

Interim Financial Report

for FY 2003

September 11, 2003
Asatsu-DK Inc.

Japan's Advertising Market in 2003

	<u>2001</u>	<u>2002</u>	<u>2003 (Forecast)</u>
Real GDP	+0.4%	+0.3%	+1.1%
Nominal GDP	-1.2%	-1.4%	-0.6%
National Advertising Spending	¥6.580trn -0.9%	¥5.703trn -5.9%	About the same as in 2002 0% $\pm \alpha$

(as shown in Q1 FY2003 Financial Report May 14, 2003)

Billings of Top 8 Ad Agencies

	(¥MM)	
	<u>Jan. - June</u>	<u>vs. 2002</u>
Dentsu	676,111	97.5%
Hakuhodo	357,166	103.9%
ADK	177,379	105.0%
Tokyu Agency	82,890	89.5%
Daiko	81,456	104.8%
Yomiko	61,426	109.0%
East Japan M&C	41,636	94.4%
Asahi Ad	30,457	99.6%
Total	1,508,535	100.2%

(Source: Advertising and Economy Research Institute)

ADK
Parent Company
Performance

Billings by Industry

(¥MM)

	H1 2003	Composition Ratio	Increase/Decrease	vs. H1 2002
Energy/Raw Materials/Machinery	2,212	1.2%	-851	72.2%
Foods	19,970	11.3%	2,498	114.3%
Beverages/Tobacco Products	17,076	9.6%	-4,317	79.8%
Pharmaceuticals/Medical Supplies	7,211	4.1%	173	102.5%
Cosmetics/Toiletries	19,389	10.9%	1,537	108.6%
Apparel/Accessories	5,569	3.1%	-198	96.6%
Precision Instruments/Office Equipment	4,061	2.3%	1,597	164.8%
Electric Machinery/AV Equipment	4,954	2.8%	938	123.4%
Transport Equipment	11,750	6.6%	-1,916	86.0%
Household Products	1,084	0.6%	106	110.8%
Hobbies/Sporting goods	9,544	5.4%	2,080	127.9%
Real Estate/Housing Facilities	2,267	1.3%	173	108.3%
Publications	2,671	1.5%	1	100.0%
Information/Communications	15,321	8.6%	-1,367	91.8%
Distribution/Retail	8,790	5.0%	793	109.9%
Finance/Insurance	23,590	13.3%	5,046	127.2%
Transportation/Leisure	5,364	3.0%	-113	193.3%
Food Services/Other Services	4,448	2.5%	2,147	193.4%
Government/Organizations	3,149	1.8%	-22	99.3%
Education/Health Services	638	0.4%	-420	60.3%
Classified Ads/Others	8,321	4.7%	534	106.9%
Total	177,379	100.0%	8,420	105.0%

Billings by Media

(¥MM)

	H1 2003	vs. H1 2002	Total of Top 8 Agencies	vs. H1 2002
Magazine	10,283	106.3%	80,512	103.0%
Newspaper	16,868	92.5%	216,230	96.7%
Television	90,045	111.7%	680,256	100.7%
Time	33,958	104.7%	N.A.	N.A.
Spot	50,753	110.2%	N.A.	N.A.
Content	5,334	253.4%	N.A.	N.A.
Radio	2,014	91.5%	28,264	95.9%
Digital	1,922	104.1%	N.A.	N.A.
Sales Promotion	29,569	92.6%	503,273	100.8%
Creative & Other	26,678	108.8%		
Total	177,379	105.0%	1,508,535	100.2%

Profit & Loss for H1 2003

(¥MM)

	H1 2002	H1 2003	vs. 2002	vs. Budget
Billings	168,959	177,379	105.0%	104.3%
Revenue (Gross Margin)	16,674	18,590	111.5%	108.7%
Gross Profit Ratio	9.9%	10.5%	+0.6%	+0.4%
SG&A Expenses	14,664	16,051	109.5%	104.9%
Staff Cost	9,792	10,680	109.1%	106.9%
Other	4,872	5,371	110.2%	101.2%
Operating Profit	2,011	2,539	126.3%	141.0%
Non-Operating Profit	549	756	137.7%	126.0%
Recurring Profit	2,560	3,295	128.7%	137.3%
Extraordinary Profit (Loss)	(3,037)	(444)	-	88.8%
Net Profit Before Tax	(477)	2,851	-	150.0%
Income Tax	29	1,601	5436.2%	-
Net Profit (Loss)	(506)	1,250	-	138.8%
OP/GM	12.1%	13.7%		
Staff Cost/GM	58.7%	57.5%		

Qualitative Initiatives Contributing to Our Performance in H1

Implementation of Strategies set at the beginning of the year

- Ongoing Sales/Gross Margin Improvement
- Ongoing Cost of Sales Reduction
- Ongoing Operating Expenses Reduction
- Task-oriented Organization Initiatives
- Competitiveness Enhancement Initiatives

Quantitative Initiatives Contributing to Our Achievements in H1

Growth in New clients vs. Existing clients

Growth in Non-Japanese clients vs. Japanese clients

Growth in Media buying business vs. Brand-related business

Billings/Revenue Analysis

New clients vs. Existing clients

(¥MM)

	Billings	Composition Ratio	vs. H1 2002	Revenue	Composition Ratio	vs. H1 2002
New clients	11,581	6.5%	148.4%	1,189	6.4%	147.6%
Existing clients	165,798	93.5%	102.9%	17,401	93.6%	109.7%
Total	177,379	100.0%	105.0%	18,590	100.0%	111.5%

Billings/Revenue Analysis

Non-Japanese clients vs. Japanese clients

(¥MM)

	Billings	Composition Ratio	vs. H1 2002	Revenue	Composition Ratio	vs. H1 2002
Non-Japanese clients*	41,835	23.6%	130.1%	2,084	11.2%	136.7%
Japanese clients	135,545	76.4%	99.1%	16,506	88.8%	108.9%
Total	177,379	100.0%	105.0%	18,590	100.0%	111.5%

* mainly western clients
operating in Japan

Billings/Revenue Analysis

Media buying business vs. Brand-related business

(¥MM)

	Billings	Composition Ratio	vs. H1 2002	Revenue	Compositon Ratio	vs.H1 2002	Gross Profit Ratio
Media Buying business	25,956	14.6%	114.2%	652	3.5%	110.1%	2.5%
Brand-related business	151,423	85.4%	103.6%	17,938	96.5%	111.5%	11.8%
Total	177,379	100.0%	105.0%	18,590	100.0%	111.5%	10.5%

Operating Expense Analysis

(¥MM)

	H1 2002	H1 2003 Budget	H1 2003	vs. Budget	
Staff Cost	9,792	9,990	10,680	690	· ¥400 million for mid-term bonus in June
Other	4,872	5,310	5,371	61	<ul style="list-style-type: none"> · Increased lease expenses through consolidation of head office buildings · Information infrastructure upgrades · Amortization (¥250MM)
Total Operating Expenses	14,664	15,300	16,051	751	

Profit & Loss 2003 Forecast

(¥MM)

	H1 2003	H2 2003	vs. H2 2002	H1:H2	Year Total 2003	vs. 2002
Billings	177,379	169,621	102.2%	51.1 : 48.9	347,000	103.6%
Revenue (Gross Margin)	18,590	17,510	114.2%	51.5 : 48.5	36,100	112.8%
Gross Profit Ratio	10.5%	10.3%			10.4%	
SG&A Expenses	16,051	15,549	104.2%	50.8 : 49.2	31,600	106.8%
Staff Cost	10,680	10,320	107.6%	50.9 : 49.1	21,000	108.3%
Other	5,371	5,229	98.1%	50.7 : 49.3	10,600	103.9%
Operating Profit	2,539	1,961	480.0%	56.4 : 43.6	4,500	186.0%
Non-Operating Profit	756	344	61.2%	68.7 : 31.3	1,100	99.0%
Recurring Profit	3,295	2,305	237.6%	58.8 : 41.2	5,600	158.6%
Extraordinary Profit (Loss)	(444)	44	(6,499)	-	(400)	(9,536)
Net Profit Before Tax	2,851	2,349	(5,529)	54.8 : 45.2	5,200	(6,006)
Income Tax	1,601	1,399	(1,986)	53.4 : 46.6	3,000	(1,956)
Net Profit (Loss)	1,250	950	(3,543)	56.8 : 43.2	2,200	(4,050)
OP/GM	13.7%	11.2%			12.5%	7.6%
Staff Cost/GM	57.5%	58.9%			58.2%	60.6%

Conversion Rate: 50.8%
(Ratio of Revenue converted to OP)

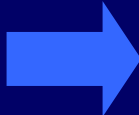
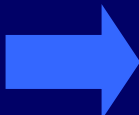
Progress in H2 Budget

(¥MM)

Billings	July	August	September	Jul.-Sep.	Oct.-Dec.	Jul. - Dec.	vs. 2002
Budget	24,535	20,154	28,120	72,809	96,812	169,621	102.2%
Actual/Forecast	25,359(A)	23,369(A)	29,684(F)	78,412	-	-	-
Increase/Decrease	+824	+3,215	+1,564	+5,603	-	-	-

- Progress ratio : 46.2% (¥78,412MM ÷ ¥169,621MM)

Improvement of Earnings and Efficiency Indicators

	2000	2001	2002	2003		Mid-term Goal
				(Budget)	(Full Year Forecast)	
OP/GM	10.0%	11.1%	7.6%	11.0%	 12.5%	15.0%
Staff Cost/GM	62.1%	60.0%	60.6%	58.2%	 58.2%	55.0%

ADK Group Performance

ADK Group

Japan

Consolidated Subsidiaries : 10

- Kyowa Kikaku
- ADK International
- ADK Arts
- Sanyu Agency
- Dai-Ichi Kikaku Communications
- Dai-Ichi Kikaku Relation Marketing
- Eiken
- Nihon Bungeisha Publishing
- Neo Shobo
- Tokyo Ad Party (To be liquidated)

Equity Method Affiliates: 2

- Nippon Information Industry
- Digital Advertising Consortium

Overseas

Consolidated Subsidiaries : 10

- ADK America
- Asatsu Europe Holding
- Asatsu Europe
- Asatsu (Deutschland)
- Asatsu-DK Hong Kong
- United Asatsu International
- Nexus/Asatsu Advertising
- DK Advertising (HK)
- DIK-Ocean Advertising
- Dai-Ichi Kikaku (Thailand)

Equity Method Affiliates: 4

- ASDIK
- Guangdong Guangxu Advertising
- Shanghai Asatsu Advertising
- Media Plus (Dormant)

Profit & Loss for H1 2003

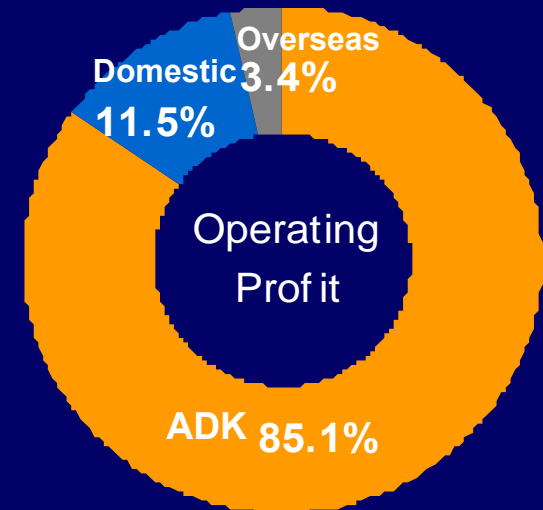
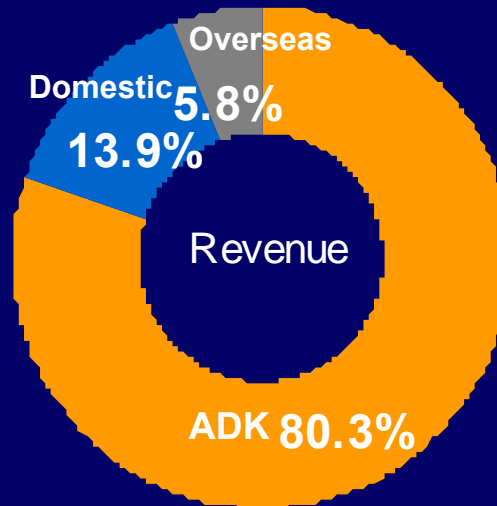
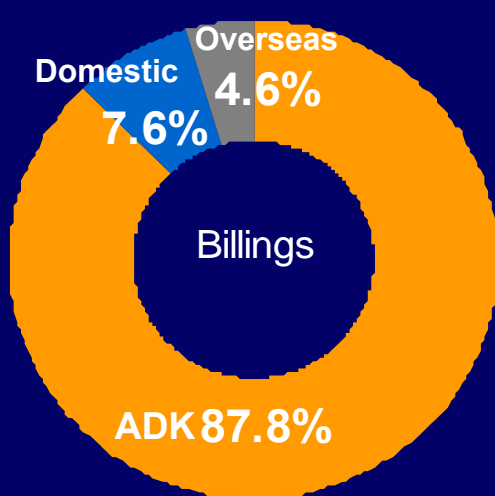
(¥MM)

	H1 2002	H1 2003	vs. 2002	vs. Budget	Group to Parent Ratio
Billings	188,437	195,963	104.0%	103.7%	1.10
Revenue (Gross Margin)	21,560	23,099	107.1%	107.4%	1.24
Gross Profit Ratio	11.4%	11.8%	+0.4%	+0.4%	
SG&A Expenses	18,668	20,134	107.8%	104.3%	1.25
Staff Cost	12,342	13,207	107.0%	107.1%	
Other	6,326	6,927	109.5%	99.4%	
Operating Profit	2,892	2,965	102.5%	134.8%	1.17
Non-Operating Profit	597	1,089	182.4%	181.5%	
Recurring Profit	3,489	4,054	116.2%	144.8%	1.23
Extraordinary Profit (Loss)	(3,236)	(720)	-	143.9%	
Net Profit Before Tax	252	3,334	1321.3%	145.0%	1.17
Income Tax	416	1,803	433.4%	154.9%	
Minority Interests	73	56	76.7%		
Net Profit (Loss)	(236)	1,475	-	134.1%	1.18
OP/GM	13.4%	12.8%			
Staff Cost/GM	57.2%	57.2%			

Profit & Loss Analysis for H1 2003

(¥MM)

	Billings	vs. 2002	Revenue	vs. 2002	Operating Profit	vs. 2002
ADK	177,379	105.0%	18,590	111.5%	2,539	126.3%
Total for 10 Domestic Subsidiaries	15,326	91.8%	3,204	95.1%	342	65.5%
Total for 10 Overseas Subsidiaries	9,231	107.2%	1,346	96.9%	103	62.8%
Consolidation Adjustments	-5,974		-41		-19	
Total	195,963	104.0%	23,099	107.1%	2,965	102.5%



Profit & Loss 2003 Forecast

	H1 2003	H2 2003	vs. 2002	H1:H2	Full Year 2003	vs. 2002
						(¥MM)
Billings	195,963	191,037	103.0%	50.6 : 49.4	387,000	103.5%
Revenue (Gross Margin)	23,099	22,001	110.2%	51.2 : 48.8	45,100	108.6%
Gross Profit Ratio	11.8%	11.5%			11.7%	
SG&A Expenses	20,134	19,666	103.2%	50.6 : 49.4	39,800	105.5%
Staff Cost	13,207	12,893	105.6%	50.6 : 49.4	26,100	106.3%
Other	6,927	6,773	98.8%	50.6 : 49.4	13,700	103.9%
Operating Profit	2,965	2,335	257.7%	55.9 : 44.1	5,300	139.5%
Non-Operating Profit	1,089	511	64.2%	68.1 : 31.9	1,600	114.9%
Recurring Profit	4,054	2,846	167.2%	58.7 : 41.3	6,900	132.9%
Extraordinary Profit (Loss)	(720)	200	(6,731)	-	(520)	(9,967)
Net Profit Before Tax	3,334	3,046	(5,028)	52.3 : 47.7	6,380	(4,776)
Income Tax	1,804	1,656	(1,627)	51.9 : 48.1	3,460	(1,138)
Minority Interests	56	64	5	46.6 : 53.4	120	78
Net Profit (Loss)	1,474	1,326	(3,401)	52.7 : 47.3	2,800	(3,638)
OP/GM	12.8%	10.6%			11.8%	9.1%
Staff Cost/GM	57.2%	58.6%			57.9%	59.1%

ADK's Challenges

ADK's Challenges

We continue to

- Increase gross margin and operating profits
- Work to achieve OP/GM and Staff Cost/GM targets
- Improve consolidated results both by enhancing management and reorganizing ADK Group

ADK's Code

ADK's Code

- Our Corporate Philosophy: “Management by All”
- Our Corporate Vision: “New Wave Agency”
- Our Corporate Mission: Offer the best communication services to help clients
- 1) build their brands and
 - 2) increase their sales and profits
- by delivering the brand experience across every consumer touchpoint

B/S (Non-Consolidated) June 30, 2003

(¥MM)

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash & time deposits	9,048	Notes payable	26,954
Notes receivable	14,822	Accounts payable	50,238
Accounts receivable	70,888	Other	2,624
Marketable securities	8,642	Current Liabilities Total	79,816
Production orders in progress	6,142	Fixed Liabilities	
Other	3,621	Allowance for retirement benefits	2,875
Total Current Assets	113,165	Other	1,612
Fixed Assets		Total Fixed Liabilities	4,487
Tangible Fixed Assets	3,482	Total Liabilities	84,304
Intangible Fixed Assets	2,760		
Investments and Other Assets		Shareholders' Equity	
Investment securities	58,870	Common Stock	37,581
Other	7,683	Capital reserve	40,607
Investments and Other Assets Total	66,554	Earned surplus reserve	1,555
Total Fixed Assets	72,797	Other surplus	20,142
		Valuation differential on securities	6,686
		Treasury Stock	-4,915
		Total Shareholders' Equity	101,658
Total Assets	185,962	Total Liabilities and Shareholders' Equity	185,962

Shareholders'
equity ratio
54.7%

*rounded down below million yen

B/S (Consolidated) June 30, 2003

(¥MM)

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash & deposits	19,379	Notes payable & Accounts payable	81,905
Notes receivable & Accounts receivable	95,559	Short-term debt	696
Marketable securities	8,955	Other	6,728
Inventory assets	8,060	Total Current Liabilities	89,330
Other	3,607	Fixed Liabilities	
Assets	135,562	Bonds & Long-term debt	1,301
		Allowance for retirement benefits	3,705
Fixed Assets		Other	1,688
Tangible Fixed Assets	5,956	Total Fixed Liabilities	6,695
Intangible Fixed Assets	3,108	Total Liabilities	96,026
Investments and Other Assets		Minority Interests	1,236
Investment securities	57,638	Shareholders' Equity	
Other	9,092	Common Stock	37,581
Total Investments and Other Assets	66,731	Capital reserve	40,607
Total Fixed Assets	75,796	Consolidated surplus	33,465
		Valuation differential on other securities	7,110
		Foreign currency translation adjustments	246
		Treasury stock	-4,914
		Total Shareholders' Equity	114,095
Total Assets	211,358	Total Liabilities and Shareholders' Equity	211,358

Shareholders' equity ratio
54.0%Ratio of consolidated to
non-consolidated
total assets
1.14

*rounded down below million yen

Asatsu-DK Inc. Consolidated Investments as of June 30, 2003

(¥MM)

Current	Money Management Funds	942	
	Free Financial Funds	7,418	
	Discount Nochu Bank Debentures	67	Face Value
	Discount Financial Debentures	269	Face Value
	Mutual Funds in Equities and Bonds	259	
	Total	8,955	
Non current	WPP Group plc.	29,450	2.7% or 31,295,646 shares
	Digital Advertising Consortium, Inc.	1,694	Equity in the Affiliated Company
	Other Publicly Traded Equities	14,292	170 issues
	Publicly Traded Equities total	45,436	
	Non Publicly Traded Equities in Affiliated Companies	3,751	20 issues
	Non Publicly Traded Equities in Subsidiary Companies	723	27 issues
	Other Non Publicly Traded Equities	1,871	89 issues
	Non Publicly Traded Equities total	6,345	
	Bonds	3,544	16 issues
	Mutual Funds in Equities and Bonds	2,313	37 issues
	Total Non-current Investments in Securities	57,638	
	Investments in Affiliated Companies (Non-Securities)	135	5 funds
Investments in Funds (Non-Securities)	872	9 funds	
Total Non current investments	58,645		

*rounded down below million yen

Capital Expenditures

Accounting Items	Non-Consolidated ADK	Consolidated Subsidiaries	Consolidated
Buildings	18	48	66
Building Improvements	-	-	-
Vehicles	8	22	30
Furniture, Fixtures & Equipment	13	103	116
Lands	-	-	-
Licenses	-	-	-
Computer Software	418	4	422
Other	0	-	0
Total	457	177	634

Depreciation and Amortization Expenses

Accounting Items	Non-Consolidated ADK	Consolidated Subsidiaries	Consolidated
Buildings	73	35	108
Building Improvements	2	0	2
Vehicles	6	6	12
Furniture, Fixtures & Equipment	98	40	138
Land	-	-	-
Licenses	5	41	46
Computer Software	336	4	340
Other	11	27	38
Total	531	153	684

Consolidated Statements of Cash Flow, June 30 2003

(¥MM)

	H1 2003	H1 2002	Year Total 2002
OPERATING ACTIVITIES			
Income (loss) before income taxes and minority interests	3,334	252	-4,776
Depreciation and amortization	684	482	1,015
Decrease in notes and accounts receivable	2,860	-301	4,560
Decrease in notes and accounts payable	-1,542	4,069	-945
Net cash provided by operating activities	4,925	4,384	4,181
INVESTING ACTIVITIES			
Purchases of tangible fixed asstes	-212	-501	-1,771
Purchases of intangible fixed assets	-422	-637	-1,199
Proceeds from sales of investment securities	-1,096	-2,245	-4,327
Purchases of investment securities	2,864	211	1,064
Net cash used in investing activities	5,237	-1,208	-4,020
FINANCING ACTIVITIES			
Purchases of treasury stock - net	-449	-6	-2,171
Dividends paid	-446	-455	-911
Net cash used in financing activities	-1,181	-756	-2,827
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	258	-239	-286
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,240	2,180	-2,951
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,635	19,587	19,587
INCREASE IN CASH AND CASH EQUIVALENTS ACCOMPANYING MERGER OF SUBSIDIARIES	101	—	
CASH AND CASH EQUIVALENTS, END OF TERM	25,977	21,767	16,635

*rounded down below million yen