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## Summary of Financial Statements for the Year Ended December 31, 2017 [Japanese GAAP]

February 13, 2018

Company Name ASATSU-DK INC. Exchange : Tokyo Stock Exchange First Section  
 Securities Code 9747 URL : <http://www.adk.jp/en/>  
 Representative Shinichi Ueno, President and Group CEO  
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 Date of Shareholders' meeting TBD Start date of dividend payment -  
 Filing date of Securities report TBD  
 Supplementary information for financial results : Available  
 Organization of financial results briefing : N/A

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

### 1. Fiscal year 2017 Consolidated Results (January 1, 2017 to December 31, 2017)

#### (1) Consolidated Operating Results (% : year-on-year changes)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2017	352,851	0.1	7,140	28.2	6,836	(21.3)	5,358	125.4
FY 2016	352,671	0.2	5,569	13.6	8,688	1.1	2,376	(55.7)

(Note) Comprehensive income: at December 31, 2017 : (4,659) million yen (-%), at December 31, 2016 : (747) million yen (-%)

	Net Income per Share	Fully Diluted Net Income per Share	Return on Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Gross Billings
	Yen	Yen	%	%	%
FY 2017	129.38	129.20	5.0	3.0	2.0
FY 2016	56.96	56.93	2.0	3.8	1.6

(Reference) Equity in earnings of affiliated companies: FY 2017 : 226 million yen, FY 2016 : 249 million yen

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio	Net Assets per Share
	millions of yen	millions of yen	%	
FY 2017	222,367	103,016	45.7	2,451.50
FY 2016	227,260	113,225	49.1	2,674.92

(Reference) Shareholders' equity: December 31, 2017 : 101,622 million yen, December 31, 2016 : 111,605 million yen

#### (3) Summary of Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of Term
	millions of yen	millions of yen	millions of yen	millions of yen
FY 2017	6,270	1,175	(3,739)	25,094
FY 2016	11,637	(4,475)	(11,912)	21,027

### 2. Dividend Information

	Annual Dividend per Share					Total Amount of dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity ratio (Consolidated)
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal 2016(Actual)	—	10.00	—	90.00	100.00	4,172	175.6	3.6
Fiscal 2017(Actual)	—	10.00	—	0.00	10.00	413	7.7	0.4
Fiscal 2018(Forecast)	—	—	—	—	—	—	—	—

(Notes) Revisions to dividend forecasts published most recently: No.

### 3. Forecast of Consolidated results Fiscal 2018 (January 1, 2018 to December 31, 2018)

(% : year-on-year changes)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full-year	—	—	—	—	—	—	—	—	—

As announced on January 30, 2018 titled "Notice regarding Share Consolidation, and the Abolition of Provisions on Share Units and Partial Amendment to the Articles of Incorporation", the Company is on route to becoming a wholly owned subsidiary of

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BCPE Madison Cayman, L.P., subsequently to be delisted from the Tokyo Stock Exchange on March 16, 2018. For that reason, we do not state forecasts for the period ending December 2018.

\* Notes

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

(2) Changes to accounting policy, changes to accounting estimates, or restatements

1. Changes due to revisions to accounting standards, etc. : No.
2. Changes other than 1: : No.
3. Changes in accounting estimates : No.
4. Restatements : No.

(3) Number of outstanding stocks

1. Number of outstanding stocks (including treasury stock) issued, end of term
2. Number of treasury stock, end of term
3. Avg. number of shares (consolidated) outstanding during the terms ended

at December 31, 2017	41,755,400 shares	at December 31, 2016	42,155,400 shares
at December 31, 2017	302,359 shares	at December 31, 2016	432,400 shares
at December 31, 2017	41,412,566 shares	at December 31, 2016	41,726,562 shares

(Reference) Non-Consolidated Outline

1. Fiscal Year 2017 Non-Consolidated Results (January 1 to December 31, 2017)

(1) Operating Results (% : year-on-year changes)

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2017	312,673	(0.5)	5,133	28.9	5,801	(27.4)	5,181	(4.8)
FY 2016	314,389	2.5	3,982	33.5	7,987	(28.1)	5,440	(43.2)
	Net Income per Share		Fully Diluted Net Income per Share					
	Yen		Yen					
FY 2017	125.11		124.94					
FY 2016	130.38		130.33					

(2) Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	millions of yen	millions of yen	%	Yen
FY 2017	204,605	91,328	44.6	2,203.18
FY 2016	202,641	102,211	50.4	2,449.19

(Reference) Shareholder's equity: at December 31, 2017: 91,328 million yen, at December 31, 2016: 102,187 million yen

※ This financial summary is not subject to the audit procedures

※ Appropriate use of business forecasts and other special matters

As announced on January 30, 2018 titled “Notice regarding Share Consolidation, and the Abolition of Provisions on Share Units and Partial Amendment to the Articles of Incorporation”, the Company is on route to becoming a wholly owned subsidiary of BCPE Madison Cayman, L.P., subsequently to be delisted from the Tokyo Stock Exchange on March 16, 2018. For that reason, we do not state forecasts for the period ending December 2018.

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## 1. Operating Results and Financial State Analysis for the Fiscal 2017

### (1) Performance Analysis

During the period under review (from January 1, 2017 to December 31 2017), the Japanese economy treaded on a mild recovery path, showing a steady improvement of corporate earnings backed up by the continued economic measures and monetary policies steered by the government and the Bank of Japan. On the other hand, consumer spending remained inactive in consequences of the lower-than-expected rise in real wages and other factors despite improvements in the employment environment. On a global scale, the economy was on the upswing albeit mild, however, uncertainty about the future persisted with the political management of the current US administration as well as emerging geopolitical risks.

According to the “Current Survey of Selected Service Industries” by the Ministry of Economy, Trade and Industry, the advertising industry has seen a sign of stagnation with the total gross billings up to November this year eclipsing that of the previous year.

Under these circumstances, ADK continues to work hard to transform itself to a “Consumer Activation Company” holding out “VISION 2020”, as declared in 2013, aiming not only to deliver messages via advertisements but inspire consumers to take actions, thereby contributing to clients’ results. To realize that, we are pressing forward structural reform to strengthen infrastructure and improve profitability to advance further growth. During the period under review, we reached a conclusion that it is vital to accomplish a bold and cross-sectorial reform and transform itself to an “open network” group that allows for more flexible cooperation with diverse business partners depending on each attribute. We are determined to accomplish it over the short-term run while becoming an unlisted company. To ensure that, we made a strategic decision to accelerate drastic reform measures with support of Bain Capital, who has become the major shareholder upon a successful takeover bid, and, more to the point, to terminate the 20-year-old capital and business alignment with WPP Group. For the details, please refer to a series of announcements such ones as titled “Notice Regarding Opinion on Tender Offer for Shares of the Company by Bain Capital” and “Notice of Termination of Capital and Business Alliance with WPP Group” released on October 2, 2017.

Domestic business as a whole saw a growth in both revenue and profit as a result of increased billings in television and digital media ads handled at ADK and stable performance in a production and digital company.

Overseas business also experienced a growth in revenue and profit with offices in China, Europe and US advancing structural reform in addition to stable performance in the Asian region. The entire overseas billings accounted for 8.9% in the total billings generated during the period under review as opposed to 8.3% in 2016.

As a result of all that, gross billings on a consolidated basis during this fiscal year resulted in ¥352,851 million, up 0.1% from the previous fiscal year with gross profit amounting to ¥54,255 million, up 6.0%, operating income to ¥7,140 million, up 28.2%.

Although the Group reported ordinary income of ¥6,836 million, down 21.3% from the previous year, reflected by increased expenses associated with takeover bid, net income before tax and others increased to ¥7,938 million, up 26.8%, and profit attributable to owners of parent to ¥5,358 million, up 125.4%, as extraordinary loss posted in the previous year no longer has an impact on profit.

ADK-parent, the core competence of the Group business, generated gross billings of ¥312,673million, down 0.5% from the previous fiscal year. Gross profit was up 5.2% to ¥38,100 million and operating income was up 28.9% to ¥5,133 million from the same period last year.

A decline in billings was attributed to weakened Marketing & Promotion and creative. While gross profit grew as a result of increased billings in digital media and television ads and also improved gross profit margin backed

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up by the more rigid income management framework. Operating income grew substantially although selling, general and administrative expenses, including staff cost and commission paid, increased.

Broken down by client business, ADK posted increases in gross billings from clients in such industries as Information/Communication, Restaurants/Other service, Hobbies/Sports Goods. However, gross billings declined from clients in such industries as Automobile/Automobile-related products, Pharma/Medical supplies, Education/Medical Service/Religion sectors.

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

Breakdown by Clients business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/ machinery	4,149	1.3	2.9
Food	32,176	10.3	2.8
Beverage/Tobacco	18,208	5.8	(7.1)
Pharma/Medical supplies	16,620	5.3	(13.1)
Cosmetics/Toiletry	28,542	9.1	(4.3)
Apparel/Jewelry	13,770	4.4	1.0
Precision machinery/Office supplies	2,147	0.7	(23.0)
Home appliances/AV equipment	4,076	1.3	28.8
Automobile/Automobile-related Products	11,585	3.7	(33.6)
Household Goods	1,377	0.4	35.4
Hobbies/Sport Goods	20,932	6.7	5.4
Real Estate/Housing	11,382	3.6	9.6
Publishing	2,227	0.7	(10.8)
Information/Communication	40,031	12.8	10.2
Distribution/Retail	26,439	8.5	0.6
Finance/Insurance	25,146	8.0	3.0
Transportation/Leisure	9,182	2.9	(1.8)
Restaurants/Other service	13,691	4.4	9.1
Government/Organizations	10,423	3.3	(5.4)
Education/Medical Service/Religion	4,646	1.5	(24.2)
Signage/Other	15,914	5.1	16.6
Total	312,673	100.0	(0.5)

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Broken down by business discipline, gross billings in Digital Media, TV ads, Other experienced an increase over the previous year but in segments such as Marketing & Promotion, Creative, Magazine, Radio, Newspaper, OOH, billings declined on a year-on-year basis.

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

Breakdown by Discipline		Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)	Main clients business industries (Top: increased industries, Bottom: decreased industries)
Media	Magazine	11,223	3.6	(7.3)	Hobbies/Sport Goods, Real Estate/Housing, Home appliances/AV equipment Cosmetics/Toiletry, Apparel/Jewelry, Finance/Insurance
	Newspaper	18,699	6.0	(1.7)	Distribution/Retail, Transportation/Leisure, Household Goods Publishing, Restaurant/Other service, Food
	TV	155,944	49.9	2.9	Information/Communication, Distribution/Retail, Restaurant/Other services
					Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical Service/Religion
	Program	55,583	17.8	1.7	Finance/Insurance, Food, Restaurant/Other services Cosmetics/Toiletry, Automobile/Automobile-related Products, Distribution/Retail
	Spot	82,447	26.4	1.4	Information/Communication, Distribution/Retail, Cosmetics/Toiletry Pharma/Medical supplies, Automobile/Automobile-related Products, Food
	Content	17,913	5.7	15.1	Food, Restaurant/Other services, Finance/Insurance Transportation/Leisure, Distribution/Retail, Hobbies/Sport Good
	Radio	3,094	1.0	(11.9)	Transportation/Leisure, Distribution/Retail, Beverage/Tobacco Information/Communication, Finance/Insurance, Pharma/Medical supplies
	Digital Media	25,540	8.2	24.4	Information/Communication, Cosmetics/Toiletry, Finance/Insurance Education/Medical Service/Religion, Restaurant/Other service, Publishing
OOH Media	9,604	3.1	(1.8)	Food, Information/Communication, Hobbies/Sport Goods Beverage/Tobacco, Distribution/Retail, Education/Medical Service/Religion	
Sub-total		224,106	71.7	3.5	Information/Communication, Distribution/Retail, Finance/Insurance Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical Service/Religion
Non-Media	Marketing and Promotion	52,414	16.8	(12.5)	Hobbies/Sport Goods, Energy/Material/ Machinery, Information/Communication Automobile/Automobile-related Products, Distribution/Retail, Beverage/Tobacco
	Creative	33,508	10.7	(5.7)	Food, Home appliances/AV equipment, Apparel/Jewelry Cosmetics/Toiletry, Transportation/Leisure, Beverage/Tobacco
	Others	2,644	0.8	6.8	Information/Communication, Cosmetics/Toiletry, Restaurant/Other service Food, Automobile/Automobile-related Products, Energy/Material/Machinery
Sub-total		88,567	28.3	(9.6)	Home appliances/AV equipment, Apparel/Jewelry, Information/Communication Automobile/Automobile-related Products, Distribution/Retail, Beverage/Tobacco
Total		312,673	100.0	(0.5)	Information/Communication, Restaurant/Other service, Hobbies/Sport Goods Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical service/Religion

(Notes)

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

## (2) Financial Position

The consolidated financial position as of the end of the fiscal year in comparison with that of the previous accounting year (ended December 31, 2016) is as follows.

Total assets amounted to ¥222,367 million, down ¥4,893 million from the previous consolidated fiscal year-end due mainly to a decrease in the value of investment securities stemming from a drop of their market value despite an increase in cash and deposits. Total liabilities were, on the other hand, up ¥5,315 million to ¥119,350 million due mainly to an increase in short-term loan payable, which outstripped a decline in deferred tax liability. Total net asset amounted to ¥103,016 million and the shareholders' equity ratio was 45.7% when excluding non-controlling interest.

## (3) Consolidated Statements of Cash Flows

In fiscal 2017, sum of net cash provided by operating activities and investing activities fell below net cash used in financing activities. After foreign currency translation adjustments, cash and cash equivalents stood at ¥25,094 million, up ¥4,067 million from a year earlier.

### (Cash flows from operating activities)

Net cash provided by operating activities amounted to ¥6,270 million, compared with ¥11,637 million in the previous year, reflected by ¥7,938 million in income before income taxes and minority interests posted.

### (Cash flows from investing activities)

Net cash provided by investing activities this year totaled ¥1,175 million, compared with ¥4,475 million used in fiscal 2016. This was mainly reflected by expenditure of ¥1,509 million to deposit fixed-term deposits while having gain of ¥1,034 million on proceeds from sales of investment securities, also income of ¥2,219 million on withdrawal of fixed-term deposits.

### (Cash flows from financing activities)

Net cash used in financing activities was ¥3,739 million, compared with ¥11,912 million in the previous year. This was due mainly to ¥4,168 million in dividends paid.

The major indices of consolidated financial conditions are as follows:

Term	FY2013	FY2014	FY2016	FY2017
Equity Ratio	55.1%	52.7%	49.1%	45.7%
Market Cap. To Book Total Assets	50.0%	52.6%	51.9%	67.8%
Years to redeem debts	0.0	0.0	0.2	0.7
Interest Coverage Ratio (times)	983.8	325.1	286.1	94.6

(Equity Ratio) = (Equity\*)÷(Total Assets)

\*Equity is computed as below:

Total Assets at the end of the period - Minority at the end of the period - Equity warrant at the end of the period

(Market Cap. to Book Total Assets) = (Market Capitalization) ÷ (Book Total Assets)

(Years to redeem debts) = (Interest-bearing debts) ÷ (Net cash provided by operating activities)

(Interest Coverage Ratio) = (Net cash provided by operating activities) ÷ (Interest paid)

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#### (4) Future Outlook

The Japanese advertising industry has been in the midst of a mature phase. The business environment surrounding the industry has continued changing at a rapid pace. Communication including advertisements shall no longer be contended with the means of merely promoting the recognition of a product or service. It has made a paradigm shift to the means of solving a challenge of “how to inspire consumers” in the context of buying a product or using a service.

Under these circumstances, the Company is, once again, determined to transform itself into a “Consumer Activation Company”, which requires a wide range of product developments, investment in acquisition and business alignment, more investment in infrastructure including people and systems, making sure to offer clients marketing supports to solve their challenges beyond the traditional business model including further selection and concentration while inspiring consumers to take action. To realize all these without fail, the Company has reached a conclusion that it is indispensable to undertake a bold and cross-sectorial reform over a short-term run through once-delisting.

With such policy, we do not state forecasts for the period ending December 2018 since the Company will become a wholly owned subsidiary of BCPE Madison Cayman, L.P., subsequently to be unlisted from the Tokyo Stock Exchange on March 16, 2018 as announced on January 30, 2018 titled “Notice regarding Share Consolidation, and the Abolition of Provisions on Share Units and Partial Amendment to the Articles of Incorporation”.

#### 2. Basic principle in terms of a choice of an accounting standards

The ADK Group applies Japanese accounting standards in consideration of comparability of financial statements over time and such. We may introduce the International Financial Reporting Standards after exploring an approximately timing in the light of various situations at home and abroad.

Performance forecasts and other future-oriented statements contained in this report reflect the views of ADK management based on information available at the time of the report’s release, and thus include inherent risks and uncertainties. Due to various changing factors, therefore, actual results may differ significantly from future predictions.



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### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	December 31, 2016	December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	19,042	24,587
Notes and accounts receivable-trade	81,712	84,948
Short-term investment securities	3,678	1,533
Inventories	5,319	4,768
Deferred tax assets	1,419	1,759
Other	3,048	2,909
Allowance for doubtful accounts	(1,103)	(498)
Total current assets	113,118	120,008
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,625	3,380
Accumulated depreciation	(1,402)	(1,447)
Buildings and structures, net	2,223	1,932
Land	396	396
Other	3,662	3,673
Accumulated depreciation	(2,509)	(2,819)
Other, net	1,153	853
Total property, plant and equipment	3,773	3,182
Intangible assets		
Goodwill	7,538	6,820
Software	1,350	1,293
Other	1,230	1,106
Total intangible assets	10,118	9,220
Investments and other assets		
Investment securities	95,313	79,974
Long-term loans receivable	133	371
Net defined benefit asset	974	1,404
Deferred tax assets	233	243
Other	4,345	9,085
Allowance for doubtful accounts	(751)	(1,123)
Total investments and other assets	100,250	89,955
Total noncurrent assets	114,142	102,358
Total assets	227,260	222,367

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(Millions of yen)

	December 31, 2016	December 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	69,349	60,593
Electronically recorded obligations - operating	6,339	15,319
Short-term loans payable	459	4,095
Current portion of long-term loans payable	1,553	—
Income taxes payable	2,273	844
Provision for bonuses	2,343	2,842
Provision for directors' bonuses	38	412
Other	9,261	10,056
<b>Total current liabilities</b>	<b>91,618</b>	<b>94,164</b>
Noncurrent liabilities		
Long-term loans payable	60	60
Deferred tax liabilities	20,608	15,914
Provision for directors' retirement benefits	15	15
Provision for loss on business of subsidiaries and associates	20	35
Net defined benefit liability	510	525
Other	1,202	8,635
<b>Total noncurrent liabilities</b>	<b>22,416</b>	<b>25,186</b>
<b>Total liabilities</b>	<b>114,034</b>	<b>119,350</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,977	10,721
Retained earnings	16,260	17,372
Treasury stock	(1,205)	(875)
<b>Total shareholders' equity</b>	<b>64,613</b>	<b>64,800</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,344	35,162
Deferred gains or losses on hedges	20	(715)
Foreign currency translation adjustment	1,155	1,668
Remeasurements of defined benefit plans	471	707
<b>Total accumulated other comprehensive income</b>	<b>46,992</b>	<b>36,821</b>
Subscription rights to shares	24	—
Non-controlling interests	1,595	1,394
<b>Total net assets</b>	<b>113,225</b>	<b>103,016</b>
<b>Total liabilities and net assets</b>	<b>227,260</b>	<b>222,367</b>

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

	(Millions of yen)	
	Year Ended December 31, 2016 (From January 1 to December 31, 2016)	Year Ended December 31, 2017 (From January 1 to December 31, 2017)
Gross billings	352,671	352,851
Cost of sales	301,488	298,596
Gross profit	51,182	54,255
Selling, general and administrative expenses		
Salaries and allowances	22,581	22,733
Provision for bonuses	2,310	2,789
Retirement benefit expenses	1,275	1,147
Provision for directors' bonuses	38	412
Welfare expenses	4,082	4,173
Rent expenses	2,909	3,068
Provision of allowance for doubtful accounts	242	(96)
Depreciation	749	827
Amortization of goodwill	268	717
Other	11,155	11,341
Total selling, general and administrative expenses	45,613	47,115
Operating income	5,569	7,140
Non-operating income		
Interest income	112	109
Dividends income	2,380	3,069
Equity in earnings of affiliates	249	226
Dividends income of life insurance	33	36
Real estate rent	61	54
Reversal of allowance for doubtful accounts	—	15
Other	452	195
Total non-operating income	3,290	3,707
Non-operating expenses		
Interest expenses	40	66
Expenditures for takeover bid	—	1,106
Loss on valuation of derivatives	—	2,363
Provision of allowance for doubtful accounts	7	—
Expenses of real estate rent	26	20
Loss on insurance cancellation	27	6
Other	67	448
Total non-operating expenses	170	4,011
Ordinary income	8,688	6,836

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	(Millions of Yen)	
	Year Ended December 31, 2016 (From January 1 to December 31, 2016)	Year Ended December 31, 2017 (From January 1 to December 31, 2017)
Extraordinary income		
Settlement received	—	250
Gain on sales of non-current assets	136	451
Gain on sales of investment securities	65	456
Other	28	176
Total extraordinary income	230	1,334
Extraordinary loss		
Loss on retirement of non-current assets	24	13
Loss on sales of investment securities	4	—
Loss on valuation of investment securities	438	44
Special retirement expenses	129	116
Loss on liquidation of business	1,994	—
Office transfer expenses	26	—
Provision of allowance for doubtful accounts	6	11
Other	33	45
Total extraordinary losses	2,658	232
Income before income taxes	6,260	7,938
Income taxes-current	4,323	2,793
Income taxes-deferred	(671)	(333)
Total income taxes	3,652	2,459
Profit	2,608	5,478
Profit attributable to non-controlling interests	231	120
Profit attributable to owners of parent	2,376	5,358

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## Statement of comprehensive income

(Millions of Yen)

	Year Ended December 31, 2016 (From January 1 to December 31, 2016)	Year Ended December 31, 2017 (From January 1 to December 31, 2017)
Income before minority interests	2,608	5,478
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,858)	(10,182)
Deferred gains or losses on hedges	20	(735)
Foreign currency translation adjustment	(704)	536
Remeasurements of defined benefit plans, net of tax	204	235
Share of other comprehensive income of entities accounted for using equity method	(18)	9
Total other comprehensive income	(3,355)	(10,137)
Comprehensive income	(747)	(4,659)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	(944)	(4,812)
Comprehensive income attributable to non-controlling interests	197	153

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(3) Consolidated Statements of changes in equity  
Year Ended December 31, 2016

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury shares	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
Change of scope of consolidation			(27)		(27)
Purchase of treasury shares				(1,003)	(1,003)
Disposal of treasury shares		(5)		8	3
Retirement of treasury shares					—
Other			3		3
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(5)	(8,076)	(995)	(9,077)
Balance as of December 31,2016	37,581	11,977	16,260	(1,205)	64,613

	ACCUMULATED OTHER COMPREHENSIVE INCOME					Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance as of January 1,2016	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
Change of scope of consolidation								(27)
Purchase of treasury shares								(1,003)
Disposal of treasury shares								3
Retirement of treasury shares								—
Other								3
Net changes of items other than shareholders' equity	(2,843)	20	(703)	204	(3,321)	1	134	(3,186)
Total changes of items during period	(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

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Year Ended December 31, 2017

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of January 1,2017	37,581	11,977	16,260	(1,205)	64,613
Changes during the consolidated fiscal year					
Dividend payments			(4,168)		(4,168)
Profit attributable to owners of parent			5,358		5,358
Change of scope of consolidation			(76)		(76)
Purchase of treasury shares				(1,051)	(1,051)
Disposal of treasury shares		(102)		229	126
Retirement of treasury shares		(1,152)		(1,152)	—
Other					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1,255)	1,112	330	187
Balance as of December 31,2017	37,581	10,721	17,372	(875)	64,800

	ACCUMULATED OTHER COMPREHENSIVE INCOME					Subscription rights to shares	Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total			
Balance as of January 1,2017	45,344	20	1,155	471	46,992	24	1,595	113,225
Changes during the consolidated fiscal year								
Dividend payments								(4,168)
Profit attributable to owners of parent								5,358
Change of scope of consolidation								(76)
Purchase of treasury shares								(1,051)
Disposal of treasury shares								126
Retirement of treasury shares								—
Other								—
Net changes of items other than shareholders' equity	(10,182)	(735)	512	235	(10,170)	(24)	(201)	(10,396)
Total changes of items during period	(10,182)	(735)	512	235	(10,170)	(24)	(201)	(10,209)
Balance as of December 31,2017	35,162	(715)	1,668	707	36,821	—	1,394	103,016

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#### (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Year Ended December 31, 2016 (From January 1 to December 31, 2016)	Year Ended December 31, 2017 (From January 1 to December 31, 2017)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	6,260	7,938
Depreciation and amortization	1,476	1,314
Amortization of goodwill	268	717
Increase (decrease) in provision for bonuses	2,019	490
Increase (decrease) in provision for directors' bonuses	34	374
Increase (decrease) in provision for retirement benefits	(4)	(89)
Increase (decrease) in net defined benefit liability	(18)	(6)
Increase (decrease) in provision for directors' retirement benefits	(34)	—
Increase (decrease) in allowance for doubtful accounts	150	(272)
Increase (decrease) in provision for sales returns	(84)	—
Interest and dividends income	(2,492)	(3,178)
Interest expenses	40	66
Foreign exchange losses (gains)	(154)	136
Equity in (earnings) losses of affiliates	(249)	(226)
Loss (gain) on sales of investment securities	(61)	(456)
Loss (gain) on valuation of investment securities	438	44
Loss (gain) on sales and retirement of non-current assets	(111)	(437)
Decrease (increase) in notes and accounts receivable-trade	684	(2,637)
Decrease (increase) in inventories	1,248	595
Increase (decrease) in notes and accounts payable-trade	1,853	294
Decrease (increase) in accounts receivable-other	(172)	(182)
Increase (decrease) in accounts payable-other	450	(768)
Expenditures for takeover bid	—	1,106
Loss (gain) on valuation of derivatives	—	2,363
Settlement received	—	(250)
Special retirement expenses	129	116
Loss on liquidation of business	1,994	—
Office transfer expenses	26	—
Other, net	(726)	99
Subtotal	12,968	7,151
Interest and dividends income received	2,643	3,068
Interest expenses paid	(40)	(46)
Payments for extra retirement payments	(293)	(18)
Payments for office transfer expenses	(12)	—
Income taxes (paid) refund	(3,601)	(4,282)
Settlement package received	—	250
Other	(26)	148
Net cash provided by (used in) operating activities	11,637	6,270



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	(Millions of yen)	
	Year Ended December 31, 2016 (From January 1 to December 31, 2016)	Year Ended December 31, 2017 (From January 1 to December 31, 2017)
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,428)	(1,509)
Proceeds from withdrawal of time deposits	1,454	2,219
Purchase of property, plant and equipment	(432)	(301)
Proceeds from sales of property, plant and equipment	158	557
Purchase of intangible assets	(525)	(479)
Purchase of investment securities	(42)	(137)
Proceeds from sales of investment securities	191	1,034
Payments of loans receivable	(463)	(310)
Collection of loans receivable	161	290
Decrease (increase) in insurance funds	554	(69)
Payments for guarantee deposits	(268)	(862)
Proceeds from collection of guarantee deposits	286	338
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,266)	—
Payments for establishment of subsidiaries	(150)	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(71)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,266	—
Other, net	100	404
Net cash provided by (used in) investing activities	(4,475)	1,175
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(185)	3,634
Proceeds from long-term loans payable	25	—
Repayment of long-term loans payable	(0)	(1,553)
Net decrease (increase) in treasury stock	(1,003)	(1,047)
Cash dividends paid	(10,430)	(4,168)
Cash dividends paid to minority shareholders	(78)	(125)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(229)
Payments for take-over-bid	—	(214)
Other, net	(240)	(35)
Net cash provided by (used in) financing activities	(11,912)	(3,739)
Effect of exchange rate change on cash and cash equivalents	(302)	295
Net increase (decrease) in cash and cash equivalents	(5,053)	4,002
Cash and cash equivalents, beginning of the period	25,924	21,027
Increase in cash and cash equivalents from newly consolidated subsidiary	136	140
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	20	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(76)
Cash and cash equivalents, end of the period	21,027	25,094

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(5) Notes to Consolidated Financial Statements, Segment Information

(Items related to going concern assumption)

Not Applicable.

(Additional Information)

The Company has applied the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26 of March 28, 2016) from the beginning of the first quarter of 2017.

(Segment Information)

The previous fiscal year (From January 1, 2016 to December 31, 2016)

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

The current fiscal year (From January 1, 2017 to December 31, 2017)

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

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(Per share information)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Net assets per share (yen)	2,674.92	2,451.50
Basic earnings per share (yen)	56.96	129.38
Diluted earnings per share (yen)	56.93	129.20

(Notes) 1 The basis for the calculation of net income per share and diluted net income per share are as follows.

Item	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Basic earnings per share (yen)		
Profit attributable to owners of parent (¥ millions)	2,376	5,358
Amounts not attributable to common shareholders (¥ millions)	—	—
Profit attributable to owners of parent related to common shares (¥ millions)	2,376	5,358
Average number of common shares during term (shares)	41,726,562	41,412,566
Diluted earnings per share (yen)		
Increase in number of shares (shares)	17,998	58,638
(Subscription rights to shares) (shares)	(17,998)	(58,638)
Outline of dilutive shares that were not included in the calculation of “diluted earnings per share” because they do not have dilutive effect.		—

(Notes) 2 Basis for calculating net assets per share is as follows.

Item	December 31, 2016	December 31, 2017
Total net assets (¥ millions)	113,225	103,016
Amounts excluded from net assets (¥ millions)	1,620	1,394
(Subscription rights to shares) (¥ millions)	(24)	(—)
(Non-controlling interests) (¥ millions)	(1,595)	(1,394)
Net income as of fiscal year-end related to common shares (¥ millions)	111,605	101,622
Common shares as of fiscal year-end used to calculate net assets per share	41,723,000	41,453,041

(Material Subsequent Events)

Share consolidation

The Company has resolved at the board of directors meeting held on January 30, 2018 to submit a proposal to the extraordinary shareholders' meeting to be held on February 20, 2018 (the "Extraordinary Shareholders' Meeting") to approve a share consolidation.

As a result of Share consolidation, it is expected the Company's Common Shares will be delisted in accordance with the stock delisting criteria of the TSE, through prescribed procedures.

(1) Purpose of the share consolidation

As announced in the Company's press release dated December 7, 2017 titled "Notice Regarding the Result of the Tender Offer for Shares of the Company by BCPE Madison Cayman, L.P. and Change to the Parent Companies, the Other Affiliated Company, and the Largest Shareholder which is a Major Shareholder," BCPE Madison Cayman, L.P. (the "Offeror") conducted the tender offer (the "Tender Offer") for the Company's common shares (including the Company's common shares to be delivered upon the exercise of the Series 2 Stock Acquisition Rights, Series 3 Stock Acquisition Rights, Series 4 Stock Acquisition Rights, Series 5 Stock Acquisition Rights, Series 6 Stock Acquisition Rights, Series 7 Stock Acquisition Rights, Series 8 Stock Acquisition Rights, Series 9 Stock Acquisition Rights, Series 10 Stock Acquisition Rights, and Series 11 Stock Acquisition Rights (collectively, the "Stock Acquisition Rights")) and the Stock Acquisition Rights with an acquisition period of 44 business days from October 3, 2017 until December 6, 2017. As a result, as of December 13, 2017, which is the settlement commencement date, the Offeror has come to own 36,233,120 shares of the Company's Common Shares (voting rights holding ratio to the number of voting rights of all shareholders of the Company: 87.53% (rounded to two decimal places)). Further, the voting rights holding ratio is calculated by using the number of voting rights (413,953 voting rights) pertaining to the total issued shares as of September 30, 2017 described in the Third Quarterly Securities Report (63rd term) submitted by the Company on November 13, 2017 (41,755,400 shares) minus the number of treasury shares owned by the Company as of September 30, 2017 (360,005 shares) as specified in the "Summary of Consolidated Financial Statements for the Third Quarter of the term ending December 2017 [Japanese GAAP]" disclosed by the Company on November 13, 2017 (resulting in 41,395,395 shares) as the divisor.

As detailed above, the Tender Offer was completed, but as announced in the Company's press release dated December 14, 2017 titled "Notice Regarding Receipt of Request by BCPE Madison Cayman, L.P. to Convene Extraordinary Shareholders' Meeting to Approve the Consolidation of the Company's Shares and to Amend the Company's Articles of Incorporation to Delete the Provisions Concerning Less than One Unit Shares," the Offeror could not acquire 90% or more of the voting rights of all shareholders of the Company, so on December 14, 2017, the Company received a request from the Offeror to hold an extraordinary shareholders' meeting to submit the proposal (i) to carry out the consolidation of the Company's Common Shares by determining the consolidation ratio so that the number of shares of the Company's Common Shares owned by the Company's shareholders (excluding the Offeror and the Company) who did not tender to the Tender Offer will be a fraction that is less than one share, and therefore the Offeror will own all of the shares of the Company's Common Shares (excluding the treasury shares owned by the Company), and (ii) to amend the Company's Articles of Incorporation to delete the provisions on share units conditional upon the share consolidation becoming effective. Upon receiving that request, the Company passed a resolution at the board of

directors' meeting held on January 30, 2018 to submit a proposal to the extraordinary shareholders' meeting to carry out the share consolidation ("Share Consolidation") in which 5,921,000 common shares of the Company will be consolidated into one share so that the Offer will become the only shareholder of the Company on the condition that the approval of the shareholders is obtained at the extraordinary shareholders' meeting. As a result of Share consolidation, it is expected the Company's Common Shares will be delisted in accordance with the stock delisting criteria of the TSE, through prescribed procedures.

Further, all of the Stock Acquisition Rights were exercised or waived by this day, and have been canceled. It is also expected that as a result of the Share Consolidation, the Company's Common Shares held by shareholders other than the Offeror will become a fraction that is less than one share.

(2) Details of the share consolidation

① Class of shares to be consolidated: Common shares

② Consolidation method and ratio:

5,921,000 shares of the Company's Common Shares will be consolidated into one share.

③ Total number of issued shares after the Share Consolidation takes effect: 7 shares

(3) Details of cash settlement of fractional shares less than one share

With respect to fractions that are less than one share that arise as a result of the Share Consolidation, the number of shares equivalent to the total sum of those fractions (if there is a fraction that is less than one share in the total sum of those fractions, that fraction will be rounded down in accordance with the provisions of Article 235, paragraph (1) of the Companies Act (Act No. 86 of 2005, as revised)) will be sold, and the proceeds from that sale will be delivered to the shareholders in proportion to their respective fractions.

(4) Schedule of the share consolidation

Date of resolution of the board of directors meeting	January 30, 2018
Date on which the Extraordinary Shareholders' Meeting is to be held	February 20, 2018 (tentative)
Effective date of the share consolidation	March 22, 2018 (tentative)

(5) Possible subsequent impact on per-share information

If the Share Consolidation had been implemented at the beginning of the previous consolidated fiscal year, the information per share in the current consolidated fiscal year would have been as below:

	Previous fiscal year (From January 1, 2016 to December 31, 2016)	Current fiscal year (From January 1, 2017 to December 31, 2017)
Net asset per share	15,943,650,885.57	14,517,447,621.57
Net income per share	339,530,724.57	765,450,820.00

(Note) Diluted net income per share is not presented since there are no dilutive shares existed after all of the Stock Acquisition Rights were exercised or waived by this day, and have been canceled.

#### Cancellation of Treasury Shares

In January 30, 2018, the Company resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Corporate Law.

1. Reason of cancellation

The company intend to minimize the amount of cash-out associated with the Consolidation of the Company's shares while addressing a need to cancel own shares prior to the effective date of the Consolidation of the Company's shares.

2. Details of cancellation

(1) Method of cancellation

From Other capital surplus

(2) Type of shares to be cancelled

Common shares

(3) Number of shares to be cancelled

302,486 shares

(Representing 0.72% of issued shares prior to cancellation)

(4) Planned cancellation date

March 20, 2018