

[Translation]

October 2, 2017

To Whom It May Concern:

Company name: ASATSU-DK INC.

Name of Representative: Shinichi Ueno, Representative
Director, President & Group CEO
(Code: 9747, Listed on First
Section of Tokyo Stock
Exchange)

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Notice of Termination of Capital and Business Alliance with WPP Group

The Company hereby gives notice of the resolution 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 plc and its group companies (collectively, the “WPP Group”).

1. Grounds for Termination of Alliance

In response to the recent dramatic changes in the business environment surrounding the advertising industry, the transformation of the Company’s business model has become an urgent issue. Under those circumstances, the Company established VISION 2020 in 2013 and has progressed with earnest reforms based on the two key approaches of improving the profitability of existing businesses over the short term and strengthening diverse expertise in order to create new forms of business in the medium term, in order to transition from a traditional advertising agency business into a professional service company specializing in comprehensive marketing support (the “Consumer Activation Company”).

However, although a certain level of results have been seen with respect to improving profitability, such as enhanced management efficiency by selling noncore businesses and selecting and focusing on businesses, those results are still insufficient. Further, while the Company has actively worked to strengthen the diverse expertise by, for

example, establishing Axival Inc. (which provides services such as target information gathering, surveys to measure the effectiveness of advertising, and media investment effectiveness analyses) and making it a consolidated subsidiary, as the market environment of the advertising industry has changed faster than anticipated, further business innovations and structural reforms are unavoidable. There is an urgent need for the Company to execute reforms that are even more far-reaching than previously with an aim to achieving VISION 2020.

On the other hand, the Company entered into an agreement on August 3, 1998 regarding the Capital and Business Alliance with the WPP Group, which is one of the world's major advertising enterprises, and the Company and the WPP Group's advertisement companies pushed forward with initiatives such as the establishment of joint ventures, cooperation in media business, and joint cultivation of advertisers.

Looking back on the 20 years or so that have passed since the execution of that agreement, the Capital and Business Alliance initially provided a certain level of results in terms of the establishment of the corporate governance structure and the effective investment of funds. However, a concrete plan for a collaboration that contributes to the Company's and the WPP Group's interests has not subsequently been attained, and business synergy that expands mutual interests through collaboration (as intended under the Capital and Business Alliance) has not been specifically realized.

Furthermore, the value of the WPP plc shares owned by the Company under the Capital and Business Alliance (the "WPP Shares") is excessive in comparison to the scale of the balance sheet required for the Company's business operations, and the resulting low return on equity (ROE) and capital structure have become problematic for the Company.

Further, differences have been revealed in the Company's and the WPP Group's views on the mid-to-long-term business strategy as a response to rapid changes in the current advertising industry with regard to the business model that the Company should strive to achieve and the business partners and investment areas necessary to achieve that model, and the Company has become aware of the situation in which it is difficult to make swift and flexible decisions that are able to endure a changing business environment.

Under these circumstances, the Company conducted cautious internal discussions, and came to determine that terminating the Capital and Business Alliance with the WPP Group, and then transitioning to an "open-network" group that collaborates with a variety of business partners to suit the characteristics of each business is the strategy that contributes to increasing the Company's corporate value.

Specifically, in order to realize the Consumer Activation Company, it is necessary to refine the advertising and marketing business by obtaining consumer purchasing data and analytical techniques and to create a variety of new businesses such as a marketing consulting business based on that data analysis, a new advertising and marketing business that makes full use of technology, and an automatic media purchasing optimization business that combines mass media and digital media. Therefore, it is essential to collaborate in a timely and flexible manner with a variety of business partners according to the characteristics of each business without being tied to a specific business partner.

Under those circumstances, in spite of WPP Group being one of the world’s major advertising businesses, the Company has determined that the best option from the perspective of maximizing the Company’s corporate value and the shareholders’ joint interests is to terminate the Capital and Business Alliance with them, which has limited synergy with the Company, and to receive support from Bain Capital Group—a more operationally neutral partner with a rich network—and promptly promote a bold reform policy in collaboration with various business partners.

Accordingly, at the board of directors meeting held today, the board resolved to terminate the Capital and Business Alliance, and submitted to the WPP Group today the notice proposing to terminate the alliance and the notice requesting sale of the shares of common stock of the Company owned by the WPP Group in accordance with the agreement regarding the Capital and Business Alliance.

Further, the termination of the Capital and Business Alliance does not rule out the future possibility for collaboration with the WPP Group and we are open to continue or newly commence individual collaboration opportunities deemed to be mutually beneficial to both the Company and the WPP Group.

2. Details of Termination of Alliance

(1) Details of the Capital and Business Alliance

The Company has 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 third party allotment of shares as part of the Capital and Business Alliance. In addition, the Company acquired the WPP Shares to the same amount as the contribution amount above by way of third party allotment of shares. The current number of shares owned and the percentage to the number of issued shares is as follows.

	WPP Shares owned by the	Company shares owned by the
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	Company	WPP Group
Number of shares owned	31,295,646 shares	10,331,100 shares
Percentage to number of issued shares	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 form various collaborations, such as the joint cultivation of new customers, and joint ventures to introduce mutual customers, and to provide a 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 as detailed in “1. Grounds for Dissolution of Alliance” above, the Company today, 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 “Termination Notice”). The CAA will subsequently terminate 12 months after the Termination Notice in accordance with the provisions in the CAA.¹

Further, the Company has today sent to the WPP Group notice requesting sale of the shares of common stock in the Company owned by WPP (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 Wall (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 WPP at such time and at such price approved by WPP.
- (2) If WPP has not approved the sale of the shares of common stock in the

¹ Mr. Stuart Neish, a director dispatched from WPP Group, questioned the effectiveness of the Termination Notice of the Company at the Company’s board of directors’ meeting held on the date hereof and thus the Company and the WPP Group may have different opinions on this matter.

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 WPP has not sold the shares of common stock in the Company that it holds to the Company and/or to a nominee designated by the Company by the time 365 days have passed following the giving of the Company Share Disposal Notice, WPP 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 Bain Capital 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.

3. Outline of WPP Group

(1)	Name	WPP plc	
(2)	Address	27 Farm Street, London W1J 5RJ, UK	
(3)	Representative title and name	Chief Executive Officer Sir Martin Sorrell	
(4)	Business description	Advertising	
(5)	Stated capital	133.2 million pounds	
(6)	Established	March 1, 1971	
(7)	Major shareholders and their shareholding ratios	Massachusetts Financial Services Company (6.86%) BlackRock, Inc. (5.77%) Harris Associates L.P. (5.17%)	
(8)	Relationship	Capital	As of today, the WPP Group holds 10,331,100

between the listed company and the relevant company	relationship	shares of the Company, which is equivalent to 24.96% of the Company's issued shares. In addition, the Company holds 31,295,646 shares of the WPP plc, which is equivalent to 2.43% of the issued WPP Shares.
	Personnel relationship	The WPP Group dispatches one director to the Company.
	Business relationship	The Company establishes joint ventures, cooperates in media business, and jointly cultivates advertisers between the WPP Group, the Company, and the WPP Group's advertisement business companies.

(9) WPP plc's consolidated business results and consolidated financial position for the past three years

Accounting fiscal year	Fiscal year ended December 2014	Fiscal year ended December 2015	Fiscal year ended December 2016
Net assets (consolidated)	7,826.8 million pounds	8,015.8 million pounds	9,767.6 million pounds
Total assets (consolidated)	26,622.9 million pounds	28,749.2 million pounds	34,568.3 million pounds
Net assets (consolidated) per share	5.6 pounds	5.8 pounds	7.2 pounds
Sales (consolidated)	11,528.9 million pounds	12,235.2 million pounds	14,388.9 million pounds
Operating income (consolidated)	1,507.3 million pounds	1,632.0 million pounds	2,063.1 million pounds
Net profit attributable to parent company shareholders	1,077.2 million pounds	1,160.2 million pounds	1,400.1 million pounds
Net profit (consolidated) per share	80.5 pounds	88.4 pounds	108.0 pounds
Dividends per share	35.27 pounds	42.49 pounds	48.33 pounds

4. Impact on Performance

As detailed in 2(2) above, the Company intends to sell the WPP Shares following the termination of the Capital and Business Alliance. The Company also intends to include

the profit on sale following the sale of the WPP Shares as extraordinary profit in accordance with the stock price at the time of the sale. (Note 1)

Today, the Company resolved to enter into an agreement with Morgan Stanley & Co. International plc regarding derivative transactions for the WPP plc share price for the purpose of settling the profit on sale. The reason for that agreement is that since the monetary scale of the profit on sale of WPP Shares is 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 (see today's press release by the Company Notice Regarding Opinion on Tender Offer for Shares of the Company by Bain Capital).

The timing of the sale of WPP Shares is generally anticipated to be next fiscal year or later, based on the provisions of the agreement regarding the Capital and Business Alliance. Therefore, as it stands, there are no changes to this fiscal year's performance forecast subsequent upon this matter.

(Note 1) The total book value of WPP Shares owned by the Company (as of December 31, 2016) was approximately 22.3 billion yen, and the total market value of WPP Shares based on the closing price on September 29, 2017—which is the last business day before the announcement date—is approximately 443 million pounds (i.e., approximately 65.4 billion yen, using the exchange rate of 150.97 yen per 1 pound). However, the aforementioned profit on sale of WPP Shares is not fixed at this point in time, as the Company intends to enter into derivative transactions with Morgan Stanley & Co. International plc regarding the aforementioned WPP Shares, which will likely have a pronounced effect on the profit on sale based on the conditions of those transactions and the WPP share price at the time of the sale. In addition, as detailed above, the timing of the actual sale of WPP Shares is generally anticipated to be next fiscal year or later.

5. Future Outlook

As detailed above, the notification regarding dissolution of the Capital and Business Alliance has been given to the WPP Group, and the Company shares owned by the WPP Group are subsequently scheduled to be requested to be sold to Bain Capital or its affiliates, which are the purchasers designated by the Company. Once the sale of the Company shares is completed by the WPP Group, the WPP Group is expected to no

longer be a major shareholder or other affiliate of the Company, and a reshuffle of major shareholders is anticipated.

End

(Reference) Consolidated Performance Forecast for Current Fiscal Year (Released August 10, 2017) and Consolidated Results for Previous Fiscal Year

million yen	Sales (consolidated)	Operating income (consolidated)	Ordinary income (consolidated)	Net profit attributable to parent company shareholders
Consolidated performance forecast for current fiscal year (ending December 2017)	354,700	6,230	9,250	5,580
Consolidated results for previous fiscal year (ended December 2016)	352,671	5,569	8,688	2,376