Overview of first Nine Months Results for the Year Ending December 31, 2016 [Japanese GAAP]

November 7, 2016

Company Name ASATSU-DK INC. Exchange : Tokyo Stock Exchange First Section
Securities Code 9747 URL :http://www.adk.jp/en/
Representative Shinichi Ueno, President and Group CEO
Contact Person Kaori Nakajima, Department Director, Office of Corporate Communications Tel:+81-3-6830-3855

Filing date of the Quarterly Report: November 9, 2016
Supplementary information for financial results : Available
Organization of financial results briefing : None

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

1. The First Nine Months Consolidated Results (January 1, 2016 to September 30, 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	
9 months ended ;	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Sept. 30, 2016	257,219	0.1	4,248	49.6	6,055	13.2	1,251	(58.5)
Sept. 30, 2015	257,004	(0.5)	2,840	10.0	5,348	14.1	3,015	57.0

(Notes) Comprehensive income: at Sept. 30, 2016: (8,862) million yen (- %), at Sept. 30, 2015: 3,743 million yen (446.7%)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Sept. 30, 2016	29.99	29.98
Sept. 30, 2015	71.89	71.84

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
Sept. 30, 2016	205,012	105,101	50.6
Dec. 31, 2015	235,205	125,488	52.7

(Reference) Shareholders' equity: Sept. 30, 2016: 103,739 million yen, Dec. 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)	−	10.00			
Fiscal 2016(Forecast)			−	−	−

(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)	81.24

(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 Sept. 30, 2016	42,155,400 shares	at Dec. 31, 2015	42,155,400 shares
2. Number of treasury stock, end of term	at Sept. 30, 2016	431,836 shares	at Dec. 31, 2015	82,923 shares
3. Avg. number of shares (consolidated) outstanding during the terms ended	at Sept. 30, 2016	41,727,658 shares	at Sept. 30, 2015	41,952,390 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, 121,441 shares owned by this ESOP were included in the average number of shares of the first nine months of the period ended September, 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 Nine Months of Fiscal 2016 (3) Forecasts for Fiscal 2016” on page 6 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

Contents

This 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.

1. Consolidated Results for the First Nine Months of Fiscal 2016

(1) Overview of Operating Results

During the current first three quarters (from January 1, 2016 to September 30, 2016), the Japanese economy made a moderate improvement with corporate earnings growing healthily backed up by continuing government-and the Bank of Japan-led economic measures and monetary policies. On the other hand, unsettling factors remains in the international economic outlook, including slowdown in emerging economies such as China, the UK's withdrawal from the EU. This has only added to concern over potential impact on corporate earnings coupled with continuing strong yen. While consumer spending showed a recovery in the wake of improvements in employment conditions, 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 2016 continued to grow during the period of January and July, outpacing the one of the previous year, with a slight decline in August.

Under these circumstances, ADK continues to press forward with structural reforms to build a stronger foundation and improve earnings strength, holding out "VISION 2020" that the Company declared in 2013, aiming to transform itself to a "Consumer Activation Company", which not only delivers messages via advertisements but inspires consumers to take specific actions, thereby contributing to clients' results. During the three quarters under review, we carried out bold re-organization and fortified the structure to create more added values and exercise more accurate income management. Our group companies both at home and abroad also stepped up their efforts in making a foray into growing sectors through M&A activities, and restructuring and streamlining unprofitable businesses.

As a result of those efforts, the Group reported gross billings of ¥257,219 million, up 0.1% from the previous corresponding period. Gross profit was up 6.3% to ¥37,529 million, while operating income increased 49.6% to ¥4,248 million. Ordinary income grew to ¥6,055 million, up 13.2% year-on-year, with the addition of ¥2,084 million non-operating income including dividend received and ¥277 million non-operating expenses. Income before income taxes for the first nine months decreased 25.5% to ¥4,042 million with extraordinary income of ¥171 million and extraordinary loss of ¥2,184 million caused mainly by loss on liquidation of business, and therefore, the profit attributable to owners of parent for the first third quarter decreased 58.5% to ¥1,251 million on the year-to-year comparison.

As announced previously, the Company divested Nihon Bungeisha, Inc., a subsidiary of publication and sales of books and magazines, on April 18, 2016. Subsequently, the main business of the Company and its consolidated subsidiaries has consisted the single segment of advertising business since the second quarter.

Overall domestic business registered an increase in revenue and profit propelled by media business at ADK, in particular TV spot and digital media advertisements with income derived from TV time ad, marketing & promotion, creative business recovering strongly. Other contributing factors were a growth in a creative subsidiary associated with the further improved in-house production ratio and a robust performance in a digital subsidiary. While overseas business saw decreased revenue and profit due to exchange fluctuation and prolonged structural reform efforts in offices of China even though business in other Asian nations performed healthily and the US and Europe posted smaller operating loss. Overseas billings represented 7.5% (as opposed to 8.9% in 2015) of the consolidated billings during the period under review.

The parent company, the core competence of the Group business, generated gross billings of ¥231,147 million, up 2.3% from the previous fiscal year. Gross profit rose to ¥27,176 million, up 10.0% and operating income surged to ¥3,529 million, up 36.6%. Its gross profit ratio made improvements with billings growing larger than the year before and also through efforts in reviewing less profitable projects and strengthening the income management structure. Although staff cost was on a rise due to an increase in bonus provision brought forward arising from a strong performance, etc., the company continued to control selling and general administrative expenses. As a result of all that, ADK achieved a robust growth in revenue and profit.

Broken down by client business, ADK posted increases in gross billings from clients in such industries as Pharma/Medical Supplies, Food, and Restaurants/Other service sectors. However, gross billings declined from clients in such industries as Beverage/Tobacco, Government/Organizations, and Finance/Insurance sectors.

Non-consolidated basis ADK Performance by Clients Business

Breakdown by Clients Business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/Machinery	3,019	1.3	15.7
Foods	23,769	10.3	7.8
Beverage/Tobacco	15,281	6.6	(8.8)
Pharma/Medical supplies	13,707	5.9	26.8
Cosmetics/Toiletry	22,131	9.6	(0.2)
Apparel/Jewelry	8,955	3.9	1.8
Precision machinery/Office supplies	2,191	0.9	6.5
Home appliances/AV equipment	1,620	0.7	(21.6)
Automobile/Automobile-related	13,849	6.0	(0.3)
Household Goods	751	0.3	(33.8)
Hobbies/Sport Goods	13,923	6.0	3.2
Real Estate/Housing	7,646	3.3	11.7
Publishing	1,966	0.9	0.2
Information/Communication	25,600	11.1	(0.1)
Distribution/Retail	20,998	9.1	1.4
Finance/Insurance	18,423	8.0	(5.4)
Transportation/Leisure	6,874	3.0	11.1
Restaurants/Other service	7,871	3.4	18.7
Government/Organizations	7,835	3.4	(15.7)
Education/Medical Service/Religion	5,122	2.2	11.9
Signage/Other	9,605	4.2	8.6
Total	231,147	100.0	2.3

This 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.

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

Non-consolidated basis ADK 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	8,793	3.8	(8.3)	Beverage/Tobacco, Finance/Insurance, Government/Organizations	Hobbies/Sport Goods, Apparel/Jewelry, Cosmetics/Toiletry
	Newspaper	13,254	5.7	(3.5)	Restaurants/Other service, Publishing, Household Goods	Distribution/Retail, Cosmetics/Toiletry, Government/Organizations
	TV	109,961	47.6	2.2	Pharma/Medical supplies, Information/Communication, Hobbies/Sport Goods	Cosmetics/Toiletry, Distribution/Retail, Government/Organizations
	Program	40,053	17.3	(3.3)	Pharma/Medical supplies, Restaurants/Other service, Precision machinery/Office supplies	Distribution/Retail, Household Goods, Finance/Insurance
	Spot	59,615	25.8	5.8	Pharma/Medical supplies, Information/Communication, Restaurants/Other service	Cosmetics/Toiletry, Government/Organizations, Automobile/Automobile-related Products
	Content	10,292	4.5	4.4	Hobbies/Sport Goods, Transportation/Leisure, Automobile/Automobile-related Products	Information/Communication, Distribution/Retail, Finance/Insurance
	Radio	2,601	1.1	17.5	Information/Communication, Cosmetics/Toiletry, Real Estate/Housing	Finance/Insurance, Foods, Distribution/Retail
	Digital Media	14,948	6.5	23.8	Cosmetics/Toiletry, Foods, Apparel/Jewelry	Finance/Insurance, Home appliances/AV equipment, Beverage/Tobacco
	OOH Media	7,669	3.3	20.0	Foods, Beverage/Tobacco, Real Estate/Housing	Publishing, Cosmetics/Toiletry, Distribution/Retail
	Sub-total	157,229	68.0	3.7	Pharma/Medical supplies, Foods, Information/Communication	Distribution/Retail, Government/Organizations, Finance/Insurance
Non-Media	Marketing and Promotion	45,312	19.6	2.1	Distribution/Retail, Automobile/Automobile-related Products, Home appliances/AV equipment	Beverage/Tobacco, Government/Organizations, Apparel/Jewelry
	Creative	26,723	11.6	0.7	Transportation/Leisure, Foods, Distribution/Retail	Beverage/Tobacco, Finance/Insurance, Home appliances/AV equipment
	Others	1,881	0.8	(45.3)	Restaurants/Other service, Energy/Material/Machinery, Finance/Insurance	Information/Communication, Cosmetics/Toiletry, Government/Organizations
	Sub-total	73,917	32.0	(0.6)	Distribution/Retail, Automobile/Automobile-related Products, Real Estate/Housing	Beverage/Tobacco, Information/Communication, Government/Organizations
Total		231,147	100.0	2.3	Pharma/Medical supplies, Foods, Restaurants/Other service	Beverage/Tobacco, Government/Organizations, Finance/Insurance

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.

(2) Financial Position

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

Total assets amounted to ¥205,012 million, down ¥30,193 million from the previous consolidated fiscal year-end, mainly due to a decrease in cash and deposit as a result of a decrease in the value of investment securities stemming from a drop of their market value, a decrease in notes and accounts-receivable trade, and also dividend payment even with increased intangible fixed asset by recording goodwill. Total liabilities were also down ¥9,806 million to ¥99,910 million, mainly due to a decrease in notes and accounts payable-trade and 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 ¥105,101 million, and the shareholder's equity ratio was 50.6%.

(3) Forecasts for Fiscal 2016

During the first nine months of the year (from January 1, 2016 to September 30, 2016), the business on the whole performed strongly due largely to a favorable performance at ADK, the parent company, exceeding billings and operating income of the previous corresponding year. We, however, need to assess with caution how overseas subsidiaries are recovering further in the months to come and other influential factors on our business such as consumption trend and key clients' performance.

For those reasons, we have not changed the revised consolidated business forecasts released on March 24, 2016.

We continue our efforts to grow the business further 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

(Changes in Accounting Policies)

(Change in accounting policy in relation to business combination)

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 method to record the amount of difference incurred by a change in ADK’s equity interest in subsidiaries as capital surplus, over which ADK continues to assume control 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. A change is also made in the way of presenting a quarterly net income, etc. An account item of minority interests is replaced by non-controlling interests. To reflect these changes, the quarterly consolidated financial statements and the full-year consolidated financial statements for the previous first three quarters and the previous fiscal year have been restated.

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”.

Consequently, operating income, ordinary income and net income before income taxes sees a decline of ¥105 million each.

(Adoption of Practical Solution on a Change in Depreciation Method due to Tax Reform in 2016)

In accordance with an amendment in Corporation Tax Act, we have adopted “Practical Solution on a Change in Depreciation Method due to Tax Reform in 2016” (ASBJ PITF No.32, June 17, 2016) since the second fiscal quarter under review. Accordingly, the straight-line method is now adopted, replacing the declining-balance method, as a depreciation method in relation to equipment attached to building and structures that were acquired after April 1, 2016. This change may marginally impact on profit and loss of the current three quarter consolidated financial statements.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of Yen)

	December 31, 2015	September 30, 2016
Assets		
Current assets		
Cash and deposits	25,790	15,325
Notes and accounts receivable-trade	84,326	71,871
Short-term investment securities	2,172	3,561
Inventories	7,048	6,213
Other	2,602	3,745
Allowance for doubtful accounts	(568)	(1,279)
Total current assets	121,370	99,438
Noncurrent assets		
Property, plant and equipment	4,800	3,715
Intangible assets		
Goodwill	623	8,132
Other	1,563	1,197
Total intangible assets	2,186	9,329
Investments and other assets		
Investment securities	101,516	87,877
Other	6,150	5,397
Allowance for doubtful accounts	(819)	(745)
Total investments and other assets	106,847	92,529
Total noncurrent assets	113,834	105,574
Total assets	235,205	205,012

(Millions of Yen)

	December 31, 2015	September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,130	68,700
Short-term loans payable	96	1,648
Income taxes payable	1,269	888
Provision for bonuses	355	2,282
Provision	475	1
Other	8,228	7,053
Total current liabilities	84,556	80,575
Noncurrent liabilities		
Provision	42	15
Net defined benefit liability	935	499
Other	24,182	18,820
Total noncurrent liabilities	25,160	19,335
Total liabilities	109,716	99,910
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,982	11,977
Retained earnings	24,336	15,134
Treasury shares	(210)	(1,204)
Total shareholders' equity	73,690	63,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48,188	39,958
Deferred gains or losses on hedges	(0)	(27)
Foreign currency translation adjustment	1,859	34
Remeasurements of defined benefit plans	266	283
Total accumulated other comprehensive income	50,314	40,250
Subscription rights to shares	23	14
Non-controlling interests	1,461	1,348
Total net assets	125,488	105,101
Total liabilities and net assets	235,205	205,012

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

Consolidated Income Statements

Nine Months Ended September 30, 2016

(Millions of Yen)

	Nine Months Ended September 30, 2015 (From January 1 to September 30, 2015)	Nine Months Ended September 30, 2016 (From January 1 to September 30, 2016)
Gross billings	257,004	257,219
Cost of sales	221,706	219,689
Gross profit	35,297	37,529
Selling, general and administrative expenses		
Salaries and allowances	16,782	16,160
Provision for bonuses	1,044	2,250
Provision for directors' retirement benefits	2	―
Provision of allowance for doubtful accounts	124	263
Other	14,503	14,607
Total selling, general and administrative expenses	32,457	33,281
Operating income	2,840	4,248
Non-operating income		
Interest income	164	84
Dividends income	1,710	1,529
Equity in earnings of affiliates	192	125
Foreign exchange gains	112	―
Other	482	345
Total non-operating income	2,662	2,084
Non-operating expenses		
Interest expenses	14	9
Foreign exchange losses	―	191
Other	140	77
Total non-operating expenses	154	277
Ordinary income	5,348	6,055
Extraordinary income		
Gain on sales of non-current assets	59	136
Gain on sales of investment securities	193	5
Gain on liquidation of subsidiaries and associates	146	―
Other	4	29
Total extraordinary income	402	171
Extraordinary loss		
Loss on liquidation of business	―	1,994
Other	322	190
Total extraordinary losses	322	2,184
Income before income taxes	5,429	4,042
Income taxes	2,389	2,732
Net income	3,039	1,309
Profit (loss) attributable to non-controlling interests	24	58
Profit attributable to owners of parent	3,015	1,251

Consolidated Statement of Comprehensive Income

Nine Months Ended September 30, 2016

(Millions of Yen)

	Nine Months Ended September 30, 2015 (From January 1 to September 30, 2015)	Nine Months Ended September 30, 2016 (From January 1 to September 30, 2016)
Profit	3,039	1,309
Other comprehensive income		
Valuation difference on available-for-sale securities	1,615	(8,244)
Deferred gains or losses on hedges	(0)	(26)
Foreign currency translation adjustment	(962)	(1,877)
Remeasurements of defined benefit plans	55	16
Share of other comprehensive income of associates accounted for using equity method	(3)	(39)
Total other comprehensive income	703	(10,171)
Comprehensive income	3,743	(8,862)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	3,777	(8,812)
Comprehensive income attributable to non-controlling interests	(34)	(49)

(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)

The previous three quarters (From January 1, 2015 to September 30, 2015)

(Millions of Yen)

	Reportable Segments			Adjustment (*Note1)	Amount on Consolidated Income Statements (*Note2)
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
Billings to customers	253,864	3,140	257,004	–	257,004
Inter-segment billings	15	94	109	(109)	–
Total billings	253,879	3,235	257,114	(109)	257,004
Segment income (loss)	2,996	(155)	2,841	(1)	2,840

(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.

The current three quarters (From January 1, 2016 to September 30, 2016)

1. Information in relation to gross billings and profit or loss by reporting segment

The Group's reporting segment comprises an advertising business alone. Disclosure of segment information is omitted since it holds a marginal position as disclosed information.

2. A change in reporting segment

All shares of Nihon Bungeisha Inc. and BioMedis International Inc. were transferred during the current six months and subsequently ruled out from the scope of the consolidated accounting.

Accordingly, "Publishing" included in "Other business" has been removed. This has lessened significance of "Other business" and therefore the reporting segment now comprises a single segment of "Advertising business".

(Material Subsequent Events)

Not Applicable.