



20th December, 2011

To Whom It May Concern

Company name	TYO Inc.
Representative	Hiroaki Yoshida
President and CEO	(JASDAQ Code No.: 4358)
Contact	Hiroaki Uekubo, Executive and Chief of Business Strategy Headquarters
TEL	03-5434-1586

### Notice about appropriation of extraordinary loss

A resolution was passed at a board of directors' meeting held on 20th December, 2011, that Great Works AB (hereinafter referred to as "GWAB"), which is owned by TYO, Inc., would transfer its shares and loan claims leading us to enter into a contract regarding this matter. We are now expected to post extraordinary losses in connection with this matter, so we hereby inform you of the following.

#### 1. Reason for transfer

We established the leading Western web production companies, Great Works AB (Sweden), Great Works S.L. (Spain), and Great Works America Inc. (U.S.) as consolidated subsidiaries in March, 2007 in order to develop our web business across national boundaries.

However, the above three companies were affected by their main clients cutting advertising expenses due to the worldwide recession arising from the 2008 American subprime loan problem and due to recent financial instability in Europe. This meant that they were unable to achieve performance goals concerning turnover and profits, putting significant pressure on our consolidated profits. As a result, we decided to dissolve Great Works S.L. in July, 2011 and Great Works America Inc. in August of the same year.

When we examined whether to implement fundamental corporate restructuring measures for GWAB by widely reviewing management capabilities and profit management systems, or to promptly dissolve or sell the said company, GWAB made a proposal to carry out a management buyout by purchasing TYO Inc.'s shares and loan claims. We assessed that executing this proposal would minimize our losses and produce future increased consolidated profits, so today we passed a resolution at our board of directors' meeting to enter into a contract regarding the transfer of our shares and loan claims.

We are now expected to post extraordinary losses in accordance with the settlement of this contract. There will be no cash out (receipt of a transfer charge) and no additional loan to avoid GWAB's insolvency as a result of additional losses incurred by GWAB from the second half of the fiscal year, and it will no longer be necessary for us to bear responsibility for investing in human, financial and temporal resources to manage the said company. As far as TYO, Inc. is concerned, this matter will in effect allow

us to finally write-off our losses and enables us to more effectively invest our resources in the core business of the group from here on.

Incidentally, as a part of our mid-term business plan we aim to expand overseas (prior investment in emerging markets) targeting Japanese-owned companies entering the foreign market. We will now eliminate loss factors by excluding from consolidation non-core unprofitable overseas subsidiaries that do not mainly target Japanese-owned companies among their overseas business activities, and we aim to rapidly improve performance by investing management resources in the support of Japanese-owned company clients in emerging markets (Asian zone etc.)

Our subsidiaries, Great Works Co., Ltd. (Japan) and Great Works China Co., Ltd. will continue to cooperate with GWAB in projects while using the "Great Works" brand.

## 2. GWAB Summary

(1) Trade name: Great Works AB

(2) Location: Drottninggatan 89, SE-113 60 Stockholm, Sweden

(3) Name of representative director: Walsten Magnus

(4) Main business: Interactive agency

(5) Amount of stated capital: 1,688,000 yen

(6) Establishment date: April 2nd, 2002

(7) Major shareholder and ratio of shareholding: TYO, Inc. - 60%, Great Works Group AB - 40.0%

(8) Relationship with TYO, Inc.

Capital ties: TYO, Inc. owns 60.0% of the said company's shares.

Personal relationship: Not applicable

Business relationship: Not applicable

Situation concerning the related party: Consolidated subsidiary of TYO, Inc.

(9) Financial status and operating results for the last 3 years  
(Rounded down to million yen)

	Term ending June, 2009	Term ending June, 2010	Term ending June, 2011
Sales	766	838	706
Operating profit	4	71	-55
Ordinary profit	3	57	-42
Current net income	0	41	-42
Net assets	10	45	6
Total assets	256	297	341
Net assets per share	0	0	0
Current net income per share	0	0	0

## 3. No. of transferred shares, transfer price, and owned shares prior to transfer

(1) No. of owned shares prior to transfer 600 shares (TYO, Inc.'s owned proportion - 60.00%)

(2) No. of transferred shares 600 shares (transfer price: 1 yen)

(3) No. of owned shares after transfer 0 shares (TYO, Inc.'s owned proportion - 0.00%)

## 4. Assigned accounts and transfer price

(1) Assigned accounts 176,275,800 yen

(2) Transfer price 70,000,000 yen

5. Date of transfer

December 20th, 2011 - resolution was passed at a board of directors' meeting / contract entered into to transfer shares and claims

December 20th, 2011 - Date of transfer of shares and claim

6. Extraordinary loss

In connection with this transfer of shares and claim, it is expected that the extraordinary loss will be posted at 503 million yen individually and at 316 million yen consolidated in the settlement of accounts for the term ending July, 2012.

7. Future outlook

The effect this matter will have on the second quarter of the term ending July, 2012 and full business year consolidated performance is currently being examined, and any matters that we believe require announcement will be promptly disclosed.