Summary of Financial Statements for FY2011 [Japanese GAAP]

February 14, 2012

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Securities Code : 9747 URL : http://www.adk.jp/english/index.html
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Date of Board of Directors Meeting for Annual Results : February 14, 2012
Scheduled Date of Dividend Disbursement : March 21, 2012
Scheduled Date of General Meeting of Shareholders : March 29, 2012

(Unit: millions of yen, Rounded down under 1million yen)

1. Fiscal Year 2011 Consolidated Results (January 1 to December 31, 2011)

(1) Consolidated Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY 2011	347,111	0.2	3,852	—	5,627	198.4	2,293	—
FY 2010	346,565	(1.0)	22	—	1,885	72.3	(4,656)	—

(Notes) 1. Comprehensive income(loss), for the year ended;
at December 31, 2011 (1,794) million yen(- %), at December 31, 2010 : (2,697) million yen(- %)
2. Percentages shown for Gross Bilings, Operating Income, Ordinary Income and Net Income represent increase/decrease from those in the corresponding period of the previous year.

	Net Income per Share	Fully Diluted Net Income per Share	Return on Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Gross Billings
	(yen)	(yen)	(%)	(%)	(%)
FY 2011	54.37	−	2.3	3.0	1.1
FY 2010	(110.28)	−	(4.5)	1.0	0.0

(Notes) 1. Equity in earnings of affiliated companies, for the year ended;
at December 31, 2011 : 184 million yen, at December 31, 2010 : 213 million yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY 2011	184,188	96,800	52.0	2,270.23
FY 2010	194,510	103,168	52.5	2,423.06

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2011 : 95,834 million yen, at December 31, 2010 : 102,169 million yen

(3) Summary of Consolidated Cash Flows

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of Term
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
FY 2011	8,957	3,779	(4,944)	26,519
FY 2010	(221)	2,298	(1,266)	19,127

2. Dividend Information

	Annual Dividend per Share				Total Dividends (Annual)	Dividend Payout Ratio (Consolidated)	Dividend to Equity Ratio (Consolidated)
		Interim	Temporary	Year-end			
	(yen)	(yen)	(yen)	(yen)	(millions of yen)	(%)	(%)
Fiscal 2010(Actual)	20.00	10.00	—	10.00	843	—	0.8
Fiscal 2011(Actual)	109.00	10.00	89.00	10.00	4,600	200.5	4.6
Fiscal 2012(Forecast)	25.00	10.00	—	15.00		35.2	

(Notes) For details on extra and year-end dividends , refer to page 4.

3. Forecast of Consolidated Fiscal Year 2012 (January 1 to December 31, 2012)

	Gross Billings		Operating Income		Ordinary Income		Net Income		Net Income per Share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Interim	170,000	2.6	1,100	(20.1)	2,100	(16.6)	1,150	31.3	27.24
Full-year	352,000	1.4	3,900	1.2	5,400	(4.0)	3,000	30.8	71.07

4.Others

(1) Changes in the Scope of Consolidation and Application of the Equity Method : No.

(2) Significant chenges in accounting policies : Yes.
1. Changes due to amendment in J-GAAP : Yes.
2. Changes due to reasons other than 1 : No.
Note: For details, please refer to on page 32 to 33.

(3) 1. Number of outstanding stocks (including treasury stock) issued, for the year ended
at December 31, 2011 : 45,155,400 shares, at December 31, 2010 : 45,155,400 shares.
2. Number of treasury stock, for the year ended :
at December 31, 2011 : 2,941,598 shares, at December 31, 2010 : 2,990,104 shares.
3. Avg. number of shares (consolidated) outstanding during, for the year ended :
at December 31, 2011 : 42,187,505 shares, at December 31, 2010 : 42,221,554 shares.

(Reference) Fiscal Year 2011 Non-Consolidated Outline (January 1 to December 31, 2011)

(1) Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY 2011	301,878	(1.3)	1,734	―	3,387	―	2,302	―
FY 2010	305,759	(1.7)	(1,674)	―	5	(98.7)	(2,112)	―

	Net Income per Share	Fully Diluted Net Income per Share
	(yen)	(yen)
FY 2011	54.59	―
FY 2010	(50.03)	―

(2) Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY 2011	157,869	84,423	53.5	1,999.90
FY 2010	166,870	90,241	54.1	2,140.18

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2011 : 84,423 million yen, at December 31, 2010 : 90,241 million yen

(3) Forecast of Non-Consolidated Fiscal Year 2012 (January 1 to December 31, 2012)

	Gross Billings		Ordinary Income		Net Income		Net Income per Share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Interim	147,200	1.1	1,530	(22.8)	840	3.5	19.90
Full-year	306,000	1.4	3,400	0.4	1,700	(26.2)	40.27

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

(Reference) Regarding extra dividends from surplus determined a temporary record date

As announced in “Notice regarding dividends from surplus” on October 13, 2011, we paid the extra dividend of ¥89 per share as of the temporary record date of October 31, 2011, limited to the current term, in order to offer a more substantial short-term return to our shareholders.

Dividend information for FY2011, including the extra dividend stated above, is as follows:

	Dividend per Share					
	First Quarter (March 31)	Second Quarter (June 30)	Third Quarter (September 30)	Temporary (October 31)	Year-End (December 31)	Annual
	(yen)	(yen)	(yen)	(yen)	(yen)	(yen)
FY2011	—	10.00	—	89.00	10.00	109.00

Note: The year-end dividend per share for FY2011 stated above is an estimate based on the results as of February 14, 2012.

1. Results of Operations

(1) Analysis of Results of Operations

① Overview of Operating Results

In fiscal 2011, mainly due to the Great East Japan Earthquake and the European sovereign debt crisis, Japan had to operate in very severe economic conditions throughout the year. Although from around the end of 2010, the economy seemed to start coming out of the leveling-off phase, later sharply declined due to the disruptions of the supply chain and the restrictions posed on the electric power supply following the Great East Japan Earthquake and the damages at the nuclear power plants. Around the middle of the year, country's economy recovered from the slump thanks to the rapid recovery of the supply chain as well as the improving world economy. However, pace of the recovery of the world economy slowed down as the severity of the sovereign debt crisis in Europe increased, and in summer and thenceforth, partly due to the sharp appreciation of the yen and the flooding in Thailand, and the pace of recovery of the Japanese economy slackened.

Sales in the advertising industry, according to the Current Survey of Selected Service Industries by the Ministry of Economy, Trade and Industry, increased year-on-year in August and September consecutively, showing signs of recovery. However, they fell in October and November, were lower again year-on-year, and it seems that the unstable situation will continue.

Amid these circumstances, the ADK Group provided communication programs giving priority to the maximization of the return on investment (ROI) of the advertisers in the communications. The Group also worked proactively to develop its business in the newly emerging nations and China, and in the animation content business. Consequently, the Group managed to achieve sales that were only a little higher than the previous year. The group also achieved a certain extent of recovery in income from the previous year by strictly managing the cost of sales and reducing our selling, general and administrative expenses.

The ADK Group reported gross billings of ¥ 347,111 million, increased 0.2% compared with FY2010. Gross profit increased 9.1% year-on-year, to ¥45,836 million. Operating income was ¥3,852 million, an increase of ¥22 million compared with FY2010. Ordinary income totaled ¥5,627 million (an increase of 198.4% compared with FY2010) primarily as a result of posting the dividends income of ¥1,194 million and the equity in earnings of affiliates of ¥184 million.

With respect to extraordinary income and losses, the Group posted extraordinary income of ¥2,023 million partly due to a ¥1,862 million gain on sales of investment securities including a ¥1,242 million yen profit from the sale of Digital Advertising Consortium Inc. shares. It recorded total extraordinary losses of ¥2,622 million due to a loss on valuation of investment securities and a loss on adjustment for changes in the accounting standard for asset retirement obligations. As a result, income before income taxes totaled ¥5,028 million (compared with ¥4,748 million loss for FY 2010). The Group reported net income of ¥2,293 million (compared with ¥4,656 million loss for FY 2010).

Detailed Review of Operations by Segment

Advertising Business

The group's advertising business segment generated gross billings of ¥340,082 million, registering positive 0.2% year-on-year growth, while segment income was reported at ¥3,859 million, registering 49 million increase compared to 2010.

The subsidiaries in Japan and overseas increased gross billings, however, ADK slightly decreased gross billings. ADK subsidiaries in Japan and overseas, all increased their profit.

The Parent company, ADK, which is the core of the group, reported gross billings of ¥301,878 million, down 1.3% from FY2010. ADK continued to devote itself to measures aiming at the improvement of profitability such as strict cost control of sales cost. As a result, the gross profit amounted to ¥33,156 million, up 8.0% year-on-year. Due to the continuous effort to control selling, general and administrative expenses, the operating income amounted to ¥1,734 million (compared with ¥1,674 million operating loss for FY 2010).

ADK recorded an increase in gross billings from clients in the Beverages/Tobacco and Pharmaceuticals & Medical Supplies sectors. However, gross billings from clients in the sectors of Distribution/Retail, Transportation/Leisure and Foods, etc. decreased.

Broken down by business discipline, TV advertising, Radio advertising and Creative and Others grew year-on-year, but in other disciplines, the income was down from FY2010.

Unconsolidated Performance by Discipline:

Breakdown by Discipline		Gross Billings (Millions of yen)	Composition %	Y-o-Y change %
Media	Magazine	13,599	4.5	(12.7)
	Newspaper	20,371	6.8	(3.9)
	TV (Program, Spot, and Content)	145,178	48.1	0.2
	Radio	3,215	1.1	12.2
	Digital Media	8,276	2.7	(7.1)
	OOH Media	8,525	2.8	(2.1)
Sub-total		199,166	66.0	(1.5)
Non-Media	Marketing and Promotion	53,772	17.8	(8.4)
	Creative and Others	48,938	16.2	9.0
Sub-total		102,711	34.0	(0.9)
Total		301,878	100.0	(1.3)

(Notes) 1. Because we offer cross-media programs, data may not represent gross billings by medium.
2. TV includes Program, Spot and Content.
3. Digital Media includes Internet and Mobile-related media.
（Digital Solutions, such as Website Creation and System Development are included in "Marketing and Promotion".）
4. OOH (Out –of- Home) Media includes transportation and outdoor advertising and insertions.
5. Marketing and Promotion includes Marketing, Communication Planning, Promotion, Events, PR,

Exposition Events and Digital Solutions, etc.

Gross billings from Magazine advertising decreased due to tighter budgets at many clients especially those in the Hobbies /Sporting goods, Beverages/Tobacco and Information/Communications sectors, although gross billings from clients in the Education/Healthcare Services /Religion and Household products sector grew. Gross billings were ¥ 13,599 million with 12.7% year-on-year decline.

Gross billings from Newspaper advertising suffered a decline by negative 3.9% year-on-year with smaller gross billings of clients in the Finance/Insurance and Guiding/Others sectors, although we handled larger gross billings of clients in the Government/Organization, Transportation/Leisure and Distribution/Retail sectors. As a result, gross billings for Newspaper ads were ¥ 20,371 million, 3.9% year-on-year decline.

Gross billings from Television advertising increased by 0.2% year-on-year to ¥ 145,178 million. Program TV advertising sales decreased due to smaller businesses with clients in the Information/Communications and Foods sectors, although the company generated larger gross billings from clients in some other sectors like the Cosmetics/Toiletry, Finance/Insurance and Hobbies/Sports goods sectors. Spot TV advertising sales decreased also due to smaller business with clients in the Information/Communications and Cosmetics/Toiletry sectors, even though business with clients in the Pharmaceuticals/Medical Supplies and the Beverages/Tobacco sectors grew. We kept trying to promote sales from our animation content business by developing digital animation distribution sites on PCs and mobiles, investments in new characters, and active use of popular characters.

Gross billings from advertising on Radio increased to ¥ 3,215 million, for a year-on-year positive growth of 12.2%, thanks to larger business with clients in sectors like Financial/Insurance and Beverages/Tobacco, even with smaller business with clients in Energy/Materials/Machinery and Foods sectors.

Gross billings from advertisement on Digital media did not grow, even though we established ADK Digital Communications Inc. in August and began its services in October with an aim to increase sales and improve the group’s profitability. Gross billings were ￥8,276million, for a year-on-year negative growth of 7.1%, due to decline in business with clients in the Information/Communication, Hobbies/Sporting goods and Automobiles/Auto-related products, although business with clients in the Cosmetics/Toiletry goods and Foods sectors grew.

Gross billings from advertising on Out-of-Home Media decrease to ¥ 8,525 million, or 2.1% negative year-on-year growth, due to decline in business with clients in the Auto-related products, Transportation/Leisure sectors, although we grew business with clients in the sectors like Beverages/Tobacco, Pharmaceuticals/Medical Supplies, etc. by offering our cross-media approach and development of in-store media.

Our gross billings from the Marketing/Promotion business decreased to ¥ 53,772 million or 8.4% negative year-on-year growth, due to smaller business with clients in the Distribution/Retail and Government/Organizations, although we grew business with clients in the sectors like Beverages/Tobacco and Finance/Insurance by offering integrated communications services taking advantages of on-site merchandising and digital solutions to better respond to clients demands.

Sales of Creative and others increased to ¥ 48,938 million, or 9.0% year-on-year growth thanks to larger business with clients in the sectors like Information/Communications, Beverages/Tobacco, Pharmaceuticals/Medical Supplies and Foods sectors.

Other Business

The subsidiaries in the publishing business segment reported ¥ 7,029 million sales, a 1.5% y-o-y decline and continued to report an segment loss of ¥ 8million, compared to ¥ 24million segment loss in FY 2010.

② Overseas Sales

The ADK group obtained 7.4 % of its gross billings from abroad, compared with 6.8% in FY2010. All overseas sales are for the advertising business.

③ Outlook for Fiscal Year 2012

In the Japanese economy, owing to a constant and strong demand from the post-earthquake projects and also due to the effects of the various governmental policies implemented, the trend toward gradual recovery is expected to continue. However, it is also anticipated that considerable uncertainty over the future economy will continue due to several concerns, such as the shortage of electric power supply, the strong yen and the European sovereign debt crisis.

Under the slow growth environment, ADK forecasts its consolidated performance for 2Q 2012 at ¥170 billion in gross billings, ¥ 0.9 billion in operating profits, ¥ 1.9 billion in ordinary income, and ¥ 1 billion in net income. For FY 2012, gross billings of ¥352 billion, ¥ 3.9 billion in operating profits, ¥ 5.4 billion in ordinary income, and ¥ 3 billion in net income are forecasted. EPS for the year is forecasted at ¥ 71.07.

On a nonconsolidated basis, the forecasts for 2Q 2012 are set at ¥147.2 billion in gross billings, ¥0.33 billion in operating income, ¥ 1.33 billion in ordinary income, and ¥ 0.7 billion in net income. For FY 2012, ¥ 306 billion in gross billings, ¥ 2.0 billion in operating profits, ¥ 3.4 billion in ordinary income, and ¥ 1.7 billion in net income are forecasted. EPS for the year is forecasted at ¥ 40.27.

④ Mid-term Management Plan

The ADK Group has formulated its Mid-term Management Plan that mainly reflects the anticipated low-level growth of the Japanese economy and the advertising markets, the changes of conditions in the communications field and also the expected progress of the global economy. The core strategy of the plan is to concentrate our efforts in the growing fields, such as the digital business domain and the overseas markets, and also our business with advertisers mainly in the content business area. In FY 2011, we achieved a certain degree of recovery in the business results, however, we aim to further increase the operating income and the net profit while, at the same time aiming to improve our operational efficiency and enforce stricter cost control.

Specifically, our most important target is to increase the operating income to ¥ 7,500 million by the end of FY 2014. To achieve this target, we will conduct our business by setting the following benchmarks on a consolidated basis: gross margin ratio of 15%, operating margin of 13% and staff cost to gross profit ratio of below 60%. Return for our shareholders will be achieved through dividend distributions as well as acquisitions of treasury stocks, and we will strive to improve our capital efficiency.

Measures to be taken to execute the plan will be detailed in “2. Management Policy” on page 17.

⑤ Management Indices

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

Fiscal Year	FY2008	FY2009	FY2010	FY2011	Targets FY2014
Operating Income	¥3,699 million	(¥756) million	¥22 million	¥3,852 million	￥7,500 million
Operating Margin	7.5%	(1.8%)	0.1%	8.4%	13.0%
Staff Cost to Gross Profit	62.4%	67.0%	67.3%	61.8%	Below 60.0%

Note①: (Operating Margin) = (Operating Income) ÷ (gross profit)

Note②: (Staff Cost to Gross Profit) = (Staff Cost) ÷ (gross profit)

In FY2011, the operating margin was 8.4%, and the ratio of staff cost to gross profit was 61.8%, exceeding our target. On a non-consolidated basis, the operating margin achieved 5.2%, exceeding the target, however, the ratio of staff cost to gross profit was 62.4%, slightly lower than the target. The target of the operating margin was achieved because we strove to improve efficiency in selling, general and administrative expenses under the effect of the Great East Japan Earthquake in the first half of FY 2011. Staff cost to gross profit was controlled in line with the growth rate of gross profit to improve the ratio of staff cost to gross profit. Both the margin and the ratio improved in comparison to FY 2009 and FY 2010, however, as the current difficult economic situation will either continue or deteriorate further, we will strive to increase the management efficiency by steadily implementing the measures included in the management plan.

Consolidated EPS and ROE

FY	2008	2009	2010	2011
EPS(Yen)	48.14	1.73	(110.28)	54.37
ROE(%)	1.8	0.1	(4.5)	2.3

(2) Balance Sheets and Cash flow

During 2011, the balance of total assets decreased by ¥ 10,322 million to ¥ 184,188 million due to a decrease in investment securities, reflecting a decline in market value. Total liabilities decreased by ¥ 3,953 million to ¥ 87,388 million due to a decrease in deferred tax liabilities, reflecting the abovementioned decline in market value of investment securities. Net assets decreased by ¥ 6,368 million to ¥ 968 million, with a 52.0% book net assets ratio, a 0.5 point loss.

At the end of FY 2011, cash and cash equivalents amounted to ¥ 26,519 million, an increase of ¥7,391 million from the previous fiscal year end, because cash inflow of operating and investing activities surpassed cash outflow for financing activities by ¥ 7,792 million and the group recognized FX adjustment to the balance.

Net cash flow from Operating Activities was ¥ 8,957 million, compared with ¥ 221 million cash used in FY 2010, while the increase of notes and accounts receivable and notes and accounts payable were ¥ 3,535 million and ¥ 3,098 million, respectively.

Net cash of ¥ 3,779 million was obtained from investing activities compared with ¥ 2,298million cash provided in FY 2010, due to the proceeds from sale of stocks.

Net cash used for financing activities was ¥ 4,944 million, compared with ¥ 1,266 million cash used in FY 2010, mainly for extra dividends to shareholders in ¥ 4,599 million.

The major indices of consolidated financial conditions are as follows:

Term	FY2008	FY2009	FY2010	FY2011
Book Equity Ratio	52.4%	56.0%	52.5%	52.0%
Market Cap. To Book Total Assets	44.8%	41.0%	48.0%	46.4%
Years to redeem debts	Note 1 (0.3)	0.1	Note 2 (5.1)	0.1
Interest Coverage Ratio (times)	Note 1 (121.8)	248.4	Note 2 (7.6)	343.6

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

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

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

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

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

Note 1: In FY 2008, because Operating activities had a cash outflow, years to redeem debts and Interest Coverage Ratio were negative. The cash flow was temporarily negative due to large decrease in accounts payable and larger tax payments reflecting income the year before. When Operating Income is used to calculate Years to redeem debts and Interest Coverage Ratios, the figures will be 0.28 years and 160.7 times.

Note 2: In FY 2010, years to redeem debts and Interest Coverage Ratio were negative since the ADK group's net cash flow was negative in operating activities, which, however, included one-off factors, such as Special Retirement Expenses under an Early Retirement Program.

(3) Basic Policy for Profit Distribution and Dividends for FY2011 and FY2012

ADK believes that distribution to the shareholders is one of the highest priorities in management of the ADK group. It is the policy of ADK to seek maximum total company's value by well balancing distributions to shareholders and retention of profits for financial stability and future investments to realize medium-term management strategies. For the distribution of profits, ADK regards dividends and repurchases of treasury stock to be key vehicles and it is also the policy of ADK to well balance between the two vehicles from short and long-term point of view.

In determining the amount of cash dividends, we have set a policy that a 35% of consolidated net income is to be distributed through common dividend with the condition of a minimum annual dividend of ¥ 20 per share with the aim to sustain our stable distribution. ADK keeps semi-annual dividend distributions. An interim dividend should be ¥ 10 per share in principle and a year-end dividend should be the higher of ¥ 10 per share or an amount which would make the total annual dividends payout ratio satisfy the guide line of 35%.

In accordance with the aforementioned, ADK intends to announce ¥ 10 per share year-end dividend at its meeting to be held on February 22, 2012 with March 21, 2012 as the disbursement date. In addition to ¥ 10 per share interim dividend paid in September 2011, at its meeting held on October 13, 2011, the Board of Directors of ADK passed a resolution regarding paying an extra dividend of ¥ 89 from surplus with October 31, 2011 as its temporary record date in addition to the two record dates per year, limited to the current term, in order to offer a more substantial short-term return to our shareholders. The extra dividend was paid in December 2011 and the total annual of dividend for FY 2011 will be ¥ 109 per share.

The Company will also focus on repurchasing treasury stock as well as increasing consolidated net income in order to accelerate improvement of return on equity (ROE). We will consider our market environment, forecast of consolidated net income, financial stability and growth strategies to determine repurchase of treasury stock.

For FY 2012, we forecast that an interim dividend will be ¥ 10 per share and year-end dividend will be ¥ 15 per share.

(4) Risk Factors

Forward Looking Statements

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

① Domestic Economy

During FY 2011, the group generates 92.6% of its gross billings from the Japanese domestic markets. Japanese national advertising spending is directly influenced by corporate advertisers' wallet size, and, therefore, it is closely correlated with nominal consumer spending and GDP. In the event that the domestic economy deteriorates seriously, the ADK group's performance and financial conditions could be negatively impacted.

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

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

We do not see, however, that traditional and new media cannibalizing each other. Rather, they can enhance each other. The ADK group continues to focus on both traditional and new and digital media through its cross communications approach. In addition, the group has been accelerating its efforts to enhance its functionalities to lead the digital advertising market, including the internet. However, if ADK fails to adapt to changes in the advertising media, its performance and financial conditions could be adversely impacted.

③ Risks arising from trading customs

(a) Relationship with Advertiser clients

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

Advertising companies in Japan do not always have documented contracts with media and clients so as to maximize their flexibility in order to adapt to sudden changes. However, ADK works to ensure it has written contracts with more media and more clients. When this is the rule, not the exception, the company believes accountability by both parties will minimize disputes. Until that time, however, there remains the possibility of disputes with media and clients. An advertising agency buys media time or space and materials on behalf of its clients on its own account. Sometimes a purchase is made through another agency. Therefore, even if a client and/or such another agency default, the advertising company is still liable for the media and or materials toward a media owner and or a sub-contracting production company.

(b) Media Inventories

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

(c) Credit Risks of Sub-contractors

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

④ Competition Risk

The ADK group, as Japan’s third-largest advertising group, competes against other large companies. Competition among Japan’s major advertising companies is intensifying. Besides, advertising clients tends to select preferred agency to enjoy economy of scale to minimize procurement costs. Consolidation and multinationalizing among clients would leads unification of brands and centralization of purchase and thus accelerate competition. In addition, the entry of foreign mega agency groups into the Japanese market, many new and rapidly growing entrants in the internet and other non-traditional mass media advertising market, and new entrants from outside advertising industry such as trade firms and distributers accelerates competition.

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

⑤ Risks arising from operations

(a) Client Portfolio

The sizes of advertising spending by clients’ industry sector may vary and changing. In the last ten years, according to the 2010 report by Dentsu, Inc., companies at sectors of Information/Communication. Cosmetics/Toiletry, Apparel/Jewelry, and Finance/Insurance grew their spending, while companies at sectors of Government/organization, Hobbies/Sporting Goods, Pharmacy/Medical, and Transportation/Leisure decreased their spending. The ADK group has a diversified portfolio of first-tier clients. The parent company's largest 10 and 20 clients' share around 20 and 30% of total unconsolidated gross billings for FY 2011. Compared to the competitors, sector concentration risk is similar. Although we strive to maintain and develop good relationships with our clients, there is no assurance that we will be able to continue to do so.

(b) Relationships with the Media owners

The ADK group buys and resells traditional mass media as well as digital media, like mobile and Internet.
In FY 2011 ADK parent company generates 66.0% of its gross billings by handling the four traditional mass media as well as the rapidly growing internet and digital and OOH media. Gross billings from TV represented 48.1% of ADK's non-consolidated gross billings. ADK strives to secure advertising time and/or space of these traditional and new media. However, in the event of a decrease in advertising volume and/or changes in business terms and conditions and advertising methods, and/or the emergence of new advertising formats, and the ADK group does not respond to these changes appropriately, there is a possibility that its performance and financial conditions could be adversely affected.

(c) Relationship with Sub-contractors

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

(d) Staff

Advertising is a people business and talents are critical assets in the advertising industry. In the event that ADK is unable to secure and train its talented staff adequately, there could be a negative impact on performance and financial conditions. In addition, most of the staff cost is fixed cost and the largest portion of Selling, General and Administrative expenses. On a consolidated basis staff expense represented as much as 61.8 % of Selling, General and Administrative expenses in FY 2011. It is not easy to reduce staff cost even when gross profits decrease. Thus, staff cost significantly influences the group's profitability.

(e) Overseas Operations

ADK has been striving to develop overseas revenues. In 2011 the ADK group generated 7.4% of its gross billings from overseas. In overseas markets, because of the difference in culture, society, law and commercial customs, a variety of problems may arise. In addition, both country risk and currency risk are inherent in conducting international business. In the event that the ADK group is unable to expand its overseas operations as it planned, the group's performance and financial condition could be significantly impacted.

(f) Content Business

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

(g) Investment for Competitiveness

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

(h) Management of the group companies

The ADK group consists of the parent company, 51 subsidiaries, 16 affiliates and 1 related company and operates advertising and publications businesses. Although we strive hard to realize synergies among the group companies, in the event that the ADK group is unable to do so as it plans, the group's performance and financial condition could be significantly impacted.

(i) Relationship with WPP plc

ADK has maintained strategic operating and equity ties with WPP plc of the Republic of Ireland since August 1998, holding a 2.48% equity stake in WPP (as of December 31, 2011). WPP is the largest shareowner of ADK, holding 24.32% of voting rights. At the same time, both companies have non-executive directors on each other's boards. By way of operating alliances with WPP group operating companies, including JWT, ADK made a number of creative and promotional tie-ups and will continue to develop operations worldwide.

Because ADK does not own a majority of WPP's voting rights, and our influence on WPP group operations is limited, in the event that the ADK group is unable to realize the benefits from this relationship or if the relationship should negatively change in any way, there may be an impact on the ADK group's performance and financial conditions in the future. In addition, although the yen translated market value of the equity stake in WPP is ¥25,328 million (at a stock price of ￡6.755 per share) as of the end of December 2011 compared to the book value of ¥22,262 million (at a stock price of ￡3.6517 per share under the lower-of-cost-or-market method), in the event of a major deterioration in the group's ￡ based stock price, there is a possibility that ADK would have to account for valuation losses on this holding.

(j) Marketable Securities and Investment Securities

The ADK group's holdings of marketable and investment securities (including the aforementioned stake in the WPP plc.)totaled ¥42,133 million, representing 22.9% of our 184,188 million in total assets as of December 31, 2011. Of this amount, ¥37,053 million is publicly traded equity securities mostly for the equity alliance with WPP plc and for cross-shareholdings in advertising clients and other trading partners. The balance of unrealized gains on available-for-sale securities is ¥4,063 million (compared to ¥7,727 million as of Dec. 2010). However, in the event of a major decline in the market prices of these holdings, we would be forced to account for valuation losses.

(k) Retirement Benefits and Pension Plans

ADK and some of the group companies adopt combinations of defined contribution, defined benefits pension plans, and lump-sum retirement allowance. In the event of deterioration in pension asset management performance, and a significant change in actuarial assumptions, the ADK group could face a negative impact on its performance and financial condition.

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

(l) Contingent Litigation Risks

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

(m) Legal Risks

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

2. Management policy

(1) Basic Policy on management

Since its inception, with our management philosophy, "management by all", the ADK group has been working toward successful business performance of advertising clients as our main purpose by constantly offering the optimum solutions, integrating both internal and external expertises and functions.

Communications environments, including advertising, are radically changing following mainly the rapid development of digital technology and expansion of social media. Surrounded by such environments, the ADK group will strive to provide our clients with optimal communications programs with the aim to achieve the maximum ROI in communications of the advertising clients, by providing the best media integration that surround consumers' purchasing methods, such as mass media, mass personal media, including Internet and mobile devices, and OOH media, including in-store media, through capturing continuously changing ways media is used by people and consumer behaviour and also needs of advertisers that change accordingly. The ADK group will continue to further develop its growing overseas and content businesses.

The ADK group will strengthen its collaboration among the group companies, increase the corporate value through sustainable growth by responding appropriately to changing business environment, and strive to improve our capital efficiency for the benefit of shareholders value, taking a good balance among stakeholders and maintaining financial soundness and stability, with the aim to achieve proper profit distributions to shareowners.

The ADK group will also strive to strengthen its corporate structure, including enhancement of internal control.

(2) Management Indices

Regarding the items of Management Indices, please refer to the "(1) Management Indices" on page 6 under the "1. Results of Operations, (1) Analysis of Results of Operations".

(3) Medium to Long Term Business Strategy and Issues to be Addressed

While uncertainty regarding the domestic markets continues mainly due to social concerns triggered by the Great East Japan Earthquake and the European sovereign debt crisis, as well as the slowdown in exports due to strong yen and the delayed recovery of employment, among the advertisers, who aim to make inroads into the steadily growing markets of the newly emerging countries, there is a growing need for advertising in the overseas markets. On the other hand, the domestic advertising market with its core of traditional mass media has already matured, and as the ways media is used and the consumer behavior are changing with the advancement of digital technology and the appearance of highly-sophisticated digital devices, advertisers are demanding more advanced communications programs.

As the business conditions are thus rapidly changing, we are committed to successfully responding to the difficult environment by emphasizing the following themes.

① Global

For some time the ADK Group has already been making a steady effort to build its overseas network centering on Asia in order to address the needs of the advertisers' overseas business development. Many advertisers are, rather than simply exporting products, actively making inroads into the overseas markets and establishing operational bases that help cover and advance to wider areas, including neighboring countries. Communications activities in various markets are hence becoming more and more vigorous.

With the aim to improve our seamless response to such activities and needs of advertisers both domestically and overseas, ADK established its Global Business Division in January 2012.The needs of advertisers to make inroads into the overseas markets are expected to increase mainly due to the strong yen and the shrinking domestic demand, and it is our intention to make a concentrated effort to assist them in this endeavor, at the same time creating opportunities to acquire new clientele among the advertisers by continuing the initiative that was started with the “ADK INSIGHT FORUM 2011: CHINA & ASIA” last year and other measures. In addition, in the Asian region, we will allocate strategic resources and focus on fostering human resources, nurturing and strengthening the skills of local planners so that our competitiveness will be further boosted in the rapidly growing markets in India, Indonesia and Vietnam in addition to our main markets, such as China, Thailand, and Singapore. At the same time, in addition to countries in Asia, we will aim to expand our business in Brazil and other newly emerging countries, by effectively deploying the global resources of the WPP Group.

② Digital

In August 2011, aiming to realize enhanced operational functionality and efficiency in its digital business domain, the ADK Group established ADK Digital Communications Inc., an Internet advertising media representative, as a joint venture with Dentsu Digital Holdings, Inc. Going forward, we aim to further improve profitability through streamlining media operations services, and strive to develop next-generation business models and new products in the digital business domain.

③ Solution

In January 2012, in order to respond to and tackle the diversified and sophisticated needs and challenges of advertisers, we set up Communications Architect Department in Integrated Solutions Center. We will strive to strengthen our ability to propose and execute digital technology-based integrated campaigns. Also, through such activities as E-CSR projects and acquisition from a French company, eYeka SA, of exclusive distribution rights for the eYeka platform within Japan, we will endeavor to enhance our competitiveness by focusing on the development of the next generation marketing programs to conduct communication activities that can precisely capture the rapidly changing consumer insights.

④ Content

To enhance overseas development in animation content business, which has always been one of the strongest points of the ADK Group, IMMG PTE. LTD., a wholly owned subsidiary of the company, established its own wholly owned subsidiary, IMMG-BEIJING CO., LTD. in February 2011 in China. Our aim is to actively promote the animation industry in China, the most important country in the rapidly growing Asian market, and to strengthen such business domains as broadcasting, distribution and merchandising. In Japan, meanwhile, we will upgrade our content portfolio by concentrating on the new animation content while reinvigorating the existing popular content, with the aim of achieving sustained growth.

⑤ Personnel training

Recognizing that human resources are the source of its competitiveness, the ADK Group is working to foster personnel who can respond to future changes in the business structure. We are paying particular attention to training Global Account Directors to serve as business partners to Japanese advertisers expanding overseas; Communications Designers who can propose and execute technology-based integrated solutions and campaigns; and Communications Channel Planners who can provide ROI analyses demanded by advertisers. We are also using the opportunity of the reorganization to focus on fostering management personnel.

⑥ Cost Control, Risk Management

In the current economic climate, where it is not easy to achieve major improvements of business results, the ADK Group set up Purchasing Management Division, aiming to further enhance cost control. We will continue adopting rigorous control of purchasing costs in order to raise operating efficiency. We will also endeavor to boost profitability through ongoing suppression of business expenses.

⑦ Enhancing the Profitability and Efficiency of Subsidiaries and Affiliates

The ADK Group is growing steadily overseas in China and Southeast Asian nations, and has excellent group companies in Japan with strengths in business fields where specialties are required. The group will strive to enhance the competitiveness of the entire group by stepping up cooperation among group companies and further pursuing operations in-house. We will also study the possibility of business expansion by tying up with new partners, executing M&As, etc.

In addition to the aforementioned initiatives, the ADK Group will strive to secure stable growth by promoting risk management policies aimed at minimizing uncertainties affecting the business. Consistent with these aims, we will further upgrade our information security systems according to the ISO27001 standards, and also solidify our compliance framework. In addition, we will continue improving our internal control and reporting systems pursuant to the Financial Instruments and Exchange Act. And we will fulfill our social responsibilities as a company, for example adopting environmental management practices that conform to the ISO14001 standards.

(4) Other Key Management Issues

None applicable.

A Cautionary Note on Forward-looking Statements:

This report may contain forward-looking statements based on ASATSU-DK management's view and assumptions of future developments as of the date of such statements. The foregoing statements are inherently subject to risks and uncertainties that could lead to material differences between such statements and actual outcomes.

Therefore, ASATSU-DK does not warrant any certainty and accuracy thereto. ASATSU-DK also expressly disclaims any obligation to update or revise its forward-looking statements.

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ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Financial Highlights

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
GROSS BILLINGS	347,111	346,565
YEAR-ON-YEAR GROWTH RATE (%)	0.2	(1.0)
GROSS PROFIT	45,836	42,028
OPERATING INCOME	3,852	22
YEAR-ON-YEAR GROWTH RATE (%)	-	-
ORDINARY INCOME	5,627	1,885
YEAR-ON-YEAR GROWTH RATE (%)	198.4	72.3
INCOME BEFORE INCOME TAXES	5,028	(4,748)
NET INCOME	2,293	(4,656)
ANNUAL DIVIDEND PER SHARE (Yen)	109.00	20.00
TOTAL ASSETS	184,188	194,510
SHAREHOLDERS' EQUITY (Shareholders' equity plus valuation and translation adjustments)	95,834	102,169
MINORITY INTERESTS	965	999
TOTAL NET ASSETS (Total of shareholders' equity plus minority interests)	96,800	103,168
SHAREHOLDERS' EQUITY PER SHARE (Yen)	2,270.23	2,423.06
NET INCOME PER SHARE (Yen)	54.37	(110.28)
CASH FLOW FROM OPERATING ACTIVITIES	8,957	(221)
CASH FLOW FROM INVESTING ACTIVITIES	3,779	2,298
CASH FLOW FROM FINANCING ACTIVITIES	(4,944)	(1,266)
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (YEAR)	26,519	19,127

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
Assets		
Ⅰ Current assets		
1. Cash and deposits	22,641	21,520
2. Notes and accounts receivable-trade	88,955	92,774
3. Short-term investment securities	6,334	1,436
4. Inventories	6,840	8,274
5. Deferred tax assets	1,133	1,501
6. Other	1,619	2,340
7. Allowance for doubtful accounts	(310)	(286)
Total current assets	127,213	127,562
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
(1) Buildings and structures, net	1,832	1,586
(2) Land	1,259	1,263
(3) Other, net	1,219	1,242
Total property, plant and equipment	4,311	4,093
2. Intangible assets		
(1) Software	2,328	1,464
(2) Other	108	112
Total intangible assets	2,437	1,576
3. Investments and other assets		
(1) Investment securities	42,133	52,790
(2) Long-term loans receivable	238	411
(3) Deferred tax assets	412	645
(4) Other	9,384	9,452
(5) Allowance for doubtful accounts	(1,943)	(2,022)
Total investments and other assets	50,225	61,277
Total noncurrent assets	56,974	66,947
Total assets	184,188	194,510

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
Liabilities		
Ⅰ Current liabilities		
1. Notes and accounts payable-trade	71,382	74,358
2. Short-term loans payable	94	84
3. Current portion of long-term loans payable	272	278
4. Income taxes payable	740	358
5. Deferred tax liabilities	0	—
6. Provision for bonuses	763	384
7. Provision for directors' bonuses	12	—
8. Provision for sales returns	600	508
9. Other	8,242	7,902
Total current liabilities	82,110	83,874
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	483	765
2. Deferred tax liabilities	1,581	3,527
3. Provision for retirement benefits	1,377	1,347
4. Provision for directors' retirement benefits	394	1,203
5. Provision for loss on guarantees	34	—
6. Other	1,405	622
Total noncurrent liabilities	5,277	7,466
Total liabilities	87,388	91,341
Net assets		
Ⅰ Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus	20,023	20,024
3. Retained earnings	43,557	45,906
4. Treasury stock	(7,632)	(7,718)
Total shareholders' equity	93,530	95,793
Ⅱ Valuation and translation adjustments		
1. Valuation difference on available-for-sale securities	4,063	7,727
2. Deferred gains or losses on hedges	(76)	(94)
3. Foreign currency translation adjustment	(1,681)	(1,256)
Total valuation and translation adjustments	2,304	6,375
Ⅲ Minority interests	965	999
Total net assets	96,800	103,168
Total liabilities and net assets	184,188	194,510

<u>**ASATSU-DK INC. and Consolidated Subsidiaries**</u>

Consolidated Income Statements

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
Ⅰ Gross billings	347,111	346,565
Ⅱ Cost of sales	301,275	304,536
Gross profit	45,836	42,028
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	21,772	22,235
2. Provision for bonuses	807	366
3. Retirement benefit expenses	2,103	2,126
4. Provision for directors' retirement benefits	58	81
5. Provision for directors' bonuses	12	―
6. Welfare expenses	3,120	2,987
7. Rent expenses	3,865	4,045
8. Provision of allowance for doubtful accounts	53	130
9. Depreciation	420	283
10. Other	9,768	9,748
Total selling, general and administrative expenses	41,983	42,006
Operating income	3,852	22
Ⅳ Non-operating income		
1. Interest income	222	197
2. Dividends income	1,194	1,253
3. Equity in earnings of affiliates	184	213
4. Dividends income of life insurance	62	58
5. Real estate rent	72	81
6. Other	289	450
Total non-operating income	2,025	2,255
Ⅴ Non-operating expenses		
1. Interest expenses	26	29
2. Expenses of real estate rent	47	46
3. Loss on investments in partnership	14	13
4. Loss on valuation of compound financial instruments	37	20

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
5. Foreign exchange losses	93	236
6. Other	31	45
Total non-operating expenses	250	392
Ordinary income	5,627	1,885
Ⅵ Extraordinary income		
1. Gain on sales of noncurrent assets	15	15
2. Gain on sales of investment securities	1,862	14
3. Reversal of allowance for doubtful accounts	23	58
4. Reversal of provision for loss on guarantees	—	45
5. Other	122	—
Total extraordinary income	2,023	133
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	0	5
2. Loss on retirement of noncurrent assets	14	59
3. Loss on sales of investment securities	78	1,022
4. Loss on valuation of investment securities	1,278	2,324
5. Provision of allowance for doubtful accounts	21	362
6. Special retirement expenses	7	2,770
7. Settlement package	537	—
8. Other	684	223
Total extraordinary losses	2,622	6,768
Income (loss) before income taxes	5,028	(4,748)
Income taxes-current	1,072	524
Income taxes-deferred	1,651	(640)
Total income taxes	2,724	(116)
Income before minority interests	2,303	—
Minority interests in income	10	23
Net income (loss)	2,293	(4,656)

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated comprehensive income Statements

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
Ⅰ Income before minority interests	2,303	—
Ⅱ Other comprehensive income		
1. Valuation difference on available-for-sale securities	(3,636)	—
2. Deferred gains or losses on hedges	17	—
3. Foreign currency translation adjustment	(451)	—
4. Share of other comprehensive income of associates accounted for using equity method	(27)	—
Total other comprehensive income	(4,098)	—
Ⅲ Comprehensive income	(1,794)	—
Comprehensive income attributable to		
1. Comprehensive income attributable to owners of the parent	(1,777)	—
2. Comprehensive income attributable to minority interests	(17)	—

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	SHAREHOLDERS' EQUITY				
	Common stock	Capital surplus	Retained earnings	Treasury stock-at cost	Total shareholders' equity
Balance as of December 31, 2010	37,581	20,024	45,906	(7,718)	95,793
Changes during the consolidated fiscal year					
Dividend payments			(4,641)		(4,641)
Net income			2,293		2,293
Increase due to newly consolidated subsidiaries					
Acquisitions of treasury stock				(2)	(2)
Disposals and cancellation of treasury stock		(0)		88	88
Other decrease in retained earnings			(1)		(1)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated fiscal year		(0)	(2,349)	85	(2,263)
Balance as of December 31, 2011	37,581	20,023	43,557	(7,632)	93,530

	VALUATION AND TRANSLATION ADJUSTMENTS				MINORITY INTERESTS	TOTAL NET ASSETS
	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Total		
Balance as of December 31, 2010	7,727	(94)	(1,256)	6,375	999	103,168
Changes during the consolidated fiscal year						
Dividend payments						(4,641)
Net income						2,293
Increase due to newly consolidated subsidiaries						
Acquisitions of treasury stock						(2)
Disposals and cancellation of treasury stock						88
Other decrease in retained earnings						(1)
(Net) changes of items other than shareholders' equity	(3,663)	17	(424)	(4,070)	(34)	(4,105)
Total change during the consolidated fiscal year	(3,663)	17	(424)	(4,070)	(34)	(6,368)
Balance as of December 31, 2011	4,063	(76)	(1,681)	2,304	965	96,800

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

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

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

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

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

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
Ⅰ OPERATING ACTIVITIES		
Income (loss) before income taxes	5,028	(4,748)
Depreciation and amortization	975	818
Decrease (increase) in notes and accounts receivable	3,535	(5,562)
Increase (decrease) in notes and accounts payable	(3,098)	5,068
Others-net	2,516	4,202
Net cash provided by (used in) operating activities	8,957	(221)
Ⅱ INVESTING ACTIVITIES		
Net decrease (increase) in time deposits	1,212	317
Purchases of investment securities	(818)	(1,521)
Proceeds from sales of investment securities	4,831	2,926
Others-net	(1,445)	576
Net cash provided by investing activities	3,779	2,298
Ⅲ FINANCING ACTIVITIES		
Proceeds from long-term loans payable	(275)	(187)
Net decrease (increase) in treasury stock	85	(747)
Cash dividends paid	(4,613)	(863)
Others-net	(140)	532
Net cash used in financing activities	(4,944)	(1,266)
Ⅳ FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(449)	(745)
Ⅴ NET INCREASE IN CASH AND CASH EQUIVALENTS	7,342	65
Ⅵ CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	19,127	18,844
Ⅶ CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF THE YEAR	-	217
Ⅷ INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF CONSOLIDATED AND UNCONSOLIDATED SUBSIDIARIES	48	-
Ⅸ CASH AND CASH EQUIVALENTS, END OF THE YEAR	26,519	19,127

ASATSU-DK INC. and Consolidated Subsidiaries

Segment Information

(Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2011

Millions of Yen

	Reportable segments			Adjustment	Amount on Consolidated Income Statements
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
1. Billings to customers	340,082	7,029	347,111	-	34,711
2. Inter-segment billings	0	60	60	(60)	-
Total billings	340,083	7,089	347,172	(60)	347,111
Segment income (loss)	3,859	(8)	3,851	1	3,852

Note: Segment income (loss) has been adjusted to equal the operating income on the consolidated income statements.

Year Ended December 31, 2010

Millions of Yen

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

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

Significant matters providing the basis for the preparation of consolidated financial statements

1. Matters concerning application of equity method

1) Number of affiliates accounted for by equity method: 1

Name of major affiliates: Guangdong Guangxu (ASATSU) Advertising Co., Ltd.

Digital Advertising Consortium Inc., which had been an affiliate accounted for by the equity method until the previous fiscal year, is excluded from the scope of application of the equity method from this fiscal year because all shares in the company were sold.

2) Name of major unconsolidated subsidiaries and affiliates that are not accounted for by equity method

ADK Digital Communications Inc.
BIOMEDIS International Ltd.

(Reason for exclusion from the scope of application of the equity method)
The aforementioned companies are excluded from the scope of application of the equity method because the impact of these companies on net income/loss and retained earnings, etc. is considered to be immaterial as a whole.

3) Matters should be described specifically regarding the procedures for application of equity method:

Regarding Digital Advertising Consortium Inc., which had been an affiliate accounted for by equity method , their closing date has been changed from November 30 to March 31. Following this change, in the Company's consolidated financial statement for this fiscal year, the business results of the company for the ten months period from December 1, 2010 to September 30, 2011 are included, applying the equity method.

(Changes in accounting policies)

Effective from the fiscal year ended March 31, 2011, the Company has applied the "Accounting Standard for Equity Method of Accounting for Investments" (Accounting Standards Board of Japan (ASBJ) Statement No.16, issued by the ASBJ on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, issued by the ASBJ on March 10, 2008). This change had no impact on the profit and loss of the Company.

2. Matters concerning accounting standards

1) Accounting standards for significant allowances and provisions

a. Provision for directors' bonuses

Some of the domestic consolidated subsidiaries make provisions for directors' bonuses based on an estimated amount to be paid.

b. Allowance for retirement benefits to directors

For some consolidated subsidiaries, allowance for retirement benefits to directors is recorded to provide the retirement benefits for the amount to be required at the end of the consolidated fiscal year under review in accordance with internal rules.

(Additional information)

The Company passed a resolution at the Board of Directors meeting held on February 14, 2011 to terminate the system for granting retirement benefits to retiring directors. Accordingly, it was resolved at the 56th Ordinary General Meeting of Shareholders held on March 30, 2011 that the Company shall provide the Company's directors with final retirement benefits accumulated from their appointments to the close of the 56th Ordinary General Meeting of Shareholders as based on the Company's internal standards, and that payments shall be made at the time of each director's retirement.

Following the resolution, the whole outstanding balance of allowance for retirement benefits to directors was reversed and is now included in "other" in noncurrent liabilities. Previously, the Company had accrued the balance as liabilities for the retirement benefits to the directors based upon the amounts required at the end of the fiscal year according to the Company's internal rules.

c. Provision for loss on guarantees

The Company makes provision for losses that could be incurred in relation to guarantees the Company has provided for some entities. The provision is based on the estimate considering the financial position, etc. of the entities.

Changes in important matters on preparation of the Consolidated Financial Statement

(Adoption of accounting standard for asset retirement obligations)

Effective from this fiscal year, the Company applies the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

Owing to this change, operating income and ordinary income for this fiscal year both decreased by 38 million yen and income before income taxes for this fiscal year decreased by 282 million yen.

Changes in methods of presentation

(Consolidated Income Statements)

1. Effective from this fiscal year, "Cabinet Office Ordinance which partially revises Ordinance for Enforcement of the Companies Act and Ordinance on Accounting of Companies, etc." (Cabinet Office Ordinance No.5, issued on March 24, 2009) based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued on December 26, 2008) has been adopted. Accordingly, an item of "income before minority interests" is included in the consolidated income statement.

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
Assets		
Ⅰ Current assets		
1. Cash and deposits	9,266	10,001
2. Notes receivable-trade	3,795	4,217
3. Accounts receivable-trade	73,682	77,169
4. Short-term investment securities	6,085	1,062
5. Inventories	3,813	4,256
6. Advance payments-trade	894	712
7. Prepaid expenses	93	122
8. Deferred tax assets	956	1,329
9. Accounts receivable-other	157	1,007
10. Other	480	79
11. Allowance for doubtful accounts	(191)	(186)
Total current assets	99,036	99,772
Ⅱ Noncurrent assets		
1. Other		
(1) Buildings, net	1,043	909
(2) Vehicles, net	20	18
(3) Tools, furniture and fixtures, net	280	138
(4) Land	327	331
(5) Lease assets, net	389	470
Total property, plant and equipment	2,061	1,870
2. Intangible assets		
(1) Leasehold right	1	1
(2) Software	2,219	1,406
(3) Lease assets	2	2
(4) Other	76	76
Total intangible assets	2,300	1,488

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
3. Investments and other assets		
(1) Investment securities	13,812	14,906
(2) Investments in capital	33,743	41,351
(3) Leasehold right	120	49
(4) Investments in capital of subsidiaries and affiliates	837	988
(5) Long-term loans receivable from employees	190	325
(6) Long-term loans receivable from subsidiaries and affiliates	100	300
(7) Claims provable in bankruptcy, claims provable in rehabilitation and other	697	795
(8) Long-term prepaid expenses	30	11
(9) Long-term time deposits	—	200
(10) Guarantee deposits	3,778	3,764
(11) Other	2,612	2,596
(12) Allowance for doubtful accounts	(1,451)	(1,550)
Total investments and other assets	54,471	63,739
Total noncurrent assets	58,832	67,098
Total assets	157,869	166,870

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
Liabilities		
Ⅰ Current liabilities		
1. Notes payable-trade	10,907	10,728
2. Accounts payable-trade	54,106	56,681
3. Current portion of long-term loans payable	164	164
4. Lease obligations	81	78
5. Accounts payable-other	2,543	2,180
6. Income taxes payable	367	74
7. Advances received	62	23
8. Deposits received	555	380
9. Provision for bonuses	504	—
10. Other	604	563
Total current liabilities	69,898	70,875
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	410	574
2. Lease obligations	239	311
3. Deferred tax liabilities	1,549	3,509
4. Provision for retirement benefits	378	512
5. Provision for directors' retirement benefits	—	739
6. Provision for loss on guarantees	34	—
7. Other	935	106
Total noncurrent liabilities	3,547	5,753
Total liabilities	73,445	76,628
Net assets		
Ⅰ Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus		
（1）Legal capital surplus	7,839	7,839
（2）Other capital surplus	12,184	12,184
Total capital surplus	20,023	20,024

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2011	December 31, 2010
3. Retained earnings		
（1）Legal retained earnings	1,555	1,555
（2）Other retained earnings		
① Reserve for dividends	1,100	1,100
② General reserve	25,219	25,219
③ Retained earnings brought forward	2,739	5,078
Total retained earnings	30,614	32,953
4. Treasury stock	(7,632)	(7,718)
Total shareholders' equity	80,587	82,840
Ⅱ Valuation and translation adjustments		
1. Valuation difference on available-for-sale securities	3,912	7,495
2. Deferred gains or losses on hedges	(76)	(94)
Total valuation and translation adjustments	3,835	7,401
Total net assets	84,423	90,241
Total liabilities and net assets	157,869	166,870

ASATSU-DK INC.
Non-consolidated

Income Statements

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
Ⅰ Gross billings	301,878	305,759
Ⅱ Cost of sales	268,721	275,046
Gross profit	33,156	30,713
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	15,790	16,884
2. Provision for bonuses	504	—
3. Retirement benefit expenses	1,741	1,859
4. Provision for directors' retirement benefits	12	49
5. Legal welfare expenses	1,788	1,748
6. Traveling and transportation expenses	1,025	1,105
7. Rent expenses	2,422	2,643
8. Provision of allowance for doubtful accounts	—	119
9. Depreciation	240	126
10. Entertainment expenses	586	583
11. Computer expenses	1,509	1,517
12. Other	5,801	5,748
Total selling, general and administrative expenses	31,421	32,387
Operating income (loss)	1,734	(1,674)
Ⅳ Non-operating income		
1. Interest income	58	65
2. Interest on securities	12	19
3. Dividends income	1,397	1,422
4. Dividends income of life insurance	37	58
5. Other	208	245
Total non-operating income	1,714	1,811
Ⅴ Non-operating expenses		
1. Interest expenses	12	—
2. Sales discounts	0	3
3. Expenses of real estate rent	18	18

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2011	Year Ended December 31, 2010
4. Loss on investments in partnership	14	13
5. Loss on insurance cancellation	10	16
6. Foreign exchange losses	—	57
7. Other	6	20
Total non-operating expenses	62	130
Ordinary income	3,387	5
Ⅵ Extraordinary income		
1. Gain on sales of investment securities	607	11
2. Gain on sales of subsidiaries and affiliates' stocks	2,331	2,542
3. Reversal of allowance for doubtful accounts	9	44
4. Other	100	60
Total extraordinary income	3,049	2,659
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	—	4
2. Loss on retirement of noncurrent assets	2	51
3. Impairment loss	255	—
4. Loss on sales of investment securities	78	43
5. Loss on valuation of investment securities	904	2,154
6. Provision of allowance for doubtful accounts	12	313
7. Special retirement expenses	3	2,760
8. Settlement package	537	—
9. Other	605	180
Total extraordinary losses	2,400	5,509
Income (loss) before income taxes	4,035	(2,843)
Income taxes-current	382	26
Income taxes-deferred	1,350	(757)
Total incom taxes	1,732	(731)
Net income (loss)	2,302	(2,112)

ASATSU-DK INC.
Non-consolidated

Statements of Changes in Net Assets
Year Ended December 31, 2011

(Unaudited and before reclassifications and rearrangements
Millions of Yen

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as December 31,2010	37,581	7,839	12,184	20,024
Changes during the non-consolidated fiscal year				
Dividend payments				
Net income				
Acquisitions of treasury stock				
Disposals and cancellation of treasury stock			(0)	(0)
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	-	-	(0)	(0)
Balance as December 31,2011	37,581	7,839	12,184	20,023

	Shareholders'equity						
	Retained earnings					Treasury stock	Total sharenolders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for dividends	General reserve	Retained earnings			
Balance as December 31,2010	1,555	1,100	25,219	5,078	32,953	(7,718)	82,840
Changes during the non-consolidated fiscal year							
Dividend payments				(4,641)	(4,641)		(4,641)
Net income				2,302	2,302		2,302
Acquisitions of treasury stock						(2)	(2)
Disposals and cancellation of treasury stock						88	88
(Net) changes of items other than shareholders'equity							
Total changes during the non-consolidated fiscal year	-	-	-	(2,338)	(2,338)	85	(2,252)
Balance as December 31,2011	1,555	1,100	25,219	2,739	30,614	(7,632)	80,587

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale	Deferred gains or losses on hedges	Total valuation and translation adjsutments	
Balance as December 31,2010	7,495	(94)	7,401	90,241
Changes during the non-consolidated fiscal year				
Dividend payments				(4,641)
Net income				2,302
Acquisitions of treasury stock				(2)
Disposals and cancellation of treasury stock				88
(Net) changes of items other than shareholders'equity	(3,582)	17	(3,565)	(3,565)
Total changes during the non-consolidated fiscal year	(3,582)	17	(3,565)	(5,817)
Balance as December 31,2011	3,912	(76)	3,835	84,423

ASATSU-DK INC.
Non-consolidated

Statements of Changes in Net Assets
Year Ended December 31, 2010

(Unaudited and before reclassifications and rearrangements
Millions of Yen

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance as December 31,2009	37,581	7,839	12,184	20,024
Changes during the non-consolidated fiscal year				
Dividend payments				
Net income				
Acquisitions of treasury stock				
Disposals and cancellation of treasury stock				
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	-	-	-	-
Balance as December 31,2010	37,581	7,839	12,184	20,024

	Shareholders'equity						
	Retained earnings					Treasury stock	Total sharenolders' equity
	Legal retained earnings	Other retained earnings			Total retained earnings		
		Reserve for dividends	General reserve	Retained earnings			
Balance as December 31,2009	1,555	1,100	25,219	8,042	35,917	(6,970)	86,551
Changes during the non-consolidated fiscal year							
Dividend payments				(851)	(851)		(851)
Net income				(2,112)	(2,112)		(2,112)
Acquisitions of treasury stock						(825)	(825)
Disposals and cancellation of treasury stock						78	78
(Net) changes of items other than shareholders'equity							
Total changes during the non-consolidated fiscal year	-	-	-	(2,963)	(2,963)	(747)	(3,711)
Balance as December 31,2010	1,555	1,100	25,219	5,078	32,953	(7,718)	82,840

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale	Deferred gains or losses on hedges	Total valuation and translation adjsutments	
Balance as December 31,2009	4,580	15	4,596	91,147
Changes during the non-consolidated fiscal year				
Dividend payments				(851)
Net income				(2,112)
Acquisitions of treasury stock				(825)
Disposals and cancellation of treasury stock				78
(Net) changes of items other than shareholders'equity	2,915	(110)	2,804	2,804
Total changes during the non-consolidated fiscal year	2,915	(110)	2,804	(906)
Balance as December 31,2010	7,495	(94)	7,401	90,241