

Hakuhodo, Daiko, and Yomiko Advertising
Announce Integration of Business Operations under a Joint Holding Company
- A New Group to be Formed Comprising Three Competitive Ad Agencies and a Media Agency -

Tokyo, December 2, 2002 --- Hakuhodo Inc. (President and CEO: Toshio Miyagawa), Daiko Advertising Inc. (President and CEO: Hideki Nakao), and Yomiko Advertising Inc. (President and Representative Director: Katsuhiko Koike) agreed today on the principle structure in establishing a joint holding company to integrate the three agencies' business operations. The three existing agencies along with a newly formed media agency which will handle media buying and other media transactions as well as content development will operate under the umbrella of the holding company. The three agencies have commenced discussions on detailed operation plans.

A large part due to the stagnant economy, the advertising industry is seeing a downtrend where 2002 performance is likely to fall below previous year. On the other hand, the clients' needs are growing more advanced, diversified and complex to which the agencies' are required to improve capabilities to meet those needs. The media business is also diversifying further with the emergence of next generation media and advanced digitalization. Overall, the competition in domestic advertising business in Japan is ever so fierce.

The three agencies in October 2001 entered into a media business tie-up encompassing 1) joint research and development of next generation media, 2) joint research and development of media content, and 3) collaboration in sales of advertising space. Steady results have been seen over the past year in which mutually cooperative relationships and trust have been built. With such results along with sharing the same perception on the surrounding environment, it has led to the agreement of this principle integration structure. This is the first case to integrate the business operations by establishing a joint holding company in Japanese advertising industry. Once integrated, the new agency group will exceed 1 trillion yen* in terms of billings and will rank 2nd in Japan and 8th worldwide (Source: "Advertising Age" Apr. 2002, total of Hakuhodo rank 9th, Daiko 16th and Yomiko 22nd). The newly formed group will be dedicated to providing benefit to each of their clients and media companies and will provide useful information for a better living to all *sei-katsu-sha* (Japanese expression meaning "living" consumers). Moreover, the group will aim to become an ad agency group providing value to all shareholders and employees.

* Total of the three agencies' non-consolidated billings (year to March 31, 2002): 1.0038 trillion yen

<Objectives>

1. To provide better services to the clients by respecting independence of each other and maintaining the current competitive relationships among the three advertising agencies.
2. To improve media service to clients and improve media planning skills to the media companies through the newly formed media agency.
3. To maximize group company value by improving productivity of the media agency thus enhancing the effect of this integration. Also to cost reduce group's expenses such as indirect expenses.
4. To aim to strengthen the competitiveness among the three agencies by maximizing the characteristics of each agency and the media agency.
5. To provide a working environment which allows a more flexible and suitable place for each employee and thus providing a better sense of self-achievement.

< Outline of Business Integration>

1. Integration flow:

The three agencies to establish a joint holding company aiming for fall 2003. Effective at the time of establishment, the three agencies will be positioned as 100% subsidiaries of the holding company. Following immediately, a media agency will be established also as a 100% subsidiary of the holding company. The holding company will aim for public listing at the earliest possible timing.

2. Holding company - basic agreement items:

Items such as name, representative, and location of new company are to be determined through further discussions among the three agencies.

3. Shareholding ratio:

Equity ratio in exchanging issued stock of the established holding company is to be determined through discussion among the three agencies based on a third party evaluation.

4. Media agency – basic agreement items:

Items such as name, representative, and location of new agency to be determined through further discussions among the three agencies.

<Function of Holding Company>

As the Group Head Office functioning to aim for maximization of group company value, the holding company will pursue group synergy by planning mid-to-long term strategy and by distributing management resources through a stream-lined organization.

<Integration Planning Committee>

“Integration Planning Committee (tentative)” will be set up as a joint organization comprising of the chairmans and presidents of the three agencies in order to promote a smooth and prompt actualization of the agreed principle structure of this agreed business integration.

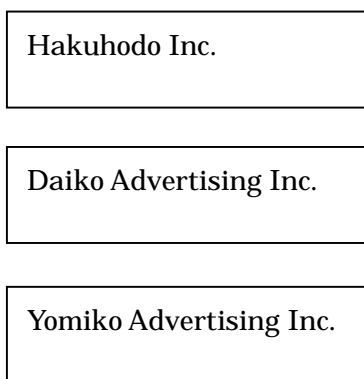
<Announcement Timing>

Announcement aimed for spring 2003 after detailed business integration plan is approved at appropriate decision-making body such as board meetings.

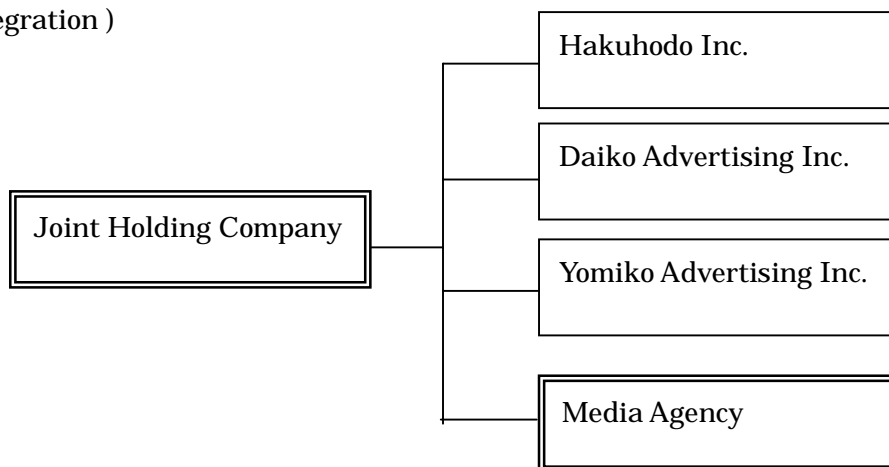
Reference

1. Scheme of integration:

(Present)



(After Integration)



Overview of the three companies:

Hakuhodo Inc.

Location: 4-1, Shibaura 3-chome, Minato-ku, Tokyo
Established: October 1895
Representative: Toshio Miyagawa, President & CEO
Staff: 3,411 (as of November 1, 2002)
Capital: ¥36,772 million
Billings: ¥722,200 million (year to March 31, 2002)

Daiko Advertising Inc.

Location: 3-39, Miyahara 4-chome, Yodogawa-ku, Osaka
4-1, Shibakoen 2-chome, Minato-ku, Tokyo
Established: March, 1944
Representative: Hideki Nakao, President & CEO
Staff: 1,020 (as of November 1, 2002)
Capital: ¥2,860 million
Billings: ¥163,300 million (year to March 31, 2002)

Yomiko Advertising Inc.

Location: 8-14, Ginza 1-chome, Chuo-ku, Tokyo
Established: July 1946
Representative: Katsuhiko Koike, President & Representative Director
Staff: 732 (as of November 1, 2001)
Capital: ¥800 million
Billings: ¥118,300 million (year to March 31, 2002)