



# **Interim Financial Report for FY 2005**

**August 31, 2005**

**Asatsu-DK Inc.**



# The State of Japan's Ad Industry

# Japan's Advertising Market

ADK

	<u>CY2003</u>	<u>CY2004</u>	<u>CY2005 Forecast</u>	
			Government	Private Institutes
Real GDP	+2.0%	+1.9%	+1.6%	+1.09%
Nominal GDP	+0.8%	+0.8%	+1.3%	+0.58%

(Source: Cabinet Office, Toyo Keizai)

National Ad Spending (¥billion)	¥5,684	¥5,857	¥ 5,938
	-0.3%	+3.0%	+1.4%

(Source: Dentsu)

# Gross Billings of Top 8 Ad Agencies

ADK

	<u>1H 05</u>	<u>Change from 04</u>	<u>vs. 1H 04</u>
Dentsu	766,069	31,949	104.4%
Hakuhodo	358,033	24,245	107.3%
ADK	195,664	10,395	105.6%
Daiko	72,958	1,781	102.5%
Tokyu Agency	63,929	-7,475	89.5%
Yomiko	52,272	-3,203	94.2%
East Japan M&C	48,364	3,424	107.6%
Asahi Ad	29,239	-124	99.6%
<b>Total</b>	<b>1,586,528</b>	<b>58,426</b>	<b>103.8%</b>

(Non-consolidated)

(Agency report)



# 1<sup>st</sup> Half 2005 Performance of ADK

# Gross Billings: Breakdown by Industry



(¥MM)

	Gross Billings	Composition Ratio	Change from 04	vs. 1H 04
Energy/Raw Materials/Machinery	2,795	1.4%	206	108.0%
Foods	17,531	9.0%	-1,091	94.1%
Beverages/Tobacco Products	13,553	6.9%	-466	96.7%
Pharmaceuticals/Medical Supplies	8,183	4.2%	674	109.0%
Cosmetics/Toiletries	17,381	8.9%	1,738	111.1%
Apparel/Accessories	4,552	2.3%	135	103.1%
Precision Instruments/Office Equipment	3,165	1.6%	-969	76.6%
Electric Machinery/AV Equipment	2,805	1.4%	-1,516	64.9%
Transport Equipment	10,860	5.6%	-1,652	86.8%
Household Products	1,265	0.6%	82	107.0%
Hobbies/Sporting Goods	8,593	4.4%	641	108.1%
Real Estate/Housing Facilities	3,844	2.0%	1,129	141.6%
Publications	1,627	0.8%	-1	99.9%
Information/Communications	20,812	10.6%	98	100.5%
Distribution/Retail	11,849	6.1%	1,045	109.7%
Finance/Insurance	32,725	16.7%	1,413	104.5%
Transportation/Leisure	6,670	3.4%	1,793	136.8%
Food Services/Other Services	6,558	3.4%	1,656	133.8%
Government/Organizations	7,466	3.8%	4,080	220.5%
Education/Health Services	1,403	0.7%	187	115.4%
Classified Ads/Others	12,030	6.2%	1,214	111.2%
<b>Total</b>	<b>195,664</b>	<b>100.0%</b>	<b>10,395</b>	<b>105.6%</b>

# Gross Billings: Breakdown by Medium



(¥MM)

	ADK	vs. 1H 04	Total of Top 8 Agencies	vs. 1H 04
Magazines	11,576	112.6%	77,856	100.3%
Newspapers	18,206	102.7%	205,785	96.6%
Television	89,877	99.0%	689,317	101.0%
Sponsored Programs	33,711	103.3%	N.A.	N.A.
Spot	48,344	96.0%	N.A.	N.A.
Content Business	7,822	100.2%	N.A.	N.A.
Digital Media*	4,459	203.0%	N.A.	N.A.
Radio	1,909	100.1%	26,774	98.5%
Sales Promotion	35,143	104.7%	586,796	111.6%
Creative & Others	34,494	119.8%		
<b>Total</b>	<b>195,664</b>	<b>105.6%</b>	<b>1,586,528</b>	<b>103.8%</b>

\* BS/CS/Internet

(Agency report)

# Non-consolidated P/L



(¥MM)

	1H 2004	1H 2005	vs. 1H 04	Change from 04
<b>Gross Billings</b>	185,269	195,664	105.6%	10,395
<b>Gross Profit</b>	20,665	19,138	92.6%	-1,527
<b>Gross Profit Ratio</b>	11.2%	9.8%	-	-1.4%
<b>SG&amp;A Expenses</b>	16,593	15,558	93.8%	-1,036
<b>Staff Cost</b>	11,567	10,465	90.5%	-1,102
<b>Others</b>	5,026	5,093	101.3%	67
<b>Operating Profit</b>	4,071	3,580	87.9%	-491
<b>Non-Operating Profit</b>	918	1,090	118.6%	171
<b>Recurring Profit</b>	4,990	4,670	93.6%	-320
<b>Net Extraordinary Profit/Loss</b>	-504	31	-	535
<b>Net Profit Before Tax</b>	4,485	4,700	104.8%	215
<b>Income Tax</b>	1,848	2,045	110.7%	198
<b>Net Income</b>	2,638	2,655	100.7%	18
<b>Operating Margin</b>	19.7%	18.7%		
<b>Staff Cost/Gross Profit</b>	56.0%	54.7%		



- **Key factor in gross billings growth**  
**New business: ¥10billion**
- **Key factor in gross profit decline**  
**Animation content : ¥800MM decrease**  
**Cost pressure of media buying: ¥700MM decrease**
- **Key factor in expense reduction**  
**Decrease in variable part of personnel expense,**  
**namely corporate performance-oriented bonus**
- **Key factor in non-operating profit increase**  
**Increase of dividend income**

- **Growth in New Clients vs. Existing Clients**
- **Growth in Non-Japanese Clients vs. Japanese Clients**
- **Growth in Media Buying Business vs. Brand-related Business**
- **Growth in Headquarters vs. Branch Offices**

# New Clients vs. Existing Clients

(¥MM)

	<u>Gross Billings</u>	<u>Composition Ratio</u>	<u>vs. 2004</u>
<b>New Clients</b>	<b>9,974</b>	<b>5.1%</b>	<b>209.4%</b>
<b>Existing Clients</b>	<b>185,690</b>	<b>94.9%</b>	<b>102.9%</b>
<b>Total</b>	<b>195,664</b>	<b>100.0%</b>	<b>105.6%</b>

# Non-Japanese Clients vs. Japanese Clients

(¥MM)

	<u>Gross Billings</u>	<u>Composition Ratio</u>	<u>vs. 2004</u>
<b>Non-Japanese Clients*</b>	<b>42,706</b>	<b>21.8%</b>	<b>92.4%</b>
<b>Japanese Clients</b>	<b>152,959</b>	<b>78.2%</b>	<b>110.0%</b>
<b>Total</b>	<b>195,664</b>	<b>100.0%</b>	<b>105.6%</b>

\* Multinationals operating in Japan

# Media Buying Business vs. Brand-related Business

(¥MM)

	<u>Gross Billings</u>	<u>Composition Ratio</u>	<u>vs. 2004</u>
<b>Media Buying Business</b>	<b>27,720</b>	<b>14.2%</b>	<b>99.0%</b>
<b>Brand-related Business</b>	<b>167,944</b>	<b>85.8%</b>	<b>106.8%</b>
<b>Total</b>	<b>195,664</b>	<b>100.0%</b>	<b>105.6%</b>

# Headquarters vs. Branch Offices

(¥MM)

	<u>Gross Billings</u>	<u>Composition Ratio</u>	<u>vs. 2004</u>
<b>Tokyo HQ</b>	<b>163,827</b>	<b>83.7%</b>	<b>104.8%</b>
<b>Branch Offices</b>	<b>31,837</b>	<b>16.3%</b>	<b>109.8%</b>
<b>Total</b>	<b>195,664</b>	<b>100.0%</b>	<b>105.6%</b>

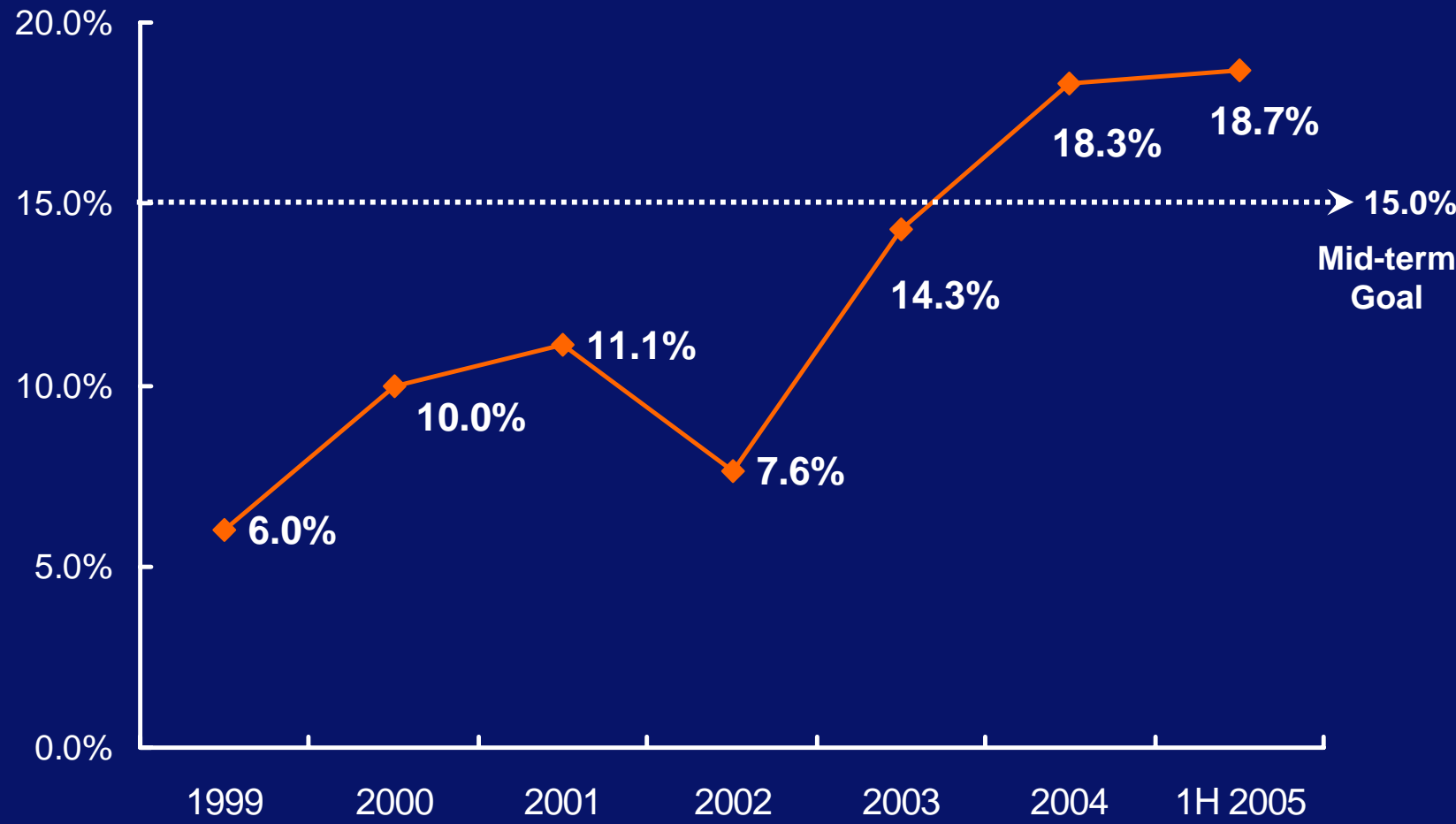
# SG&A Expenses Analysis

	<u>1H 04</u>	<u>1H 05</u>	(¥MM) <u>Change</u>	
<b>Staff Cost</b>	<b>11,567</b>	<b>10,465</b>	<b>-1,102</b>	<b>- Decrease of incentive bonus provision</b>
<b>Others</b>	<b>5,026</b>	<b>5,093</b>	<b>67</b>	<b>· Increased taxes due to size-based corporate taxes</b>
<b>Total</b>	<b>16,593</b>	<b>15,558</b>	<b>-1,036</b>	

# Historical Review – Operating Margin



	1999	2000	2001	2002	2003	2004	1H 2005
Operating Margin	6.0%	10.0%	11.1%	7.6%	14.3%	18.3%	18.7%





# Historical Review – Staff Cost/Gross Profit



	1999	2000	2001	2002	2003	2004	1H 2005
Staff Cost / Gross Profit	65.9%	62.1%	60.0%	60.6%	57.4%	55.5%	54.7%



# Non-Consolidated P/L 2005 Forecast



(¥MM)

	1H Actual	2H Forecast	2H vs. 04	1H : 2H	05 Forecast	vs. 04
<b>Gross Billings</b>	<b>195,664</b>	<b>199,336</b>	<b>105.7%</b>	<b>49.5 : 50.5</b>	<b>395,000</b>	<b>105.6%</b>
<b>Gross Profit</b>	<b>19,138</b>	<b>20,562</b>	<b>104.4%</b>	<b>48.2 : 51.8</b>	<b>39,700</b>	<b>98.4%</b>
<b>Gross Profit Ratio</b>	<b>9.8%</b>	<b>10.3%</b>	<b>-0.1%</b>		<b>10.1%</b>	<b>-0.7%</b>
<b>SG&amp;A Expenses</b>	<b>15,558</b>	<b>16,742</b>	<b>102.2%</b>	<b>48.2 : 51.8</b>	<b>32,300</b>	<b>98.0%</b>
<b>Staff Cost</b>	<b>10,465</b>	<b>11,435</b>	<b>105.7%</b>	<b>47.8 : 52.2</b>	<b>21,900</b>	<b>97.8%</b>
<b>Others</b>	<b>5,093</b>	<b>5,307</b>	<b>95.4%</b>	<b>49.0 : 51.0</b>	<b>10,400</b>	<b>98.2%</b>
<b>Operating Profit</b>	<b>3,580</b>	<b>3,820</b>	<b>115.2%</b>	<b>48.4 : 51.6</b>	<b>7,400</b>	<b>100.2%</b>
<b>Non-Operating Profit</b>	<b>1,090</b>	<b>610</b>	<b>89.1%</b>	<b>64.1 : 35.9</b>	<b>1,700</b>	<b>106.0%</b>
<b>Recurring Profit</b>	<b>4,670</b>	<b>4,430</b>	<b>110.7%</b>	<b>51.3 : 48.7</b>	<b>9,100</b>	<b>101.2%</b>
<b>Net Extraordinary Profit</b>	<b>31</b>	<b>19</b>	<b>42.7%</b>	<b>61.4 : 38.6</b>	<b>50</b>	<b>-</b>
<b>Net Profit Before Tax</b>	<b>4,700</b>	<b>4,450</b>	<b>110.0%</b>	<b>51.4 : 48.6</b>	<b>9,150</b>	<b>107.3%</b>
<b>Income Tax</b>	<b>2,045</b>	<b>2,105</b>	<b>103.8%</b>	<b>49.3 : 50.7</b>	<b>4,150</b>	<b>107.1%</b>
<b>Net Income</b>	<b>2,655</b>	<b>2,345</b>	<b>116.2%</b>	<b>53.1 : 46.9</b>	<b>5,000</b>	<b>107.4%</b>
<b>Operating Margin</b>	<b>18.7%</b>	<b>18.6%</b>	<b>-</b>	<b>-</b>	<b>18.6%</b>	<b>+0.3pt</b>
<b>Staff Cost/Gross Profit</b>	<b>54.7%</b>	<b>55.6%</b>	<b>-</b>	<b>-</b>	<b>55.2%</b>	<b>-0.3pt</b>

- **Key factors in gross billings growth**
  - Increase of advertising activities due to up-trend in Japanese economy and clients' business improvement
  - Expansion of new client cultivation
  - Growth of Osaka office
  - Advertising & publicity related to general election
- **Key Factors in gross profit growth**
  - Improvement of media buying margin
  - Cost control of non-media disciplines
  - Growth of brand-related business



# 1st Half 2005 Performance of ADK Group

## Japan

### Consolidated Subsidiaries: 7

- Kyowa Kikaku
- ADK International
- ADK Arts
- TRI Communication
  
- Eiken
  
- Nihon Bungeisha Publishing
- Neo Shobo

### 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
- Asatsu-DK Singapore
- DK Advertising (HK)
- DIK-Ocean Advertising
- Dai-Ichi Kikaku (Thailand)

### Equity Method Affiliates: 3

- ASDIK
- Guangdong Guangxu Advertising
- Shanghai Asatsu Advertising

(¥MM)

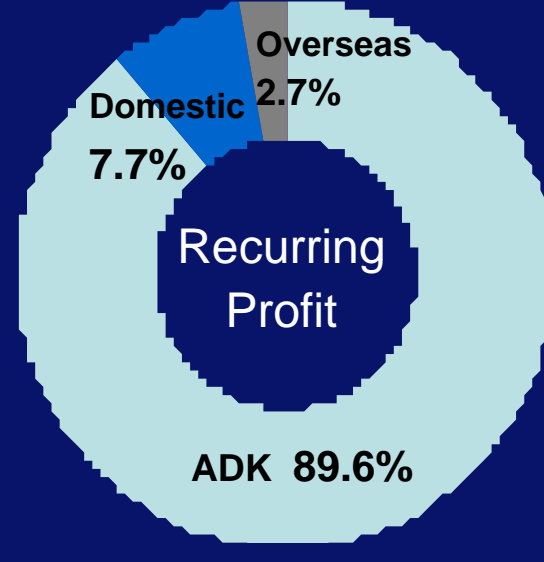
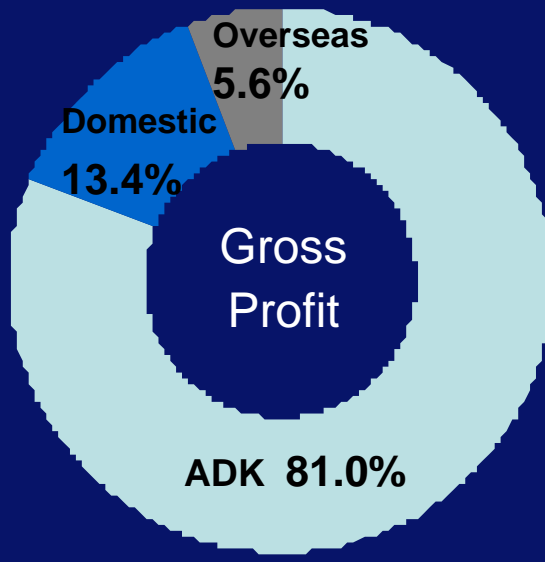
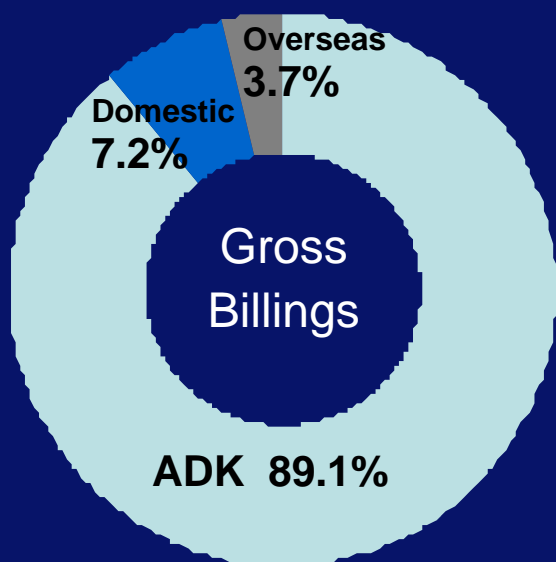
	1H 2004	1H 2005	vs. 04	Increase/ Decrease	Group to Parent Ratio
Gross Billings	203,641	212,805	104.5%	9,164	1.09
Gross Profit	24,847	23,616	95.0%	-1,230	1.23
Gross Profit Ratio	12.2%	11.1%	-	-1.1%	-
SG&A Expenses	20,427	19,569	95.8%	-859	1.26
Staff Cost	13,972	13,111	93.8%	-861	1.25
Others	6,455	6,457	100.0%	2	1.27
Operating Profit	4,419	4,048	91.6%	-372	1.13
Non-Operating Profit	1,106	1,168	105.6%	62	1.07
Recurring Profit	5,525	5,216	94.4%	-309	1.12
Net Extraordinary Profit (Loss)	-637	106	-	743	-
Net Profit Before Tax	4,888	5,322	108.9%	433	1.13
Income Tax	2,019	2,264	112.1%	245	1.11
Minority Interests	24	56	230.7%	32	-
Net Income	2,845	3,001	105.5%	157	1.13
Operating Margin	17.8%	17.1%	-0.7pt		
Staff Cost/Gross Profit	56.2%	55.5%	-0.7pt		

# P/L Analysis

ADK

(¥MM)

	Gross Billings	vs. 1H 04	Gross Profit	vs. 1H 04	Recurring Profit	vs. 1H 04
<b>ADK</b>	<b>195,664</b>	<b>105.6%</b>	<b>19,138</b>	<b>92.6%</b>	<b>4,670</b>	<b>93.6%</b>
Domestic Subsidiaries	15,810	106.6%	3,176	101.9%	402	105.5%
Overseas Subsidiaries	8,184	95.6%	1,320	102.6%	143	61.6%
Consolidation Adjustments	-6,854	-	-17	-	1	-
<b>Total</b>	<b>212,805</b>	<b>104.5%</b>	<b>23,616</b>	<b>95.0%</b>	<b>5,216</b>	<b>94.4%</b>



# Consolidated P/L 2005 Forecast



(¥MM)

	1H Actual	2H Forecast	2H vs. 04	1H : 2H	05 Forecast	vs. 04
Gross Billings	212,805	217,195	103.3%	49.5 : 50.5	430,000	103.9%
Gross Profit	23,616	25,684	106.0%	47.9 : 52.1	49,300	100.5%
Gross Profit Ratio	11.1%	11.8%	-0.3%		11.5%	-0.4%
SG&A Expenses	19,569	21,031	103.1%	48.2 : 51.8	40,600	99.5%
Staff Cost	13,111	13,889	103.9%	48.6 : 51.4	27,000	98.8%
Others	6,457	7,143	101.7%	47.5 : 52.5	13,600	100.9%
Operating Profit	4,048	4,652	121.1%	46.5 : 53.5	8,700	105.3%
Non-Operating Profit	1,168	732	82.1%	61.5 : 38.5	1,900	95.1%
Recurring Profit	5,216	5,384	113.8%	49.2 : 50.8	10,600	103.3%
Net Extraordinary Profit (Loss)	106	-506	280.4%	-	-400	49.0%
Net Profit Before Tax	5,322	4,878	107.2%	52.2 : 47.8	10,200	108.1%
Income Tax	2,264	2,036	93.1%	52.6 : 47.4	4,300	102.2%
Minority Interests	56	44	152.7%	56.0 : 44.0	100	188.3%
Net Income	3,001	2,799	119.8%	51.7 : 48.3	5,800	111.9%
Operating Margin	17.1%	18.1%	-	-	17.6%	+0.8pt
Staff Cost/Operating Profit	55.5%	54.1%	-	-	54.8%	-0.9pt





# Growth Strategies & Progress Report

## 1) Responding to changes

- **Meet clients' changing needs**
  - **Re-group and streamline internal organization to facilitate 360-degree communications programs**
  - **Handle diversification and proliferation of media**
    - **Strengthen the online and cross-media divisions**
    - **Initiate the next generation agency - "eAgency"**
- **Established "Communication Planning Center" to improve marketing communications capabilities**
- **Growing digital media business**
- **Set up "Drill" JV with Dentsu and exceeding original forecast**
- **Strengthened alliance with "AKQA", an independent interactive agency in the U.S.**

## 2) Nurturing talent and sharpening skills to win more business and gain market share in low-growth environment

- Strengthen people on the front line
  - Cultivate clients
  - Continue R&D and “investment fund” for client cultivation
- <Achievements + Progress>**
- Established ADK University
  - “Investment fund” continues to win new business
  - Developing ADK’s proprietary research methods

### 3) Penetrating further into Osaka area

- **Strengthen Osaka office**

#### **<Achievements + Progress>**

- **Energized ADK Osaka office by management changes and closer alliance with Tokyo HQ**
- **Succeeded in winning new big client business**

### 4) Penetrating further into China market

- **Establish coordination office in Shanghai and Beijing to strengthen the network's local offices**

- **Established JV at Fuzhou**
- **Started preparation for joint venture with DAC interactive agency**
- **Other JV projects under review**

## 5) Continue to aggressively grow Content business

- Tap overseas markets

- Seek multi-business model opportunities

### <Achievements + Progress>

- Participated in the 1<sup>st</sup> China International Animation, Cartoon & Game Fair and Summit Forum.
- “Yu-Gi-Oh! Duel Monsters GX” to be aired from Sep. in the U.S.
- Released old anime from ADK content library on DVD
- Developed a TV anime show to be aired from Sep. based on the original story from ADK Group Company Nihon Bungeisha’s comic magazine
- Collaboration with NFL in “Eyeshield 21” TV anime
- Utilize ADK’s original characters for CF and sales promotion

## <Achievements + Progress>

- **Others**
  - **Activities related to the Beijing Olympics**
    - **Partnership agreements with 3 companies (to 2008)**
    - **Produced JOC Olympic promotional projects**
  - **Sports marketing business**
    - **Management for athletes**
    - **Campaign for collaboration with Japan Professional Baseball Players Association**
    - **Won main sponsorship for Japanese Swimming Team**
  - **Entertainment marketing business**

- **TV Animation Programs held by ADK (Oct. 05 to Mar. 06)**
  - **Gang Densetsu Weed (new program)**
  - **Kotenkotenko (new program)**
  - **Cluster Edge (new program)**
  - **Solty Rei (new program)**
  - **Eyeshield 21**
  - **Fushigiboshi No Futagohime**
  - **Onmyo Dai Senki**
  - **Yu-Gi-Oh! Duel Monsters GX**
  - **Sergeant Keroro**
  - **Doraemon**
  - **Crayon Shin-chan**
  - **Pretty Cure**
  - **Sesame Street**
  - **Masked Rider**
  - **Kappa No Kaikata**

**Total: 15 programs**

## 6) Continue to cultivate Event activities

### 1H 2005

#### <Athletic Events>

- All Japan Collegiate Women's Invitational Ekiden Race (Feb.)
- Toray Pan Pacific Tennis (Feb.)
- Mitsubishi Diamond Cup (May)

#### <Cultural Events>

- Long-Thibaud Music Competition, Winners' Gala Concert (Feb.)
- Disney on Classic (Jan. to Mar.)
- Olympic Concert (Jun.)

### 2H 2005

- Honolulu Century Ride 2005 (Sep.)
- All Japan Collegiate Ekiden Championship Race (Nov.)
- Japan Inter-University Women's Ekiden Championship (Nov.)
- "Toray Cup" Shanghai International Marathon (Nov.)
- JAL Honolulu Marathon (Dec.)

- Chinese Dynasties Exhibition
- Louvre Yokohama (Apr. to Jul.)
- Sesame Street Live Concert (Aug.)
- Lorin Maazel & Arturo Toscanini Philharmonic (Oct.)

**EXPO 2005 AICHI JAPAN**  
**(Japan Pavilion, Mitsubishi Pavilion, Seto Area Civic Pavilion & Ireland Pavilion)**



## 7) Continue to deliver first-class creative work

### <Progress>

- **Won Media Lion at Cannes International Advertising Festival**
- **Maintaining the victory ratio (40%) of competitive pitches**

## 8) Strengthen group management

### Japan

- Enhance competitive power and cost-efficiency through re-structuring group companies

(¥MM)

	Gross Billings			Gross Profit			Recurring Profit		
	1H 05	1H 04	Change	1H 05	1H 04	Change	1H 05	1H 04	Change
Domestic	15,810	14,834	976	3,176	3,116	60	402	381	21

### Overseas

- Shift expatriate's expenses to overseas subsidiaries

(¥MM)

	Gross Billings			Gross Profit			Recurring Profit		
	1H 05	1H 04	Change	1H 05	1H 04	Change	1H 05	1H 04	Change
Overseas	8,184	8,561	-377	1,320	1,286	34	143	232	-89

## 9) Further utilize WPP Group alliance

### <Progress>

- Absorb the latest communication skills, knowledge and trends from around the world
- New business development
- Began project to activate usage of WPP network resources
- Studying WPP DAS agencies
- Jointly cultivating new clients



# **Focus of 2<sup>nd</sup> Half Activities & Mid-term Corporate Goal**

# Challenges for 2<sup>nd</sup> Half, 2005

- 1) Secure gross profit and improve gross profit ratio**
- 2) Accelerate cultivation of new major clients for organic growth**
- 3) Continue to strengthen competitive edge and pursue sustainable growth**
- 4) Continue to strengthen cost control by selecting and cooperating with suppliers**

# From 1<sup>st</sup> Mid-term Goal to 2<sup>nd</sup> Mid-term Goal

## 1st Mid-term

Corporate Objectives Term: 2002-2004  
Theme: Operational Efficiency  
Indicator: Operating Margin and Staff Cost/GP

	<u>Mid-term Goal</u>	<u>2004 Actual</u>		<u>2005 Forecast</u>	
		<u>ADK</u>	<u>Group</u>	<u>ADK</u>	<u>Group</u>
Operating Margin	15%	18.3%	16.8%	18.6%	17.6%
Staff Cost / Gross Profit	55%	55.5%	55.7%	55.2%	54.8%

## 2nd Mid-term

### Corporate Objectives

**Term: 2005-2007**  
**Theme: Sustainable Growth in addition to Operational Efficiency**  
**Indicator: EPS Growth**

### EPS Growth

**Increase net profit and continue stock buybacks**

### Target

	<u>2004</u>	<u>2007</u>	<u>Growth Rate</u>	<u>CAGR</u>
<b>Group EPS:</b>	<b>¥103.25</b>	<b>¥130</b>	<b>25.9%</b>	<b>8.0%</b>

**2005 EPS Forecast: ¥121-122**

- From fixed dividends to performance-based dividends with guaranteed minimum annual dividend per share

- Dividend Policy

<b>Payout Ratio</b>	<b>25% (consolidated)</b>
<b>Minimum Annual Dividend</b>	<b>¥20/share</b>
<b>50<sup>th</sup> anniversary</b>	
<b>Commemorative Dividend</b>	<b>¥5/share</b>
<b>Forecast Dividend for 2005</b>	<b>¥35/share</b>
<b>Forecast Payout Ratio</b>	<b>29.2%</b>

- Continue stock buybacks: 1-2% of outstanding stocks to be acquired





# Appendix

# B/S (Non-consolidated) Jun. 30, 2005



(¥MM)

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash & Time Deposits	11,437	Notes Payable	25,518
Notes Receivable	10,234	Accounts Payable	58,390
Accounts Receivable	75,240	Other	4,605
Marketable Securities	15,664	Total Current Liabilities	88,514
Inventories	6,712	Fixed Liabilities	
Other	2,416	Accrued Retirement Benefits	2,955
Allowance for Doubtful Receivables	-579	Other	7,262
Total Current Assets	121,124	Total Fixed Liabilities	10,217
Fixed Assets		Total Liabilities	98,731
Tangible Fixed Assets	2,208		
Intangible Fixed Assets	2,007	Shareholders' Equity	
Investments and Other Assets		Common Stock	37,581
Investment Securities	78,426	Capital Surplus	40,608
Other	9,318	Retained Earnings	28,605
Allowance for Doubtful Accounts	-1,533	Unrealized Gain on Securities	13,845
Investments and Other Assets Total	86,212	Treasury Stock	-7,819
Total Fixed Assets	90,427	Total Shareholders' Equity	112,821
<b>Total Assets</b>	<b>211,551</b>	<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>211,551</b>

Shareholders' equity ratio: 53.3%

# B/S (Consolidated) Jun. 30, 2005



(¥MM)

Assets		Liabilities	
Current Assets		Current Liabilities	
Cash & Time Deposits	21,911	Notes & Accounts Payable	88,014
Notes & Accounts Receivable	94,408	Short-term Debt	419
Marketable Securities	15,758	Other	8,577
Inventories	8,786	Total Current Liabilities	97,011
Other	2,736	Fixed Liabilities	
Allowance for Doubtful Receivables	-664	Bonds & Long-term Debt	700
Total Current Assets	142,935	Accrued Retirement Benefits	3,773
		Other	7,354
Fixed Assets		Total Fixed Liabilities	11,827
Tangible Fixed Assets	4,193	Total Liabilities	108,838
Intangible Fixed Assets	2,204		
Investments and Other Assets		Minority Interests	1,267
Investment Securities	77,788		
Other	11,206	Shareholders' Equity	
Allowance for Doubtful Dccounts	-1,658	Common Stock	37,581
Total Investments and Other Assets	87,335	Capital Surplus	40,608
Total Fixed Assets	93,732	Retained Earnings	41,711
		Unrealized Gain on Securities	14,452
		Foreign Currency Translation Adjustments	29
		Treasury Stock	-7,819
		Total Shareholders' Equity	126,562
<b>Total Assets</b>	<b>236,667</b>	<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>236,667</b>

Shareholders'  
equity ratio:  
53.5%

Ratio of  
consolidated to  
non-consolidated  
total assets:

1.12

# Consolidated Statements: Cash Flow Jun. 30, 2005



(¥MM)

	1H 2004	1H 2005
<b>OPERATING ACTIVITIES</b>		
Income before income taxes and minority interests	4,888	5,322
Depreciation and amortization	673	618
Increase in notes and accounts receivable	9,497	11,480
Increase in notes and accounts payable	111	-2,112
Net cash provided by operating activities, including others	8,986	7,217
<b>INVESTING ACTIVITIES</b>		
Purchases of tangible fixed asstes	-85	-91
Purchases of intangible fixed assets	-158	-137
Purchases of investment securities	-3,368	-3,279
Proceeds from sales of investment securities	2,291	1,058
Net cash used in investing activities, including others	-1,661	-2,602
<b>FINANCING ACTIVITIES</b>		
Purchases of treasury stock - net	-10	-8
Dividends paid	-445	-533
Net cash used in financing activities, including others	-483	-567
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	-21	13
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,821	4,061
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	30,125	29,779
<b>INCREASE IN CASH AND CASH EQUIVALENTS ACCOMPANYING MERGER OF SUBSIDIARIES</b>	36,947	33,839

# Consolidated Investments as of Jun. 30, 2005



(¥MM)

<b>Current</b>	Money Management Funds	<b>2,072</b>	
	Free Financial Funds	<b>12,058</b>	
	Discount Nochu Bank Debentures	<b>128</b>	<b>Face Value</b>
	Bonds	<b>1,085</b>	<b>5 issues</b>
	Mutual Funds in Equities and Bonds	<b>415</b>	<b>7 issues</b>
	Total	<b>15,758</b>	
<b>Non Current</b>	WPP Group plc	<b>35,935</b>	<b>31,295,646 shares or 2.48%</b>
	Digital Advertising Consortium, Inc.	<b>1,880</b>	<b>(27.09%) Equity Method*</b>
	Other Publicly Traded Equities	<b>21,870</b>	<b>163 issues</b>
	Publicly Traded Equities Total	<b>59,685</b>	
	Non Publicly Traded Equities in Affiliated Companies	<b>3,991</b>	<b>16 issues</b>
	Non Publicly Traded Equities in Subsidiary Companies	<b>492</b>	<b>24 issues</b>
	Other Non Publicly Traded Equities	<b>1,444</b>	<b>76 issues</b>
	Non Publicly Traded Equities Total	<b>5,927</b>	
	Bonds	<b>10,104</b>	<b>35 issues</b>
	Mutual Funds in Equities and Bonds, Other Funds	<b>2,072</b>	<b>23 issues</b>
	Total Non Current Investments in Securities	<b>77,788</b>	
	Investments in Affiliated Companies (Non-Securities)	<b>130</b>	<b>5 issues</b>
	Investments in Funds (Non-Securities)	<b>225</b>	<b>8 issues</b>
	Total Non Current Investments	<b>78,143</b>	

\* DAC market value at end of Jun. 2005: ¥16,272MM

# Capital Expenditures/Depreciation & Amortization Expenses

## Capital Expenditures

(¥MM)

Accounting Items	Non-Consolidated ADK	Consolidated Subsidiaries	Consolidated
Buildings	25	12	37
Building Improvements	-	-	-
Vehicles	0	12	12
Furniture, Fixtures & Equipment	15	27	42
Land	-	-	-
Licenses	127	10	137
Computer Software	-	0	0
Others	167	62	229

## Depreciation & Amortization Expenses

(¥MM)

Accounting Items	Non-Consolidated ADK	Consolidated Subsidiaries	Consolidated
Buildings	53	32	85
Building Improvements	2	0	2
Vehicles	5	9	14
Furniture, Fixtures & Equipment	57	31	88
Land	-	-	-
Licenses	383	9	392
Computer Software	11	28	38
Others	509	109	618

## Note on Forward-looking Statements:

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