ADK Annual Report 2012

Year ended December 31, 2012

ADK

ADK Profile

ASATSU-DK INC., commonly known by its initials ADK, was founded in March 1956 by Masao Inagaki as a small, ambitious firm focusing on magazine advertising. ASATSU INC., as it was known at the time, quickly built up a solid client base, primarily in the financial sector, giving it a strong foundation for growth.

As Japan entered the high-growth years of the 1960s, ASATSU Inc. broadened its creative reach to include planning and production of animation programs for the then still-new medium of television. In 1987, it was listed on the Second Section of the Tokyo Stock Exchange (TSE), becoming the first advertising agency in Japan to make a public stock offering. The company listed on the First Section of the TSE in 1990.

In 1998, it made another major move, signing a reciprocal share agreement and strategic alliance with WPP, the world's largest marketing organization.*

The following year, the company merged with Dai-Ichi Kikaku Co., Ltd., another Top 10 Japanese agency, changed its name to ASATSU-DK INC. (ADK), and entered a period of renewed growth. Now it is Japan's third largest total communications service agency and 16th largest communications service group in the world.*

Since its foundation, it has steadily expanded its operations based on an unwavering commitment to the "Management by All" philosophy. This means every employee in the ADK Group is expected to embrace a management-level perspective and approach client needs proactively.

* *Advertising Age*, April, 2013

History

1956 ASATSU (now ASATSU-DK) commenced advertising agency operations

1987 Becomes first advertising company to list its shares on the Second Section of the Tokyo Stock Exchange (TSE)

1990 Elevated to First Section of the TSE

1998 Establishes strategic business alliance and capital tie-up with WPP Group plc.

1999 ASATSU-DK Inc. formed through the merger of ASATSU Inc. and Dai-ichi Kikaku Co.,Ltd.

Contents

Business at a Glance

Consolidated Five-Year Summary

	Millions of Yen					Thousands of U.S. Dollars
	2012	2011	2010	2009	2008	2012
Income Statement Data						
Gross billings	¥350,822	¥347,112	¥346,565	¥350,211	¥399,452	$4,052,002
Gross profit	46,169	45,836	42,028	41,367	49,143	533,254
Selling, general and administrative expenses	42,993	41,983	42,006	42,123	45,444	496,573
Operating income (loss)	3,176	3,853	22	(756)	3,699	36,681
Income (loss) before income taxes and minority interests	4,069	5,028	(4,749)	343	3,775	46,999
Net income (loss)	2,781	2,294	(4,656)	73	2,125	32,124
EBITDA*	¥ 4,517	¥ 4,828	¥ 810	¥ 187	¥ 4,502	$ 52,172

*EBITDA = Operating income + Depreciation/Amortization + Amortization of negative goodwill

Balance Sheet Data	Millions of Yen					Thousands of U.S. Dollars
Total assets	¥195,163	¥184,188	¥194,510	¥190,024	¥191,782	$2,254,137
Total net assets*	109,559	96,800	103,168	107,465	101,617	1,265,415
Total long-term liabilities	10,055	5,278	7,467	4,765	2,611	116,137

*Total net assets consists of Shareholder's equity, valuation and translation adjustments, and minority interests.

Per Common Share Data (Yen and U.S. Dollars)						
Net income (loss) per share (EPS)	¥ 65.83	¥ 54.37	¥ (110.28)	¥ 1.73	¥ 48.14	$ 0.76
Dividend per share	111	109	20	20	20	1.28
Book value per share	2,567.03	2,270.23	2,423.06	2,499.05	2,334.48	29.64
No. of common shares outstanding*	42,274,851	42,213,802	42,165,296	42,585,533	43,088,073	

*Does not include treasury stock. In addition, ADK set up an Employee Stock ownership Plan(ESOP) trust in fiscal 2010 (see page 44). Shares owned by the ESOP trust were included in treasury stock at fiscal year-end.

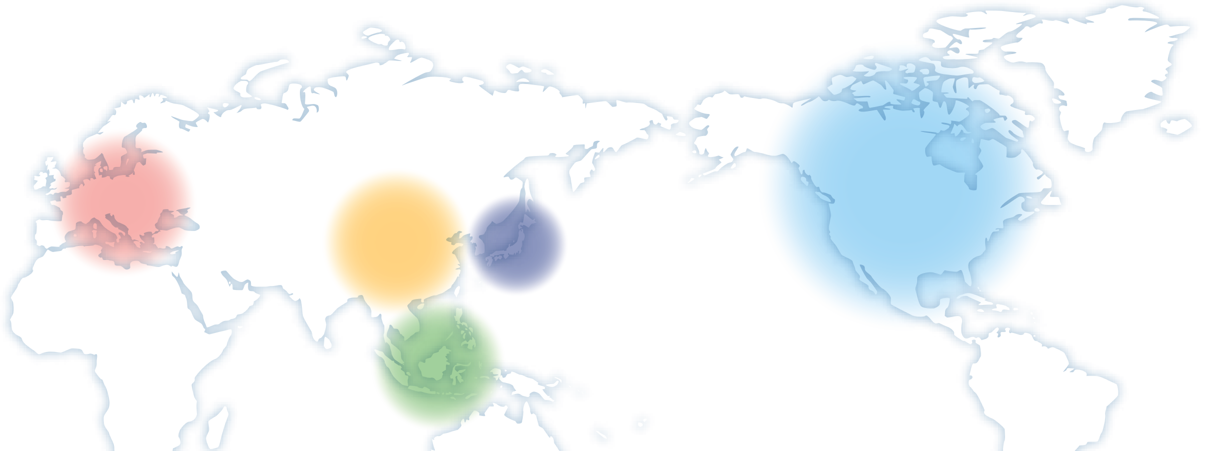
Financial Ratios					
AS PERCENT OF GROSS BILLINGS					
Gross profit	13.16%	13.21%	12.13%	11.81%	12.30%
SG&A expenses	12.25	12.10	12.12	12.03	11.38
Operating income (loss)	0.91	1.11	0.01	(0.22)	0.93
Income (loss) before income taxes and minority interests	1.16	1.45	(1.37)	0.10	0.94
Net income (loss)	0.79	0.66	(1.34)	0.02	0.53
AS PERCENT OF GROSS PROFIT					
Operating income (loss)	6.9%	8.4%	0.1%	(1.8)%	7.5%
Staff cost	62.5	61.8	67.3	67.0	62.4
Return on equity	2.7	2.3	(4.5)	0.1	1.8
Return on assets	1.6	2.1	0.01	(0.4)	1.9
Equity ratio*	55.6	52.0	52.5	56.0	52.4
Current ratio	1.65×	1.55×	1.52×	1.57×	1.50×

Notes:
1. ROE = Net income ÷ Average total Shareholders' Equity based on Total Shareholders' Equity at the beginning and end of the fiscal year × 100
2. ROA = Operating Income ÷ Average Total Assets based on Total Assets at the beginning and end of the fiscal year × 100
3. Equity ratio, according to TSE formulas, equals book equity (excluding Minority interest and Subscription rights to shares) divided by book total assets.

*For convenience purposes, U.S. dollar amounts are converted from Japanese yen at the rate of ¥86.58=US$1, the approximate rate of exchange as of December 31, 2012.

ADK Group

(as of December. 2012)



Japan

- Kyowa Kikaku Ltd.
- ADK International Inc.
- ADK Dialog Inc.
- ADK Arts Inc.
- Boys Inc.
- Eiken Co., Ltd.
- ◦ NIHONBUNGEISHA Co., Ltd.
- ADK Digital Communications Inc.

China

- Guangdong Guangxu (ASATSU) Advertising Co., Ltd.*
- ASATSU-DK HONG KONG LTD.
- DK ADVERTISING (HK) LTD.
- Asatsu Century (Shanghai) Advertising Co., Ltd.
- Shanghai Asatsu Advertising Co., Ltd.

Taiwan

- United-Asatsu International Ltd.
- DIK-OCEAN Advertising Co., Ltd.

Asia

- ASATSU-DK SINGAPORE PTE. LTD.
- ADK Thai Holding Ltd.
- DAI-ICHI KIKAKU (THAILAND) CO., LTD.
- ASDIK Ltd.
- ASATSU (THAILAND) CO., LTD.
- ASATSU-DK Malaysia Sdn. Bhd.

Europe

- Asatsu Europe Holding BV
- Asatsu Europe BV
- Asatsu (Deutschland) GmbH

North America

- ADK America Inc.

• Advertising
◦ Other business
* Affiliates accounted for by equity method

Performance of ADK Group Breakdown by Area

Millions of Yen
Year on Year

FY2012		Gross Billings	Gross Profit	Operating Income	Net Income (Loss)
Japan	ADK	¥303,422	¥32,812	¥1,341	¥1,543
		0.5%	-1.0%	-22.6%	-33.0%
	Subsidiaries	52,564	8,462	284	(97)
		24.8%	0.0%	-68.8%	–%
Subsidiaries in Greater China (Shanghai, Hong Kong, Taipei)		16,385	2,962	1,006	981
		5.6%	20.8%	37.0%	37.4%
Asia (Thailand, Malaysia)		9,303	1,745	446	497
		6.3%	4.2%	27.0%	34.7%
Europe and North America (Germany, Netherlands, USA)		3,699	417	5	47
		15.1%	-10.2%	-84.9%	-15.3%
Total before Adjustment		385,376	46,401	3,084	2,972
(Adjustment)		(34,553)	(232)	91	(191)
Total		¥350,822	¥46,169	¥3,176	¥2,781

Shinichi Ueno
Representative Director,
President & Group CEO

To Our Stakeholders

After the 58th general shareholders' meeting on March 28, 2013, the Board of Directors held a meeting and elected Shinichi Ueno as Representative Director, President and Group CEO, effective the same day. With a new-generation management team and a new organization conducive to swift decision making, we will work hard to advance the operations of the entire ADK Group while responding to changes surrounding the advertising industry.

It is our pleasure to report on the ADK Group's performance in fiscal 2012 (January 1–December 31, 2012).

In the first half of the year, the Japanese economy followed a recovery trend, albeit moderate, mainly owing to disaster restoration-related demand and various government policies. In the second half, however, the economy weakened due to several factors. These include a decline in exports stemming from the economic slowdown overseas, especially among emerging nations, as well as the dissipation of domestic policy benefits and a pause in personal consumption. Finally, toward the end of the year, positive expectations about the fiscal and monetary policies of the new government added impetus to the trends of a weakening yen and higher stock prices, and some bright signs appeared as a result.

According to the Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry, total gross billings in the Japanese advertising industry in the three-month period from March through May 2012 grew at more than 10% compared with the previous corresponding period, which was affected significantly by the Great East Japan Earthquake. Afterward, however, the growth rate slowed, and gross billings in the two-month period of September and October fell short of the previous corresponding period. We believe that the situation will remain unstable.

Under these circumstances, the ADK Group sought to provide communications programs emphasizing maximization of return on investment (ROI) for its advertising clients. At the same time, we actively advanced our operations in emerging markets and China, as well as in the animation content business.

For the year, the ADK Group reported gross billings of ¥350,822 million, up 1.1% from fiscal 2011. Gross profit remained mostly unchanged, edging up 0.7% to ¥46,169 million as we continued efforts to meticulously control costs while striving to reduce selling, general, and administrative (SG&A) expenses. Operating income declined 17.6% to ¥3,176 million. Other income decreased 24% to ¥893 million, mainly because of again smaller on sales of securities and ¥824 million of additional retirement benefits paid to employees in the ADK parent company.

As a result, income before income taxes and minority interests declined 19.1% to ¥4,069 million, and net income increased 21.3% to ¥2,781 million because of smaller taxes.

We, the executives and employees of the ADK Group, stand united in our quest to further reinforce our corporate foundation in order to achieve sustained and renewed growth. We look forward to your ongoing support.

June 2013

Top Interview

"New ADK Vision"

Broadening our market through the "consumer activation business"

Shinichi Ueno
President & Group CEO

The market is growing.

Q After declining for four consecutive years from 2008, advertising expenditures in Japan finally turned upward in 2012. However, they remain more than ¥1 trillion below the peak of ¥7 trillion recorded in 2007. Isn't the Japanese advertising market shrinking?

For a start, the term "Japanese advertising market" in itself is already removed from reality, I believe. With the advancement of digital technologies, the domain of the communications business is expanding. Corporations across all sectors are using huge volumes of information, known as "big data," to promote their businesses. Analysis and deployment of large amounts of consumer-related data is also becoming important in their communications activities. So any barriers separating the advertising business and the information sector seem to have already disappeared.

The communications environment surrounding consumers is also changing. In addition to one-way information flows characterized by mass-media advertising, we have a situation in which consumers themselves become information transmitters and thus have a major impact on the communications environment. To capture the hearts of consumers in this context, we must complement traditional advertising methods by creating new techniques.

The entertainment industry is also playing an increasingly important role in the activities of advertising agencies. At the same time, companies in the IT and entertainment sectors are entering the communications domain. So we need to modify our traditional view of the "advertising market" and create the next business model. In this perspective, I believe that our market is growing.

What should advertising companies aspire to become in the future?

Q What will you need in order to address the growing market and create a new business model?

In the past, the job of an advertising agency was to provide clients with creative messages and quality media space. As a result, performance indicators used to evaluate the effectiveness of an advertisement—such as recognition percentages and favorability ratings—were far apart from the ultimate results of the client's business. Nowadays, clients are demanding realistic outcomes. We must face up to these demands and give clients exactly what they want. Contributing to the client's business performance should be the advertising company's foremost aspiration. To achieve this, we must establish key performance indicators (KPIs) in collaboration with the client and devise ways to measure our results against such KPIs. In addition to consumer attitude transformation—how the consumer's impression was changed—we also need to gauge behavior transformation, namely, how the consumer was motivated to take action. At present, the ADK Group is developing ways to establish and measures KPIs.

Consumer activation.

Q Specifically, what kind of value can ADK deliver to its clients?

More than anything, we need to motivate the consumer. With this in mind, we formulated a new vision with the slogan, “The Power of Action.” The slogan’s words have two meanings: First, we take action, and second, we prompt consumers to take action. For now, I will explain the second meaning.

The rapid advancement of information technologies has caused a structural transformation of the market, the driving force of which is shifting from the brand to the consumer. To achieve positive outcomes in this situation, we must not only emphasize “communication” (how to convey the brand’s message) but also focus on “activation” (how to motivate the consumer). ADK is seeking to become a company involved in the “consumer activation business.”

Q What are the key factors in motivating consumers?

Consumer activation requires three strengths: “Strategic insights,” “The power idea,” and “The power of action”

1 Strategic insights:
Data analysis and insights for achieving KPIs

Upon reaching an understanding of the client’s issues, we then set objectives. This requires advanced data analysis. Traditionally, there were two methods of measuring advertising effectiveness, one using media data and the other using consumer data. Essentially, we would simulate how often a consumer would view an advertisement based on which media forms are used and how they are deployed. The advertising agency would use this information to propose an optimal scenario. Today, however, we are faced with huge volumes of information, also known as “big data.” There is an overflow of real-time information available pertaining to consumers, such as which Web sites they access, which buzzwords are appearing on social networking sites and at what frequency, and which products are in fashion and how well they are selling. We need a system that can analyze these huge volumes of data. And such analysis crucially requires the expertise of marketing and communications professionals. Simply staring at data does not reveal anything. It takes a professional with a keen marketing mind to properly read the data. At ADK, we serve as such professionals, combining many years of marketing experience with the big data available, to produce strategic insights aimed at solving the problems of our clients.

2 The power idea:
Ideas that motivate consumers to take action

Getting consumers to take action requires ideas. Our job at ADK is to offer “The power idea” that motivate people to act.

With traditional advertising communications, the marketing manager would devise a strategy, and the creative expert would conceive the advertising expression. The ad would then flow to the media and be followed up by promotional activities. It was like a relay team made up of specialists. What we at ADK are proffering, however, is a communications team in which all members demonstrate their creativity. “The power idea” should be shared across all disciplines—including strategic formulation, media, and creative—to deliver “real experiences” that motive consumers to take action and make purchases. More than just delivering a message, it means creating multidirectional “real experiences” that serve as touchpoints between brand and consumer. Perhaps a good example is the animation content business, an ADK strength. Here, we motivate consumers to take action in a number of ways, ranging from animation conception to broadcasting, complemented by the development and promotion of character goods.

3 The power of action:
Rigorous hands-on approach and swift responses

Even the most exceptional strategies and ideas are meaningless unless they can be implemented. This requires a "passion to implement," together with the ability to act and move with speed. Without such elements, the promised outcomes are impossible to achieve. ADK's strengths lie in its hands-on approach and its ability to implement and act with speed. We look for ways to communicate with all people associated with the point of sale, where our priority lies, and use our findings to identify themes that we can share with the client.

In addition to Japan, we are able to undertake communications and sales promotional activities overseas based on local insights. Our alliance with WPP Group is one of our key strengths.

Our "direct business" involves activities directly linked to the business performances of our clients. ADK already has a track record in such fields as cosmetics and health foods and supplements. We will also strengthen our focus on customer relationship management (CRM) services going forward.

The growth drivers of the ADK Group are its ability to act toward achieving growth (the ability to implement and take action), as well as its ability to motivate consumers to act. Here, we serve as a pioneer in the consumer activation business.

With "The power of action" as our slogan, we will deploy our strategic and creative abilities to build a new ADK Group.

Profile of Shinichi Ueno

Born February 17, 1954, in Tochigi Prefecture in the northern part of Japan's Kanto District. Tochigi features an abundance of beautiful scenery and is home to Nikko, a popular tourist destination. Ueno grew up watching the scenic winter colors of the Nikko Mountain Range, one of the best views even in scenery-rich Japan. In senior high school, he was passionate about soccer.

In 1972, Ueno entered Doshisha University in the ancient capital of Kyoto. Doshisha University traces its root back to 1875, with the establishment of the Doshisha Academy by Joseph Hardy Neesima. Founded on Christian principles, the university fosters a spirit of independence and self-reliance, and has produced numerous graduates with a wealth of international perspectives.

Upon graduation in 1976, Ueno entered ASATSU INC. in April. In his fourth year, after gaining some experience in personnel and administrative affairs, he moved to the sales section, where he spent the next 24 years until the age of 50. During that time, he was responsible for advertising and other services for prominent Japanese corporations with top-level brands. In 2005, he became head of the Kansai Branch, which was struggling at the time, and worked hard to turn around that branch's operations.

Since 2007, Ueno has been an operating officer in charge of corporate affairs. In that role, he introduced an evaluation system aimed at raising employee motivation and strove to enhance cost controls.

In 2008, he became an executive director and operating officer, rising to senior operating officer in 2012 and taking charge of the Integrated Solution Center. Incorporating multiple functions—including the creative, sales promotion, and digital business departments—the Integrated Solution Center is key to ADK's solution-based capabilities as an advertising agency. Ueno worked to reform and reinforce the Center in response to the changing communications market. On March 28, 2013, he became president & Group CEO.

Ueno has a wife and one daughter. His current hobby is playing golf.

Corporate Social Responsibility

ADK's basic policy is to take an active role in realizing a sustainable society. Based on this policy, we have continued to pursue a range of corporate social responsibility (CSR) activities, with a renewed focus on:

1 Promoting risk management;

2 Demonstrating our commitment to environmental protection; and

3 Other social contribution activities that we have pursued over the years.

Risk Management

ADK's risk management system, overseen by the Risk Management Committee, consists of four specialist subcommittees—the Compliance Committee, Information Security Committee, Business Continuity Committee, and Process Owner Committee—each of which handles its own specific aspect of risk management. The subcommittees also work to identify and minimize operational risks that lie outside of their area of specialization.

The Compliance Committee is charged with establishing legal compliance systems and operating the in-house reporting system, called the "ADK Group Helpline." The Information Security Committee focuses on the secure management of various types of business-related data, including personal information. The Business Continuity Committee is responsible for taking measures to ensure business continuity in the event of earthquakes and other disasters. The role of the Process Owner Committee is to maintain and operate internal control systems to assure the reliability of financial reports pursuant to the Financial Instruments and Exchange Act.

Environment Protection

Our environmental protection and other social contribution initiatives are promoted by the CSR Committee, established in January 2008 under the direct control of the president.

ADK acquired ISO14001 certification in 2008. In 2012, the Company continued pursuing environmental initiatives. For example, we developed, proposed, and implemented environmental advertising campaigns, took steps to lower our electricity consumption, and rigorously promoted the 3Rs (reduce, reuse, recycle) concept.

Social Contribution

The ADK Group Code of Conduct declares that the ADK Group shall strive hard to benefit society in the communications domain. To this end, the Group shall provide ideas and creative services free of charge where appropriate, working in close cooperation with public entities and organizations, nongovernmental organizations (NGOs) and nonprofit organizations (NPOs), and outside entities with specialist expertise. Guided by this declaration, ADK conducted the following activities in 2012.

Pro Bono Activity

Deploying skills to pursue volunteer activities!

skillstock Web Site

ボランティアつなぎサービス
skillstock

Opened in March 2012, the skillstock site is a Web-based service. People register their areas of specialist expertise (skills) on the site and then receive information on disaster restoration-related volunteer activities that match those skills.

As of March 18, 2012, just two weeks after its opening, 610 people had registered with the site, listing a total of 966 skills. The skills registered were diverse (as shown below). For example, one user who registered “manuscript writing” as a skill was listed on a personal Web page as a “volunteer survey interviewer at temporary dwellings (for disaster victims).” This shows that volunteer-related information that matches an individual’s expertise reaches the right place.

Given the diversified needs for volunteers in disaster-affected regions, the skillstock site asks aspiring volunteers to register their skills. By matching the strengths of each individual with specific volunteer activities, the system ensures that people’s strengths can be deployed most effectively in disaster regions.

People wishing to volunteer can also register with Volunteer Info, a site operated by an NGO, and their information is automatically uploaded to the skillstock site, thus widening the reach of the volunteer recruitment campaign. Even if one’s skills are not required in nearby volunteer initiatives, one can peruse the “Everyone’s Skills” section of the site to determine what type of volunteer activities may be requested in the future.

From the initial stages, ADK participated in the project on a volunteer basis. In addition to proposing the “skillstock” name, we provided support in various ways, such as through promotions using local characters and heroes.

Note: The skillstock site closed on December 31, 2012.

Samples of registered skills

I can communicate in sign language (male)

I can teach penmanship (female)

I can coach sports (male)

I can draw pictures and make things (female)

I can play music (rock, folk) (male)

I can be a conversation partner (female)

I can help people do their shopping (male)

Corporate Governance

1 Corporate Governance

1 Corporate Governance Structure

ADK recognizes that enhancing management decision-making efficiency and reinforcing the business execution oversight function are essential elements in raising corporate value. For this reason, the Company is implementing various measures related to corporate governance described below.

a. Organizational Framework

As of March 29, 2013, the Company had 10 directors, including one with representative status. Also, there were three executive directors (excluding the representative director) and three external directors.

ADK adopts the corporate auditor system. Under this system, ADK works to reinforce the supervisory function and the monitoring of business execution by promoting close cooperation between the external directors, corporate auditors and directors responsible for Company's internal audits.

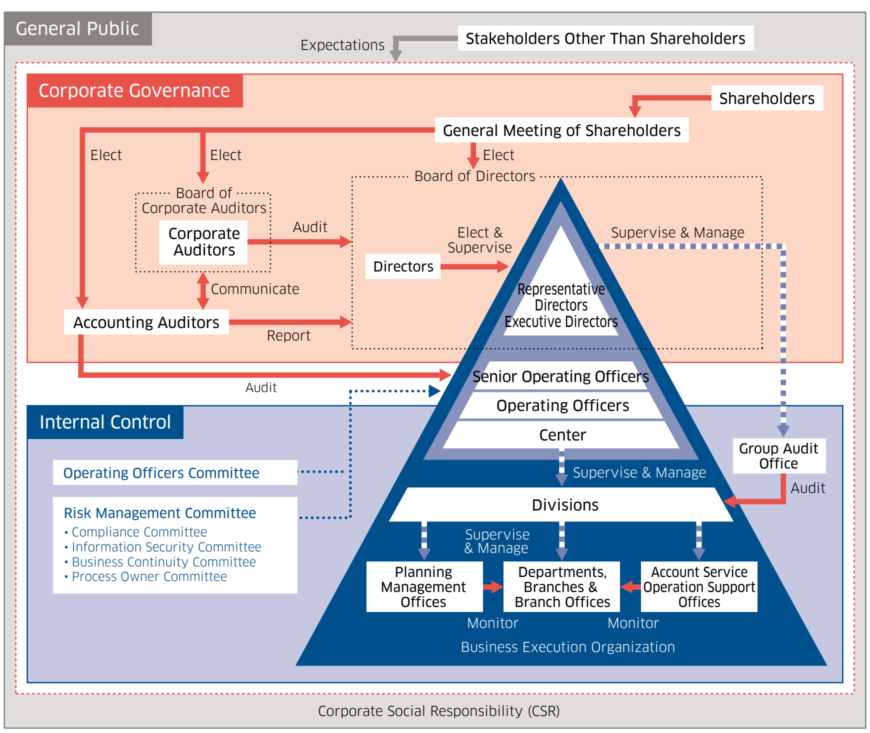
With regard to business execution, ADK appoints operating officers from among its executive directors and employees. These operating officers are in charge of the Company's business execution organization. To promote consensus-building among corporate officers, we established the Operating Officers Committee, which is chaired by the Group president. The Committee is tasked with making decisions on matters delegated to it by the Board of Directors, and other specified matters. Summaries of the Committee's deliberations are reported to the Board of Directors. To ensure common recognition of important issues among employees, excerpts of meeting minutes are posted on the Company's intranet.

b. Status of Establishment of Risk Management

The Risk Management Committee, which is chaired by the president, spearheads ADK's efforts to build an effective internal control system. The risk management system serves as "Regulations and Systems Relating to Risk Management" and is consistent with internal control systems as defined under Japan's Companies Act.

The Risk Management Committee heads four dedicated subordinate organizations, each of which undertakes its own specific risk management. They are the Compliance Committee, the Information Security Committee, the Business Continuity Committee and the Process Owner Committee. Risk management issues outside of the purview of the subordinate committees are handled directly by the Risk Management Committee.

The Compliance Committee is responsible for creating systems to prevent illegal acts



Business Execution Monitoring, Internal Control and Risk Management Framework

Note:
The Group's system of internal controls is divided into three areas for monitoring purposes, each of which is overseen by a particular office or department. The Group Audit Office monitors the Group's overall business execution framework, the Account Service Operation Support Office monitors the organization attached to the Integrated Account Service Management Center, and the Planning Management Office monitors the organization attached to the Media Buying and Staff Center.

and for operating ADK's internal reporting system. The Information Security Committee is tasked with ensuring the proper management of personal and other business information. The Business Continuity Committee sets up various procedures aimed at ensuring the continuation of business during times of emergency, such as major earthquakes. The duty of the Process Owner Committee is to operate and maintain the internal control system to ensure the reliability of financial reporting under the Financial Instruments and Exchange Law of Japan.

c. Status of the Establishment of a System of Internal Controls

As described above, the Risk Management Committee spearheads the establishment of an internal control system as stipulated under the Companies Act. One of its subordinate bodies, the Process Owner Committee, specializes in setting up and maintaining an internal control system to ensure the reliability of financial reporting under the Financial Instruments and Exchange Law of Japan.

2 Internal Audits and Auditing by Corporate Auditors

a. Organization, Personnel and Procedures

The Group Audit Office is responsible for conducting internal audits. As of December 31, 2012, the office had a staff of eight. In addition to reporting the status of audit implementation to the Board of Directors, the Office monitors the effectiveness of the risk management system and reports its findings to the Risk Management Committee.

To maintain a robust system of audits carried out by corporate auditors, ADK employs four or more corporate auditors, three or more external auditors, and three or more full-time corporate auditors, all of which exceed the statutory minimum. As of March 29, 2013, ADK had four corporate auditors, of whom three were external and three were full-time.

Conforming to corporate auditing standards determined by the Board of Corporate Auditors and following audit policies and the division of duties, corporate auditors attend important meetings, including of the Board of Directors. There, they receive reports on the execution status of business from directors and employees, and request detailed explanations as necessary. Directors and employees shall report immediately to the corporate auditors on cases that may cause serious damage to the entire ADK Group, inappropriate actions in the execution of duties by directors, material facts that breach laws, regulations and the Articles of Incorporation, or reports received through the "Group Helpline System."

One support staff member is assigned to assist the corporate auditors with their duties. As a means of reinforcing independence from directors, the approval of the corporate auditors is obtained beforehand concerning the support staff member's performance review, personnel transfer and the determination of applicable rewards and penalties.

b. Coordination Between Internal Auditors, Corporate Auditors and Account Auditors

The Group Audit Office submits audit reports to the president and the corporate auditors. Attendance at meetings of the Board of Corporate Auditors by Group Audit Office employees ensures coordination between internal auditing and auditing by the corporate auditors.

To promote close cooperation between corporate auditors, in addition to official Board of Corporate Auditors meetings, both full-time and part-time corporate auditors hold liaison meetings as appropriate to exchange opinions. Furthermore, account auditors from Ernst & Young ShinNihon LLC, which is contracted to audit ADK's accounts, are required to attend meetings of the Board of Corporate Auditors. At these meetings, the account auditors brief and submit reports to the corporate auditors on items including audits of the Company's accounts (quarterly reviews) and the auditing system of Ernst & Young ShinNihon LLC.

3 External Directors and External Corporate Auditors

a. System, Function and Roles of External Directors and External Corporate Auditors

As of March 29, 2013, ADK had three external directors and three external corporate auditors.

All of our external directors have abundant experience and broad-ranging knowledge related to their areas of expertise. Through Board of Directors meetings and other forums, they deploy these resources to offer suitable advice and remarks about ADK's management from a broader perspective based on external viewpoints, thus contributing to decision making on important items. In these ways, external directors help ensure the appropriateness of decision making and supervise the execution of business.

The task of external corporate auditors is to express their impartial opinions from a more neutral perspective. They attend important meetings, including of the Board of Directors; receive reports on the execution status of business from directors and employees; and request detailed explanations as necessary. In these ways, they monitor the execution of business by directors.

To enable external directors and external corporate auditors to fulfill their roles adequately, ADK has concluded limited liability agreements with each external director and external corporate auditor that limit their liability under Article 423, Paragraph 1, of the Companies Act of Japan. The maximum amount of limited liability covered by the agreements is ¥10 million or an amount stipulated by relevant regulations, whichever is higher.

b. Personal Relationships, Capital Relationships, Business Relationships or Other Relationships of Interest Between the Company and the Company's External Corporate Auditors

ADK does not have any advisory agreements with Hiroshi Ohbayashi, an external director, or his legal office, and does not it acquire services from either regarding separate legal matters.

External Director Hideaki Kido also holds the position of chairman of IMAGICA TV Corp. A business relationship exists between ADK and IMAGICA TV Corp. for the delivery of video and other services. However, because the proportion of net sales derived by the Company in the year ended December 2012, and the proportion of net sales derived by IMAGICA TV Corp. in the most recent fiscal year (period ended March 2012) from this relationship totaled less than 0.1% for both companies, it is extremely small in scale.

External Director Mochio Umeda also holds the positions of president of Muse Associates LLC and managing director of the Pacifica Fund. However, the Company does not have a personal relationship, capital relationship, business relationship or any other relationship of interest with Mr. Umeda.

External Auditor Hiroshi Ota previously held the position of operating officer at the head office of the Daiwa Securities Group and its group companies, which are business partners of ADK. However, in the fiscal year ended December 2012, sales derived from business between the Company and Daiwa Securities and its group companies totaled less than one percent of net sales. In addition, when ADK issues new securities it employs Daiwa Securities to serve as lead manager. However, such dealings between ADK and Daiwa Securities do not have any impact on the management of Daiwa Securities.

External Auditor Makoto Ichikawa previously held the position of operating officer at Norinchukin Bank, which is a business partner of the Company. However, in the year ended December 2012 business between the Company and Norinchukin Bank accounted for less than one percent of the Company's net sales. Furthermore, as of the end of December 2012, the Company had no borrowings from the Bank.

ADK does not have any advisory agreements with External Auditor Masayuki Yoshinari or his legal office, and does not acquire services from either regarding separate legal matters.

"Corporate Activity Award" Received

ADK received a "Corporate Activity Award" at the 4th Listed Company Awards held by Tokyo Stock Exchange, Inc. (TSE).

Under the award system, once a year the TSE identifies listed companies that have engaged in corporate activity deemed to be beneficial by the TSE in its position as a market operator.

The award theme for fiscal 2012 was "Designation of Outside Directors as Independent Directors." A total of four companies received a Corporate Activity Award, each of which (1) newly appointed two or more outside directors, and (2) appointed two or more independent directors from among such newly appointed outside directors.

Because ADK appointed three independent directors as outside directors, it was deemed to be fostering the proliferation of corporate activity guidelines determined by the TSE. Going forward, ADK will work to improve corporate value and otherwise become a company that is broadly supported by shareholders and all other stakeholders.

c. Selection Criteria and Policies Concerning Independence of External Directors and External Corporate Auditors from the Company

ADK does not have any specific criteria or policies regarding the independence from the Company of appointed external directors or external corporate auditors. However, when appointing external directors and external corporate auditors, the Company's basic approach is to select candidates unlikely to have conflicts of interest with general shareholders, while referring to the independence criteria prescribed by the Tokyo Stock Exchange (TSE). As of March 29, 2013, ADK had notified the TSE that all of the Company's external directors and external auditors are independent directors and auditors pursuant to the provisions of the TSE's regulations.

4 Executive Remuneration

a. Total Executive Remuneration, Total per Type of Executive Remuneration and Number of Eligible Executives

Position	Total remuneration (Millions of Yen)	Total per type of remuneration (Millions of Yen)			Number of eligible persons
		Fixed remuneration	Bonuses	Retirement benefits	
Directors (excludes external directors)	294	288	–	5	11
Corporate auditors (excludes external corporate auditors)	17	17	–	–	1
External executives	61	61	–	–	6

Notes:
1. Bonuses were not paid in fiscal 2012.
2. The above remuneration includes that paid to two directors who retired upon the conclusion of the Company's 57th Ordinary General Meeting of Shareholders held on March 29, 2012. One of the Company's 13 directors as of the end of fiscal 2012 serves without compensation, and therefore is not included in the table above.

b. Total Performance-Linked Remuneration

No executives were paid performance-linked remuneration in an amount exceeding ¥100 million during fiscal 2012.

c. Summary of Policies Concerning Determination of Directors' Total Remuneration

Directors charged with business execution receive "fixed remuneration" and "performance-linked remuneration" determined according to the functions they perform. External directors, directors and corporate auditors not charged with business execution receive fixed remuneration only.

The Company offers both long-term and short-term incentives to directors charged with business execution in the form of performance-linked remuneration. It consists of "bonuses" that are linked to short-term performance and "stock options" that are linked to long-term performance. Because the Company does not treat directors as employees, it does not pay separate salaries to directors. The Company has abolished the system of granting retirement benefits to retiring directors and corporate auditors. It terminated the granting of retirement benefits to corporate auditors as of the close of the 52nd Ordinary General Meeting of Shareholders held on March 28, 2007, and terminated the granting of retirement benefits to directors as of the close of the 56th Ordinary General Meeting of Shareholders held on March 30, 2011.

The Company determines specific levels of remuneration by referring to corresponding data on a group of companies in the non-manufacturing sector that achieve a similar level of net sales as the Company and its peers.

i. Fixed Remuneration

The Company passed a resolution at the 56th Ordinary General Meeting of Shareholders held on March 30, 2011, to limit directors' fixed annual remuneration to an amount not exceeding ¥500 million.

Fixed remuneration for directors comprises fixed "base remuneration" and "funds for the acquisition of treasury stock" through the directors' shareholding association. However, "funds for the acquisition of treasury stock" are paid to full-time directors only.

Fixed remuneration for corporate auditors comprises base remuneration. In accordance with a resolution passed at the Extraordinary General Meeting of Shareholders held on November 20, 1998, remuneration paid is limited to less than ¥10 million monthly.

ii. Bonuses

The Company passed a resolution at the 57th Ordinary General Meeting of Shareholders held on March 29, 2012, to grant directors (excluding external directors) bonuses separate from the aforementioned fixed remuneration that are commensurate with the consolidated operating income recorded each business year in an amount not exceeding ¥150 million annually. The Company does not grant bonuses when annual consolidated operating income does not reach the targeted amount. When the targeted amount has been achieved, the Company grants bonuses amounting to 20%–40% of base remuneration, which is fixed remuneration. (However, this excludes any funds for acquiring treasury stock through the directors' shareholding association.)

iii. Stock Options

The Company passed a resolution at the 57th Ordinary General Meeting of Shareholders held on March 29, 2012, to grant directors (excluding external directors) stock acquisition rights separate from the aforementioned fixed remuneration and the aforementioned bonuses, not to exceed ¥100 million annually. The amount of such stock acquisition rights shall be equivalent to approximately 30% of the basic remuneration portion of fixed remuneration (excludes in-house share purchase funds for purchasing shares via the directors' shareholding association).

The exercise price of such stock acquisition rights shall be ¥1.00 per share. The number of share acquisition rights to be exercised fluctuates within a range from 0% to 100% of the total number of stock acquisition rights allocated according to the Total Shareholder Return results (i.e., the sum of the difference between the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the allotment date and the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the first date of the exercise period and the dividend per share for the period from the allotment date to the first date of the exercise period, divided by the average stock price on the Tokyo Stock Exchange in the three months (excluding non-trading dates) immediately preceding the allotment date) from the allotment date to the first date of the exercise period.

5 Accounting Auditors

In accordance with the Companies Act and the Financial Instruments and Exchange Law, the Company has a contractual agreement with Ernst & Young ShinNihon LLC to serve as its accounting auditor. Furthermore, no special interests exist between any managing partners of said audit organization engaged in the auditing of the Company's accounts and the Company.

Details of the independent account auditors who audited the Company's fiscal 2012 accounts, the name of their accounting firm and the number of persons who assisted with the audit are provided below.

Certified Public Accountants (Account Auditors)		Company
Designated employee with limited liability	Mitsuo Sakamoto	Ernst & Young ShinNihon LLC
Designated employee with limited liability	Kazuki Hayashi	

6 Number of Directors

The Company's Articles of Incorporation specify a minimum of three directors. There is no maximum number of directors. The Company appoints directors to a term of one year, which increases opportunities for shareholders to test the mandate of directors.

7 Change to Resolutions on the Appointment of Directors

Under the Articles of Incorporation, a resolution for appointing a director shall be adopted by a majority of votes upon the participation of one-third or more of shareholders with exercisable voting rights. The purpose of this reduction in the quorum is to facilitate smooth general meetings of shareholders.

The appointment of a director shall not be determined by cumulative voting.

8 Delegation of Authority to the Board of Directors

Under the Articles of Incorporation, items covered in Article 459, Paragraph 1, of the Companies Act, such as distribution of surplus and purchase of treasury stock, shall, except as otherwise provided for in laws or regulations, be determined by resolution of the Board of Directors, and not by resolution of a general meeting of shareholders. The Board has been delegated authority to distribute surplus funds in order to facilitate flexible profit distribution and acquisition of treasury stock in line with the Company's policy that positions shareholder return as a high management priority. Furthermore, this authority is not granted to general shareholder meetings to avoid excessive returns and procedural confusion due to the duplication of the Board of Directors' policy on shareholder return and the policy on returns reflected in shareholder proposals.

9 Change to Requirements for Special Resolutions at General Shareholder Meetings

Under the Articles of Incorporation, resolutions covered in Article 309, Paragraph 2, of the Companies Act shall be adopted by a majority exceeding two-thirds of votes upon the participation of one-third or more of shareholders with exercisable voting rights. The purpose of this reduction in the quorum is to facilitate smooth general meetings of shareholders.

2 Auditor Remuneration

1 Remuneration of Certified Public Accountants

(Millions of Yen)

	Fiscal 2011		Fiscal 2012	
	Remuneration for audit certification work	Remuneration for non-auditing work	Remuneration for audit certification work	Remuneration for non-auditing work
ADK	110	–	112	15
Affiliates	–	–	–	–
Total	110	–	112	15

2 Other Important Remuneration

Fiscal 2011 (January 1–December 31, 2011)

Certain consolidated overseas affiliates paid remuneration in the amount of ¥2 million for authorized audit certification work by audit offices belonging to the network of Ernst & Young ShinNihon LLC, which the Company contracts for auditing services by Certified Public Accountants.

Fiscal 2012 (January 1–December 31, 2012)

ADK and certain consolidated overseas affiliates paid remuneration in the amount of ¥8 million for authorized audit certification work by audit offices belonging to the network of Ernst & Young ShinNihon LLC, which the Company contracts for auditing services by Certified Public Accountants.

3 Non-Auditing Work Conducted by Certified Public Accountants

Fiscal 2011 (January 1–December 31, 2011)

Not applicable

Fiscal 2012 (January 1–December 31, 2012)

The Company also paid remuneration for non-auditing work conducted by Certified Public Accountants and others. This work consisted primarily of project assessments related to formulating concepts for core systems for the subsequent financial year.

4 Policy on Determining Audit Remuneration

Decisions regarding remuneration for auditing work conducted by accounting auditors shall be determined upon obtaining the approval of the Board of Corporate Auditors pursuant to Article 399 of the Companies Act following discussion that takes into consideration the appropriateness of the number of audit hours based on the details of an audit plan submitted by the accounting auditors.

Board of Directors and Auditors

(as of July 1, 2013)

Shinichi Ueno
Representative Director
President & Group CEO

Kazuhiko Narimatsu
Executive Director, Senior Operating Officer
Account Service Management

Takeshi Kato
Executive Director, Operating Officer
Corporate Management and Planning Center

Yoshihiro Sakai
Executive Director, Operating Officer
CFO

Koichiro Naganuma
Director, Chairman of the Board

Stuart Neish
Non-Executive Director
Regional Director, WPP Asia Pasific

Hiroshi Obayashi
Outside Director

Hideaki Kido
Outside Director

Mochio Umeda
Outside Director

Yoshiro Sakai
Auditor (Full-time)

Makoto Ichikawa
Auditor (Full-time)

Hiroshi Ota
Auditor (Full-time)

Masayuki Yoshinari
Auditor

Financial Section

Management's Discussion and Analysis

Fiscal 2012 Consolidated Performance Highlights

- Gross billings up 1.1% to ¥350.8 billion
- Gross profit up 0.7% to ¥46.1 billion
- Gross margin unchanged at 13.2%
- Operating income down 17.6% to ¥3.1 billion
- Net income of ¥2.7 billion; net income per share of ¥65.83

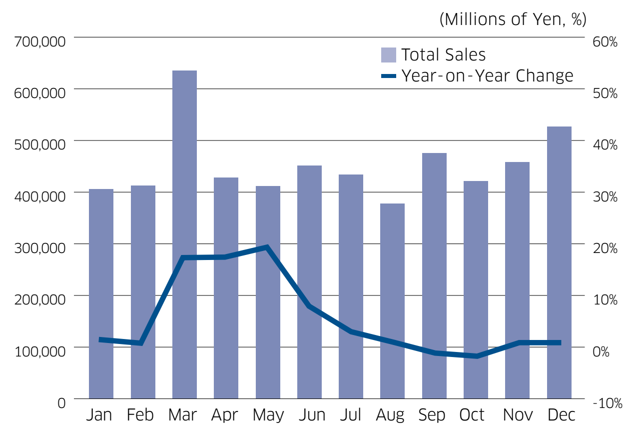
Overview of Fiscal 2012

In fiscal 2012, conditions in the Japanese economy were challenging throughout. Until the middle of the year, the economy followed a recovery trend, albeit moderate, mainly owing to disaster restoration-related demand and various government policies.

Subsequently, however, the economy weakened due to several factors. These include a decline in exports stemming from the economic slowdown overseas, especially among emerging nations, as well as the dissipation of domestic policy benefits and a pause in personal consumption. Finally, toward the end of the year, positive expectations about the fiscal and monetary policies of the new government added impetus to the trends of a weakening yen and higher stock prices, and some bright signs appeared as a result.

According to the Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry (METI), total gross billings in the Japanese advertising industry in the three-month period from March through May 2012 grew more than 10% compared with the previous corresponding period, which was affected significantly by the Great East Japan Earthquake. Afterward, however, the growth rate slowed, and gross billings in the two-month period of September and October fell short of the previous corresponding period. We believe that the situation will remain unstable.

2012 Advertising Expenditures in Japan



Preliminary Report on the Current Survey of Selected Service Industries: Research and Statistics Department, Minister's Secretariat, Ministry of Economy, Trade and Industry

Under these circumstances, the ADK Group sought to provide communications programs emphasizing maximization of return on investment (ROI) for its advertising clients. At the same time, we actively advanced our operations in emerging markets and China, as well as in the animation content business. As a result, gross billings remained mostly unchanged from the previous year. We continued efforts to meticulously control costs while striving to reduce selling, general, and administrative (SG&A) expenses. However, profits fell just short of the previous year's level.

Consolidated Performance

Gross Billings

Gross billings totaled ¥350,822 million, an increase of 1.1% compared with fiscal 2011, thanks to the contribution of ADK Digital Communications (ADDC), a newly consolidated Internet media-rep company, in Japan, as well as increased sales in North America and Asia. Gross billings of ADK, the parent company, remained mostly unchanged from the previous year, mainly due to lack of growth in the second half stemming from lower billings to major clients.

Gross Profit

Gross profit increased 0.7% year on year to ¥46,169 million. The gross margin remained unchanged at 13.2%. ADK's gross margin declined from 11.0% in fiscal 2011 to 10.8% in fiscal 2012. On the other hand, overall profitability in China improved.

Operating Income

Operating income was ¥3,176 million, down ¥677 million from fiscal 2011. SG&A expenses increased 2.4%, mainly due to higher IT costs and depreciation expenses associated with the replacement of computer and software at ADK, the parent company. Personnel expenses were up, due to increased employee numbers at ADDC, a newly consolidated subsidiary in Japan, and at subsidiaries overseas, including in the growing market of China. Also, an advertising production subsidiary increased its staff in expectation of higher sales.

Other Income and Expenses

Interest and dividend income was ¥1,613 million, and equity in earnings of affiliates was ¥13 million.
We reported total other income of ¥893 million, including a ¥150 million gain on sales of investment securities. By contrast, we posted ¥824 million in special retirement expenses and a ¥214 million loss on sales of investment securities.

Net Income

As a result, income before income taxes and minority interests totaled ¥4,069 million, down 19.1% from fiscal 2011. However, tax expenses declined due to accumulation of deferred tax assets. Accordingly, the Group reported net income of ¥2,781 million, up 21.3% from fiscal 2011.

Quarterly Financial Highlights

(Millions of Yen)

	1st Quarter Jan 1, 2012–Mar 31, 2012	2nd Quarter Apr 1, 2012–Jun 30, 2012	3rd Quarter Jul 1, 2012–Sep 30, 2012	4th Quarter Oct 1, 2012–Dec 31, 2012
Gross Billings	91,004	88,786	80,477	90,553
Operating Income	2,259	463	(600)	1,053
Income before Income Taxes and Minority Interests	2,518	347	(324)	1,526
Net Income	1,458	316	72	934
Net Income per Common Stock (Yen)	34.53	7.50	1.71	22.09

Balance Sheets and Cash Flow

Assets and Liabilities

At the end of fiscal 2012, the Group had total assets of ¥195,163 million, up ¥10,974 million from a year earlier. Factors boosting assets included an increase in the market value of investment securities stemming mainly from rising share prices. By contrast, there was a decline in notes and accounts receivable.

Total liabilities amounted to ¥85,603 million, down ¥1,784 million from a year earlier. This was mainly due to a decline in notes and accounts payable, which contrasted with an increase in deferred tax liabilities arising from the higher market value of investment securities.

At the fiscal year-end, net assets totaled ¥109,560 million, up ¥12,760 million from a year earlier. Contributing factors included an increase in the unrealized gain on available-for-sale securities. The equity ratio (excluding minority interests and subscription rights to shares) was 55.6%, up 3.6 points from a year earlier.

Free Cash Flow

(Millions of Yen)

	2012	2011
Net cash provided by operating activities	2,581	8,957
Business reinvestment*	(882)	(1,895)
Free cash flow	1,700	7,062

*Business reinvestment = Purchase of property and equipment + Purchase of intangible assets – Sales of property and equipment

Cash Flows

In fiscal 2012, net cash provided by operating activities fell short of the sum of net cash used in investing and financing activities by ¥322 million. After foreign currency translation adjustments, cash and cash equivalents stood at ¥27,264 million, up ¥744 million from a year earlier.

Net cash provided by operating activities amounted to ¥2,581 million compared with ¥8,957 million in the previous year. Major factors included ¥4,069 million in income before income taxes and minority interests, a ¥4,758 million decrease in notes and accounts receivable, and a ¥5,304 million decrease in notes and accounts payable.

Net cash used in investing activities totaled ¥1,719 million compared with ¥3,780 million provided by investing activities in fiscal 2011. The main factor was a ¥1,054 million decrease in time deposits.

Net cash used in financing activities was ¥1,184 million compared with ¥4,944 million in the previous year. This was mainly due to ¥845 million in dividends paid, which was ¥4,600 million in fiscal 2011.

Capital Expenditures

(Millions of Yen)

	2012		2011	
	Capital Expenditures	Depreciation	Capital Expenditures	Depreciation
Buildings	49	217	78	184
Building improvements	–	0	–	0
Vehicles	36	23	17	22
Furniture, fixtures and equipment	155	248	255	176
Land	–	–	–	–
Licenses	–	–	–	–
Computer software	665	692	1,570	456
Lease assets	50	129	23	119
Others	0	29	–	16
Total	957	1,341	1,945	975

Segment Information

Advertising Business

The Group's advertising business segment generated gross billings of ¥344,135 million, up 1.2% from the previous fiscal year. Segment profit declined 7.0% to ¥3,587 million.

The parent company (ADK) and its subsidiaries in Japan and overseas all enjoyed year-on-year increases in gross billings. Overseas subsidiaries reported profit growth, but ADK and its domestic subsidiaries posted a decrease in profit.

ADK, which forms the core of the ADK Group, reported gross billings of ¥303,422 million, up 0.5% from the previous year. Gross profit slipped 1.0% to ¥32,812 million. During the year, we continued striving to reduce SG&A expenses. However, the large share of fixed costs had a negative impact on earnings, and operating income declined 22.6% to ¥1,341 million.

Non-Consolidated Performance Summary

(Millions of Yen)

	2012	2011	Change
Gross billings	¥303,422	¥301,878	0.5%
Gross profit	32,812	33,156	-1.0%
Operating income	1,341	1,734	-22.6%
Net income	1,543	2,302	-33.0%

Broken down by industry, we reported increased gross billings to clients in the Distribution/Retail, Education/Healthcare Services/Religion, and Beverages/Tobacco Products sectors, although gross billings to clients in the Finance/Insurance, Information/Communications, and Cosmetics/Toiletry Goods sectors declined.

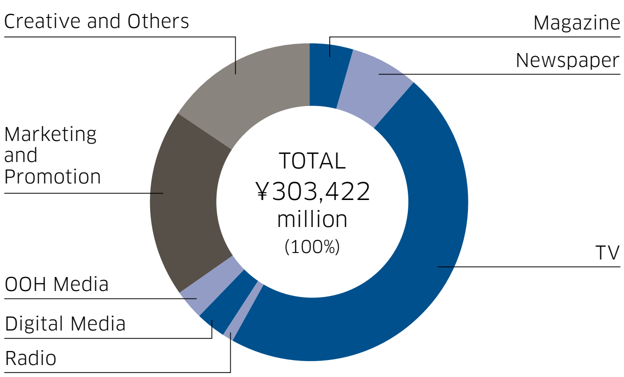
Non-Consolidated Gross Billings Breakdown by Client Industry

(Millions of Yen)

	2012	Composition	2011	Composition	Change	Year-on-Year Change
Energy/Raw Materials/Machinery	¥ 4,441	1.5%	¥ 5,027	1.7%	¥ (586)	-11.7%
Food	30,071	9.9	31,713	10.5	(1,641)	-5.2
Beverages/Tobacco Products	24,676	8.1	23,034	7.6	1,642	7.1
Pharmaceuticals/Medical Supplies	13,775	4.5	15,687	5.2	(1,912)	-12.2
Cosmetics/Toiletry Goods	31,100	10.2	33,038	10.9	(1,938)	-5.9
Apparel/Jewelry	9,884	3.3	8,766	2.9	1,118	12.8
Precision Instruments/Office Equipment	1,906	0.6	2,037	0.7	(130)	-6.4
Electric Machines/AV Equipment	3,625	1.2	3,667	1.2	(42)	-1.1
Automobiles/Auto-Related Products	15,396	5.1	15,418	5.1	(22)	-0.1
Household Products	2,949	1.0	3,193	1.1	(243)	-7.6
Hobbies/Sporting Goods	21,090	7.0	20,997	7.0	92	0.4
Real Estate/Housing	8,683	2.9	8,555	2.8	127	1.5
Publications	2,964	1.0	2,668	0.9	295	11.1
Information/Communications	33,463	11.0	35,725	11.8	(2,261)	-6.3
Distribution/Retail	25,552	8.4	21,356	7.1	4,195	19.6
Finance/Insurance	22,155	7.3	25,912	8.6	(3,757)	-14.5
Transportation/Leisure	11,184	3.7	10,620	3.5	564	5.3
Restaurants/Other Services	5,953	2.0	6,728	2.2	(775)	-11.5
Government/Organizations	11,067	3.6	9,561	3.2	1,505	15.7
Education/Healthcare Services/Religion	7,675	2.5	5,679	1.9	1,995	35.1
Classified Ads/Other	15,806	5.2	12,486	4.1	3,319	26.6
Total	¥303,422	100.0%	¥301,878	100.0%	¥1,544	0.5%

Broken down by business discipline, Magazine, Newspaper, Digital Media, OOH Media, and Marketing and Promotion reported higher gross billings, while others reported a decline in gross billings.

Non-Consolidated Performance by Discipline



(Millions of Yen)

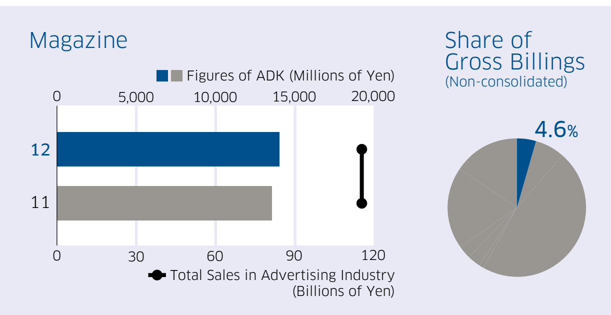
Breakdown by Discipline		Gross billings	Composition	Year-on-Year Change
Media	Magazine	¥ 13,984	4.6%	2.8%
	Newspaper	21,006	6.9	3.1
	TV	142,007	46.8	-2.2
	Radio	3,075	1.0	-4.3
	Digital Media	9,024	3.0	9.0
	OOH Media	8,937	3.0	4.8
Subtotal		198,035	65.3	-0.6
Non-Media	Marketing and Promotion	58,726	19.3	9.2
	Creative and Others	46,660	15.4	-4.7
Subtotal		105,386	34.7	2.6
Total		¥303,422	100.0%	0.5%

Notes:
1. TV includes Program-sponsored ad, Spot and Content.
2. Digital Media includes Internet and Mobile-related media. (Digital Solutions, such as Web Site Creation and System Development are included in “Marketing and Promotion.”)
3. OOH (Out-of-Home) Media includes transportation and outdoor advertising and insertions.
4. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR, Exposition Events and Digital Solutions, etc.

Magazine

According to the Preliminary Report on the Current Survey of Selected Service Industries announced by METI, total sales of magazine advertising in Japan were almost unchanged from the previous year, edging up 0.3% year on year.

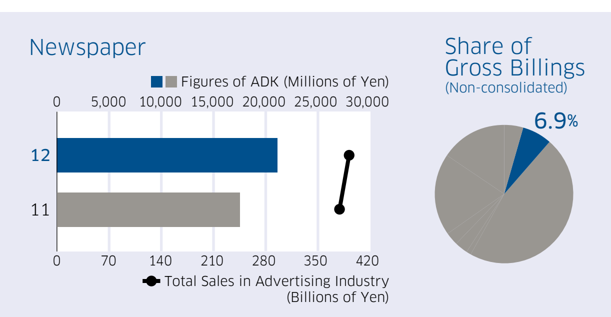
In the magazine business, gross billing to companies in the Home Electrical Appliances/AV Equipment, Information/Communications, and Food sectors declined amid falling budgets among advertisers in general. However, we enjoyed increased gross billings to clients in the Apparel/Jewelry and Beverages/Tobacco Products sectors. Accordingly, gross billings from magazine advertising rose 2.8% to ¥13,984 million.



Newspaper

Total sales of newspaper advertising in Japan increased 3.2%.

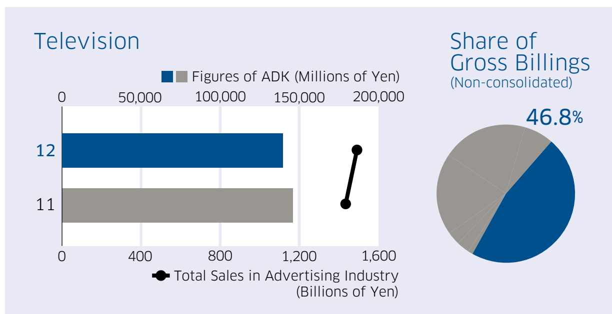
ADK's gross billings from newspaper advertising increased 3.1% to ¥21,006 million. This was mainly due to higher gross billings to clients in the Distribution/Retail and Real Estate/Housing sectors, which outweighed lower gross billings to clients in the Hobbies/Sporting Goods, Government/Organizations, Information/Communications, and Food sectors.



Television

Total sales of television advertising in Japan increased 3.8%.

However, ADK's gross billings from television advertising declined 2.2% to ¥142,007 million. In program-sponsored advertising, we reported increased gross billings to clients in the Hobbies/Sporting Goods, Distribution/Retail, and Government/Organizations sectors, but decreased gross billings to clients in the Finance/Insurance and Food sectors. As for spot advertising, we posted higher gross billings to clients in the Home Electrical Appliances/AV Equipment and Government/Organizations sectors, but lower gross billings to clients in the Information/Communications, Foods, and Finance/Insurance sectors. In the animation content-related business, we continued promoting animation distribution sites and mobile video distribution while developing new animation content and actively using popular characters. Animation content sales increased as a result.



Gross Billings from Television Ads (Breakdown by Category)

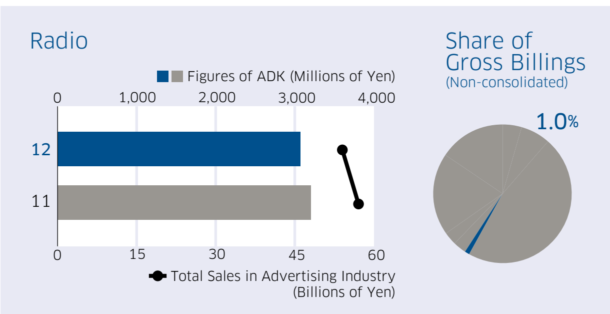
(Millions of Yen)

	2012	2011	Change
Time (program-sponsored ad)	¥ 54,795	¥ 54,475	0.6%
Spot	73,676	78,314	-5.9
Content-related sales	13,534	12,388	9.2
Total	¥142,007	¥145,178	-2.2%

Radio

Total sales of radio advertising in Japan declined 4.0%.

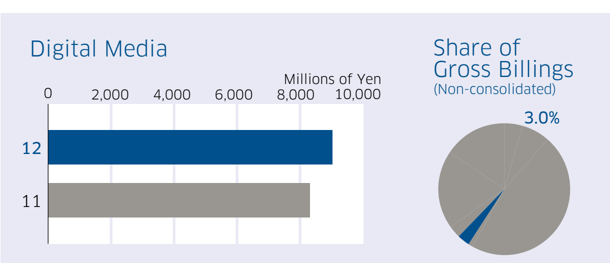
ADK's gross billings from radio advertising declined 4.3% to ¥3,075 million. We reported increased business with clients in the Transportation/Leisure and Cosmetics/Toiletry Goods sectors, but decreased business with clients in the Automobiles/Auto-Related Products, Information/Communications, and Finance/Insurance sectors.



Digital Media

Total sales of Internet advertising in Japan increased 7.4%.

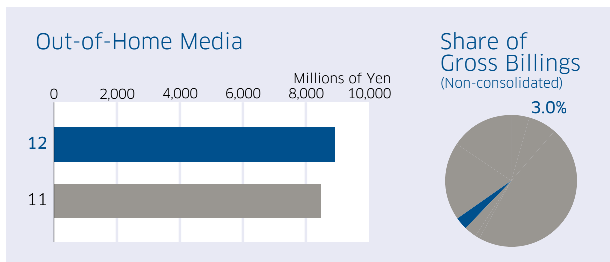
ADK's gross billings from digital media advertising climbed 9.0% to ¥9,024 million. This was boosted by higher gross billings to clients in the Finance/Insurance, Cosmetics/Toiletry Goods, and Beverages/Tobacco Products sectors, which contrasted with lower gross billings to clients in the Information/Communications and Distribution/Retail sectors.



Out-of-Home Media

This category includes outdoor advertising such as billboard, traffic advertising, and inserts. Japan's total sales of outdoor advertising increased 0.2%, and traffic ads increased 8.7%, whereas inserts and direct mail increased 3.1%.

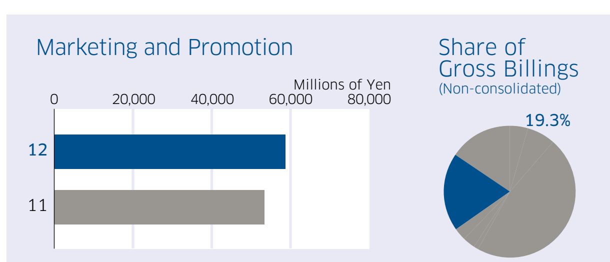
We enjoyed growth in business with clients in the Education/Healthcare Services/Religion, Distribution/Retail, and Beverages/Tobacco Products sectors, which compensated for decreased business with clients in the Restaurants/Other Services and Pharmaceuticals/Medical Supplies sectors. Accordingly, gross billings from OOH media advertising rose 4.8% to ¥8,937 million.



Marketing and Promotion

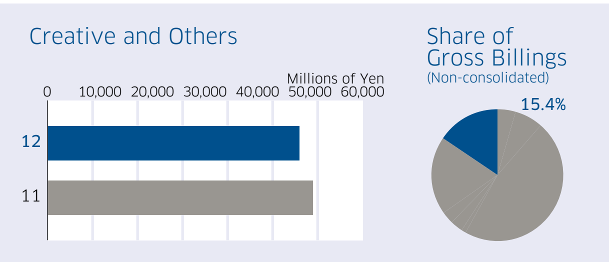
According to the aforementioned survey of METI, the total sales from sales promotion, PR, and event planning in Japan increased 1.2% in 2012.

Despite lower gross billings to clients in the Finance/Insurance, Cosmetics/Toiletry Goods, and Hobbies/Sporting Goods sectors, we enjoyed increased business with clients in the Beverages/Tobacco Products, Automobiles/Auto-Related Products, and Real Estate/Housing sectors. As a result, total gross billings in the marketing and promotion business grew 9.2% to ¥58,726 million.



Creative and Others

In this segment, we reported decreased business with clients in the Pharmaceuticals/Medical Supplies, Information/Communications, and Cosmetics/Toiletry Goods sectors. Accordingly, gross billings in the Creative and Others segment declined 4.7% to ¥46,660 million.



Other Business

Subsidiaries in the publishing business segment reported ¥6,686 million in sales, a 4.9% year-on-year decline, and a segment loss of ¥426 million compared with an ¥8 million loss in fiscal 2011.

Overseas Sales

In fiscal 2012, the ADK Group obtained 7.8% of its gross billings from overseas compared with 7.4% in fiscal 2011. All overseas sales are in the advertising business.

Outlook for Fiscal 2013

In fiscal 2013, the export environment is expected to improve, buoyed largely by economic recovery in the United States and a weakening yen. In Japan, we feel the economy will resume a recovery trend, given planned large-scale government expenditures, centering on public works projects. Nevertheless, the outlook for overseas economies, such as Europe and China, remains uncertain, which could place downward pressure on the domestic economy. Also, there is no evidence of a breakout from the current deflationary cycle, so we feel that optimism is not yet justified.

Under this slow-growth environment, ADK's consolidated performance forecasts for fiscal 2013 are gross billings of ¥359.2 billion, operating income of ¥4.0 billion, and net income of ¥2.9 billion. EPS for the year is forecast at ¥69.21.

On a non-consolidated basis, the forecasts for fiscal 2013 are gross billings of ¥308.0 billion, operating income of ¥2.0 billion, and net income of ¥1.55 billion. EPS for the year is forecast at ¥36.99.

Forward-Looking Statements and Risk Factors

This report may contain forward-looking statements based on ADK management's view and assumptions of future developments as of the date of such statements. The foregoing statements herein are inherently subject to risks, including, but not limited to, those shown below (under Tokyo Stock Exchange guidance), and uncertainties that could lead to material differences between such statements and actual outcomes. Therefore, ADK does not warrant any certainty and accuracy thereto. ADK also expressly disclaims any obligation to update or revise its forward-looking statements.

1. Domestic Economy

In fiscal 2012, the Group generated 92.2% of its gross billings from the Japanese domestic market. Japanese national advertising spending is influenced by corporate advertisers' budgets, which is closely correlated with consumer spending. In the event that the domestic economy deteriorates seriously, the ADK Group's performance and financial condition could be negatively affected.

2. Response to Diversification and Digitalization of Media and Changing Consumers' Media Consumption

Advertising media continue to diversify with the advent of new display equipment, such as digital signage, smartphones, and tablet-type PCs. At the same time, people's media consumption and behaviors are changing with the rapid diffusion of social networks, such as Facebook and Twitter. Therefore, markets of traditional mass media, especially print media, are shrinking, whereas the Internet business is growing fast. Advertising clients expect their advertising companies to offer advanced solutions utilizing digital media, thereby allowing clients to gather and analyze data of people's media consumption and purchasing behavior. We do not see traditional and new media cannibalizing each other. Rather, they could enhance each other. The ADK Group continues to provide solutions, including its cross-communications approach, which can integrate both traditional and digital media. However, if the Group fails to adapt to changes in the advertising media, its performance and financial condition could be adversely affected.

3. Risks Arising from Trading Customs

a Relationship with Advertisers

In Japan, traditionally advertisers do not strictly require an exclusive relationship with their agencies, which may have business with competitors when planning and proposals are well accepted. However, there is no assurance that this practice will continue in the future. In the event that ADK fails to adapt to such changes in the advertising market, its performance and financial condition could be adversely affected. Furthermore, transactions with clients are made by individual project and there is no guarantee that the business will continue in the future.

Advertising companies in Japan do not always have documented contracts with media and clients, so as to maximize their flexibility to adapt to sudden changes. Therefore, there is the possibility that a dispute might arise during a transaction.

An advertising agency buys media time or space and materials on behalf of its clients on its own account. By custom, an agency makes transactions with media companies at its own risk. Therefore, even if a client defaults, the advertising company is still liable for the media and/or materials toward a media owner and/or a subcontracting production company. Sometimes a purchase is made through another agency. In the case that such an agency defaults, the advertising company is still liable for the media and/or materials toward a media owner and/or a subcontracting production company.

b Media Inventories

In Japan, advertising agencies seeking to nurture high-quality content or secure valuable advertising space sometimes purchase media inventories at fixed prices in advance. In such cases, the agency is obligated to pay advertising fees to the media company, regardless of the ultimate sales appeal of the inventories purchased. If the sales appeal is inadequate, this could have an adverse effect on the Group's performance and financial condition.

c Credit Risks of Subcontractors

Advertising companies work hard to enhance the quality of products and services provided by its subcontractors. However, there are risks associated with a subcontractor's ability to fulfill an order or maintain its business as a going concern, and it is difficult to transfer such risks to the advertising client. Moreover, services offered by the advertising industry are delineated, so there are cases where the subcontractor may outsource work to a sub-subcontractor, or where another agency is included in the arrangement between the ADK Group, its subcontractors, and the media company. Given such multilayered arrangements, the Group may need to provide small and specialty subcontractors with financial backup. In international business, meanwhile, sometimes partial or full payment is required in advance as the custom. In the event that a subcontractor is unable to stay in business until an order is fulfilled, or the subcontractor is unable to accept responsibility for losses related to defective products that do not fully satisfy the advertising client's scrutiny, the advertising agency may not be able to recover funds paid in advance, or may be obligated to accept responsibility for losses related to such defective products.

4. Competitive Risk

The ADK Group, as Japan's third-largest advertising group, competes against other large companies. Advertising clients select their products on which to spend their advertising budgets and tend to appoint a small number of agencies to reduce their costs. This further accelerates price competitiveness among agencies. Competition gets even more fierce by the integration of brands in the wake of clients' globalization and industry re-organization, leading to the consolidation of procurement. In addition, competition is accelerated by the entry of foreign mega-agency groups into the Japanese market, as well as many new and rapidly growing entrants in the Internet and other nontraditional mass media advertising market. Non-industry players such as retailers and trading houses have entered into the advertising market, in particular, the non-mass media sectors, which will make tough competition even tougher.

In the event that ADK is unable to respond appropriately to client needs and changes in the advertising industry, and loses its competitiveness as a result, there is a significant risk that its market share could decline and profits could deteriorate. This would have a serious impact on its performance and financial condition.

5. Risks Arising from Operations

a Client Portfolio

To achieve business stability and growth, the ADK Group has for many years maintained relationships with numerous advertising clients in various industries and will continue striving to make proposals that meet their needs. However, it is possible that the Group's client portfolio will change and that diversity across sectors will be inadequate. The parent company's largest 10 and 20 clients accounted for around 20% and 30%, respectively.

b Relationship with the Media

The ADK Group buys and resells various media, including mass media and rapidly growing digital media, such as mobile and Internet. In fiscal 2012, the parent company (ADK) generated 65.3% of its gross billings by handling the four major mass media, as well as the Internet, digital advertising, and OOH media. Gross billings from television represented 46.8% of ADK's non-consolidated gross billings. ADK continues to strive to secure advertising time and/or space in these media. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK Group does not respond to these changes appropriately, there is a significant possibility that its performance and financial condition could be adversely affected.

c Relationship with Subcontractors

Although ADK carries out planning for advertising and sales promotion campaigns, the execution of these activities is mostly outsourced to qualified subcontractors. In the case of a change in trading relationships with these subcontracted companies, and in the event that ADK is unable to respond appropriately, this could have a negative impact on its performance and financial condition.

d Staff

Advertising is a people business, and human talents are critical assets in the advertising industry. For this reason, the ADK Group works constantly to secure exceptional human resources, assign them to appropriate locations, train them so they can address changing market environments, and ensure smooth internal communications. A series of new laws will be enacted from April 2013, including the revised Labor Contract Act, the revised Worker Dispatch Act, and the Law Concerning Stabilization of Employment of Older Persons. In response, the Group will amend its various personnel policies and consider a new employee training framework to match its new business policies. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on its performance and financial condition. In addition, most of its staff costs are fixed costs and represent the largest portion of its selling, general and administrative expenses. On a consolidated basis, staff expenses represented as much as 62.5% of SG&A expenses in fiscal 2012.

e Overseas Operations

ADK has been striving to develop overseas revenues. In fiscal 2012, the ADK Group generated 7.8% of its gross billings from overseas sources. In overseas markets, because of differences in culture, society, law, and commercial customs, a variety of problems may arise. In addition, both country risk and currency risk are inherent in conducting international business. Such risks are deemed to be even greater in newly emerging markets where high growth is anticipated. In the event that the ADK Group is unable to expand its overseas operations as planned, its performance and financial condition could be significantly affected.

f Content Business

ADK has been successful in the animation content business, as well as in sports and cultural event marketing, which enables ADK to differentiate itself from competitors. ADK continues to develop new content under existing and new business models. However, the demography of Japan is aging and people's preferences and media consumption are changing. Accordingly, the content business is getting more complicated, and competition is becoming tougher.

The typical amount of content development investment is increasing, volatility is growing, and the time to recoup investments is increasing. In sum, the content business is getting riskier but less profitable. There is no guarantee that this content or its derivatives will continue to succeed. Continued resale income from existing content is not guaranteed either. Accordingly, in the case that the ADK Group is not able to generate income as it expects, it could experience a significant impact on its performance and financial condition.

g Investment in Competitiveness

To enhance its competitiveness in the changing advertising market, ADK occasionally invests in the digital business domain. Moreover, ADK invests in data collection and R&D, which would be critical in offering cross-communications program ideas, and invests in IT to enhance operational efficiency. However, in the event that the ADK Group is unable to realize benefits from its investments as planned, its performance and financial condition could be significantly affected.

h Management of Group Companies

The ADK Group consists of the parent company, 47 subsidiaries, 15 affiliates, and one related company, and operates in the advertising and publications businesses. Although the ADK Group strives hard to realize synergies among these companies, in the event that it is unable to do so as planned, its performance and financial condition could be significantly affected.

i Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc since August 1998, holding a 2.47% equity stake in WPP (as of December 31, 2012). WPP is the largest shareowner of ADK, holding 24.32% of the voting rights. At the same time, both companies have non-executive directors on each other's boards. By way of operating alliances with WPP Group operating companies, including JWT, ADK has formed a number of creative and promotional tie-ups and will continue to develop operations worldwide.

Although ADK plans to continue and expand its capital and business alliance with WPP Group, in the event that the ADK Group is unable to realize the benefits from this relationship or if the relationship should negatively change in any way, there could be an impact on the ADK Group's performance and financial condition in the future.

Although the yen-translated market value of the equity stake in WPP was ¥38,773 million (at a stock price of £8.88 per share) as of the end of December 2012, compared with a book value of ¥22,262 million (at a stock price of £3.6517 per share under the lower-of-cost-or-market method), in the event of a major deterioration in the Group's sterling-based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

j Marketable Securities and Investment Securities

The ADK Group's holdings of marketable and investment securities (including the aforementioned stake in WPP) totaled ¥55,312 million, representing 28.3% of its ¥195,163 million in total assets as of December 31, 2012. Of this amount, ¥51,167 million consisted of publicly traded equity securities (including WPP plc shares), mostly the equity alliance with WPP and cross-shareholdings in advertising clients and other trading partners. The balance of unrealized gains on available-for-sale securities was ¥13,553 million after deducting deferred tax liabilities on such gains (compared with ¥4,063 million as of December 31, 2011). However, in the event of a major decline in the market prices of these holdings, ADK would be forced to account for valuation losses.

k Retirement Benefits and Pension Plans

ADK and some of its Group companies adopt combinations of defined contribution and defined benefits pension plans, as well as lump-sum retirement allowances.

In the event of deterioration in pension asset management performance, and a significant change in actuarial assumptions, the ADK Group could face a negative impact on its performance and financial condition.

ADK and some of its domestic subsidiaries are members of the Japan Advertising Industry Welfare Pension Fund. Because the ADK Group cannot technically and reasonably define how much pension assets and liabilities it is accountable for, the Group recognizes its annual cash contribution to the fund as its periodic benefit costs applicable for the fund. In the case that the fund requires the Group to make a larger contribution due to changes in the discount rate, pension asset performance, number of member companies and beneficiaries, and so on, the Group may need to recognize larger net periodic benefit costs.

l Contingent Litigation Risks

The ADK Group cannot disregard the possibility of becoming involved in future lawsuits or disputes, either directly or indirectly, due to various circumstances. If the Group does become involved in a lawsuit or dispute, its business results and financial position could be affected depending on the nature, progress, and outcome of said lawsuit or dispute.

m Risk Related to Legal Restrictions, etc.

The advertising activities of an advertiser are subject to legal restrictions under various laws—such as the Law for Preventing Unjustifiable Lagniappes and Misleading Representation, the Copyright Law, the Trademark Law, the Pharmaceutical Affairs Law, and the Specified Commercial Transactions Law—as well as to various self-imposed restrictions regarding media publications, evaluation criteria, and so on. In the event that tightening or new establishment of such legal restrictions, or self-imposed control restrains the advertising activities of an advertiser, this might sometimes influence business results and the financial status of the Group.

Also, although there are no laws or regulations specific to the advertising business itself, which is the main business of the Group, the accompanying businesses are subject to restrictions under various laws, such as the Construction Industry Act and the Security Services Act. The Group is also subject to the Law on the Prevention of Delay in the Payment of Subcontracting Charges and Related Matters, the Act for Protection of Computer Processed Personal Data held by Administrative Organs, and other laws regulating business activities in general. Moreover, the Group is required to strictly observe the Internal Control Reporting System stipulated in the Financial Instruments and Exchange Act. Although we believe that none of the above can severely affect the Group, in the event that we are unable to appropriately respond to changes in these legal restrictions in the future, such inability could affect the business results and financial status of the Group, such as an increase in operational expenses required to cope with the situation.

March 29, 2013

Consolidated Balance Sheets

ASATSU-DK INC. and Consolidated Subsidiaries
December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2012	2011	2012
CURRENT ASSETS:			
Cash and time deposits	¥ 24,489	¥ 22,642	$ 282,850
Marketable securities (Note 3)	6,472	6,334	74,751
Notes and accounts receivable			
–trade (Note 13)	84,128	88,956	971,680
Allowance for doubtful receivables	(257)	(311)	(2,970)
Inventories	7,032	6,841	81,224
Deferred tax assets (Note 8)	534	1,134	6,172
Other current assets	2,364	1,618	27,301
Total current assets	124,762	127,214	1,441,008
PROPERTY AND EQUIPMENT:			
Land	1,248	1,260	14,418
Buildings and leasehold improvements	4,738	4,503	54,719
Other	3,383	3,193	39,076
Total	9,369	8,956	108,213
Accumulated depreciation	(5,073)	(4,644)	(58,592)
Net property and equipment	4,296	4,312	49,621
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	54,009	39,902	623,806
Investments in unconsolidated subsidiaries and affiliated companies	1,303	2,232	15,049
Deferred tax assets (Note 8)	259	412	2,996
Other assets	10,534	10,116	121,657
Total investments and other assets	66,105	52,662	763,508
TOTAL ASSETS	¥195,163	¥184,188	$2,254,137

See notes to consolidated financial statements.

ASATSU-DK INC. and Consolidated Subsidiaries
December 31, 2012 and 2011

LIABILITIES AND NET ASSETS	Millions of Yen 2012	2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term debt (Note 5)	¥ 60	¥ 94	$ 693
Current portion of long-term debt (Note 5)	246	273	2,844
Notes and accounts payable–trade (Note 13)	67,130	71,383	775,355
Income taxes payable (Note 8)	337	741	3,894
Accrued bonuses to employees	359	764	4,148
Accrued bonuses to directors	12	12	140
Allowance for sales returns	840	600	9,701
Other current liabilities	6,564	8,243	75,810
Total current liabilities	75,548	82,110	872,585
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	246	484	2,841
Accrued retirement benefits (Note 6)	1,275	1,378	14,728
Allowance for retirement benefits to directors	430	395	4,971
Provision for loss on guarantees	66	35	761
Deferred tax liabilities (Note 8)	6,584	1,582	76,046
Other long-term liabilities	1,454	1,404	16,790
Total long-term liabilities	10,055	5,278	116,137
CONTINGENT LIABILITIES (Note 14)			
NET ASSETS (Note 7):			
Shareholders' equity			
Common stock			
Authorized, 206,000,000 shares in 2012 and 2011;			
Issued, 42,655,400 and 45,155,400 shares in 2012 and 2011, respectively	37,581	37,581	434,065
Capital surplus	13,246	20,024	152,991
Retained earnings	45,428	43,557	524,694
Treasury stock–at cost	(747)	(7,632)	(8,627)
Total shareholders' equity–net	95,508	93,530	1,103,123
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities	13,554	4,063	156,547
Deferred losses on derivatives under hedge accounting	(2)	(77)	(24)
Foreign currency translation adjustments	(539)	(1,681)	(6,228)
Total accumulated other comprehensive income	13,013	2,305	150,295
Subscription rights to shares (Note 19)	6	–	68
Minority interests	1,033	965	11,929
Total net assets	109,560	96,800	1,265,415
TOTAL LIABILITIES AND NET ASSETS	¥195,163	¥184,188	$2,254,137

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
GROSS BILLINGS (Note 18)	¥350,822	¥347,112	$4,052,002
COST OF SALES (Note 18)	304,653	301,276	3,518,748
Gross profit	46,169	45,836	533,254
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 9 and 18)	42,993	41,983	496,573
Operating income	3,176	3,853	36,681
OTHER INCOME (EXPENSES):			
Interest and dividend income—net	1,613	1,391	18,625
Gains on sales of securities	150	1,862	1,735
Losses on sales of securities	(214)	(78)	(2,474)
Losses on valuation of securities	(28)	(1,279)	(326)
Equity in earnings of affiliated companies—net	13	184	146
Additional retirement benefits paid to employees	(824)	(7)	(9,521)
Provision for bad debts reserve—net of reversals	16	2	187
Foreign exchange losses—net	(61)	(94)	(699)
Other—net (Note 10)	228	(806)	2,645
Other income—net	893	1,175	10,318
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	4,069	5,028	46,999
INCOME TAXES (Note 8):			
Current	754	1,073	8,701
Deferred	511	1,651	5,907
Total	1,265	2,724	14,608
INCOME BEFORE MINORITY INTERESTS	2,804	2,304	32,391
MINORITY INTERESTS IN INCOME	23	10	267
NET INCOME	¥ 2,781	¥ 2,294	$ 32,124
MINORITY INTERESTS IN INCOME	¥23	¥10	$267
INCOME BEFORE MINORITY INTERESTS	2,804	2,304	32,391
OTHER COMPREHENSIVE INCOME (Note 20)			
Unrealized gains (losses) on available-for-sale securities	9,492	(3,636)	109,633
Deferred gains on derivatives under hedge accounting	75	17	862
Foreign currency translation adjustments	1,188	(451)	13,726
Share of other comprehensive income in equity-method affiliates	–	(27)	–
Total other comprehensive income	10,755	(4,097)	124,221
COMPREHENSIVE INCOME	¥ 13,559	¥ (1,793)	$ 156,612
Total comprehensive income attributable to shareholders of ASATSU-DK INC.	13,489	(1,776)	155,798
Minority Interests	70	(17)	814

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (1)

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

Year Ended December 31, 2012

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock −at cost	Total shareholders' equity
Balance as of December 31, 2011	¥37,581	¥20,024	¥43,557	¥(7,632)	¥93,530
Changes during the fiscal year					
Dividend payments			(852)		(852)
Net income			2,781		2,781
Acquisitions of treasury stock				(4)	(4)
Disposals and cancellation of treasury stock		(6,778)		6,889	111
Adjustments of retained earnings due to change in scope of consolidation			(57)		(57)
Other decrease of retained earnings			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	(6,778)	1,871	6,885	1,978
Balance as of December 31, 2012	¥37,581	¥13,246	¥45,428	¥ (747)	¥95,508

Millions of Yen

	Accumulated other comprehensive income						
	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of December 31, 2011	¥ 4,063	¥(77)	¥(1,681)	¥ 2,305	¥–	¥ 965	¥ 96,800
Changes during the fiscal year							
Dividend payments							(852)
Net income							2,781
Acquisitions of treasury stock							(4)
Disposals and cancellation of treasury stock							111
Adjustments of retained earnings due to change in scope of consolidation							(57)
Other decrease of retained earnings							(1)
Net changes of items other than shareholders' equity	9,491	75	1,142	10,708	6	68	10,782
Total changes during the fiscal year	9,491	75	1,142	10,708	6	68	12,760
Balance as of December 31, 2012	¥13,554	¥ (2)	¥ (539)	¥13,013	¥ 6	¥1,033	¥109,560

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets (2)

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

Year Ended December 31, 2011

Millions of Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock–at cost	Total shareholders' equity
Balance as of December 31, 2010	¥37,581	¥20,024	¥45,907	¥(7,718)	¥95,794
Changes during the fiscal year					
Dividend payments			(4,641)		(4,641)
Net income			2,294		2,294
Acquisitions of treasury stock				(2)	(2)
Disposals and cancellation of treasury stock				88	88
Other decrease of retained earnings			(3)		(3)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	–	(2,350)	86	(2,264)
Balance as of December 31, 2011	¥37,581	¥20,024	¥43,557	¥(7,632)	¥93,530

Millions of Yen

	Accumulated other comprehensive income					
	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of December 31, 2010	¥ 7,727	¥(94)	¥(1,258)	¥ 6,375	¥999	¥103,168
Changes during the fiscal year						
Dividend payments						(4,641)
Net income						2,294
Acquisitions of treasury stock						(2)
Disposals and cancellation of treasury stock						88
Other decrease of retained earnings						(3)
Net changes of items other than shareholders' equity	(3,664)	17	(423)	(4,070)	(34)	(4,104)
Total changes during the fiscal year	(3,664)	17	(423)	(4,070)	(34)	(6,368)
Balance as of December 31, 2011	¥ 4,063	¥(77)	¥(1,681)	¥ 2,305	¥965	¥ 96,800

Consolidated Statements of Changes in Net Assets (3)

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

Year Ended December 31, 2012

Thousands of U.S. Dollars (Note 1)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock–at cost	Total shareholders' equity
Balance as of December 31, 2011	$434,065	$231,276	$503,089	$(88,157)	$1,080,273
Changes during the fiscal year					
Dividend payments			(9,836)		(9,836)
Net income			32,124		32,124
Acquisitions of treasury stock				(49)	(49)
Disposals and cancellation of treasury stock		(78,285)		79,579	1,294
Adjustments of retained earnings due to change in scope of consolidation			(668)		(668)
Other decrease of retained earnings			(15)		(15)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	–	(78,285)	21,605	79,530	22,850
Balance as of December 31, 2012	$434,065	$152,991	$524,694	$ (8,627)	$1,103,123

Thousands of U.S. Dollars (Note 1)

	Accumulated other comprehensive income						
	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance as of December 31, 2011	$ 46,930	$(886)	$(19,423)	$ 26,621	$ –	$11,148	$1,118,042
Changes during the fiscal year							
Dividend payments							(9,836)
Net income							32,124
Acquisitions of treasury stock							(49)
Disposals and cancellation of treasury stock							1,294
Adjustments of retained earnings due to change in scope of consolidation							(668)
Other decrease of retained earnings							(15)
Net changes of items other than shareholders' equity	109,617	862	13,195	123,674	68	781	124,523
Total changes during the fiscal year	109,617	862	13,195	123,674	68	781	147,373
Balance as of December 31, 2012	$156,547	$ (24)	$ (6,228)	$150,295	$68	$11,929	$1,265,415

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ASATSU-DK INC. and Consolidated Subsidiaries
Years Ended December 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 4,069	¥ 5,028	$ 46,999
Adjustments for:			
Income taxes—paid	(1,234)	(680)	(14,247)
Depreciation and amortization	1,341	975	15,491
Equity in earnings of affiliated companies	(13)	(184)	(146)
Losses (gains) on sales of securities	64	(1,784)	739
Losses on valuation of securities	28	1,279	326
Changes in working capital and liabilities:			
Decrease in notes and accounts receivable	4,758	3,536	54,954
(Increase) decrease in inventories	(41)	1,318	(472)
(Decrease) in notes and accounts payable	(5,304)	(3,099)	(61,257)
Increase in provision for bad debts	1	47	15
(Decrease) increase in accrued retirement benefits	(126)	35	(1,456)
(Increase) decrease in receivables	(15)	624	(170)
(Decrease) increase in payables	(614)	490	(7,095)
Others—net	(333)	1,372	(3,869)
Total adjustments	(1,488)	3,929	(17,187)
Net cash provided by operating activities	2,581	8,957	29,812
INVESTING ACTIVITIES:			
(Decrease) increase in time deposits—net	(1,054)	1,213	(12,176)
Proceeds from sales of securities	1,156	5,085	13,348
Purchases of securities	(459)	(819)	(5,304)
Proceeds from sales of property and equipment	26	27	295
Purchases of property and equipment	(241)	(351)	(2,779)
Purchases of intangible assets	(666)	(1,571)	(7,698)
Other investing activities	(481)	196	(5,541)
Net cash (used for) provided by investing activities	(1,719)	3,780	(19,855)
FINANCING ACTIVITIES:			
(Decrease) increase in short-term debt—net	(34)	10	(394)
Repayment of long-term debt	(276)	(276)	(3,185)
Purchases of treasury stock—net	108	86	1,245
Dividends paid	(845)	(4,600)	(9,756)
Other financing activities	(137)	(164)	(1,589)
Net cash used for financing activities	(1,184)	(4,944)	(13,679)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,105	(450)	12,761
NET INCREASE IN CASH AND CASH EQUIVALENTS	¥ 783	¥ 7,343	$ 9,039
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	26,519	19,127	306,297
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	34	–	395
CASH AND CASH EQUIVALENTS RESULTING FROM MERGER BETWEEN CONSOLIDATED SUBSIDIARIES AND UNCONSOLIDATED SUBSIDIARIES	–	49	–
CASH AND CASH EQUIVALENTS OF DECONSOLIDATED SUBSIDIARIES	(72)	–	(831)
CASH AND CASH EQUIVALENTS, END OF THE YEAR	¥27,264	¥26,519	$314,900

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ASATSU-DK INC. and Consolidated Subsidiaries
Years ended December 31, 2012 and 2011

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared from the accounts maintained by ASATSU DK INC. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥86.58 to US$1.00, the approximate rate of exchange on December 31, 2012. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its significant twenty-four (24) (twenty-four (24) in 2011) majority-owned subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Twenty-three (23) subsidiaries have a fiscal year end of December 31, as does the Company. One subsidiary has a fiscal year end of September 30. The consolidated financial statements include the financial statements of this subsidiary for its respective fiscal years after making appropriate adjustments for significant transactions during the period from its respective year-end date to the year-end date of the consolidated financial statements.

Investment in one (1) (one (1) in 2011) affiliated company, in which the Company owns interests of 20% to 50%, is accounted for by the equity method. Investments in the remaining twenty-three (23) (twenty-seven (27) in 2011) unconsolidated subsidiaries and fourteen (14) (fifteen (15) in 2011) affiliated companies are stated at cost. If these companies had been fully consolidated, or the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

ADK Digital Communications Inc., which was not included in the scope of consolidation as of December 31, 2011, was newly consolidated in 2012 due to its increased materiality on the consolidated financial statements.

Neo Shobo Inc. was excluded from the scope of consolidation in 2012 because it is under liquidation and its effect on the consolidated financial statements was immaterial.

Goodwill is amortized on a straight line basis over the estimated useful life, up to a maximum of 20 years, in which each acquisition is expected to benefit the Group. Where the amount is immaterial, goodwill is charged or credited to income in the year incurred.

All significant inter-company balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from intra-group transactions are eliminated.

b. Cash and Cash Equivalents—Cash and cash equivalents consist of cash, demand deposits with banks and those deposits that are short-term investments, which are readily convertible into cash and are not exposed to significant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit and money management funds invested in bonds for the short term, all of which mature or become due within three months of the date of acquisition.

The balances of cash and time deposits as of December 31, 2012 and 2011 in the consolidated balance sheets were reconciled to cash and cash equivalents for the years then ended as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Balance sheet:			
Cash and time deposits	¥24,489	¥22,642	$282,850
Securities	6,472	6,334	74,751
Total	30,961	28,976	357,601
Less:			
Time deposits more than three months	3,697	2,417	42,701
Securities not applicable to cash equivalents (e.g., securities other than money management funds)	–	40	–
Cash and cash equivalents	¥27,264	¥26,519	$314,900

c. Inventories—Inventories consist principally of billable production orders in process, which are stated at cost determined by the specific identification method. Billable production orders in process are primarily costs incurred on behalf of clients when providing advertising services such as marketing and branding consultation, designing and producing sales promotion programs, and event marketing to clients. Inventories also include publication merchandise.

Furthermore, the Group's inventories include 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 at an estimated aggregate amount.

Write-downs of inventories held for sale in the ordinary course of business due to decreased profitability for the years ended December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cost of sales	¥493	¥488	$5,694

d. Marketable and Investment Securities—All applicable securities are classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are reflected in earnings in the period such gains or losses arise; ii) held-to-maturity debt securities, which are expected to be held to maturity with positive intent and ability, are reported at cost after amortization or accumulation of any differences between cost and face value; and iii) available-for-sale securities that are not classified as either of the aforementioned securities are reported at fair value, and any resulting unrealized gains and losses, net of applicable taxes, are reported as unrealized gains (losses) on available-for-sale securities in net assets. As of December 31, 2012 and 2011, the Company and its consolidated subsidiaries had no held-to-maturity debt securities.

If the market values of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities decline significantly, such securities are stated at fair value, and the difference between fair value and the carrying amount is recognized as a loss in the period of the decline. If the fair value of equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for by the equity method is not readily available, such securities are written down to net asset value with a corresponding charge in the statement of income and comprehensive income when the net asset value declines significantly. Such adjusted fair value or net asset value becomes the carrying amount of the securities for the beginning of the next year.

e. Allowance for Doubtful Receivables–A general provision is made for doubtful receivables based on the actual rate of uncollected receivables of the Company in prior years. Provisions are also made against specific receivables as and when required.

f. Property and Equipment–Property and equipment are carried at cost. Depreciation of property and equipment other than buildings acquired on and after April 1, 1998, is computed mainly by the declining-balance method at rates based on the estimated useful lives of the assets. Depreciation of buildings, acquired after that date are depreciated by the straight-line method over their estimated useful lives rates based on their estimated useful lives. Assets leased under finance leases are depreciated by the straight-line method over the lease term. The estimated useful lives of major assets are as follows:

Buildings and leasehold improvements	3–65 years

g. Impairment of Long-lived Assets–The Company reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Accrued Bonuses to Employees–The Group accrued the estimated amount of bonuses to be paid for employees.

i. Accrued Bonuses to Directors–The Group accrued the estimated amount of bonuses to be paid for directors of certain domestic subsidiaries.

j. Provision for Loss on Guarantees–The Group sets aside a reserve for losses on guarantees of liabilities owed by non-consolidated subsidiaries, affiliated companies or business associates. The amount of such provision reflects estimated potential losses based on such factors as the financial condition of the parties whose liabilities are guaranteed.

k. Retirement Benefits and Pension Plans–The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date, except for the liability of the Japan Advertising Industry Pension Fund, as noted below. Actuarial differences are amortized over 13 years, which is within the average remaining service lives of the employees of each consolidated company on a straight-line basis, and past service costs are expensed as they are incurred.

The Company and certain of its domestic subsidiaries are members of the Japan Advertising Industry Pension Fund. Because the Group cannot technically or reasonably define how much pension assets and liabilities are attributable to the Group, the Group recognizes its annual cash contribution to the fund as its periodic benefit costs applicable for the fund but not as pension assets and liabilities.

The directors of some domestic subsidiaries are entitled, in most circumstances, to lump-sum severance payments based on current rates of pay, length of service and other factors. The Group accrued 100% of the obligations based on internal regulations under the assumption that all directors retired at the balance sheet date.

l. Provision for Sales Returns–One domestic consolidated subsidiary provides allowances, based on the actual return rates over a certain period, for losses on returns of publications and losses on unsold publications.

m. Leases–In March 2007, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

ASBJ Statement No. 13 requires all finance lease transactions to be capitalized so that lease assets and lease obligations are recognized on the balance sheet. However, the standard allows certain leases to be accounted for as operating lease transactions, provided those transactions were contracted on or before the end of the year before the fiscal year of adoption of the revised Statement and provided the leased property is not deemed to be transferred to the lessee. In such cases, information to show the impact had such leases been capitalized is disclosed in the notes to the lessee's consolidated financial statements.

The Group applied ASBJ Statement No. 13 effective from fiscal 2009 but continues to report certain applicable lease transactions as operating leases. For information on such operating leases, please refer to Note 11. Leases. In major overseas consolidated subsidiaries, leases are accounted for as finance leases and leased assets are capitalized.

n. Software and R&D Costs—Research-and-development costs are charged to income when incurred. Capitalized software for internal use amounting to ¥2,241 million ($25,833 thousand) in 2012 and ¥2,328 million in 2011, included in "Other assets" of Investments and Other Assets, was amortized by the straight-line method based on estimated useful lives of three to five years.

o. Translation of Foreign Currency Amounts—Short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet dates. Foreign exchange gains and losses from translation are recognized in the consolidated statements of income and comprehensive income in the cases where not hedged by foreign exchange derivatives or where hedging transactions do not qualify for hedge accounting.

The accounts of consolidated foreign subsidiaries and affiliated companies are translated into Japanese yen as follows:

a. Asset and liability items are translated at the exchange rates at the balance sheet dates;
b. Components of shareholders' equity are translated at their historical rates at acquisition or upon occurrence; and
c. Revenues, expenses and cash flow items are translated into Japanese yen at the average exchange rate for each year.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of net assets.

p. Derivatives and Hedging Activities—The Group uses forward exchange contracts to manage its exposure to fluctuations in foreign exchange. The Group also has investments in bonds with embedded derivatives, some of which have terms and conditions where risk exists that the original face value of such securities might not be redeemed even if there is no default. However, because the maximum amount of any such losses would be limited to the face value of such bonds, the impact of the risk is limited.

Derivatives are recognized as either assets or liabilities at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of income and comprehensive income, unless such derivatives qualify for specific hedge accounting.

Short-term receivables and payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the risk of foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for specific hedge accounting.

q. Per Share Information—The computation of basic net income per share is based on net income attributable to shareholders of common stock and the weighted average number of shares outstanding during each year, and diluted net income per share is computed based on net income attributable to shareholders of common stock after giving effect to the net income of an affiliated company that has the dilutive potential of shares and a weighted average number of shares outstanding during each year. The average number of common shares used in the computation was 42,250,172 and 42,187,505 shares for the fiscal years ended December 31, 2012 and 2011, respectively.

The cash dividend per common share presented in the accompanying consolidated statements of income and comprehensive income is dividends applicable to net income of the respective years including dividends paid after the end of the respective year.

r. ESOP Trust—The Company is committed to reinforcing measures to ensure the welfare of its employees, who represent the driving force behind the Group's growth. In addition, the Company seeks to increase employees' awareness about its performance and stock price and thus boost medium- and long-term corporate value. To achieve these aims, the Company has introduced an ESOP trust as an incentive plan.

An ESOP trust is a trust-type employee incentive plan that uses the Company's employee shareholder group framework. Specifically, the Company established a trust, the beneficiaries of which are employee members of the ADK Employee Shareholding Association (the "Association") who satisfy certain requirements. The trust purchases a certain number of ADK shares, determined according to the Association's planned share purchases during the period from April 2010 to March 2015. Such shares are acquired over a certain purchase period. Subsequently, the trust sells shares to the Association at the market price each month on a set date.

The Company guarantees the losses in the Trust Account (the "Trust Account") resulting from the purchase and sale of the ADK shares and accounts for the transactions involving the trust as its own. Accordingly, shares of the Company held by the trust and the assets, liabilities, expenses and income of the trust were recorded in the accompanying consolidated financial statements.

For the purpose of calculating basic net income and net assets per common stock, the common stock held by the ESOP trust is considered treasury stock.

s. New Accounting Pronouncements—"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview
Actuarial gains and losses and past service costs are required to be recognized in net assets, net of tax effects. The funded status of the plan is fully recognized as a liability or asset on the balance sheet. With respect to the amortization method of the expected benefit, the benefit formula basis is newly allowed as an option, in addition to the straight-line basis. In addition, the method for determining the discount rate is amended.

(2) Date of adoption
The Company and its domestic consolidated subsidiaries will adopt the accounting standard effective the fiscal year ending December 31, 2014. The standard and guidance will not be applied retrospectively.

(3) Impact of the adoption of the accounting standards
Currently, the Company is in the process of measuring the effects of applying the revised accounting standard.

t. Changes in Accounting Estimates—The Company made the decision in the fiscal year ended December 31, 2012, to relocate its head office in the summer of 2014. Consequently, because a more precise estimate of asset retirement obligations could be determined, the Company changed the asset retirement obligations estimate that had been booked to address obligations that are incurred to restore the current premises to their original state at the time of relocating, in accordance with the respective real estate lease contracts for the building. Consequently, compared with amounts calculated using the previous estimation, consolidated operating income and income before income taxes and minority interests are ¥28 million ($323 thousand) lower for the fiscal year ended December 31, 2012.

u. Supplemental Information—Effective January 1, 2012, the Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009) for accounting changes and corrections of prior period errors.

3. MARKETABLE AND INVESTMENT SECURITIES

The fair value of marketable and investment securities as of December 31, 2012 and 2011 was as follows:

2012

Millions of Yen

	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥30,173	¥21,400	¥404	¥51,169
Debt securities	1,296	4	25	1,275
Other	177	8	0	185
Total	¥31,646	¥21,412	¥429	¥52,629

2011

Millions of Yen

	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	¥30,587	¥7,010	¥544	¥37,053
Debt securities	1,460	1	69	1,392
Other	199	9	13	195
Total	¥32,246	¥7,020	¥626	¥38,640

2012

Thousands of U.S. Dollars

	Cost	Unrealized gains	Unrealized losses	Fair value
Available-for-sale:				
Equity securities	$348,499	$247,170	$4,666	$591,003
Debt securities	14,969	46	289	14,726
Other	2,044	93	0	2,137
Total	$365,512	$247,309	$4,955	$607,866

Available-for-sale securities sold during the years ended December 31, 2012 and 2011 were as follows:

2012

Millions of Yen

	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥1,039	¥140	¥79
Debt securities	0	0	0
Other	106	18	11
Total	¥1,145	¥158	¥90

2011

Millions of Yen

	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 707	¥598	¥79
Debt securities	559	9	1
Other	27	–	–
Total	¥1,293	¥607	¥80

2012

Thousands of U.S. Dollars

	Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	$12,000	$1,617	$ 912
Debt securities	0	0	0
Other	1,225	208	128
Total	$13,225	$1,825	$1,040

Investments in nonconsolidated subsidiaries and affiliates as of December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investment securities (Stocks)	¥1,302	¥2,057	$15,038
Investments and other assets			
Other assets (Capital)	394	174	4,551

Impairment losses on available-for-sale equity securities for the years ended December 31, 2012 and 2011 were ¥1 million ($11 thousand) and ¥430 million, respectively.

When the fair value of securities has declined to below 50% of cost and there is no contradictory evidence, this is considered to be a significant decline and impairment losses are recognized. Further, where the decline is less than 50% but more than 30% of cost and that decline is consistent, if, based on analysis of the specific financial and operational conditions of each investee, recovery of fair value to cost is considered unlikely, an impairment is recognized.

4. LONG-LIVED ASSETS

At December 31, 2012, the Company reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥70 million ($809 thousand) for the year as Other—net in OTHER INCOME (EXPENSES). The recoverable amount of Other assets (software) was measured at zero, as its profitability has declined.

At December 31, 2011, the Company reviewed its long-lived assets for impairment, and as a result, recognized an impairment loss of ¥255 million for the year as Other—net in OTHER INCOME (EXPENSES). That total included ¥249 million for Other assets (software), ¥4 million for buildings and ¥2 million for land. The recoverable amount of Other assets (software) was measured at zero, as its profitability has declined. The recoverable amount of land and buildings was measured at the higher of value in use or net selling price.

5. SHORT-TERM AND LONG-TERM DEBT

The weighted average annual interest rates applicable to the short-term debt were 1.79% and 1.82% at December 31, 2012 and 2011, respectively.

Long-term debt as of December 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans due through 2015*	¥ 492	¥ 757	$ 5,685
Current portion	(246)	(273)	(2,844)
Total	¥ 246	¥ 484	$ 2,841

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Obligations under finance leases*	¥ 305	¥ 375	$ 3,523
Current portion	(113)	(102)	(1,305)
Total	¥ 192	¥ 273	$ 2,218

*The weighted average interest rates or the averages of interest rates applicable to loans outstanding at the end of each fiscal year weighted by amounts of such loans as of said date, for loans due after more than one year were 0.77% p.a. in 2012 and 1.31% p.a. in 2011. The weighted average interest rates of the current portion were 1.92% p.a. in 2012 and 2.08% p.a. in 2011. The weighted average interest rates of obligations under finance leases, including the current portion, were 3.56% and 2.14% in 2012 and 2011, respectively.

The repayment schedule of long-term debt as of December 31, 2012 was as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥246	$2,844
2014	164	1,894
2015	82	947
2016 and thereafter	–	–
Total	¥492	$5,685

The repayment schedule of obligations under finance leases as of December 31, 2012 was as follows:

Year Ending December 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥113	$1,305
2014	104	1,202
2015	68	785
2016	20	231
Thereafter	–	–
Total	¥305	$3,523

Details on long-term debt used for the ESOP trust at December 31, 2012 were as follows:
Current portion of long-term debt: ¥164 million ($1,894 thousand)
Long-term debt: ¥246 million ($2,841 thousand)

Assets pledged in place of guarantee monies to suppliers, such as newspapers, as of December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Cash and time deposits	¥57	¥57	$658
Investment securities	11	8	127

6. RETIREMENT BENEFITS AND PENSION PLANS

The Company and certain of its consolidated subsidiaries provide two types of post-employment benefit plans, namely defined contribution pension plans and defined benefit pension plans. The latter consists of cash balance plans, funded non-contributory pension plans and plans provided by the Japan Advertising Industry Pension Fund, as well as unfunded lump-sum payment plans under which all eligible employees are entitled to benefits based on levels of salary, length of service and other factors.

Liabilities for employees' retirement benefits and pension plans as of December 31, 2012 and 2011 comprised the following:*

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥11,864	¥11,051	$ 137,031
Fair value of plan assets	(8,704)	(7,625)	(100,531)
Unrecognized actuarial differences	(1,885)	(2,048)	(21,772)
Accrued retirement benefits	¥ 1,275	¥ 1,378	$ 14,728

Components of net periodic benefit costs for the years ended December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service cost	¥ 854	¥ 843	$ 9,864
Interest cost	199	192	2,298
Expected return on plan assets	(114)	(109)	(1,317)
Amortization of actuarial differences	289	258	3,338
Contributions paid during the period, etc.*	907	942	10,476
Net periodic benefit costs	¥2,135	¥2,126	$24,659

The discount rates used by the Group were 1.3% and 2.0% as of December 31, 2012 and 2011, respectively. The rate of expected return on plan assets used by the Group was 1.5% as of December 31, 2012 and 2011. The estimated amount of retirement benefits to be paid at the future retirement date is allocated equally to each service year over the estimated number of total service years. Unrecognized actuarial differences are amortized over 13 years on a straight-line basis commencing from the succeeding period. Prior service costs are charged to income when incurred.

* For plans provided by the Japan Advertising Industry Pension Fund, the Group cannot technically or reasonably allocate pension assets and liabilities to the Group's account. Therefore, the Group recognizes its annual cash contribution to this fund as its periodic benefit costs, but does not recognize pension assets and liabilities as stated above.

Contributions paid during the period, etc., stated in the table shown above include the Group's cash contribution for the period to the Japan Advertising Industry Pension Fund.

The information of total pension assets and liabilities of the Japan Advertising Industry Pension Fund, the Group's share of the contribution to the fund and the prorated share of pension assets or liabilities for the Group as measured by the share of the contribution to the fund are as follows: (Note: This prorated calculation is simply for informational purposes only.)

a. Total pension assets and liabilities of the fund

	Millions of Yen		Thousands of U.S. Dollars
	March 31, 2012	March 31, 2011	March 31, 2012
Pension liabilities*	¥(90,787)	¥(88,314)	$(1,048,591)
Pension assets	70,319	71,037	812,185
Net assets (deficit)	¥(20,468)	¥(17,277)	$ (236,406)

*The discount rate for the pension liabilities was mainly 5.5%.

b. The Group's share of the contribution to the fund

	April 1, 2011– March 31, 2012	April 1, 2010– March 31, 2011
Share of the Group as employer	10.99%	10.39%
Share of Employees	6.49%	6.09%
Total	17.48%	16.48%

c. Prorated share of pension assets or liabilities as measured by the Group's share of the contribution to the fund

March 31, 2012

	Millions of Yen	
	Share of the Group as employer	Share of employees
Pension liabilities	¥(9,976)	¥(5,893)
Pension assets	7,727	4,565
Net deficit	¥(2,249)	¥(1,328)

March 31, 2011

	Millions of Yen	
	Share of the Group as employer	Share of employees
Pension liabilities	¥(9,178)	¥(5,372)
Pension assets	7,383	4,321
Net deficit	¥(1,795)	¥(1,051)

March 31, 2012

	Thousands of U.S. Dollars	
	Share of the Group as employer	Share of employees
Pension liabilities	$(115,223)	$(68,064)
Pension assets	89,247	52,726
Net deficit	$ (25,976)	$(15,338)

d. Supplemental information

The Japan Advertising Industry Pension Fund's total net pension deficit of ¥20,468 million ($236,406 thousand) and ¥17,277 million as of March 31, 2012 and 2011, respectively, stated in "a" above equals the sum of prior service liabilities of ¥6,637 million ($76,657 thousand) and ¥7,161 million and net accumulated deficit carry-forward of ¥13,830 million ($159,737 thousand) and ¥10,115 million, respectively.

Prior service cost is amortized over 20 years by the straight-line method, and the Group expensed additional contributions of ¥114 million ($1,317 thousand) and ¥116 million during the periods from April 1, 2011 to March 31, 2012, and from April 1, 2010 to March 31, 2011, respectively, for this amortization.

7. CHANGES IN NET ASSETS

The type of and the changes in the number of shares issued and treasury stock as of and for the years ended December 31, 2012 and 2011 were as follows:

2012

	Shares issued	Treasury stock
Type of shares	Common stock	Common stock
Number of shares as of December 31, 2011	45,155,400	2,941,598
Increase in the number of shares	–	1,987
Decrease in the number of shares	(2,500,000)	(2,563,036)
Number of shares as of December 31, 2012	42,655,400	380,549

Notes: 1. The decrease in the number of shares issued was due to the cancellation of 2,500,000 shares by resolution of the board of directors.
2. The increase in the number of treasury stock was due to the purchase of 1,987 less-than-one-unit shares.
3. The decrease in the number of treasury stock was due to the cancellation of 2,500,000 shares by resolution of the board of directors, sales of 63,000 shares by the ESOP trust and sales of 36 less-than-one-unit shares.

2011

	Shares issued	Treasury stock
Type of shares	Common stock	Common stock
Number of shares as of December 31, 2010	45,155,400	2,990,104
Increase in the number of shares	–	1,153
Decrease in the number of shares	–	(49,659)
Number of shares as of December 31, 2011	45,155,400	2,941,598

Notes: 1. The increase in the number of treasury stock was due to the purchase of 1,153 less-than-one-unit shares.
2. The decrease in the number of treasury stock was due to sales of 49,500 shares by the ESOP trust and sales of 159 less-than-one-unit shares.

Information related to dividends for the fiscal years ended December 31, 2012 and 2011 was as follows:

Dividends paid during the fiscal year ended December 31, 2012

Resolution by:	Board of Directors February 22, 2012	Board of Directors August 10, 2012
Total amount of dividends*	¥422 million	¥422 million
Dividend per share	¥10	¥10
Record date	December 31, 2011	June 30, 2012
Effective date	March 21, 2012	September 10, 2012

*Dividends paid to the ESOP trust in the amount of ¥3 million ($35 thousand) and ¥3 million ($35 thousand) have been excluded from the total amount of dividends at February 22, 2012 and August 10, 2012, respectively.

Dividends whose record date was in the fiscal year ended December 31, 2012 but whose effective date was in the following fiscal year.

Resolution by:	Board of Directors February 12, 2013
Total amount of dividends*	¥4,269 million
Fund for dividends	Retained earnings
Dividend per share	¥101
Record date	December 31, 2012
Effective date	March 18, 2013

*Dividends paid to the ESOP trust in the amount of ¥30 million ($347 thousand) have been excluded from the total amount of dividends.

Dividends paid during the fiscal year ended December 31, 2011

Resolution by:	Board of Directors February 10, 2011	Board of Directors August 10, 2011	Board of Directors October 13, 2011
Total amount of dividends*	¥421 million	¥421 million	¥3,756 million
Dividend per share	¥10	¥10	¥89
Record date	December 31, 2010	June 30, 2011	October 31, 2011
Effective date	March 14, 2011	September 12, 2011	December 26, 2011

*Dividends paid to the ESOP trust in the amount of ¥4 million, ¥3 million and ¥33 million have been excluded from the total amount of dividends at February 10, 2011, August 10, 2011, and October 13, 2011, respectively.

Dividends whose record date was in the fiscal year ended December 31, 2011, but whose effective date was in the following fiscal year

Resolution by:	Board of Directors February 22, 2012
Total amount of dividends*	¥422 million
Fund for dividends	Retained earnings
Dividend per share	¥10
Record date	December 31, 2011
Effective date	March 21, 2012

*Dividends paid to the ESOP trust in the amount of ¥3 million have been excluded from the total amount of dividends.

8. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to corporate, inhabitant and enterprise taxes based on income. The normal effective statutory tax rate for these taxes in the aggregate resulted in approximately 40.69% for 2012 and 2011, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The deferred tax assets and liabilities as a result of the tax effects of significant temporary differences as of December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for doubtful receivables	¥ 454	¥ 594	$ 5,244
Accrued bonuses	56	267	647
Accrued retirement benefits	250	188	2,888
Inventories	20	57	231
Investment securities	1,086	998	12,543
Loss on settlement of dispute	0	248	0
Tax loss carry-forwards	162	215	1,871
Unrealized loss on available-for-sale securities	61	144	705
Deferred tax assets in overseas consolidated subsidiaries*	69	50	797
Other	1,311	1,244	15,142
	3,469	4,005	40,068
Valuation allowance	(1,806)	(1,906)	(20,859)
Total deferred tax assets	1,663	2,099	19,209
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	7,238	2,079	83,599
Deferred tax liabilities in overseas consolidated subsidiaries*	37	41	427
Other	179	15	2,067
Total deferred tax liabilities	7,454	2,135	86,093
Total net deferred tax assets (liabilities)	¥(5,791)	¥ (36)	$(66,884)

*Deferred tax assets and liabilities in overseas consolidated subsidiaries as a result of the tax effects of significant temporary differences and losses carried forward as of December 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Tax loss carry-forwards	¥ 8	¥ 11	$ 92
Other	71	58	820
Less valuation allowance	(10)	(20)	(116)
Deferred tax assets	69	49	796
Deferred tax liabilities:			
Depreciation	27	40	312
Other	10	1	116
Deferred tax liabilities	37	41	428
Net deferred tax assets (liabilities)	¥ 32	¥ 8	$ 368

The reconciliation between the statutory tax rate for the years ended December 31, 2012 and 2011, and the actual effective tax rate reflected in the accompanying consolidated statements of income and comprehensive income were as follows:

	2012	2011
Statutory tax rate	40.69%	40.69%
Certain expenses, including, but not limited to, entertainment expenses, permanently not deductible for tax purposes	8.15	6.50
Certain income, including, but not limited to, dividend income, permanently not taxable for tax purposes	(8.61)	(2.98)
Per capita levy and similar	0.85	0.61
Consolidated adjustment due to sale of affiliated company	–	8.71
Tax loss carry-forwards	(3.35)	–
Amendment of statutory tax rate	0.75	1.66
Tax rate difference applicable to overseas subsidiaries	(8.73)	(4.58)
Change in valuation allowance	(0.16)	2.11
Other—net	1.49	1.46
Effective tax rate	31.08%	54.18%

(Change of deferred tax assets and deferred tax liabilities by the change of effective statutory tax rate)
The "Act on the Partial Revision of the Income Tax Act for the Establishment of a Taxation System Responding to Structural Transformation of Economy and Society" and "Act on Special Measures for Securing Financial Resources Needed to Implement Measures to Recover from the Great East Japan Earthquake" were issued on December 2, 2011. By these acts, the statutory tax rate used to calculate deferred tax assets and liabilities was changed from 40.69%. The new effective tax rates will be as follows, depending on when the temporary differences will reverse.
From January 1, 2013 to December 31, 2015: 38.01%
On and after January 1, 2016: 35.64%
As a result, deferred tax liabilities, net of deferred tax assets, decreased by ¥218 million, deferred income taxes increased by ¥84 million and unrealized gain on available-for-sale securities increased by ¥301 million, as of and for the year ended December 31, 2011.

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income for the years ended December 31, 2012 and 2011 were ¥1,039 million ($12,000 thousand) and ¥1,103 million, respectively.

10. OTHER INCOME (EXPENSES)

Additional retirement benefits paid to employees in the amounts of ¥824 million ($9,521 thousand) and ¥7 million for the years ended December 31, 2012 and 2011 were provided mainly for support in finding new employment.

Other—net for the years ended December 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gains (losses) on sales of property and equipment	¥ (13)	¥ 15	$ (154)
Losses on disposal of property and equipment	(16)	(14)	(190)
Impairment loss on investment and other assets	(173)	–	(2,001)
Impairment loss on long-lived assets	(70)	(255)	(803)
Loss on settlement of dispute	–	(538)	–
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	(244)	–
Other	500	230	5,793
Total	¥ 228	¥(806)	$ 2,645

Gains (losses) on sales of property and equipment for the years ended December 31, 2012 and 2011 mainly consisted of losses on sales of land and buildings, and gain on sales of land, respectively.

Losses on disposal of property and equipment for the years ended December 31, 2012 and 2011 mainly consisted of losses on disposal of equipment, and losses on disposal of buildings, respectively.

11. LEASES

The Group leases certain computer equipment, office space, vehicles, software and other assets.

As discussed in Note 2.m. Leases, the Group accounts for certain leases as operating lease transactions, provided the transactions were contracted on or before March 31, 2009, provided the leased assets are not deemed to be transferred to the lessee, and provided certain information is disclosed in the notes to the lessee's consolidated financial statements to show the impact had such leases been capitalized. The pro forma information for such operating lease transactions, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation/amortization expense and interest expense for the years ended December 31, 2012 and 2011 were as follows:

Year ended December 31, 2012

	Millions of Yen			
	Furniture and equipment	Machinery and vehicles	Software	Total
Acquisition cost	¥206	¥ –	¥15	¥221
Accumulated depreciation/amortization	190	–	13	203
Net book value	¥ 16	¥ –	¥ 2	¥ 18

Obligations under finance leases:

	Millions of Yen
Due within one year	¥21
Due after one year	0
Total	¥21

Year ended December 31, 2011

	Furniture and equipment	Machinery and vehicles	Software	Total
	Millions of Yen			
Acquisition cost	¥384	¥ –	¥45	¥429
Accumulated depreciation/amortization	322	–	39	361
Net book value	¥ 62	¥ –	¥ 6	¥ 68

Obligations under finance leases:

	Millions of Yen
Due within one year	¥53
Due after one year	22
Total	¥75

Year ended December 31, 2012

	Furniture and equipment	Machinery and vehicles	Software	Total
	Thousands of U.S. Dollars			
Acquisition cost	$2,380	$ –	$173	$2,553
Accumulated depreciation/amortization	2,195	–	150	2,345
Net book value	$ 185	$ –	$ 23	$ 208

Obligations under finance leases:

	Thousands of U.S. Dollars
Due within one year	$243
Due after one year	0
Total	$243

Breakdown of lease payments, depreciation/ amortization expense and interest expense under finance leases for the years ended December 31, 2012 and 2011:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Total lease payments	¥54	¥126	$624
Depreciation/amortization expense	50	111	578
Interest expense	1	2	12

The above depreciation/amortization expense and interest expense, which are not reflected in the accompanying consolidated statements of income and comprehensive income, are computed by the straight-line method and the interest method, respectively.

Obligations under operating leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥ 699	¥ 618	$ 8,073
Due after one year	2,411	2,552	27,848
Total	¥3,110	¥3,170	$35,921

12. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group invests its cash surplus in low risk and liquid marketable financial asset classes. Funding requirements are mainly sourced from bank loans. Derivatives are used, not for speculative purposes, but to manage financial exposure to the volatility of exchange rates by way of hedging transactions. In addition, the Group purchases bonds with embedded derivatives for the purpose of asset management.

(2) Nature and Extent of Risks Arising from Financial Instruments, and Risk Management Method

Receivables, such as trade notes and accounts, are exposed to customer credit risk.

Investment securities, mainly equity instruments of customers for the purpose of building strong business relationships in addition to equity instruments of business alliances, are exposed to the risk of market price fluctuations.

The payment terms of payables, such as trade notes and trade accounts, are only short term.

Bank loans are aimed at (mainly short-term) cash operation and the purchase of treasury stock under the ESOP trust system as the employees' benefit plan. Bank loans, most of which are contracted with floating rates, are exposed to the risk of rate fluctuations.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in the foreign exchange rates of receivables and payables. Certain domestic subsidiaries have purchased bonds with embedded derivatives that are exposed to the risk of a loss of principal.

Regarding Hedge Accounting, please see Note 2.p. for more detailed information.

(3) Risk Management for Financial Instruments

Credit Risk Management

The Company manages its credit risk from receivables on the basis of internal accounting rules, which include screening customers, setting credit limits for each customer, designating due date controls for each receivable and monitoring the financial status of major customers through the cooperation of the accounting department and each front office to prevent the default risk of customers. Consolidated subsidiaries of the Company manage their credit risks and control their receivables, and are required to report certain substantial events to the Company when they happen.

Market Risk Management (Foreign exchange risk and interest-rate risk)

To hedge the foreign currency exchange risk associated with foreign currency trade receivables and payables, foreign currency forward contracts are entered into for the purpose of hedging risks associated with the ordinary course of business.

Loan payables are exposed to market risks from changes in interest rates, however, these market risks are considered limited as the balance of loans payable is not significant.

The market values of marketable and investment securities are managed by monitoring market prices and the financial position of the issuers on a regular basis, considering the relationships with the issuers.

Derivative transactions are determined in specified types and volume based on the Company's internal guidelines to be approved by the authorized person. After the approval, derivative transactions are entered into and managed by the accounting department. In addition, the accounting department is required to report the financial position and the results of derivative transactions to the management of the Company on a regular basis.

Liquidity Risk Management

The Company manages its liquidity risk by the corporate treasury department preparing and updating the fund management plan based on reports from each department, and manages liquidity by holding adequate volumes of liquid assets.

(4) Supplementary Explanation on the Estimated Fair Value

The fair values of financial instruments are based on the quoted price in active markets. If the quoted price is not available, other rational valuation techniques are used instead. Because various assumptions and factors are reflected in computing the fair value, different assumptions and actual factors could result in different fair values. The amounts of derivative contracts presented in Note 16 do not indicate market risk.

(a) Fair value of financial instruments

Carrying amounts, the fair values and unrealized gains (losses) as of December 31, 2012 and 2011 were as follows. Financial instruments whose fair values cannot be reliably determined were not included in the following tables.

2012 — Millions of Yen

	Carrying amount[1]	Fair value	Unrealized gains (losses)
Cash and time deposits	¥ 24,489	¥ 24,489	¥ –
Notes and accounts receivable	84,128	84,128	–
Securities and investment securities[2]	58,833	58,833	–
Notes and accounts payable	(67,130)	(67,130)	–
Short-term debt	(60)	(60)	–
Long-term debt	(492)	(492)	–
Derivative transactions[3]	–	–	–

2011 — Millions of Yen

	Carrying amount[1]	Fair value	Unrealized gains (losses)
Cash and time deposits	¥ 22,642	¥ 22,642	¥ –
Notes and accounts receivable	88,956	88,952	(4)
Securities and investment securities[2]	44,774	44,774	–
Notes and accounts payable	(71,383)	(71,383)	–
Short-term debt	(94)	(94)	–
Long-term debt	(757)	(759)	(2)
Derivative transactions[3]	51	51	–

2012 — Thousands of U.S. Dollars

	Carrying amount[1]	Fair value	Unrealized gains (losses)
Cash and time deposits	$ 282,850	$ 282,850	$ –
Notes and accounts receivable	971,680	971,680	–
Securities and investment securities[2]	679,521	679,521	–
Notes and accounts payable	(775,355)	(775,355)	–
Short-term debt	(693)	(693)	–
Long-term debt	(5,685)	(5,685)	–
Derivative transactions[3]	–	–	–

Notes:
1. Liabilities are shown in parentheses.
2. Embedded derivatives, to the extent that they cannot be separated from the financial host contract, are considered with these as trading transactions for measurement purposes and are shown in "Investment securities."
3. Derivative transactions presented in the table above are net amounts. Total net payables are shown in parentheses.

> Cash and time deposits, and notes and accounts receivable

The carrying values of cash and time deposits, and notes and accounts receivable due in one year or less approximate the fair value because of their short maturities. The fair values of notes and accounts receivable due after one year are calculated based on future cash flow discounted at an appropriate rate with credit spreads, for those grouped by a certain period of time and credit rating.

> Securities and investment securities

These mainly consist of stocks, bonds and mutual funds. The fair values of stocks are measured at the quoted market price on the stock exchange, whereas the fair values of bonds are measured at the quoted price obtained from a financial institution, and the fair values of mutual funds are measured at the quoted values available.

> Notes and accounts payable, short-term debt
The carrying values of notes and accounts payable and short-term debt approximate the fair value because of their short maturities.

> Long-term debt
The carrying values of long-term debt with floating rates approximate the fair value because floating rates reflect the market rate and the credit spread of the Company remains almost the same. The fair values of long-term debt with fixed rates are measured at the present value of the principal and interest (including long-term debt due in one year or less), discounted at an expected rate applied for new borrowings with the same terms.

> Derivative transactions
Information on the fair value for derivatives is included in Note 16.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investments in securities with no available fair value	¥1,374	¥1,411	$15,869
Investments in affiliates	1,302	2,057	15,038
Other	273	224	3,153
Total	¥2,949	¥3,692	$34,060

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

2012

Millions of Yen

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and time deposits	¥ 24,489	¥ –	¥ –	¥ –
Notes and accounts receivable	84,128	–	–	–
Securities and investment securities	–	33	1,179	62
Other				
Total	¥108,617	¥33	¥1,179	¥62

2011

Millions of Yen

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and time deposits	¥ 22,642	¥ –	¥ –	¥ –
Notes and accounts receivable	88,846	110	–	–
Securities and investment securities	3	116	1,232	40
Other				
Total	¥111,491	¥226	¥1,232	¥40

2012

Thousands of U.S. Dollars

	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and time deposits	$ 282,850	$ –	$ –	$ –
Notes and accounts receivable	971,680	–	–	–
Securities and investment securities	–	381	13,617	716
Other				
Total	$1,254,530	$381	$13,617	$716

13. NOTES MATURING ON THE CLOSING DATE

Notes maturing on the closing date are settled on the date of clearance. Because December 31 was a financial institution holiday, the following notes were included in the outstanding amounts as of December 31, 2012 and 2011.

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Notes receivable—trade	¥539	¥542	$6,225
Notes payable—trade	822	929	9,494

14. CONTINGENT LIABILITIES

As of December 31, 2012, the Group had the following contingent liabilities:

Guarantee Obligations:

	Millions of Yen	Thousands of U.S. Dollars
Aggregated amount of guarantees for debts of subsidiaries and affiliates and payables of a client, GroupM Japan	¥431	$4,978

Other contingent liabilities:

On January 8, 2010, the Company filed a lawsuit against Art Corporation seeking payment of unpaid receivables for services already provided and advance money in the total amount of ¥379 million ($4,377 thousand) together with late charges. On April 22, 2010, Art Corporation filed a countersuit against the Company seeking claims of ¥311 million ($3,592 thousand) together with late charges.

On March 12, 2013, the Tokyo District Court dismissed the counterclaim filed by the plaintiff, Art Corporation, and ordered the plaintiff to pay a sum of ¥62 million ($716 thousand) together with an amount of late charges, allowing the Company's claim partially. On March 25, 2013, the Company appealed to the Tokyo High Court, as the Company was not satisfied with the order.

Also, there is a possibility that the plaintiff may also appeal within two weeks after the judgment by the Tokyo District Court.

The Company will handle its claim and the counterclaim consulting appropriately with the corporate lawyers of the Company and the company considers its claim to be justifiable.

15. PER SHARE INFORMATION

Per share information for the years ended December 31, 2012 and 2011 was as follows:

	Yen		U.S. Dollars
	2012	2011	2012
PER SHARE OF COMMON STOCK: (As of and for the years ended December 31)			
Net income (loss)			
Basic	¥ 65.83	¥ 54.37	$ 0.76
Diluted	65.81	–	0.76
Net assets	2,567.03	2,270.23	29.64
Cash dividend applicable to the year	20.00	109.00	0.23

16. DERIVATIVES

The Group enters into foreign exchange forward contracts to hedge the foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also has investments in bonds with embedded derivatives, some of which have terms and conditions where risk exists that the original face value of such securities is not redeemed even if there is no default. However, because the maximum amount of any such losses would be limited to the face value of such bonds, the impact of such risk is limited.

Because the counterparties to these derivatives are limited to major sound financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with the internal rules and policies that regulate the authorization and exposure limit amount.

Derivative transactions to which hedge accounting was not applied

Year ended December 31, 2012

There were no applicable transactions.

Year ended December 31, 2011

Millions of Yen

	Notional amounts	Due after one year	Fair value	Unrealized gain (loss)
Currency:				
OTC market				
Foreign exchange forward contracts				
–buying (US$)	¥70	¥ –	¥51	¥(19)
Total				¥(19)

Derivative transactions to which hedge accounting was applied

Year ended December 31, 2012

Millions of Yen

	Hedged item	Notional amounts	Due after one year	Fair value
Currency:				
OTC market				
Principal method Foreign exchange forward contracts				
–buying (US$)	Payables	¥301	¥ –	¥297
Subtotal		¥301	¥ –	¥297
Deferral method Foreign exchange forward contracts				
–buying (US$)	Payables	¥ 2	¥ –	*
Subtotal		¥ 2	¥ –	–
Total		¥303	¥ –	–

Year ended December 31, 2011

Millions of Yen

	Hedged item	Notional amounts	Due after one year	Fair value
Currency:				
OTC market				
Principal method Foreign exchange forward contracts				
–buying (US$)	Payables	¥1,171	¥272	¥1,041
Subtotal		¥1,171	¥272	¥1,041
Deferral method Foreign exchange forward contracts				
–buying (US$)	Payables	¥ 26	¥ –	*
–buying (EURO)	Payables	16	–	*
–buying (STG)	Payables	4	–	*
Subtotal		¥ 46	¥ –	–
Total		¥1,217	¥272	–

Year ended December 31, 2012

Thousands of U.S. Dollars

	Hedged item	Notional amounts	Due after one year	Fair value
Currency:				
OTC market				
Principal method Foreign exchange forward contracts				
–buying (US$)	Payables	$3,477	$ –	$3,430
Subtotal		$3,477	$ –	$3,430
Deferral method Foreign exchange forward contracts				
–buying (US$)	Payables	$ 23	$ –	*
Subtotal		$ 23	$ –	–
Total		$3,500	$ –	–

*The estimated fair value of forward foreign exchange contracts is included in the estimated fair value of accounts payable because amounts in such derivative contracts designated as hedging instruments are handled together with the payables denominated in foreign currencies that are subject to hedge accounting.

17. SUBSEQUENT EVENTS

(1) Resolution to Buy Back the Company's Shares

On February 12, 2013, the Board of Directors resolved to acquire certain treasury stock in accordance with Article 459.1 of the Companies Act.

(2) Reason for Share Buyback

The Company plans to buy back its own shares with the aims of improving capital efficiency and promoting shareholder return.

Details of share buyback

1. Type of shares: Common stock
2. Number of shares: 500,000 shares
   (Maximum: equivalent to 1.17% of total shares outstanding, excluding treasury stock)
3. Total acquisition value: ¥1,250 million (maximum)
4. Acquisition period: February 18 to June 17, 2013
5. Method of share buyback: Purchase in the market through a trust bank

18. SEGMENT INFORMATION

Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The segment information for the years ended December 31, 2012 and 2011 is also disclosed hereunder as required.

(1) Description of Reportable Segment

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated among the Group. Therefore, the Group's reportable segments are "Advertising" and "Other business."
The Group's advertising segment covers various advertising activities that include planning and execution of advertisements in various media such as magazines, newspapers, television, radio, digital-media and OOH media. The advertising activities also include planning and production for ad expressions and content, and service activities such as sales promotion, marketing, and public relations. The Group's other business segment includes publication and sales of magazines and books.

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profit (loss) is based on operating income of the consolidated statements of income and comprehensive income.

The pricing of intra-segment sales or transfers is on an arm's length basis.

2012

Millions of Yen

	Reportable segments			Adjustments	Consolidated[3]
	Advertising	Other business	Total		
Sales					
Sales to external customers	¥344,135	¥6,686	¥350,822	¥ –	¥350,822
Inter-segment sales or transfers	2	4	6	(6)	0
Total	344,138	6,690	350,828	(6)	350,822
Segment profit (loss)	3,587	(426)	3,161	14[1]	3,175
Segment assets	186,854	8,492	195,346	(183)[2]	195,163
Other:					
Depreciation/amortization[4]	1,297	44	1,341	–	1,341
Increase in property and equipment, and intangible assets	898	59	957	–	957

2012

Thousands of U.S. Dollars

	Reportable segments			Adjustments	Consolidated
	Advertising	Other business	Total		
Sales					
Sales to external customers	$3,974,779	$77,223	$4,052,002	$ –	$4,052,002
Inter-segment sales or transfers	23	46	69	(69)	–
Total	3,974,802	77,269	4,052,071	(69)	4,052,002
Segment profit (loss)	41,439	(4,920)	36,519	162[1]	36,681
Segment assets	2,158,168	98,083	2,256,251	(2,114)[2]	2,254,137
Other:					
Depreciation/amortization[4]	14,980	509	15,489	–	15,489
Increase in property and equipment, and intangible assets	10,372	681	11,053	–	11,053

2011

Millions of Yen

	Reportable segments			Adjustments	Consolidated[3]
	Advertising	Other business	Total		
Sales					
Sales to external customers	¥340,083	¥7,029	¥347,112	¥ –	¥347,112
Inter-segment sales or transfers	0	60	60	(60)	0
Total	340,083	7,089	347,172	(60)	347,112
Segment profit (loss)	3,859	(8)	3,851	2[1]	3,853
Segment assets	175,552	8,791	184,343	(155)[2]	184,188
Other:					
Depreciation/amortization[4]	934	41	975	–	975
Increase in property and equipment, and intangible assets	1,926	19	1,945	–	1,945

Notes: 1. Adjustments to segment profit (loss) consists of the elimination of inter-segment transactions and unrealized gain.
2. Adjustment to segment assets consists of elimination for inter-segment transactions.
3. Segment profit (loss) reconciles to operating income of the consolidated statements of income and comprehensive income.
4. Depreciation/amortization includes amortization of software capitalized on the balance sheets.

Related Information

(1) Information by products and services

Information about products and services is omitted as the same information is disclosed within "segment information."

(2) Information by geographical areas

Information by business segments, geographic segments and billings to foreign customers of the Group for the years ended December 31, 2012 and 2011 was as follows:

a. Sales

Information about sales is omitted as sales in Japan account for more than 90% of the net sales in the consolidated statements of income and comprehensive income for the years ended December 31, 2012 and 2011.

b. Property and equipment

Millions of Yen

2012		
Japan	Overseas	Total
¥3,594	¥702	¥4,296

Thousands of U.S. Dollars

2012		
Japan	Overseas	Total
$41,511	$ 8,108	$49,619

Millions of Yen

2011		
Japan	Overseas	Total
¥3,612	¥699	¥4,311

c. Major customers

Information about major customers is omitted as no customer accounts for more than 10% of the net sales in the consolidated statements of income and comprehensive income for the years ended December 31, 2012 and 2011.

Information about impairment losses of assets by reportable segment

2012				Millions of Yen
	Advertising	Other business	Eliminations	Total
Impairment losses of assets	¥69	–	–	¥69

2012				Thousands of U.S. Dollars
	Advertising	Other business	Eliminations	Total
Impairment losses of assets	$797	–	–	$797

2011				Millions of Yen
	Advertising	Other business	Eliminations	Total
Impairment losses of assets	¥255	–	–	¥255

19. SUBSCRIPTION RIGHTS TO SHARES

a. Stock options outstanding at December 31, 2012 were as follows:

Company stock option	Grantees	Number of options granted	Date of grant	Exercise price	Exercise period
2012 Stock Options	9 directors	50,000 shares	May 30, 2012	¥1($0.01)	From May 31, 2015 to May 30, 2022

Movement in stock options for the year ended December 31, 2012 was as follows:

2012	2012 Stock Option
Non-vested (shares)	
Outstanding at December 31, 2011	–
Granted	50,000
Expired	–
Vested	–
Outstanding at December 31, 2012	50,000
Vested (shares)	
Outstanding at December 31, 2011	–
Granted	–
Expired	–
Vested	–
Outstanding at December 31, 2012	–
Exercise price	¥1 ($0.01)
Average stock price at exercise	–
Fair value at grant date	¥1,218 ($14.13)

Stock option holders must be a director of the Company at the time he/she exercises the stock options unless he/she retires due to the expiration of his/her term as a director or for any other justifiable reason.

The number of stock options that may be exercised shall increase in stages from 0% to 100% from the grant date to the first day of the exercise period based on the Total Shareholder Return Results formula. The Total Shareholder Return Results formula is the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the first day of the exercise period (excluding any non-trading days); less the average closing stock price on the Tokyo Stock Exchange during the three months immediately preceding the month of the grant date (excluding any non-trading days); plus any dividends per share during the period from the grant date to the first day of the exercise period; all divided by the three-month average closing stock price immediately preceding the month of the grant date (excluding any non-trading days).

The fair value at the grant date was estimated using the Monte Carlo Method with the following assumptions:

	May 30, 2012
Volatility of stock price	26.7%
Estimated remaining outstanding period	3 years
Estimated dividend per share	¥20 ($0.23)
Risk-free interest rate	0.11%

Notes:
1. Volatility of stock price is computed based on the historical stock prices over the past three years.
2. Estimated remaining outstanding period is the period through the first day of the exercise period.
3. Estimated dividend per share is the minimum annual amount based on the Company's dividend policy.
4. Risk-free interest rate is based on the Japanese government bond yield corresponding to the estimated remaining outstanding period.

20. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects for each component of other comprehensive income for the year ended December 31, 2012 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2012	2012
Unrealized gain on available-for-sale securities		
Gain arising during the year	¥14,719	$170,005
Reclassification adjustments to profit or loss	(30)	(347)
Amount before income tax effect	14,689	169,658
Income tax effect	(5,197)	(60,025)
Total	¥ 9,492	$109,633
Deferred gain on derivatives under hedge accounting		
Gain arising during the year	¥ 124	$ 1,428
Reclassification adjustments to profit or loss	–	–
Amount before income tax effect	124	1,428
Income tax effect	(49)	(566)
Total	¥ 75	$ 862
Foreign currency translation adjustments		
Adjustments arising during the year	¥ 1,188	$ 13,726
Reclassification adjustments to profit or loss	–	–
Amount before income tax effect	1,188	13,726
Income tax effect	–	–
Total	¥ 1,188	$ 13,726
Total Other Comprehensive Income	¥10,755	$124,221

The corresponding information for the year ended December 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption in the first year of adoption of that standard and, therefore, is not disclosed herein.

Independent Auditor's Report

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011

Tel : +81 3 3503 1100
Fax: +81 3 3503 1197

Independent Auditor's Report

The Board of Directors
ASATSU-DK INC.

We have audited the accompanying consolidated financial statements of ASATSU-DK INC. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ASATSU-DK INC. and its consolidated subsidiaries as at December 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

March 28, 2013
Tokyo, Japan

Securities Holdings

ASATSU-DK INC. Consolidated Investments
as of December 31, 2012

		Millions of Yen 2012	
Current	Bond Investment Trust/Money Market Fund	¥6,204	
	Mutual Funds in Equities and Bonds and Others	267	5 funds
	Total	¥6,471	
Non-Current	WPP plc	¥38,773	2.48% or 31,295,646 shares
	Other Publicly Traded Equities	12,394	113 issues
	Publicly Traded Equities Total	¥51,167	
	Non-Publicly Traded Equities in Affiliated Companies	¥ 458	10 issues
	Non-Publicly Traded Equities in Subsidiary Companies	844	15 issues
	Other Non-Publicly Traded Equities	1,374	68 issues
	Non-Publicly Traded Equities Total	¥ 2,677	
	Bonds	1,275	7 issues
	Mutual Funds in Equities and Bonds and Others	191	8 issues
	Total Noncurrent Investments in Securities	¥55,312	

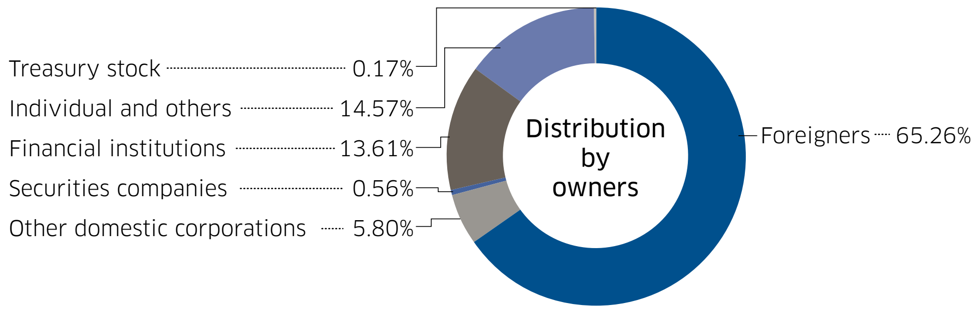
Top Five Equitiy Investments by Balance	Millions of Yen 2012	
WPP plc	¥38,773	31,295,646 shares
ASAHI Group Holdings, LTD.	1,837	1,000,000 shares
Shochiku Co., Ltd.	977	1,100,000 shares
Tokyo Broadcasting System, Incorporated	888	982,900 shares
NISSIN FOODS HOLDINGS CO., LTD.	720	220,000 shares

Investor Information

(As of December 2012)

Parent company name	ASATSU-DK INC.
Established	March 19, 1956
Head office	13-1, Tsukiji 1-chome, Chuo-ku, Tokyo 104-8172, Japan
Number of employees	3,376 (consolidated basis) 1,916 (non-consolidated basis)
Common stock	Authorized: 206,000,000 shares Issued: 42,655,400 shares
Number of shareholders	8,561

Percentage of Total Shares Issued



Major shareholders

	Percentage of Ownership Voting*
WPP International Holding B.V.	24.26%
Northern Trust Company (AVFC) Sub Account American Client	5.48%
The Silchester International Investors International Value Equity Trust	3.93%
Northern Trust Company AVFC Re U.S. Tax-Exempted Pension Funds	3.72%
State Street Bank and Trust Company	3.43%
State Street Bank and Trust Company 505223	3.41%
JP Morgan Chase Bank, 380055	2.25%
State Street Bank and Trust Company 505225	2.21%
Mellon Bank N.A. as Agent for Its Client Mellon Omnibus US Pension	2.01%
The Master Trust Bank of Japan, Ltd., Retirement Benefit Trust Account (Mitsubishi Corporation Account)	1.80%

*Percentage of Ownership Voting figures are based on 42,579,751 shares (42,655,400 shares issued and outstanding, minus 75,649 shares of treasury stock).

Stock listing	Tokyo Stock Exchange, First Section
Securities code	9747
Transfer agent	Tokyo Securities Transfer Agent Co., Ltd. 6-2, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-0004, Japan
Annual meeting	The annual meeting of shareholders is normally held in March in Tokyo, Japan.
For further information	ASATSU-DK INC. Office of Corporate Communications Tel.: +81-3-3547-2003 URL: http://www.adk.jp/english/index.html

ADK Group Network

DOMESTIC

AGENCY GROUP

ADK International Inc. ... ■
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3546-9100
Fax: +81-3-3546-9208

ADK Dialog Inc. ... ■
1-1, Tsukiji 4-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-5163
Fax: +81-3-3547-5152

ADK Digital Communications Inc.. ... ■
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-2720
Fax: +81-3-3547-2000

Kyowa Kikaku Ltd. ... ■
20-15, Shimbashi 2-chome,
Minato-ku, Tokyo 105-0004
Tel.: +81-3-3571-3111
Fax: +81-3-3571-3314

ASP Co., Ltd .... ❑ (Note 2)
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-2100
Fax: +81-3-3547-2937

DA search & link Inc. ... ❑ (Note 2)
5-11, Nishi-Shimbashi 1-chome,
Minato-ku, Tokyo 105-0003
Tel.: +81-3-5157-3951
Fax: +81-3-5157-3976

CREATIVE GROUP

ADK Arts Inc. ... ■
1-1, Tsukiji 4-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3545-5016
Fax: +81-3-3545-5075

Boys Inc. ... ■
13-13, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3545-1071
Fax: +81-3-3545-1305

Drill Inc. ... ❑ (Note 2)
19-5, Udagawa-cho,
Shibuya-ku, Tokyo 150-0042
Tel.: +81-3-5428-8771
Fax: +81-3-5428-8772

TOPS INC.
46-3, Minami-Otsuka 3-chome,
Toshima-ku, Tokyo 170-0005
Tel.: +81-3-5955-7961
Fax: +81-3-5955-7950

ANIMATION CONTENT GROUP

Nihon Ad Systems Inc.
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-2183
Fax: +81-3-3547-2098

Right Song Music Publishing Co., Ltd.
13-1, Tsukiji 1-chome,
Chuo-ku, Tokyo 104-0045
Tel.: +81-3-3547-2184
Fax: +81-3-3547-2098

Eiken Co., Ltd. ... ■
56-7, Minamisenjyu 6-chome,
Arakawa-ku, Tokyo 116-0003
Tel.: +81-3-3802-3011
Fax: +81-3-3807-6205

DAISUKI Inc.
22-17, Ebisu 1-chome
Shibuya-ku, Tokyo 150-0013
Tel.: +81-3-6361-1146
Fax: +81-3-6361-1146

PUBLISHING GROUP

NIHONBUNGEISHA Co., Ltd. ... ■
1-7, Kanda-Jimbo-cho,
Chiyoda-ku, Tokyo 101-8407
Tel.: +81-3-3294-7771
Fax: +81-3-3294-7780

OVERSEAS

NORTH AMERICA

New York
ADK America Inc. N.Y. ... ■
6F, 515 W. 20th Street,
New York, NY 10011, U.S.A.
Tel.: +1-646-284-9800
Fax: +1-646-284-9825

Los Angeles
ADK America Inc. L.A.
3137 S. La Cienega Blvd.,
Los Angeles, CA 90016, U.S.A.
Tel.: +1-310-630-3600
Fax: +1-310-630-3620

EUROPE

Frankfurt
Asatsu (Deutschland) GmbH ... ■
Waldschmidtstrasse 19,
60316 Frankfurt,
Frankfurt am Main, Germany
Tel.: +49-6997-120-832
Fax: +49-6997-120-821

Amsterdam
ADK Europe B.V. ... ■
Neptunusstraat 31,
2132 JA Hoofddorp, The Netherlands
Tel.: +31-23-554-3530
Fax: +31-23-554-3553

Knots Europe B.V. ... ■ (Note 1)
Neptunusstraat 31,
2132 JA Hoofddorp, The Netherlands
Tel.: +31-23-554-3554
Fax: +31-23-554-3553

Paris
ADK France S.A.S.
352 Rue Saint-Honore,
75001 Paris, France
Tel.: +33-1-5345-3450
Fax: +33-1-5345-3455

Moscow
ASATSU-DK INC.
Moscow Representative Office
12 Krasnopresnenskaya nab., No. 1603,
Mezhdunarodnaya-2,
Moscow 123610, Russia
Tel.: +7-495-258-1591

ASIA

Beijing
Beijing Huawen-Asatsu International Advertising Co., Ltd.
Room 1819-1822, Golden Land Bldg.,
No. 32 Liangmaqiao Road,
Chaoyang District, Beijing 100016, P.R.C.
Tel.: +86-10-6468-8867
Fax: +86-10-6468-8865

Tiexu Advertising Co., Ltd.
18F, Golden Land Bldg.,
No. 32 Liangmaqiao Road,
Chaoyang District, Beijing 100016, P.R.C.
Tel.: +86-10-6464-2122
Fax: +86-10-8448-3324

Beijing Asatsu Advertising Co., Ltd.
Room 1915, Golden Land Bldg.,
No. 32 Liangmaqiao Road,
Chaoyang District, Beijing 100016, P.R.C.
Tel.: +86-10-6468-8702
Fax: +86-10-6468-8502

Beijing DongFang SanMeng Public Relations Consulting Co., Ltd.
Room 1803, CITIC No. 19
Jianguomenwai Street,
Beijing 100004, P.R.C.
Tel.: +86-10-8391-3389
Fax: +86-10-8391-3399

IMMG-Beijing Co., Ltd.
Room 2006, Building 4,
No. 89 Jianguo Road,
Chaoyang District, Beijing 100025, P.R.C.
Tel.: +86-10-6530-7600
Fax: +86-10-6530-7113

Shanghai
Shanghai Asatsu Advertising Co., Ltd. ... ■
10F, Yongxing Mansion,
No. 887 Huaihai Zhong Lu,
Shanghai 200020, P.R.C.
Tel.: +86-21-6467-4118
Fax: +86-21-6474-7803

(As of April 2013)

Asatsu (Shanghai) Exposition & Advertising Co., Ltd. … ■ (Note 1)
23F, Jiushifuxing Mansion,
No. 918 Huaihai Road (M),
Shanghai 200020, P.R.C.
Tel.: +86-21-6415-5881
Fax: +86-21-6271-3651

Asatsu Century (Shanghai) Advertising Co., Ltd. … ■
9F, Yongxing Mansion,
No. 887 Huaihai Road (M),
Shanghai 200020, P.R.C.
Tel.: +86-21-6474-8908
Fax: +86-21-6474-8909

Beijing DongFang SanMeng Public Relations Consulting Co., Ltd. Shanghai Branch
Room 1201, Yongxing Mansion,
No. 887 Huaihai Road (M),
Shanghai 200020, P.R.C.
Tel.: +86-21-6433-9875
Fax: +86-21-6443-9705

Guangzhou
Guangdong Guangxu (ASATSU) Advertising Co., Ltd. … ❑
4F, Dongbao Tower, No. 767,
E. Dongfeng Road, YueXiu District,
Guangzhou 510600, P.R.C.
Tel.: +86-20-8888-9818
Fax: +86-20-3832-7601

Shanghai Asatsu Advertising Co., Ltd. Guangzhou Branch
4F, Dongbao Tower, No. 767,
E. Dongfeng Road, YueXiu District,
Guangzhou 510600, P.R.C.
Tel.: +86-20-3832-0060
Fax: +86-20-3821-0643

Chengdu
Shanghai Asatsu Advertising Co., Ltd. Chengdu Branch
Room 1502, No. 16 in 3rd Section of
Hongxing Road,
Chengdu 610016, P.R.C.
Tel.: +86-28-8666-5471
Fax: +86-28-8672-5017

Fuzhou
Shanghai Asatsu Advertising Co., Ltd. Fuzhou Branch
Room 502, 8F, North Tower,
Xiao Kan Yuan Bldg., 208 Hudong Road,
Gulou District, Fuzhou 350003, P.R.C.
Tel.: +86-591-8801-2100
Fax: +86-591-8801-2108

Hong Kong
ASATSU-DK HONG KONG LTD. … ■
25F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong
Tel.: +852-2895-8111
Fax: +852-2576-3322

DK ADVERTISING (HK) LTD. … ■
25F, Leighton Centre, 77 Leighton Road,
Causeway Bay, Hong Kong
Tel.: +852-2811-9999
Fax: +852-2811-9699

Taipei
United-Asatsu International Ltd. … ■
13F, No. 287 Nanking E. Road,
Sec. 3, Taipei 105, Taiwan, R.O.C.
Tel.: +886-2-8712-8555
Fax: +886-2-8712-9555

DIK-OCEAN Advertising Co., Ltd. … ■
13F, No. 287 Nanking E. Road,
Sec. 3, Taipei 105, Taiwan, R.O.C.
Tel.: +886-2-8712-8555
Fax: +886-2-8712-9555

Singapore
ASATSU-DK SINGAPORE PTE. LTD. … ■
1 Liang Seah Street, #02-05,
Singapore 189022
Tel.: +65-6333-5115
Fax: +65-6333-5225

Scoop AD WORLD Pte Ltd.
1 Liang Seah Street, #02-05,
Singapore 189022
Tel.: +65-6333-5115
Fax: +65-6333-5225

IMMG Pte Ltd.
213 Henderson Industrial Road, #01-09,
Henderson Industrial Park,
Singapore 159553
Tel.: +65-6376-5088
Fax: +65-6375-2029

Jakarta
PT. Asta Atria Surya
Wisma Slipi, Lantai 11 Jl. Let.
Jend. S. Parman Kav. 12,
Jakarta 11480, Indonesia
Tel.: +62-21-530-7155
Fax: +62-21-530-7156

PT. Perdana IMMG Indonesia
Jl. Kemang I No. 5,
Jakarta Selatan 12730, Indonesia
Tel.: +62-21-718-3311
Fax: +62-21-718-3322

Kuala Lumpur
ASATSU-DK Malaysia Sdn. Bhd.… ■
Level 18, Menara Merais, No. 1,
Jalan 19/3, 46300 Petaling Jaya,
Selangor, Malaysia
Tel.: +603-7954-0388
Fax: +603-7954-0266

Dai-Ichi Kikaku (Malaysia) Sdn. Bhd.
C-13A-3A, Dataran 3 Two, No. 2,
Jalan 19/1, 46300 Petaling Jaya,
Selangor, Malaysia
Tel.: +603-7960-8106
Fax: +603-7960-8103

Bangkok
ASATSU (THAILAND) CO., LTD. … ■
24F, Sirinrat Bldg.,
3388/86 Rama 4 Road, Klongton, Klongtoey,
Bangkok 10110, Thailand
Tel.: +66-2-367-5951
Fax: +66-2-367-5946

DAI-ICHI KIKAKU (THAILAND) CO., LTD. … ■
23F, Shinawatra Tower III,
1010 Vibhavadi Rangsit Road,
Ladyao, Chatuchak,
Bangkok 10900, Thailand
Tel.: +66-2-949-2700
Fax: +66-2-949-2777

ASDIK Ltd. … ■
6F, Shinawatra Tower III,
1010 Vibhavadi, Rangsit Road,
Ladyao, Chatuchak,
Bangkok 10900, Thailand
Tel.: +66-2-949-2800
Fax: +66-2-949-2805

Ho Chi Minh City
ASATSU-DK VIETNAM INC. … ■ (Note 1)
28 Nguyen Van Thu Street,
District 1, Ho Chi Minh City, Vietnam
Tel.: +84-8-3910-5550
Fax: +84-8-3910-5551

DIK VIETNAM CO., LTD. … ■ (Note 1)
3F, 28 Nguyen Van Thu Street,
District 1, Ho Chi Minh City, Vietnam
Tel.: +84-8-3911-8835
Fax: +84-8-3910-5554

Manila
ADK INTEGRA INC.
25F, Raffles Corporate Center,
F. Ortigas, Jr. Road (formerly Emerald Ave.),
Ortigas Center, Pasig City 1605, Philippines
Tel.: +63-2-914-4297
Fax: +63-2-914-9001

Seoul
Asatsu-DK Korea Co., Ltd.
7F, DaeHeung Bldg., 4-3, Yangjae-dong,
Seocho-gu, Seoul, Korea
Tel.: +82-2-511-5934
Fax: +82-2-511-5935

New Delhi
ADK-FORTUNE PVT. LTD.
B1/B2, Enkay Centre, Udyog Vihar Phase-V,
Gurgaon 122016, India
Tel.: +91-124-453-9723
Fax: +91-124-453-9752

Dubai
AGA ADK advertising & marketing
3F, Fortune Executive Tower,
Jumeirah Lake Towers,
Dubai, United Arab Emirates
Tel.: +971-4-4458-383
Fax: +971-4-4503-948

… ■ Consolidated subsidiaries
… ❑ Affiliates accounted for by the equity method

Note 1: Added to the scope of consolidated reporting from 2013.
Note 2: Added to affiliated companies accounted for using the equity method from 2013.

ASATSU-DK INC.

http://www.adk.jp/english/index.html

Printed in Japan