



The First Quarter for 12/FY2017

May 12, 2017

ASATSU-DK INC

(TSE, 1st section, Securities code 9747)

< Disclaimer >


Forecasts and projections in this document are based upon assumptions and information that we believe are reasonable as of the date when this document was prepared, including those subject to risks, uncertainties and other factors that may cause actual results to differ materially from those projected.

< 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.



Consolidated Results (January-March 2017)

Operating income down due to weakened parent, but reduced extraordinary loss pushed net income up

■ **ADK-parent**

- GP ratio continued improving by reinforced income management system
- Reflected by last year's large scale MKT & Promo, and creative jobs
- Profit down due to increased bonus provision, commission paid for contractors, etc.

■ **Domestic subsidiaries**

- Divesting non-core business helped eliminate deficit. Newly acquired content business company: GONZO improved its operation.
- Ad subsidiaries slowed down while production and digital firms performed strongly

■ **Overseas subsidiaries**

- Asian region performed strongly while Europe & America turnaround after successful structural reforms
- China remains struggling but deficit got shrunk

■ **Extraordinary loss of FY2016 gone, making net income up**

■ **Expect stable performance in Q2 and on to achieve the initial target**

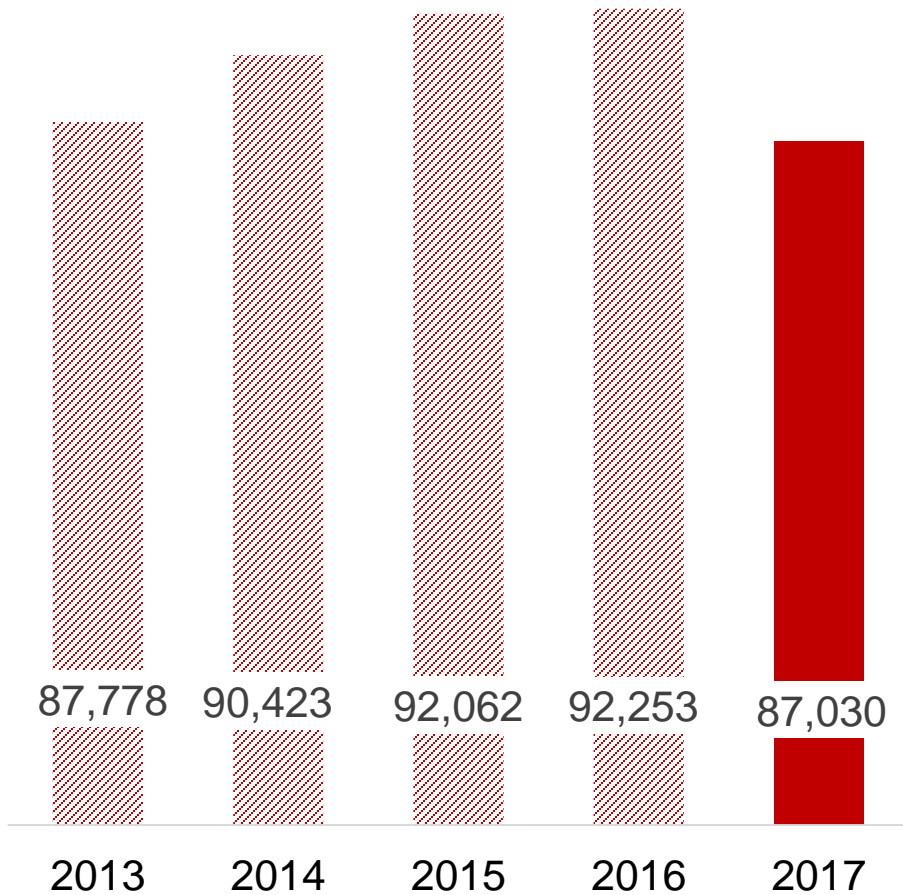
Consolidated P/L Summary



(Millions of Yen)

	FY2016 Q1	FY2017 Q1	Increase (Decrease)	Y-o-Y Change	Forecast as of 14 Feb. 2017
Gross Billings	92,253	87,030	(5,222)	-5.7%	354,700
Gross Profit	13,874	13,426	(448)	-3.2%	53,260
Operating Income	3,026	1,890	(1,135)	-37.5%	6,230
Ordinary Income	3,194	1,984	(1,210)	-37.9%	9,250
Profit (loss) attributable to owners of parent	51	1,498	1,446	+2797.8%	5,580
Operating Margin	21.8%	14.1%			11.7%
Staff Cost / Gross Profit	53.8%	57.2%			58.3%

(Millions of Yen)



Q1 Results

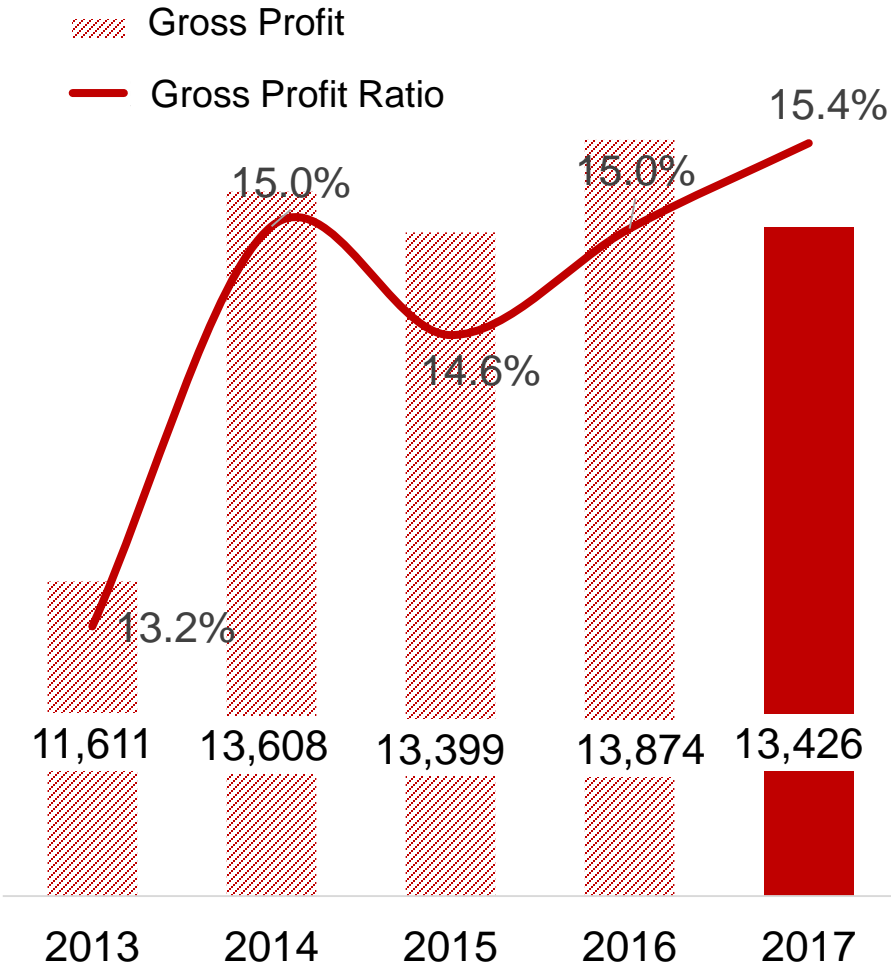
■ ADK (parent): Media business strong but non-media slowed down

- ✓ Media : up 1.6%
- ✓ Non-media : down 18.3%

■ Subsidiaries: Income down due mainly to structural reforms

- ✓ Domestic: Impact of divesting a publishing company, other
- ✓ Overseas: Restructuring, other

(Millions of Yen)



Q1 Results

■ ADK(Parent): Billings down but curbed a decline in GP by improving profit margin

✓ Parent's GP Margin:
12.6%(FY16) ⇒ 12.9%(FY17)

■ Subsidiaries: Profitability up mainly in Europe/America and Asia

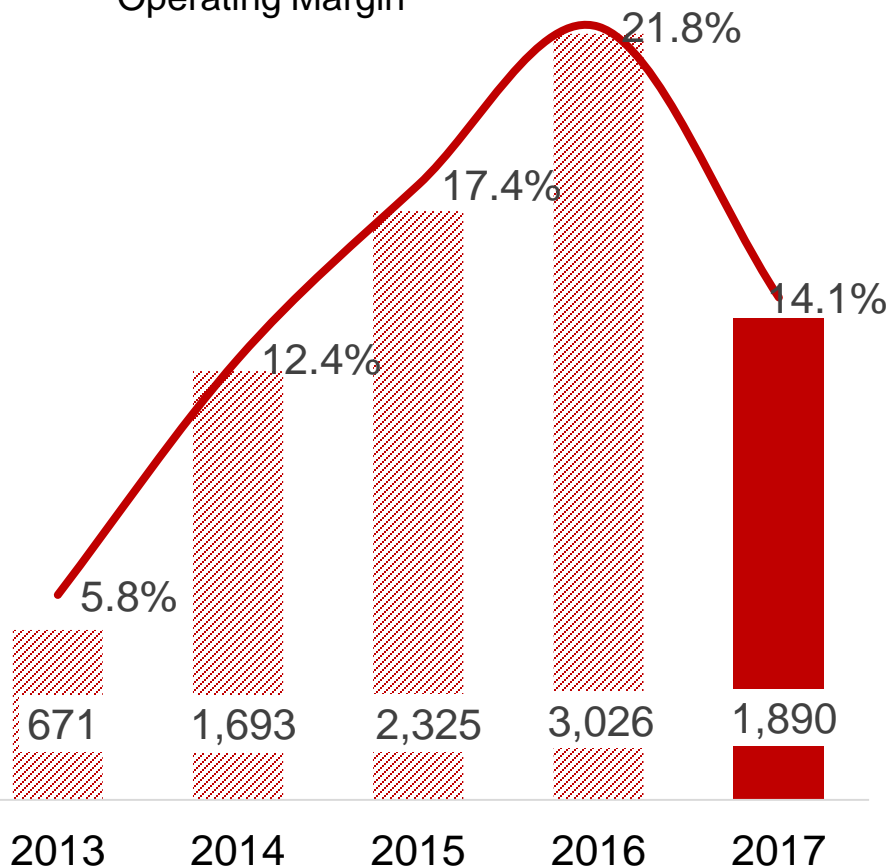
✓ Domestic: Down 8.9% YoY
✓ Overseas: Up 30.6% YoY

Operating Income

(Millions of Yen)

Operating Income

Operating Margin



Q1 Results

■ ADK(Parent): Increased SGA pushed profit down

- ✓ Bonus provision varies depending on achievement of FY target
- ✓ Commission paid grew temporarily (for correction of past papers) but to be levelled off on a FY basis

■ Subs: Profit up through continued efforts to curb SGA

- ✓ Domestic sub SGA: down 10.0%
- ✓ Overseas sub SGA: down 8.5%

■ Consolidated OP down 37.5% due to increased goodwill amortization, etc.

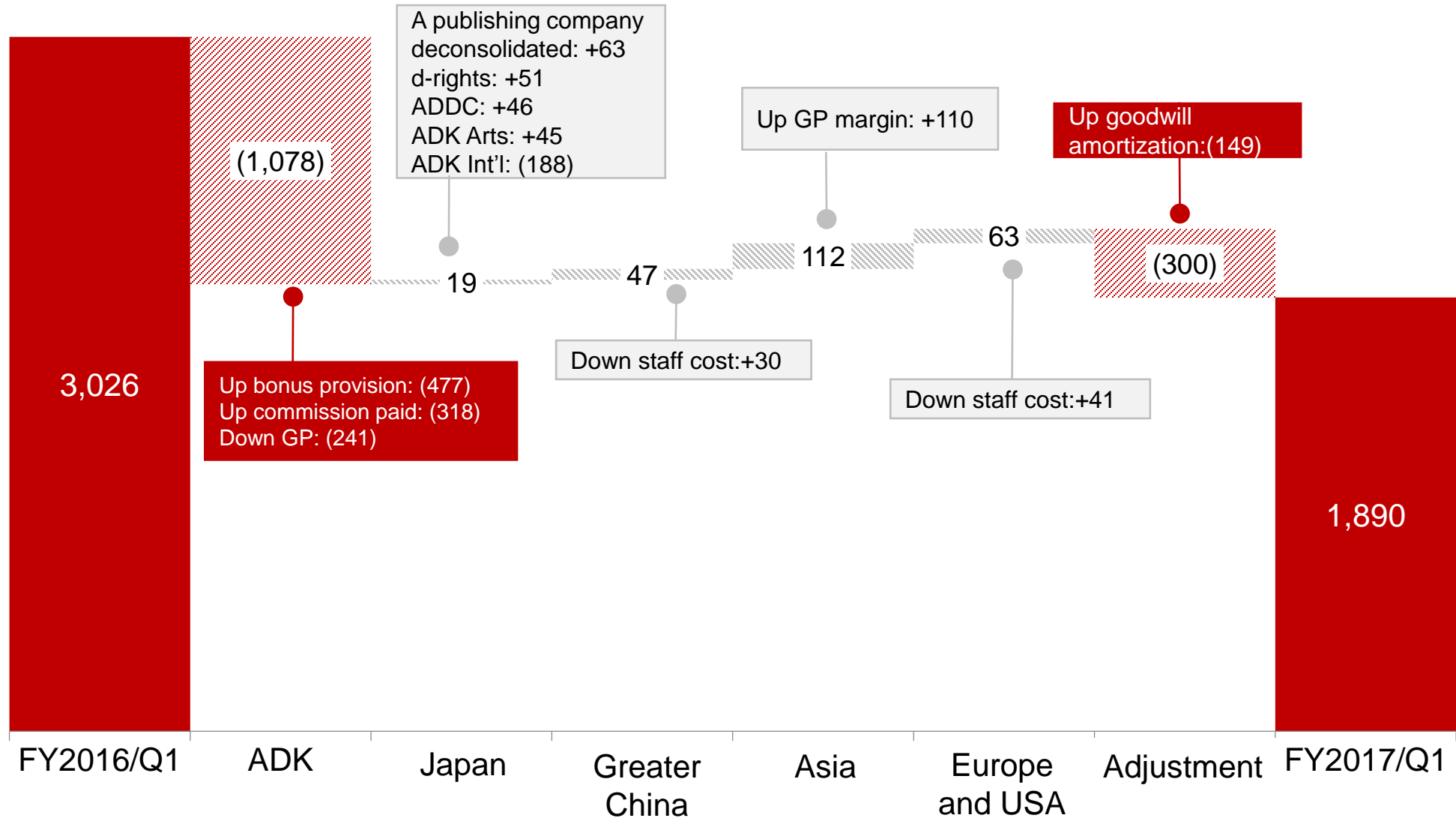
- ✓ Goodwill amortization: 29(FY16)⇒179(FY17)

Factors affecting operating income YoY



(Millions of Yen)

Positive
(Negative)



Operating Income – Net Income



(Millions of Yen)

	FY2016 Q1	FY2017 Q1	Increase (Decrease)	Y-o-Y	Main factors
Operating Income	3,026	1,890	(1,135)	-37.5%	
Non-Operating Income	240	169			
(Non-Operating Expenses)	(72)	(76)			
Ordinary Income	3,194	1,984	(1,210)	-37.9%	
Extraordinary Income	106	274			Gain on sales of non-current asset 222, etc.
(Extraordinary Loss)	(1,868)	(31)			Completed a circle of business liquidation that occurred the same time last year(1,702)
Income before Income taxes and Minority Interests	1,432	2,226	794	+55.5%	
(Income taxes)	(1,403)	(759)			
Net Income	28	1,467			
Profit (loss) attributable to owners of parent	51	1,498	1,446	+2797.8%	

Consolidated B/S



Assets	End of 2016/12	End of 2017/3	Increase (Decrease)
Cash and Deposits	19,042	16,367	(2,675)
Notes and Accounts Receivable-trade	81,712	80,022	(1,690)
Short-term Investment Securities	3,678	4,185	506
Inventories	5,319	5,296	(23)
Other	4,467	4,465	(2)
Allowance for Doubtful Accounts	(1,103)	(878)	224
Total Current Assets	113,118	109,457	(3,661)
Property, Plant and Equipment	3,773	3,555	(217)
Intangible Assets	10,118	9,995	(123)
Investments and Other Assets			
Investment Securities	95,313	90,444	(4,869)
Other	5,687	5,493	(193)
Allowance for Doubtful Accounts	(751)	(834)	(83)
Total Investments and Other Assets	100,250	95,103	(5,146)
Total Noncurrent Assets	114,142	108,654	(5,487)
Total Assets	227,260	218,111	(9,148)
Equity Ratio	49.1%	48.3%	
BPS (Yen)	2,674.92	2,543.87	

Liabilities	End of 2016/12	End of 2017/3	Increase (Decrease)
Notes and Accounts Payable-trade	75,688	73,111	(2,576)
Short-term loans payable	459	4,425	3,966
Income taxes payable	2,273	772	(1,501)
Provision for bonuses	2,343	1,376	(967)
Other	10,852	10,760	(91)
Total Current Liabilities	91,618	90,446	(1,171)
Deferred tax liabilities	20,608	19,304	(1,303)
Net defined benefit liability	510	522	12
Other	1,298	1,267	(30)
Total Noncurrent Liabilities	22,416	21,093	(1,323)
Total Liabilities	114,034	111,540	(2,494)
Net Assets	End of 2016/12	End of 2017/3	Increase (Decrease)
Capital Stock	37,581	37,581	-
Capital Surplus	11,977	11,974	(2)
Retained Earnings	16,260	13,987	(2,272)
Treasury shares	(1,205)	(2,206)	(1,000)
Total Shareholder's Equity	64,613	61,337	(3,275)
Valuation Difference on Available-for-sale Securities	45,344	42,410	(2,933)
Deferred Gains or Losses on Hedges	20	2	(17)
Foreign Currency Translation Adjustment	1,155	1,070	(85)
Remeasurements of defined benefit plans	471	469	(2)
Accumulated other comprehensive income	46,992	43,953	(3,038)
Subscription rights to shares	24	34	9
Non-controlling interests	1,595	1,245	(349)
Total Net Assets	113,225	106,571	(6,654)
Total Liabilities and Net Assets	227,260	218,111	(9,148)



Appendix

Consolidated P/L



	FY2016 Q1	FY2017 Q1	Increase (Decrease)	Y-o-Y Change	(Forecast) FY2017	Y-o-Y Change
Gross Billings	92,253	87,030	(5,222)	-5.7%	354,700	+0.6%
Gross Profit	13,874	13,426	(448)	-3.2%	53,260	+4.1%
Gross Profit Ratio	15.0%	15.4%			15.0%	
(SG&A Expenses)	(10,847)	(11,535)			(47,030)	
(Staff Cost)	(7,462)	(7,675)			(31,060)	
Operating Income	3,026	1,890	(1,135)	-37.5%	6,230	+11.9%
Non-Operating Income	240	169				
(Non-Operating Expenses)	(72)	(76)				
Ordinary Income	3,194	1,984	(1,210)	-37.9%	9,250	+6.5%
Extraordinary Income	106	274				
(Extraordinary Loss)	(1,868)	(31)				
Income before Income taxes and Minority Interests	1,432	2,226	794	+55.5%	9,180	+46.6%
(Income taxes)	(1,403)	(759)				
Net income	28	1,467				
Profit (loss) attributable to owners of parent	51	1,498	1,446	+2797.8%	5,580	+134.8%
Operating Margin	21.8%	14.1%			11.7%	
Staff Cost / Gross Profit	53.8%	57.2%			58.3%	

Business Trend and Forecast



Consolidated	FY2015						FY2016						FY2017					
	Q1			Full Year			Q1			Full Year			Q1			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	Plan	Y-o-Y	
Gross Billings	92,062	+1.8%	25.7%	351,956	-0.3%		92,253	+0.2%	26.1%	352,671	+0.2%		87,030	-5.7%	24.5%	354,700	+0.6%	
Gross Profit	13,399	-1.5%		48,824	+0.5%		13,874	+3.5%		51,182	+4.8%		13,426	-3.2%		53,260	+4.1%	
GP Ratio	14.6%			13.9%			15.0%			14.5%			15.4%			15.0%		
(SG&A Exp)	(11,073)	-7.1%		(43,923)	-1.2%		(10,847)	-2.0%		(45,613)	+3.8%		(11,535)	+6.3%		(47,030)	+3.1%	
(Staff Cost)	(7,889)	-6.2%		(29,523)	-1.2%		(7,462)	-5.4%		(30,847)	+4.5%		(7,675)	+2.9%		(31,060)	+0.7%	
Operating Income	2,325	+37.3%	48.4%	4,901	+19.6%		3,026	+30.1%	56.0%	5,569	+13.6%		1,890	-37.5%	30.3%	6,230	+11.9%	
Ordinary Income	2,624	+35.9%	33.8%	8,590	+18.5%		3,194	+21.7%	37.4%	8,688	+1.1%		1,984	-37.9%	21.4%	9,250	+6.5%	
Income before Income taxes and Minority Interests	2,610	+22.9%		9,189	+42.8%		1,432	-45.1%		6,260	-31.9%		2,226	+55.5%		9,180	+46.6%	
Profit (loss) attributable to owners of parent	1,540	+20.2%	32.4%	5,362	+45.1%		51	-96.6%	1.5%	2,376	-55.7%		1,498	+2797.8%	26.8%	5,580	+134.8%	
Operating Margin	17.4%			10.0%			21.8%			10.9%			14.1%			11.7%		
Staff Cost/Gross Profit	58.9%			60.5%			53.8%			60.3%			57.2%			58.3%		

Non-Consolidated	FY2015						FY2016						FY2017					
	Q1			Full Year			Q1			Full Year			Q1			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	Plan	Y-o-Y	
Gross Billings	81,174	+3.3%	26.2%	306,801	+0.0%		83,012	+2.3%	27.0%	314,389	+2.5%		78,982	-4.9%	24.8%	319,000	+1.5%	
Gross Profit	9,854	-2.2%		32,925	-5.0%		10,430	+5.8%		36,216	+10.0%		10,189	-2.3%		37,000	+2.2%	
GP Ratio	12.1%			10.7%			12.6%			11.5%			12.9%			11.6%		
(SG&A Exp)	(7,694)	-11.4%		(29,942)	-5.0%		(7,425)	-3.5%		(32,233)	+7.7%		(8,262)	+11.3%		(32,600)	+1.1%	
(Staff Cost)	(5,364)	-11.8%		(19,303)	-6.1%		(4,989)	-7.0%		(21,410)	+10.9%		(5,400)	+8.2%		(21,275)	-0.6%	
Operating Income	2,160	+54.9%	63.5%	2,983	-4.7%		3,004	+39.1%	91.0%	3,982	+33.5%		1,926	-35.9%	43.8%	4,400	+10.5%	
Ordinary Income	2,319	+50.1%	38.0%	11,112	+86.8%		3,147	+35.7%		7,987	-28.1%		2,232	-29.1%	29.1%	7,680	-3.9%	
Income before Income taxes	2,321	+43.5%		12,124	+116.1%		3,064	+32.0%		8,353	-31.1%		2,478	-19.1%		7,680	-8.1%	
Net Income	1,501	+58.4%	39.2%	9,577	+174.9%		2,134	+42.2%		5,440	-43.2%		1,798	-15.7%	36.0%	5,000	-8.1%	
Operating Margin	21.9%			9.1%			28.8%			11.0%			18.9%			11.9%		
Staff Cost/Gross Profit	54.4%			58.6%			47.8%			59.1%			53.0%			57.5%		

Results by Region



Upper : FY2017 Q1 Result Lower : FY2016 Q1 Result Number of subsidiaries		Gross Billings	Y-o-Y	Gross Profit	Y-o-Y	Operating Income	Y-o-Y
ADK (Parent)		78,982	-4.9%	10,189	-2.3%	1,926	-35.9%
		83,012	+2.3%	10,430	+5.8%	3,004	+39.1%
Japan	13	13,755	-3.6%	2,013	-9.0%	56	+50.3%
	13	14,261	+19.4%	2,211	+11.2%	37	-
Greater China	8	2,280	+0.8%	458	-1.0%	(50)	-
	8	2,261	-22.0%	462	-21.0%	(98)	-
Asia	13	3,016	-3.1%	752	+17.2%	222	+103.5%
	13	3,113	-32.4%	642	-31.6%	109	-61.3%
Europe and USA	4	1,038	-13.4%	167	+5.1%	24	-
	3	1,199	-20.6%	159	+1.8%	(38)	-
Consolidation Adjustment		(12,043)		(154)		(288)	
		(11,595)		(32)		11	
Total		87,030	-5.7%	13,426	-3.2%	1,890	-37.5%
		92,253	+0.2%	13,874	+3.5%	3,026	+30.1%

ADK (parent) Gross Billings by Sector



	FY2016 Q1		FY2017 Q1		Y-on-Y	
	G Billings	Composition	G Billings	Composition	Inc/Dec	Inc/Dec%
Energy/Material/ machinery	979	1.2%	1,181	1.5%	202	20.7%
Food	7,908	9.5%	9,250	11.7%	1,341	17.0%
Beverage/Tobacco	4,266	5.1%	3,598	4.6%	(668)	-15.7%
Pharma/Medical supplies	4,464	5.4%	3,230	4.1%	(1,234)	-27.6%
Cosmetics/Toiletry	6,910	8.3%	6,369	8.1%	(540)	-7.8%
Apparel/Jewelry	3,057	3.7%	3,071	3.9%	14	0.5%
Precision machinery/Office supplies	1,137	1.4%	937	1.2%	(199)	-17.6%
Home appliances/AV equipment	500	0.6%	1,025	1.3%	525	105.1%
Automobile/Automobile-related Products	6,188	7.5%	3,656	4.6%	(2,532)	-40.9%
Household Goods	168	0.2%	295	0.4%	126	75.2%
Hobbies/Sport Goods	6,175	7.4%	6,497	8.2%	321	5.2%
Real Estate/Housing	3,563	4.3%	3,505	4.4%	(58)	-1.6%
Publishing	777	0.9%	826	1.0%	48	6.2%
Information/Communication	9,190	11.1%	9,946	12.6%	756	8.2%
Distribution/Retail	6,507	7.8%	6,172	7.8%	(334)	-5.1%
Finance/Insurance	7,240	8.7%	6,900	8.7%	(340)	-4.7%
Transportation/Leisure	2,607	3.1%	2,022	2.6%	(584)	-22.4%
Restaurants/Other service	2,107	2.5%	3,260	4.1%	1,153	54.7%
Government/Organizations	4,176	5.0%	2,841	3.6%	(1,335)	-32.0%
Education/Medical Service/Religion	2,188	2.6%	1,724	2.2%	(464)	-21.2%
Signage/Other	2,891	3.5%	2,665	3.4%	(226)	-7.8%
Total	83,012	100.0%	78,982	100.0%	(4,029)	-4.9%

ADK (parent) Gross Billings by Media

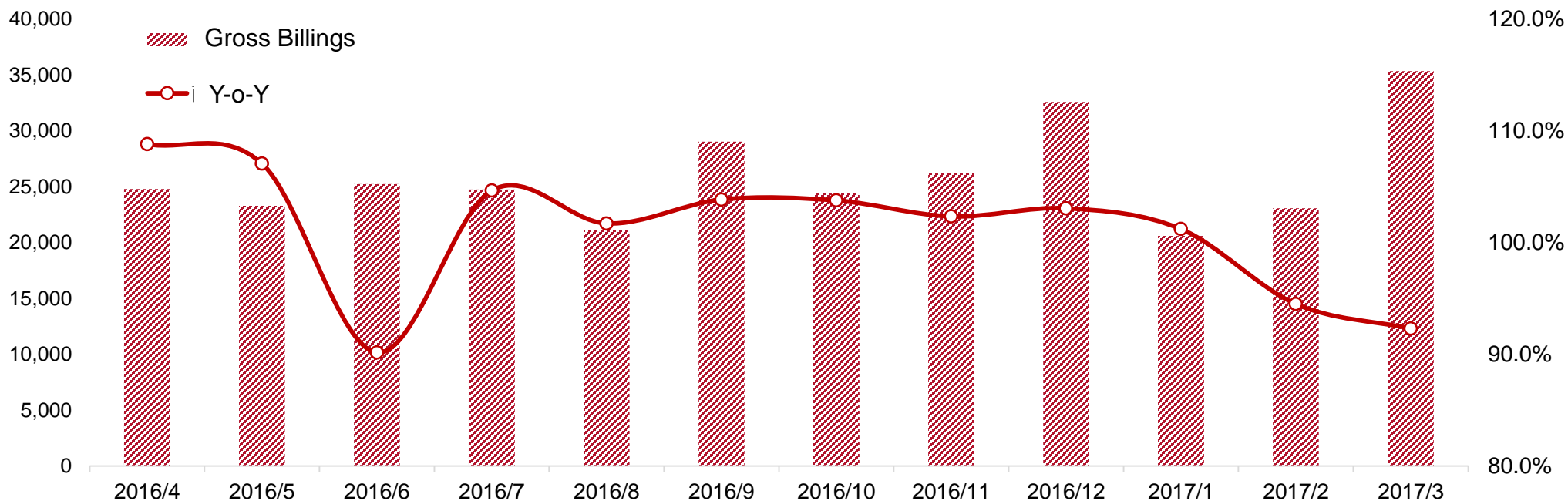


	FY2016 Q1		FY2017 Q1		Y-on-Y	
	G Billings	Composition	G Billings	Composition	Inc/Dec	Inc/Dec%
Magazine	2,871	3.5%	2,686	3.4%	(184)	-6.4%
Newspaper	5,591	6.7%	5,181	6.6%	(410)	-7.3%
TV	38,080	45.9%	38,226	48.4%	145	+0.4%
Time	13,292	16.0%	14,432	18.3%	1,140	+8.6%
Spot	21,304	25.7%	20,083	25.4%	(1,220)	-5.7%
Content	3,484	4.2%	3,709	4.7%	225	+6.5%
Radio	996	1.2%	773	1.0%	(223)	-22.4%
4 Media	47,540	57.3%	46,868	59.3%	(671)	-1.4%
Digital Media	4,988	6.0%	6,258	7.9%	1,269	+25.4%
OOH Media	2,662	3.2%	3,130	4.0%	467	+17.5%
Marketing/Promotion	16,713	20.1%	13,669	17.3%	(3,044)	-18.2%
Creative	10,480	12.6%	8,435	10.7%	(2,045)	-19.5%
Other	626	0.8%	621	0.8%	(5)	-0.8%
Except for 4 Media	35,472	42.7%	32,114	40.7%	(3,357)	-9.5%
Total	83,012	100.0%	78,982	100.0%	(4,029)	-4.9%

ADK (parent) Gross Billings (on a monthly-basis)



	2016/4	2016/5	2016/6	2016/7	2016/8	2016/9	2016/10	2016/11	2016/12	2017/1	2017/2	2017/3
Gross Billings	24,778	23,272	25,212	24,734	21,124	29,012	24,460	26,213	32,568	20,587	23,058	35,337
Magazine	972	947	962	765	918	1,356	1,097	1,225	991	501	814	1,370
Newspaper	1,413	1,473	1,319	1,115	1,066	1,275	1,750	2,057	1,956	1,690	1,491	1,999
TV	12,412	12,086	11,457	12,666	11,170	12,088	11,922	13,043	16,581	11,754	11,796	14,675
Radio	241	252	268	263	271	306	243	295	372	236	234	302
Digital Media	1,820	1,464	1,744	1,560	1,518	1,851	1,707	1,801	2,068	1,459	1,982	2,816
OOH Media	960	687	1,137	720	523	976	701	515	894	845	895	1,388
Marketing/Promotion	4,068	4,213	4,621	4,952	3,380	7,362	4,175	4,278	6,143	2,418	3,117	8,134
Creative	2,715	1,977	3,473	2,517	2,106	3,452	2,689	2,799	3,332	1,485	2,547	4,403
Others	174	169	228	173	166	343	173	195	226	195	179	246



Consolidated Marketable Securities Update



		End of 2016/12		End of 2017/3	
Current	■ Short-term investment securities				
	Public and corporate bonds in investment trust	0		110	1 brand
	Bonds	0		0	
	Investment trust, other	3,678	4 brands	4,074	4 brands
	Total Current	3,678		4,185	
Non Current	■ Investment Securities	95,313		90,444	
	Listed stock	91,523		87,294	
	WPP plc	81,271	31,295,646 shares(2.4%)	76,805	31,295,646 shares(2.4%)
	Other listed shares	10,252	67 brands	10,488	67 brands
	Unlisted stock	3,756		3,133	
	Affiliates' shares	1,727	7 brands	1,272	7 brands
	Subsidiaries' shares	347	8 brands	197	8 brands
	Other unlisted shares	1,681	55 brands	1,664	52 brands
	Bonds	0		0	
	Investment trust, other	34	2 brands	16	1 brand
	■ Other				
Related companies' stake	181	5 brands	170	8 brands	
Stake	38	6 brands	38	7 brands	
	Total Noncurrent	95,533		90,653	

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 FY2016	1,890	1,984	1,498
(B)	Forex impact in overseas affiliates	2	1	2
(C)	Forex impact on dividends paid by WPP stock	0	0	0
(B)+(C)=(D)	Total Forex Impact	2	1	2
	As proportion of Profit (D)/(A)	0.1%	0.1%	0.1%
(E)	Impact incurred by newly consolidation*	(0)	(0)	1
	As proportion of Profit (E)/(A)	-0.0%	-0.0%	0.1%
(D)+(E)=(F)	Total Impact incurred by forex fluctuations + newly consolidation	1	1	3
	As proportion of Profit (F)/(A)	0.1%	0.1%	0.3%

* 1 company was newly consolidated for FY2017

FX Rate	FY2016 Q1	FY2017 Q1
USD/JPY	115.35	113.60
EUR/JPY	127.15	121.05
GBP/JPY	165.05	140.74
THB/JPY	3.24	3.24
RMB/JPY	17.60	16.56

Consolidated Companies (as of 2017/3/31)



	Japan	China	Asia	Europe and USA	Total
Consolidated subsidiary	13	8	13	4	38
Equity method affiliates	4	3	0	0	7
Total	17	11	13	4	45

Japan

Agency :

Absolute one

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

Other :

ADK Insurance Service

Greater China

China

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

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
 IMMIG
 SCOOP ADWORLD

Indonesia

IMMIG Indonesia

Vietnam

ASATSU-DK VIETNAM
 DIK VIETNAM

Malaysia

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

Korea

ASATSU-DK Korea

Europe and USA

Germany

ASATSU (Deutschland)

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<