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FOR IMMEDIATE RELEASE

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ASATSU-DK Announces Year-End 2010 Results

- **Unaudited Consolidated Gross Billings down 1.0% to ¥ 346.5 billion**
- **Gross Margin Ratio improved to 12.1%**
- **Gross Profit Up 1.6% to ¥ 42.0 billion**
- **Operating Income ended at ¥ 22 million**
- **Net Loss with ¥ 4.6 billion after ERP, devaluation loss and derecognitions of deferred tax assets**
- **Net Loss Per Share was ¥ 110.28**
- **Annual Dividend maintained at ¥ 20 per share**

1. **Summary of Results**

ASATSU-DK INC. ("ADK"; President and Group CEO: Yoji Shimizu; Securities Code: 9747; Tokyo Stock Exchange-1) today announced its unaudited consolidated financial results for the year ended December 31, 2010. While the Japanese domestic advertising market remained slow, the Asian markets grew steadily, and the ADK group ended up with gross billings of ¥346.5 billion. Gross margin ratio improved to 12.1% by 0.3 point and gross profits increased by 1.6% to ¥ 42.0 billion. Although the ADK group kept stringent management of operating expenses, especially at the domestic entities, the ADK group reported limited operating income with ¥ 22 million. Equity in earnings of affiliates increased although ADK disposed of its investment in Nippon Information Industry Corp. in February 2010. Recurring profits grew by 72.3% to ¥ 1.8 billion. After net extraordinary profits and losses of ¥ 6.6 billion, including, but not limited to, special retirement expenses under an Early Retirement Program ("ERP") and devaluation loss on investment securities, and ¥ 1.5 billion derecognition of deferred tax assets, the ADK group reported Net Loss of ¥ 4.6 billion. Net Loss per share was a disappointing ¥ 110.28, but the annual dividend was announced at ¥ 20 per share under the distribution policy with a floor at ¥ 20 per share. With 52.5% net worth ratio and little leverage, the group maintains strong financial stability. Under the leadership of new CEO Shimizu, the group focuses on rebuilding its profitability. See Appendix 1 for consolidated financial highlights.

In more details, gross billings totaled ¥ 346,565 million, for a 1.0% year-on-year decline in the mixed advertising markets, since the domestic advertising market was still slow, but the Asian markets maintained solid growth. Gross margins improved even though the ADK parent's gross margin deteriorated because of harder competition. As a result, gross profit totaled ¥ 42,028 million, a 1.6% year-on-year increase and the gross margin ratio improved by 0.3 point to 12.1%. The operating income was ¥ 22 million (compared with ¥ 756 million operating loss in FY 2009). Staff costs to gross profits totaled 67.3%.

The ADK group incurred equity in earnings of affiliates-net at ¥ 213 million, compared with ¥ 126 million in FY 2009, because both Digital Advertising Consortium Inc., a publicly traded internet media buying rep, and Guangdong Guangxu (Asatsu) Advertising Co., Ltd. earned larger profits, in spite of the fact that ADK disposed of its investment in Nippon Information Industry Corp. as of February 12, 2010. As a result, recurring profit was ¥ 1,885 million, 72.3% y-o-y growth. Extraordinary Profits and Losses for the period were ¥133 million and ¥ 6,768 million, respectively. Major extraordinary losses are loss on sales of investment securities at ¥ 2,324 million, loss on sale of investment securities at ¥ 1,022 million (mainly from the disposal of NII, which book value under the equity method was larger than the sale price), and special retirement expenses related with the ERP in ¥ 2,770 million. Loss before income taxes and minority interests totaled ¥ 4,748 million. The ADK group derecognized ¥ 1,559 million deferred tax assets in accordance with the guideline of "Auditing Treatment concerning Determination of Recoverability of Deferred Tax Assets," or Audit Committee Report No. 66, issued by Japanese Institute of Certified Public Accountants. As a result, net loss was ¥ 4,656 million, compared with ¥ 73 million in Net Income in FY 2009. Net loss per share totaled ¥ 110.28. Consolidated income statement information is provided in **Appendix 2.**

ADK, the parent company on a non-consolidated basis, under the difficult domestic market reported gross billings of ¥ 305,759 million, or 88.2% of the group's and 90.1% of the advertising business segment's gross billings respectively, showing a 1.7% decline from that in FY 2009. Gross profit was ¥ 30,713 million, or a 2.8% y-o-y decline. Although ADK kept trying hard to squeeze its operating expenses, including the ERP and cuts on temporary staff costs, because of the gross profits were not enough to absorb its fixed costs, ADK reported an operating loss of ¥ 1,674 million, compared with a ¥ 1,267million operating loss in FY 2009. Recurring profits were ¥ 5 million. Including a ¥2,542 million gain on sale of investment in Nippon Information Industry Corp., ADK recognized ¥ 2,659 million in extraordinary profit. Please note that on a non-consolidated basis, ADK had recorded its investment in NII at the historical price, which was nominal. As explained above, the group had recognized the investment by the equity method on a consolidated basis since the investment in 1969. After incurring ¥ 2,154 million evaluation loss on investment securities and special retirement expenses explained above, among others, extraordinary loss amounted to ¥ 5,509 million. After a derecognition of deferred tax assets in ¥ 1,419 million, ADK reported a net loss of ¥ 2,112 million, compared to ¥ 498 million net loss in FY 2009.

The ADK group's domestic advertising companies, as a whole, generated slightly larger gross billings. The increase in gross profits was larger than the increase in operating expenses. Accordingly, those subsidiaries as a whole returned to operating profitability. All the consolidated subsidiaries operating in the greater China, the mainland China, Taiwan and Hong Kong, reported operating profits and the sum was 1.5 times larger over the previous year. In other overseas markets, a newly consolidated subsidiary, ASATSU-DK (Malaysia) Sdn. Bhd. made a remarkable contribution to the existing subsidiaries there, which also reported larger gross billings and operating income as a whole.

The subsidiaries in the publishing business segment reported ¥ 7,133 million sales, a 2.1% y-o-y decline, and continued to report an operating loss of ¥ 24 million, compared to ¥ 135 million operating loss in FY 2009. Although they generated larger gross profits at a better gross margin by further selection of new titles, they failed to absorb fixed costs.

2. Detailed Review of Operations by Segment

① Advertising Business

The group's advertising business generated gross billings of ¥339,431 million, registering a negative 1.0% year-on-year growth, while segment operating income was reported at ¥ 49 million over the same period, compared with ¥ 618 operating loss in FY 2009. Further segment information is provided in **Appendix 6**.

Since all of ADK's nonconsolidated gross billings and income are generated from the advertising business, and those unconsolidated gross billings of ¥ 305,759 million (1.7% year-on-year decline) represent 90.1% of gross billings generated by the advertising business segment, for investor information, unconsolidated performance will be reviewed in detail as follows:

- Unconsolidated Performance by Discipline:

Breakdown by Discipline		Gross Billings (Millions of yen)	Composition %	Y-o-Y change %
Media	Magazine	15,576	5.1	(7.6)
	Newspaper	21,201	6.9	(2.0)
	TV (Program, Spot, and Content)	144,882	47.4	(3.3)
	Radio	2,866	0.9	(3.4)
	Digital Media	8,913	2.9	14.9
	OOH Media	8,712	2.9	5.8
Sub-total		202,152	66.1	(2.5)
Non-Media	Marketing and Promotion	58,715	19.2	(4.1)
	Creative and Others	44,892	14.7	5.7
Sub-total		103,607	33.9	(0.1)
Total		305,759	100.0	(1.7)

(Notes) 1. Because we offer cross-media programs, data may not represent gross billings by medium.
2. We have changed classification of gross billings by discipline as follows:
The new "Marketing / Promotion" discipline covers the former "Sales Promotion" as well as Marketing, Digital Solutions, Digital Creative, Exposition Events, Public Relations, and Consulting. Digital solutions used to be recognized as "Digital Media", but is now separated from "Digital Media" and added to "Marketing / Promotion" as explained above.
Digital Creative used to be recognized as "Creative and Others", but is now separated from it and added to "Marketing /Promotion" as explained above. Y-O-Y change ratios are calculated over the re-classified results of Q3 2009 under the new classification.
3. The gross billings by discipline are rounded down. Therefore, their sums do not equal the total or the subtotals.

Gross billings from Magazine advertising decreased due to tighter budgets at many clients especially those in the Apparel/Jewelry and Cosmetics/Toiletry goods sectors although gross billings from clients in Hobbies/Sporting goods and Information / Communications grew. Gross billings were ¥ 15,576 million with 7.6% year-on-year decline.

Gross billings from Newspaper advertising suffered a decline by negative 2.0% year-on-year with smaller gross billings of clients in Transportation/Leisure and Finance/Insurance sectors, although we handled larger gross billings of clients in Foods, Automobiles/Auto-related products. As a result, gross billings for Newspaper ads were ¥ 21,201 million, 2.0% y-o-y decline.

Gross billings from Television advertising decreased by 3.3% year-on-year to ¥ 144,882 million. Program TV advertising sales decreased due to smaller businesses with clients in Finance/Insurance and Information/Communications, although the company generated larger gross billings from clients in some other sectors like Beverages/Tobacco products, Foods, and Automobiles/Auto-related products. Spot TV advertising sales decreased also due to smaller business with clients in Beverages / Tobacco products and Transportation/Leisure sectors, even though business with clients in Government/Organization, Apparel/Jewelry, Education/Health care services/ Religion sectors grew. We kept trying to promote sales from our content business by developing digital animation distribution sites on PCs and mobiles, investments in new characters, and promotion of events. However, overseas sales from existing content declined.

Gross billings from advertising on Radio decreased to ¥ 2,866 million, for a year-on-year negative growth of 3.4%, due to decline in business with clients in Transportation/Leisure, Distribution/Retail, and Information/Communications, although business with clients in Automobiles/Automobile-Related Products sector grew.

Gross billings from advertising on Digital media (excluding Digital solutions) grew to ¥ 8,913 million, a 14.9% year-on-year increase thanks to tighter collaboration with 80% subsidiary ADK-interactive Inc., which is engaged in planning and buying of digital media advertising and cross media solutions. Sectors of clients which we grew our business with are Information/Communications, Hobbies/Sporting goods, and Automobiles/Automobile-related Products.

Gross billings from advertising on Out-of-Home Media increased to ¥ 8,712 million, or 5.8% year-on-year growth, thanks to our cross-media approach and development of in-store media. We promoted transportation advertising and grew business with clients in sectors like Beverages/Tobacco Products, Government/Organizations, etc.

Our gross billings from Marketing/Promotion business decreased to ¥ 58,715 million or 4.1% negative year-on-year growth, due to smaller business with clients in Information/Communications and Real estate/Housing, although we grew business with clients in sectors like Government/Organizations and Finance/Insurance by offering integrated communications services taking advantages of on-site merchandising and digital solutions to better respond to clients demands.

Sales of Creative and others increased to ¥ 44,892 million, or 5.7% year-on-year growth thanks to larger business with clients in sectors like Automobiles/ Automobile-related products and Information/Communications.

As a result, ADK posted non-consolidated gross billings of ¥ 305,759 million (1.7% year-on-year decline) as mentioned above. Non-consolidated gross profits of ADK were ¥ 30,713 million, a 2.8% year-on-year decline, with 10.0% gross margin ratio, 0.2 points lower than in 2009, because of smaller gross billings and tougher competition. Even tough the company tried to absorb the shrink of gross profits by controlling operating expenses, especially staff costs, operating expenses amounted to ¥ 32,387 million, or 1.5% year-on-year decline. An operating loss of ¥ 1,674 million was posted, while the company reported ¥ 1,267 million operating loss in 2009. Further unconsolidated income information is provided in **Appendix 7**.

② Other Business

Please see the bottom of **1. Summary of Results**.

③ Overseas Sales

The ADK group obtained 6.8 % of its gross billings from abroad, compared with 5.4 % in FY 2009. All overseas sales are for the advertising business.

3. Management Indices

The ADK group has been working hard to achieve the following management targets. The achievement of the last four years is as follows:

Fiscal Year	2007	2008	2009	2010	Targets
Operating Margin	13.8%	7.5%	(1.8%)	0.1%	10.0%
Staff Cost to Gross Profit	57.8%	62.4%	67.0%	67.3%	60.0%
Operating Income Growth (Decrease)	11.6%	-	-	-	TBD

As explained above, FY 2010 was another difficult year for the ADK group. On a non-consolidated basis, the operating margin was negative 5.5% and the ratio of staff cost to gross profit was 69.8%.

We worry that the Japanese domestic advertising market will continue to be slow for some time and wallets for communication expenses at major advertising clients may remain limited, especially toward traditional mass media. In this difficult situation, we, under the leadership of new Group CEO Shimizu, must focus on generating operating income and controlling staff costs, keeping sufficient financial stability for smooth operations and future business investments. Therefore, the Operating Margin and Staff Cost to Gross Profit ratio should be prioritized over other management indices like ROE, and for the time being our targets of operating margin and ratio of staff cost to gross profit are 10.0% and 60.0%, respectively.

<u>Consolidated EPS and ROE</u>

EPS and ROE for the last four years are as follows:

FY	2007	2008	2009	2010
EPS (Yen)	116.40	48.14	1.73	(110.28)
ROE (%)	3.9	1.8	0.1	(4.5)

<u>Number of employees</u>

Labor efficiency is also a key to growth and profitability. The number of the employees at the end of 2010 saw a decrease of 10 from the FY 2009 year-end, and was 3,229. The newly consolidated subsidiary ASATSU-DK (Malaysia) Sdn. Bhd. employs 34. Out of 3,229 officers and employees, 3,152 are engaged in the advertising business and the parent company employs 1,936.

4. Dividend Distribution Policy

ADK's dividend distribution policy, set in February 2007, is that 35% of consolidated net income would be distributed through common dividends with a minimum annual dividend of ¥ 20 per share. ADK keeps semi-annual dividend distributions instead of quarterly dividend distributions in order to save on operational costs.

Despite the fact that the ADK group suffered disappointing net loss, under the shareholders distribution policy, ADK announced ¥ 10 per share year-end dividend, making total annual dividend ¥ 20 per share as shown below:

FY 2010 Dividend	Interim Dividend	Year-end Dividend	Total Annual Dividend
Dividend Per share	¥10	¥10	¥20
Record Date	Jun. 30, 2010	Dec. 31, 2010	
Disbursement Date	Sep. 13, 2010	Mar.14, 2011	

In addition to cash dividends, ADK acquired its own stock since 2001 to improve EPS by reducing the number of shares outstanding and curtailing the growth of equity. For the dividend in FY 2011, please read **7.Outlook for Fiscal Year 2011**.

5. Balance Sheets and Cash flow

During 2010, the balance of total assets grew by ¥ 4,485 million to ¥ 194,510 million due to increases in accounts receivables-trade and notes receivables toward the end of the year, reflecting an increase in gross billings toward the year end. Likewise, total liabilities increased by ¥ 8,782 million to ¥ 91,341 million. Although unrealized gain on available-for-sale securities increased by ¥ 2,817 million, because of Net Loss in ¥ 4,656 million, net assets decreased by ¥ 4,296 million to ¥ 103,168 million, with a 52.5 % book net assets ratio, a 3.5 point decrease. Further consolidated and unconsolidated balance sheet information is provided in **Appendices 3 and 8**.

At the end of FY 2010, cash and cash equivalents amounted to ¥ 19,127 million, a increase of ¥ 283 million from the previous fiscal year end, because cash inflow from investing activities surpassed cash outflow for operating and financing activities by ¥ 810 million and the group recognized ¥ 745 million FX negative adjustment to the balance and ¥ 217 million increase due to the addition of a consolidated subsidiary.

Among Operating Activities, Income before income taxes and minority interests for FY2010 was ¥ 4,748 million, and depreciation was ¥ 818 million, while the increase of notes and accounts receivable and notes and accounts payable were ¥ 5,562 million and ¥ 5,068 million, respectively, because of larger gross billings toward the end of the year. Cash out flow for the ERP was classified as an operating activity and squeezed down the cash flow by ¥ 2,770 million. As a result, net cash flow used for Operating Activities was ¥ 221 million, compared with ¥ 6,404 million cash provided in FY 2009.

Net cash of ¥ 2,298 million was obtained from investing activities compared with ¥ 1,570 million cash provided in FY 2009. New and matured time deposits were ¥ 5,049 million and ¥ 5,367 million, respectively. The sale of marketable securities was ¥ 1,139 million. The sale and purchase of investment securities were ¥ 2,926 million and ¥ 1,521 million, respectively.

Net cash used for financing activities was ¥ 1,266 million, compared with ¥ 2,141 million cash used in FY 2009, mainly for dividends to shareholders in ¥ 851 million and acquisition of treasury stocks of ¥ 747 million by Employees Stock Ownership Plan and the net purchase of less-than-trading-unit shares. An acquisition of ADK stocks by the ESOP is accounted for as an increase in treasury stock for financial accounting purposes, but the ESOP exercises its voting rights and receives dividends. Further cash flow information is provided in **Appendix 5**.

The major indices of consolidated financial conditions are as follows:

Term	FY 2007	FY 2008	FY 2009	FY 2010
Book Equity Ratio	53.1%	52.4%	56.0%	52.5%
Market Cap. to Book Total Assets	57.3%	44.8%	41.0%	48.0%
Years to redeem debts	6.5	(0.3)	0.1	(5.1)
Interest Coverage Ratio (times)	5.7	(121.8)	248.4	(7.6)

TSE Formulas: (Book Net Assets Ratio) ＝ (Book Equity excluding Minority Interest) ÷ (Book Total Assets)

The TSE formula for Book Net Assets was amended to add Net valuation gain of hedging purpose derivatives to Book Equity.

(Market Cap. to Book Total Assets) ＝ (Market Cap.) ÷ (Book Total Assets)

(Years to Redeem Debts) ＝ (Interest Bearing Debts) ÷ (Annualized C.F. from Operations)

(Interest Coverage Ratio) ＝ (C.F. from Operations) ÷ (Gross Interest Expenses)

Note: In FY 2008, because Operating activities had a cash outflow, years to redeem debts and Interest Coverage Ratio were negative. The cash flow was temporarily negative due to large decrease in accounts payable and larger tax payments reflecting income the year before. When Operating Income is used to calculate Years to redeem debts and Interest Coverage Ratios, the figures will be 0.28 years and 160.7 times.

In FY 2010, because of Special Retirement Expenses of ¥ 2,770 million, a one time expense, the ADK group's cash flow used for operating activities was ¥ 221 million. Therefore, years to redeem debts and Interest Coverage Ratio were negative as shown above.

6. Strategies on Rebuilding Profitability and Enhancing Competitiveness

Core Policy

Since its inception the ADK group has been working to serve advertising clients by offering innovative and unique solutions with our management philosophy "management by all." Facing the rapidly changing environment of communications, including advertising, especially because of development of the internet, social media and mobile communications, the ADK group will strive harder to offer optimal communications programs for clients to obtain maximum ROI in communications by providing the best mix of any medium around people. Also, the ADK group will continue to develop its growing overseas and content businesses. By generating more synergies among the group companies and responding to changes, the ADK group will keep building corporate value, thereby appropriately distributing profits to shareowners, taking a good balance among stakeholders and maintaining financial stability.

Although the worldwide economy gradually grows led by the steadily developing emerging markets, there is a worry in the Japanese domestic economy because of slow exports under appreciation of yen and still low employment. Therefore, although the total national advertising spending may have hit the bottom, we are still in a difficult market where advertising clients demand advanced communications programs, which incorporate digital technologies to respond well to people's behavioral changes. In addition, it is becoming more important to generate profits from overseas markets.

As explained above, we will focus on rebuilding profitability before trying to maximize ROE. Under the current business environment, the ADK group will work on the following strategic themes.

1. Global

   In order to better serve clients' globalization needs, the ADK group has been developing its international network. More and more Japanese clients see Asia as a must-go market due to limited growth in Japan and they are developing their overseas operations to serve local clients. Therefore, they need more efficient communications services in those locations.
   In order to help clients, ADK established Dai-Ichi Kikaku (Malaysia) Sdn. Bhd, the second subsidiary in the country. The ADK group will enhance its competitiveness by strategically investing in the growing Asian markets, including Indonesia, Vietnam, Thailand and India, and by developing talents through "Planning Village", an education program for advertising planners at the Asia Regional Office in Singapore. We will also take advantage of our alliance

with the WPP group.
In China, a subsidiary in Shanghai will operate as a hub company to network the subsidiaries in the country. We will market on not only Japanese clients, but local Chinese clients, too, taking advantages of our achievements in Chinese Private Corporations Association pavilion in the Shanghai Expo and educating Chinese officers and directors.

2. Digital

Digital service plays a key role in the ADK group's cross communications program. Various communication channels, including but not limited to mass media and digital media, must be best planned to maximize ROI. Therefore, ADK reassigned its Communications Channel Planning Division from the Digital Business Department to the Media Content Department. ADK will also develop greater collaboration with ADK-interactive Inc., a 80% subsidiary.
ADK also established a joint venture, Cross Ocean Media Inc., together with Lawson, Inc. and NTT DOCOMO, Inc., in March 2010 to develop new and valuable digital signage as in-store-media.

3. Solution

In order for ADK to be ready to offer better cross communications programs more quickly, ADK established the Integrated Solutions Center by amalgamating the divisions of Creative, Planning, and Direct Business as of January 2011. The Integrated Solutions Center will also lead ADK's global services, direct business, and promotion. The center also promotes a new branding method to enhance the competitiveness. In addition, ADK Arts Inc., a 100%-owned production company will work together to offer efficient client solutions.

4. Content

ADK's content business ensures the group enjoys additional income sources to those of a typical advertising business. In addition to take advantages of its rich content libraries, ADK will work to develop new content to diversify its libraries. ADK will also further develop overseas markets to sell already and newly-made video programs and character goods.

5. Talent

Because the key to the ADK group's competitiveness depends on human talent resources, we will continue to invest in talent, who can respond to changes in the business environment. For example, we are growing Global Account Directors, who will help our clients develop overall overseas markets as a trusted business partner. We are also growing Communications Designers, who are able to plan optimum cross-communications programs in this "Triple Media" era. We are also growing Communications Channel Planners who will offer and analyze ROI as clients demand. In addition, we will enhance middle managers' talent management skills as we have a flat organization.

6. Cost Control, Risk Management

Under the stagnant advertising market, we will further focus on reduction of cost of goods sold by better and more efficient management and harder negotiation. We continue to control operating expenses as well.

In addition, in order to secure stable growth and avoid irregularity, we will keep working on risk management. We will further enhance information security under the ISO27001, perform compliance strictly and improve internal control reporting system as stipulated under the Financial Instruments and Exchange Law of Japan. Further, the ADK group will strive to fulfill its responsibility as a corporate citizen by working to protect the environment under ISO14001.

7. Outlook for Fiscal Year 2011

As stated above we are concerned that it will take more time for the Japanese advertising market to resume growth.

Under the slow growth environment, ADK forecasts its consolidated performance for 2Q 2011 at ¥ 171.0 billion in gross billings, ¥ 0.75 billion in operating profits, ¥ 1.95 billion in recurring profits, and ¥ 1.1 billion in net income. For FY 2011, gross billings of ¥356.0 billion, ¥ 2.9 billion in operating profits, ¥ 4.7 billion in recurring profits, and ¥ 2.6 billion in net income are forecasted. EPS for the year is forecasted at ¥ 61.66.

On an nonconsolidated basis, the forecasts for 2Q 2011 are set at ¥ 151.0 billion in gross billings, ¥ 0.32 billion in operating income, ¥ 1.4 billion in recurring profits, and ¥ 0.7 billion in net income. For FY 2011, ¥ 314.0 billion in gross billings, ¥ 1.5 billion in operating profits, ¥ 3.0 billion in recurring profits, and ¥ 1.5 billion in net income are forecasted. EPS for the year is forecasted at ¥ 35.57.

Dividend for FY 2011 is forecast in the table below:
Dividend Forecast for fiscal 2011.

FY 2011Dividend	Interim Dividend	Year-End Dividend	Total Annual Dividend
Per share Dividend	¥ 10	¥ 12	¥ 22
Record Date	Jun. 30, 2011	Dec. 31, 2011	
Date of Disbursement	TBD	TBD in 2012	

For FY 2011, we forecast that an interim dividend will be ¥ 10 and year-end dividend will be ¥ 12 per share each, making total annual dividend ¥ 22 per share. The payout ratio will be 35.7%.

8. Forward Looking Statements and Risk Factors

Forward Looking Statements

This report may contain forward-looking statements based on ADK management's view and assumptions of future developments as of the date of such statements. The foregoing statements herein are inherently subject to risks, including, but not limited to those shown below (under TSE 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.

① Domestic Economy

During FY 2010, the group generates 93.2% of its gross billings from the Japanese domestic market~~s~~. Japanese national advertising spending is directly influenced by corporate advertisers' wallet size, and, therefore, it 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 conditions could be negatively impacted.

② Response to the Development of New and Digital Media and Changing Consumer Media Consumption

The advertising media continue to diversify with advent of new display equipment like digital signage, smart phones, and tablet-type PCs. The diffusion of social networks, like twitter, is electronically rapid. Accordingly, people's media consumption and behaviors change. Therefore markets of traditional mass media, especially those of print media are shrinking and net business is growing fast. Advertising clients expect their advertising companies to offer advanced solutions thereby allowing clients to gather data of people's media consumption and purchasing behavior and to take advantage of digital media.

We do not see, however, that traditional and new media cannibalizing each other. Rather, they can enhance each other. The ADK group continues to focus on both traditional and new and digital media through its cross communications approach. In addition, the group has been accelerating its 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 conditions could be adversely impacted.

③ Risks arising from trading customs

(a) Relationship with Advertiser clients

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

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

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 sub-contracting production company.

(b) Media Inventories

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

(c) Credit Risks of Sub-contractors

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

④ Competition Risk

Top 5 advertising agencies in Japan share roughly 40% of the Japan’s domestic advertising market. The ADK group, with its share of 5~6% and ranking the third, competes against them and other companies. Competition among Japan’s major advertising companies is intensifying. Besides, advertising clients tends to select preferred agency to enjoy economy of scale to minimize procurement costs. Consolidation among clients would accelerate this trend. In addition, the entry of foreign mega agency groups into the Japanese market, many new and rapidly growing entrants in the internet and other non-traditional mass media advertising market, and the dominance of Google in search engine marketing and related business, accelerates competition. In the event that ADK is unable to respond appropriately to client needs and changes in the advertising industry, and loses its competitiveness as a result, there is significant risk that its market share could decline and profitability could deteriorate. This would have a serious impact on its performance and financial condition.

⑤ Risks arising from operations

(a) Client Portfolio

The sizes of advertising spending by clients' industry sector may vary and changing. In the last ten years, according to the 2009 report by Dentsu, Inc., companies at sectors of Restaurants/Other services, Apparel/Jewelry, and Government/Organizations grew their spending, while companies at sectors of Automotive/Automotive related products and Publications decreased their spending. The ADK group has a diversified portfolio of first-tier clients. The parent company's largest 10 and 20 clients' share around 20 and 30% of total unconsolidated gross billings for FY 2010. Compared to the competitors, sector concentration risk is similar. 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.

(b) Relationships with the Media owners

The ADK group buys and resells traditional mass media as well as digital media, like internet. In FY 2010 ADK parent company generates 66.1% of its gross billings by handling the four traditional mass media as well as the rapidly growing internet and digital and OOH media. Gross billings from TV represented 47.4% of ADK's non-consolidated gross billings. ADK strives to secure advertising time and/or space of these traditional and new media. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK group does not respond to these changes appropriately, there is a possibility that its performance and financial conditions could be adversely affected.

(c) Relationship with Sub-contractors

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

(d) Staff

Advertising is a people business and talents are critical assets 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 performance and financial conditions.

In addition, most of the staff cost is fixed cost and the largest portion of Selling, General and Administrative expenses. On a consolidated basis staff expense represented as much as 67.3% of Selling, General and Administrative expenses in FY 2010. It is not easy to reduce staff cost even when gross profits decrease. Thus, staff cost significantly influences the group's profitability.

(e) Overseas Operations

ADK has been striving to develop overseas revenues. In 2010 the ADK group generated 6.8% of its gross billings from overseas. In overseas markets, because of the difference 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 it planned, the group's performance and financial condition could be significantly impacted.

(f) Content Business

ADK has been successful in animation content business as well as sports and cultural event marketing, which enables ADK to differentiate itself from competitors. ADK continues to develop new contents under existing and new business models. However, the demography of Japan is aging and people's preferences and media consumption are changing. Accordingly content business is getting more complicated, and competitions are tougher. Typical size of content development investment is increasing, volatility is growing and time to recoup is increasing. In sum, the content business is getting riskier but less profitable. There is no guarantee of the continued success of these contents or of derivative. Not of continued resale income from them, either. Accordingly, in the case that the group is not able to generate income as it expects, the group could experience a significant impact on its performance and financial conditions.

(g) Investment for Competitiveness

In order to enhance its competitiveness in the changing advertising market, ADK occasionally invests in new businesses like the internet, OOH media, new technologies, etc. Besides, ADK invests in data collection and R&D, which would be critical in offering cross communications program ideas. Further, ADK invest in IT for more efficient operations. However, in the event that the ADK group is unable to realize benefits from the investments as it plans, the group's performance and financial condition could be significantly impacted.

(h) Management of the group companies

The ADK group consists of the parent company, 52 subsidiaries, 22 affiliates and 1 related company and operates advertising and publications businesses. Although we strive hard to realize synergies among the group companies, in the event that the ADK group is unable to do so as it plans, the group's performance and financial condition could be significantly impacted.

(i) 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 2.47% equity stake in WPP (as of December 31, 2010). WPP is the largest shareowner of ADK, holding 24.32% of voting rights. 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 made a number of creative and promotional tie-ups and will continue to develop operations worldwide.

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

In addition, although the yen translated market value of the equity stake in WPP is ¥31,250 million (at a stock price of £7.895 per share) as of the end of December 2010 compared to 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 £ based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

(j) Marketable Securities and Investment Securities

The ADK group's holdings of marketable and investment securities (including the aforementioned stake in the WPP plc and equity method value of Digital Advertising Consortium, Inc. "DAC") totaled ¥52,790 million, representing 27.1% of our ¥194,510 million in total assets as of December 31, 2010. Of this amount, ¥44,030 million is publicly traded equity securities mostly for the equity alliance with WPP plc and for cross-shareholdings in advertising clients and other trading partners (excluding our investments of DAC, unconsolidated results of which is accounted for by the equity method). The balance of unrealized gains on available-for-sale securities is ¥7,727 million after deducting deferred tax liabilities on such gains (compared to ¥4,909 million as of Dec. 2009) . However, in the event of a major decline in the market prices of these holdings, we would be forced to account for valuation losses.

(k) Retirement Benefits and Pension Plans

ADK and some of the group companies adopt 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 the members of the Japan Advertising Industry Welfare Pension Fund. Because the ADK group cannot technically and reasonably define how much pension assets and liabilities the group 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 would need to recognize larger net periodic benefit costs.

The fund’s total pension assets and liabilities as of March 31, 2010 were ¥ 68,862 million (¥ 11,862 million y-o-y increase) and ¥ 86,650 million, respectively, and therefore the difference was negative ¥ 17,788 million. The discount rates for liabilities were mainly 5.5%.

The ADK group’s cash contribution share by the both employers and employees made during the year through March 2010 were 10.61% and 6.14% respectively making the total 16.75%. Applying simply the shares to the aforementioned total fund assets, the group’s prorated shares of assets as of March 31, 2010 were ¥11,532 million in total. Out of that amount, the employers’ portion and employees’ portion were ¥7,304 million and ¥4,228 million, respectively. Likewise, the group’s prorated shares of pension liabilities were ¥14,511 million in total. Out of the amount, the employers’ portion and employees’ portion were ¥9,191 million and ¥5,320 million, respectively.

(l) Contingent Litigation Risks

As of the date of the statements, the ADK group has not been involved or exposed to a law suit or dispute which could place significantly negative influence on the group’s performance and financial conditions. However, there is no guarantee that the group would never be involved or exposed to such a law suit or dispute.

(m) Legal Risks

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

(n) 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. Besides, as a publicly listed company, ADK should be in compliance with internal control reporting system. If there is a strengthening 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 there is the introduction of new laws or regulations, or the reinterpretation of existing laws or regulations, the result could also impact the ADK group's performance.

(o) Operating loss and net loss in two years in a row

Japan's Financial Instruments and Exchange Act and the related regulations require a publicly listed company to report its liquidity and business condition as a going concern if a certain significant event arises to the company. Operating loss in two years in a row constitutes such a significant event under the law and regulations. As explained above, the ADK group reported operating losses in ¥1,674 million in FY 2010, and ¥1,267 million in FY 2009. The group reported Net loss in ¥2,112 million in FY 2010. Therefore, the group is considered to have a significant event as a going concern. However, the group posted ¥21,520 million cash and cash equivalents, ¥1,436 million marketable securities, and ¥52,790 million investment securities, while the group has only ¥1,127 million interest bearing debts as of the end of the FY 2010. The group's capital surplus was ¥20,024 million and retained earnings balanced ¥45,906 million as of the end of FY 2010. And the group posted ¥6,182 million cash flow provided by the operating activities in FY 2009 and 2010 combined. Therefore, we do not foresee any liquidity problem. Besides, the group's efforts to squeeze its general and administrative expenses, including the early retirement program in November 2010, are working out to reduce the fixed costs. As a result the ADK group recognizes no uncertainty or problem whatsoever in operating the business as a going concern.

9. Others

① Accounting of Retirement Benefit

Effective the fiscal year 2010, the ADK group adopts the Accounting Standard Number 19, “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” issued by the Accounting standard Board of Japan on July 31, 2008. In the amendments, a discount rate to calculate Projected Benefit Obligations is determined based on the market interest rates of high credit bonds as of the end of the fiscal year instead of based on an average of market interest rates for certain periods in the past. Because of limited influence to the PBO, the group continued to use 2.0% p.a. as its discount rate, and there is no unrealized difference in PBO or unrecognized actuarial differences. Even if the PBO balance changes under a different discount rate, there would be no influence on operating income, recurring profits, and net loss before income tax and minority interests in FY 2010 because the group starts amortization of unrecognized actuarial differences from the next fiscal year.

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Appendix 1.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Financial Highlights

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2010	Year Ended December 31, 2009
GROSS BILLINGS	346,565	350,211
YEAR-ON-YEAR GROWTH RATE (%)	(1.0)	(12.3)
GROSS PROFIT	42,028	41,367
OPERATING INCOME	22	(756)
YEAR-ON-YEAR GROWTH RATE (%)	-	-
RECURRING PROFIT	1,885	1,094
YEAR-ON-YEAR GROWTH RATE (%)	72.3	(79.5)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(4,748)	343
NET INCOME	(4,656)	73
ANNUAL DIVIDEND PER SHARE (Yen)	20.00	20.00
TOTAL ASSETS	194,510	190,024
SHAREHOLDERS' EQUITY (Shareholders' equity plus valuation and translation adjustments)	102,169	106,423
MINORITY INTERESTS	999	1,042
TOTAL NET ASSETS (Total of shareholders' equity plus minority interests)	103,168	107,465
SHAREHOLDERS' EQUITY PER SHARE (Yen)	2,423.06	2,499.05
NET INCOME PER SHARE (Yen)	(110.28)	1.73
CASH FLOW FROM OPERATING ACTIVITIES	(221)	6,404
CASH FLOW FROM INVESTING ACTIVITIES	2,298	1,570
CASH FLOW FROM FINANCING ACTIVITIES	(1,266)	(2,141)
CASH AND CASH EQUIVALENTS, END OF YEAR	19,127	18,844

Appendix 2-1.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2010	Year Ended December 31, 2009
Ⅰ GROSS BILLINGS	346,565	350,211
Ⅱ COST OF SALES	304,536	308,843
GROSS PROFIT	42,028	41,367
Ⅲ SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
1. Salaries	22,235	22,113
2. Provision for bonus expenses	366	125
3. Provision for pension benefits	2,126	2,082
4. Rent expenses	4,045	4,146
5. Provision for doubtful accounts	130	785
6. Other expenses	13,101	12,869
Total selling, general and administrative expenses including others	42,006	42,124
OPERATING INCOME	22	(756)
Ⅳ NON－OPERATING INCOME		
1. Interest income	197	282
2. Dividend income	1,253	1,080
3. Equity in earnings of affiliated companies-net	213	126
4. Other income	591	592
Total non-operating income including others	2,255	2,082
Ⅴ NON－OPERATING EXPENSES		
1. Interest expenses	29	25
2. Other expenses	363	205
Total non-operating expenses including others	392	231
RECURRING PROFIT	1,885	1,094

Appendix 2-2.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2010	Year Ended December 31, 2009
Ⅵ EXTRAORDINARY PROFITS	133	364
Ⅶ EXTRAORDINARY LOSSES		
1. Loss on sales of investment securities	1,022	61
2. Loss on valuation of investment securities	2,324	213
3. Special retirement expenses	2,770	43
4. Other loss	651	797
Total extraordinary loss including others	6,768	1,116
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(4,748)	343
INCOME TAXES		
1. Current	524	797
2. Deferred	(640)	(560)
Total income tax	(116)	236
MINORITY INTERESTS IN NET INCOME	23	32
NET INCOME	(4,656)	73

Appendix 3-1.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2010	December 31, 2009
ASSETS		
Ⅰ CURRENT ASSETS		
1. Cash and time deposits	21,520	21,605
2. Notes and accounts receivable-trade	92,774	87,957
3. Marketable securities	1,436	2,145
4. Inventories	8,274	8,824
5. Other current assets	3,842	2,401
6. Allowance for doubtful accounts	(286)	(677)
Total current assets	127,562	122,255
Ⅱ FIXED ASSETS		
1. Tangible fixed assets	4,093	3,938
2. Intangible fixed assets	1,576	1,542
3. Investments and other assets		
(1) Investment securities	52,790	53,280
(2) Other assets	10,509	10,703
(3) Allowance for doubtful accounts	(2,022)	(1,695)
Total investments and other assets	61,277	62,287
Total fixed assets	66,947	67,769
TOTAL ASSETS	194,510	190,024

Appendix 3-2.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2010	December 31, 2009
LIABILITIES		
Ⅰ CURRENT LIABILITIES		
1. Notes and accounts payable-trade	74,358	69,237
2. Short-term debts	84	346
3. Current portion of long-term debt	278	92
4. Accrued bonuses to employees	384	163
5. Allowance for sales returns	508	545
6. Other current liabilities	8,261	7,408
Total current liabilities	83,874	77,793
Ⅱ LONG-TERM LIABILITIES		
1. Long-term debts	765	253
2. Accrued retirement benefits	1,347	1,001
3. Allowance for retirement benefits to directors	1,203	1,208
4. long-term deferred tax liabilities	3,527	1,904
5. Other long-term liabilities	622	398
Total long-term liabilities	7,466	4,765
TOTAL LIABILITIES	91,341	82,559
NET ASSETS		
Ⅰ SHAREHOLDERS' EQUITY		
1. Common stock	37,581	37,581
2. Capital surplus	20,024	20,024
3. Retained earnings	45,906	51,354
4. Treasury stock-at cost	(7,718)	(6,970)
Total shareholders' equity - net	95,793	101,988
Ⅱ VALUATION AND TRANSLATION ADJUSTMENTS		
1. Unrealized gain on available-for-sale securities	7,727	4,909
2. Deferred gain on derivatives under hedge accounting	(94)	15
3. Foreign currency translation adjustments	(1,256)	(490)
Total valuation and translation adjustments	6,375	4,434
Ⅲ MINORITY INTERESTS	999	1,042
TOTAL NET ASSETS	103,168	107,465
TOTAL LIABILITIES AND NET ASSETS	194,510	190,024

Appendix 4-1.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total shareholders' equity
Balance as of December 31, 2009	37,581	20,024	51,354	(6,970)	101,988
Changes during the consolidated fiscal year					
Dividend payments			(851)		(851)
Net income			(4,656)		(4,656)
Increase due to newly consolidated subsidiaries			81		81
Acquisitions of treasury stock				(825)	(825)
Disposals and cancellation of treasury stock				78	78
Other decrease in retained earnings *			(20)		(20)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year			(5,447)	(747)	(6,195)
Balance as of December 31, 2010	37,581	20,024	45,906	(7,718)	95,793

	VALUATION AND TRANSLATION ADJUSTMENTS				MINORITY INTERESTS	TOTAL NET ASSETS
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total		
Balance as of December 31, 2009	4,909	15	(490)	4,434	1,042	107,465
Changes during the consolidated fiscal year						
Dividend payments						(851)
Net income						(4,656)
Increase due to newly consolidated subsidiaries						81
Acquisitions of treasury stock						(825)
Disposals and cancellation of treasury stock						78
Other decrease in retained earnings *						(20)
(Net) changes of items other than shareholders' equity	2,817	(110)	(766)	1,941	(42)	1,898
Total change during the consolidated fiscal year	2,817	(110)	(766)	1,941	(42)	(4,296)
Balance as of December 31, 2010	7,727	(94)	(1,256)	6,375	999	103,168

Note: Other decrease in retained earnings is appropriation of earnings of a Chinese subsidiary to provide reserves under Chinese accounting standards.

Appendix 4-2.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2009

(Unaudited and before reclassifications and rearrangements)

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
Changes during the consolidated fiscal year					
Dividend payments			(856)		(856)
Net income			73		73
Acquisitions of treasury stock				(883)	(883)
Disposals and cancellation of treasury stock		(0)		0	0
Other decrease in retained earnings *			(21)		(21)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year		(0)	(804)	(882)	(1,687)
Balance as of December 31, 2009	37,581	20,024	51,354	(6,970)	101,988

	VALUATION AND TRANSLATION ADJUSTMENTS				MINORITY INTERESTS	TOTAL NET ASSETS
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total		
Balance as of December 31, 2008	(2,394)	(21)	(671)	(3,087)	1,028	101,617
Effect of changes in accounting policies applied to foreign subsidiaries						0
Changes during the consolidated fiscal year						
Dividend payments						(856)
Net income						73
Acquisitions of treasury stock						(883)
Disposals and cancellation of treasury stock						0
Other decrease in retained earnings *						(21)
(Net) changes of items other than shareholders' equity	7,303	37	180	7,522	13	7,535
Total change during the consolidated fiscal year	7,303	37	180	7,522	13	5,848
Balance as of December 31, 2009	4,909	15	(490)	4,434	1,042	107,465

Note: Other decrease in retained earnings is appropriation of earnings of a Chinese subsidiary to provide reserves under Chinese accounting standards.

Appendix 5.

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2010	Year Ended December 31, 2009
Ⅰ OPERATING ACTIVITIES		
Income before income taxes and minority interests	(4,748)	343
Depreciation and amortization	818	943
Decrease (increase) in notes and accounts receivable	(5,562)	14,028
Increase (decrease) in notes and accounts payable	5,068	(8,471)
Others-net	4,202	(440)
Net cash provided (used in) by operating activities	(221)	6,404
Ⅱ INVESTING ACTIVITIES		
Purchases of property and equipment	(184)	(100)
Purchases of intangible assets	(501)	(467)
Purchases of investment securities	(1,521)	(1,646)
Proceeds from sales of investment securities	2,926	1,418
Others-net	1,580	2,367
Net cash provided by investing activities	2,298	1,570
Ⅲ FINANCING ACTIVITIES		
Purchases of treasury stock - net	(747)	(882)
Dividends paid	(851)	(856)
Others-net	333	(401)
Net cash used in financing activities	(1,266)	(2,141)
Ⅳ FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(745)	203
Ⅴ NET INCREASE IN CASH AND CASH EQUIVALENTS	65	6,037
Ⅵ CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	18,844	12,807
Ⅶ CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF THE YEAR	217	—
Ⅷ CASH AND CASH EQUIVALENTS, END OF THE YEAR	19,127	18,844

Appendix 6.

ASATSU-DK INC. and Consolidated Subsidiaries

Segment Information

(Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2010

Millions of Yen

	Advertising	Non-advertising	Total	Eliminations or Corporate	Consolidated
GROSS BILLINGS					
(1) Billings to customers	339,431	7,133	346,565	−	346,565
(2) Inter-segment billings	15	278	294	(294)	−
Total billings	339,447	7,412	346,859	(294)	346,565
Operating expenses*	339,397	7,436	346,834	(291)	346,542
Operating income	49	(24)	24	(2)	22

Year Ended December 31, 2009

Millions of Yen

	Advertising	Non-advertising	Total	Eliminations or Corporate	Consolidated
GROSS BILLINGS					
(1) Billings to customers	342,925	7,285	350,211	−	350,211
(2) Inter-segment billings	24	349	374	(374)	−
Total billings	342,949	7,635	350,585	(374)	350,211
Operating expenses*	343,568	7,770	351,339	(371)	350,967
Operating income	(618)	(135)	(753)	(2)	(756)

* Operating expenses includes total of cost of sales and selling, general, and administrative expenses.

Appendix 7.

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2010	Year Ended December 31, 2009
Ⅰ GROSS BILLINGS	305,759	310,970
Ⅱ COST OF SALES	275,046	279,367
GROSS PROFIT	30,713	31,603
Ⅲ SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	32,387	32,870
OPERATING INCOME	(1,674)	(1,267)
Ⅳ NON－OPERATING INCOME	1,811	1,840
Ⅴ NON－OPERATING EXPENSES	130	124
RECURRING PROFIT	5	449
Ⅵ EXTRAORDINARY PROFITS	2,659	48
Ⅶ EXTRAORDINARY LOSSES	5,509	1,024
INCOME BEFORE INCOME TAXES	(2,843)	(526)
INCOME TAXES	(731)	(28)
NET INCOME	(2,112)	(498)

Appendix 8-1.

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2010	December 31, 2009
ASSETS		
Ⅰ CURRENT ASSETS		
1. Cash and time deposits	10,001	8,848
2. Notes receivable-trade	4,217	3,537
3. Accounts receivable-trade	77,169	74,505
4. Marketable securities	1,062	1,828
5. Inventories	4,256	5,456
6. Other current assets	3,250	2,023
7. Allowance for doubtful accounts	(186)	(584)
Total current assets	99,772	95,616
Ⅱ FIXED ASSETS		
1. Tangible fixed assets	1,870	1,609
2. Intangible fixed assets	1,488	1,429
3. Investments and other assets		
(1) Investment securities	56,258	53,620
(2) Other assets	9,031	8,626
(3) Allowance for doubtful accounts	(1,550)	(1,070)
Total investments and other assets	63,739	61,176
Total fixed assets	67,098	64,216
TOTAL ASSETS	166,870	159,832

Appendix 8-2.

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2010	December 31, 2009
LIABILITIES		
Ⅰ CURRENT LIABILITIES		
1. Notes payable-trade	10,728	11,337
2. Accounts payable-trade	56,681	51,810
3. Current portion of long-term debt	164	-
4. Other current liabilities	3,300	2,460
Total current liabilities	70,875	65,608
Ⅱ LONG-TERM LIABILITIES		
1. Accrued retirement benefits	512	195
2. Allowance for retirement benefits to directors	739	772
3. Lon-term debt	574	-
4. long-term deferred tax liabilities	3,509	1,873
5. Other long-term liabilities	417	234
Total long-term liabilities	5,753	3,075
TOTAL LIABILITIES	76,628	68,684
NET ASSETS		
Ⅰ SHAREHOLDERS' EQUITY		
1. Common stock	37,581	37,581
2. Capital surplus	20,024	20,024
3. Retained earnings	32,953	35,917
4. Treasury stock-at cost	(7,718)	(6,970)
Total shareholders' equity - net	82,840	86,551
Ⅱ VALUATION AND TRANSLATION ADJUSTMENTS		
1. Unrealized gain on available-for-sale securities	7,495	4,580
2. Deferred gain on dervatives under hedge accounting	(94)	15
Total valuation and translation adjustments	7,401	4,596
TOTAL NET ASSETS	90,241	91,147
TOTAL LIABILITIES AND NET ASSETS	166,870	159,832