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(Securities Code: 9747)
March 8, 2017
ASATSU-DK INC.
23-1, Toranomom 1-chome,
Minato-ku, Tokyo, Japan

Convocation Notice of the 62nd Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to the 62nd Ordinary General Meeting of Shareholders of ASATSU-DK INC. (the "Company"), which will be held as set forth below.

If you do not attend the meeting, you may vote on the proposals in writing or electronically (via the Internet, etc.). For electronic voting, you may access the web site at <http://www.tosyodai54.net> or use the Electronic Voting Platform for Foreign and Institutional Investors. Your vote in writing or at the URL above will be accepted when made by 5 p.m., Tuesday, March 28, 2017, Tokyo time. The deadline for voting via the Platform is subject to terms and conditions among Investor Communications Japan, Inc., an investor and its custodian and nominee, if any.

1. Date and Time: 10 a.m., Wednesday, March 29, 2017 (The reception desk opens at 9:30 a.m.)
2. Location: Toranomom Hills Mori Tower 4F Toranomom Hills Forum Hall B, 23-3, 1-chome, Toranomom, Minato-ku, Tokyo

3. Agenda:

Reports

1. The Business Report, Consolidated Financial Statements, and the results of the audit of the Consolidated Financial Statements by the Independent Auditor and the Audit and Supervisory Committee for the 62nd Fiscal Year (from January 1, 2016 through December 31, 2016)
2. The results of the Non-consolidated Financial Statements of the 62nd Fiscal Year (from January 1, 2016 through December 31, 2016)

Proposal

Election of six (6) directors (excluding directors serving as Members of Audit and Supervisory Committee)

4. Matters Determined Regarding the Exercise of Voting Rights

- (1) In case there is no indication for or against the proposal on the Voting Card mailed to the Company, it shall be treated as approval of the proposal.
- (2) If voting rights are exercised both by mail and via the Internet, etc., only the vote registered via the Internet, etc., shall be recognized as valid.
- (3) If voting rights are exercised via the Internet, etc., more than once, only the last vote shall be recognized as valid.

5. Other Matters Concerning This Convocation Notice of the 62nd Ordinary General Meeting of Shareholders

- (1) The following matters are posted on the Company's web site (<http://www.adk.jp>) based on laws and regulations and the provision of Article 15 of the Company's Articles of Incorporation. Therefore, these matters are not included in the documents attached to this Convocation Notice of the 62nd Ordinary General Meeting of Shareholders.
 - 1) Notes to the consolidated financial statements
 - 2) Notes to the non-consolidated financial statements
- (2) Should any revision be made to the Voting Information, Business Report, Non-consolidated and Consolidated Financial Statements, it will appear on the Company's web site (<http://www.adk.jp>).

Sincerely yours,
Shinichi Ueno
Representative Director
President & Group CEO

Voting Information

Proposals and References:

Proposal: Election of six (6) directors (excluding directors serving as Members of Audit and Supervisory Committee)

The terms of office of all the Board of Directors (six directors, excluding directors serving as Members of Audit and Supervisory Committee) will expire as of the closing of the 62nd Ordinary General Meeting of Shareholders. Therefore, we propose that six Directors (excluding directors serving as Members of Audit and Supervisory Committee) including one Outside Director be elected.

The candidates for these positions are presented in the table below.

No.	Name	Position and Duty	Attendance at the Board of Directors Meeting
1	Shinichi Ueno (Reappointed)	Representative Director and President & Group CEO	16 out of 17 meetings (94%)
2	Noriyuki Nakai (Reappointed)	Director and Operating Officer, Division Director of Corporate Strategy Division and in charge of Human Resources and Legal Matters Center	17 out of 17 meetings (100%)
3	Yoshiki Uemura (Reappointed)	Director and Operating Officer, in charge of Domestic Core Business Sector	13 out of 13 meetings (100%)
4	Yoshitaka Ishiwata (Reappointed)	Director and Operating Officer, CFO, in charge of Finance & Process Management Center	13 out of 13 meetings (100%)
5	Stuart Neish (Reappointed)	Director	14 out of 17 meetings (82%)
6	Hideaki Kido (Reappointed) (Independent Director) (Outside)	Outside Director and Chairman of the board	17 out of 17 meetings (100%)

No.	Name (Date of Birth)	Brief Personal History and Significant Positions Held Concurrently	Number of the Company's Shares Held	Attendance at the Board of Directors Meeting
1	Shinichi Ueno (February 17, 1954) (Reappointed)	<p>April 1976 Joined the Company</p> <p>January 2005 Operating Officer</p> <p>March 2008 Director and Operating Officer</p> <p>March 2012 Director and Senior Operating Officer</p> <p>March 2013 Representative Director and President & Group CEO (Current position)</p> <p>Significant Positions Held Concurrently Vice President, JAPAN ADVERTISING AGENCIES ASSOCIATION Chairman, Japan Advertising Industry Welfare Pension Fund</p> <p>Reasons for the Appointment of the Candidate for Director The Company recommends reappointment of Shinichi Ueno because he has the ability to efficiently execute the Company's operations based on his experience as a person in charge of the Company's Account Service Department and Corporate Management Department, etc., and as Representative Director and President & Group CEO, and based also on his advanced expertise in overall corporate management acquired through his experience. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value.</p>	19,031	16 out of 17 meetings (94%)
2	Noriyuki Nakai (September 19, 1961) (Reappointed)	<p>August 1989 Joined the Company</p> <p>April 2011 Operating Officer</p> <p>March 2015 Director and Operating Officer</p> <p>January 2017 Director and Operating Officer, Division Director of Corporate Strategy Division and in charge of Human Resources and Legal Matters Center (Current position)</p> <p>Reasons for the Appointment of the Candidate for Director The Company recommends reappointment of Noriyuki Nakai because he has the ability to efficiently execute the Company's operations based on his experience as a person in charge of the Company's International Account Service Department and Corporate Strategy Department, etc., and based also on his advanced expertise in marketing and management control acquired through his experience. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value.</p>	3,200	17 out of 17 meetings (100%)

No.	Name (Date of Birth)	Brief Personal History and Significant Positions Held Concurrently	Number of the Company's Shares Held	Attendance at the Board of Directors Meeting
3	Yoshiki Uemura (July 15, 1954) (Reappointed)	<p>November 1986 Joined Dai-ichi Kikaku Co., Ltd.</p> <p>April 2007 Operating Officer</p> <p>March 2008 Director and Operating Officer</p> <p>March 2013 Senior Operating Officer</p> <p>January 2014 Operating Officer</p> <p>March 2016 Director and Operating Officer, in charge of Domestic Core Business Sector (Current position)</p> <p>Reasons for the Appointment of the Candidate for Director The Company recommends reappointment of Yoshiki Uemura because he has the ability to execute the Company's operations efficiently based on his experience as a person in charge of the Company's Creative Department and Account Service Department, etc., and based also on his advanced expertise in creativity and account service strategy acquired through his experience. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value.</p>	8,900	13 out of 13 meetings (100%)

No.	Name (Date of Birth)	Brief Personal History and Significant Positions Held Concurrently	Number of the Company's Shares Held	Attendance at the Board of Directors Meeting
4	Yoshitaka Ishiwata (August 7, 1965) (Reappointed)	<p>August 1992 Joined the Atlanta Office of Pricewaterhouse</p> <p>June 1999 Financial Controller of WPP Group plc Director of WPP International Holding B.V. Director and CFO of Research International Japan CFO of Ogilvy & Mather Japan</p> <p>February 2004 Chief Financial Officer of KVH Co., Ltd.</p> <p>April 2009 Chief Operating Officer of KVH Co., Ltd.</p> <p>July 2013 Representative Director and Chief Financial Officer of MarketPrizm Japan</p> <p>January 2014 Chief Financial Officer of Asurion Japan K.K.</p> <p>June 2015 Operating Officer</p> <p>March 2016 Director and Operating Officer, CFO, in charge of Finance & Process Management Center (Current position)</p> <p>Reasons for the Appointment of the Candidate for Director</p> <p>The Company recommends reappointment of Yoshitaka Ishiwata because he has the ability to efficiently execute the Company's operations based on his experience as a Chief Financial Officer, etc. of business corporations, and based also on his advanced expertise in finance and accounting acquired through his experience. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value.</p>	1,600	13 out of 13 meetings (100%)

No.	Name (Date of Birth)	Brief Personal History and Significant Positions Held Concurrently	Number of the Company's Shares Held	Attendance at the Board of Directors Meeting
5	Stuart Neish (September 21, 1963) (Reappointed)	<p>March 1988 Qualified as a Chartered Accountant, Admitted to membership of The Institute of Chartered Accountants of Scotland</p> <p>June 1991 Joined Coopers Deloitte in London, Senior Audit Manager</p> <p>January 1994 Joined the WPP, Group Financial Controller of Associates and Joint Ventures</p> <p>June 2006 WPP Group (Asia Pacific) Ltd., Director (Current position)</p> <p>March 2011 Director (Current position)</p> <p>Significant Positions Held Concurrently Managing Director, WPP International Holding B.V. Director, WPP Group (Asia Pacific) Ltd.</p> <p>Reasons for the Appointment of the Candidate for Director The Company recommends reappointment of Stuart Neish because he has the ability to supervise and offer appropriate advice on the execution of duties by executive directors based on his experience as an accountant and Group Financial Controller of subsidiaries and affiliates of the WPP Group, and based also on his advanced expertise in finance and accounting acquired through his experience. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value through partnership with the WPP Group.</p>	0	14 out of 17 meetings (82%)

No.	Name (Date of Birth)	Brief Personal History and Significant Positions Held Concurrently	Number of the Company's Shares Held	Attendance at the Board of Directors Meeting
6	Hideaki Kido (April 23, 1950) (Reappointed) (Independent Director) (Outside)	<p>April 1974 Joined ITOCHU Corporation</p> <p>April 1999 Vice President & General Manager of ITOCHU International Inc.</p> <p>June 2001 Deputy President & Representative Director of Star Channel Inc.</p> <p>March 2003 President & CEO of Japan Entertainment Network K.K.</p> <p>June 2008 Senior Managing Executive Officer of JSAT Corporation Director and COO of Space Communications Corporation</p> <p>April 2009 Senior Managing Executive Officer of Skyperfect-JSAT Corporation & President of SKY Perfect Entertainment Corporation</p> <p>June 2011 Executive Director and Chairman of IMAGICA TV Corporation (Current position)</p> <p>March 2012 Outside Director</p> <p>March 2015 Outside Director and Chairman of the board (Current position)</p> <hr/> <p>Significant Positions Held Concurrently Executive Director and Chairman, IMAGICA TV Corporation Senior Advisor to the Board, Imagica Robot Holdings Inc. Lecturer of Institute for Journalism, Media & Communication Studies, Keio University</p> <p>Reasons for the Appointment of the Candidate for Outside Director The Company recommends reappointment of Hideaki Kido because he is independent from the Company's management and he has the ability to supervise and offer appropriate advice on the execution of duties by executive directors based on his advanced expertise in the global business and broadcasting business acquired through his experience in international businesses and corporate management. We believe that he will contribute to the realization of the Company's sustainable growth and enhancement of its corporate value.</p>	0	17 out of 17 meetings (100%)

- (Notes) 1. Of the candidates for director, Shinichi Ueno concurrently serves as Vice President, JAPAN ADVERTISING AGENCIES ASSOCIATION and Chairman, the Japan Advertising Industry Welfare Pension Fund, in which the Company participates; therefore the ASSOCIATION and the Fund have a business relationship with the Company. No other candidates have special interests with the Company.
2. Hideaki Kido is a candidate for outside director of the Company. The Company has notified the Tokyo Stock Exchange of the nomination of Mr. Kido as an independent director as per the rules stipulated by the Tokyo Stock Exchange. Mr. Kido will remain to be an independent director after his reappointment.
3. Mr. Kido is currently outside director of the Company. Mr. Kido's term of office as outside director will have been five years at the closing of this (62nd) Ordinary General Meeting of Shareholders.
4. Special notes with regard to the candidates for outside director are as follows.
- (1) Independence of outside directors
- Mr. Kido concurrently serves as Executive Director and Chairman of IMAGICA TV Corporation, and Senior Advisor to the Board of IMAGICA Robot Holdings Inc. IMAGICA TV Corporation has a business relationship with the Company such as the video distribution. However, the amount of the Company's transactions with IMAGICA TV Corporation in 2016 was

less than 0.1% of net sales for the latest respective fiscal years of both companies, being extremely insignificant. The Company does not have any business relationship with IMAGICA Robot Holdings Inc. Therefore, the Company believes Mr. Kido is independent of the Company's management.

(2) Liabilities limitation agreement

The Company currently has a liabilities limitation agreement with outside director Mr. Kido, which limits his liabilities for compensation of damages under Article 423, Paragraph 1 of the Companies Act; provided, however, that the ceiling amount for liabilities pursuant to such agreement shall be the larger of ¥10 million or an amount stipulated by laws and regulations.

(Reference)

(1) Outlines of the policies and procedures concerning the appointment of directors at the Company

The Company appoints a person who has acquired adequate social credibility, meets the following criteria and can contribute to the realization of the Company's sustainable growth and enhancement of its corporate value as a candidate for director.

- (a) For an executive director, a candidate must have a wide range of experience and advanced expertise in the Company's business or other professional fields as well as the ability to efficiently execute business operations based on the Company's management strategies.
- (b) For a non-executive director including an outside director, a candidate must have a wide range of experience and advanced expertise in the Company's business or other professional fields as well as the ability to supervise and offer appropriate advice on the execution of duties by executive directors.
- (c) For an outside director, a candidate must be independent.

(2) Outlines of independence criteria for outside directors at the Company

The Company appoints a person who is independent and meets the following criteria as a candidate for outside director.

- (a) An outside director must meet independence standards stipulated by Tokyo Stock Exchange, Inc. and must not potentially cause conflict of interest with general shareholders.
- (b) The term of office as an outside director must not exceed eight years.

Highlights of the Business Report for the 62nd Business Term

(For the year ended December 31, 2016)

1. Overview of Business Results

(1) Review of Operations

The Japanese economy during the fiscal year under review made a moderate improvement with firm corporate earnings backed up by continuing government-and the Bank of Japan-led economic measures and monetary policies. Meanwhile, the future continues to be unclear due to the increasing uncertainty in global economy caused by a slowdown in emerging economies, the Brexit, and the impact of the U.S. presidential election. While consumer spending showed a recovery in the wake of improvements in employment conditions, consumers are still likely to selectively buy products with special functions or benefits 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 progressed steadily overall during the period, exceeding those of the previous year.

Under these circumstances, ADK Group continues to press forward with structural reforms to build a stronger foundation and improve earnings strength, holding out “VISION 2020,” 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 fiscal year under review, we carried out bold re-organization and fortified the structure to create more added values and exercise more accurate profit 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 these efforts, consolidated gross billings for the fiscal year under review were ¥352,671 million, up 0.2% year on year. Gross profit increased 4.8% year on year to ¥51,182 million, and operating income climbed 13.6% year on year to ¥5,569 million. Non-operating income of ¥3,290 million, including dividend income, and non-operating expenses of ¥170 million were recorded, resulting in ordinary income of ¥8,688 million, up 1.1% year on year. Extraordinary income of ¥230 million and an extraordinary loss such as loss on liquidation of business of ¥2,658 million were recorded. As a result, income before income taxes decreased 31.9% year on year to ¥6,260 million. Profit attributable to owners of parent decreased 55.7% year on year to ¥2,376 million.

The Company celebrated its 60th anniversary in March 2016. In order to express our gratitude to all of our shareholders for their support, in addition to the ordinary dividend, the Company has decided at the Board of Directors meeting held on February 20, 2017 to implement a 60th commemorative dividend. The year-end dividend for the fiscal year under review was determined to be ¥90 per share (an ordinary dividend of ¥30 and a commemorative dividend of ¥60), and payment was set to commence on March 22, 2017. Including the ¥10 per share interim dividend paid in September 2016, the total annual dividend for the fiscal year under review is ¥100 per share.

Segment Results

Advertising Segment:

As announced previously, the Company sold all the shares of Nihon Bungeisha, Co., Ltd., 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 of the single segment of advertising business since the second quarter.

Overall domestic business saw an increase in media advertising at ADK, in particular TV Spot and Digital Media segments advertisements with profitability derived from TV Program ad, Marketing and Promotion, Creative segments recovering strongly. Despite a weakness in contents subsidiaries, 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 gross billings and income due to exchange fluctuation and prolonged structural reform efforts in offices of China even though business in other Asian nations performed healthily and the U.S. and Europe posted operating income. Overseas billings accounted for 8.3% (9.3% for the previous fiscal year) of the total gross billings of the fiscal year under review.

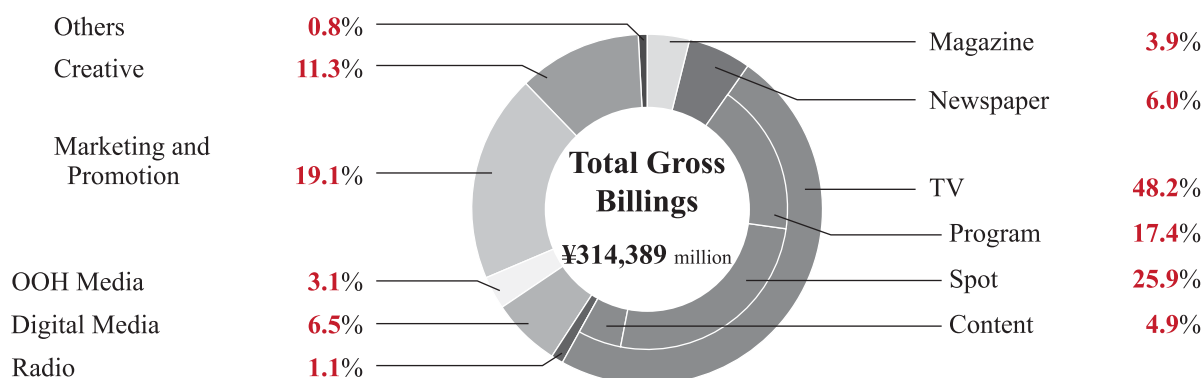
ADK, which forms the core of the ADK Group, reported gross billings of ¥314,389 million, up 2.5% from the previous year; gross profit increased 10.0% to ¥36,216 million; and operating income increased 33.5% year on year to ¥3,982 million. Its gross profit ratio made improvements with billings growing larger than the previous fiscal year 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, the company continued to control selling and general administrative expenses. As a result of all that, ADK achieved a robust growth in gross billings and income.

Broken down by industry, we reported an increase in advertisements placed by clients in the pharma/medical supplies, food, and restaurants/other service sectors, whereas placements by clients declined in the government/organizations, beverages/tobacco, and finance/insurance sectors.

The non-consolidated gross billings by segment of ADK are outlined below.

Breakdown by Discipline (Note)	Gross Billings (Millions of yen)	Composition (%)	Y-o-Y change (%)
Magazine	12,108	3.9	(8.7)
Newspaper	19,020	6.0	(0.3)
TV	151,508	48.2	2.8
Program	54,658	17.4	(1.8)
Spot	81,291	25.9	4.2
Content	15,558	4.9	12.8
Radio	3,512	1.1	14.8
Digital Media	20,525	6.5	19.4
OOH Media	9,781	3.1	17.4
Subtotal (Media)	216,456	68.8	3.9
Marketing and Promotion	59,910	19.1	0.5
Creative	35,545	11.3	2.2
Others	2,476	0.8	(38.6)
Subtotal (Non Media)	97,932	31.2	(0.5)
Total	314,389	100.0	2.5

■ Composition of Gross Billings by Discipline



- (Notes) 1. To address mature advertising markets and an increasingly diverse media environment, the Company offers comprehensive solutions to advertisers, thereby making the accurate representation of gross billings by medium difficult sometimes. Therefore, the above data might not represent gross billings exactly by medium.
2. Content includes animation content and sports and cultural event marketing.
3. Digital Media includes the 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.
6. The gross billings by discipline are rounded down. Therefore, their sums do not equal the total or the sub-totals.

(2) Status of Capital Expenditures

There are no important items.

(3) Status of Financing

There are no important items.

(4) Status of Significant Reorganization, etc.

ADK sold all the shares of Nihon Bungeisha, Co., Ltd., a consolidated subsidiary on March 24, 2016, and acquired shares in GONZO K.K. on August 22, 2016, making the company its subsidiary.

(5) Issues to Address

In the mature mass media–dominant domestic advertising market, the evolution of digital technology and advances in the functionality of digital devices have been transforming consumers’ media contact and purchase behavior. Given these developments, advertisers are keen to be advised of highly sophisticated communication programs with a maximum return on investment (ROI) that justifies their investment in advertising.

In contrast with the domestic advertising market, where there is little hope of business expansion against the backdrop of a mature economy and an aging society with a declining birthrate, continued growth is expected in the countries of Southeast Asia, where advertising needs from advertisers aiming to expand business in Southeast Asian markets are on an upward trend.

To cope with such a rapidly changing business environment, the ADK Group has set evolving into a “Consumer Activation Company” as the core strategy for our future growth. This will allow us to contribute to advertisers’ performance by developing and providing marketing tools to inspire consumers to take purchase actions. To this end, we will continue to focus on the following themes.

i. Promotion of Consumer Activation Business

With a view to achieving “VISION2020,” we will promote our Consumer Activation Business as marketing support services that offer solutions to challenges faced by advertisers.

Through Axival Inc., founded by the Company in May 2014, we have created our proprietary 3D Database, which integrates consumer attitude data accumulated by the Company with purchase pattern and media contact data provided by INTAGE Inc. We will utilize this database to increase added value in the media business and develop marketing services that help produce results for clients.

Furthermore, we will work to develop planning methods to allow us to set KPIs (target indicators) directly linked to consumers’ purchasing patterns and to optimize advertising budgets and formulate channel & campaign plans that maximize KPIs, while further reinforcing our ability to execute online & offline integrated campaigns.

To reinforce our services using digital technologies, ADK is pursuing alliances with external professional companies. These include a collaborative project with 1-10 design, Inc. to develop innovative advertising ideas featuring the fusion of cutting-edge technologies and high creativity; “textus,” a collaborative project with adflex communications, inc. to propose and execute solutions in the direct marketing field; the global network “Sticki,” which offers the best solutions in the field of video marketing; and the establishment of marketing and consulting company Absolute one Inc., which provides comprehensive support from creating marketing strategies to the introduction and creative operation of tools. In this way, we are working to resolve the challenges faced by client businesses and to develop and provide solutions directly linked to results.

ii. Expansion of Content Business

In the animation content business, which, along with extensive experience, has always been a strength of the ADK Group, we are engaged in aggressive and multifaceted business development, including new development. We are involved in producing and investing in television programs and movies, organizing events and musicals, and leveraging the appeal of the genre’s characters for sales promotions, thereby greatly contributing to the Company’s profits.

During the fiscal year under review, we reinforced the ADK Group’s content production functions with the acquisition of GONZO K.K., which strengths include planning, development and production of animation contents for young adults. We have also utilized d-rights Inc. which features strong contents production and an overseas

network focusing on Europe and America and IMMIG that has a network in China and other Asian countries. This has allowed us to expand a foundation for delivering expertise and models developed in Japan to overseas as well as to focus on development and creation of new markets.

We will continue to reinforce our capabilities in fields such as new content development and rights acquisition, as well as broadcasting, distribution and marketization of the products, both in Japan and abroad. We will also promote rights marketing such as utilization in contents sales promotion and various campaigns along with expanding contents business on a multi-faceted level with the aim of further raising ADK's profile in the content business.

iii. Global Strategies

The ADK Group has expanded overseas business focusing on marketing support for Japanese companies. We are continuing our structural reform in order to respond to changes in overseas strategies of advertisers' and the progressing specialization in the advertising industry. During the fiscal year under review, we have also continued our structural reform in the Greater China region in addition to unifying bases in Europe and the U.S. Going forward, we will reinforce overseas expansion of the content and digital businesses, strengthen expertise and expand service system in all areas and expand overseas business.

iv. Improvement of Profitability

The Company will further improve and enhance the intra-company transaction system and profit management by unit system introduced in 2014. During the fiscal year under review, we carried out a major reorganization, establishing five business sectors and introducing a sector-based profit management system. Each sector functions as a business unit within the Company, creating its unique added value and conducting its own profit management, with the aim of generating significant profit as a whole. We will enhance these structures and systems to further improve profitability.

v. Nurturing Human Resources

Human resources are the greatest asset of the ADK Group, and we will focus on hiring and developing the skills of individuals who can contribute to solving our management issues. During the fiscal year under review, we established a systematic training program and started its operation with the aim of nurturing managers to take over professional and next generation management that promotes Consumer Activation Business. We will continue to invest further in human resources, through education and training in strategic areas to raise capabilities across the board, nurturing of management staff, and allocation of highly specialized personnel to promote business strategies. We will also strive to optimize human resources across the entire Group in order to allocate personnel to growth opportunities flexibly.

vi. Reinforcement of Group Management

The Group will reinforce collaboration among Group companies and promote a further shift to in-house production and sharing of business bases, with the aim of increasing competitiveness and improving profitability across the Group.

In addition to the above, we will focus on strengthening risk management to ensure the stable growth of the ADK Group. In line with these efforts, we will enhance intra-company systems related to information security and compliance as well as internal control systems, etc. related to financial reporting. We will also promote management with corporate social responsibility such as environmental preservation in mind.

We would like to ask for the continued support and cooperation of all our shareholders.

(6) Financial Highlights

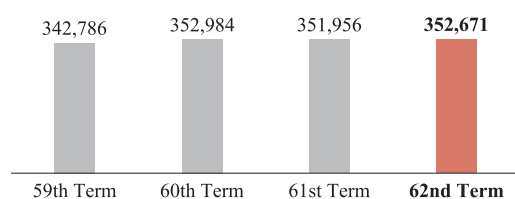
(a) Consolidated Financial Highlights

(Unit: Millions of yen)

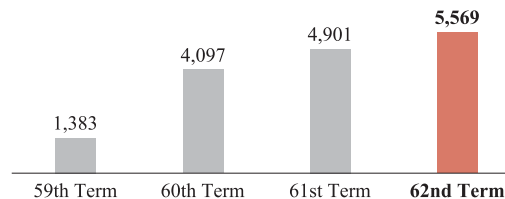
	59th Term (FY 2013)	60th Term (FY 2014)	61st Term (FY 2015)	62nd Term (FY 2016)
Gross billings	342,786	352,984	351,956	352,671
Gross profit	45,104	48,568	48,824	51,182
Operating income	1,383	4,097	4,901	5,569
Ordinary income	4,327	7,251	8,590	8,688
Profit attributable to owners of parent	3,430	3,696	5,362	2,376
Net income per share (yen)	81.79	88.32	127.72	56.96
Total assets	228,170	243,317	235,205	227,260
Net assets	130,972	134,999	125,488	113,225
Net assets per share (yen)	3,105.40	3,204.87	2,947.40	2,674.92

(Note) Net income per share is calculated based on the average number of shares outstanding during the term.

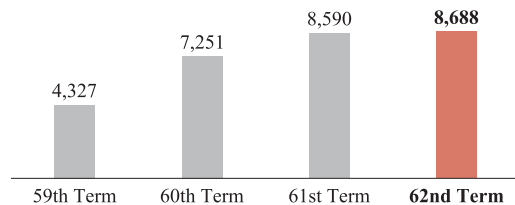
Gross billings (Unit: Millions of yen)



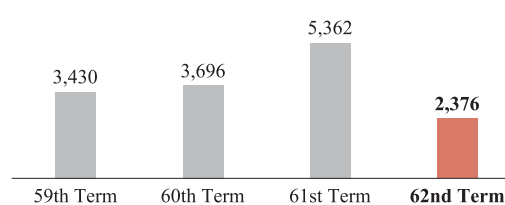
Operating income (Unit: Millions of yen)



Ordinary income (Unit: Millions of yen)



Profit attributable to owners of parent (Unit: Millions of yen)



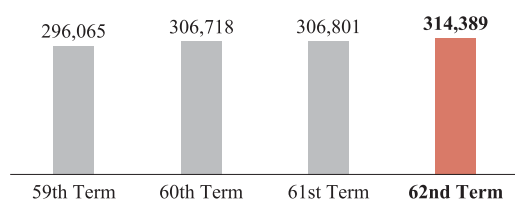
(b) Non-consolidated Financial Highlights

(Unit: Millions of yen)

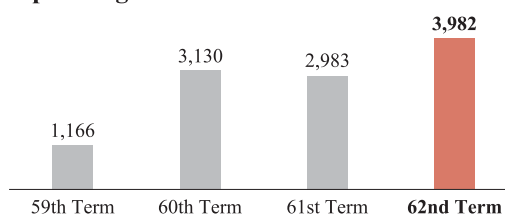
	59th Term (FY 2013)	60th Term (FY 2014)	61st Term (FY 2015)	62nd Term (FY 2016)
Gross billings	296,065	306,718	306,801	314,389
Gross profit	32,175	34,662	32,925	36,216
Operating income	1,166	3,130	2,983	3,982
Ordinary income	3,864	5,950	11,112	7,987
Net income	3,209	3,484	9,577	5,440
Net income per share (yen)	76.52	83.26	228.14	130.38
Total assets	198,105	214,429	214,017	202,641
Net assets	113,736	116,416	111,013	102,211
Net assets per share (yen)	2,719.03	2,779.54	2,638.07	2,449.19

(Note) Net income per share is calculated based on the average number of shares outstanding during the term.

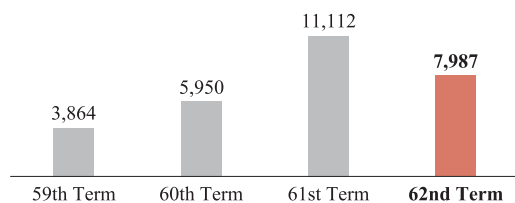
Gross billings (Unit: Millions of yen)



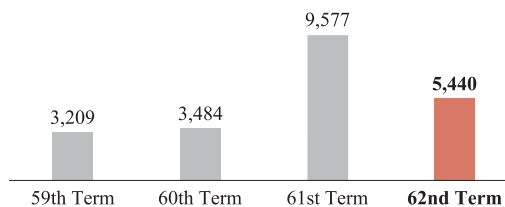
Operating income (Unit: Millions of yen)



Ordinary income (Unit: Millions of yen)



Net income (Unit: Millions of yen)



(7) Major Businesses (As of December 31, 2016)

Major businesses of the ADK Group are: advertising-related businesses including planning and implementation of advertising businesses using media such as magazines, newspapers, TV, radio, digital media and out-of-home (OOH) media, planning and development of advertisement and content, and services such as sales promotion, marketing and public relations.

(8) Major Offices (As of December 31, 2016)**(a) ADK**

Head Office (Location)	23-1, Toranomom 1-chome, Minato-ku, Tokyo, Japan
Other Offices (Locations)	Sapporo (Hokkaido), Sendai (Miyagi), Niigata (Niigata), Kanazawa (Ishikawa), Nagoya (Aichi), Osaka (Osaka), Okayama (Okayama), Hiroshima (Hiroshima), Takamatsu (Kagawa), Matsuyama (Ehime), and Fukuoka (Fukuoka)

(b) Significant subsidiaries

Locations of the significant subsidiaries are indicated in “(9) Status of Significant Subsidiaries, etc., 1. Overview of Business Results.”

(9) Status of Significant Subsidiaries, etc.**(a) Status of Significant Subsidiaries**

Company Name	Location	Capital	Voting Rights held by the Company	Main Business
Kyowa Kikaku Ltd.	Tokyo	JPY 40 million	100%	Advertising agent & creation
ADK International Inc.	Tokyo	JPY 300 million	100%	Advertising agent & creation
ADK Arts Inc.	Tokyo	JPY 90 million	100%	Advertising creation
ADK Dialog Inc.	Tokyo	JPY 80 million	100%	Advertising agent & creation
Axival Inc.	Tokyo	JPY 75 million	100%	Advertising agent & creation
GONZO K.K.	Tokyo	JPY 3,366 million	84.0%	Animation producing
Eiken Co., Ltd.	Tokyo	JPY 10 million	70.0%	Animation producing
ADK Digital Communications Inc.	Tokyo	JPY 100 million	51.0%	Advertising agent
RIGHT SONG MUSIC PUBLISHING CO., LTD.	Tokyo	JPY 10 million	100%	Contents management
d-rights Inc.	Tokyo	JPY 80 million	51.0%	Rights management
China Stories Inc.	Tokyo	JPY 10 million	100%	Visual contents creation
ADK Insurance Services Inc.	Tokyo	JPY 10 million	100% (100%)	Insurance agency
ADK America Inc.	New York	USD 2 million	100%	Advertising agent & creation
Sunrights Inc.	New York	USD 2 million	100% (100%)	Rights management
ADK Insights B.V.	Amsterdam	EUR 1 million	100%	Advertising agent & creation
Asatsu (Deutschland) GmbH	Frankfurt	EUR 300 thousand	100% (100%)	Advertising agent & creation
ASATSU-DK HONG KONG Ltd.	Hong Kong	HKD 11 million	100%	Advertising agent & creation
DK ADVERTISING (HK) Ltd.	Hong Kong	HKD 700 thousand	100%	Advertising agent & creation
ASATSU Century (Shanghai) Advertising Co., Ltd.	Shanghai	USD 3 million	100%	Advertising agent & creation
Shanghai Asatsu Advertising Co., Ltd.	Shanghai	USD 3 million	100%	Advertising agent & creation
Asatsu (Shanghai) Exposition & Advertising Co., Ltd.	Shanghai	CNY 10 million	90.0% (90.0%)	Advertising agent & creation
IMMG BEIJING CO., LTD.	Beijing	CNY 10 million	100% (100%)	Contents business consulting
UNITED-ASATSU INTERNATIONAL Ltd.	Taipei	TWD 60 million	100%	Advertising agent & creation

Company Name	Location	Capital	Voting Rights held by the Company	Main Business
DIK OCEAN Advertising Co., Ltd.	Taipei	TWD 130 million	100%	Advertising agent & creation
ASATSU-DK SINGAPORE Pte. Ltd.	Singapore	SGD 2 million	100%	Advertising agent & creation
SCOOP ADWORLD Pte. Ltd.	Singapore	SGD 50 thousand	100% (100%)	Advertising agent & creation
IMMG Pte. Ltd.	Singapore	SGD 3,300 thousand	100% (15.2%)	Contents business consulting
PT. IMMG Indonesia	Jakarta	USD 100 thousand	100% (100%)	Contents business consulting
ADK Thai Holding Ltd.	Bangkok	THB 4 million	100%	Holding company
ASATSU (Thailand) Co., Ltd.	Bangkok	THB 20 million	99.0% (50.0%)	Advertising agent & creation
ASDIK Ltd.	Bangkok	THB 10 million	85.0% (36.0%)	Advertising agent & creation
DAI-ICHI KIKAKU (THAILAND) Co., Ltd.	Bangkok	THB 20 million	85.0% (36.0%)	Advertising agent & creation
ASATSU-DK (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR 1,500 thousand	100%	Advertising agent & creation
DAI-ICHI KIKAKU (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR 2,000 thousand	100%	Advertising agent & creation
ASATSU-DK VIETNAM Inc.	Ho Chi Minh City	USD 150 thousand	100%	Advertising agent & creation
DIK VIETNAM Co., Ltd.	Ho Chi Minh City	USD 100 thousand	100% (100%)	Advertising agent & creation
ASATSU-DK Korea Co., Ltd.	Seoul	KRW 100 million	100%	Advertising agent & creation

(Notes) 1. The ratio of “Voting Rights held by the Company” is indicated by rounding to the first decimal place.

2. Figures in parentheses under the “Voting Rights held by the Company” indicate the ratio of indirect holdings and are included in the figures above.

3. From the fiscal year under review, GONZO K.K. and Axival Inc. were added to our significant subsidiaries.

4. Asatsu Europe Holding BV, Asatsu Europe BV and Knots Europe BV merged on January 1, 2016 to become ADK Insights B.V.

(b) Results of Business Combinations

The consolidated subsidiaries of the Company consist of the above-mentioned 37 significant subsidiaries, and its seven equity method affiliated companies are DA search & link INC., Drill Inc., ASP Co., Ltd., Premier X-Value Inc., Guangdong Guangxu (Asatsu) Marketing & Broadcasting Co., Ltd. (China), DS Public Relations Consulting Co., Ltd. (China), and A2 (Shanghai) Marketing Services Co., Ltd. (China). The results of business combinations for the fiscal year under review are described in “(1) Review of Operations, 1. Overview of Business Results.”

(c) Status of Specified Wholly Owned Subsidiaries as of December 31, 2016

Not applicable.

(10) Status of Employees (As of December 31, 2016)**(a) Status of Employees of Corporate Group**

Segment	Number of Employees	Y-o-Y Change
Advertising Business	3,466	+ 85
Other Business Segment	3	- 77
Total	3,469	+ 8

(Note) The number of employees is the number of workers engaged. It includes leased employees, while dispatched workers and employees on leave are excluded.

(b) Status of Employees of ADK

Segment	Number of Employees	Y-o-Y Change
Male	1,438	+ 7
Female	433	+ 11
Total	1,871	+ 18

(Note) The number of employees is the number of workers engaged. It includes leased employees, while dispatched workers and employees on leave are excluded.

(11) Major Lenders (As of December 31, 2016)

There are no important items.

(12) Other Important Matter Regarding the Corporate Group

Inadequate accounting treatments prior to the acquisition were discovered at GONZO K.K., a consolidated subsidiary, which the Company acquired the shares in August 22, 2016 and completed the acquisition in September of the same year, and therefore GONZO K.K. submitted the corrected reports of securities reports issued in the past on February 6, 2017. Based on findings and suggestions provided by the voluntary special investigation panels established following this matter, the Company will strive to prevent recurrence by strengthening a subsidiary management system and by reestablishing internal control systems, ensuring through compliance, reinforcing audit function, and others at GONZO K.K.

2. Matters Related to the Company's Shares (As of December 31, 2016)

(1) **Number of Issuable Shares:** 206,000,000 shares

(2) **Number of Shares Outstanding:** 42,155,400 shares

(Note) It includes treasury stock (432,400 shares).

(3) **Number of Shareholders:** 14,305

(4) Status of Major Shareholders (Top 10)

Shareholders	Number of shares	Holding ratio
WPP INTERNATIONAL HOLDING B.V.	10,331,100	24.76%
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,882,000	6.91%
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,745,700	4.18%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,164,600	2.79%
The Japan Trustee Services Bank, Ltd. (Trust Account)	1,159,700	2.78%
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,071,800	2.57%
NORTHERN TRUST CO. (AVFC) ACCOUNT NON TREATY	1,025,700	2.46%
The Bank of New York Mellon SA/NV 10	886,600	2.12%
The Master Trust Bank of Japan, Ltd. (Mitsubishi Corporation, Limited Account, Retirement Benefit Trust Account)	765,000	1.83%
The Japan Trustee Services Bank, Ltd. (Trust Account 9)	659,400	1.58%

(Notes) 1. The ratio of shareholding is calculated by deducting the number of treasury stocks from the number of shares outstanding and rounding to the nearest one hundredth of a unit.

2. Silchester International Investors LLP reported to the Company by the Major Shareholding Report (Change Report) as of December 20, 2016, stating that the company owned 6,705,200 shares (15.91% of the number of shares outstanding) as of December 16, 2016. Because the Company was not able to confirm the number of shares held by the company as of the end of the period, it not included among the major shareholders listed above.

(5) Other Matters Regarding Shares Trust

Based on a resolution of the Board of Directors meeting held on December 13, 2016, the Company acquired 333,000 shares (¥999 million) of treasury stock from December 19, 2016 to January 13, 2017, for the purpose of promoting returns to shareholders, while further improving capital efficiency and implementing flexible capital policy.

3. Matters Related to Stock Acquisition Rights

(1) Outline of the Stock Acquisition Rights (As of December 31, 2016)

Name (allotment date)	Total number of stock acquisition rights	Class and number of shares to be allotted upon exercise of stock acquisition rights	Amount of assets to be contributed upon exercise of stock acquisition rights	Exercise period of stock acquisition rights	The amount to be paid upon allocation of each stock acquisition right (issuance price of the stock acquisition rights)
Stock Acquisition Rights (2nd series) (May 30, 2013)	77	Common stock 7,700 shares (100 shares per each stock acquisition right)	One (1) yen per share	From May 31, 2016 to May 30, 2023	90,600 yen (906 yen per share)
Stock Acquisition Rights (3rd series) (May 30, 2013)	41	Common stock 4,100 shares (100 shares per each stock acquisition right)	One (1) yen per share	From May 31, 2016 to May 30, 2023	90,600 yen (906 yen per share)
Stock Acquisition Rights (4th series) (August 29, 2014)	264	Common stock 26,400 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 30, 2017 to August 29, 2024	173,500 yen (1,735 yen per share)
Stock Acquisition Rights (5th series) (August 29, 2014)	599	Common stock 59,900 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 30, 2017 to August 29, 2024	173,500 yen (1,735 yen per share)
Stock Acquisition Rights (6th series) (August 28, 2015)	134	Common stock 13,400 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 29, 2018 to August 28, 2025	239,900 yen (2,399 yen per share)
Stock Acquisition Rights (7th series) (August 28, 2015)	330	Common stock 33,000 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 29, 2018 to August 28, 2025	239,900 yen (2,399 yen per share)
Stock Acquisition Rights (8th series) (August 30, 2016)	262	Common stock 26,200 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 31, 2019 to August 30, 2026	234,800 yen (2,348 yen per share)
Stock Acquisition Rights (9th series) (August 30, 2016)	636	Common stock 63,600 shares (100 shares per each stock acquisition right)	One (1) yen per share	From August 31, 2019 to August 30, 2026	234,800 yen (2,348 yen per share)

(Notes) 1. The stock acquisition rights of the 2nd, 4th and 6th series were issued to the Company's directors (excluding outside directors) and the stock acquisition rights of 8th series were issued to the executive directors of the Company and the stock acquisition rights of the 3rd series were issued to the Company's senior operating officers, and 5th, 7th and 9th series were issued to the Company's operating officers excluding directors. They were each issued as stock compensation-type stock options.

2. The Company shall pay monetary compensation equivalent to the above amount payable for stock acquisition rights to the directors and officers to whom such stock acquisition rights are allocated, such amount to be offset by such directors' and officers' claim for such compensation, with respect to the Company, in lieu of the payment of the amount payable by the

directors and officers.

3. Conditions for exercise of stock acquisition rights of the 2nd, 4th and 6th series
 - (a) A stock acquisition rights holder must be a Director of the Company when he/she exercises those rights unless he/she retires by reason of expiration of his/her term of office or any other justifiable cause.
 - (b) The number of share acquisition rights that may be exercised shall fluctuate in steps, within a range of from 0% to 100% of the total number of stock acquisition rights allocated according to the Total Shareholder Return results (i.e., the sum of the difference between the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs and the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the month in which the first date of the exercise period occurs and the dividends per share for the period from the allotment date to the first date of the exercise period, divided by the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs) from the allotment date to the first date of the exercise period.
4. Conditions for exercise of stock acquisition rights of the 3rd series
 - (a) A stock acquisition right holder must be a Director or Senior Operating Officer of the Company when he/she exercises those rights unless he/she retires by reason of expiration of his/her term of office or any other justifiable cause.
 - (b) Same as the above 3. (b).
5. Conditions for exercise of stock acquisition rights of the 5th and 7th series
 - (a) A stock acquisition right holder must be a Director or Operating Officer of the Company when he/she exercises those rights unless he/she retires by reason of expiration of his/her term of office or any other justifiable cause.
 - (b) Same as the above 3. (b).
6. Conditions for exercise of stock acquisition rights of the 8th series
 - (a) Same as the above 3. (a).
 - (b) The number of share acquisition rights that may be exercised shall fluctuate in steps, within a range of from 0% to 100% of the total number of stock acquisition rights allocated according to the Total Shareholder Return results (i.e., the sum of the difference between the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs and the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the first date of the exercise period occurs and the dividends per share for the period from the allotment date to the first date of the exercise period, divided by the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs) from the allotment date to the first date of the exercise period.
7. Conditions for exercise of stock acquisition rights of the 9th series
 - (a) Same as the above 5. (a).
 - (b) Same as the above 6. (b).

(2) Status of Stock Acquisition Rights etc., allotted as consideration of execution of business to the Company's executives (As of December 31, 2016)

Name	Directors (excluding Members of Audit and Supervisory Committee and outside directors)		Outside Directors (excluding Members of Audit and Supervisory Committee)		Directors (Members of Audit and Supervisory Committee)	
	Number of persons	Number of stock acquisition rights (class and number of shares to be allotted upon exercise of stock acquisition rights)	Number of persons	Number of stock acquisition rights (class and number of shares to be allotted upon exercise of stock acquisition rights)	Number of persons	Number of stock acquisition rights (class and number of shares to be allotted upon exercise of stock acquisition rights)
Stock Acquisition Rights (2nd series)	1	41 (common stock 4,100 shares)	—	—	—	—
Stock Acquisition Rights (3rd series)	1	14 (common stock 1,400 shares)	—	—	—	—
Stock Acquisition Rights (4th series)	1	109 (common stock 10,900 shares)	—	—	—	—
Stock Acquisition Rights (5th series)	2	74 (common stock 7,400 shares)	—	—	—	—
Stock Acquisition Rights (6th series)	2	86 (common stock 8,600 shares)	—	—	—	—
Stock Acquisition Rights (7th series)	2	40 (common stock 4,000 shares)	—	—	—	—
Stock Acquisition Rights (8th series)	4	262 (common stock 26,200 shares)	—	—	—	—

(3) Status of Stock Acquisition Rights, etc., allotted as consideration of execution of business to the Company’s employees, etc. for the Period

Name	Employees		Employees and Executives of Subsidiaries	
	Number of persons	Number of stock acquisition rights (class and number of shares to be allotted upon exercise of stock acquisition rights)	Number of persons	Number of stock acquisition rights (class and number of shares to be allotted upon exercise of stock acquisition rights)
Stock Acquisition Rights (9th series)	16	636 (common stock 63,600 shares)	—	—

4. Matters Related to Company Executives

(1) Names and Other Information of Directors (As of December 31, 2016)

Name	Position and Duty	Important Concurrent Post
Shinichi Ueno	Representative Director and President & Group CEO	Vice President, JAPAN ADVERTISING AGENCIES ASSOCIATION Chairman, Japan Advertising Industry Welfare Pension Fund
Noriyuki Nakai	Director and Operating Officer Division Director of Corporate Strategy Division and in charge of Human Resources and Governance Center	
Yoshiki Uemura	Director and Operating Officer In charge of Domestic Core Business Sector	
Yoshitaka Ishiwata	Director and Operating Officer, CFO In charge of Finance & Process Management Center	
Stuart Neish	Director	Managing Director, WPP International Holding B.V. Director, WPP Group (Asia Pacific) Ltd.
Hideaki Kido (Outside) (Independent Director)	Outside Director Chairman of the board	Executive Director and Chairman, IMAGICA TV Corporation Senior Advisor to the Board, Imagica Robot Holdings Inc. Lecturer of Institute for Journalism, Media & Communication Studies, Keio University
Toshio Kinoshita (Outside) (Independent Director)	Outside Director Member of Audit and Supervisory Committee (Chairman of the Audit and Supervisory Committee)	Kinoshita CPA Firm, Chief Executive Officer of the firm Outside Auditor, Panasonic Corporation Outside Auditor, Cool Japan Fund Inc. Outside Auditor, WEATHERNEWS Inc. Outside Audit & Supervisory Board Member, Denka Company Limited Outside Director, TACHI-S CO., LTD. Outside Director, Mizuho Bank, Ltd.
Masayuki Yoshinari (Outside) (Independent Director)	Outside Director Member of Audit and Supervisory Committee	Partner, Toranomon College Law Office External Controller, Dai-Ichi Kangyo Credit Cooperative (Not full-time) Outside Director, NIHON KAGAKU SANGYO CO., LTD.
Megumi Sutoh (Outside) (Independent Director)	Outside Director Member of Audit and Supervisory Committee	Professor, Graduate School of Business and Finance, Waseda University Outside Auditor, Mitsui Sumitomo Insurance Company, Limited

- (Notes) 1. Yoshiki Uemura and Yoshitaka Ishiwata assumed the post after being newly appointed as Director at the 61st Ordinary General Meeting of Shareholders held on March 30, 2016.
2. Takeshi Kato and Kenji Oshiba retired upon the expiration of their terms of office as of the close of the 61st Ordinary General Meeting of Shareholders held on March 30, 2016.
3. Director Toshio Kinoshita and corporate auditors Masayuki Yoshinari and Megumi Sutoh assumed the post after being newly appointed as Directors serving as Members of Audit and Supervisory Committee at the 61st Ordinary General Meeting of Shareholders held on March 30, 2016.
4. Nobuyuki Motohashi and Yoshitake Ohnishi retired upon the expiration of their terms of office as of the close of the 61st Ordinary General Meeting of Shareholders held on March 30, 2016.
5. Hideaki Kido, Toshio Kinoshita, Masayuki Yoshinari and Megumi Sutoh are outside directors.
6. Full-time Members of Audit and Supervisory Committee are not selected, due to the purpose of the Audit and Supervisory Committee system, which is to perform audits utilizing internal control systems. The Company has positioned employees in the Secretariat of the Audit and Supervisory Committee and the directly controlled internal audit division to assist the duties of Audit and Supervisory Committee.

7. Member of Audit and Supervisory Committee Toshio Kinoshita has a considerable store of knowledge of finance and accounting.
8. Member of Audit and Supervisory Committee Masayuki Yoshinari has a considerable store of knowledge of general legal matters.
9. The Company reported directors Hideaki Kido, Toshio Kinoshita, Masayuki Yoshinari and Megumi Sutoh to the Tokyo Stock Exchange as independent directors.

(2) Outline of Liabilities Limitation Agreement

The Company has a liabilities limitation agreement with each outside director, which limits his/her liabilities for compensation of damages under Article 423, Paragraph 1 of the Companies Act; provided, however, that the ceiling amount for liabilities pursuant to such agreement shall be the larger of ¥10 million or an amount stipulated by laws and regulations.

(3) Amounts of Compensation of Directors and Corporate Auditors

(a) Total Amounts of Compensation for the Period

Position	Number of Directors/Corporate Auditors	Amount of Compensation
Directors (excluding Members of Audit and Supervisory Committee) (of those, outside directors)	8 (2)	¥165 million (¥20 million)
Directors (Members of Audit and Supervisory Committee) (of those, outside directors)	3 (3)	¥31 million (¥31 million)
Corporate auditors (of those, outside corporate auditors)	4 (3)	¥11 million (¥7 million)
Total	15	¥208 million

- (Notes) 1. The above table includes two directors and two corporate auditors (including one outside corporate auditor) who retired as of the close of the 61st Ordinary General Meeting of Shareholders held on March 30, 2016. One of the nine directors as of the end of the period serves without compensation, therefore the director is not included in the table above.
2. The Company transitioned from a Company with Board of Corporate Auditors to a Company with Audit and Supervisory Committee on March 30, 2016.
3. The amount of compensation for corporate auditors corresponds to the period prior to the transition to a Company with Audit and Supervisory Committee, and the amount of compensation for directors serving as Member of Audit and Supervisory Committee corresponds to the period after the transition.

(b) Amounts of Compensation for the Stock Acquisition Rights as Stock Compensation-type Stock Options

In addition to (a), based on a resolution of the 61st Ordinary General Meeting of Shareholders held on March 30, 2016 and of the Board of Directors held on August 12, 2016, the Company issued stock acquisition rights as stock compensation-type stock options to four executive directors on August 30, 2016, and an expense of ¥13 million was recorded during the fiscal year under review.

Total expenses of ¥122 million is expected to be recorded for three fiscal years beginning from the fiscal year under review to the fiscal year ending December 31, 2019, according to the Total Shareholder Return results (i.e., the sum of the difference between the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the day three years before the allotment date occurs and the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs and the dividends per share for the period from the date three years before the allotment date to the day that immediately follows the allotment date, divided by the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the date three

years before the allotment date occurs) for the three years preceding the allotment date of the stock acquisition rights.

(c) Amount of Retirement Benefits to Directors Provided for the Period

Not applicable.

(d) Amount of Compensation for Outside Executives Provided from the Parent Company and Subsidiaries

Not Applicable.

(4) Policy Regarding Determination of Compensation of Directors

Directors responsible for executing the Company's business (hereinafter "Executive Directors") receive "fixed compensation" and "business performance-linked compensation" determined according to the functions they perform. Directors not responsible for executing the Company's business receive fixed compensation only.

Business performance-linked compensation will consist of two types of compensation, namely, "bonuses," as compensation linked with short-term business performance, and "stock compensation-type stock options," as compensation linked with long-term business performance. Thus, the Company offers both long-term and short-term incentives to Executive Directors.

The specific levels of compensation amounts shall be determined by referring to the corresponding data of a group of similar companies in terms of industries, corporate scale, etc.

Because the Company does not treat directors as employees, it does not pay separate salaries to directors. The Company has terminated the system for granting retirement benefits to retiring directors as of the close of the 56th Ordinary General Meeting of Shareholders held on March 30, 2011.

Outline of fixed compensation, bonuses and stock compensation-type stock options are as follows.

(a) Fixed Compensation

It was resolved at the 61st Ordinary General Meeting of Shareholders held on March 30, 2016 that directors' (excluding directors serving as Members of Audit and Supervisory Committee) fixed compensation shall be paid in an amount not exceeding ¥500 million per year, and directors serving as Members of Audit and Supervisory Committee's fixed compensation shall be paid in an amount not exceeding ¥100 million per year.

Fixed compensation paid to directors is comprised of "basic compensation" and "funds for acquiring treasury stock" through the directors' shareholding association. "Funds for acquiring treasury stock" are applied only to full-time directors (excluding directors serving as Members of Audit and Supervisory Committee).

(b) Bonuses

It was resolved at the 61st Ordinary General Meeting of Shareholders held on March 30, 2016 to grant Executive Directors bonuses separate from the aforementioned fixed compensation in (a) in an amount not exceeding ¥200 million per year based on the level of achievement of the consolidated operating income or other performance evaluation indices set forth by the Company for each fiscal year.

Such bonuses shall be paid only if the consolidated operating income for each fiscal year reaches the target amount, and if the target amount is achieved, a certain percentage of an excess to such target amount shall be paid as bonuses, and the amount of bonuses for directors shall be, at most, equivalent to 100% of basic compensation, which is fixed compensation.

(c) Stock Compensation-type Stock Options

It was resolved at the 61st Ordinary General Meeting of Shareholders held on March 30, 2016 to grant Executive Directors stock acquisition rights separate from the aforementioned fixed compensation in (a) and the aforementioned bonuses in (b), not exceeding ¥100 million annually. The amount of compensation related to the stock acquisition rights corresponds to approximately 50% of basic compensation, which is fixed compensation.

The exercise price of such stock acquisition rights shall be ¥1 per share. The number of share acquisition rights to be exercised fluctuates within a range of from 0% to 100% of the total number of stock acquisition rights allocated according to the Total Shareholder Return results (i.e., the sum of the difference between the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs and the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the first date of the exercise period occurs and the dividends per share for the period from the allotment date to the first date of the exercise period, divided by the average stock price on Financial Instruments Exchanges in the three months (excluding non-trading dates) immediately preceding the month in which the allotment date occurs) from the allotment date to the first date of the exercise period.

(5) Matters Related to Outside Executives

(a) Status of Positions Held Concurrently by Outside Executives and Other Status

The status of important positions held concurrently by outside executives is stated in “(1) Names and Other Information of Directors, 4. Matters Related to Company Executives.”

The Company has a business relationship such as a commission operation related to video distribution with IMAGICA TV Corporation, where Director Hideaki Kido holds a concurrent position.

Furthermore, the Company has a business relationship such as cooperation with Panasonic Corporation, where Director serving as a Member of Audit and Supervisory Committee Toshio Kinoshita holds a concurrent position.

There is no relationship to be disclosed between the Company and other corporations where outside executives concurrently hold executive positions, other than those indicated above.

(b) Major Activities

Position	Name	Major Activities
Director	Hideaki Kido	Mr. Kido attended all of the Board of Directors meetings (17 times) of the Company held during the fiscal year under review and expressed his opinion when appropriate based on his advanced expertise related to global business and broadcasting business nurtured through his experience in international businesses and corporate management.
Director (Member of Audit and Supervisory Committee)	Toshio Kinoshita	Mr. Kinoshita attended 16 out of 17 Board of Directors meetings and all of the Audit and Supervisory Committee meetings (13 times) of the Company held during the fiscal year under review and expressed his opinion when appropriate based on his advanced expertise related to accounting and auditing nurtured through his experience as an accountant.
Director (Member of Audit and Supervisory Committee)	Masayuki Yoshinari	Mr. Yoshinari attended 16 out of 17 Board of Directors meetings, all of the Board of Corporate Auditors meetings (7 times) and 12 out of 13 Audit and Supervisory Committee meetings of the Company held during the fiscal year under review, and expressed his opinion when appropriate based on his advanced expertise related to general legal matters nurtured through his experience as a lawyer.
Director (Member of Audit and Supervisory Committee)	Megumi Sutoh	Ms. Sutoh attended 16 out of 17 Board of Directors meetings, all of the Board of Corporate Auditors meetings (7 times) and all of the Audit and Supervisory Committee meetings (13 times) of the Company held during the fiscal year under review, and expressed her opinion when appropriate based on her advanced expertise related to economics and finance nurtured through her experience as a researcher.

5. Status of Independent Auditor

(1) **Name of Independent Auditor:** Ernst & Young ShinNihon LLC

(2) Amount of Compensation for Independent Auditor

Compensation for the period	Total Amount of gains on assets the Company and its subsidiaries should pay
¥122 million	¥157 million

- (Notes)
1. In the audit contract between the Company and the independent auditor, there is no clear distinction between the compensation for audits in accordance with the Companies Act and that for audits in accordance with the Financial Instruments and Exchange Act, and it is not possible to make clear distinction between them in practice as well. For this reason, the compensation for the independent auditor for the fiscal year under review is the sum of these amounts.
 2. The Audit and Supervisory Committee agreed that the amount of compensation for the independent auditor is reasonable, taking into account the independent auditor's audit plans, execution of duties, basis of quotation, and other factors.
 3. Some of the significant subsidiaries have been audited by certified public accountants or audit corporations (including qualified individuals or firms equivalent to these qualifications overseas) other than the Company's Independent Auditor.

(3) Non-audit Services

The Company asked the auditing firm to perform business survey services other than tasks prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act and compensated the firm for these services.

(4) Policy of Dismissal and Non-reappointment of Independent Auditor

The Audit and Supervisory Committee of the Company may dismiss an independent auditor with the unanimous approval of the Committee when such independent auditor falls under any of the reasons for dismissal stipulated in each item of Article 340, Paragraph 1 of the Companies Act, and when the Committee determines there are no prospects of improvement.

The Audit and Supervisory Committee of the Company determines a proposal for dismissal or non-reappointment of an independent auditor to be submitted to the general meeting of shareholders when there is a problem related to eligibility or trustworthiness as an independent auditor such as a systematic flaw, or when an event occurs that makes appropriate execution of duties as an independent auditor difficult.

(5) Administrative Order of Suspending Business Operations of the Independent Auditor that has been in Effect for the Past Two Years

Outline of the administrative order of suspending business operations announced by the Financial Services Agency on December 22, 2015

(a) Auditing firm against which the administrative order was issued

Ernst & Young ShinNihon LLC

(b) Details of the administrative order

Suspension of business operations related to accepting new engagements during the three-month period from January 1, 2016 to March 31, 2016

(c) Reason for the administrative order

- False statements resulting from its employees' negligence
- Significantly inappropriate operations of the auditing firm

6. Business System and Policies

(1) Outline of the System to Maintain Appropriate Business Practice

The following is the outline of basic policy to improve the system ensuring the appropriateness of ADK's business (hereinafter "Internal Control System").

(General Rules)

ADK develops and operates an internal control system with the following aims:

- (a) Raise operational effectiveness and efficiency;
- (b) Maintain the reliability of financial reporting;
- (c) Ensure compliance with laws, regulations and the Articles of Incorporation relating to business activities;
and
- (d) Safeguard assets.

Development and operation of the Internal Control System is performed by the Risk Management Committee, which is chaired by the president; its members shall comprise operating officers appointed by the Board of Directors. The Risk Management Committee will regularly investigate if the Internal Control System effectively functions or not, using a process management method based on the PDCA (Plan, Do, Check, Act) cycle, and report to the Board of Directors Meeting. The elements of resolution stipulated in the Companies Act and the Ordinance for Enforcement of the Companies Act are described in the following specific rules.

(Specific Rules)

1. System to ensure ADK's directors and employees perform their duties in accordance with laws, regulations and the Articles of Incorporation

The Board of Directors formulated the "ADK Group Code of Conduct" to clarify the ethics and values to be shared by all directors and employees of the ADK Group. The directors themselves observe this code, and the president continuously reiterates its spirit to employees.

ADK appoints the Compliance Committee as a subordinate organization of the Risk Management Committee, chaired by the operating officer in charge of compliance supervision, and its members shall include external attorneys.

The Compliance Committee will position the ADK Group Code of Conduct as a compliance policy. The Compliance Committee will promote the implementation of the compliance policy through a variety of measures, including the holding of workshops and the preparation of guidelines, etc.

In order to make certain that the execution of duties is in compliance with laws and regulations and the Articles of Incorporation, ADK will include a provision to the effect that ADK will eliminate any relationship with anti-social forces in the ADK Group Code of Conduct and ADK will develop a system to implement the provision under the supervision of the Compliance Committee.

When a violation or a suspected violation of major laws and regulations or the Articles of Incorporation comes to the attention of the Compliance Committee, it will conduct its own investigation or request the internal audit division through Audit and Supervisory Committee to conduct an investigation. Based on the results, the Compliance Committee will request that appropriate action should be taken against the department in question. The Compliance Committee also establishes and operates the "Group Helpline System," which guarantees anonymity, and employees may report to an external law firm under this system.

As another subordinate organization of the Risk Management Committee, ADK will establish the Process Owner Committee, chaired by the operating officer in charge of developing, operating and maintaining the system to specifically secure the reliability of financial reporting. The Process Owner Committee will identify risks related to the reliability of financial reporting and issue instructions accordingly. Based on such instructions, the Process Owner Committee will ensure that suitable responses are implemented to address risks identified in

each responsible department.

2. System regarding the retention and management of information related to the execution of duties of ADK's directors

As a subordinate organization of the Risk Management Committee, ADK will establish the Information Security Committee, chaired by the operating officer in charge of retention and management of information related to the execution of duties of directors.

Information related to the execution of duties by ADK's directors shall be retained in written or recorded ("written, etc.") documents or electronic records ("documents, etc.") as much as possible. The minutes of the Board of Directors meetings and documents, etc., in which intention is written, etc., on omission of the resolutions of the Board of Directors meeting, together with the materials distributed to directors for deliberation of resolution shall be retained for a minimum of ten years in the division in the charge of the secretariat. In addition, ADK will manage the minutes of regular meetings that directors must attend, as well as documents, etc., approved by directors or in which their opinions are written, etc., in compliance with "Document Management Regulations" and "Information Security Policy."

3. ADK rules and systems relating to risk management for loss

The Risk Management Committee will define the "Risk Management Policy" and implement comprehensive risk management for ADK and will instruct the responsible departments to take appropriate measures against any matters that require action.

ADK will establish the Compliance Committee, Information Security Committee, Process Owner Committee, as well as Disaster Prevention Committee or any other specialized committee under the control of the Risk Management Committee requiring them to engage in risk management in their respective area of expertise. Any risk management in areas other than those covered by expert committee will be under direct control of the Risk Management Committee.

The internal audit division will monitor the effectiveness of the risk management system and report to the Risk Management Committee through the Audit and Supervisory Committee.

4. System to ensure the effective execution of ADK's directors' duties

ADK will maintain an appropriate number of directors in order to ensure the flexible holding of and active discussions at the Board of Directors meetings. ADK will also limit the tenure of each director (except for directors serving as Members of the Audit and Supervisory Committee) to one year in order to frequently check the qualification of directors.

ADK will maintain a distinction between the duties of directors and the execution of business, and operate the Board of Directors by focusing on the decision of execution of duties and supervision over execution of duties with high level of awareness of the authority of the Board of Directors, as prescribed in the Companies Act. The execution of business will be conducted by business execution organization with operating officers appointed by the Board of Directors as its core under the instruction of the president.

The Board of Directors meeting will set up the company-wide goals and objectives to be shared by all directors and employees, also draw up mid-term plans and annual business plans to achieve those goals and objectives. Progress of annual business plans will be reported on a quarterly basis, and the progress of medium-term plans will be reported and reviewed as necessary each fiscal year.

5. System to maintain appropriate business practices throughout the ADK Group

(a) System regarding report to ADK of matters on execution of duties by ADK's subsidiary's directors, operating officers, employees executing business, any persons who are to execute the duties under Article

598, Paragraph 1 of the Companies Act or any other similar person (“Directors Etc.”)

ADK will execute an arrangement with core subsidiaries and obligate them to discuss with ADK in advance or report to ADK with respect to important operational matters. In addition, ADK will assign directors or employees of ADK as directors of particularly important subsidiaries.

(b) Rules and other systems relating to the management of risk of loss by ADK’s subsidiary

Risk Management Committee will manage risk at the ADK Group comprehensively and thoroughly, and cause the division in charge to take necessary action against risk.

(c) System to ensure that duties by Directors Etc. of ADK’s subsidiary are executed in an efficient manner

ADK will develop a basic management policy for the ADK Group, as well as implementing the management benchmarks and performance management benchmarks on a consolidated basis and developing mid-term management plans. Further, the ADK Group will conduct the result management effectively for the ADK Group as a whole.

(d) System to ensure that the execution of duties by Directors Etc. and employees of ADK’s subsidiaries comply with laws and regulations and the Articles of Incorporation

Under the supervision of the Risk Management Committee, the ADK division in charge of management of subsidiaries will direct each subsidiary to develop and maintain its own internal control system coordinate internal controls between ADK and each subsidiary, and implement a group-wide internal control system.

The ADK division in charge of management of subsidiaries will request each subsidiary to comply with the “ADK Group Code of Conduct” and to develop and implement specific measures, depending on characteristics of each subsidiary. “Specific measures” will include participation to the “Group Helpline System.” or development of systems similar thereto.

The ADK division in charge of management of subsidiaries will make arrangements with major subsidiaries about accepting the internal audit by the internal audit division and develop a system that enables internal audit division to audit each subsidiary's business.

6. Matters regarding a system relating to employees who assist the duties of the ADK Audit and Supervisory Committee, and independence of such employees from other directors (except for directors serving as Members of the Audit and Supervisory Committee), and ensuring workable instructions from the Audit and Supervisory Committee to employee

ADK will assign employees to assist the duties of the Audit and Supervisory Committee to the Secretariat of the Audit and Supervisory Committee and the internal audit division under direct control of the Secretariat of the Audit and Supervisory Committee. To reinforce independence of the employee from directors (except for directors serving as Members of the Audit and Supervisory Committee), and secure workable instructions to the employees from the Audit and Supervisory Committee, the employee will follow the instructions and orders from the Audit and Supervisory Committee. In addition, prior consent from the Audit and Supervisory Committee is required for decisions and implementations on the performance reviews, personnel transfers, as well as reward and punishment of the employee.

7. System to report to the ADK Audit and Supervisory Committee and a system to ensure that the person reporting to the corporate auditor does not receive any unfavorable treatment by virtue of having made the report

ADK’s directors and employees will immediately report to the Audit and Supervisory Committee directly or through the Secretariat of the Audit and Supervisory Committee and the internal audit division any fact that may cause significant damage to ADK Group, any misconduct relating to the execution of duties by directors, material fact that breach laws and regulations and the Articles of Incorporation, any matter reported pursuant to

the Group Helpline System, and the result of investigation by the authority and audit by the external counsel. ADK will prohibit any unfavorable treatment to the person who reported to the Audit and Supervisory Committee, the Secretariat of the Audit and Supervisory Committee and the internal audit division, and educate employees to that effect within the ADK Group.

8. Procedures for advance payment or reimbursement of fees arising in connection with the execution of duties by ADK Members of the Audit and Supervisory Committee (limited to those related to the execution of duties of the Audit and Supervisory Committee, the same shall apply hereinafter) and any other policy regarding handling the cost or obligation arising in connection with the execution of duties by Members of the Audit and Supervisory Committee

ADK will secure the budget in advance for the fees as deemed necessary to execute the duties of Members of the Audit and Supervisory Committee. In addition, Members of the Audit and Supervisory Committee may charge fees spent on an emergency or temporary basis for the execution of their duties which may not be included in such budget to ADK beforehand or afterward, and ADK will promptly reimburse such fees or obligation if the said fees or obligation are deemed necessary for the execution of their duties.

9. Other systems for ensuring the effective implementation of auditing by the Audit and Supervisory Committee

ADK will notify Members of the Audit and Supervisory Committee of the schedule of management meeting, Risk Management Committee, and other important regular meetings, and the minutes of those meetings must be presented. In all internal meetings, directors (except for directors serving as Members of the Audit and Supervisory Committee) and employees shall not reject requests from the Audit and Supervisory Committee to have Members of the Audit and Supervisory Committee or employees selected by the Audit and Supervisory Committee to attend the meetings.

The president of ADK will hold meetings with the Audit and Supervisory Committee on a regular basis and also when necessary, irregular meetings to exchange opinions.

In order to ensure the effectiveness of audit by the Audit and Supervisory Committee, the internal audit division is established under the Secretariat of the Audit and Supervisory Committee under direct control of the Audit and Supervisory Committee. ADK's internal audit division will submit audit reports regarding ADK and its subsidiaries to the Audit and Supervisory Committee.

(2) Outline of Operating Status of System to Maintain Appropriate Business Practice

(Matters Regarding Execution of Duties by ADK's Directors and Employees)

Through education and workshops held by the Compliance Committee, which is a subordinate organization of the Risk Management Committee, the ethics and values of the ADK Group based on the "ADK Group Code of Conduct" are shared among all directors and employees.

With regard to the operation of the Group Helpline System, the Compliance Committee is mainly involved to guarantee the protection of whistleblower and the transparency and fairness of investigation based on reports, in corporation with external law firms.

With respect to system for ensuring the reliability of financial reporting, the Process Owner Committee, as a subordinate organization of the Risk Management Committee, is in charge of the establishment of the relevant internal procedures and the evaluation of operation status, as well as collecting information throughout the ADK Group, identifying risks and considering response measures, in corporation with an independent auditor.

As to the retention and management of information related to the execution of duties by directors and employees, the promotion of environmental structure that involves documentation and computerization of

vouchers related to decision-making and other internal procedures is in progress. In addition, the Information Security Committee, as a subordinate organization of the Risk Management Committee, is in charge of thorough information management based on information classification and the level of importance.

With regard to directors, the Company secures an appropriate number of directors, as well as limits the tenure of each director to one year in order to guarantee the opportunity for checking shareholders' trust. The Company also distinguishes execution of business by directors from the authority and responsibility of supervision.

The Board of Directors sets up goals and objectives to be achieved by directors and employees, as well as draws up mid-term business plans to achieve those goals and objectives, reviews the progress, and considers if it is necessary or not to revise such plans.

(Matters Regarding ADK's Management of Risk of Loss)

The Risk Management Committee defines the "Risk Management Policy," posts it on the website, and implements risk management for the entire ADK Group in accordance with the policy. In order to respond to risks in specific fields, there are five small committees established as subordinated organizations, namely Compliance Committee, Process Owner Committee, Information Security Committee, Disaster Prevention Committee and Group Company Risk Management Promotion Committee, enabling proper examinations and measures to be taken in light of the attribute of risks.

(Matters Regarding the ADK Group)

The Company has established a structure related to the Internal Control System throughout the ADK Group, involving the acceptance of internal audits and participating to the Group Helpline, in addition to the assignment of directors or corporate auditors to subsidiaries. Further, the numerical management targets on a consolidated basis are developed in mid-term business plans and business results are collected promptly from all consolidated subsidiaries, followed by monthly operation management and quarterly operation analysis and consideration of appropriate measures.

(Matters Regarding Audit and Supervisory Committee)

The Company establishes the Audit and Supervisory Committee comprising three highly independent outside directors. Members of the Audit and Supervisory Committee supervise and audit duties performed by directors, by means of attending or having employees selected by the Audit and Supervisory Committee attend important internal meetings such as management meetings, and exchanging opinions on a regular basis with the president and other Executive Directors.

In addition, the Company has assigned employees with considerable amount of knowledge on audits as assistants to the Secretariat of the Audit and Supervisory Committee and the internal audit division, who work under the instructions and orders of the Audit and Supervisory Committee.

(3) Takeover Defense Policy

The Company believes that the policies for finance and business strategies should be ultimately authorized by shareholders.

In addition to the improvement of capital efficiency and distribution to the shareholders, the Company has been making company-wide efforts to maximize corporate value and common interests of shareholders based on our "Management by All" principle by increasing its competitiveness as an advertising business. The Company believes that such a sense of unity and the idea of a shared future among directors and employees in the advertising industry, which we believe is a "people business," is the source of competitiveness. The Company believes that, if this sense of unity and the idea of a shared future are undermined by an abusive takeover attempt,

corporate value and the common interests of shareholders would be damaged, therefore, any purposes of an acquiring body cannot be achieved.

The Company believes that obtaining the support of shareholders by maximizing corporate value and rewarding shareholders is the best defense against an abusive takeover attempt; therefore, the Company has not implemented any specific takeover defense measures at present.

On the other hand, in the event of an attempt of large-scale purchase of the Company's shares or a takeover proposal, the Board of Directors that assumes management responsibility on behalf of the shareholders will assess the impact of such attempt on corporate value and common interests of the shareholders, while respecting the opinions of outside specialists. In addition to expressing their views, the Board of Directors will negotiate with such a bidder and do its best to provide necessary information and ensure sufficient time for shareholders to properly judge whether to accept such a bid or not.

Moreover, in the event that such a bidder does not provide necessary information or it is deemed that such a proposal may damage corporate value and or common interests of the shareholders, the Board of Directors will take reasonable and most effective countermeasures at that time, which would be accepted by shareholders.

The Company will carefully discuss whether to implement specific takeover defense measures in advance, in consideration of future economic environments, capital markets, and trends in laws and regulations.

(4) Policy of Shareholders Return

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, which 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 year-end 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%.

Shareholders return for the fiscal year under review is stated in "1. Overview of Business Results, (1) Review of Operations."

(Note) Amounts less than the unit indicated in this Business Report are truncated.

Consolidated Balance Sheets

(As of December 31, 2016)

(Unit: Millions of yen)

Assets		Liabilities	
I. Current assets	113,118	I. Current liabilities	91,618
Cash and deposits	19,042	Notes and accounts payable-trade	75,688
Notes and accounts receivable-trade	81,712	Short-term loans payable	459
Short-term investment securities	3,678	Current portion of long-term loans payable	1,553
Inventories	5,319	Income taxes payable	2,273
Deferred tax assets	1,419	Provision for bonuses	2,343
Other	3,048	Provision for directors' bonuses	38
Allowance for doubtful accounts	(1,103)	Other	9,261
II. Noncurrent assets	114,142	II. Noncurrent liabilities	22,416
Property, plant and equipment	3,773	Long-term loans payable	60
Buildings and structures	2,223	Deferred tax liabilities	20,608
Land	396	Provision for directors' retirement benefits	15
Other	1,153	Provision for loss on business of subsidiaries and associates	20
Intangible assets	10,118	Provision for retirement benefits	510
Goodwill	7,538	Other	1,202
Software	1,350	Total liabilities	114,034
Other	1,230	Net assets	
Investments and other assets	100,250	I. Shareholders' equity	64,613
Investment securities	95,313	Capital stock	37,581
Long-term loans receivable	133	Capital surplus	11,977
Net defined benefit asset	974	Retained earnings	16,260
Deferred tax assets	233	Treasury stock	(1,205)
Other	4,345	II. Accumulated other comprehensive income	46,992
Allowance for doubtful accounts	4,345	Valuation difference on available-for-sale securities	45,344
		Deferred gains or losses on hedges	20
		Foreign currency translation adjustments	1,155
		Remeasurements of defined benefit plans	471
		III. Subscription rights to shares	24
		IV. Non-controlling interests	1,595
		Total net assets	113,225
Total assets	227,260	Total liabilities and net assets	227,260

Consolidated Income Statements

(For the year ended December 31, 2016)

(Unit: Millions of yen)

I.	Gross billings		352,671
II.	Cost of sales		301,488
	Gross profit		51,182
III.	Selling, general and administrative expenses		45,613
	Operating income		5,569
IV.	Non-operating income		
	Interest and dividends income	2,492	
	Equity in earnings of affiliates	249	
	Other	548	3,290
V.	Non-operating expenses		
	Interest expenses	40	
	Loss on insurance cancellation	27	
	Other	102	170
	Ordinary income		8,688
VI.	Extraordinary income		
	Gain on sales of noncurrent assets	136	
	Gain on sales of investment securities	65	
	Other	28	230
VII.	Extraordinary loss		
	Loss on retirement of noncurrent assets	24	
	Loss on valuation of investment securities	438	
	Special retirement expenses	129	
	Loss on liquidation of business	1,994	
	Other	71	2,658
	Income before income taxes		6,260
	Income taxes-current	4,323	
	Income taxes-deferred	(671)	3,652
	Net income		2,608
	Profit (loss) attributable to non-controlling interests		231
	Profit attributable to owners of parent		2,376

Consolidated Statements of Changes in Net Assets

(For the year ended December 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of January 1, 2016	37,581	11,982	24,336	(210)	73,690
Changes during the consolidated fiscal year					
Dividend payments			(10,430)		(10,430)
Profit attributable to owners of parent			2,376		2,376
Increase due to newly consolidated subsidiaries			(27)		(27)
Acquisitions of treasury stock				(1,003)	(1,003)
Disposals of treasury stock		(5)		8	3
Other			3		3
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	—	(5)	(8,076)	(995)	(9,077)
Balance as of December 31, 2016	37,581	11,977	16,260	(1,205)	64,613

	Valuation difference on available-for-sale securities	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
		Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of January 1, 2016	48,188	(0)	1,859	266	50,314	23	1,461	125,488
Changes during the consolidated fiscal year								
Dividend payments								(10,430)
Profit attributable to owners of parent								2,376
Increase due to newly consolidated subsidiaries								(27)
Acquisitions of treasury stock								(1,003)
Disposals of treasury stock								3
Other								3
(Net) changes of items other than shareholders' equity	(2,843)	20	(703)	204	(3,321)	1	134	(3,186)
Total change during the consolidated fiscal year	(2,843)	20	(703)	204	(3,321)	1	134	(12,263)
Balance as of December 31, 2016	45,344	20	1,155	471	46,992	24	1,595	113,225

Nonconsolidated Balance Sheets

(As of December 31, 2016)

(Unit: Millions of yen)

Assets		Liabilities	
I. Current assets	89,975	I. Current liabilities	79,822
Cash and deposits	9,967	Notes payable-trade	15,466
Notes receivable-trade	5,075	Accounts payable-trade	55,075
Accounts receivable-trade	68,602	Accounts payable-other	3,738
Inventories	3,462	Income taxes payable	1,755
Accounts receivable-other	338	Provision for bonuses	1,981
Deferred tax assets	1,164	Provision for directors' bonuses	37
Other	2,297	Deposits received	725
Allowance for doubtful accounts	(933)	Other	1,042
II. Noncurrent assets	112,665	II. Noncurrent liabilities	20,607
Property, plant and equipment	2,502	Lease obligations	3
Buildings	1,636	Deferred tax liabilities	19,973
Vehicles	27	Other	630
Furniture and fixtures	523		
Land	312	Total liabilities	100,429
Lease asset	3		
Intangible assets	1,204	Net assets	
Leasehold right	1	I. Shareholders' equity	56,940
Software	1,202	Capital stock	37,581
Other	0	Capital surplus	11,977
Investments and other assets	108,959	Legal capital surplus	7,839
Investment securities	11,600	Other capital surplus	4,137
Stocks of subsidiaries and affiliates	94,652	Retained earnings	8,587
Investments in capital of subsidiaries and affiliates	858	Legal retained earnings	1,555
Guarantee deposits	560	Other retained earnings	7,031
Claims provable in bankruptcy, claims provable in rehabilitation and other	177	General reserve	1,519
Prepaid pension cost	292	Retained earnings brought forward	5,512
Other	1,405	Treasury stock	(1,205)
Allowance for doubtful accounts	(588)	II. Valuation and translation adjustments	45,246
		Valuation difference on available-for-sale securities	45,226
		Deferred gains or losses on hedges	20
		III. Subscription rights to shares	24
		Total net assets	102,211
Total assets	202,641	Total liabilities and net assets	202,641

Nonconsolidated Income Statements

(For the year ended December 31, 2016)

(Unit: Millions of yen)

I.	Gross billings		314,389
II.	Cost of sales		278,173
	Gross profit		36,216
III.	Selling, general and administrative expenses		32,233
	Operating income		3,982
IV.	Non-operating income		
	Interest and dividends income	3,673	
	Foreign exchange gains	80	
	Other	344	4,098
V.	Non-operating expenses		
	Interest expenses	30	
	Other	62	93
	Ordinary income		7,987
VI.	Extraordinary income		
	Gain on sales of non-current assets	132	
	Gain on sales of investment securities	59	
	Gain on sales of subsidiaries and affiliates' stocks	1,021	
	Other	33	1,246
VII.	Extraordinary loss		
	Loss on retirement of noncurrent assets	19	
	Loss on valuation of shares of subsidiaries and associates	508	
	Loss on liquidation of business of subsidiaries and associates	294	
	Other	59	881
	Income before income taxes		8,353
	Income taxes-current	3,590	
	Income taxes-deferred	(677)	2,912
	Net income		5,440

Nonconsolidated Statements of Changes in Net Assets

(For the year ended December 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as of January 1, 2016	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			(5)	(5)
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	—	—	(5)	(5)
Balance as of December 31, 2016	37,581	7,839	4,137	11,977

	Shareholders' equity						
	Retained earnings					Treasury stock	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings			
		General reserve	Retained earnings brought forward				
Balance as of January 1, 2016	1,555	1,519	10,502	13,577	(210)	62,931	
Changes during the non-consolidated fiscal year							
Dividend payments			(10,430)	(10,430)		(10,430)	
Net income			5,440	5,440		5,440	
Acquisitions of treasury stock					(1,003)	(1,003)	
Disposals of treasury stock					8	3	
(Net) changes of items other than shareholders' equity							
Total change during the non-consolidated fiscal year	—	—	(4,989)	(4,989)	(995)	(5,990)	
Balance as of December 31, 2016	1,555	1,519	5,512	8,587	(1,205)	56,940	

	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, 2016	48,059	(0)	48,058	23	111,013
Changes during the non-consolidated fiscal year					
Dividend payments					(10,430)
Net income					5,440
Acquisitions of treasury stock					(1,003)
Disposals of treasury stock					3
(Net) changes of items other than shareholders' equity	(2,832)	20	(2,812)	1	(2,810)
Total change during the non-consolidated fiscal year	(2,832)	20	(2,812)	1	(8,801)
Balance as of December 31, 2016	45,226	20	45,246	24	102,211