ADK Annual Report 2009

Year ended December 31, 2009

ADK Profile

ASATSU-DK INC., commonly known by its initials ADK, was founded in March 1956 by 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 the 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, the world's largest marketing organization.*

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. Now it is Japan's third largest total communications service agency and the 12th largest communications service group in the world.*

Since its foundation, the company has steadily expanded its operations based on an unwavering commitment to the "Management by All" philosophy. This means every employee in the ADK Group is expected to embrace a management-level perspective and approach client needs proactively.

In recent years, amid dramatic changes in the communications environment, the role of advertising agencies has also changed significantly. ADK's quest is to become a genuine "Future Agency" that is able to respond flexibly to the changing needs of advertisers and contribute to the business performance of its clients.

(* *Advertising Age,* April, 2010)

Contents

Business at a Glance

Consolidated Five-Year Summary

	Millions of Yen					Thousands of U.S. Dollars
	2009	2008	2007	2006	2005	2009
Income Statement Data						
Gross billings	¥350,211	¥399,452	¥435,011	¥420,059	¥424,705	$3,802,508
Gross profit	41,367	49,143	51,754	48,685	47,774	449,153
Selling, general and administrative expenses	42,123	45,444	44,619	42,292	40,286	457,361
Operating income (loss)	(756)	3,699	7,134	6,392	7,488	(8,208)
Income before income taxes and minority interests	343	3,775	10,122	9,682	11,028	3,725
Net income	73	2,125	5,350	5,070	5,946	793
EBITDA*	¥ 187	¥ 4,502	¥ 8,274	¥ 7,590	¥ 8,568	$ 2,031

*EBITDA = Operating income + Depreciation/Amortization

Balance Sheet Data	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥190,024	¥191,782	¥246,097	¥256,754	¥246,867	$2,063,239
Total net assets*	107,465	101,617	131,846	141,387	135,748	1,166,830
Total long-term liabilities	4,765	2,611	14,354	19,140	16,799	51,737

*Net assets consists of Shareholder's equity, valuation and translation adjustments, and minority interests.

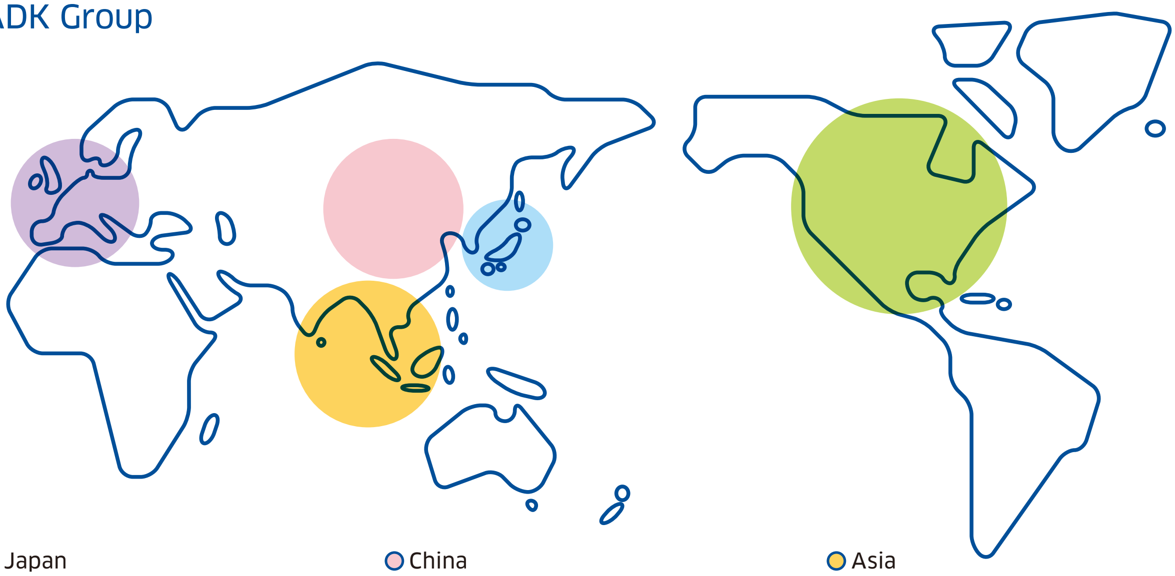
Per Common Share Data (Yen and U.S. Dollars)						
Net income per share (EPS)*	¥ 1.73	¥ 48.14	¥ 116.40	¥ 106.62	¥ 122.11	$ 0.02
Dividend per share	20	20	42	27	36	0.22
Book value per share	2,499.05	2,334.48	2,898.49	2,979.79	2,809.30	27.13
No. of common shares issued	45,155,400	45,155,400	45,155,400	51,655,400	51,655,400	
No. of common shares outstanding	42,585,533	43,088,073	45,091,103	47,096,993	47,952,849	

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

Financial Ratios					
AS PERCENT OF GROSS BILLINGS					
Gross profit	11.81%	12.30%	11.90%	11.59%	11.25%
SG&A expenses	12.03	11.38	10.26	10.07	9.49
Operating income	(0.22)	0.93	1.64	1.52	1.76
Income before income taxes and minority interests	0.10	0.94	2.33	2.31	2.60
Net income	0.02	0.53	1.23	1.21	1.40
AS PERCENT OF GROSS PROFIT					
Operating income	(1.8%)	7.5%	13.8%	13.1%	15.7%
Staff cost	67.0	62.4	57.8	57.8	56.0
Return on equity	0.1	1.8	3.9	3.7	4.6
Return on assets	0.04	1.7	2.8	2.5	3.1
Equity ratio*	56.0	52.4	53.1	54.7	54.6
Current ratio	1.57×	1.50×	1.48×	1.44×	1.46×

*Equity ratio, according to TSE formulas, equals book equity (excluding minority interest) divided by book total assets.
Note: For convenience purposes, U.S. dollar amounts are converted from Japanese yen at the rate of ¥92.10=US$1, the approximate rate of exchange as of December 31, 2009.

ADK Group



Japan
- • Kyowa Kikaku Ltd.
- • ADK International Inc.
- • ADK Dialog Inc.
- • ADK Arts Inc.
- • Boys Inc.
- • Digital Advertising Consortium Inc.*
- ◦ Eiken Co., Ltd.
- ◦ Nihon Bungeisha Co., Ltd.
- ◦ Neo Shobo Inc.
- ◦ Nippon Information Industry Corp.*

• Advertising
◦ Other business
*Affiliates accounted for by equity method

China
- • Guangdong Guangxu (ASATSU) Advertising Co., Ltd.*
- • ASATSU-DK HONGKONG Ltd.
- • DK ADVERTISING (HK) Ltd.
- • ASATSU Century (Shanghai) Advertising Co., Ltd.
- • Shanghai Asatsu Advertising Co., Ltd.

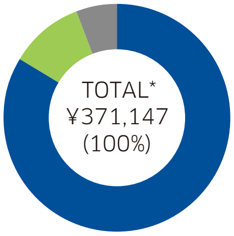
Taiwan
- • UNITED-ASATSU INTERNATIONAL Ltd.
- • DIK-OCEAN Advertising Co., Ltd.

Asia
- • ASATSU-DK SINGAPORE Pte. Ltd.
- • ADK Thai Holding Ltd.
- • DAI-ICHI KIKAKU (THAILAND) Co., Ltd.
- • ASDIK Ltd.
- • ASATSU (Thailand) Co., Ltd.

Europe
- • Asatsu Europe Holding BV
- • Asatsu Europe BV
- • Asatsu (Deutschland) GmbH

North America
- • ADK America Inc.

ADK vs. Consolidated Subsidiaries
(Gross Billings)

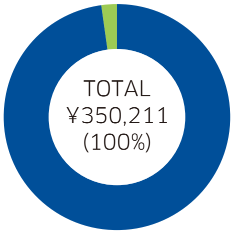


Millions of Yen

ADK	¥310,970 (83.8%)
Domestic subsidiaries	¥ 38,963 (10.5%)
Overseas subsidiaries	¥ 21,213 (5.7%)
*Total before consolidation adjustments	¥371,147 (100%)
(Adjustments)	¥(20,936)
Total	¥350,211

Note: Percentage figures indicate share of total gross billings before consolidation adjustments.

Advertising vs. Other Business
(Gross Billings)



Millions of Yen

Advertising	¥342,926 (97.9%)
Other Business	¥ 7,285 (2.1%)

To Our Valued Shareholders

It is our pleasure to report on the ADK Group's performance in fiscal 2009, ended December 31, 2009.

At the Ordinary General Meeting of Shareholders held on March 30, 2010, Masao Inagaki was appointed Representative Director, Chairman Emeritus; Koichiro Naganuma was appointed Representative Director, Chairman and Group CEO; and Yoji Shimizu was appointed Representative Director, President and COO. All three men assumed their new positions on the same day. Under this new arrangement, we are committed to advancing the operations of ADK and the ADK Group, and we look forward to your ongoing support.

Toward the latter half of 2009, the Japanese economy showed signs of a moderate recovery. However, personal consumption has weakened, and we feel that a full-scale recovery will require considerable time. In the advertising market, which is the core business field of the Group, conditions remain severe, with no end in sight to declines in corporate advertising expenditures.

Facing these challenges, the ADK Group sought to broaden its service offerings to advertising clients and boost earnings by adopting stringent cost controls and cutting operational expenses, in an effort to achieve a recovery in growth and profitability. However, the effect of these measures was limited, and despite the tireless efforts of all involved, the Group failed to meet its performance expectations, posting declines in gross billings and profits compared with the previous year.

We expect conditions to remain difficult for some time. Nevertheless, under our new management team and guided by our "Management by All" philosophy, we will unite in our quest to confront these difficult times and return the Group to a growth trajectory.

We look forward to your unwavering support and understanding as we embrace our future challenges.

June 2010

Koichiro Naganuma
Representative Director, Chairman & Group CEO

Yoji Shimuzu
Representative Director, President & COO

Masao Inagaki
Representative Director, Chairman Emeritus

Message from Koichiro Naganuma, Chairman & Group CEO

The ADK Group reported difficult results in fiscal 2009 to an extent unseen in recent years. Moreover, there are concerns that the advertising market will remain depressed for some time. Taking these factors into account, the Group will place top priority on achieving a recovery in profitability while emphasizing financial stability.

Fiscal 2009: Review and Results

In fiscal 2009, the Japanese economy started out facing severe conditions in the wake of the global economic crisis. However, signs of a turnaround began to appear as companies made good progress in streamlining their inventories. Growth in China provided an added boost. Nevertheless, the economy failed to enter a full-scale recovery as employment issues and other serious challenges remained.

Confronting a difficult business environment, ADK (the parent company), which accounts for the majority of the Group's consolidated gross billings, strengthened its capabilities to provide 360-degree communications solutions for advertisers and pursued proactive sales initiatives. Unable to avoid the impact of a shrinking market, however, ADK reported gross billings of ¥310,970 million, down 13.3% from the previous year.

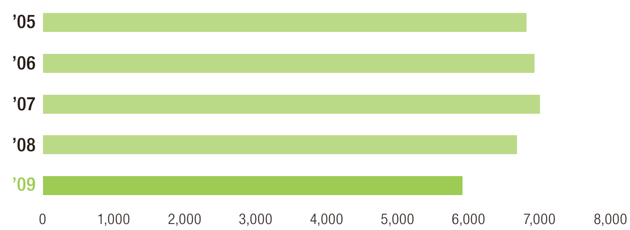
Due to a softening in the media market and intensified competition in the advertising market, together with the fall in gross billings, gross profit declined 18.2% to ¥31,603 million, and the gross margin slipped 0.6 percentage point to 10.2%. During the year, the Company made large-scale reductions in personnel expenses and otherwise sought to cut costs. Due to a large increase in the provision for doubtful accounts and other factors, however, selling, general and administrative expenses totaled ¥32,870 million, down 9.1%. Because this decline failed to compensate for the decrease in gross profit, ADK reported an operating loss of ¥1,267 million compared with operating income of ¥2,463 million in fiscal 2008. This represented the first non-consolidated annual operating loss since the Company's public listing in October 1987. (See the non-consolidated performance summary on page 25.)

Domestic advertising subsidiaries generated overall increases in gross billings and profits thanks to sales-related initiatives taken by each company. But, like the parent company, the subsidiaries together reported a decline in bottom-line income, mainly due to an increased provision for doubtful accounts necessitated by difficult business conditions.

Subsidiaries involved in book publishing and sales adopted more stringent publication planning criteria aimed at maintaining profitability. However, gross billings declines continued due to market shrinkage, and those subsidiaries, unable to offset fixed costs, reported operating losses for the year.

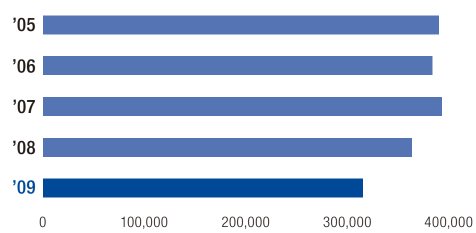
Overseas subsidiaries reported an overall decline in gross billings due to the global economic recession and the yen's appreciation, but posted an increase in bottom-line profits thanks to cost-cutting efforts.

Advertising Expenditures in Japan (Billions of Yen)



(Data: Dentsu)

ADK (Parent) Gross Billings (Millions of Yen)



On a consolidated basis, the ADK Group posted gross billings of ¥350,211 million, down 12.3% from the previous year. Gross profit declined 15.8% to ¥41,367 million, and the gross profit ratio was down 0.5 percentage point to 11.8%. The Group posted an operating loss of ¥756 million compared with operating income of ¥3,699 million in the previous year. Equity in earnings of affiliated companies totaled ¥126 million, down from ¥648 million in the previous year. This was due to lower profits reported by two equity-method companies in Japan. Accordingly, other income—net amounted to ¥1,099 million, and the Group reported net income of ¥73 million, down 96.5% from the previous fiscal year.

Top priority on achieving a recovery in profitability while emphasizing financial stability

Our Business Strategies

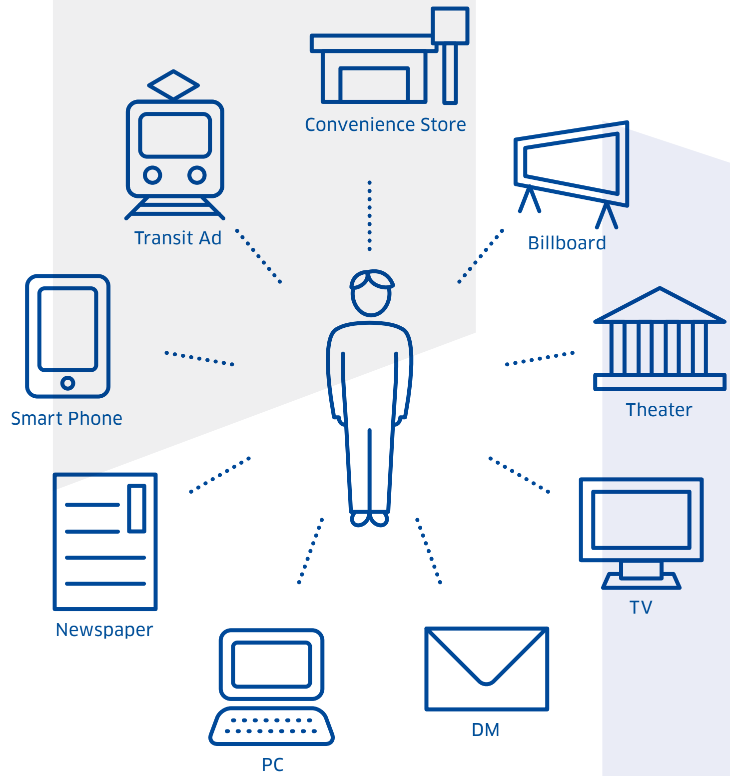
Further promotion of 360-degree communications solutions

ADK views itself as a “Future Agency” capable of addressing changes in the environment surrounding the advertising industry and meeting client needs. Our communications strategy is to remain media-neutral and solution-neutral. Rather than adhering to specific media or traditional customs, we utilize all the touchpoints that permit communication with consumers and offer the most efficient and effective plans to our clients. Our fundamental strategy will remain unchanged, even amid changes in the media environment driven by technological progress or in the way that consumers interact with media.

As you are aware, the proliferation of the Internet and mobile media has brought about dramatic and ongoing changes in consumer lifestyles. New devices featuring the latest technologies are constantly appearing on the market. In no time at all, consumers incorporate such devices into their lives as if it were perfectly natural. These days, they listen to music downloaded onto tiny terminals, read novels on LCD screens and enjoy the excitement of 3-D movies. Scenarios unheard-of just a few years ago are now regarded as normal. In the future, children will enjoy 3-D games and programs on the family television set and carry tablet-sized terminals to and from school as a matter of course.

Dramatic changes in the business environment are placing pressure on advertising companies to propose communications programs that best suit consumers who have developed sophisticated media interaction and purchasing behavior.

As a solutions partner, we seek to address the needs of advertisers and provide communications plans that reach consumers while leaving a strong impression on them. To this end, we contiunously upgrade our 360-degree communications programs, especially in such growing business arenas as the digital, in-store and direct businesses.



Digital Media

In the digital arena, we will work to strengthen our Web-related solutions capabilities, especially by enhancing the power of ADK Interactive Inc. We established our specialized digital agency, ADK Interactive, in 2008, however, in fiscal 2009, we were unable to expand revenue in the digital business. I think this was because of the limited capabilities and sales force of ADK Interactive and ADK itself. In 2010, we will make further investments in that company to reinforce its functions and capabilities. Meanwhile, search engines represent an important aspect of the digital communications business. To this end, we have formed an alliance with DA search & link INC. (DASL), a specialist in search engine marketing.

In-Store Media

In September 2009, we formed an alliance with MACS Co., Ltd., a Japanese agency that specializes in in-store merchandising and sales support. The sales counter is the ultimate touchpoint between consumers and products. In the case of daily goods, it is said that 70%–80% of consumers make purchasing decisions while in the store. That is why many manufacturers concentrate on in-store POP and promotional activities. Often, however, they are unable to provide comprehensive follow-up. In other words, they cannot obtain feedback on actual consumers' reactions or verify whether their messages reach consumers. Therefore, they cannot incorporate such feedback into their sales strategies. Under the agreement with MACS, we will jointly provide integrated services ranging from advertising to distribution, merchandising and customer interface.

In February 2010, ADK teamed up with LAWSON (a convenience store chain operator) and NTT DOCOMO (a mobile phone provider) to establish a new company that will display advertising content using digital signage technologies at LAWSON stores. Digital signage permits the transmission of information tailored to a specific geographical area, time and target in a strongly attention-grabbing manner, not only to store visitors but also passersby. It also enables two-way communication by allowing people, for example, to use their mobile phones to obtain product information and coupons. We believe it is important to invest in such next-generation media, which has new levels of potential.

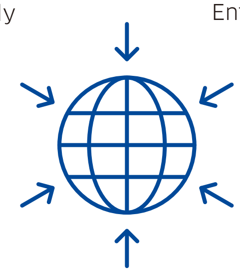
Image of a LAWSON store front

Direct Business

The direct communications business is assuming more and more importance in these economically difficult times. In calendar 2008, the e-commerce market in Japan was around ¥6 trillion, up 13.9% from the previous year. Moreover, it is expected to surpass department store sales in calendar 2009. Within the e-commerce market, the mobile commerce segment posted strong growth, up 18.6% year on year. ADK has a solid track record and a wealth of know-how amassed through supporting mail-order, e-commerce and telemarketing clients. Deploying these strengths, we will support not only nonstore retailing clients but also those seeking to expand their sales channels, as well as those aiming to upgrade their consumer relationship management (CRM) capabilities.

Focus on Overseas Markets

The ADK Group is working to build an overseas network that helps its clients advance their international operations. Even in sluggish economic conditions, we regard markets in Asia and other emerging regions as areas with relatively high growth potential. Many Japanese advertisers are increasing their emphasis on Asia, especially China and the ASEAN countries. Accordingly, we will further strengthen our activities in these nations.



In fiscal 2009, we set up an office in Russia, a market that holds considerable potential for Japanese corporations but is still relatively undeveloped in the advertising sense. For Japanese firms seeking to enter that nation, there are many uncertain elements about how to best communicate with Russian consumers. With this in mind, ADK moved quickly to place a Japanese representative on the scene and has built a framework that permits meticulous support for the local activities of Japanese companies.

China is one of the hottest markets in the world. According to estimates from Zenith Optimedia, advertising expenditures in China will grow 12.1% year on year in 2010 compared with 2.2% growth worldwide. By 2011, China is expected to become the world's third largest advertising market, after the United States and Japan. To solidify our presence in that promising market, we are fortifying our operational network, spearheaded by our local subsidiary in Shanghai.

Meanwhile, Expo 2010 Shanghai China started in May 2010. ADK's business participation in the Expo is multifaceted, but its principal involvement centers on two areas. The first is the Japan Pavilion, where our responsibilities include pavilion operation, special events and PR. The second is the Chinese Private Enterprise Pavilion, featuring exhibits from 16 prominent Chinese private-sector companies. We hope to seize this opportunity to attract more local clients.

In other parts of Asia, as well, we are upgrading our personnel and functional capabilities in order to attract Japanese companies and local corporations as clients. We have subsidiaries in Thailand, Hong Kong, Taiwan and Singapore, and from 2010 we will newly consolidate ASATSU-DK Malaysia. In the mature markets of Europe and North America, we will effectively utilize the global resources of the WPP Group, in addition to mobilizing our own network. We will also reinforce our educational program for Global Account Directors, who are able to accurately address the global needs of advertisers that are advancing their business internationally. At present, the ADK Group's overseas business accounts for around only 6% of consolidated gross billings, which means we have plenty of room to expand. Our plan is to raise this ratio to around 10% over the medium term as the first step and target further growth thereafter.

Reinforce Domestic Branches

Within Japan, ADK has 12 branch offices. We will continue to reinforce the operations of our regional branches, with a particular focus on Osaka, Nagoya and Fukuoka, which we regard as major potential growth regions.

Osaka is Japan's second largest city after Tokyo. Unfortunately, it is currently facing greater economic difficulties than Tokyo, but we must remember that Osaka originally evolved as a commerce-oriented town and remains a vibrant cultural center. If Osaka and Nagoya, Japan's third largest city, were combined, the result would be a market rivaling an Asia nation in terms of scale. Another city, Fukuoka, in Kyushu, is home to numerous prominent corporations despite being geographically distant from Tokyo. Although we recognize the importance of overseas markets, we are careful not to overlook the significant potential that exists in Japan.

Advertisers' ultimate requirement from ad agencies:

Raise accountability through improved advertising investment efficiency

Develop the Animation Content Business

Animation content is a traditional strength of the ADK Group and an important additional income source after regular advertising. Nearly 50 years have passed since ADK started developing animation content. Characters created during that time include such well-known names as *Doraemon*, who has been adored continuously in Japan for more than three decades. Sometimes these existing characters can be revitalized by remaking or repositioning them in games, smart-phone applications and other forms.

We also have a number of characters that are as popular overseas as they are in Japan. Our plan is to reinvigorate existing popular content while developing new content to diversify our content portfolio. In addition to Japan, we will step up development of overseas markets by enhancing program sales while developing sales promotion activities using characters in markets where Japanese characters are enthusiastically supported by children.

Advertising is an important element of an advertiser's investment strategy. Accordingly, advertisers demand ongoing improvements in efficiency and want verification of such efficiency from their ad agencies.

The ADK Group offers optimal advertising programs and implementation measures that maximize the return on investment in such programs. We also provide clients with our ROI Model, which enables them to verify the effectiveness of their ad investments. Determined to strengthen our ability to formulate 360-degree communications programs and reinforce our effectiveness verification systems, we will continue to incorporate and develop the necessary knowledge and technologies, as well as nurture talented human resources.

Since our establishment, we have embraced a corporate philosophy of "Management by All." This means every employee in the ADK Group is expected to embrace a management-level perspective and approach client needs proactively. Guided by this philosophy, we work as a united group, adopting measures aimed at ensuring a swift business performance recovery. We look forward to the ongoing support and understanding of our shareholders as we pursue our future goals.

Message from Yoji Shimizu, New President and COO

In March 2010, Yoji Shimizu was appointed president and chief operating officer of ADK. In this new position, he understands that his most important mission is to help ADK achieve a performance recovery and return to a growth trajectory. To this end, he will draw on his track record and experience, and will embrace the pioneering spirit that is embodied in ADK's DNA.

I joined ASATSU INC. in 1970 after graduating from the Department of Politics and Economics at Waseda University. That was the year of the international exposition in Osaka, and Japan was in the midst of a high-growth period that started in 1955. At the time, our company had only 260 employees and annual billings of ¥7.7 billion. Like the Japanese economy, however, we were enjoying continued strong growth. In 1970, our gross billings jumped 28% year on year. I was initially assigned to the Television & Radio Division. It was a time when the television market was growing steadily, with color TV enjoying widespread popularity. However, ASATSU started out as a specialist in magazine advertising and was a late entrant into the TV ad market. I was placed in a challenging position. Every day, I fought an ongoing battle with our competitors to get better spots and programs. In such a position, I was able to polish my strategic negotiating skills.

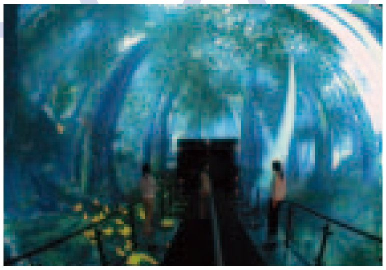
1970

OSAKA

In 1985, I moved to the Sales Division and for the next 25 years I was involved in the sales field. During that time, I worked with clients in a variety of sectors, such as pharmaceuticals, foods, electrical appliances and finance/insurance. The requirements of my clients were diverse and differed according to industry sector, company size and corporate culture. I listened to my clients and worked hard to understand their needs and problems, and I was committed to finding the appropriate solutions. At that time, I always wanted to do something new, something that would surprise and impress people. ADK, or ASATSU in those days, was filled with a pioneering spirit. We developed innovative advertising techniques, such as incorporating reply postcards into magazine advertisements and including household account books in women's magazines. We also entered the animation content business. After Japan restored diplomatic relations with China, we acted quickly to do business on the Chinese mainland. We were Japan's first advertising company to list its shares publicly. Indeed, ASATSU has been responsible for many "firsts" in the advertising industry, and I believe the pioneering spirit is part of its DNA.

2005

AICHI



At the 2005 World Exposition, Aichi, Japan, ADK played a major role in the design and execution of the Japan Pavilions. For both ADK and myself, it was an extremely challenging period. Until that time, it was thought that only the biggest advertising firm would be able to obtain Expo business, but ADK got the account despite being only the third largest firm. As the general director in charge of this account, I approached the challenge proactively despite the great pressure involved. After the opening ceremony, a long line of people queued in front of the Japan Pavilions, and visitors cheered loudly at the 360-degree images projected in the "Earth Room" of the pavilion. I felt a deep sense of joy to be part of this business. We succeeded in earning the satisfaction of our client and leaving visitors with feelings of stimulation and amazement. It gave us a sense of achievement to be involved. This is the most thrilling part of the communications business. Moreover, our work on the Expo made us realize the global potential of this business.

By the time this annual report reaches its readers, the 2010 Expo will be under way in Shanghai, China. At this expo, ADK is involved in the Chinese Private Enterprise Pavilion and the Japan Pavilion. Although ADK shares the Japan Pavilion account with other companies, we have total responsibility for the Chinese Private Enterprise Pavilion project, including planning, design, construction, exhibition and operation. This is a truly amazing feat for a Japanese company to attract the pavilion-related business of 16 Chinese exhibitors, including Fosun International Group, Alibaba and SUNING. Furthermore, when the decision was made that we would compete for the account, we were given only three weeks to prepare. The concept of our proposal revolves around "cells." It is based on the idea of expressing the "unlimited vitality of Chinese private enterprises" as "cells" that will keep turning over and never disappear. Together with this concept, which was highly praised, our track record with the Aichi Expo helped us obtain such a large account. Our success will depend on how well we can convey feelings of amazement in China and deliver joy to clients, visitors and ourselves. This is our new challenge.

With the advent of the Internet and mobile media, as well as social networking services, many people say that business for advertising firms has become more difficult. On the contrary, I'm quite excited. Whereas advertising communication was a one-way street in the past, we have entered a new era in which anybody can become a transmitter of information. The communication possibilities are endless, which has made our business more interesting than ever before. This trend will gain further momentum in the future. Now is the time to demonstrate ADK's real pioneering spirit. The economic recession only makes me more determined to convey "amazement" to people and deliver "joy" to clients, consumers and ourselves.

The Chinese Private Enterprise Pavilion

2010

SHANGHAI

Despite some signs of recovery, the Japanese advertising market is expected to continue facing difficulties. Under these circumstances, my mission is to bring ADK back onto the road of recovery. This is a daunting task. However, we will embrace the challenge by deploying ADK's track record and experience while remaining attuned to the pioneering spirit that is inherent in our DNA. We look forward to your continued support and understanding.

Corporate Social Responsibility (CSR)

ADK's basic policy is to take an active role in realizing a sustainable society. Based on this policy, we have pursued a range of corporate social responsibility (CSR) activities, with a renewed focus on

1. Reinforcing our compliance system.
2. Demonstrating our commitment to environmental protection.
3. Other social contribution activities that we have pursued over the years.

The task of reinforcing our compliance system is handled by the Compliance Committee, a subcommittee of the Risk Management Committee. Our environmental protection and other social contribution initiatives are promoted by the CSR Committee, which was established in January 2008 under the direct control of the president.

Compliance

ADK regards compliance as the most fundamental factor in fulfilling its social responsibility, and compliance is now a firm expectation of stakeholders. In 2009, the Compliance Committee conducted training workshops targeting senior management to make them aware of their responsibilities for directing their staff to behave properly under the "ADK Compliance Guidelines," which conform to the "ADK Group Code of Conduct" and were issued in March 2008. Through these workshops, the Committee also raised awareness of ADK's in-house reporting system, called "ADK Group Helpline," which is expected to function as a key engine to promote compliance.

Environmental Protection

ADK made further progress in pursuing certification under ISO14001, an international standard for environmental management systems, which was introduced in 2008 to more effectively address environmental issues. After earning certification for the efforts of three divisions chosen to start this project in the first year, ADK expanded the project to cover other divisions of the head office in the second year. After a two-year effort, the entire head office successfully obtained the certification at the end of 2009.

Social Contribution

The ADK Group Code of Conduct declares that the ADK Group shall strive hard to benefit society in the communications domain. To this end, the Group shall provide ideas and creative services free of charge where appropriate, working in close cooperation with public entities and organizations, nongovernmental organizations (NGOs) and nonprofit organizations (NPOs), and outside entities with specialist expertise. Guided by this declaration, in 2009 ADK deployed its distinctive capabilities as an advertising company to promote the following activities.

CM Planning Course at Ritsumeikan University

In 2008, ADK began offering a television commercial (CM) planning course at Ritsumeikan University based on a scholarly exchange agreement. Under the agreement, ADK creative staff members in charge of producing CMs provided lectures on the latest creative techniques and the current status of the advertising business again in September 2009. The course received favorable reviews from the students and was extensively reported in major newspapers. ADK will continue this effort in 2010 and beyond.

CM planning lecture at Ritsumeikan University

Pro Bono Creative Work

The Japan Advertising Council* has been hosting annual competitions to select creative ideas for its public advertising campaigns. Each year, the competition attracts hundreds of ideas from advertising agencies across the nation. ADK provides the campaigns with unique creative works every year. In 2009, we won the following campaigns:

1) Campaign to support the Japan Stroke Association

2) Campaign to support the 3Rs** Promotion Group Network

The CM for the campaign to support the 3Rs Promotion Group Network conveyed a message that reflects ADK's commitment to obtaining company-wide ISO14001 certification for its environmental management systems.

The initial symptoms of a stroke are difficult to notice. But if you simply attribute the signs to age or fatigue, the results could be serious. This ad is based on the famous line of Hamlet: "To be or not to be? That is the question." The underlying message, however, is, "To live or not to live? That is the question." The ad features actor Toru Emori, famous for his former role as Hamlet, who recovered from a stroke and again played the role for this ad.

"To be (a stroke) or not to be (just fatigue)? That is the question." (Japan Stroke Association, Japan Advertising Council)

This ad promotes the idea that recycling will help our dreams come true and make our life comfortable. It does this through a simple and heartwarming story about how discarded empty cans and pet bottles, collected by kids playing in the field, happily dream of being reborn as parts of the Shinkansen (bullet train) or the crew uniforms of the train.

"Discarded empty cans whose dreams have come true." (The 3Rs Promotion Group Network, Japan Advertising Council)

*The Japan Advertising Council was established for the purpose of contributing to social welfare through the communicative and persuasive art of advertising. It promotes public advertising campaigns nationwide using ads aimed at encouraging people to act in the public interest.

**"3Rs" means the "reducing, reusing and recycling" of used products.

Corporate Governance and Internal Control

Corporate Governance Policy

ADK believes that the ultimate objective of a corporation should be to maximize value for its shareholders by generating sustained growth. It is fundamental for corporations to motivate and monitor management teams to work toward this objective, in order to constantly raise corporate value and ultimately enhance competitiveness. Therefore, effective corporate governance plays an essential role in this context.

Among the various stakeholders, 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 shareholders' rights must be prioritized.

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 in 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 superior, ADK will ensure proper management supervision via its corporate auditor system.

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 12 directors, three of whom have representative status under Japanese law, with eight serving as operating officers (as of March 30, 2010).

The Board of Directors meets once a month, in principle, and more often as necessary. In fiscal 2009, the Board met 23 times. On two occasions, the Board requested the attendance of accounting auditors to receive direct reports of the results of accounting audits.

Internal audits are conducted by the Group Audit Office, which reports directly to the president and had a staff of nine as of March 30, 2010.

ADK has four corporate auditors, three of whom are external. One of the three is a lawyer and serves on a part-time basis. The three full-time corporate auditors attended all 23 of the Board of Directors meetings. The part-time corporate auditor attended almost all such meetings. The Board of Corporate Auditors met seven times in fiscal 2009. 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.

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, departments and small groups, all reporting to the president.

The Management Strategy Committee helps decision making by the president, who has the ultimate authority of day-to-day operations. Consisting of the operating officers in charge of Functional Groups, the Committee meets around three times a month (38 times in fiscal 2009) 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 common recognition and transparency of important issues among the employees, excerpts of the meeting minutes are posted on the Company's intranet.

Risk Management

In May 2006, the Board of Directors passed a resolution concerning the "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 provides "Regulations and Systems 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 Process Owner 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 preventing accidents from happening when handling the large volumes of personal consumer information collected in the course of undertaking marketing and campaign activities. The Information Security Committee handles 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 ISO27001 certification. The Business Continuity Committee sets up various procedures aimed at ensuring the continuation of business during times of emergency, such as major earthquakes, power stoppages or an epidemic of H1N1 (super-flu). The duty of the Process Owner Committee is to meet internal control reporting system requirements under the Financial Instruments and Exchange Law of Japan.

Internal Control

ADK is building a group-wide internal control system, spearheaded by the Risk Management Committee. One of its subordinate organizations, the Process Owner Committee, specializes in setting up an internal control reporting system as stipulated under the Financial Instruments and Exchange Law of Japan.

Basic Philosophy and Status of the Implementation of Internal Control

as of March 31, 2010

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 control. 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.

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 effectively functions, using a process management method based on the PDCA (Plan, Do, Check, Act) cycle, and reports its results to the Board of Directors.

The elements of resolution stipulated in the Company Law and the enforcement regulations of the Company Law are described in the following rules.

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, and its members includes 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 actions. To help guarantee compliance with business execution regulations and the Articles of Incorporation, the perspective of rejecting ties with antisocial influences is incorporated in the ADK Group Code of Conduct. The Compliance Committee will spearhead efforts to ensure effective rejection of such antisocial influences.

The Compliance Committee also operates the "Group 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 Process Owner Committee as a subordinate organization chaired by the director in charge of maintenance and control of the system for ensuring the reliability of financial reporting. To ensure that business execution complies with various regulations, especially pertaining to financial reporting, the Process Owner Committee identifies risks related to the reliability of financial reporting and issues instructions accordingly. Based on such instructions, the Committee ensures that suitable responses are implemented to address risks identified in each major department and that the risk management system is properly operated and maintained.

2. System regarding the retention and management of information 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 related to the execution of duties of directors.

1) The minutes of the Board of Directors meetings and the materials distributed to directors for the deliberation of resolutions shall be retained for a minimum of 10 years in the division in charge of the secretariat.

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

3. Regulations 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 responsible departments to take necessary measures.

Under the control of the Risk Management Committee, in addition to the aforementioned Compliance Committee and Process Owner Committee, 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 shall be established as needed. The Risk Management Committee directly implements risk management in the fields not covered by the specialist committees.

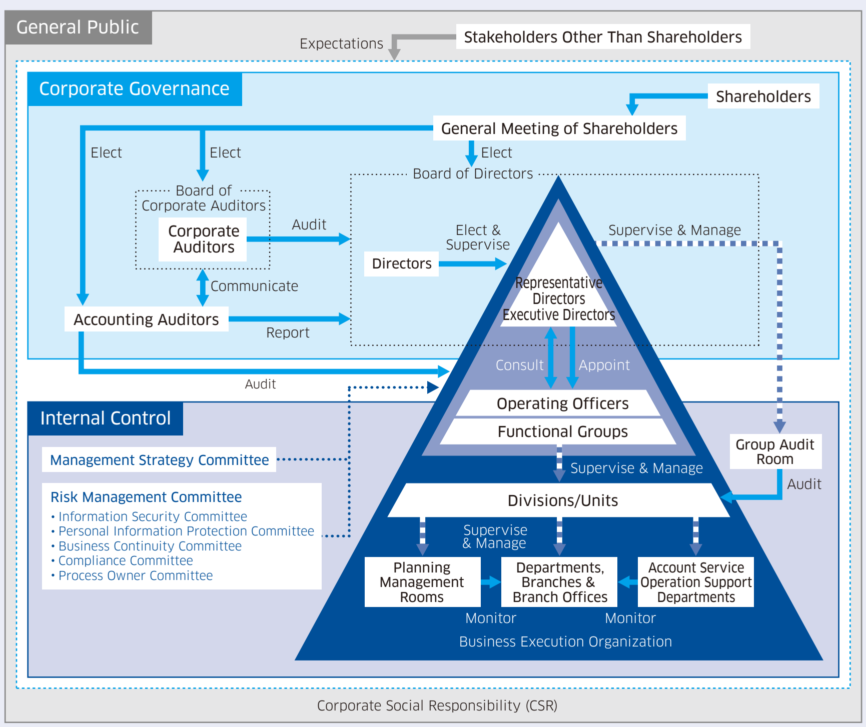
The Group Audit Office monitors the effectiveness of the risk management system and reports to the Risk Management Committee.

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 adopted an operating officer system to operate the Board of Directors in careful consideration of the authority of the Board of Directors, centering on the decision and supervision of the execution of duties as stipulated in the Company Law.

The Board of Directors sets companywide goals for directors and employees to share 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 hinder progress toward these goals, the executive director in charge of the relevant department takes responsibility for formulating solutions, and the president carries them out by giving directions to the relevant departments.



Corporate Governance, Internal Control and Risk Management Framework

5. System to maintain appropriate business practices throughout the ADK Group

Under the supervision of the Risk Management Committee, the division in charge of management of subsidiaries directs each subsidiary to maintain its own internal control system and establishes a group-wide internal control system by requesting that subsidiaries comply with the "ADK Group's Code of Conduct" and implement specific measures, such as the adoption of the "Group Helpline System."

The division in charge of the management of subsidiaries makes arrangements with major subsidiaries about approval and reporting, makes it mandatory to gain approval from or report to ADK before making decisions regarding certain matters, and manages them while respecting each subsidiary's independence.

6. System for employees when requested to support the Board of Corporate Auditors and their independence from directors

In the event that the corporate auditors request the assistance of employees, the Company assigns the appropriate persons as assistants to corporate auditors as soon as possible. To reinforce independence from directors, the employees to assist the corporate auditors shall not be assigned to interlocking duties in the organization under the authority of directors. Performance reviews, personnel transfers, and decisions on reward and punishment shall 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 to maintain four or more corporate auditors in total, three or more outside corporate auditors and three or more full-time corporate auditors—exceeding the legal requirement.

In addition to the Board of Directors meetings, the attendance of corporate auditors is requested at the Management Strategy Committee, Performance Report 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 shall not refuse the request. Directors and employees shall report immediately to the Board of Corporate Auditors on cases that may cause serious damage to the Company; inappropriate actions in the execution of duties by directors; material facts that breach laws, regulations and the Articles of Incorporation; reports received through the Helpline System; or results of inspection by the regulator or external audit. At least twice a year, the president holds a meeting to exchange opinions with the corporate auditors. The Audit Reports of the Group Audit Office are submitted to the corporate auditors, and members of the Group Audit Office attend meetings of the Board of Corporate Auditors to cooperate with the corporate auditors.

Basic Concept and System to Exclude Antisocial Groups

1 Basic concept, code of conduct and improvement of internal rules

Because a corporation has a large economic scale compared with individuals, there may be a significant adverse impact if it is exploited by antisocial groups. Thus, it is an obligation of the corporation not to engage in any action that could be beneficial to antisocial groups. The "ADK Group's Code of Conduct," stipulated by the Board of Directors, clearly documents the concept and declares that "The ADK Group shall maintain no contact with antisocial groups, and will staunchly decline any requests from them." This provision is contained in the article entitled "To adopt to social norms and ensure social justice."

Our Compliance Committee has formulated the "ADK Compliance Guidelines" to specifically express the spirit of the "ADK Group's Code of Conduct." In the guidelines, there is a description explaining the necessity of "Excluding relationships with antisocial groups" and how to do it. The "ADK Compliance Guidelines" is distributed as a handbook to all employees.

Furthermore, ADK created its "Manual for Handling Unfair Requests from Antisocial Groups," which describes concrete procedures, steps, and internal and external collaboration in case the Company is approached by antisocial groups. To ensure thorough dissemination of this information among employees, the manual is uploaded onto the Company's intranet, allowing all employees to access and read it at any time.

2 Improvement of internal system

1) Section in charge of supervising and assigning manager in charge of preventing unfair requests

ADK has assigned its Corporate Governance Office, an administrative office for the Compliance Committee, as the supervisory section to handle issues related to antisocial forces. The Office actively participates in training sessions held by the National Center for the Elimination of Boryokudan (crime syndicate). These sessions are for managers in charge of preventing unfair requests.

2) Collection and management of information on antisocial forces

ADK files information obtained from various violation prevention conferences to which it belongs and distributes such information to the relevant sections. If there is suspicion that certain individuals or groups, with which a Company section communicates in the course of regular business, may have an antisocial nature, ADK will make inquiries through its supervisory section to the appropriate police office, the Office of Specific Violation Prevention Association under the Metropolitan Police or an inquiry agency.

3) Collaboration with external professional organizations

In case ADK comes in contact with individuals or groups that may belong to antisocial forces, it takes a firm stance against them, following instructions from the competent police office and its legal adviser.

4) Implementation of training sessions

The “ADK Group’s Code of Conduct,” the “ADK Compliance Guidelines” and the “Manual for Handling Unfair Requests from Antisocial Groups” are uploaded on to the intranet, allowing access by all employees at any time. ADK also holds special face-to-face sessions during the training of new employees and new managers. At these sessions, the administrative officer of the Compliance Committee serves as a lecturer, and the “ADK Compliance Guidelines” is used as a textbook.

Takeover Defense

ADK believes that persons who control the Company’s decisions on financial matters and business policies should be ultimately judged by the shareholders.

In addition to improving capital efficiency and implementing various measures to return profits to shareholders, ADK has made company-wide efforts to maximize corporate value and the common interests of the shareholders based on its “Management by All” principle. The Company believes that management with such a company-wide sense of unity and sense of common destiny among directors and employees in the advertising industry (which is called a “people business”) is the best defense against an inadequate takeover. 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 management responsibility for the shareholders, shall assess the impact of such purchase on the corporate value and the common interests of the shareholders, while respecting the opinions of outside specialists. In addition to expressing its views, the Board of Directors shall negotiate with such purchaser and do its best to provide necessary information and ensure sufficient time for shareholders to properly judge whether to accept such a purchase.

Moreover, in the event that such purchaser does not provide necessary information, or it is deemed that such a proposal may damage corporate value and the common interests of shareholders, the Board of Directors shall take reasonable countermeasures deemed to be most effective at that time and in a manner that is acceptable to shareholders.

The Company shall carefully discuss whether to implement specific takeover defense measures in advance, in consideration of future economic environments, capital markets and trends in laws and regulations.

Management's Discussion and Analysis

Fiscal 2009 Performance Highlights

- Consolidated gross billings down 12.3% to ¥350.2 billion
- Gross margin down to 11.8%
- Gross profit down 15.8% to ¥41.3 billion
- Operating loss of ¥0.7 billion
- Net income down 96.5% to ¥73 million
- 0.5 million shares bought back for ¥0.8 billion
- EPS down to ¥1.73

ADK Group Overview

As of the end of 2009, the ADK Group consisted of 53 subsidiaries (48 in advertising and five in non-advertising), 22 affiliates (21 in advertising and one in non-advertising) and one related company. The Group includes 23 consolidated subsidiaries and three equity-method affiliates. For more details on Group companies, please see pages 3 and 68.

Our global reach extends to 22 cities and is reinforced by a close alliance with WPP plc, which leads the world's largest communications group.

In fiscal 2009, the Group's advertising business generated gross billings of ¥342,926 million, equivalent to 97.9% of consolidated total billings. Other businesses generated ¥7,285 million, or 2.1% of total billings. The ADK Group's non-advertising business consists of book and magazine publishing and sales, as well as information processing services.

All overseas sales of the ADK Group were generated by the advertising business. Together, overseas sales represented 5.4% of consolidated gross billings.

The number of employees at the end of fiscal 2009 totaled 3,239, down 25 from a year earlier.

Consolidated Performance

Gross Billings

Gross billings for the year totaled ¥350,211 million, down 12.3% from the previous year amid the continuing significant recession both in Japan and overseas. For more details, please refer to the Segment Information section.

Gross Profit

The gross margin deteriorated because of more intense competition and the writing off of older-than-two-year investments in animation content. As a result, gross profit totaled ¥41,367 million, down 15.8% year on year. The gross margin edged down 0.5 percentage point to 11.8%.

Operating Income/Loss

The ADK Group reported an operating loss of ¥756 million, due to the lower gross profit and the ¥786 million provision of allowance for doubtful accounts. This was despite the Group's strong efforts to compensate for market shrinkage by controlling operating expenses. The ratio of staff costs to gross profit was 67.0%.

Other Income and Expenses

The ADK Group reported equity in earnings of affiliates–net of ¥126 million. This was due to lower earnings generated by Digital Advertising Consortium Inc., a publicly traded Internet media buying rep, and Nippon Information Industry Corp., an information processing service company.* Dividend income decreased because of the yen's appreciation and the sale of securities. Accordingly, other income—net, including loss on disposal of fixed assets and loss on valuation of investment securities, amounted to ¥1,099 million.

*ADK sold its stake in Nippon Information Industry Corp. for ¥2.5 billion on February 12, 2010, and that company is no longer an affiliate of the ADK Group.

Net Income

Income before income taxes and minority interests totaled ¥343 million. After deducting ¥237 million in income taxes and ¥33 million in minority interest, net income was ¥73 million, a 96.5% decrease. Net income per share was ¥1.73.

Balance Sheets and Cash Flow

Assets and Liabilities

At fiscal year-end, total assets amounted to ¥190,024 million, down ¥1,758 million from a year earlier. This was due to a decrease in notes and accounts receivable—trade, reflecting the decline in gross billings. Among current assets, marketable securities also decreased. Current liabilities and long-term liabilities were ¥77,794 million and ¥4,765 million, respectively. After the payment of dividends totaling ¥856 million and the acquisition of treasury stocks at ¥882 million—reflecting recognition of an unrealized gain on available-for-sale securities of ¥7,303 million—total net assets increased to ¥107,465 million. The equity ratio* was 56.0%, up 3.6 percentage points.

*According to TSE formulas, equity ratio equals book equity, excluding minority interest, divided by book total assets.

Cash Flow

At the fiscal year-end, cash and cash equivalents amounted to ¥18,844 million, up ¥6,037 million from a year earlier. This was because cash inflows from operating and investing activities surpassed cash outflows from financing activities.

Net cash provided by operating activities amounted to ¥6,404 million compared with ¥3,181 million in net cash used in operating activities in the previous fiscal year. Among operating activities, income before income taxes and minority interests was ¥343 million and depreciation was ¥943 million. Notes and accounts receivable and notes and accounts payable decreased ¥14,028 million and ¥8,471 million, respectively, due to the decline in gross billings. Income taxes paid during the period was ¥108 million.

Net cash provided by investing activities totaled ¥1,570 million, down from ¥7,085 million in the previous year. Proceeds from sales of securities were ¥7,930 million, and purchases of securities were ¥6,641 million.

Net cash used in financing activities was ¥2,141 million, down from ¥7,853 million in the previous year. This was mainly due to a decrease in the return to shareholders, dividends of ¥856 million and the acquisition of treasury stock of ¥882 million.

Dividend Distribution and Share Buyback

ADK's dividend distribution policy, set in February 2007, is that 35% of consolidated net income is to be distributed through common dividends, with a minimum annual dividend of ¥20.00 per share. ADK pays dividends semi-annually instead of quarterly in order to save operational costs.

Despite posting a disappointing net income figure, under its shareholders distribution policy ADK declared a ¥10.00 year-end dividend, bringing the total annual dividend to ¥20.00 per share.

In addition to paying cash dividends, ADK has been buying back stock since 2001. Our plan here is improve EPS by reducing the number of shares outstanding and curtailing the growth of equity. During fiscal 2009, ADK's Board of Directors acquired 0.5 million shares, amounting to ¥877 million. Together with the acquisition of odd-lot share parcels, the total acquisition of treasury stock amounted to ¥882 million for the year.

Capital Expenditures

(Millions of Yen)

	2009		2008	
	Capital expenditures	Depreciation	Capital expenditures	Depreciation
Buildings	29	129	88	148
Building improvements	–	2	–	3
Vehicles	10	24	23	32
Furniture, fixtures & equipment	61	172	633	189
Land	–	–	–	–
Licenses	–	–	31	6
Computer software	467	580	1,287	414
Lease assets	136	12	–	–
Others	–	21	–	8
Total	705	943	2,065	803

Free Cash Flow

(Millions of Yen)

	2009	2008
Net cash provided by operating activities	6,404	(3,181)
Business reinvestment*	(556)	(2,031)
Free cash flow	5,848	(5,212)

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

Segment Information

Advertising Business

In fiscal 2009, the Japanese advertising market shrank for the second consecutive year amid the recession in the domestic economy. According to figures produced by Dentsu, total advertising expenditures amounted to ¥5,922.2 billion, down 11.5% from the previous year. According to Japan's Ministry of Economy, Trade and Industry, total advertising expenditures declined 5.9% in 2008 and 15.5% in 2009.

Against this background, the ADK Group's advertising business generated gross billings of ¥342,925 million, down 12.3% from the previous year, and posted an operating loss of ¥618 million.

1 ADK's Non-Consolidated Performance Information

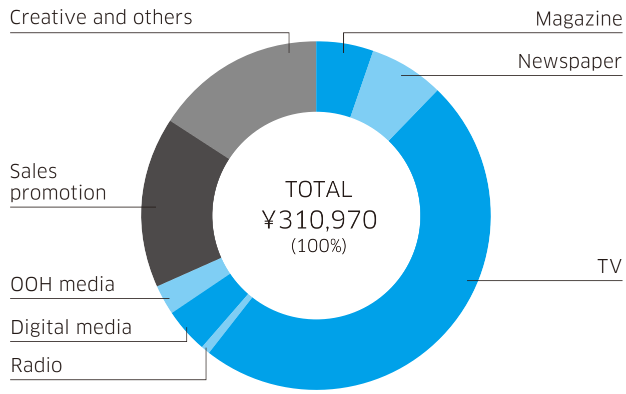
Because all of ADK's non-consolidated gross billings and income are generated from the advertising business, and those non-consolidated gross billings of ¥310,970 million represent 90.7% of the gross billings generated by the advertising business segment, for investors' information, the non-consolidated performance is reviewed below.

Non-Consolidated Performance Summary

(Millions of Yen)

	2009	2008	Change
Gross billings	310,970	358,595	-13.3%
Gross profit	31,603	38,640	-18.2%
Operating income	(1,267)	2,463	–
Net income	(498)	1,721	–

Non-Consolidated Performance by Discipline (Millions of Yen)



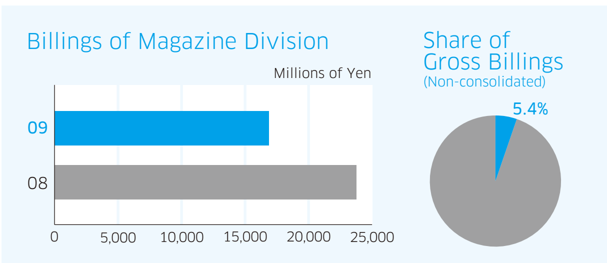
(Millions of Yen)

		Gross billings	Share of total	Y-o-Y change
Media	Magazine	16,865	5.4%	-29.0%
	Newspaper	21,636	7.0%	-28.8%
	TV	149,776	48.2%	-7.8%
	Radio	2,967	1.0%	-20.0%
	Digital Media	13,115	4.2%	-2.6%
	OOH Media	8,236	2.6%	-31.9%
Subtotal		212,598	68.4%	-13.5%
Non-Media	Sales Promotion	49,500	15.9%	-13.8%
	Creative and Others	48,871	15.7%	-11.7%
Subtotal		98,371	31.6%	-12.8%
Total		310,970	100.0%	-13.3%

Notes:
1. TV includes Time (program-sponsored ad), Spot and Content-related sales.
2. Gross billings by discipline are rounded down. Therefore, their sums may not equal the total or subtotals.

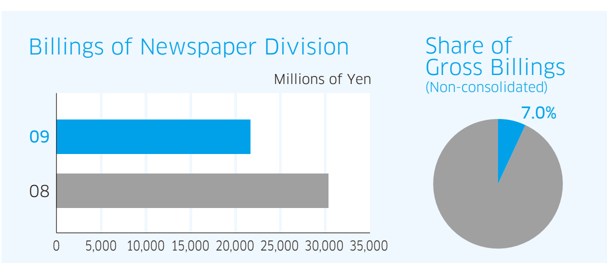
Magazine

According to the Preliminary Report on the Current Survey of Selected Service Industries, released by the Ministry of Economy, Trade and Industry, total sales of magazine ads by Japanese advertising companies declined 29.5% from the previous year. ADK's gross billings from magazine ads decreased 29.0% year on year to ¥16,865 million, mainly due to tighter budgets by international brand manufacturers in the Apparel/ Jewelry sector.



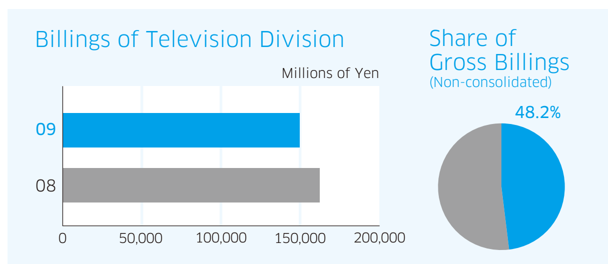
Newspaper

According to the aforementioned report, total sales of newspaper ads in Japan declined 21.0%, whereas ADK's gross billings from newspaper ads were down 28.8%. This was due to lower gross billings to clients in the Finance/Insurance and Automobiles/Automobile-Related Products sectors, although we acquired new clients in the Pharmaceuticals/Medical Supplies sector. As a result, gross billings from newspaper ads totaled ¥21,636 million.



Television

For the entire domestic market, sales of television ads declined 11.8% year on year. ADK's gross billings from television ads decreased relatively modestly, down 7.8% year on year to ¥149,776 million. Television program sales decreased due to a decline in business with clients in the Finance/Insurance and Distribution/Retail sectors, although business with clients in the Foods and Beverages and Tobacco Products sectors performed relatively well. Spot TV sales decreased due to a decline in business with clients in the Finance/Insurance and Hobbies/ Sporting Goods sectors, even though business with clients in the Cosmetics/Toiletry, Foods and Information/ Communications sectors performed relatively well. We endeavored to promote sales from our content business through the development of digital animation distribution sites on PCs and mobiles, investments in new characters and the promotion of events. However, overseas sales from existing content declined. As a whole, total billings from the content business reported a small decline.



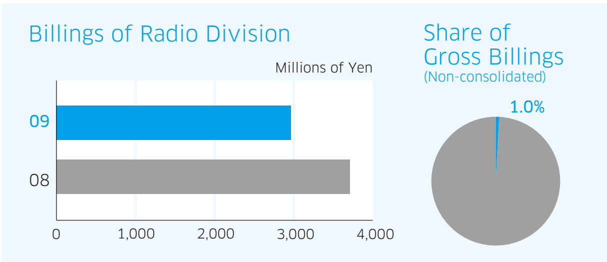
Gross Billings from Television Ads (Breakdown by Category)

(Millions of Yen)

	2009	2008	Change
Time (program-sponsored ad)	56,398	62,401	-9.6%
Spot	82,081	88,552	-7.3%
Content-related sales	11,297	11,499	-1.8%
Total	149,776	162,453	-7.8%

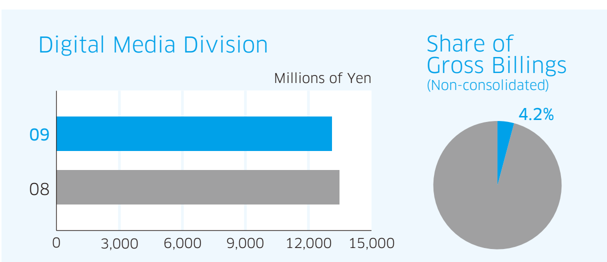
Radio

Total sales of radio ads in Japan declined 14.1%. ADK's gross billings from radio ads fell 20.0% to ¥2,967 million, due to a decline in business with clients in the Automobiles/Automobile-Related Products sector.



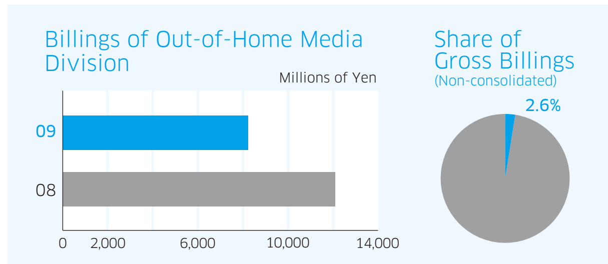
Digital Media

Sales of digital media or Internet ads in Japan declined 2.1% in 2009, despite posting rapid growth through 2008. ADK's gross billings from digital media advertising also did not grow. This was despite efforts to take advantage of our capital and strategic alliances with DA search and link INC. (aimed at boosting our competitiveness in search engine marketing of Internet advertising) and Glam Media Inc.'s Japanese subsidiary (to promote marketing targeting women). For the year, we generated gross billings of ¥13,115 million from this media, down 2.6% year on year.



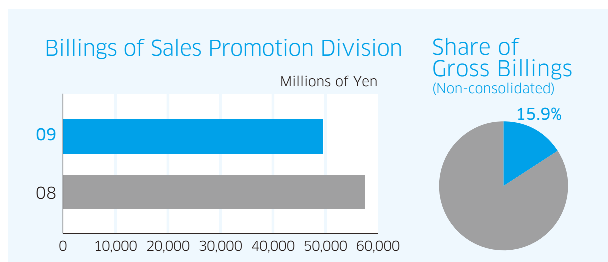
Out-of-Home Media

Total sales of OOH media in Japan, including billboards and transit ads, declined 17.2%. ADK's gross billings from OOH ads fell 31.9% to ¥8,236 million, mainly due to a decline in business with clients in the Restaurants/Other Services and Information/Communications sectors.



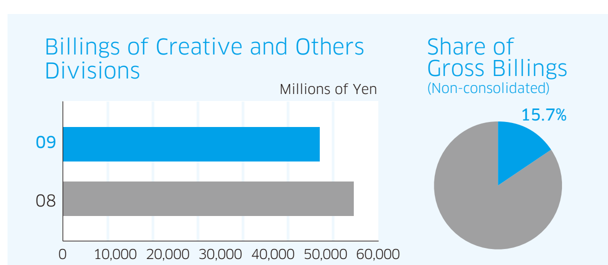
Sales Promotion

Total sales from sales promotion in Japan declined around 11%. ADK's gross billings from this business decreased 13.8% to ¥49,500 million, due to a decline in business with clients in the Automobiles/Automobile-Related Products, Information/Communications and Finance/Insurance sectors. By contrast, we reported higher gross billings to clients in the Distribution/Retail sector.



Creative and Others

ADK's sales of creative and others decreased 11.7% to ¥48,871 million, mainly due to tighter budget controls by our advertising clients. This was despite our efforts to address clients' needs through faster intra-communication and a focus on digital creative.



Non-Consolidated Gross Billings, Market Share and Industry Ranking (2000–2009)

(Millions of Yen)

Year	Gross billings	Change	Market share*	Industry rank
2000	340,888	6.5%	5.57%	3
2001	358,830	5.3%	5.92%	3
2002	334,915	-6.7%	5.87%	3
2003	357,597	6.8%	6.29%	3
2004	373,897	4.6%	6.38%	3
2005	384,849	2.9%	5.64%	3
2006	378,804	-1.6%	5.46%	3
2007	387,860	2.4%	5.53%	3
2008	358,595	-7.5%	5.36%	3
2009	310,970	-13.3%	5.25%	3

*Market share: According to "*Advertising Expenditures in Japan*" reported by Dentsu Inc. The scope of the report was expanded from 2006 to reflect the effect of the rapid expansion of the Internet and promotional advertising.

Non-Consolidated Gross Billings Breakdown by Client Industry

(Millions of Yen)

	2009	Share of total	2008	Share of total	Change	
Energy / Raw materials / Machinery	4,421	1.4%	3,901	1.1%	485	12.3%
Food	32,650	10.5%	29,575	8.2%	3,065	10.4%
Beverages / Tobacco products	21,904	7.0%	22,804	6.4%	(1,031)	-4.5%
Pharmaceuticals / Medical supplies	13,575	4.4%	12,800	3.6%	775	6.1%
Cosmetics / Toiletry goods	36,494	11.7%	34,652	9.7%	1,842	5.3%
Apparel / Jewelry	8,212	2.6%	12,619	3.5%	(4,407)	-34.9%
Precision instruments / Office equipment	2,530	0.8%	4,493	1.3%	(1,963)	-43.7%
Electric machines / AV equipment	3,591	1.2%	5,923	1.7%	(2,332)	-39.4%
Automobiles / Auto-related products	13,212	4.2%	22,698	6.3%	(9,485)	-41.8%
Household products	3,133	1.0%	3,494	1.0%	(361)	-10.3%
Hobbies / Sporting goods	19,228	6.2%	22,466	6.3%	(3,571)	-15.7%
Real estate / Housing	8,954	2.9%	12,837	3.6%	(3,888)	-30.3%
Publications	3,250	1.0%	3,929	1.1%	(679)	-17.3%
Information / Communications	38,493	12.4%	44,031	12.3%	(6,432)	-14.3%
Distribution / Retail	25,052	8.1%	25,847	7.2%	(6,175)	-19.8%
Finance / Insurance	24,957	8.0%	34,371	9.6%	(9,414)	-27.4%
Transportation / Leisure	14,962	4.8%	15,573	4.3%	(615)	-3.9%
Restaurants / Other services	5,642	1.8%	9,028	2.5%	(3,631)	-39.2%
Government / Organization	9,587	3.1%	9,662	2.7%	(73)	-0.8%
Education / Health care services/Religion	4,556	1.5%	5,065	1.4%	(510)	-10.1%
Classified ads / Other	16,567	5.3%	22,828	6.4%	775	4.9%
Total	310,970	100.0%	358,595	100.0%	(47,625)	-13.3%

2 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, but after large provisions of doubtful accounts, the overall result was an operating loss. Overseas subsidiaries reported lower gross billings due to the yen's appreciation and the global recession. However, gross billings at Chinese subsidiaries grew and operating expenses were relatively flexibly controlled. In total, therefore, overseas subsidiaries reported slightly higher operating income.

Other Business Segment

ADK has two consolidated subsidiaries in the publications industry. Among the two, the smaller subsidiary, specializing in the publication of periodicals to select club members, obtained new contracts and became profitable. As the publications market has been experiencing a significant decline under the influence of growing consumer preference for Internet/mobile media, the general publication subsidiary was unable to generate sufficient sales to absorb its fixed costs. As a result, the Group's other business generated gross billings of ¥7,285 million, down 11.4% year on year, and posted an operating loss of ¥135 million, compared with an operating loss of ¥44 million in fiscal 2008.

Overseas Sales

For the year, the ADK Group obtained 5.4% of its gross billings from overseas sources. All overseas sales were in the advertising business.

Outlook for Fiscal 2010

As stated earlier, ADK is concerned that the resumption of growth in the Japanese advertising market will take more time.

Under this slow-growth environment, ADK's consolidated forecasts for the first two quarters of 2010 are gross billings of ¥170.0 billion, operating income of ¥0.0 billion and a net loss of ¥0.8 billion.* For the entire year, our forecasts are gross billings of ¥356.0 billion, operating income of ¥1.3 billion and net income of ¥0.1 billion. Our forecast for EPS is ¥2.35.

*Please be advised that ADK recognized a ¥978 million loss on the sale of its equity in Nippon Information Industry Corp., an equity-method affiliate, in February 2010.

Forward-Looking Statements and Risk Factors

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 (under Tokyo Stock Exchange guidance), 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 2009, 97.9% of ADK Group billings were generated from the advertising market. The Group generates 94.6% of its gross billings from the Japanese domestic market. Japanese national advertising spending is directly influenced by corporate advertisers' budgets and, therefore, is closely correlated with nominal consumer spending and GDP. In the event that the domestic economy deteriorates seriously, the ADK Group's performance and financial condition could be negatively affected.

Response to the Development of New and Digital Media and Changing Consumers' Media Consumption

Media and advertising markets are rapidly and significantly changing. We do not see traditional and new media cannibalizing each other. Rather, they could enhance each other. The ADK Group continues to focus on both traditional and new media through its 360-degree communications approach.

In addition, the Group has been accelerating efforts to enhance its functionalities to lead the digital advertising market, including the Internet. However, if ADK fails to adapt to changes in the advertising media, its performance and financial condition could be adversely affected.

Relationships with Advertisers

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

Advertising companies in Japan do not always have documented contracts with media and clients so as to maximize their flexibility 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.

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 another agency default, the advertising company is still liable for the media and or materials toward a media owner and/or a subcontracting production company.

Client Portfolio

The sizes of advertising spending by clients' industry sector may vary and change. In the last 10 years, according to Dentsu, the Information/Communications, Finance/Insurance and Restaurants/Other services sectors boosted spending, whereas the Automotive/Automotive-Related Products, the Foods and Beverages/Tobacco Products and Publications sectors decreased their spending. The ADK Group has a diversified portfolio of first-tier clients. The parent company's 10 and 20 largest clients accounted for around 20% and 30%, respectively, of total non-consolidated gross billings in fiscal 2009, which was a similar sector concentration risk as its competitors. 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.

Competitive Risk

Competition among Japan's major advertising companies is intensifying. This trend is accelerated by the entry of foreign mega-agency groups into the Japanese market, and that of many new and rapidly growing firms in the Internet advertising market. Moreover, advertising clients tend to select their preferred agency to enjoy economies of scale and minimize procurement costs. Consolidation among clients could accelerate this trend. In the event that ADK is unable to respond appropriately to client needs and changes in the advertising industry, and loses its competitiveness as a result, there is significant risk that its market share could decline and profitability could deteriorate. This would have a serious impact on its performance and financial condition.

Relationships with the Media

In fiscal 2009, the parent company generated 68.4% 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. Gross billings from television represented 48.2% of ADK's non-consolidated gross billings. ADK strives to secure advertising time and/or space in 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, and the ADK Group does not respond to these changes appropriately, there is a significant possibility that its performance and financial condition could be adversely affected.

Media Inventories

Occasionally, ADK purchases media inventories, particularly animation programs, at fixed prices based on orders from client advertisers, and sometimes ADK speculates on inventories. We strive to improve the quality of content and increase the demand for such programs by maintaining close relationships with the media. However, weak sales could lead to excess inventories, which could have an adverse effect on our performance and financial condition.

Relationships with Subcontractors

Although ADK carries out 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 its performance and financial condition.

Credit Risks of Subcontractors

In Japanese advertising markets, an advertising agency is usually required to absorb the credit and functionality risks of many small and specialty subcontractors without shifting them to the advertisers. Moreover, sometimes an agency needs to help finance such subcontractors through 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, the agency is likely to suffer a loss.

Staff

Advertising is a people business, and human 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.

Overseas Operations

ADK has been striving to develop overseas revenues. In fiscal 2009, the ADK Group generated 5.4% of its gross billings from overseas sources. In overseas markets, because of the differences in culture, society, law and commercial customs, a variety of problems may arise. 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 affected.

Content Business

ADK has been successful in the animation content business and in sports and cultural event marketing, which enables ADK to differentiate itself from competitors. ADK continues to develop new content under existing and new business models. However, there is no guarantee of the continued success of this 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, the Group could experience a significant impact on its performance and financial condition.

Investment in Competitiveness

To enhance its competitiveness in the changing advertising market, ADK occasionally invests in new businesses, such as the Internet and OOH media. Moreover, ADK invests in data collection and R&D, which would be critical in offering 360-degree solution ideas, and invests in IT for more efficient operations. However, in the event that the ADK Group is unable to realize benefits from the investments as planned, its performance and financial condition could be significantly affected.

Management of Group Companies

The ADK Group consists of the parent company, 53 subsidiaries, 22 affiliates and one related company and operates advertising and publications businesses. Although we strive hard to realize synergies among these companies, in the event that the ADK Group is unable to do so as planned, its performance and financial condition could be significantly affected.

Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc, of the Republic of Ireland, since August 1998, holding a 2.49% equity stake in WPP (as of December 31, 2009). WPP holds 24.32% 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 could be an impact on the ADK Group's performance and financial condition in the future.

Although the yen-translated market value of the equity stake in WPP was ¥27,950 million (at a stock price of £6.095 per share) as of the end of December 2009 compared with the book value of ¥22,262 million (at a stock price of £3.6517 per share under the lower-of-cost-or-market method), in the event of a major deterioration in the Group's Sterling-based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

Marketable Securities and Investment Securities

The ADK Group's holdings of marketable and investment securities (including the aforementioned stake in WPP plc and the equity method value of Digital Advertising Consortium Inc., or "DAC") totaled ¥53,280 million, representing 28.0% of its ¥190,024 million in total assets as of December 31, 2009. Of this amount, ¥41,602 million consists of publicly traded equity securities, mostly cross-shareholdings in advertising clients and other trading partners (excluding our investment in DAC, non-consolidated results of which are accounted for by the equity method). The balance of unrealized gains on available-for-sale securities was ¥4,909 million after deducting deferred tax liabilities on such gains. However, in the event of a major decline in the market prices of these holdings, we would be forced to account for valuation losses.

Retirement Benefits and Pension Plans

ADK and some of its Group companies have adopted combinations of defined contribution and defined benefits 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 the staff costs, through a smaller Projected Benefit Obligation and less risky pension asset investment strategies.

In the event of 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 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 asset performance, number of member companies and beneficiaries, and so on, the Group may need to recognize larger net periodic benefit costs.

The fund's total pension assets and liabilities as of March 31, 2009, were ¥57,000 million and ¥90,519 million, respectively, and therefore the difference was negative ¥33,518 million. The discount rate for the liabilities was mainly 5.5%.

The ADK Group's cash contribution share by both employers and employees made during the year through March 2009 were 10.30% and 6.22%, respectively, making the total 16.52%. Applying simply the shares to the aforementioned total fund assets, the Group's prorated shares of assets as of March 31, 2009, were ¥9,417 million in total. Out of that amount, the employers' portion and employees' portion were ¥5,869 million and ¥3,548 million, respectively. Likewise, the Group's prorated shares of pension liabilities were ¥14,954 million in total. Within this amount, the employers' portion and employees' portion were ¥9,320 million and ¥5,634 million, respectively.

Contingent Litigation Risks

As of the date of the financial statements, the ADK Group had not been involved in or exposed to a lawsuit or dispute that could place a 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 a lawsuit or dispute in the future.

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 could 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. As a publicly listed company, moreover, ADK should be in compliance with internal control reporting systems (under the so-called J-SOX law). If there is a tightening of existing laws or regulations affecting the advertising activities of advertisers or the format or content of advertisements, and if the ADK Group needs to enhance its compliance environment, the financial results of the ADK Group and other advertising companies could be adversely affected. In the case of the introduction of new laws or regulations, or the reinterpretation of existing laws or regulations, the result could also affect the ADK Group's performance.

as of March 30, 2010

Board of Directors and Auditors

Masao Inagaki
Representative Director
Chairman Emeritus

Koichiro Naganuma
Representative Director
Chairman & Group CEO

Yoji Shimizu
Representative Director
President & COO

Takeo Hishiyama
Executive Director
Senior Operating Officer
Group Business Management

Jiro Kitamura
Executive Director
Senior Operating Officer
Account Services

Kazuhiko Narimatsu
Executive Director
Senior Operating Officer
Account Services

Osamu Okayasu
Executive Director
Operating Officer
Account Services

Toshiyuki Inoue
Executive Director
Operating Officer
Media & Content Business

Shinichi Ueno
Executive Director
Operating Officer
Corporate Management

Yoshiki Uemura
Executive Director
Operating Officer
Planning Management
Creative Management

Hiroshi Nakazato
Executive Director
Operating Officer
Corporate Business Development

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

Yuzo Shikata
Corporate Auditor

Yoshiro Sakai
Corporate Auditor

Makoto Ichikawa
Corporate Auditor

Hideshige Haruki
Corporate Auditor

Operating Officers

Katsuhiro Ikuma
Hidekatsu Ikedo
Osamu Ishikawa
Hiroaki Onohara
Hiroshi Nomiyama
Huang Hui
Chikara Yoshioka
Makoto Nakamura
Takeshi Kato
Akio Yoshi
Takashi Fukuzaki
Toshiyuki Kurayoshi
Ritsuo Fukazawa
Ryuichi Chibu
Michinori Yamada
Satoru Taniguchi

Financial Section

Consolidated Balance Sheets

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and time deposits	¥ 21,605	¥ 14,881	$ 234,582
Marketable securities (Note 3)	2,145	3,419	23,290
Notes and accounts receivable:			
−trade	87,957	101,823	955,016
Allowance for doubtful receivables	(677)	(723)	(7,351)
Inventories	8,824	8,624	95,809
Deferred tax assets (Note 7)	641	477	6,960
Other current assets	1,760	2,971	19,110
Total current assets	122,255	131,472	1,327,416
PROPERTY AND EQUIPMENT:			
Land	1,276	1,284	13,855
Buildings and leasehold improvements	4,048	4,028	43,952
Other	2,664	2,540	28,925
Total	7,988	7,852	86,732
Accumulated depreciation	(4,049)	(3,775)	(43,963)
Net property and equipment	3,939	4,077	42,769
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	45,550	34,926	494,571
Investments in unconsolidated subsidiaries and affiliated companies	8,047	7,314	87,372
Deferred tax assets (Note 7)	806	3,574	8,751
Other assets	9,427	10,419	102,357
Total investments and other assets	63,830	56,233	693,051
TOTAL	¥190,024	¥191,782	$2,063,236

See notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of Yen 2009	2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term debt (Note 4)	¥ 346	¥ 551	$ 3,757
Current portion of long-term debt (Note 4)	92	151	999
Notes and accounts payable–trade	69,237	78,241	751,759
Income taxes payable (Note 7)	227	52	2,465
Accrued bonuses to employees	163	291	1,770
Allowance for sales returns	545	599	5,917
Deferred tax liabilities (Note 7)	–	6	–
Other current liabilities	7,184	7,663	78,002
Total current liabilities	77,794	87,554	844,669
LONG-TERM LIABILITIES:			
Long-term debt (Note 4)	253	341	2,747
Accrued retirement benefits (Note 5)	1,001	850	10,869
Allowance for retirement benefits to directors and corporate auditors*	1,208	1,145	13,116
Provision for loss on guarantees	45	37	489
Deferred tax liabilities (Note 7)	1,904	13	20,673
Other long-term liabilities	354	225	3,843
Total long-term liabilities	4,765	2,611	51,737
CONTINGENT LIABILITIES (Note 11)			
NET ASSETS (Note 6):			
Shareholders' equity			
Common stock			
Authorized: 206,000,000 shares in 2009 and 2008;			
Issued: 45,155,400 shares in 2009 and 2008, respectively	37,581	37,581	408,046
Capital surplus	20,024	20,024	217,416
Retained earnings	51,354	52,158	557,590
Treasury stock–at cost	(6,970)	(6,088)	(75,679)
Total shareholders' equity–net	101,989	103,675	1,107,373
Valuation and translation adjustments			
Unrealized gain (loss) on available-for-sale securities	4,910	(2,394)	53,312
Deferred gain (loss) on derivatives under hedge accounting	16	(22)	174
Foreign currency translation adjustments	(492)	(671)	(5,342)
Total valuation and translation adjustments	4,434	(3,087)	48,144
Minority interests	1,042	1,029	11,313
Total net assets	107,465	101,617	1,166,830
TOTAL	¥190,024	¥191,782	$2,063,236

*No allowance for retirement benefits to corporate auditors was outstanding as of Dec. 31, 2008, due to the abolition of the retirement bonus system for them.

See notes to consolidated financial statements.

Consolidated Statements of Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
GROSS BILLINGS (Note 13)	¥350,211	¥399,452	$3,802,508
COST OF SALES (Note 13)	308,844	350,309	3,353,355
Gross profit	41,367	49,143	449,153
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 8, 9 and 13)	42,123	45,444	457,361
Operating income (loss)	(756)	3,699	(8,208)
OTHER INCOME (EXPENSES):			
Interest and dividend income–net	1,337	1,732	14,517
Gain on sales of securities	143	1,427	1,553
Loss on sales of securities	(61)	(27)	(662)
Loss on valuation of securities	(213)	(1,965)	(2,313)
Loss on disposal of fixed assets	(319)	–	(3,464)
Equity in earnings (losses) of affiliated companies–net	126	648	1,368
Additional retirement benefits paid to employees	(43)	(321)	(467)
Provision for retirement benefits paid to directors and corporate auditors	–	(459)	–
Provision for loss on guarantees	(8)	(37)	(87)
Exchange loss	–	(1,111)	–
Other–net	137	189	1,488
Other income–net	1,099	76	11,933
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	343	3,775	3,725
INCOME TAXES (Note 7):			
Current	797	1,488	8,654
Deferred	(560)	154	(6,080)
MINORITY INTERESTS IN NET INCOME	33	8	358
NET INCOME	¥ 73	¥ 2,125	$ 793

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (1)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2009

Year Ended December 31, 2009

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock—at cost	Total shareholders' equity
Balance as of December 31, 2008	¥37,581	¥20,024	¥52,158	¥(6,088)	¥103,675
Effect of changes in accounting policies applied to foreign subsidiaries			0		0
Change during the consolidated fiscal year					
Dividend payments			(856)		(856)
Net income			73		73
Increase due to newly consolidated subsidiaries			–		–
Acquisitions of treasury stock				(882)	(882)
Disposals and cancellation of treasury stock		(0)		0	0
Increase due to change in accounting standards of foreign subsidiaries			–		–
Other decrease of retained earnings*			(21)		(21)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	(0)	(804)	(882)	(1,686)
Balance as of December 31, 2009	¥37,581	¥20,024	¥51,354	¥(6,970)	¥101,989

	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, 2008	¥(2,394)	¥(22)	¥(671)	¥(3,087)	¥1,029	¥101,617
Effect of changes in accounting policies applied to foreign subsidiaries						0
Change during the consolidated fiscal year						
Dividend payments						(856)
Net income						73
Increase due to newly consolidated subsidiaries						–
Acquisitions of treasury stock						(882)
Disposals and cancellation of treasury stock						0
Increase due to change in accounting standards of foreign subsidiaries						–
Other decrease of retained earnings*						(21)
(Net) changes of items other than shareholders' equity	7,304	38	179	7,521	13	7,534
Total change during the consolidated fiscal year	7,304	38	179	7,521	13	5,848
Balance as of December 31, 2009	¥ 4,910	¥16	¥(492)	¥ 4,434	¥1,042	¥107,465

*Other decrease of retained earnings is appropriation of retained earnings at a Chinese subsidiary to provide reserves for employees' incentive and welfare funds under a Chinese accounting standard.

Consolidated Statements of Changes in Net Assets (2)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2008

Millions of Yen

Year Ended December 31, 2008

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock–at cost	Total shareholders' equity
Balance as of December 31, 2007	¥37,581	¥20,024	¥51,901	¥ (203)	¥109,303
Change during the consolidated fiscal year					
Dividend payments			(1,883)		(1,883)
Net income			2,125		2,125
Increase due to newly consolidated subsidiaries			19		19
Acquisitions of treasury stock				(5,888)	(5,888)
Disposals and cancellation of treasury stock		(0)		3	3
Increase due to change in accounting standards of foreign subsidiaries			1		1
Other decrease of retained earnings*			(5)		(5)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	(0)	257	(5,885)	(5,628)
Balance as of December 31, 2008	¥37,581	¥20,024	¥52,158	¥(6,088)	¥103,675

	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, 2007	¥20,304	¥ 1	¥ 1,087	¥ 21,392	¥1,151	¥131,846
Change during the consolidated fiscal year						
Dividend payments						(1,883)
Net income						2,125
Increase due to newly consolidated subsidiaries						19
Acquisitions of treasury stock						(5,888)
Disposals and cancellation of treasury stock						3
Increase due to change in accounting standards of foreign subsidiaries						1
Other decrease of retained earnings*						(5)
(Net) changes of items other than shareholders' equity	(22,698)	(23)	(1,758)	(24,479)	(122)	(24,601)
Total change during the consolidated fiscal year	(22,698)	(23)	(1,758)	(24,479)	(122)	(30,229)
Balance as of December 31, 2008	¥ (2,394)	¥(22)	¥ (671)	¥ (3,087)	¥1,029	¥101,617

*Other decrease of retained earnings is appropriation of retained earnings at a Chinese subsidiary to provide reserves for employees' incentive and welfare funds under a Chinese accounting standard.

Consolidated Statements of Changes in Net Assets (3)

ASATSU-DK INC. and Consolidated Subsidiaries
Year Ended December 31, 2009

Year Ended December 31, 2009

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, 2008	$408,046	$217,416	$566,319	$ (66,102)	$1,125,679
Effect of changes in accounting policies applied to foreign subsidiaries			0		0
Change during the consolidated fiscal year					
Dividend payments			(9,294)		(9,294)
Net income			793		793
Increase due to newly consolidated subsidiaries			–		–
Acquisitions of treasury stock				(9,577)	(9,577)
Disposals and cancellation of treasury stock		(0)		0	0
Increase due to change in accounting standards of foreign subsidiaries			–		–
Other decrease of retained earnings*			(228)		(228)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year	–	(0)	(8,729)	(9,577)	(18,306)
Balance as of December 31, 2009	$408,046	$217,416	$557,590	$ (75,679)	$1,107,373

	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, 2008	$(25,993)	$(239)	$(7,286)	$(33,518)	$11,173	$1,103,334
Effect of changes in accounting policies applied to foreign subsidiaries						0
Change during the consolidated fiscal year						
Dividend payments						(9,294)
Net income						793
Increase due to newly consolidated subsidiaries						–
Acquisitions of treasury stock						(9,577)
Disposals and cancellation of treasury stock						0
Increase due to change in accounting standards of foreign subsidiaries						–
Other decrease of retained earnings*						(228)
(Net) changes of items other than shareholders' equity	79,305	413	1,944	81,662	140	81,802
Total change during the consolidated fiscal year	79,305	413	1,944	81,662	140	63,496
Balance as of December 31, 2009	$ 53,312	$ 174	$(5,342)	$ 48,144	$11,313	$1,166,830

*Other decrease of retained earnings is appropriation of retained earnings at a Chinese subsidiary to provide reserves for employees' incentive and welfare funds under a Chinese accounting standard.

	Yen		U.S. Dollars (Note 1)
	2009	2008	2009
PER SHARE OF COMMON STOCK:			
Net income			
Basic	¥ 1.73	¥ 48.14	$ 0.02
Diluted	1.72	48.12	0.02
Net assets	2,499.05	2,334.48	27.13
Cash dividend applicable to the year	20.00	20.00	0.22

Consolidated Statements of Cash Flows

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 343	¥ 3,774	$ 3,725
Adjustments for:			
Income taxes—paid	(108)	(4,065)	(1,173)
Depreciation and amortization	943	803	10,238
Equity in losses (earnings) of affiliated companies	(126)	(648)	(1,368)
Gain on sales of securities	(82)	(1,427)	(890)
Loss on valuation of securities	213	1,965	2,313
Changes in assets and liabilities:			
(Increase) Decrease in notes and accounts receivable	14,028	5,421	152,313
Increase in inventories	(269)	(6)	(2,921)
Increase (Decrease) in notes and accounts payable	(8,471)	(8,385)	(91,976)
Others—net	(67)	(640)	(728)
Total adjustments	6,061	(6,955)	65,809
Net cash provided by (used for) operating activities	6,404	(3,181)	69,533
INVESTING ACTIVITIES:			
Increase in time deposits—net	974	1,415	10,575
Proceeds from sales of securities	7,930	13,344	86,102
Purchases of securities	(6,641)	(5,561)	(72,106)
Proceeds from sales of property and equipment	11	33	119
Purchases of property and equipment	(100)	(745)	(1,086)
Purchases of intangible assets	(467)	(1,319)	(5,070)
Other investing activities	(137)	(82)	(1,487)
Net cash provided by investing activities	1,570	7,085	17,047
FINANCING ACTIVITIES:			
Increase (Decrease) in short-term debt—net	(209)	(444)	(2,269)
Increase of long-term debt	–	455	–
Repayment of long-term debt	(154)	(70)	(1,672)
Purchases of treasury stock—net	(882)	(5,885)	(9,577)
Dividends paid	(856)	(1,883)	(9,294)
Other financing activities	(40)	(26)	(434)
Net cash used for financing activities	(2,141)	(7,853)	(23,246)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	204	(1,289)	2,215
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,037	(5,238)	65,549
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	12,807	17,994	139,055
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF THE YEAR	–	51	–
CASH AND CASH EQUIVALENTS, END OF THE YEAR	¥18,844	¥12,807	$204,604

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2009 and 2008

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 ¥92.10 to U.S.$1.00, the approximate rate of exchange on December 31, 2009. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its significant twenty-three (23) (twenty-three (23) in 2008) 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.

Twenty-two (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 (3) affiliated companies, 20% to 50% of which interests are owned by the Company, are accounted for by the equity method. (Investments in the three (3) affiliated companies were accounted for by the equity method in 2008.) Investments in the remaining thirty (30) (twenty-five (25) in 2008) unconsolidated subsidiaries and nineteen (19) (eighteen (18) in 2008) 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. For the number of the equity method affiliates please see Note 16. SUBSEQUENT EVENT.

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 intra-group transactions are eliminated.

Effective from the financial statement for FY2009, financial statements of the overseas consolidated subsidiaries are made in accordance with ASBJ Practical Solution No. 18 (issued on May 17, 2006), where certain corrections are made upon consolidation. The effect of this Practical Solution on Operating loss and Income before income taxes and minority interests is not material.

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, 2009 and 2008 are reconciled to the balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Balance sheet:			
Cash and time deposits	¥21,605	¥14,881	$234,582
Securities	2,145	3,419	23,290
Total	23,750	18,300	257,872
Less:			
Time deposits over three months	3,732	3,960	40,521
Securities not applicable to cash equivalents (Securities other than Money Management Funds, etc.)	1,174	1,533	12,747
Cash and cash equivalents	¥18,844	¥12,807	$204,604

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. Inventories also include publication merchandise.

Effective from the financial statements for FY2009, inventories are assessed in accordance with ASBJ Statement No. 9 (issued on July 5, 2006), where inventories with low expected profitability are written down when such judgment is made. As a result, for the year ended December 31, 2009, Operating loss is negatively impacted by ¥69 million ($749 thousand) and Income before income taxes and minority interests is lower by ¥208 million ($2,258 thousand).

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 of 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 cost after amortization or accumulation of any difference between cost and face value and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, and which unrealized gains and losses, net of applicable taxes, are reported to unrealized gain (loss) on available-for-sale securities, a component of net assets. As of the end of 2008 and 2009, the Company and its consolidated subsidiaries had no balance of held-to-maturity debt securities.

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 not readily available, such securities should be written down to net asset value with a corresponding charge in the statement of income in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

e. Property and Equipment—Property and equipment are carried at cost. Depreciation for the property and equipment other than the buildings acquired after April 1, 1998, is computed 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 by 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

Under the amendment of the Japanese Corporation Tax Law, effective April 2007, the Company and its domestic subsidiaries are allowed to depreciate the entire cost of their property, plant and equipment leaving no salvage value. The property, plant and equipment acquired by March 31, 2007 are and will be depreciated to the value allowed to depreciate as originally scheduled before the amendment of the law, and then the remaining amount (i.e., the balance not yet depreciated) is and will be depreciated to zero value from the following year in five years. The effects of the changes and application of the amended tax law 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, except for the liability in regard with Japan Advertising Industry Pension Fund, as noted later.

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

During fiscal 2008, some of the domestic consolidated subsidiaries stipulated their internal rules for retirement benefits to their board members and corporate auditors. Accordingly, these subsidiaries and the Group recognized allowance for retirement benefits to directors and corporate auditors incurred by the end of 2008.

The Company and some of its domestic subsidiaries are 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—In March 2007, ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard is required to be adopted for a fiscal year starting on or after April 2008.

ASBJ Statement No. 13 requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations on the balance sheet. However, the standard permits that some leases could be accounted for as operating lease transactions, if the transactions were contracted on or before the end of the year before the fiscal year of adoption, if the leased property is not deemed to be transferred to the lessee, and if certain "as-if-capitalized" information is disclosed in the notes to the lessee's consolidated financial statements.

The Group applied ASBJ Statement No. 13 effective FY2009, but keeps accounting for certain applicable lease transactions as the operating lease. For the information of those operating leases, please refer to Note 10. LEASES. In major overseas consolidated subsidiaries, leases are accounted for as finance leases and leased properties are capitalized.

As a result, lease assets of ¥113 million ($1,226 thousand) are capitalized as tangible fixed assets and ¥6 million ($65 thousand) as intangible fixed assets as of December 31, 2009. The effects of this change in accounting standard on Operating loss and Income before income taxes and minority interests are not material. Lease assets are depreciated by the straight line method over the terms of respective leases with no salvage values.

j. Software and R&D Costs—Research and development costs are charged to income when incurred. Capitalized software for internal use amounting to ¥1,424 million ($15,461 thousand) in 2009 and ¥1,848 million in 2008, 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 by applying the statutory tax rate to the temporary differences. With respect to the deferred tax assets, the companies believe it is more likely than not that such tax benefits will be realized through the reduction of future taxable income.

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 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 of shareholders' equity are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense items of the consolidated overseas subsidiaries and affiliated companies for the year ended on December 31, 2009 are translated into Japanese yen at the average exchange rate for the year, while those for the year ended on December 31, 2008 were translated into Japanese yen at the exchange rate as of the balance sheet date. The effect of this change is not material.

o. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the Group to reduce foreign currency exchange risks. The Group also has investments in debt securities with derivatives which are designed to enhance returns. Some of those investments have terms and conditions that could lead to a situation where an original face value of such security is not redeemed even if there is no credit event. However, because such loss would be limited to the face value at maximum, an influence of such risk is limited.

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 the 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 42,709,412 shares for the fiscal year ended December 31, 2009 and 44,145,863 shares for the fiscal year ended December 31, 2008, respectively.

Cash dividends per common share presented in the accompanying consolidated statements of income are dividends applicable to net income of 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, 2009 and 2008 were as follows:

	Millions of Yen			
2009	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥33,099	¥10,650	¥2,148	¥41,601
Debt securities	3,091	3	149	2,945
Other	338	7	6	339
Total	¥36,528	¥10,660	¥2,303	¥44,885

	Millions of Yen			
2008	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥33,231	¥4,358	¥7,756	¥29,833
Debt securities	5,363	4	499	4,868
Other	924	1	13	912
Total	¥39,518	¥4,363	¥8,268	¥35,613

	Thousands of U.S. Dollars			
2009	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	$359,381	$115,635	$23,322	$451,694
Debt securities	33,561	33	1,618	31,976
Other	3,670	76	65	3,681
Total	$396,612	$115,744	$25,005	$487,351

The carrying amount of the securities classified as available-for-sale securities whose fair values are not readily determinable as of December 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Carrying amount	2009	2008	2009
Available-for-sale:			
Non-listed equity securities	¥1,944	¥1,451	$21,107
Investment trust	739	1,126	8,024
Money management funds	–	–	–
Free financial funds	–	–	–
Medium-term government bond funds	–	–	–
Other	126	155	1,368
Total	¥2,809	¥2,732	$30,499

Total sales of available-for-sale securities sold in the year ended December 31, 2009 and 2008 amounted to ¥7,930 million ($86,102 thousand) and ¥11,393 million and the related gains amounted to ¥144 million ($1,563 thousand) and ¥1,464 million, and the related losses amounted to ¥66 million ($716 thousand) and ¥79 million, respectively.

The redemption schedule for available-for-sale securities with maturities as of December 31, 2009 and 2008 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

2009	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	¥1,112	¥482	¥278	¥1,071
Other	–	–	–	–
Total	¥1,112	¥482	¥278	¥1,071

Millions of Yen

2008	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	¥1,568	¥1,132	¥491	¥1,674
Other	–	–	–	–
Total	¥1,568	¥1,132	¥491	¥1,674

Thousands of U.S. Dollars

2009	Due within one year	1 to 5 years	5 to 10 years	Over 10 years
Debt securities	$12,074	$5,233	$3,018	$11,629
Other	–	–	–	–
Total	$12,074	$5,233	$3,018	$11,629

4. SHORT-TERM AND LONG-TERM DEBT

The weighted average annual interest rates applicable to the short-term debt were 1.42% and 2.07% at December 31, 2009 and 2008, respectively.

Long-term debt as of December 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Loans due through 2013 (See note below.)	¥345	¥ 492	$3,746
Amount due within one year	(92)	(151)	(999)
Total	¥253	¥ 341	$2,747

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Obligations under capital leases (See note below.)	¥122	¥–	$1,324
Amount due within one year	(27)	–	(293)
Total	¥ 95	¥–	$1,031

Note: Weighted average interest rates or averages of interest rates applicable to loans outstanding at the end of each fiscal year weighted by then amounts of loans, for the loans due beyond one year are 4.75% p.a. in 2009 and 4.53% p.a. in 2008. Weighted average interest rates of the loans due within one year are 4.07% p.a. in 2009 and 2.97% p.a. in 2008. Weighted average interest rates of obligations under finance leases due beyond and within one year are 2.55% and 2.82%, respectively, in 2009.

Repayment schedule of long-term debt as of December 31, 2009, was as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 92	$ 999
2011	92	999
2012	92	999
2013	69	749
Total	¥345	$3,746

Repayment schedule of obligations under capital leases as of December 31, 2009, was as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 27	$ 293
2011	29	314
2012	25	271
2013	24	261
Later years	17	185
Total	¥122	$1,324

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 services and certain other factors.

The liabilities for employees' retirement benefits and pension plans as of December 31, 2009 and 2008 are comprised of the following. (See the *Remarks below.):

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥11,367	¥11,048	$123,420
Fair value of plan assets	(8,227)	(7,897)	(89,327)
Unrecognized actuarial differences	(2,139)	(2,371)	(23,225)
Accrued retirement benefits	¥ 1,001	¥ 780	$ 10,868

The components of net periodic benefit costs for the years ended December 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 802	¥ 762	$ 8,708
Interest cost	204	201	2,215
Expected return on plan assets	(118)	(132)	(1,281)
Amortization of actuarial differences	255	131	2,769
Contributions paid during the period, etc. (See the *Remarks below.)	970	978	10,531
Net periodic benefits costs	¥2,113	¥1,940	$22,942

The discount rate used by the Group was 2.0% as of the years ended December 31, 2009 and 2008. The rate of expected return on plan assets used by the Group was 1.5% for the years ended December 31, 2009 and 2008. 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 differences 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 periodical benefit costs, but does not recognize pension assets and liabilities as stated above.

Contributions paid during the period, etc., stated in the table shown above 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 pro-rated share of pension assets or liabilities for the Group as measured by the 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 pro-rating 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, 2009	March 31, 2008	March 31, 2009
Pension liabilities	¥(90,518)	¥(86,836)	$(982,823)
Pension assets (See Remark below.)	57,000	70,570	618,892
Net assets (deficits)	¥(33,518)	¥(16,266)	$(363,931)

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

Remark: The Japan Advertising Industry Pension Fund's total pension asset as of March 31, 2010 was ¥69,325 million ($752,714 thousand). The pension liabilities amount is now being calculated.

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

	April 1, 2008– March 31, 2009	April 1, 2007– March 31, 2008
Share of the Group as employers	10.30%	9.01%
Share of employees	6.22%	5.54%
Total	16.52%	14.55%

c. Pro-rated share of pension assets or liabilities as measured by the Group's share of the contribution to the fund

	Millions of Yen	
March 31, 2009	Share of the Group as employer	Share of employees
Pension liabilities	¥(9,320)	¥(5,634)
Pension assets	5,869	3,548
Net deficits	¥(3,451)	¥(2,086)

	Millions of Yen	
March 31, 2008	Share of the Group as employer	Share of employees
Pension liabilities	¥(7,824)	¥(4,807)
Pension assets	6,358	3,907
Net deficits	¥(1,466)	¥ (900)

	Thousands of U.S. Dollars	
March 31, 2009	Share of the Group as employer	Share of employees
Pension liabilities	$(101,194)	$(61,173)
Pension assets	63,724	38,524
Net deficits	$ (37,470)	$(22,649)

d. Supplemental information

The Japan Advertising Industry Pension Fund's total net pension deficit amount of ¥33,518 million ($363,931 thousand) and ¥16,266 million on March 31, 2009 and March 31, 2008 stated in the item "a" above equals to the sum of prior service liabilities of ¥7,083 million ($76,906 thousand) and ¥7,533 million and net accumulated deficit carry-forward of ¥26,435 million ($287,025 thousand) and ¥8,712 million, respectively.

Prior service liabilities are amortized over 20 years by the straight line method at the fund accounting, and the Group expensed an additional contribution of ¥117 million ($1,270 thousand) and ¥111 million during the periods from April 1, 2008 to March 31, 2009 and from April 1, 2007 to March 31, 2008, respectively, for this amortization.

6. CHANGE IN NET ASSETS

The type and number of shares issued and treasury stock as of December 31, 2009 and 2008 were as follows:

	Type of shares issued	Type of treasury stock
2009	Common stock	Common stock
Number of shares as of December 31, 2008	45,155,400	2,067,327
Number of shares increased during the accounting period ended December 31, 2009	–	502,804
Number of shares decreased during the accounting period ended December 31, 2009	–	(264)
Number of shares as of December 31, 2009	45,155,400	2,569,867

Notes: 1. Increase in the number of treasury stock was due to the purchase of 500,000 shares with an approval of board of directors meeting and purchase of 2,804 shares of less-than-one-unit shares.
2. Decreases in the number of treasury stocks were due to sales of 264 shares of less-than-one-unit shares.

	Type of shares issued	Type of treasury stock
2008	Common stock	Common stock
Number of shares as of December 31, 2007	45,155,400	64,297
Number of shares increased during the accounting period ended December 31, 2008	–	2,004,159
Number of shares decreased during the accounting period ended December 31, 2008	–	(1,129)
Number of shares as of December 31, 2008	45,155,400	2,067,327

Notes: 1. Increase in the number of treasury stock was due to the purchase of 2,000,000 shares with an approval of board of directors meeting and purchase of 4,159 shares of less-than-one-unit shares.
2. Decreases in the number of treasury stocks were due to sales of 1,129 shares of less-than-one-unit shares.

Information related to dividends for the accounting periods ended December 31, 2009 and 2008 was as follows:

2009

Dividend paid during the accounting period ended December 31, 2009

Resolution	Board of Directors February 13, 2009	Board of Directors August 12, 2009
Total amount of dividends	¥430 million	¥425 million
Dividend per share	¥10	¥10
Record date	December 31, 2008	June 30, 2009
Payable date	March 12, 2009	September 14, 2009

Dividend attributable to the performance of the accounting period ended December 31, 2009 but paid after the said accounting period

Resolution	Board of Directors February 12, 2010
Total amount of dividends	¥425 million
Fund of dividend	Retained earnings
Dividend per share	¥10
Record date	December 31, 2009
Payable date	March 12, 2010

2008

Dividend paid during the accounting period ended December 31, 2008

Resolution	Board of Directors February 14, 2008	Board of Directors August 14, 2008
Total amount of dividends	¥1,442 million	¥440 million
Dividend per share	¥32	¥10
Record date	December 31, 2007	June 30, 2008
Payable date	March 12, 2008	September 16, 2008

Dividend attributable to the performance of the accounting period ended December 31, 2008 but paid after the said accounting period

Resolution	Board of Directors February 13, 2009
Total amount of dividends	¥430 million
Fund of dividend	Retained earnings
Dividend per share	¥10
Record date	December 31, 2008
Payable date	March 12, 2009

7. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate, inhabitant and enterprise taxes based on income. Normal effective statutory tax rates for these taxes in the aggregate result in approximately 40.69% for 2009 and 2008, respectively, after reflection of the enterprise tax, in the way that such tax should be deductible for tax purposes only when paid. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The deferred tax assets and liabilities as a result of the tax effects of significant temporary differences as of December 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Allowance for doubtful receivables	¥ 712	¥ 505	$ 7,731
Accrued bonuses	22	36	239
Accrued retirement benefits	326	300	3,540
Inventory	104	–	1,129
Investment securities	407	392	4,419
Tax loss carry-forwards	327	424	3,550
Unrealized loss on marketable securities	46	1,921	499
Deferred tax assets in overseas consolidated subsidiaries*	40	78	434
Other	1,152	929	12,509
	3,136	4,585	34,050
Valuation allowance**	(135)	(170)	(1,466)
Total deferred tax assets	3,001	4,415	32,584
Deferred tax liabilities:			
Accrued retirement benefits	21	94	228
Unrealized gain on marketable securities	3,376	204	36,656
Deferred tax liabilities in overseas consolidated subsidiaries*	59	70	640
Other	–	15	–
Total deferred tax liabilities	3,456	383	37,524
Total net deferred tax assets (liabilities)	¥ (455)	¥4,032	$ (4,940)

*Remarks: The deferred tax assets and liabilities in overseas consolidated subsidiaries as results of the tax effects of significant temporary differences and losses carry-forward as of the end of fiscal year 2009 and 2008 were as follows:

:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets:			
Tax loss carry-forwards	¥ 71	¥119	$ 771
Other	27	31	293
Less valuation allowance**	(58)	(72)	(630)
Deferred tax assets	40	78	434
Deferred tax liabilities —Depreciation	59	68	641
—Other	–	2	–
Deferred tax liabilities	59	71	641
Net deferred tax assets	¥(19)	¥ 7	$ (207)

**Remarks: Valuation allowances shown above are provided for tax loss carry-forwards of certain subsidiaries under the Group's tax planning.

Reconciliation between the normal effective statutory tax rate for the years ended December 31, 2009 and 2008 and the actual effective tax rates reflected in the accompanying consolidated statements of income were as follows:

	2009	2008
Normal effective statutory tax rate	40.69%	40.69%
Certain expenses, including, but not limited to, entertainment expenses, permanently not deductible for tax purposes	92.99	10.23
Certain incomes, including, but not limited to, dividend income, permanently not taxable for tax purposes	(18.26)	(2.20)
Per capita levy	8.53	0.78
Corporate income tax for the past year	29.15	–
Amendment of effective tax rate for the past year	(48.33)	–
Tax rate difference applicable to overseas subsidiaries	(35.38)	(3.03)
Other—net	(0.44)	(2.98)
Actual effective tax rate	68.95%	43.49%

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Breakdown of Selling, general and administrative expenses for the years ended December 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Selling, general and administrative expenses:			
Salaries	¥22,114	¥24,785	$240,109
Provision for bonus expenses	126	302	1,368
Provision for pension benefits	2,082	1,917	22,606
Provision for retirement benefits to directors	84	87	912
Welfare expenses	2,845	3,102	30,890
Rent expenses	4,146	4,024	45,016
Provision for doubtful accounts	786	223	8,534
Depreciation expenses	290	332	3,149
Other	9,650	10,672	104,777
Total	¥42,123	¥45,444	$457,361

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended December 31, 2009 and 2008 were ¥949 million ($10,304 thousand) and ¥1,084 million, respectively.

10. LEASES

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

As discussed in Note 2.i. Leases, the Group accounts for certain leases as operating lease transactions, satisfying certain conditions that the transactions were contracted on or before the end of 2008, that the leased property is not deemed to be transferred to the lessee, and that certain "as-if-capitalized" information is disclosed in the notes to the lessee's consolidated financial statements. Pro forma information of those leased properties such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases on an "as-if-capitalized" basis for the years ended December 31, 2009 and 2008, were as follows:

Millions of Yen

Year Ended December 31, 2009	Furniture and equipment	Machinery and vehicles	Software	Total
Acquisition cost	¥1,364	¥–	¥337	¥1,701
Accumulated depreciation	901	–	263	1,164
Net leased property	¥ 463	¥–	¥ 74	¥ 537

Obligations under finance leases:

Millions of Yen

Due within one year	¥327
Due after one year	243
Total	¥570

Millions of Yen

Year Ended December 31, 2008	Furniture and equipment	Machinery and vehicles	Software	Total
Acquisition cost	¥1,801	¥33	¥395	¥2,229
Accumulated depreciation	982	29	245	1,256
Net leased property	¥ 819	¥ 4	¥150	¥ 973

Obligations under finance leases:

Millions of Yen

Due within one year	¥ 436
Due after one year	574
Total	¥1,010

Year Ended December 31, 2009	Furniture and equipment	Machinery and vehicles	Software	Total
				Thousands of U.S. Dollars
Acquisition cost	$14,810	$–	$3,659	$18,469
Accumulated depreciation	9,783	–	2,856	12,639
Net leased property	$ 5,027	$–	$ 803	$ 5,830

Obligations under finance leases:

	Thousands of U.S. Dollars
Due within one year	$3,550
Due after one year	2,639
Total	$6,189

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Total lease payments	¥436	¥490	$4,734
Depreciation expense	412	474	4,473
Interest expense	17	23	185

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
	2009	2008	2009
Due within one year	¥ 576	¥ 566	$ 6,254
Due after one year	3,700	4,019	40,174
Total	¥4,276	¥4,585	$46,428

11. CONTINGENT LIABILITIES

As of December 31, 2009, 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, GroupM Japan	¥372	$4,039

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 U.S. $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.

12. 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 also has investments in debt securities with derivatives which are designed to enhance returns. Some of those investments have terms and conditions that could lead to a situation where an original face value of such security is not redeemed even if there is no credit event. However, because such loss would be limited to the face value at maximum, the influence of such risk is limited.

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, 2009 and 2008 were summarized as follows:

	Millions of Yen			
Year Ended December 31, 2009	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
– Buying (US$)	¥212	¥141	¥177	¥(33)
Total				¥(33)

	Millions of Yen			
Year Ended December 31, 2008	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
– Buying (US$)	¥283	¥212	¥230	¥(48)
Total				¥(48)

	Thousands of U.S. Dollars			
Year Ended December 31, 2009	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
– Buying (US$)	$2,302	$1,581	$1,922	$(358)
Total				$(358)

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

13. SEGMENT INFORMATION

Information about business segments, geographic segments and billings to foreign customers of the Group for the years ended December 31, 2009 and 2008, was as follows:

(1) Business Segment Information

Business segment information for the years ended December 31, 2009 and 2008 was as follows:

a. Billings and Operating Income

Millions of Yen

2009	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Billings to customers	¥342,926	¥7,285	¥350,211	–	¥350,211
Inter-segment billings	24	350	374	¥(374)	–
Total billings	342,950	7,635	350,585	(374)	350,211
The total of cost of sales and selling, general and administrative expenses	343,568	7,770	351,338	(371)	350,967
Operating income (loss)	¥ (618)	¥ (135)	¥ (753)	¥ (3)	¥ (756)

Millions of Yen

2008	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Billings to customers	¥391,229	¥8,223	¥399,452	–	¥399,452
Inter-segment billings	29	170	199	¥(199)	–
Total billings	391,258	8,393	399,651	(199)	399,452
The total of cost of sales and selling, general and administrative expenses	387,510	8,438	395,948	(195)	395,753
Operating income (loss)	¥ 3,748	¥ (45)	¥ 3,703	¥ (4)	¥ 3,699

b. Assets, Depreciation and Capital Expenditures

Millions of Yen

2009	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	¥181,193	¥9,096	¥190,289	¥(265)	¥190,024
Depreciation	909	34	943	–	943
Capital expenditures	561	7	568	–	568

Millions of Yen

2008	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
Assets	¥182,633	¥9,536	¥192,169	¥(387)	¥191,782
Depreciation	764	39	803	–	803
Capital expenditures	2,060	5	2,065	–	2,065

a. Billings and Operating Income

2009	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
					Thousands of U.S. Dollars
Billings to customers	$3,723,409	$79,099	$3,802,508	–	$3,802,508
Inter-segment billings	261	3,800	4,061	$(4,061)	–
Total billings	3,723,670	82,899	3,806,569	(4,061)	3,802,508
The total of cost of sales and selling, general and administrative expenses	3,730,380	84,365	3,814,745	(4,028)	3,810,717
Operating income (loss)	$ (6,710)	$ (1,466)	$ (8,176)	$ (33)	$ (8,209)

b. Assets, Depreciation and Capital Expenditures

2009	Advertising	Non-advertising	Total	Eliminations or corporate	Consolidated
					Thousands of U.S. Dollars
Assets	$1,967,351	$98,762	$2,066,113	$(2,877)	$2,063,236
Depreciation	9,870	369	10,239	–	10,239
Capital expenditures	6,091	76	6,167	–	6,167

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. (Please refer to 16. SUBSEQUENT EVENT for more information.)

2. As discussed in Notes 2.c. Inventories, effective from the financial statements for FY2009, inventories are assessed in accordance with ASBJ Statement No. 9 (issued on July 5, 2006), where inventories with low expected profitability are written down when such judgment is made. As a result, operating loss of the advertising business segment for FY2009 is negatively impacted by ¥69 million ($749 thousand).

(2) Geographic Segment Information

Because the billings and total assets of the overseas operations of the Group for the years ended December 31, 2009 and 2008 were less than 10% of those of the total consolidated operation, such segment information is not presented.

(3) Billings to Foreign Customers

Because the billings to foreign customers of the Group for the years ended December 31, 2009 and 2008 were 5.4% and 6.2%, respectively, or less than 10% of the total consolidated billings in the two periods, such information is not presented.

14. RELATED PARTY TRANSACTIONS

The Company and WPP plc ("WPP"), a strategic partner of the Company, mutually own shares in the other, and WPP plc owns indirectly 24.32% of the Company's common stocks as of December 31, 2009. The outlines of the relationship and transactions of the Company with the principal shareholder for the years ended December 31, 2009 and 2008 were as follows.

2009	Outline of the Transactions
Name of the related party	WPP plc
Type of the relationship	A principal shareholder owning more than 20% of the voting rights in the Company
Location	Dublin, Ireland
Called-up share capital	£125.6 million
Type of business	Communications services
WPP's share of voting rights in the Company	24.32% (Indirectly owned)
The Company's share of ownership in WPP	2.49%
Type of the transaction to be reported	The Company received dividends from WPP.
Amount of the dividends the Company received	¥719 million ($7,806 thousand)

2008	Outline of the Transactions
Name of the related party	WPP plc
Type of the relationship	A principal shareholder owning more than 20% of the voting rights in the Company
Location	Dublin, Ireland
Called-up share capital	£125.5 million
Type of business	Communications services
WPP's share of voting rights in the Company	24.04% (Indirectly owned)
The Company's share of ownership in WPP	2.49%
Type of the transaction to be reported	The Company received dividends from WPP.
Amount of the dividends the Company received	¥851 million

Notes: 1. The direct shareholder in the Company is WPP International Holding BV.

2. Since January 2004, the Group's Chairman and Group Chief Executive, Koichiro Naganuma, has been a non-executive director of the board of WPP plc. In return, Sir Martin Sorrell, Director and Chief Executive of WPP plc, has had a seat as a non-executive director of the board of the Company.

15. QUARTERLY FINANCIAL HIGHLIGHTS

Quarterly financial highlights in 2009 were as follows.

Quarterly financial highlights in 2008 were not disclosed, because they were not required under the Japanese accounting standard in 2008.

Millions of Yen (except per common stock data)

2009	1st Quarter January 1, 2009-March 31, 2009	2nd Quarter April 1, 2009-June 30, 2009	3rd Quarter July 1, 2009-September 30, 2009	4th Quarter October 1, 2009-December 31, 2009
Gross billings	¥91,267	¥86,213	¥83,221	¥89,508
Income (loss) before taxes and minority interests	130	783	(488)	(82)
Net income (loss)	99	290	(126)	(189)
Net income (loss) per common stock (yen)	¥2.31	¥6.81	¥(2.98)	¥(4.44)

Thousands of U.S. Dollars (except per common stock data)

2009	1st Quarter January 1, 2009-March 31, 2009	2nd Quarter April 1, 2009-June 30, 2009	3rd Quarter July 1, 2009-September 30, 2009	4th Quarter October 1, 2009-December 31, 2009
Gross billings	$990,955	$936,080	$903,594	$971,857
Income (loss) before taxes and minority interests	1,412	8,502	(5,299)	(890)
Net income (loss)	1,075	3,149	(1,368)	(2,052)
Net income (loss) per common stock (U.S. dollars)	$0.03	$0.07	$(0.03)	$(0.05)

16. SUBSEQUENT EVENT

The Company sold all of its shares in Nippon Information Industry Corp. (“NII”), an equity-method affiliated company and the only group company engaged in information processing services, to NII itself as of February 8, 2010 for ¥2,558 million ($27,774 thousand). The amount of loss on sales of the securities is around ¥1,073 million ($11,650 thousand).

INDEPENDENT AUDITORS' REPORT

The Board of Directors
ASATSU-DK INC.:

We have audited the accompanying consolidated balance sheets of ASATSU-DK INC. and consolidated subsidiaries as of December 31, 2009 and 2008, 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, 2009 and 2008, 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 26, 2010

Securities Holdings

ASATSU-DK INC. Consolidated Investments as of December 31, 2009

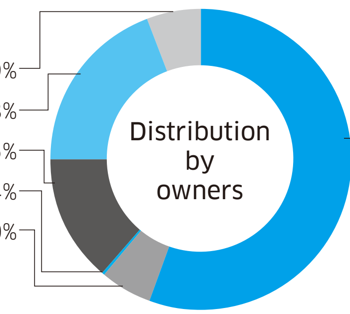
		Millions of Yen 2009	
Current	Bond investment trust/Money market fund	¥ 739	
	Bonds	1,112	5 funds
	Mutual funds in equities and bonds and others	294	10 funds
	Total	¥ 2,145	
Non-Current	WPP plc.	¥27,950	2.49% or 31,295,646 stocks
	Digital Advertising Consortium, Inc.	2,238	Equity method
	Other publicly traded equities	13,652	137 issues
	Publicly traded equities total	43,841	
	Non-publicly traded equities in affiliated companies	4,614	15 issues
	Non-publicly traded equities in subsidiary companies	877	21 issues
	Other non-publicly traded equities	1,944	71 issues
	Non-publicly traded equities total	7,435	
	Bonds	1,833	14 issues
	Mutual funds in equities and bonds and others	170	7 issues
	Total non-current investments in securities	2,003	
	Investments in affiliated companies (Non-securities)	317	8 funds
	Investments in funds (Non-securities)	96	7 funds
	Total non-current investments	¥53,694	

Top Five Equities by Balance	Millions of Yen 2009	
WPP plc.	¥27,950	31,295,646 shares
ASAHI BREWERIES, Ltd.	1,712	1,000,000 shares
Tokyo Broadcasting System, Incorporated	1,277	982,900 shares
Shochiku Co., Ltd.	911	1,100,000 shares
Shiseido Co.,Ltd.	751	421,718 shares

Investor Information

(As of December 2009)

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	3,239 (consolidated basis) 2,060 (non-consolidated basis)
Common stock	Authorized: 206,000,000 shares Issued: 45,155,400 shares
Number of shareholders	9,426



Major shareholders

	Percentage of Ownership Voting*
WPP International Holding B.V.	24.26%
Northern Trust Company (AVFC) Sub Account American Client	6.14%
Northern Trust Company AVFC Re U.S. Tax-Exempted Pension Funds	4.40%
The Silchester International Investors International Value Equity Trust	3.93%
Masao Inagaki	3.85%
JP Morgan Chase Bank, 380055	3.37%
State Street Bank and Trust Company 505225	2.05%
Japan Trustee Service Bank, Ltd. (trust a/c)	1.99%
The Master Trust Bank of Japan, Ltd., Retirement Benefit Trust Account (Mitsubishi Corporation Account)	1.80%
State Street Bank and Trust Company 505223	1.74%

*Percentage of Ownership Voting figures are based on 42,585,533 shares (45,155,400 shares issued and outstanding, minus 2,569,867 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

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