ADK Annual Report 2007

Year Ended December 31, 2007

ADK

ADK Profile

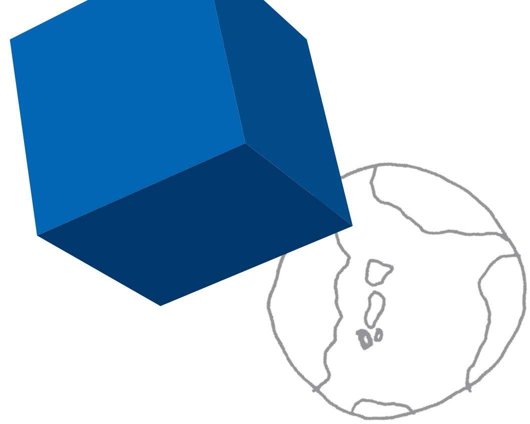
ASATSU-DK INC., commonly known by its initials ADK, was founded in March 1956 by current Chairman Masao Inagaki as a small, ambitious firm focusing on magazine advertising. ASATSU INC., as it was known at the time, quickly built up a solid client base, primarily in the financial sector, giving it a strong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

As Japan entered the high-growth years of the 1960s, ASATSU INC. broadened its creative reach to include planning and production of animation programs for the then still-new medium of television. In 1987, it 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. The company listed on the First Section of the TSE in 1990.

In 1998, it made another major move, signing a reciprocal share agreement and strategic alliance with WPP Group plc, the world's second largest marketing and communication service organization (*Advertising Age* May 5, 2008).

The following year, the company merged with Dai-Ichi Kikaku Co., Ltd., another Top 10 Japanese agency, changed its name to ASATSU-DK INC. (ADK), and entered a period of renewed growth.

Contents



Topics

We generated year-on-year increases in revenue and earnings, on both consolidated and nonconsolidated bases, and raised annual cash dividends.

We continued our aggressive share buyback program, purchasing 2 million shares during the year and subsequently cancelling 6 million shares.

We won numerous creative awards, both in Japan and overseas, including the Gold Lion at the Cannes International Advertising Festival.

We made progress in Asia and strengthened our bases in India and the Middle East.

Business at a Glance

Consolidated Five-Year Summary

Millions of Yen except per common share data and financial ratios — Thousands of U.S. Dollars, except per share data

	2007	2006	2005	2004	2003	2007
Income Statement Data						
Gross billings	¥ 435,011	¥ 420,059	¥ 424,705	¥ 413,898	¥ 395,149	$3,810,872
Gross profit	51,754	48,685	47,774	49,079	46,883	453,386
Selling, general and administrative expenses	44,619	42,292	40,286	40,819	40,467	390,889
Operating income	7,134	6,392	7,488	8,260	6,416	62,497
Income before income taxes and minority interests	10,122	9,682	11,028	9,440	7,447	88,673
Net income	5,350	5,070	5,946	5,181	3,621	46,868
Balance Sheet Data						
Total assets	¥ 246,097	¥ 256,754	¥ 246,867	¥ 238,900	¥ 226,911	$2,155,909
Total net assets*	131,846	141,387	134,751	123,894	119,572	1,155,024
Total long-term liabilities	14,354	19,140	16,799	12,183	9,204	125,747

*For the years until 2005, instead of net assets, shereholders' equity balances are shown. For details of the difference, please refer to the Notes attached to the Financial Statements.

Per Common Share Data (Yen and U.S. Dollars)	2007	2006	2005	2004	2003	2007
Net income per share (EPS)*	¥ 116.40	¥ 106.62	¥ 122.11	¥ 103.25	¥ 70.53	$ 1.02
Dividend per share	42	27	36	20	18	0.37
Book value per share	2,898.49	2,979.79	2,809.30	2,554.78	2,416.67	25.39
No. of common shares issued	45,155,400	51,655,400	51,655,400	51,655,400	51,655,400	
No. of common shares outstanding	45,091,103	47,096,993	47,952,849	48,458,828	49,425,148	

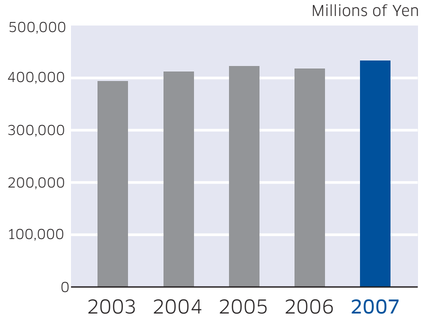
*The number of common shares is calculated excluding treasury stocks.

Financial Ratios	2007	2006	2005	2004	2003	2007
AS PERCENT OF GROSS BILLINGS						
Gross profit	11.90%	11.59%	11.25%	11.86%	11.86%	
SG&A expenses	10.26	10.07	9.49	9.86	10.24	
Operating income	1.64	1.52	1.76	2.00	1.62	
Income before income taxes and minority interests	2.33	2.31	2.60	2.28	1.88	
Net income	1.23	1.21	1.40	1.25	0.92	
AS PERCENT OF GROSS PROFIT						
Operating income	13.8%	13.1%	15.7%	16.8%	13.7%	
Staff cost	57.8	57.8	56.0	55.7	57.2	
Return on equity	3.9	3.7	4.6	4.3	3.1	
Return on assets	2.2	2.0	2.4	2.2	1.6	
Equity ratio	53.1	54.7	54.6	51.9	52.7	
Current ratio	1.48×	1.44×	1.46×	1.45×	1.49×	
EBITDA*	8,277	7,590	8,568	9,560	7,650	$ 72,510

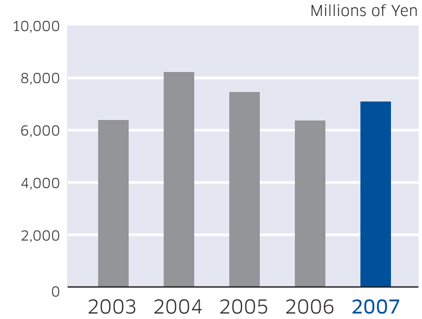
*EBITDA=Operating income + Depreciation/Amortization

Note: For convenience purposes, U.S. dollar amounts are converted from Japanese yen at the rate of ¥114.15=US$1 as of December 31, 2007.

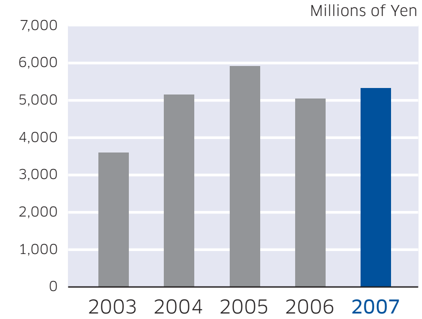
Gross Billings



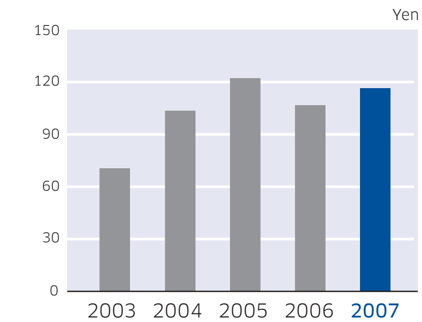
Operating Income



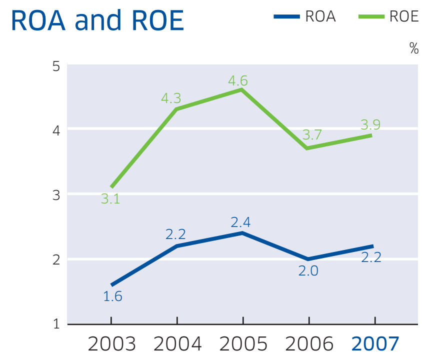
Net Income



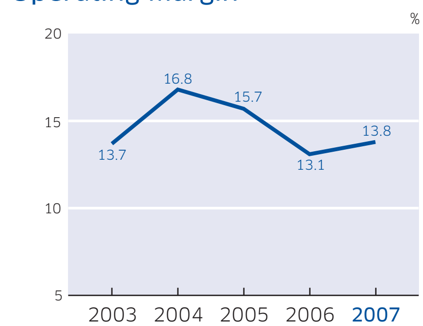
EPS



ROA and ROE



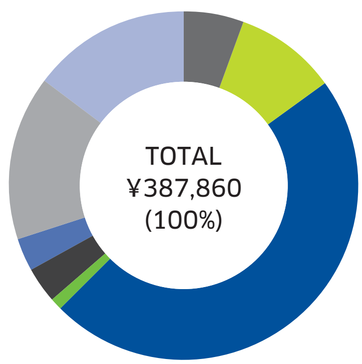
Operating Margin



ADK's Business Sectors (Non-Consolidated Gross Billings)

Millions of Yen

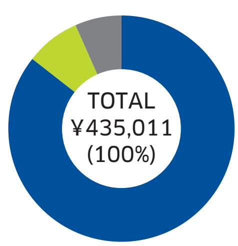
Magazine	28,400	(7.3%)
Newspaper	34,157	(8.8%)
TV	177,965	(45.9%)
Radio	4,453	(1.1%)
Digital Media	13,506	(3.5%)
OOH Media	11,592	(3.0%)
Sales Promotion	57,978	(15.0%)
Creative & Other	59,804	(15.4%)



ADK vs. Consolidated Subsidiaries
(Gross Billings)

Millions of Yen

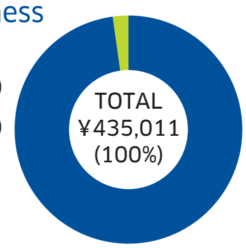
ADK	387,860	(85.3%)
Domestic subsidiaries	37,053	(8.1%)
Overseas subsidiaries	29,825	(6.6%)
(Adjustments)	-19,728	



Advertising vs. Other Business
(Gross Billings)

Millions of Yen

Advertising	426,402	(98.0%)
Other Business	8,609	(2.0%)



Masao Inagaki
Representative Director, Chairman

To Our Valued Shareholders

It is our pleasure to provide an overview of ADK's performance in fiscal 2007, ended December 31, 2007.

Fiscal 2007 in Brief

For the year, we reported generally improved results, with year-on-year increases in gross billings, gross profit, gross margin, operating income, and net income. We also achieved higher EPS and ROE, which we regard as important performance indicators. These results represent a turnaround from the previous fiscal year, when we posted declines in operating income and net income. We are therefore confident that ADK is back on a firm growth trajectory. However, our results were affected by the weak performance of several subsidiaries and affiliates, and we are now taking action to correct this situation.

Shareholder Returns

Maximizing shareholder value is a top priority at ADK. Under our new dividend distribution policy set in February 2007, we are targeting a dividend payout ratio of 35%, which we achieved in the year under review. For the year, we declared an annual cash dividend of ¥42 per share, up from ¥32 in fiscal 2006.

During the period, we maintained our aggressive share buyback program, which is aimed at further boosting shareholder value. In fiscal 2007, we acquired just over 2 million shares, and we cancelled 6.5 million shares in November. Total shareholder return—the value of shares bought back plus total cash dividend payments–was equivalent to 181.6% of net income for the year.

We will continue the buyback program as a means of underpinning EPS and ROE and demonstrating our strong commitment to shareholders. At the same time, we will retain sufficient financial stability to make investments geared to sustained growth and improvements in corporate value.

Philosophy and Strategies

Since our establishment, we have embraced a corporate philosophy of "Management by All." At the same time, we have constantly sought to develop technologies enabling us to offer optimal communications programs that meet the expectations of clients and win their confidence.

Without neglecting important basic matters, such as the establishment of strict compliance and efficient internal control systems, we will step up efforts to manage our organization properly and thus become a company worthy of the trust of all stakeholders.

We look forward to the ongoing support and understanding of our shareholders as we pursue our future goals.

June 2008

Masao Inagaki

Masao Inagaki
Representative Director, Chairman

K. Naganuma

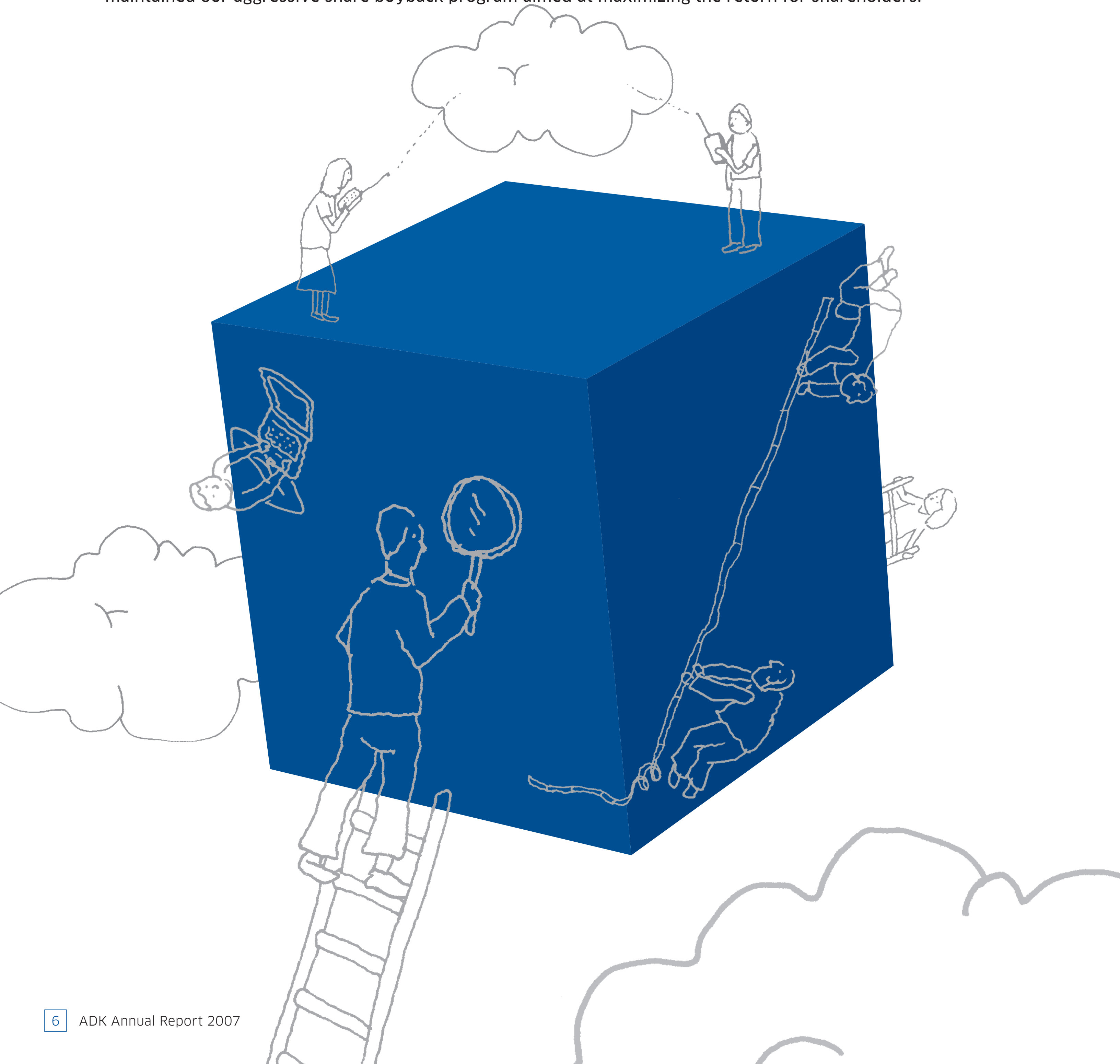
Koichiro Naganuma
Representative Director, President & Group CEO

Koichiro Naganuma
Representative Director, President & Group CEO

A Year of Challenge and Progress

Interview with Koichiro Naganuma, President and Group CEO

Despite a sluggish advertising market, ADK achieved a turnaround in revenue and earnings and is now back on a growth trajectory. We also continued enhancing our business model to meet the evolving needs of clients. Equally important, we significantly increased cash dividends and maintained our aggressive share buyback program aimed at maximizing the return for shareholders.



Q Fiscal 2007 represented a turnaround in ADK's performance after a decline in the previous fiscal year. Do you feel that ADK is now on a firm growth footing?

A I am happy with our performance in many respects, but I am not completely satisfied. As you know, fiscal 2004 was our best year to date. Our performance slipped in fiscal 2005 and 2006. Last year, we recovered again, but operating income remained below the fiscal 2004 level. Until we surpass fiscal 2004 in all areas that we feel are important, I will not be fully satisfied. On a brighter note, we generated a 3.6% increase in consolidated gross billings in a sluggish market that grew only 1.1%.* In fact, the combined gross billings of the Top 8 advertising companies edged up only 0.3%.

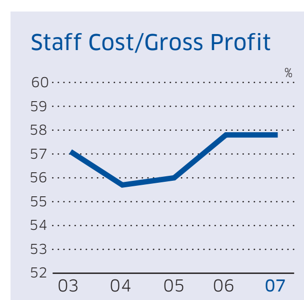
More important than billings, however, is profitability. We have set a number of profitability indicators as targets for improving corporate value. These include operating margin, staff cost to gross profit, earnings per share (EPS), and return on equity (ROE). In fiscal 2007, our operating margin was 13.8%. While this is an improvement on fiscal 2006, we are still well behind the fiscal 2004 figure of 16.8%.

In fiscal 2007, the staff cost to gross profit ratio was 57.8%, unchanged from fiscal 2006 but above the fiscal 2004 figure of 55.7%. We will keep working hard to keep growth in staff costs below that of gross profit, without compromising our important ongoing objective, which is to attract and develop the highest-quality talent.

To better serve shareholders, back in 2004 we set an EPS goal of ¥130 or more by fiscal 2007. We have since worked to achieve that goal through improvements in profitability and share buybacks. In fiscal 2007, however, we could not reach the target, due to limited growth of operating income and poor performances by some subsidiaries and affiliates. Nevertheless, EPS grew 9.2% year on year, reaching ¥116.40.

In addition to EPS, we have decided to add ROE to our performance targets in our medium-term management plan. To achieve a higher ROE, we are trying to maximize earnings through organic growth and acquisitions, as well as share buybacks. Our ROE in fiscal 2007 was 3.9%, an improvement on the previous year but still behind the figures for fiscal 2004 and 2005.

*According to "*Advertising Expenditures in Japan*" reported by Dentsu Inc.



CY2007 Gross Billings of the Top 8 Agencies (Non-Consolidated)

	Gross Billings (Millions of Yen)	Y/Y
Dentsu	¥ 1,588,769	-1.1%
Hakuhodo	716,975	0.4
ADK	**387,860**	**2.4**
Daiko	137,947	1.4
Tokyu Agency	121,971	-1.0
East Japan M&C	109,794	7.6
Yomiko	98,025	8.3
Asahi Koukokusha	57,984	1.7
Total	**¥ 3,219,325**	**0.3%**

Q What are the other highlights of fiscal 2007?

A It was a good year for our Magazine Division, which generated a significant increase in billings. This was mainly because we added prominent new clients, especially in the Apparel/Jewelry and Cosmetics/Toiletries sectors.

Newspaper Division billings declined, affected by sluggish demand among clients in the Finance/Insurance sector. The newspaper medium has been hardest hit by the rise of the Internet. However, it remains a core part of our business. Every form of media has its own unique characteristics, and we develop communication plans that utilize all such characteristics as part of our 360-degree communications approach.

In the Television Division, we posted a slight decline in billings, but improved profitability. The performance was affected by sluggish demand among clients in the Finance/Insurance sector. And the decline in the popularity of *Yu-Gi-Oh!*, a major hit in Japan and overseas in 2004, continued its fall, which had some impact on our content business in the Television Division. Nevertheless, we have many other high-quality animation programs in our repertoire, which we expect will continue to do well overseas.

The performance of the Digital Media (Internet), OOH Media and Sales Promotion divisions needs to be further improved. OOH billings declined 3.3% and Sales Promotion Division billings remained unchanged. These areas are important for ensuring a holistic approach to consumers, especially given that lifestyles are changing rapidly and media consumption is becoming more diversified. In 2008 and beyond, we will direct more resources into these important businesses, which have considerable potential for future growth and provide synergies with our other businesses.

Non-Consolidated Gross Billings Breakdown by Media

	2007 (Millions of Yen)	Y/Y
Magazine	¥ 28,400	30.8%
Newspaper	34,157	-4.6
Television	177,965	-10.1
Radio	4,453	6.2
Digital Media	13,506	8.0
OOH Media	11,592	-3.3
Sales Promotion	57,978	0.8
Creative	47,538	5.2
Other	12,266	18.6
Total	**¥ 387,860**	**2.4%**

In the previous year, our domestic branch offices in Osaka and Nagoya produced excellent results. This resulted from our successful strategy of dispatching personnel from headquarters and promoting collaboration between branch and headquarters staff. In fiscal 2007, however, both branches posted disappointing results.

The Osaka market is very large, almost as big as the nationwide markets of South Korea or Australia, so we must further reinforce our operations there. On a positive note, our Kyushu branch, covering Japan's fourth largest regional market, has done consistently well over the past six or seven years. Our aim is to seize the second largest market share there in the near future.

Overseas, we did particularly well in Thailand thanks to the addition of major Japanese clients with local operations. In fact, we are strong generally in Asia. For the entire region, except China, Hong Kong, and Taiwan, our billings and profit including non-consolidated subsidiaries have almost doubled over the past five years.

Q How has the Japanese advertising market evolved in recent years, and what are the challenges for advertising companies?

A Since around 2000, the power of the traditional four mass media—newspapers, magazines, television, and radio—has been decreasing. I attribute this trend to two main factors, both of which are interconnected. The first is changing consumer purchasing behavior.

Typical modern consumers, for example, would notice a product advertised on television. Intrigued, they would then use the Internet to find out more information on features, prices, and store locations. They might visit one or more stores to see and feel the product first-hand. Finally, they would purchase the product, either at a store or online, having researched the "best deal" via the Internet. Today's consumers are very savvy. They know how to get the latest information about products.

The second factor is the emergence of the Internet. This exciting medium has opened a whole new world for consumers and given them greater power over their own purchasing decisions. Not only can the Internet be used to access information about almost any product, but it can also serve as the channel for actual purchases. Moreover, consumers can exchange such information using the Internet and a mobile phone.

What are the challenges for an advertising company? For a start, the Japanese advertising business model remains mass media-centric. In fact, the model hasn't changed much for the past 50 years. However, many advertising companies are not ready, or perhaps not willing, to transform themselves to meet the realities of changing consumer behavior and the rise of the Internet.

Let's face the realities. Television spot advertising is lucrative for any advertising company. But it is not necessarily the best solution for every advertiser. Many clients are looking for something different to attract modern consumers, and the traditional communication model may not meet their needs. Therefore, we must prepare to offer media-neutral and solution-neutral communication plans to meet our clients' needs.

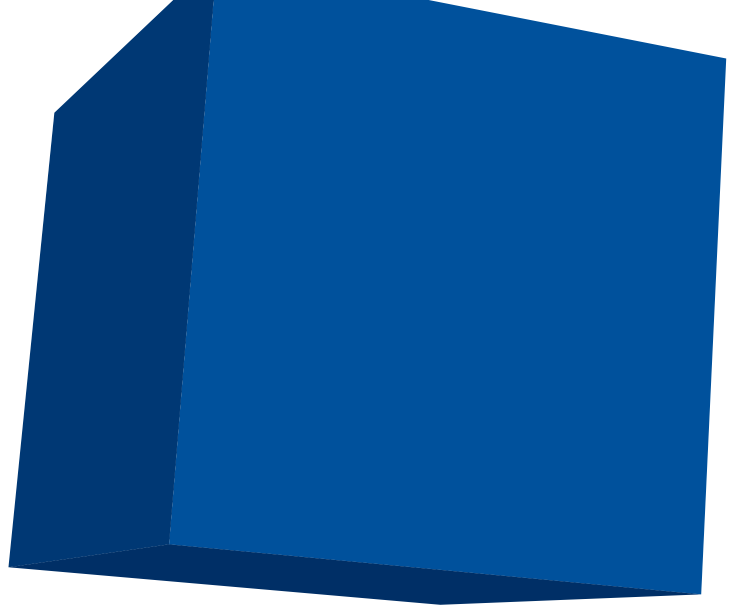
"We will provide our 360-degree communications approach—solution-neutral and media-neutral—to meet our clients' needs."

In my opinion, this situation presents many opportunities for advertising companies that are brave and creative enough to reinvent themselves. ADK is one such company. Some advertising companies perceive the Internet as a potential threat to their livelihood. I see it as an opportunity just like the advent of TV more than 50 years ago.

Q How does ADK propose shifting from the traditional business model to meet the needs of today's clients?

A I believe our clients need tailored solutions that flexibly combine diverse forms of media. In other words, they require an ideal communications package that helps boost both long-term and short-term growth. Branding is important for creating the foundation for long-term growth and traditional mass media are perhaps best suited to brand-building.

For short-term growth there's the Internet, of course. But don't neglect in-store media. In fact, I cannot overemphasize the importance of in-store media, especially for commodity products. Despite the growing power of new media, it is generally said that for commodity products about 70% of people still make their final purchasing decision at the store. The storefront is the ultimate touch point, or experiential point between the consumer and the product.



So a typical program would have elements of mass media, the Internet, and in-store media, as well as out-of-home (OOH) media, such as billboards and public transportation advertising. They should be combined in an integrated, holistic package in which all elements are mutually reinforcing to deliver the best possible outcome.

Here is where our 360-degree communications approach comes in. This involves efficiently utilizing every consumer experiential point to address client demands with media-neutral, solution-neutral plans. When formulating an advertising program, our policy is to start from scratch, without harboring loyalties to any particular medium or solution. We must be flexible enough to create tailored programs that are not necessarily dependent on mass media.

With the emergence of consumer-generated media (CGM), such as Web blogs, advertisers are seeking to establish more interactive relationships with consumers. Rather than simply promoting products and services, we need to find ways to build closer ties between the two parties. So we have taken the 360-degree communications approach one step further, with the establishment of our Cross-Communication Group in 2008. The new group will spearhead our efforts to generate change and help ADK lead the advertising industry into the future. (For more information on the new Cross-Communication Group and its strategy, see the interview with Toshiyuki Inoue, director in charge of the Cross-Communications Group, on page 14.)

"Our policy is to maximize shareholder value, while maintaining financial stability for business investment opportunities."

Q You talk about the "return on investment (ROI)" aspect in advertising as a key part of your approach to clients. Can you elaborate?

A Advertising spending is just one of multiple investment options for our clients. Increasingly, companies are looking for ways to measure the effectiveness of their advertising expenditures. If they cannot see results, they can easily opt for alternative investments that provide better returns.

The term "ROI" is daunting for many advertising companies. It has never been part of the traditional advertising business model, because advertising spending has long been regarded as a necessity, not a choice. At ADK, however, we embrace ROI as a way to measure the effectiveness of our services. We already incorporate sophisticated ROI measurements in our 360-degree communications programs. So it is only natural to apply our experience and creative resources to maximize our client's ROI.

Q ADK seems to have a proactive shareholder return policy, of which share buybacks are an important part. Can you describe this policy in more detail?

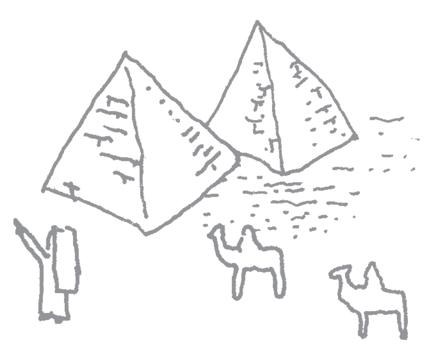
A My philosophy is that when a company goes public, it has responsibility for shareholders' money. As a publicly listed company, therefore, ADK is essentially borrowing funds from its shareholders. Like our advertising clients, our shareholders have multiple investment options, and those who choose to invest in ADK have done so because they believe we can provide superior returns. And that is exactly what we strive to deliver.

In February 2007, we set a new dividend distribution policy, calling for 35% of consolidated net income to be distributed through common dividends, with a minimum annual dividend of ¥20.00 per share. Adhering to this policy, we declared a year-end dividend of ¥32.00 per share. Combined with the ¥10.00 interim dividend already paid, this brings the total annual dividend to ¥42.00 per share, up from ¥27.00 in fiscal 2006. Accordingly, the dividend payout ratio jumped from 25% to 35%. I would also like to point out that ADK pays dividends on a semiannual basis rather than quarterly, in order to save operational costs.

In addition to steady increases in cash dividends, we have an aggressive share buyback program aimed at maximizing shareholder returns. ADK has been buying back shares since 2001 to help improve EPS and ROE. The Board of Directors has resolved to accelerate acquisitions, buying back 4% of outstanding shares per year for the time being. If we are unable to reach the targeted number of shares, we will consider raising cash dividends to make up each shareholder's return. In fiscal 2007, we bought back just over 2 million shares, amounting to ¥7,812 million. Total shareholder return—the value of shares bought back plus total dividends paid—was the equivalent of 181.6% of net income for the year.

We will continue our aggressive shareholder return program. At the same time, however, we recognize that we cannot spend all our earnings on dividends and share buybacks. That would spread our financial resources too thinly. Therefore, our policy is to retain sufficient funds to keep our company stable and prepare us for business investment opportunities. It's a delicate balance, but I think we've got it right, and we'll keep fine-tuning it according to the circumstances.

There's one more point I should make on this subject. Despite the accelerated buybacks and cancellation of our own shares, we intend to maintain our current cross-ownership alliance with the WPP Group. Both groups will work together to enhance their strategic business alliance while helping maximize each other's shareholder value.



Q What is your outlook for fiscal 2008?

A Considering the global and Japanese economic outlooks, I think the domestic advertising market will remain slow, with little or no growth or, even worse, negative growth. Despite the challenges, we will work harder to outperform the market in terms of revenue growth. Although ADK ranks third among Japanese advertising companies in size, its share of the domestic market is just above 5%.* Therefore, there is plenty of room to grow by winning market share from others. We can do this by providing better-quality services and targeting sectors where our profile remains low, such as automobiles, home electronic products, and food. The pharmaceuticals sector also holds good promise.

We have formulated a new medium-term business plan covering the three-year period from January 2008 to December 2010. Under the plan, we are targeting an EPS of ¥170 or higher and an ROE of 6% or higher, and will maintain a dividend payout ratio of 35%.

To achieve our goals, we will further bolster our 360-degree communications approach and enhance our cross-communications planning ability. This means providing media-neutral, solution-neutral, consumer-centric communications plans covering all media, including Internet, mobile, and OOH, to reach all possible consumer touchpoints. We will also increase our focus on the direct business, an area to which our clients are attaching more and more importance. We already have expertise to support those clients' needs and the creativity to enhance their brand power.

*According to "*Advertising Expenditures in Japan*" reported by Dentsu Inc.
The scope of this report was expanded from the current issue reflecting the effect of the rapid expansion of the internet and promotional advertising.

▲ IKEA
At the Cannes International Advertising Festival, IKEA's Launch Campaign was awarded the Gold Lion in the Media Category. The Balcony filled with ads astonished the train passengers near the first store of IKEA and 4.5 Museum, which was designed to prove that IKEA furniture is suitable for Japanese people's lifestyles by showing the small space furnished with its products in the typical 4.5 tatami mat-sized rooms.

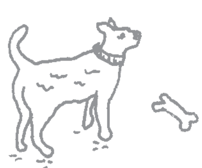
▲ Maxell DVD
The Maxell DVD "Time capsule campaign" featured a small school being closed. The documentary of the last one week of the school moved audiences all over Japan and impressed the brand image of Maxell DVD as a long-lasting recording media.

Creativity is the heart of an advertising company. In 2007, we won several prestigious creative awards, both overseas and in Japan. These include the Gold Lion (Media category) at the Cannes International Advertising Festival, the Gold and Grand Prix (Radio category) at the Asia Pacific Advertising Festival, and the Grand Prix (TVCF category) at the All Japan Radio and Television Commercial Confederation (ACC). In fiscal 2008 and beyond, we will work to further enhance our creative capabilities.

ADK also has a unique expertise in the content business, which represents another important source of income. Although we cannot expect to consistently produce such “mega-hits” as *Yu-Gi-Oh!*, we have abundant high-quality animation content in our portfolio, including Doraemon, a highly beloved character both in Japan and elsewhere in Asia. Going forward, We will seek to export fine animation content to broaden our business scope and income sources. At the same time, of course, we will continue creating new content.

We recognize the crucial importance of human talent in implementing the aforementioned strategies. To effectively nurture our human resources, we operate ADK University and other educational programs. These are part of our ongoing efforts to foster “Communication Planners” capable of providing media-neutral, solution-neutral communications programs to our clients.

We will also focus on consolidated groupwide operational management and maintain more hands-on control over our subsidiaries and affiliates. Overseas, we will further reform our European operations and develop new businesses in Asia.



“Every employee in the ADK Group is expected to embrace a management perspective and approach client needs proactively.”

Emerging markets are a key element of our future strategy. In India, we recently formed a joint venture with JWT, a core brand of the WPP Group that has a strong presence in that market. We have also set up a representative office in Dubai to identify opportunities in the growing Middle East region. We also plan to enter the Russian market in the near future.

Q Finally, how does the “Management by All” philosophy fit in the context of ADK’s future plans?

A “Management by All” will remain our core guiding philosophy as long as our company exists. Under this philosophy, every employee in the ADK Group is expected to embrace a management perspective and approach client needs proactively. Applying these principles, the Group will strive to deliver value both to clients and consumers to ensure sustained growth in shareholder value. This is integral to our successful development as a “Future Agency” that offers media-neutral, solution-neutral ideas through 360-degree communications programs designed to help clients build up their brands and enhance profitability.

Cross-Communications Solutions: The Key to the Future of Advertising

In January 2008, ADK set up its new Cross-Communications Group to spearhead formulation of cross-communications programs that are media-neutral, solution-neutral, and consumer-centric. So what exactly is cross-communications, and what role will it play in the rapidly changing advertising market? The following section is a summary of an interview with Toshiyuki Inoue, director in charge of ADK's new Cross-Communications Group.

Changing Media and Consumer Behavior

Today's consumers are bombarded constantly by information. When they wake up, they listen to the radio and read the morning newspaper. Going to work or school, they read magazines and see public transport ads and billboards. Along the street, they receive free pamphlets and newsletters. Back at home, they watch television. And at various times during the day, they access the Internet, via computer or mobile phone.

Each of the points at which consumers come into contact with information is called a touchpoint or experiential point®. The number of such points has grown massively, to an extent unheard of in earlier days, when information dissemination was dominated by the four traditional mass media—television, radio, magazines, and newspapers. Now, consumers come into contact with information at all times of the day.

The evolution of non-mainstream media has brought changes in the way advertising agencies do their business. In the pre-Internet days, the "media-mix" concept was used to describe communications programs combining traditional mass media and other forms, such as out-of-home (OOH) media, notably billboards, public transport advertising, and in-store media. More recently, with the proliferation of IT-driven media, the industry has embraced the "cross-media" concept, which is essentially "media-mix" combined with advanced media, such as the Internet and mobile communications. In designing "cross-media" programs, agencies endeavor to ensure that the messages of their clients reach consumers via as many points as possible.

Despite the efforts of advertising agencies to formulate sophisticated programs combining multiple new and old media, the problem is that the overwhelming bulk of information fails to catch the consumer's attention. There's too much quantity, and not enough quality. The huge efforts and investments devoted to creating such information mostly go to waste.

Toshiyuki Inoue
Director in Charge of the
Cross-Communications Group

The reason lies in the changing behavior of the consumer. Until a few years ago, consumers were essentially recipients of information, but today they are also information transmitters. They have evolved into mature, sophisticated beings, capable of sifting through huge amounts of data, selecting the pieces of information they desire, and taking action aimed at making their lives better. Equally significant, in their new role as information sources, they pass valuable information to others via e-mail or mobile phone, or to a wider audience via consumer-generated media (CGM), such as Web blogs and social networking service (SNS) sites.

Advertisers Demand Better Results

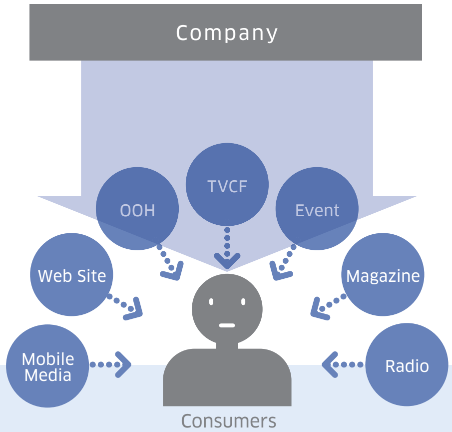
Japanese advertisers are keenly aware of these changes, and they are calling out for more effective ways to reach their intended consumers. No longer satisfied with mass media-buying power alone, they expect agencies to expand their services to deliver optimized media planning solutions that integrate traditional and digital media. They are demanding ever more diversified and sophisticated communications programs from their agencies. Just as important, they want their agencies to show quantifiable returns on their advertising and communication investments. Today's clients demand verification of ROI to confirm the effectiveness of their ad spending. Providing ROI feedback to clients is a good way to increase trust and satisfaction, yet most agencies are reluctant to embrace ROI as a way to measure their results.

> "We must 'engage' consumers by creating programs that capture their hearts."

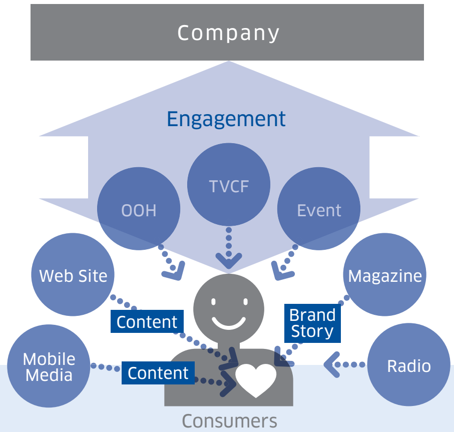
Cross-Communications Concept

Given the onslaught of technological innovation and increasing sophistication of consumer purchasing patterns, we at ADK believe that the cross-media concept is already becoming outdated. Simply creating communication packages that combine several forms of new and old media does not necessarily deliver the best solutions for our customers. The advertising industry needs a new communication model.

For this reason, we have created the cross-communications concept to better reflect the realities of today's market. Cross-communications differs from cross-media because it is media-neutral and solution-neutral. Moreover, it is consumer-centric, because it places much greater emphasis on understanding consumer behavior and incorporating it in the programs.



Cross-media ▲



Cross-communications ▲

We must scrutinize the behavioral characteristics of the consumers we wish to reach. We must identify the lifestyles, hobbies, and intelligence levels of target consumers, as well as what motivates them. Then we must create communications programs that holistically link all of these factors and incorporate every conceivable experiential point.

But still, this is not enough. The impact of our communication package will depend crucially on the quality of the message contained therein. Idea-filled content, designed to win the hearts and minds of consumers, is the key. It is not easy to create such content in the flood of information. What is more, in order to engage with consumers, the content must be closely connected with the brand, for example, magazine-like brand stories that satisfy consumers' interest or cultural information such as music, art, or movies that they can really enjoy and identify with. Only "branded content," which leverages the features, history, and brand value of products, can be fully effective to deepen engagement with consumers on a daily basis.

ADK on the Move

ADK has long been at the forefront of change in the industry. For some time, we have promoted our 360-degree communications approach, based on the seamless integration of traditional and new media. In July 2006, we took this one step further with the establishment of ADK Interactive as a new in-house division, and we have since reinforced our Internet capabilities and sought to develop seamless, holistic communications programs incorporating new and traditional media.

Seeking to further reinforce our cross-communications approach, in January 2008 we reorganized our operations, bringing three existing divisions together to create a new entity, called the Cross-Communications Group. The three divisions were the Cross-Communications Unit (formerly the Media Strategy Division), which develops cross-communications plans for our clients; ADK Interactive, which specializes in Internet media-buying and branded content creation; and the Direct Communication Unit, which is in charge of supporting our clients' direct business initiatives in such areas as Internet mail order.

Now, we have all of the resources necessary to provide cross-communications programs under one umbrella.

Going forward, we will place top priority on enhancing the talents of the Cross-Communications Group's staff. In addition to in-house training, we will consider diverse other ways to improve our creative capabilities, such as business tie-ups with external parties and personnel exchanges.

In June 2008, ADK announced a new development—establishment of a new company to specialize in Internet advertising in a tie-up with Digital Advertising Consortium Inc. (DAC). ADK Interactive Division effectively becomes an independent new company with part of the division remaining inside ADK to ensure seamless integration with its Cross-Communications Group. By maximizing synergies with existing media, the new company will be able to more efficiently and efficiently promote Internet advertising to ADK's growing clientele.

Greater Change Ahead

We believe that the pace of social change will increase in the future. To succeed, we must preempt change and move to the forefront of progress. By doing so, we can gain a more in-depth understanding of consumers and win the lasting trust and satisfaction of customers.

ADK is in an excellent position to capitalize on the changes now taking place in society. This is because we have a wealth of human talent and in-depth knowledge derived from years of delivering our 360-degree communications approach to our clients—backed up by our "Management by All" corporate philosophy. We also have the infrastructure in place to deliver truly cross-communications programs that are media-neutral, solution-neutral, and consumer-centric. We are well on the way to fulfilling our "Future Agency" mission.

Corporate Social Responsibility

Using our 360-degree communications approach, ADK proposes communications plans that provide sensational and unforgettable consumer experiences and implements these plans for our clients. We regard these activities as the core element of our corporate social responsibility (CSR) commitment.

In the face of growing social awareness of CSR, ADK as a corporate citizen understands it is necessary to take an active role in realizng a sustainable society.

We have established a compliance system and set up the CSR Committee under the direct control of the president to promote social contribution activities in accordance with the ADK Group's Code of Conduct, which we established to promote these activities.

Compliance

ADK established the Risk Management Committee, independent from its existing corporate organization, at the end of 2003. Since 2004, we have set up five subcommittees: the Compliance Committee, the Information Security Committee, the Personal Information Protection Committee, the Business Continuity Committee, and the Business Process Committee. For details on the functions of each subcommittee and the status of the Company's risk management system, please refer to the "Risk Management" section on page 19.

Social Contribution

Commitment to Environmental Protection

ADK, as a key part of its CSR approach, has decided to reinforce the effort to respond to environmental issues through introducing an environmental management system. By implementing this system, ADK aims to obtain ISO 14001 certification toward the end of 2008.

Pro Bono Creative and Idea Work

We realize that communication service is the domain where we can utilize our experience and know-how as an advertising company most effectively.

In fiscal 2007, ADK built on its track record of social contribution via activities befitting a creative advertising agency.

Each year, the Japan Ad Council holds a public service advertising campaign competition, attracting more than 100 entries from more than 40 companies. Overcoming stiff competition, two advertisements from ADK were selected—one promoting AIDS prevention and one encouraging breast cancer examinations.

Featuring a popular Japanese rock musician, the AIDS advertisement was designed to foster an understanding among young people of the importance of getting tested for AIDS, and to eliminate the misunderstanding and anxiety associated with such tests. The other advertisement, calling on women to get screened for breast cancer, emphasized the importance of having mammography examinations.

▲ AIDS prevention poster, featuring a popular Japanese rock musician

We also carry out pro bono work for various nonprofit organizations (NPOs). During the year, our Sendai Office (in northeast Japan) produced a poster promoting the creation of communities in which disabled people can live independently. The poster, produced for an NPO working to support people with autism and other disabilities, drew widespread praise.

Cultural Contribution

Using knowledge and experience amassed over many years of serving its clients, ADK makes significant contributions to culture and the arts. In fiscal 2007, Masao Inagaki, our chairman and representative director, became a Grand Officier dans l'Ordre des Arts et des Letters (Grand Officer of the Order of Arts and Letters), an honor bestowed by France's Ministry of Culture. This was in recognition of ADK's support over 19 years for the Long-Thibaud International Music Concours Gala Concert, which is held annually in Japan.

Corporate Governance and Internal Control

Corporate Governance Policy

ADK believes that the ultimate objective of a publicly listed corporation should be to maximize corporate value for its shareholders. Among the various stakeholders including employees, the board of directors of a corporation must try to obtain the best balance among complex interest relationships. However, because a publicly listed company seeks broad access to capital markets for fund-raising, and because the authority of the board of directors is awarded by the shareholders, who ultimately provide the capital, shareholder value and their rights must be prioritized. It is essential for a corporation to motivate and monitor its management team to decide and execute business strategies in this context.

It is self-evident that corporate value is generated by profits and continuing growth. Only when a corporation's long-term soundness is secured, it is possible for the corporation to enhance corporate value through increased competitiveness. Effective corporate governance will bring appropriate management of a corporation, thereby securing long-term soundness.

Moreover, at a publicly listed corporation, the shareholders will change from time to time and the size of their shareholdings will vary. Accordingly, an environment that protects and equally handles shareholder rights is important. ADK believes that this is the essence of effective corporate governance. ADK executes its various corporate governance strategies based on these ideas. We preserve group-wide corporate governance, while maintaining close links between ADK and the other companies of the ADK group.

Corporate Governance System

ADK has adopted the corporate auditor system because it is most suitable for two aspects of corporate governance: (1) enhancing management decision making efficiency and (2) reinforcing the management supervisory function.

With regard to enhancing the efficiency of management decision making, we have decided against the committee system, in which the Board of Directors, centered on outside directors, retains certain decision making authority. We believe the current corporate auditor system is more efficient, because the Board of Directors, centered on internal directors, shares responsibilities for all areas of the Company's activities and implements speedy and agile decision making on the spot, while exchanging significant information.

With regard to reinforcing the management supervisory function, because the committee system has not been proven to be superior, ADK will ensure proper management supervision via its corporate auditor system.

To reinforce the corporate auditor system, ADK has a policy of maintaining four or more corporate auditors—three or more outside corporate auditors and three or more full-time corporate auditors—exceeding the legal requirement. If a vacancy arises during a fiscal year, it shall be filled at the next General Meeting of Shareholders.

We have limited the tenure of directors to one year. This enables us to better clarify the responsibilities of directors and gives us greater opportunity to gauge the trust of shareholders. At present, we have 16 directors, two of whom have representative status under Japanese law, with 13 serving as operating officers (as of March 27, 2008).

The Board of Directors meets once a month, in principle, and more often as necessary. In fiscal 2007, the Board met 13 times. On two occasions, the Board requested the attendance of the accounting auditors to receive direct reports on the results of accounting audits.

With respect to the business execution and management supervisory frameworks, ADK has appointed operating officers from among its executive directors and employees. Operating officers are charged with business execution related to broader decisions made by the Board of Directors.

The business execution organization is separated into functional groups, divisions, and departments, all reporting to the president.

The Management Strategy Committee helps decision making by the president, who has the ultimate authority over day-to-day operations. Consisting of operating officers in charge of divisions, the Committee meets almost three times a month (32 times in fiscal 2007) to submit information and exchange opinions on important matters. Full-time corporate auditors also attend such meetings to monitor the relevance of items discussed. To ensure the common recognition and transparency of important issues among the employees, excerpts of the meeting minutes are posted on the Company's intranet.

ADK maintains close communication on management strategies and corporate governance with its group companies to ensure proper group-wide corporate governance.

Internal audits are conducted by the Audit Office, which reports directly to the president and had a staff of two at the end of fiscal 2007. Since the beginning of 2008, the Audit Office has been upgraded into the Group Audit Office, in conjunction with ADK's establishment of an internal control system, and its staff has been increased to five (as of March 28, 2008).

ADK has four corporate auditors, three of whom are external. One of the three is a lawyer and serves on a part-time basis. As of March 28, 2008, the ADK group did not contract with him for his legal services. The group has also established a policy not to do so in the future to ensure that person's independence as an auditor. One internal auditor is a full-time auditor. The three full-time corporate auditors attend all Board of Directors meetings. The Board of Corporate Auditors met eight times in fiscal 2007. There are no full-time employees assigned to the corporate auditors.

ADK uses Yasumori Audit Corporation as its independent auditor. There is no conflict of interest between ADK and Yasumori or ADK and the executive of Yasumori responsible for auditing ADK's accounts.

Risk Management

In May 2006, the Board of Directors passed a resolution concerning "Basic Policies for Establishing an Internal Control System," and decided to set up a group-wide internal control system headed by the Risk Management Committee, which is chaired by the president. The risk management system serves as the "Rules and System relating to Risk Management" and is consistent with internal control systems as defined under the New Corporate Law in Japan.

The Risk Management Committee heads five subordinate organizations, each of which undertakes its own specific risk management. They are the Compliance Committee, the Personal Information Protection Committee, the Information Security Committee, the Business Continuity Committee, and the Business Process Committee.

The Compliance Committee is responsible for creating systems to prevent illegal acts and for operating ADK's internal reporting system. The job of the Personal Information Protection Committee is to establish systems aimed at avoidance of leakage of personal consumer information when handling the large volumes of such information collected in the course of undertaking marketing and campaign activities. The Information Security Committee handles the the operation of the ADK Group's entire information security management system to ensure the proper management of personal and other business information. Its tasks include the acquisition of the ISO 27001 certification. The Business Continuity Committee sets up various procedures aimed at ensuring the continuation of business during emergencies, such as major earthquakes or power outages. The responsibilities of the Business Process Committee are explained in the "Internal Control" section below.

Internal Control

ADK is building a group-wide internal control system, spearheaded by the Risk Management Committee. One of its subordinate organizations, the Business Process Committee, specializes in setting up an internal control reporting system as stipulated under the Financial Instruments and Exchange Law of Japan. This internal control reporting system will become effective during fiscal 2009. Until that time, we will identify and correct internal control problems that could affect the reliability of our financial reporting significantly. Meanwhile, we are also using process management techniques to document and establish internal control procedures. In fiscal 2007, we completed documentation and assessment of the most important processes and entered the problem correction phase. In fiscal 2008, we will undertake manager assessment rehearsals, and in fiscal 2009 we will prepare a schedule for creating a complete internal control reporting system.

Basic Philosophy and Status of Implementation of the Internal Control

The following is an English translation of a section of the Corporate Governance Report for informational purposes only. This section is about the basic philosophy and the status of implementation of internal controls. The original Corporate Governance Report was written in Japanese and filed with the Tokyo Stock Exchange. In the event that any discrepancy exists between the translation and the Japanese original, the latter shall prevail.

At the Board of Directors meeting on January 28, 2008, ADK decided to revise its basic policies for the internal control system. The following gives an overview of the resolution of the Board of Directors after the revision.

General Rules

Based on the "Management by All" principle that has guided ADK since its establishment, we have developed an internal control system with the following aims:
(1) Raise operational effectiveness and efficiency;
(2) Maintain the reliability of financial reporting;
(3) Ensure compliance with laws and regulations relating to business activities; and
(4) Safeguard assets.

Development of the Internal Control System is overseen by the Risk Management Committee, which is chaired by the president. The Risk Management Committee regularly investigates if the system functions effectively, using a process management method based on the PDCA (Plan, Do, Check, Act) cycle, and reports its results to the Board of Directors.

Elements required by the Corporate Law and the enforcement regulations of the Corporate Law are described in the following section.

Specific Rules

1. System to Ensure Directors and Employees Perform Their Duties in Accordance with Laws, Regulations, Ordinances, and the Articles of Incorporation

The Board of Directors formulated the "ADK Group's Code of Conduct" to clarify the ethics and values to be shared by all directors and employees. The directors themselves observe this code, and the chairman and the president continuously reiterate its spirit to employees.

The Risk Management Committee appoints the Compliance Committee as a subordinate organization chaired by the director in charge of compliance; its members shall include external attorneys. The Compliance Committee implements policies to raise compliance awareness among directors and employees, investigates major violations of laws and regulations or suspicion of violations, and instructs the responsible departments to take corrective action. The Compliance Committee also operates the "Helpline System," which involves external law offices and guarantees anonymity to encourage employees to report violations of laws and regulations in order to prevent and correct such violations.

The Risk Management Committee also appoints the Business Process Committee, which is chaired by the director in charge of the maintenance and control of the system for ensuring the reliability of financial reporting, as a subordinate organization. The responsibility of the Business Process Committee is to ensure that business execution complies with laws and regulations, especially pertaining to the system for ensuring the reliability of financial reporting. To this end, the Business Process Committee instructs relevant departments to adopt measures for setting up appropriate business processes and related provisions, with the aim of clearly conveying to employees how business should be executed.

2. System Regarding the Retention and Management of Information and Documents Related to the Execution of Duties of Directors

The following policies have been put in place under the supervision of the director in charge of the information management system with regard to the retention and management of information and documents related to the execution of duties of directors.
(1) The minutes of the Board of Directors meetings and the materials distributed to directors for deliberation of resolutions are retained for a minimum of 10 years in the division in charge of the secretariat.

(2) The minutes of regular meetings that directors are required to attend, as well as other business documents approved by the directors or those in which their opinions are written, shall be managed in compliance with “Document Management Rules” and “Information Security Policy.”

3. Rules and Systems Relating to Risk Management

The Risk Management Committee defines the “Risk Management Policy” and implements comprehensive risk management for the entire ADK group, consisting of ADK and its subsidiaries. The Risk Management Committee implements risk management by using a process management method and instructs the responsible departments to take necessary measures.

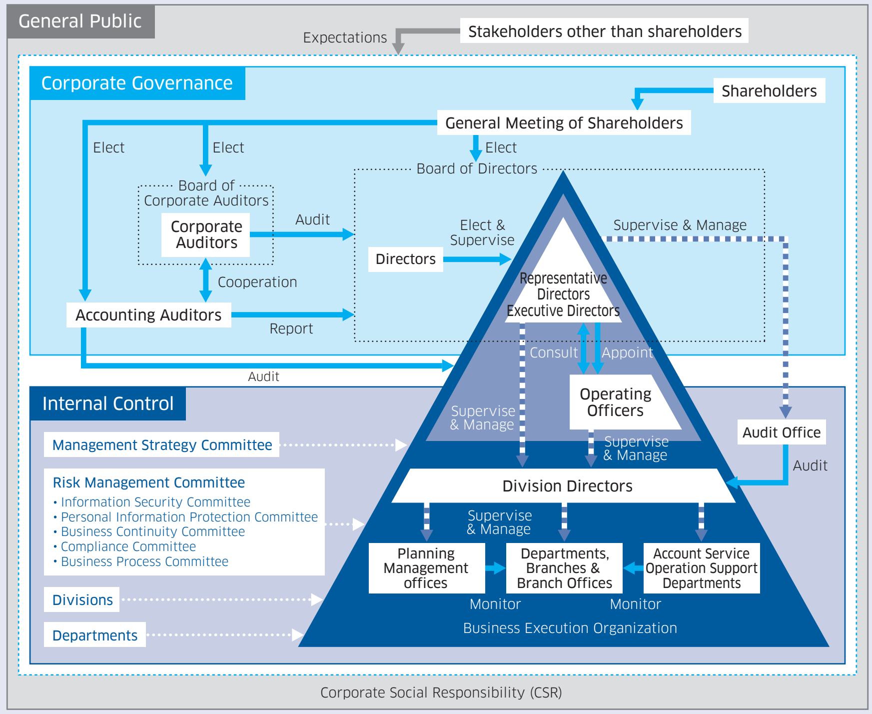
Under the control of the Risk Management Committee, in addition to the aforementioned Compliance and Business Process committees, the Personal Information Protection Committee, the Information Security Committee, and the Business Continuity Committee have been established as specialist committees to implement risk management in their respective fields. Other specialist committees will be established as needed. The Risk Management Committee directly implements risk management in fields not covered by the specialist committees.

The Audit Office monitors the effectiveness of the risk management system and reports to the Risk Management Committee.

4. System to Ensure the Effective Execution of Directors’ Duties

The Company maintains an appropriate number of directors in order to ensure the flexible holding of and active discussions at the Board of Directors meetings. The Company also limits the tenure of each director to one year in order to frequently check the qualifications of directors.

The Company has set up an operating officer system to clarify the different duties of operating officers and the members of the Board of Directors. As the Japanese Corporate Law stipulates, the Board has the authority to resolve and supervise the execution of businesses strategies, whereas the operating officers execute such resolved business strategies and report the development and results.



Corporate Governance, Internal Control, and Risk Management Framework ▲

The Board of Directors sets companywide goals for directors and employees and establishes medium-term and annual business plans to achieve these goals. Progress is reported on a quarterly basis to the Board of Directors. In case there are factors that affect the progress toward these goals, the executive director in charge of the relevant department takes responsibility for formulating solutions, and the president directs the relevant departments to accomplish the tasks.

5. System to Maintain Appropriate Business Practices throughout the ADK Group

Under the supervision of the Risk Management Committee, the division in charge of the management of subsidiaries establishes a group-wide internal control system by requesting subsidiaries compliance with the “ADK Group’s Code of Conduct” and the implementation of specific measures.

The division in charge of the management of subsidiaries makes arrangements with major subsidiaries about approval and reporting, including gaining approval from or reporting to ADK before making decisions and taking actions regarding certain matters while respecting each subsidiary’s autonomy.

The division in charge of the management of subsidiaries also reports on the status of the internal control of the subsidiaries to the Risk Management Committee regularly, at least once a year, and more often as necessary.

6. Support for the Board of Corporate Auditors

Upon a request by the Board of Corporate Auditors, the Company assigns appropriate persons as assistants to corporate auditors as soon as possible. To ensure independence from the directors, the employees who will assist the Board of Corporate Auditors shall not be assigned to any concurrent duties under the authority of the directors. Performance review, personnel transfer, and decisions on reward and punishment must be approved in advance by the Board of Corporate Auditors.

7. Reporting to the Board of Corporate Auditors and System to Ensure the Efficient Execution of Audits

The Company has a policy of maintaining four or more corporate auditors. Three or more of them must be outside corporate auditors, and three or more of them must be full-time corporate auditors, thereby exceeding the legal requirement.

In addition to the Board of Directors meetings, the attendance of corporate auditors is requested at Business Strategy Meetings, monthly sales review meetings, and other important regular meetings, and the minutes of those meetings must be presented to all corporate auditors. If corporate auditors request attendance at any other meetings, directors and employees would not refuse their request. Directors and employees shall report immediately to the Board of Corporate Auditors any issues that might cause serious damage to the Company, serious non-compliance with laws and regulations, inappropriate actions in the execution of duties by directors, reports received through the Helpline System, or results of inspections by government agencies or the independent auditor's audit. At least twice a year, the president holds a meeting to exchange opinions with the Board of Corporate Auditors. The Audit Reports by the Audit Office are submitted to the Board of Corporate Auditors, and members of the Audit Office attend meetings of the Board of Corporate Auditors to maintain proper two-way communication.

Takeover Defense Policy

At ADK, we believe that management authority, including important financial and business strategies, let alone that for shareholders' return and takeover defense, should be ultimately awarded and approved by the shareholders.

In addition to the improvement of capital efficiency and the implementation of various measures to return profits to shareholders, the Company has been making companywide efforts to maximize corporate value and the common interests of shareholders based on our "Management by All" principle. In the advertising industry, which is often described as a "People Business," the Company believes that management with such a companywide sense of unity and common goals among directors and employees is the best defense against an inappropriate takeover attempt, and the Company has not implemented any specific takeover defense measures at present.

On the other hand, in the event of a large-scale purchase of the Company's shares or a takeover proposal, the Board of Directors, which assumes the fiduciary duties for shareholders, will assess the impact of such purchase on corporate value and the common interests of the shareholders, while obtaining the opinions of outside specialists. In addition to expressing its views publicly, the Board of Directors will negotiate with such potential purchasers and do its best to provide the necessary information to shareholders and ensure sufficient time for them to properly judge whether to accept such a bid.

Moreover, in the event that such potential purchasers do not provide the necessary information or it is deemed that such proposal may damage corporate value and the common interests of the shareholders, the Board of Directors will take reasonable countermeasures.

The Company will carefully judge whether to implement specific takeover defense measures in advance, in consideration of future economic environments, the capital markets, and possible changes in common and statutory laws and regulations.

Board of Directors & Auditors

Masao Inagaki
Representative Director
Chairman

Koichiro Naganuma
Representative Director
President & Group CEO

Hideaki Hirose
Executive Director
Senior Operating Officer
Domestic Network

Takeo Hishiyama
Executive Director
Senior Operating Officer
Strategic Planning & Group Business

Kenji Mori
Executive Director
Senior Operating Officer
Account Services

Hideyuki Nagai
Executive Director
Senior Operating Officer
Media & Content Business

Yoji Shimizu
Executive Director
Senior Operating Officer
Account Services

Komei Kasai
Executive Director
Operating Officer
Account Services

Kazuhiko Narimatsu
Executive Director
Operating Officer
Account Services

Shoji Honda
Executive Director
Operating Officer
Finance & Accounting

Jiro Kitamura
Executive Director
Operating Officer
Promotion

Osamu Okayasu
Executive Director
Operating Officer
Account Services

Toshiyuki Inoue
Executive Director
Operating Officer
Cross Communications

Shinichi Ueno
Executive Director
Operating Officer
Corporate

Yoshiki Uemura
Executive Director
Operating Officer
Creative

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

Yoshiro Sakai
Corporate Auditor

Katsumi Abe
Corporate Auditor

Yuzo Shikata
Corporate Auditor

Hideshige Haruki
Corporate Auditor

Operating Officers

Atsuo Ota
Mikiro Kokita
Yasuto Horie
Toshio Anada
Katsuhiro Ikuma
Hidekatsu Ikedo
Ryuji Yokoyama
Osamu Ishikawa
Hiroaki Onohara
Hiroshi Nomiyama
Hiroshi Nakazato
Huang Hui
Chikara Yoshioka
Makoto Nakamura
Takeshi Kato
Akio Yoshi

Management's Discussion and Analysis

Performance Highlights of Fiscal 2007

- Consolidated gross billings grow 3.6%
- Gross profit rises 6.3%
- Operating income edges up 11.6%
- Dividend payout ratio hits 35.5%
- EPS rises to ¥116.40

ADK Group Overview

ASATSU-DK is the third largest advertising agency in Japan, and the 11th largest advertising agency in the world.*
We provide companies in Japan and overseas with a full spectrum of services, encompassing creative planning and production for newspaper, magazine, radio, television, and digital media advertising, as well as sales promotion and other advertising services. We launched our TV animation content business in the 1960s and have been a pioneer in this category ever since.

In fiscal 2007, the Group's advertising business generated gross billings of ¥426,402 million, equivalent to 98.0% of consolidated total billings. Other businesses generated ¥8,609 million, or 2.0% of total billings.
The ADK Group's non-advertising business consists of book and magazine publishing and sales, as well as information processing services.

The ADK Group consists of 50 subsidiaries (45 in advertising and five in non-advertising) and 23 affiliates (22 in advertising and one in non-advertising). Our global reach extends to 21 cities and is reinforced by a close alliance with WPP Group plc, the world's second largest marketing and communications service group.

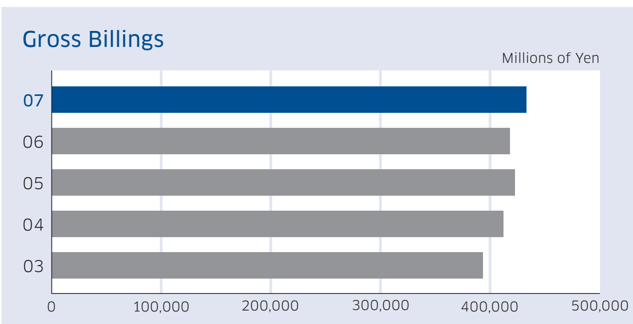
In fiscal 2007, all overseas sales of the ADK Group were generated by the advertising business. Together, overseas sales represented 7.2% of consolidated gross billings.

*According to *Advertising Age*, May 5, 2008.

Consolidated Performance

Gross Billings

In fiscal 2007, gross billings totaled ¥435,011 million, up 3.6% from the previous year. Growth came from aggressive marketing to both existing and new clients.



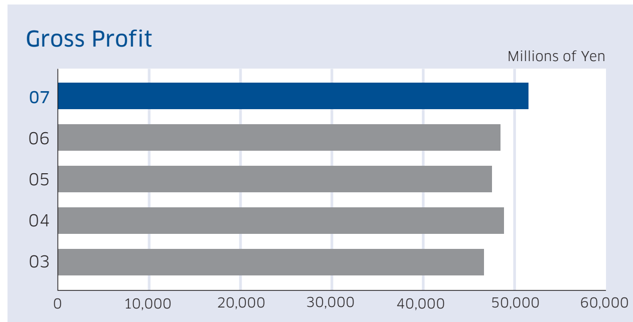
Consolidated Gross Billings and Selected Profitability Data

Millions of Yen except per common share amounts and financial ratios

	2007	2006	2005
Gross billings	¥435,011	¥420,059	¥424,705
Gross margin	11.9%	11.6%	11.2%
Operating margin	13.8%	13.1%	15.7%
Income before income taxes	¥ 10,122	¥ 9,682	¥ 11,028
Net income	¥ 5,350	¥ 5,070	¥ 5,946
Net income per share (Yen)	¥ 116.40	¥ 106.62	¥ 122.11

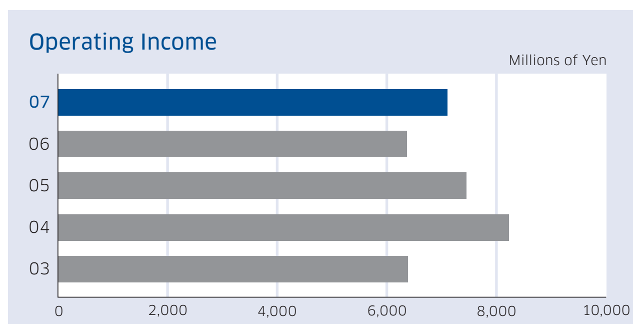
Gross Profit

The gross margin improved further by enhanced profitability in the media buying business. As a result, gross profit grew 6.3% to ¥51,754 million, and the gross margin improved 0.3 percentage point to 11.9%.



Operating Income

Operating income rose 11.6% to ¥7,134 million. The ADK Group reported a 13.8% operating margin, lower than management's target of 15%, but a slight improvement from 13.1% in fiscal 2006.

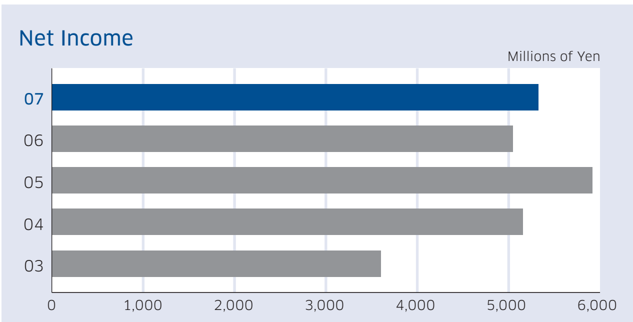


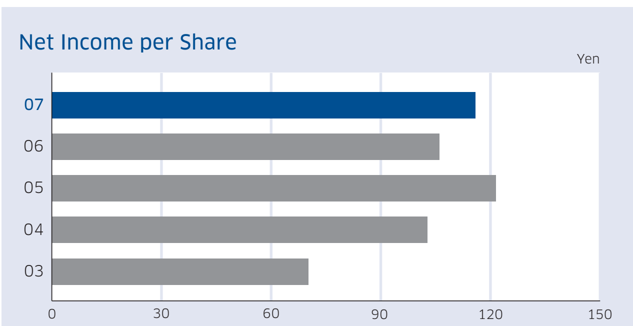
Other Income and Expenses

The ADK Group incurred equity in loss of affiliates—net of ¥258 million, because Digital Advertising Consortium Inc. (DAC), a publicly traded Internet media buying rep, had a large but one-time loss due to an unrealized loss in investments in one of its subsidiaries. ADK held a 27.1% share in DAC as of the end of 2007. Dividend income improved, mainly from WPP Group plc.

Net Income

Income before income taxes and minority interests totaled ¥10,122 million. After deductions of ¥4,694 million in income taxes and ¥78 million in minority interest, net income was ¥5,350 million, up 5.5% year on year. Net income per share grew 9.2% to ¥116.40.





Note: Based on the number of shares excluding treasury stock.

Segment Information

The ADK Group's businesses are classified into two main segments: advertising, which accounted for 98.0% of gross billings in fiscal 2007, and non-advertising, which made up the remaining 2.0%. The non-advertising business includes book and magazine publishing and sales, as well as information processing services.

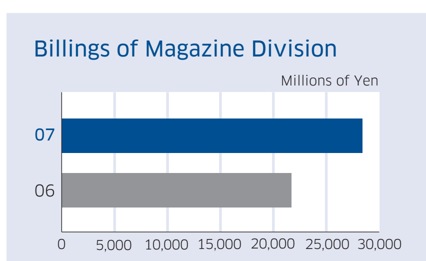
Advertising

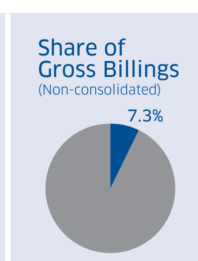
The Group's advertising business generated gross billings of ¥426,402 million, registering 3.8% year-on-year growth. Segment operating income increased 12.1% to ¥7,139 million.

Since all of ADK's non-consolidated gross billings and income are generated from the advertising business, and those non-consolidated gross billings represent 91.0% of the Company's consolidated advertising gross billings, its non-consolidated performance is reviewed below.

Magazine Division

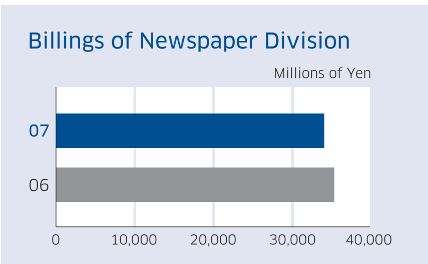
The Magazine Division increased its billings to clients in the Apparel/Jewelry and Cosmetics/Toiletries sectors, especially by attracting new clients. Division gross billings jumped 30.8% year on year to ¥28,400 million.

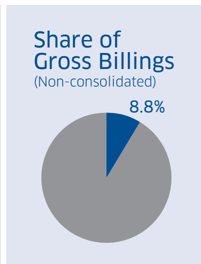




Newspaper Division

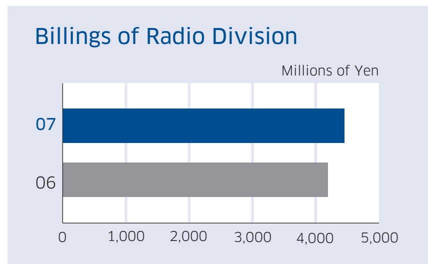
The Newspaper Division suffered a decline in gross billings, with lower billings to clients in the Finance/Insurance and Transportation/Leisure sectors. As a result, the division generated gross billings of ¥34,157 million, down 3.6%.

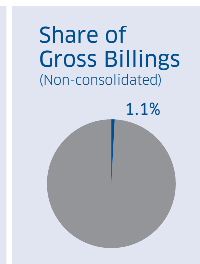




Radio Division

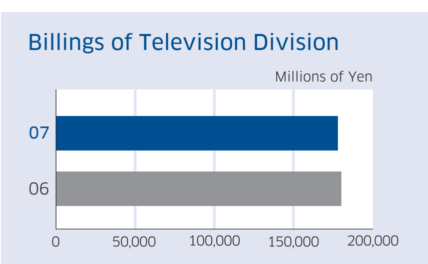
The Radio Division increased gross billings to clients in the Information/Communications and Cosmetics/Toiletries sectors and was successful in marketing professional baseball night game programs. The division's billings grew to ¥4,453 million, up 6.2% year on year.

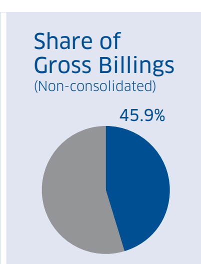




Television Division

The Television Division focused on profitability rather than the size of gross billings. The division generated lower billings from program TV sales, due mainly to tighter advertising budgets among some clients in the Finance/Insurance sector. Profitability improved, however, thanks to better performance by the media buying business. Spot TV sales boosted gross billings and gross profits from clients in the Cosmetics/Toiletries, Restaurants/Others, and Information/Communications sectors. Content-related sales declined because of a continued decline of one of the best-selling animation contents, *Yu-Gi-Oh!* As a result, the division yielded gross billings of ¥177,965 million, down 1.1%.





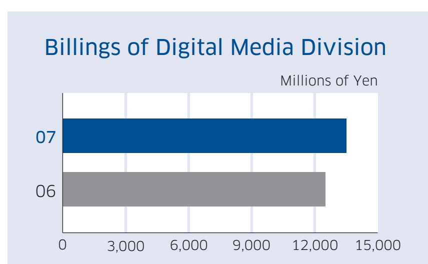
Reference: Non-Consolidated Gross Billings for the Television Division by Segment

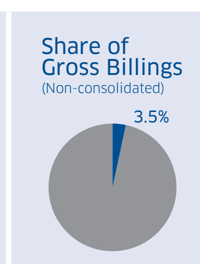
(Millions of Yen)

	2007	2006	Y/Y
Time (program-sponsored ads)	¥ 63,106	¥ 66,187	95.3%
Spot	100,821	99,378	101.5%
Content-related sales	14,037	14,375	97.6%
Total TV Division billings	¥177,965	¥179,940	98.9%

Digital Media Division

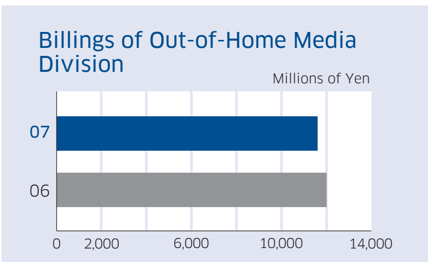
The Digital Media Division continued generating higher gross billings to clients in various sectors by providing faster and more proactive services, while offering "Cross-communications" planning. With larger gross billings to clients in the Hobbies/Sporting Goods sector, as well as continued growth in the Pharmaceuticals/Medical Supplies sector, the division generated an 8.0% increase in gross billings to ¥13,506 million.

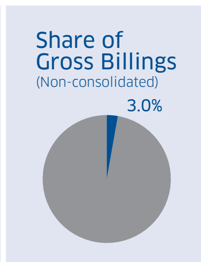




Out-of-Home Media Division

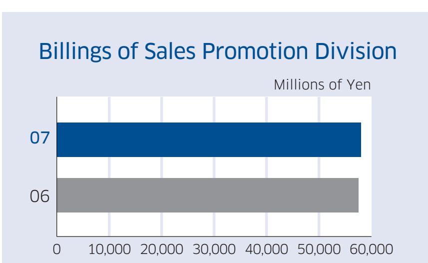
The Out-of-Home Media Division generated lower gross billings, because a major campaign contract with a client in the Cosmetics/Toiletries sector ended in the previous year. Public transport and newspaper insert advertising also slowed. As a result, division gross billings decreased 3.3% to ¥11,592 million.

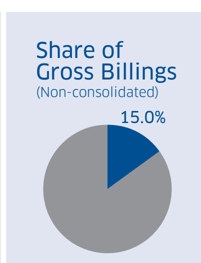




Sales Promotion Division

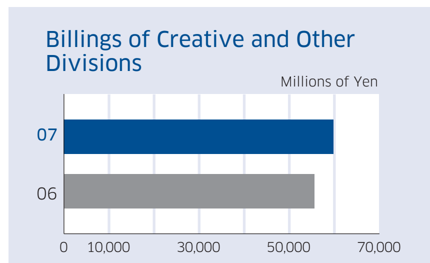
The Sales Promotion Division generated gross billings of ¥57,978 million, up 0.8%. During the year, we promoted integrated promotion ideas that covered not only individual event services and promotional tools but also in-store communications. At the same time, we offered faster, less costly, more sophisticated implementation to clients and generated larger sales in the Retail/Distribution and Information/Communications sectors.

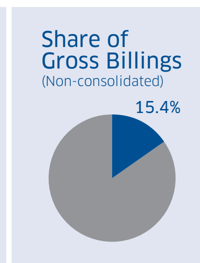




Creative and Other Divisions

The Creative Division continued its success in winning major international and Japanese advertising awards by helping and educating creators, enabling them to design integrated communications programs with deep insights into every medium. The division also focuses on certain growing markets, such as real estate, and succeeded in generating new business in those areas. The Marketing Division, however, could not generate large gross billings from clients in the Finance/Insurance sector. The combined gross billings of the two divisions and other miscellaneous advertising businesses increased 7.7% year on year to ¥59,804 million.





Gross Billings: Breakdown by Division

(Non-consolidated)a

Millions of Yen

	2007	% of total	2006	% of total
Magazine	¥ 28,400	7.3%	¥ 21,717	5.7%
Newspaper	34,157	8.8	35,447	9.4
Television	177,965	45.9	179,940	47.5
Radio	4,453	1.1	4,193	1.1
Digital Media	13,506	3.5	12,503	3.3
Out-of-Home Media	11,592	3.0	11,989	3.2
Sales Promotion	57,978	15.0	57,504	15.2
Creative and Other	59,804	15.4	55,507	14.7
Total	¥387,860	100.0%	¥378,804	100.0%

Non-Consolidated Gross Billings, Market Share and Industry Ranking (1998–2007)

(Non-consolidated)

Millions of Yen

Year	Gross billings	Year-on-year rate	Market share	Industry rank
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
2005	384,849	102.9	5.64	3
2006	378,804	98.4	5.46	3
2007	¥387,860	102.4%	5.53%	3

*Market share: According to "*Advertising Expenditures in Japan*" reported by Dentsu Inc. The scope of this report was expanded from the current issue reflecting the effect of the rapid expansion of the Internet and promotional advertising.

Gross Billings: Breakdown by Client Industry

(Non-consolidated)

Millions of Yen

	2007	Composition ratio	2006	Composition ratio	Change	Year-on-year rate
Energy/Raw Materials/Machinery	¥ 4,985	1.3%	¥ 6,369	1.7%	¥ -1,385	78.3%
Foods	32,631	8.4	32,095	8.5	535	101.7%
Beverages/Tobacco Products	25,140	6.5	25,985	6.9	-846	96.7%
Pharmaceuticals/Medical Supplies	15,239	3.9	13,925	3.7	1,314	109.4%
Cosmetics/Toiletries	38,391	9.9	36,317	9.6	2,075	105.7%
Apparel/Jewelry	13,303	3.4	7,409	1.9	5,893	179.5%
Precision Instruments/Office Equipment	6,230	1.6	5,892	1.5	337	105.7%
Electric Machines/AV Equipment	9,149	2.4	8,411	2.2	738	108.8%
Automobiles/Automobile-Related Products	24,882	6.4	24,369	6.4	513	102.1%
Household Products	1,898	0.5	2,871	0.8	-972	66.1%
Hobbies/Sporting Goods	20,308	5.2	19,111	5.0	1,198	106.3%
Real Estate/Housing	13,775	3.6	9,795	2.6	3,980	140.6%
Publications	3,554	0.9	3,426	0.9	128	103.7%
Information/Communications	44,594	11.5	41,867	11.1	2,727	106.5%
Distribution/Retail	25,762	6.6	23,847	6.3	1,915	108.0%
Finance/Insurance	40,692	10.5	51,868	13.7	-11,176	78.5%
Transportation/Leisure	13,285	3.4	15,541	4.1	-2,255	85.5%
Restaurants/Other Services	16,750	4.3	13,720	3.6	3,030	122.1%
Government/Organizations	9,387	2.4	9,973	2.6	-586	94.1%
Educational/Health Care Services	3,976	1.0	4,192	1.1	-216	94.8%
Classified Ads/Other	23,930	6.2	21,821	5.8	2,108	109.7%
Total	¥387,860	100.0%	¥378,804	100.0%	¥ 9,055	102.4%

Group Companies in the Advertising Business

The ADK Group's advertising agency companies had mixed results. Domestic subsidiaries as a whole increased their gross billings and operating income by generating new business and implementing tighter cost controls. Overseas subsidiaries suffered from smaller gross billings, but a Thai subsidiary led the way with a considerable increase in operating income.

Non-Advertising

ADK has two consolidated subsidiaries in the publications industry. The smaller subsidiary, specializing in the publication of periodicals to select membership clubs, could not obtain sufficient new contracts to absorb its fixed costs. As the industry has been experiencing sluggish growth due to growing consumer preference for the Internet and mobile media, the general publications subsidiary registered a fall in sales. Thanks to the careful selection of new titles, however, the Company had fewer returned items. As a result, the Group's non-advertising category generated gross billings of ¥8,609 million, a 6.3% year-on-year decline, and an operating loss of ¥4 million compared with operating income of ¥36 million in fiscal 2006.

Millions of Yen

	2007	2006
Gross billings	¥8,609	¥9,184
Operating income	-4	36

Overseas Sales

The ADK Group obtained 7.2% of its gross billings from abroad. All overseas sales are generated from the advertising business.

Balance Sheet and Cash Flow

Assets and Liabilities

The ADK Group did not make any large capital expenditures during fiscal 2007, but it accelerated its share buyback program and continued its efficient capital management program focus. At the end of fiscal 2007, the Group had total assets of ¥246,097 million, down ¥10,657 million from a year earlier. Consolidated interest-bearing debt was ¥1,193 million. Total net assets, including minority interests, amounted to ¥131,846 million.

Cash Flow

At the end of fiscal 2007, cash and cash equivalents totaled ¥17,994 million, a decrease of ¥3,937 million from the previous fiscal year-end.

Net cash provided by operating activities amounted to ¥183 million, down from ¥7,507 million in fiscal 2006. Among operating activities, income before income taxes and minority interests was ¥10,122 million and depreciation was ¥1,170 million. Meanwhile, there was a ¥6,156 million increase in notes and accounts receivable and a ¥1,435 million increase in notes and accounts payable, stemming from larger gross billings generated by the parent company and a Thai subsidiary, especially toward the end of the period. In addition, the Group posted a ¥926 million decrease in work in progress. Income taxes paid totaled ¥4,664 million, a relatively high figure, because taxes paid in fiscal 2006 were low, reflecting smaller taxable income in fiscal 2005.

Net cash provided by investing activities totaled ¥4,488 million compared with ¥3,191 million in net cash used in such activities in fiscal 2006. Major components included ¥6,933 million in proceeds from sales of securities and ¥1,476 million in purchases of securities.

Net cash used in financing activities was ¥8,968 million, up from ¥5,300 million in fiscal 2006. This was mainly due to ¥1,258 million in dividends paid and ¥7,812 million in purchases of treasury stock–net, reflecting the Company's strong commitment to shareholder return.

Capital Expenditures and Depreciation

Millions of Yen

	2007		2006	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Buildings	¥138	¥ 158	¥ 54	¥ 155
Structures	0	3	0	4
Vehicles	40	40	30	25
Equipment and fixtures	122	161	106	182
Land	0	0	0	0
Licenses	0	52	0	52
Computer software	304	744	399	783
Other	0	10	3	4
Total	¥607	¥1,170	¥592	¥1,205

Cash Flow

Millions of Yen

	2007	2006
Net cash provided by operating activities	¥ 183	¥7,507
Business reinvestment*	-581	-586
Free cash flow	¥-398	¥6,921

*Business reinvestment = purchase of property and equipment + purchase of intangible assets - sales of property and equipment

Outlook for Fiscal 2008

We expect the Japanese economy to remain on a path of slow, but prolonged, growth led by exports and corporate capital expenditures. There are increasing concerns, however, that the economy may be affected by such factors as uncertain government leadership, cost-driven inflation due to rising oil and grain prices, yen appreciation, and the fallout from the subprime mortgage crisis in the United States. Given today's increasingly demanding business conditions, the advertising market environment will remain a challenging one.

Facing this difficult environment, in February 2008 ADK set the following consolidated forecasts for fiscal 2008: ¥445.5 billion in gross billings, ¥7.7 billion in operating income, and ¥5.9 billion in net income. We expect to post an EPS of ¥130.4. On a non-consolidated basis, the forecasts are ¥397 billion in gross billings, ¥6.6 billion in operating income, and ¥5.4 billion in net income.

Forward-Looking Statements and Risk Factors

Forward-Looking Statements

This report may contain forward-looking statements based on ADK management's view and assumptions of future developments as of the date of such statements. The foregoing statements herein are inherently subject to risks, including, but not limited to those shown below, and uncertainties that could lead to material differences between such statements and actual outcomes. Therefore, ADK does not warrant any certainty and accuracy thereto. ADK also expressly disclaims any obligation to update or revise its forward-looking statements.

Domestic Economy

In fiscal 2007, 98.0% of group billings were generated from the advertising market. The group also generated 92.8% of its gross billings from the Japanese domestic market. Japanese national advertising spending is closely correlated with nominal GDP. In the event that the domestic economy deteriorates seriously, the ADK Group's performance and financial condition could be negatively impacted.

Changes in the Advertising Market

The ADK Group intends to continue selling 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 advertisers' budgets (by name and/or industry), media inventory costs, and advertising methods—could significantly impact the group's performance and financial condition.

Development of New Media

The ADK Group continues to focus on both traditional and new media through its 360-degree communications approach. Under this approach, we do not see traditional and new media cannibalizing each other. Rather, they enhance each other. In addition, the Group has been accelerating efforts to enhance its functionalities to lead the digital advertising market, including the Internet, by setting up ADK Interactive Division and forming joint ventures with some leading companies in these markets. However, if ADK fails to adapt to changes in advertising media, its performance and financial condition 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, the entry of many new and rapidly growing entrants in the Internet advertising market, and the dominance of Google in search engine marketing are also accelerating 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 a significant risk that its market share could decline and profitability could deteriorate. This would have a serious impact on its performance and financial condition.

Relationships with Advertisers

In Japan, traditionally advertisers do not strictly require exclusive relationships 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 condition could be adversely impacted.

The ADK Group has a diversified portfolio of first-tier clients. The parent company's largest 10 and 20 clients accounted for 21.5% and 32.0%, respectively, of total nonconsolidated gross billings in fiscal 2007. Compared with competitors, moreover, 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. Sometimes a purchase is made through another agency. Therefore, even if a client and/or such other agency defaults, the advertising company is still liable for the media and/or materials to the media owner and/or the subcontracting production company.

Advertising companies in Japan do not always have documented 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

In fiscal 2007, ADK generated 69.6% of its gross billings by handling the four major mass media, as well as the rapidly growing Internet and digital advertising sectors and OOH media. During the year, ADK continued to secure advertising time and/or space of these traditional and new media. 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, there is a significant possibility that the ADK Group's performance and financial condition could be adversely affected if it does not respond to these changes appropriately.

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 content 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 condition.

Relationships with Subcontractors

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

In Japanese advertising markets, an advertising agency is usually required to absorb credit and functionality risks of many small and specialty subcontractors without shifting them to the advertisers. Besides, sometimes an agency needs to help finance such subcontractors by advance payments. In an international business, a partial advance payment is commonly required. When a subcontractor cannot fulfill an order from an advertiser or maintain its business as a going concern, an agency is likely to suffer a loss.

Content Business

ADK continues to develop new content under existing and new business models. However, there is no guarantee of the continued success of such content or of derivative and/or resale income from it. Accordingly, in the case that the group is not able to generate income as expected, it could experience a significant impact on its performance and financial condition.

Overseas Operations

In overseas markets, a variety of problems may arise due to cultural and social differences. In addition, both country risk and currency risk are inherent in conducting international business. In the event that the ADK Group is unable to expand its overseas operations as planned, its performance and financial condition could be significantly impacted.

Relationship with WPP Group plc

ADK has maintained strategic operating and equity ties with WPP Group plc of the United Kingdom since August 1998, holding a 2.63% equity stake in WPP (as of December 31, 2007). WPP Group holds 22.97% of the voting rights in ADK. 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 JWT, ADK has 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 its influence on WPP Group operations is limited, in the event that the ADK 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 the ADK Group's performance and financial condition in the future.

In addition, although the yen-translated market value of the equity stake in WPP was ¥46,145 million as of the end of December 2007, compared with the book value of ¥22,262 million (under the lower-of-cost-or-market method), in the event of a major deterioration in WPP Group's stock price there is a possibility that ADK would have to account for valuation losses on this holding.

Staff

Advertising is a people business and talent is a critical asset in the advertising industry. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on its performance and financial condition.

Marketable Securities and Investment Securities

The ADK Group's holdings of marketable and investment securities (including the aforementioned stake in WPP Group plc and equity-method value of Digital Advertising Consortium, Inc., or "DAC") totaled ¥83,720 million, representing 34.0% of ¥246,097 million in total assets as of December 31, 2007. Of this amount, ¥68,206 million was in publicly traded equity securities, mostly for cross-shareholdings in advertising clients and other trading partners (excluding our investment in a 27.1% stake of DAC, the unconsolidated results of which is accounted for by the equity method at ¥1,826 million). The balance of unrealized gains on available-for-sale securities was ¥20,304 million after deducting 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 (parent company) 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 (an element of staff costs) through a smaller Projected Benefit Obligation and less-risky pension asset investment strategies.

In the event of a 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 the Japan Advertising Industry Welfare Pension Fund. Because the ADK Group cannot technically and reasonably define how much pension assets and liabilities it is accountable for, the group recognizes its annual cash contribution to the fund as its periodical benefit costs applicable for the fund. 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.

The fund's total pension assets and liabilities as of March 31, 2007, were ¥80,894 million and ¥65,101 million, respectively, and therefore the difference was positive by ¥15,793 million. The discount rates for liabilities were mainly 5.5%.

For the year through March 2007, the ADK Group's cash contribution share by employers and employees were 9.01% and 5.67%, respectively, making the total 14.68%. Applying simply the shares to the aforementioned total fund assets, the group's prorated share of assets as of March 31, 2007, was ¥11,879 million in total. Of this amount, the employers' portion and employees' portion were ¥7,290 million and ¥4,588 million, respectively. Likewise, the group's prorated share of pension liabilities was ¥9,559 million in total. Of this amount, the employers' portion and employees' portion were ¥5,867 million and ¥3,692 million, respectively.

Legal Risks

The ADK Group'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 condition.

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 subcontractors 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 of new laws or regulations being introduced, or existing laws or regulations being reinterpreted, the ADK Group's performance could be affected.

Contingent Litigation Risks

As of the date of the statements, the ADK Group was not involved or exposed to any lawsuits or disputes that could place significantly negative influence on its performance and financial condition. However, there is no guarantee that the group will never be involved in or exposed to such lawsuits or disputes in the future.

Financial Section

Consolidated Balance Sheets

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2007	2006	2007
CURRENT ASSETS:			
Cash and time deposits	¥ 22,863	¥ 22,145	$ 200,289
Marketable securities (Note 3)	3,676	5,213	32,203
Notes and accounts receivable:			
–trade	108,045	100,907	946,518
Allowance for doubtful receivables	(624)	(759)	(5,467)
Inventories	9,037	7,979	79,168
Deferred tax assets (Note 7)	711	575	6,229
Other current assets	3,838	2,823	33,622
Total current assets	147,546	138,883	1,292,562
PROPERTY AND EQUIPMENT:			
Land	1,293	1,310	11,327
Buildings and leasehold improvements	4,142	4,020	36,286
Other	2,107	1,940	18,458
Total	7,542	7,270	66,071
Accumulated depreciation	(3,676)	(3,402)	(32,203)
Net property and equipment	3,866	3,868	33,868
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	77,246	95,023	676,706
Investments in unconsolidated subsidiaries and affiliated companies	6,812	7,209	59,676
Deferred tax assets (Note 7)	449	459	3,933
Other assets	10,178	11,312	89,164
Total investments and other assets	94,685	114,003	829,479
TOTAL	¥246,097	¥256,754	$2,155,909

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term debt (Note 4)	¥ 1,084	¥ 344	$ 9,496
Current portion of long-term debt (Note 4)	48	549	420
Notes and accounts payable—trade	87,417	84,448	765,808
Income taxes payable (Note 7)	2,345	2,771	20,543
Accrued bonuses to employees	679	289	5,949
Allowance for sales returns	537	770	4,705
Deferred tax liabilities (Note 7)	–	8	–
Other current liabilities	7,787	7,048	68,217
Total current liabilities	99,897	96,227	875,138
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	60	108	526
Accrued retirement benefits (Note 5)	1,246	1,694	10,915
Allowance for retirement benefits to directors and corporate auditors*	694	681	6,080
Provision for loss on guarantees	–	246	–
Deferred tax liabilities (Note 7)	12,132	16,263	106,281
Other long-term liabilities	222	148	1,945
Total long-term liabilities	14,354	19,140	125,747
CONTINGENT LIABILITIES (Note 10)			
NET ASSETS (Note 6):			
Shareholders' equity			
Common stock			
Authorized: 206,000,000 shares in 2007 and 2006; Issued: 45,155,400 and 51,655,400 shares in 2007 and 2006, respectively	37,581	37,581	329,225
Capital surplus	20,024	40,607	175,418
Retained earnings	51,901	47,671	454,674
Treasury stock—at cost	(203)	(12,973)	(1,779)
Total shareholders' equity—net	109,303	112,886	957,538
Valuation and translation adjustments			
Unrealized gain on available-for-sale securities	20,304	26,676	177,871
Deferred gain on derivatives under hedge accounting	1	1	9
Foreign currency translation adjustments	1,087	775	9,523
Total valuation and translation adjustments	21,392	27,452	187,403
Minority interests	1,151	1,049	10,083
Total net assets	131,846	141,387	1,155,024
TOTAL	¥246,097	¥256,754	$2,155,909

*No allowance for retirement benefits to corporate auditors was standing as of Dec. 31, 2007, due to the abolition of the retirement bonus system to them.

See notes to consolidated financial statements.

Consolidated Statements of Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
GROSS BILLINGS (Note 12)	¥435,011	¥420,059	$3,810,872
COST OF SALES (Note 12)	383,257	371,374	3,357,486
Gross profit	51,754	48,685	453,386
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8 and 12)	44,620	42,293	390,889
Operating income	7,134	6,392	62,497
OTHER INCOME (EXPENSES):			
Interest and dividend income–net	1,902	1,764	16,662
Gain on sales of securities	2,761	1,844	24,187
Loss on sales of securities	(0)	(31)	(0)
Loss on valuation of securities	(1,644)	(384)	(14,402)
Amortization of negative goodwill	31	7	272
Equity in earnings (losses) of affiliated companies–net	(258)	240	(2,260)
Retirement benefits paid to directors and corporate auditors	–	(117)	–
Additional retirement benefits paid to employees	(47)	(65)	(412)
Provision for loss on guarantees	–	(246)	–
Expenses for 50th anniversary	–	(134)	–
Other–net	243	412	2,129
Other income–net	2,988	3,290	26,176
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	10,122	9,682	88,673
INCOME TAXES (Note 7):			
Current	4,514	4,045	39,545
Deferred	180	511	1,577
MINORITY INTERESTS IN NET INCOME	78	56	683
NET INCOME	¥ 5,350	¥ 5,070	$ 46,868

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (1)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2007

Year Ended December 31, 2007

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock–at cost	Total shareholders' equity
Balance as of December 31, 2006	¥37,581	¥ 40,607	¥47,671	¥(12,973)	¥112,886
Change during the consolidated fiscal year					
Dividend payments			(1,258)		(1,258)
Net income			5,350		5,350
Increase due to newly consolidated subsidiaries			138		138
Acquisitions of treasury stock				(7,813)	(7,813)
Disposals and cancellation of treasury stock		(20,583)		20,583	0
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	(20,583)	4,230	12,770	(3,583)
Balance as of December 31, 2007	¥37,581	¥ 20,024	¥51,901	¥ (203)	¥109,303

Millions of Yen

	Valuation and translation adjustments				Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of December 31, 2006	¥26,676	¥1	¥ 775	¥27,452	¥1,049	¥141,387
Change during the consolidated fiscal year						
Dividend payments						(1,258)
Net income						5,350
Increase due to newly consolidated subsidiaries						138
Acquisitions of treasury stock						(7,813)
Disposals and cancellation of treasury stock						0
(Net) changes of items other than shareholders' equity	(6,372)	0	312	(6,060)	102	(5,958)
Total change during the consolidated fiscal year	(6,372)	0	312	(6,060)	102	(9,541)
Balance as of December 31, 2007	¥20,304	¥1	¥1,087	¥21,392	¥1,151	¥131,846

Consolidated Statements of Changes in Net Assets (2)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2006

Millions of Yen

Year Ended December 31, 2006

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock–at cost	Total shareholders' equity
Balance as of December 31, 2005	¥37,581	¥40,607	¥44,191	¥ (9,690)	¥112,689
Change during the consolidated fiscal year					
Dividend payments			(1,721)		(1,721)
Net income			5,070		5,070
Bonuses to directors and corporate auditors			(38)		(38)
Increase due to new consolidated subsidiaries			163		163
Acquisitions of treasury stock				(3,283)	(3,283)
Disposals and cancellation of treasury stock		0		0	0
Increase due to change in accounting standards of foreign subsidiaries			6		6
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	0	3,480	(3,283)	197
Balance as of December 31, 2006	¥37,581	¥40,607	¥47,671	¥(12,973)	¥112,886

Millions of Yen

	Valuation and translation adjustments					
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of December 31, 2005	¥21,784	–	¥278	¥22,062	¥ 997	¥135,748
Change during the consolidated fiscal year						
Dividend payments						(1,721)
Net income						5,070
Bonuses to directors and corporate auditors						38
Increase due to new consolidated subsidiaries						163
Acquisitions of treasury stock						(3,283)
Disposals and cancellation of treasury stock						0
Increase due to change in accounting standards of foreign subsidiaries						6
(Net) changes of items other than shareholders' equity	4,892	1	497	5,390	52	5,442
Total change during the consolidated fiscal year	4,892	1	497	5,390	52	5,639
Balance as of December 31, 2006	¥26,676	¥1	¥775	¥27,452	¥1,049	¥141,387

Consolidated Statements of Changes in Net Assets (3)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2007

Year Ended December 31, 2007

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock—at cost	Total shareholders' equity
Balance as of December 31, 2006	$329,225	$355,734	$417,617	$(113,649)	$988,927
Change during the consolidated fiscal year					
Dividend payments			(11,021)		(11,021)
Net income			46,868		46,868
Increase due to newly consolidated subsidiaries			1,210		1,210
Acquisitions of treasury stock				(68,446)	(68,446)
Disposals and cancellation of treasury stock		(180,316)		180,316	0
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	(180,316)	37,057	111,870	(31,389)
Balance as of December 31, 2007	$329,225	$175,418	$454,674	$ (1,779)	$957,538

Thousands of U.S. Dollars (Note 1)

	Valuation and translation adjustments					
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of December 31, 2006	$233,693	$9	$6,789	$240,491	$ 9,189	$1,238,607
Change during the consolidated fiscal year						
Dividend payments						(11,021)
Net income						46,868
Increase due to newly consolidated subsidiaries						1,210
Acquisitions of treasury stock						(68,446)
Disposals and cancellation of treasury stock						0
(Net) changes of items other than shareholders' equity	(55,822)	0	2,734	(53,088)	894	(52,194)
Total change during the consolidated fiscal year	(55,822)	0	2,734	(53,088)	894	(83,583)
Balance as of December 31, 2007	$177,871	$9	$9,523	$187,403	$10,083	$1,155,024

	Yen		U.S. Dollars (Note 1)
	2007	2006	2007
PER SHARE OF COMMON STOCK:			
Net income			
Basic	¥ 116.40	¥ 106.62	$ 1.02
Diluted	–	106.56	–
Net assets	2,898.49	2,979.79	25.39
Cash dividend applicable to the year	42.00	27.00	0.37

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥10,122	¥ 9,682	$ 88,673
Adjustments for:			
Income taxes—paid	(4,664)	(1,852)	(40,859)
Depreciation and amortization	1,170	1,205	10,250
Equity in losses (earnings) of affiliated companies	258	(240)	2,260
Gain on sales of securities	(2,761)	(1,844)	(24,187)
Loss on sales of securities	0	31	0
Loss on valuation of securities	1,644	384	14,402
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	(6,156)	2,893	(53,929)
Increase in work in progress	(926)	(280)	(8,112)
Increase (Decrease) in notes and accounts payable	1,435	(1,963)	12,571
Others—net	61	(509)	534
Total adjustments	(9,939)	(2,175)	(87,070)
Net cash provided by operating activities	183	7,507	1,603
INVESTING ACTIVITIES:			
Increase in time deposits—net	(893)	(1,377)	(7,823)
Proceeds from sales of securities	6,933	6,134	60,736
Purchases of securities	(1,476)	(7,503)	(12,930)
Proceeds from sales of property and equipment	25	5	219
Purchases of property and equipment	(302)	(190)	(2,646)
Purchases of intangible assets	(304)	(401)	(2,663)
Other investing activities	505	141	4,424
Net cash used in investing activities	4,488	(3,191)	39,317
FINANCING ACTIVITIES:			
Increase (Decrease) in short-term debt—net	686	(230)	6,010
Repayment of long-term debt	(49)	(49)	(429)
Redemption of bonds	(500)	–	(4,380)
Purchases of treasury stock—net	(7,812)	(3,283)	(68,437)
Dividends paid	(1,258)	(1,721)	(11,021)
Other financing activities	(35)	(17)	(307)
Net cash used in financing activities	(8,968)	(5,300)	(78,564)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	252	561	2,208
NET DECREASE IN CASH AND CASH EQUIVALENTS	¥ (4,045)	¥ (423)	$ (35,436)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	21,932	21,938	192,134
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF THE YEAR	107	417	937
CASH AND CASH EQUIVALENTS, END OF THE YEAR	¥17,994	¥21,932	$157,635

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2007 and 2006

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 Financial Instrument 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 from International Financial Reporting Standards.

In preparing 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 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥114.15 to US$1 the approximate rate of exchange on December 31, 2007. 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 2006 financial statements to conform to the presentation for 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its 23 (20 in 2006) significant 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.

22 subsidiaries use a fiscal year ended 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 making appropriate adjustments for significant transactions during the periods from its respective year-end dates to the date of the consolidated financial statements.

Investments in three affiliated companies, of which 20%–50% of the interests are owned by the Company, are accounted for by the equity method. (Investments in one insignificant unconsolidated subsidiary and four affiliated companies were accounted for by the equity method in 2006.) Investments in the remaining 27 (28 in 2006) unconsolidated subsidiaries and 19 (20 in 2006) affiliated companies are stated at cost. If these companies are fully consolidated, or 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.

Goodwill is charged or credited to income in the year incurred.

All significant inter-company 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, certificates of deposit and money management funds investing in bonds for the short term, all of which mature or become due within three months of the date of acquisition.

The balances of cash and cash equivalents as of December 31, 2007 and 2006, are reconciled to the balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Balance sheet:			
Cash and time deposits	¥22,863	¥22,145	$200,289
Securities	3,676	5,213	32,203
Total	26,539	27,358	232,492
Less:			
Time deposits over three months	5,326	3,041	46,658
Securities not applicable to cash equivalents (Securities other than Money Management Funds, etc.)	3,219	2,385	28,199
Cash and cash equivalents	¥17,994	¥21,932	$157,635

c. Inventories—Inventories consist principally of billable production orders in process, which are stated at cost determined by the specific identification method. Billable production orders in process are primarily costs incurred on behalf of clients when providing advertising services such as marketing and branding consultation, designing and producing of sales promotion programs, and event marketing to clients.

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 the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are reflected to earnings in the period of such gain or loss, 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, being reported in a separate component of net assets.

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 a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies which have not been accounted for by the equity method is the not readily available, such securities should be written down to the net asset value with a corresponding charge in the statement of income in the event the 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 mainly by 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. The estimated useful lives of major assets are as follows:

Buildings and leasehold improvements 10–50 years

In accordance with an amendment to the Japanese Corporation Tax Law, the Company and its domestic subsidiaries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007. The effects of this change are immaterial.

f. Provision for Loss on Guarantees—The Group sets aside a reserve of losses on guarantees for liabilities owed by non-consolidated subsidiaries, affiliated companies or business associates. The amount of such provision reflects estimated potential losses based on such factors as the financial condition of parties whose liabilities are guaranteed.

g. Retirement Benefits and Pension Plans—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 are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of service, and certain other factors. The Company accrues 100% of obligations based on its rule required under the assumption that all directors retired at the balance sheet date.

The Company decided to abolish the system for granting retirement benefits for corporate auditors at the 52nd Ordinary General Meeting of Shareholders held on March 28, 2007, and to make cutoff payments for retirement benefits, which would be paid at the time of retirement of the respective corporate auditors. This has led to the reclassification of the allowance for retirement benefits to corporate auditors as other long-term liabilities.

The Company and some of its domestic subsidiaries are the members of the Japan Advertising Industry Pension Fund. Because the 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 but not as pension assets and liabilities.

h. Sales Recognition—Income derived from media advertising is recognized upon publication or broadcasting. Product sales are recognized when the products are received by clients. One domestic consolidated subsidiary provides allowances, based upon the 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 is capitalized.

j. Software and R&D Costs—Research–and–development costs are charged to income as incurred. Capitalized software for internal use amounting to ¥970 million ($8,498 thousand) in 2007 and ¥1,410 million in 2006, respectively, included in "Other assets" of investments and other assets, was amortized 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 reported 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. The Group measures deferred taxes by applying enacted tax laws to the temporary differences that 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.

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 in the cases where they are not hedged by foreign exchange derivatives or a hedging transaction does not qualify for specific hedge accounting.

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 a separate component of shareholders' equity.

o. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposure 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 such derivatives qualify for specific hedge accounting.

Short-term receivables and payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the 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 basic net income per share is based on net income attributable to shareholders of common stock and the weighted average number of shares outstanding during each year, and diluted net income per share is computed based on net income attributable to shareholders of common stock after giving effect to the net income of an affiliated company which has the dilutive potential of shares and the weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 45,963,907 shares for the fiscal year ended December 31, 2007, and 47,557,502 shares for the fiscal year ended December 31, 2006.

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

3. MARKETABLE AND INVESTMENT SECURITIES

The carrying amount and aggregate fair value of the securities classified as available-for-sale as of December 31, 2007 and 2006, were as follows:

	Millions of Yen			
2007	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥34,636	¥34,132	¥ 561	¥68,207
Debt securities	10,732	146	689	10,189
Other	483	4	34	453
Total	¥45,851	¥34,282	¥1,284	¥78,849

	Millions of Yen			
2006	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥38,295	¥45,503	¥1,338	¥82,460
Debt securities	13,221	230	507	12,944
Other	654	7	0	661
Total	¥52,170	¥45,740	¥1,845	¥96,065

	Thousands of U.S. Dollars			
2007	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	$303,425	$299,010	$ 4,914	$597,521
Debt securities	94,017	1,279	6,036	89,260
Other	4,231	35	298	3,968
Total	$401,673	$300,324	$11,248	$690,749

Available-for-sale securities whose fair values are not readily determinable as of December 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Carrying amount	2007	2006	2007
Available-for-sale:			
Non-listed equity securities	¥1,639	¥1,535	$14,358
Money management funds	83	2,068	727
Free financial funds	4	71	35
Medium-term government bond funds	68	–	596
Other	279	497	2,444
Total	¥2,073	¥4,171	$18,160

Total sales of available-for-sale securities sold in the years ended December 31, 2007 and 2006, amounted to ¥8,449 million ($74,017 thousand) and ¥6,400 million and the related gains amounted to ¥2,761 million ($24,187 thousand) and ¥1,844 million, and the related losses amounted to ¥0 million ($0 thousand) and ¥15 million, respectively.

The redemption schedule for available-for-sale securities with maturities as of December 31, 2007 and 2006, is as follows (Note: If a security with a derivative instrument is to be redeemed earlier than the contracted maximum maturity date under certain conditions, regardless of such conditions, the maximum maturity date is reflected in the schedule.):

Millions of Yen

2007	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	¥3,099	¥3,459	¥1,021	¥2,610
Other	16	–	–	47
Total	¥3,115	¥3,459	¥1,021	¥2,657

Millions of Yen

2006	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	¥2,317	¥ 7,472	¥812	¥2,341
Other	16	–	–	–
Total	¥2,333	¥ 7,472	¥812	¥2,341

Thousands of U.S. Dollars

2007	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	$27,149	$30,302	$8,944	$22,865
Other	140	–	–	411
Total	$27,289	$30,302	$8,944	$23,276

4. SHORT-TERM AND LONG-TERM DEBT

The weighted average annual interest rates applicable to the short-term debt were 3.27% and 1.81% at December 31, 2007 and 2006, respectively.

Long-term debt as of December 31, 2007 and 2006, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
0.58% bonds due on October 10, 2007	¥ –	¥ 500	$ –
Secured loans due through 2009 with weighted average interest rates of 1.67% in 2007 and 2.39% in 2006	108	157	946
Amount due within one year	(48)	(549)	(420)
Total	¥ 60	¥ 108	$ 526

The repayment schedule of long-term debt as of December 31, 2007, was as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2008	¥ 48	$420
2009	60	526
Total	¥108	$946

The carrying amounts of assets pledged as collateral for the current portion of long-term debt of ¥48 million ($420 thousand) and long-term debt of ¥60 million ($526 thousand) as of December 31, 2007, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥123	$1,077
Land, property and equipment—net of accumulated depreciation	200	1,752
Investment securities	168	1,472
Total	¥491	$4,301

5. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain of its consolidated subsidiaries provide two types of post-employment benefit plans, namely defined contribution pension plans and defined benefit pension plans. The latter consists of cash balance plans, funded non-contributory pension plans and plans provided by the Japan Advertising Industry Pension Fund, as well as unfunded lump-sum payment plans under which all eligible employees are entitled to benefits based on the level of salary, length of service and certain other factors.

The liabilities for employees' retirement benefits and pension plans as of December 31, 2007 and 2006, comprise the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Projected benefit obligation	¥10,953	¥10,609	$ 95,953
Fair value of plan assets	(8,816)	(8,267)	(77,232)
Unrecognized actuarial differences	(891)	(648)	(7,806)
Accrued retirement benefits	¥ 1,246	¥ 1,694	$ 10,915

The components of net periodic benefit costs for the years ended December 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Service cost	¥ 792	¥ 715	$ 6,938
Interest cost	195	198	1,708
Expected return on plan assets	(123)	(101)	(1,078)
Amortization of actuarial differences	104	135	911
Contributions paid during the period, etc.*	929	909	8,139
Net periodic benefits costs	¥1,897	¥1,856	$16,618

The discount rate used by the Group was 2.0% as of the years ended December 31, 2007 and 2006. The rate of expected return on plan assets used by the Group was 1.5% for the years ended December 31, 2007 and 2006. 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.

*Remarks: For plans provided by the Japan Advertising Industry Pension Fund, the Group cannot technically or reasonably allocate pension assets and liabilities to the Group's account. Therefore, the Group recognizes its annual cash contribution to this fund as its periodic benefit costs, but not pension assets and liabilities as stated above.

The above-stated contributions paid during the period, etc., include the Group's cash contribution for the period to the Japan Advertising Industry Pension Fund.

The information of total pension assets and liabilities of the Japan Advertising Industry Pension Fund, the Group's share of the contribution to the fund, and the products of pension assets or liabilities and the Group's share of the contribution to the fund are as follows (Note: As stated above, the Group cannot technically or reasonably allocate pension assets and liabilities to the Group's account. The product calculation is simply for information purposes only.):

a. Total pension assets and liabilities of the fund

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2007	March 31, 2006	March 31, 2007
Pension liabilities	¥(65,101)	¥(60,171)	$(570,311)
Pension assets	80,894	73,345	708,664
Net assets	¥ 15,793	¥ 13,174	$ 138,353

The rate of expected return on plan assets used by the fund was 5.5%.

b. The Group's share of the contribution to the fund

	April 1, 2006 – March 31, 2007	April 1, 2007 – March 31, 2008
Share of the Group as employers	9.01%	9.18%
Share of Employees	5.67%	5.64%
Total	14.68%	14.82%

c. Products of pension assets or liabilities and the Group's share of the contribution to the fund

	Millions of Yen	
March 31, 2007	Share of the Group as employer	Share of employees
Pension liabilities	¥(5,867)	¥(3,693)
Pension assets	7,290	4,588
Net assets	¥ 1,423	¥ 895

	Millions of Yen	
March 31, 2006	Share of the Group as employer	Share of employees
Pension liabilities	¥(5,524)	¥(3,393)
Pension assets	6,733	4,136
Net assets	¥ 1,209	¥ 743

	Thousands of U.S. Dollars	
March 31, 2007	Share of the Group as employer	Share of employees
Pension liabilities	$(51,397)	$(32,352)
Pension assets	63,863	40,193
Net assets	$ 12,466	$ 7,841

d. Supplemental information

The fund's net pension asset amount of ¥15,793 million ($138,353 thousand) and ¥13,174 million on March 31, 2007 and March 31, 2006, stated in "a" above equals the net of earnings surplus of ¥23,518 million ($206,027 thousand) and ¥21,140 million and prior service liabilities of ¥7,724 million ($67,665 thousand) and ¥7,966 million, respectively.

Prior service liabilities are amortized over 20 years by the straight-line method through the fund accounting, and the Group expensed an additional contribution of ¥113 million ($990 thousand) and ¥112 million during the period from April 1, 2006, to March 31, 2007, and from April 1, 2005, to March 31, 2006, respectively, for this amortization.

6. CHANGE IN NET ASSETS

The type and number of shares issued and treasury stock as of December 31, 2007 and 2006, were as follows:

	Type of shares issued	Type of treasury stock
2007	Common stock	Common stock
Number of shares as of December 31, 2006	51,655,400	4,558,407
Number of shares increased during the accounting period ended December 31, 2007	–	2,006,087
Number of shares decreased during the accounting period ended December 31, 2007	(6,500,000)	(6,500,197)
Number of shares as of December 31, 2007	45,155,400	64,297

Notes: 1. The increase in the number of treasury stock was due to the purchase of 2,000,000 shares with the approval of a Board of Directors meeting and the purchase of 6,087 shares of less-than-one-unit shares.
2. Decreases in the number of treasury stock were due to the cancellation of treasury stock of 6,500,000 shares based on the approval by the Board of Directors and sales of 197 less-than-one-unit shares.

	Type of shares issued	Type of treasury stock
2006	Common stock	Common stock
Number of shares as of December 31, 2005	51,655,400	3,702,551
Number of shares increased during the accounting period ended December 31, 2006	–	855,861
Number of shares decreased during the accounting period ended December 31, 2006	–	(5)
Number of shares as of December 31, 2006	51,655,400	4,558,407

Notes: 1. The increase in the number of treasury stock was due to the purchase of 850,000 shares with the approval of a Board of Directors meeting and the purchase of 5,861 shares of less-than-one-unit shares.
2. The decrease in the number of treasury stock was due to sales of less-than-one-unit shares.

Information related to dividends for the accounting periods ended December 31, 2007 and 2006, was as follows:

2007

Dividend paid during the accounting period ended December 31, 2007

Resolution	Board of Directors February 14, 2007	Board of Directors August 15, 2007
Total amount of dividend	¥800 million	¥457 million
Dividends per share	¥17	¥10
Record date	December 31, 2006	June 30, 2007
Payable date	March 31, 2007	September 13, 2007

Dividend attributable to the performance of the accounting period ended December 31, 2007, but paid after said accounting period

Resolution	Board of Directors February 14, 2008
Total amount of dividend	¥1,442 million
Fund of dividend	Retained earnings
Dividends per share	¥32
Record date	December 31, 2007
Payable date	March 12, 2008

2006

Dividend paid during the accounting period ended December 31, 2006

Resolution	Ordinary general meeting of shareholders March 30, 2006	Board of Directors August 16, 2006
Total amount of dividend	¥1,246 million	¥474 million
Dividends per share	¥26	¥10
Record date	December 31, 2005	June 30, 2006
Payable date	March 31, 2006	September 13, 2006

Dividend attributable to the performance of the accounting period ended December 31, 2006, but paid after said accounting period

Resolution	Board of Directors February 14, 2007
Total amount of dividend	¥800 million
Fund of dividend	Retained earnings
Dividends per share	¥17
Record date	December 31, 2006
Payable date	March 13, 2007

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate, inhabitant and enterprise taxes based on income. The normal effective statutory tax rate for these taxes in the aggregate was approximately 40.69% for 2007 and 2006, respectively, after reflection of the enterprise tax, in a way that such tax should be deductible for tax purposes only when paid. Overseas subsidiaries are subject to the 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, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Allowance for doubtful receivables	¥ 424	¥ 462	$ 3,714
Accrued bonuses	183	47	1,603
Accrued retirement benefits	386	608	3,382
Investment securities	403	452	3,530
Tax loss carryforwards	131	199	1,148
Deferred tax assets in overseas consolidated subsidiaries*	43	39	377
Other	1,014	978	8,883
	2,584	2,785	22,637
Valuation allowance**	(117)	(116)	(1,025)
Total deferred tax assets	2,467	2,669	21,612
Deferred tax liabilities:			
Marketable securities	13,436	17,883	117,705
Deferred tax liabilities in overseas consolidated subsidiaries*	3	3	26
Other	–	20	–
Total deferred tax liabilities	13,439	17,906	117,731
Total net deferred tax liabilities	¥10,972	¥15,237	$ 96,119

*Remarks: The deferred tax assets and liabilities in overseas consolidated subsidiaries as a result of the tax effects of the significant temporary differences and loss carryforwards as of the end of fiscal 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets:			
Tax loss carryforwards	¥ 85	¥ 88	$ 745
Other	57	30	499
Less valuation allowance**	(99)	(79)	(867)
Deferred tax assets	43	39	377
Deferred tax liabilities—Other	2	3	18
Deferred tax liabilities	2	3	18
Net deferred tax assets	¥ 41	¥ 36	$ 359

**Remarks: The valuation allowances shown above are provided for tax loss carryforwards of certain subsidiaries under the Group's tax planning.

Reconciliation between the normal effective statutory tax rate for the years ended December 31, 2007 and 2006, and the actual effective tax rates reflected in the accompanying consolidated statements of income were as follows:

	2007	2006
Normal effective statutory tax rate	40.69%	40.69%
Certain expenses permanently not deductible for tax purposes	5.61	6.16
Certain income permanently not taxable for tax purposes	(1.41)	(1.04)
Per capita levy	0.29	0.15
Other—net	1.20	1.10
Actual effective tax rate	46.38%	47.06%

8. RESEARCH-AND-DEVELOPMENT COSTS

Research-and-development costs charged to income for the year ended December 31, 2007 and 2006, were ¥844 million ($7,394 thousand) and ¥841 million, respectively.

9. LEASES

The Group leases certain computer equipment, office space, vehicles and other assets.

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, 2007 and 2006, were as follows:

Millions of Yen

Year Ended December 31, 2007	Furniture and equipment	Machinery and vehicles	Software	Total
Acquisition cost	¥2,213	¥33	¥381	¥2,627
Accumulated depreciation	1,292	23	178	1,493
Net leased property	¥ 921	¥10	¥203	¥1,134

Obligations under finance leases:

Millions of Yen

Due within one year	¥ 433
Due after one year	732
Total	¥1,165

Millions of Yen

Year Ended December 31, 2006	Furniture and equipment	Machinery and vehicles	Software	Total
Acquisition cost	¥2,067	¥28	¥386	¥3,021
Accumulated depreciation	1,527	14	111	1,652
Net leased property	¥1,080	¥14	¥275	¥1,369

Obligations under finance leases:

Millions of Yen

Due within one year	¥ 575
Due after one year	824
Total	¥1,399

Year Ended December 31, 2007	Furniture and equipment	Machinery and vehicles	Software	Total
	Thousands of U.S. Dollars			
Acquisition cost	$19,387	$289	$3,338	$23,014
Accumulated depreciation	11,319	201	1,560	13,080
Net leased property	$ 8,068	$ 88	$1,778	$ 9,934

Obligations under finance leases:

	Thousands of U.S. Dollars
Due within one year	$ 3,793
Due after one year	6,413
Total	$10,206

Breakdown of lease payments, or depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Total lease payments	¥603	¥717	$5,283
Depreciation expense	580	688	5,081
Interest expense	23	28	201

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
	2007	2006	2007
Due within one year	¥158	¥ 9	$1,384
Due after one year	164	9	1,437
Total	¥322	¥18	$2,821

10. CONTINGENT LIABILITIES

As of December 31, 2007, the Group had the following contingent liabilities:

Guarantee Obligations:

	Millions of Yen	Thousands of U.S. Dollars
Aggregated amount of guarantees for debts owed by subsidiaries and affiliates and payables by a client, Mindshare Japan	¥836	$7,324

Other contingent liability:

In September 2005, a former client filed a lawsuit against one of the Company's consolidated subsidiaries and four other companies and five individuals seeking demands in excess of $12.5 million in connection with the subsidiary's and the other defendants' advertising business. The subsidiary and its legal counsel filed a motion to dismiss the complaint in November 2005. The court heard oral arguments on the motion in January 2006 and has not yet issued a ruling.

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 as of December 31, 2007 and 2006, were summarized as follows:

Millions of Yen

Year Ended December 31, 2007	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
- buying (US$)	¥ 354	¥283	¥339	¥(5)
Swaps	1,417	–	0	0
Total				¥(5)

Millions of Yen

Year Ended December 31, 2006	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
- buying (US$)	¥ 67	¥ –	¥69	¥2
Swaps	1,417	1,417	2	2
Total				¥4
Interest rate:				
OTC market				
Swaps	¥1,000	¥ –	¥ (3)	¥3

Thousands of U.S. Dollars

Year Ended December 31, 2007	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
- buying (US$)	$ 3,101	$2,479	$2,970	$(44)
Swaps	12,413	–	0	0
Total				$(44)

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

12. SEGMENT INFORMATION

Information about business segments, geographic segments and billings to foreign customers of the Group for the years ended December 31, 2007 and 2006, was as follows:

(1) Business Segment Information

Business segment information for the years ended December 31, 2007 and 2006, was as follows:

a. Billings and Operating Income

Millions of Yen

2007	Advertising	Non-advertising	Total	Eliminations or Corporate	Consolidated
Billings to customers	¥426,402	¥8,609	¥435,011	–	¥435,011
Inter-segment billings	37	222	259	¥(259)	–
Total billings	426,439	8,831	435,270	(259)	435,011
Operating expenses	419,300	8,835	428,135	(258)	427,877
Operating income	¥ 7,139	¥ (4)	¥ 7,135	¥ (1)	¥ 7,134

Millions of Yen

2006	Advertising	Non-advertising	Total	Eliminations or Corporate	Consolidated
Billings to customers	¥410,875	¥9,184	¥420,059	¥ –	¥420,059
Inter-segment billings	99	311	410	(410)	–
Total billings	410,974	9,495	420,469	(410)	420,059
Operating expenses	404,605	9,459	414,064	(397)	413,667
Operating income	¥ 6,369	¥ 36	¥ 6,405	¥ (13)	¥ 6,392

b. Assets, Depreciation and Capital Expenditures

Millions of Yen

2007	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	¥236,659	¥9,703	¥246,362	¥(265)	¥246,097
Depreciation	1,130	40	1,170	–	1,170
Capital expenditures	599	8	607	–	607

Millions of Yen

2006	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	¥246,710	¥10,056	¥256,766	¥(12)	¥256,754
Depreciation	1,165	40	1,205	–	1,205
Capital expenditures	588	4	592	–	592

a. Billings and Operating Income

Thousands of U.S. Dollars

2007	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Billings to customers	$3,735,454	$75,418	$3,810,872	–	$3,810,872
Inter-segment billings	324	1,945	2,269	$(2,269)	–
Total billings	3,735,778	77,363	3,813,141	(2,269)	3,810,872
Operating expenses	3,673,237	77,398	3,750,635	(2,260)	3,748,375
Operating income	$ 62,541	$ (35)	$ 62,506	$ (9)	$ 62,497

b. Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars

2007	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	$2,073,228	$85,002	$2,158,230	$(2,321)	$2,155,909
Depreciation	9,899	351	10,250	–	10,250
Capital expenditures	5,248	70	5,318	–	5,318

Notes: 1. The Group is engaged primarily in the advertising industry. 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 services.

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, 2007 and 2006, were 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, 2007 and 2006, were 7.2% and 5.7%, respectively, or less than 10% of the total consolidated billings in the two periods, such information is not presented.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
ASATSU-DK INC.:

We have audited the accompanying consolidated balance sheets of ASATSU-DK INC. and its consolidated subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in net assets 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, 2007 and 2006, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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 28, 2008

Securities Holdings

ASATSU-DK INC. Consolidated Investments as of December 31, 2007

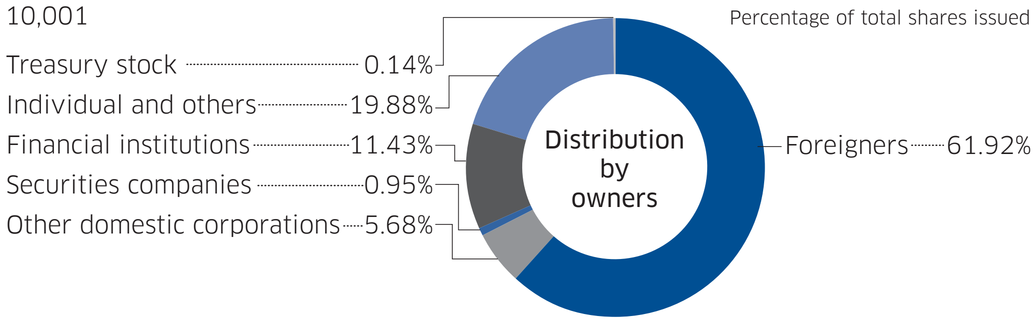
		Millions of Yen 2007	
Current	Money management funds	¥ 83	
	Free financial funds	4	
	Cash reserve fund	68	
	Bonds	3,099	10 funds
	Mutual funds in equities and bonds and others	420	10 funds
	Total	¥ 3,676	
Non-Current	WPP Group plc.	¥46,145	2.63% or 31,295,646 stocks
	Digital Advertising Consortium Inc.	1,432	Equity method
	Other publicly traded equities	22,060	145 issues
	Publicly traded equities total	69,638	
	Non-publicly traded equities in affiliate companies	4,684	19 issues
	Non-publicly traded equities in subsidiary companies	357	16 issues
	Other non-publicly traded equities	1,639	75 issues
	Non-publicly traded equities total	6,681	
	Bonds	7,090	28 issues
	Mutual funds in equities and bonds and others	310	7 issues
	Total non-current investments in securities	¥ 7,400	
	Investments in affiliated companies (non-securities)	338	7 funds
	Investments in funds (non-securities)	130	3 funds
	Total non-current Investments	¥84,189	

Top Five Equities by Balance including WPP	Millions of Yen 2007	
WPP Group plc.	¥46,145	31,295,646 shares
Tokyo Broadcasting System, Incorporated	2,358	982,900 shares
Omnicom Group Inc.	1,953	360,080 shares
ASAHI BREWERIES, Ltd.	1,892	1,000,000 shares
Mitsubishi UFJ Financial Group, Inc.	1,484	1,417,411 shares

Investor Information

(As of December 2007)

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	3,215 (consolidated basis) 2,017 (non-consolidated basis)
Common stock	Authorized: 206,000,000 shares Issued: 45,155,400 shares
Number of shareholders	10,001



Major shareholders

	Percentage of Ownership Voting*
WPP International Holding B.V.	22.91%
Northern Trust Co. (AVFC) Sub A/C American Clients	4.96%
Mellon Bank N.A. Treaty Clients Omnibus	4.25%
The Silchester International Investors International Value Equity Trust	3.70%
Masao Inagaki	3.63%
CBNY-Third Avenue International Val. Fund	2.91%
Northern Trust Company AVFC Re U.S. Tax-Exempted Pension Funds	2.71%
CBNY-UMB Funds	2.39%
Bear Stearns and Company	1.80%
State Street Bank and Trust Company	1.75%

* Note: Percentage of Ownership Voting figures are based on 45,091,103 shares (45,155,400 shares issued and outstanding, minus 64,297 shares of treasury stock).

Stock listing	Tokyo Stock Exchange, First Section
Securities code	9747
Transfer agent	Tokyo Securities Transfer Agent Co., Ltd. 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Annual meeting	The annual meeting of shareholders is normally held in March in Tokyo, Japan.
For further information	ASATSU-DK INC. Office of Corporate Communications Tel.: +81-3-3547-2003 URL: http://www.adk.jp/english/index.html

ADK Group Network

DOMESTIC

AGENCY GROUP

ADK International Inc. ... ■
1-1, Tsukiji 4-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3546-9100
Fax: +81-3-3546-9150

ADK Dialog Inc.
1-1, Tsukiji 4-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-5151
Fax: +81-3-3547-5152

Digital Advertising Consortium Inc. ... ❑
20-3, Ebisu 4-chome, Shibuya-ku,
Tokyo 150-6033
Tel.: +81-3-5449-6200
Fax: +81-3-5449-6201

Kyowa Kikaku Ltd. ... ■
20-15, Shimbashi 2-chome,
Minato-ku,
Tokyo 105-0004
Tel.: +81-3-3571-3111
Fax: +81-3-3571-3314

ASP Co., Ltd.
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-2100
Fax: +81-3-3547-2937

AD&M Inc.
12-19, Ginza 4-chome,
Chuo-ku, Tokyo 104-0061
Tel.: +81-3-3524-5056
Fax: +81-3-3524-5058

CREATIVE GROUP

ADK Arts Inc. ... ■
1-1, Tsukiji 4-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3545-5400
Fax: +81-3-3545-5075

ADK Boys Inc. ... ■
13-13, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3545-1071
Fax: +81-3-3545-1305

Drill Inc.
19-5, Udagawa-cho, Shibuya-ku,
Tokyo 150-0042
Tel.: +81-3-5428-8771
Fax: +81-3-5428-8772

ANIMATION CONTENT GROUP

Nihon Ad Systems Inc.
13-1, Tsukiji 1-chome, Chuo-ku,
Tokyo 104-0045
Tel.: +81-3-3547-2183
Fax: +81-3-3547-2098

Super Vision, Inc.
13-1, Tsukiji 1-chome, Chuo-ku,
Tokyo 104-0045
Tel.: +81-3-3547-2156
Fax: +81-3-3547-2098

Right Song Music Publishing Co., Ltd.
13-1, Tsukiji 1-chome, Chuo-ku,
Tokyo 104-0045
Tel.: +81-3-3547-2184
Fax: +81-3-3547-2098

Eiken Co., Ltd. ... ■
56-7, Minamisenjyu 6-chome,
Arakawa-ku, Tokyo 116-0003
Tel.: +81-3-3802-3011
Fax: +81-3-3807-6205

PUBLISHING GROUP

Nihonbungeisha Co., Ltd. ... ■
1-7, Kanda-Jimbo-cho, Chiyoda-ku,
Tokyo 105-8407
Tel.: +81-3-3294-7771
Fax: +81-3-3294-7780

Neo Shobo Inc. ... ■
6-7, Shimbashi 1-chome, Minato-ku,
Tokyo 105-0004
Tel.: +81-3-3573-1277
Fax: +81-3-3574-8165

Information Processing Service

Nippon Information Industry Corp. ... ❑
1-4, Shibuya 3-chome, Shibuya-ku,
Tokyo 150-0002
Tel.: +81-3-3409-9411
Fax: +81-3-3409-3785

OVERSEAS

NORTH AMERICA

New York
ADK America Inc. N.Y. ... ■
515 West 20th St., 6F, New York,
NY 10011, U.S.A.
Tel.: +1-646-284-9800
Fax: +1-646-284-9825

Los Angeles
ADK America Inc. L.A.
970 W. 190th St. #710, Torrance,
CA 90502, U.S.A.
Tel.: +1-310-630-3600
Fax: +1-310-630-3620

EUROPE

Frankfurt
Asatsu (Deutschland) GmbH ... ■
Guiollettstrasse 45,
60325 Frankfurt, Germany
Tel.: +49-6997-120-832
Fax: +49-6997-120-821

Amsterdam
ADK Europe Holding B.V. ... ■
ADK Europe B.V. ... ■
Barbara Strozzilaan 386,
1083 HN Amsterdam,
The Netherlands
Tel.: +31-20-799-3500
Fax: +31-20-799-3501

Knots Europe B.V.
Neptunusstraat 31, 2132 JA Hoofddorp,
The Netherlands
Tel.: +31-23-554-3554
Fax: +31-23-554-3553

Paris
ADK France S.A.S.
352 Rue Saint-Honore, 75001 Paris,
France
Tel.: +33-1-5345-3450
Fax: +33-1-5345-3455

ASIA

Beijing
Beijing Huawen-Asatsu International Advertising Co., Ltd.
25F, Block B Winterless Center, No. 1,
West Dawang Road, Chaoyang District,
Beijing 100026, P.R.C.
Tel.: +86-10-6464-0088
Fax: +86-10-6464-3889

Tiexu Advertising Co., Ltd.
18F, Golden Land Bldg., No. 32,
Liangmaqiao Road, Chao Yang District,
Beijing 100016, P.R.C.
Tel.: +86-10-6466-2122
Fax: +86-10-8448-3324

Beijing Dai-Ichi Kikaku Advertising Co., Ltd.
C-3, Huitong Office Park, No. 71, Jianguo
Road, Chaoyang District, Beijing 100025,
P.R.C.
Tel.: +86-10-8599-7788
Fax: +86-10-8599-7579

DS Public Relations Consulting Co., Ltd.
Room 828, Beijing Capital Times Square,
No. 88 Xichang'an Ave., Beijing 100031,
P.R.C.
Tel.: +86-10-8391-3389
Fax: +86-10-8391-3399

Shanghai
Shanghai Asatsu Advertising Co., Ltd. ... ■
10F, Yongxin Mansion, No. 887, Huaihai
Zhong Lu, Shanghai 200020, P.R.C.
Tel.: +86-21-6467-4118
Fax: +86-21-6474-7803

Asatsu Century (Shanghai) Advertising Co., Ltd.... ■
9F, Yongxin Mansion, No. 887, Huaihai
Zhong Lu, Shanghai 200020, P.R.C.
Tel.: +86-21-6474-8908
Fax: +86-21-6474-8909

(As of April 2008)

DS Public Relations Consulting Co., Ltd.
Shanghai Agency
Rm. 1205, Yongxin Mansion,
No. 887, Huaihai Zhong Lu,
Shanghai 200020, P.R.C
Tel.: +86-21-6433-9623
Fax: +86-21-6443-9705

Guangzhou
Guangdong Guangxu (Asatsu) Advertising Co., Ltd. ... ❑
26F, Telecom Plaza, No. 18,
Zhang Shan Er Road, Guangzhou
510081, P.R.C.
Tel.: +86-20-8888-9818
Fax: +86-20-8888-9815

Asatsu Century (Shanghai) Advertising Co., Ltd.
Guangzhou Branch
Rm. E-F, 19F, Jin An Tower, No. 300,
Dong Feng Zhong Road,
Guangzhou 510030, P.R.C.
Tel.: +86-20-8321-2080
Fax: +86-20-8321-2032

Chengdu
Asatsu Century (Shanghai) Advertising Co., Ltd.
Chengdu Branch
B-801, Times Plaza, No. 2, Zongfu Road,
Chengdu 610016, P.R.C.
Tel.: +86-28-8666-5471
Fax: +86-28-8672-5017

Fuzhou
Fujian ASATSU-DK Ltd.
No. 131, 2F, Fuzhou Century Crown Bldg.,
Bei Huan Zhong Road, Fujian 350003,
P.R.C.
Tel.: +86-591-8801-2100
Fax: +86-591-8801-2108

Hong Kong
ASATSU-DK HONG KONG LTD. ... ■
25F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong
Tel.: +852-2895-8111
Fax: +852-2576-3322

DK ADVERTISING (HK) LTD. ... ■
25F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong
Tel.: +852-2811-9999
Fax: +852-2811-9699

Taipei
United-Asatsu International Ltd. ... ■
13F, No. 287, Nanking E. Road, Sec. 3,
Taipei 105, Taiwan, R.O.C.
Tel.: +886-2-8712-8555
Fax: +886-2-8712-9555

DIK-OCEAN Advertising Co., Ltd. ... ■
13F, No. 287, Nanking East Road, Sec. 3,
Taipei 105, Taiwan, R.O.C.
Tel.: +886-2-2546-3636
Fax: +886-2-2546-1919

Singapore
ASATSU-DK SINGAPORE PTE. LTD. ... ■
1 Liang Seah Street, #02-05, Singapore
189022
Tel.: +65-6333-5115
Fax: +65-6333-5225

Scoop AD WORLD Pte Ltd
37 Beach Road, #2-02,
Singapore 189678
Tel.: +65-6336-2346
Fax: +65-6336-1982

IMMG Pte. Ltd.
213 Henderson Industrial Road, #01-09,
Henderson Industrial Park,
Singapore 1595535
Tel.: +65-6376-5088
Fax: +65-6375-2029

Jakarta
PT. Asta Atria Surya
Wisma Slipi, Lantai 11 Jl. Let.
Jend. S. Parman Kav. 12,
Jakarta 11480, Indonesia
Tel.: +62-21-530-7155
Fax: +62-21-530-7156

PT. Perdana IMMG Indonesia
Jl.Kemang No. 5, Jakarta Selatan 12730,
Indonesia
Tel.: +62-21-718-3311
Fax: +62-21-718-3322

Kuala Lumpur
ASATSU-DK Malaysia Sdn. Bhd.
Level 18, Menara Merais, No. 1, Jalan 19/3,
46300 Petaling Jaya, Selangor, Malaysia
Tel.: +603-7954-0388
Fax: +603-7954-0266

Bangkok
ADK Thai Holding Ltd.... ■
ASATSU (THAILAND) CO., LTD.... ■
24F, Sirinrat Bldg., 3388/86 Rama 4 Rd.,
Klongton, Klongtoey, Bangkok 10110,
Thailand
Tel.: +66-2-367-5951
Fax: +66-2-367-5946

DAI-ICHI KIKAKU (THAILAND) CO., LTD. ... ■
23F, Shinawatra Tower III, 1010 Vibhavadi
Rangsit Road, Ladyao, Chatuchak,
Bangkok 10900, Thailand
Tel.: +66-2-949-2700
Fax: +66-2-949-2777

ASDIK Ltd. ... ■
6F, Shinawatra Tower III, 1010 Vibhavadi,
Rangsit Road, Ladyao, Chatuchak, Bangkok
10900, Thailand
Tel.: +66-2-949-2800
Fax: +66-2-949-2805

Ho Chi Minh
ASATSU-DK VIETNAM INC.
18F, Sun Wah Tower, 115 Nguyen Hue
Blvd., District 1, Ho Chi Minh City,
Vietnam
Tel.: +84-8-821-9211
Fax: +84-8-821-9210

SOL Advertising Company
18F, Sun Wah Tower,
115 Nguyen Hue Blvd., District 1,
Ho Chi Minh City, Vietnam
Tel.: +84-8-821-9211
Fax: +84-8-821-9210

Manila
ASATSU-DK INC.
Philippine Representative Office
c/o Catalytx Advertising,
9/F Raffles Corporate Center,
F. Ortigas, Jr. Road (formerly Emerald
Ave.), Ortigas Center, Pasig City 1605,
Philippines
Tel.: +63-2-914-4297
Fax: +63-2-914-9001

Seoul
ASATSU-DK INC. Seoul LG AD/ ADK DIVISION
LG Mapo Bldg., 275, Kongdeok 2-dong,
Mapo-gu, Seoul 121-721, South Korea
Tel.: +82-2-705-2517
Fax: +82-2-705-2952

New Delhi
ADK-FORTUNE PVT. LTD.*
B1/B2 Enkay Centre, Udyog Vihar Phase-V,
Gurgaon 122016, India
Tel.: +91-124-453-9700
Fax: +91-124-453-9752
* Under the process of company registration (as of June 2008)

Dubai
ASATSU-DK INC.
Dubai Representative Office
Al Sufouh Tower, 7th Floor, Office No. 701,
Dubai Media City,
Dubai United Arab Emirates
Tel.: +971-4-4278-722
Fax: +971-4-4278-721

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

ASATSU-DK INC.

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

Printed in Japan