



# AR2011

Annual Report 2011



The following seven principles are the Hakuholdo DY Group corporate philosophy. We believe that by following these principles in all of our business activities we contribute to growth for our stakeholders and society as a whole.

1. Strive continuously to provide our clients with the services they need to add value to their business.
2. Lead advances in media and be instrumental in building media value.
3. Build a dynamic global network to offer services wherever they are required.
4. Create abundance and further society, now and tomorrow, with our unique insight into *sei-katsu-sha*— people who have lives beyond what they consume.
5. Encourage individual personalities to flourish within a team work environment, leading to the creation of new values.
6. Become a world leader by constantly seeking out new challenges in the spirit of competition and harmony.
7. Work relentlessly to increase corporate value and reward the trust that shareholders place in us.

#### Contents

02	Overview
04	Key Figures
05	To Our Stakeholders
06	Medium-Term Business Plan
11	Q&A—CEO Interview
15	Directors and Auditors
16	Corporate Governance
19	Fact Sheets
	For readers' convenience, a summary of financial information and basic data covering the Hakuholdo DY Group.
29	Financial Review
85	Domestic Network
86	Overseas Network
88	Consolidated Subsidiaries and Equity-Method Affiliates
91	Corporate Data

#### Forward-looking statements

This report contains forward-looking statements concerning the current business plans, management policies and strategies, goals and projections, and forecasts of future earnings and financial conditions of the Hakuholdo DY Group that are not historical facts but are based on forecasts, expectations, assumptions, plans, and the knowledge and judgment of management based on information available at the time of the report's preparation. Moreover, in order to calculate projection and forecast figures, it is essential to rely to a certain degree on assumptions in addition to confirmed historical facts. Readers should understand that there is no guarantee that such forward-looking statements and assumptions are objectively accurate, and actual results may differ substantially from such forecasts.

# The Hakuholdo DY Group

Since our founding, we of the Hakuholdo DY Group have adhered to the twin pillars of *sei-katsu-sha* insight and commitment to partnership.

## *Sei-katsu-sha* Insight

*Sei-katsu-sha* insight is the foundation of our thinking and planning.

It reminds us that consumers are more than just shoppers performing an economic function. They have heartbeats. These unique, autonomous individuals that we in the Hakuholdo DY Group refer to as *sei-katsu-sha* are the inhabitants of an increasingly complex world. We believe that deeper insight into their lives is the source from which new value springs. That is why we make it our business to know *sei-katsu-sha* better than anyone else and to use that knowledge to make media a stronger bridge between advertisers and customers.

## Commitment to Partnership

Partnership is the way we do business, the starting point for all business activities. From the standpoint of *sei-katsu-sha*, we pay constant, careful attention to the needs of our clients and of media suppliers. We believe that engaging in dialogue and acting together are the best ways to find the solutions to those needs. As our clients' and media suppliers' partner, our aim is to build strong, long-lasting relationships. By working together over the long term, we are better able to provide durable and coherent solutions to our partners.

We believe that the times ahead will be marked by new innovations in these policies, as we work in partnership with advertisers to create marketing solutions that add value to every business domain in which they are involved. As a partner to media suppliers and content holders, we aim to add value across the whole diverse spectrum that media and content has become. We will continue to offer higher quality services through innovations in our policies of *sei-katsu-sha* insight and commitment to partnership.

# Overview

The companies of the Hakuhodo DY Group aim to enhance the Group's corporate value by providing ultimate solutions capabilities to advertisers, media companies, and content holders.

## Hakuhodo DY holdings

### Pure Holding Company

- Advantages of a holding company structure
- Enhanced Group management fundamentals
- Leveraged synergies from business integration

### Advertising Companies

- Three advertising companies with differing personalities and strengths to support all kinds of advertisers

### Integrated Media Company

- Integrating media functions to make the business stronger and more efficient
- Stronger partnerships with media companies and content holders
- Creating added value in the media content business



Hakuhodo Inc. espouses its twin philosophies of *sei-katsu-sha* insight and commitment to partnership. Our overriding goal is to be a “Power-Branding” partner that draws on our outstanding capabilities in creation and execution to heighten the brand value of advertisers. Accordingly, we are actively pursuing measures in the new knowledge development sector, the digital sector, and the marketing/promotion sector, and we are building systems that enable us to provide clients with even more comprehensive marketing solutions. Tireless development of *sei-katsu-sha* insight gives Hakuhodo a unique ability to integrate mass marketing and relationship marketing. Capitalizing on that strength, we will provide comprehensive marketing solutions that optimize advertisers’ overall marketing activities.



Daiko’s philosophy, Ideas Win, grew from the conviction that only superior ideas can deliver the most effective communication. Daiko’s winning ideas translate into strategic solutions to clients’ marketing issues, and help the agency pursue its goal of delivering more effective, more powerful communications. As a marketing solutions partner to our clients, Daiko has a role to play in everything from brand development & brand building to sales promotion and customer management.



Founded in 1929, YOMIKO ADVERTISING INC. possesses a full range of services extending from outstanding marketing development that begins in the “Home” segment of residential real estate to acknowledged prowess in strategic planning based on extensive experience in result-oriented sales promotion that supports clients all the way to the sale of their products. YOMIKO also boasts impressive business development capabilities in the entertainment category, fostered through the planning of animation programs and event business. Deepening and expanding these strengths, this agency aims at further sharpening the edge of its originality and creativity. As a true partner committed to the success of its clients, YOMIKO is the source for solutions that underscore effectiveness.



Hakuhodo DY Media Partners Inc. was founded to be a comprehensive media company integrating the media functions of the three advertising companies, Hakuhodo, Daiko, and YOMIKO.

Undertaking the media business and the contents business of the Hakuhodo DY Group, it utilizes its primary functions of planning, production, buying, media traffic, and knowledge in these two business areas. It also acts as liaison between the three advertising companies and provides optimum marketing solutions for advertisers, media companies, and content holders.

With the *sei-katsu-sha* as the reader, viewer, or spectator, it creates new media value by connecting its customers with these consumers. In this way, Hakuhodo DY Media Partners considers media in its broadest sense and aims to be a media contents business that “designs media effects.”

# Key Figures

¥ Millions

Years ended March 31	2007	2008	2009	2010	2011
<b>For the year</b>					
Gross billings	¥1,088,442	¥1,118,749	¥1,033,396	¥ 917,065	<b>¥ 936,476</b>
Revenue	158,769	163,897	154,059	143,579	<b>152,218</b>
Selling, general and administrative expenses	134,315	138,889	139,042	137,443	<b>137,951</b>
Operating income	24,454	25,007	15,016	6,136	<b>14,266</b>
Net income (loss)	12,055	10,021	(3,277)	1,277	<b>4,550</b>
<b>At year-end</b>					
Total assets	¥ 534,481	¥ 552,697	¥ 480,768	¥ 456,313	<b>¥ 474,126</b>
Interest-bearing debt <sup>1</sup>	3,894	2,615	2,679	2,129	<b>2,544</b>
Net assets	215,626	214,074	206,048	208,802	<b>206,455</b>
<b>Per share data (yen)</b>					
Basic net income (loss)	¥ 310.30	¥ 258.76	¥ (84.97)	¥ 33.12	<b>¥ 118.18</b>
Diluted net income <sup>2</sup>	—	258.71	—	33.08	<b>118.10</b>
Cash dividends	70.00	80.00	70.00	70.00	<b>70.00</b>
<b>Ratios (%)</b>					
Revenue to gross billings margin	14.6	14.7	14.9	15.7	<b>16.3</b>
Operating margin <sup>3</sup>	15.4	15.3	9.7	4.3	<b>9.4</b>
Ratio of personnel costs to revenue <sup>4</sup>	53.1	53.0	56.2	62.9	<b>61.4</b>
Return on equity (ROE)	5.8	4.7	(1.6)	0.6	<b>2.3</b>
Shareholders' equity ratio	39.8	38.2	41.3	44.0	<b>41.5</b>

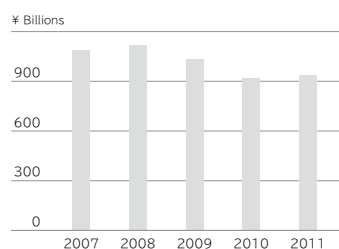
1 The outstanding balance for interest-bearing debt represents the sum of short-term bank loans + long-term debt (including long-term debt due within one year).

2 The dilutive shares existed, but diluted net income per share is not shown due to net loss for the fiscal year ended March 31, 2009.

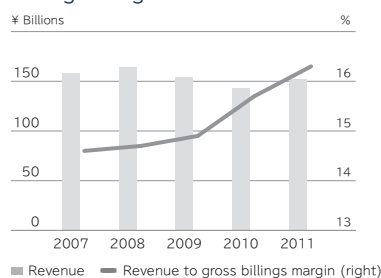
3 The operating margin represents operating income ÷ revenue, or the ratio of operating income to revenue.

4 The ratio of personnel costs to revenue represents revenue ÷ personnel costs.

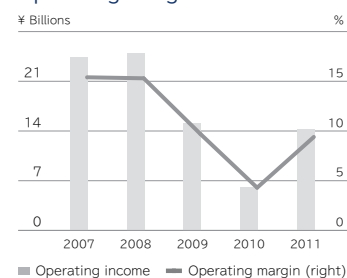
## Gross Billings



## Revenue/Revenue to Gross Billings Margin



## Operating Income/Operating Margin



# To Our Stakeholders



I would first like to extend my sincere condolences to the individuals and families who have been affected by the Great East Japan Earthquake that struck on March 11, 2011.

I will also report to our stakeholders on the Hakuodo DY Group's performance during fiscal 2010, ended March 31, 2011, and on the initiatives we are undertaking for the future.

During fiscal 2010, the trend of contraction seen in the advertising market since the 2008 global financial crisis bottomed out, and signs of a recovery gradually became clear. Customers' marketing activities picked up, and the market gained greater momentum than in the previous year, driven by television spot advertising and Internet advertising. Nevertheless, the situation changed completely with the occurrence of the Great East Japan Earthquake. Subsequently, many customers reviewed their advertising plans, and canceled or postponed planned activities.

Boosted by a more active advertising market, during fiscal 2010 the Hakuodo DY Group further refined its basic strategy of proposing comprehensive marketing solutions, with the aim of achieving concrete results as a united group in the three priority domains identified in the Medium-Term Business Plan. As a result, despite the impact of the earthquake at the end of the fiscal year, gross billings in fiscal 2010 grew for the first time in three years, with a 2.1% increase from the previous year, to ¥936.4 billion. Furthermore, with the entire Group working with a strong awareness of profitability, the gross margin reached a record high level, and with success in controlling SG&A expenses, operating income also rose for the first time in three years, with a ¥8.1 billion increase, to ¥14.2 billion.

Although the net extraordinary loss grew as a result of the drop in equity prices in the wake of the earthquake, net income grew from the previous year, to ¥4.5 billion.

The earthquake has cast a dark cloud over the outlook for the Japanese economy, but I firmly believe that Japan will rise to the occasion and embark on a sure path to recovery. I therefore believe the social mission that has been given to advertising companies is to use communication to encourage *sei-katsu-sha* and use the strength of communication to create vitality in the Japanese economy. Given this situation, the Hakuodo DY Group will work even harder, in partnership with our many customers, organizations, and media, to carry out our activities firmly rooted in the perspective of *sei-katsu-sha*.

With regard to returns to shareholders, our fundamental policy is to continuously maintain a stable dividend. For fiscal 2010, we have paid a full-year dividend of ¥70 per share, as initially planned. As an additional form of returns to shareholders, a share buyback was carried out in February 2011. We expect the adverse environment for the advertising market to continue through fiscal 2011, ending March 31, 2012, but we intend to maintain the dividend at ¥70 per share while comprehensively taking into account the operating environment and other developments going forward.

I thank all stakeholders for your support and ask for your continued understanding in the future.

July 2011

A handwritten signature in black ink that reads "Hirokazu Toda". The signature is written in a cursive, flowing style.

Hirokazu Toda  
President & CEO



# Medium-Term Business Plan

The Medium-Term Business Plan covers the five-year period through fiscal 2013, ending March 31, 2014. Under this Plan, the Group has set its core medium-term strategy as “striving to be a partner responsible for realizing optimized corporate marketing activities across all formats via the pursuit of next-generation, comprehensive marketing solutions,” and we are working to enhance our capabilities in priority strategic domains and to strengthen the Group’s management base.

#### Core Medium-Term Strategy

Striving to be a partner responsible for realizing optimized corporate marketing activities across all formats via the pursuit of next-generation, comprehensive marketing solutions.

#### Core Engines for Strategy Realization

Marketing Technology X Creativity Initiative

#### Business Structure Transformation for Strategy Realization

Expansion of business domain, Strengthening the Group management base, Resource investment in growth domains, Earnings model diversification

#### Priority Strategic Domains

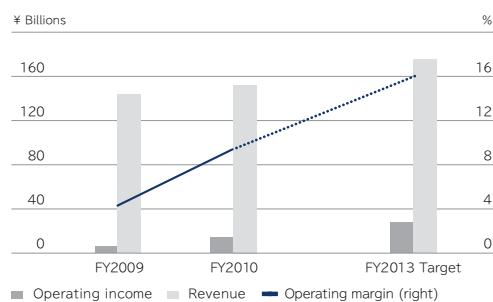
Internet, Marketing/Promotion<sup>1</sup>, Global

#### Medium-Term Business Targets

Plan Period: Through March 2014 (5-year plan)

Target Indicators:

Operating Income **¥28.0 billion**  
 Operating Margin **16%**  
 Revenue **¥175.0 billion**



#### Glossary

<sup>1</sup> Marketing/Promotion: General term for consulting, planning, research, and other operations in the areas of marketing, communications, and branding, as well as consulting, planning, and implementation of sales promotions, events, public relations, and customer relationship management.

### Progress under the Medium-Term Business Plan

The Group made steady progress in fiscal 2010 relative to fiscal 2009 toward achieving the targets of the Medium-Term Business Plan, recording operating income of ¥14.2 billion, a 9.4% operating margin, and revenue of ¥152.2 billion.

The Plan positions the five-year period it covers as a transition period for transforming the business structure, to one that has a 50-50 balance in billings from the four mass media and from other advertising in domestic advertising, the Group's main strategic market, and with other media generating 60% of revenue.

In fiscal 2010, the breakdown in billings between the four mass media and other advertising was 55-45, for an increase of roughly 2 percentage points in the portion accounted for by other advertising. In terms of revenue, other advertising already accounts for a majority at 47-53, and although growth was slow, the portion from other advertising is nevertheless increasing.

### Strengthening Structures for Achieving Strategies

#### Strengthening Core Engine (Marketing Technology<sup>2</sup>)

"Marketing Technology" is one of the Hakohodo DY Group's core engines, and we are strengthening this area by developing tools that will form our next-generation competitive base at the specialist "marketing technology center." One of these is the Vision-Graphics™ PDCA support tool, which makes it possible to visualize the information behavior in *sei-katsu-sha* from the point of initial contact with information to a purchase. We have also enhanced the functionality of the previously released X-ADVANCE™ tool for measuring the effect of Internet advertising, to be compatible with the rapidly growing mobile market. X-ADVANCE™ is already being used by many customers, especially major, leading advertisers.

#### Transforming the Business Structure

During fiscal 2010, we proactively invested in the three priority strategic domains identified in the Medium-Term Business Plan (Internet, marketing/promotion, and global). In addition, by strengthening the Group's management structure, increasing the portion of internal production, and increasing awareness of profitability throughout the Group, the revenue to gross billings margin rose to a record 16.3% in fiscal 2010. We also launched the AD+VENTURE program, for soliciting and cultivating a wide range of business ideas from Group employees, in the summer of 2010.

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Glossary

2 Marketing Technology: Scientific approaches, methods, and technologies for the effective and timely execution of PDCA (Plan-Do-Check-Act) cycles in corporate marketing activities.

## INTERNET DOMAIN

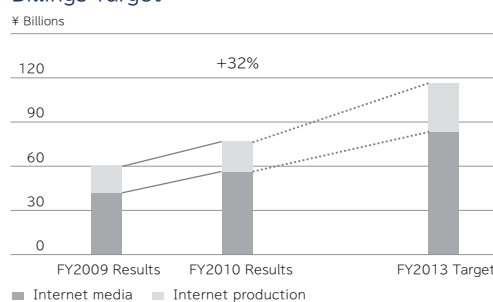
We are further strengthening our activities in the growing Internet domain (Internet media + Internet production<sup>3</sup>) with the aim of more than doubling billings in fiscal 2013 relative to fiscal 2009.

### Progress in the Internet Domain

As a result of various measures to strengthen the Group's activities, fiscal 2010 billings in the Internet domain rose 32% from the previous year.

During fiscal 2010, we further strengthened our alliance strategy with outside Internet specialist companies by making IREP Co., Ltd., a consolidated subsidiary, to further enhance our capabilities in the field of search engine marketing (SEM<sup>4</sup>). A digital human resource training program was also introduced at major operating companies. In addition, a new "social media<sup>5</sup> marketing center" was established to reinforce the structure for cooperation on important themes in this area among Group companies. A forward-looking "smart device<sup>6</sup> business center" was also established, and has already produced concrete results including the delivery of new solutions.

### Billings Target



- 3 Internet production: Planning and production of advertising for presentation via the Internet on PC and mobile devices.
- 4 SEM (Search Engine Marketing): A marketing method that increases the number of accesses to a company's website via Internet search engines.
- 5 Social media: Media comprising information transmitted by *sei-katu-sha* via blogs and SNS (social networking services), the most well known being TWITTER, mixi, and Facebook.
- 6 Smart device: Smartphones, tablet computers, and other multifunction information terminals.

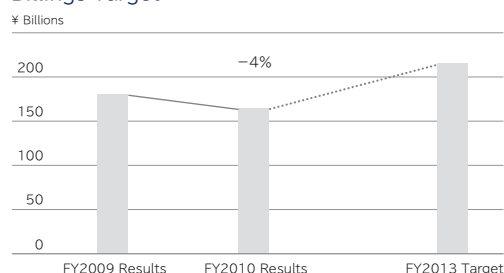
## MARKETING/PROMOTION DOMAIN

With growth anticipated in the marketing/promotion domain, we aim to increase fiscal 2013 billings by at least 25% from fiscal 2009.

### Progress in the Marketing/Promotion Domain

The marketing/promotion domain experienced a downturn in the first half in the wake of major projects in the previous fiscal year, and billings for the full year declined 4%, but results have been turning toward a recovery from the second half. To ensure that this pace is maintained, we have strengthened our structure for increased sales. In the spring of 2011, the promotion functions from planning through implementation were consolidated at Hakuholdo, a new “promotion business unit” was established to provide sophisticated, one-stop solutions, and a new “consulting business unit” was established as a reinforced structure for upstream corporate marketing activities. We also expanded the domain and enhanced our internal production structure by making the specialist public relations firm OZMA Inc. a consolidated subsidiary.

### Billings Target



## GLOBAL DOMAIN

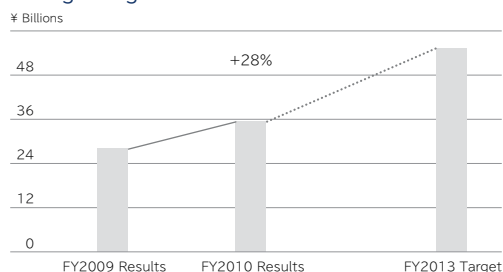
We will further strengthen our activities in China and the rest of Asia, where high growth is expected to continue, with the aim of more than doubling consolidated overseas billings by fiscal 2013, compared with fiscal 2009.

### Progress in the Global Domain

Billings in the global domain rose 28% in fiscal 2010, as a result of strong results in Asia and Europe, in addition to China, and particularly with Japanese customers.

In fiscal 2010, we strengthened our capabilities for Japanese customers in China with the establishment of Shanghai SAC-Hakuholdo Advertising Co., Ltd., as our 16th office in China. We also stepped up our efforts in global human resource development and in fields peripheral to advertising, where relatively high growth is expected. Going forward, we will aggressively pursue global human resource development and organizational restructuring, to further solidify our customer base with Japanese clients as marketing partners.

### Billings Target



# Q & A

CEO Interview

In fiscal 2010, Hakuholdo DY achieved revenue and profit growth for the first time in three years. We asked President Hirokazu Toda how the Hakuholdo DY Group intends to grow going forward.

Q

**First, would you please recap the Group's fiscal 2010 results?**

A

The domestic advertising market underwent a major contraction in fiscal 2008 and 2009 in the wake of the global financial crisis of 2008, and Hakuholdo DY was unable to avoid declines in both revenue and profit. In fiscal 2010, we implemented a variety of measures under the Medium-Term Business Plan to generate profit, with the aim of emerging from this crisis type of situation and do whatever was needed to achieve profit growth. As a result, we were ready to capitalize on the market's recovery trend from the second half of the year, and fiscal 2010 marked our first revenue and profit growth in three years.

In particular, I consider our successes in the priority strategic domains identified in the Medium-Term Business Plan—Internet, marketing/promotion, and global—to have made a major contribution to our revenue and profit growth.

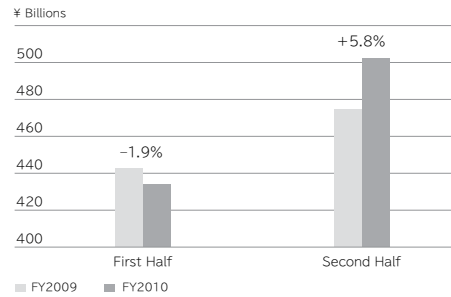
Through these Groupwide efforts, billings for the year rose 2.1%, to ¥936,476 million, and especially in the second half, our 5.8% year-on-year growth outpaced that of the market.

Revenue grew 6.0%, to ¥152,218 million. The revenue to gross billings margin rose 0.6 percentage points, to a record 16.3% from the previous year's 15.7%. This reflected not only thorough cost controls and strengthening the structure for increasing the portion of internal production, but also a variety of initiatives throughout the Group with an awareness of raising profitability.

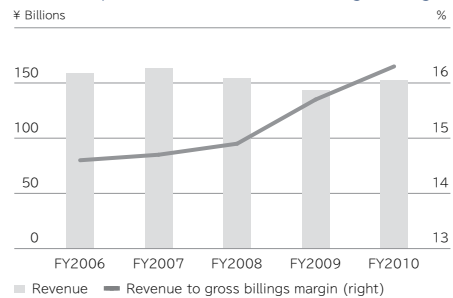
SG&A expenses grew 0.4%, to ¥137,951 million. The increase in costs associated with the expansion of the scope of consolidation was mostly absorbed, and year-on-year growth was held to a minimum, as a result of continued improvements to the cost structure begun in response to the difficult market environment, and even tighter SG&A expense management.

As a result of this recovery in billings, improvement in the revenue to gross billings margin, and SG&A expense controls, operating income grew ¥8.1 billion from the previous year, to ¥14,266 million. Going into the fourth quarter, the recovery gained further momentum, and we were able to exceed the revised operating income projection of ¥13.5 billion announced on February 4.

**Gross Billings**



**Revenue/Revenue to Gross Billings Margin**



With an increase in equity-method profit, ordinary income rose ¥8.9 billion, to ¥17,107 million.

Despite the recording of a ¥2.6 billion loss on valuation of investment securities reflecting the weak stock market in the wake of the earthquake, income before income taxes and minority interests rose ¥6.9 billion, to ¥13,132 million, leading to a large increase in net income, which rose ¥3.2 billion from the previous year, to ¥4,550 million.

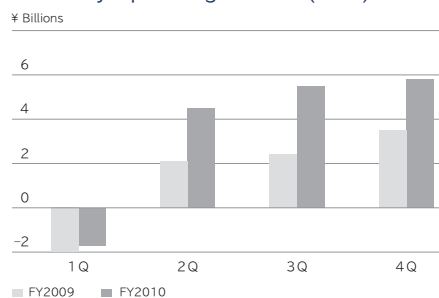
**Q The market had been increasingly showing signs of a recovery, but what changes do you see in the business environment as a result of the Great East Japan Earthquake that struck in March?**

**Also, what role as an advertising company do you see for Hakuholdo DY in the reconstruction of the Japanese economy?**

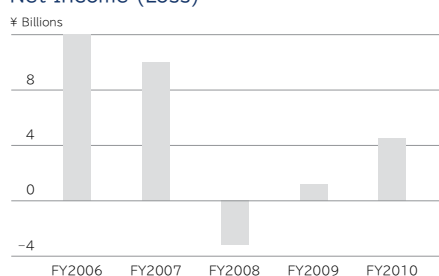
**A** The Great East Japan Earthquake will have a major impact on the Japanese economy in fiscal 2011, but there are still many elements of uncertainty regarding the extent of the impact and the timing of a recovery. In addition, the impact on Japan's advertising market will not be insignificant. Many companies were forced to reset their overall marketing activities as a result of the earthquake. Many events and television commercials that had been scheduled for April and May were curtailed or postponed, and I consider short-term weakness in the Hakuholdo DY Group's results to be unavoidable.

At the same time, as an advertising company, it is times like this that especially make me want to take the lead in undertaking various activities for the reconstruction of Japan's economy and society. "The Survey on Lifestyle and Consumption Attitudes and Behavior Following the Great East Japan Earthquake" carried out by Hakuholdo in April found concerns of "social atrophy" and a "mood of self-restraint," but at the same time *sei-katsu-sha* expressed a desire to act "to benefit the stricken areas" and "for society in general." I hope that by aligning the changes in the thoughts and actions of *sei-katsu-sha* with customers' marketing issues, we can support corporate vitality and thereby contribute to the restoration of the Japanese economy.

**Quarterly Operating Income (Loss)**



**Net Income (Loss)**



Q

## What are your projections for fiscal 2011 operating performance?

A

I would first like to explain our underlying macroeconomic assumptions for fiscal 2011. We see a very difficult environment for the domestic advertising market continuing, as corporate activities feel a major impact from the earthquake in the first half of the fiscal year. Although we expect the advertising market to recover as the economy rebounds from the autumn, we see a strong possibility of a year-on-year market decline for the full year.

Given this situation, we are projecting a year-on-year decline in first-half billings from a weaker advertising market, but as the market recovers, we are projecting a large year-on-year increase in second-half billings. We will steadily implement the strategies included in the Medium-Term Business Plan, with the aim of increasing market share for growth that outpaces that of the market. As a result, we are forecasting a 0.7% increase in billings for the full year, to ¥943.0 billion.

We will also strive to maintain the revenue to gross billings margin at the previous year's level, through a continuous awareness of profitability. We expect to hold the rate of increase in SG&A expenses to the rate of revenue growth, by absorbing increases in strategic expenses and expenses for retirement benefits with reductions in office-related expenses and other expense controls. We are therefore projecting that operating income will come in roughly flat with the previous year, at ¥14.4 billion. Adding non-operating items like dividends received and equity-method profit, we are forecasting a roughly ¥0.7 billion decline in ordinary income, to ¥16.4 billion. We do not anticipate any major extraordinary items at this time, and are forecasting net income of ¥6.4 billion, for a roughly ¥1.8 billion increase.

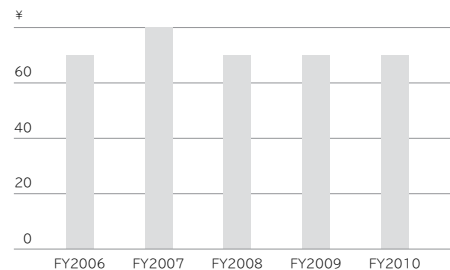
There are many elements of uncertainty with regard to fiscal 2011, but if the advertising market recovers as expected from the autumn, I believe we will be able to expand our market share while maintaining operating income at the fiscal 2010 level.

With regard to the dividend, we will comprehensively consider the operating environment going forward, with the intention of paying a full-year dividend of ¥70 per share, the same as in fiscal 2010, based on our policy of maintaining a stable dividend.

	¥ Billions		
	FY2010 results	FY2011 forecasts*	YOY
Gross Billings	936.4	943.0	+0.7%
Operating Income	14.2	14.4	+0.9%
Ordinary Income	17.1	16.4	-4.1%
Net Income	4.5	6.4	+40.7%

\* Forecasts are based on certain assumptions deemed to be reasonable by the Company at the time of announcement. Actual results may differ materially from these forecasts due to a variety of reasons.

### Cash Dividends per Share



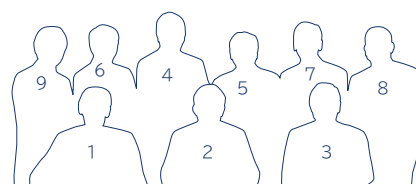
# Directors and Auditors

As of June 29, 2011



## Directors

- |   |  |
|---|--|
| <p><b>1 Junji Narita</b><br/>Chairman<br/>Chairman &amp; CEO, Hakuhold Inc.*</p>  | <p><b>5 Kazuhiko Nozawa</b><br/>Director<br/>Director,<br/>YOMIKO ADVERTISING INC.*</p>                |
| <p><b>2 Hirokazu Toda</b><br/>President &amp; CEO<br/>President &amp; CEO, Hakuhold Inc.*</p>   | <p><b>6 Kazuma Shindo</b><br/>Director<br/>Director, Daiko Advertising Inc.*</p>                       |
| <p><b>3 Kunihiko Sawada</b><br/>Senior Managing Director &amp; CFO<br/>Senior Executive Corporate Officer<br/>&amp; CFO &amp; Member of the Board,<br/>Hakuhold Inc.*</p> | <p><b>7 Isao Takano</b><br/>Director<br/>President &amp; CEO,<br/>Daiko Advertising Inc.*</p>          |
| <p><b>4 Mitsumasa Matsuzaki</b><br/>Managing Director<br/>Senior Corporate Officer,<br/>Hakuhold Inc.*<br/>Director, Hakuhold DY Media<br/>Partners Inc.*</p>             | <p><b>8 Yasunori Nakada</b><br/>Director<br/>President &amp; CEO,<br/>YOMIKO ADVERTISING INC.*</p>     |
|   | <p><b>9 Hisao Omori</b><br/>Director<br/>President &amp; CEO, Hakuhold DY<br/>Media Partners Inc.*</p> |



## Auditors

- Akira Miyachi**  
Full-time Statutory Auditor
- Misaki Kakikawa**  
Full-time Statutory Auditor
- Hironari Kitahara**  
Statutory Auditor (Outside)\*\*
- Motohiko Aiba**  
Statutory Auditor (Outside)\*\*
- Shinobu Miyauchi**  
Statutory Auditor (Outside)\*\*

\* Position in the core operating companies—Hakuhold Inc., Daiko Advertising Inc., YOMIKO ADVERTISING INC., and Hakuhold DY Media Partners Inc.

\*\* Auditors Hironari Kitahara, Motohiko Aiba, and Shinobu Miyauchi are external corporate auditors as per Article 2, Paragraph 16 of the Corporate Law.

# Corporate Governance

## Basic Stance on Corporate Governance

Hakuhodo DY Holdings (the “Company”)—a holding company for the centralized management of Hakuhodo Inc., Daiko Advertising Inc., YOMIKO ADVERTISING INC., and Hakuhodo DY Media Partners Inc. (the “core operating companies”) and their Group companies—recognizes the importance of corporate governance, consequently its goals include enhancing management transparency and promoting compliance standards. Moreover, the Company aims to construct an organizational system capable of rapidly responding to changes in the operating environment and has positioned maximizing corporate value through an emphasis on management efficiency as its fundamental goal.

## Overview of Corporate Governance Structure

The Company uses the board of auditors system of corporate governance. With the objective of establishing a structure to ensure directors execute their responsibilities effectively and efficiently, and effective audits are carried out appropriately, the Company has established the following structures.

### 1. Structure to ensure effectiveness, efficiency of directors’ execution of responsibilities

a. The Company specifies in its Articles of Incorporation (the “Articles”) there shall be 14 or fewer directors. As of June 30, 2011, the Board of Directors (the “Board”) consisted of nine members. The Board meets regularly (normally twice per month) and whenever necessary to make decisions related to important management issues, receive reports related to the performance of the Company and core operating companies, and oversee directors’ execution of their responsibilities.

The Company states in its Articles a resolution on the election of directors shall be made based on a majority vote of the shareholders present, providing they hold not less than one-third (1/3) of the total voting rights of shareholders entitled to exercise voting rights. No resolutions on the election of directors shall be made on the basis of cumulative voting.

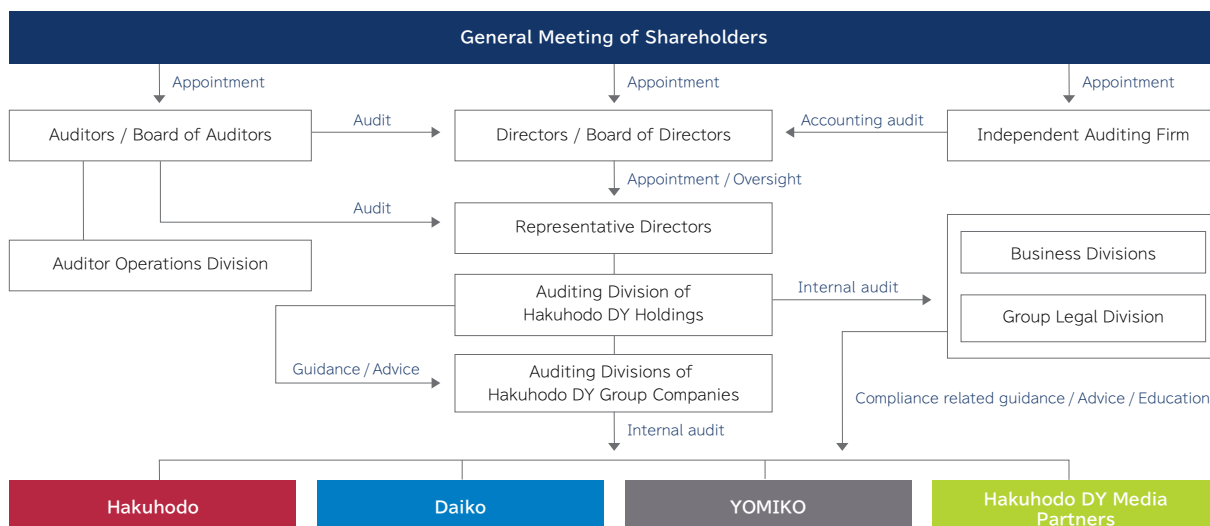
Furthermore, the Company states in its Articles the Board may determine the following as matters for resolution at the General Meeting of Shareholders.

*(Acquisition of Treasury Stock)* To secure the mobility of its shareholders’ equity policy, the Company has stated in its Articles it may, by resolution of the Board, acquire treasury stock pursuant to Article 165, Paragraph 2 of the Corporate Law.

*(Interim Dividends)* The Company has stated in its Articles, by resolution of the Board, interim dividend payments may be made using September 30 as the date of record. With the objective of ensuring the smooth conduct of the General Meeting of Shareholders, the Company states in its Articles resolutions put before the General Meeting of Shareholders shall, as set forth in Article 309, Paragraph 2 of the Corporate Law, be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders in attendance who hold in aggregate not less than one-third (1/3) of the total voting rights of shareholders entitled to exercise voting rights.

b. The Company has established the Executive Committee and Extended Executive Committee to conduct preliminary deliberations on important management issues including budgets, medium-term planning, organization, and financing.

## Corporate Governance and Compliance Framework of the Hakuhodo DY Group (1)



c. The Company has established the Integration Committee to monitor and manage progress under periodic profit plans, based on reports and exchanges of information related to the Group’s consolidated results and results at core operating companies.

d. In addition to clarifying the responsibilities of directors via Board resolutions, the Company has formulated the Organizational Regulations and Regulations regarding Limits of Authority to clarify matters pertaining to the separate roles of directors and employees, division of operational duties, and instructions and directives.

e. The Company defines fundamental policies and methods for the management of operating companies in the Operating Company Management Regulations to comprehensively improve the Group’s business development and performance.

f. The Company has established the Compensation and Nominating Council as an advisory body to the Board to deliberate decisions related to nominations and dismissals, and compensation and bonuses, for directors based on shared evaluations of core operating company performance, and provide recommendations to the Board.

**2. Structure to ensure effectiveness of audit**

a. The Company’s Board of Auditors meets regularly (normally once per month) and whenever necessary. Auditors attend important meetings, including those of the Board, and from the Group-oriented vantage point of the holding company, supervise directors’ execution of their responsibilities by exchanging opinions with directors and receiving reports on the operations of the core operating companies.

b. The Company’s Board actively seeks out the opinions of the two full-time statutory auditors and the three outside

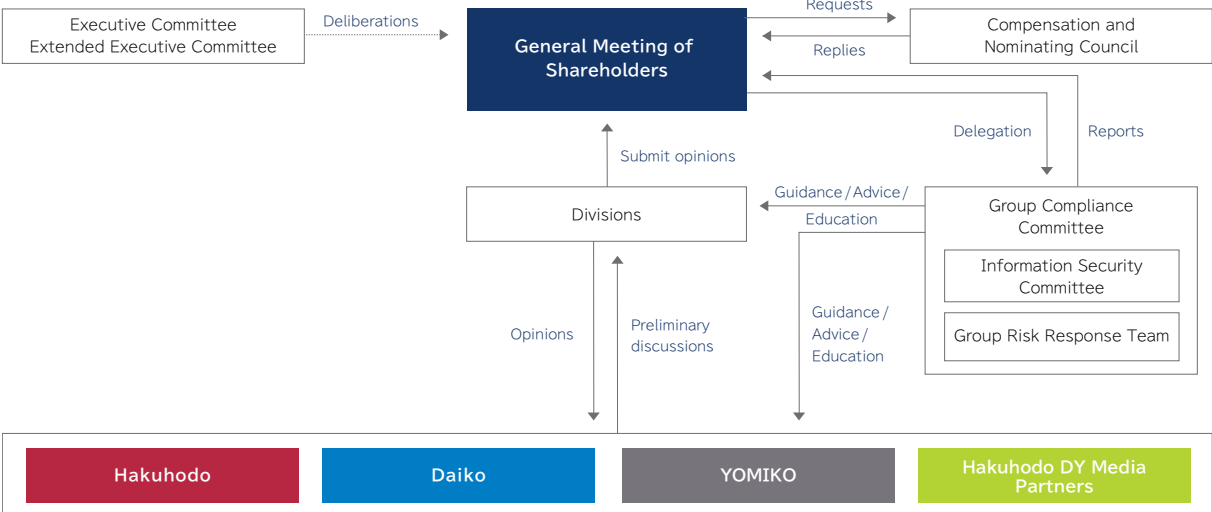
statutory auditors (independent statutory auditors as defined by the Tokyo Stock Exchange (the “TSE”)). The Board deliberates and passes resolutions to decide on important management issues from a position of objective, neutral evaluation and oversight.

c. The Company and core operating companies have established internal auditing divisions, and the results of their audits are regularly reported to the statutory auditors. Internal auditing functions are enhanced and improved throughout the Group by sharing information regarding the status of audits at core operating companies.

*(Reasons for Adopting this Structure)* The Company is organized as a company with a board of auditors, and maintains a corporate governance system that functions to provide robust management oversight with the appointment of (three) outside statutory auditors (independent statutory auditors as defined by the TSE), and to verify and monitor the effectiveness and efficiency of directors’ execution of their responsibilities from an objective and neutral perspective. In addition, the (two) full-time statutory auditors have a deep understanding of the Group’s management, and in addition to legal audits, increase the effectiveness of management oversight with objective evaluations of the processes and results of management issues by participating in important meetings.

Each statutory auditor strives to strengthen management oversight through appropriate exchanges of opinions with directors and key employees, and by effectively utilizing their functions, they can be fully expected to provide the effective management oversight that is entrusted to them by shareholders. The current structure is being maintained for these reasons.

**Corporate Governance and Compliance Framework of the Hakuodo DY Group (2)**



### 3. Risk management structure

a. Following a directive from the Board, the Group has established the Group Compliance Committee, composed primarily of presidents from the Company and the four core operating companies, to provide guidance and education regarding compliance issues. The committee works to heighten awareness of compliance issues on the part of all Group executives and staff. It also formulates policies and establishes management structures related to important compliance and corporate ethics issues. Other roles include providing advice, directives, and leadership in compliance activities at each Group company as well as overseeing progress in all of these areas. The committee reports to the Board.

b. The Group Compliance Committee has formulated the Hakuodo DY Code of Conduct as a guideline for actions taken by the Group as well as all Group executives and staff.

c. The Company has established the Group Legal Division to formulate concrete compliance-related policies, disseminate these policies, and monitor their Groupwide implementation.

The division is also entrusted with liaising between legal divisions at core operating companies and external parties. It monitors operating company activities and provides supervision and counsel on corporate social responsibilities and risks.

d. To prevent the Company from losing its reputation as a result of insufficient information management, we have formed the Information Security Committee under the Group Compliance Committee. It promotes the establishment and improvement of information management systems across the Group by offering guidance and advice to each division. It also draws up guidelines to stave off risks related to accounting and financial operations, working to ensure proper accounting practices and minimize financing risks.

e. The Company has established the Group Risk Response Team that reports to the Group Compliance Committee, and is responsible for preventing the loss of social trust or significant damage to the corporate value of the Group resulting from inappropriate responses to significant risk events. In addition, Crisis Management Regulations have been formulated to reinforce swift and appropriate responses when risk events occur by clarifying the risk response system and the risk event involved.

f. The Company has established an Emergency Response Committee to formulate disaster prevention plans, a disaster prevention structure, and other components related to general disaster prevention for the Hakuodo DY Group, and has also formulated Disaster Response Guidelines to establish a structure for responding to disasters, to prevent and minimize human casualties and material damage when a disaster occurs.

### 4. Information disclosure structure

a. In the Operating Company Management Regulations regarding basic measures for operating company oversight, the Company has established a basic policy concerning information disclosure. In addition, the Company has in place a structure that enables the collection of in-house information, which allows it to disclose both legally mandated and supplementary information in a timely manner. Both the Company and its consolidated subsidiaries adhere to this sort of proactive approach to disclosure.

b. The Investor Relations Committee, whose membership cuts across related departments in the holding company, is responsible for the legal, timely disclosure of information to investors and the promotion of information sharing.

c. There are also staff members responsible for IR in the general affairs and public relations divisions of each of the main consolidated subsidiaries. These staff members are responsible for the systematic collection of information concerning each company's operating activities for timely disclosure and for quickly transmitting in writing the information they gather to the Group's Investor Relations Division. When the Group's Investor Relations Division has determined whether or not this information should be disclosed, it is presented to the individual responsible for handling such information.

d. We also insist on the uniform management of important information that requires prior consultation with the Company. This includes important financial and business management issues and other vital information concerning the main consolidated subsidiaries' activities.

e. The Group's Investor Relations Committee, with a membership spanning the Group, facilitates IR activities by serving as a forum for exchanging important information, setting Group IR policies, and consulting on issues related to those policies.

f. Concerning disclosure management, one individual from among the directors of the Company or from a similar position is appointed to represent the entire Group. This representative is responsible for the in-house management of disclosure items, updating information, and determining the necessity of revising and disclosing information as well as for providing appropriate consulting to and advising the president regarding the handling of information that is not disclosed.

g. Directors or personnel with similar positions are also appointed to posts of responsibility for information management at the main consolidated subsidiaries and are responsible for controlling the in-house management of important information and for making appropriate provisions for the construction of information management and reporting systems.

# Fact Sheets

# Eight-Year Summary of Consolidated Financial Statements

Years ended March 31	2004	2005	2006	2007
<b>For the year</b>				
Gross billings	¥ 906,687	¥1,089,524	¥1,111,121	¥1,088,442
Revenue	126,486	151,815	155,953	158,769
Selling, general and administrative expenses	108,298	129,421	131,242	134,315
Personnel costs		80,634	82,837	84,271
Rent		6,834	6,819	7,536
Depreciation and amortization		3,506	3,299	3,243
Others		38,447	38,287	39,264
Operating income	18,188	22,393	24,710	24,454
Income before income taxes and minority interests	15,523	19,837	22,670	21,018
Net income (loss)	7,114	10,390	11,313	12,055
<b>At year-end</b>				
Total assets	¥ 480,363	¥ 503,170	¥ 518,471	¥ 534,481
Cash and time deposits + Marketable securities of current assets	65,328	89,234	84,820	71,310
Investment securities	32,534	29,765	55,102	59,348
Interest-bearing debt <sup>2</sup>	11,421	8,280	5,992	3,894
Net assets <sup>3</sup>	176,635	187,330	203,592	215,626
<b>Cash flows</b>				
Net cash provided by (used in) operating activities	¥ (29,895)	¥ 26,687	¥ 27,533	¥ 1,230
Net cash provided by (used in) investing activities	(14,047)	3,786	(25,281)	(13,171)
Net cash used in financing activities	(4,839)	(3,751)	(4,690)	(4,293)
<b>Per share data (yen)</b>				
Basic net income (loss)	¥ 180.67	¥ 261.71	¥ 285.51	¥ 310.30
Diluted net income <sup>4</sup>	—	—	—	—
Cash dividends	10.00	30.00	55.00	70.00
Dividend payout ratio (%)	5.5	11.5	19.3	22.6
Net assets <sup>3</sup>	4,543.52	4,815.70	5,234.58	5,471.13
<b>Ratios (%)</b>				
Revenue to gross billings margin	14.0	13.9	14.0	14.6
Operating margin <sup>5</sup>	14.4	14.8	15.8	15.4
Ratio of personnel costs to revenue <sup>6</sup>		53.1	53.1	53.1
Return on equity (ROE)	4.5	5.7	5.8	5.8
Shareholders' equity ratio	36.8	37.2	39.3	39.8
<b>Number of employees (at year-end)</b>	<b>6,610</b>	<b>6,774</b>	<b>7,292</b>	<b>7,886</b>

1 Hakuholdings DY Holdings was established on October 1, 2003 through a transfer of the shares of Hakuholdings, Daiko, and YOMIKO. In accounting for this business combination, Hakuholdings was designated as the acquiring entity and the purchase method of accounting was applied to Daiko and YOMIKO. As a result, consolidated operating results for the fiscal year ended March 31, 2004 are affected by special factors associated with accounting for business combinations. In particular, reported figures for that fiscal year include the full year of operating results of Hakuholdings, but operating results of Daiko and YOMIKO (and their respective subsidiaries) for the six-month period following the transfer of their shares. Accordingly, the details of SG&A expenses and the personal expense ratio for the fiscal year ended March 31, 2004 are not shown.

2 The outstanding balance for interest-bearing debt represents the sum of short-term bank loans + long-term debt (including long-term debt due within one year).

3 The Company accounted for "net assets" and "net assets per share" in accordance with the "Accounting Standard for Presentation of Net Assets Section in the Balance Sheet" (Accounting Standards Board of Japan (ASBJ) Statement No. 5) and its "Guidance on Accounting Standard for Presentation of Net Assets Section in the Balance Sheet" (Implementation Guidance No. 8), both issued by the ASBJ on December 9, 2005, and adopted by the Company from the fiscal year ended March 31, 2007. Figures for the fiscal years prior to the fiscal year under review have been adjusted to conform to the new accounting standards.

4 The dilutive shares existed, but diluted net income per share is not shown due to net loss for the fiscal year ended March 31, 2009.

5 The operating margin represents operating income ÷ revenue, or the ratio of operating income to revenue.

6 The ratio of personnel costs to revenue represents revenue ÷ personnel costs.

¥ Millions

2008	2009	2010	2011	2010 vs 2011	
¥1,118,749	¥1,033,396	¥ 917,065	<b>¥ 936,476</b>	¥19,411	2.1%
163,897	154,059	143,579	<b>152,218</b>	8,639	6.0%
138,889	139,042	137,443	<b>137,951</b>	508	0.4%
86,923	86,521	90,325	<b>93,514</b>	3,189	3.5%
7,378	10,571	11,475	<b>11,097</b>	(378)	-3.3%
2,719	4,065	3,848	<b>2,687</b>	(1,161)	-30.2%
41,869	37,885	31,794	<b>30,653</b>	(1,141)	-3.6%
25,007	15,016	6,136	<b>14,266</b>	8,130	132.5%
18,896	7,874	6,147	<b>13,132</b>	6,985	113.6%
10,021	(3,277)	1,277	<b>4,550</b>	3,273	256.3%
¥ 552,697	¥ 480,768	¥ 456,313	<b>¥ 474,126</b>	¥17,813	3.9%
72,479	58,663	77,890	<b>92,498</b>	14,608	18.8%
58,468	46,330	49,981	<b>45,938</b>	(4,043)	-8.1%
2,615	2,679	2,129	<b>2,544</b>	415	19.5%
214,074	206,048	208,802	<b>206,455</b>	(2,347)	-1.1%
¥ 26,085	¥ (14,570)	¥ 25,300	<b>¥ 22,616</b>	¥ (2,684)	
(20,390)	6,783	(4,211)	<b>(1,379)</b>	2,832	
(6,431)	(4,613)	(3,421)	<b>(5,792)</b>	(2,371)	
¥ 258.76	¥ (84.97)	¥ 33.12	<b>¥ 118.18</b>	¥ 85.06	
258.71	—	33.08	<b>118.10</b>	85.02	
80.00	70.00	70.00	<b>70.00</b>	0.00	
30.9	—	211.4	<b>59.2</b>	(152.2) pts	
5,472.83	5,142.58	5,209.02	<b>5,181.17</b>	(27.85)	
14.7	14.9	15.7	<b>16.3</b>	0.6 pt	
15.3	9.7	4.3	<b>9.4</b>	5.1 pts	
53.0	56.2	62.9	<b>61.4</b>	(1.5)pts	
4.7	(1.6)	0.6	<b>2.3</b>	1.7 pts	
38.2	41.3	44.0	<b>41.5</b>	(2.5)pts	
8,305	9,600	9,823	<b>10,081</b>	258	

## Billings by Industry of Clients and by Type of Service

### Billings by Industry of Clients

Years ended March 31	2005	2006	2007
Energy/Material/Machinery	¥ 25,811	¥ 22,581	¥ 22,760
Foodstuffs	76,435	71,222	71,196
Beverages/Cigarettes/Luxury foods	102,641	107,027	108,075
Pharmaceuticals/Medical supplies	35,970	35,064	36,519
Cosmetics/Toiletries	56,662	61,299	62,813
Apparel/Accessories	19,952	20,106	20,444
Precision machinery/Office supplies	11,615	10,061	13,193
Home electric appliances/AV equipment	31,210	33,384	34,655
Automobiles/Related products	150,830	147,909	143,715
Household products	14,959	15,223	16,299
Hobby supplies/Sporting goods	30,412	30,490	27,800
Real estate/Housing facilities	38,474	39,691	39,621
Publications	27,196	25,698	26,156
Information/Communications	127,294	125,316	124,907
Distribution/Retailing	55,039	53,357	45,602
Finance/Insurance	68,430	82,829	74,797
Transportation/Leisure	58,495	52,368	53,810
Restaurant/Services	15,310	17,024	17,886
Government/Organizations	23,863	22,456	12,033
Education/Medical services/Religion	10,441	10,056	7,724
Classified advertising/Other	33,378	40,854	43,325
<b>Subtotal</b>	<b>1,014,428</b>	<b>1,024,022</b>	<b>1,003,339</b>
<b>Subtotal for other than the above</b>	<b>75,095</b>	<b>87,099</b>	<b>85,103</b>
<b>Consolidated billings</b>	<b>¥1,089,524</b>	<b>¥1,111,121</b>	<b>¥1,088,442</b>

\* A key customer has established a company pursuant to certain business activities. Accordingly, certain billings by industry are being compiled under new categories from the fiscal year ending March 31, 2009. However, due to the difficulty of compiling billings prior to the fiscal year ended March 31, 2008 under the new categories, figures for actual certain year-on-year comparisons were included under different industries. Specifically, from the fiscal year ending March 31, 2009, certain customers in the Government/Organizations sector are being divided into the Restaurant/Services and Finance/Insurance sectors.

### Billings by Type of Service

Years ended March 31	2005	2006	2007
<b>Mass media services</b>			
Newspapers	¥ 149,090	¥ 143,912	¥ 134,218
Magazines	55,164	55,738	52,820
Radio	23,396	22,795	22,636
Television	429,132	435,796	435,998
<b>Subtotal</b>	<b>656,784</b>	<b>658,243</b>	<b>645,673</b>
<b>Other advertising services*</b>			
Internet media			16,216
Outdoor media			44,728
Creative			94,387
Marketing/Promotion			176,497
Others			25,835
<b>Subtotal</b>	<b>357,643</b>	<b>365,779</b>	<b>357,666</b>
<b>Subtotal</b>	<b>1,014,428</b>	<b>1,024,022</b>	<b>1,003,339</b>
<b>Subtotal for other than the above</b>	<b>75,095</b>	<b>87,099</b>	<b>85,103</b>
<b>Consolidated billings</b>	<b>¥1,089,524</b>	<b>¥1,111,121</b>	<b>¥1,088,442</b>

\* Other advertising services have subdivided using the five current classifications since the fiscal year ended March 31, 2006.

¥ Millions				%
2008	2009	2010	2011	Contribution
¥ 21,287	¥ 18,836	¥ 18,271	¥ 19,480	2.1%
70,258	70,053	69,828	71,209	7.6%
116,703	115,089	108,105	110,635	11.8%
39,631	37,814	42,901	42,427	4.5%
65,396	62,546	64,290	64,882	6.9%
21,248	15,234	10,966	11,625	1.2%
13,514	12,825	9,398	11,102	1.2%
33,616	31,146	26,820	28,655	3.1%
135,891	112,052	93,631	97,182	10.4%
17,477	17,931	16,998	16,169	1.7%
26,301	22,671	18,929	16,686	1.8%
42,760	38,718	31,413	36,054	3.8%
27,078	22,381	22,381	22,051	2.4%
120,485	120,124	93,215	97,409	10.4%
45,131	42,822	41,797	39,855	4.3%
71,076	62,916	52,515	51,133	5.5%
53,727	46,136	42,464	36,702	3.9%
20,581	37,827	27,282	23,159	2.5%
38,093	13,868	18,329	15,205	1.6%
7,221	6,338	7,171	7,617	0.8%
50,617	49,955	39,241	42,057	4.5%
1,038,103	957,293	855,956	861,307	92.0%
80,646	76,103	61,108	75,169	8.0%
¥1,118,749	¥1,033,396	¥917,065	¥936,476	100.0%

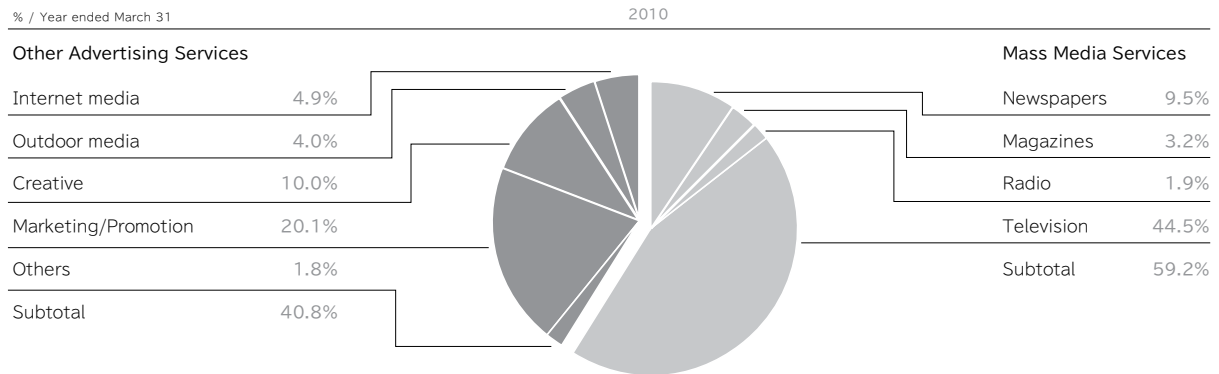
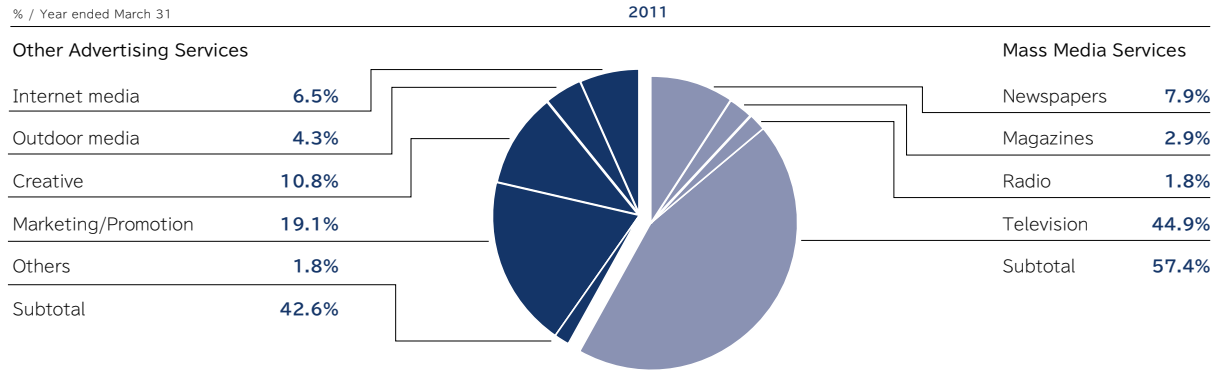
¥ Millions				%
2008	2009	2010	2011	Contribution
¥ 130,631	¥ 100,727	¥ 81,404	¥ 67,992	7.9%
48,964	39,198	27,612	24,612	2.9%
22,716	21,385	16,623	15,638	1.8%
445,169	412,997	380,843	386,414	44.9%
647,482	574,308	506,483	494,658	57.4%
19,836	23,492	41,522	56,269	6.5%
42,825	41,236	34,337	36,791	4.3%
100,337	93,299	85,831	93,020	10.8%
206,135	206,880	172,296	164,886	19.1%
21,486	18,075	15,484	15,681	1.8%
390,621	382,984	349,472	366,649	42.6%
1,038,103	957,293	855,956	861,307	100.0%
80,646	76,103	61,108	75,169	
¥1,118,749	¥1,033,396	¥917,065	¥936,476	

## Billings by Industry of Clients

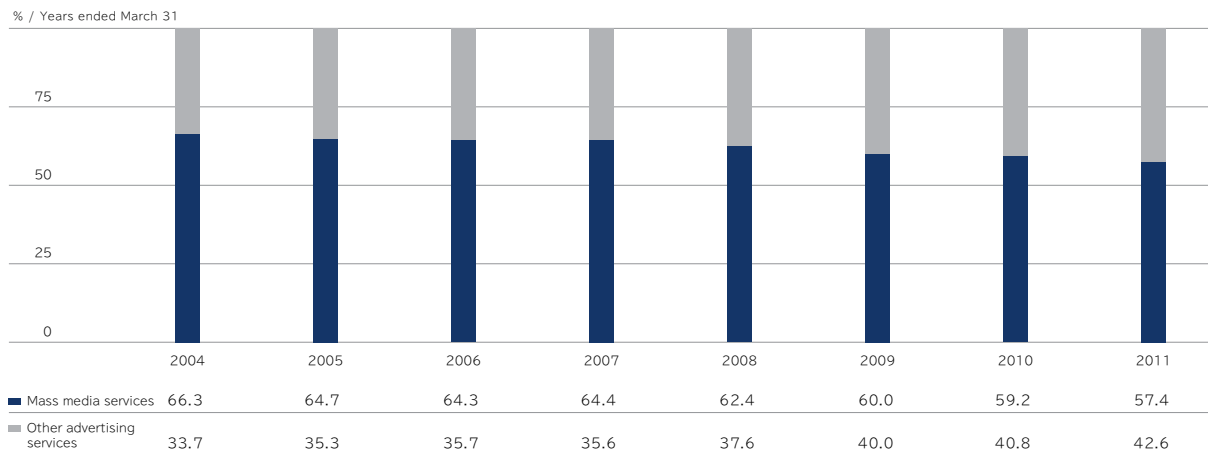
¥ Millions / Years ended March 31	2009	2010	2011	
Automobiles / Related products	125,439	93,631	<b>97,182</b>	
Information / Communications	122,048	93,215	<b>97,409</b>	
Beverages / Cigarettes / Luxury foods	115,628	108,105	<b>110,635</b>	
Foodstuffs	71,059	69,828	<b>71,209</b>	
Finance / Insurance	63,826	52,515	<b>51,133</b>	
Cosmetics / Toiletries	63,364	64,290	<b>64,882</b>	
Transportation / Leisure	46,510	42,464	<b>36,702</b>	
Distribution / Retailing	43,943	41,797	<b>39,855</b>	
Real estate / Housing facilities	39,441	31,413	<b>36,054</b>	
Restaurant / Services	38,674	27,282	<b>23,159</b>	
Pharmaceuticals / Medical supplies	37,937	42,901	<b>42,427</b>	
Home electric appliances / AV equipment	31,335	26,820	<b>28,655</b>	
Hobby supplies / Sporting goods	23,480	18,929	<b>16,686</b>	
Publications	22,846	22,381	<b>22,051</b>	
Energy / Material / Machinery	18,919	18,271	<b>19,480</b>	
Household products	17,950	16,998	<b>16,169</b>	
Apparel / Accessories	15,533	10,966	<b>11,625</b>	
Government / Organizations	13,921	18,329	<b>15,205</b>	
Precision machinery / Office supplies	12,831	9,398	<b>11,102</b>	
Education / Medical services / Religion	6,798	7,171	<b>7,617</b>	
Classified advertising / Other	36,935	39,241	<b>42,057</b>	
Subtotal for other than the above	64,969	61,108	<b>75,169</b>	

\* Billing by industry of clients are shown in descending order based on the fiscal year ended March 31, 2009 results.

## Contribution to Billings by Type of Service



## Contribution to Billings by Four Mass Media/Other Media



# Operating Results at Major Subsidiaries

## Financial Highlights

### ■ HAKUHODO

- Billings improved ¥9.5 billion, or 1.4%, year on year. The recovery trend was evident from the second half of the term, with billings for the fourth quarter (January to March) up ¥14.9 billion from a year earlier. The recovery was primarily led by Information/Communications and Automobiles/Related products, which account for a substantial proportion of billings, and growing demand in Real estate/Housing facilities.
- Ordinary income was ¥8.4 billion, an increase of ¥4.1 billion year on year. Revenue was secured primarily through extensive cost control throughout the Group and enhancements in internal production. Other factors leading to higher ordinary income included ongoing efforts to contain SG&A expenses, and contributions from consolidated subsidiaries in Japan and overseas.
- Net income was in the black, at ¥1.9 billion.

	¥ Millions				
Years ended March 31	2007	2008	2009	2010	2011
Billings	¥818,281	¥839,559	¥776,354	¥661,026	<b>¥670,532</b>
Ordinary income	20,422	21,379	15,855	4,284	<b>8,427</b>
Net income	¥ 10,552	¥ 9,430	¥ 6,148	¥ 11	<b>¥ 1,962</b>

### DAIKO

- Billings rose ¥4.0 billion year on year, or 2.8%, with growth supported by robust direct marketing billings.
- Ordinary income was ¥1.0 billion, an increase of ¥0.2 billion year on year, attributable to an ongoing drive to reduce SG&A expenses.
- Net loss was ¥35 million, mainly reflecting the substantial impact of a reversal of deferred tax assets.

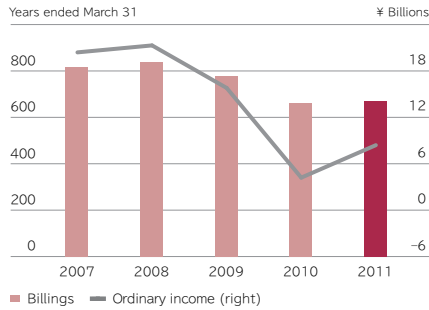
	¥ Millions				
Years ended March 31	2007	2008	2009	2010	2011
Billings	¥169,110	¥172,464	¥161,590	¥148,130	<b>¥152,209</b>
Ordinary income	2,846	1,674	998	860	<b>1,071</b>
Net income (loss)	¥ 1,336	¥ (10)	¥ (505)	¥ 180	<b>¥ (35)</b>

### YOMIKO

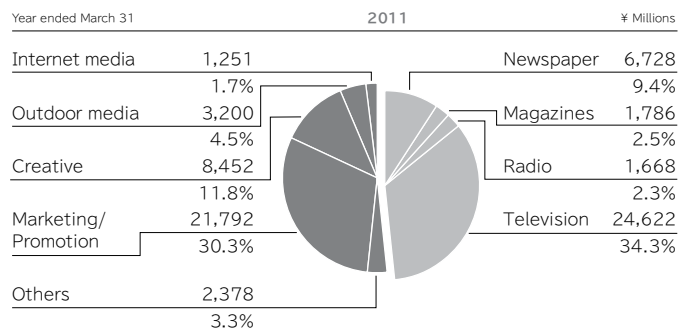
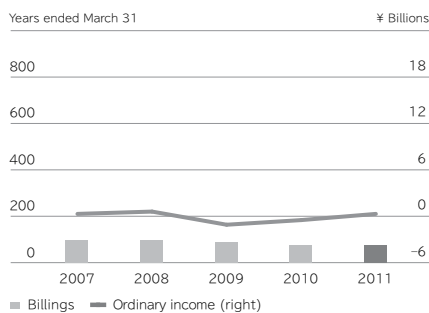
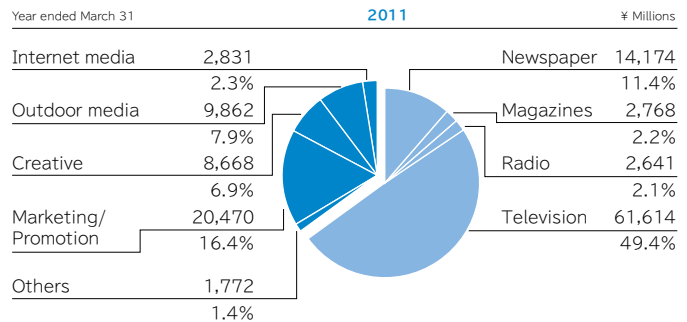
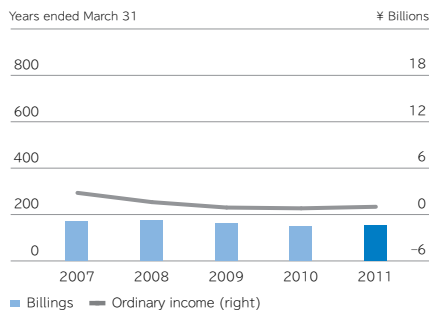
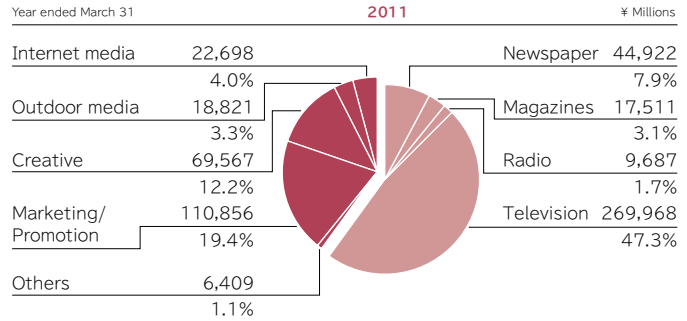
- Billings declined ¥0.9 billion year on year, or 1.3%. While billings were firm in Real estate/Housing facilities and Beverages/Cigarettes/Luxury foods, which account for a substantial proportion of billings, revenue declined on weak volume in Finance/Insurance and certain other sectors.
- Ordinary income was ¥0.3 billion, a ¥0.6 billion improvement year on year, atop ongoing efforts to curb SG&A expenses.
- Extraordinary items improved mainly due to reductions in special retirement costs posted in the previous year. Net income was ¥0.3 billion, an improvement of ¥0.8 billion.

	¥ Millions				
Years ended March 31	2007	2008	2009	2010	2011
Billings	¥96,140	¥98,194	¥86,723	¥74,264	<b>¥73,300</b>
Ordinary income	359	682	(1,115)	(317)	<b>368</b>
Net income (loss)	¥ 49	¥ 482	¥ (2,722)	¥ (547)	<b>¥ 306</b>

## Business Results



## Company Billings by Type of Service



# Stock Information

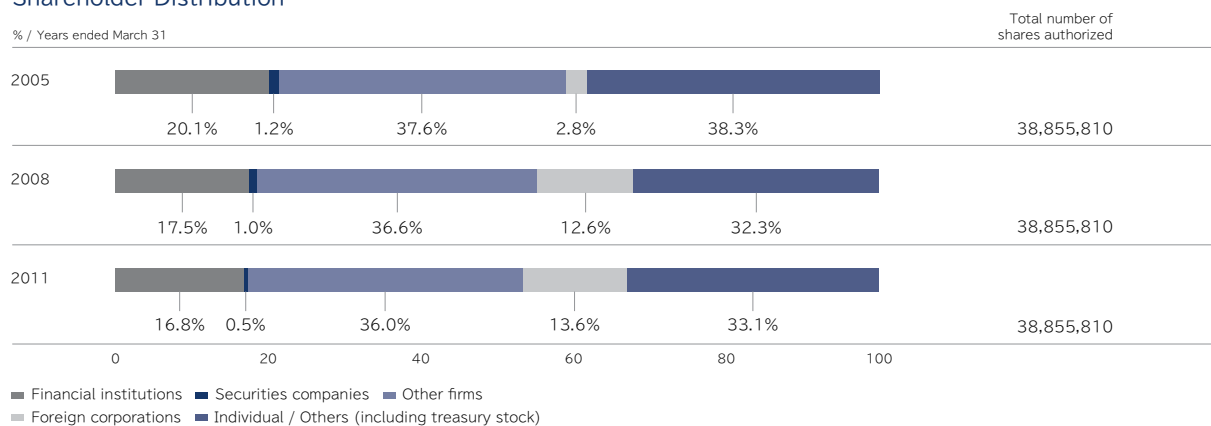
As of March 31, 2011

## Major Shareholders

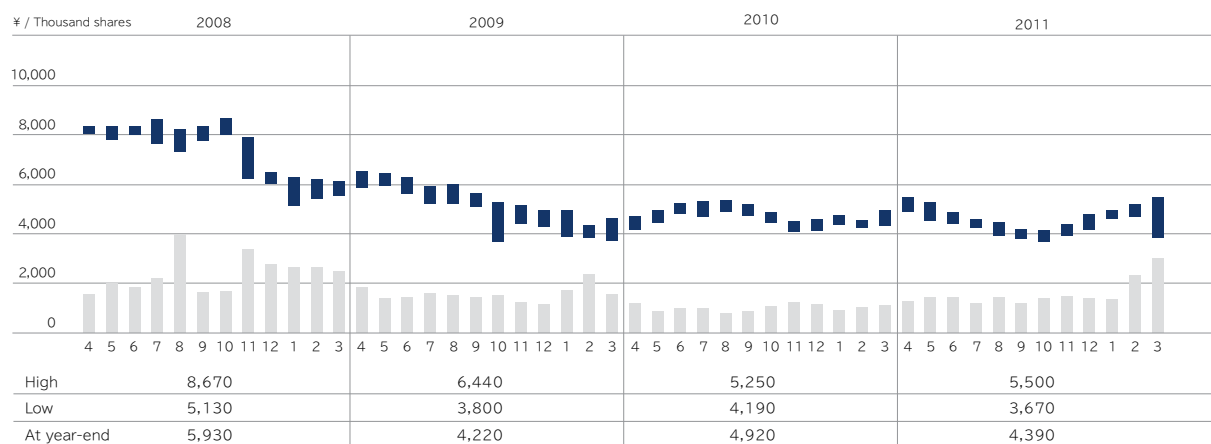
	Number of shares held	Percentage of shares held
1 The Hakuho Foundation	7,060,535	18.17
2 General Incorporated Association Hakusei-kai	2,027,000	5.21
3 Hakuhodo DY Holdings Employees' Shareholdings Association	1,438,710	3.70
4 Motoko Nakamoto	1,255,000	3.22
5 The Asahi Shimbun Company	1,122,349	2.88
6 Nippon Life Insurance Company	986,680	2.53
7 Japan Trustee Services Bank, Ltd. (Trust Account)	945,310	2.43
8 Hakuhodo DY Holdings Inc.	890,055	2.29
9 Nippon Television Network Corporation	862,000	2.21
10 The Silchester International Investors International Value Equity Trust	704,600	1.81

Total Number of Shares Authorized	150,000,000
Total Number of Shares Issued	38,855,810
Total Number of Shareholders	7,225

## Shareholder Distribution



## Share Price and Trading Volume



# Financial Review

## **The preparation of the annual report and the positioning of the audit**

The financial section of this annual report (Japanese version) was extracted from the financial conditions, including the consolidated financial statements, described in the 8th Yuho\* Financial Report, which was based on the audit carried out by KPMG AZSA LLC. While part of the layout has been changed, every effort was made in the preparation of this annual report to ensure there were no discrepancies between it and the content of the Yuho Financial Report.

From the perspectives of achieving fairness and completeness for all our stakeholders, we prepare and provide an English version of our Japanese annual report. The financial section of the English annual report is a translation of the financial section of the Japanese annual report that was extracted from the Yuho Financial Report. Again, great care was taken in the preparation of the annual report to ensure there are no major discrepancies between it and the content of the Japanese annual report.

However, neither the Japanese nor English annual reports were included in the scope of the audit carried out by KPMG AZSA LLC.

\* A document Japanese companies must prepare each fiscal year to comply with the Financial Instruments and Exchange Act.

# Consolidated Balance Sheets

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries  
As of March 31, 2011 and 2010

			¥ Millions	
	Note	2010	Note	2011
<b>Assets</b>				
Current assets				
Cash and time deposits	2	74,870	2	88,295
Notes and accounts receivable-trade		233,440		240,534
Short-term investment securities		3,019		4,202
Beneficiary right of accounts receivable in trust		5,382		4,947
Inventories	3	6,737	3	5,373
Short-term loans receivable		1,093		2,080
Deferred tax assets		6,190		7,368
Other		9,814		10,005
Allowance for doubtful accounts		(1,191)		(721)
<b>Total current assets</b>		<b>339,357</b>		<b>362,086</b>
Noncurrent assets				
Property, plant and equipment				
Buildings and structures		17,143		16,178
Accumulated depreciation		(8,006)		(7,845)
<b>Buildings and structures, net</b>		<b>9,136</b>		<b>8,332</b>
Land		9,247		9,270
Other		5,299		4,998
Accumulated depreciation		(3,430)		(3,475)
<b>Other, net</b>		<b>1,869</b>		<b>1,522</b>
<b>Total property, plant and equipment</b>		<b>20,253</b>		<b>19,125</b>
Intangible assets				
Software		3,144		2,347
Goodwill		2,245		1,334
Other		1,780		1,761
<b>Total intangible assets</b>		<b>7,170</b>		<b>5,443</b>
Investments and other assets				
Investment securities	1, 2	49,981	1, 2	45,938
Long-term loans receivable		728		633
Prepaid pension cost		13,565		14,166
Deferred tax assets		6,762		8,958
Other	1	22,392	1	20,279
Allowance for doubtful accounts		(3,899)		(2,507)
<b>Total investments and other assets</b>		<b>89,530</b>		<b>87,469</b>
<b>Total noncurrent assets</b>		<b>116,955</b>		<b>112,039</b>
<b>Total assets</b>		<b>456,313</b>		<b>474,126</b>

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

	Note	2010	Note	2011
				¥ Millions
<b>Liabilities</b>				
<b>Current liabilities</b>				
Notes and accounts payable-trade		211,466		221,375
Short-term loans payable		1,994		2,284
Current portion of long-term loans payable		81		129
Accrued expenses		5,527		6,319
Income taxes payable		2,530		5,536
Asset retirement obligations		—		128
Provision for bonuses		9,489		11,769
Provision for directors' bonuses		62		261
Provision for loss on guarantees		50		50
Other		6,930		8,144
<b>Total current liabilities</b>		<b>238,131</b>		<b>255,999</b>
<b>Noncurrent liabilities</b>				
Long-term loans payable		53		131
Asset retirement obligations		—		8
Provision for retirement benefits		5,934		7,087
Provision for directors' retirement benefits		2,045		1,338
Other		1,345		3,104
<b>Total noncurrent liabilities</b>		<b>9,378</b>		<b>11,670</b>
<b>Total liabilities</b>		<b>247,510</b>		<b>267,670</b>
<b>Net assets</b>				
<b>Shareholders' equity</b>				
Capital stock		10,000		10,000
Capital surplus		88,894		88,894
Retained earnings		103,546		105,397
Treasury stock		(1,972)		(5,078)
<b>Total shareholders' equity</b>		<b>200,468</b>		<b>199,213</b>
<b>Accumulated other comprehensive income (loss)</b>				
Valuation difference on available-for-sale securities		1,589		(724)
Foreign currency translation adjustments		(1,168)		(1,782)
<b>Total accumulated other comprehensive income (loss)</b>		<b>421</b>		<b>(2,506)</b>
Subscription rights to shares		126		154
Minority interests		7,786		9,593
<b>Total net assets</b>		<b>208,802</b>		<b>206,455</b>
<b>Total liabilities and net assets</b>		<b>456,313</b>		<b>474,126</b>

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries  
Years ended March 31, 2011 and 2010

## Consolidated Statements of Income

			¥ Millions	
	Note	2010	Note	2011
Gross billings		917,065		936,476
Cost of sales	4	773,485	4	784,258
Revenue		143,579		152,218
Selling, general and administrative expenses				
Salaries and allowances		58,723		59,024
Retirement benefit expenses		5,816		5,178
Provision for bonuses		9,053		11,499
Provision for directors' retirement benefits		396		358
Provision for directors' bonuses		67		249
Amortization of goodwill		519		625
Provision of allowance for doubtful accounts		725		271
Other		62,140		60,745
Total selling, general and administrative expenses		137,443		137,951
Operating income		6,136		14,266
Non-operating income				
Interest income		188		162
Dividends income		629		711
Equity in earnings of affiliates		643		1,652
Insurance premiums refunded cancellation		487		64
Other		595		674
Total non-operating income		2,544		3,265
Non-operating expenses				
Interest expenses		63		52
Loss on investments in partnership		251		247
Other		171		123
Total non-operating expenses		485		424
Ordinary income		8,194		17,107
Extraordinary income				
Gain on sales of noncurrent assets	1	10	1	3
Gain on sales of investment securities		199		222
Gain on sales of subsidiaries', and affiliates' stocks		—		106
Gain on sales of golf memberships		35		3
Gain on change in equity		114		—
Gain on transfer of business		196		—
Total extraordinary income		3		8
Gain on liquidation of subsidiaries and affiliates				2
Gain on step acquisitions				216
Gain on negative goodwill				6
Other				0
Total extraordinary income		559		569

			¥ Millions	
	Note	2010	Note	2011
Extraordinary loss				
Loss on sales of noncurrent assets	2	37	2	41
Loss on retirement of noncurrent assets	3	141	3	62
Impairment loss	5	235	5	1,050
Loss on sales of investment securities		401		117
Loss on sales of subsidiaries' and affiliates' stocks		0		56
Loss on valuation of investment securities		518		2,641
Loss on valuation of subsidiaries' and affiliates' stocks		—		99
Provision of allowance for doubtful accounts for subsidiaries and affiliates		—		59
Loss on change in equity		—		5
Office transfer expenses		105		11
Special retirement expenses		371		76
Retirement benefit expenses		683		176
Loss on adjustment for changes of accounting standard for asset retirement obligations		—		76
Other	6, 7	112	6, 7	68
<b>Total extraordinary loss</b>		<b>2,606</b>		<b>4,545</b>
<b>Income before income taxes and minority interests</b>		<b>6,147</b>		<b>13,132</b>
Income taxes-current		4,743		8,047
Income taxes for prior periods' income taxes		—		661
Income taxes-deferred		(262)		(1,405)
<b>Total income taxes</b>		<b>4,480</b>		<b>7,303</b>
<b>Income before minority interests</b>		<b>—</b>		<b>5,829</b>
Minority interests in income		389		1,278
<b>Net income</b>		<b>1,277</b>		<b>4,550</b>

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Comprehensive Income

			¥ Millions	
	Note	2010	Note	2011
Income before minority interests		—		5,829
Accumulated other comprehensive income (loss)				
Unrealized gains or losses on other securities, net of tax		—		(2,294)
Foreign currency translation adjustments		—		(612)
Share of other comprehensive income of associates accounted for using equity method		—		15
<b>Total accumulated other comprehensive income (loss)</b>		<b>—</b>	<b>2</b>	<b>(2,892)</b>
<b>Comprehensive income</b>		<b>—</b>	<b>1</b>	<b>2,936</b>
(Breakdown)				
Comprehensive income attributable to owners of the parent		—		1,622
Comprehensive income attributable to minority interests		—		1,313

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries  
Years ended March 31, 2011 and 2010

	Note	2010	Note	2011
¥ Millions				
Shareholders' equity				
Capital stock				
Balance at the end of previous period		10,000		10,000
Balance at the end of current period		10,000		10,000
Capital surplus				
Balance at the end of previous period		88,894		88,894
Changes of items during the period				
Disposition of treasury stock		(0)		—
Balance at the end of current period		88,894		88,894
Retained earnings				
Balance at the end of previous period		104,583		103,546
Changes of items during the period				
Dividends from surplus		(2,313)		(2,699)
Net income		1,277		4,550
Total changes of items during the period		(1,036)		1,850
Balance at the end of current period		103,546		105,397
Treasury stock				
Balance at the end of previous period		(1,972)		(1,972)
Changes of items during the period				
Purchase of treasury stock		(0)		(3,105)
Disposition of treasury stock		0		—
Total changes of items during the period		0		(3,105)
Balance at the end of current period		(1,972)		(5,078)
Total shareholders' equity				
Balance at the end of previous period		201,505		200,468
Changes of items during the period				
Dividends from surplus		(2,313)		(2,699)
Net income		1,277		4,550
Purchase of treasury stock		(0)		(3,105)
Disposition of treasury stock		0		—
Total changes of items during the period		(1,036)		(1,255)
Balance at the end of current period		200,468		199,213
Accumulated other comprehensive income (loss)				
Valuation difference on available-for-sale securities				
Balance at the end of previous period		(1,744)		1,589
Changes of items during the period				
Net changes of items other than shareholders' equity		3,334		(2,313)
Total changes of items during the period		3,334		(2,313)
Balance at the end of current period		1,589		(724)
Foreign currency translation adjustments				
Balance at the end of previous period		(1,433)		(1,168)
Changes of items during the period				
Net changes of items other than shareholders' equity		265		(614)
Total changes of items during the period		265		(614)
Balance at the end of current period		(1,168)		(1,782)
Total accumulated other comprehensive income (loss)				
Balance at the end of previous period		(3,177)		421
Changes of items during the period				
Net changes of items other than shareholders' equity		3,599		(2,927)
Total changes of items during the period		3,599		(2,927)
Balance at the end of current period		421		(2,506)

		¥ Millions	
	Note	2010	2011
Subscription rights to shares			
Balance at the end of previous period		93	126
Changes of items during the period			
Net changes of items other than shareholders' equity		32	28
Total changes of items during the period		32	28
Balance at the end of current period		126	154
Minority interests			
Balance at the end of previous period		7,627	7,786
Changes of items during the period			
Net changes of items other than shareholders' equity		159	1,807
Total changes of items during the period		159	1,807
Balance at the end of current period		7,786	9,593
Total net assets			
Balance at the end of previous period		206,048	208,802
Changes of items during the period			
Dividends from surplus		(2,313)	(2,699)
Net income		1,277	4,550
Purchase of treasury stock		(0)	(3,105)
Disposition of treasury stock		0	—
Net changes of items other than shareholders' equity		3,791	(1,092)
Total changes of items during the period		2,754	(2,347)
Balance at the end of current period		208,802	206,455

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

## Consolidated Statements of Cash Flows

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries

Years ended March 31, 2011 and 2010

		¥ Millions	
	Note	2010	2011
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests		6,147	13,132
Depreciation and amortization		4,268	3,206
Impairment loss		235	1,050
Amortization of goodwill		519	625
Increase (decrease) in provision for bonuses		(1,220)	2,258
Increase (decrease) in provision for directors' bonuses		(5)	199
Increase in provision for retirement benefits		1,673	1,158
Increase (decrease) in provision for directors' retirement benefits		185	(705)
Increase (decrease) in allowance for doubtful accounts		427	(1,864)
Interest and dividends income		(818)	(874)
Interest expenses		63	52
Foreign exchange losses		6	59
Equity in earnings of affiliates		(643)	(1,652)
Loss (gain) on change in equity		(114)	5
Loss (gain) on sales of investment securities		201	(104)
Loss (gain) on sales of subsidiaries' and affiliates' stocks		0	(49)
Loss on valuation of investment securities		528	2,641
Loss on valuation of subsidiaries' and affiliates' stocks		—	99
Loss on sales of noncurrent assets		27	38
Loss on retirement of noncurrent assets		99	60
Decrease (increase) in notes and accounts receivable-trade		36,952	(3,792)
Decrease in inventories		5,963	1,312
Increase (decrease) in notes and accounts payable-trade		(29,722)	8,949
Decrease (increase) in prepaid pension costs		708	(600)
Other, net		2,559	2,201
Subtotal		28,044	27,403
Interest and dividends income received		1,219	1,060
Interest expenses paid		(62)	(53)
Income taxes paid		(3,901)	(5,795)
Net cash provided by operating activities		25,300	22,616

			¥ Millions	
	Note	2010	Note	2011
Net cash provided by (used in) investing activities				
Payments into time deposits		(5,926)		(5,938)
Proceeds from withdrawal of time deposits		4,315		6,575
Purchase of short-term investment securities		(1,224)		(3,319)
Proceeds from sales of short-term investment securities		3,402		3,938
Purchase of property, plant and equipment		(465)		(538)
Proceeds from sales of property, plant and equipment		225		55
Purchase of intangible assets		(824)		(1,028)
Purchase of investment securities		(2,595)		(3,449)
Proceeds from sales of investment securities		1,461		1,069
Payments for investments in capital		(258)		(13)
Collection of investments in capital		7		0
Purchase of investments in subsidiaries resulting in change in scope of consolidation	2	(1,160)		—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	2	169	2	366
Payments for lease deposits		(364)		(181)
Collection of lease deposits		524		1,390
Increase in short-term loans receivable		(29)		(1,029)
Payments of long-term loans receivable		(67)		(27)
Collection of long-term loans receivable		157		122
Increase of trust beneficiary right		(2,647)		472
Other, net		1,087		156
<b>Net cash used in investing activities</b>		<b>(4,211)</b>		<b>(1,379)</b>
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable		(431)		393
Proceeds from long-term loans payable		—		144
Repayments of long-term loans payable		(173)		(87)
Repayments of finance lease obligations		(39)		(54)
Purchase of treasury stock		(0)		(3,105)
Disposition of treasury stock		0		—
Purchase of treasury stock of subsidiaries in consolidation		—		(348)
Cash dividends paid		(2,310)		(2,698)
Cash dividends paid to minority shareholders		(493)		(75)
Proceeds from stock issuance to minority shareholders		26		19
Other		—		21
<b>Net cash used in financing activities</b>		<b>(3,421)</b>		<b>(5,792)</b>
Effect of exchange rate change on cash and cash equivalents		115		(500)
<b>Net increase in cash and cash equivalents</b>		<b>17,782</b>		<b>14,944</b>
Cash and cash equivalents at beginning of period		50,222		68,005
Cash and cash equivalents at end of period	1	68,005	1	82,949

Note: The accompanying notes to consolidated financial statements are an integral part of these statements.

# Notes to Consolidated Financial Statements

Hakuhodo DY Holdings Inc. and Consolidated Subsidiaries

## Method of Preparation for Consolidated and Nonconsolidated Financial Statements

(1) The Company's consolidated financial statements were prepared in accordance with the "Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements" (Finance Ministry Ordinance No. 28 of 1976; the "Consolidated Financial Statement Regulations").

The consolidated financial statements for the previous fiscal year (April 1, 2009 to March 31, 2010) were prepared according to the Consolidated Financial Statement Regulations prior to their revision, and the consolidated financial statements for the current fiscal year (April 1, 2010 to March 31, 2011) were prepared according to the revised Consolidated Financial Statement Regulations.

(2) The Company's nonconsolidated financial statements were prepared in accordance with the "Regulations Concerning the Terminology, Forms and Preparation Method of Financial Statements" (Finance Ministry Ordinance No. 59 of 1963; the "Financial Statement Regulations").

The financial statements for the previous fiscal year (April 1, 2009 to March 31, 2010) were prepared according to the Financial Statement Regulations prior to their revision, and the financial statements for the current fiscal year (April 1, 2010 to March 31, 2011) were prepared according to the revised Financial Statement Regulations.

## Audit Verification

The Company's consolidated and financial statements for the previous fiscal year (April 1, 2009 to March 31, 2010) were audited by KPMG AZSA & Co., and the consolidated and financial statements for the fiscal year under review (April 1, 2010 to March 31, 2011) were audited by KPMG AZSA LLC, as per Article 193, Section 2.1 of the Financial Instruments and Exchange Act.

With a change of status, the name of KPMG AZSA & Co. was changed to KPMG AZSA LLC effective July 1, 2010.

## Basis of Preparation of Consolidated Financial Statements

### 1. Scope of consolidation

#### Fiscal year ended March 31, 2011

(1) Number of consolidated subsidiaries—104.

Names of primary consolidated subsidiaries—Please refer to pages 88–90.

Ad plus VENTURE Co., Ltd., TapYou, Inc., and three other companies were newly established and added to the scope of consolidation. International Sports Marketing Co., Ltd., was added to the scope of consolidation as a result of the acquisition of shares, and IREP Co., Ltd., and one other company were added to the scope of consolidation as a result of the acquisition of additional equity interests.

(2) Major nonconsolidated subsidiaries

Davc, Inc.

(Reason for exclusion from scope of consolidation)

All nonconsolidated subsidiaries are small in size, and neither their aggregate total assets, sales, net income, or retained earnings (amounts corresponding to ownership portion) have a significant impact on the Company's consolidated financial statements.

#### Fiscal year ended March 31, 2010

(1) Number of consolidated subsidiaries—96.

Names of primary consolidated subsidiaries—Please refer to pages 88–90.

Tambourine Inc. was newly established and added to the scope of consolidation, and Group Nexus/H Ltd., Mendelsohn | Zien Advertising, LLC, and four other companies were added to the scope of consolidation as a result of the acquisition of equity interests.

Thai Hakuholdo Co., Ltd., and Hakuholdo Erg, Inc., were liquidated and removed from the scope of consolidation, MJW Advertising Brisbane Pty. Ltd. was removed from the scope of consolidation as a result of the sale of equity interests, and Ergo-Brains inc. was merged into consolidated subsidiary Interspire Inc., with the name of the merged entity changed to SPiRE, Inc.

(2) Major nonconsolidated subsidiaries

Davc, Inc.

(Reason for exclusion from scope of consolidation)

Same as the current fiscal year

## 2. Items related to application of equity-method accounting

Fiscal year ended March 31, 2011

(1) Nonconsolidated subsidiaries for which the equity method is applied—1.

(Name)

Davc, Inc.

(2) Number of affiliates for which equity method is applied—26.

(Names of major equity-method affiliates)

SUPER NETWORK, INC., ADSTAFF-HAKUHODO, Inc., CA/H, Inc., Advertisement EDI Center Inc., F1 Media Inc., mediba Inc., digitalBoutique, inc., ADK interactive Inc., Percept/H Pvt. Ltd., Shanghai Advertising Co., Ltd., Guangdong GDAD-Hakuholdo Advertising Co., Ltd., TBWA\HAKUHODO China Co., Ltd., BUYOLOGY INC.

Asahi Advertising Inc. was added to the scope of equity-method application as a result of the acquisition of equity interests, and M-CUBE AND ASSOCIATES, INC., was newly established and added to the scope of equity-method application.

IREF Co., Ltd., became a consolidated subsidiary as a result of the acquisition of additional equity interests, and was therefore removed from the scope of equity-method application, and i's FACTORY Co., Ltd., comON21 Co., Ltd., and five other companies were removed from the scope of equity-method application as a result of the sale of shareholdings.

(3) Major nonconsolidated subsidiaries and affiliates for which the equity method is not applied

Foresight Research Co., Ltd.

Media Intelligence Co., Ltd.

(Reason for exclusion from scope of equity-method application)

The effect of these nonequity-method companies individually on net income and retained earnings is negligible, and as a whole they are not significant, and are therefore excluded from the scope of equity-method application.

(4) Items deemed particularly necessary for inclusion regarding the method of equity-method application

For equity-method affiliates with fiscal years ending on dates other than March 31, the financial statements for the companies' respective fiscal years are used.

The fiscal years for overseas equity-method affiliates end on December 31, and therefore the financial statements for the fiscal year beginning January 1, 2010 and ending December 31, 2010 are used.

The fiscal year for CA/H, Inc., ends on September 30, and therefore provisional results for the period beginning April 1, 2010 and ending March 31, 2011 are used.

Fiscal year ended March 31, 2010

(1) Nonconsolidated subsidiaries for which the equity method is applied

Same as the current fiscal year

(2) Number of affiliates for which the equity method is applied—32.

(Names of major equity-method affiliates)

SUPER NETWORK, INC., ADSTAFF-HAKUHODO, Inc., G-plan, Inc., CA/H, Inc., Advertisement EDI Center Inc., F1 Media Inc., media inc., DAMM & BIERBAUM Agentur für Marketing und Kommunikation GmbH, Percept/H Pvt. Ltd., Shanghai Advertising Co., Ltd., comON21 Co., Ltd., Guangdong GDAD-Hakuhodo Advertising Co., Ltd., and TBWA\HAKUHODO China Co., Ltd.

SPA-Hakuhodo Advertising Co., Ltd., and one other company were newly established and added to the scope of equity-method, application, and IREP Co., Ltd., and seven other companies were added to the scope of equity-method application as a result of the acquisition of equity interests.

Removed from the scope of equity-method application were Group Nexus/H Ltd., Mendelsohn | Zien Advertising, LLC, and one other company, which became consolidated subsidiaries as a result of the acquisition of equity interests, and Pecola Inc., as a result of the sale of equity interests.

(3) Major nonconsolidated subsidiaries and affiliates for which the equity method is not applied

Same as the current fiscal year

(4) Items deemed particularly necessary for inclusion regarding the method of equity-method application

For equity-method affiliates with fiscal years ending on dates other than March 31, the financial statements for the companies' respective fiscal years are used.

The fiscal years for overseas equity-method affiliates end on December 31, and therefore the financial statements for the fiscal year beginning January 1, 2009 and ending December 31, 2009 are used.

The fiscal year for CA/H, Inc., ends on September 30, and therefore provisional results for the period beginning April 1, 2009 and ending March 31, 2010 are used.

### **3. Items related to fiscal year-ends, etc., for consolidated subsidiaries**

#### Fiscal year ended March 31, 2011

For consolidated subsidiaries with fiscal years ending on dates other than March 31, the financial statements for the companies' respective fiscal years are used.

During the fiscal year under review, Digital Advertising Consortium Inc. changed its fiscal year-end to March 31, and as a result, the figures for Digital Advertising Consortium Inc. and its consolidated subsidiaries used in the calculation of the Company's consolidated results are for the 13-month period from March 1, 2010 to March 31, 2011.

The fiscal years for overseas consolidated subsidiaries end on December 31, and therefore the financial statements for the fiscal year beginning January 1, 2010 and ending December 31, 2010 are used.

For significant transactions that occur between the day following the subsidiary's fiscal year-end and the Company's fiscal year-end, adjustments are applied as necessary for consolidation.

#### Fiscal year ended March 31, 2010

For consolidated subsidiaries with fiscal years ending on dates other than March 31, the financial statements for the companies' respective fiscal years are used.

Provisional consolidated results as of February 28, 2010 are used for Digital Advertising Consortium Inc. and its consolidated subsidiaries.

The fiscal years for overseas equity-method affiliates end on December 31, and therefore the financial statements for the fiscal year beginning January 1, 2009 and ending December 31, 2009 are used.

For significant transactions that occur between the day following the subsidiary's fiscal year-end and the Company's fiscal year-end, adjustments are applied as necessary for consolidation.

#### 4. Items related to accounting treatment and standards

(1) Valuation standards and method for major assets

Fiscal year ended March 31, 2011

1) Valuation standards and methods for negotiable securities

i. Bonds to be held to maturity

Amortized cost method

ii. Other securities

a. For which a market value is available

Market value method, based on the market price, etc., as of the fiscal year-end (with the entire amount of valuation differences directly included under net assets, and the cost of sales calculated using the moving average method)

b. For which a market value is unavailable

Moving average cost method

For investments in limited liability investment partnerships and similar associations (considered negotiable securities as per Article 2, Section 2 of the Financial Instruments and Exchange Act), the net amount corresponding to the ownership portion based on the most recently available documents for the reporting date stipulated in the partnership contract is used.

2) Valuation standards for derivative transactions

Market value method

3) Valuation standards and method for inventories

Primarily, the individually identified cost method is used (with balance sheet values calculated by writing down book values based on decreased profitability).

Fiscal year ended March 31, 2010

1) Valuation standards and methods for negotiable securities

i. Bonds to be held to maturity

Same as the current fiscal year

ii. Other securities

a. For which a market value is available

Same as the current fiscal year

b. For which a market value is unavailable

Same as the current fiscal year

2) Valuation standards for derivatives transactions

Same as the current fiscal year

3) Valuation standards and method for inventories

Same as the current fiscal year

(2) Depreciation methods for major depreciable assets

Fiscal year ended March 31, 2011

1) Property, plant and equipment (excluding lease assets)

The declining balance method is primarily used at the company submitting the consolidated financial statement and its domestic consolidated subsidiaries.

Periods of useful life and residual value are calculated as per the standards stipulated in the Corporation Tax Act.

However, the straight-line method is applied for buildings (excluding ancillary equipment) acquired on or after April 1, 1998.

The straight-line method is primarily applied at overseas consolidated subsidiaries.

2) Intangible assets (excluding lease assets)

Straight-line method

Periods of useful life are calculated as per the standards stipulated in the Corporation Tax Act.

For software (used internally), the straight-line method is applied based on the Company's internal period of useful life (five years).

3) Lease assets

Lease assets associated with finance lease transactions that do not transfer ownership rights

The straight-line method is applied, with the lease period as the period of useful life and a residual value of zero.

Finance lease transactions that do not transfer ownership that commenced on or before March 31, 2008 are accounted for as ordinary rental transactions.

Fiscal year ended March 31, 2010

1) Property, plant and equipment (excluding lease assets)

Same as the current fiscal year

2) Intangible assets (excluding lease assets)

Same as the current fiscal year

3) Lease assets

Same as the current fiscal year

(3) Accounting standards for significant transactions

Fiscal year ended March 31, 2011

1) Allowance for doubtful accounts

In order to prepare for losses from the nonrepayment of claims, the estimated irrecoverable amount is recorded.

i. General claims

Actual default rates are used

ii. Claims for which there is concern of nonrepayment or claims in bankruptcy

A financial evaluation is used

2) Provision for bonuses

In order to provide for the payment of bonuses to employees, an amount corresponding to the estimated amount of bonus payments to be made for the fiscal year is recorded.

3) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees, the amount of retirement benefits deemed as having emerged at the fiscal year-end, based on the estimated amount of retirement benefit obligations and pension fund assets as of the fiscal year-end, is recorded.

Actuarial differences are treated as an expense, written off from the fiscal year following the fiscal year in which they emerge over a fixed number of years not exceeding the employees' average remaining years of service (7-17 years), using the declining balance method (straight-line method at certain consolidated subsidiaries).

Past service obligations are treated as an expense from the time they emerge, written off over a fixed number of years not exceeding the employees' average remaining years of service (5-7 years) using the straight-line method. At certain consolidated subsidiaries, they are treated as an expense written off in a lump sum at the time they emerge.

4) Provision for directors' bonuses

In order to provide for the payment of bonuses to directors, the estimated amount of bonus payments to be made for the fiscal year is recorded.

5) Provision for directors' retirement benefits

In order to prepare for the payment of retirement benefits to directors and executive officers (excluding those who are deemed employees under the retirement benefit program), an amount to be paid at the fiscal year-end based on internal guidelines is recorded.

6) Provision for loss on guarantees

In order to prepare for losses associated with guarantee obligations, the estimated amount of losses at the fiscal year-end is recorded.

Fiscal year ended March 31, 2010

1) Allowance for doubtful accounts

Same as the current fiscal year

2) Provision for bonuses

Same as the current fiscal year

3) Provision for retirement benefits

In order to prepare for the payment of retirement benefits to employees, the amount of retirement benefits deemed as having emerged at the fiscal year-end, based on the estimated amount of retirement benefit obligations and pension fund assets as of the fiscal year-end, is recorded.

Actuarial differences are treated as an expense, written off from the fiscal year following the fiscal year in which they emerge over a fixed number of years not exceeding the employees' average remaining years of service (7-17 years), using the declining balance method (straight-line method at certain consolidated subsidiaries).

Past service obligations are treated as an expense from the time they emerge, written off over a fixed number of years not exceeding the employees' average remaining years of service (5-7 years) using the straight-line method. At certain consolidated subsidiaries, they are treated as an expense written off in a lump sum at the time they emerge. (Changes in accounting policies)

The "Partial amendments to Accounting Standard for Retirement Benefits" (ASBJ Statement No. 19, issued by the Accounting Standards Board of Japan (ASBJ) on July 31, 2008) are applied from the fiscal year ended March 31, 2010.

Actuarial differences are written off from the following fiscal year, and this change therefore had no effect on operating income, ordinary income, or income before income taxes and minority interests.

The outstanding amount of differences in retirement benefit obligations not accounted for as a result of the application of this accounting standard is ¥4,786 million.

4) Provision for directors' bonuses

Same as the current fiscal year

5) Provision for directors' retirement benefits

Same as the current fiscal year

6) Provision for loss on guarantees

Same as the current fiscal year

(4) Significant hedge accounting methods

Fiscal year ended March 31, 2011

1) Method of hedge accounting

In principle, deferred hedge accounting is applied. However, designation accounting is applied for forward foreign exchange transactions that meet the requirements for designation accounting.

2) Hedging instruments and hedged items

(Hedging instrument)

(Hedged item)

Forward foreign exchange

Foreign currency-denominated monetary claims and obligations and foreign currency-denominated provisional transactions

3) Hedging policy

Forward foreign exchange transactions are carried out based on internal regulations to effectively avoid and manage risks from exchange rate fluctuations in foreign currency-denominated transactions.

4) Method for evaluating the effectiveness of hedges

The effectiveness of forward foreign exchange transactions is not determined because the significant conditions related to the hedged item and the hedging instrument are the same, and the hedged item and the hedging instrument are considered to have a high degree of correlation.

Fiscal year ended March 31, 2010

1) Method of hedge accounting

Same as the current fiscal year

2) Hedging instruments and hedged items

Same as the current fiscal year

3) Hedging policy

Same as the current fiscal year

4) Method for evaluating the effectiveness of hedges

Same as the current fiscal year

(5) Amortization method and period for goodwill

Fiscal year ended March 31, 2011

Goodwill is amortized in equal amounts over a rational number of years not exceeding 20, by determining the period for which an investment effect will occur on an individual item basis. For items for which it is difficult to estimate the rational number of years, the amortization will in principle be made in equal amounts over five years.

Fiscal year ended March 31, 2010

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(6) Scope of cash included in consolidated statements of cash flows

Fiscal year ended March 31, 2011

Cash on hand, deposits available on demand, and short-term investments with maturities of up to three months that are highly liquid, easy to convert, and have little risk of price fluctuation.

Fiscal year ended March 31, 2010

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(7) Other significant items in the preparation of the consolidated financial statements

Fiscal year ended March 31, 2011

1) Treatment of deferred assets

Organization expenses

Entire amount treated as an expense at time of outlay.

2) Accounting treatment for consumption taxes, etc.

Consumption tax and regional consumption taxes are excluded.

Fiscal year ended March 31, 2010

1) Treatment of deferred assets

Same as the current fiscal year

2) Accounting treatment for consumption taxes, etc.

Same as the current fiscal year

## 5. Items related to the valuation of assets and liabilities at consolidated subsidiaries

Fiscal year ended March 31, 2011

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Fiscal year ended March 31, 2010

Market-value valuation is used for the valuation of all assets and liabilities at consolidated subsidiaries.

## 6. Amortization of goodwill and negative goodwill

Fiscal year ended March 31, 2011

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Fiscal year ended March 31, 2010

Goodwill is amortized in equal amounts over a rational number of years not exceeding 20, by determining the period for which an investment effect will occur on an individual item basis. For items for which it is difficult to estimate the rational number of years, the amortization will in principle be made in equal amounts over five years.

## 7. Scope of cash included in consolidated statements of cash flows

Fiscal year ended March 31, 2011

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Fiscal year ended March 31, 2010

Cash on hand, deposits available on demand, and short-term investments with maturities of up to three months that are highly liquid, easy to convert, and have little risk of price fluctuation.

## Changes in Accounting Policies

Fiscal year ended March 31, 2011

### **(Accounting standard related to equity-method application)**

The “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, issued on March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ Practical Issues Task Force (PITF) No. 24, issued on March 10, 2008) are being applied from the fiscal year under review. The effect of this change on profit and loss is negligible.

### **(Accounting standard related to asset retirement obligations)**

The “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, issued on March 31, 2008) are being applied from the fiscal year under review. This change had the effect of reducing operating income and ordinary income by ¥24 million each, and of reducing income before income taxes and minority interests by ¥101 million.

### **(Accounting standard related to business combinations)**

The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), the “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23, issued on December 26, 2008), the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, revised on December 26, 2008), the “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, revised on December 26, 2008), and the “Revised Guidance on Accounting Standard

for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 (revised on December 26, 2008), are being applied from the fiscal year under review.

Fiscal year ended March 31, 2011

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## Change in Presentation

### (Consolidated income statement)

Fiscal year ended March 31, 2011

With the application of the “Cabinet Office Ordinance Partially Revising the Rules on Consolidated Financial Statement Terminology, Forms and Preparation Methods, etc.” (Cabinet Office Ordinance No. 5, issued on March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on December 26, 2008), the item “income before minority interests” is shown for the fiscal year under review.

Fiscal year ended March 31, 2010

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## Additional Information

Fiscal year ended March 31, 2011

The “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued on June 30, 2010) is being applied from the fiscal year under review. The amounts shown for “accumulated other comprehensive income (loss)” and “total accumulated other comprehensive income (loss)” for the previous fiscal year are the amounts that were recorded as “valuation and translation adjustments” and “total valuation and translation adjustments.”

Fiscal year ended March 31, 2010

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## Notes

### (Consolidated balance sheets)

#### Note 1. Amounts corresponding to nonconsolidated subsidiaries and affiliates are as follows:

Fiscal year ended March 31, 2011

Investment securities (Stocks)	¥7,075 million
Investment securities (Bonds)	¥41 million
Investments and other assets	
Other assets (Capital)	¥1,049 million

Fiscal year ended March 31, 2010

Investment securities (Stocks)	¥6,041 million
Investments and other assets	
Other assets (Capital)	¥1,052 million

#### Note 2. Pledged assets and secured liabilities

Fiscal year ended March 31, 2011

Time deposits totaling ¥517 million have been provided in place of guarantee monies. In addition, investment securities totaling ¥9 million have been provided as trade guarantees, etc.

Fiscal year ended March 31, 2010

Time deposits totaling ¥518 million have been provided in place of guarantee monies. In addition, investment securities totaling ¥10 million have been provided as trade guarantees, etc.

### Note 3. Inventories

Fiscal year ended March 31, 2011

The Group's inventories comprise a broad range of various copyrights related to advertising operations and expenses related to operations in progress, and appropriate classifications are not possible. They are therefore shown as a lump sum.

Fiscal year ended March 31, 2010

Same as the current fiscal year

### Note 4. Incidental obligations

Fiscal year ended March 31, 2011

(1) The Company has ¥398 million in guarantee obligations for bank borrowings under the home financing plan for employees.

(2) The following guarantees of obligations are for borrowings from financial institutions by companies that are not consolidated subsidiaries:

Percept/H Pvt. Ltd. (INR 86,300 thousand)	¥160 million
Total	¥160 million

Fiscal year ended March 31, 2010

(1) The Company has ¥451 million in guarantee obligations for bank borrowings under the home financing plan for employees.

(2) The following guarantees of obligations are for borrowings from financial institutions by companies that are not consolidated subsidiaries:

Percept/H Pvt. Ltd. (INR 99,300 thousand)	¥205 million
comON21 Co., Ltd. (KRW 3,310,000 thousand)	¥272 million
Media Intelligence Co., Ltd. (THB 30,000 thousand)	¥82 million
Yonhap TV News (KRW 45,000 thousand)	¥3 million
Total	¥563 million

### (Consolidated statements of income)

#### Note 1. Gain on sales of noncurrent assets are as follows:

Fiscal year ended March 31, 2011

Property, plant and equipment	
Land	¥0 million
Others (vehicles and transport equipment)	¥2 million
Others (tools and equipment)	¥0 million
Total	¥3 million

Fiscal year ended March 31, 2010

Property, plant and equipment	
Buildings and structures	¥2 million
Land	¥0 million
Others (vehicles and transport equipment)	¥2 million
Others (tools and equipment)	¥4 million
Total	¥10 million

**Note 2. Loss on the sales of noncurrent assets are as follows:**Fiscal year ended March 31, 2011

Property, plant and equipment	
Others (vehicles and transport equipment)	¥2 million
Others (tools and equipment)	¥38 million
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Total	¥41 million

Fiscal year ended March 31, 2010

Property, plant and equipment	
Buildings and structures	¥12 million
Land	¥1 million
Others (vehicles and transport equipment)	¥0 million
Others (tools and equipment)	¥13 million
Intangible assets	
Software	¥9 million
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Total	¥37 million

**Note 3. Loss retirement of noncurrent assets are as follows:**Fiscal year ended March 31, 2011

Property, plant and equipment	
Buildings and structures	¥43 million
Others (machinery)	¥0 million
Others (tools and equipment)	¥7 million
Intangible assets	
Software	¥5 million
Other intangible fixed assets	¥6 million
<hr/>	
Total	¥62 million

Fiscal year ended March 31, 2010

Property, plant and equipment	
Buildings and structures	¥106 million
Others (machinery)	¥0 million
Others (vehicles and transport equipment)	¥0 million
Others (tools and equipment)	¥25 million
Intangible assets	
Software	¥5 million
Other intangible fixed assets	¥3 million
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Total	¥141 million

**Note 4. Write-downs of inventories held for sale in the ordinary course of business due to decreased profitability are as follows:**Fiscal year ended March 31, 2011

Cost of sales	¥250 million
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Fiscal year ended March 31, 2010

Cost of sales	¥478 million
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## Note 5. Loss on impairment of property and equipment

Fiscal year ended March 31, 2011

The Group recorded the following impairment loss (¥1,050 million) as an extraordinary loss, from the writing down of the book value of the following advertising business assets, etc., to their recoverable amount, reflecting significantly reduced profitability:

Region	Primary use	Type	Loss on impairment of property and equipment
United States	Advertising business	Goodwill and other tangible fixed assets	¥995 million
Australia	Advertising business	Goodwill	¥30 million
Tokyo metropolitan area	Advertising business	Buildings and structures, software, other tangible fixed assets	¥19 million
Others	Advertising business	Buildings and structures	¥4 million

The recoverable amounts for these asset groups are determined using the net sales value or utility value. The net sales value is based primarily on the anticipated sales amount, and the utility value is based on the present value of the estimated cash flow arising from the scrapping of the asset. The recoverable amount of goodwill is valued as zero.

Fiscal year ended March 31, 2010

The Group recorded the following impairment loss (¥235 million) as an extraordinary loss, from the writing down of the book value of the following advertising business assets, etc., to their recoverable amount, reflecting significantly reduced profitability:

Region	Primary use	Type	Loss on impairment of property and equipment
Tokyo metropolitan area	Advertising business	Land, buildings and structures, other tangible fixed assets, software, and goodwill	¥232 million
Others	Idle land	Land	¥3 million

The recoverable amounts for these asset groups are determined using the net sales value or utility value. The net sales value is primarily based on the anticipated sales amount, and the utility value is based on the present value of the estimated cash flow arising from their scrapping of the asset.

## Note 6. The breakdown of "other" under extraordinary loss is as follows:

Fiscal year ended March 31, 2011

Loss on devaluation of golf memberships	¥63 million
Loss on sales of golf memberships	¥3 million
Loss on liquidation of affiliates	¥1 million
Bad debt loss	¥0 million
Total	¥68 million

Fiscal year ended March 31, 2010

Loss on devaluation of golf memberships	¥59 million
Loss on sales of golf memberships	¥1 million
Loss on liquidation of affiliates	¥13 million
Special depreciation of office facilities	¥37 million
Total	¥112 million

## Note 7. Loss on devaluation of golf memberships

Fiscal year ended March 31, 2011

Includes ¥5 million provision of allowance for doubtful accounts

Fiscal year ended March 31, 2010

Includes ¥23 million provision of allowance for doubtful accounts

### (Consolidated statements of comprehensive income)

Fiscal year ended March 31, 2011

#### \* 1 Comprehensive income for the immediately preceding fiscal year

Comprehensive income attributable to owners of the parent	¥4,876 million
Comprehensive income attributable to minority interests	¥361 million
Total	¥5,238 million

#### \* 2 Other comprehensive income for the immediately preceding fiscal year

Valuation difference on available-for-sale securities	¥3,334 million
Foreign currency translation adjustments	¥170 million
Share of other comprehensive income of associates accounted for using equity method	¥66 million
Total	¥3,571 million

### (Consolidated statements of changes in net assets)

#### 1. Items related to types and total number of shares issued, and types and number of treasury stock shares

Fiscal year ended March 31, 2011

	No. of shares as of previous fiscal year-end	Increase in number of shares during current fiscal year	Decrease in number of shares during current fiscal year	Shares No. of shares as of current fiscal year-end
No. of shares issued				
Common stock	38,855,810	—	—	38,855,810
Treasury stock, at cost				
Common stock	290,044	600,011	—	890,055

Note: The 600,011 share increase in the number of common stock shares of treasury stock represents 600,000 shares of treasury stock acquired by resolution of the Board of Directors passed at its meeting held on February 7, 2011, and 11 shares representing repurchases of odd-lot shares.

Fiscal year ended March 31, 2010

	No. of shares as of previous fiscal year-end	Increase in number of shares during current fiscal year	Decrease in number of shares during current fiscal year	Shares No. of shares as of current fiscal year-end
No. of shares issued				
Common stock	38,855,810	—	—	38,855,810
Treasury stock, at cost				
Common stock	290,076	21	53	290,044

Note: The 21 share increase in the number of common stock shares of treasury stock corresponds to repurchases of odd-lot shares. The 53 share decrease in the number of shares corresponds to treasury stock shares (the Company's shares) owned by the Company that were sold.

#### 2. Items related to subscription rights for shares

Fiscal year ended March 31, 2011

Outstanding at consolidated subsidiaries as of fiscal year-end ¥154 million

Fiscal year ended March 31, 2010

Outstanding at consolidated subsidiaries as of fiscal year-end ¥126 million

### 3. Items related to dividends

#### Fiscal year ended March 31, 2011

##### (1) Cash dividends paid

A resolution to the following effect was approved at the General Meeting of Shareholders held on June 29, 2010.

• Items related to common stock dividends

1) Dividends paid	¥1,349 million
2) Cash dividend per share	¥35
3) Reference date	March 31, 2010
4) Effective date	June 30, 2010

A resolution to the following effect was approved at the meeting of the Board of Directors held on November 10, 2010.

• Items related to common stock dividends

1) Dividends paid	¥1,349 million
2) Cash dividends per share	¥35
3) Reference date	September 30, 2010
4) Effective date	December 3, 2010

##### (2) Dividends with reference date in the current fiscal year and effective date after the current fiscal year-end

A resolution to the following effect was approved at the General Meeting of Shareholders held on June 29, 2011.

• Items related to common stock dividends

1) Dividends paid	¥1,328 million
2) Source of dividends	Retained earnings
3) Cash dividends per share	¥35
4) Reference date	March 31, 2011
5) Effective date	June 30, 2011

#### Fiscal year ended March 31, 2010

##### (1) Cash dividends paid

A resolution to the following effect was approved at the General Meeting of Shareholders held on June 29, 2009.

• Items related to common stock dividends

1) Dividends paid	¥964 million
2) Cash dividend per share	¥25
3) Reference date	March 31, 2009
4) Effective date	June 30, 2009

A resolution to the following effect was approved at the meeting of the Board of Directors held on November 10, 2009.

• Items related to common stock dividends

1) Dividends paid	¥1,349 million
2) Cash dividends per share	¥35
3) Reference date	September 30, 2009
4) Effective date	December 4, 2009

##### (2) Dividends with reference date in the current fiscal year and effective date after the current fiscal year-end

A resolution to the following effect was approved at the General Meeting of Shareholders held on June 29, 2010.

• Items related to common stock dividends

1) Dividends paid	¥1,349 million
2) Source of dividends	Retained earnings
3) Cash dividends per share	¥35
4) Reference date	March 31, 2010
5) Effective date	June 30, 2010

**(Consolidated statements of cash flows)**

**Note 1. Relationship between cash and cash equivalents at fiscal year-end and amounts shown on consolidated balance sheet**

Fiscal year ended March 31, 2011

Cash and time deposits	¥88,295 million
Marketable securities	¥4,202 million
Total	¥92,498 million
Time deposits with tenors exceeding 3 months	¥(5,530 million)
Securities other than MMF, FFF, and bond investment trusts	¥(4,018 million)
Cash and cash equivalents	¥82,949 million

Fiscal year ended March 31, 2010

Cash and time deposits	¥74,870 million
Marketable securities	¥3,019 million
Total	¥77,890 million
Time deposits with tenors exceeding 3 months	¥(7,051 million)
Securities other than MMF, FFF, and bond investment trusts	¥(2,833 million)
Cash and cash equivalents	¥68,005 million

**Note 2. Major breakdown of assets and liabilities at subsidiaries added to scope of consolidation via acquisition of shares**

Fiscal year ended March 31, 2011

(IREP Co., Ltd.)

Current assets	¥3,405 million
Noncurrent assets	¥527 million
Total assets	¥3,932 million

Current liabilities	¥1,861 million
Noncurrent liabilities	¥42 million
Total liabilities	¥1,904 million

(International Sports Marketing Co., Ltd.)

Current assets	¥118 million
Noncurrent assets	¥59 million
Total assets	¥178 million

Current liabilities	¥117 million
Noncurrent liabilities	¥87 million
Total liabilities	¥204 million

Fiscal year ended March 31, 2010

(Mendelsohn | Zien Advertising, LLC)

Current assets	¥527 million
Noncurrent assets	¥1,495 million
Total assets	¥2,023 million

Current liabilities	¥471 million
Noncurrent liabilities	¥18 million
Total liabilities	¥490 million

(Group Nexus/H Ltd.)	
Current assets	¥309 million
Noncurrent assets	¥308 million
Total assets	¥618 million
Current liabilities	¥146 million
Noncurrent liabilities	¥2 million
Total liabilities	¥149 million
(Data Stadium Inc.)	
Current assets	¥691 million
Noncurrent assets	¥223 million
Total assets	¥915 million
Current liabilities	¥221 million
Noncurrent liabilities	—
Total liabilities	¥221 million
(i-MEDIA DRIVE inc.)	
Current assets	¥122 million
Noncurrent assets	¥33 million
Total assets	¥155 million
Current liabilities	¥124 million
Noncurrent liabilities	—
Total liabilities	¥124 million

### (Lease transactions)

#### 1. Finance lease transactions that do not transfer ownership, prior to commencement of initial year of application of accounting standards for lease transactions

(As lessee)

(1) Equivalent acquisition cost and aggregate depreciation for leased properties

Equivalent amount and year-end equivalent amount

Fiscal year ended March 31, 2011

	Acquisition cost	Accumulated depreciation	Net leased property
Others (machinery)	18	9	8
Others (vehicles and transport equipment)	15	13	2
Others (tools and equipment)	1,512	1,053	459
Software	342	213	129
Total	1,888	1,288	599

Fiscal year ended March 31, 2010

	Acquisition cost	Accumulated depreciation	Net leased property
Others (machinery)	18	6	11
Others (vehicles and transport equipment)	18	14	4
Others (tools and equipment)	2,131	1,268	862
Software	545	369	176
Total	2,713	1,658	1,055

(2) Equivalent outstanding amounts of prepaid lease fees

Fiscal year ended March 31, 2011

Within one year	¥351 million
Beyond one year	¥264 million
Total	¥616 million

Fiscal year ended March 31, 2010

Within one year	¥496 million
Beyond one year	¥581 million
Total	¥1,077 million

(3) Lease fees paid and equivalent amounts of depreciation and interest expenses

Fiscal year ended March 31, 2011

Lease fees paid	¥478 million
Depreciation expense	¥457 million
Interest expense	¥18 million

Fiscal year ended March 31, 2010

Lease fees paid	¥776 million
Depreciation expense	¥718 million
Interest expense	¥33 million

(4) Calculation methods for equivalent amounts of depreciation and interest expenses

Fiscal year ended March 31, 2011

1) Calculation method for equivalent amount of depreciation expense

Straight-line method, with the lease period as the period of useful life and a residual value of zero

2) Calculation method for equivalent amount of interest expense

The equivalent amount of interest is the difference between the total lease fees and the equivalent acquisition value of the leased property, with the interest distributed over each fiscal year.

Fiscal year ended March 31, 2010

1) Calculation method for equivalent amount of depreciation expense

Same as the current fiscal year

2) Calculation method for equivalent amount of interest expense

Same as the current fiscal year

**2. Operating lease transactions**

Fiscal year ended March 31, 2011

(As lessee)

Prepaid lease fees (noncancellable)	
Within one year	¥226 million
Beyond one year	¥149 million
Total	¥376 million

Fiscal year ended March 31, 2010

(As lessee)

Prepaid lease fees (noncancellable)	
Within one year	¥222 million
Beyond one year	¥198 million
Total	¥420 million

## **(Financial instruments)**

### **1. Items related to financial instruments**

Fiscal year ended March 31, 2011

#### (1) Policy for dealing in financial instruments

The Group purchases financial assets as investments with an emphasis on security and liquidity, and procures funds using methods that take into account stability, economy, and flexibility, in light of the Group's funds and financial market conditions. Derivative transactions are only used to hedge actual transactions, and the principal amounts and tenors are limited to those of the underlying transaction.

#### (2) Details and risks of financial instruments

Notes and accounts receivable-trade, the Group's operating claims, expose the Group to the credit risk of the customer. Foreign currency-denominated operating claims also expose the Group to exchange rate risk, but this risk is in principle diminished by the profit or loss arising from the hedged foreign currency-denominated operating obligation. Securities and investment securities are primarily bonds to be held to maturity or shares of companies that have a business relationship with the Group, and expose the Group to risk from market price fluctuations.

Notes and accounts payable-trade, the Group's operating obligations, are mostly payable within one year. Foreign currency-denominated operating obligations expose the Group to exchange rate risk as noted above. Borrowings are primarily short-term borrowings for working capital. A portion of long-term borrowings has floating interest rates, and therefore expose the Group to risk from interest rate fluctuations.

The Group uses derivative transactions in the form of forward foreign exchange transactions within the scope of outstanding foreign currency-denominated transactions, to reduce the risk from exchange rate fluctuations on foreign currency-denominated transactions arising in the ordinary course of business.

#### (3) Risk management structure for financial instruments

##### 1) Credit risk (risk associated with breach of contract by counterparty) management

The Group's risk management for operating claims is carried out by the department responsible for accounting based on internal accounting regulations. The department prevents the emergence of nonrecoverable claims by setting a credit limit for each obligor, thoroughly managing outstanding payment dates for claims, and regularly monitoring the financial condition of obligors. Bonds to be held to maturity are limited to highly rated bonds based on internal fund management regulations, and credit risk is therefore negligible. Derivative transactions are only entered into with highly rated financial institutions in order to reduce counterparty risk.

##### 2) Market risk (risk associated with foreign exchange and other rate fluctuations) management

The Group's foreign currency-denominated operating claims and obligations create exposure to risk from foreign exchange rate fluctuations, but this risk is in principle diminished by the profit or loss arising from the hedged asset or liability. Forward foreign exchange transactions are used to hedge certain risks, and the execution and management of these derivative transactions is carried out by the department responsible for financing based on internal financing regulations. For stocks, the market value of the shares and financial position of the issuer (counterparty company) are regularly monitored, and the continued holding of the shares is reevaluated in light of the relationship with the counterparty company.

##### 3) Management of liquidity risk (risk of not being able to make payment on payment date) associated with fund procurement

The Group manages liquidity risk by having the department responsible for financing at each company raise short-term funds, and prepares a medium- to long-term funding plan. The Group also uses a liquidity support system in which the Company receives funds from consolidated subsidiaries that have surplus funds and lends funds to consolidated subsidiaries with fund shortfalls.

(4) Supplementary information related to market value, etc., of financial instruments

The market value of financial instruments is based on the market price, with a rational estimate being used when a market price is not available. The estimation of this amount includes factors that are subject to change, and therefore the use of differing underlying assumptions may result in a different amount.

Fiscal year ended March 31, 2010

(1) Policy for dealing in financial instruments

Same as the current fiscal year

(2) Details and risks of financial instruments

Same as the current fiscal year

(3) Risk management structure for financial instruments

Same as the current fiscal year

(4) Supplementary information related to market value, etc., of financial instruments

Same as the current fiscal year

## 2. Items related to market value, etc., of financial instruments

Fiscal year ended March 31, 2011

The amounts recorded on the balance sheet, market value, and resulting differences as of March 31, 2011 (the fiscal year-end) are as follows:

	Amount recorded on consolidated balance sheet	Market value	Difference
			¥ Millions
(1) Cash and time deposits	88,295	88,290	(5)
(2) Notes and accounts receivable-trade	240,534	240,534	—
(3) Securities			
Bonds to be held to maturity	2,788	2,788	(0)
Other securities	1,409	1,409	—
(4) Investment securities			
Bonds to be held to maturity	2,209	2,173	(36)
Shares of affiliated companies	787	1,246	458
Other investment securities	24,684	24,684	—
Total assets	360,709	361,126	416
(1) Notes and accounts payable-trade	221,375	221,375	—
Total liabilities	221,375	221,375	—
Derivative transactions	—	—	—

Note 1: Items related to securities and calculation methods for market value of financial instruments

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

For time deposits with tenors exceeding one year, in principle the price indicated by the financial institution is used. Other items have a short period to settlement, meaning the market value is roughly equivalent to the book value, and therefore the book value is used.

(3) Securities and (4) Investment securities

In principle, the market value used is the price quoted by a securities exchange for stocks, the price indicated by a financial institution for bonds, and the publicly posted price for investment trusts.

## Liabilities

### (1) Notes and accounts payable-trade

These items have a short period to settlement, meaning the market value is roughly equivalent to the book value, and therefore the book value is used.

### Derivative Transactions

For forward foreign exchange contracts for which designation accounting is applied, the contract is treated as part of the hedged foreign currency monetary claim or obligation, and the market value is therefore included in the market value of the foreign currency monetary claim or obligation.

### Note 2: Financial instruments for which it is deemed generally difficult to obtain a market value

Classification	Amount recorded on consolidated balance sheet	¥ Millions
Unlisted stocks		11,930
Shares of affiliated companies		6,288
Capital investment in affiliated companies		1,049
Bonds of affiliated companies		41

Unlisted stocks, shares of affiliated companies, and capital investment in affiliated companies do not have a market value and it is not possible to estimate their future cash flow, making it extremely difficult to obtain a market value. These instruments are therefore not included in “(3) Securities and (4) Investment securities.”

### Note 3: Scheduled redemption amounts in subsequent fiscal years of monetary claims and securities with maturity dates

Classification	Within 1 year	Greater than 1 year but within 5 years	Greater than 5 years but within 10 years	Greater than 10 years	¥ Millions
Cash and time deposits	88,295	—	—	—	—
Notes and accounts receivable-trade	240,534	—	—	—	—
Bonds					
Bonds to be held to maturity (negotiable deposits)	1,000	—	—	—	—
Bonds to be held to maturity (corporate bonds)	1,182	—	—	—	—
Bonds to be held to maturity (Japanese Government Bonds)	100	—	—	—	—
Bonds to be held to maturity (other)	501	—	—	—	—
Having a maturity date (corporate bonds)	4	—	—	—	—
Having a maturity date (other)	1,000	—	—	—	—
Investment securities					
Bonds to be held to maturity (corporate bonds)	—	—	100	100	—
Bonds to be held to maturity (Japanese Government Bonds)	—	—	10	—	—
Bonds to be held to maturity (other)	—	2,000	—	—	—
Having a maturity date (Japanese Government Bonds)	—	49	—	—	—
Total	332,617	2,049	110	100	

### Note 4: Scheduled redemption amounts in subsequent fiscal years of corporate bonds, long-term borrowings, lease obligations, and other interest-bearing liabilities

Please refer to the “Corporate bond statement” and the “Statement of loans payable” in the Consolidated Supplementary Statements.

Fiscal year ended March 31, 2010

The amounts recorded on the balance sheet, market value, and resulting differences as of March 31, 2010 (the fiscal year-end) are as follows:

	Amount recorded on consolidated balance sheet	Market value	Difference
			¥ Millions
(1) Cash and time deposits	74,870	74,862	(8)
(2) Notes and accounts receivable-trade	233,440	233,440	—
(3) Securities			
Bonds to be held to maturity	2,819	2,784	(34)
Other securities	200	200	—
(4) Investment securities			
Bonds to be held to maturity	600	581	(18)
Shares of affiliated companies	2,143	2,010	(132)
Other investment securities	28,787	28,787	—
Total assets	342,861	342,667	(194)
(1) Notes and accounts payable-trade	211,466	211,466	—
Total liabilities	211,466	211,466	—
Derivative transactions	—	—	—

Note 1: Items related to securities and calculation methods for market value of financial instruments

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable-trade

For time deposits with tenors exceeding one year, in principle the price indicated by the financial institution is used. Other items have a short period to settlement, meaning the market value is roughly equivalent to the book value, and therefore the book value is used.

(3) Securities and (4) Investment securities

In principle, the market value used is the price quoted by a securities exchange for stocks, the price indicated by a financial institution for bonds, and the publicly posted price for investment trusts.

Liabilities

(1) Notes and accounts payable-trade

These items have a short period to settlement, meaning the market value is roughly equivalent to the book value, and therefore the book value is used.

Derivative Transactions

For forward foreign exchange contracts for which designation accounting is applied, the contract is treated as part of the hedged foreign currency monetary claim or obligation, and the market value is therefore included in the market value of the foreign currency monetary claim or obligation.

Note 2: Financial instruments for which it is deemed generally difficult to obtain a market value

Classification	Amount recorded on consolidated balance sheet	¥ Millions
Unlisted stocks		14,553
Shares of affiliated companies		3,897
Capital investment in affiliated companies		1,052

Unlisted stocks, shares of affiliated companies, and capital investment in affiliated companies do not have a market value and it is not possible to estimate their future cash flow, making it extremely difficult to obtain a market value.

These instruments are therefore not included in "(3) Securities and (4) Investment securities."

Note 3: Scheduled redemption amounts in subsequent fiscal years of monetary claims and securities with maturity dates

Classification	¥ Millions			
	Within 1 year	Greater than 1 year but within 5 years	Greater than 5 years but within 10 years	Greater than 10 years
Cash and time deposits	74,870	—	—	—
Notes and accounts receivable-trade	233,440	—	—	—
Bonds				
Bonds to be held to maturity (negotiable deposits)	1,000	—	—	—
Bonds to be held to maturity (corporate bonds)	208	—	—	—
Bonds to be held to maturity (Japanese Government Bonds)	10	100	—	—
Bonds to be held to maturity (other)	1,500	—	—	—
Investment securities				
Bonds to be held to maturity (corporate bonds)	—	—	—	100
Bonds to be held to maturity (callable bonds) Having a maturity date (corporate bonds)	—	500	—	—
Having a maturity date (other)	9	—	—	—
Having a maturity date (other)	—	1,000	—	—
<b>Total</b>	<b>311,039</b>	<b>1,600</b>	<b>—</b>	<b>100</b>

Note 4: Scheduled redemption amounts in subsequent fiscal years of corporate bonds, long-term borrowings, lease obligations, and other interest-bearing liabilities

Please refer to the “Corporate bond statement” and the “Statement of loans payable” in the Consolidated Supplementary Statements.

(Additional information)

The “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued on March 10, 2008) are applied from the fiscal year ended March 31, 2010.

## (Securities)

### 1. Bonds to be held to maturity

Fiscal year ended March 31, 2011

Classification	¥ Millions		
	Amount recorded on consolidated balance sheet as of fiscal year-end	Market value as of fiscal year-end	Difference
For which market value exceeds amount recorded on consolidated balance sheet	1,000	1,000	0
For which market value does not exceed amount recorded on consolidated balance sheet	3,998	3,961	(36)
<b>Total</b>	<b>4,998</b>	<b>4,961</b>	<b>(36)</b>

Fiscal year ended March 31, 2010

Classification	¥ Millions		
	Amount recorded on consolidated balance sheet as of fiscal year-end	Market value as of fiscal year-end	Difference
For which market value exceeds amount recorded on consolidated balance sheet	10	10	0
For which market value does not exceed amount recorded on consolidated balance sheet	3,409	3,355	(53)
<b>Total</b>	<b>3,419</b>	<b>3,365</b>	<b>(53)</b>

## 2. Other securities

Fiscal year ended March 31, 2011

Classification	¥ Millions		
	Amount recorded on consolidated balance sheet as of fiscal year-end	Cost	Difference
For which market value exceeds amount recorded on consolidated balance sheet			
1) Stocks	12,177	7,491	4,685
2) Others	1,547	1,393	153
Subtotal	13,724	8,885	4,839
For which market value does not exceed amount recorded on consolidated balance sheet			
1) Stocks	8,716	12,538	(3,822)
2) Bonds	149	149	0
3) Others	3,502	4,129	(626)
Subtotal	12,369	16,818	(4,448)
Total	26,093	25,703	390

Fiscal year ended March 31, 2010

Classification	¥ Millions		
	Amount recorded on consolidated balance sheet as of fiscal year-end	Cost	Difference
For which market value exceeds amount recorded on consolidated balance sheet			
1) Stocks	17,348	11,672	5,676
2) Others	1,782	1,635	146
Subtotal	19,130	13,307	5,823
For which market value does not exceed amount recorded on consolidated balance sheet			
1) Stocks	6,309	8,737	(2,428)
2) Bonds	49	49	—
3) Others	3,498	3,958	(460)
Subtotal	9,857	12,746	(2,888)
Total	28,988	26,053	2,934

Note: An impairment loss of ¥6,044 million was recorded on equities included in other securities for which a market value is available.

## 3. Other securities sold during the current fiscal year

Fiscal year ended March 31, 2011

Type	¥ Millions		
	Amount of sale	Total gain on sale	Total loss on sale
Stocks	760	222	117

Fiscal year ended March 31, 2010

Type	¥ Millions		
	Amount of sale	Total gain on sale	Total loss on sale
(1) Stocks	424	196	401
(2) Others	14	3	—
Total	438	199	401

## 4. Securities on which impairment losses were recorded

Fiscal year ended March 31, 2011

Impairment losses of ¥2,641 million were recorded on securities (¥2,641 million on stocks classified under other securities).

Fiscal year ended March 31, 2010

Impairment losses of ¥518 million were recorded on securities (¥518 million on stocks classified under other securities).

## (Derivatives)

### 1. Items related to market value, etc., of transactions

Fiscal year ended March 31, 2011

(1) Derivative transactions for which hedge accounting is not applied

No items

(2) Derivative transactions for which hedge accounting is applied

Currency-related

						¥ Millions
						Fiscal year ended March 31, 2011
Hedge accounting method	Transaction type	Primary hedged instruments	Contract amount	Portion of contract amount exceeding 1 year	Market value	
Designation accounting of forward foreign exchange contracts, etc.	Forward foreign exchange contracts					
	Foreign exchange bought					
	U.S. dollars	Accounts receivable	16	—	(Note)	

Note: Forward foreign exchange contracts for which designation accounting is applied are treated as part of the hedged foreign currency monetary claim, and therefore the market value is included in the market value of the foreign currency monetary claim.

Fiscal year ended March 31, 2010

						¥ Millions
						Fiscal year ended March 31, 2010
Hedge accounting method	Transaction type	Primary hedged instruments	Contract amount	Portion of contract amount exceeding 1 year	Market value	
Designation accounting of forward foreign exchange contracts, etc.	Forward foreign exchange contracts					
	Foreign exchange bought					
	U.S. dollars	Accounts receivable	1	—	(Note)	
	Canadian dollars	Accounts receivable	28	—	(Note)	

Note: Forward foreign exchange contracts for which designation accounting is applied are treated as part of the hedged foreign currency monetary claim, and therefore the market value is included in the market value of the foreign currency monetary claim.

## (Retirement benefits)

### 1. Overview of retirement benefit plan

Fiscal year ended March 31, 2011

The Group has established a defined benefit corporate pension plan, a qualified pension plan, a new corporate pension plan, an employees' pension fund plan, and a system of lump-sum retirement payments as defined benefit plans. In some cases, additional retirement monies may be paid when an employee retires.

Fiscal year ended March 31, 2010

Same as the current fiscal year

## 2. Items related to retirement benefit obligations

Fiscal year ended March 31, 2011

1) Retirement benefit obligation	¥(92,495 million)
2) Pension fund assets (including pension benefit trusts)	¥81,581 million
3) Unfunded pension liabilities ( 1) + 2))	¥(10,913 million)
4) Unrecognized actuarial differences	¥18,015 million
5) Unrecognized prior service obligations	¥(22 million)
6) Net amount recorded on consolidated balance sheet ( 3) + 4) + 5))	¥7,079 million
7) Prepaid pension and severance costs	¥14,166 million
8) Accrued pension and severance costs ( 6) - 7))	¥(7,087 million)

Notes: 1 Certain domestic consolidated subsidiaries use simplified methods for calculating retirement benefit obligations.

2 The above retirement benefit obligations include a ¥5 million provision for early retirement benefits.

Fiscal year ended March 31, 2010

1) Retirement benefit obligation	¥(91,045 million)
2) Pension fund assets (including pension benefit trusts)	¥83,270 million
3) Unfunded pension liabilities ( 1) + 2))	¥(7,775 million)
4) Unrecognized actuarial differences	¥15,675 million
5) Unrecognized prior service obligations	¥(268 million)
6) Net amount recorded on consolidated balance sheet ( 3) + 4) + 5))	¥7,631 million
7) Prepaid pension and severance costs	¥13,565 million
8) Accrued pension and severance costs ( 6) - 7))	¥(5,934 million)

Notes: 1 Certain domestic consolidated subsidiaries use simplified methods for calculating retirement benefit obligations.

2 The above retirement benefit obligations include a ¥6 million provision for early retirement benefits.

3 The "Partial amendments to Accounting Standard for Retirement Benefits" (ASBJ Statement No. 19, issued on July 31, 2008) are applied from the fiscal year ended March 31, 2010. This resulted in a ¥4,786 million increase in actuarial differences. These actuarial differences are scheduled to be written off over 14 years (using the declining balance method) from the beginning of the fiscal year ending March 31, 2011.

## 3. Items related to retirement benefit expenses

Fiscal year ended March 31, 2011

1) Service cost—benefits earned during the year	¥3,450 million
2) Interest cost on projected benefit obligation	¥1,843 million
3) Expected return on plan assets	¥(1,907 million)
4) Amortization of actuarial differences	¥1,936 million
5) Amortization of prior service costs	¥(243 million)
6) Pension and severance costs ( 1) + 2) + 3) + 4) + 5))	¥5,079 million

Notes: 1 Retirement benefit expenses at domestic consolidated subsidiaries using simplified calculation methods are recorded under

"1) Service cost—benefits earned during the year."

2 Employee contributions to the defined benefit corporate pension plan are deducted.

Fiscal year ended March 31, 2010

1) Service cost—benefits earned during the year	¥3,295 million
2) Interest cost on projected benefit obligation	¥2,057 million
3) Expected return on plan assets	¥(1,733 million)
4) Amortization of actuarial differences	¥2,603 million
5) Amortization of prior service costs	¥(235 million)
6) Pension and severance costs ( 1) + 2) + 3) + 4) + 5))	¥5,985 million

Notes: 1 Retirement benefit expenses at domestic consolidated subsidiaries using simplified calculation methods are recorded under

"1) Service cost—benefits earned during the year."

2 Employee contributions to the defined benefit corporate pension plan are deducted.

#### 4. Items related to basis for calculating retirement benefit obligations, etc.

Fiscal year ended March 31, 2011

1) Periodic distribution method for estimated amount of retirement benefits

Equal periodic distribution

2) Discount rate

2.0%–2.5%

3) Expected rate of return on plan assets

0%–2.5%

4) Number of years over which actuarial differences are written off

7–17 years

Note: Treated as an expense, written off from the fiscal year following the fiscal year in which they emerge, over a fixed number of years not exceeding the employees' average remaining years of service, using the declining balance method (straight-line method at certain consolidated subsidiaries).

5) Number of years over which past service obligations are written off

5–7 years

Note: Treated as an expense from the time they emerge, written off over a fixed number of years not exceeding the employees' average remaining years of service using the straight-line method. At certain consolidated subsidiaries, they are treated as an expense written off in a lump sum at the time they emerge.

Fiscal year ended March 31, 2010

1) Periodic distribution method for estimated amount of retirement benefits

Same as the current fiscal year

2) Discount rate

Same as the current fiscal year

3) Expected rate of return on plan assets

Same as the current fiscal year

4) Number of years over which actuarial differences are written off

Same as the current fiscal year

5) Number of years over which past service obligations are written off

Same as the current fiscal year

#### (Stock options, etc.)

Fiscal year ended March 31, 2011

##### 1. Expense items related to stock options recorded during the fiscal year

Selling, general and administrative expenses ¥37 million

##### 2. Amount recorded as profit from lapsed stock options

Extraordinary profit (gain on reversal of subscription rights to shares) ¥8 million

### 3. Stock option details, size, and changes in status

#### (1) Stock option details

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights
Groups and numbers of recipients	Directors – 4 Employees – 7	Directors – 4 Auditors – 1 Employees – 14 Directors of consolidated subsidiaries – 4 Employees of consolidated subsidiaries – 2	Directors – 4 Auditors – 1 Employees – 68 Directors of consolidated subsidiaries – 5 Employees of consolidated subsidiaries – 1
No. of stock options (Note 4)	11,704 common shares	4,000 common shares	6,000 common shares
Date granted	September 29, 2000	April 9, 2004	July 8, 2005
Conditions for setting rights	Director, auditor, or employee of the company when exercised (Note 1)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)
Period of service	—	—	—
Exercise period	From November 1, 2000 to September 29, 2010	From March 1, 2006 to February 28, 2011	From March 1, 2007 to February 28, 2012
Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Groups and numbers of recipients	Directors – 6 Auditors – 1 Employees – 168 Directors of consolidated subsidiaries – 6	Directors – 5 Auditors – 1	Employees – 31
No. of stock options (Note 4)	10,000 common shares	1,800 common shares	1,970 common shares
Date granted	April 6, 2006	July 20, 2007	July 20, 2007
Conditions for setting rights	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)
Period of service	—	From July 20, 2007 to June 27, 2009	From July 20, 2007 to February 28, 2009
Exercise period	From March 1, 2008 to February 28, 2013	From June 28, 2009 to June 27, 2014	From March 1, 2009 to February 28, 2014

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	SPiRE, Inc.
	March 2009 subscription rights	March 2010 subscription rights	May 2001 subscription rights
Groups and numbers of recipients	Directors – 6	Directors – 6	Directors – 3 Employees – 26 Recognized supporters – 6
No. of stock options (Note 4)	616 common shares	868 common shares	591,700 common shares
Date granted	March 24, 2009	March 19, 2010	May 28, 2001
Conditions for setting rights	Subscription rights may only be exercised within 10 days (the following business day in the event the 10th business day is a holiday) from the day following the day on which the person ceases to be a director	Subscription rights may only be exercised within 10 days (the following business day in the event the 10th business day is a holiday) from the day following the day on which the person ceases to be a director	Director or employee of the company when exercised, but excluding recognized supporters (Note 2)
Period of service	From March 24, 2009 to March 24, 2009	From March 19, 2010 to March 19, 2010	—
Exercise period	From March 25, 2009 to March 24, 2039	From March 20, 2010 to March 19, 2040	From May 28, 2001 to May 27, 2011
Company name	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	November 2001 subscription rights	December 2005 subscription rights	April 2006 subscription rights
Groups and numbers of recipients	Employees – 26	Directors – 3 Employees – 78	Directors – 8 Auditors – 3 Employees – 64
No. of stock options (Note 4)	49,900 common shares	234,500 common shares	106,500 common shares
Date granted	November 16, 2001	December 22, 2005	April 20, 2006
Conditions for setting rights	Director or employee of the company when exercised (Note 2)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)
Period of service	—	—	—
Exercise period	From November 16, 2001 to November 15, 2011	From January 1, 2008 to May 31, 2010	From January 1 2010 to December 31, 2014
Company name	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	May 2009 subscription rights (Note 5)	May 2009 subscription rights (Note 5)	May 2010 subscription rights
Groups and numbers of recipients	Directors – 6 Auditors – 1 Employees – 36	Directors – 1 Outside cooperators – 1 Employees – 16	Directors – 7 Auditors – 3
No. of stock options (Note 4)	513,372 common shares	76,958 common shares	221,500 common shares
Date granted	May 1, 2009	May 1, 2009	May 12, 2010
Conditions for setting rights	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)
Period of service	—	—	—
Exercise period	From May 1, 2010 to April 30, 2015	From January 1, 2011 to December 31, 2016	From May 13, 2012 to May 12, 2015

Company name	SPIRE, Inc.	IREP Co., Ltd.	IREP Co., Ltd.
	May 2010 subscription rights	March 2005 subscription rights	November 2005 subscription rights
Groups and numbers of recipients	Employees – 122 Directors of subsidiaries – 3 Employees of subsidiaries – 20	Directors – 3 Auditors – 2 Employees – 44 Outside cooperators – 1	Employees – 10
No. of stock options (Note 4)	425,500 common shares	1,600 common shares (Note 6)	375 common shares (Note 6)
Date granted	May 12, 2010	March 30, 2005	November 1, 2005
Conditions for setting rights	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	The Company's directors, statutory auditors, and employees are required to continuously remain a director, statutory auditor, or employee of the Company from the date the stock options are granted until the date the rights are set. Outside cooperators are required to maintain cooperative relationships with the Company from the date the stock options are granted until the date the rights are set.	Required to continuously remain a director, statutory auditor, or employee of the Company from the date the stock options are granted until the date the rights are set.
Period of service	—	From March 30, 2005 to September 13, 2006	From November 1, 2005 to September 29, 2007
Exercise period	From May 13, 2012 to May 12, 2015	From September 14, 2006 to September 13, 2014	From September 30, 2007 to September 20, 2017

Company name	Other consolidated subsidiaries
	Subscription rights
Groups and numbers of recipients	Directors – 6 Auditors – 13 Shareholders – 1
No. of stock options (Note 4)	935 common shares
Date granted	From April 21, 2006 to June 30, 2006
Conditions for setting rights	Director, auditor, employee, or shareholder of the consolidated subsidiary or affiliate when exercised (Note 3)
Period of service	—
Exercise period	From May 1, 2008 to June 30, 2018

Notes: 1 Does not apply in cases covered by special conditions stipulated in the Company's "Memorandum regarding Sale and Purchase of Subscription Rights."

2 Does not apply in cases covered by special conditions stipulated in the Company's "Contract for Granting Subscription Rights."

3 Does not apply in cases covered by special conditions stipulated in the Company's "Contract for Allotment of Subscription Rights."

4 Converted to number of shares.

5 Subscription rights issued by Interspire Inc. prior to its merger on May 1, 2009.

6 A 5-for-1 stock split was authorized by the Board of Directors at its meeting held on April 10, 2006, and carried out on April 28, 2006. Therefore, the number of shares shown is the number after the stock split. In addition, the number of shares shown is the number of shares at the time the stock options were granted.

## (2) Stock option size and changes in status

## 1) Number of stock options

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Prior to determining rights						
Beginning of fiscal year (shares)	—	—	—	—	—	—
Granted (shares)	—	—	—	—	—	—
Lapsed (shares)	—	—	—	—	—	—
Rights determined (shares)	—	—	—	—	—	—
Rights not determined (shares)	—	—	—	—	—	—
After determining rights						
Beginning of fiscal year (shares)	3,757	3,120	5,035	8,220	1,800	1,740
Rights determined (shares)	—	—	—	—	—	—
Rights exercised (shares)	3,754	—	—	—	—	—
Lapsed (shares)	3	3,120	345	530	60	210
Outstanding unexercised (shares)	—	—	4,690	7,690	1,740	1,530

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	March 2009 subscription rights	March 2010 subscription rights	May 2001 subscription rights	November 2001 subscription rights	December 2005 subscription rights	April 2006 subscription rights
Prior to determining rights						
Beginning of fiscal year (shares)	—	—	—	—	—	43,000
Granted (shares)	—	868	—	—	—	—
Lapsed (shares)	—	—	—	—	—	—
Rights determined (shares)	—	868	—	—	—	43,000
Rights not determined (shares)	—	—	—	—	—	—
After determining rights						
Beginning of fiscal year (shares)	616	—	291,600	2,300	53,100	—
Rights determined (shares)	—	868	—	—	—	43,000
Rights exercised (shares)	—	—	—	—	—	—
Lapsed (shares)	—	—	—	—	53,100	1,000
Outstanding unexercised (shares)	616	868	291,600	2,300	—	42,000

Company name	SPIRE, Inc.	SPIRE, Inc.	SPIRE, Inc.	SPIRE, Inc.	IREP Co., Ltd.	IREP Co., Ltd.
	May 2009 subscription rights	May 2009 subscription rights	May 2010 subscription rights	May 2010 subscription rights	March 2005 subscription rights (Note)	November 2005 subscription rights (Note)
Prior to determining rights						
Beginning of fiscal year (shares)	496,164	50,668	—	—	—	—
Granted (shares)	—	—	221,500	425,500	—	—
Lapsed (shares)	16,730	2,868	—	29,000	—	—
Rights determined (shares)	479,434	—	—	—	—	—
Rights not determined (shares)	—	47,800	221,500	396,500	—	—
After determining rights						
Beginning of fiscal year (shares)	—	—	—	—	290	320
Rights determined (shares)	479,434	—	—	—	—	—
Rights exercised (shares)	—	—	—	—	—	—
Lapsed (shares)	52,580	—	—	—	—	—
Outstanding unexercised (shares)	426,854	—	—	—	290	320

Company name	Other consolidated subsidiaries
	Subscription rights
Prior to determining rights	
Beginning of fiscal year (shares)	—
Granted (shares)	—
Lapsed (shares)	—
Rights determined (shares)	—
Rights not determined (shares)	—
After determining rights	
Beginning of fiscal year (shares)	1,235
Rights determined (shares)	—
Rights exercised (shares)	—
Lapsed (shares)	—
Outstanding unexercised (shares)	1,235

Note: The figures shown at the beginning of the period following the setting of rights arose as a result of IREP Co., Ltd., being made a consolidated subsidiary.

2) Cost information

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Exercise price (yen)	17,976	119,500	123,000	225,000	67,448	67,448
Average share price when exercised (yen)	34,500	—	—	—	—	—
Impartially assessed cost when granted (yen)	—	—	—	—	31,143	30,153

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	March 2009 subscription rights	March 2010 subscription rights	May 2001 subscription rights	November 2001 subscription rights	December 2005 subscription rights	April 2006 subscription rights
Exercise price (yen)	1	1	1,000	1,000	758	708
Average share price when exercised (yen)	—	—	—	—	—	—
Impartially assessed cost when granted (yen)	27,888	28,439	—	—	—	—

Company name	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	IREP Co., Ltd.	IREP Co., Ltd.
	May 2009 subscription rights	May 2009 subscription rights	May 2010 subscription rights	May 2010 subscription rights	March 2005 subscription rights	November 2005 subscription rights
Exercise price (yen)	93	116	174	174	50,000	50,000
Average share price when exercised (yen)	—	—	—	—	—	—
Impartially assessed cost when granted (yen)	—	—	61	61	—	—

Company name	Other consolidated subsidiaries
	Subscription rights
Exercise price (yen)	133,805
Average share price when exercised (yen)	—
Impartially assessed cost when granted (yen)	—

#### 4. Method for estimating impartially assessed cost

(1) The method for estimating the impartially assessed cost for the March 2010 subscription rights granted during the fiscal year by consolidated subsidiary Digital Advertising Consortium Inc. is as follows:

1) Method used: Black-Scholes formula

2) Primary assumptions and estimation method

	March 2010 subscription rights
Stock price volatility (Note 1)	72.936%
Estimated remaining period (Note 2)	15 years
Estimated dividend (Note 3)	¥200/share
Risk-free interest rate (Note 4)	1.873%

Notes: 1 Based on the actual share price from July 5, 2001 to March 18, 2010.

2 The lack of sufficient data makes it generally difficult to make a rational estimation, so the estimate is based as if the rights are exercised midway through the exercise period.

3 Actual dividend for the fiscal year ended November 30, 2009.

4 Yield of Japanese Government Bonds for the tenor corresponding to the estimated remaining period.

(2) The method for estimating the impartially assessed cost for the May 2010 subscription rights granted during the fiscal year by consolidated subsidiary SPiRE, Inc., is as follows:

1) Method used: Black-Scholes formula

2) Primary assumptions and estimation method

	May 2010 subscription rights
Stock price volatility (Note 1)	61.073%
Estimated remaining period (Note 2)	3.5 years
Estimated dividend (Note 3)	¥0/share
Risk-free interest rate (Note 4)	0.264%

Notes: 1 Based on the actual share price from November 2, 2006 to May 7, 2010.

2 The lack of sufficient data makes it generally difficult to make a rational estimation, so the estimate is based as if the rights are exercised midway through the exercise period.

3 Actual dividend for the fiscal year ended December 31, 2009.

4 Yield of Japanese Government Bonds for the tenor corresponding to the estimated remaining period.

#### 5. Method for estimating the number of stock option rights determined

Because it is generally difficult to rationally estimate the number of future lapses, the number of rights actually having lapsed is used.

Fiscal year ended March 31, 2010

### 1. Expense items related to stock options recorded during the fiscal year

Selling, general and administrative expenses	¥33 million
Extraordinary income (gain from the return of subscription rights)	¥3 million

### 2. Stock option details, size, and changes in status

#### (1) Stock option details

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights
Groups and numbers of recipients	Directors – 4 Employees – 7	Directors – 4 Auditors – 1 Employees – 14 Directors of consolidated subsidiaries – 4 Employees of consolidated subsidiaries – 2	Directors – 4 Auditors – 1 Employees – 68 Directors of consolidated subsidiaries – 5 Employees of consolidated subsidiaries – 1
No. of stock options (Note 4)	11,704 common shares	4,000 common shares	6,000 common shares
Date granted	September 29, 2000	April 9, 2004	July 8, 2005
Conditions for setting rights	Director, auditor, or employee of the company when exercised (Note 1)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)
Period of service	—	—	—
Exercise period	From November 1, 2000 to September 29, 2010	From March 1, 2006 to February 28, 2011	From March 1, 2007 to February 28, 2012
Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Groups and numbers of recipients	Directors – 6 Auditors – 1 Employees – 168 Directors of consolidated subsidiaries – 6	Directors – 5 Auditors – 1	Employees – 31
No. of stock options (Note 4)	10,000 common shares	1,800 common shares	1,970 common shares
Date granted	April 6, 2006	July 20, 2007	July 20, 2007
Conditions for setting rights	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)	Director (including auditors) or employee of the company, its subsidiary, or affiliate when exercised (Note 3)
Period of service	—	From July 20, 2007 to June 27, 2009	From July 20, 2007 to February 28, 2009
Exercise period	From March 1, 2008 to February 28, 2013	From June 28, 2009 to June 27, 2014	From March 1, 2009 to February 28, 2014

Company name	Digital Advertising Consortium Inc.	SPiRE, Inc.	SPiRE, Inc.
	March 2009 subscription rights	May 2001 subscription rights	November 2001 subscription rights
Groups and numbers of recipients	Directors – 6	Directors – 3 Employees – 26 Recognized supporters – 6	Employees – 26
No. of stock options (Note 4)	616 common shares	591,700 common shares	49,900 common shares
Date granted	March 24, 2009	May 28, 2001	November 16, 2001
Conditions for setting rights	Subscription rights may only be exercised within 10 days (the following business day in the event the 10th business day is a holiday) from the day following the day on which the person ceases to be a director	Director or employee of the company when exercised, but excluding recognized supporters (Note 2)	Director or employee of the company when exercised (Note 2)
Period of service	From March 24, 2009 to March 24, 2009	—	—
Exercise period	From March 25, 2009 to March 24, 2039	From May 28, 2001 to May 27, 2011	From November 16, 2001 to November 15, 2011
Company name	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	December 2005 subscription rights	April 2006 subscription rights	May 2009 subscription rights (Note 5)
Groups and numbers of recipients	Directors – 3 Employees – 78	Directors – 8 Auditors – 3 Employees – 64	Directors – 6 Auditors – 1 Employees – 36
No. of stock options (Note 4)	234,500 common shares	106,500 common shares	513,372 common shares
Date granted	December 22, 2005	April 20, 2006	May 1, 2009
Conditions for setting rights	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)
Period of service	—	—	—
Exercise period	From January 1, 2008 to May 31, 2010	From January 1 2010 to December 31, 2014	From May 1, 2010 to April 30, 2015
Company name	SPiRE, Inc.	Other consolidated subsidiaries	
	May 2009 subscription rights (Note 5)	Subscription rights	
Groups and numbers of recipients	Directors – 1 Outside cooperators – 1 Employees – 16	Directors – 6 Auditors – 13 Shareholders – 1	
No. of stock options (Note 4)	76,958 common shares	935 common shares	
Date granted	May 1, 2009	From April 21, 2006 to June 30, 2006	
Conditions for setting rights	Director, auditor, or employee of the company or its subsidiary when exercised (Note 3)	Director, auditor, employee, or shareholder of the consolidated subsidiary or affiliate when exercised (Note 3)	
Period of service	—	—	
Exercise period	From January 1, 2011 to December 31, 2016	From May 1, 2008 to June 30, 2018	

Notes: 1 Does not apply in cases covered by special conditions stipulated in the Company's "Memorandum regarding Sale and Purchase of Subscription Rights."

2 Does not apply in cases covered by special conditions stipulated in the Company's "Contract for Granting Subscription Rights."

3 Does not apply in cases covered by special conditions stipulated in the Company's "Contract for Allotment of Subscription Rights."

4 Converted to number of shares.

5 Subscription rights issued by Interspire Inc. prior to its merger on May 1, 2009.

## (2) Stock option size and changes in status

## 1) Number of stock options

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Prior to determining rights						
Beginning of fiscal year (shares)	—	—	—	—	1,800	1,850
Granted (shares)	—	—	—	—	—	—
Lapsed (shares)	—	—	—	—	—	—
Rights determined (shares)	—	—	—	—	1,800	1,850
Rights not determined (shares)	—	—	—	—	—	—
After determining rights						
Beginning of fiscal year (shares)	3,757	3,360	5,220	8,660	—	—
Rights determined (shares)	—	—	—	—	1,800	1,850
Rights exercised (shares)	—	—	—	—	—	—
Lapsed (shares)	—	240	185	440	—	110
Outstanding unexercised (shares)	3,757	3,120	5,035	8,220	1,800	1,740

Company name	Digital Advertising Consortium Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.	SPiRE, Inc.
	March 2009 subscription rights	May 2001 subscription rights	November 2001 subscription rights	December 2005 subscription rights (Note 1)	April 2006 subscription rights	May 2009 subscription rights (Note 1)
Prior to determining rights						
Beginning of fiscal year (shares)	—	—	—	—	68,500	—
Granted (shares)	616	—	—	—	—	513,372
Lapsed (shares)	—	—	—	—	25,500	17,208
Rights determined (shares)	616	—	—	—	—	—
Rights not determined (shares)	—	—	—	—	43,000	496,164
After determining rights						
Beginning of fiscal year (shares)	—	298,900	2,800	99,200	—	—
Rights determined (shares)	616	—	—	—	—	—
Rights exercised (shares)	—	—	—	—	—	—
Lapsed (shares)	—	7,300	500	46,100	—	—
Outstanding unexercised (shares)	616	291,600	2,300	53,100	—	—

Company name	SPIRE, Inc.	Other consolidated subsidiaries
	May 2009 subscription rights (Note 1)	Subscription rights (Notes 1, 2)
Prior to determining rights		
Beginning of fiscal year (shares)	—	1,275
Granted (shares)	76,958	371
Lapsed (shares)	26,290	1,275
Rights determined (shares)	—	371
Rights not determined (shares)	50,668	—
After determining rights		
Beginning of fiscal year (shares)	—	877
Rights determined (shares)	—	371
Rights exercised (shares)	—	—
Lapsed (shares)	—	13
Outstanding unexercised (shares)	—	1,235

Notes: 1 The 513,372 shares and 76,958 shares granted for SPIRE, Inc. (May 2009 subscription rights), and the 1,275 shares lapsed from other consolidated subsidiaries (subscription rights) are the result of the Interspire Inc. merger.

2 Of the 877 shares at the beginning of fiscal year after determining rights, 200 shares are those of i-MEDIA DRIVE inc. at the time it was newly added to the scope of consolidation.

## 2) Cost information

Company name	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.	Digital Advertising Consortium Inc.
	First unsecured corporate bond (with subscription rights)	April 2004 subscription rights	July 2005 subscription rights	April 2006 subscription rights	July 2007 subscription rights	July 2007 subscription rights
Exercise price (yen)	17,976	119,500	123,000	225,000	67,448	67,448
Average share price when exercised (yen)	—	—	—	—	—	—
Impartially assessed cost when granted (yen)	—	—	—	—	31,143	30,153

Company name	Digital Advertising Consortium Inc.	SPIRE, Inc.	SPIRE, Inc.	SPIRE, Inc.	SPIRE, Inc.	SPIRE, Inc.
	March 2009 subscription rights	May 2001 subscription rights	November 2001 subscription rights	December 2005 subscription rights	April 2006 subscription rights	May 2009 subscription rights
Exercise price (yen)	1	1,000	1,000	758	708	93
Average share price when exercised (yen)	—	—	—	—	—	—
Impartially assessed cost when granted (yen)	27,888	—	—	—	—	—

Company name	SPIRE, Inc.	Other consolidated subsidiaries
	May 2009 subscription rights	Subscription rights
Exercise price (yen)	116	133,805
Average share price when exercised (yen)	—	—
Impartially assessed cost when granted (yen)	—	—

### 3. Method for estimating impartially assessed cost

The method for estimating the impartially assessed cost for the March 2009 subscription rights granted during the fiscal year by consolidated subsidiary Digital Advertising Consortium Inc. is as follows:

- 1) Method used: Black-Scholes formula
- 2) Primary assumptions and estimation method

	March 2009 subscription rights
Stock price volatility (Note 1)	68.894%
Estimated remaining period (Note 2)	15 years
Estimated dividend (Note 3)	¥320/share
Risk-free interest rate (Note 4)	1.708%

Notes: 1 Based on the actual share price from July 5, 2001 to March 23, 2009.

2 The lack of sufficient data makes it generally difficult to make a rational estimation, so the estimate is based as if the rights are exercised midway through the exercise period.

3 Actual dividend for the fiscal year ended November 30, 2008.

4 Yield of Japanese Government Bonds for the tenor corresponding to the estimated remaining period.

### 4. Method for estimating the number of stock option rights determined

Because it is generally difficult to rationally estimate the number of future lapses, the number of rights actually having lapsed is used.

#### (Tax effect accounting)

#### 1. Significant components of the Company's deferred tax assets and liabilities

Fiscal year ended March 31, 2011

(Deferred tax assets)	
Provision for retirement benefits	¥9,363 million
Provision for bonuses	¥4,774 million
Loss on devaluation of investment securities	¥5,279 million
Tax loss carryforwards	¥4,340 million
Allowance for doubtful accounts	¥778 million
Depreciation and amortization	¥396 million
Provision for directors' retirement benefits	¥593 million
Other	¥2,846 million
(Subtotal)	¥28,371 million
Less valuation allowance	¥(12,579 million)
(Total)	¥15,792 million
(Deferred tax liabilities)	
Unrealized gain on available-for-sale securities	¥473 million
Reserve for special depreciation	¥131 million
Other	¥577 million
(Total)	¥1,182 million
Net deferred tax assets	¥14,609 million

Fiscal year ended March 31, 2010

(Deferred tax assets)	
Provision for retirement benefits	¥9,017 million
Provision for bonuses	¥3,832 million
Loss on devaluation of investment securities	¥4,295 million
Tax loss carryforwards	¥5,850 million
Allowance for doubtful accounts	¥1,397 million
Depreciation and amortization	¥114 million
Provision for directors' retirement benefits	¥869 million
Other	¥2,592 million
(Subtotal)	¥27,970 million
Less valuation allowance	¥(12,839 million)
(Total)	¥15,131 million
(Deferred tax liabilities)	
Unrealized gain on available-for-sale securities	¥1,596 million
Reserve for special depreciation	¥132 million
Other	¥533 million
(Total)	¥2,262 million
Net deferred tax assets	¥12,869 million

**2. A reconciliation of the differences between the normal effective statutory tax rate and the effective tax rate reflected in the accompanying consolidated statements of income**

Fiscal year ended March 31, 2011

Normal effective statutory tax rate	40.69%
(Adjustments)	
Nondeductible expenses and nontaxable income	7.86%
Effect of valuation allowance in valuation of deferred tax assets	5.33%
Amortization of goodwill	5.19%
Income taxes for prior periods	1.28%
Equity-method profit	(5.12%)
Other	0.38%
Effective tax rate	55.61%

Fiscal year ended March 31, 2010

Normal effective statutory tax rate	40.69%
(Adjustments)	
Nondeductible expenses and nontaxable income	17.20%
Effect of valuation allowance in valuation of deferred tax assets	6.17%
Amortization of goodwill	2.30%
Effect of retained earnings at overseas affiliates	8.01%
Equity-method profit	(3.72%)
Other	2.24%
Effective tax rate	72.89%

**(Business combinations, etc.)**

Fiscal year ended March 31, 2011

Merger by acquisition

**1. Name and business of acquired company, primary reason for merger, merger date, legal form of merger, percentage of voting rights after acquisition, and primary basis for selecting acquired company**

(1) Name of acquired company

IREP Co., Ltd.

(2) Business

SEM services (listing advertising, SEO, Web analysis)

(3) Primary reason for merger

During the fiscal year ended March 31, 2010, the Company's consolidated subsidiary Digital Advertising Consortium Inc. ("DAC") concluded a basic agreement for an operational tie-up with IREP Co., Ltd. ("IREP"), under which IREP became an equity-method affiliate of DAC and joint operations commenced primarily in the field of SEO. During the fiscal year ended March 31, 2011, the two companies concluded an agreement for a capital and operational tie-up, under which IREP became a consolidated subsidiary of DAC, with the aim of further strengthening the tie-up between DAC and IREP in order to create further synergies between the two companies' businesses and enhance both companies corporate value.

(4) Merger date

December 3, 2010

(5) Legal form of merger

Acquisition of shares in exchange for cash (tender offer)

(6) Company name after merger

Company name is unchanged.

(7) Percentage of voting rights after acquisition

Percentage of voting rights immediately prior to acquisition	25.7%
Percentage of additional voting rights acquired at acquisition	34.0%
Percentage of voting rights after acquisition	59.7%

(8) Primary basis for selecting acquired company

DAC recognized that by acquiring a majority of IREP's shares for cash, DAC would gain effective control of IREP.

## 2. Period of earnings of acquired company included in consolidated financial statements

From January 1, 2010 to December 31, 2010. Because the acquisition date was considered to be December 31, 2010, earnings for the period from January 1, 2010 to December 31, 2010 were accounted for using the equity method.

## 3. Acquisition cost of acquired company and breakdown

Compensation paid for acquisition	
Amount paid on merger date	¥1,619 million
Expenses directly related to acquisition	
Advisory and other expenses	¥36 million
Acquisition cost	¥1,656 million

## 4. Differential between acquisition cost for acquired company and acquisition cost of individual transactions leading to acquisition of control

Gain on step acquisitions	¥216 million
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## 5. Amount, reason, and amortization method and period for goodwill

(1) Amount of goodwill	¥451 million
(2) Reason for goodwill	Goodwill arose as a result of a difference between the Company Group's equity interest in the acquired company and the acquisition price
(3) Amortization method and period	Amortized in equal amounts over five years

## 6. Amounts and breakdown of assets received and liabilities assumed on merger date

Current assets	¥3,405 million
Noncurrent assets	¥527 million
Total assets	¥3,932 million
Current liabilities	¥1,861 million
Noncurrent liabilities	¥42 million
Total liabilities	¥1,904 million

## 7. Approximate effect on the consolidated statement of income if the merger had been completed at the beginning of the fiscal year

Gross billings	¥12,134 million
Operating income	¥430 million
Ordinary income	¥442 million
Income before income taxes and minority interests	¥365 million
Net income	¥33 million

Note: Method for calculating approximate amounts

The amount of the effect was approximated as the difference between gross billings and income as if the merger had been completed on the first day of the fiscal year, and gross billings and income as reported on the Company's consolidated income statement, adjusted for minority interests and amortization of goodwill related to the respective institutions. This item has not been independently audited.

Fiscal year ended March 31, 2010

Business separation

### 1. Name of company receiving separated business, business separated, primary reason for business separation, date of business separation, and overview of business separation including legal form

(1) Company receiving separated business

SPA-Hakuhodo Advertising Co., Ltd.

(2) Business separated

Advertising business of former consolidated subsidiary Thai Hakuhodo Co., Ltd.

(3) Primary reason for business separation

In order to increase the Hakuhodo Group's profit in Thailand, SPA-Hakuhodo Advertising Co., Ltd., was jointly established with one of the largest independent local agencies, and the business of Thai Hakuhodo Co., Ltd., was transferred (sold) to, and operations merged with, SPA-Hakuhodo Advertising Co., Ltd.

(4) Date of business separation

April 1, 2009

(5) Overview of business separation including legal form

An all-cash sale of the business

### 2. Overview of accounting treatment applied

(1) Amount of transferred profit

¥196 million

(2) Appropriate book value and general breakdown of assets and liabilities of the transferred business

Current assets	¥114 million
Noncurrent assets	¥6 million
Total assets	¥121 million
Current liabilities	¥192 million
Total liabilities	¥192 million

### 3. Names of business classifications that include transferred businesses in each business segment

Advertising business

### 4. Approximate amounts of profit and loss corresponding to separated business recorded on consolidated statement of income for fiscal year ended March 31, 2010

Gross billings	¥267 million
Operating loss	¥(46 million)

## (Asset retirement obligations)

Fiscal year ended March 31, 2011

### 1. Asset retirement obligations recorded on the consolidated balance sheet

(1) Summary of relevant asset retirement obligations

Obligations to restore property to original condition under real estate lease contracts for offices

(2) Amount of asset retirement obligations and calculation method

The amount of asset retirement obligations was calculated using individual estimates of the anticipated period of use for each respective contract period, and a discount rate of 1.45%.

(3) Increase/decrease in total relevant asset retirement obligations during the fiscal year

Outstanding amount at beginning of period (Note)	¥111 million
Adjustments with passage of time	¥1 million
Increase from changes in estimates	¥24 million
Outstanding amount at end of period	¥137 million

Note: The outstanding amount at beginning of period applies the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008), which are being applied from the fiscal year ended March 31, 2011.

### 2. Asset retirement obligations not recorded on the consolidated balance sheet

The Group has obligations to restore offices used based on lease contracts to their original condition when vacating those offices. In cases where relocations are not anticipated, however, the end of the period of use for leased assets related to these obligations is not specified, and rational estimates of these asset retirement obligations cannot be made. Therefore, obligations corresponding to these asset retirement obligations are not recorded.

Fiscal year ended March 31, 2010

No items

## (Leased, etc., real estate)

Fiscal year ended March 31, 2011

Certain of the Company's subsidiaries own office buildings (including land) for leasing and idle land, etc., in Tokyo and other areas. Lease profit associated with the leased, etc., real estate for the fiscal year was ¥519 million (with lease income recorded as gross billings and primary leasing expenses recorded as cost of sales).

The amount recorded on the consolidated balance sheet, the amount of increase/decrease during the fiscal year, and the market value are as follows.

Amount recorded on consolidated balance sheet			Market value as of fiscal year-end
Outstanding amount as of previous fiscal year-end	Increase/decrease during fiscal year	Outstanding amount as of fiscal year-end	¥ Millions
13,144	(86)	13,058	22,860

Notes: 1 The amount recorded on the consolidated balance sheet is acquisition cost – accumulated depreciation and impairment loss.

2 The main component of the increase/decrease during the fiscal year was depreciation (¥80 million) on buildings, etc.

3 The market value as of the fiscal year-end is based primarily on a Real Estate Survey Report prepared by a certified real estate appraiser based on the Real Estate Appraisal Standards.

Fiscal year ended March 31, 2010

The Company and certain of its consolidated subsidiaries own office buildings (including land) for leasing and idle land, etc., in Tokyo and other areas. Lease profit associated with the leased, etc., real estate for the fiscal year was ¥544 million (with lease income recorded as gross billings and primary leasing expenses recorded as cost of sales), and an impairment loss of ¥194 million was recorded (as an extraordinary loss).

The amount recorded on the consolidated balance sheet, the amount of increase/decrease during the fiscal year, and the market value are as follows.

Amount recorded on consolidated balance sheet			¥ Millions
Outstanding amount as of previous fiscal year-end	Increase/decrease during fiscal year	Outstanding amount as of fiscal year-end	Market value as of fiscal year-end
13,694	(549)	13,144	24,416

Notes: 1 The amount recorded on the consolidated balance sheet is acquisition cost – accumulated depreciation and impairment loss.

2 The main component of the increase/decrease during the fiscal year was depreciation and impairment loss (¥194 million) on buildings, etc.

3 The market value as of the fiscal year-end is based primarily on a Real Estate Survey Report prepared by a certified real estate appraiser based on the Real Estate Appraisal Standards.

(Additional information)

The “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No. 23, issued on November 28, 2008) are applied from the fiscal year ended March 31, 2010.

## Segment Information, etc.

### (Segment information by business of the companies)

Fiscal year ended March 31, 2011

(Additional information)

The “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No. 17, revised on March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Guidance No. 20, issued on March 21, 2008) are being applied from the fiscal year under review.

### 1. Overview of reporting segments

The Company’s business segments are regularly reviewed in light of the separate financial information available at the units that make up the Company, in order for the Board of Directors to allocate management resources and evaluate operating performance.

The Group carries out advertising operations in various media, primarily newspapers, magazines, radio, television, and digital media, and provides planning, production, marketing, public relations, and other services related to the presentation of advertising. The Company is a holding company, with Hakuhold Inc., Daiko Advertising Inc., YOMIKO ADVERTISING INC., and Hakuhold DY Media Partners Inc., as the core operating companies. Each of these core companies has various affiliates, and formulates comprehensive strategies and operates its business to develop and provide services on behalf of the Group. Therefore, the Group is made up of segments constituting the groups organized around the core companies.

Nevertheless, the advertising-related services noted above constitute the main business of each of these segments, and the economic characteristics, methods of providing and selling services, target markets and customers, and regulatory environment unique to the industry are generally similar. In addition, consolidating these segments can be deemed to facilitate an understanding of the Group’s past performance, and provide appropriate information regarding business activities and the operating environment to appropriately evaluate future cash flow projections. Therefore, the entire Group operates as one consolidated reporting segment.

### 2. Amounts and calculation methods for gross billings, profit and loss, assets, liabilities, and other items by reporting segment

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

### 3. Information related to the amounts of gross billings, profit and loss, assets, liabilities, and other items by reporting segment

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

### 4. Amount and breakdown of differences between aggregate amounts of reporting segments and amounts recorded in consolidated financial statements (items related to adjustments of differences)

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

Fiscal year ended March 31, 2010

	¥ Millions				
	Advertising	Other	Total	Elimination or corporate	Consolidated
<b>I Gross Billings and Operating Income</b>					
Billings					
(1) Gross billings to customers	915,682	1,382	917,065	—	917,065
(2) Intersegment billings and transfers	101	5,653	5,754	(5,754)	—
Total billings	915,784	7,035	922,819	(5,754)	917,065
Operating expenses	904,990	6,291	911,281	(353)	910,928
Operating income	10,793	744	11,538	(5,401)	6,136
<b>II Assets, Depreciation and Amortization, Loss on Impairment of Property and Equipment, and Capital Expenditures</b>					
Assets	423,938	13,303	437,241	19,071	456,313
Depreciation and amortization	4,088	191	4,279	12	4,291
Loss on impairment of property and equipment	235	—	235	—	235
Capital expenditures	1,657	24	1,682	112	1,795

- Notes: 1 Business classification method: In order to concretely and appropriately show the state of the Group's operations, businesses are classified as the main advertising services and incidental businesses, and other services.
- 2 Major areas of each business segment:  
 Advertising services: Advertising planning and related production services, and placement of advertisements in various media, such as newspapers, magazines, radio, television, and digital media, as well as public relations and other services  
 Other services: Office leasing, merchandise sales, building services, temporary staffing, and other
- 3 Corporate operating expenses consisted primarily of the administration expenses of the Company, which were not allocated to business segments. Corporate operating expenses for the fiscal year ended March 31, 2010 were ¥4,097 million.
- 4 Corporate assets consisted primarily of cash, time deposits, and administrative assets of the Company. Corporate assets as of March 31, 2010 were ¥19,875 million.

### (Geographic segment information of the companies)

Fiscal year ended March 31, 2010

	¥ Millions				
	Japan	Overseas	Total	Elimination or corporate	Consolidated
<b>I Gross Billings and Operating Income</b>					
Billings					
(1) Gross billings to customers	892,636	24,428	917,065	—	917,065
(2) Intersegment billings and transfers	1,798	3,261	5,059	(5,059)	—
Total billings	894,434	27,689	922,124	(5,059)	917,065
Operating expenses	882,656	27,989	910,646	282	910,928
Operating income (loss)	11,777	(300)	11,477	(5,341)	6,136
<b>II Assets</b>					
	422,706	15,610	438,316	17,996	456,313

- Notes: 1 Overseas segment consisted primarily of the following countries:  
 United States, Germany, France, United Kingdom, Russia, China, South Korea, Thailand, Malaysia, Singapore, Vietnam, India, and Australia.
- 2 Corporate operating expenses consisted primarily of the administration expenses of the Company, which were not allocated to geographic segments. Corporate operating expenses for the fiscal year ended March 31, 2010 were ¥4,097 million.
- 3 Corporate assets consisted primarily of cash, time deposits, and administrative assets of the Company. Corporate assets as of March 31, 2010 were ¥19,875 million.

### (Overseas gross billings)

Fiscal year ended March 31, 2010

I. Overseas gross billings (¥ Millions)	25,347
II. Consolidated gross billings (¥ Millions)	917,065
III. Overseas gross billings as a percentage of consolidated gross billings (%)	2.8

Notes: 1 Overseas segment consisted primarily of the following countries:

United States, Germany, France, United Kingdom, Russia, China, South Korea, Thailand, Malaysia, Singapore, Vietnam, India, and Australia.

2 Overseas gross billings are gross billings of the Company and its consolidated subsidiaries in countries and regions other than Japan.

### (Related information)

Fiscal year ended March 31, 2011

#### 1. Information by product and service

	¥ Millions		
	Advertising	Other	Total
Gross billings to external customers	935,136	1,340	936,476

#### 2. Geographic segment information

(1) Gross billings

	¥ Millions		
	Japan	Overseas	Total
	905,746	30,730	936,476

Note: Gross billings are classified by country or region based on the customer's location.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is more than 90% of the amount of property, plant and equipment recorded on the consolidated balance sheet, and this information is therefore omitted.

#### 3. Information by primary customer

There are no external customers to which gross billings account for more than 10% of the gross billings recorded on the consolidated income statement, and this information is therefore omitted.

Fiscal year ended March 31, 2010

No items

#### (Information related to impairment losses on noncurrent assets by reporting segment)

Fiscal year ended March 31, 2011

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

Fiscal year ended March 31, 2010

No items

#### (Information related to amounts of goodwill amortized and unamortized goodwill outstanding by reporting segment)

Fiscal year ended March 31, 2011

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

Fiscal year ended March 31, 2010

No items

**(Information related to gain on negative goodwill by reporting segment)**

Fiscal year ended March 31, 2011

The Group operates as a single segment that consolidates all of its businesses, and this information is therefore omitted.

Fiscal year ended March 31, 2010

No items

**(Related party information)**

Fiscal year ended March 31, 2011

No items

Fiscal year ended March 31, 2010

No items

**(Per share of common stock)**

Fiscal year ended March 31, 2011

Net assets per share	¥5,181.17
Basic net income per common share	¥118.18
Diluted net income per common share	¥118.10

Fiscal year ended March 31, 2010

Net assets per share	¥5,209.02
Basic net income per common share	¥33.12
Diluted net income per common share	¥33.08

Notes: 1

The following is the basis for the calculation of net assets per share:

Item	Previous fiscal year-end March 31, 2010	Current fiscal year-end March 31, 2011
Total net assets on consolidated balance sheet (¥ Millions)	208,802	206,455
Net assets related to common shares (¥ Millions)	200,889	196,707
Major causes of difference (¥ Millions)		
Subscription rights	126	154
Minority interests	7,786	9,593
Common shares issued (1,000 shares)	38,855	38,855
Treasury stock shares (1,000 shares)	290	890
Common shares as of fiscal year-end used to calculate net assets per share (1,000 shares)	38,565	37,965

2

The following is the basis for the calculation of basic net income and diluted net income per common share:

Item	Previous fiscal year (April 1, 2009 - March 31, 2010)	Current fiscal year (April 1, 2010 - March 31, 2011)
Basic net income (loss) per common share		
Net income on consolidated income statement (¥ Millions)	1,277	4,550
Net income related to common shares (¥ Millions)	1,277	4,550
Average number of common shares during term (1,000 shares)	38,565	38,503
Diluted net income per common share		
Adjustment to net income (¥ Millions)	(1)	(3)
Major adjustments (¥ Millions)		
Residual shares issued by affiliates (stock options)	(1)	(3)

### (Significant subsequent events)

Fiscal year ended March 31, 2011

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Fiscal year ended March 31, 2010

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### Consolidated Supplementary Statements (Corporate bond statement)

No items

### (Statement of loans payable)

Item	¥ Millions	¥ Millions	%	Repayment deadline
	Outstanding as of previous fiscal year-end	Outstanding as of current fiscal year-end	Average interest rate	
Short-term loans payable	1,994	2,284	3.12	—
Current portion of long-term loans payable	81	129	2.16	—
Current portion of lease obligations	52	63	—	—
Long-term loans payable (excluding current portion)	53	131	3.28	2012 - 2017
Lease obligations (excluding current portion)	131	185	1.46	2012 - 2017
Other interest-bearing liabilities	—	—	—	—
Total	2,313	2,794	—	—

Notes: 1 "Average interest rate" is the weighted average interest rate for amounts outstanding as of the fiscal year-end.

2 The long-term loans payable and amounts of lease obligations (excluding current portion) scheduled for repayment within five years from the fiscal year-end are as follows:

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable (¥ Millions)	42	25	12	12
Lease obligations (¥ Millions)	71	55	39	19

### (Statement of asset retirement obligations)

The amount of asset retirement obligations as of the fiscal year-end is less than 1% of total liabilities and net assets, and this statement has therefore not been prepared.

## Others

Quarterly billings, etc., for the current fiscal year are as follows:

	1st Quarter (Apr. 1, 2010 – June 30, 2010)	2nd Quarter (July 1, 2010 – Sep. 30, 2010)	3rd Quarter (Oct. 1, 2010 – Dec. 31, 2010)	4th Quarter (Jan. 1, 2011 – Mar. 31, 2011)
Billings (¥ Millions)	212,397	221,735	237,940	264,404
Quarterly income (loss) before income taxes and minority interests (¥ Millions)	(2,542)	2,556	8,565	4,554
Quarterly net income (loss) (¥ Millions)	(2,310)	(1,033)	5,264	2,628
Quarterly net income (loss) per common share (yen)	(59.91)	(26.79)	136.52	68.62

### The preparation of the annual report and the positioning of the audit

The financial section of this annual report (Japanese version) was extracted from the financial conditions, including the consolidated financial statements, described in the 8th Yuho Financial Report, which was based on the audit carried out by KPMG AZSA LLC. While part of the layout has been changed, every effort was made in the preparation of this annual report to ensure there were no discrepancies between it and the content of the Yuho Financial Report.

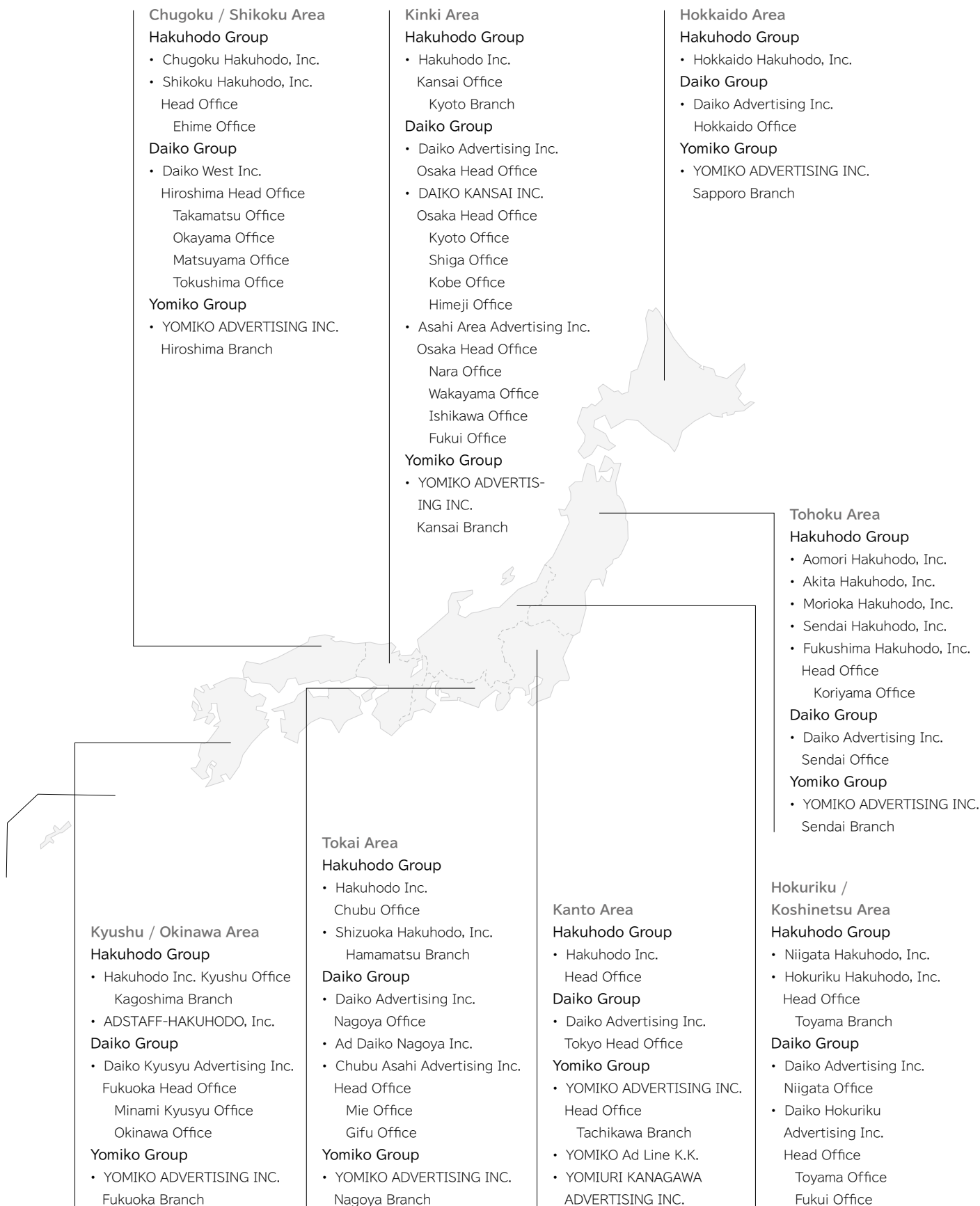
From the perspectives of achieving fairness and completeness for all our stakeholders, we prepare and provide an English version of our Japanese annual report. The financial section of the English annual report is a translation of the financial section of the Japanese annual report that was extracted from the Yuho Financial Report. Again, great care was taken in the preparation of the annual report to ensure there are no major discrepancies between it and the content of the Japanese annual report.

However, neither the Japanese nor English annual reports were included in the scope of the audit carried out by KPMG AZSA LLC.

\* A document Japanese companies must prepare each fiscal year to comply with the Financial Instruments and Exchange Act.

# Domestic Network

As of March 31, 2011



# Overseas Network

As of March 31, 2011



## EUROPE

### France

HakuHodo France S.A.S.  
 TBWA\G1 S.A.S.  
 Agence 154 S.A.  
 Nexus/H FRANCE S.A.S.  
 MbD France S.A.S.

### Germany

HakuHodo Deutschland GmbH  
 • Head Office (Frankfurt)  
 • Hamburg Office  
 • Munich Office  
 • HDD GmbH

### U.K.

Group Nexus/H Ltd.  
 Nexus/H UK Ltd. (Kent)  
 Media by Design Ltd. (Kent)  
 BEING\HAKUHODO Ltd.

### Russia

HakuHodo Rus Limited Liability Company

## AMERICAS

### U.S.A.

Mendelsohn | Zien Advertising, LLC

## OCEANIA

### Australia

MJW HakuHodo Pty. Ltd.  
 • Head Office (Sydney)  
 • Mountain Studios Pty. Ltd. (Sydney)

## MIDDLE EAST

### U.A.E.

Inpress Advertising FZ-LLC  
 Percept Gulf FZ-LLC (subsidiary of Percept/H Pvt. Ltd.)

## ASIA

### China

#### Hakuhodo Group

Shanghai Hakuhodo Advertising Co., Ltd.

- Beijing Hakuhodo
  - Shanghai SAC-Hakuhodo Advertising Co., Ltd.
- Beijing Delphys Hakuhodo Advertising Co., Ltd.  
Guangdong GDAD-Hakuhodo Advertising Co., Ltd.

TBWA\HAKUHODO China Co., Ltd.

- Head Office (Guangzhou)
- Beijing Branch

Guangdong GDAD Delphys Hakuhodo Advertising Co., Ltd.

Shanghai Advertising Co., Ltd.

- Branch Office: Beijing
- Hakuhodo Inc., Shanghai Office

#### Daiko Group

Daiko (Beijing) Advertising Co., Ltd.

Daiko (Guangzhou) Advertising Co., Ltd.

Daiko (Shanghai) Advertising Co., Ltd.

#### Yomiko / Daiko Group

YOMIKO & DAIKO (Shanghai) Advertising Co., Ltd.

### Hong Kong

#### Hakuhodo Group

Hakuhodo Hong Kong Ltd.

#### Daiko Group

Daiko Communications Asia Co., Ltd.

### Taiwan

Hakuho Communications Inc.

Taiwan Hakuhodo Media Inc.

### India

Hakuhodo Percept Pvt. Ltd.

- Head Office (New Delhi)
- Branch Offices: Bangalore, Chennai  
H&H Communications Pvt. Ltd. (New Delhi)

Percept/H Pvt. Ltd.

- Head Office (Mumbai)
- Branch Offices: New Delhi, Lucknow, Chennai,  
Bangalore, Pune

Imageads Services Pvt. Ltd. (Mumbai)

AMO Communications Pvt. Ltd. (Mumbai)

Percept Swift Advertising Pvt. Ltd. (Indore)

### Indonesia

P.T. Hakuhodo Indonesia

### Korea

Hakuhodo Cheil Inc.

### Malaysia

Hakuhodo Malaysia Sdn. Bhd.

People'n Rich-H Sdn. Bhd.

### Singapore

Hakuhodo (Singapore) Pte. Ltd.

- Hakuhodo Communications Asia Pte. Ltd.
- Hakuhodo Communications Singapore Pte. Ltd.

### Thailand

Hakuhodo Asia Pacific Co., Ltd.

SPA-Hakuhodo Advertising Co., Ltd.

Hakuhodo (Bangkok) Co., Ltd.

Media Intelligence Co., Ltd.

Foresight Research Co., Ltd.

Delphys Hakuhodo (Thailand) Co., Ltd.

### Vietnam

#### Hakuhodo Group

Hakuhodo & Saigon Advertising Co., Ltd.

#### Daiko Group

Daiko Advertising Inc. Vietnam Office

Daiko Vietnam Co., LTD.



## (Equity-method affiliates)

ADSTAFF-HAKUHODO, Inc.	Okinawa, Japan	36.05 (36.05)
CA/H, Inc.	Tokyo, Japan	40.00 (40.00)
IMJ Corporation <sup>3</sup>	Tokyo, Japan	29.40 (29.40)
BUYOLOGY INC.	Delaware, USA	25.00 (25.00)
Percept/H Pvt. Ltd.	Mumbai, India	50.00 (50.00)
BEING\HAKUHODO Ltd.	Kent, UK	50.00 (50.00)
TBWA\G1 S.A.S	Paris, France	20.00 (20.00)
Delphys Hakuodo (Thailand) Co., Ltd.	Bangkok, Thailand	24.50 (24.50)
SPA-Hakuhodo Advertising Co., Ltd.	Bangkok, Thailand	25.10 (25.10)
SPICY H Co., Ltd.	Bangkok, Thailand	25.10 (25.10)
People' n Rich-H Sdn. Bhd.	Kuala Lumpur, Malaysia	25.00 (25.00)
Inpress Advertising FZ-LLC	Dubai, U.A.E.	25.01 (25.01)
Beijing Delphys Hakuodo Advertising Co., Ltd.	Beijing, China	45.00 (45.00)
Shanghai Advertising Co., Ltd.	Shanghai, China	25.00 (25.00)
Guangdong GDAD-Hakuhodo Advertising Co., Ltd.	Guangzhou, China	50.00 (50.00)
TBWA\HAKUHODO China Co., Ltd.	Guangzhou, China	50.00 (50.00)
Guangdong GDAD Delphys Hakuodo Advertising Co., Ltd.	Guangzhou, China	25.00 (25.00)

## Daiko Group

Company name	Location	Percentage of voting shares (%)
(Consolidated subsidiaries)		
DAIKO KANSAI INC.	Osaka, Japan	100.00 (100.00)
Ad Daiko Nagoya Inc.	Nagoya, Japan	100.00 (100.00)
Daiko Kyusyu Advertising Inc.	Fukuoka, Japan	100.00 (100.00)
Daiko Hokuriku Advertising Inc.	Kanazawa, Japan	100.00 (100.00)
Daiko West Inc.	Hiroshima, Japan	100.00 (100.00)
Chubu Asahi Advertising Inc.	Nagoya, Japan	58.40 (58.40)
Asahi Area Advertising Inc.	Osaka, Japan	55.96 (55.96)
Daiko Media' x Inc.	Osaka, Japan	75.00 (75.00)
DAIKO ONES INC.	Osaka, Japan	100.00 (100.00)
D-CREATE Inc.	Tokyo, Japan	100.00 (100.00)
D&I Partners Inc.	Tokyo, Japan	100.00 (100.00)
Daiko Communications Asia Co., Ltd.	Hong Kong, China	100.00 (100.00)
Daiko (Shanghai) Advertising Co., Ltd. <sup>2</sup>	Shanghai, China	100.00 (100.00)
Daiko (Beijing) Advertising Co., Ltd.	Beijing, China	100.00 (100.00)
Daiko (Guangzhou) Advertising Co., Ltd.	Guangzhou, China	100.00 (100.00)
Daiko Vietnam Co., LTD.	Ho Chi Minh, Vietnam	100.00 (100.00)

## Yomiko Group

Company name	Location	Percentage of voting shares (%)
(Consolidated subsidiaries)		
YOMIKO CROSS COM INC.	Tokyo, Japan	100.00 (100.00)
YOMIURI KANAGAWA ADVERTISING INC.	Yokohama, Japan	100.00 (100.00)
YOMIKO Ad Line K.K.	Tokyo, Japan	100.00 (100.00)
Tambourine Inc.	Tokyo, Japan	100.00 (100.00)
YOMIKO & DAIKO (Shanghai) Advertising Co., Ltd.	Shanghai, China	100.00 (100.00)

### (Equity-method affiliate)

Develop Japan Co., Ltd.	Tokyo, Japan	20.00 (20.00)
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## Hakuhodo DY Media Partners Group

Company name	Location	Percentage of voting shares (%)
(Consolidated subsidiaries)		
Hakuhodo DY Intersolutions Inc.	Tokyo, Japan	100.00 (100.00)
HAKUHODO SPORTS MARKETING INC.	Tokyo, Japan	100.00 (100.00)
Hakuhodo DY Ad Station Inc.	Tokyo, Japan	100.00 (100.00)
SHOWGATE Inc.	Tokyo, Japan	100.00 (100.00)
T Memo Inc.	Tokyo, Japan	90.00 (90.00)
Digital Advertising Consortium Inc. <sup>2,3</sup>	Tokyo, Japan	53.64 (53.64)
Data Stadium Inc. <sup>2</sup>	Tokyo, Japan	66.77 (66.77)
DAC Business Partners Inc.	Tokyo, Japan	100.00 (100.00)
Digital Ad Tech Inc.	Tokyo, Japan	100.00 (100.00)
Ad Pro Inc.	Tokyo, Japan	100.00 (100.00)
Interride, Inc.	Tokyo, Japan	100.00 (100.00)
SPIRE, Inc. <sup>2,3</sup>	Tokyo, Japan	54.80 (54.80)
Relevancy-Plus Inc.	Tokyo, Japan	100.00 (100.00)
Digital Advertising Consortium Beijing CO., LTD.	Beijing, China	75.07 (75.07)
HAKUHODO i-studio, Inc.	Tokyo, Japan	100.00 (100.00)
i-MEDIA DRIVE inc.	Tokyo, Japan	80.11 (80.11)
IREP Co., Ltd.	Tokyo, Japan	59.66 (59.66)

### (Equity-method affiliates)

SUPER NETWORK, INC.	Tokyo, Japan	50.00 (50.00)
mediba inc.	Tokyo, Japan	35.81 (35.81)
Advertisement EDI Center Inc.	Tokyo, Japan	29.85 (29.85)
F1 Media Inc.	Tokyo, Japan	34.42 (34.42)
Asahi Advertising Inc.	Tokyo, Japan	20.00 (20.00)

## Hakuhodo DY Holdings Group

Company name	Location	Percentage of voting shares (%)
(Consolidated subsidiaries)		
Hakuhodo DY Total Support Inc.	Tokyo, Japan	100.00
Hakuhodo DY Capco Inc.	Tokyo, Japan	100.00
Hakuhodo DY I.O Inc.	Tokyo, Japan	100.00

### (Equity-method affiliates)

M-CUBE AND ASSOCIATES, INC.	Tokyo, Japan	15.00 (15.00)
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1 This company is consolidated because the Company, directly or indirectly, is able to control its operations although the equity interest is less than a majority.

2 A significant subsidiary

3 A company submitting a "Yuho" Financial Report

# Corporate Data

As of March 31, 2011

## Hakuhodo DY Holdings Inc.

Date of Establishment: October 1, 2003

Capital: ¥10,000 million

Head Office: 5-3-1 Akasaka, Minato-ku,  
Tokyo 107-6320

URL: <http://www.hakuhodody-holdings.co.jp/english/index.html>

## Contact

Hakuhodo DY Holdings Inc.

Investor Relations Division

Phone: +81-(0)3-6441-9033

Fax: +81-(0)3-6441-9065

E-mail: [HC.IR@hakuhodody-holdings.co.jp](mailto:HC.IR@hakuhodody-holdings.co.jp)

## Hakuhodo Group

Company Name	Hakuhodo Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6322
Phone	+81-(0)3-6441-8111
Founded	October 1895
Incorporated	February 1924
President and CEO	Hirokazu Toda
Employees (consolidated)	5,552
URL	<a href="http://www.hakuhodo.jp">http://www.hakuhodo.jp</a>

## Yomiko Group

Company Name	YOMIKO ADVERTISING INC.
Head Office	5-2-20 Akasaka, Minato-ku, Tokyo 107-6105
Phone	+81-(0)3-3589-8111
Founded	June 1929
Incorporated	July 1946
President and CEO	Yasunori Nakada
Employees (consolidated)	695
URL	<a href="http://www.yomiko.co.jp/en/index.html">http://www.yomiko.co.jp/en/index.html</a>

## Daiko Group

Company Name	Daiko Advertising Inc.
Tokyo Head Office	5-2-20 Akasaka, Minato-ku, Tokyo 107-6107
Phone	+81-(0)3-6364-8111
Osaka Head Office	2-2-7 Nakanoshima, Kita-ku, Osaka 530-8263
Phone	+81-(0)6-7174-8111
Founded	1893
Incorporated	February 1944
President and CEO	Isao Takano
Employees (consolidated)	1,471
URL	<a href="http://www.daiko.co.jp/en/index.html">http://www.daiko.co.jp/en/index.html</a>

## Hakuhodo DY Media Partners Group

Company Name	Hakuhodo DY Media Partners Inc.
Head Office	5-3-1 Akasaka, Minato-ku, Tokyo 107-6321
Phone	+81-(0)3-6441-9321
Incorporated	December 2003
President and CEO	Hisao Omori
Employees (consolidated)	1,916
URL	<a href="http://www.hakuhodody-media.co.jp/english">http://www.hakuhodody-media.co.jp/english</a>

