ¥4,750 million. This means that net income per share is projected to be ¥113.45.

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

(2) Financial Position

① Analysis of Assets, Liabilities and Cash Flow Status

At the end of fiscal 2014, the Group had total assets of ¥243,317 million, up ¥15,147 million 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 ¥108,317 million, up ¥11,120 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 ¥134,999 million, up ¥4,026 million 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 55.1%, down 1.8 points from a year earlier.

In fiscal 2014, sum of net cash provided by operating and investing activities surpassed net cash used in financing activities by ¥1,941 million. After foreign currency translation adjustments, cash and cash equivalents stood at ¥35,082 million, up ¥2,671 million from a year earlier.

(Net cash provided by operating activities)

Net cash provided by operating activities amounted to ¥8,169million, compared with ¥3,175 million in the previous year. Major factors included ¥6,433 million in income before income taxes and minority interests, and ¥4,849 million increase in notes and accounts payable.

(Net cash provided by investing activities)

Net cash used in investing activities totaled ¥177 million, compared with ¥6,270 million provided in fiscal 2013. The main factors include purchases of investment securities of ¥1,660 million and proceeds from sales of investment securities of ¥1,745 million, purchase of property, plant and equipment of ¥2,049 million in relation to the head office relocation, and purchase of intangible assets of ¥374 million, proceeds from the collection of guarantee deposits of ¥2,654 million and Payments for guarantee deposits of ¥318 million.

(Net cash provided by financing activities)

Net cash used in financing activities was ¥6,640 million, compared with ¥6,336 million in the previous year. This was due mainly to ¥5,816 million in dividends paid.

② The major indices of consolidated financial conditions are as follows:

Term	FY2011	FY2012	FY2013	FY2014
Equity Ratio	52.0%	55.6%	56.9%	55.1%
Market Cap. To Book Total Assets	46.4%	44.4%	45.2%	50.0%
Years to redeem debts	0.1	0.2	0.1	0.0
Interest Coverage Ratio (times)	343.6	130.4	293.9	983.8

(Equity Ratio) = (Equity*)÷(Total Assets)
*Equity is computed as below:
Total Assets at the end of the period - Minority at the end of the period – Equity warrant at the end of the period
(Market Cap. to Book Total Assets) = (market capitalization) ÷(Book Total Assets)
(Years to redeem debts) = (Interest-bearing debts)÷(Net cash provided by operating activities)
(Interest Coverage Ratio) = (Net cash provided by operating activities) ÷(Interest paid)

(3) Basic Policy for Profit Distribution and Dividends for FY2014 and FY2015

The management positions shareholder value enhancement and cash return as high priority issues.

ADK defines in its article of incorporation that the Board of Executive Directors is fully responsible for deciding a way of using the surplus such as a dividend. The board determines a dividend amount based on a total shareholder return policy, that includes buy-back, of 50% of the current term's net income while making long-lasting stability by, in principle, setting the minimum dividend per share of ¥20. 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%.

We paid an interim dividend of ¥10 per share based on the above-mentioned basic policy. The amount of a year-end dividend, however, has yet to be determined as of today although it is guaranteed ¥10 or over. In 2015, we also plan to pay an interim dividend of ¥10 per share, yet we are unable to forecast the amount of a year-end dividend. 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 13, 2015). 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 general, Japanese national advertising spending is directly influenced by corporate advertisers' budgets and, therefore, is closely correlated with nominal consumer spending and GDP. The Group generates much of its gross billings from the Japanese domestic market. In the event that the domestic economy deteriorates seriously, the ADK Group's performance and financial condition could be negatively affected.

② Response to Diversification and Digitalization of Media and Changing Consumers' Media Consumption

Advertising media continues to diversify with further penetration of new devices such as smartphones, and tablet-type PCs. At the same time, people's media consumption and behaviors are changing with the rapid diffusion of social networks. As a consequence of that, markets of traditional mass media, especially print media, are shrinking, whereas the Internet business is growing fast. Advertisers expect their advertising agencies to offer advanced solutions utilizing digital media, thereby allowing clients to gather and analyze data of people's media consumption and purchasing behavior more effectively.

ADK tries to seize hold of that fast-changing market environment to expand our business by riding a wave of the Internet advertising market, rather than clinging onto those traditional mass media markets. We are now taking agile responses to changes in consumer behaviors and marketing analysis methods in the wake of the advent of the Big Data era. However, if the Group fails to adapt to changes in the advertising media, its performance and financial condition could be adversely affected.

③ Risks Arising from Trading Customs

a) Relationship with Advertisers

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

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

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

b) Media Inventories

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

c) Credit Risks of Subcontractors

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

④ Competitive Risk

The ADK Group, as Japan's third-largest advertising group, competes against other large companies. Advertising clients select their products to spend their advertising budgets and tend to appoint a small number of agencies to reduce their costs. This further accelerates price competitiveness among agencies. Competition

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gets even more fierce by the integration of brands in the wake of clients' globalization and industry re-organization, leading to consolidation of procurement. In addition, competition is accelerated by the entry of foreign mega-agency groups into the Japanese market, as well as many new and rapidly growing entrants in the Internet and other nontraditional mass media advertising market. Non-industry players such as retailers and trading houses have entered into advertising market, in particular, non-mass media sectors, which will make tough competition even tougher.

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

⑤ Risks Arising from Operations

a) Client Portfolio

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

b) Relationship with the Media

The ADK Group buys and resells various media, including mass media and rapidly growing digital media, such as mobile and Internet. In fiscal 2014, the parent company (ADK) generated 65.9% of its gross billings by handling the four major mass media, as well as the Internet, digital advertising, and OOH media. Gross billings from television represented 46.6% of ADK's non-consolidated gross billings. ADK continues to strive to secure advertising time and/or space in these media. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK Group does not respond to these changes appropriately, there is a significant possibility that its performance and financial condition could be adversely affected.

c) Relationship with Subcontractors

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

d) Securing & training proper persons and cost control

Advertising is a people business, and human talents are critical assets in the advertising industry. For this reason, the ADK Group works constantly to secure exceptional human resources, assign them to appropriate locations, train them so they can respond changing market environments agilely and facilitate smooth internal communications. A series of new laws were enacted in April 2013, including the revised Labor Contract Act, the revised Worker Dispatch Act, and the Law Concerning Stabilization of Employment of Older Persons. In response, the Group is now working on the current personnel policies to be compliance with them and also

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establishing a new employee training framework to match its new business policies. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on its performance and financial condition. In addition, most of its staff costs are fixed costs and represent the largest portion of its selling, general and administrative expenses. On a consolidated basis, staff expenses represented as much as 61.5% of gross profit in fiscal 2014.

e) Overseas Operations

The ADK Group has been striving to develop overseas revenues. In fiscal 2014, the ADK Group generated 8.4% of its gross billings from overseas sources. In overseas markets, because of differences in culture, society, law, and commercial customs, a variety of problems may arise. In addition, both country risk and currency risk are inherent in conducting international business. In the event that the ADK Group is unable to expand its overseas operations as planned, its performance and financial condition could be significantly affected.

f) Content Business

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

g) Investment in Competitiveness

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

h) Management of Group Companies

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

i) Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc since August 1998, holding a 2.36%

equity stake in WPP (as of December 31, 2014). WPP is the largest shareowner of ADK, holding 24.50% of the voting rights. By way of operating alliances with WPP Group operating companies including JWT, ADK has formed joint ventures, collaborated in media buying and 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 ¥78,725 million (at a stock price of £13.45 per share) as of the end of December 2014, compared with the acquisition cost factored in loss on valuation of investment securities of ¥22,262 million (at a stock price of £3.6157 per share under the lower-of-cost-or-market method), however, in the event of a major deterioration in the Group's sterling-based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

j) Marketable Securities and Investment Securities

The ADK Group's holdings of marketable and investment securities (including the aforementioned stake in WPP) totaled ¥93,185 million, representing 38.3% of its ¥243,317 million in total assets as of December 31, 2014. Of this amount, ¥89,366 million consisted of publicly traded equity securities, mostly the equity alliance with WPP plc and cross-shareholdings in advertising clients and other trading partners. The balance of unrealized gains on available-for-sale securities was ¥40,118 million after deducting deferred tax liabilities on such gains (compared with ¥35,142 million as of December 31, 2013). However, in the event of a major decline in the market prices of these holdings, ADK would be forced to account for valuation losses.

k) Retirement Benefits and Pension Plans

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

ADK and some of its domestic subsidiaries are members of the Japan Advertising Industry Welfare Pension Fund. Because the ADK Group cannot technically and reasonably define how much pension assets and liabilities it is accountable for, the Group recognizes its annual cash contribution to the fund as its periodic benefit costs applicable for the fund. However, the Representative Committee, consisting of the committee 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.

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2. Status quo of the corporate group

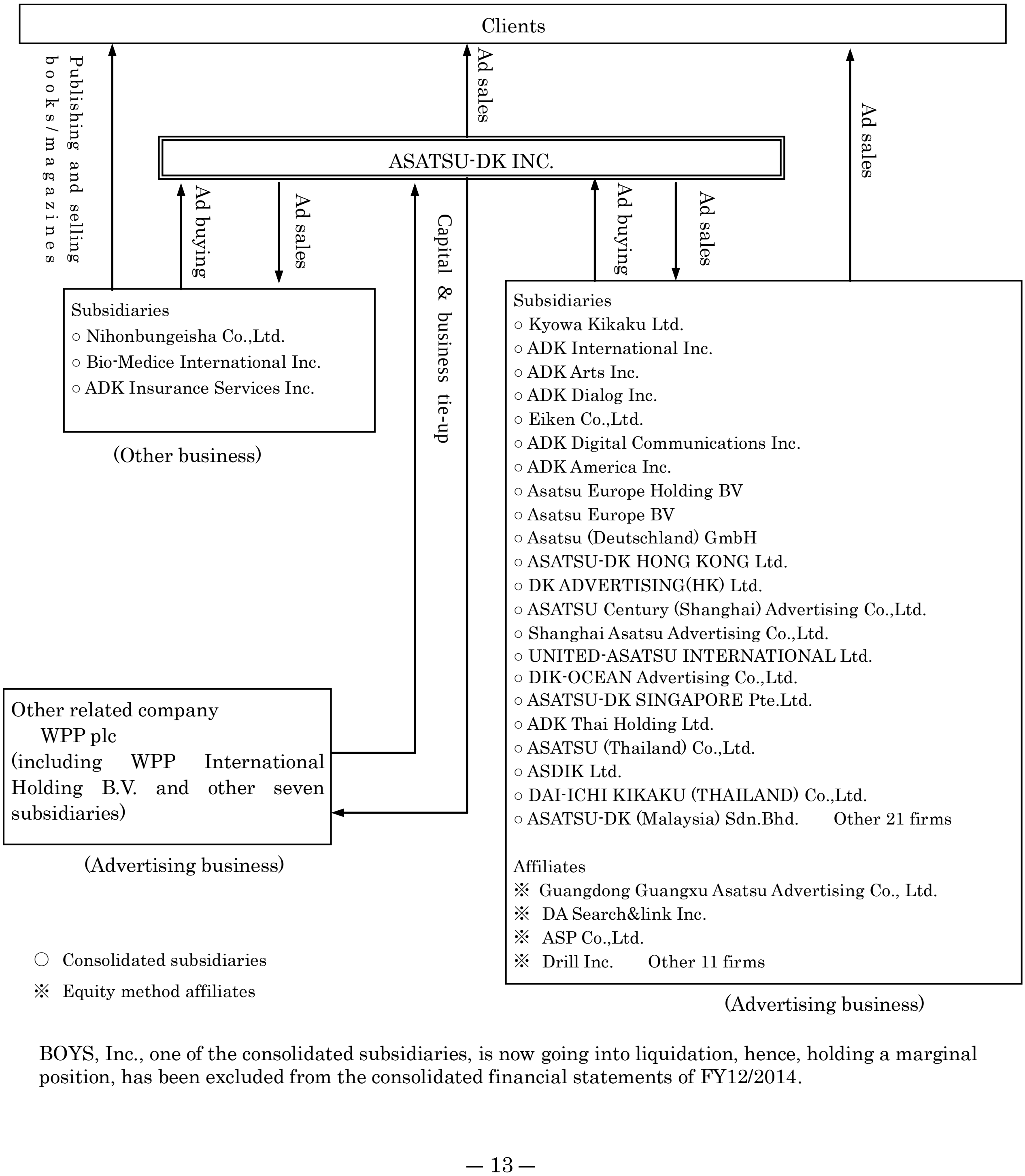
The ADK Group consists of ADK-Tokyo, 46 subsidiaries, 15 affiliates and one related company (including their subsidiaries. The same shall apply hereafter). The major businesses are (1) planning and buying of advertising in such media as magazine, newspaper, TV, radio, digital and OOH, (2) planning and creating advertising expressions and content, (3) offering all advertising-related services such as sales promotion, marketing, public relations. It is also engaged in publishing and selling magazines and books as other business.

The Group companies are engaged in advertising business and other business as below:

ADK-Tokyo, 43 subsidiaries, 15 affiliates and other related company are engaged in advertising business.

Nihon Bungeisha. ADK's subsidiary, and other two subsidiaries are engaged in other business.

The following illustrates how the Group is built from:



BOYS, Inc., one of the consolidated subsidiaries, is now going into liquidation, hence, holding a marginal position, has been excluded from the consolidated financial statements of FY12/2014.

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3. 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) Medium-Term Business Plan

In light of growth prospects for the Japanese economy and the advertising market, as well as changing communication environments 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, as previously described, has been undergoing the structural shifts 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.

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(3) 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:

FY	FY2011	FY2013	FY2013	FY2014	Mid-Term Targets FY2016
Consolidated Operating Income	3,852 million	1,383 million	1,383 million	4,097 million	7,000 million
Consolidated Gross Profit Growth	9.1%	-2.3%	-2.3%	7.7%	15.0% (2013-2016)
Consolidated Operating Margin(*)	8.4%	3.1%	3.1%	8.4%	13.0% over

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

In fiscal 2014, the consolidated and non-consolidated operating margins were 8.4% and 9.0% respectively. Both of these hit the targets announced in February 2014. ADK-Tokyo saw an increase of gross billings bolstered by TV media, digital media and promotion. The non-consolidated business also enjoyed an improvement in gross profit margin as a result of its effort to optimize COGS of outsourced business and further control in personnel cost, leading to a growth of gross profit by 7.7%.

Consolidated EPS and ROE

FY	FY2011	FY2012	FY2013	FY2014
EPS(Yen)	54.37	65.83	81.79	88.32
ROE(%)	2.3	2.7	2.9	2.8

(4) 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’ business results by providing them with in-house developed marketing tools to inspire customers to take actions, will be

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the key.

① **Develop and establish Consumer Activation Business (hereinafter called CAB)**

To realize "VISION 2020", envisaged in 2016 Mid-Term Business Plan, we are striving for developing innovative business models and offering unique and competitive services.

In May, 2014, we launched Axival Inc. The company has the proprietary database called "3D Database" as the core capability combined with consumer attitude, purchase behavior and media contact information, and offers services to help advertisers' marketing communication enhance.

We set the KPI that are closely linked to activating consumers. We are optimizing advertising budget, developing a planning method to create channels & campaign plans to fully achieve the KPI, and reinforcing our ability to implement "online & offline combined" campaigns.

We are extending our cooperation with specialty firms to diversify services, exploiting digital technology. To name but a few; "Noiman", a co-project with 1-10 design, Inc. which specializes in developing progressing ideas fused with technology and creative, a joint business with adflex communications, inc. which offers a new O2O communication in the field of the direct marketing. These are efforts we are boosting to ensure the development and establishment of the CAB model.

② **Expand Content Business**

The animation content business has been a traditional strength of the ADK Group and made a good track record. 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.

We are now proactively expanding know-hows and business models we have developed at home to overseas, taking on a challenge to cultivate and build new markets. In November 2014, ADK co-founded Anime Consortium Japan, Inc. that distributes officially-qualified Japanese animation content to overseas markets and operates an e-commerce site to sell anime-related goods. In December, we acquired shares in d-rights, inc. that has an important advantage over producing content and strong overseas networks.

We continue to step up our efforts to grow the business in the fields of broadcasting, distribution and merchandising both at home and abroad to enhance the presence of ADK content business.

③ **Global strategy**

The Group has expanded its overseas business by further strengthening hub offices, especially in China and South East Asia, to support Japanese firms who are looking to expanding foreign operation. International competition is getting even intense not only with Japanese peers but with global and local agencies. We recognize that restructuring the business strategy and infrastructure is a challenge for us to propel further growth in overseas markets.

We will be actively engaged in developing solutions in the fields of activation and digital in a way to directly help our clients drive their sales of products and services, integrating and reinforcing creative and planning capabilities across the board, and also making strategic investment in important nations and regions.

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④ **Enhance profitability further**

Last year, we introduced an inter-company transaction system with the aim of enhancing profitability. We have already reaped some benefit in a form of a gross profit improvement. In 2015, we will be taking a step further by improving this system and launching a business unit-based profit management system. Under this new initiative, each business unit is responsible for creating added value and managing cost, leading the entire business to generate larger profits.

⑤ **Personnel Training**

Recognizing that human resources are the most valuable assets of all for the Group, we hire right persons and give them right training so that they will be capable of tackling management challenges. We will optimize staff deployment across the Group to inject talent into growth opportunities more flexibly.

⑥ **Reinforce the Group management**

The ADK Group will further reinforce cooperation and collaboration among group companies, promoting in-house production and moving the existing operational base to a common architecture, aiming to enhance profitability. We will also extend functions and develop the business through tie-ups and M&A.

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.

(5) Other Important Business Issues

Not 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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4. Consolidated Financial Statements

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

(Millions of yen)

	December 31, 2013	December 31, 2014
Assets		
Current assets		
Cash and deposits	25,554	32,738
Notes and accounts receivable-trade	81,659	87,112
Short-term investment securities	11,371	7,534
Inventories	8,469	8,088
Deferred tax assets	913	976
Other	1,477	1,443
Allowance for doubtful accounts	(514)	(687)
Total current assets	128,932	137,205
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,798	4,255
Accumulated depreciation	(2,524)	(1,664)
Buildings and structures, net	1,273	2,591
Land	993	1,011
Other	3,821	3,549
Accumulated depreciation	(2,696)	(2,313)
Other, net	1,125	1,236
Total property, plant and equipment	3,392	4,839
Intangible assets		
Software	1,881	1,642
Other	251	29
Total intangible assets	2,132	1,672
Investments and other assets		
Investment securities	84,829	93,185
Long-term loans receivable	186	73
Deferred tax assets	427	448
Other	9,080	6,649
Allowance for doubtful accounts	(810)	(756)
Total investments and other assets	93,713	99,601
Total noncurrent assets	99,238	106,112
Total assets	228,170	243,317

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(Millions of yen)

	December 31, 2013	December 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	65,997	71,574
Short-term loans payable	―	46
Current portion of long-term loans payable	164	82
Income taxes payable	1,950	1,561
Provision for bonuses	402	1,013
Provision for directors' bonuses	―	3
Provision for sales returns	489	493
Other	7,076	9,078
Total current liabilities	76,080	83,853
Noncurrent liabilities		
Long-term loans payable	82	―
Deferred tax liabilities	18,802	21,578
Provision for retirement benefits	1,271	―
Provision for directors' retirement benefits	417	74
Net defined benefit liability	―	1,605
Other	544	1,206
Total noncurrent liabilities	21,116	24,464
Total liabilities	97,197	108,317
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,982
Retained earnings	44,303	42,265
Treasury stock	(651)	(569)
Total shareholders' equity	93,216	91,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	35,142	40,118
Deferred gains or losses on hedges	1	5
Foreign currency translation adjustment	1,513	2,819
Remeasurements of defined benefit plans	―	(20)
Total accumulated other comprehensive income	36,657	42,923
Subscription rights to shares	21	40
Minority interests	1,077	775
Total net assets	130,972	134,999
Total liabilities and net assets	228,170	243,317

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(2) Consolidated Income Statements and Consolidated Comprehensive Income Statements

Consolidated Income Statements (Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2014

(Millions of yen)

	Year Ended December 31, 2013 (From January 1 to December 31, 2013)	Year Ended December 31, 2014 (From January 1 to December 31, 2014)
Gross billings	342,786	352,984
Cost of sales	297,681	304,416
Gross profit	45,104	48,568
Selling, general and administrative expenses		
Salaries and allowances	23,012	22,916
Provision for bonuses	347	918
Retirement benefit expenses	2,174	2,062
Provision for directors' retirement benefits	37	18
Welfare expenses	3,438	3,427
Rent expenses	3,870	3,467
Provision of allowance for doubtful accounts	(76)	184
Depreciation	755	692
Other	10,163	10,782
Total selling, general and administrative expenses	43,721	44,470
Operating income	1,383	4,097
Non-operating income		
Interest income	264	261
Dividends income	1,800	2,156
Equity in earnings of affiliates	197	220
Dividends income of life insurance	58	107
Real estate rent	54	54
Other	691	555
Total non-operating income	3,067	3,355
Non-operating expenses		
Interest expenses	10	8
Loss on investments in partnership	4	58
Provision of allowance for doubtful accounts	2	22
Expenses of real estate rent	40	28
Loss on insurance cancellation	14	40
Other	50	43
Total non-operating expenses	123	201
Ordinary income	4,327	7,251

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(Millions of yen)

	Year Ended December 31, 2013 (From January 1 to December 31, 2013)	Year Ended December 31, 2014 (From January 1 to December 31, 2014)
Extraordinary income		
Gain on sales of noncurrent assets	222	13
Gain on sales of investment securities	4,232	1,222
Reversal of allowance for doubtful accounts	1	8
Other	137	39
Total extraordinary income	4,594	1,284
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	274	142
Impairment loss	–	207
Loss on sales of investment securities	144	2
Loss on valuation of investment securities	76	78
Loss on valuation of investments in capital	58	–
Special retirement expenses	2,519	535
Office transfer expenses	179	1,080
Other	69	55
Total extraordinary losses	3,321	2,102
Income before income taxes	5,600	6,433
Income taxes-current	2,472	2,669
Income taxes-deferred	(359)	(69)
Total income taxes	2,113	2,599
Income before minority interests	3,486	3,833
Minority interests in income	56	137
Net income	3,430	3,696

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

Year Ended December 31, 2014

(Millions of Yen)

	Year Ended December 31, 2013 (From January 1 to December 31, 2013)	Year Ended December 31, 2014 (From January 1 to December 31, 2014)
Income before minority interests	3,486	3,833
Other comprehensive income		
Valuation difference on available-for-sale securities	21,589	4,975
Deferred gains or losses on hedges	3	4
Foreign currency translation adjustment	2,107	1,361
Share of other comprehensive income of entities accounted for using equity method	—	13
Total other comprehensive income	23,700	6,355
Comprehensive income	27,187	10,189
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	27,075	9,982
Comprehensive income attributable to minority interests	112	206

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(3) Consolidated Statements of Changes in Net Assets (Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2013

	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				(1,255)	(1,255)
Disposals of treasury stock		(0)		88	88
Cancellation of treasury stock		(1,263)		1,263	—
Other decrease in retained earnings			(1)		(1)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	—	(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	Remeasurements of defined benefit plans	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								(1,255)
Disposals of treasury stock								88
Cancellation of treasury stock								—
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 fiscal year	21,589	3	2,052	—	23,644	15	45	21,413
Balance as of December 31,2013	35,142	1	1,513	—	36,657	21	1,077	130,972

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Year Ended December 31, 2014

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

	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	Remeasurements of defined benefit plans	Total			
Balance as of January 1,2014	35,142	1	1,513	–	36,657	21	1,077	130,972
Changes during the consolidated fiscal year								
Dividend payments								(5,932)
Net income								3,696
Increase due to newly consolidated subsidiaries								154
Acquisitions of treasury stock								(6)
Disposals of treasury stock								87
Cancellation of treasury stock								–
Other decrease in retained earnings								43
(Net) changes of items other than shareholders' equity	4,975	4	1,306	(20)	6,266	19	(302)	5,982
Total change during the consolidated fiscal year	4,975	4	1,306	(20)	6,266	19	(302)	4,026
Balance as of December 31,2014	40,118	5	2,819	(20)	42,923	40	775	134,999

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(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year Ended December 31, 2013 (From January 1 to December 31, 2013)	Year Ended December 31, 2014 (From January 1 to December 31, 2014)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	5,600	6,433
Depreciation and amortization	1,582	1,384
Loss (gain) on valuation of investment securities	76	78
Increase (decrease) in allowance for doubtful accounts	(571)	142
Increase (decrease) in provision for bonuses	3	581
Increase (decrease) in provision for directors' bonuses	(12)	3
Increase (decrease) in provision for sales returns	(350)	4
Increase (decrease) in provision for retirement benefits	(15)	—
Increase (decrease) in net defined benefit liability	—	283
Increase (decrease) in provision for directors' retirement benefits	(15)	(365)
Interest and dividends income	(2,065)	(2,417)
Interest expenses	10	8
Foreign exchange losses (gains)	1	(4)
Equity in (earnings) losses of affiliates	(197)	(220)
Loss (gain) on sales of investment securities	(4,088)	(1,220)
Office transfer expenses	179	1,080
Loss (gain) on sales and retirement of noncurrent assets	51	129
Decrease (increase) in notes and accounts receivable-trade	3,960	(5,081)
Decrease (increase) in inventories	(1,238)	533
Increase (decrease) in notes and accounts payable-trade	(1,585)	4,849
Decrease (increase) in accounts receivable-other	116	90
Increase (decrease) in accounts payable-other	(210)	763
Extra retirement payment	2,519	535
Other, net	946	2,881
Subtotal	4,698	10,474
Interest and dividends income received	2,086	2,427
Interest expenses paid	(11)	(8)
Payments for office transfer expenses	(179)	(1,080)
Payments for extra retirement payments	(2,519)	(478)
Income taxes (paid) refund	(899)	(3,164)
Net cash provided by (used in) operating activities	3,175	8,169

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(Millions of yen)

	Year Ended December 31, 2013 (From January 1 to December 31, 2013)	Year Ended December 31, 2014 (From January 1 to December 31, 2014)
Net cash provided by (used in) investing activities		
Payments into time deposits	(7,684)	(9,173)
Proceeds from withdrawal of time deposits	7,230	9,161
Proceeds from sales of securities	—	98
Purchase of property, plant and equipment	(548)	(2,049)
Proceeds from sales of property, plant and equipment	388	38
Purchase of intangible assets	(594)	(374)
Purchase of investment securities	(368)	(1,660)
Proceeds from sales of investment securities	9,152	1,745
Payments of loans receivable	(125)	(91)
Collection of loans receivable	168	103
Decrease (increase) in insurance funds	(22)	141
Payments for guarantee deposits	(1,185)	(318)
Proceeds from collection of guarantee deposits	180	2,654
Other, net	(318)	(451)
Net cash provided by (used in) investing activities	6,270	(177)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(47)	4
Repayment of long-term loans payable	(256)	(164)
Net decrease (increase) in treasury stock	(1,168)	(367)
Cash dividends paid	(4,687)	(5,816)
Cash dividends paid to minority shareholders	(25)	(109)
Other, net	(149)	(187)
Net cash provided by (used in) financing activities	(6,336)	(6,640)
Effect of exchange rate change on cash and cash equivalents	1,880	846
Net increase (decrease) in cash and cash equivalents	4,990	2,197
Cash and cash equivalents, beginning of the period	27,264	32,410
Increase in cash and cash equivalents from newly consolidated subsidiary	156	502
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(28)
Cash and cash equivalents, end of the period	32,410	35,082

(Segment Information)

Year Ended December 31, 2013 (Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	338,083	4,703	342,786	—	342,786
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
Segment assets	221,286	7,001	228,287	(116)	228,170
Other:					
Depreciation/amortization(*Note3)	1,527	55	1,582	—	1,582
Investment for entities accounted for using equity method	603	—	603	—	603
Increase in property, plant and equipment and intangible assets	1,142	21	1,164	—	1,164

(Note) 1 The details of the adjustments are as follows.

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

(2) Adjustment to segment assets consist of elimination for inter-segment transactions.

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

3 Depreciation/amortization includes amortization of software capitalized on the balance sheets.

Year Ended December 31, 2014 (Millions of Yen)

	Reportable segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	348,273	4.710	352,984	—	352,984
Inter-segment billings	27	52	80	(80)	—
Total billings	348,301	4,763	353,064	(80)	352,984
Segment income (loss)	4,465	(368)	4,097	0	4,097
Segment assets	237,959	6,533	244,492	(1,175)	243,317
Other:					
Depreciation/amortization(*Note3)	1,345	38	1,384	—	1,384
Investment for entities accounted for using equity method	847	—	847	—	847
Increase in property, plant and e quipment and intangible assets	2,487	17	2,505	—	2,505

(Note) 1 The details of the adjustments are as follows.

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

(2) Adjustment to segment assets consist of elimination for inter-segment transactions.

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

3 Depreciation/amortization includes amortization of software capitalized on the balance sheets.

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5. Non-consolidated Financial Statements

(1) Non-consolidated Balance sheets

(Millions of yen)

	December 31, 2013	December 31, 2014
Assets		
Current assets		
Cash and deposits	9,182	16,606
Notes receivable-trade	4,786	6,219
Accounts receivable-trade	65,589	69,853
Short-term investment securities	10,968	7,026
Inventories	5,503	5,515
Deferred tax assets	693	734
Accounts receivable-other	203	157
Other	1,013	757
Allowance for doubtful accounts	(370)	(571)
Total current assets	97,569	106,299
Noncurrent assets		
Property, plant and equipment		
Buildings	798	1,677
Vehicles	25	21
Tools, furniture and fixtures	357	477
Land	321	321
Lease assets	197	52
Total property, plant and equipment	1,700	2,550
Intangible assets		
Leasehold right	1	1
Software	1,730	1,515
Other	78	0
Total intangible assets	1,810	1,517
Investments and other assets		
Investment securities	10,504	11,868
Stocks of subsidiaries and affiliates	79,586	87,579
Investments in capital of subsidiaries and affiliates	1,049	1,099
Long-term loans receivable from subsidiaries and affiliates	88	52
Claims provable in bankruptcy, claims provable in rehabilitation and other	159	105
Guarantee deposits	4,054	1,747
Other	2,243	2,191
Allowance for doubtful accounts	(661)	(580)
Total investments and other assets	97,024	104,061
Total noncurrent assets	100,536	108,130
Total assets	198,105	214,429

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(Millions of yen)

	December 31, 2013	December 31, 2014
Liabilities		
Current liabilities		
Notes payable-trade	8,253	9,051
Accounts payable-trade	50,955	56,168
Current portion of long-term loans payable	164	82
Accounts payable-other	2,039	2,912
Income taxes payable	1,699	1,330
Provision for bonuses	—	682
Deposits received	588	3,669
Other	1,106	1,251
Total current liabilities	64,805	75,148
Noncurrent liabilities		
Lease obligations	79	4
Deferred tax liabilities	18,794	21,582
Provision for retirement benefits	382	631
Other	307	645
Total noncurrent liabilities	19,563	22,864
Total liabilities	84,369	98,012
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus		
Legal capital surplus	7,839	7,839
Other capital surplus	4,143	4,143
Total capital surpluses	11,982	11,982
Retained earnings		
Legal retained earnings	1,555	1,555
Other retained earnings		
General reserve	25,019	22,019
Retained earnings brought forward	3,219	3,770
Total retained earnings	29,794	27,345
Treasury stock	(651)	(569)
Total shareholders' equity	78,707	76,340
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	35,006	40,030
Deferred gains or losses on hedges	1	5
Total valuation and translation adjustments	35,007	40,035
Subscription rights to shares	21	40
Total net assets	113,736	116,416
Total liabilities and net assets	198,105	214,429

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(2) Non-consolidated Income Statements

(Millions of yen)

	Year Ended December 31, 2013	Year Ended December 31, 2014
Gross billings	296,065	306,718
Cost of sales	263,889	272,055
Gross profit	32,175	34,662
Selling, general and administrative expenses		
Salaries and allowances	15,876	15,456
Provision for bonuses	—	682
Retirement benefit expenses	1,821	1,685
Provision of allowance for doubtful accounts	(170)	197
Depreciation	486	391
Computer expenses	1,756	1,740
Other	11,238	11,378
Total selling, general and administrative expenses	31,008	31,531
Operating income	1,166	3,130
Non-operating income		
Interest income	40	33
Interest on securities	10	5
Dividends income	2,314	2,495
Foreign exchange gains	144	160
Other	236	268
Total non-operating income	2,746	2,964
Non-operating expenses		
Interest expenses	7	5
Rent expenses on real estates	15	9
Loss on investments in partnership	4	58
Other	21	71
Total non-operating expenses	49	145
Ordinary income	3,864	5,950
Extraordinary income		
Gain on sales of investment securities	3,874	1,043
Gain on sales of subsidiaries and affiliates' stocks	1	302
Other	124	51
Total extraordinary income	4,001	1,397
Extraordinary loss		
Loss on retirement of noncurrent assets	252	83
Special retirement expenses	2,354	478
Office transfer expenses	136	969
Other	375	207
Total extraordinary losses	3,118	1,738
Income before income taxes	4,747	5,609
Income taxes-current	1,840	2,165
Income taxes-deferred	(302)	(39)
Total income taxes	1,537	2,125
Net income	3,209	3,484

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(3) Statements of Changes in Net Assets

Year Ended December 31, 2013

(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 of treasury stock			(0)	(0)
Cancellation of treasury stock			(1,263)	(1,263)
Reversal of reserve for dividends				
Reversal of general reserve				
Net changes of items other than shareholders' equity				
Total changes of items during the period	–	–	(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 shareholders' 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 of treasury stock						88	88
Cancellation of treasury stock						1,263	–
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 of items during the period	–	(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

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	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 of treasury stock					88
Cancellation of treasury stock					–
Reversal of reserve for dividends					–
Reversal of general reserve					–
Net changes of items other than shareholders' equity	21,697	3	21,700	15	21,715
Total changes of items during the period	21,697	3	21,700	15	19,036
Balance as of December 31,2013	35,006	1	35,007	21	113,736

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Year Ended December 31, 2014

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1,2014	37,581	7,839	4,143	11,982
Changes during the non-consolidated fiscal year				
Dividend payments				
Net income				
Acquisitions of treasury stock				
Disposals of treasury stock			0	0
Cancellation of treasury stock				
Reversal of reserve for dividends				
Reversal of general reserve				
Net changes of items other than shareholders' equity				
Total changes of items during the period	—	—	0	0
Balance as of December 31,2014	37,581	7,839	4,143	11,982

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for dividends	General reserve	Retained earnings brought forward			
Balance as of January 1,2014	1,555	—	25,019	3,219	29,794	(651)	78,707
Changes during the non-consolidated fiscal year							
Dividend payments				(5,932)	(5,932)		(5,932)
Net income				3,484	3,484		3,484
Acquisitions of treasury stock						(6)	(6)
Disposals of treasury stock						87	87
Cancellation of treasury stock							—
Reversal of reserve for dividends							—
Reversal of general reserve			(3,000)	3,000	—		—
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	(3,000)	551	(2,448)	81	(2,367)
Balance as of December 31,2014	1,555	—	22,019	3,770	27,345	(569)	76,340

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	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 1,2014	35,006	1	35,007	21	113,736
Changes during the non-consolidated fiscal year					
Dividend payments					(5,932)
Net income					3,484
Acquisitions of treasury stock					(6)
Disposals of treasury stock					87
Cancellation of treasury stock					—
Reversal of reserve for dividends					—
Reversal of general reserve					—
Net changes of items other than shareholders' equity	5,023	4	5,028	19	5,047
Total changes of items during the period	5,023	4	5,028	19	2,680
Balance as of December 31,2014	40,030	5	40,035	40	116,416