



Results for FY2017

ASATSU-DK INC.

February 13, 2018

(Listed on TSE, Security code : 9747)

< Disclaimer >

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< Currency unit that is used in this document >

Unless specifically noted, all figures are described in millions of the Japanese Yen with figures smaller than one million rounding down. Therefore, sums may not equal the total or the subtotals.

< Definition of the terms in this document >

Operating Margin	: Operating Income/Gross Profits
Domestic subsidiaries	: Domestic subsidiaries that are included in the consolidated accounting
Chinese subsidiaries	: Subsidiaries in the greater China including Taiwan and Hong Kong that are included in the consolidated accounting.
Asia subsidiaries	: Subsidiaries in Asia, excluding China, that are included in the consolidated accounting.
Europe and US subsidiaries	: Subsidiaries in Europe and the North America that are included in the consolidated accounting.
TV	: TV includes Time(Program), Spot, Content
Content	: Content includes Animation, Culture and Sports Marketing, etc.
Digital Media	: The Internet and mobile-related media (Note: Digital solutions such as Web creation are included in "Marketing & Promotion")
OOH Media	: Out-of-Home media such as transportation, outdoor advertising and insertions.
Marketing & Promotion	: Marketing, Communication Planning, Promotion, Events, PR, Exposition events and Digital Solutions, etc.
Media	: Magazine, Newspaper, TV, Radio (4 Media) + Digital Media, and OOH Media
Non-Media	: Marketing/Promotion, Creative, and Other



Consolidated Results

(From January 1, 2017 to December 31, 2017)

ADK and subs grow profit, exceeding the plan

■ ADK non-consolidated

- Billings stagnant due to a decline in non-media jobs
- Profit margin improved through continued effort by the income management system, resulting in an increase in gross profit
- A substantial increase in gross profit even with inflated SG&A, reflected by provision for performance-linked bonus and staff training cost

■ Domestic subsidiaries

- A production company improved profitability through efforts to promote in-house production
- A digital company continued to grow through a change in the commercial flow and market expansion
- A content and advertising subs weakened

■ Overseas subsidiaries

- Asian businesses continued stable performance
- Europe and US were on the growing track
- China remained difficult but managed to be on the black as a result of structural reform

Consolidated P/L (Summary)

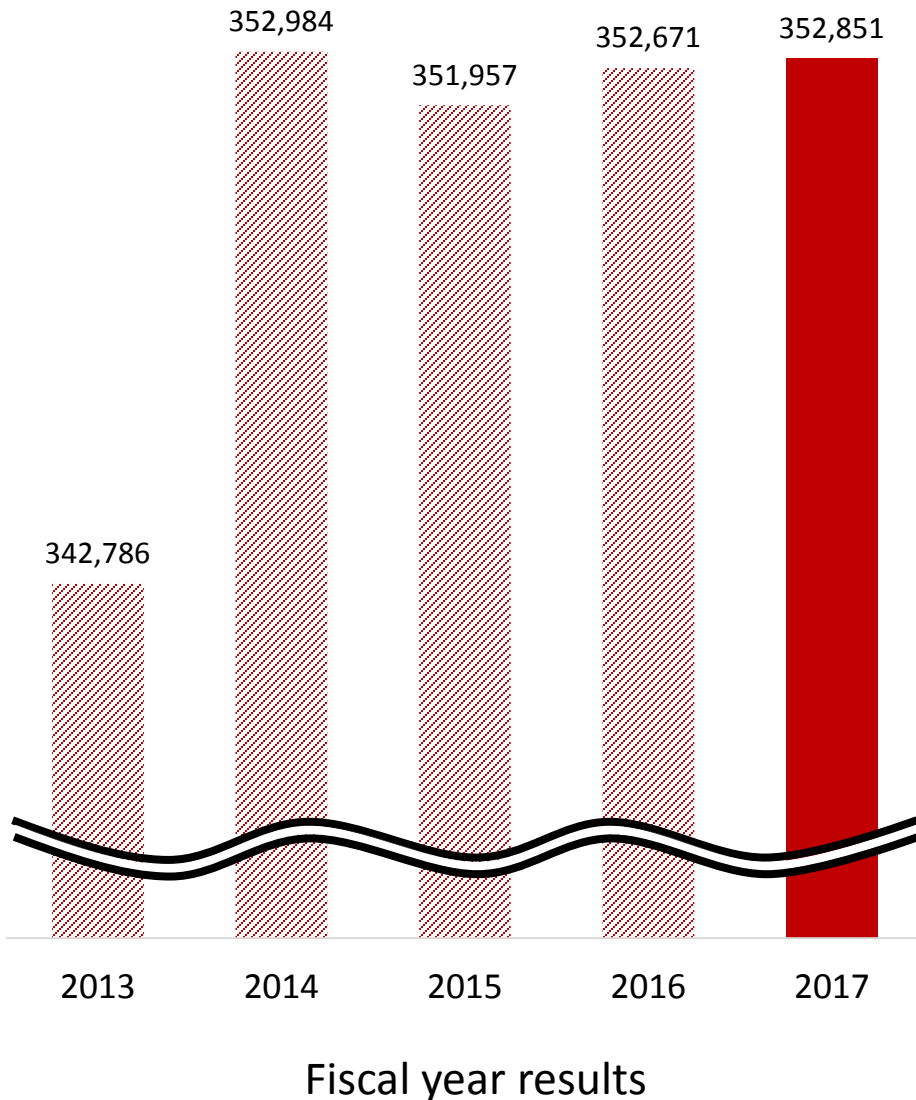


(Millions of yen)

	FY2016	FY2017	Increase (decrease)	Y-o-Y Change	(Original Forecast) FY2017
Gross Billings	352,671	352,851	180	+0.1%	354,700
Gross Profit	51,182	54,255	3,072	+6.0%	53,260
Operating Income	5,569	7,140	1,571	+28.2%	6,230
Ordinary Income	8,688	6,836	(1,852)	-21.3%	9,250
Profit attributable to owners of parent	2,376	5,358	2,981	+125.4%	5,580
Operating Margin	10.9%	13.2%			11.7%
Staff Cost / Gross Profit	60.3%	58.7%			58.3%

Gross Billings

(Millions of yen)



■ Non-con.saw media growth but weakened non-media

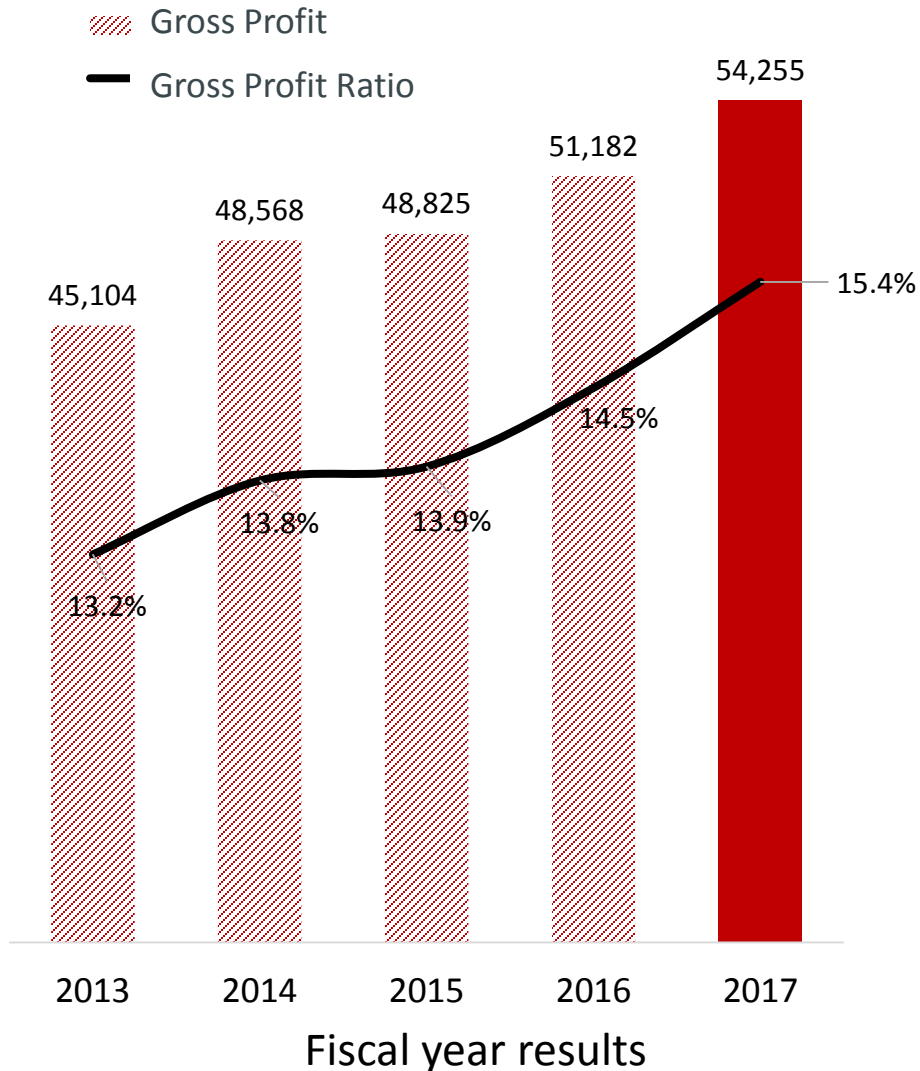
- ✓ Digital up 24.4%
- ✓ TV up 2.9%
- ✓ MKT & Promo down 13.9%

■ Domestic/overseas subs up in profit

- ✓ Domestic up 9.4%
- ✓ Asian subs up 9.2%

■ Billings barely increased on a consolidated basis

(Millions of yen)



- Record level of profit and margin on a consolidated basis

- Non-con.GP and margin continued

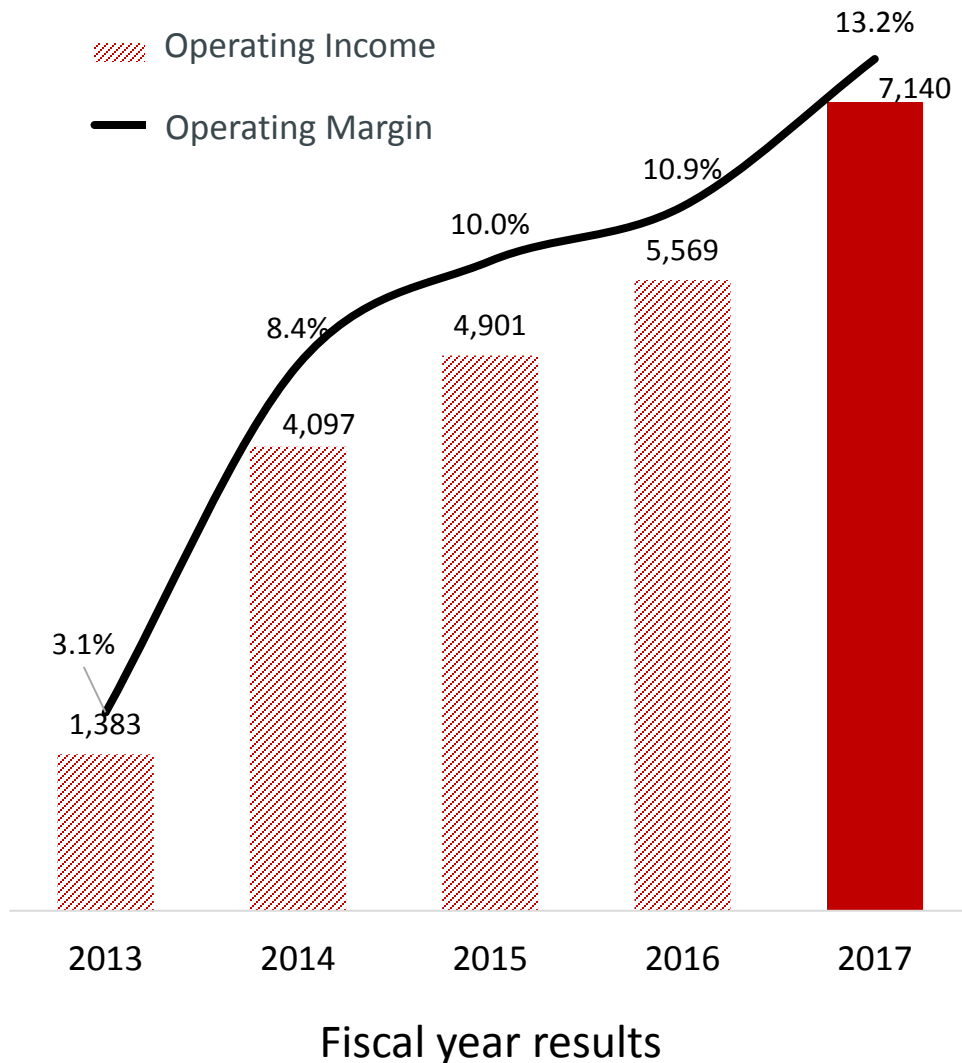
 - ✓ 36,216(FY2016) ⇒ 38,100(FY2017)

 - ✓ 11.5%(FY2016) ⇒ 12.2%(FY2017)

- Domestic & overseas subs saw increase in GP and margin

Operating Income

(Millions of yen)



■ Non-con. up in staff cost

- ✓ Provision taken for bonus increased, resulted in non-con. staff cost up 4.3%
- ✓ Other SG&A well controlled, down 1.6%
- ✓ Total SG&A, up 2.3%

■ Subs, especially overseas, continued to control SG&A

- ✓ Domestic: up 4.4%
- ✓ Overseas: up 2.4%

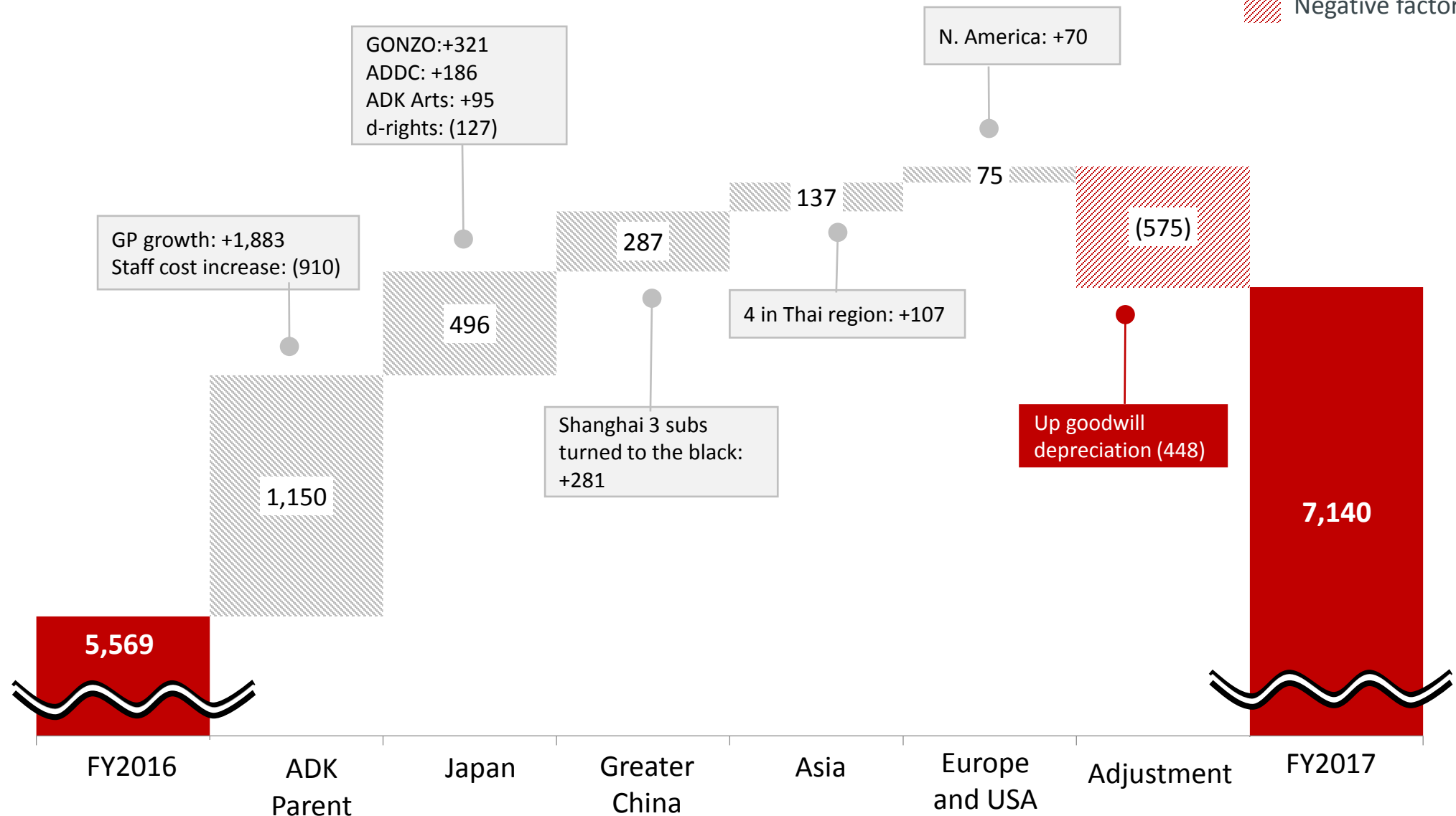
■ Profit on the rise since 2014

Increase / Decrease Factors of Operating Income



(Millions of yen)

Positive factors
Negative factors



Operating Income – Net Income



(Millions of yen)

	FY2016	FY2017	Increase (Decrease)	Y-o-Y	Main factors
Operating Income	5,569	7,140	1,571	+28.2%	
Non-Operating Income	3,290	3,707			
(Non-Operating Expenses)	(170)	(4,011)			Takeover bid related cost, derivative appraisal loss, etc.
Ordinary Income	8,688	6,836	(1,852)	-21.3%	
Extraordinary Income	230	1,334			Gain on sales of securities and fixed assets, etc.
(Extraordinary Loss)	(2,658)	(232)			Completion of impact of extraordinary loss posted last year
Income before Income taxes and Minority Interests	6,260	7,938	1,677	+26.8%	
(Income taxes)	(3,652)	(2,459)			
Net Income	2,608	5,478			
Profit attributable to owners of parent	2,376	5,358	2,981	+125.4%	

Consolidated B/S



Assets	End of 2016/12	End of 2017/12	Increase (Decrease)
Cash and Deposits	19,042	24,587	5,544
Notes and Accounts Receivable-trade	81,712	84,948	3,235
Short-term Investment Securities	3,678	1,533	(2,144)
Inventories	5,319	4,768	(550)
Other	4,467	4,669	201
Allowance for Doubtful Accounts	(1,103)	(497)	604
Total Current Assets	113,118	120,008	6,890
Property, Plant and Equipment	3,773	3,182	(590)
Intangible Assets	10,118	9,220	(898)
Investments and Other Assets			
Investment Securities	95,313	79,974	(15,339)
Other	5,687	11,105	5,417
Allowance for Doubtful Accounts	(751)	(1,123)	(372)
Total Investments and Other Assets	100,250	89,955	(10,294)
Total Noncurrent Assets	114,142	102,358	(11,783)
Total Assets	227,260	222,367	(4,893)
Equity Ratio	49.1%	45.7%	
BPS (Yen)	2,674.92	2,451.50	

Liabilities	End of 2016/12	End of 2017/12	Increase (Decrease)
Notes and Accounts Payable-trade	69,349	60,593	(8,756)
Electronically recorded obligations - operating	6,339	15,319	8,980
Short-term loans payable	459	4,095	3,636
Current portion of long-term loans payable	1,553	0	(1,553)
Other	13,916	14,156	239
Total Current Liabilities	91,618	94,164	2,546
Net defined benefit liability	20,608	15,914	(4,693)
Other	1,808	9,271	7,463
Total Noncurrent Liabilities	22,416	25,186	2,769
Total Liabilities	114,034	119,350	5,315

Net Assets	End of 2016/12	End of 2017/12	Increase (Decrease)
Capital Stock	37,581	37,581	0
Capital Surplus	11,977	10,721	(1,255)
Retained Earnings	16,260	17,372	1,112
Treasury shares	(1,205)	(875)	330
Total Shareholder's Equity	64,613	64,800	187
Valuation Difference on Available-for-sale Securities	45,344	35,162	(10,182)
Deferred Gains or Losses on Hedges	20	(715)	(735)
Foreign Currency Translation Adjustment	1,155	1,668	512
Remesurements of defined benefit plans	471	707	235
Accumulated other comprehensive income	46,992	36,821	(10,170)
Subscription rights to shares	24	0	(24)
Non-controlling interests	1,595	1,394	(201)
Total Net Assets	113,225	103,016	(10,209)
Total Liabilities and Net Assets	227,260	222,367	(4,893)

Consolidated Statement of Cash Flows



	FY2016	FY2017
Net cash provided by operating activities	11,637	6,270
Income before income taxes	6,260	7,938
Other	5,376	(1,668)
Net cash provided by investing activities	(4,475)	1,175
Proceeds from sales of investment securities	191	1,034
Proceeds from withdrawal of time deposits	1,454	2,219
Payments into time deposits	(1,428)	(1,509)
Other	(4,692)	(569)
Net cash used in financing activities	(11,912)	(3,739)
Cash dividends paid	(10,430)	(4,168)
Other	(1,482)	429
Foreign currency translation adjustments on cash and cash equivalents	(302)	295
Net increase in cash and cash equivalents	(5,053)	4,002
Cash and cash equivalents, beginning of the period	25,924	21,027
Cash and cash equivalents, end of the period	21,027	25,094

Environment

Business environment surrounding the advertising industry changes rapidly

Paradigm shift to the means **to move customers to take actual action** such as product purchase and use of service from the means of enhancing the recognition of them

Aim for

A Consumer Activation Company

Transform to a “Consumer Activation Company”, beyond a traditional agency model, that offers marketing support to address a client’s challenges while inspiring consumers to take action

For a change

Go private and take a bold and cross-sectorial reform over short-term run

- A wide variety of product development
- M&A investment and business tie-up (i.e. shifting to an open network connected group)
- Investment in business infrastructure such as people and systems
- Selection and concentration, etc.

ADK is now going through the procedures to go private while undertaking a bold and cross-sectorial reform over a short-term run. Thus, **we refrain from announcing forecast for the period ending December 2018**



Appendix

Business Trend and Forecast



Consolidated	FY2015						FY2016						FY2017					
	1H			Full Year			1H			Full Year			1H			Full Year		
	Actual	Y-o-Y	Progress	Actual	Y-o-Y		Actual	Y-o-Y	Progress	Actual	Y-o-Y		Actual	Y-o-Y	Progress	Actual	Y-o-Y	
Gross Billings	175,108	+0.4%	49.8%	351,956	-0.3%		174,092	-0.6%	49.4%	352,671	+0.2%		172,023	-1.2%	48.5%	352,851	+0.1%	
Gross Profit	24,496	-0.5%		48,824	+0.5%		25,672	+4.8%		51,182	+4.8%		26,359	+2.7%		54,255	+6.0%	
GP Ratio	14.0%			13.9%			14.7%			14.5%			15.3%			15.4%		
(SG&A Exp)	(21,560)	-4.2%		(43,923)	-1.2%		(21,814)	+1.2%		(45,613)	+3.8%		(22,648)	+3.8%		(47,115)	+3.3%	
(Staff Cost)	(14,798)	-2.9%		(29,523)	-1.2%		(15,151)	+2.4%		(30,847)	+4.5%		(15,180)	+0.2%		(31,849)	+3.2%	
Operating Income	2,936	+38.0%	59.9%	4,901	+19.6%		3,857	+31.4%	69.3%	5,569	+13.6%		3,710	-3.8%	59.6%	7,140	+28.2%	
Ordinary Income	5,157	+30.0%	60.0%	8,590	+18.5%		5,555	+7.7%	63.9%	8,688	+1.1%		5,803	+4.5%	62.7%	6,836	-21.3%	
Income before Income taxes and Minority Interests	5,446	+118.9%		9,189	+42.8%		3,484	-36.0%		6,260	-31.9%		6,283	+80.3%		7,938	+26.8%	
Profit attributable to owners of parent	3,155	+151.4%	58.8%	5,362	+45.1%		1,010	-68.0%	42.5%	2,376	-55.7%		4,296	+325.1%	77.0%	5,358	+125.4%	
Operating Margin	12.0%			10.0%			15.0%			10.9%			14.1%			13.2%		
Staff Cost/Gross Profit	60.4%			60.5%			59.0%			60.3%			57.6%			58.7%		

Parent	FY2015						FY2016						FY2017					
	1H			Full Year			1H			Full Year			1H			Full Year		
	Actual	Y-o-Y	Progress	Actual	Y-o-Y		Actual	Y-o-Y	Progress	Actual	Y-o-Y		Actual	Y-o-Y	Progress	Actual	Y-o-Y	
Gross Billings	153,658	+1.0%	50.1%	306,801	+0.0%		156,275	+1.7%	49.7%	314,389	+2.5%		154,615	-1.1%	48.5%	312,673	-0.5%	
Gross Profit	17,244	-4.7%		32,925	-5.0%		18,807	+9.1%		36,216	+10.0%		19,430	+3.3%		38,100	+5.2%	
GP Ratio	11.2%			10.7%			12.0%			11.5%			12.6%			12.2%		
(SG&A Exp)	(14,728)	-8.5%		(29,942)	-5.0%		(15,387)	+4.5%		(32,233)	+7.7%		(16,016)	+4.1%		(32,967)	+2.3%	
(Staff Cost)	(9,756)	-8.4%		(19,303)	-6.1%		(10,452)	+7.1%		(21,410)	+10.9%		(10,612)	+1.5%		(22,320)	+4.3%	
Operating Income	2,515	+26.2%	84.3%	2,983	-4.7%		3,419	+35.9%	85.9%	3,982	+33.5%		3,414	-0.2%	77.6%	5,133	+28.9%	
Ordinary Income	4,716	+22.1%	42.4%	11,112	+86.8%		6,162	+30.6%	77.2%	7,987	-28.1%		6,082	-1.3%	79.2%	5,801	-27.4%	
Income before Income taxes	5,044	+100.0%		12,124	+116.1%		6,803	+34.9%		8,353	-31.1%		6,572	-3.4%		7,039	-15.7%	
Net Income	3,284	+113.0%	34.3%	9,577	+174.9%		4,703	+43.2%	86.5%	5,440	-43.2%		4,792	+1.9%	95.8%	5,181	-4.8%	
Operating Margin	14.6%			9.1%			18.2%			11.0%			17.6%			13.5%		
Staff Cost/Gross Profit	56.6%			58.6%			55.6%			59.1%			54.6%			58.6%		

Consolidated P/L (by region)



Upper : FY2017 Lower : FY2016 Number of subsidiaries		Gross Billings	Y-o-Y	Gross Profit	Y-o-Y	Operating Income	Y-o-Y
ADK(Parent)		312,673	-0.5%	38,100	+5.2%	5,133	+28.9%
		314,389	+2.5%	36,216	+10.0%	3,982	+33.5%
Japan	11	60,812	+9.4%	10,356	+9.2%	1,535	+47.8%
	12	55,593	+2.0%	9,484	+0.1%	1,038	+6.1%
Greater China	8	11,430	+5.3%	2,492	+9.6%	314	+1085.6%
	8	10,858	-22.5%	2,273	-24.7%	26	-91.0%
Asia	13	12,864	+9.2%	3,062	+11.3%	847	+19.3%
	13	11,779	-16.2%	2,750	-11.6%	710	-8.8%
Europe and USA	3	5,149	+13.2%	732	+13.9%	102	+276.6%
	4	4,547	-7.6%	643	-2.4%	27	-
Consolidation Adjustment		(50,080)		(488)		(792)	
		(44,497)		(186)		(216)	
Total		352,851	+0.1%	54,255	+6.0%	7,140	+28.2%
		352,671	+0.2%	51,182	+4.8%	5,569	+13.6%

Non-Consolidated Gross Billings by Sector



	FY2016		FY2017		Y-on-Y	
	G Billings	Composition	G Billings	Composition	Inc/Dec	Inc/Dec%
Energy/Material/ machinery	4,032	1.3%	4,149	1.3%	117	2.9%
Food	31,300	10.0%	32,176	10.3%	876	2.8%
Beverage/Tobacco	19,595	6.2%	18,208	5.8%	(1,386)	-7.1%
Pharma/Medical supplies	19,121	6.1%	16,620	5.3%	(2,501)	-13.1%
Cosmetics/Toiletry	29,826	9.5%	28,542	9.1%	(1,283)	-4.3%
Apparel/Jewelry	13,636	4.3%	13,770	4.4%	134	1.0%
Precision machinery/Office supplies	2,787	0.9%	2,147	0.7%	(640)	-23.0%
Home appliances/AV equipment	3,165	1.0%	4,076	1.3%	910	28.8%
Automobile/Automobile-related Products	17,451	5.6%	11,585	3.7%	(5,865)	-33.6%
Household Goods	1,017	0.3%	1,377	0.4%	360	35.4%
Hobbies/Sport Goods	19,856	6.3%	20,932	6.7%	1,075	5.4%
Real Estate/Housing	10,386	3.3%	11,382	3.6%	995	9.6%
Publishing	2,496	0.8%	2,227	0.7%	(269)	-10.8%
Information/Communication	36,319	11.6%	40,031	12.8%	3,712	10.2%
Distribution/Retail	26,290	8.4%	26,439	8.5%	149	0.6%
Finance/Insurance	24,411	7.8%	25,146	8.0%	735	3.0%
Transportation/Leisure	9,348	3.0%	9,182	2.9%	(166)	-1.8%
Restaurants/Other service	12,552	4.0%	13,691	4.4%	1,138	9.1%
Government/Organizations	11,022	3.5%	10,423	3.3%	(598)	-5.4%
Education/Medical Service/Religion	6,129	1.9%	4,646	1.5%	(1,482)	-24.2%
Signage/Other	13,642	4.3%	15,914	5.1%	2,271	16.6%
Total	314,389	100.0%	312,673	100.0%	(1,715)	-0.5%

Non-Consolidated Gross Billings by Media

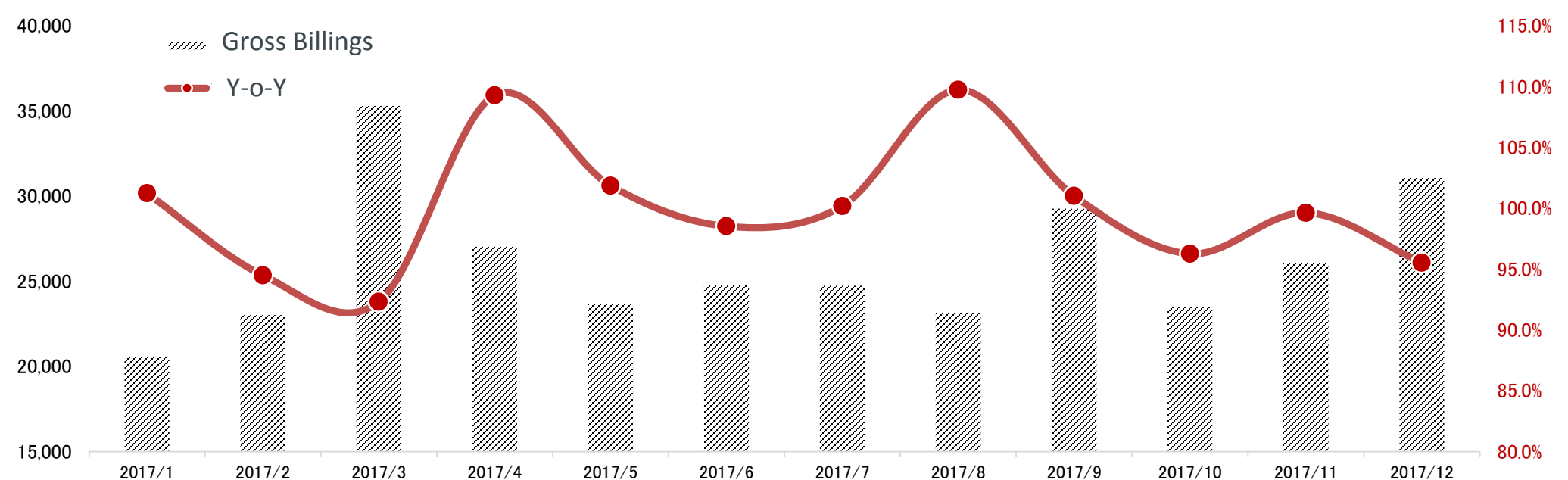


	FY2016		FY2017		Y-on-Y	
	G Billings	Composition	G Billings	Composition	Inc/Dec	Inc/Dec%
Magazine	12,108	3.9%	11,223	3.6%	(885)	-7.3%
Newspaper	19,020	6.0%	18,699	6.0%	(320)	-1.7%
TV	151,508	48.2%	155,944	49.9%	4,436	2.9%
Time	54,658	17.4%	55,583	17.8%	925	1.7%
Spot	81,291	25.9%	82,447	26.4%	1,156	1.4%
Content	15,558	4.9%	17,913	5.7%	2,354	15.1%
Radio	3,512	1.1%	3,094	1.0%	(418)	-11.9%
4 Media	186,150	59.2%	188,961	60.4%	2,810	1.5%
Digital Media	20,525	6.5%	25,540	8.2%	5,015	24.4%
OOH Media	9,781	3.1%	9,604	3.1%	(176)	-1.8%
Marketing/Promotion	59,910	19.1%	52,414	16.8%	(7,495)	-12.5%
Creative	35,545	11.3%	33,508	10.7%	(2,037)	-5.7%
Other	2,476	0.8%	2,644	0.8%	167	6.8%
Except for 4 Media	128,239	40.8%	123,712	39.6%	(4,526)	-3.5%
Total	314,389	100.0%	312,673	100.0%	(1,715)	-0.5%

Non-Consolidated Gross Billings (on a monthly-basis)



	2017/1	2017/2	2017/3	2017/4	2017/5	2017/6	2017/7	2017/8	2017/9	2017/10	2017/11	2017/12
Gross Billings	20,587	23,058	35,337	27,082	23,707	24,842	24,783	23,183	29,308	23,547	26,119	31,116
Magazine	501	814	1,370	1,000	896	901	661	846	1,361	965	1,161	741
Newspaper	1,690	1,491	1,999	1,773	1,255	1,406	1,236	1,075	1,293	1,692	1,747	2,036
TV	11,754	11,796	14,675	14,124	13,075	11,890	13,682	12,806	13,109	12,088	12,491	14,449
Radio	236	234	302	235	228	242	242	281	269	271	279	270
Digital Media	1,459	1,982	2,816	2,118	2,068	2,004	1,742	1,819	2,251	1,629	2,482	3,165
OOH Media	845	895	1,388	911	634	815	819	326	865	461	582	1,057
Marketing/Promotion	2,418	3,117	8,134	3,035	3,203	4,435	3,544	3,843	6,595	3,688	4,685	5,711
Creative	1,485	2,547	4,403	3,696	2,180	2,924	2,625	1,914	3,120	2,528	2,473	3,608
Others	195	179	246	186	165	222	228	267	441	222	215	75



Consolidated Marketable Securities Update



		End of 2016/12		End of 2017/12	
Current	■ Short-term investment securities				
	Public and corporate bonds in investment trust	0		0	
	Bonds	0		0	
	Investment trust, other	3,678	4 Brands	1,533	4 Brands
	Total Current	3,678		1,533	
Non current	■ Investment Securities	95,313		79,974	
	Listed stock	91,523		76,797	
	WPP plc	81,271	31,295,646 shares (2.4%)	63,769	31,295,646 shares (2.4%)
	Other listed shares	10,252	67 Brands	13,028	63 Brands
	Unlisted stock	3,756		3,160	
	Affiliates' shares	1,727	7 Brands	1,444	6 Brands
	Subsidiaries' shares	347	8 Brands	83	6 Brands
	Other unlisted shares	1,681	55 Brands	1,632	51 Brands
	Bonds	0		0	
	Investment trust, other	34	2 Brands	16	1 Brands
	■ Other				
Related companies' stake	181	5 Brands	191	7 Brands	
Stake	38	6 Brands	74	8 Brands	
	Total Noncurrent	95,533		80,240	

Consolidated Capital Investment/ Depreciation Cost



	Capital Investment			Depreciation Cost		
	ADK	Consolidated subsidiaries	Consolidated	ADK	Consolidated subsidiaries	Consolidated
Buildings	13	9	22	130	90	221
Structures	-	-	-	-	0	0
Automobiles	13	13	27	12	20	32
Equipment and fixtures	15	103	119	199	204	403
Land	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Software	314	79	394	396	67	464
Lease assets	-	22	22	1	35	36
Other	-	0	0	9	146	156
Total	356	230	586	749	564	1,314

Impact on profit associated with forex and newly consolidated companies



		Operating Income	Ordinary Income	Profit (loss) attributable to owners of parent
(A)	Consolidated Actual Profit FY2017	7,140	6,836	5,358
(B)	Forex impact in overseas affiliates	65	79	62
(C)	Forex impact on dividends paid by WPP stock	0	18	13
(B)+(C)=(D)	Total Forex Impact	65	97	75
	As proportion of Profit (D)/(A)	0.9%	1.4%	1.4%
(E)	Impact incurred by newly consolidation*	(2)	(2)	(12)
	As proportion of Profit (E)/(A)	-0.0%	-0.0%	-0.2%
(D)+(E)=(F)	Total Impact incurred by forex fluctuations + newly consolidation	62	94	63
	As proportion of Profit (F)/(A)	0.9%	1.4%	1.2%

FX Rate	FY2016	FY2017
USD/JPY	108.78	112.16
EUR/JPY	120.26	126.70
GBP/JPY	128.51	148.50
THB/JPY	3.08	3.31
RMB/JPY	16.36	16.62

* 1 companies were newly consolidated for FY2017

Consolidated companies (as of 2017/12/31)



	Japan	China	Asia	Europe and USA	Total
Consolidated subsidiary	11	8	13	3	35
Equity method affiliates	4	3	0	0	7
Total	15	11	13	3	42

Japan

Absolute one

ADK Arts
 ADK Dialog
 ADK Digital Communications
 ADK International
 Axival
 d-rights
 Eiken
 Gonzo
 Kyowa Kikaku
 Right Song Music Publishing
 ※ ASP
 ※ Drill
 ※ DA Search & Link
 ※ Premier Cross Value

Greater China

China

Asatsu Century (Shanghai) Advertising
 Asatsu (Shanghai) Exposition & Advertising
 IMMG BEIJING
 Shanghai ASATSU Advertising
 ※ Beijing DongFang SanMeng Public Relations Consulting
 ※ Guangdong Guangxu (Asatsu) Advertising
 ※ A2 (Shanghai) Marketing Service

Hong Kong

ASATSU-DK Hong Kong
 DK ADVERTISING (HK)

Taiwan

United ASATSU international
 DIK-OCEAN Advertising

Asia

Thailand

ADK Thai Holding
 ASATSU (Thailand)
 ASDIK
 DAI-ICHI KIKAKU (Thailand)

Singapore

ASATSU-DK SINGAPORE
 IMMG
 SCOOP ADWORLD

Indonesia

IMMG Indonesia

Vietnam

ASATSU-DK VIETNAM
 DIK VIETNAM

Malaysia

ASATSU-DK (Malaysia)
 DAI-ICHI KIKAKU (Malaysia)

Korea

ASATSU-DK Korea

Europe and USA

Netherlands

ADK Insights

U.S.A.

ADK America
 Sunrights

Underlined companies became either consolidated or equity method affiliates during the period under review

※ Equity method affiliate

ADK