Annual Report 2004

ADK

Year ended December 31, 2004

Contents

Forward Looking Statements
Forward looking statements made in this annual report concerning performance or business strategies have been determined according to assumptions and beliefs based on information available at the time of publication and may contain elements of risk and uncertainty.

Financial Highlights

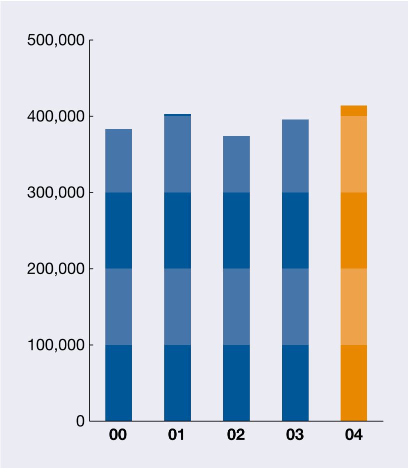
Years ended December 31, 2004 and 2003

	Millions of yen, except per-share amounts		Thousands of U.S. dollars, except per-share amounts
For the year:	2004	2003	2004
Gross billings	**¥ 413,898**	¥395,149	**$ 3,971,769**
Gross profit	**49,079**	46,883	**470,962**
Operating income	**8,260**	6,416	**79,263**
Income before income taxes and minority interests	**9,440**	7,447	**90,586**
Income taxes	**4,206**	3,727	**40,361**
Net income	**5,181**	3,621	**49,717**
Net income per share	**103.25**	70.53	**0.99**
At year end:			
Total assets	**¥ 238,900**	¥226,911	**$ 2,292,486**
Shareholders' equity	**123,894**	119,572	**1,188,888**

Note: Consolidated basis. For convenience purposes, U.S. dollar amounts are converted from Japanese yen at the rate of ¥104.21=$US1.00 as of December 31, 2004.

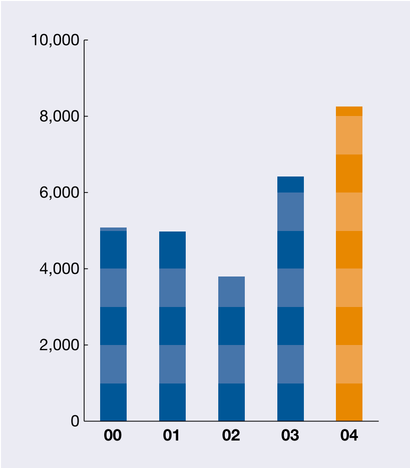
Gross Billings

Millions of yen



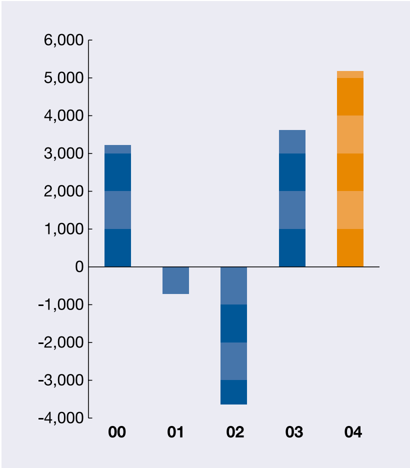
Operating Income

Millions of yen



Net Income (Loss)

Millions of yen



Business at a Glance

ADK Profile

Asatsu-DK Inc., commonly known by its initials ADK, was founded in March 1956 by current Chairman Masao Inagaki as a small, ambitious firm focusing on magazine advertising. Asatsu Inc., as it was known at the time, quickly built up a client base, primarily in the financial sector, giving it a strong foundation for growth.

As Japan entered the high-growth years of the 1960s, Asatsu Inc. broadened its creative reach as it began the production of anime features for the then still-new medium of television.

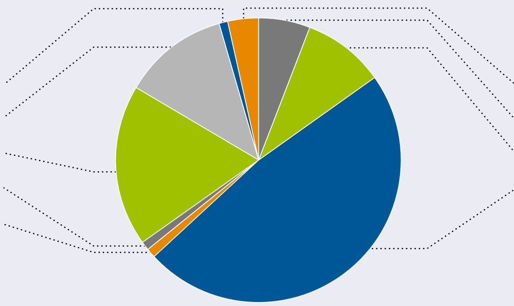
In 1987, ADK was listed on the second section of the Tokyo Stock Exchange (TSE), becoming the first advertising agency in Japan to make a public stock offering. In 1998, it made another major move as it signed a reciprocal share agreement and strategic alliance with the WPP Group plc, the world's second-largest advertising organization according to *Advertising Age*'s annual Agency Report (May 2, 2004). The following year, the company merged with Dai-Ichi Kikaku Co., Ltd., another Top 10 Japanese agency, changed its name to Asatsu-DK (ADK) and entered into a period of new growth.

ADK's Business Area (Non-Consolidated)

Millions of yen

Gross Billings Breakdown by Business Segment

Marketing	3,671	(1.0%)
Creative	44,871	(12.0%)
Sales promotion	68,598	(18.3%)
Radio	3,732	(1.0%)
Digital media	3,972	(1.1%)



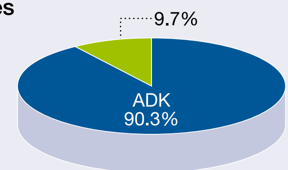
Miscellaneous	13,082	(3.5%)
Magazines	21,839	(5.8%)
Newspapers	34,760	(9.3%)
TV	179,368	(48.0%)
TOTAL	373,897	(100%)

ADK Group Gross Billings

Millions of yen

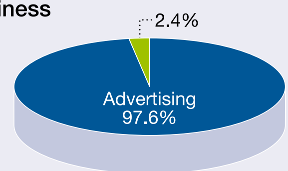
ADK vs Consolidated Subsidiaries

ADK	373,897
Consolidated subsidiaries	40,001
TOTAL	413,898



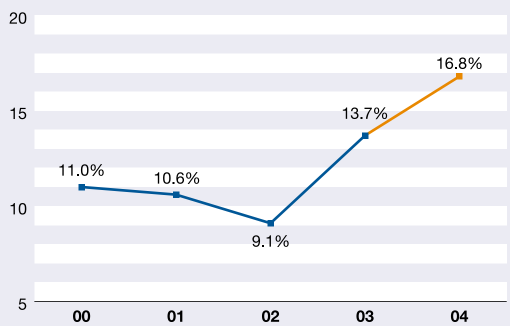
Advertising vs Other Business

Advertising	403,758
Other business	10,140
TOTAL	413,898

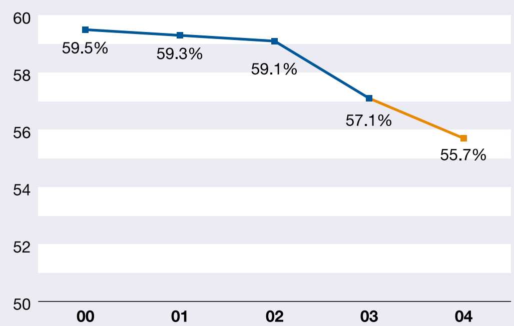


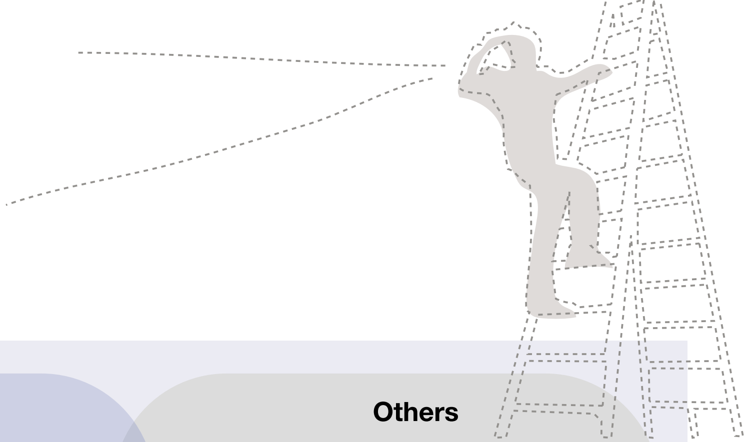
Management Indicators (Consolidated)

Operating Margin (%)



Staff Cost/Gross Profit Ratio (%)





ADK Group

Advertising

Domestic

- Kyowa Kikaku Ltd.
- ADK International Inc.
- ADK Arts Inc.
- TRI Communication Inc.
- Digital Advertising Consortium Inc.
- Eiken Co., Ltd.

Overseas

- ADK America Inc.
- ADK Europe Holdings B.V.
- ADK Europe B.V.
- Asatsu (Deutschland) GmbH
- Guangdong Guangxu (Asatsu) Advertising Co., Ltd.
- Asatsu-DK Hong Kong Ltd.
- DK Advertising (HK) Ltd.
- Shanghai Asatsu Advertising Co.,Ltd.
- United-Asatsu International Ltd.
- DIK-Ocean Advertising Co., Ltd.
- Asatsu-DK Singapore Pte. Ltd.
- Dai-Ichi Kikaku (Thailand) Co., Ltd.
- ASDIK Ltd.

Others

Publishing

- Nihonbungeisha Co., Ltd.
- Neo Shobo Inc.

Information Processing Service

- Nippon Information Industry Corp.

Consolidated Five-Year Summary

Millions of yen except per common share amounts and financial ratios

	2004	2003	2002	2001	2000
Income Statement Data					
Gross billings	**¥ 413,898**	¥ 395,149	¥ 373,899	¥ 402,647	¥ 383,219
Gross profit	**49,079**	46,883	41,529	46,830	46,120
Selling, general and administrative expenses	**40,819**	40,467	37,731	41,860	41,040
Operating income	**8,260**	6,416	3,798	4,970	5,080
Income before income taxes and minority interests	**9,440**	7,447	(4,776)	422	6,235
Net income (loss)	**5,181**	3,621	(3,637)	(708)	3,213
Balance Sheet Data					
Shareholders' equity	**¥ 123,894**	¥ 119,572	¥ 111,521	¥ 127,646	¥ 117,166
Total assets	**238,900**	226,911	209,227	234,987	220,198
Total long-term liabilities	**12,183**	9,204	6,158	13,600	5,603
Per Common Share Data					
Net income per share	**¥ 103.25**	¥ 70.53	¥ (72.26)	¥ (13.76)	¥ 62.22
Dividends per share	**20**	18	18	18	20
Book value per share	**2,554.78**	2,416.67	2,246.56	2,520.02	2,268.34
No. of common shares issued	**51,655,400**	51,655,400	51,655,400	51,655,400	51,655,400
No. of common shares outstanding	**48,458,828**	49,425,148	49,640,893	50,652,769	51,655,400
Financial Ratios					
As percent of gross billings					
Gross profit	**11.86%**	11.86%	11.11%	11.63%	12.03%
SGA expenses	**9.86**	10.24	10.09	10.40	10.71
Operating income	**2.00**	1.62	1.02	1.23	1.33
Income before income taxes and minority interests	**2.28**	1.88	(1.28)	0.10	1.63
Net income	**1.25**	0.92	(0.97)	(0.18)	0.84
As percent of gross profit					
Operating income	**16.8%**	13.7%	9.1%	10.6%	11.0%
Staff cost	**55.7**	57.1	59.1	59.3	59.5
Return on equity	**4.3**	3.1	-	-	2.8
Equity ratio	**51.9**	52.7	53.3	54.3	53.2
Current ratio	**1.45 X**	1.49 X	1.46 X	1.52 X	1.58 X

Koichiro Naganuma
Representative Director
President and Group CEO

Masao Inagaki
Representative Director
Chairman

A Letter to Our Shareholders

A Review of Fiscal 2004

During the fiscal year ended December 2004, the domestic economy saw gradual expansion, fueled by a growth in exports and domestic capital expenditures. While companies saw an improvement in profits, employment remained uncertain, resulting in slow growth in personal consumption during the second half of the year. In the advertising industry, although demand expanded solidly, competition between the major advertising agencies intensified. Despite these trends, the overall volume of domestic advertising returned to positive territory after a four-year slump, growing 3.0% from the previous year's levels.

In this environment, the ADK group achieved record earnings as a result of its efforts to improve operating efficiency and profitability as part of its first medium-term plan (2002 – 2004).

Gross billings grew 4.7% to ¥413,898 million on a consolidated basis, largely due to the success of our 360-degree communications approach and detailed analysis of clients' needs. An expansion in gross billings for our high-margin contents business had a direct impact on profitability. At the same time, being more selective regarding the outsourcing of vendors, as well as intense negotiations regarding invoicing, helped to lower our cost of sales. With all employees sharing the goal of pursuing profitability, the results are reflected in ADK's improved gross margins.

As a result of the effort to keep a lid on selling, general and administrative expenses, the company was able to achieve 28.7% growth in operating income to ¥8,260 million. At the same time, higher levels of interest and dividends income contributed to 26.8% growth in income before income tax and minority interests to ¥9,440 million. Net income reached ¥5,181 million, up 43.1% compared to the previous fiscal year.

Our Vision for Fiscal 2005

Although exports and domestic capital expenditures are expected to continue to grow, and a slight recovery is likely in the second half of the year, the domestic economy is expected to be weaker than fiscal 2004. In the advertising industry, there are concerns that growth in advertising spending may slow. The expansion of individual consumption remains unstable due to uncertainty in the job market and the impact of an aging society, while the rapid expansion of digital, mobile and broadband media has made consumer demands more and more complicated. As a result, what advertisers demand from their advertising agencies are not simply limited to the acquisition of media, but rather, to the far more efficient and effective use of diversified media and promotional campaigns which directly contribute to bottom-line profitability.

Additionally, as the newly emerging markets of China and the rest of Asia continue to expand, and market competition becomes evermore intensified, it is becoming increasingly important to enhance our overseas network. To bolster our China operations, we established two new coordination offices in China to provide our clients with nationwide campaign capability.

In this new business environment, we must be ever vigilant, making sure that we meet the evermore complicated and demanding needs of our clients by accelerating our 360-degree communications approach and applying our original branding methods. At the same time, in order to maintain our position in this more competitive advertising environment, we reaffirm our corporate vision as an innovative and ever challenging New Wave Agency.

Management by All

The advertising business is a people-driven business. The basic premise of corporate value is reflected in this loyal, skilled and knowledgeable resource. Since its establishment, ADK has abided by the corporate philosophy of Management by All. This means each employee should work to acquire a management-level perspective, be willing to take a proactive approach in creating new business and focus on increasing corporate value. These are the core values of a New Wave Agency. With this philosophy we challenge conservative ideas, create innovative business concepts and meet diversified client needs.

We express our heartfelt gratitude to all our shareholders for your continued support.

July 2005

Masao Inagaki
Representative Director
Chairman

Koichiro Naganuma
Representative Director
President and Group CEO

Connecting Our Corporate Philosophy with Future Growth

Q. Fiscal 2004 saw record earnings for you. What were the key reasons?

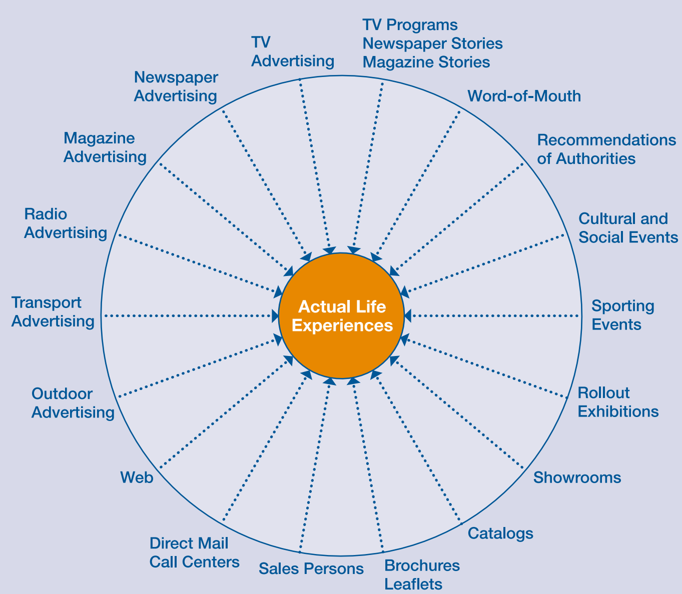
A. Yes, it was certainly a year of record earnings for ADK. However, this doesn't mean that earnings have continued to rise in a straight line. It was more an issue of the past three years being a slump for both ADK and the industry as a whole. Also, I should point out that we have only a 6.4% market share, so we are still a relatively small player. We have to keep growing, we can't stop here. Thus, this kind of growth is to be expected. Since our merger in 1999 we have made continuous efforts to tighten our approach to cost management and we are pleased to say that this is already being reflected in improved profitability.

However, to go back to the original question, you are right, both gross billings and earnings certainly did rise in 2004. This is primarily due to the success of our 360-degree communications approach that we have been focusing on for some time now. The global advertising market continues to change from one of mass media to one of diversified media. It is progressing from the traditional media of television, newspapers, magazines and radio to diversified touchpoints such as the internet, mobile media, billboards, and storefronts, right down to in-store employees. We look to make maximum use of these consumer touchpoints as media for advertising, and this approach is already starting to show results.

Key Drivers Going Forward–1
360-Degree Communications

What is the 360-degree communications approach?
The media environment is rapidly changing in line with the expansion of the internet and mobile media. At the same time, consumers' buying habits and ways of gathering information are becoming more varied. In such an environment, advertisers are becoming more demanding of their agencies. Accordingly, they require communication plans that will have a direct impact on their revenues and a high return on investment (ROI) in terms of advertising efficiency.

ADK has found that the solution to these needs in the experience of the consumer. Instead of relying on traditional mass media, we make use of every touchpoint that impacts the consumers' experience as media. We propose the best communications plan by deeply examining these consumer insights and selecting the touchpoints or media that have strongest impact for them.



Q. **To ensure the success of your 360-degree communications approach, don't people need to change? Also, what about changes at the corporate level?**

A. The important thing is to maintain continuous growth in our business. In order to do this, we need to be able to meet changes in the operating environment and reply to client needs. We also need to be able to offer the highest level of service at the lowest cost in the shortest time. This requires creativity. Our creative directors must be communication directors. It is not enough to create advertising just for mass media. Creative directors need to be more knowledgeable about communications and how to use each and every touchpoint as a medium to connect with their audience. Our account service teams need to be more knowledgeable and skilled, too. That's why we established ADK University where they are able to learn ways to apply our original 360-degree communications approach.
In addition to fostering change among our employees, we have also restructured our organization. For example, we established the Communications Planning Center where marketing and promotion planning staff work together and respond to client needs as a team.

"The important thing is to maintain continuous growth in our business."

How does experience create brand strength?
Until now, branding has largely prescribed the functional and emotional values that a brand possesses and ends with communicating that prescribed brand value. ADK's branding doesn't stop there. Instead, it creates and offers an experience unique to brands, enabling the consumer to feel the brand value while creating a strong 360-degree communications approach through the efficient use of all touchpoints that connect the consumer with the brand.

ADK's Branding Evolution

2000 Developed EX-Branding® with the insights of Columbia University Professor Bernd Schmitt who established "Experiential Marketing"

2001 Developed Experiential-Point® Management to more efficiently and effectively provide experience

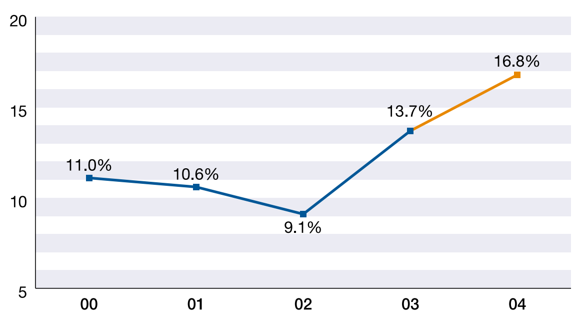
2005 Developing EX-PM Simulator to run simulations of the optimum communications plan

Q. Looking back at the last fiscal year, how would you say your efforts to promote efficiency were reflected in your performance?

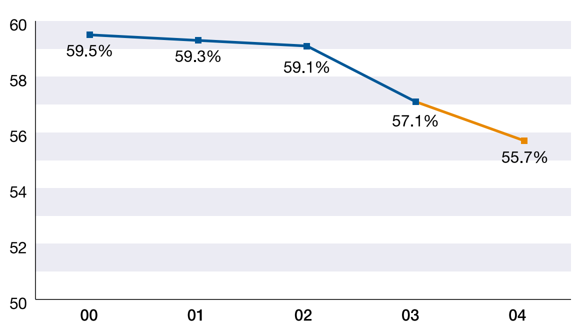
A. If you look at some of the key operating benchmarks we use, you will see improvements across the board.

We are proud of the fact that our performance has steadily improved over the past three years. Frankly speaking, some inefficiencies arose at the time of our merger, but we have already addressed those issues. Looking ahead, our goal is to be able to benchmark ourselves against major overseas advertising companies, as soon as possible.

Operating Margin
Operating income/gross profit (consolidated)



Staff Cost/Gross Profit Ratio
(consolidated)



Operating margin (operating income/gross profit) on a consolidated basis improved from 13.7% to 16.8%. Staff cost (staff cost/gross profit) improved from 57.1% to 55.7%. And the conversion rate (growth in operating profit/growth in gross profit) attained the high level of 83.9% compared with 48.9% in fiscal 2003.

Q. Could you give us an indication of what to expect when you announce your second medium-term plan?

A. Our second medium-term financial targets include operating margins close to 20% and personnel expenses as a proportion of gross profits below 55%. We look at the rate of expansion in EPS as a key indicator of growth and a means to maximize shareholder value. In addition to efficient management, we also intend to continue our pursuit of sustainable growth. As such, we will make every effort to increase net income and continue share buy backs like we did during the past fiscal years. This should result in a further improvement in our ROE levels.

As far as concrete targets are concerned, bearing in mind that our EPS in 2004 was ¥103.25 per share, we intend to expand this to ¥130 by fiscal 2007. This is equivalent to a 25.9% growth or a compound annual growth rate of 8.0%.

Q. What are the issues you need to address in order to achieve your medium-term plan?

A. After analyzing our results for fiscal 2004, we reached the conclusion that we need to address the following issues. Looking at the composition of gross profit in 2004, it is clear that the rate of growth in the contents business was faster than that of some of our other business areas, so we need to make efforts to expand our non-contents businesses. In order to do this, it is vital that we further cultivate our existing clients as well as secure new clients.

Q. Could you be more specific about your plans ?

A. Basically, our plans from now on match our competitive strengths. They are as follows:

1. Respond to change

There are two types of change today. The first is our clients' needs. Mass manufacturing and mass sales are no longer viable and our clients are already beginning to question the merits of using only mass media. This presents an ideal opportunity for us to accelerate our 360-degree communications approach.

The second change is that which surrounds media. We responded to this by reinforcing our Internet and Mobile Divisions and we have expanded our Cross-Media Division to enable us to create the most efficient plan for our clients using the best media mix.

While there are some companies that create digital content as well as some media agencies that deal with internet media, there are still only a few companies able to offer digital solutions on a one-stop basis. Our plan is to become an e-Agency offering a full slate of services in the digital realm.

Key Drivers Going Forward–2
The e-Agency Initiative

In 2004, internet advertising totalled ¥181,400 million, finally overtaking radio advertising, which stood at ¥179,500 million.

ADK believes it is unlikely to take much longer for internet advertising to even overtake magazine advertising.

In light of the rapid changes in the advertising industry, it is increasingly necessary for advertising agencies to be able to offer both a different and wider range of advertising solutions than they have up to now.

ADK's e-Agency Initiative was created in order to be able to respond to the rapidly expanding internet and digital advertising market.

The first step in this direction goes back to December 1996 with the establishment of the Digital Advertising Consortium Inc. on a joint basis with other leading advertising agencies, including Hakuhodo Inc., in order to create an internet media-buying agency. This move was followed in December 2004 by the establishment of Drill Inc. with Dentsu Inc. with the aim of launching a media-neutral creative agency.

ADK has recently created the "Interactive Communications Center" as part of its internal corporate structure and is looking to strengthen and expand these new-wave functions as part of its ongoing commitment to firmly establishing its e-Agency business.

"We look at the rate of expansion in EPS as a key indicator of growth and a means to maximize shareholder value."

2. Strengthen account service capabilities
It is unlikely that the advertising market will continue to evolve as before, so I expect the fight for market share will become even more severe. As such, management leadership and account service strength will become even more important. One of the reasons we established ADK University was to pass on ADK's know-how and to help employees master new communication skills from overseas in order to improve their sales skills.

3. Target the Kansai market
It is estimated that the advertising market in the Kansai region (western Japan), with Osaka as its core, is approximately ¥1 trillion in size. If we exclude China, it is the second-largest advertising market in Asia after Tokyo, the capital, and the largest city in the Kanto region (eastern Japan). To take full advantage of this opportunity, we are installing new, younger management teams in our Osaka office while tightening ties with Tokyo headquarters.

4. Cultivate the China market
ADK has had a presence in the China market for some time. However, the synergy among the various offices was relatively weak. In the last fiscal year we established the Beijing and Shanghai coordination offices and we are now able to provide the ability to roll-out nationwide campaigns in China.

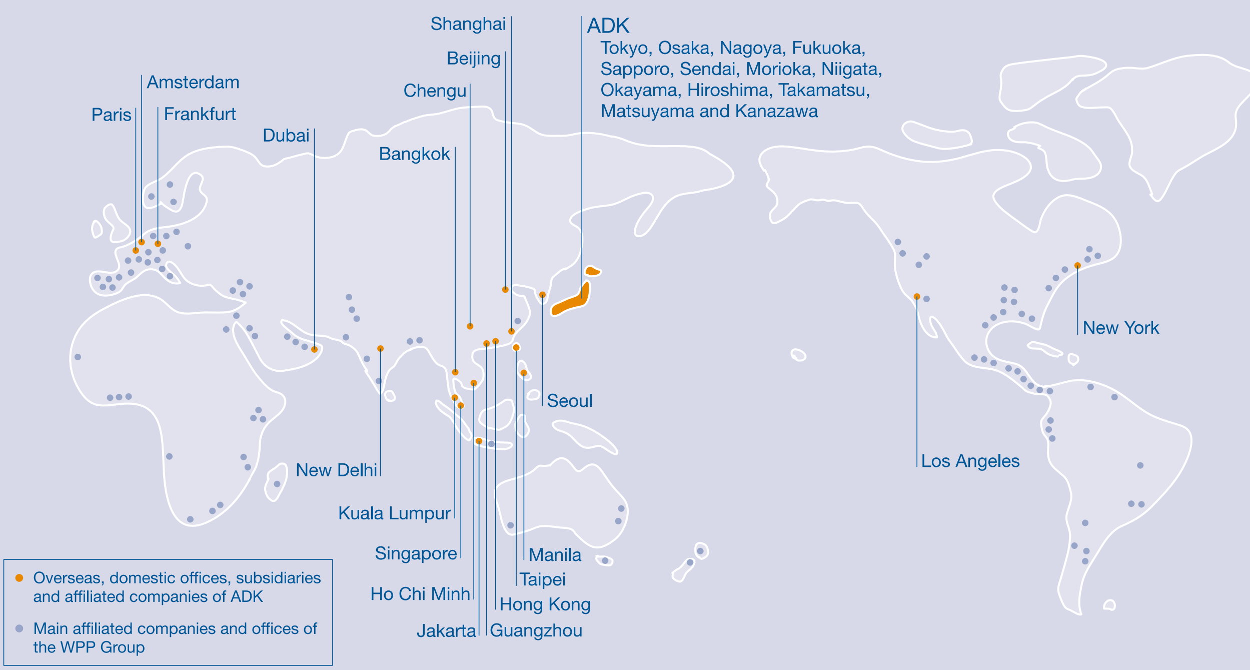
Key Drivers Going Forward–3

Overseas Strategy

ADK believes that future growth potential lies not only in expanding its position in the domestic market, but also by successfully developing overseas operations and business opportunities.

As part of this approach, the group has been offering advertising support to Japanese companies as they become increasingly global and enter overseas markets, as well as to local companies situated in the same overseas high-growth markets.

In addition to ADK's independent network throughout Asia, we are also able to benefit from our close ties with global agencies such as J. Walter Thompson (JWT) and other members of the WPP Group. This enables us to provide detailed responses to our clients' global strategies.



5. Expand our contents business
We will continue to expand our contents business and fully develop its multi-business and international growth potential. For example, from previous animated cartoon hits, we will produce DVDs, movies, as well as a wide variety of merchandise. We also continue to produce new TV anime series with our abundant knowledge and experience in this field.

6. Reinforce our event business
This includes a number of sports and cultural events, the highlight of which is the 2005 World Exposition, Aichi, Japan from March 25 to September 25, 2005. We played a major role in the design and execution of the Japan Pavilions. And we've already begun plans for the Beijing Olympic Games in 2008.


Japan Pavilions at the 2005 World Exposition, Aichi, Japan

7. Make use of our alliance with the WPP Group
We have been fortunate in being able to benefit from our close relationship with the WPP Group, adopting U.S. and European management methods and combining them with Japanese practices to come up with our own independent management style.

The alliance also enables us to form joint teams with operating companies that belong to the WPP Group, such as several well-known creative boutiques in the U.S. These joint teams increase the opportunity of creating advertising for Japanese export companies.

8. Continual reinforcement of our creative potential
Creativity is the lifeblood of the advertising industry. It is also the key to success of an advertising agency. That is why fostering creativity is a priority for us and we expect the creative business to continue to expand. It is no longer enough to be a creative director of traditional mass media, instead, the need now is to adopt the role of communications director and be in command of the various media surrounding consumers.

9. Strengthen the profitability of consolidated subsidiaries
As the financial world focuses increasingly on consolidated performance, we have spent the last two years restructuring affiliates under our consolidated operations to cut costs and improve profitability.

We believe that management on a group basis is becoming increasingly important to realize maximum synergy from our operations. We are aware that this is an area that the ADK group needs to continue to work on and we intend to continue to focus on improving the performance of our consolidated subsidiaries going forward.

Q. What is your policy regarding returns to shareholders?

A. Our approach is to maximize shareholder value and achieve market capitalization in line with this value. Accordingly, increasing returns to our shareholders is the most important issue for management. If companies return value to shareholders, they can retain their support, which, in turn, acts as a method of defense against hostile takeovers. We intend to maintain steady returns to existing shareholders, treating all investors equally while reflecting their views in corporate policy as much as possible.

In line with this policy our last fiscal year dividends totaled ¥20 per share for a total payout of ¥978 million and a dividend payout ratio of 19.4%. Also, I would like to point out that we bought back approximately one million shares last year alone at a total cost of ¥2,889 million. If we combine these, the result is that 74.6% of our net income was returned to shareholders.

We have bought back shares on a regular basis since 2001 and now have a total of 3.2 million shares held as treasury stock.

In closing, I would like to take this opportunity to express my gratitude, and that of the ADK group as a whole, for the continued support and understanding of our shareholders.

"Increasing returns to our shareholders is the most important issue for management."

Key Drivers Going Forward–4

Further Development of the Contents Business

ADK's contents business covers everything from the planning and producion of animated TV programs to movies, theatrical productions, videos and DVDs, development of character merchandise and sales of programs to overseas markets. This business is important to ADK as it enables the group to differentiate its services from its competitors, while contributing to high levels of profit to the bottom line. Over the past few years, *Yu-Gi-Oh!* has served as a perfect example of ADK's successful all-round approach, while *Sesame Street* is also starting to grow and is expected to make a strong contribution in the future.

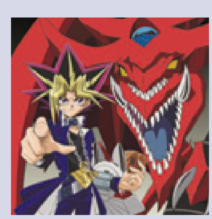
ADK established Sesame Street Partners Japan (SSPJ) with four other companies in 2004. SSPJ not only creates a localized version of *Sesame Street*, the most famous educational program in the world, but it also holds the exclusive rights to all media, including broadcasting, character merchandising and promotions in Japan. *Sesame Street* used to be broadcast on NHK, Japan's public broadcaster, and the audience regarded it as an English learning program. Awareness of the main characters is an amazing 97%. These characters now appear in the advertising and promotions of various products.

Content development is a unique strength for ADK and increased exposure to overseas markets is likely to be a key element of earnings growth going forward.

However, competition is starting to intensify and ADK is aware that it needs to further strengthen its current advantageous position. A variety of new characters at different stages of development are in the production pipeline and are expected to play a growing role in its character line-up going forward. ADK is looking to take advantage of its experience gained with its mega-hits such as *Doraemon*, *Yu-Gi-Oh!* and *Crayon Shin-chan* to develop new contents-related business models for the future.

The ADK group also includes a number of companies involved in animation, DVD and video production and music copyrights, and looks to make full use of the functions of these companies to expand group activities in Japan and overseas. ADK is the only advertising agency that has an animation production company in its group. Nihon Ad Systems Inc. and Eiken Co., Ltd. are two of its group subsidiaries that play important roles in this field.

ADK's strength in this sector lies in its ability to offer a range of proven merchandising solutions while placing the utmost priority on meeting the varying needs of its clients. An example of this is demonstrated in the way it will often join forces with clients to produce characters and animation programs.



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Corporate Governance and Compliance

Corporate Governance

For ADK, the objective of corporate management is to maximize shareholder returns by enhancing enterprise value based on sustained growth. The basis for achieving this goal is the issue of how to ensure effective corporate governance, but there are two different aspects of corporate governance that continue to be debated. One is enhancing the efficiency of management decision-making, and the other is strengthening the function of management supervision. ADK's view on these is as follows.

First, in terms of enhancing the efficiency of management decision-making, rather than becoming a company with committees that retain a certain degree of decision-making authority in a board of directors centered on external directors, ADK believes the current system is more effective. This is because it allows the board of directors, which is primarily comprised of internal directors, to conduct flexible decision-making while playing a shared role at all times in all areas of corporate activities and exchanging information. However, ADK's policy is to maintain a small number of external directors to counter the risk that decisions made by only internal directors could result in errors.

Second, with regard to the function of management supervision, as the superiority of the "Companies with Committees" system has still not been proven, ADK intends to ensure the function of management supervision is exercised by strengthening the roles of its external directors and auditors.

With regards to external directors, among ADK's 14 current directors, Sir Martin Sorrel is an external director and a non-executive director. As he is concurrently a director and group chief executive officer of the UK-based firm WPP Group plc, ADK maintains close communication with him via the Japan-stationed liaison officer of WPP Group plc. As for ADK's auditors, three of the four current auditors are external, and one of these three is a lawyer.

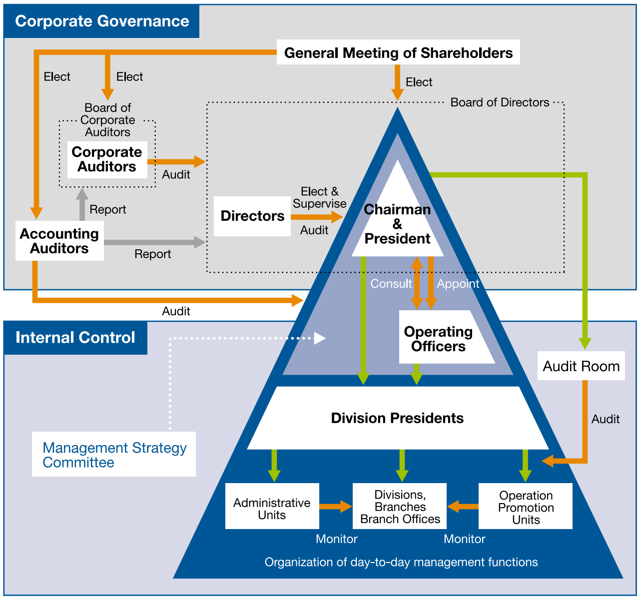
Compliance

If the advertising activities that clients have commissioned are in violation of the law, this will severely damage the brand image and business activities of advertisers, and in turn, this could have an adverse impact on our earnings. In response, ADK strengthened its legal department and has constantly endeavored to ensure thorough legal compliance by reviewing all advertising business content in advance of release.

With regard to our general operations, we endeavor to avoid irregularity by utilizing the business supervision and internal control systems illustrated in the diagram. In addition to auditing by and guidance from our independent auditing firm and corporate auditors, our internal control system reinforces business supervision through operating surveillance by the accounting and finance departments, while administrative units within operational divisions conduct business supervision and provide guidance at the primary stage.

In addition, ADK operates a Compliance Sub-Committee, a Personal Information Protection Sub-Committee, an Information Security Sub-Committee, and a Business Continuity Sub-Committee. These committees are overseen by the Risk Management Committee, which is chaired by the president. The Compliance Sub-Committee manages systems to prevent illegal practices and a voluntary reporting system of such acts or incidents. In addition, the Personal Information Protection Sub-Committee is part of ADK's preparations to adopt a secure system to ensure compliance with the enforcement of the law to protect personal information that came into effect in April 2005. This committee works to ensure that no abuses occur in the handling of large amounts of consumers' personal information for the purpose of marketing operations and campaigns.

As a new measure in the fiscal year under review, ADK introduced an operating officer system on April 1, 2004. This clearly separates the standpoint of directors and those with responsibility in business execution in the organization with the aim of reinforcing the management supervision function while maintaining the efficiency of management decision-making.



(Supervise and manage)

Board of Directors, Auditors and Operating Officers

As of April 2005

Masao Inagaki
Representative Director
Chairman

Koichiro Naganuma
Representative Director
President and Group CEO

Hideaki Hirose
Executive Director
Senior Operating Officer
Account Services

Takeo Hishiyama
Executive Director
Senior Operating Officer
Corporate Management Services

Kenji Mori
Executive Director
Senior Operating Officer
Account Services

Hideyuki Nagai
Executive Director
Senior Operating Officer
Media & Content Business

Kazuhiko Ohno
Executive Director
Operating Officer
Account Services

Masanobu Kanari
Executive Director
Operating Officer
Finance & Accounting

Masahiko Murayama
Executive Director
Operating Officer
Creative

Komei Kasai
Executive Director
Operating Officer
R&D, Strategic Planning

Kazuhiko Narimatsu
Executive Director
Operating Officer
Account Services

Yoji Shimizu
Executive Director
Operating Officer
Account Services

Sir Martin Sorrell
Non-Executive Director
Group Chief Executive
WPP Group plc.

Yoshiro Sakai
Corporate Auditor

Shoji Honda
Corporate Auditor

Hisashi Shibuya
Corporate Auditor

Hideshige Haruki
Corporate Auditor

Operating Officers

Toshio Anada

Kaoru Detake

Hidekatsu Ikedo

Yasuo Horie

Katsuhiro Ikuma

Makoto Kawamura

Jiro Kitamura

Mikiro Kokita

Shinya Miyata

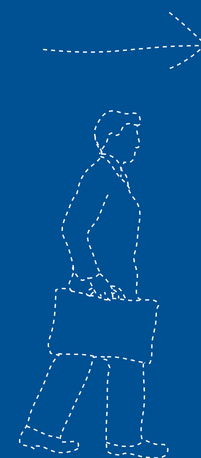
Tsuyoshi Nakane

Osamu Okayasu

Atsuo Ota

Shinichi Ueno

Financial Section



Management's Discussion and Analysis

Performance Highlights of Fiscal 2004

- Gross billings grow 4.7% vs. 3.0% market growth
- Operating margin rises to 16.8%, exceeding medium-term plan target

Asatsu DK - Who We Are and What We Do

As Japan's third largest advertising agency, we pride ourselves on the all-round service we offer clients. We provide companies both in Japan and overseas with services comprising creative planning and production for newspaper, magazine, radio, television and digital media advertising, sales promotion and other advertising services. The ADK group also provides book and magazine publishing and sales as well as information processing services.

The Asatsu-DK group consists of 47 subsidiaries (42 in advertising and 5 in non-advertising) as well as 23 affiliates (22 in advertising and one in non-advertising). Our global reach currently extends to 20 cities around the world, strengthened by our close equity relationship with the WPP Group plc.

Foreign markets accounted for approximately 5% of total gross billings. We are hoping to expand this to 10% in the long term by way of increased focus on fast-growing markets such as China and Southeast Asia as well as continued close cooperation with WPP.

NOTE

The group's gross billings comprise income from clients for which it provides advertising services, including placements in broadcast and other media, the production and creation of advertisements, and related services.

In Japan, advertising agencies purchase advertising time and space from mass media on behalf of clients, and, in turn, sell it to them. The agency normally offsets a certain portion of the amount owed to the media as a commission from the client, and then pays the difference to the media.

Advertising Market Returns to Growth

Despite a sluggish domestic economy, the fiscal year ended December 2004 saw a return to growth for the Japanese advertising market, increasing 3.0% to ¥5.6 trillion after three years of consecutive decline. This growth was fueled largely by continuation of the digital boom that began during the previous year and by a boost during the summer from the Athens 2004 Olympic Games. Comments regarding nationwide trends in each media segment follow.

Expenditures in newspaper advertising were relatively buoyant in the first half of the year, on the back of a combination of a recovery in the domestic economy, the positive impact of the Athens 2004 Olympic games and the hot summer. Although the up-trend started to slow towards the latter part of the year, advertising spending was up slightly after four years of decline.

Weaker demand for advertising in women's magazines and weekly magazines resulted in a small decline in expenditures in magazine advertising. Although expenditures in Apparel/Jewelry and Education/Health-care Services increased, this was not enough to offset weakness in industry categories such as Cosmetics/Toiletries and Information/Communications.

Television advertising expenditures continued the positive trend seen in fiscal 2003, fueled by the growth of spot advertising, which increased from March and remained active for the rest of the year. Expenditures in program sponsorship also increased as a result of the Athens 2004 Olympic Games and other related programs.

Radio advertising expenditures experienced a fourth consecutive year of negative growth. Despite positive signs early in the year on the back of growth in Automobiles/Related Products, Finance/Insurance and Transportation/Leisure, deterioration in the second half of the year contributed to the continued year-on-year decline of radio advertising.

Internet Advertising Expenditures recorded significant expansion in fiscal 2004. This was largely as a result of increased tie-ups with mass media, expansion in search-engine advertising and greater mobile advertising.

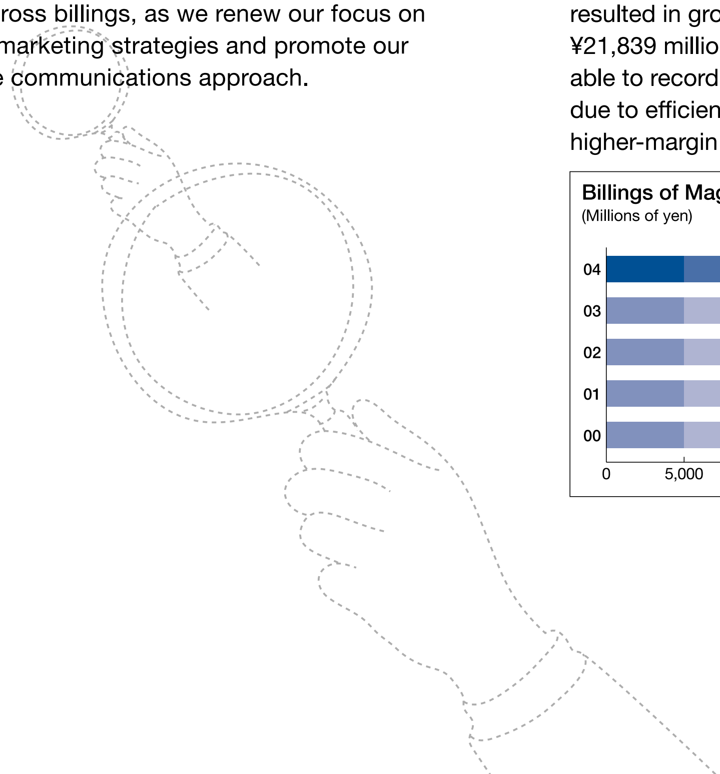
Sales Promotion advertising expenditures were up with Outdoor and Exhibitions/Screen Displays showing the most growth while POP/Flyers and Transit advertising showing stable trends.

Looking ahead to the fiscal year ending December 2005, we expect industry growth to continue, however, it is likely to be a more muted 1.4% growth based on the assumption that both real and nominal GDP levels are expected to be below 2004 levels, as well as a return to normal spending levels after the uptick from the 2004 Athens 2004 Olympic games. These factors are likely to partially offset some of the potential positive trends that might have been expected, such as increased corporate earnings and demand for IT- and digital-related goods.

ADK Outperforms the Industry

The advertising market was characterized by intensified competition among the major advertising agencies. In this difficult environment, ADK successfully managed to grow at a faster pace than the market as a whole, with gross billings up 4.7% on a consolidated basis compared to market growth of 3.0%. Growth was fuelled by successful implementation of our 360-degree communications approach that connects our clients' brand and/or products to the consumer at a variety of touchpoints where they can directly experience the brand.

Looking ahead to the next fiscal year, we will work to outperform the market once again, targeting a 3.9% growth in gross billings, as we renew our focus on innovative marketing strategies and promote our 360-degree communications approach.



Segment Information

The two consolidated business segments at ADK are advertising services (which accounts for 97.6% of gross billings) and non-advertising businesses. Non-advertising services include magazine and book publishing and sales as well as information processing services.

Advertising

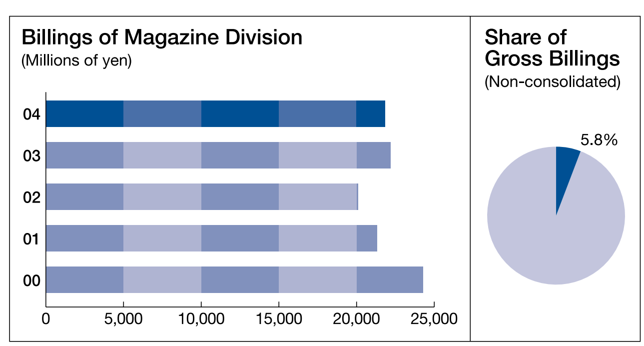
Since all ADK non-consolidated gross billings and income are generated from the advertising business, and represent 92.6% of the consolidated advertising gross billings, performance will be reviewed on a non-consolidated basis.

Non-consolidated gross billings in the advertising services segment grew 4.6% to ¥373,897 million in fiscal 2004. ADK saw larger gross billings from clients in sectors such as Finance/Insurance, Information/Communications, Distribution/Retail and Government/Organization. Additionally, best-selling animation properties such as *Yu-Gi-Oh!* also contributed to our overall performance.

The parent company's advertising business services consist of the following eight divisions.

Magazine Division

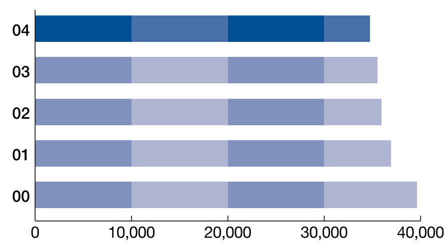
We were able to successfully increase our billings to clients promoting international luxury brands, yet lower billings to clients in the Cosmetics/Toiletries sector resulted in gross billings for the division falling 1.5% to ¥21,839 million. On the positive side, however, we were able to record expansion in gross profits in this segment, due to efficient media procurement and focusing on higher-margin business.



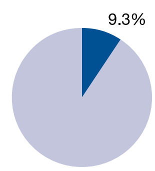
Newspaper Division

Automotive clients continued to cut back on spending. Although the Finance/Insurance and Information/Communications sectors saw growth in the first half of this year, this proved to be unsustainable. Accordingly, gross billings in the division were down 2.2% to ¥34,760 million. However, careful selection of projects resulted in improved levels of profitability for the division.

Billings of Newspaper Division
(Millions of yen)



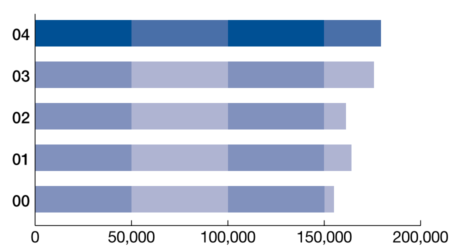
Share of Gross Billings
(Non-consolidated)



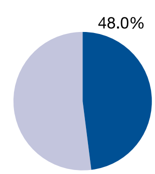
Television Division

Animation contents-related sales, with their overwhelming TV focus, are classified in this division and made a bigger contribution to billings. This more than offset the flat trends in program and spot sales resulting in gross billings for the division rising 2.1% to ¥179,368 million.

Billings of Television Division
(Millions of yen)



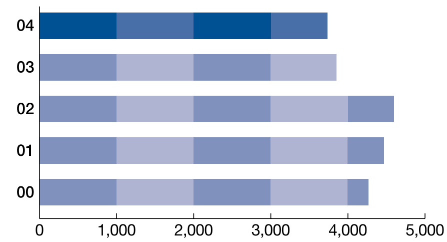
Share of Gross Billings
(Non-consolidated)



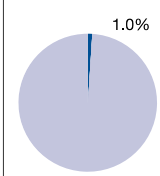
Radio Division

Gross billings were down 3.1% to ¥3,732 million. This decline is largely in line with our expectations and reflects the industry-wide trend both in Japan and overseas of shrinking demand for advertising in this media.

Billings of Radio Division
(Millions of yen)



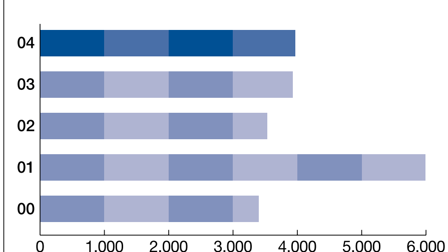
Share of Gross Billings
(Non-consolidated)



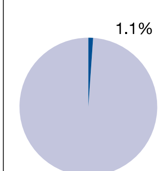
Digital Media Division

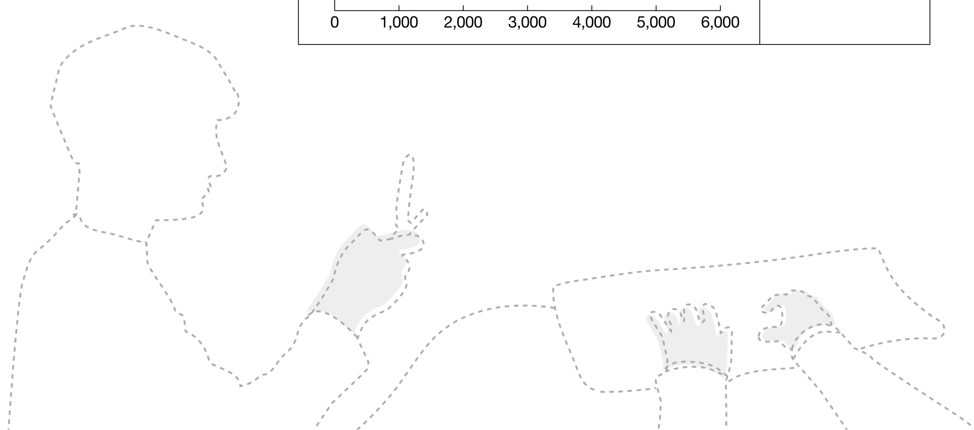
In the Digital Media Division, completion of a major project saw a fall in gross billings from the telecommunications sector, however, expanding demand from food services advertisers more than offset this, resulting in 1.2% growth to ¥3,972 million. This division recognizes only narrowly defined gross billings of businesses, such as internet and mobile phone advertisements, and that digital media-related sales also appear in other divisions due to our interdisciplinary approach to marketing and promotion. Hence, the figures below do not reflect the actual performance of digital media advertising overall.

Billings of Digital Media Division
(Millions of yen)



Share of Gross Billings
(Non-consolidated)

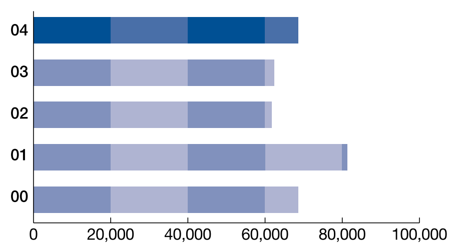




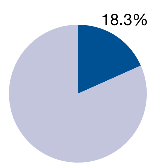
Sales Promotion Division

A number of sports and cultural events such as Sumo Wrestling Tournaments in China, the Honolulu Marathon and the All Japan Inter-Collegiate Ekiden Race were key drivers for this division. At the same time, increased business from Information/Communications, Distribution/Retail and Foods sectors resulted in gross billings rising 9.9% to ¥68,598 million.

Billings of Sales Promotion Division
(Millions of yen)



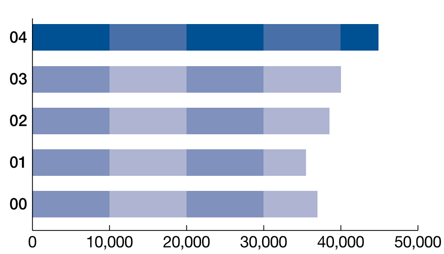
Share of Gross Billings
(Non-consolidated)



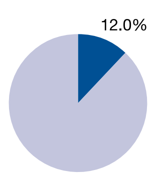
Creative Division

Greater demand from the Finance/Insurance, Information/Communications and Foods sectors resulted in a 12.2% increase to ¥44,871 million. Improved creative strength enabled us to gain more new clients and brands by winning competitive presentations.

Billings of Creative Division
(Millions of yen)



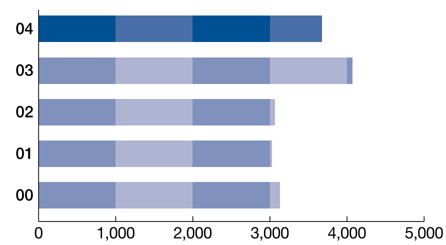
Share of Gross Billings
(Non-consolidated)



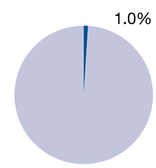
Marketing Division

Gross billings were down 9.7% to ¥3,671 million in spite of our pursuit of bigger accounts. Our success here was reflected in increased profits despite lower gross billings.

Billings of Marketing Division
(Millions of yen)



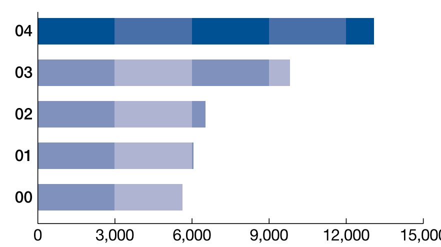
Share of Gross Billings
(Non-consolidated)



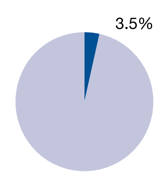
Miscellaneous

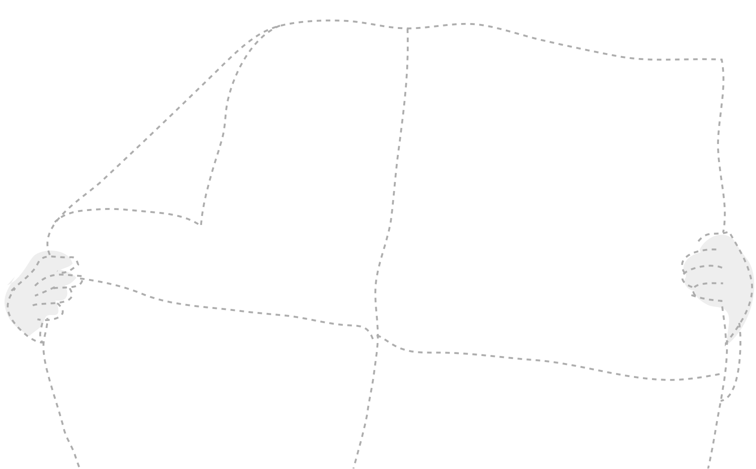
Miscellaneous gross billings were up 33.3% to ¥13,082 million. This growth was a result of increased billing for an automobile company in overseas media and related activities for the 2005 World Exposition, Aichi, Japan.

Billings of Miscellaneous
(Millions of yen)



Share of Gross Billings
(Non-consolidated)





Gross Billings: Breakdown by Division
(Non-consolidated)

Millions of yen

	2004	% of total	2003	% of total
Magazine	¥ 21,839	5.8%	¥ 22,180	6.2%
Newspaper	34,760	9.3	35,548	9.9
Television	179,368	48.0	175,768	49.2
Radio	3,732	1.0	3,851	1.1
Digital Media*	3,972	1.1	3,927	1.1
SP**	68,598	18.3	62,440	17.5
Creative	44,871	12.0	40,003	11.2
Marketing	3,671	1.0	4,065	1.1
Miscellaneous	13,082	3.5	9,811	2.8
Total	¥373,897	100.0%	¥357,597	100.0%

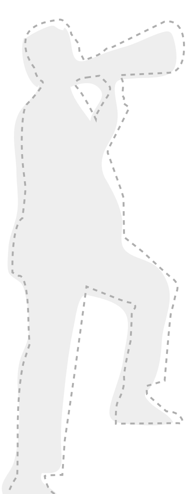
*Digital Media services consist of internet advertising, web site development, and advertising for cable television, broadcast satellite, and communications satellite programming.

**SP (Sales Promotion) includes transportation-related advertising, outdoor advertising, direct mail, newspaper inserts, POP (Point of Purchase) development, brochure/catalog production, exhibitions, and sports/cultural events.

Gross Billings, Market Share, and Industry Ranking (1993-2004)
(Non-consolidated)

Millions of yen

Year	Gross billings	Year-on-year comparison %	Market share %	Industry rank
1993	¥140,960	95.3%	2.75%	5
1994	145,410	103.2	2.81	5
1995	159,968	110.0	2.95	5
1996	179,814	112.4	3.12	4
1997	200,274	111.4	3.34	3
1998	200,540	100.3	3.47	3
1999	320,085	104.6	5.62	3
2000	340,888	106.5	5.57	3
2001	358,830	105.3	5.92	3
2002	334,915	93.3	5.87	3
2003	357,597	106.8	6.29	3
2004	¥373,897	104.6%	6.38%	3



Gross Billings: Breakdown by Industry
(Non-consolidated)

Millions of yen

	2004	2003	Year-on-year comparison %
Energy/Raw materials/Machinery	¥ 5,481	¥ 5,227	104.9%
Foods	36,172	39,896	90.7
Beverages/Tobacco products	26,779	27,421	97.7
Pharmaceuticals/Medical supplies	15,210	15,457	98.4
Cosmetics/Toiletry goods	32,993	38,233	86.3
Apparel/Jewelry	9,207	10,024	91.8
Precision instruments/Office equipment	8,518	8,235	103.4
Electric machines/AV equipment	8,521	9,283	91.8
Transport equipment	23,053	23,067	99.9
Household products	2,761	2,000	138.1
Hobbies/Sporting goods	18,702	20,092	93.1
Real estate/Housing facilities	6,241	5,226	119.4
Publications	3,415	4,586	74.5
Information/Communications	41,477	34,421	120.5
Distribution/Retail	22,521	17,766	126.8
Finance/Insurance	57,429	49,429	116.2
Transportation/Leisure	10,292	10,104	101.9
Restaurants/Other services	11,185	9,213	121.4
Government/Organization	8,407	7,081	118.7
Educational/Healthcare services	2,117	1,392	152.1
Classified ads/Others	23,415	19,462	120.3
Total	¥373,897	¥357,597	104.6%

Non-Advertising

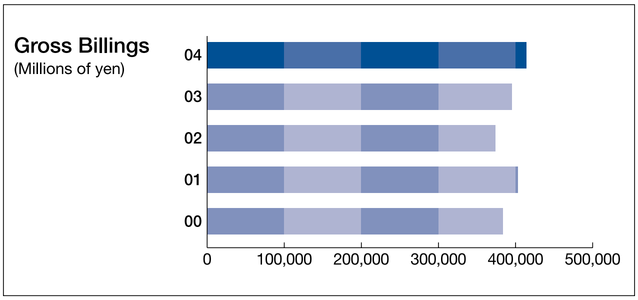
ADK has two consolidated subsidiaries in the publications industry. As the industry has been experiencing sluggish growth, they sought to offer attractive books, magazines and related materials. However, profits declined due to smaller sales and a larger-than-expected return of goods. Accordingly, gross billings from non-advertising businesses decreased 1.7% to 10,140 million.

Millions of yen

	2004	2003
Gross billings	¥ 10,140	¥ 10,319
Operating income	21	397
Operating income margin	0.2%	3.8%

Consolidated Performance

Consolidated gross billings rose 4.7% to ¥413, 898 million in fiscal 2004. This was fueled by 4.9% growth in the advertising segment, which more than offset the 1.7% decline in the non-advertising segment.



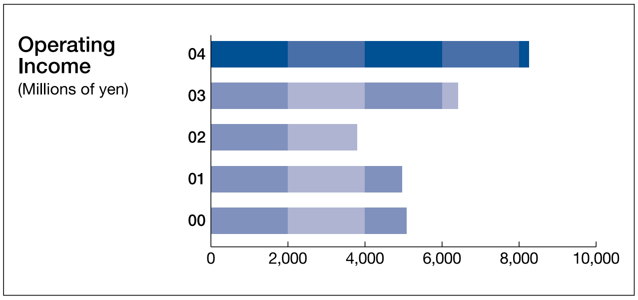
Consolidated Gross Billings and Selected Profitability Data (2002-2004)

Millions of yen except per common share amounts and financial ratios

	2004	2003	2002
Gross billings	¥413,898	¥395,149	¥373,899
Gross margin	11.9%	11.9%	11.1%
Operating margin	16.8%	13.7%	9.1%
Income before income taxes	¥ 9,440	¥ 7,447	¥ (4,776)
Net income (loss)	¥ 5,181	¥ 3,621	¥ (3,637)
Net income per share	¥ 103.25	¥ 70.53	¥ (72.26)

Operating Income

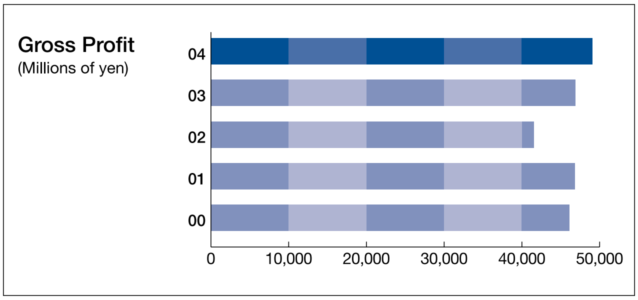
Gross margins remained in line with last fiscal year's levels. The expansion of selling, general and administrative expenses was only 0.9% as a result of the effort to keep expenses under control. Despite increasing our provisions for both bonus expenses and retirement benefits, we were able to keep personnel costs in line with last fiscal year's levels while reducing rental expenses. This brought about a healthy growth in operating income, an increase of 28.7% to ¥8,260 million. As a result, we are pleased to announce that our current operating margin of 16.8% now exceeds our medium-term target of 15%. We will now concentrate on taking this to the next level of over 20%.



Profit and Earnings

Gross Profit

Gross profit was up 4.7% to ¥49,079 million resulting in a gross margin of 11.9% in line with levels in the previous year. This was achieved through a combination of a company-wide focus on lowering our cost of sales, generating higher-margin transactions and continued contributions from *Yu-Gi-Oh*!



Other Income and Expenses, Income before Income Taxes and Minority Interests

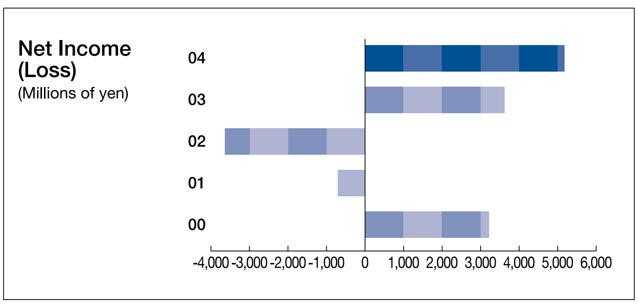
Other income, net of other expenses, totaled ¥1,180 million, up ¥149 million from 2003. Although the ADK group incurred ¥579 million impairment losses of fixed assets due to earlier adoption of the accounting standard, larger dividend income from WPP Group plc and others pushed net interest and dividend income up by ¥409 million to ¥1,222 million. In addition, the group recognized a ¥225 million gain on the reformation of retirement benefits and pension plans. Accordingly, income before income taxes and minority interests improved to ¥9,440 million, a 26.8% increase from that of 2003.

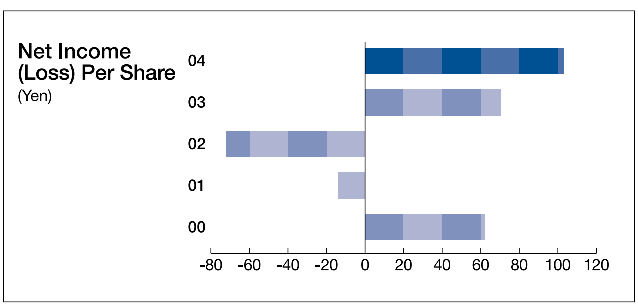
Income Taxes

As income before income taxes and minority interests continued to expand from fiscal 2003 levels, the ADK group incurred an increase in corporate income, inhabitant and enterprise taxes of ¥4,077 million (compared to ¥2,765 million in the previous fiscal year). However, lower deferred tax levels of ¥129 million (down from ¥962 million in fiscal 2003) partly offset the increased tax burden.

Net Income

Despite higher taxes, the strong performance at the operating and pre-tax levels was reflected in a 43.1% increase in net income to ¥5,181 million. With the additional positive impact of our ongoing share buyback program, earnings per share expanded to ¥103.25 compared to ¥70.53 per share in the previous fiscal year.

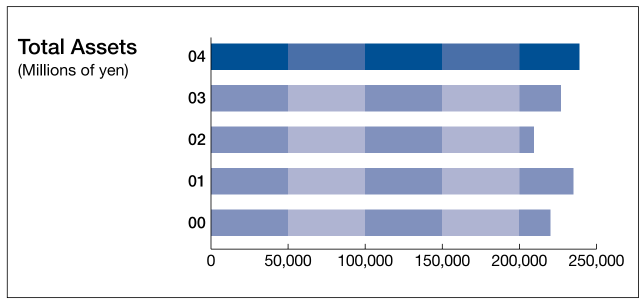




Financial Position

Total Assets

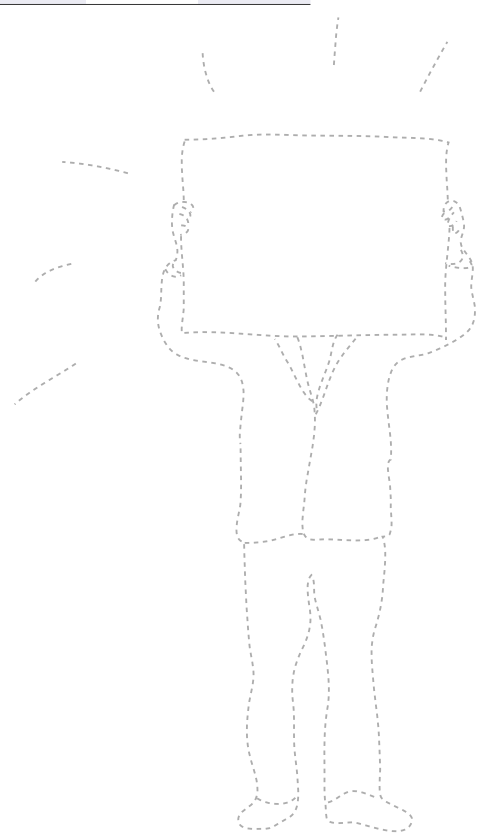
Total assets as of December 31, 2004 stood at ¥238,900 million, up 5.3% or ¥11,989 million from the previous fiscal year. Current assets totaled ¥147,791 million, up ¥3,429 million largely as a result of increased levels of notes and accounts receivable and inventories. Total investments and other assets rose ¥9,912 million to ¥86,819 million, largely due to the ¥9,138 million increase in investment securities as a result of rising market values.



Select Consolidated Balance Sheet Data
(2002-2004)

Millions of yen except per common share amounts and financial ratios

	2004	2003	2002
Total assets	¥ 238,900	¥ 226,911	¥ 209,227
Current ratio	1.45x	1.49x	1.46x
Equity ratio	51.9%	52.7%	53.3%
Book value per share	¥2,554.78	¥2,416.67	¥2,246.56

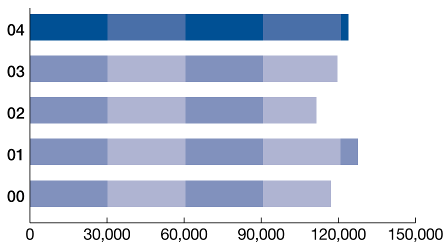


Liabilities and Shareholders' Equity

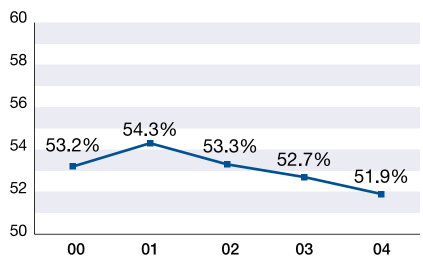
Total current liabilities ended the fiscal year at ¥101,614 million, an increase of ¥4,755 million mainly due to an additional ¥3,725 million in notes and accounts payable. Total long-term liabilities stood at ¥12,183 million, or a ¥2,979 million increase from a year earlier mainly because of a ¥2,626 million increase in deferred tax liabilities due to a larger unrealized gain on available-for-sale securities.

Shareholders' equity ended the fiscal year at ¥123,894 million, an increase of ¥4,322 million, as the result of an increase in retained earnings and unrealized gains on available-for-sale securities.

Shareholders' Equity
(Millions of yen)



Equity Ratio
(%)



Cash Flow

Net cash and cash equivalents as of December 31, 2004, decreased only ¥347 million from the previous fiscal year to ¥29,778 million.

Net cash provided by operating activities was ¥7,301 million, compared to ¥11,513 million for fiscal 2003. This was due largely to an increase of ¥3,514 million in income taxes paid, since income taxes paid during 2003 were smaller after the loss-making fiscal 2002.

Net cash used in investing activities was ¥3,764 million compared to ¥3,867 million for the previous fiscal year. During fiscal 2004, purchases of securities like investment-grade bonds totaled ¥9,816 million, increasing by ¥4,976 million compared to fiscal 2003. In addition, during fiscal 2003 a refund of a security deposit from the landlords of the former head office properties totaling ¥3,045 million was recorded.

Net cash used in financing activities expanded to ¥3,956 million in fiscal 2004 compared to ¥1,964 million for the previous fiscal year. This was due largely to an increase in net purchases of treasury stock of ¥2,434 million. Net purchase of treasury stock totaled ¥2,889 million and together with ¥889 million dividends paid, ¥3,778 million was distributed to shareholders during 2004.

Capital Expenditures and Depreciations

Millions of yen

	2004		2003	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Buildings	¥ 58	¥ 205	¥ 150	¥ 222
Structures	0	4	0	5
Vehicles	19	22	40	24
Equipment and fixtures	86	217	155	279
Land	0	0	0	-
Licenses	0	48	0	86
Computer software	451	759	658	712
Telephone rights and others	0	23	0	80
Total	¥ 616	¥1,281	¥1,003	¥1,408

Select Consolidated Cash Flow Data

Millions of yen

	2004	2003
Cash flow provided by operations	¥ 7,301	¥ 11,513
Business reinvestment	-286	-884
Free cash flow	¥ 7,014	¥ 10,629

Note: Business retirement = Purchases of property and equipment + Purchases of intangible assets - Sales of property and equipment.

Risk Factors

Domestic Economy
Approximately 92% of group billings are generated from the domestic advertising market, which is closely influenced by the nominal GDP. In the event that the domestic economy deteriorates seriously, the ADK group's performance and financial conditions could be negatively impacted.

Changes in the Advertising Market
The ADK group intends to continue to sell traditional mass media advertising space and time to its well-diversified clientele as well as carry out sales promotions and a wide range of peripheral services under its 360-degree communications approach. However, failure to respond appropriately to any market changes – including, but not limited to changes in advertiser's budgets, media inventory costs and advertising methods – could significantly impact performance and financial conditions.

Response to the Development of New Media
The ADK group continues to focus on both traditional and new media through its 360-degree communications approach. In addition, the group has been developing an e-Agency initiative to lead the digital advertising market, including the internet. However, if ADK fails to adapt to changes in advertising media, its performance and financial conditions could be adversely impacted.

Competitive Risk
Competition among Japan's major advertising companies is intensifying. In addition, the entry of foreign mega agency groups into the Japanese market, and many new entrants in the internet advertising market, accelerates competition. In the event that ADK is unable to respond appropriately to client needs and changes in the advertising industry, and loses its competitiveness as a result, there is significant risk that its market share could decline and profitability could deteriorate. This would have a serious impact on its performance and financial condition.

Relationship with Advertisers
In Japan, traditionally advertisers do not strictly require an exclusive relationship with their agencies, which may have business with competitors. However, there is no assurance that this practice will continue in the future. In the event that ADK fails to adapt to such changes in the advertising market, its performance and financial conditions could be adversely impacted.

The ADK group has a diversified portfolio of first-tier clients. The parent company's largest ten and twenty clients respectively share roughly 20% and 30% of total unconsolidated gross billing, and sector concentration risk is limited. Although we strive to maintain and develop good relationships with our clients, there is no assurance that we will be able to continue to do so.

An advertising agency buys media time or space and materials on behalf of its clients on its own account. Therefore, even if a client defaults, the advertising company is still liable for the media and or materials.

Advertising companies in Japan do not always have contracts with media and clients so as to maximize their flexibility in order to adapt to sudden changes. However, ADK works to ensure it has written contracts with more media and more clients. When this is the rule, not the exception, the company believes accountability by both parties will minimize disputes. Until that time, however, there remains the possibility of disputes with media and clients.

Relationships with Media
ADK strives to secure advertising time and/or space with the four major mass media as well as with the rapidly growing internet and digital advertising sectors. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK group does not respond to these changes appropriately, there is a significant possibility that performance and financial conditions could be adversely affected.

Media Inventories
Occasionally, ADK purchases media inventories, particularly animation programs, at fixed prices based on orders from client advertisers. Although we strive to improve the quality of contents, and increase the demand of such programs by keeping a close relationship with the media, in the case of weak sales, excess inventories could have an adverse effect on our performance and financial conditions.

Relationship with Sub-Contractors
While ADK carries out the planning for advertising and sales promotion campaigns, the execution of these activities is mostly outsourced to qualified sub-contractors. In the case of a change in trading relationships with these sub-contracted companies, and in the event that ADK is unable to respond appropriately, this could have a negative impact on group performance and financial conditions.

Contents Business
ADK continues to strive to develop new contents under existing and new business models. However there is no guarantee of the continued success of these contents or of derivatives and or resale income from them. Accordingly, in the case that the group is not able to generate income

as expected, the group could experience a significant impact on its performance and financial conditions.

Overseas Operations
In overseas markets, because of the difference in culture and society, a variety of problems may arise. In addition, both country and currency risks are inherent in conducting international business. In the event that the ADK group is unable to expand its overseas operations as planned, the group's performance and financial condition could be significantly impacted.

Relationship with WPP Group plc
ADK has maintained strategic operating and equity ties with the WPP Group plc, of the United Kingdom since August 1998, holding a 2.64% equity stake in WPP. At the same time, both companies have non-executive directors on each other's boards. By way of operating alliances with WPP group operating companies, including J. Walter Thompson, ADK made a number of creative and promotional tie-ups and will continue to develop operations worldwide.

Because ADK does not own a majority of WPP's voting rights, and our influence on WPP Group operations is limited, in the event that the Group is unable to realize the benefits from this relationship or if the relationship should negatively change in any way, there may be an impact on ADK group's performance and financial conditions in the future.

In addition, although the value of the equity stake in WPP Group plc is currently at a higher level than at the time of acquisition, in the event of a major deterioration in their stock price there is a possibility that ADK would have to account for valuation losses on this holding.

Staff
In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on performance and financial conditions.

Marketable Securities and Investment Securities
The ADK group's holdings of marketable and investment securities (including the aforementioned stake in the WPP Group plc) totaled ¥74,520 million, representing 31.2% of our ¥2,389 million in total assets at the end of fiscal 2004. Of this amount, ¥57,414 million is publicly traded equity securities mostly for cross-shareholdings in advertising clients and other trading partners. The balance of unrealized gains on available-for-sale securities is ¥14,078 million after netting deferred tax liabilities on such gains. However, in the event of a major decline in the market prices of these holdings, ADK would be forced to account for valuation losses.

Retirement Benefits and Pension Plans
At the end of 2004, ADK reformed its employee retirement benefits and pension plans, and adopted a defined contribution pension plan and a cash balance plan to reduce the volatility of net periodic benefit costs, staff costs, through a smaller Projected Benefit Obligation and less risky pension asset investment strategies. Better controlled personnel costs will help management meet its performance target of 55%.

In the event of a fall in the discount rate due to further market interest-rate declines, deterioration in pension asset management performance, and a significant change in actuarial assumptions, the ADK group could face a negative impact on its performance and financial condition.

ADK and some of its domestic subsidiaries are the members of Japan Advertising Industry Pension Fund. Because the ADK group cannot technically or reasonably define how much pension assets and liabilities the group is accountable for, the group recognizes its annual cash contribution to the fund as its periodical benefit costs applicable for the fund. The group's pro rata share of the pension assets based on the cash contribution as of March 31, 2004 was ¥5,340 million. In the case that the fund requires the group to make a larger contribution due to changes in the discount rate, pension plan asset performance, number of member companies and beneficiaries, and so on, the group would need to recognize larger net periodic benefit costs.

Legal Risks
ADK's advertising clients are affected by a number of mandatory and voluntary regulations, depending on the type or types of businesses in which they are engaged. If these laws and regulations are tightened or new ones are enacted, our clients' advertising activities could shrink or become curtailed. Such changes may have a negative impact on our performance and financial conditions.

Regulatory Changes
In Japan, there are a number of laws that bind advertising companies, including ADK. These include laws to prevent delays in payment to sub-contractors and protect personal information as well as regulations applicable to advertising companies. If there is a strengthening of existing laws or regulations affecting the advertising activities of advertisers or the format or content of advertisements, the financial results of the ADK group and other advertising companies could be adversely affected. In the case there is the introduction of new laws or regulations, or the reinterpretation of existing laws or regulations, the result could also impact ADK's performance.

Consolidated Balance Sheets

Asatsu-DK Inc. and Consolidated Subsidiaries
Years Ended December 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2004	2003	2004
CURRENT ASSETS			
Cash and time deposits	**¥ 22,749**	¥ 23,527	**$ 218,300**
Marketable securities (Note 3)	**10,377**	11,427	**99,578**
Notes and accounts receivable:			
Trade	**105,237**	101,026	**1,009,855**
Allowance for doubtful receivables	**(709)**	(735)	**(6,804)**
Inventories	**6,939**	6,408	**66,586**
Deferred tax assets (Note 7)	**1,550**	819	**14,874**
Other current assets	**1,648**	1,890	**15,814**
Total current assets	**147,791**	144,362	**1,418,203**
PROPERTY AND EQUIPMENT			
Land	**1,323**	1,881	**12,696**
Buildings and leasehold improvements	**3,988**	4,681	**38,269**
Other	**2,012**	2,073	**19,307**
Total	**7,323**	8,635	**70,272**
Accumulated depreciation	**(3,033)**	(2,993)	**(29,105)**
Net property and equipment	**4,290**	5,642	**41,167**
INVESTMENTS AND OTHER ASSETS			
Investment securities (Note 3)	**68,059**	58,921	**653,095**
Investments in unconsolidated subsidiaries and affiliated companies	**6,590**	6,406	**63,238**
Deferred tax assets (Note 7)	**535**	661	**5,134**
Other assets	**11,635**	10,919	**111,649**
Total investments and other assets	**86,819**	76,907	**833,116**
TOTAL	**¥238,900**	¥226,911	**$2,292,486**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2004	2003	Thousands of U.S. dollars (Note 1) 2004
CURRENT LIABILITIES			
Short-term debt (Note 4)	**¥ 405**	¥ 329	**$ 3,886**
Bonds due within one year (Note 4)	**—**	200	**—**
Current portion of long-term debt (Note 4)	**368**	60	**3,531**
Notes and accounts payable—trade	**90,324**	86,599	**866,750**
Income taxes payable (Note 7)	**2,507**	2,267	**24,057**
Accrued bonuses to employees	**1,818**	1,189	**17,446**
Allowance for sales returns	**893**	773	**8,569**
Deferred tax liabilities (Note 7)	**79**	100	**758**
Other current liabilities	**5,220**	5,342	**50,091**
Total current liabilities	**101,614**	96,859	**975,088**
LONG-TERM LIABILITIES			
Long-term debt (Note 4)	**728**	1,060	**6,986**
Accrued retirement benefits (Note 5)	**4,724**	3,852	**45,332**
Accrued retirement benefits to directors and corporate auditors	**617**	738	**5,920**
Deferred tax liabilities (Note 7)	**5,934**	3,308	**56,943**
Other long-term liabilities	**180**	246	**1,727**
Total long-term liabilities	**12,183**	9,204	**116,908**
MINORITY INTERESTS	**1,209**	1,276	**11,602**
CONTINGENT LIABILITIES (Note 10)			
SHAREHOLDERS' EQUITY (Notes 6 and 13)			
Common stock			
Authorized, 206,000,000 shares in 2004 and 2003;			
Issued 51,655,400 shares in 2004 and 2003	**37,581**	37,581	**360,628**
Capital surplus	**40,607**	40,607	**389,665**
Retained earnings	**39,336**	35,167	**377,469**
Unrealized gain on available-for-sale securities	**14,078**	11,188	**135,093**
Foreign currency translation adjustments	**102**	(50)	**978**
Total	**131,704**	124,493	**1,263,833**
Treasury stock—at cost	**(7,810)**	(4,921)	**(74,945)**
Shareholders' equity—net	**123,894**	119,572	**1,188,888**
TOTAL	**¥238,900**	¥226,911	**$2,292,486**

See notes to consolidated financial statements.

Consolidated Statements of Income

Asatsu-DK Inc. and Consolidated Subsidiaries
Years Ended December 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
GROSS BILLINGS (Note 14)	**¥413,898**	¥395,149	**$3,971,769**
COST OF SALES (Note 14)	**364,819**	348,266	**3,500,807**
Gross profit	**49,079**	46,883	**470,962**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8 and 14)	**40,819**	40,467	**391,699**
Operating income	**8,260**	6,416	**79,263**
OTHER INCOME (EXPENSES)			
Interest and dividend income—net	**1,222**	813	**11,726**
Gain on sales of securities	**683**	707	**6,554**
Loss on sales of securities	**(6)**	(105)	**(58)**
Loss on valuation of securities	**(446)**	(439)	**(4,280)**
Consolidation adjustment account charge	**33**	174	**317**
Equity in earnings of affiliated companies—net	**350**	343	**3,359**
Retirement benefits paid to directors and corporate auditors	**(195)**	(60)	**(1,871)**
Additional retirement benefits paid to employees	**(129)**	(94)	**(1,238)**
Gain on reformation of retirement benefits and pension plans	**225**	—	**2,159**
Impairment loss of fixed assets	**(579)**	—	**(5,556)**
Loss on sales of fixed assets	**(182)**	(39)	**(1,747)**
Prior years' foreign salary adjustment	**(356)**	—	**(3,416)**
Other—net	**560**	(269)	**5,374**
Other income—net	**1,180**	1,031	**11,323**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**9,440**	7,447	**90,586**
INCOME TAXES			
Current	**4,077**	2,765	**39,123**
Deferred	**129**	962	**1,238**
MINORITY INTERESTS IN NET INCOME	**53**	99	**508**
NET INCOME	**¥ 5,181**	¥ 3,621	**$ 49,717**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Asatsu-DK Inc. and Consolidated Subsidiaries
Years Ended December 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
CAPITAL SURPLUS, BEGINNING OF THE YEAR	**¥40,607**	¥40,607	**$389,665**
Increase in capital surplus			
Sales of treasury stocks	**0**	0	**0**
CAPITAL SURPLUS, END OF THE YEAR	**¥40,607**	¥40,607	**$389,665**
RETAINED EARNINGS, BEGINNING OF THE YEAR	**¥35,167**	¥32,512	**$337,463**
Increase in retained earnings			
Net income	**5,181**	3,621	**49,717**
Merger of consolidated and non-consolidated subsidiaries	**—**	1	**—**
Decrease in retained earnings			
Cash dividends	**889**	891	**8,531**
Bonus to directors and corporate auditors	**123**	76	**1,180**
RETAINED EARNINGS, END OF THE YEAR	**¥39,336**	¥35,167	**$377,469**

	Yen		U.S. dollars (Note 1)
	2004	2003	2004
PER SHARE OF COMMON STOCK			
Net income	**¥ 103.25**	¥ 70.53	**$ 0.99**
Net asset	**2,554.78**	2,416.67	**24.52**
Cash dividends applicable to the year	**20.00**	18.00	**0.19**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Asatsu-DK Inc. and Consolidated Subsidiaries
Years Ended December 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
OPERATING ACTIVITIES			
Income before income taxes and minority interests	¥ 9,440	¥ 7,447	$ 90,586
Adjustments for:			
Income taxes—paid	(3,926)	(412)	(37,674)
Depreciation and amortization	1,333	1,408	12,791
Equity in earnings of affiliated companies	(350)	(343)	(3,359)
Gain on sales of securities	(683)	(707)	(6,554)
Loss on sales of securities	6	105	58
Loss on valuation of securities	446	439	4,280
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(3,192)	(3,670)	(30,630)
(Increase) decrease in inventories	(529)	1,061	(5,076)
Increase in notes and accounts payable	3,554	3,285	34,104
Other—net	1,202	2,900	11,534
Total adjustments	(2,139)	4,066	(20,526)
Net cash provided by operating activities	7,301	11,513	70,060
INVESTING ACTIVITIES			
Increase in time deposits—net	(21)	(739)	(201)
Proceeds from sales of securities	5,611	6,698	53,843
Purchases of securities	(9,816)	(4,840)	(94,194)
Proceeds from sales of property and equipment	329	118	3,157
Purchases of property and equipment	(164)	(345)	(1,574)
Purchases of intangible assets	(451)	(657)	(4,328)
Refund of security deposits from landlords	—	3,045	—
Other investing activities	748	587	7,178
Net cash (used in) provided by investing activities	(3,764)	3,867	(36,119)
FINANCING ACTIVITIES			
Increase (decrease) in short-term debt—net	75	(365)	720
Proceeds from long-term debt	50	300	480
Repayment of long-term debt	(74)	(241)	(710)
Redemption of bonds	(200)	(300)	(1,919)
Purchases of treasury stock—net	(2,889)	(455)	(27,723)
Dividends paid	(889)	(891)	(8,531)
Other financing activities	(29)	(12)	(279)
Net cash used in financing activities	(3,956)	(1,964)	(37,962)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	72	(28)	691
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	¥ (347)	¥13,388	$ (3,330)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,125	16,635	289,080
INCREASE DUE TO MERGER BETWEEN CONSOLIDATED AND UNCONSOLIDATED SUBSIDIARIES	—	102	—
CASH AND CASH EQUIVALENTS, END OF YEAR	¥29,778	¥30,125	$285,750

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Asatsu-DK Inc. and Consolidated Subsidiaries
Years Ended December 31, 2004 and 2003

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by Asatsu-DK Inc. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.

In preparation for these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 104.21 to U.S.$1, the approximate rate of exchange at December 31, 2004. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications have been made in the 2003 financial statements to conform to the presentation for 2004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation
The consolidated financial statements include the accounts of the Company and its significant 17 (19 in 2003) majority-owned subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Sixteen subsidiaries use a fiscal year end at December 31, so does the Company. One subsidiary uses a fiscal year ended at September 30. The consolidated financial statements include the financial statements of this subsidiary for its respective fiscal years after appropriate adjustments for significant transactions during the periods from its respective year ends to the date of the consolidated financial statements.

Investments in 1 (2 in 2003) insignificant unconsolidated subsidiary and 4 (4 in 2003) affiliated companies (companies owned 20% to 50%) are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Any consolidation adjustment accounts are charged or credited to income, in the year incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

b. Cash and Cash Equivalents
Cash and cash equivalents consist of cash, demand deposits with banks and those which are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits and money management funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

c. Inventories
Inventories are primarily stated at cost determined by the specific identification method.

d. Marketable and Investment Securities
All applicable securities are classified and accounted for, depending on management's intent, as follows:
i) trading securities, which are held for purpose of earning capital gains in near term, are reported at fair value, and the related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

If the market values of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, decline significantly, such securities are stated at fair market value, and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method is not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

e. Property and Equipment
Property and equipment are carried at cost. Depreciation for the property and equipment other than the buildings acquired after April 1, 1998, is computed on the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation of buildings acquired after April 1, 1998, is computed on the straight-line method over their estimated useful lives. Estimated useful lives of major assets are as follows:

Buildings and leasehold improvements 10 – 50 years

f. Deferred Assets
Bond issuance expenses are charged to income when paid.

g. Retirement Benefits and Pension Plans
Prior to December 31, 2004, the Company and its certain consolidated subsidiaries provided two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees were entitled to benefits based on the level of salaries at the time of retirement or termination, length of service and certain other factors. At the end of 2004, the Company reformed its retirement benefits and pension plans and adopted a defined contribution pension plan and a cash balance plan. The unfunded lump-sum payment plan and the funded non-contributory pension plan were abolished instead. The effect of the reformation was to increase income before income taxes by ¥225 million ($2,159 thousand) for the year ended December 31, 2004

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The Company's directors and corporate auditors are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of services and certain other factors. The Company accrues 100% of obligations based on its rule required under the assumption that all directors and corporate auditors retired at the balance sheet date.

h. Sales Recognition
Income derived from media advertising is recognized upon the publication or broadcast. Product sales are recognized when the products are shipped. One domestic consolidated subsidiary provides allowances, based upon Japanese tax code, for returned publication merchandise and losses derived from unsold publication merchandise.

i. Leases
Leases are accounted for as operating leases in the Company and domestic consolidated subsidiaries. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's consolidated financial statements. In major overseas consolidated subsidiaries, leases are accounted for as finance leases and leased property to the lessee are capitalized.

j. Software and R&D Costs
Research and development costs are charged to income as incurred. Capitalized software for internal use amounting ¥2,231 million ($21,409 thousand) in 2004 and ¥2,541 million in 2003, respectively, included in "Other assets" of investments and other assets, were depreciated by the straight-line method based on the estimated useful lives (five years).

k. Income Taxes
The provision for income taxes is computed based on the pretax income or loss included in the consolidated statements of income. Deferred income taxes are recorded based on the asset and liability method to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying enacted tax laws to the temporary differences, which will be in effect when the differences are expected to reverse.

l. Appropriations of Retained Earnings
Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders' approval.

m. Foreign Currency Transactions
Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet dates. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by foreign exchange derivatives.

n. Foreign Currency Financial Statements
Both balance sheet accounts and revenue and expense items of the consolidated overseas subsidiaries and affiliated companies are translated into Japanese yen at the current exchange rates as of the balance sheet dates except for shareholders' equity, which is translated at historical exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in separate component of shareholders' equity.

o. Derivatives and Hedging Activities
The Group uses derivative financial instruments to manage their exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivatives are recognized as either assets or liabilities at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of income unless derivatives are accounted for under the hedge accounting.

Short-term receivables and payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for specific hedge accounting.

p. Per Share Information
The computation of net income per common share is based on the weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 49,285,820 shares for the fiscal year ended December 31, 2004 and 49,525,864 shares for the fiscal year ended December 31, 2003, respectively.

Cash dividends per common share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

The calculation of dilution is not applicable because of the non existence of dilutive factor such as convertible bonds or bonds with warrants.

q. Impairment of Fixed Assets
From the fiscal year ended December 31, 2004, the Company

adopted a new accounting standard for the impairment of fixed assets which required that tangible and intangible fixed assets be carried at cost less depreciation, and be reviewed for impairment whether events or changes in circumstances indicated that the carrying amount of assets may not be recoverable. The Company is required to recognize an impairment loss in their statements of income or operations if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of the future cash flows. The standard states that impairment losses should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of disposition costs, and (2) the present value of future cash flows arising from ongoing utilization of the assets and from disposal of the asset after use. The standard covers land, factories, buildings and other forms of property, plant and equipment as well as intangible assets. Fixed assets are to be grouped at the lowest levels for which there are identifiable cash flows independent of the cash flows from other groups of assets.

The effect of the adoption of this new accounting standard was to decrease income before income taxes by ¥579 million ($5,556 thousand) for the year ended December 31, 2004.

3. MARKETABLE AND INVESTMENT SECURITIES

The carrying amount and aggregate fair value of the securities classified as available-for-sale at December 31, 2004 and 2003 were as follows:

	Millions of yen			
2004	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**¥34,771**	**¥23,078**	**¥436**	**¥57,413**
Debt securities	**8,011**	**72**	**341**	**7,742**
Other	**1,602**	**411**	**61**	**1,952**
Total	**¥44,384**	**¥23,561**	**¥838**	**¥67,107**

	Millions of yen			
2003	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥32,530	¥18,236	¥304	¥50,462
Debt securities	4,548	101	68	4,581
Other	2,343	287	101	2,529
Total	¥39,421	¥18,624	¥473	¥57,572

	Thousand of U.S. dollars			
2004	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	**$333,663**	**$221,457**	**$4,184**	**$550,936**
Debt securities	**76,874**	**690**	**3,272**	**74,292**
Other	**15,372**	**3,944**	**585**	**18,731**
Total	**$425,909**	**$226,091**	**$8,041**	**$643,959**

Available-for-sale securities whose fair values are not readily determinable as of December 31, 2004 and 2003 were as follows:

	Millions of yen		Thousand of U.S. dollars
Carrying amount	2004	2003	2004
Available-for-sale:			
Non-listed equity securities	**¥ 1,623**	¥ 1,897	**$ 15,574**
Money management funds	**2,046**	1,719	**19,633**
Free financial funds	**7,558**	9,057	**72,527**
Other	**102**	102	**979**
Total	**¥11,329**	¥12,775	**$108,713**

Total sales of available-for-sale securities sold in the year ended December 31, 2004 and 2003 amounted to ¥5,464 million ($52,433 thousand) and ¥6,495 million and the related gains amounted to ¥683 million ($6,554 thousand) and ¥708 million, and the related losses amounted to ¥8 million ($77 thousand) and ¥33 million, respectively.

4. SHORT-TERM AND LONG-TERM DEBT

The weighted average annual interest rates applicable to the short-term debt were 1.82% and 2.55 % at December 31, 2004 and 2003, respectively.

Long-term debt at December 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
0.58% bonds due on October 10, 2007	**¥ 500**	¥ 500	**$ 4,798**
0.59% bonds due on March 12, 2004	**—**	200	**—**
Secured loans due through 2010 with weighted average interest rates of 2.52 % in 2004 and 1.81% in 2003	**596**	620	**5,719**
Amount due within one year	**(368)**	(260)	**(3,531)**
Total	**¥ 728**	¥1,060	**$ 6,986**

Annual maturities of long-term debt at December 31, 2004, were as follows:

Year Ending December 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 368	$ 3,531
2006	66	633
2007	552	5,297
2008	48	461
2009	62	595
Total	¥1,096	$10,517

The carrying amounts of assets pledged as collateral for short-term debt of ¥368 million ($3,531 thousand) and long-term debt of ¥228 million ($2,188 thousand) at December 31, 2004, were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposit	¥ 437	$ 4,193
Land, Property and equipment—net of accumulated depreciation	595	5,710
Investment securities	149	1,430
Total	¥1,181	$11,333

5. RETIREMENT BENEFITS AND PENSION PLANS

Prior to December 31, 2004, the Company and its certain consolidated subsidiaries provided two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees were entitled to benefits based on the level of salaries at the time of retirement or termination, length of service and certain other factors. At the end of 2004, the Company reformed its retirement benefits and pension plans and adopted a defined contribution pension plan and a cash balance plan. The unfunded lump-sum payment plan and the funded non-contributory pension plan were abolished instead. In addition, employees who resign voluntarily under the Company's Early Retirement Program may be entitled to additional retirement benefits.

The liability for employees' retirement benefits and pension plans at December 31, 2004 and 2003 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	**¥10,181**	¥13,309	**$ 97,697**
Fair value of plan assets	**(3,950)**	(7,443)	**(37,904)**
Unrecognized actuarial differences	**(1,507)**	(2,584)	**(14,461)**
Prepaid pension cost	**—**	570	**—**
Net liability for retirement benefits	**¥ 4,724**	¥ 3,852	**$ 45,332**

The components of net periodic benefit costs for the years ended December 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Service cost	**¥ 971**	¥ 924	**$ 9,318**
Interest cost	**250**	287	**2,399**
Expected return on plan assets	**(78)**	(67)	**(749)**
Amortization of actuarial differences	**227**	245	**2,178**
Contributions paid during the period, etc.	**508**	365	**4,875**
Net periodic benefits costs	**¥1,878**	¥1,754	**$18,021**

The effects of the reformation of the retirement benefits and pension plans, included in other income, were as follows:

	Millions of yen	Thousands of U.S. dollars
Decrease in projected benefit obligation	¥1,154	$11,074
Prior service cost charged to income	(345)	(3,311)
Actuarial differences expensed due to reformation	(584)	(5,604)
Decrease in accrued retirement benefit	¥ 225	$ 2,159

The discount rates used by the Group are 2.0% as of the years ended December 31, 2004 and 2003. The rates of expected return on plan assets used by the Group are 1.5% for the years ended December 31, 2004 and 2003. The estimated amount of retirement benefits to be paid at the future retirement date is allocated equally to each service year over the estimated number of total service years. Unrecognized actuarial net gains and losses are amortized over 13 years on a straight-line basis commencing from the succeeding period. Prior service costs are charged to income when incurred.

6. SHAREHOLDERS' EQUITY

Under the Commercial Code of Japan, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other cash distribution shall be appropriated and set aside as a legal reserve until the sum of legal reserve and additional paid-in capital equals to 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce deficit by resolution of the shareholders meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital exceeds 25% of common stock, the excess is available for distributions and other certain purposes by resolution of the shareholders meeting. The legal reserve is included in retained earnings in the accompanying consolidated financial statements.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate, inhabitant and enterprise taxes based on income. Normal effective statutory tax rates for these taxes in the aggregate resulted in approximately 42.05% for both 2004 and 2003, after reflection of enterprise tax, in the way such tax should be deductible for tax purposes only when paid. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The deferred tax assets and liabilities as a result of the tax effects of significant temporary differences as of December 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Marketable and investment securities	**¥ 971**	¥1,389	**$ 9,318**
Allowance for doubtful receivables	**789**	982	**7,571**
Accrued bonus	**751**	450	**7,207**
Accrued retirement benefits	**1,652**	1,933	**15,853**
Tax loss carry forwards	**587**	375	**5,633**
Deferred tax assets in overseas consolidated subsidiaries (* Note)	**20**	55	**192**
Other	**1,177**	733	**11,293**
	5,947	5,917	**57,067**
Valuation allowance	**(500)**	(208)	**(4,798)**
Deferred tax assets	**5,447**	5,709	**52,269**
Deferred tax liabilities:			
Marketable and investment securities	**9,214**	7,347	**88,418**
Deferred tax liabilities in overseas consolidated subsidiaries (* Note)	**8**	39	**77**
Other	**152**	250	**1,458**
Deferred tax liabilities	**9,374**	7,636	**89,953**
Net deferred tax liabilities	**¥3,927**	¥1,927	**$37,684**

* Note The deferred tax assets and liabilities as results of the tax effects of significant temporary differences and loss carry forward as of December 31, 2004 and 2003, in overseas consolidated subsidiaries were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Tax loss carry forwards	**¥ 13**	¥ 25	**$ 125**
Other	**46**	85	**441**
Less valuation allowance	**(39)**	(55)	**(374)**
Deferred tax assets	**20**	55	**192**
Deferred tax liabilities—Other	**8**	39	**77**
Deferred tax liabilities	**8**	39	**77**
Net deferred tax assets	**¥ 12**	¥ 16	**$ 115**

Reconciliation between the normal effective statutory tax rate for the years ended December 31, 2004 and 2003, and the actual effective tax rates reflected in the accompanying consolidated statements of income were as follows:

	2004	2003
Normal effective statutory tax rate	42.05%	42.05%
Certain expenses permanently not deductible for tax purposes	5.31	7.05
Certain income permanently not taxable for tax purposes	(0.99)	(1.35)
Per capita levy	0.30	0.36
Effect of tax rate change	—	2.18
Other—net	(2.12)	(0.24)
Actual effective tax rate	44.55%	50.05%

Effective for years commencing on January 1, 2005 or later, according to the revised local tax law, the income tax rate for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Company and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 42.05% and 40.09% for current and non-current items, respectively, at December 31, 2003. As a result of this change, the amount of deferred tax assets decreased by ¥8 million, the amount of deferred tax liabilities decreased by ¥127 million, the amount of income taxes - deferred increased by ¥162 million and the amount of net unrealized holding gain on securities, net of taxes increased by ¥281 million in 2003.

8. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the year ended December 31, 2004 and 2003 were ¥1,093 million ($10,488 thousand) and ¥961 million, respectively.

9. LEASES

The Group leases certain computer equipment, office space, vehicles and other assets. Total lease payments under finance lease agreements that do not cause transfer of ownership of the leased property to the lessee for the years ended December 31, 2004 and 2003 were ¥827 million ($7,936 thousand) and ¥ 933 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, and interest expense of finance leases that do not cause transfer of ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended December 31, 2004 and 2003, were as follows:

	Millions of yen			
Year Ended December 31, 2004	Furniture and equipment	Machinery and vehicle	Software	Total
Acquisition cost	**¥3,252**	**¥37**	**¥266**	**¥3,555**
Accumulated depreciation	**1,866**	**17**	**193**	**2,076**
Net leased property	**¥1,386**	**¥20**	**¥ 73**	**¥1,479**

Obligations under finance leases:

	Millions of yen
Due within one year	**¥ 655**
Due after one year	**853**
Total	**¥1,508**

	Thousands of U.S. dollars			
Year Ended December 31, 2004	Furniture and equipment	Machinery and vehicle	Software	Total
Acquisition cost	**$31,206**	**$355**	**$2,553**	**$34,114**
Accumulated depreciation	**17,906**	**163**	**1,852**	**19,921**
Net leased property	**$13,300**	**$192**	**$ 701**	**$14,193**

Obligations under finance leases:

	Thousands of U.S. dollars
Due within one year	**$ 6,285**
Due after one year	**8,186**
Total	**$14,471**

Year Ended December 31, 2003	Millions of yen			
	Furniture and equipment	Machinery and vehicle	Software	Total
Acquisition cost	¥3,408	¥36	¥326	¥3,770
Accumulated depreciation	1,474	20	167	1,661
Net leased property	¥1,934	¥16	¥159	¥2,109

Obligations under finance leases:

	Millions of yen
Due within one year	¥767
Due after one year	1,376
Total	¥2,143

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Depreciation expense	**¥ 789**	¥881	**$7,571**
Interest expense	**36**	56	**345**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income and retained earnings, are computed by the straight-line method and the interest method, respectively.

Obligations under operating leases:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within one year	**¥10**	¥ 9	**$ 96**
Due after one year	**11**	10	**106**
Total	**¥21**	¥19	**$202**

10. CONTINGENT LIABILITIES

As of December 31, 2004, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 307	$ 2,946
Aggregated amount of guarantees of debt for affiliates	2,830	27,157
Total	¥3,137	$ 30,103

11. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major sound financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal rules and policies which regulate the authorization and exposure limit amount.

The notional amounts, fair values and unrealized gain and loss on derivatives at December 31, 2004 and 2003 were summarized as follows:

Year Ended December 31, 2004	Millions of yen			
	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
Foreign exchange forward contracts				
- buying (US$)	**¥ 203**	**¥ 135**	**¥177**	**¥(24)**
- selling (US$)	**309**	**309**	**302**	**6**
Swaps (unlisted)	**1,417**	**1,417**	**(26)**	**(26)**
Total				**¥(44)**
Interest rate:				
Swaps (unlisted)	**¥1,000**	**¥1,000**	**¥ (20)**	**¥(20)**

Year Ended December 31, 2004	Thousands of U.S. dollars			
	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
Foreign exchange forward contracts				
- buying (US$)	**$ 1,948**	**$ 1,295**	**$1,698**	**$(230)**
- selling (US$)	**2,965**	**2,965**	**2,898**	**58**
Swaps (unlisted)	**13,598**	**13,598**	**(249)**	**(250)**
Total				**$(422)**
Interest rate:				
Swaps (unlisted)	**$ 9,596**	**$ 9,596**	**$ (192)**	**$(192)**

Year Ended December 31, 2003	Millions of yen			
	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Foreign exchange forward contracts				
- buying (US$)	¥ 270	¥ 203	¥ 244	¥(25)
Currency swaps (unlisted)	1,417	1,417	1,391	(26)
Total				¥(51)

Derivative transactions which were accounted for by hedge accounting were excluded.

12. IMPAIRMANT OF FIXED ASSETS

As described in Note 2(q), the Company and its consolidated subsidiaries adopted the accounting standard for impairment of fixed assets.

The following table is a summary of impairment losses for the year ended December 31, 2004:

	Millions of yen	Thousands of U.S. dollars
Building and structures	¥113	$1,084
Land	466	4,472
	¥579	$5,556

The Company and its domestic subsidiaries grouped their fixed assets based on business segments except for assets held for lease and unutilized assets, which were grouped on each asset basis.

The recoverable amounts of the fixed assets are the larger of their net realizable values or the present value of expected future cash flows from ongoing utilization and subsequent disposition of the assets after use, except for unutilized assets, for which net realizable values are used as recoverable amounts. Net realizable values are determined under reasonable valuation measures such as real estate appraisal standards, etc.

13. SUBSEQUENT EVENT

The following appropriations of retained earnings for the year ended December 31, 2004, were approved at the Company's shareholders' meeting held on March 30, 2005:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥ 11 per share	¥ 533	$ 5,114
Bonuses to directors	70	672
Transfer to general reserve	3,500	33,586
Total	¥4,103	$39,372

14. SEGMENT INFORMATION

Information about business segments, geographic segments and billings to foreign customers of the Group for the years ended December 31, 2004 and 2003, is as follows:

(1) Business Segment Information

Business segment information for the year ended December 31, 2004 and 2003 was as follows:

a. Billings and Operating Income

	Millions of yen				
2004	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Billings to customers	**¥403,758**	**¥10,140**	**¥413,898**	**—**	**¥413,898**
Inter-segment billings	**439**	**89**	**528**	**¥(528)**	**—**
Total billings	**404,197**	**10,229**	**414,426**	**(528)**	**413,898**
Operating expenses	**395,956**	**10,208**	**406,164**	**(526)**	**405,638**
Operating income	**¥ 8,241**	**¥ 21**	**¥ 8,262**	**¥ (2)**	**¥ 8,260**

	Millions of yen				
2003	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Billings to customers	¥384,829	¥10,320	¥395,149	—	¥395,149
Inter-segment billings	487	8	495	¥(495)	—
Total billings	385,316	10,328	395,644	(495)	395,149
Operating expenses	379,317	9,930	389,247	(514)	388,733
Operating income	¥ 5,999	¥ 398	¥ 6,397	¥ 19	¥ 6,416

b. Assets, Depreciation and Capital Expenditures

	Millions of yen				
2004	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	**¥228,577**	**¥10,471**	**¥239,048**	**¥(148)**	**¥238,900**
Depreciation	**1,293**	**40**	**1,333**	**—**	**1,333**
Capital expenditures	**574**	**42**	**616**	**—**	**616**

	Millions of yen				
2003	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	¥216,696	¥10,451	¥227,147	¥(236)	¥226,911
Depreciation	1,370	38	1,408	—	1,408
Capital expenditures	977	26	1,003	—	1,003

a. Billings and Operating Income

2004	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars				
Billings to customers	$3,874,465	$97,304	$3,971,769	—	$3,971,769
Inter-segment billings	4,213	854	5,067	$(5,067)	—
Total billings	3,878,678	98,158	3,976,836	(5,067)	3,971,769
Operating expenses	3,799,597	97,956	3,897,553	(5,047)	3,892,506
Operating income	$ 79,081	$ 202	$ 79,283	$ (20)	$ 79,263

b. Assets, Depreciation and Capital Expenditures

2004	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
	Thousands of U.S. dollars				
Assets	$2,193,427	$100,480	$2,293,907	$(1,421)	$2,292,486
Depreciation	12,408	383	12,791	—	12,791
Capital expenditures	5,508	403	5,911	—	5,911

Note: 1. The Group is engaged primarily in advertising business. The two business segments, namely, advertising services and non-advertising, consist primarily of the following services:

Advertising services: Planning, creating, producing and placing advertising in various media such as television, radio, newspapers, magazines, public transportation, billboards, and digital media. Additional services such as marketing and branding consultation, design and production of sales promotion programs, and event marketing.

Non-advertising: Publishing and selling of magazines and books and information processing service.

2. Consolidated operating expenses are equal to the total of cost of sales and selling, general and administrative expenses shown in the accompanying consolidated statements of income and retained earnings.

(2) Geographic Segment Information

Because the billings and total assets of the foreign operations of the Group for the years ended December 31, 2004 and 2003 are less than 10% of those of the total consolidated operation, such segment information is not presented.

(3) Billings to Foreign Customers

Since the billings to foreign customers of the Group for the years ended December 31, 2004 and 2003, are less than 10% of the total consolidated billings, such information is not presented.

Independent Auditor's Report

The Board of Directors
Asatsu-DK Inc.:

We have audited the accompanying consolidated balance sheets of Asatsu-DK Inc. and consolidated subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asatsu-DK Inc. and consolidated subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles and practices generally accepted in Japan.

As described in Note 2, Asatsu-DK Inc. adopted a new accounting standard for impairment accounting for fixed assets from the fiscal year ended December 31, 2004.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Yasumori Audit Corporation

Yasumori Audit Corporation
Certified Public Accountants
March 30, 2005

Securities Holdings

Asatsu-DK Inc. and Consolidated Investments as of December 31, 2004

		Millions of yen 2004	
Current	Money management funds	¥ 2,046	
	Free financial funds	7,558	
	Discount Nochu Bank debentures	128	Face Value
	Bonds	549	4 funds
	Mutual funds in equities and bonds	96	3 funds
	Total	**¥10,377**	
Non current	WPP Group plc.	¥35,831	2.64% or 31,295,646 stocks
	Digital Advertising Consortium,Inc.	1,794	Equity Method
	Other publicly traded equities	21,583	169 issues
	Total publicly traded equities	**¥59,208**	
	Non publicly traded equities in affiliated companies	¥ 4,126	16 issues
	Non publicly traded equities in subsidiary sompanies	541	26 issues
	Other non publicly traded equities	1,624	80 issues
	Total non publicly traded equities	**¥ 6,291**	
	Bonds	¥ 7,167	28 issues
	Mutual funds in equities and bonds	1,854	24 issues
	Total non current investments in securities	**¥74,520**	
	Investments in affiliated companies (Non-Securities)	130	5 funds
	Investments in funds (Non-Securities)	823	11 funds
	Total non current investments	**¥75,473**	

Top five equities by balance including WPP	Millions of yen 2004	
WPP Group plc.	¥35,831	31,295,646 shares
Millea Holdings, Inc.	2,934	1,930 shares
Digital Advertising Consortium, Inc.	1,794	65,088 shares
Omnicom Group Inc.	1,757	200,040 shares
Mitsubishi Tokyo Financial Group, Inc.	1,643	1,580 shares

ADK Group Network

DOMESTIC

AGENCY GROUP

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7-1, Tsukiji 4-chome,
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TEL: 81(0)3-3546-9100
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FAX: 81(0)3-5428-8772

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Right Song Music Publishing Co., Ltd.
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FAX: 81(0)3-3547-2098

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FAX: 1-646-284-9825

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Amsterdam
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FAX: 31-20-799-3501

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Jadelaan 50b 2130 AS Hoofddorp,
The Netherlands
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FAX: 31-23-554-3553

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Asatsu (Deutschland) GmbH … ■
Zeppelinalle 77a 60487, Frankfurt am Main,
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TEL: 49-6970-799-210
FAX: 49-6970-799-190

Paris
ADK France S.A.S.
352 Rue Saint-Honore 75001, Paris, France
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FAX: 33-1-5345-3455

ASIA

Beijing
Beijing Huawen-Asatsu International Advertising Co., Ltd.
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FAX: 86-10-6464-3889

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FAX: 86-10-6642-2030

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(As of April 2005)

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DIK-Ocean Advertising Co., Ltd. … ■
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FAX: 886-2-2523-8874

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FAX: 82-2-786-1342

… ■ Consolidated subsidiaries
… ❑ Affiliates accounted for by the equity method

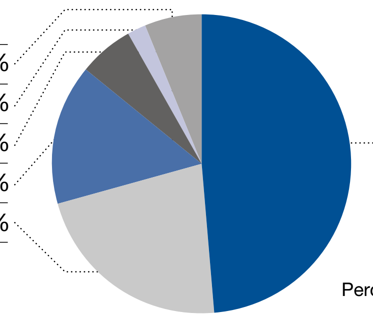
Investor Information

(As of December 2004)

Parent company name	Asatsu-DK Inc.
Established	March 19, 1956
Head office	13-1, Tsukiji 1-chome, Chuo-ku, Tokyo, 104-8172, Japan
Number of employees	2,784 (consolidated basis) 1,915 (non-consolidated basis)
Common stock	Authorized: 206,000,000 shares Issued: 51,655,400 shares
Number of shareholders	14,527

Distribution by owners:

Treasury stock	6.18%
Securities companies	2.01%
Other domestic corporations	5.94%
Financial institutions	15.18%
Individual and others	22.03%
Foreigners	48.66%



Percentage of total shares issued

Major shareholders

WPP International Holding B.V.	20.00%
Northern Trust Company (AVFC) Sub Account American Client	3.35%
State Street Bank and Trust Company	3.20%
Masao Inagaki	3.17%
Mellon Bank Treaty Clients Omnibus	2.91%
The Master Trust Bank of Japan, Ltd. (trust a/c)	2.59%
Japan Trustee Service Bank, Ltd. (trust a/c)	2.37%
Northern Trust Company (AVFG) U.S. Tax-Exempted Pension Funds	1.94%
Nomura Securities Co., Ltd.	1.81%
The Master Trust Bunk of Japan, Ltd. Retirement Benfit Trust Account (Mitsubishi Corporarion Account)	1.48%

Percentage of total shares issued

Stock listing	Tokyo Stock Exchange, First Section
Securities code	9747
Transfer agent	Tokyo Securities Transfer Agent Co., Ltd. 4-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 105-0005, Japan
Annual meeting	The annual meeting of shareholders is normally held in March in Tokyo, Japan.
For further information	Asatsu-DK Inc. Public Relations Room TEL: +81-3-3547-2003 URL: http://www.adk.jp/english/index.html

ASATSU-DK INC.

http://www.adk.jp/english/index.html

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