Summary of Financial Statements for FY2012 [Japanese GAAP]

February 14, 2013

Company Name : **ASATSU-DK INC.** Exchange : Tokyo Stock Exchange First Section
Securities Code : 9747 URL : http://www.adk.jp/english/index.html
Representative : Yoji Shimizu, President and Group CEO
Contact Person : Kiyohiko Abe, Department Director, Finance Department Tel. +81-3-3547-2654
Scheduled Date of General Meeting of Shareholders : March 28, 2013
Scheduled Date of Dividend Disbursement : March 18, 2013
Scheduled date for filing of securities report: : March 29, 2013
Supplementary documents for financial results: : Yes
Financial results briefing: : Yes (for analysts and institutional investors)

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

1. Fiscal Year 2012 Consolidated Results (January 1 to December 31, 2012)

(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 2012	350,822	1.1	3,175	(17.6)	5,314	(5.6)	2,781	21.3
FY 2011	347,111	0.2	3,852	—	5,627	198.4	2,293	—

(Notes) 1. Comprehensive income(loss), for the year ended;
at December 31, 2012 : 13,559 million yen(- %), at December 31, 2011 : (1,794) million yen(- %)

	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 2012	65.83	65.81	2.7	2.8	0.9
FY 2011	54.37	—	2.3	3.0	1.1

(Notes) 1. Equity in earnings of affiliated companies, for the year ended;
at December 31, 2012 : 12 million yen, at December 31, 2011 : 184 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 2012	195,163	109,559	55.6	2,567.03
FY 2011	184,188	96,800	52.0	2,270.23

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2012 : 108,521 million yen, at December 31, 2011 : 95,834 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 2012	2,581	(1,719)	(1,184)	27,264
FY 2011	8,957	3,779	(4,944)	26,519

2. Dividend Information

	Annual Dividend per Share					Total Amount of dicidends (Annual)	Dividend Payout Ratio (Consolidated)	Dividends on Equity ratio (Consolidated)
	First quarter	Second quarter end	Third quarter end	Fiscal year end	Total			
	(yen)	(yen)	(yen)	(yen)	(yen)	(millions of yen)	(%)	(%)
Fiscal 2011(Actual)	—	10.00	—	10.00	109.00	4,600	200.5	4.6
Fiscal 2012(Actual)	—	10.00	—	101.00	111.00	4,692	168.6	4.6
Fiscal 2013(Forecast)	—	10.00	—	15.00	25.00		36.1	

(Notes) 1. The full-year dividend for FY 2011 includes the extraordinary dividend of \ 89 per share from surplus on October 31, 2011

2. The full-year dividend for FY 2012 consists of the ordinary dividend of \13 per share and extraordinary dividend of \88 per share .

3. Forecast of Consolidated Fiscal Year 2013 (January 1 to December 31, 2013)

	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	174,600	(2.9)	850	(68.8)	2,070	(48.0)	1,080	(39.1)	25.70
Full-year	359,200	2.4	4,000	26.0	5,670	6.7	2,900	4.3	69.21

4.Others

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

(2) Changes to accounting policy,changes to accounting estimates, or restatements

1. Changes due to revisions to accounting standards, etc. : No.
2. Changes other than 1: : No.
3. Changes in accounting estimates : Yes.
4. Resetatements : No.

(3) 1. Number of outstanding stocks (including treasury stock) issued, for the year ended
at December 31, 2012 : 42,655,400 shares, at December 31, 2011 : 45,155,400 shares.

2. Number of treasury stock, for the year ended :
at December 31, 2012 : 380,549 shares, at December 31, 2011 : 2,941,598 shares.

3. Avg. number of shares (consolidated) outstanding during, for the year ended :
at December 31, 2012 : 42,250,172 shares, at December 31, 2011 : 42,187,505 shares.

(Notes) The Company has introduced an "ESOP Trust Utilizing Employee Shareholding Association," and the shares owned by this ESOP are reported as "treasury stock" in the quarterly consolidated financial statements. Consequently, shares owned by this ESOP are included in the number of shares of treasury stock outstanding at the period end above, and there were 304,900 shares and 367,900 shares at the end of the Fiscal year and at the end of the previous fiscal year, respectively.

(Reference) Fiscal Year 2012 Non-Consolidated Outline (January 1 to December 31, 2012)

(1) Operating Results

	Gross Billings		Operating Income		Ordinary Income		Net Income	
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)
FY 2012	303,422	0.5	1,341	(22.6)	3,296	(2.7)	1,543	(33.0)
FY 2011	301,878	(1.3)	1,734	―	3,387	―	2,302	―

	Net Income per Share	Fully Diluted Net Income per Share
	(yen)	(yen)
FY 2012	36.53	36.52
FY 2011	54.59	―

(2) Financial Position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets per Share
	(millions of yen)	(millions of yen)	(%)	(yen)
FY 2012	166,330	94,699	56.9	2,239.96
FY 2011	157,869	84,423	53.5	1,999.90

(Notes) 1. Shareholder's equity, for the year ended;
at December 31, 2012 : 94,694 million yen, at December 31, 2011 : 84,423 million yen

(3) Forecast of Non-Consolidated Fiscal Year 2013 (January 1 to December 31, 2013)

	Gross Billings		Ordinary Income		Net Income		Net Income per Share
	(millions of yen)	(%)	(millions of yen)	(%)	(millions of yen)	(%)	(yen)
Interim	153,000	(2.3)	1,900	(37.0)	1,130	(6.1)	26.89
Full-year	308,000	1.5	3,500	6.2	1,550	0.4	36.99

＊Implementation status of quarterly review procedures

This consolidated financial results summary report is not subject to audit procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this consolidated financial results summary report, the audit procedures in respect of the consolidated financial statements have not been

＊Appropriate use of business forecasts and other special matters

The business forecasts and future prospects in this document are made based on information currently available and contain potential risks and uncertainties. As such, actual business results may significantly differ from those expressed or implied in the forecasts due to changes in various factors.
Refer to "1. Operating Results (1) Performance Analysis" on page 4～9 for the suppositions that form the assumptions for the business forecasts and cautions concerning the use thereof.

[Supplementary Information]

1. Operating Results

(1) Performance Analysis

① Overview

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, owing mainly 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 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 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% year-on-year, impacted 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 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.

For the year, the ADK Group reported gross billings of ¥350,822 million, up 1.1% from fiscal 2011. Gross profit edged up 0.7%, to ¥46,169 million, and operating income declined 17.6%, to ¥3,175 million. Ordinary income decreased 5.6%, to ¥5,314 million, bolstered by dividend income of ¥1,383 million and interest income of ¥248 million.

Among extraordinary items, we reported total extraordinary income of ¥234 million, due mainly to a ¥150 million gain on sales of investment securities. By contrast, we posted total extraordinary losses of ¥1,479 million, due largely to special retirement expenses and loss on sales of investment securities. As a result, income before income taxes and minority interests declined 19.1%, to ¥4,069 million, and net income rose 21.3%, to ¥2,781 million.

Performance by Business Segment

Advertising Business

The Group's advertising business segment generated gross billings of ¥344,135 million, up 1.2%, from the previous fiscal year. Segment income 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 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.

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.

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 Performance by Discipline:

Breakdown by Discipline		Gross Billings (Millions of yen)	Composition %	Y-o-Y change %
Media	Magazine	13,984	4.6	2.8
	Newspaper	21,006	6.9	3.1
	TV (Program, Spot, and Content)	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
Sub-total		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)
Sub-total		105,386	34.7	2.6
Total		303,422	100.0	0.5

(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.

In the Magazine business, gross billing to companies in the Home Electrical Appliances/AV Equipment, Information/Communications, and Food sectors declined amid falling budget 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.

ADK's gross billings from Newspaper advertising increased 3.1%, to ¥21,006 million. This was due mainly 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.

Gross billings from Television advertising declined 2.2%, to ¥142,007 million. In program TV 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 TV 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 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.

Amid a shrinking radio advertising market, 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.

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.

In Out-of-Home (OOH) media, we promoted our cross-media approach to communications planning and proposals. For the year, 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.

In the Marketing and Promotion segment, we complemented our individual promotion business—involving events, sales promotion tools, and the like—by addressing clients' needs for "plans and proposals that contribute directly to an increase of revenue." To this end, we sought to develop integrated communications services by deploying our expertise in onsite merchandising and digital solutions. 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.

In the "creative" category, which generates the bulk of sales in the Creative and Others segment, we strove to address the diversified needs of clients, including for digital solutions, by fostering an environment enabling creative staff from various departments in the Company to interact and devise optimal strategic proposals. However, 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

This business involves publishing and sales of magazines and books. Amid overall shrinkage of the publishing market, conditions for generating profits were very difficult, leading to year-on-year declines in sales and profits. For the year, the sales to outside customers declined 4.9%, to ¥6,686 million. We reported a segment loss of ¥425 million, compared with a segment loss of ¥8 million in the previous fiscal year.

② 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.

③ Forecasts for Fiscal 2013

In fiscal 2013, the export environment is expected to be improved, 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 these circumstances, the ADK Group will implement various business strategies described later. Our consolidated forecasts for the first two quarters of fiscal 2013 (January 1–June 30, 2013) are gross billings of ¥174.6 billion, operating income of ¥0.85 billion, ordinary income of ¥2.07 billion, and net income of ¥1.08 billion. Our full-year forecasts for fiscal 2013 (January 1–December 31, 2013) are gross billings of ¥359.2 billion, operating income of ¥4.0 billion, ordinary income of ¥5.67 billion, net income of ¥2.9 billion, and net income per share of ¥69.21.

On a nonconsolidated basis, our forecasts for the first two quarters are gross billings of ¥153.0 billion, operating income of ¥0.75 billion, ordinary income of ¥1.9 billion, and net income of ¥1.13 billion. Our full-year forecasts are gross billings of ¥308.0 billion, operating income of ¥2.0 billion, ordinary income of ¥3.5 billion, net income of ¥1.55 billion, and net income per share of ¥36.99.

④ Medium-Term Business Plan

In light of the Japanese economy and growth prospects for the advertising market, as well as the changing communications environment and evolution of the global economy, in February 2012 the ADK Group announced its new medium-term business plan. Covering the three-year period through December 2014, the plan focuses on growth sectors such as the digital business field and overseas markets, and specialist areas of ADK expertise, such as the content business.

The most important numerical target of the plan is to achieve consolidated operating income of ¥7.5 billion by fiscal 2014. To this end, management has set various consolidated guidelines, including a gross margin of 15%, operating margin of 13%, and a staff cost to gross profit ratio of 60% or less. With respect to shareholder return, we will pay dividends and implement share buybacks while striking a balance between retaining funds necessary for business investment and ensuring financial stability with the aim of raising capital efficiency.

However, the Group’s performance in fiscal 2012 fell short of initial expectations, impacted by market deterioration in the second half of the year. In light of our results, described earlier in this report, we are currently reviewing the medium-term business plan. As disclosed in a news release dated January 22, 2013, ADK will undertake changes to its representative directors, subject to resolution at the 58th Ordinary General Meeting of Shareholders, to be held on March 28, 2013, and the subsequent meeting of the Board of Directors. After the representative director appointments are in place, we will announce the revised medium-term business plan.

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	FY2009	FY2010	FY2011	FY2012	Targets FY2014*
Operating Income	(756) million	22 million	3,852 million	3,175 million	7,500 million
Operating Margin	(1.8%)	0.1%	8.4%	6.9%	13.0%
Staff Cost to Gross Profit	67.0%	67.3%	61.8%	62.5%	Below 60.0%

*Now under review

(Operating Margin) = (Operating Income) ÷ (Gross Profit)
(Staff Cost to Gross Profit) = (Staff Cost) ÷ (Gross Profit)

In fiscal 2012, the consolidated operating margin was 6.9%, and the staff cost to gross profit ratio was 62.5%. On a nonconsolidated basis, the operating margin was 4.1%, and the staff cost to gross profit ratio was 62.6%. All figures fell short of targets announced in August 2012. Meanwhile, our performances in China and other overseas markets have been solid, and we have made improvements toward achieving our targets there. In Japan, ADK (parent company) and its domestic subsidiaries have worked hard to control and enhance efficiency of SG&A expenditures. Due to market deterioration in the second half of the year, however, these efforts did not fully compensate for insufficient growth in gross profit. Given the ongoing unpredictability of the economic environment, we will focus on implementing the strategies outlined in the medium-term business plan in a steady and speedy manner, in order to restore and enhance operating efficiency.

Consolidated EPS and ROE

FY	2009	2010	2011	2012
EPS(Yen)	1.73	(110.28)	54.37	65.83
ROE(%)	0.1	(4.5)	2.3	2.7

(2) Financial Position

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 due mainly to a decline in payables, which contrasted with an increase in deferred tax assets arising from higher market value of investment securities.

At fiscal year-end, net assets totaled ¥109,559 million, up ¥12,759 million from a year earlier. Contributing factors included an increase in unrealized gain on available-for-sale securities. The net assets ratio (excluding minority interests) was 55.6%, up 3.6 points from a year earlier.

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 ¥4,757 million decrease in notes and accounts receivable, and a ¥5,303 million decrease in notes and accounts payable.

Net cash used in investing activities totaled ¥1,719 million, compared with ¥3,779 million in fiscal 2011. The main factor was ¥666 million in purchases of intangible fixed assets.

Net cash used in financing activities was ¥1,184 million, compared with ¥4,944 million in the previous year. This was due mainly to ¥844 million in dividends paid.

The major indices of consolidated financial conditions are as follows:

Term	FY2009	FY2010	FY2011	FY2012
Book Equity Ratio	56.0%	52.5%	52.0%	55.6%
Market Cap. To Book Total Assets	41.0%	48.0%	46.4%	44.4%
Years to redeem debts	0.1	Note (5.1)	0.1	0.2
Interest Coverage Ratio (times)	248.4	Note (7.6)	343.6	130.4

Note: 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 FY2012 and FY2013

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 by means of dividends and repurchases of treasury stock and retention of profits for financial stability and future investments to realize medium-term management strategies.
In determining the amount of cash dividends, we have set a policy that an approximately 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 guideline of 35%.

According to the aforementioned policy, the year-end dividend for the year ended December 31, 2012 is calculated at ¥13.00 per share. However, the Company also regards maintaining an optimal capital structure in a way that preserves financial soundness and improving capital efficiency as important management priorities. Based on this stance, and after comprehensive consideration of various factors—such as retaining sufficient capital for upcoming business development and the outlook for the operating environment—the Board of Directors, at its meeting held on February 12, 2013, decided in light of Article 459 of the New Corporate Law to declare a total year-end dividend of ¥101 per share (consisting of a regular dividend and a ¥88 special dividend). Interim dividends of ¥10 were made in September, 2012, therefore, the total annual dividend per share for the fiscal year is ¥111.

Share buyback is aimed at expediting efforts to improve return on equity (ROE) in conjunction with our focus on increasing net income. The buyback decision was made after consideration of the ADK Group's market environment, consolidated earnings power, and financial stability. It will be undertaken in a manner that does not affect our growth strategies.

In fiscal 2013, we plan to pay an interim dividend of ¥10 per share and a year-end dividend of ¥15 per share.

(4)Risks

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 (February 14, 2013). 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 directly influenced by corporate advertisers' budgets and, therefore, 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 condition could be negatively affected.

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

Advertising media continue to diversify with 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. However, ADK works to ensure that 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 the media and clients.

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. Sometimes a purchase is made through another agency. Therefore, even if a client and/or such other 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 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 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 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 advertising market, in particular, 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 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 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 strives 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 will also 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. 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 conditions.

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 ¥195,180 million in total assets as of December 31, 2012. Of this amount, ¥51,167 million consisted of publicly traded equity securities, mostly the equity alliance with WPP plc 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 may sometimes influence business results and 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 impact 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.

2. Management Policies

(1) Basic Policy On Management

The mission of the ADK Group is to contribute to the business performances of its advertising clients by constantly offering optimal solutions through integration of both internal and external expertise and functions. In these efforts, we follow our "Management by All" philosophy, unchanged since our foundation.

Communications environments, including advertising, are changing dramatically due to such factors as rapid development of digital technology and the spread of social media. In this context, the ADK Group will monitor the ever-changing media interaction and purchasing patterns of consumers, and the associated changes in the needs of advertisers. Specifically, we will provide our clients with solutions and programs with a strong emphasis on return on investment (ROI) aimed at maximizing the effectiveness of advertisers' communications investments. This will entail integrating the various media surrounding consumers' touchpoints, including mass media, mass personal media—such as Internet and mobile—and out-of-home (OOH) media, including in-store media. In addition, we will strengthen our focus on overseas markets earmarked for growth and on expanding our content businesses.

The ADK Group will strengthen collaboration among its member companies and increase corporate value through sustainable growth suited to the changing business environment. At the same time, we will emphasize shareholder value by enhancing capital efficiency while preserving financial soundness and stability. Our aim is to ensure proper returns to shareholders while striking a good balance among all stakeholders.

In addition, we will strive to enhance internal control and otherwise strengthen our corporate structure.

(2) Management Indices

For information about Management Indices, please refer to the “Management Indices” on page 5.

(3) Medium- and Long-Term Business Strategies; Issues to be Addressed

Amid friction with neighboring countries about territorial issues, as well as uncertainty about the direction of the European economy, the outlook for the Japanese market remains unclear, with little prospect of recovery in exports and worker incomes. This is despite anticipation of a weakening yen. Under such conditions, many advertisers are seeking to enter steadily growing nations in Southeast Asia, and the needs of those advertisers in overseas markets are growing as a result. Meanwhile, the domestic advertising market, which centers on traditional mass media, has already matured. Here, advertisers are demanding sophisticated, ROI-driven communications programs that reflect the changing media interaction and purchasing patterns of consumers, caused by the advancement of digital media and the emergence of high-performance digital devices.

Given such rapidly changing business conditions, the ADK Group will address its difficult business environment by concentrating on the following themes.

① Global

For some time, the ADK Group has been building an overseas network to meet the needs of advertisers developing their business abroad. With the domestic market having peaked, the needs of Japanese advertisers seeking to grow their business overseas, especially in China and elsewhere in Asia, is expected to further increase, and the Group will reinforce its organization in order to address such needs. Effectively deploying the resources of WPP Group, in January 2103 we launched a comprehensive collaboration with Maxus, a member of GroupM, a global media agency group under the WPP umbrella. In addition to China, Thailand, and Singapore, where we have performed well, we will offer highly efficient, results-oriented planning and media strategies to Japanese advertisers in other countries, including such huge markets as Indonesia and India. In these ways, we will solidify our position as a reliable business partner.

In addition, we will strengthen our capabilities from the personnel perspective, including by dispatching globally responsive human resources from head office to various Asian nations, and also by recruiting and nurturing planners locally in those nations.

② Digital

ADK Digital Communications Inc., an Internet advertising media representative established as a joint venture with Dentsu Digital Holdings, Inc., has worked to enhance operational sophistication and efficiency in in the digital business domain. In fiscal 2012, gross profit of that company exceeded the previous year’s level by more than 200%. In fiscal 2013, it will strive to improve profitability by further raising the efficiency of its media operations. It will also focus on developing new business models and products in the digital business domain.

③ Solutions

Seeking to address the increasingly diversified and sophisticated needs of advertisers, we have rejuvenated our organization with an emphasis on reinforcing our specialist and comprehensive capabilities. In January 2013, moreover, we upgraded the

Communications Architect Department to divisional status, in order to further strengthen our ability to propose and execute integrated campaigns based on digital technologies. In addition, we have commissioned “Category Teams” that combine knowledge and expertise in specific industries and sectors. The teams will spearhead efforts to provide highly advanced and specialized solutions to advertisers.

Meanwhile, we will promote Groupwide management by strongly pursuing alliances between the head office and affiliated companies that have demonstrated unique strengths. Here, our aim is to raise the competitiveness and enhance the profitability of the entire ADK Group.

④ Content

The animation content business has been a traditional strength of the ADK Group. In a new initiative, we served as a sponsor for the “One Piece Exhibition,” showcasing a collection of original art, large character models, and interactive attractions. (The exhibition was held in Tokyo from March through June 2012, and in Osaka from November 2012 through February 2013.) This initiative was profitable and a success.

In fiscal 2013, which marks our 50th year of involvement in the animation business, we will launch the “Regrowth Project.” This will entail reinforcing our capabilities in such fields as broadcasting, distribution, and merchandising, both in Japan and overseas, with the aim of further raising ADK’s profile in the animation content business.

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 environment. Specifically, we are promoting in-depth hierarchy-specific training, with particular attention to enhancing the capabilities of middle managers. In the digital solutions domain, which is earmarked for future growth, we will foster human resources in order to improve their digital skills. We will also focus on training global human resources to help Japanese companies expanding overseas and foreign companies entering the domestic market.

⑥ Cost Control

In the current economic climate, where business growth is not easy to achieve, the ADK Group in January 2012 established the Procurement Management Division, aiming to further enhance cost control. Since then, we have made good progress in improving cost control and optimizing operational processes. In fiscal 2013, we will solidify the infrastructure of our purchasing operations. The Division will also expand its activities from the head office to include our branch offices too, and will strive to more rigorously control costs and boost profitability.

⑦ Reinforce Groupwide Management

Overseas, ADK Group companies are growing steadily in China and Southeast Asian nations. In Japan, as well, we have excellent Group companies with strengths in business fields where specialist expertise is required. Going forward, we 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 consider expanding our business through alliances, M&As, and other means.

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 its business. Consistent with these aims, we will further upgrade our information security systems according to ISO27001 standards, and solidify our compliance framework. We will also continue improving our internal control and reporting systems pursuant to the Financial Instruments and Exchange Act. In addition, we will fulfill our social responsibilities as a company, for example by adopting environmental management practices that conform to ISO14001 standards.

(4) Other Important Business Issues

None applicable.

Performance forecasts and other future-oriented statements contained in this report reflect the views of ADK management based on information available at the time of the report's release, and thus include inherent risks and uncertainties. Due to various changing factors, therefore, actual results may differ significantly from future predictions.

Contact:
Kaori Nakajima
Office of Corporate Communications
ASATSU-DK INC.
Tel: +81-3-3547-2003

# # #

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Financial Highlights

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
GROSS BILLINGS	350,822	347,111
YEAR-ON-YEAR GROWTH RATE (%)	1.1	0.2
GROSS PROFIT	46,169	45,836
OPERATING INCOME	3,175	3,852
YEAR-ON-YEAR GROWTH RATE (%)	(17.6)	-
ORDINARY INCOME	5,314	5,627
YEAR-ON-YEAR GROWTH RATE (%)	(5.6)	198.4
INCOME BEFORE INCOME TAXES	4,069	5,028
NET INCOME	2,781	2,293
ANNUAL DIVIDEND PER SHARE (Yen)	111.00	109.00
TOTAL ASSETS	195,163	184,188
SHAREHOLDERS' EQUITY (Shareholders' equity plus valuation and translation adjustments)	108,521	95,834
MINORITY INTERESTS	1,032	965
TOTAL NET ASSETS (Total of shareholders' equity plus minority interests)	109,559	96,800
SHAREHOLDERS' EQUITY PER SHARE (Yen)	2,567.03	2,270.23
NET INCOME PER SHARE (Yen)	65.83	54.37
CASH FLOW FROM OPERATING ACTIVITIES	2,581	8,957
CASH FLOW FROM INVESTING ACTIVITIES	(1,719)	3,779
CASH FLOW FROM FINANCING ACTIVITIES	(1,184)	(4,944)
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (YEAR)	27,264	26,519

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
Assets		
Ⅰ Current assets		
1. Cash and deposits	24,489	22,641
2. Notes and accounts receivable-trade	84,128	88,955
3. Short-term investment securities	6,471	6,334
4. Inventories	7,032	6,840
5. Deferred tax assets	534	1,133
6. Other	2,363	1,619
7. Allowance for doubtful accounts	(257)	(310)
Total current assets	124,762	127,213
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
(1) Buildings and structures	4,737	4,503
Accumulated depreciation	(2,802)	(2,670)
Buildings and structures, net	1,935	1,832
(2) Land	1,248	1,259
(3) Other	3,383	3,192
Accumulated depreciation	(2,270)	(1,973)
Other, net	1,112	1,219
Total property, plant and equipment	4,296	4,311
2. Intangible assets		
(1) Software	2,241	2,328
(2) Other	101	108
Total intangible assets	2,342	2,437
3. Investments and other assets		
(1) Investment securities	55,312	42,133
(2) Long-term loans receivable	238	238
(3) Deferred tax assets	259	412
(4) Other	9,378	9,384
(5) Allowance for doubtful accounts	(1,426)	(1,943)
Total investments and other assets	63,761	50,225
Total noncurrent assets	70,400	56,974
Total assets	195,163	184,188

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
Liabilities		
Ⅰ Current liabilities		
1. Notes and accounts payable-trade	67,130	71,382
2. Short-term loans payable	59	94
3. Current portion of long-term loans payable	246	272
4. Income taxes payable	337	740
5. Provision for bonuses	359	763
6. Provision for directors' bonuses	12	12
7. Provision for sales returns	839	600
8. Other	6,563	8,243
Total current liabilities	75,548	82,110
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	246	483
2. Deferred tax liabilities	6,584	1,581
3. Provision for retirement benefits	1,275	1,377
4. Provision for directors' retirement benefits	430	394
5. Provision for loss on guarantees	65	34
6. Other	1,453	1,405
Total noncurrent liabilities	10,055	5,277
Total liabilities	85,603	87,388
Net assets		
Ⅰ Shareholders' equity		
1. Capital stock	37,581	37,581
2. Capital surplus	13,245	20,023
3. Retained earnings	45,428	43,557
4. Treasury stock	(746)	(7,632)
Total shareholders' equity	95,508	93,530
Ⅱ Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	13,553	4,063
2. Deferred gains or losses on hedges	(2)	(76)
3. Foreign currency translation adjustment	(539)	(1,681)
Total accumulated other comprehensive income	13,012	2,304
Ⅲ Subscription rights to shares	5	―
Ⅳ Minority interests	1,032	965
Total net assets	109,559	96,800
Total liabilities and net assets	195,163	184,188

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
Ⅰ Gross billings	350,822	347,111
Ⅱ Cost of sales	304,653	301,275
Gross profit	46,169	45,836
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	22,615	21,772
2. Provision for bonuses	312	807
3. Retirement benefit expenses	2,106	2,103
4. Provision for directors' retirement benefits	49	58
5. Provision for directors' bonuses	12	12
6. Welfare expenses	3,255	3,120
7. Rent expenses	3,913	3,865
8. Provision of allowance for doubtful accounts	345	53
9. Depreciation	540	420
10. Other	9,843	9,768
Total selling, general and administrative expenses	42,993	41,983
Operating income	3,175	3,852
Ⅳ Non-operating income		
1. Interest income	248	222
2. Dividends income	1,383	1,194
3. Equity in earnings of affiliates	12	184
4. Dividends income of life insurance	68	62
5. Real estate rent	49	72
6. Other	598	289
Total non-operating income	2,362	2,025
Ⅴ Non-operating expenses		
1. Interest expenses	19	26
2. Provision of allowance for doubtful accounts	45	—
3. Expenses of real estate rent	40	47
4. Loss on insurance cancellation	24	10

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Income Statements

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
5. Foreign exchange losses	60	93
6. Other	32	73
Total non-operating expenses	224	250
Ordinary income	5,314	5,627
Ⅵ Extraordinary income		
1. Gain on sales of noncurrent assets	7	15
2. Gain on sales of investment securities	150	1,862
3. Reversal of allowance for doubtful accounts	61	23
4. Other	15	122
Total extraordinary income	234	2,023
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	20	0
2. Loss on retirement of noncurrent assets	16	14
3. Impairment loss	69	255
4. Loss on sales of investment securities	214	78
5. Loss on valuation of investment securities	28	1,278
6. Loss on valuation of investments in capital	173	115
7. Special retirement expenses	824	7
8. Settlement package	—	537
9. Other	132	335
Total extraordinary losses	1,479	2,622
Income before income taxes	4,069	5,028
Income taxes-current	753	1,072
Income taxes-deferred	511	1,651
Total income taxes	1,264	2,724
Income before minority interests	2,804	2,303
Minority interests in income	23	10
Net income	2,781	2,293

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated comprehensive income Statements

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
Ⅰ Income before minority interests	2,804	2,303
Ⅱ Other comprehensive income		
1. Valuation difference on available-for-sale securities	9,492	(3,636)
2. Deferred gains or losses on hedges	74	17
3. Foreign currency translation adjustment	1,188	(451)
4. Share of other comprehensive income of associates accounted for using equity method	—	(27)
Total other comprehensive income	10,755	(4,098)
Ⅲ Comprehensive income	13,559	(1,794)
Comprehensive income attributable to		
1. Comprehensive income attributable to owners of the parent	13,488	(1,777)
2. Comprehensive income attributable to minority interests	70	(17)

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Year Ended December 31, 2012

(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, 2011	37,581	20,023	43,557	(7,632)	93,530
Changes during the consolidated fiscal year					
Dividend payments			(851)		(851)
Net income			2,781		2,781
Increase due to newly consolidated subsidiaries			(57)		(57)
Acquisitions of treasury stock				(4)	(4)
Disposals and cancellation of treasury stock		(6,777)		6,889	112
Other decrease in retained earnings			(1)		(1)
(Net) changes of items other than shareholders' equity					
Total change during the consolidated		(6,777)	1,870	6,885	1,978
Balance as of December 31, 2012	37,581	13,245	45,428	(746)	95,508

	ACCUMULATED OTHER COMPREHENSIVE INCOME				SUBSCRIPTION RIGHTS TO SHARES	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, 2011	4,063	(76)	(1,681)	2,304	-	965	96,800
Changes during the consolidated fiscal year							
Dividend payments							(851)
Net income							2,781
Increase due to newly consolidated subsidiaries							(57)
Acquisitions of treasury stock							(4)
Disposals and cancellation of treasury stock							112
Other decrease in retained earnings							(1)
(Net) changes of items other than shareholders' equity	9,490	74	1,142	10,707	5	67	10,781
Total change during the consolidated	9,490	74	1,142	10,707	5	67	12,759
Balance as of December 31, 2012	13,553	(2)	(539)	13,012	5	1,032	109,559

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

ASATSU-DK INC. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

		Year Ended December 31, 2012	Year Ended December 31, 2011
Ⅰ	OPERATING ACTIVITIES		
	Income (loss) before income taxes	4,069	5,028
	Depreciation and amortization	1,341	975
	Decrease (increase) in notes and accounts receivable	4,757	3,535
	Increase (decrease) in notes and accounts payable	(5,303)	(3,098)
	Others-net	(2,283)	2,516
	Net cash provided by (used in) operating activities	2,581	8,957
Ⅱ	INVESTING ACTIVITIES		
	Net decrease (increase) in time deposits	(1,054)	1,212
	Purchases of investment securities	(459)	(818)
	Proceeds from sales of investment securities	1,100	4,831
	Others-net	(1,305)	(1,445)
	Net cash provided by (used in) investing activities	(1,719)	3,779
Ⅲ	FINANCING ACTIVITIES		
	Proceeds from long-term loans payable	(275)	(275)
	Net decrease (increase) in treasury stock	107	85
	Cash dividends paid	(858)	(4,613)
	Others-net	(158)	(140)
	Net cash provided by (used in) financing activities	(1,184)	(4,944)
Ⅳ	FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	1,104	(449)
Ⅴ	NET INCREASE IN CASH AND CASH EQUIVALENTS	782	7,342
Ⅵ	CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	26,519	19,127
Ⅶ	INCREASE IN CASH AND CASH EQUIVALENTS FROM NEWLY CONSOLIDATED SUBSIDIARIES	34	—
Ⅷ	DECREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM EXCLUSION OF SUBSIDIARIES FROM CONSOLIDATION	(71)	—
Ⅸ	INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM MERGER OF CONSOLIDATED AND UNCONSOLIDATED SUBSIDIARIES	—	48
Ⅹ	CASH AND CASH EQUIVALENTS, END OF THE PERIOD	27,264	26,519

ASATSU-DK INC. and Consolidated Subsidiaries

Segment Information

(Unaudited and before reclassifications and rearrangements)

Year Ended December 31, 2012

Millions of Yen

	Reportable segments			Adjustment	Amount on Consolidated Income Statements
	Advertising	Non-advertising	Total		
GROSS BILLINGS					
1. Billings to customers	344,135	6,686	350,822	-	350,822
2. Inter-segment billings	2	3	5	(5)	-
Total billings	344,138	6,690	3,161	(5)	350,822
Segment income (loss)	3,587	(425)	195,346	13	3,175

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

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.

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
Assets		
Ⅰ Current assets		
1. Cash and deposits	9,797	9,266
2. Notes receivable-trade	3,685	3,795
3. Accounts receivable-trade	67,932	73,682
4. Short-term investment securities	6,119	6,085
5. Inventories	4,429	3,813
6. Advance payments-trade	1,000	894
7. Prepaid expenses	87	93
8. Deferred tax assets	366	956
9. Accounts receivable-other	693	157
10. Other	324	480
11. Allowance for doubtful accounts	(167)	(191)
Total current assets	94,268	99,036
Ⅱ Noncurrent assets		
1. Property, plant and equipment		
(1) Buildings	2,635	2,409
Accumulated depreciation	(1,408)	(1,365)
Buildings, net	1,226	1,043
(2) Vehicles	88	93
Accumulated depreciation	(64)	(73)
Vehicles, net	23	20
(3) Tools, furniture and fixtures	1,042	1,035
Accumulated depreciation	(799)	(754)
Tools, furniture and fixtures, net	243	280
(4) Land	321	327
(5) Lease assets	530	519
Accumulated depreciation	(230)	(129)
(6) Lease assets, net	299	389
Total property, plant and equipment	2,114	2,061

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
2. Intangible assets		
(1) Leasehold right	1	1
(2) Software	2,088	2,219
(3) Lease assets	1	2
(4) Other	76	76
Total intangible assets	2,169	2,300
3. Investments and other assets		
(1) Investment securities	14,165	13,812
(2) Stocks of subsidiaries and affiliates	46,288	33,743
(3) Investments in capital	119	120
(4) Investments in capital of subsidiaries and affiliates	1,043	837
(5) Long-term loans receivable from employees	103	190
(6) Long-term loans receivable from subsidiaries and affiliates	95	100
(7) Claims provable in bankruptcy, claims provable in rehabilitation and other	722	697
(8) Long-term prepaid expenses	13	30
(9) Guarantee deposits	4,361	3,778
(10) Other	2,058	2,612
(11) Allowance for doubtful accounts	(1,194)	(1,451)
Total investments and other assets	67,778	54,471
Total noncurrent assets	72,062	58,832
Total assets	166,330	157,869

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
Liabilities		
Ⅰ Current liabilities		
1. Notes payable-trade	8,861	10,907
2. Accounts payable-trade	50,880	54,106
3. Current portion of long-term loans payable	164	164
4. Lease obligations	83	81
5. Accounts payable-other	2,046	2,543
6. Income taxes payable	78	367
7. Advances received	485	62
8. Deposits received	327	555
9. Provision for bonuses	—	504
10. Other	405	604
Total current liabilities	63,332	69,898
Ⅱ Noncurrent liabilities		
1. Long-term loans payable	246	410
2. Lease obligations	157	239
3. Deferred tax liabilities	6,551	1,549
4. Provision for retirement benefits	250	378
5. Provision for loss on guarantees	65	34
6. Other	1,026	935
Total noncurrent liabilities	8,298	3,547
Total liabilities	71,630	73,445
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	5,406	12,184
Total capital surplus	13,245	20,023

ASATSU-DK INC.

Non-consolidated

Balance Sheets

December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	December 31, 2012	December 31, 2011
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	3,431	2,739
Total retained earnings	31,306	30,614
4. Treasury stock	(746)	(7,632)
Total shareholders' equity	81,387	80,587
Ⅱ Valuation and translation adjustments		
1. Valuation difference on available-for-sale securities	13,308	3,912
2. Deferred gains or losses on hedges	(2)	(76)
Total valuation and translation adjustments	13,306	3,835
Ⅲ Subscription rights to shares	5	—
Total net assets	94,699	84,423
Total liabilities and net assets	166,330	157,869

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
Ⅰ Gross billings	303,422	301,878
Ⅱ Cost of sales	270,609	268,721
Gross profit	32,812	33,156
Ⅲ Selling, general and administrative expenses		
1. Salaries and allowances	16,099	15,790
2. Provision for bonuses	―	504
3. Retirement benefit expenses	1,797	1,741
4. Legal welfare expenses	1,777	1,788
5. Traveling and transportation expenses	992	1,025
6. Rent expenses	2,394	2,422
7. Provision of allowance for doubtful accounts	335	―
8. Depreciation	335	240
9. Entertainment expenses	551	586
10. Computer expenses	1,744	1,509
11. Other	5,443	5,813
Total selling, general and administrative expenses	31,470	31,421
Operating income	1,341	1,734
Ⅳ Non-operating income		
1. Interest income	59	58
2. Interest on securities	13	12
3. Dividends income	1,559	1,397
4. Dividends income of life insurance	68	37
5. Other	358	208
Total non-operating income	2,059	1,714
Ⅴ Non-operating expenses		
1. Interest expenses	10	12
2. Sales discounts	0	0
3. Provision of allowance for doubtful accounts	45	―
4. Expenses of real estate rent	14	18

ASATSU-DK INC.

Non-consolidated

Income Statements

Year Ended December 31, 2012

(Unaudited and before reclassifications and rearrangements)

Millions of Yen

	Year Ended December 31, 2012	Year Ended December 31, 2011
5. Loss on investments in partnership	1	14
6. Loss on insurance cancellation	24	10
7. Other	8	6
Total non-operating expenses	105	62
Ordinary income	3,296	3,387
Ⅵ Extraordinary income		
1. Gain on sales of investment securities	139	607
2. Gain on sales of subsidiaries and affiliates' stocks	9	2,331
3. Reversal of allowance for doubtful accounts	61	9
4. Other	15	100
Total extraordinary income	226	3,049
Ⅶ Extraordinary loss		
1. Loss on sales of noncurrent assets	7	―
2. Loss on retirement of noncurrent assets	13	2
3. Impairment loss	69	255
4. Loss on sales of investment securities	79	78
5. Loss on valuation of investment securities	27	904
6. Loss on valuation of investments in capital of subsidiaries and affiliates	173	115
7. Provision of allowance for doubtful accounts	7	12
8. Special retirement expenses	811	3
9. Settlement package	―	537
10. Other	387	490
Total extraordinary losses	1,575	2,400
Income before income taxes	1,947	4,035
Income taxes-current	37	382
Income taxes-deferred	366	1,350
Total income taxes	403	1,732
Net income	1,543	2,302

ASATSU-DK INC.

Non-consolidated

Statements of Changes in Net Assets
Year Ended December 31, 2012

(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 31,2011	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			(6,777)	(6,777)
(Net) changes of items other than shareholders' equity				
Total changes during the non-consolidated fiscal year	-	-	(6,777)	(6,777)
Balance as December 31,2012	37,581	7,839	5,406	13,245

	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 brought forward			
Balance as December 31,2011	1,555	1,100	25,219	2,739	30,614	(7,632)	80,587
Changes during the non-consolidated fiscal year							
Dividend payments				(851)	(851)		(851)
Net income				1,543	1,543		1,543
Acquisitions of treasury stock						(4)	(4)
Disposals and cancellation of treasury stock						6,889	112
(Net) changes of items other than shareholders'equity							
Total changes during the non-consolidated fiscal year	-	-	-	691	691	6,885	799
Balance as December 31,2012	1,555	1,100	25,219	3,431	31,306	(746)	81,387

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-	Deferred gains or losses on hedges	Total valuation and translation adjsutments		
Balance as December 31,2011	3,912	(76)	3,835	-	84,423
Changes during the non-consolidated fiscal year					
Dividend payments					(851)
Net income					1,543
Acquisitions of treasury stock					(4)
Disposals and cancellation of treasury stock					112
(Net) changes of items other than shareholders'equity	9,396	74	9,470	5	9,476
Total changes during the non-consolidated fiscal year	9,396	74	9,470	5	10,276
Balance as December 31,2012	13,308	(2)	13,306	5	94,699

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 brought forward			
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 securities	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