

Overview of First Nine months Results for the Year Ending December 31, 2017 [Japanese GAAP]



November 13, 2017

Company Name ASATSU-DK INC. Exchange : Tokyo Stock Exchange First Section
 Securities Code 9747 URL : <http://www.adk.jp/en/>
 Representative Shinichi Ueno, President and Group CEO
 Contact Person Kaori Nakajima, Department Director, Office of Corporate Communications Tel:+81-3-6830-3855
 Filing date of the Quarterly Report: November 13, 2017 Date of dividend payment: —
 Supplementary information for financial results : Available
 Organization of financial results briefing : None

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

1. The First Nine months Consolidated Results (January 1, 2017 to September 30, 2017)

(1) Consolidated Operating Results

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
9 months ended ;								
Sep. 30, 2017	258,692	0.6	4,639	9.2	6,857	13.2	5,120	309.2
Sep. 30, 2016	257,219	0.1	4,248	49.6	6,055	13.2	1,251	(58.5)

(Notes) Comprehensive income: at Sep. 30, 2017: (4,419) million yen (- %), at Sep. 30, 2016: (8,862) million yen (- %)

	Net Income per Share	Fully Diluted Net Income per Share
	Yen	Yen
Sep. 30, 2017	123.68	123.38
Sep. 30, 2016	29.99	29.98

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholder's Equity Ratio
	millions of yen	millions of yen	%
Sep. 30, 2017	206,622	103,405	49.4
Dec. 31, 2016	227,260	113,225	49.1

(Reference) Shareholders' equity: September 30, 2017: 102,022 million yen, December 31, 2016: 111,605 million yen

2. Dividend Information

	Annual Dividend per Share				
	1st quarter end	2nd quarter end	3rd quarter end	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016(Actual)	—	10.00	—	90.00	100.00
Fiscal 2017(Actual)	—	10.00	—	—	—
Fiscal 2017(Forecast)	—	—	—	0.00	10.00

(Notes) Revisions from the most recent dividend forecasts : No

The year-end dividend for FY 2016 consists of the ordinary dividend of 30 yen per share and commemorative dividend of 60 yen per share.

As announced on October 2, 2017 titled "Notice Regarding Opinion on Tender Offer for Shares of the Company by Bain Capital" and "Notice Regarding Revision of Dividend Forecast", we plan not to pay year-end dividends for the year ending December 2017 on condition that said tender offer will be completed successfully.

3. Forecast of Consolidated results Fiscal 2017 (January 1, 2017 to December 31, 2017)

(% shown represent increase/decrease from those in the corresponding period of the previous year.)

	Gross Billings		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full-year	354,700	0.6	6,230	11.9	9,250	6.5	5,580	134.8	134.78

(Notes) Revisions from the most recent forecasts: No

* Notes

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

(2) Is there any accounting treatment particular to the quarterly financial statements? : Yes.

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

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

(4) Number of outstanding stocks

1. Number of outstanding stocks (including treasury stock) issued, end of term	at Sep. 30, 2017	41,755,400 shares	at Dec. 31, 2016	42,155,400 shares
2. Number of treasury stock, end of term	at Sep. 30, 2017	360,005 shares	at Dec. 31, 2016	432,400 shares
3. Avg. number of shares (consolidated) outstanding during the terms ended	at Sep. 30, 2017	41,402,859 shares	at Sep. 30, 2016	41,727,658 shares

* This consolidated quarterly financial results is outside the scope of quarterly review procedures

* Appropriate use of business forecasts and other special matters

The business forecasts and future prospects in this document are made based on information currently available and contain potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.

Refer to “1.Consolidated Results for the First Nine months of Fiscal 2017 (3) Forecasts for Fiscal 2017” on page 5 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

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1. Consolidated Results for the First Nine months of Fiscal 2017

(1) Overview of Operating Results

During the first three quarters under review (from January 1, 2017 to September 30, 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, however, uncertainty about the future persisted with the Brexit-related issues, 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 is almost performing steadily in 2017 with January-August total gross billings 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”, that the Company declared in 2013, aiming not only to deliver messages via advertisements but inspire consumers to take actions, thereby contributing to clients’ performance. To realize that, we are pressing forward structural reforms to strengthen infrastructure and improve profitability to ensure further growth. During the three quarters under review, we stepped up efforts throughout the group to redeploy resources and optimize business portfolio.

Domestic business as a whole saw a growth in both revenue and profit as a result of increased billings in TV ads and digital media handled at ADK, although advertising and content subsidiaries grew weaker.

Overseas business also experienced a growth in revenue and profit with offices in China, Europe and US turning to the black through structural reform efforts in addition to stable performance in the Asian region. The entire overseas billings accounted for 8.6% in the total billings generated during the period under review as opposed to 7.5% in 2016.

As a result of all that, gross billings on a consolidated basis during the first nine months resulted in ¥258,692 million, up 0.6% from the previous fiscal year with gross profit amounting to ¥39,474 million, up 5.2%, operating income to ¥4,639 million, up 9.2%.

The Group reported ordinary income of ¥6,857 million, up 13.2% from the previous year, net income before tax and others of ¥7,745 million, up 91.6%, and profit attributable to owners of parent of ¥5,120 million, up 309.2%, due to an increase in non-operating income such as dividend received and the completion of a full circle of extraordinary losses posted during the same period last year.

ADK-parent, the core competence of the Group business, generated gross billings of ¥231,890 million, up 0.3% from the previous fiscal year. Gross profit was up 5.4% to ¥28,635 million and operating income was up 16.2% to ¥4,102 million from the same period last year.

Media billings improved strongly, in particular TV ads and digital media even while marketing & promotion and creative billings decreased, resulting in an increase in revenue on a year-on-year basis. Profits

The English translation is for reference purpose only. If there is any discrepancy between this English translation and the Japanese original version, the Japanese original version shall prevail.

also experienced an increase because of a growth in gross profit as a result of an effort to bolster up the income management structure despite the fact that selling, general and administrative expenses inflated due to increased provision for bonus and other.

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

Non-consolidated Performance by Clients business

Breakdown by Clients business	Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y change (%)
Energy/Material/ machinery	3,134	1.4	3.8
Food	24,286	10.5	5.3
Beverage/Tobacco	14,324	6.2	(6.3)
Pharma/Medical supplies	11,623	5.0	(15.2)
Cosmetics/Toiletry	21,128	9.1	(4.5)
Apparel/Jewelry	9,327	4.0	4.1
Precision machinery/Office supplies	1,825	0.8	(16.7)
Home appliances/AV equipment	2,250	1.0	38.9
Automobile/Automobile-related Products	9,271	4.0	(33.1)
Household Goods	955	0.4	27.2
Hobbies/Sport Goods	15,460	6.7	10.7
Real Estate/Housing	7,846	3.4	2.6
Publishing	1,744	0.8	(11.3)
Information/Communication	30,399	13.1	18.7
Distribution/Retail	20,066	8.7	(4.4)
Finance/Insurance	18,790	8.1	2.0
Transportation/Leisure	6,846	3.0	(0.5)
Restaurants/Other service	9,972	4.3	14.9
Government/Organizations	6,934	3.0	(11.5)
Education/Medical Service/Religion	3,705	1.6	(27.7)
Signage/Other	11,996	5.2	26.7
Total	231,890	100.0	0.3

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

Non-consolidated Performance by Discipline

Breakdown by Discipline		Gross Billings (Millions of Yen)	Composition (%)	Y-o-Y Change (%)	Main clients business industries (Top: increased industries, Bottom: decreased industries)
Media	Magazine	8,355	3.6	(5.0)	Hobbies/Sports Goods, Restaurants/Other service, Real Estate/Housing Cosmetics/Toiletry, Apparel/Jewelry, Finance/Insurance
	Newspaper	13,222	5.7	(0.2)	Distribution/Retail, Information/Communication, Automobile/Automobile-related Products Food, Government/Organizations, Restaurants/Other service
	TV	116,914	50.4	6.3	Information/Communication, Restaurant/Other service, Finance/Insurance
					Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical Service/Religion
	Program	42,199	18.2	5.4	Finance/Insurance, Food, Information/Communication Cosmetics/Toiletry, Automobile/Automobile-related Products, Distribution/Retail
	Spot	61,438	26.5	3.1	Information/Communication, Distribution/Retail, Restaurant/Other service
					Pharma/Medical supplies, Automobile/Automobile-related Products, Education/Medical Service/Religion
	Content	13,276	5.7	29.0	Food, Finance/Insurance, Government/Organizations
					Hobbies/Sport Goods, Transportation/Leisure, Education/Medical Service/Religion
	Radio	2,273	1.0	(12.6)	Transportation/Leisure, Distribution/Retail, Energy/Material/Machinery Information/Communication, Finance/Insurance, Pharma/Medical supplies
Digital Media	18,263	7.9	22.2	Information/Communication, Apparel/Jewelry, Finance/Insurance Education/Medical Service/Religion, Restaurant/Other service, Energy/Material/Machinery	
OOH Media	7,503	3.2	(2.2)	Food, Information/Communication, Hobbies/Sport Goods Distribution/Retail, Beverage/Tobacco, Education/Medical Service/Religion	
Sub-total		166,532	71.8	5.9	Information/Communication, Food, Distribution/Retail Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical Service/Religion
Non-Media	Marketing and Promotion	38,328	16.5	(15.4)	Information/Communication, Restaurant/Other service, Hobbies/Sport Goods
					Automobile/Automobile-related Products, Distribution/Retail, Beverage/Tobacco
	Creative	24,897	10.7	(6.8)	Food, Apparel/Jewelry, Home appliances/AV equipment
					Pharma/Medical supplies, Cosmetics/Toiletry, Transportation/Leisure
Others	2,131	0.9	13.3	Information/Communication, Restaurant/Other service, Cosmetics/Toiletry	
				Food, Energy/Material/Machinery, Automobile/Automobile-related Products	
Sub-total		65,358	28.2	(11.6)	Information/Communication, Restaurant/Other service, Hobbies/Sport Goods Automobile/Automobile-related Products, Distribution/Retail, Beverage/Tobacco
Total		231,890	100.0	0.3	Information/Communication, Hobbies/Sport Goods, Restaurant/Other service Automobile/Automobile-related Products, Pharma/Medical supplies, Education/Medical service/Religion

Notes 1. Because we offer integrated solutions, data may not represent gross billings exactly by media.

2. Content includes Animation, Culture and Sports Marketing, etc.

3. Digital Media includes Internet and Mobile-related media.

(Digital Solutions, such as Website Creation and System Development are included in "Marketing and Promotion".)

4. OOH (Out of Home) Media includes transportation and outdoor advertising and insertions.

5. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR, Exposition events and Digital Solutions, etc.

(2) Financial Position

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

Total assets amounted to ¥206,622 million, down ¥20,637 million from the previous consolidated fiscal year-end due mainly to a decrease in bills receivables and account receivables and also a decrease in the value of investment securities stemming from a drop of their market value. Total liabilities were also reduced to ¥103,216 million, down ¥10,818 million due mainly to a decrease in differed tax liability, notes and accounts payable. Total net asset amounted to ¥103,405 million and the shareholders' equity ratio was 49.4% when excluding non-controlling interest and subscription rights in shares.

(3) Forecasts for Fiscal 2017

Business during the nine months of the current fiscal year experienced increased income and profit on a consolidated basis over year-to-year comparison, largely performing steadily against the consolidated forecasts as a result of strong performance at ADK and overseas subsidiaries, compensating for weakened business seen in some of domestic companies.

Although we need to find out with caution what the climate of consumer spending and key clients' performance will be in the final quarter at the prospect of the year-end selling competition, we still anticipate that the Japanese economy will maintain its upward momentum, thus, the advertising market will move strongly in the mid-and long-term.

For those reasons, we have not changed, at the time of writing this document, the revised consolidated forecasts released on February 14, 2017.

We continue our efforts to further grow the business by promoting developments and provision of solutions in tune with changes in the media environment and consumer behaviors, ensuring to improve competitive edge and profitability.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	December 31, 2016	September 30, 2017
Assets		
Current assets		
Cash and deposits	19,042	17,563
Notes and accounts receivable-trade	81,712	77,267
Short-term investment securities	3,678	3,529
Inventories	5,319	5,938
Other	4,467	4,690
Allowance for doubtful accounts	(1,103)	(497)
Total current assets	113,118	108,491
Noncurrent assets		
Property, plant and equipment	3,773	3,285
Intangible assets		
Goodwill	7,538	7,000
Other	2,580	2,521
Total intangible assets	10,118	9,521
Investments and other assets		
Investment securities	95,313	80,504
Other	5,687	5,953
Allowance for doubtful accounts	(751)	(1,133)
Total investments and other assets	100,250	85,324
Total noncurrent assets	114,142	98,131
Total assets	227,260	206,622

(Millions of Yen)

	December 31, 2016	September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	75,688	70,980
Short-term loans payable	459	262
Current portion of long-term loans payable	1,553	1,504
Income taxes payable	2,273	997
Provision for bonuses	2,343	2,690
Other	9,299	8,762
Total current liabilities	91,618	85,197
Noncurrent liabilities		
Long-term loans payable	60	60
Provision	35	30
Net defined benefit liability	510	513
Other	21,810	17,414
Total noncurrent liabilities	22,416	18,019
Total liabilities	114,034	103,216
Net assets		
Shareholders' equity		
Capital stock	37,581	37,581
Capital surplus	11,977	10,814
Retained earnings	16,260	17,195
Treasury shares	(1,205)	(1,037)
Total shareholders' equity	64,613	64,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	45,344	35,549
Deferred gains or losses on hedges	20	—
Foreign currency translation adjustment	1,155	1,454
Remeasurements of defined benefit plans	471	464
Total accumulated other comprehensive income	46,992	37,467
Subscription rights to shares	24	154
Non-controlling interests	1,595	1,228
Total net assets	113,225	103,405
Total liabilities and net assets	227,260	206,622

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

Consolidated Income Statements

Nine months Ended September 30, 2017

(Millions of Yen)

	Nine months Ended September 30, 2016 (From January 1 to September 30, 2016)	Nine months Ended September 30, 2017 (From January 1 to September 30, 2017)
Gross billings	257,219	258,692
Cost of sales	219,689	219,217
Gross profit	37,529	39,474
Selling, general and administrative expenses		
Salaries and allowances	16,160	16,390
Provision for bonuses	2,250	2,616
Provision of allowance for doubtful accounts	263	(64)
Other	14,607	15,892
Total selling, general and administrative expenses	33,281	34,835
Operating income	4,248	4,639
Non-operating income		
Interest income	84	85
Dividends income	1,529	1,937
Equity in earnings of affiliates	125	128
Other	345	214
Total non-operating income	2,084	2,366
Non-operating expenses		
Interest expenses	9	43
Foreign exchange losses	191	45
Other	77	60
Total non-operating expenses	277	149
Ordinary income	6,055	6,857
Extraordinary income		
Gain on sales of non-current assets	136	451
Gain on sales of investment securities	5	122
Settlement received	—	250
Other	29	128
Total extraordinary income	171	952
Extraordinary loss		
Loss on liquidation of business	1,994	—
Impairment loss	—	17
Loss on valuation of investment securities	61	22
Other	129	24
Total extraordinary losses	2,184	63
Income before income taxes	4,042	7,745
Income taxes	2,732	2,657
Net income	1,309	5,088
Profit (Loss) attributable to non-controlling interests	58	(32)
Profit attributable to owners of parent	1,251	5,120

Consolidated Statement of Comprehensive Income

Nine months Ended September 30, 2017

(Millions of Yen)

	Nine months Ended September 30, 2016 (From January 1 to September 30, 2016)	Nine months Ended September 30, 2017 (From January 1 to September 30, 2017)
Profit	1,309	5,088
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,244)	(9,795)
Deferred gains or losses on hedges	(26)	(20)
Foreign currency translation adjustment	(1,877)	312
Remeasurements of defined benefit plans	16	(7)
Share of other comprehensive income of associates accounted for using equity method	(39)	2
Total other comprehensive income	(10,171)	(9,507)
Comprehensive income	(8,862)	(4,419)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(8,812)	(4,403)
Comprehensive income attributable to non-controlling interests	(49)	(15)

(3) Notes to Consolidated Financial Statements

(Items related to going concern assumption)

Not Applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not Applicable.

(Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements)

【Calculation of tax expenses】

Tax expenses for the period are calculated by using the effective tax rate, which is estimated rationally based on the estimated annual consolidated income before tax after applying deferred tax accounting, and applying that effective tax rate to income before income taxes for the quarter.

(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 etc.)

【Segment Information】

The previous three quarters (From January 1, 2016 to September 30, 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 three quarters (From January 1, 2017 to September 30, 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.

(Material Subsequent Events)

(Notice of Termination of Capital and Business Alliance with WPP Group and Notice Regarding Opinion on Tender Offer for Shares of the Company by BCPE Madison Cayman, L.P.)

The Company resolved at the board of directors meeting held on October 2, 2017 to terminate the capital and business alliance (the “Capital and Business Alliance”) with WPP International Holding B.V. (“WPP”) and the relevant group companies of its parent company, WPP plc (WPP GROUP PLC at the time of the execution of the agreement, and including WPP plc and WPP, collectively, the “WPP Group”).

In addition, the Company’s board of directors meeting held that day resolved to express an opinion endorsing the tender offer (the “Tender Offer”) on the Company’s outstanding common shares (including the Company’s common shares delivered upon 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”); those shares, collectively, the “Company’s Common Shares”) and the Stock Acquisition Rights by BCPE Madison Cayman, L.P. (the “Offeror”) and to recommend that the Company’s shareholders tender their shares to the Tender Offer.

The resolution at that board of directors meeting was adopted on the understanding that the Offeror intends to make the Company its wholly-owned subsidiary through the Tender Offer and a subsequent series of procedures, and that the Company’s Common Shares will be delisted as a result.

I. Termination of Capital and Business Alliance

The following are the details of the resolution adopted.

1. Details of the Capital and Business Alliance

The Company issued 10,331,100 shares of common stock (with a total issuance price of 29.98 billion yen) to the WPP Group by way of a third party allotment as part of the Capital and Business Alliance. In addition, the Company acquired shares of WPP plc (the “WPP Shares”) for the same amount as the amount contributed above by way of a third party allotment. The current number of shares owned and the percentage thereof of the total number of shares outstanding is as follows.

	WPP Shares owned by the Company	Company shares owned by the WPP Group
Number of shares owned	31,295,646 shares	10,331,100 shares
Percentage of total number of shares outstanding	2.43%	24.96%

In the Capital and Business Alliance agreement, it is stipulated that the Company and the WPP Group agree to form a consortium, through which they will undertake various collaborations, such as the joint cultivation of new customers and joint ventures to introduce mutual customers, and will plan to expand

operations on a global scale. In addition, the WPP Group dispatches one director to the Company.

2. Procedures and schedule for termination of Capital and Business Alliance

In light of the decision to terminate the Capital and Business Alliance, on October 2, 2017, the Company, in accordance with the Co-operation and Alliance Agreement dated August 3, 1998 and entered into between the Company and the WPP Group (as amended; the “CAA”), gave notice that it proposes to terminate the CAA (the “Company Termination Notice”). The CAA will subsequently terminate 12 months after the Company Termination Notice in accordance with the provisions in the CAA.

Further, on October 2, 2017, the Company sent to the WPP Group notice requesting sale of the shares of common stock in the Company owned by the WPP Group (the “Company Share Disposal Notice”) in accordance with the Stock Purchase Agreement dated August 3, 1998 and entered into with the WPP Group as part of the Capital and Business Alliance (as amended; the “SPA”). Following is a general outline of the Company Share Disposal Notice prescribed in the SPA.

- (1) For 180 days following the giving of the Company Share Disposal Notice from the Company to the WPP Group (the “Discussion Period”), the Company and/or a nominee designated by the Company have the right to redeem or purchase the shares of common stock in the Company owned by the WPP Group at such time and at such price approved by the WPP Group.
- (2) If the WPP Group has not approved the sale of the shares of common stock in the Company that it holds by the time the Discussion Period has passed, then for the next following 185 days, the Company and/or a nominee designated by the Company have the right to redeem or purchase any or all of such shares of common stock in the Company at the average closing price of shares of common stock in the Company on the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) over the period of thirty continuous business days terminating two business days immediately prior to the date of such redemption or purchase the sale.
- (3) If the WPP Group has not sold the shares of common stock in the Company that it holds to the Company and/or a nominee designated by the Company by the time 365 days have passed following the giving of the Company Share Disposal Notice, the WPP Group will promptly sell any shares of common stock in the Company that it holds through a sale or sales on the Tokyo Stock Exchange to the members of the general public.

The Company intends to engage in discussion with the WPP Group to reach an agreement on the sale of the shares of common stock in the Company owned by the WPP Group in accordance with (1) above, but if an agreement is not reached during the Discussion Period, the Company plans to request the WPP Group to sell the shares to the Offeror or its affiliate companies in accordance with (2) above or to sell the shares on the market in accordance with (3) above.

The Company also plans to sell the WPP Shares that it holds following the dissolution of the Capital and Business Alliance and it is expected that the capital gain following the sale of the WPP Shares will be accounted for as extraordinary profit.

Further, since the amount of the profit on sale of WPP Shares will be extremely large, future fluctuations in the share price for WPP Shares and exchange rates will significantly affect the Company’s level of profit, and therefore, it is necessary to hedge the risk of fluctuation of share price and foreign exchange rate. In addition, it is necessary to increase the foreseeability of the Company’s asset value, in order to provide the opportunity to sell the Company’s shares at a price with a fair premium for all of the Company’s shareholders. Therefore, on October 2, 2017, the Company entered into an agreement with Morgan Stanley & Co. International plc regarding derivative transactions. Aforementioned profit in relation to WPP shares is, however, not yet determined at the time of writing this document since profit on sales of WPP shares is heavily contingent on

the WPP stock price at the point of sale and other conditions. Profit and loss in relation to WPP shares is, however, not yet fixed at this moment since it is heavily contingent on various conditions.

(Note) The Company received a notice from the WPP Group on November 1, 2017 to terminate the CAA (the “WPP Termination Notice”). In that WPP Termination Notice, the WPP Group claims that the WPP Group terminates the CAA because the derivative transactions regarding the price of the WPP Shares executed on October 2, 2017 between the Company and Morgan Stanley & Co. International plc. are in breach of the SPA. The WPP Group also states that, if the Tender Offer is established and the Offeror has acquired 50.1% or more of the voting rights attached to the Company shares, it will be deemed that the Company underwent a change of control, and the WPP Group plans to issue a separate CAA termination notice. Further, the Company received notice from the WPP Group’s attorney stating that the WPP Group filed a petition for arbitration (the “Arbitration Petition”) in accordance with the arbitration agreement under the CAA and the SPA on November 1, 2017. The WPP Group states in the Arbitration Filing confirmation that there is no obligation to sell the common shares of the Company owned by the WPP Group (the “WPP Held Company Shares”) and that the WPP Group has the right to continue to hold the WPP Held Company Shares. In addition, although it is possible the WPP Group will make assertions such as those described above and take measures to deny the transaction aiming to make the Company’s Common Shares go private (“Transaction”) in court or using other means out of court (including filing a petition for provisional disposition with a competent court to prohibit acts necessary for executing share consolidation or all or part of the Transaction, or other acts necessary for such execution such as holding or convening an extraordinary shareholders' meeting, amending the Arbitration Petition filed with the arbitration body, and filing a petition for preservative measures in arbitration), the Company believes any such an assertion by the WPP Group would be without merit and will assert the legitimacy of the view of the Company and respond appropriately.

II. Opinion on Tender Offer for Shares of the Company

1. Summary of the Offeror

(1) Name	BCPE Madison Cayman, L.P.	
(2) Location	PO Box 309, Ugland House, KY1-1104, Grand Cayman, Cayman Islands	
(3) Basis of incorporation	The Offeror is a limited partnership, formed and registered under the laws of the Cayman Islands.	
(4) Purpose of incorporation	The Offeror was primarily incorporated for the purpose of investing in the Company.	
(5) Incorporation date	July 27, 2017	
(6) Total amount of contribution	0 yen	
(7) Contributors, contribution ratio, and outline of contributors	BCPE Madison Holdings Cayman, L.P. 100% The Offeror’s limited partner.	
(8) Outline of operating partner	Name	BCPE Madison GP, LLC
	Location	PO Box 309, Ugland House, KY1-1104, Grand Cayman,

The English translation is for reference purpose only. If there is any discrepancy between this English translation and the Japanese original version, the Japanese original version shall prevail.

		Cayman Islands
	Name and position of representative	(Member) Bain Capital Investors, LLC (Representative) Managing Director: John Connaughton
	Business	Investment
	Total amount of contribution	0 yen
(9) Outline of domestic agent	Name	Anderson Mori & Tomotsune Satoshi Inoue, Attorney-at-Law
	Location	Akasaka K-Tower, 2-7, Motoakasaka 1-Chome, Minato-ku, Tokyo
(10) Relationship between the Company and the Offeror		
	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Situation with related parties	N/A

2. Details of the Tender Offer

(1) Tender offer period

From October 3, 2017 (Tuesday) through November 21, 2017 (Tuesday) (34 business days)

(2) Price of tender offer, etc.

① Common Shares: JPY 3,660 per common share

② Stock Acquisition Rights: JPY 1 per stock acquisition right

(3) Number of shares to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
41,623,579 (shares)	20,785,200 (shares)	- (shares)

(4) Date of the public notice for commencement of the Tender Offer

October 3, 2017 (Tuesday)